

Monthly Economic Update

August 2020



PA Recovers Half of Jobs Lost From April Low, but Employment Growth Decelerates

On August 21, the U.S. Bureau of Labor Statistics released the July state employment [report](#). The data reveal that by July, nearly one-half (529,100, not seasonally adjusted) of the year-over-year (YOY) job losses since April (-1.1 million) have been recovered. However, the pace of the recovery is slowing. In July, Pennsylvania added 53,400 jobs from the prior month after adding 227,300 and 217,400 in May and June, respectively. The unemployment rate ticked up from 13.2% in June to 13.7% in July, due in part to almost 88,000 Pennsylvanians reentering the labor force. The pace of the jobs recovery was generally consistent across sectors. For example, the retail (-127,000 loss, 51% recovered) and accommodations and foodservice (-280,000 loss, 49% recovered) sectors experienced large YOY job losses in April. These sectors recovered nearly the same share of jobs lost compared to two other large sectors that were not as negatively impacted by the pandemic: manufacturing (-77,000 loss, 51% recovered) and healthcare (-89,000 loss, 47% recovered).

Pennsylvanians Received Over \$25 Billion in Unemployment Benefits Since March

On August 11, the Wall Street Journal released [an analysis](#) of the Federal Pandemic Unemployment Compensation (FPUC) program. From early April to July 31, the federal government spent nearly \$250 billion on the extra \$600 per week unemployment benefits. [Data from the Department of Labor and Industry](#) show that of the federal dollars, \$15.6 billion has been paid to unemployed Pennsylvanians. Additionally, to date the federal government has funded \$4.5 billion in Pandemic Unemployment Assistance (PUA) benefits for self-employed and part-time workers affected by the pandemic and \$0.2 billion in Pandemic Emergency Unemployment Compensation (PEUC) for individuals that have exhausted regular unemployment compensation (UC) benefits. Finally, the state-funded UC program has provided an additional \$4.7 billion in support to unemployed workers. The impact of the UC payments is visible in the U.S. [personal income data for 2020 Q2](#) published by the U.S. Bureau of Economic Analysis. Despite wages and salaries falling by 7.1% from 2020 Q1, personal income grew 7.3% in 2020 Q2 due to an influx of state and federal support through UC payments and other economic stimulus measures.

Household Debt Declines for the First Time Since 2014 Q2

The Federal Reserve Bank of New York released [household debt and credit data](#) for 2020 Q2. Total household debt and credit card balances both declined from the previous quarter, \$34 billion (-0.2%) and \$76 billion (-8.5%), respectively. This is the largest drop in household debt since 2013 Q2, and the first quarterly decline since 2014 Q2. The drop in credit card balances is the steepest quarterly decline in the history of the data. The data also show that 61% of mortgages in the early delinquent stage moved to a current status, due to an uptick in forbearances. This outcome differs from analysts' expectations that household debt would increase as more Americans became unemployed due to the pandemic. A recent [WSJ article](#) discussed this trend and how government support programs provided temporary funding that allowed many households to pay down their debt.

Number of Small Businesses Open and Revenues Decline from July Peak

Opportunity Insights released [updated data](#) for the number of small businesses open and small business revenues, as compared to January 2020. Small businesses open in the U.S. declined by 12.5% at the beginning of July, while revenues declined 15.0%. As of August 9, 2020, the number of small businesses open and small business revenues in the United States each decreased by 19.1%. The largest declines were reported in the leisure and hospitality (-32.2% open, -47.5% revenue) and retail and transportation (-17.8% open, -14.1% revenue) subsectors. In Pennsylvania, the number of small businesses open decreased by 14.5% and small business revenues decreased by 24.0%, as of August 9, 2020. Similar to the U.S., small business activity in Pennsylvania has generally deteriorated since July 1.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>
Unemployment Rate ¹	16.1%	13.4%	13.2%	13.7%	n.a.
Net Job Gains (000s) ²	-1,065.1	-853.7	-625.3	-541.9	n.a.
Avg. Gasoline Price ³	\$2.06	\$2.03	\$2.16	\$2.25	\$2.24
CPI-U All Items ⁴	-0.1%	0.0%	0.1%	n.a.	n.a.
Natural Gas Price ⁵	\$1.43	\$1.31	\$1.34	\$1.32	\$1.26
Home Sales ⁶	-16.9%	-13.0%	4.3%	30.6%	n.a.
<u>Quarterly Data</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>
Gross Domestic Product ⁷	1.7%	2.1%	2.1%	-5.6%	n.a.
Personal Income ⁸	5.1%	4.0%	4.0%	2.9%	n.a.
Wages and Salaries ⁹	4.6%	3.4%	4.6%	1.8%	n.a.
FHFA House Price Index ¹⁰	5.0%	5.1%	5.0%	5.1%	4.3%

United States Economic Indicators

<u>Monthly Data</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>
Unemployment Rate ¹	14.7%	13.3%	11.1%	10.2%	n.a.
Home Sales ⁶	-17.8%	-9.7%	20.7%	24.2%	n.a.
S&P 500 ¹¹	-1.1%	10.6%	5.4%	9.8%	16.1%
10-Year Note ¹²	0.62	0.65	0.65	0.54	0.64
<u>Quarterly Data</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>
Gross Domestic Product ⁷	1.5%	2.6%	2.4%	-5.0%	-9.5%
Personal Income ⁸	4.1%	3.5%	3.5%	3.2%	7.3%
Wages and Salaries ⁹	5.0%	3.9%	4.5%	3.3%	-7.1%
Corporate Profits ¹³	2.6%	-1.9%	1.2%	-8.0%	n.a.

Notes:

1. Source: U.S. Bureau of Labor Statistics- Survey of Households.
2. Year-over-year increase in payroll employment. Source: U.S. Bureau of Labor Statistics- Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Source: U.S. Bureau of Labor Statistics.
5. Price is weighted average from major Pennsylvania gas hubs. Unit is dollars per MMBtu. Source: Bentek Energy.
6. Seasonally Adjusted Annual Rate. Pennsylvania figures represent northeast region. Source: National Association of Realtors.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.
11. Year-over-year growth rate of S&P 500 closing price. Data as of the first of the month. Source: Yahoo! Finance.
12. Source: Yahoo! Finance.
13. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.