











Monthly Economic Report

December 2013

United States Economic Indicators

	<u>Dec-12</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.8%	7.3%	7.0%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	208.7	204.3	192.7	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	4.7%	4.1%	4.1%	n.a.	
Residential Home Sales Year-over-year growth rate in the number of residential homes sold based on latest three months of data. ⁴	12.0%	9.3%	5.1%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	72.9	73.2	72.0	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	50.7	56.4	57.3	n.a.	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.31	3.34	3.24	3.26	
S&P 500 Index An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. ⁸	1,426	1,757	1,806	1,830	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	1.8%	0.9%	1.2%	n.a.	
10-Year Treasury Yield on 10-year U.S. Treasury note. ⁸	1.72	2.62	2.72	2.96	

Sources:










1/ U.S. Department of Labor - Survey of Households.
 2/ U.S. Department of Labor - Survey of Establishments.
 3/ U.S. Department of Commerce.
 4/ National Association of Realtors.
 5/ University of Michigan - Survey of Consumers.

6/ Institute of Supply Management.
 7/ Energy Information Administration.
 8/ Market data compiled by the Wall Street Journal.
 9/ U.S. Department of Labor - Bureau of Labor Statistics.

Monthly Economic Report

December 2013

Pennsylvania Economic Indicators

	<u>Dec-12</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	
Unemployment Rate The number of individuals unemployed divided by the labor force. ¹	7.9%	7.5%	7.3%	n.a.	
Monthly Net Job Gains (000s) Average net increase in payroll employment based on latest three months of data. ²	3.4	1.8	0.1	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	3.0%	2.9%	2.4%	1.0%	
Motor Vehicle Sales Taxes Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. ³	-3.3%	9.8%	4.7%	3.1%	
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	28.2%	20.6%	20.7%	2.3%	
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	4.6	19.8	6.5	7.0	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁵	3.52	3.39	3.35	3.45	
Consumer Price Index (PA-NJ-DE-MD) Year-over-year change in average price level. Includes outlays for energy. Data are published on a bi-monthly basis. ⁶	1.8%	1.1%	1.1%	n.a.	
Housing Starts (Building Permits) The growth rate of privately owned homes upon which construction was initiated during the latest three-month period.	12.8%	12.3%	16.9%	n.a.	

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/ U.S. Energy Information Administration.
6/ U.S. Department of Labor - Bureau of Labor Statistics.
For non-release months, values held constant.
7/ U.S. Census Bureau - Building Permits.




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Quarterly United States Economic Indicators

	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	
Real Gross Domestic Product (GDP) The quarterly annualized growth rate of the U.S. economy. Excludes inflation. ¹	0.1%	1.1%	2.5%	4.1%	
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	5.8%	2.8%	3.2%	3.8%	
Corporate Profits The year-over-year growth rate of domestic and foreign profits of U.S. corporations. ¹	2.7%	2.1%	4.5%	5.6%	
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	5.5%	7.1%	7.5%	8.4%	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	6.3%	6.1%	5.7%	5.3%	

Quarterly Pennsylvania Economic Indicators

	<u>2012.4</u>	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</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	3.9%	1.3%	2.6%	3.1%	
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	2.7%	2.3%	3.9%	4.8%	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.6%	5.4%	5.5%	5.6%	

Sources: 1/ U.S. Bureau of Economic Analysis. 2/ Federal Housing Finance Agency. 3/ Federal Reserve Bank of New York.

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Snapshot: What's Driving Gross Domestic Product Growth?

In the most recent quarter, real U.S. gross domestic product (GDP) grew at an annual rate of 4.1 percent. The expansion represents the strongest growth in the past seven quarters. In 2011 Q4, GDP grew at a 4.9 percent annual rate, but then slowed in subsequent quarters to 0.1 percent in 2012 Q4. (See table below.) Much of the weak growth in 2012 Q4 was due to reductions in government purchases (-1.3 percent) and business investment (-0.4 percent). Consumer purchases (1.1 percent) were also tepid.

Some analysts fear that GDP growth will taper again. However, some recent negative impacts have been absorbed or were a one-time occurrence. In 2012 Q4, federal government purchases caused a large hit to GDP growth (-1.2 percent), as defense spending declined sharply. The sequester, which became effective in 2013 Q1, led to further declines in the contribution of federal government purchases to real GDP growth (-0.7 percent). The impact of the sequester appears to be mostly absorbed as federal government purchases caused only a minor reduction in

real GDP growth (-0.1 percent) for the last two quarters. State and local government purchases are also recovering, moving from a -0.1 percent contribution to real GDP growth in 2012 Q4 to 0.2 percent in 2013 Q3.

In addition, consumers have experienced positive wealth effects due to consistent gains in the housing and stock markets. Consumers are more confident and, as a result, have shifted back spending to big ticket items. In 2013 Q3, consumer purchases were responsible for 1.4 percent of real GDP growth, 1.0 percentage points due to consumer purchases of goods.

Business investment contributed 2.6 percent to 2013 Q3 real GDP growth. However, 1.7 percentage points were related to the change in private inventories as companies accumulated inventory. That accumulation will likely reverse in upcoming quarters.

Contribution to Real GDP Growth Rate							
(seasonally adjusted annual rates)							
	<u>2012 Q1</u>	<u>2012 Q2</u>	<u>2012 Q3</u>	<u>2012 Q4</u>	<u>2013 Q1</u>	<u>2013 Q2</u>	<u>2013 Q3</u>
Gross Domestic Product	3.7%	1.2%	2.8%	0.1%	1.1%	2.5%	4.1%
Consumer Purchases	2.0%	1.3%	1.2%	1.1%	1.5%	1.2%	1.4%
Goods	1.0%	0.5%	0.8%	0.9%	0.9%	0.7%	1.0%
Services	0.9%	0.8%	0.3%	0.3%	0.7%	0.5%	0.3%
Business Investment	1.6%	-0.2%	1.0%	-0.4%	0.7%	1.4%	2.6%
Fixed Investment	1.2%	0.7%	0.4%	1.6%	-0.2%	1.0%	0.9%
Change in Private Inventories	0.4%	-0.9%	0.6%	-2.0%	0.9%	0.4%	1.7%
Net Exports	0.4%	0.1%	0.0%	0.7%	-0.3%	-0.1%	0.1%
Exports	0.6%	0.5%	0.1%	0.2%	-0.2%	1.0%	0.5%
Imports	-0.1%	-0.4%	-0.1%	0.5%	-0.1%	-1.1%	-0.4%
Government Purchases	-0.3%	0.1%	0.7%	-1.3%	-0.8%	-0.1%	0.1%
Federal	-0.2%	0.0%	0.7%	-1.2%	-0.7%	-0.1%	-0.1%
State and Local	-0.1%	0.1%	0.0%	-0.1%	-0.1%	0.1%	0.2%

Source: U.S. Bureau of Economic Analysis.