

ECONOMIC REPORT

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The Darn Swans

An otherwise pleasant Thursday is marred by a 1,000 point swing in the Dow conjuring up images of 1987 or the volatility of October of 2008. The fiscal fiasco of the land of the Acropolis erupted in rioting and triggered a planned trillion-dollar assistance scheme from more sober elements of the Euro fraternity and international community. These events were accompanied by an unsuccessful attempt to bomb Times Square and an accident on the Deepwater Horizon drilling rig such that its name and resting place are now one in the same. The massive oil leak continues. One is reminded of Nassim Taleb's book "The Black Swan" with its discussion of shocking high impact events. This was the time we were supposed to be celebrating the return to job growth and the third consecutive quarter of growth wasn't it?

The first quarter of 2010 brought an initial estimate of a 3.2 percent annualized growth rate, driven by consumption, investment, and slower inventory decline. Residential construction declined after a two-quarter jump. Hopefully this does not portend a double dip for housing as the special stimulus for the sector is withdrawn. The resetting of state and local government continued with declining activity as revenue constraints hampered spending plans and forced long sacred assumptions to be confronted. The April employment release brought an increase in the unemployment rate, but a 550,000 employment gain in the household survey and a broad based 290,000 increase in payroll jobs. The only sectors with

over the month declines were transportation, warehousing, utilities and information. In addition, the two previous months were revised up so that employment has risen for four of the last five months—we are, however, still down 7.79 million jobs since the cyclical peak in December of 2007. This will continue to cast a long shadow over the labor market recovery that is at last underway. In this season of graduations, new entrants to the job market are facing obstacles not faced by new graduates since the early 1980s as they compete with last year's graduates and others displaced by the recession. For many, it is not yet time to break out the champagne.

In the region, similar patterns are evident as employment totals have stabilized and are showing some seasonally adjusted gains. According to the Bureau of Labor Statistics, Oregon and Washington saw gains between March and April, while Idaho and Montana, which had been up the previous month, declined. The precipitous job drops have passed, but year over year gains are still slated for 2011. First quarter residential permit data from the Census Bureau shows that Montana, Idaho and Washington saw increases in permits compared to 2009. In Idaho permits totaled 1,286 up 27.3%, Montana saw a 60.2 percent jump to 415 and Washington's 4,874 permits were up 28.8 percent. Oregon permits totaled 1,756 down 12.8 percent. Nationally, first quarter residential permits increased 22.4 percent to 145,645. Housing resale activity has moved up, driven in part by now expired tax credits, rising affordability and mortgage rates that as of mid-May have once again dropped below five percent.

After an extended period of depressing anecdotes and tales of disappointment, it has been heartening to start to hear tales of success such as neighbors or friends finding jobs, or filling vacant spaces or rentals. Now it is more difficult to find a parking spot at the airport, cab drivers are a happier lot, and those daily experiences that will ultimately become data are mounting on the positive side.