

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

THIRD QUARTER 2013

Analysis

The Central Oregon economy continued to record economic gains in the third quarter of 2013. The Central Oregon Business Index rose 1.1 percent to 120.2 (1998=100) during the quarter. Compared to the same quarter last year, the COBI is up 5.6 percent, marking a second consecutive quarter of gains over 5 percent. The region is clearly rebounding after the long period of stagnation that followed the housing bust.

Labor markets indicators were mixed. Initial unemployment claims edged up but remain in a range consistent with job growth. Nonfarm payrolls were flat, although payrolls for the previous quarter were revised upwards. Job growth in the area has accelerated sharply over the past year as the negative impacts of the recession continue to fade. Compared to last year, employment in the region is up 4.5 percent while state employment is up 2.1 percent over the same period.

Measures of travel and tourism generally improved during the quarter. Airline passenger activity edged down, while estimated lodging revenue (adjusted for inflation) again rose to a new high for the series. The 15.9 percent gain in lodging revenue, since the third quarter of last year, points to a strong rebound in the sector.

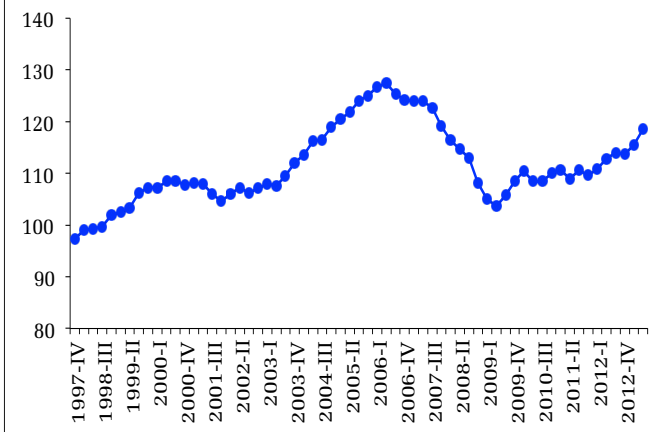
The housing recovery continued during the third quarter. Residential sales rose again to an average pace of 421 a month but remain below the levels of the second quarter of 2006. With sales now above the pre-bubble (1997–2001) average monthly pace of 259 sales, however, room for further improvement may be limited. The increase in the pace of sales continues to bolster the market for new construction, with a monthly averages of 139 units permitted during the quarter. In comparison, the third quarter of 2010 saw a monthly average of just 24 permits.

This issue of the COBI sponsored by

The Bulletin

Serving Central Oregon since 1903

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



Incoming data indicate the Central Oregon economy posted strong gains in activity over the past year. This rebound will most likely continue into 2014. With the fiscal drag expected to moderate and ongoing accommodative monetary policy to support economic activity, national growth is expected to accelerate modestly next year. This will support activity at the state and local levels as well, allowing for continued economic improvement in Central Oregon.

Table 1: Summary Measures

	4Q12	1Q13	2Q13	3Q13
University of Oregon Central Oregon Business Index, 1998 = 100	113.6	115.5	118.9	120.2
Percentage Change, Previous Quarter	-0.2	1.6	3.0	1.1
Percentage Change, Previous Two Quarters	0.8	1.4	4.7	4.1
Percentage Change, Year Ago	3.6	4.0	5.5	5.6



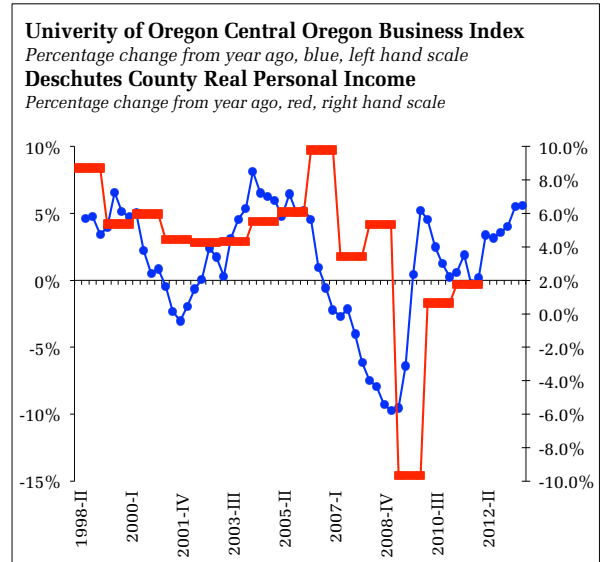
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Methodology and Notes

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: *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

	4Q12	1Q13	2Q13	3Q13
Deschutes County Solid Waste, Tons, SA	9,659	9,779	9,741	9,955
Deschutes County Initial Unemployment Claims, SA	2,285	2,263	2,252	2,362
Bend MSA Nonfarm Payrolls, SA	62.7	63.4	64.5	64.5
University of Oregon Index of Economic Indicators™, 1997=100	93.5	94.8	95.8	96.4
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,431,853	1,512,101	1,666,132	1,789,129
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	37,793	38,883	39,698	39,175
Central Oregon Housing Units Sold, SA	338	329	408	421
Central Oregon Median Housing Days on Market, SA	115	106	91	88
Deschutes County Building Permits, SA	86	83	109	139

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

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