

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

Economic indicators were mixed in February 2012. The Oregon Measure of Economic Activity fell sharply from -0.07 in January 2012 (revised down from 0.06) to -1.32, where zero indicates the average growth established over the 1990–2011 period. The three-month moving average also fell slightly to -0.62. Only the manufacturing sector made a net positive contribution to the measure, while the construction, household, and service sectors remain a drag. Underlying employment data was a significant drag on the measure, a consequence of the surprisingly weak nonfarm payroll numbers. Upward revisions, however, may occur in the future, as employment data appears too weak relative to real personal income growth, which was 3.1 percent in the final quarter of 2011, slightly above the long-run average.

In contrast, the University of Oregon Index of Economic Indicators™ rose 1.1 percent

during the month. Underlying indicators were generally stronger. Initial unemployment claims retreated as expected from a spike in January. Core-manufacturing orders partially reversed a decline in the previous month. The weight distance tax, a measure of trucking activity, rebounded to its highest level since last October. Consumer sentiment continued to rebound, while residential building permits held steady.

Compared to six months ago, the UO Index rose 3.3 percent, a rate that suggests continued growth in Oregon in 2012. Likewise, the flow of national data is generally consistent with steady growth, although the pace remains below that necessary to quickly return economic activity to its pre-recession trend. The risk of financial disruption from the European crisis appears to be relatively low at the moment, whereas questions about the impact of higher oil prices remain.

Contributions to Oregon Measure of Economic Activity – Feb. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.04			
ISM Manufacturing: Supplier Deliveries Index	-0.04			
Manufacturing Employment, Oregon	0.02			
Hours, Manufacturing Production Workers, Oregon	0.06			
Port of Portland, Ton Equivalent Units	-0.02			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.19		
Construction Employment in Oregon		-0.33		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.03	
Initial Unemployment Claims, Oregon			-0.02	
Civilian Labor Force, Oregon			-0.03	
Unemployment Rate, Oregon			-0.13	
Interest Rate Spread			-0.01	
S&P500 Stock Index			0.03	
Consumer Sentiment, University of Michigan - Reuters			-0.09	
Educational and Health Services Employment, Oregon				-0.04
Financial Activities Employment, Oregon				-0.09
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				0.00
Professional and Business Services Employment, Oregon				-0.16
Other Services Employment, Oregon				-0.11
Trade, Transportation and Utilities Employment, Oregon				-0.23
Total By Sector	0.05	-0.52	-0.23	-0.62
	Dec-11	Jan-12	Feb-12	
Oregon Measure of Economic Activity	-0.47	-0.07	-1.32	
Three-Month Moving Average	-0.80	-0.51	-0.62	



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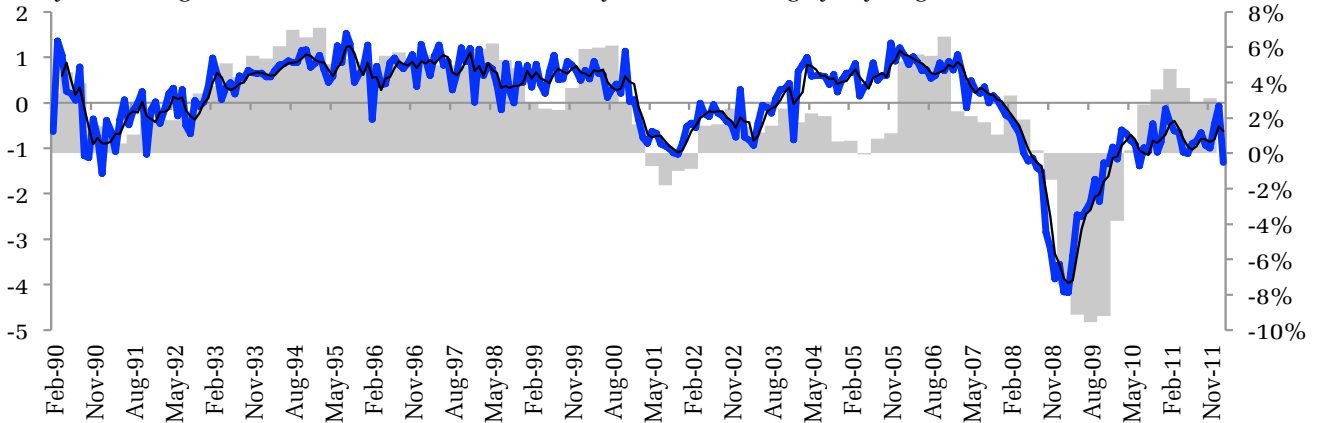
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

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

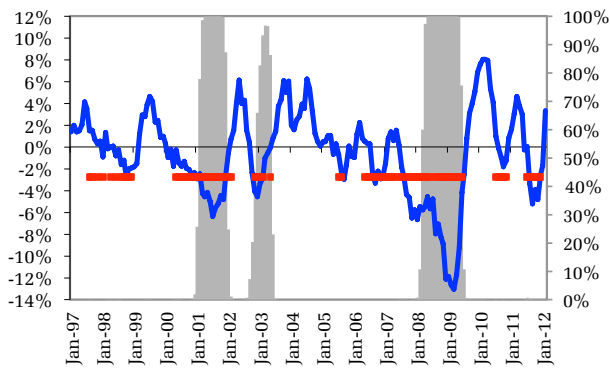


UO Index of Economic Indicators, % Change

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

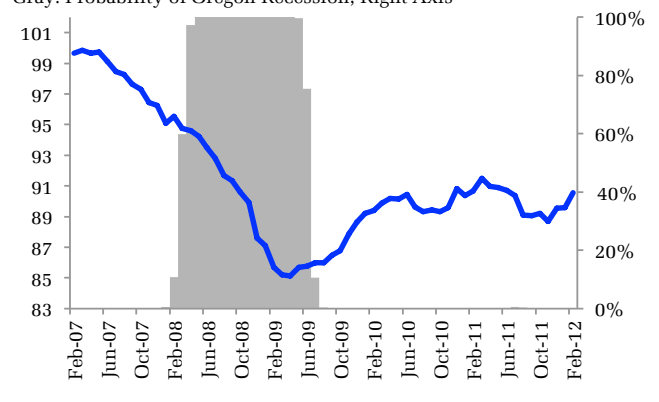


Table 2: UO Index of Economic Indicators – Summary and Components

	Sept-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
University of Oregon Index of Economic Indicators™, 1997=100	89.1	89.2	88.7	89.5	89.6	90.6
Percentage Change	0.0	0.1	-0.6	0.9	0.1	1.1
Oregon Initial Unemployment Claims, SA*	8,549	8,431	8,346	7,683	8,776	8,127
Oregon Employment Services Payrolls, SA	31,103	30,622	30,366	31,166	31,062	31,332
Oregon Residential Building Permits, SA, 5 MMA*	624	691	726	722	766	759
Oregon Weight Distance Tax, SA,	103.85	107.37	102.84	104.20	102.92	106.82
U.S. Consumer Sentiment, SA, 5 MMA	64.9	62.2	60.8	62.0	65.9	69.0
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	42,516	42,145	41,512	42,901	41,161	41,622
Interest Rate Spread	1.90	2.08	1.93	1.91	1.89	1.87