

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

FIRST QUARTER 2011

Analysis

The Central Oregon Business Index rose 1.6 percent to 107 (1998=100) in the first quarter of 2011, a second consecutive increase. Compared to last year, the COBI is up 0.9 percent. The region continues to show signs of steady improvement.

Labor market data were generally stronger during the quarter. Initial unemployment claims fell again, trending down closer to prerecession levels. Firmer economic activity in recent months has greatly reduced the need to lay off employees. Still, hiring activity remains muted, with only a small increase in nonfarm payrolls during the quarter.

Measures of tourism and travel-related activity were also mixed, similar to the last quarter of 2010. Estimated lodging revenues slipped again, but remain well above their recession lows, with general improvement since the end of 2009. Airport traffic activity edged slightly higher during the quarter. The pace of home sales picked up in the first quarter, with sales reaching the highest level since the second quarter of 2006. Still, depressed prices and distressed sales continue to weigh on new construction, evidenced by the still low levels of permitting activity.

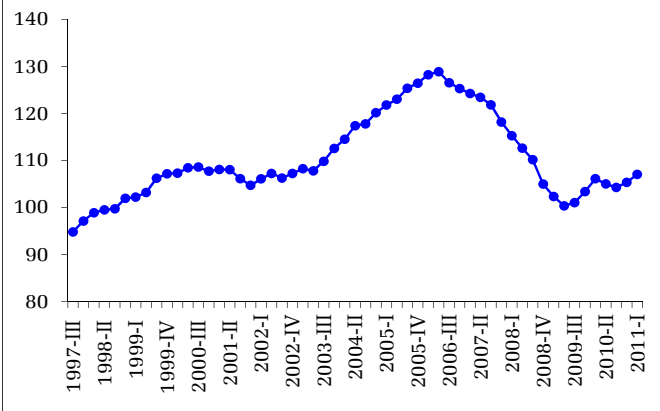
The COBI remains consistent with general, albeit slow, improvement in the local economy. Still, the relatively slow growth greatly restrains hiring activity, with a recovery of the jobs lost during the recession far off. National data turned softer during the quarter, as

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The Bulletin

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University of Oregon Central Oregon Business Index
Index, 1998=100



the recent rise in commodity prices, particularly oil, tempered the pace of growth. While oil prices have come down recently, they remain high and present an ongoing challenge to the pace of the recovery. Local economies will continue to struggle in the absence of stronger national growth. Overall, considering the depth of the recession, the recovery remains disappointing.

Table 1: Summary Measures

	2Q10	3Q10	4Q10	1Q11
University of Oregon Central Oregon Business Index, 1998 = 100	105.0	104.2	105.4	107.0
Percentage Change, Previous Quarter	-1.0	-0.7	1.1	1.6
Percentage Change, Previous Two Quarters	1.6	-1.8	0.3	2.7
Percentage Change, Year Ago	4.6	3.2	1.9	0.9



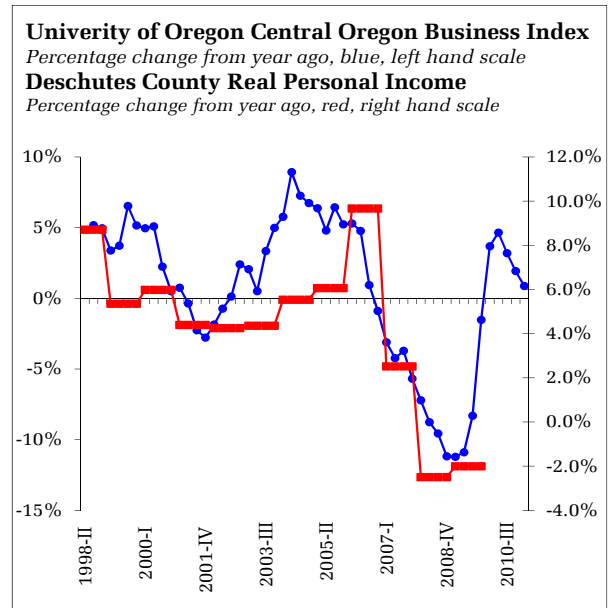
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Methodology and Notes

The methodology used to construct the Central Oregon Business Index is identical to that used by the University of Oregon Index of Economic Indicators™. Both follow the approach developed by the Conference Board, an independent, not-for-profit research organization, to construct a U.S. Leading Index. Individual components are transformed into symmetric percentage changes, and the resultant series are adjusted to equalize the volatility of the components. This process ensures that a change in a high-volatility component is weighted equally to a change in a low-volatility component. The adjusted series are summed to create the index, which is rebased to set 1998=100. Full details can be found at www.globalindicators.com.

The Central Oregon Business Index (COBI) provides a snapshot of business activity by aggregating nine often contradictory economic statistics into a single variable. The variables are chosen on the basis of economic relevance, timely availability, and sufficiently long history. The selected variables—measures of the labor market, tourism, housing markets, waste generation and the state economy—cover a wide swath of local economic activity.

The COBI as constructed mirrors other indicators of economic activity that are reported on a less timely basis. For instance, on a year-over-year basis, the COBI fell ahead of both the 2001 and 2008 recessions. The COBI is also a leading indicator of personal income growth—data released only annually and with a substantial lag. Still, the available data encompass only two national recessions, a very small sample from which to



draw generalities. Also note that no single variable is capable of decisively determining the state of the business cycle.

Sources: Bureau of Labor Statistics, Oregon Employment Department, Oregon Secretary of State, Redmond Municipal Airport, Census Bureau, City of Bend, City of Redmond, Deschutes County Department of Solid Waste, Central Oregon Realtors Association, and the author's calculation. Initial research for this project was supported by a grant from the UO Williams Council.

Table 2: Index Components

	2Q10	3Q10	4Q10	1Q11
Deschutes County Solid Waste, Tons, SA	9,101	9,221	9,655	9,665
Deschutes County Initial Unemployment Claims, SA	2,796	2,937	2,694	2,338
Bend MSA Nonfarm Payrolls, SA	60.8	60.3	60.3	60.5
University of Oregon Index of Economic Indicators™, 1997=100	90.3	89.2	89.5	91.2
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,314,962	1,404,339	1,340,458	1,293,931
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	38,945	40,026	40,108	40,336
Central Oregon Housing Units Sold, SA	315	266	316	344
Central Oregon Median Housing Days on Market, SA	105	110	110	107
Deschutes County Building Permits, SA	42	41	42	45

* SA—seasonally adjusted (Building Permits are adjusted with a twelve month moving average).

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