

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

Oregon economic indicators improved in December of 2012. The Oregon Measure of Economic Activity rose to -0.22, compared to a revised -0.76 in November. The three-month moving average improved to -0.46, where “zero” for this measure indicates the average growth rate over the 1990-present period. Both the manufacturing and services sectors contributed positively to the report. Construction was a drag as residential building permits retraced some recent gains (note that the level of activity in residential housing remains below normal). The household sector also weighed on the overall numbers, with weakness evident in consumer sentiment, a declining labor force, and the still high unemployment rate. Overall, the Oregon economy is growing near its average rate since 1990.

The University of Oregon Index of Economic Indicators™ edged up 0.1 percent in November, a third consecutive increase. Similar to November, initial unemployment claims and employment

services payrolls were largely unchanged. Residential building permits (smoothed with a five-month moving average) slipped, but continue to hover at near 1,000. Nondefense, nonaircraft capital orders gained again, suggesting that manufacturing growth will remain intact in the coming months. The interest rate spread rose as financial market participants became more confident in the economic outlook.

Combined, the two indexes indicate that Oregon is likely to continue to grow at a rate close to average. National growth remains a supportive force. Near-term risks include the possibility of excessive fiscal contraction and export softness from weak overseas trading partners, particularly Europe. Still, the housing market continues to improve, and this sector tends to be a leading indicator of overall activity. While fiscal policy will weigh on growth this year, it is most likely that the current economic expansion will continue at the, on average, subdued yet steady pace of recent quarters, both nationally and in Oregon.

Contributions to Oregon Measure of Economic Activity – Dec. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.00			
ISM Manufacturing: Supplier Deliveries Index	0.02			
Manufacturing Employment, Oregon	-0.11			
Hours, Manufacturing Production Workers, Oregon	0.15			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.01			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.17		
Construction Employment in Oregon		0.01		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.01	
Initial Unemployment Claims, Oregon			0.01	
Civilian Labor Force, Oregon			-0.08	
Unemployment Rate, Oregon			-0.10	
Interest Rate Spread			0.00	
S&P500 Stock Index			0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.12	
Educational and Health Services Employment, Oregon				0.01
Financial Activities Employment, Oregon				-0.18
Government Employment, Oregon				-0.01
Leisure and Hospitality Employment, Oregon				0.07
Professional and Business Services Employment, Oregon				-0.01
Other Services Employment, Oregon				0.06
Trade, Transportation and Utilities Employment, Oregon				0.22
Total By Sector	0.06	-0.16	-0.28	0.16
	Oct-12	Nov-12	Dec-12	
Oregon Measure of Economic Activity	-0.39	-0.76	-0.22	
Three-Month Moving Average	-0.37	-0.65	-0.46	



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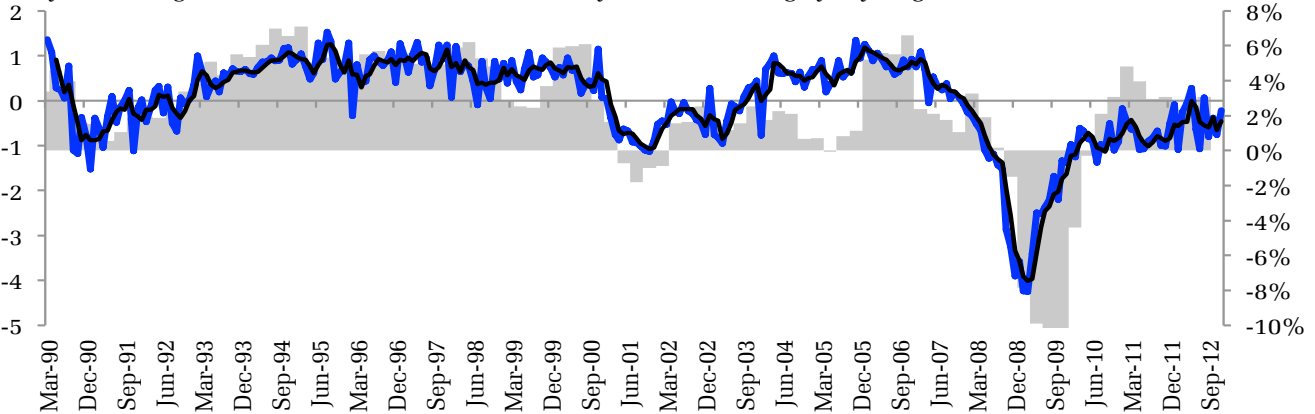
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

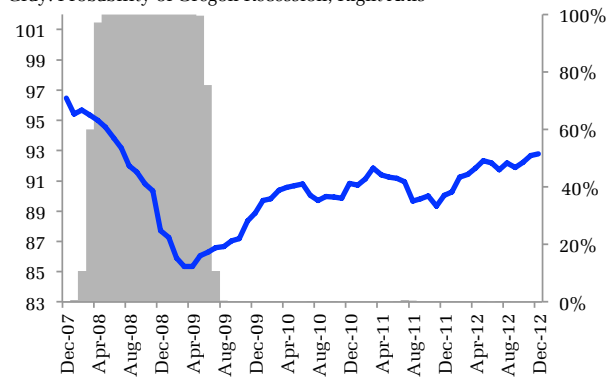
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

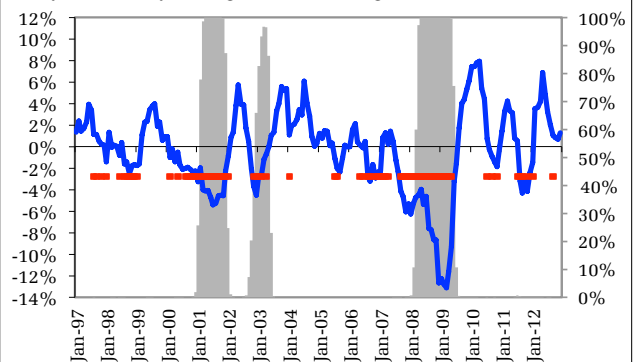


UO Index of Economic Indicators, % Change

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

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
UO Index of Economic Indicators, 1997=100	91.7	92.2	91.9	92.2	92.7	92.8
Percentage Change	-0.5	0.5	-0.3	0.4	0.5	0.1
Oregon Initial Unemployment Claims, SA*	8,097	7,285	7,665	7,327	7,342	7,320
Oregon Employment Services Payrolls, SA	31,427	31,573	29,728	29,851	29,468	29,469
Oregon Residential Building Permits, SA, 5 MMA*	874	938	991	987	1,035	1,011
Oregon Weight Distance Tax, SA,	104.25	102.75	102.27	101.33	103.06	105.19
Oregon Manufacturing Average Weekly Hours, SA	40.32	39.96	40.50	40.63	40.80	40.82
U.S. Consumer Sentiment, SA, 5 MMA	75.5	75.1	75.5	76.1	78.0	78.2
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	36,766	36,816	36,660	37,886	38,952	39,073
Interest Rate Spread	1.37	1.55	1.58	1.59	1.49	1.56