

# Monthly Economic Update

May 2020



## Public Pension Funding Outlook Negative; Philadelphia Plan One of Most At-Risk

The Center for State & Local Government Excellence published an [article](#) detailing public pension market returns for fiscal year (FY) 2020 and potential impacts going forward. Listed as one of the 20 “worst-off” plans, Philadelphia is projected to end FY 2020 49.7% funded with just under six years of benefits held as assets. By FY 2025 the funded ratio rises to 58.8% but will end the fiscal year with only 5.2 years of benefit payments on hand. Nationally, public market fluctuations during the COVID-19 pandemic have heavily impacted pension returns. [Analysis from Milliman](#) in April showed that during 2020 Q1 the top 100 public pension plans in the nation saw the largest quarterly drop on record of \$419 billion, but the [April market rebound](#) helped recover \$200 billion of those losses. 2020 Q1 investment data for the State Employees’ Retirement System (SERS) and Public School Employees’ Retirement System (PSERS) are slated to be released at the end of June.

## Philadelphia Fed Releases Weekly Business Outlook Survey on COVID-19

The Federal Reserve Bank of Philadelphia reports on a [weekly survey](#) of over 200 businesses in the Third District (Eastern PA-NJ-DE) to track ongoing economic impacts of the COVID-19 pandemic. Virus impacts and relief efforts for the [week ending May 10](#) are compared to the [week ending April 12](#). For May 10, 64% of businesses reported reductions of more than 5% in orders or sales, relatively unchanged from April 12. However, the number of businesses reporting a temporary or permanent shut down fell to 8% from 16% a month prior. More than 81% of surveyed firms reported seeking a Small Business Administration Paycheck Protection Program (PPP) loan. By May 10, nearly 90% of firms reported having received a loan—up from only 6% for the week ending April 12. Of firms receiving a loan, 68% reported the loan helped them pay bills or prevent furloughs/layoffs and 31% indicated it allowed them to recall workers back to their jobs.

## Report Projects Rise in “Deaths of Despair” Due to COVID-19 Recession

A recent [report](#) published by Well Being Trust analyzes the impacts of COVID-19 on deaths due to drug, alcohol or suicide; also called deaths of despair. Rising unemployment rates, isolation and uncertainty are three contributing factors that could lead to an increase in these types of deaths. Studies find that a one point increase in the unemployment rate can increase the suicide rate by 1.0% to 1.6%, drug-related deaths by 3.3% and opioid-related deaths by 3.9%. Well Being Trust forecasted the number of additional deaths of despair due to the COVID-19 Recession based on three economic recovery forecasts (same pattern as the Great Recession, twice as fast or four times as fast). The analysis finds for the United States, the number of additional deaths of despair attributable to the COVID-19 Recession could be as high as 154,037 (slow recovery, highest impact of unemployment on deaths of despair) or as low as 27,644 (quick recovery, lowest impact of unemployment on deaths of despair). Pennsylvania reported 8,045 deaths of despair in 2018 and under the middle scenario could face an additional 2,778 deaths over the baseline trend.

## U.S. Home Sales and Price Recovery May Extend Through 2021

On May 12, Zillow released a national [housing forecast](#) through the end of 2021, which includes the impact of the COVID-19 pandemic on the housing market. April home sales are expected to fall 44% from February levels. Under the moderate recovery assumptions, Zillow’s most-likely scenario, home sales are expected to see a sharp rebound, then a slower recovery through the end of 2021. Under these assumptions, home sales may not fully recover to pre-pandemic levels until after 2021. Home prices are expected to decline at a slower pace, reaching a low of -2.7% in October 2020 from the February value. Zillow expects home prices to fully recover to 2019 Q4 values by 2021 Q3. These data reflect the Zillow forecast as of May 12, but Zillow may update the forecast in the future when more data become available.

## Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>
Unemployment Rate <sup>1</sup>	4.7%	4.7%	6.0%	n.a.	n.a.
Net Job Gains (000s) <sup>2</sup>	44.0	62.0	14.5	n.a.	n.a.
Avg. Gasoline Price <sup>3</sup>	\$2.64	\$2.53	\$2.35	\$2.06	\$2.00
CPI-U All Items <sup>4</sup>	2.5%	2.6%	1.2%	-0.1%	n.a.
Natural Gas Price <sup>5</sup>	\$1.65	\$1.60	\$1.37	\$1.42	\$1.35
Home Sales <sup>6</sup>	10.5%	9.7%	n.a.	n.a.	n.a.
<u>Quarterly Data</u>	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>
Gross Domestic Product <sup>7</sup>	3.3%	1.7%	2.1%	2.1%	n.a.
Personal Income <sup>8</sup>	5.0%	5.2%	4.0%	3.8%	n.a.
Wages and Salaries <sup>9</sup>	4.6%	4.7%	3.5%	4.3%	3.7%
FHFA House Price Index <sup>10</sup>	5.6%	5.1%	5.1%	4.9%	n.a.

## United States Economic Indicators

<u>Monthly Data</u>	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>
Unemployment Rate <sup>1</sup>	3.6%	3.5%	4.4%	14.7%	n.a.
Home Sales <sup>6</sup>	12.8%	8.6%	4.1%	n.a.	n.a.
S&P 500 <sup>11</sup>	19.3%	6.1%	-8.8%	-1.1%	4.1%
10 Year Note <sup>12</sup>	1.52	1.13	0.70	0.62	0.64
<u>Quarterly Data</u>	<u>2019.1</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>
Gross Domestic Product <sup>7</sup>	3.1%	2.0%	2.1%	2.1%	-4.8%
Personal Income <sup>8</sup>	4.6%	4.7%	4.2%	4.1%	3.1%
Wages and Salaries <sup>9</sup>	5.0%	4.8%	4.1%	4.5%	2.0%
Corporate Profits <sup>13</sup>	-2.4%	-1.1%	-3.7%	-0.3%	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. Source: Zillow.
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.