

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

FIRST QUARTER 2013

Analysis

Economic conditions in Central Oregon continued to improve in the first quarter of 2013. The Central Oregon Business Index rose 1.1 percent to 114.8 (1998=100). The index was revised to incorporate an annual change in seasonal adjustment factors, but the revisions did not have a qualitative impact. Compared to the same quarter last year, the COBI is up 3.5 percent, extending to four quarters a steady series of moderate year-over-year growth.

The regional labor market continued to improve. Initial unemployment claims were virtually unchanged, remaining well-below recession highs. While further improvement can be expected, the current level is consistent with job growth. Indeed, the region continued to add jobs; nonfarm employment grew by 1,200 to 62,300 during the quarter. The region has added jobs in each of the past four quarters, a welcome improvement from the postrecession stagnation in jobs.

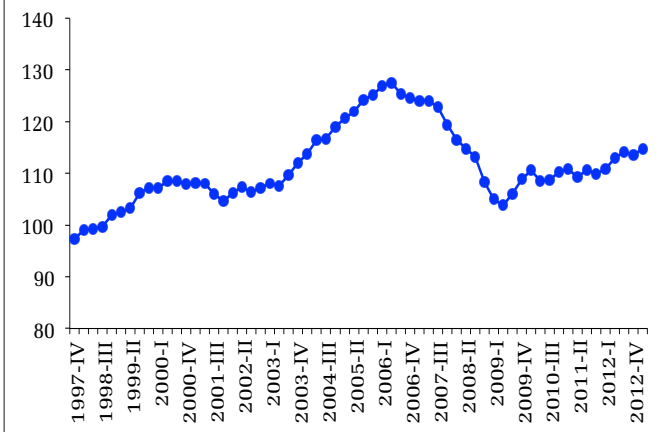
Measures of travel and tourism partially rebounded from declines the previous quarter. Estimated lodging revenue (adjusted for inflation) and airport passenger traffic both rose although they still remain below their third-quarter levels. Solid waste collected rose in each of the past two quarters; waste production tends to increase with rising economic activity. The housing market continues to improve. Although residential sales slipped during the quarter, homes were selling faster, as indicated by falling days on market. Interestingly, as the housing market recovers, lack of inventory may hold down sales. Housing permits were effectively unchanged; although permits remain well below bubble-highs, they have doubled since the end of 2011.

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The Bulletin

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



Supported by national and statewide economic growth and an ongoing housing recovery, the economy of Central Oregon will likely improve further in 2013. The steady job growth over the last year suggests that the region has turned a corner on the road to recovery. While national growth will be subdued in the first half of this year due to fiscal contraction (higher taxes and lower spending), this effect should fade by the end of this year. Consequently, there is room for growth to accelerate toward the end of this year and into 2014, and this acceleration will likely carry through to state and regional economies.

Table 1: Summary Measures

	2Q12	3Q12	4Q12	1Q13
University of Oregon Central Oregon Business Index, 1998 = 100	112.9	114.1	113.5	114.8
Percentage Change, Previous Quarter	1.8	1.1	-0.6	1.1
Percentage Change, Previous Two Quarters	2.7	2.9	0.5	0.5
Percentage Change, Year Ago	3.4	3.1	3.3	3.5



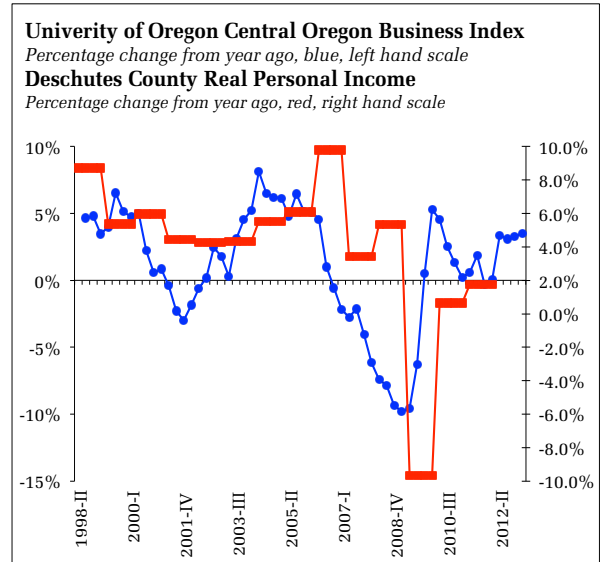
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Methodology and Notes

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.

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: *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, 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

	2Q12	3Q12	4Q12	1Q13
Deschutes County Solid Waste, Tons, SA	9,365	9,361	9,669	9,815
Deschutes County Initial Unemployment Claims, SA	2,546	2,469	2,265	2,255
Bend MSA Nonfarm Payrolls, SA	60.8	61.6	62.1	62.3
University of Oregon Index of Economic Indicators™, 1997=100	92.6	92.5	93.4	94.7
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,471,036	1,589,177	1,419,799	1,482,926
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	40,757	41,053	37,738	38,671
Central Oregon Housing Units Sold, SA	352	359	339	317
Central Oregon Median Housing Days on Market, SA	102	102	115	108
Deschutes County Building Permits, SA	57	69	87	82

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

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