

Oregon and the Rogue Valley's Economic Outlook



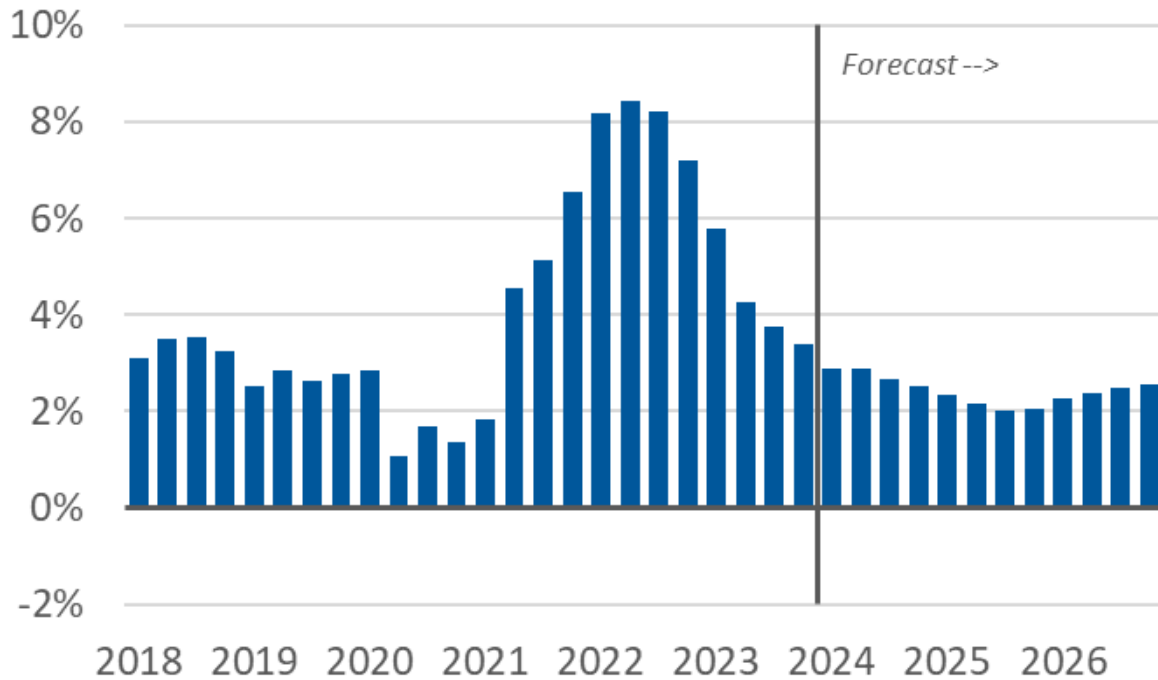
February 29th, 2024

Inflationary boom has cooled



West Region Consumer Price Index

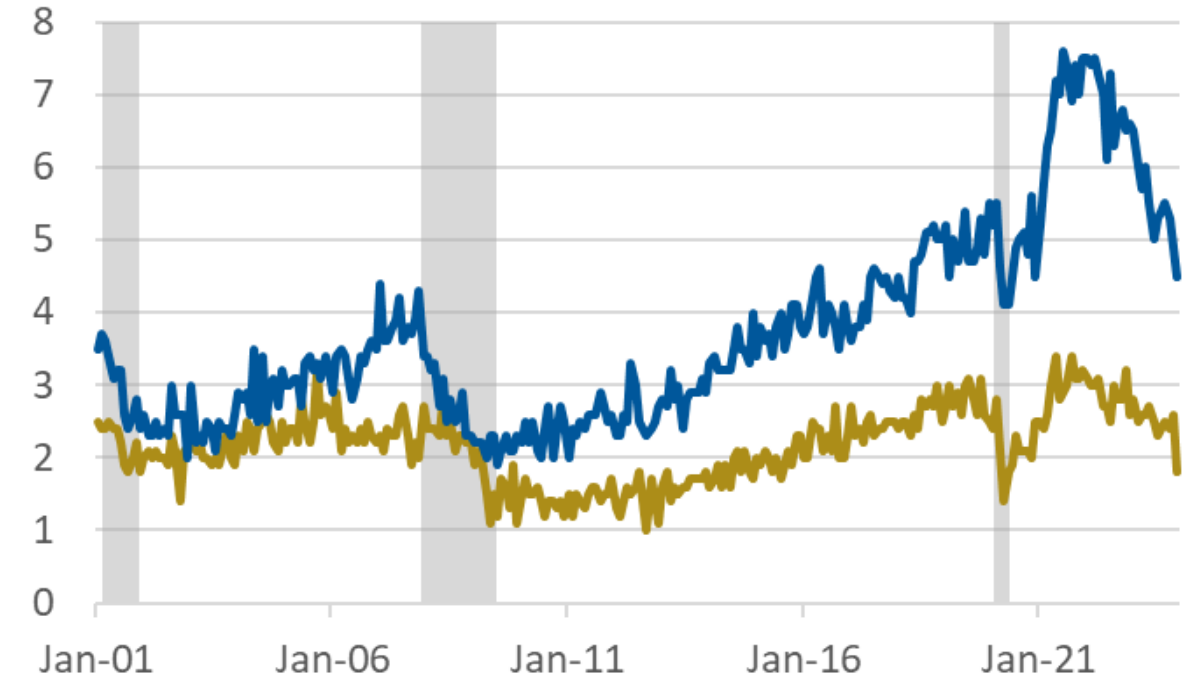
Year-over-year percent change



Latest: 2023q4 | Source: BLS, Oregon Office of Economic Analysis

Labor Market has Rebalanced

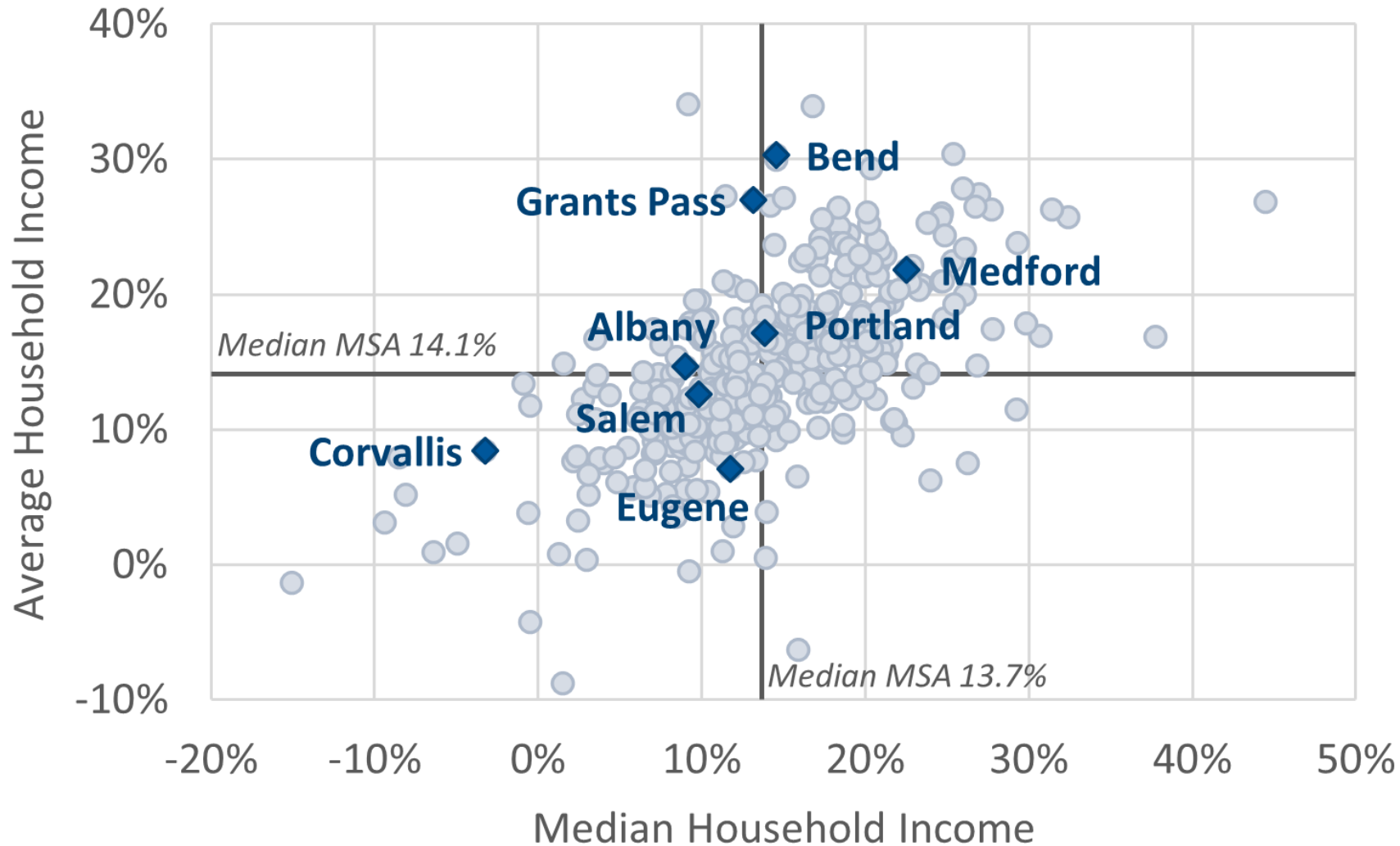
Job Opening rate and Worker Quits rate (percent) in Oregon



Latest Data: December 2023 | Source: BLS, Oregon Office of Economic Analysis

Household Income Growth by Metro

Percent change from 2019 to 2022



- Economic growth translating into higher local incomes
- Complete data on 384 metro areas nationwide
- Grants Pass MSA
 - Median: 13% (207th, 46th percentile)
 - Average: 27% (11th, 97th percentile)
- Medford MSA
 - Median: 23% (37th, 90th percentile)
 - Average: 22% (50th, 87th percentile)

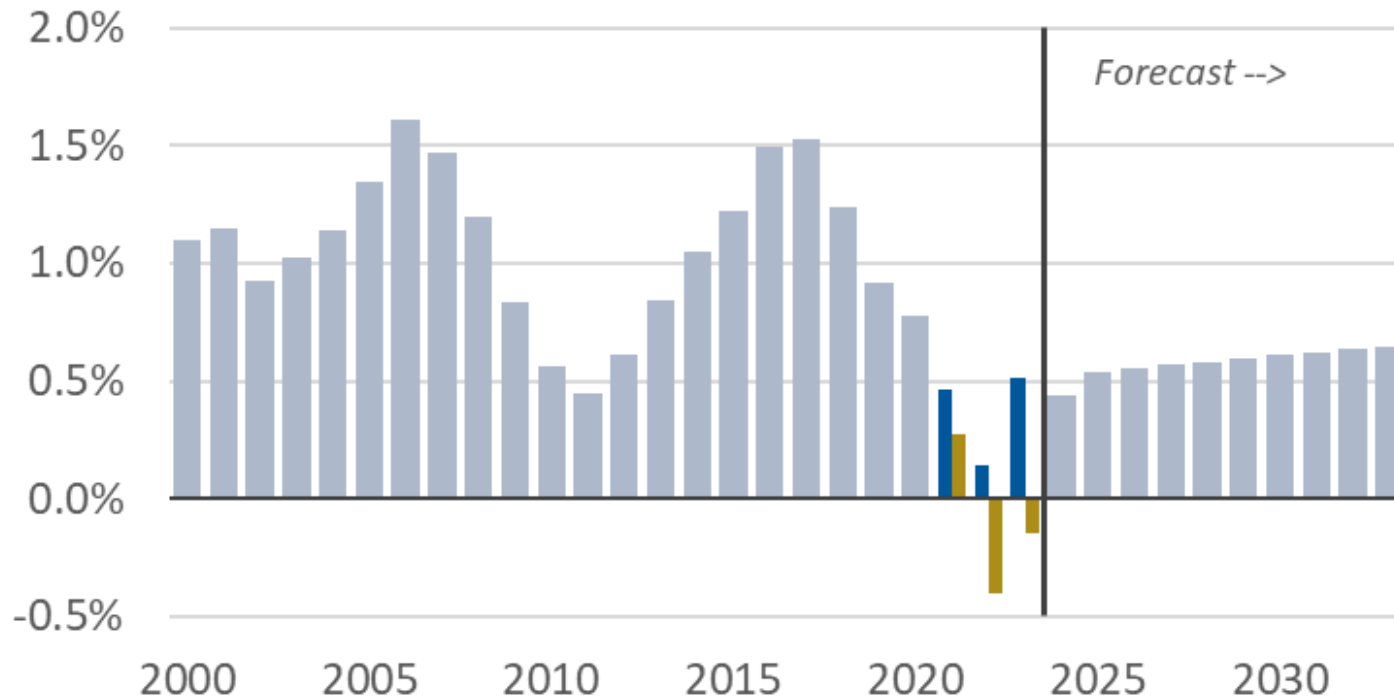
Population growth slowly returns



Oregon Population Growth

Annual change in total state population

OEA History and Forecast, **Portland State Estimates**, **Census Estimates**



Latest: 2023 | Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

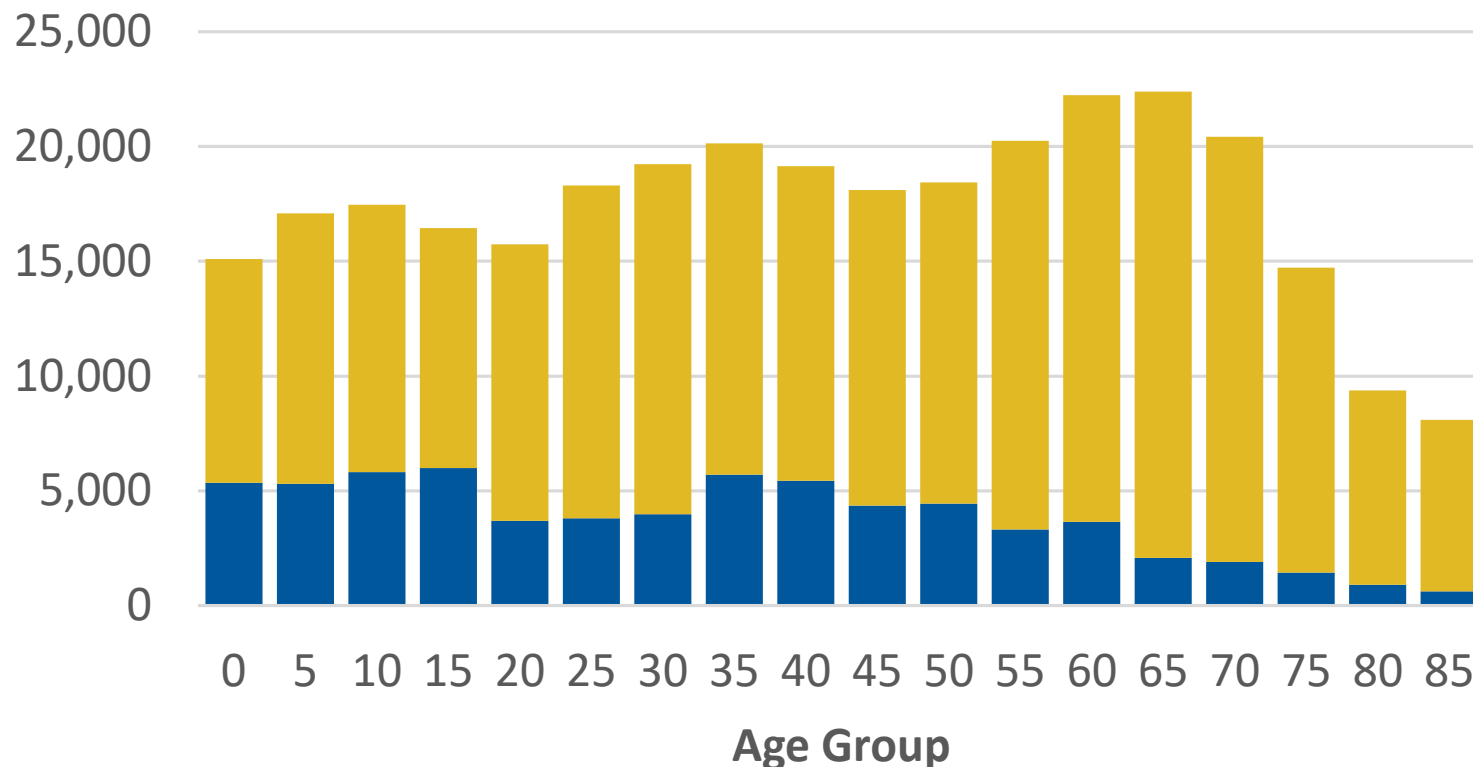
- Migration is the primary reason Oregon grows faster than the U.S. It allows local businesses to hire and expand at a faster rate
- 2023 population estimates differed again with PSU up, Census down
 - 2023 Census county estimates available in March
- Forecast
 - Migration has historically been pro-cyclical
 - Total growth slower in part due to deaths outnumbering birth
 - Outlook lowered from 0.7% to 0.6% average annual growth thru 2033
- Developed a Zero Migration demographic alternative scenario

Labor market is structurally tight



Rogue Valley Population

Countywide population **Overall** and **Black, Indigenous, and People of Color**



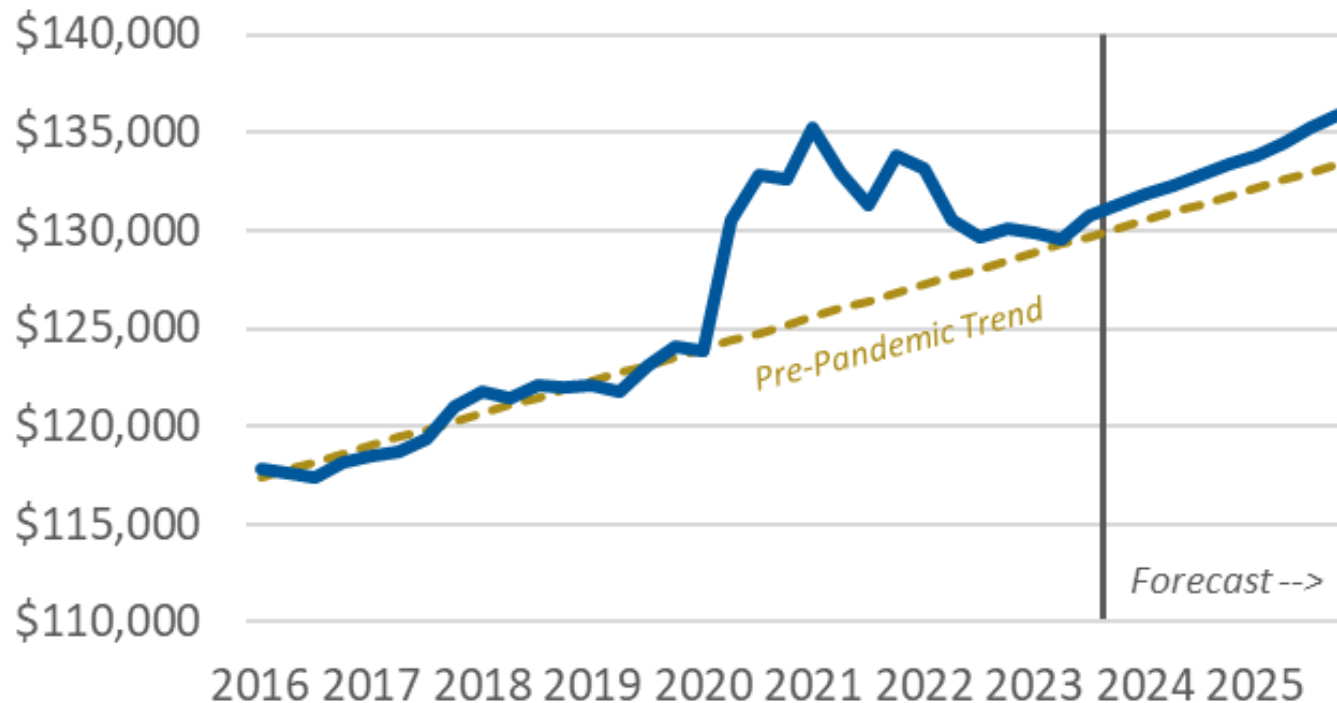
- Regional demographics skew older than other metro areas.
- Working-age population set to grow again soon. To date, large Baby Boomer retirements economically difficult to offset with smaller, younger generations.
- Higher participation rates among existing residents offset retirements.
- Younger generations are more diverse. 33% of children identify as BIPOC, compared with 22% of the total population, and 9% of those 65+.

Capital investment takes on even greater importance in years ahead



Oregon Real GDP per Worker

Inflation-adjusted value-added per employee



Latest Data: 2023q3 | Source: Oregon Office of Economic Analysis

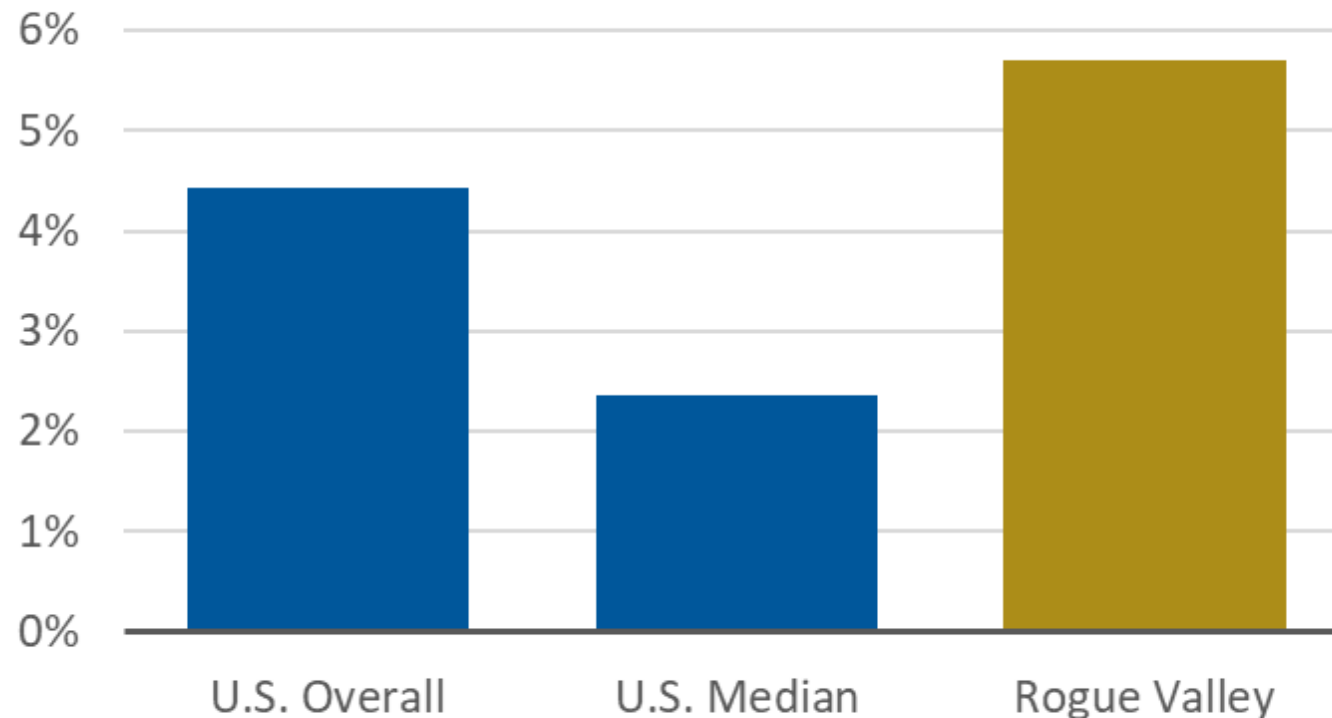
- Oregon has experienced good economic growth this cycle, with above-average productivity gains making up for middle of the pack population and labor gains
- 5 Types of Capital: Financial, Human, Natural, Physical, Social
- Reasons productivity should be better include the increase in start-ups, federal investment, and potential of generative AI

Strong local productivity gains



County Productivity Gains

Real GDP per wage and salary worker, Percent change 2019-2022



Note Rogue Valley here is Jackson County, All Industries plus Josephine County, All Industries excluding Health Care
Source: BEA, Oregon Office of Economic Analysis

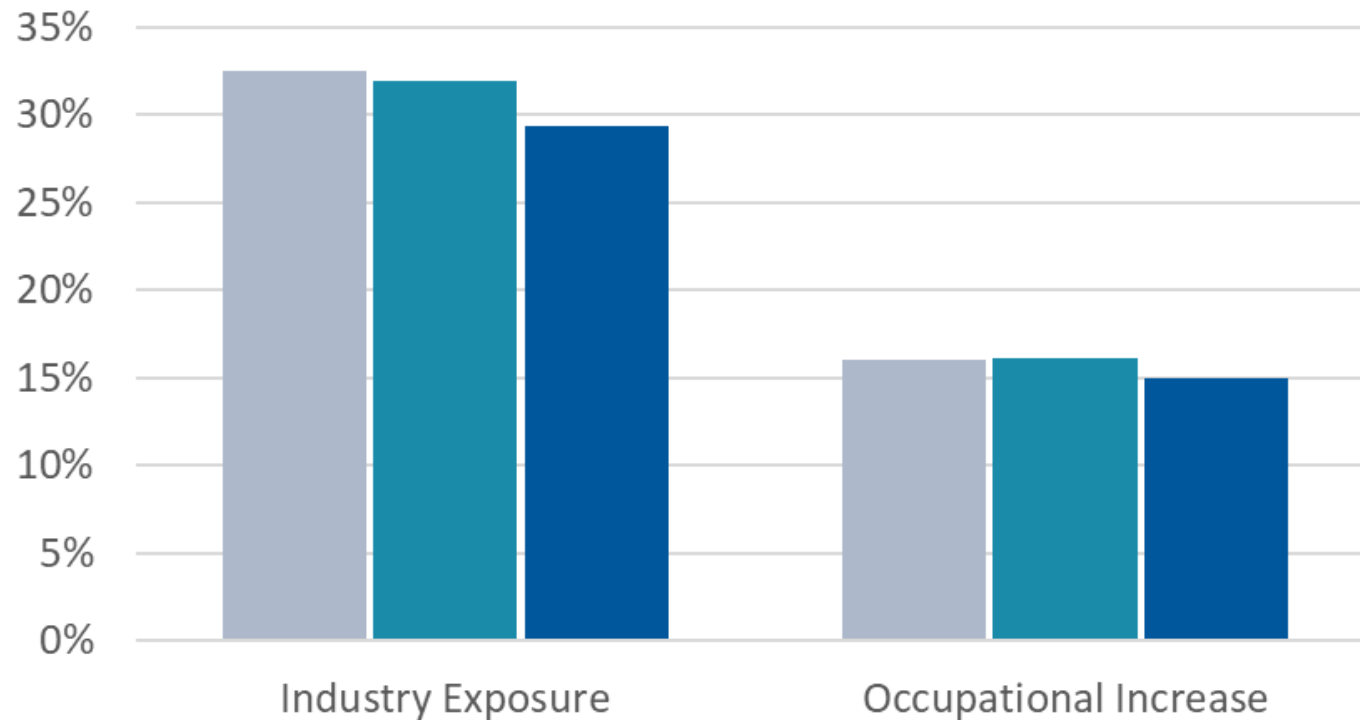
- Local productivity increased 5.7% from 2019 to 2022, which outpaces the nation, and the typical county
- 5 Types of Capital: Financial, Human, Natural, Physical, Social
- Reasons productivity should be better include the increase in start-ups, federal investment, and potential of generative AI

AI should boost productivity



Generative AI

Mapping AI reports from McKinsey on occupations, and OpenAI on industries to 2022 employment for the **United States**, **Oregon**, and the **Rogue Valley**

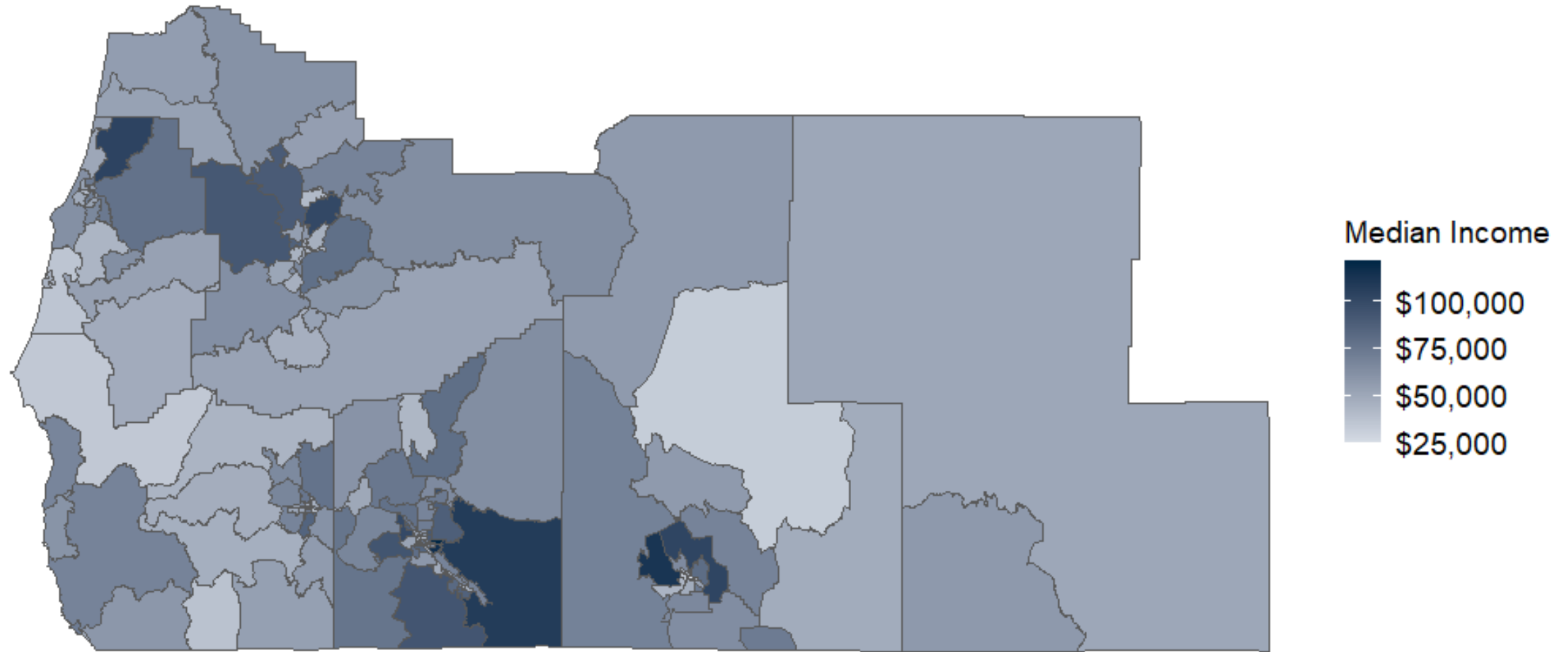


Source: BLS, McKinsey Global Institute, OpenAI, Oregon Office of Economic Analysis

- AI is a tool, not a replacement
- Boosts productivity by reducing time-consuming tasks, supplementing judgement, and upskilling
 - To date, strongest gains among lowest performers
- Largest impact on white collar, knowledge jobs
- Macro-type impact nationwide, although small, relative differences emerge based on industrial structure
- Will AI development occur in existing tech hubs, or will new clusters form?
 - Brookings in 2021 identified Grants Pass MSA as potential hub given AI patents

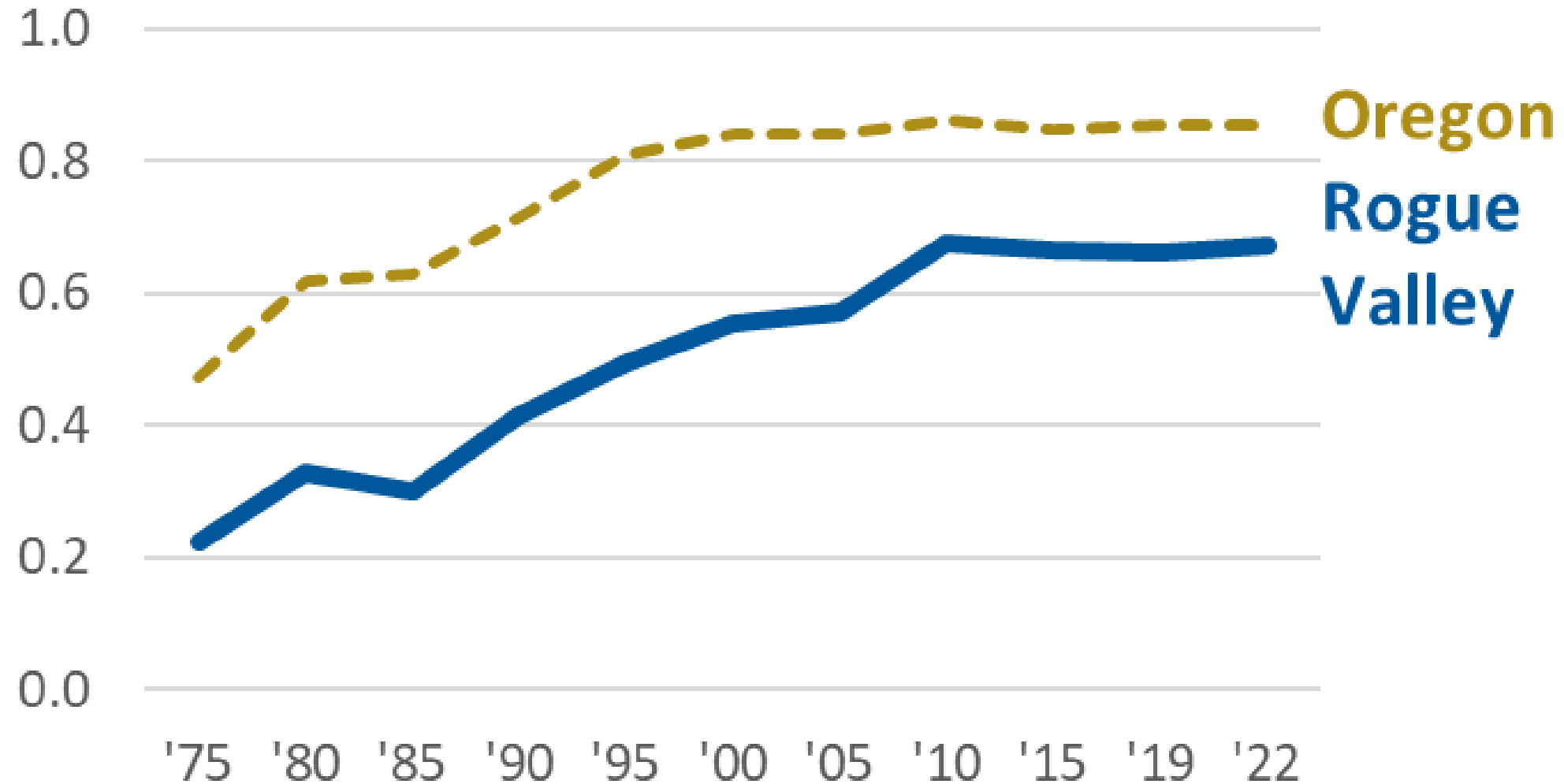
Southern Oregon Household Income

Census tract data, 2018-2022 American Community Survey



Southern Oregon Diversification

Industrial structure relative to U.S.



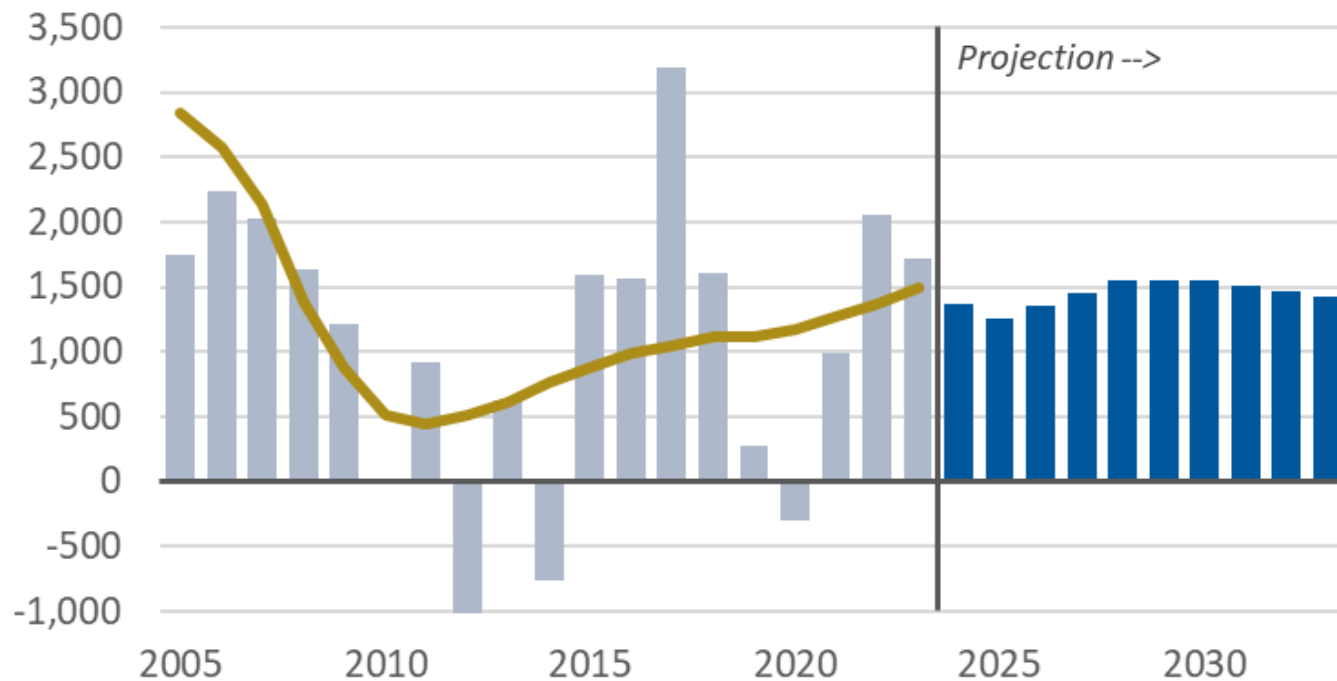
Data: QCEW 1975-85 SIC, 1990-2022 NAICS | Source: BLS, Oregon Office of Economic Analysis

Housing supply matters



Southern Oregon Housing Market

Jackson and Josephine Counties: **Housing Permits Issued**, Change in Number of Households, **Projected Increase in Households**



Data: 3 year averages | Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

- Oregon has historically underbuilt housing
- Industry running into supply side constraints
 - Lots, labor, land, financing, etc
- Affordability issues impact all Oregonians, especially low-income households, and slows future growth
 - January 2024 only 27% of Jackson County households could afford the median home sold, down from 40% in December 2021
- During the pandemic, household formation boomed even with a stagnant population
- Outlook
 - Near-term: high rates and bad affordability
 - Long-term: tied to population and demographics
 - Underproduction not made up in the baseline

Oregon Housing Needs Analysis (OHNA)



FOUR COMPONENTS OF NEED

UNIT INCOME DISTRIBUTION

1
PROJECTED
NEED



Units needed to accommodate future population growth over 20 years

2
UNDERPRODUCTION



Units that have not been produced to date in the region, but are needed to accommodate current population (often referred to as housing shortage)

3
UNITS LOST TO
2ND & VACATION
HOMES



Units needed to replace units lost to second and vacation homes

4
HOUSING FOR
THE HOMELESS



Units needed to house those who are currently experiencing homelessness

DISTRIBUTION OF UNITS BY PERCENTAGE OF MFI
(Data from Willamette Valley Region)



- Housing needs analyzed at the city and regional level, with breakdowns by income bracket based on the local income distribution
- Oregon Office of Economic Analysis (OEA) will do the analysis, Oregon Housing and Community Services (OHCS), and Department of Land Conservation and Development (DLCD) will implement the policy and assist local governments

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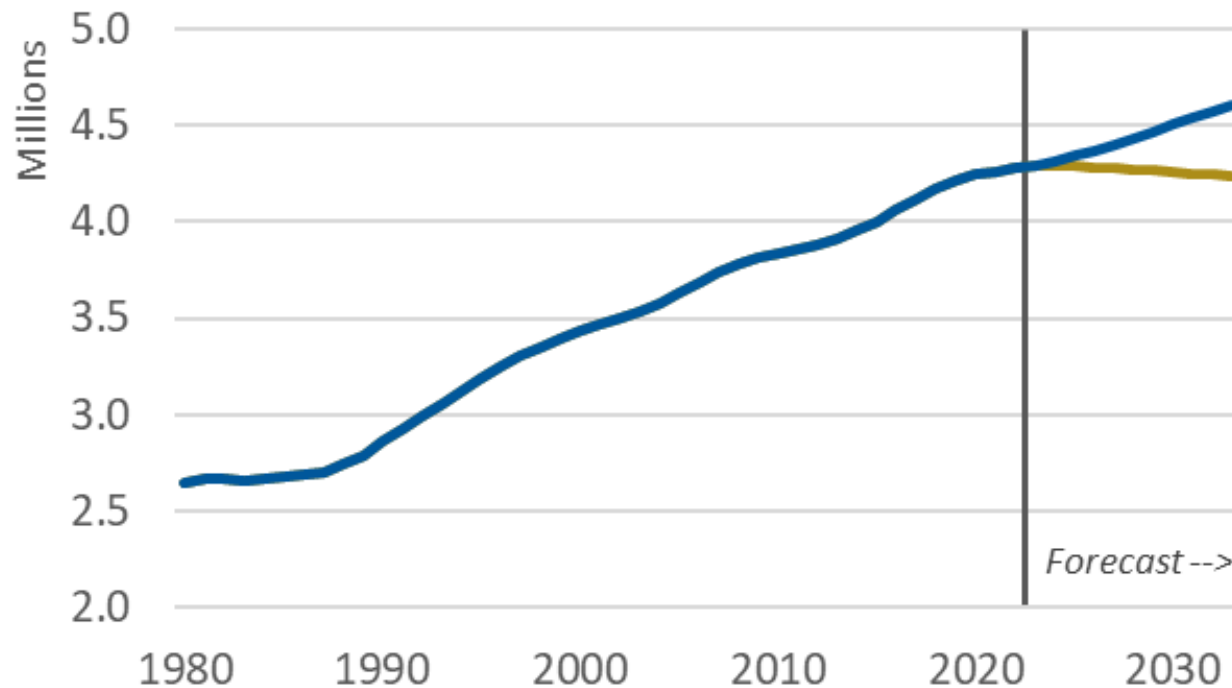
Zero Migration Scenario



Oregon Population

Number of Oregon residents, all ages

Baseline Forecast | Zero Migration Scenario



Latest Data: 2022 | Source: Oregon Office of Economic Analysis

- Without migration, Oregon's population will decline slowly as deaths outnumber births
- Relatively small differences in any given year accumulate over time
- Impact greatest among 20- and 30-somethings given migration rates. Firms will need to hire among existing residents to a greater degree
- Business sales, and public revenues will continue to grow even in a Zero Migration scenario, but just at a slower rate
 - Between inflation, average wage gains, and rising asset markets, incomes and spending will continue to increase overall among existing residents