



Oregon Department of Administrative Services

Office of Economic Analysis
155 Cottage Street NE, U20
Salem, Oregon 97301-3966

News Release

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Contact: Joshua Lehner, Economist, OEA
503-378-4052
Joshua.lehner@state.or.us

Economic forecast 'marginally more pessimistic' than September
Revenue growth in 2011 expected to slow sharply next year

Salem—Interim Oregon State Economist Mark McMullen released the quarterly economic and revenue forecast today, which shows that many of the factors supporting Oregon's strong 2011 revenue gains will go away, and revenue growth in 2012 will slow sharply. Income tax collections are expected to increase by roughly \$600 million over the current biennium, matching the growth seen in fiscal year 2011. As such, the current outlook is only marginally more pessimistic than the September forecast.

The forecast for General Fund revenues for 2011-13 is now \$13.7 billion — a decrease of \$84.3 million (-0.6%) from the September 2011 forecast.

Personal income tax collections were \$1.24 billion for the first quarter of fiscal year 2012, \$28.9 million (2.0%) above the latest forecast. Compared to the year-ago level, total personal income tax collections were up 12.0% relative to a forecast of 9.8% growth.

“Although personal income tax collections have been tracking ahead of projections for several months, the forecast for total personal income tax receipts during the current biennium was reduced by \$34 million from the September forecast,” McMullen told the Legislature in his report. “This small revision can be traced to weaker expectations for growth, and disappointing recent job counts.”

Corporate income taxes equaled \$121 million for the first quarter of fiscal year 2012, \$12 million below the September forecast. Quarterly corporate receipts were 7.9% lower than figures from a year ago. With collections tracking behind the forecast, and a weaker profit outlook, particularly among financial institutions, the decline in corporate income taxes is now expected to be more pronounced. As a result, the September outlook for 2011-13 was revised downward by \$54 million (6.2%).

Despite external factors such as the unfolding recession in Europe, Oregon is growing, due in large part to healthy gains in business investment and exports. Even so, the economic expansion continues to disappoint by historical standards. Spending and hiring will remain constrained for some time as households repair their balance sheets and governments make do with fewer resources. The Office of Economic Analysis is not forecasting a recession for the Oregon economy; nevertheless, contingency planning remains a must.

The full Oregon Economic and Revenue Forecast is available at:
<http://oregon.gov/DAS/OEA/index.shtml>.