



# Oregon

House & Senate Revenue Committees

## Economic and Revenue Forecast May 2011

Presented by: Office of Economic Analysis

Date: May 12, 2011



# Recent Oregon Economy Facts

- 10.0% unemployment rate for March 2011 (Mar US rate is 8.8%) is down from the highest rate of 11.6% in May and June 2009. The 2010 average was 10.8%.
- 7<sup>th</sup> fastest job growth at 1.72% for all states for Mar 2011 over Mar 2010.
- Total nonfarm employment increased 1.8% year-over-year for the 1<sup>st</sup> quarter of 2011. S.A. job gains in five consecutive months since Oct. 2010 (down in March). Total nonfarm up 27,200 since Sept 2010 with the private sector up 25,200.
- 3.3% personal income growth for 4<sup>th</sup> quarter of 2010 over 4<sup>th</sup> quarter of 2009. Annualized 4<sup>th</sup> quarter 2010 growth at 3.0%.
- Oregon exports increased 18.6% in 2010 compared to 2009. In total dollar value, 2010 was the second largest year for Oregon exports, trailing only 2008. Jan 2011 is up 2.6% Y/Y.

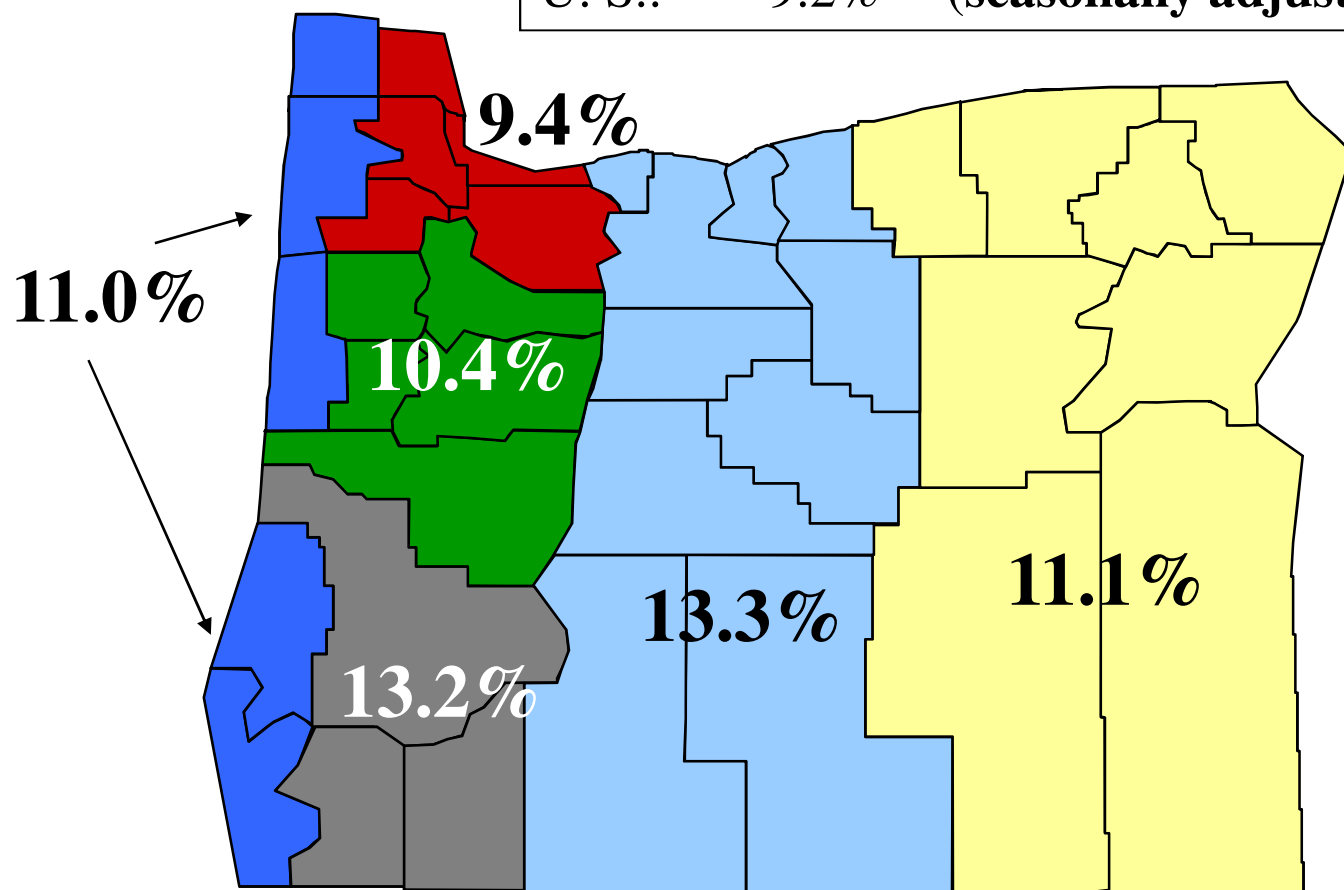




# Unemployment Rate by Region, March 2011

(Not seasonally adjusted for counties)

Oregon: 10.5% (seasonally adjusted: 10.0%)  
U. S.: 9.2% (seasonally adjusted: 8.8%)



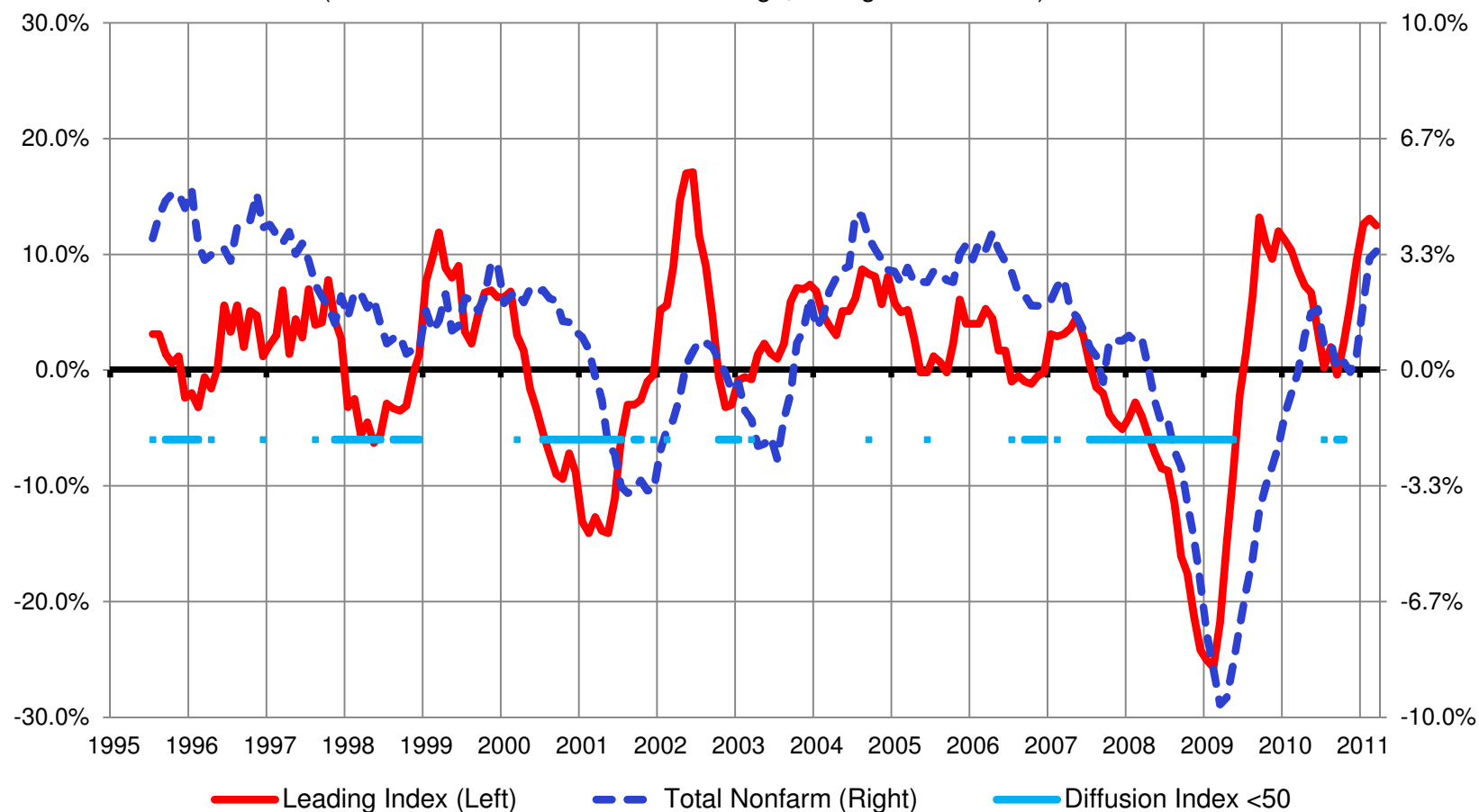


# Leading Indicators

*6 Month Diffusion Index: 72.7*

## Oregon Index of Leading Indicators

(Six-Month Annualized Percent Change, through March 2011)



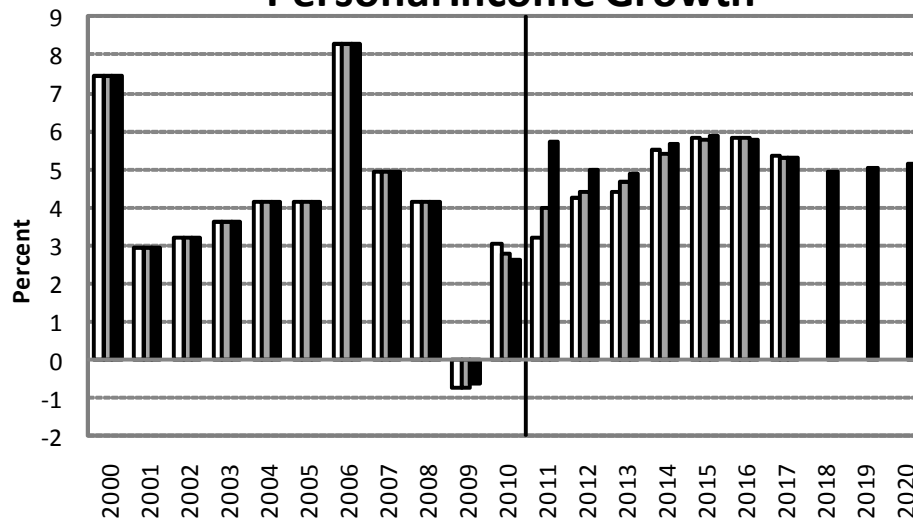


# Forecast Comparisons

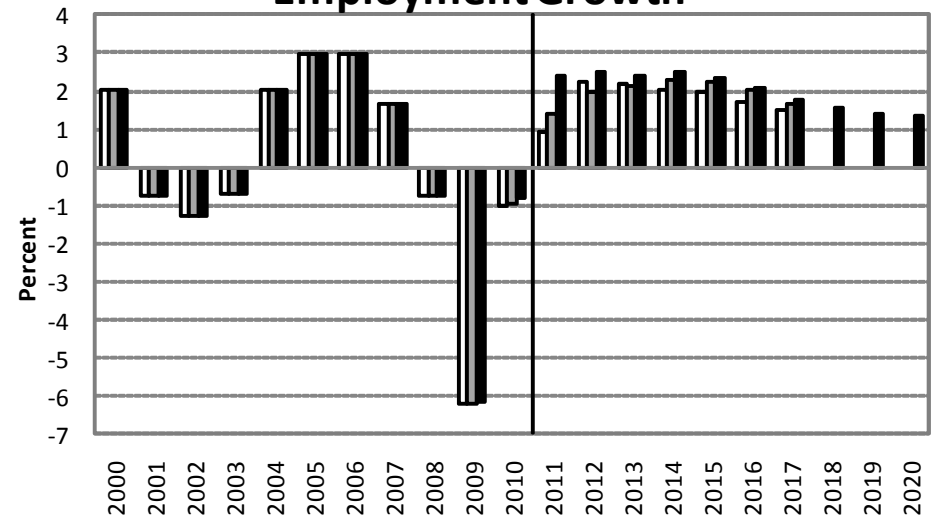
Comparison of Last Three Forecasts

□ Dec 2010    ■ Mar 2011    ■ May 2011

Personal Income Growth



Employment Growth





# Risks to the Forecast...?

## Near term risks

- ❖ Natural Disaster in Japan
- ❖ European Sovereign Debt Issues
- ❖ Federal Deficit and Debt Ceiling Debates
- ❖ Exit Federal Reserve Policies
- ❖ Middle East Unrest and Oil Prices
- ❖ China's Economy and Currency Policies
- ❖ State and Local Governments

## ▲ **Upside**

- ▲ Financial markets return more quickly to normal
- ▲ Greater Business and Consumer optimism and spending
- ▲ More robust global growth





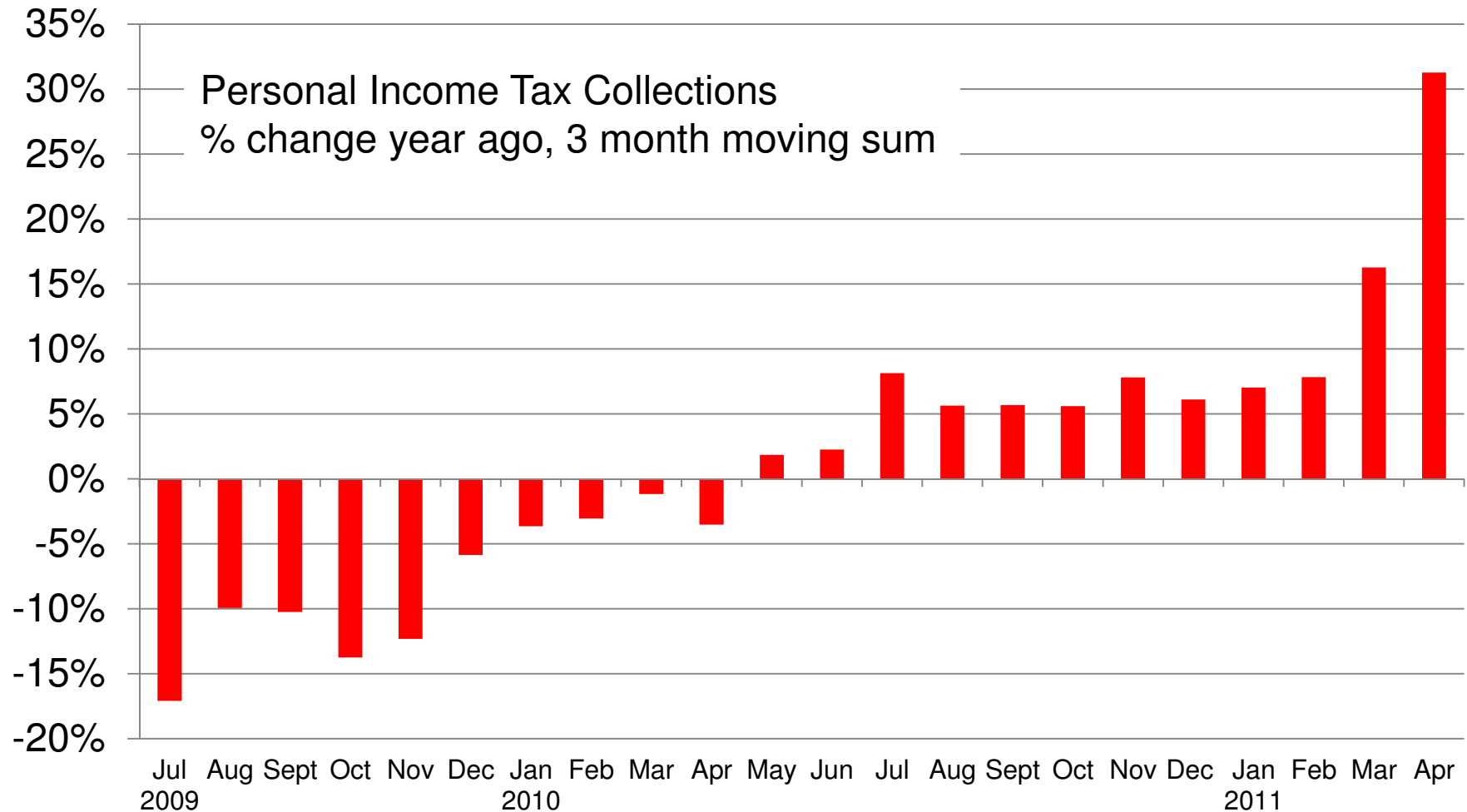
# General Fund Revenues: Recent Performance

- **Revenue Recovery Is Under Way**
  - Strong gains in personal income tax collections fueled by both labor markets and equity markets
  - Corporate tax collections are decelerating rapidly in Oregon, and are falling outright in most other states
  - Video lottery revenues are growing slowly
  - Inheritance taxes have been very weak this year





# PIT Collections Bounce Back

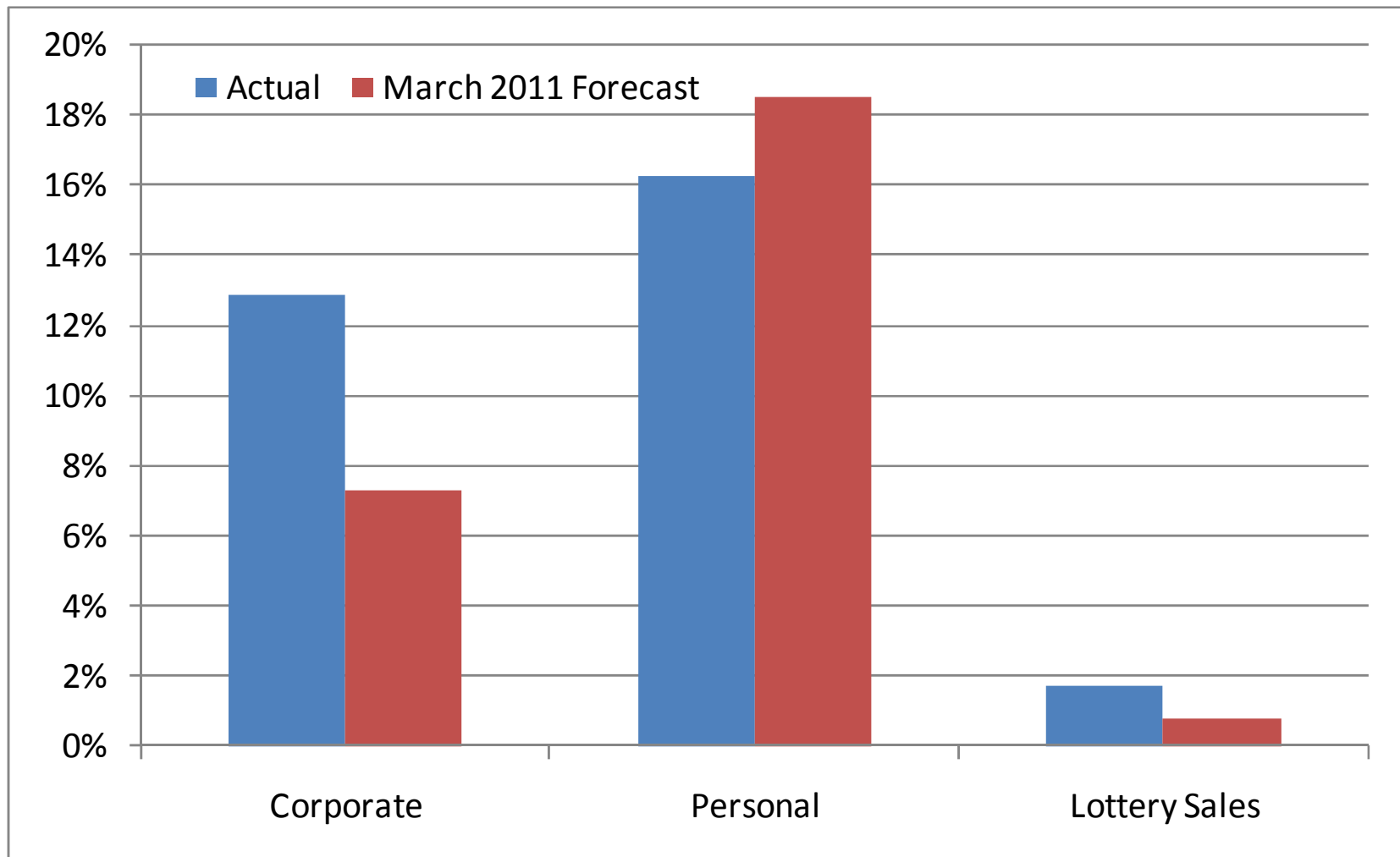






# Revenue Growth Is a Mixed Bag

Jan-March Quarter, % change vs. year ago





# 2009-11 Resource Summary

<b>COMBINED REVENUE</b>	<b>March 2011 Forecast</b>	<b>May 2011 Forecast</b>	<b>Difference</b>
<b>Beginning Balance</b>	0.0	0.0	0.0
<b>Personal Income Taxes</b>	10,458	10,431	-27.2
<b>Corporate Excise Taxes</b>	841	842	0.7
<b>Other</b>	1,130	1,107	-22.6
<b>TOTAL GF REVENUE</b>	<u>12,429</u>	<u>12,380</u>	<u>-49.0</u>
<b>Lottery Resources</b>	1,087	1,089	1.4
<b>Anticipated Administrative Actions</b>	-15.7	-8.2	7.5
<b>Legislatively Adopted Actions</b>	123	123	0.0
<b>TOTAL COMBINED RESOURCES</b>	13,624	13,584	-40.2

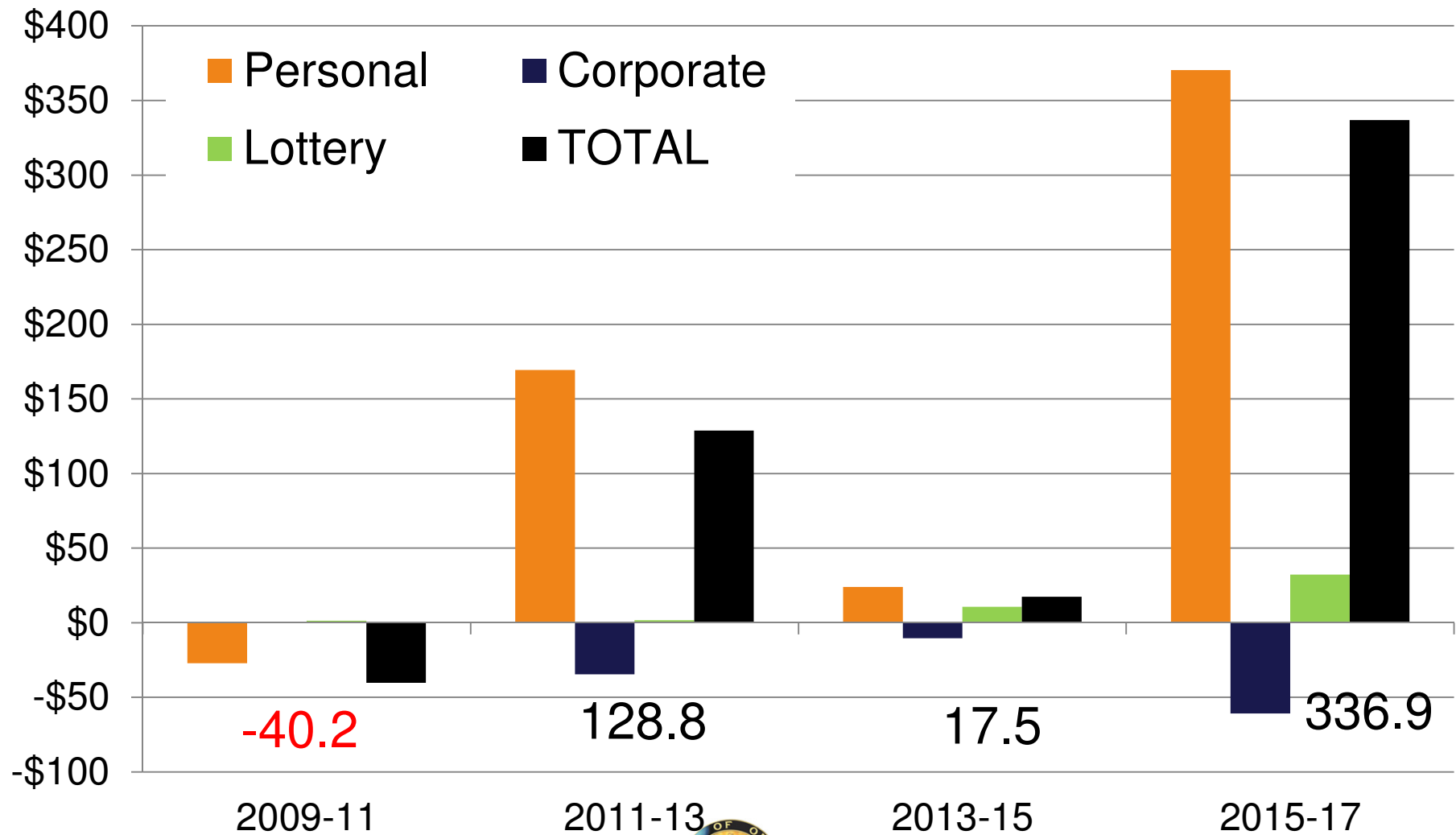


Net Ending Balance: **-\$15.7**



# Forecast Changes

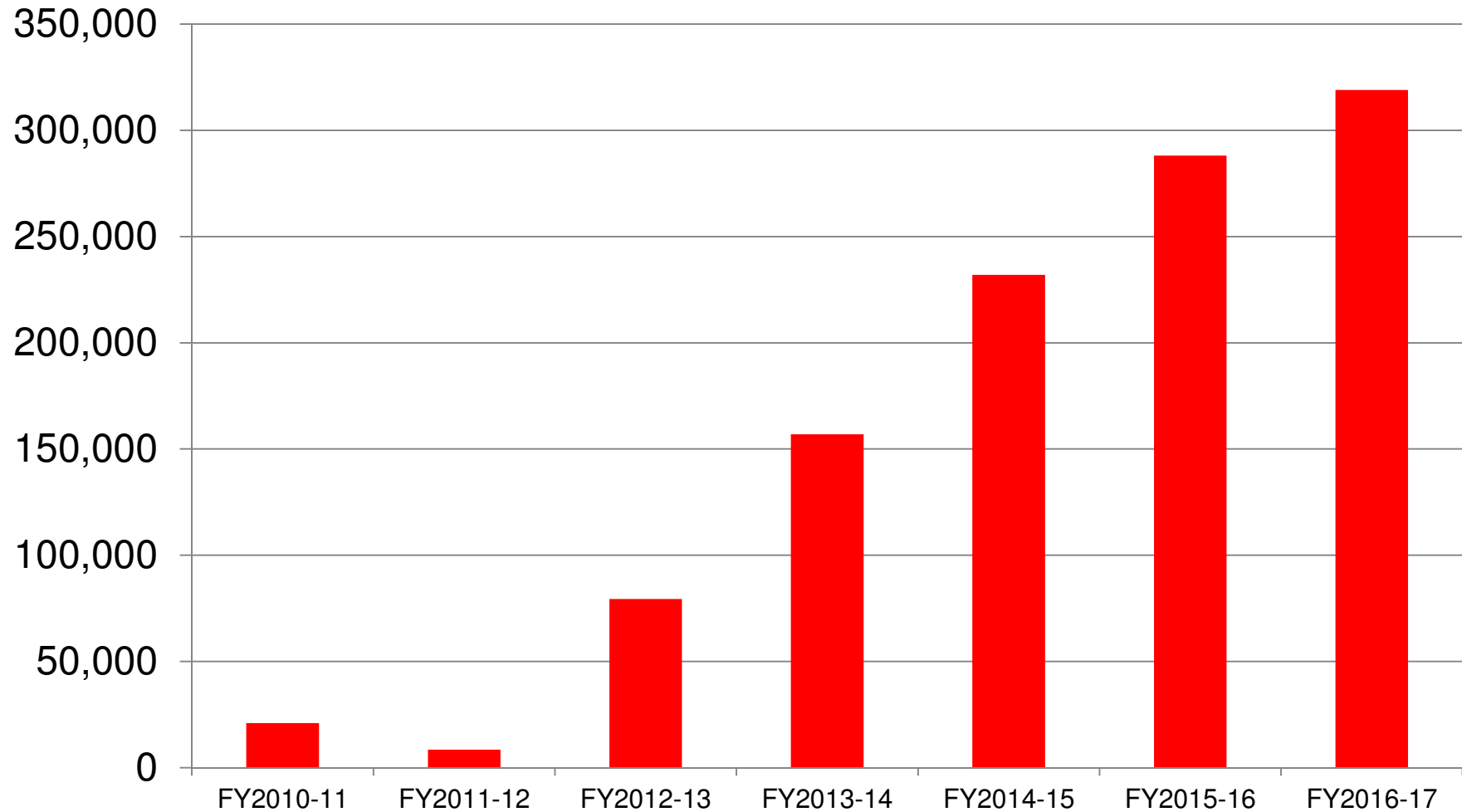
Difference from March forecast, millions





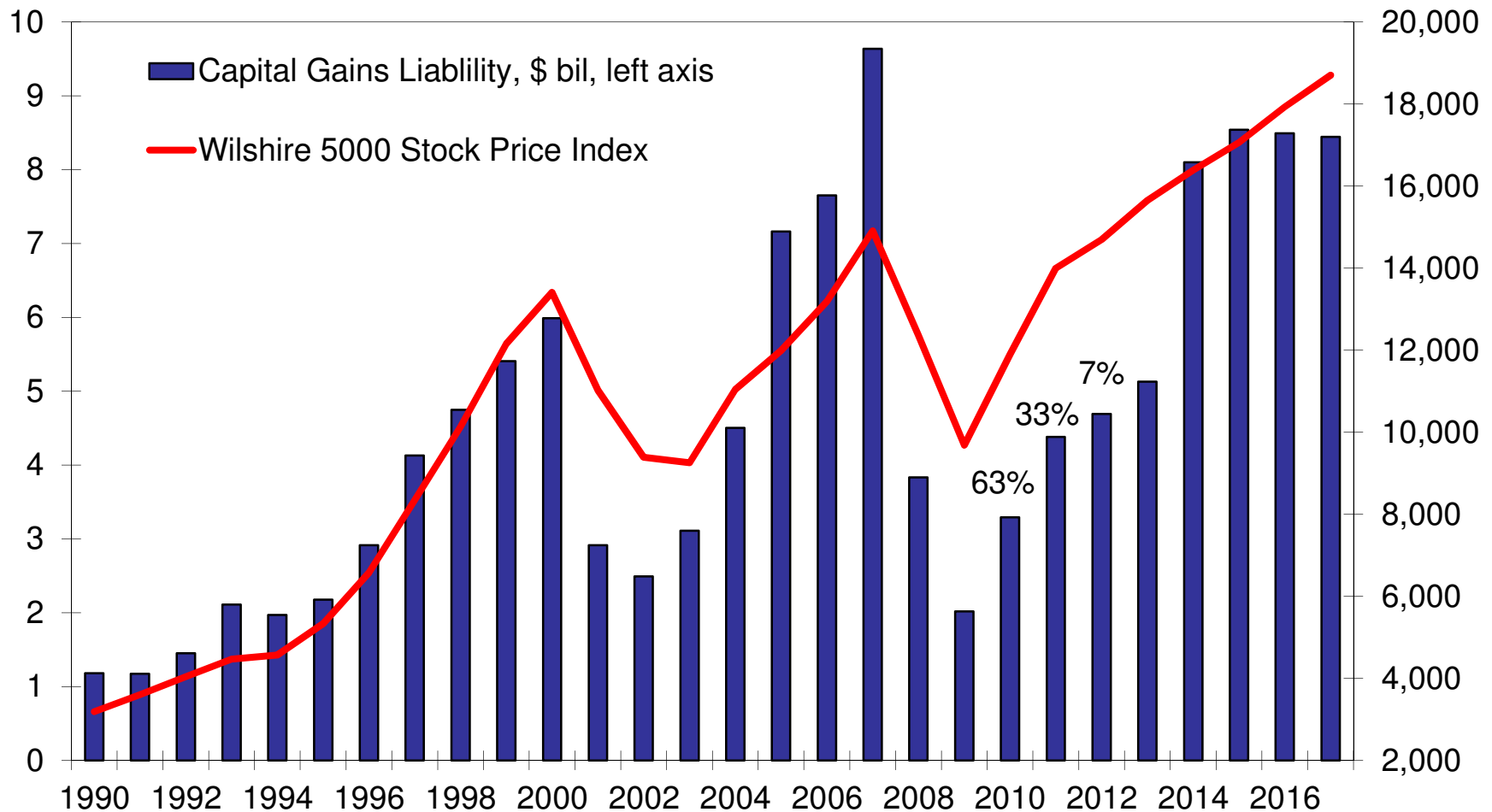
# Jobs Are the Cure

PIT Withholdings, Difference from March Forecast,, \$millions





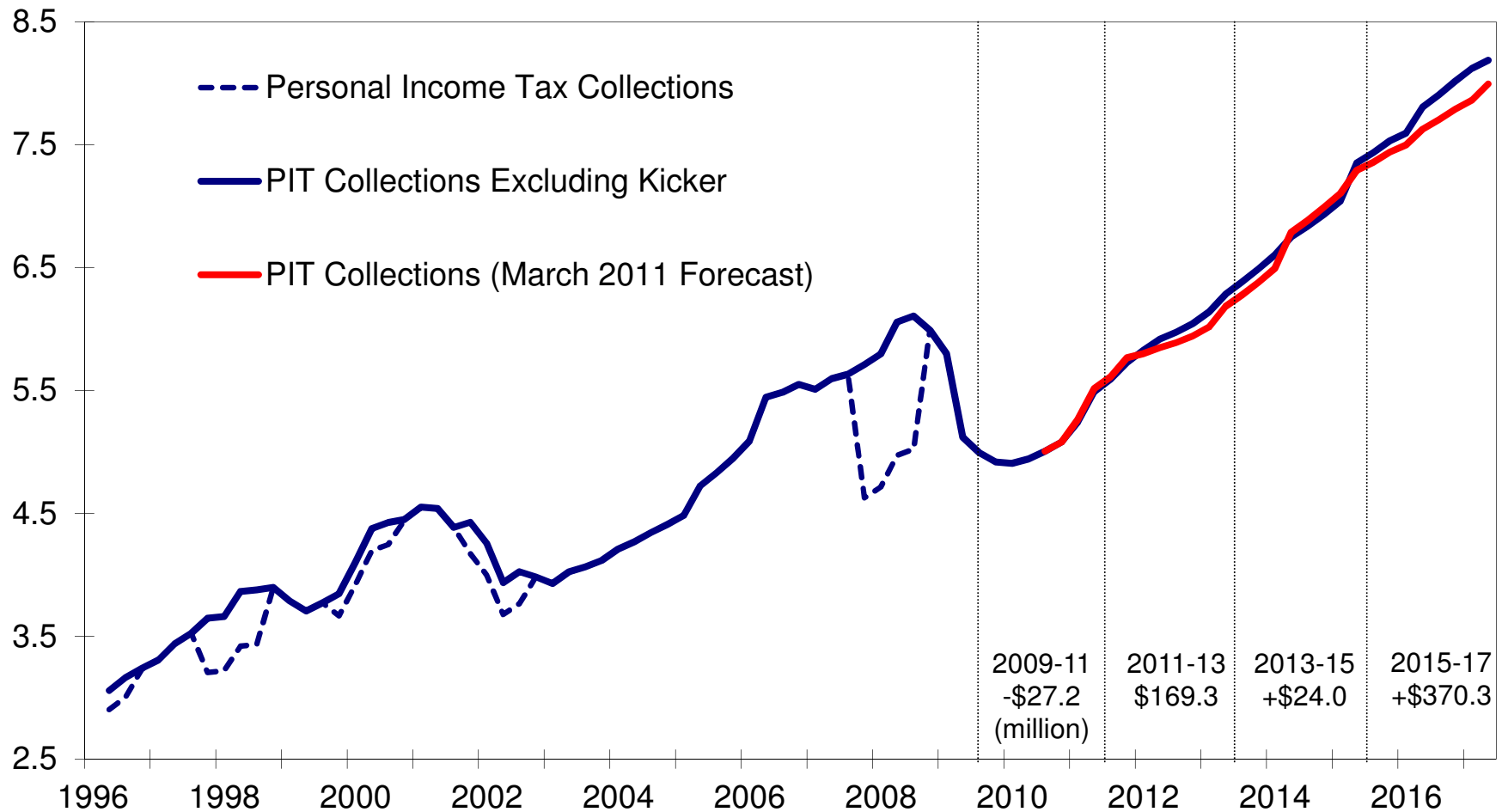
# Capital Gains & Stock Prices





# Personal Income Tax Forecast

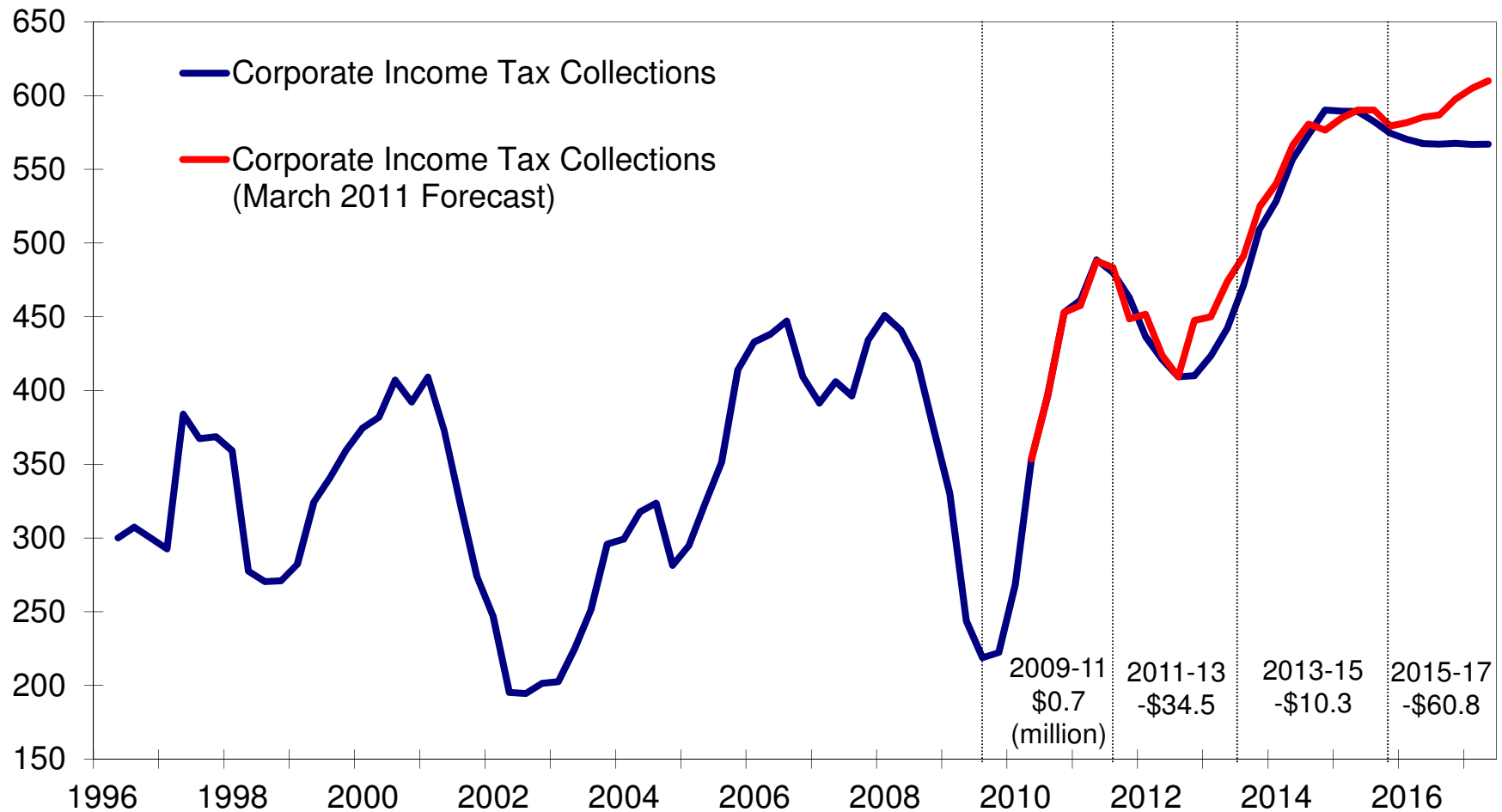
\$ billions, 4 quarter moving sum





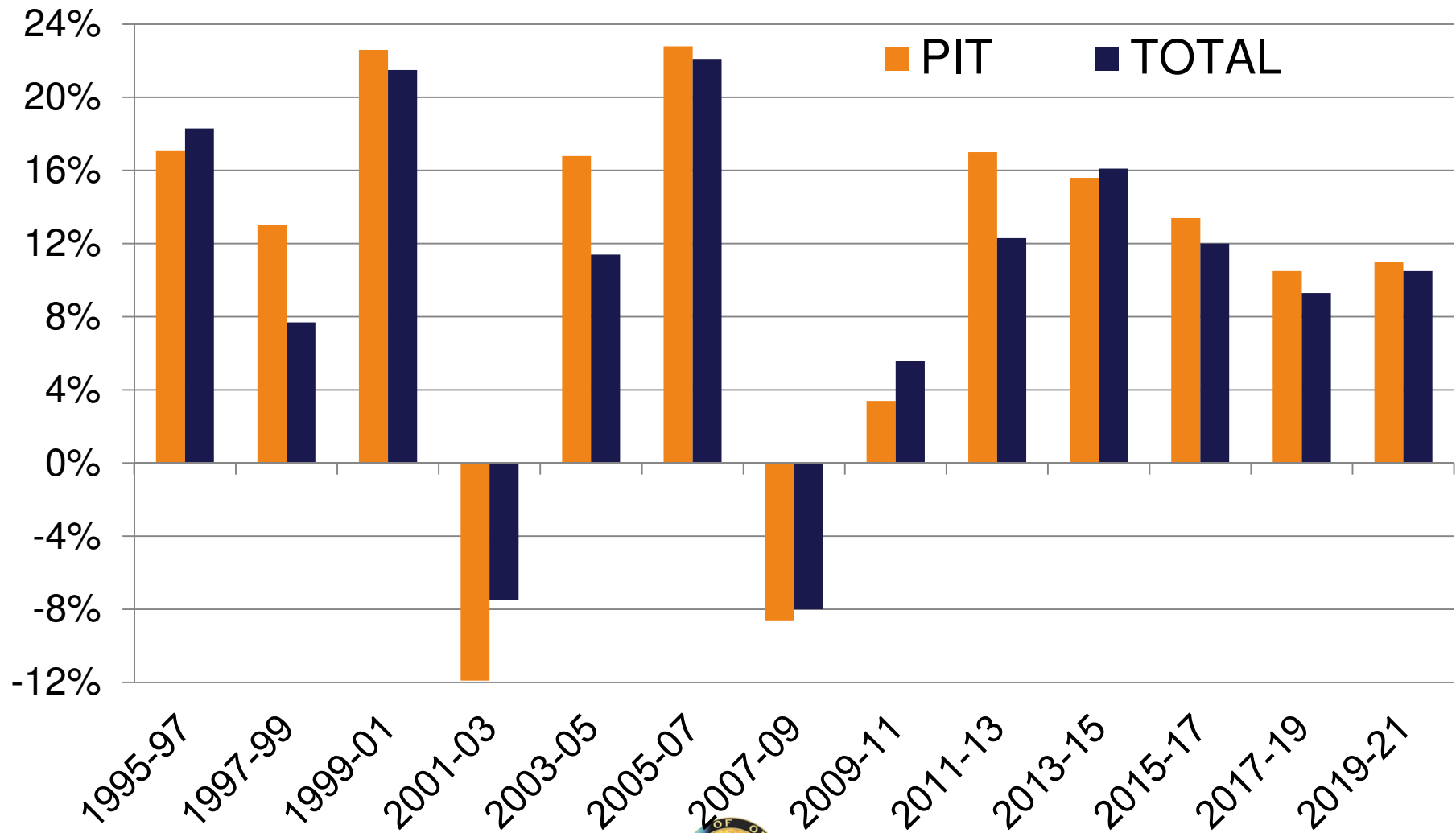
# Corporate Income Tax Forecast

\$ millions, 4 quarter moving sum





# Biennial Revenue Growth







## Oregon's Budgetary Reserves

(Millions)	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
<b>Rainy Day Fund</b>				
Beginning Balance	\$0.0	\$112.5	\$10.4	\$10.7
Net Deposits <sup>3</sup>	\$94.3	-\$103.4	\$0.0	\$198.1
Interest	\$18.3	\$1.3	\$0.4	\$9.7
<b>Ending Balance<sup>1</sup></b>	<b>\$112.5</b>	<b>\$10.4</b>	<b>\$10.7</b>	<b>\$218.5</b>
<b>Education Stability Fund</b>				
Beginning Balance	\$178.9	\$0.0	\$101.4	\$194.4
Net Deposits	-\$178.9	\$101.4	\$92.9	\$198.5
Interest <sup>2</sup>	\$17.2	\$1.1	\$5.0	\$21.9
Triggered Withdrawals	-\$17.1	-\$1.1	-\$5.0	-\$21.9
<b>Ending Balance</b>	<b>\$0.0</b>	<b>\$101.4</b>	<b>\$194.4</b>	<b>\$392.9</b>
<b>Total Reserves</b>	<b>\$112.5</b>	<b>\$111.8</b>	<b>\$205.1</b>	<b>\$611.3</b>

### Footnotes:

1. Under current law, only 2/3rds of the beginning balance is available for withdrawal. Withdrawal subject to economic and financial triggers.
2. Education Stability Fund interest is distributed to the Oregon Education Fund (75%) and the State Scholarship Commission (25%).
3. Includes transfer of ending General Fund balances, up to 1% of budgeted appropriations, as well as private donations.





# For More Information

Office of Economic Analysis  
155 Cottage Street NE, U20  
Salem, OR 97301-3966  
(503) 378-3405

Email: [oea.info@state.or.us](mailto:oea.info@state.or.us)

Website: <http://oregon.gov/das/oea>

Blog: <http://oregoneconomicanalysis.wordpress.com/>

Twitter: [http://twitter.com/OR\\_EconAnalysis](http://twitter.com/OR_EconAnalysis)

