

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

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MARCH 2009

Analysis

The University of Oregon Index of Economic Indicators™ fell 0.6 percentage points in March to 84.9 (1997=100). Some indicators—Oregon initial jobless claims, U.S. consumer confidence, and core capital goods orders—point to a slower rate of decline compared to the sharp drop-off experienced at the end of 2008. Still, overall the UO Index indicates that the Oregon economy remains in recession.

Indicators measuring the Oregon labor market were mixed. Initial jobless claims fell during March, reversing the previous month's increase. Initial claims remain below the peak reached in December 2008, suggesting that the pace of labor market deterioration has slowed. Still, the level of initial claims remains consistent with ongoing declines in nonfarm payrolls. Indeed, payrolls in the employment services sector, primarily temporary employment agencies, declined again and are now down 28 percent from year-ago levels. Overall, nonfarm

payrolls (not included in the index) fell by 14,000 jobs during March, compared to a 22,800 decline the previous month.

Residential housing permits (smoothed) fell to a monthly rate of 836 in March, breaking through the bottom of the roughly 900–1,000 range it has been tracking for the past several months. Clearly, the decline in residential housing continues; lower mortgage rates and lower prices are so far insufficient to offset the trend of tighter underwriting conditions and foreclosures that rise along with Oregon's unemployment rate. New orders for nondefense nonaircraft capital goods, adjusted for inflation, rose in March for the second month, raising the possibility of firming investment demand in the months ahead. U.S. consumer confidence (smoothed) was effectively unchanged during March; although confidence remains at levels consistent with negative consumption growth compared to last year, the recent stability is welcome. Indeed, on a positive note, the recently release GDP report revealed consumption spending rose during the first quarter of 2009. The yield spread—the difference

between short- and long-term interest rates—remained effectively unchanged.

The continued decline of the UO Index, coupled with its depth—down 11.7 percent (annualized)—over the past six months, indicates the Oregon economy is likely to remain in recession for the foreseeable future (three to six months). Still, stability in some indicators is consistent with a slower rate of decline, setting the stage for firmer growth in the latter half of the year as the impact of fiscal stimulus grows. The strength of the recovery, however, remains in question as economic activity adjusts to the structural shock related to the housing market decline.

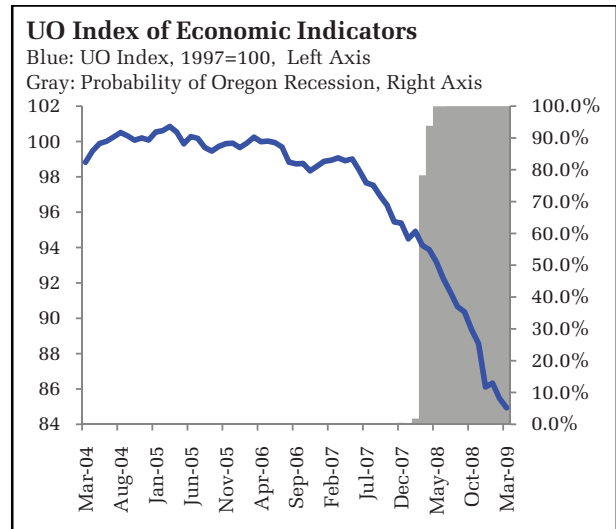


Table 1: Summary Measures

	2008			2009		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
University of Oregon Index of Economic Indicators™, 1997=100	89.4	88.6	86.1	86.3	85.5	84.9
Percentage Change	-1.1	-0.9	-2.8	0.2	-1.0	-0.6
Diffusion Index	21.4	50.0	7.1	64.3	28.6	42.9
6-Month Percentage Change, Annualized	-9.4	-9.7	-12.8	-11.0	-11.1	-11.7
6-Month Diffusion Index	14.3	14.3	14.3	14.3	14.3	14.3



