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2013

a check-up on the
Portland-region’s economic health

About the Value of Jobs Coalition

The Value of Jobs Coalition is based on the premise that in order to have a prosperous, healthy Portland region with a good quality of life, we need more private-sector jobs. The coalition began with an economic study in the fall of 2010, which uncovered troubling economic data about the Portland-metro region. A number of other studies have followed that highlight the region’s economic opportunities and challenges. Find out more at: www.valueofjobs.com.
Introduction

This fourth Economic Check-Up, produced by the Value of Jobs Coalition, shows continuing positive news for the Portland-metro region. Almost all of the jobs lost in the 2008 recession have been recovered, and there is favorable movement in median household income, one of the most important indicators of our region's overall health.

Still, compared to other "aspirational" regions, Portland-metro has room to improve, so we can't take our eye off of the need to create and retain quality jobs that can support families. As we have learned, this is even more important in an income-tax-dependent state like Oregon, where money for important public services such as schools, social services and public safety is directly tied to the existence of quality jobs and strong incomes.

In our other nine economic studies, the Value of Jobs Coalition identified three key indicators that effectively demonstrate the economic health of our region: Gross Metropolitan Product (GMP), employment and income.

This fourth check-up focuses on those three indicators and how the Portland-metro area competes relative to the U.S. metro average, as well as peer and aspirational metro areas. Past annual check-ups identified which metro areas we are similar to in terms of size and performance (peers), as well as some metro areas we strive to be like (aspirational). This study tracks our progress and will serve as the model for future comparisons.

Looking at those three indicators, Portland-metro's GMP continues to outperform the U.S. metro average and many other regions, thanks, in part, to our strong electronics and semiconductor employers such as Intel. Employment is better, but not good enough, and incomes have improved, although we still lag significantly behind our aspirational peers.

Fundamentally, this report underscores the findings of the other Value of Jobs reports: to create a healthy regional economy that supports families and public services, we must focus on retaining and creating high-value jobs, including jobs related to manufacturing, traded-sector businesses and international trade.

Thank you to our funding partners.

A number of companies and organizations have contributed to the funding of this report and the Value of Jobs initiative, including:

- Bank of America
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- Nike
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REPORT SOURCES

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GMP data was drawn from the Brookings Institution’s Metro Monitor September 2013 update, available at: www.brookings.edu/research/interactives/metromonitor.


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What the data show

This is the fourth economic check-up and focuses on three measurements of the Portland-metro economy:

- Gross Metropolitan Product (GMP)
- Employment
- Income

Portland-metro’s economic performance from August 2007 to August 2013 will be compared to the following different geographic areas:

- The average of all U.S. metropolitan areas
- Peer group regions (Sacramento, St. Louis, Cincinnati)
- Aspirational group regions (Seattle, Denver, Minneapolis)

These groupings of peer and aspirational regions have been used in past Value of Jobs reports as a way to give better context to how Portland-metro’s economy is functioning at the national level.

**Gross Metropolitan Product: Portland-metro outperforms**

Gross Metropolitan Product (GMP) is the market value of all the goods and services produced in a Metropolitan Statistical Area (MSA). Out of the top 100 MSAs in the United States, Portland-metro is second only to Austin in the growth of GMP during its recovery from the economic downturn.

**Figure 1: Portland-metro GMP vs. U.S. Top 100 Metro average, 2001-2012**

Source: Brookings Metro Monitor, http://www.brookings.edu/research/interactives/metromonitor#overall
Portland-metro’s GMP bottomed out in 2009 and had increased by about 22 percent through the second quarter of 2013. During the last year, the GMPs of the average top 100 MSAs grew faster than Portland-metro (2.7 percent national average vs. 1.2 percent for Portland-metro); however, from the recessionary trough of 2009 through 2012, Portland-metro grew at a significantly higher rate than the average MSA.

The Portland-metro GMP has increased by 60 percent since 2004, compared to 17 percent for the U.S. Gross Domestic Product total during the same period, as shown in Figure 1. The peak of the Portland-metro GMP prior to the recession was in the third quarter of 2008, and it had surpassed that peak level by 17 percent through the second quarter of 2013. By comparison, the U.S. pre-recession peak was in the first quarter of 2008 and it has only surpassed that level by 4 percent.

GMP is a function of employment, income and productivity. As shown later in the report, incomes have remained relatively low during Portland-metro’s recovery, so the growth in GMP is primarily due to increased productivity and employment returning to 2007 levels. Productivity gains are attributable largely to the growing and highly automated semiconductor industry.

**Return of jobs: Good but not great**

The Portland-metro economy lost 72,400 non-farm jobs from 2008 to 2009. In 2013, about 65,900 jobs had been recovered; there are currently 6,500 fewer non-farm jobs than the peak level, which represents a 0.5 percent continuing loss. The recovery of non-farm jobs in Portland-metro has been slightly better than the U.S. metro average, which is still 1 percent below the 2007 peak level.

Virtually all sectors saw continued growth between 2012 and 2013, although, for most, the pace slowed from the recovery experienced between 2011 and 2012, see Figure 2. Only the leisure and hospitality industry added jobs at a rate that outpaced 2011-12. In terms of job losses, only the government sector, which includes federal, state and local governments, including public schools, lost ground from 2012 to 2013. That sector lost an additional 700 jobs in the last year, bringing its total continuing job loss since 2009 to 3,900.

**Jobs vs. peer regions: Portland-metro leads the pack**

Portland-metro has outperformed its peer regions of Cincinnati, St. Louis, and Sacramento in the number of jobs added since the recession. Portland-metro lost a greater percentage of jobs than Cincinnati and St. Louis, but has since recovered all but 0.5 percent of the jobs lost, while those other two metros still have 3 percent to recover. Sacramento lags all of the other peers, having dropped by the greatest percentage and still needing to recover 9 percent of the jobs to regain the 2007 level.

**Jobs vs. aspirational cities: Portland-metro falling short**

Cincinnati, St. Louis and Sacramento metro areas may be Portland-metro’s closest counterparts by many measurements, but Portland-metro aspires to be like the more economically robust Seattle, Minneapolis and Denver regions. All of these aspirational metros have recovered all of the jobs they lost in the recession, and, in fact, have grown relative to their 2007 totals. Since 2011, Portland-metro has been adding jobs at a slightly slower rate than the three aspirational cities; Portland-metro increased the number of jobs by 4 percent, while the other cities increased by 5 percent as shown in Figure 3.
Manufacturing: An economic bright spot

The manufacturing sector comprises two major sub-sectors: durable goods, which include metal products, wood products, computer equipment, etc., and non-durable goods, which include consumable products such as food and paper. Portland-metro’s employment in both manufacturing sub-sectors fared better than the U.S. average during the recession.

While manufacturing fell in both Portland-metro and the U.S. overall, Portland-metro did not fall as far as the national metro average and it has recovered at a faster pace. While jobs were added back, the Portland-metro recovery for durable goods jobs slowed in 2013 compared to 2012, but 2013 recovery in non-durable goods employment remained on pace with 2012.

Meanwhile, the U.S. metro average saw no additional jobs added in 2012 or 2013 for both the durable and non-durable goods manufacturing sector jobs. Manufacturing jobs are important to the overall health of the regional economy because, on average, they pay significantly more than other jobs, as shown in the 2012 Value of Jobs Manufacturing report.

Traded vs. local sector jobs: An area of focus

Another measure of economic health is the number and growth of traded-sector jobs. The traded sectors sell goods and services outside the local economy, bringing new money into the region. By contrast, local sectors sell goods and services to people and businesses in the same area so that money is shifted within the local economy. As shown in the 2012 Value of Jobs Traded-Sector report, for every one additional traded-sector job in the local economy, there are 2.5 local sector jobs created.

The change in pattern of traded- versus local-sector employment since 2007, as shown in Figure 4, is largely explained by consumer behavior. During economic downturns, households and businesses are more likely to cut back on the purchase of traded-sector goods, such as computers and cars, than on the purchase of local goods and services, such as banking and medical care, that meet their ongoing needs. As the recovery has gained steam, households and businesses have begun to shift back to normal spending patterns, increasing employment in the traded and local sectors at about the same rate. The recession loss of traded-sector jobs was greater than the local sector loss; as a result, traded-sector recovery has lagged behind the local sector. In 2013, local sector employment grew beyond the 2007 level, but the traded sector is still 9,200 jobs below the 2007 level.

Income

Median Household Income vs. peer cities: Portland-metro ahead

Despite ongoing recovery in jobs, median household income is still lagging behind the 2008 level in real terms, but more recent trends are encouraging. In 2012 dollars, the median household income in Portland-metro decreased by 8 percent from 2008 to 2012. However, for the first time since 2008, median income in Portland-metro increased from $56,023 in 2011 to $56,978 in 2012 (in 2012 dollars). Portland-metro’s peer regions, Cincinnati, Sacramento and St. Louis, also saw increases in median household incomes between 2011 and 2012.

Median Household Income vs. aspirational cities: Portland-metro behind

In 2008, Portland-metro was already behind Seattle, Minneapolis and Denver in median household income; with Seattle and Minneapolis at about $70,000 and Denver at about $64,000, compared to $62,000 in Portland-metro. During the recession, the gap grew wider. Seattle, Minneapolis and Denver metros all lost income during the recession, but Portland-metro fell further and faster. Median household incomes for the aspirational regions remain lower in real terms than in 2008, although they all saw increases between 2011 and 2012. In 2012, the Portland-metro’s median household income lagged further behind the 2008 level than any of the aspirational regions, as shown in Figure 5. In an income-tax-dependent state like Oregon, this decline has a significant impact on funding for important public services.

Why this matters to Oregonians

There is plenty of good news in this latest economic check-up, as jobs are returning and we continue to see strength in manufacturing and our GMP. But we cannot rest, as there is more to be done to grow the number of higher-paying jobs that support families and public services.

As we saw in last year’s annual check-up, we need to pay attention to the type of jobs that we are creating. While we have seen an increase in both local-sector and traded-sector jobs, we need to remember that traded-sector jobs typically pay more and play an important role in growing the local sector. Trade-based businesses, such as those highlighted in the 2013 Value of Jobs International Trade Study, make purchases across the region, helping to spur economic activity.

This report shows the need for continued support of our policy goals to boost economic growth and improve our region’s quality of life.

These goals include:

- Improve educational attainment of Portland-metro and Oregon students;
- Increase the availability of industrial land to add more manufacturing, higher wage jobs;
- Invest in transportation infrastructure to improve productivity and keep growing the region’s GMP;
- Focus economic development efforts on supporting traded-sector industries; and
- Reform state and local tax systems to incent private investment and stabilize public services.

We are encouraged by the findings in this year’s report as the trend lines are in an upward direction, but we hope that by focusing on these initiatives we can catch up to our aspirational peer metros and, more importantly, enable more families to be financially secure and support our region’s public services.
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For more information about this report or other Value of Jobs studies, go online to www.valueofjobs.com.

- 2013 International Trade & the Portland Harbor’s Impact
- Higher Education & Regional Prosperity
- 2012 Check-up on the Portland-Region’s Economic Health
- Portland-Metro’s Manufacturing Sector study
- Land Availability: Limited Options study
- Portland-Metro’s Traded Sector study
- 2011 Check-up on the Portland-Region’s Economic Health
- International Trade study
- 2010 Check-up on the Portland-Region’s Economic Health

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