

# Monthly Economic Report

## December 2014

### United States Economic Indicators

	<u>Dec-13</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	
<b>Unemployment Rate</b> Number of individuals unemployed divided by the labor force. <sup>1</sup>	6.7%	5.8%	5.8%	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>	198.3	239.0	278.3	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>	3.7%	4.6%	4.7%	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>	1.0%	-1.5%	0.9%	n.a.	
<b>Consumer Sentiment Index</b> A diffusion index that reflects consumer optimism. A declining index signals increasing pessimism. <sup>5</sup>	84.5	86.9	88.8	93.6	
<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>	57.0	59.0	58.7	n.a.	
<b>Average Gas Price</b> National average price for one gallon of regular gasoline. <sup>7</sup>	3.28	3.17	2.91	2.54	
<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>	1,848	2,018	2,068	2,059	
<b>Consumer Price Index (CPI - U)</b> Year-over-year change in average price level. Includes outlays for energy. <sup>9</sup>	1.5%	1.7%	1.3%	n.a.	
<b>10-Year Treasury</b> Yield on 10-year U.S. Treasury note. <sup>8</sup>	3.04%	2.35%	2.24%	2.22%	

#### 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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	<u>Dec-13</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	
<b>Unemployment Rate</b> Number of individuals unemployed divided by the labor force. <sup>1</sup>	6.8%	5.4%	5.1%	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>	29.6	44.3	39.9	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>	2.2%	5.2%	5.0%	3.9%	
<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>	-1.1%	3.9%	1.6%	14.6%	
<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>	15.6%	-9.5%	-11.6%	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>	6.4	20.7	40.8	24.5	
<b>Average Gas Price</b> Central Atlantic (PA, NY, NJ) average price for one gallon of regular gasoline. <sup>6</sup>	3.46	3.24	3.01	2.74	
<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>	3.6%	5.0%	5.5%	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>	1.2%	1.6%	1.6%	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.

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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%	5.0%	
<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%	3.7%	3.8%	
<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%	1.4%	
<b>FHFA House Price Index</b> The year-over-year growth rate of an index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. <sup>4</sup>	7.7%	6.8%	5.5%	4.5%	
<b>U.S. Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>5</sup>	5.0%	4.8%	4.5%	4.3%	

### 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%	3.0%	3.5%	
<b>Industrial Electricity Sales</b> The year-over-year growth rate in megawatt-hours of electricity sold to industrial customers in Pennsylvania each calendar quarter. <sup>2</sup>	2.1%	2.9%	-0.2%	-0.4%	
<b>Completed Home Sales</b> The year-over-year growth rate in the number of single-family properties, townhomes and condominiums sold. <sup>3</sup>	8.4%	-4.3%	-2.0%	-1.1%	
<b>FHFA House Price Index</b> The year-over-year growth rate of an index that measures the average price change of residential homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. <sup>4</sup>	3.4%	2.3%	2.6%	1.7%	
<b>PA Delinquent Debt</b> Share of consumer debt more than 90 days delinquent. <sup>5</sup>	5.5%	5.2%	5.2%	4.5%	

**Sources:** 1/U.S. Bureau of Economic Analysis. 2/U.S. Energy Information Administration. 3/Pennsylvania Association of Realtors. 4/Federal Housing Finance Agency. 5/Federal Reserve Bank of New York.

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### Snapshot: Gasoline Prices Decline Dramatically

According to data from the U.S. Energy Information Administration (EIA), the Central Atlantic price for retail gasoline in December 2014 averaged \$2.74 per gallon (all formulations). This price marks a decrease of 21% from the prior year, while also making December the first month in which prices averaged less than \$3.00 per gallon since November 2010. As shown by the graph below, the Central Atlantic retail gasoline price closely tracks the U.S. price. The EIA projects that the average U.S. price will remain below \$2.75 per gallon through December 2015.

Recent declines in the price of gasoline are attributable to the falling price of crude oil, which comprises roughly 60% of the price of gasoline.<sup>1</sup> The increase in domestic oil production from shale formations has led to excess supply and lower crude oil prices. Despite these low prices, certain members of the Organization of the Petroleum Exporting Countries (OPEC) recently announced that they will maintain current levels of oil production in an effort to preserve their share of the market.

Research has shown that short term changes in the price of gasoline have little impact on the volume of gasoline consumed.<sup>2</sup> Instead, consumers will spend any savings on other goods and services.<sup>3</sup> The U.S. Department of Labor's Consumer

Expenditure Survey for calendar year 2013 shows that an average consumer unit with an annual income between \$50,000 and \$70,000 spends roughly 5.1% of their income on gasoline.<sup>4</sup> Thus, a typical consumer unit (includes an average of 2.7 individuals) with annual income of \$70,000 spends approximately \$3,600 on gasoline. The Central Atlantic average retail price for gasoline during that time period was approximately \$3.56 (all formulations). This implies annual consumption of 1,011 gallons, or roughly 20 gallons per week.

The latest weekly data for December reveal a price that is nearly one dollar lower. If the volume of gasoline purchased remains unchanged, then the lower price implies annual savings of \$1,011, or 28.1 percent.

Act 89 of 2013 increased the applicable wholesale price and millage rate that is applied to the wholesale price under the Oil Company Franchise Tax. The act effectively raised the gasoline excise tax by 9.5 cents on January 1, 2014 and will add another 9.7 cents on January 1, 2015. Assuming the entire tax is passed forward to consumers, the savings computation in the previous paragraph would be reduced by roughly \$100.

<sup>1</sup> <http://www.eia.gov/petroleum/gasdiesel/>

<sup>2</sup> <http://www.eia.gov/todayinenergy/detail.cfm?id=19191>

<sup>3</sup> <http://www.eia.gov/todayinenergy/detail.cfm?id=19211>

<sup>4</sup> <http://www.bls.gov/cex/2013/combined/income.pdf>

