

# State of Oregon Economic Indicators™



May 2018

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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

The Oregon Measure of Economic Activity rose slightly to 0.88 from an upwardly revised April reading of 0.80. The moving average measure, which smooths out the volatility, stood at 0.83, well above average (“zero” indicates average growth over the 1990–present period). Weak employment numbers weighed on the services sectors while all other sectors made positive contributions to the measure. The manufacturing sector continues to enjoy solid activity. Still, anecdotally, firms worry about the impact of tariff battles. Solid construction employment supported the measure in May; in general, construction activity remains strong. Only the civilian labor force component weighed on the household sector. Labor force growth may be slowing, which if sustained may increase the challenges facing firms looking to expand their workforces.

The University of Oregon Index of Economic Indicators has been largely tracking sideways

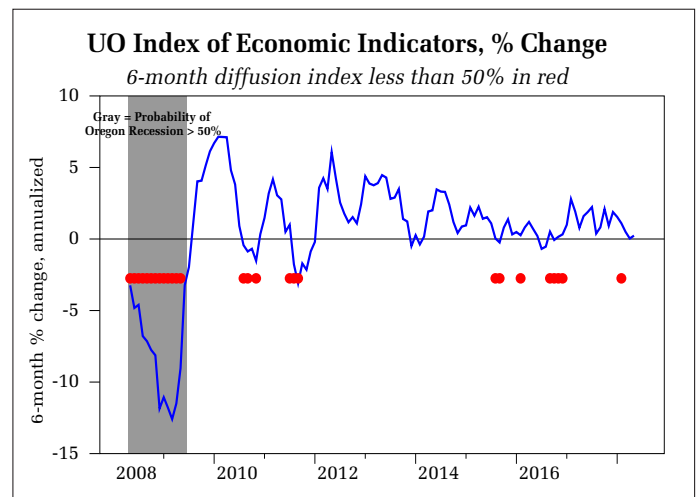
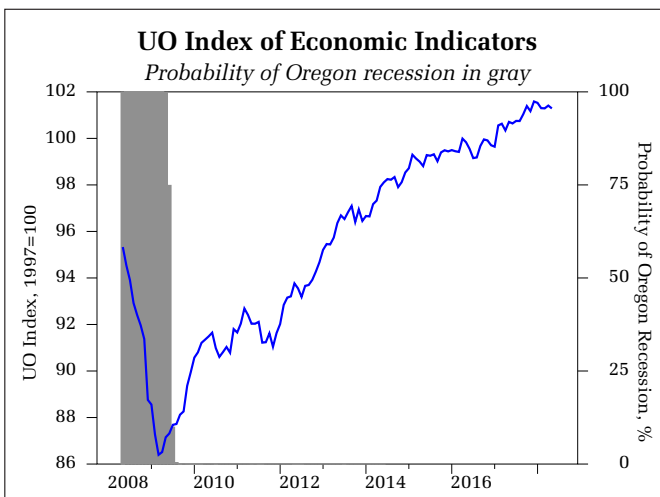
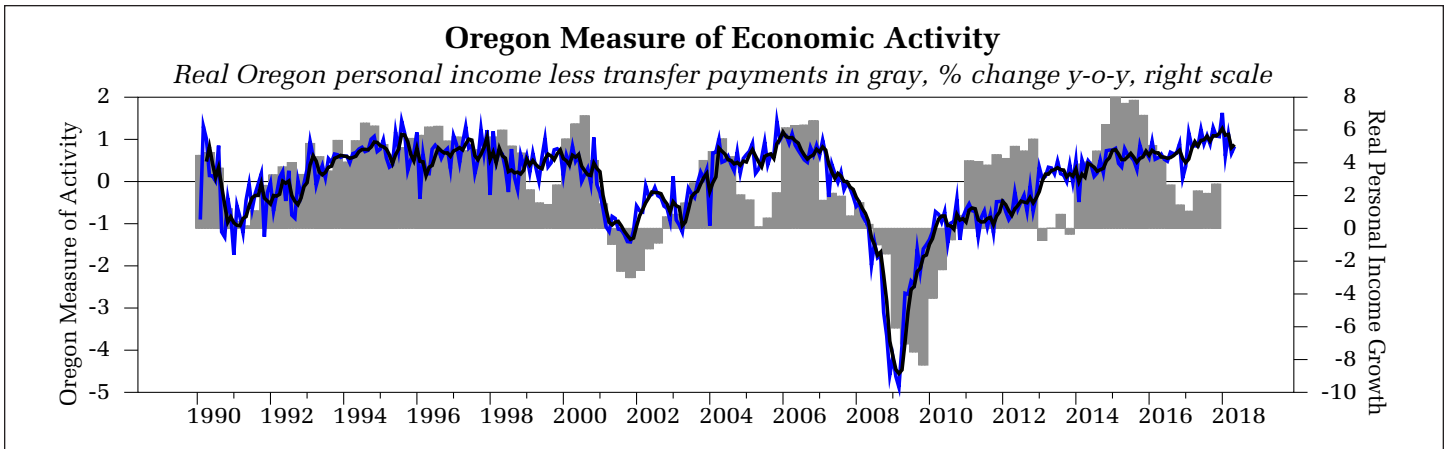
this year. Such period of little or no upward movement typically occur during the mature stage of business cycles as some of the indicators stabilize. For instance, although somewhat down in May, initial unemployment claims are generally circling around 4,000 per month. This is likely the low for this cycle and remains consistent with ongoing job growth. Building permits (smoothed) fell modestly while consumer sentiment (smoothed) rose. New orders for capital goods was virtually unchanged compared to April. The spread between long and short-term interest rates fell again; the spread typically declines during periods in which the Federal Reserve is raising interest rates.

Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity.

## Contributions to Oregon Measure of Economic Activity—May 2018

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.05			
ISM Manufacturing: Supplier Deliveries Index	0.11			
Manufacturing Employment, Oregon	0.03			
Hours, Manufacturing Production Workers, Oregon	0.01			
Manufacturing Exports, Oregon	0.01			
New Private Housing Units Authorized by Building Permit, Oregon		-0.03		
Construction Employment in Oregon		0.18		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.00	
Initial Unemployment Claims, Oregon			0.33	
Civilian Labor Force, Oregon			-0.08	
Unemployment Rate, Oregon			0.17	
Interest Rate Spread			0.02	
S & P 500 Stock Index			0.01	
Consumer Sentiment, University of Michigan–Reuters			0.11	
Educational and Health Services Employment, Oregon				0.03
Financial Activities Employment, Oregon				-0.02
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				0.05
Professional and Business Services Employment, Oregon				0.02
Other Services Employment, Oregon				-0.03
Trade, Transportation and Utilities Employment, Oregon				-0.14
<b>Total by Sector</b>	<b>0.21</b>	<b>0.15</b>	<b>0.57</b>	<b>-0.09</b>
	Mar '18	Apr '18	May '18	
Oregon Measure of Economic Activity	1.13	0.67	0.83	
Three-Month Moving Average	1.12	0.80	0.88	

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

	Dec '17	Jan '18	Feb '18	Mar '18	Apr '18	May '18
UO Index of Economic Indicators™1997 = 100	101.6	101.5	101.3	101.3	101.4	101.3
Percentage Change	0.4	-0.1	-0.2	0.0	0.1	-0.1
Oregon Initial Unemployment Claims, SA *	3,855	3,719	4,232	4,063	4,076	3,834
Oregon Employment Services Payrolls, SA	41,722	42,047	41,867	41,584	39,813	40,061
Oregon Residential Building Permits, SA, 5 MMA *	1,860	1,808	1,909	1,937	1,942	1,807
Oregon Weight-Distance Tax, SA, Index, 1998 = 100	121.12	118.56	113.94	113.61	121.08	119.90
Oregon Manufacturing Average Weekly Hours, SA	39.83	39.91	39.59	39.67	40.10	39.89
US Consumer Sentiment, SA, 5 MMA	97.4	97.2	98.1	98.2	98.3	98.7
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	38,963	38,480	39,108	38,605	39,349	39,369
Interest Rate Spread	1.10	1.17	1.44	1.33	1.18	1.09

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