

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

## FOURTH QUARTER 2008

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### Analysis

The Central Oregon Business Index (COBI) continued its decline in the final quarter of 2008, sliding to 145.0 (1998=100), a 1.8 percent decrease from the (revised) figure of 147.7 the previous quarter. The COBI has declined for five consecutive quarters and stands 7.2 percent lower than the year-ago level, compared to the 7.6 percent (revised) year-over-year decline reported in the previous quarter. Data were revised to account for revisions in the underlying data and the annual update of seasonal adjustment factors.

Labor market data were generally weaker during the quarter. Help-wanted advertising in *The (Bend) Bulletin* rose during the quarter. Note that this increase largely reflects an adjustment from very weak second and third quarters, and should not be viewed as a signal that labor markets are improving. Initial jobless claims jumped substantially, driven by a rise in December that mirrored statewide trends. Interestingly, nonfarm payrolls continue to hold roughly steady, up just 0.2 percent from the fourth quarter of last year. The jump in initial claims, however, suggests a decline in payrolls during the first quarter of 2009.

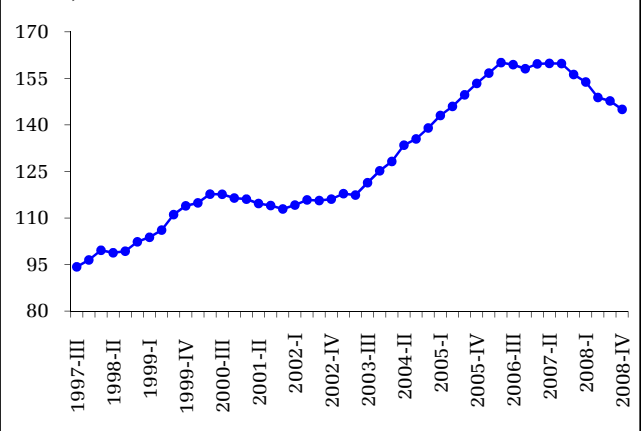
Measures of tourist-related activity were down in the fourth quarter. Estimated lodging revenue, adjusted for inflation, dropped sharply to levels last seen in the second quarter of 2004. Similarly, passenger traffic at the Redmond Municipal Airport declined for the third consecutive quarter. Housing markets remain weak, with monthly sales having settled into a trend of roughly 200 units each month. This compares to a prebubble average of roughly 250 monthly sales and a bubble high of 560 monthly sales during the second and third quarters of 2005. On a brighter note, median days on market declined significantly, although the shorter sales time is likely a reflection of falling home prices. Residential housing permits remain at very depressed levels; there remains limited room for further downside.

*This issue of the COBI sponsored by*

# The Bulletin

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



The steady decline of the COBI is indicative of the ongoing economic issues that challenge the Central Oregon region. Moreover, no relief from these challenges is likely in the first half of 2009, as the after effects of last fall's credit crunch continue to resonate throughout the U.S. economy. As credit market conditions cease to deteriorate, and fiscal stimulus builds, economic activity should firm in the second half of 2009. The pace of economic activity, and job growth, is likely to be lethargic as the U.S. economy faces ongoing adjustment away from the debt-supported consumer spending growth that characterized the recent economic expansion.

Table 1: Summary Measures

	1Q08	2Q08	3Q08	4Q08
Central Oregon Business Index, 1998 = 100	153.8	148.8	147.7	145.0
Percentage Change, Previous Quarter	-1.5	-3.3	-0.8	-1.8
Percentage Change, Previous Two Quarters	-3.7	-4.7	-4.0	-2.6
Percentage Change, Year Ago	-3.6	-6.9	-7.6	-7.2

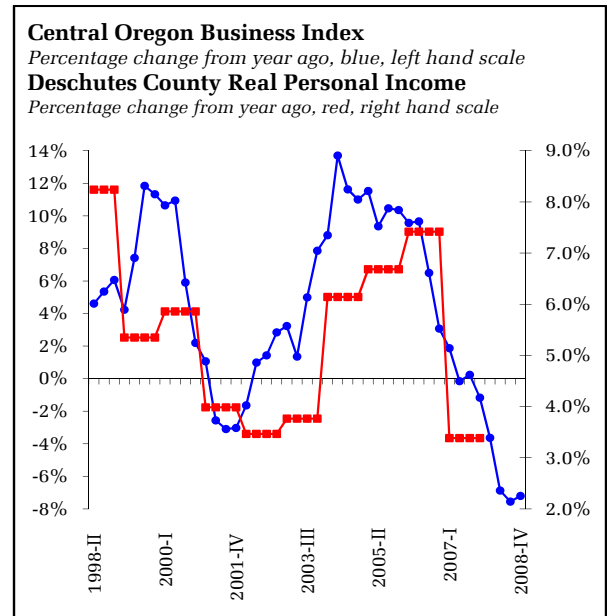


**Methodology and Notes**

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, 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 sharply heading into the 2001 recession and did not signal any other periods of weak economic activity during the covered period of 1997 to present. 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 one national recession, 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, 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

	1Q08	2Q08	3Q08	4Q08
The <i>Bend Bulletin</i> Help Wanted Ads, SA *	4,349	2,291	1,751	2,582
Deschutes County Initial Unemployment Claims, SA	3,322	2,744	3,032	4,133
Bend MSA Nonfarm Payrolls, SA	72.4	72.4	72.7	72.4
University of Oregon Index of Economic Indicators™, 1997=100	95.0	93.7	91.6	89.2
Bend Lodging Revenue, Inflation Adjusted Dollars, SA	1,363,484	1,375,855	1,357,608	1,227,441
Redmond Municipal Airport Activity, Enplanements and Deplanements, SA	44,051	42,304	40,366	37,423
Central Oregon Housing Units Sold, SA	251	163	220	183
Central Oregon Median Housing Days on Market, SA	157	149	149	128
Deschutes County Building Permits, SA	82	32	52	56

\* SA—seasonally adjusted