

# Monthly Economic Update

January 2022



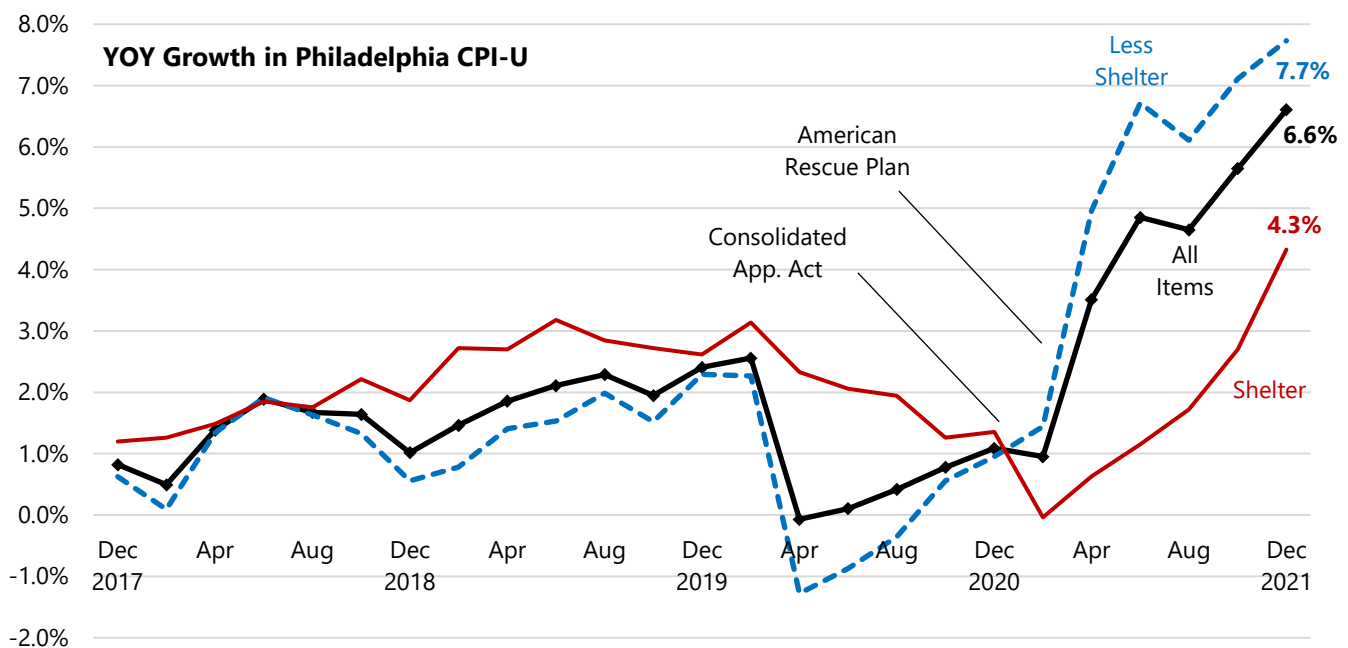
## Philadelphia Consumer Inflation Accelerates in December

On January 12, the U.S. Bureau of Labor Statistics released Consumer Price Index (CPI) data for the month of December for the U.S. and various metro regions. For the U.S., the year-over-year (YOY) growth in the All Items CPI-U was +7.0%. For the Philadelphia metro region, it was +6.6%, the highest YOY growth rate since December 1990.

The graph below shows the All Items CPI-U and two other CPI series for the metro region. The CPI Less Shelter series excludes three components related to housing: rent of a primary residence (5.5% of CPI, up +3.6%), imputed rent for homeowners (26.3%, up +4.1%) and lodging away from home (1.3%, up roughly +12.0%). The CPI Less Shelter series grew +7.7% in December and is the best measure of real-time consumer inflation because it excludes foregone rent imputed to homeowners.

The CPI Shelter series (33.0% of CPI) is a combination of those three components, and the YOY growth was +4.3% in December. This series is known to lag trends in the broader economy due to the way data are collected and the fact that rental agreements are generally renewed only on an annual basis. This lag and the relative size of the Shelter component suggests that inflation will remain elevated in the near term.

Since the spring, the rapid acceleration of consumer inflation has been notable. Less than one year ago, the February 2021 YOY growth rate for the Philadelphia All Items CPI-U was +1.0%. Since then, \$21.0 billion of Economic Impact Payments were injected into the state economy by the federal Consolidated Appropriations Act and American Rescue Plan. A second round of PPP loans injected another \$10.0 billion, expanded unemployment compensation \$16.1 billion and advance child tax credits \$3.4 billion. While much of those funds have been spent, Federal Reserve data on checking account balances through 2021 Q3 (latest data) show that substantial additional savings remain. Analysts expect that demand-driven inflation will continue until these excess savings are reduced further or higher interest rates begin to restrain economic growth.



## Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Aug-21</u>	<u>Sept-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>
Unemployment Rate <sup>1</sup>	6.4%	6.2%	6.0%	5.7%	n.a.
Net Job Gains (000s) <sup>2</sup>	189.7	139.0	142.2	144.0	n.a.
Avg. Gasoline Price <sup>3</sup>	\$3.18	\$3.23	\$3.36	\$3.49	\$3.44
CPI-U All Items <sup>4</sup>	4.6%	5.1%	5.6%	6.1%	6.6%
Natural Gas Price <sup>5</sup>	\$3.57	\$4.17	\$4.47	\$4.50	\$3.12
Number of Home Sales <sup>6</sup>	-1.4%	5.5%	-1.3%	0.0%	n.a.
PA Turnpike Traffic (cars) <sup>7</sup>	18.1%	16.2%	n.a.	n.a.	n.a.
PA Turnpike Traffic (commercial) <sup>7</sup>	8.1%	7.0%	n.a.	n.a.	n.a.
<u>Quarterly Data</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>
Gross Domestic Product <sup>8</sup>	34.8%	5.2%	3.0%	5.9%	2.2%
Personal Income <sup>9</sup>	8.8%	4.5%	16.3%	-1.5%	2.6%
Wages and Salaries <sup>10</sup>	-0.7%	1.8%	2.2%	11.9%	9.9%
FHFA House Price Index <sup>11</sup>	8.4%	11.2%	12.4%	16.6%	14.7%

## United States Economic Indicators

<u>Monthly Data</u>	<u>Aug-21</u>	<u>Sept-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>
Unemployment Rate <sup>1</sup>	5.2%	4.7%	4.6%	4.2%	3.9%
Number of Home Sales <sup>6</sup>	-2.0%	7.0%	0.8%	1.9%	n.a.
S&P 500 <sup>12</sup>	29.2%	28.1%	40.8%	26.1%	26.9%
10-Year Note <sup>13</sup>	1.30	1.53	1.56	1.44	1.51
<u>Quarterly Data</u>	<u>2020.3</u>	<u>2020.4</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>
Gross Domestic Product <sup>8</sup>	33.8%	4.5%	6.3%	6.7%	2.3%
Personal Income <sup>9</sup>	7.1%	4.8%	16.1%	1.6%	5.2%
Wages and Salaries <sup>10</sup>	0.9%	3.4%	2.9%	13.4%	11.1%
Corporate Profits <sup>14</sup>	6.5%	2.6%	23.3%	53.8%	21.4%

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.