

# PORTLAND METRO BUSINESS INDEX™

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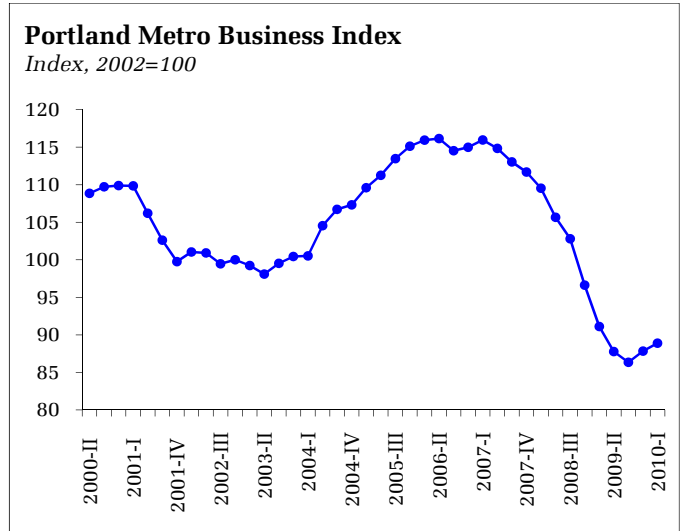
## FIRST QUARTER 2010

### Analysis

The University of Oregon Portland Metro Business Index (PMBI) rose 1.2 percent to 88.9 (2002=100) in the first quarter of 2010. Compared to year ago levels, the PMBI is down just 2.5 percent, a significant improvement from the low of -16.9 percent in the second quarter of 2009. Due to a data collection error, local level initial unemployment claims data is not available for January 2010. The data was estimated via an average of the year-over-year changes of initial claims for December 2009 and February 2010.

Labor market data was generally improved in the region. Help wanted advertising in *The Oregonian* showed signs of stabilization with a comparatively small decline compared to previous months. Initial unemployment claims continued to decline, signaling a slower pace of layoffs, which is consistent with improving economic conditions. Job growth reemerged in the first quarter with the first increase in nonfarm payrolls in two years.

Measures of tourism related activity were stronger. Estimated lodging revenues, adjusted for inflation, rose for the first time since the final quarter of 2008. Likewise, airport passenger traffic rose, partially offsetting the previous quarter's decline. Housing markets were generally somewhat softer. Home sales



dipped in the wake of significant gains in the second half of last year. Note that on-again/off-again housing tax credits are inducing some additional volatility in the housing market. Days on market were essentially unchanged from the previous quarter, while building permits declined modestly after a large gain the previous quarter.

The increasing PMBI over the past two quarters is a welcome signal that the recession drew to a close at the end of 2009. Overall U.S. job growth in March and April of 2010 indicate the national recovery is sustainable, although the pace of growth still falls short of that necessary to rapidly reduce unemployment rates. Nonetheless, sustained national growth will likely translate into continued improvement in the local economy as the year progresses.

Table 1: Summary Measures

	2Q09	3Q09	4Q09	1Q10
Portland Metro Business Index, 2002 = 100	87.8	86.3	87.9	88.9
Percentage Change, Previous Quarter	-3.7	-1.6	1.7	1.2
Percentage Change, Previous Two Quarters	-9.2	-5.2	0.1	2.9
Percentage Change, Year Ago	-16.9	-16.0	-9.1	-2.5



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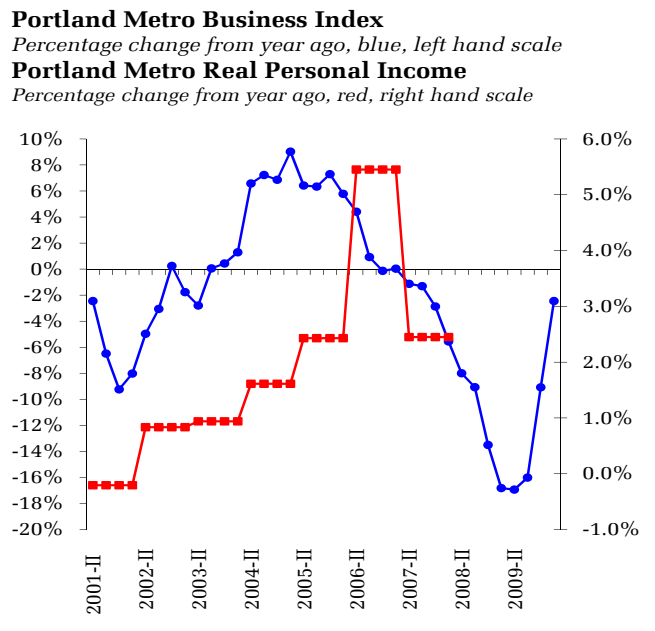
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**Methodology and Notes**

The methodology used to construct the Portland Metro 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 Portland Metro Business Index (PMBI) provides a snapshot of business activity by aggregating nine possibly contradictory economic statistics into a single variable. The variables are chosen on the basis of economic relevance, timely availability, and sufficiently long history to capture at least one business cycle. The selected variables—measures of the labor market, tourism, and housing markets—cover a wide swath of local economic activity.

The region covered by the PMBI is Multnomah, Clackamas, Washington, Columbia, and Yamhill counties. Data for building permits and nonfarm payrolls (via the Oregon Employment Department) is aggregated for these five counties. Housing sales and days on market are for the Portland Metro region as defined by Regional Multiple Listing Service (RMLS). Estimated lodging revenues are for the City of Portland only. Note that all data is seasonally adjusted.



The PMBI appears to be 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 from which to draw generalities. Also note that no single variable is capable of decisively determining the state of the business cycle.

Sources: *The Oregonian*, U.S. Bureau of Economic Analysis, Oregon Employment Department, Port of Portland, U.S. Census Bureau, City of Portland, Realtors Association, and the author's calculations.

	2Q09	3Q09	4Q09	1Q10
<i>The Oregonian</i> Help-Wanted Ads, SA*	2,876	2,015	1,698	1,594
Portland Office Initial Unemployment Claims, SA	13,748	11,833	10,828	9,346
Portland Metro Nonfarm Payrolls, SA	845,202	832,277	826,355	829,560
UO Index of Economic Indicators	84.6	84.1	85.9	88.7
Portland Lodging Revenue, Inflation Adjusted \$thousands, SA	110,296	108,324	108,014	112,593
PDX International Airport Passenger Activity, SA	1,071,999	1,087,414	1,067,394	1,084,877
Portland Metro Housing Units Sold, SA	1,202	1,584	1,941	1,716
Portland Metro Average Housing Days on Market, SA	86	85	81	80
Portland Metro Building Permits, SA	174	164	281	259

\* SA—seasonally adjusted

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