

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

## SECOND QUARTER 2011

### Analysis

The Central Oregon Business Index fell 2.0 percent to 107.8 (1998=100) in the second quarter of 2011 from 110.1 the previous quarter. Compared to last year, the COBI is up 1 percent. The regional economy has generally improved since the second half of 2009, although the pace of improvement is disappointing and insufficient to boost job growth.

The building permits series was modified to incorporate improved seasonal adjustment measures; this had minor qualitative impacts on the COBI and no qualitative impacts.

Labor market data deteriorated during the quarter, similar to state and national trends. Initial unemployment claims rose, reversing the declines of the previous two quarters. Similarly, employees on nonfarm payrolls declined. Job weakness has not been unique to the region and is a consequence of the tepid pace of the U.S. recovery coupled with an ongoing region-specific transition away from housing-based economic activity.

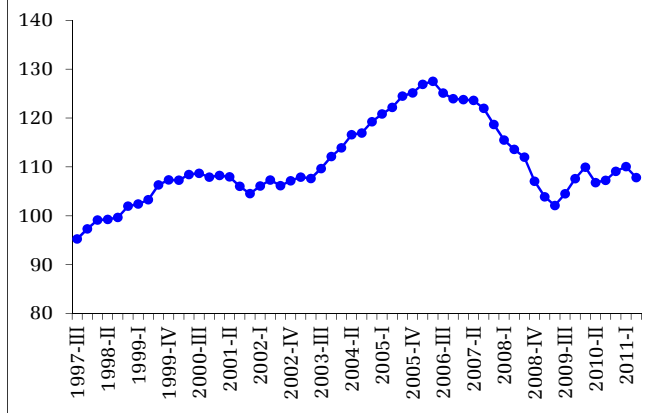
Measures of tourism and travel related activity were also mixed. In a positive development, estimated lodging revenues jumped to the highest level since the third quarter of 2010, indicating an improvement in tourism. Airport traffic activity edged slightly lower, maintaining an overall sideway trend since the third quarter of 2009. The pace of home sales slipped back to levels of the first quarter, while depressed prices and distressed sales continue to weigh on new construction. Solid waste flows (garbage), which jumped during the housing boom, continue to decline.

*This issue of the COBI sponsored by*

# The Bulletin

*Serving Central Oregon since 1903*

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



The national economy slowed markedly in the first half of this year, weighing on local activity. In essence, the nation's cyclical upturn and subsequent local impact remains too weak to offset the regional housing drag and boost job growth. U.S. growth forecasts for the second half of the year have been downgraded in the wake of weaker economic data in recent months. Lacking a stronger national economy, regional economies are likely to continue to experience slow and choppy growth.

Table 1: Summary Measures

	3Q10	4Q10	1Q11	2Q11
University of Oregon Central Oregon Business Index, 1998 = 100	107.3	109.1	110.1	107.8
Percentage Change, Previous Quarter	0.4	1.7	0.9	-2.0
Percentage Change, Previous Two Quarters	-2.4	2.2	2.6	-1.2
Percentage Change, Year Ago	2.7	1.4	0.1	1.0



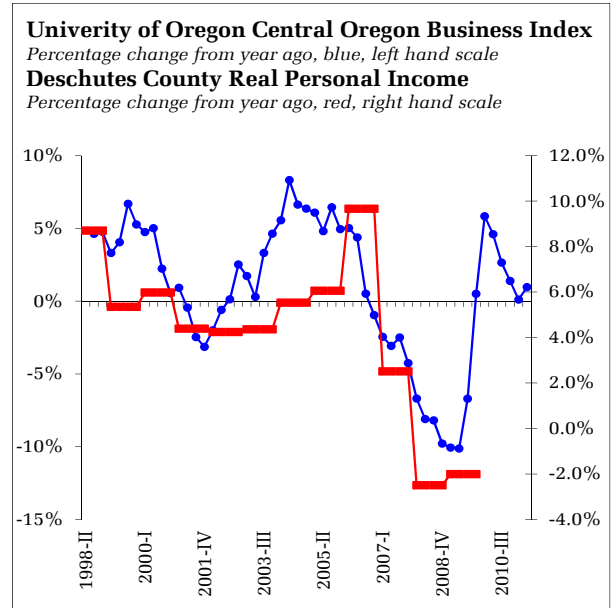
SECOND QUARTER 2011

**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](http://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 encompasses 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

	3Q10	4Q10	1Q11	2Q11
Deschutes County Solid Waste, Tons, SA	9,204	9,636	9,530	9,018
Deschutes County Initial Unemployment Claims, SA	2,936	2,693	2,374	2,965
Bend MSA Nonfarm Payrolls, SA	60.3	60.3	60.5	60.0
University of Oregon Index of Economic Indicators™, 1997=100	89.3	89.5	91.2	90.8
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,405,116	1,336,472	1,301,067	1,364,246
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	40,034	40,096	40,167	39,808
Central Oregon Housing Units Sold, SA	266	314	339	310
Central Oregon Median Housing Days on Market, SA	110	110	107	109
Deschutes County Building Permits, SA	27	43	35	28

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

**Author**

Timothy A. Duy  
Director, Oregon Economic Forum  
Department of Economics, University of Oregon  
541-346-4660 • [duy@uoregon.edu](mailto:duy@uoregon.edu)