

August Economic and Revenue Update

Pennsylvania Association of Community Bankers



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August 25, 2021

Latest Quarterly PA Economic Data

	2020.3	2020.4	2021.1	2021.2	2021.3
Real GDP	-35.5%	3.7%	6.0%	<i>October</i>	--
Wages-Salaries Paid	-1.0%	1.5%	3.3%	12.0%	8.0%
Change Payroll Jobs (000s)	-517	-468	-444	-423	-362
Federal Stimulus (\$ billions)	\$12.6	\$3.6	\$32.3	\$10.8	\$5.4
Philadelphia CPI-U					
All Items	0.4%	0.9%	1.0%	4.2%	<i>Sept</i>
All Items Less Shelter	-0.4%	0.8%	1.4%	5.8%	<i>Sept</i>
<p>Notes: Change in Payroll Jobs is year-over-year change and compares to a no-pandemic scenario. Payroll jobs figure for 2021.3 reflects July only. Federal stimulus includes PPP loans, expanded SNAP, advance child tax credit payments, expanded UC benefits and economic impact payments. All rates or changes are year-over-year except Real GDP. Wage growth rates for 2021.2 and 2021.3 are estimates by IFO based on withholding data. Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis.</p>					

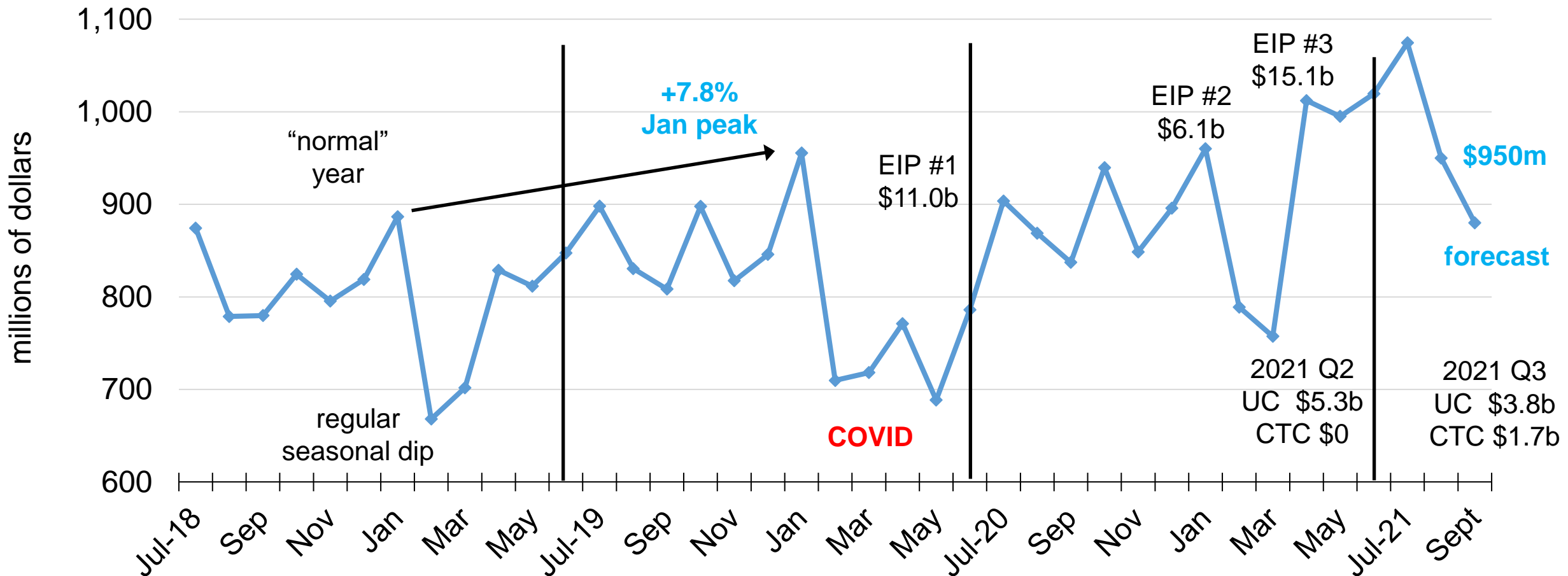
PA Payroll Jobs: Change from Prior Year

	YOY Number Change (000s)			YOY Percent Change		
	Jul 20	Jan 21	Jul 21	Jul 20	Jan 21	Jul 21
Total Payroll Employment	-556	-458	-362	-9.2%	-7.6%	-6.6%
Construction	-22	-12	-25	-7.9%	-4.9%	-9.7%
Manufacturing	-46	-34	-27	-7.9%	-6.0%	-5.0%
Retail-Wholesale Trade	-57	-33	-32	-6.9%	-4.0%	-4.2%
Transportation-Warehouse	-11	2	-2	-4.0%	0.7%	-0.7%
Professional-Technical	-10	-1	1	-2.6%	-0.4%	0.2%
Administration-Waste Manage	-49	-35	-41	-15.3%	-11.5%	-15.3%
Education	-16	-27	1	-7.9%	-11.8%	0.6%
Healthcare-Social Assistance	-53	-51	-70	-5.0%	-4.8%	-6.9%
Arts-Entertainment	-45	-34	-28	-36.3%	-40.2%	-35.0%
Accommodation-Food Service	-145	-125	-76	-29.6%	-26.7%	-22.1%
All Government	-27	-43	-15	-4.0%	-6.1%	-2.3%
All Other	-76	-66	-58	-8.9%	-7.9%	-7.5%

Note: Data not seasonally adjusted. July 2021 data preliminary. Does not include self-employed. YOY is year-over-year. July 2021 compares to a no-pandemic scenario that includes typical seasonal job gains/losses through July.

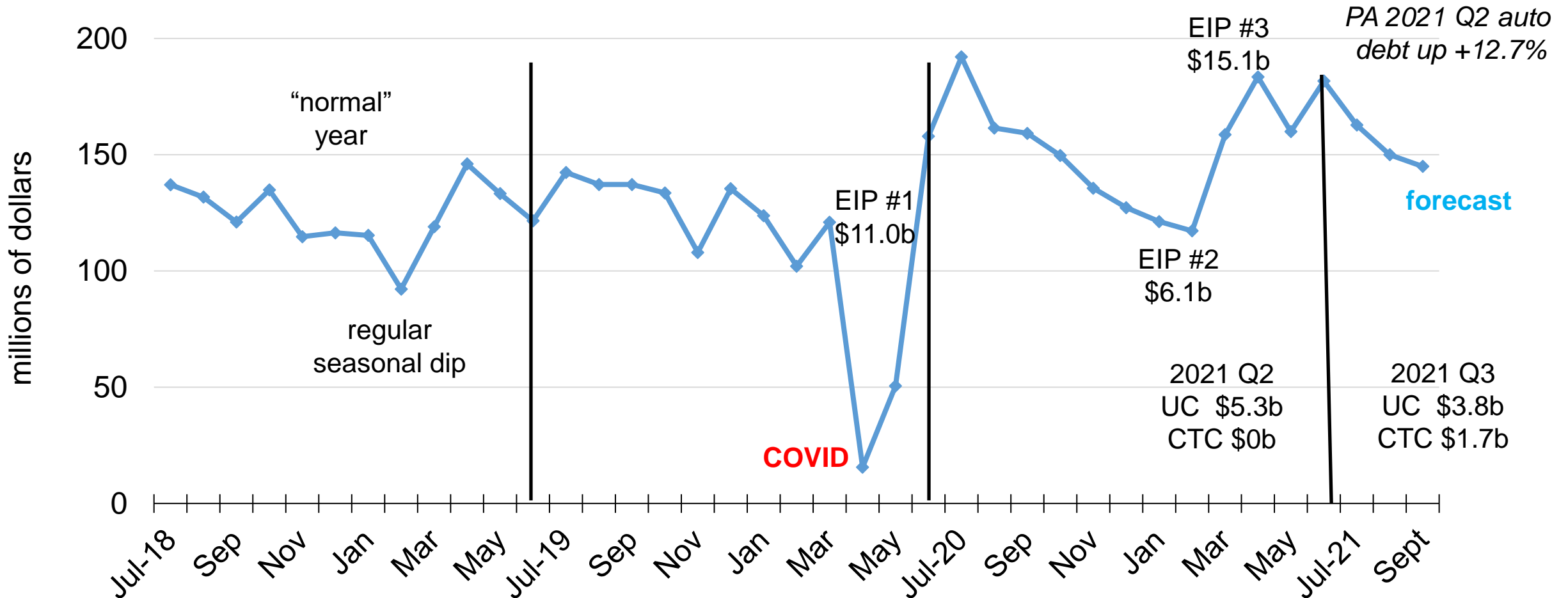
Source: U.S. Bureau of Labor Statistics.

Non-Motor Sales Tax Breaks Record in July



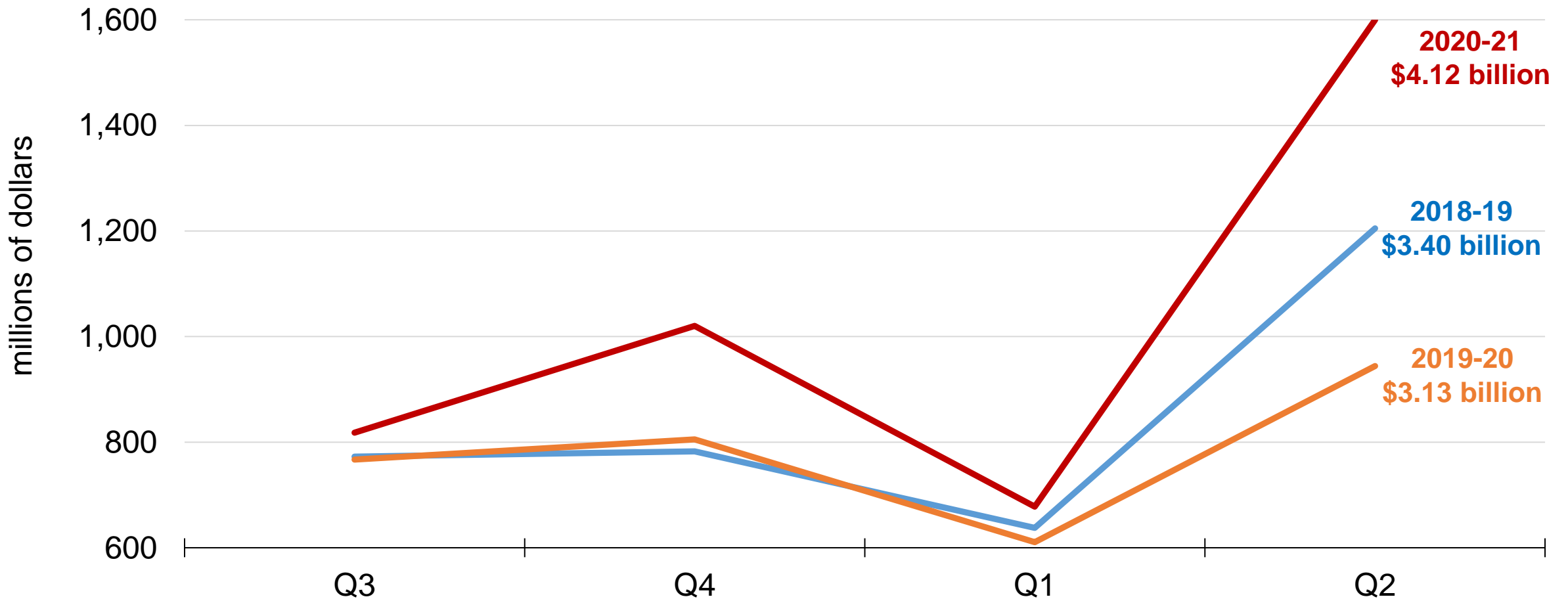
Note: EIP is economic impact payment. UC is extra federal Unemployment Compensation. CTC is advance child tax credit payments. Data shifts \$160 million of delayed tax revenues from June-July 2020 to April-May 2020.

Motor Sales Tax Revenues Begin to Revert



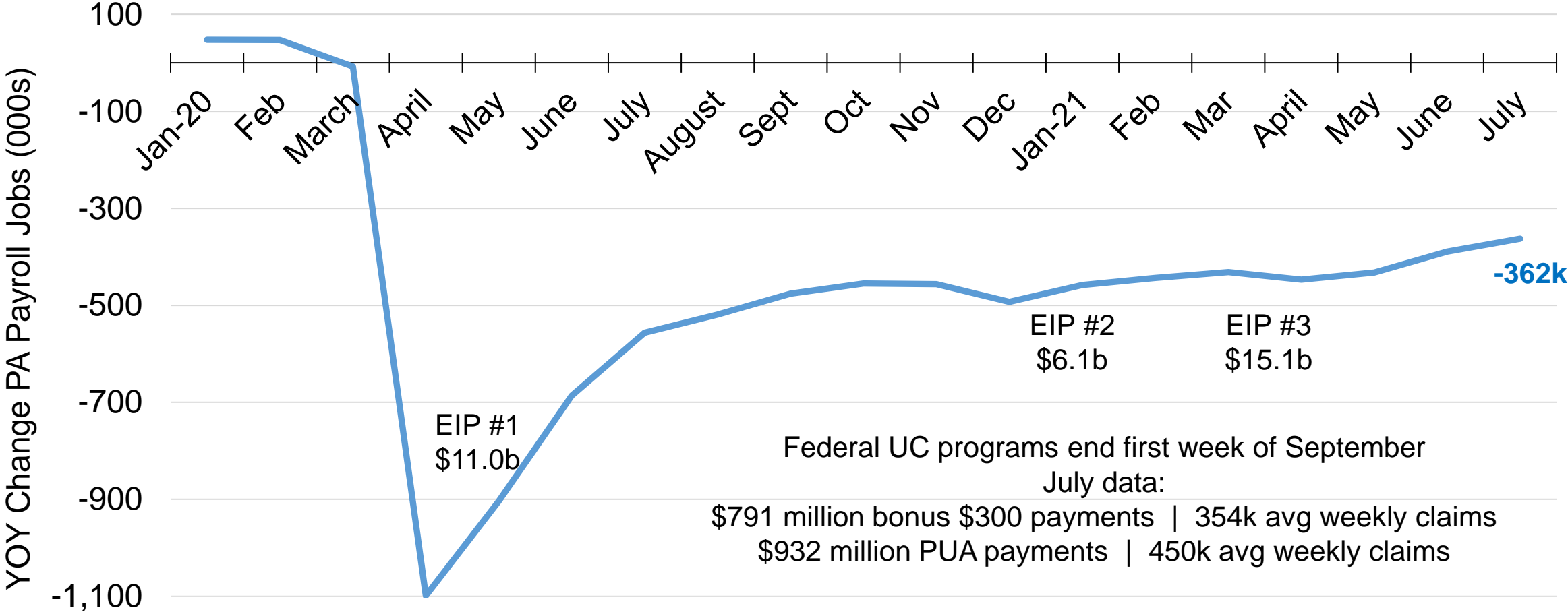
Note: EIP is economic impact payment. UC is extra federal Unemployment Compensation. CTC is advance child tax credit payments. Data shifts \$160 million of delayed tax revenues from July 2020 to April 2020.

Recent Surge in Corporate Net Income Tax



Note: Data shift \$300 million in revenues from 2020 Q3 to 2020 Q2 due to delayed due date.

Modest Improvement in Job Gains as Benefits Set to Expire



Note: Excludes self-employed. Uses non-seasonally adjusted data. Figures for 2021 compare to a no-pandemic scenario.
 Source: U.S. Bureau of Labor Statistics.

Notes on Short-Term Outlook

Expiration of UC benefits will have notable impact

- For July and August, an extra bump from advance/expanded child tax credit
- August: 1.3 million payments | 2.2 million children | \$554 million
- September first month with only CTC payments, no federal UC

Higher inflation unlikely to be transitory

- Delayed response in housing and rental markets
- Pressures remain in both markets in short-term due to lags
- Food prices beginning to rise rapidly | continued supply chain issues
- Strong wage gains show up more recently

A permanent reduction in payroll jobs

- What happens if or when former workers attempt to rejoin labor force?