

# STATE OF OREGON ECONOMIC INDICATORS™



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

OCTOBER 2012

SPONSORED BY



Unlock your possibilities

### 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.

### Contact

Timothy A. Duy  
 Director, Oregon Economic Forum  
 Department of Economics, University of Oregon  
 541-346-4660 · duy@uoregon.edu  
 econforum.uoregon.edu

## Review

Oregon economic indicators improved modestly in October. The Oregon Measure of Economic Activity rose to -0.58 from an upwardly revised -0.80 in September. The three-month moving average also rose to -0.44, where “zero” for this measure indicates the average growth rate over the 1990–present period). The most notable drags on the measure were the unemployment rate, which remains elevated, and slowing leisure and hospitality employment growth. Construction employment contributed positively to the measure, offsetting a decline the previous month. Hours worked in manufacturing also contributed positively, in contrast to recent softness in national measures of manufacturing activity. Overall, the Oregon economy is growing near to somewhat below its average rate since 1990.

The University of Oregon Index of Economic Indicators™ rose 0.2 percent in October, largely reversing a decline the previous month. Initial unemployment claims fell, signaling a slower

pace of layoffs. Residential building permits (smoothed with a five-month moving average) gained again, holding at more than 1,000 for the second consecutive month in response to strengthening demand for new housing. Nondefense, nonaircraft capital orders rose but remain well below May levels. Growing concern about the path of fiscal policy in 2013 is joining weak overseas economies to soften the demand for capital purchases in the final months of 2012. Households, however, are less fazed by the prospects for fiscal policy; consumer sentiment (smoothed with a five-month moving average) rose again in October.

The combination of the two indexes suggests that Oregon’s economy will continue to expand as we head into 2013 albeit at a rate below that experienced in past periods of recovery. The U.S. economy is following a similar path. The support provided by improvement in the housing sector is being offset by international weakness and actual and expected tighter fiscal policy. The possibility of sharply tighter fiscal policy in 2013 remains a downside risk to the outlook.

## Contributions to Oregon Measure of Economic Activity – Oct. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.08			
ISM Manufacturing: Supplier Deliveries Index	-0.03			
Manufacturing Employment, Oregon	-0.03			
Hours, Manufacturing Production Workers, Oregon	0.10			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.03			
Manufacturing Exports, Oregon	-0.01			
New Private Housing Units Authorized By Building Permit, Oregon		-0.09		
Construction Employment in Oregon		0.07		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.08	
Initial Unemployment Claims, Oregon			0.01	
Civilian Labor Force, Oregon			-0.07	
Unemployment Rate, Oregon			-0.12	
Interest Rate Spread			0.00	
S&P500 Stock Index			-0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.02	
Educational and Health Services Employment, Oregon				-0.06
Financial Activities Employment, Oregon				-0.07
Government Employment, Oregon				-0.03
Leisure and Hospitality Employment, Oregon				-0.17
Professional and Business Services Employment, Oregon				0.07
Other Services Employment, Oregon				0.02
Trade, Transportation and Utilities Employment, Oregon				0.04
<b>Total By Sector</b>	<b>-0.09</b>	<b>-0.01</b>	<b>-0.29</b>	<b>-0.19</b>
	Aug-12	Sep-12	Oct-12	
Oregon Measure of Economic Activity	0.07	-0.80	-0.58	
Three-Month Moving Average	-0.55	-0.60	-0.44	



UNIVERSITY OF OREGON  
 College of Arts and Sciences

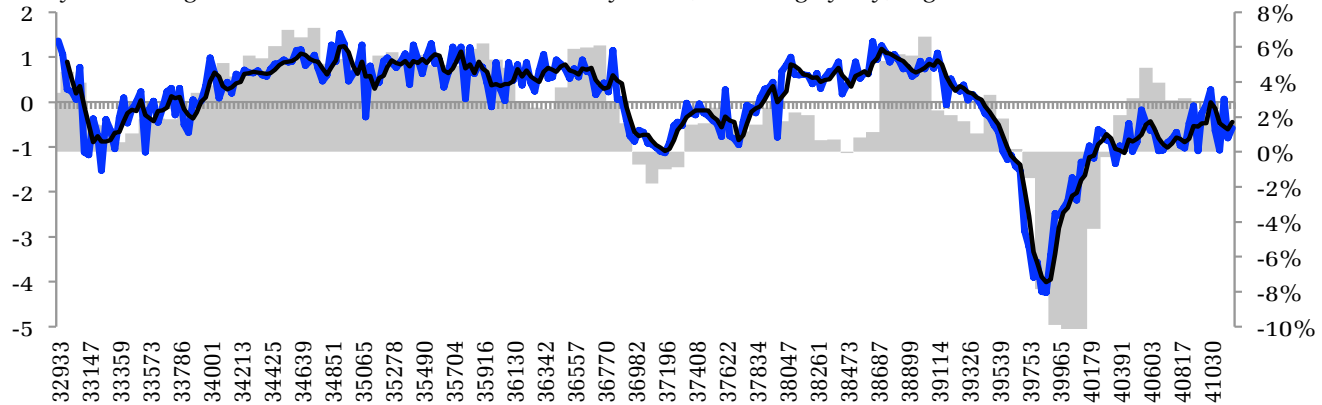
© 2012 University of Oregon. All rights reserved.  
 Released: December 10, 2012.

# UNIVERSITY OF OREGON ECONOMIC INDICATORS™

## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

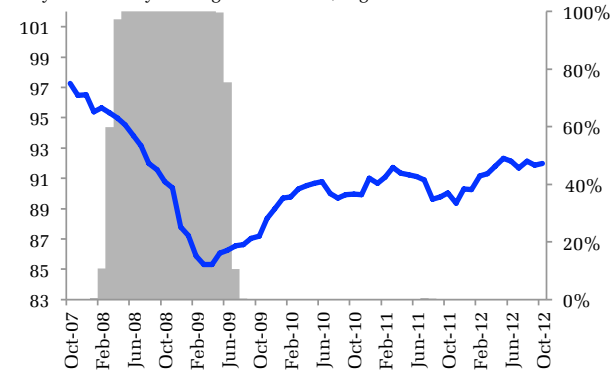
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

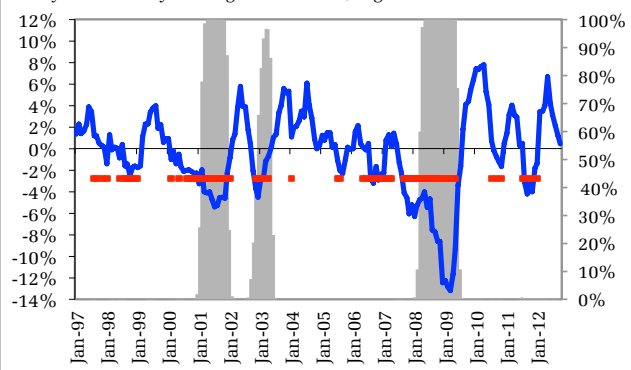


## UO Index of Economic Indicators, % Change

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

	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
UO Index of Economic Indicators, 1997=100	92.3	92.1	91.7	92.1	91.9	92.0
Percentage Change	0.6	-0.2	-0.5	0.5	-0.3	0.2
Oregon Initial Unemployment Claims, SA*	7,423	7,484	8,126	7,316	7,723	7,382
Oregon Employment Services Payrolls, SA	31,428	31,980	31,479	31,525	29,609	29,221
Oregon Residential Building Permits, SA, 5 MMA*	845	827	860	943	1,002	1,011
Oregon Weight Distance Tax, SA,	104.45	104.58	104.13	102.62	102.13	101.19
Oregon Manufacturing Average Weekly Hours, SA	39.70	39.84	40.28	39.91	40.46	40.38
U.S. Consumer Sentiment, SA, 5 MMA	76.5	76.1	75.5	75.1	75.5	76.1
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,211	39,036	36,766	36,816	36,679	37,411
Interest Rate Spread	1.64	1.46	1.37	1.55	1.58	1.59