A Message from the Dean

I would like to welcome you to the second edition of the South Central Pennsylvania Business Conditions Newsletter. In this issue, we intend to bring you new measures of economic and business activities in south central Pennsylvania and the local economy. These new measures include the South Central Leading Economic Indicator, South Central Coincident Indicator, Harrisburg-Carlisle MSA Leading Economic Indicator, Harrisburg-Carlisle MSA Coincident Indicator, Cumberland County Leading Economic Indicator, and the State Revenue Index. The Leading indicator changes in advance of changes in the economy, giving you a preview of what is going to happen before the change actually occurs, while the Coincident indicator changes about the same time as the overall economy.

Please let us know if the indices reflect your business and economic conditions and if you would like to contribute to future newsletters. You may contact me at jgkooti@ship.edu

South Central PA Leading Economic Indicator

The SCPALEI is based on Harrisburg International Airport Passenger counts; housing building permits for Harrisburg-Carlisle MSA, housing building permits for Lancaster MSA, and housing building permits for York MSA; number of advertised jobs on the Department of Labor & Industry website; US leading economic indicator; the State of Pennsylvania leading economic indicator; and the Initial Unemployment Claims for all counties in the region. The following table shows the contribution of each component in the composite index:

<table>
<thead>
<tr>
<th>Index Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIA Index</td>
<td>.025</td>
</tr>
<tr>
<td>Building Permits Index</td>
<td>.025</td>
</tr>
<tr>
<td>Number of Advertised Jobs</td>
<td>.30</td>
</tr>
<tr>
<td>US LEI</td>
<td>.05</td>
</tr>
<tr>
<td>PA LEI</td>
<td>.30</td>
</tr>
<tr>
<td>SCPA Initial Unemployment Claims</td>
<td>.30</td>
</tr>
</tbody>
</table>

The SCPALEI index shows that the region continues to recover from the severe recession of 2008. The data shows that the SCPALEI turning point is 5 to 6 months before the south central Pennsylvania Coincident indicator turning point as shown in the next page of this report. The SCPALEI index has been moving in a positive direction since the turning point in October 2009. The index has risen from 87.30 in October 2009 to 130.75 in August 2012. The August index is also 4.27% higher than the index of August 2011.

This indicates continuing recovery although at a slower rate than 2010. Some of the contributing factors include slow recovery of the housing market, slowdown in the global recovery, Eurozone economic crisis, domestic economic uncertainty, highly volatile energy prices, and political and economic uncertainty in the Middle East to name a few. The following figure shows the monthly changes in the index since 2008.
Coincident Economic Indicator

The SCPA Coincident Economic Indicator is based on non-farm employment, government employment, trade employment, and the State Coincident Indicator. Figure 2 shows that the economy in South Central Pennsylvania region entered into a recession in May 2008. Monthly change in the SCPACEI index turned positive in the third month of 2010. The SCPACEI seems to confirm a turning point 3 to 6 months following the SCPALEI turning point. The index reached a level of 112.08 or .7 % higher than August 2011 index. Monthly changes in the index were negative in June and July, and positive in August. Figure 2 shows the month-to-month changes in the SCPACEI and PACEI.

Figure 1: Monthly changes in the South Central PA and the State of PA Leading Economic Indicators

Figure 2: Month-to-month change in the PSCACEI index in comparison to PACEI index.
Harrisburg-Carlisle Area Leading Economic Indicator

The Harrisburg Area Leading Economic Indicator (HALEI) is based on Harrisburg International Airport Passenger counts, housing building permits, number of advertised jobs on the Department of Labor & Industry website, US leading economic indicator, the State of Pennsylvania leading economic indicator, and the Initial Unemployment Claims.

The HALEI Index shows that Harrisburg-Carlisle MSA economy continues to recover from the severe recession of 2008. The index has been moving in a positive direction since the turning point in November 2009. The index has risen from 94.29 in November 2009 to 130.19 in August 2012. The August index is more than 3% higher than the index of August 2011. Nevertheless, the monthly changes in the index turned negative in four of the last 8 months in 2012. Figure 3 shows the monthly changes in the Harrisburg-Carlisle MSA index of leading economic indicator.

Figure 3: Monthly changes in HALEI Index

Harrisburg-Carlisle Coincident Economic Index

The Harrisburg-Carlisle MSA Coincident Economic Indicator is based on non-farm employment, government employment, trade employment, and the State Coincident Indicator. Figure 4 shows that the economy in Harrisburg entered into a recession in July 2008 which lasted through March 2010. Monthly changes in the index shows a turning point in April 2010. The HACEI seems to confirm a turning point 6 months following the HALEI turning point. The index reached a level of 110.99 or .3 % higher than August 2011 index. Figure 4 shows the monthly changes in the HACEI and PACEI indices.

Figure 4: Monthly changes in HACEI and PACEI Indices.

Sources of Data:
Bureau of the Census
Center for Workforce Information and Analysis, Pennsylvania Department of Labor and Industry
The Conference Board
Federal Reserve Bank of Philadelphia
U. S. Bureau of Transportation Statistics
U.S. Department of Labor (www.bls.gov)
Cumberland County Leading Economic indicator

The Cumberland County Leading Economic Indicator (CLNDLEI) is based on Harrisburg International Airport Passenger counts, building permits, number of advertised jobs on the Department of Labor & Industry website, US leading economic indicator, the State of Pennsylvania leading economic indicator, and the Initial Unemployment Claims.

The Cumberland County LEI Index shows that the economy in Cumberland County, Pennsylvania continues to recover from the severe recession of 2008. The index has been moving in a positive direction since the turning point in October 2009. The index has risen from 87.6 in October 2009 to 133.6 in August 2012. The August index is more than 3% higher than the index of August 2011. The index also shows more steady economic growth than the State and South Central PA. Cumberland County Leading Economic Indicator has been showing positive month-to-month growth in 7 of the last 8 months. Figure 5 shows the monthly changes in the Cumberland County index of leading economic indicator.

Figure 5: Monthly changes in Cumberland County LEI Index

Sources of Data:
- Bureau of the Census
- Center for Workforce Information and Analysis, Pennsylvania Department of Labor and Industry
- The Conference Board
- Federal Reserve Bank of Philadelphia
- U. S. Bureau of Transportation Statistics
- U.S. Department of Labor (www.bls.gov)
Sources of Data:
Pennsylvania Department of Revenue

The Pennsylvania Department of Revenue’s recent report shows that Revenue collections for August were $1.8 billion or about 2% lower than July collections of $1.84 billion. The August index of State revenue which is based on seasonally adjusted data is at 116.72 in August 2012 compared to 114.99 in August 2011. Figure 6 shows the index reaching a trough in September 2009. Given the nature of revenue collections, wide fluctuation in monthly data is expected.

Figure 7 shows monthly changes in the State of Pennsylvania Revenue Index. The index shows monthly changes turned negative in three of the last 8 months of the year. Nevertheless, it has been steady growth in the State Revenue index since November 2010.

Figure 6: PA State Revenue Index from January 2006 to July 2012

Figure 7: Monthly Changes in PA State Revenue Index