

UNIVERSITY OF OREGON INDEX OF ECONOMIC INDICATORS™

oregon
economic
forum

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Analysis

The University of Oregon Index of Economic Indicators™ rose slightly in January, gaining 0.5 percent to 86.5 (1997=100). In part, the gain reflects a downward revision of December figures, due to worse than initially estimated core manufacturing and employment numbers. Three index components—the Oregon weight-distance tax, new orders for nondefense nonaircraft capital goods, and consumer confidence—deteriorated during the month. Remaining indicators improved.

The labor market components of the index improved in January, but still indicate substantial and persistent weakness. Initial jobless claims edged back from the sharp spike in December. Still, the current level of 13,865 is consistent with ongoing steep nonfarm payroll declines. Payrolls at employment services firms (largely temporary help agencies) rose slightly, but from a significantly lower

December figure (28,959) than initially reported (34,337). The revisions were the result of the Oregon Employment Department's annual review of estimates. Total nonfarm payrolls (not included in the UO Index) fell by 14,600 jobs in December while the unemployment rate climbed to 9.9 percent.

Residential housing permits rose in January from a drop the previous month, still tracking a level just below 1,000—well below the peak level of 2,600 during 2005 and early 2006. New orders for nondefense nonaircraft capital goods, adjusted for inflation, fell sharply in January, indicating falling business investment. Drops of the magnitude seen in recent months are typically associated with the early stages of a recession, indicating that the ongoing downturn, already in progress over a year, will continue through much of 2009. Likewise, the Oregon weight distance tax, a measure of trucking activity, fell again, with recent declines similar to those seen heading into the 2001 recession. U.S. consumer confidence (smoothed) edged downward during

January; levels are consistent with year-over-year declines in spending. The yield spread—the difference between short- and long-term interest rates—rose as interest rates on ten-year Treasuries gained in response to rising issuance of government debt.

The slight rise in the UO Index should not be interpreted as a sign of imminent recovery, as it largely reflects an offset from December's 2.8 percent decline. Compared to six months ago, the index is down 10.6 percent (annualized), a figure consistent with ongoing recession in Oregon.

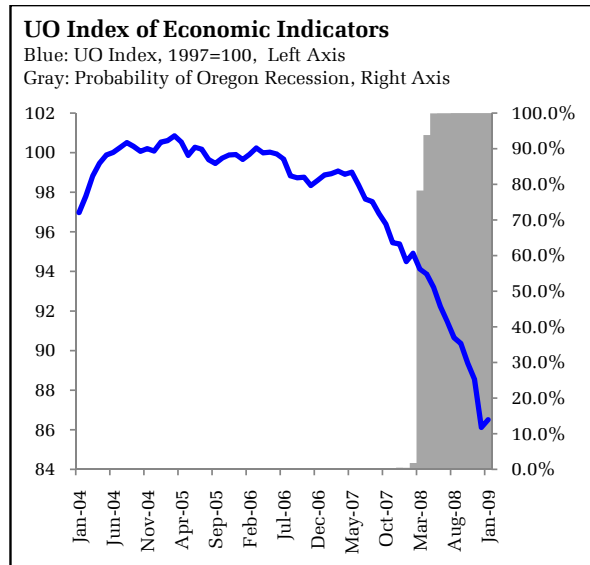


Table 1: Summary Measures

	2008					2009
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
University of Oregon Index of Economic Indicators™, 1997=100	90.7	90.4	89.4	88.6	86.1	86.5
Percentage Change	-0.9	-0.3	-1.1	-0.9	-2.8	0.5
Diffusion Index	0.0	35.7	21.4	42.9	7.1	64.3
6-Month Percentage Change, Annualized	-8.8	-7.8	-9.4	-9.7	-12.8	-10.6
6-Month Diffusion Index	21.4	28.6	14.3	14.3	14.3	14.3



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Methodology and Notes

The methodology employed in creating the University of Oregon Index of Economic Indicators is identical to that used by The Conference Board, an independent, not-for-profit research organization, in the computation of the U.S. Leading Index. For information, see www.globalindicators.org.

The UO Index is a leading indicator as the economy transitions from expansion to recession. Steep declines in the UO Index are recorded during periods of economic stress, signaling diminishing prospects for growth. Rising values of the UO Index tend to coincide with the end of a recession. As a general rule, a decline in the index of greater than 2.5 percent (annualized) over six months, coupled with a decline in more than half of its components, signals that a recession is likely imminent. Using the rule, the index signaled an impending recession in October 2000; a business cycle dating procedure developed by Jeremy Piger, a University of Oregon associate professor, indicates Oregon entered recession in November of 2000. Similarly, the UO Index suffered a sharp drop as Oregon reentered recession in 2003.

The general rule, however, should be used judiciously. Using the rule the UO Index indicated recession for a single month in 1998 during the Asian financial crisis. More recently, the UO Index sent recessionary warnings in the middle of 2006, well before Oregon actually slipped into recession in April 2008. Moreover, no single variable is capable of decisively determining the state of the business cycle. Consequently, the UO Index of Economic Indicators is best considered as another tool in assessing the economy.

Sources: The Conference Board, Oregon Department of Transportation, Oregon Employment Department, Federal Reserve Bank of St. Louis, Bureau of Labor Statistics, Census Bureau, and the author's calculations.

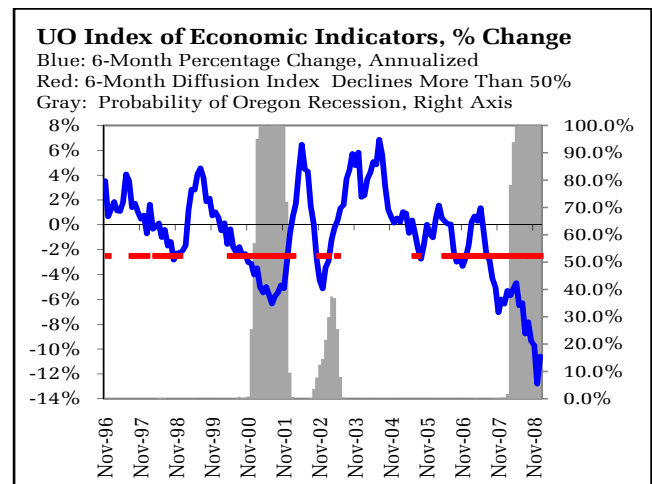
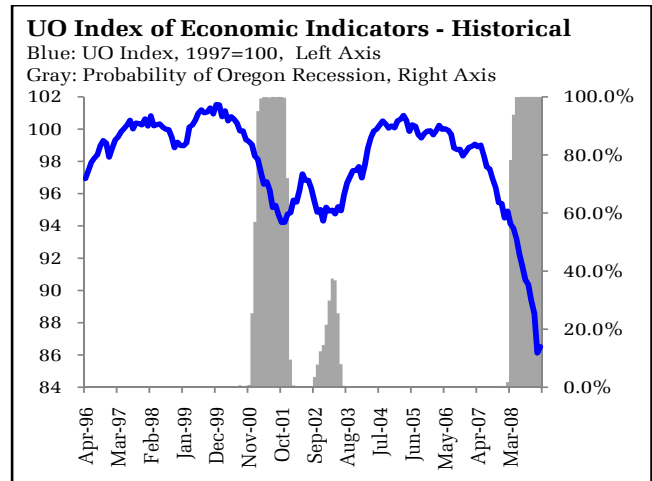


Table 2: Index Components

	2008					2009
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Oregon Initial Unemployment Claims, SA*	9,058	9,648	10,780	13,615	15,504	13,865
Oregon Employment Services Payrolls, SA	36,051	34,920	33,141	31,609	28,959	29,433
Oregon Residential Building Permits, SA, 5 MMA*	1,000	999	987	959	872	947
Oregon Weight Distance Tax, \$ Thousands, SA, 3 MMA	20,534	20,730	19,304	19,748	18,661	18,387
Univ. of Michigan U.S. Consumer Confidence, 5 MMA	60.6	62.1	61.7	61.5	61.3	60.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	41,844	40,249	37,419	37,769	35,520	33,428
Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds Rate	1.89	1.88	2.84	3.14	2.26	2.37

* SA-seasonally adjusted; MMA-month moving average

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The goal of the University of Oregon Index of Economic Indicators™ is to create a summary measure of various data that pertain to the Oregon economy.