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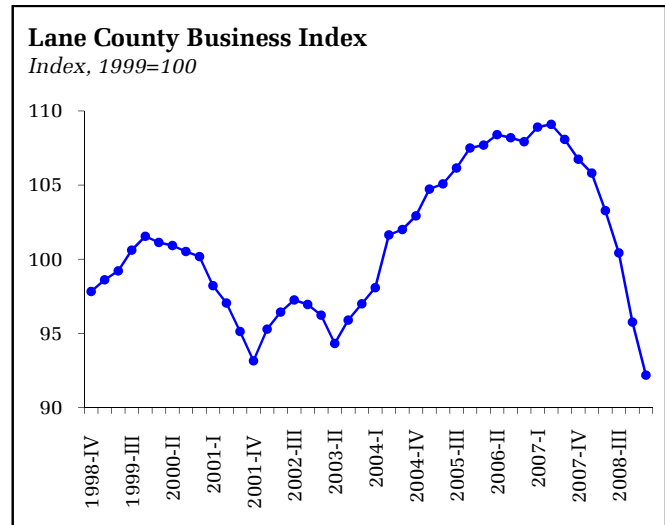
FIRST QUARTER 2009

Analysis

The University of Oregon Lane County Business Index (LCBI) fell 3.7 percent to 92.2 (1999=100) in the first quarter of 2009. The LCBI stands 12.9 percent lower than year-ago levels, a decrease from the growth rate of -10.3 percent posted in the final quarter of 2008. The LCBI was revised to account for updated nonfarm payrolls data and seasonal adjustment factors; the revisions did not qualitatively affect the data. The majority of individual variables remained relatively unchanged—the exception was labor market data, which accounted for the overall decline in the LCBI.

Overall, indicators point to sustained labor market weakness in Lane County. Help-wanted advertising in *The Register-Guard* continued to trend downward as new hiring slowed. Similarly, nonfarm payrolls continued to decline, and stand 5.3 percent lower than year-ago levels. On a more positive note, initial unemployment claims pulled back after a steep rise at the end of last year. Still, the level of initial claims remains consistent with further declines in nonfarm payrolls. Consequently, unemployment rates are expected to continue to rise in the months ahead.

Both inflation-adjusted lodging revenues and airport passenger traffic were effectively unchanged compared to the fourth quarter of 2008. The stability was welcome after the declines experienced in 2008, and may indicate the end of the deterioration of tourism



activity (nationally, consumer spending stabilized in the first quarter of 2009). Housing markets remain weak, with the continuation of a now familiar pattern—sales have largely stabilized around an average of 225 a month, while days-on-market creeps upward. Despite low interest rates, price declines to date appear insufficient to drive housing sales higher, as tighter underwriting conditions and high unemployment negatively impact demand. Not surprisingly, builders are largely on the sidelines, as indicated by the still very low level of residential permits (down 77 percent from the first quarter of 2007).

The ongoing drop in the LCBI reflects the impact of the national recession on the local economy. While many indicators that compose the index stabilized, there is little to suggest that the overall direction of the economy is set to improve markedly in the near term. Fiscal and monetary policies are expected to be increasingly supportive of economic growth as the year progresses, but job markets are not likely to begin to recover until 2010.

Table 1: Summary Measures

	2Q08	3Q08	4Q08	1Q09
Lane County Business Index, 1999 = 100	103.3	100.4	95.8	92.2
Percentage Change, Previous Quarter	-2.4	-2.8	-4.7	-3.7
Percentage Change, Previous Two Quarters	-3.2	-5.1	-7.3	-8.2
Percentage Change, Year Ago	-5.3	-7.1	-10.3	-12.9



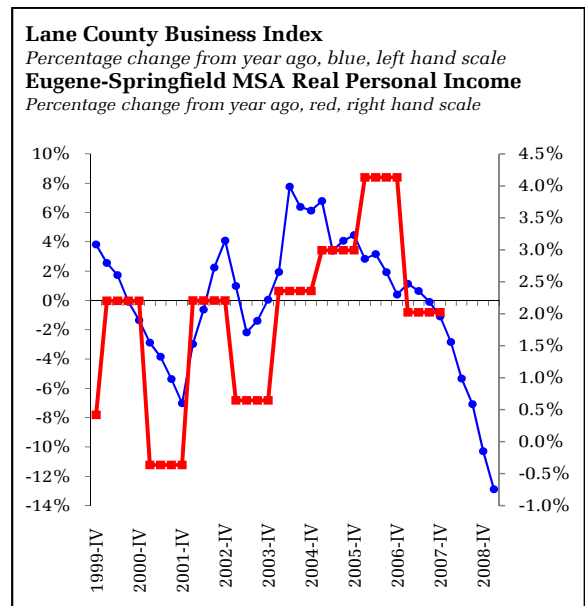
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Methodology and Notes

The methodology used to construct the Lane County 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 Lane County Business Index (LCBI) 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, new business incorporations, tourism, and housing markets, cover a wide swath of local economic activity.

The LCBI 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 LCBI fell sharply heading into the 2001 recession and did not signal any other periods of weak economic activity during the covered period of 1998 to present. The LCBI is 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 Register-Guard*, Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Eugene Municipal Airport, Census Bureau, City of Eugene, 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>Register Guard</i> Help Wanted Ads, SA*	3,808	3,413	3,092	2,113
Eugene Center Initial Unemployment Claims, SA	5,412	5,991	9,311	8,118
Lane County Nonfarm Payrolls, SA	155.8	154.2	152.0	148.8
UO Index of Economic Indicators	93	91	88	86
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	3,418,965	3,256,353	2,608,407	2,604,808
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	61,938	58,643	53,069	53,859
Lane County Housing Units Sold, SA	231	229	227	225
Lane County Average Housing Days on Market, SA	86	99	104	109
Lane County Building Permits, SA	70	74	34	32

* SA—seasonally adjusted

Author

Timothy A. Duy
Director, Oregon Economic Forum
Department of Economics
University of Oregon