

# Monthly Economic Update

November 2020



## Pandemic Accelerates E-Commerce Trend and Shifts Consumer Spending

The pandemic has changed how consumers spend in two key ways: (1) it accelerated a shift to e-commerce and (2) it shifted consumption away from services and towards goods. [Data](#) from the St. Louis Federal Reserve show that e-commerce comprised 14.3% of total retail sales in 2020 Q3, up from 11.8% in 2020 Q1, but down from a 2020 Q2 peak (16.1%). A [WSJ article](#) highlighted that the accelerated shift to e-commerce is likely permanent. The second shift, from consuming services to goods, may be temporary as consumers forego spending on in-person services such as hair/nail salons, travel and dining, to goods such as furniture, home and personal care products and motor vehicles. In 2020 Q3, consumers spent 7.2% less on services and 6.9% more on goods when compared to the prior year. When the share of [personal consumption expenditures](#) (PCE) that are goods versus services is viewed in a time series, it highlights differences between spending during the 2008 recession and spending during the COVID-19 recession. During the 2008 recession, total PCE (\$9.8 trillion) shifted to 68% services and 32% goods. The shift to services continued throughout the previous expansion, but then dramatically reversed by 2020 Q3 as total PCE (\$14.4 trillion) shifted to 66% services and 34% goods. On net, this shift likely enhances Pennsylvania sales tax revenues, as many goods are taxed but services are generally exempt.

## Consumer Debt Increases from Prior Year, Credit Card Balances Continue to Decline

The New York Federal Reserve Bank released [consumer debt data](#) for 2020 Q3. Pennsylvania consumer debt declined 0.9% from the prior year to \$42,700 per capita due to declines in credit card debt (-8.9%) and home equity line of credit debt (-11.9%). Nationally, consumer debt increased to \$14.35 trillion, 2.9% growth over the prior year. Growth was driven by a 4.5% (\$424 billion) increase in mortgage debt, a 3.4% (\$45 billion) increase in auto loan debt, and a 3.2% (\$48 billion) increase in student loan debt over the prior year. During the same period, credit card debt and home equity line of credit debt fell by 8.9% (-\$74 billion) and 8.6% (-\$34 billion), respectively. In response to the COVID-19 pandemic, the federal government allowed forbearance on mortgage and student loans for six months (renewable), while many auto loan businesses offered optional forbearance. The New York Federal Reserve Bank reported on the status of borrowers in [forbearance for a mortgage or auto loan](#). More individuals opted into auto loan forbearance (about 8 million in June) compared to mortgage borrowers (about 5 million in June). The current mortgage forbearance program ends December 31, 2020. For 2020 Q3, mortgage and auto loan originations reached record highs with \$168 billion in auto loan originations (highest quarter on record) and \$1.05 trillion in mortgage originations (second only to the refinance boom of 2003 Q3).

## COVID-19 Drives Home Sales to 14-Year High, Single-Family Home Rents Increase

According to a recent [WSJ article](#), the pandemic caused many Americans to reevaluate their present living situation. Current homeowners want larger homes and more millennials are entering the home buying market. The desire for more household space combined with low mortgage rates drives demand in an already competitive housing market. The National Association of Realtors (NAR) [reported](#) that existing home sales reached a new 14-year high in the U.S., increasing for the fifth consecutive month in October. For 2020 Q3, the median single-family home price was \$313,500, up 12% over last year. The pandemic is also driving an increase in the [residential rent market](#) for single-family homes. Many renters, who maintained employment and now work from home, are leaving the city for the suburbs and seek increased space and more affordable locations. This shift has led to an all-time high in the occupancy of single-family homes for rent. Due to the high demand for suburban housing, landlords are able to increase rent without the fear of tenants moving out. Single-family rent increased by an average of 3.8% over the prior year across 63 markets in September. In contrast, multifamily rents fell 0.3% over the prior year according to the September 2020 Multi-Housing News [report](#).

## Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>
Unemployment Rate <sup>1</sup>	12.5%	10.4%	8.3%	7.3%	n.a.
Net Job Gains (000s) <sup>2</sup>	-549.4	-499.1	-465.3	-455.9	n.a.
Avg. Gasoline Price <sup>3</sup>	\$2.25	\$2.25	\$2.28	\$2.28	\$2.24
CPI-U All Items <sup>4</sup>	0.3%	0.4%	0.6%	0.8%	n.a.
Natural Gas Price <sup>5</sup>	\$1.32	\$1.22	\$1.17	\$0.94	\$1.93
Home Sales <sup>6</sup>	32.7%	13.8%	16.2%	4.7%	n.a.
<u>Quarterly Data</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>
Gross Domestic Product <sup>7</sup>	2.5%	1.4%	-5.8%	-34.0%	n.a.
Personal Income <sup>8</sup>	2.8%	2.8%	2.6%	12.0%	n.a.
Wages and Salaries <sup>9</sup>	3.2%	4.3%	2.4%	-5.7%	n.a.
FHFA House Price Index <sup>10</sup>	5.0%	5.2%	5.1%	4.5%	8.0%

## United States Economic Indicators

<u>Monthly Data</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>
Unemployment Rate <sup>1</sup>	10.2%	8.4%	7.9%	6.9%	n.a.
Home Sales <sup>6</sup>	24.7%	2.4%	9.9%	4.3%	n.a.
S&P 500 <sup>11</sup>	9.8%	19.6%	13.0%	7.7%	13.3%
10-Year Note <sup>12</sup>	0.54	0.69	0.68	0.86	0.83
<u>Quarterly Data</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>
Gross Domestic Product <sup>7</sup>	2.6%	2.4%	-5.0%	-31.4%	33.1%
Personal Income <sup>8</sup>	3.5%	3.5%	3.2%	10.4%	6.8%
Wages and Salaries <sup>9</sup>	3.9%	4.5%	3.2%	-4.6%	-0.3%
Corporate Profits <sup>13</sup>	-1.9%	1.2%	-8.0%	-17.9%	9.6%

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. 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.