

Monthly Economic Update

December 2022



Labor Force Participation Contracts as Job Openings Remain Plentiful

The latest Wall Street Journal poll of economic forecasters projects a 63% probability for a U.S. economic recession within the next year. This economic update uses recent state labor market data to assess whether the Pennsylvania economy has slowed or entered into recession. Labor market data are informative because they are leading economic indicators published on a regular and timely basis, with short real-time lags. The four labor market metrics 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). Payroll employment increased by 10,400 jobs in November from the prior month and continues to surpass the pre-COVID average monthly gain.
- **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 October increased 1.1% compared to September and remains well above 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 increased to 10,600 in November 2022 but the number of UI claims remains below the pre-COVID average. (Note: these data are not seasonally adjusted and higher new claims occur in the winter when seasonal workers claim benefits.)
- **Labor Force Participation Rate (LFPR).** The share of state residents age 16 or older who work or actively seek employment. The LFPR contracted to 61.6% 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 show gains in payroll employment and a modest increase in job openings. If monthly payroll job gains continue, then that would be a strong indicator that the economy has likely not entered into recession. The same is true for job openings. The Pennsylvania labor market remains historically tight, as the November unemployment rate remained at 4.0% (seasonally adjusted) or rose slightly to 3.5% (non-seasonally adjusted) while the LFPR decreased by 0.1% points. For winter months, new UI claims typically increase as seasonal workers claim benefits while unemployed. Similar to prior months, the tight state labor market, low labor force participation rate and contracting demographics will continue to apply upward pressure on wage growth and economy-wide inflation.

Pennsylvania Labor Market Indicators

	Pre-COVID	Calendar Year 2022						
		May	Jun	Jul	Aug	Sep	Oct	Nov
Change Payroll Jobs (000s)	5	11	19	29	9	13	12	10
Job Openings (000s)	281	482	437	388	362	357	361	--
New UI Claims (000s)	14.5	7.9	9.3	8.1	6.8	6.0	7.9	10.6
Labor Force Participation Rate	62.8%	61.7%	61.7%	61.7%	61.7%	61.7%	61.7%	61.6%

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. October Job Openings and November Payroll Jobs and Labor Force Participation Rate data are preliminary.

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

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>	<u>Oct-22</u>	<u>Nov-22</u>
Unemployment Rate ¹	4.3%	4.2%	4.1%	4.0%	4.0%
Net Job Gains (000s) ²	202.0	203.5	220.6	197.1	189.2
Avg. Gasoline Price ³	\$4.62	\$4.17	\$3.71	\$3.70	\$3.85
CPI-U All Items ⁴	8.4%	8.1%	7.9%	7.8%	n.a.
Natural Gas Price ⁵	\$6.29	\$7.86	\$6.52	\$4.56	\$3.43
Number of Home Sales ⁶	-7.5%	0.0%	-1.6%	-6.6%	n.a.
PA Turnpike Traffic (cars) ⁷	-4.2%	-0.9%	-0.4%	-2.3%	n.a.
PA Turnpike Traffic (commercial) ⁷	-2.2%	4.6%	-0.4%	-2.6%	n.a.
<u>Quarterly Data</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>	<u>2022.3</u>
Gross Domestic Product ⁸	1.3%	8.4%	-1.1%	-0.9%	n.a.
Personal Income ⁹	2.1%	5.8%	-4.6%	1.9%	n.a.
Wages and Salaries ¹⁰	8.5%	8.3%	10.1%	9.3%	n.a.
FHFA House Price Index ¹¹	14.7%	13.5%	14.6%	12.9%	9.6%

United States Economic Indicators

<u>Monthly Data</u>	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>	<u>Oct-22</u>	<u>Nov-22</u>
Unemployment Rate ¹	3.5%	3.7%	3.5%	3.7%	3.7%
Number of Home Sales ⁶	-5.7%	-0.8%	-1.5%	-5.9%	n.a.
S&P 500 ¹²	-6.0%	-12.6%	-16.8%	-15.9%	-10.7%
10-Year Note ¹³	2.64	3.13	3.80	4.08	3.70
<u>Quarterly Data</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>	<u>2022.3</u>
Gross Domestic Product ⁸	2.7%	7.0%	-1.6%	-0.6%	2.9%
Personal Income ⁹	4.9%	6.9%	-3.5%	3.2%	4.1%
Wages and Salaries ¹⁰	10.6%	9.9%	10.9%	9.1%	7.9%
Corporate Profits ¹⁴	19.1%	25.5%	13.0%	5.5%	3.3%

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.