

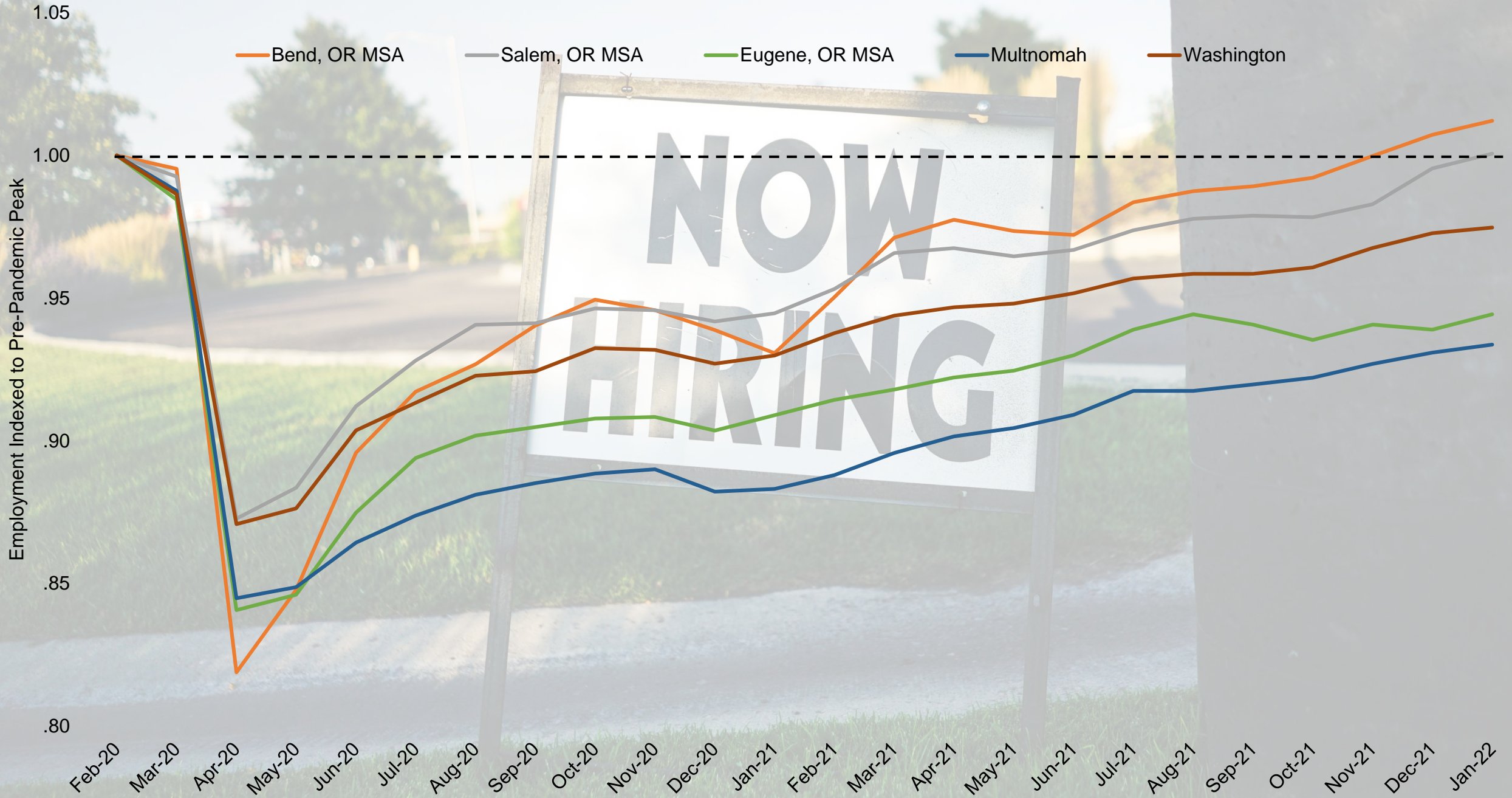
A scenic view of a river flowing through a rocky landscape. In the background, there are buildings and trees, some of which are illuminated with warm lights. The overall atmosphere is serene and natural.

The Origin and Future of our Tight Labor Market

...and inflation!

Damon Runberg, Regional Economist
Oregon Employment Department

Hardest Hit, Yet First to Recovery from the Pandemic



There are only a few hundred “excess” unemployed relative to pre-pandemic levels



Why does it remain difficult to find workers if few remain on the sidelines?



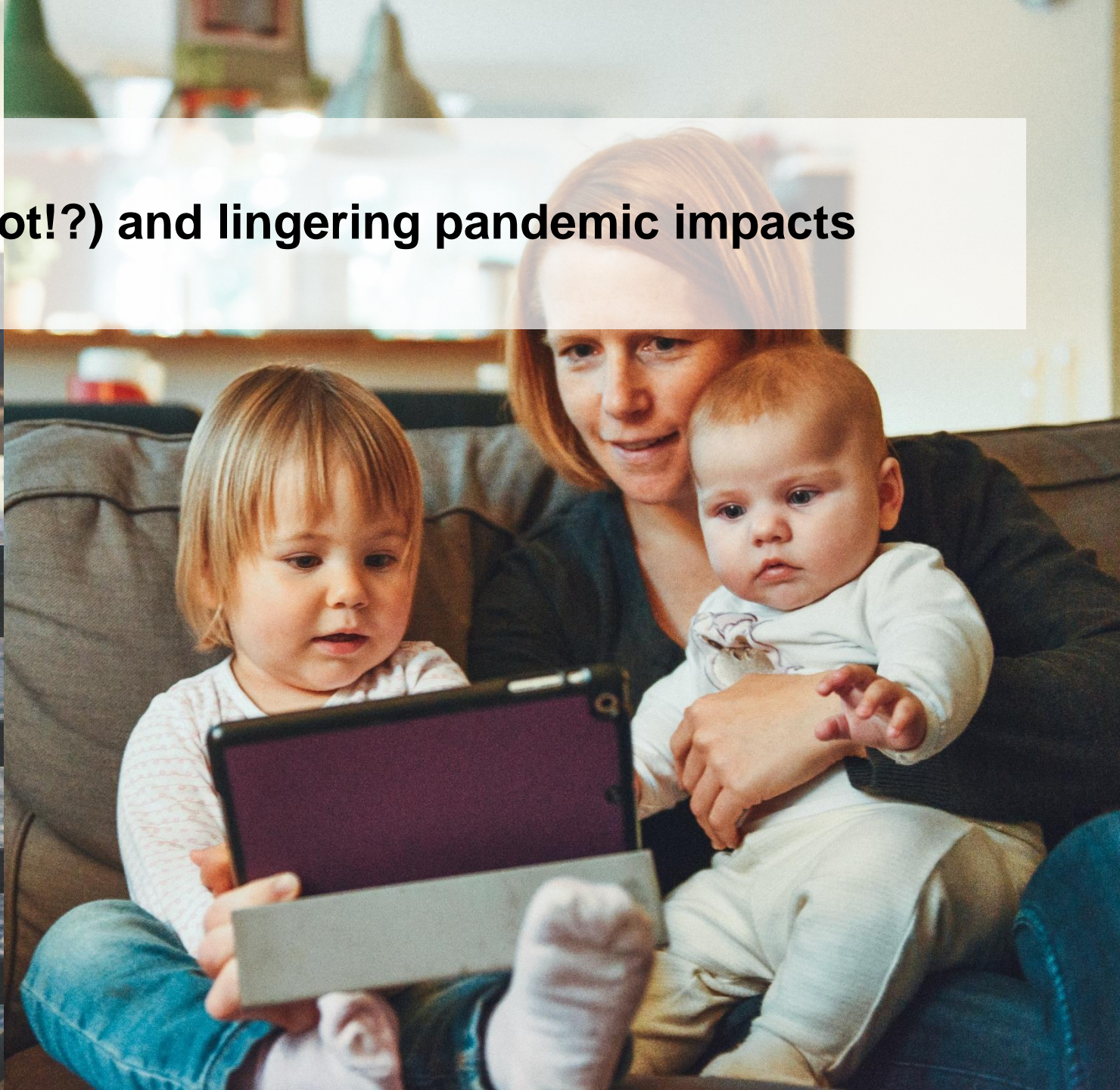
The Great Reshuffle...quits!



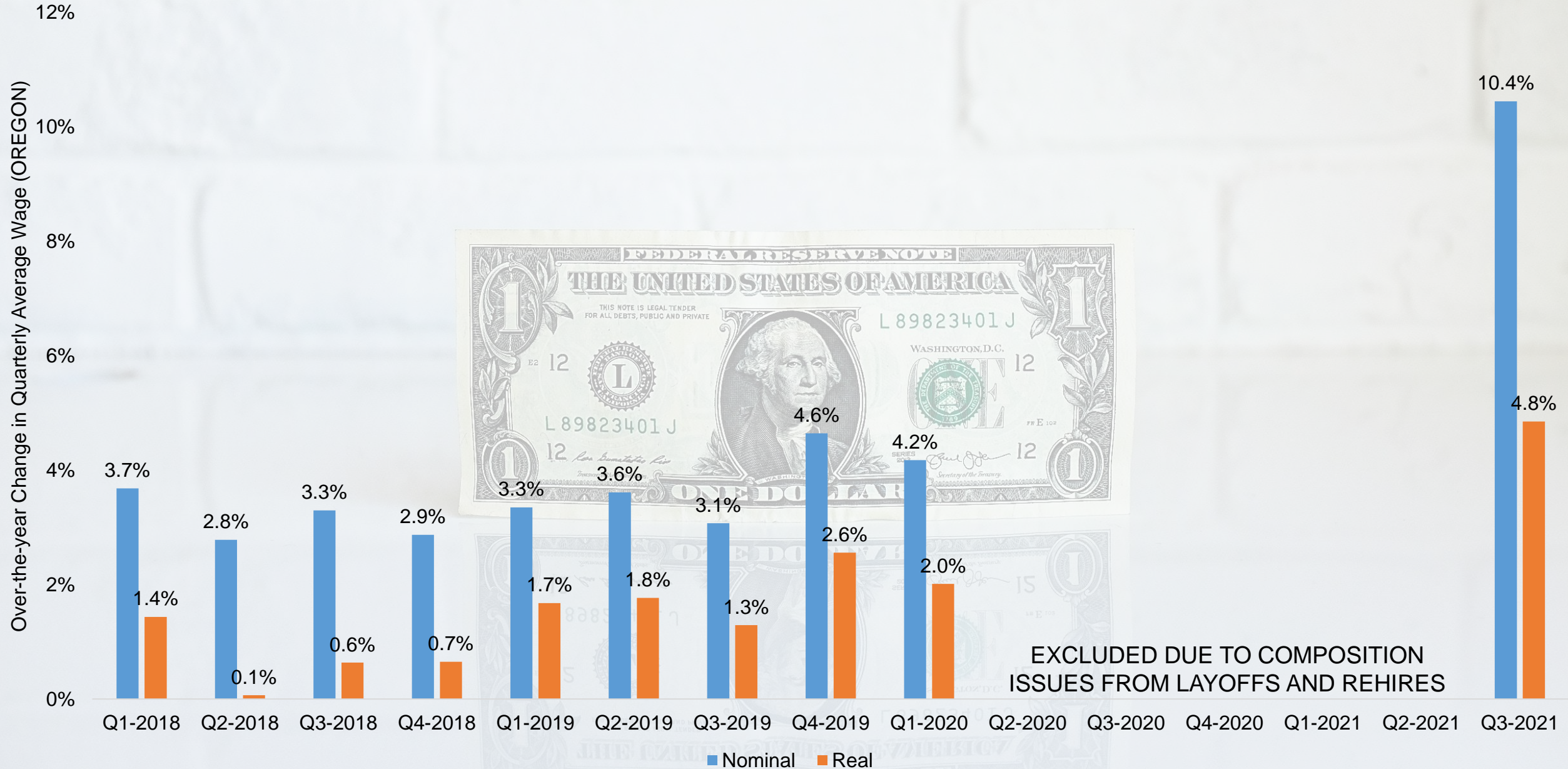
The local labor market is as tight as it has ever been, but we've likely hit the bottom of the curve



Retiring boomers (maybe not!?) and lingering pandemic impacts



Strong wage growth due to a tight labor market, but over half the purchasing power eroded by inflation

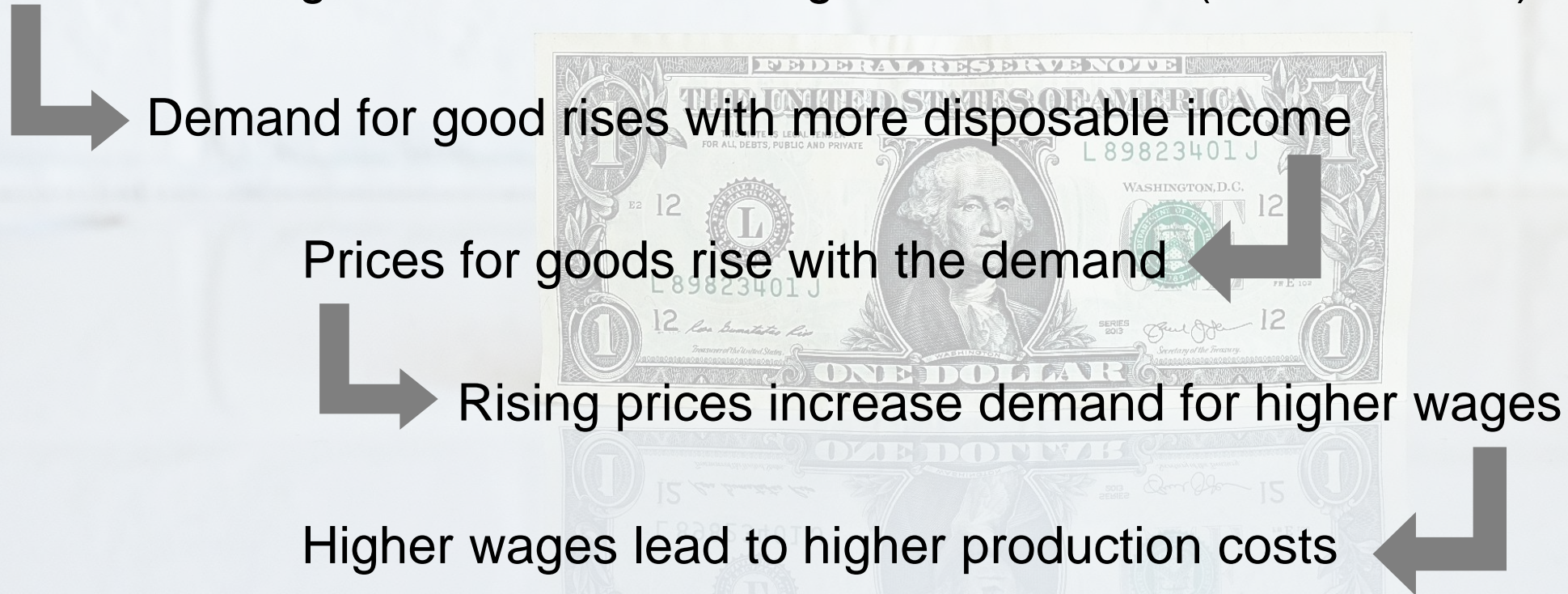


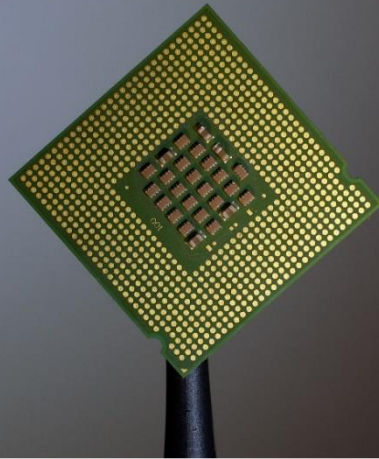
How bad is inflation?



Why are we seeing inflation? #1 Wage-Price Spiral

Increased wages/income due to a tight labor market (and stimulus!)





Why are we seeing inflation? #2 Supply constraints and bottlenecks

**HELP
WANTED**



● Median one-year ahead expected inflation rate ○ Median three-year ahead expected inflation rate

Percent



Why are we seeing inflation? #3 The Expectation of Inflation

Feb 2022
■ All: 6.0%

Housing not the main culprit behind inflation, but concerning in its own right...





Affordability is more complex than just how much a home costs



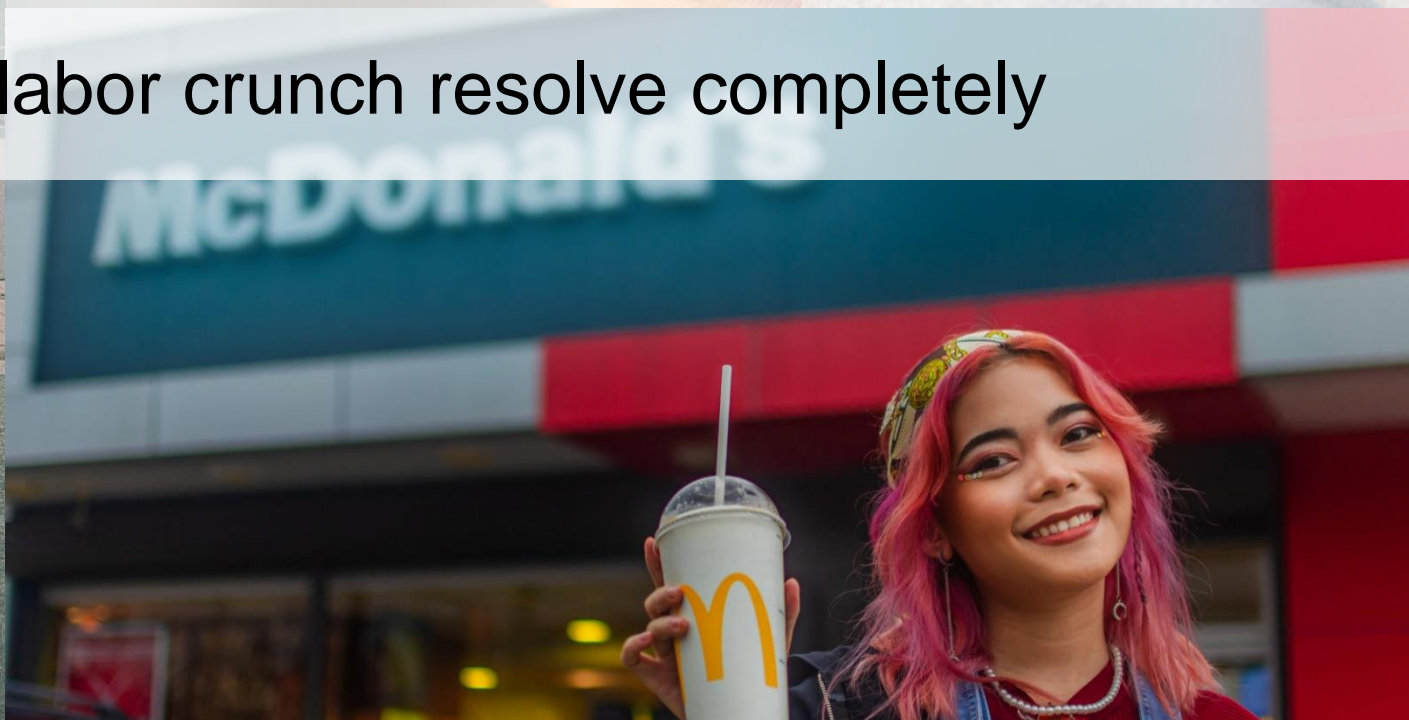
Households are quickly getting priced out of the market

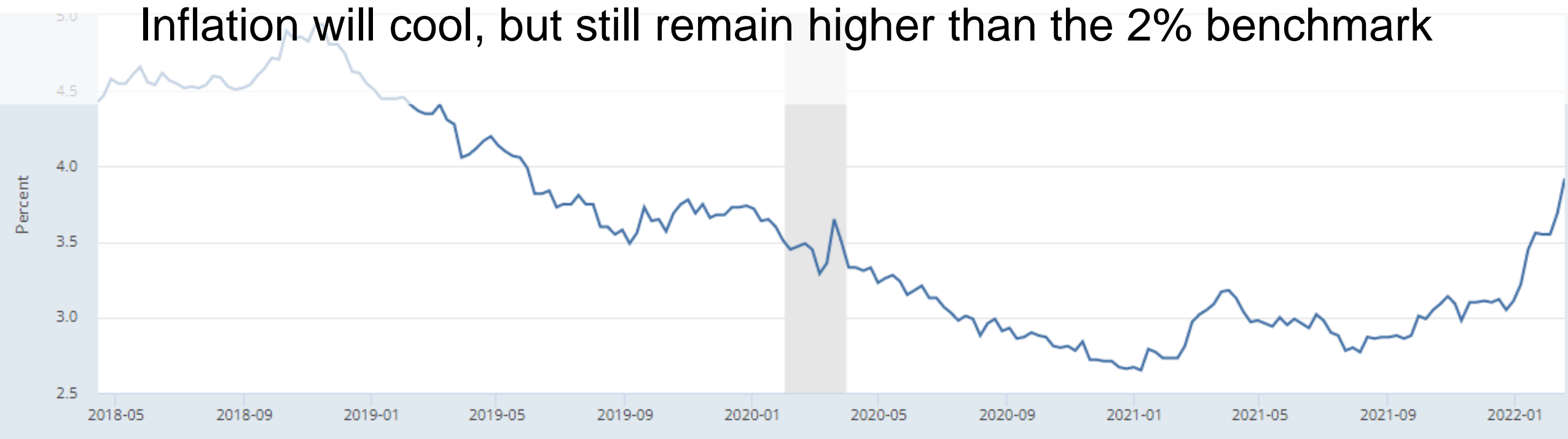
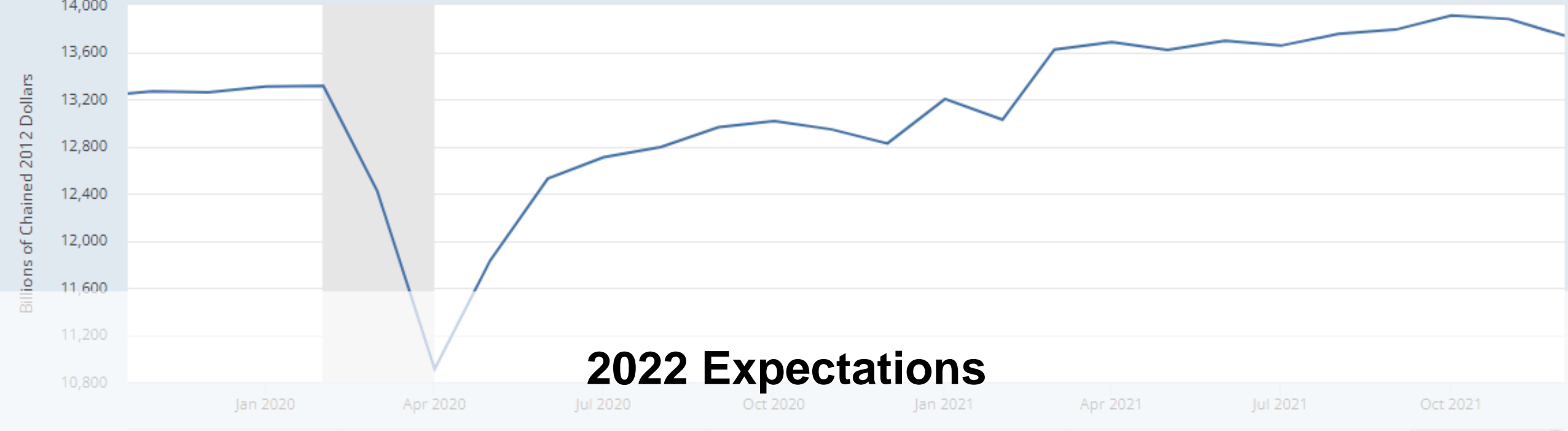
	2021	2022	Percent Change
Household Income	\$120,000	\$125,760	4.8%
Home Purchase Price	\$500,000	\$550,000	10.0%
Down Payment	\$50,000	\$50,000	0.0%
Interest Rate	2.75%	4.41%	NA
Monthly Payment	\$2,307	\$2,998	30.0%



2022 Expectations

Don't expect to see the labor crunch resolve completely







Damon Runberg, Economist

Oregon Employment Department

541-706-0779

Damon.m.runberg@Oregon.gov

Twitter: @EastSlopeEcon