

# State of Oregon Economic Indicators™



September 2016

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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.

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## Review

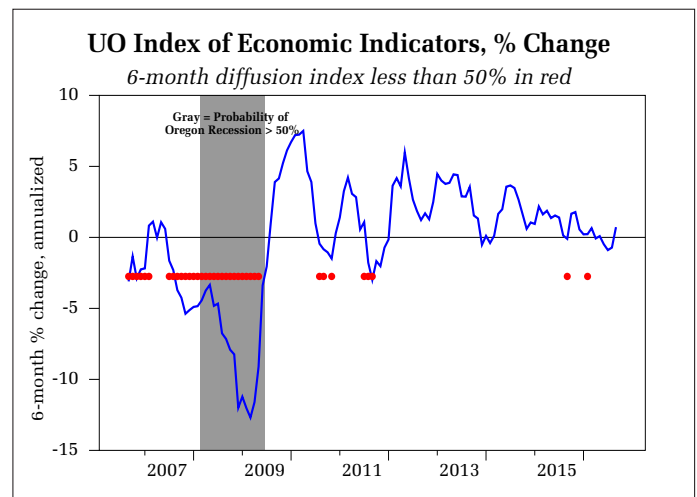
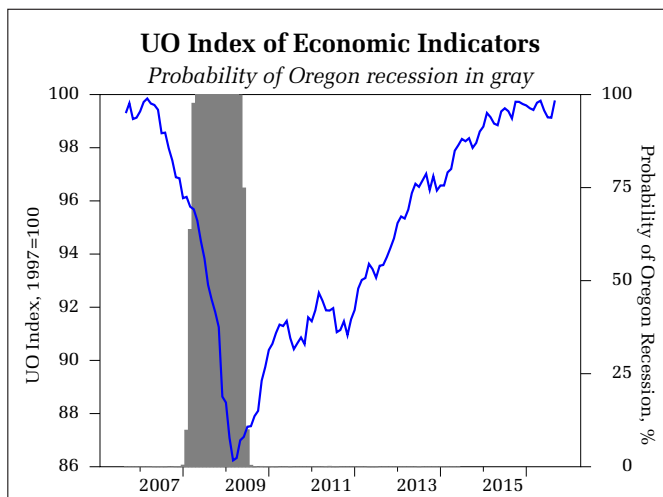
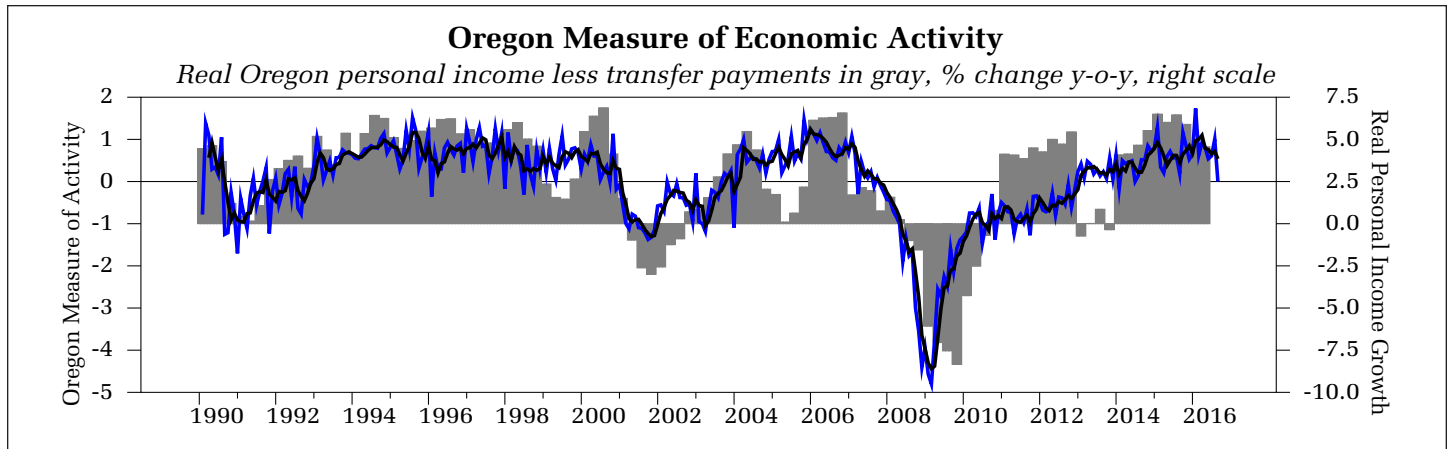
The Oregon economy continues to grow with further evidence that the pace of activity is moderating as the expansion matures. The Oregon measure of economic activity fell to 0.0 from an upwardly revised August figure of 1.0. Such sharp declines in the measure happen occasionally even during economic expansions. Consequently, it is important to watch the three-month moving average, which smooths month-to-month volatility in the measure. The moving average measure was 0.56, where “zero” indicates average growth over the 1990-present period. Employment components—which can be volatile—were largely responsible for holding down the measure in September. Broad indicators, however, signaled a still healthy labor market. Initial jobless claims in particular remain at very low levels historically consistent with continued job growth in the months ahead. Residential home permits made a nearly neutral contribution to the measure. While a continuation of the steady improvement in recent years from a negative contribution, permits remain low compared to past expansions.

The University of Oregon Index of Economic Indicators jumped 0.7 percent in September following an upwardly revised flat reading in August. In a positive development, employment services payrolls (largely temporary help employees) rose, easing concerns that this leading indicator was signaling an impending broad-based hiring slowdown. The Oregon Weight Distance tax, a measure of trucking activity, also rebounded. Core manufacturing orders, however, remain soft as the sector struggles with the negative impact of lower oil prices and a stronger dollar. The recent gross domestic product report for the third quarter of this year revealed that an inventory correction plaguing the sector may be easing, opening the door to resumed manufacturing growth in the months ahead.

Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity. Note that the UO Index typically moves sideways as a business cycle matures.

## Contributions to Oregon Measure of Economic Activity – Sep. 2016

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	-0.06			
ISM Manufacturing: Supplier Deliveries Index	-0.03			
Manufacturing Employment, Oregon	0.01			
Hours, Manufacturing Production Workers, Oregon	0.04			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		-0.01		
Construction Employment in Oregon		-0.21		
Natural Resources and Mining Employment, Oregon		0.04		
Employment Services Employment, Oregon			0.04	
Initial Unemployment Claims, Oregon			0.34	
Civilian Labor Force, Oregon			0.09	
Unemployment Rate, Oregon			0.09	
Interest Rate Spread			0.02	
S&P500 Stock Index			-0.02	
Consumer Sentiment, University of Michigan - Reuters			0.05	
Educational and Health Services Employment, Oregon				-0.01
Financial Activities Employment, Oregon				-0.20
Government Employment, Oregon				0.06
Leisure and Hospitality Employment, Oregon				-0.18
Professional and Business Services Employment, Oregon				0.00
Other Services Employment, Oregon				-0.15
Trade, Transportation and Utilities Employment, Oregon				0.09
<b>Total By Sector</b>	<b>-0.04</b>	<b>-0.18</b>	<b>0.61</b>	<b>-0.40</b>
	Jul-16	Aug-16	Sep-16	
Oregon Measure of Economic Activity	0.61	1.00	0.00	
Three-Month Moving Average	0.65	0.72	0.54	



## University of Oregon Index of Economic Indicators – Summary and Components

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
UO Index of Economic Indicators,™ 1997=100	99.7	99.8	99.4	99.1	99.1	99.8
Percentage Change	0.3	0.1	-0.4	-0.3	0.0	0.7
Oregon Initial Unemployment Claims, SA*	4,109	4,594	4,411	4,566	4,680	4,264
Oregon Employment Services Payrolls, SA	39,144	38,887	38,841	38,732	38,896	39,605
Oregon Residential Building Permits, SA, 5 MMA*	1,570	1,602	1,580	1,599	1,598	1,621
Oregon Weight Distance Tax, SA, Index, 1998=100	118.40	119.55	118.55	115.50	114.14	118.11
Oregon Manufacturing Average Weekly Hours, SA	39.87	41.07	39.85	40.03	40.14	40.09
U.S. Consumer Sentiment, SA, 5 MMA	91.3	91.7	92.0	91.6	91.4	91.8
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	36,988	36,712	36,858	37,193	37,632	37,155
Interest Rate Spread	1.44	1.44	1.26	1.11	1.16	1.23

\* SA—seasonally adjusted; MMA—months moving average