

State of Oregon Economic Indicators™



July 2016

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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

July saw some mixed numbers for the Oregon economy; the overall tenor of the data is consistent of an economy in the mature stage of a business cycle. The Oregon measure of economic activity rose to 0.76 from a downwardly adjusted revised June figure of 0.53. The three-month moving average, which smooths month-to-month volatility in the measure, was 0.69, where “zero” indicates average growth over the 1990–present period. The manufacturing sector made a neutral contribution to the measure as a gain in the employment component was offset by a decline in hours worked. Weak employment sapped the construction component. Note that housing permits were slightly positive as they are near their average level; permits, however, remain low compared to a typical expansion. The household sector remains very supportive of the overall measure. The services sector contributed positively on the back of neutral or positive employment components.

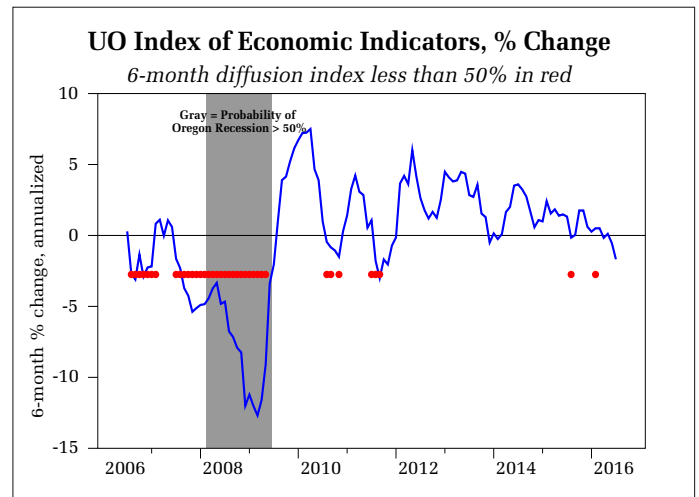
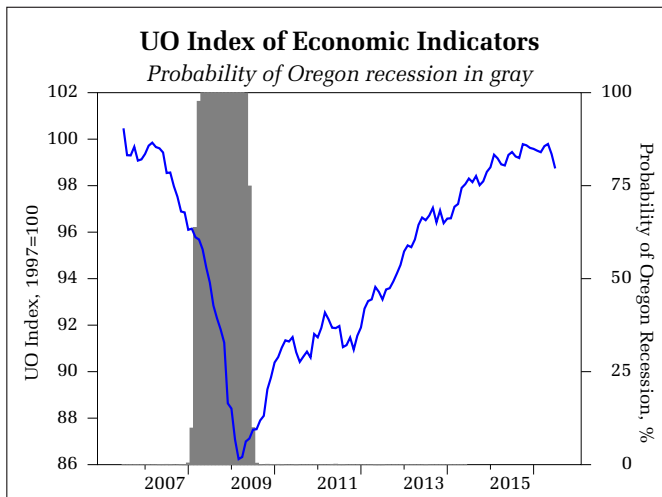
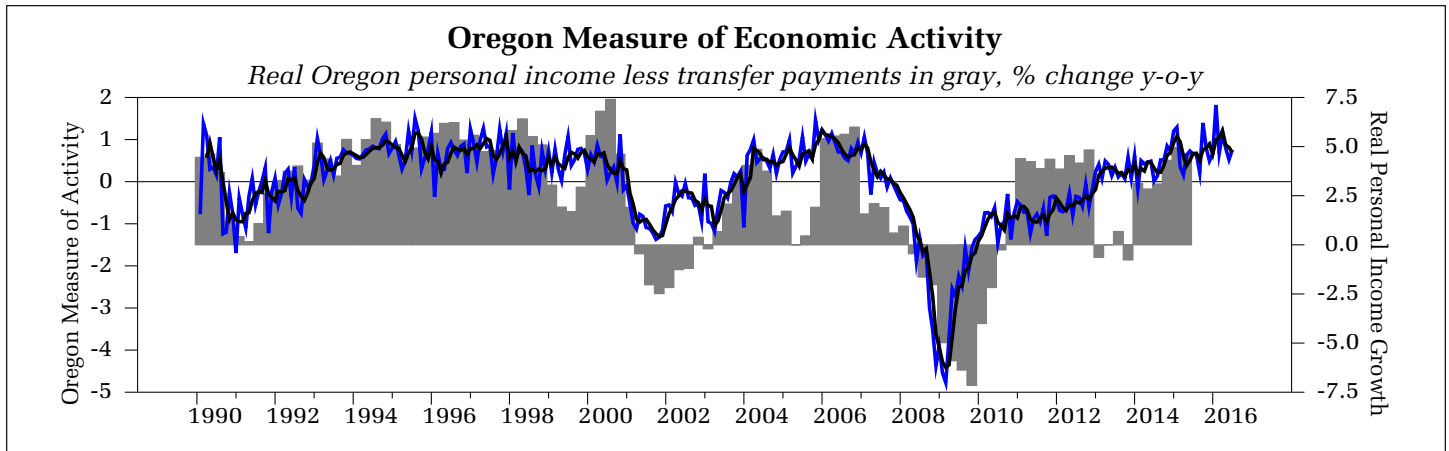
The University of Oregon Index of Economic Indicators fell 0.5 percent in July, but as was the

case last month, the June number was revised upwards. Most indicators were generally unchanged to modestly softer compared to June. Employment services payrolls (largely temporary help) edged down and remains in a general sideways direction. This behavior is typical during the mature phase of a business cycle. The Oregon weight distance tax, a measure of trucking activity, declined. It too has been tracking sideways for the past year. Residential building permits were essentially unchanged. Core manufacturing orders (a national number), edged up but remain in a downward trend. The malaise in manufacturing precipitated by the stronger dollar and decline in oil prices continues.

Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity. The UO Index typically moves sideways as a business cycle matures. Consequently, occasional declines are not to be unexpected. Sharp declines across a wide swath of indicators would be more cause for concern.

Contributions to Oregon Measure of Economic Activity – July 2016

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.00			
ISM Manufacturing: Supplier Deliveries Index	-0.01			
Manufacturing Employment, Oregon	0.12			
Hours, Manufacturing Production Workers, Oregon	-0.12			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		0.03		
Construction Employment in Oregon		-0.17		
Natural Resources and Mining Employment, Oregon		-0.06		
Employment Services Employment, Oregon			-0.05	
Initial Unemployment Claims, Oregon			0.32	
Civilian Labor Force, Oregon			0.04	
Unemployment Rate, Oregon			0.11	
Interest Rate Spread			0.03	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			0.04	
Educational and Health Services Employment, Oregon				0.05
Financial Activities Employment, Oregon				-0.02
Government Employment, Oregon				-0.01
Leisure and Hospitality Employment, Oregon				0.09
Professional and Business Services Employment, Oregon				0.09
Other Services Employment, Oregon				0.21
Trade, Transportation and Utilities Employment, Oregon				0.04
Total By Sector	-0.01	-0.20	0.51	0.45
	May-16	Jun-16	Jul-16	
Oregon Measure of Economic Activity	0.79	0.53	0.76	
Three-Month Moving Average	0.87	0.82	0.69	



University of Oregon Index of Economic Indicators – Summary and Components

	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
UO Index of Economic Indicators™, 1997=100	99.9	99.9	99.9	100.2	100.3	99.8
Percentage Change	0.1	0.0	0.0	0.2	0.1	-0.5
Oregon Initial Unemployment Claims, SA*	4,451	4,560	4,096	4,566	4,394	4,553
Oregon Employment Services Payrolls, SA	39,080	38,399	39,160	38,892	38,811	38,344
Oregon Residential Building Permits, SA, 5 MMA*	1,571	1,641	1,575	1,608	1,586	1,600
Oregon Weight Distance Tax, SA, Index, 1998=100	118.49	117.36	118.23	119.46	117.71	114.22
Oregon Manufacturing Average Weekly Hours, SA	39.89	39.76	39.85	41.07	39.78	38.90
U.S. Consumer Sentiment, SA, 5 MMA	91.5	91.7	91.3	91.7	92.0	91.6
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	37,255	37,365	36,988	36,712	36,858	37,498
Interest Rate Spread	1.40	1.53	1.44	1.44	1.26	1.11

* SA—seasonally adjusted; MMA—months moving average