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JUNE 2009

Analysis

The University of Oregon Index of Economic Indicators™ fell 0.9 percentage points in June to 84.2 (1997=100). The decline in the index was entirely attributable to two factors—ongoing declines in residential building permits and employment services payrolls. Remaining indicators all improved during the month. While the continuing decline of the UO Index indicates that the Oregon economy remained in recession in June, the steady improvement in the pace of decline compared to six months ago suggests that the recession will end during the second half of this year.

Labor market data was again mixed. Initial jobless claims drifted down again, evidence of continued improvement in the pace of labor market deterioration, especially compared to the surge in layoff during the final months of 2008. Still, initial claims are at a level consistent with further declines in nonfarm payrolls. Indeed, payrolls in the employment services sector—dominated by

temporary help agencies—posted a sharp decline, disappointing news considering the lessening pace of declines the previous two months. Moreover, overall nonfarm payrolls (not included in the index) fell by 7,200 in June, a return to significant job loss after the smaller 1,600 loss of the previous month. The job market remains very weak.

Residential housing permits (smoothed) continued to decline, falling to just 469. Compared with typical summer activity, residential construction is anemic. The Oregon weight-distance tax (smoothed) improved during the month as trucking activity firmed. New orders for nondefense nonaircraft capital goods, adjusted for inflation, rose again in June, further evidence that business spending has stabilized. Likewise, U.S. consumer confidence (smoothed) continued to firm in June, and while the level remains consistent with weak spending growth, it is a reversal from the steep drops posted in the second half of last year.

The Oregon economy likely remained in recession in June. Still, the pace of deterioration continues to slow; the six-month annualized change in the index

improved significantly over the past three months, from -11.8 percent in March to -4.5 percent in June. Similar improvement signaled an impending end to the 2001 recession. The caveats noted in last month's release remain in play. The UO Index has not yet turned upward, and 6-month change remains well below rates normally consistent with economic expansions, and more than half of the index components remain below six month ago levels. Finally, the persistent weakness in initial claims and nonfarm payrolls is consistent with concerns that even in recovery, economic growth will be sluggish and insufficient to generate significant job growth, thereby setting the stage for another jobless recovery.

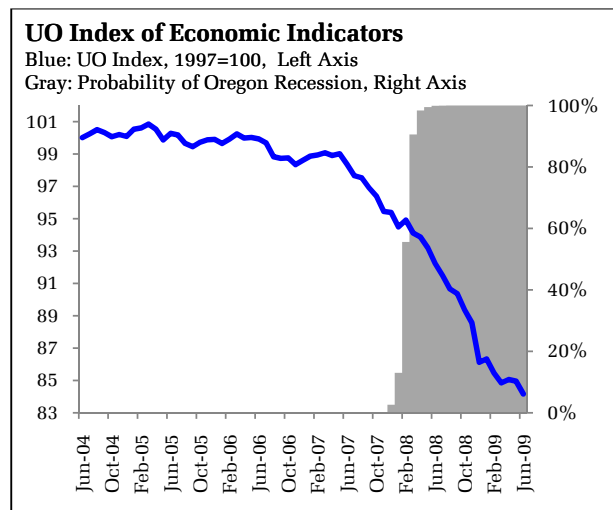


Table 1: Summary Measures

	2009					
	Jan.	Feb.	Mar.	Apr.	May	Jun.
University of Oregon Index of Economic Indicators™, 1997=100	86.3	85.5	84.8	85.1	85.0	84.2
Percentage Change	0.2	-1.0	-0.7	0.2	-0.1	-0.9
Diffusion Index	64.3	28.6	28.6	57.1	64.3	64.3
6-Month Percentage Change, Annualized	-11.0	-11.1	-11.8	-9.4	-8.0	-4.5
6-Month Diffusion Index	14.3	14.3	14.3	0.0	21.4	42.9



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Methodology and Notes

The methodology employed in creating the University of Oregon Index of Economic Indicators is identical to that used by The Conference Board, an independent, not-for-profit research organization, in the computation of the U.S. Leading Index. For information, see www.globalindicators.org.

The UO Index is a leading indicator as the economy transitions from expansion to recession. Steep declines in the UO Index are recorded during periods of economic stress, signaling diminishing prospects for growth. Rising values of the UO Index tend to coincide with the end of a recession. As a general rule, a decline in the index of greater than 2.5 percent (annualized) over six months, coupled with a decline in more than half of its components, signals that a recession is likely imminent. Using the rule, the index signaled an impending recession in October 2000; a business cycle dating procedure developed by Jeremy Piger, a University of Oregon associate professor, indicates Oregon entered recession in November of 2000. Similarly, the UO Index suffered a sharp drop as Oregon reentered recession in 2003.

The general rule, however, should be used judiciously. Using the rule the UO Index indicated recession for a single month in 1998 during the Asian financial crisis. More recently, the UO Index sent recessionary warnings in the middle of 2006, well before Oregon actually slipped into recession in April 2008. Moreover, no single variable is capable of decisively determining the state of the business cycle. Consequently, the UO Index of Economic Indicators is best considered as another tool in assessing the economy.

Sources: The Conference Board, Oregon Department of Transportation, Oregon Employment Department, Federal Reserve Bank of St. Louis, Bureau of Labor Statistics, Census Bureau, and the author's calculations.

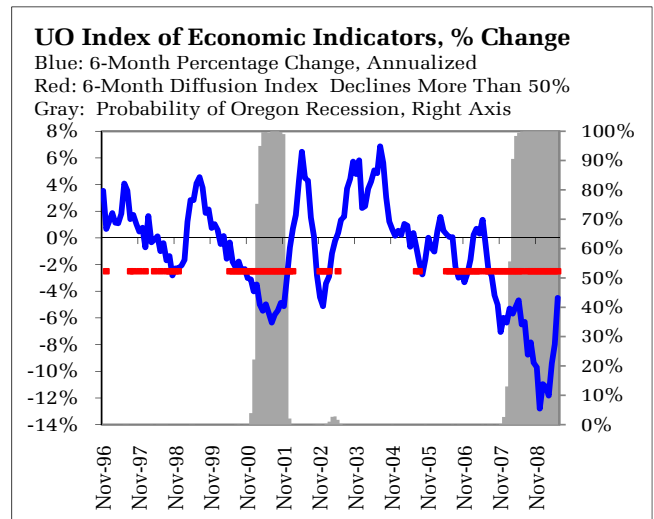
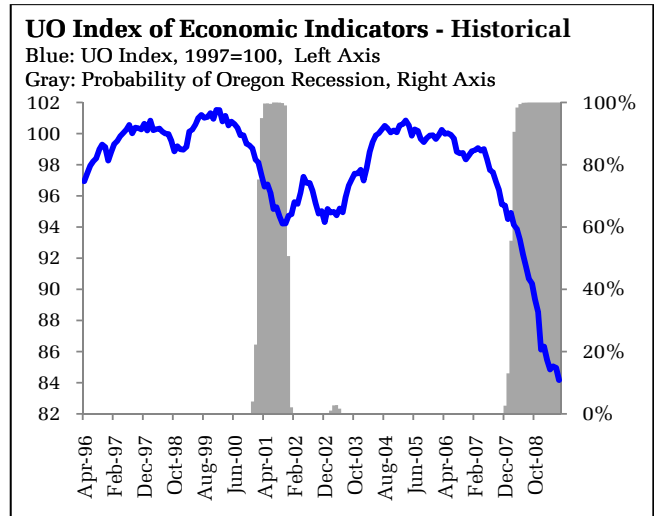


Table 2: Index Components

	2009					
	Jan.	Feb.	Mar.	Apr.	May	Jun.
Oregon Initial Unemployment Claims, SA*	13,865	14,679	13,820	12,564	12,308	11,915
Oregon Employment Services Payrolls, SA	29,833	28,809	27,870	27,134	26,936	25,969
Oregon Residential Building Permits, SA, 5 MMA*	947	918	836	766	672	469
Oregon Weight Distance Tax, \$ Thousands, SA, 3 MMA	18,387	17,747	17,424	18,285	17,441	17,966
Univ. of Michigan U.S. Consumer Confidence, 5 MMA	60.9	58.1	58.0	60.0	61.7	63.6
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	30,978	32,242	31,840	30,746	32,104	32,388
Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds Rate	2.37	2.65	2.64	2.78	3.11	3.51

* SA—seasonally adjusted; MMA—month moving average

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The goal of the University of Oregon Index of Economic Indicators™ is to create a summary measure of various data that pertain to the Oregon economy.