

STATE OF OREGON ECONOMIC INDICATORS™



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

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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.

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Review

Economic activity rebounded in Oregon in the final month of 2011. A sharp increase in the Oregon Measure of Economic Activity from -1.11 to -0.28—close to the average growth established over the 1990–2011 period—pulled up the three-month moving average to -0.80. The manufacturing and services sectors all made positive contributions to the measure, while the construction and household sectors remain a drag. Note the two employment components of the construction sector were positive. Residential building permits remain weak.

The University of Oregon Index of Economic Indicators™ gained 0.7 percent in December, rising to the highest level

since July. Improvement was widespread; none of the components deteriorated during the month. Mirroring national trends, initial unemployment claims dropped again to their lowest level since February 2008. Employment services payrolls edged up, suggesting an upward demand for new hires. In addition, core-manufacturing orders rebounded, more than reversing their loss the previous month.

Compared to six months ago, the UO Index has fallen 2.6 percent (annualized), an improvement compared to the previous month. This brings the decrease above the -2.75 percent mark that has been associated with Oregon recession in the past. This suggests room for optimism regarding the forecast for 2012; the decline in the UO Index this past fall may prove to have been a “false” recession signal.

Contributions to Oregon Measure of Economic Activity – Dec. 2011

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.05			
ISM Manufacturing: Supplier Deliveries Index	-0.01			
Manufacturing Employment, Oregon	-0.01			
Hours, Manufacturing Production Workers, Oregon	0.23			
Port of Portland, Ton Equivalent Units	-0.05			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.25		
Construction Employment in Oregon		0.08		
Natural Resources and Mining Employment, Oregon		0.04		
Employment Services Employment, Oregon			0.03	
Initial Unemployment Claims, Oregon			-0.08	
Civilian Labor Force, Oregon			-0.05	
Unemployment Rate, Oregon			-0.14	
Interest Rate Spread			-0.01	
S&P500 Stock Index			0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.15	
Educational and Health Services Employment, Oregon				-0.03
Financial Activities Employment, Oregon				-0.03
Government Employment, Oregon				0.03
Leisure and Hospitality Employment, Oregon				0.22
Professional and Business Services Employment, Oregon				-0.04
Other Services Employment, Oregon				-0.13
Trade, Transportation and Utilities Employment, Oregon				0.01
Total By Sector	0.21	-0.13	-0.40	0.03
	Oct-11	Nov-11	Dec-11	
Oregon Measure of Economic Activity	-1.00	-1.11	-0.28	
Three-Month Moving Average	-0.91	-0.92	-0.80	



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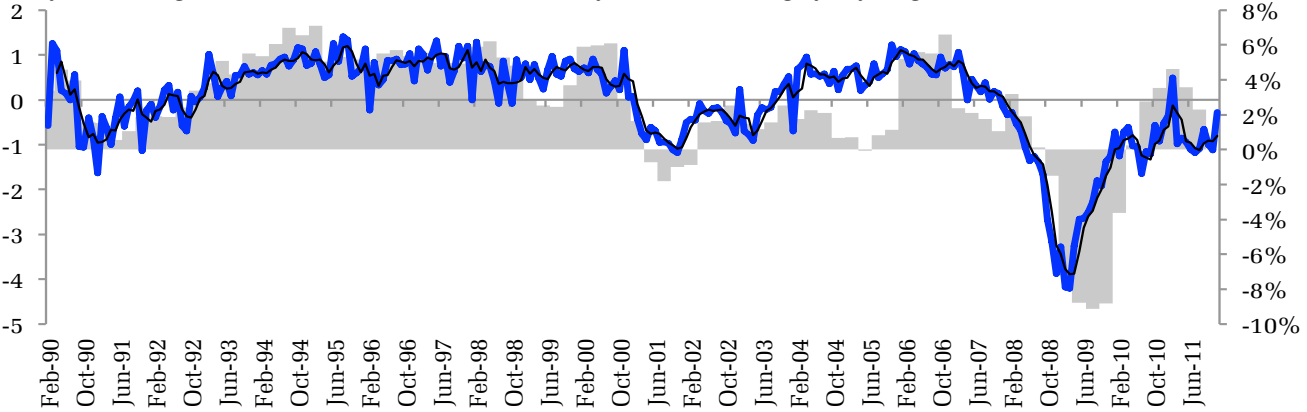
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

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

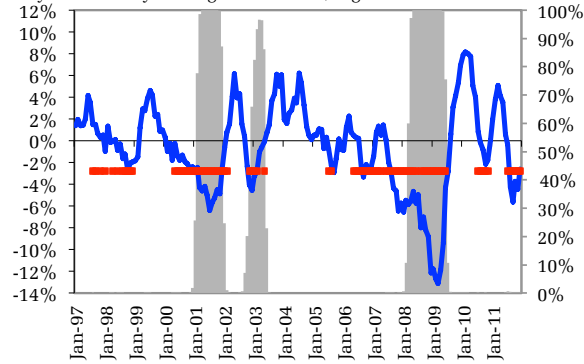


UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

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

Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

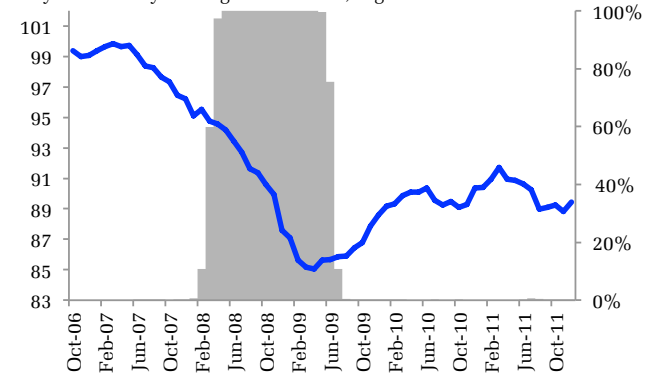


Table 2: UO Index of Economic Indicators – Summary and Components

	Jul-11	Aug-11	Sept-11	Oct-11	Nov-11	Dec-11
University of Oregon Index of Economic Indicators™, 1997=100	90.3	89.0	89.1	89.2	88.8	89.4
Percentage Change	-0.4	-1.4	0.1	0.2	-0.5	0.7
Oregon Initial Unemployment Claims, SA*	8,857	8,668	8,573	8,418	8,267	7,748
Oregon Employment Services Payrolls, SA	30,883	31,202	31,394	30,911	30,841	31,201
Oregon Residential Building Permits, SA, 5 MMA*	665	590	623	689	724	718
Oregon Weight Distance Tax, SA,	105.27	99.68	103.57	107.17	102.46	104.01
U.S. Consumer Sentiment, SA, 5 MMA	69.4	67.0	64.9	62.2	60.8	62.0
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	41,629	42,001	42,543	42,198	41,676	42,761
Interest Rate Spread	2.93	2.20	1.90	2.08	1.93	1.91