Review

The improvement in the UO economic indicators suggest the end of the technical recession is in sight although the pace of the subsequent recovery remains in question.

The Oregon Measure of Economic Activity fell in July to 0.14 from 2.01 in June. The moving average measure, which smooths out the volatility, now stands at 0.79, or above average growth in Oregon. That said, only the services sector contributed positively to the measure as employment components continued to improve. Employment components weighed down the manufacturing and construction sectors.

The University of Oregon Index of Economic Indicators gained 1.5 percent in July, extending the improvement in June. Though still elevated, initial unemployment claims continue to fall while employment services payrolls, mostly temporary help workers, climbed higher. Residential housing permits and the Oregon weight-miles tax, a measure of trucking activity, remain remarkably steady given the depth of the recession while new orders for core-manufacturing goods have rebounded to just shy of their pre-pandemic levels. Consumer sentiment, however, remains weak as would be expected given elevated levels of unemployment.

Substantial improvement in the UO Index typically signals that a recession will soon end; just as the recession began quickly in the wake of widespread business shutdowns, it will likely end quickly. In fact, the recession might technically have already ended with the surge of growth anticipated for the third quarter of this year. In addition, typical monthly recession dating indicators have all turned what appears to be sustainably higher. The pace of the recovery, however, is still expected to slow as some sectors, particularly leisure and hospitality, remain negatively impacted by the Covid-19 pandemic.

<table>
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<th>Contributions to Oregon Measure of Economic Activity – July 2020</th>
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<tr>
<td>Manufacturing</td>
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<td>ISM Manufacturing: Imports Index</td>
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<td>ISM Manufacturing: Supplier Deliveries Index</td>
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<td>Manufacturing Employment, Oregon</td>
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<td>Hours, Manufacturing Employees, Oregon</td>
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<td>Manufacturing Exports, Oregon</td>
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<td>New Private Housing Units Authorized by Building Permit, Oregon</td>
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<td>Natural Resources and Mining Employment, Oregon</td>
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<td>Employment Services Employment, Oregon</td>
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<td>Initial Unemployment Claims, Oregon</td>
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<td>S &amp; P 500 Stock Index</td>
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<td>Consumer Sentiment, University of Michigan–Reuters</td>
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<td>Educational and Health Services Employment, Oregon</td>
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<td>Financial Activities Employment, Oregon</td>
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<td>Government Employment, Oregon</td>
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<td>Leisure and Hospitality Employment, Oregon</td>
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<td>Professional and Business Services Employment, Oregon</td>
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<td>Other Services Employment, Oregon</td>
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<td>Trade, Transportation and Utilities Employment, Oregon</td>
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<td><strong>Total by Sector</strong></td>
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<td>May’20</td>
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<tr>
<td>Oregon Measure of Economic Activity</td>
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<td>Three-Month Moving Average</td>
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University of Oregon Index of Economic Indicators—Summary and Components

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<tr>
<th></th>
<th>Feb '20</th>
<th>Mar '20</th>
<th>Apr '20</th>
<th>May '20</th>
<th>Jun '20</th>
<th>Jul '20</th>
</tr>
</thead>
<tbody>
<tr>
<td>UO Index of Economic Indicators, 1997 = 100</td>
<td>100.2</td>
<td>96.3</td>
<td>92.5</td>
<td>92.4</td>
<td>93.9</td>
<td>95.2</td>
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<tr>
<td>Percentage Change</td>
<td>0.1</td>
<td>-3.9</td>
<td>-4.0</td>
<td>-0.1</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Oregon Initial Unemployment Claims, SA*</td>
<td>3,746</td>
<td>22,795</td>
<td>48,817</td>
<td>31,836</td>
<td>18,702</td>
<td>10,445</td>
</tr>
<tr>
<td>Oregon Employment Services Payrolls, SA</td>
<td>42,800</td>
<td>40,269</td>
<td>34,364</td>
<td>33,068</td>
<td>33,678</td>
<td>36,413</td>
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<tr>
<td>Oregon Residential Building Permits, SA, 5 MMA*</td>
<td>1,494</td>
<td>1,449</td>
<td>1,567</td>
<td>1,451</td>
<td>1,540</td>
<td>1,628</td>
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<tr>
<td>Oregon Weight-Distance Tax, SA, Index, 1998 = 100</td>
<td>124.32</td>
<td>124.55</td>
<td>123.57</td>
<td>120.93</td>
<td>120.74</td>
<td>119.12</td>
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<tr>
<td>Oregon Manufacturing Average Weekly Hours, SA</td>
<td>39.11</td>
<td>39.45</td>
<td>37.04</td>
<td>37.07</td>
<td>37.88</td>
<td>37.76</td>
</tr>
<tr>
<td>US Consumer Sentiment, SA, 5 MMA</td>
<td>98.5</td>
<td>97.2</td>
<td>92.2</td>
<td>86.8</td>
<td>82.5</td>
<td>76.8</td>
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<tr>
<td>Real Manufacturers’ New Orders for Non-defense, Non-aircraft Capital Goods, $ Millions, SA</td>
<td>37,208</td>
<td>36,714</td>
<td>34,303</td>
<td>34,763</td>
<td>36,228</td>
<td>36,852</td>
</tr>
<tr>
<td>Interest Rate Spread</td>
<td>-0.08</td>
<td>0.22</td>
<td>0.61</td>
<td>0.62</td>
<td>0.65</td>
<td>0.53</td>
</tr>
</tbody>
</table>

SA = Seasonally Adjusted, MMA = Months Moving Average
Real Manufacturers’ New Orders for Nondefense, Nonaircraft Capital Goods
Seasonally adjusted, millions of 1996 dollars

Oregon Residential Building Permits
Seasonally adjusted, units permitted, 5-month moving average in black

Oregon Residential Building Permits
Seasonally adjusted, units permitted
Oregon Employment Services Payrolls

University of Michigan Consumer Sentiment

Interest Rate Spread

Gray bars are periods where probability of Oregon recession > 50%.