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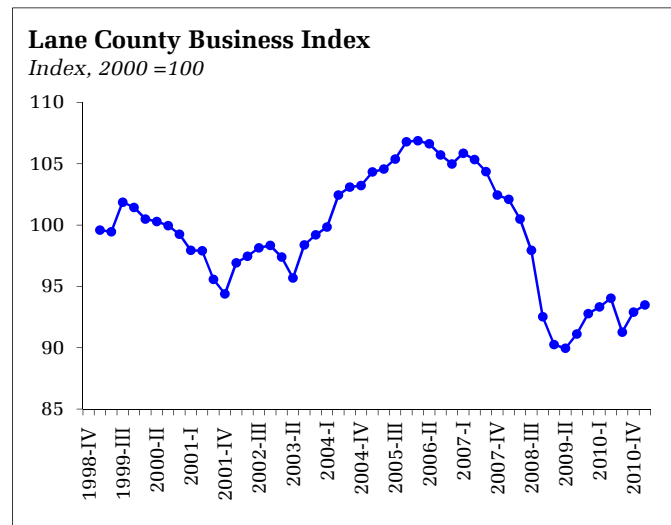
FIRST QUARTER 2011

Analysis

The University of Oregon Lane County Business Index (LCBI) rose 0.6 percent (2000=100) to 93.5 in the first quarter of 2011. The LCBI remains flat compared to year-ago levels, although this is an artifact of housing-induced volatility over the past year. In general, the region continues to show signs of steady economic improvement, although rising commodity prices likely became a headwind on growth in the second quarter.

Labor market data improved during the quarter. The pace of firings continued to decline, dropping to their pre-recession range. Initial claims in this range are generally consistent with overall job growth. Indeed, total nonfarm payrolls gained for the first time since the second quarter of 2010.

Measures of tourism and travel were mixed. Estimated lodging revenue declined slightly after a large increase the previous quarter. Air passenger traffic gained, extending a general upward trend that began in the second quarter of 2009. Housing markets remain weak. Residential sales were effectively unchanged while days on market rose. And while the number of permits issued rose slightly during the quarter, the improvement is occurring from a very low base. At best,



the housing market is bouncing along a bottom as the impact of tighter underwriting conditions and changing attitudes about the safety of housing as an investment combine to depress activity relative to that of much of the past decade.

The pattern of the LCBI is consistent with general economic improvement since 2009, albeit with gyrations attributable to on-again off-again housing tax credits. National data turned softer during the quarter, as the recent rise in commodity prices, particularly oil, tempered the pace of growth. While oil prices have come down recently, they remain high and present an ongoing challenge to the pace of the recovery. Sluggish national growth, if ongoing, will be a damper on local activity in the months ahead.

Table 1: Summary Measures

	2Q10	3Q10	4Q10	1Q11
Lane County Business Index, 2000 = 100	94.0	91.3	92.9	93.5
Percentage Change, Previous Quarter	0.8	-2.9	1.8	0.6
Percentage Change, Previous Two Quarters	1.4	-2.2	-1.2	2.4
Percentage Change, Year Ago	4.5	0.2	0.1	0.2



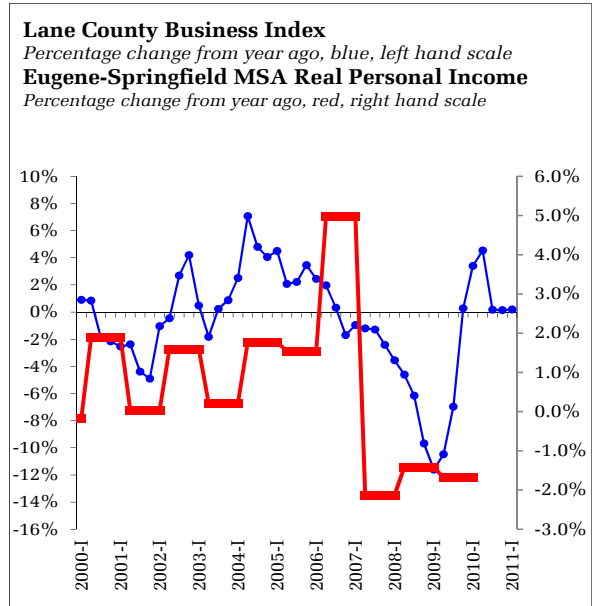
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Methodology and Notes

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–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: Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Eugene Municipal Airport, Census Bureau, City of Eugene, Realtors Association, Oregon Department of Environmental Quality, and the author's calculation. Initial research for this project was supported by a grant from the UO Williams Council.

Table 2: Index Components

	2Q10	3Q10	4Q10	1Q11
Eugene Center Initial Unemployment Claims, SA	5,525	5,455	4,793	4,461
Lane County Nonfarm Payrolls, SA	141.4	140.2	139.4	141.0
UO Index of Economic Indicators	90.3	89.2	89.5	91.2
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,657,442	2,608,980	2,874,622	2,821,626
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	59,621	63,631	63,383	65,424
Lane County Solid Waste, Tons, SA*	54,582	53,383	53,742	52,233
Lane County Housing Units Sold, SA	284	185	244	250
Lane County Average Housing Days on Market, SA	93	111	107	120
Lane County Building Permits, SA	61	42	29	34

* SA—seasonally adjusted

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