

STATE OF OREGON ECONOMIC INDICATORS™



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

MAY 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 pointed toward continued growth in May. The Oregon Measure of Economic Activity rose to 0.32 in May from a revised 0.22 the previous month. The three-month moving average, which smooths month-to-month volatility in the measure, fell to 0.16 where “zero” for this measure indicates the average growth rate over the 1990–present period. The manufacturing, construction, and household sectors contributed positively to the measure, while the services sector had an essentially neutral impact. Improvements in the housing market can be seen in the only slight drag from residential permits (indicating the number of units permitted is approaching more normal levels) and the positive contribution in construction jobs. Overall, the Oregon economy is growing near to somewhat above its average rate since 1990.

The University of Oregon Index of Economic Indicators™ rose 0.8 percent in May; the UO Index has been rising or flat in each of the last 8 consecutive months.

Initial unemployment claims rose somewhat, but remain in a range consistent with ongoing job growth. Employment services payrolls, largely temporary employees, also rose during the month. Residential building permits (smoothed) continued to increase and now stand at their highest level since December of 2007. Core manufacturing (nondefense, nonaircraft capital goods) orders, the Oregon weight-distance tax (a measure of trucking activity), and consumer sentiment all improved in May. Manufacturing hours worked slipped slightly but remain near cycle highs. The interest rate spread rose as market participants anticipated a change in monetary policy. All index components have improved over the past six months.

Together, the two indicators point to sustained expansion in Oregon at an average to somewhat above average pace of activity. Activity is expected to accelerate in the second half of the year and in 2014 as the impact of fiscal contraction wanes.

Contributions to Oregon Measure of Economic Activity – May 2013

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.06			
ISM Manufacturing: Supplier Deliveries Index	-0.04			
Manufacturing Employment, Oregon	-0.08			
Hours, Manufacturing Production Workers, Oregon	0.20			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.09			
Manufacturing Exports, Oregon	-0.01			
New Private Housing Units Authorized By Building Permit, Oregon		-0.06		
Construction Employment in Oregon		0.24		
Natural Resources and Mining Employment, Oregon		0.04		
Employment Services Employment, Oregon			0.04	
Initial Unemployment Claims, Oregon			0.12	
Civilian Labor Force, Oregon			-0.06	
Unemployment Rate, Oregon			-0.06	
Interest Rate Spread			-0.01	
S&P500 Stock Index			0.03	
Consumer Sentiment, University of Michigan - Reuters			-0.01	
Educational and Health Services Employment, Oregon				0.00
Financial Activities Employment, Oregon				0.00
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				-0.07
Professional and Business Services Employment, Oregon				-0.02
Other Services Employment, Oregon				0.01
Trade, Transportation and Utilities Employment, Oregon				0.07
Total By Sector	0.05	0.22	0.06	-0.01
	Mar-13	Apr-13	May-13	
Oregon Measure of Economic Activity	-0.06	0.22	0.32	
Three-Month Moving Average	0.40	0.27	0.16	



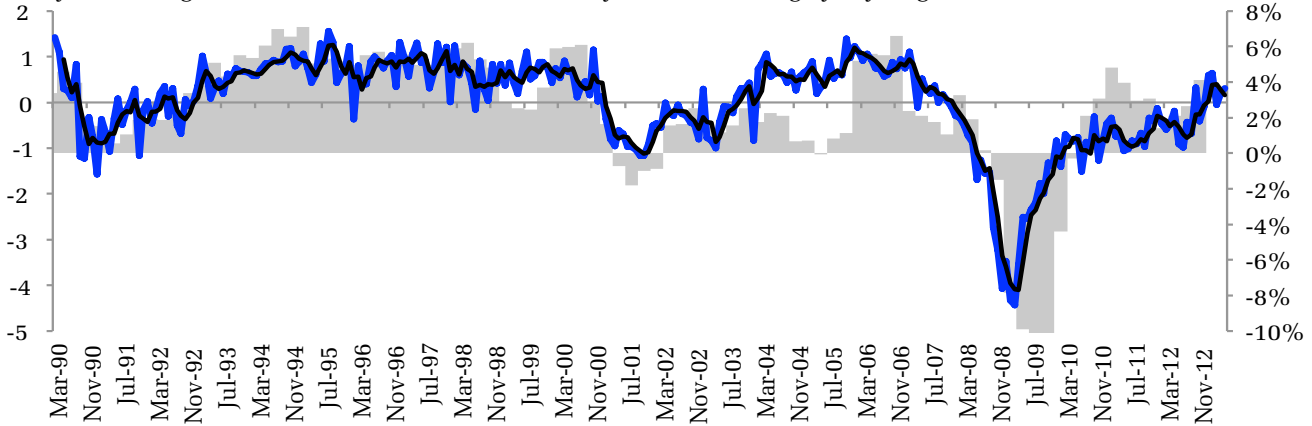
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

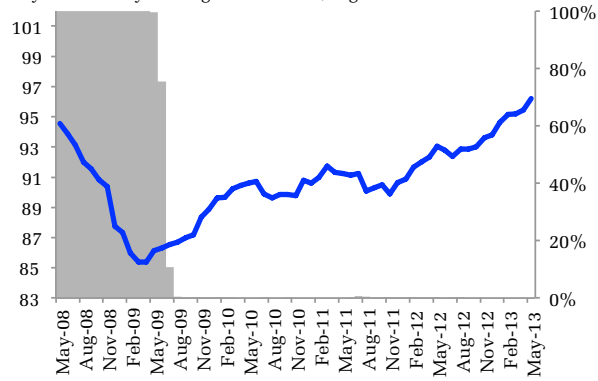
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

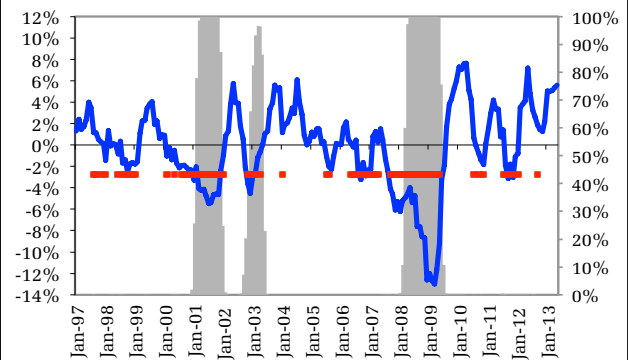


UO Index of Economic Indicators, % Change

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

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
UO Index of Economic Indicators,™ 1997=100	93.8	94.6	95.2	95.2	95.5	96.2
Percentage Change	0.2	0.9	0.5	0.0	0.3	0.8
Oregon Initial Unemployment Claims, SA *	7,248	7,239	7,020	6,814	6,357	6,602
Oregon Employment Services Payrolls, SA	33,502	34,261	35,187	35,022	35,154	35,818
Oregon Residential Building Permits, SA, 5 MMA *	1,011	1,053	1,143	1,162	1,236	1,319
Oregon Weight Distance Tax, SA,	105.54	104.31	106.28	105.21	106.83	108.75
Oregon Manufacturing Average Weekly Hours, SA	41.04	41.18	41.38	41.51	41.46	41.29
U.S. Consumer Sentiment, SA, 5 MMA	78.2	79.0	78.8	78.0	76.8	79.1
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	38,902	42,355	40,281	40,691	41,127	41,714
Interest Rate Spread	1.56	1.77	1.83	1.82	1.61	1.82