

# Economic Forecast

Featuring:



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# Yogi Was Right

## *Kitsap Economic Development Association*

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March 30, 2023

Hart Hodges  
James McCafferty



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# Today

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- **National Outlook**
  - **Get ready for an argument**
- **The Puget Sound and Kitsap County**
- **A Few Stray Thoughts**

“It's tough to make predictions, especially about the future”, Yogi Berra



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# Not This Kind of Argument

## Fed's Bullard sees more rate hikes as bank stress abates

St. Louis Fed President James Bullard is optimistic stresses in the the banking system will abate in the weeks and months ahead.

Yahoo Finance



Business Fox Business • yesterday

### Bill Ackman warns US economy headed for 'train wreck' after latest Fed rate hike

Hedge fund manager Bill Ackman sounds the alarm on the state of the U.S. economy amid a banking crisis and the Federal Reserve's fight against inflation.



Bill Ackman blasts Yellen's rejection of full deposit insurance: A 'guarantee is...  
Fortune



Unlimited Deposit Insurance Can't Solve Everything  
The Wall Street Journal



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# National Outlook

	2022	2023	2024
<u>Blue Chip</u>			
CPI	8.2	3.6	2.4
Unemployment	3.7	4.0	4.6
GDP	1.8	0.7	1.2
<u>NABE</u>			
GDP	1.8	0.5	



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# National Outlook

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Maybe

Doubtful

Misleading

So... no recession?



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# National Outlook

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
<u>Blue Chip</u>				
Unemployment	3.6	3.9	4.2	4.5
GDP	-0.1	-0.5	-0.1	0.6

Be careful: some numbers are % change year over year...  
while others are from one quarter to the next.



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# Quiz

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**What is the definition of a recession?**

- a) Two consecutive quarters of decline in GDP
- b) A significant, widespread, and prolonged downturn in economic activity



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# A Recession

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A significant, widespread, and prolonged downturn in economic activity

Economists at the NBER look at nonfarm payrolls, industrial production, retail sales, and other metrics to determine if/when a recession begins and ends

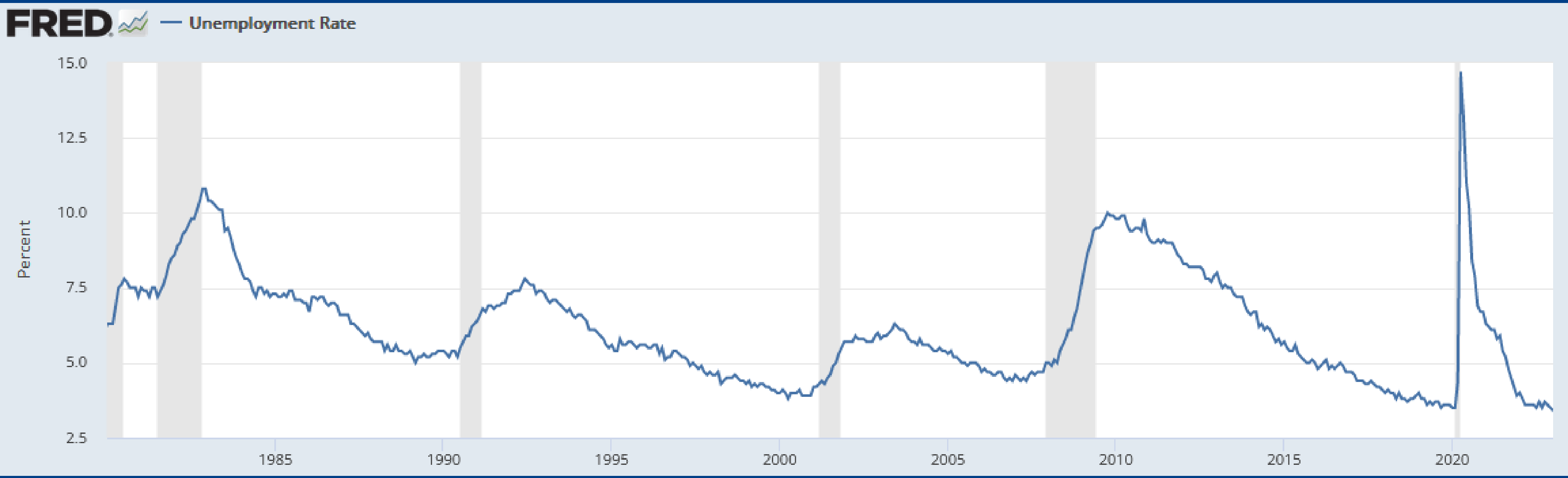
... also, keep an eye on data revisions



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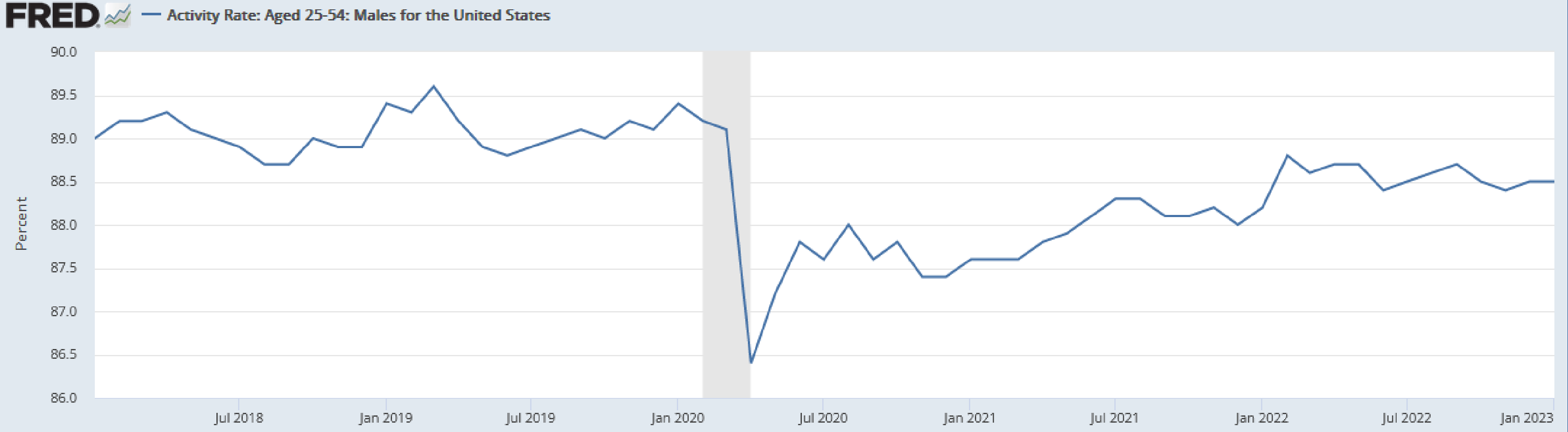
# Recession? ... with 5% unemployment



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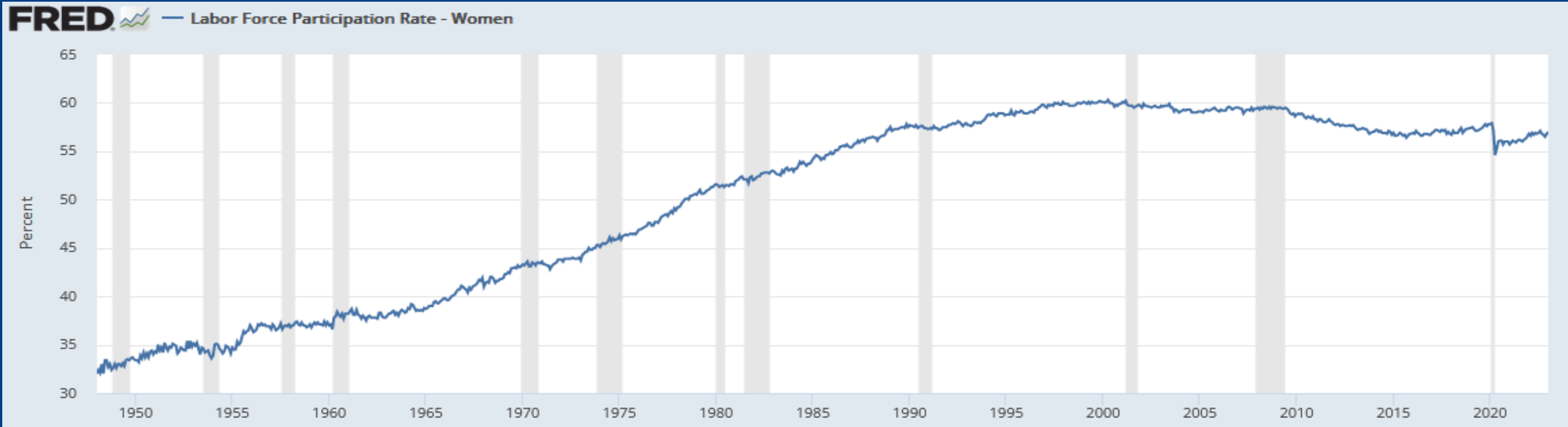
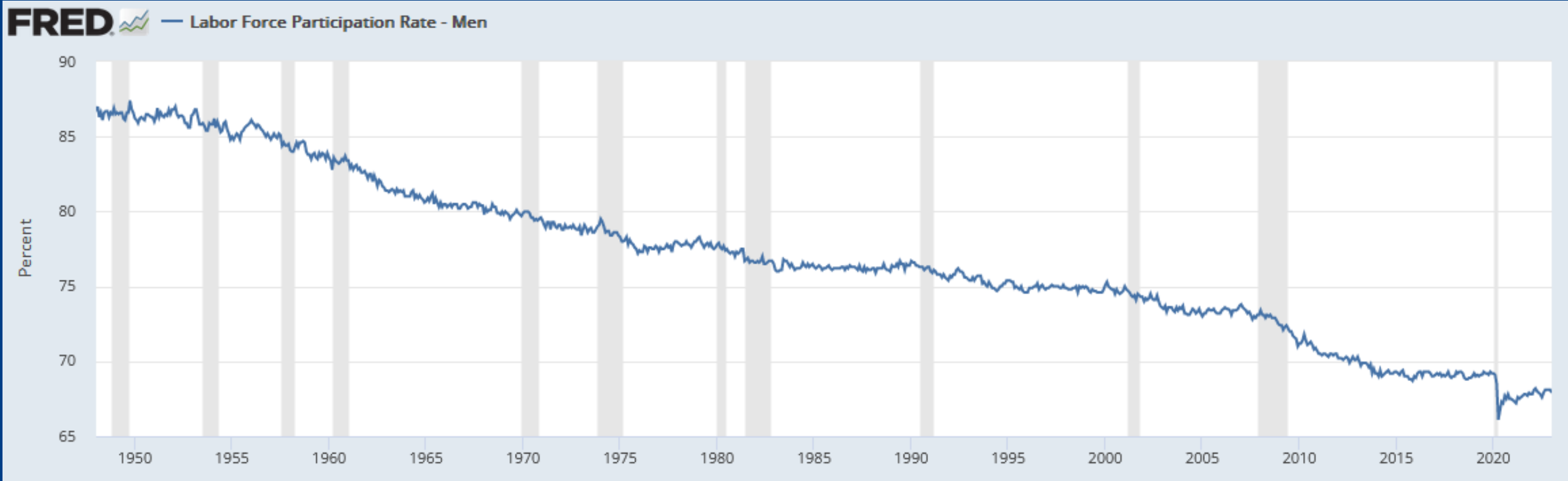
# People Opting Out



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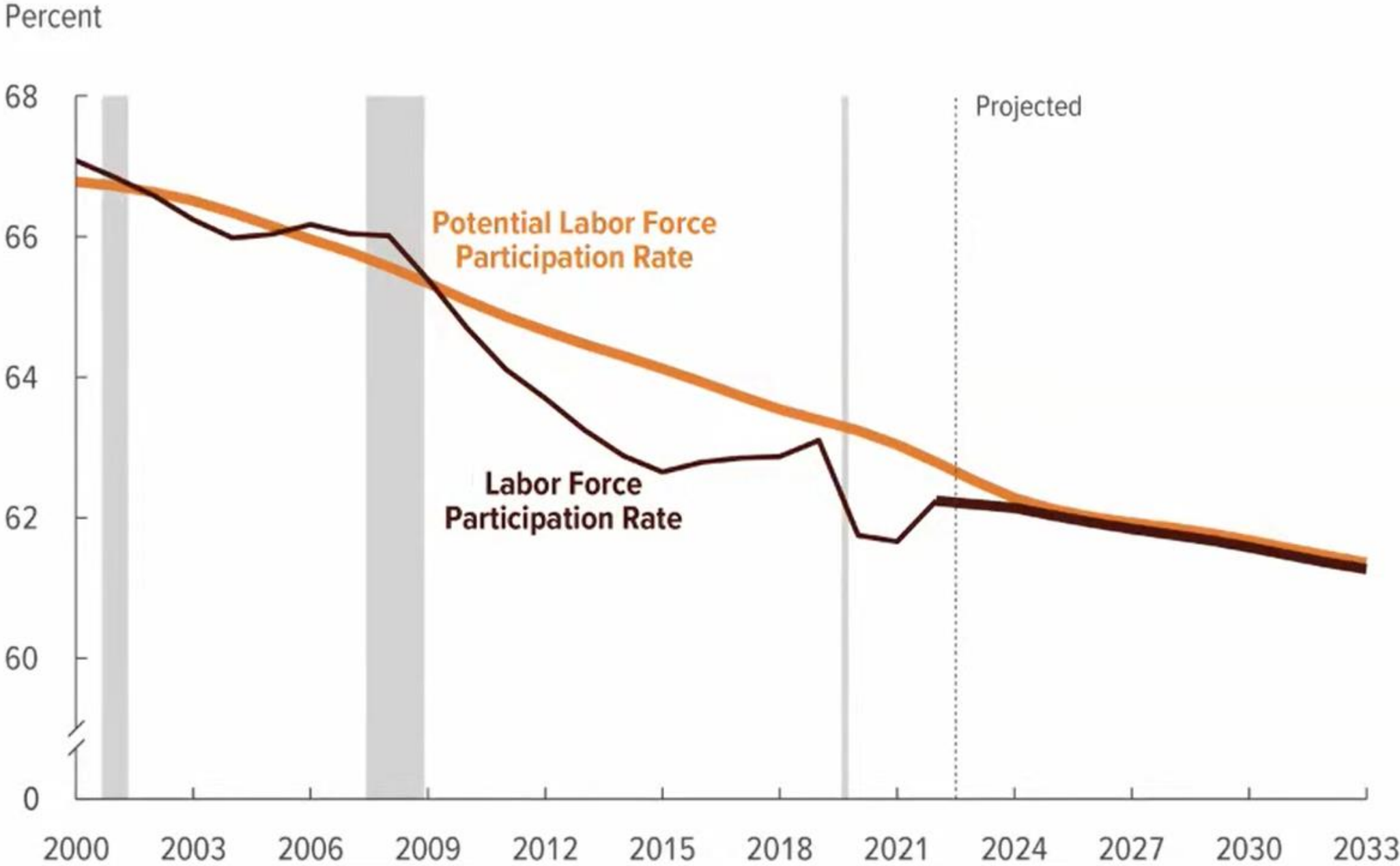


# Long Term Trends



# Not a Covid Issue

## Labor Force Participation



The labor force participation rate declines after 2023 as the negative effects of the aging of the population offset the short-term effects of the expanding economy.

The labor force participation rate is the share of the civilian noninstitutionalized population age 16 or older that has jobs or that is available for work and is either seeking work or expecting to be recalled from a temporary layoff.



# Will we have a Recession in 2023?

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Low labor force participation could mean low unemployment, which will make it hard to say we are in a recession...

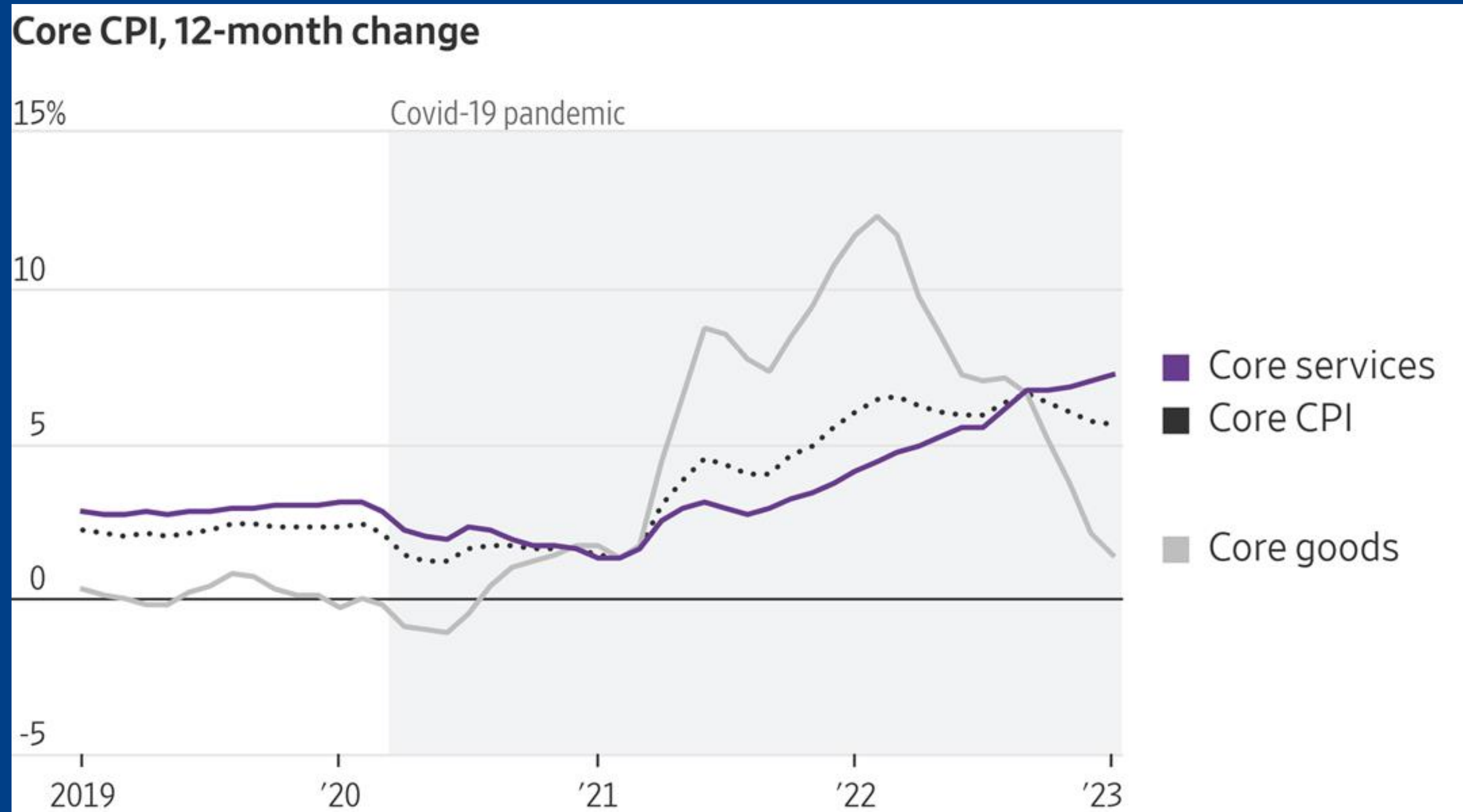
What else to consider?



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# Inflation



Note: Core CPI refers to consumer-price index less food and energy. Core services refers to services less energy services. Core goods excludes food and energy items.

Source: Labor Department

# Where do Prices go from Here ?

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Deflationary pressures in durable goods as supply chain constraints and manufacturing bottlenecks ease... and the demand for goods vs services return to 'normal'

Inflationary pressures with China's reopening, war in Ukraine continuing, and the lingering effects of stimulus money

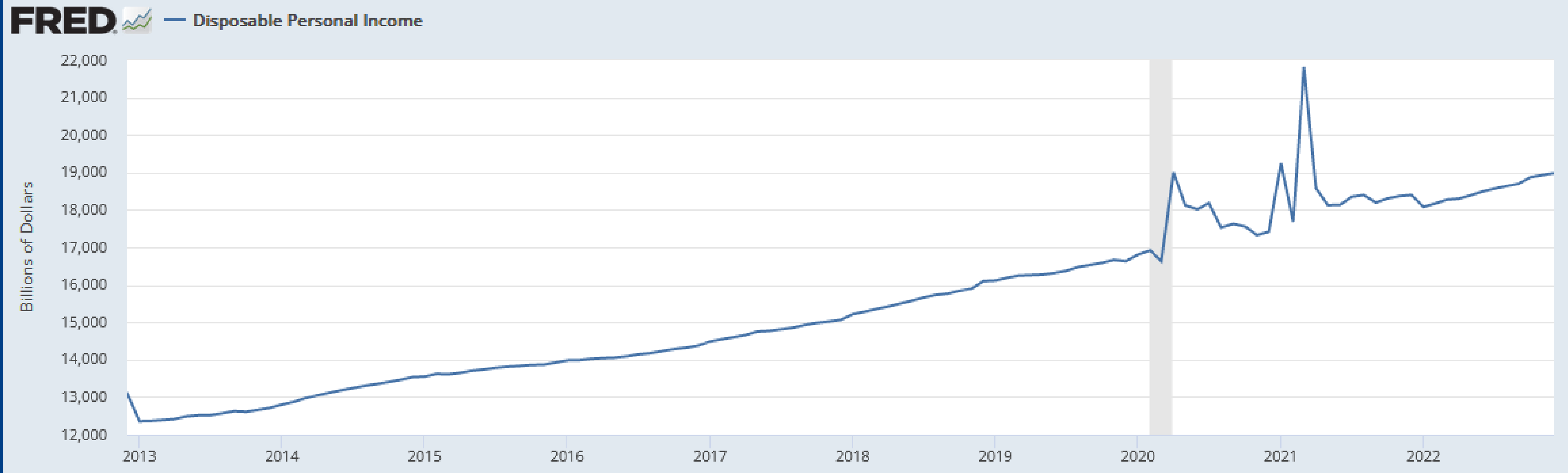


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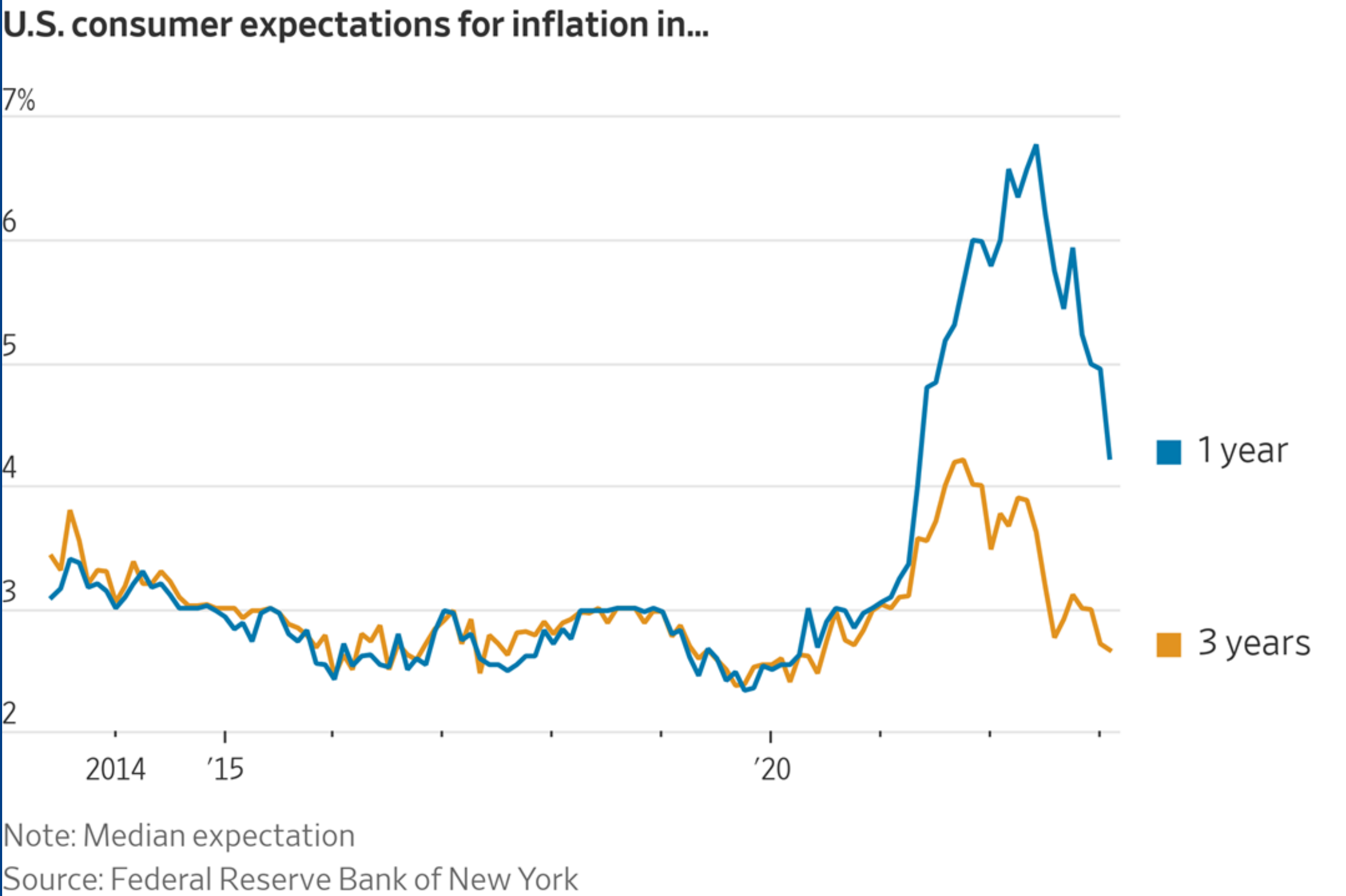
# \$ Still Out There (not evenly distributed)



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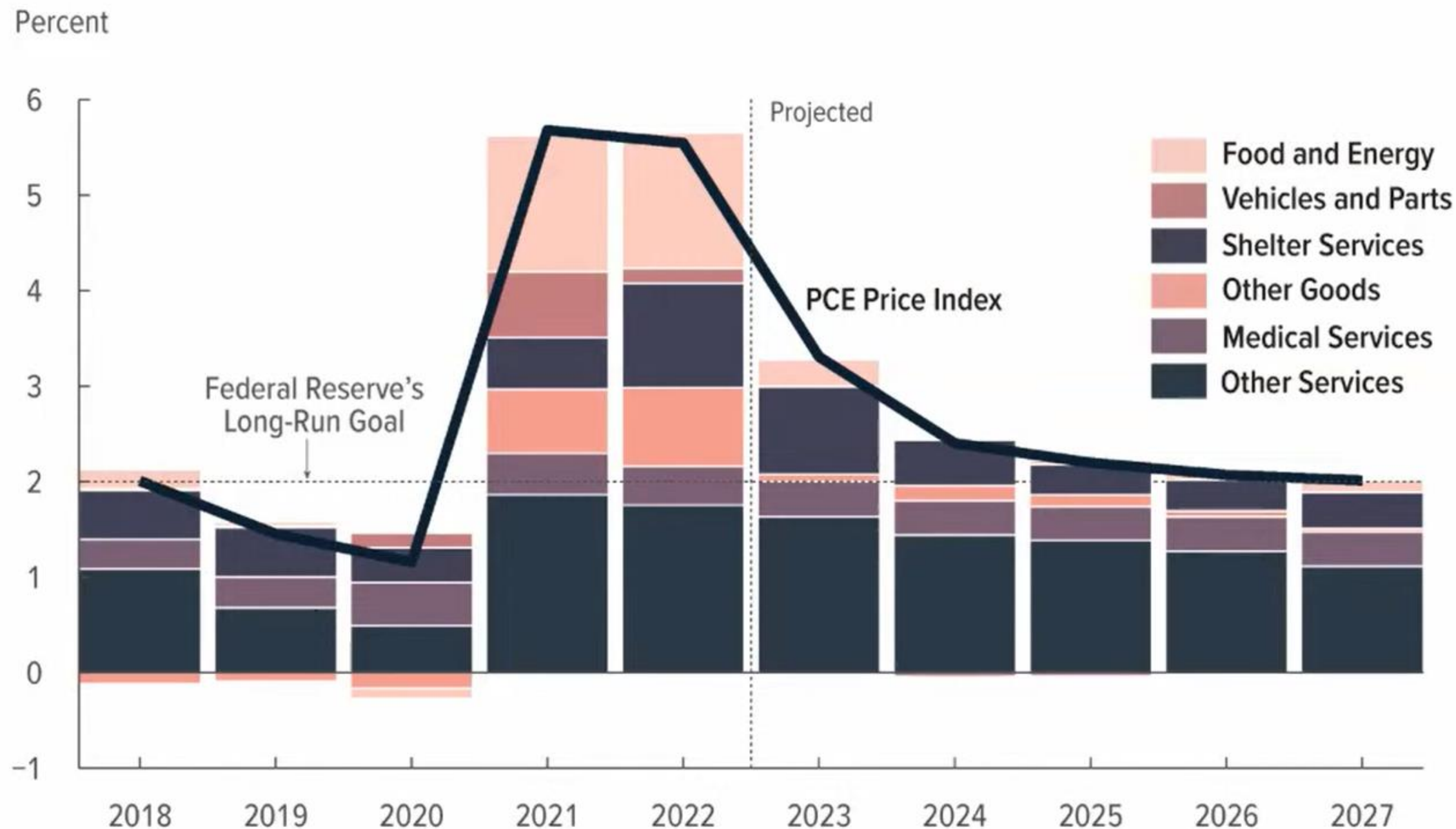


# 2% Inflation is a ways away



# Inflation

## Contributions to Overall Inflation



The alleviation of upward pressure on the prices of food, energy, and other goods and the downward pressure on prices in shelter services are the two main causes of falling inflation in 2023 and 2024.

# Fed Funds Rate

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- **How many more rate increases?**
  - **One more ?**
- **When do you expect rate cuts?**
  - **According to the BlueChip and other sources, not until 2024**
- **An important question is whether going back to 2% or so is reasonable?**
  - **It is hard to imagine the low rate environment**



# The Fed's Challenge(s)

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All at the same time:

- How to manage inflation?
- How to encourage a modest amount of growth in the near future?
- How to maintain stability in the financial sector?

**Growth in many sectors was pulled forward with Covid – there has to be a subsequent period of slower growth.**



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# From There to Here

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**National and global trends will drive economic activity in this region**

**But local trends aren't exactly the same as national trends... and local decisions matter a great deal.**

**What do you think is going to happen here? And why?**

**How do we compare to other areas?**



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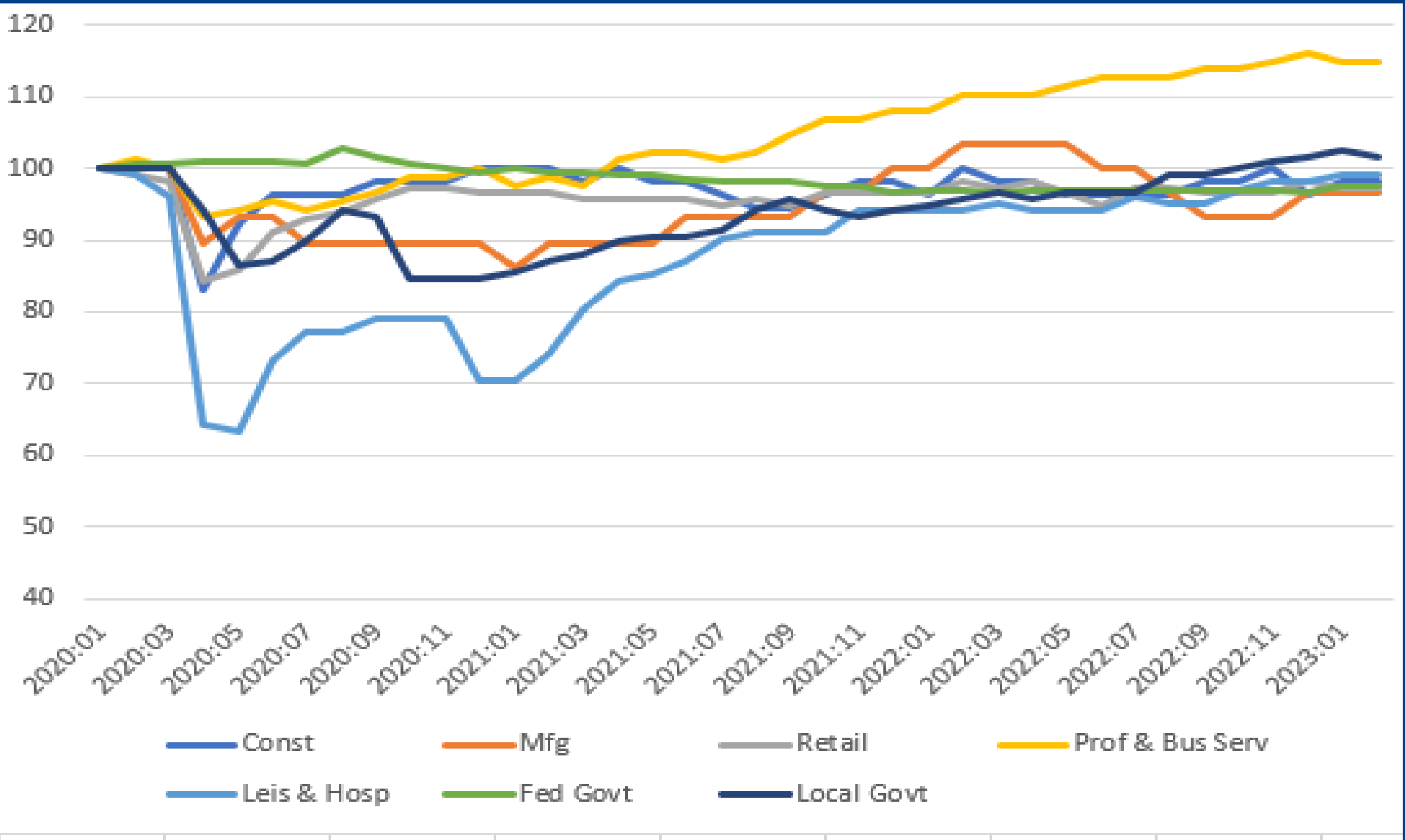
# Puget Sound

## Annual Percent Change

	2021	2022	2023	2024
<b>Puget Sound Region</b>				
Employment	1.6	5.1	0.4	0.5
Personal income (cur. \$)	8.4	2.2	4.8	5.0
Consumer price index	4.7	8.9	4.6	2.9
Housing permits	28.5	-11.3	-6.1	2.0
Population	0.8	1.1	1.9	1.5
<b>United States*</b>				
GDP (2012 \$)	5.9	2.1	0.8	1.2
Employment	2.7	4.3	-0.1	1.8
Personal income (cur. \$)	7.4	2.1	4.7	4.9
Consumer price index	4.7	8.0	3.9	2.4
Housing starts	14.6	-2.8	-17.1	4.7

\*Source: Blue Chip Economic Indicators

# Bremerton MSA

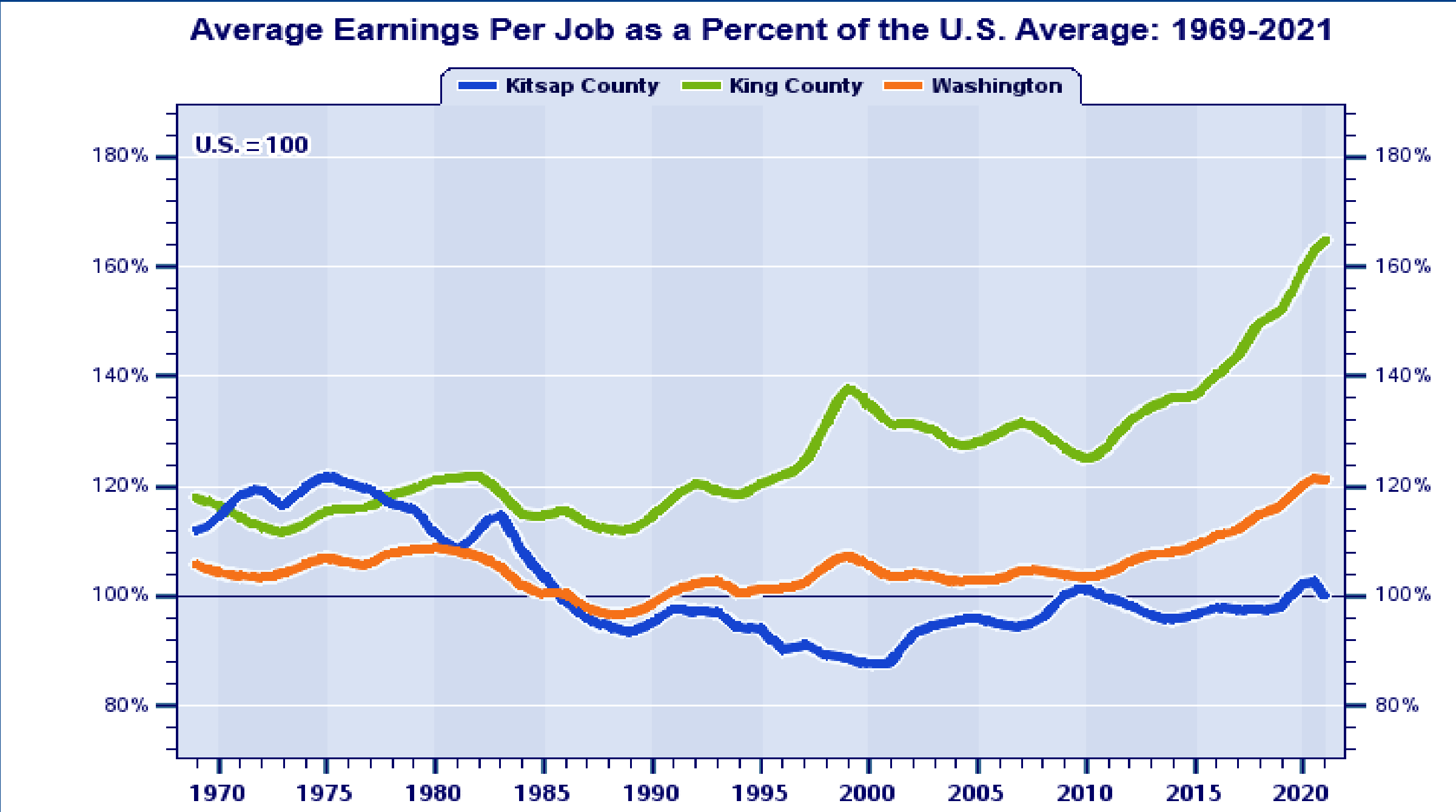


Data from WA Employment Security

(Updated 1/5/2023)



# Kitsap County



Source: Washington.REAProject.org  
Data: Regional Income Division, BEA (11-16-2022)



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# Housing

County	Avg Annual Wage (2022 Q3)	Housing: Median Resale (2022 Q4)	Affordability Index (2022 Q4)
Kitsap	\$68,343	\$504,700	67.7
Island	\$55,322	\$567,400	67.3
King	\$116,802	\$860,400	55.5
Whatcom	\$60,103	\$572,200	58.6



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# Local efforts matter

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## Office space transition in urban areas

- How to incentivize conversions
- How to make urban areas appealing... or how to add amenities to suburban areas

## Energy and Environmental Security

- Water and food
- Grid Security

## Conflict and Poverty

- Dissatisfaction with disparities
- Homelessness



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