

Monthly Economic Report

May 2013



United States Economic Indicators

	<u>May-12</u>	<u>Mar</u>	<u>Apr</u>	<u>May-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	8.2%	7.6%	7.5%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	147.3	206.0	211.7	n.a.	
Advance Retail Sales Year-over-year growth rate of retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. ³	5.8%	4.0%	3.7%	n.a.	
Residential Home Sales Year-over-year growth rate in residential home sales based on latest three months of data. ⁴	8.5%	9.9%	10.0%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	79.3	78.6	76.4	84.5	
Purchasing Managers Index (PMI) A diffusion index that reflects the relative health of the manufacturing sector. An index greater than 50 indicates that the sector is expanding. ⁶	53.5	51.3	50.7	n.a.	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.73	3.71	3.57	3.61	
S&P 500 Index An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. ⁸	1,310	1,569	1,598	1,631	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	1.7%	1.5%	1.1%	n.a.	

Sources:

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|---|---|
| 1/ U.S. Department of Labor - Survey of Households. | 6/ Institute of Supply Management. |
| 2/ U.S. Department of Labor - Survey of Establishments. | 7/ Energy Information Administration. |
| 3/ U.S. Department of Commerce. | 8/ Standard and Poor's. |
| 4/ National Association of Realtors. | 9/ U.S. Department of Labor - Bureau of Labor Statistics. |
| 5/ University of Michigan - Survey of Consumers. | |

Monthly Economic Report

May 2013



Pennsylvania Economic Indicators

	<u>May-12</u>	<u>Mar</u>	<u>Apr</u>	<u>May-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.9%	7.9%	7.6%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	1.7	1.2	2.2	n.a.	
Sales-Use Taxes Year-over-year growth rate of sales taxes based on latest three months of collections. Excludes motor vehicle sales taxes. ³	5.0%	0.1%	-0.8%	0.1%	
Motor Vehicle Sales Taxes Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. ³	4.4%	-3.8%	-0.9%	0.9%	
Realty Transfer Taxes Year-over-year growth rate of realty transfer taxes based on latest three months of collections. Monthly residential sales data are not available at state level. ³	17.5%	15.3%	13.2%	13.7%	
Current Business Outlook Index A diffusion index that measures the current outlook of manufacturing firms in the third federal reserve district (PA, NJ, DE). A negative number indicates increasing pessimism. ⁴	-4.9	2.0	1.3	-5.2	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁵	3.74	3.73	3.58	3.53	
Consumer Price Index (PA-NJ-DE-MD) A measure of the average change in prices over the past year. Includes outlays for energy. Data are published on a bi-monthly basis. ⁶	2.0%	1.8%	1.0%	1.0%	

Sources:

1/ U.S. Department of Labor - Survey of Households.

2/ U.S. Department of Labor - Survey of Establishments.






3/ PA Department of Revenue.

4/ Federal Reserve Bank of Philadelphia.




5/ Energy Information Administration.

6/ U.S. Department of Labor. For non-release months, values held constant.

Quarterly United States Economic Indicators

	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	
Real Gross Domestic Product (GDP) The quarterly annualized growth rate of the U.S. economy. Excludes inflation. ¹	1.3%	3.1%	0.4%	2.4%	
Personal Income The year-over-year growth rate of U.S. personal income. Includes wages, interest, dividends, rents, pensions, business and transfer income. Includes any inflationary gains. ¹	3.0%	3.3%	5.7%	2.8%	
Corporate Profits The year-over-year growth rate of domestic and foreign profits of U.S. corporations. ¹	6.7%	7.5%	3.1%	3.6%	
FHFA House Price Index An index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Rate is the year-over-year change in the index. ²	3.4%	4.0%	5.4%	6.7%	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	6.7%	6.6%	6.3%	6.1%	

Quarterly Pennsylvania Economic Indicators

	<u>2012.2</u>	<u>2012.3</u>	<u>2012.4</u>	<u>2013.1</u>	
Personal Income The year-over-year growth rate of PA personal income. Includes wages, interest, dividends, rents, pensions, business and transfer income. Includes any inflationary gains. ¹	2.8%	2.9%	4.5%	n.a.	
FHFA House Price Index An index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Rate is the year-over-year change in the index. ²	-0.1%	-0.3%	2.6%	1.7%	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.1%	5.3%	5.6%	5.4%	

Sources:

1/ U.S. Bureau of Economic Analysis. 2/ Federal Housing Finance Agency. 3/ Fed. Res. Bank of New York.

Snapshot: Unemployment versus Underemployment

The unemployment rate is one of the most important and referenced indicators relating to the status of the economy. However, this metric provides an incomplete picture of the labor market and should be viewed in conjunction with other employment and economic data to ensure a more comprehensive (and accurate) analysis. For example, a decline in the unemployment rate may look promising if viewed individually, but worrisome if one finds that the drop is due to labor force contraction.

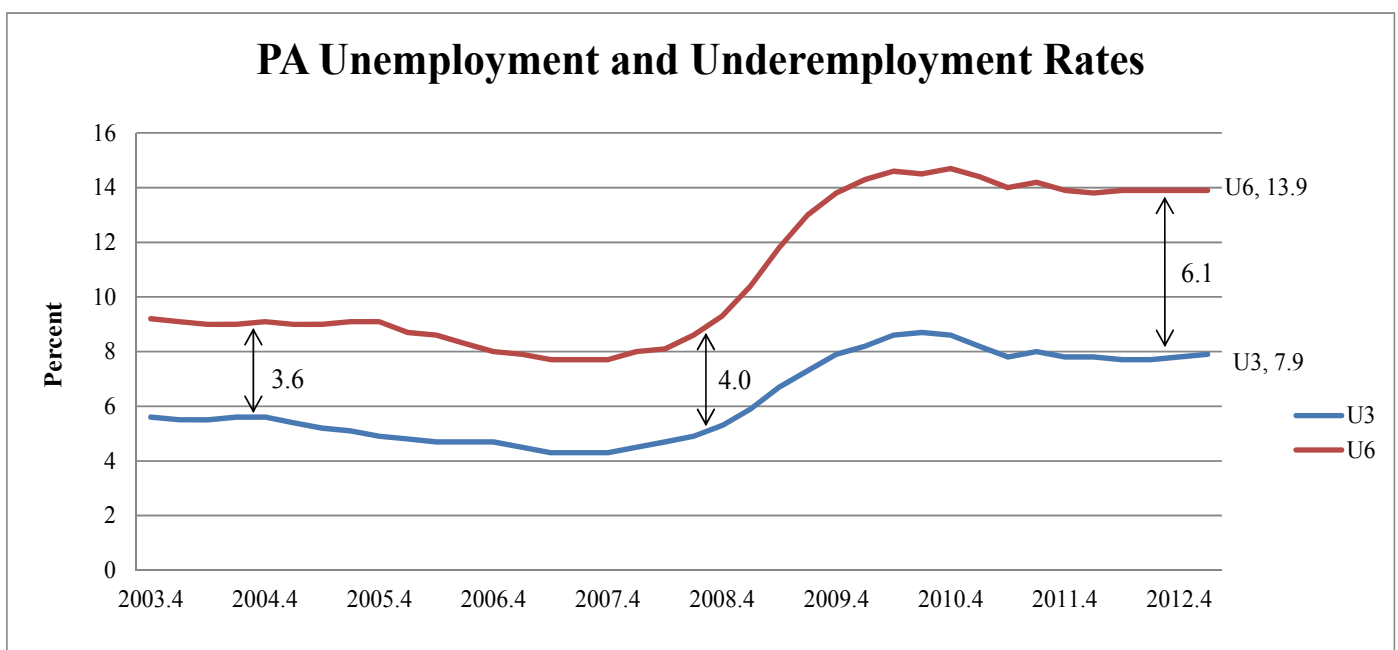
The underemployment rate, which is perhaps a more complete depiction, can be very useful in revealing labor force issues, especially when examined alongside the unemployment rate. Unlike the unemployment rate, which is defined as the number of unemployed as a share of the civilian labor force, the underemployment rate is the number of unemployed, plus all marginally attached workers, plus those employed part-time for economic reasons, as a share of the civilian labor force plus all marginally attached workers.¹ While always higher than the unemployment rate, the underemployment rate tends to trend with the unemployment rate. A growing differential between the two rates or a fluctuation experienced by one and not the other may be indicative of some underlying labor force concerns. For example, an increase in the underemployment rate relative to the unemployment rate may mean that more able and willing workers have left the labor force or that workers,

who would prefer full-time positions, are accepting part-time positions. In this way, underemployment offers a better representation of slack in the labor market.

The graph below shows the Pennsylvania unemployment rate (U3) alongside the Pennsylvania underemployment rate (U6) since the fourth quarter of 2003. Clearly the two rates have trended together, but the difference between them (which increased following the recession) has remained high compared to historical levels. The difference changed very little from 2004Q4 (3.6 percentage points) to 2008Q4 (4.0 percentage points), while the next four years yielded a significantly larger change shown in 2012Q4 (6.1 percentage points). This likely implies that substantial slack remains in the labor market.

The number of marginally attached workers and those employed part-time for economic reasons has grown steadily since the recession and remains much higher than historical levels. This has put downward pressure on the unemployment rate, which may have risen more or fallen less if labor force conditions were held constant.

¹ Definitions are from the Bureau of Labor Statistics. Marginally attached workers are defined as persons not in the labor force who work and have looked for a job sometime in the prior year, but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Discouraged workers are a subset of marginally attached workers.



Source: Bureau of Labor Statistics, Current Population Survey (CPS)