

State of Oregon Economic Indicators™



January 2020

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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.

Review

The Oregon Measure of Economic Activity slipped below zero on the back of still volatile but generally softer employment growth compared to earlier in the expansion. The moving average measure of growth, which smooths out the volatility, remains in positive territory and indicates above average growth in Oregon. The University of Oregon Index of Economic Indicators rebounded in January after a decline in December.

The combination of measures in this report suggests ongoing economic expansion albeit at a slower pace of growth compared relative to earlier in the economic cycle. The growing threat of the novel coronavirus, however, has greatly clouded the economic outlook. Incoming data, both nationally and local, reflect pre-virus economic activity and hence are not well-suited for judging the path of the economy going forward. Financial markets,

which are often an early indicator of changing economic conditions, are showing clear signs of economic stress through falling equity prices and interest rates.

The coronavirus outbreak exemplifies a pure economic shock with the potential to so quickly disrupt economic behavior that typical forward-looking indicators lag too much to be useful in assessing the risk of recession. There is likely to be a substantial near-term disruption to the economy; the initial impact will be particularly heavy on tourism and travel industries. Growth will be slow over the next two quarters in particular with high odds of a recession. Firms should prepare for that possibility by taking sensible planning actions such as reviewing supply chains, identifying options for new opportunities if some lines of business slow, and securing access to credit.

Contributions to Oregon Measure of Economic Activity—January 2020

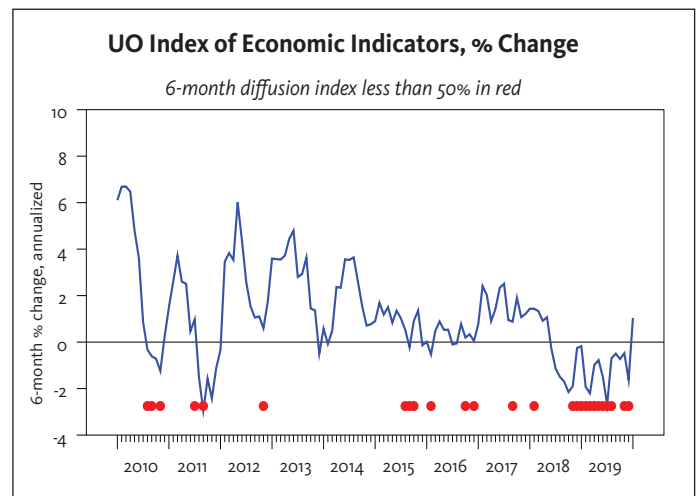
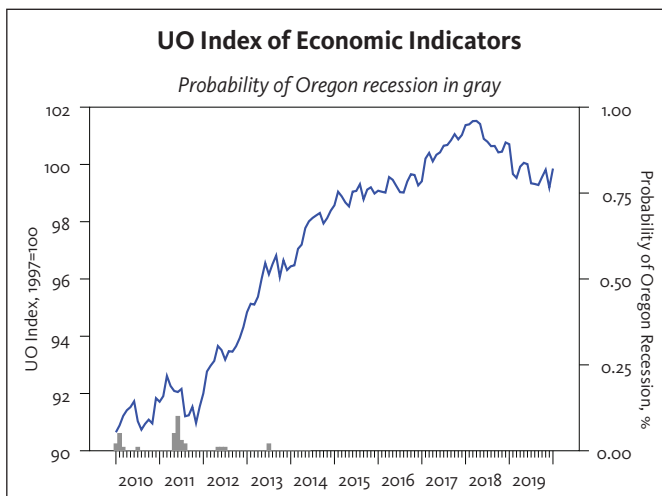
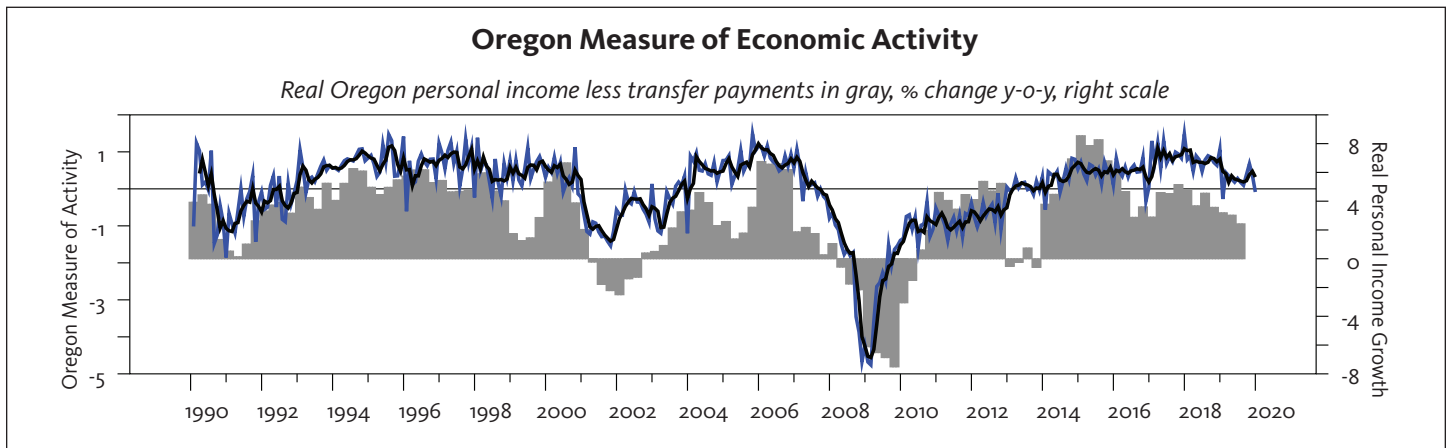
| | Manufacturing | Construction | Households | Services |
|---|---------------|--------------|-------------|--------------|
| ISM Manufacturing: Imports Index | -0.01 | | | |
| ISM Manufacturing: Supplier Deliveries Index | 0.00 | | | |
| Manufacturing Employment, Oregon | -0.13 | | | |
| Hours, Manufacturing Employees, Oregon | -0.13 | | | |
| Manufacturing Exports, Oregon | 0.00 | | | |
| New Private Housing Units Authorized by Building Permit, Oregon | | -0.06 | | |
| Construction Employment in Oregon | | -0.20 | | |
| Natural Resources and Mining Employment, Oregon | | -0.04 | | |
| Employment Services Employment, Oregon | | | -0.02 | |
| Initial Unemployment Claims, Oregon | | | 0.25 | |
| Civilian Labor Force, Oregon | | | -0.02 | |
| Unemployment Rate, Oregon | | | 0.21 | |
| Interest Rate Spread | | | 0.07 | |
| S & P 500 Stock Index | | | 0.03 | |
| Consumer Sentiment, University of Michigan—Reuters | | | 0.13 | |
| Educational and Health Services Employment, Oregon | | | | 0.03 |
| Financial Activities Employment, Oregon | | | | 0.06 |
| Government Employment, Oregon | | | | 0.01 |
| Leisure and Hospitality Employment, Oregon | | | | -0.13 |
| Professional and Business Services Employment, Oregon | | | | -0.21 |
| Other Services Employment, Oregon | | | | 0.05 |
| Trade, Transportation and Utilities Employment, Oregon | | | | 0.04 |
| Total by Sector | -0.28 | -0.30 | 0.66 | -0.16 |
| | Nov '19 | Dec '19 | Jan '20 | |
| Oregon Measure of Economic Activity | 0.68 | 0.37 | -0.08 | |
| Three-Month Moving Average | 0.39 | 0.48 | 0.32 | |

CONTACT

Timothy A. Duy
 Director, Oregon Economic Forum
 Department of Economics, University of Oregon
 541-346-4660 • duy@uoregon.edu
 econforum.uoregon.edu

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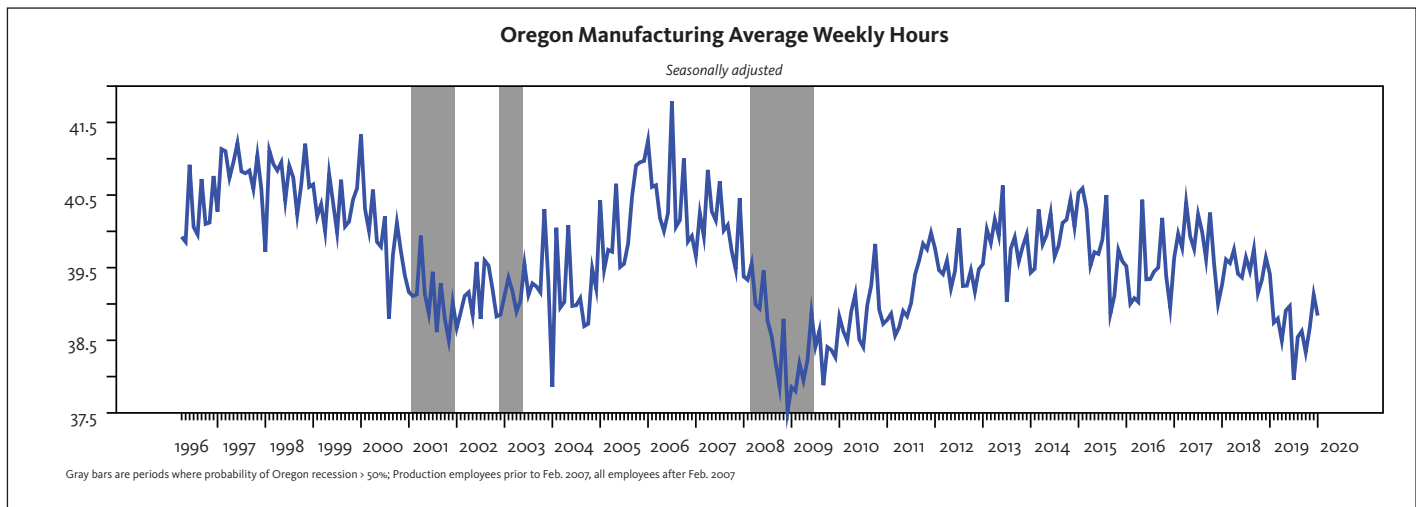
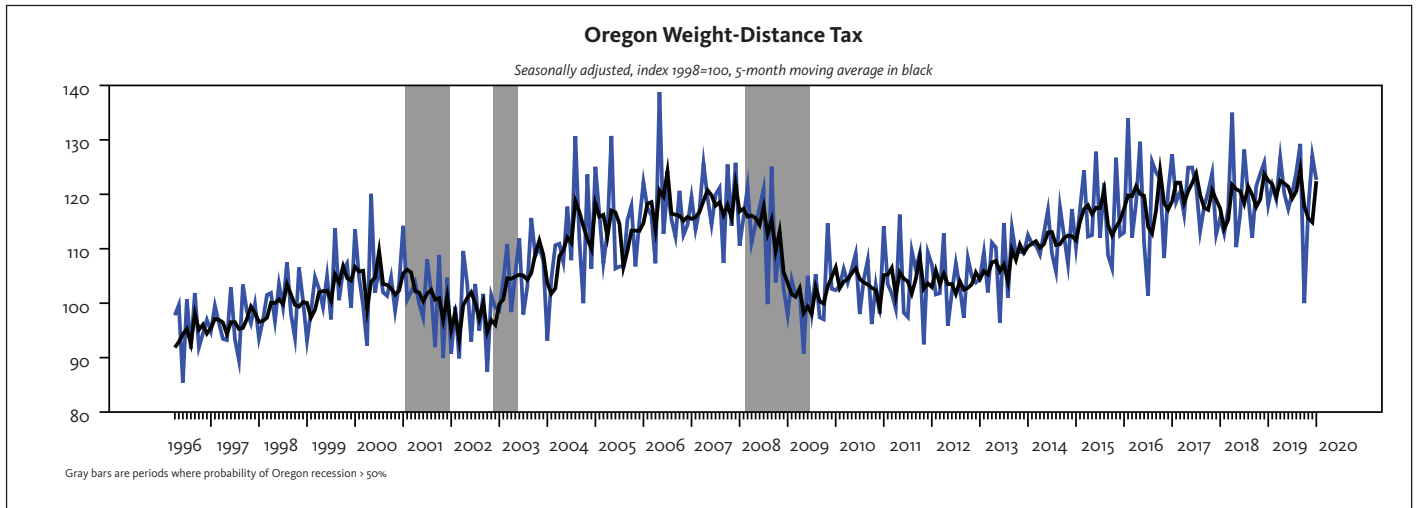
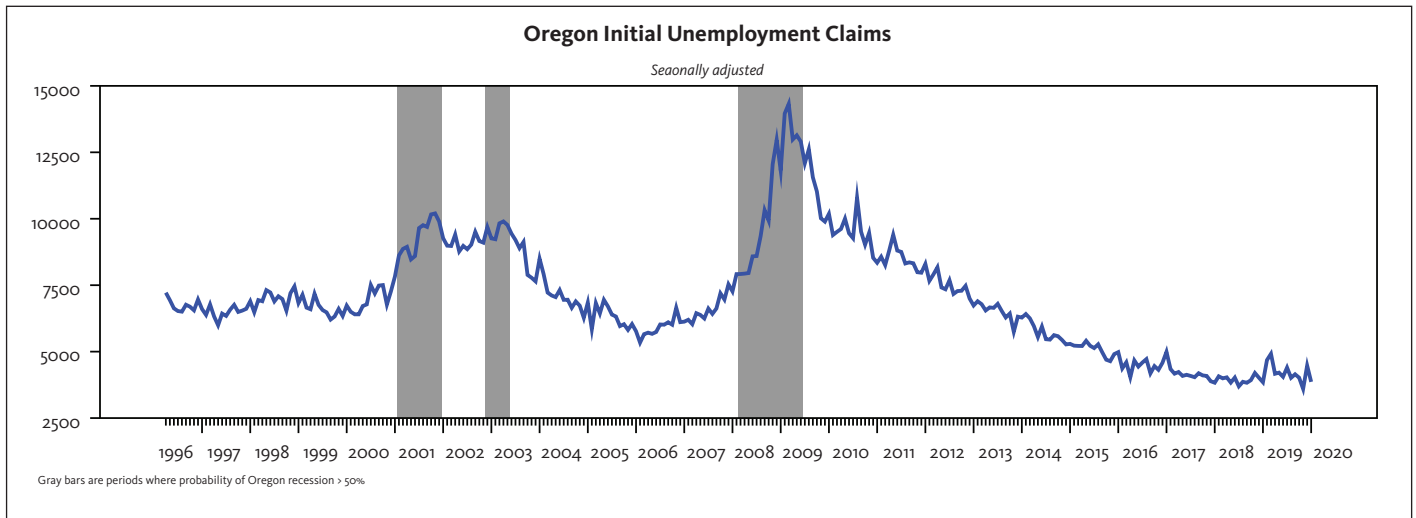


University of Oregon Index of Economic Indicators—Summary and Components

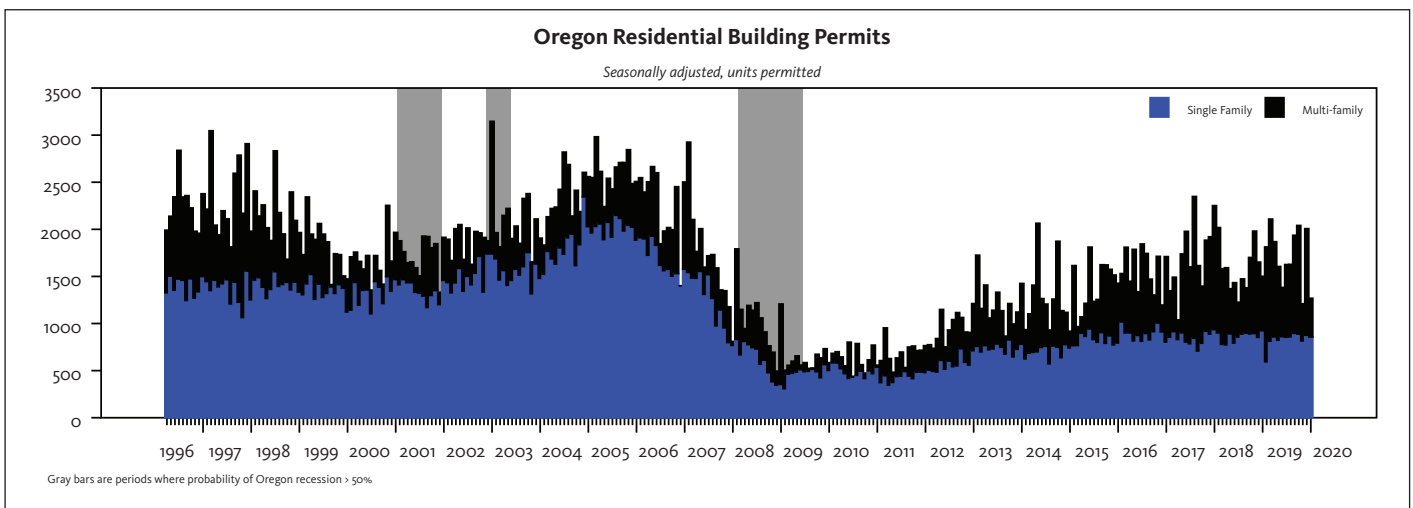
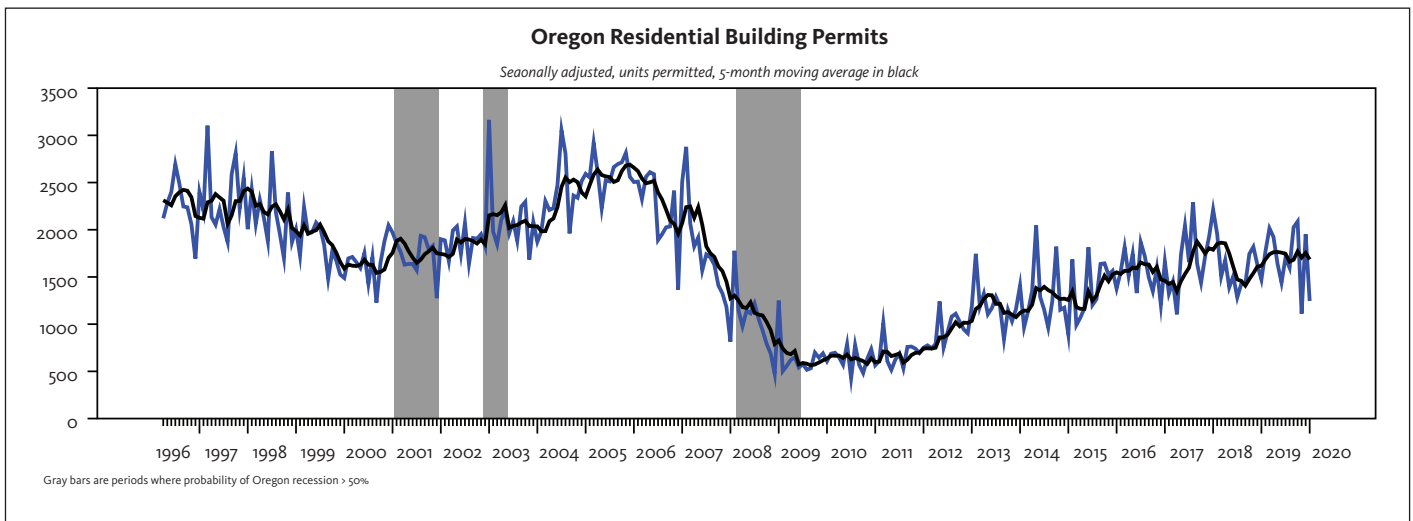
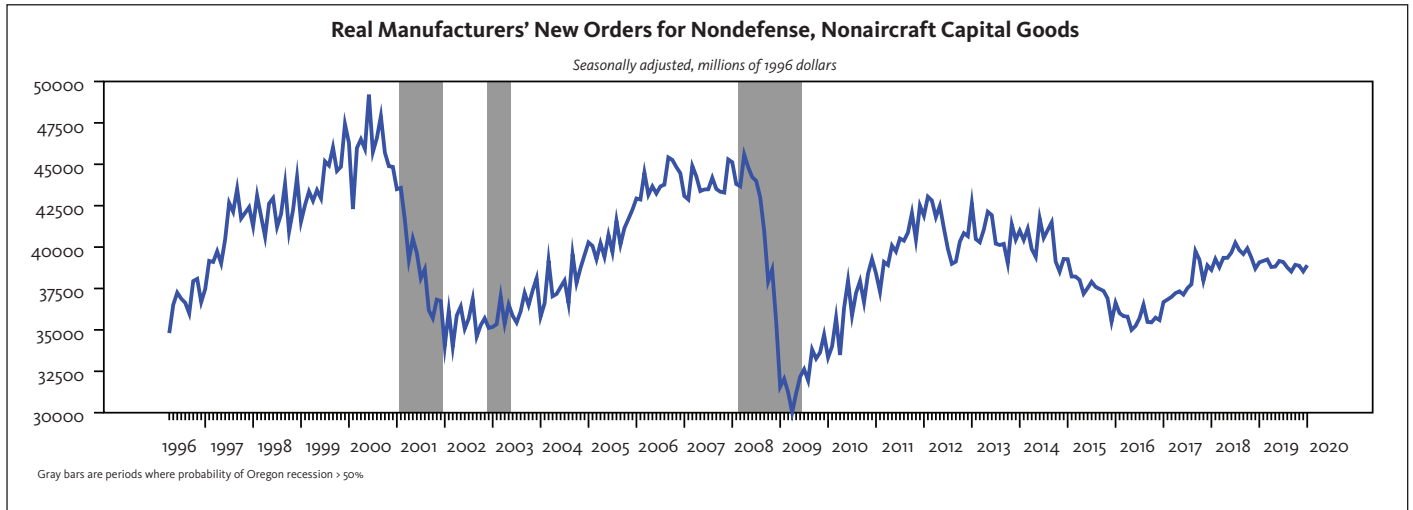
| | Aug '19 | Sep '19 | Oct '19 | Nov '19 | Dec '19 | Jan '20 |
|---|---------|---------|---------|---------|---------|---------|
| UO Index of Economic Indicators, 1997 = 100 | 99.3 | 99.3 | 99.6 | 99.8 | 99.2 | 99.9 |
| Percentage Change | 0.0 | 0.0 | 0.3 | 0.3 | -0.6 | 0.7 |
| Oregon Initial Unemployment Claims, SA* | 4,015 | 4,148 | 4,021 | 3,599 | 4,474 | 3,862 |
| Oregon Employment Services Payrolls, SA | 40,207 | 39,285 | 41,050 | 40,672 | 39,318 | 39,227 |
| Oregon Residential Building Permits, SA, 5 MMA* | 1,662 | 1,682 | 1,771 | 1,706 | 1,755 | 1,684 |
| Oregon Weight-Distance Tax, SA, Index, 1998 = 100 | 120.56 | 124.54 | 117.77 | 115.60 | 114.87 | 122.41 |
| Oregon Manufacturing Average Weekly Hours, SA | 38.54 | 38.63 | 38.33 | 38.67 | 39.13 | 38.84 |
| US Consumer Sentiment, SA, 5 MMA | 96.7 | 95.9 | 95.0 | 94.7 | 94.9 | 96.9 |
| Real Manufacturers' New Orders for Non-defense, Non-aircraft Capital Goods, \$ Millions, SA | 38,774 | 38,523 | 38,929 | 38,872 | 38,532 | 38,901 |
| Interest Rate Spread | -0.50 | -0.34 | -0.12 | 0.26 | 0.31 | 0.21 |

SA = Seasonally Adjusted, MMA = Months Moving Average

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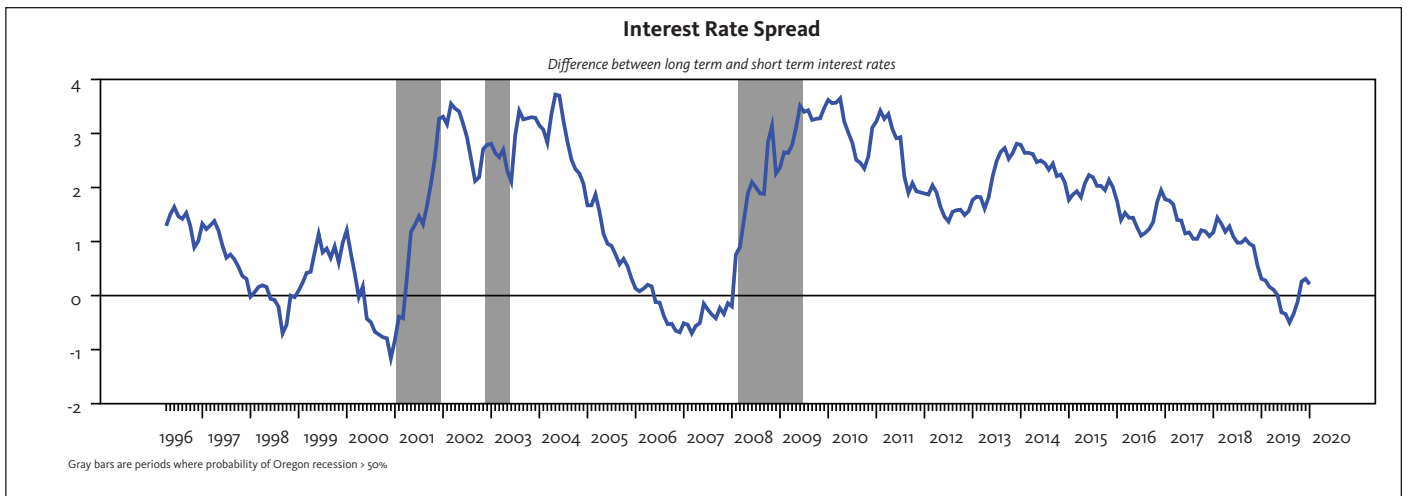
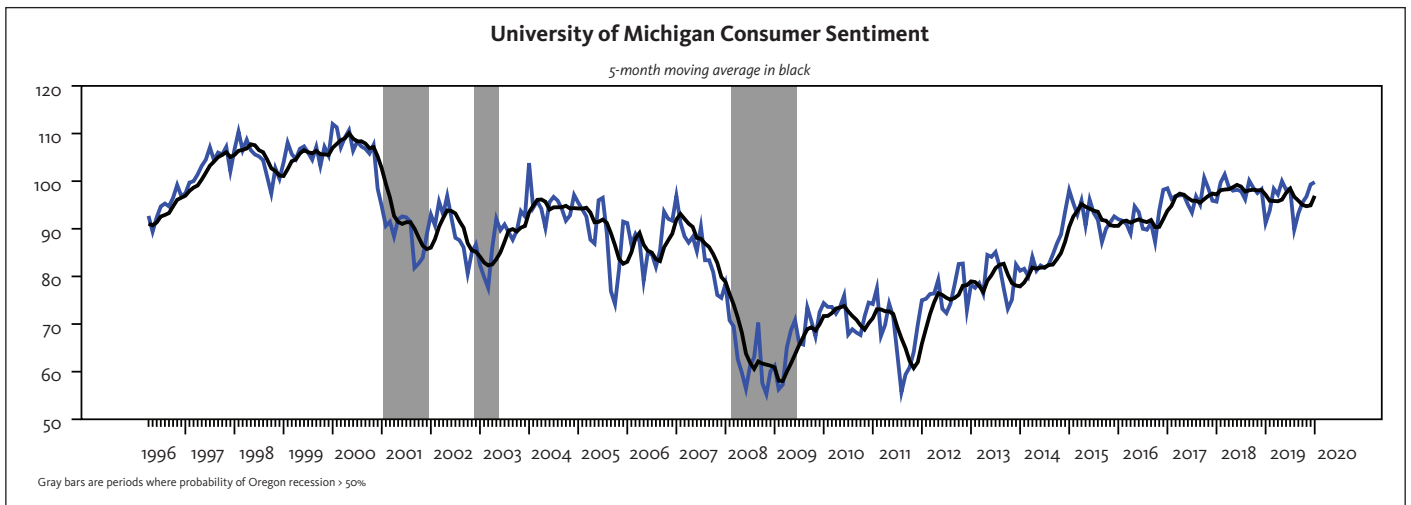
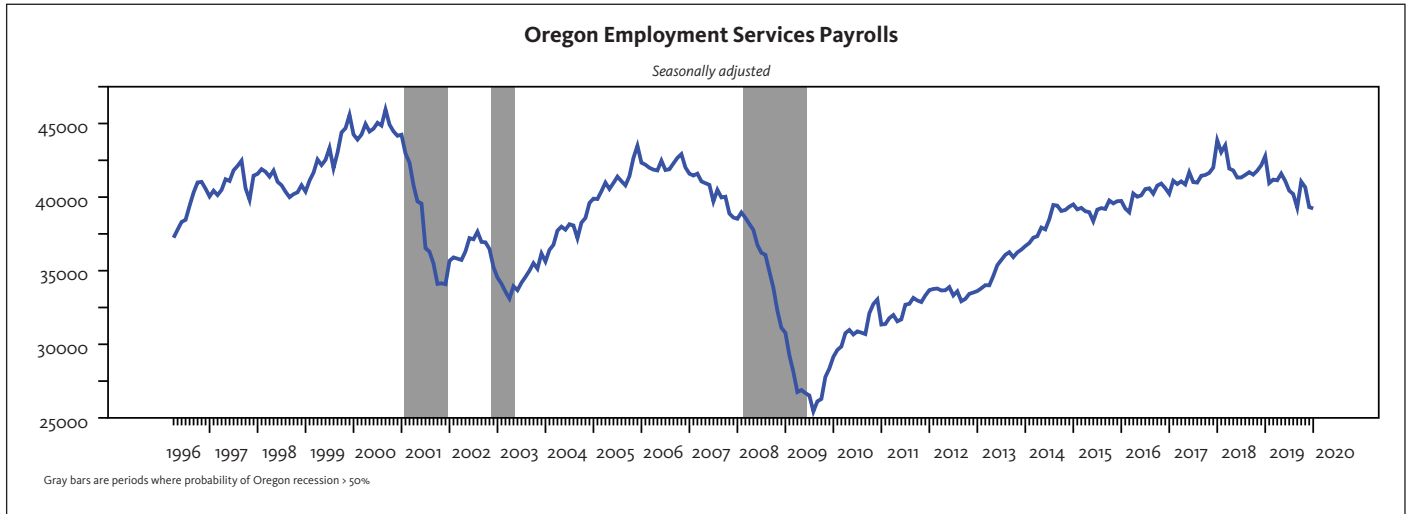


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