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MARCH 2009

Analysis

The University of Oregon Index of Economic Indicators™ fell 0.6 percentage points in March to 84.9 (1997=100). Some indicators—Oregon initial jobless claims, U.S. consumer confidence, and core capital goods orders—point to a slower rate of decline compared to the sharp drop-off experienced at the end of 2008. Still, overall the UO Index indicates that the Oregon economy remains in recession.

Indicators measuring the Oregon labor market were mixed. Initial jobless claims fell during March, reversing the previous month's increase. Initial claims remain below the peak reached in December 2008, suggesting that the pace of labor market deterioration has slowed. Still, the level of initial claims remains consistent with ongoing declines in nonfarm payrolls. Indeed, payrolls in the employment services sector, primarily temporary employment agencies, declined again and are now down 28 percent from year-ago levels. Overall, nonfarm

payrolls (not included in the index) fell by 14,000 jobs during March, compared to a 22,800 decline the previous month.

Residential housing permits (smoothed) fell to a monthly rate of 836 in March, breaking through the bottom of the roughly 900–1,000 range it has been tracking for the past several months. Clearly, the decline in residential housing continues; lower mortgage rates and lower prices are so far insufficient to offset the trend of tighter underwriting conditions and foreclosures that rise along with Oregon's unemployment rate. New orders for nondefense nonaircraft capital goods, adjusted for inflation, rose in March for the second month, raising the possibility of firming investment demand in the months ahead. U.S. consumer confidence (smoothed) was effectively unchanged during March; although confidence remains at levels consistent with negative consumption growth compared to last year, the recent stability is welcome. Indeed, on a positive note, the recently release GDP report revealed consumption spending rose during the first quarter of 2009. The yield spread—the difference

between short- and long-term interest rates—remained effectively unchanged.

The continued decline of the UO Index, coupled with its depth—down 11.7 percent (annualized)—over the past six months, indicates the Oregon economy is likely to remain in recession for the foreseeable future (three to six months). Still, stability in some indicators is consistent with a slower rate of decline, setting the stage for firmer growth in the latter half of the year as the impact of fiscal stimulus grows. The strength of the recovery, however, remains in question as economic activity adjusts to the structural shock related to the housing market decline.

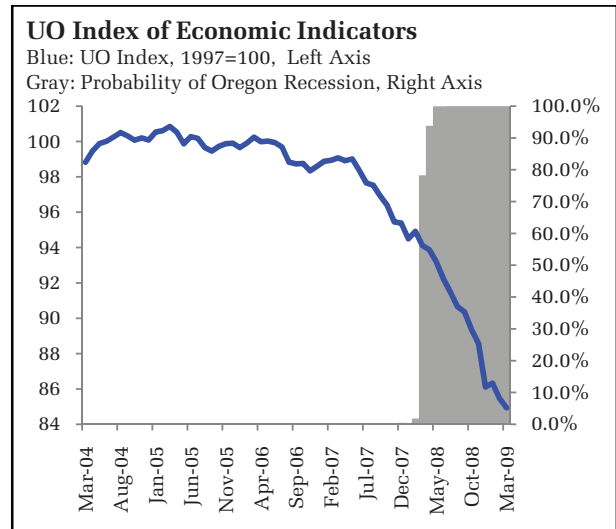


Table 1: Summary Measures

	2008			2009		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
University of Oregon Index of Economic Indicators™, 1997=100	89.4	88.6	86.1	86.3	85.5	84.9
Percentage Change	-1.1	-0.9	-2.8	0.2	-1.0	-0.6
Diffusion Index	21.4	50.0	7.1	64.3	28.6	42.9
6-Month Percentage Change, Annualized	-9.4	-9.7	-12.8	-11.0	-11.1	-11.7
6-Month Diffusion Index	14.3	14.3	14.3	14.3	14.3	14.3



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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.

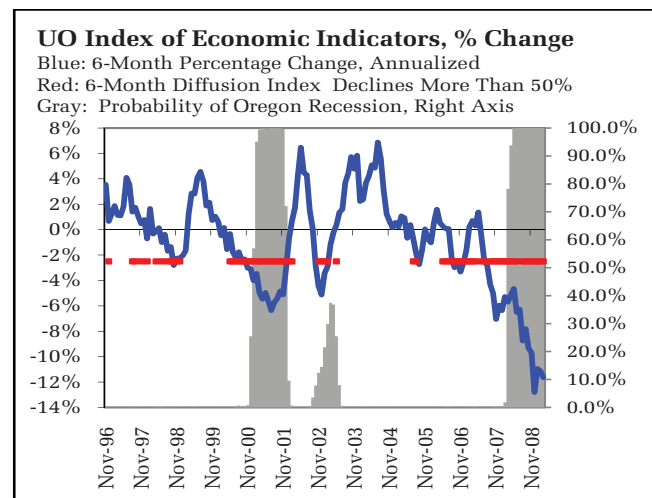
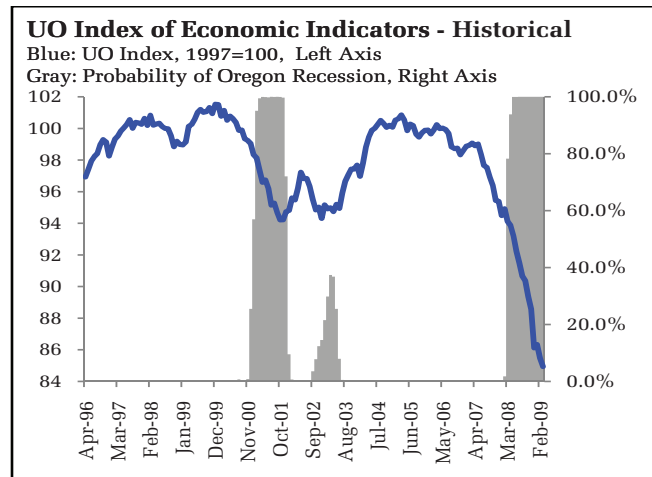


Table 2: Index Components

	2008			2009		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Oregon Initial Unemployment Claims, SA*	10,780	13,615	15,504	13,865	14,679	13,820
Oregon Employment Services Payrolls, SA	33,141	31,609	28,959	29,833	28,809	27,770
Oregon Residential Building Permits, SA, 5 MMA*	987	959	872	947	918	836
Oregon Weight Distance Tax, \$ Thousands, SA, 3 MMA	19,304	19,748	18,661	18,387	17,747	17,424
Univ. of Michigan U.S. Consumer Confidence, 5 MMA	61.7	61.5	61.3	60.9	58.1	58.0
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	37,347	37,745	35,485	30,978	32,284	32,845
Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds Rate	2.84	3.14	2.26	2.37	2.65	2.64

* 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.