











Monthly Economic Report

February 2014

United States Economic Indicators

	Feb-13	Dec-13	Jan-14	Feb-14	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.7%	6.7%	6.6%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	230.3	195.3	154.0	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	4.7%	3.9%	3.6%	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	9.9%	1.0%	-2.8%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	77.6	84.5	81.2	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	54.2	57.0	51.3	n.a.	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.67	3.28	3.31	3.36	
S&P 500 Index An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. ⁸	1,515	1,848	1,782	1,865	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	1.9%	1.5%	1.6%	n.a.	
10-Year Treasury Yield on 10-year U.S. Treasury note. ⁸	1.89%	3.04%	2.67%	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

	Feb-13	Dec-13	Jan-14	Feb-14	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	8.1%	6.9%	n.a.	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	3.3	-0.8	n.a.	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%	1.1%	1.7%	-0.4%	
Motor Vehicle Sales Taxes Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. ³	-3.8%	5.1%	-0.6%	1.8%	
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	16.9%	-1.1%	-0.5%	-3.4%	
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	-11.9	6.4	9.4	-6.3	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁵	3.74	3.46	3.49	3.48	
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%	1.2%	1.2%	n.a.	
Housing Starts (Building Permits) The growth rate of privately owned homes upon which construction was initiated during the latest three-month period.	7.6%	15.6%	17.8%	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%	2.4%	
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%	7.7%	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	6.1%	5.7%	5.3%	5.0%	

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%	4.4%	3.7%	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.4%	5.5%	5.6%	5.5%	

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

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Snapshot: Consumption and the Economy

In recent testimony, newly appointed Federal Reserve Chair Janet Yellen informed Congress that the economy has shown unexpected signs of weakness. Yellen noted that some of the weakness may be related to adverse weather conditions, but she also noted specific weakness related to consumer spending. Consumer spending is a key driver of economic growth because it comprises roughly two-thirds of gross domestic product.

State level data on consumer spending are not available. States must rely on monthly sales tax collections to measure and quantify current consumer spending. However, that metric is imperfect because (1) it only captures spending on taxable items, which may comprise roughly 30-35 percent of Pennsylvania consumer spending and (2) it also includes taxable business purchases. With these limitations in mind, total Pennsylvania sales and use tax collections have increased by only 1.8 percent for the first 8 months of the fiscal year (July 2013 to February 2014) compared to the prior fiscal year. That growth rate is weaker than the growth in national consumer spending based on the advance retail sales report (roughly 4.0 percent, July 2013 to January 2014) published monthly by the U.S. Department of Commerce.

As noted by Yellen, adverse weather conditions may have hampered consumer spending in Pennsylvania. Recent modest income gains likely also contribute to that outcome. A third element may be the fact that Pennsylvania consumers continue to pay down debt. Recent data from the Federal Reserve Bank of New York reveal that Pennsylvania consumers reduced average per capita debt levels by more than \$1,000 (-2.6 percent) through 2013. (See table.) Large reductions in mortgage and credit card debt were partially offset by gains in student loan and auto debt. Some analysts were surprised that this deleveraging process continued into 2013 since it appeared to have ended in 2012.

Although trends in per capita debt levels are informative, it is more useful to measure debt relative to personal income. For 2013 Q4, the ratio of Pennsylvania consumer per capita debt to income was 66.9 percent. That ratio is much lower than the peak that occurred in 2008 Q4 (80.3 percent), and is roughly equal to the ratio from a decade ago (70.0 percent, 2003 Q4). An important question for the economy is whether consumers have finished the deleveraging process so they can provide a boost to consumer spending.

Per Capita Debt Levels - Pennsylvania Consumers¹
thousands of dollars

Year	Auto	Credit Card	Mortgage ²	Student Loan ³	Total	Annual Change	
						Dollar	Percent
2003	\$2,710	\$2,820	\$18,090	\$3,210	\$26,830		
2004	2,650	2,950	20,360	4,150	30,110	\$3,280	12.2%
2005	2,860	2,980	22,200	4,170	32,210	2,100	7.0
2006	2,880	3,050	24,450	4,460	34,840	2,630	8.2
2007	2,900	3,290	26,500	5,750	38,440	3,600	10.3
2008	2,880	3,350	28,210	6,310	40,750	2,310	6.0
2009	2,720	3,080	28,110	5,860	39,770	-980	-2.4
2010	2,730	2,850	27,760	5,870	39,210	-560	-1.4
2011	2,890	2,810	27,810	5,630	39,140	-70	-0.2
2012	3,030	2,850	27,350	5,900	39,130	-10	0.0
2013	3,130	2,700	26,220	6,050	38,100	-1,030	-2.6

¹ All values represent the fourth quarter of that year.

² Mortgage includes home equity loans.

³ Student loan includes other miscellaneous debt such as personal loans. For 2013, more than 80 percent of the total was student loan debt.

Source: Federal Reserve Bank of New York.