

Regional Economic Outlook (and a little more)

NWCCC

February 21, 2017

Hart Hodges

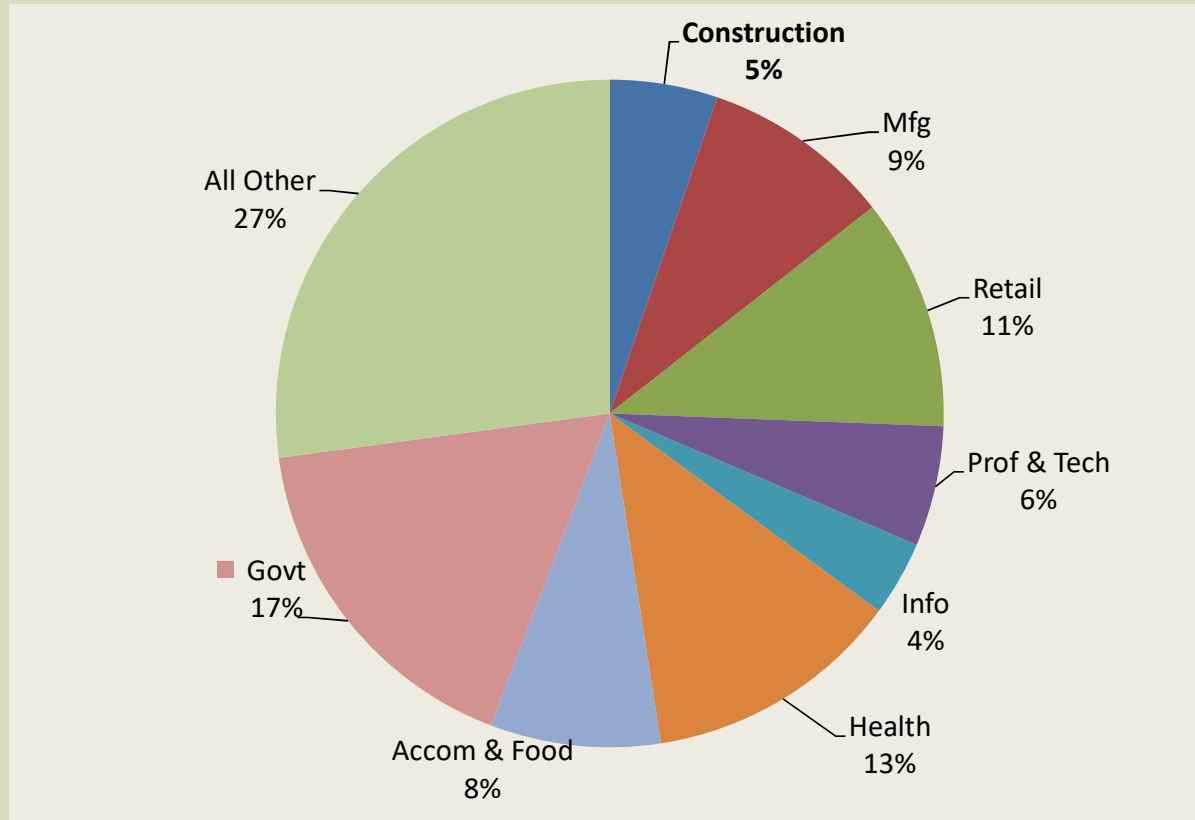
Western Washington University

Waycross Investment Management

Outline

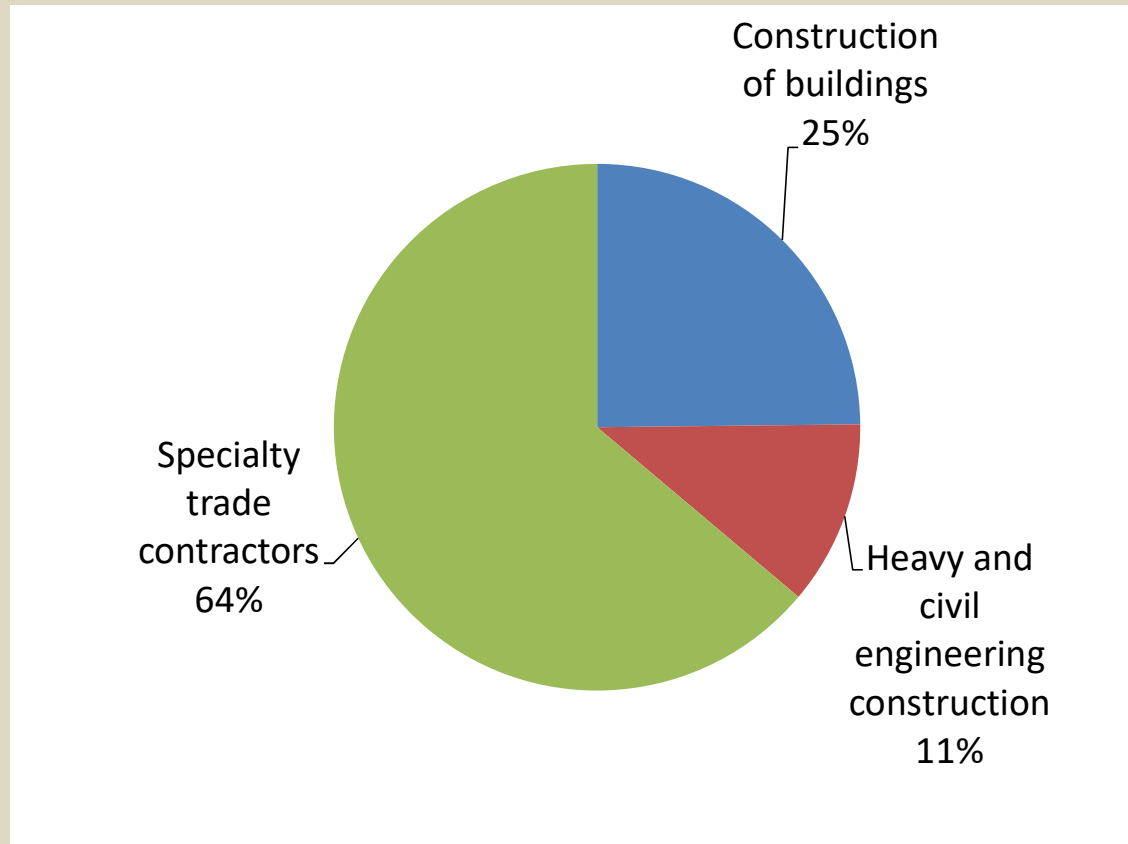
- Construction in Context
 - Note: part of our job is to help with data and data analytics...
- Near term outlook
- Longer term trends
 - Technology and the unbundling of work (a proposed narrative)... and what it means in our region

Employment by Sector



Data from WA ESD: QCEW figures, 2015

Average Wage = \$73,860
(compared to overall average = \$56,640)



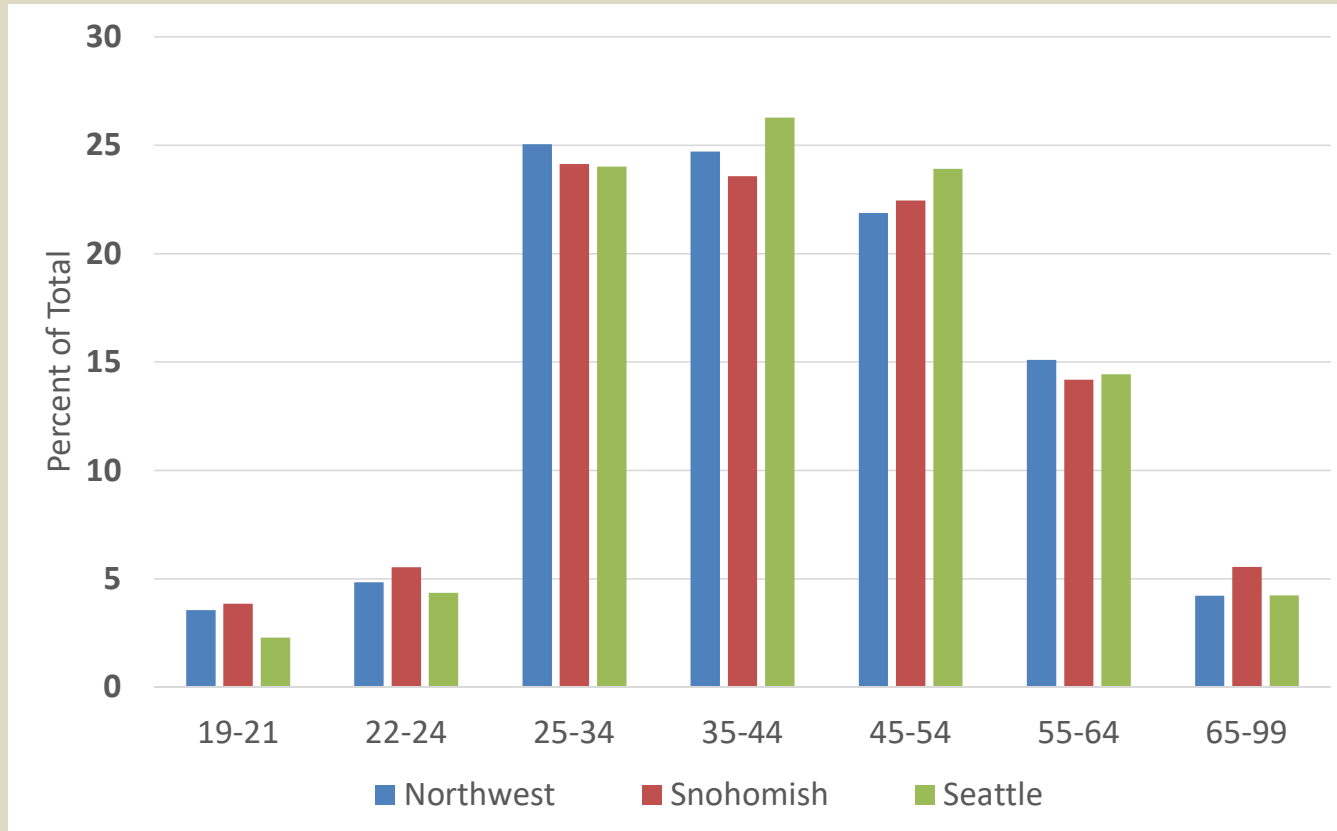
Data from WA ESD: QCEW figures, 2015

Construction Occupations

Category	Percent of jobs	Average Salary
Laborers	50	\$45,097
Supervisors	28	\$77,215
Managers	14	\$99,244
Inspectors	6	\$70,395
All other	2	\$47,211

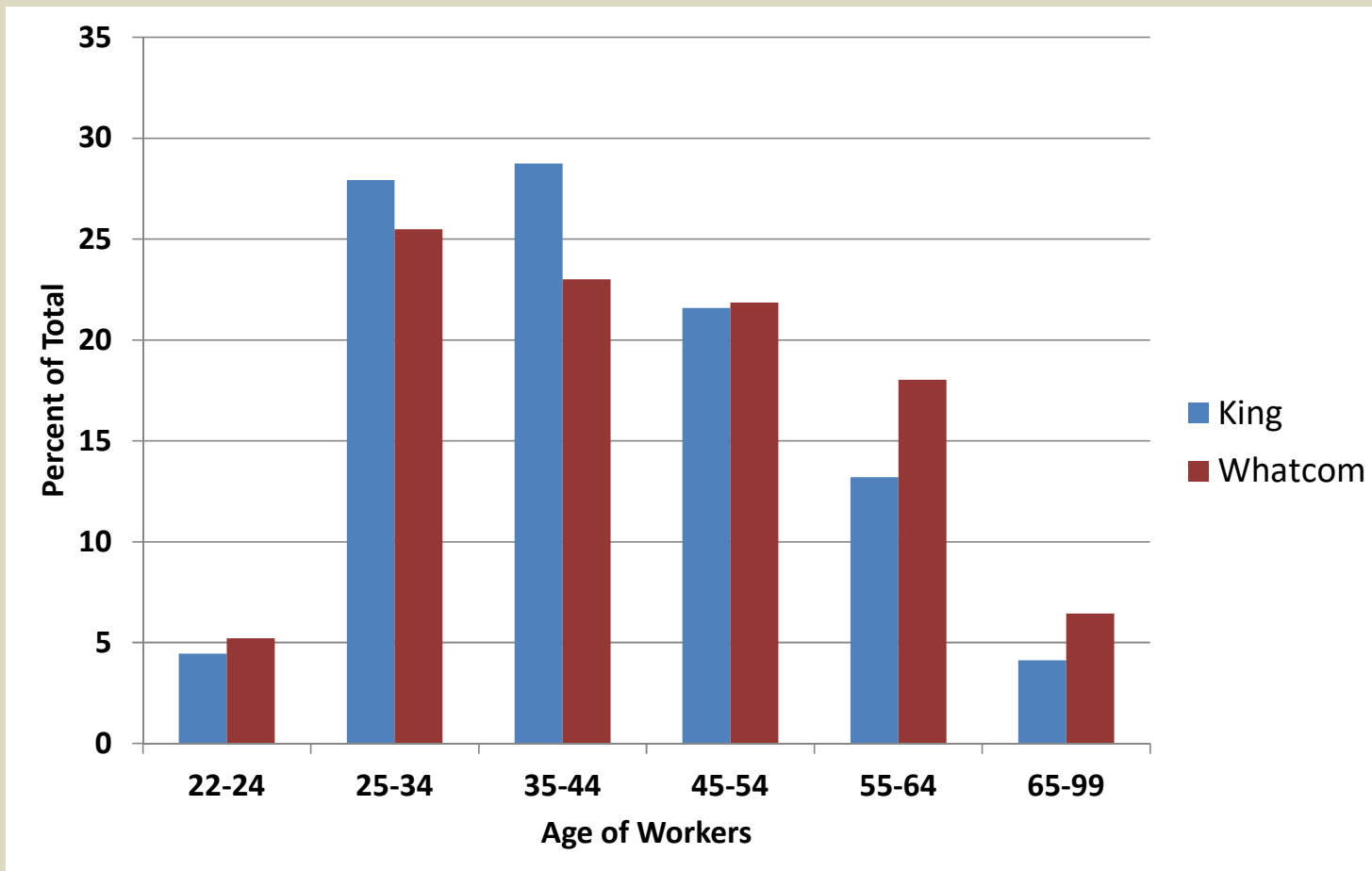
“2016 Occupational Employment and Wage Estimates”: WA ESD (July 2016)

Age of Workers in Construction



US Census 'Longitudinal Employer-Household Dynamics' data 2015 & 2016

Age of Workers in Prof & Tech Serv.



Economic Outlook

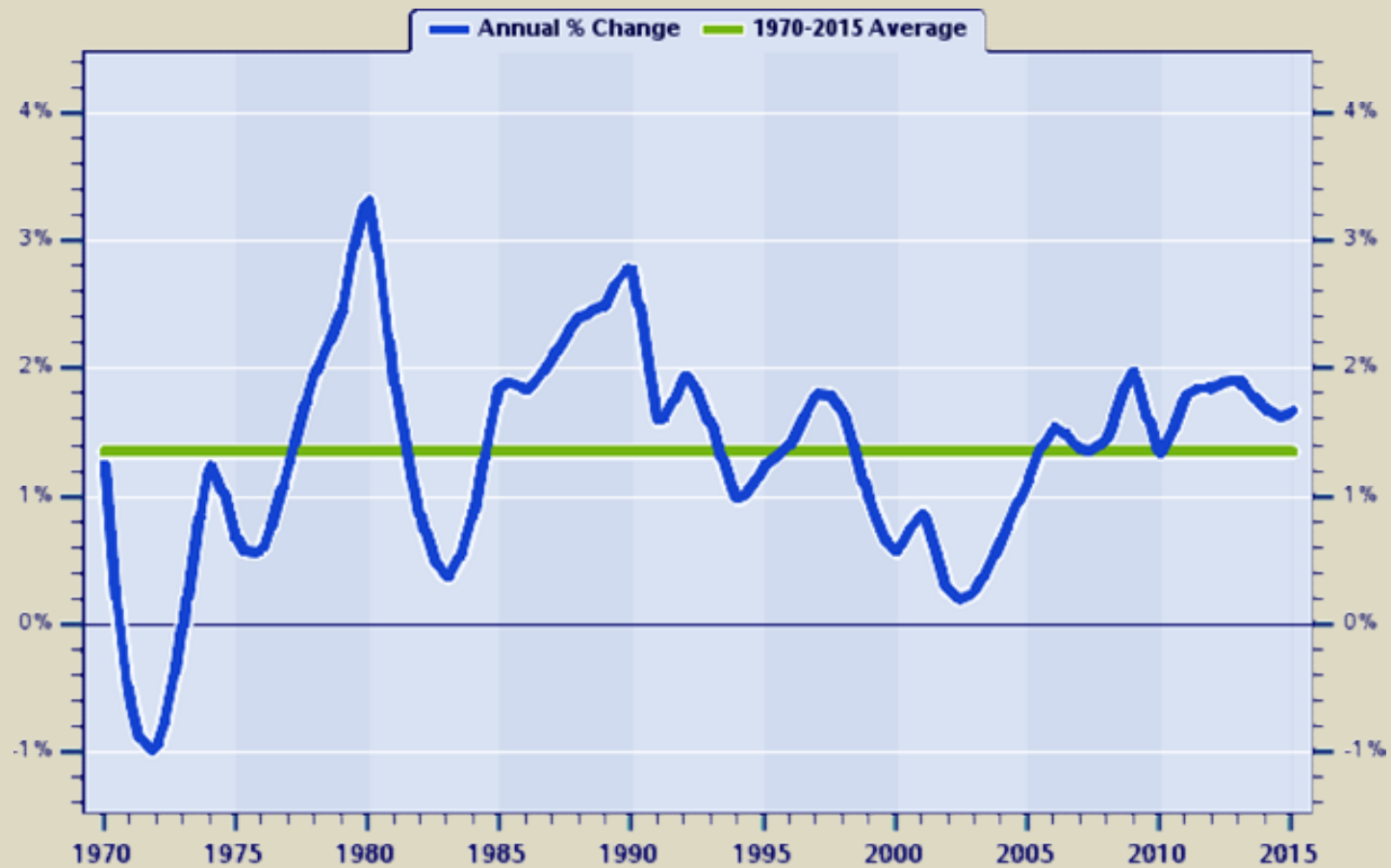
Washington (2017)

- GDP growth: Roughly 0.5% above the US
- Employment (nonfarm): Also about 0.5 percent above the US
- Construction employment: Very slightly above the US

Note: much of the strength in the state (relative to other areas) has been based on activity in the Seattle metro area. The base is broadening.

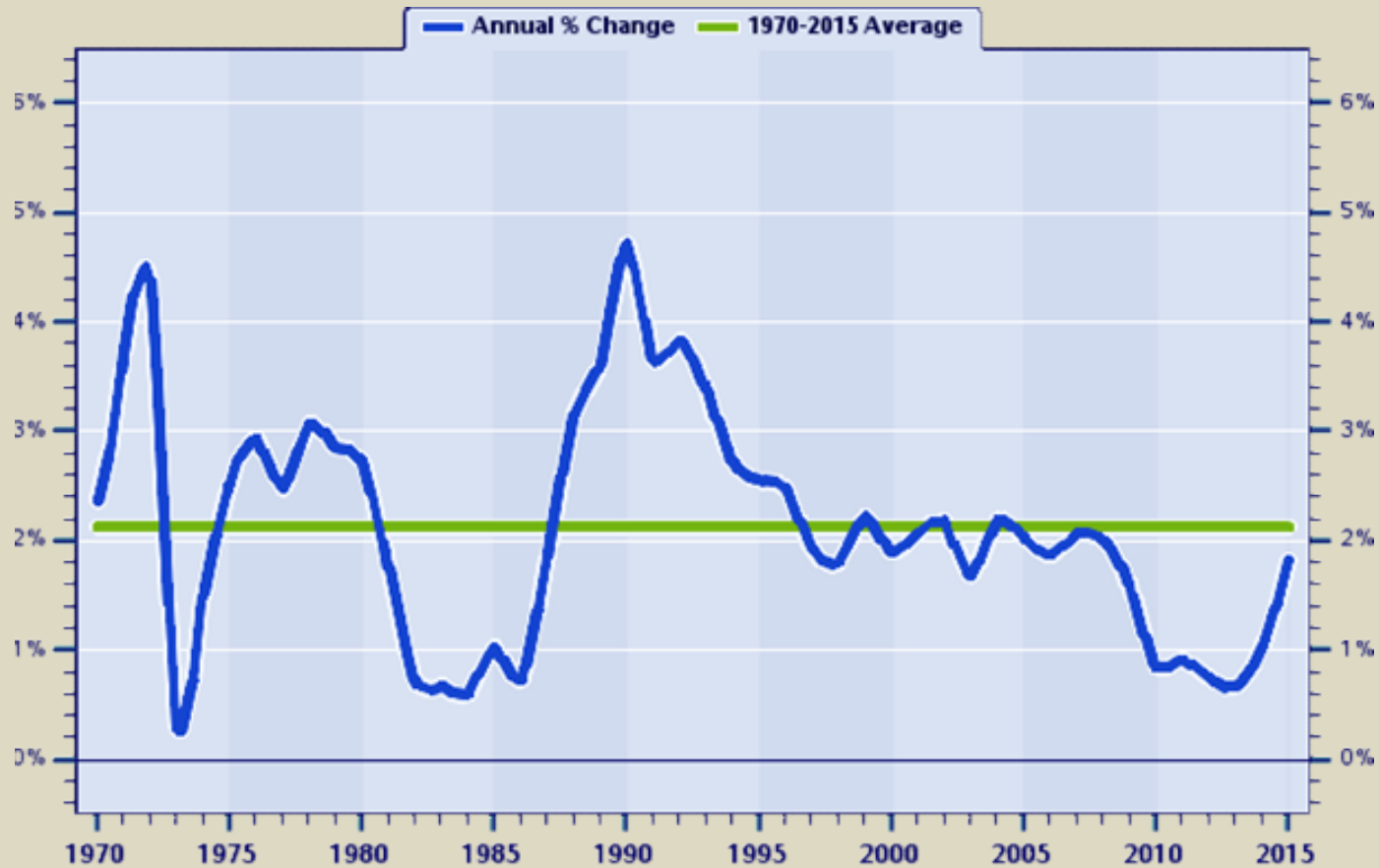
More from Ken...

Population – King County



Source: Washington REAP Project.org
Data: Regional Income Division, BEA (11-17-2016)

Population – Whatcom County



Source: Washington, REAProject.org
Data: Regional Income Division, BEA (11-17-2016)

Positive Near-Term Outlook in Our Region

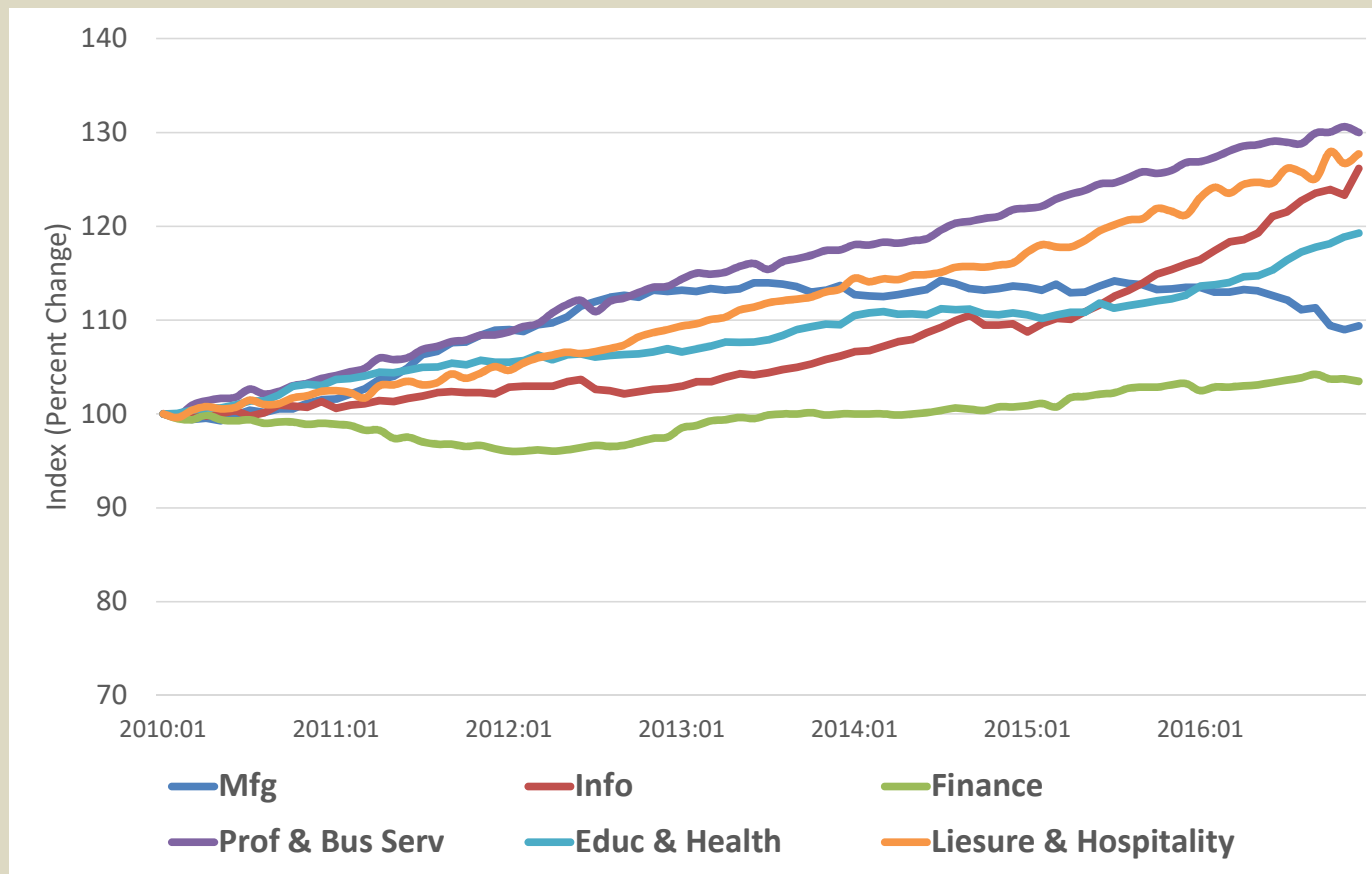
Ignoring for a moment any political uncertainty (more from Kris), the pieces are in place for activity to remain strong in the construction sectors.

- Population growth average or above average
- Job growth and income growth continuing
- Difference by county – but much less so in construction than other sectors

Things to watch

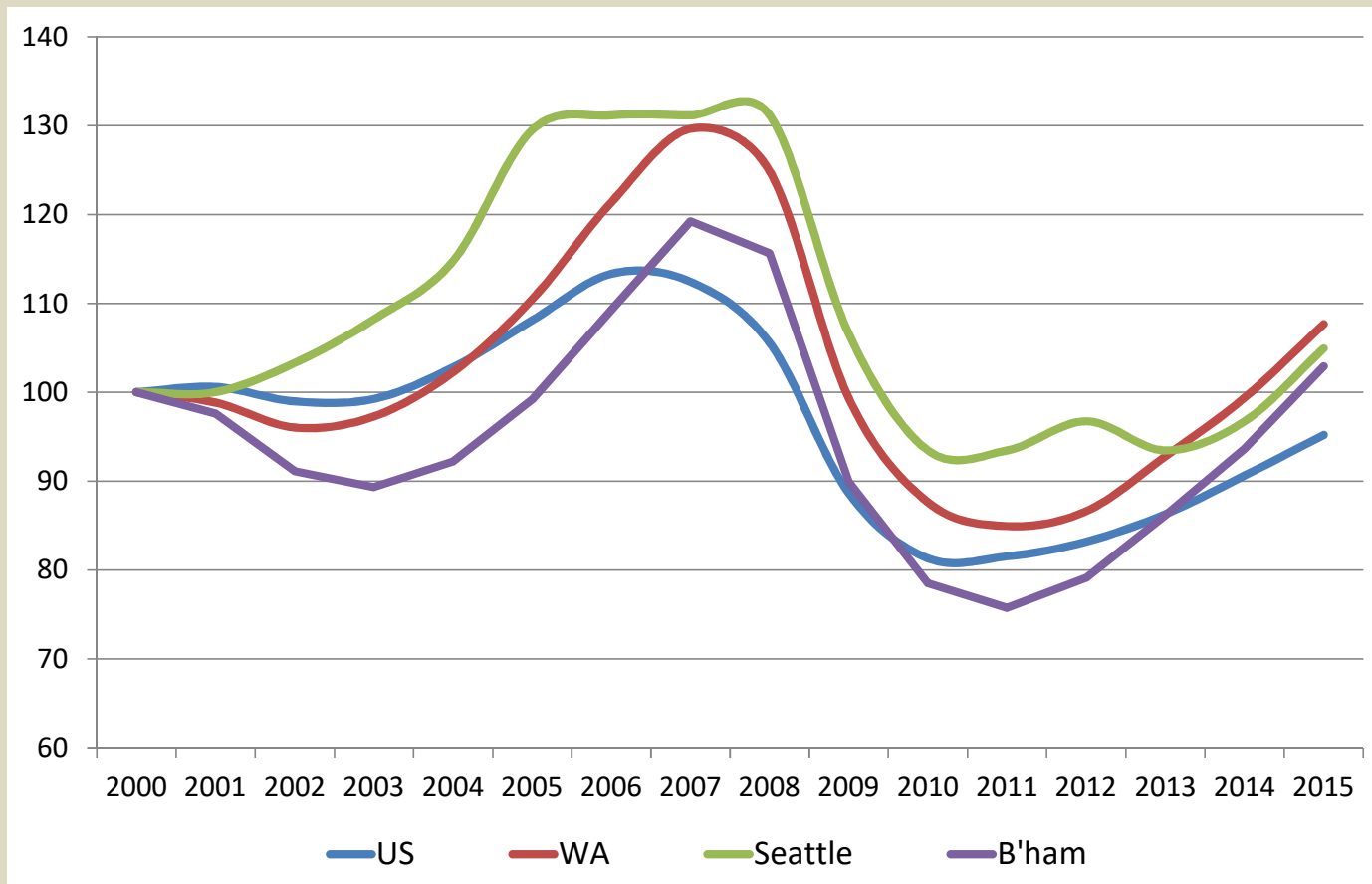
- Labor constraints
- Weakness due to pricing and economic uncertainty (perhaps by end of the year?)

Percent change in jobs 2010 to Present

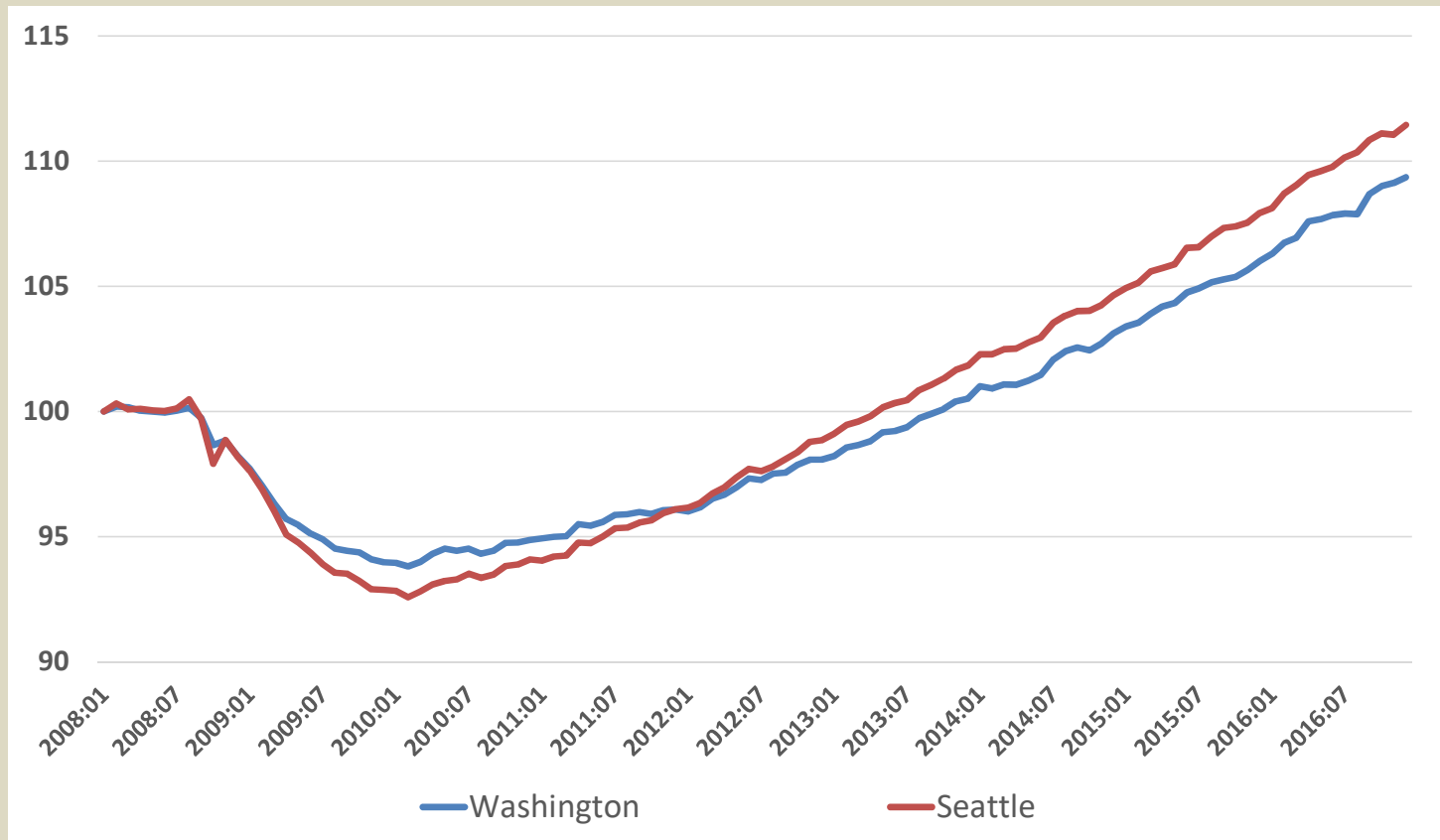


Data: Employment Security Department/Washington Employment Estimates

Construction Employment

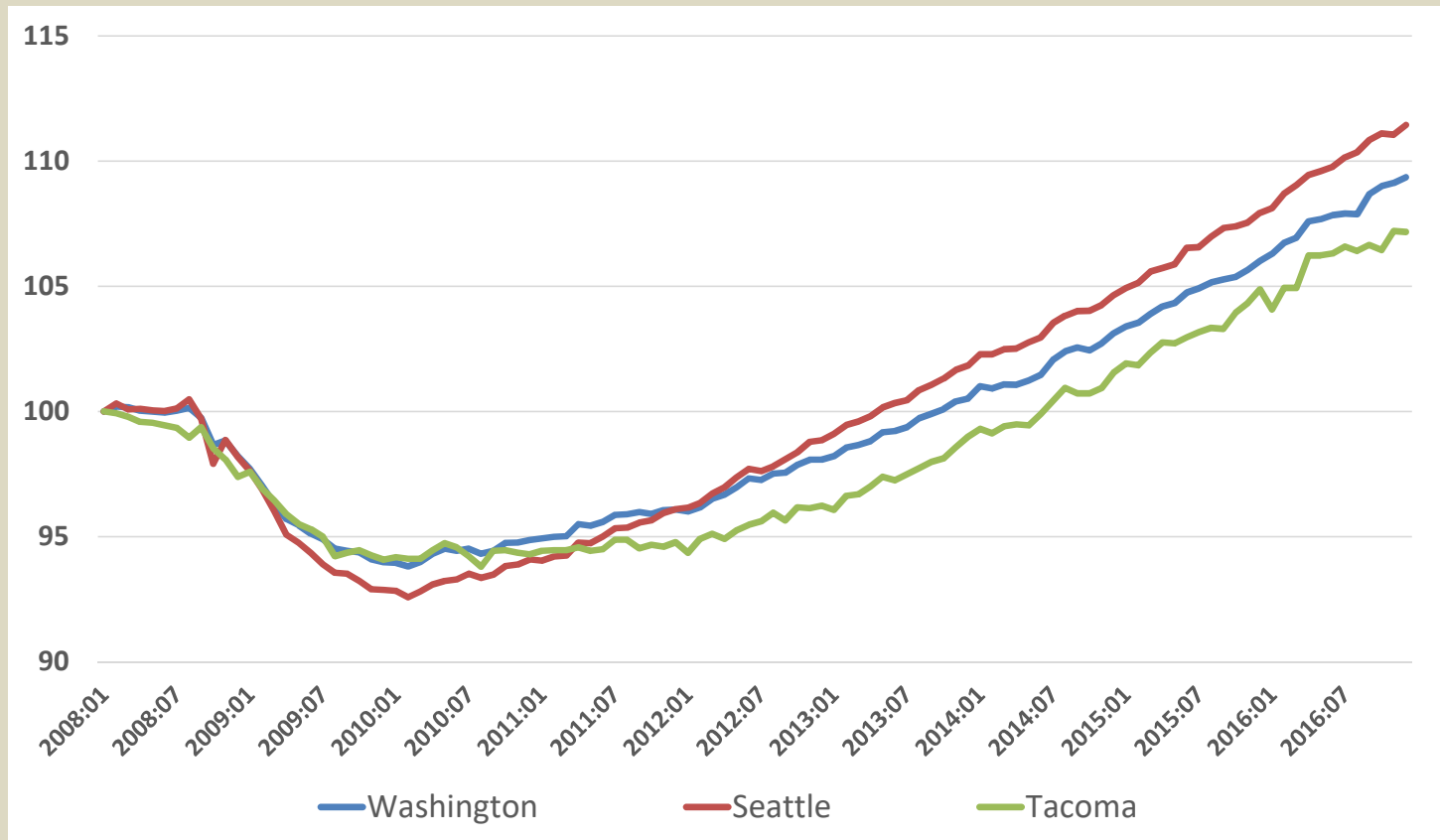


Percent change in jobs from before the recession



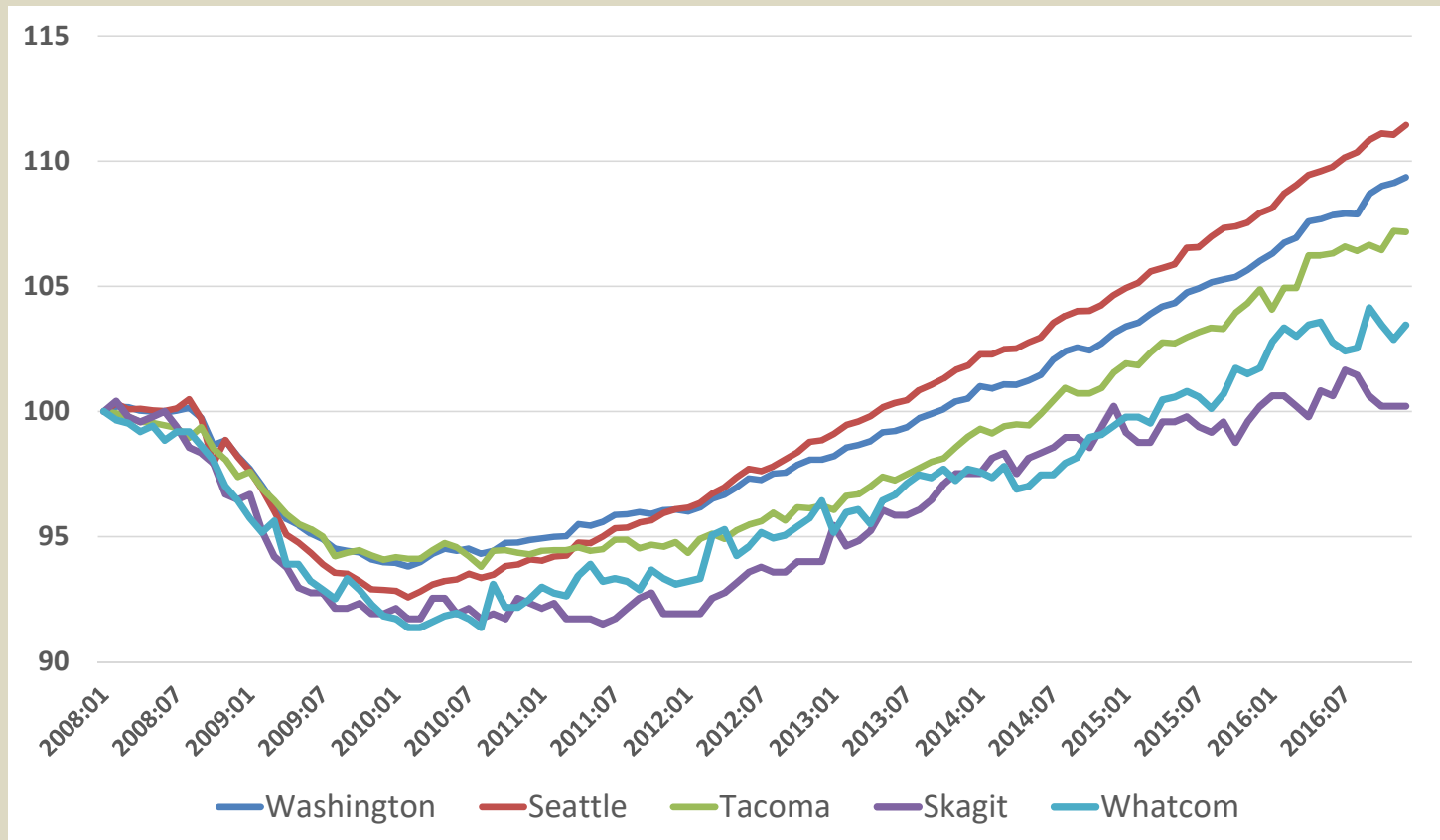
Data: Employment Security Department/Washington Employment Estimates

Percent change in jobs from before the recession



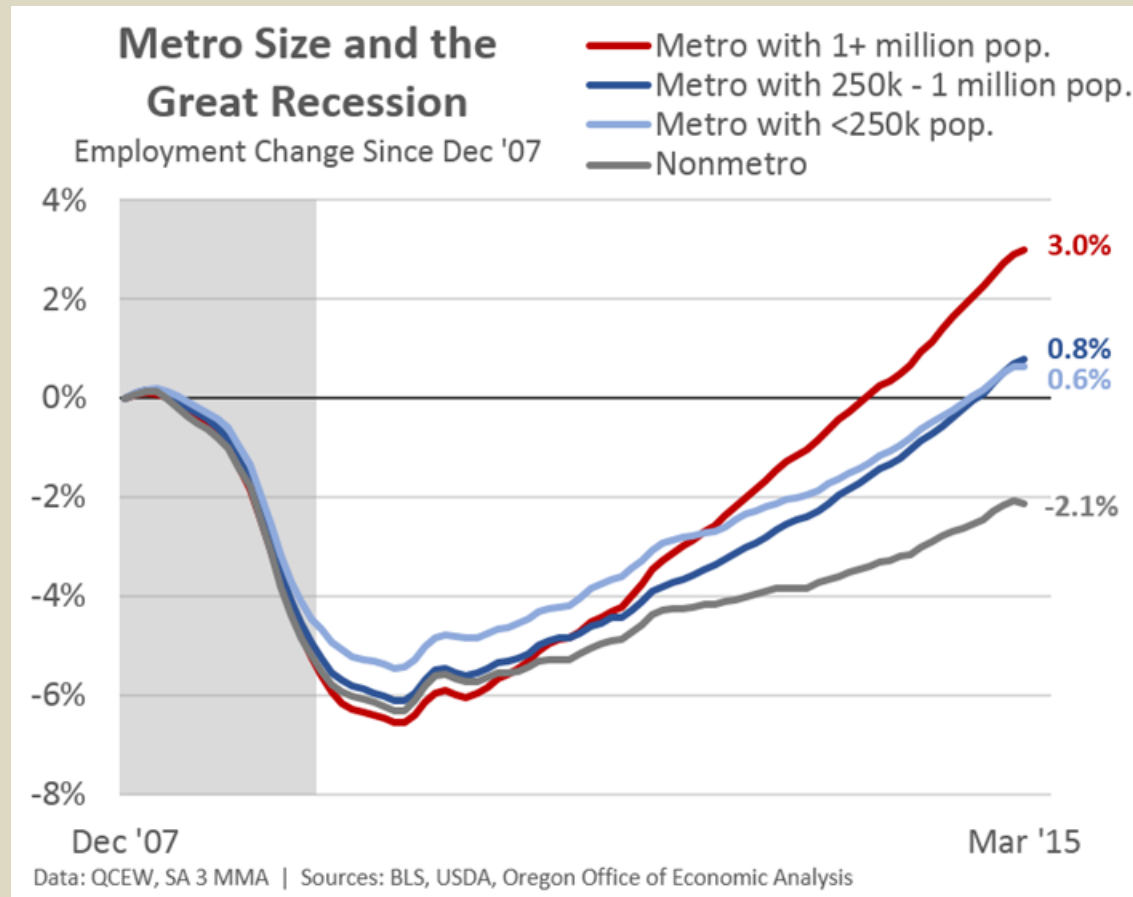
Data: Employment Security Department/Washington Employment Estimates

Percent change in jobs from before the recession



Data: Employment Security Department/Washington Employment Estimates

Job Recovery After the Last Recession

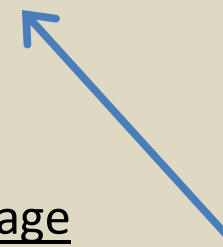


Percent Change in Employment (2007 to 2015)

Sector	Seattle	B'ham	Yakima
Information	17.9	-22.4	-11.5
Prof & Tech Services	25.5	5.4	-6.8

Percent Change in Employment (2007 to 2015)

Sector	Seattle	B'ham	Yakima
Information	17.9	-22.4	-11.5
Prof & Tech Services	25.5	5.4	-6.8



Average Wage

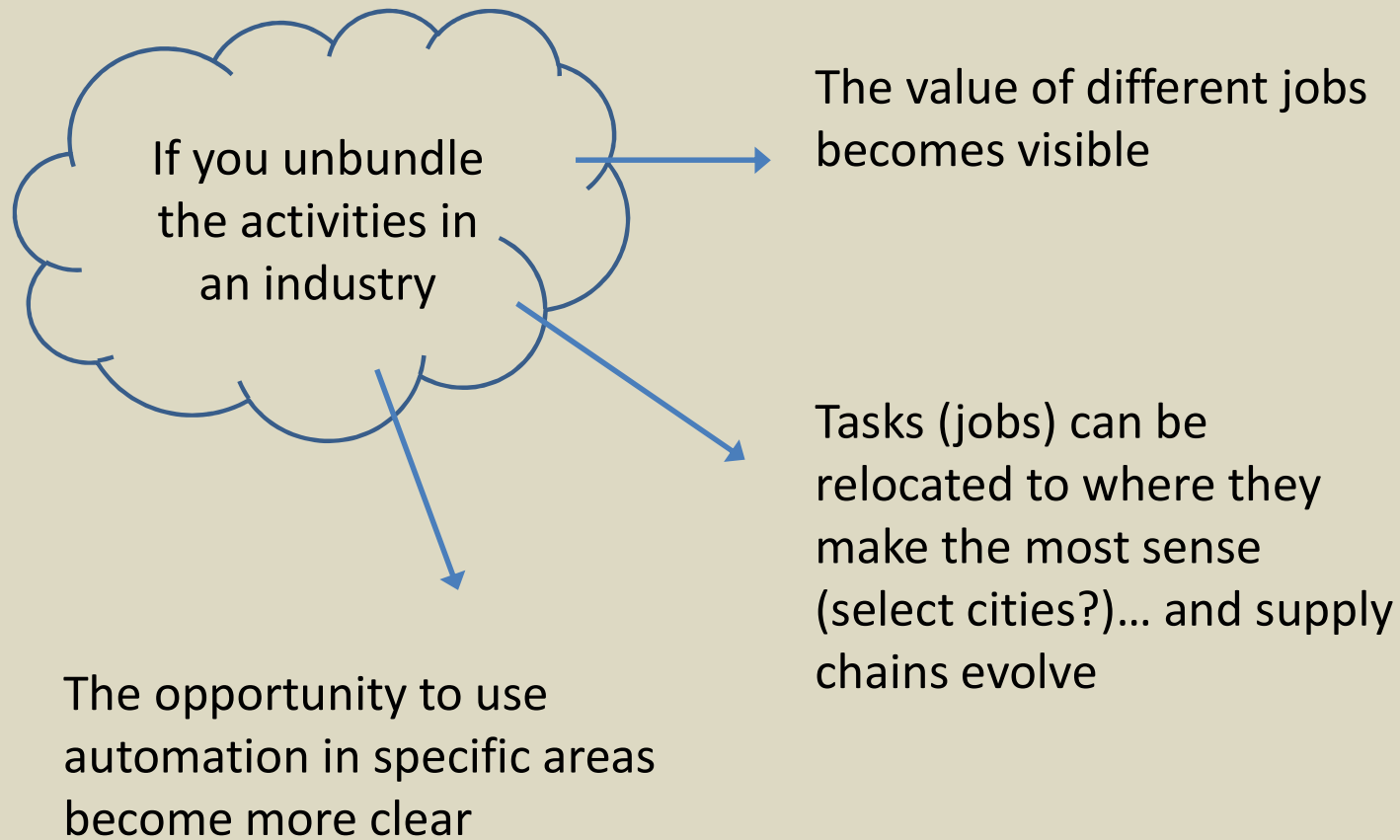
Info: \$174,000

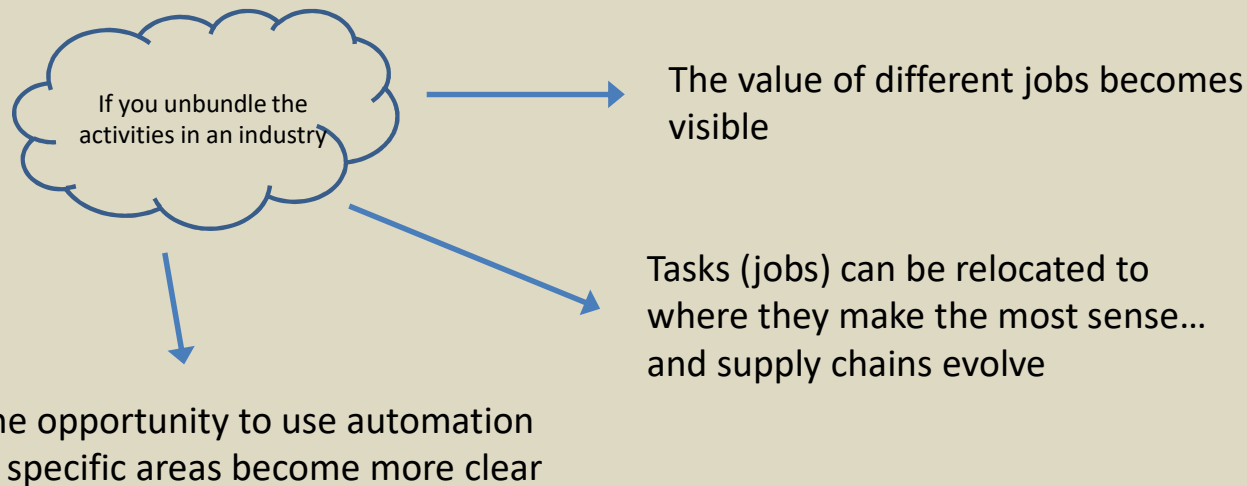
\$51,879

Prof & Tech Services: \$96,540

\$62,598

A Theory





- Some low value jobs are lost due to automation & some get reconfigured and go overseas
 - Things feel tenuous to many workers
- High value jobs may be collocated to take advantage of knowledge spillovers
 - Increasing inequality in economic activity (by place and \$)
- Supply chains become much more complex fitting in between the various (unbundled) segments

The Narrative (take 2)

- “The World is Flat”, but technology favors cities at the present time
 - Cities are where people gather... and learn from each other
- Technology is better and cheaper
 - The value of and need for different types of labor is changing rapidly
- From ‘winner take all’ to faster disruption
 - Facebook & Netflix ... to construction

Relationships are changing – especially between workers and output, but also between employer and employee

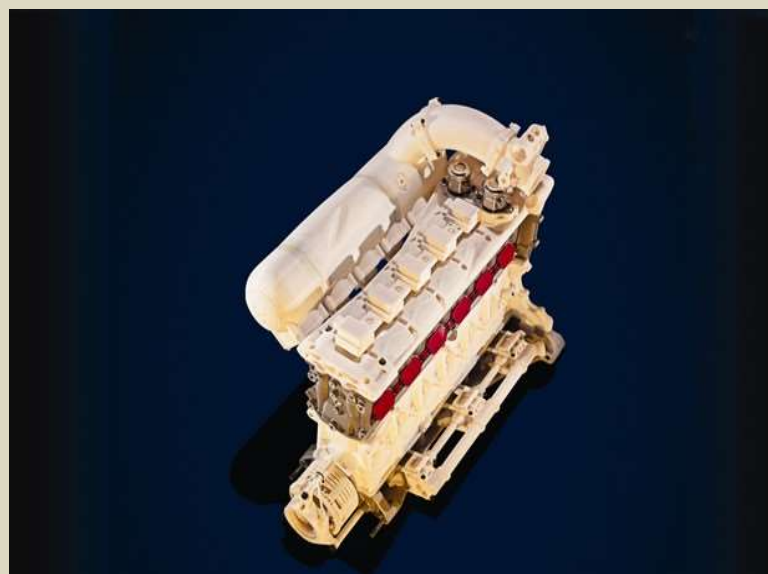


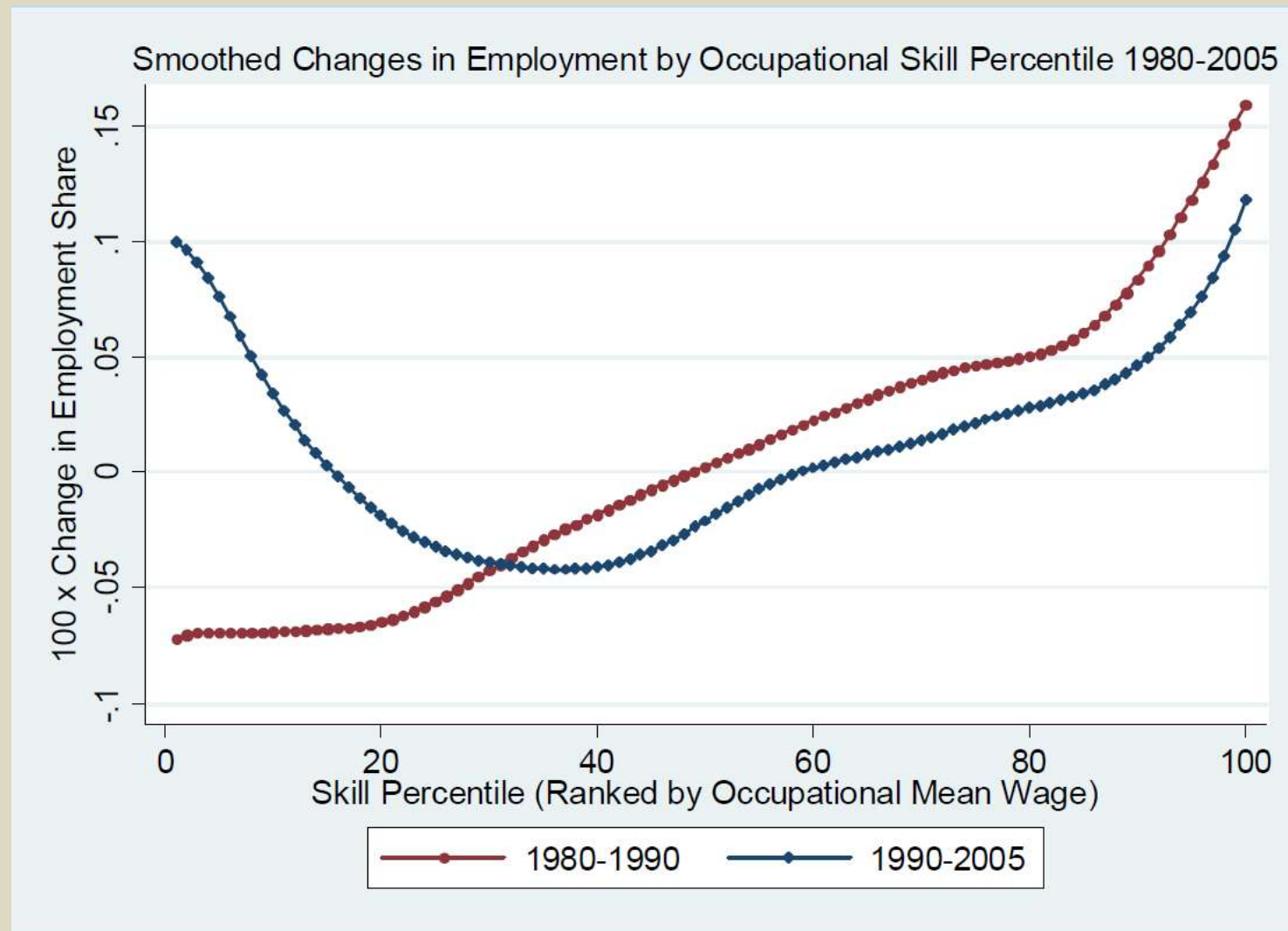
Bio-chemistry and Health Care

A “Kodak moment” became a selfie...

Transportation
(from fuel cell
technology to self-
driving cars)

Retail?





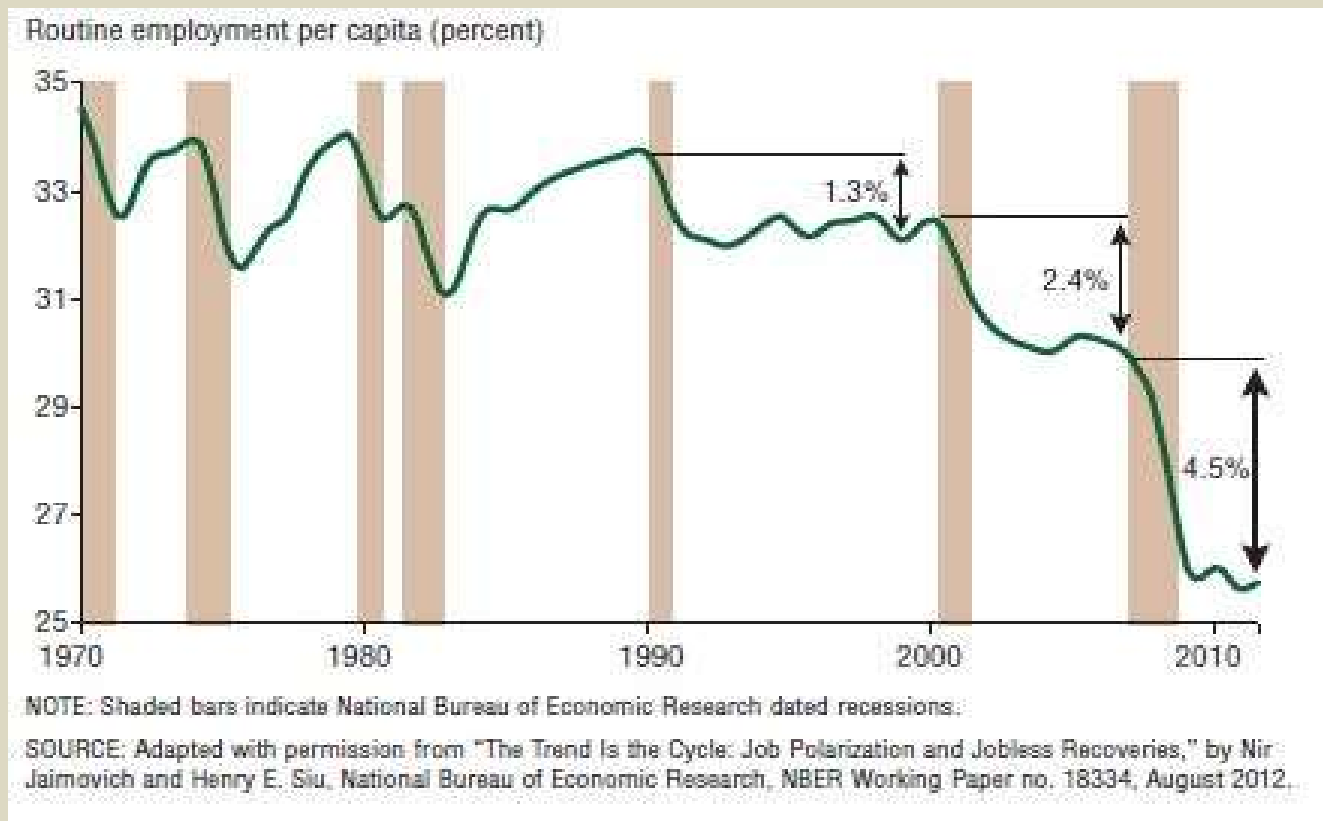
Autor and Dorn, 2008

Employment Change 97 - 06

Employment Category (white collar jobs)	% Change
High skilled	24.6
lawyers, engineers, etc.	
Medium skilled	-30.1
computer support	
Low skilled	1.5
sales rep, drafter, exec. asst.	

Crino, Review of Economic Studies, 2010

... And Another View



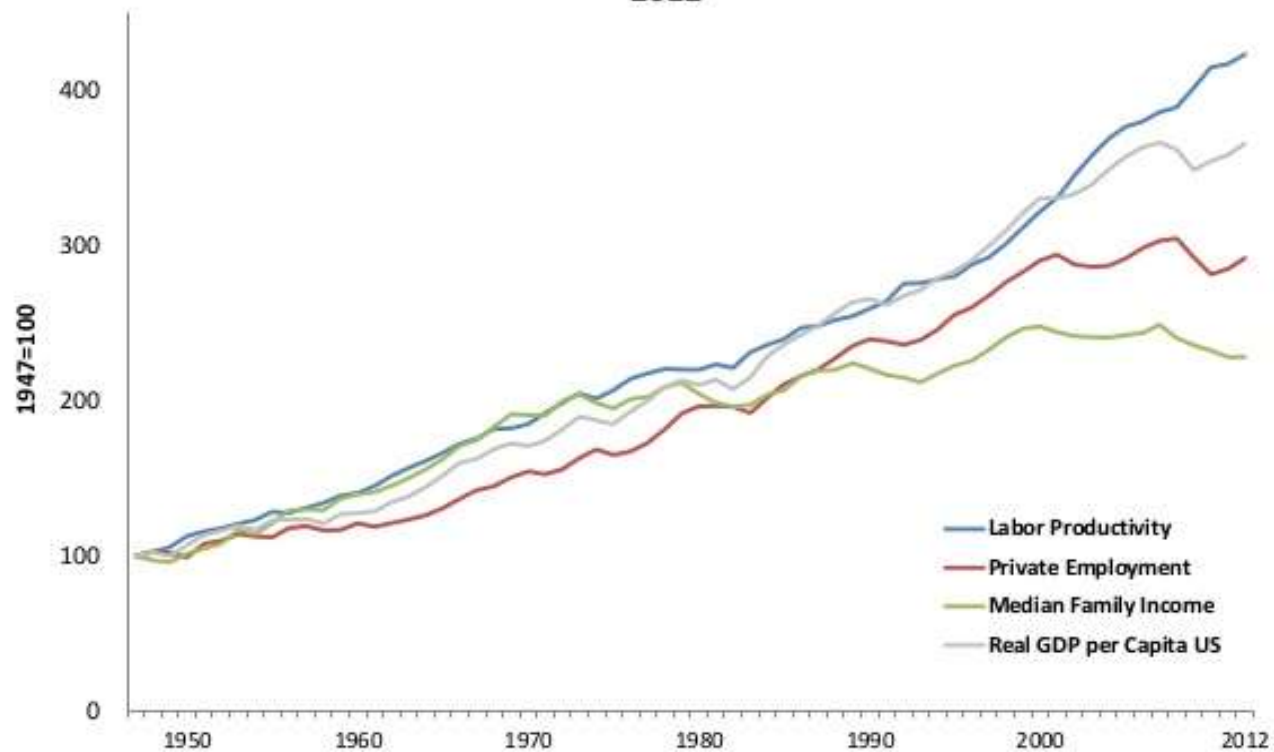
Dallas Federal Reserve



“Not Even Hillary, Bernie or Donald Can Bring Back These Jobs”
Moshe Vardi, The Fiscal Times, 4/7/16

The Great Decoupling

US Productivity, Real GDP per capita, Employment and Income: 1947-2012



© Andrew McAfee, 2014

Source: research.stlouisfed.org

A Stray Thought

Less friction in the economy, more opportunities with automation, etc.

→ more challenges planning for capital expenditures.

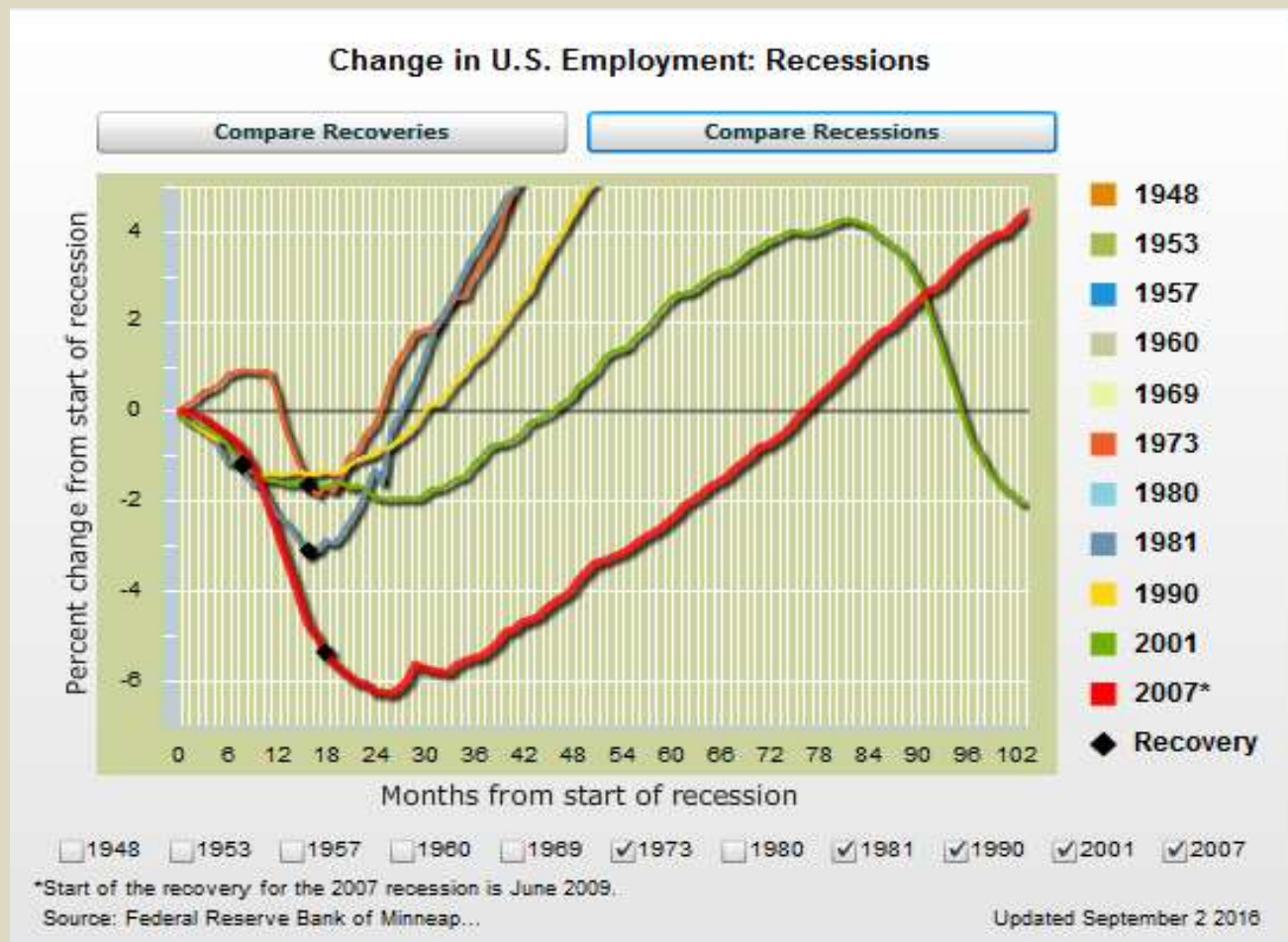
Strategic plans used to emphasize goals over a 3-5 year horizon and companies could focus on those goals (often with limited or no input from the customer... why bother?) Sometimes the idea was to optimize activities around a preferred forecast.

Companies now have to consider more information... and have to be able to respond to changes much more quickly than in the past.

- Faster execution is necessary, but has to be combined with constant assessment of everyday decisions and the ability to be flexible

“From a sprinter’s stance to a flexible stance” (From Bill Connerly)

And Another Stray Thought...



Summary & Discussion

- Positive economic outlook in the Puget Sound and North Puget Sound area
 - Seattle will remain stronger than other areas, but more rural areas doing better
- Technology matters
 - It currently favors cities (i.e., Seattle)
 - Also affecting construction directly, but probably less significantly than where customers are located
 - What are you seeing in construction with innovation and technological change? (Yard Club?)
- Capital investment decisions in a changing world
 - What are you seeing?

Thank You

Hart.Hodges@wwu.edu
Harthodges@Waycross.com