

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

Third Quarter 2014

Analysis

The Central Oregon Business Index rose in the third quarter of 2014 at pace slower than that of the previous quarter. The Central Oregon Business Index stood at 125.2 (1998=100) during the third quarter of 2014 compared to a revised 124.3 the previous quarter. Compared to the same quarter last year, the COBI is up 4.3 percent. The index signals ongoing growth in the regional economy.

Labor market indicators continued to gain strength during the quarter. Initial jobless claims again fell to a new low for the recovery period and remain in a zone consistent with additional employment gains. Nonfarm payrolls rose to 68,400 as firms added another 400 workers. Employment is up 4.8 percent over the past year and is now just 3,100 below peak employment prior to the recession. In comparison, at the bottom, the aggregate job losses from the recession totaled 10,600.

Measures of travel and tourism were mixed. Airline passenger activity fell sharply compared to the second quarter but remain above year-ago levels; some declines were expected due to a loss of United Express service. A combination of more activity and better tax enforcement continues to propel estimated lodging revenues higher. Separately, consistent with faster economic growth and an increase in population, waste collection continues to gain.

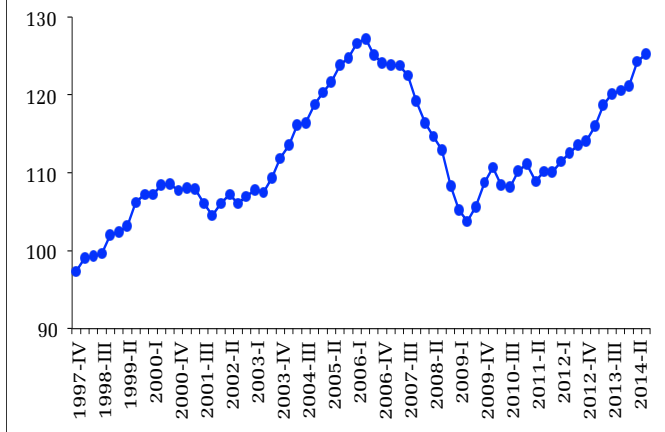
The housing sector was generally stronger. Residential sales rose again to a monthly pace of 440 homes sold, the highest since the second quarter of 2006 and well above the pre-bubble (1997–2001) average monthly pace of 259. Still, new residential

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



units permitted remain below the pre-bubble average, hovering in the 100–110 range for the past year. Over time, continued strong residential sales and in-migration should encourage a faster pace of building activity.

The recovery in Central Oregon remains in place; strong housing sales and job growth suggest that the pre-recession in-migration dynamics that traditionally supported the region have returned. Expect continued improvement on the back of ongoing growth in the national and state economies.

Table 1: Summary Measures

	4Q13	1Q14	2Q14	3Q14
University of Oregon Central Oregon Business Index, 1998 = 100	120.6	121.1	124.3	125.2
Percentage Change, Previous Quarter	0.4	0.5	2.6	0.8
Percentage Change, Previous Two Quarters	1.6	0.9	3.1	3.4
Percentage Change, Year Ago	5.7	4.5	4.7	4.3



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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.

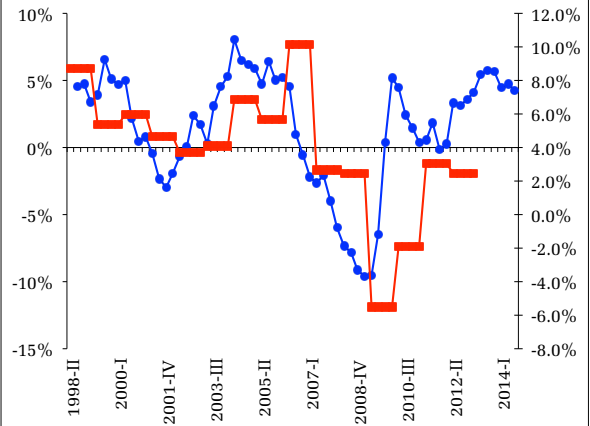
The COBI as constructed mirrors other indicators of economic activity that are reported on a less timely basis. For instance, on a year-over-year basis, the COBI fell ahead of both the 2001 and 2008 recessions. The COBI is also a leading indicator of personal income growth—data released only annually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

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



a very small sample from which to 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

	4Q13	1Q14	2Q14	3Q14
Deschutes County Solid Waste, Tons, SA	10,245	10,452	10,817	11,043
Deschutes County Initial Unemployment Claims, SA	2,400	2,246	2,147	2,054
Bend MSA Nonfarm Payrolls, SA	66.1	67.3	68.0	68.4
University of Oregon Index of Economic Indicators™, 1997=100	96.6	96.8	97.7	98.2
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,699,707	1,801,621	1,929,709	2,170,529
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	43,836	42,189	44,120	40,650
Central Oregon Housing Units Sold, SA	355	335	406	440
Central Oregon Median Housing Days on Market, SA	94	97	95	95
Deschutes County Building Permits, SA	109	97	112	101

* SA—seasonally adjusted.

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