

The background features a large, faint seal of the Oregon Office of Economic Analysis. The seal is circular and contains an eagle with spread wings perched atop a shield. The shield has a banner across it with the text "THE UNION". Below the shield is a plow. The seal is surrounded by a ring of stars. The text "OFFICE OF ECONOMIC ANALYSIS" is written around the top inner edge of the seal, and "1859" is at the bottom. The main title is overlaid on this seal.

December 2020 Economic and Revenue Forecast

November 18th, 2020

Oregon Office of Economic Analysis

Mark McMullen

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Key forecast assumptions

- Vaccine or medical treatment
 - Widely available next summer or early fall
- Federal policy
 - Another federal aid package first quarter of 2021
 - No explicit election impacts
- Oregon's 2 week freeze
 - Forecast developed in October and finalized early November
 - Impact muted by temporary nature, but increases risks
 - Likely small impact on personal income taxes and CAT
 - Larger impact on Lottery as terminals will be turned off

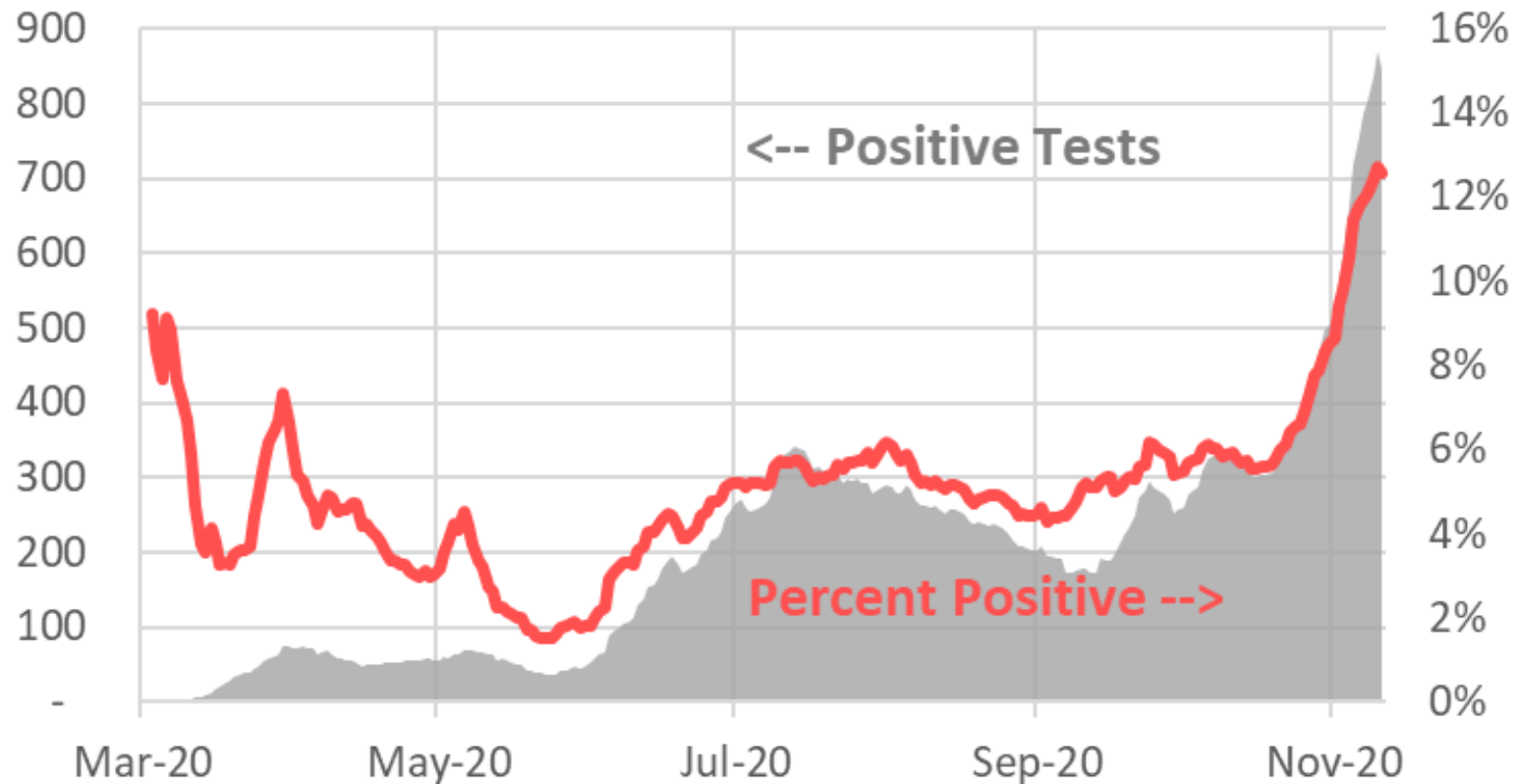




Vaccine, you're our only hope

Oregon COVID-19 Cases

Based on Date Test was Given, 7 Day Average



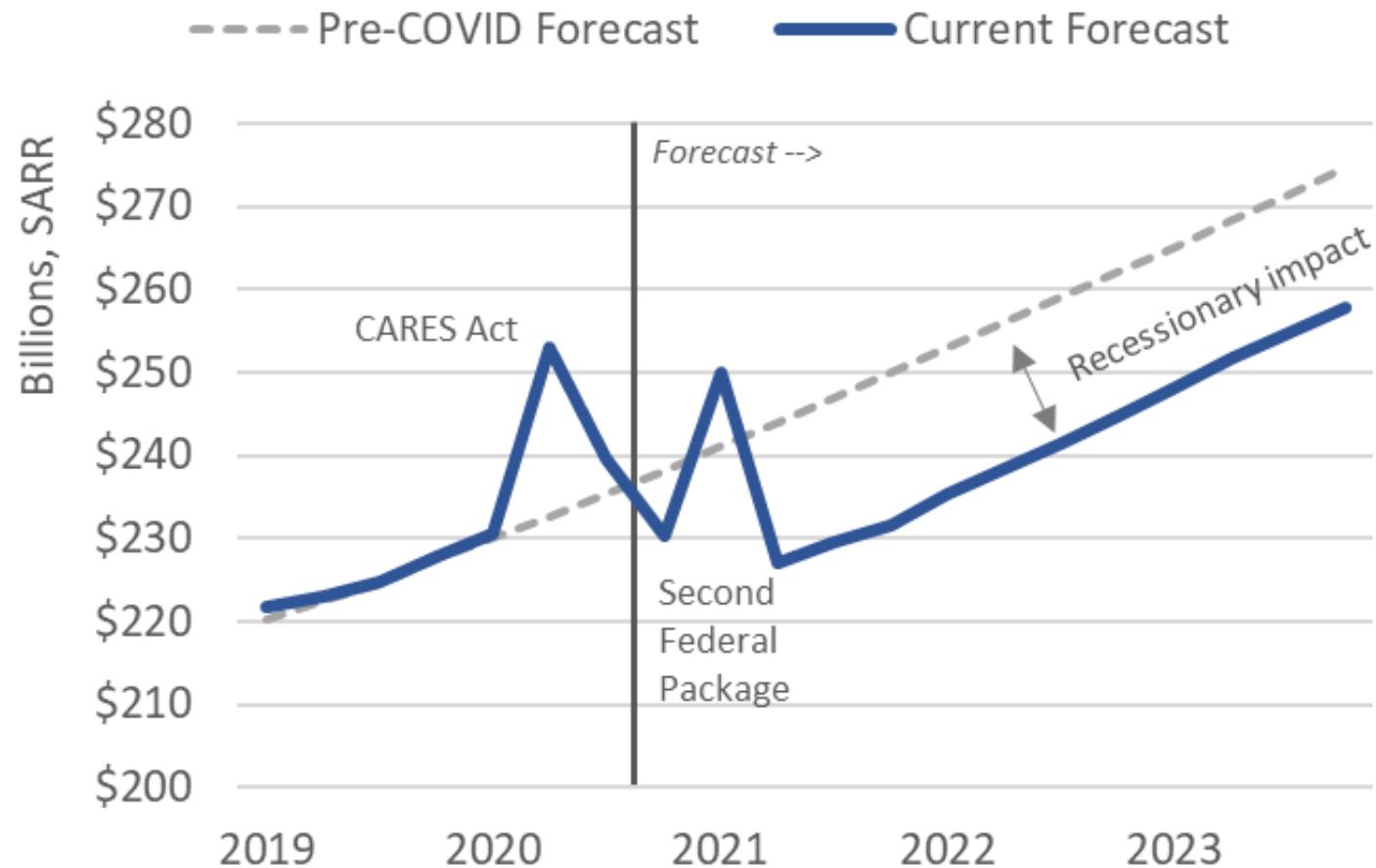
- Key assumption
 - Widely available treatment by mid to late 2021
 - Vaccine trial news is encouraging
- Health issues
 - Illness, mortality
 - Hospital capacity
- Economic issues
 - Consumer confidence and public policies
 - Education or childcare





Federal aid assumptions and impacts

Oregon Personal Income



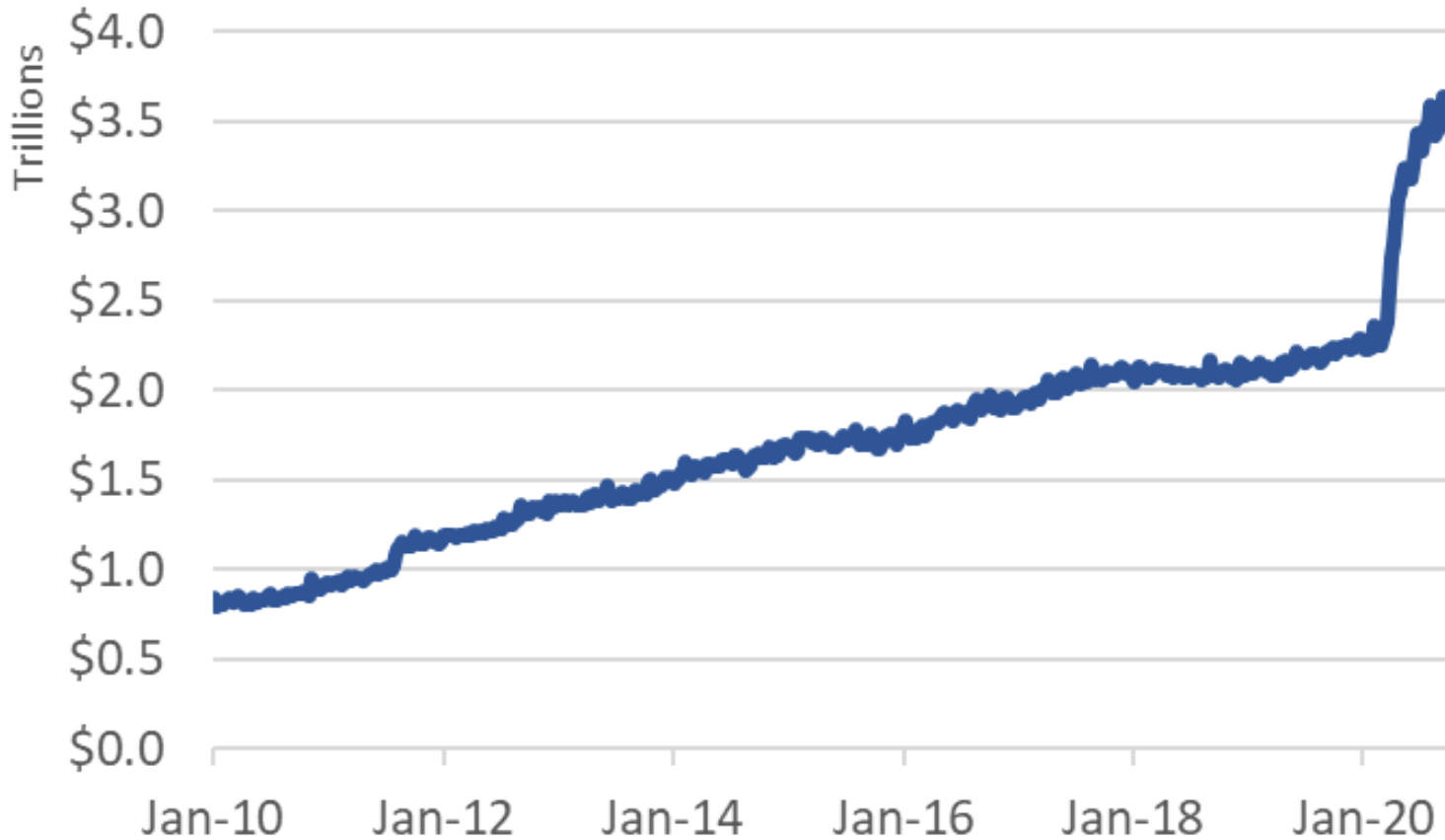
- Timing of another package
 - IHS Markit assumes by end of 2020, our office moved to first quarter of 2021
- Direct Effects
 - Income support to those most impacted by pandemic
- Indirect Effects
 - Equity markets, business sales
- Macro Importance
 - Economists somewhat divided whether need another package or if recovery is self-sustaining
 - No such disagreement on distributional impact





Recovery *likely* self-sustaining...

U.S. Checkable Deposits



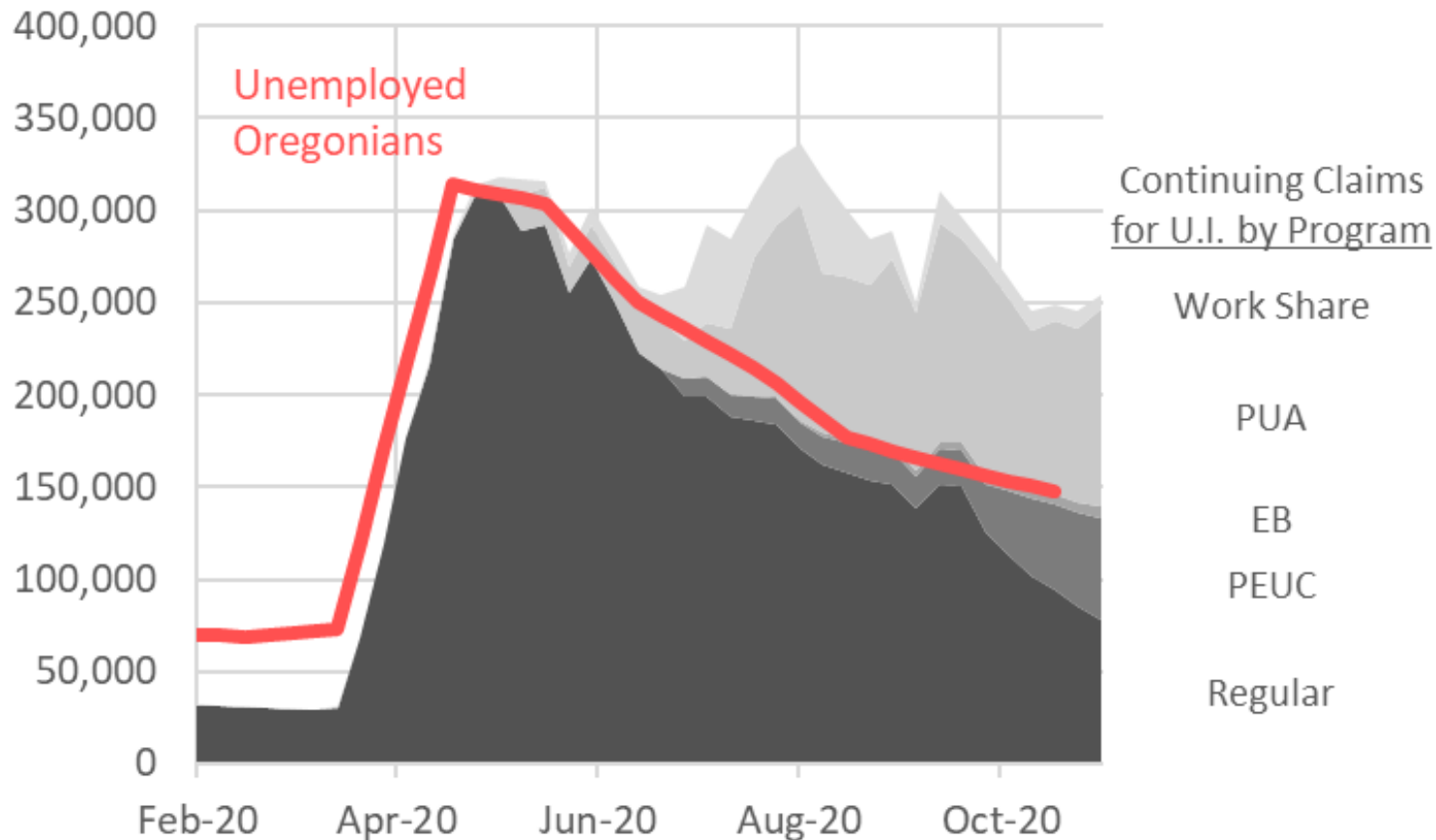
- Economic-related income is growing
- Aggregate savings in the economy has increased more than \$1 trillion
 - Incomes are up
 - Spending is down
 - Fewer loans taken out
- Vaccine is coming





.. but the most affected firms and workers need help

Labor Market Pain in Oregon



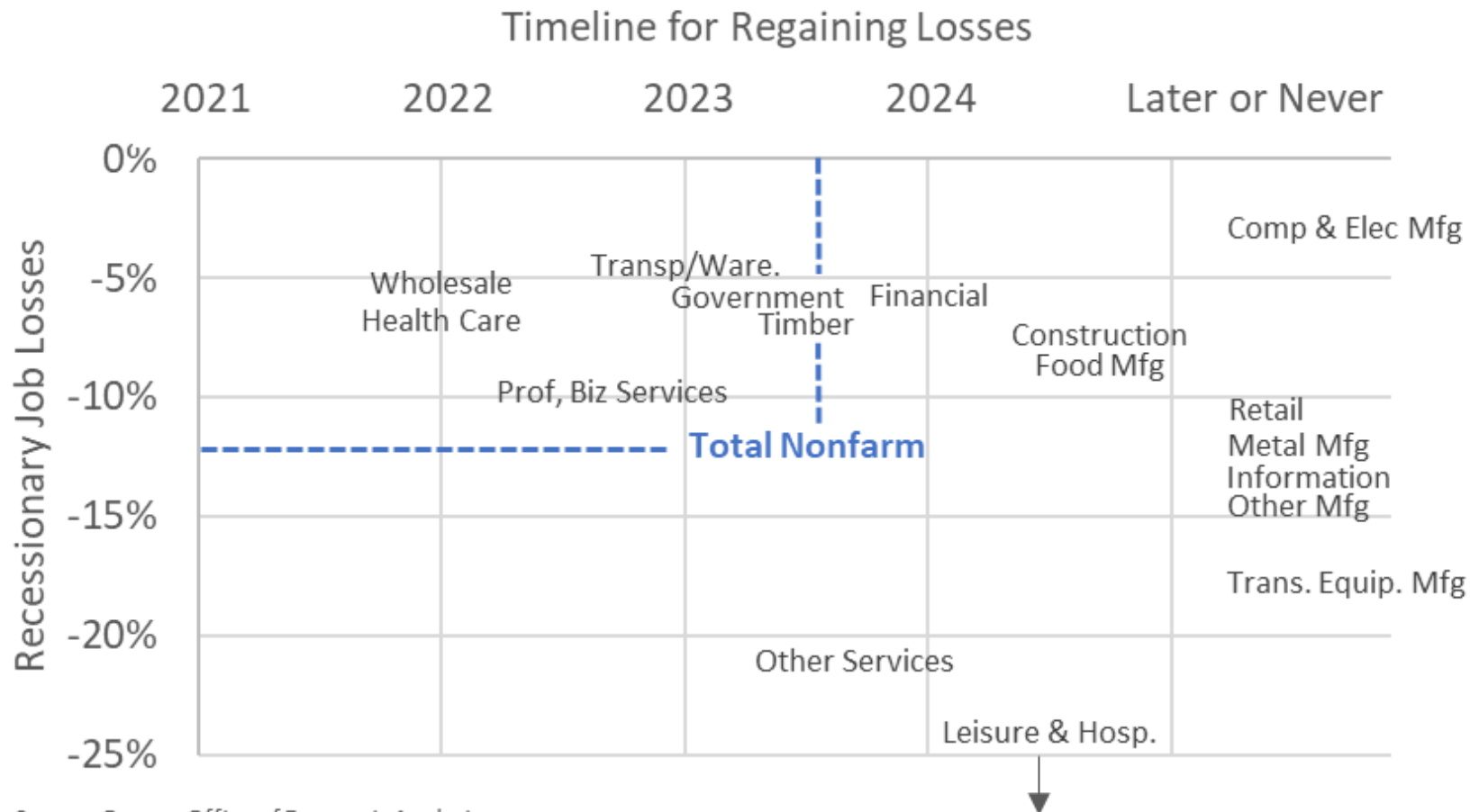
- Permanent damage key macroeconomic risk
 - Business closures
 - Long-term unemployment
- No federal support for businesses today
- Remaining UI support ends the day after Christmas





Industrial outlook varies considerably

Oregon's Industrial Recovery



- **Early Recoveries**
 - E-commerce
 - Health Care
 - Office jobs
- **Average Recoveries**
 - Timber industry
 - Financial Activities
 - Consumer services
 - Public sector
- **Late/Never Recoveries**
 - Retail
 - Manufacturing

Source: Oregon Office of Economic Analysis

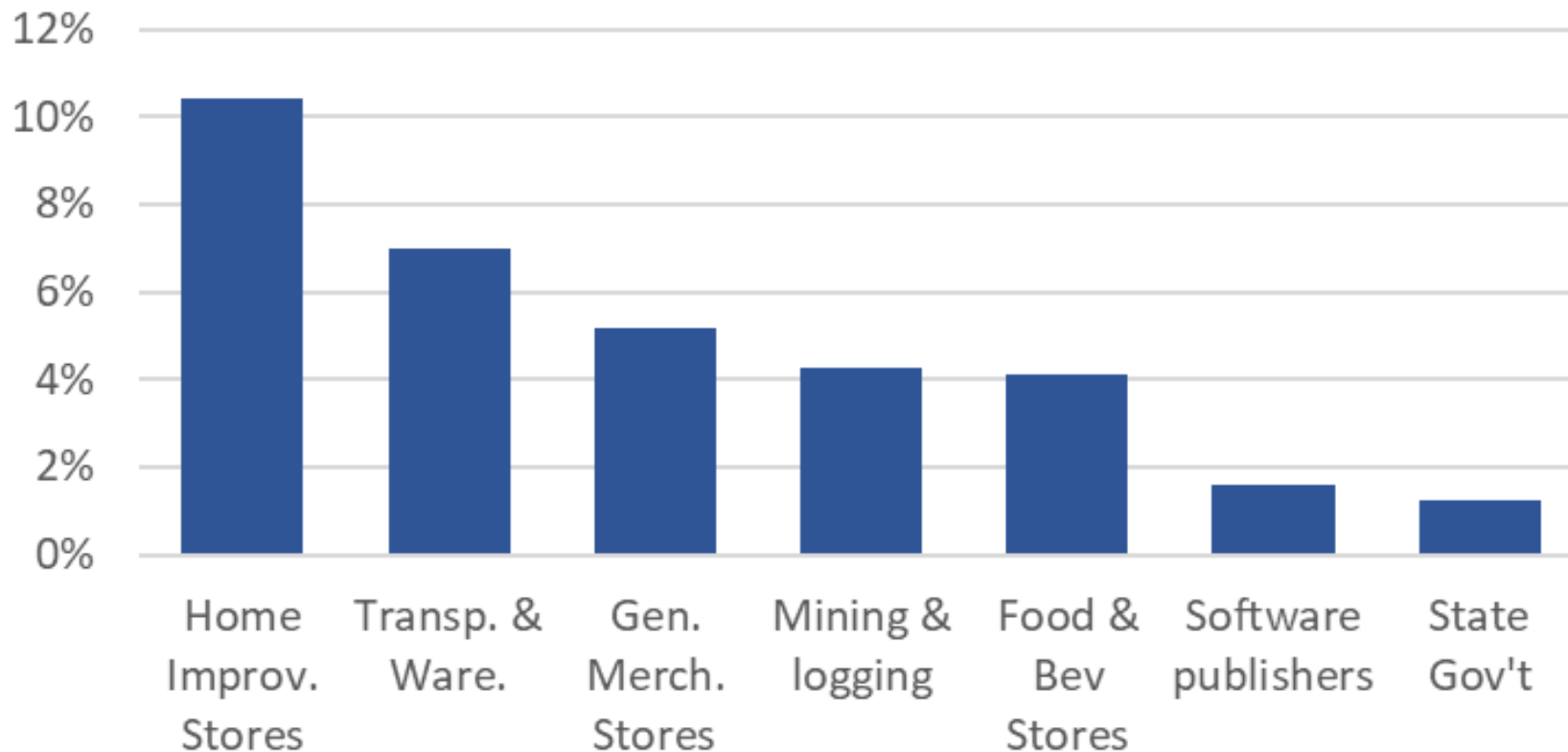




Good News: Not *everything* is terrible

Not All Sectors Ravaged by the Pandemic

Percent change in Oregon employment from Oct '19 to Oct '20

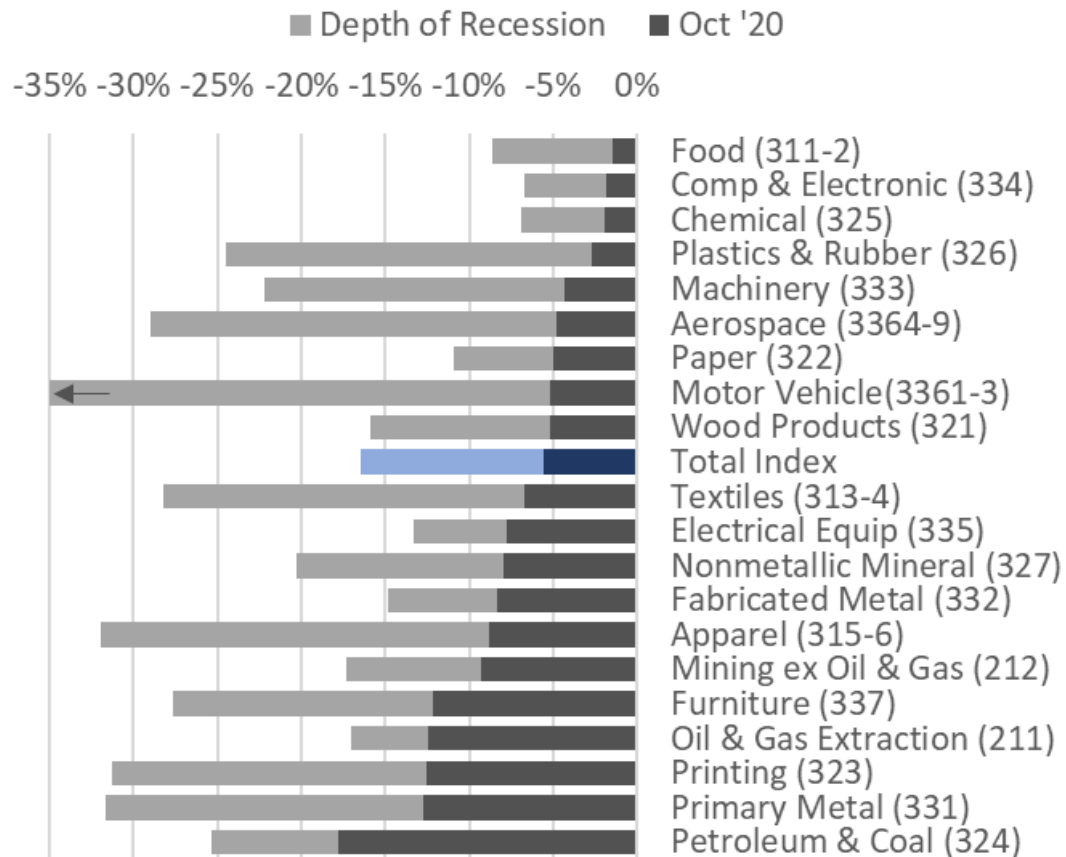




Bad News: Manufacturing is terrible

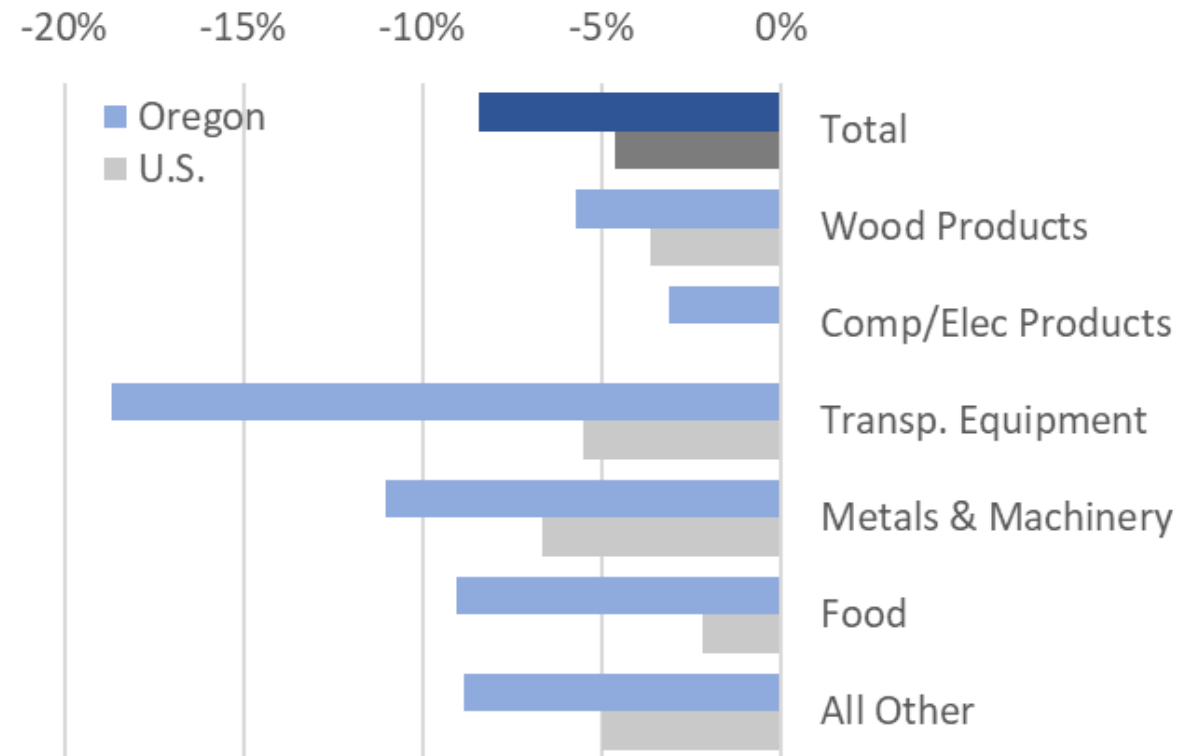
U.S. Industrial Production

Percent Change from Pre-COVID Peak



Larger Manufacturing Job Losses in Oregon Across All Subsectors

Percent Change Oct '19 to Oct '20



Not seasonally adjusted data | Source: BLS, Oregon Emp Dept, Oregon Office of Economic Analysis

Source: Federal Reserve, Oregon Office of Economic Analysis

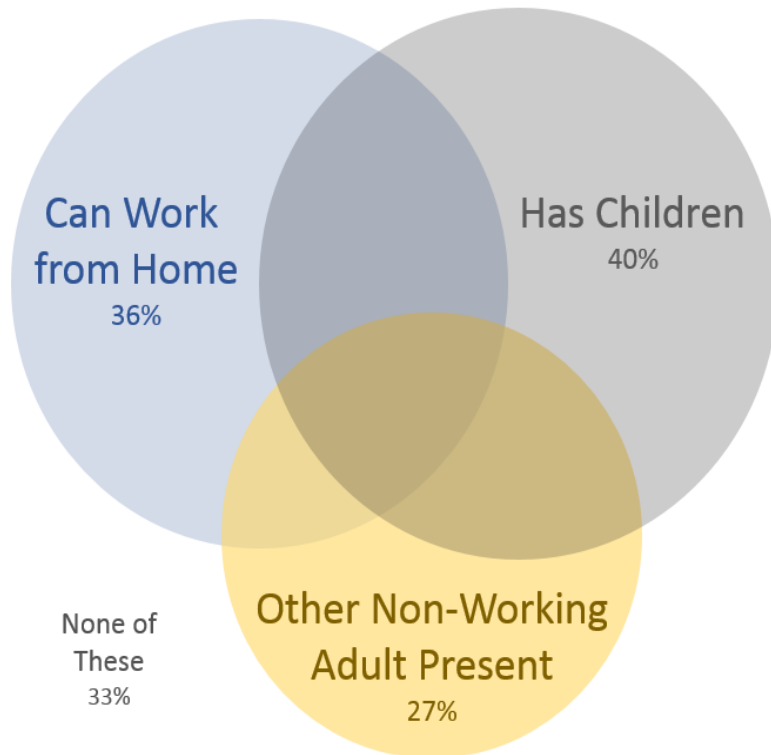




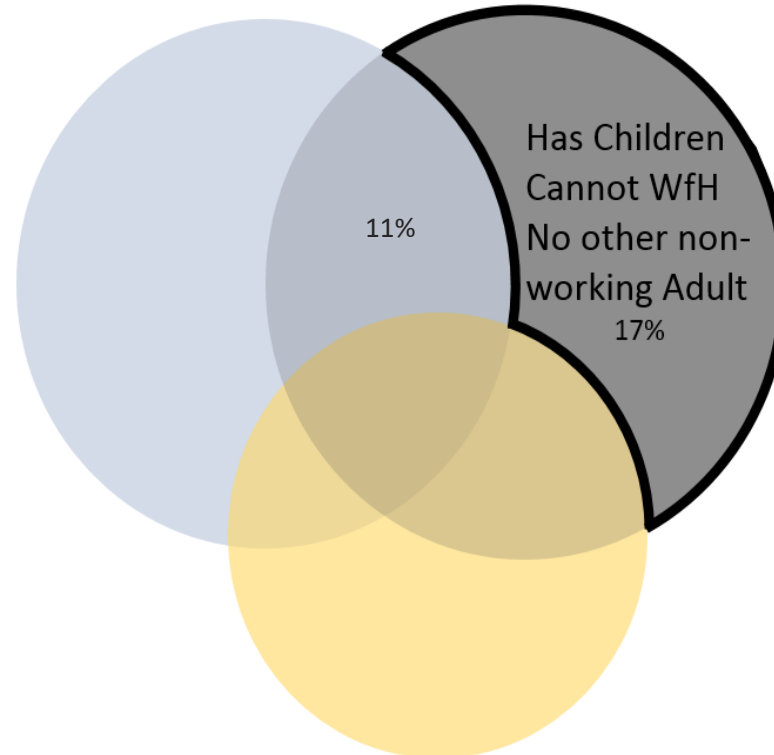
Online learning has lots of impacts

COVID Challenges Working Oregon Parents

Oregon's Workforce: 2.1 million



Working Parents in a Bind: 350,000



- Access to technology
- Effectiveness of online learning
- K-12 and Higher Education enrollments are down
- Women impacted much more than man
 - Dropping out of labor force to help kids
 - Loss of substitute teaching positions
- Education will not return to normal until the pandemic is over
- Assume some increase in in-person learning during the spring, but return to full in-person learning only next school year

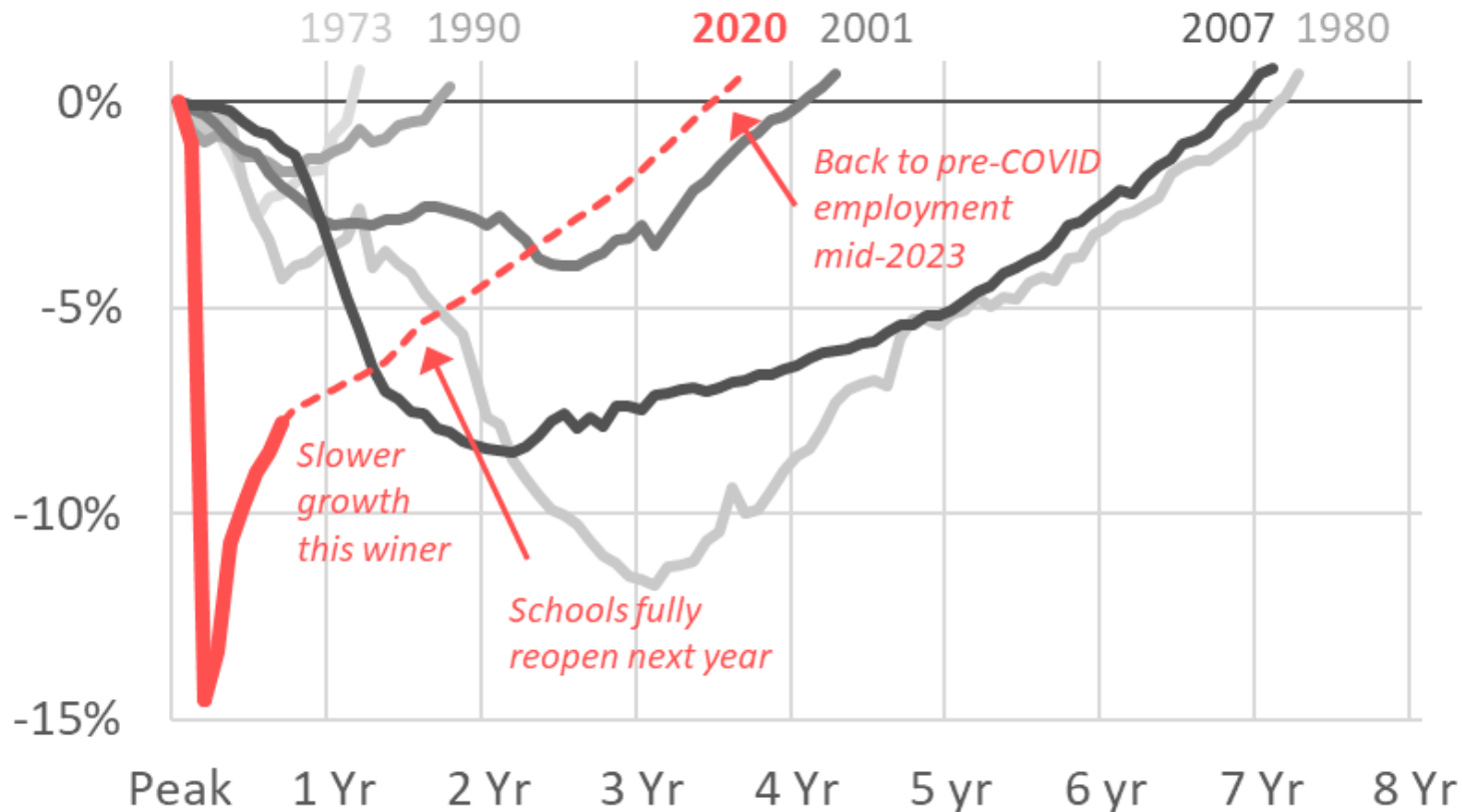




Bottom line

Oregon Recession Comparison

Percent Change from Pre-Recession Peak



- Growth will slow noticeably over the winter
- Medical treatment widely available next summer
- Return to in-person learning next fall
- Growth will accelerate, resulting in faster overall recovery
- Key is minimizing permanent damage between now and then



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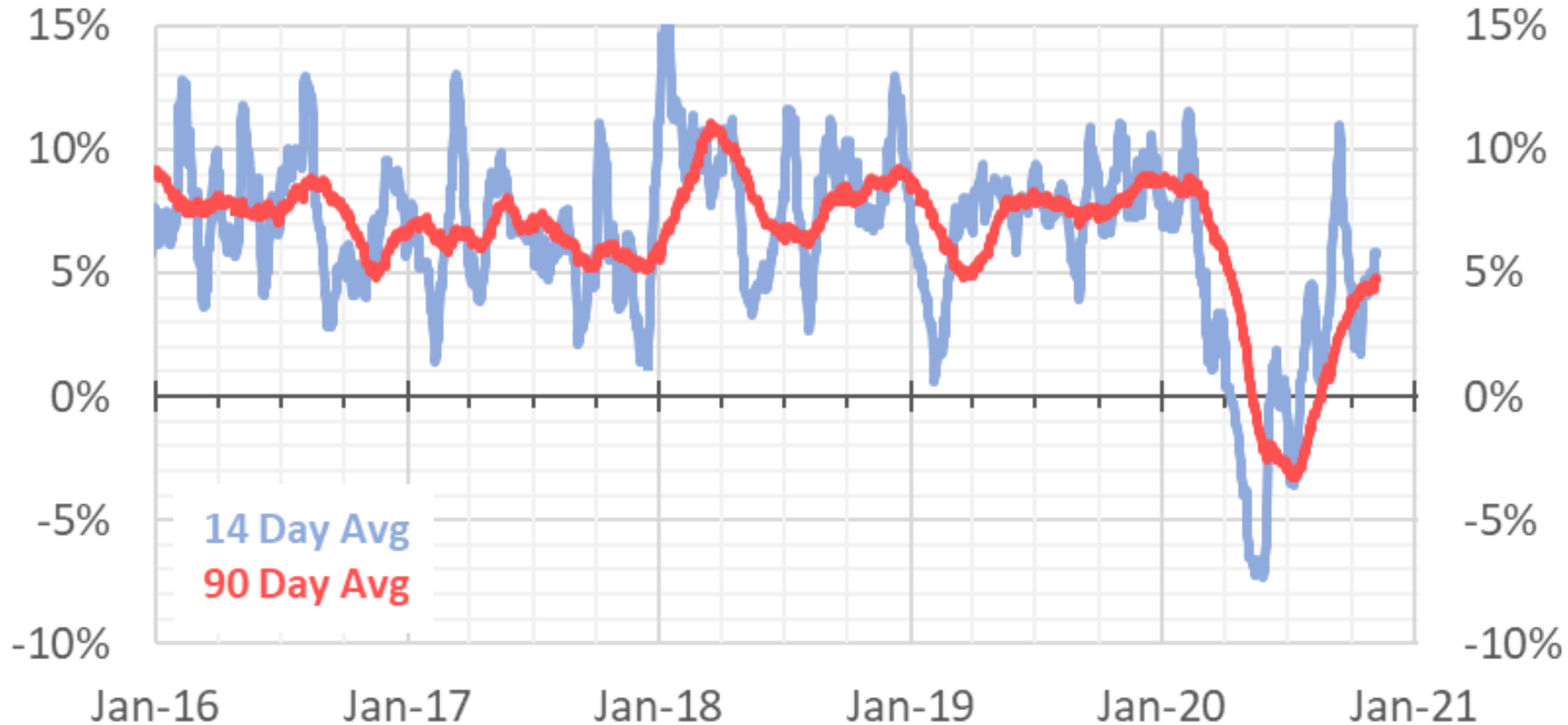
Revenue Outlook



Personal Income Tax withholdings strengthen further

Oregon Withholding

30 Day Rolling Sum of Collections, Year-over-Year Change





Corporate collections remain strong

Corporate Excise Taxes

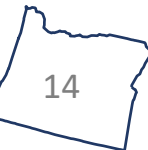
\$ millions, 12 month sum



- After briefly weakening at the start of the recession, traditional corporate tax collections have bounced back
- During the last two recessions, corporate collections were cut in half
- 2020 collections should reflect around \$60 million in deductions for CAT payments as well



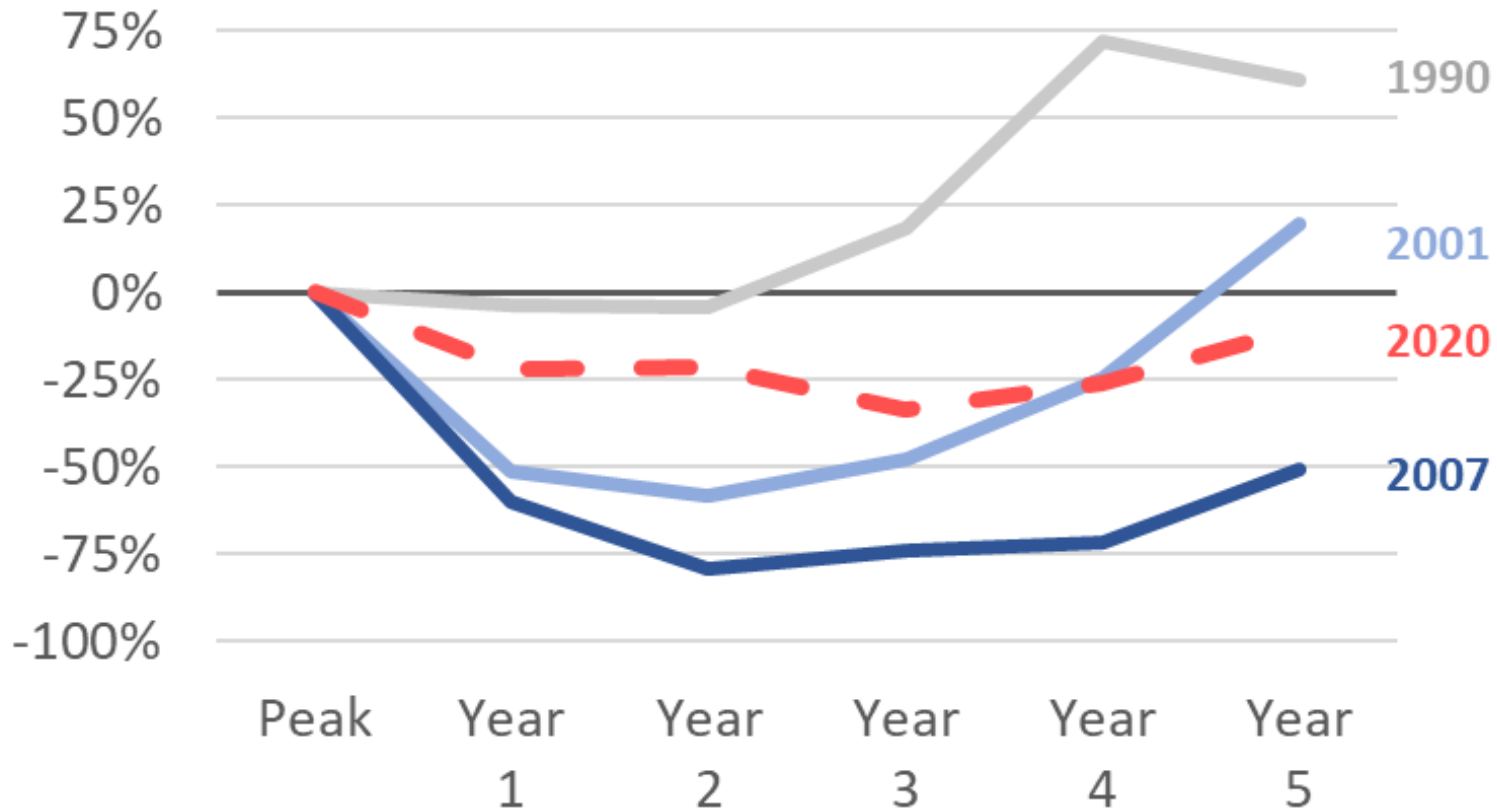
Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis





Nonwage income represents a forecast risk

Oregon Taxable Capital Gains by Recession



- Similar to corporate taxes, personal tax collections related to investments and other nonwage forms of income often collapse during recessions
- Should asset markets take a step back, revenue losses will look more like they did in 2001 or 2007 rather than the current flat outlook

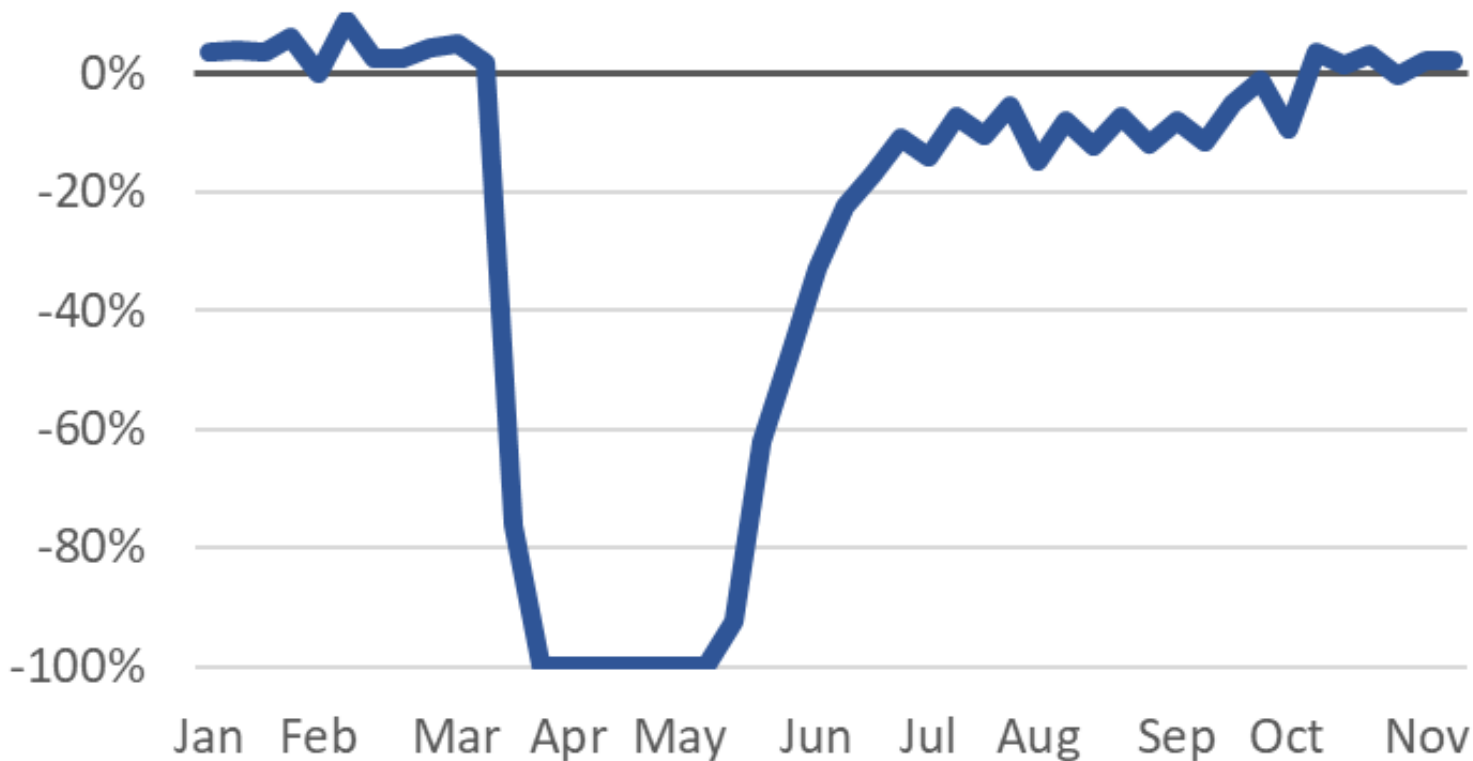




Lottery outlook improves

Oregon Video Lottery Sales

Weekly Year-over-Year Percent Change



- Sales are positive year-over-year
 - Incomes are up
 - Pent-up demand for gaming across the country
 - Limited other entertainment options
 - Driven by very strong sales in southern Oregon
- Forecast increased however revenues remain below pre-pandemic expectations
- 2 week freeze is not incorporated into these figures
 - With a statewide 2 week freeze and 2 more in Multnomah, reduces sales by \$41 million and transfers by \$26.5 million



The background of the image is a dark blue gradient. Centered in the background is a large, faint, light blue watermark of the Seal of the State of Oregon. The seal is circular and contains the following elements: an eagle with wings spread at the top; a central scene with a sun rising over a body of water with a ship; a plow and a sheaf of wheat below the water; and a banner with the words "THE UNION" across the bottom of the central scene. The outer ring of the seal contains the text "STATE OF OREGON" at the top and "1859" at the bottom, separated by stars.

Bottom Line



Revenue bottom line

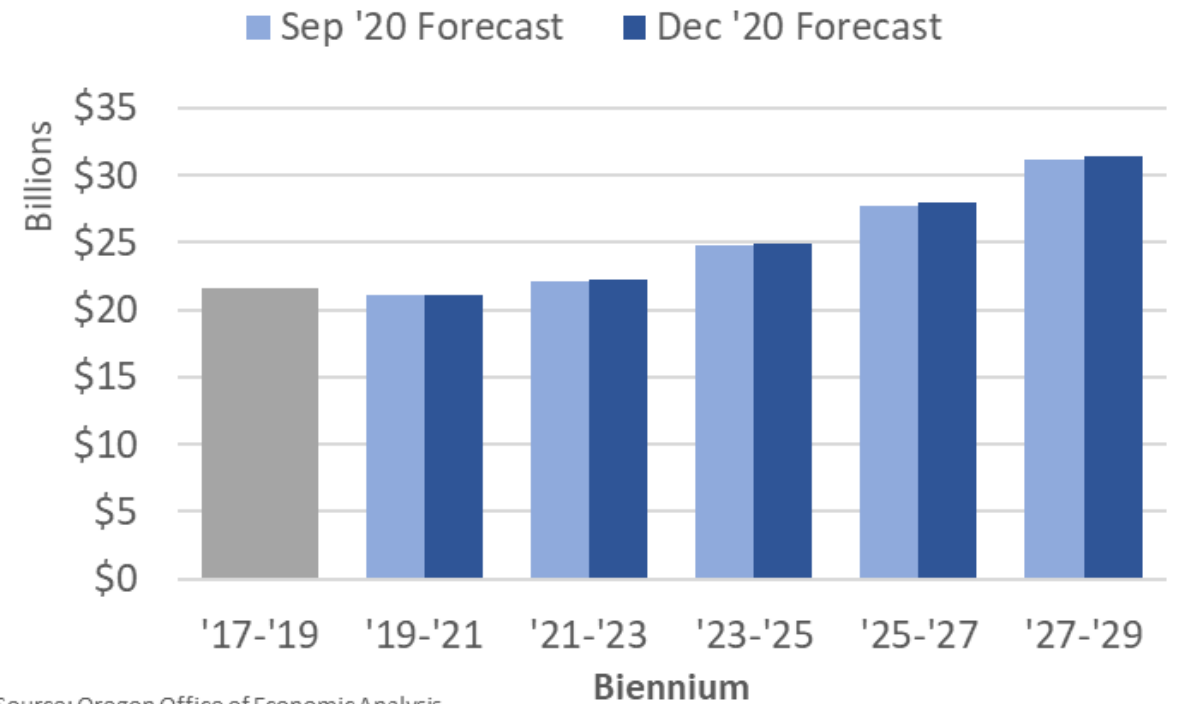
December 2020 Forecast Changes

General Fund Revenues	\$ Millions from Sept		
	19-21	21-23	23-25
Personal Income Taxes	7	-26	102
Corporate Income Taxes	54	99	48
Other	9	42	-3
Total	69	115	146

Other Revenues	\$ Millions from Sept		
	19-21	21-23	23-25
Lottery	17	35	40
Corporate Activity Tax	21	15	1
Marijuana Tax	16	0	0
Total	54	50	41

	\$ Millions from Sept		
	19-21	21-23	23-25
Total Sum	124	165	187

Oregon Net General Fund Revenues



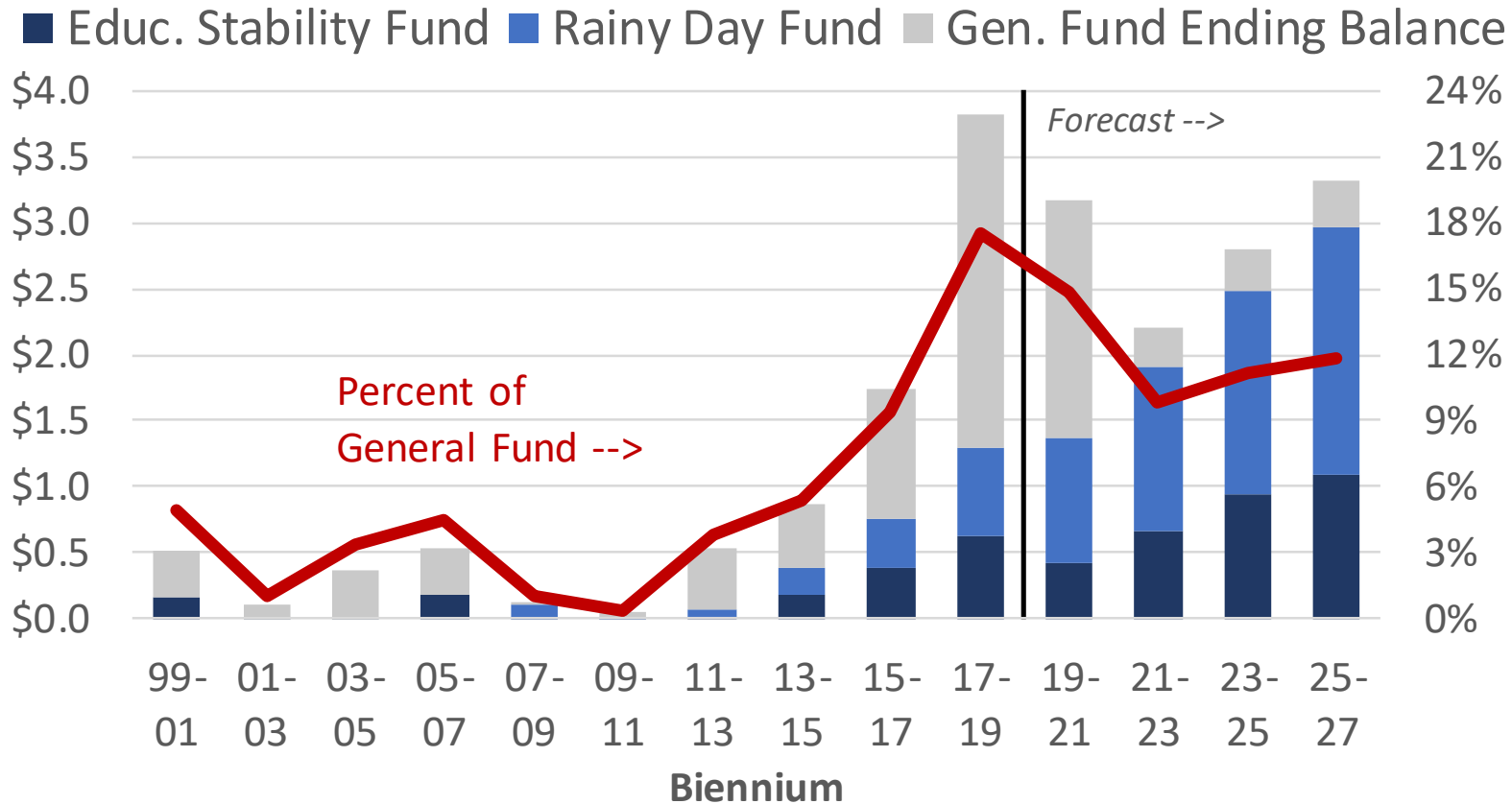
Source: Oregon Office of Economic Analysis





Sizable reserves remain

Oregon Budgetary Reserves (billions)



Effective Reserves (\$ millions)

	Sep 2020	End 2019-21
ESF	\$745	\$427
RDF	\$883	\$942
Reserves	\$1,628	\$1,369
Ending Balance	\$1,794	\$1,794
Total	\$3,422	\$3,163
% of GF	16.1%	14.9%

Source: Oregon Office of Economic Analysis





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