

# State of Oregon Economic Indicators™



May 2019

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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.

## CONTACT

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## Review

The Oregon Measure of Economic Activity fell to 0.17 in May, down from an upwardly-revised 0.55 in April. The moving average measure, which smooths out the volatility, fell to 0.48, still above average (“zero” indicates average growth over the 1990-present period). The manufacturing sector contributed negatively; the weakness was concentrated in the national measures for imports by the manufacturing sector (which historically weaken if the domestic economy slows) and the still-puzzling decline in average weekly hours work while the employment component was neutral. Weak employment components weighed on the service sector measure. The household sector, supported by low unemployment and low initial claims, made a large positive contribution.

The University of Oregon Index of Economic Indicators was flat in May. Most indicators were fairly unchanged during the month. On the positive side, core manufacturing orders for capital goods edged higher despite some

general softening across the sector. The continued strength is encouraging; the data have not weakened as they did during the 2015-16 bust that followed a sharp decline in oil prices. On the negative side, the spread between long- and short-term interest rates fell to just 0.01 percentage points; in June the spread turned negative. This bears watching as a negative yield spread has been a very good recession indicator in the past though, unlike past episodes, the Federal Reserve has already signaled an intention to cut interest rates.

The recent weakness of the UO Index remains insufficient to raise imminent recession concerns. It's behavior instead is consistent with a mature business cycle in which growth is relatively slower compared to early in the expansion. The Oregon Measure of Economic Activity is consistent with this interpretation. Indicators overall still suggest the Oregon economy is poised for continued growth.

## Contributions to Oregon Measure of Economic Activity—May 2019

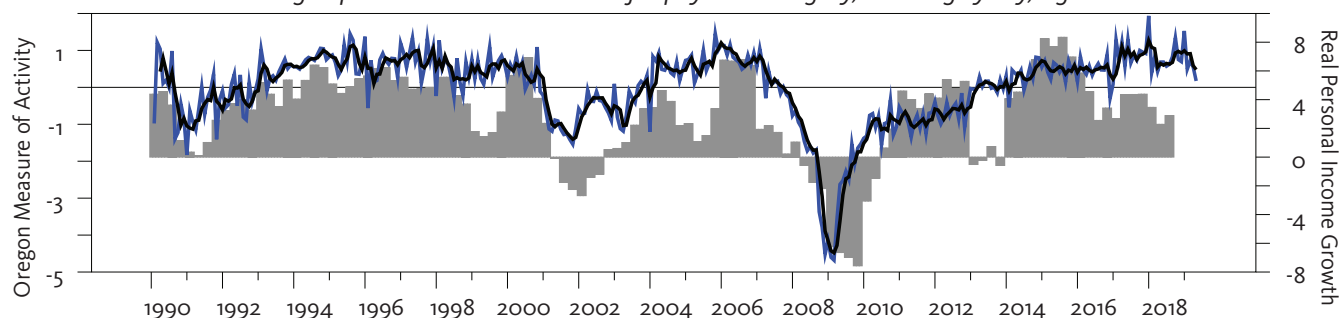
	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.06			
ISM Manufacturing: Supplier Deliveries Index	-0.01			
Manufacturing Employment, Oregon	0.00			
Hours, Manufacturing Employees, Oregon	-0.13			
Manufacturing Exports, Oregon	-0.01			
New Private Housing Units Authorized by Building Permit, Oregon		0.03		
Construction Employment in Oregon		0.04		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.02	
Initial Unemployment Claims, Oregon			0.25	
Civilian Labor Force, Oregon			-0.04	
Unemployment Rate, Oregon			0.16	
Interest Rate Spread			0.09	
S & P 500 Stock Index			-0.02	
Consumer Sentiment, University of Michigan—Reuters			0.12	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				-0.06
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				-0.07
Professional and Business Services Employment, Oregon				0.00
Other Services Employment, Oregon				-0.04
Trade, Transportation and Utilities Employment, Oregon				-0.05
<b>Total by Sector</b>	<b>-0.21</b>	<b>0.08</b>	<b>0.53</b>	<b>-0.23</b>
	Mar '19	Apr '19	May '19	
Oregon Measure of Economic Activity	0.72	0.55	0.17	
Three-Month Moving Average	0.91	0.59	0.48	

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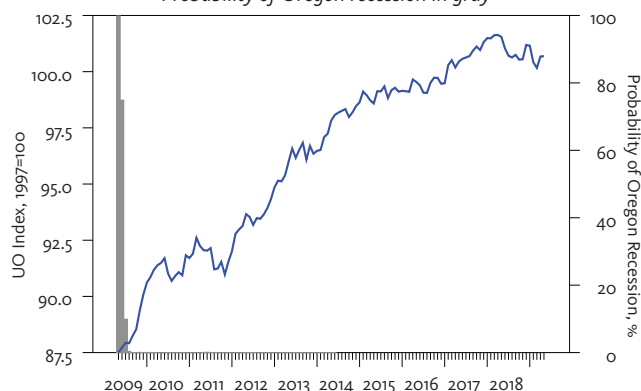
## Oregon Measure of Economic Activity

Real Oregon personal income less transfer payments in gray, % change y-o-y, right scale



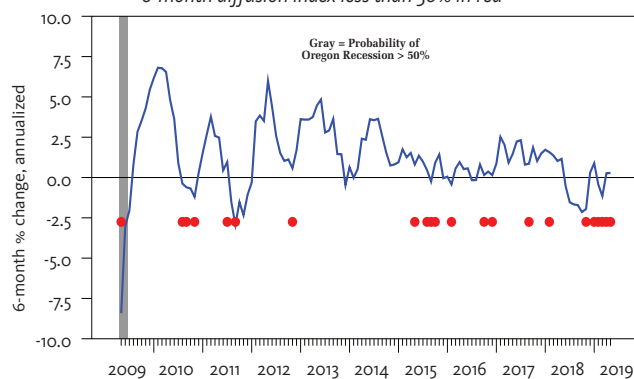
## UO Index of Economic Indicators

Probability of Oregon recession in gray



## UO Index of Economic Indicators, % Change

6-month diffusion index less than 50% in red



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

	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19
UO Index of Economic Indicators™, 1997 = 100	101.2	101.2	100.4	100.2	100.7	100.7
Percentage Change	0.6	0.0	-0.7	-0.2	0.5	0.0
Oregon Initial Unemployment Claims, SA*	3,982	3,803	4,718	4,936	4,198	4,238
Oregon Employment Services Payrolls, SA	42,608	44,312	44,238	44,116	44,469	44,423
Oregon Residential Building Permits, SA, 5 MMA*	1,648	1,647	1,718	1,764	1,791	1,778
Oregon Weight-Distance Tax, SA, Index, 1998 = 100	123.70	122.21	122.21	119.27	122.43	121.85
Oregon Manufacturing Average Weekly Hours, SA	40.14	39.34	38.71	38.76	38.46	38.86
US Consumer Sentiment, SA, 5 MMA	98.1	97.1	95.9	95.8	95.8	96.1
Real Manufacturers' New Orders for Non-defense, Non-aircraft Capital Goods, \$ Millions, SA	38,748	39,079	39,188	39,296	38,795	38,957
Interest Rate Spread	0.56	0.31	0.28	0.16	0.11	0.01

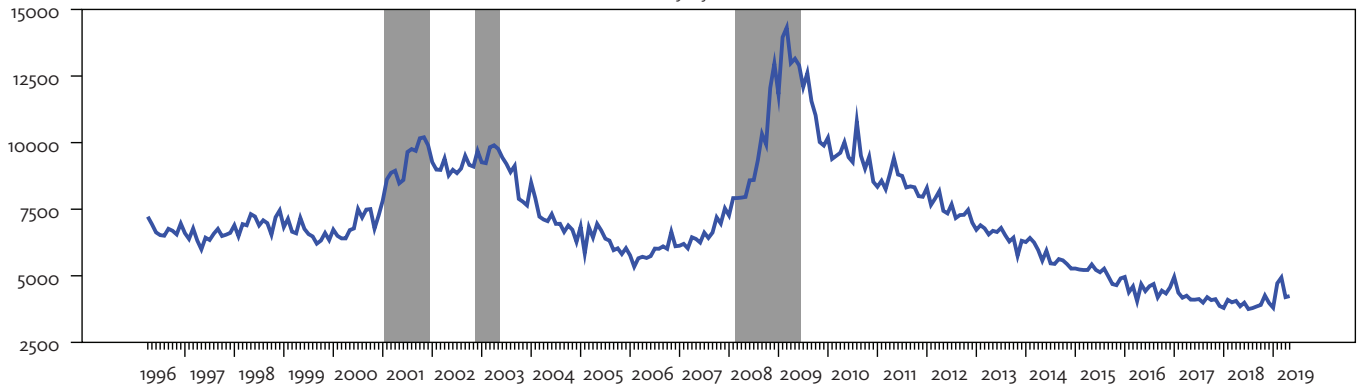
SA = Seasonally Adjusted, MMA = Months Moving Average

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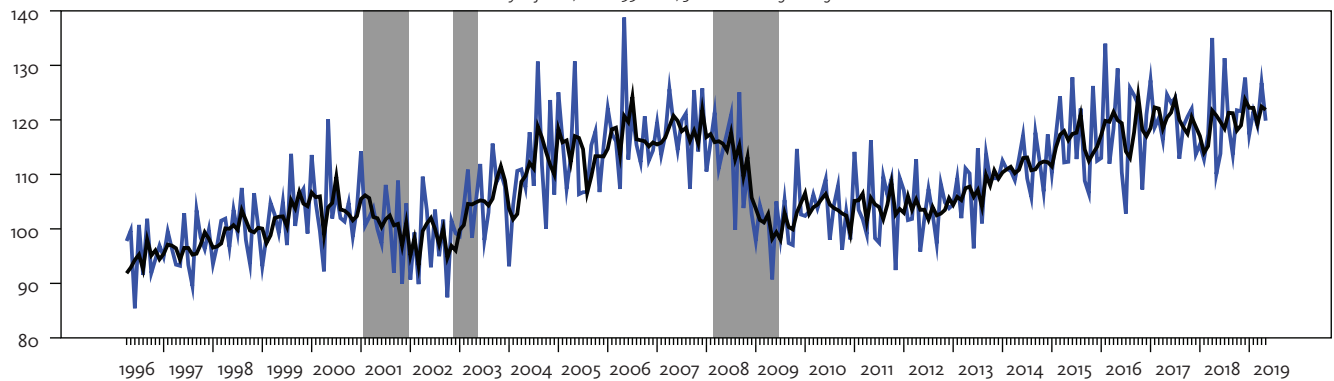
## Oregon Initial Unemployment Claims

Seasonally adjusted



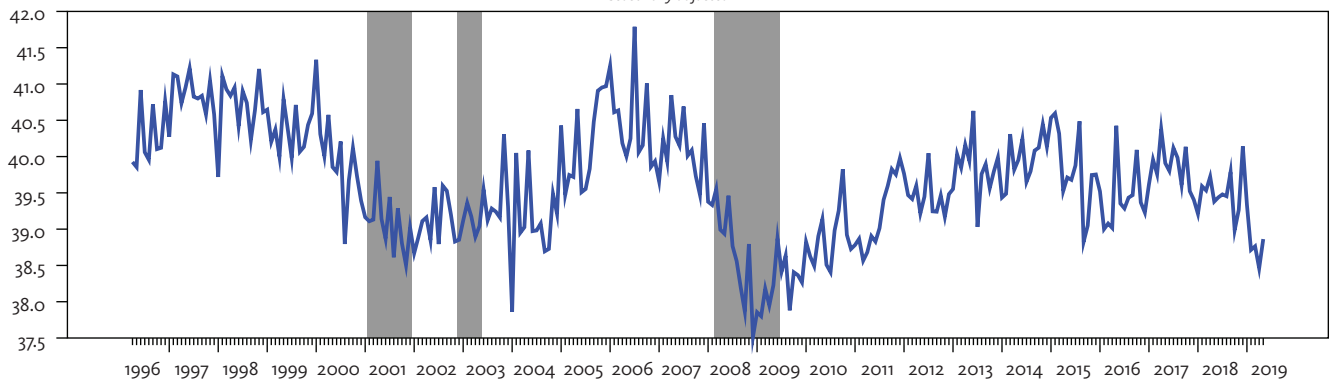
## Oregon Weight-Distance Tax

Seasonally adjusted, index 1998=100, 5-month moving average in black



## Oregon Manufacturing Average Weekly Hours

Seasonally adjusted

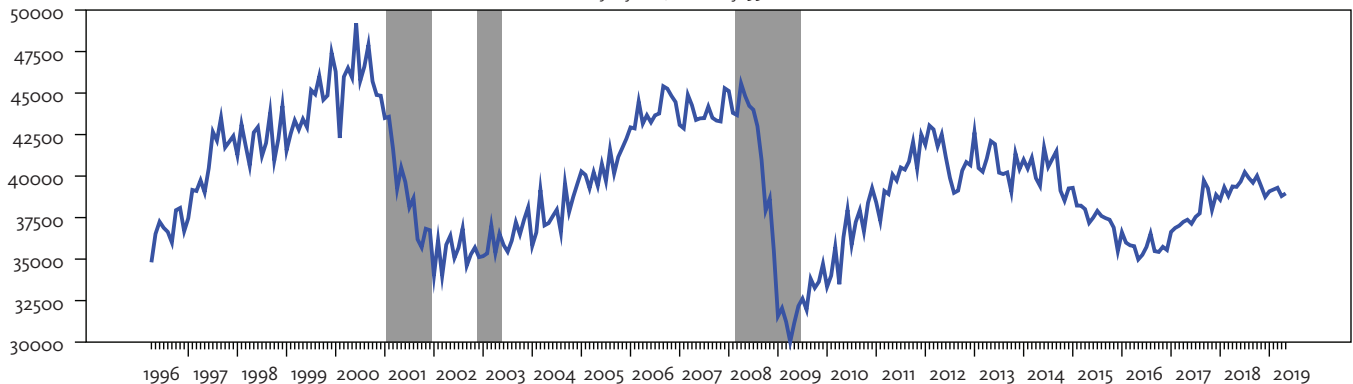


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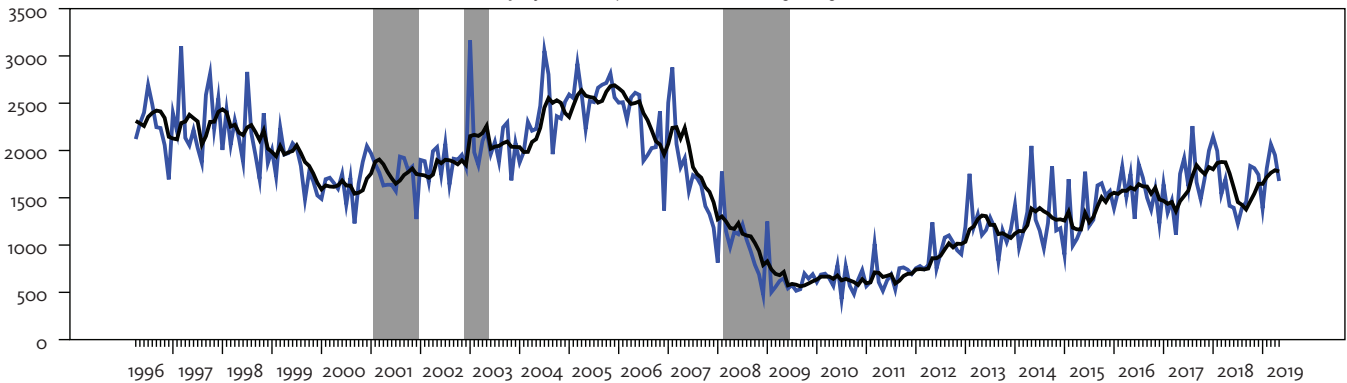
## Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods

Seasonally adjusted, millions of 1996 dollars



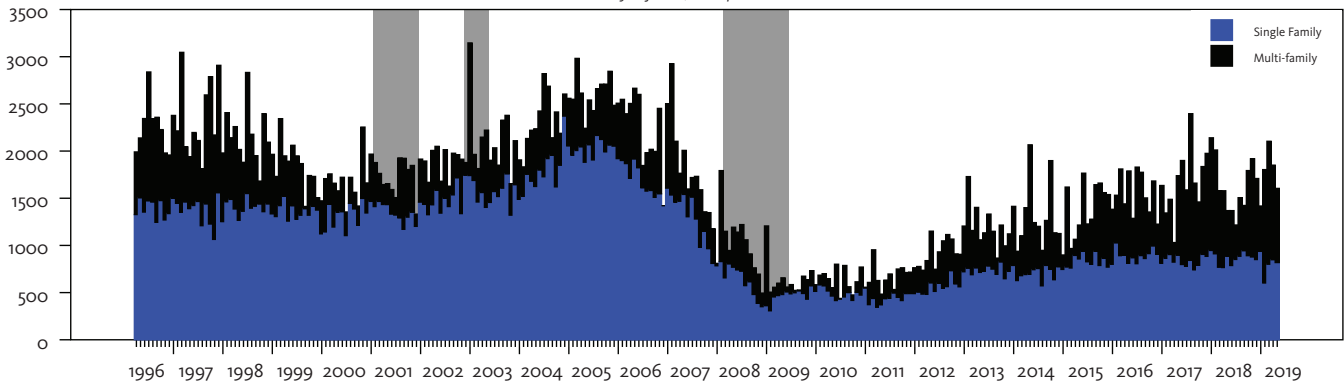
## Oregon Residential Building Permits

Seasonally adjusted, units permitted, 5-month moving average in black



## Oregon Residential Building Permits

Seasonally adjusted, units permitted

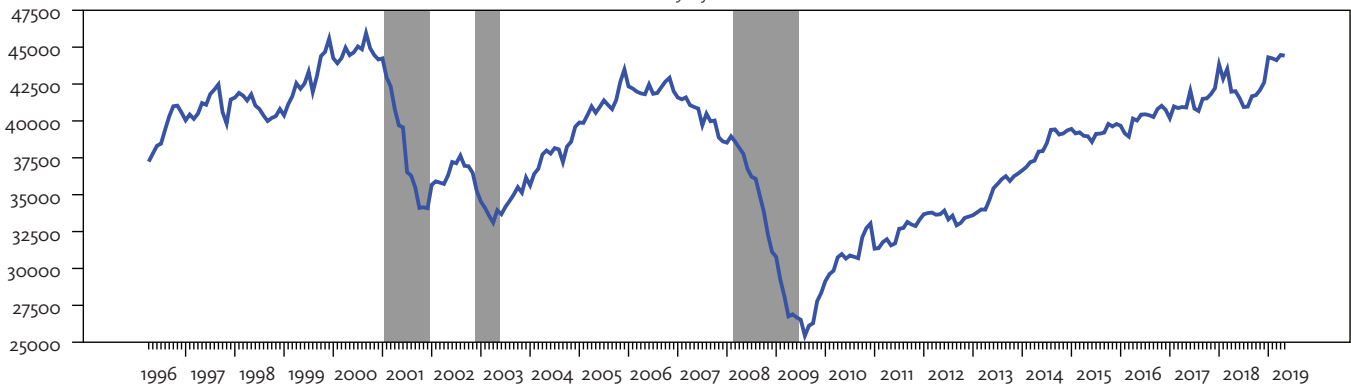


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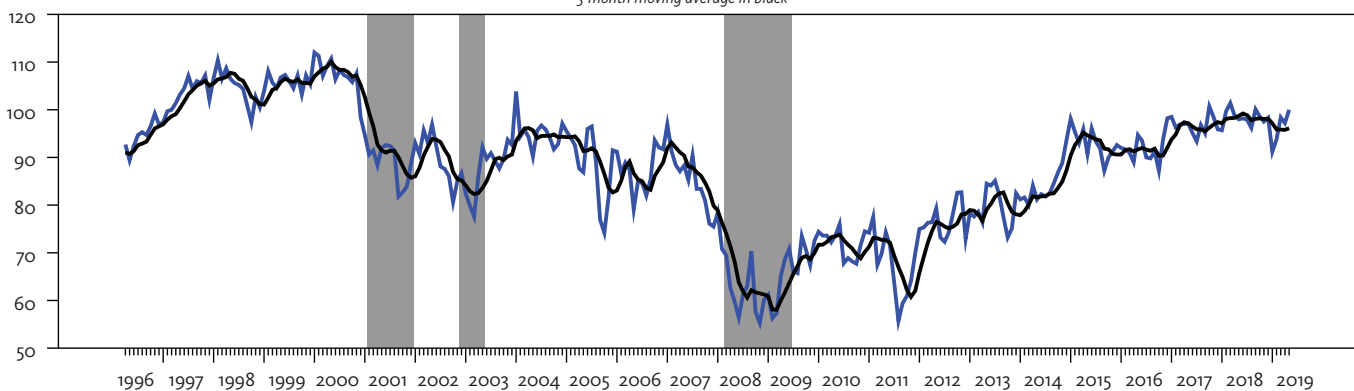
## Oregon Employment Services Payrolls

Seasonally adjusted



## University of Michigan Consumer Sentiment

5-month moving average in black



## Interest Rate Spread

Difference between long term and short term interest rates

