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Analysis

The University of Oregon Index of Economic Indicators™ fell 1.2 percent to 90.8 in April 2011, the first decline since October of last year. Declines were widespread throughout the components that comprise the index, with only the interest rate spread improving during the month. The declines are not entirely unexpected, as higher commodity prices, and energy prices in particular, weighed on the economy in the first part of this year. Still, compared to six months ago, the UO Index is up 4.3 percent (annualized), and almost all components have improved over that period. This suggests that Oregon's recovery remains intact, although the pace of improvement slowed compared to earlier this year.

Labor markets were mixed during April. Initial unemployment rose sharply to their highest level since last October. A state benefit extension, however, drove the increase. As a consequence, the increase should not be viewed as a fresh weakening of economic activity,

and should be largely reversed in May. Employment services payrolls—largely temporary employment—fell during the month, suggesting hiring activity is losing momentum. Likewise, overall nonfarm payrolls (not included in the index) rose just 1,600 during April, not sufficient to fully offset a revised 2,000 drop the previous month. This represents a significant slowdown in job growth compared to the average of 8,200 jobs added in both January and February of this year.

Residential building permits (smoothed) were unchanged during the month. The state continues to struggle with the collapse of the housing bubble, with price declines (as measured by the S&P Case-Schiller index) continuing in the Portland area. Core manufacturing orders slipped, with the trend over the last six months suggesting the pace of activity has slowed since the rapid gains experienced in the early recovery period. Trucking activity, as measured by the Oregon weight-distance tax, fell during the month, reverting to levels last seen in November. Consumer confidence (smoothed

with a five-month moving average) fell in April. Rising gasoline prices are squeezing household budgets, contributing to a slowdown in consumer spending growth.

The sharp jump in commodity prices dragged down overall national growth in the first part of 2011. Recent price declines provide a welcome break in that trend, although the immediate relief is limited. Most forecasters still expect overall better growth in 2011 compared to last year, but the expected improvements are being pushed into the second half of this year. In short, considering the depth of the recession, the recovery remains disappointingly slow.

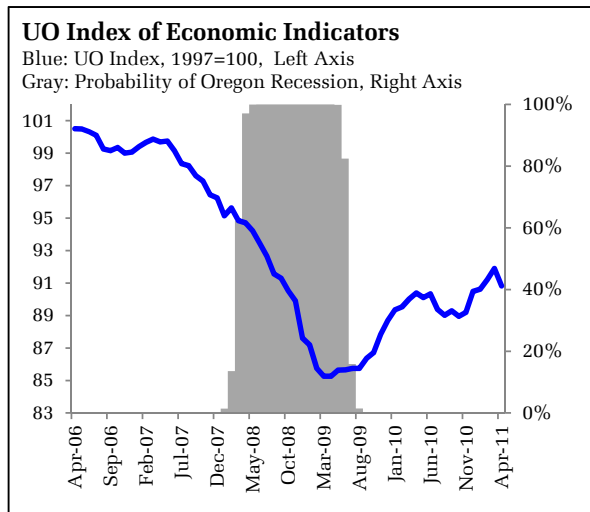


Table 1: Summary Measures

	2010		2011			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
University of Oregon Index of Economic Indicators™, 1997=100	89.2	90.5	90.6	91.2	91.9	90.8
Percentage Change	0.3	1.5	0.1	0.7	0.7	-1.2
Diffusion Index	64.3	85.7	50.0	71.4	64.3	28.6
Six Month Percentage Change, Annualized	-2.0	0.4	2.8	5.0	5.9	4.3
Six Month Diffusion Index	42.9	57.1	85.7	92.9	100.0	85.7



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Methodology and Notes

The methodology employed in creating the University of Oregon Index of Economic Indicators is identical to that used by The Conference Board, an independent, not-for-profit research organization, in the computation of the U.S. Leading Index. For information, see www.globalindicators.org.

The UO Index is a leading indicator as the economy transitions from expansion to recession. Steep declines in the UO Index are recorded during periods of economic stress, signaling diminishing prospects for growth. Rising values of the UO Index tend to coincide with the end of a recession. As a general rule, a sustained decline in the index of greater than 2.75 percent (annualized) over six months, coupled with a decline in more than half of its components, signals that a recession is likely imminent. Using the rule, the index signaled an impending recession in October 2000; a business cycle dating procedure developed by Jeremy Piger, a University of Oregon associate professor of economics, indicates Oregon entered recession in November of 2000. Similarly, the UO Index suffered a sharp drop ahead of the recession in 2007.

The general rule, however, should be used judiciously. Using the rule the UO Index indicated recession for a single month in 1998 during the Asian financial crisis. More recently, the UO Index sent recessionary warnings in the middle of 2006, well before Oregon actually slipped into recession at the end of 2007. Moreover, no single variable is capable of decisively determining the state of the business cycle. Consequently, the UO Index of Economic Indicators is best considered as another tool in assessing the economy.

Sources: The Conference Board, Oregon Department of Transportation, Oregon Employment Department, Federal Reserve Bank of St. Louis, Bureau of Labor Statistics, Census Bureau, and the author's calculations.

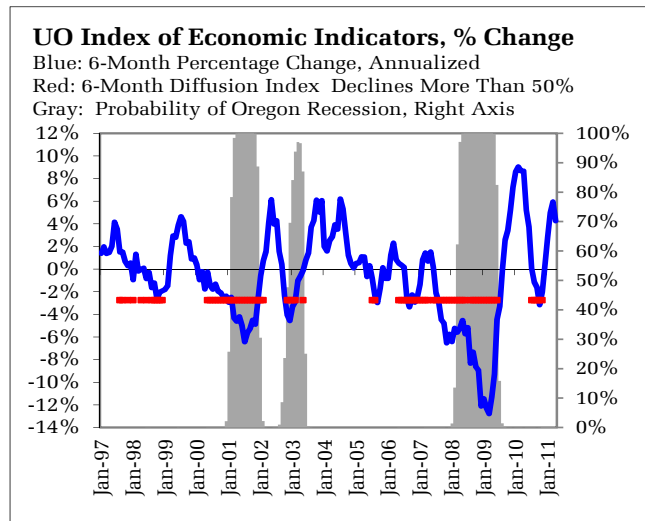
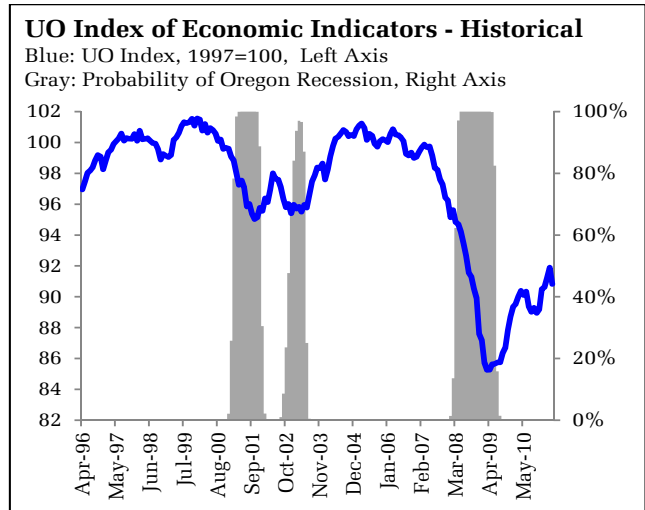


Table 2: Index Components

	2010		2011			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Oregon Initial Unemployment Claims, SA*	9,388	8,215	8,502	8,576	8,349	9,371
Oregon Employment Services Payrolls, SA	31,212	31,678	31,650	32,506	32,693	31,741
Oregon Residential Building Permits, SA, 5 MMA*	591	647	625	630	718	717
Oregon Weight Distance Tax, SA, Index, 1998=100, 3 MMA	102.60	99.44	106.38	106.79	106.13	100.42
Univ. of Michigan U.S. Consumer Confidence, 5 MMA	68.8	70.2	71.2	73.1	73.1	72.7
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	39,970	41,491	39,371	39,270	41,283	40,094
Interest Rate Spread, Ten-Year Treasury Bonds Less Federal Funds Rate	2.57	3.11	3.22	3.42	3.27	3.36

* SA—seasonally adjusted; MMA—month moving average

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The goal of the University of Oregon Index of Economic Indicators™ is to create a summary measure of various data that pertain to the Oregon economy.