

State of Oregon Economic Indicators™



July 2018

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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 Measure of Economic Activity rose to 0.98 in July from an upwardly revised June reading of 1.06. The moving average measure, which smooths out the volatility, stood at 0.98, well above average (“zero” indicates average growth over the 1990–present period). All sectors made positive contributions to the report. Manufacturing hours worked were again a weak spot in that sector. A slowdown in new housing permits weighed on the construction sector. Employment components were generally neutral to positive this month; low levels of new jobless claims pulled the measure higher. The unemployment rate, which fell to 3.9 percent in July, also made a substantial contribution to the measure. That said, the decline in the labor force growth raises concerns about the availability of workers as the expansion continues.

The University of Oregon Index of Economic Indicators fell 0.4 percent in June, extending a string of declines. The primary reason for the

decline was an ongoing slowing in new housing permits. While single-family home permits have held steady, multi-family permitting has declined substantially, particularly in the Portland region. Multi-family housing construction in that region is currently challenged by a combination of stagnant rents and rising building costs. A second factor in the decline of the UO Index was a reversion of employment services payrolls, primarily temporary help employees, after a steep run-up earlier this year; this appears to be just a normalization in the data. A final significant factor in the decline was falling manufacturing hours worked, but this drop is likely temporary as it stands in contrast to other manufacturing data which reveal solid activity in the sector.

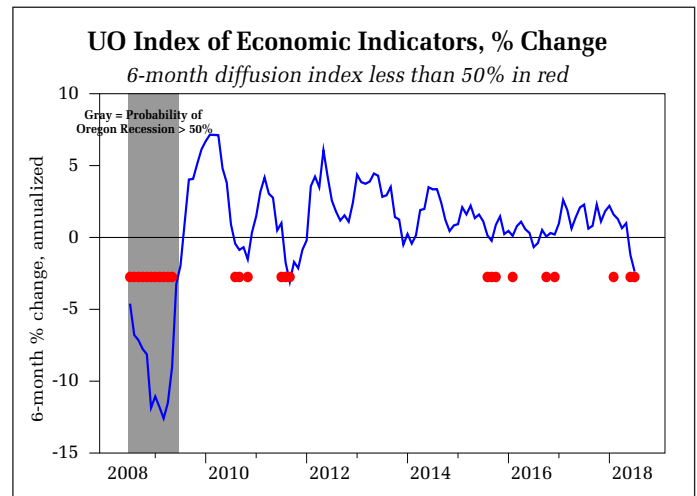
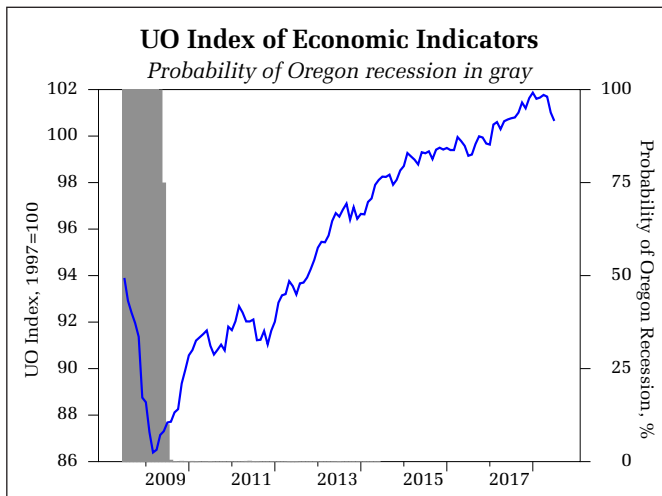
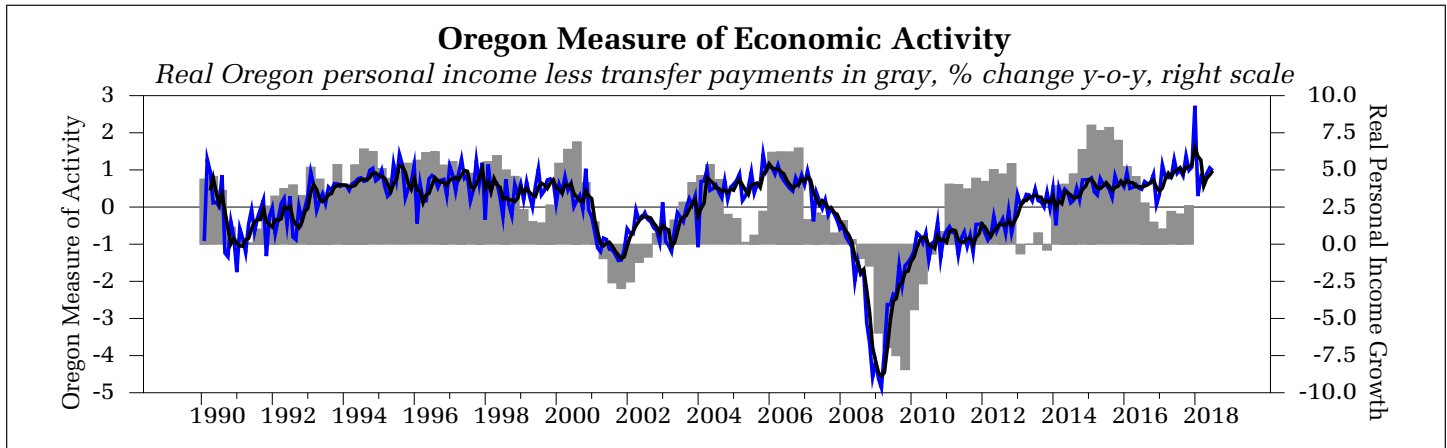
Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity. The decline in the UO Index is not sufficient to raise recession concerns.

Contributions to Oregon Measure of Economic Activity—July 2018

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.06			
ISM Manufacturing: Supplier Deliveries Index	0.12			
Manufacturing Employment, Oregon	0.01			
Hours, Manufacturing Production Workers, Oregon	-0.09			
Manufacturing Exports, Oregon	0.01			
New Private Housing Units Authorized by Building Permit, Oregon		-0.07		
Construction Employment in Oregon		0.18		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			-0.01	
Initial Unemployment Claims, Oregon			0.29	
Civilian Labor Force, Oregon			-0.07	
Unemployment Rate, Oregon			0.18	
Interest Rate Spread			0.03	
S & P 500 Stock Index			0.01	
Consumer Sentiment, University of Michigan—Reuters			0.11	
Educational and Health Services Employment, Oregon				0.02
Financial Activities Employment, Oregon				-0.06
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				0.03
Professional and Business Services Employment, Oregon				0.00
Other Services Employment, Oregon				0.01
Trade, Transportation and Utilities Employment, Oregon				0.23
Total by Sector	0.11	0.12	0.54	0.21
	May '18	Jun '18	Jul '18	
Oregon Measure of Economic Activity	0.90	1.06	0.98	
Three-Month Moving Average	0.77	0.86	0.98	

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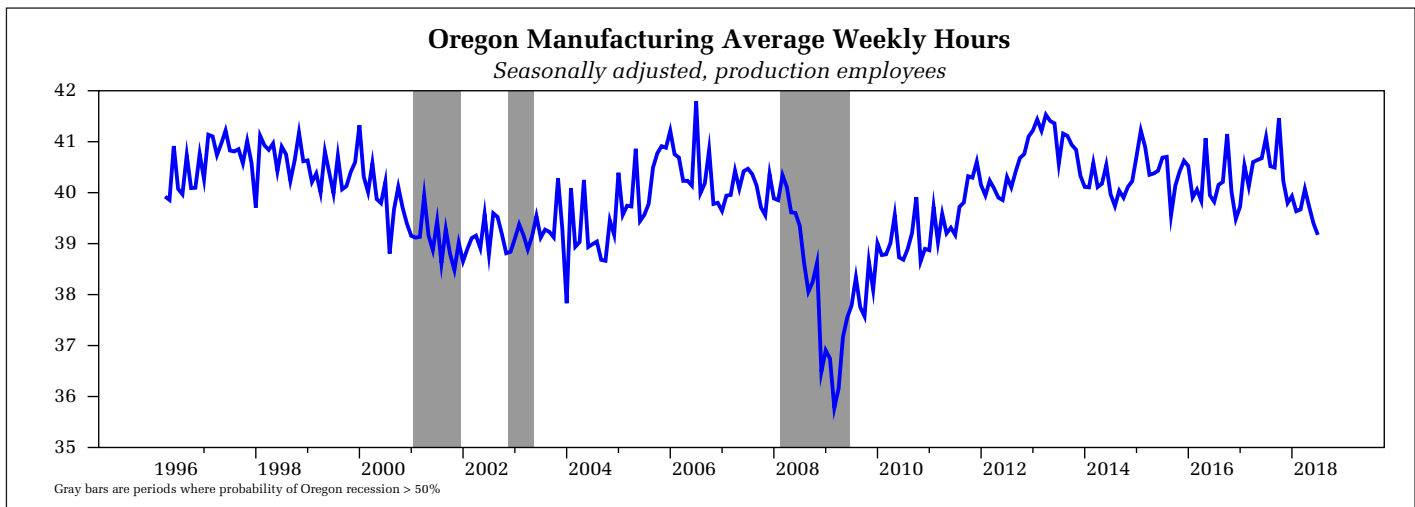
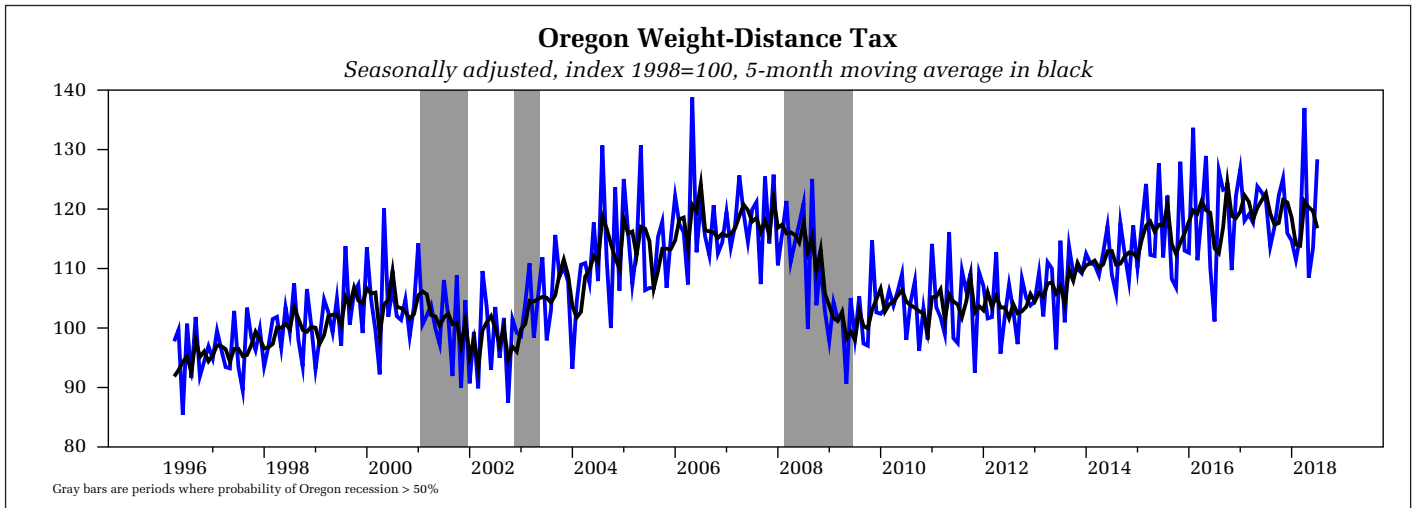
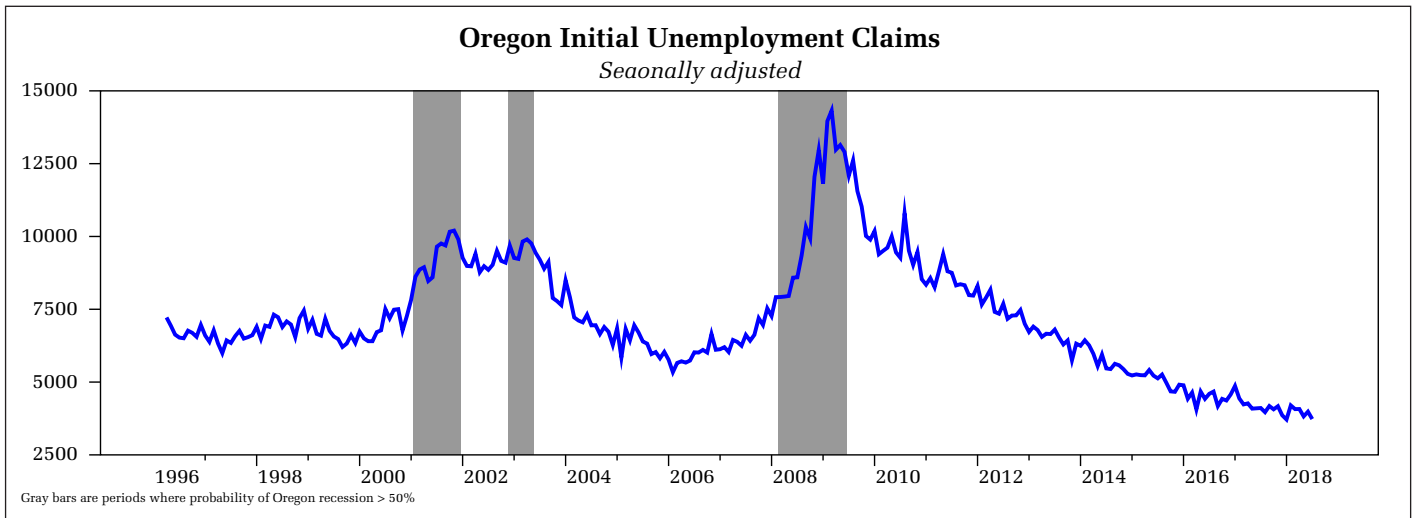


University of Oregon Index of Economic Indicators—Summary and Components

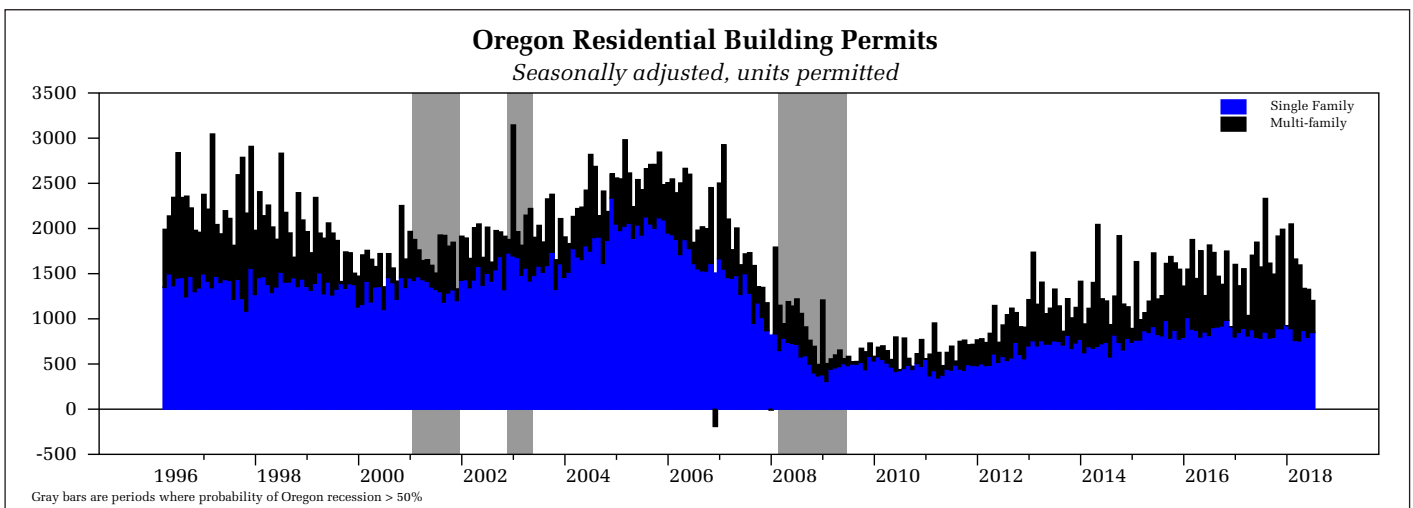
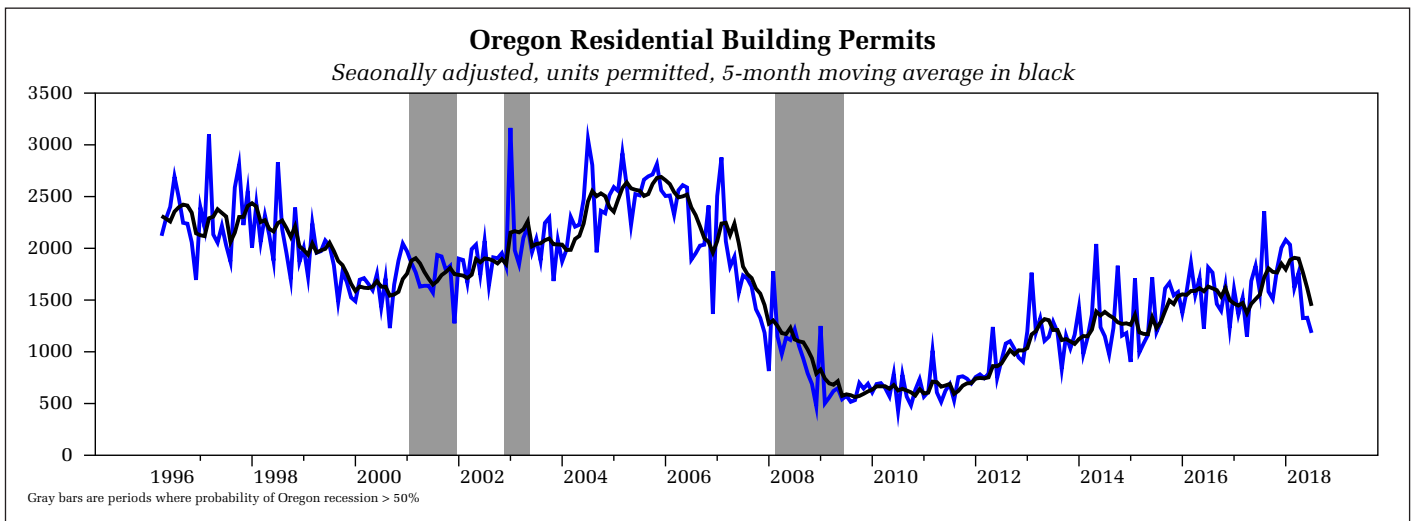
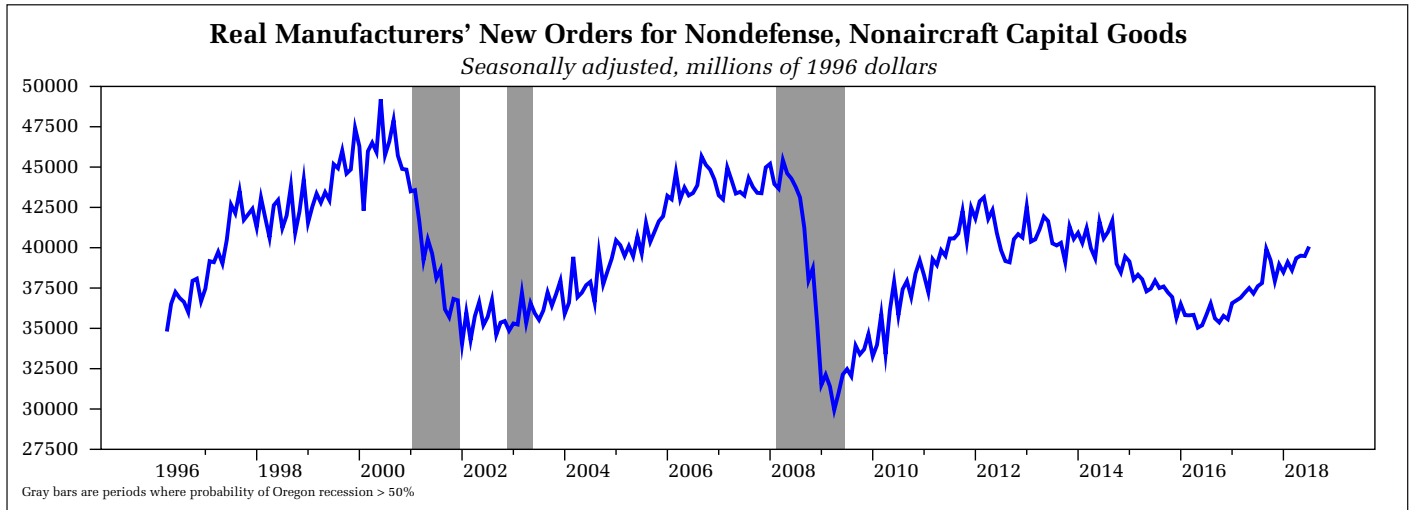
	Feb '18	Mar '18	Apr '18	May '18	Jun '18	Jul '18
UO Index of Economic Indicators™1997 = 100	101.6	101.7	101.8	101.7	101.0	100.7
Percentage Change	-0.3	0.1	0.1	-0.1	-0.7	-0.4
Oregon Initial Unemployment Claims, SA*	4,199	4,071	4,075	3,822	3,984	3,730
Oregon Employment Services Payrolls, SA	43,382	43,624	41,871	41,862	41,249	41,333
Oregon Residential Building Permits, SA, 5 MMA*	1,887	1,908	1,901	1,765	1,614	1,444
Oregon Weight-Distance Tax, SA, Index, 1998 = 100	114.03	113.85	121.29	120.29	119.65	116.77
Oregon Manufacturing Average Weekly Hours, SA	39.64	39.67	40.07	39.72	39.40	39.17
US Consumer Sentiment, SA, 5 MMA	98.1	98.2	98.3	98.7	99.2	98.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	39,108	38,605	39,349	39,506	39,483	40,071
Interest Rate Spread	1.44	1.33	1.18	1.28	1.09	0.98

*SA—seasonally adjusted; MMA—months moving average

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