

# Monthly Economic Update

October 2022



## PA New UI Claims and Unemployment Rate at All-Time Record Lows

The latest poll of economic forecasters projects a 60% probability for a US economic recession within the next year, up 10 percentage points from the month prior. This economic update uses recent state labor market data to assess whether the Pennsylvania economy has slowed or entered into recession. Labor market data are informative because they are leading economic indicators published on a regular and timely basis, with short real-time lags. The four labor market metrics tracked for this update are as follows:

- **Change in Payroll Jobs.** The (seasonally adjusted) month-to-month change in total payroll employment (excludes self-employed). September payroll employment increased by 12,000 jobs over the prior month and continues to surpass the pre-COVID average monthly gain.
- **Job Openings.** A measure of the unmet demand for labor. The pre-COVID average was 281,000 job openings in a typical month. The number of job openings in August declined 4.4% compared to July but remains above pre-COVID average job openings. These data lag other labor market data by one month.
- **Initial Unemployment Insurance (UI) Claims.** Average new weekly claims for unemployment compensation during the month. The average number of new claims fell to 6,000 in September 2022, a state record low for as far back as data are available (1986) and below the pre-COVID average. (Note: these data are not seasonally adjusted and higher new claims occur in the winter when seasonal workers claim benefits.)
- **Labor Force Participation Rate (LFPR).** The share of state residents age 16 or older who work or actively seek employment. The LFPR remains stagnant at 61.7% for a fifth consecutive month and remains well below the pre-pandemic average (62.8%). Higher LFPRs are a positive economic outcome but can also result in higher claims for unemployment compensation if employment is not available.

The latest monthly data show gains in payroll employment and a modest decline in job openings. If monthly payroll job gains continue, then that would be a strong indicator that the 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. September is the first month after the end of the summer travel season, and provides a better picture of the labor market as demand for leisure and travel slows. The Pennsylvania labor market remains extraordinarily tight, as the unemployment rate fell to 3.4% (non-seasonally adjusted) and 4.1% (seasonally adjusted) in September, the lowest rates since state data have been published (1976). The very tight labor market, low labor force participation rate and contracting demographics will continue to apply upward pressure on wage growth and economy wide inflation.

### Pennsylvania Labor Market Indicators

	Pre-COVID	Calendar Year 2022						
		Mar	Apr	May	Jun	Jul	Aug	Sep
Change Payroll Jobs (000s)	5	20	12	11	19	29	9	12
Job Openings (000s)	281	514	448	482	437	388	371	--
New UI Claims (000s)	14.5	7.9	9.1	7.9	9.3	8.1	6.8	6.0
Labor Force Participation Rate	62.8%	61.2%	61.4%	61.7%	61.7%	61.7%	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. August Job Openings and September Payroll Jobs and Labor Force Participation Rate 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>May-22</u>	<u>Jun-22</u>	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>
Unemployment Rate <sup>1</sup>	4.6%	4.5%	4.3%	4.2%	4.1%
Net Job Gains (000s) <sup>2</sup>	205.8	208.9	202.0	203.5	219.8
Avg. Gasoline Price <sup>3</sup>	\$4.59	\$4.92	\$4.62	\$4.17	\$3.71
CPI-U All Items <sup>4</sup>	8.6%	8.8%	8.4%	8.1%	n.a.
Natural Gas Price <sup>5</sup>	\$7.20	\$6.81	\$6.29	\$7.86	\$7.30
Number of Home Sales <sup>6</sup>	0.0%	0.0%	-7.5%	0.0%	-1.6%
PA Turnpike Traffic (cars) <sup>7</sup>	2.5%	-1.0%	-4.2%	-0.9%	-0.4%
PA Turnpike Traffic (commercial) <sup>7</sup>	4.2%	3.4%	-2.2%	4.6%	-0.4%
<u>Quarterly Data</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>
Gross Domestic Product <sup>8</sup>	4.6%	1.3%	8.4%	-1.1%	-0.9%
Personal Income <sup>9</sup>	0.0%	2.1%	5.8%	-4.6%	1.9%
Wages and Salaries <sup>10</sup>	11.9%	8.5%	8.3%	10.1%	9.3%
FHFA House Price Index <sup>11</sup>	16.4%	14.8%	13.3%	14.5%	12.7%

## United States Economic Indicators

<u>Monthly Data</u>	<u>May-22</u>	<u>Jun-22</u>	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>
Unemployment Rate <sup>1</sup>	3.6%	3.6%	3.5%	3.7%	3.5%
Number of Home Sales <sup>6</sup>	-3.4%	-5.5%	-5.7%	-0.8%	-1.5%
S&P 500 <sup>12</sup>	-1.7%	-11.9%	-6.0%	-12.6%	-16.8%
10-Year Note <sup>13</sup>	2.84	2.97	2.64	3.13	3.80
<u>Quarterly Data</u>	<u>2021.2</u>	<u>2021.3</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>
Gross Domestic Product <sup>8</sup>	7.0%	2.7%	7.0%	-1.6%	-0.6%
Personal Income <sup>9</sup>	2.1%	4.9%	6.9%	-3.5%	3.4%
Wages and Salaries <sup>10</sup>	12.7%	10.6%	9.9%	10.9%	9.6%
Corporate Profits <sup>14</sup>	50.7%	19.1%	25.5%	13.0%	5.5%

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.