

# Monthly Economic Report

## March 2014

### United States Economic Indicators

	<u>Mar-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	
<b>Unemployment Rate</b> The number of individuals unemployed divided by the labor force. <sup>1</sup>	7.5%	6.6%	6.7%	n.a.	
<b>Monthly Net Job Gains (000s)</b> Average net increase in payroll employment based on latest three months of data. <sup>2</sup>	206.0	162.3	129.3	n.a.	
<b>Advance Retail Sales</b> Year-over-year growth rate of retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. <sup>3</sup>	4.0%	3.4%	2.6%	n.a.	
<b>Residential Home Sales</b> Year-over-year growth rate in the number of residential homes sold based on latest three months of data. <sup>4</sup>	9.6%	-2.8%	-4.3%	n.a.	
<b>Consumer Sentiment Index</b> A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. <sup>5</sup>	78.6	81.2	81.2	80.0	
<b>Purchasing Managers Index (PMI)</b> A diffusion index that reflects the relative health of the manufacturing sector. An index greater than 50 indicates that the sector is expanding. <sup>6</sup>	51.3	51.3	53.2	n.a.	
<b>Average Gas Price</b> National average price for one gallon of unleaded gasoline. <sup>7</sup>	3.71	3.31	3.36	3.52	
<b>S&amp;P 500 Index</b> An index based on the stock prices of 500 top publicly traded corporations. Index values are from month end. <sup>8</sup>	1,569	1,782	1,865	1,858	
<b>Consumer Price Index (CPI - U)</b> Year-over-year change in average price level. Includes outlays for energy. <sup>9</sup>	1.4%	1.6%	1.1%	n.a.	
<b>10-Year Treasury</b> Yield on 10-year U.S. Treasury note. <sup>8</sup>	1.87%	2.67%	2.67%	2.69%	

#### 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.

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### Pennsylvania Economic Indicators

	<u>Mar-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	
<b>Unemployment Rate</b> The number of individuals unemployed divided by the labor force. <sup>1</sup>	7.7%	6.4%	6.2%	n.a.	
<b>Monthly Net Job Gains (000s)</b> Average net increase in payroll employment based on latest three months of data. <sup>2</sup>	-0.3	1.1	0.3	n.a.	
<b>Sales-Use Taxes</b> Year-over-year growth rate of sales taxes based on latest three months of collections. Excludes motor vehicle sales taxes. <sup>3</sup>	0.1%	1.7%	-0.4%	0.2%	
<b>Motor Vehicle Sales Taxes</b> Year-over-year growth rate of motor vehicle sales taxes based on latest three months of collections. <sup>3</sup>	-3.8%	-0.6%	1.8%	-1.1%	
<b>Realty Transfer Taxes</b> 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. <sup>3</sup>	15.3%	-0.5%	-4.5%	9.6%	
<b>Current Business Outlook Index</b> 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. <sup>4</sup>	-1.4	9.4	-6.3	9.0	
<b>Average Gas Price</b> Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. <sup>5</sup>	3.73	3.49	3.48	3.59	
<b>Consumer Price Index (PA-NJ-DE-MD)</b> Year-over-year change in average price level. Includes outlays for energy. Data are published on a bi-monthly basis. <sup>6</sup>	1.8%	1.2%	1.2%	n.a.	
<b>Housing Starts (Building Permits)</b> The growth rate of privately owned homes upon which construction was initiated during the latest three-month period.	9.8%	17.8%	-3.4%	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.

# Monthly Economic Report

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### Quarterly United States Economic Indicators

	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
<b>Real Gross Domestic Product (GDP)</b> The quarterly annualized growth rate of the U.S. economy. Excludes inflation. <sup>1</sup>	1.1%	2.5%	4.1%	2.6%	
<b>Personal Income</b> 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. <sup>1</sup>	2.8%	3.2%	3.8%	1.6%	
<b>Corporate Profits</b> The year-over-year growth rate of domestic and foreign profits of U.S. corporations. <sup>1</sup>	2.1%	4.5%	5.7%	6.2%	
<b>FHFA House Price Index</b> 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. <sup>2</sup>	7.1%	7.5%	8.4%	7.7%	
<b>U.S. Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>3</sup>	6.1%	5.7%	5.3%	5.0%	

### Quarterly Pennsylvania Economic Indicators

	<u>2013.1</u>	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	
<b>Personal Income</b> The year-over-year growth rate of PA personal income. Includes wages, interest, dividends, rents, pensions, business and transfer income. Includes any inflationary gains. <sup>1</sup>	1.3%	2.7%	2.5%	1.4%	
<b>FHFA House Price Index</b> 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. <sup>2</sup>	2.3%	3.7%	4.4%	3.7%	
<b>PA Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>3</sup>	5.4%	5.5%	5.6%	5.5%	

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: Housing Sector 2014

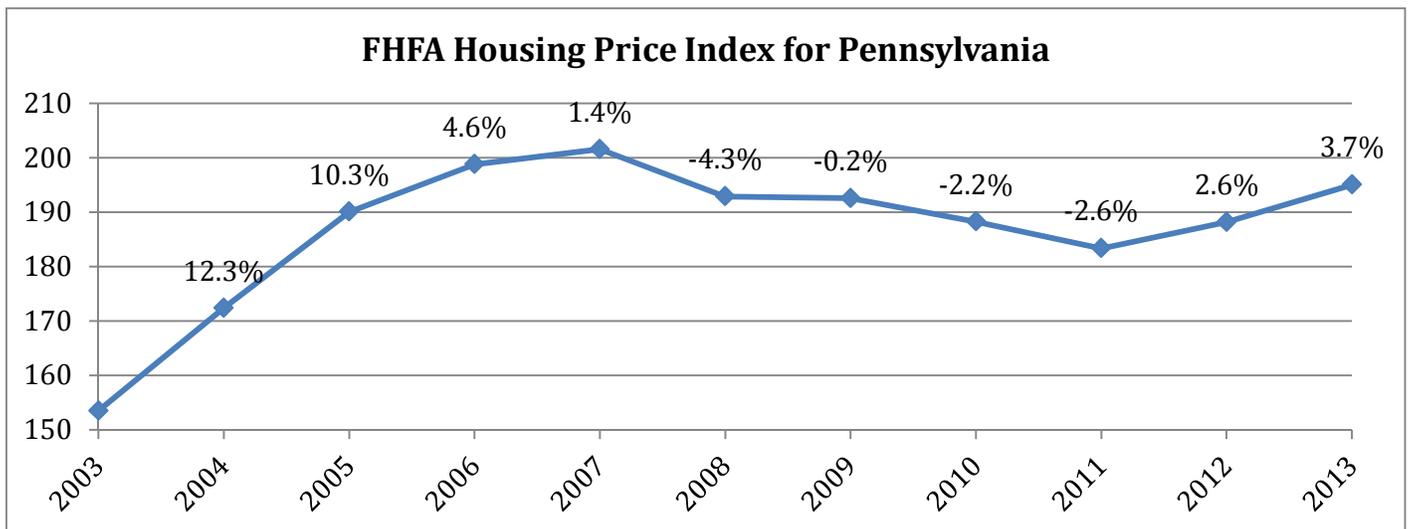
The housing sector got off to a weak start in 2014 due to an unusually cold winter. Although the Census Bureau reports that there were approximately 52,000 single-unit home starts in the Northeast region this January (+6.1 percent over last year), the number decreased to 35,000 in February (-47.8 percent under last year). New single-unit residential sales in the region followed the same trend, with approximately 34,000 sales in January (+6.3 percent over last year) and 23,000 sales in February (-34.3 percent under last year). Additional data from the National Association of Realtors (NAR) further support this narrative, with approximately 620,000 existing home sales in the region in January (-4.6 percent under last year) and 550,000 in February (-12.7 percent under last year).<sup>1</sup>

The weather may also be responsible for modest growth in home prices this February. NAR reports that the average sales price for an existing home in the Northeast region this January was \$282,300 (+5.5 percent over last year) and \$277,300 in February (+1.2 percent over last year). For Pennsylvania, the Federal Housing Finance Agency (FHFA) esti-

<sup>1</sup> Starts and sales are seasonally adjusted.

mates that home values have been rising since the fourth quarter of 2011 (see chart below). If prices continue upward, equity can be generated for underwater homeowners (i.e., a home worth less than the remaining mortgage). This is an important development as underwater homes are at a higher risk of delinquency and foreclosure. The trend remains positive in Pennsylvania as CoreLogic, a financial analytics company, reports that rising home values have reduced the share of mortgages underwater from 11.0 percent in the fourth quarter of 2012 to 7.4 percent in the fourth quarter of 2013.

Economists contend that demand for homes currently exceeds supply and that this imbalance will place upward pressure on prices during the summer months. However, mortgage rates are also expected to rise. Fannie Mae reports that the average rate for a 30-year fixed rate mortgage was 3.7 percent in 2012, 4.0 percent in 2013 and will likely increase to 4.5 percent through 2014. Thus, pent-up demand may fuel growth in home prices and construction in the short-term through 2014, but higher borrowing costs and modest income growth may imply more modest gains for housing thereafter.



Source: Federal Housing Finance Authority's Housing Price Index. The index is a weighted measure of the average price changes in repeat sales or refinancing of the same properties. Percentages in the chart represent year-over-year growth rates in the fourth quarter.