

STATE OF OREGON ECONOMIC INDICATORS™



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

DECEMBER 2013

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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 economy experienced continued gains in December. The Oregon Measure of Economic Activity rose to 0.37 in November, up from a revised 0.16 the previous month. The three-month moving average, which smooths month-to-month volatility in the measure, is 0.17 where “zero” for this measure indicates the average growth rate over the 1990–present period. Only the construction sector contributed negatively to the measure. Although construction activity is improving, the level of residential permits and the pace of employment growth in the sector both remain somewhat below average for the Oregon economy. Employment measures in the services sector supported a solid positive contribution for the month.

The University of Oregon Index of Economic Indicators™ gave up the previous month’s gains in December, dropping 0.6 percent. Initial unemployment claims reversed the November improvement but remain at a level consistent with ongoing job growth in Oregon. Residential

building permits (smoothed) were effectively unchanged in December; permitting activity leveled-out around 1,100 permits per month after rising to the 1,300 range earlier in the year. Likewise, core manufacturing (nondefense, nonaircraft capital goods) new orders and the weight distance tax, a measure of trucking activity, were also largely the same as November. Weekly hours worked in the Oregon manufacturing sector fell again and were down about an hour since last summer, but remain at a level consistent with continued economic expansion. The interest rate spread rose as improving expectations for U.S. economic growth sapped demand for longer-dated U.S. Treasuries.

Overall, the two indicators point to sustained expansion in Oregon at an average to somewhat above average pace of activity. The expansion has matured to a point where the UO Index may move sideways until the Oregon economy experiences acceleration in activity.

Contributions to Oregon Measure of Economic Activity–December 2013

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.06			
ISM Manufacturing: Supplier Deliveries Index	0.02			
Manufacturing Employment, Oregon	0.04			
Hours, Manufacturing Production Workers, Oregon	0.06			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.06			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.09		
Construction Employment in Oregon		-0.07		
Natural Resources and Mining Employment, Oregon		-0.03		
Employment Services Employment, Oregon			0.03	
Initial Unemployment Claims, Oregon			0.12	
Civilian Labor Force, Oregon			-0.03	
Unemployment Rate, Oregon			-0.01	
Interest Rate Spread			-0.05	
S&P500 Stock Index			0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.02	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				0.03
Government Employment, Oregon				0.13
Leisure and Hospitality Employment, Oregon				-0.03
Professional and Business Services Employment, Oregon				0.05
Other Services Employment, Oregon				0.19
Trade, Transportation and Utilities Employment, Oregon				0.02
Total By Sector	0.13	-0.19	0.05	0.38
	Oct-13	Nov-13	Dec-13	
Oregon Measure of Economic Activity	-0.02	0.16	0.37	
Three-Month Moving Average	-0.01	-0.02	0.17	



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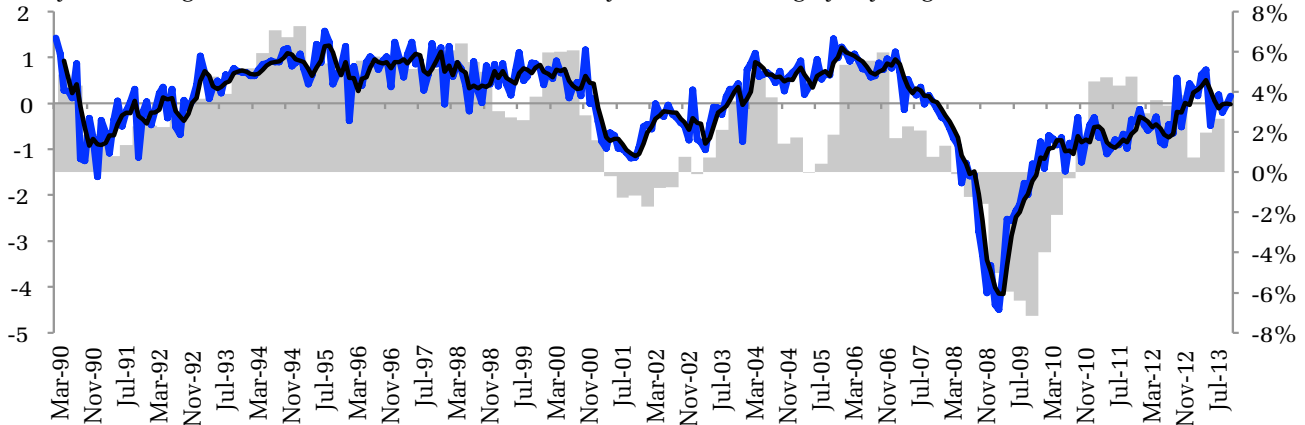
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 Released: February 12, 2014.

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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

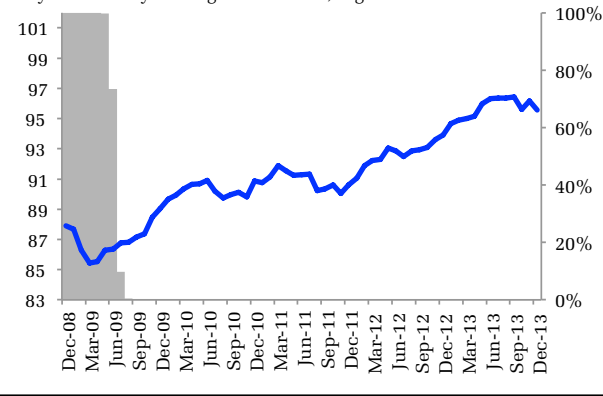
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

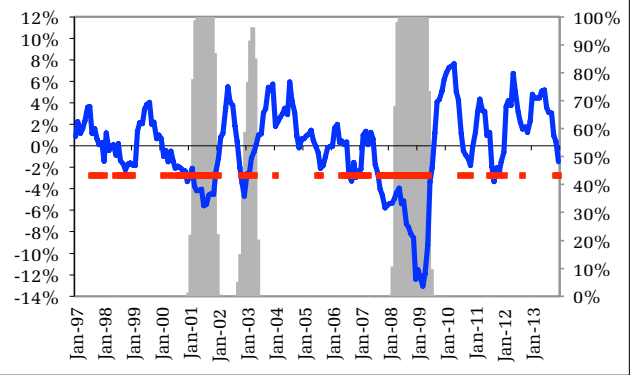


UO Index of Economic Indicators, % Change

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-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
UO Index of Economic Indicators [™] 1997=100	96.4	96.4	96.4	95.6	96.2	95.6
Percentage Change	0.1	0.0	0.1	-0.9	0.6	-0.6
Oregon Initial Unemployment Claims, SA*	6,770	6,694	6,350	6,317	5,610	6,444
Oregon Employment Services Payrolls, SA	35,658	35,706	35,080	34,153	34,494	34,822
Oregon Residential Building Permits, SA, 5 MMA*	1,209	1,208	1,120	1,122	1,119	1,089
Oregon Weight Distance Tax, SA,	109.42	103.85	109.24	106.36	110.05	109.07
Oregon Manufacturing Average Weekly Hours, SA	40.89	41.14	41.21	40.74	40.84	40.20
U.S. Consumer Sentiment, SA, 5 MMA	81.7	82.4	82.7	80.4	78.6	78.1
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,898	41,363	40,758	40,479	41,684	41,367
Interest Rate Spread	2.49	2.66	2.73	2.53	2.64	2.79

