

Monthly Economic Report

October 2013



United States Economic Indicators

	<u>Oct-12</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.9%	7.3%	7.2%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	154.3	151.3	143.3	n.a.	
Advance Retail Sales Year-over-year growth rate of retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. ³	5.1%	5.4%	4.5%	n.a.	
Residential Home Sales Year-over-year growth rate in residential home sales based on latest three months of data. ⁴	10.3%	14.4%	13.0%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	82.6	82.1	77.5	73.2	
Purchasing Managers Index (PMI) A diffusion index that reflects the relative health of the manufacturing sector. An index greater than 50 indicates that the sector is expanding. ⁶	51.7	55.7	56.2	n.a.	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.75	3.57	3.53	3.34	
S&P 500 Index An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. ⁸	1,412	1,633	1,682	1,763	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	2.2%	1.5%	1.2%	n.a.	

Sources:

1/ U.S. Department of Labor - Survey of Households.

2/ U.S. Department of Labor - Survey of Establishments.

3/ U.S. Department of Commerce.

4/ National Association of Realtors.

5/ University of Michigan - Survey of Consumers.









6/ Institute of Supply Management.

7/ Energy Information Administration.

8/ Standard and Poor's.

9/ U.S. Department of Labor - Bureau of Labor Statistics.

Pennsylvania Economic Indicators






	<u>Oct-12</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	8.0%	7.7%	delayed	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	3.4	9.1	delayed	n.a.	
Sales-Use Taxes Year-over-year growth rate of sales taxes based on latest three months of collections. Excludes motor vehicle sales taxes. ³	1.6%	2.6%	2.1%	2.9%	
Motor Vehicle Sales Taxes Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. ³	-4.9%	6.2%	8.0%	9.8%	
Realty Transfer Taxes Year-over-year growth rate of realty transfer taxes based on latest three months of collections. Monthly residential sales data are not available at state level. ³	12.5%	18.2%	26.5%	20.6%	
Current Business Outlook Index A diffusion index that measures the current outlook of manufacturing firms in the third federal reserve district (PA, NJ, DE). A negative number indicates increasing pessimism. ⁴	4.2	9.3	22.3	19.8	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁵	3.83	3.65	3.60	3.39	
Consumer Price Index (PA-NJ-DE-MD) Year-over-year change in average price level. Includes outlays for energy. Data are published on a bi-monthly basis. ⁶	2.2%	1.1%	1.1%	delayed	

Sources:




1/ U.S. Department of Labor - Survey of Households.
 2/ U.S. Department of Labor - Survey of Establishments.
 3/ PA Department of Revenue.

4/ Federal Reserve Bank of Philadelphia.
 5/ Energy Information Administration.
 6/ U.S. Department of Labor. For non-release months, values held constant.

Quarterly United States Economic Indicators

	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	
Real Gross Domestic Product (GDP) The quarterly annualized growth rate of the U.S. economy. Excludes inflation. ¹ Note: The GDP series was revised to include intangible assets (e.g., intellectual property).	2.8%	0.1%	1.1%	2.5%	
Personal Income The year-over-year growth rate of U.S. personal income. Includes wages, interest, dividends, rents, pensions, business and transfer income. Includes any inflationary gains. ¹	3.1%	5.8%	2.8%	3.0%	
Corporate Profits The year-over-year growth rate of domestic and foreign profits of U.S. corporations. ¹	6.3%	2.7%	2.1%	4.5%	
FHFA House Price Index An index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Rate is the year-over-year change in the index. ²	4.0%	5.5%	7.1%	7.2%	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	6.6%	6.3%	6.1%	5.7%	

Quarterly Pennsylvania Economic Indicators

	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	
Personal Income The year-over-year growth rate of PA personal income. Includes wages, interest, dividends, rents, pensions, business and transfer income. Includes any inflationary gains. ¹	2.5%	3.9%	1.4%	2.2%	
FHFA House Price Index An index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Rate is the year-over-year change in the index. ²	-0.1%	2.8%	2.4%	3.7%	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.3%	5.6%	5.4%	5.5%	

Sources:

1/ U.S. Bureau of Economic Analysis. 2/ Federal Housing Finance Agency. 3/ Fed. Res. Bank of New York.

Snapshot: Pennsylvania Unconventional Well Impact Fee

From 2010 to 2011, production of natural gas in Pennsylvania more than doubled, growing from 572.9 billion cubic feet to 1.3 trillion cubic feet, with shale gas wells comprising approximately 80 percent of the production in 2011.¹ Production of natural gas from unconventional (i.e. shale) wells grew further to 1.4 trillion cubic feet in the first half of 2013, a 58.3 percent increase over the first half of 2012.² The surge in natural gas production has generated significant employment growth for the industry. From 2002 to 2012, employment in oil and gas extraction (NAICS 211) and support industries (NAICS 213111, 213112) increased from 3,538 to 20,943, an increase of nearly 500 percent.⁴

The new drilling activity also generates impact fee revenues for Pennsylvania municipalities, counties, conservation districts and certain state agencies. The impact fee was enacted by Act 13 of 2012.³ The structure of the fee is a function of the price of natural gas, with adjustments made for growth in the Consumer Price Index. The fee is triggered at the start of drilling activity (also known as the spud date). Fee assessment is based on the number of unconventional gas wells (UGW) drilled, and the fee declines annually over a period of 15 years of production. Given the entire range of potential natural

gas prices outlined in the impact fee structure, a typical UGW producing for 15 consecutive years will return roughly \$190 to \$355 million in impact fee revenue, with approximately 50 percent of the funds received during the first five years of production.⁵

For FY 2012-13, the impact fees generated \$406 million in revenue, split between wells spud before 2012 (\$204 million) and wells spud in 2012 (\$202 million). A share of the wells spudded in 2011 and 2012 experienced construction and connectivity delays to existing pipeline infrastructure, which created a backlog of drilling operations. This backlog and low natural gas prices are driving new drilling operations down in the short term. Year-to-date October data from the Department of Environmental Protection indicate a 30.7 percent decline in spudded wells compared to the same ten month period from the 2011 peak. For FY 2013-14, impact fee revenue is forecasted to increase, as wells spudded prior to 2013 pay fees for their second and third years of production. Given the current forecast of natural gas prices from the EIA, some analysts project a reduction in funds attributable to newly spudded wells in 2014 compared to 2013.

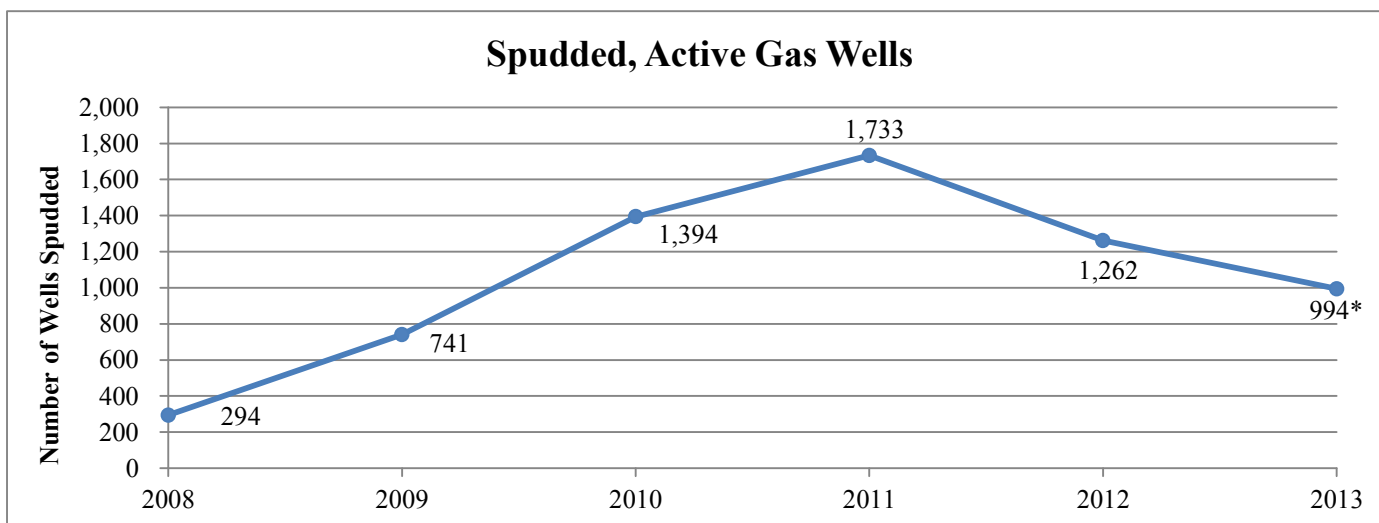
¹ EIA, Natural Gas Withdrawals and Production, Pennsylvania.

² Pennsylvania Department of Environmental Protection.

³ Act 13 of 2012, Amendment to the Oil and Gas Act.

⁴ Represents direct extraction-related employment in industries identified by the Department of Labor and Industry (Center for Workforce Information and Analysis) as Marcellus shale core industries. Excludes pipeline-related employment.

⁵ Calculation does not account for fee adjustments due to the CPI or any additional fees that may be imposed.



* 2013 SPUD data as of 10/31/2013.

Source: The Pennsylvania Department of Environmental Protection, Oil and Gas Reports, SPUD Data Report.