

The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with spread wings perched on a shield, with the words "THE UNION" on a banner below. The outer ring of the seal reads "STATE OF OREGON" and the year "1859" is at the bottom.

June 2020 Economic and Revenue Forecast

May 20th, 2020

Oregon Office of Economic Analysis

Mark McMullen

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Economic Outlook



Health Assumptions

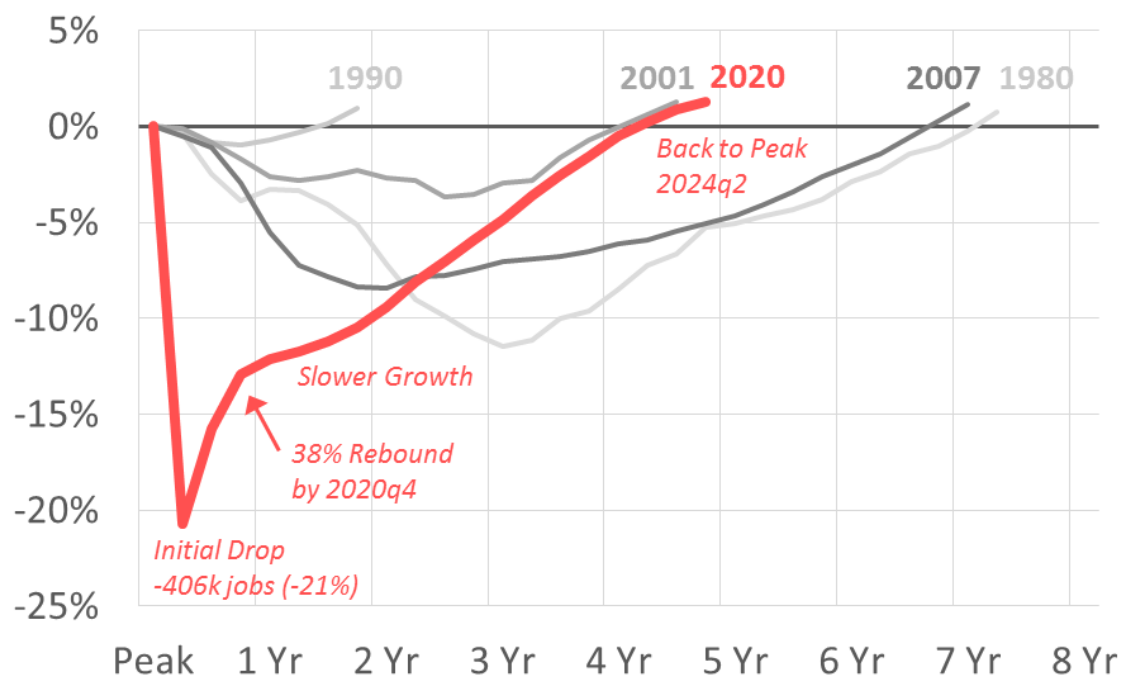
- Uncertainty abounds. Our office is translating a public health crisis into an economic and revenue forecast. Two key health assumptions in the baseline:
 - Social distancing policies begin lifting this summer. Phase 1 reopening is just a first step.
 - Health crisis wanes by end of 2021 due to some available treatment or vaccine



It Takes Years to Recover from Severe Recessions

Oregon Recession Comparison

Employment Percent Change from Pre-Recession Peak



Source: Oregon Employment Department, Oregon Office of Economic Analysis

- When restrictions lift, strong initial rebound, but incomplete
- Slower growth next year due to uncertainty over virus and income losses
- Once medical treatment widely available, stronger recovery expected
- Economy returns to health by mid-decade

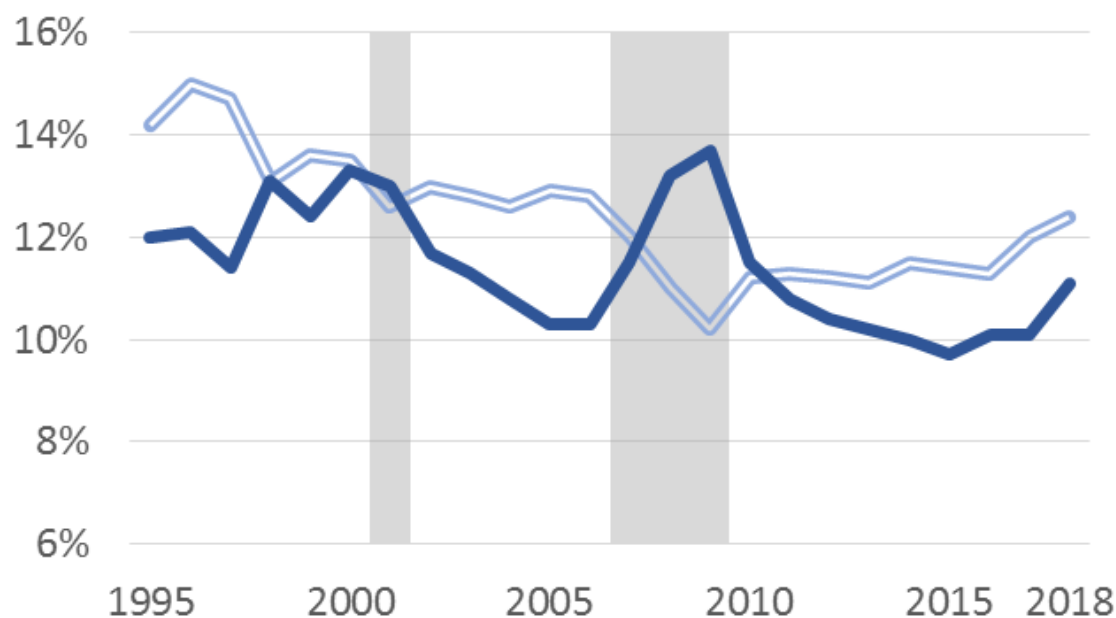




Permanent Damage & Federal Policy

Oregon Business Dynamics

Establishment **Births** and **Deaths**, Share of Total



Latest Data: 2018 | Source: BLS, Oregon Office of Economic Analysis

- Recovery Rebates
 - Nearly \$4b to Oregon households
- Unemployment Insurance
 - Nearly \$7b total given recession and expanded program
- Paycheck Protection Program (PPP)
 - 49,900 small Oregon businesses have been approved for \$6.83b in loans through 5/1/2020

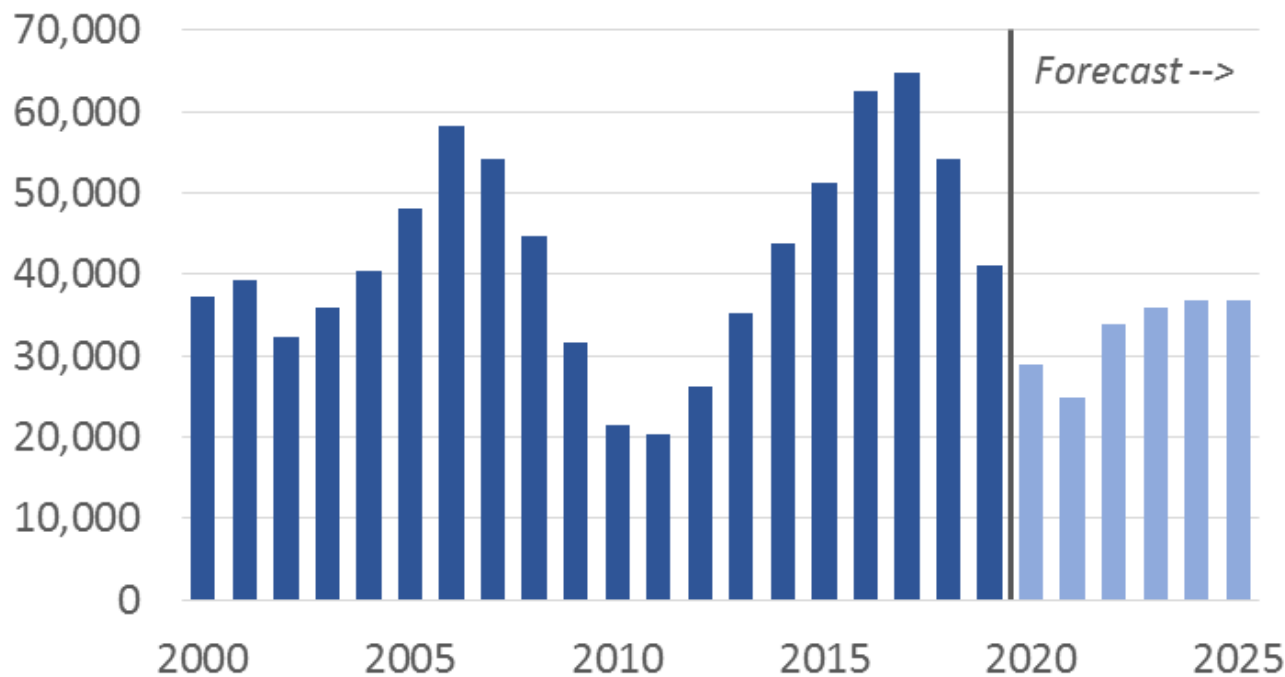




Migration is Pro-cyclical

Oregon Population Growth

Annual Change in the Total Population



- Near Term: no one is moving during the pandemic
- Medium Term: migration reduced due to recession
- Long Term: Oregon's ability to attract and retain working-age households is expected to remain intact

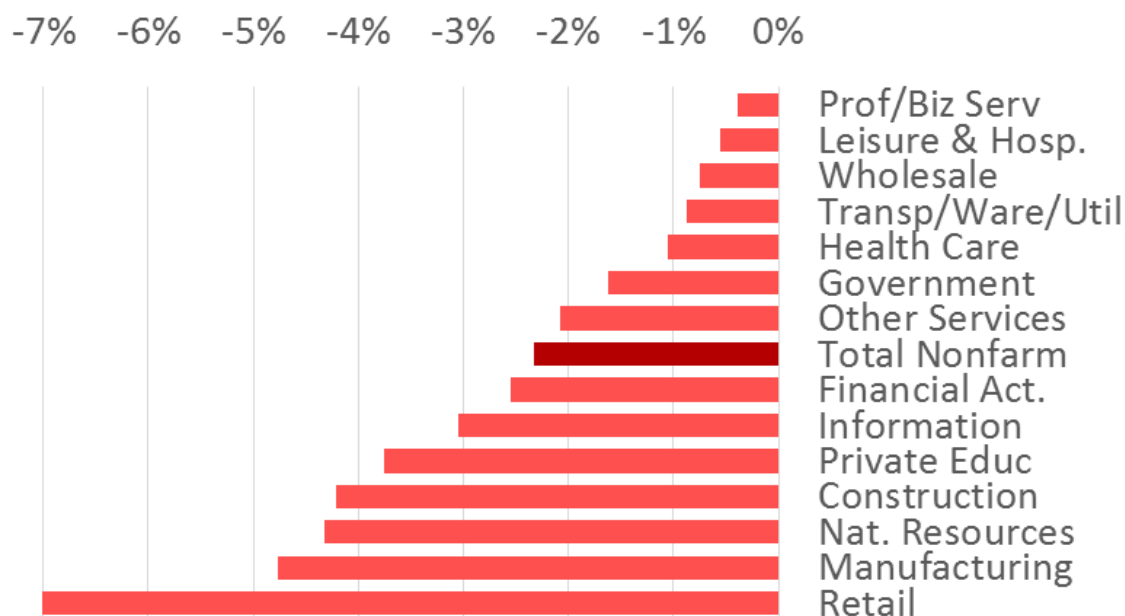




Industrial Structure Likely to Change

Structural Changes

Oregon Employment in 2027 in June 2020 Forecast
Compared to March 2020 Forecast



- Oregon's long-run trajectory is lower due to the recession
 - Fewer jobs, less income, smaller population
- Largest relative changes expected in goods-producing industries plus retail



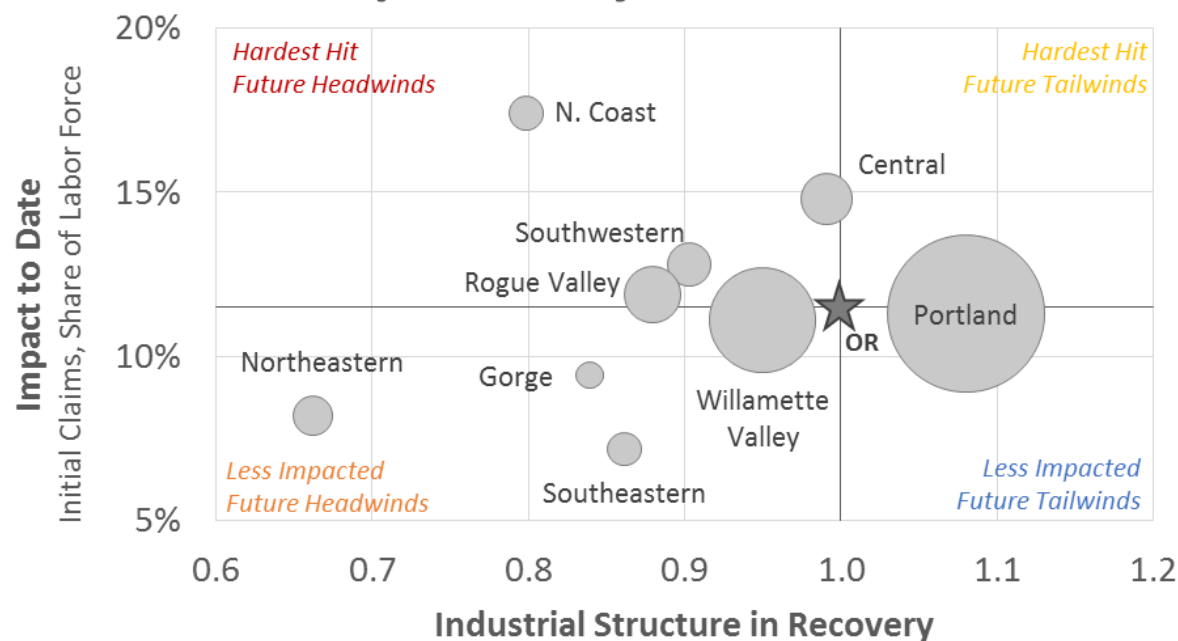
Source: Oregon Office of Economic Analysis





Regional Outlook: Recession Severity and Future Growth

Oregon's Regional Economies Impacted by COVID-19



- Initial impacts largest in tourism-reliant regions
- Future headwinds based on larger reliance on goods-producers, and fewer office-based jobs that are concentrated in metro areas



Impact to Date: Number of initial claims 3/15 - 5/9 above baseline as share of labor force. Industrial Structure: impact of industry mix on job growth through 2027 using statewide industry growth rates. | Source: BLS, Oregon Employment Dept, Oregon Office of Econ Analysis

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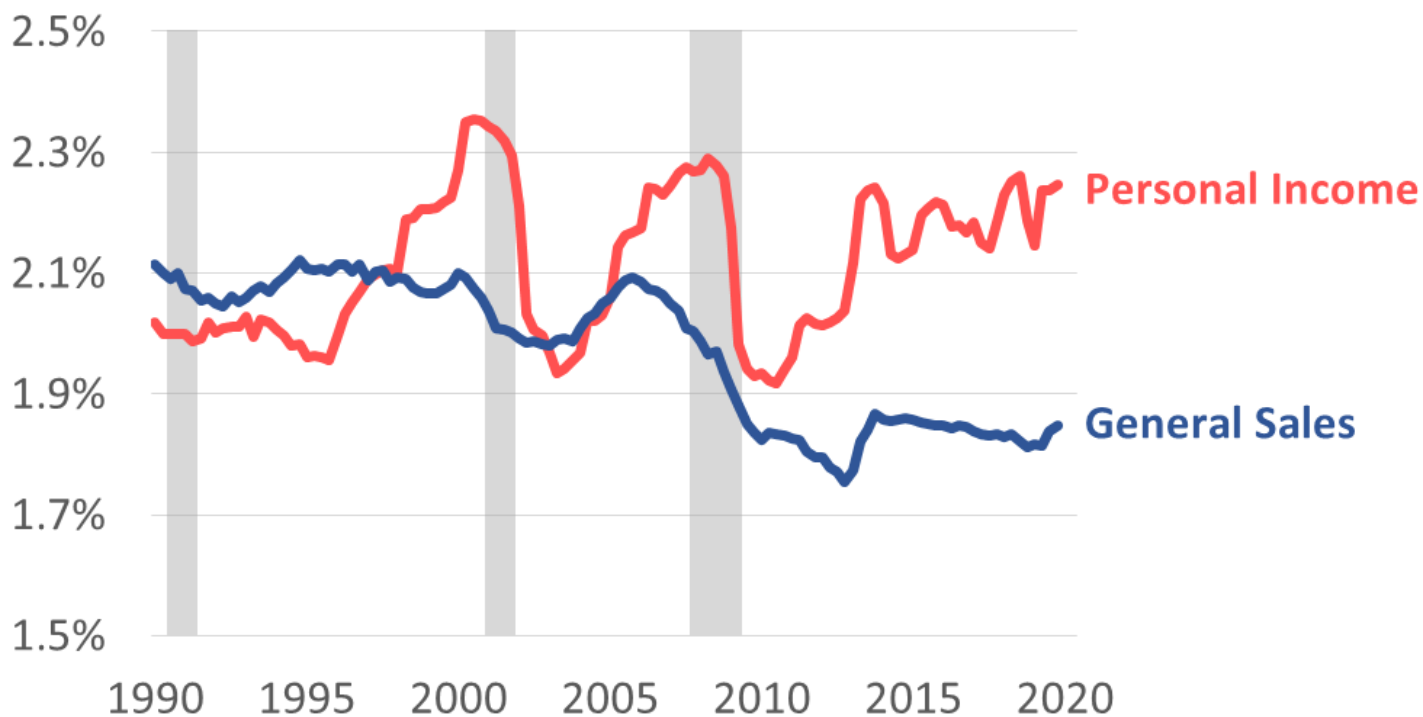
Revenue Outlook



Mix of Tax Instruments Matters

State Tax Collections: Risk vs Return

All States Tax Collections as Share of Personal Income, 4 Qtr Avg



Latest Data: 2019q4 | Source: Census, BEA, Oregon Office of Economic Analysis

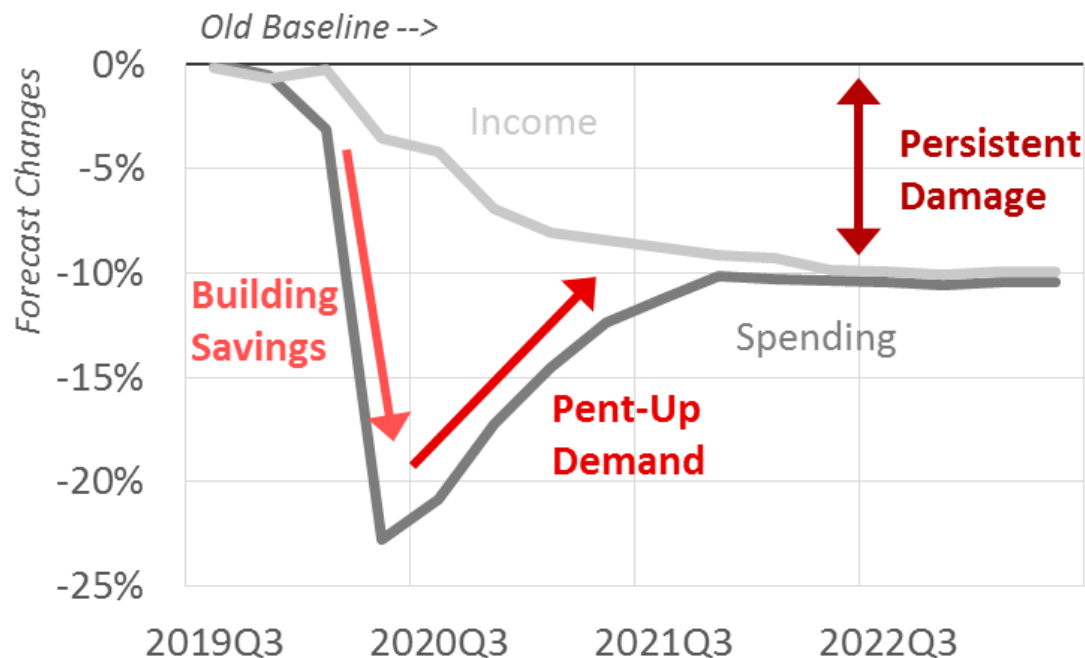
- Oregon's reliance on personal and corporate income taxes has made its revenues more volatile than in most states
- This recession may be different given the oversized impact on spending
- Oregon's revenue system has become far more dependent on sales in recent years: (CAT, lodging, gasoline, vehicle privilege, video lottery, marijuana)



Oregon revenues have never been more exposed to consumer spending, Part 1

Spending and Income Revised Lower

Changes from Previous Forecast



Source: Oregon Office of Economic Analysis

Corporate Activity Tax Revenue Changes (\$ million)

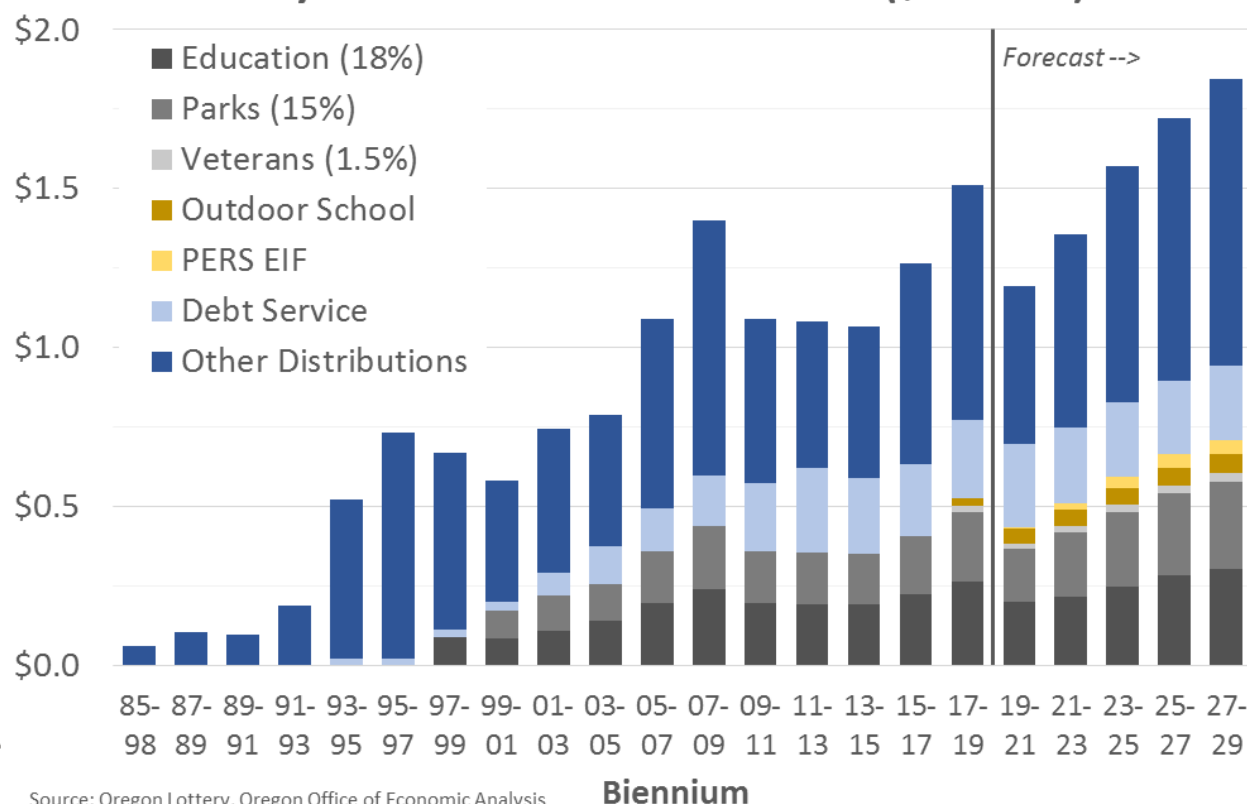
2019-21	-\$414.1
2021-23	-\$599.0
2023-25	-\$489.1





Oregon revenues have never been more exposed to consumer spending, Part 2

Lottery Resources and Distributions (\$ billions)



- Lower revenues today due to social distancing
- There is pent-up demand for gaming
- Long-run growth lowered due to smaller economy and less personal income

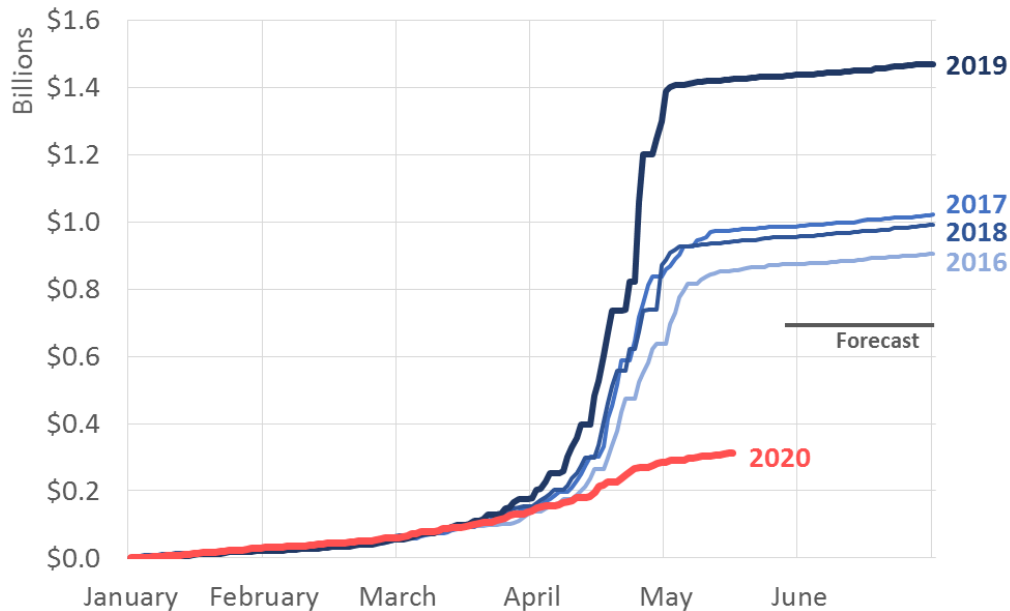




COVID-19 Messes with Tax Season

Year-End Payments Delayed

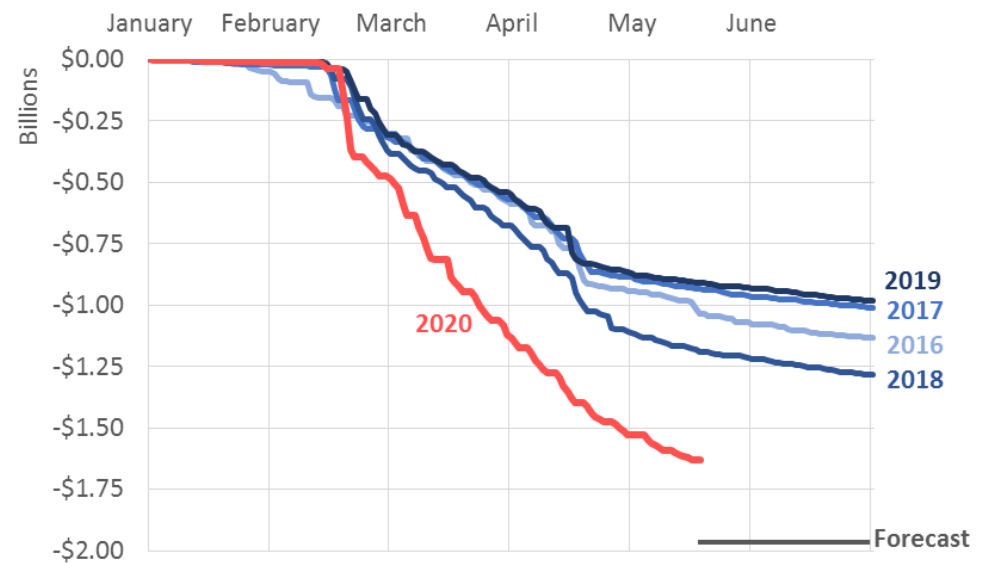
Oregon Cumulative Personal Income Tax Payments



Latest Data: May 15, 2020 | Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis

Refunds Probably Still on Track

Personal Income Tax Refunds, Cumulative



Latest Data: May 15, 2020 | Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis



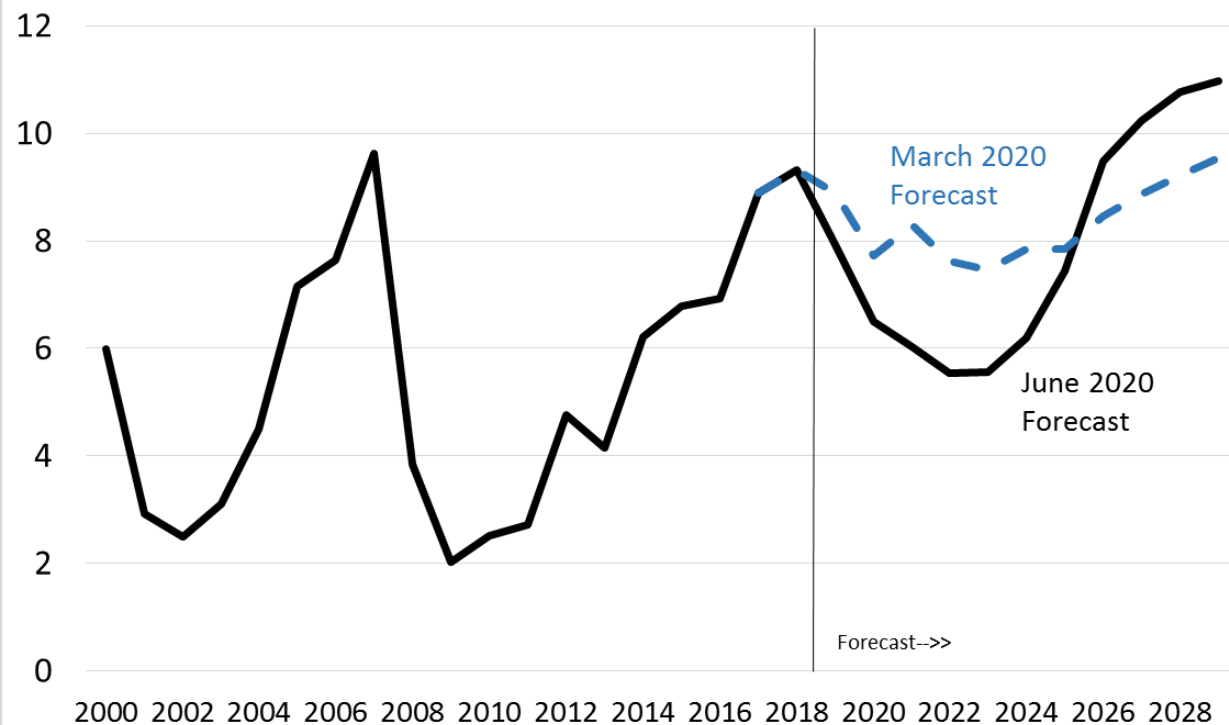
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Volatile Income Steams

Oregon Realized Capital Gains

\$ billions, Tax Years, Full-Year Filers



- Income Tax Volatility is led by large swings in business and investment income
- Some weakening of capital gains was expected prior to the market correction
- IHS vendor forecast incorporates fast recoveries for profits and equity markets
- Stock market correction is expected to be less than half as deep and less than half as long as in 2007



Revenue bottom line

General Fund Revenues	Biennium (\$ Million)		
	2019-21	2021-23	2023-25
Personal Income Taxes	-1,588	-3,231	-2,429
Corporate Income Taxes	-233	-137	-118
Other	-108	-152	-140
Total	-1,929	-3,520	-2,687

Other Revenues	Biennium (\$ Million)		
	2019-21	2021-23	2023-25
Lottery	-364	-260	-187
Corporate Activity Tax	-414	-599	-489
Marijuana Tax	9	-5	-18
Total	-769	-864	-694

	Biennium (\$ Million)		
	2019-21	2021-23	2023-25
Total Sum	-2,698	-4,384	-3,381



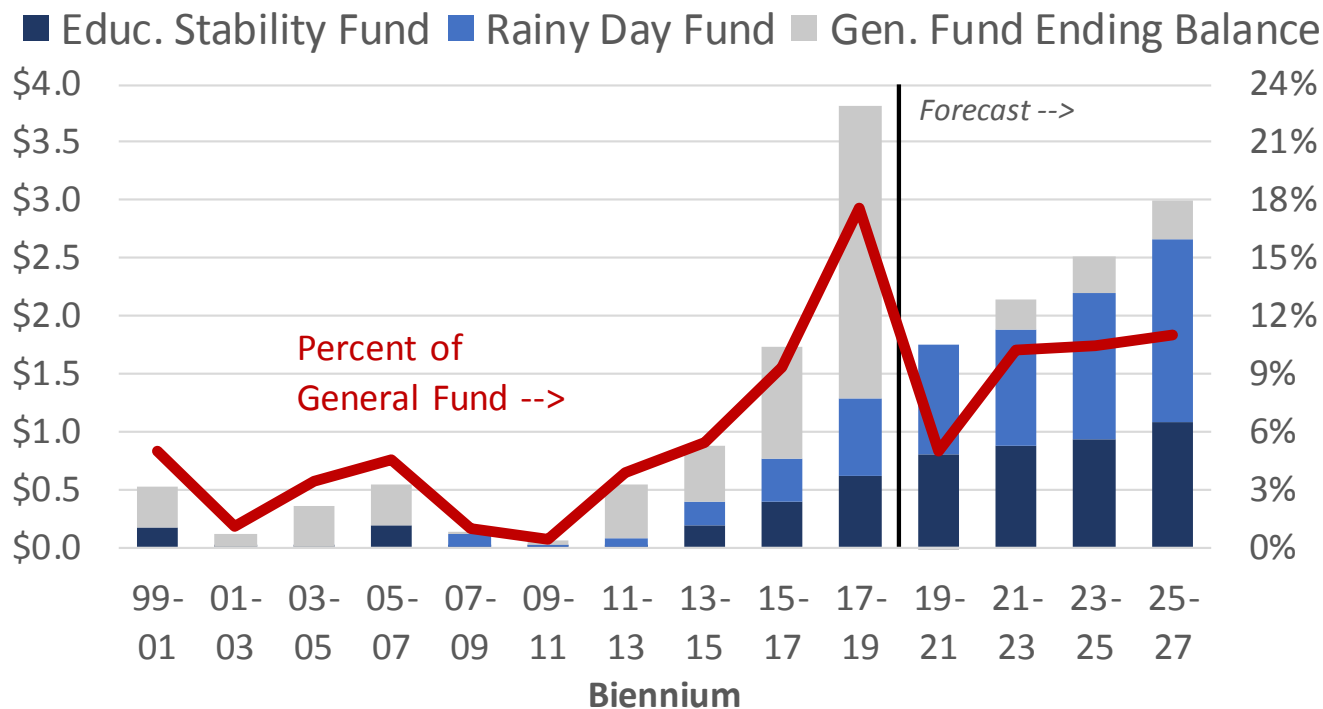
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Sizable Reserves Will Help Some

Oregon Budgetary Reserves (billions)



Source: Oregon Office of Economic Analysis

Effective Reserves (\$ millions)

	April 2020	End 2019-21
ESF	\$708	\$800
RDF	\$878	\$949
Reserves	\$1,586	\$1,750
% of GF	8.1%	9.0%



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