Oregon

House & Senate Revenue Committees

Economic and Revenue Forecast March 2009

Presented by: Office of Economic Analysis

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Bottom Line on U.S. Economy

- The U.S. recession is deepening and the unemployment rate will top 9% by the end of 2009
- Tightening credit will restrain spending by households, businesses, and state and local governments
- The housing market slide will continue through mid-2009
- Inflation will subside as commodity prices retreat
- The economic recovery will begin next summer, but growth will remain below potential through early 2010
- Risks are concentrated on the downside

Recent Oregon Economy Facts

- 9.0% unemployment rate for December 2008 (December US rate is 7.2%) is up from the latest lowest rate of 5.0% in April 2007. Oregon’s unemployment rate for June 5.5% matched the US rate. Oregon’s rate had been above the US rate for past 12 years.

- 41st fastest job growth at -2.6% for all states for December 2008 over December 2007.

- Total nonfarm employment dropped -2.5% year-over-year for the 4th quarter of 2008 (preliminary data). Job losses (S.A.) for February thru June, and August thru December 2008.

- 3.8% personal income growth for 3rd quarter of 2008 over 3rd quarter of 2007. Annualized 3rd quarter 2008 growth at 1.1%.

- Oregon exports fell 6.0% in the 4^{th} quarter compared to the same period last year and finished 2008 up 17% over 2007. (Export growth is expected to continue to decline with global economic slowing)

Alternative Scenarios

Oregon March 2008 Forecast Comparison:

Alternative Scenarios

(Percent Change)

Employment	2008	2009	2010	2011
Baseline	-0.6	-4.3	0.1	2.1
Pessimistic	-0.6	-5.1	-0.5	1.6
Optimistic	-0.6	-3.6	0.8	2.3

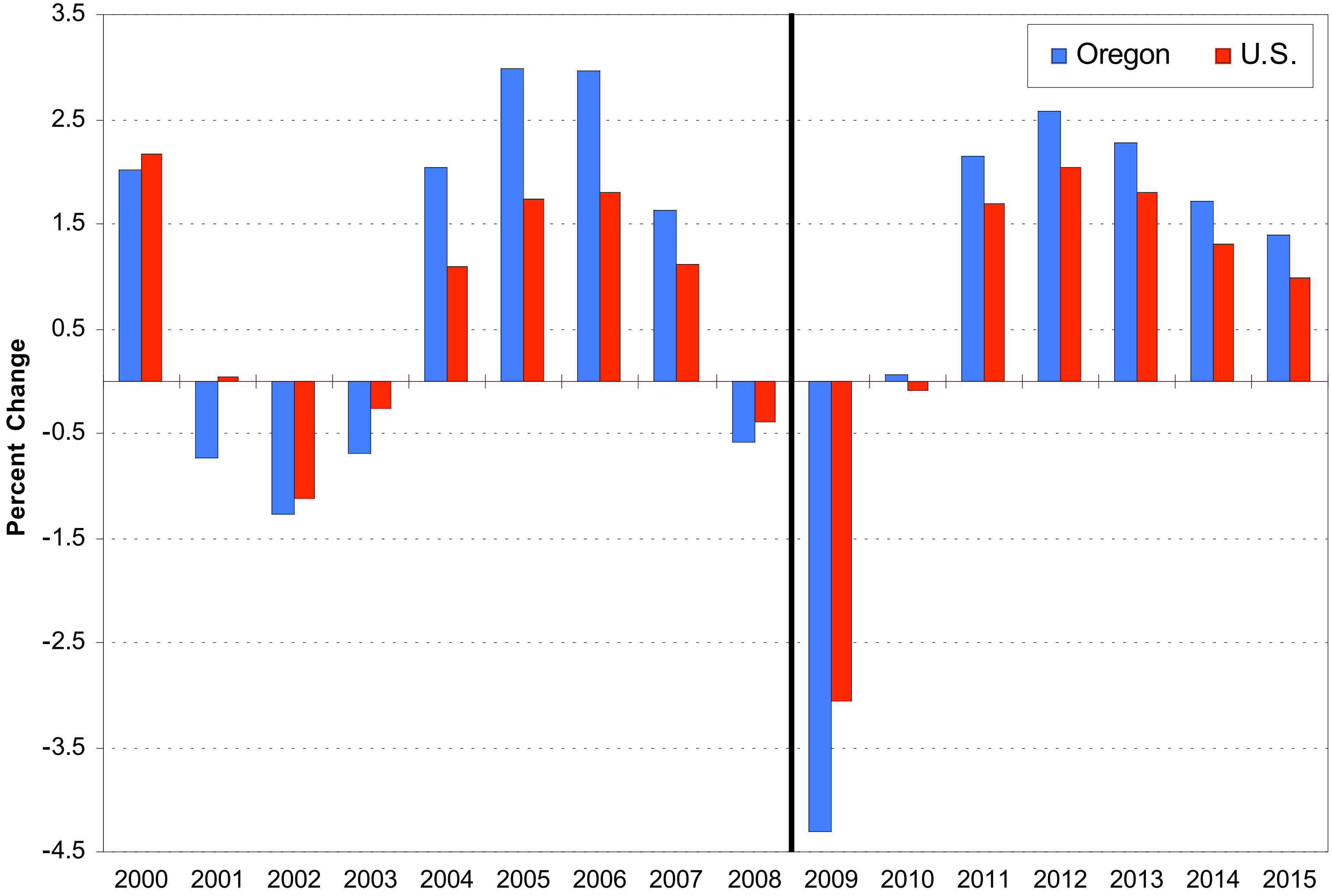
Personal Income	2008	2009	2010	2011
Baseline	4.0	0.9	3.0	5.2
Pessimistic	4.0	-0.4	2.6	4.9
Optimistic	4.0	1.9	3.5	5.4

Historical Comparison

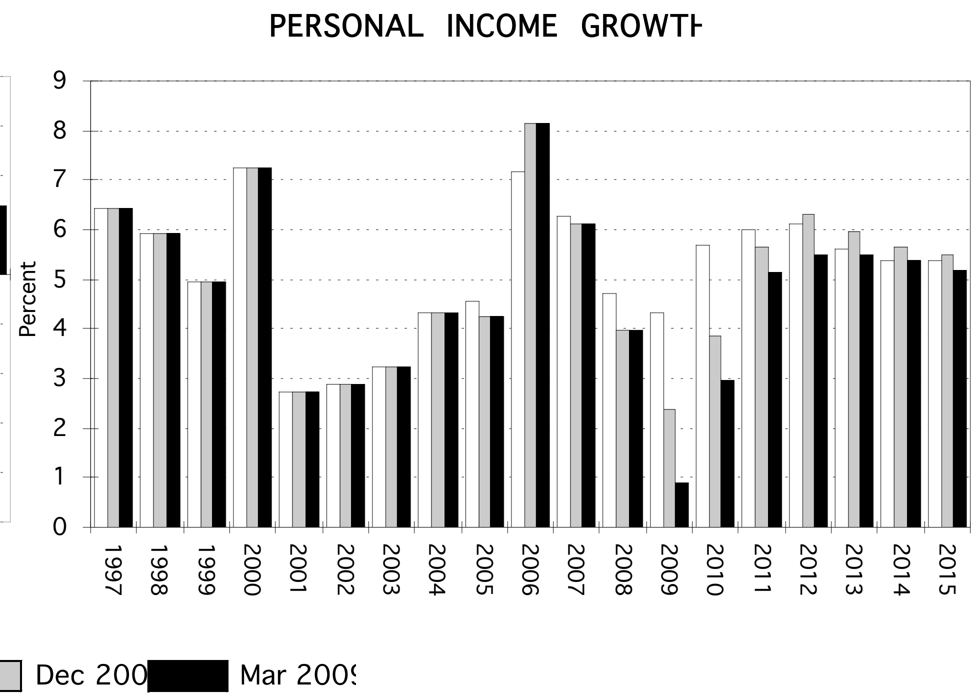
Recession	1981-82	1980-82	1990-91		2001		2008-?? *	
	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon
Employment								
Loss (in 000s)	2,734.3	123.3	1,498.3	12.3	2,657.3	60.1	5,943.5	100.7
% Change	(2.99)	(11.50)	(1.37)	(0.97)	(2.01)	(3.69)	(4.31)	(5.79)
Duration								
Peak-to-Trough	5 Qtrs	12 Qtrs	5 Qtrs	3 Qtrs	9 Qtrs	10 Qtrs	8 Qtrs	8 Qtrs
Return to Peak	8 Qtrs	28 Qtrs	10 Qtrs	5 Qtrs	15 Qtrs	16 Qtrs	18 Qtrs	19 Qtrs

* Estimates based on Global Insight and OEA forecasts

Total Non-farm Employment (Annual Percent Change)



Forecast Comparison



General Fund Revenue Forecast

- Large decreases in near-term
  - BI 07-09 down $713.1 million
  - Concentrated in personal income taxes, though corporate also revised downward
    - 4th quarter estimated payments prelude to dismal April reconciliations

- Both extension of breadth and depth of current conditions leads to dramatic drop for 2009-11
  - $1.7 *billion* lower than December

- Now forecasted to be longer, deeper drop than 2001-03.

2007-09 GF Revenue

General Fund Resources

2007-09 Biennium

General Fund Resources (Millions)	December 2(Forecast	March 2009 Forecast	Change fror December	Change fror COS 2007
Gross Personal Income Tax	12,066.7	11,456.4	(610.3)	(891.5)
Gross Corporate Income Tax[1]	857.3	748.8	(108.4)	(172.1)
Other Revenues[2]	891.8	897.4	5.7	8.9
Gross GF Revenues[3]	**$13,815.8**	**$13,102.6**	**(713.1)**	**(1,054.7)**
Less Kicker Distributions	-$1,084.2	-$1,084.2	-	80.5
Net GF Revenues	**$12,731.6**	**$12,018.4**	**(713.1)**	**(974.2)**
Beginning Balance	$1,436.7	$1,436.7	-	(76.3)
Less Anticipated Administrative[4] Actions	-$42.1	-$42.1	-	15.2
Less Legislatively-Adopted[5] Actions	-$319.3	-$319.3	-	(9.9)
Net Available Resources	**13,806.8**	**13,093.7**	**(713.1)**	**(1,045.2)**
Proj. Expenditures[3]	(13,949.0)	(13,949.0)	-	5.7
Ending Balance	**(142.1)**	**(855.3)**	**(713.1)**	**(1,039.5)**

Lottery Revenue Forecast

- "Perfect Storm"
  - Economic slowdown
  - Weather
  - Smoking restrictions
  - Lower gas prices

- Increased administrative savings keep 2007-09 programs "whole"

- Sales expected to decline 14% relative to 2007-09 (not including admin. savings)

Risks to Forecast

- Timing and nature of rebound – particularly for lottery and capital gains.
- Inflationary factors – currently expecting low inflation in near term to dampen any wage and salary increases.
- Global economy – potential for long-term weakness in export industries.

Looking Ahead…

- OEA will continue to monitor and assess economic and revenue conditions.
  - If we see any stark deviations from the March forecast, we will provide tracking update with commentary before the May forecast.
  - Given the timing of April final payments and processing of returns, any realizations of forecast deviations are most likely known just as the May forecast is being finalized.

For More Information

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