

Klickitat and Skamania Counties



Labor Area Summary

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Monthly Review

“Say it’s true, it’s true...
And we can break through
Though torn in two
We can be one”

New Year’s Day, U2

“But I’ll be cleaning up bottles with you on New Year’s Day...”

New Year’s Day, Taylor Swift

The Big Picture

As we start the new year, we have a lot of bottles to clean up—as shown by the extreme weather gripping the globe, ranging from snowed-in Buffalo to flooded California to record high temperatures in Europe, by double-digits if your thermometer shows degrees Fahrenheit.

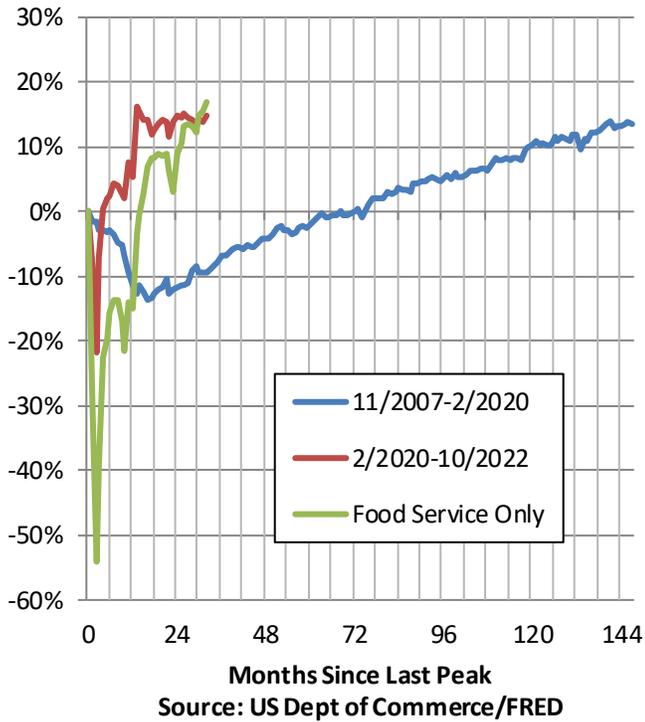
But let’s start the year off with some good news. Quarterly benchmarking showed preliminary estimates of employment for April, May and June were too conservative for Klickitat and Skamania counties. The former was revised upward by 20 jobs, the latter by 80 jobs. Compared with other counties, Klickitat was close to the middle in terms of recovery, with job growth of 1.8 percent over pre-COVID levels, slightly below the state average. Skamania was still 1.4 percent below its February 2020 employment level, with eight counties doing worse.

The Nation—current business cycle—where’s my recession?

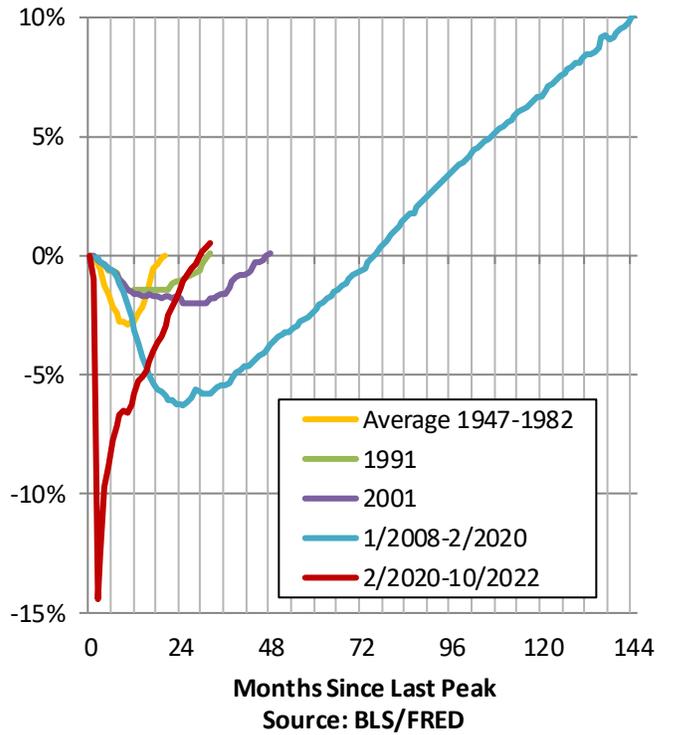
National data in November continued to be strong with one exception, noted below. A recession isn’t here yet, and whether and when it arrives continues to be debated. For the record, the official forecasts for Washington,

Nov. 2022 Unemployment Rates			
	Nov. 2022	Oct. 2022	Nov. 2021
Seasonally Adjusted:			
U.S.	3.7	3.7	4.2
U.S. U-6**	6.7	6.8	7.7
Washington	4.0	3.8	4.5
Oregon	4.4	4.1	4.2
Portland Metro	3.9	3.7	4.2
Seattle Metro	2.9	2.8	3.6
Columbia Gorge*	5.5	4.9	4.6
Unadjusted:			
U.S.	3.4	3.4	3.9
Washington	4.2	3.6	3.9
Oregon	4.3	4.0	3.6
Columbia Gorge*	4.7	3.9	3.9
Klickitat	5.7	4.5	4.8
Skamania	5.5	4.2	5.0
Hood River	3.6	3.2	3.0
Sherman	3.4	2.9	3.5
Wasco	4.8	4.3	3.9
Clark	4.6	3.9	4.1
Cowlitz	5.9	4.9	5.0
Wahkiakum	7.5	6.2	5.0
Portland Metro	4.0	3.7	3.6
Seattle Metro	2.9	2.9	3.1
*Includes Hood River, Klickitat, Sherman, Skamania, and Wasco counties.			
**See text for definition.			

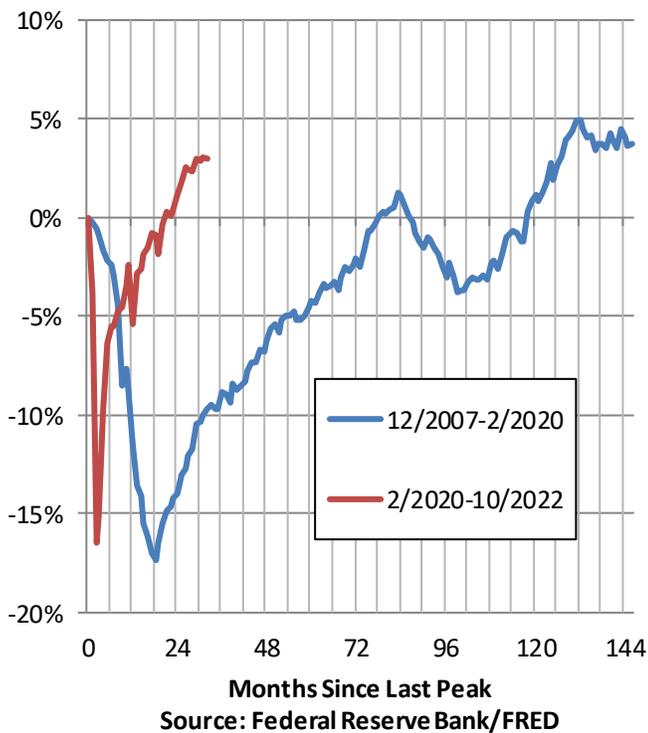
Retail/Food Service Sales



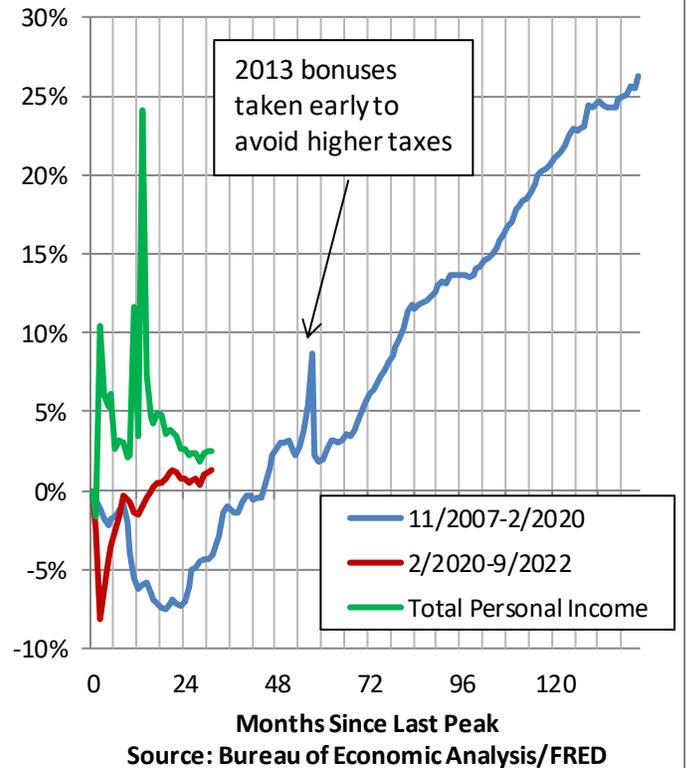
Nonfarm Job Loss in Recessions



Industrial Production



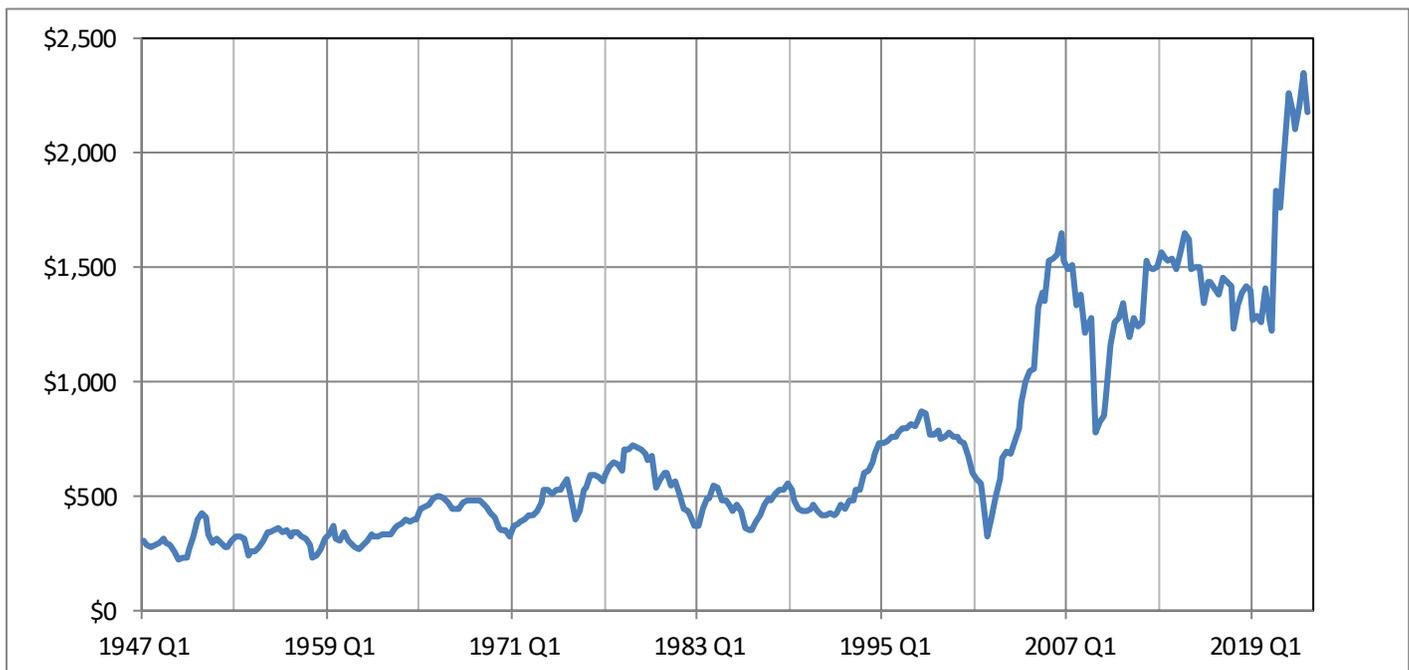
Personal Income less transfers



Oregon and Idaho are all projecting a mild recession with minimal job loss in 2023. All three states use the same national forecast for their base case. Goldman Sachs remains a holdout (although their CEO has said they will be laying off, and horrors! they reportedly have stopped providing free coffee for their employees) and the chief economist of the IMF recently stated the U.S. may escape a recession.

- GDP (the value of all goods and services produced in the U.S.) for the third quarter of the year was revised upward from a 2.7 percent increase to 2.9 and finally a 3.2 percent gain. Consumer spending was up a solid 2.3 percent, nonresidential investment a strong 6.2 percent, exports were up a whopping 14.6 percent. The downer, of course, was residential investment, as higher mortgage rates have kicked in and slowed down new housing activity.
 - Corporate profits in the third quarter of the year were also revised upward. Of the four different measures issued by the government, two were a bit lower than the previous quarter, one was unchanged, and one was slightly higher. The one charted below, which I believe to be the most relevant to inflation, fell by 7.4 percent but was still 50 percent higher than the 2012-19 average.

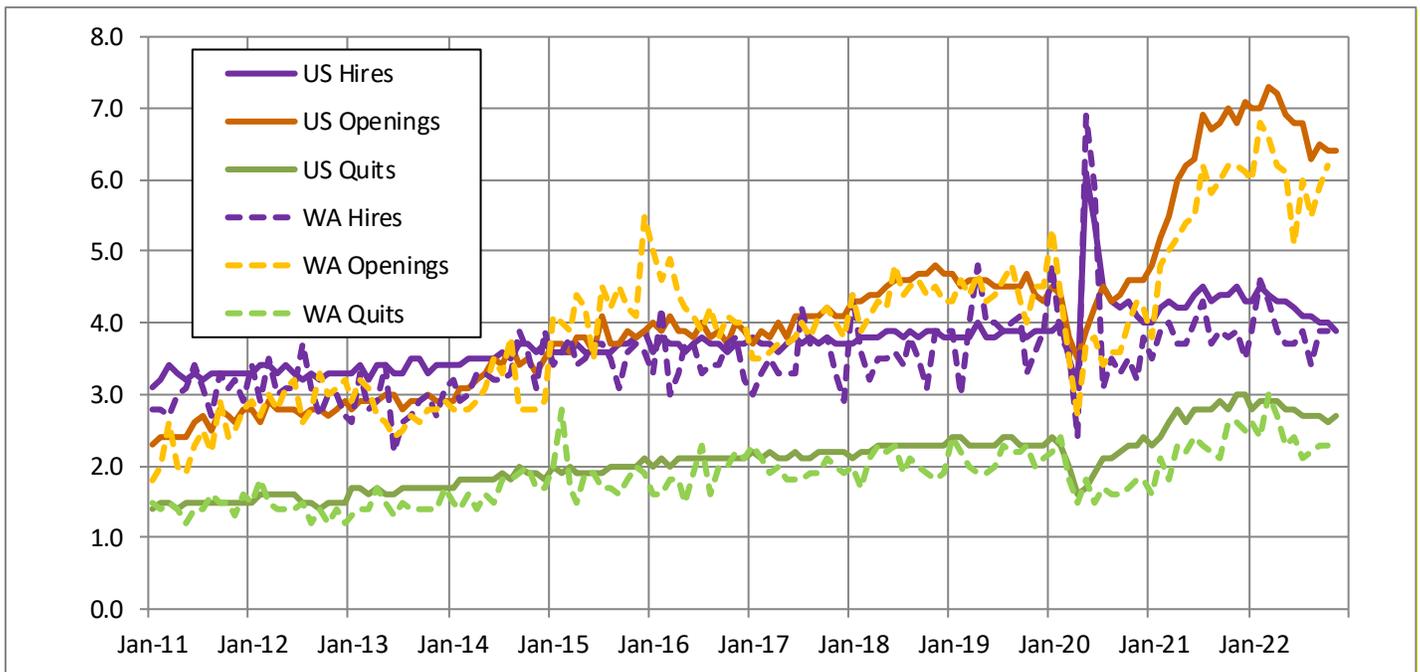
Nonfinancial corporate business: Profits before tax (without IVA and CCAadj)
 United States, first quarter 1947 through third quarter 2022
 Billions of dollars, adjusted for inflation to 2021 dollars using the GDP deflator
 Source: U.S. Bureau of Economic Analysis



- Total personal income rose by 0.3 percent in November, the fifth consecutive increase. When transfer payments like Social Security, Medicare and unemployment insurance benefits were factored out (so we can isolate income produced by economic activity), income still rose by 0.3 percent over the month.
- Industrial production, which includes energy, mining and manufacturing, declined for the second month in a row. Factory production, after rising four months in a row, declined sharply, as did mining (mostly petroleum). The decline of manufacturing output is the one red flag this month—we’ll be looking to see in the next two months whether this was a blip or the beginning of a trend.
- Retail and food service sales have been volatile for five months in a row. After an upwardly-revised +0.9 percent increase in October (zig!), it was time for the zag: -0.7 percent in November. Look strictly at food services, restaurants had their fourth consecutive strong month, increasing by 0.8 percent. Again, retail sales continued to be at elevated levels (compared with pre-COVID spending)—it would be no surprise to see them stagnate as they revert to the long-term trend.

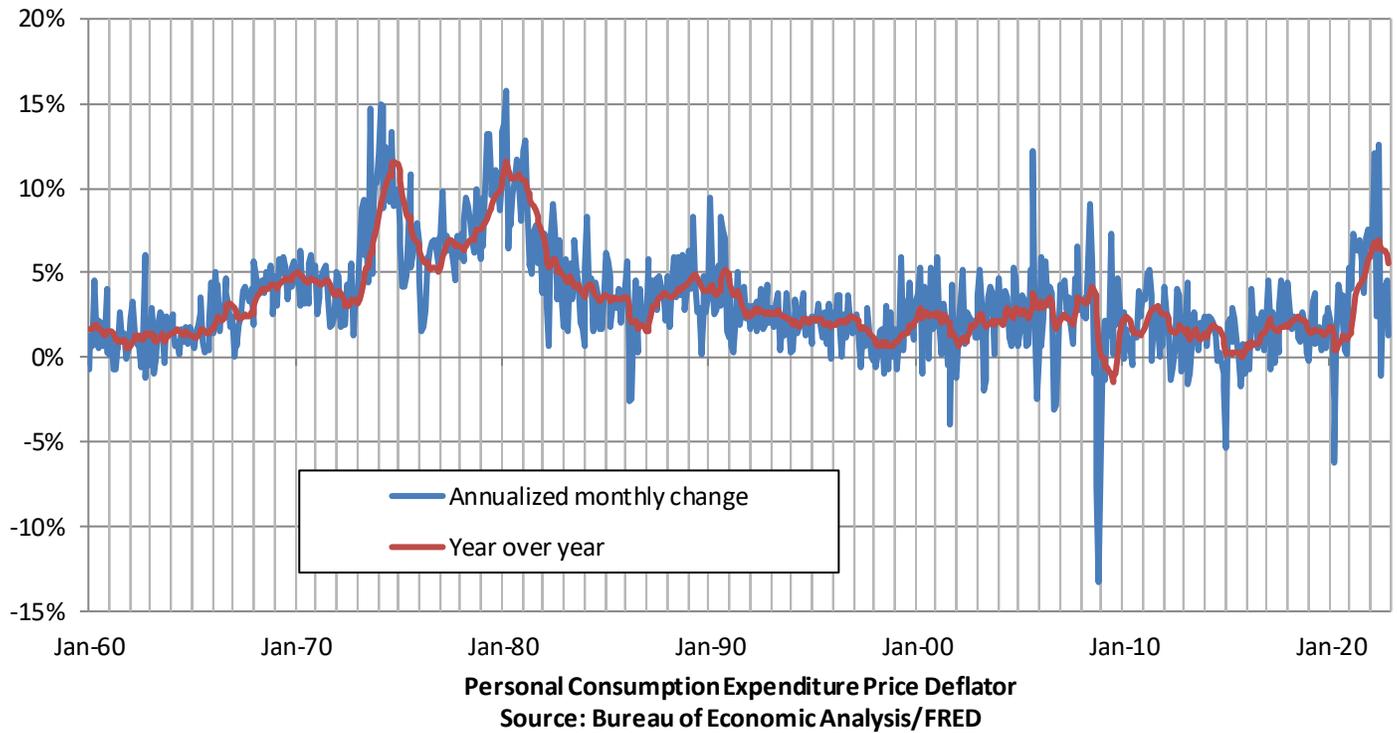
- Another month, another quarter million new hires.
 - Nonfarm employment rose by 263,000 jobs in November. Employment was 1,044,000 jobs/0.7 percent above pre-COVID levels, but still 1.1 million jobs/0.7 percent short when population growth is factored in.
 - The unemployment rate remained at a low 3.7 percent. The rate has been between 3.5 percent and 3.8 percent since February. The rate was higher for Black women (6.0 percent) and Black men (5.8 percent), lower for Asian-Americans (2.9 percent). Those with a bachelor’s degree or higher formal education had a 1.9 percent rate, vs. 3.9 percent for those who hadn’t completed high school.
 - There was little change in job openings, the rate of hiring, and the quit rate. All three remain high, as shown in the chart below.

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

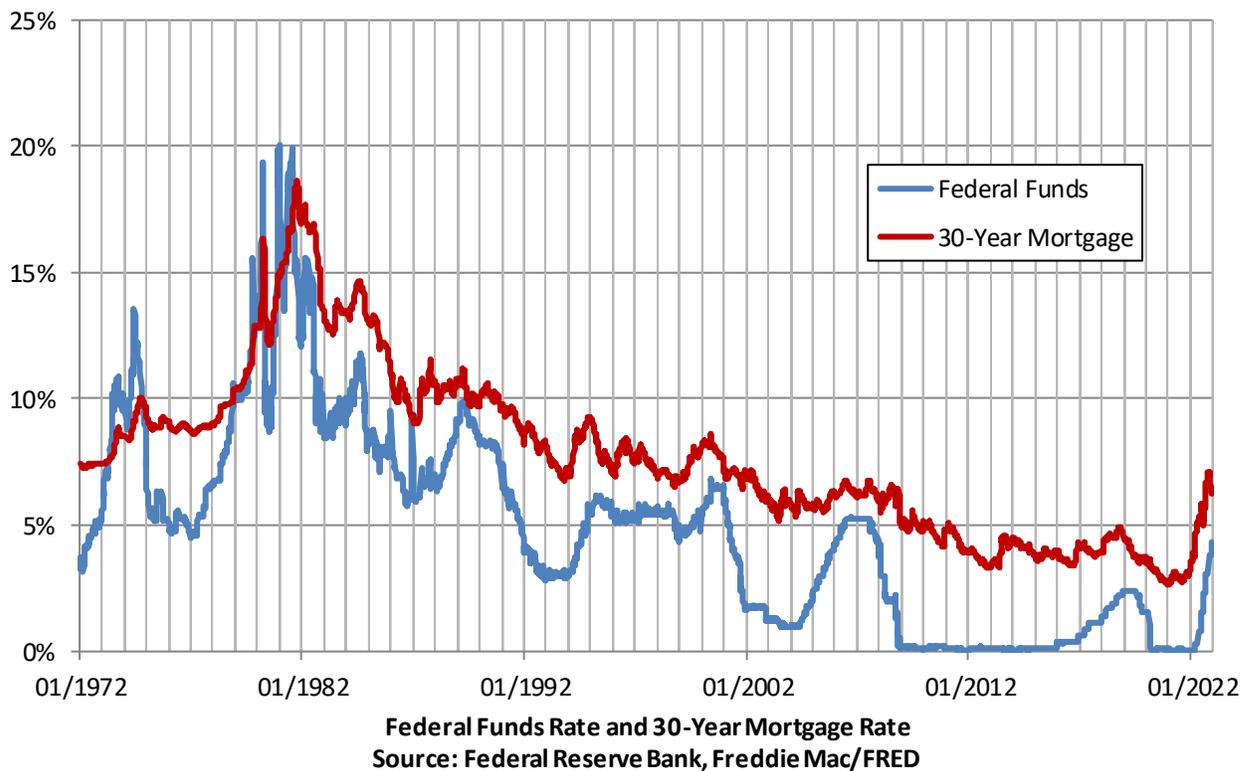


- Inflation has been dropping over the last four months, whichever way it was measured. The chained consumer price index rose at an annualized rate of 2.3 percent from July to November, while the personal consumption expenditure implicit price deflator similarly was 3.3 percent. So inflation in the past few months has actually been much lower than the year-over-year rate.
- What this means for the Fed and interest rates going forward is anyone’s guess. The Fed did raise rates again, with the Federal Funds rate hitting 4.3 percent—still historically low—while mortgage rates, which rose as high as 7.1 percent in November, inched up to 6.4 percent at the end of the year.

Inflation



Interest Rates

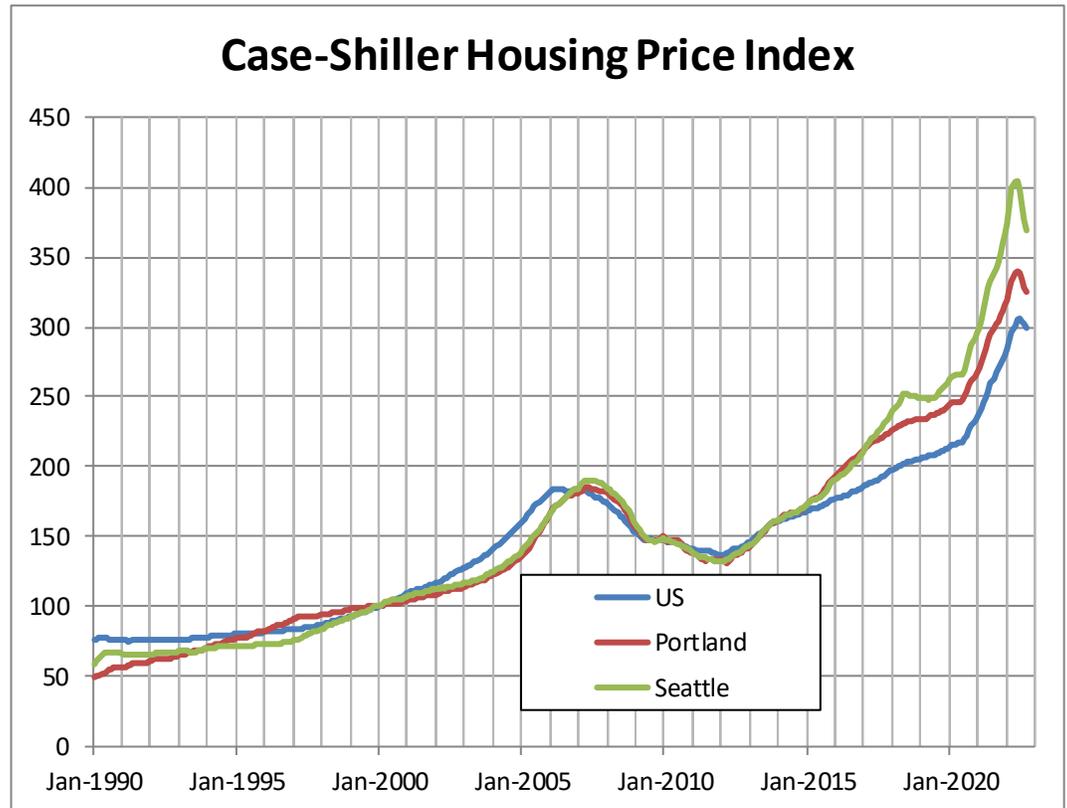


Our famously broken housing market, updated

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). Each data point is a three-month average, with the latest data for July-August-September.

In Portland and Seattle, home prices peaked in March-April-May. Since then, home values have dropped an average of 4.2 percent in Portland and 8.7 percent in Seattle. Nationally, home values peaked in April-May-June, and have fallen 2.2

percent since then. Values were still up 10.7 percent nationally, 6.7 percent in Portland and 6.3 percent in Seattle over the past year. They still have a long ways to go to return to anywhere near normal affordability.¹



State of the States—and the big metros

Washington's labor market remained strong in November:

- **Joblessness remained low.** After three straight months at a record low rate of 3.7 percent, Washington's unemployment rate inched up to 3.8 percent in October and 4.0 percent in November. Those rates, while slightly higher, were not statistically different from the preceding months—or from the national rate (3.8 percent).
- **Hiring remained strong.** The state added 13,100 jobs in November. Employment was 1.9 percent higher than before the pandemic. Washington ranked 14th among states in terms of percent employment growth (Idaho was first at 6.9 percent).
- **Much-anticipated tech layoffs** have yet to show up in the monthly estimates—and they may not show up for months. This is because 1) a layoff announcement is not the same as a layoff; 2) if a worker is paid a multi-month severance package, they are counted as employed during that period; 3) if a tech firm with a big layoff is not part of the monthly sample of employers, the loss will probably not be reflected in the employment numbers until data is revised roughly six months after the fact.
- **The state has not fully recovered.** New population data, extrapolated through November, showed that the working-age population increased by about 2.8 percent during the pandemic, while employment has grown by 1.9 percent. That leaves the state with a population-adjusted 32,000 job deficit.
- Some key industry developments over the past few months: **construction** employment, after running hot through most of the pandemic, has flattened out since July. Durable goods **manufacturing** has continued to expand, with solid gains in wood products, fabricated metals, machinery, electronics, and especially **aerospace**. The latter has added 5,100 jobs in the past year, but was still 16,900 jobs short of pre-pandemic

¹ So says the father of a child looking to be a first-time homebuyer in Portland...

staffing levels. Retail trade has been uneven, with some segments up but big losses at general merchandise stores and clothing stores. Information services, which includes prepackaged software, internet search and online social platforms, added over 27,000 jobs until the first tech layoffs in October, with a loss of 4,700 jobs. Professional services continued to provide new high-wage jobs; however, computer systems design, a key part of tech, has had little hiring this year after a blazing (+13 percent) 2021. Employment services (mainly temp agencies) soared during the recovery, peaking in April at 70,000 jobs. Since then it has dropped 15 percent, but was still well above its pre-pandemic level. Health care payrolls have risen steadily, with nursing homes finally starting to recover, though staffing was still almost 9 percent below pre-pandemic levels. Arts, entertainment and recreation, the hardest hit major industry, remained a basket case. Both accommodations (hotel/motel) and food services have grown rapidly over the past six months, with the former still 15 percent in the hole but the latter fully recovered from the pandemic.

- The rate of job openings in the state rose while hires and quits held steady in October. All were slightly below the national rates. Openings continued to be much higher than normal, while hires and quits were close to the pre-COVID rates (see above chart). Layoffs remained at low levels.

Over the past year, Oregon employers have had only one off month (September). In November they continued their strong performance by adding 8,500 jobs. That put Oregon 15,500 jobs above the February 2020 pre-pandemic mark—above the national pace for the first time (+0.8 percent vs +0.7 percent for the nation). Industries like construction, wholesale trade, transportation and warehousing, real estate, and professional services have been expanding rapidly. Arts, entertainment & recreation employment improved but was still has a large deficit to make up (-2,400 jobs, -8.2 percent). Mining & logging, finance, accommodations & food services and other services were still lagging as well. Job openings, hiring and the quit rate all increased in Oregon in October, and remained well above pre-COVID times.

Job growth accelerated in both Portland and Seattle over the past few months. In November, PDX took a step back, losing 300 jobs, but remained at 1.3 percent above its pre-COVID mark. Seattle has averaged 6,500 new jobs over the past year, and outdid that in November with a 7,900 gain. That moved the metro area to +0.9 percent in terms of recovery. had to wait until September to exceed its pre-COVID job level. Aerospace has added 4,700 jobs since February, but remained 15,200 in the hole. Similarly, leisure & hospitality expanded by 9,200 jobs since June, but was still 16,600 below pre-pandemic staffing.

Unemployment rates varied from 4.4 percent in Oregon, 4.0 percent in Washington, 3.9 percent in Portland, down to Seattle Metro's 2.9 percent—only the former and the latter significantly different from the national rate of 3.7 percent.

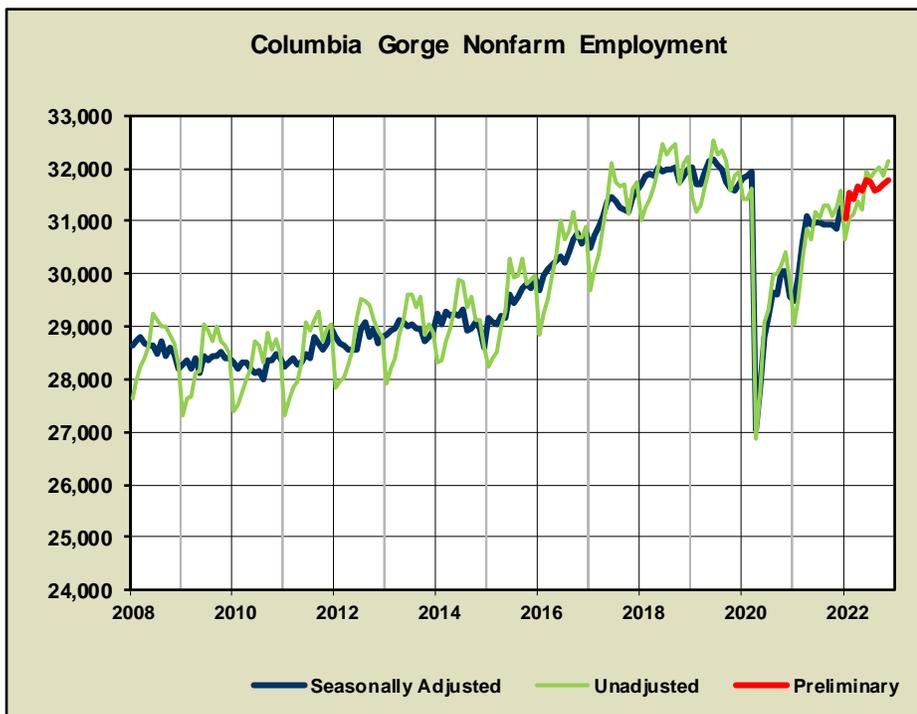
The Gorge

Employment for the Gorge has been partially (Klickitat and Skamania), but mostly not (Hood River, Sherman and Wasco) been benchmarked through June. Data for the entire year is preliminary until next year when systems have been adjusted to deal with new industry (NAICS) codes.

What the preliminary estimates show is that employment recovery in the Gorge has slowed since June. Seasonally-adjusted job counts declined in July and August before recouping those losses in September, October and November, but with little net change over the five-month period. In November, rose by 30 over the month. Unadjusted employment dropped by 165 jobs to a total of 31,855. Big changes over the month: trade, transportation & utilities added 120 jobs (60 more than usual for the month), local government was up 85 jobs due mostly to the last hiring bump in the K-12 school year (50 above normal), and education & health services rose by 60 jobs (20 above the normal seasonal trend). The Debbie downers: leisure & hospitality shed 325 jobs (70 more than usual, ouch) while federal government dipped by 40 jobs and state government by 30, both in line with typical seasonal trends.

Comparing October 2022 with February 2020, before COVID struck:

- Total nonfarm employment declined by 210 jobs, or -0.7 percent. The Gorge recovery has been slower than the U.S. (+0.5 percent), Washington (+1.5 percent), Oregon (+0.3 percent), Portland metro (+1.2 percent), and Seattle metro (+0.5 percent).
- Mining, logging & construction employed 1,580 in October, which after seasonal adjustment was 10 jobs less than February 2020 (-0.9 percent).
- Manufacturing employed 4,060; after adjustment, that was a drop of 140 jobs, a 3.3 percent decline.
- Trade, transportation & utilities had 5,840 employees, a gain of 280 jobs/5.2 percent after adjustment.
- Professional & business services employed 2,340, which after adjustment was a gain of 220 jobs or 10.4 percent.
- Education & health services employed 4,760 jobs, a loss of 70 jobs (-1.5 percent) from February 2020.
- Leisure & hospitality employment was estimated at 4,455 jobs, down 300 jobs, a 6.4 percent decline.
- All other service industries—including information services, finance and real estate and other services—employed 2,750, a loss of 90 jobs (-3.1 percent) over the course of the pandemic.
- Government declined by 90 jobs to 6,070, a -1.5 percent decline.



The unemployment rate for the Gorge was estimated at 3.9 percent, matching the rate from last October. Just over 1,700 Gorge residents were looking for work, about 30 less than a year ago. The very unofficial seasonally-adjusted rate was 4.7 percent in October, three tenths of a point higher than September.

Personal income, 2021

New statistics on personal income have been released by our friends at the Bureau of Economic Analysis. Personal income includes *earned income* (from jobs and owning a business), *investment income* (from stocks, bonds, property) and *transfer payments* (including Social Security, Medicare, Medicaid, income support payments, unemployment insurance benefits, Veterans' benefits, and COVID stimulus payments). A couple of takeaways:

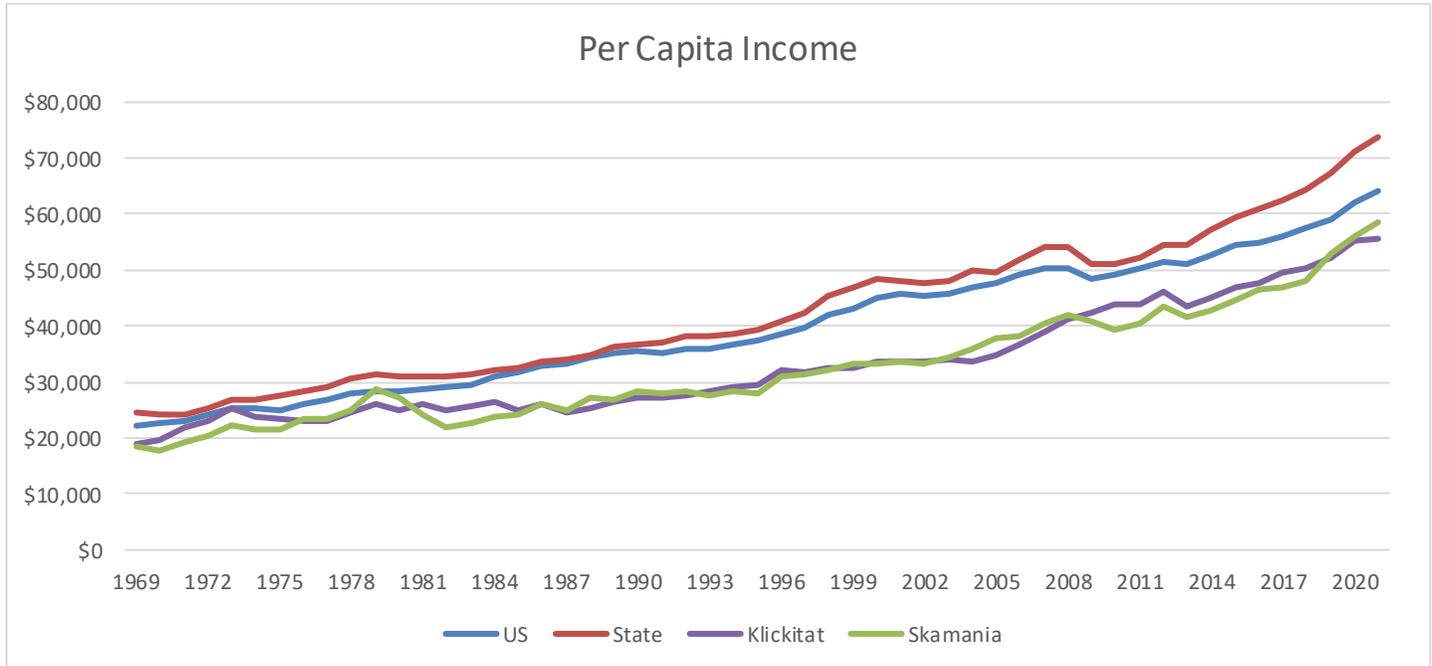
- Per capita income—total personal income divided by population—continued to rise in 2021, but not as quickly as in 2020. Increase by area: U.S., +3.3 percent; state, +3.9 percent; Klickitat, +0.9 percent; Skamania, +4.3 percent.

Per capita personal income

United States, state of Washington, Klickitat and Skamania counties, 1969 to 2021

Adjusted for inflation to 2021 dollars

Source: U.S. Bureau of Economic Analysis



Large changes are indicated in yellow in the tables below.

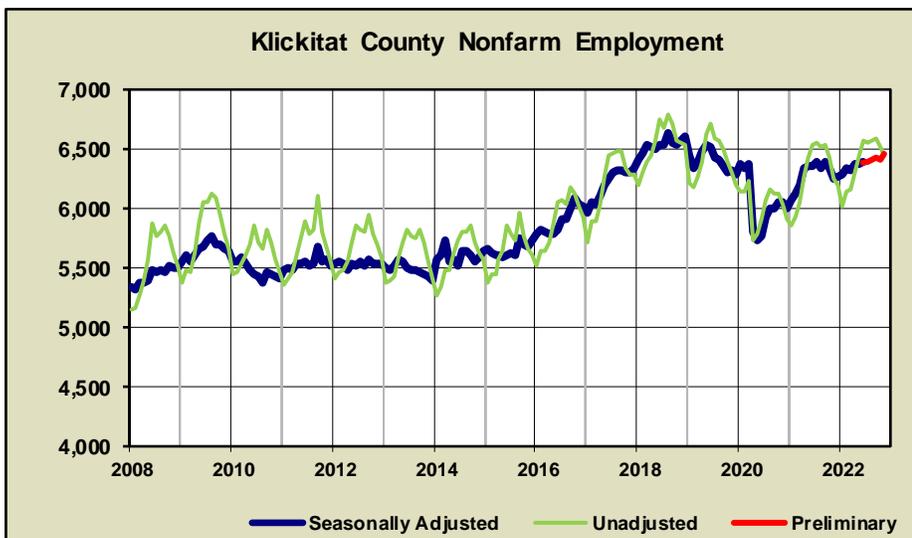
Klickitat County Per Capita Transfer Payments, 2018-2021, Adjusted for Inflation				
	2018	2019	2020	2021
Real Per Capita Transfer Payments	\$13,688	\$13,879	\$16,545	\$17,969
Social Security benefits	\$4,715	\$4,862	\$5,039	\$4,965
Medicare benefits	\$3,258	\$3,144	\$3,198	\$3,285
Public assistance medical care benefits 1/	\$3,074	\$3,115	\$3,155	\$3,804
Supplemental Security Income (SSI) benefits	\$230	\$225	\$199	\$186
Earned Income Tax Credit (EITC)	\$161	\$153	\$150	\$147
Supplemental Nutrition Assistance Program (SNAP)	\$236	\$216	\$351	\$567
Other income maintenance benefits 2/	\$277	\$361	\$348	\$585
Unemployment insurance compensation	\$120	\$126	\$894	\$672
Veterans' benefits	\$635	\$701	\$803	\$748
Education and training assistance 3/	\$151	\$161	\$175	\$182
Other transfer receipts of individuals from governments 4/	\$232	\$201	\$1,193	\$2,102
Current transfer receipts of nonprofit institutions	\$171	\$159	\$626	\$260
All Other	\$428	\$455	\$413	\$465

Skamania County Per Capita Transfer Payments, 2018-2021 Adjusted for Inflation				
	2018	2019	2020	2021
Real Per Capita Transfer Payments	\$9,965	\$10,319	\$13,043	\$14,137
Social Security benefits	\$3,768	\$3,898	\$4,108	\$4,062
Medicare benefits	\$2,375	\$2,409	\$2,490	\$2,579
Public assistance medical care benefits 1/	\$1,845	\$1,871	\$1,916	\$2,319
Supplemental Security Income (SSI) benefits	\$100	\$127	\$104	\$98
Earned Income Tax Credit (EITC)	\$144	\$136	\$131	\$129
Supplemental Nutrition Assistance Program (SNAP)	\$170	\$156	\$256	\$415
Other income maintenance benefits 2/	\$203	\$271	\$261	\$449
Unemployment insurance compensation	\$139	\$129	\$1,269	\$845
Veterans' benefits	\$361	\$394	\$456	\$480
Education and training assistance 3/	\$152	\$162	\$176	\$183
Other transfer receipts of individuals from governments 4/	\$152	\$205	\$1,118	\$1,865
Current transfer receipts of nonprofit institutions	\$172	\$160	\$383	\$263
All Other	\$383	\$402	\$373	\$450

1/ Mostly Medicaid. 2/ Includes Temporary Assistance to Needy Families (TANF), food assistance for women, infants and children (WIC), assistance for foster children, etc. 3/ Mostly Pell grants and other student assistance. 4/ Includes stimulus payments in 2020 and 2021, various health care tax credits, the American Opportunity Tax Credit (for college students) and other payments.

Klickitat Summary

Preliminary estimates indicated Klickitat County total nonfarm employment rose by 40 jobs on a seasonally-adjusted basis in November. Unadjusted was estimated at 6,450 jobs, 60 fewer than in October. Leisure & hospitality declined by 40 jobs, manufacturing by 30 and construction by 20, with the former and the latter following normal seasonal trends. Local government added 30 jobs, mostly in K-12 education.



Over the year, employment rose by a solid 200 jobs, or 3.2 percent. There have been four big changes. Manufacturing dropped by 90 jobs (-6.5 percent), with most of that decline coming late last year. Professional & business services has added 90 jobs over the year (+16.1 percent), while leisure & hospitality payrolls rose by 80 jobs (+25.0 percent). Government staffing was up 90 jobs (+5.4 percent), and trade, transportation & utilities expanded by 50 jobs (6.3 percent).

The county had 120 more jobs than it had on the eve of COVID. That translated into a 1.8 percent gain, better than the nation, Oregon and the Portland and Seattle metro areas, but slightly less than Washington. And it was 180 jobs short of the most recent peak in county employment in June 2018 peak. Manufacturing has lost 540

jobs over that time period. Professional services has nearly doubled, adding 130 jobs, and industries such as retail trade, transportation & warehousing, business services and leisure & hospitality have had sizable gains.

The county unemployment rate was estimated at 5.7 percent, almost a point more than the 4.8 percent from last November. About 555 county residents were jobless and looking for work, 70 more than a year ago.

Skamania Summary

In November, as usual, Skamania County nonfarm employment declined, with small losses in leisure & hospitality, construction, and other services. The loss of 40 jobs was slightly less than the normal seasonal trend, and brought total employment down to 2,250 jobs.

The county did have 170 more jobs than last November, putting job growth at a robust 8.2 percent over the year. That was still 30 jobs (on a seasonally-adjusted basis) below the pre-COVID total, a loss of 1.4 percent. Accommodations & food services was up 70 jobs over the year but was 80 jobs below pre-pandemic levels. Construction has lost 20 jobs since last November, and was 40 jobs below pre-COVID. Manufacturing employment added 20 jobs over the year and was up 30 during the pandemic. Trade, transportation & utilities was the biggest source of job growth: +40 over the year/+60 jobs since the pandemic.

The county's estimated November unemployment rate of 5.5 percent was half a point above last November's 5.5 percent. About 320 county residents were jobless and seeking work, 30 more than a year ago.

