

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

## THIRD QUARTER 2011

### Analysis

The Central Oregon Business Index rose 1.2 percent to 109.1 (1998=100) in the third quarter of 2011 from a revised 107.8 the previous quarter. Compared to the same quarter last year, the COBI is up 1.2 percent. Overall, the COBI continues to bounce along sideways. The regional economy has generally improved since the second half of 2009, although the pace of improvement remains disappointing.

Labor market data improved somewhat during the quarter. Initial unemployment claims edged down, while nonfarm payrolls gained 300 employees for a total of 60.3. The job market has been essentially flat since the third quarter of 2010 as the economic recovery has proven to be insufficient to raise job growth in the region.

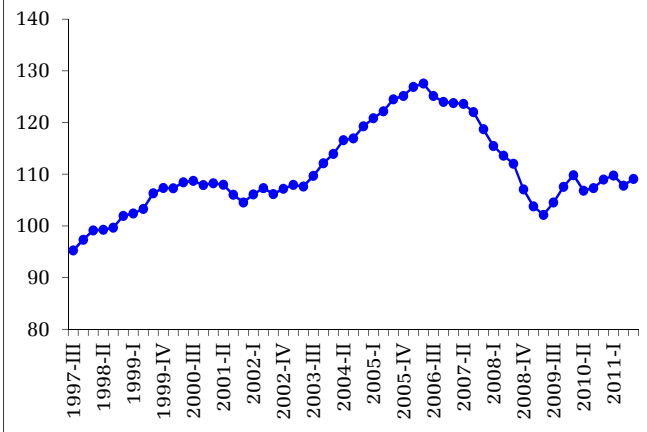
Measures of tourism and travel-related activity improved. In a positive development, estimated lodging revenues rose again to their highest level since the third quarter of 2007. This is consistent with improving lodging revenue trends in other parts of the state. Airport passenger traffic also improved. Note that as air travel is heavily used by area residents, higher passenger levels suggest an improvement in consumer spending as residents are more willing to spend on travel. Housing continues to be a drag on regional activity. The pace of home sales slowed again, while days on market held steady. Building permits rose, but from very low levels; overall, construction activity continues to bounce along a bottom. Solid waste flows (garbage), which jumped during the housing boom, held steady.

*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 national economy firmed in the third quarter after a weak first half of the year. Still, growth is expected to remain in a range that at best only slowly reduces national unemployment rates. If so, the regional economy will continue to struggle to fully recover from the recession. Note that U.S. growth remains at risk from a number of factors, including the potential for fiscal policy to tighten further in 2012 and possible negative feedback from the ongoing European financial crisis.

Table 1: Summary Measures

	4Q10	1Q11	2Q11	3Q11
University of Oregon Central Oregon Business Index, 1998 = 100	109.0	109.8	107.8	109.1
Percentage Change, Previous Quarter	1.5	0.7	-1.8	1.2
Percentage Change, Previous Two Quarters	2.0	2.3	-1.1	-0.6
Percentage Change, Year Ago	1.3	-0.1	0.9	1.7



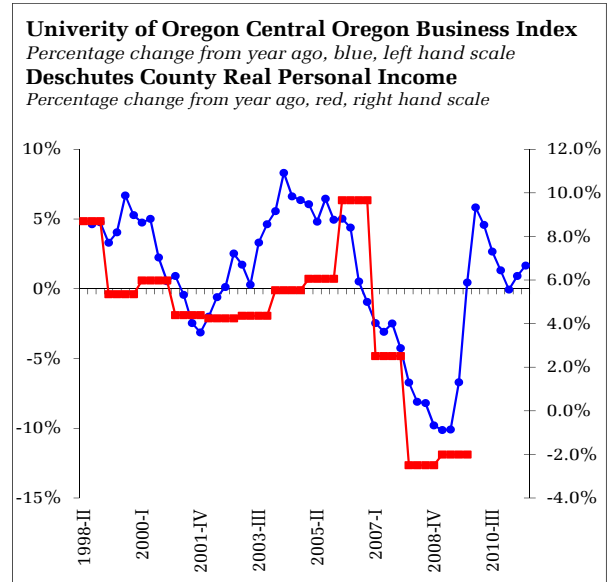
THIRD QUARTER 2011

**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 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: 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

	4Q10	1Q11	2Q11	3Q11
Deschutes County Solid Waste, Tons, SA	9,617	9,482	9,005	9,070
Deschutes County Initial Unemployment Claims, SA	2,705	2,384	2,966	2,840
Bend MSA Nonfarm Payrolls, SA	60.2	60.5	60.0	60.3
University of Oregon Index of Economic Indicators™, 1997=100	89.6	91.1	90.9	89.4
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,340,133	1,305,294	1,380,293	1,537,671
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	40,127	40,236	39,930	41,263
Central Oregon Housing Units Sold, SA	313	336	305	283
Central Oregon Median Housing Days on Market, SA	110	108	110	109
Deschutes County Building Permits, SA	42	33	29	45

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

**Author**

Timothy A. Duy  
Director, Oregon Economic Forum  
Department of Economics, University of Oregon  
541-346-4660 • [duy@uoregon.edu](mailto:duy@uoregon.edu)