

Monthly Economic Update

August 2021



U.S. CPI-U Increases 5.4%; Non-Housing CPI-U up 6.6%

On August 11, the U.S. Bureau of Labor Statistics released the U.S. city average consumer price index (CPI-U) [data](#) for July. For All Items, the index rose by 5.4% on a year-over-year (YOY) basis. The All Items Less Shelter category, which excludes housing and more accurately reflects actual consumer purchases during the month, grew 6.6% YOY after peaking at 6.8% in June. Many travel-related categories continue to record strong YOY price growth as COVID-19 travel restrictions were relaxed over the summer including: Airline Fares (+19.0%), Lodging Away from Home (+21.5%) and Gasoline (+41.8%). Car and Truck Rental prices grew 73.5% compared to last July. The large price increase is the result of greater demand for rental vehicles and supply constraints in new vehicle markets, rather than a rebound from the previous summer (prices fell just 3.3% from July 2019 to July 2020). Recently, analysts' [attention](#) has turned to two housing categories: Rent of Primary Residence (+1.9%) and Owner's Equivalent Rent of Primary Residence (+2.4%). These two categories comprise 31% of the U.S. CPI-U and are discordant with YOY growth in national home prices (+16.6%) based on the May 2021 [Case-Shiller Index](#). Rental prices are "sticky" because the same renters are not surveyed every month and most renters enter leases for at least one full year. Landlords may also be hesitant to raise prices to the market rate for tenants who renew leases if they are current with their monthly payments. Hence, housing and rental price pressures may be delayed.

PA Auto Loan Debt Increased Nearly 13% in 2021 Q2

The Federal Reserve Bank of New York recently released [consumer debt data](#) for 2021 Q2. Pennsylvania auto loan debt grew 12.7% from 2020 Q2, the fastest rate of growth across the six consumer debt categories, driven by higher prices and volume. According to the [U.S. Bureau of Labor Statistics](#), Philadelphia-area prices for new cars increased 18.7%, and used cars increased 45.3% from June 2020. For sales volume, the National Automobile Dealer Association reported that U.S. [June car sales](#) grew 18% year-over-year. However, [JD Power](#) recently reported that U.S. new car sales are subsiding due to supply constraints and low inventories. Moving forward, industry analysts project that car prices will remain elevated, but sales will continue to soften as supply fails to keep up with consumer demand. Recent data suggest that consumers are able to service new auto loans, as national auto loan delinquencies remain relatively low. However, delinquencies may rise in the fall with the expiration of federal stimulus programs.

Summer Natural Gas Prices at Highest Level Since 2014

As noted in a [recent WSJ article](#), natural gas production restraint in the Appalachia region and strong demand have combined to push natural gas prices to their highest levels in years. The near-month settlement price of gas on the New York Mercantile Exchange (NYMEX), the national benchmark for natural gas prices, is \$4.04 per MMBtu for August. This is only the second time that the monthly price exceeded \$4.00 since 2014. According to the latest data from the Department of Environmental Protection (DEP), Pennsylvania production from January to May 2021 increased by 5.6% from the same period in 2020. For comparison, production from January to May 2020, which includes several months impacted by COVID-19 restrictions, recorded annual growth of 5.7%. The (preliminary) production growth rate for 2021 represents a steep decline from growth rates for 2019 (11.4%) and 2018 (14.2%). Data from DEP also show that Pennsylvania producers are on pace to drill the fewest number of wells for the first half of the year since 2016. Through June, there were 253 wells spud, a decrease of 4.9% from the same period in 2020. Later this month, the IFO will release its Natural Gas Production Report for 2021 Q2, which will provide updates on production, drilling and price trends for April to June 2021.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>
Unemployment Rate ¹	7.3%	7.1%	7.0%	6.9%	n.a.
Net Job Gains (000s) ²	-376.8	702.8	530.4	325.4	n.a.
Avg. Gasoline Price ³	\$2.87	\$2.86	\$3.01	\$3.08	\$3.15
CPI-U All Items ⁴	2.2%	3.5%	4.2%	4.9%	n.a.
Natural Gas Price ⁵	\$2.03	\$1.95	\$2.03	\$2.06	n.a.
Number of Home Sales ⁶	-1.3%	-3.9%	-1.4%	2.8%	n.a.
PA Turnpike Traffic (cars) ⁷	23.5%	165.9%	81.1%	40.0%	n.a.
PA Turnpike Traffic (commercial) ⁷	18.5%	41.6%	20.3%	11.6%	n.a.
<u>Quarterly Data</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>
Gross Domestic Product ⁸	-5.8%	-34.0%	35.5%	3.7%	6.0%
Personal Income ⁹	2.5%	13.1%	9.0%	4.3%	17.9%
Wages and Salaries ¹⁰	2.2%	-6.3%	-1.0%	1.5%	3.3%
FHFA House Price Index ¹¹	5.2%	4.7%	8.4%	11.0%	11.9%

United States Economic Indicators

<u>Monthly Data</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>
Unemployment Rate ¹	6.0%	6.1%	5.8%	5.9%	5.4%
Number of Home Sales ⁶	-3.7%	-2.7%	-1.2%	1.4%	n.a.
S&P 500 ¹²	53.7%	43.6%	38.1%	38.6%	34.4%
10-Year Note ¹³	1.75	1.63	1.58	1.44	1.24
<u>Quarterly Data</u>	<u>2020.1</u>	<u>2020.2</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>
Gross Domestic Product ⁸	-5.1%	-31.2%	33.8%	4.5%	6.3%
Personal Income ⁹	3.3%	10.9%	7.1%	4.8%	16.1%
Wages and Salaries ¹⁰	4.1%	-3.2%	0.9%	3.4%	2.8%
Corporate Profits ¹⁴	-6.0%	-17.4%	6.5%	2.6%	23.3%

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.