

Monthly Economic Update

July 2021



Philadelphia CPI-U Increases 4.9%; Non-Housing CPI-U up 6.7%

On July 13, the U.S. Bureau of Labor Statistics released consumer price index [data](#) for metro regions. For June, the Philadelphia metro region CPI-U (All Items) increased by 4.9% from the prior year. The rate was higher than April (3.5%) and represents the largest increase since June 2008 (5.1%). The increase was due to strong gains related to gasoline (40.0%), used cars and trucks (45.3%), and new vehicles (18.7%). A [WSJ article](#) noted how strong vehicle sales and the lack of inventory are driving up the price of new and used cars. Household furnishings and supplies (11.0%) and apparel (6.9%) also recorded strong gains. The All Items less Shelter CPI-U increased by 6.7% from the prior year, as the Shelter component increased by only 1.2%. That component comprises one-third of the CPI-U and includes imputed rent to homeowners (0.8% increase, based on survey data) and rental expenses of primary residences (2.3%). The CPI-U that excludes the Shelter component provides a more accurate measure of real-time consumer inflation because it reflects actual purchases during the month, and the data are not imputed. Moreover, analysts have noted the disconnect between the Shelter component and very strong gains in the housing market.

Impact Fee Revenues Could Increase Significantly in 2022

As noted in a [WSJ article](#), natural gas prices have risen to levels not recorded in over two years as the economy reopens and temperatures run above normal. U.S. production growth has also been modest in 2021, reducing a supply glut that restrained prices in prior years. The near-month settlement price of gas on the New York Mercantile Exchange (NYMEX), upon which Pennsylvania's impact fee schedule is based, is \$3.62 for July. This is the highest monthly price since January 2019, and it brings the 2021 average price to \$2.88, an increase of 37.8% over the same period in 2020. In June, the IFO [projected](#) that if the 2021 NYMEX price averages over \$3.00 for the full year, then impact fees remitted in 2022 would increase by \$74.3 million (50.8%) from 2021. Price projections for the second half of the year suggest that the NYMEX average will exceed \$3.00 for the full year. Pennsylvania regional prices are also at the highest level in several years. The average spot price at major Pennsylvania hubs was \$2.27 through June, an increase of 56.8% over the same period in 2020.

IRS Migration Data Continue to Show Net Outflow from PA

The IRS recently released [migration data](#) by state in 2019 compared to 2018. The tax data show that Pennsylvania had a net outflow of 13,126 residents to other states (excludes international migration). The states with the largest net outflow of residents from Pennsylvania were Florida (-11,074), North Carolina (-3,808) and South Carolina (-3,532). The states with the largest net inflow of residents into Pennsylvania were all border states: New York (+12,021), New Jersey (+4,738) and Maryland (+2,594). The data are also broken out by age groups based on the age of the primary taxpayer, which shows net outflows across all age groups. The net outflow was concentrated for filers age 55 or older (roughly two-thirds of the net total). When using IRS migration data, three caveats should be noted. First, the data only reflect residents who must file a tax return or those who are a dependent of a filer. Second, many low-income seniors do not need to file a tax return if they fall below income thresholds. Hence, it is possible that the data miss migration patterns of low-income seniors. Third, the data include tabulations by income group and total income of migrants. However, if the migrant was a wage earner, it is likely that the job (and associated income) remained in the state and did not migrate with the taxpayer. Therefore, the data should not be used to infer that income migrated in or out of the state.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>
Unemployment Rate ¹	7.4%	7.3%	7.1%	6.9%	n.a.
Net Job Gains (000s) ²	-438.1	-376.8	702.8	529.2	n.a.
Avg. Gasoline Price ³	\$2.63	\$2.87	\$2.86	\$3.01	\$3.08
CPI-U All Items ⁴	1.0%	2.2%	3.5%	4.2%	4.9%
Natural Gas Price ⁵	\$3.29	\$2.03	\$1.95	\$2.03	\$2.06
Number of Home Sales ⁶	-11.5%	-1.3%	-3.9%	-1.4%	n.a.
PA Turnpike Traffic (cars) ⁷	-35.1%	23.5%	165.9%	81.1%	40.0%
PA Turnpike Traffic (commercial) ⁷	-4.9%	18.5%	41.6%	20.3%	11.6%
<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>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>
Unemployment Rate ¹	6.2%	6.0%	6.1%	5.8%	5.9%
Number of Home Sales ⁶	-6.3%	-3.7%	-2.7%	-0.9%	n.a.
S&P 500 ¹²	29.0%	53.7%	43.6%	38.1%	38.6%
10-Year Note ¹³	1.46	1.75	1.63	1.58	1.44
<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	-5.0%	-31.4%	33.4%	4.3%	6.4%
Personal Income ⁹	3.2%	10.7%	6.8%	4.7%	16.6%
Wages and Salaries ¹⁰	3.2%	-3.9%	0.3%	3.0%	4.0%
Corporate Profits ¹⁴	-8.0%	-17.9%	9.2%	3.6%	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.