November 2015

**Review**

The Oregon Measure of Economic Activity surged in November to 1.38, up from 0.75 the previous month. The three-month moving average, which smooths month-to-month volatility in the measure, rose to 0.62 (“zero” indicates average growth over the 1990–present period). The manufacturing sector made a modest negative contribution to the measure due to soft national numbers and a decline in Oregon manufacturing jobs during the month. Average weekly hours worked, however, remained solid. Construction employment and housing permits both supported a positive contribution to the measure. Components of the household sector mostly contributed positively. Low levels of initial unemployment claims, renewed growth in the labor force, falling unemployment, and solid consumer sentiment are all consistent with a robust economic expansion. The employment components of the service sector all contributed positively.

The University of Oregon Index of Economic Indicators extended the October gains, rising 0.3 percent in November. Initial unemployment claims held at very low levels while employment services payrolls (largely temporary help workers) rose. Both indicators suggest a solid labor market likely to continue to add jobs. Residential building permits (smoothed) and average weekly hours worked in the manufacturing sector were effectively unchanged. Core manufacturing orders (a national indicator) was modestly lower while the Oregon weight distance tax (a measure of trucking activity) fell. The interest rate spread widened as concerns about the strength of the U.S. economy waned and expectations rose that conditions remained sufficient for the Federal Reserve to begin hiking interest rates.

These two indicators suggest ongoing growth in Oregon at an above average pace of activity. The ongoing U.S. economic expansion provides sufficient support to sustain Oregon’s economy for the foreseeable future.

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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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**Contributions to Oregon Measure of Economic Activity – Nov. 2015**

<table>
<thead>
<tr>
<th>Component</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Households</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM Manufacturing: Imports Index</td>
<td>-0.06</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ISM Manufacturing: Supplier Deliveries Index</td>
<td>-0.02</td>
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<tr>
<td>Manufacturing Employment, Oregon</td>
<td>-0.08</td>
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<tr>
<td>Hours, Manufacturing Production Workers, Oregon</td>
<td>0.09</td>
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<tr>
<td>Manufacturing Exports, Oregon</td>
<td>0.01</td>
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<tr>
<td>New Private Housing Units Authorized By Building Permit, Oregon</td>
<td>0.04</td>
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<tr>
<td>Construction Employment in Oregon</td>
<td>0.10</td>
<td></td>
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<tr>
<td>Natural Resources and Mining Employment, Oregon</td>
<td>0.01</td>
<td></td>
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<tr>
<td>Employment Services Employment, Oregon</td>
<td>0.07</td>
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<tr>
<td>Initial Unemployment Claims, Oregon</td>
<td>0.31</td>
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<tr>
<td>Civilian Labor Force, Oregon</td>
<td>0.12</td>
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<tr>
<td>Unemployment Rate, Oregon</td>
<td>0.08</td>
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<tr>
<td>Interest Rate Spread</td>
<td>-0.02</td>
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<tr>
<td>S&amp;P500 Stock Index</td>
<td>0.02</td>
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<tr>
<td>Consumer Sentiment, University of Michigan - Reuters</td>
<td>0.05</td>
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<tr>
<td>Educational and Health Services Employment, Oregon</td>
<td>0.03</td>
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<tr>
<td>Financial Activities Employment, Oregon</td>
<td>0.14</td>
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<tr>
<td>Government Employment, Oregon</td>
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<tr>
<td>Leisure and Hospitality Employment, Oregon</td>
<td>0.07</td>
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<tr>
<td>Professional and Business Services Employment, Oregon</td>
<td>0.02</td>
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<tr>
<td>Other Services Employment, Oregon</td>
<td>0.10</td>
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<tr>
<td>Trade, Transportation and Utilities Employment, Oregon</td>
<td>0.30</td>
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<tr>
<td><strong>Total By Sector</strong></td>
<td><strong>-0.07</strong></td>
<td><strong>0.15</strong></td>
<td><strong>0.62</strong></td>
<td><strong>0.68</strong></td>
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<table>
<thead>
<tr>
<th>Measure</th>
<th>Sep-15</th>
<th>Oct-15</th>
<th>Nov-15</th>
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<tbody>
<tr>
<td>Oregon Measure of Economic Activity</td>
<td>-0.27</td>
<td>0.75</td>
<td>1.38</td>
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<tr>
<td>Three-Month Moving Average</td>
<td>0.41</td>
<td>0.26</td>
<td>0.62</td>
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</table>
University of Oregon Index of Economic Indicators – Summary and Components

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>UO Index of Economic Indicators™, 1997=100</td>
<td>99.3</td>
<td>99.5</td>
<td>99.0</td>
<td>98.9</td>
<td>99.7</td>
<td>100.0</td>
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<tr>
<td>Percentage Change</td>
<td>0.5</td>
<td>0.2</td>
<td>-0.5</td>
<td>-0.1</td>
<td>0.9</td>
<td>0.3</td>
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<tr>
<td>Oregon Initial Unemployment Claims, SA*</td>
<td>5,189</td>
<td>5,081</td>
<td>5,459</td>
<td>4,999</td>
<td>4,552</td>
<td>4,557</td>
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<tr>
<td>Oregon Employment Services Payrolls, SA</td>
<td>38,146</td>
<td>38,393</td>
<td>36,280</td>
<td>36,427</td>
<td>38,194</td>
<td>38,949</td>
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<td>Oregon Residential Building Permits, SA, 5 MMA*</td>
<td>1,262</td>
<td>1,232</td>
<td>1,297</td>
<td>1,432</td>
<td>1,503</td>
<td>1,524</td>
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<tr>
<td>Oregon Weight Distance Tax, SA, Index, 1998=100</td>
<td>116.07</td>
<td>116.87</td>
<td>120.32</td>
<td>115.43</td>
<td>113.05</td>
<td>114.86</td>
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<td>Oregon Manufacturing Average Weekly Hours, SA</td>
<td>40.41</td>
<td>40.80</td>
<td>40.85</td>
<td>39.69</td>
<td>40.46</td>
<td>40.45</td>
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<td>U.S. Consumer Sentiment, SA, 5 MMA</td>
<td>94.2</td>
<td>93.8</td>
<td>93.6</td>
<td>91.8</td>
<td>91.7</td>
<td>90.7</td>
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<tr>
<td>Real Manufacturers’ New Orders for Nondefense, Nonaircraft Capital Goods, $ Millions, SA</td>
<td>40,652</td>
<td>41,371</td>
<td>40,796</td>
<td>40,963</td>
<td>41,326</td>
<td>41,131</td>
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<tr>
<td>Interest Rate Spread</td>
<td>2.23</td>
<td>2.19</td>
<td>2.03</td>
<td>2.03</td>
<td>1.95</td>
<td>2.14</td>
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</tbody>
</table>

* SA–seasonally adjusted; MMA–months moving average