

Monthly Economic Update

February 2021



Over 70% of Economic Impact Payments Saved or Used to Pay Down Debt

The New York Federal Reserve [released findings](#) from two pandemic-related surveys. Survey recipients were asked to classify how they spent the first round of Economic Impact Payments (EIPs) and how they would spend a second-round payment. Respondents reported the share of the payment used for the following categories: spending on essentials, spending on non-essentials, donations, savings or paying down debt. For first-round EIPs, those surveyed reported spending 18.2% on essentials (i.e., daily living expenses), 7.7% on non-essentials (i.e., hobbies, leisure) and donating 3.2%, indicating a marginal propensity to consume (MPC) of 29.1%. Respondents reported 36.4% of the payment would be saved and 34.5% used to pay down debt. Pennsylvanians received an estimated \$11.0 billion in EIPs in 2020 and the survey results suggest that \$3.2 billion was used for personal consumption expenditures. When surveyed about the expected use of a second stimulus payment, respondents reported a smaller MPC of 24.2% indicating that 45.0% of a second payment would be saved and 30.9% used to pay down debt. The IFO projects an additional \$6.3 billion in EIPs will be issued to Pennsylvanians in 2021, which suggests \$1.5 billion will be used for personal consumption.

Pandemic Boosts Pennsylvania Cigarette Tax Collections

An [article by the WSJ](#) notes that the national trend of declining cigarette sales (-5.5% in 2019) has slowed during the pandemic. A review of cigarette tax collections from July 2020 to February 2021 reveals this trend also applies to Pennsylvania. The Commonwealth levies a \$2.60 tax per pack of cigarettes as well as a separate tax on other tobacco products, including e-cigarettes. Historically, state cigarette tax collections fall 3% to 6% each year due to declining consumption. After adjusting for payment delays due to the COVID-19 pandemic, cigarette tax collections declined 0.6% from July 2020 to February 2021 compared to the same prior-year period. Collections from the other tobacco products tax (July to February) grew 1.2% over the prior year, despite the higher legal age to consume tobacco (raised from 18 to 21 in 2019) and new federal restrictions on e-cigarette flavors. Possible reasons for stronger than expected cigarette and tobacco sales include: increased stress, unregulated breaks and remote working.

Pennsylvania Private Employment Fell 14.6% in 2020 Q2

The U.S. Bureau of Labor Statistics released the [Business Employment Dynamics](#) for 2020 Q2. This reports gross private sector job gains and losses due to business expansion or contraction between March and June 2020, the peak of pandemic-related closures. Nationally, gross job losses (-20.4 million) outweighed gross job gains (+5.7 million) for a net employment loss of 14.6 million, 12.2% of private sector employment. In Pennsylvania, gross job losses (-896,709) also outweighed gross job gains (+177,105) for a net employment loss of 719,604, 14.6% of private sector employment. Nationally, the service sector accounted for 89.5% of net job losses during 2020 Q2. Within this sector, net job losses as a percent of employment were the largest for leisure and hospitality (-40.1%), other services (-21.9%), information (-11.8%) and retail trade (-10.4%).

Homeowner Exit from Forbearance Plans Slows After Summer Recovery

At the program's peak in [June 2020](#), 4.3 million U.S. homeowners (8.6% of loans) entered into mortgage forbearance plans. By [mid-November](#), nearly 40% of participants had exited these plans and total participants fell to 2.7 million homeowners (5.5% of loans). Since November, exits from forbearance plans have [flattened](#) coinciding with a slower pace of jobs recovery, increased COVID-19 cases and business closures over the holidays. For the week of [February 1](#), the Mortgage Bankers Association reports that 2.6 million homeowners (5.3% of loans) remain in forbearance. In Pennsylvania, 7.2% of loans are non-current according to a December 2020 [analysis](#) from mortgage-data firm Black Knight, an increase of 35.1% over the prior year.

Pennsylvania Economic Indicators

| <u>Monthly Data</u> | <u>Sep-20</u> | <u>Oct-20</u> | <u>Nov-20</u> | <u>Dec-20</u> | <u>Jan-21</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Unemployment Rate ¹ | 8.3% | 7.4% | 6.8% | 6.7% | n.a. |
| Net Job Gains (000s) ² | -465.3 | -461.4 | -446.6 | -473.5 | n.a. |
| Avg. Gasoline Price ³ | \$2.28 | \$2.28 | \$2.26 | \$2.34 | \$2.47 |
| CPI-U All Items ⁴ | 0.6% | 0.8% | 0.9% | 1.1% | n.a. |
| Natural Gas Price ⁵ | \$1.17 | \$1.07 | \$1.09 | \$2.01 | \$2.30 |
| Home Sales ⁶ | 16.2% | 4.7% | -1.1% | 4.5% | n.a. |
| PA Turnpike Traffic (cars) ⁷ | -22.3% | -22.7% | -29.3% | -32.9% | n.a. |
| PA Turnpike Traffic (commercial) ⁷ | 3.0% | -1.6% | 0.7% | 5.1% | n.a. |
| <u>Quarterly Data</u> | <u>2019.4</u> | <u>2020.1</u> | <u>2020.2</u> | <u>2020.3</u> | <u>2020.4</u> |
| Gross Domestic Product ⁸ | 1.4% | -5.8% | -34.0% | 35.5% | n.a. |
| Personal Income ⁹ | 2.8% | 2.5% | 13.1% | 9.6% | n.a. |
| Wages and Salaries ¹⁰ | 4.3% | 2.2% | -6.2% | -0.7% | n.a. |
| FHFA House Price Index ¹¹ | 5.2% | 5.1% | 4.5% | 8.0% | n.a. |

United States Economic Indicators

| <u>Monthly Data</u> | <u>Sep-20</u> | <u>Oct-20</u> | <u>Nov-20</u> | <u>Dec-20</u> | <u>Jan-21</u> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Unemployment Rate ¹ | 7.8% | 6.9% | 6.7% | 6.7% | 6.3% |
| Home Sales ⁶ | 9.9% | 4.4% | -2.2% | 0.7% | n.a. |
| S&P 500 ¹² | 13.0% | 7.7% | 15.3% | 16.3% | 15.2% |
| 10-Year Note ¹³ | 0.68 | 0.86 | 0.84 | 0.92 | 1.09 |
| <u>Quarterly Data</u> | <u>2019.4</u> | <u>2020.1</u> | <u>2020.2</u> | <u>2020.3</u> | <u>2020.4</u> |
| Gross Domestic Product ⁸ | 2.4% | -5.0% | -31.4% | 33.4% | 4.0% |
| Personal Income ⁹ | 3.5% | 3.2% | 10.7% | 7.1% | 4.3% |
| Wages and Salaries ¹⁰ | 4.5% | 3.2% | -3.9% | 1.1% | 2.2% |
| Corporate Profits ¹⁴ | 1.2% | -8.0% | -17.9% | 9.2% | n.a. |

Sources and 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. Year-over-year growth rate of monthly traffic counts based on entry data. Source: Pennsylvania Turnpike.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
11. Source: Federal Housing Finance Agency.
12. Year-over-year growth rate of S&P 500 closing price. Data as of the first of the month. Source: Yahoo! Finance.
13. Source: Yahoo! Finance.
14. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.