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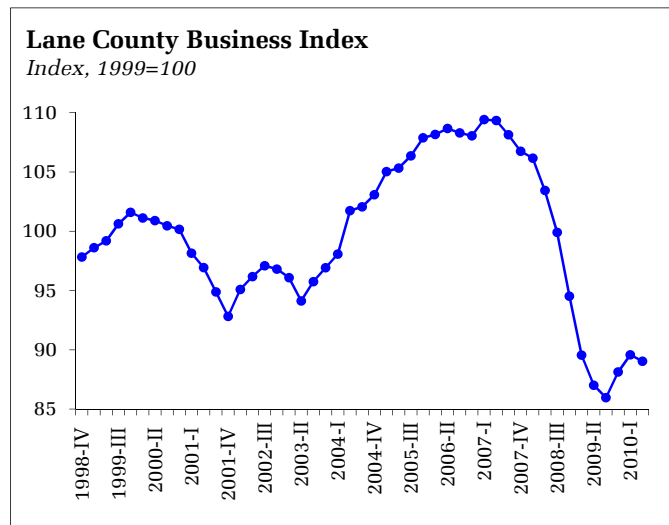


SECOND QUARTER 2010

Analysis

The University of Oregon Lane County Business Index (LCBI) edged down 0.6 percent to 89.0 (1999=100) in the second quarter of 2010. The LCBI was up 2.5 percent compared to the same period last year. Although the LCBI slipped after two consecutive positive quarters, the incoming data continue to indicate stabilization in the wake of the recession-induced plunge in economic activity during the 2007–9 period. Sustained upward activity, however, remains elusive.

Labor-market indicators were mixed during the quarter. Help-wanted advertising in *The Register-Guard* fell, largely reversing a sharp rise in the final quarter of 2009. This decline may foreshadow additional softness in hiring late this year as the positive impact of inventory correction and fiscal stimulus fade. That said, initial unemployment claims fell for a seventh consecutive quarter to a range that is consistent with job growth should firms expand hiring. Yet employers remain hesitant to hire; nonfarm payrolls were flat for the quarter. Although the payrolls may be stronger after the Employment Department publishes revised data, the conditions for sustained job growth—notably, a strong national economy—appear to be lacking.



Measures of tourism and travel were generally stronger. Estimated lodging revenue rose sharply to the highest level since the third quarter of 2008, similar to national data on lodging activity. Air passengers edged up as well. Housing markets were mixed. Housing sales and days on market were largely unchanged compared to the previous quarter. Note that more recent data suggest a sharp drop in housing activity in July consistent with expectations that the tax-credit-induced gains in housing activity late last year would prove to be short lived. Residential building permits edged up. Still, activity remains depressed relative to the prebubble period.

Recent LCBI trends indicate the regional economy maintains the stabilization that became evident at the end of 2009. The pace of economic activity, however, remains insufficient to generate solid job growth. Deteriorating national conditions suggest the regional economy will face continued headwinds through the second half of 2010.

Table 1: Summary Measures

	3Q09	4Q09	1Q10	2Q10
Lane County Business Index, 1999 = 100	86.0	88.1	89.6	89.0
Percentage Change, Previous Quarter	-1.2	2.5	1.6	-0.6
Percentage Change, Previous Two Quarters	-4.0	1.3	4.2	1.0
Percentage Change, Year Ago	-14.0	-6.8	0.0	2.3

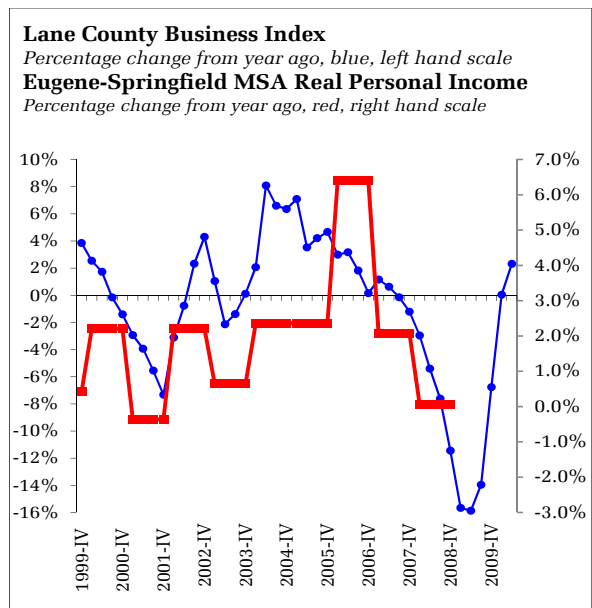


Methodology and Notes

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 to the 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

	3Q09	4Q09	1Q10	2Q10
The <i>Register Guard</i> Help Wanted Ads, SA*	888	1,765	1,584	1,130
Eugene Center Initial Unemployment Claims, SA	5,846	5,095	5,560	5,277
Lane County Nonfarm Payrolls, SA	140.8	140.1	141.5	141.5
UO Index of Economic Indicators	84	86	89	88
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,646,601	2,576,478	2,582,402	2,703,626
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	58,908	58,059	58,238	59,074
Lane County Housing Units Sold, SA	246	292	273	280
Lane County Average Housing Days on Market, SA	110	98	94	93
Lane County Building Permits, SA	54	68	54	61

* SA—seasonally adjusted

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