

Monthly Economic Update

October 2023



US Home Sales on Pace to Fall to Lowest Level Since 2008

A recent [article](#) by the Wall Street Journal forecasts that 2023 U.S. home sales will be the weakest since 2008. A monthly [report](#) by the National Association of Realtors (NAR) shows that the inventory of U.S. homes for sale was at the lowest level ever recorded for the month of September. Limited inventory, rising prices and high mortgage rates are the main factors that drive a historic contraction in home sales. Pennsylvania housing data show similar trends, as September existing home sales declined 19.1% compared to the prior year. (See table.) Historical data from S&P Global show that 2023 Pennsylvania home sales could reach its lowest level since 1990, the earliest year the forecasting firm publishes state-level data.

The home sales contraction directly impacts the state General Fund through the Realty Transfer Tax (RTT); a 1% tax on the sales price of an existing home or business (local units also levy a 1% tax). Through September, calendar year-to-date RTT collections declined 31.6% compared to the prior year. The home sales contraction will also reverberate through the state economy in less obvious ways, and generally reduce longer-term growth:

- Less labor mobility. Workers may defer relocation and better pay to retain a low-rate mortgage.
- First-time home buyers priced out of the market. The NAR home affordability index is at its lowest level since 1985. The index includes the impact of current home prices and mortgage rates.
- Delayed household formation and expansion. The inability to purchase a first home or upgrade from a starter home to a larger home could impact decisions to expand family size, or delay such decisions.
- Fewer purchases of home amenities. New homeowners and current owners who relocate typically purchase goods such as appliances and furniture, or make specific upgrades (e.g., kitchens and bathrooms).

Pennsylvania Housing Market Indicators

	Homes Listed	Homes Sold	Sales Price	U.S. Avg. 30-Yr Rate	Realty Transfer Tax
<u>2022</u>					
Q1	96,757	30,958	\$248,067	3.82%	\$263.3
Q2	121,680	40,837	\$278,767	5.27%	\$261.7
Q3	130,993	40,434	\$276,933	5.62%	\$267.4
September	42,503	12,926	\$265,700	6.11%	\$77.7
<u>2023</u>					
Q1	95,765	24,734	\$250,100	6.37%	\$160.4
Q2	108,107	33,666	\$280,833	6.51%	\$181.5
Q3	109,828	33,341	\$287,267	7.04%	\$200.1
September	36,250	10,461	\$275,800	7.20%	\$56.6
<u>YOY Growth/Change</u>					
Q1	-1.0%	-20.1%	0.8%	+2.6 ppt	-39.1%
Q2	-11.2%	-17.6%	0.7%	+1.2 ppt	-30.6%
Q3	-16.2%	-17.5%	3.7%	+1.4 ppt	-25.1%
September	-14.7%	-19.1%	3.8%	+1.1 ppt	-27.2%

Note: Q3 2023 data are preliminary. Sales Price are medians. Data exclude sales by owners. Realty Transfer Tax amounts are shown in dollar millions and prior to transfers.

Source: Redfin, FreddieMac and the Independent Fiscal Office.

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Aug-23</u>	<u>Sep-23</u>
Unemployment Rate (U3) ¹	4.0%	3.8%	3.5%	3.5%	3.4%
Net Job Gains (000s) ²	153.6	157.3	142.8	152.6	148.7
Avg. Gasoline Price ³	\$3.57	\$3.57	\$3.63	\$3.84	\$3.80
CPI-U All Items ⁴	3.9%	3.1%	3.5%	3.9%	n.a.
Natural Gas Price ⁵	\$1.41	\$1.33	\$1.47	\$1.16	\$1.31
Number of Home Sales ⁶	-14.0%	-14.8%	-18.9%	-14.8%	-19.1%
SUT 3-Month Average ⁷	0.2%	1.5%	1.2%	1.5%	0.7%
PIT Withholding 3-Month Average ⁸	4.4%	4.6%	3.3%	4.6%	5.0%
<u>Quarterly Data</u>	<u>2022.2</u>	<u>2022.3</u>	<u>2022.4</u>	<u>2023.1</u>	<u>2023.2</u>
Gross Domestic Product ⁹	-0.9%	3.2%	3.2%	1.9%	n.a.
Personal Income ¹⁰	1.2%	2.8%	3.4%	6.1%	5.8%
Wages and Salaries ¹¹	8.4%	8.4%	4.9%	6.6%	6.2%
FHFA House Price Index ¹²	12.5%	9.5%	8.3%	5.3%	5.2%

United States Economic Indicators

<u>Monthly Data</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Aug-23</u>	<u>Sep-23</u>
Unemployment Rate (U3) ^{1,13}	3.7%	3.6%	3.5%	3.8%	3.8%
Unemployment Rate (U6) ^{1,13}	6.7%	6.9%	6.7%	7.1%	7.0%
Number of Home Sales ⁶	-19.5%	-17.6%	-13.7%	-13.7%	-12.9%
S&P 500 ¹⁴	1.2%	17.6%	11.1%	14.0%	19.6%
10-Year Note ¹⁵	3.64	3.82	3.96	4.09	4.57
Leading Economic Index (LEI) ¹⁶	106.7	106.1	105.8	105.4	104.6
<u>Quarterly Data</u>	<u>2022.2</u>	<u>2022.3</u>	<u>2022.4</u>	<u>2023.1</u>	<u>2023.2</u>
Gross Domestic Product ⁹	-0.6%	2.7%	2.6%	2.2%	2.1%
Personal Income ¹⁰	2.9%	4.2%	4.7%	5.8%	5.6%
Wages and Salaries ¹¹	8.1%	7.9%	5.2%	6.2%	6.9%
Corporate Profits ¹⁷	7.8%	10.5%	7.6%	2.6%	-4.4%

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 in the Central Atlantic region. 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: Natural Gas Intelligence.
6. U.S. is the seasonally adjusted rate. Source: Redfin.
7. Year-over-year growth rate of the 3-month average sales and use tax (SUT) collections. Source: PA Department of Revenue.
8. Year-over-year growth rate of the 3-month average personal income tax (PIT) withholding collections. Adjusts for transfers and payment date shifts. Source: PA Department of Revenue.
9. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
11. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
12. Source: Federal Housing Finance Agency.
13. The U3 (official) unemployment rate is total unemployed as a percent of the civilian labor force. The U6 rate includes the U3 unemployed plus those marginally attached to the labor force, discouraged workers and those working part-time for economic reasons.
14. Year-over-year growth rate of S&P 500 closing price for last trading day of the month. Source: Yahoo! Finance.
15. Source: Yahoo! Finance.
16. The LEI base year is 2016 (100) and lower values suggest a higher likelihood of slower economic growth. Source: The Conference Board.
17. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.