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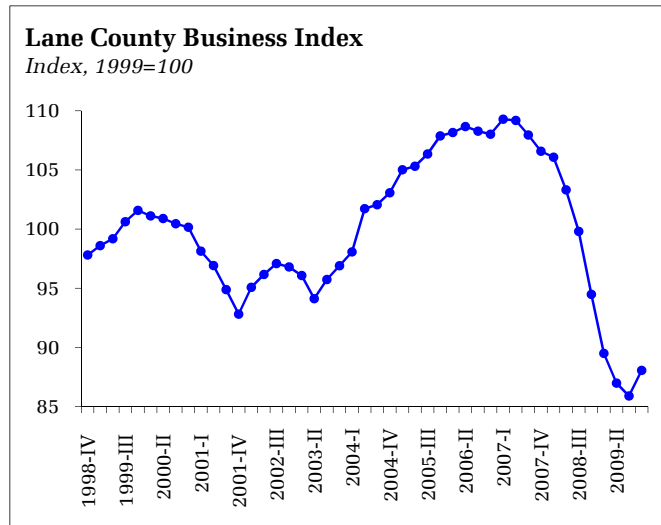
## FOURTH QUARTER 2009

### Analysis

The University of Oregon Lane County Business Index (LCBI) rose 2.5 percent to 88.1 (1999=100) in the fourth quarter of 2009, the first increase since the first quarter of 2007. The increase is consistent with evidence that the national and state economies exited recession in the second half of 2009. The LCBI was revised to account for annual updates of seasonal adjustment and standardization factors and revised nonfarm payroll estimates. The payroll revisions revealed a larger decline in jobs than initially reported. Correspondingly, the LCBI was revised downward for the first three quarters of 2009.

Overall, labor market indicators were mixed for the quarter. Help wanted advertising in *The Register Guard* rose during the quarter, albeit from a very low level. Initial unemployment claims fell for the fourth consecutive quarter and are nearing levels consistent with job growth. Still, nonfarm payrolls continued to decline during the quarter, falling below the low of the last recession reached during the fourth quarter of 2001. Hopefully, however, firming help wanted advertising and falling initial claims signal the end of job losses for this cycle.

Measures of tourism and travel deteriorated during the quarter. Estimated lodging revenue slipped after three quarters of relative stability, highlighting the weak consumer spending environment



confronting the tourism industry. Airline passenger traffic declined slightly. Housing markets improved during the quarter, with home sales rising to a monthly rate of nearly 300 units, a 46 percent increase from the second quarter low. Moreover, the average days on market declined as homes sold more quickly. Still, sales are down 34 percent compared to the peak of the bubble in 2005, while sales have shifted to lower priced homes. A rise in units permitted suggests firming housing sales may be trickling through to slightly higher residential construction activity.

The rise in the LCBI is a welcome sign and suggests the local economy reached a bottom in the second half of 2009 and is poised for growth in the months ahead. Caution, however, is warranted. Much of the gain in the LCBI was driven by housing improvements; further improvements may not be as rapid as sales move into a more normal range. Sustained improvement in the local economy depends on a return to job growth, which remained elusive at the end of 2009.

Table 1: Summary Measures

	1Q09	2Q09	3Q09	4Q09
Lane County Business Index, 1999 = 100	89.5	87.0	85.9	88.1
Percentage Change, Previous Quarter	-5.3	-2.8	-1.2	2.5
Percentage Change, Previous Two Quarters	-10.3	-7.9	-4.0	1.2
Percentage Change, Year Ago	-15.6	-15.8	-13.9	-6.8



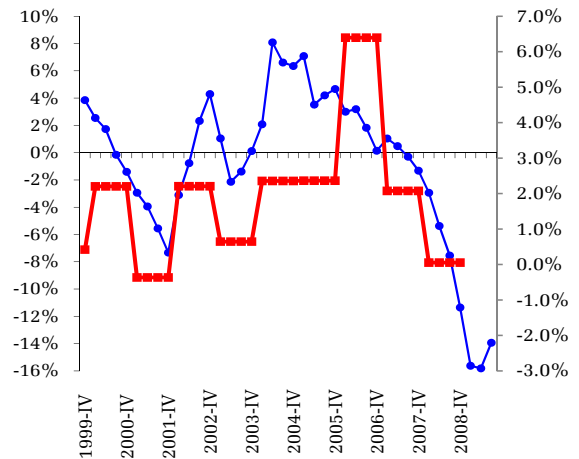
**Methodology and Notes**

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](http://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

	1Q09	2Q09	3Q09	4Q09
The <i>Register Guard</i> Help Wanted Ads, SA *	2,055	1,232	888	1,765
Eugene Center Initial Unemployment Claims, SA	7,950	6,371	5,846	5,095
Lane County Nonfarm Payrolls, SA	145.1	142.4	140.8	140.1
UO Index of Economic Indicators	86	85	84	86
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,666,998	2,641,611	2,646,601	2,576,478
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	53,865	54,153	58,908	58,059
Lane County Housing Units Sold, SA	220	200	246	292
Lane County Average Housing Days on Market, SA	106	108	110	98
Lane County Building Permits, SA	32	55	54	68

\* SA—seasonally adjusted

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