

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

## FIRST QUARTER 2009

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### Analysis

The University of Oregon Central Oregon Business Index (COBI) declined to 129.8 (1998=100), a 3.1 percent decline from the final quarter of 2008. Note the index was revised to account for significant downward revisions in nonfarm payrolls data. Prior to the revision, payrolls had been estimated to be holding roughly steady; new data reveals that payrolls were in decline since the third quarter of 2007. The COBI has declined for six consecutive quarters and stands 12.2 percent lower than the year ago level, compared to the 12.7 percent (revised) year-over-year decline reported in the previous quarter.

Labor market data continued to weaken during the first quarter. Help wanted advertising in *The (Bend) Bulletin* resumed its slide as interest in new hires wanes. Initial jobless claims remain near the high level reached in the previous quarter, consistent with a steady pace of layoffs. Nonfarm payrolls are now in clear decline, down 3.8 percent from the first quarter of 2008. The still high level of initial jobless claims, and the ongoing weakness in the national and local economies, suggests payrolls will continue to decline through at least the third quarter of this year.

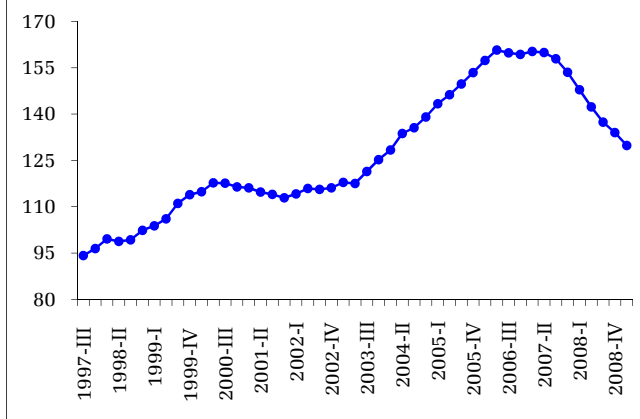
Measures of tourist related activity were generally weaker during the quarter. Estimated lodging revenue, adjusted for inflation, again dropped sharply, down 15 percent from last year and reverting to levels last seen in 2003. Passenger traffic at the Redmond Municipal Airport was effectively unchanged. Housing markets remain weak, with average monthly sales (seasonally adjusted) continuing to hover near 200. Median days on market fell again, indicating that those houses that sell are selling at a quicker pace. Note, however, this is likely a consequence of sharply declining prices (median prices are down over 50 percent from the peak). Residential housing permits remain at very depressed levels with the absence of the usual seasonal acceleration.

This issue of the COBI sponsored by

# The Bulletin

Serving Central Oregon since 1903

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



The sharp and consistent declines in the COBI indicate that economic challenges will be pervasive in the region for at least the remainder of this year. Note the lack of signals suggesting that activity is beginning to stabilize. Some firming of economic activity is expected as the year progresses, assuming the national economy strengthens as expected. That said, the local activity is likely to remain subdued as the economy transitions away from a housing dependent growth dynamic.

Table 1: Summary Measures

	2Q08	3Q08	4Q08	1Q09
University of Oregon Central Oregon Business Index, 1998 = 100	142.4	137.4	134.0	129.8
Percentage Change, Previous Quarter	-3.7	-3.5	-2.5	-3.1
Percentage Change, Previous Two Quarters	-7.3	-7.1	-5.9	-5.5
Percentage Change, Year Ago	-11.0	-13.0	-12.7	-12.2

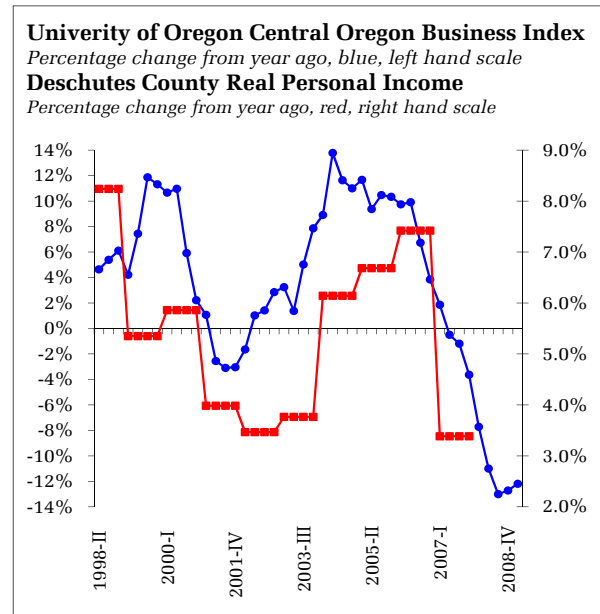


**Methodology and Notes**

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](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, 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 heading into the 2001 recession and did not signal any other periods of weak economic activity during the covered period of 1997 to present. 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 one national recession, 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

	2Q08	3Q08	4Q08	1Q09
The <i>Bend Bulletin</i> Help Wanted Ads, SA*	2,294	1,731	2,575	1,668
Deschutes County Initial Unemployment Claims, SA	2,812	3,108	4,093	4,047
Bend MSA Nonfarm Payrolls, SA	69.4	68.1	67.2	67.1
University of Oregon Index of Economic Indicators™, 1997=100	93.1	90.8	88.0	85.6
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,369,906	1,325,297	1,244,186	1,177,076
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	42,349	39,871	37,640	37,554
Central Oregon Housing Units Sold, SA	170	228	194	211
Central Oregon Median Housing Days on Market, SA	147	149	130	112
Deschutes County Building Permits, SA	38	54	55	40

\* SA—seasonally adjusted