











Monthly Economic Report

January 2014

United States Economic Indicators

	<u>Jan-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.9%	7.0%	6.7%	6.6%	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	204.7	225.0	195.3	154.0	
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	4.7%	4.0%	4.2%	n.a.	
Residential Home Sales Year-over-year growth rate in the number of residential homes sold based on latest three months of data. ⁴	11.4%	4.5%	0.8%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	73.8	72.0	84.5	81.2	
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	53.1	57.3	57.0	51.3	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.31	3.24	3.28	3.31	
S&P 500 Index An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. ⁸	1,498	1,806	1,848	1,782	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	1.6%	1.2%	1.5%	n.a.	
10-Year Treasury Yield on 10-year U.S. Treasury note. ⁸	2.02%	2.75%	3.04%	2.67%	

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/ Market data compiled by the Wall Street Journal.
- 9/ U.S. Department of Labor - Bureau of Labor Statistics.

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Pennsylvania Economic Indicators

	<u>Jan-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	8.2%	7.3%	6.9%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	4.0	0.6	-0.8	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	0.3%	2.4%	1.1%	1.7%	
Motor Vehicle Sales Taxes Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. ³	-1.8%	4.3%	5.1%	-0.6%	
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	24.6%	20.7%	-1.1%	-0.5%	
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	-5.6	9.2	6.4	9.4	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁵	3.51	3.35	3.46	3.49	
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	1.8%	0.3%	1.2%	1.2%	
Housing Starts (Building Permits) The growth rate of privately owned homes upon which construction was initiated during the latest three-month period.	7.2%	16.9%	15.6%	n.a.	

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/ U.S. Energy Information Administration.
 6/ U.S. Department of Labor - Bureau of Labor Statistics.
 For non-release months, values held constant.
 7/ U.S. Census Bureau- Building Permits.




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Quarterly United States Economic Indicators

	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
Real Gross Domestic Product (GDP) The quarterly annualized growth rate of the U.S. economy. Excludes inflation. ¹	1.1%	2.5%	4.1%	3.2%	
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	2.8%	3.2%	3.8%	1.6%	
Corporate Profits The year-over-year growth rate of domestic and foreign profits of U.S. corporations. ¹	2.1%	4.5%	5.6%	n.a.	
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	7.1%	7.5%	8.4%	n.a.	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	6.1%	5.7%	5.3%	n.a.	

Quarterly Pennsylvania Economic Indicators

	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</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	1.3%	2.6%	3.1%	n.a.	
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	2.3%	3.9%	4.8%	n.a.	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.4%	5.5%	5.6%	n.a.	

Sources: 1/ U.S. Bureau of Economic Analysis. 2/ Federal Housing Finance Agency. 3/ Federal Reserve Bank of New York.

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Impact of Labor Force Participation Rates on the Unemployment Rate

According to the U.S. Bureau of Labor Statistics' (BLS) preliminary unemployment data, the seasonally adjusted unemployment rate for Pennsylvania dropped 0.4 points to 6.9% in December. While this number may be revised, the reduction represents the largest monthly drop since July 1983 and the lowest unemployment rate since January 2009 (6.8%). Viewing this figure exclusively, it would appear that the Commonwealth's labor market is finally recovering. However, the labor news is not all positive. The BLS also reported that the number of non-farm, seasonally adjusted jobs for December was down 11,400 from November to 5.762 million, which is still 63,000 less than the peak pre-recession monthly jobs number (April 2008, 5.825 million jobs).

The reason the unemployment rate can drop at the same time as the number of jobs decreases is that the labor force (sum of those employed and unemployed) is also shrinking. Consequently, overall labor force participation rates are also viewed as another measure of the strength of the labor market. The labor force participation rate is defined by BLS as the labor force as a share of the civilian non-institutional population. The higher the labor force participation rate, the larger share of the working-age population who are working or seeking employment.

Since 1998, the Pennsylvania labor force participation rate has remained relatively stable, falling slightly from 64.0% in 1998 to 63.4% in 2013.¹ (See table below.) Over that same period, the U.S. labor force participation rate declined 3.9 percentage points (67.1% in 1998, 63.2% in 2013).² Most of the U.S. decline occurred from 2008 (66.0%) through 2013 (63.2%). One interesting trend in labor force participation rates has been the gradual increase in rates for individuals age 65 or older. Since 1998, the Pennsylvania age 65 and older labor force participation rate has increased from 10.0% (1998) to 17.6% (2013). Similar trends have been seen in the U.S. (11.9% in 1998, 18.7% in 2013). While this increase is somewhat significant, the largest movement in labor force participation rates by age group has occurred in the 16 to 19 age group. The Pennsylvania teen (age 16-19) labor force participation rate has fallen from 52.3% in 1998 to 40.4% in 2013. The rate for U.S. teens has seen an even more dramatic decline going from 52.8% (1998) to 34.4% (2013).

¹ Current Population Survey (CPS); Center for Workforce Information & Analysis.

² CPS, U.S. BLS. Calculations by the IFO included using an average of quarterly, seasonally adjusted labor force participation rates to calculate annual values.

Labor Force Participation Rate for Select Age Groups Over Time

Age Groups	1998	2003	2008	2013
Pennsylvania				
16-19	52.3%	46.7%	47.2%	40.4%
20-24	75.5	74.2	75.7	71.1
55-64	58.8	63.4	64.7	66.1
65+	10.0	13.1	16.3	17.6
Total	64.0	63.9	65.3	63.4
U.S.				
16-19	52.8	44.5	40.2	34.4
20-24	77.5	75.4	74.4	70.7
55-64	59.3	62.4	64.6	64.4
65+	11.9	14.0	16.8	18.7
Total	67.1	66.2	66.0	63.2

Source: Pennsylvania Data: CPS, Center for Workforce Information & Analysis. U.S. Data: CPS, BLS (Calculations by the IFO.)