

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

## FIRST QUARTER 2010

### Analysis

The Central Oregon Business Index (COBI) rose to 109.3 (1998=100) in the first quarter of 2010, a gain of 3.3 percent. Compared to last year, the COBI is down 6.9 percent, a significant improvement from the 16.4 percent year-over-year decline registered in the final quarter of 2009. Improvements in the housing and labor markets drove the increase during the first quarter. Due to a data collection error, local level initial unemployment claims data is not available for January 2010. The data was estimated via an average of the year-over-year changes of initial claims for December 2009 and February 2010.

Labor market data was generally improved in the region. Help wanted advertising in *The Bulletin* showed signs of stabilization while initial jobless claims continued to decline. Falling initial claims signals a slower pace of layoffs, consistent with improving economic conditions. This improvement helps stabilize overall nonfarm payrolls, which held steady for a second consecutive quarter. In sum, although hiring demand remains weak, the labor market is stabilizing as the pace of layoffs declines.

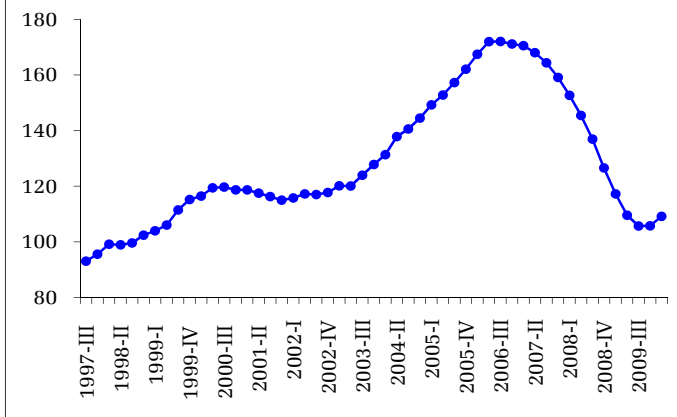
Measures of tourist related activity declined moderately. Both estimated lodging revenues and airport passenger traffic declined—both indicators suggest tourist related activity is bouncing along a cyclical bottom. Housing markets overall improved. While the level of sales slipped somewhat compared to the final quarter of last year, they remained above the level of the third quarter and above the monthly level of roughly 250 sales that preceded the housing bubble. Moreover, the pace of sales improved, as indicated by the decline in days on market. Still, these improvements are at least partially attributable to the now expired housing tax credit, and thus may fade during the summer. Residential building permits rose modestly, remaining at very low levels.

*This issue of the COBI sponsored by*

# The Bulletin

*Serving Central Oregon since 1903*

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



While overall economic conditions in the region remain challenging, the stabilization and improvement in a broad range of indicators over the past two quarters is a welcome signal that the recession drew to a close at the end of 2009. Overall US job growth in March and April of 2010 indicate the national recovery is sustainable, although the pace of growth still falls short of that necessary to rapidly reduce unemployment rates. Nonetheless, sustained national growth will likely translate into continued improvement in the local economy as the year progresses.

Table 1: Summary Measures

	2Q09	3Q09	4Q09	1Q10
University of Oregon Central Oregon Business Index, 1998 = 100	109.6	105.7	105.8	109.3
Percentage Change, Previous Quarter	-6.5	-3.5	0.0	3.3
Percentage Change, Previous Two Quarters	-13.4	-9.8	-3.5	3.4
Percentage Change, Year Ago	-24.7	-22.8	-16.4	-6.8



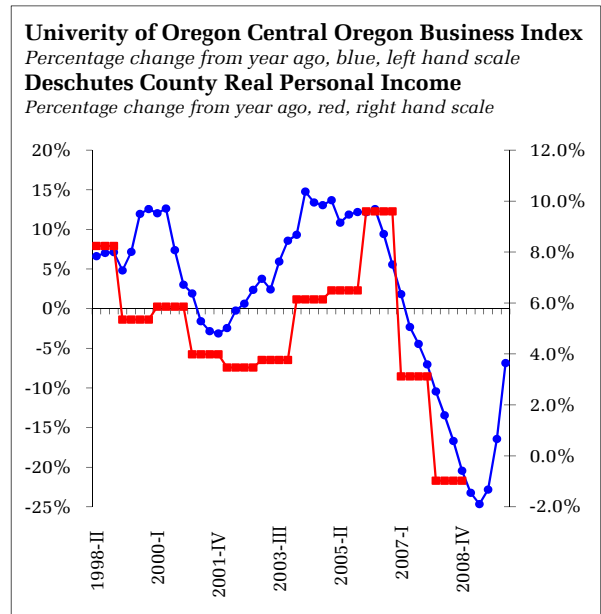
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**Methodology and Notes**

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, 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 encompasses 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

	2Q09	3Q09	4Q09	1Q10
The <i>Bend Bulletin</i> Help Wanted Ads, SA*	1,650	1,160	971	955
Deschutes County Initial Unemployment Claims, SA	3,266	3,105	2,933	2,631
Bend MSA Nonfarm Payrolls, SA	61.6	61.2	61.2	61.2
University of Oregon Index of Economic Indicators™, 1997=100	84.6	84.1	85.9	88.7
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,186,607	1,176,819	1,253,193	1,230,381
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	37,900	39,864	39,601	38,102
Central Oregon Housing Units Sold, SA	193	266	374	321
Central Oregon Median Housing Days on Market, SA	129	114	111	89
Deschutes County Building Permits, SA	40	32	29	40

\* SA—seasonally adjusted

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