



2010 WFE Annual Meeting

Oregon

Oregon's Economic Outlook (and a peek at its neighbors)

Western Forest Economists
Welches, Oregon
May 4, 2010

Office of Economic Analysis

Tom Potiowsky



The U.S. Economy in Recovery

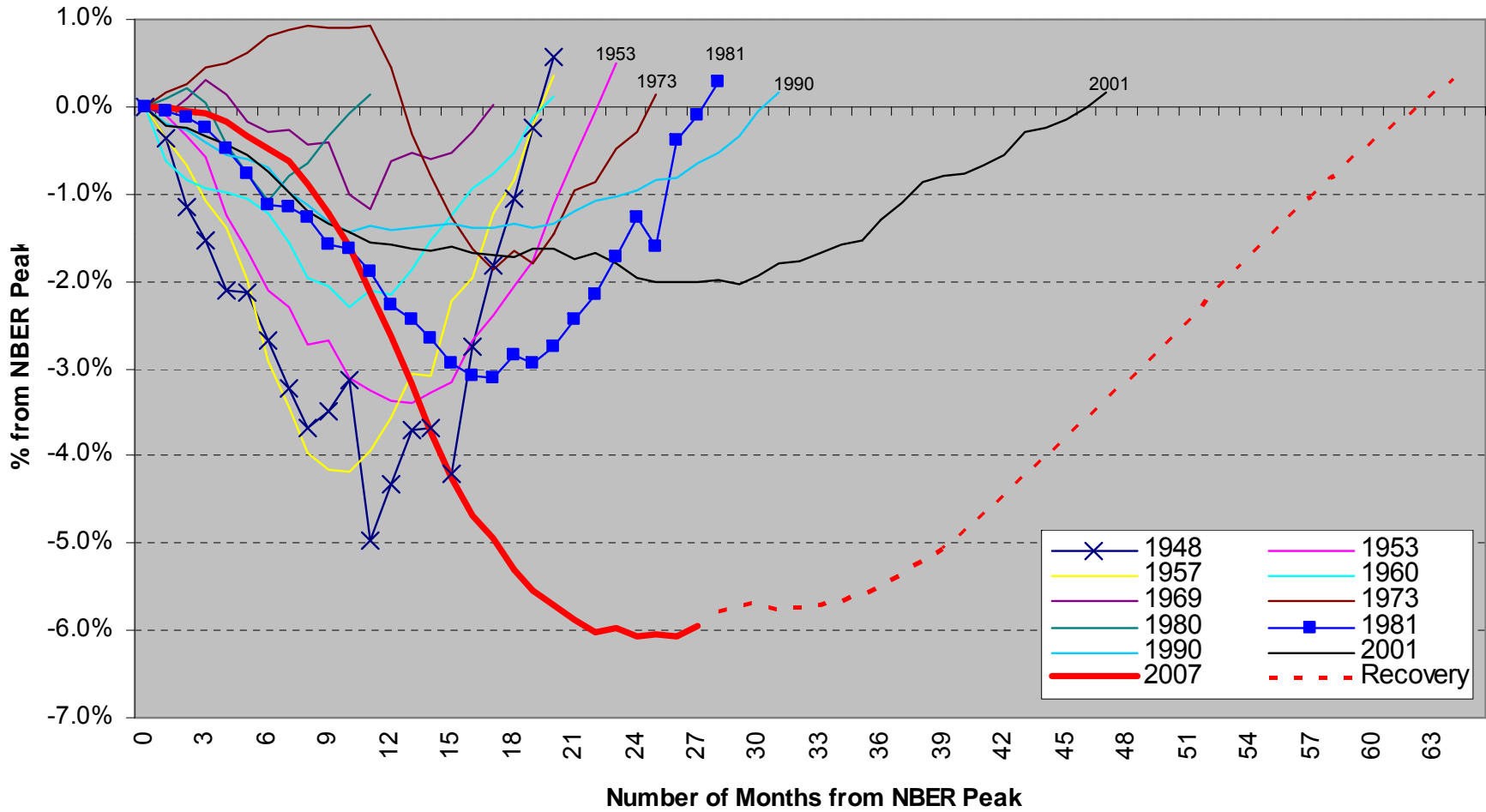
- Financial crises generally do not lead to V-shaped recoveries
- What will take the place of fading fiscal stimulus and the inventory cycle
- Consumers remain cautious, weakening the strength of the recovery
- Employers are expected to begin hiring soon
- Tax revenues are down sharply, forcing tough decisions for local, state and federal governments





Employment Losses (through March 2010)

U.S. Recession Employment Losses





U.S. Economic Growth by Sector

(Percent change)	2007	2008	2009	2010	2011
Real GDP	2.1	0.4	-2.4	3.0	3.0
Consumption	2.6	-0.2	-0.6	2.4	2.7
Residential Investment	-18.5	-22.9	-20.5	0.8	27.5
Bus. Fixed Investment	6.2	1.6	-17.8	1.7	7.6
Federal Government	1.3	7.7	5.2	3.8	-2.5
State & Local Govt.	2.0	0.5	-0.2	-1.2	0.4
Exports	8.7	5.4	-9.6	11.9	7.8
Imports	2.0	-3.2	-13.9	10.2	7.9





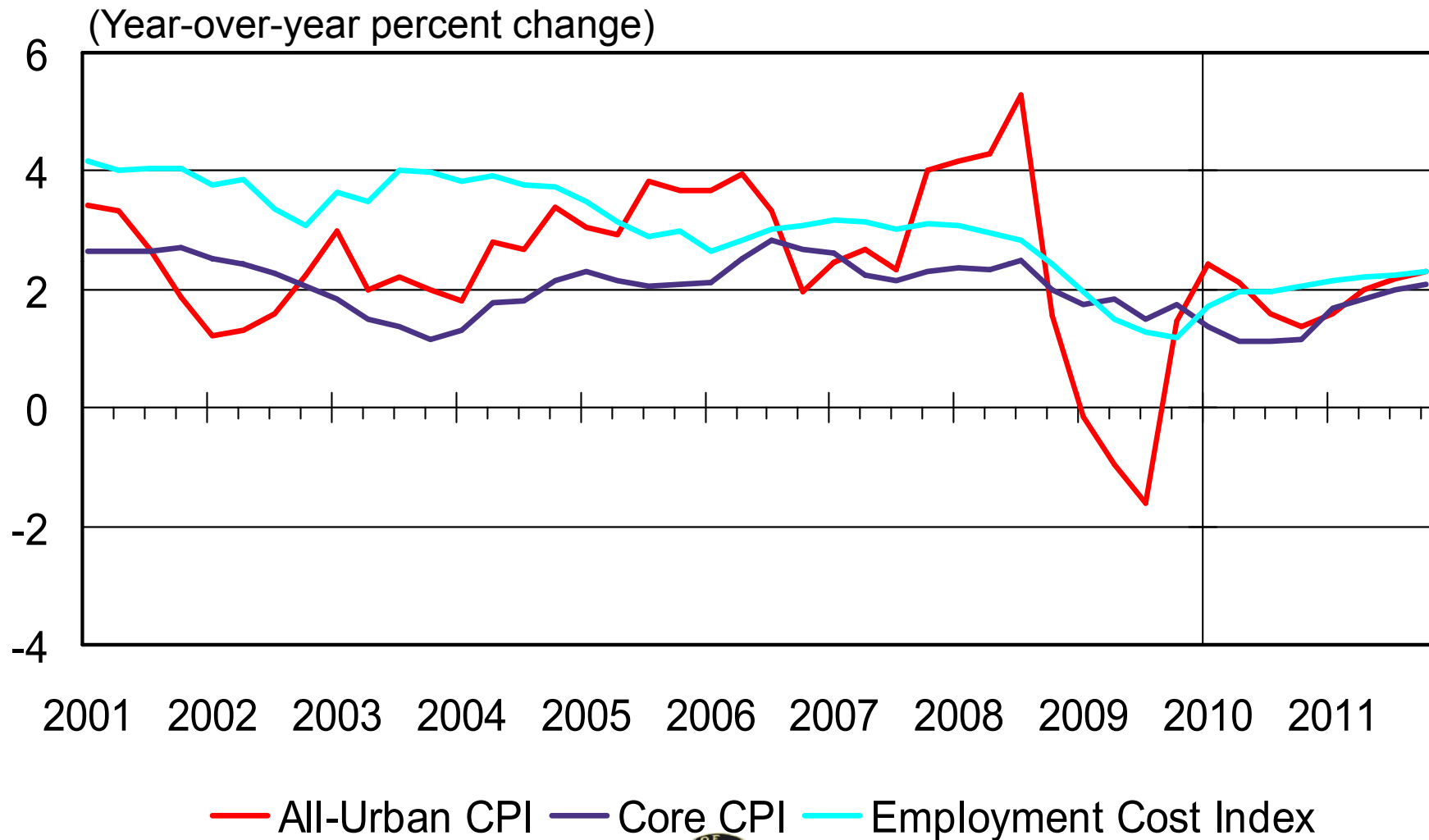
Other Key U.S. Indicators

(Percent change unless noted)	2007	2008	2009	2010	2011
Industrial Production	1.5	-2.2	-9.7	5.1	4.7
Payroll Employment	1.1	-0.6	-4.3	-0.5	1.8
Light Vehicle Sales (Millions)	16.1	13.2	10.3	11.8	13.8
Housing Starts (Millions)	1.34	0.90	0.55	0.67	1.19
Consumer Price Index	2.9	3.8	-0.3	1.9	2.0
Core Consumption Deflator	2.3	2.3	1.7	1.2	1.9
Federal Funds Rate (%)	5.0	1.9	0.2	0.2	1.7
10-Year Treasury Yield (%)	4.6	3.7	3.3	3.9	4.1



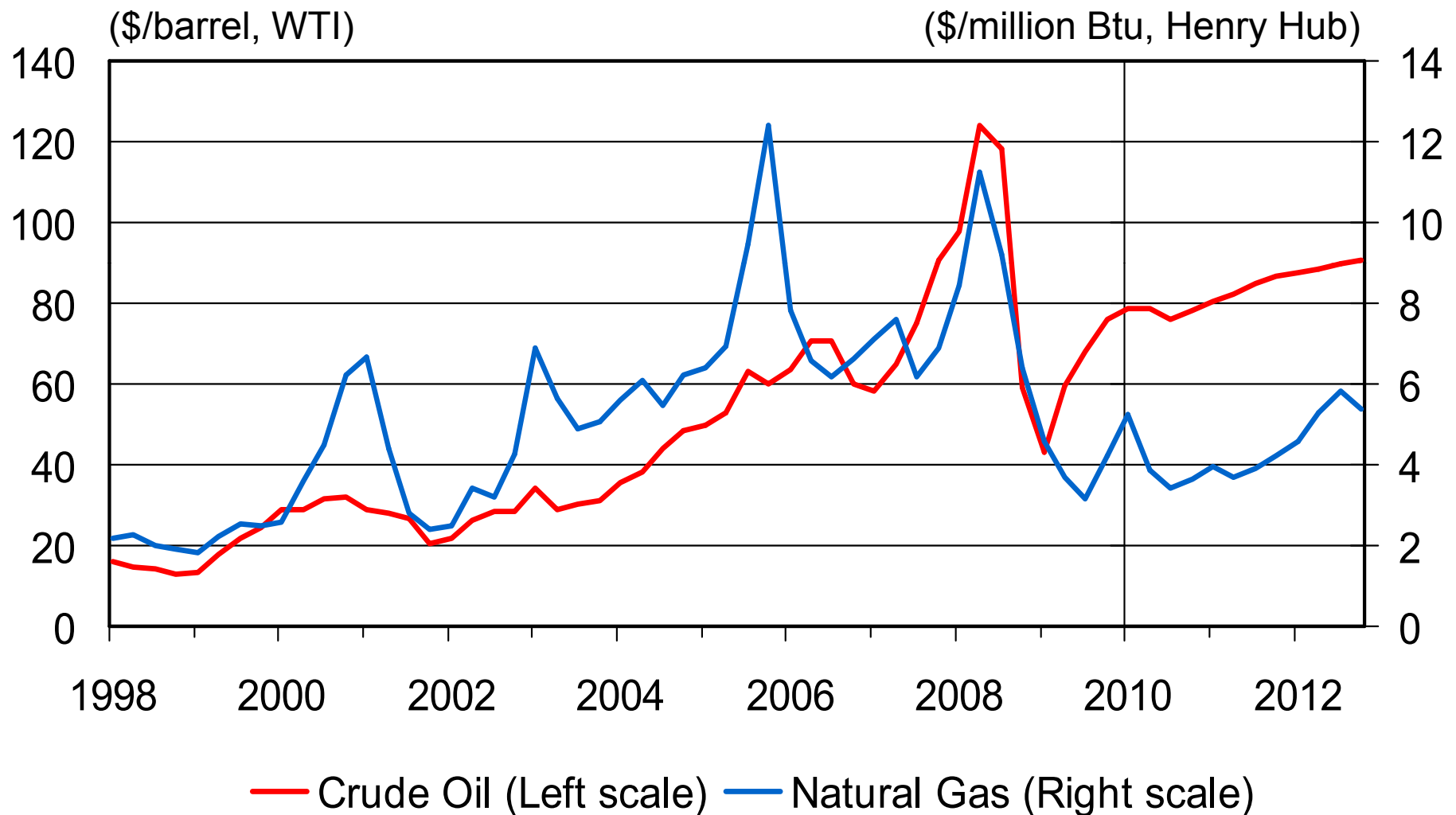


Food and Energy Prices Swing Consumer Price Inflation





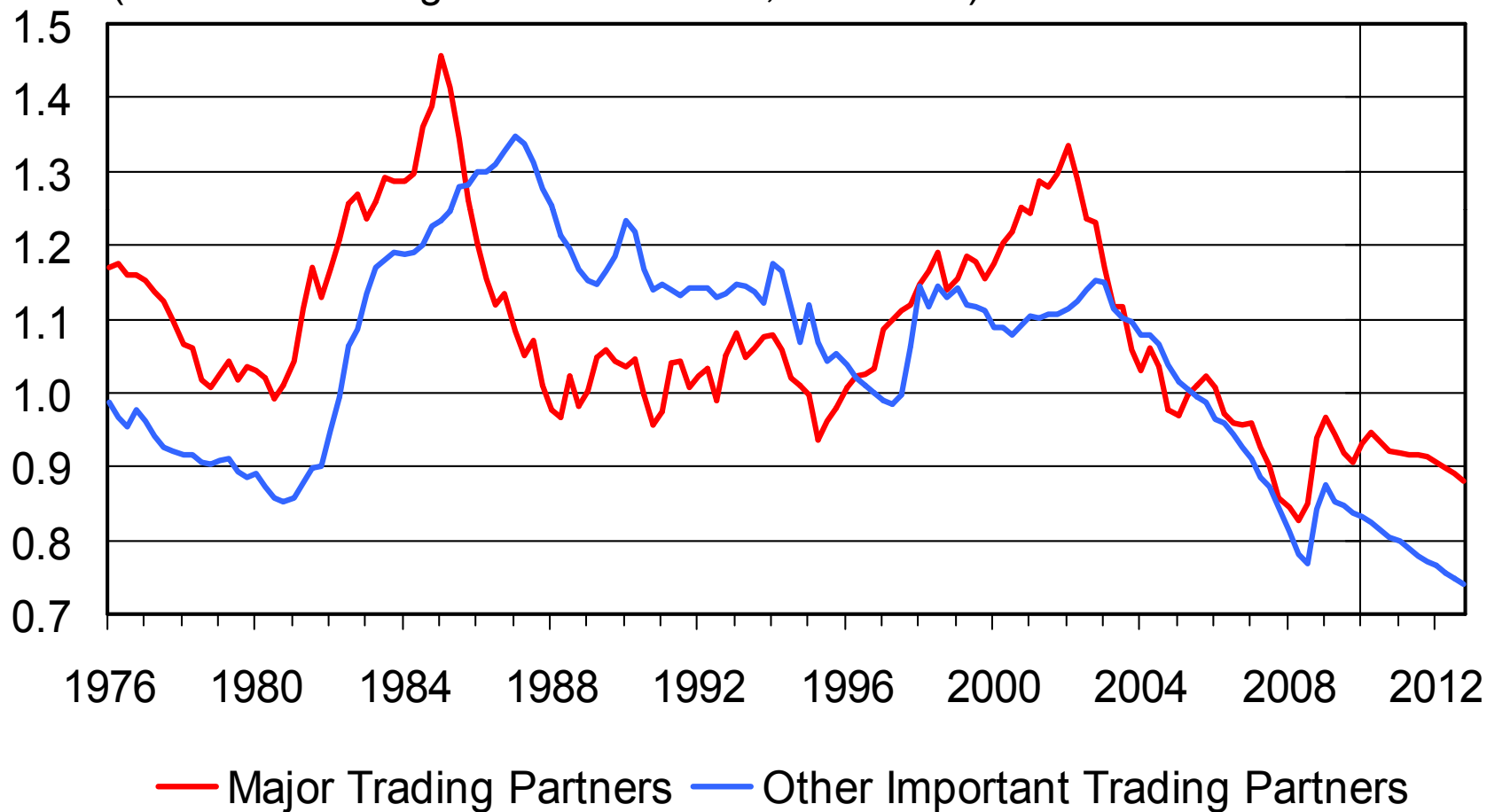
A Sharp Retreat in Oil and Gas Prices





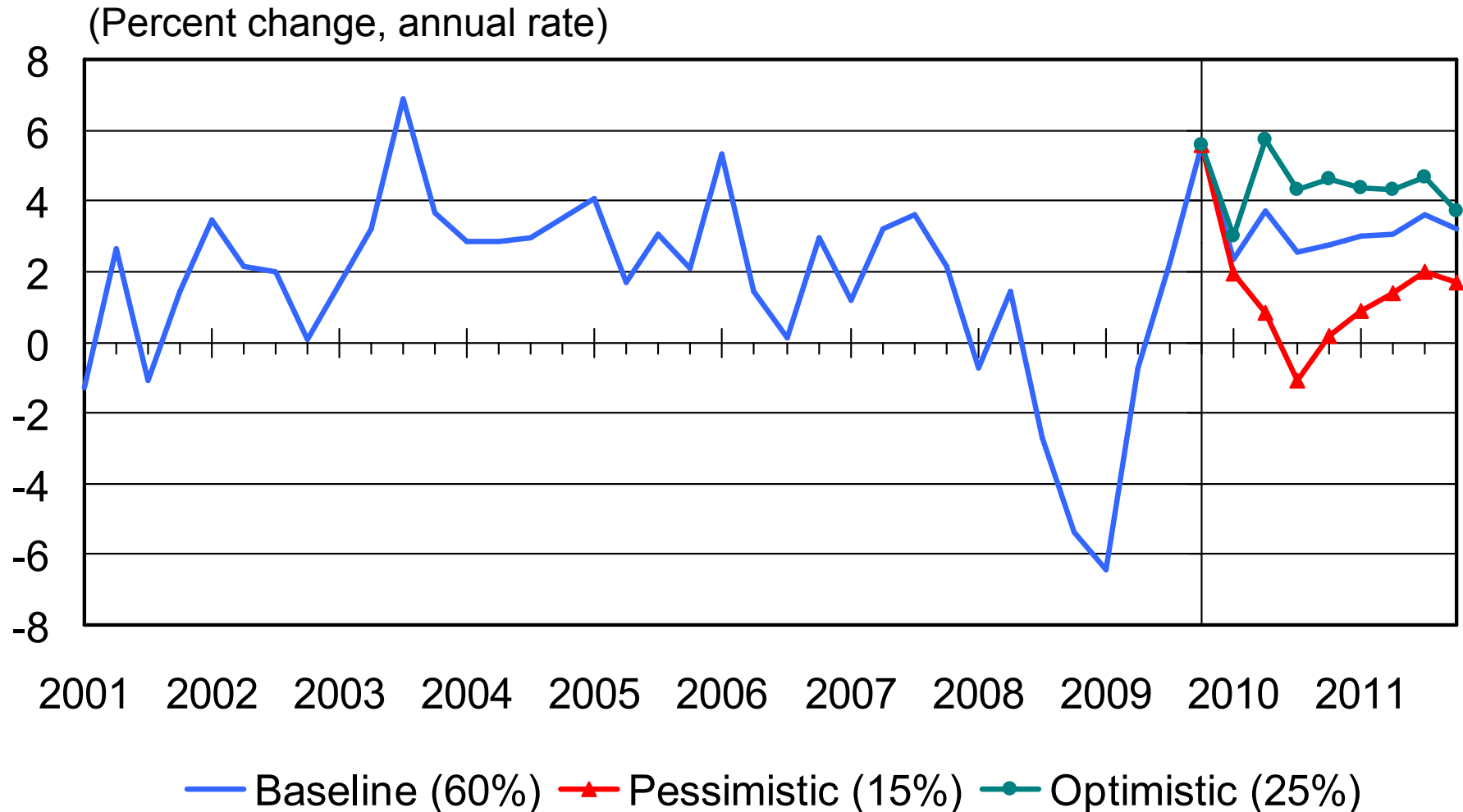
U.S. Dollar Recovered Briefly

(Real Trade-Weighted Dollar Index, 2005=1.0)





Real GDP Growth in Alternative Scenarios





Bottom Line

- The technical recession in the U.S. ended during the summer, with the unemployment rate toping out at 10.1% in the fourth quarter of 2009. The labor market will remain weak with unemployment averaging 9.6% in 2010.
- Credit markets are slowly returning to pre-Lehman collapse days but risk premiums are still present. Residential and commercial real estate still tight.
- The housing market will continue to remain fragile. Housing starts marginally improved in the second half of 2009 off their historic lows. Prices will decline into 2010.
- Inflation is not a threat today or even next year but the stage is set for carefully executed exit strategies to avoid inflation in the future.
- Economic growth returned in the third quarter and the fourth quarter saw strong growth, but it will remain below potential throughout 2010 (advanced estimate 3.2% in 1st quarter 2010).
- With furlough days and reduced weekly hours, employment gains will lag the recovery – another “jobless” recovery.





Recent Oregon Economy Facts

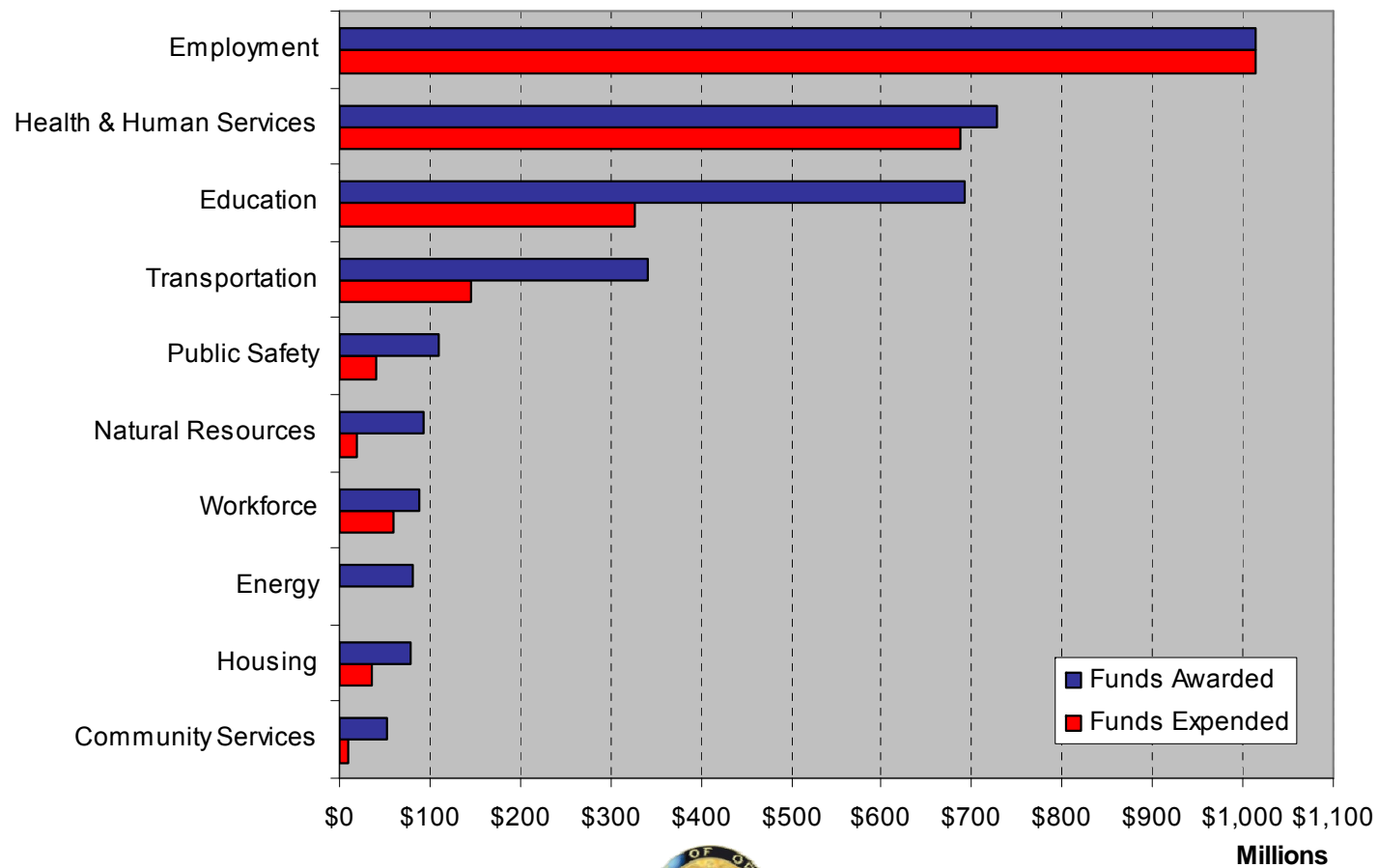
- 10.6% unemployment rate for March 2010 (Mar US rate is 9.7%) is up from the latest lowest rate of 5.0% in April 2007 and down from the highest rate of 11.6% in May and June 2009.
- 35th fastest job growth at -3.03% for all states for February 2010 over February 2009.
- Total nonfarm employment dropped -5.7% year-over-year for the 4th quarter of 2009. Job losses (S.A.) from February 2008 to December 2009 (up 1,000 in January). The last six months' losses averaged 3,250 per month versus 10,017 per month over the first six months of 2009.
- -0.4% personal income growth for 3rd quarter of 2009 over 3rd quarter of 2008. Annualized 3rd quarter 2009 growth at 1.9%.
- Oregon exports increased 3.2% in the 4th quarter compared to the same period last year but finished 2009 down 23% over 2008. (Export growth is positive Q/Q and is expected to follow the global economy)





Oregon and ARRA

Oregon's spending allotment is \$3.9 billion, plus tax relief measures.
Through March 31st, \$3.3 billion has been awarded with \$2.3 billion spent.

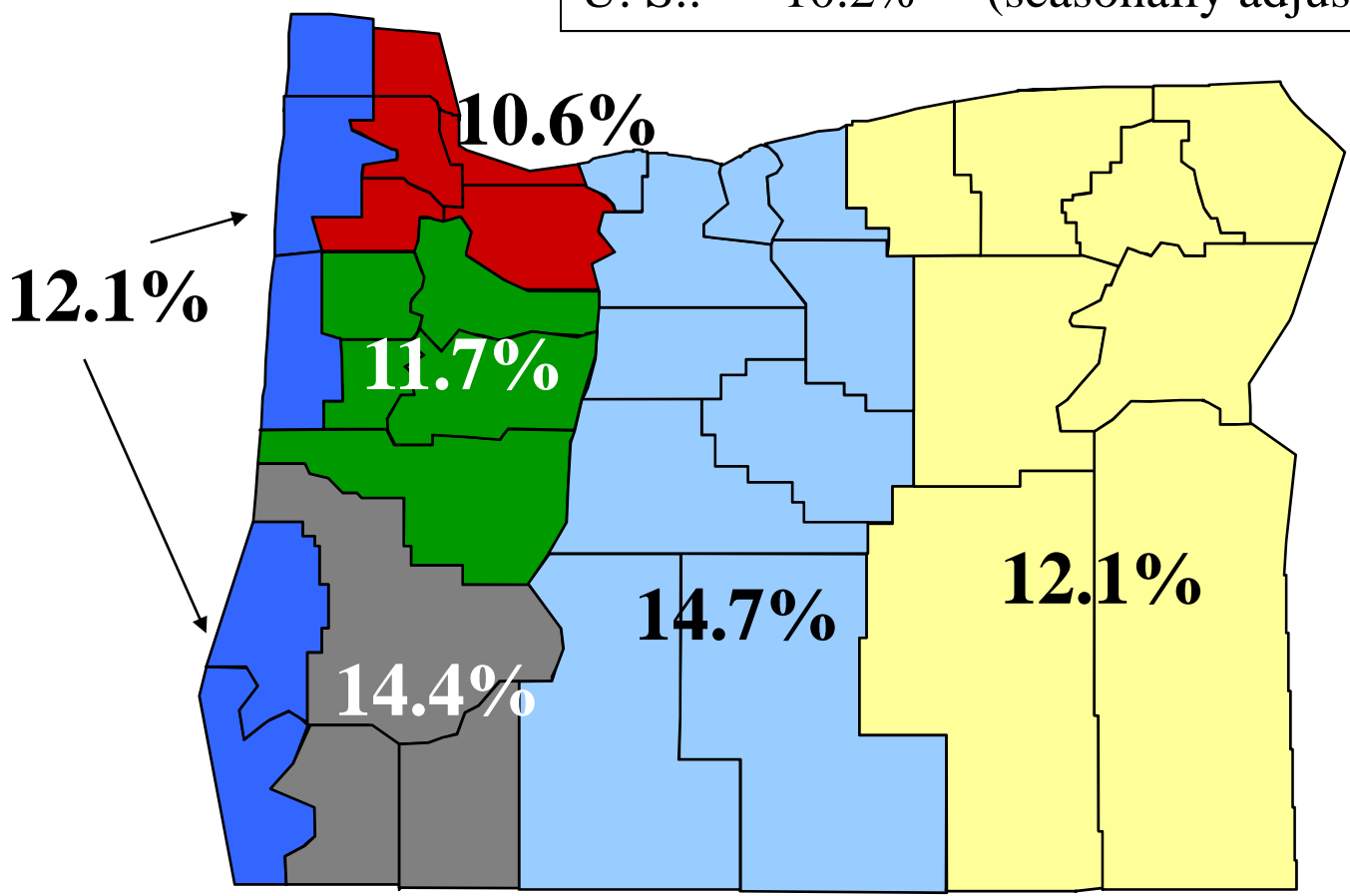




Unemployment Rate by Region, March 2010

(Not seasonally adjusted for counties)

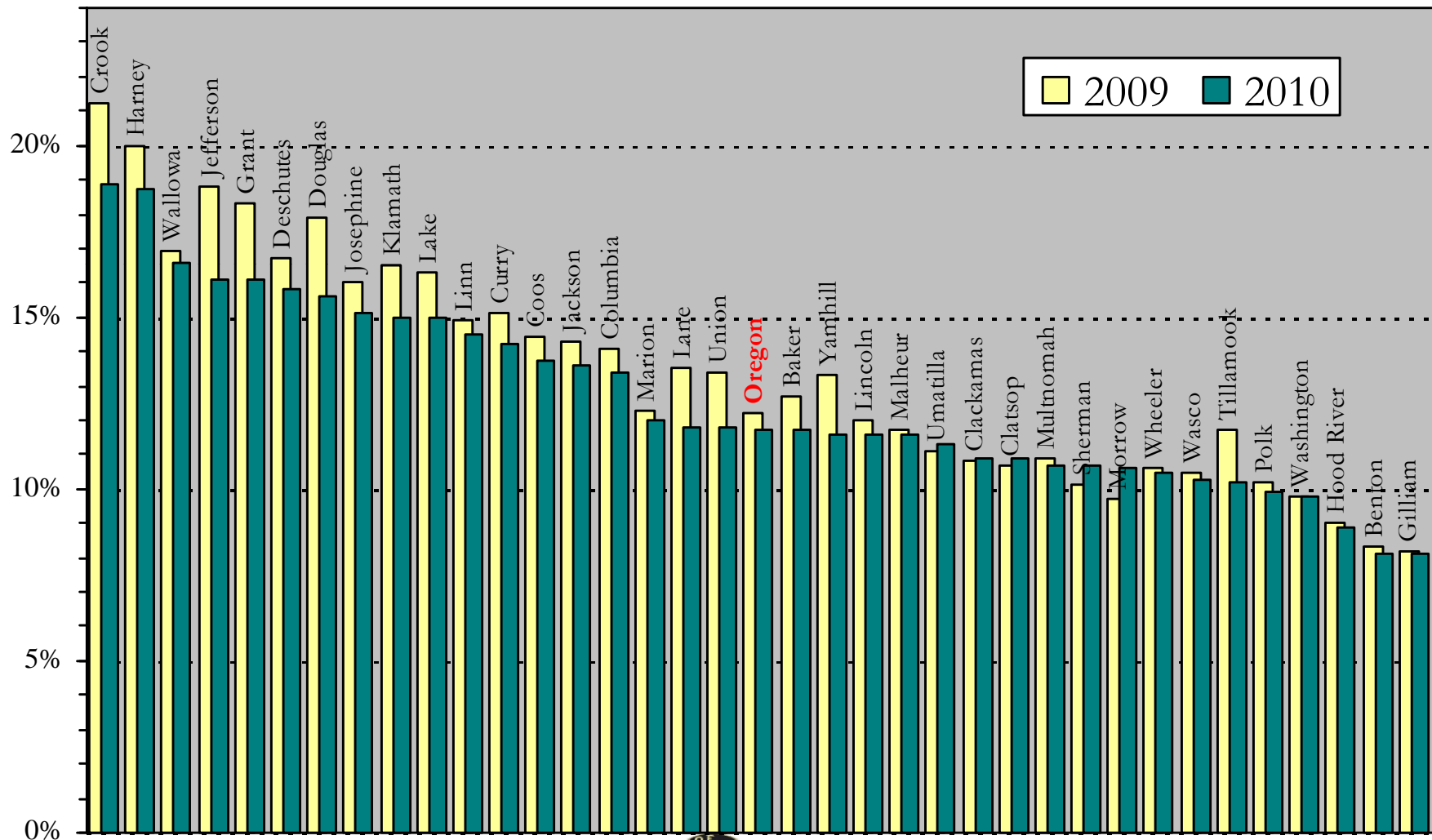
Oregon: 11.7% (seasonally adjusted: 10.6%)
U. S.: 10.2% (seasonally adjusted: 9.7%)





Unemployment Rate by County, March 2009 & March 2010

(Seasonally unadjusted)

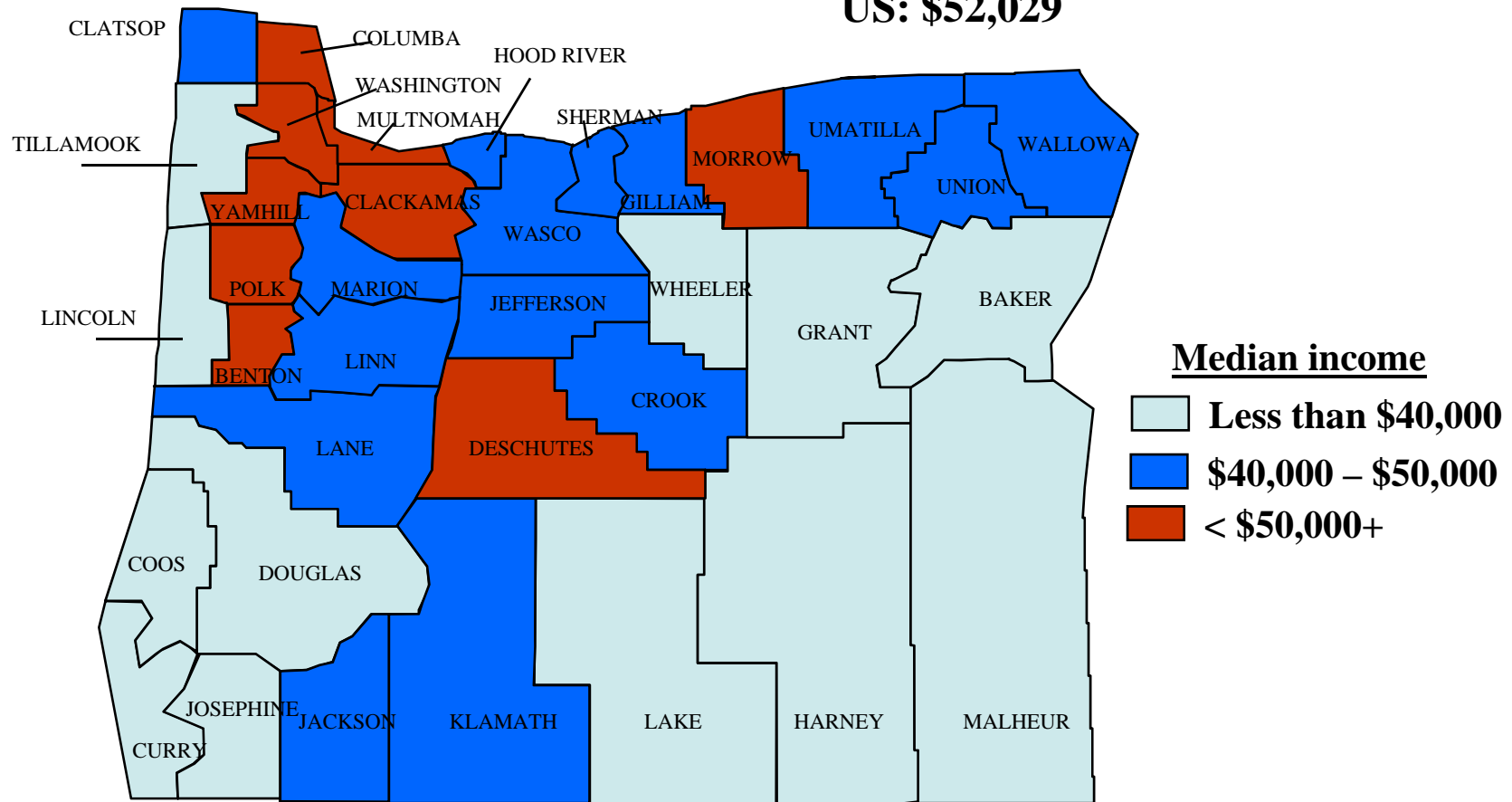




Median Income, 2008

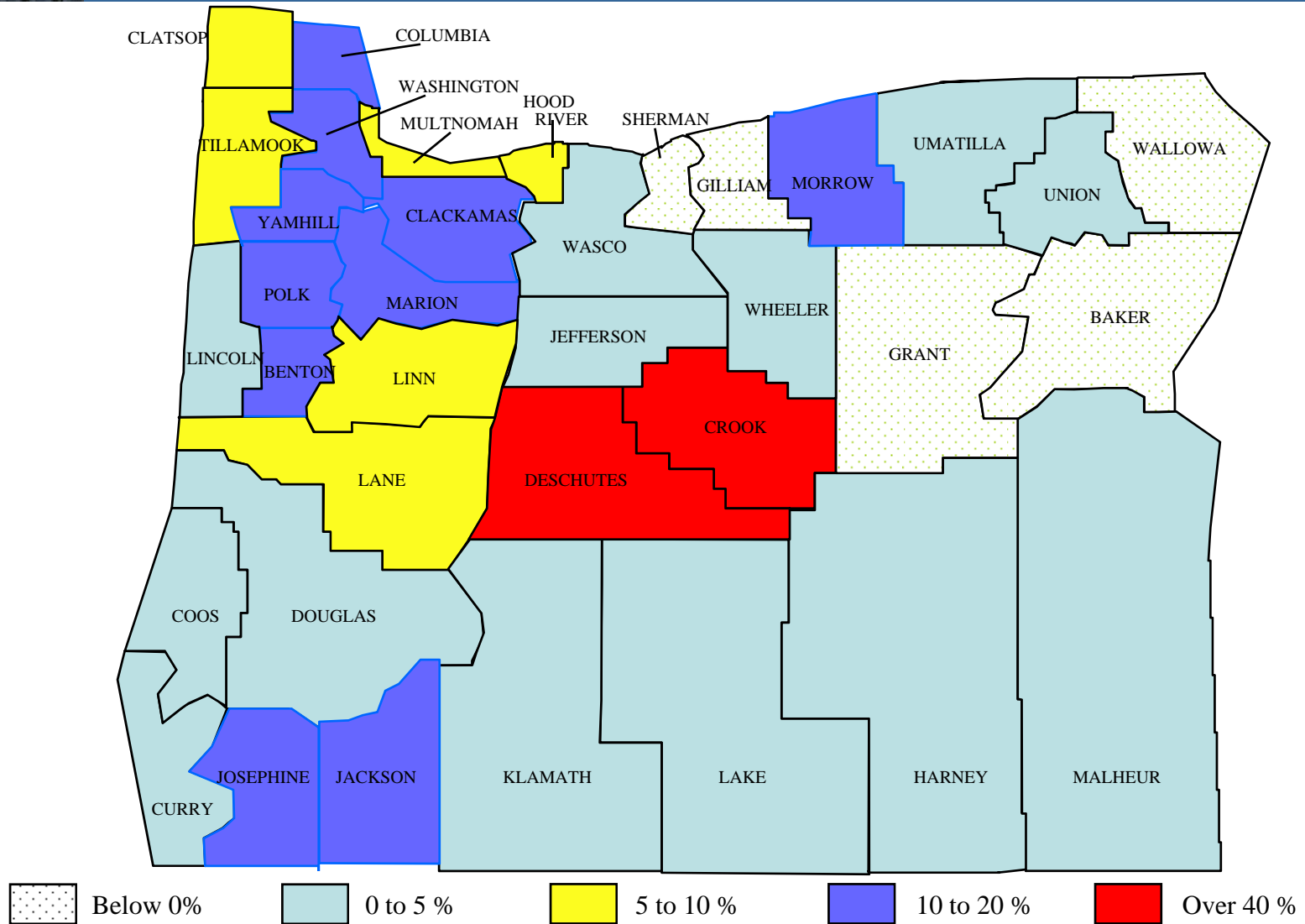
Oregon: \$50,165

US: \$52,029





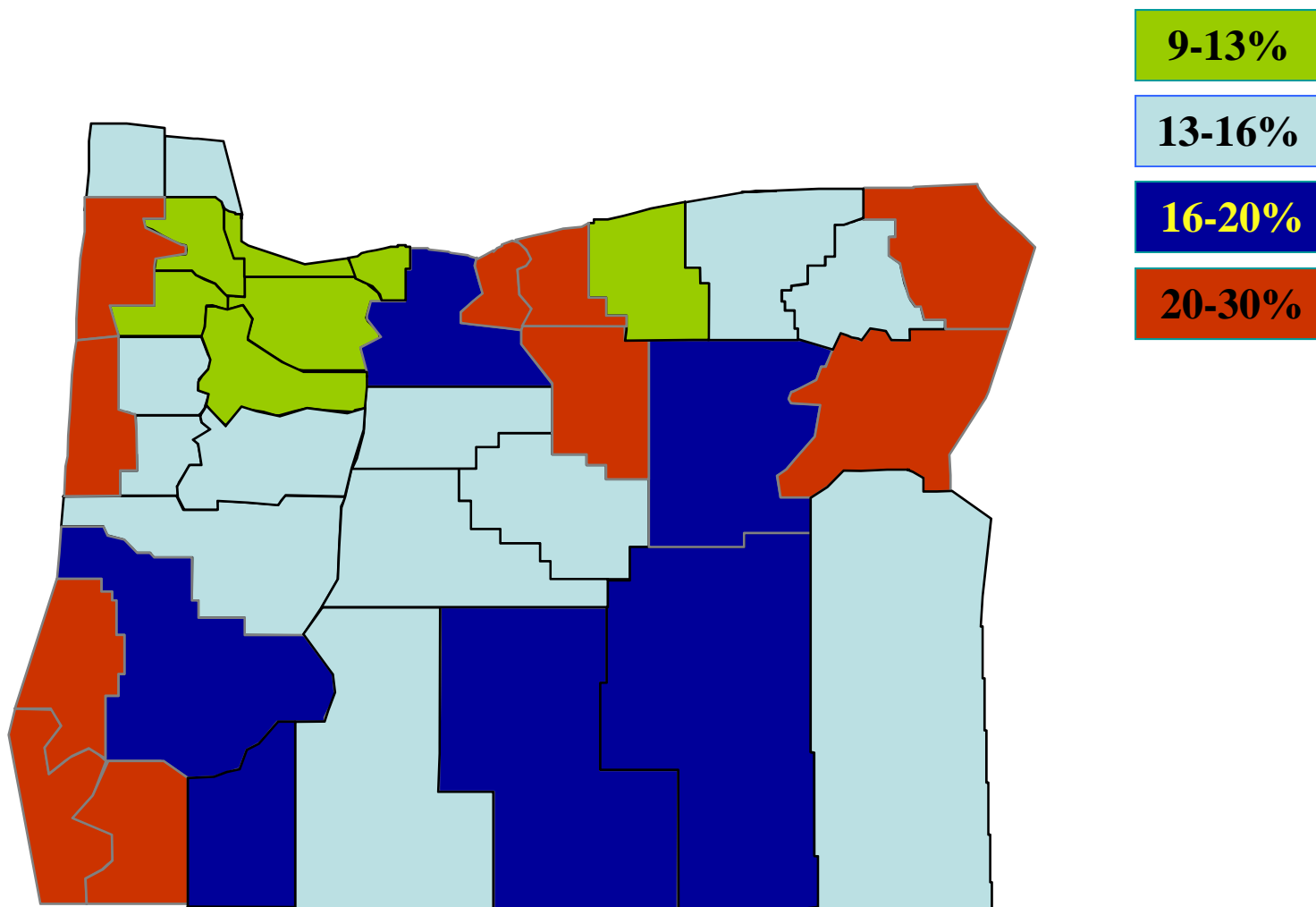
County Population Growth, April 1, 2000-July 1, 2009



Sources: U.S. Bureau of Census 2000, and Population Research Center, Portland State University 2009



Elderly (age 65+) as a percent of total population, 2009





Historical Comparison

Recession	1981-82	1980-82	1990-91		2001		2008-?? *	
	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon
Employment								
Loss (in 000s)	2,734.3	123.3	1,498.3	12.3	2,657.3	60.1	7,020.3	150.2
% Change	(2.99)	(11.50)	(1.37)	(0.97)	(2.01)	(3.69)	(5.09)	(8.64)
Duration								
Peak-to-Trough	5 Qtrs	12 Qtrs	5 Qtrs	3 Qtrs	9 Qtrs	10 Qtrs	8 Qtrs	8 Qtrs
Return to Peak	8 Qtrs	28 Qtrs	10 Qtrs	5 Qtrs	15 Qtrs	16 Qtrs	20 Qtrs	24 Qtrs

* Estimates based on Global Insight and OEA forecasts

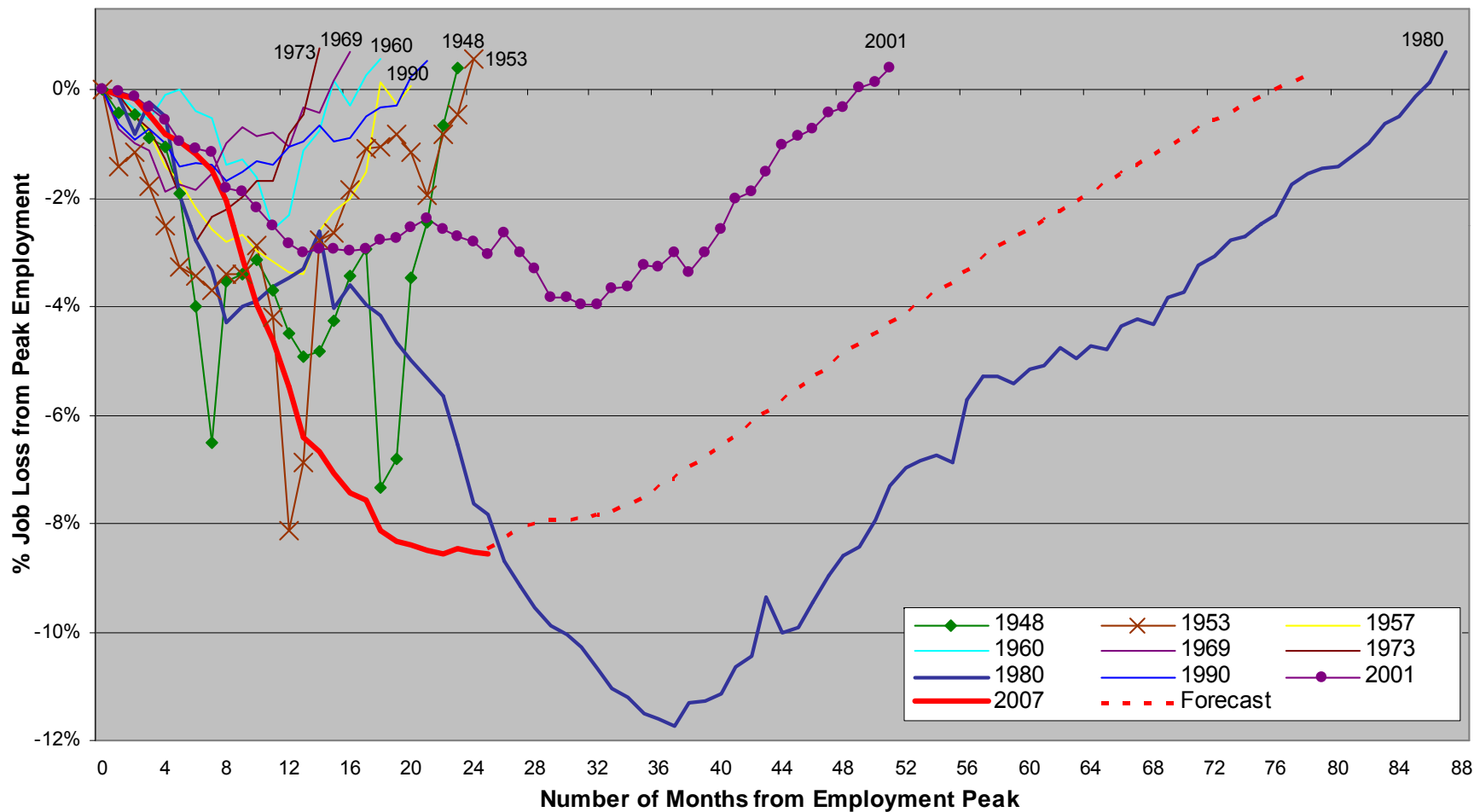




Historical Comparison

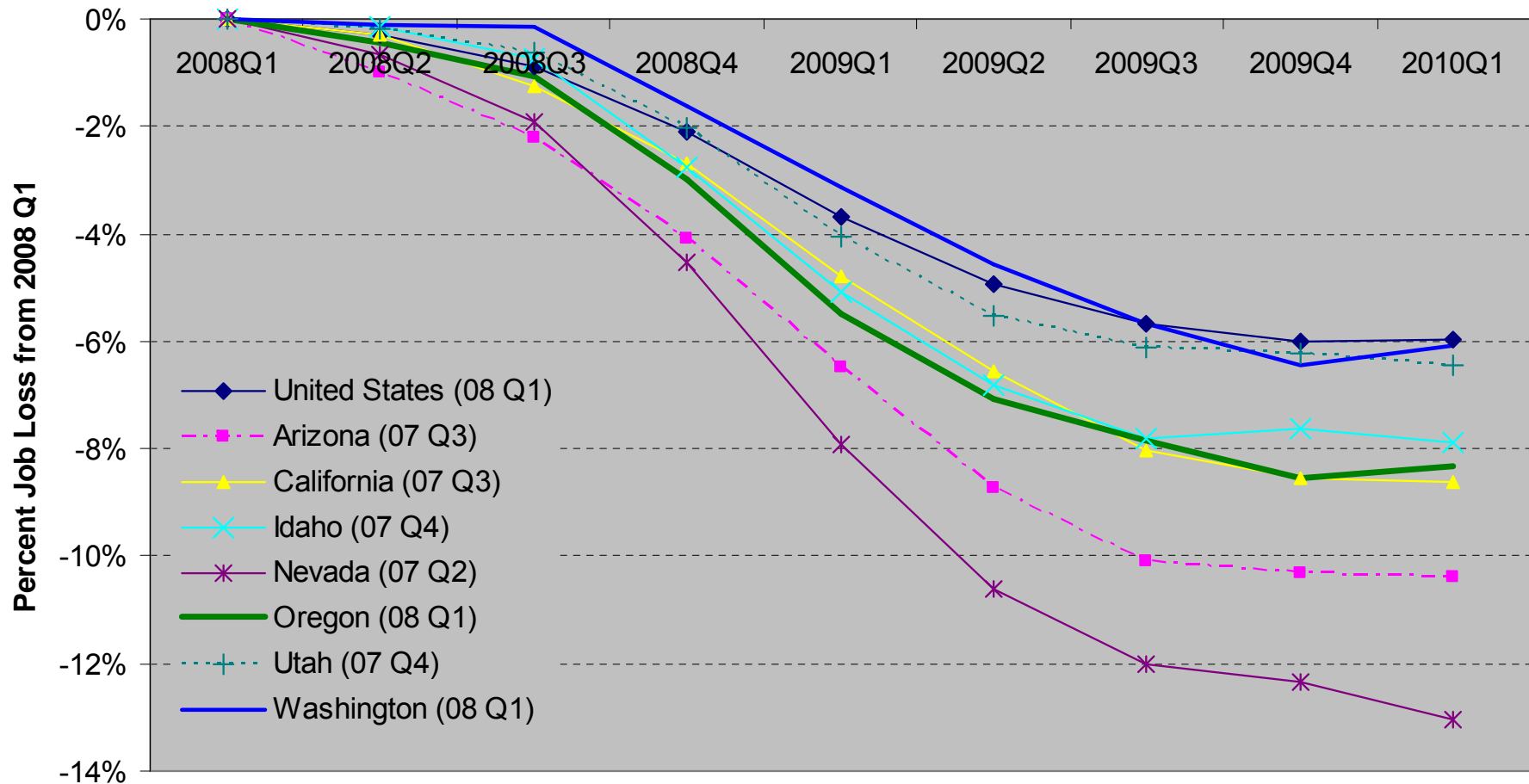
(through March 2010)

Oregon Employment Loss by Recession



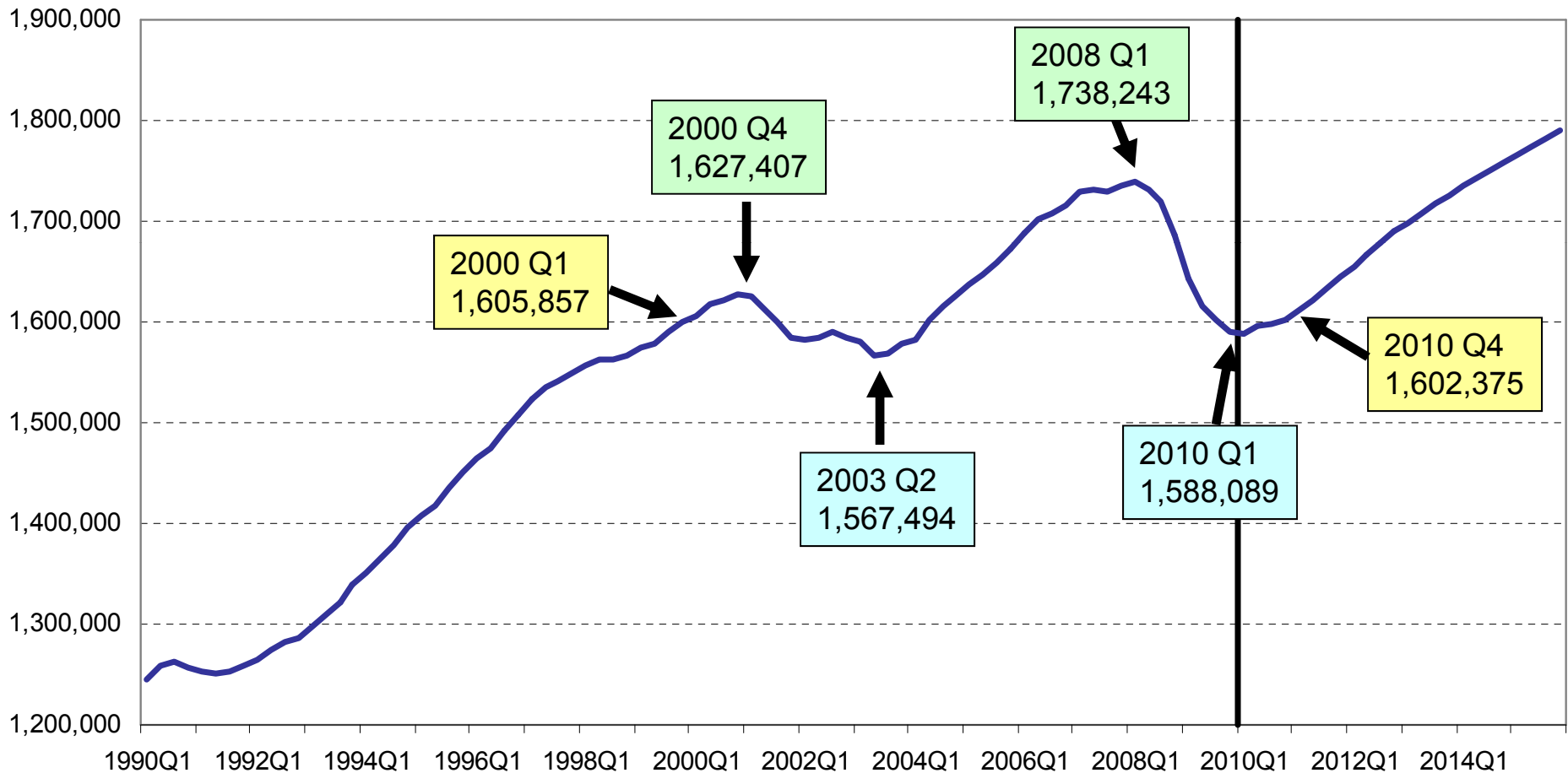


Western States Employment



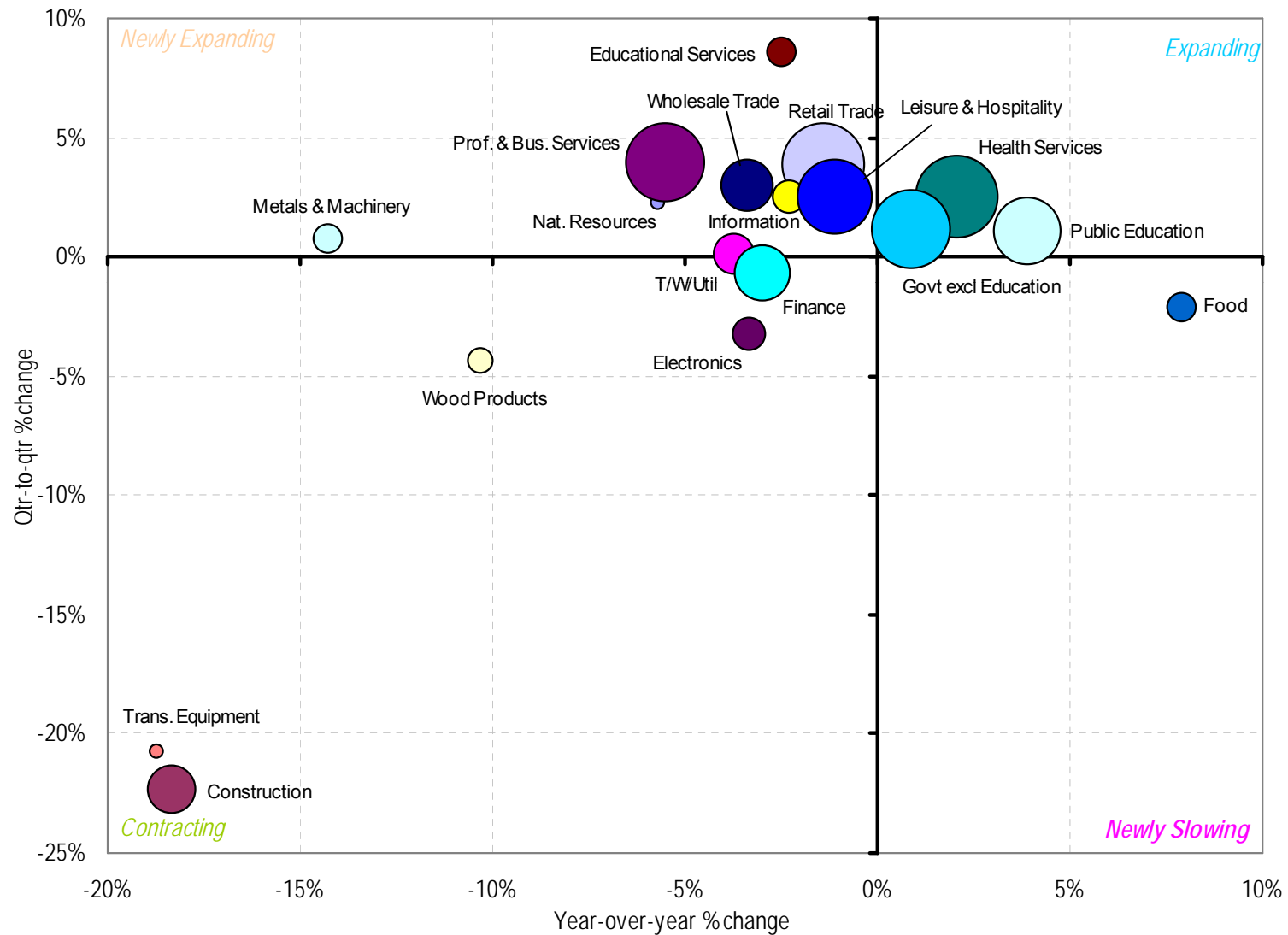


Oregon's Lost Decade?





Signs of Life (1st Quarter 2010)

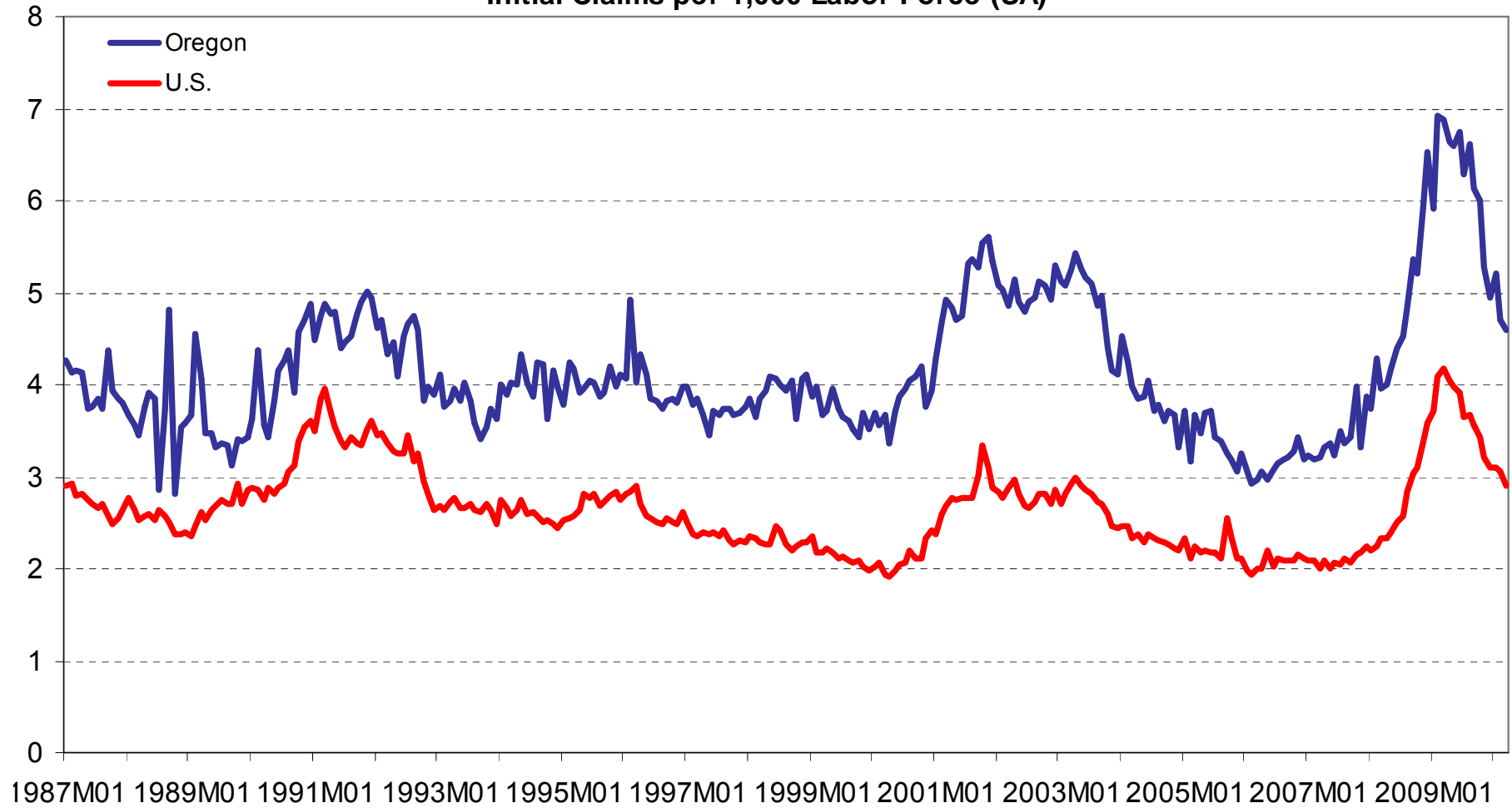




Initial Claims

(through March 2010)

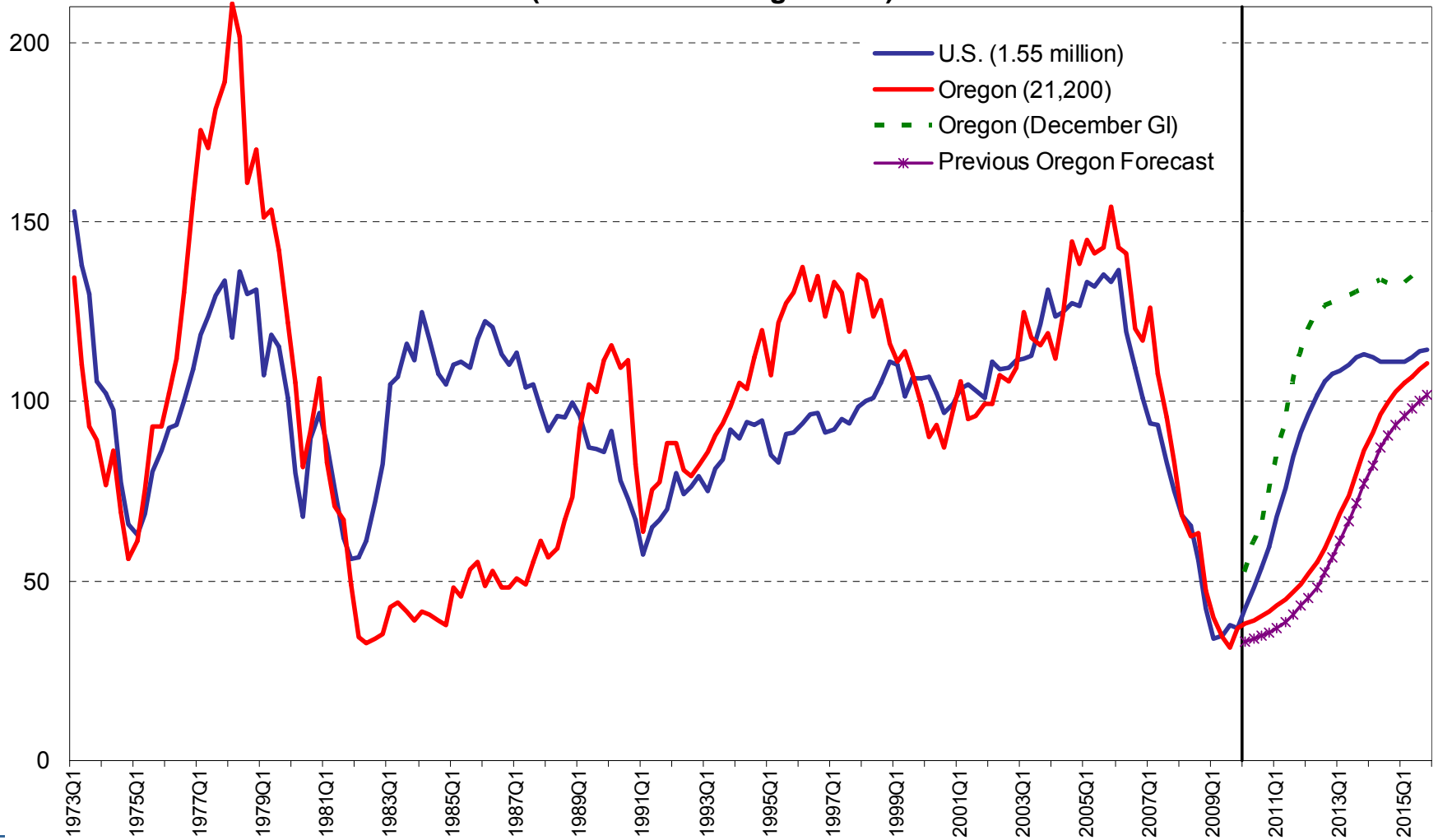
Initial Claims per 1,000 Labor Force (SA)





Housing Starts: Oregon & U.S.

Housing Starts Index
(1973-2007 Average = 100)

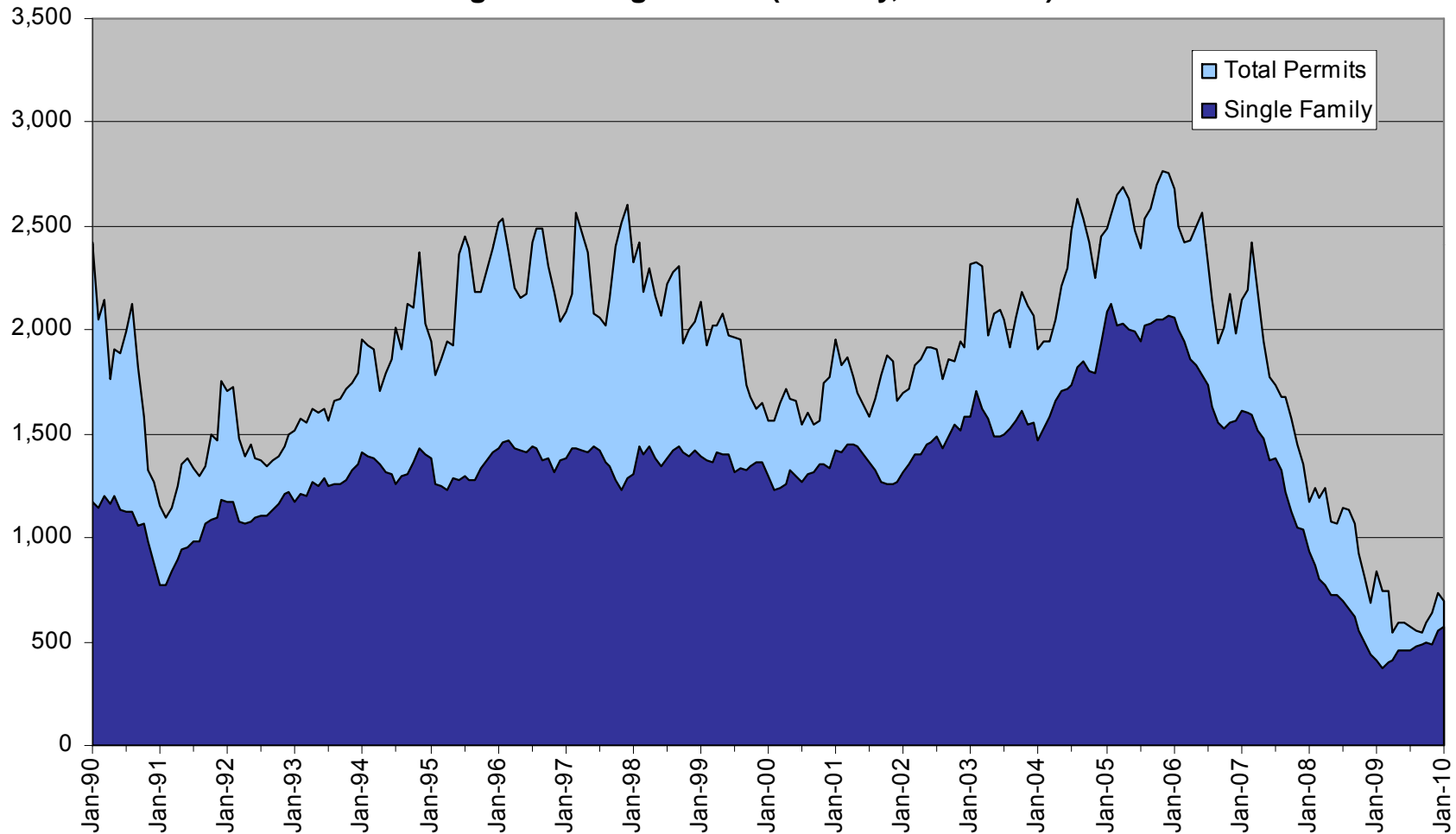




Oregon Housing Permits

(through January 2010)

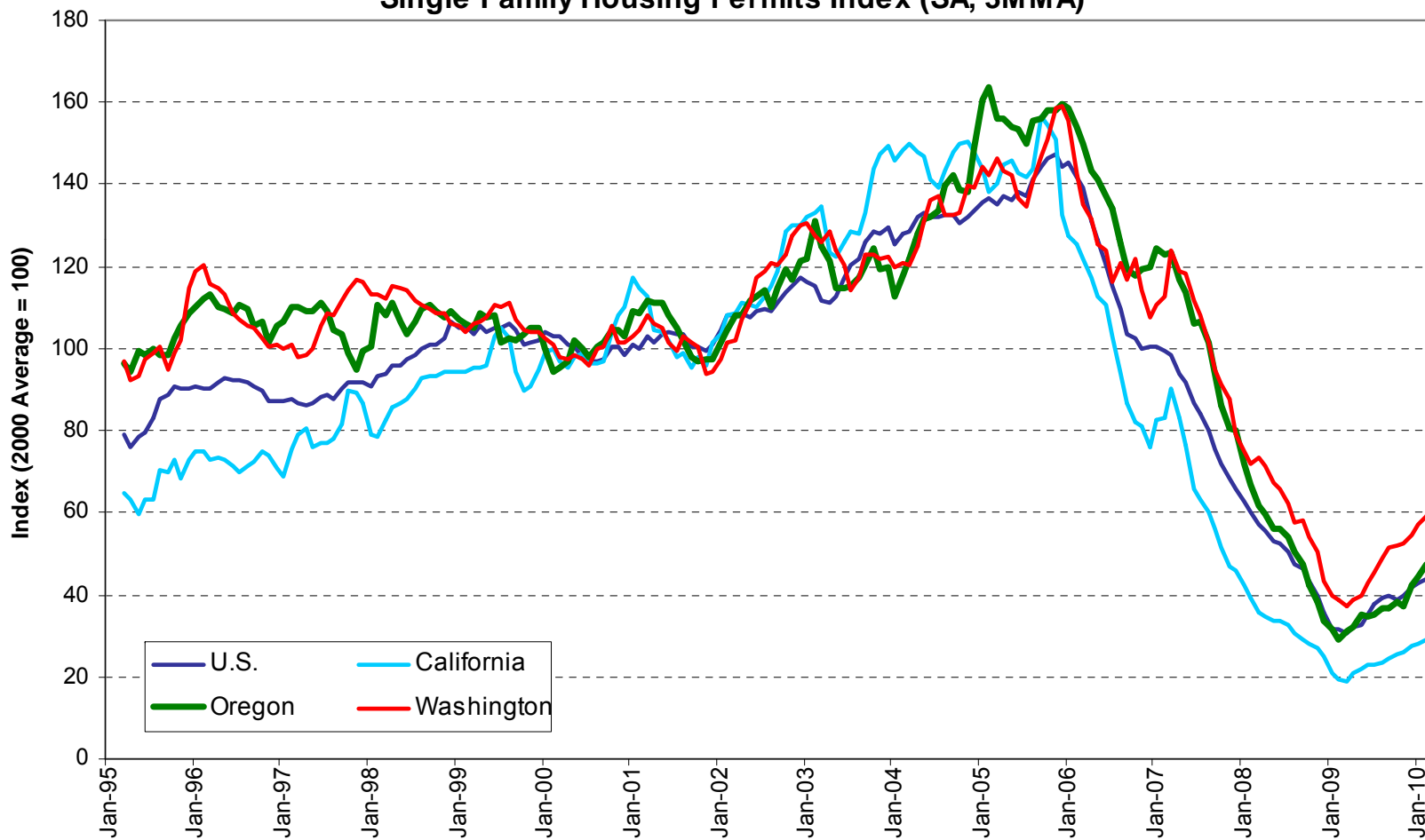
Oregon Housing Permits (Monthly, SA 3 MMA)





Western States Housing Permits

Single Family Housing Permits Index (SA, 3MMA)





Mortgage Loans

- 6.88 percent of all loans past due (4th Quarter, 2009)
 - 2001 peak 3.72%, rising since early 2007
 - Oregon ranks 8th best nationally (US average is 10.44%)
- 2.98 percent of all loans in foreclosure (4th Quarter, 2009)
 - Higher than 2002 (1.34%) and rising since late 2006
 - Oregon ranks 25th best nationally (US average is 4.58%)
- Combined 9.86 percent ranks 10th best nationally
 - US average is 15.02 percent



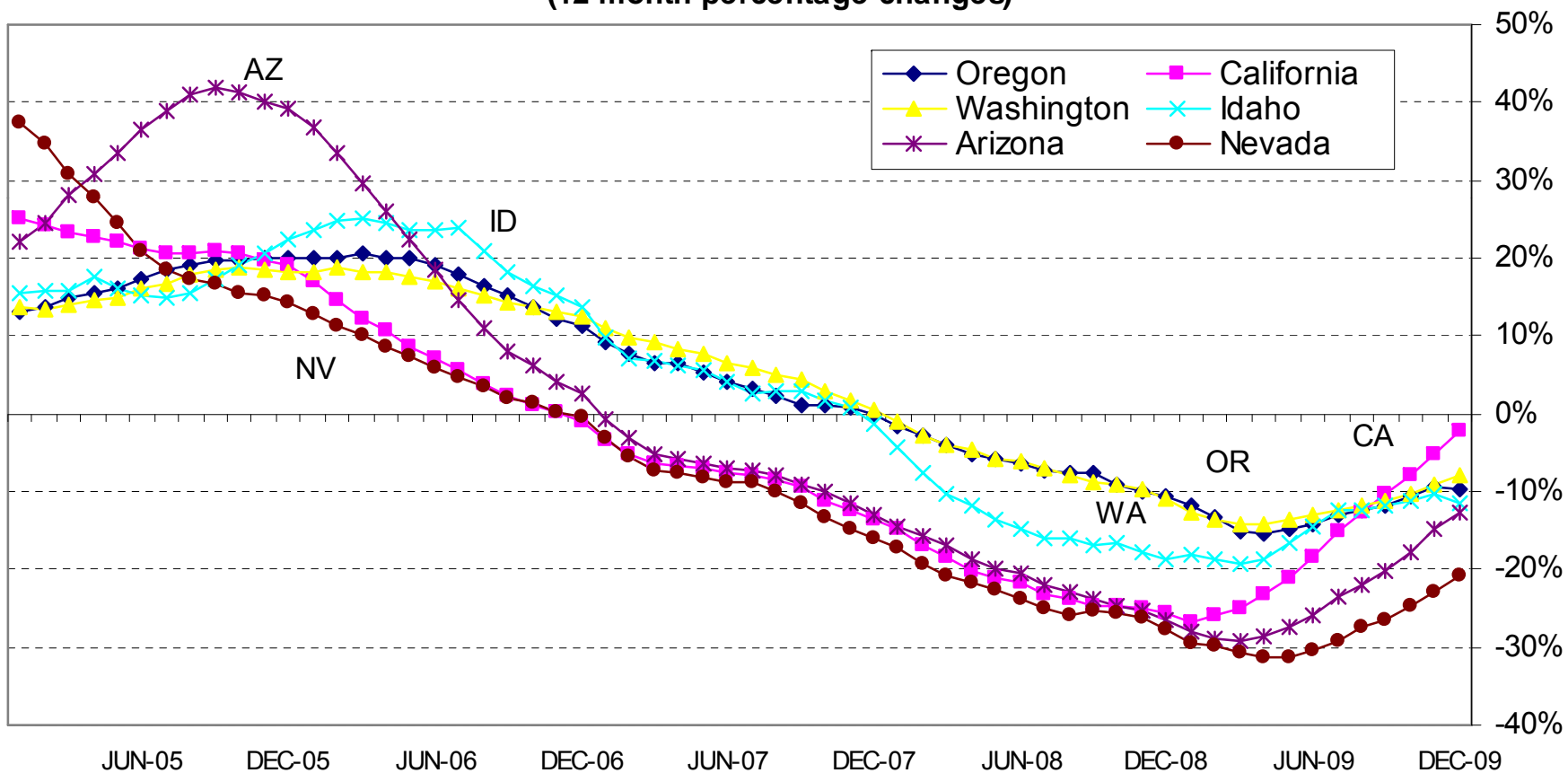


Oregon was Late to the Run Up in Prices

(Jan 2005 - Dec 2009)

Housing Price Index

(12-month percentage changes)

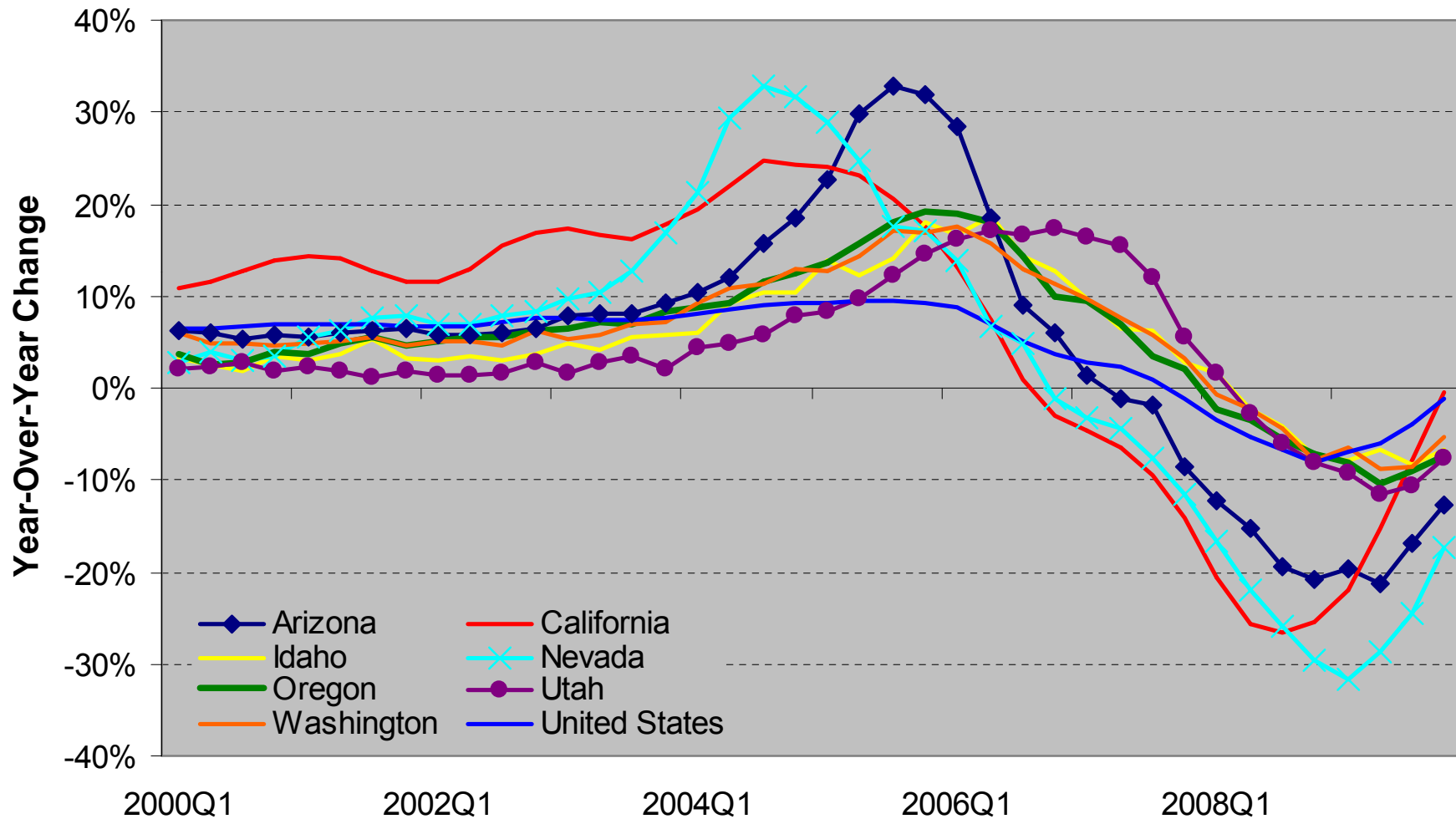


Source: LoanPerformance



Western States FHFA Home Price Indexes

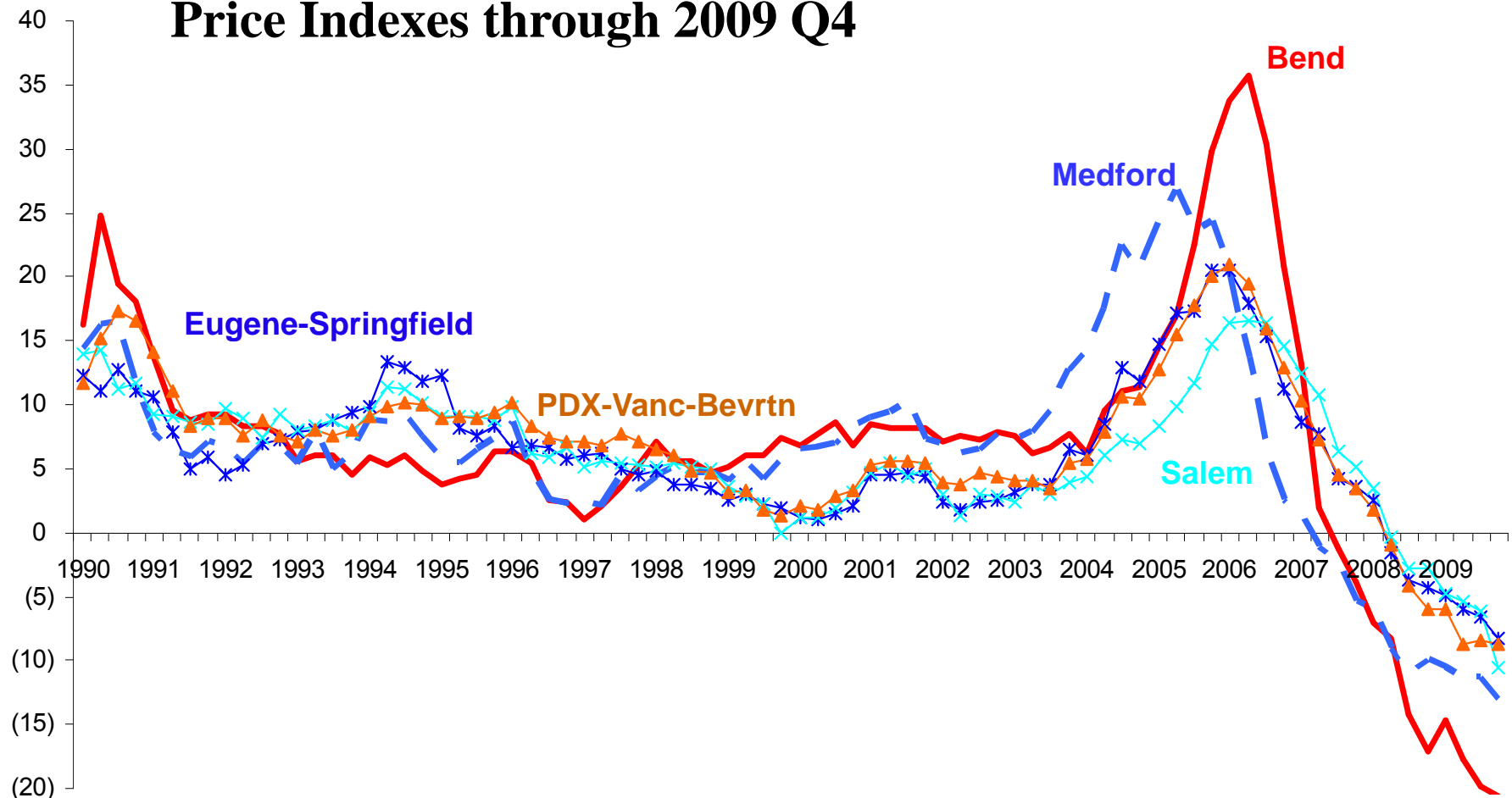
(through 2009 Q4)





Selected Oregon MSA House Price Appreciations

Annual Percentage Change in FHFA MSA House Price Indexes through 2009 Q4



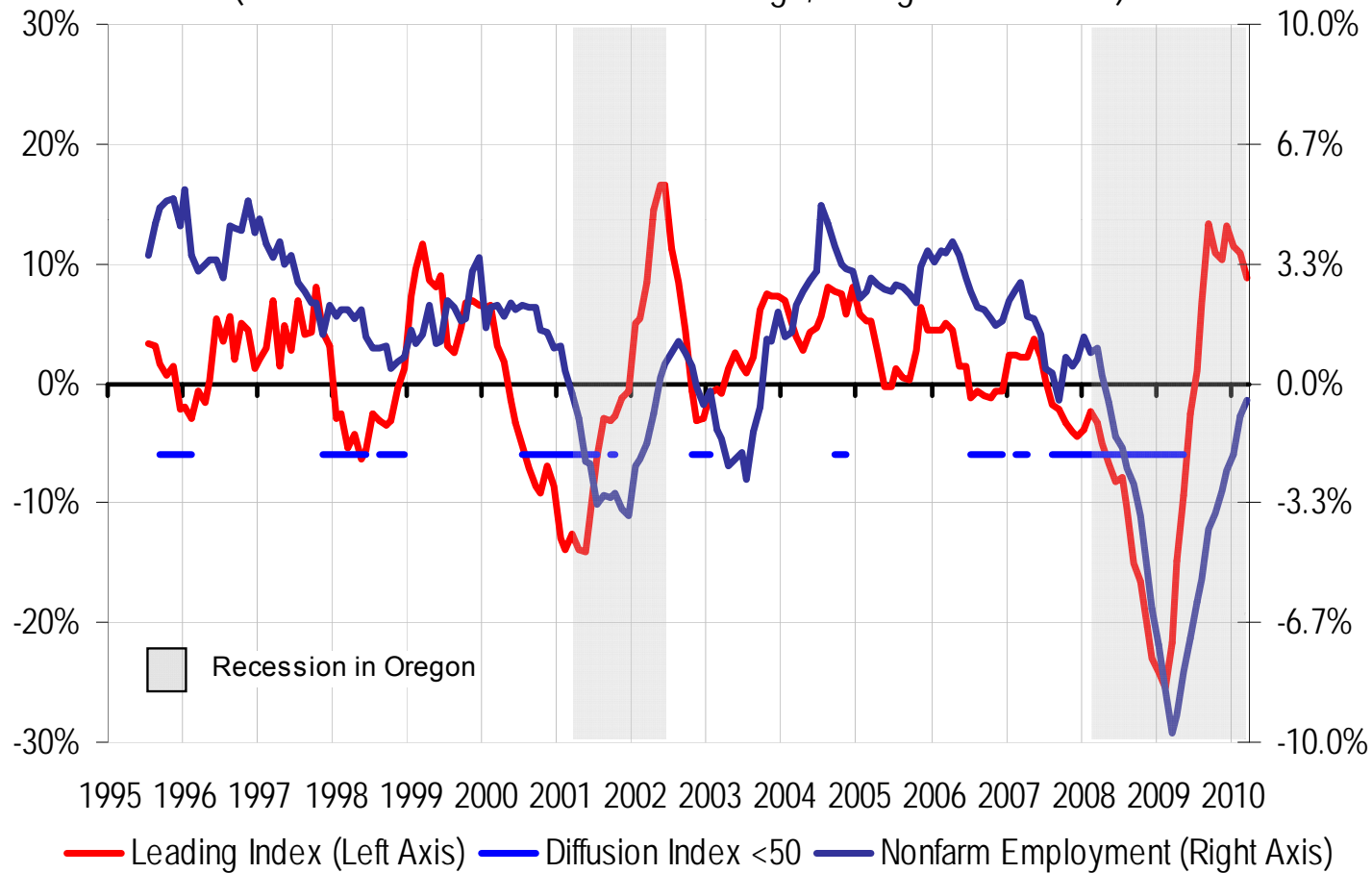
Source: Federal Housing Finance Agency



Leading Indicators

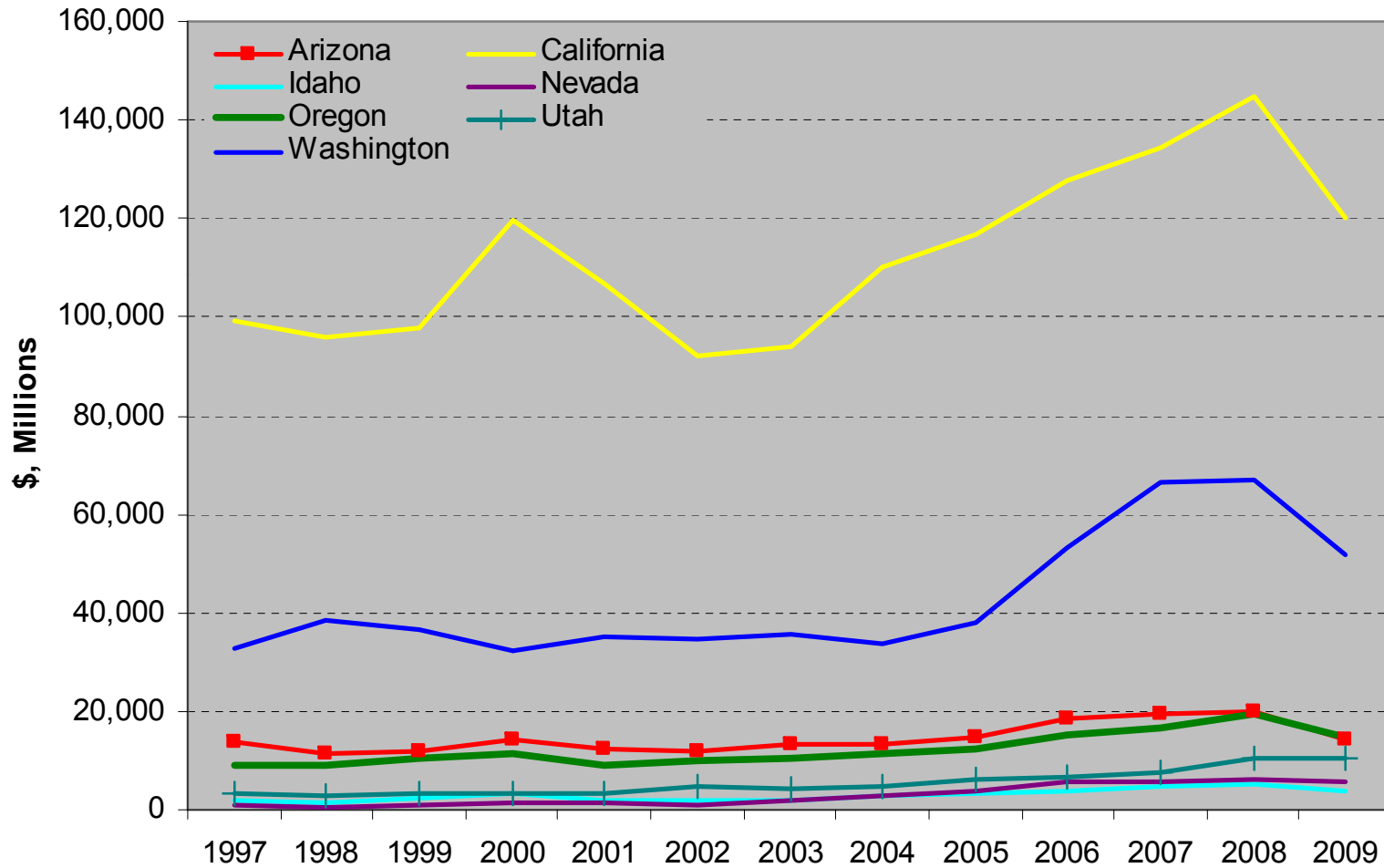
9 of 11 Indicators are Positive

Oregon Index of Leading Indicators
(Six-Month Annualized Percent Change, through March 2010)





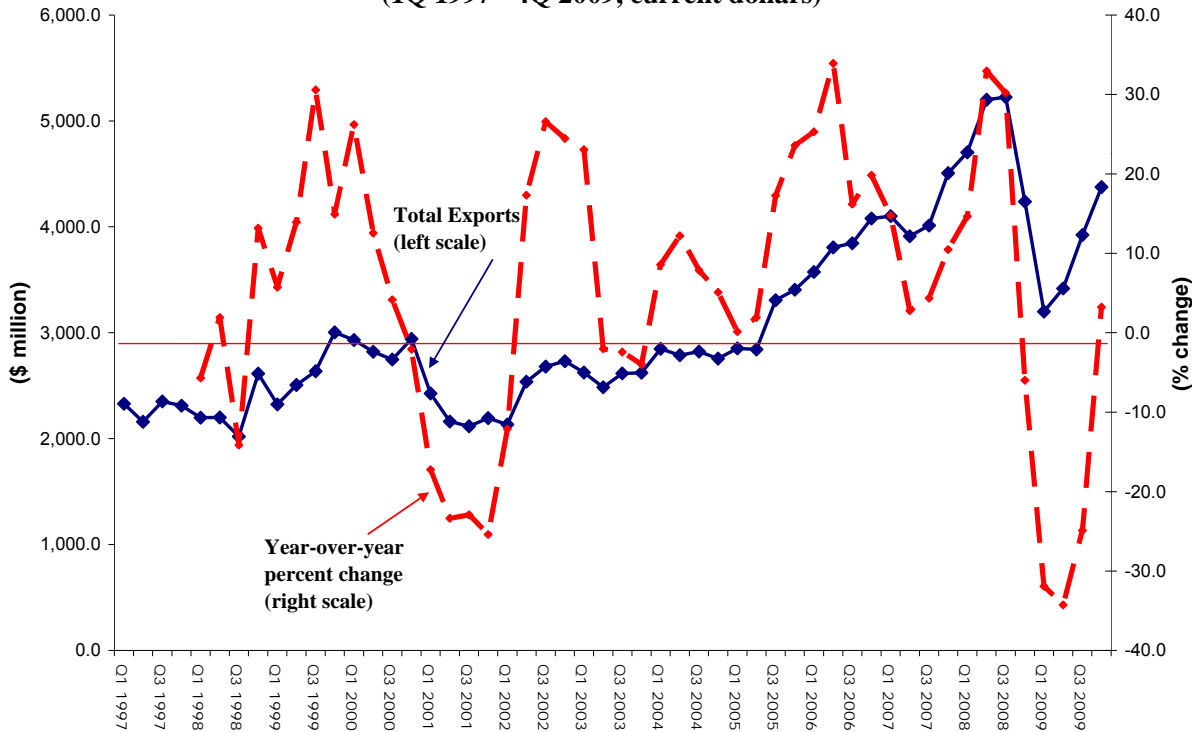
Western States Exports





Oregon Exports

Oregon's Total Exports
(1Q 1997 - 4Q 2009, current dollars)



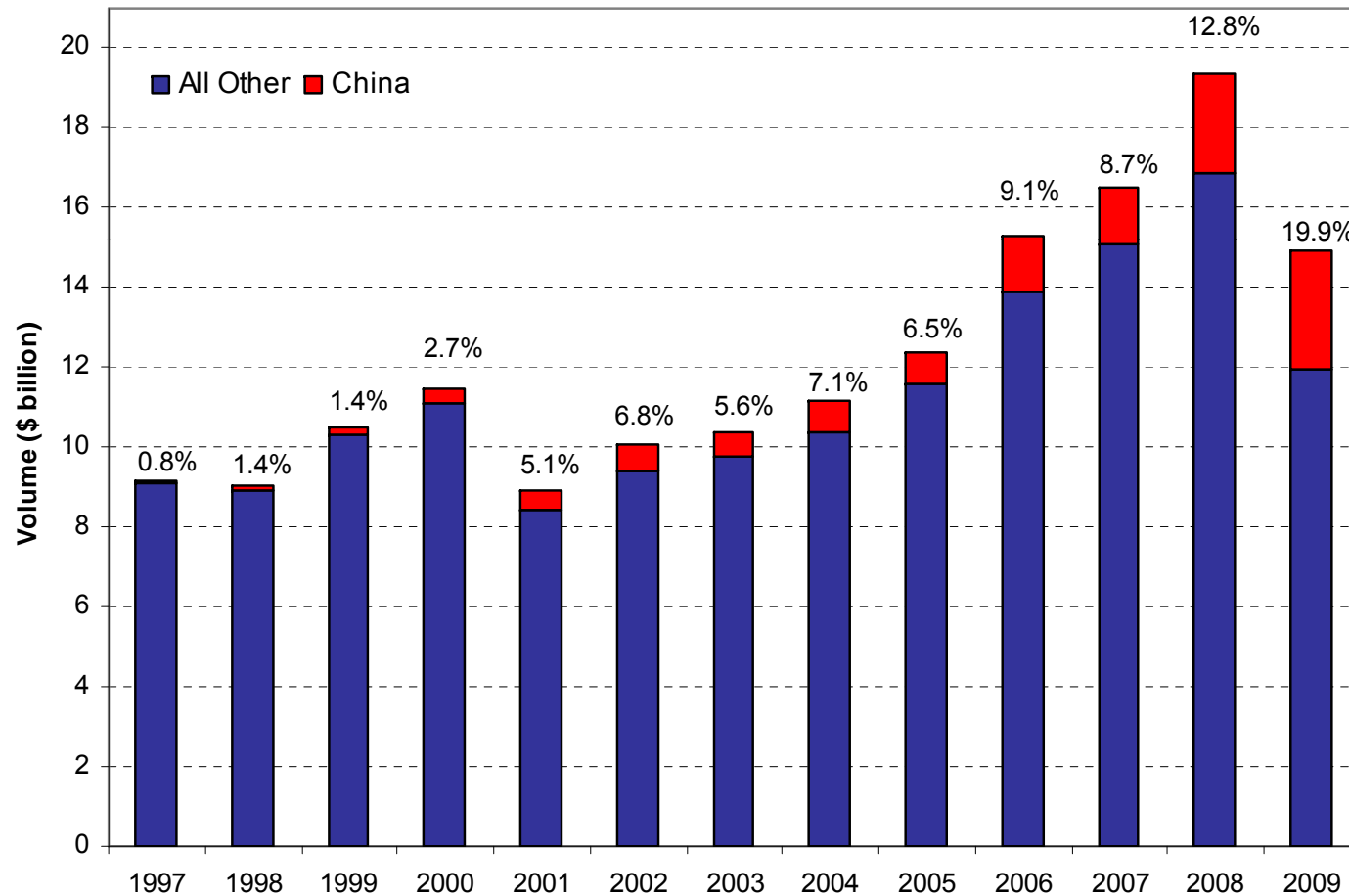
Oregon Exports by Industry			
	2008 Q4	2009 Q4	Y/Y % Change
Total All Industries	4,237.9	4,374.9	3.2%
Computer And Electronic Products	1,805.1	1,995.3	10.5%
Agricultural Products	543.6	712.6	31.1%
Machinery, Except Electrical	301.2	333.8	10.8%
Chemicals	420.9	289.0	-31.3%
Transportation Equipment	245.4	211.7	-13.7%
Waste And Scrap	79.7	112.5	41.1%
Primary Metal Manufacturing	168.3	101.9	-39.5%
Food And Kindred Products	94.2	108.2	14.9%
Wood Products	96.1	94.6	-1.5%
Paper	103.9	60.9	-41.4%





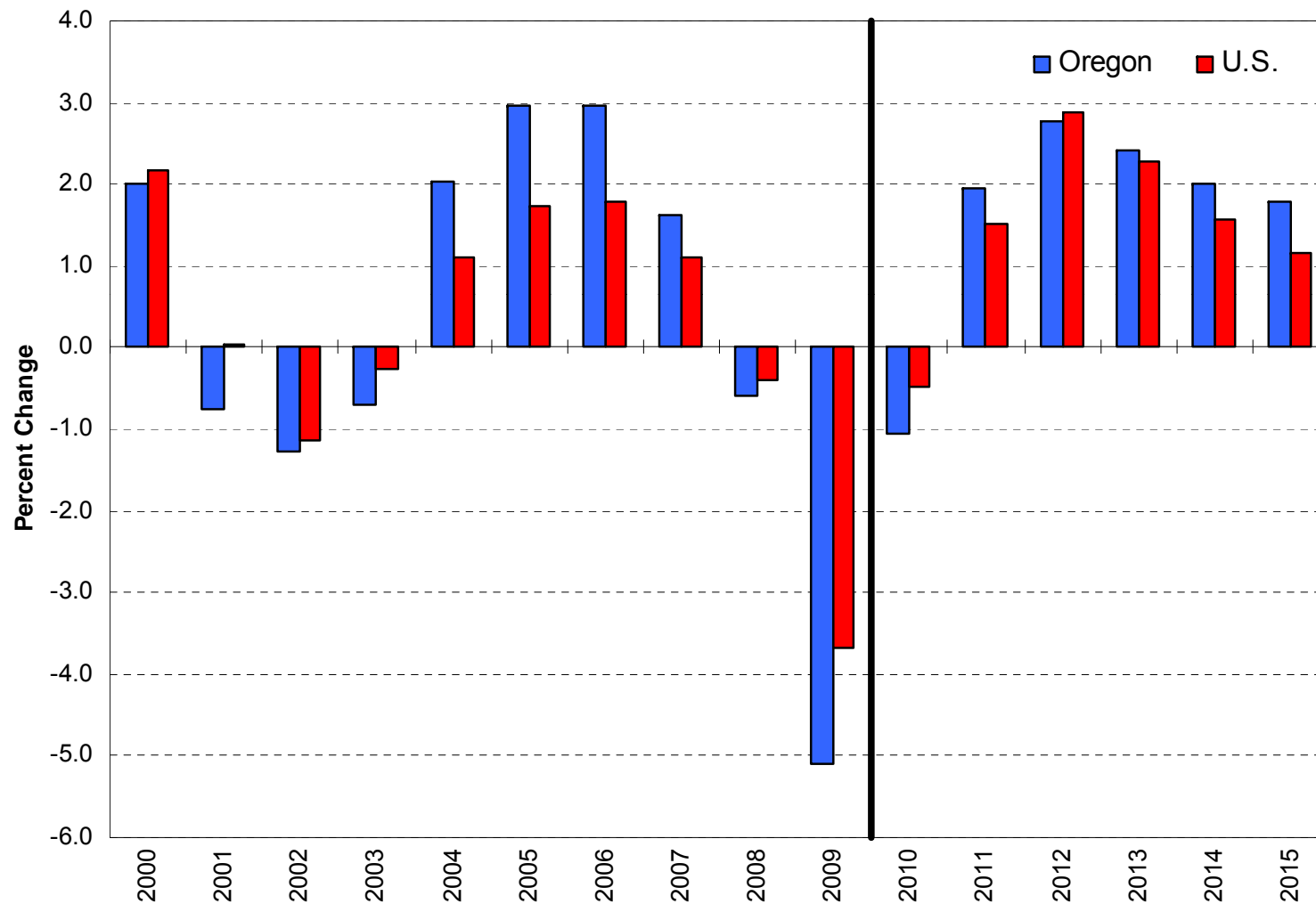
Exports to China

Oregon Export Markets (1997 - 2009)



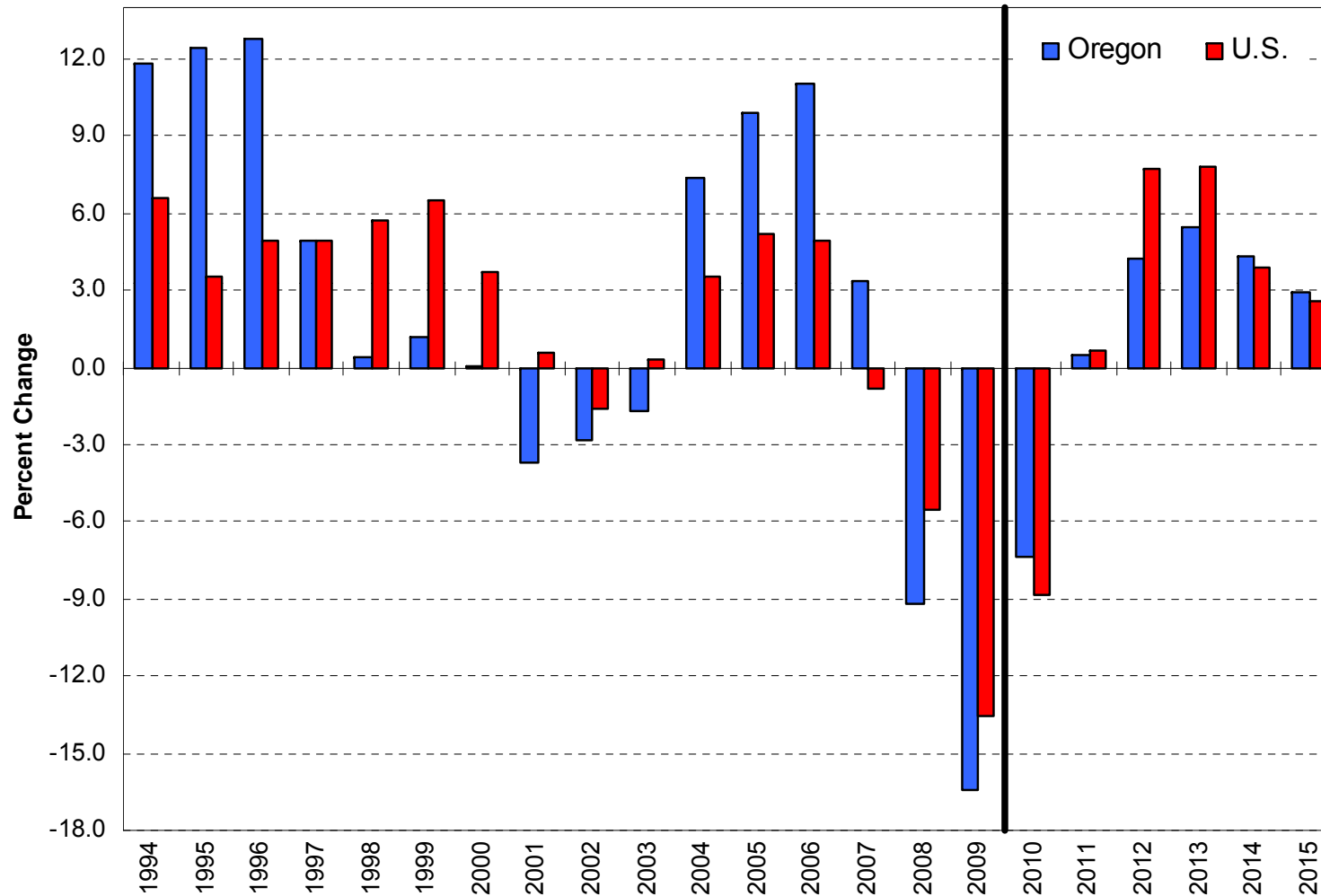


Total Non-farm Employment (Annual Percent Change)



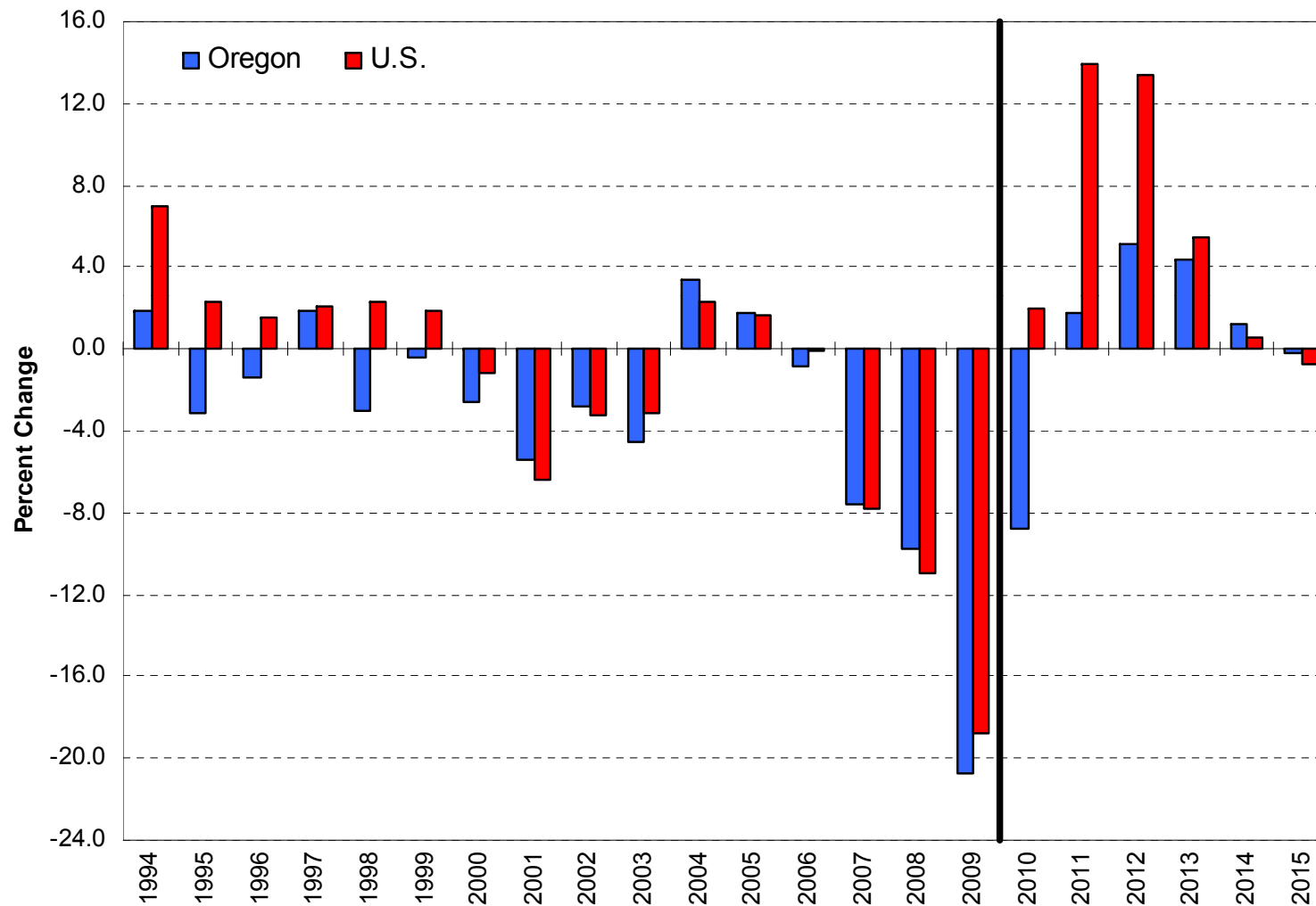


Construction Industry Employment (Annual Percent Change)



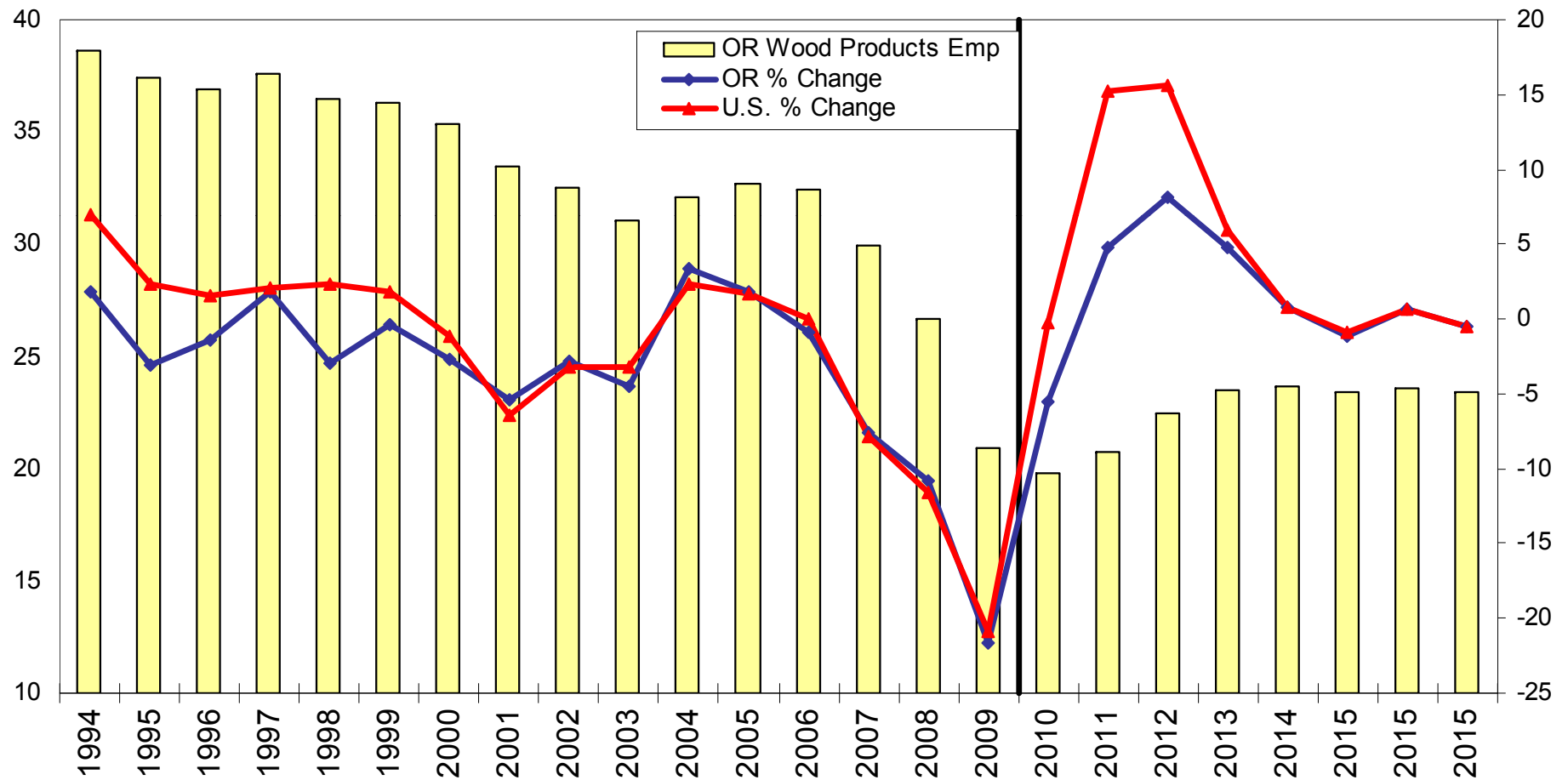


Wood Products Industry Employment (Annual Percent Change)



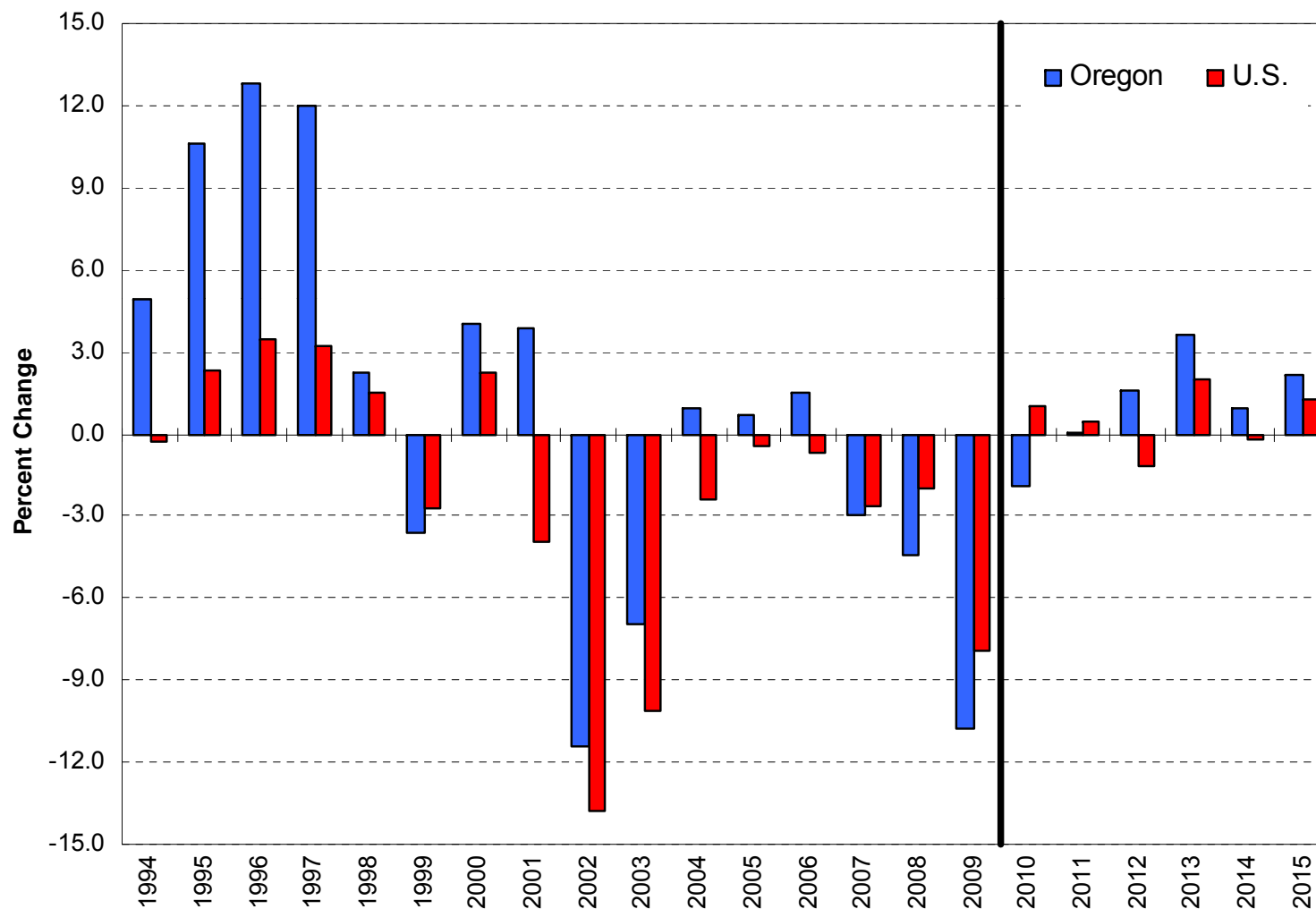


Wood Products Industry Employment (Annual Percent Change)



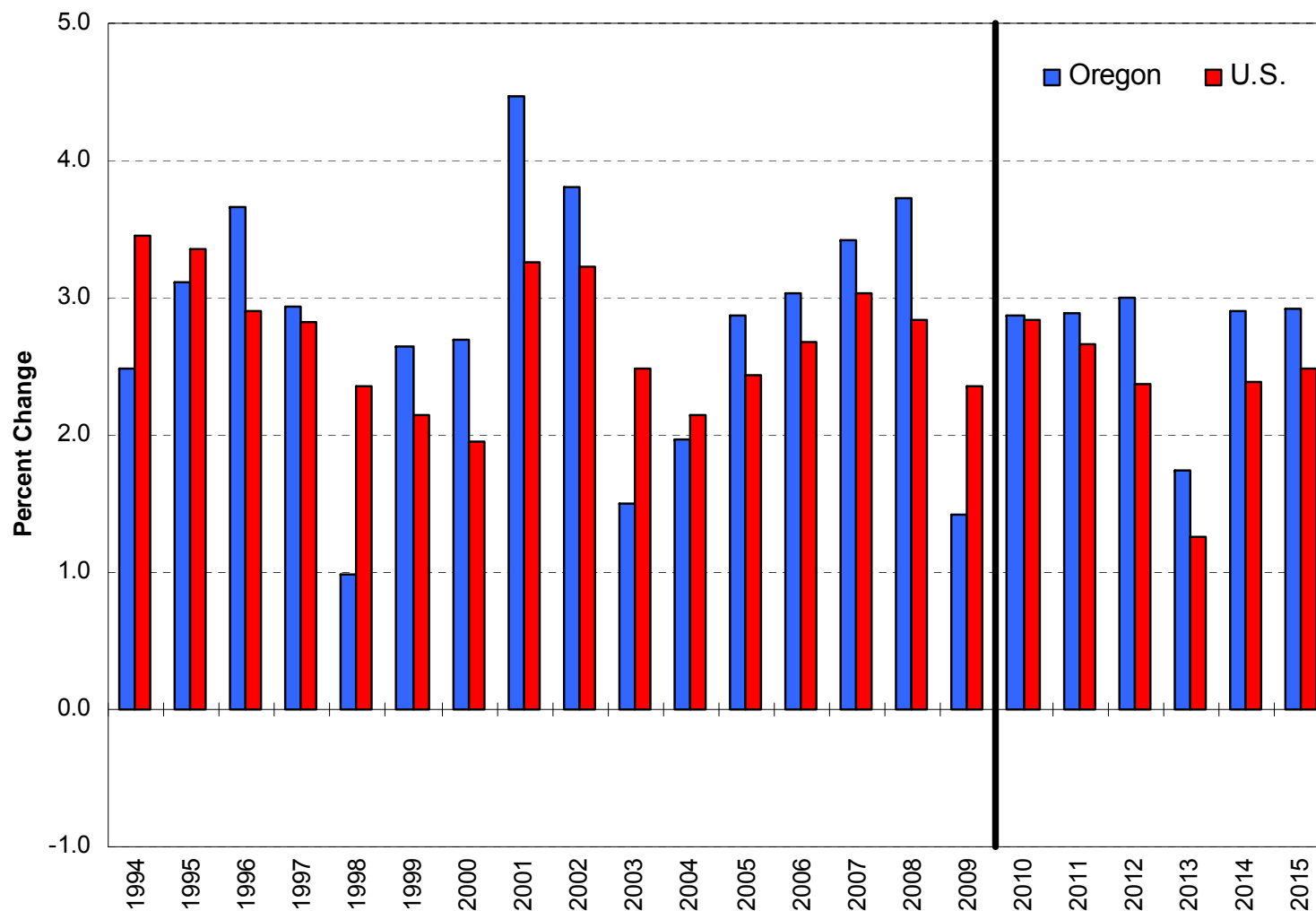


Computer and Electronic Products Industry Employment (Annual Percent Change)





Health Services Industry Employment (Annual Percent Change)





Risks to the Forecast...

▲ **Upside**

- ▲ A v-shaped recovery in other parts of the world
- ▲ Quicker, stronger release of pent-up demand
- ▲ Stronger growth in total factory productivity

▼ **Downside**

- ▼ Premature policy tightening
- ▼ Aftershocks from the financial crisis
- ▼ China bubble?

▶ **Other Considerations**

- ▶ Impact of Measures 66 and 67
- ▶ Health care reform





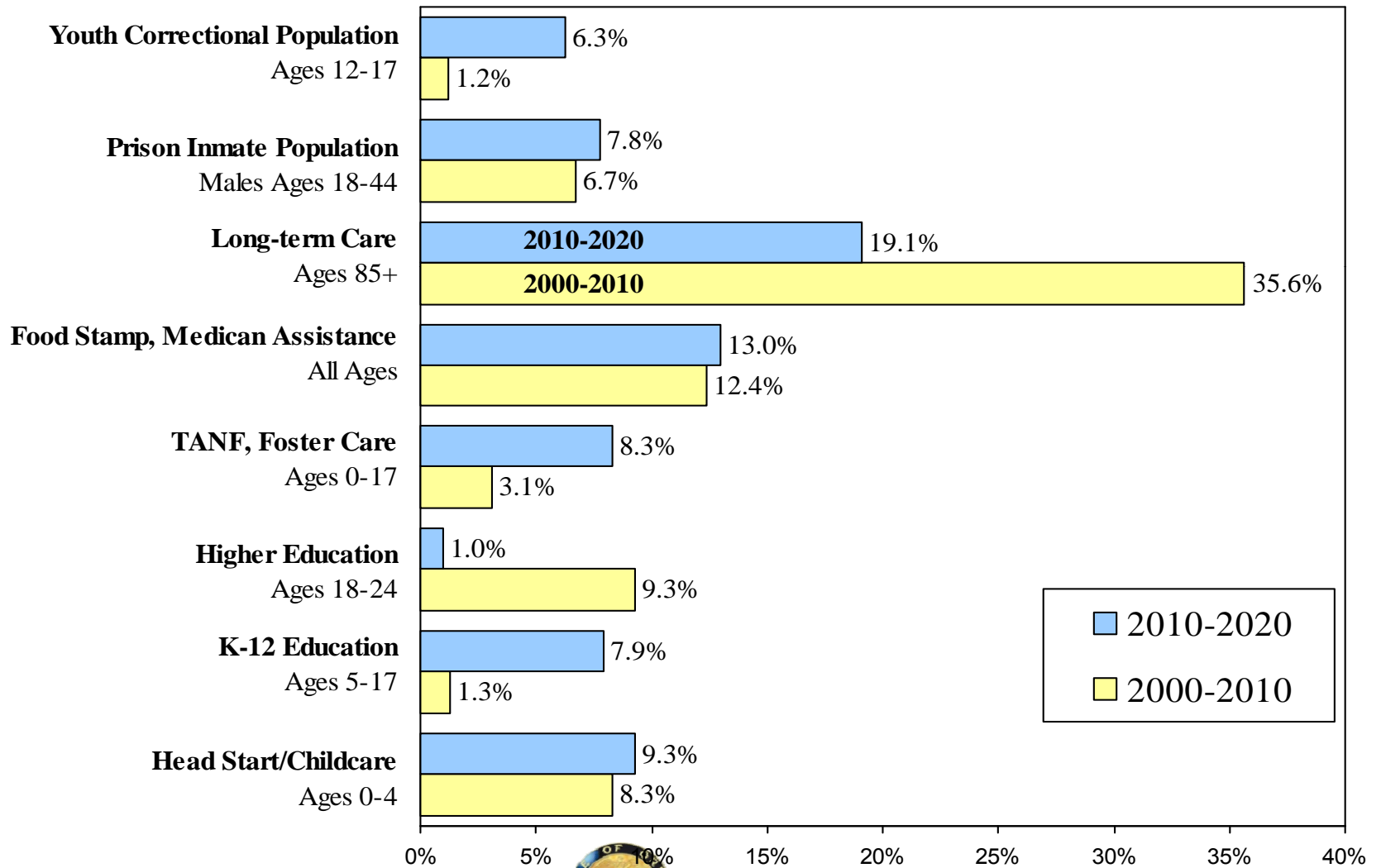
Bottom Line for the Oregon Economy

- The “technical” recession in Oregon ended late this summer or late this year. Expect a “jobless” recovery.
- Job losses will continue into the first quarter of 2010, with only mild job growth the rest of the year.
- Housing prices will still decline into 2010 but looking more like a bottom has been reached in housing permits.
- Housing will not lead during the recovery. First sectors likely to come back: profession and business services, health care services, computer and electronic products, retail.



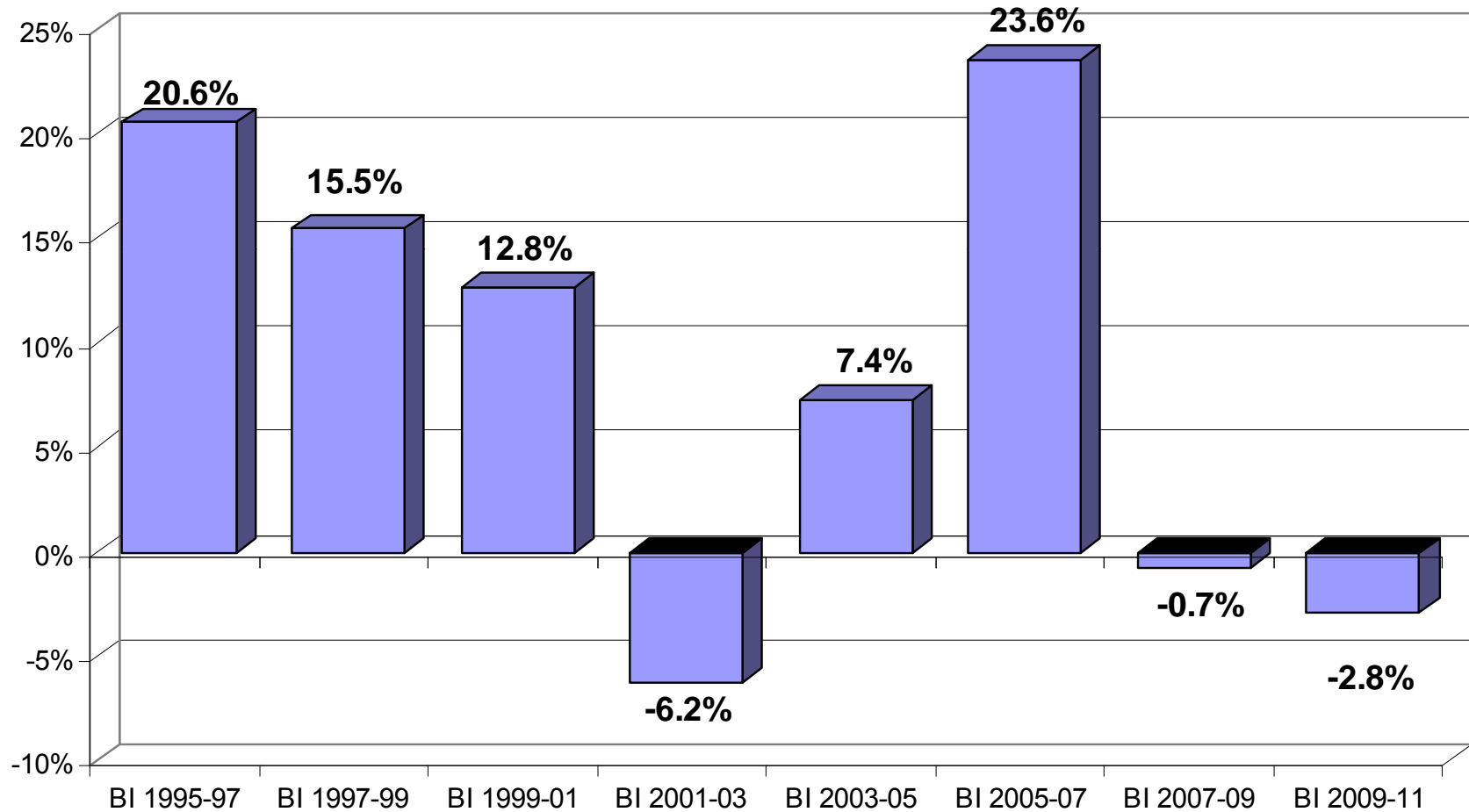


Budget Driver Populations: Past and Future Decades 2000-10 and 2010-20





Biennial Growth Rates

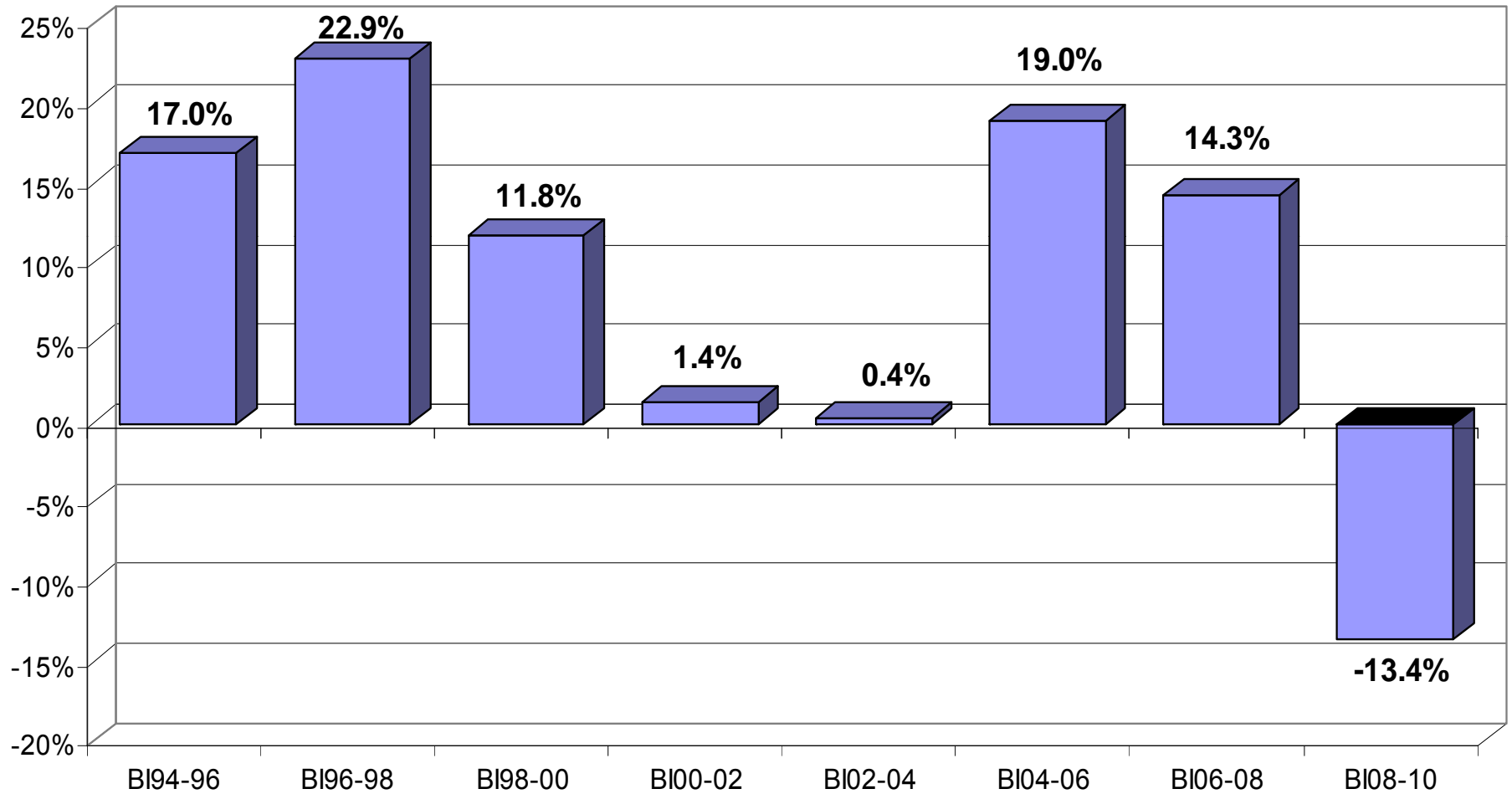


Note: Not including 2009 revenue actions



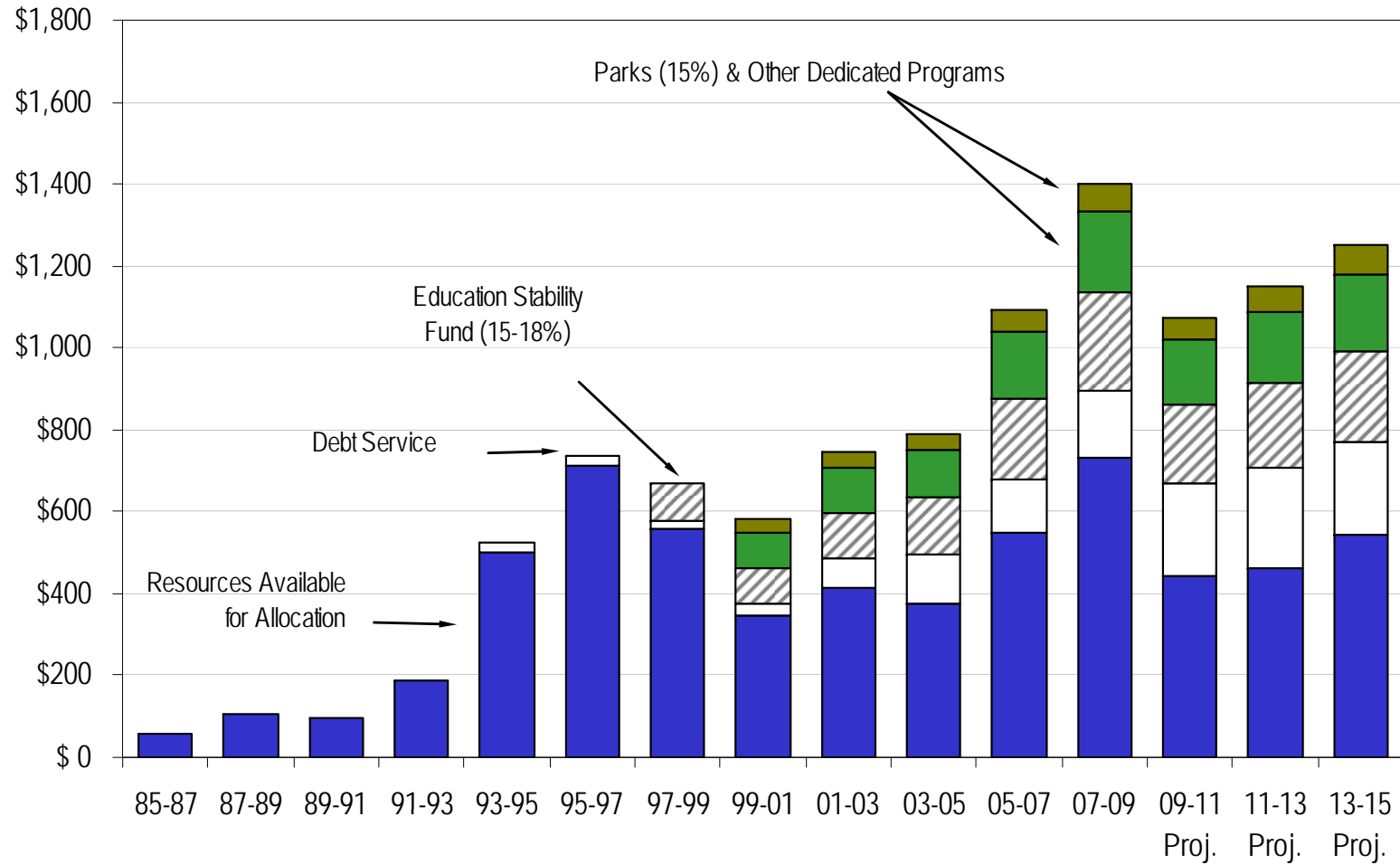


Biennial Growth Rates





Lottery Funds and Programs





For More Information

Office of Economic Analysis
155 Cottage Street NE, U20
Salem, OR 97301-3966
(503) 378-3405

Email: oea.info@state.or.us

Website: <http://oregon.gov/das/oea>

Blog: <http://oregoneconomicanalysis.wordpress.com/>

Twitter: http://twitter.com/OR_EconAnalysis

