

# 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 activity continued to improve in January 2012. The Oregon Measure of Economic Activity gained from -0.45 in December 2011 (revised from -0.28) to 0.06, where zero indicates the average growth established over 1990 through 2011. The three-month moving average also rose, and now stands at -0.47. Similar to the previous month, manufacturing and services sectors made positive contributions to the measure, while the construction and household sectors remain a drag. The low level of building permits relative to the past continues to be a drag on the measure. Compared to previous trends, most of the components of the household sector also remain weak.

The University of Oregon Index of Economic

Indicators™ edged up slightly during the month. Indicators were mixed. Initial unemployment claims rose sharply, but this looks like a temporary spike in the data that will be reversed in February. Core-manufacturing orders dropped sharply, potentially signaling the importance of business-tax credits in supporting investment activity at the end of last year. Consumer sentiment continued to rebound.

Compared to six months ago, the UO Index has fallen 1.8 percent (annualized), a second consecutive monthly improvement. This brings the decrease above the -2.75 percent level associated with Oregon recessions in the past. This suggests continued growth in 2012. Note, however, that recent increases in oil prices are likely to weigh on household budgets, sapping some strength from growth.

### Contributions to Oregon Measure of Economic Activity –Jan. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.02			
ISM Manufacturing: Supplier Deliveries Index	0.01			
Manufacturing Employment, Oregon	0.21			
Hours, Manufacturing Production Workers, Oregon	0.14			
Port of Portland, Ton Equivalent Units	0.02			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.18		
Construction Employment in Oregon		-0.04		
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			-0.13	
Interest Rate Spread			-0.01	
S&P500 Stock Index			0.03	
Consumer Sentiment, University of Michigan - Reuters			-0.10	
Educational and Health Services Employment, Oregon				0.02
Financial Activities Employment, Oregon				0.18
Government Employment, Oregon				0.01
Leisure and Hospitality Employment, Oregon				0.04
Professional and Business Services Employment, Oregon				-0.01
Other Services Employment, Oregon				-0.11
Trade, Transportation and Utilities Employment, Oregon				0.11
<b>Total By Sector</b>	<b>0.39</b>	<b>-0.21</b>	<b>-0.36</b>	<b>0.24</b>
	Nov-11	Dec-11	Jan-12	
Oregon Measure of Economic Activity	-1.02	-0.45	0.06	
Three-Month Moving Average	-0.88	-0.81	-0.47	



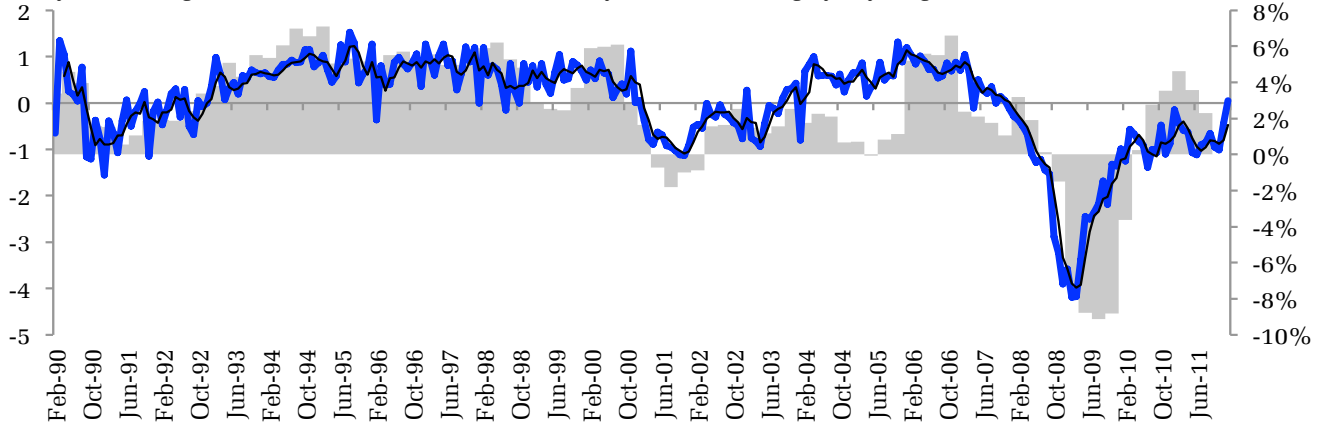
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**Oregon Measure of Economic Activity**

Black: Three Month Moving Average, Left Axis

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

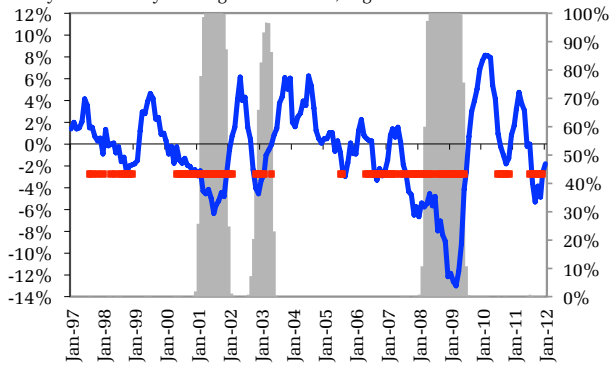


**UO Index of Economic Indicators, % Change**

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

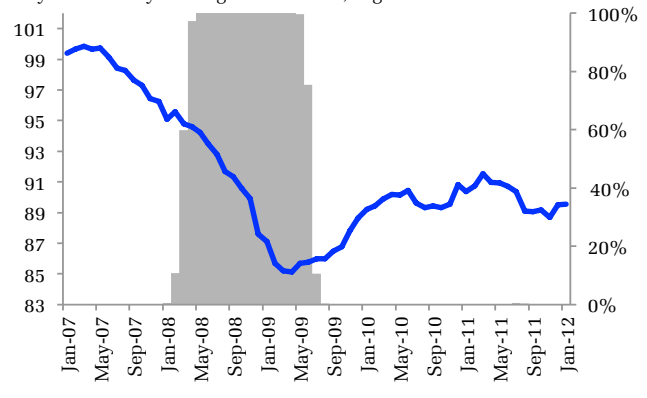


Table 2: UO Index of Economic Indicators – Summary and Components

	Aug-11	Sept-11	Oct-11	Nov-11	Dec-11	Jan-11
University of Oregon Index of Economic Indicators™, 1997=100	89.1	89.1	89.2	88.7	89.5	89.6
Percentage Change	-1.4	-0.1	0.1	-0.6	0.9	0.0
Oregon Initial Unemployment Claims, SA*	8,631	8,563	8,449	8,369	7,679	8,805
Oregon Employment Services Payrolls, SA	31,394	31,114	30,635	30,364	31,117	30,936
Oregon Residential Building Permits, SA, 5 MMA*	589	622	688	725	720	766
Oregon Weight Distance Tax, SA,	99.92	103.81	107.38	102.58	104.06	103.45
U.S. Consumer Sentiment, SA, 5 MMA	67.0	64.9	62.2	60.8	62.0	65.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	42,027	42,516	42,145	41,512	42,855	40,782
Interest Rate Spread	2.20	1.90	2.08	1.93	1.91	1.89