

STATE OF OREGON ECONOMIC INDICATORS™



A program of the College of Arts and Sciences and its Department of Economics

OCTOBER 2011

SPONSORED BY



Unlock your possibilities

How can I interpret the Oregon Measure of Economic Activity?

A reading of “zero” corresponds to the average growth rate for that particular region. In other words, the measures identify periods of fast or slow growth relative to trend.

What is the significance of the moving-average measures?

The monthly measures can be very volatile. To reduce the noise, it is helpful to focus on the average of the most recent data.

Is this approach used elsewhere?

Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.

What is the difference between the two measures?

The Oregon Measure of Economic Activity uses a methodology that allows for the incorporation of a larger number of variables. The University of Oregon Index of Economic Indicators focuses on a narrower set of variables using a different methodology used by the Conference Board to compute leading indicators for the United States. Using different indicators allows for a more complete picture of the Oregon economy.

Contact

Timothy A. Duy
 Director, Oregon Economic Forum
 Department of Economics, University of Oregon
 541-346-4660 • duy@uoregon.edu
 econforum.uoregon.edu

Review

The Oregon economy gained ground in October. The three-month moving average of the Oregon Measure of Economic Activity improved to -0.90 from -0.98 in August. The measure continues to indicate Oregon is growing below the trend rate of growth established over the 1990–2011 period. Manufacturing, construction, and household sectors contributed to economic weakness, while the service sector was a positive force. The University of Oregon Index of Economic Indicators™ rose 0.3 percent to 89.3 (1997=100) in October, a second consecutive gain. The majority of the underlying components improved during the month, including initial unemployment claims, Oregon residential building permits, and the Oregon weight-distance tax, a measure of trucking activity. The interest rate spread rose as market participants upgraded their

assessment of U.S. economic activity. Core manufacturing orders fell, while employment services payrolls (largely temporary help employees) continue to move sideways, a sign of weak labor demand.

Compared to six months ago, the UO Index has fallen 3.6 percent (annualized), an improvement from last month's 5.8 percent decline. In the past, sustained declines of this magnitude foreshadowed labor market recessions in Oregon. That said, the economy has been following a start-stop pattern of activity since the recession ended, with bursts of growth followed by temporary slowdowns that raise concerns of recession. We may have experienced another such episode this past summer. Still, the ongoing European financial crisis, coupled with expected fiscal contraction in the U.S. next year, suggests continued caution with regard to the outlook for 2012.

Contributions to Oregon Measure of Economic Activity – Oct. 2011

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.04			
ISM Manufacturing: Supplier Deliveries Index	-0.02			
Manufacturing Employment, Oregon	-0.24			
Hours, Manufacturing Production Workers, Oregon	0.02			
Port of Portland, Ton Equivalent Units	0.01			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.18		
Construction Employment in Oregon		-0.15		
Natural Resources and Mining Employment, Oregon		-0.03		
Employment Services Employment, Oregon			-0.02	
Initial Unemployment Claims, Oregon			-0.09	
Civilian Labor Force, Oregon			0.01	
Unemployment Rate, Oregon			-0.18	
Interest Rate Spread			-0.02	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.26	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				0.09
Government Employment, Oregon				0.02
Leisure and Hospitality Employment, Oregon				-0.15
Professional and Business Services Employment, Oregon				0.15
Other Services Employment, Oregon				0.01
Trade, Transportation and Utilities Employment, Oregon				0.10
Total By Sector	-0.27	-0.36	-0.53	0.21
	Aug-11	Sep-11	Oct-11	
Oregon Measure of Economic Activity	-1.09	-0.65	-0.95	
Three-Month Moving Average	-1.12	-0.98	-0.90	



UNIVERSITY OF OREGON
 College of Arts and Sciences

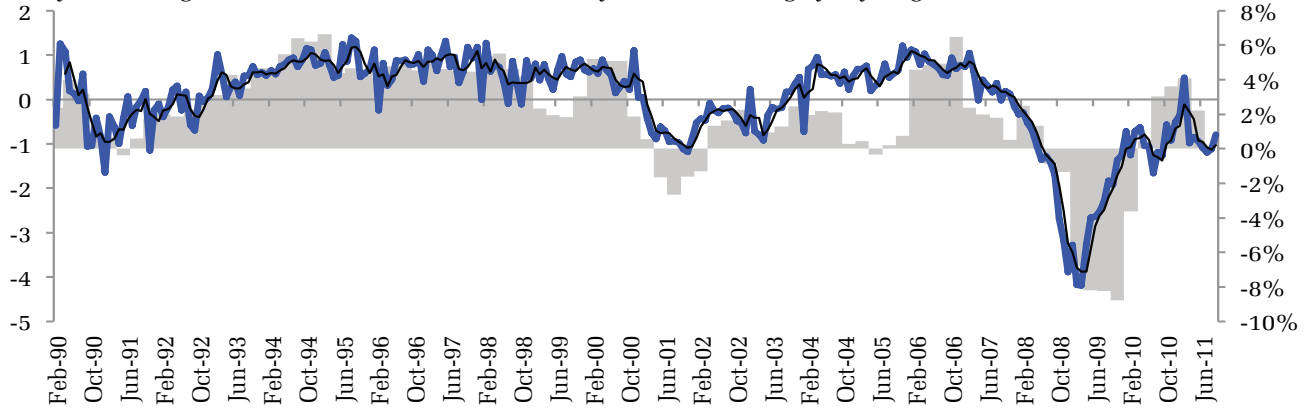
© 2011 University of Oregon. All rights reserved.
 Released: December 13, 2011.

UNIVERSITY OF OREGON ECONOMIC INDICATORS™

Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

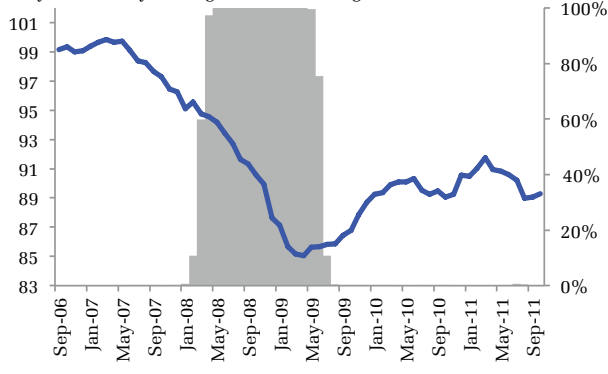
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

Gray: Probability of Oregon Recession, Right Axis

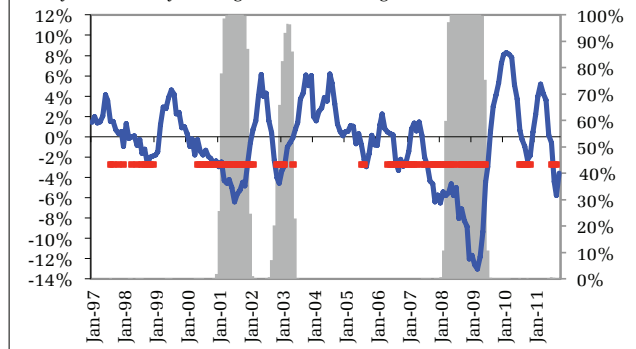


Table 2: UO Index of Economic Indicators – Summary and Components

	May-11	Jun-11	Jul-11	Aug-11	Sept-11	Oct-11
University of Oregon Index of Economic Indicators™, 1997=100	90.8	90.6	90.2	89.0	89.1	89.3
Percentage Change	-0.1	-0.3	-0.4	-1.4	0.1	0.3
Oregon Initial Unemployment Claims, SA*	9,161	9,271	8,915	8,708	8,610	8,459
Oregon Employment Services Payrolls, SA	31,398	31,572	30,904	31,228	31,448	31,436
Oregon Residential Building Permits, SA, 5 MMA*	654	646	659	584	621	693
Oregon Weight Distance Tax, SA,	106.49	105.57	105.17	99.53	103.38	106.95
U.S. Consumer Sentiment, SA, 5 MMA	72.7	72.1	69.4	67.0	64.9	62.2
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	41,718	41,909	41,629	42,027	42,337	41,635
Interest Rate Spread	3.08	2.91	2.93	2.20	1.90	2.08