

Monthly Economic Update

September 2020



Applications for New Business in Pennsylvania Grow 15% Over 2019

The U.S. Census Bureau released Pennsylvania [weekly business application data](#) for the week ending September 12, 2020. The data reveal that after slowing in March through June, business applications are now outpacing the number of applications to date in 2019. Cumulative business applications are 15.4% higher than the same week in 2019. Cumulative high-propensity business applications, or applications with a greater likelihood of becoming a business with payroll employees, are 8.3% higher than the same week in 2019. A WSJ analysis suggests that this could signal optimism about future business conditions, or could be a result of people entering the gig economy to diversify income sources after payroll job losses due to the COVID-19 pandemic. The growth in Pennsylvania business applications lags national trends. U.S. cumulative business applications are 19.3% higher than the same week in 2019 and high-propensity business applications are 11.6% higher than 2019.

New IRS Data Reveal Impact of TCJA on PA Taxpayers

The IRS released [state-level data](#) for tax year 2018 that reveal the significant impact of the federal Tax Cuts and Jobs Act (TCJA) of 2017 on Pennsylvania residents that filed a federal income tax return. Major provisions of the act include: lower tax rates, a \$10,000 cap on the state and local tax (SALT) deduction, a near doubling of the standard deduction, elimination of personal exemptions and an expansion of the child tax credit. The federal data show that the dollar amount of SALT deductions claimed fell by 80% from the prior year, while charitable contribution deductions declined by one-third. Child tax credits (refundable and non-refundable) increased by \$2.5 billion. Combined with lower rates and other changes, the TCJA reduced total federal income tax liability (excludes miscellaneous taxes such as SECA) for Pennsylvania residents from \$59.5 billion (2017) to \$56.0 billion (2018).

U.S. Personal Income Expands in 2020 Q2

On August 28, 2020 the U.S. Bureau of Economic Analysis released [personal income data](#) for 2020 Q2. Compared to the prior year, data show that U.S. personal income grew by 10.4% in the second quarter. Wages and salaries declined by 4.6% but was more than offset by an increase in transfer payments (83.6%). The large increase was driven by the distribution of federal economic impact payments and growth in [unemployment insurance](#) which includes Pandemic Unemployment Compensation Payments, Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation. Personal consumption fell 10.0% from the same period in the prior year as the nation responded to the COVID-19 pandemic and mitigation efforts.

Used Car Prices See Strong Gains in August

The U.S. Bureau of Labor Statistics released national [consumer price index \(CPI-U\) data](#) for August 2020. For all items less energy, the CPI-U increased 1.7% since the prior August. In particular, used cars have seen strong year-over-year price growth (4.0%) as well as a recent spike in prices from July to August (5.8%). The spike in used car prices is also visible in the Philadelphia-area CPI-U. During the past two months, used car prices increased at an average rate of 4.6% per month. According to [an article by Edmunds](#), consumers are turning to used cars due to increased consumer fiscal responsibility, favorable interest rates, incentives on certified pre-owned cars and low inventory of new cars. Partly due to increased demand for used cars, growth in U.S. new car prices has been modest (0.7%, year-over-year).

Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>
Unemployment Rate ¹	13.4%	13.2%	12.5%	10.3%	n.a.
Net Job Gains (000s) ²	-853.7	-625.3	-549.4	-499.6	n.a.
Avg. Gasoline Price ³	\$2.03	\$2.16	\$2.25	\$2.25	\$2.29
CPI-U All Items ⁴	0.0%	0.1%	0.3%	0.4%	n.a.
Natural Gas Price ⁵	\$1.31	\$1.34	\$1.31	\$1.25	\$1.07
Home Sales ⁶	-13.0%	4.3%	32.7%	13.8%	n.a.
<u>Quarterly Data</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>
Gross Domestic Product ⁷	1.7%	2.1%	2.1%	-5.6%	n.a.
Personal Income ⁸	5.1%	4.0%	4.0%	2.9%	n.a.
Wages and Salaries ⁹	4.6%	3.4%	4.6%	1.8%	n.a.
FHFA House Price Index ¹⁰	5.0%	5.1%	5.0%	5.1%	4.3%

United States Economic Indicators

<u>Monthly Data</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>
Unemployment Rate ¹	13.3%	11.1%	10.2%	8.4%	n.a.
Home Sales ⁶	-9.7%	20.7%	24.2%	2.4%	n.a.
S&P 500 ¹¹	10.6%	5.4%	9.8%	19.6%	11.5%
10-Year Note ¹²	0.65	0.65	0.54	0.69	0.69
<u>Quarterly Data</u>	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>2020.2</u>
Gross Domestic Product ⁷	1.5%	2.6%	2.4%	-5.0%	-31.7%
Personal Income ⁸	4.1%	3.5%	3.5%	3.2%	10.4%
Wages and Salaries ⁹	5.0%	3.9%	4.5%	3.2%	-4.6%
Corporate Profits ¹³	2.6%	-1.9%	1.2%	-8.0%	-18.5%

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. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.
11. Year-over-year growth rate of S&P 500 closing price. Data as of the first of the month. Source: Yahoo! Finance.
12. Source: Yahoo! Finance.
13. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.