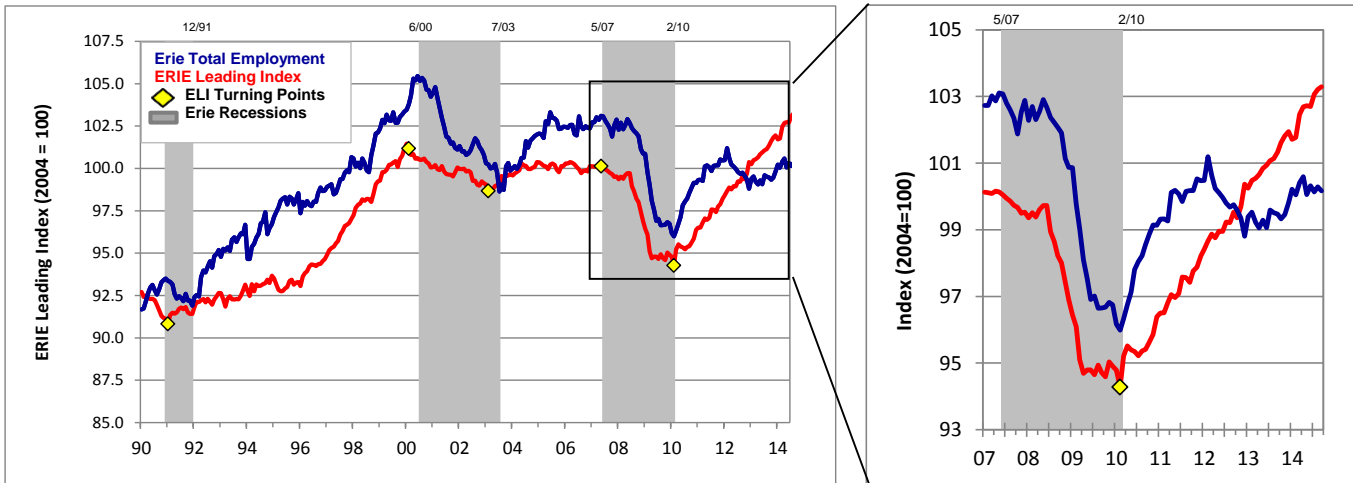


ELI Erie Leading Index



Issue #14: Fourth Quarter 2014 (data through September 2014)



ELI Spreads Holiday Cheer with a New Record High!

Snow may be falling, but the Erie Leading Index (ELI) is rising! ELI sees Erie employment having a bright future in the upcoming winter months, predicting steady employment growth during these wintry months. It appears that last quarter's growing pains have finally paid off, resulting in yet another record breaking value for ELI (103.29) in September 2014.

ELI has been experiencing steady growth since February 2010. In the last year alone, ELI has grown 1.9% and has exceeded the previous record high reached in January 2000 (101.46). In fact, ELI has surpassed this old record value in each of the last 12 months.

Just like a car in a snowy driveway, Erie's seasonally adjusted total employment has remained stuck around 130,000 since the beginning of the year. Slowly Erie total employment has been working to break out of this rut, and the most recent ELI value provides the shovel needed to dig Erie employment out of this range. ELI experienced a plateau of its own last quarter, only growing by 0.01% in the second quarter of 2014. Now, ELI has grown by 0.22% in the third quarter of 2014, a positive sign that growth is on the horizon for Erie total employment.

Erie's employment has still not fully recovered from the most recent recession, but progress has been made. In the last 12 months, Erie total employment has grown by 0.7%. This slow growth is encouraging, especially considering the fall in employment that started in February 2012. Employment is still about 1,300 jobs shy of where it was before this decline, but the reversal is already underway with over 1,700 of these jobs already recovered.

As for now, ELI provides a positive outlook for employment in the near future. Not only is ELI increasing, but Erie's unemployment rate in September (5.7%, seasonally adjusted) was below the national average (5.9%, seasonally adjusted). So break out the celebratory eggnog because Erie's economy is off to a great start this holiday season!

Variable	June	July	August	September	June-Sept	% Change*	Weights
ERIE Leading Index	102.70	103.07	103.21	103.29	0.59	0.58	1.000
U.S. Interest Rate Spread (%)	2.50	2.45	2.33	2.44	-0.06	-2.40	0.302
U.S. Index of Coincident Indicators (2004=100)	109.4	109.7	109.8	110.2	0.80	0.73	0.260
U.S. Real Money Supply (M2) (bill of chained 2009 \$)	10,402.8	10,459.9	10,487.9	10,512.0	109.20	1.05	0.181
PA Avg Weekly Hours in Manufacturing (hours)	41.0	41.4	41.8	41.6	0.62	1.51	0.079
Erie Manufacturing Employment (thou of jobs)	22.2	22.0	22.0	21.8	-0.36	-1.63	0.089
U.S. TS Freight Index (2000=100)	118.8	120.3	121.2	121.5	2.70	2.27	0.050
S&P 500 Stock Index (1941-43=10)	1,947.1	1,973.1	1,961.5	1,993.2	46.14	2.37	0.022
U.S. Building Permits (thou of units)	973	1,057	1,003	1,018	45.00	4.62	0.016

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

Components of ELI

Six of the eight components in ELI grew over the third quarter of 2014. The largest growth was experienced by U.S. building permits, which grew a staggering 4.62% over the last quarter. This is a variable that has been particularly problematic over the last two quarters, decreasing over 2% each quarter. More building permits indicate an economy is experiencing positive growth, so hopefully this recent increasing trend continues.

Bah! Humbug! The interest rate spread fell 2.4% this quarter. However, six of the other eight components increased

The U.S. interest rate spread seems to be the Ebenezer Scrooge in the components of ELI. It has shown decreases in six of the last nine months and continues to be the variable experiencing the largest percentage decreases. The ghosts of recessions past have shown that when the interest rate spread becomes negative, it is a good indicator a recession is on the way. As for now, the interest rate is being a humbug in that it is still gradually decreasing, but not to the point where it could provoke fear of another recession.

Erie manufacturing employment has also been slowly declining for quite some time. After recovering from the January 2010 low up until June 2012, the most recent trend is decreasing manufacturing employment. While this news is not ideal, manufacturing employment is still up 3,000 jobs from where it was in January 2010, so there is still hope for this pesky variable.

The U.S. Index of Leading indicators (which is not a component of ELI) has grown 1.9% over the last quarter. This is positive news for the local economy, which tends to follow trends experienced by the national economy. Overall, this has been a cheery quarter for ELI that is worthy of some festivity!

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