

C. Western Region

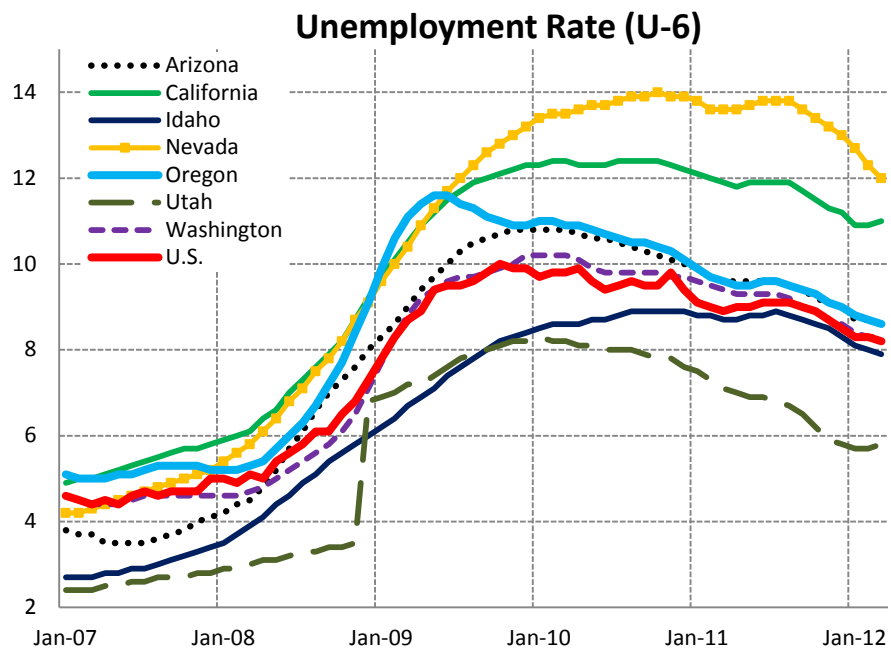
This section of the June 2012 forecast examines the economies of seven western states and their relative performance to the U.S. overall. Gauging the health of local economies is important for business planning purposes and looking at a wide range of data points can be useful. Below, you will find tables analyzing how Oregon's economy is fairing compared to the following western states: Arizona, California, Idaho, Nevada, Utah and Washington.

A little over three years removed from the depths of the 2008 recession, the regional economy is pushing forward cautiously. Below are data tables, graphs, and accompanying descriptions covering six important state-level economic indicators: employment, state coincident indexes which are a more complete measure of labor market health, state leading indexes, housing prices, exports, and tax revenue.

Graph W.1

Employment

The 2007-09 recession raised the unemployment rate in all western states to 30-year highs, and the subsequent labor market recovery has been lackluster. Currently, at 8.6 percent in March, Oregon is tied with Arizona has the 3rd highest seasonally adjusted unemployment rate of the seven Western states (U.S. rate is 8.2%). See Graph W.1.



Nearly all employment sectors showed positive growth on the year (Q1 2011 to Q1 2012), with the exception of the public sector which declined in all Western states except Arizona and Utah. The strongest growing employment sectors in Oregon are wholesale trade and education and health services.

Coincident Index

One useful local economic summary measure is the State Coincident Index, produced by the Federal Reserve Bank of Philadelphia. Each month the bank compiles and indexes data for each state that combines nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. As a coincident index, the data is designed to report current economic conditions on a monthly basis, and is not a leading or a lagging indicator.

The economic activity go-light is on for Oregon, its neighbors and all states across the country (see Figure W.1). Of the seven western states, three ranked in the highest bracket for coincident improvement over the first quarter of 2012. California, Washington and Utah placed in the second highest bracket while Nevada was the only western state in the third level. Over the past three months, as of March, every single state improved. Over the past one month, 48 improved, 1 was unchanged, and 1 declined. On a quarterly basis, Oregon's growth ranked 16th best nationally, but trailed California, Idaho, Utah and Washington among western states. On a year-over-year basis, Oregon's growth ranked 19th best nationally and outpaced all western states. Examining the monthly data reveals Oregon's coincident index improving strongly to end 2011, driven by increases in hours worked among manufacturing employees and a decline in the unemployment rate.

Figure W.1

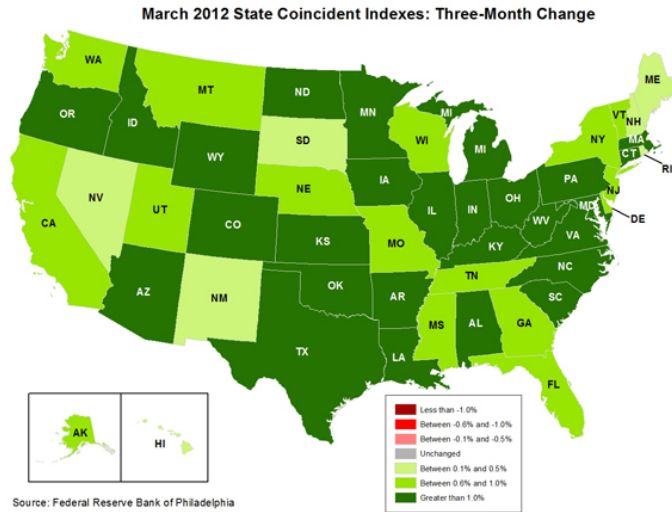


Table W.2

Economic Coincident Index for 2012 Q1

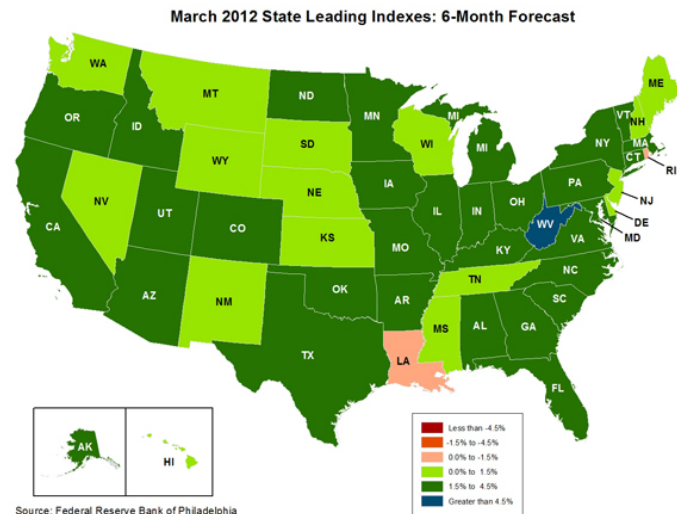
	Index Value	Q/Q Percent Change (AR)	Y/Y Percent Change	5 Year Percent Change
Arizona	178.38	1.9%	1.7%	-12.0%
California	153.11	4.1%	3.3%	-0.7%
Idaho	189.93	5.0%	1.8%	-13.1%
Nevada	177.88	2.8%	0.8%	-23.8%
Oregon	189.45	3.2%	3.4%	-4.0%
Utah	186.06	4.6%	3.1%	-1.8%
Washington	151.42	5.0%	2.9%	-2.9%
United States	154.49	2.9%	2.9%	-1.1%

Source: Federal Reserve Bank of Philadelphia, Index = 100 in July 1992

Leading Indexes

The leading index is also compiled monthly by the Federal Reserve Bank of Philadelphia and is designed to predict the six-month growth rate of each state's coincident index. In addition to the coincident index components, the leading index includes state-level housing permits, initial unemployment insurance claims, delivery times from the Institute of Supply Management's manufacturing survey, and the interest rate spread between the 10-year and 3-month treasuries.

Figure W.2



In March, 48 states' leading indexes are positive, indicating future growth over the coming six months. Only Louisiana and Rhode Island's indexes are negative. Oregon's leading index is projecting 1.8 percent growth over the next six months, which ranks slightly ahead of the nation's projected growth of 1.7 percent. Arizona (2.3 percent) and Idaho (3.4 percent) are expected to grow quicker, while Nevada (1.2 percent), Utah (1.6 percent) and Washington (1.4 percent) are projected to grow somewhat slower than Oregon and the nation.

Housing Price Index

One of the 2008 recession's salient features was a brutal decline in home prices and new construction. The property market crash has weighed heavily on housing related employment, and has also caused large drops in consumer wealth (restraining household spending), and reduced the collateral available for entrepreneurship. Multiple levels of government stepped in to prop up housing prices (re-zoning, encouraging immigration, house owner assistance, etc.), but not until recently have the western states' real-estate markets begun to reverse their declining trend. Table W.3 shows the Federal Housing Finance Agency's home price index for each western state. Graph W.2 shows the FHFA Housing Price Index for each of the western states since 2000. While the data is typically indexed to 1991, for graphing purposes, the data is indexed 2000 = 100 to illustrate the home price changes over the past decade.

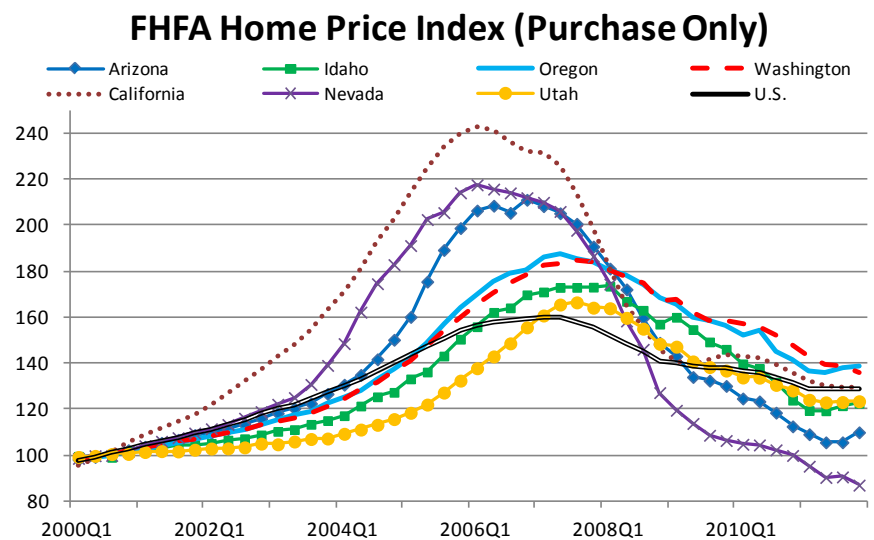
Table W.3

Housing Price Index (2011 Q4)

	Index Value	Q/Q Percent Change (AR)	Y/Y Percent Change	Percent Change Since Peak
Arizona	166.83	17.5%	-2.3%	-47.9%
California	151.19	0.8%	-4.6%	-46.7%
Idaho	186.14	3.6%	-1.1%	-29.3%
Nevada	109.60	-14.9%	-12.9%	-60.0%
Oregon	250.77	2.4%	-2.0%	-26.1%
Utah	238.39	1.1%	-3.7%	-25.8%
Washington	205.62	-8.0%	-8.3%	-26.6%
United States	180.27	-0.4%	-2.4%	-19.7%

Source: Federal Housing Finance Agency (FHFA)

Graph W.2



The western states' real estate decline can be divided into two groups (see table W.3 above). One group (Arizona, Nevada, and California) experienced a very steep and deep decline. The other four western states declined more gradually and less overall. Oregon posted the strongest third quarter of all the western states which helped make our annual decline the second smallest.

Exports

The global recession caused a sharp decline in international trade throughout late 2008 and early 2009. However, exports have since rebounded strongly for all western states. For 2011, only Oregon lagged behind with single digit export growth, due to declines in high technology products, as discussed in the previous section. All Oregon exports except computer and electronic products increased 19.5 percent in 2011. High tech accounts for 40 – 45% of Oregon’s export market (by value) which shows why overall exports are lagging despite robust growth in every other major export industry. Even with the robust increases of recent months, the western states’ exports are still slightly below their peak level in 2008.

Table W.4

Total Exports (2011 Total)		
	Exports (\$ mill)	Y/Y Percent Change
Arizona	\$17,501	11.9%
California	\$159,354	11.3%
Idaho	\$5,898	14.4%
Nevada	\$7,978	34.9%
Oregon	\$18,292	3.5%
Utah	\$19,010	37.7%
Washington	\$64,632	21.1%
United States	\$1,480,552	15.8%

Source: *WiserTrade*, April 2012

Tax Revenue

After being hit hard by the Great Recession, state and local tax revenues have now grown for seven consecutive quarters across the Western states. Note that both Arizona and California have had recent tax law changes, which are the likely cause of their year-over-year declines in revenue. Given that federal stimulus funds are dwindling rapidly, local revenue growth is imperative for the health of local and state governments to maintain services to its citizens.

Nonetheless, state employment fell in 2011 by the largest percentage in any year since data collection began in 1955. Local government employment has also declined for

Table W.5

State and Local Tax Revenue (2011 Q4)							
	Arizona	California	Idaho	Nevada	Oregon	Utah	Washington
Total Taxes	2,886,852	25,556,383	802,020	1,994,511	2,014,542	1,348,914	3,969,171
Y/Y Percent Change	-3.0%	-8.5%	3.7%	37.3%	5.8%	3.2%	1.6%
Property tax	193,653	450,066	X	86,732	6,229	X	202,321
Y/Y Percent Change	-7.3%	-43.7%	X	-8.9%	-36.7%	X	5.9%
General sales and gross receipts	1,130,841	7,513,293	296,105	1,112,323	X	440,640	2,600,148
Y/Y Percent Change	-16.1%	-8.0%	2.5%	69.3%	X	0.0%	-0.1%
Motor fuel sales taxes	199,140	1,409,739	60,891	100,641	123,570	100,911	287,536
Y/Y Percent Change	-2.1%	-3.3%	-6.1%	28.3%	22.4%	5.8%	20.9%
Alcoholic beverages	17,052	87,330	1,946	13,677	4,756	6,831	83,129
Y/Y Percent Change	5.3%	1.2%	-1.3%	33.6%	10.8%	-32.4%	3.7%
Public utilities	5,307	126,098	675	6,736	686	5,820	97,715
Y/Y Percent Change	-11.7%	-17.4%	107.1%	-10.4%	-76.0%	-18.7%	-7.0%
Insurance	109,493	606,914	8,716	62,288	23,680	24,318	99,616
Y/Y Percent Change	-0.3%	10.6%	0.2%	1.6%	10.8%	-7.8%	1.7%
Tobacco products	80,514	263,767	12,096	36,496	62,943	33,083	116,572
Y/Y Percent Change	0.6%	14.5%	-3.9%	32.5%	-5.8%	-19.3%	-7.2%
Amusements	3,045	X	X	18,315	6	X	0
Y/Y Percent Change	2139.0%	X	X	26.2%	-40.0%	X	NA
Motor vehicles	43,262	777,239	30,541	52,324	2,754	74,159	113,824
Y/Y Percent Change	-11.8%	4.4%	1.6%	38.7%	-98.0%	100.9%	3.2%
Corporations in general	2,358	13,229	456	21,413	6,144	127	7,294
Y/Y Percent Change	-68.2%	-10.8%	-1.1%	25.9%	1.5%	-86.3%	0.8%
Occupation and business licenses	30,414	1,016,274	15,923	162,850	92,896	12,088	60,093
Y/Y Percent Change	6.9%	-8.4%	3.4%	6.0%	-28.9%	5.7%	5.0%
Individual income taxes	873,595	11,271,720	305,851	X	1,403,230	574,222	X
Y/Y Percent Change	7.5%	-7.6%	6.0%	X	10.1%	0.5%	X
Corporation net income taxes	149,246	1,773,409	37,834	X	89,878	27,278	X
Y/Y Percent Change	83.3%	-18.1%	38.5%	X	-15.9%	12.6%	X

Source: *U.S. Census Bureau* (\$ 000s)

3 consecutive years, whereas it has only declined in six total years since 1955.