

State of Oregon Economic Indicators™



August 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.

Review

The Oregon Measure of Economic Activity fell to 0.51 in August from a downwardly revised July reading of 0.74. The moving average measure, which smooths out the volatility, stood at 0.83, well above average (“zero” indicates average growth over the 1990–present period). The manufacturing sector made a negative contribution, with hours worked again a particularly weak spot (the employment component was also negative but that tends to be more volatile). Employment components were softer this month, pushing the service sector indicators into negative territory; overall employment growth slowed to just 900 jobs, down from 3,400 in July. The unemployment rate, however, reached a record low of 3.8 percent in August, and low initial unemployment claims, a forward-looking indicator, suggest job growth will rebound in the months ahead.

The University of Oregon Index of Economic Indicators held steady in August. Underlying data

was mixed. Employment services payrolls look to be normalizing after experiencing a steep run-up and subsequent decline over the past year. Building permits, smoothed, declined again as the market adjusts to a slower pace of multi-family construction. Manufacturing average weekly hours worked fell again. Traditionally this tends to be a very cyclical indicator, but in this instance the indicator is deviating from national manufacturing numbers which reveal a strong pace of activity. Moreover, the declines appear to be concentrated among production employees. This may reflect new workweek limitations for Oregon manufacturing firms and as such would not indicate a cyclical shift in the economy.

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—August 2018

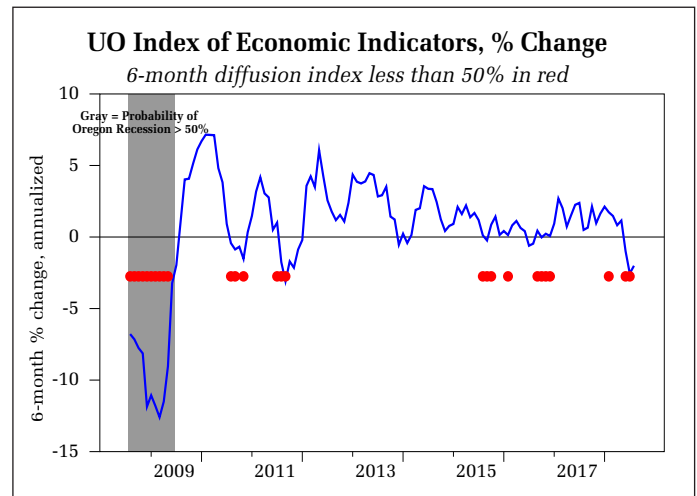
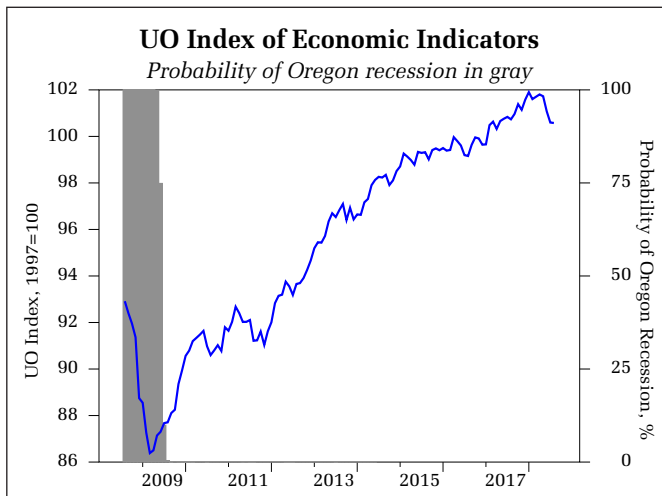
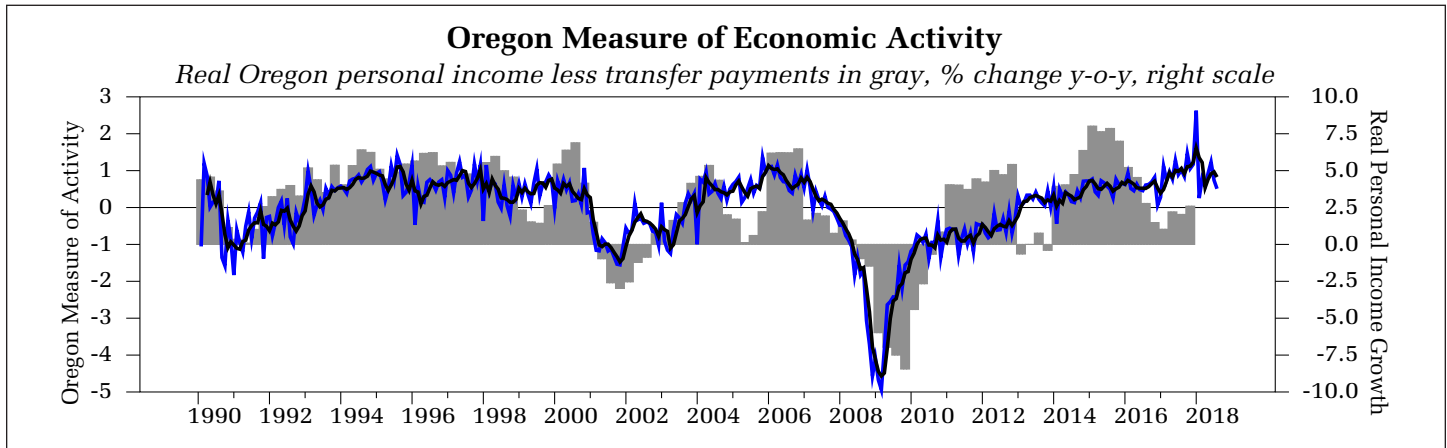
	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.05			
ISM Manufacturing: Supplier Deliveries Index	0.15			
Manufacturing Employment, Oregon	-0.11			
Hours, Manufacturing Production Workers, Oregon	-0.17			
Manufacturing Exports, Oregon	0.01			
New Private Housing Units Authorized by Building Permit, Oregon		-0.05		
Construction Employment in Oregon		0.07		
Natural Resources and Mining Employment, Oregon		0.01		
Employment Services Employment, Oregon			0.03	
Initial Unemployment Claims, Oregon			0.31	
Civilian Labor Force, Oregon			-0.08	
Unemployment Rate, Oregon			0.20	
Interest Rate Spread			0.04	
S & P 500 Stock Index			0.02	
Consumer Sentiment, University of Michigan—Reuters			0.10	
Educational and Health Services Employment, Oregon				-0.02
Financial Activities Employment, Oregon				0.00
Government Employment, Oregon				0.00
Leisure and Hospitality Employment, Oregon				-0.17
Professional and Business Services Employment, Oregon				-0.06
Other Services Employment, Oregon				0.07
Trade, Transportation and Utilities Employment, Oregon				0.13
Total by Sector	-0.07	0.03	0.60	-0.05
	Jun '18	Jul '18	Aug '18	
Oregon Measure of Economic Activity	1.23	0.74	0.51	
Three-Month Moving Average	0.91	0.97	0.83	

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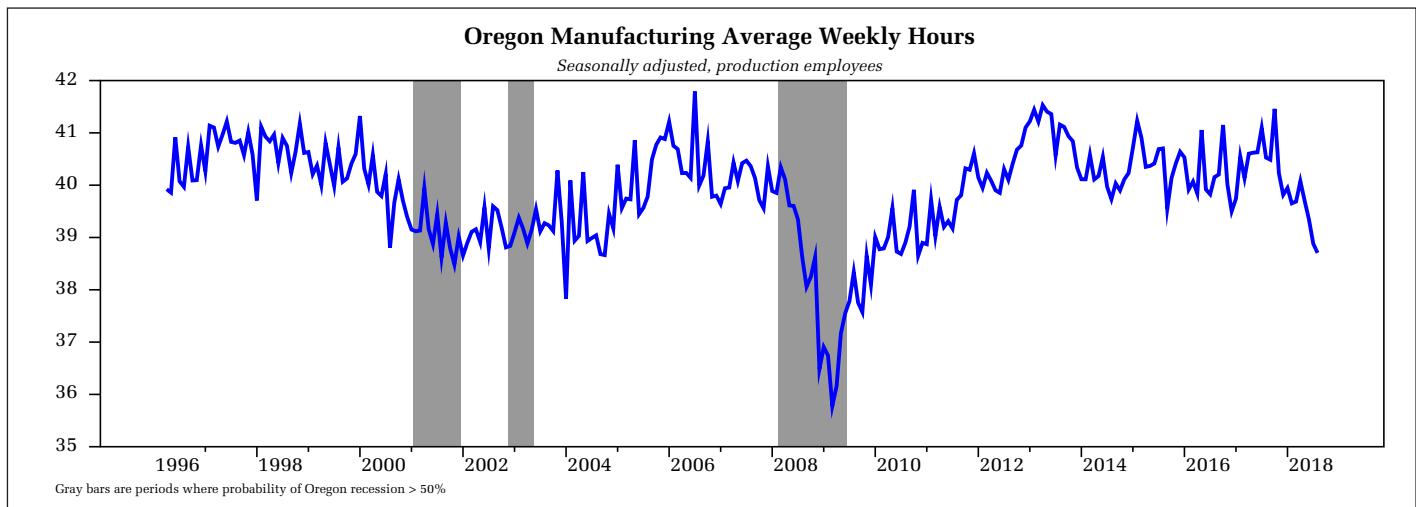
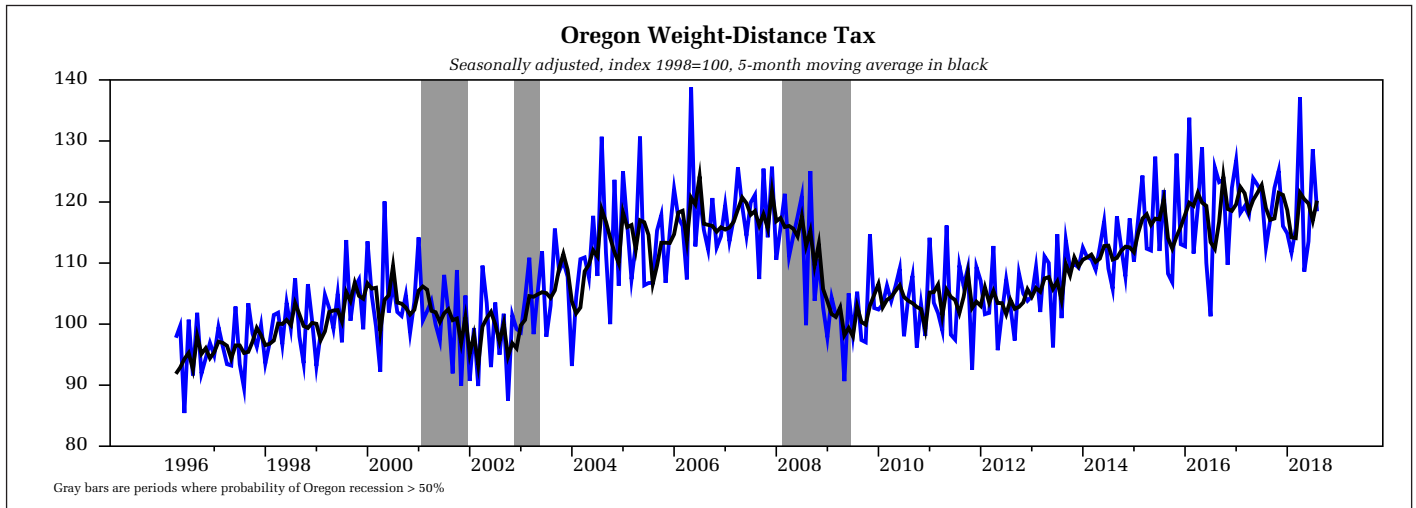
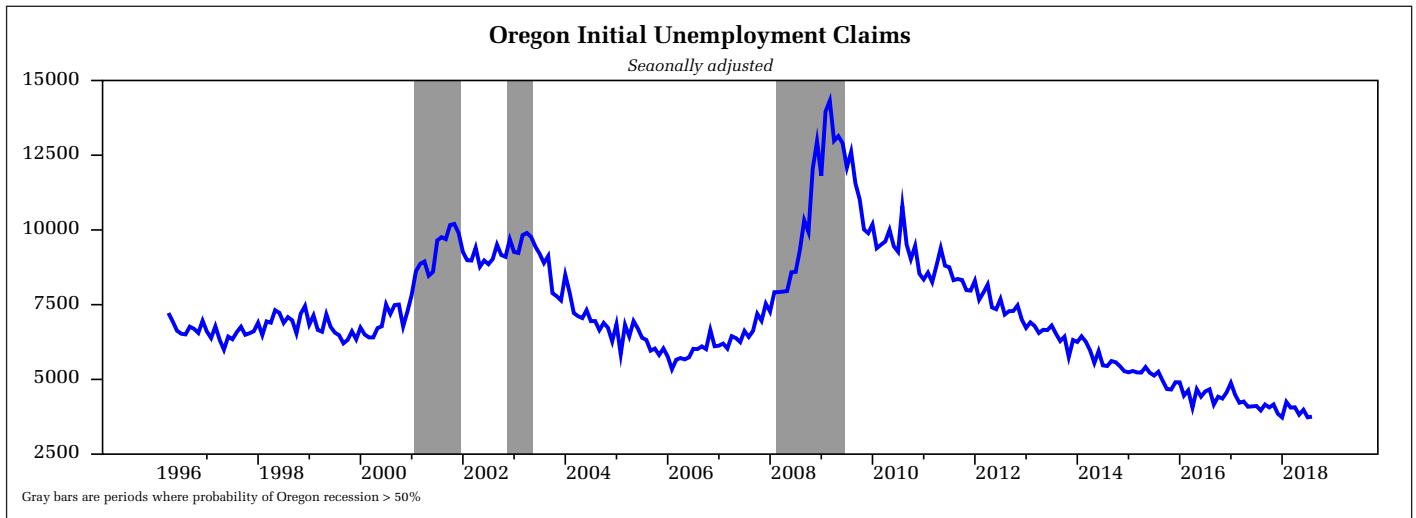


University of Oregon Index of Economic Indicators—Summary and Components

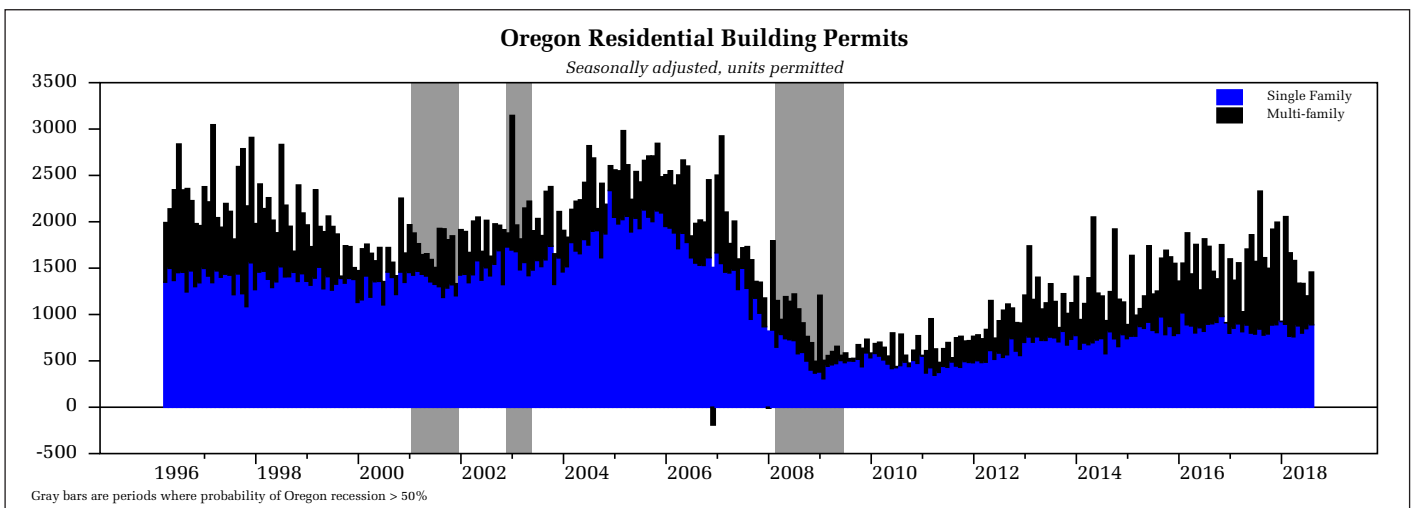
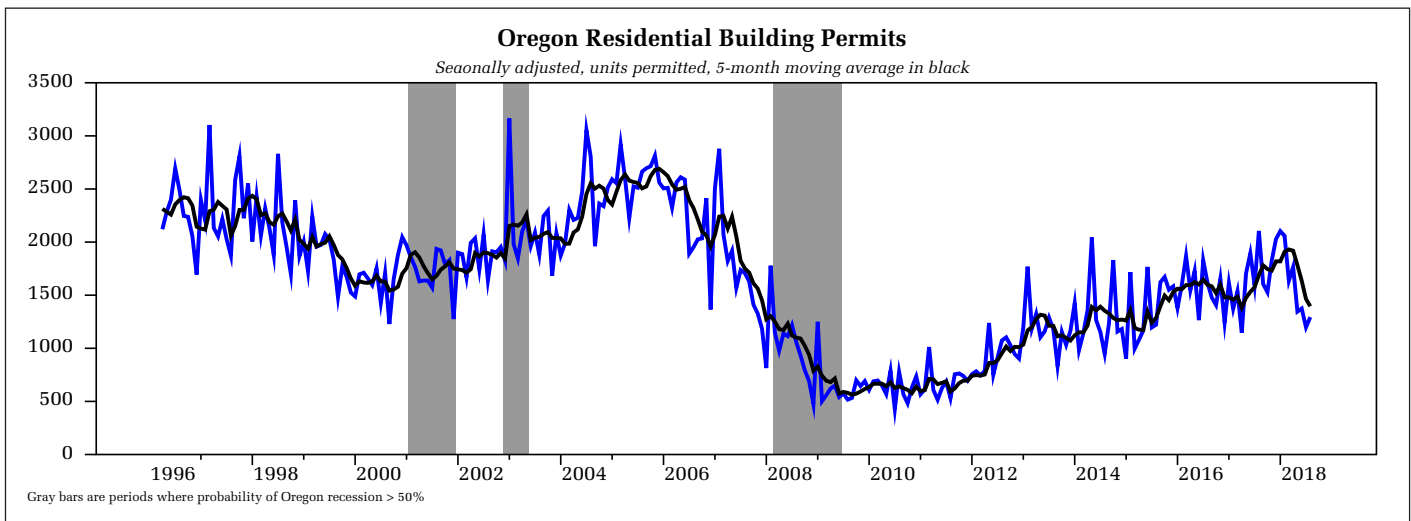
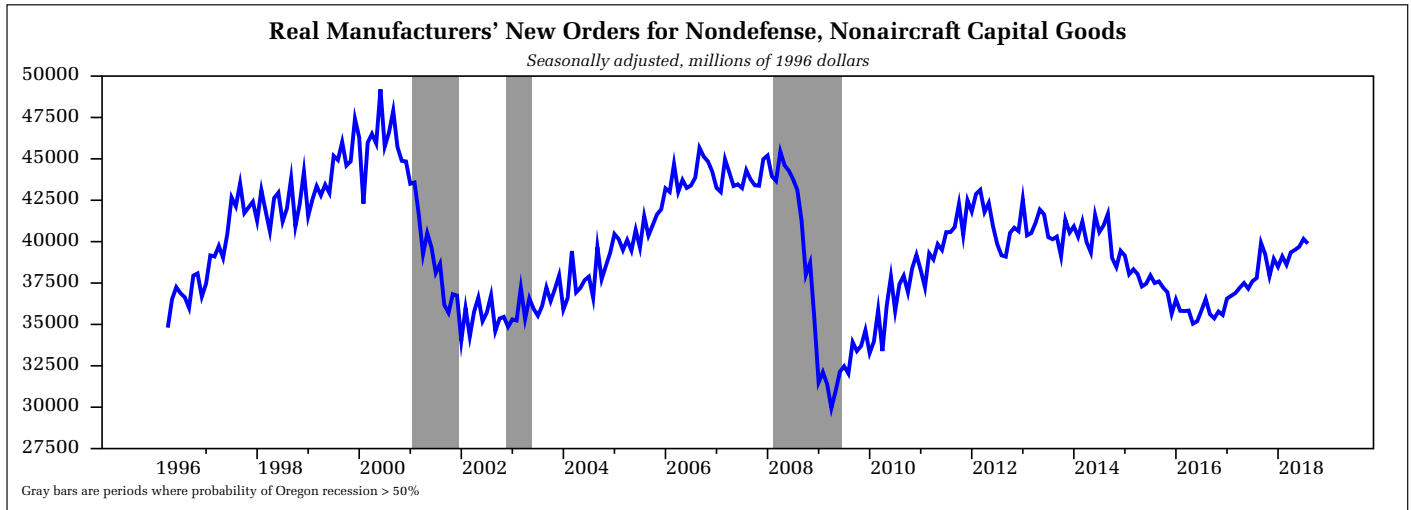
	Mar '18	Apr '18	May '18	Jun '18	Jul '18	Aug '18
UO Index of Economic Indicators™1997 = 100	101.7	101.8	101.7	101.1	100.6	100.6
Percentage Change	0.1	0.1	-0.1	-0.6	-0.5	0.0
Oregon Initial Unemployment Claims, SA*	4,056	4,066	3,820	3,982	3,731	3,753
Oregon Employment Services Payrolls, SA	43,560	41,824	41,851	41,308	41,168	41,870
Oregon Residential Building Permits, SA, 5 MMA*	1,931	1,919	1,782	1,636	1,464	1,395
Oregon Weight-Distance Tax, SA, Index, 1998 = 100	114.09	121.51	120.47	119.76	116.93	120.23
Oregon Manufacturing Average Weekly Hours, SA	39.69	40.08	39.70	39.34	38.88	38.71
US Consumer Sentiment, SA, 5 MMA	98.2	98.3	98.7	99.2	98.9	97.8
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	38,605	39,349	39,506	39,696	40,164	39,882
Interest Rate Spread	1.33	1.18	1.28	1.09	0.98	0.98

*SA—seasonally adjusted; MMA—months moving average

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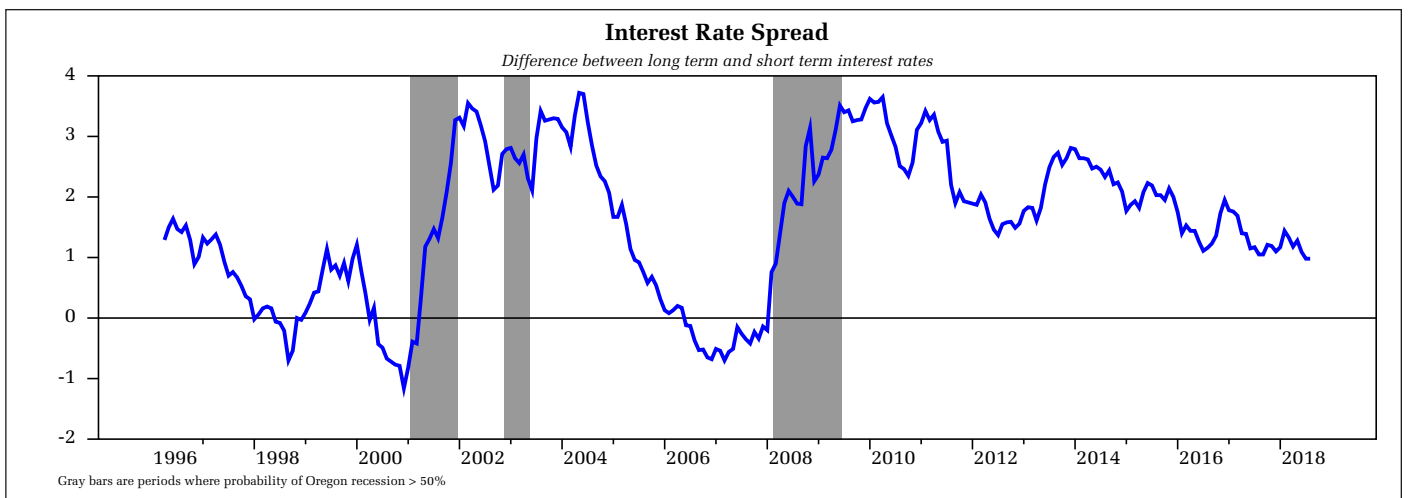
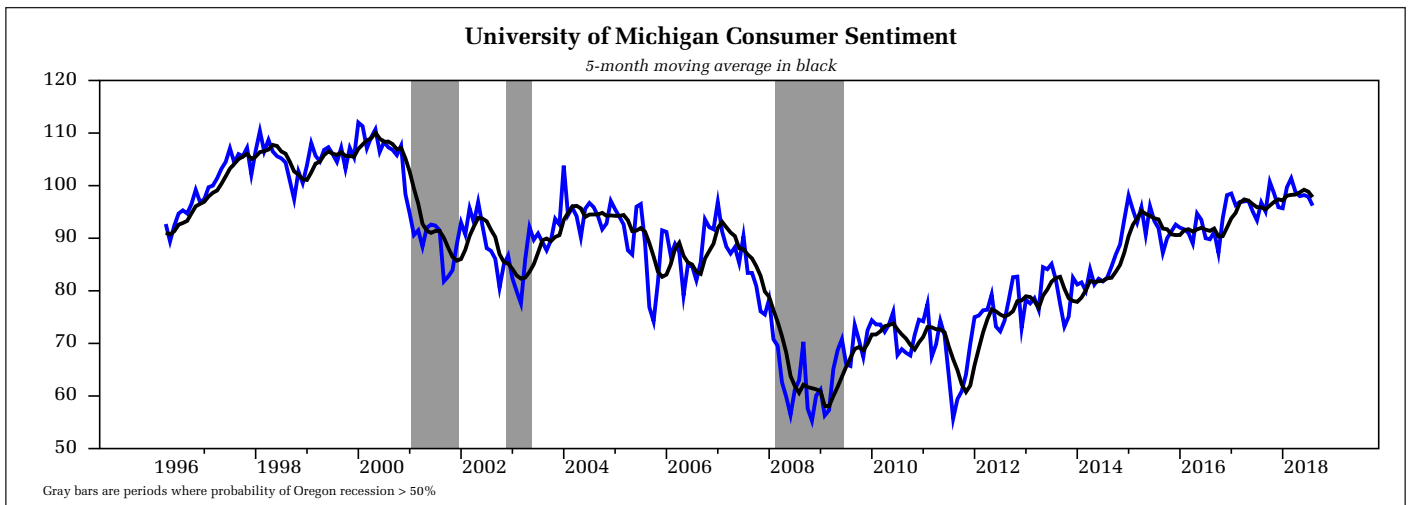
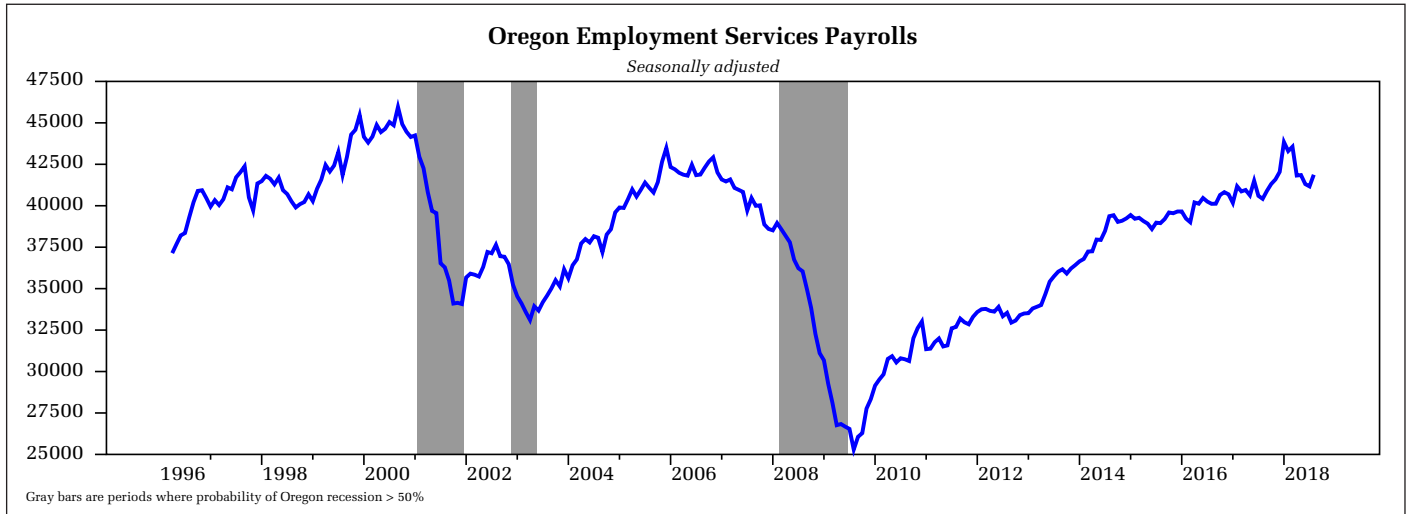


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