

STATE OF OREGON ECONOMIC INDICATORS™



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

SEPTEMBER 2011

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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 firmed somewhat in September. The Oregon Measure of Economic Activity improved to -0.78 from -1.12 in August. The less-volatile three-month moving average improved to -1.03 from -1.13 in August. While an improvement, both indicate Oregon is growing well below the trend of growth established over the 1990–2011 period. Manufacturing, construction, household, and services sectors all contributed to economic weakness. The University of Oregon Index of Economic Indicators™ rose 0.2 percent to 89.1 (1997=100) in September, breaking a string of five consecutive monthly declines. Particularly sharp falls in U.S. consumer sentiment and the interest rate spread weighed on the UO Index, while initial unemployment claims improved, falling to their lowest level since March of this year. Core

manufacturing orders also gained. The overall labor market remains anemic—nonfarm payrolls have been moving sideways since February.

Compared to six months ago, the UO Index has fallen 5.8 percent (annualized) and less than half the components have improved or held steady over that period. In the past, sustained declines of this magnitude foreshadowed labor market recessions in Oregon. This suggests that planning for next year should include the possibility of reacting quickly to deteriorating economic conditions. Note that considering the lack of recovery in some typically cyclical industries such as residential construction, it seems likely that the degree of downside is limited and thus if the economy should slide into a recession, the decline will appear mild relative to the most recent recession.

Contributions to Oregon Measure of Economic Activity – Sep. 2011

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.05			
ISM Manufacturing: Supplier Deliveries Index	-0.01			
Manufacturing Employment, Oregon	-0.04			
Hours, Manufacturing Production Workers, Oregon	0.06			
Port of Portland, Ton Equivalent Units	-0.09			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.20		
Construction Employment in Oregon		0.11		
Natural Resources and Mining Employment, Oregon		-0.03		
Employment Services Employment, Oregon			0.01	
Initial Unemployment Claims, Oregon			-0.10	
Civilian Labor Force, Oregon			0.03	
Unemployment Rate, Oregon			-0.18	
Interest Rate Spread			-0.01	
S&P500 Stock Index			-0.01	
Consumer Sentiment, University of Michigan - Reuters			-0.28	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				-0.09
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				0.08
Professional and Business Services Employment, Oregon				-0.12
Other Services Employment, Oregon				0.23
Trade, Transportation and Utilities Employment, Oregon				-0.18
Total	-0.04	-0.11	-0.54	-0.10



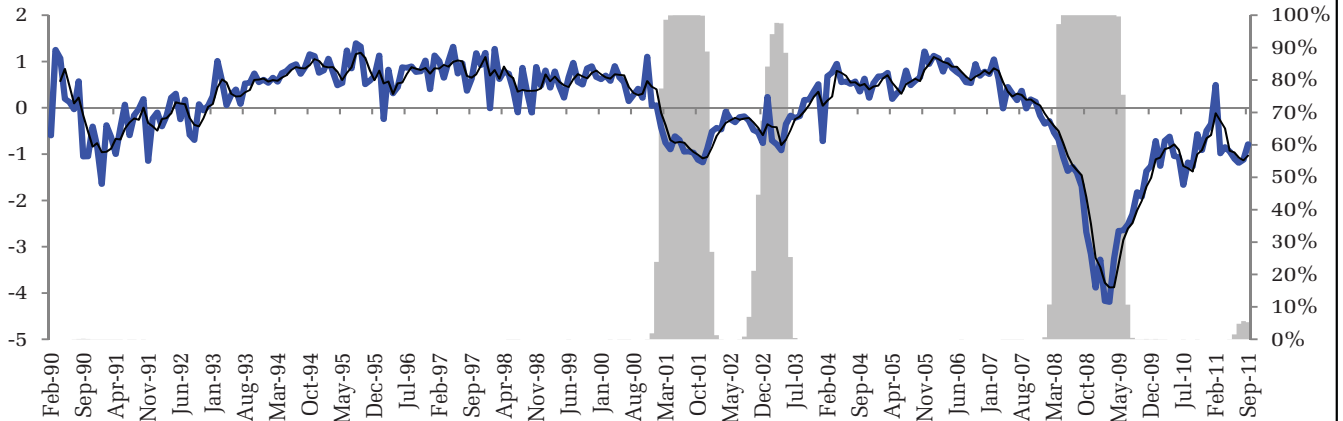
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 Released: November 3, 2011.

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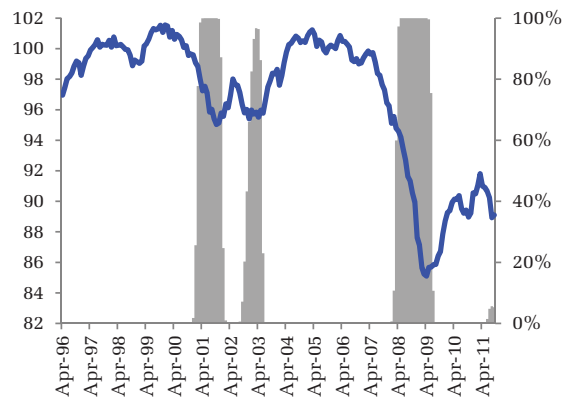
Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis
Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators - Historical

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

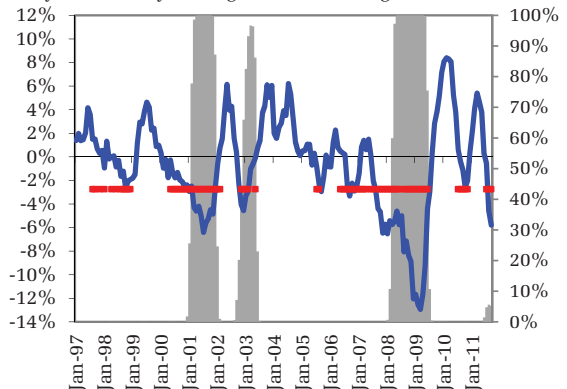


Table 2: UO Index of Economic Indicators – Summary and Components

	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sept-11
University of Oregon Index of Economic Indicators™, 1997=100	91.0	90.9	90.7	90.2	88.9	89.1
Percentage Change	-0.9	-0.1	-0.3	-0.5	-1.4	0.2
Oregon Initial Unemployment Claims, SA*	9,214	9,160	9,257	8,912	8,713	8,616
Oregon Employment Services Payrolls, SA	32,167	31,467	31,615	30,921	31,233	31,617
Oregon Residential Building Permits, SA, 5 MMA*	699	657	648	660	582	615
Oregon Weight Distance Tax, SA,	100.56	106.65	105.66	105.15	99.33	103.03
U.S. Consumer Sentiment, SA, 5 MMA	72.7	72.7	72.1	69.4	67.0	64.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	40,978	41,718	41,909	41,629	41,870	42,805
Interest Rate Spread	3.36	3.08	2.91	2.93	2.20	1.90