

Monthly Economic Update

February 2022



PA Real Average Hourly Earnings Contract, but Some Workers Gain

In January 2022, the U.S. Bureau of Labor Statistics (BLS) released December employment and average hourly earnings data for all states. The latest data reveal dramatically different outcomes for the growth of average hourly earnings across sectors of the state economy. The top line of the table below shows the year-over-year (YOY) growth in the nominal average hourly earnings for all private payroll workers for Pennsylvania. The data exclude government workers and self-employed individuals and are not seasonally adjusted. Although the data are not seasonally adjusted, the YOY comparison should control for the impact of normal seasonal factors.

To adjust for inflation, the nominal data are deflated by the Philadelphia CPI-U using the same methodology that BLS uses for the U.S. For December, the Philadelphia CPI-U YOY growth was 6.6%. After adjusting for inflation, real hourly earnings for all private workers contracted by 1.2%. (By comparison, real U.S. hourly earnings contracted by 2.4% using seasonally adjusted data.) The sector data show strong real hourly earnings growth for the leisure and hospitality sector (+8.7%) that includes limited- and full-service restaurants, entertainment establishments and accommodations. Real hourly earnings growth for the construction sector was flat, while the trade and transportation sector (retail and wholesale trade, warehousing, delivery, airlines, bus service) has been negative with stronger contraction at the end of the year as inflation accelerated. For manufacturing, the latest data point shows contraction, but prior months show mixed results. For professional and business services, December data show real growth, while prior months show contraction. Results for the large education and healthcare sector are mixed, but show recent contraction. The finance and real estate sector shows real gains for all months.

The near-term outlook for real average hourly earnings will depend on whether residents return to the labor force (the Pennsylvania labor force participation rate for December (59.8%, non-seasonally adjusted) was the lowest rate for that month since December 1984) and the impact of Federal Reserve actions to slow growth of the money supply and raise interest rates.

Growth of Pennsylvania Real Average Hourly Earnings

	Aug	Sept	Oct	Nov	Dec
Nominal Avg Hourly Earnings	4.2%	5.1%	6.1%	4.8%	5.4%
Philadelphia CPI-U	4.6%	5.1%	5.6%	6.1%	6.6%
Real Avg Hourly Earnings	-0.4%	0.0%	0.4%	-1.2%	-1.2%
Leisure and Hospitality	2.6%	3.3%	7.1%	8.9%	8.7%
Construction	0.9%	2.6%	3.1%	1.3%	0.1%
Manufacturing	-1.1%	-1.4%	1.0%	0.1%	-1.4%
Prof and Business Services	-3.6%	-3.2%	-3.1%	-2.1%	3.0%
Trade and Transportation	-1.0%	-0.7%	-0.3%	-5.0%	-5.2%
Education and Healthcare	0.7%	1.2%	1.8%	-1.3%	-1.3%
Finance and Real Estate	5.4%	4.7%	1.3%	2.6%	1.9%

Note: Average hourly earnings deflated by Philadelphia CPI-U. Excludes self-employed. Data are not seasonally adjusted. December data are preliminary. Growth rates are year-over-year.

Source: U.S. Bureau of Labor Statistics (data and methodology).

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Sept-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>Jan-22</u>
Unemployment Rate ¹	6.2%	6.0%	5.7%	5.4%	n.a.
Net Job Gains (000s) ²	139.0	142.2	152.5	202.2	n.a.
Avg. Gasoline Price ³	\$3.23	\$3.36	\$3.49	\$3.44	\$3.42
CPI-U All Items ⁴	5.1%	5.6%	6.1%	6.6%	n.a.
Natural Gas Price ⁵	\$4.17	\$4.47	\$4.50	\$2.95	\$3.59
Number of Home Sales ⁶	5.5%	-1.3%	0.0%	-1.3%	n.a.
PA Turnpike Traffic (cars) ⁷	16.2%	16.7%	53.9%	n.a.	n.a.
PA Turnpike Traffic (commercial) ⁷	7.0%	4.6%	9.0%	n.a.	n.a.
<u>Quarterly Data</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>
Gross Domestic Product ⁸	5.2%	2.7%	4.7%	2.4%	n.a.
Personal Income ⁹	4.5%	15.6%	-1.1%	2.5%	n.a.
Wages and Salaries ¹⁰	1.9%	1.0%	12.6%	9.8%	n.a.
FHFA House Price Index ¹¹	11.2%	12.4%	16.6%	14.7%	n.a.

United States Economic Indicators

<u>Monthly Data</u>	<u>Sept-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>Jan-22</u>
Unemployment Rate ¹	4.7%	4.6%	4.2%	3.9%	4.0%
Number of Home Sales ⁶	7.0%	0.8%	2.2%	-4.6%	n.a.
S&P 500 ¹²	28.1%	40.8%	26.1%	26.9%	21.6%
10-Year Note ¹³	1.53	1.56	1.44	1.51	1.78
<u>Quarterly Data</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>
Gross Domestic Product ⁸	4.5%	6.3%	6.7%	2.3%	6.9%
Personal Income ⁹	4.8%	16.1%	1.6%	5.2%	7.0%
Wages and Salaries ¹⁰	3.4%	2.9%	13.4%	11.1%	9.4%
Corporate Profits ¹⁴	2.6%	23.3%	53.8%	21.4%	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.