D. Oregon Economic Review and Forecast

Current Conditions

A chorus of indicators suggests that economic conditions are improving for many of Oregon's families and businesses. Unfortunately, the pace of improvement remains slower than what we have become accustomed to in past economic recoveries, and has not been shared across all communities.

Although recent gains have been broad-based across industries, they have not been broad-based across regions of the state. In general, communities that are located more than an hour's drive from the Columbia River are no better off now than they were when the nationwide recession ended two years ago.

Outlook

Oregon's economy can reasonably expect more of the same in the future. Most forward-looking data suggest that growth will continue. However, there is still ample reason to believe that this growth will remain disappointing from a historical perspective, with the statewide economy likely to struggle to pick up any further momentum.

The typical household still needs to save more, and spend less, of their income over the extended horizon. When less spending is combined with the broader effects of an aging baby-boom population cohort, Oregon and other states will face an uphill climb for many years to come.

What little acceleration that can be hoped for is tied to a long-awaited improvement in regional housing markets. Mortgage rates are very low, as are single-family house prices relative to apartment rents. Single-family housing markets are finally showing a weak pulse in many areas of the state.

House prices will remain depressed until most of the unwanted properties are purged from the balance sheets of lenders and underwater homeowners. Even so, improved housing investment, construction activity and spending on home furnishings represents the best hope for a speedier recovery.

The baseline (most likely) employment forecast remains essentially unchanged. Slow growth will continue to be the norm. Oregon is not expected to recover all of the jobs it has lost until the end of 2014—seven years after the recession began.

Risks

There is little to suggest that a new recession is upon us. The possibility that Oregon will return to recession this summer is looking much less likely than it appeared a few months ago. Nevertheless, a considerable amount of uncertainty remains in the outlook since there is still plenty of time for the expansion to unwind before we reach the end of the biennium.

The primary downside risk currently on the radar is the ongoing production slowdown among some of Oregon's largest trading partners in Asia. With consumers needing to repair their household finances, Oregon's economic expansion has been led by business investment and exports, both of which would suffer greatly if Asian demand were to fade.

Even if the root cause of a future downturn turns out to be a financial crisis within the European Union, a primary channel through which problems would manifest themselves here in Oregon would be via a reduction in trade flows to and from Asia. Many of the Asian manufacturers we do business with cater to European clients. Furthermore, access to a healthy global credit market is a prerequisite for suppliers and transportation firms to operate.

Summary of Recent Trends

Oregon's Employment Trends

Getting a handle on the health of Oregon's labor market is being somewhat complicated by technical issues within the underlying payroll jobs data. Technical issues aside, employment in Oregon continues to increase at a slow, subdued pace through early 2012, approximately in line with the gains seen at the U.S. level.

The employment data discussed in this report is adjusted for two important technical purposes: seasonality and the upcoming benchmark revisions[3]. Given the relative strength of employment as measured by data collected through the unemployment insurance program, it is clear that preliminary payroll job counts will be revised upward significantly when benchmark adjustments are made next year. Such preliminary revisions to the payroll survey data are regularly published in some states, and are currently a topic of discussion at the Oregon Employment Department.

After adjustments, the data reveals a state that continues to expand slowly, adding slightly more than 15,000 jobs in the past year (0.9% through 2012q1), instead of a state that is stagnating, adding only 4,400 jobs in the past year (0.3%). Granted, the differences are small in percentage terms, yet important to understanding the lackluster expansion and interpreting recent events in light of our economic outlook.

In terms of industries, over the past year the job growth has been widespread with only wood products and government seeing declines. The largest gains have been in professional and business services and health services, which increased by approximately 5,400 and 4,300, respectively, from 2011q1 to 2012q1. Leisure and hospitality and retail trade each added 3,300 jobs over the past year. These four main sectors account for approximately 64 percent of all private sector gains, with total manufacturing accounting for another 19 percent, or 4,800 jobs. Within manufacturing, gains were led by durable goods, particularly metals and machinery. The public sector continues to lose jobs with the majority of the losses occurring in local education.

Labor Market Rankings

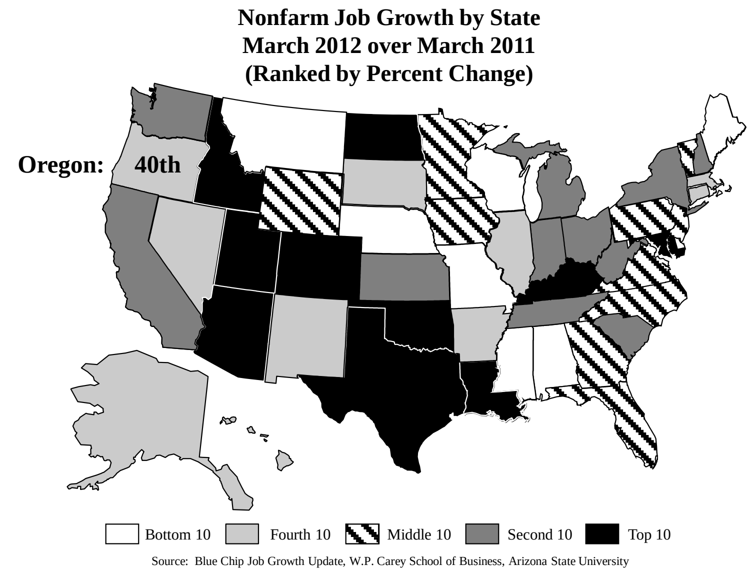
Our office examines four main sources for labor market information: the monthly payroll employment survey, the monthly household employment survey, monthly withholding tax receipts and the quarterly census of employment and wages. Right now, three out of the four indicate solid economic improvement that is at least as strong as the national growth figures, while one shows essentially no improvement over the past fourteen months. That one bad indicator is the monthly payroll employment survey, which eventually will be revised to look like the others. Oregon's labor market is improving right along with the nation overall, if not a little bit faster.

---

[3] Each year the Oregon Employment Department and the U.S. Bureau of Labor Statistics revise the employment data – a process known as benchmarking. The current establishment survey (CES), also known as the monthly payroll survey, is benchmarked against the quarterly census of employment and wages (QCEW), a series that contains all employees covered by unemployment insurance. The monthly CES is based on a sample of firms, whereas the QCEW contains approximately 96 percent of all employees, or nearly a complete count of employment in Oregon. The greatest benefit of the CES is the timeliness – monthly employment estimates are available with only a one month lag – and these estimates are reasonably accurate. However the further removed from the latest benchmark, the larger the errors. The QCEW is less timely as the data is released publically approximately 3-4 months following the end of the quarter. The greatest benefit of the QCEW is that is a near 100 percent count of statewide employment. For these reasons, the CES is usually used to discuss recent monthly employment trends, however once a year the data is revised to match the historical QCEW employment trends. The last month of official benchmark data is June 2011. The QCEW is currently available through December 2011, thus the preliminary benchmark used here covers the July-December 2011 period.

The most recent job growth rankings, published by Arizona State University's W.P. Carey School of Business, places Oregon 40th in the nation for job growth. Between March 2011 and March 2012, jobs increased by 5,400, or 0.34 percent. Last March, Oregon ranked 15th. Washington has seen a large improvement, moving from a rank of 32nd to a ranking of 13th in the nation. The relative performance of the fifty states is shown in Figure O.1.

Figure O.1



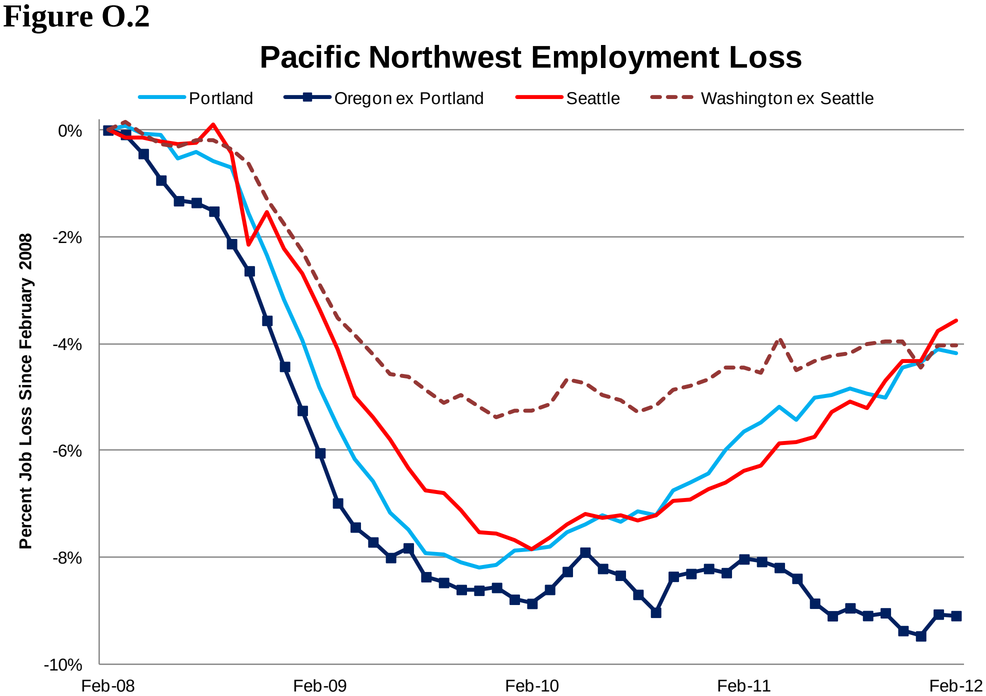
North Dakota retained the 1st ranked position with job growth of 6.58 percent, a ranking it also held a year ago. Elsewhere in the region, California's job gains ranked 14th and Idaho's 10th among the 50 states.

Where's My Recovery?

Since the onset of recession, a few distinct employment patterns have emerged in the Pacific Northwest. Both the Portland and Seattle MSAs[4] have experienced nearly identical employment changes over the past four years and these two large urban centers account for the vast majority of employment gains so far in recovery.

The rest of the two states, outside of these major metropolitan areas, have yet to really participate in the recovery to date in terms of net job creation. In fact, out of the jobs added in recovery in the State of Washington, 5 out of every 6 are located in the Seattle MSA, leaving precious little employment gains in the remainder of the state. In Oregon, the divide is even more pronounced. The jobs gained in recovery in the Portland MSA more than account for the gains statewide, meaning all non Metro Portland counties added together have

Figure O.2



[4] Portland MSA is defined as Clackamas, Columbia, Multnomah, Washington and Yamhill counties. Seattle MSA is defined as King, Pierce and Snohomish counties.

actually continued to see job losses the past two years. See Graph O.2 for details.

It is clear that Portland and Seattle have experienced tangible employment gains, which is to be expected in the early stages of recovery. It is in the large, urban areas with the diverse industry structure that the forces of economic growth, and creative destruction, take place. Furthermore, the agglomeration effects which typically occur in large cities – economies of scale, network effects, etc. – benefit the local firms and residents in addition to new businesses. The lack of industrial diversity in rural areas leads to an oversized dependence on government hiring and housing-related jobs, neither of which have turned the corner.

The real divergence seen in Pacific Northwest labor markets is the split between non-Portland Oregon and non-Seattle Washington. Over the past four years rural Washington has fared much better than its southern counterpart with job losses of approximately 5 percent instead of rural Oregon's losses of over 9 percent. There are a number of reasons for this, including the presence of Hanford, the severity of the housing downturn and the mix of agricultural crops, to name three.

Tri-Cities, Washington (Benton and Franklin counties) is home to the Hanford Site, or Hanford Nuclear Reservation, which received approximately $2 billion in additional funding from the American Recovery and Reinvestment Act of 2009. These additional funds greatly benefited the local economy by boosting employment and income; the region actually added nearly 10,000 jobs through mid-2011 (+10%). However as the monies have more or less been spent at this point, the region is now losing jobs to the tune of 2,400 in the past six months. All told, instead of losing approximately 6,000 jobs during the recession – if the region would have performed like the rest of the state – the area actually gained 10,000 jobs, making the region have a large, positive net effect on Washington state overall.

Two other contributing factors worth noting are housing and agriculture. While many regions experienced a housing bubble and bust, Medford and Bend were particularly bad and the fallout devastated their local economies. Conversely, mid-sized MSAs in Washington, such as Spokane and Tri-Cities, did not experience housing bubbles of similar magnitude, thus their busts could not levy the same damaging effect. Recent research from the Federal Reserve Bank of San Francisco[5] found that at the state level, areas hit the hardest by the housing collapse performed the worst during the recession – that is the larger the housing bubble, the larger the employment losses. Based on our office's analysis the same is true at the county level in both Oregon and Washington states. It is our belief that this is the largest individual contributing factor to the level of job losses seen across Oregon and Washington during the recession.

Finally, while commodity prices have generally been high in recent years – supportive of agriculture – the mix of crops grown across regions has been an important determinant of economic performance in recent years. Examining the overlay between crop types and employment trends yields the following observations: regions reliant on grains, grass and trees have fared worse than those dominated by fruits (apples in particular). The grass seed farms and nurseries in the Willamette Valley have been hit hard by the global recession and housing collapse (not as many golf courses being built throughout the world, or new construction homes to landscape). Regions dominated by grain production (eastern Oregon and southeastern Washington) have likewise fared worse than the state average in terms of employment trends. Conversely, apple dominated regions have fared much better. Washington enjoyed a record apple crop in 2010 and both 2009 and 2011

[5] http://www.frbsf.org/publications/economics/letter/2012/el2012-11.html

were good years as well. In Oregon, the Columbia River Gorge counties that grow substantial quantities of apples, cherries and pears have done well economically too[6].

Summary: The large metropolitan areas of both Oregon and Washington have captured the vast majority of employment gains these past two years. The rest of the states – outside of Portland and Seattle – have seen different experiences and have yet to fully share in the recovery (Washington), or not at all (Oregon).

Employment in the Most Recent Quarter

Table O.1 shows a comparison of preliminary estimates for first quarter Oregon employment growth compared to the March 2012 forecast. Table O.1 also provides forecast errors and Y/Y growth. Unless noted otherwise all percentage rates discussed reflect annualized rates of change for first quarter 2012. When the preliminary estimate is lower than OEA's forecast, forecast error is shown as negative. Positive forecast error then means that the preliminary estimate came in higher than OEA's forecast. The preliminary estimate for first quarter job growth was slightly greater than the forecast, with an error of 0.2 percent, or 3,700 jobs. The first quarter continues the slow growth trend that both Oregon and the U.S. have experienced since the depths of the recession in 2009.

[6] See our office's recent blog post for more on the Columbia Gorge economy, including historical analysis. http://oregoneconomicanalysis.wordpress.com/2012/04/03/columbia-river-gorge/

Table O.1

Total Nonfarm Employment, 1st quarter 2012

(Employment in thousands, Annualized Percent Change)

	Preliminary Estimate		Forecast		Forecast Error		Y/Y Change
	level	% ch	level	% ch	level	%	% ch
Total Nonfarm	1,632.3	1.7	1,628.6	1.1	3.7	0.2	0.9
Total Private	1,339.8	2.4	1,337.7	1.6	2.2	0.2	1.6
Natural Resources and Mining	7.3	10.3	6.7	3.9	0.5	7.6	6.7
Construction	68.7	(4.5)	71.1	1.2	(2.3)	(3.3)	1.5
Manufacturing	171.6	5.4	164.6	(0.2)	7.0	4.2	2.9
Durable Goods	121.3	6.3	116.4	0.5	4.9	4.2	3.4
Wood Product	19.2	0.9	18.3	4.9	0.9	4.8	(2.5)
Metals and Machinery	34.3	8.7	32.9	0.0	1.4	4.3	4.9
Computer and Electronic Product	36.8	(0.6)	36.9	1.8	(0.1)	(0.3)	2.9
Transportation Equipment	11.2	5.9	10.3	1.3	0.9	8.3	4.7
Other Durable Goods	19.8	22.9	17.9	(6.0)	1.9	10.6	7.0
Nondurable Goods	50.3	3.1	48.2	(1.9)	2.0	4.2	1.8
Food	25.1	10.4	23.8	(5.4)	1.3	5.4	3.5
Other Nondurable Goods	25.2	(3.7)	24.5	1.7	0.7	3.0	0.1
Trade, Transportation & Utilities	316.8	4.2	313.2	1.8	3.6	1.2	1.7
Retail Trade	186.2	2.0	188.5	1.3	(2.3)	(1.2)	0.9
Wholesale Trade	74.9	1.7	72.4	2.5	2.5	3.5	1.4
Transportation, Warehousing & Utilities	54.0	2.1	52.3	2.4	1.7	3.3	1.8
Information	31.8	2.2	33.4	(1.4)	(1.6)	(4.7)	(1.4)
Financial Activities	92.1	2.6	93.4	1.1	(1.3)	(1.3)	(0.6)
Professional & Business Services	191.8	4.6	186.6	3.3	5.1	2.8	2.9
Educational & Health Services	237.4	2.2	239.5	0.4	(2.1)	(0.9)	2.0
Educational Services	33.2	(1.6)	32.4	(12.9)	0.9	2.8	1.0
Health Services	203.0	0.4	207.2	2.8	(4.2)	(2.0)	1.5
Leisure and Hospitality	167.6	3.6	170.9	3.4	(3.3)	(1.9)	1.6
Other Services	57.6	2.3	58.2	3.7	(0.6)	(1.1)	1.3
Government	292.4	(1.3)	290.9	(1.4)	1.5	0.5	(2.0)
Federal	28.4	(6.0)	27.9	(2.5)	0.5	1.8	(2.8)
State	80.3	(3.4)	80.8	(1.5)	(0.5)	(0.6)	(0.3)
State Education	31.4	(1.8)	31.7	0.5	(0.2)	(0.7)	2.1
Local	183.8	0.4	182.3	(1.1)	1.5	0.8	(2.6)
Local Education	94.7	(1.1)	95.1	1.1	(0.4)	(0.5)	(4.7)

Regional Trends

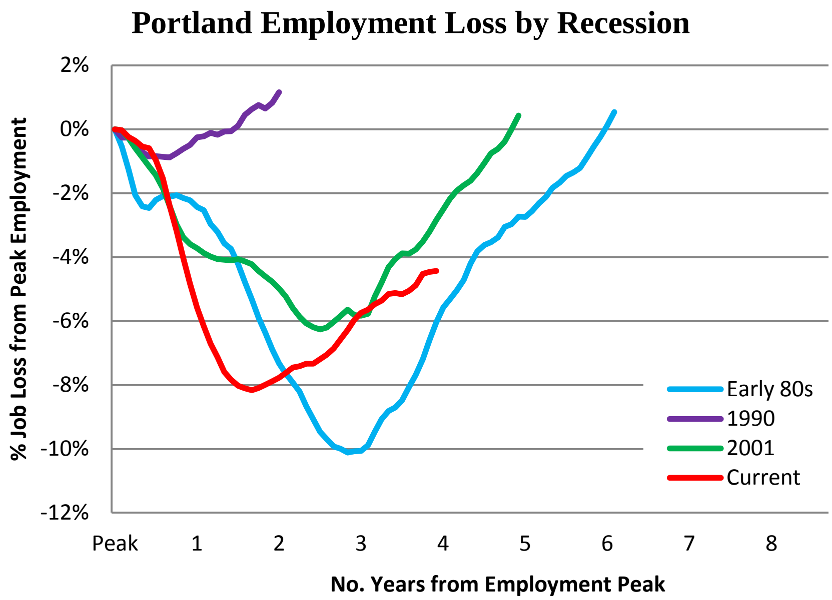
Total nonfarm employment in Oregon rose by 0.5 percent from the first quarter of 2011 to the first quarter of 2012. This marked the state's sixth consecutive quarter of positive year-over-year employment growth. Most regions of Oregon have seen a return or continuation of job growth. In the first quarter of 2012, six regions experienced quarterly employment gains from the previous year: the Portland area; the North Coast and South Coast; Central Oregon; Northeastern Oregon; and the Columbia Gorge. Employment declined between the first quarters of 2011 and 2012 in the Willamette Valley, Southern Oregon, and the South Central-Southeast region.

In the first quarter of 2012, regional unemployment rates (not seasonally adjusted) ranged from a low of 8.2 percent in the Oregon portion of the Portland metropolitan area to a high of 13.4 percent in Central Oregon. Every region posted lower unemployment rates than during the first quarter of 2011. Statewide, the unadjusted unemployment rate was 9.5 percent in the first quarter of 2012.

Portland Area:

Clackamas, Columbia, Multnomah, Washington and Yamhill counties

Year-over-year employment growth resumed in the Portland area during the third quarter of 2010. The region has outpaced statewide job growth for seven consecutive quarters. The Portland area experienced an employment gain of 1.5 percent between the first quarters of 2011 and 2012.



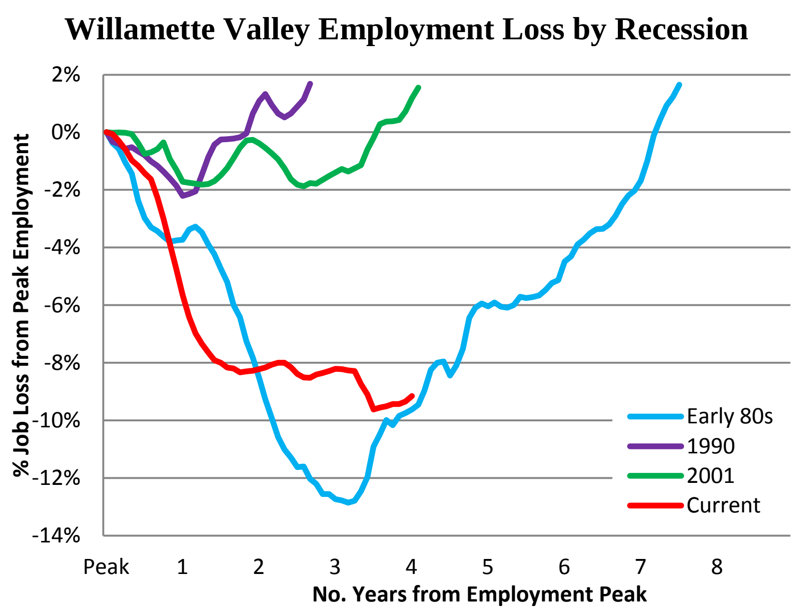
By county, first quarter employment growth was fastest in Yamhill County (+5.4%), followed by Washington (+1.8%), Multnomah (1.6%), and Clackamas (+1.3%) counties. Columbia County (+0.6%) experienced a smaller gain over the year. The graph on the right compares employment loss by recession in the five-county Portland MSA for each of past four recessions. In Portland, the current recession looks similar in terms of depth and trajectory as both the early 1980s and the 2001 recessions.

The first quarter unemployment rate in the Portland area was 8.2 percent, compared with 9.2 percent in the first quarter of 2011.

Willamette Valley:

Benton, Lane, Linn, Marion and Polk counties

The Willamette Valley posted its first over-the-year job loss in the third quarter of 2008, the same time employment growth turned negative statewide. While Oregon's employment trend resumed positive growth in the fourth quarter of 2010, Willamette Valley employment has generally continued to decline. After 10 consecutive quarters of over-the-year job declines, employment growth was flat in the first quarter of 2011. The subsequent four quarters have brought more job losses. In the first quarter of 2012, employment fell by 1.0 percent in the Willamette Valley from the first quarter of 2011.

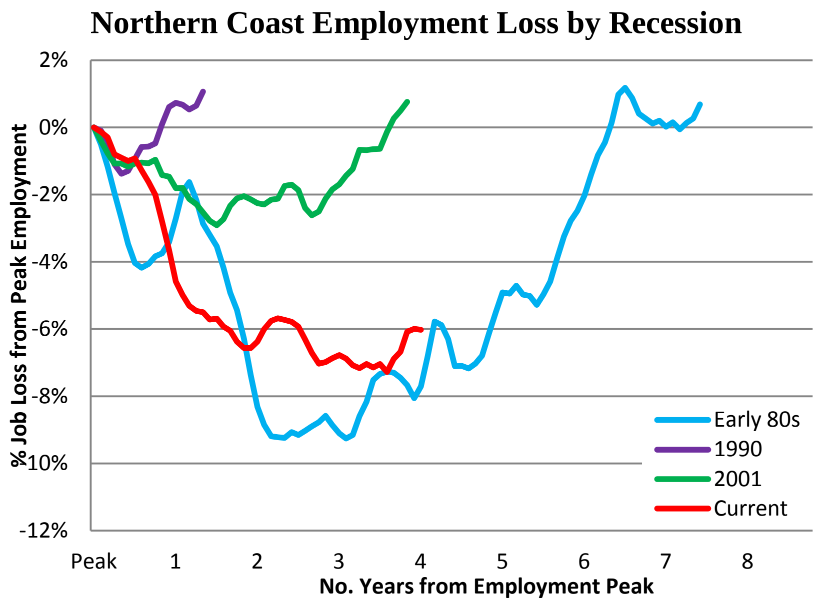


In the first quarter of 2012, the Willamette Valley's jobless rate was 9.5 percent. The rate dropped 1 percentage point from the previous year. The decrease was driven by a reduction in the region's labor force, rather than a rise in employment.

The graph on the right compares employment loss by recession in the Willamette Valley counties for each of past four recessions. The current level of job loss, four years since the beginning of the recession, is now essentially equal to what the region experienced in the early 1980s.

North Coast:

Clatsop, Lincoln and Tillamook counties



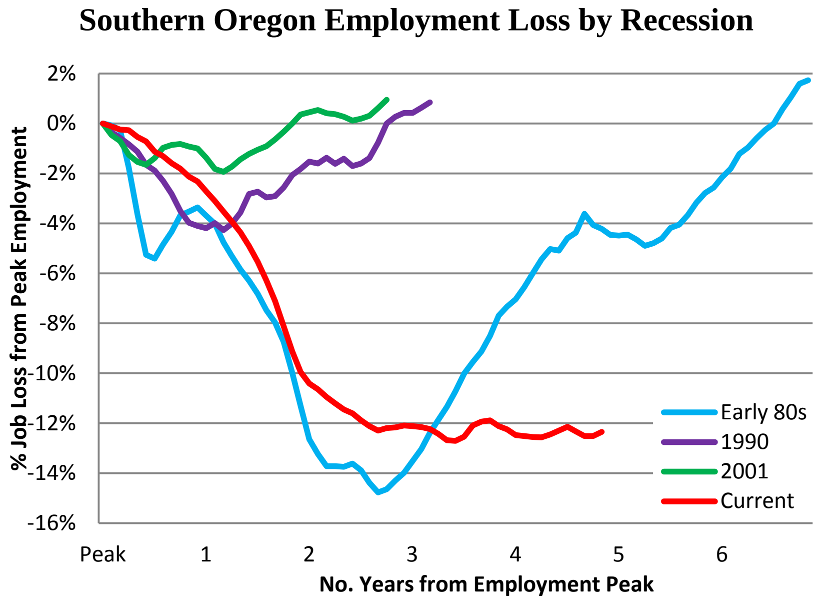
Employment declines in Oregon's northern coastal counties began in the fourth quarter of 2008. After 12 quarters of year-over-year job losses, the North Coast returned to employment gains (0.4%) in the fourth quarter of 2011. The region posted another increase (0.8%) in the first quarter of 2012. Employment growth was stronger between the first quarters of 2011 and 2012 in Clatsop County (+1.5%) than in Tillamook (0.4%) or Lincoln (+0.3%) counties.

The North Coast region's jobless rate was 9.6 percent in the first quarter of 2012, a 0.9 percentage point decline from the previous year. The graph above compares the Northern Coast's employment losses over the past four recessions. Similar to some other Oregon regions, the Northern Coast's current level of job loss four years from the business cycle peak is essentially the same as following the early 1980s recession.

Southern Oregon:

Douglas, Jackson and Josephine counties

After 13 consecutive quarters of over-the-year employment declines – which began in the third quarter of 2007 – year-to-year job growth leveled off in Southern Oregon during the fourth quarter of 2010. Since then, the region has experienced modest employment changes, both positive and negative. After rising by 0.3 percent in the third quarter of 2011, employment dropped 0.3 percent in the fourth quarter, and fell again (-0.2%) in the first quarter of 2012.

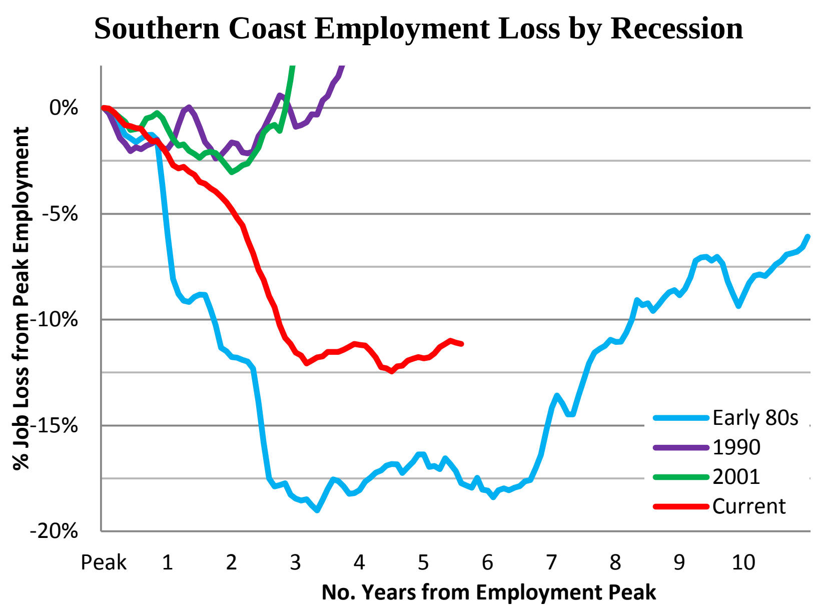


The unemployment rate in Southern Oregon was 12.5 percent in the first quarter of 2012, 1.0 percentage point below the level one year prior. The graph above compares Southern Oregon's employment losses over the past four recessions. The current level of job loss, nearly 5 years since employment peaked in the region, is unprecedented in the past 35 years. The region, as stated above, has stopped losing jobs however the region also has not gained any net jobs.

South Coast:

Coos and Curry counties

Quarterly employment declines began relatively early for the South Coast region, which posted its first over-the-year loss in the fourth quarter of 2006. After reaching a maximum job loss of 6.9 percent over the year in the middle of 2009, declines eased, then quarterly job gains resumed in the third quarter of 2010. Growth turned again though, and the South Coast posted four consecutive quarters of year-to-year job declines. Job gains have made another comeback, with an increase of 1.3 percent in the fourth quarter of 2011 and 1.2 percent in the first quarter of 2012.



In the first quarter of 2012, the South Coast jobless rate was 11.8 percent, which was 1 percentage point below the level one year prior. The graph on the right compares the Southern Coasts' employment loss by recession over the past 35 years. The current recession's losses are significantly worse than both the 1990 and 2011 recession and approximately two-thirds the level experienced in the early 1980s recession which devastated the region. It took until 1995 for the region to regain all of the jobs lost during the early 1980s recession.

Columbia Gorge:

Gilliam, Hood River, Sherman, Wasco and Wheeler counties

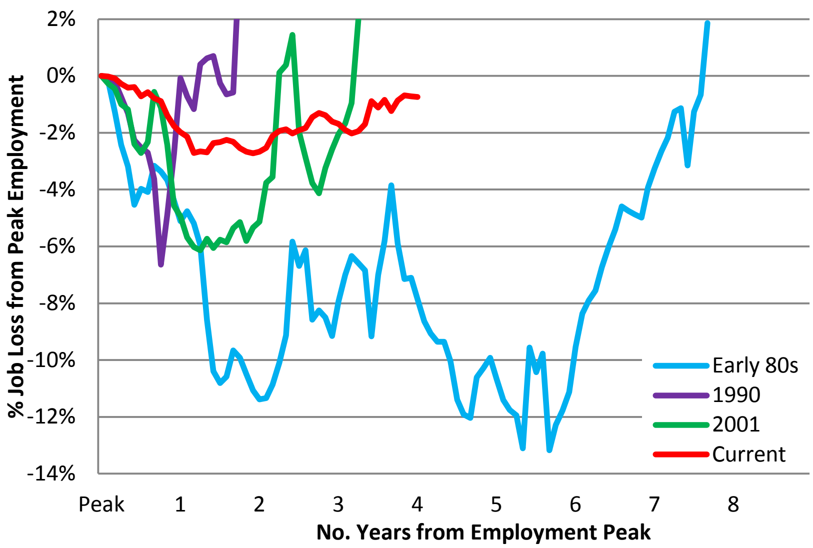
The Columbia Gorge saw comparatively light employment impacts during the recession. Quarterly employment declined over the year from the first quarter of 2009 through the first quarter of 2010. With the exception of one quarter with no over-the-year gains, employment has continued to rise in the region for two years.

In the first quarter of 2012, job gains totaled 0.9 percent. Job growth varied across the region though. While Hood River (+1.9%), Wheeler (+1.2%), and Wasco (+0.3%) counties experienced gains, Gilliam (-2.7%) and Sherman (-0.4%) saw employment drop over the year.

The unemployment rate for the Columbia Gorge was 8.9 percent in the first quarter of 2012, which was an improvement of 0.8 percentage point from the previous year.

The graph on the right compares the Gorge's employment loss by recession. The current recession has not had a severe impact on employment in the region, unlike the rest of the state. For more information on the region, including some of the reasons for this economic strength in recent years, please see our office's blog post: http://oregoneconomicanalysis.wordpress.com/2012/04/03/columbia-river-gorge/

Columbia Gorge Employment Loss by Recession



Central Oregon:

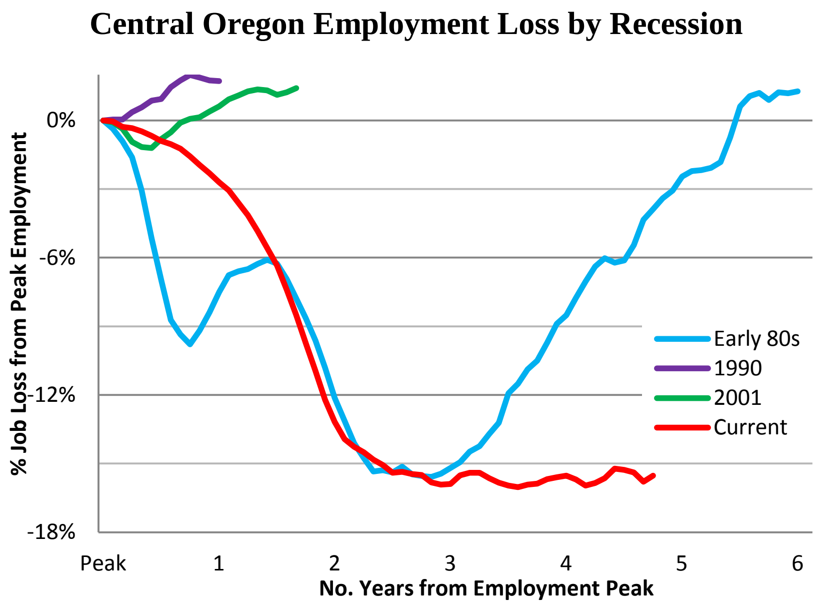
Crook, Deschutes and Jefferson counties

In the first quarter of 2012, Central Oregon posted an employment gain of 1.4 percent from the previous year. This was the third positive reading in a row for the region, which saw smaller gains – 0.7 percent and 0.2 percent – in the last two quarters of 2011. The job growth is a welcome relief from the steep losses of 11.1 percent in the second quarter of 2009.

In the first quarter of 2012, Crook County (+3.1%) had the fastest year-over-year job growth. Deschutes County's employment rose by 1.3 percent, and Jefferson County had a more modest gain of 0.4 percent.

The region's 13.4 percent unemployment rate in the first quarter of 2012 improved by 1.5 percentage points from the previous year. Although this was the largest improvement of any area, Central Oregon still has the highest jobless rate of all regions.

The graph on the right compares Central Oregon's employment losses by recession over the past four business cycles. The current level of job loss, similar to Southern Oregon, is unprecedented this far into a recession and recovery. The region experienced two massive recessions (the early 1980s and the current) however in between these events, Central Oregon experienced an exceptionally strong boom. For a more thorough look at the region's employment history and recession comparison, please see our office's blog post: http://oregoneconomicanalysis.wordpress.com/2012/03/15/central-oregon/



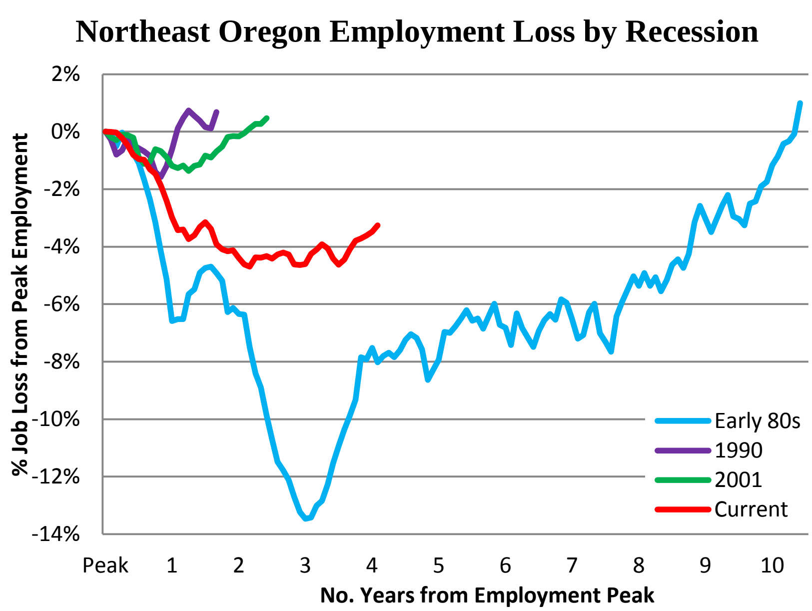
Northeastern Oregon:

Baker, Grant, Morrow, Umatilla, Union and Wallowa counties

The Northeast Oregon counties first saw quarterly over-the-year job losses at the beginning of 2008. Losses did not reach the steep levels seen in other regions, but did persist through the fourth quarter of 2010. After modest movements through most of 2011, year-over-year job gains picked up in the fourth quarter of 2011 (+0.9%) and the first quarter of 2012 (+1.0%).

The fastest growth occurred in Morrow (+2.5%) and Wallowa (+2.1%) counties between the first quarters of 2011 and 2012. Umatilla County added 1.3 percent, and smaller gains were seen in Grant (+0.8%) and Union (+0.4%) counties. Baker County (-0.7%) posted the region's only job decline over the year.

In the first quarter of 2012, the unemployment rate in Northeast Oregon was 10.7 percent, down 0.8 percentage point from the 11.5 percent rate the previous year. The graph illustrates the region's employment loss by recession. While the current level of job loss is much larger than seen during the 1990 or 2001 recession, the region is performing better than the state overall given that the region lost slightly more than 4 percent of its jobs during the recession whereas the state lost 8.5 percent.



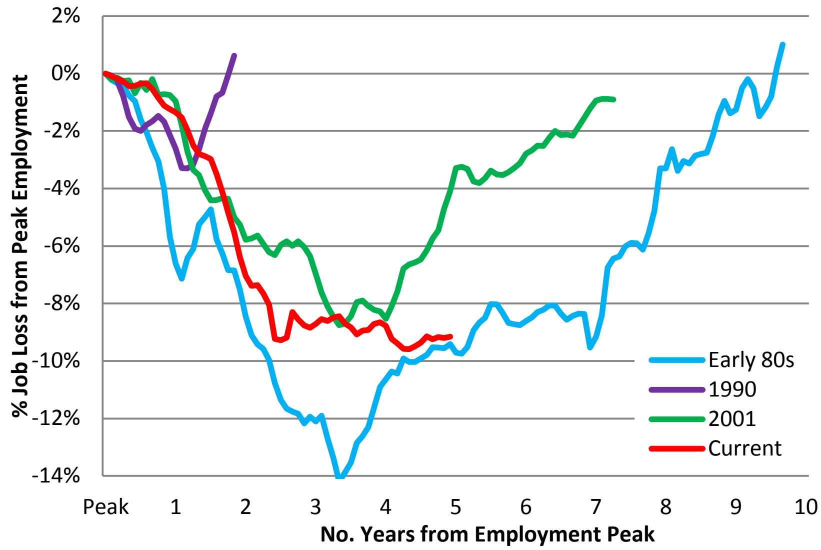
South Central and Southeast Oregon:

Harney, Klamath, Lake and Malheur counties

In the third quarter of 2010, South Central and Southeast Oregon broke 11 consecutive quarters of year-over-year employment declines with a modest gain of 0.6 percent. Since then, the region has seen job declines in almost every quarter. In the first quarter of 2012, employment fell by 0.5 percent from the previous year.

Klamath (+0.2%) was the only county with an employment gain between the first quarters of 2011 and 2012. Harney County (-4.9%) experienced the largest decline, followed by Lake (-3.9%) and Malheur (-0.5%) counties.

S. Central and SE Oregon Employment Loss by Recession

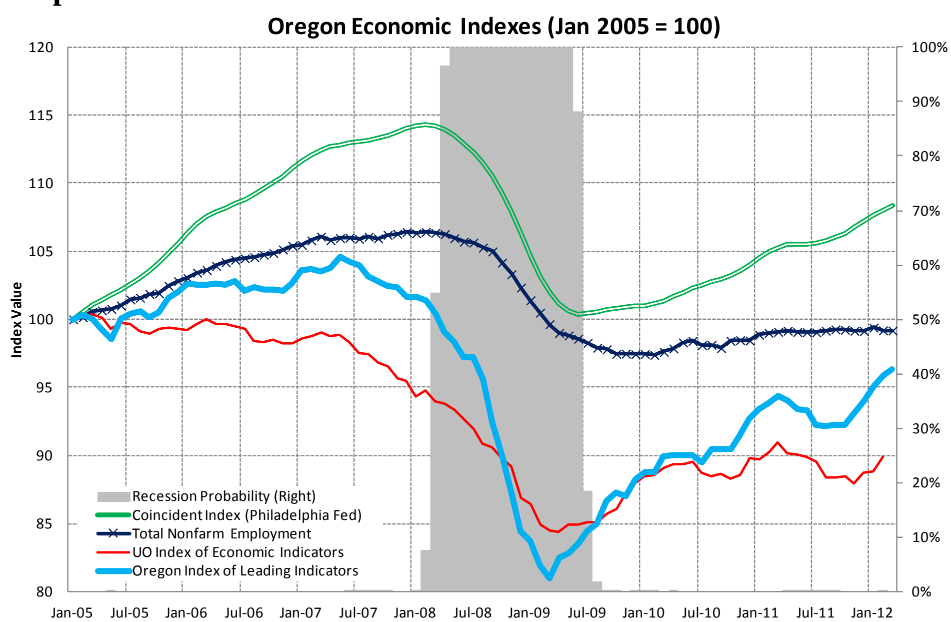


The unemployment rate was 12.9 percent in the first quarter of 2012 for South Central and Southeastern Oregon. The rate declined by 0.8 percentage point from the previous year.

Oregon Index of Leading Indicators

Following the soft patch in mid-2011, the two indices of composite leading indicators produced in Oregon are now registering strong gains, which bodes well for future employment trends in the state. Our office's Oregon Index of Leading Indicators[7] has seen large improvements the past five months through March, while the University of Oregon's [Index of Economic Indicators] has improved

Graph O.2

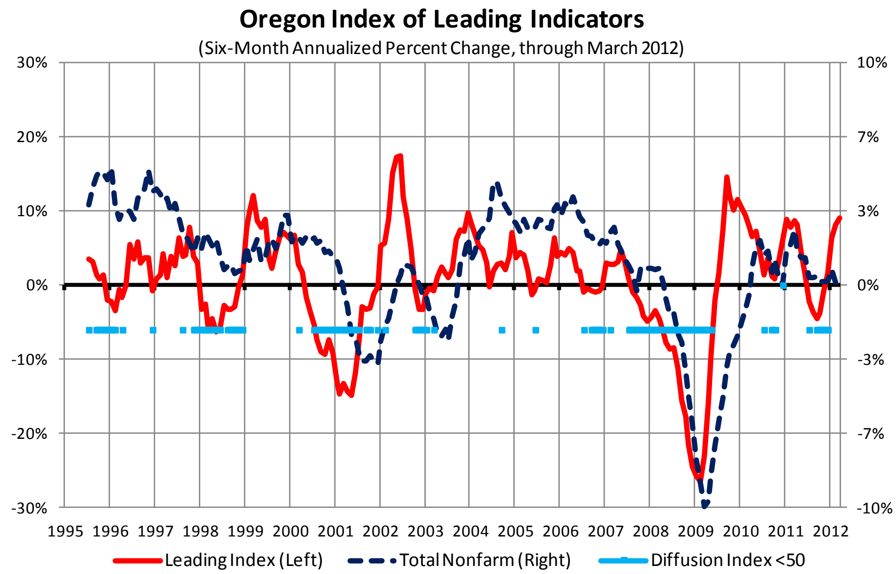


[7] The OILI applies the Conference Board's methodology for the U.S. National Leading Index to Oregon-specific components. The eleven components incorporated in the OILI include: Semiconductor book-to-bill ratio, Oregon housing permits, Institute for Supply Management's purchasing managers index, University of Michigan consumer sentiment index, Oregon withholding, new Oregon incorporations, Oregonian help-wanted index, Portland International Airport air freight tonnage, Oregon trade-weighted dollar index, Industrial Production Index, and initial Oregon unemployment claims.

markedly the past three months through February (see Graph O.2.)

In March 2012, the six month percentage change in OILI was 9.0 percent, following a revised -8.2 percent change the prior month. This marks the fourth consecutive positive reading on the six-month basis. On a month-over-month basis, eight of the eleven indicators improved in March from their February levels and on a six month basis seven of the eleven indicators are indicating growth.

Graph O.3



The turnaround in OILI has largely been due to gains in Industrial Production and Air Freight and continued declines in new Unemployment Insurance claims. The largest negative contributor in recent months is the Oregon Dollar Index which appreciated in the spring due to worldwide economic concerns – making Oregon exports more expensive in international markets – but is now depreciating again in recent months. With a slowdown among our Asian trading partners representing the largest downside risk to the outlook, a weakening of trade indicators merits special attention. Further concern is raised by weakness in a measure of durable goods orders contained in the University of Oregon index.

The sharp recent increases in our office's OILI index are encouraging for the direction of Oregon's near-term employment growth. While the weak job growth the state has seen during the second half of 2011 and into early 2012 is projected to continue for a few more months, the rate of job growth is expected to increase modestly by mid-2012.

Short-Term Outlook

Overview

The U.S. economy continues to grow. Output (GDP) and the number of jobs are increasing every quarter. Unfortunately, the frustratingly slow pace of the recovery is expected to persist throughout 2012 and into 2013.

The pace of job creation is only fast enough to bring the unemployment rate down slowly. However, the pace of job destruction (layoffs) has returned to relatively normal levels in both the nation overall and in Oregon. The level of new unemployment insurance claims, one of the best economic indicators available, is at its lowest level since the summer of 2008 (nearly four years ago) and at levels consistent with what the economy experienced in the 1990s' expansion, adjusted for the size of the labor force.

Over the past year, the U.S. economy has averaged 169,000 net private sector job gains per month (April 2011 to April 2012), while the public sector losses have averaged nearly 18,000 per month. These gains are slightly more than enough to keep up with population growth, but not quite strong enough to bring the unemployment rate down quickly. The U.S. has a very large, very diverse economy that can withstand outside forces and continue to improve. This is particularly true at this point in the business cycle when U.S. firms and households have a considerable about of pent up demand following months of forced austerity.

That being said, the character of the current expansion will be different from what the nation is accustomed to. Consumer spending has led domestic growth every decade since World War II, expanding faster than both economic output and investment. This decade will be different as the baby-boom population cohort needs to pull back on its spending, weighing heavily on growth.

The dotcom and housing bubbles came at the worst possible time for baby boomers, who were fooled into overestimating their wealth during their peak earning years – a time when they should have been saving more than ever. Moving forward, consumer spending and growth will be constrained as households work to repair their balance sheets. In their place, business investment and exports will lead growth in the future. Fortunately, Oregon has a strong traditional of comparative advantage in both trade and production of investment goods relative to other regions of the country and the state should once again find itself an above-average performer should the national economic expansion continue.

Oregonians enjoy relatively low costs for housing, office space, transportation, electricity and clean water. However, its greatest assets may be the state's strategic location between major markets in California, British Columbia and Asia and its ability to attract an ample supply of skilled labor from outside the state. Other states bemoan the phenomenon of brain drain as they watch their investment in higher education (human capital) move away to places like Oregon and in particular the Portland-Vancouver-Hillsboro Metropolitan Statistical Area.

A growing chorus of economic indicators suggests that Oregon's job market is heading in the right direction. As referenced above, fewer Oregonians are losing jobs. Surveys suggest hiring plans have improved for small and large businesses alike. Manufacturers are stretching their current workforces thin, and will need to hire before they produce more. Average weekly hours worked among manufacturing workers have risen sharply to 40 or 41 hours per week in recent months, which was their peak during the last expansion. Household expectations are also becoming rosier as more individuals are expecting their income to rise than to fall in 2012, marking the first time this has occurred since the onset of recession.

Even with the majority of the economic data and news being positive, the forecast for economic growth – chiefly income and jobs – remains largely unchanged relative to recent forecasts. Substantial risks, concentrated to the downside, remain outstanding and may derail the fragile recovery. Even avoiding these downside risks, the rate of growth is still expected to remain average to slightly below average. OEA forecasts an employment increase of 1.0 percent in the second quarter of 2012 and 2.3 percent in the third quarter. Job gains will remain subdued in 2012, improving at a 1.4 percent pace overall, following 1.1 percent gains in 2011. The rate of growth will pick up in 2013 and 2014 at 2.4 percent each year however even these rates of growth are only slightly above Oregon's long-run employment average of 2.2 percent.

Oregon Forecast Comparisons

Table O.2 compares OEA's forecast to other published forecasts. While most forecasters see improvements in jobs for 2012, our office predicts a more subdued increase than the consensus. The local forecasts are available via the Western Blue Chip Economic Forecast published by Arizona State University's W.P. Carey School of Business for all forecasters except IHS Global Insight. A similar story is apparent in the personal income forecasts, which the consensus expects, more or less, constant growth in coming years, while our office has an income growth slowdown in 2012 built into the forecast.

Table O.2

Oregon Total Nonfarm Employment and Personal Income Growth

		Employment			Personal Income		
Forecaster	Date of Forecast	2012	2013	2014	2012	2013	2014
IHS Global Insight	April 2012	0.7	1.9	2.3	3.4	4.4	5.5
Conerly Consulting	March 2012	1.3	3.2		4.2	4.5	
Forefront Economics	March 2012	3.0			4.5		
John Mitchell	March 2012	1.7			4.9		
Portland General Electric	March 2012	2.3			4.8		
Wells Fargo & Co.	March 2012	1.5	1.8		4.3	4.5	
Oregon Office of Economic Analysis	April 2012	***1.4***	***2.4***	***2.4***	***3.3***	***4.4***	***5.2***
Consensus*	March 2012	2.0	2.5		4.4	4.5	

*Consensus forecast from Western Blue Chip forecast

Oregon Forecast Summary

Table O.3 provides a quick summary of the latest economic forecast in the near term on both a quarterly and annual frequency.

Table O.3

Oregon Forecast Summary

	Quarterly					Annual					
	2011:4	**2012:1**	**2012:2**	**2012:3**	**2012:4**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
					Personal Income ($ billions)						
Nominal Personal Income	148.1	149.5	150.5	152.3	154.0	139.4	146.8	151.6	158.2	166.5	175.3
% change	2.3	3.9	2.6	5.0	4.6	3.2	5.3	3.3	4.4	5.2	5.3
Real Personal Income (base year=2005)	129.2	129.7	129.9	131.0	132.1	125.5	128.9	130.7	134.5	139.1	143.9
% change	1.1	1.6	0.8	3.5	3.4	1.4	2.8	1.4	2.9	3.4	3.4
Nominal Wages and Salaries	76.1	77.1	77.7	78.6	79.5	71.6	75.0	78.2	81.9	86.1	90.6
% change	3.7	5.1	3.4	4.7	4.6	1.9	4.7	4.3	4.7	5.1	5.2
					Other Indicators						
Per Capita Income ($1,000)	38.2	38.5	38.7	39.1	39.4	36.3	38.0	38.9	40.3	41.9	43.6
% change	1.6	3.2	1.8	3.9	3.7	2.6	4.7	2.5	3.4	4.1	4.1
Average Wage rate ($1,000)	46.5	46.6	46.9	47.2	47.4	44.1	45.7	47.0	48.1	49.4	50.9
% change	4.1	1.4	2.6	2.4	2.1	2.6	3.7	2.8	2.3	2.7	2.9
Population (Millions)	3.9	3.9	3.9	3.9	3.9	3.8	3.9	3.9	3.9	4.0	4.0
% change	0.7	0.7	0.8	1.1	0.9	0.6	0.6	0.8	1.0	1.1	1.2
Housing Starts (Thousands)	8.8	9.0	8.1	8.6	8.9	7.6	8.0	8.6	10.6	14.3	19.4
% change	52.4	11.5	(35.6)	29.0	15.0	0.6	5.6	7.3	22.3	35.8	35.4
Unemployment Rate	9.1	8.7	8.6	8.6	8.4	10.8	9.5	8.6	8.0	7.5	7.0
Point Change	(0.4)	(0.4)	(0.1)	(0.1)	(0.1)	(0.3)	(1.3)	(0.9)	(0.6)	(0.5)	(0.5)
					Employment (Thousands)						
Total Nonfarm	1,625.3	1,632.3	1,636.2	1,645.4	1,655.4	1,601.9	1,619.8	1,642.3	1,681.4	1,720.9	1,758.9
% change	2.0	1.7	1.0	2.3	2.5	(0.7)	1.1	1.4	2.4	2.3	2.2
Private Nonfarm	1,331.9	1,339.8	1,345.2	1,354.5	1,364.3	1,302.2	1,325.4	1,351.0	1,389.8	1,427.9	1,464.1
% change	1.3	2.4	1.6	2.8	2.9	(0.9)	1.8	1.9	2.9	2.7	2.5
Construction	69.5	68.7	68.4	68.7	69.4	67.6	68.6	68.8	71.4	77.2	83.7
% change	6.0	(4.5)	(1.5)	1.6	4.0	(8.7)	1.5	0.3	3.7	8.2	8.4
Manufacturing	169.3	171.6	171.2	172.8	174.1	163.8	168.3	172.4	177.6	181.1	184.7
% change	1.5	5.4	(1.0)	4.0	2.9	(2.0)	2.7	2.4	3.0	2.0	2.0
Durable Manufacturing	119.5	121.3	121.5	123.1	124.1	114.9	118.7	122.5	127.6	130.8	134.1
% change	1.1	6.3	0.7	5.2	3.4	(2.6)	3.3	3.2	4.1	2.6	2.5
Wood Product Manufacturing	19.1	19.2	19.3	19.5	19.7	20.0	19.3	19.4	21.2	23.3	24.9
% change	0.4	0.9	3.8	3.4	3.6	(4.7)	(3.3)	0.5	9.2	9.8	7.2
High Tech Manufacturing	36.9	36.8	37.5	38.3	38.5	35.0	36.5	37.8	38.9	38.7	39.3
% change	1.1	(0.6)	8.1	7.8	2.9	(1.3)	4.2	3.7	3.0	(0.6)	1.6
Transportation Equipment	11.0	11.2	11.1	11.1	11.2	10.2	10.9	11.2	11.8	12.5	12.9
% change	4.5	5.9	(2.7)	(1.0)	6.1	(0.0)	6.6	2.5	5.7	5.9	3.3
Nondurable Manufacturing	49.9	50.3	49.6	49.8	50.0	48.9	49.6	49.9	50.1	50.3	50.6
% change	2.5	3.1	(4.9)	1.1	1.7	(0.7)	1.4	0.6	0.3	0.5	0.5
Private nonmanufacturing	1,159.4	1,167.0	1,174.1	1,181.6	1,190.2	1,138.3	1,156.2	1,178.2	1,212.1	1,246.7	1,279.4
% change	0.2	2.7	2.4	2.6	2.9	(0.7)	1.6	1.9	2.9	2.9	2.6
Retail Trade	185.3	186.2	186.7	187.6	188.7	183.2	184.9	187.3	191.1	193.5	196.1
% change	1.7	2.0	1.0	2.0	2.4	(0.2)	0.9	1.3	2.0	1.2	1.4
Wholesale Trade	74.6	74.9	75.1	75.4	75.9	73.3	74.3	75.3	77.2	79.0	80.2
% change	1.4	1.7	1.2	1.4	2.9	(2.7)	1.4	1.4	2.5	2.3	1.6
Information	31.7	31.8	31.8	31.2	31.5	32.1	32.0	31.6	32.5	32.8	33.5
% change	(4.9)	2.2	(0.5)	(6.8)	3.7	(3.0)	(0.2)	(1.3)	3.0	0.8	2.2
Professional and Business Services	189.6	191.8	194.2	195.7	197.3	182.3	187.9	194.7	201.4	212.0	222.8
% change	2.1	4.6	5.1	3.3	3.2	1.2	3.0	3.6	3.4	5.3	5.1
Health Services	202.8	203.0	204.4	205.9	207.2	197.1	201.5	205.1	210.8	216.3	221.7
% change	1.0	0.4	2.9	3.0	2.6	2.2	2.2	1.8	2.7	2.6	2.5
Leisure and Hospitality	166.2	167.6	169.1	170.6	172.0	162.3	165.6	169.8	175.0	178.8	180.6
% change	0.1	3.6	3.6	3.5	3.2	(0.4)	2.0	2.6	3.0	2.2	1.0
Government	293.4	292.4	290.9	291.0	291.1	299.7	294.4	291.4	291.6	293.0	294.8
% change	5.4	(1.3)	(2.0)	0.0	0.2	0.1	(1.8)	(1.0)	0.1	0.5	0.6

Goods Producing Sectors

[References to specific businesses and organizations are from public news sources and from compiled news items published in ***Around the State***, Workforce Analysis Section, Oregon Employment Department.]

The wood products industry continues to struggle in Oregon even as statewide employment figures are improving. In fact, since total employment in Oregon began increasing two years ago, the wood products industry has lost another 4.5 percent of its employment. However, the past two quarters indicate some stabilization within the industry as employment has held steady. The Random Lengths Composite Price (Random Lengths Publications, March 2012) for lumber is $298 per thousand feet in March compared to $285 per thousand feet in November. After stabilizing in the $260-$270 range for much of 2011, prices have increased in recent months however they are only up 2 percent from a year ago. Orders and production are up over the past year for the western U.S. mills however much of the increases are inland and not along the coast. After revisions, this industry "only" lost 3.3 percent of its workers in 2011 when preliminary estimates placed the losses at nearly 7 percent, however it is projected to gain 0.5 percent in 2012, 9.2 percent in 2013 and 9.8 percent in 2014. Although these seem like high growth rates in 2013 and 2014, employment is still 29 percent lower than jobs levels in 2005.

The computer and electronic product sector slowed somewhat in the past six months following a blistering pace over the first nine months of 2011. The semiconductor equipment book-to-bill ratio has improved each of the past six months and is back up to 1.13 in March after falling all the way down to 0.71 in September. While the industry is a growth sector in the Oregon economy, not all news is positive as Siltronic AG will lay off 350 workers at its Portland plant next fall where it will cease producing the older style 150 mm silicon wafers. The computer and electronic product sector's employment grew by 4.2 percent in 2011 and this growth will continue with 3.7% gains in 2012 and 3.0 percent gains in 2013. After recovering the majority of the lost jobs during the recession, employment in the industry will level off in 2014 and experience slower growth rates in the outer years of the forecast.

The transportation equipment sector has been especially hard hit through this recession, however more recent news is positive. Job growth in 2011 was a robust 6.6 percent, the industry's first positive year since 2006. Projections are 2.5 percent in 2012, 5.7 percent in 2013, and 5.9 percent in 2014. These job growths are from very low levels, leaving employment in 2014 nearly 32 percent below 2006 job levels. Daimler Trucks North America plans to hire 33 engineering, finance, IT operations, purchasing and other administrative positions at its Portland corporate headquarters and its Swan Island facility. Epic Aircraft in Bend was purchased by Engineering LLC however expects to add 10 employees to its workforce. Navistar International Corp plans to cease RV production in Coburg, resulting in 255 jobs.

The metals and machinery sector experienced a very good year in 2011 as industry employment increased 6.8 percent in 2011, marking the strongest gain the industry has seen since 1995. Job gains are projected at 5.2 percent in 2012 and 3.3 percent in 2013 before slowing in 2014 at 0.6 percent. Nosler Inc. a Bend based bullet and ammunition maker hired 24 employees. The news in the industry is not all good as Bandon-based Hardin Optical Company will lay off 16 employees due to a reduction in its military defense contracts. In April, 300 steel workers went on strike at Cascade Steel Rolling Mills in McMinnville however by the end of the month they had returned to work however the contract dispute had not been settled.

Other durables sector has seen large fluctuations in recent years – dependent upon the business cycle, construction activity and product demand. This sector includes makers of glass, concrete, cement, small electrical appliances, medical equipment, and other small miscellaneous products.

This sector added jobs at a rate of 1.1 percent in 2011 and relatively slow growth is projected in the coming years: 1.8 percent in 2012, 1.7 percent in 2013 and 2.6 percent in 2014. Mastercraft Furniture Inc relocated its Wilsonville furniture factory to Stayton in March. The company employs approximately 150 people and plans to expand another 100 in the coming two years.

Food processing is a very volatile job sector, but has generally been on the upswing even through the recession and the industry's underlying trend is for slow, steady growth. The food processing sector added jobs at a 1.9 percent pace in 2011 and is projected to add jobs at a 1.0 percent pace in 2012. Growth in 2013 is expected to hold steady before resuming at 0.7 percent in both 2014 and 2015. Oregon Freeze Dry Inc plans to build a pharmaceutical research and development facility in Albany. The Tillamook County Creamery Association is expanding its Columbia River Processing plant at the Port of Morrow in Boardman. 17 jobs will be created at is 40,000 square foot warehouse facility, when operation in February 2013. Werner Gourmet Meat Snacks in Tillamook expanded its production facility and will add 10 to 15 workers over the next year to its existing 70 person workforce.

Other nondurables, which include paper and allied products and breweries and wineries, gained 0.9 percent of industry jobs in 2011, and the forecast calls for basically flat employment over the next three years with gains of 0.3 percent in 2012, 0.6 percent in 2013 and 0.3 percent in 2014. Three breweries in Eugene are expanding. Ninkasi Brewing Co. is planning a $15 million expansion and will add 20 employees; Hop Valley Brewing Co. is adding production space and a tasting room; and Oakshire Brewing CO. is planning a $1 million expansion and will add 10 employees. Rogue Ale in Newport will add 20,000 square feet to their facilities. Cannon Beach Distillery will open this summer. Alchemy Wine Productions, a small winery, opened in southeast Portland. Blue Dog Mead opened a brewery in Eugene, employing three people.

Construction jobs increased 1.5 percent in 2011 and the forecast moving forward calls for this industry to remain steady in 2012 (0.3 percent growth) before seeing larger gains in 2013 (3.7 percent). The return of the housing industry in 2014 or thereabouts is expected to drive construction employment and the industry will not experience robust growth until the housing market returns to something approaching normal activity levels. The Port of Hood River's waterfront business park has approved a 20,000 sq-ft office and retail building to be constructed this year. Overall, with the housing market still a ways to go to begin a recovery, the construction outlook remains subdued.

Service Producing Sectors

Trade, transportation, and utilities sector added 1.3 percent in 2011 and is projected to add 1.6 percent in 2012 before growth improves in 2013 to 2.4 percent and 1.7 percent in 2014. While Retail is generally adding jobs over the past two years, including 1.0 percent in 2011, the pace of growth is expected to remain slow moving forward. Retail jobs will still grow in 2012 at 1.3 percent, 2.0 percent in 2013 and 1.2 percent in 2014. Wholesale jobs improved a healthy 1.4 percent in 2011 which the industry is projected to match in 2012 before stronger growth in 2013 and 2014 at 2.5 percent and 2.3 percent respectively.

The information sector, which includes traditional publishers such as newspapers and publishers of software, has yet to see an employment rebound this business cycle. The sector lost jobs in 2011 at a 0.2 percent pace, however a further 1.3 percent decline is forecasted in 2012 before jobs return in 2013 and 2014. Symantec Corp. will lay off 53 people in Beaverton. Apple will build a 10,000 square foot data center in Crook County. Coastal Communications will open in Seaside. Rogue Satellite opened in Grants Pass.

The financial sector will take some time to recover as the residential and commercial markets are slow to recover. Over the past two years the Finance and Insurance sub-industry has stabilized and shown some employment gains while the Real Estate sub-industry has continued to shed jobs, holding the industry totals down. Based on revisions, it appears that the Real Estate portion has stopped losing jobs in the past six months, which is good news for both the industry and the overall economy. The financial sector lost approximately 1,100 jobs in 2011, -1.2 percent, however it is projected to gain jobs at the rate of 0.9 percent in 2012. Stronger gains will be seen in 2013 with growth of 3.2 percent.

Professional and business services sector gained a healthy 3.0 percent in employment growth in 2011, or over 5,500 jobs. The industry is expected to continue this strong growth in 2012 at 3.6 percent, 2013 at 3.4 percent and a robust 5.3 percent in 2014. Call center industry news is mixed recently with some closures but also hirings elsewhere. AT&T Mobility will close its downtown Portland call center, eliminating 86 jobs. T-Mobile will close its Redmond call center resulting in 360 lost jobs. Assurant Solutions plans to add 125 workers to its Albany call center. HBW Leads in Salem will hire 150 telemarketers. Garmin Ltd will hire 40 positions at its Salem call center.

While education and health services have only lost jobs during one quarter during the recession, the first quarter of 2009, the industry's growth has been relatively slow by historical standards. Job growth picked up in 2011 to 2.4 percent. This sector is projected to have job growth of 1.6 percent in 2012, 2.3 percent in 2013 and 2.4 percent in 2014. These rates mark a slight downward revision from previous forecasts as the health services long-run growth has been lowered slightly. Frontier Management LLC will open a 56 bed memory care facility in Bend, employing 45 workers. Siskiyou Community Health Center will expand its Cave Junction medical clinic. Providence Health Services begins its third major redevelopment of its Hood River hospital. Not all news is good within the industry. Salem Hospital will eliminate 13 nurse positions and approximately 30 overall. Silverton Health is projecting a multi-million dollar budget shortfall and will eliminate 35 positions.

Leisure and hospitality, after suffering greatly throughout the recession, had a nice bounce back in 2011 and into early 2012. After revisions the industry growth in 2011 totaled 2.0 percent. Growth is projected to accelerate somewhat in the coming years to 2.6 percent in 2013 and 3.0 percent in 2014, as consumers spend more on entertainment, recreational activities and vacations. News articles are filled with small restaurants opening around the state and relatively few closures. Over the February through early May period there have been at least 100 announcements of new openings, 33 expansions with only 19 closure announcements. This overall pattern has been seen over the past year, and bodes well for the economy as consumers begin to eat out and shop more.

The government sector declined by 1.8 percent in 2011 and is projected to fall 1.0 percent in 2012, before holding steady in 2013 at 0.1 percent growth. All levels of government are facing budget reductions. The federal budget is under pressure from Congress to lower expenditures. There is no mood on Capitol Hill for further stimulus funds to state and local governments. Local governments are under great pressure to balance budgets by mainly cutting costs. After growing 0.7 percent in 2011 (due to state education employment), state government employment is forecasted to decrease in both 2012 (-0.3 percent) and 2013 (-0.4 percent.) It is important to distinguish within the state government figures between state education (primarily four year universities) and all other state employment. Over the past two years (2010q1 – 2012q1) total state employment has increased nearly 1,200, 1.5 percent, however state education has gained over 2,200 jobs, 7.6 percent, while non-education employment has declined over 1,000, -2.1 percent. Local government jobs declined 2.2 percent in 2011 and are expected to decline a further 1.2 percent in 2012. Local government job growth picks up slightly to 0.5 percent in 2013 and 0.6 percent in 2014. Unlike the state, the bulk of these local job losses have occurred in local education.

Population growth has slowed with the economy and is projected to be below the U.S. growth rate in 2011 at 0.5 percent. Population growth picks up at 0.8 percent in 2012 and 0.9 percent in 2013, but still below rates seen in 2005 through 2007.

Personal Income Components

After growing 5.3 percent in 2011, personal income is forecast to grow by 3.3 percent in 2012, 4.4 percent in 2013 and 5.2 percent in 2014. The 2011 growth rate was boosted by the social security tax cut. This boost has been dampened by the slower growth in transfer payments as federal stimulus funds have faded.

Wage and salary income increased 4.7 percent in 2011. While the slow job recovery kept wages from rising quickly in recent years, 2011 was a year with solid wage gains, albeit lower than during a typical expansion year. The job picture continues to improve, and wage and salary income will increase 4.3 percent in 2012. 2013 will see stronger growth at 4.7 percent, and wages in 2014 will grow 5.1 percent.

The forecasts for various personal income components are provided in Appendix A. Nonfarm proprietors' income, which includes income of small businesses, picked up considerably in 2011 with gains of 6.3 percent. The growth rate in this income component will slow a bit in 2012 with growth of 4.5 percent and accelerate to 5.3 percent in 2013. Transfer payments will slow as the economy recovers and the temporary social security tax cut expires.

Per capita income in Oregon will stay below the U.S. average throughout the forecast horizon. Oregon's economy is expected to grow faster than the U.S. economy starting in 2012 with job growth outpacing the U.S., and personal income growth will be above-average starting in 2014. Oregon's per capita income will gain on the U.S. average through 2017 but then the stronger population growth and demographic changes will take over, and Oregon's relative position will be little changed in 2021 compared to 2015.

Forecast Changes Relative to the March 2012 Forecast

Table O.4 provides a summary of forecast changes compared to the March 2012 forecast. The overall summary in two words is: no change. Employment in Oregon is revised upward, slightly, in the near term, however longer terms growth rates are lowered somewhat. Income is revised down slightly due to data revisions. Outside of health services employment there are no fundamental changes to the forecast.

Personal income was lowered slightly over the forecast horizon, between 0.3 percent and 0.6 percent primarily due to reduced forecasts for investment income (dividends, interest, rent, etc) and transfer payments. While the total nonfarm employment forecast is revised slightly lower, total aggregate wages are increased due to a somewhat higher inflation outlook. Overall, real personal income was lowered by a larger degree than total nominal personal income, due to the slightly higher forecasts for inflation. It is important to point out that the inflation outlook remains subdued by historical standards.

OEA also revised up employment numbers in 2012 and 2013; however revisions are downward for each of the years 2014-2020. The near term changes reflect stronger employment and data revisions, while the longer term outlook is slightly more subdued and largely driven by downward adjustments to health services employment.

Housing starts in 2011 came in as expected and the outlook for new construction forecast remains essentially unchanged. OEA has repeatedly expected a very subdued housing starts forecast in the coming years with starts returning to their long-run average levels in mid-2016. While housing construction is on the upswing (multi-family is strong and single family is just beginning to improve somewhat), real improvements will not materialize until late 2013 or early 2014 according to our forecast.

The employment revisions reveal a construction sector that is adding jobs at a slower pace than initially estimated, resulting in a lowering of the forecast level. Our office's outlook for the sector remains stable: slow growth in the near term as the housing market slowly heals, with stronger gains coming in late 2013 and into 2014. Even with job gains each year from 2011 through 2020, the number of jobs in 2020 in the construction industry is still projected to be lower than the level of jobs prior to the recession.

The manufacturing outlook has been raised throughout the forecast horizon – from 2012 through 2021 – by a full percentage point or more. This partially reflects positive, upward employment revisions, however the dominant factor leading to the increase is a more bullish outlook for both durable goods manufacturing and nondurable goods manufacturing. While Computer and Electronic Manufacturing employment is essentially unchanged, all other manufacturing industries have stronger outlooks, including Wood Products, Transportation Equipment and Food Processing.

Private nonmanufacturing has been lowered nearly a percent for 2012-2020. The downward revisions are mostly due to a slightly lower outlook for both retail trade and health services. The retail trade revisions reflect a more subdued outlook for consumer purchases in brick and mortar stores (more e-commerce). The health services revisions reflect a slightly slower trend growth rate in the future. In recent decades, employment growth in health services routinely topped 3 percent per annum. Over the forecast horizon, this growth rate is lowered to approximately 2.5 percent. Health service remains the largest employment sector in Oregon and a key driver of employment growth in the state, so any changes made to the industry forecast are certainly seen in the top line numbers as well.

Government sector employment is relatively unchanged with only a minimal increase in the term reflecting recent employment revisions, however over the longer horizon, public sector employment is revised slightly lower by a few tenths of a percent.

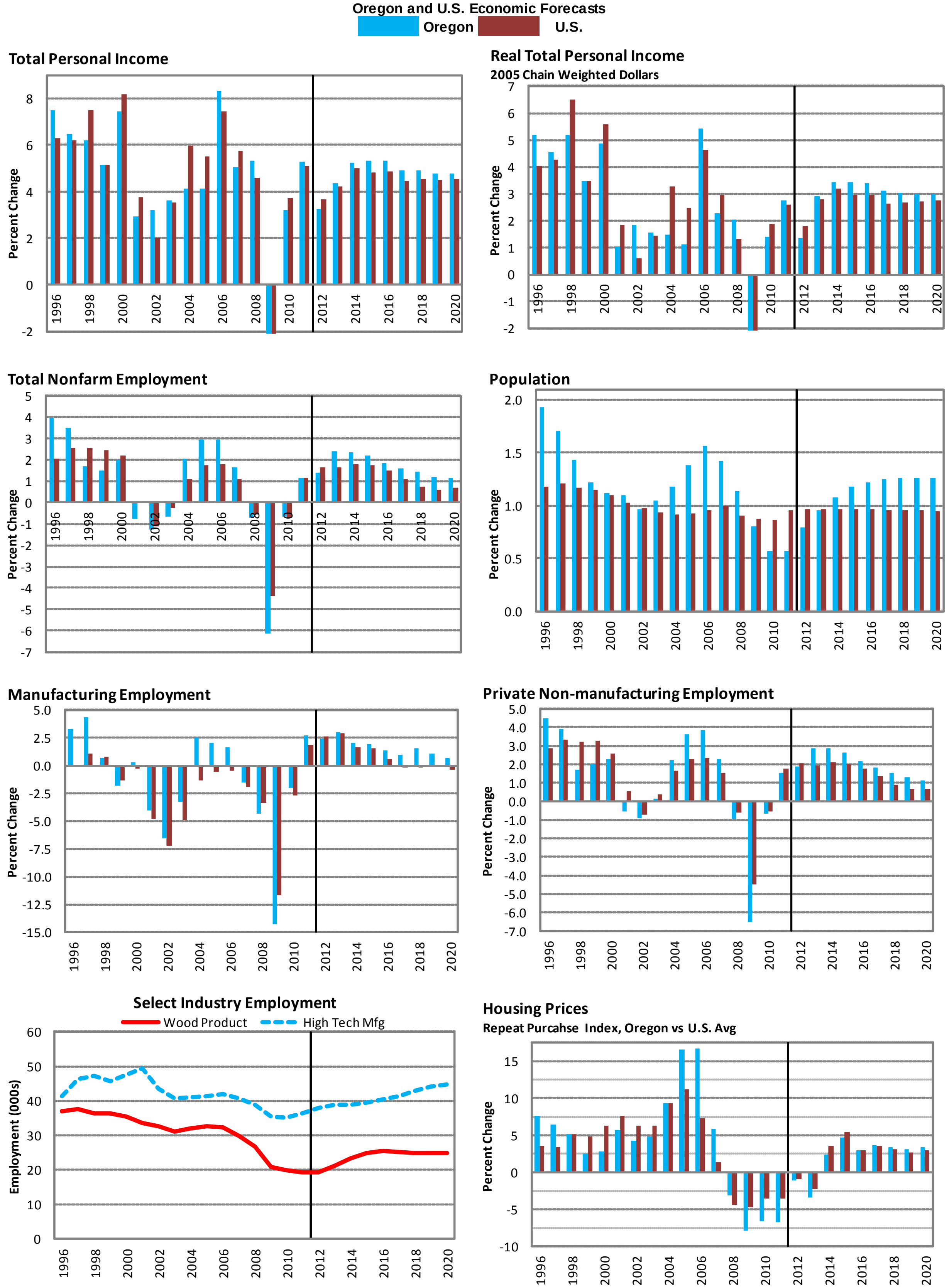
Table O.4

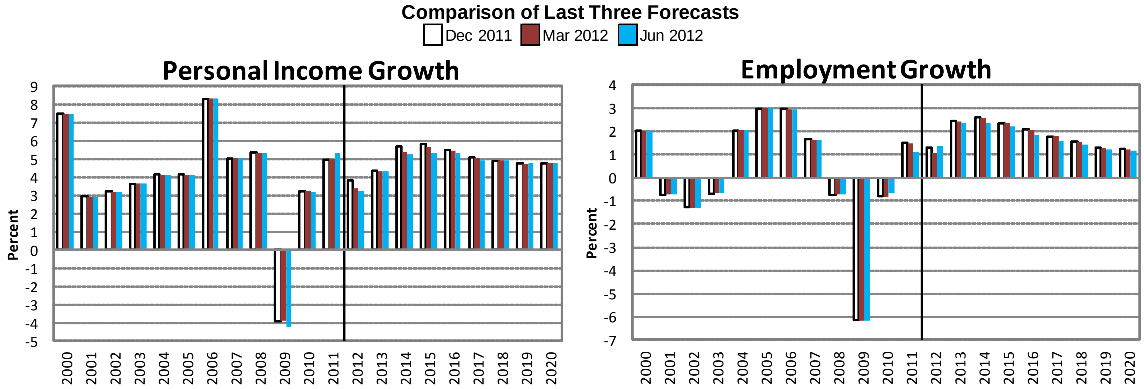
Oregon Forecast Change (Current vs. Last)

	Quarterly					Annual					
	2011:4	**2012:1**	**2012:2**	**2012:3**	**2012:4**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Personal Income ($ billions)											
Nominal Personal Income	148.1	149.5	150.5	152.3	154.0	135.1	139.4	146.8	151.6	158.2	166.5
% change	0.1	0.1	(0.3)	(0.2)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.3)	(0.6)
Real Personal Income (base year=2005)	129.2	129.7	129.9	131.0	132.1	123.7	125.5	128.9	130.7	134.5	139.1
% change	(0.1)	(0.4)	(1.1)	(0.9)	(0.9)	(0.3)	(0.1)	(0.8)	(0.7)	(0.7)	(0.9)
Nominal Wages and Salaries	76.1	77.1	77.7	78.6	79.5	70.3	71.6	75.0	78.2	81.9	86.1
% change	1.5	2.1	1.9	2.0	1.9	(0.0)	0.7	2.0	1.7	1.3	1.1
Other Indicators											
Per Capita Income ($1,000)	38.2	38.5	38.7	39.1	39.4	35.4	36.3	38.0	38.9	40.3	41.9
% change	0.1	0.1	(0.3)	(0.2)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.3)	(0.6)
Average Wage rate ($1,000)	46.5	46.6	46.9	47.2	47.4	43.0	44.1	45.7	47.0	48.1	49.4
% change	2.3	1.9	2.0	2.0	1.9	(0.1)	1.2	2.0	1.7	1.5	1.5
Population (Millions)	3.87	3.88	3.89	3.90	3.91	3.82	3.84	3.86	3.89	3.93	3.97
% change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing Starts (Thousands)	8.8	9.0	8.1	8.6	8.9	7.6	7.6	8.0	8.6	10.6	14.3
% change	0.3	10.1	2.6	5.2	(0.0)	(0.1)	(0.1)	4.4	0.4	3.0	3.6
Unemployment Rate	9.1	8.7	8.6	8.6	8.4	11.1	10.8	9.5	8.6	8.0	7.5
Point Change	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	0.0	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Employment (Thousands)											
Total Nonfarm	1,625.3	1,632.3	1,636.2	1,645.4	1,655.4	1,612.9	1,601.9	1,619.8	1,642.3	1,681.4	1,720.9
% change	0.1	0.2	(0.0)	0.0	0.1	0.1	(0.2)	0.1	0.0	(0.2)	(0.4)
Private Nonfarm	1,331.9	1,339.8	1,345.2	1,354.5	1,364.3	1,313.4	1,302.2	1,325.4	1,351.0	1,389.8	1,427.9
% change	(0.0)	0.2	(0.0)	0.0	0.1	0.1	(0.3)	0.1	0.0	(0.2)	(0.4)
Construction	69.5	68.7	68.4	68.7	69.4	74.1	67.6	68.6	68.8	71.4	77.2
% change	(1.9)	(3.3)	(4.0)	(3.9)	(3.4)	(0.2)	(1.5)	(3.6)	(2.9)	(4.0)	(2.8)
Manufacturing	169.3	171.6	171.2	172.8	174.1	167.2	163.8	168.3	172.4	177.6	181.1
% change	2.8	4.2	3.3	3.6	3.6	0.0	1.0	3.7	3.9	3.4	3.0
Durable Manufacturing	119.5	121.3	121.5	123.1	124.1	117.9	114.9	118.7	122.5	127.6	130.8
% change	2.8	4.2	3.6	3.9	3.6	0.1	1.5	3.8	4.1	3.5	3.1
Wood Product Manufacturing	19.1	19.2	19.3	19.5	19.7	21.0	20.0	19.3	19.4	21.2	23.3
% change	5.8	4.8	4.0	3.1	2.2	0.2	3.9	3.5	4.9	6.2	9.5
High Tech Manufacturing	36.9	36.8	37.5	38.3	38.5	35.4	35.0	36.5	37.8	38.9	38.7
% change	0.3	(0.3)	0.5	1.1	0.3	(0.0)	0.1	0.4	(0.5)	(0.9)	(0.9)
Transportation Equipment	11.0	11.2	11.1	11.1	11.2	10.2	10.2	10.9	11.2	11.8	12.5
% change	7.1	8.3	7.0	6.0	6.2	0.1	5.5	6.9	6.5	4.5	2.6
Nondurable Manufacturing	49.9	50.3	49.6	49.8	50.0	49.3	48.9	49.6	49.9	50.1	50.3
% change	2.9	4.2	2.7	3.0	3.4	(0.2)	(0.3)	3.3	3.6	3.3	2.8
Private nonmanufacturing	1,159.4	1,167.0	1,174.1	1,181.6	1,190.2	1,146.2	1,138.3	1,156.2	1,178.2	1,212.1	1,246.7
% change	(0.7)	(0.5)	(0.5)	(0.5)	(0.4)	0.2	(0.6)	(0.5)	(0.5)	(0.7)	(0.9)
Retail Trade	185.3	186.2	186.7	187.6	188.7	183.4	183.2	184.9	187.3	191.1	193.5
% change	(1.4)	(1.2)	(0.9)	(0.8)	(0.8)	(0.2)	(1.5)	(1.0)	(0.6)	(0.5)	(0.9)
Wholesale Trade	74.6	74.9	75.1	75.4	75.9	75.3	73.3	74.3	75.3	77.2	79.0
% change	3.7	3.5	3.2	2.8	2.6	0.8	2.9	3.0	2.1	1.5	0.7
Information	31.7	31.8	31.8	31.2	31.5	33.1	32.1	32.0	31.6	32.5	32.8
% change	(5.5)	(4.7)	(6.2)	(7.3)	(6.2)	(0.4)	(3.5)	(6.1)	(6.1)	(6.7)	(6.0)
Professional and Business Services	189.6	191.8	194.2	195.7	197.3	180.1	182.3	187.9	194.7	201.4	212.0
% change	2.4	2.8	3.5	3.9	4.1	0.6	1.3	3.6	3.1	1.7	0.9
Health Services	202.8	203.0	204.4	205.9	207.2	192.9	197.1	201.5	205.1	210.8	216.3
% change	(1.5)	(2.0)	(2.2)	(2.3)	(2.7)	0.1	(0.9)	(2.3)	(2.9)	(3.1)	(3.4)
Leisure and Hospitality	166.2	167.6	169.1	170.6	172.0	162.9	162.3	165.6	169.8	175.0	178.8
% change	(2.0)	(1.9)	(1.8)	(1.7)	(1.5)	0.3	(1.6)	(1.7)	(0.8)	0.3	0.5
Government	293.4	292.4	290.9	291.0	291.1	299.5	299.7	294.4	291.4	291.6	293.0
% change	0.5	0.5	0.1	0.1	0.0	0.1	0.0	0.2	(0.1)	(0.2)	(0.3)

Graph O.1

Oregon and U.S. Economic Forecasts





Alternative Scenarios

The baseline forecast is our projection of the most likely outcome for the Oregon economy. As with any forecast, however, other scenarios are possible. Currently, risks are heightened considerably and concentrated on the downside. The Optimistic scenario is one in which the expansion gathers steam and employment and income growth accelerate throughout 2012. The Pessimistic scenario is one in which the U.S. (and Oregon) falls back into recession with declining consumer spending and job losses. These scenarios are not based on statistical error band calculations around the baseline forecast, but rather are based on business cycles that reflect likely avenues for growth or potential causes of weakness in the near term.

Optimistic Scenario: The recovery gathers steam and pulls the economy away from recession and into a stronger cyclical expansion. The string of positive economic news in late 2011 continues as the U.S. economy builds on this momentum and is soon firing on all cylinders. Economic growth is above potential in 2012 and 2013, resulting in stronger job and income gains. U.S. policy makers extend both the payroll tax cut and the emergency unemployment benefit program, providing a vital source of income for liquidity-constrained households. Overall, stronger growth leads to more consumer spending and more business investment.

In Oregon, job gains are broad based with strong growth in all private sector industries. Public sector employment still contracts somewhat in the near term given the fixed budget outlook; however, losses are smaller than in the baseline as improving tax revenues prevent the most severe cutbacks. The unemployment rate declines faster than under the baseline scenario as individuals are able to find employment more readily and income growth accelerates. The increase in employment and income support a self-sustaining economic expansion in which new income fuels increased consumer spending (and debt reduction) which begets further increases in employment. Such an expansion increases housing demand as newly employed households (and increasing income for existing households) find their own homes after doubling-up with family and friends during the recession. This results in working down the existing inventory overhang more quickly and new construction returns to normal levels by early 2015.

Pessimistic Scenario: A return to recession with declining GDP and job losses. While this scenario would be categorized as a new recession, per the National Bureau of Economic Research, it will feel more like a double-dip given that the U.S. economy has not returned to previous trends. The stronger economic news at the end of 2011 provides a false sense of security for both U.S. and European policy makers, which leads to policy mistakes on both sides of the Atlantic. Recovery turns to recession in a matter of months. The current Eurozone recession worsens matters, and Greece, the weakest European economic link, leaves the Euro leading to financial panic and contagion. Worldwide credit markets freeze, leading to declining consumer and business confidence. In the U.S., Congress does not anticipate the dangers and political gridlock results in both the payroll tax cut and emergency unemployment benefits expiring, leading to an unnecessary fiscal drag on the U.S. economy. These measures are estimated to reduce real GDP growth by 0.5 percent in 2012. Unemployment in the U.S. rises back to 10 percent by early 2013.

Oregon would certainly join in any recession at the U.S. level. Although the likelihood of a recession is uncomfortably high, a near term downturn would probably not be very pronounced. Given the lackluster expansion to date, we do not have very far to fall. Few excesses have been built up, and many cyclically sensitive industries such as construction have yet to recover at all.

As such, the magnitude of the recession would likely be fairly mild by historical standards. However it certainly will not go unnoticed, especially given the underwhelming expansion to date. Employment would decline throughout 2012 and into early 2013 with job losses of over 20,000. This decline would roughly be on par with the 1990 recession in Oregon and approximately half the depth of the 2001 recession in the state. However, this employment decline would nearly erase all the job gains the state has seen in the past two years. The unemployment rate rises back to nearly 10 percent and remains above 9 percent through mid-2014. The unemployment rate does not fall below 8 percent until 2017, which would mark eight full years above that level.

Furthermore, the housing market would take longer to recover. Home prices decline another 13 percent, while new home construction's rebound is delayed another year, resulting in further sluggish growth in the near term. On the bright side, when construction does rebound, it will result in a surge of new home building that will rise above the state's long term average level of building due to pent-up demand for housing and the fact that the state will have under built housing during this time period.

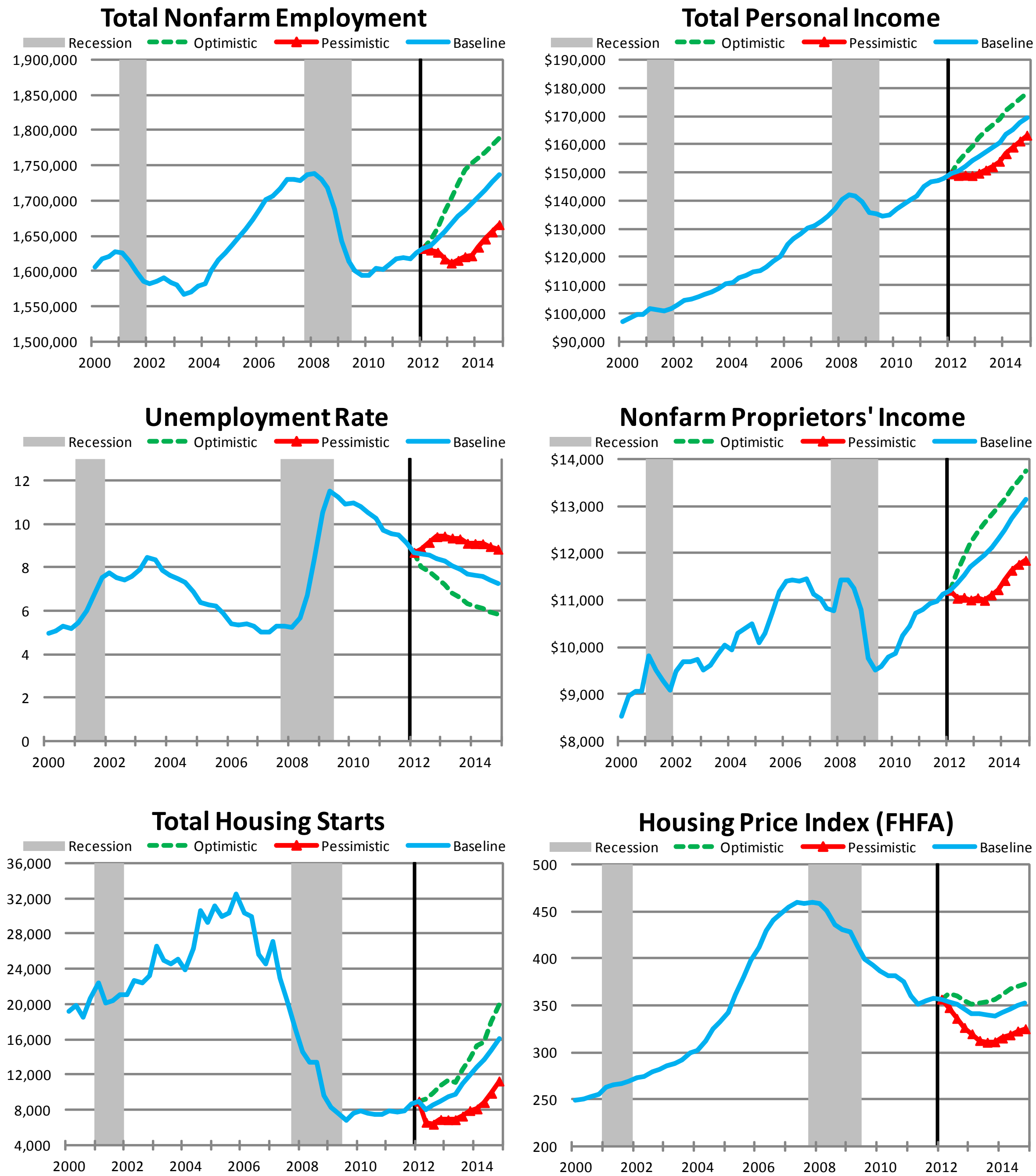
Table O.5 details both the quarterly and annual outlook for select Oregon economic variables under the two alternative scenarios. Graph O.3 illustrates these near-term scenarios for each of the variables.

Table O.5

Alternative Scenario Summary

	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	Annual 2010	2011	2012	2013	2014
Baseline											
Total Nonfarm Employment (thousands)	1,617.3	1,625.3	1,632.3	1,636.2	1,645.4	1,655.4	1,601.9	1,619.8	1,642.3	1,681.4	1,720.9
% change	-0.6%	2.0%	1.7%	1.0%	2.3%	2.5%	-0.7%	1.1%	1.4%	2.4%	2.3%
Unemployment Rate	9.5	9.1	8.7	8.6	8.6	8.4	10.6	9.5	8.6	8.0	7.5
Point Change	(0.0)	(0.4)	(0.4)	(0.1)	(0.1)	(0.1)	(0.4)	(1.2)	(0.9)	(0.6)	(0.5)
Total Personal Income ($ billions)	147.2	148.1	149.5	150.5	152.3	154.0	139.4	146.8	151.6	158.2	166.5
% change	1.3%	2.3%	3.9%	2.6%	5.0%	4.6%	3.2%	5.3%	3.3%	4.4%	5.2%
Nonfarm Proprietors' Income ($ billions)	11.0	11.1	11.2	11.3	11.5	11.7	10.3	11.0	11.4	12.1	12.8
% change	1.5%	5.1%	3.5%	5.0%	6.7%	5.6%	6.8%	6.3%	4.5%	5.3%	6.4%
Housing Starts	7,877.7	8,752.8	8,994.0	8,056.8	8,586.4	8,891.5	7,617.2	8,045.3	8,632.2	10,553.8	14,333.2
% change	8.1%	52.4%	11.5%	-35.6%	29.0%	15.0%	0.6%	5.6%	7.3%	22.3%	35.8%
Housing Price Index (1980 Q1 = 100)	354.9	357.5	356.6	354.0	350.8	345.5	381.2	355.8	351.7	340.0	347.9
% change	4.6%	3.0%	-1.1%	-2.8%	-3.5%	-5.9%	-6.6%	-6.7%	-1.1%	-3.3%	2.3%
Optimistic Scenario											
Total Nonfarm Employment (thousands)	1,624.9	1,624.2	1,632.3	1,644.8	1,661.4	1,684.3	1,599.8	1,623.6	1,655.7	1,730.5	1,774.5
% change	0.3%	-0.2%	2.0%	3.1%	4.1%	5.6%	-0.8%	1.5%	2.0%	4.5%	2.5%
Unemployment Rate	9.6	9.2	8.7	8.0	7.8	7.5	10.8	9.6	8.0	6.7	6.0
Point Change	0.2	(0.4)	(0.5)	(0.7)	(0.2)	(0.3)	(0.3)	(1.2)	(1.6)	(1.3)	(0.7)
Total Personal Income ($ billions)	147.1	148.0	149.5	154.0	156.7	159.3	139.8	146.9	154.9	165.7	175.1
% change	-0.3%	2.5%	4.3%	12.6%	7.1%	6.9%	3.2%	5.0%	5.5%	7.0%	5.6%
Nonfarm Proprietors' Income ($ billions)	11.0	11.1	11.2	11.6	11.9	12.2	10.3	11.0	11.7	12.7	13.4
% change	3.1%	2.4%	4.1%	14.4%	12.0%	10.0%	6.8%	6.4%	7.0%	8.4%	5.8%
Housing Starts	7,895.6	8,727.2	8,994.0	9,224.5	9,913.1	10,696.8	7,626.6	8,051.4	9,707.1	12,250.0	17,250.2
% change	11.0%	49.3%	12.8%	10.7%	33.4%	35.6%	0.8%	5.6%	20.6%	26.2%	40.8%
Housing Price Index (1980 Q1 = 100)	354.8	353.1	356.6	362.4	360.2	354.7	382.6	354.9	358.5	353.1	368.1
% change	4.4%	-1.8%	4.0%	6.7%	-2.4%	-6.0%	-6.6%	-7.2%	1.0%	-1.5%	4.2%
Pessimistic Scenario											
Total Nonfarm Employment (thousands)	1,624.9	1,624.2	1,632.3	1,630.0	1,626.9	1,617.3	1,599.8	1,623.6	1,626.6	1,617.3	1,650.3
% change	0.3%	-0.2%	2.0%	-0.5%	-0.8%	-2.3%	-0.8%	1.5%	0.2%	-0.6%	2.0%
Unemployment Rate	9.6	9.2	8.7	8.8	9.2	9.4	10.8	9.6	9.0	9.3	9.0
Point Change	0.2	(0.4)	(0.5)	0.1	0.3	0.3	(0.3)	(1.2)	(0.5)	0.3	(0.3)
Total Personal Income ($ billions)	147.1	148.0	149.5	149.0	149.0	148.9	139.8	146.9	149.1	151.6	160.0
% change	-0.3%	2.5%	4.3%	-1.5%	0.2%	-0.3%	3.2%	5.0%	1.5%	1.7%	5.5%
Nonfarm Proprietors' Income ($ billions)	11.0	11.1	11.2	11.0	11.1	11.0	10.3	11.0	11.1	11.1	11.7
% change	3.1%	2.4%	4.1%	-6.0%	0.8%	-2.0%	6.8%	6.4%	1.0%	0.2%	5.1%
Housing Starts	7,895.6	8,727.2	8,994.0	6,599.7	6,372.5	6,908.3	7,626.6	8,051.4	7,218.6	7,249.6	9,528.5
% change	11.0%	49.3%	12.8%	-71.0%	-13.1%	38.1%	0.8%	5.6%	-10.3%	0.4%	31.4%
Housing Price Index (1980 Q1 = 100)	354.8	353.1	356.6	347.6	336.1	326.5	382.6	354.9	341.7	313.6	320.4
% change	4.4%	-1.8%	4.0%	-9.6%	-12.7%	-10.9%	-6.6%	-7.2%	-3.7%	-8.2%	2.2%

Graph O.3


Total Nonfarm Employment
Recession
Optimistic
Pessimistic
Baseline
1,900,000
1,850,000
1,800,000
1,750,000
1,700,000
1,650,000
1,600,000
1,550,000
1,500,000
2000 2002 2004 2006 2008 2010 2012 2014
Total Personal Income
Recession
Optimistic
Pessimistic
Baseline
$190,000
$180,000
$170,000
$160,000
$150,000
$140,000
$130,000
$120,000
$110,000
$100,000
$90,000
2000 2002 2004 2006 2008 2010 2012 2014
Unemployment Rate
Recession
Optimistic
Pessimistic
Baseline
12
10
8
6
4
2
0
2000 2002 2004 2006 2008 2010 2012 2014
Nonfarm Proprietors' Income
Recession
Optimistic
Pessimistic
Baseline
$14,000
$13,000
$12,000
$11,000
$10,000
$9,000
$8,000
2000 2002 2004 2006 2008 2010 2012 2014
Total Housing Starts
Recession
Optimistic
Pessimistic
Baseline
36,000
32,000
28,000
24,000
20,000
16,000
12,000
8,000
4,000
2000 2002 2004 2006 2008 2010 2012 2014
Housing Price Index (FHFA)
Recession
Optimistic
Pessimistic
Baseline
500
450
400
350
300
250
200
2000 2002 2004 2006 2008 2010 2012 2014

Forecast Risks

The economic and revenue outlook is never certain. We will continue to monitor and recognize the potential impacts of risk factors on the Oregon economy. Although far from comprehensive, we have identified several major risks now facing the Oregon economy in the list below:

- *Contagion of the European debt problems and financial market instability.* The European crisis looms large as a potentially catastrophic scenario. Credit markets are easing, but consumers and businesses still have difficulty getting loans. To the extent that credit markets take longer to come back to some sort of state of normalcy, the current recovery could be slower than projected or thrown off track. In such a scenario, Oregon will suffer the consequences along with the rest of the nation.
- *Prolonged housing market instability*. Signs are starting to emerge that the housing market has hit bottom, at least in terms of housing starts, but prices may have further to fall. Foreclosures and delinquency rates are still relatively high. Oregon, with the rest of the nation, will still see improvements to construction activity in 2012, but it will be many months yet before a tangible housing recovery kicks in. Until this happens, the housing market will remain a barrier to a sustained economic recovery in Oregon.
- *Commodity price inflation.* Prices for many major commodities are trending down, but remain atypically high. Future commodity prices will be tied to growth. Should the global expansion pick up speed, a return to high rates of commodity inflation is possible.
- *Loss of federal timber payments to Oregon counties*. The Obama administration included a reduced federal timber payment package in the 2012 federal budget. The amount has been reduced by 10 percent now, and by 20 percent over five years. Questions remain as to whether this item will survive further budget changes from Congress. If the federal timber payments are not reintroduced by the U.S. Congress, the October payments will have been the last. While this temporary reinstatement would help cover short term budgets for Oregon counties, finding or replacing this dwindling revenue source will be imperative as any loss of public services could have adverse impacts on economic activity. For more information from a historical perspective, see this recent OEA blog post on the Wood Products industry in Oregon[8].
- *Global Spillovers Both Up and Down.* The international list of risks seems to change by the day: sovereign debt problems in Europe, equity and property bubbles in places like South America and Asia, political unrest in the Middle East, and commodity price spikes and inflationary pressures in emerging markets. In particular, with China now the top destination for Oregon exports, the state of the Chinese economy has spillover effects to the Oregon economy. The looming slowdown across much of Asia is a growing threat to the Pacific Northwest's growth prospects.
- *Undoing the Federal Policy Used to Combat the Financial Crisis and Recession*. Bailouts, tax cuts, monetary quantitative easing, and other fiscal packages most likely prevented a more serious economic downturn. But the clean-up after the storm can have its own risks to the economy. Exit strategies will have to be carefully implemented to prevent premature tightening and choking off the recovery or acting too late to avoid an inflationary environment. All states, including Oregon, face the same risks.

[8] http://oregoneconomicanalysis.wordpress.com/2012/01/23/historical-look-at-oregons-wood-product-industry

- *Initiatives, referendums, and referrals*. Generally, the ballot box and legislative changes bring a number of unknowns that could have sweeping impacts on the Oregon economy and revenue picture.

Extended Outlook

IHS Global Insight projects Oregon's Gross State Product to have the second highest growth rate in the nation over the coming years. OEA is less bullish, but expects Oregon to maintain a growth advantage relative to other states. However, this advantage will be somewhat smaller than the state has enjoyed in past decades.

Oregon has typically benefitted from an influx of households from other states, including an ample supply of skilled workers. Households continue to move to Oregon even when local jobs are scarce, as long as the unemployment rate is equally bad elsewhere (particularly in California).

In addition to its dynamic labor supply, Oregon also enjoys the long-term advantages of low electricity costs, a central location between the large markets of California, Vancouver and Asia, clean water, low business rents and living costs, and an increasingly diverse industrial base.

The primary long-run concern for Oregon's economy is that very little progress on raising per capita income is projected out to 2020.

The Oregon Employment Department has published a detailed look at Oregon's per capita personal income entitled *Why Oregon Trails the Nation*; it can be found at:

http://olmis.emp.state.or.us/olmisj/PubReader?itemid=00007366

Oregon Regional Profile

The accompanying regional and county tables (Table O.6 through O.9) highlight the social, economic, and demographic diversity in the state. This section is a regular feature following the Oregon Economic Review and Forecast.

Table O.6

Oregon's Economic Profile by County and Region

Geography	2010 Total Employment	2011 Total Employment	2010 Unemployment Rate	2011 Unemployment Rate	2010 Per capita personal income	2011 Average wage per job
OREGON	**1,772,216**	**1,803,602**	**10.7%**	**9.5%**	**$36,191**	**$43,091**
Portland PMSA	**872,347**	**896,453**	**9.7%**	**8.4%**	**$40,617**	**$49,424**
Clackamas	179,827	184,796	10.0%	8.7%	$44,954	$43,398
Columbia	21,653	22,251	12.0%	10.3%	$33,445	$32,709
Multnomah	362,732	372,756	9.8%	8.5%	$39,945	$48,683
Washington	264,494	271,803	8.9%	7.7%	$40,606	$56,604
Yamhill	43,641	44,847	10.5%	9.2%	$32,768	$35,190
Willamette Valley	**430,215**	**433,173**	**10.8%**	**9.6%**	**$33,057**	**$37,346**
Benton	40,915	41,911	7.4%	6.6%	$37,333	$43,647
Lane	162,668	164,025	11.0%	9.5%	$33,277	$36,773
Linn	49,028	49,236	13.2%	10.1%	$29,197	$36,294
Marion	141,848	142,165	11.0%	10.2%	$33,605	$37,385
Polk	35,756	35,836	9.2%	8.7%	$30,877	$31,282
Northern Coast	**51,844**	**52,054**	**9.9%**	**9.1%**	**$33,636**	**$31,699**
Clatsop	19,127	19,242	9.2%	8.5%	$34,007	$32,434
Lincoln	20,859	21,003	10.6%	9.9%	$33,681	$30,947
Tillamook	11,858	11,809	9.6%	8.9%	$33,011	$31,790
Southern Coast	**33,360**	**33,635**	**12.6%**	**11.6%**	**$31,361**	**$32,875**
Coos	25,086	25,462	12.5%	11.4%	$31,272	$31,812
Curry	8,274	8,173	12.7%	12.0%	$31,611	$36,993
Southern Oregon	**159,582**	**160,990**	**13.3%**	**12.2%**	**$31,955**	**$34,191**
Douglas	39,856	40,141	14.6%	13.1%	$29,601	$34,191
Jackson	89,702	90,455	12.5%	11.5%	$34,168	$35,152
Josephine	30,024	30,394	14.1%	12.6%	$29,580	$31,219
Central Oregon	**85,193**	**86,238**	**14.4%**	**12.7%**	**$34,761**	**$35,971**
Crook	7,603	7,787	16.9%	14.8%	$29,761	$36,993
Deschutes	69,492	70,299	14.1%	12.4%	$36,449	$36,147
Jefferson	8,098	8,152	14.3%	13.2%	$27,278	$33,215
Columbia Gorge	**29,024**	**29,370**	**8.7%**	**8.1%**	**$34,204**	**$31,324**
Gilliam	1,148	1,130	7.0%	7.3%	$38,204	$41,821
Hood River	13,274	13,419	8.2%	7.7%	$34,070	$29,317
Sherman	964	987	9.8%	9.0%	$52,530	$37,592
Wasco	13,001	13,215	9.3%	8.5%	$33,185	$32,510
Wheeler	637	619	10.4%	9.9%	$26,510	$25,497
Northeast Oregon	**65,331**	**66,142**	**10.2%**	**9.5%**	**$30,469**	**$33,667**
Baker	6,893	6,795	10.0%	10.4%	$29,967	$30,280
Grant	3,050	3,047	13.4%	13.4%	$29,546	$31,944
Morrow	5,025	5,133	9.3%	8.5%	$35,021	$39,418
Umatilla	35,655	36,421	9.9%	9.0%	$29,554	$34,559
Union	11,348	11,390	10.4%	9.8%	$30,899	$31,701
Wallowa	3,360	3,356	11.9%	11.2%	$33,665	$28,636
S Central/SE Oregon	**45,321**	**45,548**	**12.7%**	**11.9%**	**$27,999**	**$32,284**
Harney	3,016	2,950	15.5%	14.4%	$28,463	$31,190
Klamath	26,877	27,124	13.2%	12.2%	$29,419	$33,417
Lake	3,273	3,288	13.5%	12.9%	$29,498	$33,886
Malheur	12,155	12,186	10.5%	10.1%	$24,503	$30,240

Sources: Total employment and unemployment rate: Oregon Employment Department;
per capita personal income: U.S. Bureau of Economic Analysis;
average wage per job: Oregon Employment Department.
Statewide total employment may not equal sum due to rounding

Table O.7

Oregon's Gross Farm & Ranch Sales By County and Region for 2010 and 2011 (in 1,000 $)

	Year 2011			Year 2010			2010 to 2011
STATE/COUNTY	All Crops	Livestock & Poultry	All Crop & Livestock	All Crops	Livestock & Poultry	All Crop & Livestock	Change in total sales
State Total	**3,521,242**	**1,734,424**	**5,255,666**	**2,938,177**	**1,428,868**	**4,367,044**	**20.3%**
Portland-area	**813,771**	**144,532**	**958,305**	**724,933**	**126,744**	**851,676**	**12.5%**
Clackamas	262,507	70,433	332,940	244,243	63,687	307,930	8.1%
Columbia	21,776	4,693	26,470	19,069	3,725	22,794	16.1%
Multnomah	51,598	3,505	55,104	49,371	3,138	52,509	4.9%
Washington	265,249	19,529	284,778	233,701	16,830	250,530	13.7%
Yamhill	212,641	46,372	259,013	178,549	39,364	217,913	18.9%
Willamette Valley	**944,165**	**332,223**	**1,276,390**	**842,155**	**290,712**	**1,132,867**	**12.7%**
Benton	82,282	15,686	97,968	69,929	12,831	82,760	18.4%
Lane	88,969	36,093	125,063	81,265	31,236	112,501	11.2%
Linn	210,697	68,883	279,581	182,351	58,872	241,223	15.9%
Marion	458,174	158,693	616,867	423,775	144,414	568,189	8.6%
Polk	104,043	52,868	156,911	84,835	43,359	128,194	22.4%
Northern Coast	**24,061**	**248,912**	**272,973**	**15,424**	**139,363**	**154,787**	**76.4%**
Clatsop	5,043	68,223	73,266	2,743	15,999	18,742	290.9%
Lincoln	13,407	47,898	61,305	8,150	3,780	11,930	413.9%
Tillamook	5,611	132,791	138,402	4,531	119,584	124,115	11.5%
Southern Coast	**27,903**	**71,424**	**99,327**	**21,216**	**21,686**	**42,901**	**131.5%**
Coos	15,599	55,521	71,120	12,081	18,188	30,268	135.0%
Curry	12,304	15,903	28,207	9,135	3,498	12,633	123.3%
Southern Oregon	**103,513**	**64,732**	**168,244**	**88,437**	**56,389**	**144,826**	**16.2%**
Douglas	47,803	31,364	79,167	36,621	25,415	62,036	27.6%
Jackson	44,476	23,146	67,622	42,739	21,898	64,637	4.6%
Josephine	11,234	10,222	21,455	9,077	9,076	18,153	18.2%
Central Oregon	**96,306**	**52,375**	**148,682**	**75,946**	**46,363**	**122,309**	**21.6%**
Crook	24,216	25,080	49,296	15,264	22,059	37,323	32.1%
Deschutes	14,015	11,349	25,365	11,677	10,178	21,855	16.1%
Jefferson	58,075	15,946	74,021	49,005	14,126	63,131	17.2%
Columbia Gorge	**276,708**	**33,402**	**310,110**	**231,408**	**31,744**	**263,153**	**17.8%**
Gilliam	25,509	10,115	35,624	16,141	9,523	25,664	38.8%
Hood River	78,904	400	79,304	87,198	400	87,598	-9.5%
Sherman	63,472	3,225	66,697	45,671	3,945	49,616	34.4%
Wasco	107,024	6,568	113,592	80,465	6,786	87,252	30.2%
Wheeler	1,799	13,094	14,893	1,933	11,090	13,023	14.4%
Northeast Oregon	**863,163**	**401,051**	**1,264,215**	**647,347**	**365,177**	**1,012,525**	**24.9%**
Baker	29,797	50,820	80,617	18,654	42,886	61,539	31.0%
Grant	9,712	45,076	54,789	6,558	39,524	46,082	18.9%
Morrow	308,274	168,858	477,132	223,228	172,578	395,806	20.5%
Umatilla	415,305	87,905	503,210	326,466	70,541	397,008	26.8%
Union	69,767	21,769	91,536	50,065	17,564	67,630	35.3%
Wallowa	30,308	26,623	56,931	22,376	22,084	44,460	28.0%
S Central/SE Oregon	**371,647**	**385,773**	**757,420**	**291,310**	**350,690**	**642,001**	**18.0%**
Harney	27734	55934	83668	21623	45757	67380	24.2%
Klamath	141795	141938	283733	88709	139281	227991	24.4%
Lake	58168	35706	93874	42851	30686	73537	27.7%
Malheur	143950	152195	296145	138127	134966	273093	8.4%

Source:Oregon Agricultural Information Network (OAIN). Extension Economic Information Office, Oregon State University.

Table O.8

Oregon's Public Elementary and Secondary School Enrollment Statistics

STATE/COUNTY	Enrollment Oct. 1, 2011	Enrollment Oct. 1, 2010	% change 2010-2011	2010 % receiving free or reduced price lunch	2010-2011 Operating expenditure per student
OREGON	**560,946**	**561,328**	**-0.1%**	**50.5%**	**$9,322**
Portland PMSA	**260,245**	**260,016**	**0.1%**	**44.4%**	**$9,293**
Clackamas	57,845	58,138	-0.5%	35.3%	$8,446
Columbia	8,142	8,244	-1.2%	42.8%	$8,568
Multnomah	92,251	91,879	0.4%	53.9%	$10,346
Washington	85,569	85,224	0.4%	39.0%	$8,879
Yamhill	16,438	16,531	-0.6%	51.4%	$8,923
Willamette Valley	**142,417**	**142,835**	**-0.3%**	**53.1%**	**$9,246**
Benton	8,635	8,791	-1.8%	37.4%	$9,597
Lane	45,329	45,486	-0.3%	51.5%	$9,490
Linn	21,559	21,406	0.7%	47.0%	$8,027
Marion	60,325	60,479	-0.3%	59.2%	$9,498
Polk	6,569	6,673	-1.6%	51.3%	$8,788
Northern Coast	**13,168**	**13,318**	**-1.1%**	**58.4%**	**$10,461**
Clatsop	4,853	4,898	-0.9%	51.5%	$10,620
Lincoln	5,083	5,181	-1.9%	62.9%	$9,750
Tillamook	3,232	3,239	-0.2%	61.6%	$11,360
Southern Coast	**11,619**	**10,940**	**6.2%**	**55.7%**	**$9,536**
Coos	9,243	8,471	9.1%	54.6%	$9,552
Curry	2,376	2,469	-3.8%	59.8%	$9,483
Southern Oregon	**53,617**	**54,049**	**-0.8%**	**57.3%**	**$8,982**
Douglas	14,448	14,699	-1.7%	59.7%	$9,270
Jackson	28,424	28,443	-0.1%	54.6%	$8,798
Josephine	10,745	10,907	-1.5%	60.8%	$9,070
Central Oregon	**30,935**	**30,863**	**0.2%**	**55.9%**	**$8,705**
Crook	3,010	2,932	2.7%	60.8%	$8,607
Deschutes	24,456	24,470	-0.1%	51.9%	$8,304
Jefferson	3,469	3,461	0.2%	79.6%	$11,622
Columbia Gorge	**8,372**	**8,207**	**2.0%**	**57.6%**	**$11,247**
Gilliam	267	247	8.1%	48.2%	$18,530
Hood River	4,076	3,989	2.2%	58.4%	$10,921
Sherman	231	234	-1.3%	54.7%	$18,115
Wasco	3,526	3,514	0.3%	57.4%	$10,216
Wheeler	272	223	22.0%	61.0%	$18,037
Northeast Oregon	**23,913**	**24,171**	**-1.1%**	**59.7%**	**$9,479**
Baker	2,356	2,354	0.1%	51.6%	$9,831
Grant	911	962	-5.3%	51.4%	$14,387
Morrow	2,366	2,389	-1.0%	69.4%	$10,731
Umatilla	13,658	13,736	-0.6%	63.4%	$8,792
Union	3,751	3,854	-2.7%	50.6%	$9,349
Wallowa	871	876	-0.6%	46.3%	$11,085
S Central/SEast Oregon	**16,660**	**16,929**	**-1.6%**	**64.8%**	**$10,429**
Harney	1,101	1,156	-4.8%	51.0%	$11,947
Klamath	9,524	9,664	-1.4%	66.5%	$10,035
Lake	1,085	1,068	1.6%	42.5%	$11,153
Malheur	4,950	5,041	-1.8%	69.4%	$10,685

Source: Oregon Department of Education

NOTE: Operating expenditure per student calculated by dividing school-year expenditure by October 1 enrollment count. County/region total do not add to the state total due to county not assigned cases.

Table O.9

2011 Annual Average Covered Employment

		Region								
Employment	Oregon	Portland 5-County	Willamette Valley	Northern Coast	Southern Coast	Southern Oregon	Central Oregon	Columbia Gorge	Northeast Oregon	S Central/SE Oregon
Natural Resources & Mining	50,372	12,179	16,528	1,608	1251	4,497	1,684	4,228	5,248	3,040
Construction	72,612	39,061	16,212	1,702	1,064	5,202	3,516	897	2,101	1,232
Manufacturing	167,816	99,027	33,773	4,190	2,019	12,528	5,330	1,777	6,256	2,770
Trade, Transportation, & Utilities	326,154	174,307	65,514	7,870	5,637	29,255	14,658	4,617	10,548	8,196
Information	33,316	20,363	5,830	395	311	2,315	1,602	238	512	383
Financial Activities	81,428	50,540	15,165	1,414	1,011	5,583	3,310	607	1,508	1,121
Professional & Business Services	191,637	120,697	32,933	2,096	2,555	10,905	7,057	1,847	3,676	2,823
Education & Health Services	368,650	183,610	93,082	7,942	7,054	34,063	15,320	5,651	11,317	9,467
Leisure & Hospitality	174,431	86,323	35,157	9,930	3,907	15,395	10,803	3,505	5,002	4,098
Other Services	62,544	33,223	13,856	1,683	861	5,089	2,724	689	1,561	1,204
Government	87,008	31,434	29,110	3,005	1,837	6,764	4,584	1,102	4,963	4,194
Total	1,616,622	851,063	357,242	41,843	27,511	131,623	70,628	25,164	52,706	38,535
Distribution										
Natural Resources & Mining	3.1%	1.4%	4.6%	3.8%	4.5%	3.4%	2.4%	16.8%	10.0%	7.9%
Construction	4.5%	4.6%	4.5%	4.1%	3.9%	4.0%	5.0%	3.6%	4.0%	3.2%
Manufacturing	10.4%	11.6%	9.5%	10.0%	7.3%	9.5%	7.5%	7.1%	11.9%	7.2%
Trade, Transportation, & Utilities	20.2%	20.5%	18.3%	18.8%	20.5%	22.2%	20.8%	18.3%	20.0%	21.3%
Information	2.1%	2.4%	1.6%	0.9%	1.1%	1.8%	2.3%	0.9%	1.0%	1.0%
Financial Activities	5.0%	5.9%	4.2%	3.4%	3.7%	4.2%	4.7%	2.4%	2.9%	2.9%
Professional & Business Services	11.9%	14.2%	9.2%	5.0%	9.3%	8.3%	10.0%	7.3%	7.0%	7.3%
Education & Health Services	22.8%	21.6%	26.1%	19.0%	25.6%	25.9%	21.7%	22.5%	21.5%	24.6%
Leisure & Hospitality	10.8%	10.1%	9.8%	23.7%	14.2%	11.7%	15.3%	13.9%	9.5%	10.6%
Other Services	3.9%	3.9%	3.9%	4.0%	3.1%	3.9%	3.9%	2.7%	3.0%	3.1%
Government	5.4%	3.7%	8.1%	7.2%	6.7%	5.1%	6.5%	4.4%	9.4%	10.9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Oregon Employment Department

Note: Employment includes only covered employment.

Oregon total includes multi-county employment not shown in individual regions.

Total includes a small number of non-classifiable jobs not shown in individual industries.

Definition of regions:

Portland 5-County: Clackamas, Columbia, Multnomah, Washington, and Yamhill counties

Willamette Valley: Benton, Lane, Linn, Marion, and Polk counties

North Coast: Clatsop, Lincoln, and Tillamook counties

South Coast: Coos and Curry counties

Southern: Douglas, Jackson, and Josephine counties

Gorge: Gilliam, Hood River, Sherman, Wasco, and Wheeler counties

Central: Crook, Deschutes, and Jefferson counties

Northeast: Baker, Grant, Morrow, Union, Umatilla, and Wallowa counties

South Central-SE: Harney, Klamath, Lake, and Malheur counties