Regional indexes were again all positive in July as the economy continued to rebound from the lock downs earlier this year. Moving average measures, which smooths monthly volatility, are pulling into positive territory as well (the Salem and Rogue Valley moving average measures are on a six-month basis and still contain very weak months from earlier this year). Employment components generally contributed positively as firms rehired laid-off workers. High unemployment rates, however, still made substantial negative contributions across all regions. Airport passenger traffic remains depressed but made rapid month-over-month gains again and consequently made large positive contributions to the measure. Importantly, the housing market remains a source of strength in the economy with residential sales making solid positive contributions to the measures and housing permits making generally neutral contributions. The strength in housing contrasts sharply with the weakness suffered by this sector in the last recession. Housing is generally a good leading indicator and suggests that there remains solid underlying demand that will help support the economy as firms adjust to the post-pandemic environment.

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How can I interpret the measures?
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, and volatility will increase for smaller regions or those with less data included in the estimation process. To reduce the noise, it is helpful to focus on the average of the most recent data. For the larger areas, Portland, Eugene–Springfield, and Bend, a three-month moving average is sufficient to remove the noise. For Rogue Valley and Salem, a six-month moving average is required.

Is this approach used elsewhere?
Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.
Oregon Regional Economic Indexes

July 2020

Portland Metro

Eugene-Springfield

Central Oregon

Rogue Valley

Salem

Portland Metro Measure of Economic Activity
Three-Month Moving Average in Black, US Recessions in Gray

Eugene-Springfield Measure of Economic Activity
Three-Month Moving Average in Black, US Recessions in Gray

Central Oregon Measure of Economic Activity
Three-Month Moving Average in Black, US Recessions in Gray

Rogue Valley Measure of Economic Activity
Six-Month Moving Average in Black, US Recessions in Gray

Salem Measure of Economic Activity
Six-Month Moving Average in Black, US Recessions in Gray

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