

STATE OF OREGON ECONOMIC INDICATORS™



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

SEPTEMBER 2012

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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 were softer in September, although most of the decline is attributed to weaker employment figures. As mentioned previously, employment data has been volatile in recent months, with some of the volatility likely to be reduced in future data revisions. Consequently, it is best to focus on the moving-average measure, which declined somewhat in September to -0.66 (where “zero” for this measure indicates the average growth rate over the 1990–present period). Construction employment was the most notable drag on the measure, although this seems inconsistent with improving residential building figures. The negative impact of construction employment is likely to be lessened in subsequent data revisions. Overall, the measure suggests Oregon is growing near to slightly below its average since 1990.

The University of Oregon Index of Economic Indicators™ fell 0.3 percent in September. The UO Index was revised to include Oregon manufacturing weekly hours for nonsupervisory

and production workers. The inclusion of this component lessens the extent of the decline in the summer of 2011. Initial unemployment claims edged up, but overall have been moving sideways in the 7,400 to 8,200 range for the past six months. Moreover, employment services payrolls fell, but I expect this figure to be revised higher. Residential building permits (smoothed with a five-month moving average) gained again, rising to just over 1,000 as construction activity continues to improve. Nondefense, nonaircraft capital orders were virtually unchanged for the third month in a row; slow economies overseas appear to be weighing on the sector. Consumer sentiment rose again, suggesting consumer spending is solid as we head into the holiday season.

The UO Index suggests continued economic growth in Oregon. The baseline scenario remains steady but relatively slow growth for the national economy, with Oregon following a similar trajectory. The possibility of either a sharp fiscal contraction in the early part of 2013 or deterioration in the global economy (or both) remains a risk to the outlook.

Contributions to Oregon Measure of Economic Activity – Sep. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.04			
ISM Manufacturing: Supplier Deliveries Index	-0.03			
Manufacturing Employment, Oregon	-0.07			
Hours, Manufacturing Production Workers, Oregon	0.12			
Port of Portland, Twenty-Foot Equivalent Units (TEU)	-0.10			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.09		
Construction Employment in Oregon		-0.26		
Natural Resources and Mining Employment, Oregon		-0.03		
Employment Services Employment, Oregon			-0.15	
Initial Unemployment Claims, Oregon			0.02	
Civilian Labor Force, Oregon			-0.08	
Unemployment Rate, Oregon			-0.12	
Interest Rate Spread			0.00	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.06	
Educational and Health Services Employment, Oregon				-0.04
Financial Activities Employment, Oregon				0.03
Government Employment, Oregon				-0.05
Leisure and Hospitality Employment, Oregon				0.03
Professional and Business Services Employment, Oregon				-0.08
Other Services Employment, Oregon				0.09
Trade, Transportation and Utilities Employment, Oregon				-0.06
Total By Sector	-0.13	-0.38	-0.38	-0.08
	Jul-12	Aug-12	Sep-12	
Oregon Measure of Economic Activity	-1.06	0.05	-0.97	
Three-Month Moving Average	-0.48	-0.55	-0.66	



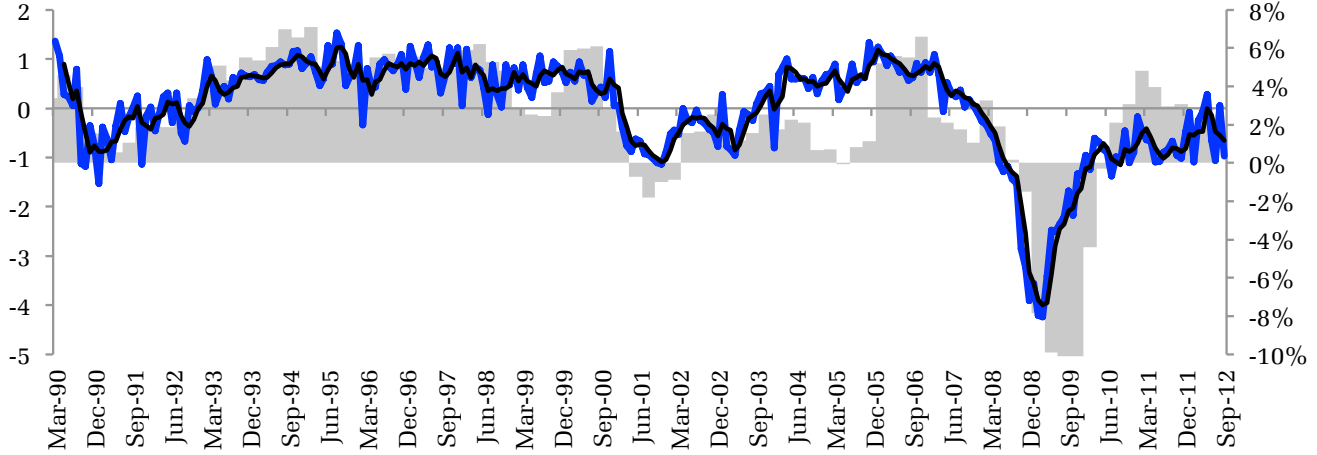
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

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

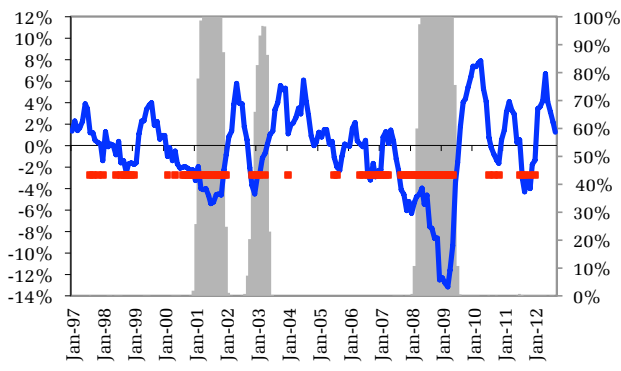


UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

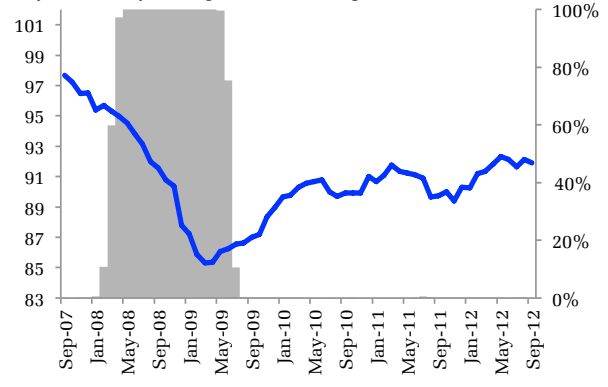
Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis



University of Oregon Index of Economic Indicators – Summary and Components

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
UO Index of Economic Indicators SM , 1997=100	91.8	92.3	92.1	91.7	92.1	91.9
Percentage Change	0.5	0.6	-0.2	-0.5	0.5	-0.3
Oregon Initial Unemployment Claims, SA*	7,680	7,413	7,477	8,119	7,307	7,717
Oregon Employment Services Payrolls, SA	31,481	31,452	31,968	31,505	31,632	29,774
Oregon Residential Building Permits, SA, 5 MMA*	755	843	825	859	941	1,001
Oregon Weight Distance Tax, SA,	104.56	104.52	104.58	104.01	102.36	101.70
Oregon Manufacturing Average Weekly Hours, SA	40.05	39.70	39.85	40.28	39.92	40.53
U.S. Consumer Sentiment, SA, 5 MMA	74.6	76.5	76.1	75.5	75.1	75.5
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	39,343	40,211	39,036	36,766	36,784	36,817
Interest Rate Spread	1.91	1.64	1.46	1.37	1.55	1.58