



REGIONAL PERSPECTIVES

Oregon Economic Outlook



J.P.Morgan

Economic Forecast

OUTPUT AND EMPLOYMENT

	2007	2008	2009	2010	2011	2012	2013	2014
United States								
Real GDP								
\$ billions (fourth quarter)	\$13,326	\$12,884	\$12,873	\$13,181	\$13,441	\$13,739	\$14,203	\$14,771
% change over the four quarters	2.2%	-3.3%	-0.1%	2.4%	2.0%	2.2%	3.4%	4.0%
Nonfarm employment								
Job count (fourth quarter)	137,885,333	135,087,333	129,447,000	130,225,667	131,985,000	133,880,120	135,600,470	137,918,040
% change over the four quarters	0.9%	-2.0%	-4.2%	0.6%	1.4%	1.4%	1.3%	1.7%
Average monthly change	98,778	-233,167	-470,028	64,889	146,611	157,927	143,363	193,131
Oregon								
Real GDP								
\$ billions (fourth quarter)	\$163	\$170	\$165	\$178	\$186	\$190	\$195	\$202
% change over the four quarters	3.7%	1.5%	0.8%	6.8%	3.6%	2.2%	3.3%	3.8%
Nonfarm employment								
Job count (fourth quarter)	1,736,533	1,687,067	1,592,067	1,608,133	1,620,100	1,642,577	1,661,488	1,686,965
% change over the four quarters	1.1%	-2.8%	-5.6%	1.0%	0.7%	1.4%	1.2%	1.5%
Average monthly change	1,589	-4,122	-7,917	1,339	997	1,873	1,576	2,123

WHAT THE TABLE SHOWS:

- Oregon's GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state's GDP share.
- Oregon's economy has been on a tear for the past couple of years although its job market has recovered more gradually.

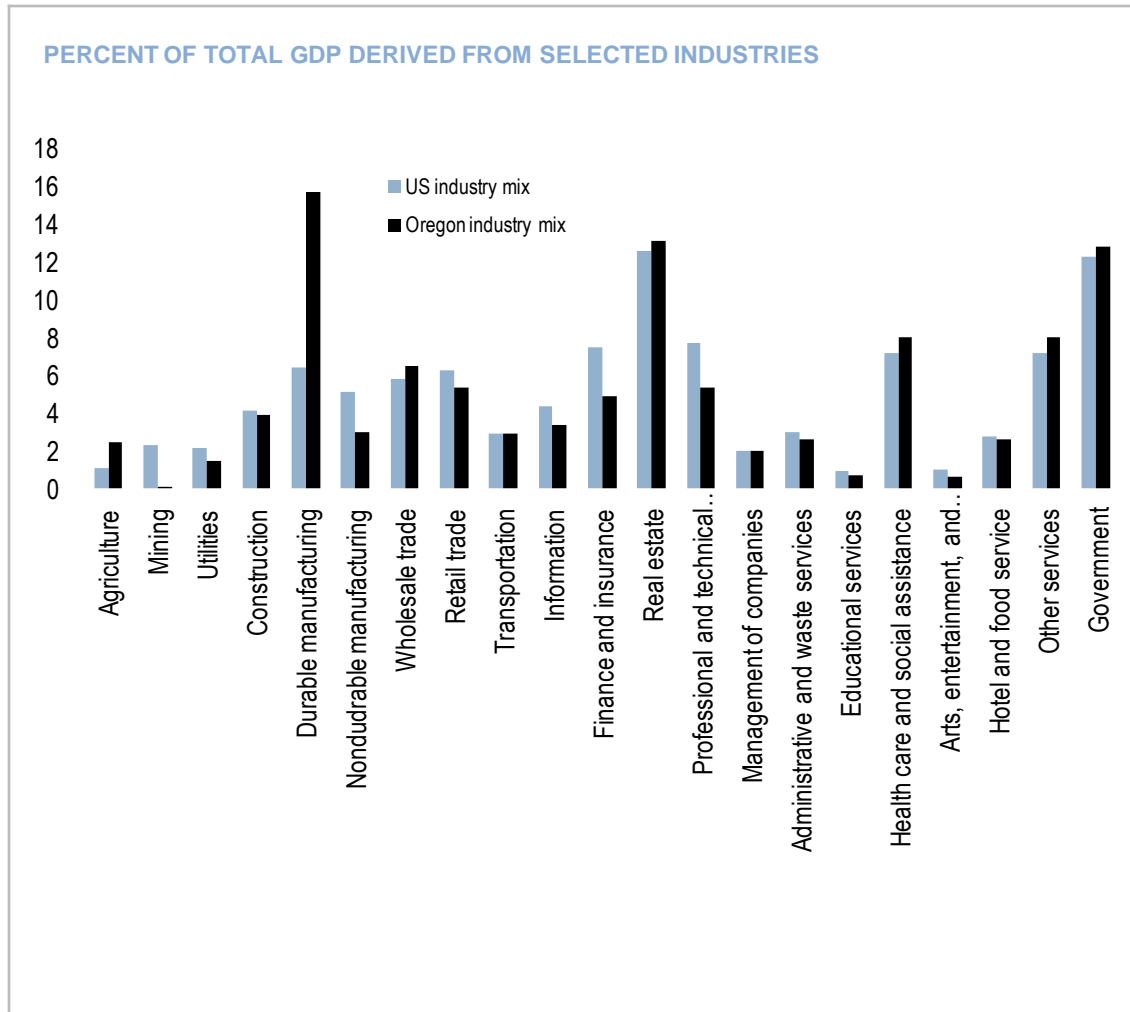
KEY MESSAGES:

- The pace of Oregon's recovery is forecast to slow a bit, but to remain solid.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce;
US Department of Labor.

The Economy's Structure



WHAT THE CHART SHOWS:

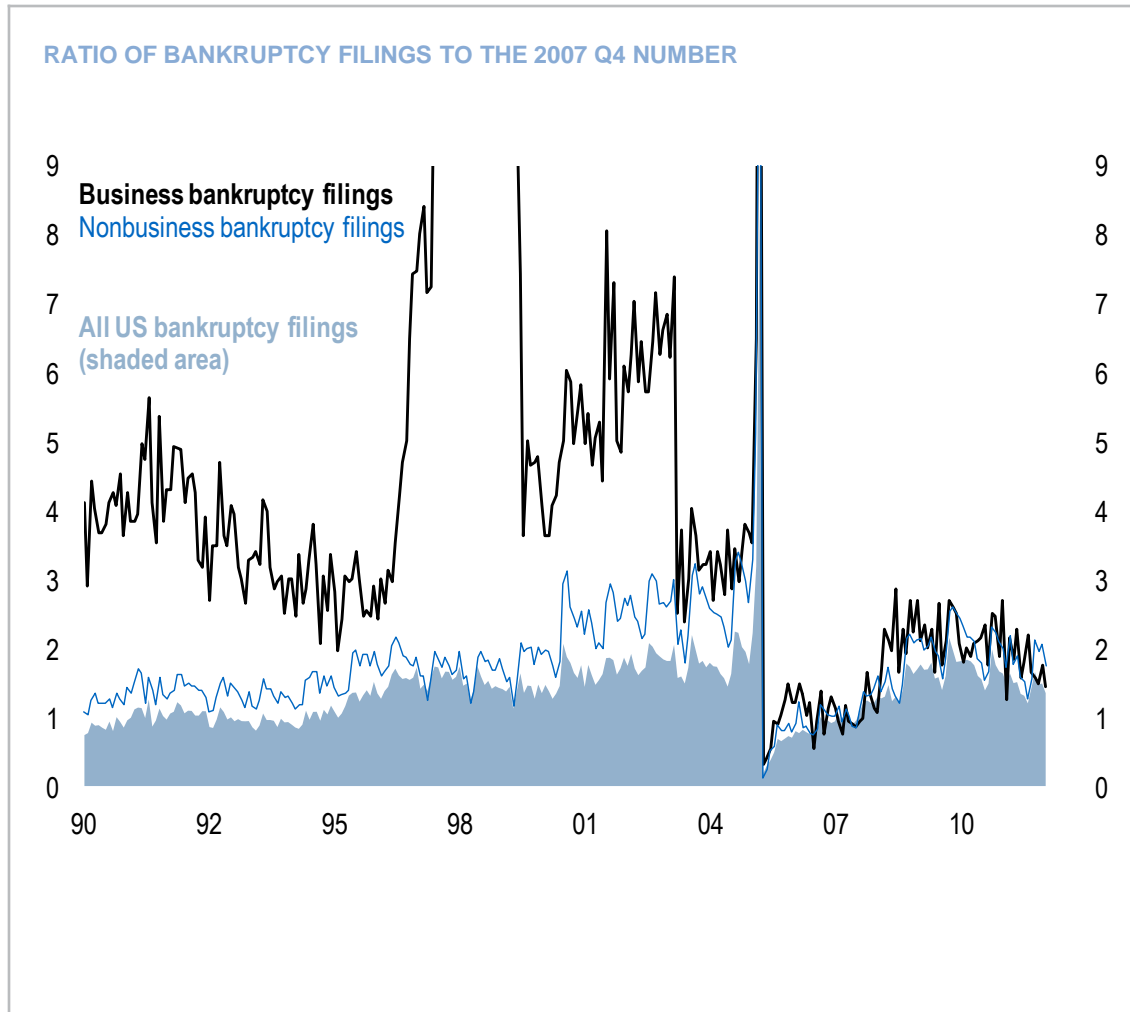
- The relative importance of selected industries to the state's economy, compared with the size of that industry's national footprint (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- Durable manufacturing has an outsized footprint in Oregon's economy, leaving the state vulnerable especially to the volatility in the home building industry.

KEY MESSAGES:

- The depressed national housing sector is taking a toll on Oregon's manufacturing businesses.

Source: US Department of Commerce. Updated through 2008.

Bankruptcies



WHAT THE CHART SHOWS:

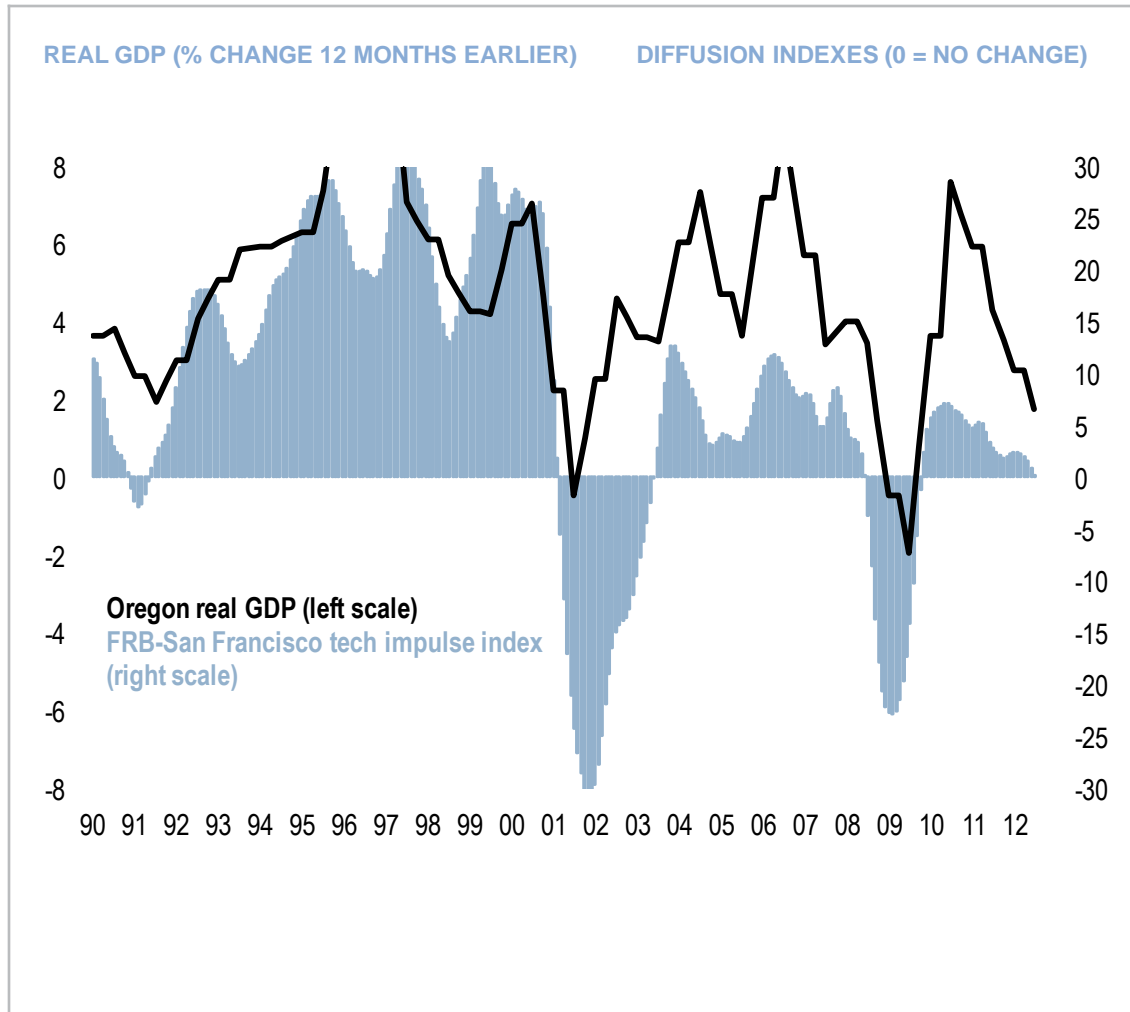
- The ratio of bankruptcy filing by businesses and persons to filings in 2007 Q4.
- Financial stress is up, but remains quite subdued by the state's historical experience.

KEY MESSAGES:

- Indicators of financial stress are a useful coincident indication of economic distress.
- Financial strains appear relatively moderate.

Source: Administrative Office of the U.S. Courts; Updated through June 2012 (state) and September 2012 (national).

FRB SF Business Survey



WHAT THE CHART SHOWS:

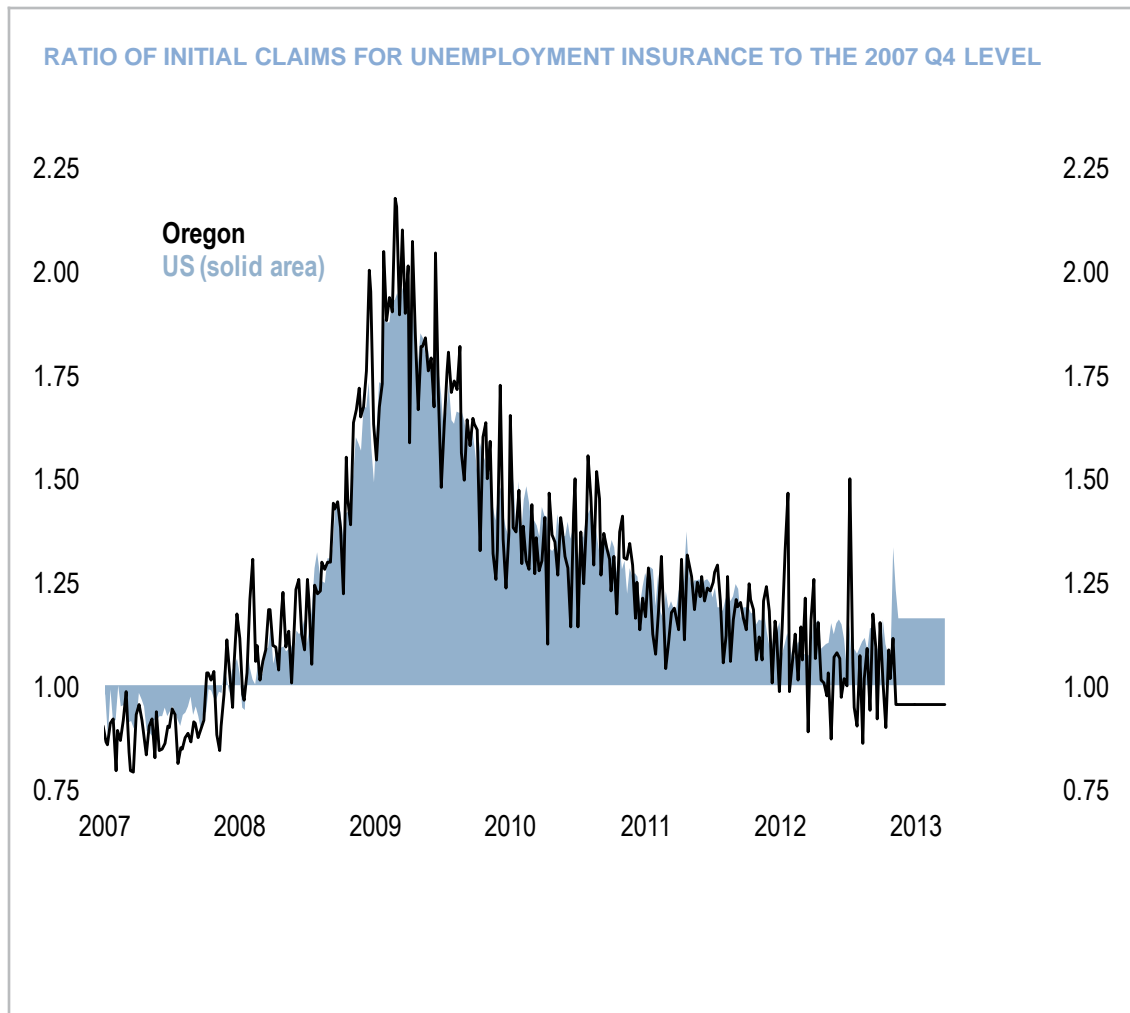
- The San Francisco Federal Reserve Bank survey of local businesses has recovered from last summer's lull, and that is a positive omen for the economy's future.
- The index readings represent the net difference in the percent expecting improving conditions and those expecting worsening conditions.
- The survey is picking up new strength in recent months.

KEY MESSAGES:

- The business outlook remains favorable in California.

Sources: Federal Reserve Bank of San Francisco; US Department of Commerce. Updated through October 2012 (surveys) and 2012 Q3 (GDP).

Initial Jobless Claims



WHAT THE CHART SHOWS:

- The figure tracks layoffs in Oregon and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs are down significantly, to pre-recession levels.

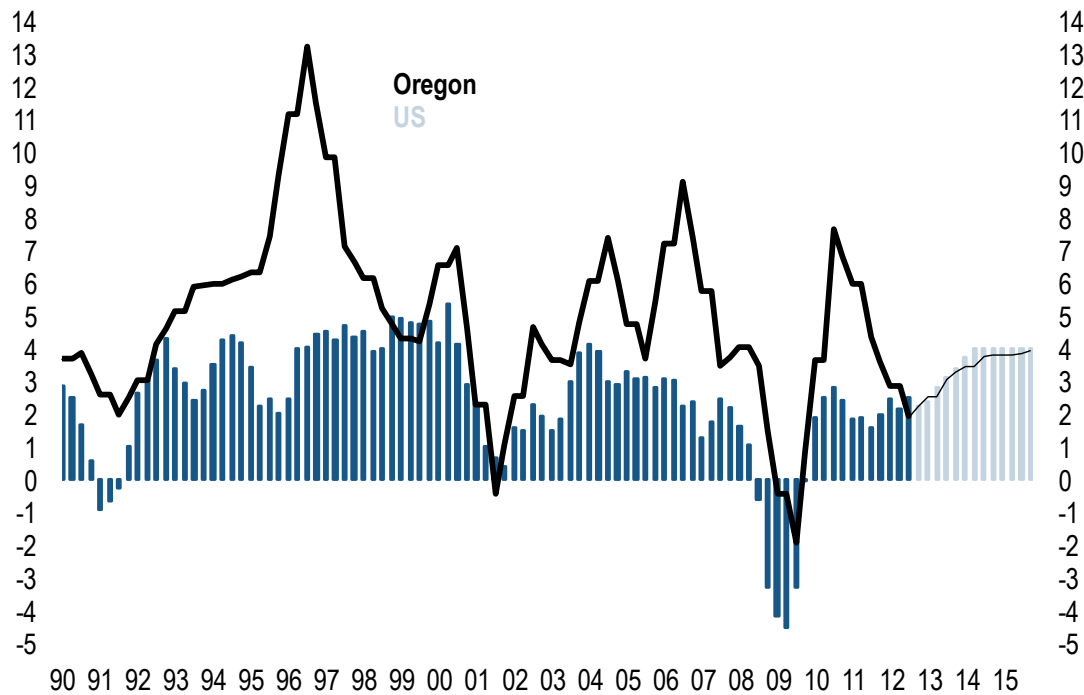
KEY MESSAGES:

- Weekly jobless claims figures are reported on a timely basis and so will signal a real-time shift in economic activity.
- Oregon's economy seems to be on the move.

Source: US Department of Labor. Updated through November 17, 2012 (state) and November 24, 2012 (US).

Economic Growth

REAL GDP GROWTH (PERCENT CHANGE FROM FOUR QUARTERS EARLIER)



WHAT THE CHART SHOWS:

- Real GDP growth in Oregon (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- Oregon's economy surged in the early quarters of the recovery.

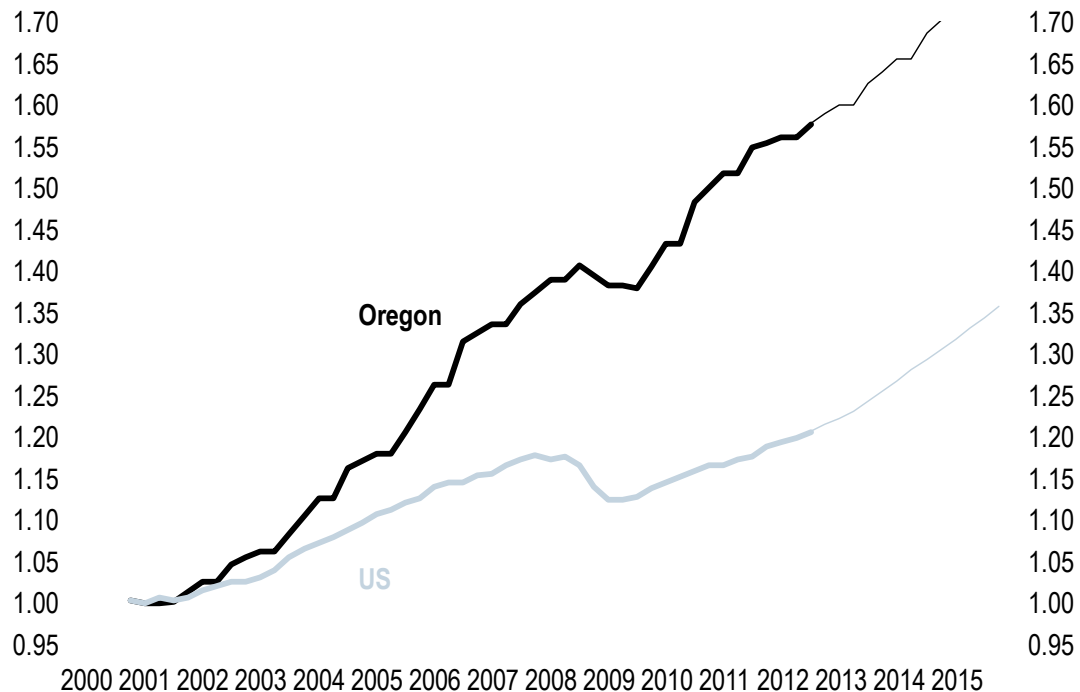
KEY MESSAGES:

- Oregon's economy is expected to speed up in 2013.

Source: US Department of Commerce. Updated through 2012 Q3.

Economic Output

REAL GDP LEVEL (RATIO TO 2000 Q4)



WHAT THE CHART SHOWS:

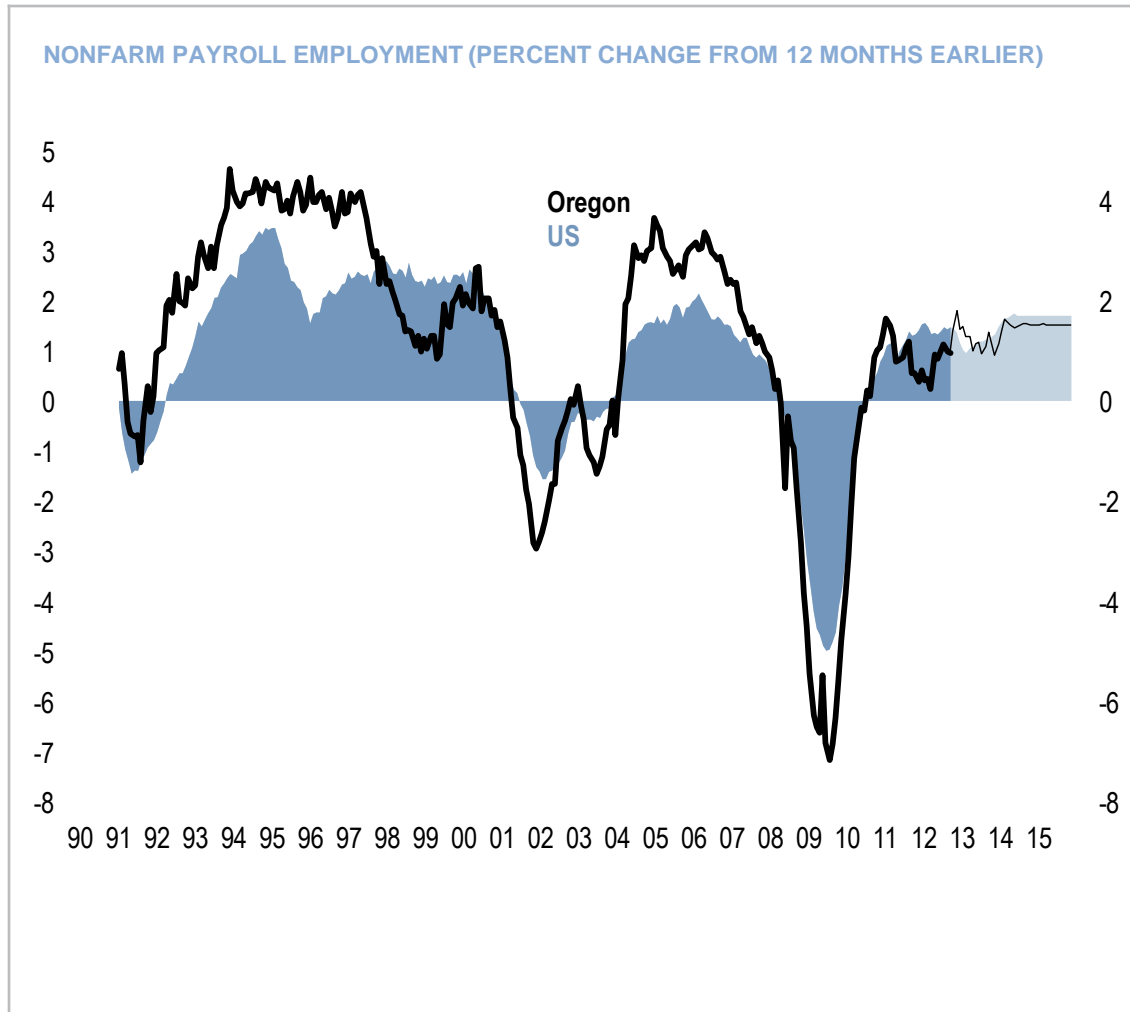
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- Oregon's economy led the national recovery by an ever-increasing margin. Output rose a cumulative 40 percent by 2007 since the peak of the previous expansion and has only given back a portion of that performance.

KEY MESSAGES:

- Oregon's economy is on the mend and is on a more solid track than is generally recognized.

Source: US Department of Commerce. Updated through 2012 Q3.

Employment Growth



WHAT THE CHART SHOWS:

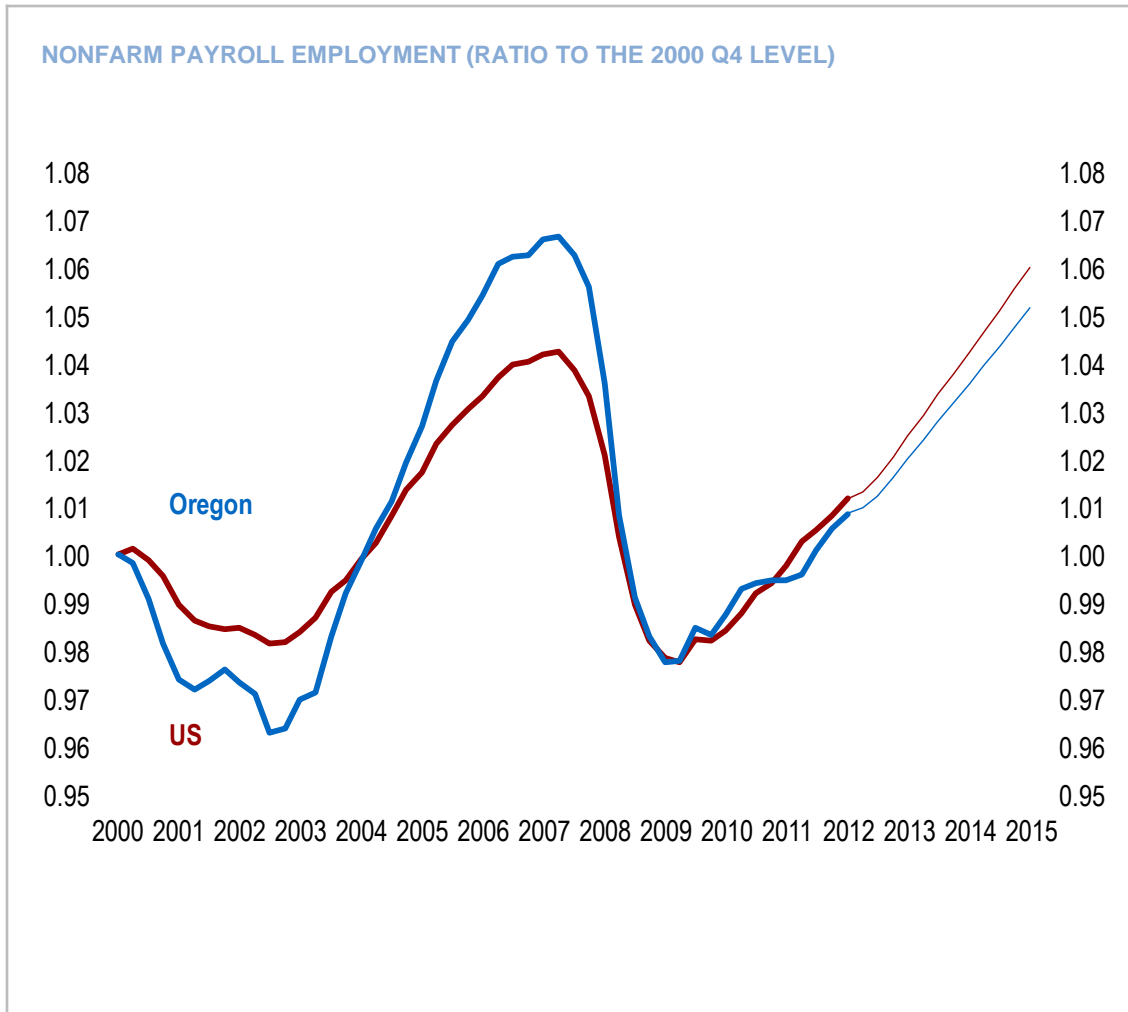
- Oregon's employment trend, compared with the nation's.
- Reflecting the economic boom, the state's job growth surpassed the national pace for most of the 2000s but then employment contracted sharply in the recession.
- Oregon's job markets are on the mend, although they have lost some momentum in recent months.

KEY MESSAGES:

- Businesses are expected to continue to hire going forward.

Source: US Department of Labor. Updated through October 2012.

Employment in Relative Terms



WHAT THE CHART SHOWS:

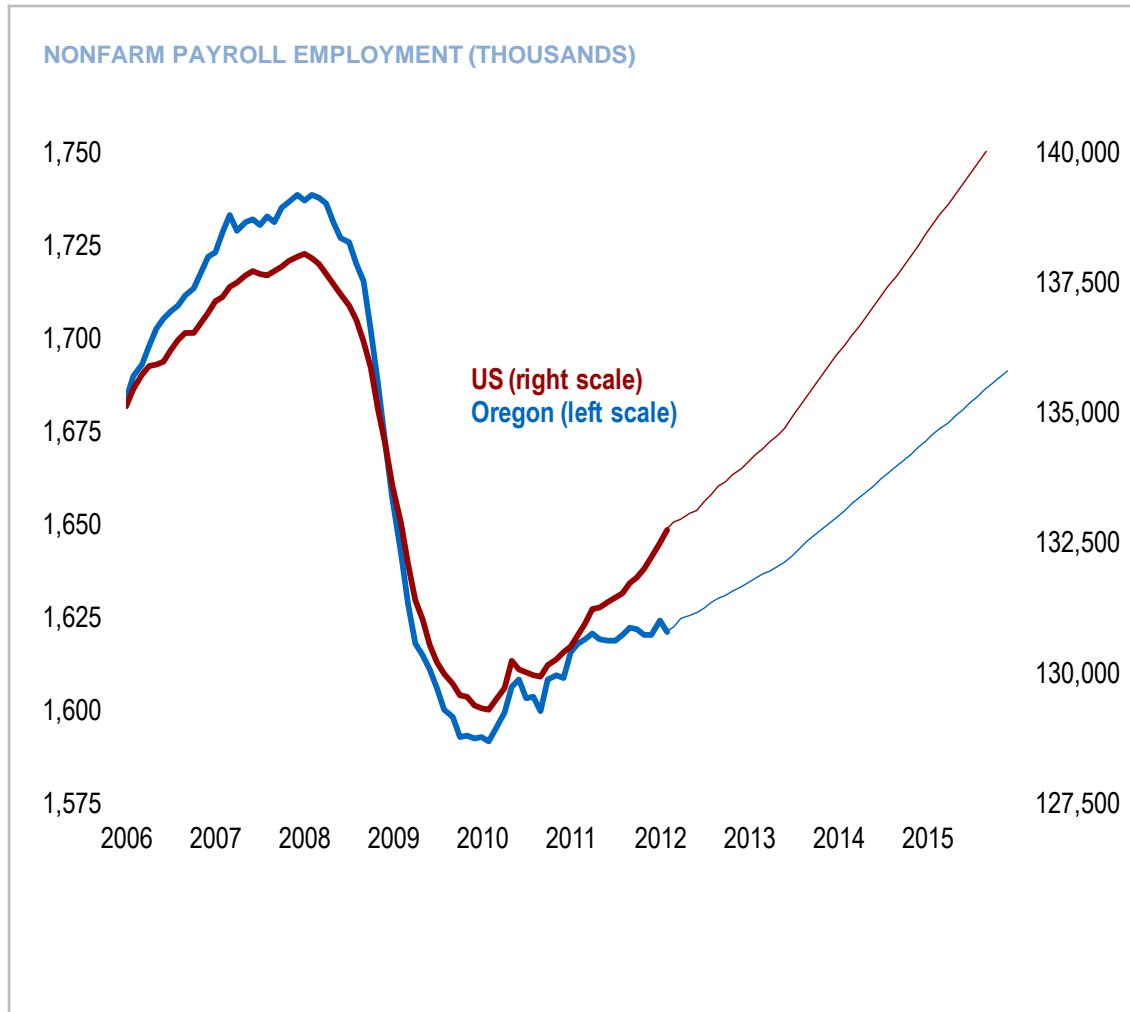
- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- Oregon's job market recovery is paralleling the nation's.

KEY MESSAGES:

- Oregon's economy is on the mend, judging by recent employment trends.

Source: US Department of Labor. Updated through October 2012.

Employment in Absolute Terms



WHAT THE CHART SHOWS:

- Trends in the actual employment count in the state (left scale) and the level of employment in the overall economy (right scale).
- In proportionate terms, the recession was a bit harsher for Oregon than for the nation as a whole, reflecting the disproportionate impact on the state's important building-related businesses.
- Oregon's job base is largely tracking the national trend.

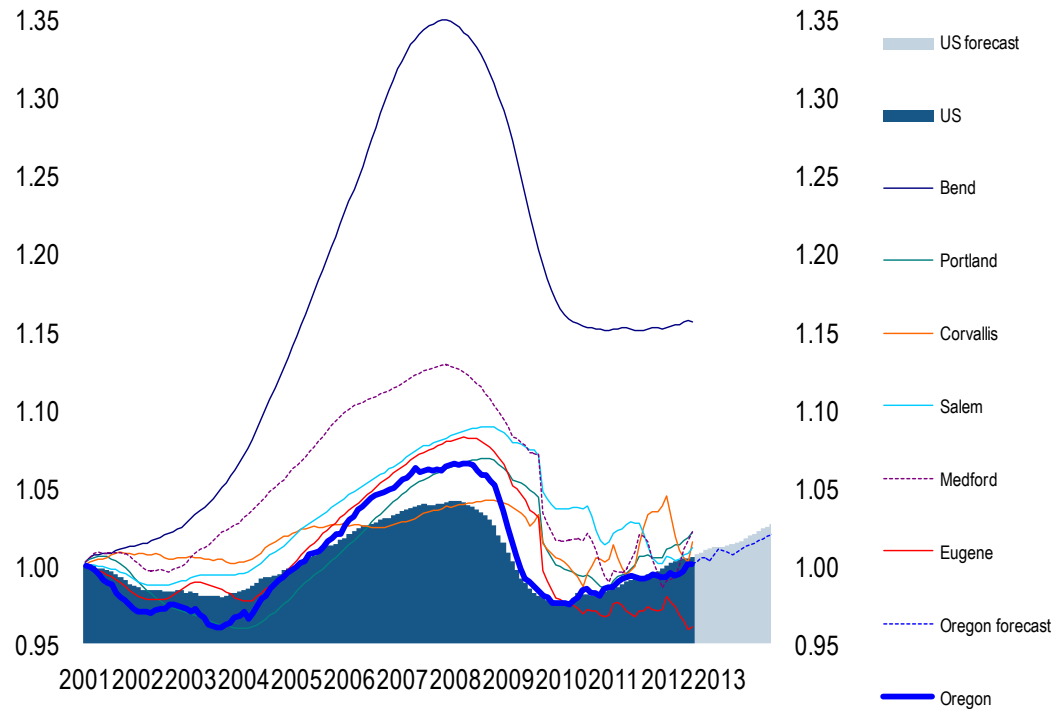
KEY MESSAGES:

- The job market recovery is likely to continue to track the national trend in 2013.

Source: US Department of Labor. Updated through October 2012.

Intrastate Employment

NONFARM PAYROLL EMPLOYMENT IN SELECTED COMMUNITIES (RATIO TO 2000 Q4 LEVEL)



WHAT THE CHART SHOWS:

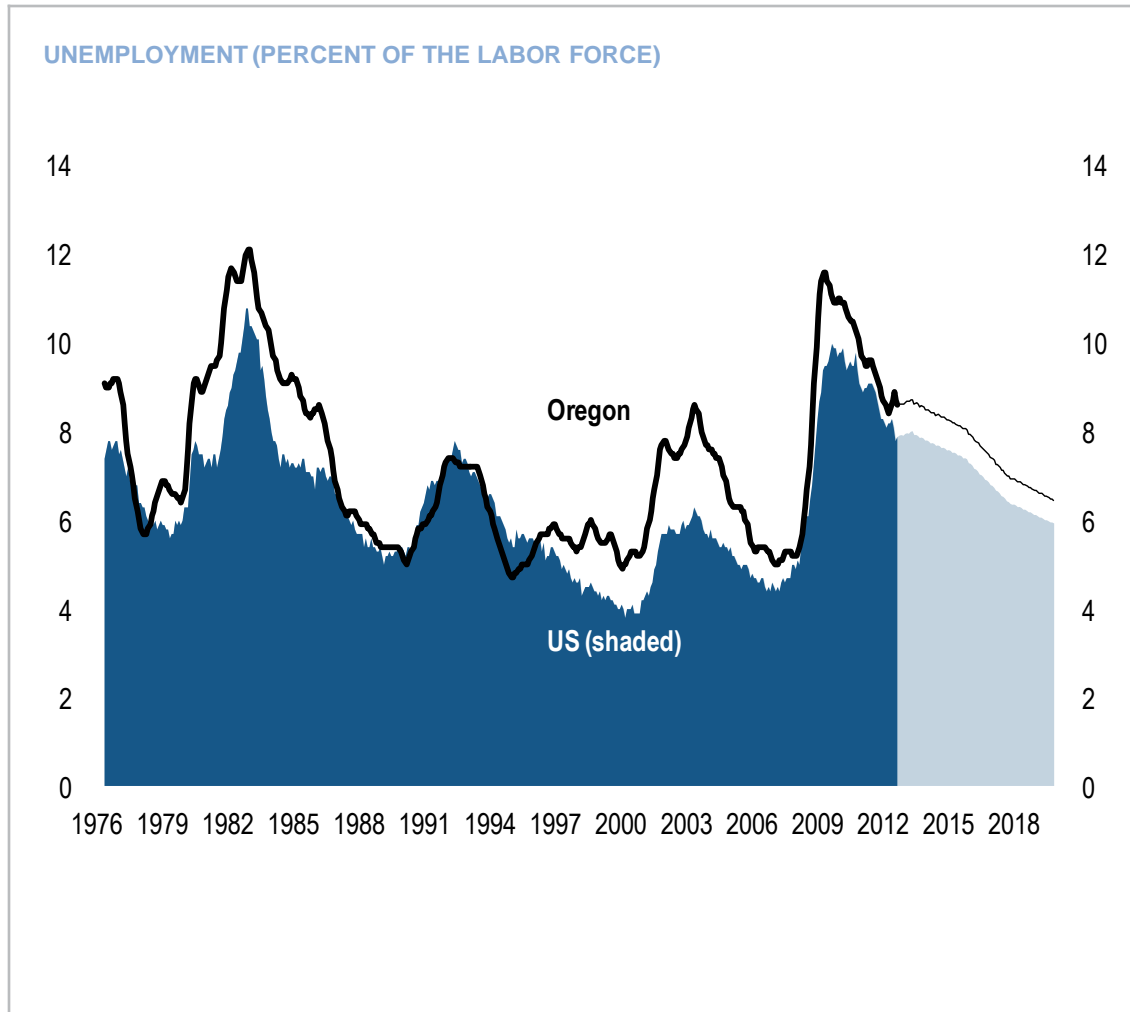
- Job trends in local communities within the state.
- Economic conditions vary across the state and most are still struggling. Bend is an exception.

KEY MESSAGES:

- Earlier booming communities have chilled somewhat.

Source: US Department of Labor. Updated through July 2012.

Unemployment



WHAT THE CHART SHOWS:

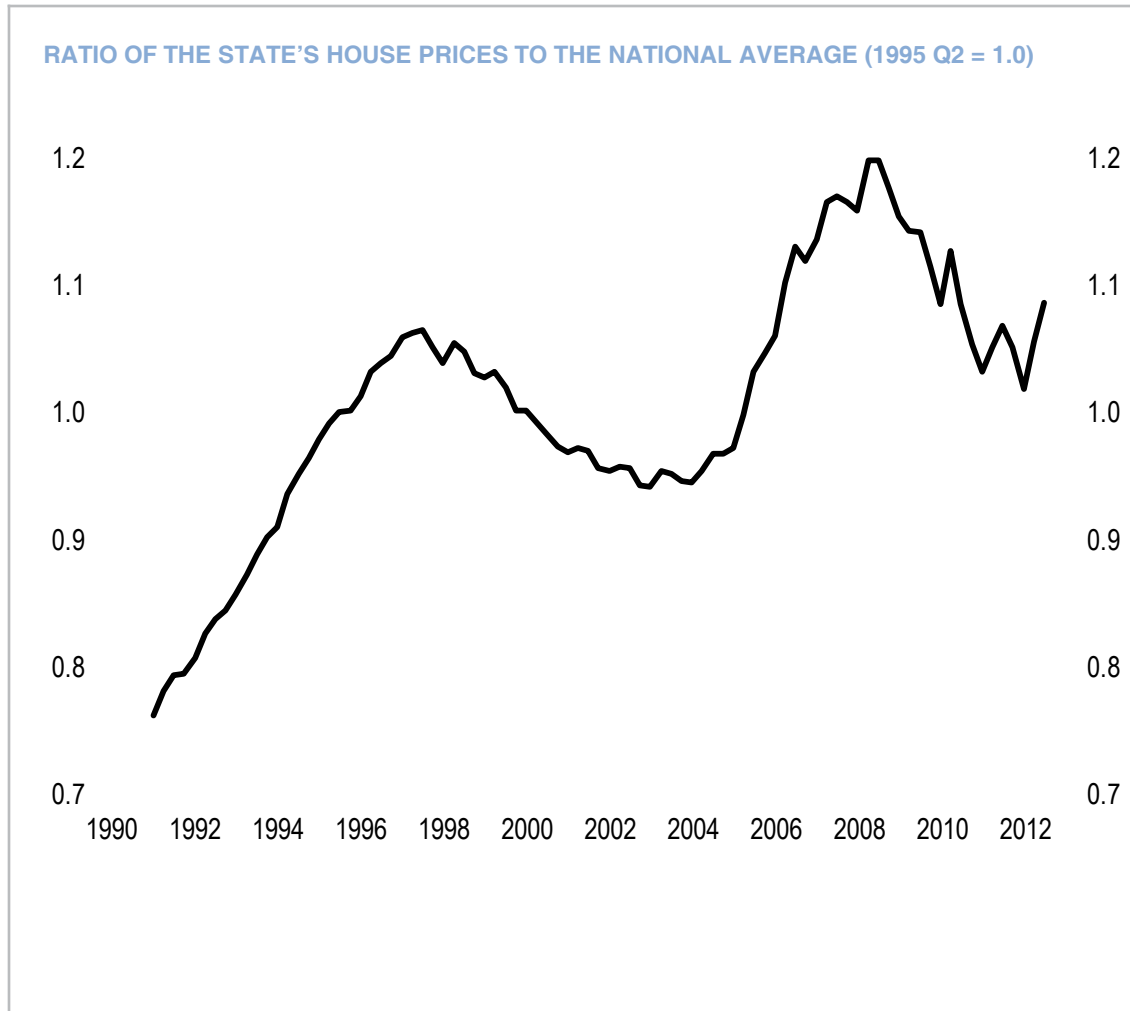
- Unemployment rate trends in the state, compared with the national average.
- Oregon's unemployment rate spiked near 12 percent in the recession, but has been tumbling. Unemployment now is approaching 8 percent, one of the stronger performance around the country.

KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region and by this standard the local economy is finding its footing.
- Oregon's unemployment rate is forecast to continue to fall, although at a more gradual pace in the coming year.

Source: US Department of Labor. Updated through Oregon 2012.

Relative House Prices



WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- Oregon too suffered from speculative real estate conditions in the last decade.

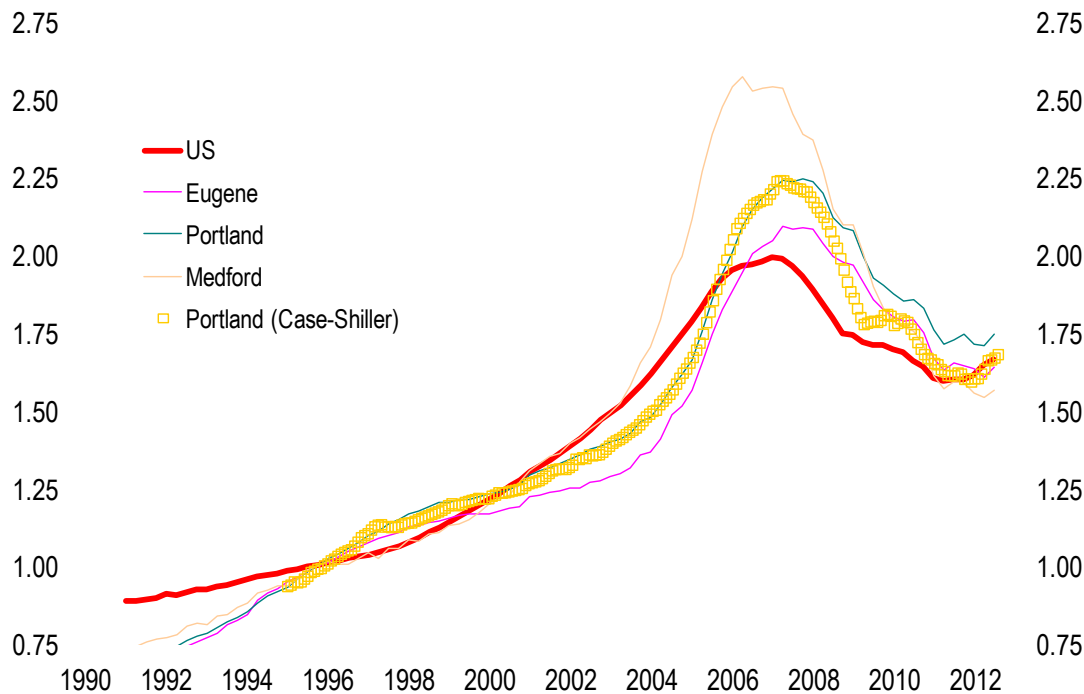
KEY MESSAGES:

- Oregon's real estate values are back to normal.

Source: FHFA. Updated through 2012 Q3.

Real Estate Markets

HOUSE PRICES IN SELECTED COMMUNITIES (RATIO TO THE 1995 Q2 LEVEL)



WHAT THE CHART SHOWS:

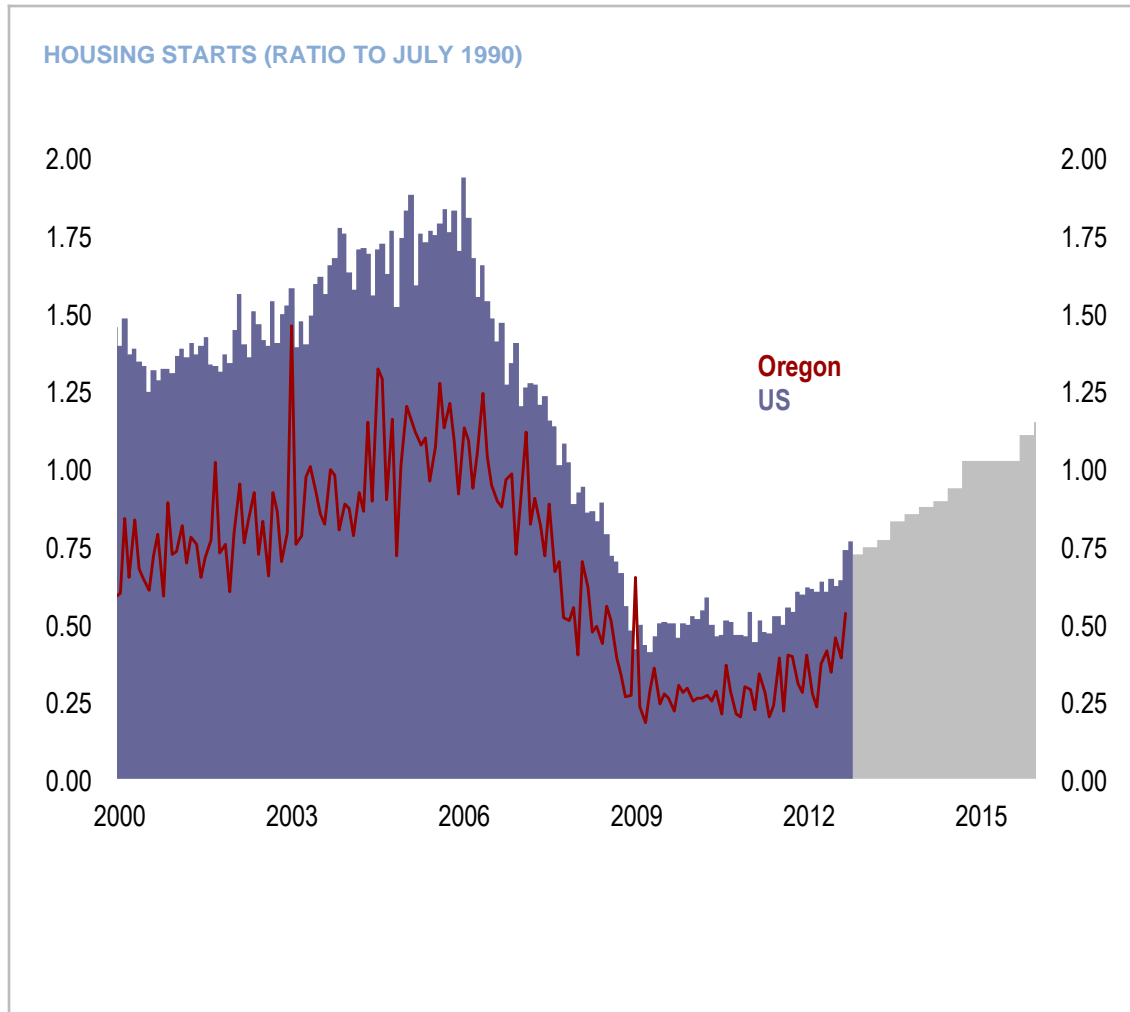
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- House prices are stabilizing, along with a trend seen in the national average.

KEY MESSAGE:

- Markets that saw the steepest increases now are pulling back by outsized amounts.

Sources: FHFA; Standard & Poor's. Updated through 2012 Q3.

New Home Building



WHAT THE CHART SHOWS:

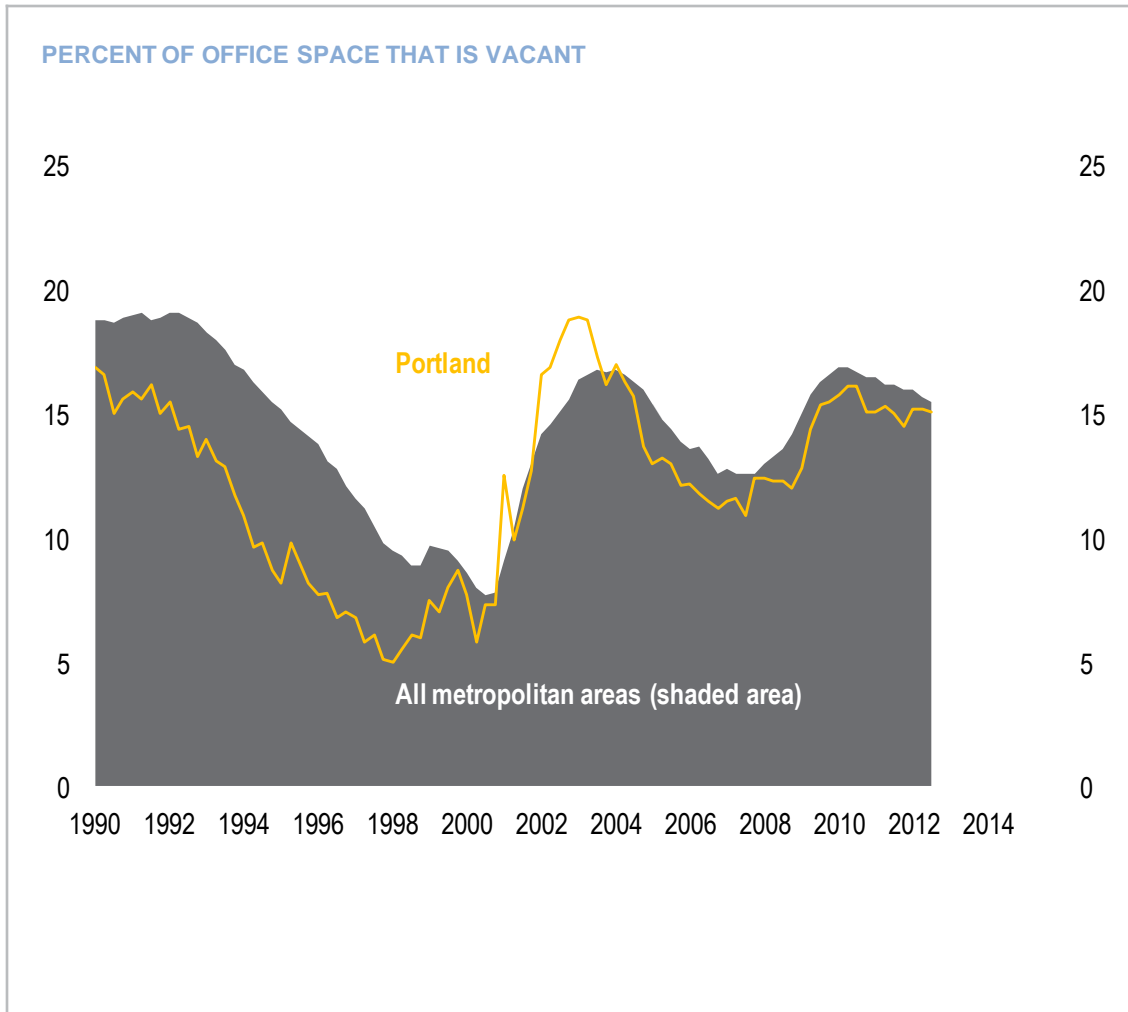
- The pace of new home building (housing starts) in Oregon, compared with the national trends.
- The pace of new home building is 20% of the level during the peak years and construction is as anemic as it was during the early 1980s, when sky-high interest rates took a toll.
- Home building remains depressed, as it is elsewhere.

KEY MESSAGES:

- The state's building industry is forecast to recover only slowly.

Source: Census Department. Updated through October 2012 (US) and September 2012 (state).

Office Markets



WHAT THE CHART SHOWS:

- The figure illustrates office market conditions in Portland.
- Commercial real estate markets appear to be stabilizing, judging by the gradual decline in office vacancy rates.

KEY MESSAGES:

- Economic pressures in the commercial real estate market are likely to continue to abate going forward.

Source: CB Richard Ellis (formerly CB Commercial Property Information Systems), Office Vacancy Index of the United States. Updated through 2012 Q3.

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