

# STATE OF OREGON ECONOMIC INDICATORS™



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

JULY 2012

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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 were generally weaker in July, although some of the weakness will be temporary. The Oregon Measure of Economic Activity fell to -1.03 from -0.66 in June (“zero” for this measure indicates the average growth rate over the 1990-present period). The less volatile moving-average measure declined to -0.46. While on the surface this may seem to indicate that Oregon’s economy slowed sharply, the July numbers were heavily influenced by an unusual drag from activity at the Port of Portland. This measure was negatively impacted by a labor dispute, which will also likely affect the August numbers as well. Thus, the decline should be interpreted as temporary and not indicative of a sharp change in the Oregon economy. After accounting for this temporary factor, the measure suggests Oregon is growing near its average growth rate of the last two decades.

The University of Oregon Index of Economic Indicators™ fell 0.7 percent in July, extending June’s decline. Of the seven components in the UO Index, six either deteriorated or were flat for the month. Residential building permits (smoothed with a five

month-moving average) gained, rebounding from a decline in June, while the Oregon weight distance tax, a measure of trucking activity continued to hold steady. Initial unemployment claims rose, mimicking a summer uptick in national claims data. Nondefense, nonaircraft capital orders declined for the second month as slowing global growth continued to weigh on the manufacturing sector. Consumer confidence edged down while the interest rate spread narrowed.

Data flow this summer is showing some of the same softness seen in the past two summers; in neither case did that softness evolve into a recession. Moreover, the UO Index is 3.3 percent (annualized) higher over the past six months, an indication of continued growth. To be sure, numerous downside risks remain. Notably, the global economy remains under pressure from slowing activity in China and the impacts of the ongoing European economic crisis. Moreover, uncertainty about the path of fiscal policy in 2013 is not likely to be addressed until after the upcoming Presidential election. The baseline scenario remains steady but relatively slow growth for the national economy, with Oregon following a similar trajectory.

## Contributions to Oregon Measure of Economic Activity – July 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.02			
ISM Manufacturing: Supplier Deliveries Index	-0.04			
Manufacturing Employment, Oregon	-0.10			
Hours, Manufacturing Production Workers, Oregon	0.07			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.44			
Manufacturing Exports, Oregon	0.02			
New Private Housing Units Authorized By Building Permit, Oregon		-0.14		
Construction Employment in Oregon		0.18		
Natural Resources and Mining Employment, Oregon		-0.06		
Employment Services Employment, Oregon			-0.07	
Initial Unemployment Claims, Oregon			-0.06	
Civilian Labor Force, Oregon			-0.10	
Unemployment Rate, Oregon			-0.12	
Interest Rate Spread			0.01	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.12	
Educational and Health Services Employment, Oregon				-0.06
Financial Activities Employment, Oregon				0.09
Government Employment, Oregon				0.03
Leisure and Hospitality Employment, Oregon				0.03
Professional and Business Services Employment, Oregon				0.11
Other Services Employment, Oregon				-0.25
Trade, Transportation and Utilities Employment, Oregon				0.02
<b>Total By Sector</b>	<b>-0.51</b>	<b>-0.03</b>	<b>-0.44</b>	<b>-0.05</b>
	May-12	Jun-12	Jul-12	
Oregon Measure of Economic Activity	0.29	-0.66	-1.03	
Three-Month Moving Average	-0.01	-0.14	-0.46	



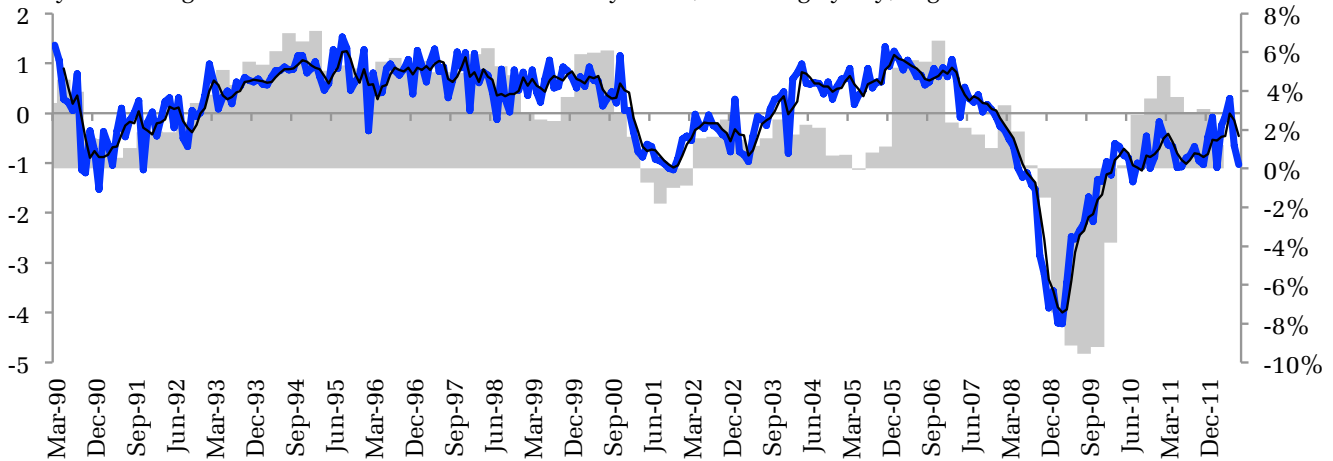
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## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

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

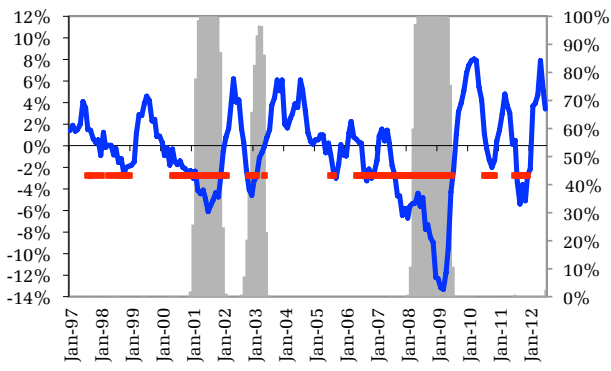


## UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

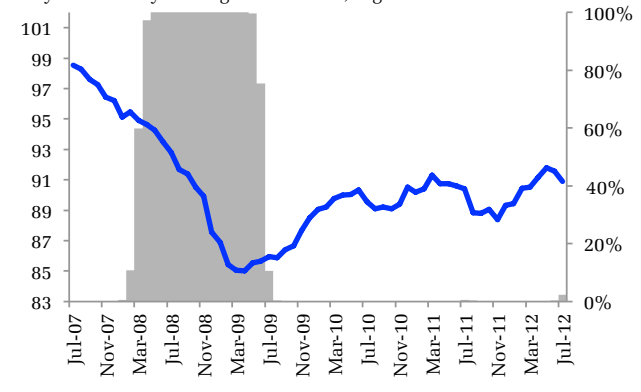
Gray: Probability of Oregon Recession, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis



## University of Oregon Index of Economic Indicators – Summary and Components

	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
University of Oregon Index of Economic Indicators™, 1997=100	90.5	90.5	91.1	91.8	91.6	90.9
Percentage Change	1.2	0.1	0.7	0.7	-0.2	-0.7
Oregon Initial Unemployment Claims, SA*	8,105	8,250	7,673	7,401	7,446	8,084
Oregon Employment Services Payrolls, SA	31,399	31,397	31,524	31,455	31,940	31,149
Oregon Residential Building Permits, SA, 5 MMA*	752	736	754	842	824	852
Oregon Weight Distance Tax, SA,	106.09	102.51	104.50	104.69	104.97	104.66
U.S. Consumer Sentiment, SA, 5 MMA	69.0	72.1	74.6	76.5	76.1	75.5
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	41,057	40,029	39,367	40,211	39,036	37,402
Interest Rate Spread	1.87	2.04	1.91	1.64	1.46	1.37