

Monthly Economic Update

May 2021



Philadelphia CPI-U Increases 3.5%, Core CPI-U up 5.0%

On May 12, the U.S. Bureau of Labor Statistics released inflation [data](#) for metro regions. For April, the All Items CPI-U for the Philadelphia metro region increased by 3.5% from the prior year, the highest rate since June 2008. The rate was also much higher than February (1.0%), and the acceleration was due to strong gains related to energy, medical care and prices for other goods and services. The All Items Less Energy index increased by 2.7%. However, the All Items Less Shelter index was up 5.0%. Many analysts have [noted](#) a disconnect between the Shelter (i.e., housing) index used in the CPI-U computation (most is imputed rent to current homeowners) and actual conditions in the housing market. For example, the latest data from the Federal Housing Finance Agency show that the home price index increased by 12.5% in 2021 Q1 for the Mid-Atlantic region, compared to 1.1% for the Shelter portion of the Philadelphia CPI-U. Therefore, the All Items Less Shelter index may provide the best measure of inflation for goods and services that consumers actually purchase.

PA Total Wage Growth Accelerates

Based on the latest four months of data, growth of wages paid to Pennsylvania workers appears to be accelerating as the state economy received a significant boost from the latest round of federal stimulus. The [U.S. Bureau of Economic Analysis](#) (BEA) has not released state-level data on personal income, but adjusted withholding trends can be used to provide a relatively accurate picture of wage growth. Compared to calendar year (CY) 2020, adjusted withholding data suggest annual wage growth of 9.0% for the four months of February to May 2021. However, due to the impact of COVID-19, a better comparison is to CY 2019, with total wage growth of 7.1%, despite 397,000 (-6.6%) fewer payroll jobs in 2021 Q1 than 2019 Q1. Data are not yet available to determine the workers who benefited from the strong wage growth. Employee compensation comprises 55% of total state gross domestic product (GDP, the value of what is produced) and most compensation is wage expenses. Data from the BEA show that wages comprise a much larger share of GDP for service sectors of the state economy (e.g., healthcare-social assistance at 84%) than production sectors (e.g., manufacturing at 51%). Because it is such a large portion of GDP, wage growth often translates into higher prices and consumer inflation, albeit with a delay. Additional data will be needed to assess whether these early trends are transitory or suggest higher inflation for a sustained period of time.

March Increase in Northeast Job Openings Rate Largest on Record

On May 11, the U.S. Bureau of Labor Statistics (BLS) released data from the monthly job openings and labor turnover survey (JOLTS). The job openings rate (number of job openings / (total employment + job openings)) measures the availability of employment and the share of those openings that are filled. For the Northeast region, the job openings rate climbed to 5.4% in March from 4.7% in February 2021 according to BLS [data](#). This is the largest single month increase in the series' 21-year history. The higher job openings rate is a sign that economic activity is accelerating and generating increased demand for labor. At the U.S. level, the total job openings rate was 5.3% in March, but was higher in specific industries including arts, entertainment and recreation (10.7%), accommodation and food services (7.7%) and nondurable goods manufacturing (6.8%). It is unclear if unemployed individuals will fill job openings to meet the increased demand as (1) many individuals continue to receive enhanced unemployment benefits, which may exceed wages that could be earned through employment and/or (2) children may be at home and require supervision. Currently, Pennsylvania does not require individuals who receive benefits to demonstrate an active job search.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Dec-20</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>
Unemployment Rate ¹	7.1%	7.3%	7.4%	7.3%	n.a.
Net Job Gains (000s) ²	-480.5	-453.0	-438.1	-369.2	n.a.
Avg. Gasoline Price ³	\$2.34	\$2.47	\$2.63	\$2.87	\$2.86
CPI-U All Items ⁴	1.1%	1.0%	1.0%	2.2%	3.5%
Natural Gas Price ⁵	\$2.01	\$2.27	\$3.29	\$2.03	\$1.87
Number of Home Sales ⁶	3.5%	-2.2%	-11.5%	-1.3%	n.a.
PA Turnpike Traffic (cars) ⁷	-32.9%	-27.6%	-35.1%	23.5%	165.9%
PA Turnpike Traffic (commercial) ⁷	5.1%	-1.6%	-4.9%	18.5%	41.6%
<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%	n.a.
Personal Income ⁹	2.5%	13.1%	9.0%	3.5%	n.a.
Wages and Salaries ¹⁰	2.2%	-6.2%	-1.0%	-0.3%	n.a.
FHFA House Price Index ¹¹	5.2%	4.8%	8.3%	10.9%	n.a.

United States Economic Indicators

<u>Monthly Data</u>	<u>Dec-20</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>
Unemployment Rate ¹	6.7%	6.3%	6.2%	6.0%	6.1%
Number of Home Sales ⁶	0.9%	0.2%	-6.3%	-3.7%	n.a.
S&P 500 ¹²	16.3%	15.2%	29.0%	53.7%	42.8%
10-Year Note ¹³	0.92	1.09	1.46	1.75	1.57
<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%	4.0%	15.6%
Wages and Salaries ¹⁰	3.2%	-3.9%	0.3%	1.3%	1.8%
Corporate Profits ¹⁴	-8.0%	-17.9%	9.2%	3.6%	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.