

The background features a large, faint, circular seal of the Oregon State Board of Economic Analysis. The seal contains an eagle with wings spread, perched on a globe. Below the eagle is a banner with the text "THE UNION". At the bottom of the seal, the year "1859" is inscribed. The words "STATE OF OREGON" are visible around the top edge of the seal.

Mar 2022 Economic and Revenue Forecast

February 9th, 2022

Oregon Office of Economic Analysis

Mark McMullen

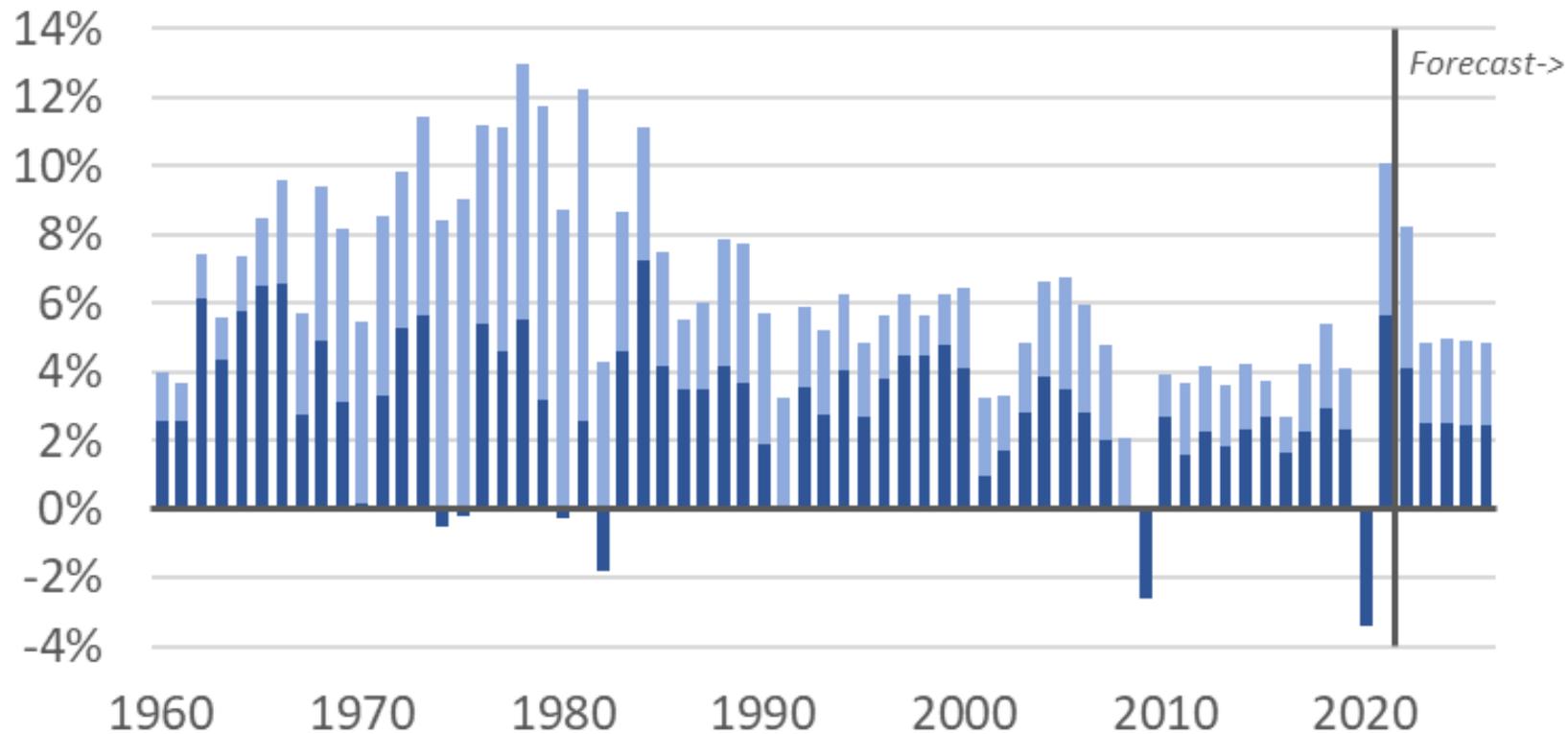
Josh Lehner



Inflationary economic boom

U.S. Economic Growth

Annual Percent Change in **Nominal** and **Real** U.S. GDP



Latest Actual: 2021 | Source: BEA, IHS Markit, Oregon Office of Econ Analysis



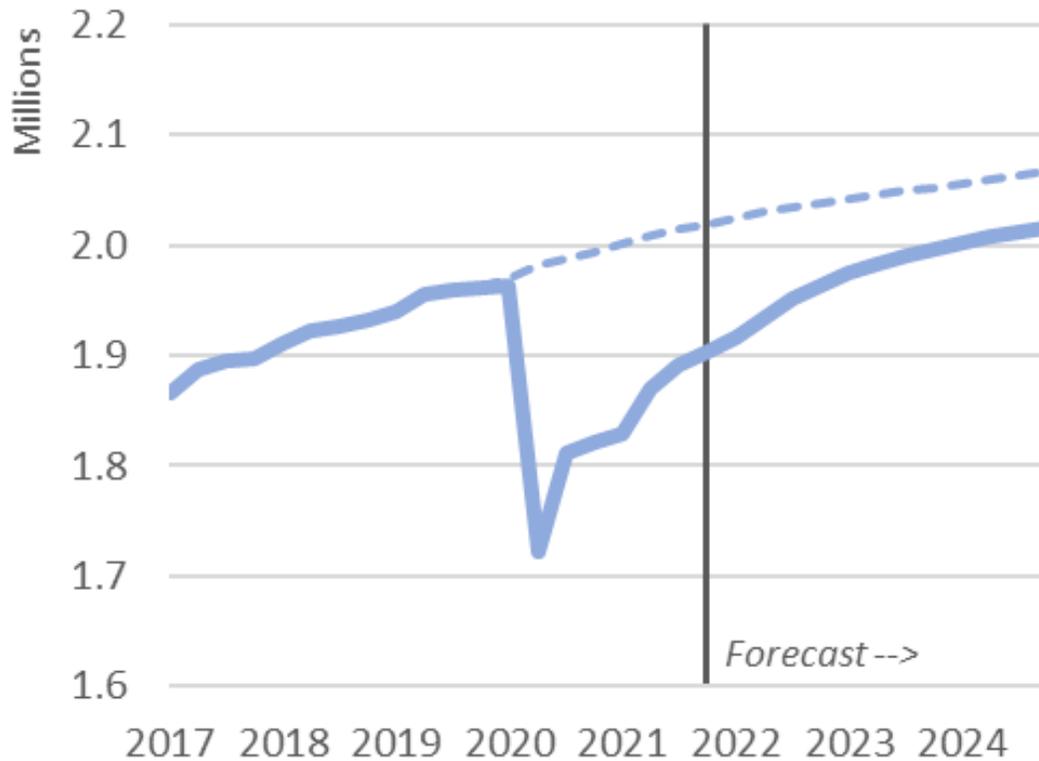
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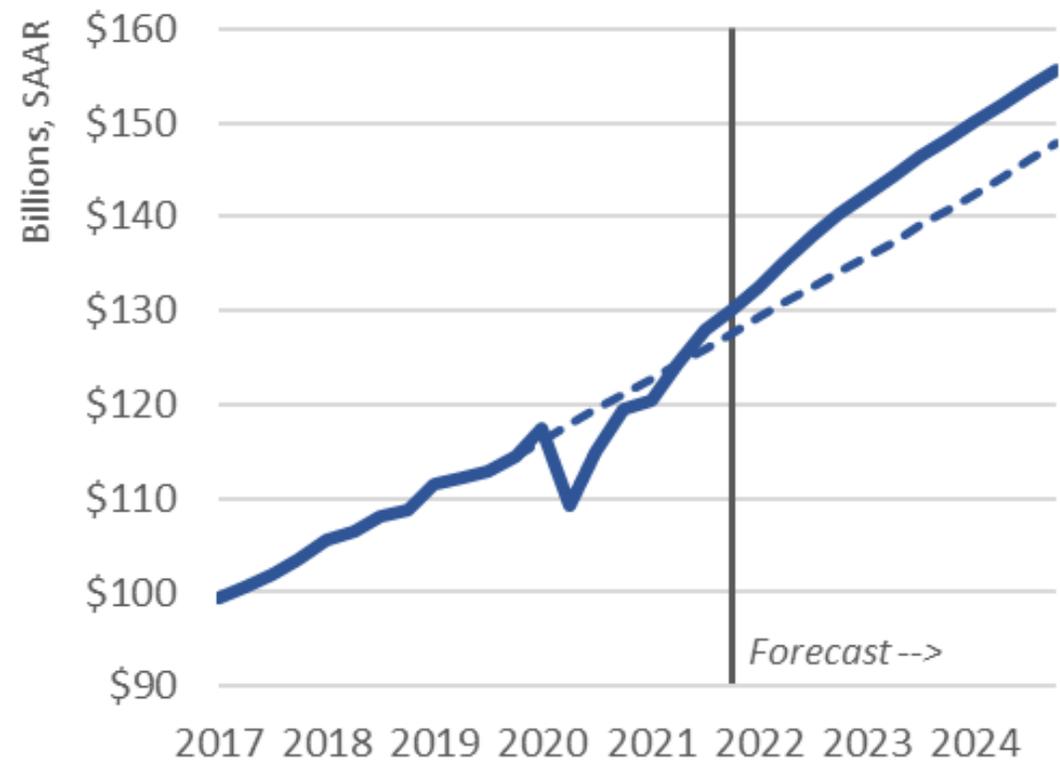


Labor supply is increasing, just not nearly as fast as firms want to hire

Employment 3% below peak



Wages and Salaries 11% above peak



Dotted lines are pre-pandemic forecast | Latest data: 2021q4 | Source: BLS, Oregon Employment Dept, Oregon Office of Economic Analysis



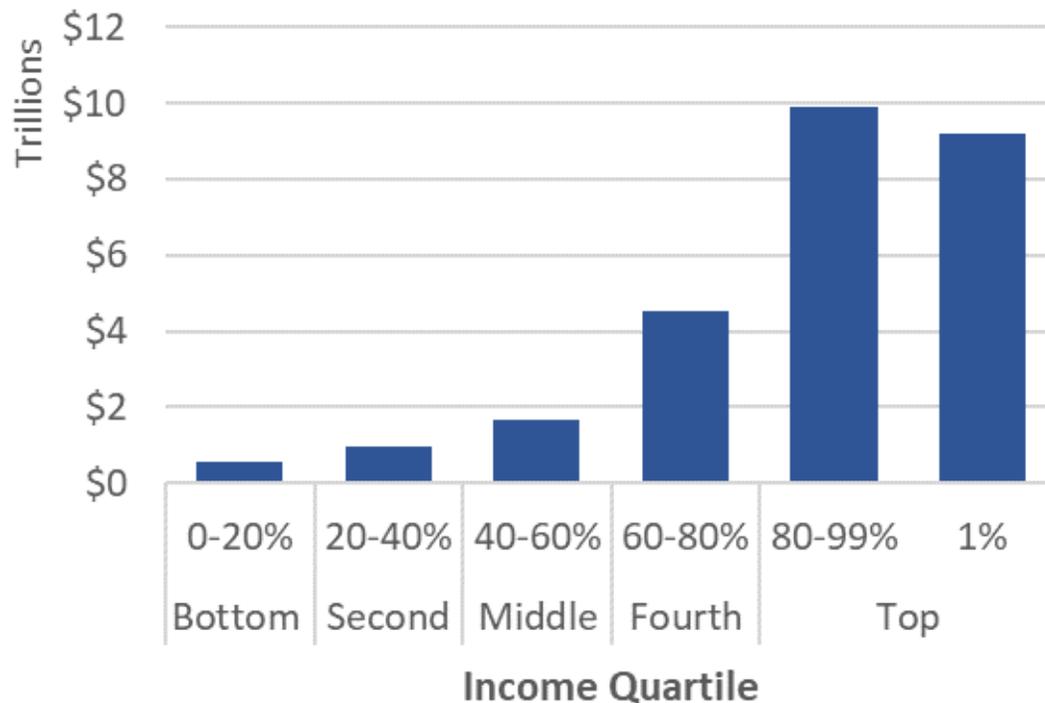


Consumers are in strong position due to current income, savings, wealth, and low debt levels

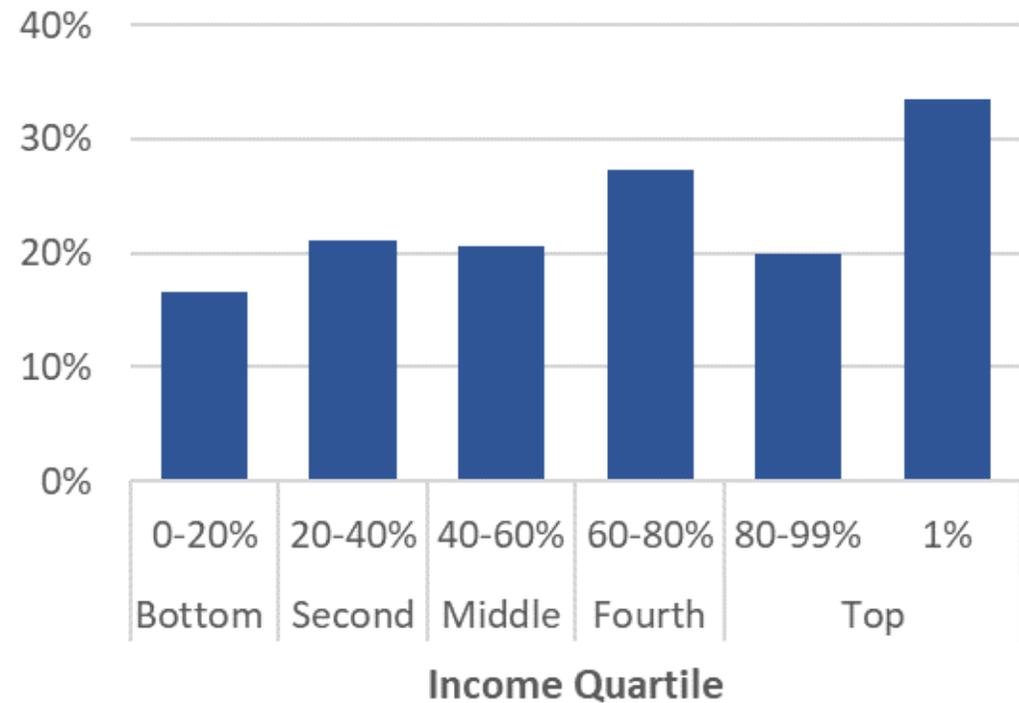
U.S. Wealth Increases During the Pandemic

Change from 2019q4 to 2021q3

Net Worth Increase (\$)



Net Worth Increase (%)



Source: Federal Reserve, Oregon Office of Economic Analysis

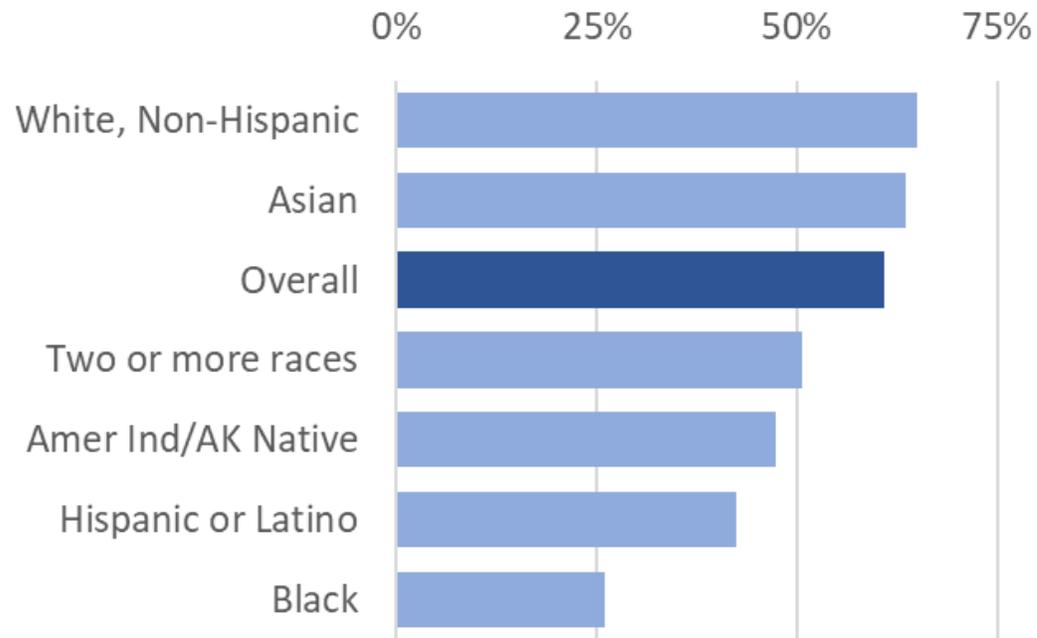




Wealth more concentrated than income

Portland MSA Homeownership Rates

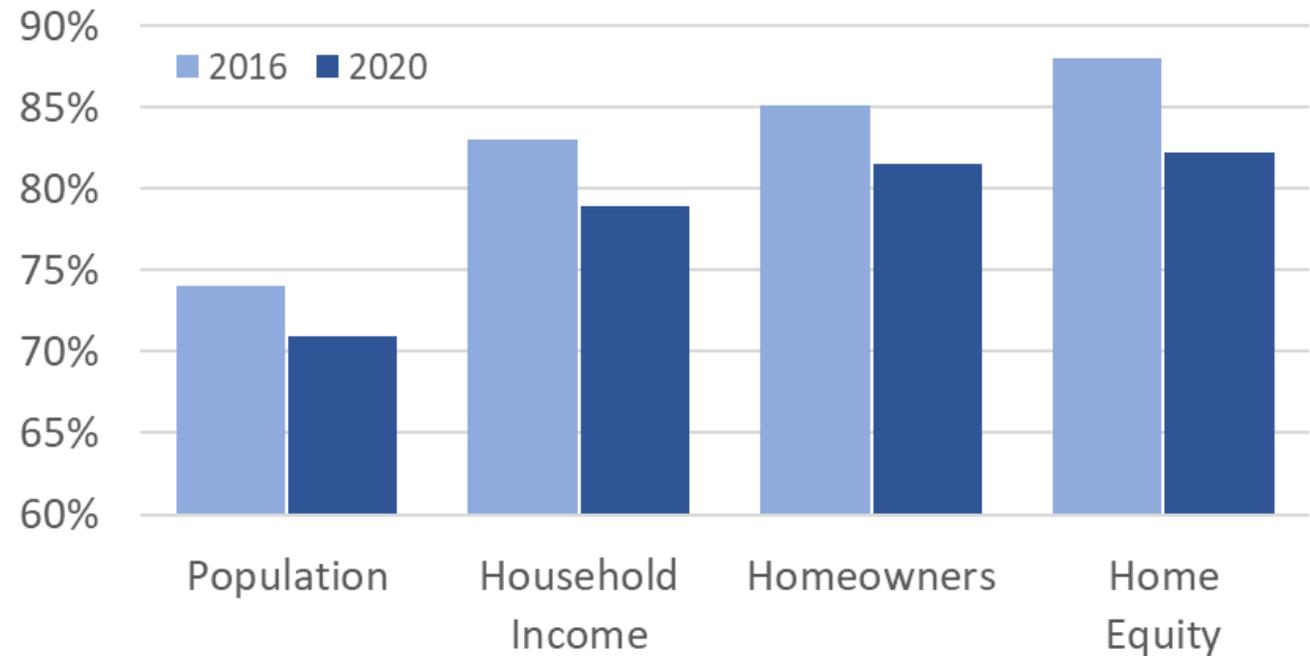
2020, Based on Characteristics of Householder



Source: IPUMS-USA, Oregon Office of Economic Analysis

Concentrated Wealth

Non-Hispanic White Percent of Total, Portland MSA



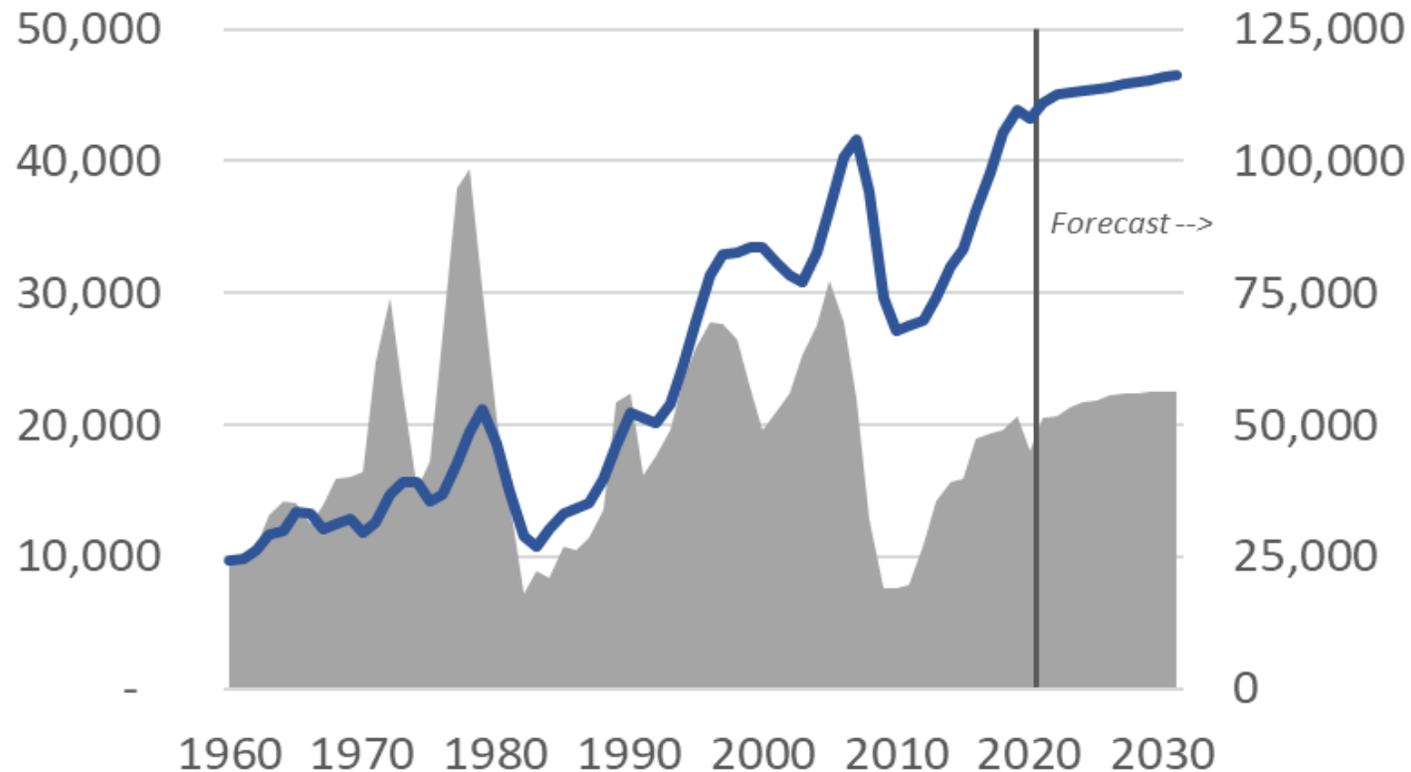
Household Income, Homeowners, Home Equity calculations based on race and ethnicity of householder
Source: Census, IPUMS-USA, Oregon Office of Economic Analysis



Housing supply matters

Oregon Construction Outlook

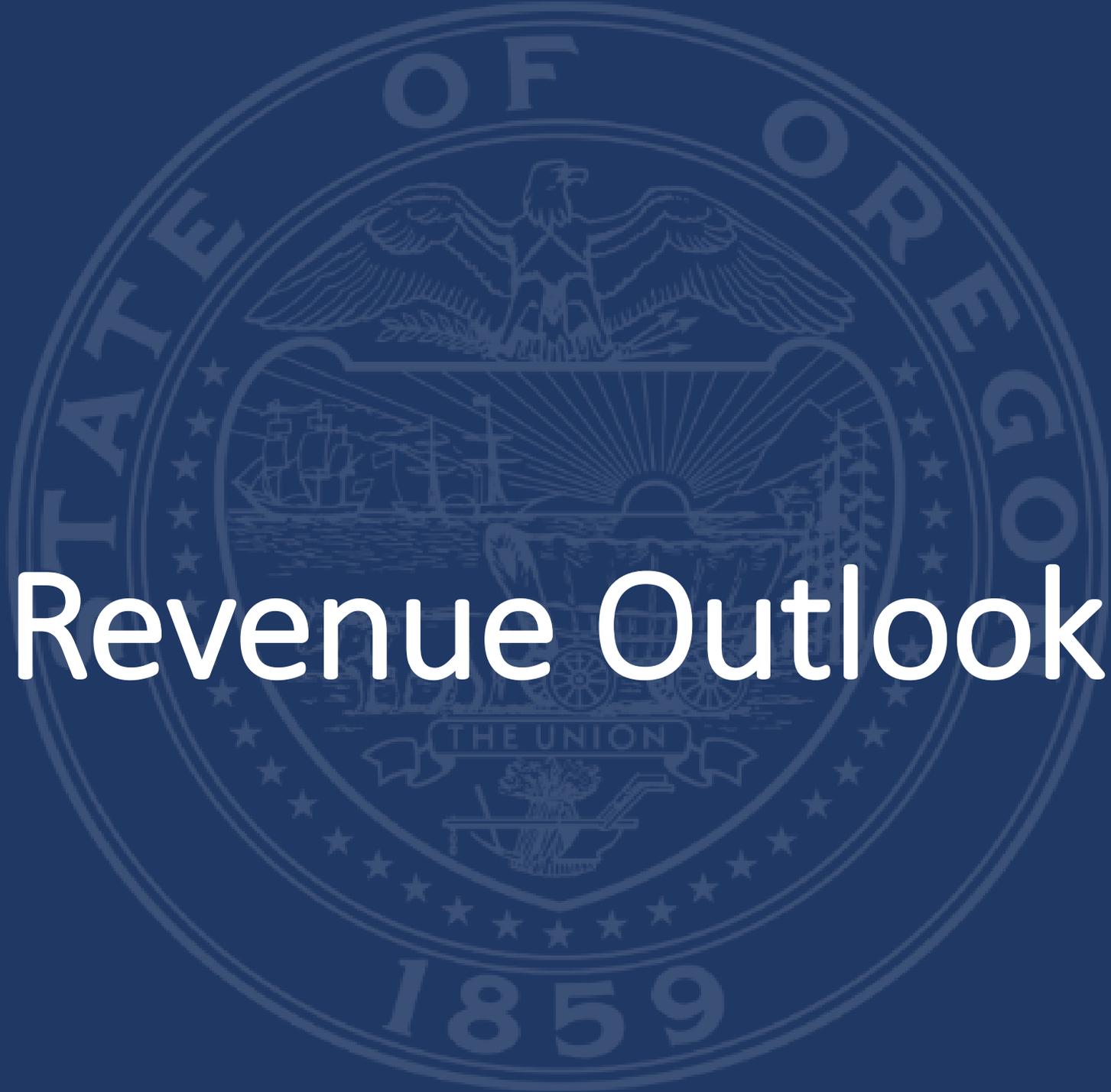
<-- Housing Starts | **Employment** -->



Latest: 2021 | Source: Census, Oregon Employment Dept, Oregon Office of Economic Analysis

- Oregon has underbuilt housing by 111,000 units in recent decades
- Industry running into supply side constraints
 - Financing, Land, Lots, Labor, Permitting Process
 - No productivity gains
- Affordability issues
 - Current residents struggle with outright lack of available units
 - Low-income households impacted the most
 - Future economic and revenue growth will be slower if fewer households can afford to move to or live in Oregon
- Outlook
 - Minimal growth in housing starts and construction employment, largely keeping with slower population forecast
 - Underproduction shortfall not made up



The background of the slide features 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 at the bottom; and the motto 'THE UNION' on a banner. The words 'STATE OF OREGON' are written around the top inner edge, and '1859' is at the bottom.

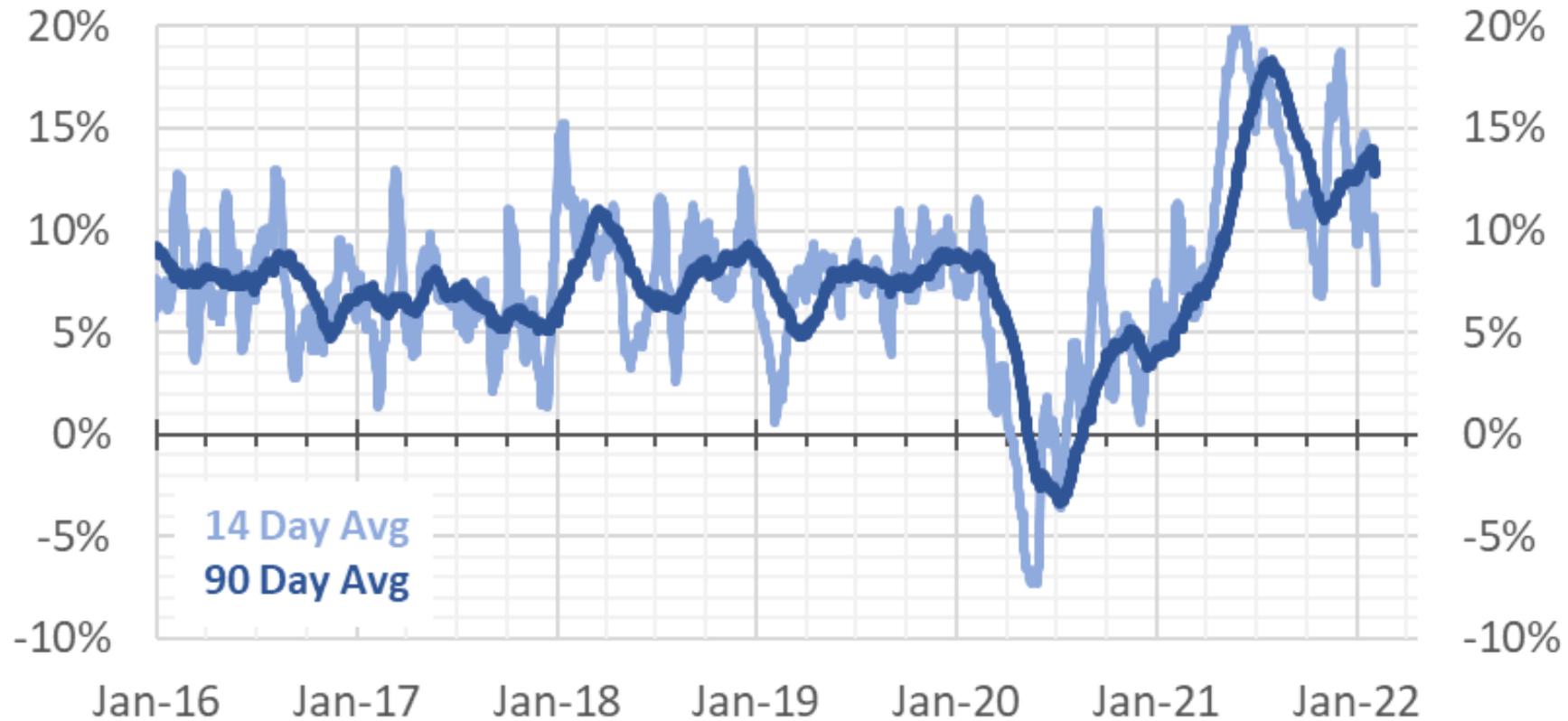
Revenue Outlook



Withholdings continue to boom

Oregon Withholding

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



Oregon Office of
Economic Analysis

Latest Data: Feb 4, 2022 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis

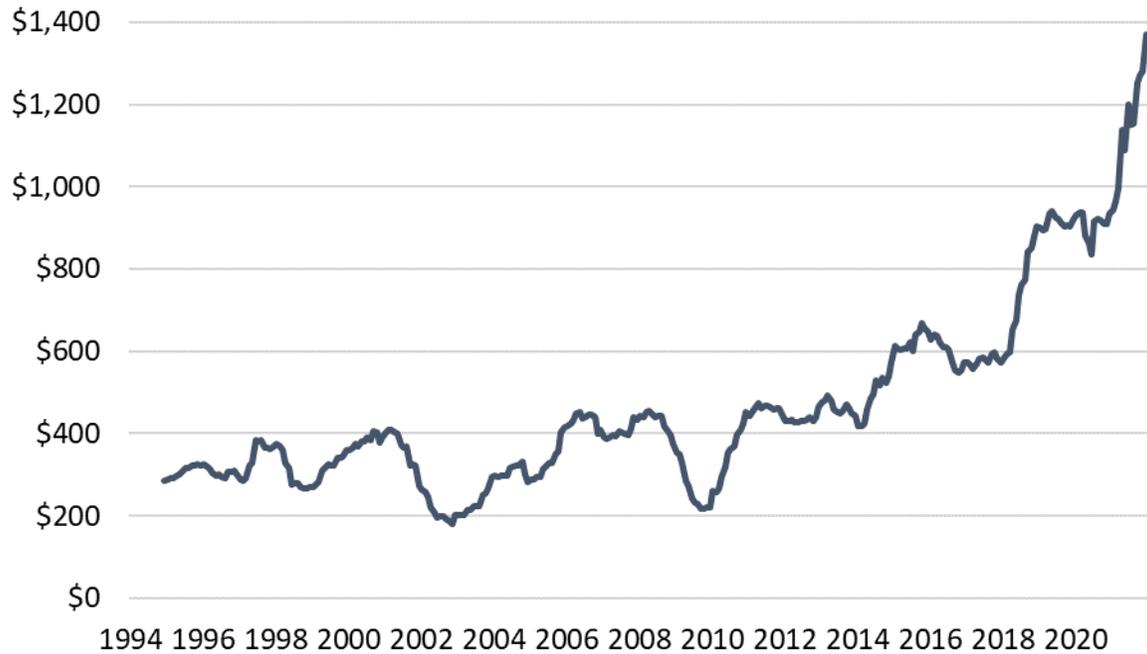




All major revenue instruments are growing strongly, led by corporate taxes

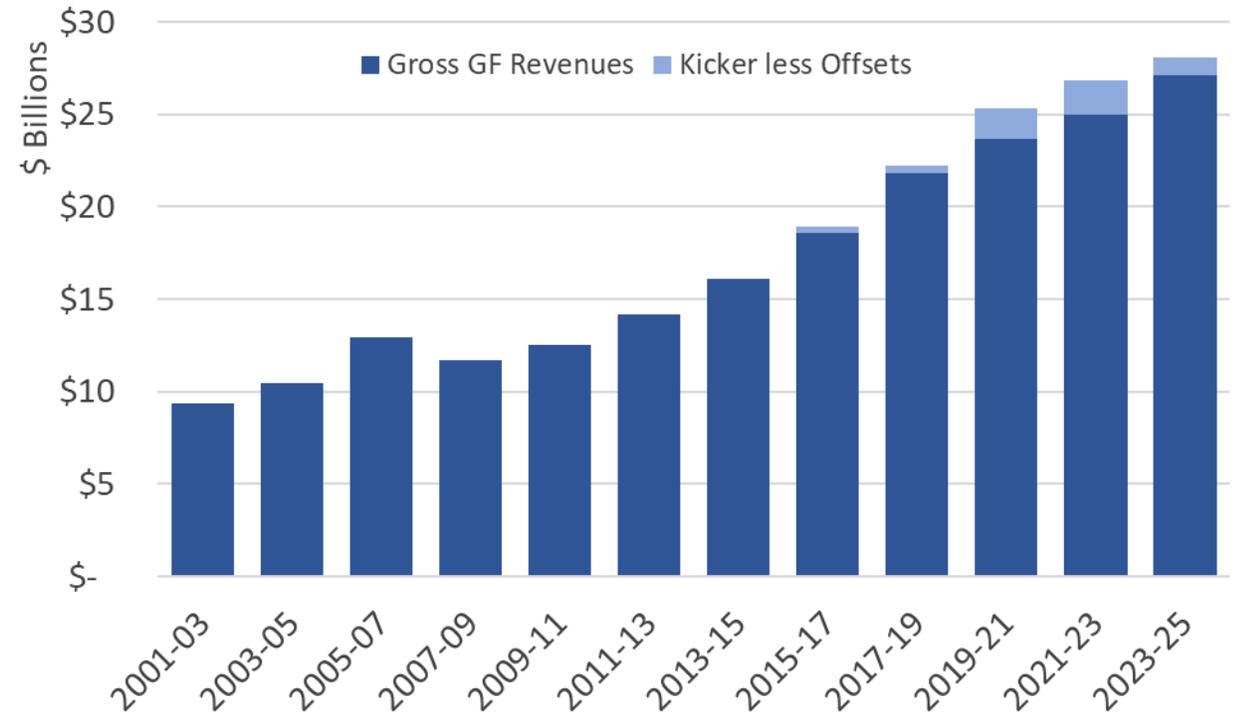
Corporate Excise Taxes

\$ millions, 12 month sum



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

Oregon's Gross General Fund Revenues



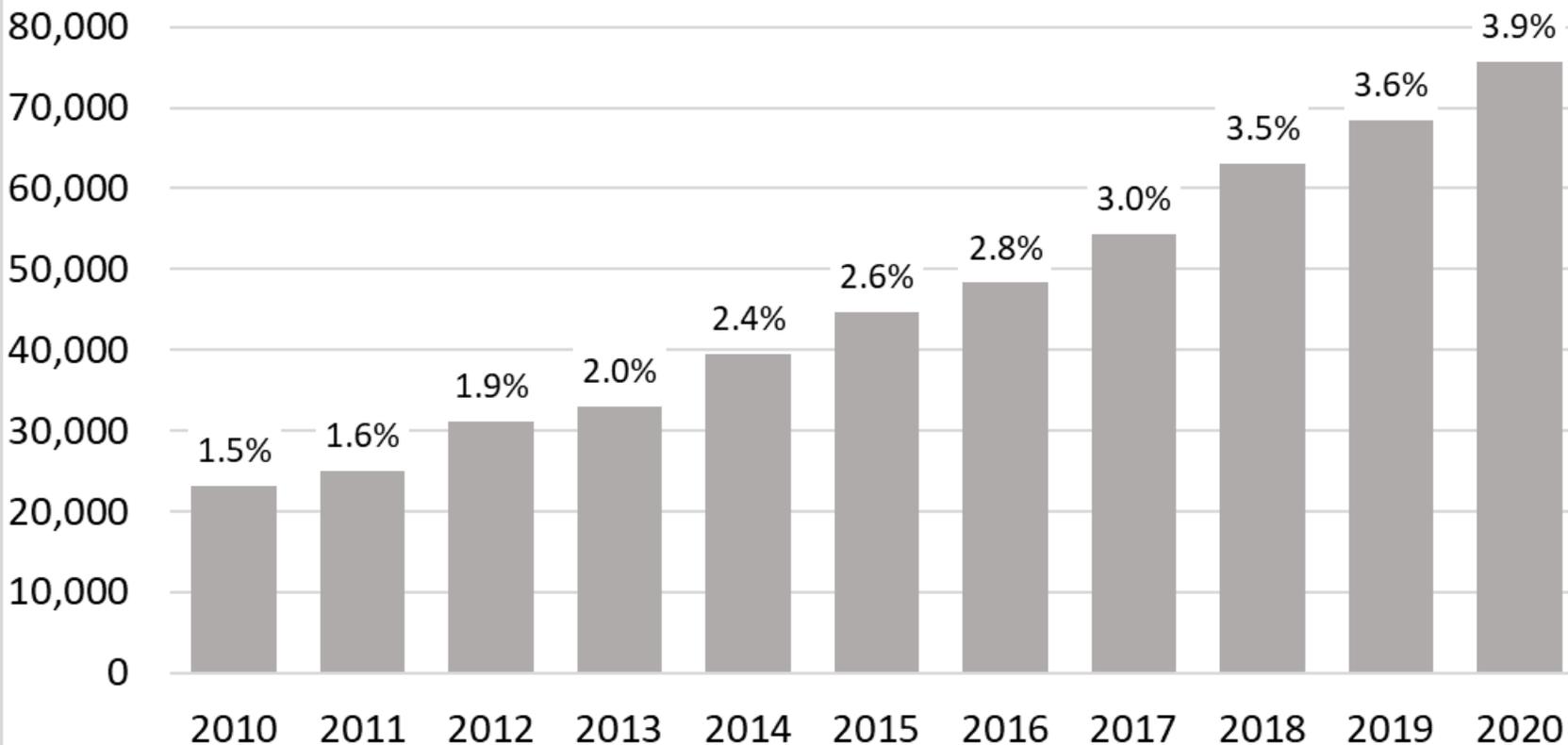
Source: Oregon Office of Economic Analysis





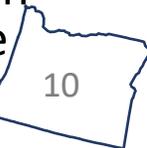
Bracket Creep

Number of OR Personal Income Tax Returns
Subject to the Top Rate*



- Volatility in Oregon's income taxes is not new
- M66 reforms added additional volatility. When underlying income growth is strong, more taxpayers are taxed at the top rate
- Currently, over one-third of income taxes come from top-rate filers
- The average rate dynamic is reversed during a downturn, leading to revenue losses in excess of income losses
- A correction in asset markets would lead to a large reduction in filers subject to the top rate

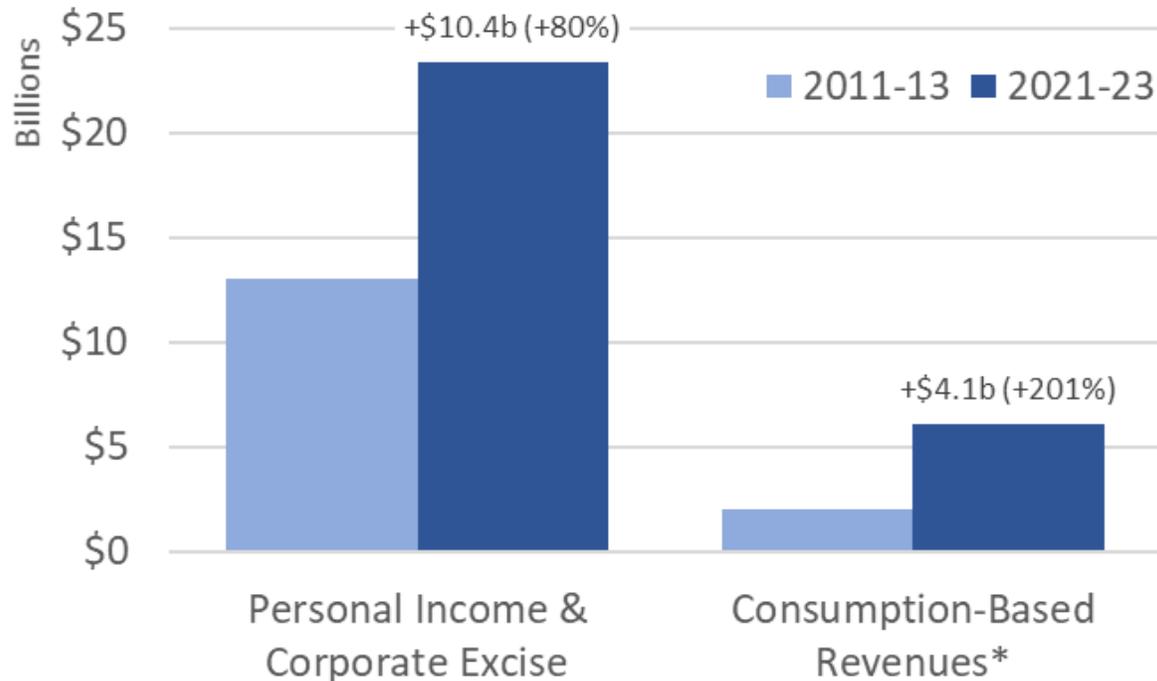
*Full-year Filers: Single and Married Filing Separately with taxable in above \$125,000 and Married, Head of Household, and Qualifying Widow(er) with taxable income above \$250,000 Sources: Oregon Dept of Revenue, Oregon Office of Econ Analysis





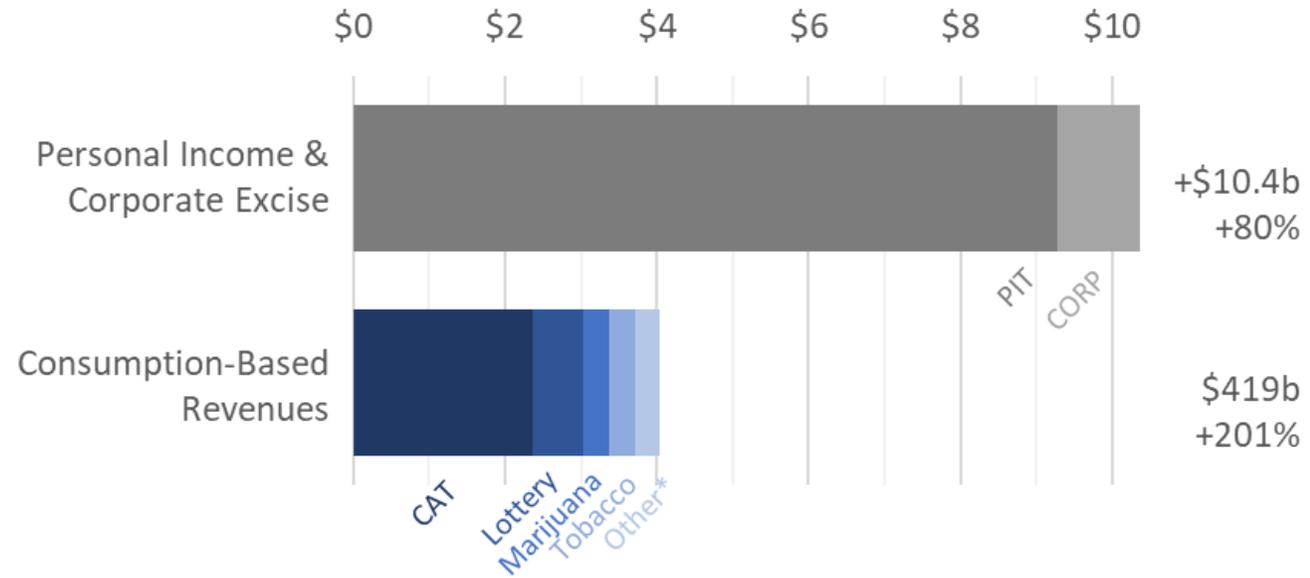
The General Fund is still volatile, but Oregon has diversified significantly

Consumption-Based Taxes Diversify Oregon Revenues



Diversifying Oregon Revenues

Increase in State Revenues from 2011-13 to 2021-23, \$ Billions



*Other includes Lodging, Vehicle Privilege and Use, and Bicycle Excise taxes

Source: Oregon Dept of Revenue, Oregon Dept of Transportation, Oregon Office of Econ Analysis

*Consumption-Based includes Liquor, Lodging, Lottery, and Tobacco revenues plus newer revenue from Corporate Activity, Marijuana, Vehicle Privilege and Use, and Bicycle Excise taxes

Source: Oregon Dept of Revenue, Oregon Dept of Transportation, Oregon Office of Econ Analysis

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Bottom Line



Changes relative to the December Forecast

March 2022 Forecast Changes

General Fund Revenues	\$ Millions from Dec		
	21-23	23-25	25-27
Personal Income Taxes	229	41	1,145
Corporate Income Taxes	384	64	53
Other	177	29	33
Total	789	134	1,230

Other Revenues	\$ Millions from Dec		
	21-23	23-25	25-27
Lottery	20	3	3
Corporate Activity Tax	-5	21	13
Marijuana Tax	0	0	0
Total	15	24	16

	\$ Millions from Dec		
	21-23	23-25	25-27
Total Sum	804	158	1,247

- The baseline revenue outlook has strengthened further in recent months as the inflationary boom continues
- Broad wage pressure persists, suggesting more is to come
- Traditional corporate taxes are coming in 50% higher than when the pandemic began, and 140% higher than four years ago
- Although much uncertainty remains, non-corporate GF revenues are now 4.4% above the COS forecast, which would lead to a \$964 million kicker payment starting in 2024





2021-23 Accounting Changes

Table R.1

2021-23 General Fund Forecast Summary

(Millions)	2021 COS Forecast	December 2021 Forecast	March 2022 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$20,628.1	\$21,159.1	\$21,388.0	\$228.9	\$760.0
Corporate Income Tax	\$1,344.0	\$1,594.2	\$1,977.8	\$383.5	\$633.8
All Other Revenues	\$1,353.5	\$1,380.7	\$1,557.7	\$177.0	\$204.2
Gross GF Revenues	\$23,325.5	\$24,134.1	\$24,923.5	\$789.5	\$1,598.0
Offsets, Transfers, and Actions ¹	-\$417.6	-\$427.0	-\$441.1	-\$14.1	-\$23.5
Beginning Balance	\$3,025.6	\$3,704.3	\$4,082.5	\$378.2	\$1,056.9
Net Available Resources	\$26,008.4	\$27,486.3	\$28,639.8	\$1,153.5	\$2,631.4
Appropriations	\$25,446.0	\$25,446.0	\$25,620.2	\$174.2	\$174.2
Ending Balance	\$562.4	\$2,040.3	\$3,019.6	\$979.3	\$2,457.2
Confidence Intervals					
67% Confidence	+/- 6.5%		\$1,625.0	\$23.30B to \$26.55B	
95% Confidence	+/- 13.0%		\$3,250.0	\$21.67B to \$28.17B	

- 2021-23 ending balance increased \$979 million
 - Gross revenues up \$790 million
 - Beginning balance is raised \$378 million due to unspent appropriations as accountants closed the books on 2019-21
 - 2021-23 appropriations increased \$174 million

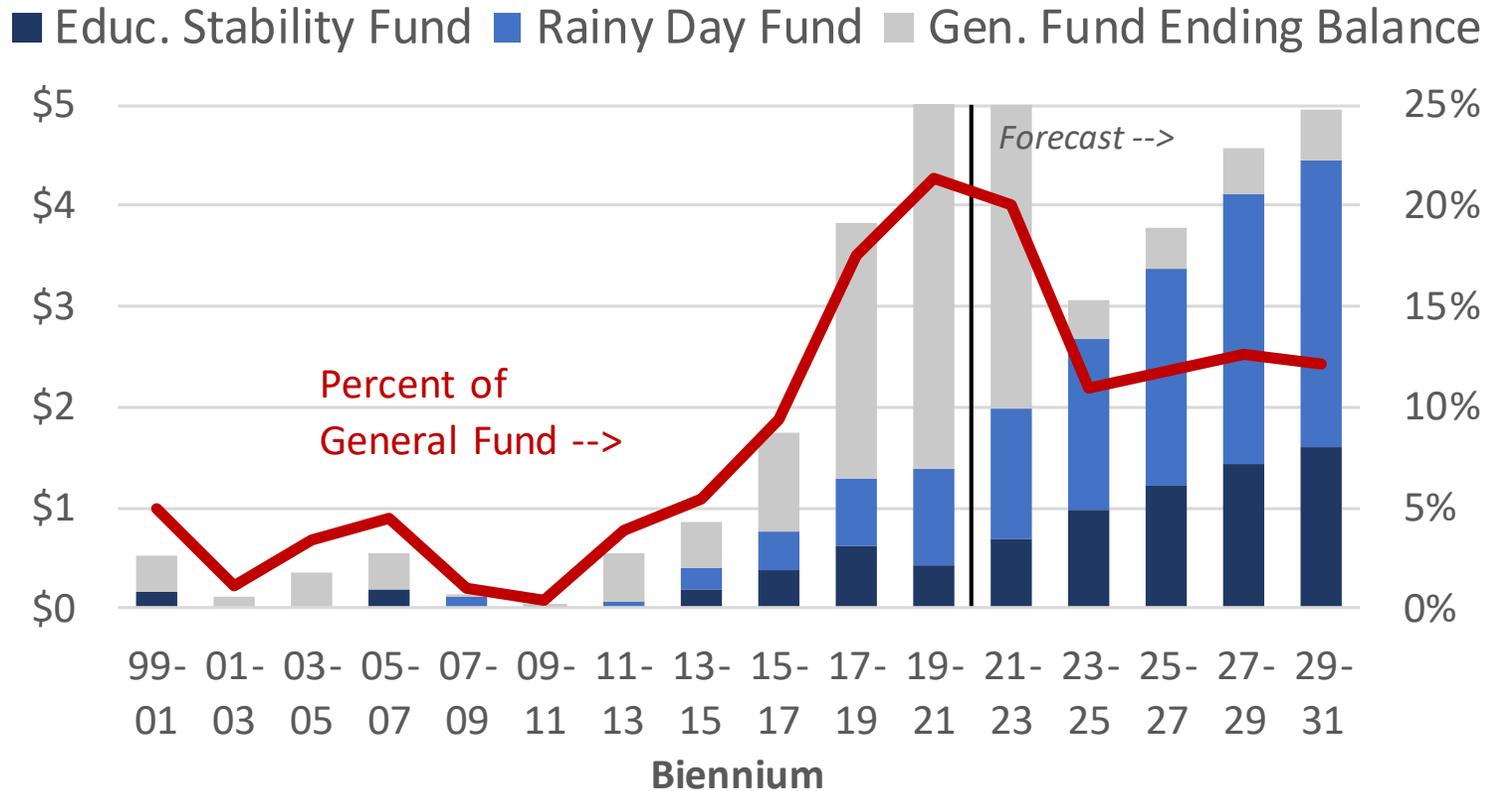
¹ Reflects personal and corporate tax transfers, cost of cashflow management actions (TANS), and Rainy Day Fund transfer





Sizable reserves remain

Oregon Budgetary Reserves (billions)



Effective Reserves (\$ millions)

	<i>Current Jan-22</i>	<i>End 2021-23</i>
ESF	\$489	\$696
RDF	\$965	\$1,288
Reserves	\$1,454	\$1,983
Ending Balance	\$3,020	\$3,020
Total	\$4,474	\$5,003
% of GF	18.8%	20.0%

Source: Oregon Office of Economic Analysis





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