



Oregon

Economic & Revenue Outlook

Mark McMullen, Office of Economic Analysis

Josh Lehner, Office of Economic Analysis

Joseph Cortright, Chair, Governor's Council of Economic Advisors

February 8, 2012



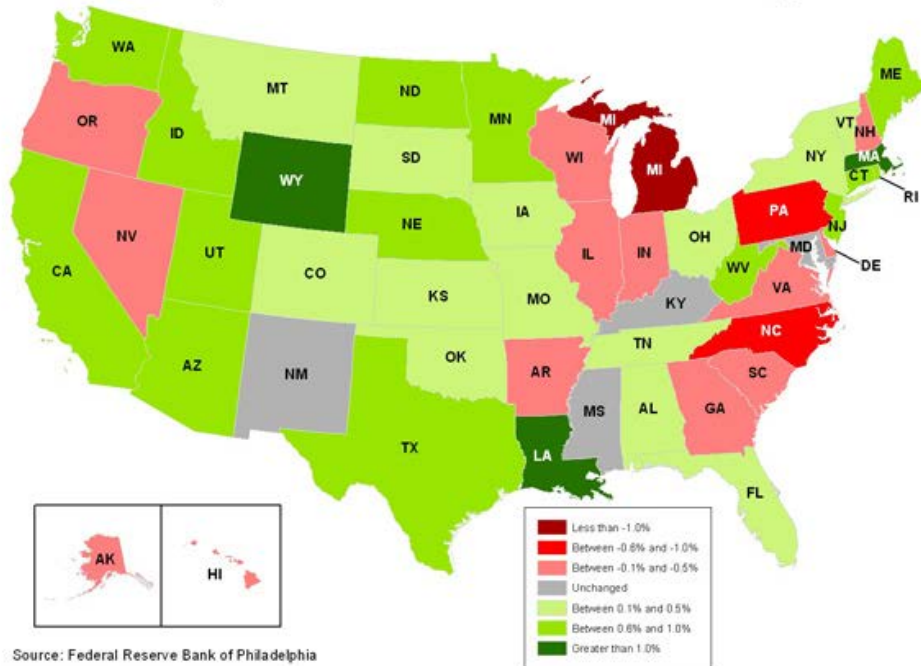
Oregon

U.S. Employment



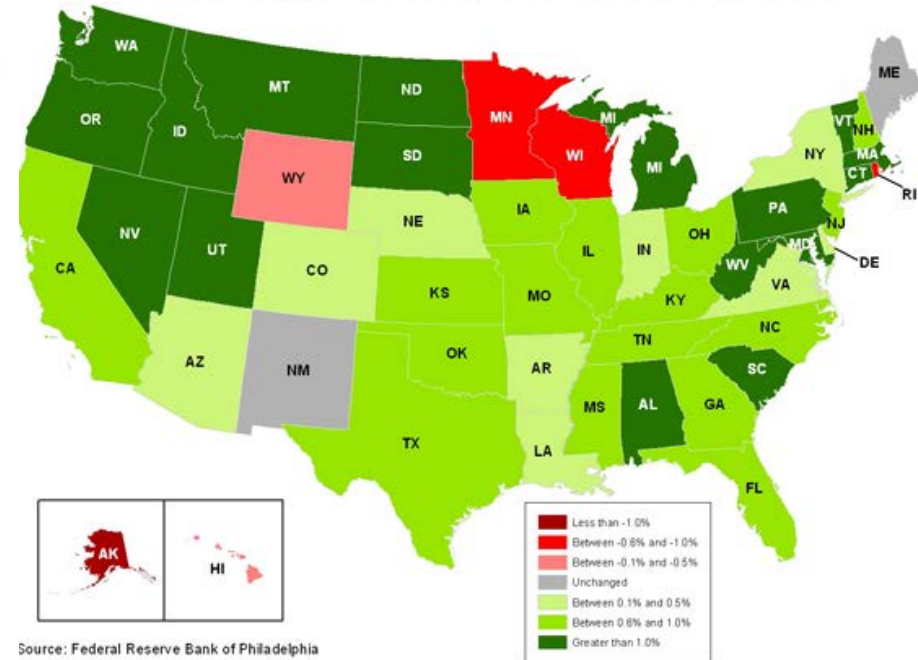
Labor Market Back on Track

September State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

December 2011 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

Coincident Index Components

- 1) Nonfarm Employment
- 2) Average Hours Worked Manufacturing
- 3) Unemployment Rate
- 4) Inflation Adjusted Wages and Salaries

Long-term growth trended to state GDP.

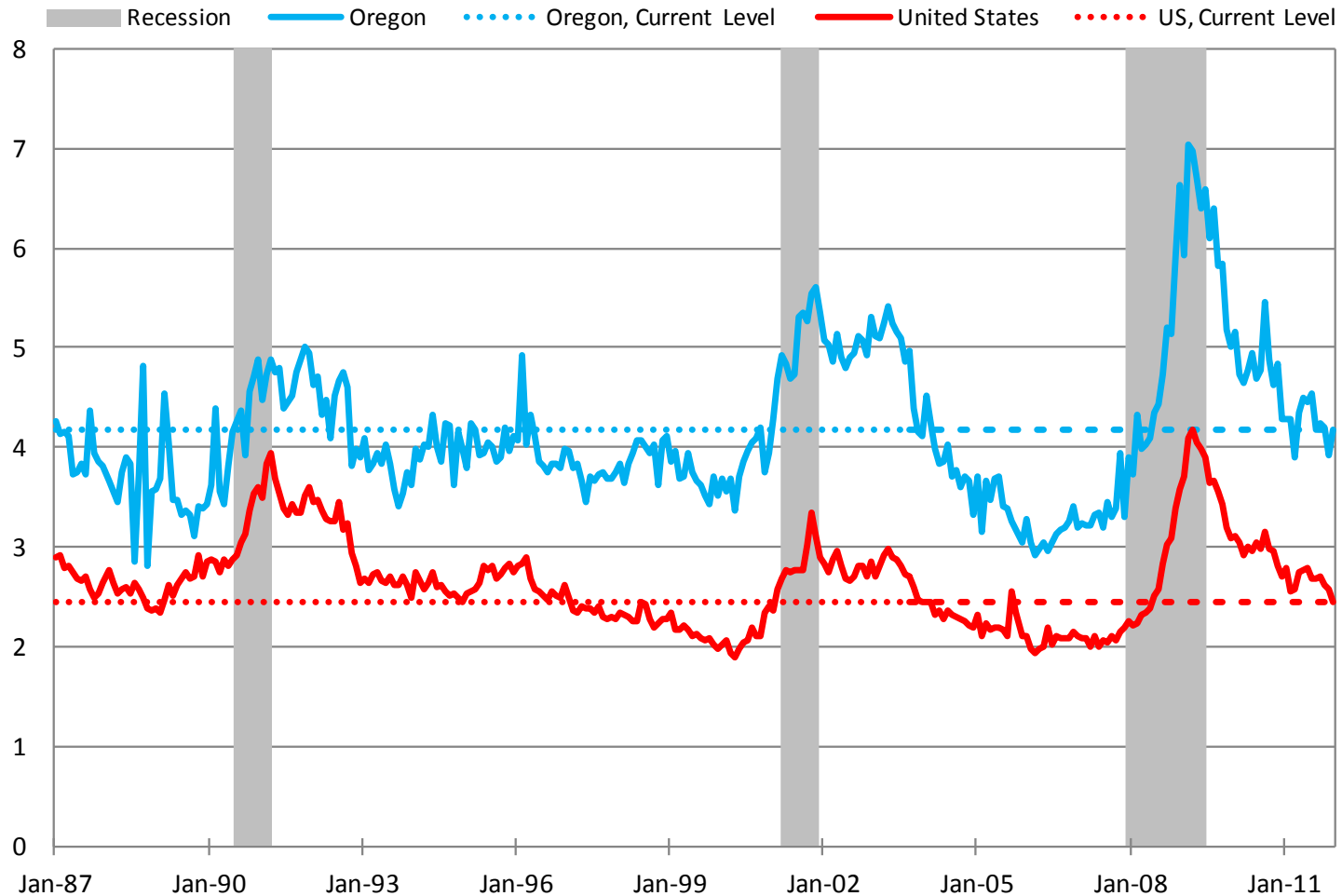




Jobless Claims Return to Normal

Data through December 2011

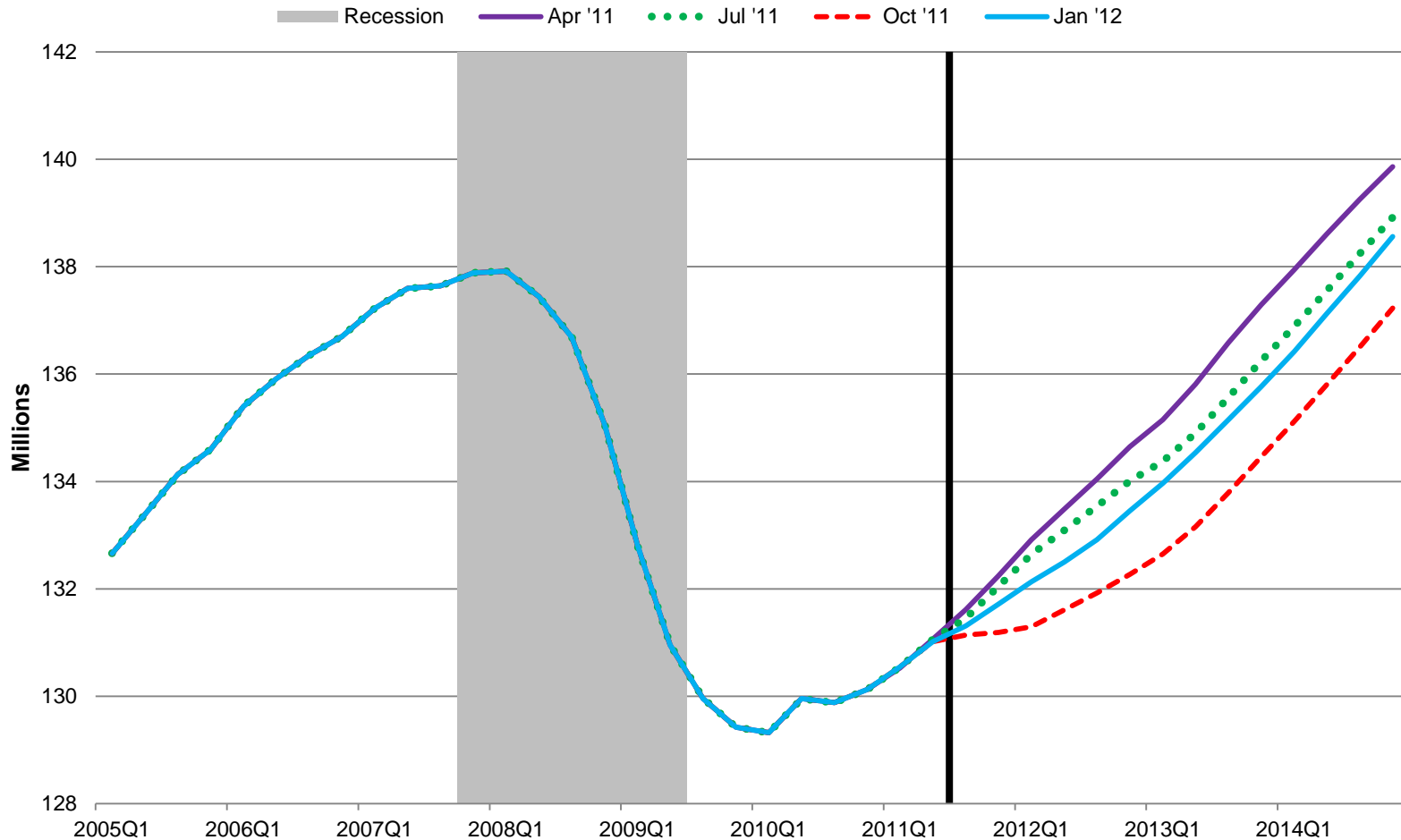
Initial Unemployment Claims per 1,000 Labor Force (SA)





Employment Outlook: Same as it Ever Was

U.S. Total Nonfarm Employment (Global Insight Forecast Changes)





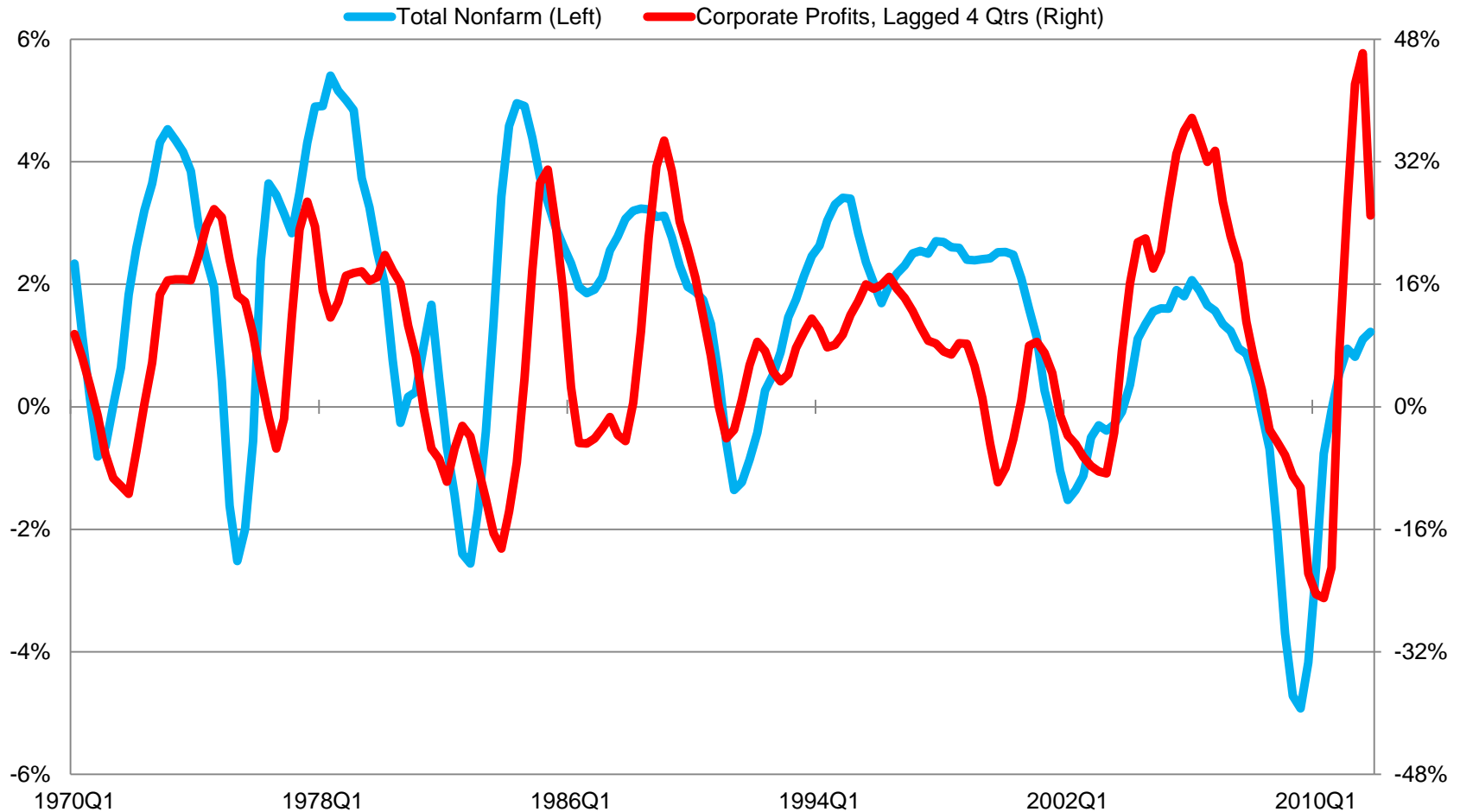
Oregon

Drivers of the Recovery



After Profit Boom, Now Jobs?

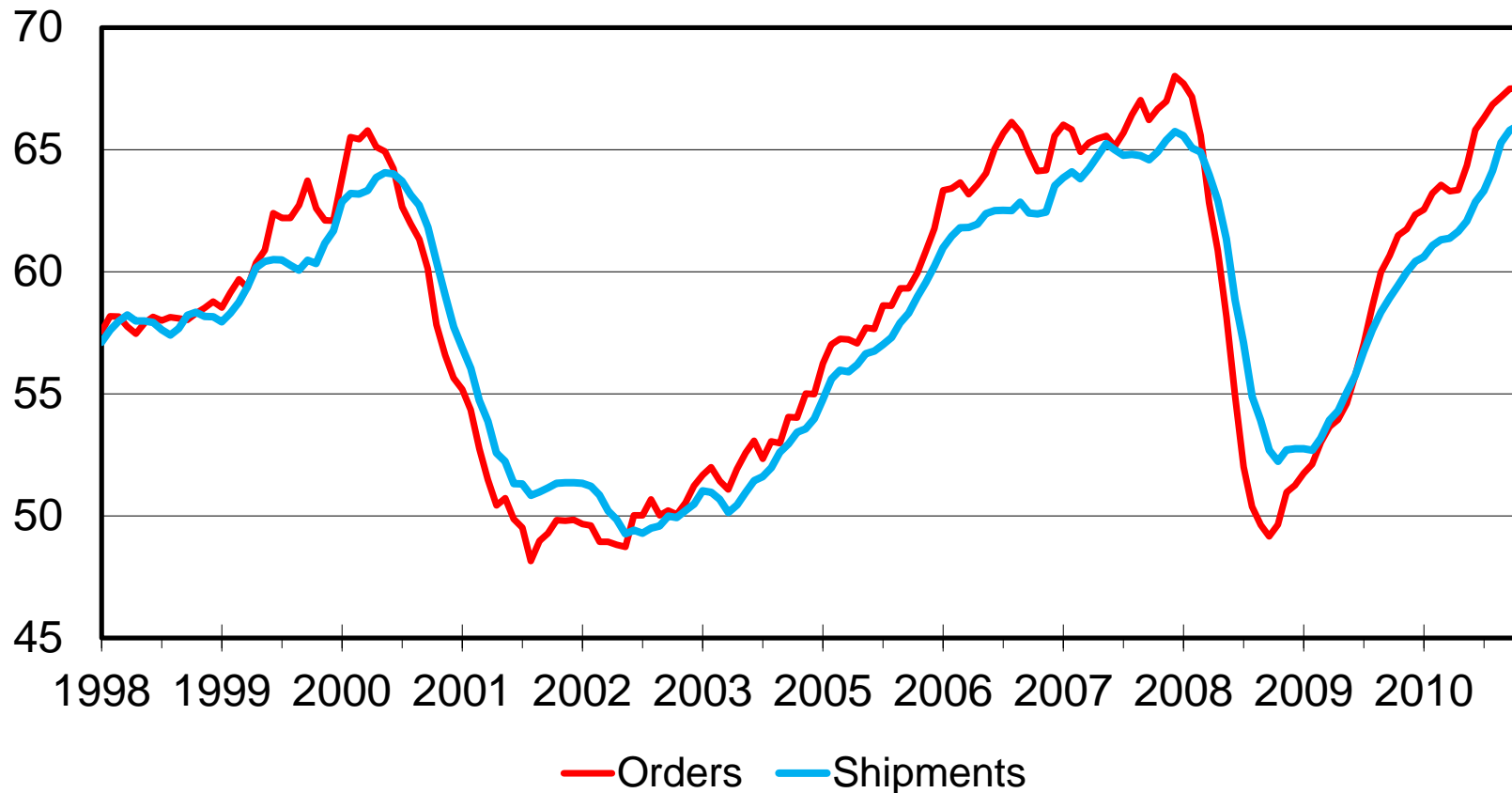
Profits and Employment (Y/Y)





Business Equipment Demand Is Strong

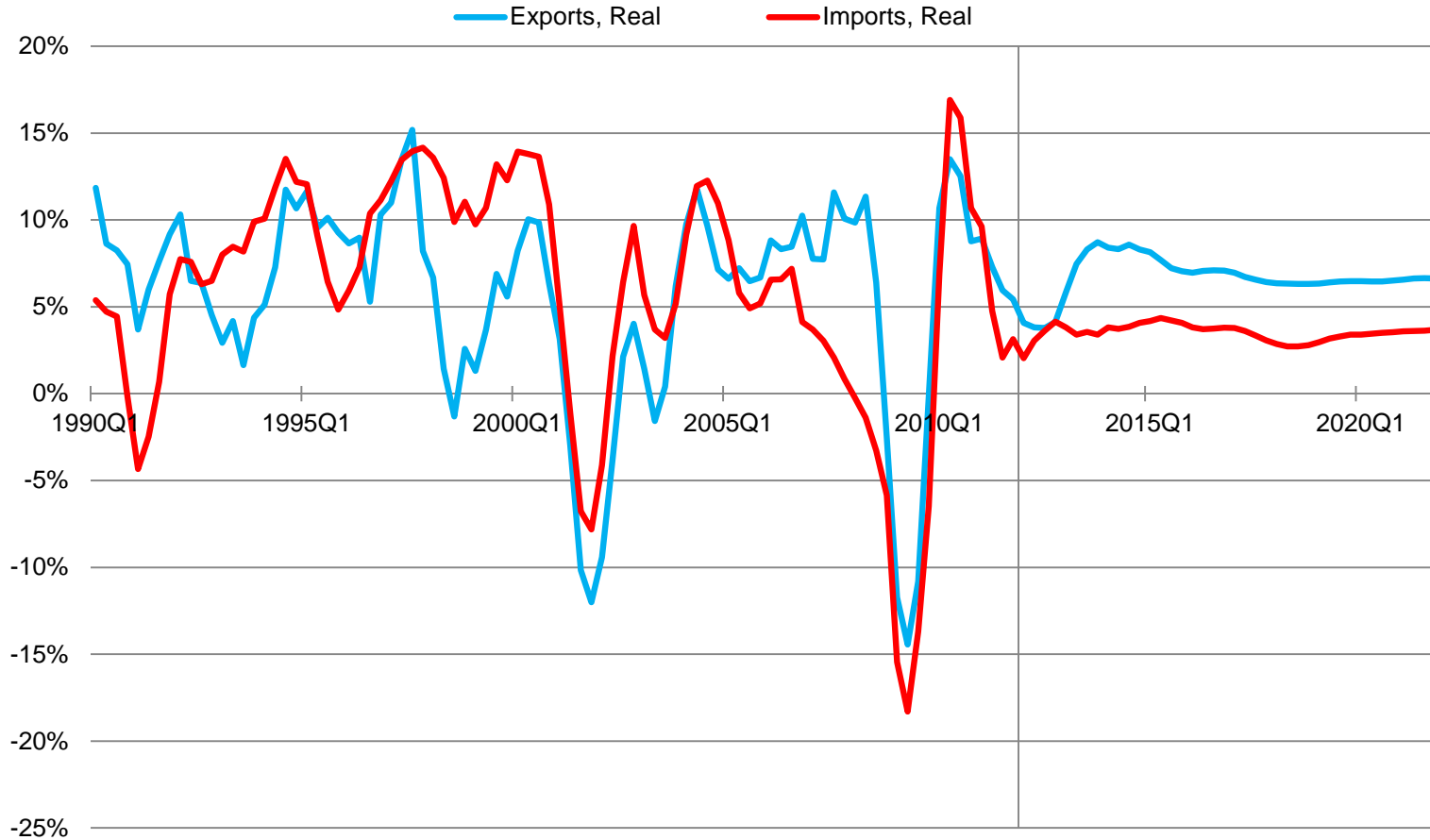
(Nondefense capital goods excl. aircraft, 3-month moving avg., billion \$)





Trade: Will Exports Hold Up?

U.S. Trade (% change vs. year ago)



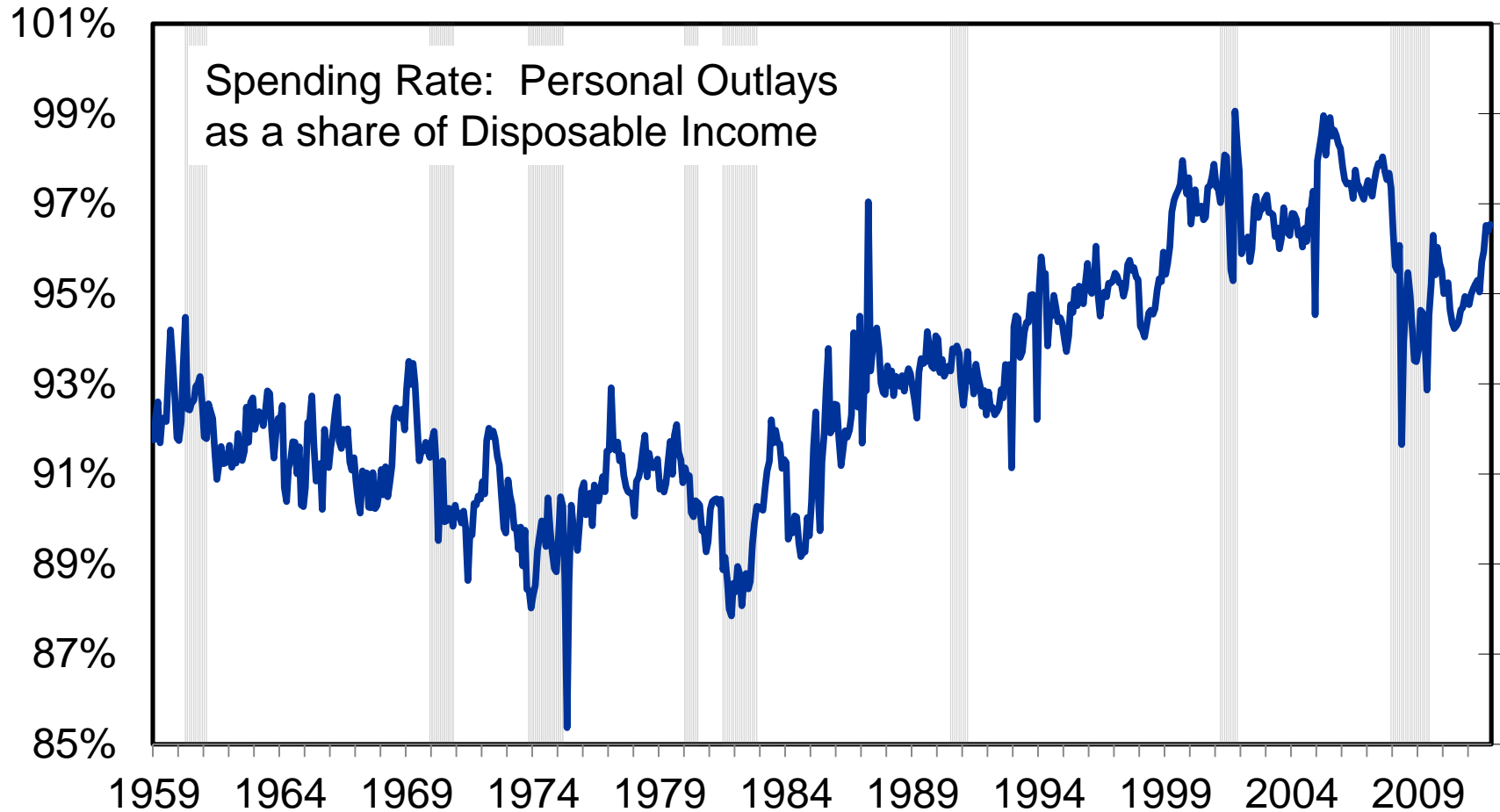


Oregon

Drags

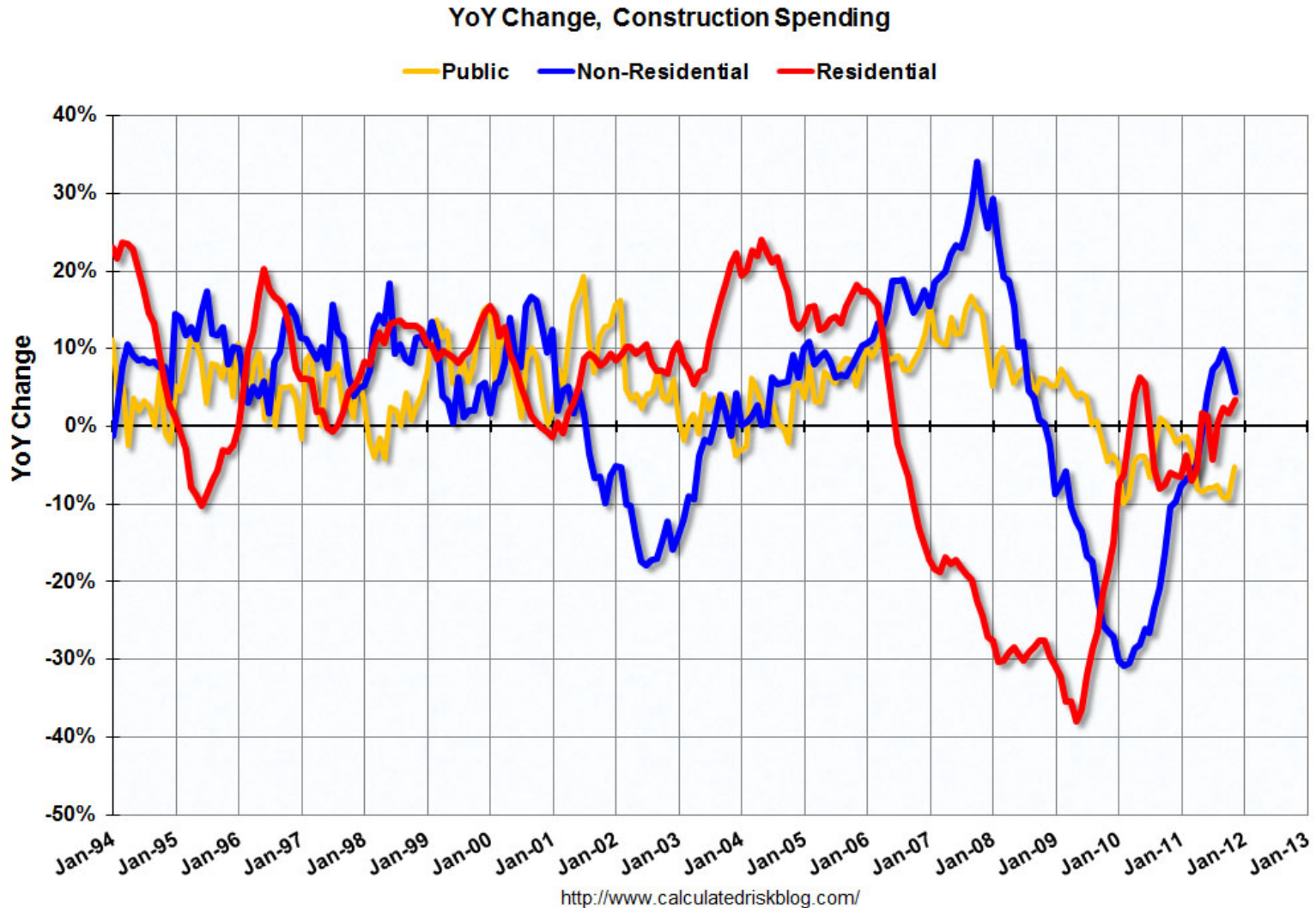


Are Consumers Done Pulling Back?



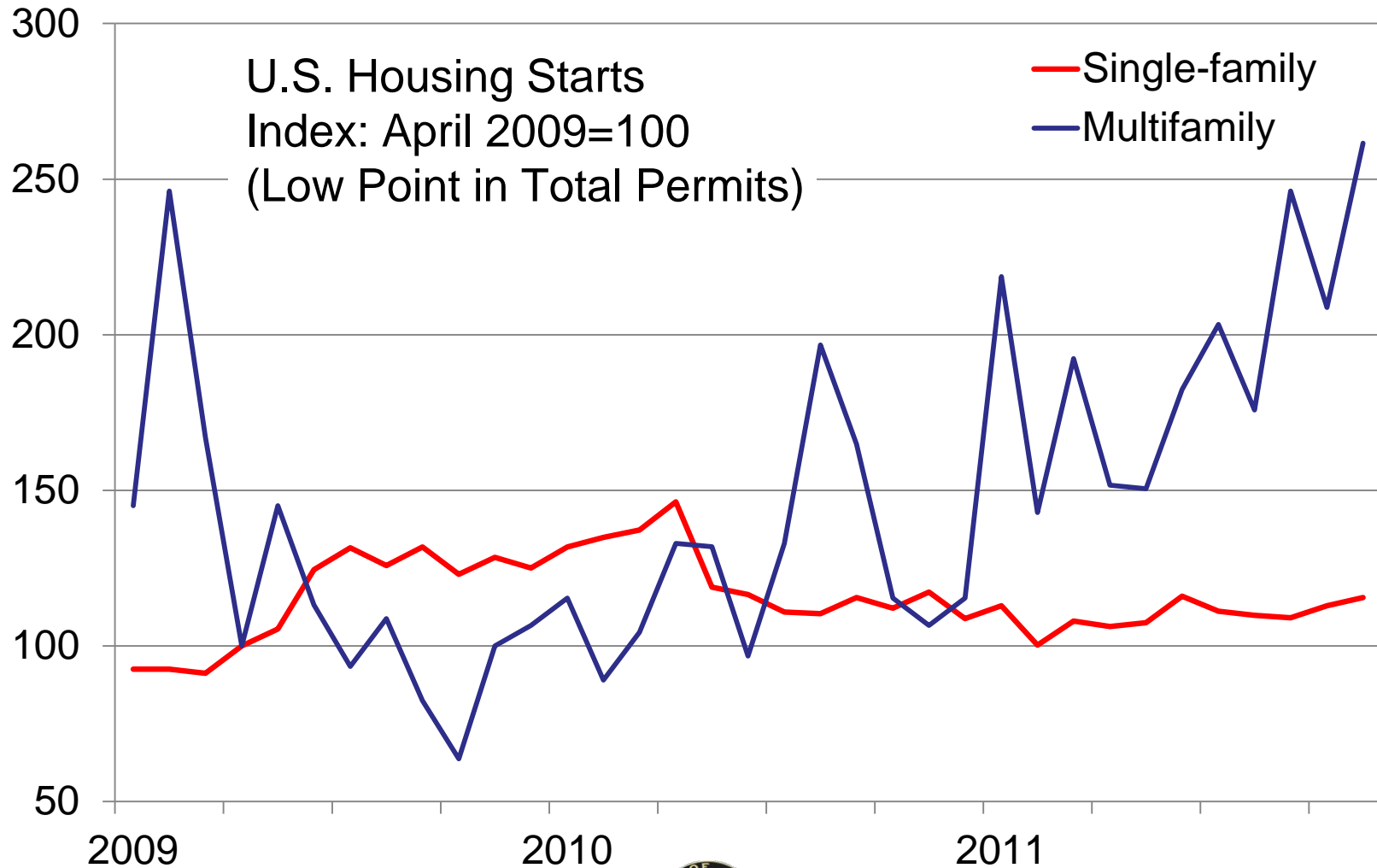


Construction: On the Way Up?





Multifamily Space Has Seen All of the Action So Far





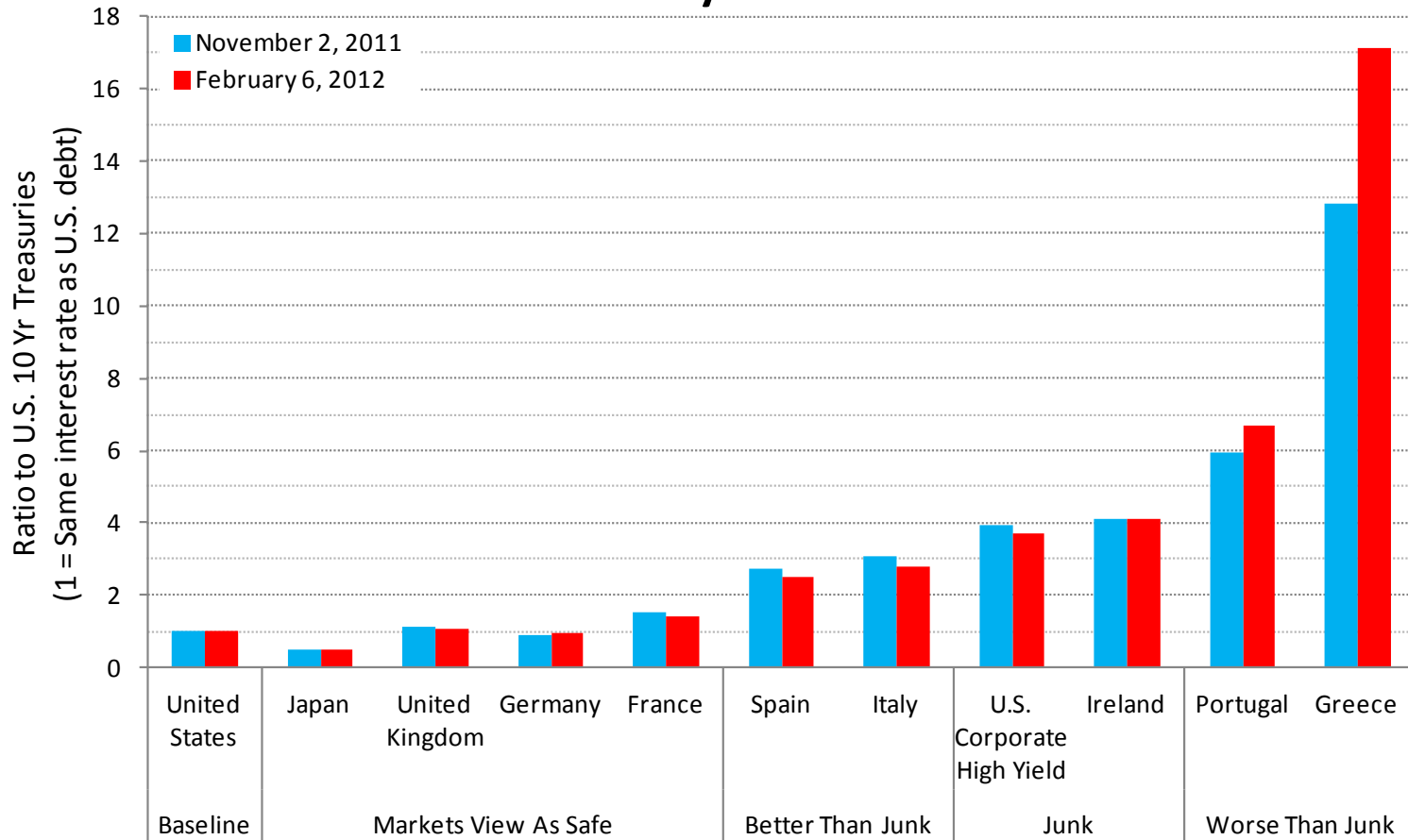
Oregon

Risks



European Woes

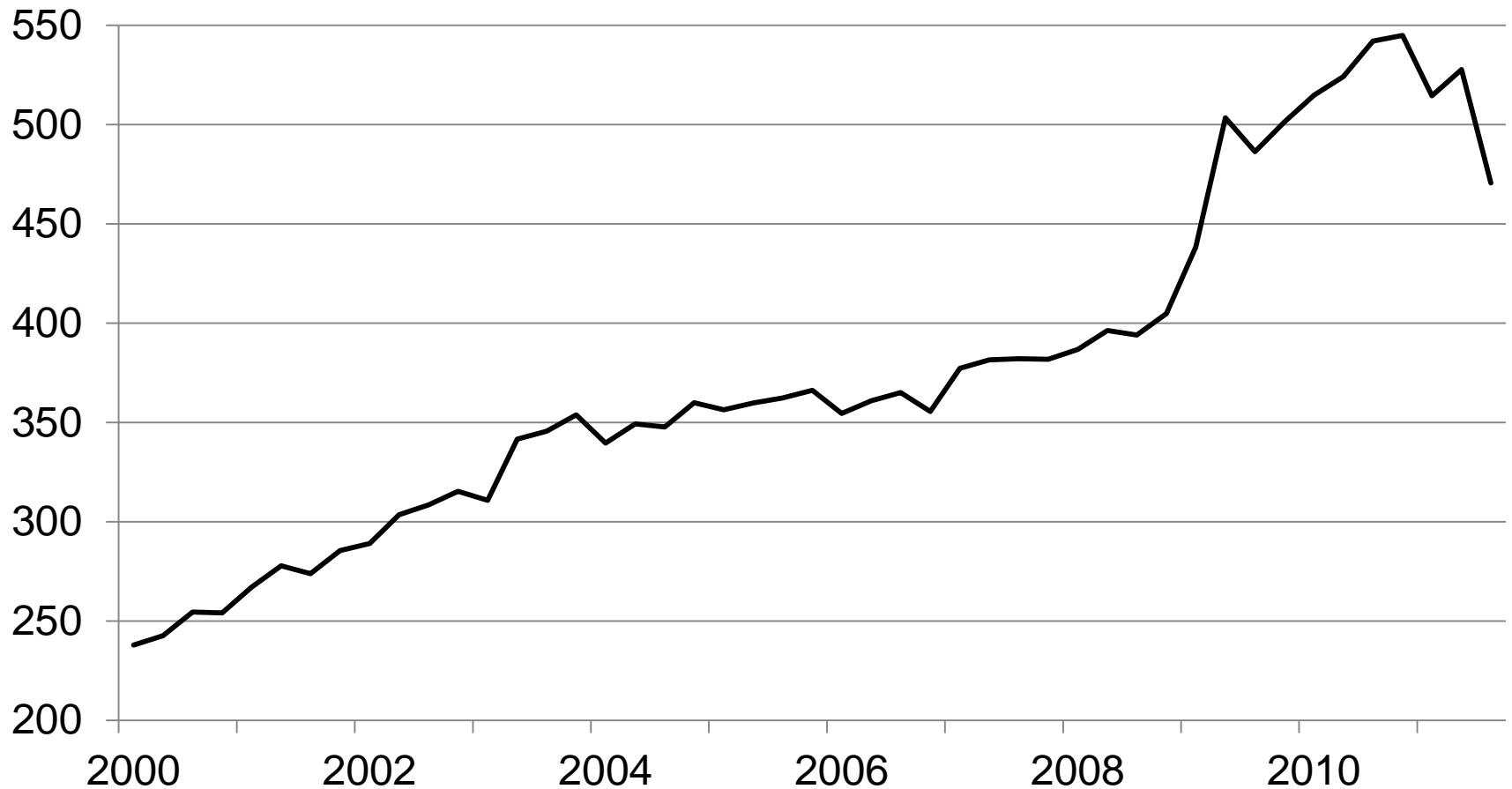
How Risky is Your Debt?





Federal Funds: ARRA Is Over

Federal Grants-in-Aid to States, \$ Billions





Oregon

Oregon Economic Outlook



Recent Oregon Economy Facts

- 8.9% unemployment rate for Dec 2011 (Jan US rate is 8.3%) is down from the highest rate of 11.6% in May and June 2009. The 2011 average was 9.5%; 2010 average was 10.8%.
- 20th fastest job growth at 1.18% for all states for November 2011 over November 2010.
- Total nonfarm employment increased 1.26% year-over-year for the 4th quarter of 2011. Total nonfarm up 35,200 since Dec 2009 with the private sector up 39,900.
- 4.49% personal income growth for 3rd quarter of 2011 over 3rd quarter of 2010. Annualized 3rd quarter 2011 growth at -0.25%.
- Oregon exports increased 18.6% in 2010 compared to 2009. November YTD in 2011 up 3.8% over November YTD 2010.

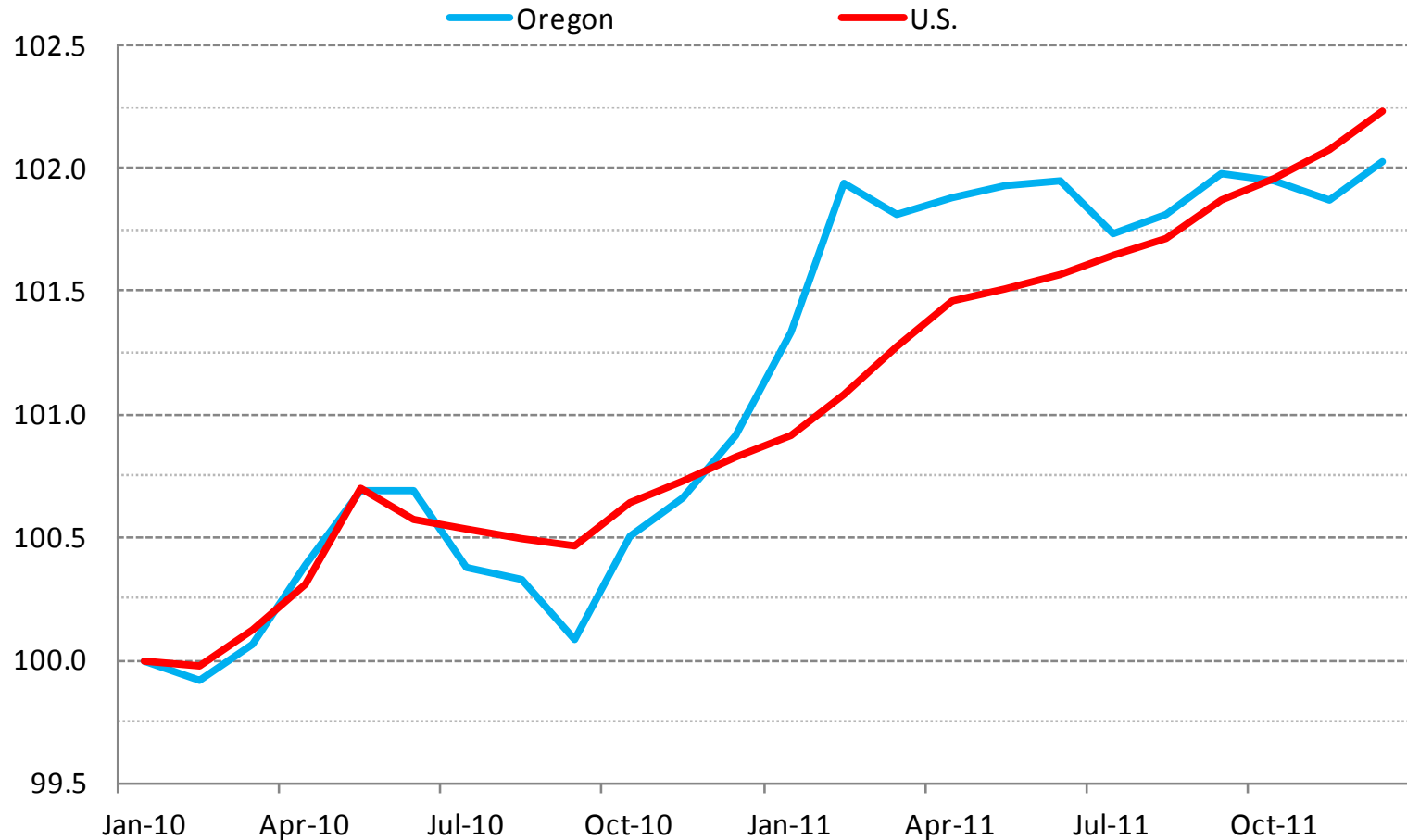




OR Job Market Loses Momentum

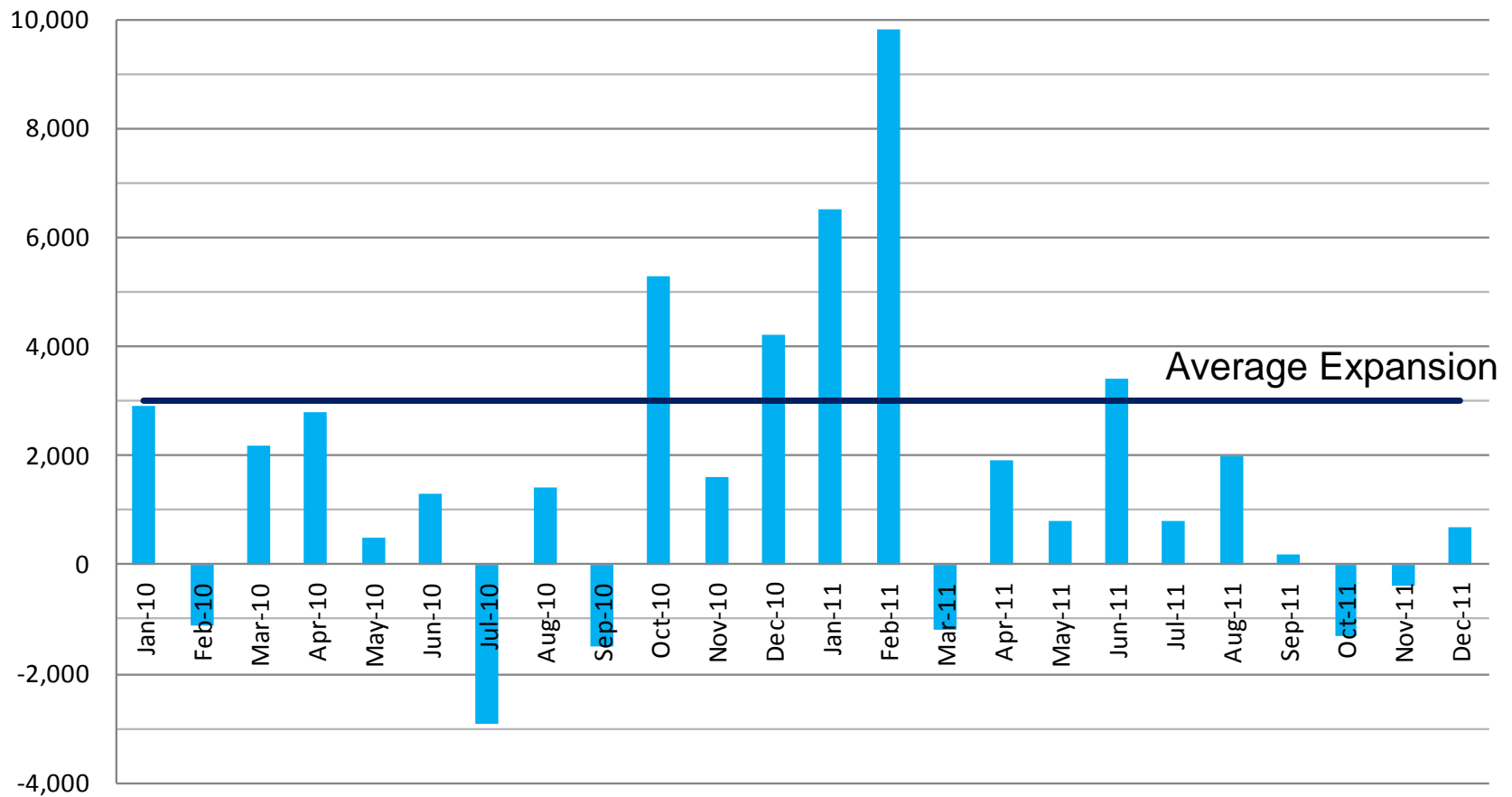
Total employment: Index: Jan 2010=100

Total Nonfarm Since January 2010



Fits and Starts

Oregon Private Sector Growth (M/M)





Oregon's Falling Unemployment Rate

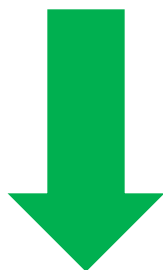
June 2009
11.6 % Unemployment

Since the end of the recession in June 2009, Oregon's unemployment rate has decreased 2.7 percentage points from 11.6% in June 2009 to 8.9% in December 2011.



Employed
+60,500 persons

10.3%



Unemployed
-53,000 persons

9.1%

Given Up Looking
+15,900 persons



8.7%



December 2011
8.9 % Unemployment

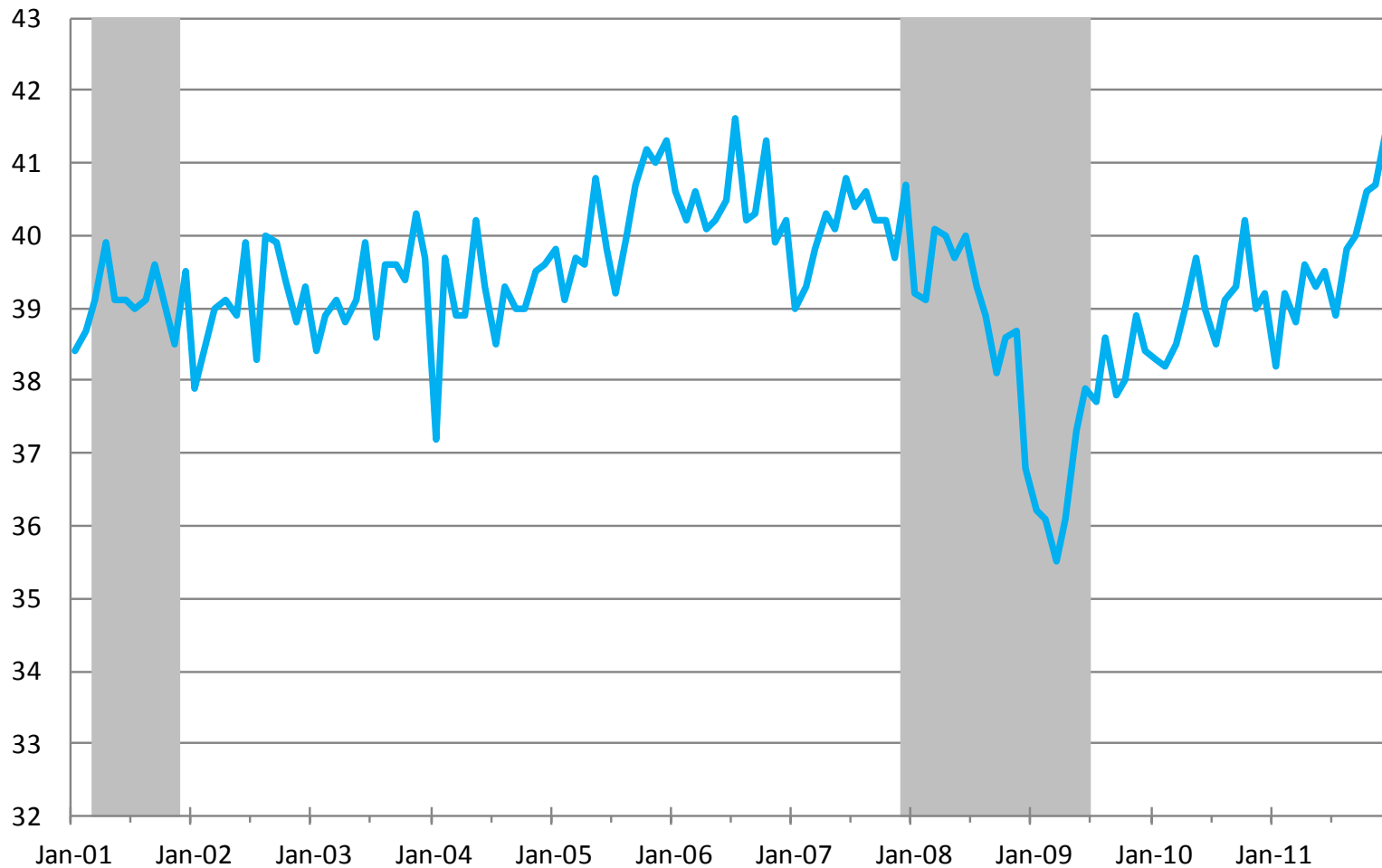
Started Looking
+7,500 persons





Manufacturing Workers Are Stretched Thin

Avg Hrs Worked - Manufacturing

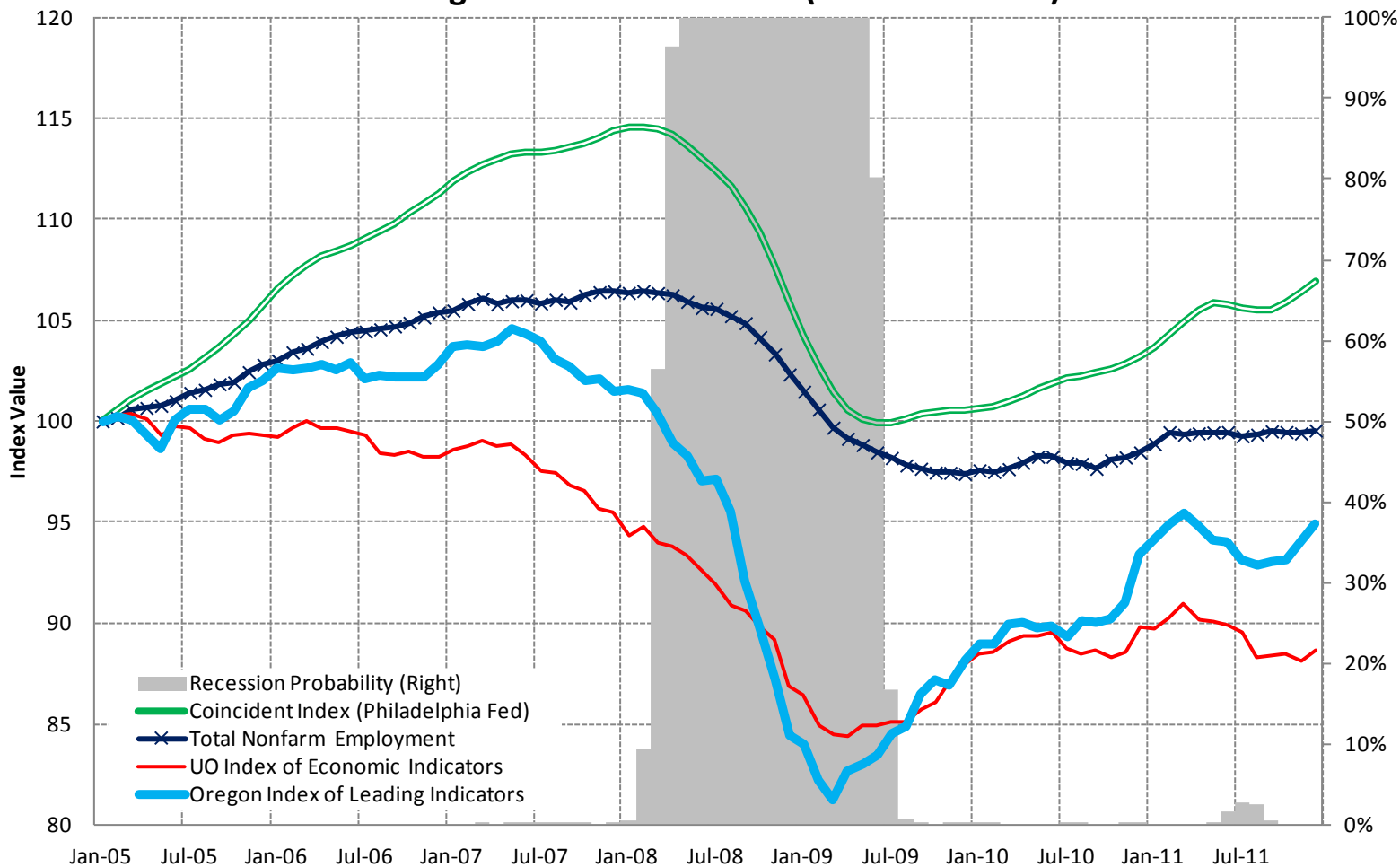




Oregon Indexes Give Mixed Signals

(Data through December 2011)

Oregon Economic Indexes (Jan 2005 = 100)

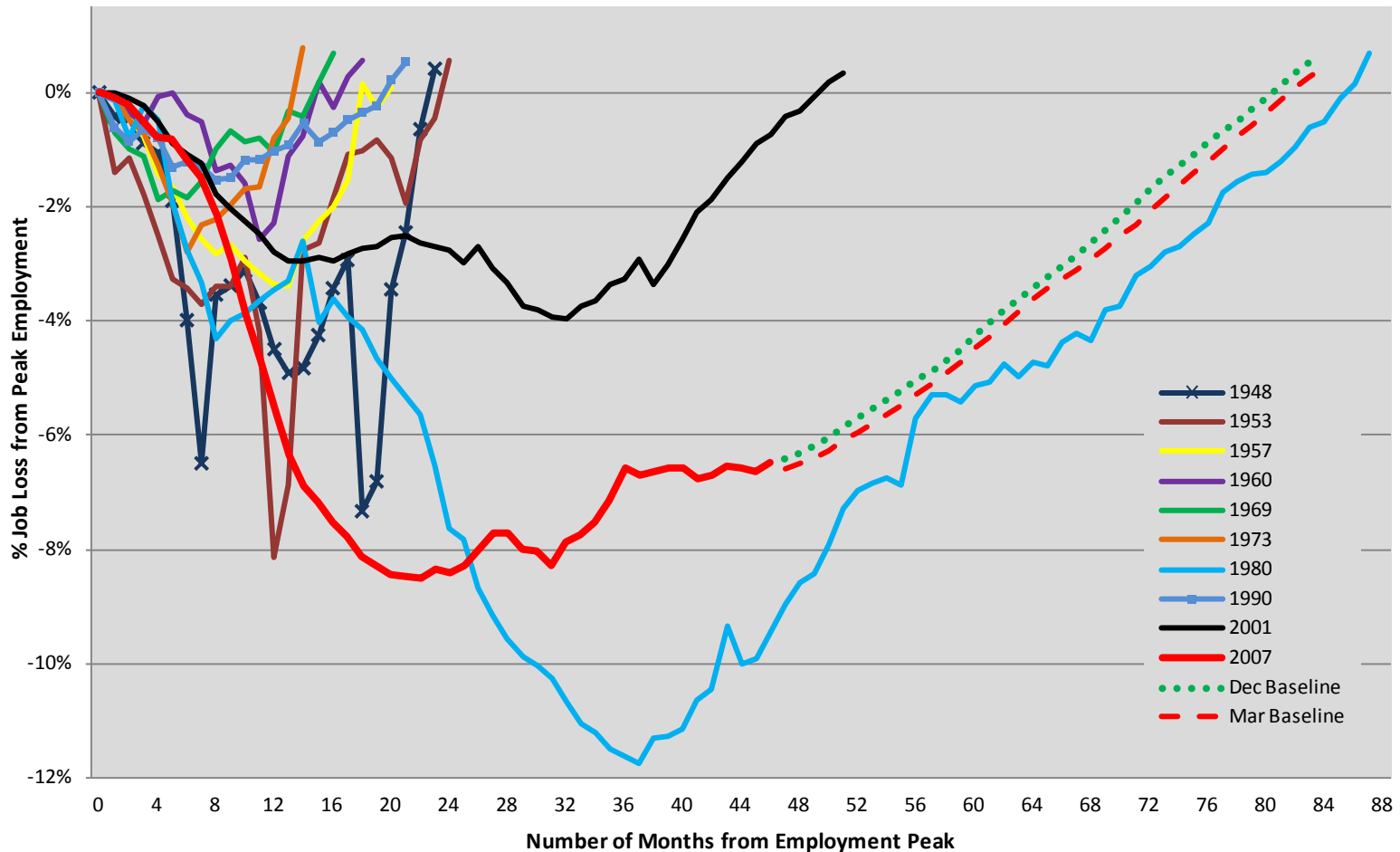




Comparing OR's Business Cycles

(through December 2011)

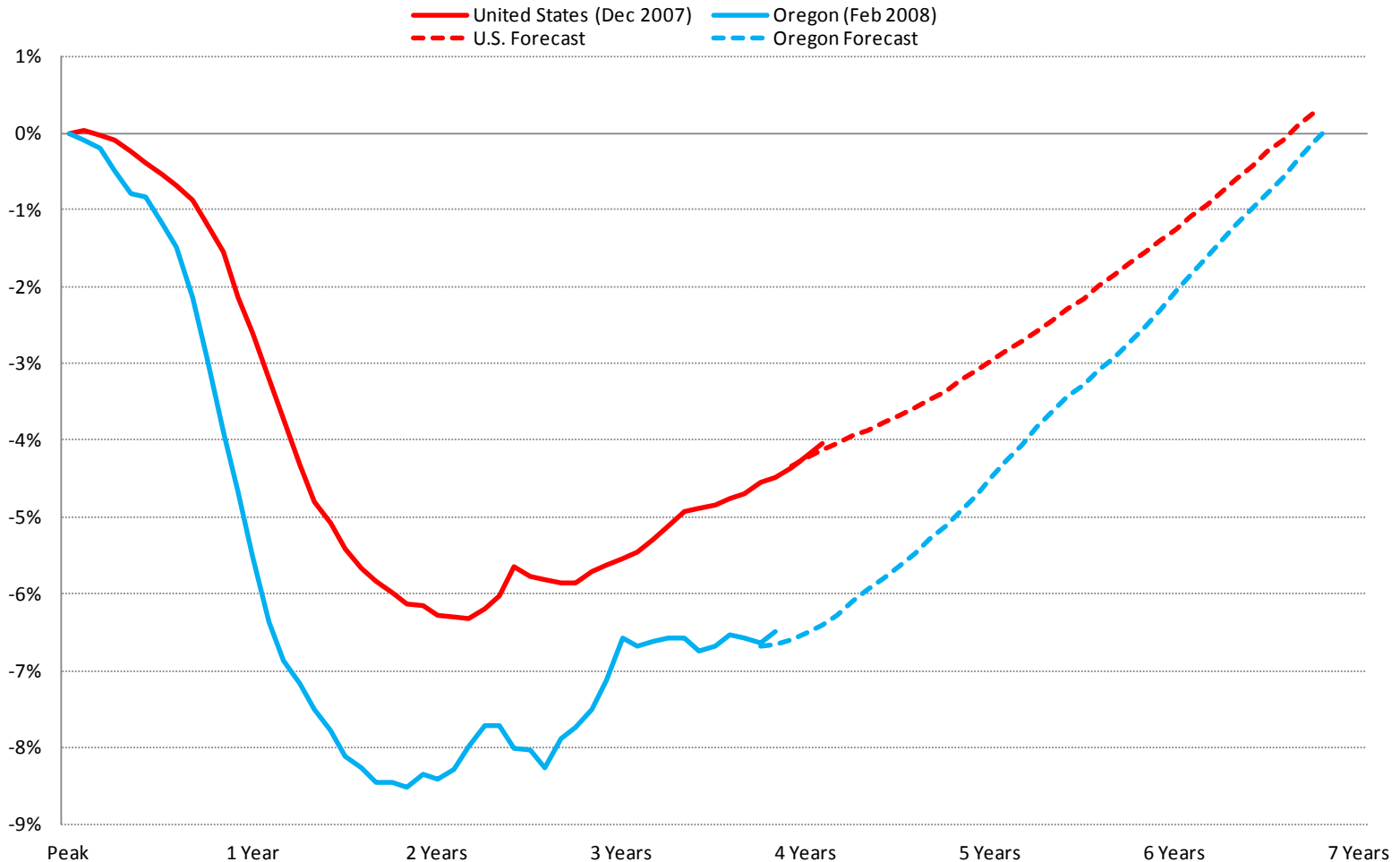
Oregon Employment Loss by Recession





Oregon Plays Catch-up

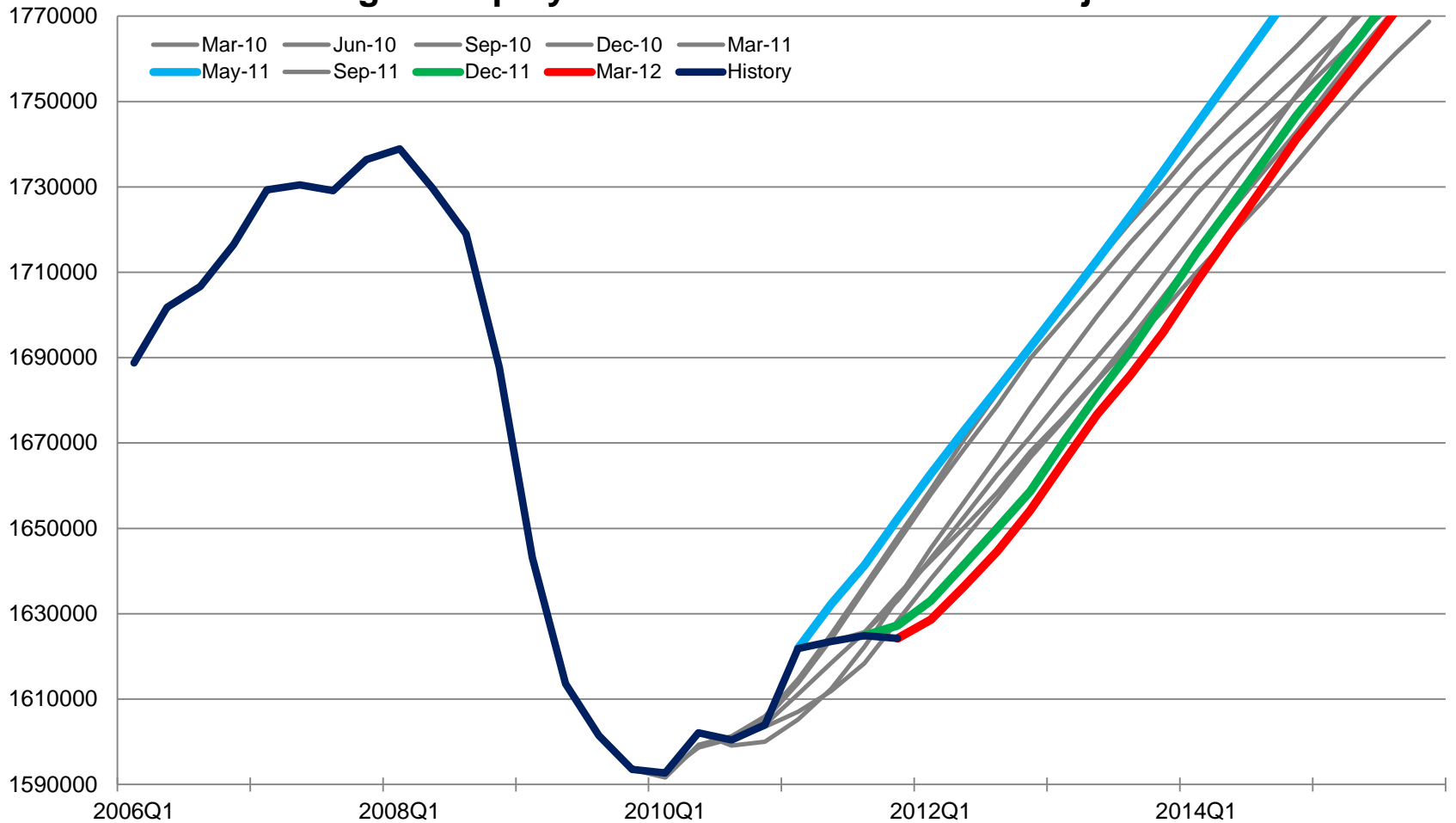
U.S. and Oregon Employment During the Great Recession





Past 2 Years' Forecasts

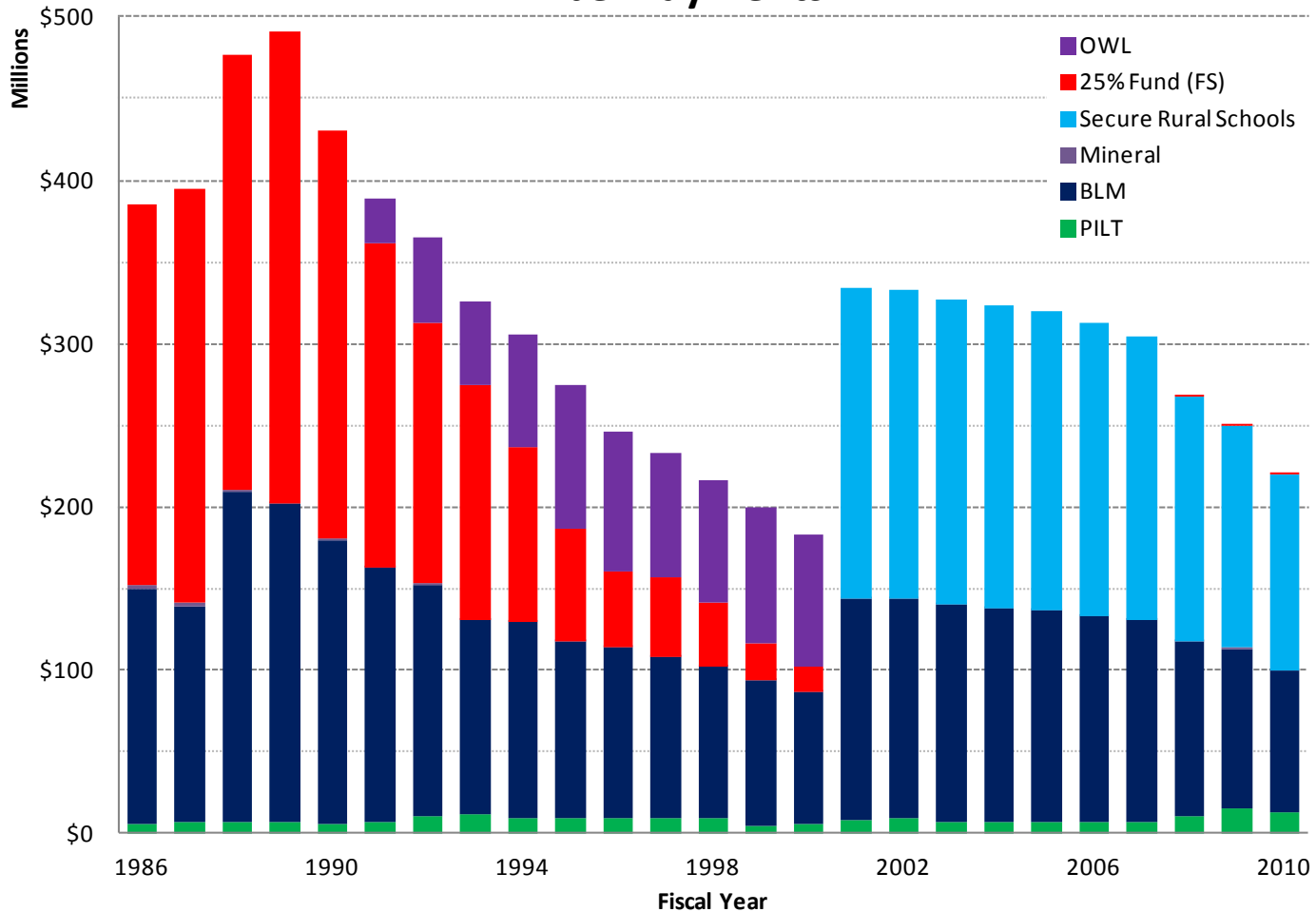
Oregon Employment Forecasts - Revision Adjusted





Rural Counties' Budget Cliff

Timber Payments





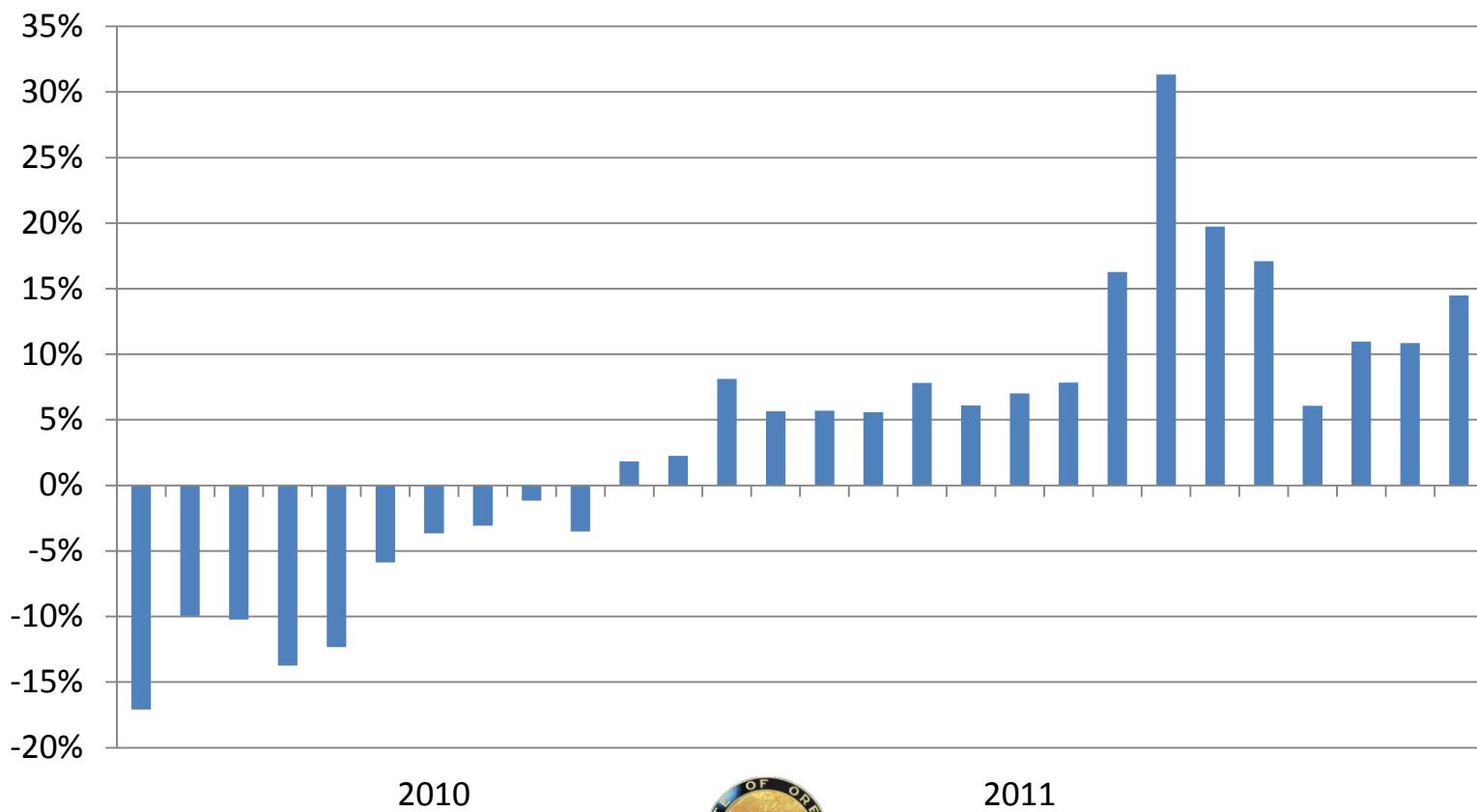
Oregon

Revenue Outlook



PIT Collections Are Holding Up for Now

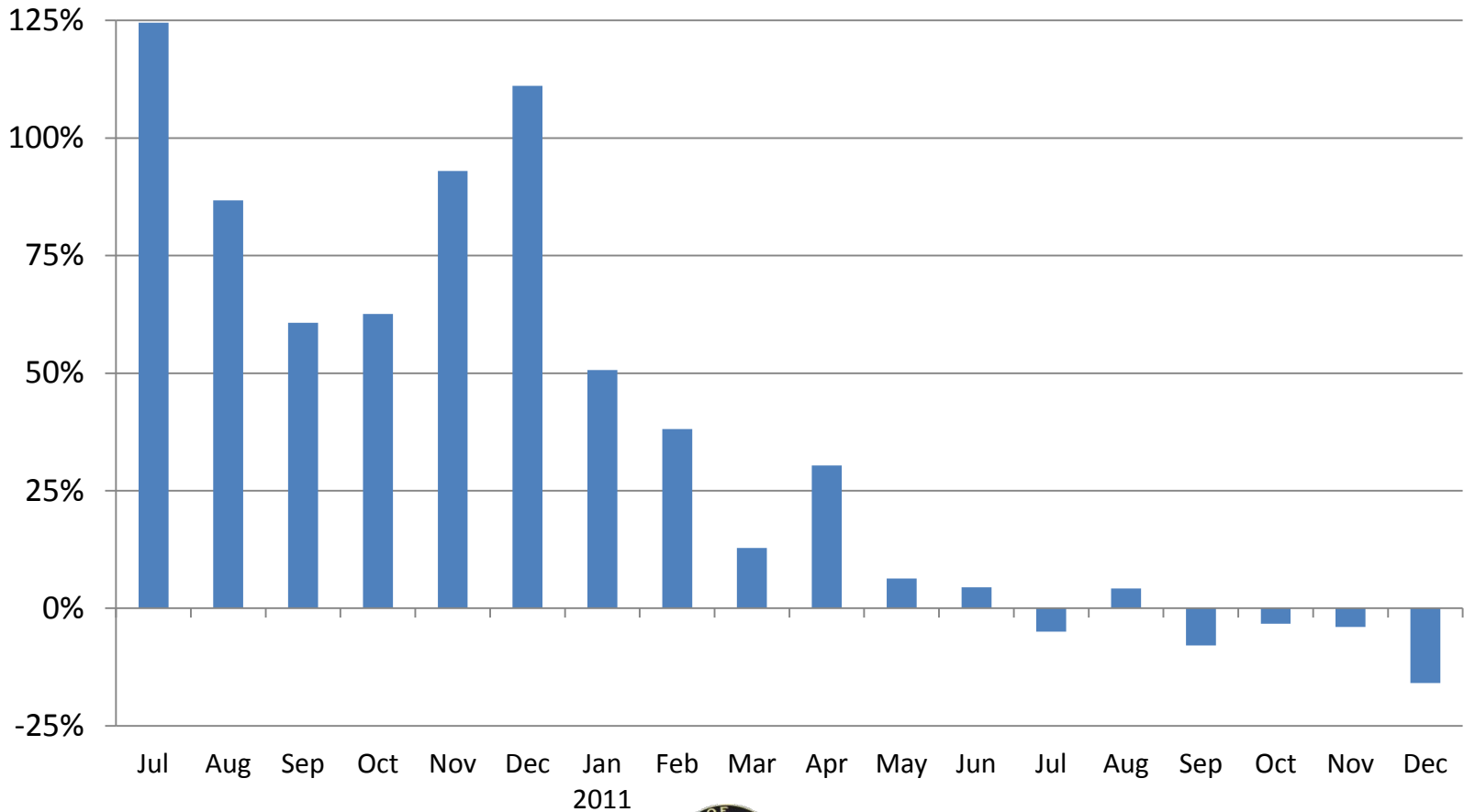
Personal Income Tax Collections % change over year ago, 3 month moving sum





CIT Collections Hit the Wall

Corporate Income Tax Collections
% change over year ago, 3 month moving sum



Income Tax Forecast Tracking

(Oct - Dec Quarter)

Personal Income Tax

(Millions of dollars)	Forecast Comparison		
	Actual Revenues	Latest Forecast	Percent Difference
Withholding	\$1,287.0	\$1,275.9	0.9%
Dollar difference		\$11.1	
Estimated Payments	\$185.2	\$185.2	0.0%
Dollar difference		\$0.0	
Final Payments	\$87.2	\$87.8	-0.6%
Dollar difference		-\$0.6	
Refunds	-\$156.3	-\$110.4	41.6%
Dollar difference		-\$45.9	
Total Personal Income Tax	\$1,403.2	\$1,438.5	-2.5%
Dollar difference		-\$35.3	

Year/Year Change

Prior Year	Percent Change
\$1,196.2	7.6%
\$90.8	
\$148.6	24.7%
\$36.7	
\$81.7	6.7%
\$5.5	
-\$151.5	3.1%
-\$4.8	
\$1,275.0	10.1%
\$128.2	

Corporate Income Tax

(Millions of dollars)	Forecast Comparison		
	Actual Revenues	Latest Forecast	Percent Difference
Advanced Payments	\$154.3	\$182.4	-15.4%
Dollar difference		-\$28.1	
Final Payments	\$26.8	\$28.3	-5.0%
Dollar difference		-\$1.4	
Refunds	-\$91.3	-\$121.7	-25.0%
Dollar difference		\$30.5	
Total Corporate Income Tax	\$89.9	\$89.0	1.0%
Dollar difference		\$0.9	

Year/Year Change

Prior Year	Percent Change
\$175.6	-12.1%
-\$21.3	
\$21.2	26.6%
\$5.6	
-\$89.9	1.5%
-\$1.4	
\$106.9	-15.9%
-\$17.0	

Total Income Tax

(Millions of dollars)	Forecast Comparison		
	Actual Revenues	Latest Forecast	Percent Difference
Corporate and Personal Tax	\$1,493.1	\$1,527.5	-2.3%
Dollar difference		-\$34.4	

Year/Year Change

Prior Year	Percent Change
\$1,381.9	8.0%
\$111.2	

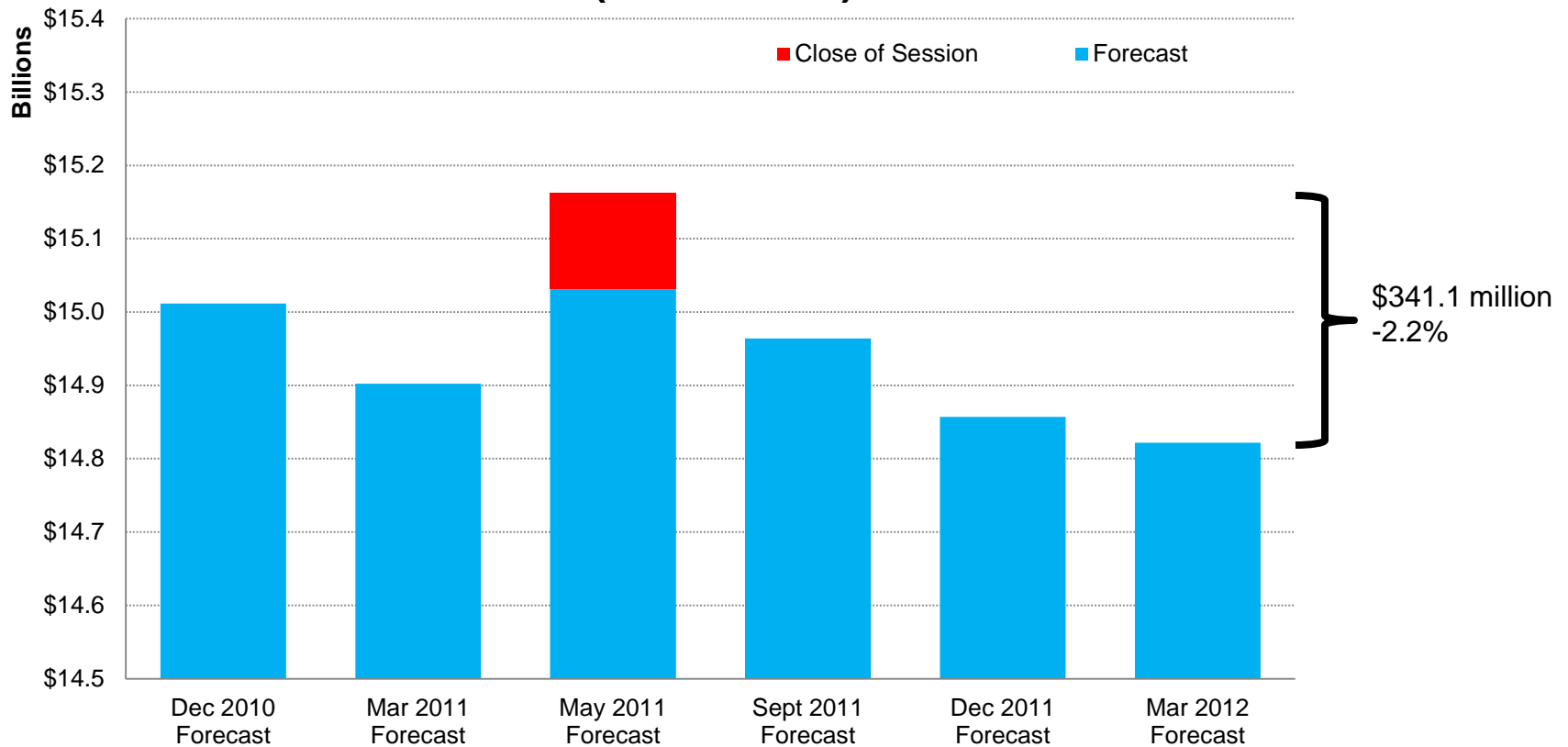




Down Again

Forecast Evolution, Dec 2010 to Mar 2012

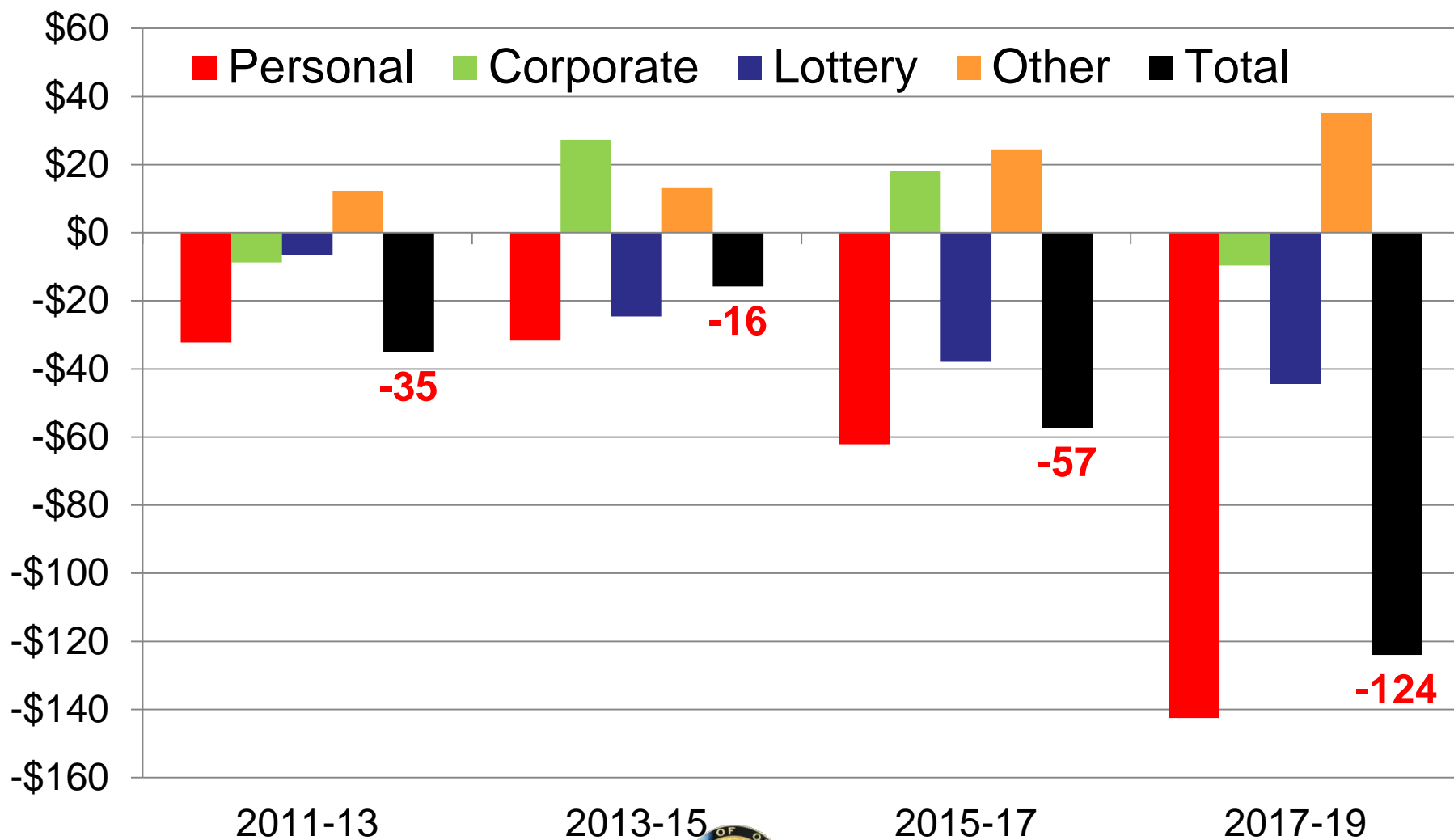
Combined General Fund and Lottery Fund Revenues (2011-13 BN)





Forecast Changes

Difference from December forecast, millions



March Forecast Summary

2011-13 General Fund Forecast Summary

(Millions)	2011 COS Forecast	Dec 2011 Forecast	March 2012 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$12,193.6	\$12,001.4	\$11,969.2	-\$32.2	-\$224.3
Corporate Income Tax	\$894.2	\$821.4	\$812.6	-\$8.7	-\$81.6
All Other Revenues	\$944.2	\$932.3	\$944.6	\$12.3	\$0.4
Gross GF Revenues	\$14,032.0	\$13,755.1	\$13,726.5	-\$28.6	-\$305.5
Administrative Actions ¹	-\$23.1	-\$23.1	-\$23.1	\$0.0	\$0.0
Legislative Actions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Available Resources	\$14,008.9	\$13,731.9	\$13,703.3	-\$28.6	-\$305.5
Confidence Intervals					
67% Confidence	+/- 7.8%		\$1,065.8	\$12.66B to \$14.79B	
95% Confidence	+/- 15.5%		\$2,131.6	\$11.59B to \$15.86B	

¹ Reflects cost of cashflow management actions, exclusive of internal borrowing.



Budget Cushion Has Been Used Up

General Fund and Lottery Fund Revenue Summary (\$ millions)

	Close of 2011 Session	Dec 2011 Forecast	Mar 2012 Forecast	Changes from:	
				Dec 2011 Forecast	Close of 2011 Session
General Fund					
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue	\$14,032	\$13,755	\$13,727	-\$28.6	-\$305.5
Administrative Actions	-\$23.1	-\$23.1	-\$23.1	\$0.0	\$0.0
Total Resources	\$14,009	\$13,731	\$13,703	-\$28.6	-\$305.5
Expenditures	\$13,563	\$13,563	\$13,563	\$0.0	\$0.0
Ending Balance	\$446.3	\$169.3	\$140.8	-\$28.6	-\$305.5
Lottery Fund					
Total Available Resources	\$1,131	\$1,101	\$1,095	-\$6.5	-\$35.6
Distributions	\$1,104	\$1,094	\$1,092	-\$2.1	-\$11.7
Ending Balance	\$27.5	\$8.0	\$3.7	-\$4.4	-\$23.9



10-Year Forecast

General Fund Revenue Forecast Summary (Millions of Dollars, Current Law)

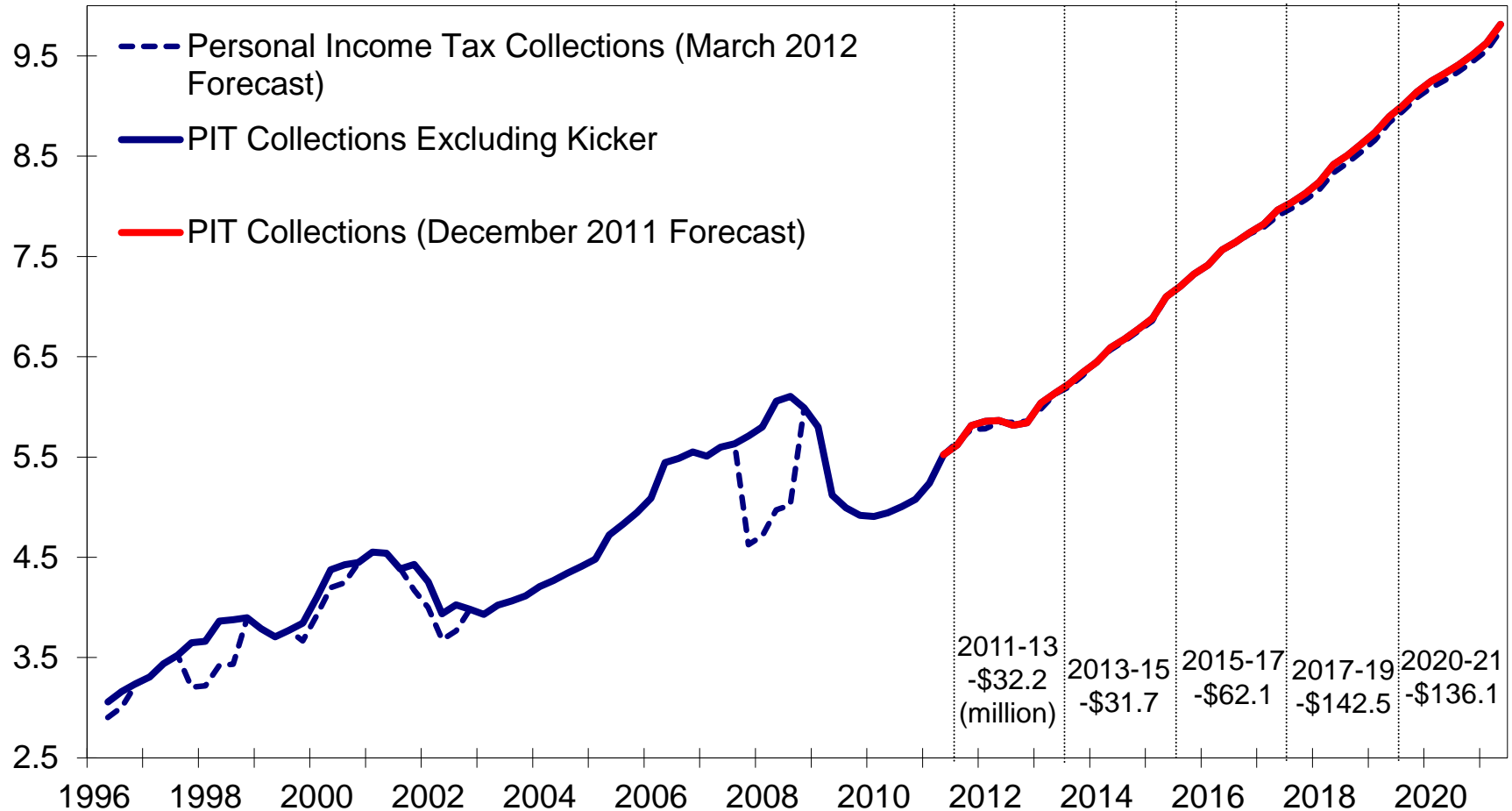
Revenue Source	Actual		Forecast		Forecast		Forecast		Forecast		Forecast	
	2009-11 Biennium	% Chg	2011-13 Biennium	% Chg	2013-15 Biennium	% Chg	2015-17 Biennium	% Chg	2017-19 Biennium	% Chg	2019-21 Biennium	% Chg
Personal Income Taxes	10,467.2	3.7%	11,969.2	14.3%	13,657.7	14.1%	15,464.2	13.2%	17,163.8	11.0%	19,001.8	10.7%
Corporate Income Taxes	827.6	20.9%	812.6	-1.8%	1,097.3	35.0%	1,097.9	0.1%	1,082.7	-1.4%	1,140.6	5.3%
All Others	1,230.9	29.2%	944.6	-23.3%	921.1	-2.5%	978.2	6.2%	1,046.9	7.0%	1,132.5	8.2%
Total General Fund	12,525.8	6.8%	13,726.5	9.6%	15,676.1	14.2%	17,540.3	11.9%	19,293.4	10.0%	21,274.9	10.3%
<i>Kicker Distributions</i>	-		-		-		-		-		-	
Total Revenue	12,525.8	-2.2%	13,726.5	9.6%	15,676.1	14.2%	17,540.3	11.9%	19,293.4	10.0%	21,274.9	10.3%





Personal Income Tax Forecast

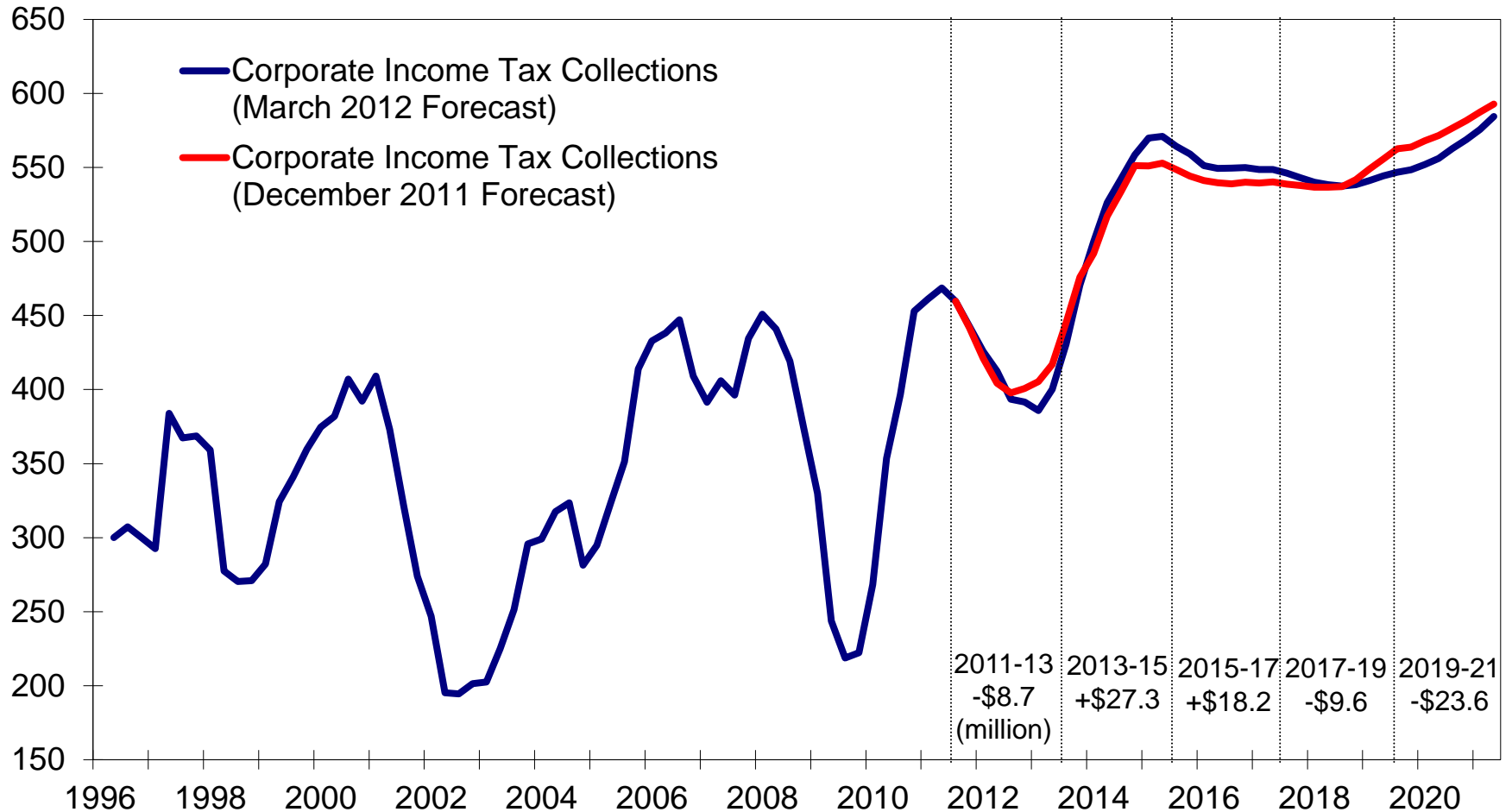
\$ billions, 4 quarter moving sum





Corporate Income Tax Forecast

\$ millions, 4 quarter moving sum

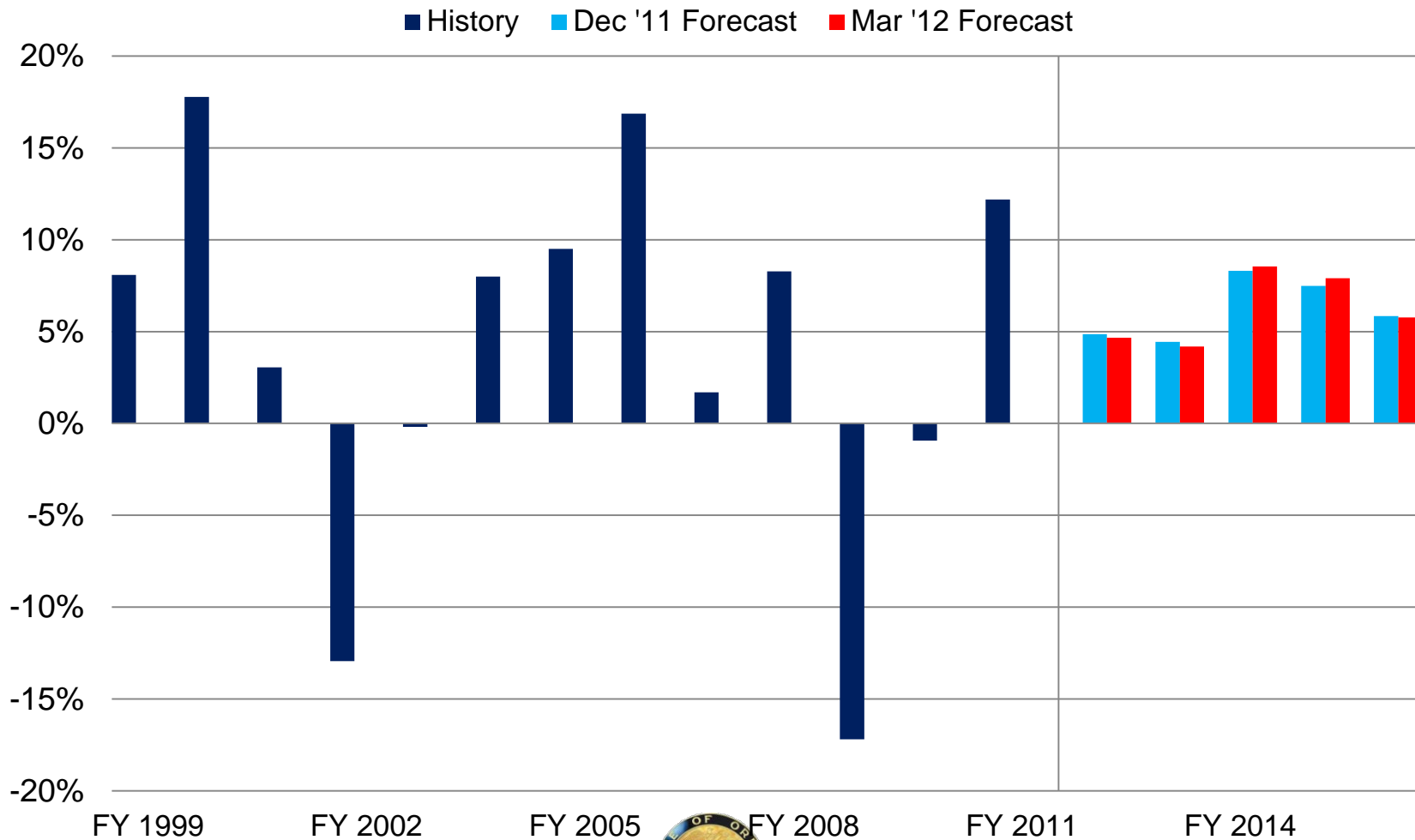




Revenue Growth Will Slow

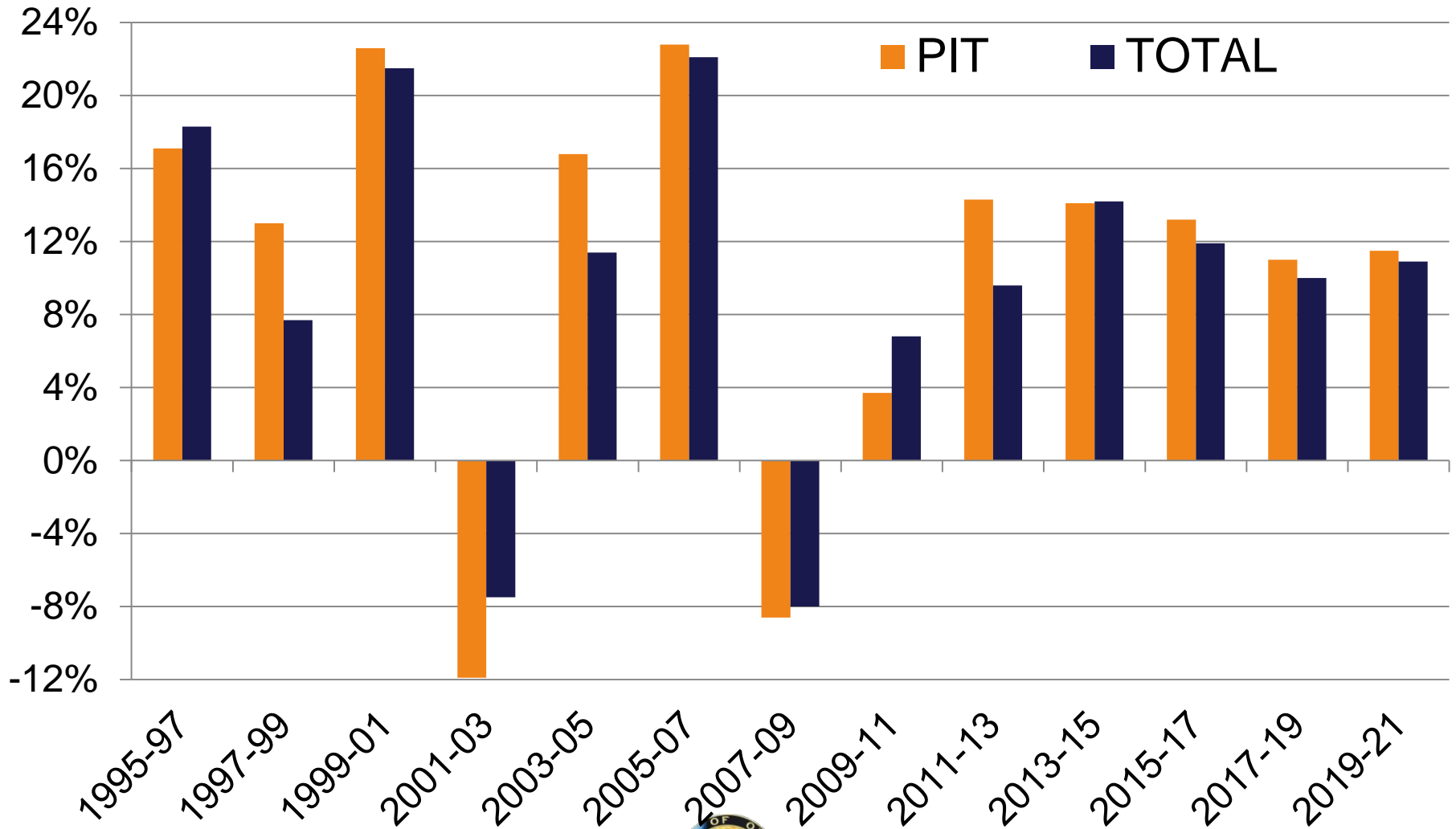
Primary General Fund Tax Revenues, % change year ago

Tax Revenues (Y/Y Growth)





Biennial Revenue Growth





For More Information

Standard Contact:

155 Cottage Street NE

Salem, OR 97301

(503) 378-3405

oea.info@state.or.us

www.oregon.gov/das/oea

Social Media:

oregoneconomicanalysis.wordpress.com

[@OR_EconAnalysis](#)

