

Monthly Economic Report

July 2014

United States Economic Indicators

	<u>Jul-13</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	
Unemployment Rate Number of individuals unemployed divided by the labor force. ¹	7.3%	6.3%	6.1%	6.2%	
Monthly Net Job Gains (000s) Average net increase in monthly payroll employment based on latest three months of data. ²	183.0	245.3	277.0	245.3	
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	5.3%	4.4%	4.4%	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	15.4%	-6.2%	-4.5%	n.a.	
Consumer Sentiment Index A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. ⁵	85.1	81.9	82.5	81.3	
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	55.4	55.4	55.3	n.a.	
Average Gas Price National average price for one gallon of unleaded gasoline. ⁷	3.59	3.67	3.69	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	1,686	1,924	1,960	1,931	
Consumer Price Index (CPI - U) Year-over-year change in average price level. Includes outlays for energy. ⁹	1.9%	2.1%	2.1%	n.a.	
10-Year Treasury Yield on 10-year U.S. Treasury note. ⁸	2.60%	2.48%	2.53%	2.57%	

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>Jul-13</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	
Unemployment Rate Number of individuals unemployed divided by the labor force. ¹	7.5%	5.6%	5.6%	n.a.	
Annual Net Job Gains (000s) Average year-over-year net increase in payroll employment based on latest three months of data. ²	11.2	35.8	49.3	n.a.	
Sales-Use Taxes Year-over-year growth rate of all sales and use taxes based on latest three months of collections. ³	2.9%	3.2%	4.5%	4.7%	
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 the state level. ³	15.0%	6.9%	7.4%	7.1%	
Housing Starts (Building Permits) Year-over-year growth rate (single units only) of privately owned homes upon which construction was initiated during the latest three-month period. ⁴	20.2%	-9.1%	-10.6%	n.a.	
Current Business Activity 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. ⁵	18.0	15.4	17.8	23.9	
Average Gas Price Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. ⁶	3.63	3.72	3.71	3.68	
Commercial Traffic on PA Turnpike Year-over-year growth rate of the volume of commercial truck traffic on the PA turnpike. Based on latest three months of data. ⁷	3.3%	2.8%	3.4%	n.a.	
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. ⁸	1.5%	1.4%	1.8%	1.8%	

Sources:

- 1/ U.S. Department of Labor - Survey of Households.
- 2/ U.S. Department of Labor - Survey of Establishments.
- 3/ PA Department of Revenue. Excludes transfers to or from the Enhanced Revenue Collection Account.
- 4/ U.S. Census Bureau- Building Permits.

- 5/ Federal Reserve Bank of Philadelphia.
- 6/ U.S. Energy Information Administration.
- 7/ Pennsylvania Turnpike Commission Reports.
- 8/ U.S. Department of Labor - Bureau of Labor Statistics.
For non-release months, values held constant.

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Quarterly United States Economic Indicators

	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</u>	
Real Gross Domestic Product (GDP) The quarterly annualized growth rate of the U.S. economy. Excludes inflation. ¹ Value for 2014.2 is 4.0%.	1.8%	4.5%	3.5%	-2.1%	
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 Value for 2014.2 is 4.0%.	2.6%	3.0%	0.1%	3.7%	
Corporate Profits The year-over-year growth rate of domestic and foreign profits of U.S. corporations. ¹	3.9%	4.9%	4.7%	-4.8%	
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	7.5%	8.3%	7.6%	6.6%	
U.S. Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.7%	5.3%	5.0%	4.8%	

Quarterly Pennsylvania Economic Indicators

	<u>2013.2</u>	<u>2013.3</u>	<u>2013.4</u>	<u>2014.1</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	2.7%	2.4%	1.0%	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	4.0%	4.8%	3.2%	2.6%	
PA Delinquent Debt Share of consumer debt more than 90 days delinquent. ³	5.5%	5.6%	5.5%	5.2%	

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: The Changing Composition of Pennsylvania Personal Income

The U.S. Bureau of Economic Analysis publishes quarterly estimates of personal income for the U.S. and all 50 states. State personal income is comprised of (1) net wages and salaries, (2) capital income (dividends, interest, rent and distributions to S corporation shareholders), (3) business income (from partnerships and sole proprietorships), and (4) various transfers from the federal government (Social Security, Medicare, Medicaid, UI and disability payments). During the past decade, the data reveal a notable shift from wage to transfer income.

For calendar year 2003, Pennsylvania personal income totaled \$409.4 billion and net wages (\$235.8 billion) comprised 57.6 percent of that total. (See table.) Net wages include all wages and salaries paid to employees plus health insurance and pension contributions made by employers on behalf of employees less employee contributions for social insurance. Capital income (\$68.7 billion) comprised 16.8 percent of personal income, business income (\$36.8 billion) comprised 9.0 percent and federal transfers (\$68.1 billion) comprised 16.6 percent.

By calendar year 2013, Pennsylvania personal income had increased to \$586.1 billion, an average growth rate of 3.7 percent per annum. The growth in net wage income (3.1 percent per annum) was considerably lower, and the net wage share of personal income is now almost three percentage points lower

compared to a decade ago. If population growth is also factored into the analysis (0.3 percent), then per capita net wages (2.8 percent) have increased at an average rate that slightly exceeds inflation (2.5 percent). Capital and business income grew in line with overall personal income (3.6 percent). However, federal transfers have increased substantially, and now comprise nearly one-fifth of Pennsylvania personal income. Much of the strong growth for that income category is attributable to Medicare benefits (6.9 percent growth per annum) and other federal transfers, such as disability payments.

The shifting composition of personal income has long-term implications for state tax revenues. Much of the income from federal transfers is received in-kind, and does not represent discretionary income that can be spent by the recipient. For cash transfers such as Social Security and disability payments, recipients' spending patterns are likely quite different than a typical wage earner. It is likely that a larger share of that income is spent on items not subject to sales and use tax, such as health services, prescription drugs and food items. Those types of purchases may also have smaller "multiplier effects," implying that the purchases will trigger less economic growth compared to other types of purchases.

Pennsylvania Personal Income and its Components (\$ billions)

	CY 2003		CY 2013		2003-13 AAGR
	amount	share	amount	share	
Personal Income	\$409.4	100.0%	\$586.1	100.0%	3.7%
Net Wages	\$235.8	57.6%	\$320.7	54.7%	3.1%
Capital Income	\$68.7	16.8%	\$98.3	16.8%	3.6%
Business Income	\$36.8	9.0%	\$52.5	9.0%	3.6%
Gov't Transfers	\$68.1	16.6%	\$114.7	19.6%	5.3%
Population (000s)	12,374.7	n.a.	12,773.8	n.a.	0.3%
CPI-U	188.9	n.a.	240.9	n.a.	2.5%

Source: U.S. Bureau of Economic Analysis. Note: AAGR represents the average annual growth rate.