

# 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

The Oregon economy continues to experience moderate growth. The Oregon Measure of Economic Activity stood at -0.20 in October, effectively unchanged from the previous month. The three-month moving average, which smooths month-to-month volatility in the measure, is -0.07 where “zero” for this measure indicates the average growth rate over the 1990-present period. Manufacturing activity contributed positively to the index, while the impact of construction activity was effectively neutral. Residential permits made a slight negative contribution, but this was offset by a boost from the employment measure. As the sector continues to improve, additional hiring should follow. The household sector was weighed down by a number of factors, including a falling labor force and a drop in the employment services (largely temporary help jobs) component.

The University of Oregon Index of Economic Indicators™ slipped 0.9 percent in October, the first decline since September of last year.

Initial unemployment claims were effectively unchanged while employment services payrolls slipped during the month. Residential building permits (smoothed) were unchanged from September but are now slightly below the 1,200–1,300 range of recent months; higher mortgage rates likely contributed to some softening in the sector. Core manufacturing (nondefense, nonaircraft capital goods) orders and the Oregon weight-distance tax, a measure of trucking activity, both fell. Consumer sentiment slipped in the midst of uncertainty surrounding the temporary shutdown of the Federal government.

Occasional declines in the UO Index are not uncommon during economic expansions. Overall, the two indicators point to sustained expansion in Oregon at an average pace of activity. The recovery will likely continue in 2014 as lessening fiscal drag and supportive monetary policy contribute to moderately stronger growth next year.

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

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.07			
ISM Manufacturing: Supplier Deliveries Index	0.02			
Manufacturing Employment, Oregon	0.00			
Hours, Manufacturing Production Workers, Oregon	0.15			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.06			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.07		
Construction Employment in Oregon		0.10		
Natural Resources and Mining Employment, Oregon		-0.03		
Employment Services Employment, Oregon			-0.11	
Initial Unemployment Claims, Oregon			0.08	
Civilian Labor Force, Oregon			-0.07	
Unemployment Rate, Oregon			-0.05	
Interest Rate Spread			-0.04	
S&P500 Stock Index			0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.11	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				-0.09
Government Employment, Oregon				-0.02
Leisure and Hospitality Employment, Oregon				0.03
Professional and Business Services Employment, Oregon				-0.02
Other Services Employment, Oregon				0.01
Trade, Transportation and Utilities Employment, Oregon				0.00
<b>Total By Sector</b>	<b>0.18</b>	<b>0.01</b>	<b>-0.29</b>	<b>-0.10</b>
	Aug-13	Sep-13	Oct-13	
Oregon Measure of Economic Activity	0.17	-0.19	-0.20	
Three-Month Moving Average	-0.12	-0.02	-0.07	



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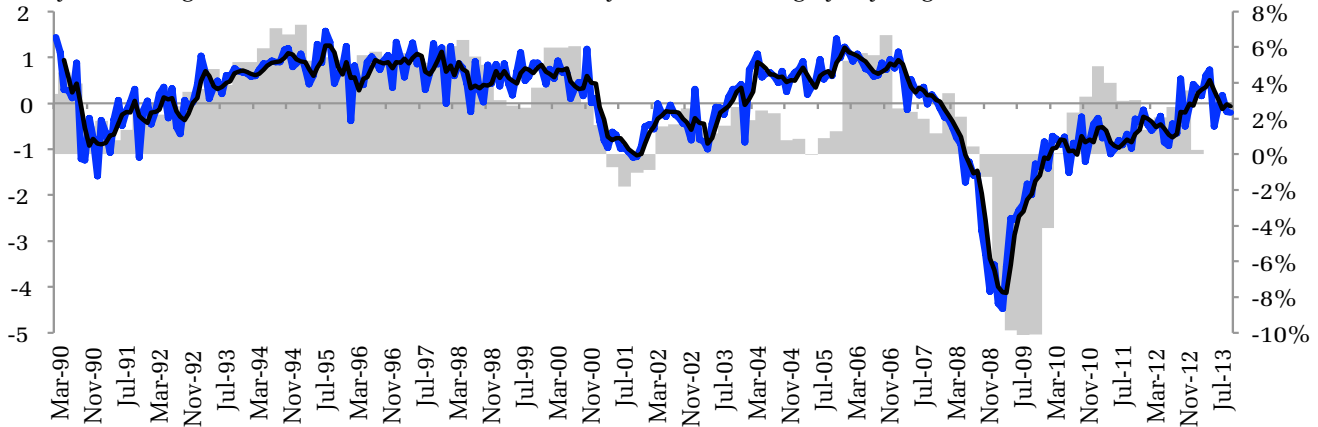
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## Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

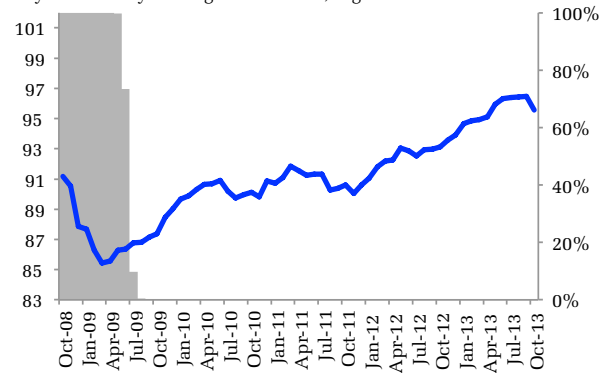
Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis



## UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

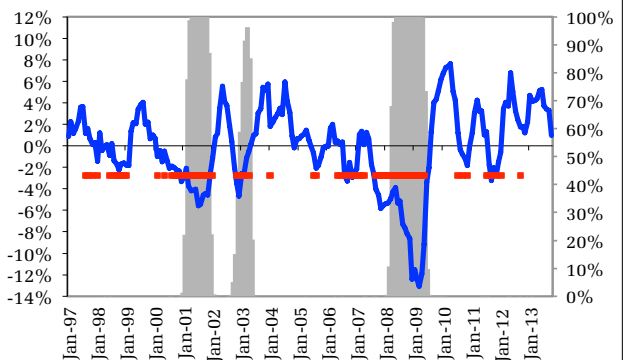


## UO Index of Economic Indicators, % Change

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

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
UO Index of Economic Indicators <sup>®</sup> , 1997=100	96.0	96.3	96.4	96.4	96.5	95.6
Percentage Change	0.9	0.4	0.1	0.1	0.0	-0.9
Oregon Initial Unemployment Claims, SA*	6,532	6,714	6,755	6,691	6,358	6,339
Oregon Employment Services Payrolls, SA	34,699	35,251	35,688	35,715	35,116	33,911
Oregon Residential Building Permits, SA, 5 MMA*	1,304	1,283	1,217	1,215	1,129	1,128
Oregon Weight Distance Tax, SA,	108.04	107.14	109.59	104.82	109.47	106.60
Oregon Manufacturing Average Weekly Hours, SA	41.30	41.43	40.89	41.14	41.24	40.94
U.S. Consumer Sentiment, SA, 5 MMA	79.1	80.2	81.7	82.4	82.7	80.4
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	41,969	42,394	40,923	41,363	40,676	40,145
Interest Rate Spread	1.82	2.21	2.49	2.66	2.73	2.53

