

# Monthly Economic Update

July 2022



## Pennsylvania Employment Gains and Labor Demand Remain Strong

Since the release of June CPI-U data last week, many analysts now believe there is a one-third to two-thirds chance of at least a mild recession during the upcoming year. For the next several months, this economic update will use state labor market data to assess whether the Pennsylvania economy is heading towards 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 specific data that will be tracked and recent trends are as follows:

- **Change in Payroll Jobs.** The change from month-to-month in total payroll employment (excludes self-employed). Prior to COVID, the state economy averaged a net gain of roughly 5,000 payroll jobs per month. That monthly average was easily surpassed in recent months.
- **Job Openings.** A measure of the unmet demand for labor. The pre-COVID average was 281,000 job openings in a typical month. As with payroll jobs, that average was easily surpassed for recent months and suggest that labor demand has not abated. These data lag other labor market data by one month.
- **Initial Unemployment Insurance (UI) Claims.** Average of new weekly claims for unemployment compensation during the month. New claims remain below the pre-COVID level, but part of that outcome is impacted by the next labor market indicator. (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 current LFPR remains far below pre-pandemic averages, but has increased notably since January. Higher LFPRs are a positive economic outcome but can also result in higher claims for unemployment compensation if employment is not available.

Overall, these data do not suggest a pullback in the labor market as the latest data for actual and desired hiring remain strong. If net hiring (i.e., change in payroll jobs) continues, even at a modest pace, then that would be a solid indicator that the state economy has likely not entered into recession. 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. Currently, 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.” It is no longer defined as two consecutive quarters of real GDP contraction.

### Pennsylvania Labor Market Indicators

	Pre-COVID	Calendar Year 2022					
		Jan	Feb	Mar	Apr	May	Jun
Change Payroll Jobs (000s)	5	19	30	20	12	11	21
Job Openings (000s)	281	506	426	514	448	475	--
New UI Claims (000s)	14.5	15.3	9.2	7.9	9.1	7.9	9.3
Labor Force Participation Rate	62.8%	61.1%	61.0%	61.2%	61.4%	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. May Job Openings and June 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>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>
Unemployment Rate <sup>1</sup>	5.1%	4.9%	4.8%	4.6%	4.5%
Net Job Gains (000s) <sup>2</sup>	219.8	200.0	211.1	205.8	211.3
Avg. Gasoline Price <sup>3</sup>	\$3.63	\$4.26	\$4.11	\$4.59	\$4.92
CPI-U All Items <sup>4</sup>	7.3%	7.9%	8.4%	8.6%	8.8%
Natural Gas Price <sup>5</sup>	\$4.26	\$4.22	\$5.95	\$7.20	\$6.81
Number of Home Sales <sup>6</sup>	-11.5%	-4.3%	1.5%	1.5%	n.a.
PA Turnpike Traffic (cars) <sup>7</sup>	5.8%	29.1%	9.4%	8.3%	-1.0%
PA Turnpike Traffic (commercial) <sup>7</sup>	12.7%	3.1%	-0.4%	4.2%	3.4%
<u>Quarterly Data</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>
Gross Domestic Product <sup>8</sup>	2.7%	4.7%	2.4%	6.4%	-2.0%
Personal Income <sup>9</sup>	15.6%	-1.1%	2.3%	6.0%	-3.6%
Wages and Salaries <sup>10</sup>	1.0%	12.6%	9.5%	9.1%	11.9%
FHFA House Price Index <sup>11</sup>	12.3%	16.4%	14.8%	13.3%	14.5%

## United States Economic Indicators

<u>Monthly Data</u>	<u>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>
Unemployment Rate <sup>1</sup>	3.8%	3.6%	3.6%	3.6%	3.6%
Number of Home Sales <sup>6</sup>	-8.6%	-3.0%	-2.6%	-3.4%	n.a.
S&P 500 <sup>12</sup>	14.8%	14.0%	-1.2%	-1.7%	-11.9%
10-Year Note <sup>13</sup>	1.84	2.33	2.89	2.84	2.97
<u>Quarterly Data</u>	<u>2021.1</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>
Gross Domestic Product <sup>8</sup>	6.3%	6.7%	2.3%	6.9%	-1.6%
Personal Income <sup>9</sup>	16.1%	1.6%	5.3%	7.5%	-2.8%
Wages and Salaries <sup>10</sup>	2.9%	13.4%	11.4%	10.7%	12.2%
Corporate Profits <sup>14</sup>	23.3%	53.8%	21.4%	23.5%	12.8%

### 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.