

# State of Oregon Economic Indicators™



June 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

Oregon’s economy posted some modestly softer numbers in June but the pace of activity remains generally consistent with that normally experienced during expansions. The Oregon measure of economic activity fell to 0.57 from an upwardly revised May figure of 0.81. The three-month moving average, which smooths month-to-month volatility in the measure was 0.77, where “zero” indicates average growth over the 1990–present period. The manufacturing sector remained in modestly positive territory on the back of fairly strong average weekly hours worked in the sector. The construction sector impact was again effectively neutral. The household sector remains very supportive of the overall measure. The low unemployment rate and level of initial unemployment claims indicate the labor market remains healthy; growth in employment services (largely temporary help firms) has faltered, however. The services sector was again only marginally supportive to the overall measure of activity.

The University of Oregon Index of Economic Indicators fell 0.5 percent in June, but the May loss

was revised upward to a gain. Most indicators were generally unchanged to modestly softer compared to May. Following national trends, employment services payrolls slipped and are overall tracking generally sideways in recent months, consistent with some loss of momentum typically seen in later stages of a business cycle. This could, however, be a reflection of temporary weakness in manufacturing as the impact of lower oil prices and stronger dollar continues to pass through the sector. The interest rate spread narrowed sharply in the wake of Britain’s vote to leave the European Union, an event that pushed down longer term yields worldwide.

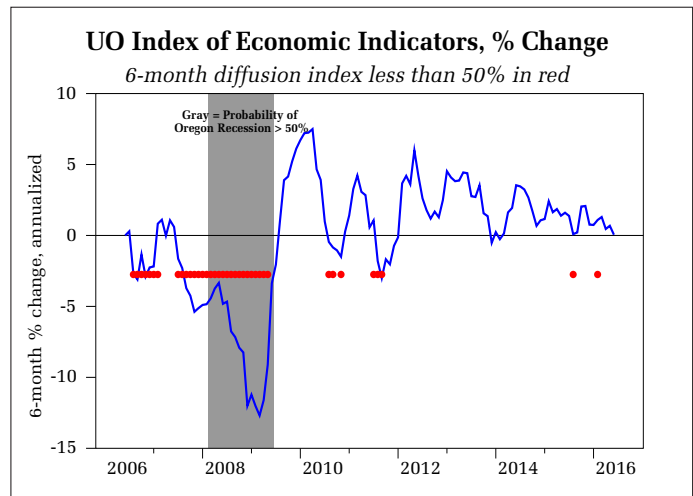
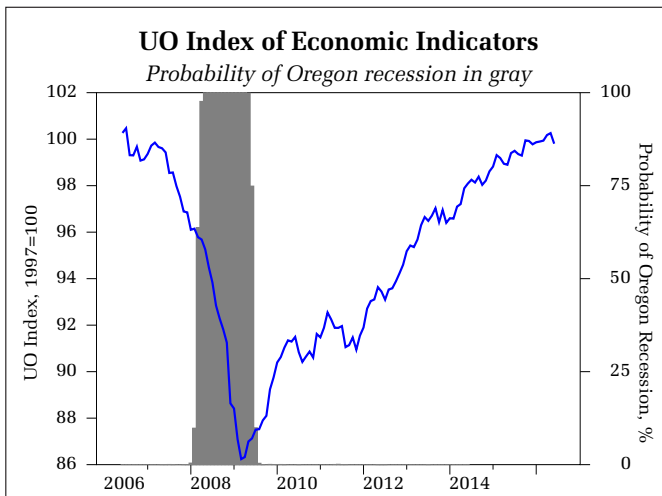
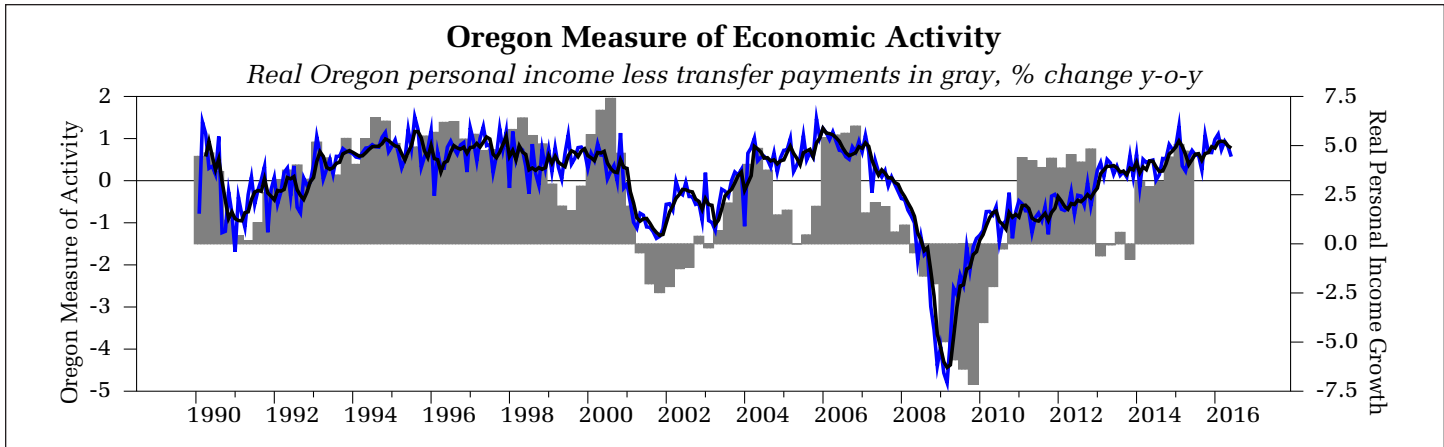
Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity. The ongoing US economic expansion provides sufficient support to sustain Oregon’s economy for the foreseeable future. The UO Index typically moves sideways as a business cycle matures. Such behavior is thus expected for an expansion that is now seven years old.

## Contributions to Oregon Measure of Economic Activity – June 2016

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.04			
ISM Manufacturing: Supplier Deliveries Index	0.02			
Manufacturing Employment, Oregon	-0.04			
Hours, Manufacturing Production Workers, Oregon	0.13			
Manufacturing Exports, Oregon	0.01			
New Private Housing Units Authorized By Building Permit, Oregon		0.04		
Construction Employment in Oregon		-0.03		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.10	
Initial Unemployment Claims, Oregon			0.29	
Civilian Labor Force, Oregon			0.04	
Unemployment Rate, Oregon			0.16	
Interest Rate Spread			0.01	
S&P500 Stock Index			-0.01	
Consumer Sentiment, University of Michigan - Reuters			0.08	
Educational and Health Services Employment, Oregon				-0.04
Financial Activities Employment, Oregon				0.15
Government Employment, Oregon				-0.01
Leisure and Hospitality Employment, Oregon				-0.03
Professional and Business Services Employment, Oregon				0.06
Other Services Employment, Oregon				-0.15
Trade, Transportation and Utilities Employment, Oregon				0.10
<b>Total By Sector</b>	<b>0.07</b>	<b>0.01</b>	<b>0.46</b>	<b>0.07</b>
	Apr-16	May-16	Jun-16	
Oregon Measure of Economic Activity	0.94	0.81	0.57	
Three-Month Moving Average	0.92	0.83	0.77	

# University of Oregon Economic Indicators™

June 2016



## University of Oregon Index of Economic Indicators – Summary and Components

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-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*	4,990	4,460	4,565	4,100	4,565	4,377
Oregon Employment Services Payrolls, SA	40,557	41,019	40,784	41,449	41,163	40,517
Oregon Residential Building Permits, SA, 5 MMA*	1,563	1,569	1,640	1,574	1,606	1,583
Oregon Weight Distance Tax, SA, Index, 1998=100	119.33	118.37	117.30	118.30	119.43	118.14
Oregon Manufacturing Average Weekly Hours, SA	40.39	39.91	39.78	39.87	41.05	40.04
U.S. Consumer Sentiment, SA, 5 MMA	90.6	91.5	91.7	91.3	91.7	92.0
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	38,056	37,255	37,365	36,988	36,752	36,795
Interest Rate Spread	1.75	1.40	1.53	1.44	1.44	1.26

\* SA—seasonally adjusted; MMA—months moving average



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