

C. Western Region: Demographic Review

Introduction

This section of the September forecast examines the economies of seven western states and their relative performance to the U.S. overall. Gauging the health of local economies is important for business planning purposes and looking at a wide range of data points is useful. Below, you will find tables analyzing how Oregon's economy is fairing compared to the following western states: Arizona, California, Idaho, Nevada, Utah and Washington.

Employment

With the nation caught in the deepest recession since the 1930s, employment has been falling significantly over the past 18 months. At the U.S. level, total nonfarm employment fell 3.9 percent Y/Y in the second quarter of 2009. Nearly every other western state experienced larger employment losses, in percentage terms, than the U.S. Only Utah and Washington lost fewer jobs – 3.5 percent each. Out of these states, Arizona has faired the worst, losing 7.3 percent of the state's jobs in the past year.

Within employment, the goods producing sectors have been hit the hardest relative to the service industry and the public sector. Construction, Natural Resources, Manufacturing and Trade, Transportation and Utilities have all see significant declines across all states. Given recent tax receipts and the way state's budget, the public sector is expected to shed significant jobs in the coming quarters.

Table W.1

	Employment by Sector (2009 Q2)							
	Arizona	California	Idaho	Nevada	Oregon	Utah	Washington	United States
Total Nonfarm	2,444.9	14,349.6	617.8	1,197.5	1,633.6	1,213.9	2,864.2	132,110.7
Y/Y Percent Change (AR)	-7.3%	-4.9%	-5.0%	-6.1%	-5.5%	-3.5%	-3.5%	-3.9%
Natural Resources and Mining	10.7	27.3	3.1	12.5	7.2	13.7	7.1	730.0
Y/Y Percent Change (AR)	-19.7%	-4.7%	-27.3%	3.6%	-15.8%	11.7%	-5.8%	-4.3%
Construction	140.6	654.2	39.6	94.0	79.2	75.3	176.5	6,308.7
Y/Y Percent Change (AR)	-27.0%	-18.5%	-13.5%	-21.2%	-18.0%	-18.3%	-13.5%	-13.4%
Manufacturing	164.7	1,314.7	56.8	45.0	170.1	113.7	268.0	11,996.7
Y/Y Percent Change (AR)	-5.7%	-8.4%	-11.2%	-7.6%	-14.2%	-10.4%	-9.1%	-11.5%
Trade, Transportation and Utilities	481.6	2,693.1	122.1	225.4	313.6	242.5	530.1	25,316.0
Y/Y Percent Change (AR)	-7.8%	-6.6%	-7.6%	-3.1%	-7.4%	-2.8%	-4.6%	-4.5%
Information	39.2	449.3	12.1	14.2	35.1	29.6	101.5	2,860.3
Y/Y Percent Change (AR)	-7.2%	-6.4%	5.8%	-7.3%	-3.3%	-5.3%	-3.4%	-5.0%
Financial Activities	168.1	804.8	30.8	58.7	95.7	72.1	147.0	7,782.0
Y/Y Percent Change (AR)	-5.0%	-5.9%	-3.0%	-5.4%	-6.9%	-3.2%	-4.2%	-4.8%
Professional and Business Services	344.0	2,130.3	74.7	140.9	181.0	156.0	328.2	16,711.7
Y/Y Percent Change (AR)	-11.7%	-5.6%	-7.7%	-9.0%	-8.4%	-4.4%	-6.6%	-6.6%
Leisure and Hospitality Services	258.6	1,515.6	59.8	314.8	167.3	110.9	286.5	13,174.0
Y/Y Percent Change (AR)	-4.5%	-4.0%	-6.1%	-6.5%	-4.0%	-4.0%	0.6%	-2.4%
Other Services	93.6	502.3	19.4	36.7	60.0	33.3	106.1	5,421.7
Y/Y Percent Change (AR)	-7.3%	-3.0%	-6.3%	-1.2%	-1.7%	-6.4%	-1.2%	-2.1%
Government	427.9	2,513.8	120.8	157.2	299.6	217.3	549.1	22,592.0
Y/Y Percent Change (AR)	-1.3%	-0.4%	2.6%	-2.5%	1.1%	3.0%	1.1%	0.5%

Source: U.S. Bureau of Labor Statistics, State employment in 000s, U.S. employment in millions

Economic Coincident Index

One very useful state level economic indicator is the State Coincident Index, produced by the Federal Reserve Bank of Philadelphia. Each month the bank compiles and indexes data for each state that combines nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. As a coincident index, the data is designed to report current economic conditions on a monthly basis, and is not a leading or a lagging indicator.

On a Y/Y basis, Oregon is the worst performing western state, a result of our relative reliance on manufacturing and our record high unemployment rate. Similarly, Oregon's index value is approximately the same as it was 5 years ago. This means that the economic expansion of the mid 2000s has been decimated by the current recession. Fast growing states like Idaho and Utah have still maintained a sizable portion of their recent expansion, however they too are declining in the most recent year.

Table W.2
Economic Coincident Index for 2009 Q2

	Index Value	Q/Q Percent Change (AR)	Y/Y Percent Change	5 Year Percent Change
Arizona	203.15	-8.0%	-7.6%	7.9%
California	159.11	-5.7%	-4.8%	6.2%
Idaho	213.21	-8.0%	-6.2%	13.1%
Nevada	224.82	-16.8%	-14.0%	-2.7%
Oregon	167.01	-18.4%	-19.9%	0.3%
Utah	192.20	-5.6%	-3.2%	16.5%
Washington	153.45	-14.9%	-13.6%	4.8%
United States	155.38	-3.9%	-3.1%	7.7%

Source: Federal Reserve Bank of Philadelphia, Index = 100 in July 1992

Housing Price Index

Many of the western states have been hit hard by the housing boom and subsequent bust. Arizona, California and Nevada are three of the worst performers nationwide, while the other western states have held up relatively well. Even with declines in the most recent quarters, many western states' home prices have increased more than the nation, partially a result of stricter land-use laws and continued in-migration to these states.

Table W.3
Housing Price Index (2009 Q2)

	Index Value	Q/Q Percent Change (AR)	Y/Y Percent Change	5 Year Percent Change
Arizona	208.66	-23.5%	-21.2%	1.6%
California	163.31	-1.6%	-15.4%	-21.7%
Idaho	238.89	-5.7%	-6.8%	29.8%
Nevada	146.01	-13.2%	-28.1%	-28.4%
Oregon	292.96	-12.5%	-10.6%	26.0%
Utah	275.14	-13.7%	-11.6%	28.1%
Washington	247.50	-13.5%	-9.0%	26.9%
United States	197.71	-2.7%	-6.1%	6.7%

Source: Federal Housing Finance Agency (FHFA)

Housing Permits

With home prices declining across the nation and an oversupply of houses on the market, there has been very little new construction in the past year. One measure used to gauge new home construction is housing permits issued. Through the first half of 2009, permits issued have fallen quite substantially from their 2008 levels, which were down significantly from their 2007 levels. Utah remains an exception as the majority of the state's housing correction took place in 2008.

Exports

As the global recession decimated international trade throughout the fall and winter, exports have now begun to stabilize in recent months. On a Y/Y basis, most states and the nation overall are experiencing a substantial decrease in the trade. With the international trade boom in 2007 and 2008, it is expected that trade will remain at suppressed levels relative to the boom for at least the next few quarters.

Tax Revenue

The recession has resulted in plummeting tax revenue for all states. Overall, only Nevada had revenue growth Y/Y in the first quarter, mainly due to strong increases in business licenses, however gambling revenue is down. Sales tax and income tax revenues are down significantly for all states – the two largest revenue sources for governments. Revenue declines of these magnitude has forced governments to cut spending, raise taxes and implement other cost saving measures to balance their budgets.

Table W.4
Housing Permits Issued (2009 Q2 YTD)

	Permits	Y/Y Percent Change
Arizona	6,306	-60.0%
California	16,946	-53.8%
Idaho	2,454	-42.3%
Nevada	3,276	-58.1%
Oregon	4,014	-42.9%
Utah	5,605	-7.6%
Washington	7,997	-51.1%
United States	276,356	-47.0%

Source: U.S. Census Bureau

Table W.5
Total Exports (2009 Q2)

	Exports (\$ mill)	Y/Y Percent Change
Arizona	\$3,496	-29.0%
California	\$28,719	-25.2%
Idaho	\$878	-31.8%
Nevada	\$1,371	-12.5%
Oregon	\$3,417	-34.3%
Utah	\$2,402	-8.1%
Washington	\$12,523	-34.8%
United States	\$251,467	-26.8%

Source: WiserTrade, August 2009

Table W.6**State and Local Tax Revenue (2009 Q1)**

	Arizona	California	Idaho	Nevada	Oregon	Utah	Washington
Total Taxes	2,338,314	22,077,951	634,548	1,549,839	1,397,871	1,126,591	4,144,210
Y/Y Percent Change	-16.5%	-16.2%	-14.3%	1.5%	-19.0%	-3.5%	-9.0%
Property tax	225,468	510,975	X	57,344	5,083	X	748,227
Y/Y Percent Change	0.0%	-11.9%	X	14.3%	-2.5%	X	4.0%
General sales and gross receipts	1,334,206	7,360,352	275,640	645,641	X	431,546	2,395,673
Y/Y Percent Change	-14.6%	-14.8%	-11.3%	-16.0%	X	-12.5%	-13.2%
Motor fuel sales taxes	182,836	763,533	48,437	68,887	90,150	82,283	265,677
Y/Y Percent Change	0.0%	-7.5%	-15.4%	-7.3%	-8.1%	-4.2%	-3.1%
Alcoholic beverages	16,436	76,112	1,960	9,866	4,357	11,127	70,012
Y/Y Percent Change	9.2%	0.5%	13.6%	2.9%	22.6%	-14.8%	3.6%
Public utilities	9,503	147,858	525	4,285	11,230	7,258	118,746
Y/Y Percent Change	0.0%	38.1%	61.5%	37.3%	-14.1%	2.8%	-6.3%
Insurance	117,574	98,758	8,937	55,877	9,241	32,301	50,493
Y/Y Percent Change	0.0%	-24.1%	-11.2%	-9.0%	36.8%	-13.0%	-9.2%
Tobacco products	90,770	199,213	12,319	30,324	57,438	14,030	101,993
Y/Y Percent Change	-5.7%	-15.8%	-0.4%	3.9%	-3.2%	-14.8%	-0.7%
Amusements	142	X	X	278,551	17	X	61
Y/Y Percent Change	0.0%	X	X	-27.3%	41.7%	X	221.1%
Motor vehicles	54,691	676,158	37,724	40,404	103,369	64,784	115,896
Y/Y Percent Change	0.0%	0.0%	-0.7%	15.9%	-10.3%	7.1%	1.0%
Corporations in general	5,807	15,367	505	16,154	2,479	804	6,618
Y/Y Percent Change	0.0%	0.0%	-14.7%	-15.7%	0.3%	356.8%	-6.4%
Occupation and business licenses	24,574	948,869	16,761	302,677	52,019	9,604	61,131
Y/Y Percent Change	0.0%	0.0%	-3.8%	613.2%	-22.4%	5.0%	7.6%
Individual income taxes	179,947	8,733,395	191,018	X	1,002,698	414,819	X
Y/Y Percent Change	-56.1%	-26.5%	-21.8%	X	-15.9%	13.5%	X
Corporation net income taxes	75,688	2,240,060	16,853	X	18,645	17,505	X
Y/Y Percent Change	10.9%	16.9%	-28.2%	X	-81.2%	-52.9%	X

Source: U.S. Census Bureau (\$ 000s)

Lottery and Gambling Revenue

The most recently available full year data for state lotteries indicate weakness in consumer spending. California and Nevada, with their sizable housing bubbles, saw state lottery and state gambling, respectively, decline in fiscal year 2008. The other states experienced only modest growth Y/Y. When fiscal year 2009 data becomes available, it is expected that lottery sales will decline Y/Y in the other states as well. Lottery spending is, by and large, a completely discretionary spending category and as job losses mount, combined with the housing bust, consumers have retrenched and are watching their spending closely.

Table W.7**State Lottery Sales**

	FY 2008 Sales (\$ mill)	Y/Y Percent Change	FY 2008 Government Transfers (\$ mill)	Y/Y Percent Change
Arizona	\$472.9	2.3%	\$144.5	3.3%
California	\$3,049.6	-8.1%	\$1,094.9	-9.2%
Idaho	\$136.8	4.8%	\$35.3	1.5%
Oregon	\$1,233.8	2.1%	\$648.4	0.7%
Washington	\$521.1	5.8%	\$130.3	10.5%
Nevada*	\$11,925.1	-2.4%	\$980.8	-5.3%

* Reported Nevada figures are for the state's gambling revenues, not a state lottery