

# 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

Oregon’s economy continues to grow at its average pace since 1990. The Oregon Measure of Economic Activity rose to 0.20 in July from an upwardly revised -0.05 the previous month. The three-month moving average, which smooths month-to-month volatility in the measure, stands at 0.18 where “zero” for this measure indicates the average growth rate over the 1990-present period. High levels of hours worked in manufacturing, although down a bit in July, still make a significant positive contribution to the measure. Housing activity is stronger, and now is only a mild negative weight on the measure, but construction employment growth remains slow. As the sector continues to improve, additional hiring should follow. The services sector made a net positive contribution to the index, while the household sector’s contribution was effectively neutral.

The University of Oregon Index of Economic Indicators™ rose 0.1 percent in July; the UO index has not decreased since September 2012.

Initial unemployment claims edged up but signal continued job growth. Employment services payrolls, largely temporary employees, rose and are now 8.8% higher than year-ago levels, suggesting improving economic conditions are prompting firms to explore adding additional workers. Residential building permits (smoothed) edged down and have been hovering in the 1,200–1,300 range for four months. Core manufacturing (nondefense, nonaircraft capital goods) orders slipped while the Oregon weight-distance tax, a measure of trucking activity, rose. Consumer sentiment continues to climb, supported by a declining unemployment rate. The interest rate spread widened further; traditionally, a steeper yield curve is associated with improving growth prospects as market participants begin to anticipate tighter monetary policy.

Overall, the two indicators point to sustained expansion in Oregon at an average pace of activity.

### Contributions to Oregon Measure of Economic Activity – July 2013

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.11			
ISM Manufacturing: Supplier Deliveries Index	-0.01			
Manufacturing Employment, Oregon	0.01			
Hours, Manufacturing Production Workers, Oregon	0.15			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.05			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.06		
Construction Employment in Oregon		-0.19		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.03	
Initial Unemployment Claims, Oregon			0.05	
Civilian Labor Force, Oregon			-0.04	
Unemployment Rate, Oregon			-0.07	
Interest Rate Spread			-0.04	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			0.00	
Educational and Health Services Employment, Oregon				-0.05
Financial Activities Employment, Oregon				-0.12
Government Employment, Oregon				-0.07
Leisure and Hospitality Employment, Oregon				0.21
Professional and Business Services Employment, Oregon				0.07
Other Services Employment, Oregon				0.10
Trade, Transportation and Utilities Employment, Oregon				0.13
<b>Total By Sector</b>	<b>0.22</b>	<b>-0.24</b>	<b>-0.05</b>	<b>0.27</b>
	May-13	Jun-13	Jul-13	
Oregon Measure of Economic Activity	0.39	-0.05	0.20	
Three-Month Moving Average	0.19	0.17	0.18	



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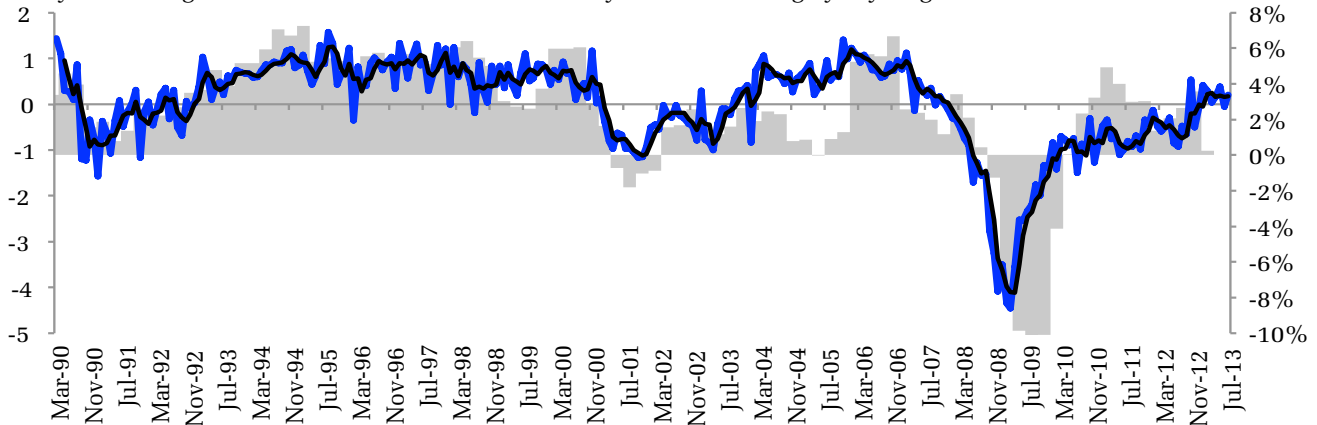
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## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

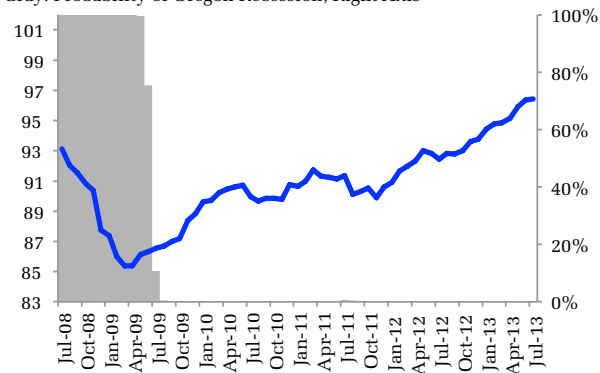
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

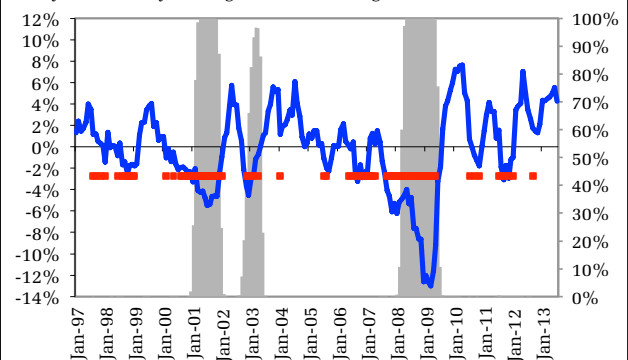


## UO Index of Economic Indicators, % Change

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

	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
UO Index of Economic Indicators <sup>®</sup> , 1997=100	94.8	94.9	95.1	95.9	96.3	96.4
Percentage Change	0.4	0.1	0.3	0.8	0.4	0.1
Oregon Initial Unemployment Claims, SA*	7,008	6,820	6,370	6,660	6,697	6,868
Oregon Employment Services Payrolls, SA	33,649	33,744	33,872	34,607	35,404	36,051
Oregon Residential Building Permits, SA, 5 MMA*	1,142	1,157	1,225	1,302	1,284	1,231
Oregon Weight Distance Tax, SA,	105.98	104.98	106.90	108.73	106.86	109.63
Oregon Manufacturing Average Weekly Hours, SA	41.36	41.49	41.44	41.32	41.44	40.88
U.S. Consumer Sentiment, SA, 5 MMA	78.8	78.0	76.8	79.1	80.2	81.7
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,281	40,691	41,127	41,969	42,394	40,708
Interest Rate Spread	1.83	1.82	1.61	1.82	2.21	2.49

