



STATE OF OREGON

Economic and Revenue Outlook: May 2015

May 14th, 2015

Oregon Office of Economic Analysis

Mark McMullen

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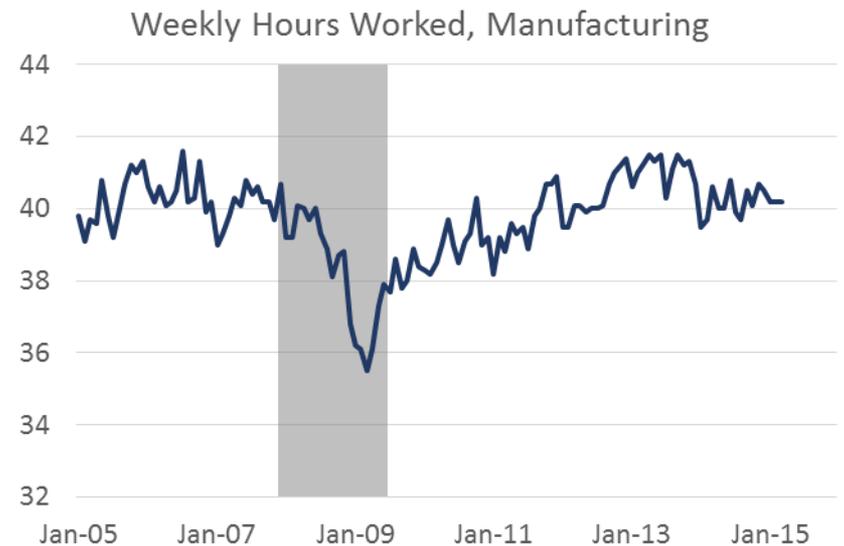
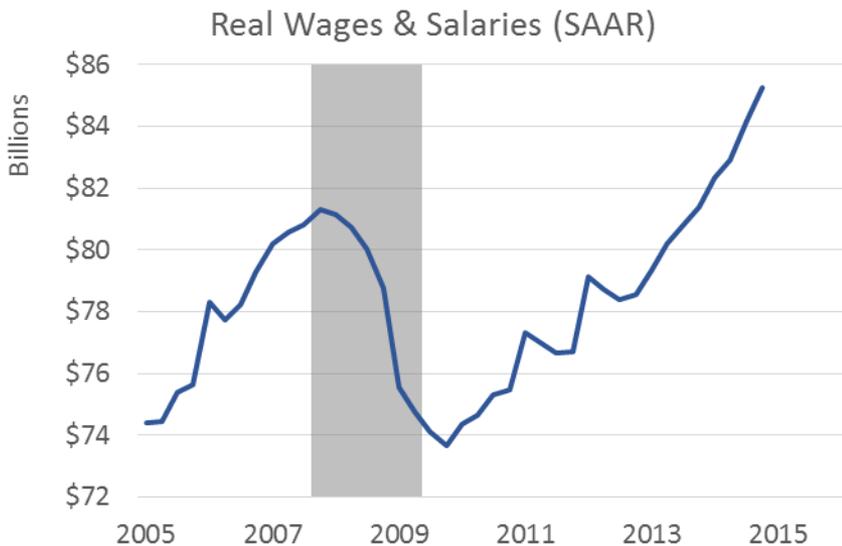
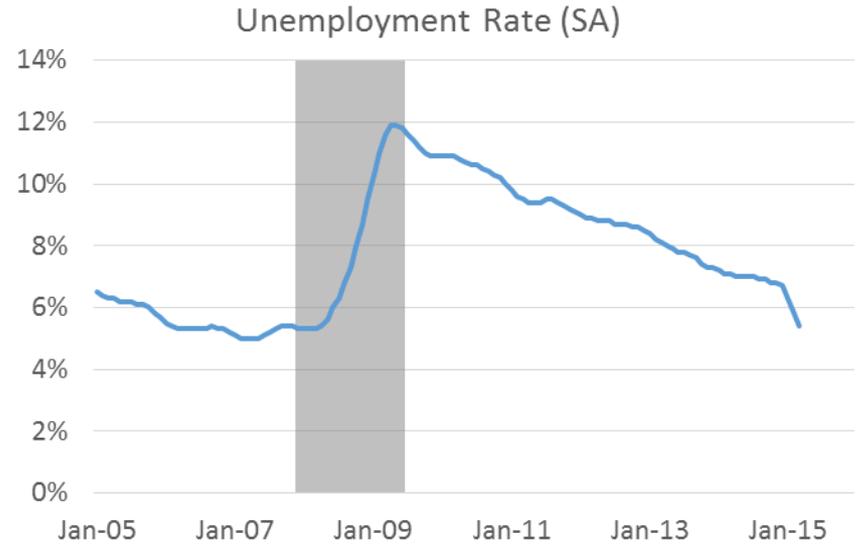
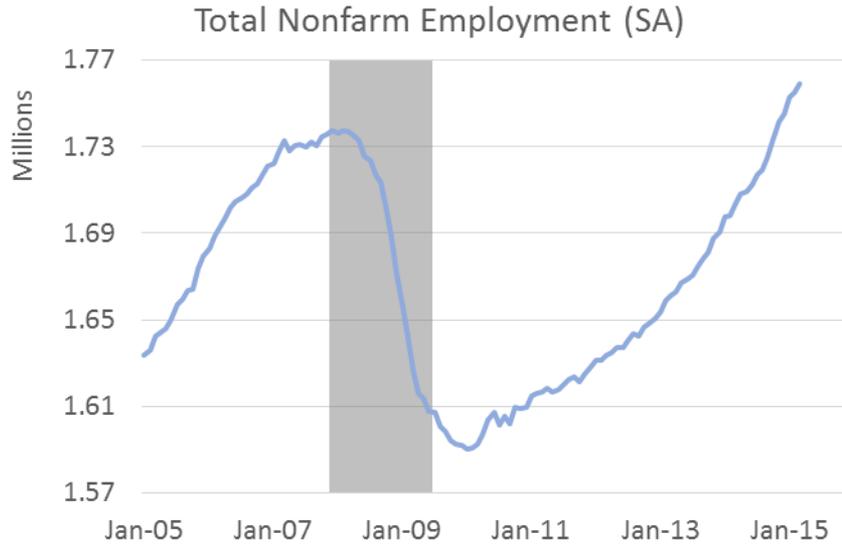


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Recent Performance

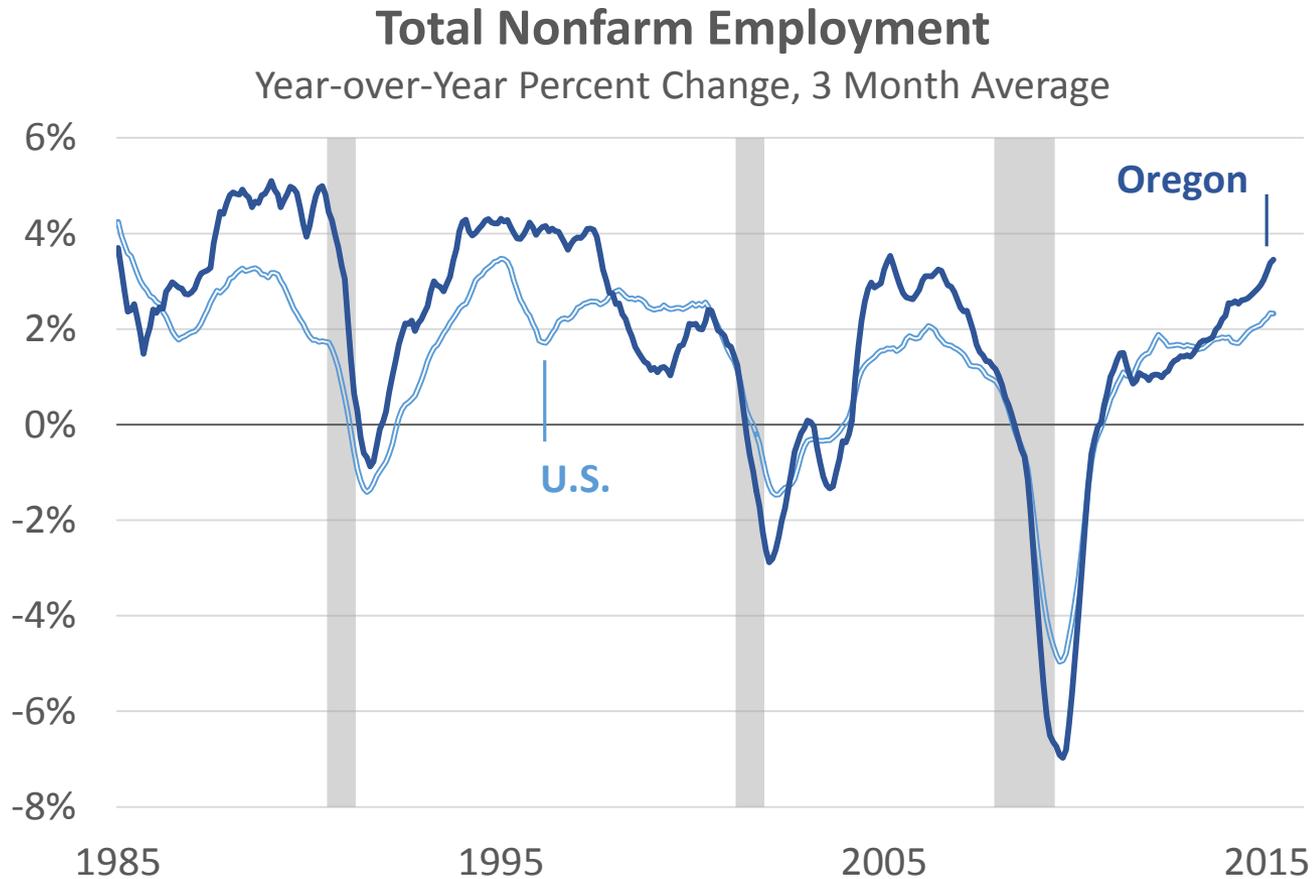


Oregon Today: News Is Still Good





Traditional Advantage Regained



Source: BLS, Oregon Employment Department, Oregon Office of Economic Analysis



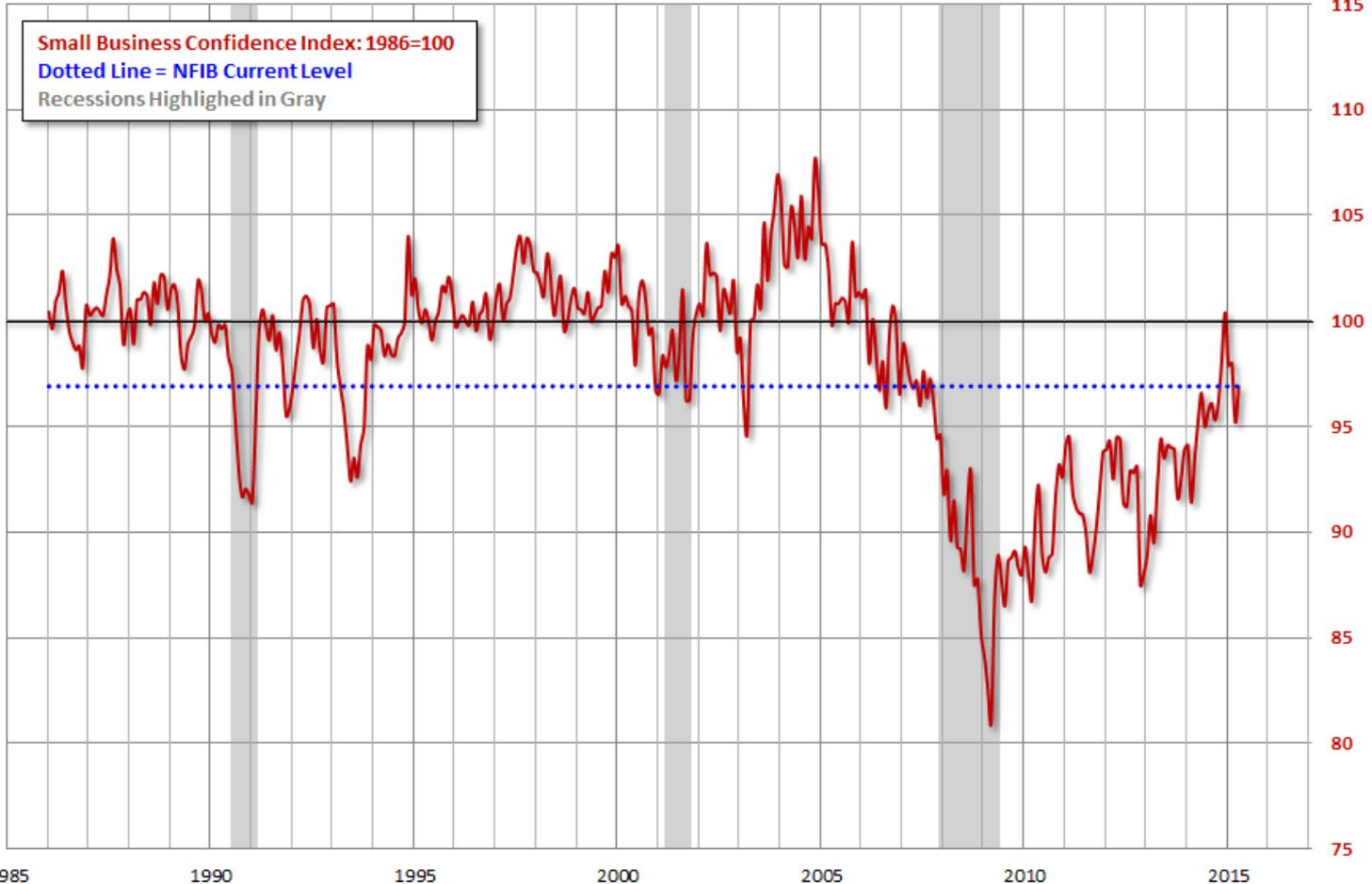


Sentiment Improving

NFIB Small Business Optimism Index

dshort.com
May 2015
Data through April

..... Current Level is now at 96.9

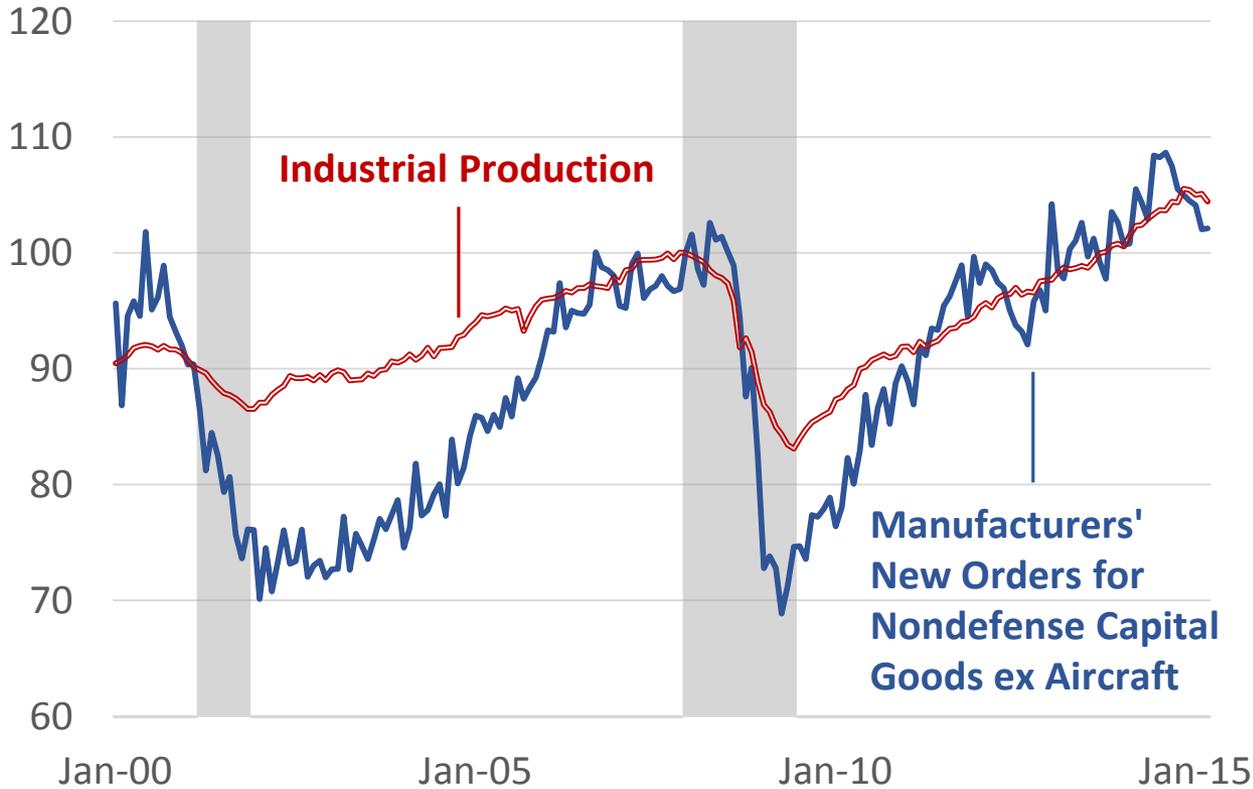




Engine Trouble?

Manufacturing Slowdown

Values Indexed to Dec '07 = 100



Source: Census, Federal Reserve, Oregon Office of Economic Analysis



Localized Engine Trouble?

Initial U.I. Claims

Seasonally Adjusted, Index 2000 = 100



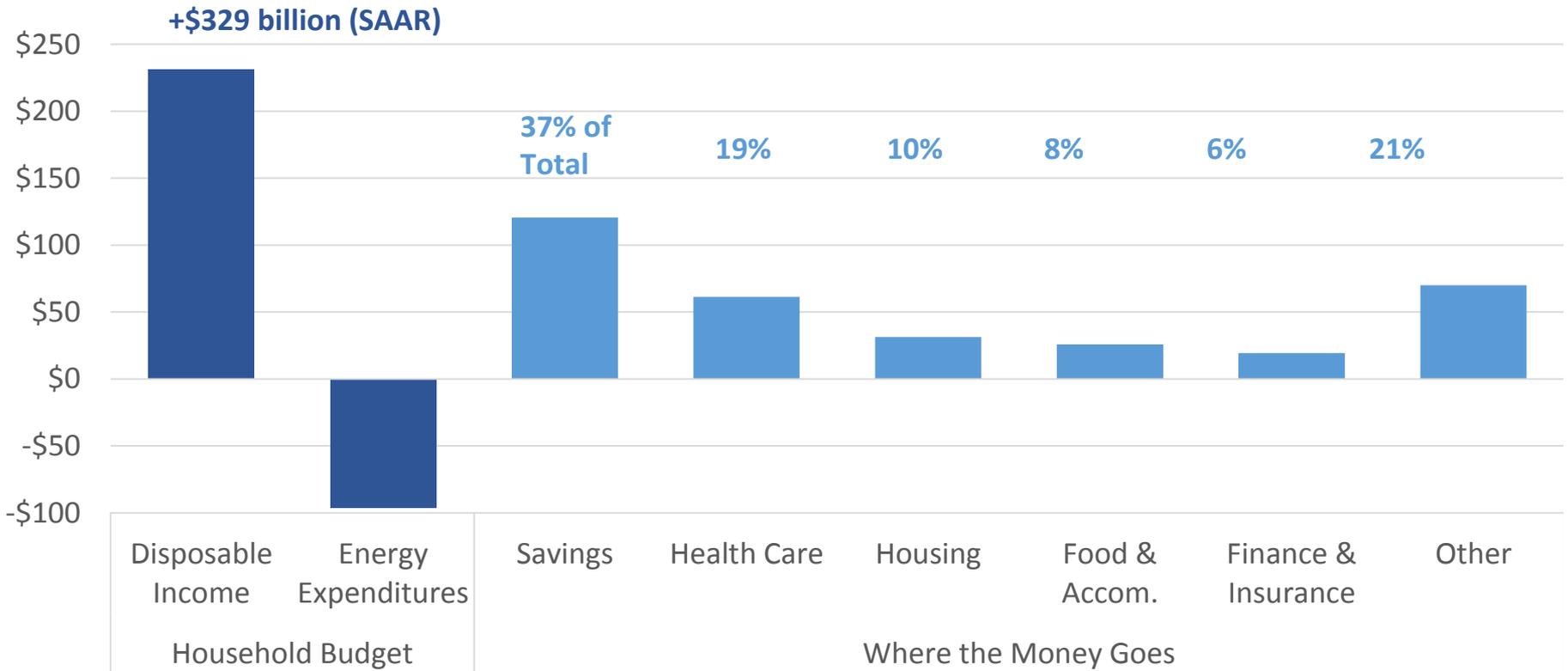
Weekly claims data converted to monthly, then seasonally adjusted. Data through April 2015.
Source: U.S. Dept of Labor, Oregon Office of Economic Analysis



Consumer: MIA or Waiting?

The Oil Math

Change In Household Finances 2014q3 to Jan-Feb '15, \$billions



Source: BEA, Oregon Office of Economic Analysis



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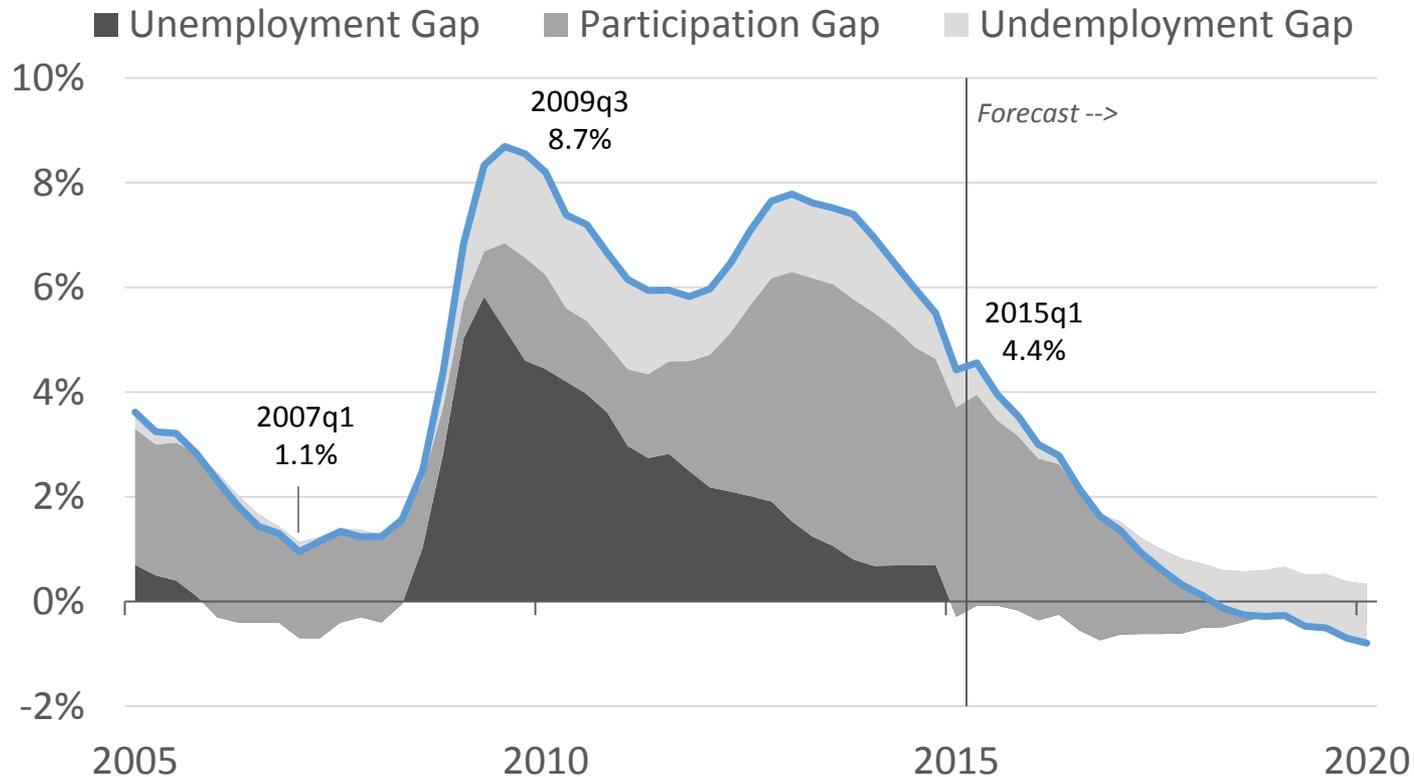
Dissecting Job Gains



Not Back to Full Employment, Yet

Oregon's Total Employment Gap

FTE Relative to Full Employment



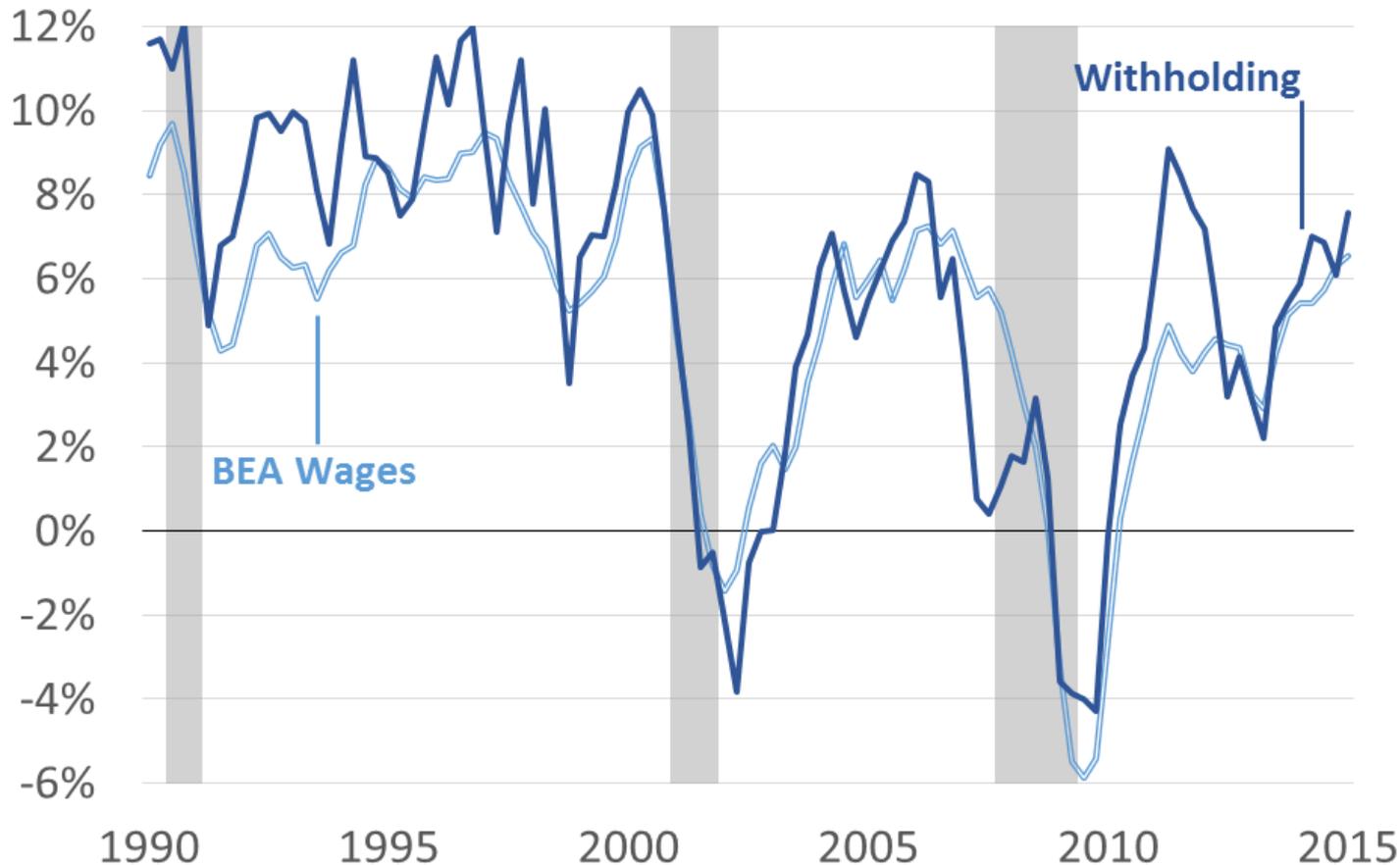
Source: BLS, CBO, Census, Dartmouth, IMF, OED, Oregon Office of Economic Analysis



Wage Gains Are Back!

Oregon Wage Growth

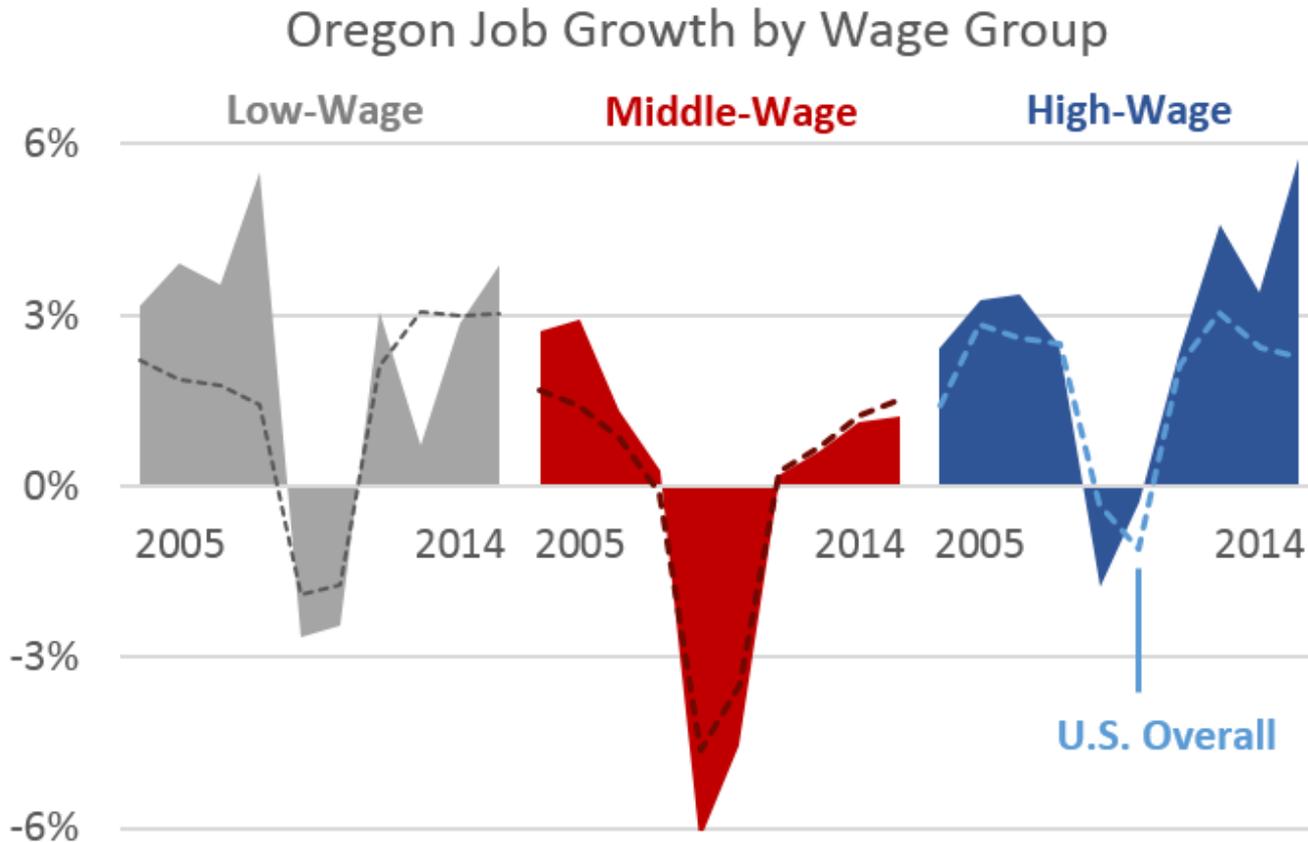
2 Qtr Moving Average, Y/Y



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



Update on the Quality of Jobs

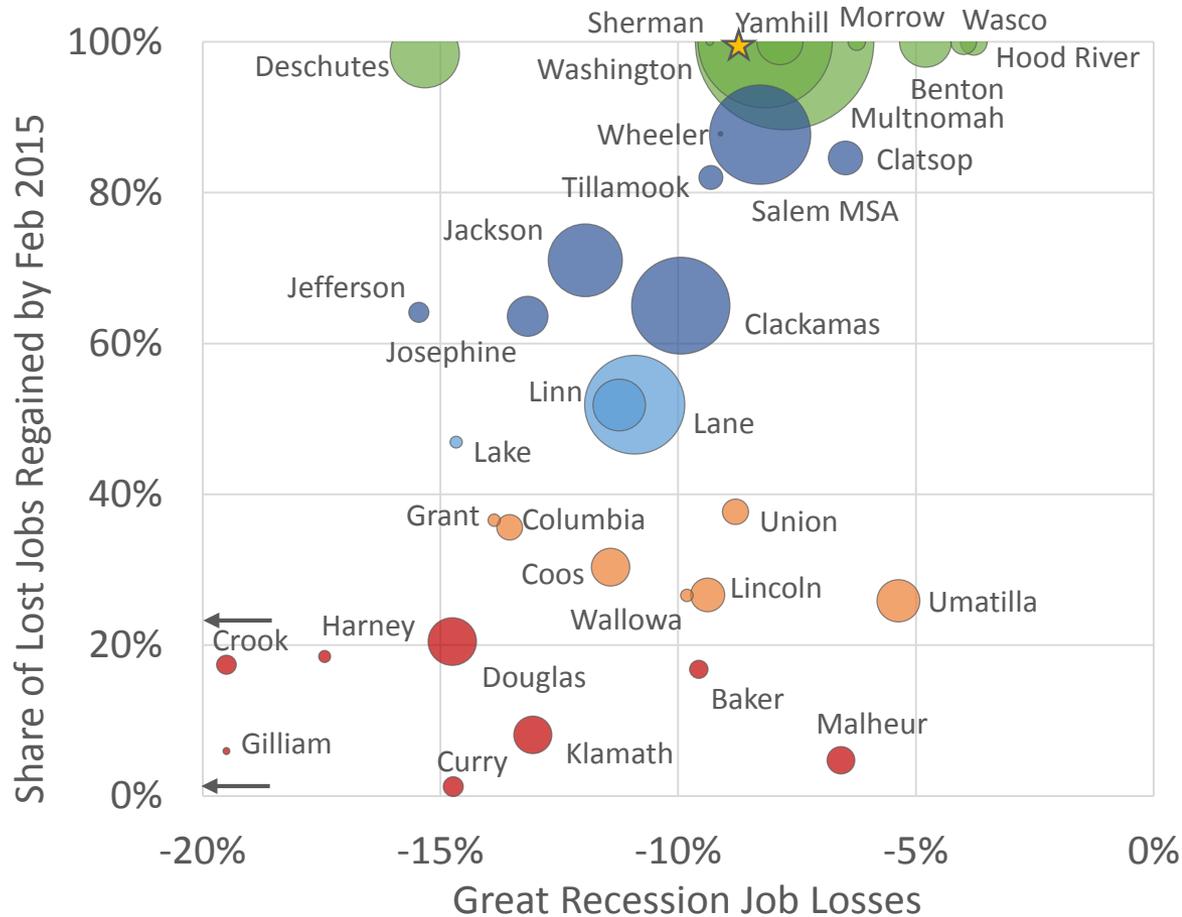


Categories based on median wage for major occupational groups.
Source: BLS, Oregon Office of Economic Analysis



Regional Growth Improving

Oregon Employment by County



All Regained
2 in 3 or More
About Half
1 in 3 Regained
1 in 5 or Less



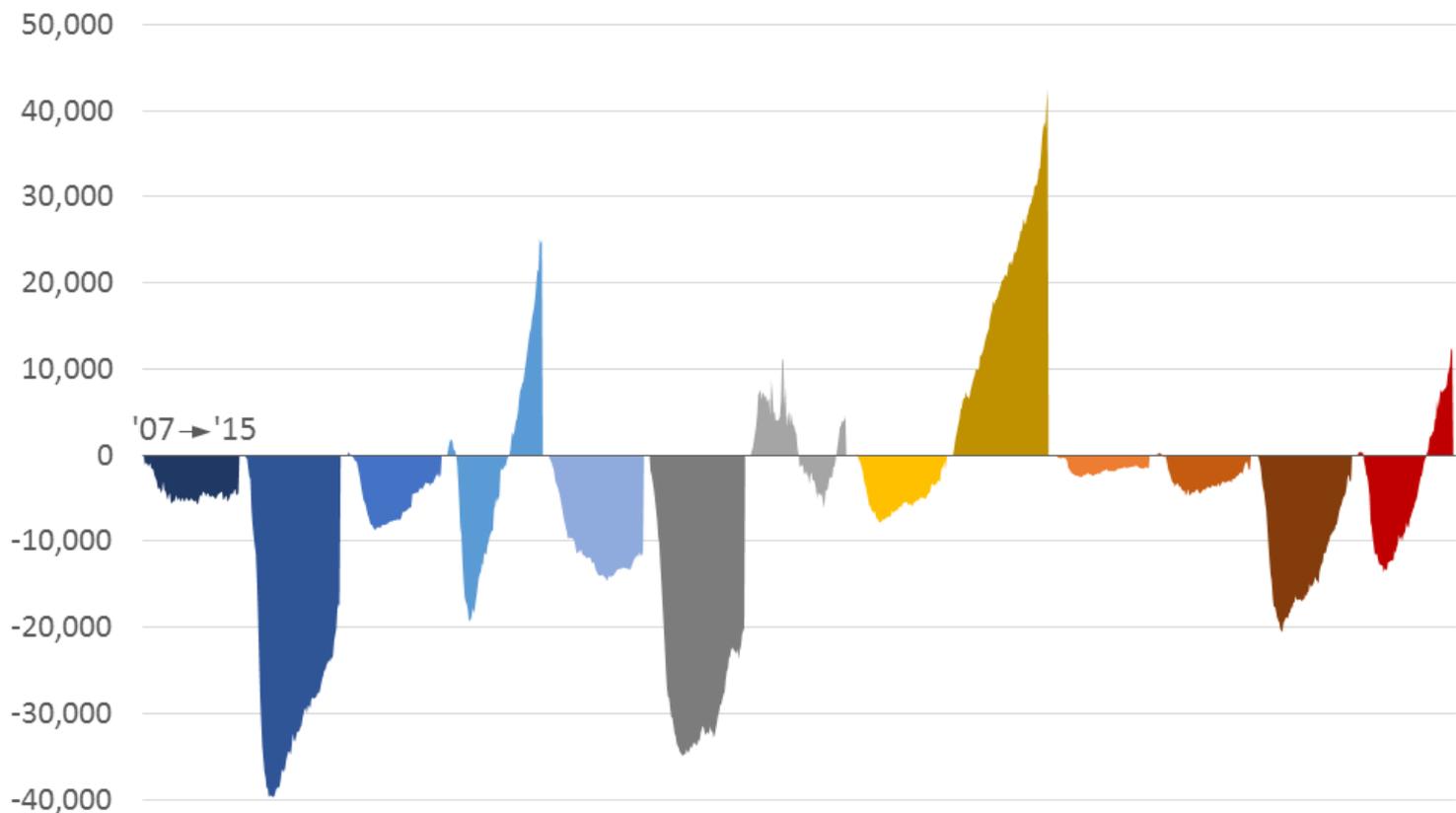
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Risks



Bubble Watch: One of These Things Is Not Like the Others

Oregon Employment and the Great Recession
December 2007 through March 2015 Employment Change by Industry



| Industry | Info. | Manuf. | Whsle. | Prof/Biz | Fin. | Act. Const. | Gov't | Transp. | Ed/Hlth | Logging | Other | Retail | Leisure |
|----------|--------|---------|--------|----------|---------|-------------|--------|---------|---------|---------|--------|--------|---------|
| Jobs | -4,400 | -17,400 | -2,300 | +25,000 | -11,100 | -20,700 | +4,600 | -500 | +42,400 | -1,500 | -1,700 | -2,900 | +12,200 |
| Avg Wage | \$69k | \$63k | \$63k | \$60k | \$59k | \$53k | \$49k | \$47k | \$47k | \$31k | \$29k | \$28k | \$18k |

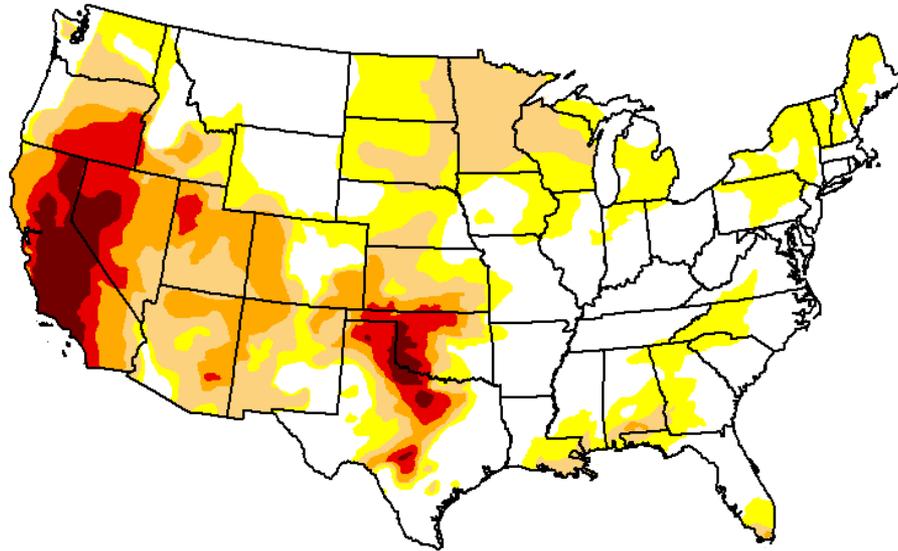
Source: Oregon Employment Department, Oregon Office of Economic Analysis





Drought Concerns

U.S. Drought Monitor Contiguous U.S.



Intensity:

- D0 - Abnormally Dry
- D1 - Moderate Drought
- D2 - Severe Drought

- D3 - Extreme Drought
- D4 - Exceptional Drought

Source: droughtmonitor.unl.edu

- Loss of crops and income
- Increased costs for irrigation & feed
- Suppliers impacted
- Wildfire, hydro

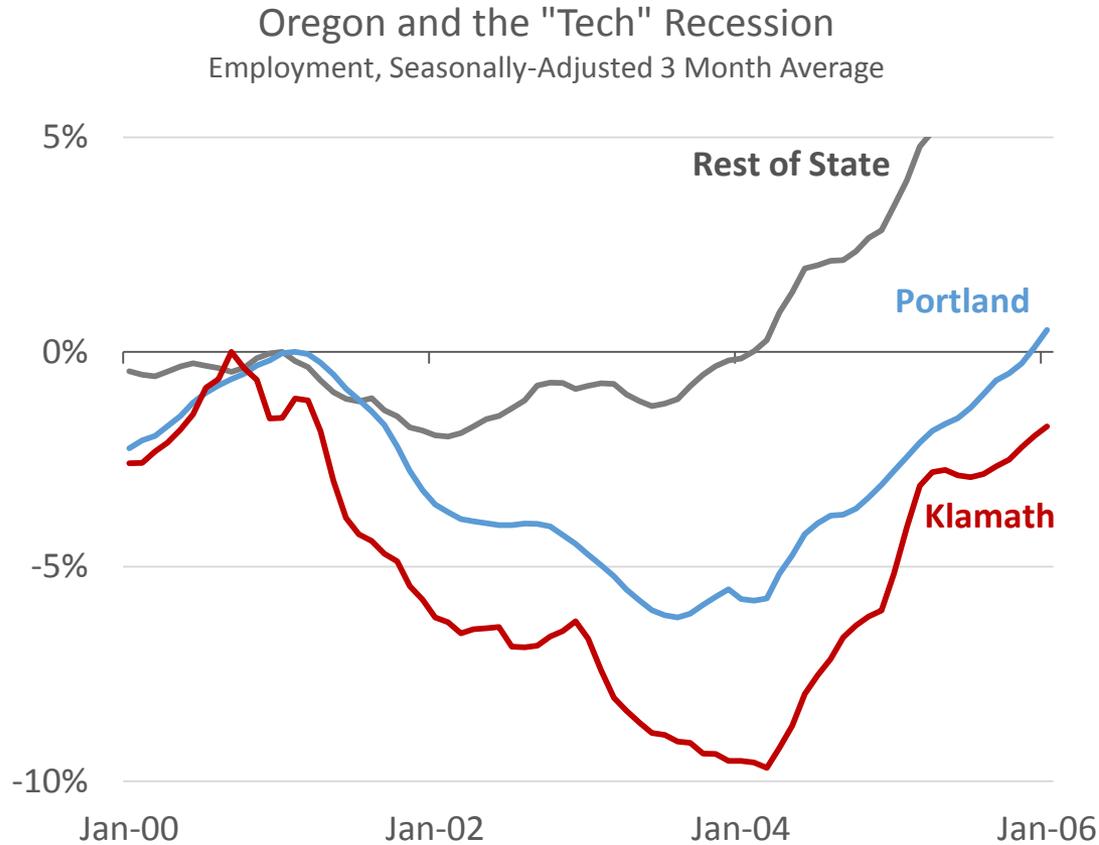
- **2014 California Impact**

UC-Davis Study

- 2.2% revenue loss
- 3.8% ag employment loss
- Losses concentrated more in grains, feed and other crops (not fruits/nuts) and cattle/calves not dairies



Regional Economies Can Suffer

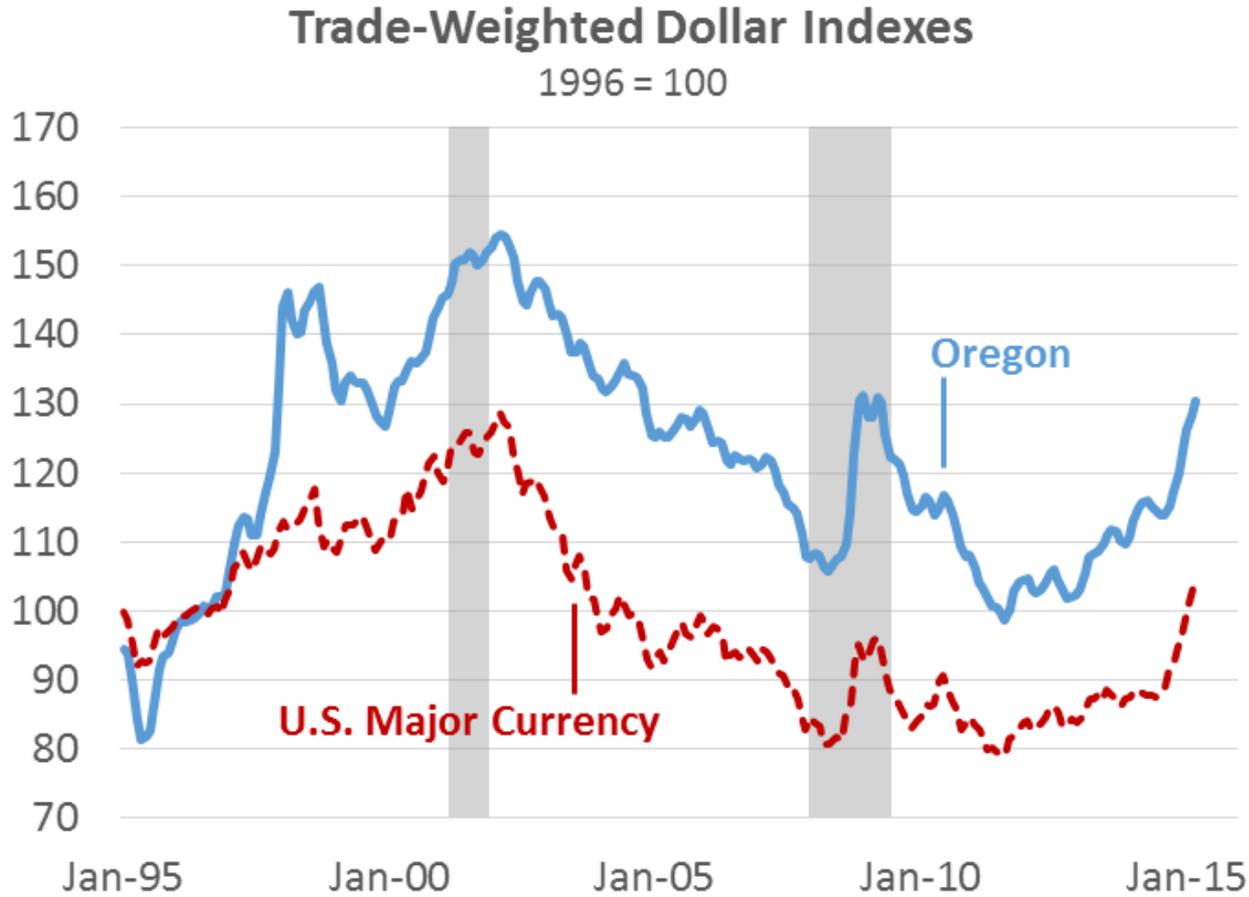


Source: Oregon Employment Department, Oregon Office of Economic Analysis





“Dollar Isn’t Strong. Everyone Else is Weak.”



Source: Federal Reserve, Oanda, Oregon Office of Economic Analysis



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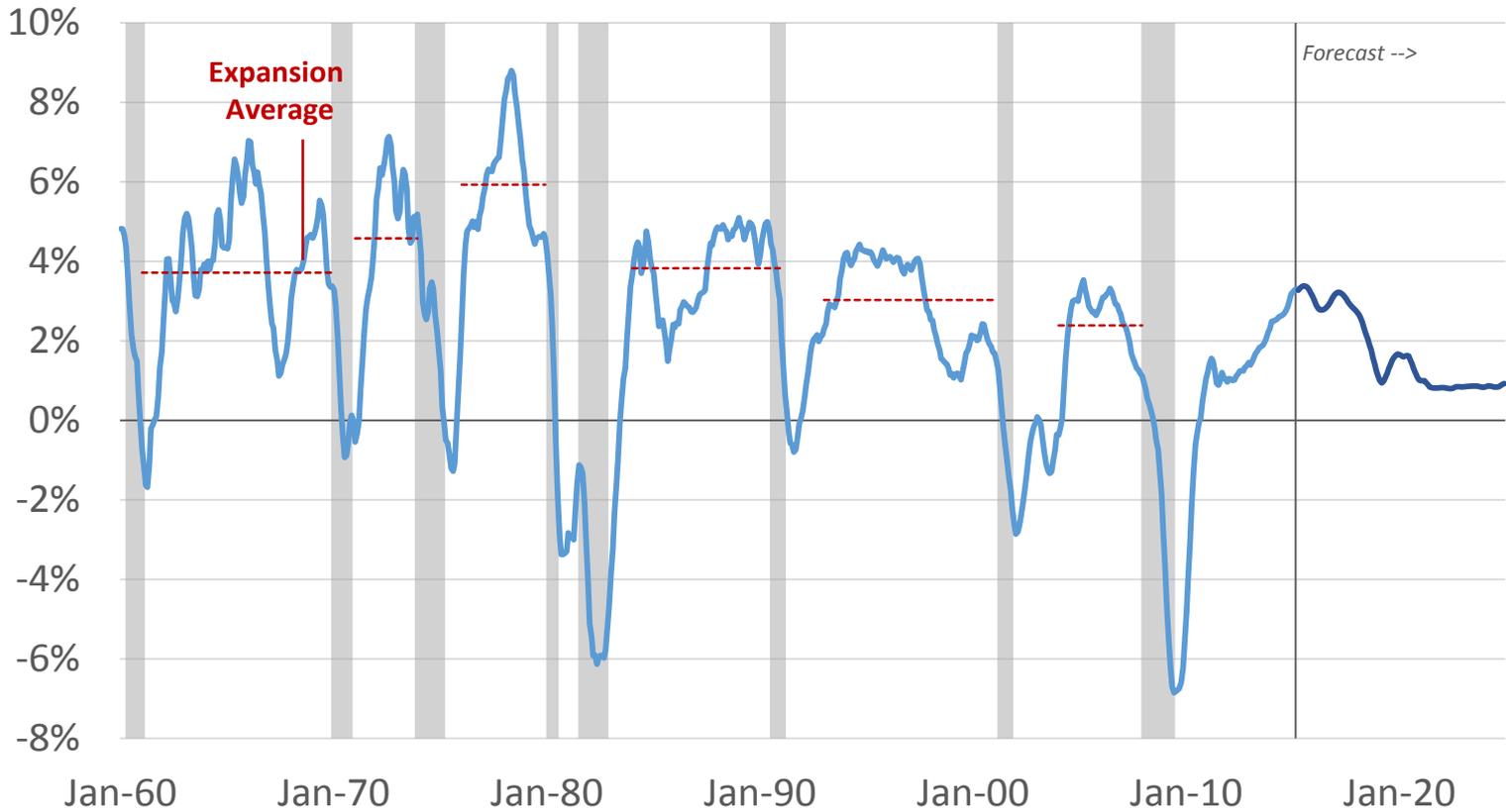
Economic Outlook



Near-term Strong, Long-term Subdued

Oregon Nonfarm Employment Growth

Year-over-Year Percent Change





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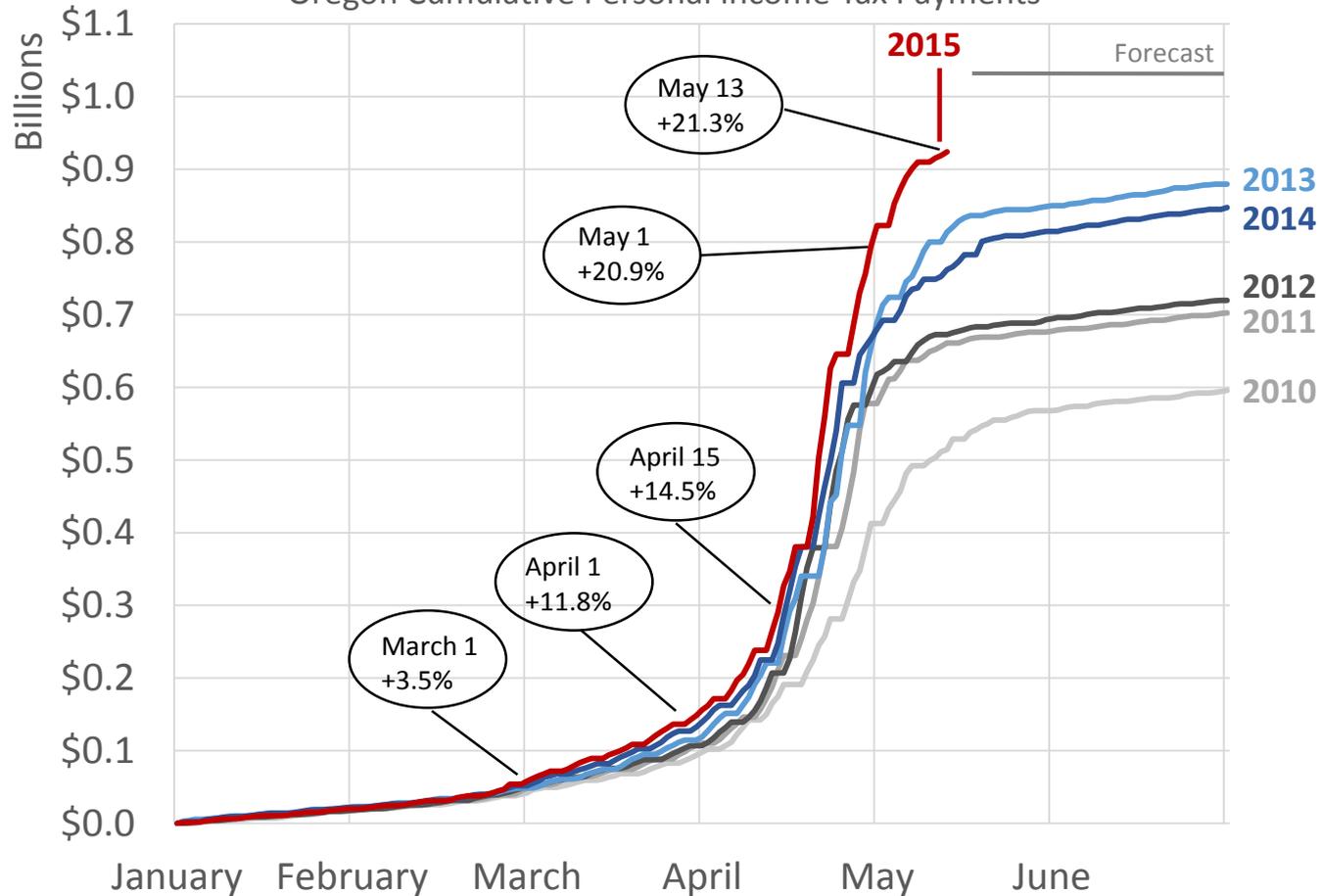
Revenue Outlook



Big April but No Surprise

Big Year-End Tax Payments, As Expected

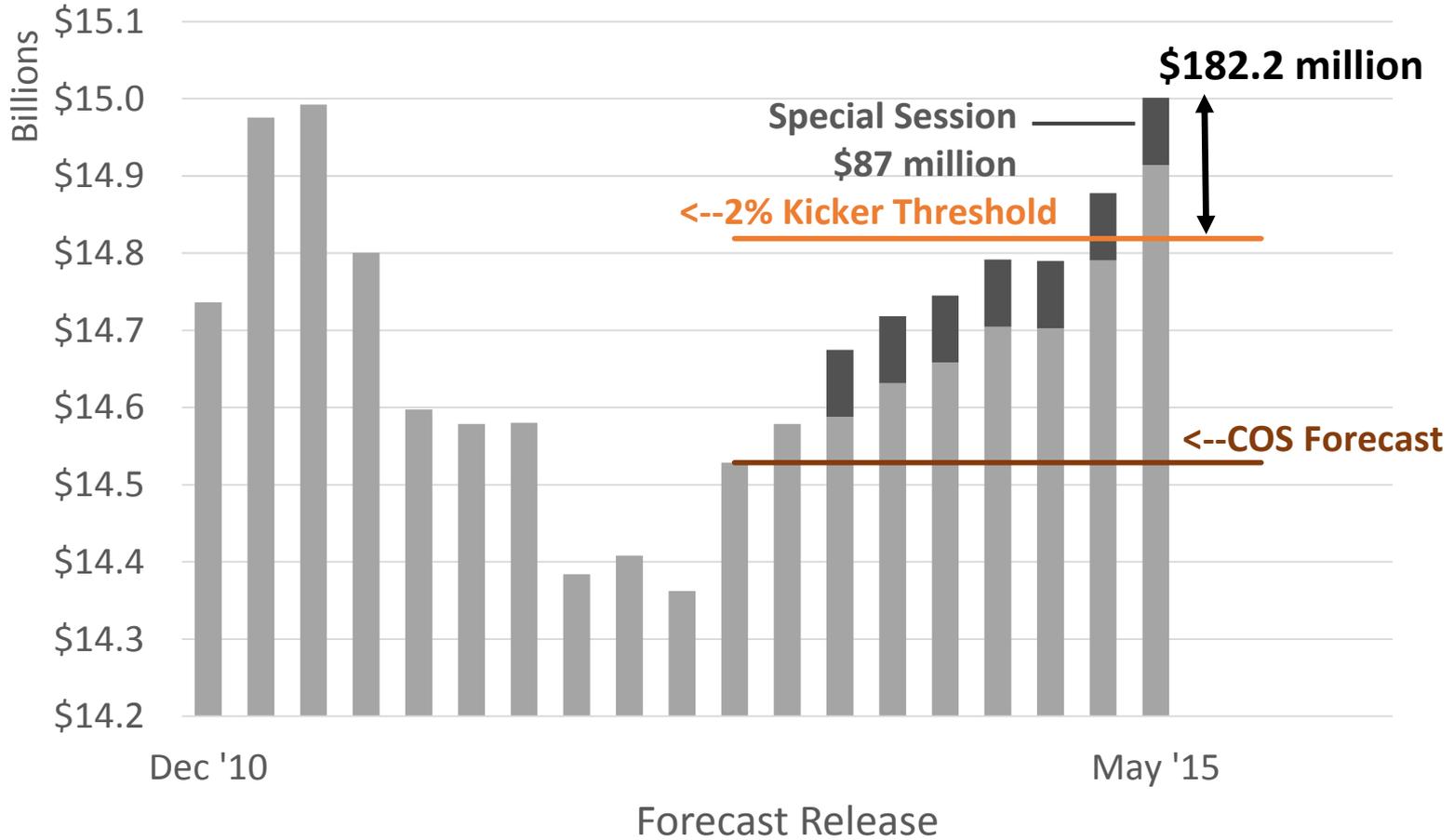
Oregon Cumulative Personal Income Tax Payments





2013-15 Forecast Evolution

2013-15 BN Personal Kicker





2015-17 Decomposing Changes

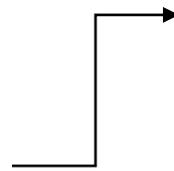
2015-17 Resources

Change Relative to Mar '15 Forecast

| | |
|----------------------------|-----------------------|
| Beginning Balance | +\$156 million |
| Kicker | -\$121 million |
| Kicker Offsets | +21 million |
| GF Forecast Changes | +\$364 million |
| Lottery Changes | +\$43 million |
| <hr/> | |
| Net Change | +\$463 million |

Kicker Totals (Est.)

| | |
|----------------|----------------|
| 2013-15 | -\$450m |
| 2015-17 | -\$23m |
| 2017-19 | -\$3m |
| <hr/> | |
| Total | -\$473m |





What Is Your Cut?

| Income Group | Adjusted Gross Income* | Rough Estimate of Kicker Size** |
|----------------|------------------------|---------------------------------|
| Bottom 20% | < \$10,200 | \$11 |
| Second 20% | \$10,200 - \$23,800 | \$63 |
| Middle 20% | \$23,800 - \$43,800 | \$146 |
| Fourth 20% | \$43,800 - \$79,900 | \$274 |
| Next 15% | \$79,900 - \$157,100 | \$546 |
| Next 4% | \$157,100 - \$336,400 | \$1,249 |
| Top 1% | > \$336,400 | \$5,373 |
| Average | \$53,900 | \$284 |
| Median | \$30-35,000 | \$144 |

* Based on 2013 actual tax returns

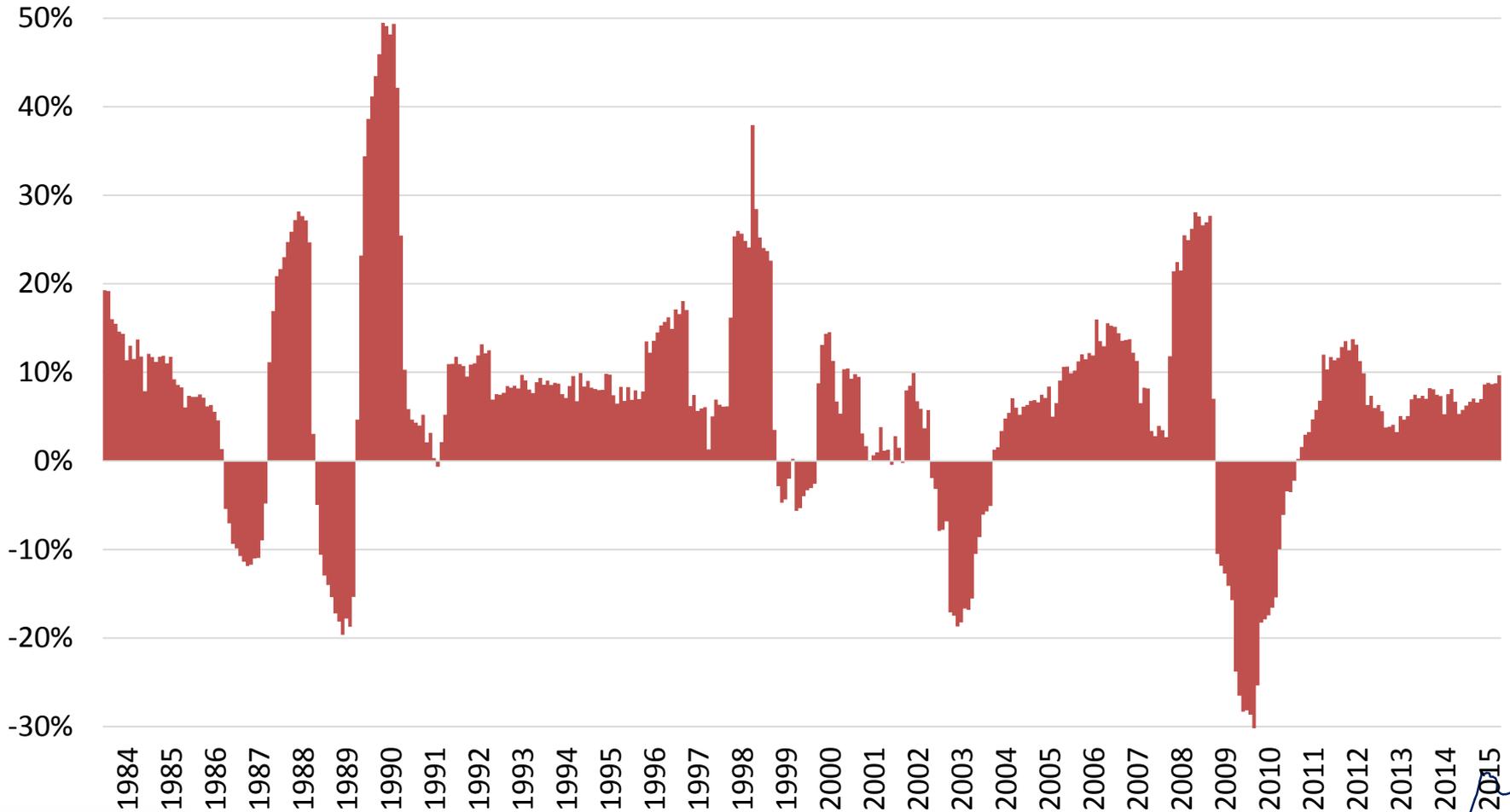
** Based on 2013 actual tax returns, PIT kicker amount (\$473 million) and the Oregon Office of Economic Analysis' forecast for tax liability





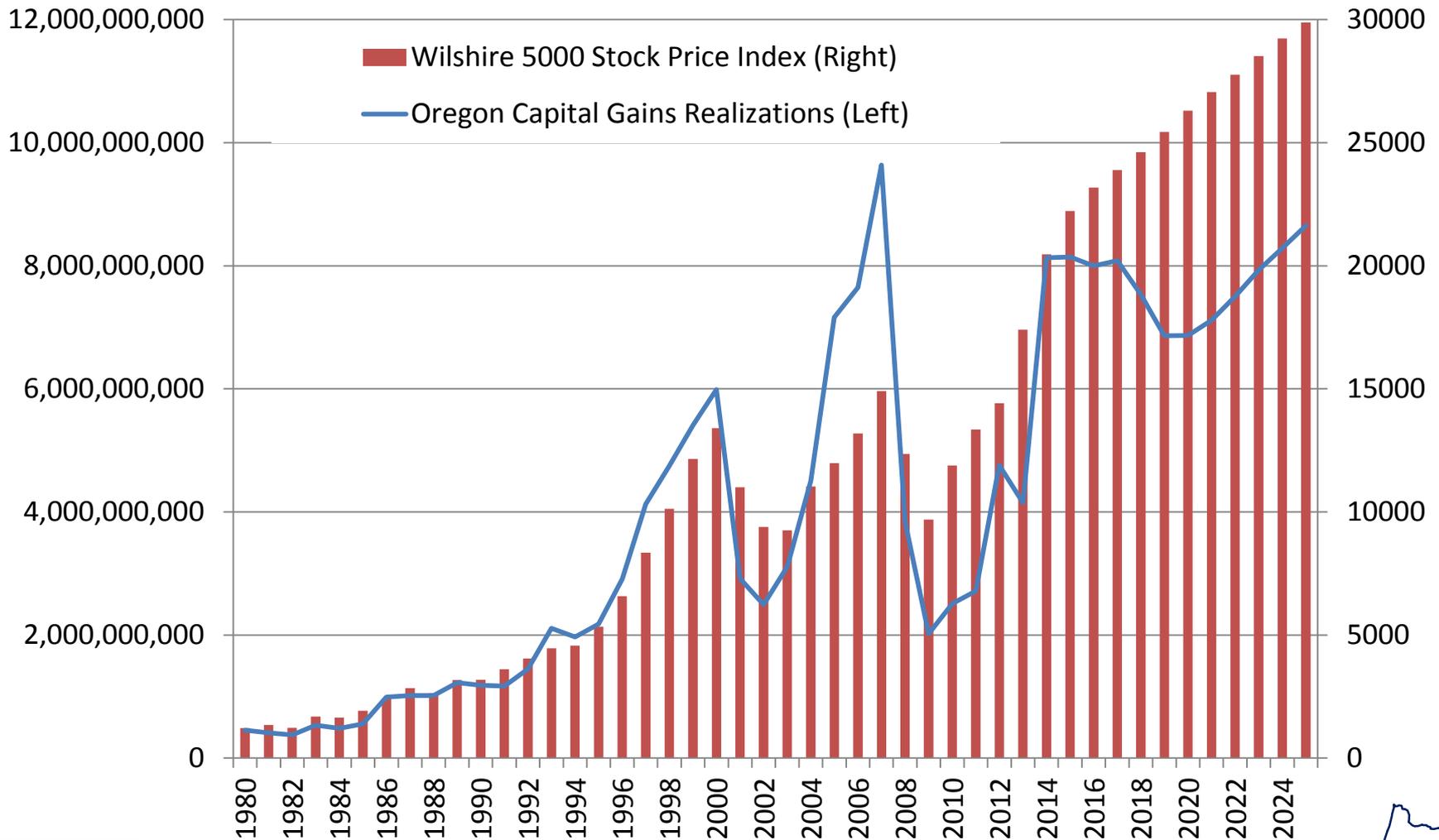
Personal Income Tax Collections

Personal Income Tax Collections, % change year ago, 12 month sum





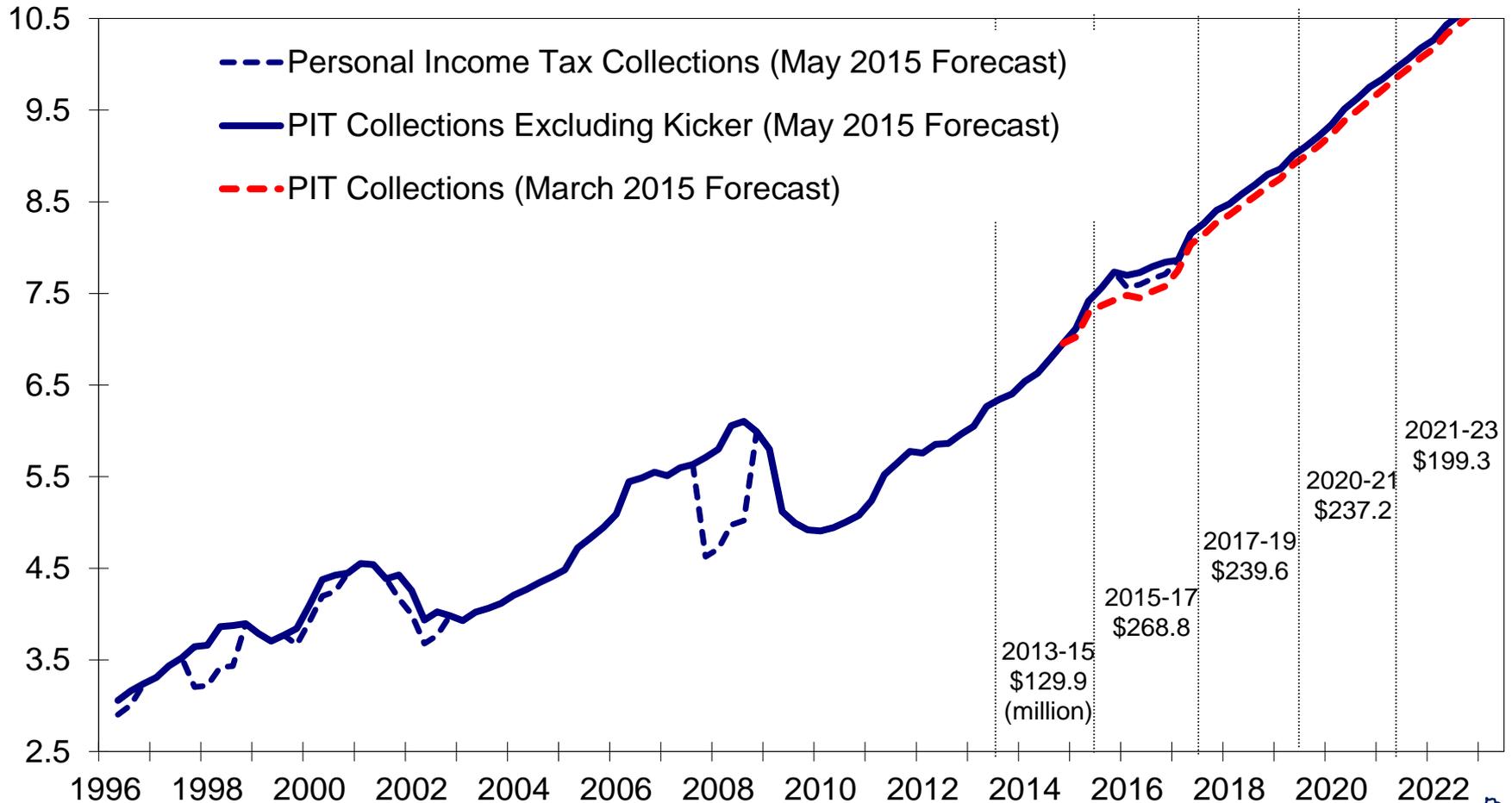
Capital Gains: Upside Risk?





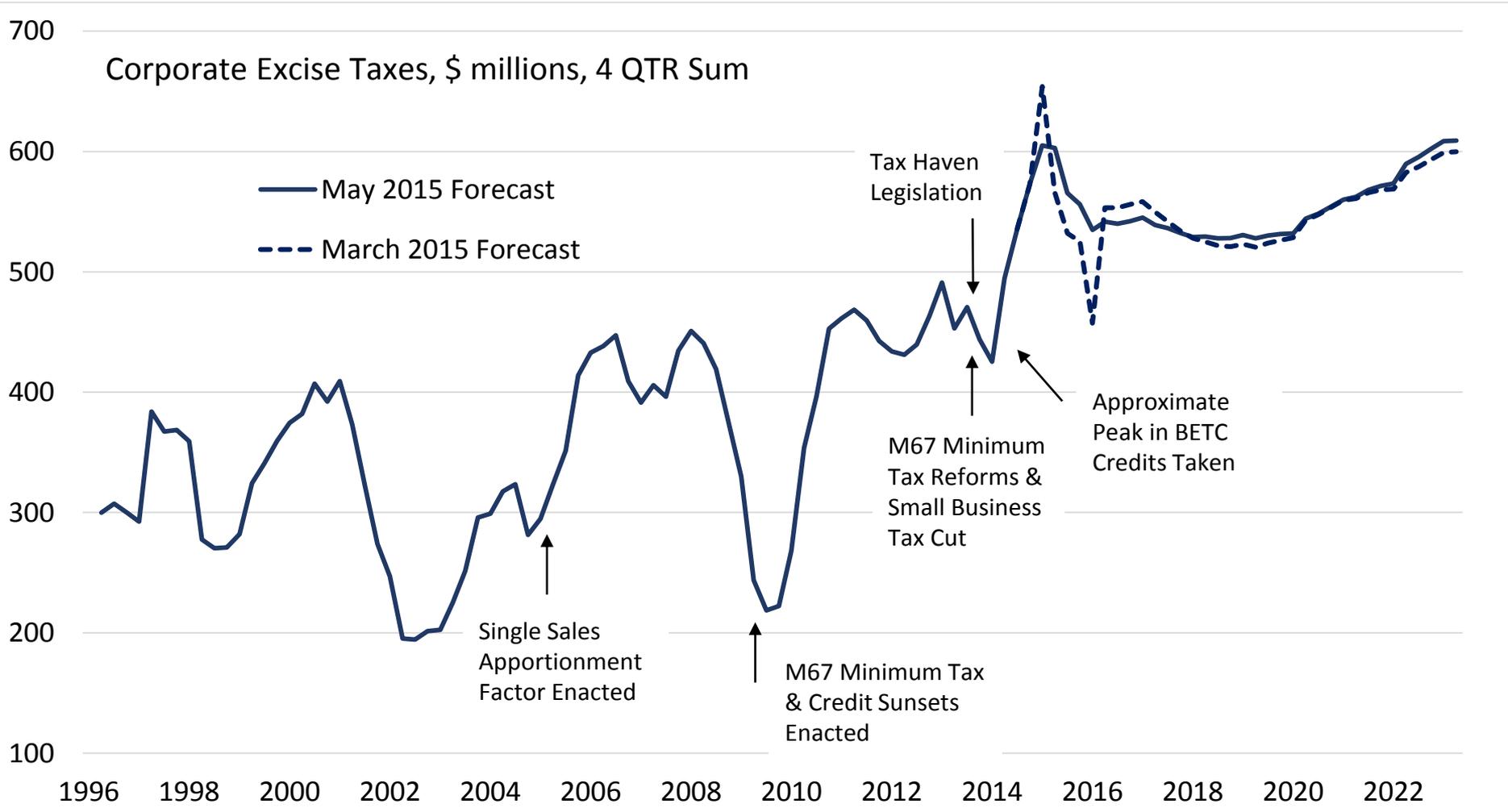
Personal Income Tax Forecast

\$ billions, 4 quarter moving sum





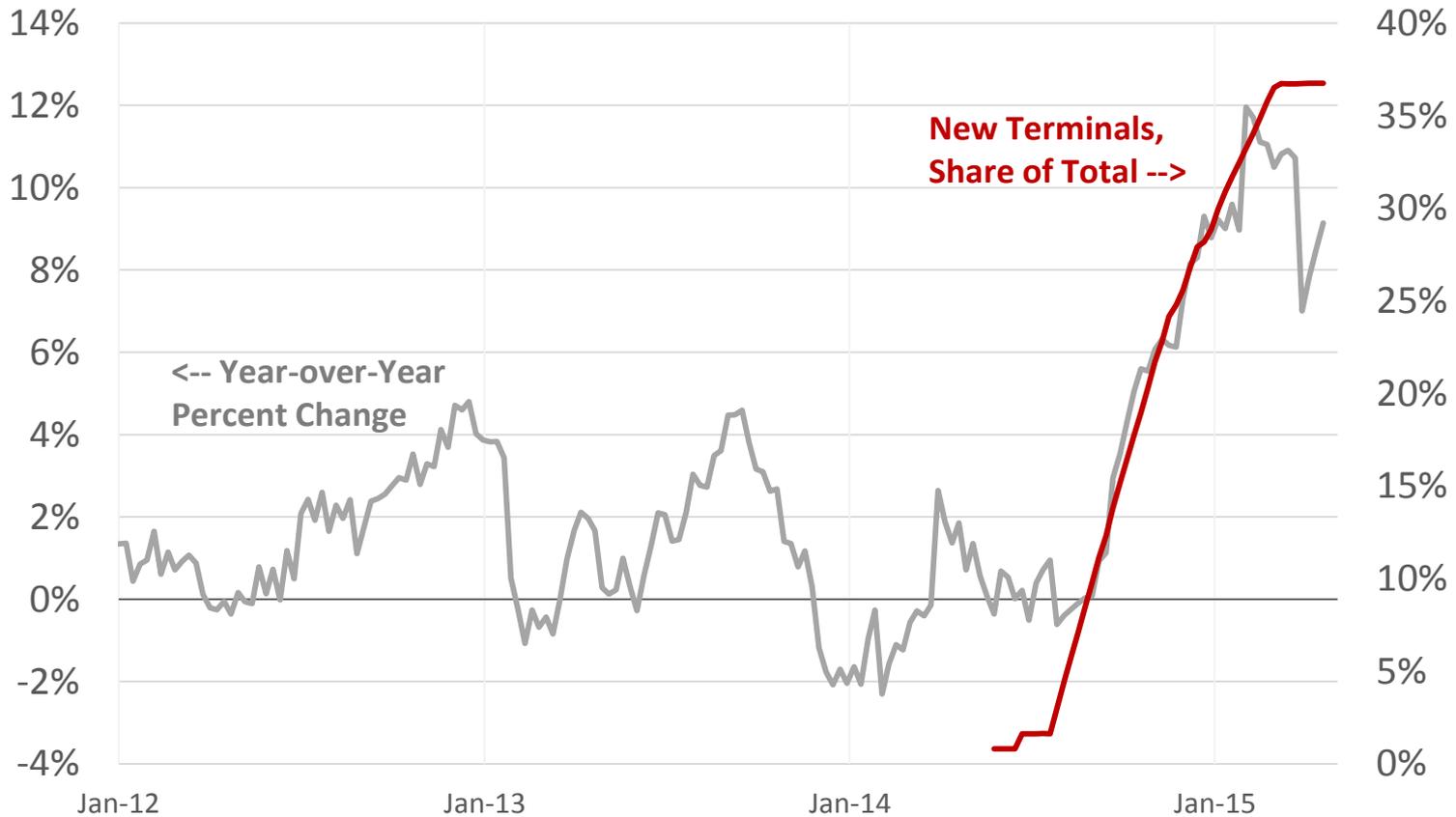
Corp Collections: Wait and See





Lottery and the New Machines

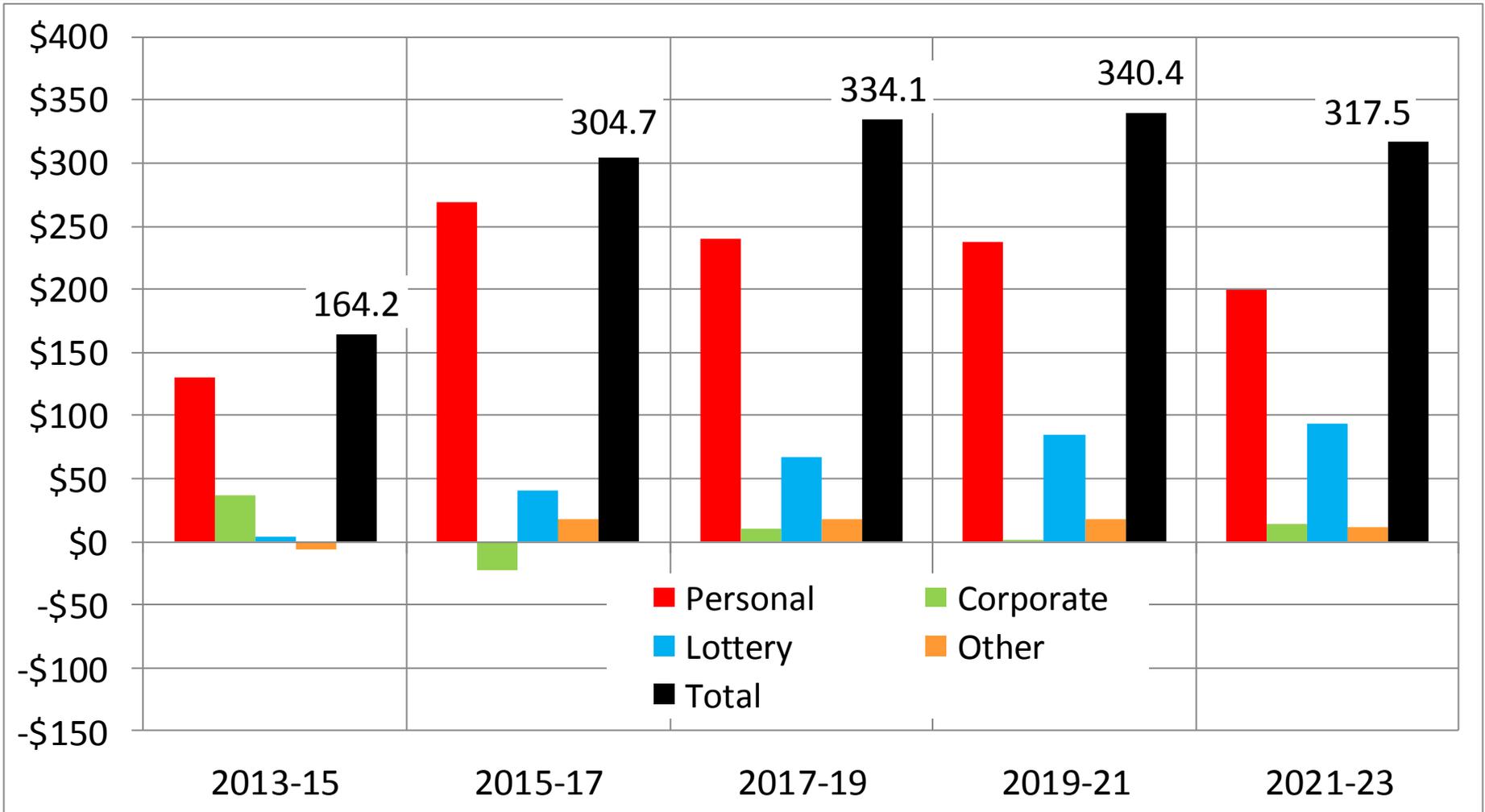
Oregon Video Lottery Sales





Forecast Changes

Difference from March Forecast, \$ millions





10-Year Forecast

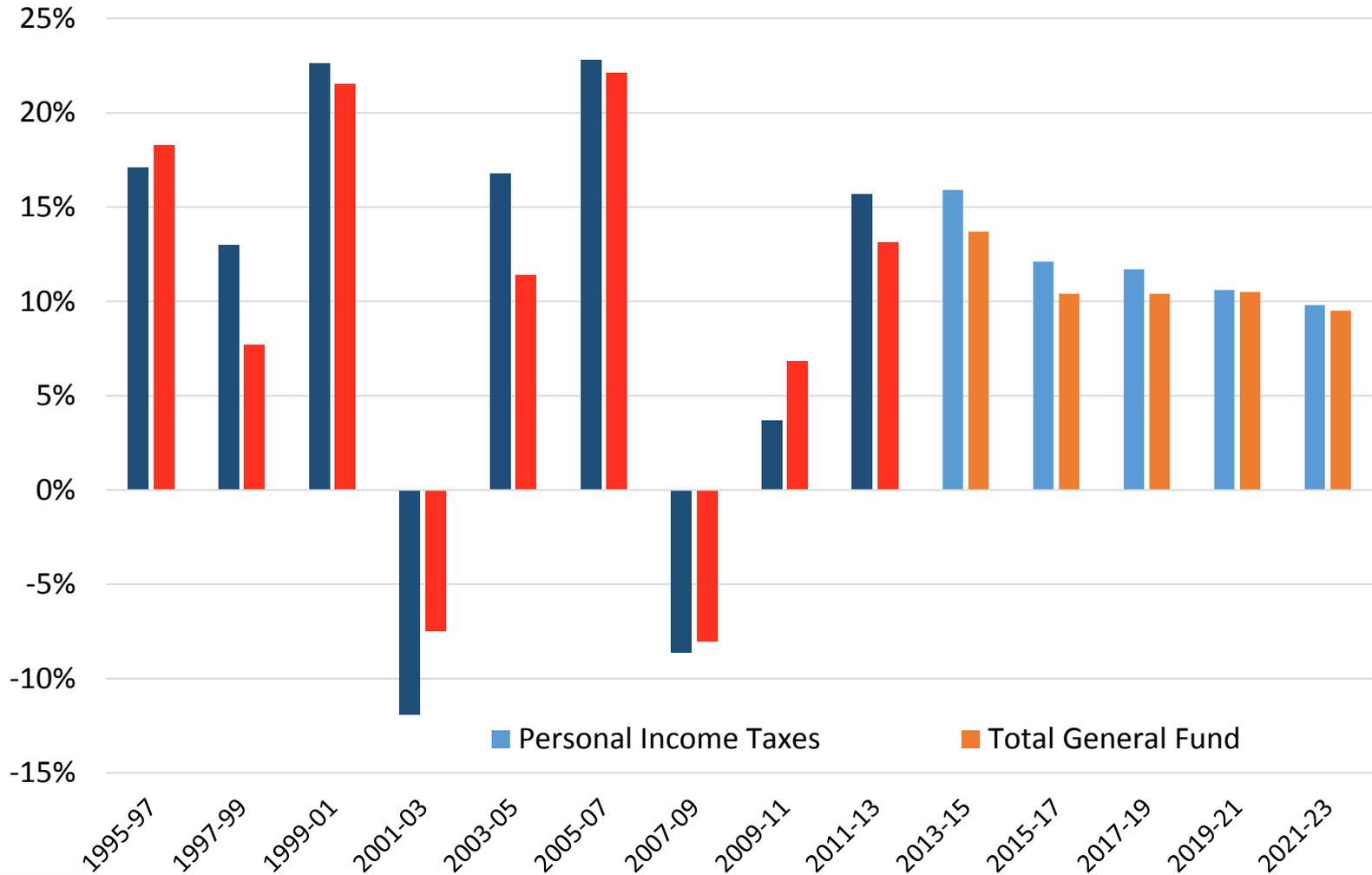
Table R.2

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

| Revenue Source | Forecast 2013-15 | | Forecast 2015-17 | | Forecast 2017-19 | | Forecast 2019-21 | | Forecast 2021-23 | | Forecast 2023-25 | |
|------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|-------------|---------------------|-------------|
| | Biennium | % Chg | Biennium | % Chg | Biennium | % Chg |
| Personal Income Taxes | 14,044.2 | 15.9% | 15,749.7 | 12.1% | 17,593.0 | 11.7% | 19,466.0 | 10.6% | 21,380.8 | 9.8% | 23,473.2 | 9.8% |
| Corporate Income Taxes | 1,097.6 | 24.2% | 1,080.7 | -1.5% | 1,057.1 | -2.2% | 1,106.4 | 4.7% | 1,198.8 | 8.4% | 1,265.2 | 5.5% |
| All Others | 1,019.4 | -12.4% | 1,021.6 | 0.2% | 1,054.1 | 3.2% | 1,129.8 | 7.2% | 1,189.3 | 5.3% | 1,242.2 | 4.4% |
| Gross General Fund | 16,161.1 | 14.1% | 17,852.1 | 10.5% | 19,704.3 | 10.4% | 21,702.2 | 10.1% | 23,768.9 | 9.5% | 25,980.5 | 9.3% |
| <i>Offsets and Transfers</i> | <i>(74.3)</i> | | <i>(96.3)</i> | | <i>(98.0)</i> | | <i>(41.9)</i> | | <i>(45.9)</i> | | <i>(47.2)</i> | |
| Net Revenue | 16,086.8 | 13.7% | 17,755.8 | 10.4% | 19,606.3 | 10.4% | 21,660.3 | 10.5% | 23,723.0 | 9.5% | 25,933.3 | 9.3% |



Biennial Revenue Growth





For More Information

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