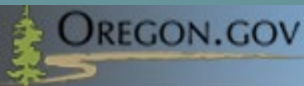


Oregon Office of Economic Analysis

Oregon Economic News, Analysis and Outlook



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Oregon Economic and Revenue Forecast, December 2023

Posted by: **Josh Lehner** | November 15, 2023

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This morning the Oregon Office of Economic Analysis released the latest quarterly economic and revenue forecast. For the full document, slides and forecast data [please see our main website](#). Below is the forecast's Executive Summary and a copy of our presentation slides.

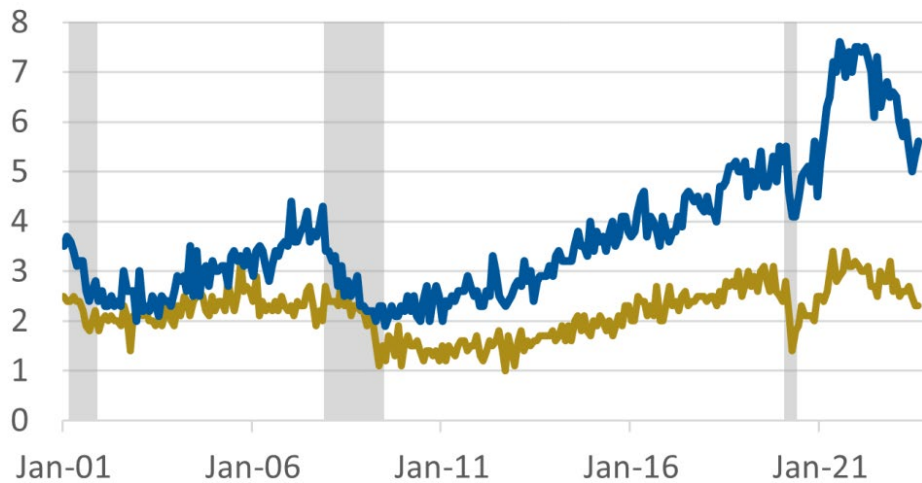
The economy is rebalancing. Inflation remains above the Federal Reserve's target. However inflationary pressures have eased as stronger productivity gains and an increase in the number of Americans looking for work means the labor market is no longer overheated. As wage growth slows, so too will overall inflation in the year ahead.

As a result, the Federal Reserve is now looking to make surgical rate cuts. As inflation continues toward target, the Fed can ease off the brakes, allowing the economy to coast. Most forecasters, including the Fed itself, expects a couple of small interest rate cuts in the second half of 2024, however the rebalancing labor market and cooler inflation readings may allow the Fed to cut sooner than expected. Lower rates will spur more activity, ensuring the economic expansion continues.

Oregon's baseline economic outlook continues to call for the soft landing, and remains effectively unchanged from the prior forecast. Local economic growth is driven by a return to full employment, combined with stronger business investment and productivity gains. Recently released Census data confirm that the economic recovery from the pandemic has been inclusive and broad-based. Looking forward, a modest rebound in migration in the years ahead will allow local businesses to hire and expand at a faster pace than the nation. However, should migration not return as expected, Oregon's economy will not crater, but rather grow at a slower rate than in the baseline.

Labor Market is Rebalancing

Job Opening rate and *Worker Quits rate* (percent) in Oregon



Latest Data: August 2023 | Source: BLS, Oregon Office of Economic Analysis

Oregon's state revenue outlook appears to have stabilized. Aside from persistently strong corporate income taxes and large insurance tax payments, collections in recent months have tracked closely with the September forecast. In particular, personal income tax collections have finally started to weaken.

General Fund revenue collections are expected to decline significantly in the months ahead as corporate profits and business income return to trend, and a record personal income tax kicker credit is issued. Although the revenue outlook appears on track for now, Oregon has yet to go through its first personal income tax filing season of the biennium, so considerable uncertainty remains.

Even excluding the payment of the kicker credit, General Fund revenues were expected to be relatively unchanged when compared to the previous biennium. The revenue boom seen during tax year 2021 is unlikely to be repeated, with collections expected to revert back to their long-term trends. Traditional gains in General Fund collections are expected to resume in the 2025-27 biennium and beyond.

Longer term, revenue growth in Oregon and other states will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes and general sales taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

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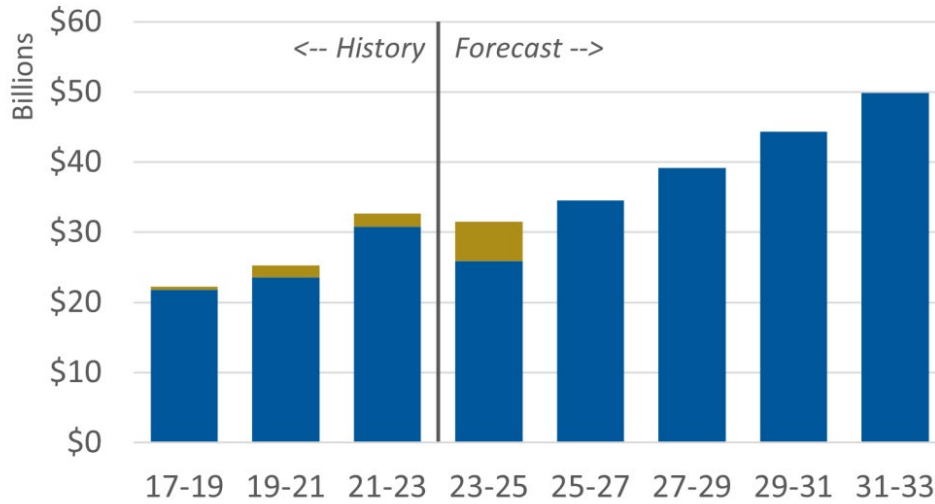
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Oregon General Fund Forecast

Current Revenue Forecast | Last Biennium's Kicker Being Paid Out



Source: Oregon Office of Economic Analysis

See our [full website](#) for all the forecast details. Our presentation slides for the forecast release to the Legislature are below.

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