The background features a large, faint seal of the Oregon State Board of Economic Analysis. The seal is circular and contains an eagle with spread wings at the top, a central shield with various symbols, and the text "THE UNION" on a banner below. The words "STATE OF OREGON" are written around the top inner edge, and "1859" is at the bottom. The entire seal is rendered in a light blue color against a darker blue background.

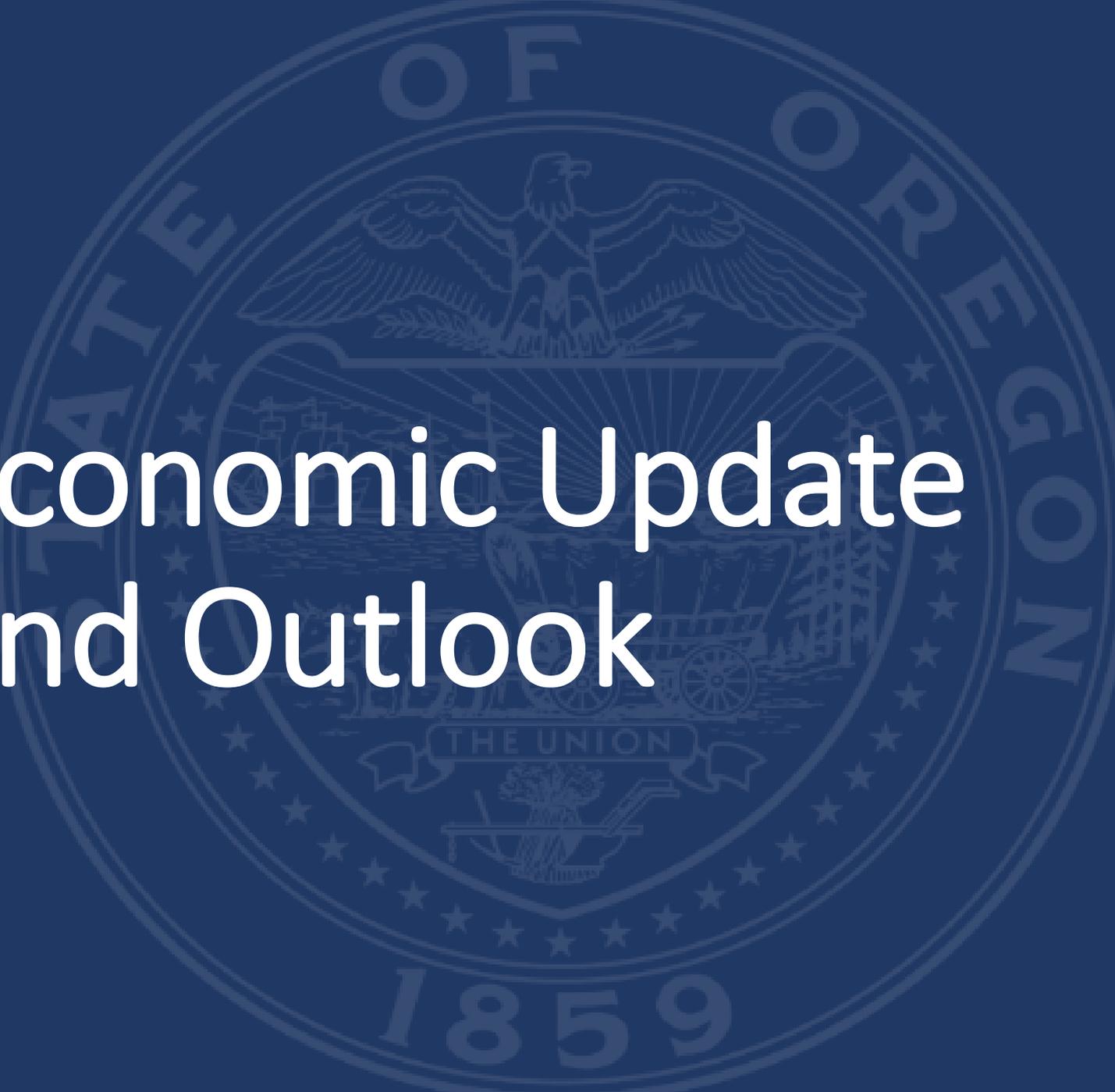
# Sept 2019 Economic & Revenue Outlook

August 28<sup>th</sup>, 2019

Oregon Office of Economic Analysis

Mark McMullen

Josh Lehner

The background of the slide features a large, faint, light blue seal of the State of Oregon. The seal is circular and contains the text "STATE OF OREGON" around the top and "1859" at the bottom. In the center, there is an eagle with wings spread, perched on a shield. Below the eagle is a banner with the words "THE UNION". The seal also depicts a plow, a sheaf of wheat, and a ship.

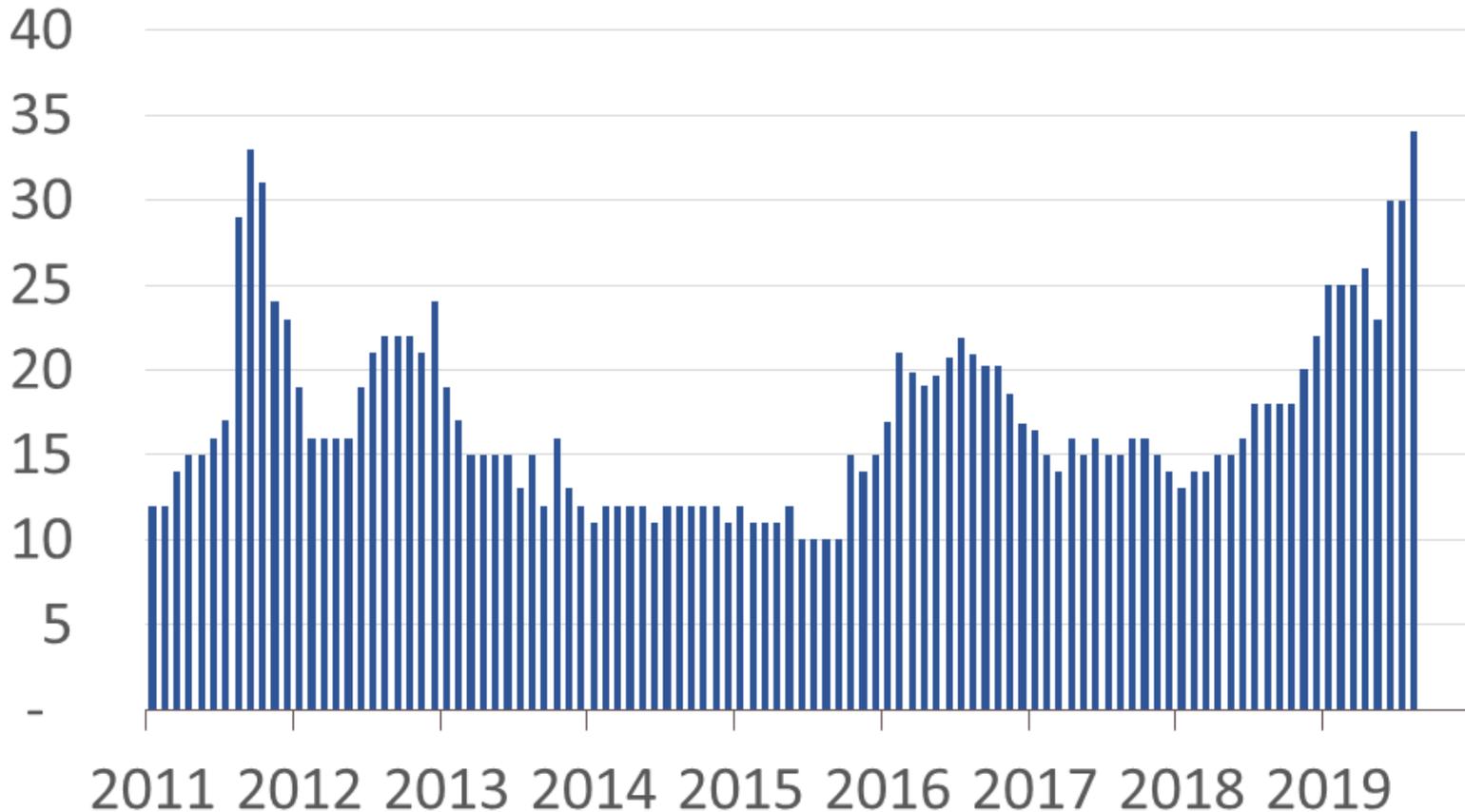
# Economic Update and Outlook



# Outlook Concerns Rising

## Risk of Recession

Percent Probability U.S. Entering Recession in Next Year



Latest Data: August 2019 | Source: Wall Street Journal



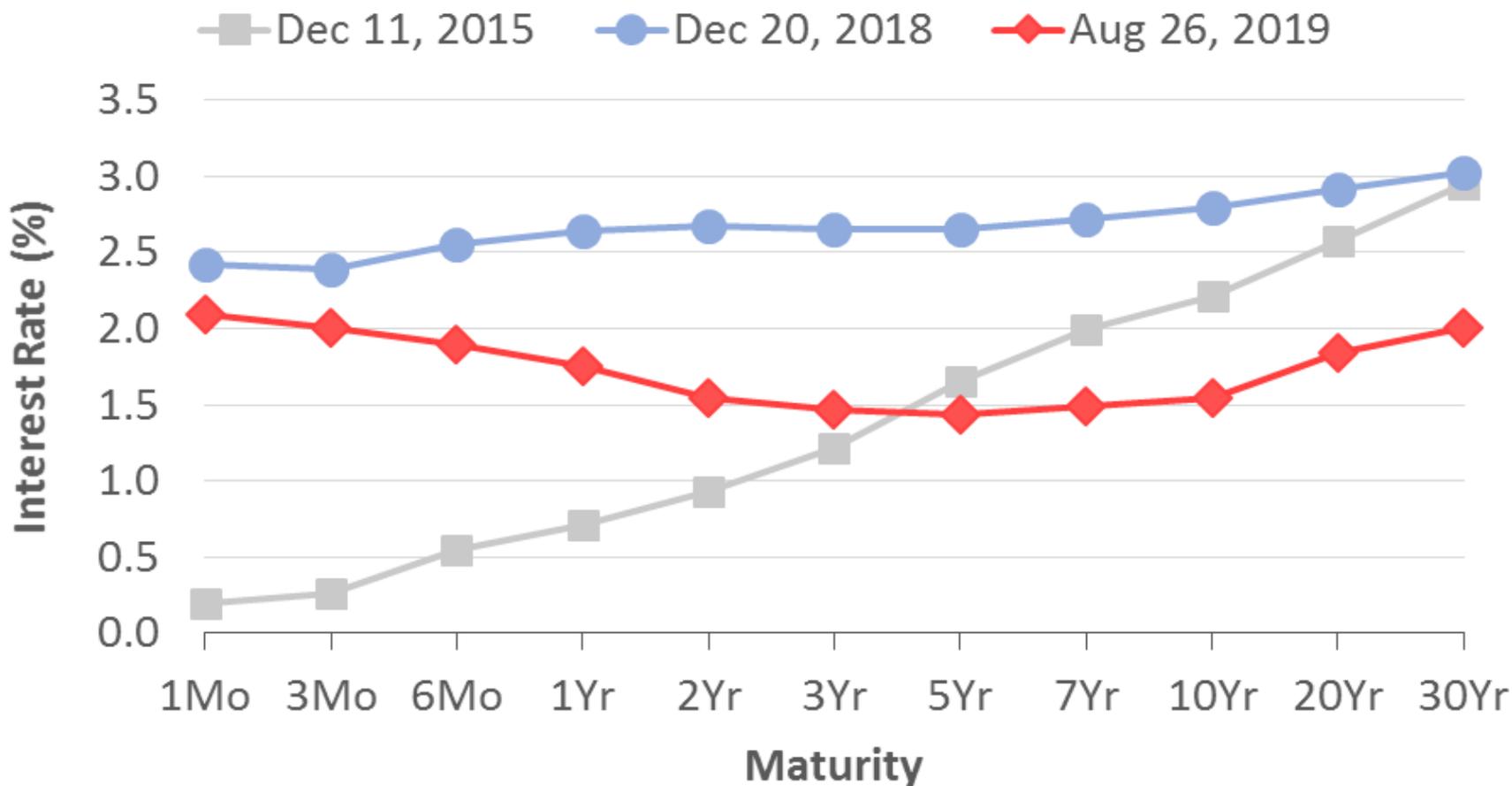
Oregon  
Eco





# Bond Market Signals Weakness

## U.S. Treasury Yield Curve



Source: Tim Duy, Federal Reserve, Oregon Office of Economic Analysis

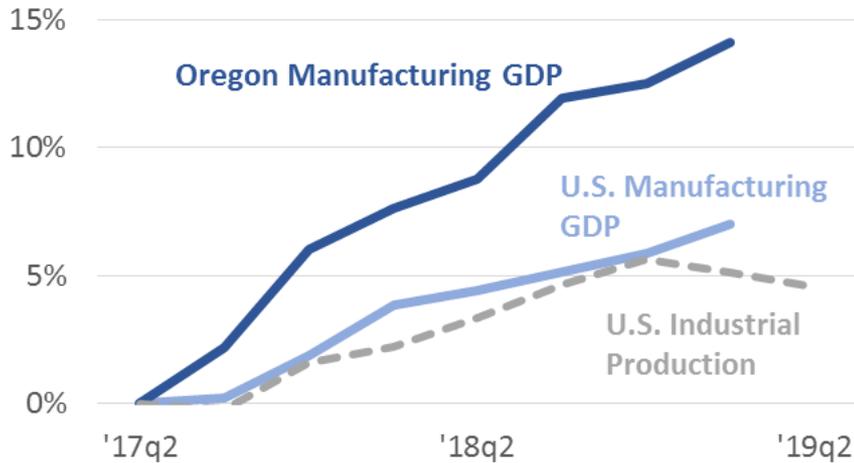




# Cracks Starting to Show?

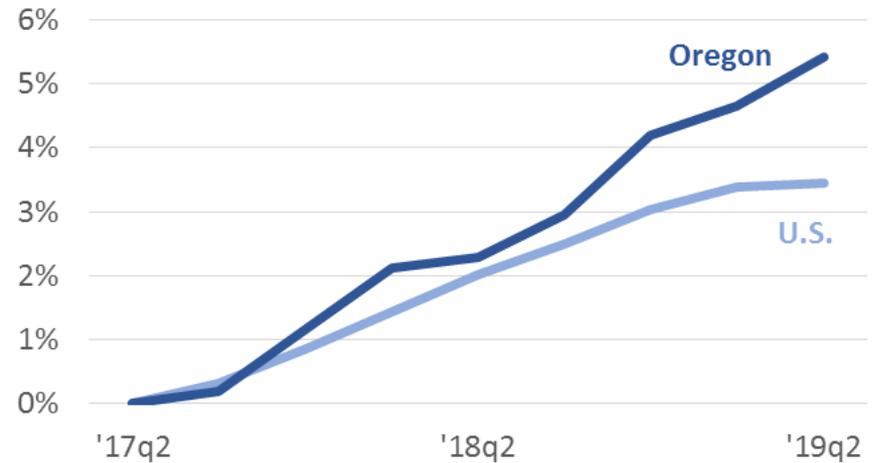
## Changes Since 2017q2

### Industry Output



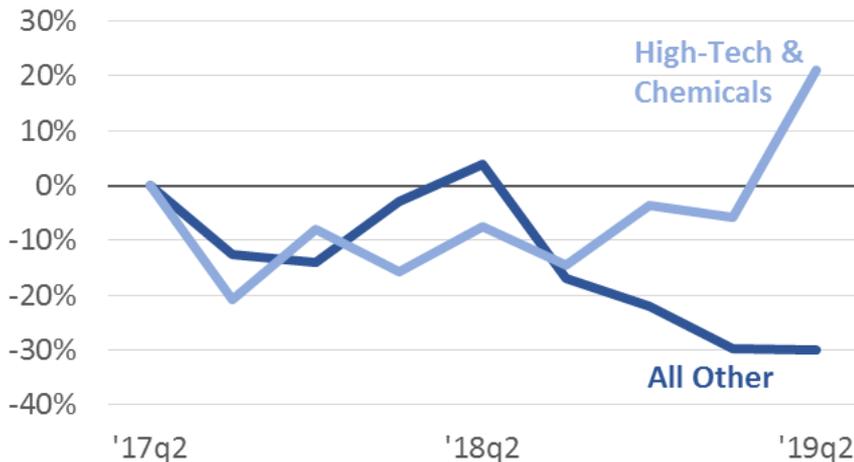
Source: BEA, Federal Reserve

### Manufacturing Employment



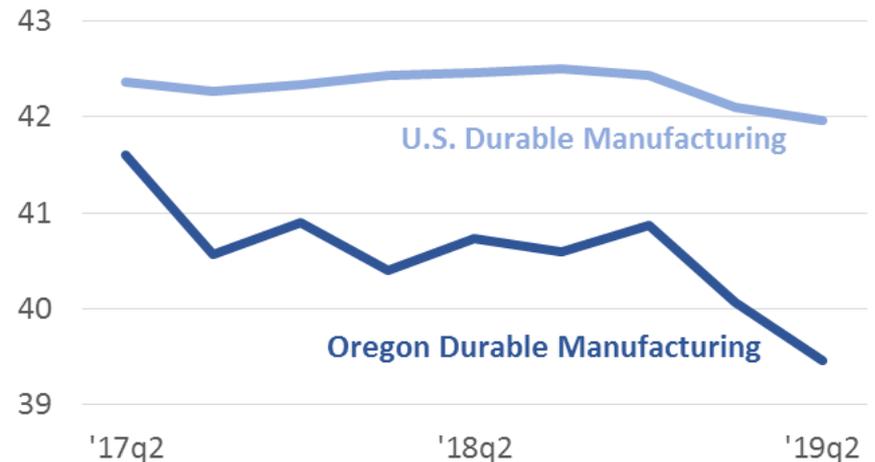
Source: BLS, OED, Oregon Office of Econ Analysis

### Oregon Export Volume



Source: WISERTrade, Oregon Office of Econ Analysis

### Weekly Hours Worked



Source: BLS, Oregon Emp Dept

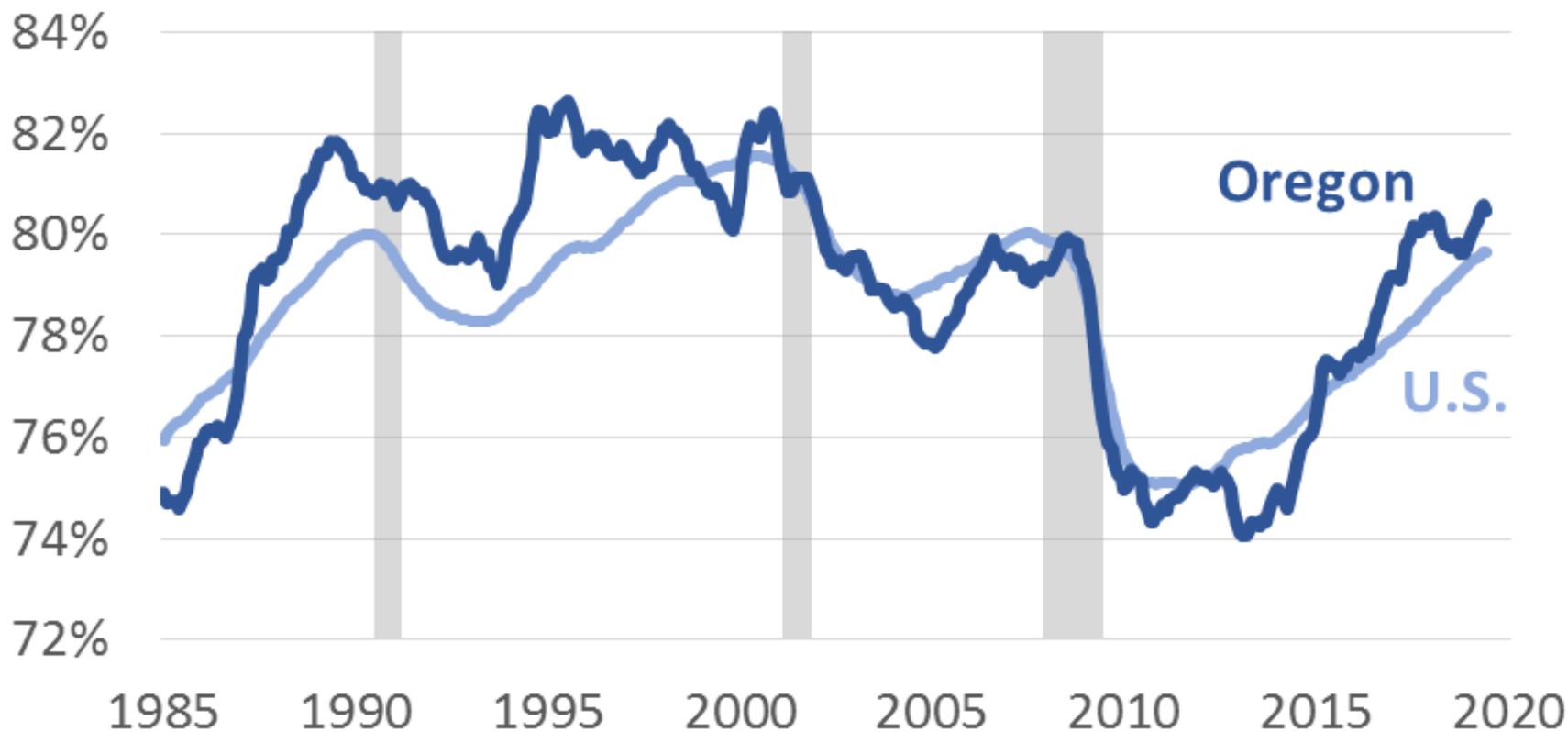




# Consumer Spending Holding Up Well

## Room to Run or Tapped Out?

Prime-Age EPOP: Share of 25-54 Year Olds with a Job

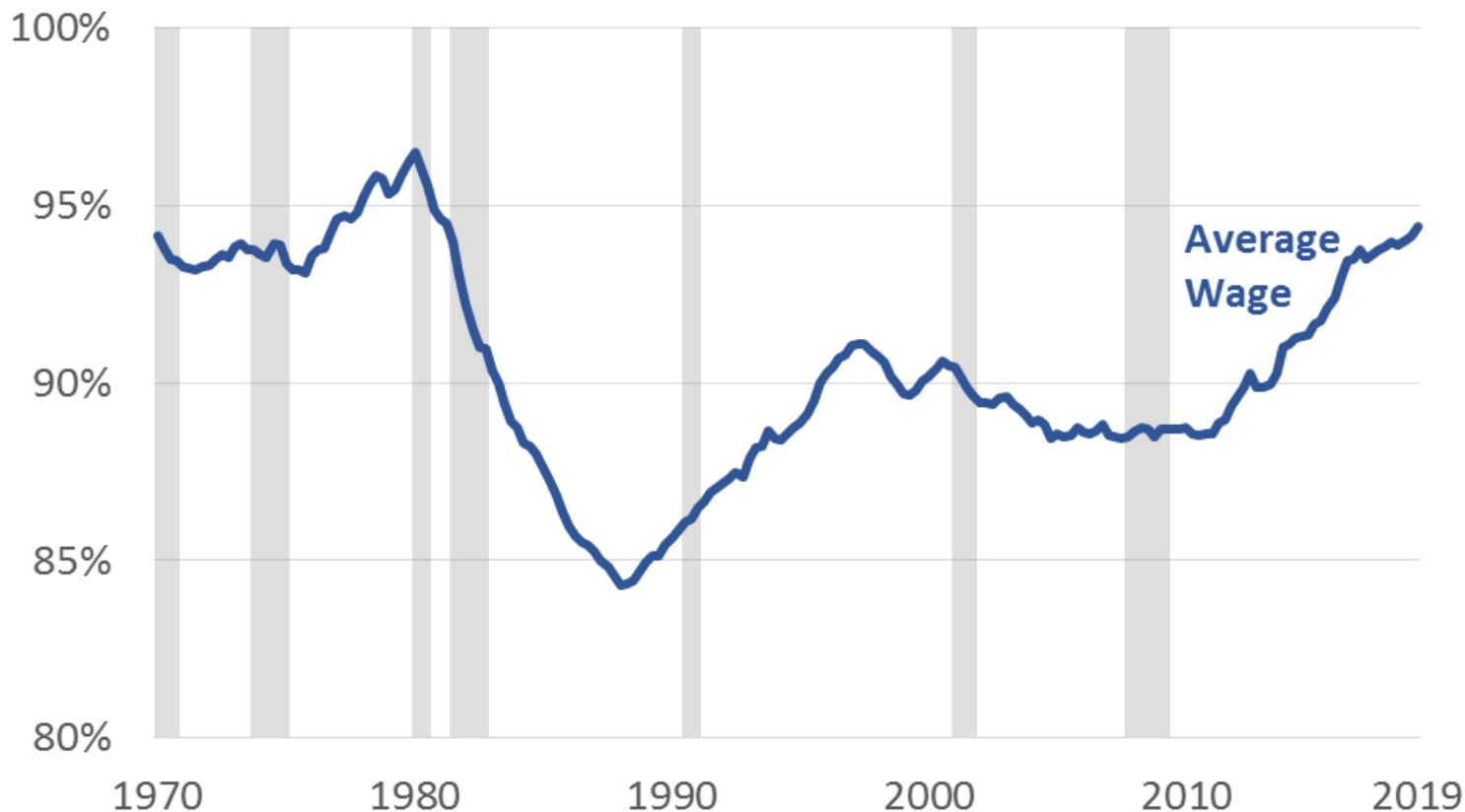




# Oregon's Tight Labor Market Isn't All Bad

## Oregon Wages

Share of U.S. Average



Latest data: 2019q1 | Source: BEA, IHS Global Insight, Oregon Office of Economic Analysis



Oregon Office of  
Economic Analysis

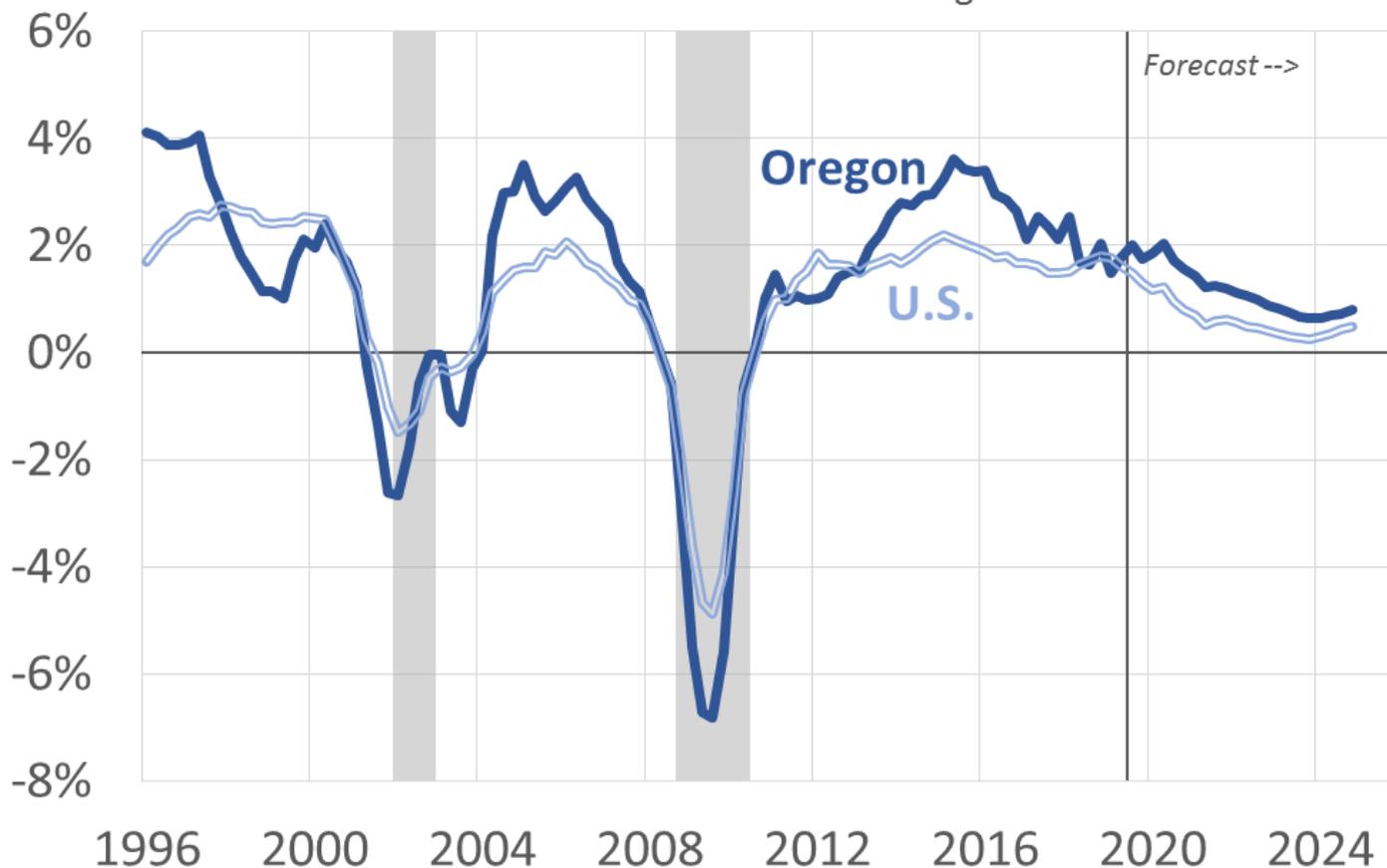




# Forecast is Stable, but Outlook Uncertain

## Total Nonfarm Employment

Year-over-Year Percent Change



### Structural Drags

- Demographics

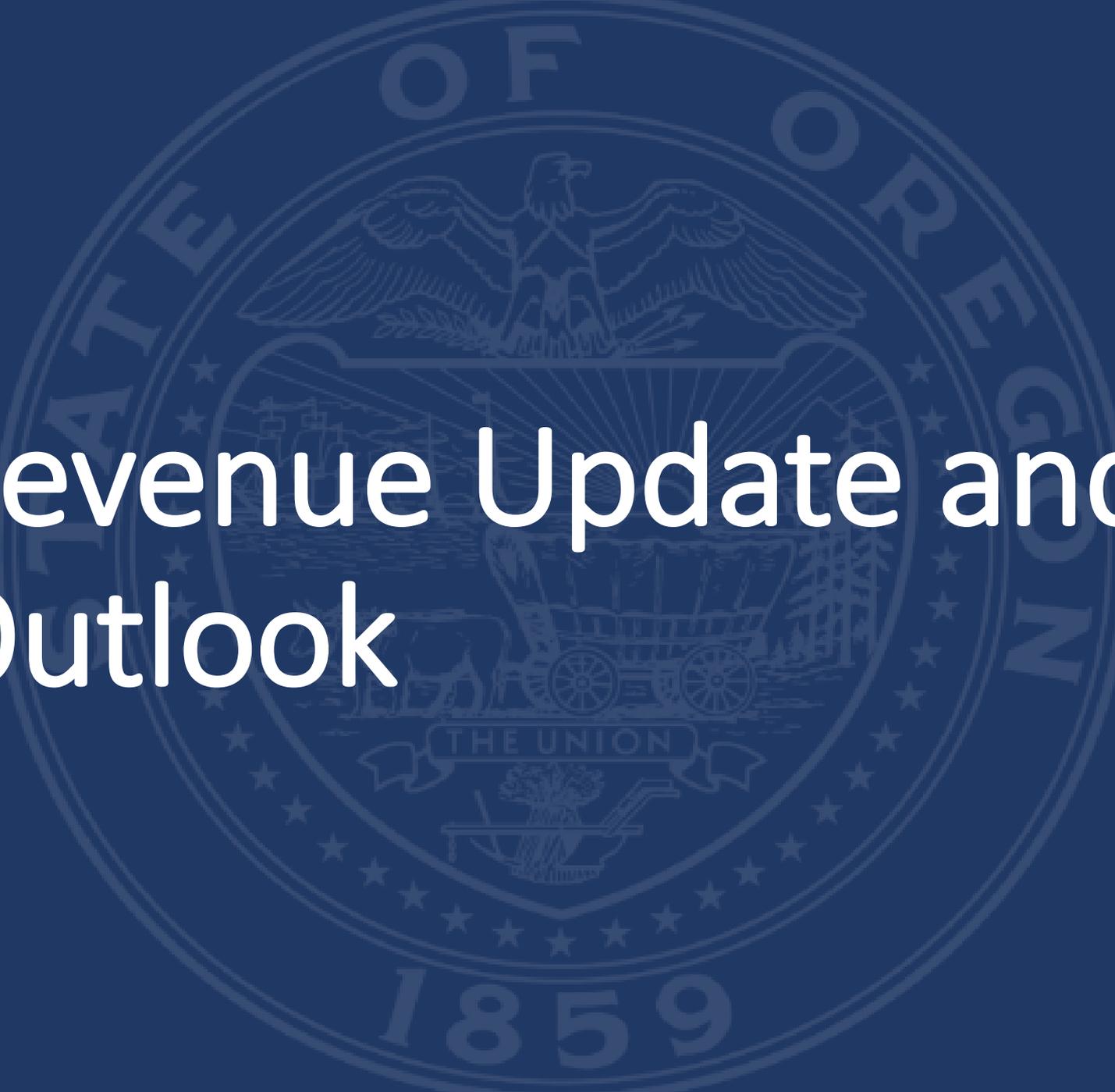
### Cyclical Drags

- Supply Constraints
- Less Slack

### Policy Drags

- Interest rates
- Trade War
- No more tax cuts



The background of the slide features a large, faint, light blue seal of the State of Oregon. The seal is circular and contains the text "STATE OF OREGON" at the top and "1859" at the bottom. The central emblem depicts an eagle with wings spread, perched on a shield. Below the eagle is a plow, and at the bottom of the shield is a banner with the words "THE UNION".

# Revenue Update and Outlook



# Tax Collections Surged at the End of the Biennium...

## Track Record for the May 2019 Forecast

(Quarter ending May 30, 2019)

Personal Income Tax	Forecast Comparison			Year/Year Change	
	Actual Revenues	Latest Forecast	Percent Difference	Prior Year	Percent Change
(Millions of dollars)					
Withholding	\$1,999.0	\$1,969.7	1.5%	\$1,851.2	8.0%
Dollar difference		\$29.3		\$131.0	
Estimated Payments*	\$532.3	\$472.1	12.7%	\$512.7	3.8%
Dollar difference		\$60.2		\$131.8	
Final Payments*	\$1,385.6	\$1,252.8	10.6%	\$878.6	57.7%
Dollar difference		\$132.8		\$25.5	
Refunds	-\$445.6	-\$483.6	-7.9%	-\$610.5	-27.0%
Dollar difference		\$38.0		\$164.9	
<b>Total Personal Income Tax</b>	<b>\$3,471.3</b>	<b>\$3,211.0</b>	<b>8.1%</b>	<b>\$2,631.9</b>	<b>31.9%</b>
Dollar difference		\$260.3		\$839.3	

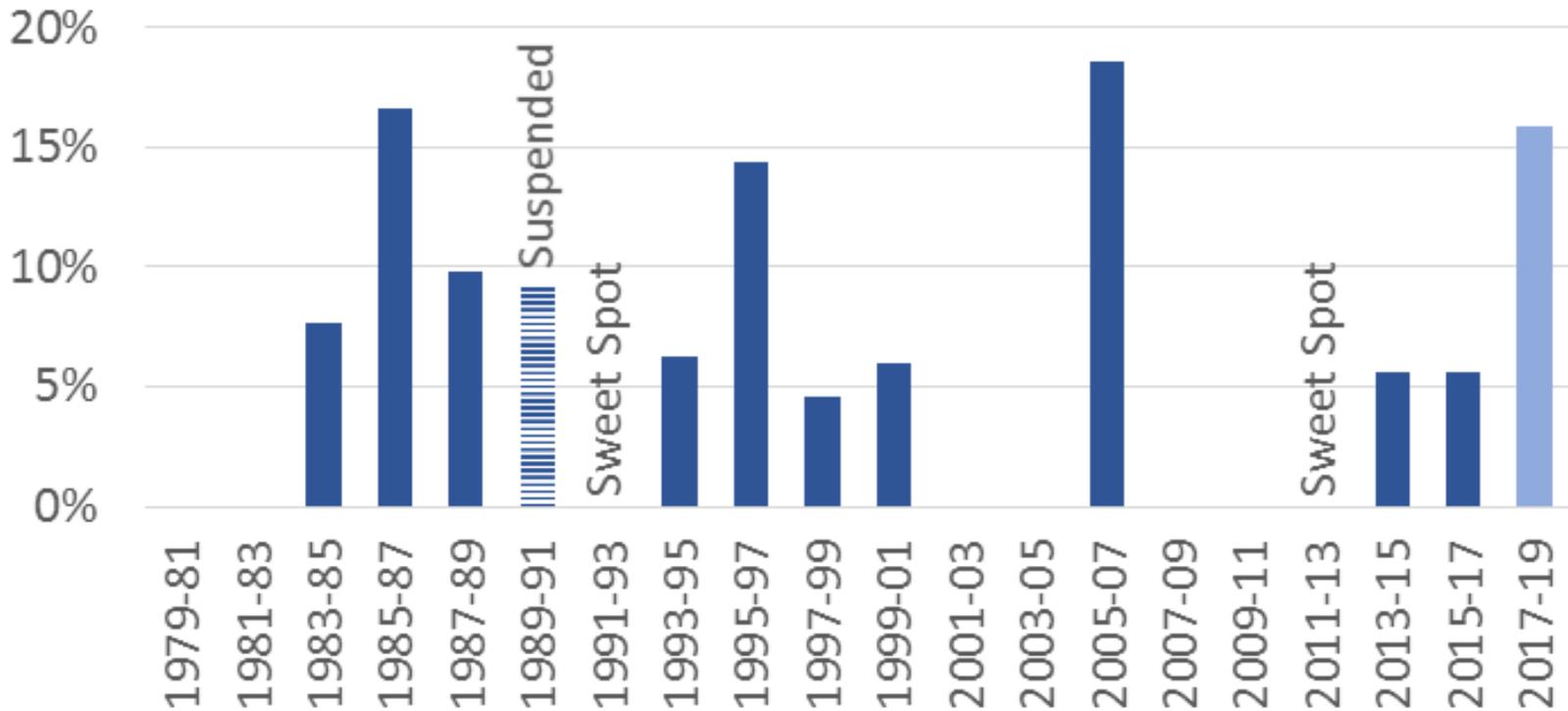




# ...Resulting in a Larger Kicker

## Oregon Personal Income Tax Kicker

Kicker Credit or Refund, % of Liability



Source: Oregon Legislative Revenue Office, Oregon Office of Economic Analysis

Median: \$346    Average: \$739    Top 1%: \$15,214

Corporate Kicker (\$676 million: Up \$60 million from May)



Oregon Office of Economic Analysis



# What Is Your Cut?

Income Group	Adjusted Gross Income*	Rough Estimate of Kicker Size**
Bottom 20%	< \$11,700	\$28
Second 20%	\$11,700 - \$27,500	\$169
Middle 20%	\$27,500 - \$49,700	\$373
Fourth 20%	\$49,700 - \$90,500	\$679
Next 15%	\$90,500 - \$184,500	\$1,379
Next 4%	\$184,500 - \$418,500	\$3,248
Top 1%	> \$418,500	\$15,214
<b>Average</b>	<b>\$64,300</b>	<b>\$739</b>
<b>Median</b>	<b>\$37,000-\$38,000</b>	<b>\$346</b>





# Looking Ahead to 2019-21: General Fund Tax Cuts

## 2019-21 Revenue Forecast Evolution

*millions of dollars*

	2019 Close of Session Changes	Sep '19 Forecast Changes Relative to COS
Personal Income Taxes	-421.6	8.9
Corporate Income Taxes	-55.0	85.9
Insurance Taxes	-14.9	-0.2
Estate Taxes	0.0	4.3
State Court Fees	15.0	0.0
Securities Fees	0.0	-0.5
Criminal Fine Account	13.2	0.0
Central Service Charges	-0.5	0.0
Liquor	5.2	0.0
One-time Transfers	155.2	0.0
<b>Subtotal Revenue</b>	<b>-303.3</b>	<b>98.5</b>
Beginning Balance	-3.2	213.9
<b>Total</b>	<b>-306.5</b>	<b>312.3</b>





# Slow Revenue Growth Ahead

- Even without the onset of recession, revenue growth is facing major headwinds during the current biennium
- State & federal tax policies, the big kicker refund and slower economic growth will all weigh on General Fund revenues in the near term

**Table R.2**

**General Fund Revenue Forecast Summary (Millions of Dollars, Current Law)**

Revenue Source	Forecast 2017-19		Forecast 2019-21		Forecast 2021-23		Forecast 2023-25		Forecast 2025-27		Forecast 2027-29	
	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg
Personal Income Taxes	18,705.1	16.5%	18,292.4	-2.2%	21,660.6	18.4%	23,647.0	9.2%	25,534.1	8.0%	28,139.0	10.2%
Corporate Income Taxes	1,752.7	44.8%	1,270.0	-27.5%	1,283.8	1.1%	1,442.7	12.4%	1,643.4	13.9%	1,821.1	10.8%
All Others	1,339.3	3.9%	1,549.8	15.7%	1,400.7	-9.6%	1,466.5	4.7%	1,537.8	4.9%	1,622.6	5.5%
<b>Gross General Fund</b>	<b>21,797.2</b>	<b>17.5%</b>	<b>21,112.1</b>	<b>-3.1%</b>	<b>24,345.0</b>	<b>15.3%</b>	<b>26,556.3</b>	<b>9.1%</b>	<b>28,715.3</b>	<b>8.1%</b>	<b>31,582.7</b>	<b>10.0%</b>
<i>Offsets and Transfers</i>	<i>(129.5)</i>		<i>(196.8)</i>		<i>(100.1)</i>		<i>(101.4)</i>		<i>(113.6)</i>		<i>(117.4)</i>	
<b>Net Revenue</b>	<b>21,667.6</b>	<b>17.0%</b>	<b>20,915.3</b>	<b>-3.5%</b>	<b>24,244.9</b>	<b>15.9%</b>	<b>26,454.9</b>	<b>9.1%</b>	<b>28,601.7</b>	<b>8.1%</b>	<b>31,465.3</b>	<b>10.0%</b>



# Non-GF Forecast Notes

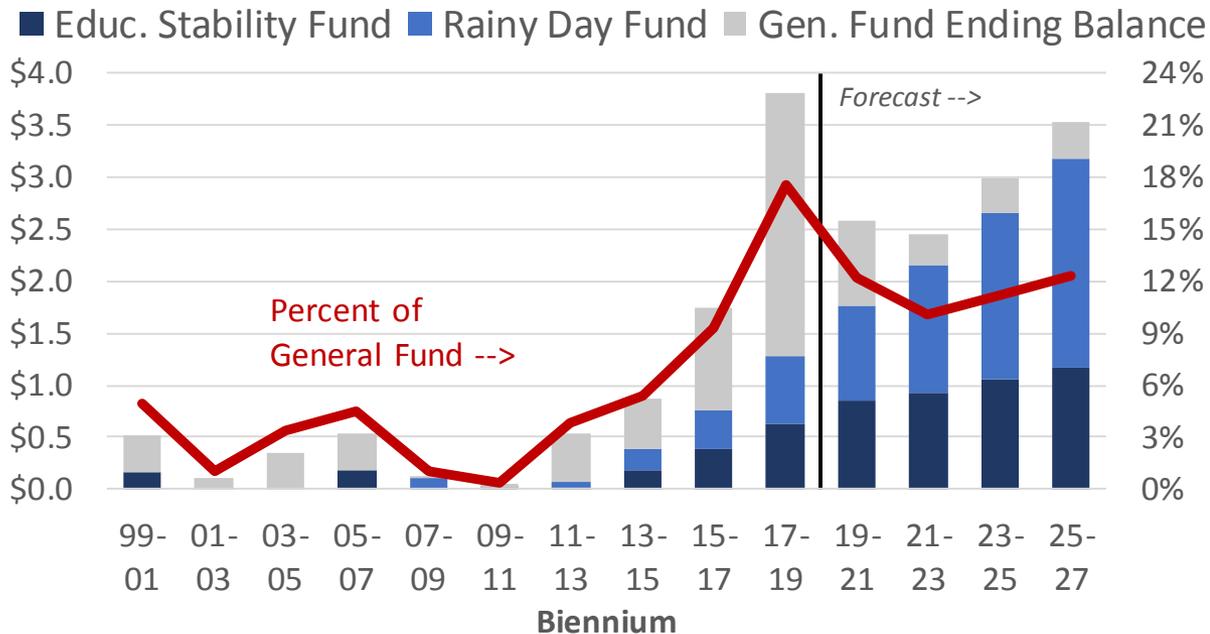
- Lottery
  - Included sports betting for first time
    - Dedicated to PERS Employer Incentive Fund
  - Alternative scenario work
- Corporate Activity Tax
  - Start with LRO analysis of revenue and economic impacts
  - As real data begins in 2020, will adjust forecast as needed, but not for some time





# Recessionary Buffer

## Oregon Budgetary Reserves (billions)



Source: Oregon Office of Economic Analysis

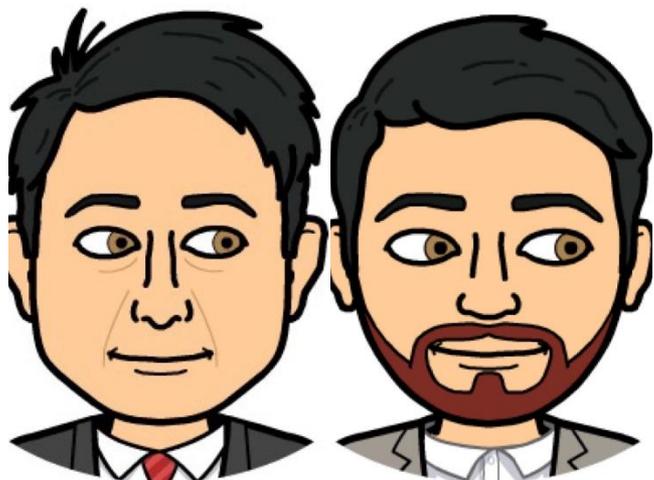
## Effective Reserves (\$ millions)

	End 2017-19	End 2019-21
ESF	\$621.1	\$858.1
RDF	\$666.6	\$902.4
Reserves	\$1,287.7	\$1,760.5
Ending Balance	\$2,534.8	\$819.8
<b>Total</b>	<b>\$3,747.1</b>	<b>\$2,580.3</b>
% of GF	17.2%	12.2%





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