

Monthly Economic Update

April 2021



Federal Stimulus Drives Record Pennsylvania Lottery Sales

Through the week ending March 30, fiscal-year-to-date (FYTD) lottery game sales are \$4.29 billion, an increase of 21% over the same period in FY 2019-20. Much of the growth in lottery game sales is likely explained by the federal stimulus distributed in response to the COVID-19 pandemic, which increased households' disposable income. The IFO estimates that \$50.7 billion flowed to state residents in the form of economic impact payments and the extra \$600 or \$300 weekly unemployment compensation payments. FY 2020-21 lottery sales through March are \$742 million higher than the same period in FY 2019-20 (pre-pandemic). Growth in instant ticket (+\$465 million, +19%) and iLottery (+\$208 million, +25%) explain over 80% of increased sales.

Pennsylvania Gaming Revenue Sets Record in March

The [Pennsylvania Gaming Control Board](#) released monthly gaming revenues for March 2021. Gaming revenues totaled \$403.1 million, surpassing the previous monthly high of \$320.2 million in October 2020. Gaming revenues include slot machines, tables games, internet gaming, sports wagering, fantasy contests and video gaming terminals (VGTs). Slot machine (\$199.3 million) and table games (\$71.4 million) revenues were down 0.2% and 7.8%, respectively, compared to February 2020, the final month before casinos closed due to COVID-19 mitigation efforts. Internet gaming and VGT collections both recorded the highest monthly collections to date. Internet gaming generated \$97.7 million in revenue and surpassed February 2020 collections by \$78.2 million (+401.2%). VGT revenue reached \$3.6 million for the month, exceeding collections from the prior February by \$2.3 million (+171.4%). Sports wagering collections were \$29.4 million, surpassing February 2020 revenues by \$24.6 million (+521.6%). Fantasy contest revenues totaled \$1.8 million for the month, increasing \$0.1 million (+5.6%) over the prior year. The gains for online games are attributable to economic stimulus, limited entertainment options during the pandemic, seasonal variation (e.g., March Madness) and phasing-in of certain games towards full capacity.

Worker Productivity Surges by 2.4% in 2020 Q4

Worker productivity is a key economic growth metric and is defined as the percentage change in output per hour worked for nonfarm businesses. The WSJ reported that U.S. [worker productivity](#) showed strong growth in 2020 after a decade of modest gains. Due to the COVID-19 pandemic, lower wage workers were laid off and businesses invested in computer equipment, software and automation technology. These investments, in combination with the reduction in lower wage jobs (which are disproportionately located in low productivity growth sectors) likely drove productivity gains in 2020. Strong business investment in technology is expected to continue until at least 2024, which should enhance future productivity gains. Another key growth metric is the labor force participation rate (LFPR). The [U.S. Bureau of Labor Statistics](#) reported a decline in this rate from 63.3% in February 2020 to 61.5% in March 2021. For Pennsylvania, the LFPR also declined from 63.5% to 61.2% over the same time period. Productivity gains and LFPRs have direct implications for economic growth because real GDP growth is the product of the growth in worker productivity and growth in the number of workers. While an aging population, contracting labor force and declining LFPRs reduce the long-term state economic outlook, productivity gains through business investment could more than offset those factors. For the Pennsylvania economy, productivity gains will be a critical factor to the long-term outlook.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>
Unemployment Rate ¹	7.1%	7.1%	7.3%	7.4%	7.3%
Net Job Gains (000s) ²	-444.7	-480.5	-453.0	-438.1	-369.2
Avg. Gasoline Price ³	\$2.26	\$2.34	\$2.47	\$2.63	\$2.87
CPI-U All Items ⁴	0.9%	1.1%	1.0%	1.0%	n.a.
Natural Gas Price ⁵	\$1.09	\$2.01	\$2.27	\$3.29	\$2.15
Home Sales ⁶	-1.1%	3.5%	-2.2%	-11.5%	-1.3%
PA Turnpike Traffic (cars) ⁷	-29.3%	-32.9%	-27.6%	-35.1%	23.5%
PA Turnpike Traffic (commercial) ⁷	0.7%	5.1%	-1.6%	-4.9%	18.5%
<u>Quarterly Data</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>
Gross Domestic Product ⁸	1.4%	-5.8%	-34.0%	35.5%	3.7%
Personal Income ⁹	2.8%	2.5%	13.1%	9.0%	3.5%
Wages and Salaries ¹⁰	4.3%	2.2%	-6.2%	-1.0%	-0.3%
FHFA House Price Index ¹¹	4.7%	5.2%	4.8%	8.3%	10.9%

United States Economic Indicators

<u>Monthly Data</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>
Unemployment Rate ¹	6.7%	6.7%	6.3%	6.2%	6.0%
Home Sales ⁶	-2.1%	0.9%	0.2%	-6.3%	-3.7%
S&P 500 ¹²	15.3%	16.3%	15.2%	29.0%	53.7%
10-Year Note ¹³	0.84	0.92	1.09	1.46	1.75
<u>Quarterly Data</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>
Gross Domestic Product ⁸	2.4%	-5.0%	-31.4%	33.4%	4.3%
Personal Income ⁹	3.5%	3.2%	10.7%	6.8%	4.0%
Wages and Salaries ¹⁰	4.5%	3.2%	-3.9%	0.3%	1.3%
Corporate Profits ¹⁴	1.2%	-8.0%	-17.9%	9.2%	3.6%

Sources and Notes:

1. Source: U.S. Bureau of Labor Statistics- Survey of Households.
2. Year-over-year increase in payroll employment. Source: U.S. Bureau of Labor Statistics- Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Source: U.S. Bureau of Labor Statistics.
5. Price is weighted average from major Pennsylvania gas hubs. Unit is dollars per MMBtu. Source: Bentek Energy.
6. Seasonally Adjusted Annual Rate. Pennsylvania figures represent northeast region. Source: National Association of Realtors.
7. Year-over-year growth rate of monthly traffic counts based on entry data. Source: Pennsylvania Turnpike.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
11. Source: Federal Housing Finance Agency.
12. Year-over-year growth rate of S&P 500 closing price. Data as of the first of the month. Source: Yahoo! Finance.
13. Source: Yahoo! Finance.
14. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.