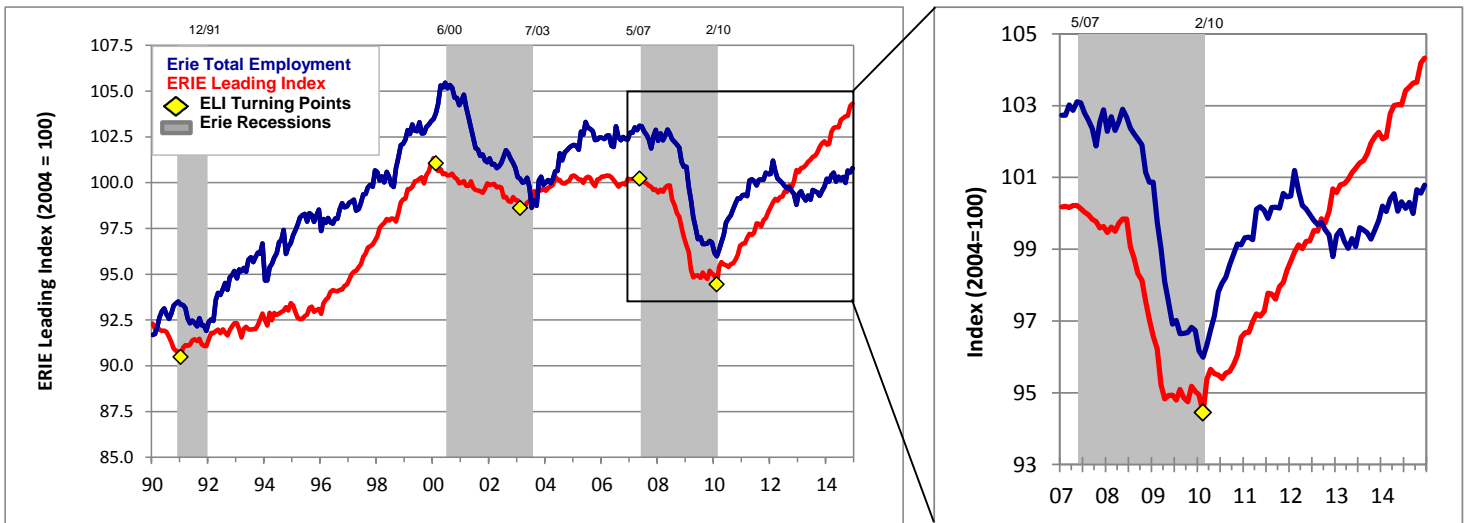




Issue #15: First Quarter 2015 (data through December 2014)



## ELI Sees Shadow and Predicts 6 More Weeks of Employment Growth!

There is a new record high in Erie, but (unfortunately for some) we are not talking about the temperature. The Erie Leading Index (ELI) has again hit a new high, surpassing the previous record high of 103.6 and reaching a December 2014 value of 104.3! This quarter again proved to be a positive one for ELI, which has continued the upward trend that started in 2010, proving that the grass is greener on the other side (of a recession!)

ELI continues to skyrocket itself to higher and higher values, with no apparent end in sight. From December 2013 to December 2014, ELI increased 2.0%, with 63% of that increase being in the last 6 months alone. This spring in ELI's step is continuing to signal job growth in the local economy.

Erie total nonfarm employment went through a bit of a hibernation period in the third quarter of 2014, remaining flat throughout the period. Now that spring is finally here (hooray!), total nonfarm employment is beginning to stir by experiencing growth of 0.8% over the last quarter. This growth amounts to about 1,000 jobs being added in the local area.

The employment situation in Erie is much better than it was around this time last year. As of December 2014, the seasonally adjusted unemployment rate in Erie was 4.8% (compared to 6.9% a year ago). This was well below the U.S. seasonally adjusted unemployment rate of 5.6% in December 2014. Although the PA Dept. of Labor and Industry recently reported that the seasonally adjusted unemployment rate in Erie edged up to 5.4% in January 2015, it also reported that nonfarm jobs rose by 1,900 on a seasonally adjusted basis between January 2014 and January 2015.

It thus appears that there is reason to be cautiously optimistic about Erie employment growth in the near future. So while the weather outside may still be gloomy, ELI has certainly given us something to smile about this spring.

Variable	September	October	November	December	Sept-Dec	% Change*	Weights
<b>ERIE Leading Index</b>	<b>103.63</b>	<b>103.65</b>	<b>104.19</b>	<b>104.32</b>	<b>0.70</b>	<b>0.67</b>	<b>1.000</b>
U.S Interest Rate Spread (%)	2.44	2.21	2.24	2.09	-0.35	-14.34	0.302
U.S. Index of Coincident Indicators (2004=100)	110.4	110.7	111.2	111.4	1.00	0.91	0.260
U.S. Real Money Supply (M2) (bill of chained 2009 \$)	10,511.6	10,543.5	10,607.4	10,696.5	184.90	1.76	0.181
PA Avg Weekly Hours in Manufacturing (hours)	41.7	41.5	41.4	41.3	-0.34	-0.81	0.079
Erie Manufacturing Employment (thou of jobs)	21.8	21.8	22.0	22.1	0.35	1.59	0.089
U.S. TS Freight Index (2000=100)	121.8	122.5	123.9	123.8	2.00	1.64	0.050
S&P 500 Stock Index (1941-43=10)	1,993.2	1,937.3	2,044.6	2,054.3	61.04	3.06	0.022
U.S. Building Permits (thou of units)	1,031	1,092	1,052	1,032	1.00	0.10	0.016

\*Symmetric % change, using the average value of the series in the last quarter as the base.

\*Changes may differ from hand calculations due to rounding.

## Components of ELI

While ELI continues to trend upward, two of the eight components of ELI declined from September to December. The U.S. interest rate spread appears to have flown south for the winter, experiencing the largest percentage decrease over the quarter. This component fell 14.3% from September to December. The interest rate spread (which measures the difference between 10-year Treasury bonds and the short-term Federal Funds rate) has steadily fallen by 0.72 percentage points since December 2013.

The year 2014 closed with an optimistic outlook on investments. The S&P 500 Stock Index is the ELI component that experienced the most growth this quarter with an impressive 3.06% increase. Since September 2011, the index has increased by 75%, which has helped fuel the steady growth in ELI.

The local components of ELI are, once again, pulling ELI in opposite directions. This quarter, Erie Manufacturing Employment increased by 1.59% while PA Average Weekly Hours in Manufacturing decreased by 0.81%. Overall, these opposing local forces did not negatively affect ELI.

The U.S. economy has historically led the Erie economy. The U.S. Index of Leading Indicators (ILI), which is not a component of ELI, helps predict if the U.S. economy will grow or contract in the upcoming months. This quarter, the U.S. ILI showed no signs of a declining economy anytime soon. All signs point to a sunny employment outlook for Erie – providing the breath of fresh air the Erie Economy needs this quarter.

*2014 closed with an optimistic outlook on investments – the S&P 500 grew an impressive 3.06% this quarter.*

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