

DataBank

Research & analysis by Betsy Shepherd

INTERPRETING THE CONFERENCE BOARD'S EMPLOYMENT TRENDS INDEX

The Conference Board, a research organization, publishes its Employment Trends Index, or ETI, monthly, immediately after the U.S. Bureau of Labor Statistics publishes its employment numbers. The ETI gives economists and investors insight into the direction employment numbers are likely to take in the next three to six months. This insight can be equally valuable to human resources professionals as they make short- and medium-range hiring and compensation plans.

The ETI is calculated using eight indicators* that impact employment numbers, including the difficulty in finding jobs, initial claims for unemployment insurance, job openings and hirings for temporary positions. In 2007, the ETI's downward trend presaged the drop in

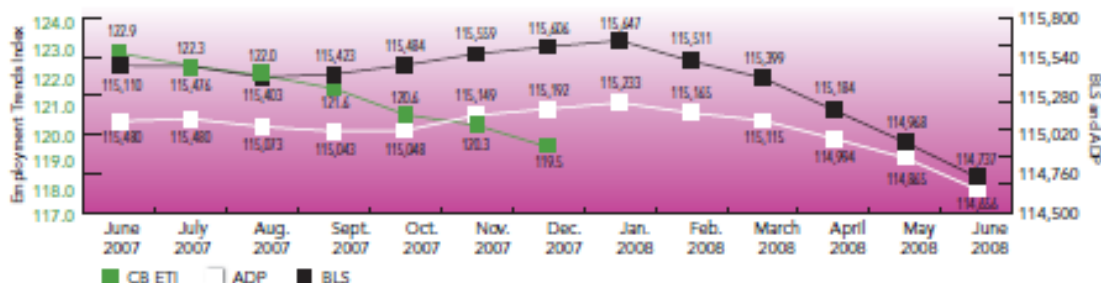
employment that came with the 2008 recession. At the same time, the BLS and Automatic Data Processing Inc., or ADP, which also releases monthly employment numbers, reported that actual employment numbers were moving upward.

At the end of 2011 and early 2012, the ETI moved upward, and in the next six months the BLS and ADP data followed. Over the past two quarters, however, the ETI line has flattened, suggesting employment numbers will do the same in the next two quarters. Gad Levanon, director of macroeconomic research at the Conference Board, concurs. "Throughout the rest of the year and into 2013, I expect to see slower growth—not a decline, but very slow growth," he says.

*For the complete list of indicators used to calculate the ETI, go to conference-board.org/data/eti.cfm.

THAT WAS THEN ...

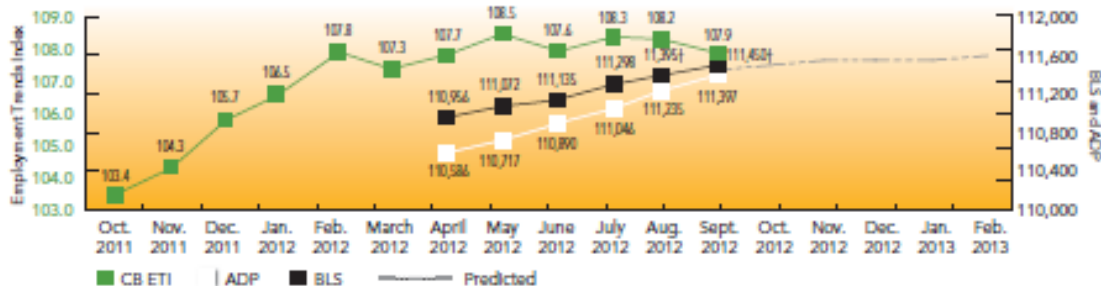
The Employment Trends Index predicted the 2008 employment drop. On the left axis is the Conference Board Employment Trends Index. On the right axis is BLS and ADP data** (in thousands).



Note: 2008 ETI data omitted to highlight the prediction in BLS and ADP trends.

... THIS IS NOW

While the BLS and ADP data predict job growth, the Employment Trends Index predicts slower growth, as shown with the gray line. On the left axis is the Conference Board Employment Trends Index. On the right axis is BLS and ADP data** (in thousands).



†Preliminary data

NOTE: The dashed gray line represents future employment levels as predicted by ETI data for the previous six months. The BLS and ADP numbers for the rest of 2012 and early 2013, indicated by the dashed line, are estimates based on the ETI.

**Employees on private, nonfarm payrolls, seasonally adjusted.

Source: The Conference Board (conference-board.org); U.S. Bureau of Labor Statistics (bls.gov) and ADP (adp.com)