

STATE OF OREGON ECONOMIC INDICATORS™



A program of the College of Arts and Sciences and its Department of Economics

AUGUST 2012

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How can I interpret the Oregon Measure of Economic Activity?

A reading of “zero” corresponds to the average growth rate for that particular region. In other words, the measures identify periods of fast or slow growth relative to trend.

What is the significance of the moving-average measures?

The monthly measures can be very volatile. To reduce the noise, it is helpful to focus on the average of the most recent data.

Is this approach used elsewhere?

Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.

What is the difference between the two measures?

The Oregon Measure of Economic Activity uses a methodology that allows for the incorporation of a larger number of variables. The University of Oregon Index of Economic Indicators focuses on a narrower set of variables using a different methodology used by the Conference Board to compute leading indicators for the United States. Using different indicators allows for a more complete picture of the Oregon economy.

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Review

Oregon economic indicators rebounded in August. The Oregon Measure of Economic Activity rose to 0.34 from -1.06 in July (“zero” for this measure indicates the average growth rate over the 1990–present period). The less volatile moving-average held nearly steady at -0.46. Note that both the July and August numbers were impacted negatively by a labor dispute at the Port of Portland; without this temporary factor, both the raw and moving-average observations would have been higher. After accounting for the temporary impact of the labor dispute, the measure suggests Oregon is growing near its average growth rate of the last two decades. Notably, only the household sector data was a drag on the measure in August. Real personal income less transfer payments gained 2.3 percent in the second quarter of 2012, up from the first quarter growth of 1.6 percent but still down from the 3.1 percent rate at the end of 2011.

The University of Oregon Index of Economic Indicators™ rebounded 1.1 percent in August, reversing the declines of the previous two months. Of the seven components in the UO Index, all but one improved during the month. Initial unemployment

claims dropped sharply to its lowest level since October 2007. Moreover, employment services payrolls gained. Both indicators suggest improving labor market conditions in Oregon. Residential building permits (smoothed with a five-month moving average) gained as construction activity slowly improved. Nondefense, nonaircraft capital orders rose modestly but stand 5 percent below last year’s level; manufacturing activity in general is feeling pressure as the global economy cools.

The UO Index suggests continued economic growth, although that growth is likely to remain somewhat below that experienced in periods of economic expansions in Oregon since 1990. Currently, the national economy is weighed down by softer consumer spending and slowing export growth. The latter is a consequence of economic slowdowns in many parts of the world, notably China and Europe. That said, the baseline scenario remains steady but relatively slow growth for the national economy, with Oregon following a similar trajectory. The possibility of either a sharp fiscal contraction in the early part of 2013 or deterioration in the global economy (or both) remains a risk to the outlook.

Contributions to Oregon Measure of Economic Activity – August 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.05			
ISM Manufacturing: Supplier Deliveries Index	-0.04			
Manufacturing Employment, Oregon	0.30			
Hours, Manufacturing Production Workers, Oregon	0.04			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.11			
Manufacturing Exports, Oregon	-0.02			
New Private Housing Units Authorized By Building Permit, Oregon		-0.09		
Construction Employment in Oregon		0.08		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.05	
Initial Unemployment Claims, Oregon			0.03	
Civilian Labor Force, Oregon			-0.11	
Unemployment Rate, Oregon			-0.14	
Interest Rate Spread			0.00	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.06	
Educational and Health Services Employment, Oregon				0.00
Financial Activities Employment, Oregon				0.19
Government Employment, Oregon				-0.01
Leisure and Hospitality Employment, Oregon				0.12
Professional and Business Services Employment, Oregon				0.05
Other Services Employment, Oregon				0.03
Trade, Transportation and Utilities Employment, Oregon				0.05
Total By Sector	0.12	0.00	-0.20	0.42
	Jun-12	Jul-12	Aug-12	
Oregon Measure of Economic Activity	-0.66	-1.06	0.34	
Three-Month Moving Average	-0.14	-0.47	-0.46	



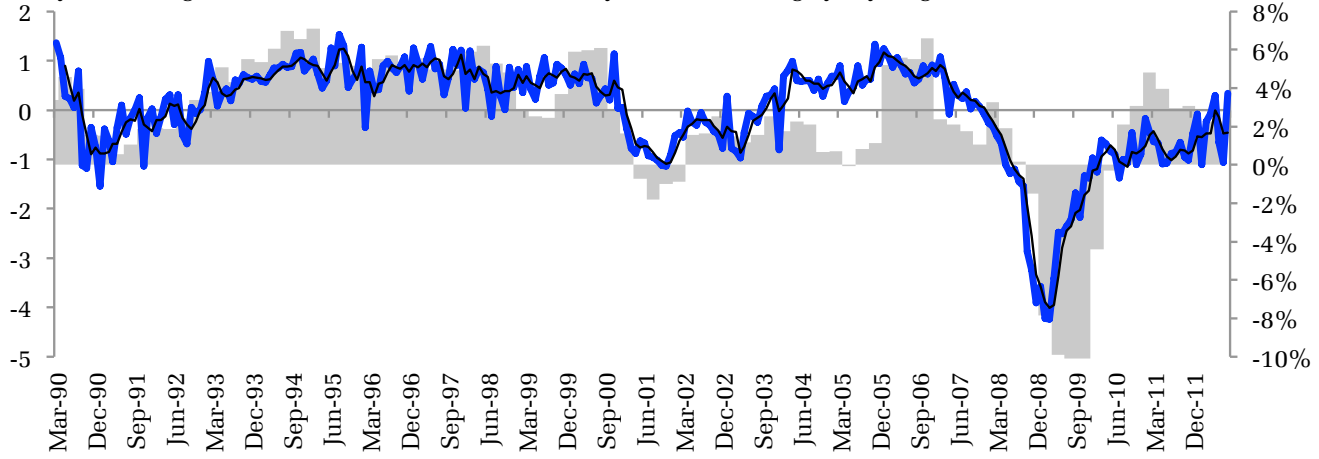
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis

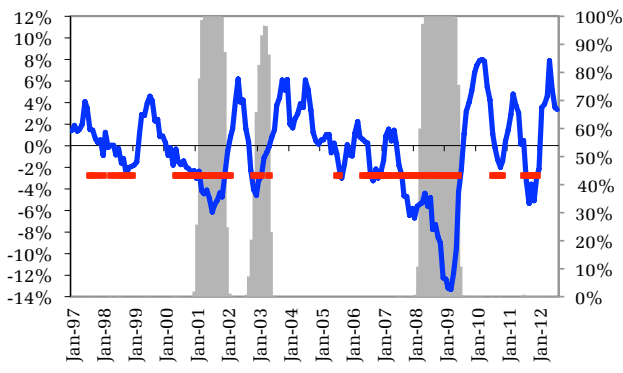


UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

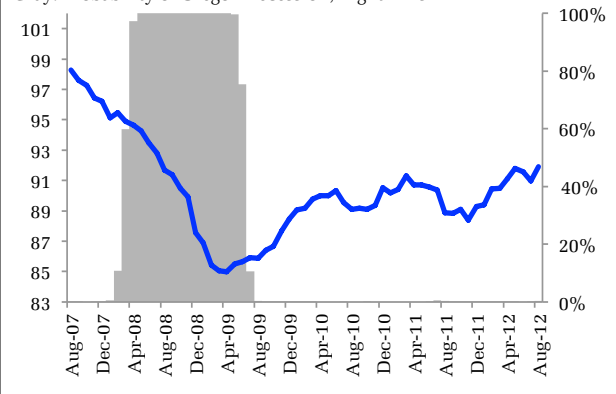
Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis



University of Oregon Index of Economic Indicators – Summary and Components

	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
University of Oregon Index of Economic Indicators, 1997=100	90.5	91.1	91.8	91.6	91.0	91.9
Percentage Change	0.1	0.7	0.7	-0.2	-0.7	1.1
Oregon Initial Unemployment Claims, SA*	8,261	7,683	7,408	7,455	8,108	7,225
Oregon Employment Services Payrolls, SA	31,382	31,505	31,460	31,997	31,640	32,388
Oregon Residential Building Permits, SA, 5 MMA*	735	753	841	823	856	938
Oregon Weight Distance Tax, SA,	102.51	104.41	104.45	104.61	104.17	102.63
U.S. Consumer Sentiment, SA, 5 MMA	72.1	74.6	76.5	76.1	75.5	75.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,029	39,367	40,211	39,036	36,935	37,280
Interest Rate Spread	2.04	1.91	1.64	1.46	1.37	1.55