

## D. Oregon Economic Review and Forecast

### Summary of Recent Trends

The second quarter initial estimate of job growth was a very strong increase of 3.8 percent at an annual rate. This is the third consecutive quarterly growth in jobs above 2.0 percent. The last quarter to turn in a stronger performance was the first quarter of 1997. On a year-over-year (Y/Y) basis, jobs increased in the second quarter by 2.2 percent. The last time that Y/Y growth came in above 2.0 percent was the second quarter of 2000. This strong Y/Y growth is due in part to the large drop in jobs in the second quarter of 2003 coupled with the strong job growth in the second quarter of this year.

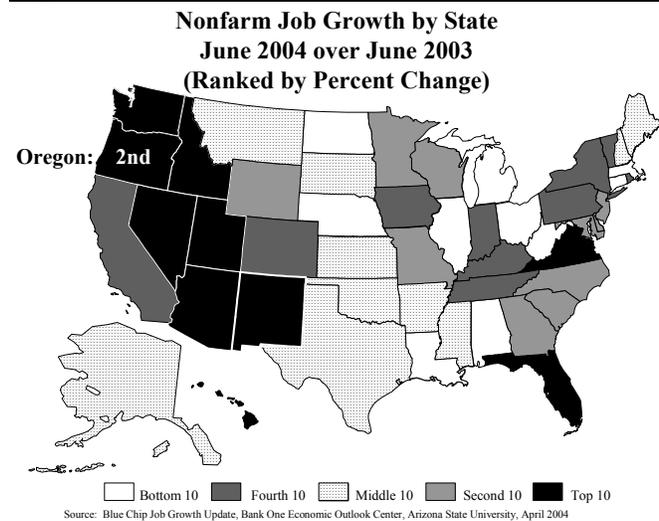
The job market has finally joined the rest of the economy in this business cycle recovery. The Oregon Employment Department reports that jobs peaked in November of 2000 and bottomed out in June 2003, with many ups and downs for job growth along the way. From June 2002 to June 2003, the Oregon economy has recovered around two-thirds of the lost jobs. If the trend of job gains this year continues, the previous job peak in 2000 will be reached by the end of this year. The key assumption is for the trend to continue, an assumption we explore in our outlook for the Oregon economy.

For the second quarter, job gains dominated across almost all industries. Total Private Nonfarm employment increased at a 4.3 percent rate during the second quarter. Large increases in private employment included natural resources and mining, construction, durable goods manufacturing (except wood products), retail and wholesale trade, and professional and business services. While the largest growth increase was posted by transportation equipment at 23.5 percent, the sector with the largest growth decline was private educational services at negative 28.7 percent. Other private sector losses occurred in wood products, food processing, transportation, warehousing, and utilities, and information. The government sector gained jobs at a rate of 2.4 percent. While mild job losses were at the federal and state levels, local government jobs grew 3.6 percent.

The most recent Blue Chip Job Growth rankings place Oregon 2nd in the nation. For Y/Y job growth, between June 2003 and June 2004, jobs increased by 39,200 or 2.50 percent. A year ago, Oregon ranked 42nd. The relative performance of the fifty states is shown in Figure O.1.

Nevada ranked 1<sup>st</sup>. California slipped from 30<sup>th</sup> place to 36<sup>th</sup>, while Idaho moved up in the ranking from 11<sup>th</sup> to 7<sup>th</sup>. Washington job gains place it 9<sup>th</sup> among the 50 states.

**Figure O. 1**



**Table O. 1****Total Nonfarm Employment, 2nd quarter 2004**

(Employment in thousands, Annualized Percent Change)

	Prelim. Estimate		Forecast		Forecast Error		Y/Y
	level	% ch	level	% ch	level	%	Change % ch
<b>Total Nonfarm</b>	1,589.8	3.8	1,580.9	1.7	9.0	0.6	2.2
<b>Total Private</b>	1,319.8	4.3	1,312.5	2.0	7.3	0.6	2.4
<b>Natural Resources and Mining</b>	9.5	12.4	9.3	4.5	0.2	2.1	0.0
<b>Construction</b>	81.4	6.3	80.5	1.9	0.9	1.1	7.0
<b>Manufacturing</b>	200.1	5.9	197.7	0.5	2.4	1.2	3.1
<b>Durable Goods</b>	146.9	8.3	144.6	1.6	2.3	1.6	3.4
<b>Wood Product</b>	31.4	(3.3)	32.1	4.3	(0.7)	(2.1)	1.1
<b>Metals and Machinery</b>	34.8	8.4	33.9	(1.4)	0.9	2.8	3.0
<b>Computer and Electronic Product</b>	40.4	7.4	39.9	2.3	0.5	1.3	(0.9)
<b>Transportation Equipment</b>	16.4	23.5	15.7	1.5	0.7	4.7	14.1
<b>Other Durable Goods</b>	23.7	14.8	23.0	1.0	0.7	2.8	7.6
<b>Nondurable Goods</b>	53.2	(1.2)	53.1	(2.4)	0.1	0.1	2.3
<b>Food</b>	23.3	(5.1)	23.3	(4.3)	(0.1)	(0.4)	6.0
<b>Other Nondurable Goods</b>	30.0	3.7	29.8	(0.8)	0.3	0.9	(0.0)
<b>Trade, Transportation &amp; Utilities</b>	318.1	5.5	314.9	1.9	3.2	1.0	1.4
<b>Retail Trade</b>	185.7	5.4	184.1	2.3	1.6	0.9	1.0
<b>Wholesale Trade</b>	76.1	11.6	74.2	1.3	2.0	2.7	2.2
<b>Transportation, Warehousing &amp; Utilities</b>	56.3	(1.4)	56.6	1.4	(0.4)	(0.7)	1.5
<b>Information</b>	33.1	(2.8)	33.5	3.2	(0.5)	(1.4)	(2.4)
<b>Financial Activities</b>	98.4	0.7	98.2	(0.2)	0.2	0.2	0.1
<b>Professional &amp; Business Services</b>	177.4	10.5	174.7	3.6	2.7	1.6	5.0
<b>Educational &amp; Health Services</b>	188.2	(2.4)	190.7	2.8	(2.5)	(1.3)	0.1
<b>Educational Services</b>	21.8	(28.7)	24.4	8.9	(2.6)	(10.5)	(13.1)
<b>Health Services</b>	166.6	2.5	166.4	1.9	0.2	0.1	2.3
<b>Leisure and Hospitality</b>	154.5	3.2	154.3	2.7	0.2	0.1	3.0
<b>Other Services</b>	58.6	0.4	58.6	1.7	(0.1)	(0.1)	4.2
<b>Government</b>	270.4	2.4	268.4	0.4	2.0	0.8	1.1
<b>Federal</b>	31.0	(0.9)	31.0	(0.2)	(0.1)	(0.2)	1.0
<b>State</b>	62.0	(0.3)	61.1	(3.0)	0.9	1.5	1.5
<b>State Education</b>	26.5	0.5	26.6	1.1	(0.0)	(0.2)	0.5
<b>Local</b>	177.2	3.6	176.2	1.7	1.0	0.6	0.9
<b>Local Education</b>	93.6	3.9	93.2	2.1	0.4	0.4	0.6

OEA's forecast for second quarter annualized job growth was a positive 1.7 percent compared to the reported positive 3.8 percent. Details of actual second quarter growth compared to the June 2004 forecast are shown in Table O.1. Table O.1 shows annualized growth comparisons and year-over-year growth. Unless noted otherwise, all percentage rates discussed below reflect annualized rates of change for the second quarter of 2004.

Total Private Employment increased by 13,700 jobs, a 4.3 percent rise from the first quarter. The Y/Y employment was up by 2.4 percent. Both manufacturing and private nonmanufacturing added jobs at rates of 5.9 percent and 4.0 percent, respectively. The government sector gained 1,600 jobs for a 2.4 percent increase.

Within manufacturing, transportation equipment had the highest growth. This subsector added 840 jobs for a 23.5 percent increase. Lower interest rates and a rebounding economy have helped this subsector since the second quarter of 2003.

The computer and electrical product subsector, which includes semiconductors and electronic instrument manufacturing, added jobs for the first time since the first quarter of 2001. Although jobs increased by 710 for a 7.4 percent growth rate, this sector has a long ways to go to replace the 11,200 jobs lost during the downturn. After healthy job gains in the last two quarters, wood products shed workers for a 3.3 percent decline.

Non-durable manufacturing jobs decreased by 1.2 percent. Food products jobs have decreased by 5.1 percent for the quarter. This subsector has been very volatile due to industry restructuring and seasonal factors. Although this quarter reports job losses, the Y/Y growth rate is positive at 6.0 percent.

Private non-manufacturing employment increased by 4.0 percent. Major contributors to this increase were natural resources and mining, construction, retail and wholesale trade, financial activities, professional and business services, health services, and leisure and hospitality. Construction employment has expanded by 6.3 percent. Relatively high building permits and a very warm spring allowed construction to continue with its fourth quarterly increase. Retail and wholesale trade reflect the pickup in the economy with job gains of 5.4 percent and 11.6 percent, respectively. Professional and business services had strong job growth of 10.5 percent and the leisure and hospitality subsector added 1,200 jobs for a 3.2 percent increase.

Not all private non-manufacturing sectors experienced job gains. Transportation, Warehousing, and utilities declined by 1.4 percent. Educational services fell by 28.7 percent. Jobs in private education usually decline in the second quarter for the start of summer break. The large decline could be related to the seasonal adjustment factor for this sector. Still lagging all other sectors is information, which declined by 2.8 percent. The information sector has lost over 8,400 jobs since the second quarter of 2001, a decrease of 15.4 percent.

The government sector increased by 2.4 percent, lead by an increase of 3.6 percent in local government employment. As tax revenues slowly improve, local government employment has started to recover, with Y/Y growth now turning positive at 0.9 percent following six quarters of negative Y/Y growth. Federal employment dropped by 0.9 percent while state employment declined 0.3 percent.

## **Short-Term Outlook**

### Overview

With the second quarter of 2004 ushering in the fourth consecutive quarter of job growth, the evidence points to a recovery in the job market. The Employment Department reports that we have regained two-thirds of the lost jobs as of June of this year. The national economy is projected to continue its growth path into 2005 and the Oregon economy will be pulled along for the ride. The questions of uncertainty that now loom are: How strong and how long?

The Federal Reserve raised interest rates this June for the first time in four years. Tax breaks at the national level have provided their stimulus and may not be extended in the next year. The government stimulus is meant to jump-start the economy, and then the economy should be able to run on its own. The engine took longer to turn over than anyone expected, but appears to be running fine. As always, there are risks down the road such as energy costs, especially oil, and geopolitical events.

OEA projects that the proponents for a U.S. economy recovery that will hold up through 2005 are correct, and Oregon will be pulled along. Growth will be solid the second half of this year and continue above 2.0 percent into the first half of 2005.

OEA forecasts employment to rise by 2.0 percent for 2004, ending the three year string of job losses. Job growth in 2005 is projected to be 2.3 percent, reflecting the solid growth in the first half of the year. The economy continues to expand with 1.9 percent job growth in 2006.

Table O.2 shown below compares OEA's forecast to other published forecasts. All forecasts project job gains and income growth. While Conerly Consulting has the most optimistic outlook for 2004 and 2005, the national forecast firms of Economy.com and Global Insight have the most pessimistic. The national firms' lower projections are due to the timing of their forecasts. Economy.com did not know the first half of 2004 employment numbers and Global Insight did not have the strong second quarter job numbers for this year. Compared to the remaining forecasters, OEA has a relatively lower forecast for employment and a relatively higher forecast for personal income. OEA's forecast generally follows the direction of the Global Insight forecast with the economy peaking in 2005 followed by a longer run growth average in 2006.

**Table O. 2**

<b>Oregon Total Nonfarm Employment and Personal Income Growth</b>							
Forecaster	Date of Forecast	Employment Growth			Personal Income Growth		
		2004	2005	2006	2004	2005	2006
Economy.com	Apr 2004	0.7	2.1	1.9	4.5	4.3	4.6
Global Insight	Summer 2004	1.8	2.1	1.5	5.5	5.2	5.3
Wells Fargo & Co.	Jul/Aug 2004	2.2	2.8	NA	5.9	6.1	NA
U.S. Bank	Jul/Aug 2004	1.7	2.4	NA	5.1	5.8	NA
Conerly Consulting	Jul/Aug 2004	2.2	3.8	NA	6.0	5.1	NA
OEA	Jul/Aug 2004	2.0	2.3	1.9	5.6	6.1	6.0

Total private nonfarm employment will increase in 2004, growing by 2.2 percent. The sector will continue to improve through 2005. Total private nonfarm employment will grow 2.6 percent in 2005 and 2.0 percent in 2006. Manufacturing will increase by 2.4 percent in 2004 and then soften with growth of 1.5 percent in 2005 and 0.4 percent in 2006. Job levels will still be below average job levels in 2000. Private non-manufacturing jobs will increase by 2.2 percent in 2004, 2.8 percent in 2005, and 2.3 percent in 2006.

**Table O. 3****Oregon Forecast Summary**

	Quarterly			Annual								
	2004:2	2004:3	2004:4	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Personal Income (\$ billions)</b>												
<b>Nominal Personal Income</b>	109.2	111.1	113.0	104.5	110.3	117.1	124.1	131.7	139.4	147.6	156.4	166.1
% change	4.9	7.0	7.0	3.1	5.6	6.1	6.0	6.1	5.8	5.9	6.0	6.2
<b>Real Personal Income (base year=2000)</b>	101.5	102.6	103.9	99.2	102.3	106.6	111.2	115.5	119.5	123.6	127.8	131.9
% change	1.2	4.4	4.9	1.2	3.1	4.1	4.4	3.9	3.5	3.4	3.3	3.3
<b>Other Indicators</b>												
<b>Per Capita Income (\$1,000)</b>	30.6	31.0	31.4	29.5	30.8	32.3	33.9	35.5	37.1	38.8	40.6	42.6
% change	3.7	5.6	5.5	2.0	4.5	4.9	4.7	4.9	4.6	4.6	4.7	4.9
<b>Average Wage rate (\$1,000)</b>	36.5	37.0	37.4	35.7	36.8	38.4	40.1	41.8	43.6	45.4	47.3	49.4
% change	1.2	5.0	5.0	2.5	3.3	4.3	4.3	4.3	4.3	4.2	4.3	4.3
<b>Population (Millions)</b>	3,574	3,586	3,599	3,542	3,579	3,622	3,665	3,709	3,754	3,801	3,848	3,897
% change	1.1	1.3	1.4	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3	1.3
<b>Housing Starts (Thousands)</b>	24.1	25.5	25.0	25.0	24.5	24.1	23.9	24.3	24.5	24.5	24.8	25.2
% change	9.1	25.3	(7.6)	14.2	(2.0)	(1.8)	(0.8)	1.8	0.6	0.1	1.3	1.6
<b>Employment (Thousands)</b>												
<b>Total Nonfarm</b>	1,589.8	1,599.2	1,609.5	1,562.0	1,593.4	1,630.6	1,661.1	1,690.0	1,712.5	1,734.1	1,759.4	1,786.1
% change	3.8	2.4	2.6	(0.7)	2.0	2.3	1.9	1.7	1.3	1.3	1.5	1.5
<b>Construction</b>	81.4	82.1	82.6	77.2	81.6	83.8	86.0	88.8	91.3	93.5	96.3	99.5
% change	6.3	3.5	2.7	(1.4)	5.7	2.7	2.6	3.2	2.8	2.4	3.0	3.4
<b>Durable Manufacturing</b>	146.9	148.4	150.4	143.5	147.4	150.6	151.5	151.8	151.4	151.6	152.8	154.2
% change	8.3	4.4	5.4	(3.5)	2.7	2.1	0.6	0.2	(0.2)	0.1	0.8	0.9
<b>Wood Product</b>	31.4	31.7	32.2	31.3	31.7	30.9	29.6	29.3	29.2	28.8	29.0	29.6
% change	(3.3)	3.5	6.7	(3.7)	1.3	(2.6)	(4.1)	(1.2)	(0.1)	(1.4)	0.6	2.0
<b>High Tech Manufacturing</b>	40.4	40.9	41.3	40.8	40.6	42.0	43.0	43.3	42.7	43.2	44.1	44.8
% change	7.4	5.0	3.5	(6.5)	(0.5)	3.4	2.4	0.8	(1.4)	1.0	2.2	1.5
<b>Nondurable Manufacturing</b>	53.2	53.1	53.0	52.5	53.1	53.1	53.1	53.0	52.7	52.4	52.1	51.8
% change	(1.2)	(0.7)	(0.3)	(0.7)	1.3	(0.1)	(0.0)	(0.2)	(0.5)	(0.6)	(0.6)	(0.6)
<b>Private Nonmanufacturing</b>	1,119.1	1,126.6	1,134.1	1,098.1	1,122.2	1,153.3	1,179.9	1,205.5	1,225.6	1,244.3	1,264.6	1,288.2
% change	3.8	2.7	2.7	0.0	2.2	2.8	2.3	2.2	1.7	1.5	1.6	1.9
<b>Information</b>	33.1	33.4	33.8	33.8	33.4	33.9	34.0	34.4	35.5	36.0	36.3	36.9
% change	(2.8)	3.8	5.5	(6.7)	(1.3)	1.5	0.2	1.4	3.0	1.5	0.8	1.6
<b>Retail Trade</b>	185.7	186.7	187.4	184.0	185.8	189.2	192.8	195.5	197.8	200.0	202.7	205.5
% change	5.4	2.1	1.5	(0.8)	1.0	1.8	1.9	1.4	1.2	1.1	1.3	1.4
<b>Leisure and Hospitality</b>	154.5	155.5	156.6	151.0	155.0	160.3	163.1	165.7	167.8	169.4	170.7	172.1
% change	3.2	2.5	2.8	0.9	2.7	3.4	1.8	1.6	1.2	1.0	0.8	0.8
<b>Government</b>	270.4	271.0	271.8	267.9	270.5	273.5	276.5	279.6	282.6	285.7	289.8	291.9
% change	2.4	0.9	1.2	(1.8)	1.0	1.1	1.1	1.1	1.1	1.1	1.4	0.7

Wood product manufacturing is projected to be up 1.3 percent in 2004 and then decline by 2.6 percent in 2005 and 4.1 percent in 2006.

The sector that contains semiconductors, computer and electronic products, will improve in 2004 but not enough for the average job count to show losses of 0.5 percent for 2004. Job recovery will take hold with a 3.4 percent gain in 2005. This subsector is expected to continue with job gains into 2006 with a growth of 2.4 percent.

Transportation equipment will increase by 9.8 percent in 2004. Job gains will not be as strong but continue to be solid in 2005 with growth of 4.7 percent. Employment will remain flat with a gain of 0.1 percent in 2006.

Construction is expected to reverse the decline of 2003 with an increase of 5.7 percent in 2004. Job growth will be a positive 2.7 percent in 2005 and 2.6 percent in 2006.

Trade job growth will improve in the next few years. Retail trade job growth will be stronger in 2005 at 1.8 percent and in 2006 at 1.9 percent. Wholesale trade will be positive in 2004 with annual job growth of 1.4 percent in 2005 and 1.6 percent in 2006.

Professional and business services and health services will see some of the strongest growth. Professional and business services will grow 6.0 percent in 2005 followed by 4.0 percent growth in 2006 while health services will increase 2.7 percent and 3.0 percent on average for the same years.

Leisure and hospitality, which includes accommodations and food services, is expected to grow by 2.7 percent in 2004, 3.4 percent in 2005, and 1.8 percent in 2006.

Government employment is expected to increase by 1.0 percent in 2004 followed by growth of 1.1 percent for 2005 and 2006. State and local government jobs will slowly improve as tax revenues improve with the stronger economy.

Population growth is expected to be higher than the U.S. average, but slower than the growth experienced in the mid-1990s. Slower growth will prevail over the next three years, with increases of 1.1 percent for 2004 and 1.2 percent each year for 2005 and 2006.

#### Forecast Changes

OEA's September 2004 Oregon economic forecast reflects minor changes to personal income and employment levels. Personal income is slightly higher in 2004 due to higher estimates of personal income. The outer years are raised only slightly to reflect the higher estimates. Still, the changes in personal income are very small. Employment is slightly increased given the stronger projected growth in the second quarter and the very slight increase in the national employment outlook.

Table O.4 provides a summary of the forecast changes. Graph O.1 compares Oregon and U.S. forecasts. A comparison of the current Oregon forecast with the last two is shown in Graph O.2.

**Table O. 4****Oregon Forecast Change (Current vs. Last)**

	Quarterly			Annual								
	2004:2	2004:3	2004:4	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Personal Income (\$ billions)</b>												
<b>Nominal Personal Income</b>	109.2	111.1	113.0	104.5	110.3	117.1	124.1	131.7	139.4	147.6	156.4	166.1
% change	0.0	0.3	0.6	0.0	0.4	0.9	0.9	1.0	1.3	1.4	1.5	1.7
<b>Real Personal Income (base year=2000)</b>	101.5	102.6	103.9	99.2	102.3	106.6	111.2	115.5	119.5	123.6	127.8	131.9
% change	(0.6)	(0.6)	(0.5)	0.0	(0.3)	(0.2)	(0.2)	(0.0)	0.1	0.2	0.2	0.2
<b>Other Indicators</b>												
<b>Per Capita Income (\$1,000)</b>	30.6	31.0	31.4	29.5	30.8	32.3	33.9	35.5	37.1	38.8	40.6	42.6
% change	0.0	0.3	0.6	(0.1)	0.5	1.0	0.9	1.1	1.2	1.3	1.2	1.3
<b>Average Wage rate (\$1,000)</b>	36.5	37.0	37.4	35.7	36.8	38.4	40.1	41.8	43.6	45.4	47.3	49.4
% change	(0.6)	(0.4)	(0.1)	0.1	(0.3)	0.2	0.5	0.6	0.8	1.0	1.2	1.3
<b>Population (Millions)</b>	3.574	3.586	3.599	3.542	3.579	3.622	3.665	3.709	3.754	3.801	3.848	3.897
% change	0.4	0.5	0.5	0.0	(0.0)	0.1	0.2	0.2	0.1	0.1	0.1	0.1
<b>Housing Starts (Thousands)</b>	24.1	25.5	25.0	25.0	24.5	24.1	23.9	24.3	24.5	24.5	24.8	25.2
% change	2.6	8.6	7.1	0.0	4.6	2.8	1.6	2.4	3.5	4.1	3.6	3.6
<b>Employment (Thousands)</b>												
<b>Total Nonfarm</b>	1,589.8	1,599.2	1,609.5	1,562.0	1,593.4	1,630.6	1,661.1	1,690.0	1,712.5	1,734.1	1,759.4	1,786.1
% change	0.6	0.6	0.7	0.0	0.5	0.7	0.6	0.7	0.7	0.8	0.9	1.2
<b>Construction</b>	81.4	82.1	82.6	77.2	81.6	83.8	86.0	88.8	91.3	93.5	96.3	99.5
% change	1.1	1.4	1.3	0.0	1.0	0.1	(0.9)	(0.7)	(0.5)	(0.5)	0.3	1.6
<b>Durable Manufacturing</b>	146.9	148.4	150.4	143.5	147.4	150.6	151.5	151.8	151.4	151.6	152.8	154.2
% change	1.6	2.3	3.3	0.0	1.8	2.8	2.7	1.7	0.9	0.8	1.0	1.1
<b>Wood Product</b>	31.4	31.7	32.2	31.3	31.7	30.9	29.6	29.3	29.2	28.8	29.0	29.6
% change	(2.1)	(1.6)	0.4	0.0	(0.9)	(2.6)	(4.8)	(6.7)	(6.8)	(5.7)	(3.9)	(3.0)
<b>High Tech Manufacturing</b>	40.4	40.9	41.3	40.8	40.6	42.0	43.0	43.3	42.7	43.2	44.1	44.8
% change	1.3	1.6	1.3	0.0	1.1	1.4	2.0	2.3	2.0	1.7	1.4	1.1
<b>Nondurable Manufacturing</b>	53.2	53.1	53.0	52.5	53.1	53.1	53.1	53.0	52.7	52.4	52.1	51.8
% change	0.1	1.2	1.9	0.0	0.8	2.4	2.4	2.5	2.5	2.3	2.2	2.0
<b>Private Nonmanufacturing</b>	1,119.1	1,126.6	1,134.1	1,098.1	1,122.2	1,153.3	1,179.9	1,205.5	1,225.6	1,244.3	1,264.6	1,288.2
% change	0.4	0.3	0.3	0.0	0.3	0.4	0.3	0.6	0.7	0.8	1.0	1.4
<b>Information</b>	33.1	33.4	33.8	33.8	33.4	33.9	34.0	34.4	35.5	36.0	36.3	36.9
% change	(1.4)	(1.9)	(1.7)	0.0	(1.2)	(2.8)	(2.5)	(2.3)	(2.4)	(2.3)	(2.1)	(2.2)
<b>Retail Trade</b>	185.7	186.7	187.4	184.0	185.8	189.2	192.8	195.5	197.8	200.0	202.7	205.5
% change	0.9	0.7	0.4	0.0	0.5	0.2	0.2	(0.0)	(0.2)	(0.5)	(0.5)	(0.6)
<b>Leisure and Hospitality</b>	154.5	155.5	156.6	151.0	155.0	160.3	163.1	165.7	167.8	169.4	170.7	172.1
% change	0.1	0.1	0.2	0.0	0.1	1.0	0.6	0.6	0.5	0.6	0.7	0.9
<b>Government</b>	270.4	271.0	271.8	267.9	270.5	273.5	276.5	279.6	282.6	285.7	289.8	291.9
% change	0.8	0.7	0.6	0.0	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.2

The forecast for total non-farm jobs has been revised up 0.5 percent in 2004, 0.7 percent in 2005, and 0.6 percent in 2006. Second quarter growth was stronger than expected and the national economic job growth has been slightly revised up.

Manufacturing overall has been increased. Both durable and nondurable manufacturing was raised. The nearer term periods take most of the adjustments for durable manufacturing, with high tech increasing a bit and wood products are lowered. High tech manufacturing has a slow recovery absent the boom period experienced in the 1990's. The gradual recovery for this sector remains in the forecast. An upward adjustment followed by a flat outlook in food manufacturing boosts the forecast for nondurable manufacturing.

Private nonmanufacturing is raised to reflect better second quarter numbers. Still, the increase is very small.

Information is lowered to also reflect national forecasts and the lower than expected drop in the second quarter.

Retail trade is raised by 0.5 percent in 2004 and 0.2 percent in 2005. The outer years are lowered to reflect the lower national forecast for those years. Leisure and hospitality is increased by 0.1 percent in 2004 and 1.0 percent in 2005. The stronger than expected second quarter and raised national forecast lifts this sector through the forecast horizon.

#### Personal Income Components

Personal income is forecast to grow by 5.6 percent in 2004, followed by growth of 6.1 percent in 2005 and 6.0 percent in 2006. Wage and salary income will grow 5.4 percent in 2004, 6.7 percent in 2005, and 6.2 percent in 2006.

Non-farm proprietors' income will grow 8.7 percent in 2004. Growth in this income component will slow to 6.3 percent in 2005 and 4.2 percent in 2006.

Per capita income in Oregon will stay below the U.S. average over the next 10 years. Oregon's population and economy is expected to grow faster than the U.S. With both components of the ratio measure growing, per capita income in Oregon will not appreciatively gain or loose ground compared to the U.S. average.

#### Goods-Producing Sectors

The wood products sector experienced a long awaited upturn in business at the end of 2003 and into 2004. Employment gains were strong in the fourth quarter of 2003 and the first quarter of 2004 before the slight decline during the second quarter. The low mortgage rates of last few years along with a building economic recovery sent lumber demand skyward. The Random Lengths Composite Price (*Random Lengths Publications*, June 2003) for lumber was \$423 per thousand feet, down from \$456 in May but still well above the \$303 in June 2003. Demand for lumber has been strong domestically with a mixed bag internationally. Although the European market has softened, China is the dominant player for exports. The near term outlook has

brightened with recent statistics showing a robust housing market even in the face of rising mortgage rates. But a number of assumptions are at play for the wood products market to continue to see high prices. The recent jump in housing activity may be the temporary effect of last minute buyers wanting to get into a home before rates rise further. The June drop of 8.5 percent in housing starts could be the start of a softening market. If China is successful in slowing down their tremendous growth, this will alleviate some of the demand pressure. And with shipping rates recently rising to double the average experienced in the early 1970's, exports overall may be curtailed. Of course, shipping rates cut both ways, but the present high price domestically will encourage imports. The recent rise in demand has produced some hiring around the state. Quality Truss of Redmond has plans to add 50 to 70 workers. Master Brands Cabinets of Grants Pass plan to add 100 workers. Marvin Wood Products in Baker County has been hiring through the year. We expect this hiring activity to continue through 2004 but contractions will hit in 2005 as rising mortgage rates curtails housing starts.

The high technology manufacturing sector turned in the first positive quarterly growth rate since the first quarter of 2001. At some point, the double digit growth in chip sales would translate into job growth. The Semiconductor Industry Association (SIA) reports that global sales were up 37 percent in May on a year-over-year basis, making this the strongest rise since late 2000. For the first quarter of this year, overall capacity utilization is at 94 percent globally. The industry has also been pursuing assistance through trade and government policies. China settled a compliant with the World Trade Organization (WTO) to stop discriminatory value added taxes (VAT) against imported semiconductor products. The US House of Representatives passes the Stock Option Reform Act which scaled back the requirements of expensing stock options to only the top five executives of a corporation. One industry analysis firm, Future Horizons, forecasts global semiconductor sales to grow 32 percent in 2004 with a continued strong 28 percent in 2005. On the other side, Gartner, Inc., sees the DRAM market becoming over supplied in late 2005 and a recession hitting this segment. For the moment, the recent news in high technology manufacturing is quite good. Hynix in Eugene is completing a \$175 million upgrade. The company recently moved into the number two spot for revenue market share, passing rival Micron. Intel has plans to hire 375 at its Ronler Acres facility by the end of the year. Tektronix reports openings for 50 engineers and Pixelworks has been hiring through the year. The deep slump for this industry is over. Strong growth to finish out 2004 will plateau out to more mild growth through 2006. Even with our recovery scenario, this sector does not reach the previous high employment numbers of early 2001.

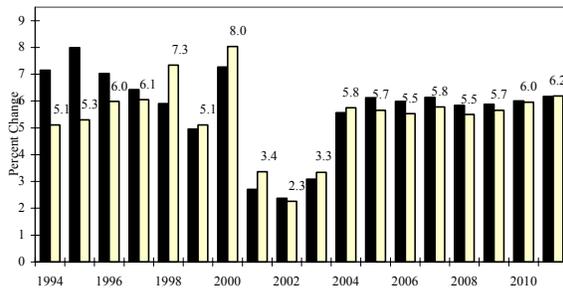
Transportation equipment jobs surged forward in the second quarter of this year. This sector has improved since the first quarter of 2002. The improving economy has overcome any negative affects from high gasoline prices. Both large and small players in this industry have reported strengths in hiring. Boeing has announced plans to hire between 50 and 100 workers to their Gresham operation. The additional production appears related to increased demand for existing product and not the new production of the 7E7. Marathon Coach of Coburg, maker of high-end recreational vehicles, has plans to hire 100 employees. Silver Eagle Manufacturing has a five-year contract from the US Army to supply 576 trailers. And Freightliner may hire 700 employees over the next seven months. Truck demand is being fueled by high freight volume and an aging truck fleet in need of replacement. For this sector, the recent growth should wind

# Graph O.1

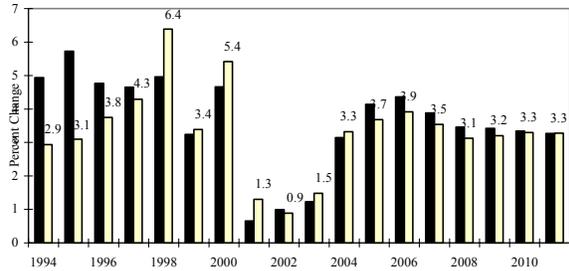
## OREGON AND U.S. ECONOMIC FORECASTS

■ OREGON ■ U.S.

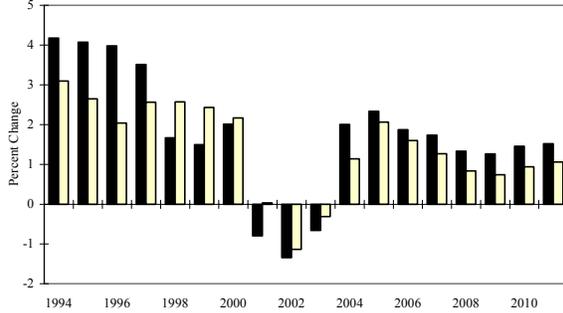
**PERSONAL INCOME**



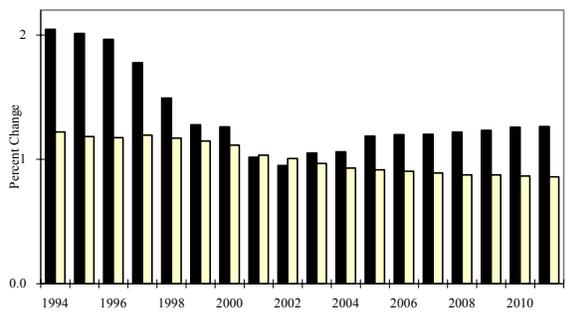
**REAL PERSONAL INCOME**  
1996 CHAIN WEIGHTED DOLLARS



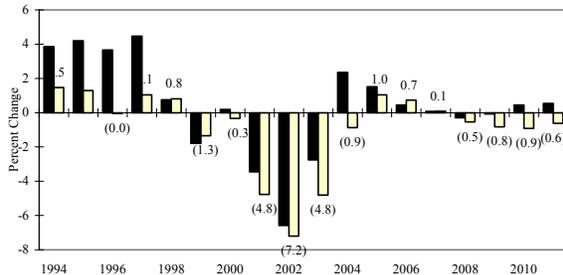
**NON FARM EMPLOYMENT**



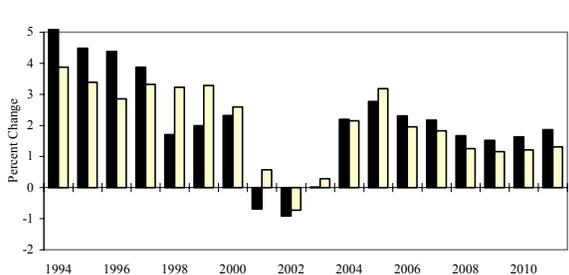
**POPULATION**



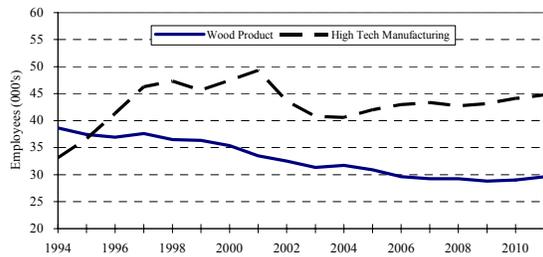
**MANUFACTURING EMPLOYMENT**



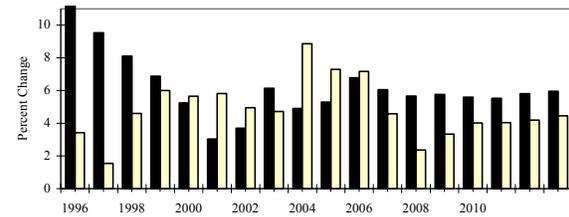
**PRIVATE NON MANUFACTURING EMPLOYMENT**



**WOOD PRODUCT MANUFACTURING & HIGH TECH MANUFACTURING EMPLOYMENT**



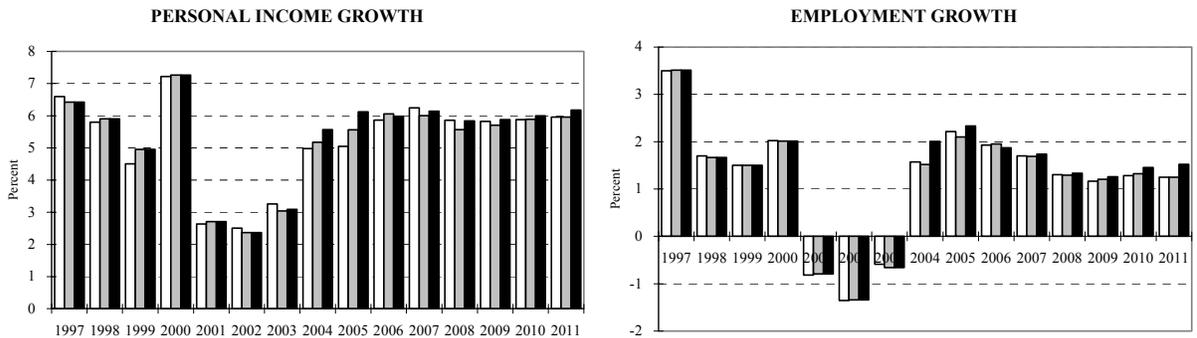
**HOUSING PRICES**  
OREGON REPEAT PURCHASE INDEX VS. U.S. AVERAGE SALES PRICE OF EXISTING SINGLE FAMILY HOMES



## Graph O. 2

### COMPARISON OF LAST THREE FORECASTS

□ Mar 2004    ▒ June 2004    ■ Sep 2004



down as the year ends and stabilize in the following year. Although an improving economy should help boost demand, this will be tempered by rising interest rates and an uncertain direction for gasoline prices.

Metals and machinery manufacturing has rebounded nicely with the economy. Although aluminum production is not expected to return, companies still in this sector are seeing renewed demand for their products. Oregon Steel Mills plans to build a new pipe plant and hire up to 200 employees. Numerous small companies have added employees, along with relocations into Oregon. William Henry Knives Inc. is relocating from California to McMinnville with plans to hire 25 employees over the next year. Overall, we expect this industry to follow the U.S. sector with mild growth through 2006.

Employment in food processing is forecast to increase 4.7 percent in 2004, 0.1 percent in 2005 and 0.5 percent in 2006. This industry continues to face increased competition and consolidation. The rising cost of inputs such as energy, fertilizer and labor continue to add production costs. Recovering global markets and a declining U.S. dollar will help this industry. One piece of recent good news is the expansion of Borstein Seafoods in Astoria.

Some changes in other manufacturing areas. Owens Corning plans to build an insulation manufacturing plant in Gresham employing about 35 people. Cardinal IG (Insulated Glass) will be adding around 100 to its plant in Parkdale.

Construction employment is projected to increase by 5.7 percent in 2004 and increase by 2.7 percent in 2005 and 2.6 percent in 2006. Mortgage rates have retreated slightly at in the first half of 2004 but have recently inched higher. The rising mortgage rates depressing impact on housing starts will be partially offset by a stronger economy, though the 8.7 percent fall in housing starts for June may signal a decline for single family housing construction. Some encouraging signs have been noted by Grubb & Ellis in the Portland area. Office and industrial vacancy rates are leveling (coming down for the industrial market) while net absorption rates have turned positive (net absorption rates measure the change in occupied space from one time period to the next). The public sector should give construction some help with the passage of the transportation package for bridge and road building and repair.

## Service-Producing Sectors

Trade, transportation, and utilities sector employment will increase by 1.2 percent in 2004 followed by 2.0 percent in 2005 and 2006. Portland International Airport reports passenger traffic was up 4.5 percent year-to-date through June 2004. But back on the ground, Greyhound announced the cutting of service to 35 Oregon cities in August. New World Alliance has dropped the Port of Portland for their container service.

Real personal consumption expenditures in the U.S. rose 1.0 percent in the second quarter, compared to an increase of 4.1 percent in the first quarter. Analysts are debating whether this is merely a “speed bump” or the start of slowing consumption. Retail trade employment in Oregon has gone through a number of consolidations in the past three years. Recent news has been more positive with a strong second quarter growth of 5.4 percent. Major malls in the state are currently expanding or plan to do so. In Eastern Oregon, a new Home Depot is planned to be built at the Ontario Marketplace with an employment of over 100 jobs.

The information sector, which includes traditional publishers such as newspapers and publishers of software, has been lagging during this recovery. Although some improvement is expected towards the end of 2004, this year will have a job loss of 1.3 percent, the third year in a row of job losses. Mild positive job growth is projected at 1.5 percent in 2005 and 0.2 percent in 2006. Recent news shows this sector is still in a state of flux. Jive Software is moving its headquarters to Portland from New York City. Serena Software plans to cut over 40 jobs while NetIQ will relocate about 20 jobs from Portland to Houston. Qwest Communications reverses an earlier decision to cut jobs and now plans to add 145 jobs at its Portland customer service center.

After a short retreat, interest rates are on the rise again. Although the rising interest rates will start to slow the refinancing of loans, the improving economy will provide some upside to this dampening effect. Recently, Washington Mutual will close its commercial lending unit, impacting Oregon and 13 other states. Accredited Home Lenders Holding Company opened an office in Beaverton with more than 100 employees. Annual employment in the financial activities sector is expected to be very mild over the next three years with increases of 0.3 percent in 2004, 0.6 percent in 2005, and 0.9 percent in 2006.

Professional and business services will finish 2004 with an average growth of 4.9 percent. Job growth is projected at 6.0 percent in 2005 and 4.0 percent in 2006. Recent increases in temporary workers may prove to be the signal to stronger growth. Barrett Business Services, a human resource management firm, reported improved second quarter net income of 71.0 percent higher over the same quarter in 2003. Call centers continue to be attracted to Oregon, but also some closures along the way. American InterContinental University Online has opened a call center in Beaverton starting with 130 employees and expanding to 300 by fall. Salem will be home to two new call centers: Trendwest Resorts with around 120 employees and banking firm Wachovia Corporation with 250 employees to open and 500 employees by March 2005. Stream International will layoff 206 full-time and 170 part-time employees in Eugene by the end of the summer.

Education and health services will grow 1.0 percent in 2004, 2.6 percent in 2005, and 2.9 percent in 2006. Health services have been one of the few industries to add jobs through the recession. Kaiser Permanente plans to build a radiation treatment center in North Portland. Woodland Park Hospital will reopen as Physicians' Hospital in Northeast Portland will 100 employees, expanding to 200 next year. But in Eastern Oregon, Wallowa Memorial Hospital may face layoffs from its workforce of 155 employees.

Leisure and hospitality is projected to grow 2.7 percent in 2004, 3.4 percent in 2005, and 1.8 percent in 2006. The impact on tourism from geopolitical problems surrounding terrorism has been slowly fading with the passage of time and an improving economy. Scattered reports of new resort and hotel developments are planned for Union and Baker Counties, Florence, and Lincoln City.

The Government sector is expected to increase 1.0 percent in 2004 then grow by 1.1 percent in 2005 and 2006. The outlook for federal jobs is weak due to the winding down of military expenditures and future spending cutbacks related to the increased federal deficit. State and local government budgets have been marginally improving which should slow down or eliminate future layoffs.

#### Alternative Scenarios

The baseline forecast is our projection of the most likely outcome for the Oregon economy. As with any forecast, other scenarios are possible. The economy could either under- or over perform relative to our baseline forecast. We broadly call these forecasts the Optimistic and Pessimistic scenarios. While we attach the highest probability to the baseline forecast, these other outcomes are within the realm of possibilities. The alternative scenarios are derived from Global Insight's alternatives for the national economy. In Table O.5 there is a comparison of both scenarios.

**Optimistic Scenario:** The national economy performs better than anticipated. Three areas are responsible for the stronger growth: productivity strength, high foreign growth, and a stronger dollar. Productivity strength is helped along through continued growth of business spending on information technology and other capital upgrading. Businesses are in a better position to still reap profits without having to appreciatively raise prices. Along with an abatement of rising oil prices, inflation stays in check allowing the Federal Reserve to ease off the raising of interest rates. The stronger dollar also helps on the inflation front by keeping import prices relatively low and constrains businesses in the U.S. from raising prices. World economies grow faster than anticipated and boost stronger exports even in the face of a stronger dollar. Relatively lower interest rates with a stronger economy keeps construction activity higher. These national trends are especially beneficial to growth in the Oregon economy. Manufacturing employment increases more rapidly compared to the baseline forecast. The nonmanufacturing sector is pulled along with the expanding economy. Given that 2004 is more than half complete, most of the impact is felt in 2005. The Oregon economy reaches its pre-recession employment highs early in 2005. By the end of 2006, the Oregon economy has settled into a sustained growth period.

Pessimistic Scenario: The national economy underperforms compared to the baseline forecast. The same three factors that influence the optimistic scenario are responsible for the weaker growth: productivity weaker, lower foreign growth, and a weaker dollar. Production capacity is tighter than measured and continued advances in technology make current idle capacity obsolete. Pressure is placed on prices to rise. Couple this situation with oil prices rising faster than baseline and a weaker dollar, inflation and interest rates rise sooner and faster than the baseline scenario. With foreign demand weaker, exports are also softer. Businesses react by slowing investments and consumers pull back spending. Both profits and the stock market soften in 2005. Oregon businesses follow suit and slow down hiring to reflect the slower economic activity. The scenario does not result in a recession. The recovery underway is put on hold through 2005. As Federal Reserve policies take hold, inflation should start to lessen and the economy lumbers along with full recovery not arriving until the end of 2006.

**Table O. 5**

**Alternative Scenarios for Oregon Total Employment and Personal Income**

	Baseline	Compared to Baseline				Growth Rates			
		Baseline	Pessimistic	Losses	Optimistic	Gains	Baseline	Pessimistic	Optimistic
Total Employment (thousands)	2004	1593.4	1583.4	-10.0	1603.4	10.0	2.0%	1.4%	2.6%
	2005	1630.6	1605.6	-25.0	1654.6	24.0	2.3%	1.4%	3.2%
	2006	1661.1	1640.1	-21.0	1683.1	22.0	1.9%	2.2%	1.7%
Personal Income (\$ billions)	2004	110.3	107.3	-3.0	113.8	3.5	5.6%	2.7%	8.9%
	2005	117.1	110.4	-6.7	123.6	6.5	6.1%	2.8%	8.6%
	2006	124.1	117.6	-6.5	130.4	6.3	6.0%	6.5%	5.5%

**Forecast Risks**

Most economists believe that the U.S. economic recovery is in place. Recent news on the job market is encouraging. Although GDP has now turned in three quarters with plus 4.0 percent growth, the preliminary estimate for the second quarter of 2004 was a surprising 2.8 percent growth. The lower numbers for the second quarter brings forth the question whether the economy is entering a long sustained period of job growth. Oregon will be pulled along with a stronger U.S. economy, but Oregon's slower growth may try the patience of those who desire much faster relief to the unemployment situation in the state.

The major risks now facing the Oregon economy are:

- Geopolitical risks. Although the combat phase of the war is over, uncertainty still surrounds the transition in Iraq, tensions with North Korea, and code orange security alerts all weigh heavily on businesses and consumers. Disruptions on travel, oil supplies, and consumer confidence could be severe. The drop in business activity could be deeper if this uncertainty persists or if the transition out of war goes badly for the U.S. The winding down of military expenses will not greatly impact Oregon. There is also an upside risk that transition issues are settled quickly and the stimulus to recovery is stronger than forecast.
- Falling U.S. Dollar. As the dollar depreciates against other foreign currencies, U.S. exports are promoted. Oregon's manufacturing sector has a large dependency on international markets. If the U.S. dollar falls too quickly, this could harm Oregon's trading partners, weakening their economies and lowering their demand for Oregon products. A controlled lowering of the U.S. dollar is most beneficial to the Oregon economy.
- A further sharp and major stock market correction. This would further slow already dampened consumer spending. Lower stock prices could also limit the ability of businesses to raise necessary capital in the equity markets.
- A possible collapse of the housing market. The extremely low interest rates have caused a boom in home refinancing. As this activity matures and interest rates begin to rise, the added boost to consumer spending may also slow. Any drop in home price appreciations coupled with a large drop in mortgage refinancing could slow down consumer spending. Continued gains in personal income will be needed to keep consumer spending from falling.
- Rising regional energy prices. More businesses may slow production and lay off workers. Natural gas prices have risen the past few months adding to production costs. Oil prices have crossed above \$40 per barrel. Electricity prices related to natural gas powered turbine engines could also go up. Rate hikes have been in place since October 1, 2001. Bonneville Power Administration may lower rates but the latest contracts negotiations have fallen apart.
- Oregon Public Employees Retirement System (PERS) and possible state and local government budget shortfalls. Legislative reforms to PERS could be overturned in the courts. State and local governments may need to increase taxes, reduce services, and/or increase bond financing to cover potential unfunded liabilities for PERS. If increases in unfunded liabilities leads to increased tax rates, this could lead to substantial negative impacts on Oregon's economy. To the extent that spending cutbacks hit education and public infrastructure, the state could suffer longer-term impacts.
- Initiatives, referendums, and referrals. The ballot box brings a number of unknowns that could have wide-sweeping impacts on the Oregon economy. Issues facing timber land management, land use restrictions, and worker's compensation insurance fund could greatly influence both private and public sectors.

- The recovery for semiconductors, software, and communications could be much slower than anticipated. Continued outsourcing of manufacturing could slow growth in this region. Recent commitments to move research out of the country would be very harmful to Oregon's high technology sector.

### **Extended Outlook**

The Oregon economy grew slower than the U.S. economy in 1998 through 2003. This had not occurred since 1985. Between 2004 and 2011, the U.S. economy is expected to have even slower growth than the slow growth expected in Oregon. Employment growth in Oregon will be much slower than the mid-1990s.

The slower economic growth of 1998 through 2003 also slowed the growth of Oregon per capita income and average wages. The devastating 1980-82 recession slowed the growth of incomes and wages until 1986. As the Oregon economy became more industrially diversified, per capita income and wages grew faster than the nation as a whole. Even though the Oregon economy is projected to grow faster than the nation after 2004, per capita income and average wages are still below the national average. Although the recent period of prosperity has raised these two measures, they have yet to reach their previous peaks of 1978.

The key factors that will fuel the state's long-term growth are:

- *Recovery in the semiconductor industry:* Increasing demand for computers and communications equipment, and a related increase in orders, will bring some relief to the excess capacity in the industry. The needs of the Internet should fuel greater demand. The strength in the industry will allow previously announced investment plans by major companies to be carried out in the 2004-2006 period.
- *Export growth and rising commodity prices:* Global recovery of economies will increase demand for Oregon commodities, finished and capital goods. Oregon is well positioned for trade with Asian countries. Rising commodity prices will benefit agricultural and timber producers in the state.
- *Continued strength in domestic markets:* Continued economic growth in California and other major domestic markets will fuel demand for Oregon products.
- *Business costs advantages:* The Oregon economy will benefit from a comprehensive energy plan. If the plan can assure businesses of an abundant, reliable, and relatively inexpensive supply of electricity, the state (and Pacific Northwest) will continue to have a relative energy advantage over other regions. If recent price hikes for electricity and natural gas surpass those for other parts of the country, Oregon could lose this cost advantage. Equally important is an educated work force that contributes to productivity.
- *Environmental issues.* Salmon protection measures, Portland Super Fund, and other issues could change the economic landscape.

- *Affordable housing*: If housing costs rise faster in Oregon than in the rest of the nation, companies will face increased difficulties recruiting workers. Over the last five years, California, Washington, and the nation as a whole have experienced rising housing costs compared to Oregon. If Oregon can maintain a relative cost advantage in housing, this factor will be attractive for firm location.
- *Biotechnology and Nanotechnology*: These sectors are seen by many as the next growth industries. Portland and the state have launched funding plans to promote the biotechnology sector. The platform for the Oregon Business Plan includes nanotechnology as an emerging field for the state. It is too early to tell if these are the next growth industries and the returns that they may bring.
- *Sustainable development*: Centered in the Portland area, this movement in the building practices is spreading throughout the U.S. Uncertainty surrounds the number of new jobs associated with this movement, but it may allow gains in market share for construction and consulting firms in Oregon.
- *Quality of life*: Oregon will continue to attract financially secure retirees. Companies that place a high premium on quality of life will desire to locate in Oregon.

### **Oregon Index of Leading Economic Indicators (OILI)**

Since November 2003, the Oregon Economic and Revenue Forecast report has included analysis based on the Oregon Index of Leading Economic Indicators (OILI). The OILI applies the Conference Board's methodology for the U.S. National Leading Index to Oregon-specific components. The OEA anticipates potential changes in these index components over time as Oregon's economy evolves and new and better predictors of economic activity emerge. While it does not measure the magnitude of this economic activity, the Index can identify the direction of future trends. The OILI is therefore a useful supplement to Oregon's economic forecast.

The OILI contains ten components related to business decisions and conditions that tend to trigger an expansion or contraction: 1) national Semiconductor Book-to-Bill Ratio, 2) Oregon residential building permits, 3) Institute for Supply Management's (ISM) national index, 4) interest rate spread (10-year treasury bond less Federal Funds Rate), 5) the University of Michigan (UM) Consumer Sentiment Index, 6) total withholding for Oregon employees, 7) the Federal Reserve Bank of Atlanta Dollar Index (Pacific Excluding Japan), 8) Oregon new business incorporations, 9) Oregonian help wanted index and 10) Oregon unemployment initial claims. The OILI uses component data from January 1995 to June 2004, and Oregon nonfarm employment data for the same period is used as a proxy for general economic activity. According to the nonfarm data, the Oregon economy experienced two downturns over the index period: one occurred from mid-2001 to mid-2002, and the second occurred in late 2002 and continued through the end of August. While a "double-dip" recession has not been officially recognized, the second period of Oregon employment contraction late in 2002 is consistent with the jobless recovery observed nationally. Measured against these employment trends, OILI provides four signals in all: OILI signals the first Oregon recession with a considerable ten-month lead and gives a three-month leading signal on the second recession. The remaining two

signals, one in 1995 and a second in 1998, give false indications of economic change that possibly reflect an unusual influence on individual components. The 1995 signal, for example, occurs at the start of the data set where outlying numbers are likely, and the 1998 signal roughly corresponds with the Asian Financial Crisis – not altogether an unexpected error given Oregon’s ties to eastern trading partners.

**Figure O.2**

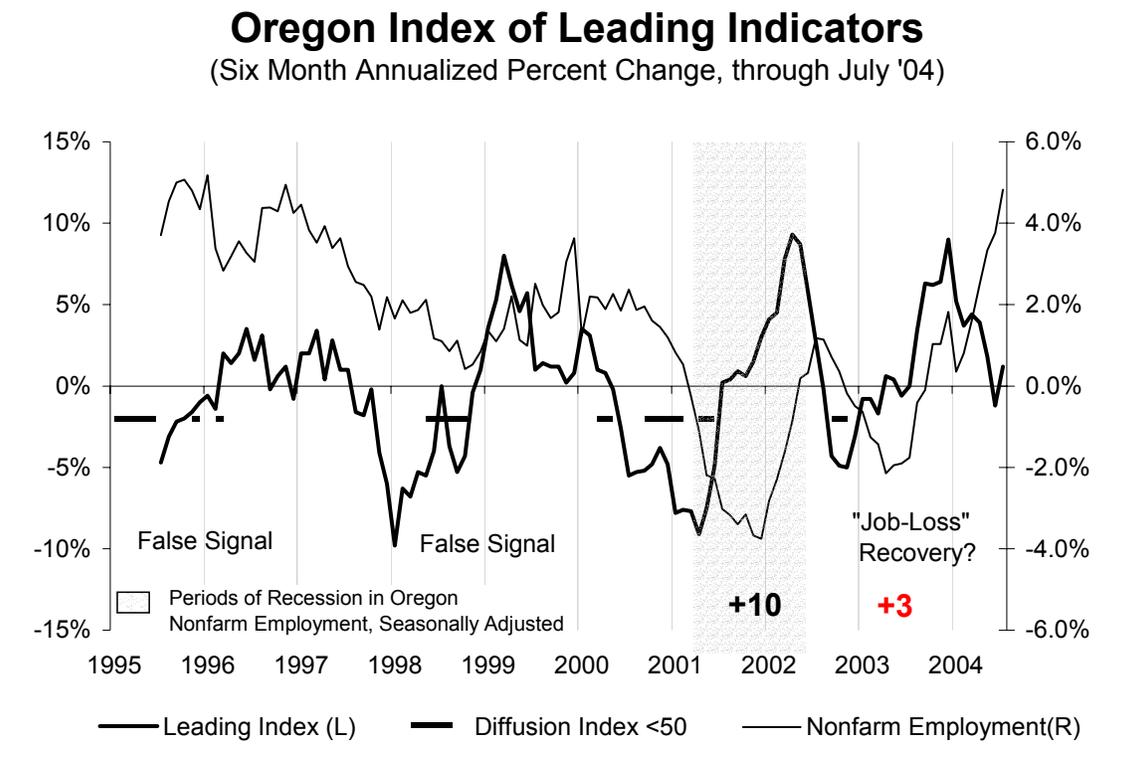


Figure O.2 presents the OILI through July 2004. Following a -1.2 percent reading in June, the index reversed course to 1.2 percent in July. The primary factor driving June’s negative signal was a drop in the Oregonian help wanted ad index, with additional contributions provided by the semiconductor book-to-bill ratio, the number of new incorporations, and the ISM’s purchasing manager’s index. Major contrary signals occurred in the housing permit, UM consumer sentiment, and interest rate spread components.

Positive contributors to the July change include housing permits, unemployment insurance claims, and the Oregonian help wanted ad index. Major offsetting components were the semiconductor book-to-bill ration and the UM consumer sentiment index. The run in the OILI from -5.0 percent in November 2002 to 9.0 percent in December 2003 appears to mirror the subsequent reversal in annualized employment growth from -2.1 percent in April 2003 to 4.8 percent in July. The steady decline in the OILI since December implies a potential slowing in employment growth. The current forecast projects employment growth easing from an annualized 3.8 percent seasonally-adjusted rate in the second quarter to 2.1 percent growth in the first quarter of 2005. This seems well within the approximate historical correspondence between the OILI and employment growth.

## **Oregon Regional Profile**

The accompanied tables provide data on regional and county levels within the state. This section will be a regular feature following the Oregon Economic Review and Forecast. The tables highlight the social, economic, and demographic diversity in the state. Please review these tables in each quarterly issue as data is updated and new information is displayed.

**Table O. 6****Economic Profile of Oregon Counties**

<b>Geography</b>	Total employment	Unemployment rate	Per capita personal income	Av. wage per job
	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>OREGON</b>	<b>1,706,728</b>	<b>8.2%</b>	<b>\$28,792</b>	<b>\$33,685</b>
<b>Portland PMSA</b>	<b>834,190</b>	<b>8.2%</b>	<b>\$32,899</b>	<b>\$38,189</b>
Clackamas	179,584	7.4%	\$35,543	\$34,332
Columbia	19,936	11.7%	\$27,234	\$30,529
Multnomah	342,843	9.0%	\$33,840	\$38,239
Washington	252,533	7.3%	\$31,578	\$41,965
Yamhill	39,294	8.4%	\$25,088	\$28,719
<b>Willamette Valley</b>	<b>413,499</b>	<b>7.4%</b>	<b>\$26,001</b>	<b>\$30,119</b>
Benton	39,933	4.2%	\$30,421	\$36,765
Lane	157,968	7.8%	\$26,416	\$29,427
Linn	46,689	10.9%	\$24,067	\$30,098
Marion	139,173	7.9%	\$25,208	\$29,625
Polk	29,736	6.9%	\$25,241	\$25,934
<b>Coast</b>	<b>82,312</b>	<b>8.0%</b>	<b>\$24,985</b>	<b>\$25,633</b>
Clatsop	16,981	7.1%	\$25,196	\$26,288
Coos	25,669	8.8%	\$23,937	\$26,731
Curry	8,337	7.3%	\$24,679	\$23,843
Lincoln	20,192	8.6%	\$26,029	\$24,449
Tillamook	11,133	6.6%	\$25,734	\$25,402
<b>Southern</b>	<b>162,482</b>	<b>8.4%</b>	<b>\$25,186</b>	<b>\$27,747</b>
Douglas	43,147	10.1%	\$24,644	\$28,445
Jackson	90,257	7.3%	\$26,477	\$28,098
Josephine	29,078	8.8%	\$22,791	\$25,348
<b>Central</b>	<b>132,291</b>	<b>8.9%</b>	<b>\$25,082</b>	<b>\$27,092</b>
Crook	6,944	10.8%	\$21,859	\$28,141
Deschutes	63,455	7.7%	\$28,193	\$28,253
Gilliam	1,027	6.6%	\$18,416	\$25,229
Hood River	10,751	9.7%	\$24,151	\$22,600
Jefferson	7,388	7.9%	\$20,510	\$25,996
Klamath	26,731	10.2%	\$23,002	\$27,755
Lake	3,100	10.4%	\$21,854	\$24,887
Sherman	836	11.9%	\$17,647	\$24,719
Wasco	11,510	10.7%	\$24,008	\$25,217
Wheeler	549	8.3%	\$19,736	\$20,510
<b>Eastern</b>	<b>81,952</b>	<b>9.0%</b>	<b>\$22,129</b>	<b>\$26,346</b>
Baker	6,703	9.5%	\$21,424	\$24,916
Grant	3,403	11.3%	\$24,967	\$25,808
Harney	3,320	11.3%	\$22,382	\$24,649
Malheur	14,021	9.8%	\$18,608	\$24,164
Morrow	4,532	10.3%	\$20,826	\$28,374
Umatilla	35,088	8.5%	\$22,789	\$27,656
Union	11,846	6.5%	\$24,007	\$26,033
Wallowa	3,039	10.9%	\$25,076	\$25,669

Sources: employment, unemployment, and average wage: Oregon Employment Department;  
per capita personal income: U.S. Bureau of Economic Analysis.

Note: Portland PMSA excludes Clark County, WA.

**Table O. 7****Gross Farm & Ranch Sales By County and District for 2003**

(Values are in Thousand Dollars)

Geography	Year 2003			Year 2002	% change from '02 to '03
	All Crops	All Animal Products	Total Sales	Total Sales	
<b>OREGON</b>	<b>\$2,490,768</b>	<b>\$978,136</b>	<b>\$3,468,904</b>	<b>\$3,266,048</b>	<b>6.2%</b>
<b>Portland PMSA</b>	<b>\$767,053</b>	<b>\$95,418</b>	<b>\$862,473</b>	<b>\$812,298</b>	<b>6.2%</b>
Clackamas	\$295,672	\$43,430	\$339,102	\$322,548	5.1%
Columbia	\$9,906	\$2,728	\$12,635	\$9,891	27.7%
Multnomah	\$67,547	\$2,219	\$69,767	\$66,800	4.4%
Washington	\$204,588	\$15,868	\$220,456	\$210,282	4.8%
Yamhill	\$189,340	\$31,173	\$220,513	\$202,777	8.7%
<b>Willamette Valley</b>	<b>\$742,201</b>	<b>\$183,363</b>	<b>\$925,564</b>	<b>\$865,074</b>	<b>7.0%</b>
Benton	\$44,844	\$11,036	\$55,880	\$53,032	5.4%
Lane	\$87,134	\$25,530	\$112,664	\$105,398	6.9%
Linn	\$146,059	\$40,625	\$186,684	\$186,801	-0.1%
Marion	\$375,414	\$80,413	\$455,827	\$417,078	9.3%
Polk	\$88,750	\$25,759	\$114,509	\$102,765	11.4%
<b>Coast</b>	<b>\$59,546</b>	<b>\$112,713</b>	<b>\$172,259</b>	<b>\$169,099</b>	<b>1.9%</b>
Clatsop	\$2,583	\$4,109	\$6,692	\$6,813	-1.8%
Coos	\$34,009	\$15,705	\$49,714	\$45,145	10.1%
Curry	\$16,094	\$4,240	\$20,335	\$19,022	6.9%
Lincoln	\$5,192	\$1,509	\$6,701	\$6,485	3.3%
Tillamook	\$1,668	\$87,150	\$88,817	\$91,634	-3.1%
<b>Southern</b>	<b>\$95,298</b>	<b>\$52,584</b>	<b>\$147,883</b>	<b>\$143,108</b>	<b>3.3%</b>
Douglas	\$35,638	\$18,189	\$53,828	\$62,366	-13.7%
Jackson	\$48,670	\$22,628	\$71,298	\$60,886	17.1%
Josephine	\$10,990	\$11,767	\$22,757	\$19,856	14.6%
<b>Central</b>	<b>\$267,594</b>	<b>\$176,668</b>	<b>\$444,264</b>	<b>\$410,091</b>	<b>8.3%</b>
Crook	\$11,137	\$24,368	\$35,506	\$32,218	10.2%
Deschutes	\$7,731	\$11,120	\$18,852	\$18,581	1.5%
Gilliam	\$8,303	\$8,014	\$16,317	\$17,368	-6.1%
Hood River	\$53,502	\$1,126	\$54,627	\$55,474	-1.5%
Jefferson	\$28,509	\$13,337	\$41,847	\$41,677	0.4%
Klamath	\$57,323	\$81,662	\$138,985	\$127,159	9.3%
Lake	\$24,300	\$28,011	\$52,311	\$47,011	11.3%
Sherman	\$20,318	\$2,060	\$22,378	\$21,714	3.1%
Wasco	\$54,899	\$0	\$54,899	\$41,531	32.2%
Wheeler	\$1,572	\$6,970	\$8,542	\$7,358	16.1%
<b>Eastern</b>	<b>\$388,601</b>	<b>\$292,450</b>	<b>\$681,052</b>	<b>\$637,779</b>	<b>6.8%</b>
Baker	\$6,387	\$36,726	\$43,113	\$42,333	1.8%
Grant	\$2,228	\$17,481	\$19,709	\$17,881	10.2%
Harney	\$15,294	\$42,338	\$57,632	\$50,749	13.6%
Malheur	\$95,153	\$79,271	\$174,424	\$161,558	8.0%
Morrow	\$79,746	\$45,090	\$124,837	\$104,769	19.2%
Umatilla	\$142,426	\$44,124	\$186,550	\$199,135	-6.3%
Union	\$30,104	\$11,404	\$41,508	\$32,130	29.2%
Wallowa	\$17,263	\$16,016	\$33,279	\$29,224	13.9%

Note: Oregon totals include undeclared county locations, hence the totals are larger than sum of the counties/regions. Portland PMSA excludes Clark County, WA.

Source: Oregon State University Extension Service

**Table O. 8**

**Average Household Income and Distribution by Income Source, 1999**

Geography	Average household income	Distribution by source of income							
		Wage or salary	Self-employment	Interest, dividends, or net rental	Social Security	Supplemental Security	Public assistance	Retirement	Other
<b>OREGON</b>	<b>\$52,816</b>	<b>71.0%</b>	<b>7.1%</b>	<b>7.7%</b>	<b>5.8%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>5.6%</b>	<b>2.1%</b>
<b>Portland PMSA</b>	<b>\$59,862</b>	<b>75.8%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>4.2%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>4.3%</b>	<b>1.7%</b>
Clackamas	\$67,853	74.2%	7.4%	7.7%	4.1%	0.2%	0.1%	4.6%	1.7%
Columbia	\$52,983	74.9%	5.8%	5.1%	6.1%	0.4%	0.1%	5.6%	2.0%
Multnomah	\$53,941	74.4%	6.4%	7.5%	4.6%	0.5%	0.2%	4.5%	1.9%
Washington	\$65,096	79.5%	5.7%	6.2%	3.3%	0.2%	0.1%	3.6%	1.4%
Yamhill	\$53,354	71.6%	8.4%	6.7%	5.8%	0.4%	0.1%	5.0%	1.9%
<b>Willamette Valley</b>	<b>\$49,237</b>	<b>69.5%</b>	<b>6.5%</b>	<b>8.1%</b>	<b>6.4%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>6.2%</b>	<b>2.4%</b>
Benton	\$55,309	71.7%	5.9%	9.8%	4.4%	0.2%	0.1%	5.6%	2.3%
Lane	\$48,062	68.1%	6.9%	9.2%	6.5%	0.5%	0.2%	6.0%	2.4%
Linn	\$45,423	69.5%	6.9%	6.4%	7.8%	0.6%	0.3%	6.0%	2.6%
Marion	\$50,168	70.8%	6.0%	7.2%	6.4%	0.5%	0.3%	6.5%	2.4%
Polk	\$50,386	68.5%	7.2%	6.9%	7.0%	0.4%	0.2%	7.8%	2.0%
<b>Coast</b>	<b>\$42,604</b>	<b>58.3%</b>	<b>9.4%</b>	<b>9.1%</b>	<b>10.2%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>9.2%</b>	<b>3.0%</b>
Clatsop	\$46,206	62.0%	9.9%	9.1%	7.9%	0.5%	0.2%	8.0%	2.4%
Coos	\$41,013	59.5%	7.7%	8.1%	10.6%	0.8%	0.3%	9.5%	3.5%
Curry	\$39,638	47.3%	9.6%	12.3%	13.6%	0.8%	0.3%	12.5%	3.6%
Lincoln	\$42,409	58.6%	9.1%	9.3%	10.1%	0.6%	0.3%	9.0%	3.0%
Tillamook	\$44,627	58.3%	12.8%	8.6%	9.7%	0.5%	0.2%	7.6%	2.3%
<b>Southern</b>	<b>\$45,013</b>	<b>61.3%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>8.9%</b>	<b>0.6%</b>	<b>0.2%</b>	<b>8.4%</b>	<b>3.0%</b>
Douglas	\$41,157	65.7%	6.3%	6.2%	10.0%	0.8%	0.3%	7.3%	3.4%
Jackson	\$48,729	62.1%	8.4%	10.7%	7.8%	0.5%	0.2%	7.7%	2.6%
Josephine	\$41,396	53.2%	10.5%	9.4%	10.8%	0.8%	0.3%	11.6%	3.4%
<b>Central</b>	<b>\$47,727</b>	<b>65.2%</b>	<b>9.1%</b>	<b>8.4%</b>	<b>7.2%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>6.9%</b>	<b>2.6%</b>
Crook	\$42,918	65.9%	8.1%	8.7%	8.3%	0.5%	0.4%	5.5%	2.7%
Deschutes	\$54,498	64.9%	10.4%	8.9%	5.7%	0.3%	0.1%	7.3%	2.3%
Gilliam	\$40,458	60.9%	10.7%	8.3%	9.8%	0.4%	0.3%	5.2%	4.5%
Hood River	\$48,864	64.2%	10.0%	11.1%	6.6%	0.4%	0.2%	5.4%	2.1%
Jefferson	\$43,487	68.9%	7.1%	5.9%	7.7%	0.5%	0.3%	6.9%	2.8%
Klamath	\$41,390	65.8%	7.0%	7.2%	8.9%	0.8%	0.3%	7.1%	3.0%
Lake	\$38,298	60.9%	7.2%	10.5%	9.9%	1.0%	0.2%	6.7%	3.5%
Sherman	\$41,532	51.2%	19.2%	8.9%	10.3%	0.4%	0.1%	6.3%	3.7%
Wasco	\$42,757	66.5%	7.8%	6.5%	9.0%	0.7%	0.2%	6.7%	2.7%
Wheeler	\$37,124	50.9%	12.5%	8.1%	13.8%	0.6%	0.1%	9.9%	4.1%
<b>Eastern</b>	<b>\$42,154</b>	<b>65.6%</b>	<b>9.4%</b>	<b>7.1%</b>	<b>8.1%</b>	<b>0.6%</b>	<b>0.2%</b>	<b>6.3%</b>	<b>2.6%</b>
Baker	\$37,335	59.1%	8.4%	8.7%	10.9%	0.8%	0.2%	8.5%	3.4%
Grant	\$40,597	64.5%	7.6%	7.6%	8.9%	0.7%	0.2%	6.8%	3.7%
Harney	\$40,289	62.5%	10.4%	5.9%	8.5%	1.0%	0.4%	8.2%	3.1%
Malheur	\$40,088	61.1%	10.9%	8.7%	9.1%	0.9%	0.3%	6.6%	2.4%
Morrow	\$45,330	70.8%	9.6%	4.9%	6.3%	0.6%	0.3%	4.6%	3.1%
Umatilla	\$44,481	69.8%	9.2%	5.8%	6.9%	0.5%	0.2%	5.5%	2.2%
Union	\$41,976	65.6%	8.1%	8.0%	8.4%	0.6%	0.3%	6.1%	3.0%
Wallowa	\$40,882	54.1%	12.4%	11.4%	9.9%	0.3%	0.2%	8.5%	3.2%

Sources: U.S. Bureau of Census, Census 2000.

Note: Portland PMSA excludes Clark County, WA.

**Table O. 9****Number of Employees, Payroll, and Establishments by Region and County, 2001**

STATE/COUNTY	Number of Employees for week including March 12	Annual Payroll (\$1,000)	Total Establish- ments	Number of Establishments by Employment-size class				
				1-4	5-9	10-49	50-99	100 or more
<b>OREGON</b>	<b>1,364,924</b>	<b>44,082,073</b>	<b>101,003</b>	<b>55,938</b>	<b>19,350</b>	<b>21,127</b>	<b>2,627</b>	<b>1,961</b>
<b>Portland PMSA</b>	<b>778,155</b>	<b>28,713,743</b>	<b>48,622</b>	<b>26,303</b>	<b>9,035</b>	<b>10,551</b>	<b>1,510</b>	<b>1,223</b>
Clackamas	117,234	3,768,210	9,669	5,744	1,714	1,806	242	163
Columbia	9,011	266,710	831	483	165	159	13	11
Multnomah	406,053	14,696,495	23,593	12,157	4,502	5,481	801	652
Washington	221,760	9,343,834	12,512	6,729	2,297	2,706	413	367
Yamhill	24,097	638,494	2,017	1,190	357	399	41	30
<b>Willamette Valley</b>	<b>287,220</b>	<b>7,975,297</b>	<b>22,689</b>	<b>12,237</b>	<b>4,514</b>	<b>4,980</b>	<b>577</b>	<b>381</b>
Benton	28,257	948,537	1,936	1,067	383	404	50	32
Lane	117,509	3,219,601	9,561	5,167	1,874	2,118	236	166
Linn	33,707	954,431	2,550	1,342	529	559	67	53
Marion	94,980	2,559,346	7,495	3,957	1,525	1,701	200	112
Polk	12,767	293,382	1,147	704	203	198	24	18
<b>Coast</b>	<b>54,278</b>	<b>1,233,778</b>	<b>6,122</b>	<b>3,612</b>	<b>1,222</b>	<b>1,152</b>	<b>82</b>	<b>54</b>
Clatsop	11,398	245,522	1,395	805	270	290	21	9
Coos	18,033	424,930	1,699	949	355	348	24	23
Curry	5,153	112,326	696	443	127	116	7	3
Lincoln	13,406	298,246	1,630	990	334	278	17	11
Tillamook	6,288	152,754	702	425	136	120	13	8
<b>Southern</b>	<b>111,167</b>	<b>2,852,392</b>	<b>10,082</b>	<b>5,733</b>	<b>1,996</b>	<b>1,996</b>	<b>215</b>	<b>142</b>
Douglas	30,107	774,805	2,686	1,535	542	513	53	43
Jackson	62,806	1,652,690	5,442	3,042	1,061	1,136	127	76
Josephine	18,254	424,897	1,954	1,156	393	347	35	23
<b>Central</b>	<b>87,371</b>	<b>2,218,087</b>	<b>8,871</b>	<b>5,316</b>	<b>1,675</b>	<b>1,625</b>	<b>148</b>	<b>107</b>
Crook	4,967	132,392	433	266	84	68	7	8
Deschutes	44,117	1,147,730	4,692	2,854	857	850	82	49
Gilliam	626	13,970	62	30	18	10	4	0
Hood River	7,360	158,637	790	505	131	132	11	11
Jefferson	4,129	106,545	287	136	71	71	2	7
Klamath	17,020	448,190	1,600	909	317	328	27	19
Lake	1,276	26,792	209	139	42	25	2	1
Sherman	274	4,237	47	31	10	5	1	0
Wasco	7,495	178,066	715	417	141	133	12	12
Wheeler	107	1,528	36	29	4	3	0	0
<b>Eastern</b>	<b>46,324</b>	<b>1,068,676</b>	<b>4,587</b>	<b>2,716</b>	<b>907</b>	<b>818</b>	<b>94</b>	<b>52</b>
Baker	3,856	80,990	540	360	91	76	11	2
Grant	1,543	34,933	273	192	44	32	4	1
Harney	1,522	34,764	196	121	37	32	6	0
Malheur	8,656	187,590	750	399	166	159	17	9
Morrow	1,630	45,560	153	99	23	26	3	2
Umatilla	20,571	494,158	1,608	870	339	333	39	27
Union	7,083	157,165	729	421	153	133	12	10
Wallowa	1,463	33,516	338	254	54	27	2	1

Source: U.S. Census Bureau, 2001 County Business Patterns.

Note: Portland PMSA excludes Clark County, WA.