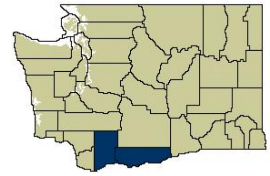
Washington State
Employment Security
Department

Klickitat and Skamania Counties

Labor Area Summary



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Monthly Review

July 2022 Unemployment Rates			
	July 2022	June 2022	July 2021
Seasonally Adjusted:			
U.S.	3.5	3.6	5.4
U.S. U-6**	6.7	6.7	9.2
Washington	3.7	3.8	5.2
Oregon	3.5	3.5	5.1
Portland Metro	3.4	3.5	5.0
Seattle	2.5	2.6	4.3
Columbia Gorge*	3.6	3.4	5.0
Unadjusted:			
U.S.	3.8	3.8	5.7
Washington	3.6	3.9	5.3
Oregon	3.9	3.6	5.2
Columbia Gorge*	3.3	3.7	4.9
Klickitat	4.4	5.1	6.1
Skamania	4.2	4.9	6.2
Hood River	2.9	3.2	4.7
Sherman	2.8	2.6	4.2
Wasco	2.8	2.9	4.0
Clark	3.8	4.4	5.6
Cowlitz	4.6	5.3	6.5
Wahkiakum	5.6	6.2	7.1
Portland Metro	3.6	3.5	5.1

*Includes Hood River, Klickitat, Sherman, Skamania, and Wasco counties.
**See text for definition.

"We argue in the kitchen
About whether to have children
About the world ending
And the scale of my ambition…"

King, Florence and the Machine

The Big Picture

Conversations among young couples in the kitchen about these topics are happening all over America. The votes are in: the *fertility rate*—the average number of children a woman will have in her lifetime—in the U.S. has dropped from 2.055 in 2008 to 1.78, where it has stayed over the last four years. The former is roughly the *replacement rate*: the number of births needed to keep population steady. The latter means that, with international migration falling, the U.S. population will eventually start to decline, beginning with the number of children and working its way up the age spectrum. Regardless of how you feel about this trend, the reasons behind it (which are complex) all too often include a not-very-hopeful question: why would I want to bring a child into this world? Economics, including the cost of housing, is also a factor.

Economics is the dismal science, so let's pile it on: A range of factors, including the increase in "deaths of despair" (suicides and substance abuse), the lack of a comprehensive health insurance and health care system, racial inequities, and income disparities has pushed U.S. life expectancy more than three years below the average of 21 peer nations, and that was before COVID. The latter led to a drop in life expectancy in the U.S. from 78.9 in 2019 to 77.0 years in 2020. The average for peer nations was a decline from 82.1 to 81.5 years. The drop in the U.S. was 1.4 years for non-Hispanic whites, 3.2 years for non-Hispanic Blacks (from 74.8 to 71.5), and 3.7 years for Hispanics. The declines were larger for men than women. And that was for 2020. Life expectancy declined further in 2021 to 76.1 years; for Native Americans and Alaskan Natives, it fell from 71.8 in 2019 to 65.2 in 2021.

It's hard to find a corner of the earth that hasn't been touched by drought, fires and flooding, exacerbated by climate change. For example, South Africa's heaviest rain on record earlier this year led not only to destructive floods but to an explosion of locusts, which devastated 19,000 square miles of grazing land. Some perspective: Klickitat and Skamania together have less than 3,600 square miles. Currently a third of Pakistan is under water, including a substantial part of their best farm land. That's about 100,000 square miles, larger than the state of Washington. Paraguay, the Rhine, New Mexico, Jackson, Mississippi…and now scientists are warning that the collapse of the Thwaites "Doomsday" Glacier in Antarctica may happen much sooner than expected.

The Nation—current business cycle

Every morning I press the news icon on my phone and scan the articles on the economy. If nothing else, it's mildly entertaining reading all the conflicting views of what's going on and what will happen in the near future.

There's a lot of bad analysis (with occasional nuggets of wisdom, or at least, humility) out there, so here's a little guide to the click-bait:

- If you read "economist(s) [or some Very Important Person] predict(s) something or other", there is a good chance they are wrong. An accurate economic forecasting model does not exist. How many economists predicted the big hiring number in July? Ummm, none. And that's only one month ahead, and one piece of data.
- If you read "most economists believe…", what they believe is very possibly, if not probably, wrong. Remind yourself, how many economists had anything close to an accurate read of the economy in 2008? Only a few, and they were roundly chastised by their fellow economists.

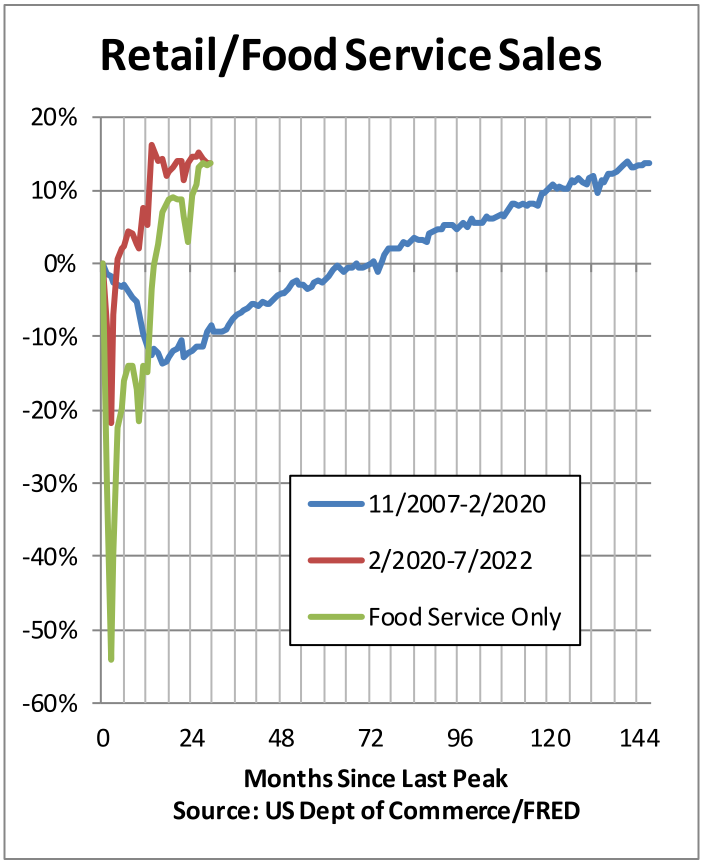
For example, there have been multiple stories over the past year using the same metaphor—employees are in the "driver's seat." There are two problems with that viewpoint: first, wages have not been keeping up with inflation. Second, corporate profits have been increasing *much faster* than inflation. Profits in the second quarter of this year were up 8.8 percent over first quarter (an annualized rate of 40 percent) and were more than 50 percent higher than the average for 2012-2019—after adjustment for inflation. How many articles have you seen about wages driving up inflation? How many on corporate profits driving up inflation? Who's in the "driver's seat"?

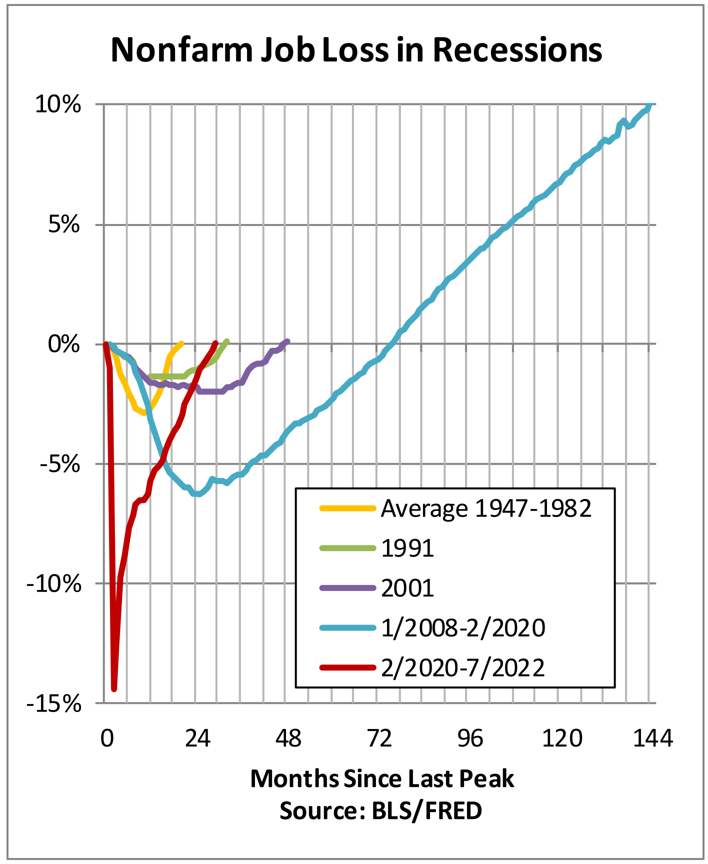
When gross domestic production (GDP)—the estimated value of all goods and services produced in the U.S.—went negative, the big question became, are we in a recession. It took a while for the mass media to catch on to the fact that a recession is not defined as two negative quarters of GDP. That's a good rule of thumb, because usually when GDP declines, other major economic measures follow suit. We see drops in factory production, employment, retail sales and personal income. But we are not in a typical economy.

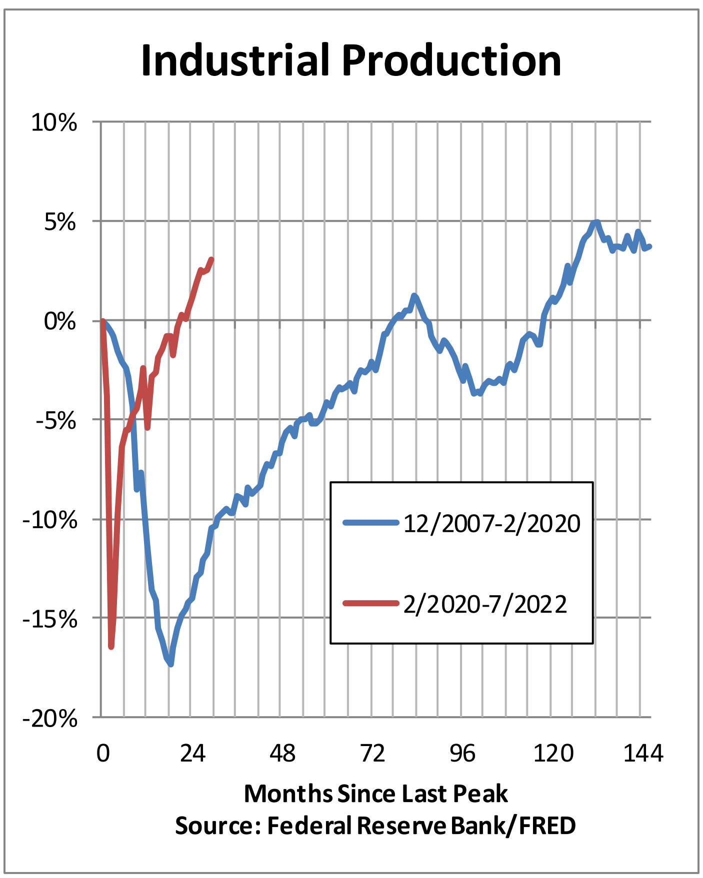
The definition of recession is somewhat subjective: a general downturn in the economy lasting more than a few months. The five factors that the panel of economists look at to determine whether we are in a recession—GDP, personal income, industrial production, retail sales, and nonfarm employment—are listed below (along with a few other indicators).

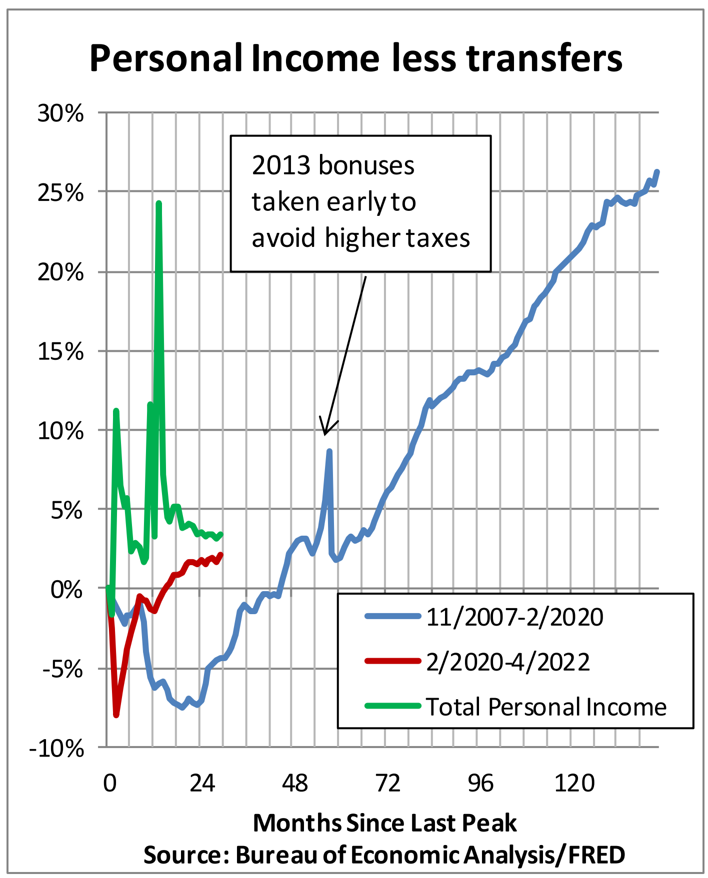
So here's your chance to be an economist for a day! Look at the actual data and make your own determination.

- GDP declined for the second quarter in a row, by -0.6 percent, following the -1.6 percent drop in the first quarter of the year. While exports increased (a positive), new housing investment decreased. Other investment spending was flat.
- Total personal income slipped by 0.3 percent in June but rebounded by the same amount in July. Income during the month was 3.5 percent higher than February 2020. When transfer payments like Social Security, Medicare


Retail/Food Service Sales
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
0
24
48
72
96
120
144
11/2007-2/2020
2/2020-7/2022
Food Service Only
Months Since Last Peak
Source: US Dept of Commerce/FRED


Nonfarm Job Loss in Recessions
10%
5%
0%
-5%
-10%
-15%
0
24
48
72
96
120
144
Average 1947-1982
1991
2001
1/2008-2/2020
2/2020-7/2022
Months Since Last Peak
Source: BLS/FRED

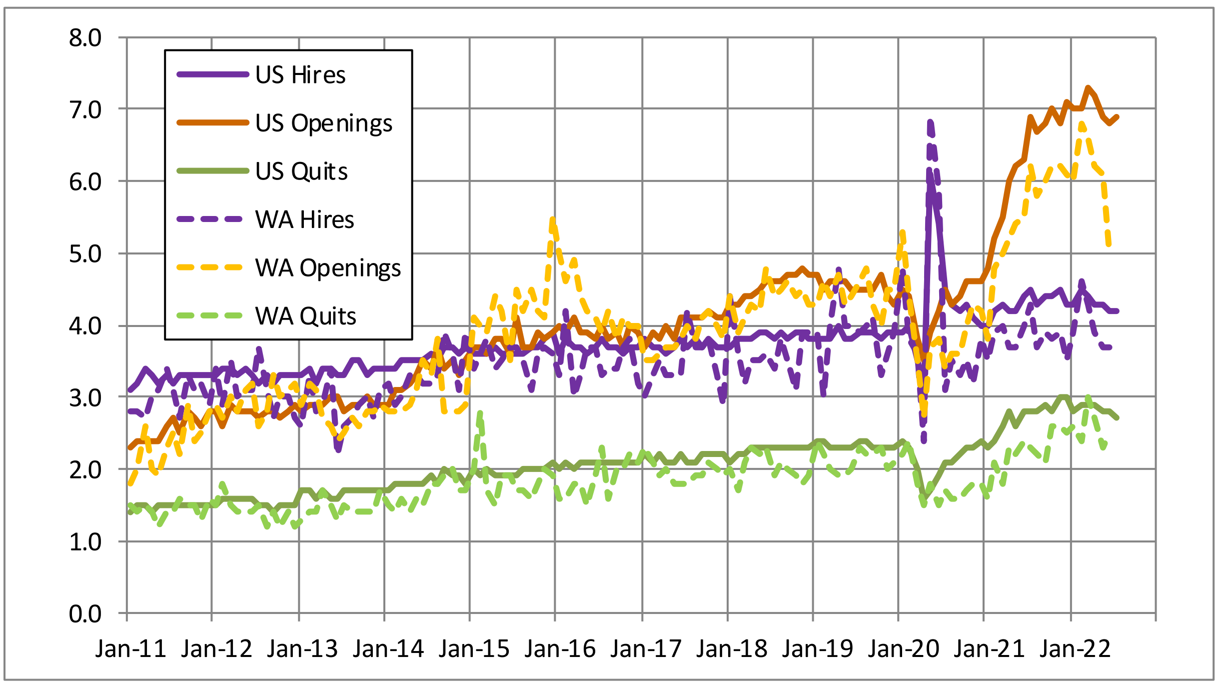

Industrial Production
10%
5%
0%
-5%
-10%
-15%
-20%
0
24
48
72
96
120
144
12/2007-2/2020
2/2020-7/2022
Months Since Last Peak
Source: Federal Reserve Bank/FRED


Personal Income less transfers
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
0
24
48
72
96
120
2013 bonuses taken early to avoid higher taxes
11/2007-2/2020
2/2020-4/2022
Total Personal Income
Months Since Last Peak
Source: Bureau of Economic Analysis/FRED

and unemployment insurance benefits were factored out, income rose by 0.4 percent over the month, and was only 2.1 percent higher than pre-pandemic.

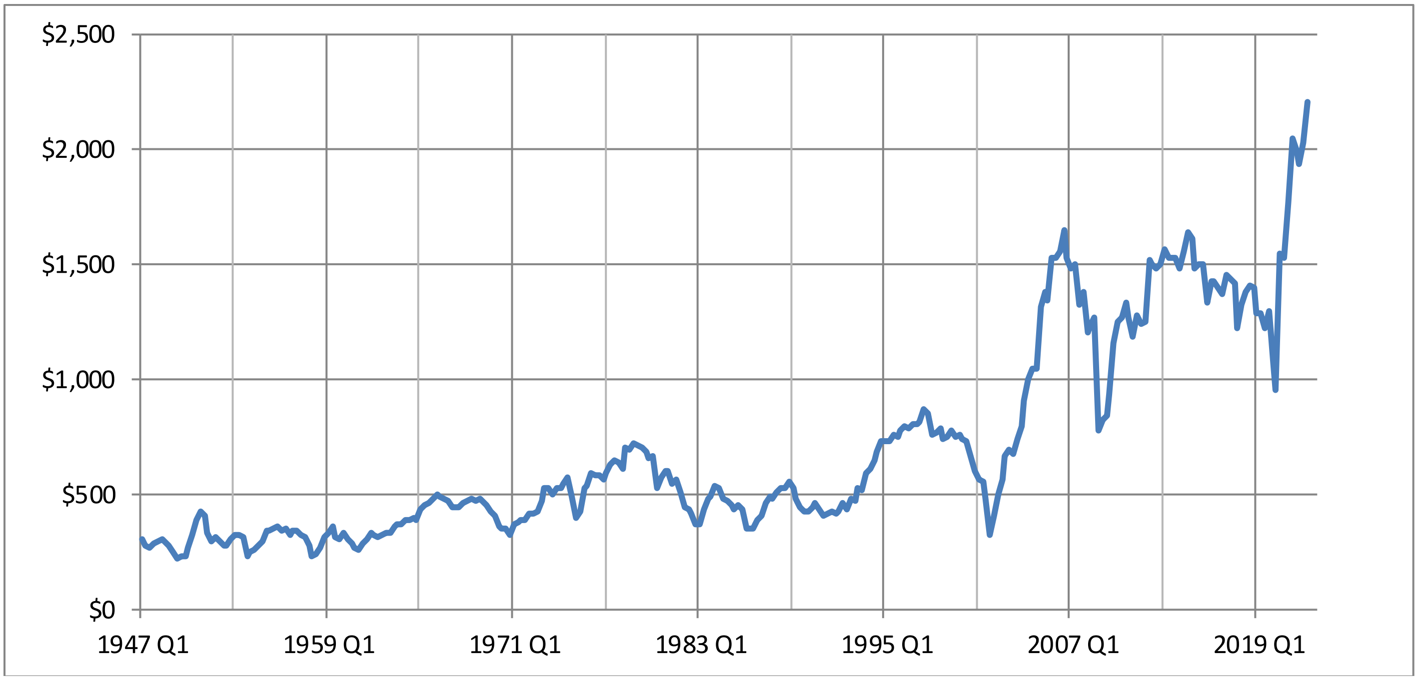
- After a flat June, industrial production rose by 0.6 percent in July, and was 3.1 percent above pre-pandemic levels. Manufacturing and mining (mostly petroleum) were both up 0.7 percent over the month.
- It wasn't surprising that retail and food service sales, which have been at elevated levels, declined in May and June. Sales did increase slightly (0.1 percent) in July, and were up a big 13.8 percent since the start of COVID. The food service component fell by 0.9 percent over the month, but still has increased by 12.6 percent over the pandemic. Sales have remained high as the effects of the stimulus have worn off due to an increase in consumer debt.
- The labor market defied economists' expectations by gaining 526,000 jobs, pushing unemployment to 3.5 percent. Employment was 32,000 jobs/0.0 percent above pre-COVID levels, but 2.1 million jobs/1.4 percent short when population growth is factored in.
    - August brought another 315,000 jobs, and a nice jump in labor force participation.
- The number of job openings has declined a bit over the past two months, but was still almost 2 million above trend in July. The openings rate remained extremely high. New hires and quits both trended down slightly but remained at high levels.

Job opening, hire and quit rates, adjusted for seasonal patterns
United States, January 2011 through June 2022
Source: U.S. Bureau of Labor Statistics/JOLTS



- And to repeat: corporate profits have been increasing much faster than inflation. Profits in the second quarter of this year were up 8.8 percent over first quarter (an annualized rate of 40 percent) and were more than 50 percent higher than the average for 2012-2019—after adjustment for inflation.

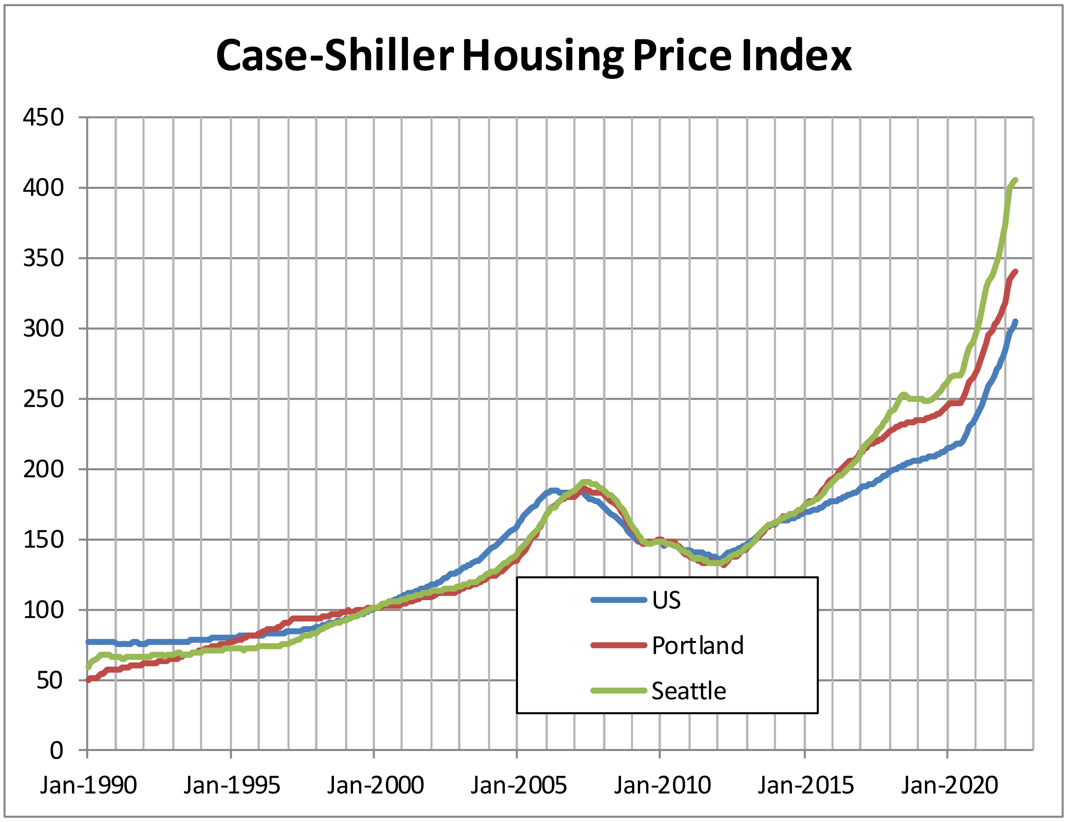
Nonfinancial corporate business: Profits before tax (without IVA and CCAdj)
United States, first quarter 1947 through second quarter 2022
Billions of dollars, adjusted for inflation to 2021 dollars using the GDP deflator
Source: U.S. Bureau of Economic Analysis



- And then there's inflation. The overall inflation rate took the month off in July, with consumer price index declining by 0.2 percent and the Federal Reserve Bank's favored measure, the personal consumption expenditure deflator, dropping by 0.8 percent. Debate continues about the three causes of inflation:
  - The COVID stimulus supported millions of households and small businesses through the worst of the COVID recession, while pushing up demand for (especially) goods (as opposed to services) and contributing to higher prices. However, the stimulus is over, and government spending has contracted for three quarters in a row. Looking ahead, consumer demand will not be the major driver of inflation, especially with incomes contracting as wages fail to keep up with inflation.
  - Supply factors remain a big factor going forward. Drought conditions and flooding in the U.S. and around the world are impacting production, which in turn will keep many prices high. There are still supply chain issues across manufacturing.
  - Corporate profits—see above.

Raising interest rates will do little to address supply chain issues and soaring corporate profits. Further, "slowing the economy" usually means slower hiring or perhaps even job losses—both having huge racial equity issues, as well as disproportionately impacting whites with less than a college degree in formal education. A slower labor market will likely put a damper on wage increases. What we could end up with is an economy with high profits, continuing inflation, stagnant wages, and a stagnant labor market—making the distribution of income and wealth even more skewed.

Our famously broken housing market, updated



The chart to the right shows the trends in home prices in each area, compared with the year 2000 (when the index was set to 100), through May of this year. The national average price has tripled over that time period. In the Portland metro area, prices were up 340 percent and Seattle even more—just over 400 percent. San Diego and Los Angeles were worse. Remember the index numbers mean housing prices have gone up more in Seattle than in Portland, but do not say that housing is more expensive in Seattle.

Over the past year, prices were up "only" 17 percent in Portland, 20 percent nationally, and 23 percent in Seattle. Tampa topped all cities measured, up 36 percent. In one year!

State of the States—and PDX

Job growth in Washington has slowed from the red-hot pace of 2021, but has still averaged almost 10,000 jobs a month this year. July was a good/normal month, with the state adding 6,600 jobs. That pushed Washington's employment above its pre-COVID level by 14,400 jobs, or 0.4 percent. The state's prime-working-age population (25 to 54) has grown by roughly 2.6 percent since the onset of COVID. Adjusting for that growth would mean the state was still about 75,000 jobs short of a full recovery in the labor market.

A status report for some key industries, starting on the sunny side of the street: construction was up 14,000 jobs/6.3 percent over the business cycle. Transportation services added 12,300 jobs/+10.5 percent, with warehousing and storage up 7,200 jobs (+42.6 percent!), trucking +2,600 jobs/+10.5 percent, and air transportation fully recovered. Employment in prepackaged software (+9,700 jobs/+13.0 percent) and computer systems design (+9,800 jobs/+16.4 percent) reflected strong demand for technology services. Finally, employment services (mostly staffing services aka temp agencies) have expanded (down from a record high in April but still +9,300 jobs/+16.5 percent over the business cycle).

In the mixed bag category: retail trade has shed 7,800 jobs since last October, and was +4,800 jobs/1.2 percent during the pandemic. Much of the decline over the past few months has been in general merchandise stores—not surprising given the run-up in demand for consumer goods early in the pandemic has abated, with consumers shifting spending towards services.

On the down side: leisure & hospitality continued its recovery, pulling within 10,800 jobs/-3.7 percent. Within that sector, food services was almost back (-1,700 jobs/-0.7 percent), while lodging, still feeling the loss of business travel, was down 9,100 jobs/-24.0 percent. Arts, entertainment & recreation was almost as bad at -11,200/-11.2 percent. Aerospace employment was still in the dumpster (-18.200 jobs/-20.2 percent), but the rest of manufacturing was close to pre-pandemic levels (-2,800 jobs/-1.4 percent). Nursing and residential facilities still have major shortages: -6,900 jobs/-10.8 percent. While we don't estimate childcare services on a monthly basis, the latest data (March 2022) show a 9 percent drop from two years earlier. Other services, which include personal services like hair salons and many non-profits, were still 14,100 jobs/10.6 percent below pre-COVID levels.

Oregon's recovery got off to a slower start than Washington's, but has strengthened over the past nine months. July brought 4,200 more jobs to the state, leaving it 15,600 jobs (-0.8 percent) short of full recovery (not counting population growth). Industries like construction, transportation and warehousing, real estate, and professional services have been expanding rapidly. Arts, entertainment & recreation continued to be in a deep hole (-4,000 jobs, -13.6 percent), as did accommodations & food services and local government.

Portland and Seattle were on the same trajectory until the past few months, when Portland's recovery accelerated. In July PDX finally exceeded its pre-pandemic level (again not adjusted for population change), boosted by gains in construction, manufacturing (including, but not limited to, electronics), professional services, temp agencies, and leisure & hospitality. Despite a solid July, Seattle was still -12.500 jobs/-0.7 percent over the pandemic. Aerospace (-17,300 jobs/-20.8 percent) and leisure & hospitality (-22,100/-12.7 percent) remain the biggest challenges, along with nursing & residential care (-4,000/-15.6 percent) and other services (-9,300 jobs/-14.0 percent). On the plus side: software (+7,300, +10.2 percent) and professional services (+17,300, +11.5 percent), which includes computer systems design (+7,300, +15.0 percent). In contrast with the state as a whole, transportation & warehousing has not yet recovered.

Unemployment rates varied from 3.7 percent in Washington, 3.5 percent in Oregon, 3.4 percent in Portland, down to Seattle Metro's 2.5 percent—only the latter significantly different from the national rate of 3.5 percent. The broader U-6 labor utilization rate (which also includes "marginally attached" workers who have been in the labor force in the past year but not in the current month) was probably close to the U.S. rate of 6.7 percent.

The Gorge

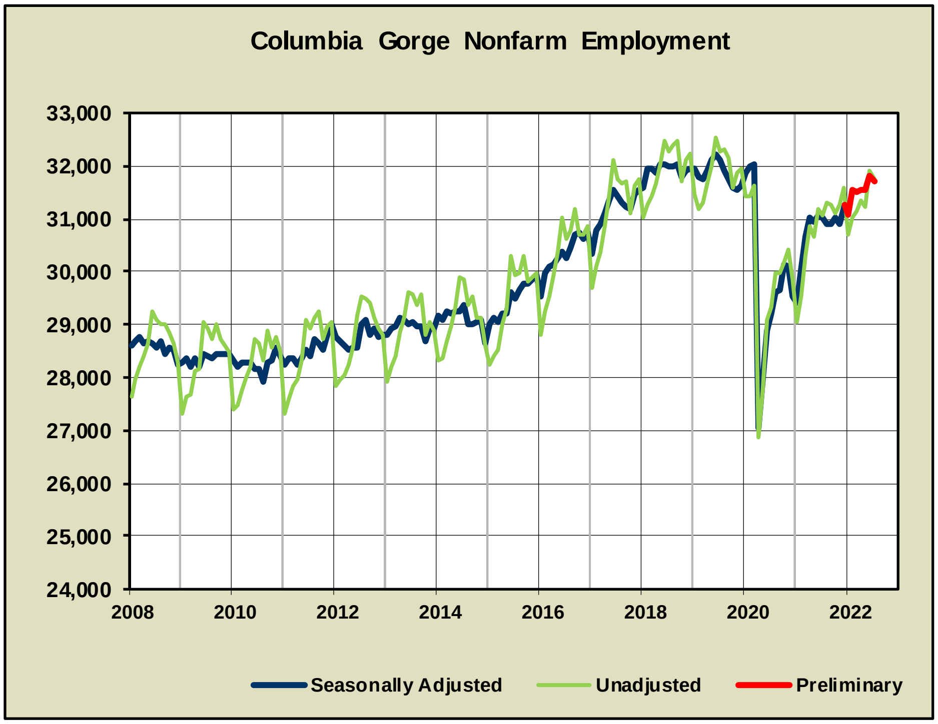
Preliminary estimates showed the Gorge losing 110 jobs in July, after a 180 job gain in June, on a seasonally-adjusted basis. While June gains were broad-based, the July decline was due to weaker than usual hiring in leisure & hospitality.

Unadjusted employment dropped by 190 jobs in July, to a total of 31,730. Private sector payrolls rose by 340 jobs, led by +255 jobs in leisure & hospitality, along with gains of 40 jobs each in manufacturing and professional & business services. Typical summer layoffs led to a drop of 530 jobs in government staffing.

Comparing July 2022 with February 2020, before COVID struck:

- Total nonfarm employment declined by 200 jobs, or -0.6 percent. The Gorge recovery has been slower than the U.S. (+0.0 percent), Washington (+0.4 percent), and Portland metro (+0.1 percent), but better than Oregon (-0.8 percent) and Seattle metro (-0.7 percent).
- Mining, logging & construction employed 1,650 in July, which after seasonal adjustment was 70 jobs more than February 2020 (+4.7 percent).
- Manufacturing employed 4,080; after adjustment, that was a drop of 135 jobs, a 3.3 percent decline.
- Trade, transportation & utilities had 5,510 employees, a gain of 90 jobs/1.7 percent after adjustment.
- Professional & business services employed 2,330, which after adjustment was a gain of 130 jobs or 6.1 percent.

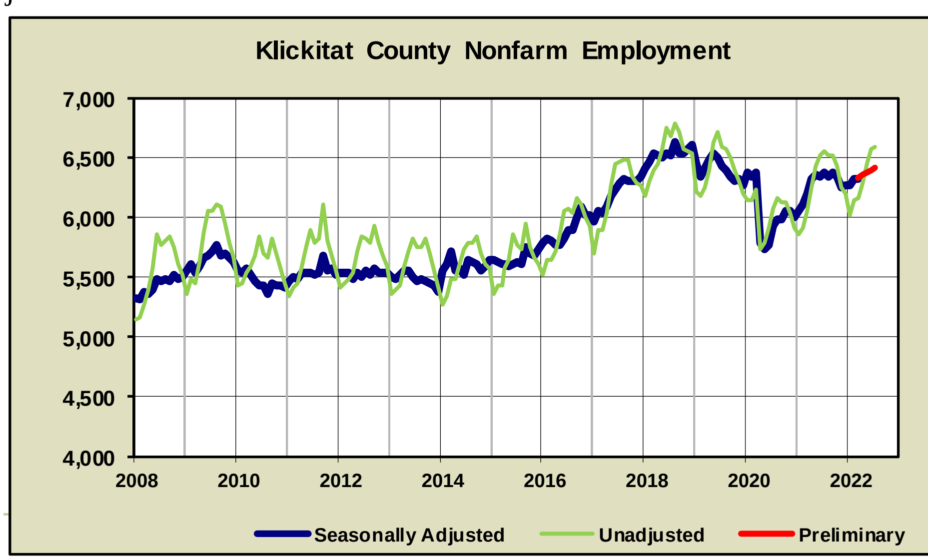
- Education & health services employed 4,720 jobs, an increase of 30 jobs (+0.5 percent) from February 2020.
- Leisure & hospitality employment was estimated at 4,960 jobs, down 180 jobs, a 3.7 percent decline.
- All other service industries—including information services, finance and real estate and other services—employed 2,795, a loss of 110 jobs (-3.9 percent) over the course of the pandemic.
- Government declined by 90 jobs to 5,685, a -1.5 percent decline.



The unemployment rate for the Gorge was estimated at 3.6 percent. That was more than a point lower than the 4.9 percent from last July. Just over 1,800 Gorge residents were looking for work, about 670 less than a year ago. The very unofficial seasonally-adjusted rate was 3.6 percent in July, not much different from June but much lower than the 5.0 percent for July 2021.

Klickitat Summary

Quarterly benchmarking led to an upward revision of 60 jobs in Klickitat County. July nonfarm employment was estimated at 6,590 jobs, an increase of 10 jobs over the month and 40 jobs over the year. Summer layoffs in education led to a drop of 80 jobs, while summer hiring boosted leisure & hospitality by 50 jobs. Other industries had small changes that were a net positive. After adjusting for seasonal factors, job counts rose by 20 jobs.

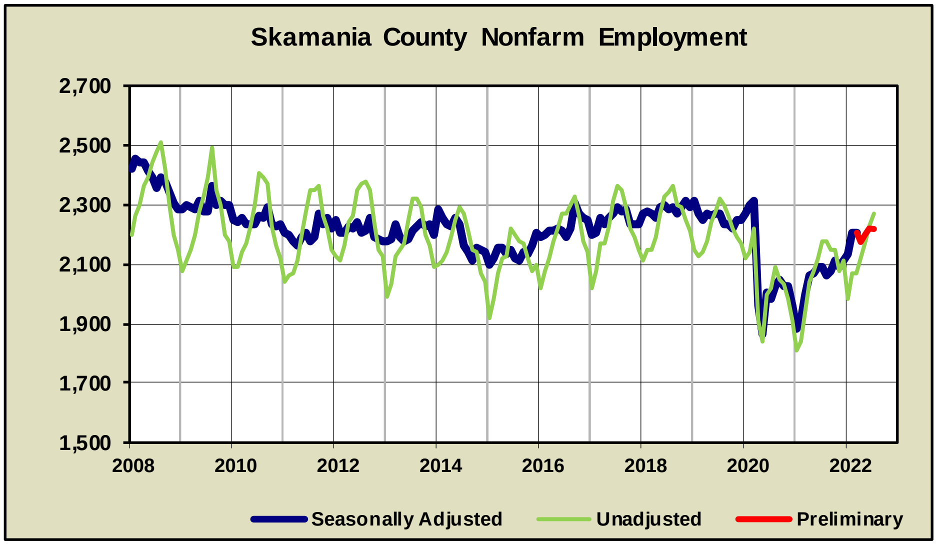


Employment was 80 jobs above its pre-COVID level—better than the nation, Washington, Oregon and the two closest major metro areas—but still more than 100 jobs short of its 2018 peak. A number of industries have fully recovered from the COVID recession: retail trade (+30 jobs), transportation services (+30), professional & business services (+120 jobs), health care & social assistance (+50 jobs), leisure & hospitality (+30 jobs), and all other services (+50 jobs). Still lagging: manufacturing (-190 jobs), state government (-30) and local government (-70 jobs).

The county unemployment rate was estimated at 5.2 percent, lower than the 6.0 percent from last July. About 530 county residents were jobless and looking for work, 115 fewer than a year ago.

Skamania Summary

Quarterly benchmarked showed that preliminary employment estimates for Skamania County were too optimistic. June employment was revised downward by 80 jobs.



County nonfarm employment increased by 40 jobs in July, following typical seasonal trends. Job counts reached 2,270 jobs. The monthly increase was split between accommodations & food services and local government.

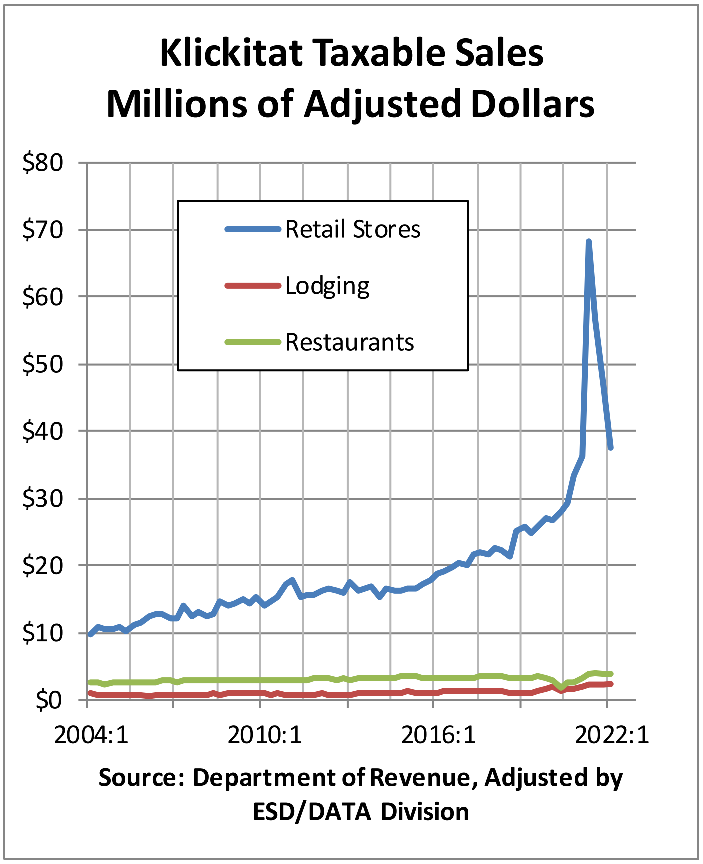
Skamania added 90 jobs over the year, but was still 80 jobs (on a seasonally-adjusted basis) below the pre-COVID total, a loss of -3.5 percent. Accommodations & food services was up 50 jobs over the year but was 110 jobs below pre-pandemic levels, while construction was down 30 jobs by both metrics. Two positive notes: manufacturing employment gained 10 jobs over the year and 20 during the COVID era, and trade, transportation expanded by 50 jobs since the pandemic began, including 20 in the last twelve months.

The county's estimated unemployment rate of 5.0 percent was almost two points below last July's 6.9 percent. About 280 county residents were jobless and seeking work, 100 less than a year ago.

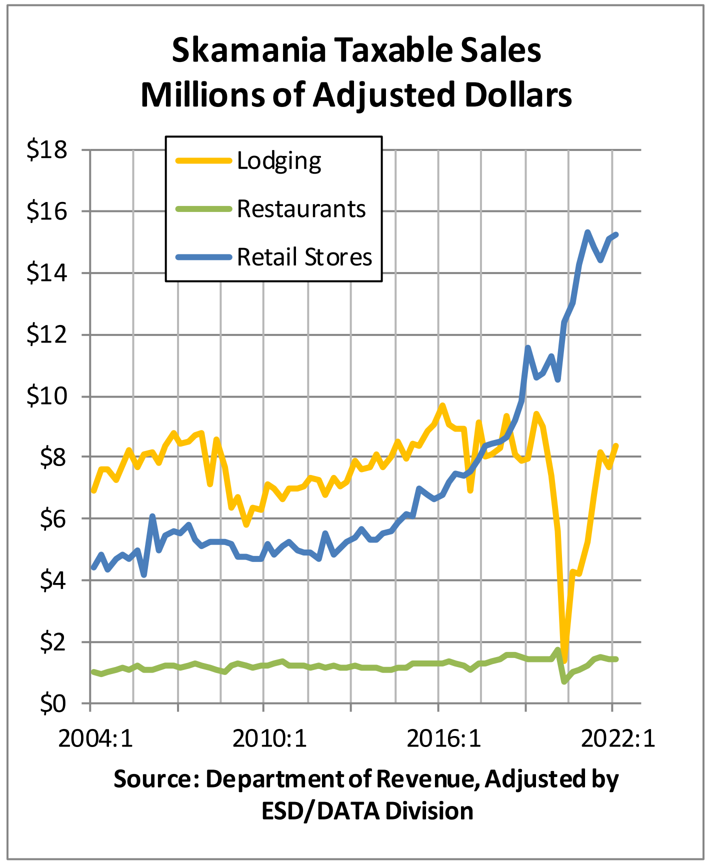
Taxable retail sales

Looking back to the firsts quarter of the year, taxable sales in Klickitat County were showing positive growth. Sales at retail outlets were up 3.5 percent compared with first quarter 2021, after adjustment for inflation. Note the big spike with heightened sales in Q2, Q3 and Q4. Usually taxable sales reflect consumer spending, but every once in a while some business-to-business sales come into play, and that's what happened here. The "miscellaneous retail" category shot up, but has come back down to normal. To get the feel for what's really happening with local spending, best to imagine a line curving gently upward.

Restaurant (+18.5 percent) and lodging (+12.3 percent) sales were also increasing year-over-year.



Klickitat Taxable Sales
Millions of Adjusted Dollars
$80
$70
$60
$50
$40
$30
$20
$10
$0
2004:1
2010:1
2016:1
2022:1
Retail Stores
Lodging
Restaurants
Source: Department of Revenue, Adjusted by ESD/DATA Division



Skamania Taxable Sales
Millions of Adjusted Dollars
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
2004:1
2010:1
2016:1
2022:1
Lodging
Restaurants
Retail Stores
Source: Department of Revenue, Adjusted by ESD/DATA Division