

# STATE OF OREGON ECONOMIC INDICATORS™



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

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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

The Oregon Measure of Economic Activity was 0.03 in August while the three-month moving average, which smooths month-to-month volatility in the measure, stands at -0.03, where “zero” for this measure indicates the average growth rate over the 1990-present period. In short, Oregon is growing near its long-term average pace. Manufacturing activity continues to bolster the measures, particularly employment growth and average weekly hours worked in the sector. The construction contribution was neutral as the employment component rebounded from last month’s softness. The household sector was restrained by still elevated unemployment and a declining labor force. The services sector made a negative contribution, partly attributable to a decline in financial sector employment growth. This may simply be a reflection of volatility in the employment components, and highlights the importance of tracking the moving average measure.

The University of Oregon Index of Economic Indicators™ rose 0.1 percent in August; the UO index has not decreased since September 2012.

Initial unemployment claims fell, reversing some upward gains since this summer and signaling continued momentum in the labor market. Employment services payrolls slipped after posting a strong gain in July. Residential building permits (smoothed) have been hovering in the 1,200–1,300 range for the past five months. Solid manufacturing readings continue to bolster the UO index, with core manufacturing (nondefense, nonaircraft capital goods) orders and Oregon manufacturing weekly hours worked both gaining during the month. Hours worked remain at cycle highs and indicates high demand that should foster additional job growth. Consumer sentiment (smoothed) rose in August; in general sentiment has returned to levels consistent with moderate spending growth.

Overall, the two indicators point to sustained expansion in Oregon at an average pace of activity. Economic expansion should be sustained as some of the impacts of fiscal tightening lift, although higher interest rates may slow the pace of improvement in the housing market.

### Contributions to Oregon Measure of Economic Activity – August 2013

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.12			
ISM Manufacturing: Supplier Deliveries Index	0.00			
Manufacturing Employment, Oregon	0.14			
Hours, Manufacturing Production Workers, Oregon	0.18			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.06			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.07		
Construction Employment in Oregon		0.07		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.04	
Initial Unemployment Claims, Oregon			0.07	
Civilian Labor Force, Oregon			-0.05	
Unemployment Rate, Oregon			-0.08	
Interest Rate Spread			-0.05	
S&P500 Stock Index			0.00	
Consumer Sentiment, University of Michigan - Reuters			-0.03	
Educational and Health Services Employment, Oregon				0.08
Financial Activities Employment, Oregon				-0.27
Government Employment, Oregon				0.01
Leisure and Hospitality Employment, Oregon				0.04
Professional and Business Services Employment, Oregon				-0.01
Other Services Employment, Oregon				0.08
Trade, Transportation and Utilities Employment, Oregon				-0.09
<b>Total By Sector</b>	<b>0.37</b>	<b>0.00</b>	<b>-0.18</b>	<b>-0.16</b>
	Jun-13	Jul-13	Aug-13	
Oregon Measure of Economic Activity	-0.05	-0.07	0.03	
Three-Month Moving Average	0.16	0.09	-0.03	



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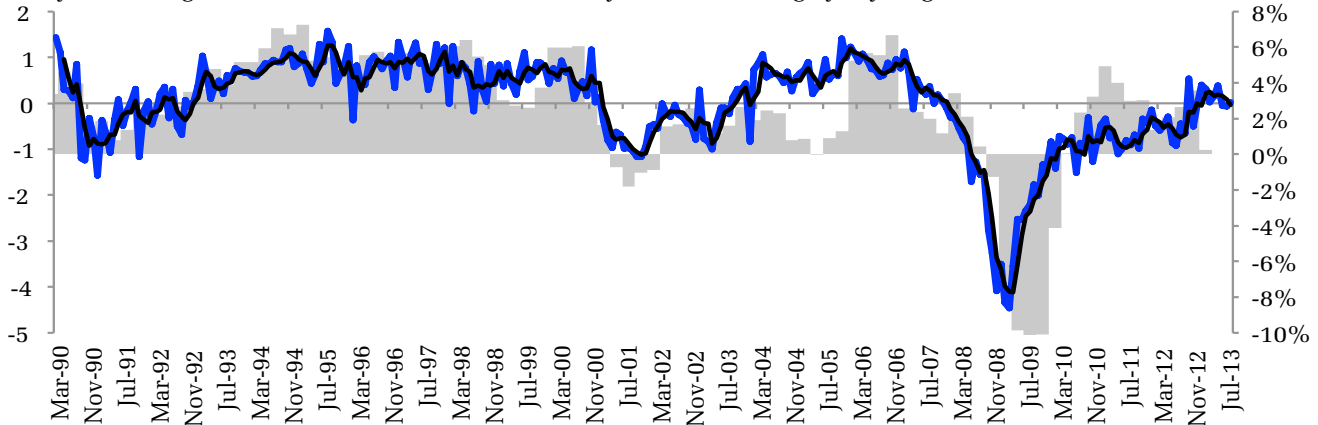
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## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

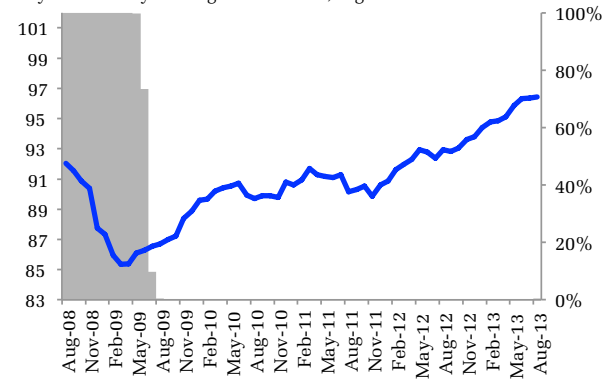
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

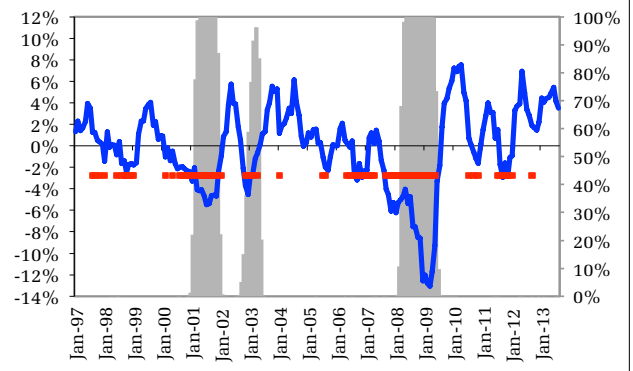


## UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

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

Gray: Probability of Oregon Recession, Right Axis



## University of Oregon Index of Economic Indicators – Summary and Components

	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
UO Index of Economic Indicators <sup>®</sup> 1997=100	94.8	95.1	95.8	96.3	96.4	96.4
Percentage Change	0.1	0.3	0.8	0.5	0.0	0.1
Oregon Initial Unemployment Claims, SA*	6,820	6,362	6,662	6,700	6,860	6,644
Oregon Employment Services Payrolls, SA	33,755	33,881	34,606	35,356	35,866	35,486
Oregon Residential Building Permits, SA, 5 MMA*	1,163	1,230	1,304	1,288	1,217	1,224
Oregon Weight Distance Tax, SA,	104.51	106.31	107.59	106.59	109.29	104.64
Oregon Manufacturing Average Weekly Hours, SA	41.48	41.43	41.31	41.43	40.87	41.12
U.S. Consumer Sentiment, SA, 5 MMA	78.0	76.8	79.1	80.2	81.7	82.4
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,691	41,127	41,969	42,394	40,979	41,618
Interest Rate Spread	1.82	1.61	1.82	2.21	2.49	2.66

