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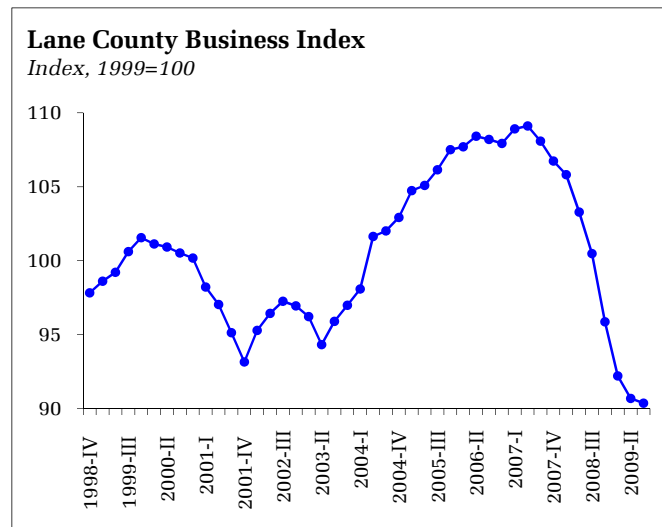
THIRD QUARTER 2009

Analysis

The University of Oregon Lane County Business Index (LCBI) edged down just 0.4 percent to 90.4 (1999=100) in the third quarter of 2009. This marks the third consecutive quarter of improvement in the pace of decline, and signals that the level of economic stress in the region diminished significantly as the economy entered the second half of 2009.

Overall, labor market indicators were mixed for the quarter. Help wanted advertising in *The Register Guard* continued to trend downward as new hiring slowed. The decline is enhanced by a transition to internet job advertising. It will not be known if the data still contains a cyclical trend (increases in response to improving economic conditions) until the recovery is underway. In contrast, initial unemployment claims fell for the third consecutive quarter. Although the level of claims is still slightly elevated, the multi-quarter decline signals an end to the rapid labor market deterioration that began last winter. And in a welcome development, nonfarm payrolls stabilized during the quarter.

Measures of tourism and travel improved. While estimated lodging revenues were only slightly higher, air passenger traffic jumped sharply. Housing markets were mixed. Residential sales rose to their highest level since the first quarter of 2008, but this improve-



ment was supported by the expected end of a tax credit for homebuyers, which particularly supported activity at the lower ranges of the housing market. The credit (since extended) likely pulled some future demand into the third quarter of this year. Note that increased sales have had little impact on construction activity; residential permits remained unchanged for the quarter.

The stability in the index, combined with evidence that the national and state recessions drew to a close in the second half of 2009, signals that the local economy is poised to improve in the months ahead. That said, the improvement is likely to be modest in the near term. The return to more traditional underwriting standards will continue to constrain the pace of consumer spending, while the impact of fiscal stimulus efforts are projected to ease as 2010 progresses. Also note that patterns of recovery from the last two recessions indicate an increasing lag between the end of the recession and the return to strong job growth and declining unemployment rates.

Table 1: Summary Measures

	4Q08	1Q09	2Q09	3Q09
Lane County Business Index, 1999 = 100	95.9	92.2	90.7	90.4
Percentage Change, Previous Quarter	-4.6	-3.8	-1.6	-0.4
Percentage Change, Previous Two Quarters	-7.2	-8.2	-5.4	-2.0
Percentage Change, Year Ago	-10.2	-12.9	-12.2	-10.1



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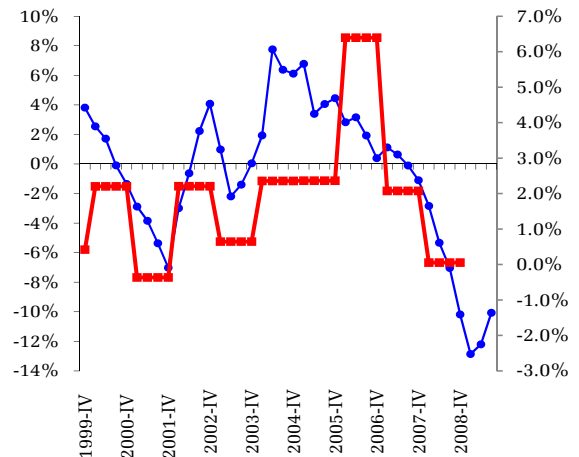
Methodology and Notes

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

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



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

	4Q08	1Q09	2Q09	3Q09
The <i>Register Guard</i> Help Wanted Ads, SA *	3,092	2,113	1,140	741
Eugene Center Initial Unemployment Claims, SA	9,311	8,118	6,171	5,641
Lane County Nonfarm Payrolls, SA	152.0	148.7	147.5	147.5
UO Index of Economic Indicators	88	86	85	84
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,608,407	2,604,808	2,661,817	2,686,877
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	53,069	53,859	54,320	59,277
Lane County Housing Units Sold, SA	227	225	197	242
Lane County Average Housing Days on Market, SA	97	106	107	111
Lane County Building Permits, SA	34	32	55	54

* SA—seasonally adjusted

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