

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

## FIRST QUARTER 2012

### Analysis

The Central Oregon Business Index gained 1.3 percent (1998=100) in the first quarter of 2012, more than fully reversing the decline the previous quarter. Compared to the same quarter last year, the COBI is up 0.1 percent. This is a new postrecession high for the COBI and might indicate the regional economy is positioned to improve at a faster pace in the months ahead.

Labor market data was generally positive for the quarter. Initial unemployment claims edged down, although they still remain elevated relative to the prerecession period. Notably, nonfarm payrolls gained, with firms adding 1,000 workers. While employment data has been volatile in recent months and could be revised, the jobs gains suggest that the improving national and state economies are having a greater positive impact on the region.

Measures of tourism- and travel-related activity were mixed. Estimated lodging revenue, adjusted for inflation, gained during the quarter, a welcome improvement from the weak numbers of the previous quarter (attributable to a slow start to the ski season). Airport passenger traffic edged downward slightly. Housing activity was mixed. Home sales gained, but overall they have been moving sideways since 2009 at a level somewhat above prerecession sales. Building permits are also trending sideways as the housing market continues to bounce along the bottom.

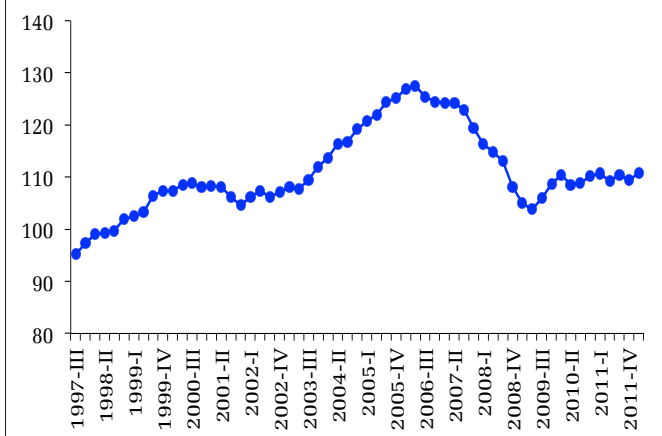
The employment gains in the first quarter are a hopeful sign that the recovery is gaining some traction. Further

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# The Bulletin

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



support is likely to come from the national and state economies. Most forecasts for national economic activity point toward slow and steady growth. While not robust in comparison to the depth of the recession, the improvement should increase support for the local economy. Note also that although the forecast is positive, it is not without downside risks, particularly the ongoing European financial crisis and the possibility of a sharp fiscal tightening in the U.S. at the beginning of 2013.

Table 1: Summary Measures

	2Q11	3Q11	4Q11	1Q12
University of Oregon Central Oregon Business Index, 1998 = 100	109.3	110.5	109.4	110.9
Percentage Change, Previous Quarter	-1.3	1.1	-1.0	1.3
Percentage Change, Previous Two Quarters	-0.9	-0.2	0.1	0.3
Percentage Change, Year Ago	0.6	1.5	-0.8	0.1



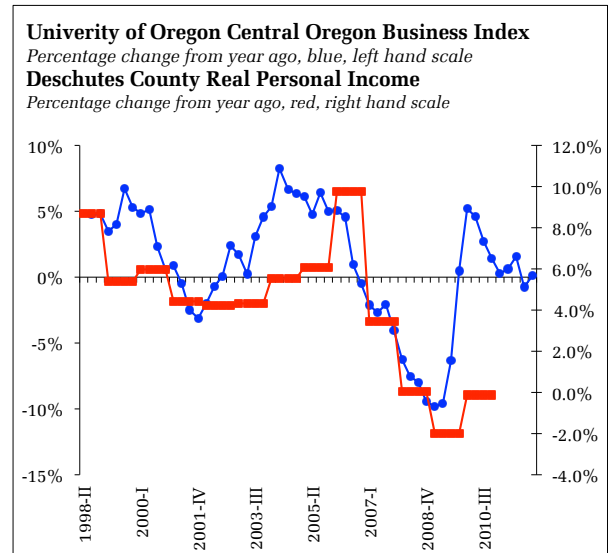
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**Methodology and Notes**

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](http://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, waste generation 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 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: Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Redmond Municipal Airport, Census Bureau, City of Bend, City of Redmond, Deschutes County Department of Solid Waste, 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

	2Q11	3Q11	4Q11	1Q12
Deschutes County Solid Waste, Tons, SA	9,044	9,139	9,252	9,228
Deschutes County Initial Unemployment Claims, SA	2,947	2,784	2,490	2,395
Bend MSA Nonfarm Payrolls, SA	60.6	61.0	60.7	61.7
University of Oregon Index of Economic Indicators™, 1997=100	90.9	89.5	89.1	90.3
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,367,881	1,536,323	1,279,230	1,361,601
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	39,877	41,264	39,555	39,265
Central Oregon Housing Units Sold, SA	305	289	311	330
Central Oregon Median Housing Days on Market, SA	109	109	111	113
Deschutes County Building Permits, SA	30	45	42	45

\* SA—seasonally adjusted (Building Permits are adjusted with a twelve month moving average).

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