

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

Fourth Quarter 2016

This issue of the COBI sponsored by

Analysis

The Central Oregon Business Index rose in the fourth quarter to 141.9, a 0.5 percent gain from the previous quarter (1998=100). Compared to the same quarter last year, the COBI is up 4.5 percent. Most indicators were unchanged to stronger during the quarter.

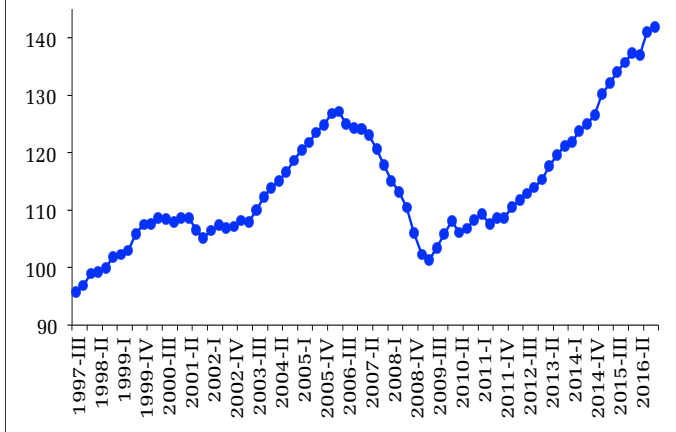
Firms continue to hire, adding 800 workers compared to the previous quarter. Compared to the final quarter of 2015, nonfarm payrolls stand 5 percent higher. Compared to the previous peak of the business cycle, just ahead of the 2007–9 recession, the region has 7,700 more jobs, a gain of 10 percent. And job growth is likely to continue. Historically low levels of initial unemployment gains indicates very low levels of layoffs consistent with a solid underlying pace of activity.

Measures of travel and tourism were generally solid. Estimated lodging revenues rose to a fresh high during the quarter; the sector has rebounded strongly since the end of the recession. Airline passenger traffic edged down after a rebound the previous quarter. Still, passenger traffic was up 11.4 percent compared to the previous year.

Housing activity remains strong. Home sales edged up to a pace last seen at the beginning of 2006 on the downside of the previous housing boom. Unlike that period, however, construction remains muted with home permits hovering at a level similar to that of the pre-boom period (prior to 2003). Until sales slow or construction ramps up, the

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



region is likely to continue to experience ongoing increases of home prices.

The COBI points toward sustained economic growth in Central Oregon region. Continued in-migration to the region with the backdrop of an ongoing national and state economic expansion is likely to provide continued support for the region for the foreseeable future.

Table 1: Summary Measures

| | 1Q16 | 2Q16 | 3Q16 | 4Q16 |
|--|-------|-------|-------|-------|
| University of Oregon Central Oregon Business Index, 1998 = 100 | 137.3 | 136.9 | 141.1 | 141.9 |
| Percentage Change, Previous Quarter | 1.2 | -0.3 | 3.0 | 0.5 |
| Percentage Change, Previous Two Quarters | 2.4 | 0.9 | 2.8 | 3.6 |
| Percentage Change, Year Ago | 5.4 | 3.7 | 5.2 | 4.5 |

UNIVERSITY OF OREGON CENTRAL OREGON BUSINESS INDEX®

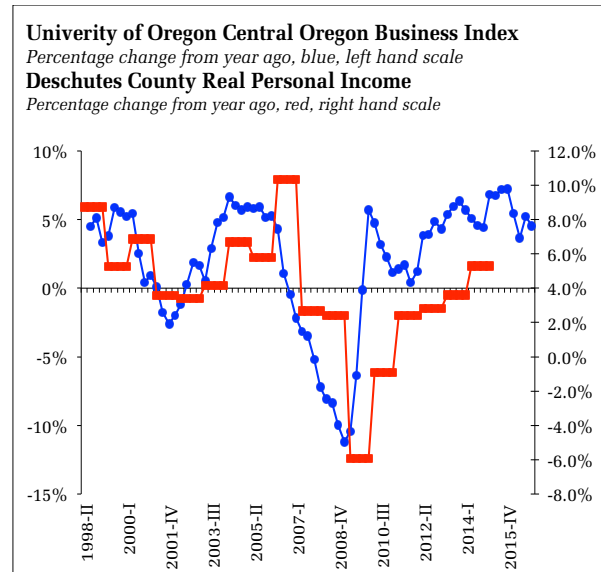
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Methodology and Notes

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 encompasses 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

| | 1Q16 | 2Q16 | 3Q16 | 4Q16 |
|---|-----------|-----------|-----------|-----------|
| Deschutes County Solid Waste, Tons, SA | 12,892 | 13,533 | 13,790 | 13,497 |
| Deschutes County Initial Unemployment Claims, SA | 1,767 | 1,661 | 1,722 | 1,792 |
| Bend MSA Nonfarm Payrolls, SA | 76.8 | 77.9 | 78.7 | 79.5 |
| University of Oregon Index of Economic Indicators™, 1997=100 | 99.6 | 99.9 | 99.7 | 100.4 |
| Bend Lodging Revenue, Inflation Adjusted Dollars, SA | 2,586,727 | 2,605,963 | 2,643,268 | 2,858,926 |
| Redmond Municipal Airport Activity, Enplanements and Deplanements, SA | 51,240 | 41,484 | 59,391 | 57,109 |
| Central Oregon Housing Units Sold, SA | 458 | 478 | 478 | 496 |
| Central Oregon Average Housing Days on Market, SA | 125 | 128 | 126 | 124 |
| Deschutes County Building Permits, SA | 166 | 183 | 209 | 186 |

* SA—seasonally adjusted .

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