

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

## FIRST QUARTER 2014

### Analysis

The Central Oregon Business Index has been generally flat in recent quarters, partially attributable to some normalization in the pace of housing sales. The Central Oregon Business Index held steady at 120.3 (1998=100) during the first quarter of 2014. Compared to the same quarter last year, the COBI is up 3.9 percent. Overall, index components suggest the regional economy continues to gain strength as the impact of the recession fades further into the past.

The regional labor market continues to generally improve. Initial jobless claims fell during the quarter, tracking sideways in a range generally consistent with solid job growth. Nonfarm payrolls grew to 66,000 as the improving economy led firms to add additional employees. The number of jobs rose 3.8 percent compared to the same quarter last year. While still below the peak of 71,500 jobs at the height of the last expansion, the steady progress is a welcome improvement compared to the flat activity in the aftermath of the recession.

Measures of travel and tourism were mixed. Airline passenger activity edged down after a jump the previous quarter. Estimated lodging revenue (adjusted for inflation), however, reversed a small decline in the final quarter of 2013 to reach a new high for the series. Separately, landfill waste continues to increase, consistent with greater economic activity.

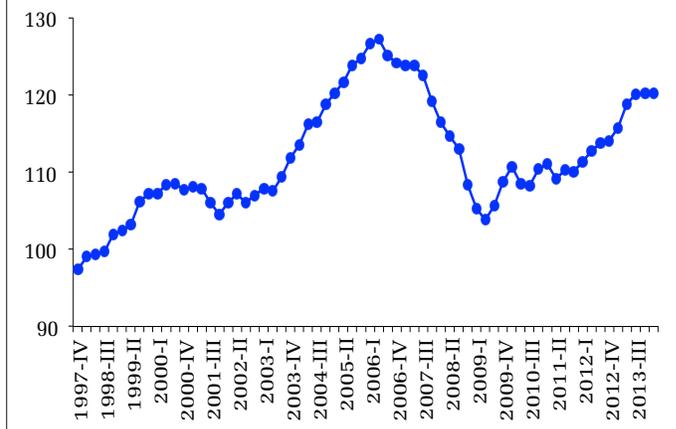
The housing sector continues to stabilize after a surge of activity during the first three quarters of 2013. Residential sales fell again to an average monthly pace of 319 (note that all data is adjusted to remove seasonal variation). Note that this pace of sales remains above the pre-bubble (1997–2001) average monthly pace of 259; some further declines would be expected as the market normalizes with fewer distressed sales.

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# The Bulletin

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



Housing units permitted fell again to the lowest pace of activity in a year. Similar patterns are evident in U.S. single-family permits as this segment of the housing market experiences a slow recovery.

The pace of economic gains in the regional area appears to have moderated in step with the housing recovery. That said, the region continues to climb back from the recession, and regional activity should continue to improve as the U.S. and Oregon recoveries continue forward in 2014.

Table 1: Summary Measures

	2Q13	3Q13	4Q13	1Q14
University of Oregon Central Oregon Business Index, 1998 = 100	118.9	120.1	120.3	120.3
Percentage Change, Previous Quarter	2.7	1.0	0.2	0.0
Percentage Change, Previous Two Quarters	4.2	3.7	1.2	0.2
Percentage Change, Year Ago	5.4	5.6	5.5	3.9



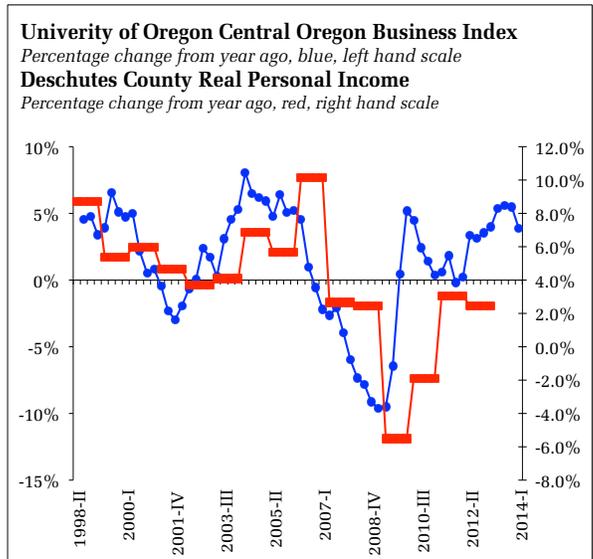
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**Methodology and Notes**

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](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 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: *The (Bend) Bulletin*, 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

	2Q13	3Q13	4Q13	1Q14
Deschutes County Solid Waste, Tons, SA	9,745	9,979	10,256	10,446
Deschutes County Initial Unemployment Claims, SA	2,291	2,352	2,398	2,246
Bend MSA Nonfarm Payrolls, SA	64.5	65.0	65.6	66.0
University of Oregon Index of Economic Indicators™, 1997=100	96.2	96.7	96.3	96.6
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,660,344	1,740,982	1,688,719	1,789,122
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	39,659	38,932	43,908	42,446
Central Oregon Housing Units Sold, SA	407	411	354	319
Central Oregon Median Housing Days on Market, SA	92	89	94	99
Deschutes County Building Permits, SA	108	137	109	94

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

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