

Monthly Economic Update

September 2022



PA Payroll Employment Gains Moderate; New UI Claims Remain Low

The latest poll of economic forecasters shows that one-half project the US economy will enter into a recession during the next year. 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 useful because they are leading economic indicators published on a regular and timely basis, with short real-time lags. The four labor market metrics that are 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). Payroll employment increased by 7,000 jobs in August from the prior month and is now similar to 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 July declined 19.0% compared to June 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 6,800 in August 2022, and the number of UI claims remains below the pre-COVID average. (Note: these data are not seasonally adjusted and higher new claims are expected in the winter when seasonal workers tend to claim benefits.)
- **Labor Force Participation Rate (LFPR).** The share of state residents age 16 or older who work or actively seek employment. The LFPR steadily increased since February, but has been stagnant at 61.7% since May 2022 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 slower gains in payroll employment and fewer job openings. If monthly payroll job gains turn negative for consecutive months, then that would be a strong indicator that the state economy has likely entered into recession. (The NBER Business Cycle Dating Committee defines a recession as “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.”) Continued significant declines in job openings would reinforce that assessment. Labor market metrics will be more informative in the coming months since the summer travel season ended and the school year started. Most data included in the table below are based on surveys that occurred prior to the start of the school year and could be impacted by unusual seasonal adjustment factors. For example, non-seasonally adjusted payroll jobs for August contracted from the prior month, unlike the expansion using seasonally adjusted data.

Pennsylvania Labor Market Indicators

	Pre-COVID	Calendar Year 2022						
		Feb	Mar	Apr	May	Jun	Jul	Aug
Change Payroll Jobs (000s)	5	30	20	12	11	19	29	7
Job Openings (000s)	281	426	514	448	482	437	354	--
New UI Claims (000s)	14.5	9.2	7.9	9.1	7.9	9.3	8.1	6.8
Labor Force Participation Rate	62.8%	61.0%	61.2%	61.4%	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. July Job Openings and August Payroll Jobs 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>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>	<u>Jul-22</u>	<u>Aug-22</u>
Unemployment Rate ¹	4.8%	4.6%	4.5%	4.3%	4.2%
Net Job Gains (000s) ²	211.1	205.8	208.9	202.0	201.6
Avg. Gasoline Price ³	\$4.11	\$4.59	\$4.92	\$4.62	\$4.17
CPI-U All Items ⁴	8.4%	8.6%	8.8%	8.4%	8.1%
Natural Gas Price ⁵	\$5.95	\$7.20	\$6.81	\$6.29	\$7.61
Number of Home Sales ⁶	1.5%	0.0%	0.0%	-7.5%	n.a.
PA Turnpike Traffic (cars) ⁷	9.4%	8.3%	-1.0%	-4.2%	n.a.
PA Turnpike Traffic (commercial) ⁷	-0.4%	4.2%	3.4%	-2.2%	n.a.
<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 ⁸	4.7%	2.4%	6.4%	-2.0%	n.a.
Personal Income ⁹	-1.1%	2.3%	6.0%	-3.6%	n.a.
Wages and Salaries ¹⁰	12.6%	9.5%	9.1%	11.9%	n.a.
FHFA House Price Index ¹¹	16.4%	14.8%	13.3%	14.5%	12.7%

United States Economic Indicators

<u>Monthly Data</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>	<u>Jul-22</u>	<u>Aug-22</u>
Unemployment Rate ¹	3.6%	3.6%	3.6%	3.5%	3.7%
Number of Home Sales ⁶	-2.6%	-3.4%	-5.4%	-5.9%	n.a.
S&P 500 ¹²	-1.2%	-1.7%	-11.9%	-3.7%	-14.8%
10-Year Note ¹³	2.89	2.84	2.97	2.97	3.45
<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 ⁸	6.7%	2.3%	6.9%	-1.6%	-0.6%
Personal Income ⁹	1.6%	5.3%	7.5%	-2.8%	4.5%
Wages and Salaries ¹⁰	13.4%	11.4%	10.7%	12.2%	11.0%
Corporate Profits ¹⁴	53.8%	21.4%	23.5%	12.8%	6.1%

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 w eighted 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 grow th rate of monthly traffic counts based on entry data. Source: Pennsylvania Turnpike.
8. The quarterly, annualized real grow th rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year grow th rate of personal income. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year grow th 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 grow th 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 grow th rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.