

# Washington Economic Outlook

Presented to  
Workforce Training and Education Coordinating Board

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Des Moines, Washington



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL



# Summary

update

- Our economic forecast expects continued moderate growth in the U.S. and Washington economies
- We expect moderate growth in oil prices over the forecast period
- The forecast assumes the Federal Reserve will increase interest rates twice this year
- Risks to the baseline include slowing global and U.S. economic growth, impact of a stronger dollar on exports, and weaker manufacturing activity



# Economic news continues to suggest risks to forecast

update

## Upside:

- Declining unemployment rates and initial unemployment claims
- Growth in housing starts and home sales (new and existing)
- Moderate wage growth

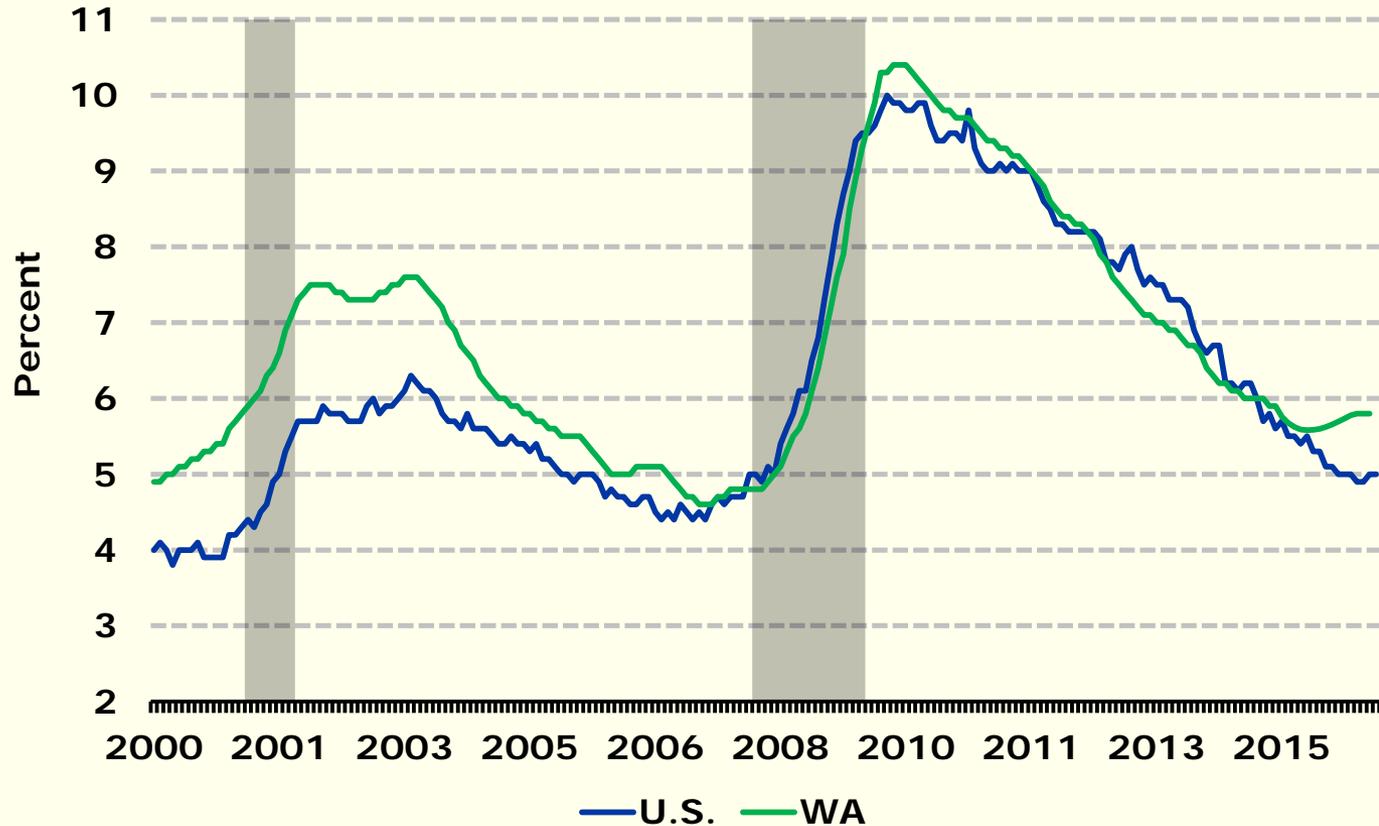
## Downside:

- Slower U.S. GDP growth
- Slowing global economy
- Negative impact of stronger dollar on exports
- Stock market volatility



# U.S., WA unemployment rates trending down

update





# Number of long-term unemployed workers remains above pre-recession levels

Long-term unemployed as share of all unemployed:

Apr. 2010: 45%

Apr. 2016: 26%

update

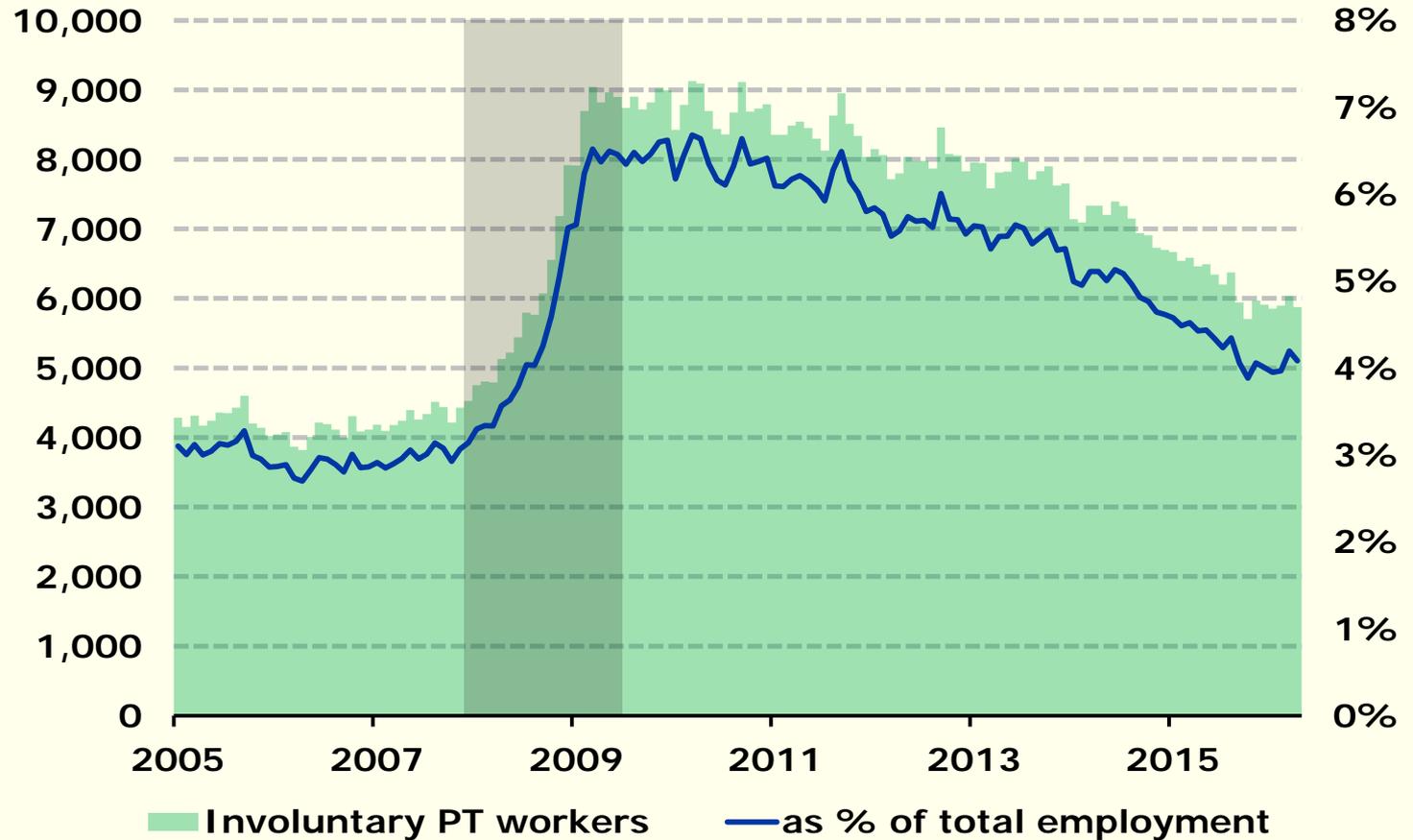


Source: Bureau of Labor Statistics; U.S. data through April 2016



# Involuntary part-time employment remains above pre-recession levels

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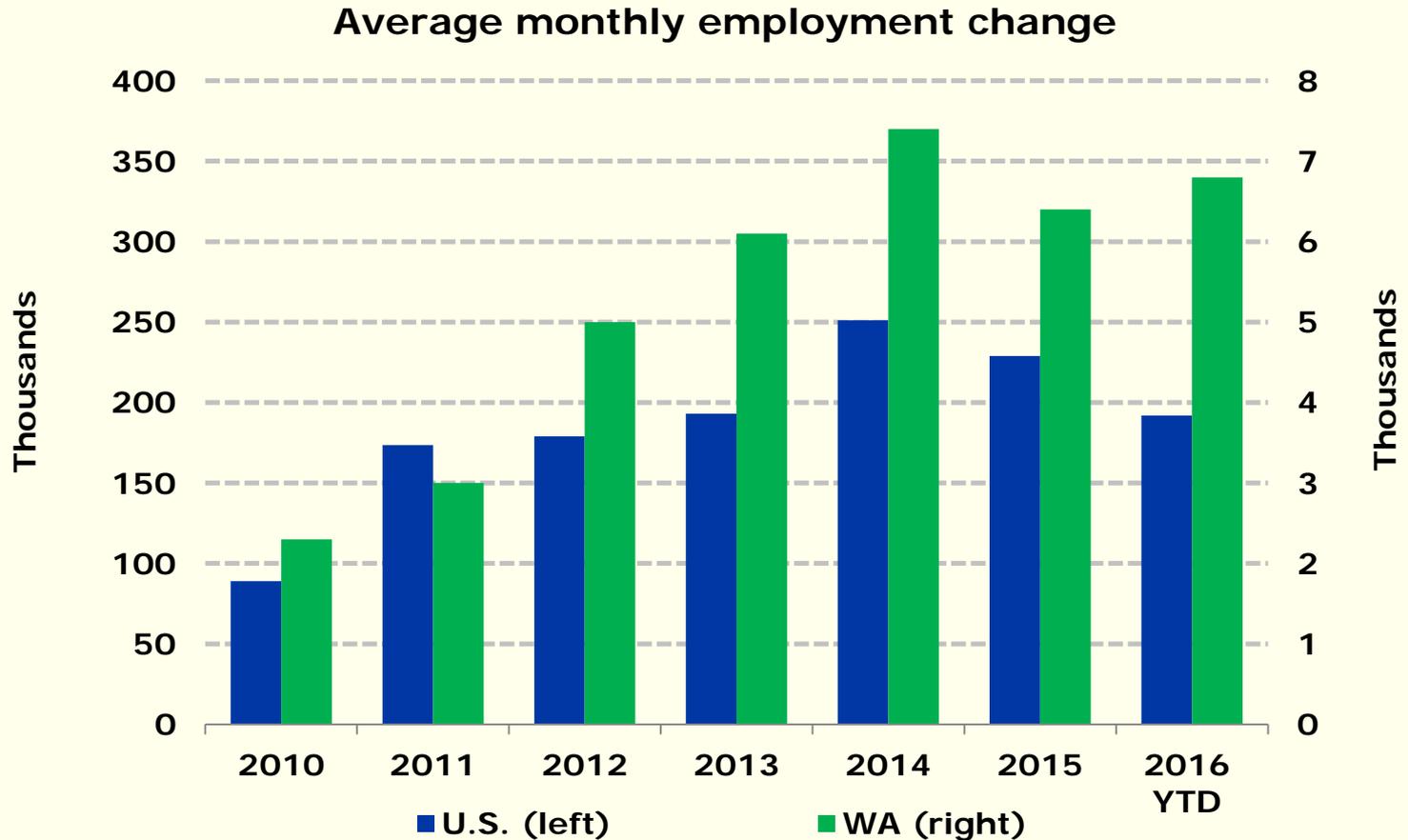


Source: U.S. Bureau of Labor Statistics; U.S. data through Mar. 2016



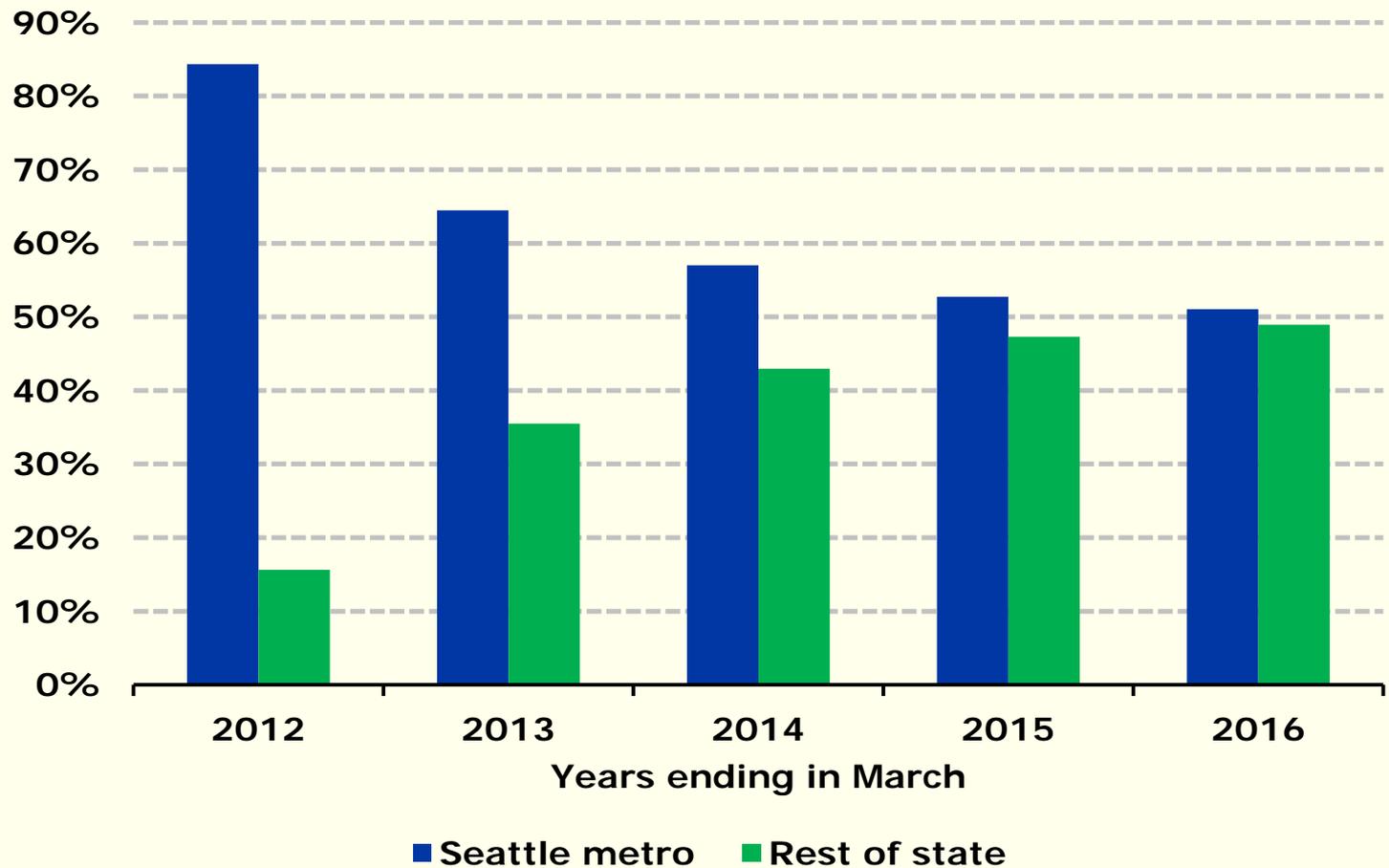
# So far in 2016, U.S. & WA adding jobs at similar pace to last year

update





# Fraction of statewide employment change, Seattle vs. rest of state

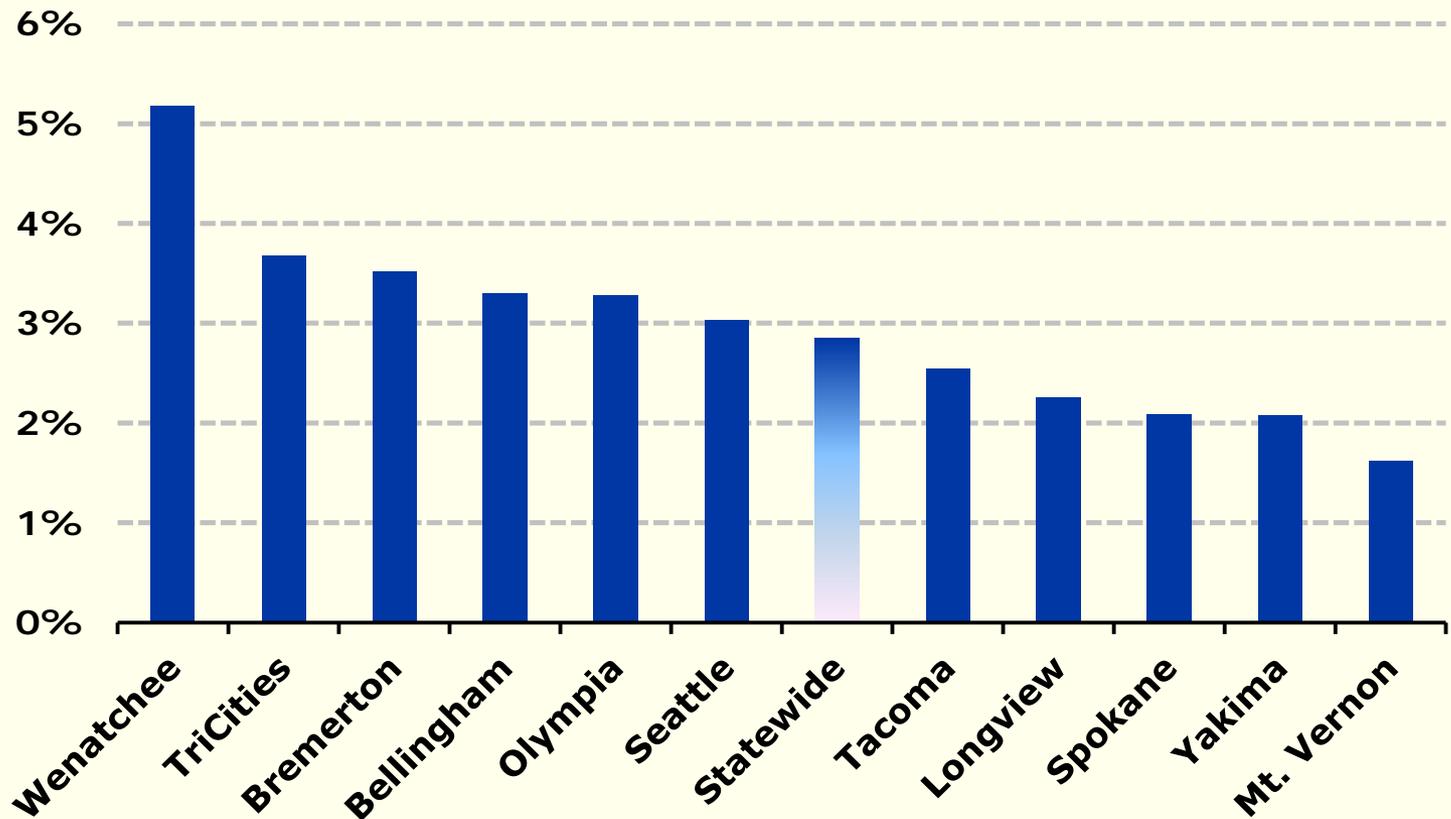


Source: Bureau of Labor Statistics



# Employment growth varied widely across state metro areas

2015 employment growth by metro area





# Washington Employment Trends

Washington has gained 388,000 <sup>update</sup> nonfarm jobs since February 2010

Employment Change since Trough (thousands)



Source: U.S. Dept. of Labor, BLS; ESD; ERFC; data through Mar. 2016



# Weekly wages are growing but at a fairly moderate pace

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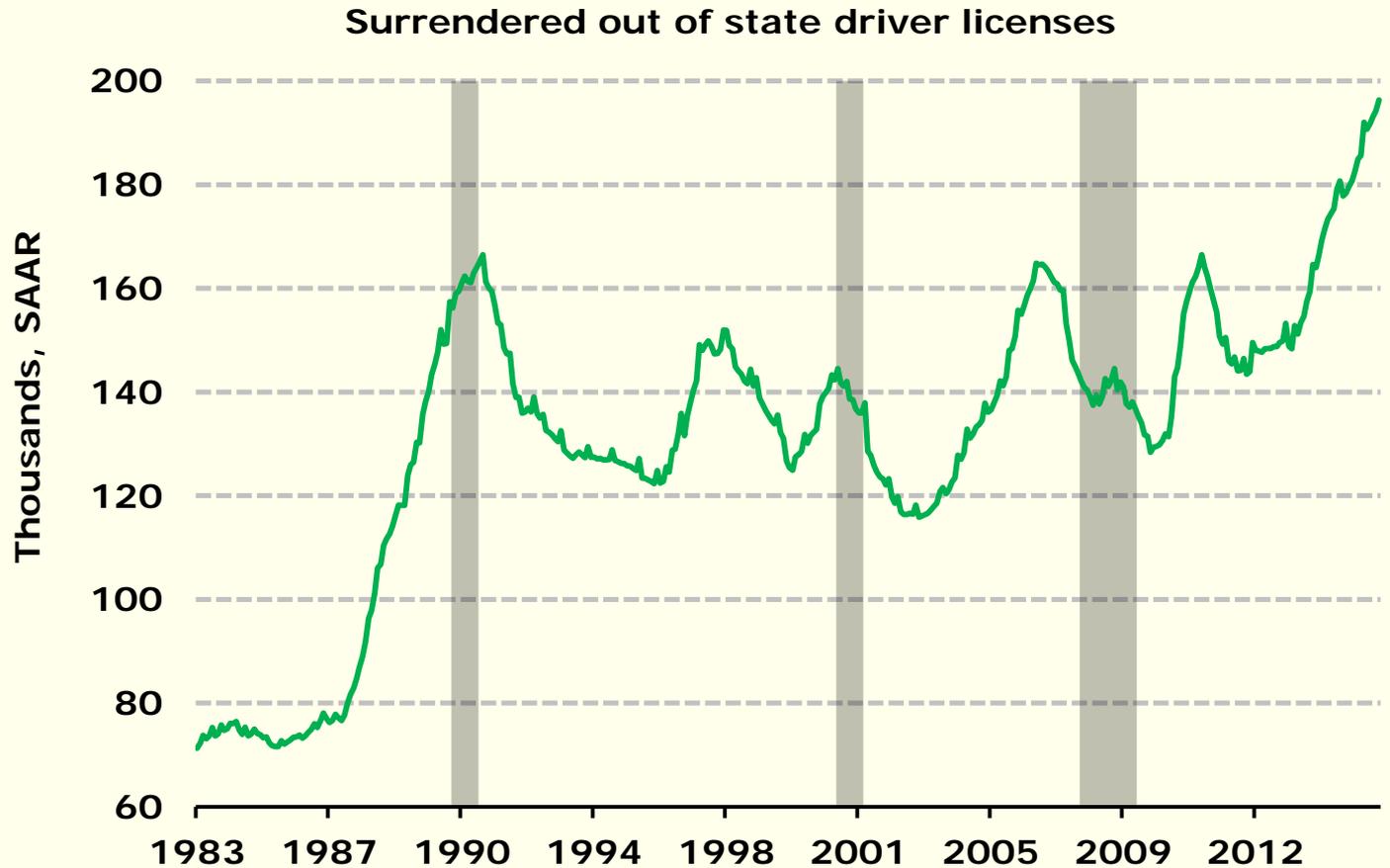
Source: U.S. Bureau of Labor Statistics, quarterly data through 2015 Q3

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# WA in-migration continues to climb

update

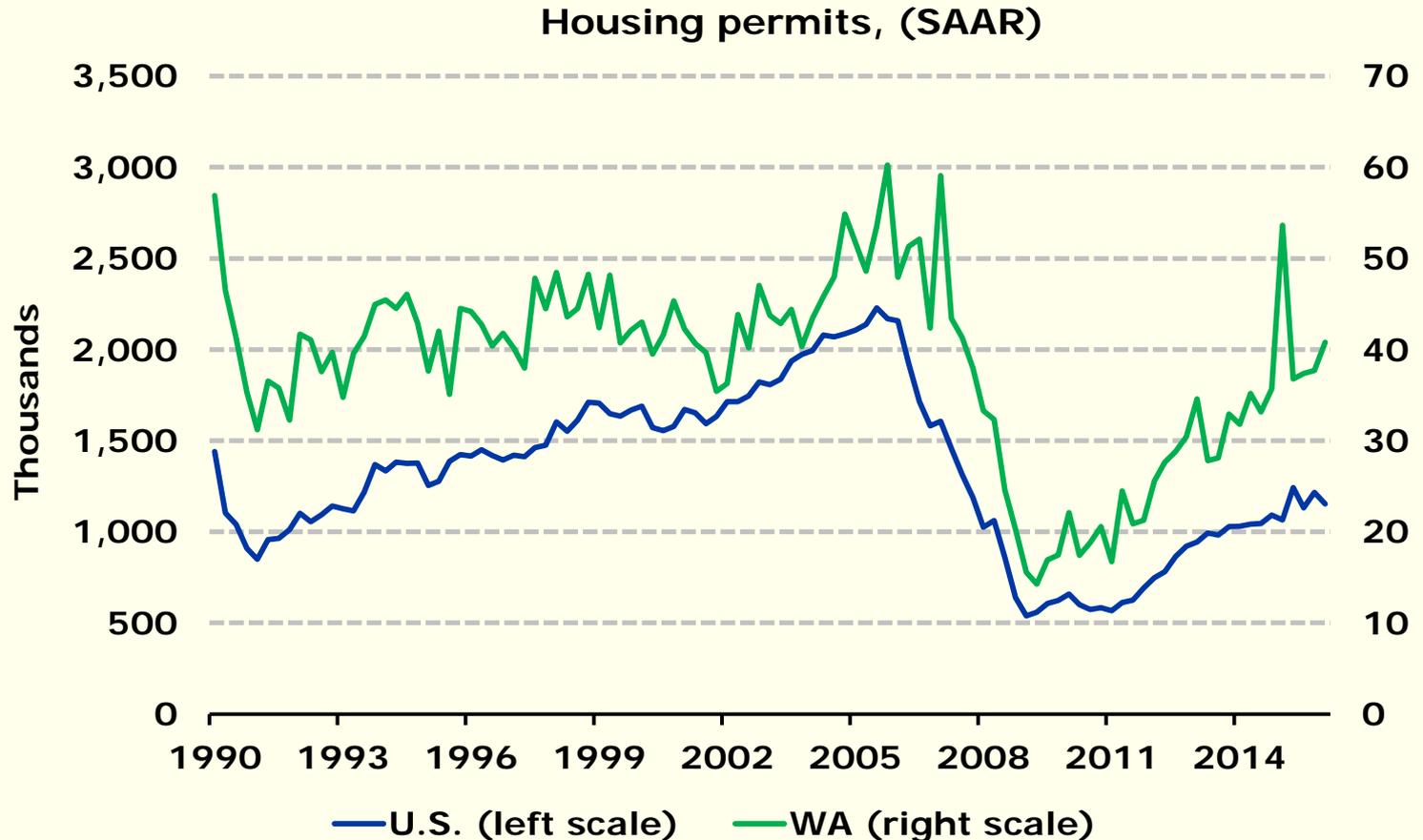


Source: WA Dept. of Licensing, ERFC; data through Mar. 2016



# Both U.S. and WA housing permits trending up since 2011

update

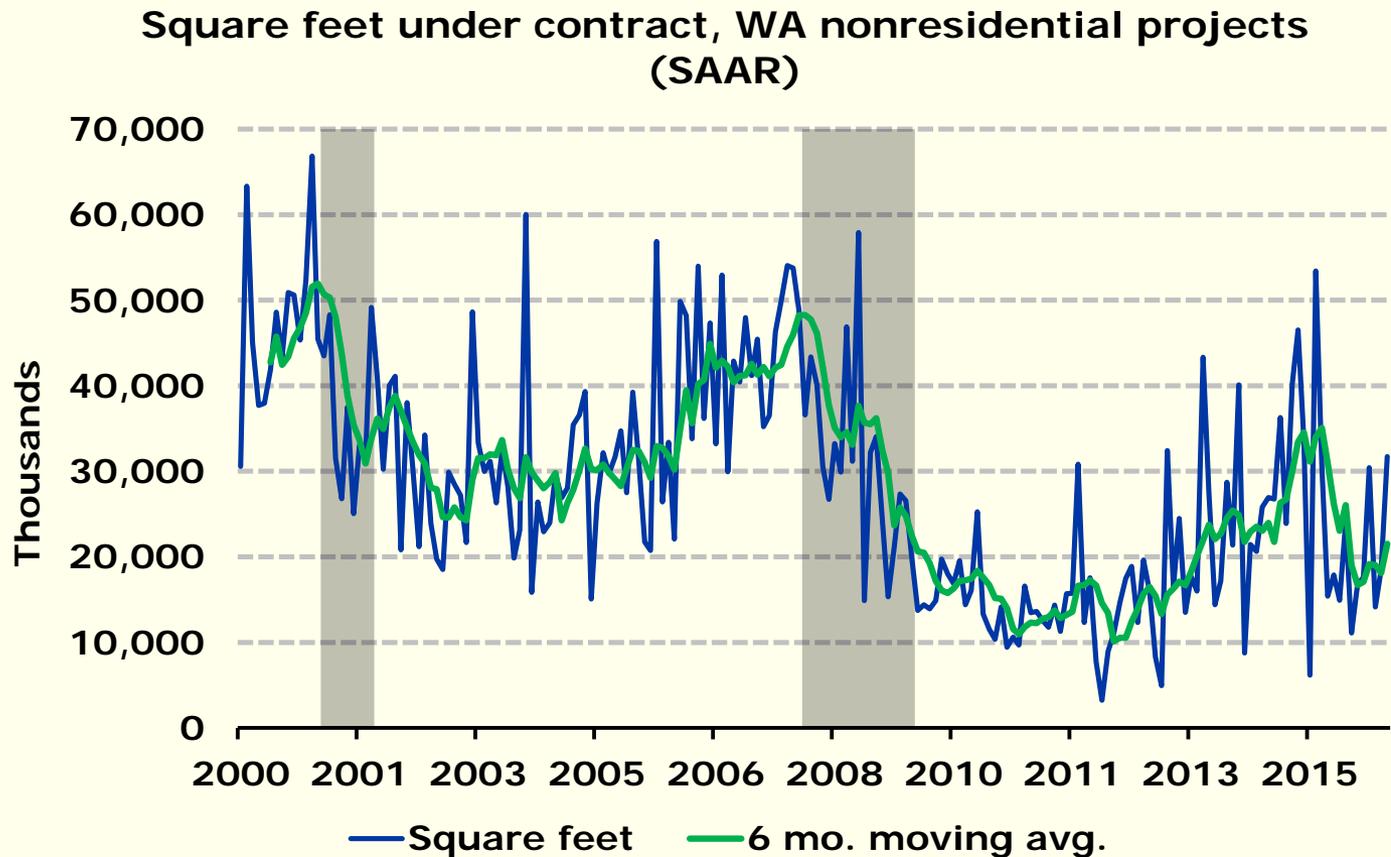


Source: U.S. Census Bureau, data through 2016 Q1



# Nonresidential construction activity appears to be slowing

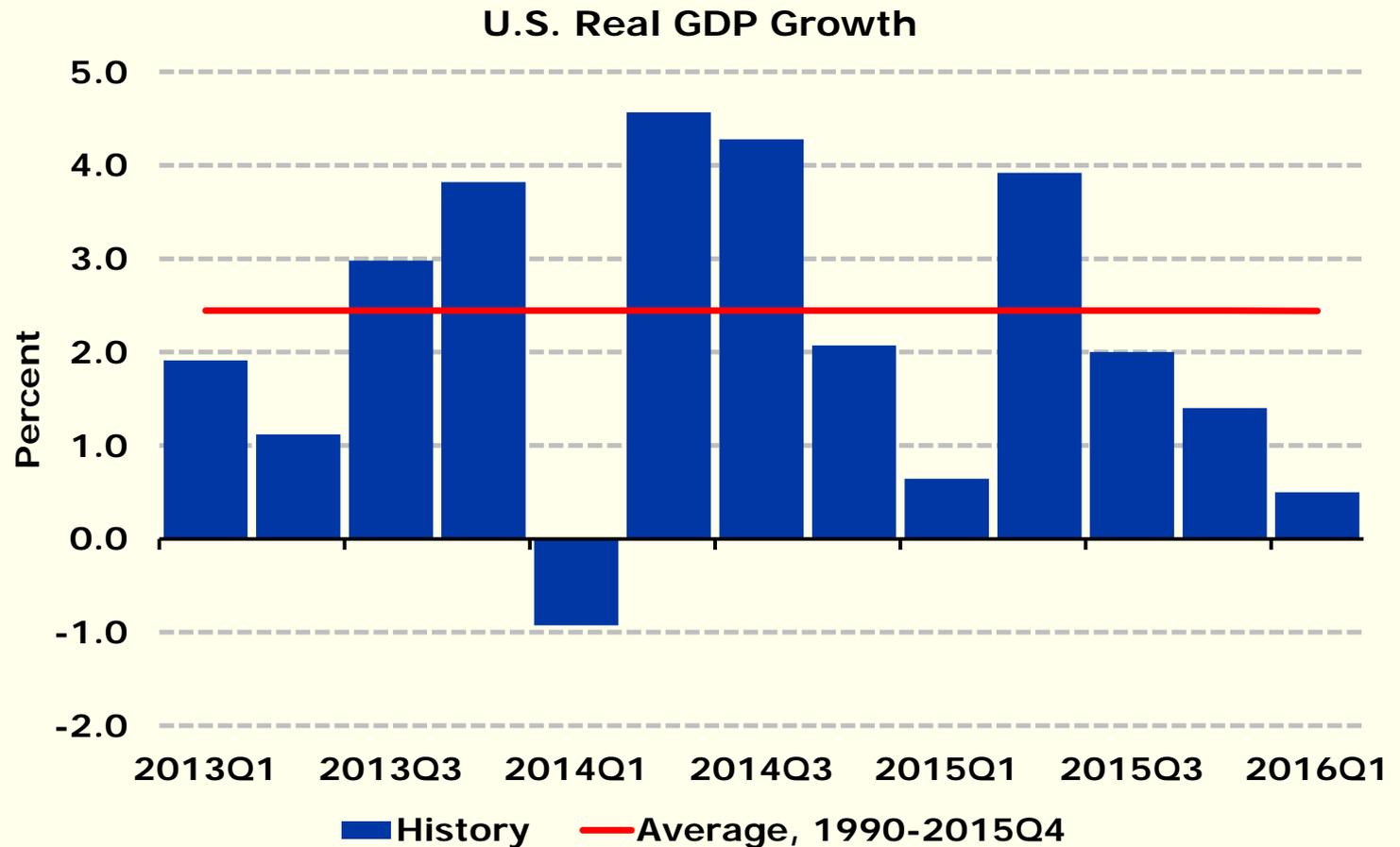
update





# U.S. economic growth weakened in the last three quarters

update



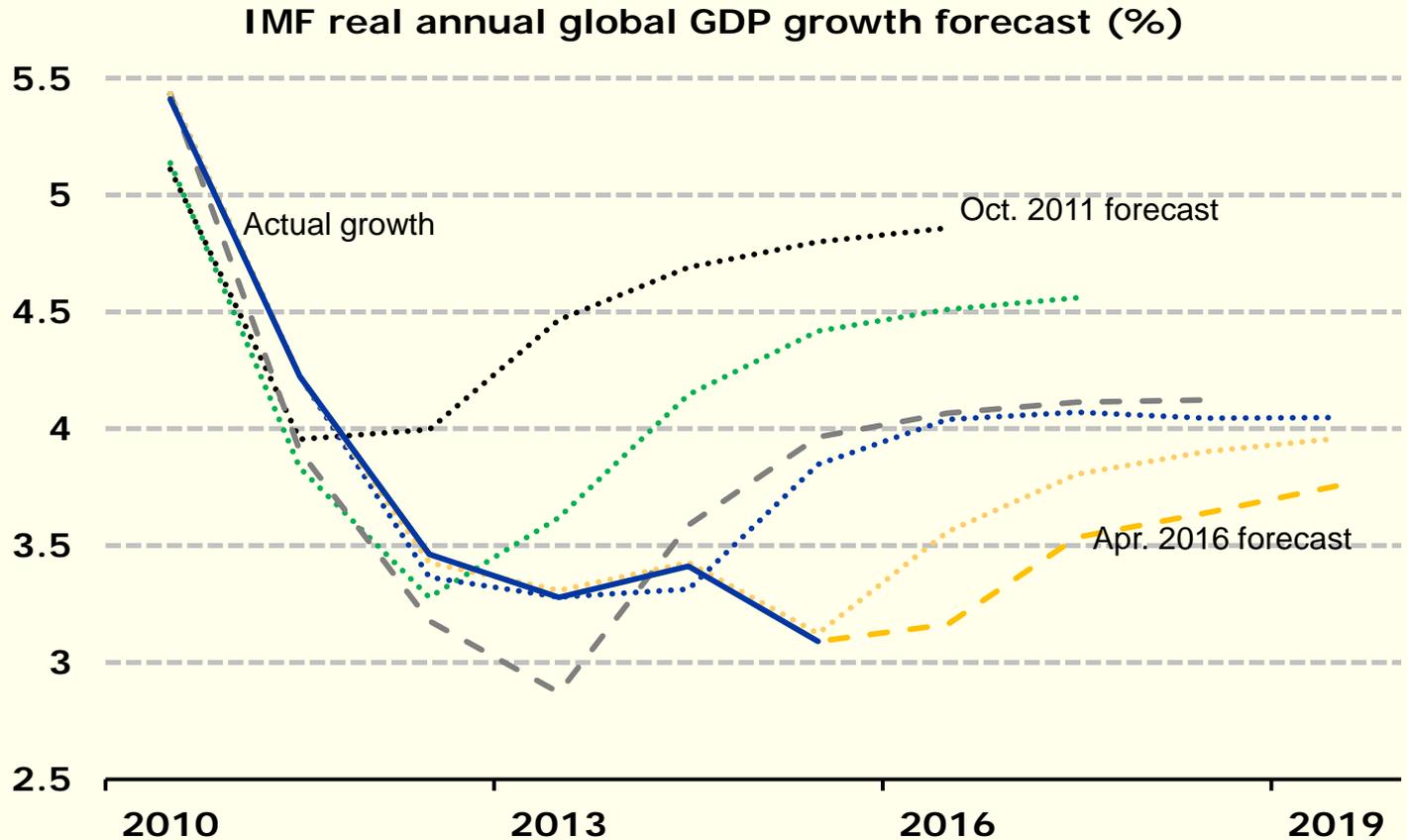
Source: U.S. Dept. of Commerce, BEA, data through 2016 Q1

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# Global GDP forecasts have been consistently revised down

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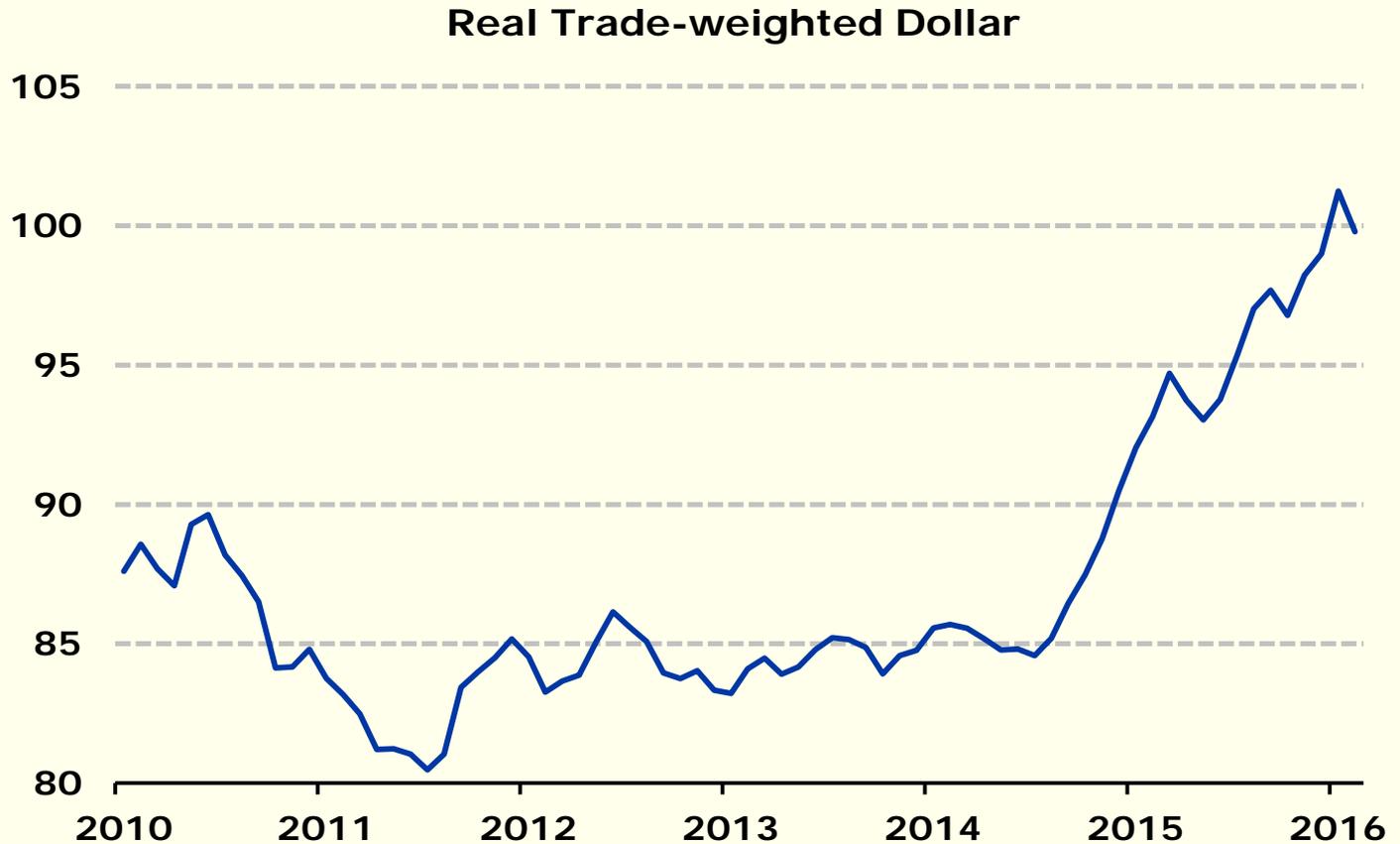
Source: International Monetary Fund, World Economic Outlook; historic data through 2015

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# The dollar has increased in value relative to currencies of U.S. trading partners

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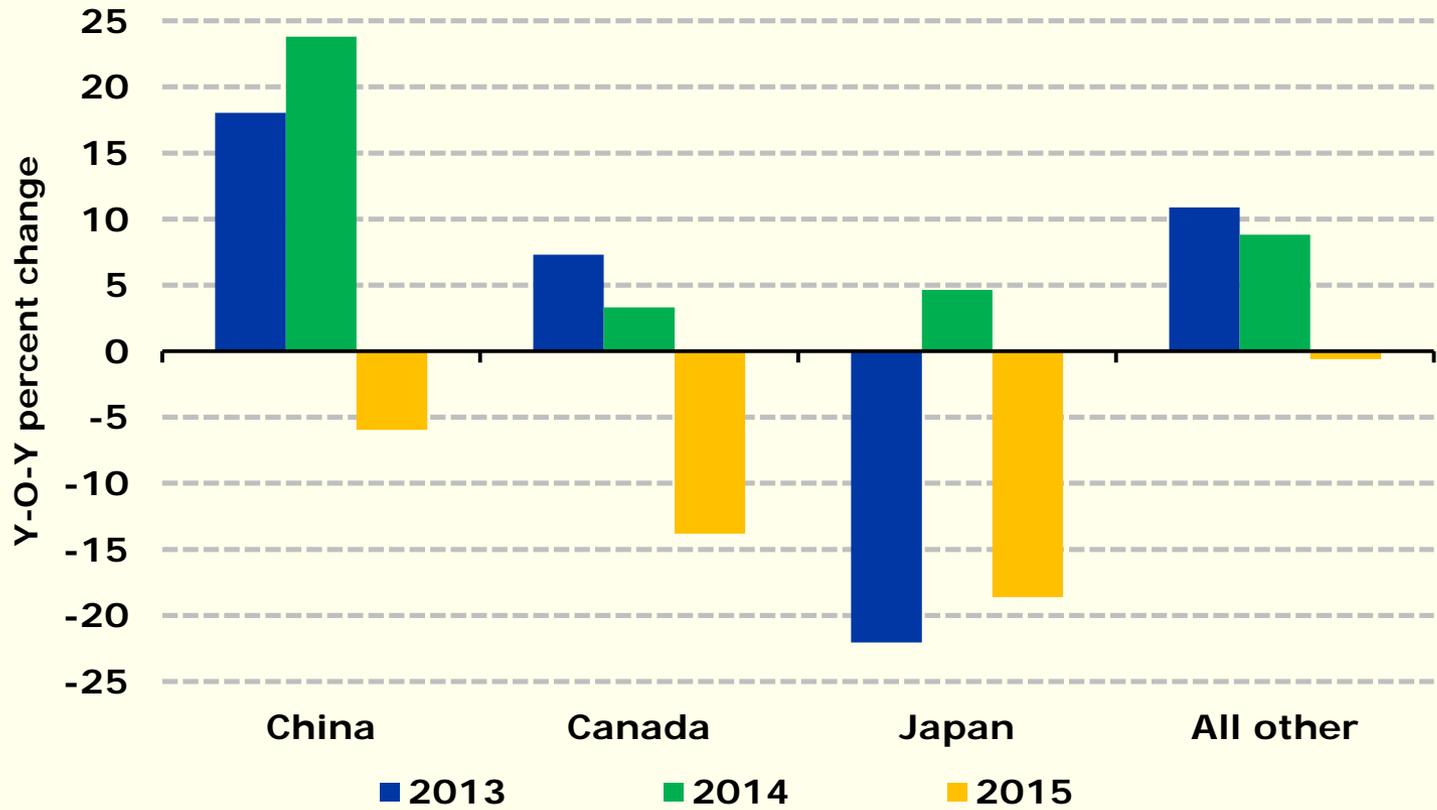


Source: Federal Reserve Bank of St. Louis; data through April 2016



# WA exports in 2015 declined for the first time since 2009

Year-over-year growth in export value

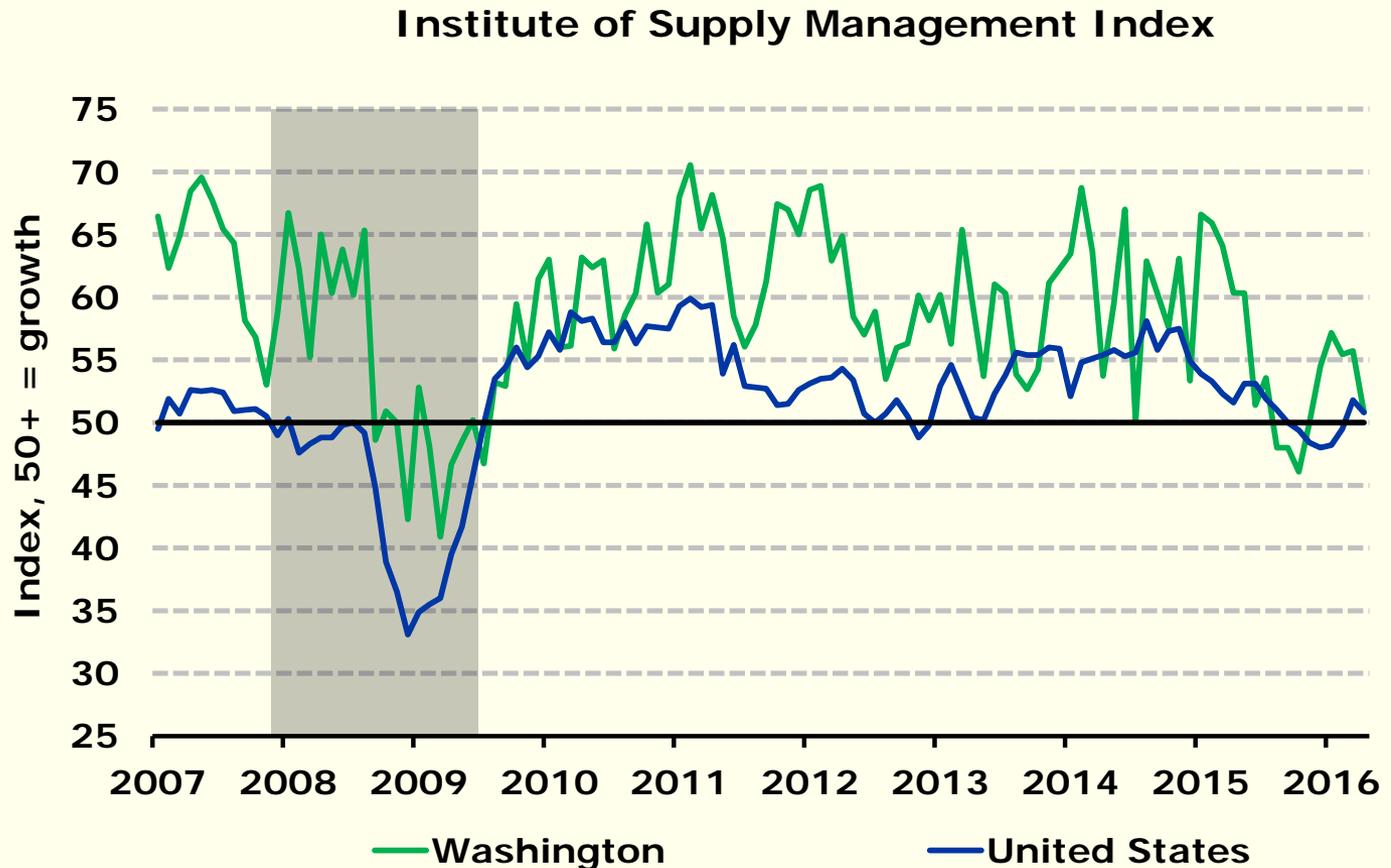


Source: WISERTrade; data through December 2015



# Manufacturing: slower nationally and in Washington

update

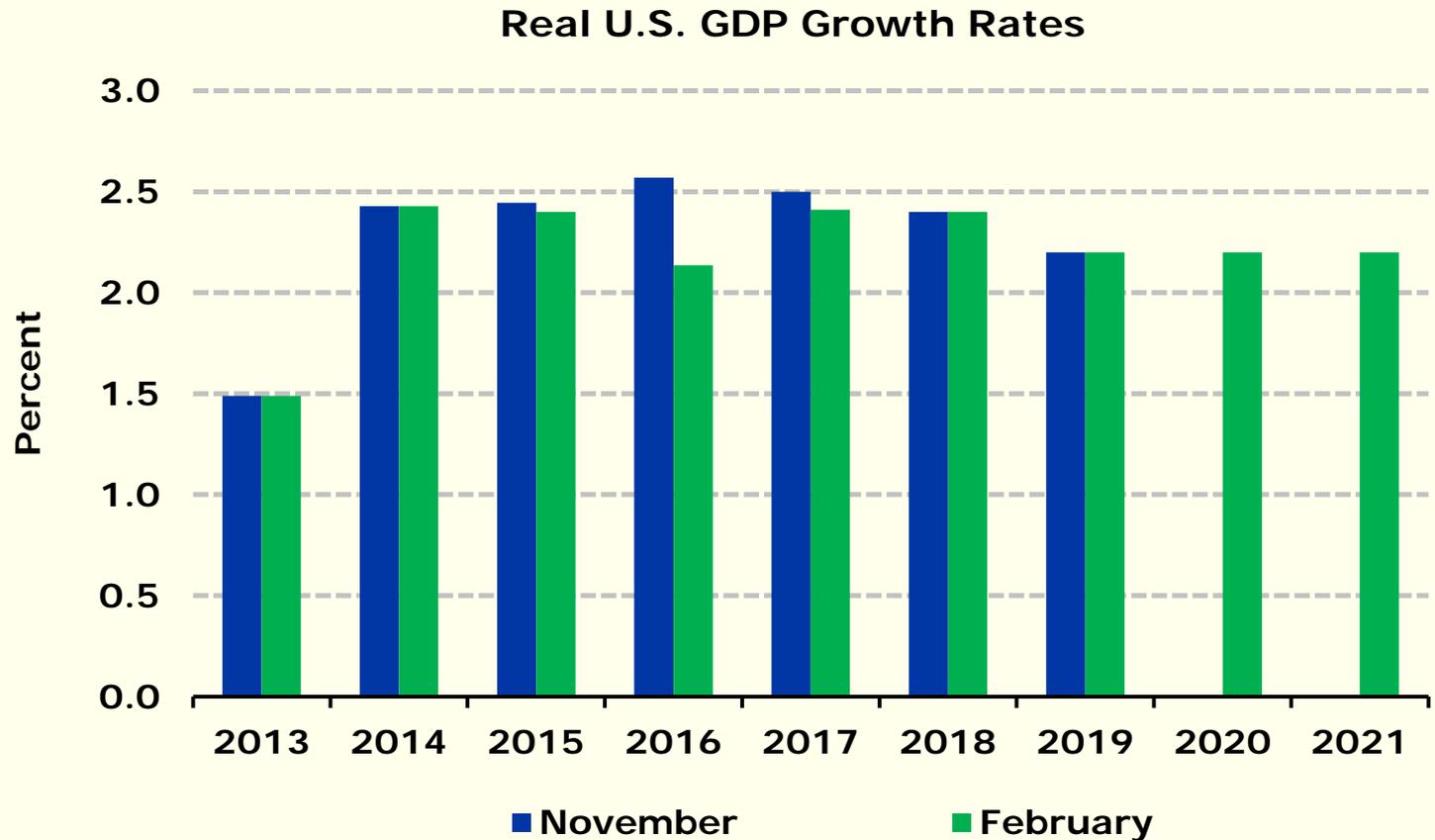


Source: ISM; data through Apr. 2016



# Forecasted real GDP growth is lower in 2015, 2016 & 2017 compared to the November forecast

update

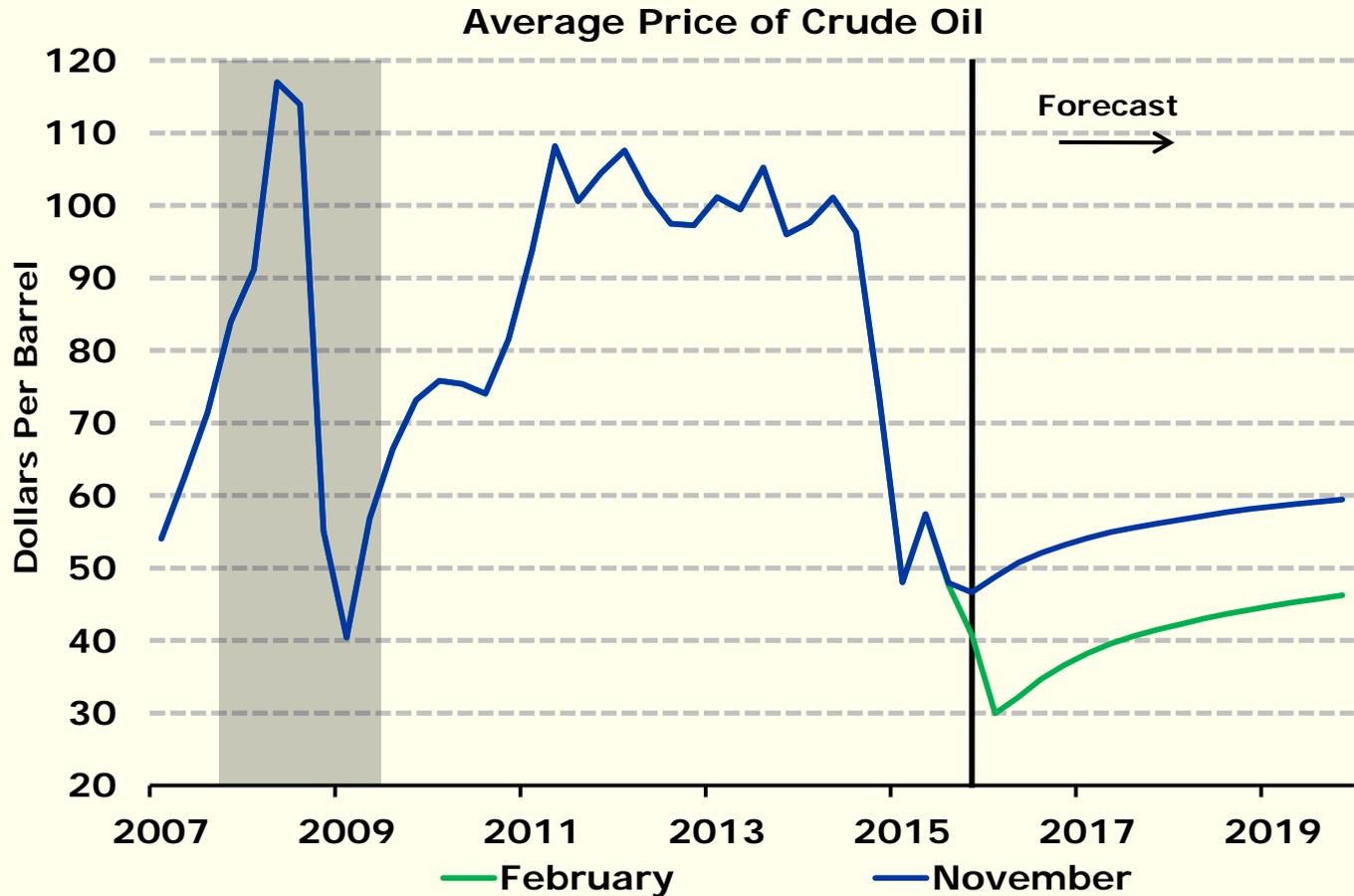


Source: ERFC February 2016 forecast; historical data through 2015



# Oil prices have fallen since the November forecast

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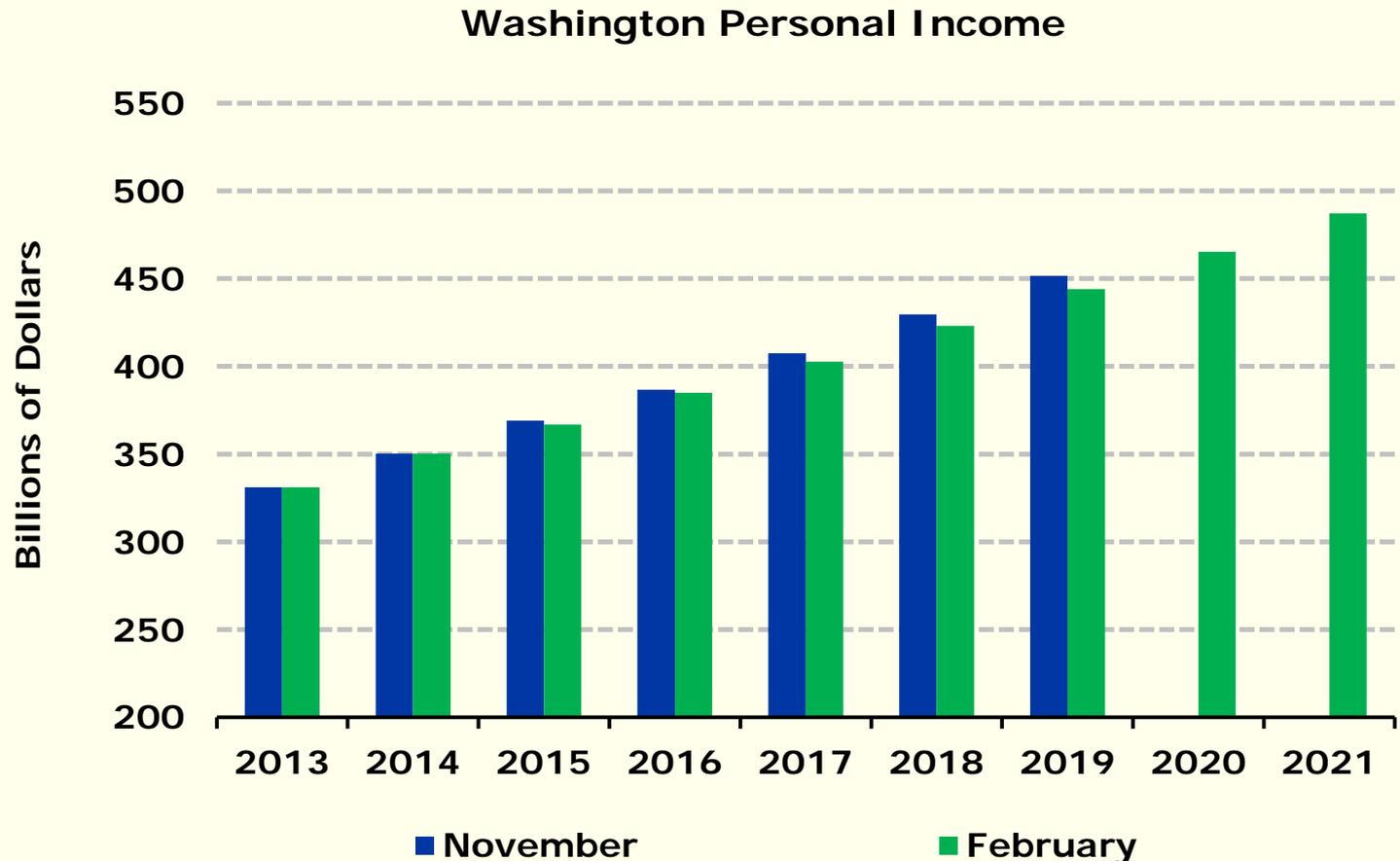


Source: DOE, ERF February 2016 forecast; historical data through 2015Q4



# Washington personal income is lower in 2016 – 2019 compared to the November forecast

update



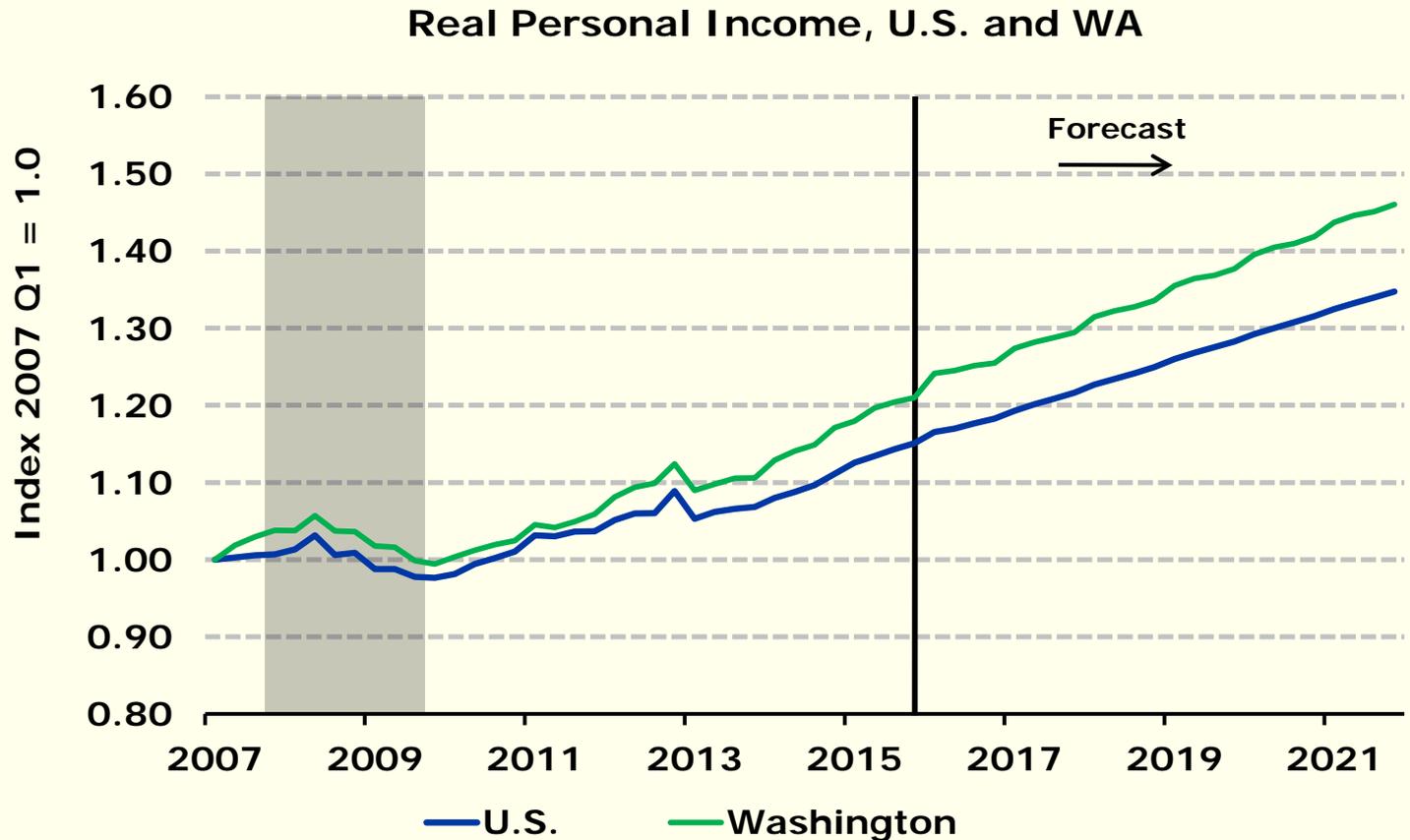
Source: ERFC February 2016 forecast; historical data through 2015

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# State personal income will continue to grow slightly faster than the U.S.

update



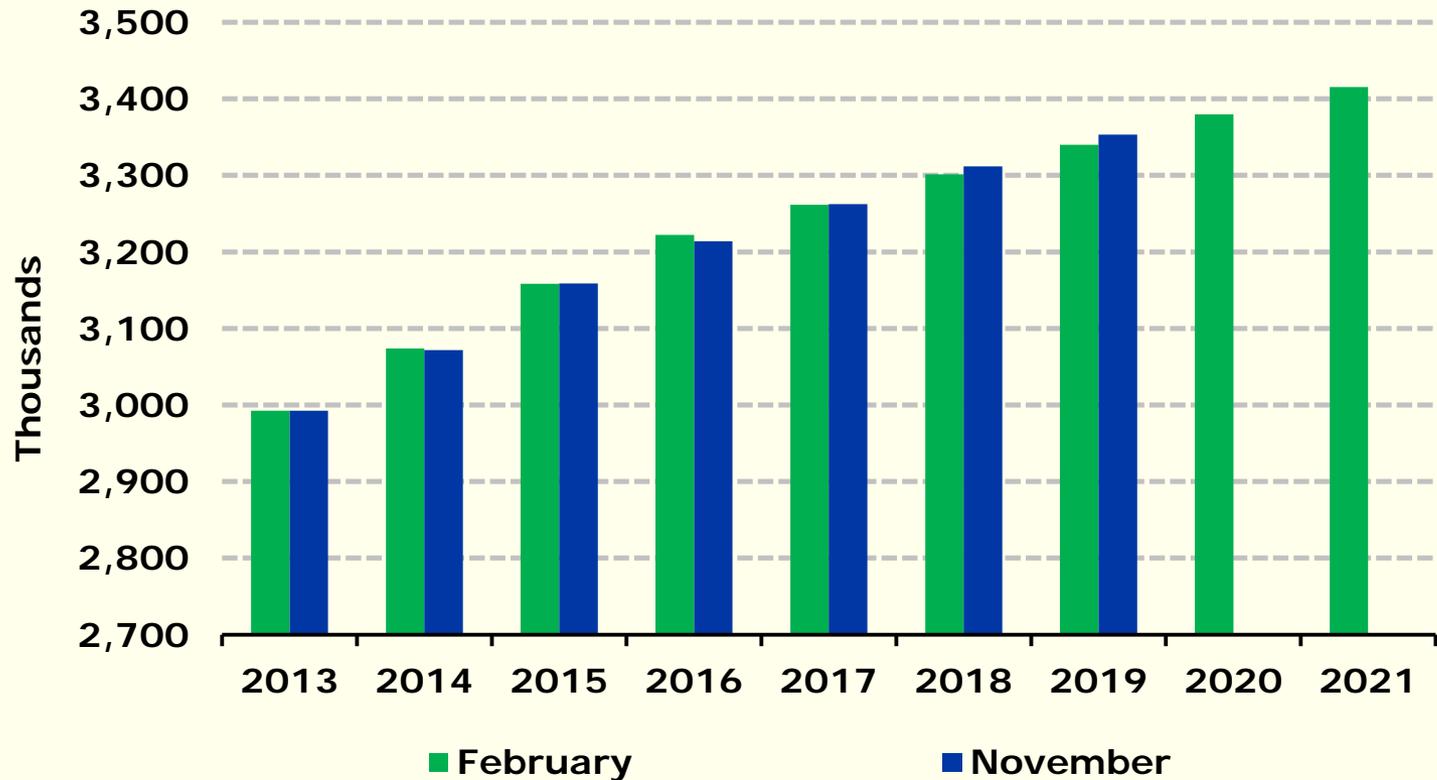
Source: ERFC February 2016 forecast; historical data through 2015Q4



# Washington employment forecast revised down slightly in 2017 - 2019

update

### Washington Nonfarm Payroll Employment

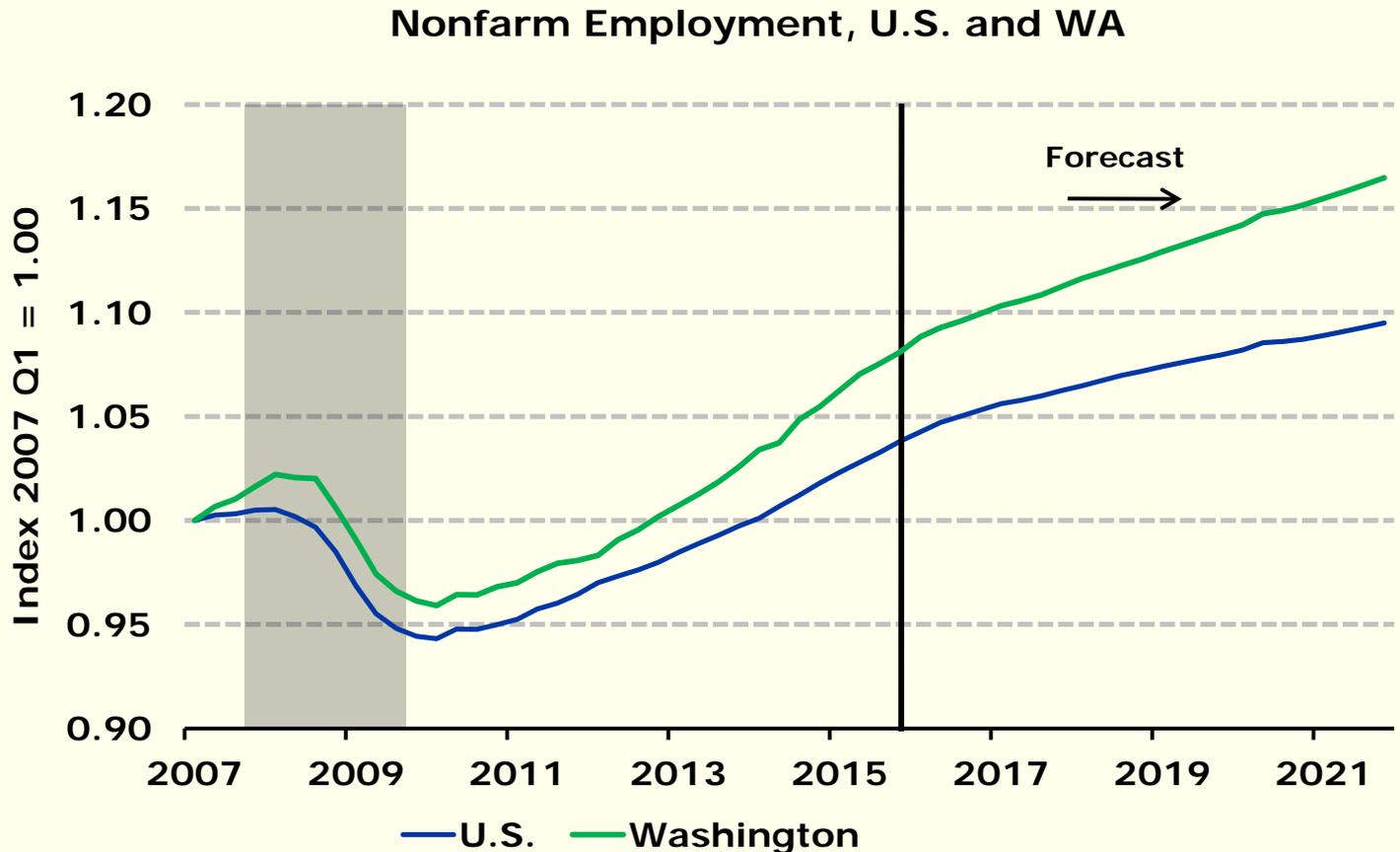


Source: ERFC February 2016 forecast; historical data through 2015



# Washington employment will continue to grow slightly faster than the U.S.

update

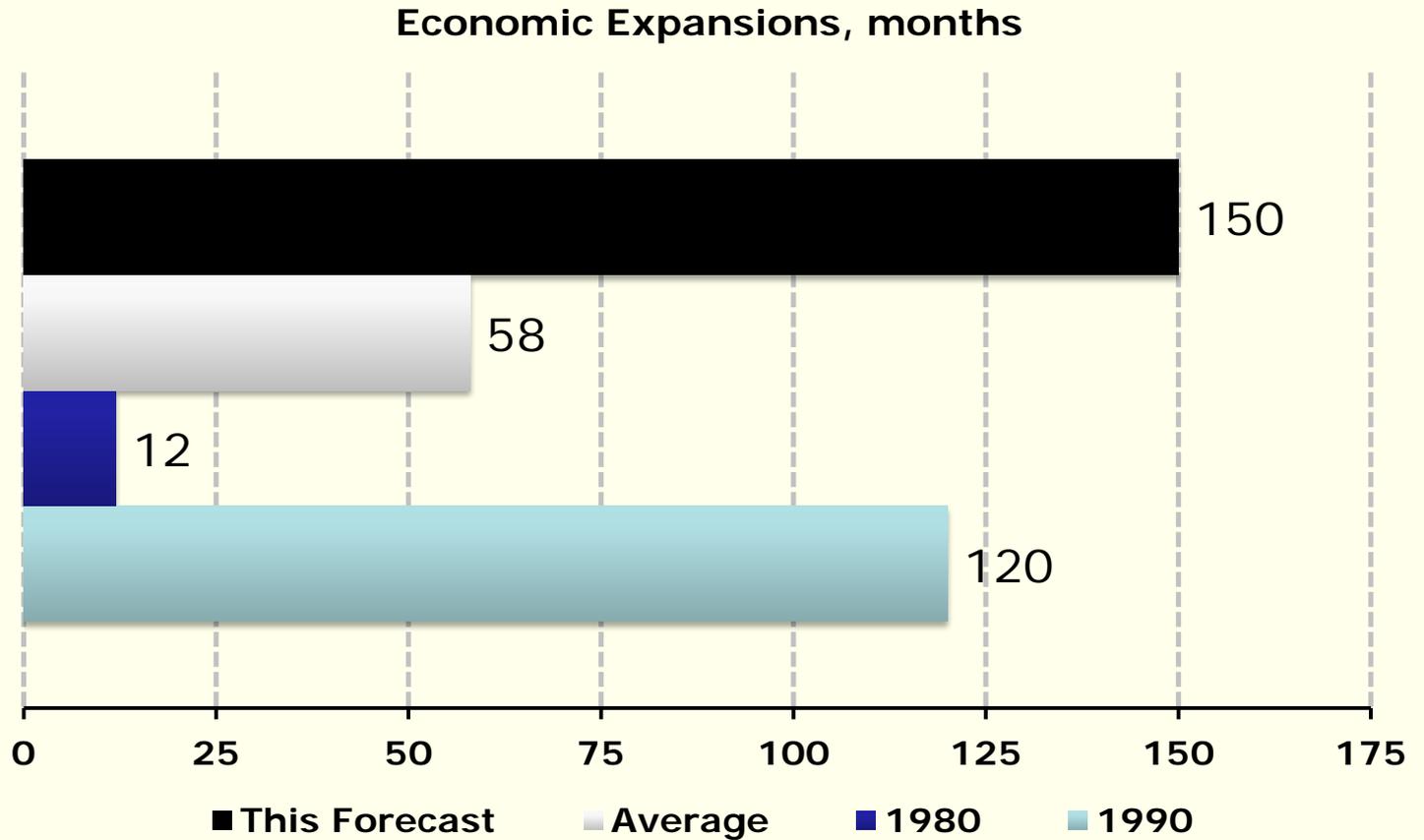


Source: ERFC February 2016 forecast; historical data through 2015Q4

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# U.S. Economic Expansions since 1945



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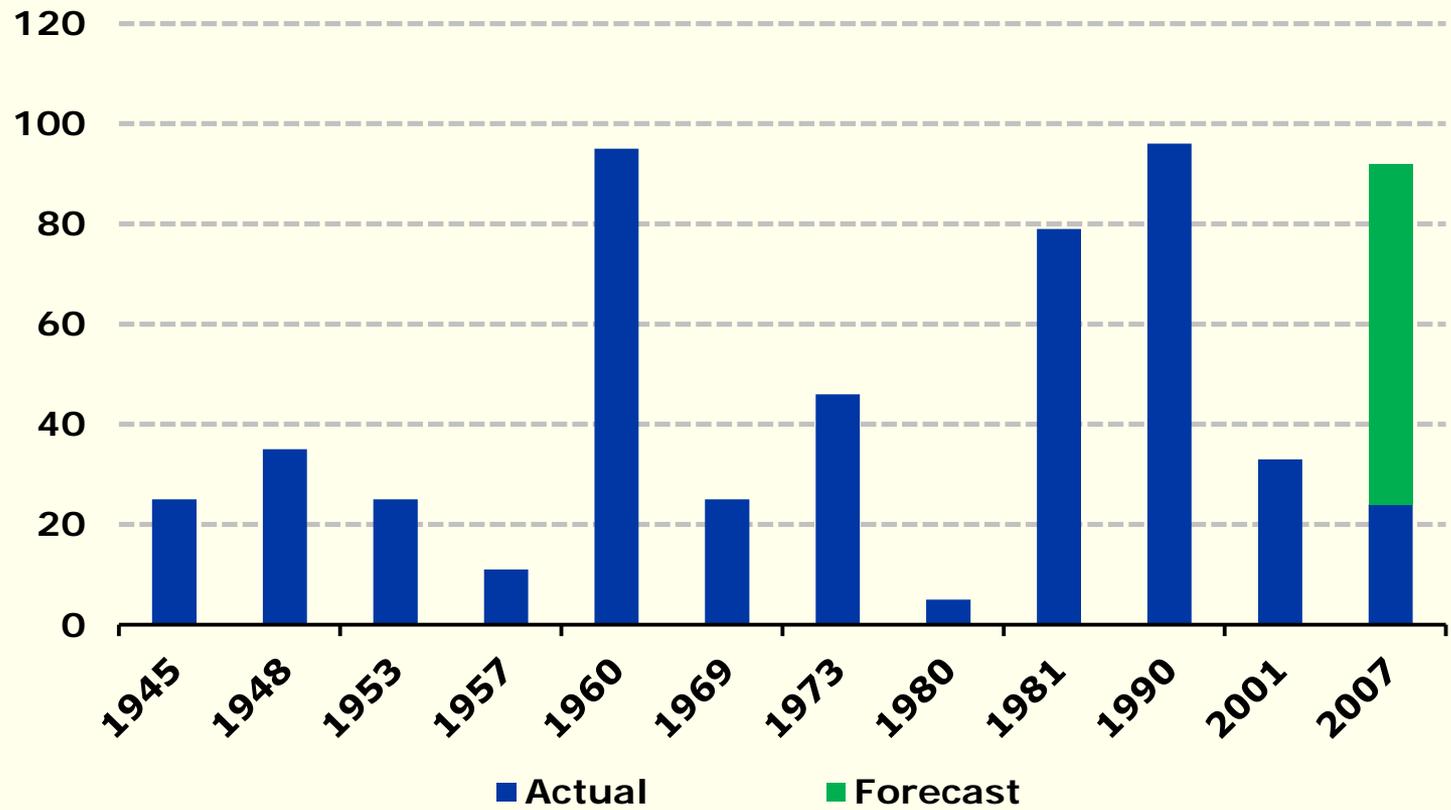
Sources: NBER, ERFC February 2016 forecast

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# Initial slow recovery points to extended expansion

Months of Recovery After Reaching Previous Peak in Employment



Sources: NBER, BLS, ERFC February 2016 forecast; historic data through April 2016

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# Forecast conclusions

update

- The economic forecast expects slower growth in U.S. GDP, WA personal income and WA employment than in November
- We continue to expect the WA economy to outperform the U.S. by a small margin
- GF-S revenues are expected to grow 10.3% between the 2013-15 and 2015-17 biennia and 8.0% between the 2015-17 and 2017-19 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks



# Data sources for employment by industry and geography

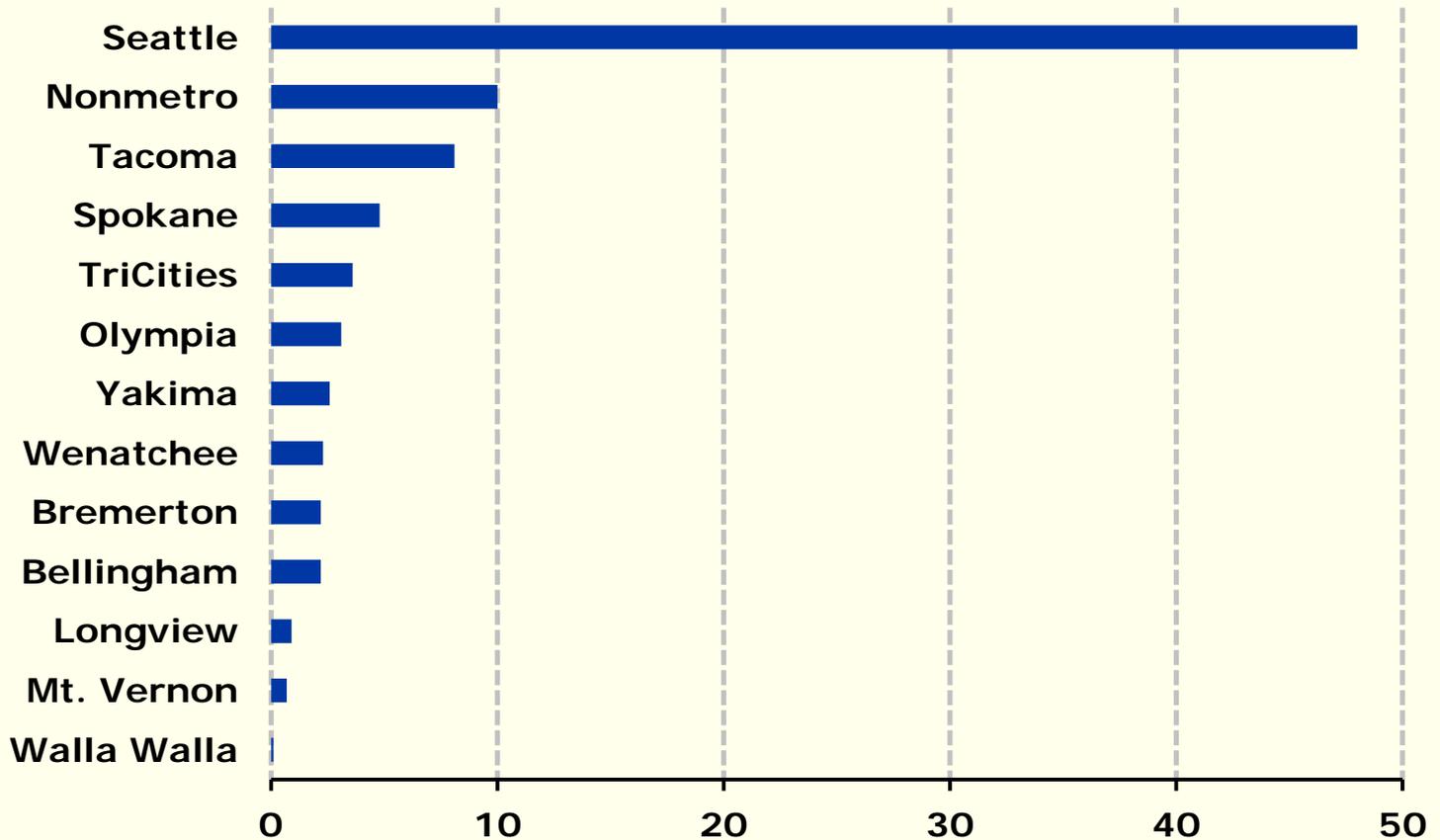
- Current Employment Statistics – U.S. Bureau of Labor Statistics/Employment Security Dept
  - Monthly nonfarm employment data by industry and metropolitan area
  - Smaller metro areas may lack industry detail
- Business Employment Dynamics – U.S. Bureau of Labor Statistics
  - Gross job gains and losses by industry
  - Gross job gains for new vs. expanding firms
  - Gross job losses for closing vs. contracting firms
  - Statewide data only



# Net new jobs created in 2015 by metro area

54% of net new jobs in WA in 2015 were in the Seattle metro area

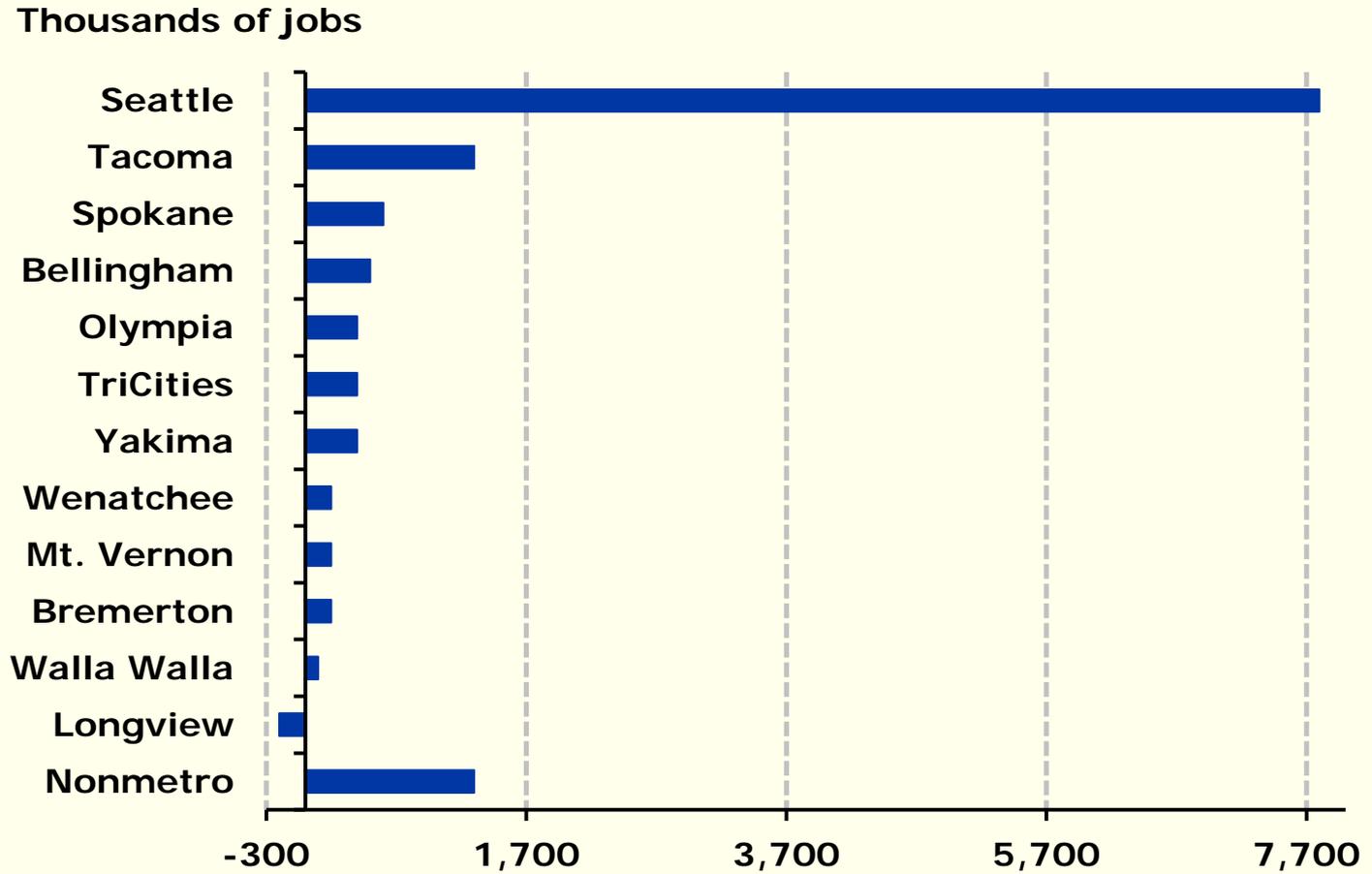
Thousands of jobs



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



# 2015 net new Construction, Mining and Logging jobs by metro area





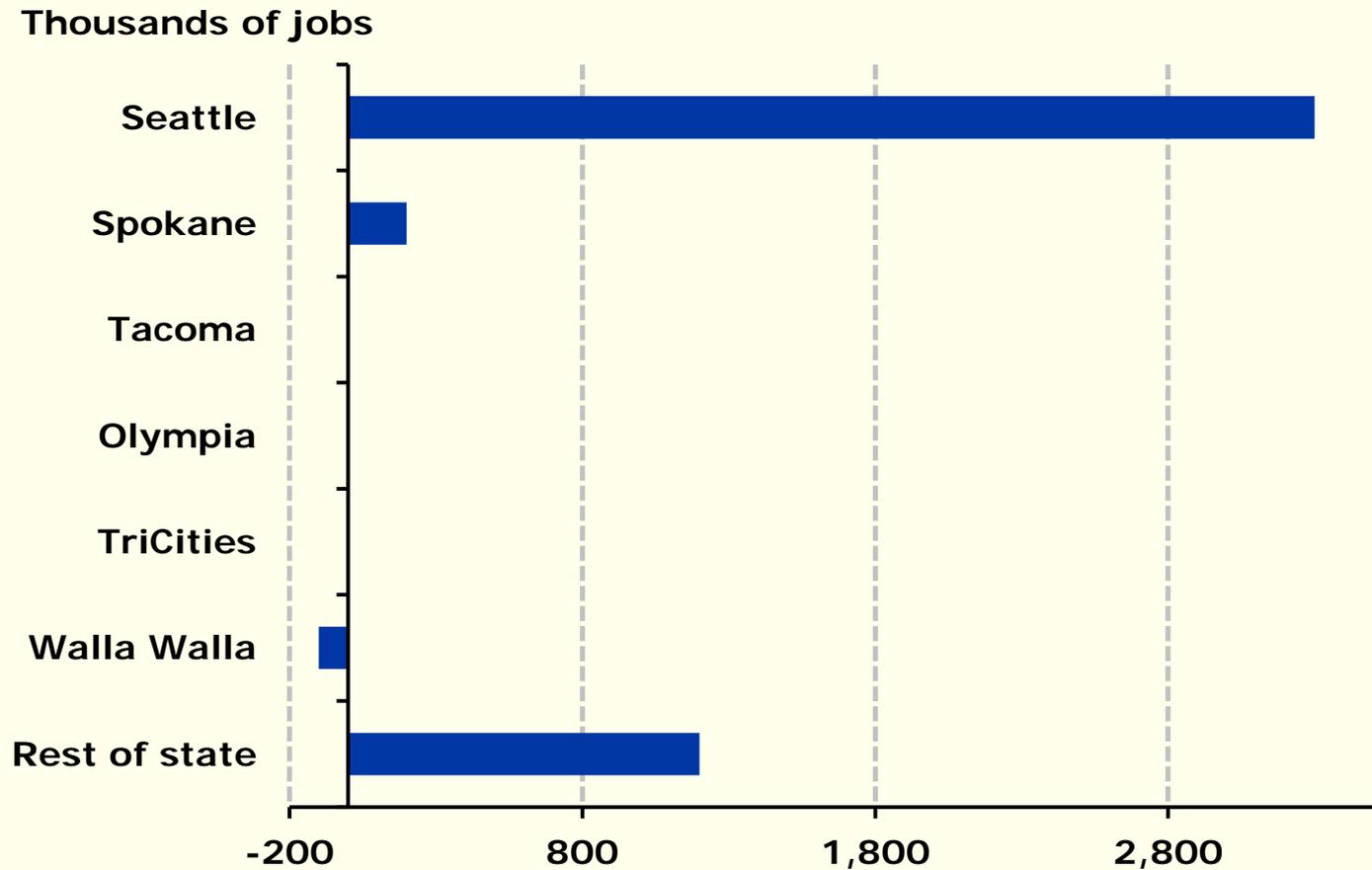
# 2015 net new Manufacturing jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

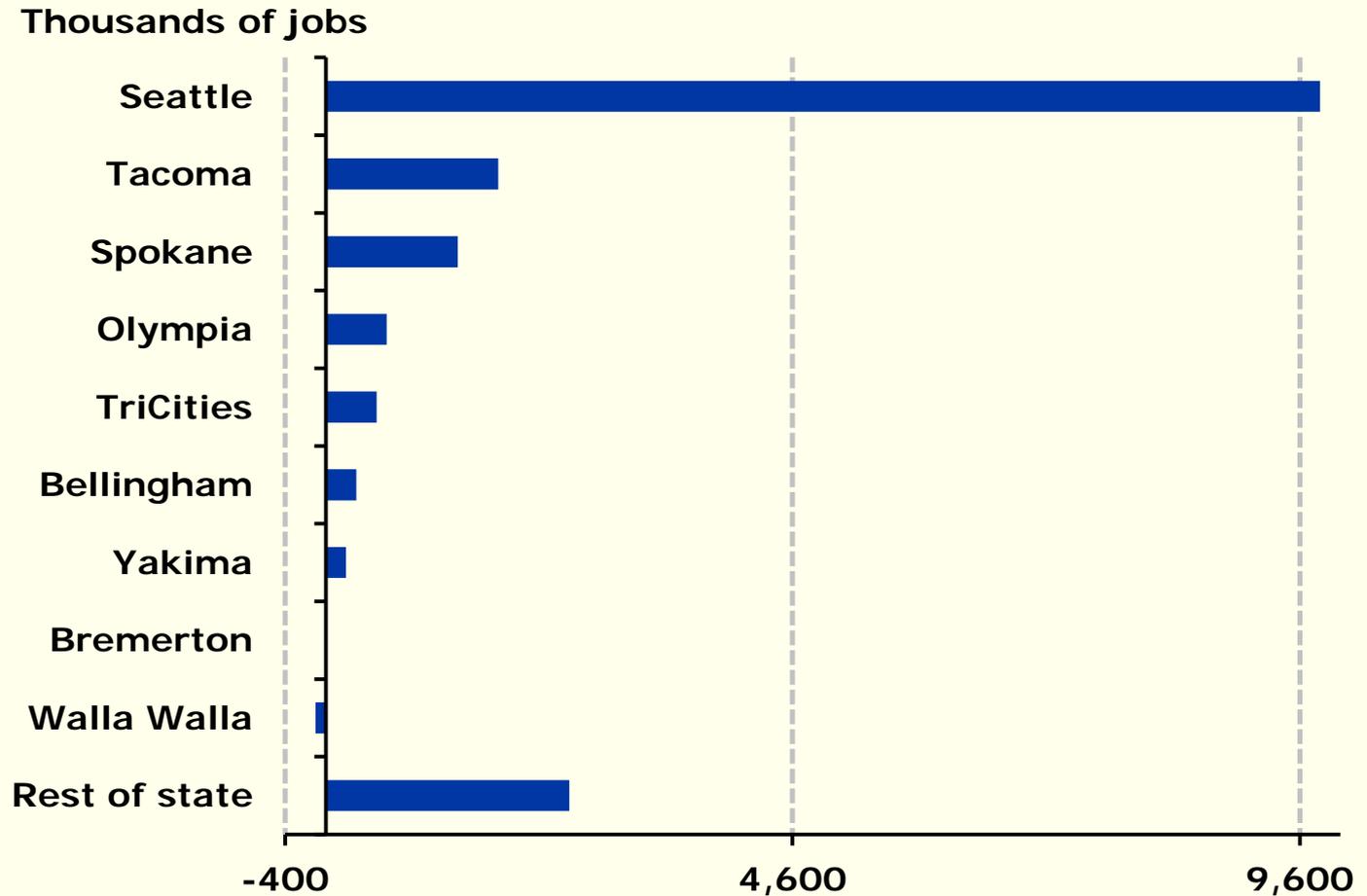


# 2015 net new Information jobs by metro area





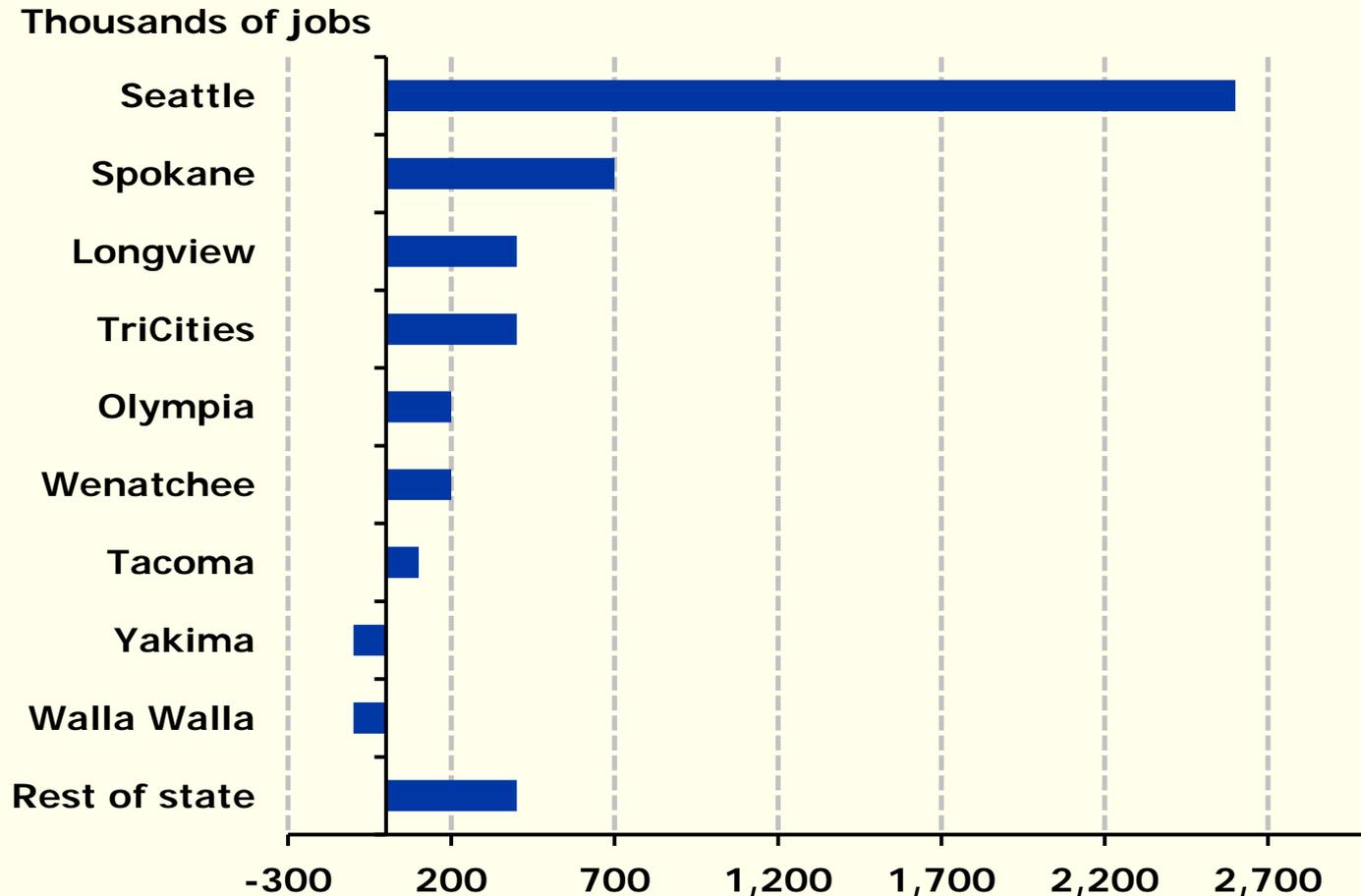
# 2015 net new Professional & Business Service jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



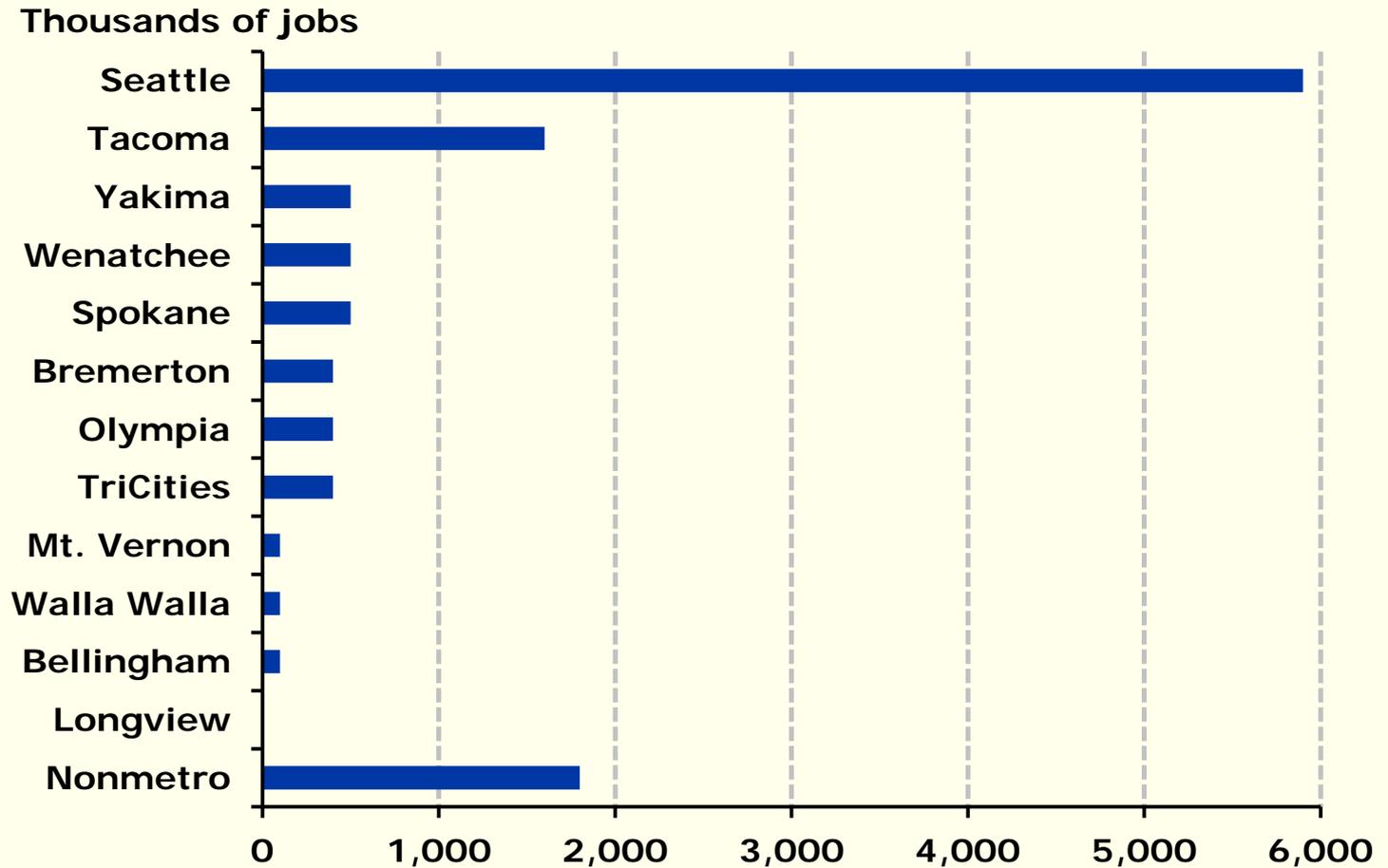
# 2015 net new Education & Health Service jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



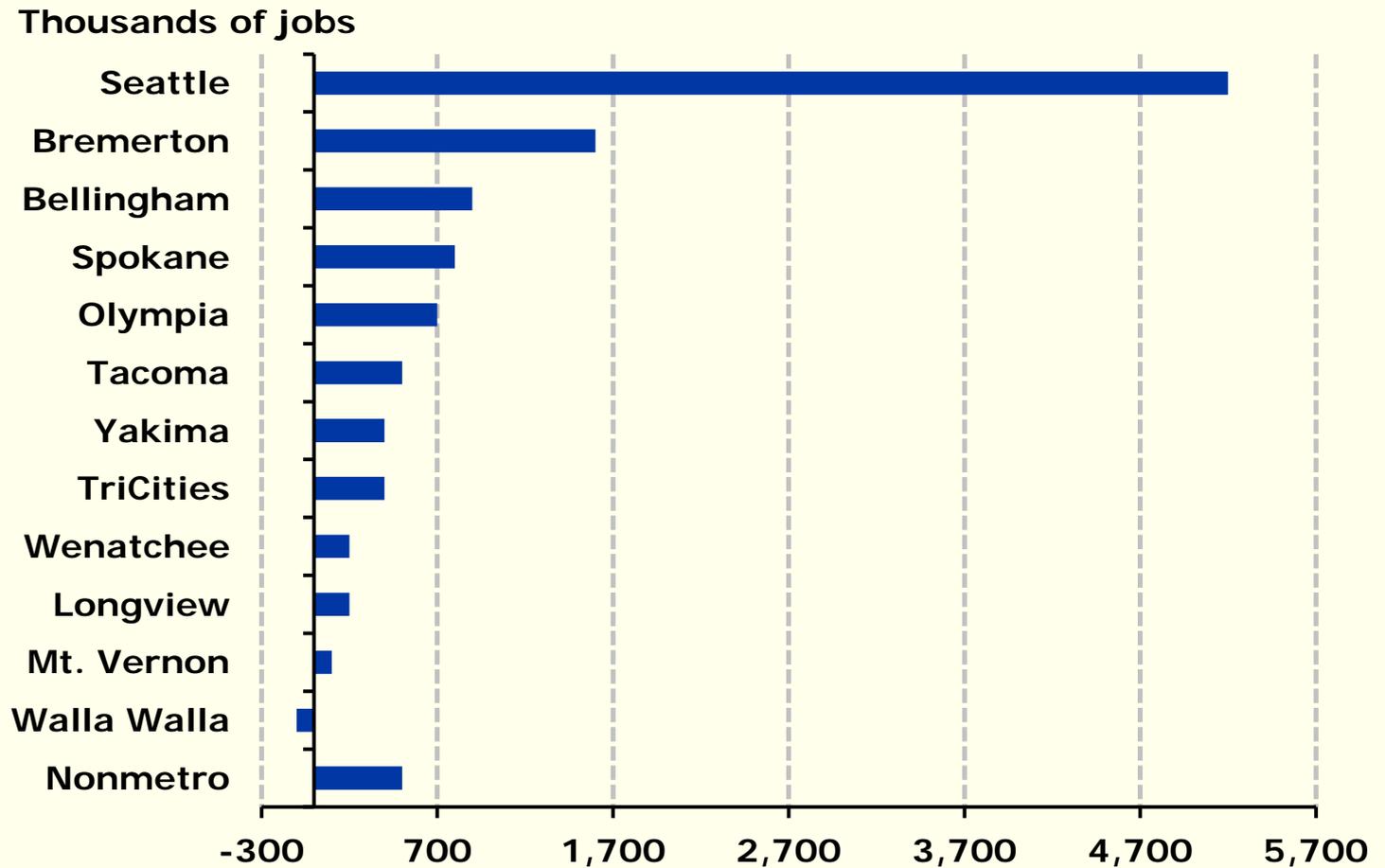
# 2015 net new Leisure & Hospitality jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



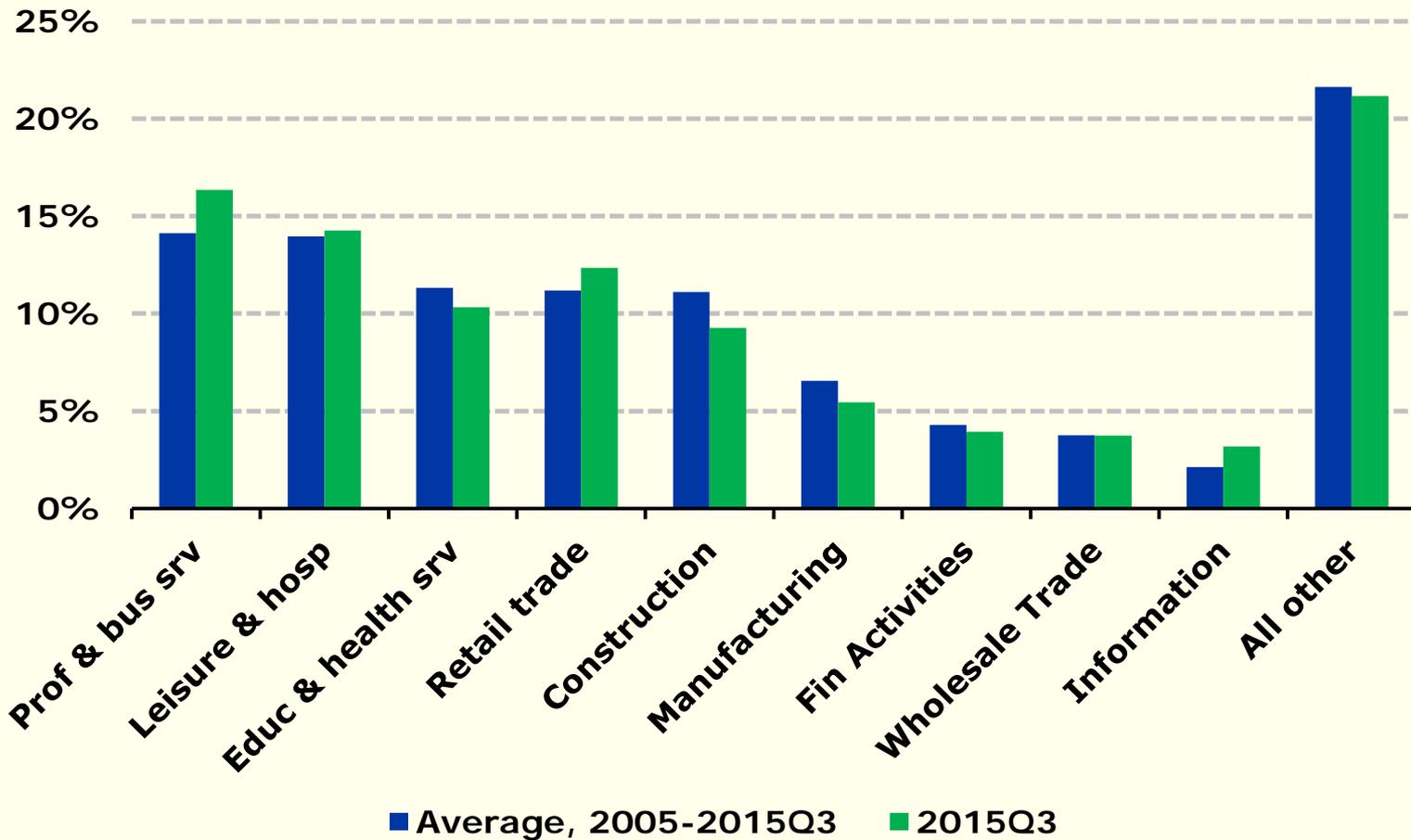
# 2015 net new Government jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



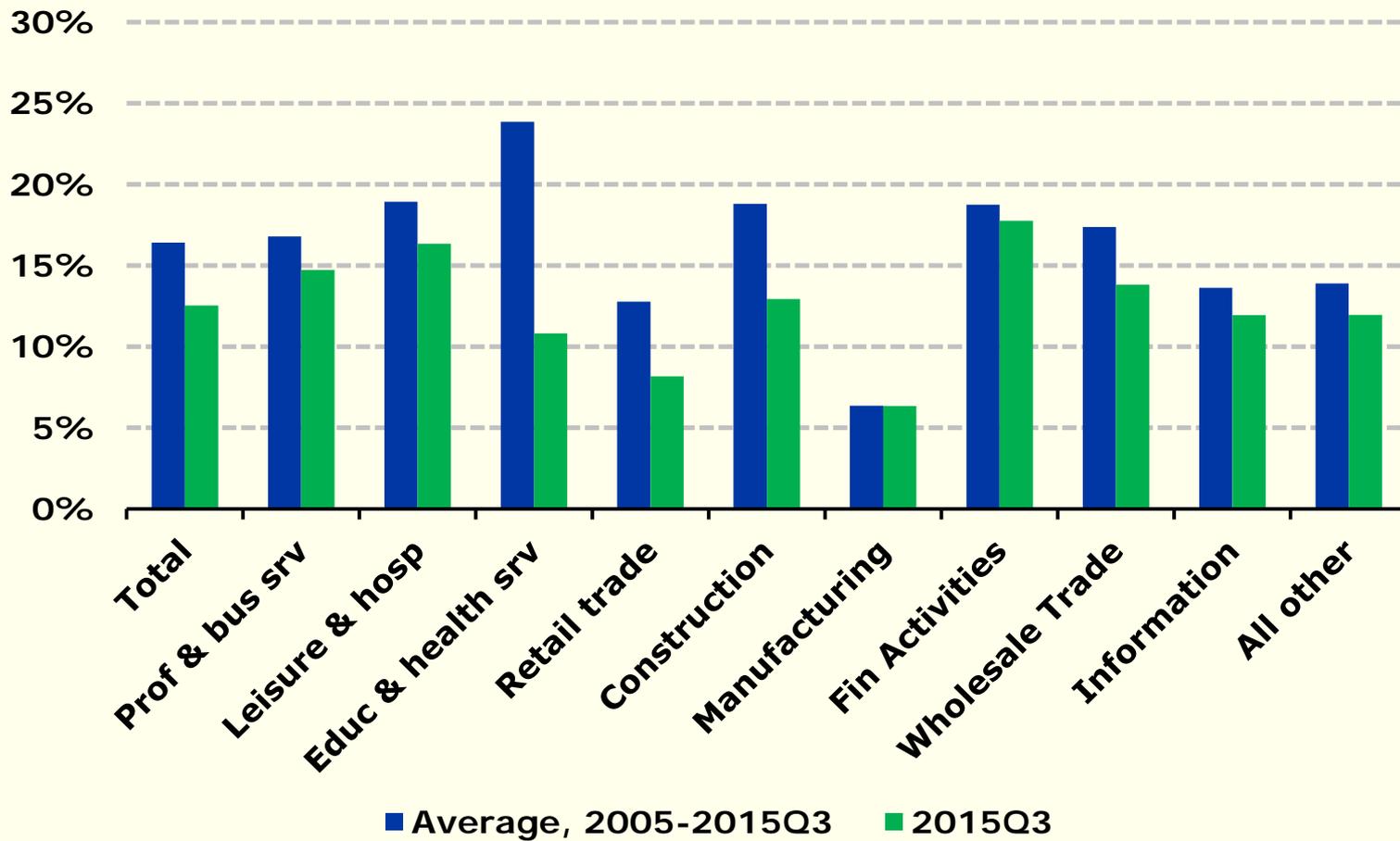
# Share of WA private sector gross job gains by industry





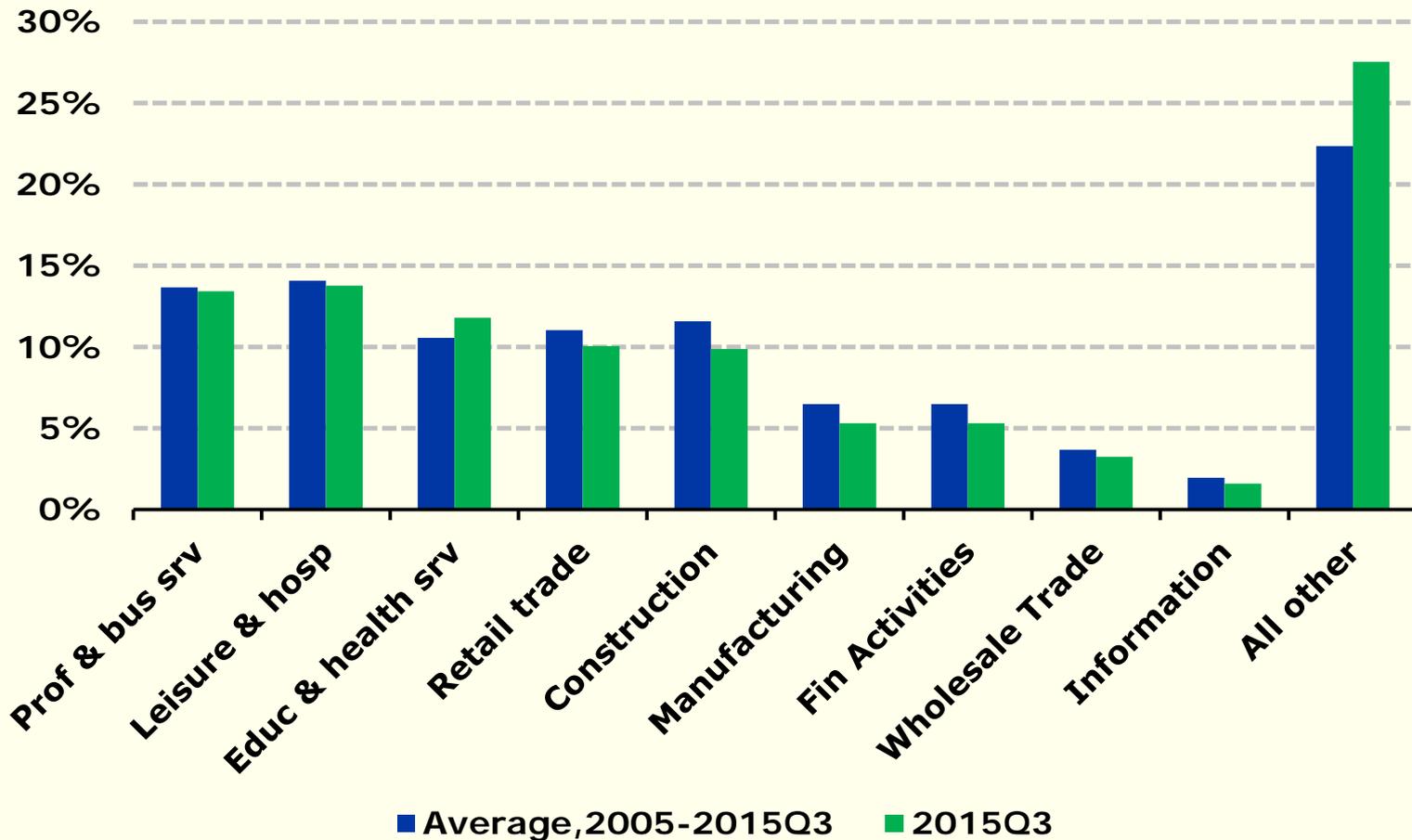
# Share of WA private sector gross job gains created by new firms

Since 2005, 84% of new jobs in WA were created by existing firms





# Share of WA private sector gross job losses by industry





# David Autor and others: Labor market polarization

- Labor market polarization – growth of low education, low wage jobs and high education, high wage jobs; decline in medium education, medium wage jobs
- Non-routine tasks least likely to be successfully computerized
  - “Manual” tasks requiring situational adaptability, visual recognition, in-person interactions
    - Food preparation and serving
    - Janitorial, cleaning, grounds maintenance
    - Home health aides
  - “Abstract” tasks requiring analytical capability, communications skills, expert mastery
    - Professional, technical, managerial occupations



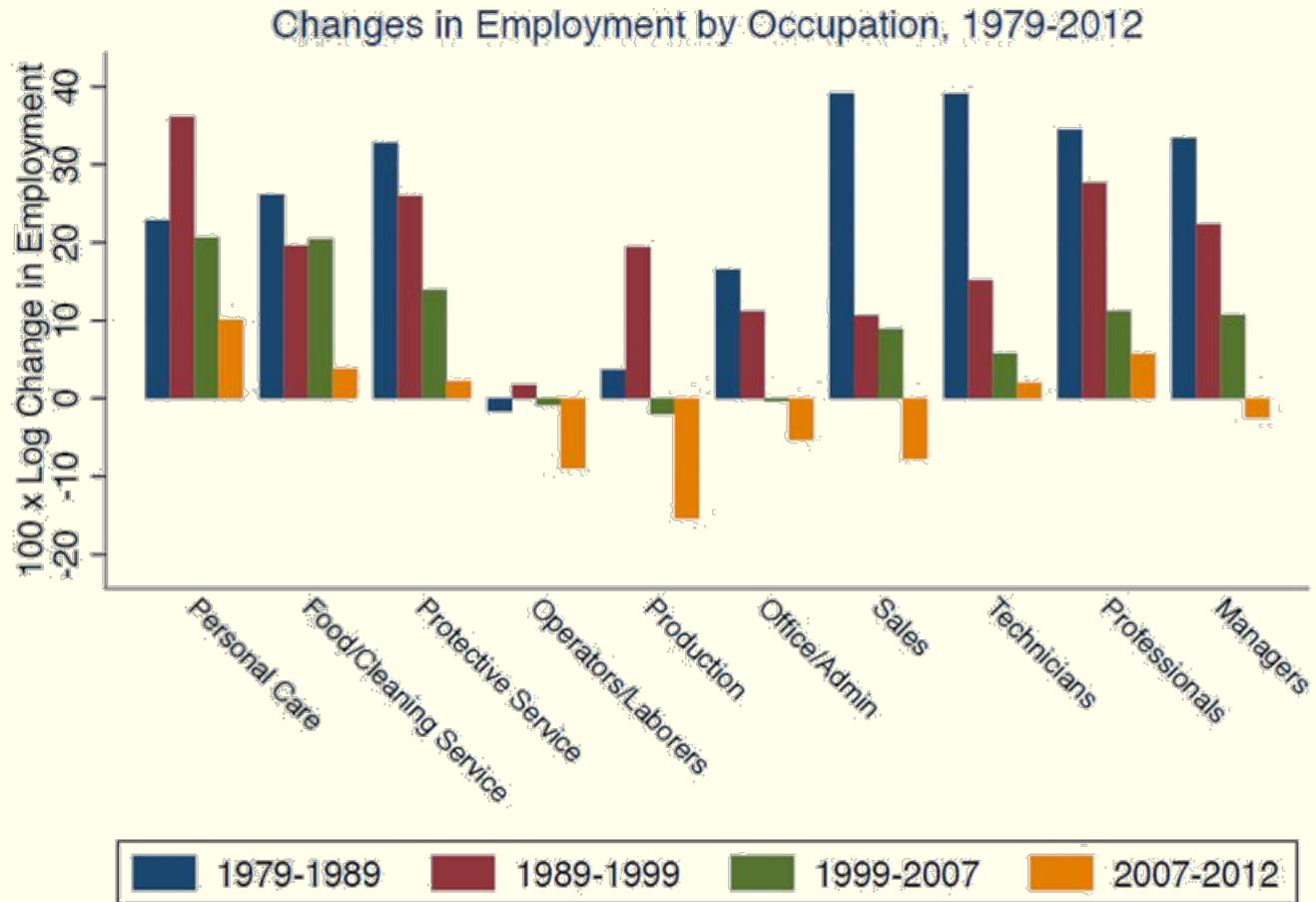
# David Autor and others: Labor market polarization

- Medium education, medium wage jobs involving routine, codifiable tasks most amenable to computerization
  - Bookkeeping
  - Clerical and secretarial occupations
  - Repetitive production tasks
- Technology can substitute directly for labor performing routine tasks or can encourage substitution of cheaper foreign labor for domestic labor performing routine tasks
- Technology can also complement certain tasks, raising the productivity and wages of workers with those skills

Source: David H. Autor, "Polyani's Paradox and the Shape of Employment Growth," FRB of Kansas City 2014 Economic Policy Symposium, Jackson Hole WY



# Percentage Changes in Employment by Occupation, 1979 - 2012





# Questions



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360-534-1560**

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