

CENTRAL OREGON BUSINESS INDEX™

oregon
economic
forum

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

Fourth Quarter 2014

Analysis

The Central Oregon Business Index slipped after several quarters of fairly steady gains. The Central Oregon Business Index was at 124.8 (1998=100) during the final quarter of 2014 compared to a revised 125.1 the previous quarter. Compared to the same quarter last year, the COBI is up 3.5 percent.

The regional labor market continues to recover from the damage suffered during the recession. Initial jobless claims made another fresh low for the recovery and are at levels last seen prior to 2000. Nonfarm payrolls continued to rise as firms added employees in response to growing economic activity. The region has now recovered 80 percent of jobs lost in the recession. Low levels of initial jobless claims indicates that conditions remain conducive for additional job growth in the months ahead.

Measures of travel and tourism were mixed. Airline passenger activity recovered some of the decline experienced in the third quarter, while estimated lodging revenues fell after a sustained period of rapid gains. There is no reason to believe, however, that the general uptrend has been broken. Separately, waste collection rose again and stands 9.6 percent higher than the same quarter of 2013. An increase in waste can be expected as economic activity and in-migration to the region accelerate.

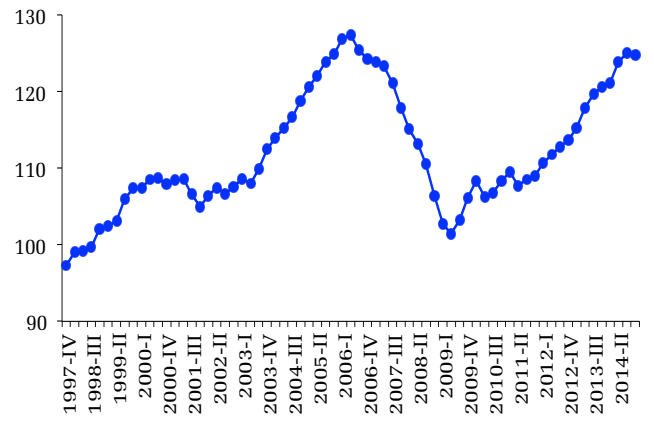
The housing sector cooled slightly from the third quarter but remains solid. Residential sales slipped to an average monthly pace of 395, down from 444 the previous quarter. Still, the pace of sales remains well above the pre-bubble (1997–2001) average monthly pace of 259. New residential units permitted edged up, but remain below pre-recession levels. Although

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University of Oregon Central Oregon Business Index
Index, 1998=100



a building surge remains elusive, continuing tight housing markets are expected to gradually induce a faster pace of new construction over the next year.

The COBI's decline this quarter is attributable to some expected declines in a few indicators with very rapid gains in previous quarters and does not indicate a fundamental change in the underlying economy. The recovery in Central Oregon remains intact; expect continued improvement on the back of ongoing growth in the national and state economies.

Table 1: Summary Measures

	1Q14	2Q14	3Q14	4Q14
University of Oregon Central Oregon Business Index, 1998 = 100	121.2	123.8	125.1	124.8
Percentage Change, Previous Quarter	0.5	2.2	1.0	-0.2
Percentage Change, Previous Two Quarters	1.2	2.7	3.2	0.7
Percentage Change, Year Ago	5.1	5.0	4.5	3.5

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Methodology and Notes

The methodology used to construct the Central Oregon Business Index is identical to that used by the University of Oregon Index of Economic Indicators™. Both follow the approach developed by the Conference Board, an independent, not-for-profit research organization, to construct a U.S. Leading Index. Individual components are transformed into symmetric percentage changes, and the resultant series are adjusted to equalize the volatility of the components. This process ensures that a change in a high volatility component is weighted equally to a change in a low volatility component. The adjusted series are summed to create the index, which is rebased to set 1998=100. Full details can be found at www.globalindicators.com.

The Central Oregon Business Index (COBI) provides a snapshot of business activity by aggregating nine often contradictory economic statistics into a single variable. The variables are chosen on the basis of economic relevance, timely availability, and sufficiently long history. The selected variables, measures of the labor market, tourism, housing markets, waste generation and the state economy, cover a wide swath of local economic activity.

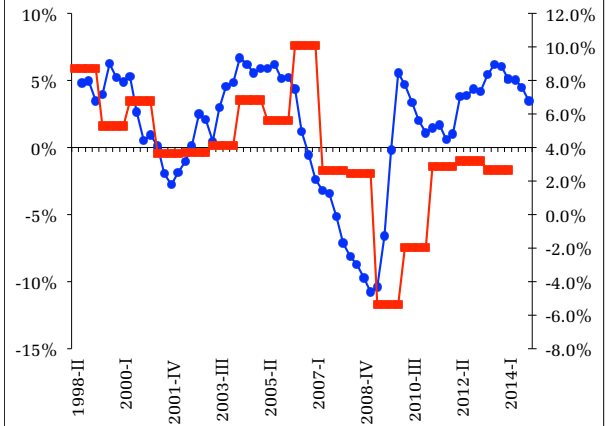
The COBI as constructed mirrors other indicators of economic activity that are reported on a less timely basis. For instance, on a year-over-year basis, the COBI fell ahead of both the 2001 and 2008 recessions. The COBI is also a leading indicator of personal income growth—data released only annually and with a substantial lag. Still, the available data encompasses only two national recessions, a very small sample from which to

University of Oregon Central Oregon Business Index

Percentage change from year ago, blue, left hand scale

Deschutes County Real Personal Income

Percentage change from year ago, red, right hand scale



draw generalities. Also note that no single variable is capable of decisively determining the state of the business cycle.

Sources: *The (Bend) Bulletin*, Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Redmond Municipal Airport, Census Bureau, City of Bend, City of Redmond, Deschutes County Department of Solid Waste, Central Oregon Realtors Association, and the author's calculation. Initial research for this project was supported by a grant from the UO Williams Council.

Table 2: Index Components

	1Q14	2Q14	3Q14	4Q14
Deschutes County Solid Waste, Tons, SA	10,455	10,817	11,036	11,229
Deschutes County Initial Unemployment Claims, SA	2,245	2,153	2,043	1,774
Bend MSA Nonfarm Payrolls, SA	67.5	68.4	68.4	69.3
University of Oregon Index of Economic Indicators™, 1997=100	96.8	97.7	98.2	98.4
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,800,290	1,917,864	2,240,430	1,942,016
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	42,529	44,146	40,690	41,426
Central Oregon Housing Units Sold, SA	349	417	444	395
Central Oregon Average Housing Days on Market, SA	141	146	141	150
Deschutes County Building Permits, SA	97	113	101	114

* SA—seasonally adjusted.

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