

The background of the slide features a large, faint, light blue seal of the State of Oregon. The seal is circular and contains an eagle with wings spread, perched on a shield. Below the eagle is a banner with the text "THE UNION". At the bottom of the seal, the year "1859" is inscribed. The words "STATE OF OREGON" are written around the perimeter of the seal.

Oregon's Economic and Housing Outlook

January 2023

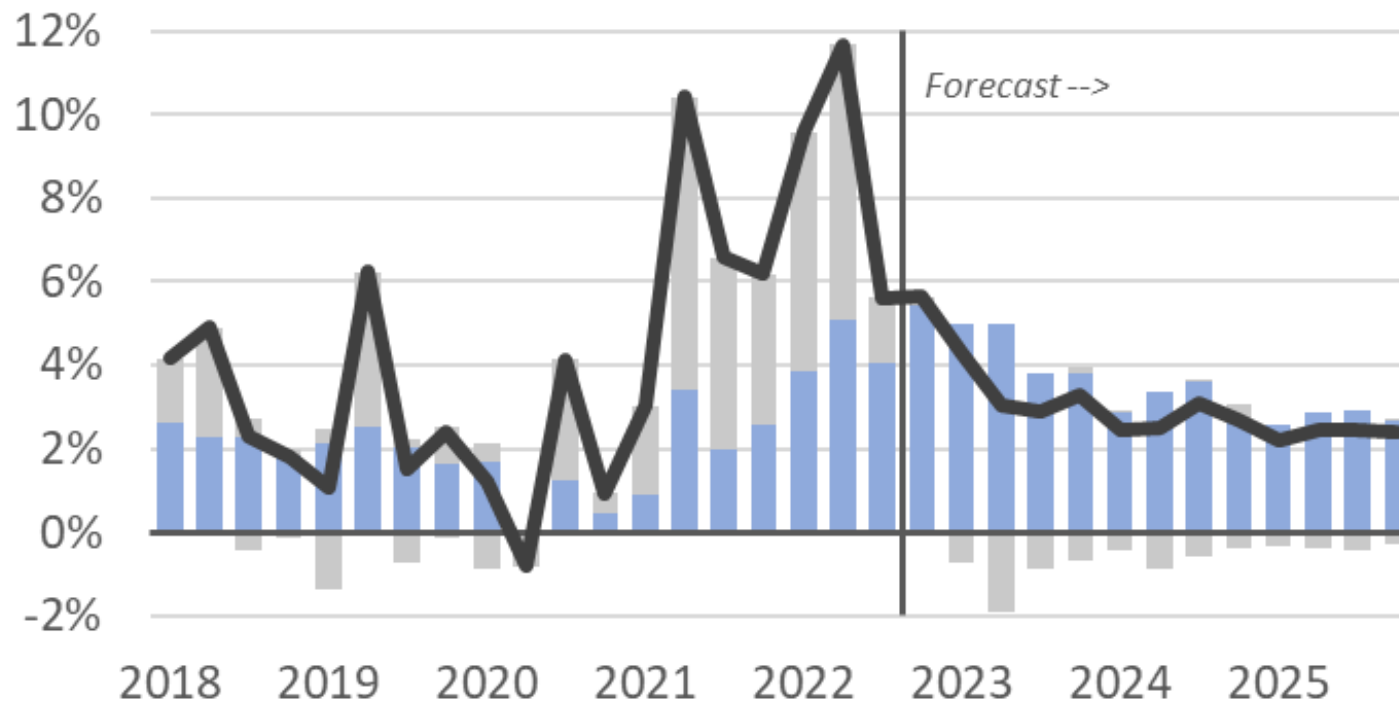
Oregon Office of Economic Analysis
Josh Lehner



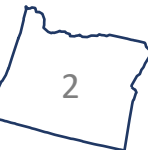
Inflation is the key macroeconomic issue

West Region Consumer Price Index

Decomposing **Total** quarter-over-quarter inflation at annualized rates and contributions from **Food, Energy, and Goods**, and **Services**



- Inflation is not costless
- Federal Reserve
 - Higher rates slow economy, but with a 1–2 year lag
 - Chair Powell admits path to the soft landing has narrowed
- Inflation Outlook
 - Headline inflation slows some due to gas prices and easing supply chains
 - Full return to 2% Fed target is harder and a multiyear process
- Oregon public policies
 - Fees indexed for inflation, public wage negotiations, minimum wage, rent stabilization, etc

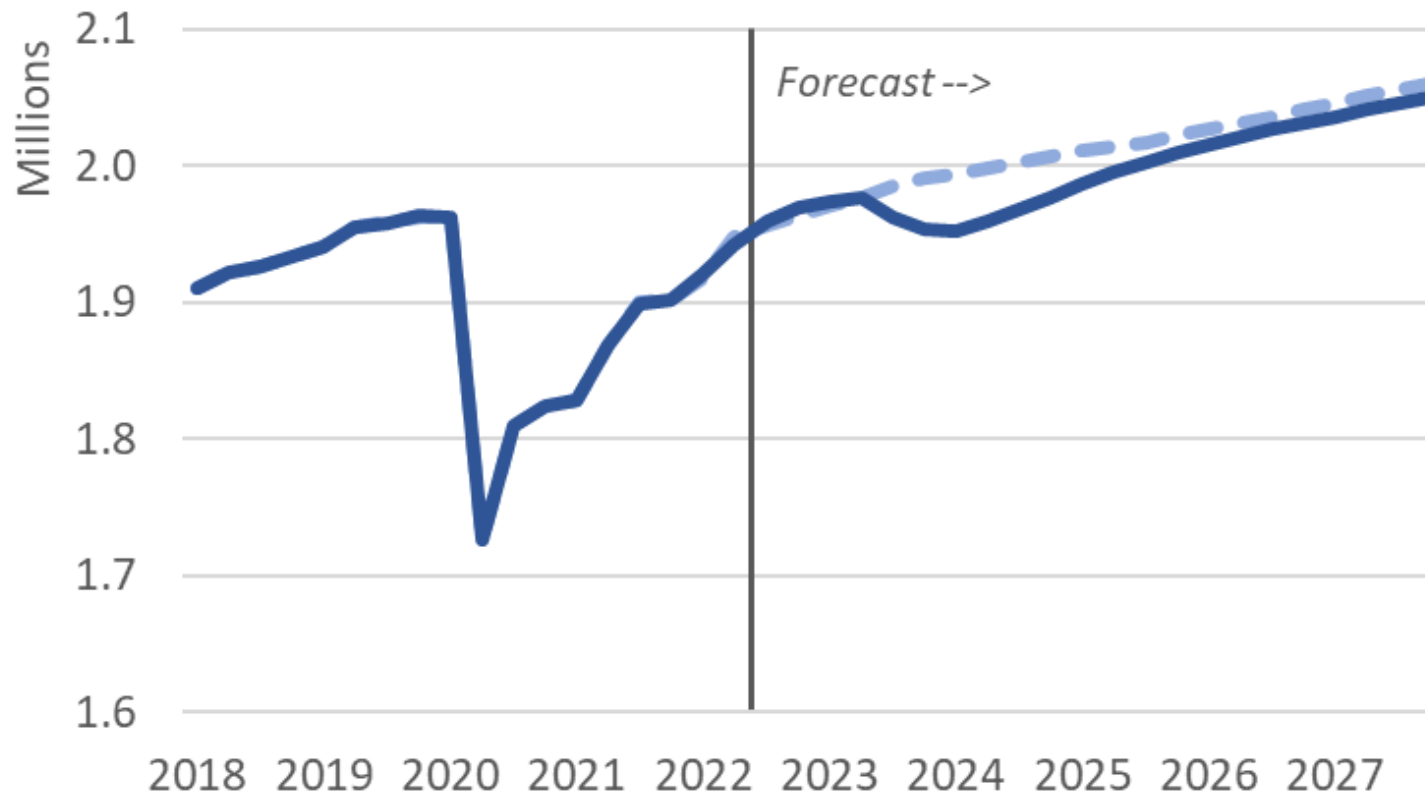




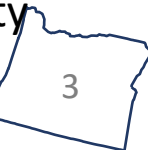
Inflationary booms do not end well

Oregon Employment

December 2022 Forecast | September 2022 Forecast



- Mild Recession
 - Oregon loses 24,000 jobs, for a 1.2% decline
 - Income and spending slow, but remain positive
 - Mild due to inflation expectations, labor hoarding, strong household finances
- Nature of Recession
 - More technical than fundamental, driven by declines in housing and business investment due to high interest rates
 - Larger expected losses in construction, finance, manufacturing, transportation and warehousing
 - Smaller expected losses in health care and leisure and hospitality

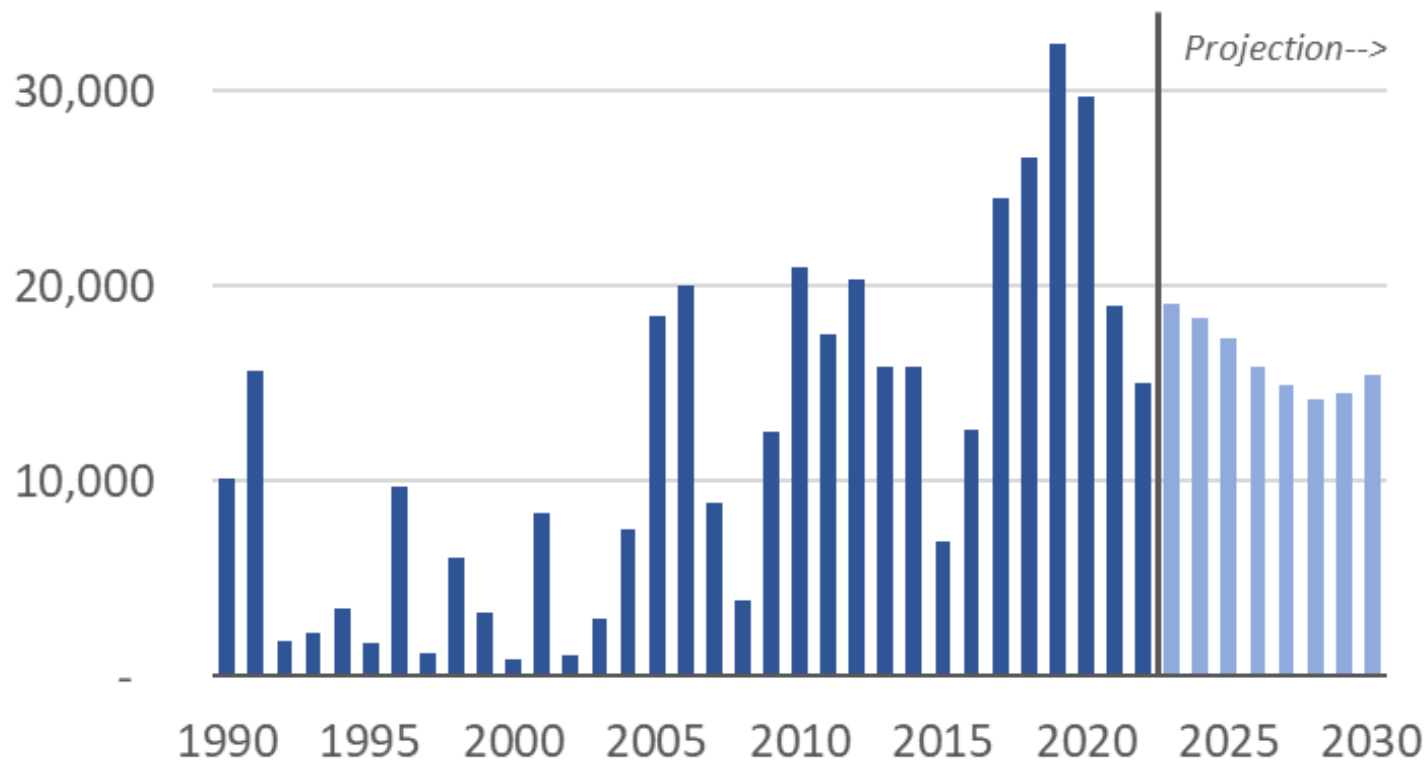




Labor market is *structurally* tight

Oregon Retirements

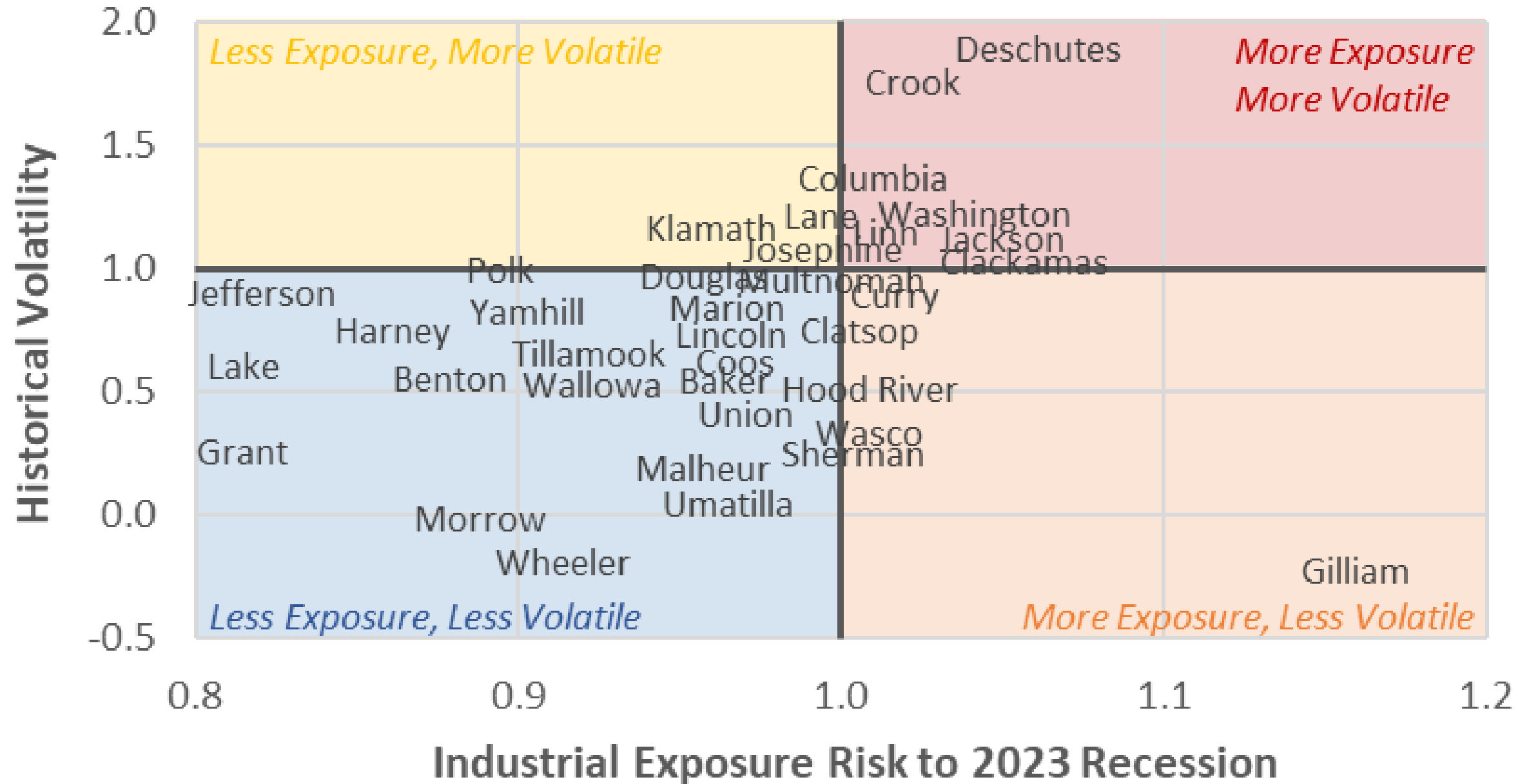
Annual change in Oregonians 60+ years old not in the labor force



- Strong, inclusive recovery
 - Disparities did not widen based on age, educational attainment, gender, geographic location, or race and ethnicity
 - Disparities did widen based on wealth
- Job vacancies near record highs
 - More self-employment
 - Fewer multiple jobholders
 - More worker quits
- Structural labor challenges
 - Pandemic deaths
 - International migration
 - Demographics



Oregon Counties and Recession



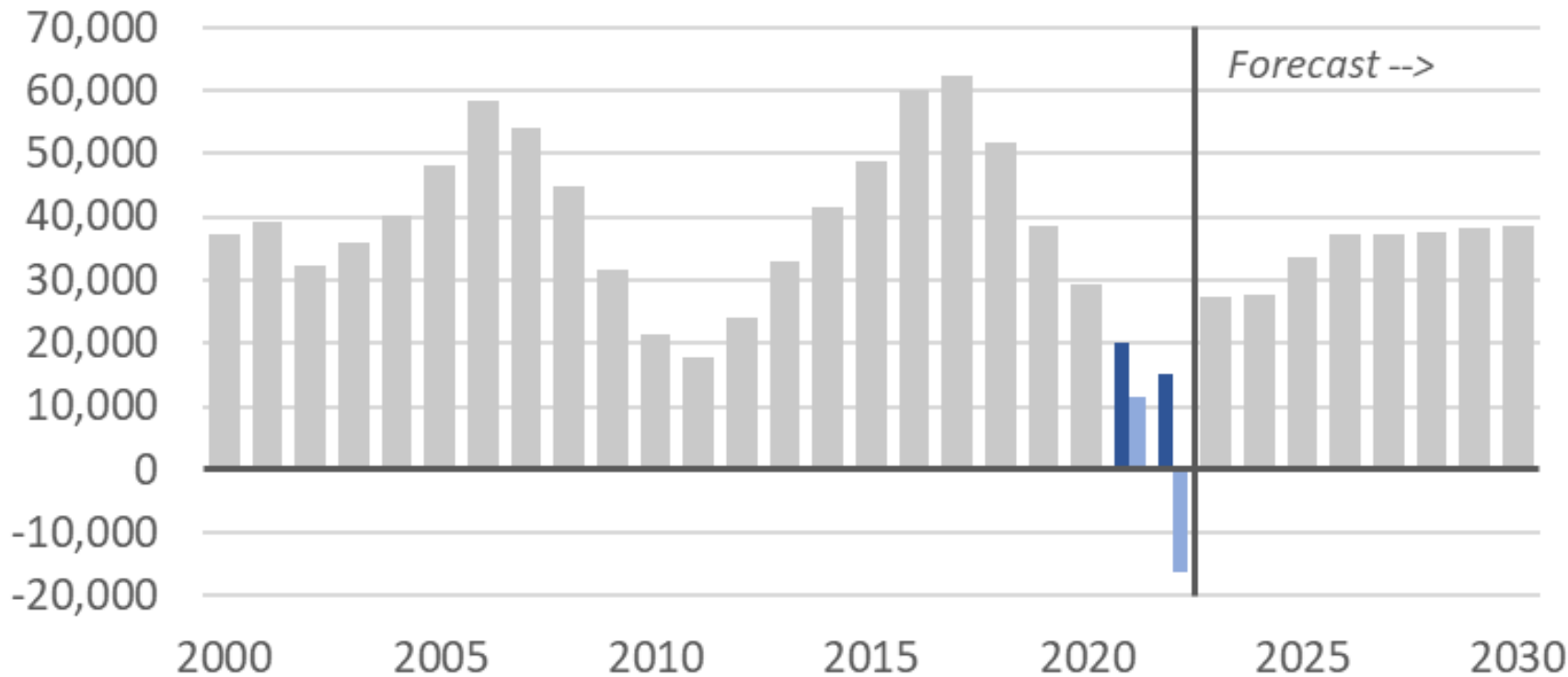


No pandemic migration boom

Oregon Pandemic Population Growth

Annual change in total state population

OEA History and Forecast, [Portland State Estimates](#), [Census Bureau Estimates](#)



- Primary reason Oregon grows faster than U.S.
 - Local businesses can hire and expand at faster rate
- Weakness has been in urban cores of large metros nationwide
- Forecast
 - Migration has historically been pro-cyclical
 - Surrendered driver licenses at Oregon DMVs are strong
 - Deaths are rising, and birthrate is very low

Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

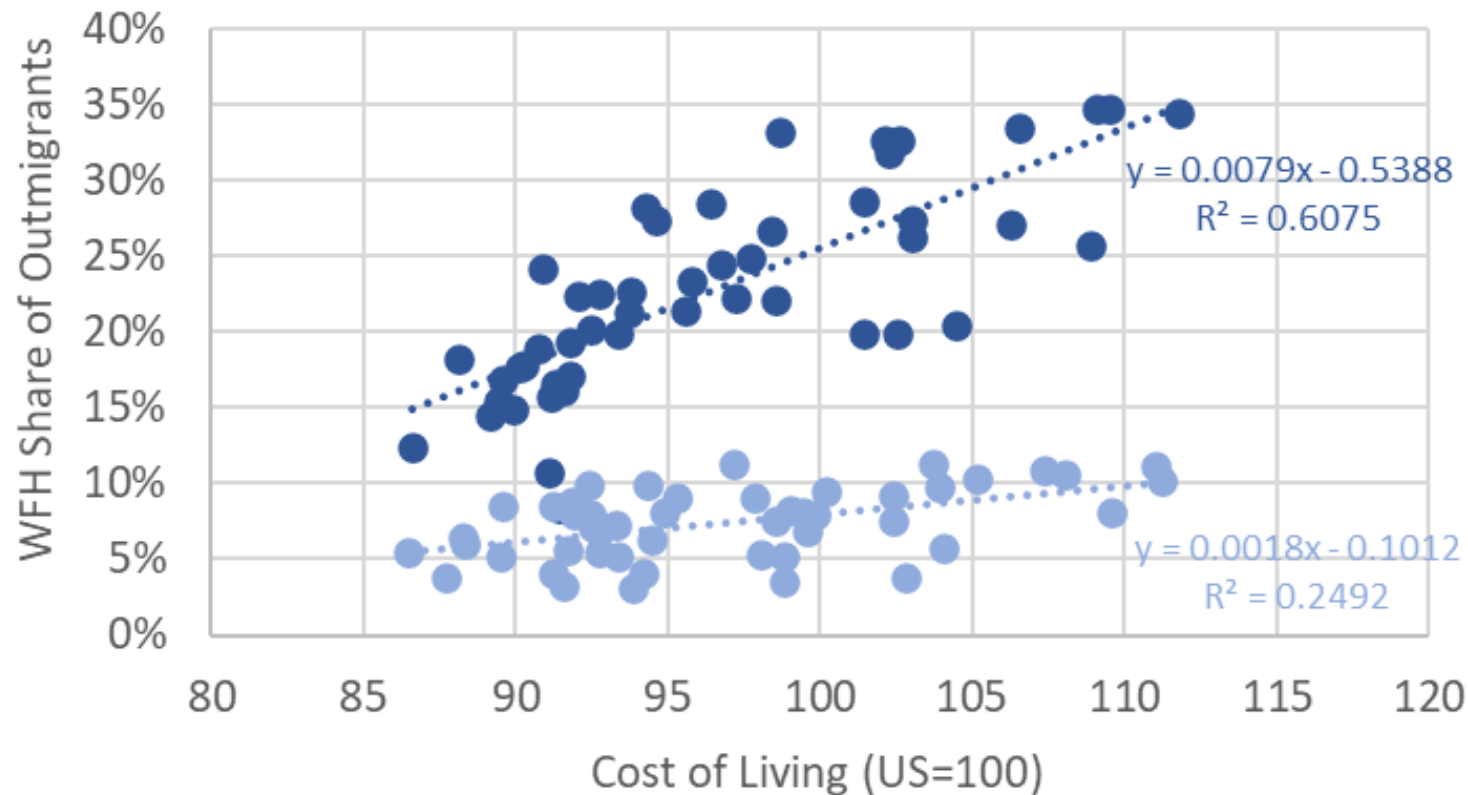




Working from Home outmigration increased the most from high-cost states and metros

WFH Outmigration from High-Cost States

Share of workers leaving each state who work from home in 2019 and 2021



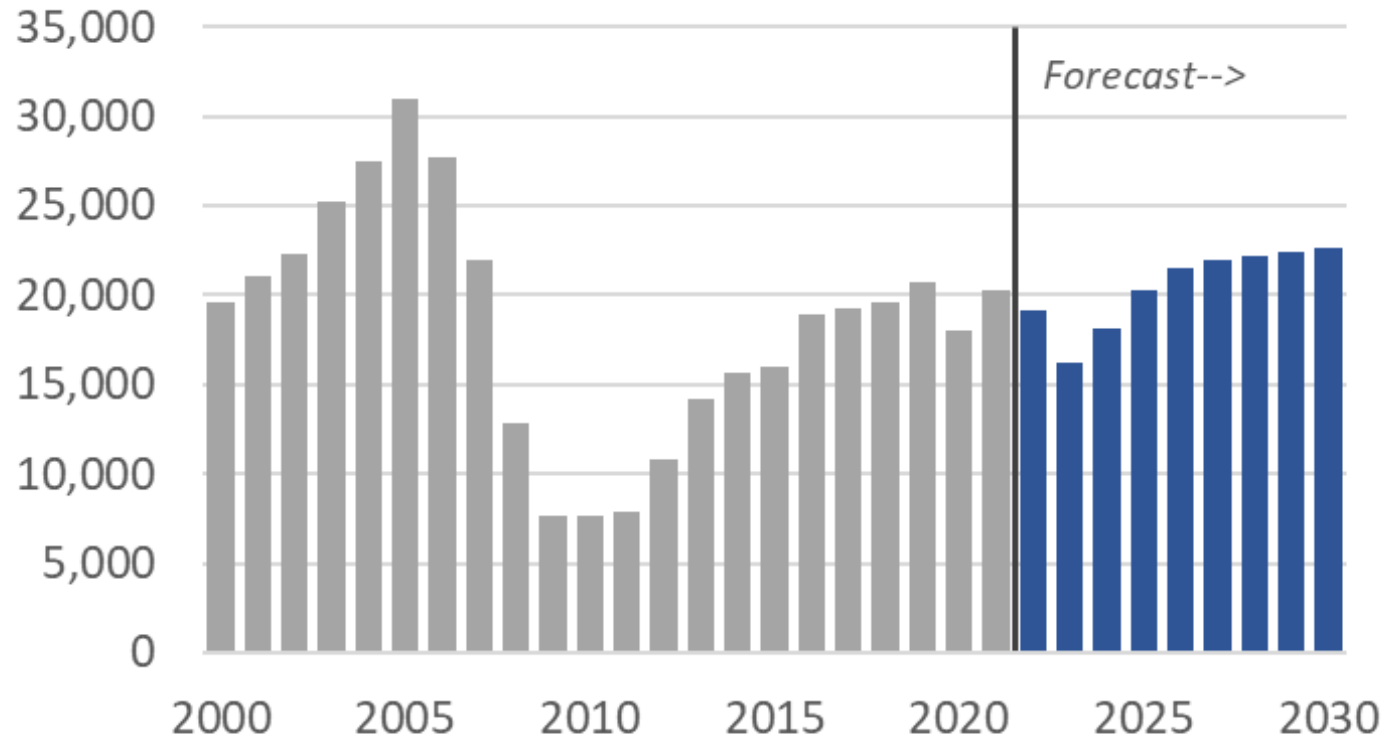
- Pre-pandemic, every part of Oregon was average or above average on WFH and broadband access
- Question is WFH impacts a one-time adjustment or a process that is just getting started?
- In 2021 the WFH impacts were an urban-suburban-rural dynamic. Has that continued or are new regional patterns emerging?





Housing is a macro risk to Oregon

Oregon Housing Starts



Source: Census, Oregon Office of Economic Analysis

- Oregon has underbuilt housing by 140,000 units in recent decades
- Industry running into supply side constraints
 - Financing, Land, Lots, Labor, Permitting Process
 - No productivity gains
- Affordability issues
 - Current residents struggle with outright lack of available units
 - Low-income households impacted the most
 - Future economic and revenue growth will be slower if fewer households can afford to move to or live in Oregon
- Outlook
 - Minimal growth in housing starts and construction employment, largely keeping with slower population forecast
 - Underproduction shortfall not made up





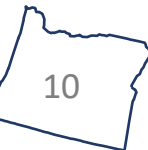
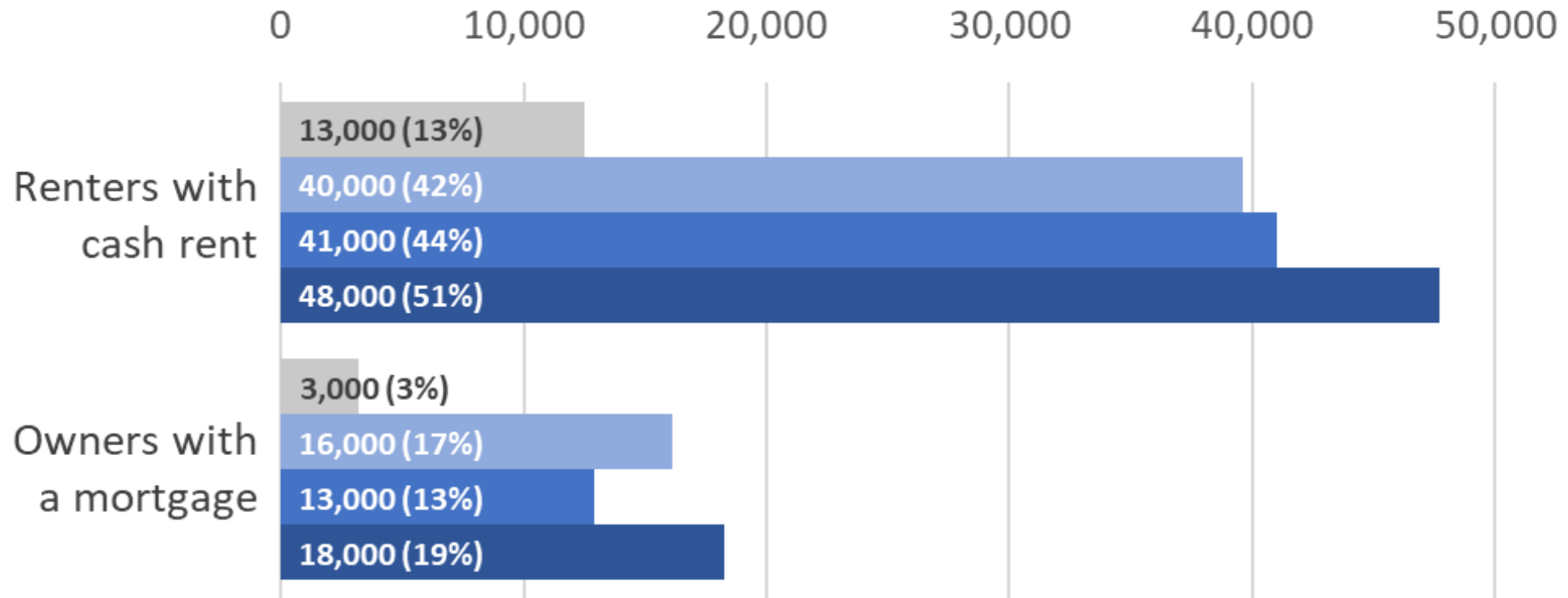
Increasing Oregon's housing production

- Increase land availability
- Turn land into buildable lots faster (the *effective* land supply)
- Allow more units to be built
- Decrease, or at least stabilize development costs per unit
- Increase the construction workforce including local government planning and building departments



Washington County Households Struggling with Housing Costs

County households living below the federal poverty threshold, or that spend more than 30% of income on housing, do not have enough residual income after paying for housing, or have income below MIT's Living Wage

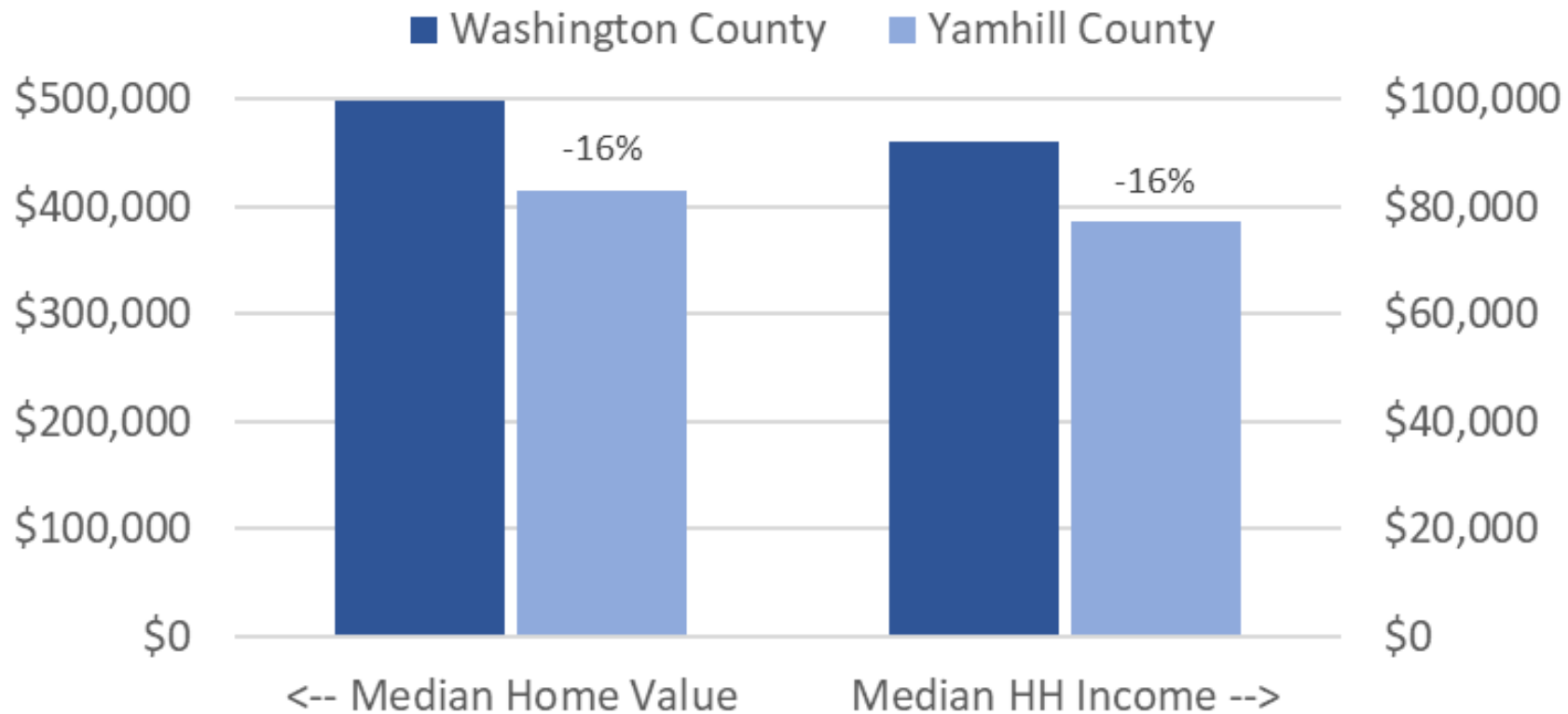




A note on relative affordability

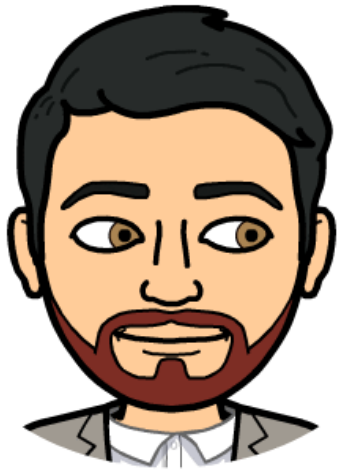
Affordability and Sorting

2021 American Community Survey





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