

A project of the College of Arts and Sciences and its Department of Economics

SECOND QUARTER 2010

Analysis

The Central Oregon Business Index (COBI) slipped to 107.2 (1998=100) in the second quarter of 2010, a 1.8 percent decrease. Compared to last year, the COBI is down just 2.2 percent, a significant improvement compared to the 22.9 percent decline of the third quarter of last year. Incoming data continue to indicate stabilization in the wake of the recession-induced plunge in economic activity during the 2007–9 period. Sustained upward activity, however, remains elusive.

Labor-market data were mixed, but overall indicate conditions remain difficult for job seekers. Help-wanted advertising in *The Bulletin* continued to stabilize, hovering around the same levels for the past three quarters. Initial unemployment claims continue to edge downward as the pace of layoffs ebbed further during the quarter. Unfortunately, this improvement has yet to lift overall net hiring activity. Nonfarm payrolls actually edged down during the quarter, although the declines might be erased after the Employment Department publishes revised data. Still, even accounting for revisions, the conditions for sustained job growth—notably, a strong national economy—are lacking.

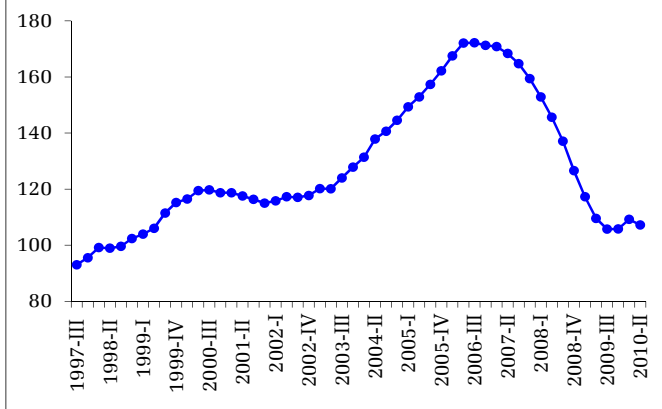
Measures of tourist-related activity generally improved. Estimated lodging revenues experienced a solid increase, rising to the highest level since the third quarter of 2008. This is consistent with national indications of an improving market for hotel rooms. Airport traffic activity edged up modestly. The housing market softened during the quarter, with sales down and days-on-market up. As expected, the housing gains of late last year proved to be ephemeral in the absence of the now-expired housing tax credits. Residential building permits continue to bounce along at very low levels. The decline in housing sales suggests that new construction will remain weak.

This issue of the COBI sponsored by

The Bulletin

Serving Central Oregon since 1903

University of Oregon Central Oregon Business Index
Index, 1998=100



Recent COBI trends indicate the regional economy maintains the stabilization that became evident at the end of 2009. The pace of economic activity, however, remains insufficient to generate solid job growth. Moreover, the housing decline continues to negatively impact the region; this sector had become a dominant economic force in recent years. Deteriorating national conditions suggest the regional economy will face continued headwinds through the second half of 2010.

Table 1: Summary Measures

	3Q09	4Q09	1Q10	2Q10
University of Oregon Central Oregon Business Index, 1998 = 100	105.7	105.8	109.2	107.2
Percentage Change, Previous Quarter	-3.5	0.0	3.3	-1.8
Percentage Change, Previous Two Quarters	-9.8	-3.5	3.3	1.4
Percentage Change, Year Ago	-22.9	-16.5	-6.9	-2.2

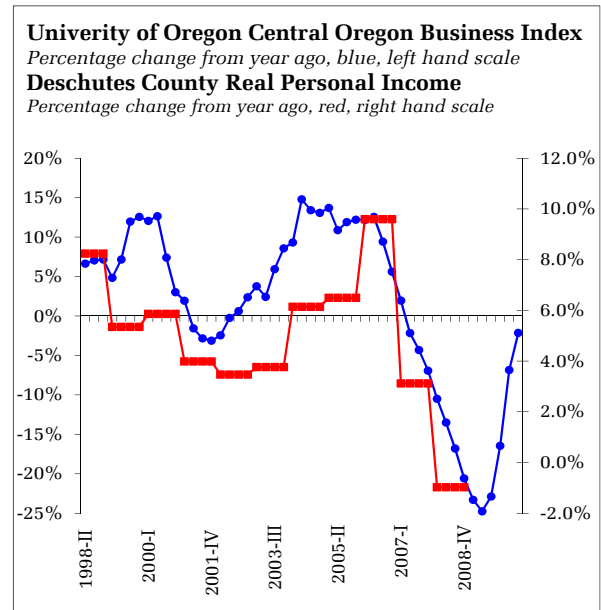


Methodology and Notes

The methodology used to construct the Central Oregon Business Index is identical to that used by the University of Oregon Index of Economic Indicators™. Both follow the approach developed by the Conference Board, an independent, not-for-profit research organization, to construct a U.S. Leading Index. Individual components are transformed into symmetric percentage changes, and the resultant series are adjusted to equalize the volatility of the components. This process ensures that a change in a high-volatility component is weighted equally to a change in a low-volatility component. The adjusted series are summed to create the index, which is rebased to set 1998=100. Full details can be found at www.globalindicators.com.

The Central Oregon Business Index (COBI) provides a snapshot of business activity by aggregating nine often contradictory economic statistics into a single variable. The variables are chosen on the basis of economic relevance, timely availability, and sufficiently long history. The selected variables—measures of the labor market, tourism, housing markets, and the state economy—cover a wide swath of local economic activity.

The COBI as constructed mirrors other indicators of economic activity that are reported on a less timely basis. For instance, on a year-over-year basis, the COBI fell sharply ahead of both the 2001 and 2008 recessions. The COBI is also a leading indicator of personal income growth—data released only annually and with a substantial lag. Still, the available data encompass only two national recessions, a very small sample from which to draw



generalities. Also note that no single variable is capable of decisively determining the state of the business cycle.

Sources: *The (Bend) Bulletin*, Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Redmond Municipal Airport, Census Bureau, City of Bend, City of Redmond, Central Oregon Realtors Association, and the author's calculation. Initial research for this project was supported by a grant from the UO Williams Council.

Table 2: Index Components

	3Q09	4Q09	1Q10	2Q10
The <i>Bend Bulletin</i> Help Wanted Ads, SA*	1,160	971	955	963
Deschutes County Initial Unemployment Claims, SA	3,105	2,933	2,767	2,571
Bend MSA Nonfarm Payrolls, SA	61.2	61.2	61.2	60.0
University of Oregon Index of Economic Indicators™, 1997=100	84.2	86.0	88.8	88.2
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,176,475	1,252,541	1,235,000	1,314,988
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	39,864	39,601	38,102	38,761
Central Oregon Housing Units Sold, SA	266	374	321	289
Central Oregon Median Housing Days on Market, SA	114	111	89	105
Deschutes County Building Permits, SA	32	29	40	44

* SA—seasonally adjusted (*Help Wanted Ads* and *Building Permits* are adjusted with a twelve month moving average).

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