

STATE OF OREGON ECONOMIC INDICATORS™



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

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How can I interpret the Oregon Measure of Economic Activity?

A reading of “zero” corresponds to the average growth rate for that particular region. In other words, the measures identify periods of fast or slow growth relative to trend.

What is the significance of the moving-average measures?

The monthly measures can be very volatile. To reduce the noise, it is helpful to focus on the average of the most recent data.

Is this approach used elsewhere?

Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.

What is the difference between the two measures?

The Oregon Measure of Economic Activity uses a methodology that allows for the incorporation of a larger number of variables. The University of Oregon Index of Economic Indicators focuses on a narrower set of variables using a different methodology used by the Conference Board to compute leading indicators for the United States. Using different indicators allows for a more complete picture of the Oregon economy.

Review

Oregon economic indicators softened in June. The Oregon Measure of Economic Activity slipped to -0.45 from an upwardly revised 0.27 in May (“zero” for this measure indicates the average growth rate over the 1990–present period). The less volatile moving-average measure declined slightly to -0.08. Only the manufacturing sector contributed positively to the measure in June. The housing permits, unemployment rate, civilian labor force, consumer sentiment, and other services employment components were notable drags on the measure. Focusing on the three-month moving average, which has been holding near zero for the past two months, suggests Oregon is growing at its average growth rate of the last two decades.

The University of Oregon Index of Economic Indicators™ slipped 0.3 percent in June for its first decline since November 2011. Of the seven components in the UO Index, six were flat to modestly weaker. Residential building permits (smoothed with a five month-moving average) fell,

partially offsetting some of May’s gain. Nondefense, nonaircraft capital orders also experienced a similar decline. Note that recent data on manufacturing indicates the sector is under pressure from weak growth abroad. The interest rate spread narrowed sharply again as market participants continued to anticipate that the evolving global slowdown would weigh on U.S. growth.

Both measures suggest continued growth in Oregon, albeit at a rate below what would normally be associated with expansion. Growth should continue to be supported by the national economy, but here again activity remains muted relative to that necessary to rapidly reduce the unemployment rate. Moreover, it remains important to monitor risks to the forecast. Notably, the global economy is under pressure from slowing activity in China and the impacts of the ongoing European economic crisis. Closer to home, there remains considerable uncertainty about the path of fiscal policy in 2013. In short, while slow but steady growth remains the baseline scenario, there appear to be more downside than upside risks at the moment.

Contributions to Oregon Measure of Economic Activity – June 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.04			
ISM Manufacturing: Supplier Deliveries Index	-0.04			
Manufacturing Employment, Oregon	0.11			
Hours, Manufacturing Production Workers, Oregon	0.02			
Port of Portland, Ton Equivalent Units	-0.10			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.21		
Construction Employment in Oregon		-0.01		
Natural Resources and Mining Employment, Oregon		0.10		
Employment Services Employment, Oregon			0.04	
Initial Unemployment Claims, Oregon			0.00	
Civilian Labor Force, Oregon			-0.08	
Unemployment Rate, Oregon			-0.11	
Interest Rate Spread			0.01	
S&P500 Stock Index			-0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.11	
Educational and Health Services Employment, Oregon				-0.02
Financial Activities Employment, Oregon				0.04
Government Employment, Oregon				-0.03
Leisure and Hospitality Employment, Oregon				0.00
Professional and Business Services Employment, Oregon				-0.05
Other Services Employment, Oregon				-0.18
Trade, Transportation and Utilities Employment, Oregon				0.14
Total By Sector	0.03	-0.12	-0.27	-0.09
	Apr-12	May-12	Jun-12	
Oregon Measure of Economic Activity	-0.06	0.27	-0.45	
Three-Month Moving Average	-0.46	-0.01	-0.08	

Contact

Timothy A. Duy
 Director, Oregon Economic Forum
 Department of Economics, University of Oregon
 541-346-4660 • duy@uoregon.edu
 econforum.uoregon.edu



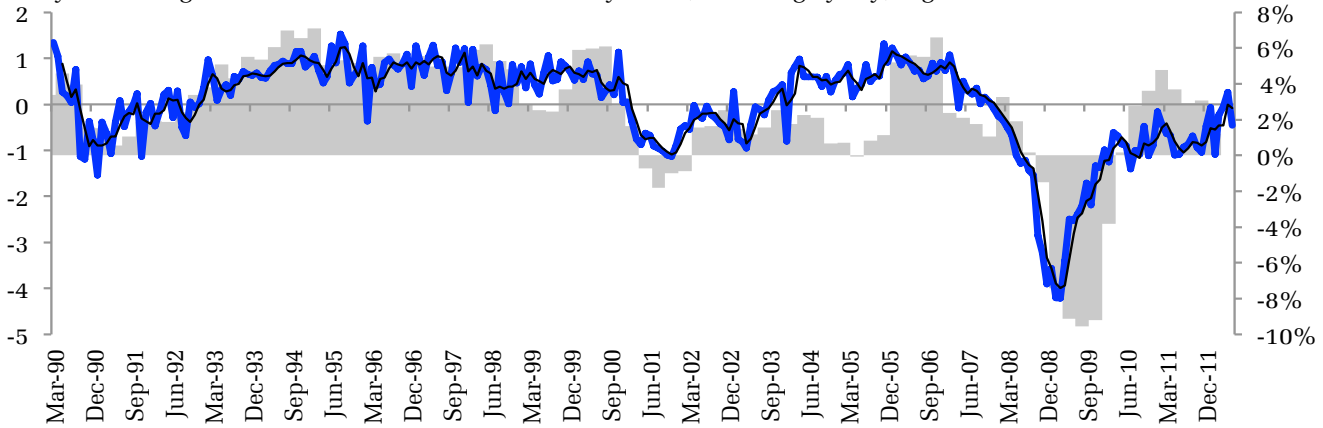
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis

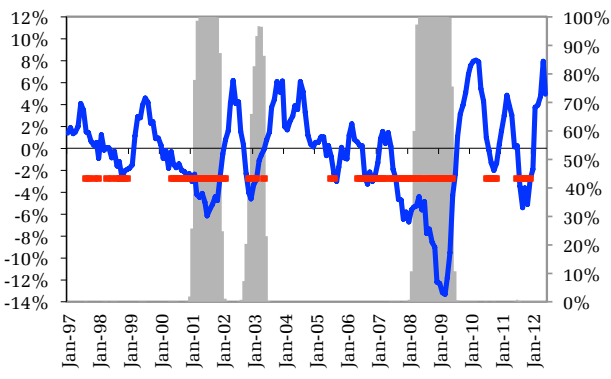


UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

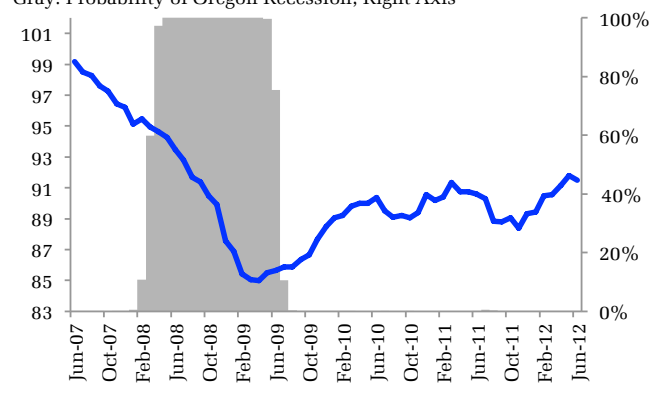


Table 2: UO Index of Economic Indicators – Summary and Components

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
University of Oregon Index of Economic Indicators™, 1997=100	89.4	90.5	90.5	91.1	91.8	91.5
Percentage Change	0.1	1.2	0.1	0.7	0.7	-0.3
Oregon Initial Unemployment Claims, SA *	8,765	8,108	8,234	7,668	7,393	7,434
Oregon Employment Services Payrolls, SA	31,128	31,412	31,402	31,507	31,433	31,412
Oregon Residential Building Permits, SA, 5 MMA *	756	755	739	756	844	825
Oregon Weight Distance Tax, SA,	102.88	106.30	102.67	104.53	104.55	104.66
U.S. Consumer Sentiment, SA, 5 MMA	65.9	69.0	72.1	74.6	76.5	76.1
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	39,935	41,057	40,029	39,367	40,372	39,747
Interest Rate Spread	1.89	1.87	2.04	1.91	1.64	1.46