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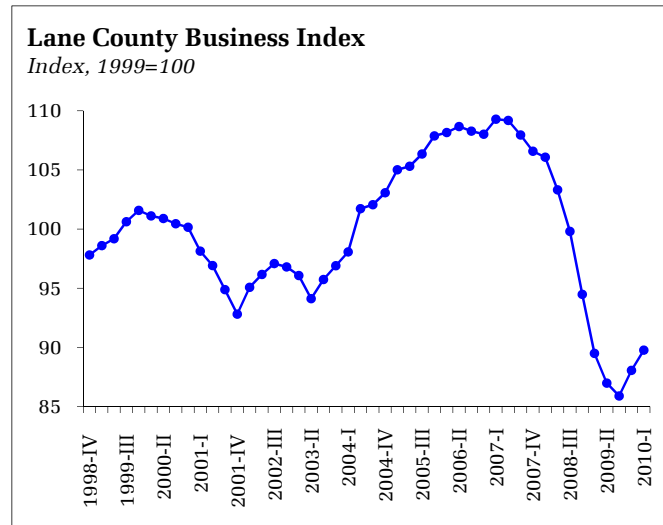
FIRST QUARTER 2010

Analysis

The University of Oregon Lane County Business Index (LCBI) rose 1.9 percent to 89.8 (1999=100) in the first quarter of 2010. Also, the LCBI was slightly positive compared to the same quarter in 2009, a dramatic improvement from the 15.8 percent year-over-year decline registered in the second quarter of 2009. 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.

Overall, labor market indicators were generally improved during the quarter. Help wanted advertising in *The Register Guard* slipped after a sharp rise in the final quarter of 2010, but still remained above the level of the second quarter of 2009. Initial unemployment claims fell for a six consecutive quarter to a range that is consistent with job growth should firms expand hiring. Evidence emerged that employer confidence is growing—nonfarm payrolls rose slightly during the first quarter, the first increase in two years.

Measures of tourism and travel—estimated lodging revenue and airline passenger traffic—were essentially unchanged during



the quarter. Housing markets were mixed. Housing sales edged back from the tax credit-induced gains in the second half of last year, although sales were stronger at the end of the quarter than the beginning as buyers responded to a second, now expired, tax credit. Still, the pace of home sales picked up slightly as days on market dropped. In contrast, construction sagged as residential building permits reversed gains of the previous quarter.

The increasing LCBI 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
Lane County Business Index, 1999 = 100	87.0	85.9	88.1	89.8
Percentage Change, Previous Quarter	-2.8	-1.2	2.5	1.9
Percentage Change, Previous Two Quarters	-7.9	-4.0	1.2	4.5
Percentage Change, Year Ago	-15.8	-13.9	-6.8	0.3



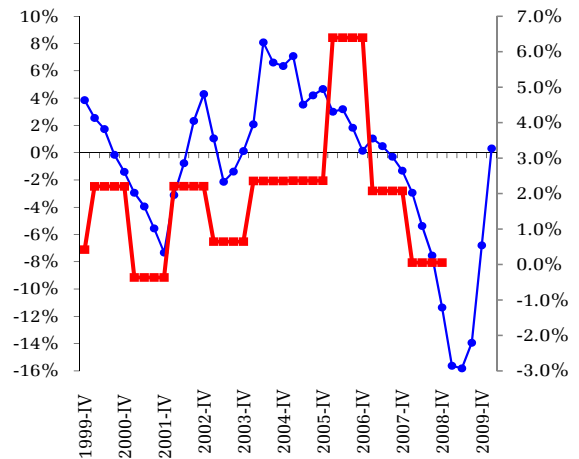
Methodology and Notes

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-present. The LCBI is 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

Lane County Business Index
Percentage change from year ago, blue, left hand scale
Eugene-Springfield MSA Real Personal Income
Percentage change from year ago, red, right hand scale



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 w Williams Council.

Table 2: Index Components

	2Q09	3Q09	4Q09	1Q10
The <i>Register Guard</i> Help Wanted Ads, SA*	1,232	888	1,765	1,584
Eugene Center Initial Unemployment Claims, SA	6,371	5,846	5,095	4,864
Lane County Nonfarm Payrolls, SA	142.4	140.8	140.1	141.5
UO Index of Economic Indicators	85	84	86	89
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,641,611	2,646,601	2,576,478	2,582,402
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	54,153	58,908	58,059	58,238
Lane County Housing Units Sold, SA	200	246	292	273
Lane County Average Housing Days on Market, SA	108	110	98	94
Lane County Building Permits, SA	55	54	68	54

* SA—seasonally adjusted

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