



STATE OF OREGON

Economic and Revenue Outlook: September 2016

September 14th, 2016

Oregon Office of Economic Analysis

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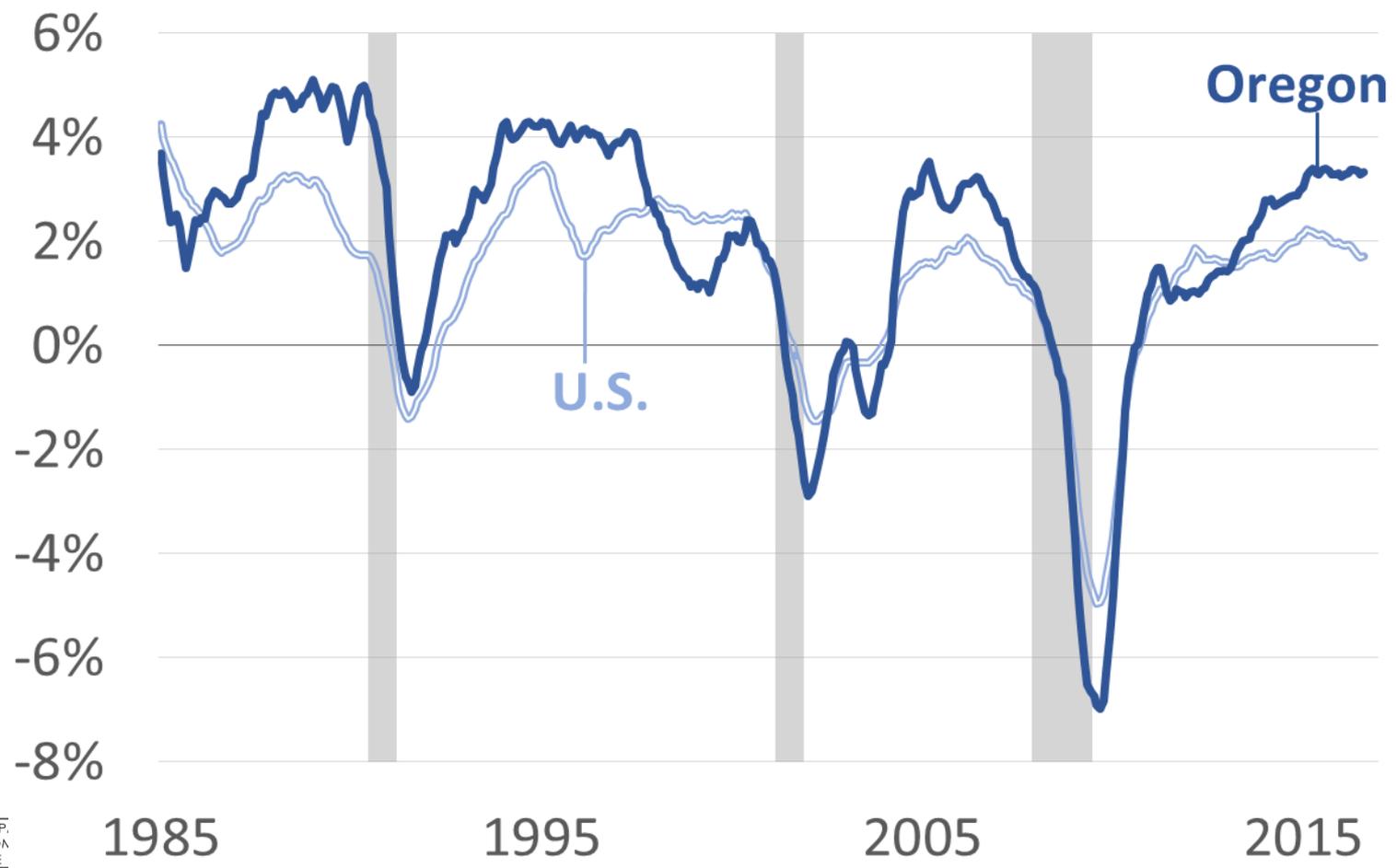
Economic Update and Outlook



Oregon's Job Market Continues to Impress

Traditional Advantage Regained

Total Nonfarm Employment, Year-over-Year Percent Change





Nationwide Income Growth Slows

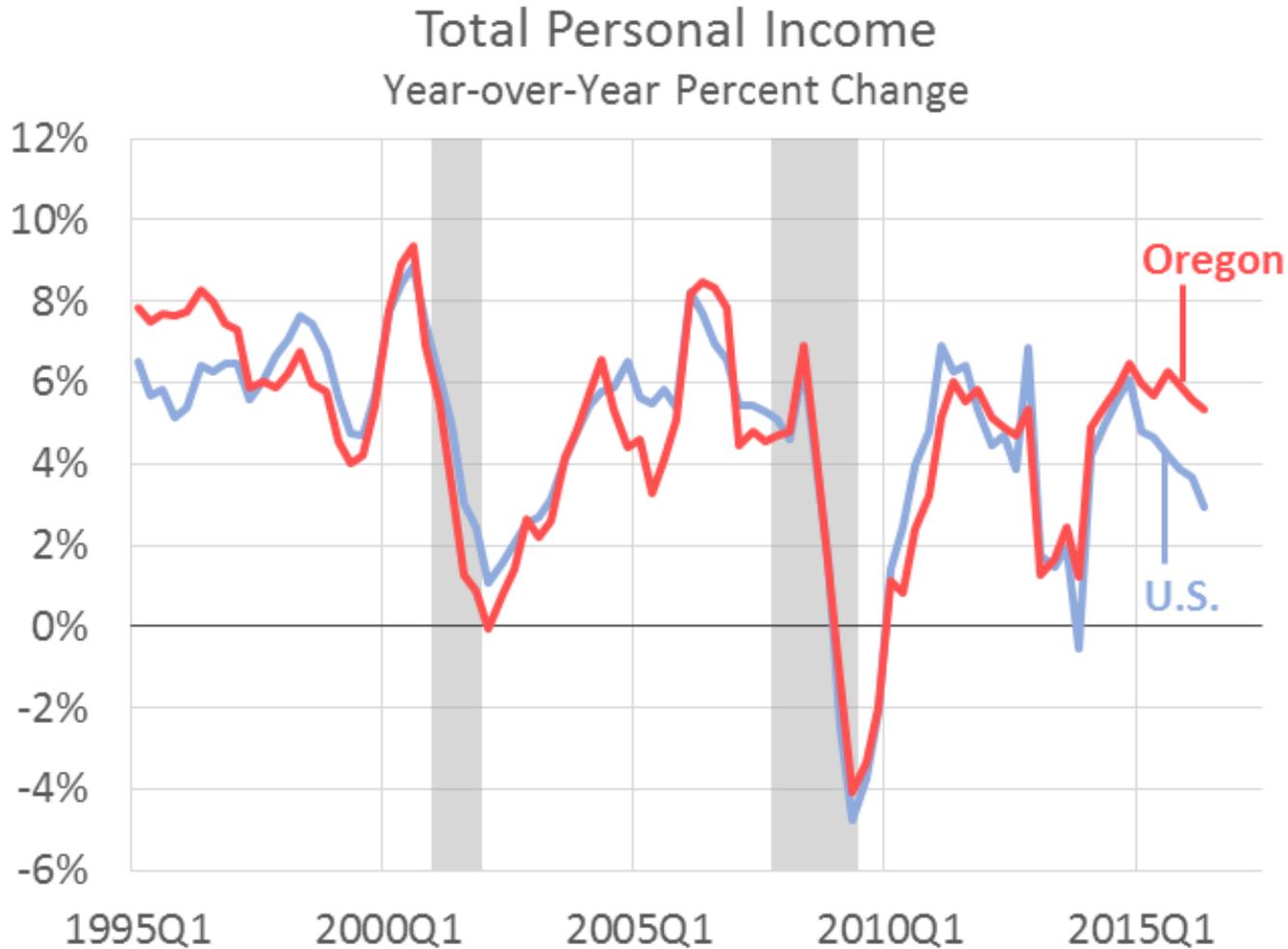
U.S. Personal Income Slowing

Year-over-Year Percent Change, 3 Month Average





But Not in Oregon (Yet)



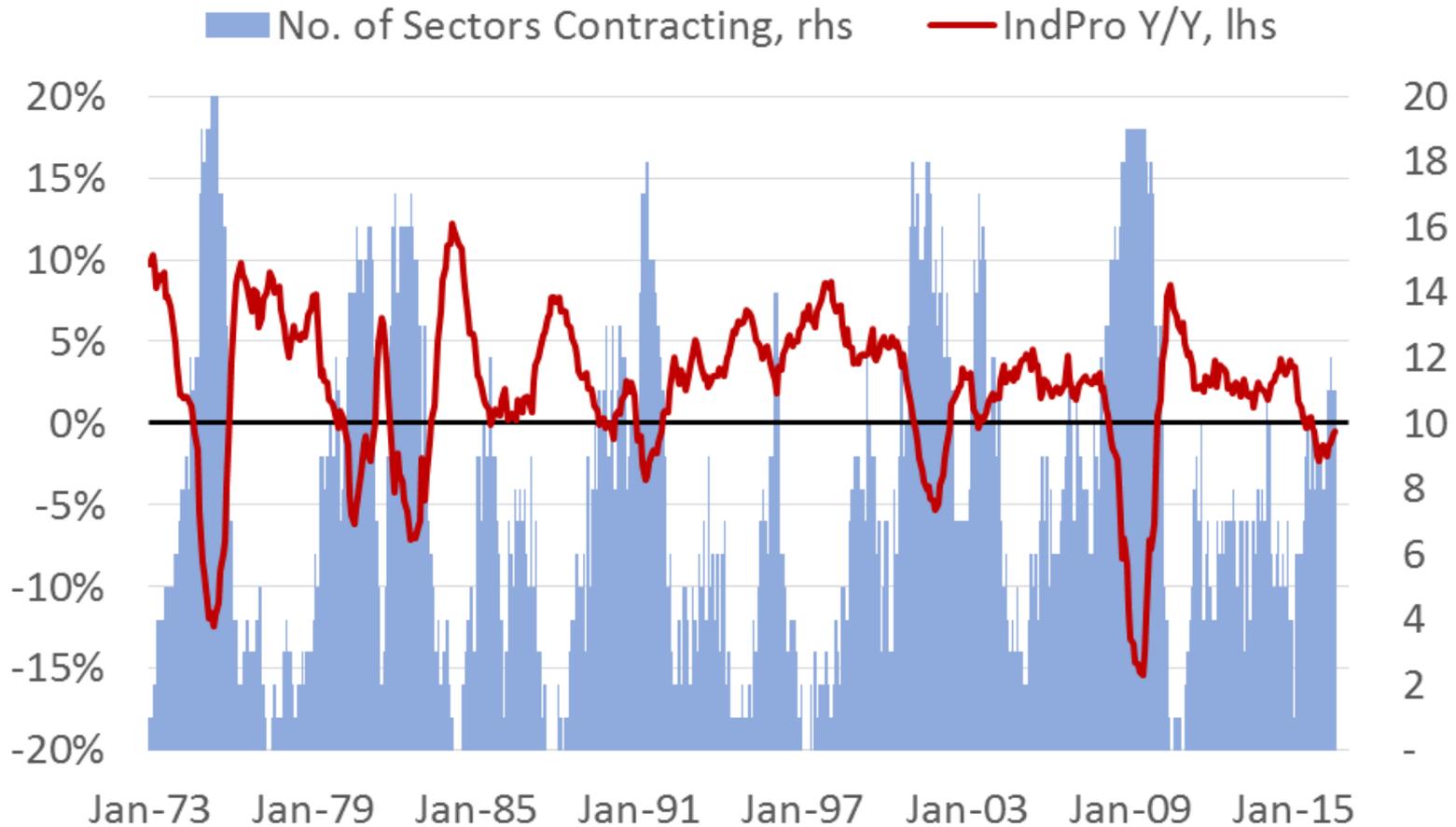
Latest Data: 2016q2 | Source: BEA, Oregon Office of Economic Analysis





Manufacturing Weakness Spreading

Industrial Production and Recessions



20 Sectors within Industrial Production at the 3 Digit NAICS level
 Latest Data: July 2016 | Source: Federal Reserve, Oregon Office of Economic Analysis



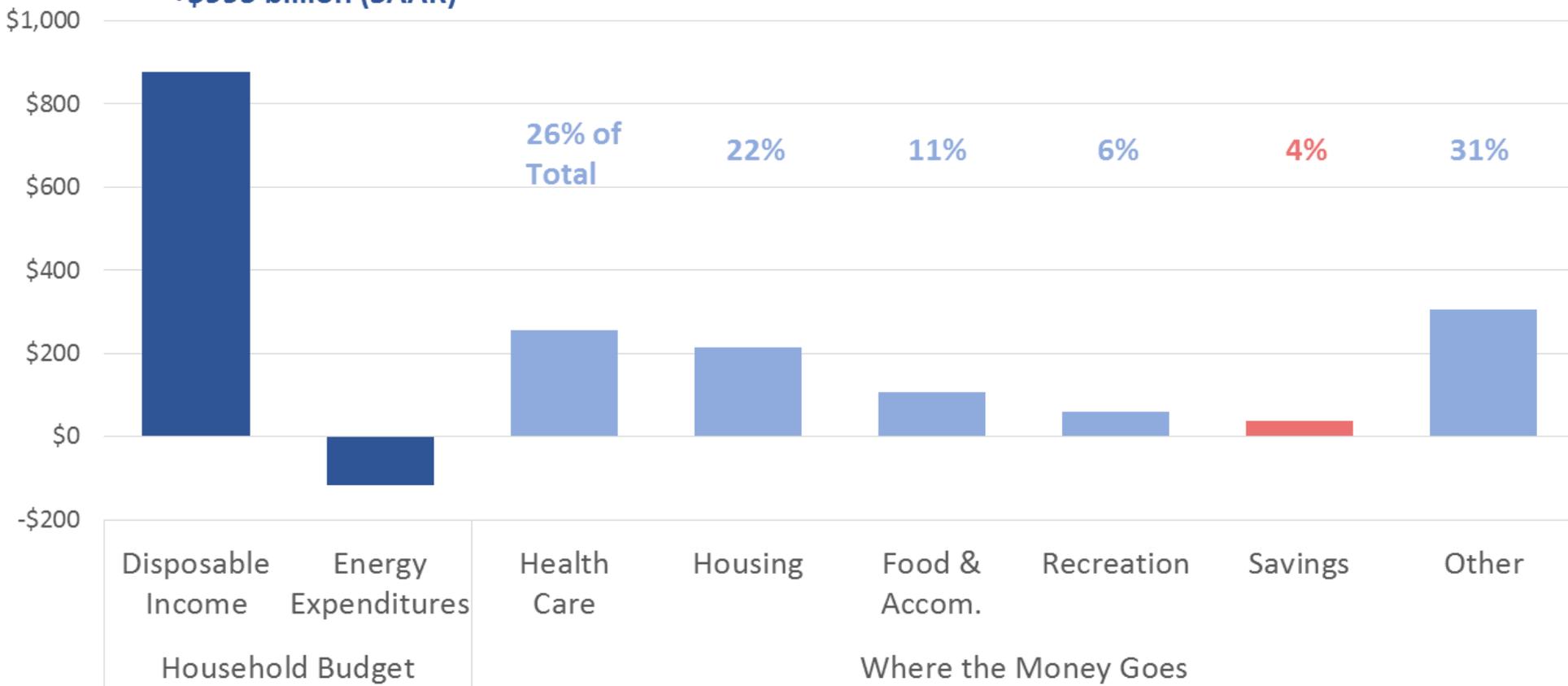


Good Times for the American Consumer

The Oil Math

Change In Household Finances 2014q3 to May-July 2016, \$billions

+\$995 billion (SAAR)



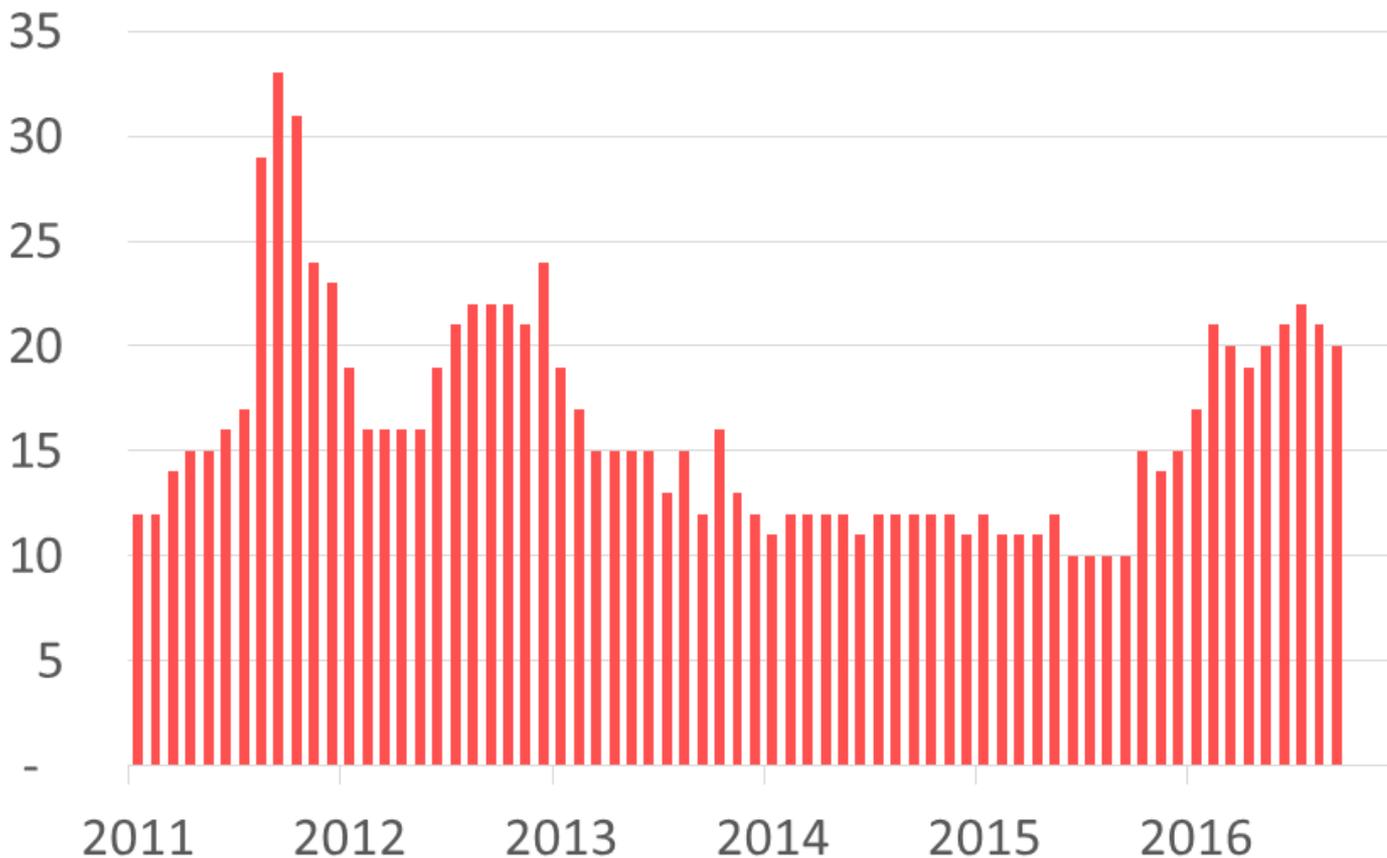
Health Care includes pharmaceuticals. Housing includes household supplies, maintenance and telecommunications but excludes utilities. Food & Accommodations includes food and beverage sales for off-premise sales. | Source: BEA, Oregon Office of Economic Analysis



Recessionary Fears Are Rising, But Remain Low For Now

Risk of Recession

Percent Probability U.S. Entering Recession in Next Year



Latest Data: Sept '16 | Source: Wall Street Journal

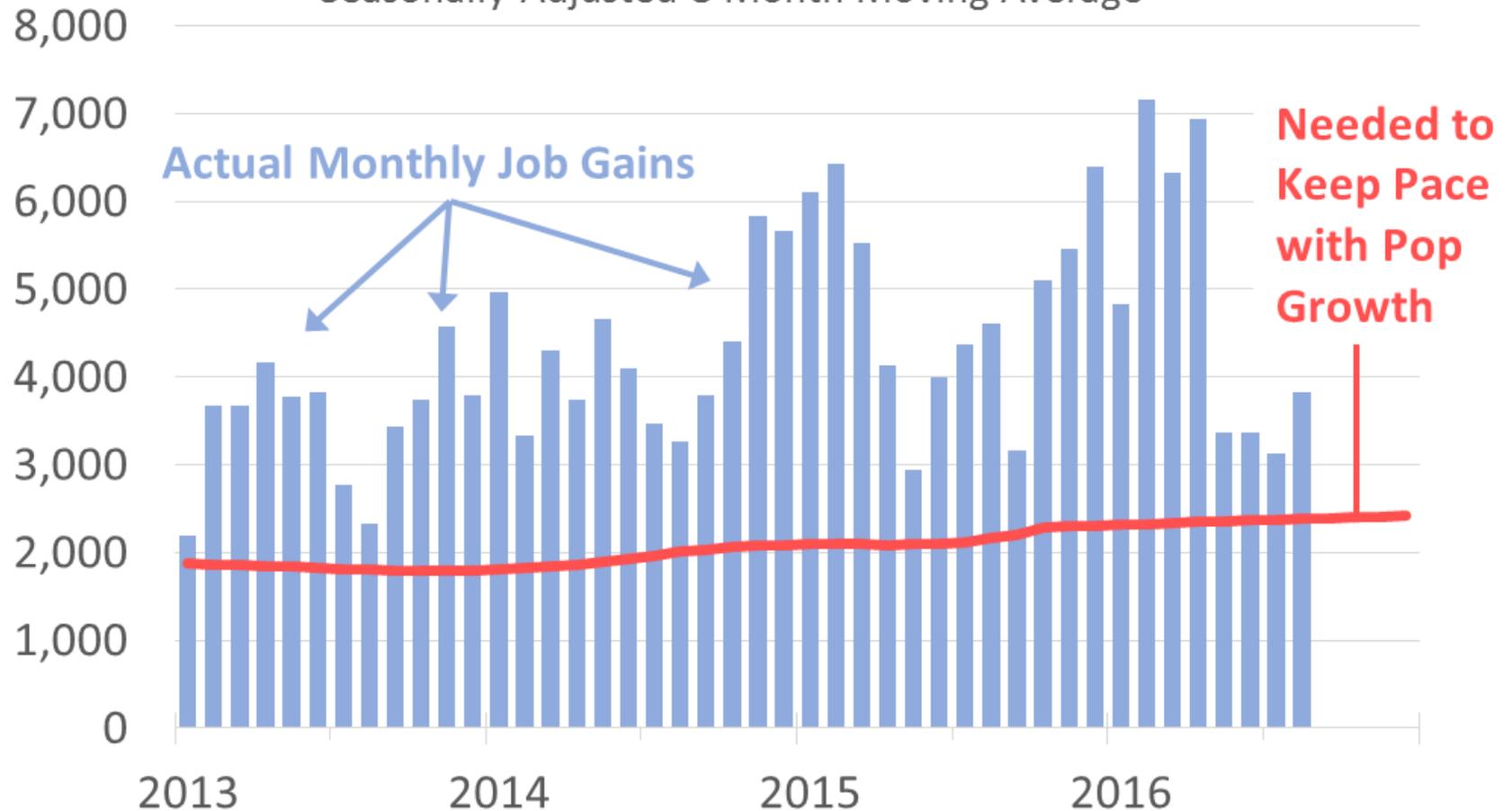




Job Growth Remains Strong

Oregon Job Gains

Seasonally-Adjusted 3 Month Moving Average

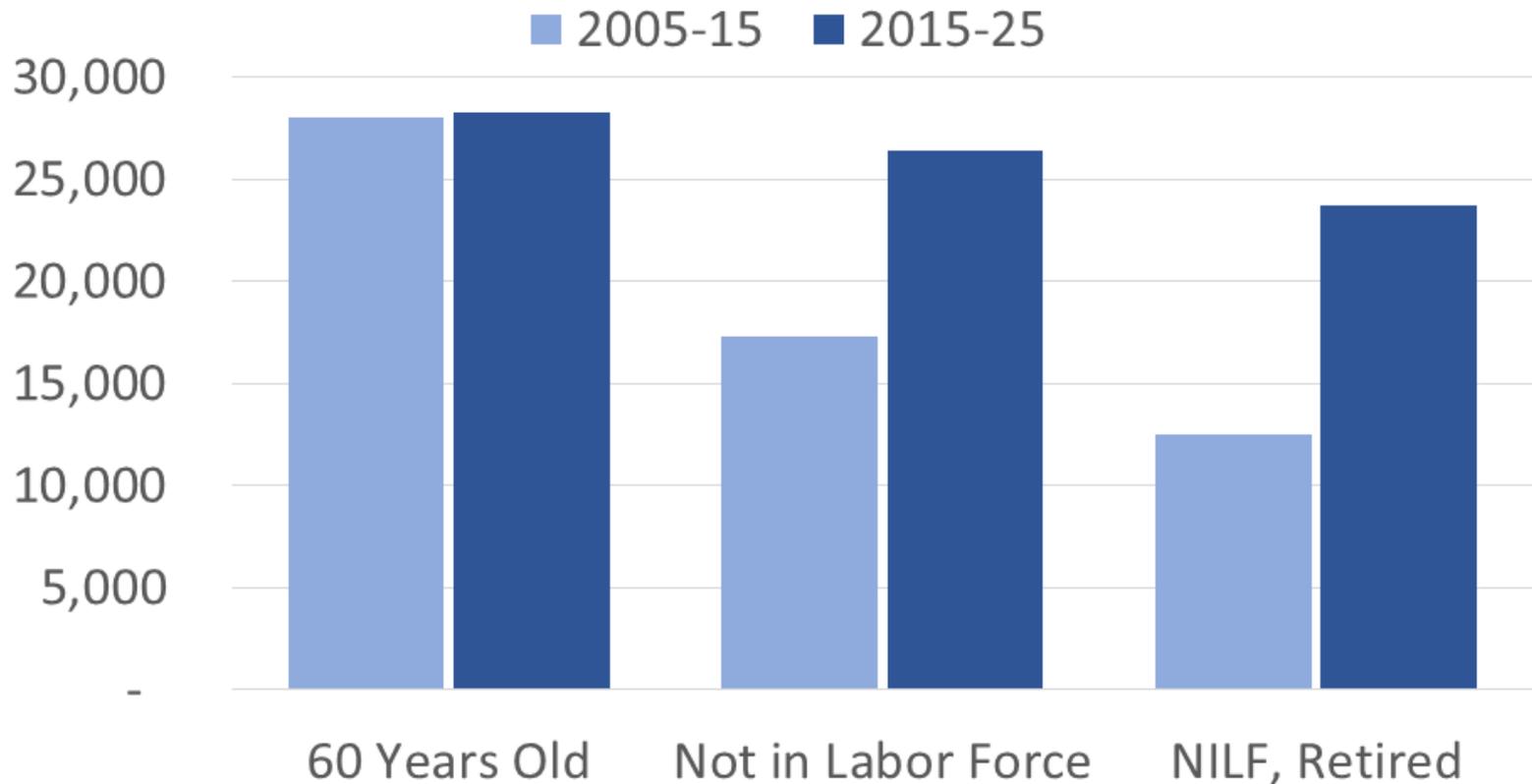




Changing Workforce Demographics

Retiring Oregonians

Annual Average for each Category





Labor Market Getting Tight

Oregon Job Openings and Available Labor

Number of Oregonians per Help Wanted Ad

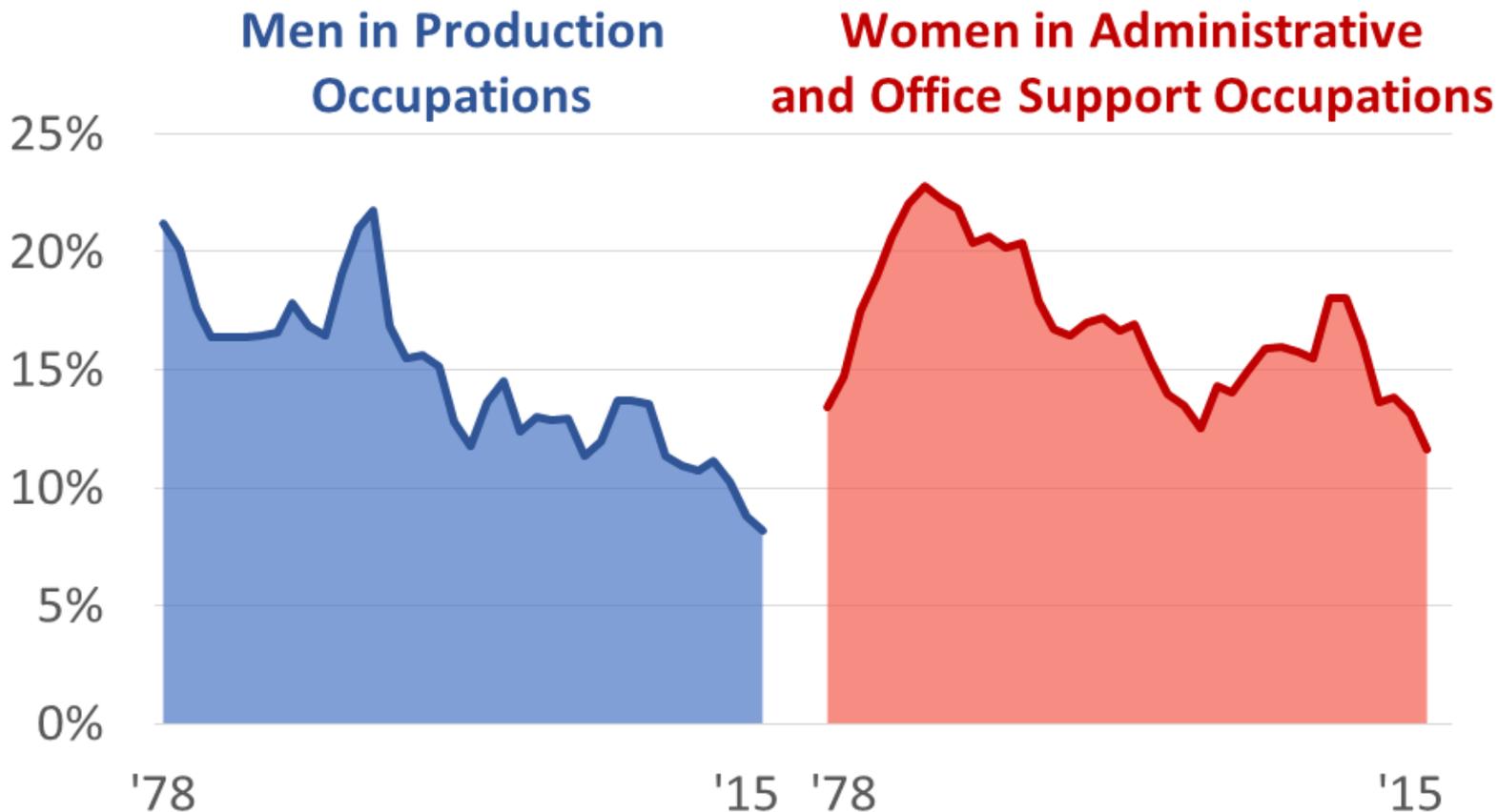




Potent Mixture: Education, Polarization and Participation

Office Support Decline Rivals Manufacturing

Share of Prime Working Age Oregonians with a High School Diploma or Less Employed by Occupation and Sex, Share of Total (EPOP)

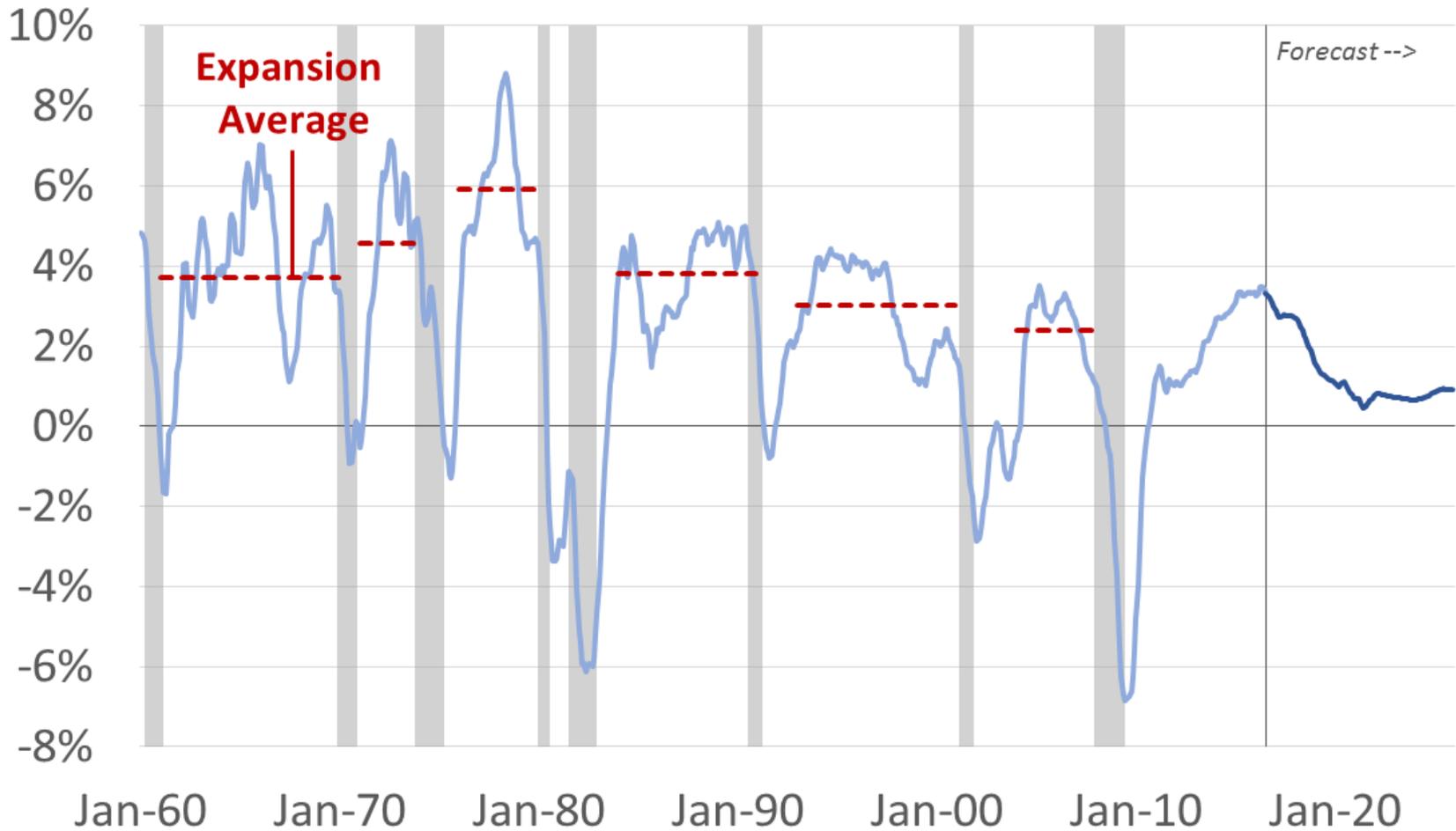




Slowing Down Soon

Oregon Nonfarm Employment Growth

Year-over-Year Percent Change





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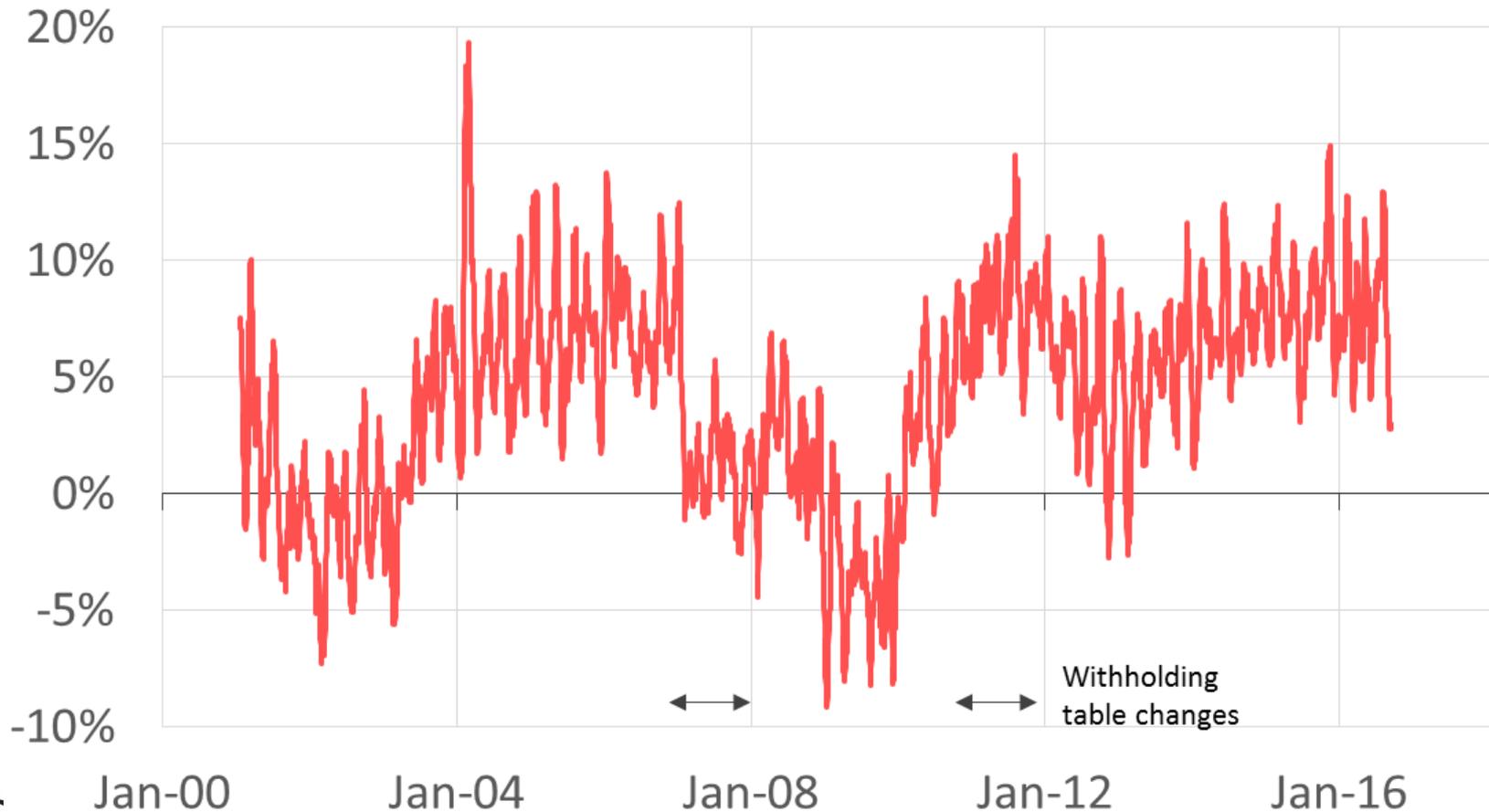
Revenue Update



Wages Still Strong...

Oregon Withholding

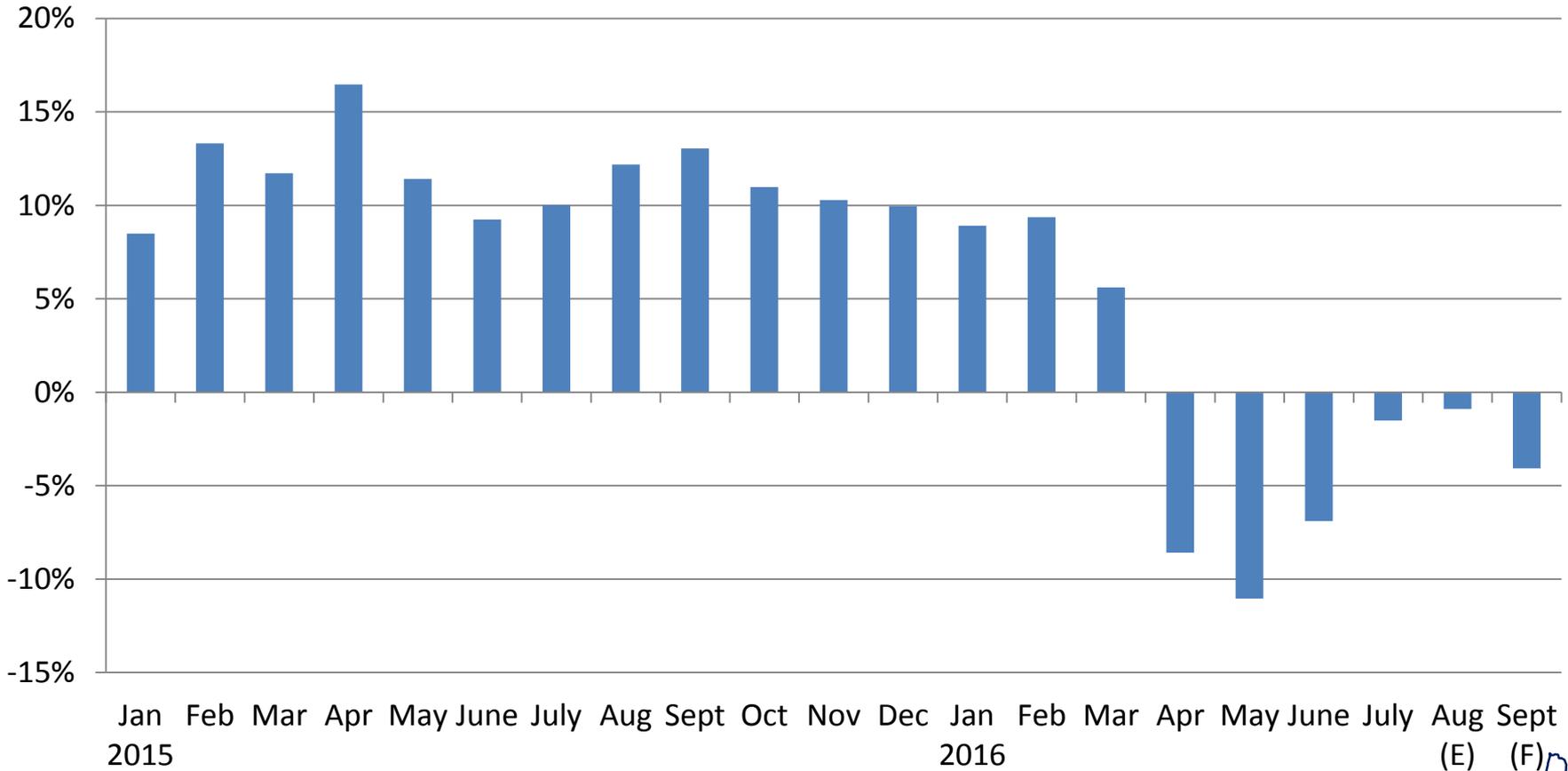
30 Day Rolling Sum of Collections, Year-over-Year Percent Change, 2 Week Average





...but Overall Growth Slows

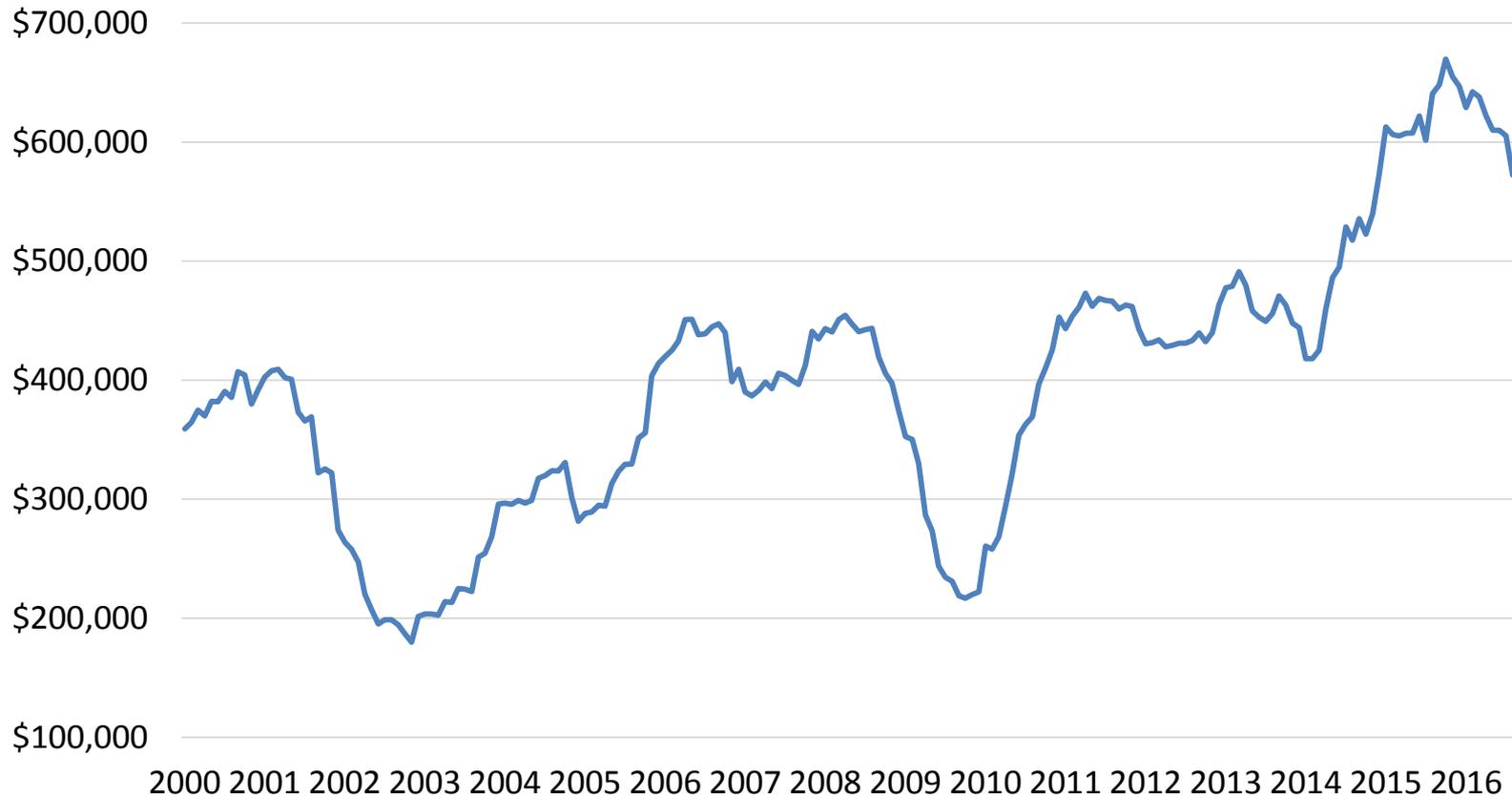
Kicker Takes a Bite: Personal Income Tax Collections *% change over year ago, 3 month moving sum*





Corporate Taxes Turn Down

Net Corporate Taxes
(\$ Ths, 12 month sum)





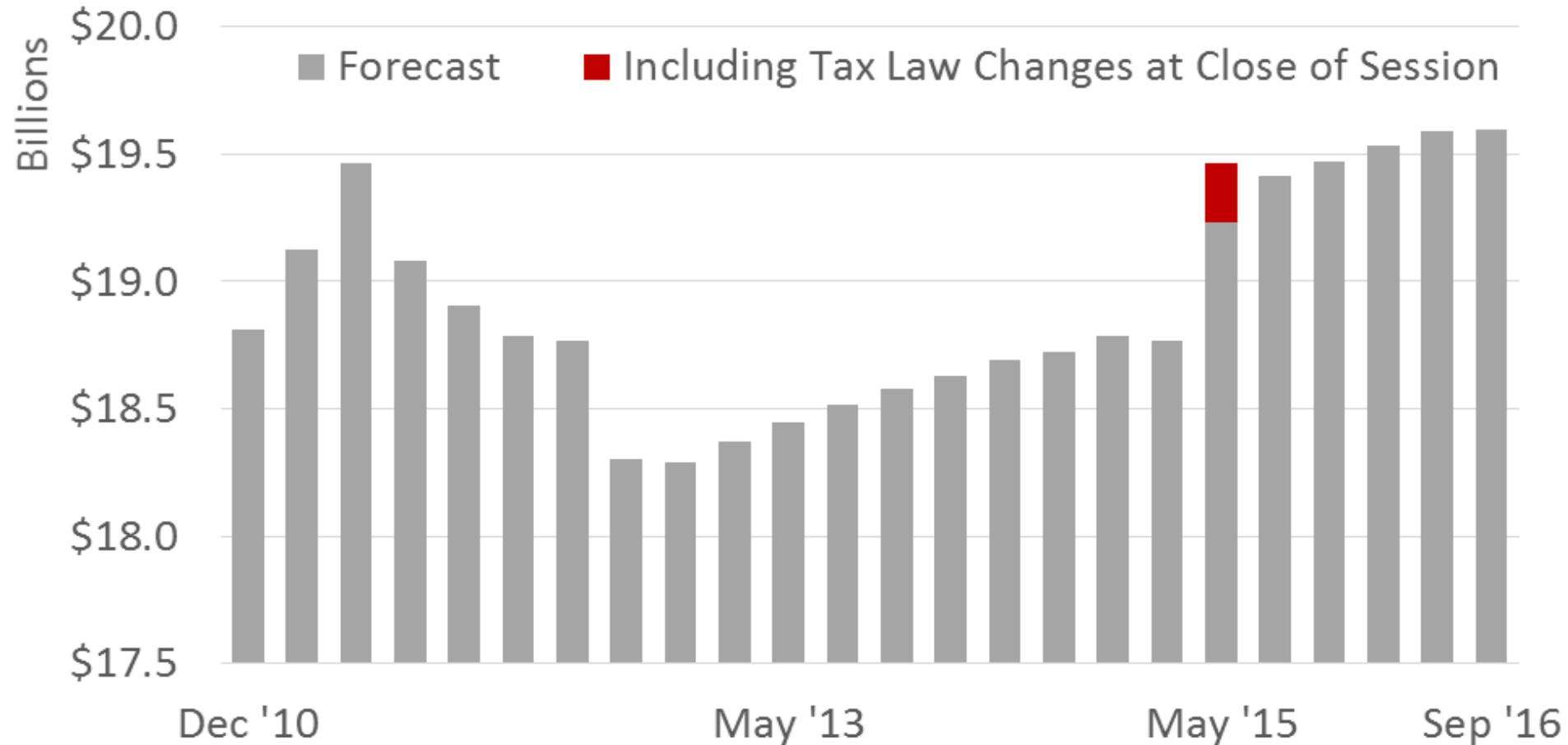
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Revenue Outlook



2015-17 Forecast Evolution

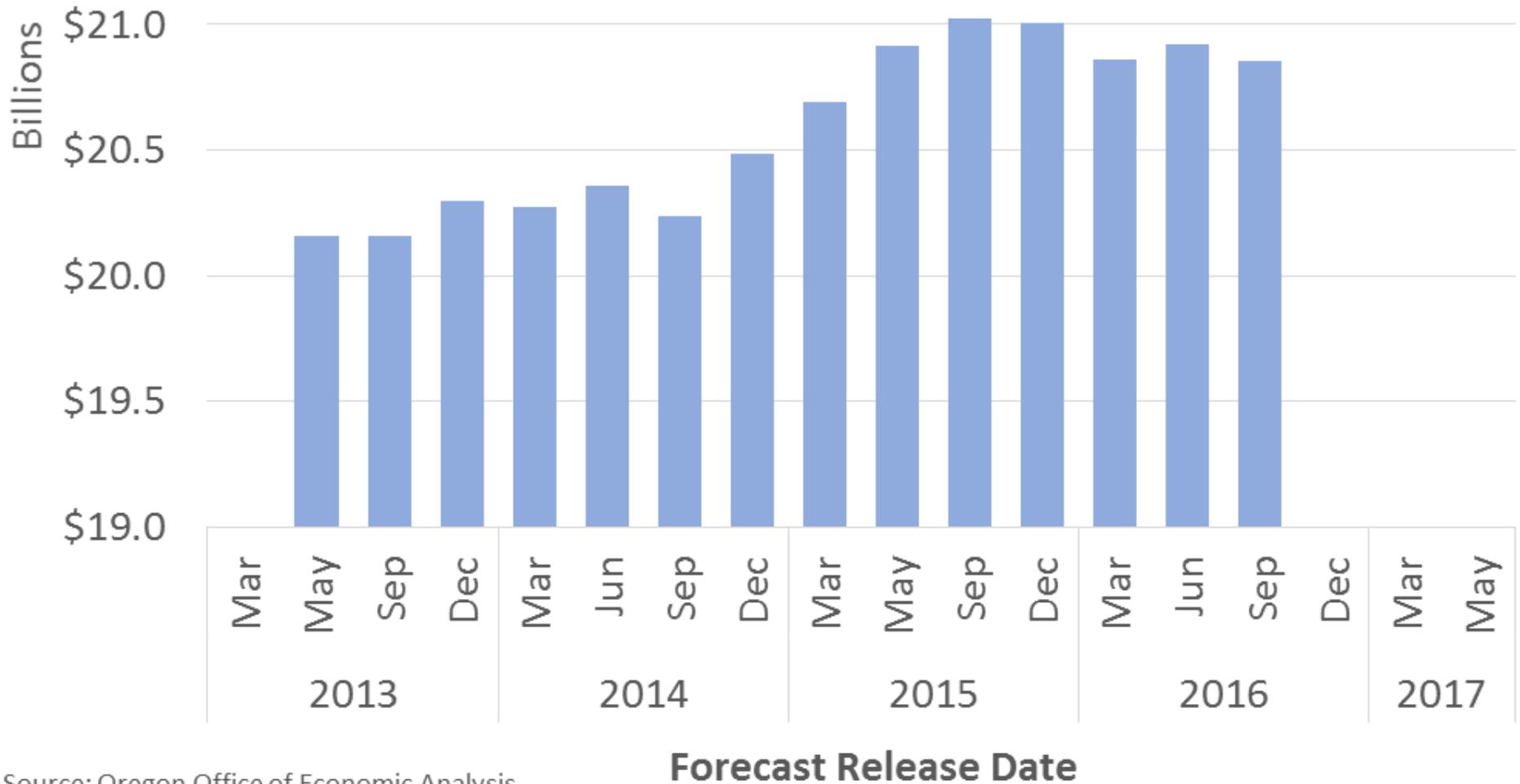
2015-17 General and Lottery Fund Resources Evolution by Forecast Release Date





2017-19 Forecast Evolution

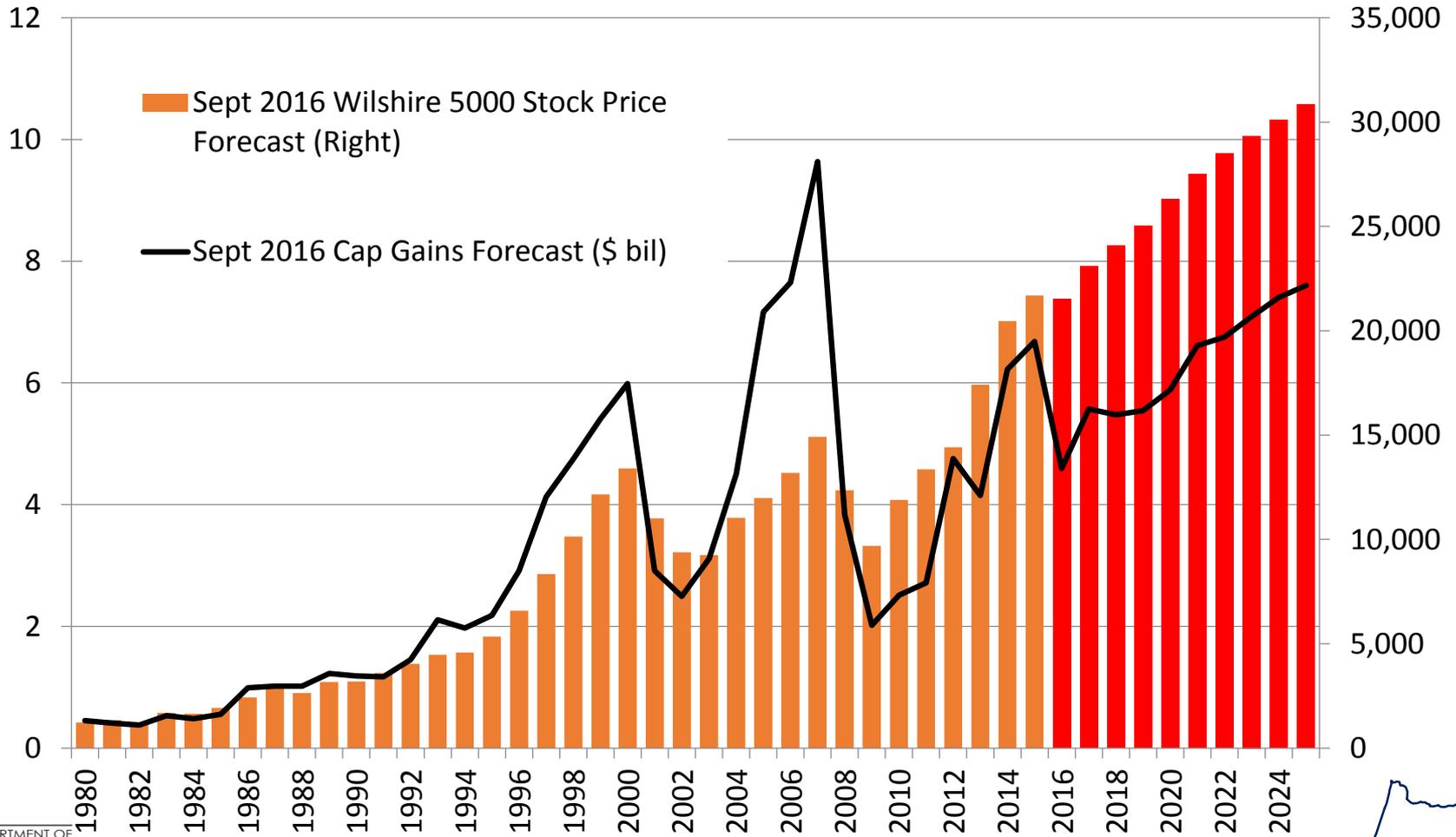
General and Lottery Fund Revenues 2017-19





How Long Will Bull Markets Persist?

Stock Prices and Oregon Taxable Capital Gains

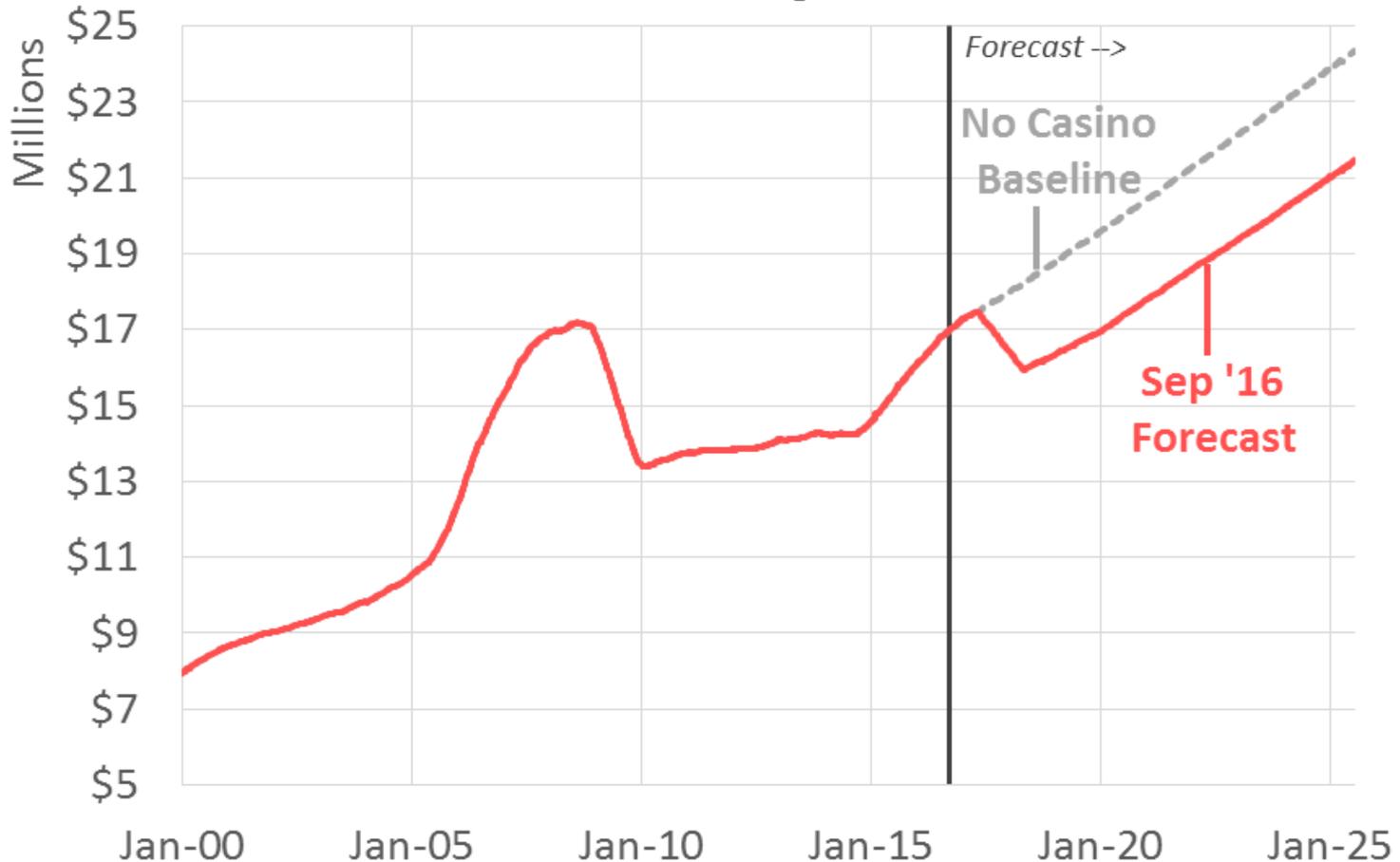




Lottery: Casino Impact Update

Oregon Video Lottery Sales

52 Week Average



Latest Data: August 27, 2016 | Source: Oregon Lottery, Oregon Office of Economic Analysis





Forecast Changes

Sept 2016 Forecast Changes Relative to the June 2016 Outlook

(millions of dollars)

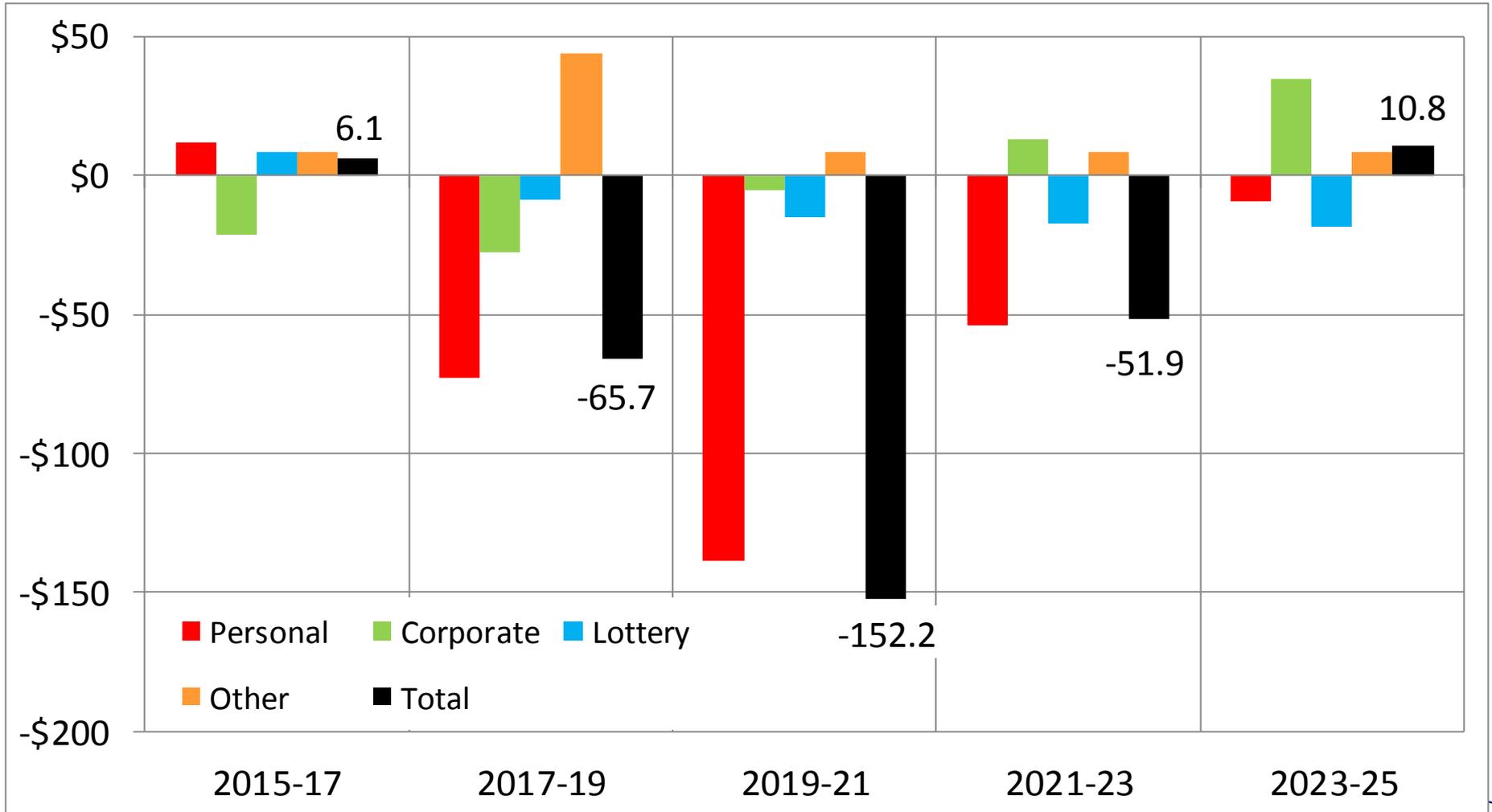
	2015-17	2017-19	2019-21	2021-23	2023-25
General Fund					
Revenues	-\$1.3	-\$56.2	-\$135.4	-\$32.3	\$33.4
<i>Other General Fund Changes</i>					
Beginning Balance	\$0.0	-\$2.2	-\$0.7	-\$1.7	-\$0.4
ORDF Transfer	-\$0.9	-\$0.7	-\$1.8	-\$2.5	-\$4.3
Expenditures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sub-Total	-\$0.9	-\$2.9	-\$2.5	-\$4.2	-\$4.8
<i>General Fund Ending Balance</i>	-\$2.2	-\$0.7	-\$1.7	-\$0.4	\$0.4
Lottery Fund					
Revenues	\$8.3	-\$14.4	-\$15.0	-\$17.1	-\$18.3
<i>Other Lottery Changes</i>					
Beginning Balance	\$0.0	\$5.6	\$0.0	\$0.0	\$0.0
Total Available Resources	\$6.1	-\$67.9	-\$152.9	-\$53.6	\$10.3





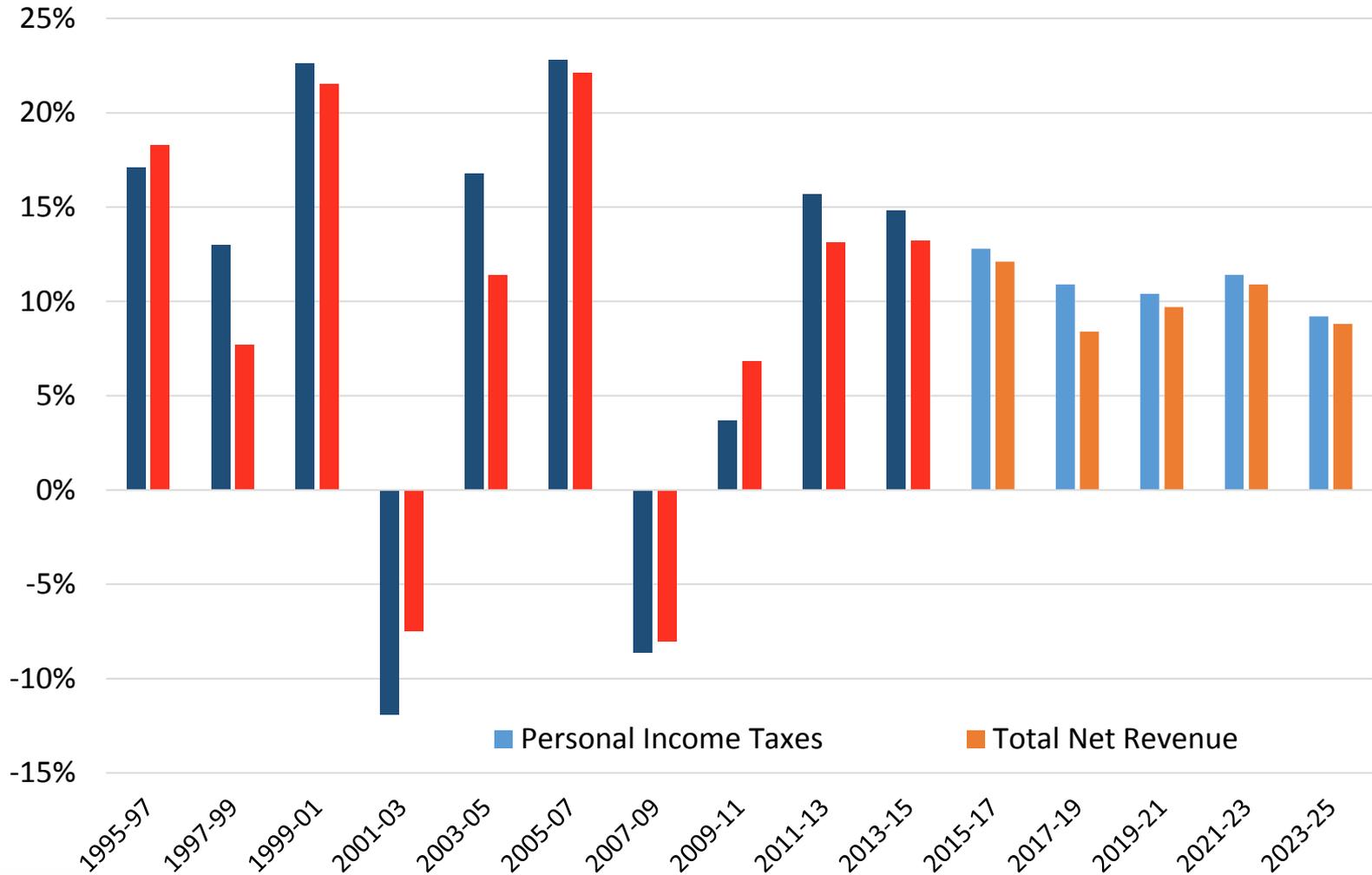
Forecast Changes

Difference from June Forecast, \$ millions





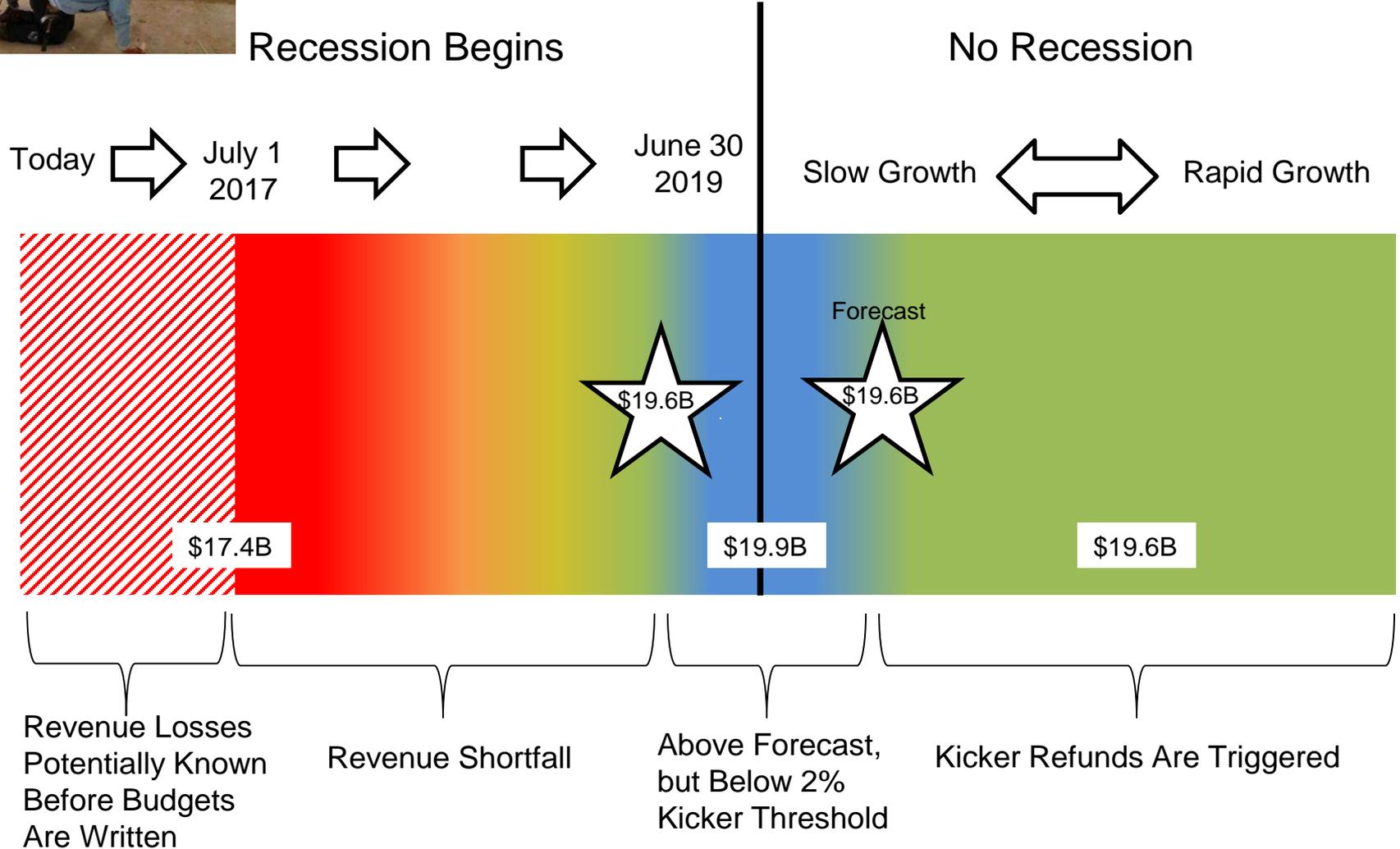
Biennial Revenue Growth





What Could Possibly Go Wrong?

Potential 2017-19 General Fund Revenues*



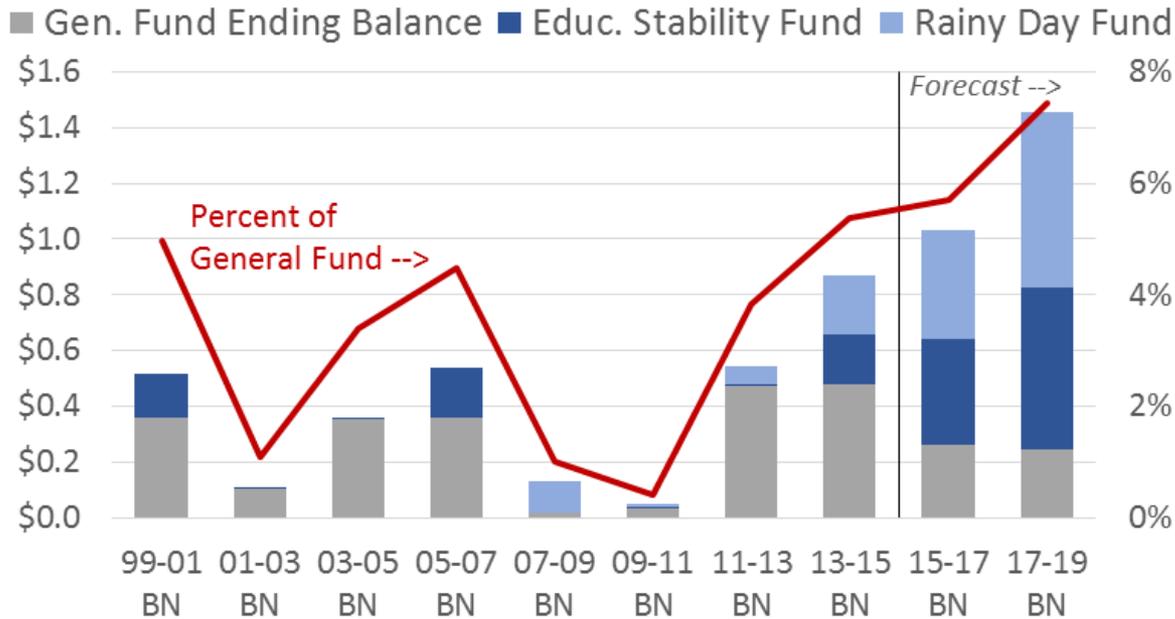
*Two scenarios are omitted for simplicity:

- 1) No recession, but extremely weak growth leading to budget shortfall
- 2) A recession starting very late in the biennium following strong growth that triggers the kicker



Reserves

Oregon Budgetary Reserves (billions)



Source: Oregon Office of Economic Analysis

Effective Reserves (\$ millions)

	<u>Jul</u> 2016	<u>End</u> 2015-17
ESF	\$303.2	\$382.9
RDF	\$372.8	\$387.8
Reserves	\$676.0	\$770.7
Ending Balance	\$259.6	\$259.6
Total	\$935.6	\$1,030.4
% of GF	5.2%	5.7%



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