

ECONOMIC REPORT

John W. Mitchell, Ph.D. • Economist

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2009 Almost Gone!

As the year mercifully winds down and we embark on a new decade, one cannot help but reflect. September 11, 2001, the longest recession since the 1930s, the housing bubble and implosion, and the financial collapse have been seared into our collective memories. Some old institutions and names are gone or going-Saturn, WAMU, and the Albany paper mill. More than 50 percent of the adult population has been introduced to their first serious downturn. As the holidays draw near, the economic numbers, which are the benchmarks of the recession/recovery, have continued to support the recession ended scenario. At times like this the media and politicians focus on the weekly and monthly numbers with laser-like intensity and tiny moves are imbued with grand implications once reserved for nuclear war, unwanted pregnancy or the Super Bowl.

Output has begun to increase with a 2.8 percent annualized growth in the third quarter. It was broad based with increases in consumption, exports, housing (for the first time since Q4 of 2005), business investment, and the Federal Government. The Cash for Clunkers and the anticipated end of the first time home buyers credit were one off events that played a role in the quarter's strength, but two years of stimulus and the natural adjustment process that reduces the excesses that gave rise to the recession are working their magic. We have had such a long period of weakness and disappointment, accompanied by declines in net worth, that it is shocking when the data begins to be more positive. The Federal Reserve's third quarter estimates for household balance sheets shows that net worth rose again by about \$2.6 trillion-

although we are still below the peak by about \$11 trillion. Inventories of unsold homes are diminishing, and retail sales in November rose 1.3 percent from October. Leading indicators and initial unemployment claims continue to improve-harbinger of stronger activity. As one travels the region, anecdotes of improvement are recounted, a far cry from the situation earlier this year. Annual rates of decline have diminished. For many, the end of the downturn will be distant, until the situation improves in the labor market. Even here there are hints of improvement-the declines of September and October were reduced and November brought a net decline of 11,000 jobs, accompanied by an increase in hours worked-and more temp agency jobs- precursors to hiring. Between September and October 28th states had seasonally adjusted increases in employment. These indicators should slowly improve as we move through 2010.

Across the region, annual employment declines remain the rule, but the 787 has taken its maiden flight, the Ducks are in the Rose Bowl, and Boise State remained undefeated. Residential real estate is showing signs of life with resales picking up in many areas. Early snowfall enabled ski areas to open well before normal with passable roads-unlike last year. Merchants on the Westside, as of this writing, have not had a replay of 2008's sales wrecking pre-Christmas storms. Regional unemployment rates are no longer soaring. Oregon, Montana and Washington saw over the month declines in unemployment rates in October. Personal income in the third quarter rose more rapidly in Oregon and Washington than in the nation while Idaho trailed and Montana personal income was unchanged. The parameters of this recovery are still being shaped, and policy makers will be carefully weighing the exit strategies for the monetary and fiscal stimulus. Watch for short term rates to start up later in 2010. As 2009 winds down, 2010 approaches pregnant with possibility and the promise of a stronger economic environment. The nation is on the cusp of dramatic policy changes in the medical system, in environmental policy in the wake of the EPA ruling on greenhouse gases, the unsustainability of our current fiscal policy in the face of aging boomers and unfunded entitlements. The excitement will continue and the tradeoffs will have to be faced.