

Monthly Economic Update

November 2021



Producer and Consumer Inflation Accelerate in October

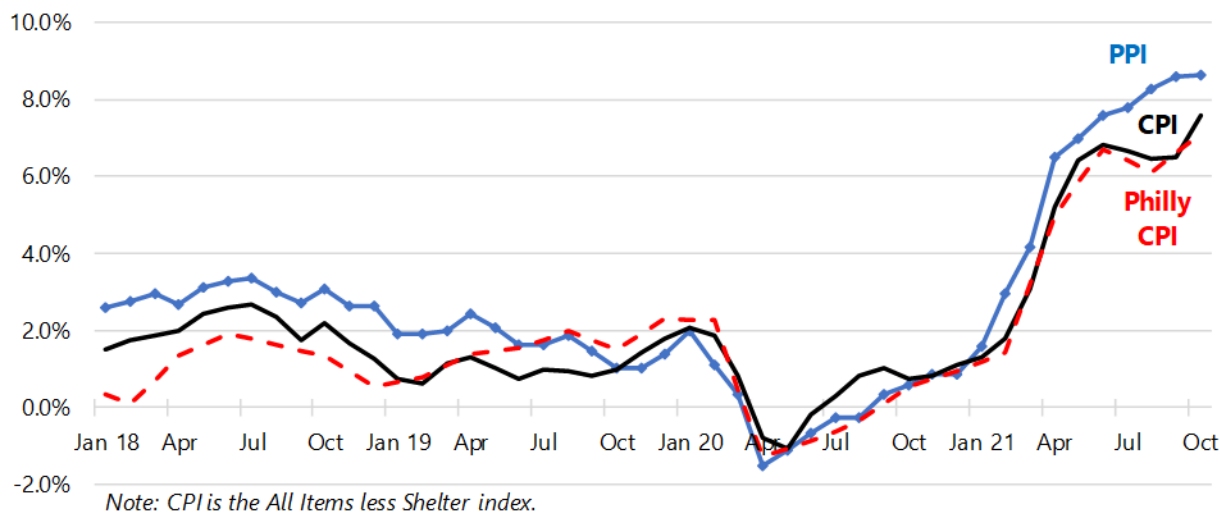
This week, the U.S. Bureau of Labor Statistics (BLS) released October data for the Producer Price Index (PPI, final demand) and Consumer Price Index (CPI). Based on the BLS description, the PPI is an index that measures the change in selling prices received by domestic producers of goods and services. It is similar to the CPI, but while the PPI shows inflation from the perspective of sellers, the CPI shows inflation from the perspective of purchasers or consumers. Unlike the CPI, the PPI includes sales to governments, other businesses and exports, but excludes imports.

The graph below shows year-over-year (YOY) growth rates for the PPI (national), U.S. CPI and Philadelphia metro region CPI since 2018. For the PPI, the latest data show YOY growth of 8.6%, which is the strongest rate since the current series was published in 2010. In addition to higher prices for labor, energy and raw materials, analysts point to transportation bottlenecks, labor shortages and shortages of critical inputs as key factors that drive inflationary pressures.

The CPI measures displayed in the graph use the All Items less Shelter index. That series excludes the Shelter component of the CPI because most of that component is rent imputed to homeowners, and does not reflect actual consumer purchases. Hence, the All Items less Shelter CPI is more highly correlated with the PPI, which reflects inflation that may be “in the pipeline” and passed onto consumers, unless firms absorb it through lower profits or cost cutting measures. As shown, the U.S. CPI generally trends with PPI, although a disconnect occurred after June 2021 as the PPI continued to accelerate while the CPI series did not. Data for October show that the two series are now converging, as the U.S. CPI grew by 7.6% from the prior year.

The red line in the graph is the CPI less Shelter series for the Philadelphia metro region. Like the U.S. CPI, the regional CPI co-trended with the PPI through June and then diverged. The latest reading for October shows a YOY gain of 7.1%. (The All Items CPI for the metro region for October was 5.6%.) The Philadelphia CPI less Shelter growth rate is the highest rate for that series since 1980.

YOY Growth in Producer Price Index and Consumer Price Index



Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sept-21</u>	<u>Oct-21</u>
Unemployment Rate ¹	6.9%	6.5%	6.4%	6.2%	n.a.
Net Job Gains (000s) ²	331.5	228.3	189.7	131.0	n.a.
Avg. Gasoline Price ³	\$3.08	\$3.15	\$3.18	\$3.23	\$3.36
CPI-U All Items ⁴	4.9%	4.7%	4.6%	5.1%	5.6%
Natural Gas Price ⁵	\$2.23	\$2.87	\$3.57	\$4.17	\$4.37
Number of Home Sales ⁶	2.8%	0.0%	-1.4%	5.5%	n.a.
PA Turnpike Traffic (cars) ⁷	40.0%	26.6%	n.a.	n.a.	n.a.
PA Turnpike Traffic (commercial) ⁷	11.6%	6.0%	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 ⁸	34.8%	5.2%	3.0%	5.9%	n.a.
Personal Income ⁹	8.8%	4.5%	16.4%	-2.8%	n.a.
Wages and Salaries ¹⁰	-0.7%	1.8%	2.2%	10.9%	n.a.
FHFA House Price Index ¹¹	8.3%	11.1%	12.2%	16.4%	n.a.

United States Economic Indicators

<u>Monthly Data</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sept-21</u>	<u>Oct-21</u>
Unemployment Rate ¹	5.9%	5.4%	5.2%	4.8%	4.6%
Number of Home Sales ⁶	1.6%	2.2%	-2.0%	7.0%	n.a.
S&P 500 ¹²	38.6%	34.4%	29.2%	28.1%	40.8%
10-Year Note ¹³	1.44	1.24	1.30	1.53	1.56
<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 ⁸	33.8%	4.5%	6.3%	6.7%	2.0%
Personal Income ⁹	7.1%	4.8%	16.1%	1.1%	4.3%
Wages and Salaries ¹⁰	0.9%	3.4%	2.9%	12.3%	9.7%
Corporate Profits ¹⁴	6.5%	2.6%	23.3%	53.8%	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.