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News Release

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Oregon's economy begins to strengthen, State Economist says
State revenues remain flat, despite some job growth, Tom Potiowsky says

Salem—Oregon State Economist Tom Potiowsky released his quarterly economic and revenue forecast Tuesday, which shows some strong job growth in the state's service sector but a persistent unemployment rate of 10.6 percent overall.

The outlook for state general fund revenues for the 2009-11 biennium is little changed from the last quarterly forecast. Tax collections will likely expand at a stronger rate over the next several months as personal incomes continue to recover from the recession. Potiowsky predicted that general fund revenues for 2009-11 will be \$12.4 billion, which is a very slight increase of \$3.3 million over the previous forecast in December. Still, general fund revenues for 2009-11 will end up about \$1.1 billion below the "Close of Session" forecast issued as the legislature adjourned in 2009.

"The prolonged plunge in personal income taxes, particularly those related to nonwage forms of income, accounts for most of the decrease," Potiowsky told the legislature in his report.

Corporate profits have risen rapidly throughout much of the current biennium, as have the tax collections associated with the rise, Potiowsky noted. The projected total revenue from corporate income taxes for the biennium is \$9.7 million above the Close of Session forecast, but still below the 2-percent threshold that would trigger a corporate kicker during the 2011-13 biennium.

On the economic front, Potiowsky warned of risks facing Oregon, particularly any weakening of the country's trade with China, which could affect Oregon's exports.

"Housing remains one of the key risks for this year as the oversupply still has room to decline," Potiowsky said. "Oregon will benefit if business outlooks improve and our traded industries find greater demand for their goods and services. Stronger growth in

consumer spending will spill over into Oregon's businesses, with further expansions and hiring."

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