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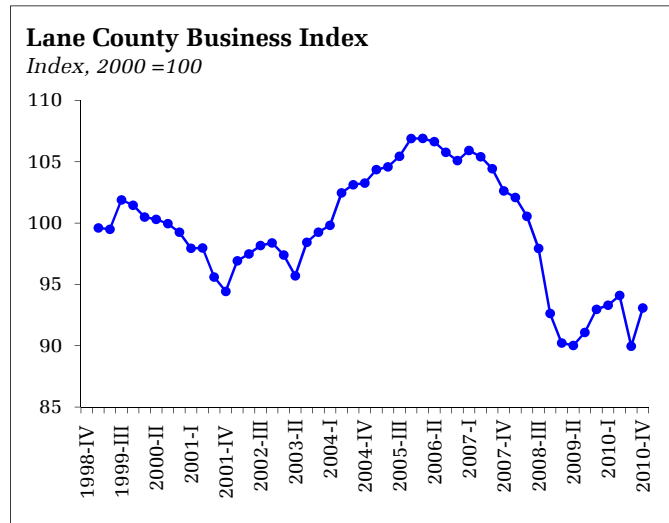
## FOURTH QUARTER 2010

### Analysis

The University of Oregon Lane County Business Index (LCBI) rose 3.5 percent (2000=100) to 93.1 in the fourth quarter of 2010. The LCBI was flat compared to the same quarter in 2009. The LCBI was revised to reflect annual changes to seasonal adjustment factors and updated estimates of nonfarm payrolls. The results remain qualitatively unchanged; the regional economy continues to generally improve despite the uneven pattern of recovery attributable to tax-induced gyrations in the housing market.

Labor-market data were mixed for the quarter. The pace of firings fell, consistent with firming business activity. Initial unemployment claims dropped sharply during the quarter to their lowest level since the second quarter of 2007. Still, total nonfarm payrolls continued to edge down, suggesting that the economic activity remained insufficient to prompt a faster pace of hiring. Early data in 2011, however, suggest hiring will accelerate this year.

Measures of tourism and travel were generally positive. Estimated lodging rose sharply to the highest level since the third quarter of 2008, consistent with national evidence pointing toward firming demand for hotels. Air passenger traffic edged upward to a level slightly below the peak



in the final quarter of 2007. Housing markets were mixed. Residential sales climbed after plunging in the third quarter. Still, sales remain below the tax credit-induced levels of the first half of 2010. Days on market fell slightly. Residential building permits fell. Overall, the housing market is bouncing along a bottom in terms of sales and new construction while prices continue to decline.

The LCBI continues to suggest the regional economy is generally improving. National data at the end of 2010 and beginning of 2011 generally suggested a solid pace of growth likely this year, which would foster further improvement in the regional economy. Note, however, that the recent rise in commodity prices, particularly oil, is a cloud on the outlook. Price gains to date are likely to restrain the pace of recovery but not trigger a recession. Further rapid gains, however, would pose a greater challenge.

Table 1: Summary Measures

	1Q10	2Q10	3Q10	4Q10
Lane County Business Index, 2000 = 100	93.3	94.1	90.0	93.1
Percentage Change, Previous Quarter	0.4	0.9	-4.4	3.5
Percentage Change, Previous Two Quarters	2.4	1.2	-3.6	-1.1
Percentage Change, Year Ago	3.4	4.5	-1.2	0.1

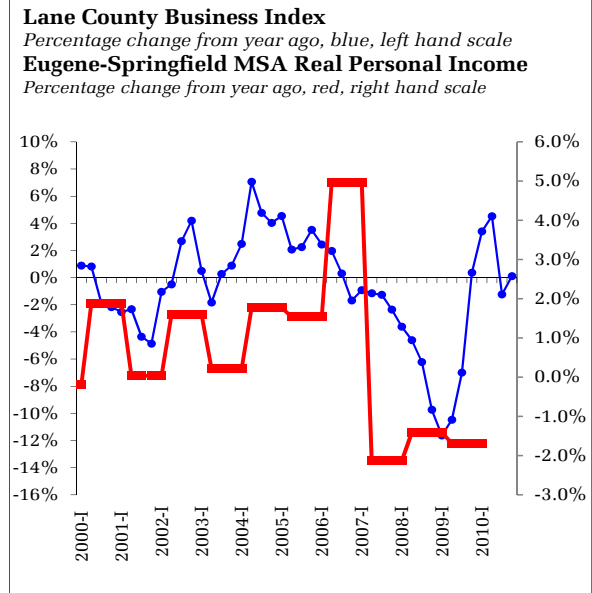


**Methodology and Notes**

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 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 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

	1Q10	2Q10	3Q10	4Q10
Eugene Center Initial Unemployment Claims, SA	5,426	5,503	5,420	4,751
Lane County Nonfarm Payrolls, SA	141.0	141.4	140.3	139.3
UO Index of Economic Indicators	89.7	90.2	89.2	89.6
Lane County Lodging Revenue, Inflation Adjusted \$s, SA	2,611,631	2,630,274	2,086,572	2,955,164
Eugene Municipal Airport Activity, Enplanements and Deplanements, SA	58,333	59,830	63,351	63,534
Lane County Solid Waste, Tons, SA*	54,747	54,567	53,384	53,819
Lane County Housing Units Sold, SA	266	290	183	240
Lane County Average Housing Days on Market, SA	94	94	111	107
Lane County Building Permits, SA	53	61	42	29

\* SA—seasonally adjusted

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