

Monthly Economic Update

August 2022



PA Employment Gains Remain Strong, But Job Openings Decline

Since the release of June CPI-U data, many analysts believe there is a one-third to two-thirds chance of at least a mild recession during the next year. This economic update uses recent state labor market data to assess whether the Pennsylvania economy might enter into recession. Labor market data are useful because they are leading economic indicators published on a regular and timely basis, with short real-time lags. The four labor market metrics that are tracked for this update are as follows:

- **Change in Payroll Jobs.** The (seasonally adjusted) month-to-month change in total payroll employment (excludes self-employed). July payroll employment increased over the prior month and the change in payroll jobs remains well above the pre-COVID monthly average.
- **Job Openings.** A measure of the unmet demand for labor. The pre-COVID average was 281,000 job openings in a typical month. The number of job openings in June declined 18.5% compared to May. However, the latest estimate still exceeds pre-COVID average job openings. These data lag other labor market data by one month.
- **Initial Unemployment Insurance (UI) Claims.** Average new weekly claims for unemployment compensation during the month. The average number of new claims fell to 8,100 in July 2022 and the number of UI claims remains below the pre-COVID average. (Note: these data are not seasonally adjusted and higher new claims are expected in the winter.)
- **Labor Force Participation Rate (LFPR).** The share of state residents age 16 or older who work or actively seek employment. The LFPR increased since January, but has been stagnant at 61.7% since May 2022 and remains well below the pre-pandemic average (62.8%). Higher LFPRs are a positive economic outcome but can also result in higher claims for unemployment compensation if employment is not available.

The latest monthly data continue to show solid gains in payroll employment and relatively strong (though diminishing) desire for new hires by businesses. If net hiring (i.e., change in payroll jobs) continues, even at a moderate pace, then that would be a reliable indicator that the state economy has likely not entered into recession. (The NBER Business Cycle Dating Committee defines a recession as “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.”) The same is true for job openings. If the level remains relatively close to pre-COVID levels, then that is an indicator of slower, stable growth. One summer month remains prior to the start of the school year. Any impending slowdown would likely be more noticeable in September as pent-up demand for leisure and summer travel ends and students and educators begin the regular school year.

Pennsylvania Labor Market Indicators

| | Pre-COVID | Calendar Year 2022 | | | | | | |
|--------------------------------|-----------|--------------------|-------|-------|-------|-------|-------|-------|
| | | Jan | Feb | Mar | Apr | May | Jun | Jul |
| Change Payroll Jobs (000s) | 5 | 19 | 30 | 20 | 12 | 11 | 19 | 31 |
| Job Openings (000s) | 281 | 506 | 426 | 514 | 448 | 482 | 393 | -- |
| New UI Claims (000s) | 14.5 | 15.3 | 9.2 | 7.9 | 9.1 | 7.9 | 9.3 | 8.1 |
| Labor Force Participation Rate | 62.8% | 61.1% | 61.0% | 61.2% | 61.4% | 61.7% | 61.7% | 61.7% |

Note: UI is unemployment insurance. Data are seasonally adjusted except UI Claims. Pre-COVID figures are monthly averages during 2018 and 2019. Payroll Jobs exclude self-employed and independent contractors. June Job Openings and July Payroll Jobs data are preliminary.

Source: U.S. Department of Labor: Employment and Training Administration and Bureau of Labor Statistics.

Pennsylvania Economic Indicators

| <u>Monthly Data</u> | <u>Mar-22</u> | <u>Apr-22</u> | <u>May-22</u> | <u>Jun-22</u> | <u>Jul-22</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Unemployment Rate ¹ | 4.9% | 4.8% | 4.6% | 4.5% | 4.3% |
| Net Job Gains (000s) ² | 200.0 | 211.1 | 205.8 | 208.9 | 203.8 |
| Avg. Gasoline Price ³ | \$4.26 | \$4.11 | \$4.59 | \$4.92 | \$4.62 |
| CPI-U All Items ⁴ | 7.9% | 8.4% | 8.6% | 8.8% | n.a. |
| Natural Gas Price ⁵ | \$4.22 | \$5.95 | \$7.20 | \$6.81 | \$5.63 |
| Number of Home Sales ⁶ | -4.3% | 1.5% | 0.0% | 0.0% | n.a. |
| PA Turnpike Traffic (cars) ⁷ | 29.1% | 9.4% | 8.3% | -1.0% | n.a. |
| PA Turnpike Traffic (commercial) ⁷ | 3.1% | -0.4% | 4.2% | 3.4% | n.a. |
| <u>Quarterly Data</u> | <u>2021.2</u> | <u>2021.3</u> | <u>2021.4</u> | <u>2022.1</u> | <u>2022.2</u> |
| Gross Domestic Product ⁸ | 4.7% | 2.4% | 6.4% | -2.0% | n.a. |
| Personal Income ⁹ | -1.1% | 2.3% | 6.0% | -3.6% | n.a. |
| Wages and Salaries ¹⁰ | 12.6% | 9.5% | 9.1% | 11.9% | n.a. |
| FHFA House Price Index ¹¹ | 16.4% | 14.8% | 13.3% | 14.5% | n.a. |

United States Economic Indicators

| <u>Monthly Data</u> | <u>Mar-22</u> | <u>Apr-22</u> | <u>May-22</u> | <u>Jun-22</u> | <u>Jul-22</u> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Unemployment Rate ¹ | 3.6% | 3.6% | 3.6% | 3.6% | 3.5% |
| Number of Home Sales ⁶ | -3.0% | -2.6% | -3.4% | -5.4% | n.a. |
| S&P 500 ¹² | 14.0% | -1.2% | -1.7% | -11.9% | -3.7% |
| 10-Year Note ¹³ | 2.33 | 2.89 | 2.84 | 2.97 | 2.97 |
| <u>Quarterly Data</u> | <u>2021.2</u> | <u>2021.3</u> | <u>2021.4</u> | <u>2022.1</u> | <u>2022.2</u> |
| Gross Domestic Product ⁸ | 6.7% | 2.3% | 6.9% | -1.6% | -0.9% |
| Personal Income ⁹ | 1.6% | 5.3% | 7.5% | -2.8% | 4.6% |
| Wages and Salaries ¹⁰ | 13.4% | 11.4% | 10.7% | 12.2% | 10.9% |
| Corporate Profits ¹⁴ | 53.8% | 21.4% | 23.5% | 12.8% | n.a. |

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.