

# STATE OF OREGON ECONOMIC INDICATORS™



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

JANUARY 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

Oregon economic indicators continued to improve in the first month of 2013. The Oregon Measure of Economic Activity rose to 0.49, compared to a revised -0.23 in December. The gain was driven in part by a large contribution from the financial services employment component. Often, such unusual gains are revised downward in subsequent reports. The three-month moving average, which smooths month-to-month volatility, improved to -0.14 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. Within the manufacturing sector, employment and hours worked components made solid contributions. The declining labor force and the still high unemployment rate continue to weigh on the household sector. Overall, the Oregon economy is growing near its average rate since 1990.

The University of Oregon Index of Economic Indicators™ gained 0.7 percent in January, a fourth

consecutive increase. Initial unemployment claims were largely unchanged while employment services payrolls edged upward. Residential building permits (smoothed with a five-month moving average) reversed December’s decline and continue to hover just below 1,000. Nondefense, nonaircraft capital orders rose, extending a string of increases that began in October, a welcome improvement that reversed the sudden and sharp decline earlier in 2012. The interest rate spread rose to its highest level since last April as the economic outlook improved.

The two indexes point toward continued growth in Oregon; the patterns of recent improvement suggest the economy will improve further as 2013 progresses. National growth is expected to remain supportive. A rebounding housing market and supportive monetary policy point toward continued U.S. economic gains, although fiscal contraction (higher taxes and lower spending) will likely weigh on activity in the first half of this year.

### Contributions to Oregon Measure of Economic Activity – Jan. 2013

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.03			
ISM Manufacturing: Supplier Deliveries Index	0.01			
Manufacturing Employment, Oregon	0.16			
Hours, Manufacturing Production Workers, Oregon	0.20			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.07			
Manufacturing Exports, Oregon	-0.06			
New Private Housing Units Authorized By Building Permit, Oregon		-0.07		
Construction Employment in Oregon		-0.10		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.04	
Initial Unemployment Claims, Oregon			0.08	
Civilian Labor Force, Oregon			-0.09	
Unemployment Rate, Oregon			-0.10	
Interest Rate Spread			-0.01	
S&P500 Stock Index			0.03	
Consumer Sentiment, University of Michigan - Reuters			-0.06	
Educational and Health Services Employment, Oregon				-0.03
Financial Activities Employment, Oregon				0.40
Government Employment, Oregon				-0.02
Leisure and Hospitality Employment, Oregon				0.08
Professional and Business Services Employment, Oregon				-0.01
Other Services Employment, Oregon				0.15
Trade, Transportation and Utilities Employment, Oregon				-0.02
<b>Total By Sector</b>	<b>0.22</b>	<b>-0.16</b>	<b>-0.11</b>	<b>0.53</b>
	Nov-12	Dec-12	Jan-13	
Oregon Measure of Economic Activity	-0.69	-0.23	0.49	
Three-Month Moving Average	-0.46	-0.31	-0.14	



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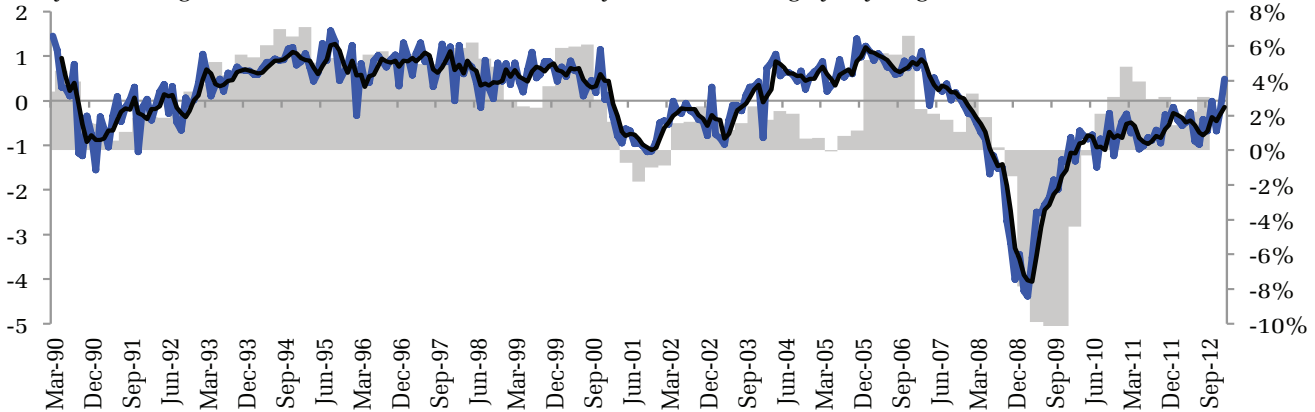
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 Released: March 18, 2013.

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## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

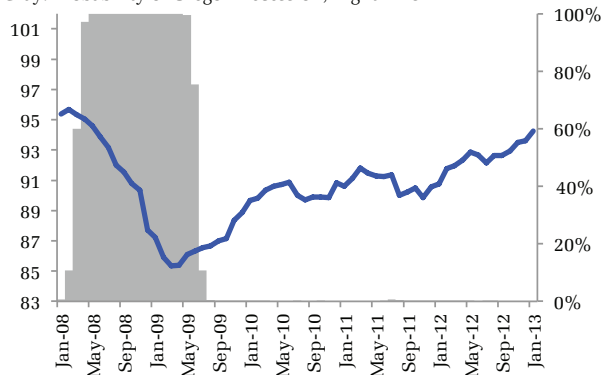
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

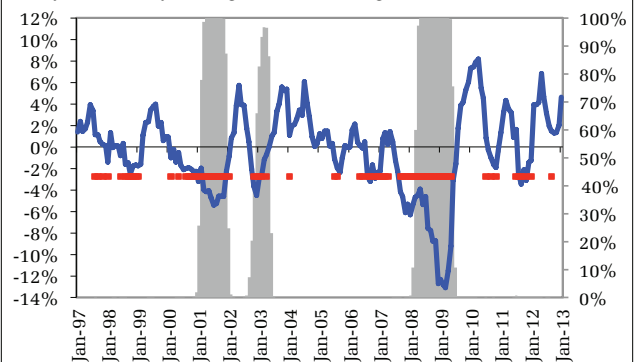


## UO Index of Economic Indicators, % Change

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

	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13
UO Index of Economic Indicators, 1997=100	92.6	92.6	92.9	93.5	93.6	94.3
Percentage Change	0.5	0.0	0.3	0.6	0.2	0.7
Oregon Initial Unemployment Claims, SA*	7,284	7,659	7,321	7,332	7,320	7,368
Oregon Employment Services Payrolls, SA	33,595	32,819	32,900	32,737	32,825	33,338
Oregon Residential Building Permits, SA, 5 MMA*	938	992	990	1,041	1,019	1,053
Oregon Weight Distance Tax, SA,	102.85	102.40	101.47	103.06	105.19	103.64
Oregon Manufacturing Average Weekly Hours, SA	39.96	40.50	40.55	40.83	41.04	41.24
U.S. Consumer Sentiment, SA, 5 MMA	75.1	75.5	76.1	78.0	78.2	79.0
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	36,906	36,728	37,863	39,026	38,720	41,487
Interest Rate Spread	1.55	1.58	1.59	1.49	1.56	1.77