The Economic Outlook

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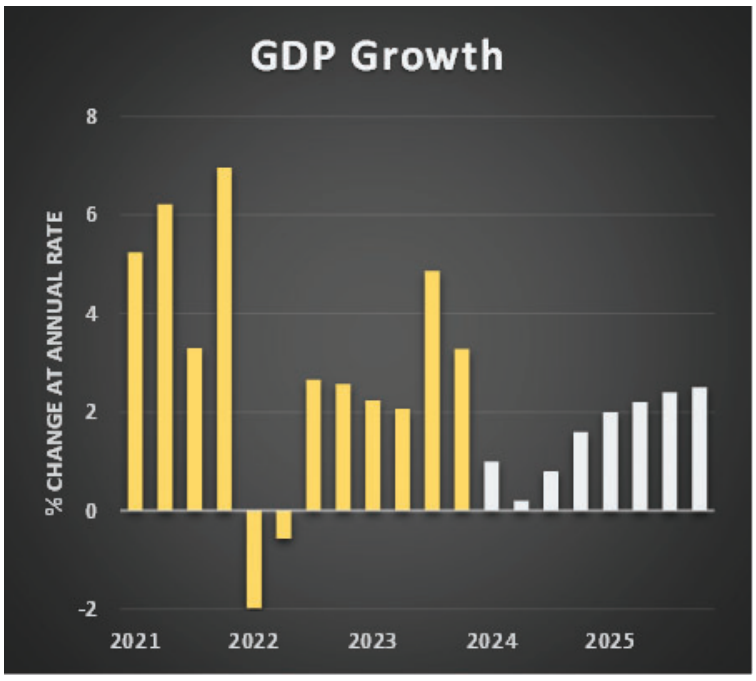
Quarterly Economic Newsletter

Inside Q1

The range of economic possibilities in 2024 straddles the dividing line between recession and no-recession. Most likely the economy will only slow its growth rate, though downside risk continues.

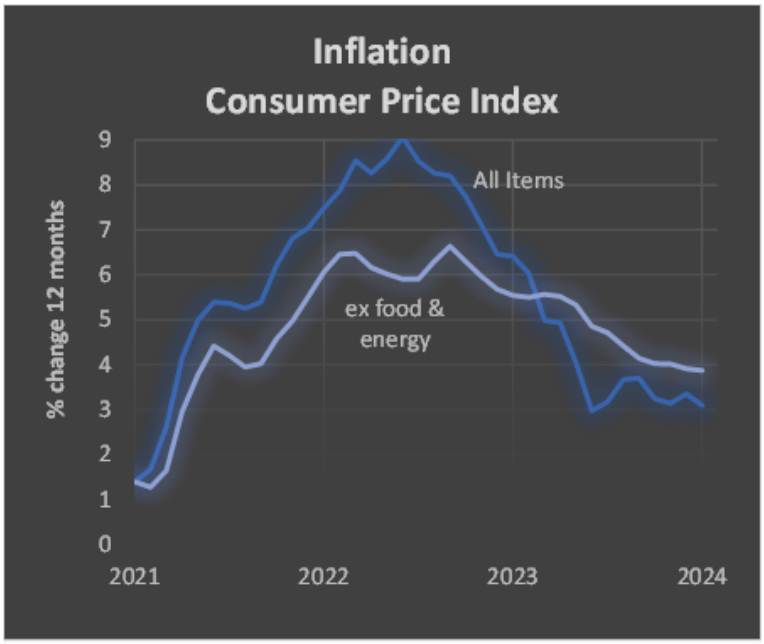


This view is rosier than what most economists, including me, were projecting six months ago. Consumers have been spending even if they voice concerns about inflation. Businesses continue to invest in equipment. And your government has gone whole-hog, even though conventional advice is to spend big in recessions and run budget surpluses when the economy is strong.

In this economic environment, the Federal Reserve feels no urgency to lower interest rates. Investors in stocks and real estate have been hopeful about rate cuts, only to be disappointed. By summer, however, inflation should be running low enough for the Fed to feel comfortable. Job growth and other measures of the economy will be less exuberant. With these two factors in place, the Fed will begin gradual interest rate reductions (see Interest Rates graph).

Interest-sensitive sectors which have been hurt will begin to rebound, with single family home construction leading the way. Other construction sectors, such as multi-family and private non-residential, will take longer to turn around as the timeline from commitment to actual construction prevents a sudden surge in activity.

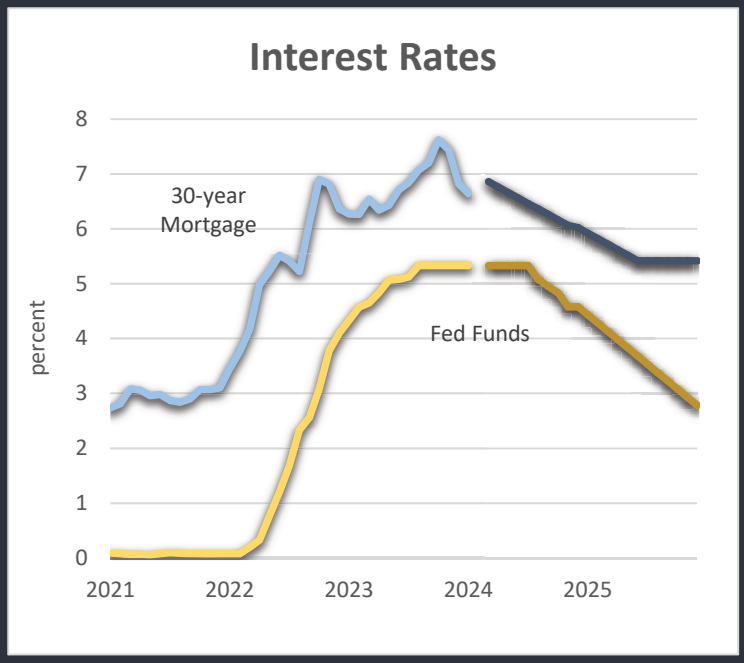
The other interest-sensitive sectors, automobiles and business equipment, survived higher interest rates because of past supply chain problems in car production and companies buying equipment when they could not hire workers. They will stay about level in 2024 and 2025.



Inflation has dropped, which is to say that the rate of increase is not so bad. Supermarket shoppers ask why prices are still high, and the answer

is that inflation is lower but not reversed into deflation. The Fed's economists have not done a great job forecasting inflation, and neither have private sector economists. Without great confidence in its predictions, the Fed will ease but very cautiously.

Job growth has continued over the past year. Although layoffs have made headlines, the number of applicants for unemployment insurance remains extremely low. Layoff headlines are worst in technology, which went overboard hiring when times were good. Expect slow gains in overall employment and income in 2024. Then economic activity will accelerate in 2025 as lower interest rates help spending.



Global economic problems threaten some businesses in Oregon and Washington. China is the largest buyer of exports from both Oregon and Washington, and its growth is quite soft. Leadership there is flailing, trying to reignite the economy but with little success so far. Canada, second largest market for our exports, faltered last year but has better prospects going forward. Mexico has done well despite some bad press on crime. Europe's economy remains weak, though it's not a huge market for the Pacific Northwest, about 14 percent of our total exports. All told, exports from the Pacific Northwest will grow a touch but not nearly as much as in past years.

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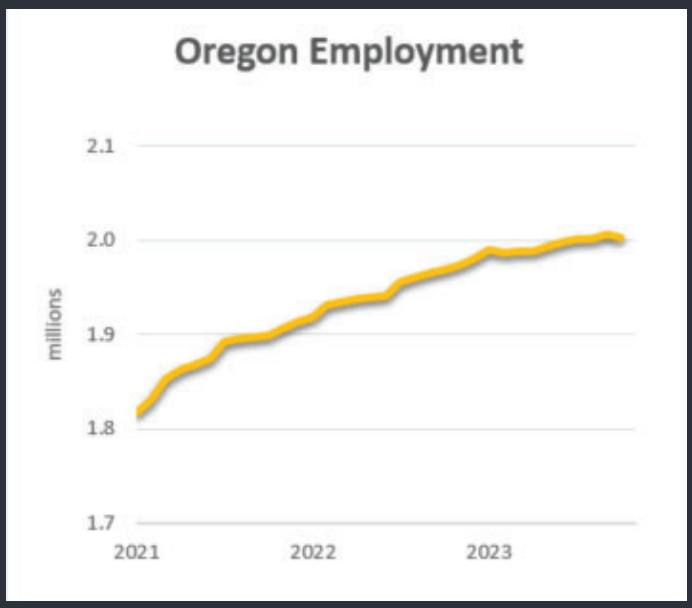
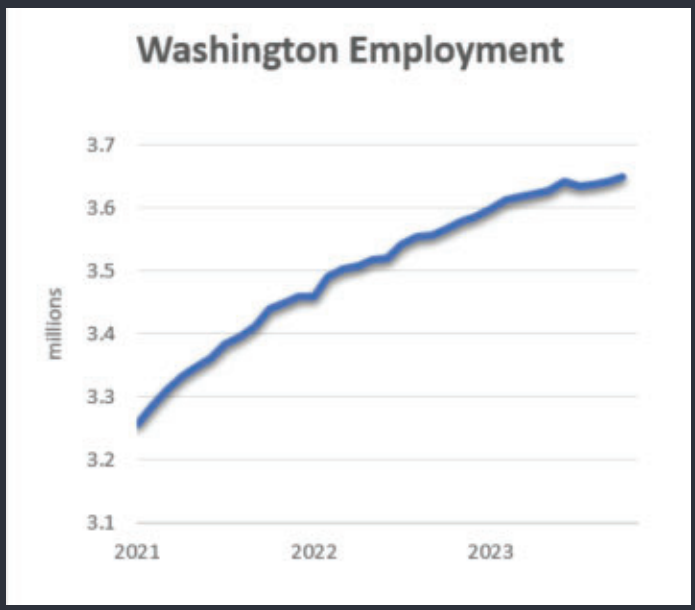
Oregon and Washington roughly match the national employment picture. Oregon lags in terms of job growth by about the amount that the state's population growth lags the nation's. Washington matches in job growth but exceeds the nation in unemployment. The bottom line is that Oregon and Washington are following the U.S. pattern rather than going off on their own. As for population, Oregon's own estimates exceed the Census Bureau's annual estimates for Oregon, so we don't know exactly what's happening.



Healthcare is the fastest growing employment sector in Oregon and Washington, followed by leisure and hospitality (restaurants and hotels mostly). Boeing's quality problems raise economic concerns, though it's too soon to know how the company will fare going forward. Intel looks to be adding large computer chip capacity in Oregon, though other chip makers are cutting back in the state.



Home prices in the Pacific Northwest have increased over the past 12 months but by less than the national gain. Higher average prices discourage home-buying as well as moving into the region, though the difference in price appreciation is fairly small. Apartment rents have dropped over the past year in Oregon but just a hair in Washington.

Overall economic activity in this region will grow at a modest pace in 2024 and then accelerate moderately in 2025.

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