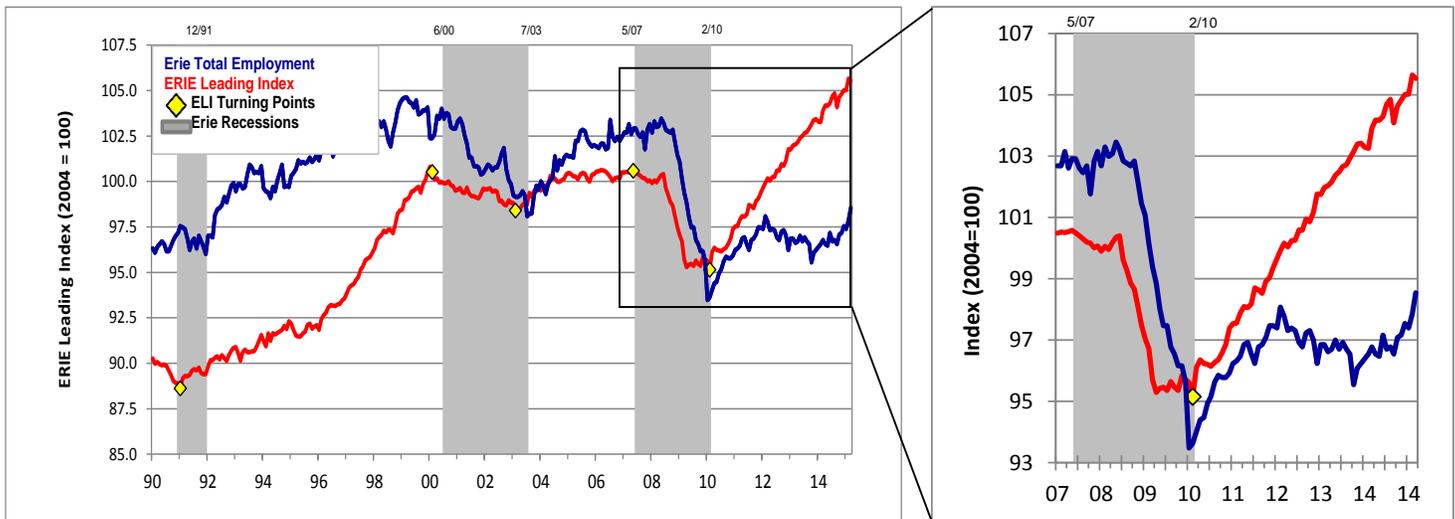




Issue #16: Second Quarter 2015 (data through March 2015)



ELI Continues to Grow as Fast as Dandelions!

Temperatures continue to climb, and so does the Erie Leading Index (ELI). A new high of 105.5 has been reached in March 2015, but hopefully Erie temperatures won't get that high this summer! ELI's consistent rise over the past few years has been a breath of fresh air for Erie residents.

Erie's total nonfarm employment in the past few years since the Great Recession has moved in a similar fashion to a seagull periodically grabbing a snack out of the bay. It has sometimes dipped down for a while (most notably in 2012), only to rise back up again, reaching over 132,000 in March 2015, surpassing the most recent peak of early 2012 and continuing on to the highest level since October 2008. This is a 2% increase in employment in the past 6 months alone, catching up to the growth we have become accustomed to seeing in ELI. The drastic climb of ELI pictured above is indicative of the continued expected growth in Erie total nonfarm employment.

With the construction of a new Courtyard by Marriott Bayfront Hotel underway, it is estimated that nearly 200 jobs will be created. This project is expected to be completed sometime in early 2016, in addition to other Bayfront expansion projects within the next few years. This is great news for Erie's total employment. The fact that we are able to take on these relatively large construction projects shows that there are some reasons, however modest, to be optimistic about Erie's economy. Hopefully these expansions will allow even more jobs to be created, thus raising total employment even higher. This also might attract more people into the area, increasing the local population. With the recent concern about Erie's declining population, this might be an eventual ray of sunshine for which everyone has been waiting.

The seasonally adjusted unemployment rate in Erie crept up to 5.4% in March 2015 from 4.8% in December 2014. However, this was substantially below the rate of 7.0% a year ago, and as of March was very similar to the unemployment rate for Pennsylvania (5.3%) and for the nation as a whole (5.5%).

Variable	December	January	February	March	Dec-Mar	% Change*	Weights
ERIE Leading Index	105.01	105.01	105.65	105.53	0.53	0.50	1.000
U.S. Interest Rate Spread (%)	2.09	1.77	1.87	1.93	-0.16	-7.66	0.320
U.S. Index of Coincident Indicators (2004=100)	111.5	111.7	111.9	112.0	0.50	0.45	0.250
U.S. Real Money Supply (M2) (bill of chained 2009 \$)	10,692.4	10,812.1	10,903.8	10,902.9	210.50	1.97	0.168
PA Avg Weekly Hours in Manufacturing (hours)	41.5	41.1	41.2	41.0	-0.42	-1.00	0.078
Erie Manufacturing Employment (thou of jobs)	22.3	22.4	22.4	22.6	0.28	1.27	0.091
U.S. TS Freight Index (2000=100)	122.7	122.8	120.9	122.9	0.20	0.16	0.053
S&P 500 Stock Index (1941-43=10)	2,054.3	2,028.2	2,082.2	2,080.0	25.72	1.25	0.023
U.S. Building Permits (thou of units)	1,060	1,060	1,102	1,039	-21.00	-1.98	0.017

*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

Five of the eight ELI components grew during this quarter, causing the overall index to rise 0.5%. This is consistent with ELI's growth in the past few years.

PA average weekly hours in manufacturing declined, while Erie manufacturing employment has started to increase again after having dipped periodically on a monthly basis in the past few years. Erie manufacturing employment has risen, on a seasonally adjusted basis, to 22,600 in March 2015. This resulted from the addition of 200 manufacturing jobs (an increase of 0.9%) between January and March and the addition of 800 manufacturing jobs (an increase of 3.7%) over the last year, raising Erie's level of total nonfarm employment to over 132,000 on a seasonally adjusted basis. What a great start to the summer!

In addition, the S&P 500 is continuing its long-term upward trend (though it dipped slightly between February and March), reflecting confidence in the overall strength of the U.S. economy. And although it is not a component of ELI, the U.S. Index of Leading Indicators (ILI) continued to point in the positive direction and thus offered more cause for optimism, since the U.S. economy tends to lead the Erie economy.

Tempering this confidence and optimism, however, are two negative factors this quarter that may indicate upcoming slower economic activity. First, the number of U.S. residential building permits (an indicator of construction activity, which typically leads most other types of economic production) fell by almost 2%. Second, the U.S. interest rate spread (the difference between the 10-year U.S. Treasury bond yield and the short-term Federal Funds rate) fell by 7.7%. But so far, these factors have not reversed the upward trajectory of ELI.

Squawk! The interest rate spread has continued to fall, this time by 7.7%!

However, 5 of the 8 ELI components grew this quarter!

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