March 2020 Economic & Revenue Outlook

February 12th, 2020

Oregon Office of Economic Analysis
Mark McMullen
Josh Lehner
Economic Update and Outlook
Outlook Concerns Still Elevated but Improving

Risk of Recession

Percent Probability U.S. Entering Recession in Next Year

Global Economic Powers
Share of World GDP, $USD Basis

- **United States**
- **China**

Latest Data: 2018  |  Source: IMF, Oregon Office of Economic Analysis
Stable Outlook but Slower Job Growth will Continue

Total Nonfarm Employment
Year-over-Year Percent Change

Forecast -->

Latest Data: 2019q4 | Source: IHS Global Insight, Oregon Office of Economic Analysis
Slower Migration Results in Slower Labor Force Gains

Oregon's Population Growth is Slowing

Question is By How Much?

Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis
Strong Income Growth Across the Distribution

Oregon Household Income
Income Distribution Relative to U.S.

Today, Oregon households in bottom 70% of the income distribution (<$97,000) have incomes on par with or higher than their national counterparts.

Source: IPUMS-USA, Oregon Office of Economic Analysis
Revenue Update and Outlook
Forecast Evolution

2019-21 General and Lottery Fund Resource Estimates by Forecast Vintage

Billions

Source: Oregon Office of Economic Analysis
Withholdings Outstrip Underlying Economy

Annual Oregon Wage Growth

- PIT Withholding
- BEA Wages
- Reported Wage Income

Source: BEA, Oregon Dept of Revenue, Oregon Office of Economic Analysis
A Piece to the Puzzle

Outlook for Retirement Income

Population 75 years or older (right axis)

Forecast ->

Pensions

IRAs

Federally Taxable Social Security


$0 $10 $20 $30 $40 $50 $60

500,000

450,000

400,000

350,000

300,000

250,000

200,000

150,000
Record Collections Driven by Small Number of Estates

Oregon Estate Taxes

Millions

$350
$300
$250
$200
$150
$100
$50
$0

Stock Prices -->
Home Prices -->
Forecast -->

<-- Tax Collections

Index, 2007=100

FY 00  FY 05  FY 10  FY 15  FY 20  FY 25

Latest Data: FY 2019  |  Source: IHS Markit, Oregon DOR, Oregon Office of Economic Analysis
## Additional Resources for the Current Biennium

### 2019-21

<table>
<thead>
<tr>
<th></th>
<th>Current Forecast</th>
<th>Change Since Last Forecast</th>
<th>Change Since Close of Session</th>
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<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
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<tr>
<td>Personal Income Taxes</td>
<td>18,472,592,000</td>
<td>186,824,000</td>
<td>189,084,000</td>
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<tr>
<td>Film and Video and Transfer to Counties</td>
<td>(45,262,000)</td>
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<tr>
<td>Corporate Income Taxes</td>
<td>1,312,661,000</td>
<td>(13,215,000)</td>
<td>121,856,000</td>
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<tr>
<td>Transfer to Rainy Day Fund &amp; PERS UAL</td>
<td>(209,046,000)</td>
<td>(45,243,000)</td>
<td>(50,792,000)</td>
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<tr>
<td>Other Revenues</td>
<td>1,672,674,000</td>
<td>115,310,000</td>
<td>126,592,000</td>
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<tr>
<td><strong>Net General Fund Revenues</strong></td>
<td>21,203,619,000</td>
<td>243,676,000</td>
<td>386,740,000</td>
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<td>Plus Beginning Balance</td>
<td>2,579,398,712</td>
<td>(71,100,000)</td>
<td>260,954,000</td>
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<td>Appropriations</td>
<td>22,409,455,625</td>
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<td><strong>Estimated Ending Balance</strong></td>
<td>1,153,751,594</td>
<td>173,696,543</td>
<td>648,814,543</td>
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Recessionary Buffer

Oregon Budgetary Reserves (billions)

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<td>25-27</td>
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Effective Reserves ($ millions)

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<th>January 2020</th>
<th>End 2019-21</th>
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<tr>
<td>ESF</td>
<td>$678.8</td>
<td>$860.3</td>
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<td>RDF</td>
<td>$675.1</td>
<td>$962.8</td>
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<td>Reserves</td>
<td>$1,353.9</td>
<td>$1,823.1</td>
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<tr>
<td>Ending Balance</td>
<td>$1,153.8</td>
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<tr>
<td>Total</td>
<td>$2,507.6</td>
<td>$2,976.8</td>
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% of GF: 11.7% to 13.9%

Source: Oregon Office of Economic Analysis
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