

**MULTNOMAH COUNTY
ECONOMIC AND REVENUE FORECAST**

October 2004

Reporting Period: 2004 - 2009

FINAL

ECONorthwest

ECONOMICS • FINANCE • PLANNING

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FOREWORD

In this report, ECONorthwest presents its second semi-annual forecast of selected economic and revenue indicators for Multnomah County, Oregon. Projections are provided through the second quarter of 2009. The forecast presents the following indicators on a quarterly basis:

- Multnomah County Business Income Tax Revenue
- Multnomah County Transient Lodging Tax Revenue
- Multnomah County Real Estate Taxable Assessed Value
- Multnomah County Motor Vehicle Rental Tax Revenue
- Portland MSA Personal Income
- Multnomah County Employment (by preserved industry groups)
- Local macroeconomic indicators including: Consumer Price Index, Commercial-Industrial Vacancy Rate, and Housing Permits.

The forecast relies on an econometric model of the county economy developed by ECONorthwest. The model is a Vector Autoregressive Model, which has demonstrated significantly improved forecasting performance over older, structural models. Contrary to the first forecast presented in 2003, ECONorthwest now relies on the FAIR model for national data forecasts and state level forecasts from the Oregon State Office of Economic Analysis. This change will be further discussed in section one of this report.

Readers should note that the forecast uses the new, NAICS industry classification system. The adoption of the NAICS classification scheme for reporting industrial activity has created many problems for economic forecasters because it represents a departure from the previous SIC code data series. A long time series of NAICS data are not available, limiting the ability of forecasters to assemble detailed economic forecasting models. ECONorthwest has addressed this issue by consolidating the NAICS industrial classifications into a few, aggregate classifications that can be better married to the longer SIC data series. It will be many years before there is sufficient actual history of NAICS-based data to permit modeling of industrial performance at a disaggregate level.

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I. DATA

ECONorthwest uses national economic data, both historical and forecast, from the FAIR model¹. To briefly describe the FAIR model, it is a US macroeconomy model developed by Dr. Ray Fair of Yale University, which contains numerous systems of equations and variables. The advantage of the FAIR model over commercial models is that it has been extensively tested and analyzed in the academic and commercial fields. Over the long haul, the FAIR model has been the best national forecast model available. ECONorthwest believes that this change is necessary due to significantly deteriorated commercial model performance. However, it is important to note that our general outlook on the local economy remains approximately the same as in our last forecast.

The state economic and tax revenues forecast data are from Oregon Economic and Revenue Forecast: June 2004. The Oregon Economic and Revenue Forecast reports are published regularly by the Office of Economic Analysis (OEA), the main forecasting unit for the state of Oregon. Additional historical state economic and tax revenue data are from the Oregon Department of Revenue.

The data on state employment are taken from the Oregon Labor Market Information System (OLMIS). OLMIS, an online information system operated by the Oregon Employment Department, provides Oregon county-level employment data, based on the Standard Industrial Classification (SIC) system, for years prior to 2001, and the North American Industry Classification System (NAICS), for years 2001 forward. Due to significant differences between the two systems, we group industries into the following categories: Construction, Manufacturing, FIRE (Finance, Insurance, and Real Estate), Federal Government, State Government, Local Government, and Else (all other industries). This broad grouping allows for the two data classification schemes to be joined smoothly.

The local economic and tax revenue data are taken from variety of sources. Multnomah County business income tax, motor vehicle rental tax, and transient lodging tax revenues data are from the Bureau of Licenses, City of Portland. Portland transient lodging tax revenues and motor vehicle rental tax revenues are obtained from Multnomah County and the Portland Oregon Visitors Association. Multnomah County building permit data are obtained from Real Estate Report for Metropolitan Portland, Oregon. The Real Estate Report is published semi-annually covering real estate activities in Portland, Oregon. We use real estate real market value and assessed value data provided by Multnomah County. Portland commercial-industrial vacancy rate data were obtained from Rosen Consulting Group, Norris, Beggs & Simpson, and REIS, which are all real estate data firms. Portland-Vancouver MSA Consumer Price Index (CPI) data are taken from the Bureau of Labor Statistics and OEA. Lastly, Portland and

¹ Fair, Ray C. The US Model <<http://fairmodel.econ.yale.edu/main2.htm>>. July 31, 2004.

Multnomah County personal income data are obtained from the Bureau of Economic Analysis.

For the purpose of our analysis we prepare the data quarterly in both levels and year-over-year change.

II. METHOD

This forecast analysis uses the abovementioned national, state, and local data to model the Multnomah County economy. The model employs a vector autoregressive modeling structure. This is a widely used method for forecasting time-series economic data. In vector autoregressions (VARs), individual economic indicators are assumed to depend not only on other economic factors, but on the prior path of the indicator itself. Due to this so-called autoregressive feature, VAR allows the data to better capture the cyclical behavior of the key economic variables.

In addition to our previous model, ECONorthwest introduced Portland MSA economic variables to our model to better bridge national economic indicators to the county economic conditions. This process yielded a forecast that better tracks more relevant local economic activities in addition to what Multnomah County draws from the national level.

III. ECONOMIC OUTLOOK

In our first report in 2003, we cautioned that the Oregon and Multnomah County economies will experience slower-than-national recovery. While most parts of the country exhibited positive signs of economic recovery in the first half of 2004, Oregon and Multnomah County, Oregon's economically largest county, have lagged behind and remained sluggish. Indeed, the road to recovery has been nothing short of a surprise and puzzling to many economists. In this section, we will delve into some of the reasons behind state and local economic lag and indicators that point towards full recovery on the horizon.

A. The Nation

The US economy, after record-setting numbers in the second half of 2003, has cooled to more reasonable gains in 2004. Gross domestic product posted a 7.4 percent gain in the third quarter of 2003, the largest gain since the early 1980's. Since then, GDP has modestly gained, on average, at a rate of 4 percent per quarter. A slow rebound has also been true for the stock market and spending by major corporations. After a scorching rebound in 2003, the Dow Jones Industrial Average has hovered around the key 10,000 mark in 2004. The 30 Dow Jones companies have reported mixed earning results and most have cut their projections for the first half of 2005. Much of this is due to concerns of slow down in corporate capital spending and rising energy costs.

Current Situation

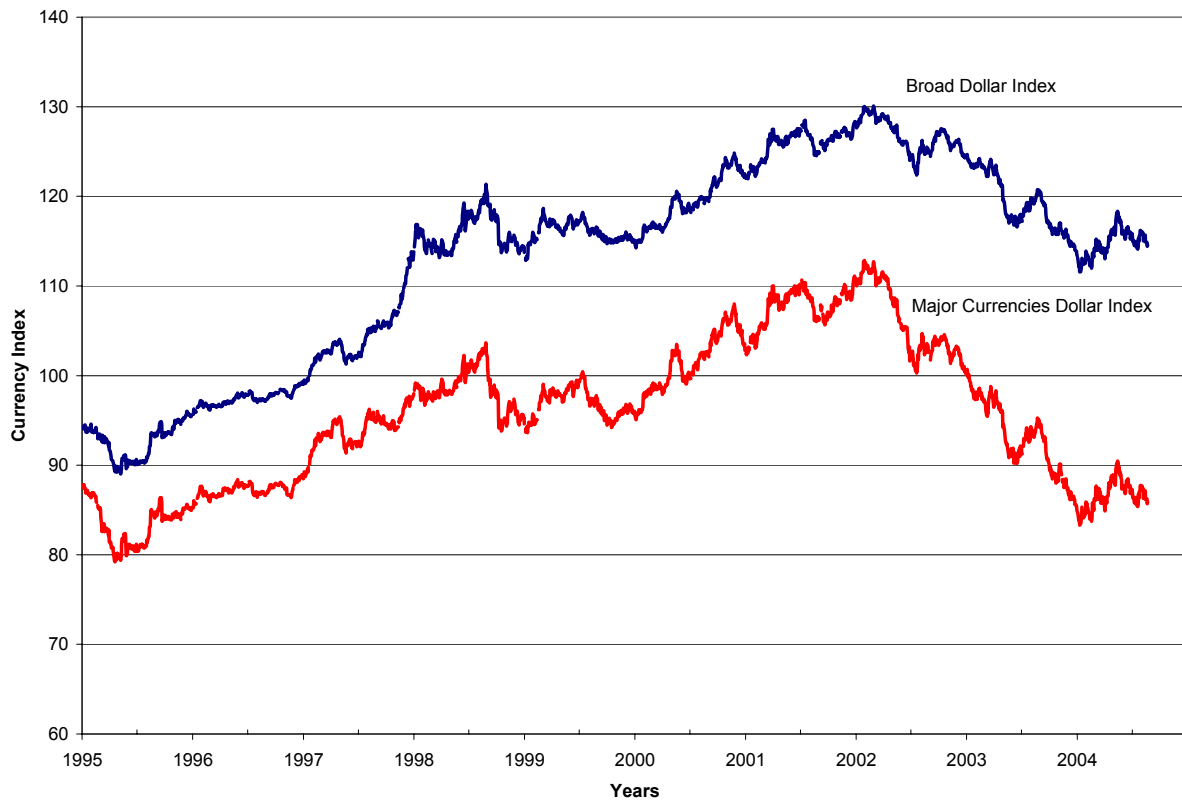
In 2003, the President's aggressive tax cuts coupled with a weak dollar were main rationales for recovery in 2004. The intent behind the tax cuts was to stimulate economic activity, leading to job creation, and corporate and consumer spending increases. We also emphasized in 2003, that a weak dollar, in the short term, will increase productions and profits, particularly for companies with extensive international operations. In 2004, some of these intentions materialized. For example, the Federal Reserve Bank continues to report healthy corporate profits². However, a key indicator to recovery, employment, has been slack, as businesses have tended to increase hours of existing employees before adding new employment.

At the end of 2003, the dollar was at its lowest trade-weighted value since 1995. Figure 1 illustrates relatively low dollar indices in 2004. The broad dollar index is a weighted average of the foreign exchange values of the dollar against the currencies of a large group of major U.S. trading partners. The major currencies index is a weighted average of the foreign exchange values of the dollar against a subset of currencies in the

² *National Economic Trends: August 2004*. Federal Reserve Bank of St. Louis. August 21, 2004.

broad index that circulate widely outside the country of issue. In the first quarter of 2004, the dollar mustered a small rebound just to lose its steam in the recent months. Although a weaker greenback will help US firms, it is important to sustain a good level of inward capital flow from foreign investors. Should foreign investors grow tired of funding capital demands in the US, there is a danger of the dollar falling even further and interest rates increasing at a faster rate than what the current recovery can accommodate. However, the flip side of this coin is that foreign economies will then experience weaker demand for their exports.

Figure 1: Broad and Major Currencies Dollar Index



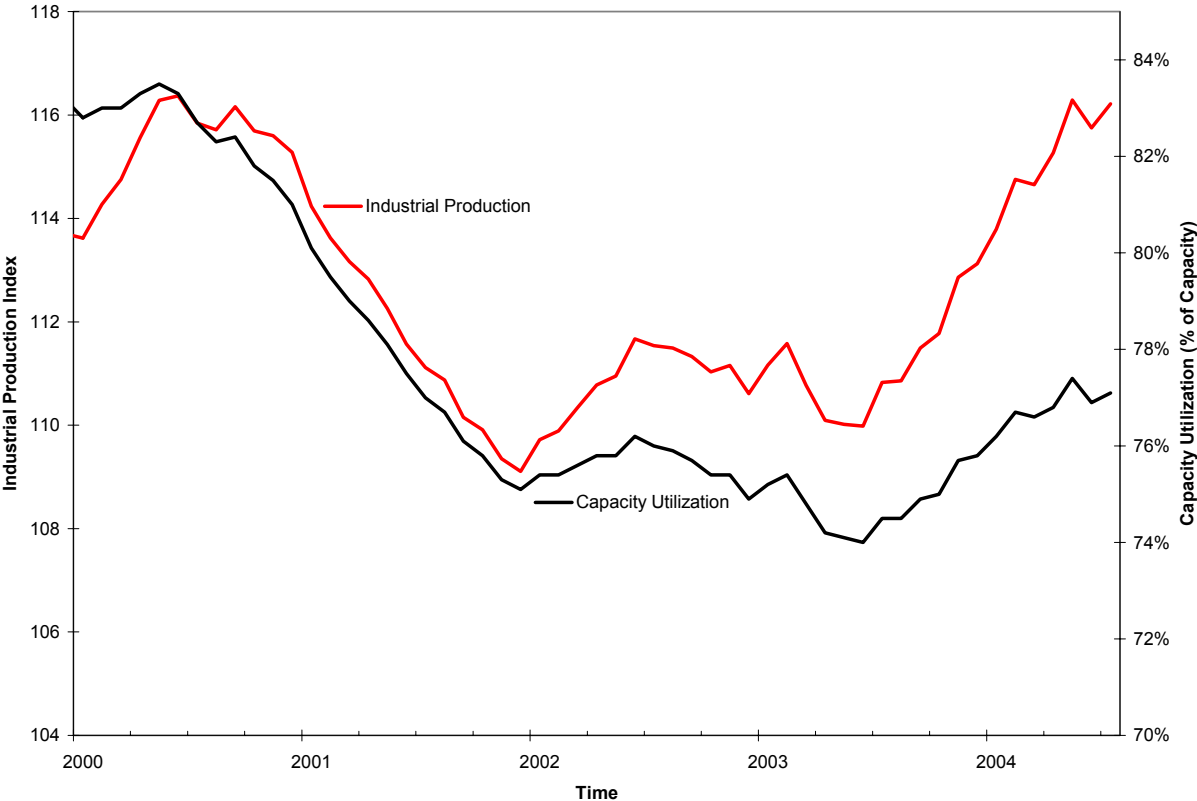
While the dollar continues to fuel the economy, the Bush administration's tax cuts have had a less significant impact on jobs. At the time, accelerated depreciation of capital spending and lowered dividend tax rate were expected to jump-start corporate spending and consequently create jobs. However, record excess capacity and efficiency gains from past and current capital spending have slowed the impact on the labor market; employment will not, at least in short term, benefit as significantly as corporate profits as a result of these new corporate adjustments in production management. Wary companies are trying to find ways to increase output without taking on new employment in an uncertain environment. A good example of this is software investments. Many enterprise software investments are intended to streamline and enforce efficiencies in various business channels. These investments are generally good

news for companies, especially for small- to medium-sized companies, and their bottom lines. However, improved bottom lines come at a cost of slower growth in jobs and increased functions that are now performed by computers. On top of this, some of these technologies allow firms to more efficiently outsource jobs overseas.

The restructured dividend tax rate also will have the desired effect, but only gradually. This reform is intended to stimulate jobs by providing shareholders with income from dividend payments. However, the majority of dividend-paying stocks is held by institutional funds, foreign investors, and retirement accounts and is having the effect of increasing wealth, but not income. Until consumers are confident that the wealth increases are “permanent” will the effect of dividend reform be realized.

As mentioned above, excess capacity and productivity gains have restrained companies from hiring new employees. Figure 2 clearly shows capacity utilization is rebounding from its lows in 2003. As of October 2004, industries across the nation are operating at 77.7 percent of their capacity, getting closer to the 30-year average of 80.6 percent.

Figure 2: Industrial Production and Capacity Utilization



Overall, national indicators suggest that we are entering the middle stages of a recovery where improving business activity will soon be accompanied by increased hiring. After the three-month period of March, April, and May, during which more than

850,000 non-farm jobs were created, June and July employment numbers were disappointing at 180,000 jobs combined. However, a good indication that positive things are ahead can be deduced from the Federal Reserve's decision to continue its interest rate tightening and upbeat outlook.

The National Economic Outlook

Our national economic outlook is based on the FAIR model, which forecasts a rather modest national recovery well into year 2006, and is presented in Table 6 of the appendix. The model forecasts real GDP growth of 3.7 percent in 2004, and 3.1 percent in 2005. More importantly employment is expected to increase by 2 million in 2004, and 1.9 million more jobs in 2005. These outlooks are tied to variety of intricate factors that may change with domestic and foreign monetary policies and how the rest of the world recovers.

Recently, increasing oil prices and inflation have been hot topics of discussion in the media. With oil prices near their all-time highs, there have been some public concerns of an oil shock, which will be disruptive to the world economy. In our view, however, this concern is overblown in the press. The current high oil prices, when adjusted for inflation since the last peak in prices, puts fluctuations in the absolute real level of oil prices in a less onerous light. Oil consumption at its current peak price is a small part of the US economy at 2.7% of GDP; in contrast, health care expenditures are almost 16% of GDP, making fluctuations in the latter more significant than the former. However, the market does not like surprises regarding key inputs, even if there are good opportunities for substitution for the expensive commodity. Hence, the ultimate effect of oil prices is not their level, but their instability.

In the month of October, crude oil price rose above \$50 per barrel, hitting as high as \$55 per barrel. Since then, the price has dramatically stabilized and as of December 7, 2004 stands at \$42.60. With demand for oil exceeding the rate at which supply can increase, a couple of things can happen. First, in a more likely scenario as supported by recent decline in oil price, demand will fall as a result of monetary tightening around the world. Second, price will rise to a higher level at which demand meets supply. This price, which experts estimate to be in excess of \$100 per barrel, will likely curb the global economic recovery and bring businesses to halt. However, an oil shock is highly unlikely at this juncture given fading situations in the Middle East and evidences of well managed global tightening.

Yet another concern for the future is inflation. Presently, inflation is quite low and is not a cause for concern. However, it is important for the Federal Reserve in the next few years of recovery to strike a balance between growth and inflation. There is a risk of inflation getting out of hand as it did in the 1970's and the early 1980's. Moreover, rising number of retirees can possibly add fuel to fire of inflation should deficit spending continue to rise to support retirement programs. Alan Greenspan, Federal Reserve Chairman, warned in his August speech at a symposium in Jackson

Hole, Wyoming that “If we have promised more than our economy has the ability to deliver to retirees without unduly diminishing real income gains of workers, as I fear we may have, we must recalibrate our public programs so that pending retirees have time to adjust through other channels³.” Without “recalibration”, foreign capital and increasing interest rates are needed to support the growing number of retirees and will eventually lead to inflation. As we emphasized earlier, the US and the rest of the world need to tighten its demand in the coming years to curb inflation.

B. Oregon

In the first half of 2004, Oregon made a strong push for recovery. In some aspects, Oregon outpaced the nation. In October 2004, Oregon non-farm employment posted year-over-year gain of 2.2 percent, compared to 1.6 percent nationally. However, Oregon must continue this trend to recover and catch up to the nation. This is already evident as of October 2004. Since the end of the recession, November 2001, Oregon gained 1.9 percent of its total non-farm employment, compared to 0.8 percent nationally. However, factoring population growth and an increasing available workforce, it is easy to see that Oregon has a bigger hole to dig out of than other states. Moreover, the unemployment rate continues to be one of the worst in the nation at 7.2 percent, compared to a national average of 5.5 percent.

Current Situation

In recent months, there were some good news coming from banking, high-tech and specialty manufacturing industries in Oregon. Intel Corporation announced a decision to shift development of its flash memory production technology from California to its campus in Hillsboro, Oregon. Adding to semiconductor activities in Oregon, Hynix, a South Korea-based semiconductor manufacturer decided to upgrade its facility in Eugene, Oregon. In the banking industry, Roseburg-based Umpqua Bank, continues to expand throughout the Northwest and create jobs. These are some evidences that Oregon still provides an advantageous business environment and a skilled workforce capable of enticing manufacturers and other industries to the state.

Most of the employment gains in the past 12 months showed up in the professional and business services and construction sectors. As of October 2004, the professional and business services added 6,400 jobs, and the construction industry added 3,900 jobs. The professional and business services benefited from rising demand for part-time employees. Increases in energy and health insurance benefit costs are prompting more reliance on part-time staffing services. Meanwhile, the construction

³Remarks by Chairman Alan Greenspan. <<http://federalreserve.gov/boarddocs/speeches/2004/20040827/default.htm>> The Federal Reserve Board. August 27, 2004.

industry continues to benefit from rising demand for residential buildings fueled by booming housing market and low mortgage rates.

Oregon Economic Outlook

Much like our national outlook, our state forecast relies on a forecast from the Oregon Office of Economic Analysis. The state anticipates total non-farm employment to grow by 2 percent in 2005 and 2006. In addition, the state warned that Oregon will play catch-up to the national economy, and it will be a long time before we can see the unemployment rate drop significantly.

As we have cautioned in our national section, there are several factors that can either speed up or set back what is already a slow recovery in Oregon. The obvious variables are situations in the Middle East, a weak dollar and how it is sustained, and rising energy and commodity costs. We discussed some of these issues in the previous section and the same implications apply to Oregon. More specific to the state, the Oregon Public Employees Retirement System (PERS) situation can, according to our reported estimates, significantly set back the entire state. Thus, it will be important to monitor the situation closely. Lastly, much of state's economic success depended on high-tech and specialty manufacturing sectors during the late 90's, meaning much of our recovery, too, will rely on these volatile industries.

C. Multnomah County

The Multnomah County economy has continued to struggle in 2004. However, the good news is that the Portland region is slowly reversing this trend of job losses to positive gains in jobs. This is already evident in Portland MSA, where as of October 2004, 8,900 non-farm jobs were added year-over-year. Last year, we warned that recovery will be slow and inconsistent, with periodic setbacks. Thus far, Multnomah County experienced scattered improvements and there is no basis to significantly change our outlook.

Current Situation

Our private industry sources are generally reporting modest, and in some cases, strong gains in sales activity and/or backlogs that should ultimately promote hiring. On the other hand, high technology and some of the professional service sectors remain relatively weak. However, signs of job growth in the high-tech sector can be found. For instance, a German manufacturer, Silitronic Corporation, announced its plans to hire more workers in 2004. It is also considering Portland for a new facility, which, according to the Portland Development Commission, can equate to approximately 2,000 jobs added to the economy.

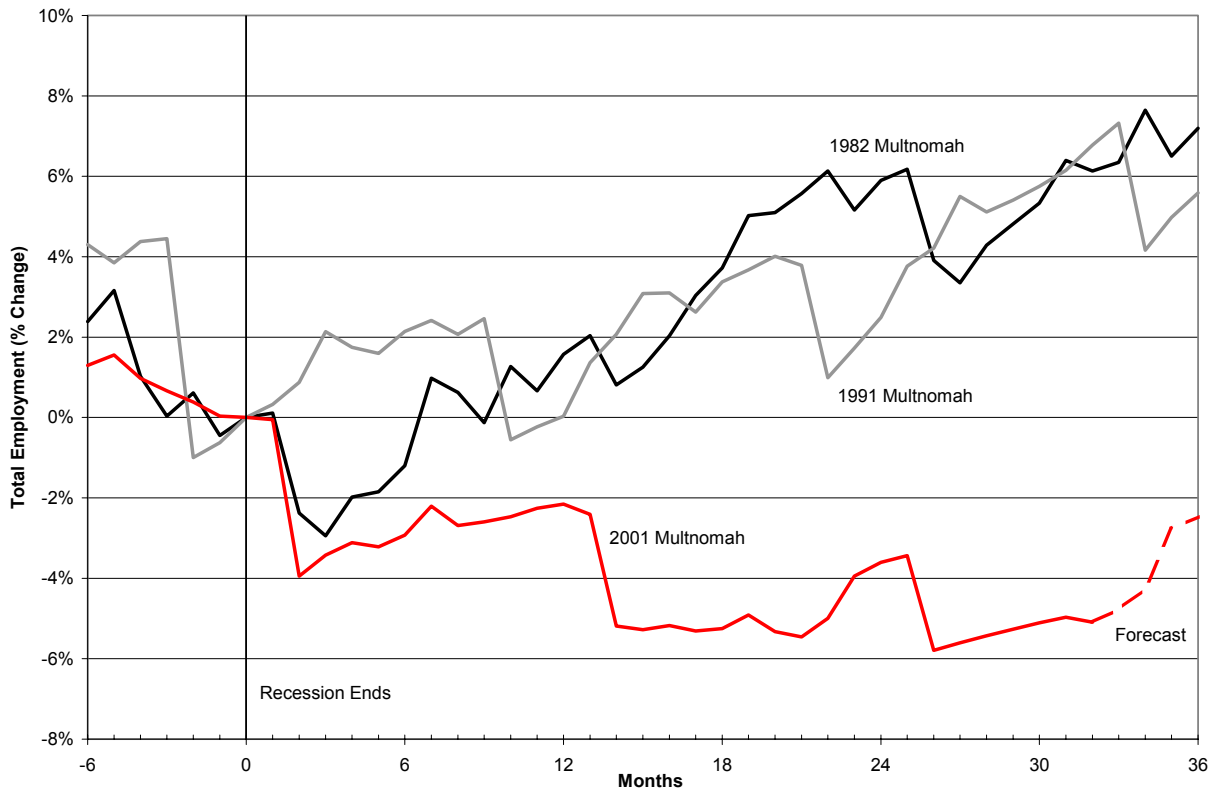
A pattern of strong performance in traditional sectors - and weak performance in high tech - is not unique to Portland. In a global phenomenon, skilled workers and investors largely ignored slower-growth industries including steel, transportation equipment, foundries, machinery, and agriculture during the 1995-2000 economic boom. Now that these industries are enjoying higher demand, many have little productive capacity given the former lack of investment. As a result, prices are higher for a wide range of products including steel, copper, petroleum, refined products, soybeans, and pork.

Locally, traditional industries and companies, like Schnitzer Steel Industries, have enjoyed several strong quarters. In contrast, industries that attracted excess investment spending during the late 90's boom face a slower recovery. These firms will benefit, to some extent, from the weakening dollar, but improved exchange rates may not sufficiently offset excess global capacity and intense competitions from emerging markets. In an even more troubling trend, few businesses have been willing or able to reinvest in Portland facilities. Companies like Wacker, a parent company of Silitronic, have chosen instead to increase their capacity in other countries.

Multnomah County Economic Outlook

The Portland economy, and ultimately the county economy, is approaching a period of sustainable employment growth. Given the greater depth of our recession, it will take longer for the county to see a sizable employment and revenue growth. On a brighter note, international tourism and higher domestic tourism due to the weak dollar will certainly help in the coming two years. Also, the Portland economy has stronger ties to non-consumer goods manufacturing than does the US economy; Portland employment thus tends to grow stronger later in the business cycle.

Figure 3: Total Employment as Percent Change from Recession End



Note: Recession ends based on NBER released dates: November 1982, March 1991, and November 2001.

Figure 3 illustrates employment change since recession ends for three significant recessions in the last twenty years. While the labor market recovered significantly after 24 months at the end of 1982 and 1991 recessions, Multnomah County continues to struggle as we approach 36 months since the end of the 2001 recession. Figure 3 illustrates how many more jobs need to be added to return to the pre-recession trend. It must also be said, however, that the rate of pre-recession growth experienced in the Portland and national economies was unsustainable and, in fact, proved to be a “bubble” resulting from pre-Y2K Federal Reserve policies that had the effect of dumping large amounts of “hot” liquidity into the US economy. The cost of capital plummeted, and there was a brief bubble in rapid employment growth and incomes that was not sustainable.

Despite weak current employment numbers, the Portland economy offers several distinct advantages that, if exploited effectively, form a strong foundation for future growth. Oregon’s close proximity to Asian trading partners benefits Portland firms. Consequently, Northwest Airline’s decision to offer nonstop service between Portland and Tokyo will further strengthen Portland’s tie to Japan. Portland’s concentration of sportswear talent, central location on the I-5 corridor, appeal as a regional tourism destination, and comparatively strong metals manufacturing provide additional

strengths. As long as Portland exploits these advantages, the local economy should enjoy a strong recovery that will accelerate through 2006. More local forecast details are presented in the next section.

IV. MULTNOMAH COUNTY ECONOMIC AND TAX REVENUE FORECAST

The economic forecast model for Multnomah County covers the period of 2004 second quarter to 2009 second quarter. Equations linking the forecast of economic and demographic variables are then linked to tax revenue or tax base models. In the case of the Multnomah County Business Income Tax, however, our forecast relies on the State's forecast of corporate income tax revenues; there is insufficient historical data to link the BIT reliably to purely local variables. Motor vehicle rental tax revenue is a new forecast item for this report.

The forecast of economic and tax revenue variables is presented in detail in Table 2 through Table 5 in the Appendix to this report.

Economic Forecast Summary

Generally speaking, ECONorthwest forecasts healthy but modest economic conditions in Multnomah County for the next few years. As noted earlier, we believe Multnomah County is in a better situation than it was six months ago. This is reflected in our current forecast which calls for a better total employment number than we did at the end of 2003. The top half of Table 1 compares how some of our 2003 forecast numbers fared with actual numbers. The bottom half of the table illustrates how our forecast of the future has changed since the 2003 report. These numbers show that our short-term forecast has been quite accurate.

Table 1: Forecast Performance and Changes

Quarter	Business Income Tax			Transient Lodging Tax			Multnomah County Total Employment		
	2003 Forecast	Actual and Current Forecast	Percent Difference	2003 Forecast	Actual and Current Forecast	Percent Difference	2003 Forecast	Actual and Current Forecast	Percent Difference
2003.3	7,848	5,785	35.66%	6,631	7,566	12.36%	-	-	-
2003.4	6,045	2,593	133.13%	7,751	5,864	32.18%	425,869	425,041	0.19%
2004.1	4,383	4,571	-4.11%	5,693	5,509	3.34%	414,078	416,454	0.57%
2004.2	9,599	17,010	-43.57%	5,184	6,874	24.59%	416,385	418,635	0.54%
Subtotal	27,875	29,959	-6.96%	25,259	25,813	2.15%	-	-	-
	Forecast								
2005.1	4,990	4,463	-10.56%	6,073	6,091	0.30%	424,077	422,804	-0.30%
2006.1	5,292	4,805	-9.20%	6,585	6,566	-0.29%	434,860	435,491	0.15%
2007.1	4,738	4,295	-9.35%	7,153	7,091	-0.87%	444,071	446,062	0.45%
2008.1	4,784	4,597	-3.91%	7,727	7,701	-0.34%	452,017	456,726	1.04%

2004 will continue to be sluggish, picking up only 1.1 percent (year-over-year) in total employment. By 2005, however, Multnomah County will experience significant recovery anchored mainly by construction and financial industries.

The commercial and industrial real estate market will continue to be weak through 2005. We do expect improvements in this area; however, this is highly linked to employment and excess capacity that must show positive signs before local companies can start to expand. The forecast calls for this process to be quite slow. The residential

real estate market, after showing great signs of growth in housing permits in 2003, will taper off in the next five years with interest rates moving up, making it harder for potential home buyers (of new and existing homes) to borrow money.

Revenue Forecast Summary

Referring to Table 1, Multnomah County netted approximately \$30 million in business income tax during fiscal year 2004, compared to \$26 million in 2003. As we warned in our last report, we do not forecast a significant improvement in this area. In 2005, ECONorthwest expects a modest amount of \$26 million followed by an increase in fiscal year 2006 at \$28 million. It is important to note that the county should pay closer attention to our annual numbers and not rely heavily on our quarterly figures.

We mentioned in our last report that a weak dollar should boost international and domestic traffic in Multnomah County. Table 1 and Table 2 indicate that Multnomah County enjoyed an increase in transient lodging tax revenue in fiscal year 2004. In the next few years, this trend should continue with 7 to 8 percent annual growth.

A new forecast item to this report is motor vehicle rental tax revenue. The revenue flow has decreased over the last three years after a sizzling fiscal year in 2001, during which the county collected \$15.5 million, or a 26 percent increase from 2000. We suspect that the last three years have been a post-9/11 transition period. Portland International Airport traffic (measured by the number of deplaned passengers) has dwindled from a high of 1.9 million in 2000 to 1.7 million this quarter. However, as business travelers grow more confident and secure about flying, we should see an increase in air traffic and car rentals in Portland. Moreover, local business travelers will look to car rental for short travels (as air travel time has increased due to security measures) and help build back the tax revenue. We expect the revenue to grow by 7.7 percent in fiscal year 2005, and almost 12 percent the following year.

Our real estate taxable property value forecast reflects changes that were made to our national forecasts. In the previous forecast we noted a non-residential taxable value to increase by a great deal in 2004 and 2005. However, we now expect a modest growth in the future. For example, total taxable value is expected to grow by 1.2 percent in 2004, and 3.9 percent in 2005. In comparison, in our forecast we called for 6.5 percent in 2004, and 5.6 percent in 2005. These numbers are similarly based on 2003 data and the county should note that an update of this data is expected in October.

In conclusion, we expect the local economy to slowly recover. It is important that the City of Portland build its business base back up before we can see a significant change, fiscally, for the county. ECONorthwest foresees this better time by late 2005 to early 2006.

V. FORECAST QUALIFICATIONS

There are four main qualifications to the forecast at this time:

- The stock market reacted positively to the Bush reelection, suggesting that market opinion is generally positive regarding a second Bush administration. This is likely largely because it reduces the probability of reversal of the Bush tax cuts. Since any administration would have faced the issues of resolution of the Iraq war and domestic Social Security and health care reform, these other issues probably are not risks peculiar to the Bush Administration. However, mishandling of these major reforms pose a downside risk to the economy.
- Multnomah County has had an income tax surcharge on incomes earned in the county levied for one year. It is not clear the extent to which retention or attraction of individuals or businesses to the county has been adversely affected by this surcharge. It is possible, however, that activity that might otherwise have been attracted to Multnomah County will be diverted to other counties or other states as a consequence of uncertainty about the tax burden.
- Our forecast assumes that the PERS litigation currently before the Oregon Supreme Court will be resolved in favor of sustaining the reforms of SB2003 and SB2004. Should this not be the case, Oregon will face severe fiscal drag and increases in income tax rates in order to so support the excessive allocation of asset returns to beneficiary accounts prior to reform.
- There is increasing discussion in the financial and popular press regarding the so-called “Dual Deficit Problem” (domestic budgetary deficits and current account trade deficits). The economics profession is not unanimous in the view that such a circumstance bodes ill for future growth. Indeed, Japan’s historic growth was greatest when it was a large net credit importer and had large domestic deficits. However, perceptions are important in economics; if the consumer or business sentiment is adversely affected by these developments, then national (and, hence, regional) economic growth could be slower than is otherwise forecast herein.

APPENDIX

Table 2: Multnomah County BIT, Transient Lodging Tax, and Motor Vehicle Rental Tax Revenue Forecast (Quarterly and Annually)

Quarterly

Quarter	Business Income Tax				Transient Lodging Tax				Motor Vehicle Rental Tax			
	Base (000)	Rate	Revenue (000)	% Chg	Base (000)	Rate	Revenue (000)	% Chg	Base (000)	Rate	Revenue (000)	% Chg
2001:1	14,497	1.45%	210	-97.8%	54,163	11.50%	6,229	40.4%	23,890	12.50%	2,986	33.9%
2001:2	1,209,847	1.45%	17,543	-12.0%	46,306	11.50%	5,325	33.7%	28,951	12.50%	3,619	1.7%
2001:3	457,210	1.45%	6,630	-4.2%	54,367	11.50%	6,252	-7.2%	40,641	12.50%	5,080	-5.0%
2001:4	254,390	1.45%	3,689	-26.6%	58,475	11.50%	6,725	0.0%	21,467	12.50%	2,683	-27.5%
2002:1	225,025	1.45%	3,263	1452.2%	47,228	11.50%	5,431	-12.8%	20,807	12.50%	2,601	-12.9%
2002:2	1,044,222	1.45%	15,141	-13.7%	43,063	11.50%	4,952	-7.0%	26,763	12.50%	3,345	-7.6%
2002:3	301,497	1.45%	4,372	-34.1%	52,811	11.50%	6,073	-2.9%	40,596	12.50%	5,074	-0.1%
2002:4	299,953	1.45%	4,349	17.9%	64,258	11.50%	7,390	9.9%	23,514	12.50%	2,939	9.5%
2003:1	105,306	1.45%	1,527	-53.2%	49,355	11.50%	5,676	4.5%	19,532	12.50%	2,442	-6.1%
2003:2	1,111,105	1.45%	16,111	6.4%	42,106	11.50%	4,842	-2.2%	23,775	12.50%	2,972	-11.2%
2003:3	398,980	1.45%	5,785	32.3%	65,790	11.50%	7,566	24.6%	36,763	12.50%	4,595	-9.4%
2003:4	178,861	1.45%	2,593	-40.4%	50,995	11.50%	5,864	-20.6%	23,293	12.50%	2,912	-0.9%
2004:1	315,268	1.45%	4,571	199.4%	47,901	11.50%	5,509	-2.9%	18,489	12.50%	2,311	-5.3%
2004:2	1,173,127	1.45%	17,010	5.6%	59,771	11.50%	6,874	42.0%	24,534	12.50%	3,067	3.2%
Forecast												
2004:3	437,397	1.45%	6,342	9.6%	60,042	11.50%	6,905	-8.7%	35,667	12.50%	4,458	-3.0%
2004:4	351,207	1.45%	5,092	96.4%	69,491	11.50%	7,991	36.3%	21,744	12.50%	2,718	-6.6%
2005:1	307,787	1.45%	4,463	-2.4%	52,963	11.50%	6,091	10.6%	20,460	12.50%	2,558	10.7%
2005:2	697,509	1.45%	10,114	-40.5%	49,545	11.50%	5,698	-17.1%	26,429	12.50%	3,304	7.7%
2005:3	502,557	1.45%	7,287	14.9%	64,156	11.50%	7,378	6.9%	39,262	12.50%	4,908	10.1%
2005:4	426,403	1.45%	6,183	21.4%	74,690	11.50%	8,589	7.5%	24,213	12.50%	3,027	11.4%
2006:1	331,351	1.45%	4,805	7.7%	57,098	11.50%	6,566	7.8%	22,950	12.50%	2,869	12.2%
2006:2	702,674	1.45%	10,189	0.7%	53,450	11.50%	6,147	7.9%	29,550	12.50%	3,694	11.8%
2006:3	496,572	1.45%	7,200	-1.2%	69,226	11.50%	7,961	7.9%	43,615	12.50%	5,452	11.1%
2006:4	245,440	1.45%	3,559	-42.4%	80,534	11.50%	9,261	7.8%	26,698	12.50%	3,337	10.3%
2007:1	296,218	1.45%	4,295	-10.6%	61,657	11.50%	7,091	8.0%	25,191	12.50%	3,149	9.8%
2007:2	674,864	1.45%	9,786	-4.0%	57,882	11.50%	6,656	8.3%	32,434	12.50%	4,054	9.8%
2007:3	469,460	1.45%	6,807	-5.5%	75,109	11.50%	8,638	8.5%	47,917	12.50%	5,990	9.9%
2007:4	273,405	1.45%	3,964	11.4%	87,480	11.50%	10,060	8.6%	29,329	12.50%	3,666	9.9%
2008:1	317,059	1.45%	4,597	7.0%	66,964	11.50%	7,701	8.6%	27,613	12.50%	3,452	9.6%
2008:2	674,459	1.45%	9,780	-0.1%	62,914	11.50%	7,235	8.7%	35,603	12.50%	4,450	9.8%
2008:3	474,288	1.45%	6,877	1.0%	81,659	11.50%	9,391	8.7%	52,601	12.50%	6,575	9.8%
2008:4	266,520	1.45%	3,865	-2.5%	95,128	11.50%	10,940	8.7%	32,190	12.50%	4,024	9.8%
2009:1	308,061	1.45%	4,467	-2.8%	72,832	11.50%	8,376	8.8%	30,299	12.50%	3,787	9.7%
2009:2	663,269	1.45%	9,617	-1.7%	68,474	11.50%	7,875	8.8%	39,077	12.50%	4,885	9.8%

Annual

Fiscal Year Ending	Business Income Tax				Transient Lodging Tax				Motor Vehicle Rental Tax			
	Base (000)	Rate	Revenue (000)	% Chg	Base (000)	Rate	Revenue (000)	% Chg	Base (000)	Rate	Revenue (000)	% Chg
2001	2,047,934	1.45%	29,695	-	217,494	11.50%	25,012	-	125,230	12.50%	15,654	-
2002	1,980,847	1.45%	28,722	-3.3%	203,133	11.50%	23,360	-6.6%	109,678	12.50%	13,710	-12.4%
2003	1,817,861	1.45%	26,359	-8.2%	208,531	11.50%	23,981	2.7%	107,417	12.50%	13,427	-2.1%
2004	2,066,236	1.45%	29,960	13.7%	224,457	11.50%	25,813	7.6%	103,079	12.50%	12,885	-4.0%
Forecast												
2005	1,793,899	1.45%	26,012	-13.2%	232,041	11.50%	26,685	3.4%	104,301	12.50%	13,038	1.2%
2006	1,962,984	1.45%	28,463	9.4%	249,394	11.50%	28,680	7.5%	115,976	12.50%	14,497	11.2%
2007	1,713,093	1.45%	24,840	-12.7%	269,299	11.50%	30,969	8.0%	127,938	12.50%	15,992	10.3%
2008	1,734,383	1.45%	25,149	1.2%	292,468	11.50%	33,634	8.6%	140,463	12.50%	17,558	9.8%
2009	1,712,138	1.45%	24,826	-1.3%	318,092	11.50%	36,581	8.8%	154,168	12.50%	19,271	9.8%

Table 3: Multnomah County Real Estate Taxable Assessed Value

Quarter	Real Estate Taxable Value (Assessed Value)					
	Total		Residential		Other	
	millions	% Chg	millions	% Chg	millions	% Chg
2001:1	41,175	6.1%	22,744	4.3%	18,431	8.3%
2001:2	41,615	5.8%	22,988	4.3%	18,627	7.7%
2001:3	41,959	5.3%	23,238	4.3%	18,721	6.6%
2001:4	42,208	4.5%	23,494	4.3%	18,713	4.8%
2002:1	42,050	2.1%	23,796	4.6%	18,254	-1.0%
2002:2	42,231	1.5%	24,049	4.6%	18,182	-2.4%
2002:3	42,439	1.1%	24,292	4.5%	18,148	-3.1%
2002:4	42,676	1.1%	24,525	4.4%	18,152	-3.0%
2003:1	42,941	2.1%	24,748	4.0%	18,193	-0.3%
2003:2	43,234	2.4%	24,961	3.8%	18,273	0.5%
2003:3	43,555	2.6%	25,164	3.6%	18,391	1.3%
2003:4	43,904	2.9%	25,358	3.4%	18,547	2.2%
			Forecast			
2004:1	43,316	0.9%	25,602	3.5%	17,714	-2.6%
2004:2	44,054	1.9%	25,544	2.3%	18,510	1.3%
2004:3	44,423	2.0%	25,737	2.3%	18,685	1.6%
2004:4	44,541	1.4%	25,873	2.0%	18,668	0.7%
2005:1	45,024	3.9%	26,217	2.4%	18,807	6.2%
2005:2	45,498	3.3%	26,548	3.9%	18,950	2.4%
2005:3	45,957	3.5%	26,847	4.3%	19,110	2.3%
2005:4	46,275	3.9%	27,050	4.5%	19,225	3.0%
2006:1	46,979	4.3%	27,452	4.7%	19,527	3.8%
2006:2	47,703	4.8%	27,860	4.9%	19,842	4.7%
2006:3	48,401	5.3%	28,249	5.2%	20,152	5.5%
2006:4	48,901	5.7%	28,523	5.4%	20,378	6.0%
2007:1	49,759	5.9%	28,989	5.6%	20,770	6.4%
2007:2	50,542	6.0%	29,410	5.6%	21,132	6.5%
2007:3	51,219	5.8%	29,770	5.4%	21,449	6.4%
2007:4	51,639	5.6%	29,988	5.1%	21,652	6.3%
2008:1	52,418	5.3%	30,399	4.9%	22,019	6.0%
2008:2	53,428	5.7%	30,935	5.2%	22,493	6.4%
2008:3	54,109	5.6%	31,290	5.1%	22,819	6.4%
2008:4	54,527	5.6%	31,502	5.0%	23,025	6.3%
2009:1	55,319	5.5%	31,956	5.1%	23,364	6.1%
2009:2	56,408	5.6%	32,540	5.2%	23,867	6.1%

Table 4: Multnomah County Select Economic Indicators

Quarter	Portland MSA								Multnomah County			
	Consumer Price Index		Commercial Vacancy Rate		Personal Income		PDX Passengers Deplaned		Housing Permits		Personal Income	
	1982-84=100	% Change	Change		(000)	% Change	(000)	% Change	% Change	(000)	% Change	
2001:1	180.9	2.8%	8.22%	1.3%	15,846,262	4.3%	1,488	-2.3%	660	16.2%	5,551,227	6.5%
2001:2	181.5	2.6%	8.75%	2.1%	15,939,532	3.1%	1,692	-3.9%	532	-7.0%	5,609,245	5.7%
2001:3	182.9	2.4%	9.27%	2.6%	16,019,684	2.1%	1,754	-9.3%	928	120.4%	5,655,249	4.9%
2001:4	184.3	2.1%	9.78%	2.8%	16,086,717	1.5%	1,429	-15.3%	772	4.0%	5,689,238	4.0%
2002:1	183.8	1.6%	10.42%	2.2%	16,140,632	1.9%	1,321	-11.2%	582	-11.8%	5,711,212	2.9%
2002:2	183.3	1.0%	10.85%	2.1%	16,181,429	1.5%	1,563	-7.6%	922	73.3%	5,721,172	2.0%
2002:3	183.8	0.5%	11.22%	2.0%	16,209,107	1.2%	1,742	-0.7%	937	1.0%	5,719,116	1.1%
2002:4	184.3	0.0%	11.53%	1.7%	16,223,666	0.9%	1,500	5.0%	842	9.1%	5,705,046	0.3%
2003:1	185.8	1.1%	11.77%	1.3%	16,461,769	2.0%	1,311	-0.8%	1,079	85.4%	5,757,274	0.8%
2003:2	186.2	1.6%	11.94%	1.1%	16,804,934	3.9%	1,563	0.0%	982	6.5%	5,817,409	1.7%
2003:3	186.4	1.4%	12.06%	0.8%	17,150,619	5.8%	1,769	1.5%	1,134	21.0%	5,869,624	2.6%
2003:4	186.6	1.2%	12.11%	0.6%	17,349,899	6.9%	1,552	3.5%	1,676	99.0%	5,897,630	3.4%
2004:1	188.1	1.3%	10.90%	-0.9%	17,604,930	6.9%	1,348	2.8%	371	-65.7%	5,971,776	3.7%
2004:2	189.1	1.6%	10.81%	-1.1%	17,901,303	6.5%	1,654	5.8%	656	-33.2%	6,038,254	3.8%
2004:3	190.1	2.0%	10.98%	-1.1%	18,176,082	6.0%	1,651	-6.7%	892	-21.3%	6,093,228	3.8%
2004:4	191.1	2.4%	10.15%	-2.0%	18,309,111	5.5%	1,482	-4.5%	1,131	-32.5%	6,118,241	3.7%
2005:1	192.1	2.1%	10.60%	-0.3%	18,562,479	5.4%	1,385	2.7%	369	-0.4%	6,199,528	3.8%
2005:2	192.9	2.0%	10.35%	-0.5%	18,911,941	5.6%	1,577	-4.7%	653	-0.5%	6,278,742	4.0%
2005:3	193.9	2.0%	10.08%	-0.9%	19,270,033	6.0%	1,791	8.5%	888	-0.5%	6,353,334	4.3%
2005:4	194.9	2.0%	9.04%	-1.1%	19,496,450	6.5%	1,623	9.5%	1,143	1.1%	6,404,630	4.7%
2006:1	195.8	1.9%	9.31%	-1.3%	19,857,852	7.0%	1,526	10.2%	368	-0.2%	6,513,709	5.1%
2006:2	196.7	1.9%	8.92%	-1.4%	20,295,232	7.3%	1,733	9.9%	656	0.5%	6,625,554	5.5%
2006:3	197.7	2.0%	8.60%	-1.5%	20,689,202	7.4%	1,957	9.3%	897	1.0%	6,733,192	6.0%
2006:4	198.8	2.0%	7.67%	-1.4%	20,892,878	7.2%	1,763	8.6%	1,155	1.0%	6,809,985	6.3%
2007:1	199.9	2.1%	8.00%	-1.3%	21,215,218	6.8%	1,651	8.2%	375	1.7%	6,941,302	6.6%
2007:2	200.9	2.1%	7.60%	-1.3%	21,620,693	6.5%	1,875	8.2%	663	1.0%	7,061,093	6.6%
2007:3	202.0	2.2%	7.31%	-1.3%	21,998,686	6.3%	2,119	8.3%	907	1.1%	7,164,437	6.4%
2007:4	203.1	2.1%	6.48%	-1.2%	22,197,393	6.2%	1,908	8.3%	1,168	1.2%	7,228,158	6.1%
2008:1	204.2	2.2%	6.90%	-1.1%	22,538,166	6.2%	1,784	8.1%	377	0.5%	7,347,101	5.8%
2008:2	205.4	2.2%	6.55%	-1.1%	22,990,358	6.3%	2,028	8.2%	662	0.0%	7,501,795	6.2%
2008:3	206.5	2.3%	6.31%	-1.0%	23,381,520	6.3%	2,293	8.2%	896	-1.2%	7,605,637	6.2%
2008:4	207.8	2.3%	5.56%	-0.9%	23,590,314	6.3%	2,064	8.2%	1,146	-1.9%	7,668,826	6.1%
2009:1	209.0	2.3%	6.05%	-0.9%	23,954,237	6.3%	1,930	8.2%	370	-1.7%	7,794,212	6.1%
2009:2	210.3	2.4%	5.70%	-0.8%	24,437,549	6.3%	2,194	8.2%	655	-1.1%	7,962,810	6.1%

Note: Forecast in Bold Type

Table 5: Multnomah County Employment

Quarter	Employment Detail, Select Industries															
	Total		Construction		FIRE		Manufacturing		Federal Government		State Government		Local Government		Other	
	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change
2001:1	445,548	-0.4%	20,615	-0.5%	32,177	-1.3%	45,180	-13.9%	11,608	-1.7%	7,173	0.6%	45,127	1.0%	283,668	2.0%
2001:2	446,698	-1.4%	20,361	-4.4%	32,408	-0.1%	44,422	-15.4%	11,579	-6.4%	7,267	0.8%	46,001	1.0%	284,659	1.1%
2001:3	444,171	-2.4%	20,715	-9.7%	33,314	2.8%	43,526	-16.1%	11,659	-3.6%	6,853	-1.9%	43,306	4.7%	284,797	-0.9%
2001:4	441,169	-3.6%	19,582	-12.8%	33,403	3.8%	41,383	-17.3%	11,498	-4.9%	7,105	-0.8%	46,878	3.6%	281,321	-2.5%
2002:1	425,781	-4.4%	18,831	-8.7%	32,509	1.0%	38,770	-14.2%	11,195	-3.6%	7,204	0.4%	47,137	4.5%	270,134	-4.8%
2002:2	428,920	-4.0%	18,770	-7.8%	32,422	0.0%	38,093	-14.2%	11,240	-2.9%	7,231	-0.5%	47,063	2.3%	274,101	-3.7%
2002:3	429,795	-3.2%	19,967	-3.6%	33,216	-0.3%	38,032	-12.6%	11,448	-1.8%	6,876	0.3%	42,280	-2.4%	277,977	-2.4%
2002:4	431,180	-2.3%	18,722	-4.4%	33,449	0.1%	37,328	-9.8%	11,480	-0.2%	7,163	0.8%	46,163	-1.5%	276,873	-1.6%
2003:1	418,194	-1.8%	16,666	-11.5%	32,929	1.3%	36,179	-6.7%	12,144	8.5%	7,201	0.0%	45,171	-4.2%	267,904	-0.8%
2003:2	418,439	-2.4%	16,498	-12.1%	33,185	2.4%	35,517	-6.8%	12,240	8.9%	7,234	0.0%	45,327	-3.7%	268,439	-2.1%
2003:3	417,994	-2.7%	17,586	-11.9%	33,435	0.7%	35,430	-6.8%	12,365	8.0%	6,872	-0.1%	40,252	-4.8%	272,053	-2.1%
2003:4	425,041	-1.4%	17,412	-7.0%	33,000	-1.3%	35,037	-6.1%	12,344	7.5%	6,985	-2.5%	45,902	-0.6%	274,362	-0.9%
2004:1	416,454	-0.4%	16,807	0.8%	32,831	-0.3%	35,426	-2.1%	12,166	0.2%	6,964	-3.3%	45,825	1.4%	266,434	-0.5%
2004:2	418,635	0.0%	16,958	2.8%	32,630	-1.7%	35,819	0.9%	12,306	0.5%	7,044	-2.6%	46,129	1.8%	267,748	-0.3%
Forecast																
2004:3	420,431	0.6%	17,970	2.2%	32,863	-1.7%	35,678	0.7%	12,525	1.3%	6,680	-2.8%	40,146	-0.3%	274,211	0.8%
2004:4	429,704	1.1%	17,614	1.2%	32,602	-1.2%	35,217	0.5%	12,561	1.8%	6,800	-2.7%	45,228	-1.5%	278,326	1.4%
2005:1	422,804	1.5%	17,091	1.7%	32,610	-0.7%	35,398	-0.1%	12,408	2.0%	6,780	-2.6%	45,398	-0.9%	271,232	1.8%
2005:2	427,423	2.1%	17,510	3.3%	32,736	0.3%	35,448	-1.0%	12,684	3.1%	6,855	-2.7%	45,935	-0.4%	273,583	2.2%
2005:3	430,954	2.5%	18,763	4.4%	33,319	1.4%	35,009	-1.9%	13,045	4.2%	6,490	-2.8%	40,281	0.3%	280,774	2.4%
2005:4	441,763	2.8%	18,547	5.3%	33,380	2.4%	34,300	-2.6%	13,049	3.9%	6,610	-2.8%	46,275	2.3%	285,384	2.5%
2006:1	435,491	3.0%	18,021	5.4%	33,693	3.3%	34,302	-3.1%	12,833	3.4%	6,599	-2.7%	47,045	3.6%	278,744	2.8%
2006:2	439,886	2.9%	18,532	5.8%	34,039	4.0%	34,435	-2.9%	13,017	2.6%	6,686	-2.5%	47,668	3.8%	281,255	2.8%
2006:3	442,776	2.7%	20,050	6.9%	34,772	4.4%	34,223	-2.2%	13,250	1.6%	6,350	-2.2%	41,273	2.5%	288,241	2.7%
2006:4	453,019	2.5%	20,034	8.0%	34,873	4.5%	33,793	-1.5%	13,261	1.6%	6,486	-1.9%	46,676	0.9%	292,317	2.4%
2007:1	446,062	2.4%	19,649	9.0%	35,130	4.3%	34,036	-0.8%	13,051	1.7%	6,483	-1.8%	47,300	0.5%	284,618	2.1%
2007:2	450,557	2.4%	20,336	9.7%	35,303	3.7%	34,318	-0.3%	13,255	1.8%	6,559	-1.9%	47,929	0.5%	286,522	1.9%
2007:3	453,631	2.5%	22,037	9.9%	35,770	2.9%	34,138	-0.2%	13,534	2.1%	6,209	-2.2%	41,688	1.0%	293,340	1.8%
2007:4	464,112	2.4%	21,995	9.8%	35,546	1.9%	33,625	-0.5%	13,539	2.1%	6,314	-2.6%	47,378	1.5%	297,423	1.7%
2008:1	456,726	2.4%	21,512	9.5%	35,504	1.1%	33,678	-1.1%	13,324	2.1%	6,281	-3.1%	47,882	1.2%	289,765	1.8%
2008:2	461,502	2.4%	22,315	9.7%	36,148	2.4%	34,135	-0.5%	13,525	2.0%	6,397	-2.5%	48,442	1.1%	291,677	1.8%
2008:3	464,655	2.4%	24,181	9.7%	36,508	2.1%	33,939	-0.6%	13,817	2.1%	6,047	-2.6%	42,189	1.2%	298,563	1.8%
2008:4	475,366	2.4%	24,125	9.7%	36,207	1.9%	33,401	-0.7%	13,820	2.1%	6,143	-2.7%	47,971	1.3%	302,728	1.8%
2009:1	467,773	2.4%	23,590	9.7%	36,159	1.8%	33,439	-0.7%	13,600	2.1%	6,110	-2.7%	48,452	1.2%	294,960	1.8%
2009:2	472,697	2.4%	24,479	9.7%	36,886	2.0%	33,922	-0.6%	13,805	2.1%	6,229	-2.6%	49,013	1.2%	296,896	1.8%

Table 6: U.S. Economic Indicators

Quarter	Real GDP		GDP Deflator		Price Deflator for Imports		Price Deflator for Exports		Employment	
	(Bil)	% Chg		% Chg		% Chg		% Chg	(Mil)	% Chg
2001:1	2,469	1.86%	1.01	2.18%	1.00	0.60%	1.00	0.87%	139.308	0.79%
2001:2	2,476	0.59%	1.02	2.55%	0.98	-1.11%	1.00	0.01%	138.669	0.10%
2001:3	2,468	0.35%	1.03	2.41%	0.97	-3.45%	0.99	-0.73%	138.371	0.04%
2001:4	2,478	0.22%	1.03	2.51%	0.95	-6.13%	0.99	-1.71%	137.869	-0.78%
2002:1	2,498	1.19%	1.03	1.94%	0.94	-5.82%	0.98	-1.99%	137.681	-1.17%
2002:2	2,513	1.48%	1.04	1.52%	0.96	-1.95%	0.99	-0.94%	137.943	-0.52%
2002:3	2,529	2.49%	1.04	1.53%	0.97	0.25%	1.00	0.31%	138.505	0.10%
2002:4	2,534	2.28%	1.05	1.51%	0.97	3.07%	1.00	1.33%	138.327	0.33%
2003:1	2,546	1.91%	1.06	1.98%	1.00	6.35%	1.01	2.63%	138.403	0.52%
2003:2	2,572	2.34%	1.06	1.88%	0.99	2.60%	1.01	2.13%	138.623	0.49%
2003:3	2,618	3.51%	1.06	1.83%	1.00	2.40%	1.01	1.55%	138.675	0.12%
2003:4	2,645	4.39%	1.07	1.73%	1.00	2.50%	1.02	2.23%	139.385	0.76%
2004:1	2,674	5.04%	1.07	1.65%	1.02	2.12%	1.04	2.62%	139.812	1.02%
2004:2	2,695	4.77%	1.08	2.16%	1.04	4.75%	1.05	3.52%	140.217	1.15%
Forecast										
2004:3	2,718	3.81%	1.09	2.61%	1.04	4.71%	1.06	4.10%	140.873	1.59%
2004:4	2,742	3.65%	1.10	3.00%	1.05	5.11%	1.06	4.10%	141.465	1.49%
2005:1	2,764	3.36%	1.11	3.16%	1.06	3.35%	1.07	3.48%	142.001	1.57%
2005:2	2,786	3.39%	1.12	3.17%	1.06	2.50%	1.08	3.14%	142.493	1.62%
2005:3	2,807	3.27%	1.12	3.19%	1.07	2.50%	1.09	3.17%	142.953	1.48%
2005:4	2,827	3.12%	1.13	3.21%	1.08	2.50%	1.10	3.17%	143.389	1.36%
2006:1	2,846	2.96%	1.14	3.21%	1.08	2.50%	1.11	3.16%	143.788	1.26%
2006:2	2,864	2.80%	1.15	3.20%	1.09	2.50%	1.11	3.13%	144.154	1.17%
2006:3	2,881	2.65%	1.16	3.18%	1.10	2.50%	1.12	3.10%	144.499	1.08%
2006:4	2,899	2.53%	1.17	3.15%	1.10	2.50%	1.13	3.06%	144.832	1.01%
2007:1	2,916	2.47%	1.18	3.11%	1.11	2.50%	1.14	3.01%	145.160	0.95%
2007:2	2,934	2.46%	1.19	3.08%	1.12	2.50%	1.15	2.97%	145.489	0.93%
2007:3	2,952	2.47%	1.19	3.04%	1.12	2.50%	1.16	2.93%	145.822	0.92%
2007:4	2,971	2.49%	1.20	3.01%	1.13	2.50%	1.16	2.90%	146.160	0.92%
2008:1	2,989	2.51%	1.21	2.99%	1.14	2.50%	1.17	2.88%	146.503	0.93%
2008:2	3,008	2.53%	1.22	2.97%	1.14	2.50%	1.18	2.86%	146.852	0.94%
2008:3	3,028	2.55%	1.23	2.97%	1.15	2.50%	1.19	2.85%	147.206	0.95%
2008:4	3,047	2.56%	1.24	2.96%	1.16	2.50%	1.20	2.84%	147.566	0.96%
2009:1	3,065	2.54%	1.25	2.97%	1.17	2.50%	1.20	2.86%	147.885	0.94%
2009:2	3,085	2.54%	1.26	2.97%	1.17	2.50%	1.21	2.85%	148.244	0.95%

Table 6: U.S. Economic Indicators (continued)

Quarter	Wage Rate		Money Supply		Unemployment		3-Month Treasury Bill Rate		AAA Corporate Bond Rate	
	\$/Hr	% Chg	(Bil)	Inflation		Inflation		Inflation		Inflation
2001:1	23.34	6.69%	1401.9	1.70%	4.2%	4.32%	4.82	-12.74%	7.08	-8.25%
2001:2	23.49	6.34%	1429.0	3.46%	4.4%	11.75%	3.66	-35.94%	7.22	-7.00%
2001:3	23.59	4.41%	1476.6	7.58%	4.8%	19.55%	3.17	-47.31%	7.11	-6.57%
2001:4	23.85	4.21%	1545.3	11.35%	5.6%	41.57%	1.91	-68.31%	6.92	-6.48%
2002:1	24.07	3.13%	1526.3	8.87%	5.7%	34.61%	1.82	-62.21%	6.62	-6.41%
2002:2	24.19	2.95%	1551.2	8.55%	5.8%	32.32%	1.72	-53.10%	6.71	-7.06%
2002:3	24.23	2.71%	1583.8	7.26%	5.7%	19.00%	1.64	-48.16%	6.35	-10.65%
2002:4	24.34	2.08%	1607.4	4.02%	5.9%	5.91%	1.33	-30.07%	6.28	-9.29%
2003:1	24.67	2.53%	1651.0	8.17%	5.8%	2.64%	1.16	-36.45%	6.00	-9.36%
2003:2	25.27	4.47%	1702.0	9.73%	6.1%	5.12%	1.04	-39.22%	5.31	-20.90%
2003:3	25.56	5.47%	1706.3	7.73%	6.1%	6.67%	0.93	-43.41%	5.70	-10.29%
2003:4	25.72	5.64%	1741.0	8.31%	5.9%	-0.38%	0.92	-31.25%	5.66	-9.93%
2004:1	25.99	5.32%	1787.9	8.29%	5.6%	-3.27%	0.92	-20.75%	5.46	-9.11%
2004:2	26.31	4.13%	1801.1	5.82%	5.6%	-9.06%	1.08	3.19%	5.93	11.61%
Forecast										
2004:3	26.60	4.08%	1838.7	7.76%	5.4%	-11.39%	1.47	57.94%	5.93	4.17%
2004:4	26.89	4.56%	1889.2	8.51%	5.3%	-9.21%	1.87	104.19%	5.86	3.67%
2005:1	27.19	4.64%	1934.8	8.22%	5.3%	-6.86%	2.18	137.71%	5.79	6.03%
2005:2	27.50	4.51%	1980.9	9.98%	5.2%	-6.50%	2.40	123.17%	5.72	-3.55%
2005:3	27.81	4.56%	2022.7	10.01%	5.2%	-4.05%	2.61	77.44%	5.67	-4.44%
2005:4	28.13	4.60%	2067.4	9.43%	5.2%	-2.08%	2.79	49.12%	5.64	-3.75%
2006:1	28.45	4.62%	2110.9	9.10%	5.2%	-0.35%	2.95	35.28%	5.63	-2.69%
2006:2	28.77	4.62%	2155.5	8.81%	5.3%	1.20%	3.06	27.49%	5.62	-1.68%
2006:3	29.10	4.62%	2199.2	8.73%	5.3%	2.59%	3.15	20.94%	5.62	-0.97%
2006:4	29.42	4.61%	2244.1	8.55%	5.4%	3.76%	3.22	15.47%	5.62	-0.50%
2007:1	29.76	4.59%	2288.9	8.43%	5.5%	4.45%	3.28	11.41%	5.62	-0.17%
2007:2	30.09	4.58%	2334.4	8.30%	5.5%	4.70%	3.33	8.85%	5.63	0.12%
2007:3	30.43	4.57%	2380.0	8.22%	5.6%	4.62%	3.38	7.12%	5.64	0.36%
2007:4	30.77	4.56%	2426.3	8.12%	5.6%	4.34%	3.41	5.85%	5.65	0.54%
2008:1	31.11	4.56%	2472.8	8.03%	5.7%	3.98%	3.44	4.81%	5.66	0.67%
2008:2	31.46	4.56%	2519.8	7.94%	5.7%	3.59%	3.47	4.01%	5.67	0.76%
2008:3	31.81	4.56%	2567.1	7.86%	5.8%	3.21%	3.49	3.38%	5.68	0.82%
2008:4	32.17	4.57%	2615.0	7.78%	5.8%	2.86%	3.51	2.88%	5.69	0.86%
2009:1	32.53	4.56%	2668.2	7.90%	5.9%	3.41%	3.57	3.77%	5.68	0.78%
2009:2	32.90	4.56%	2718.1	7.87%	5.9%	3.27%	3.59	3.51%	5.68	0.80%

Table 7: Oregon Employment Forecast

Quarter	Total Nonfarm		Construction		Manufacturing		Trade, Transportation and Utilities		Professional & Business Services		Education & Health Services		Leisure and Hospitality	
	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg
2001:1	1,613,310	1.19%	83,681	0.77%	222,772	-0.17%	325,055	0.39%	184,618	3.08%	177,225	4.50%	149,667	-2.21%
2001:2	1,601,895	-0.23%	81,336	-1.92%	218,637	-2.22%	322,426	-0.68%	178,970	-1.49%	178,023	3.79%	150,265	-2.20%
2001:3	1,587,364	-1.43%	79,280	-4.17%	214,053	-4.14%	320,040	-1.27%	174,716	-4.87%	178,051	2.01%	150,059	-2.80%
2001:4	1,572,864	-2.69%	77,853	-6.21%	207,498	-7.26%	315,965	-3.44%	170,552	-7.76%	181,617	3.99%	148,385	-4.61%
2002:1	1,568,646	-2.77%	77,794	-7.04%	202,769	-8.98%	315,021	-3.09%	171,222	-7.26%	182,805	3.15%	148,673	-0.66%
2002:2	1,572,444	-1.84%	78,605	-3.36%	202,712	-7.28%	315,713	-2.08%	172,465	-3.63%	185,005	3.92%	149,769	-0.33%
2002:3	1,577,608	-0.61%	78,881	-0.50%	201,481	-5.87%	315,803	-1.32%	173,931	-0.45%	184,912	3.85%	150,231	0.11%
2002:4	1,571,044	-0.12%	77,856	0.00%	199,242	-3.98%	314,636	-0.42%	172,357	1.06%	188,026	3.53%	150,018	1.10%
2003:1	1,567,954	-0.04%	76,674	-1.44%	198,475	-2.12%	315,507	0.15%	169,644	-0.92%	188,239	2.97%	151,436	1.86%
2003:2	1,556,125	-1.04%	76,023	-3.28%	194,062	-4.27%	313,803	-0.60%	168,915	-2.06%	187,935	1.58%	150,085	0.21%
2003:3	1,557,336	-1.28%	77,115	-2.24%	193,721	-3.85%	314,968	-0.26%	168,413	-3.17%	188,239	1.80%	150,232	0.00%
2003:4	1,566,712	-0.28%	78,895	1.33%	197,677	-0.79%	312,334	-0.73%	172,352	0.00%	187,391	-0.34%	152,151	1.42%
2004:1	1,574,946	0.45%	80,141	4.52%	197,289	-0.60%	313,824	-0.53%	173,036	2.00%	189,323	0.58%	153,330	1.25%
2004:2	1,589,849	2.17%	81,377	7.04%	200,141	3.13%	318,061	1.36%	177,420	5.04%	188,193	0.14%	154,540	2.97%
2004:3	1,599,219	2.69%	82,080	6.44%	201,512	4.02%	318,934	1.26%	179,699	6.70%	190,375	1.13%	155,484	3.50%
2004:4	1,609,544	2.73%	82,626	4.73%	203,443	2.92%	320,715	2.68%	182,437	5.85%	191,231	2.05%	156,566	2.90%
2005:1	1,617,737	2.72%	83,188	3.80%	203,124	2.96%	321,497	2.44%	186,037	7.51%	192,583	1.72%	158,260	3.22%
2005:2	1,627,225	2.35%	83,556	2.68%	203,601	1.73%	323,486	1.71%	188,539	6.27%	194,066	3.12%	159,815	3.41%
2005:3	1,634,937	2.23%	83,929	2.25%	203,806	1.14%	325,092	1.93%	189,746	5.59%	195,399	2.64%	161,210	3.68%
2005:4	1,642,327	2.04%	84,390	2.13%	204,102	0.32%	326,814	1.90%	191,210	4.81%	196,778	2.90%	161,918	3.42%
2006:1	1,649,492	1.96%	85,039	2.23%	204,408	0.63%	328,320	2.12%	193,107	3.80%	198,175	2.90%	162,327	2.57%
2006:2	1,656,642	1.81%	85,550	2.39%	204,626	0.50%	330,006	2.02%	195,027	3.44%	199,431	2.76%	162,917	1.94%
2006:3	1,664,985	1.84%	86,315	2.84%	204,638	0.41%	331,492	1.97%	197,602	4.14%	201,242	2.99%	163,197	1.23%
2006:4	1,673,297	1.89%	87,026	3.12%	204,594	0.24%	332,813	1.84%	200,206	4.70%	202,374	2.84%	164,042	1.31%
2007:1	1,680,369	1.87%	87,768	3.21%	204,727	0.16%	333,982	1.72%	202,380	4.80%	203,154	2.51%	164,710	1.47%
2007:2	1,686,194	1.78%	88,269	3.18%	204,776	0.07%	334,924	1.49%	204,229	4.72%	203,921	2.25%	165,379	1.51%
2007:3	1,693,094	1.69%	89,075	3.20%	204,724	0.04%	336,209	1.42%	205,992	4.25%	204,812	1.77%	166,039	1.74%
2007:4	1,700,262	1.61%	89,929	3.34%	204,688	0.05%	337,633	1.45%	207,691	3.74%	205,639	1.61%	166,658	1.59%
2008:1	1,704,984	1.46%	90,440	3.04%	204,482	-0.12%	338,371	1.31%	208,770	3.16%	206,379	1.59%	167,039	1.41%
2008:2	1,709,305	1.37%	90,933	3.02%	204,286	-0.24%	338,841	1.17%	209,689	2.67%	207,306	1.66%	167,508	1.29%
2008:3	1,714,740	1.28%	91,517	2.74%	204,007	-0.35%	339,906	1.10%	211,078	2.47%	208,143	1.63%	167,923	1.14%
2008:4	1,720,953	1.22%	92,147	2.47%	203,767	-0.45%	341,509	1.15%	212,402	2.27%	208,877	1.57%	168,566	1.15%
2009:1	1,725,929	1.23%	92,648	2.44%	203,732	-0.37%	342,469	1.21%	213,500	2.27%	209,619	1.57%	168,965	1.15%
2009:2	1,730,487	1.24%	93,134	2.42%	203,875	-0.20%	343,357	1.33%	214,697	2.39%	210,042	1.32%	169,242	1.04%

Quarter	Financial Activities		Other Services		Federal Government		State Government		Local Government		Local Education	
	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg	(000)	% Chg
2001:1	94,681	0.00%	54,472	0.00%	30,953	0.00%	59,742	0.00%	174,722	0.00%	98,766	0.00%
2001:2	95,163	0.00%	54,776	0.00%	33,468	0.00%	59,407	0.00%	176,012	0.00%	99,647	0.00%
2001:3	94,598	0.00%	54,915	0.00%	31,395	0.00%	59,765	0.00%	177,376	0.00%	99,130	0.00%
2001:4	94,296	0.00%	55,488	0.00%	30,489	0.00%	59,918	0.00%	176,205	0.00%	98,546	0.00%
2002:1	94,691	0.01%	57,206	5.02%	30,139	-2.63%	60,072	0.55%	177,631	1.67%	100,151	1.40%
2002:2	95,116	-0.05%	56,891	3.86%	29,742	-11.13%	60,718	2.21%	179,070	1.74%	101,281	1.64%
2002:3	95,334	0.78%	56,637	3.14%	30,092	-4.15%	60,822	1.77%	179,944	1.45%	100,247	1.13%
2002:4	95,548	1.33%	56,156	1.20%	29,860	-2.06%	60,883	1.61%	181,026	2.74%	102,252	3.76%
2003:1	94,906	0.23%	55,638	-2.74%	29,513	-2.08%	61,212	1.90%	182,040	2.48%	104,225	4.07%
2003:2	94,144	-1.02%	56,063	-1.46%	29,606	-0.46%	61,313	0.98%	181,789	1.52%	104,400	3.08%
2003:3	95,743	0.43%	56,334	-0.54%	29,954	-0.46%	63,080	3.71%	182,276	1.30%	106,022	5.76%
2003:4	96,363	0.85%	56,539	0.68%	30,139	0.93%	61,090	0.34%	179,729	-0.72%	102,412	0.16%
2004:1	97,376	2.60%	56,338	1.26%	30,721	4.10%	61,351	0.23%	178,225	-2.10%	94,672	-9.17%
2004:2	98,365	4.48%	56,222	0.28%	30,675	3.61%	61,069	-0.40%	175,663	-3.37%	92,999	-10.92%
2004:3	98,136	2.50%	57,105	1.37%	30,600	2.16%	60,112	-4.71%	175,858	-3.52%	93,937	-11.40%
2004:4	99,092	2.83%	56,673	0.24%	31,014	2.90%	60,928	-0.27%	175,552	-2.32%	92,036	-10.13%
2005:1	98,260	0.91%	58,517	3.87%	31,062	1.11%	62,067	1.17%	175,670	-1.43%	92,714	-2.07%
2005:2	98,426	0.06%	58,572	4.18%	30,995	1.04%	62,013	1.55%	177,231	0.89%	93,599	0.65%
2005:3	98,622	0.49%	58,588	2.60%	30,957	1.17%	62,039	3.21%	178,009	1.22%	94,049	0.12%
2005:4	98,724	-0.37%	58,544	3.30%	30,921	-0.30%	62,081	1.89%	178,828	1.87%	94,486	2.66%
2006:1	98,868	0.62%	58,620	0.18%	30,850	-0.68%	62,132	0.10%	179,496	2.18%	94,864	2.32%
2006:2	98,998	0.58%	58,788	0.37%	30,781	-0.69%	62,190	0.29%	180,119	1.63%	95,212	1.72%
2006:3	99,148	0.53%	59,006	0.71%	30,714	-0.79%	62,283	0.39%	180,831	1.59%	95,563	1.61%
2006:4	99,511	0.80%	59,279	1.25%	30,649	-0.88%	62,437	0.57%	181,627	1.57%	95,919	1.52%
2007:1	99,736	0.88%	59,619	1.70%	30,607	-0.79%	62,535	0.65%	182,272	1.55%	96,223	1.43%
2007:2	99,818	0.83%	60,018	2.09%	30,568	-0.69%	62,629	0.71%	182,873	1.53%	96,502	1.36%
2007:3	100,154	1.01%	60,380	2.33%	30,531	-0.60%	62,751	0.75%	183,566	1.51%	96,792	1.29%
2007:4	100,533	1.03%	60,680	2.36%	30,503	-0.48%	62,901	0.74%	184,359	1.50%	97,094	1.23%
2008:1	100,780	1.05%	60,982	2.29%	30,477	-0.42%	63,019	0.77%	185,000	1.50%	97,349	1.17%
2008:2	100,929	1.11%	61,260	2.07%	30,460	-0.35%	63,130	0.80%	185,596	1.49%	97,584	1.12%
2008:3	101,196	1.04%	61,551	1.94%	30,444	-0.29%	63,266	0.82%	186,288	1.48%	97,833	1.08%
2008:4	101,581	1.04%	61,828	1.89%	30,430	-0.24%	63,413	0.81%	187,019	1.44%	98,084	1.02%
2009:1	101,753	0.97%	62,132	1.89%	30,417	-0.20%	63,528	0.81%	187,604	1.41%	98,293	0.97%
2009:2	101,859	0.92%	62,388	1.84%	30,405	-0.18%	63,636	0.80%	188,148	1.38%	98,485	0.92%