

# Monthly Economic Update

September 2021



## Philadelphia CPI-U Growth Decelerates in August

On September 14, the U.S. Bureau of Labor Statistics released [CPI-U data](#) for August. The data for the Philadelphia metro region show year-over-year inflation of 4.6%, down from 4.9% in June. That result is due to a deceleration in used car and gasoline inflation (not shown in table) and a significant deceleration in Medical Care inflation from 2.8% in June to 0.0% in August. Also notable is the modest growth in monthly rents (2.6%) despite data from other sources that suggest strong growth (see article below) and no acceleration for homeowner imputed rent (Owner Equivalent Rent), which comprises 26.3% of the CPI-U basket. Transportation inflation (used and new cars, gasoline) decelerated in August, but remains strong at 17.5%. Excluding the Shelter component, metro area inflation also decelerated from 6.7% in June to 6.1% in August. That series better reflects inflation for actual consumer purchases because it excludes rent imputed to homeowners.

	Year-Over-Year Change (2021)				CPI-U Weight
	Feb	Apr	Jun	Aug	
<b>All Items</b>	<b>1.0%</b>	<b>3.5%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>100.0%</b>
Food-Beverage	1.2%	0.5%	0.9%	1.7%	14.8%
Shelter	0.0%	0.6%	1.1%	1.7%	33.0%
Rent of Residence	1.3%	1.1%	2.3%	2.6%	5.5%
Owners' Equivalent Rent	1.2%	1.1%	0.8%	0.8%	26.3%
Lodging Away	-30.3%	-10.3%	3.3%	17.0%	1.3%
Transportation	-0.4%	13.0%	18.9%	17.5%	14.4%
Medical Care	4.0%	4.4%	2.8%	0.0%	8.7%
All Other Items	0.5%	1.0%	1.4%	1.3%	29.1%
All Items - Exclude Shelter	1.4%	5.0%	6.7%	6.1%	67.0%

Source: U.S. Bureau of Labor Statistics.

## Data Reveal Steep Increase in Rental Prices Across Pennsylvania

Recent data collected and compiled by two non-governmental firms find rapid growth in rental prices for urban areas across the state. On August 26, Apartment List released [rent estimates](#) for August 2021 that show rents in Philadelphia increased 10.2% on a year-over-year (YOY) basis, while rents in Pittsburgh increased 7.5%. These rates easily surpass the average 2% to 3% per annum rent growth in those cities for recent pre-COVID years. Rents in Pennsylvania's lower-density cities such as Allentown (+20.0%) and Harrisburg (+19.6%) increased at a higher rate. These strong growth rates are confirmed by a similar [time series](#) developed by Zillow, which show that July 2021 rents increased by 6.1% YOY in Philadelphia, 4.8% in Pittsburgh, 16.1% in Allentown and 11.7% in Harrisburg. For August, the Bureau of Labor Statistics recorded YOY growth in Rent of Residence of 2.6% for the Philadelphia metro region, revealing a growing divergence between annual growth in rental prices reported by online marketplaces and those reflected in the CPI data. (See table above.) Under normal conditions, rents are less volatile than other consumer prices because they generally increase only after termination or renewal of a lease. While not reflected in August price data, the expiration of the national eviction moratorium on August 26, 2021 could have implications for rental prices in future months.

## Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>
Unemployment Rate <sup>1</sup>	7.1%	7.0%	6.9%	6.6%	n.a.
Net Job Gains (000s) <sup>2</sup>	702.8	530.4	331.5	222.2	n.a.
Avg. Gasoline Price <sup>3</sup>	\$2.86	\$3.01	\$3.08	\$3.15	\$3.18
CPI-U All Items <sup>4</sup>	3.5%	4.2%	4.9%	4.7%	4.6%
Natural Gas Price <sup>5</sup>	\$1.95	\$2.03	\$2.23	\$2.87	\$3.51
Number of Home Sales <sup>6</sup>	-3.9%	-1.4%	2.8%	0.0%	n.a.
PA Turnpike Traffic (cars) <sup>7</sup>	165.9%	81.1%	40.0%	26.6%	n.a.
PA Turnpike Traffic (commercial) <sup>7</sup>	41.6%	20.3%	11.6%	6.0%	n.a.
<u>Quarterly Data</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>
Gross Domestic Product <sup>8</sup>	-34.0%	35.5%	3.7%	6.0%	n.a.
Personal Income <sup>9</sup>	13.1%	9.0%	4.3%	17.9%	n.a.
Wages and Salaries <sup>10</sup>	-6.3%	-1.0%	1.5%	3.3%	n.a.
FHFA House Price Index <sup>11</sup>	4.7%	8.3%	11.1%	12.2%	16.4%

## United States Economic Indicators

<u>Monthly Data</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>
Unemployment Rate <sup>1</sup>	6.1%	5.8%	5.9%	5.4%	5.2%
Number of Home Sales <sup>6</sup>	-2.7%	-1.2%	1.6%	2.0%	n.a.
S&P 500 <sup>12</sup>	43.6%	38.1%	38.6%	34.4%	29.2%
10-Year Note <sup>13</sup>	1.63	1.58	1.44	1.24	1.30
<u>Quarterly Data</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>
Gross Domestic Product <sup>8</sup>	-31.2%	33.8%	4.5%	6.3%	6.6%
Personal Income <sup>9</sup>	10.9%	7.1%	4.8%	16.1%	1.1%
Wages and Salaries <sup>10</sup>	-3.2%	0.9%	3.4%	2.9%	12.2%
Corporate Profits <sup>14</sup>	-17.4%	6.5%	2.6%	23.3%	50.5%

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.