

# Monthly Economic Report

## October 2014

### United States Economic Indicators

	<u>Oct-13</u>	<u>Aug-14</u>	<u>Sept-14</u>	<u>Oct-14</u>	
<b>Unemployment Rate</b> Number of individuals unemployed divided by the labor force. <sup>1</sup>	7.2%	6.1%	5.9%	n.a.	
<b>Monthly Net Job Gains (000s)</b> Average net increase in monthly payroll employment based on latest three months of data. <sup>2</sup>	201.0	230.0	223.7	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>	3.8%	4.5%	4.5%	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>	8.8%	-4.1%	-3.8%	n.a.	
<b>Consumer Sentiment Index</b> A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. <sup>5</sup>	73.2	82.5	84.6	n.a.	
<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>	56.4	59.0	56.6	n.a.	
<b>Average Gas Price</b> National average price for one gallon of unleaded gasoline. <sup>7</sup>	3.34	3.49	3.41	3.17	
<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>	1,757	2,003	1,972	2,018	
<b>Consumer Price Index (CPI - U)</b> Year-over-year change in average price level. Includes outlays for energy. <sup>9</sup>	0.9%	1.7%	1.7%	n.a.	
<b>10-Year Treasury</b> Yield on 10-year U.S. Treasury note. <sup>8</sup>	2.57%	2.35%	2.52%	2.32%	

#### 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>Oct-13</u>	<u>Aug-14</u>	<u>Sept-14</u>	<u>Oct-14</u>	
<b>Unemployment Rate</b> Number of individuals unemployed divided by the labor force. <sup>1</sup>	7.1%	5.8%	5.7%	n.a.	
<b>Annual Net Job Gains (000s)</b> Average year-over-year net increase in payroll employment based on latest three months of data. <sup>2</sup>	22.8	53.8	45.4	n.a.	
<b>Sales-Use Taxes</b> Year-over-year growth rate of all sales and use taxes based on latest three months of collections. <sup>3</sup>	4.2%	5.3%	6.0%	5.2%	
<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 the state level. <sup>3</sup>	20.6%	6.2%	1.4%	3.9%	
<b>Housing Starts (Building Permits)</b> Year-over-year growth rate (single units only) of privately owned homes upon which construction was initiated during the latest three-month period. <sup>4</sup>	12.3%	-15.5%	7.8%	n.a.	
<b>Current Business Activity 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>5</sup>	15.6	28.0	22.5	20.7	
<b>Average Gas Price</b> Central Atlantic (PA, NY, NJ) average price for one gallon of unleaded gasoline. <sup>6</sup>	3.39	3.51	3.42	3.17	
<b>Commercial Traffic on PA Turnpike</b> Year-over-year growth rate of the volume of commercial truck traffic on the PA turnpike. Based on latest three months of data. <sup>7</sup>	5.5%	4.9%	5.3%	n.a.	
<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>8</sup>	0.3%	1.3%	1.3%	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. 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.

# Monthly Economic Report

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### Quarterly United States Economic Indicators

	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</u>	
<b>Real Gross Domestic Product (GDP)</b> The quarterly annualized growth rate of the U.S. economy. Excludes inflation. <sup>1</sup>	3.5%	-2.1%	4.6%	3.5%	
<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>	0.1%	3.6%	4.1%	4.3%	
<b>Corporate Profits</b> The year-over-year growth rate of domestic and foreign profits of U.S. corporations. <sup>1</sup>	4.7%	-4.8%	0.1%	n.a.	
<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>	7.7%	6.8%	5.2%	n.a.	
<b>U.S. Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>3</sup>	5.0%	4.8%	4.5%	n.a.	

### Quarterly Pennsylvania Economic Indicators

	<u>2013.4</u>	<u>2014.1</u>	<u>2014.2</u>	<u>2014.3</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>	-0.1%	3.4%	3.6%	n.a.	
<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>	3.4%	2.3%	2.4%	n.a.	
<b>PA Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>3</sup>	5.5%	5.2%	5.2%	n.a.	

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: Natural Gas Prices Tumble, Residential Rates Adjust Downward

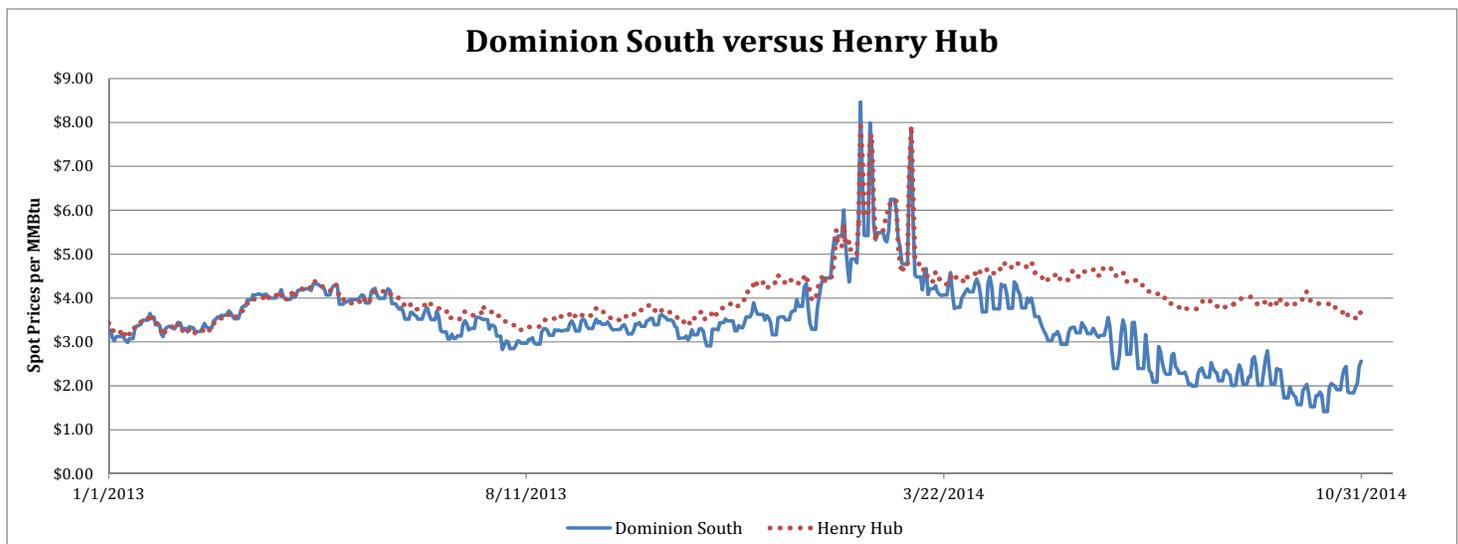
Natural gas prices are commonly described in relation to the Henry Hub, a trading point in Louisiana that is used as a price benchmark in spot and futures trading for the entire United States. Shown below are spot prices for the most influential trading hub in the Marcellus Shale region, Dominion South, which began falling in relation to the Henry Hub this past summer. From January 2013 to April 2014, Dominion followed the Henry Hub with an average price differential of \$0.22 per million British thermal units (MMBtu), but in early October stood at \$1.52 to the Henry Hub's \$3.95. Most Marcellus hubs have followed Dominion's sharp decline within a few cents per MMBtu.

Natural gas prices are influenced by several factors that interact dynamically: the pace of production, pipeline capacity, the volume in underground storage, and the weather. Last year's severe winter caused an unusual depletion of underground storage of natural gas, which is the primary fuel for heating in Pennsylvania. During the spring and summer, drillers produced at record volumes and have replenished that storage to near last year's levels. Currently, the Marcellus region is producing 16.4 billion cubic feet (bcf) per day, an increase of 4.3 bcf/day over last year, or 35.8 percent. At the end of April 2014, storage in the eastern U.S. was 339 bcf lower than last year at that time; this week, it is only 49 bcf

lower. However, because the winter forecast for 2014-15 is projected to be milder than last year, the same amount of gas in storage now exceeds anticipated demand, and is driving prices down.

Pipeline capacity leading out of the Marcellus region is constrained, and likewise causes an excess of regional supply that lowers prices. The industry is racing to develop new Marcellus pipelines. By 2018, there will be an additional 1,805 miles of pipelines leading into or out of Pennsylvania, adding 14.2 bcf/day of new capacity. Pennsylvania currently has 16.7 bcf/day of outflow capacity.

These price dynamics interact with residential utility bills. The ten largest natural gas utilities regulated by the Pennsylvania Public Utility Commission all updated their rates in August, September or October of this year. Of these, eight utilities decreased their residential rates. Six reported a decrease in the cost of their gas supply; those who reported the exact amount showed decreases of around \$0.90 per thousand cubic feet (mcf), roughly 15.7 percent of the supply cost. Additionally, the U.S. Energy Information Administration predicts that this year's milder winter should require less residential heating, which will contribute to lower total utility bills.



Sources: Bentek Energy, U.S. Energy Information Administration, National Weather Service, Pennsylvania Public Utility Commission, Pennsylvania Department of Environmental Protection