The Regional Economy in Perspective: Is There an Age Problem?

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FEDERAL RESERVE BANK OF PHILADELPHIA

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Disclaimer: All remarks reflect my own views,
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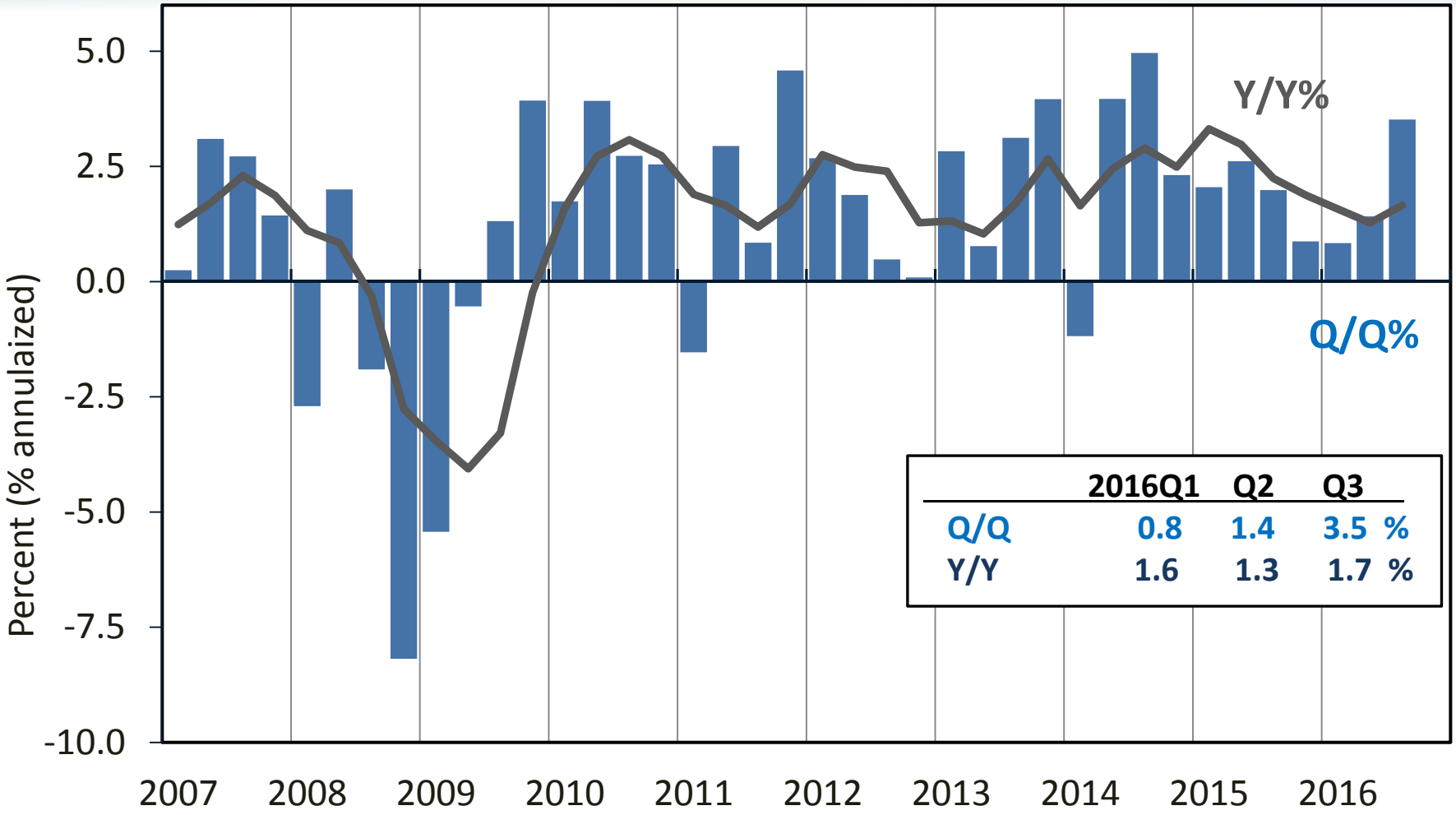
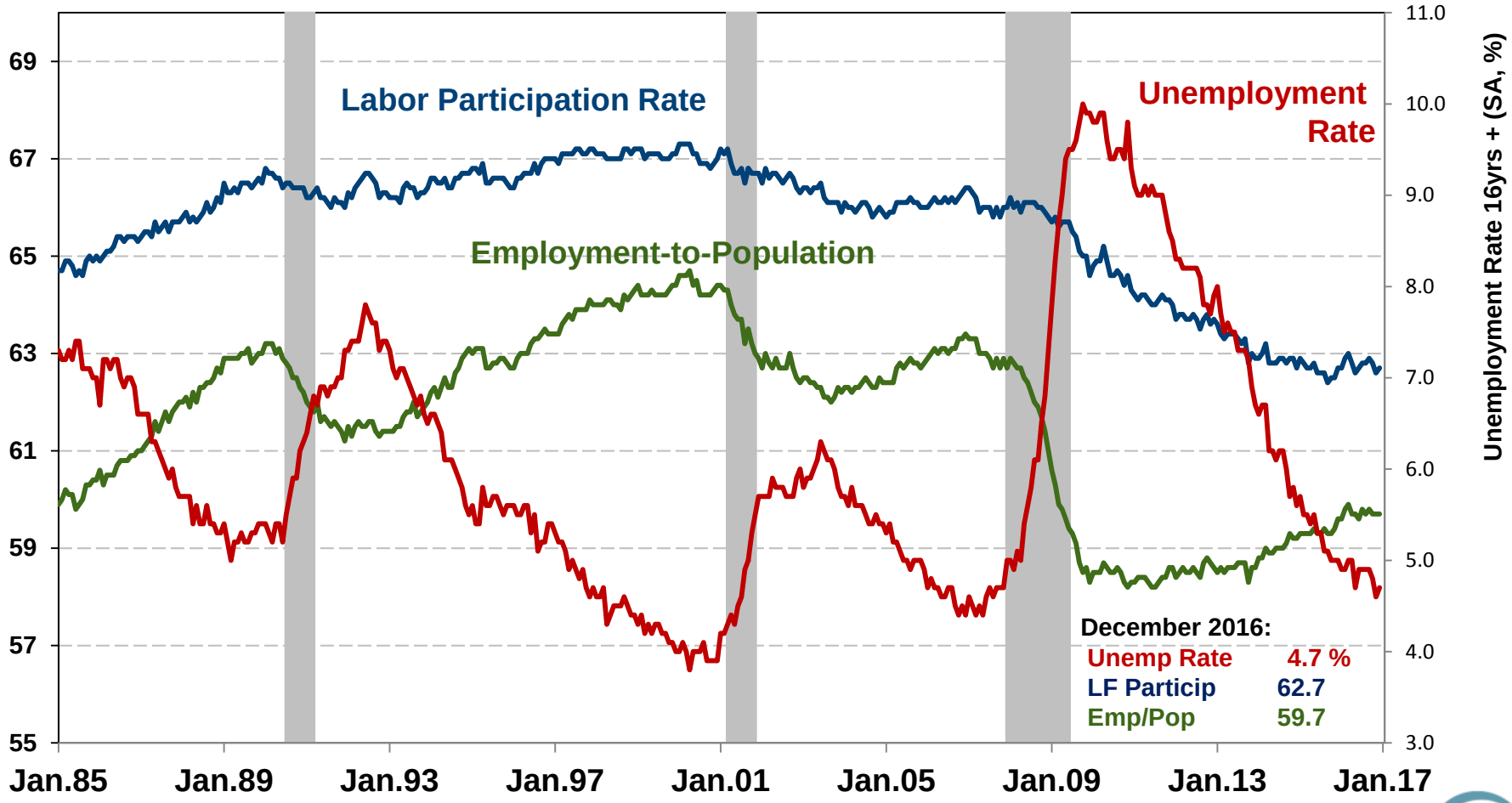
U.S. Real Gross Domestic Product



	2016Q1	Q2	Q3
Q/Q	0.8	1.4	3.5 %
Y/Y	1.6	1.3	1.7 %

National EMPLOYMENT SITUATION Report

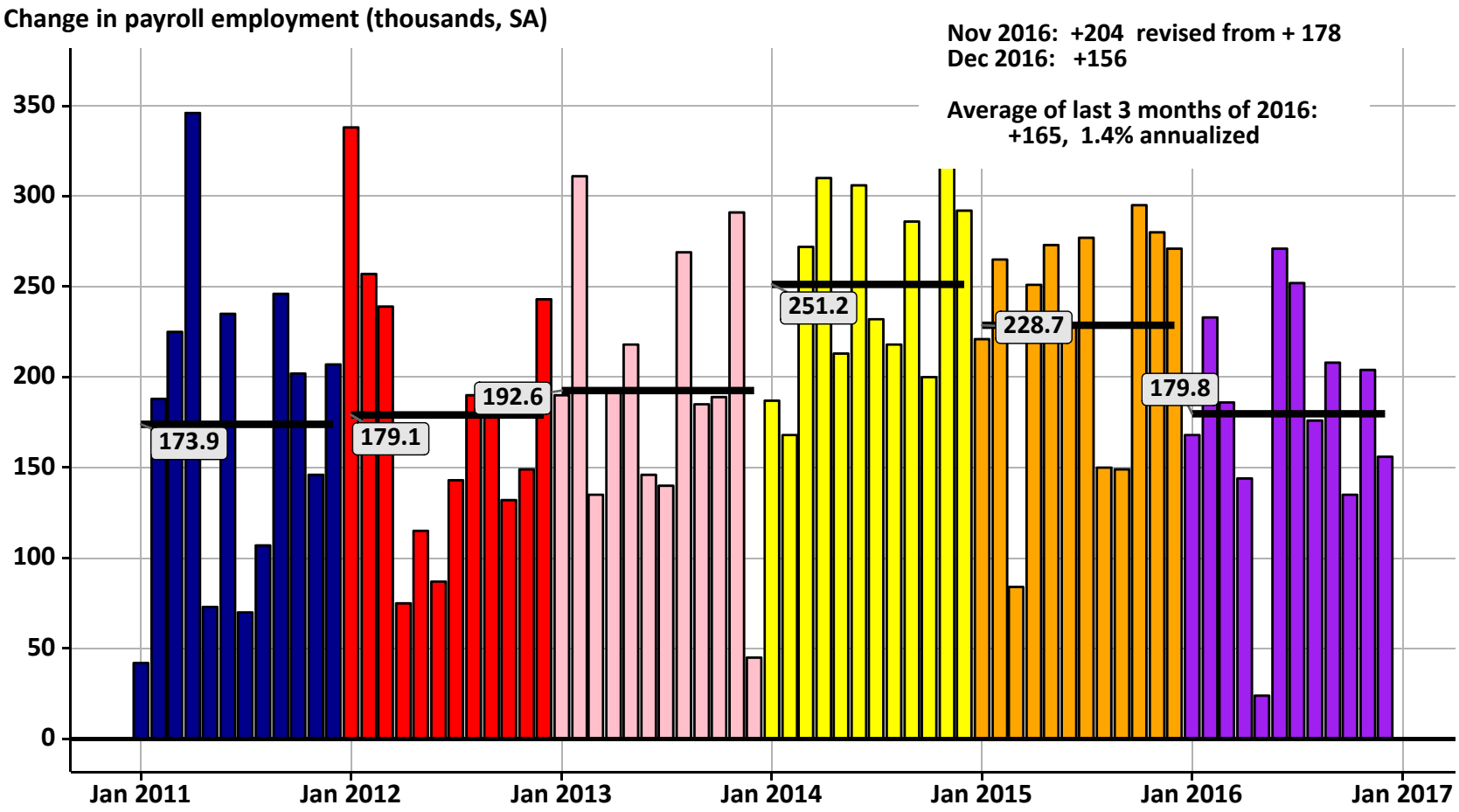
Employment and Unemployment based on "Household Survey"



Source: BLS/Haver

National EMPLOYMENT SITUATION Report

Payroll Employment based on the "Establishment Survey"



Source: BLS via Haver Analytics
Months plotted: Jan 2011 - Dec 2016
Black lines indicate annual averages.

Monthly Payroll Reports
NSA vs SA vs SWA

Seasonal and weather effects make employment data harder to interpret

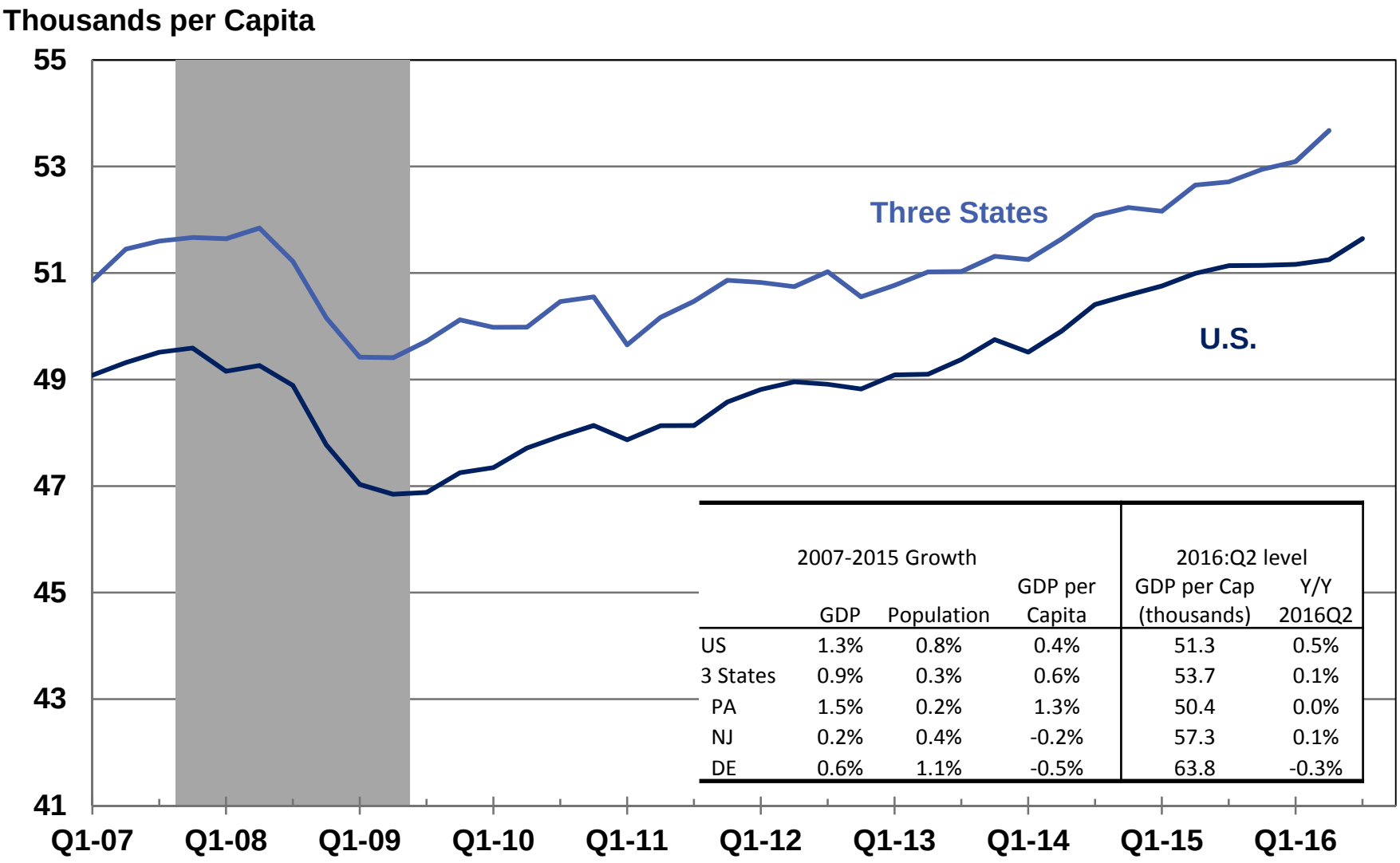
	Thousands of Jobs Added NSA	BLS SA Official	Boldin-Wright SWA	Weather Effect
Dec-2015	-6	271	225	46
Jan-2016	**-2966**	168	216	-48
Feb-2016	842	233	202	31
Mar-2016	903	186	175	11
Apr-2016	1039	144	207	-63
May-2016	621	24	22	2
Jun-2016	644	271	255	16
Jul-2016	**-1016**	252	246	6
Aug-2016	230	176	175	1
Sep-2016	639	208	212	-4
Oct-2016	842	135	142	-7
Nov-2016	524	204	**194**	10
Dec-2016	-270	156	**181**	-25
Average 2016	169	180	186	-6

Seasonal and Weather Adjustments (SWA) combine conventional X11 SA methods and abnormal weather effects. See Boldin, Michael, and Jonathan Wright, "Weather adjusting economic data", Brookings Papers on Economic Activity, Fall 2015.

The Region: PA, NJ, DE
Current Conditions / Recent Trends

- Most indicators are consistent with a modest upward trend in regional GDP, income and wages.
- Job growth remains below the nation.
- The unemployment rate in Pennsylvania has ticked up.
- Regional labor force participation is higher in the region than the US, but still below 'normal' levels.
- General optimism: the outlook (surveys, forecasts) for the region is positive.

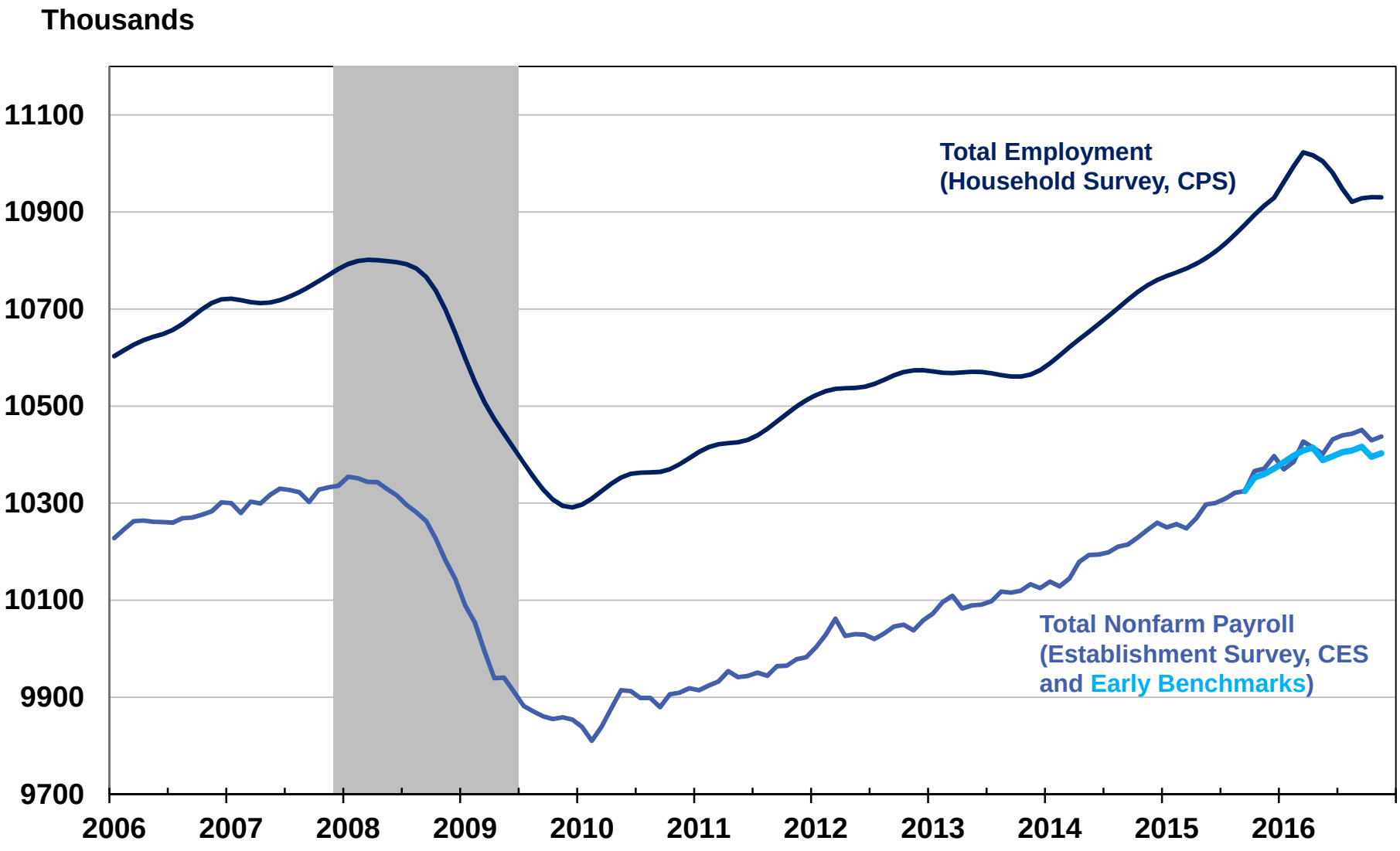
U.S. vs. Regional GDP



	2007-2015 Growth			2016:Q2 level	
	GDP	Population	GDP per Capita	GDP per Cap (thousands)	Y/Y 2016Q2
US	1.3%	0.8%	0.4%	51.3	0.5%
3 States	0.9%	0.3%	0.6%	53.7	0.1%
PA	1.5%	0.2%	1.3%	50.4	0.0%
NJ	0.2%	0.4%	-0.2%	57.3	0.1%
DE	0.6%	1.1%	-0.5%	63.8	-0.3%

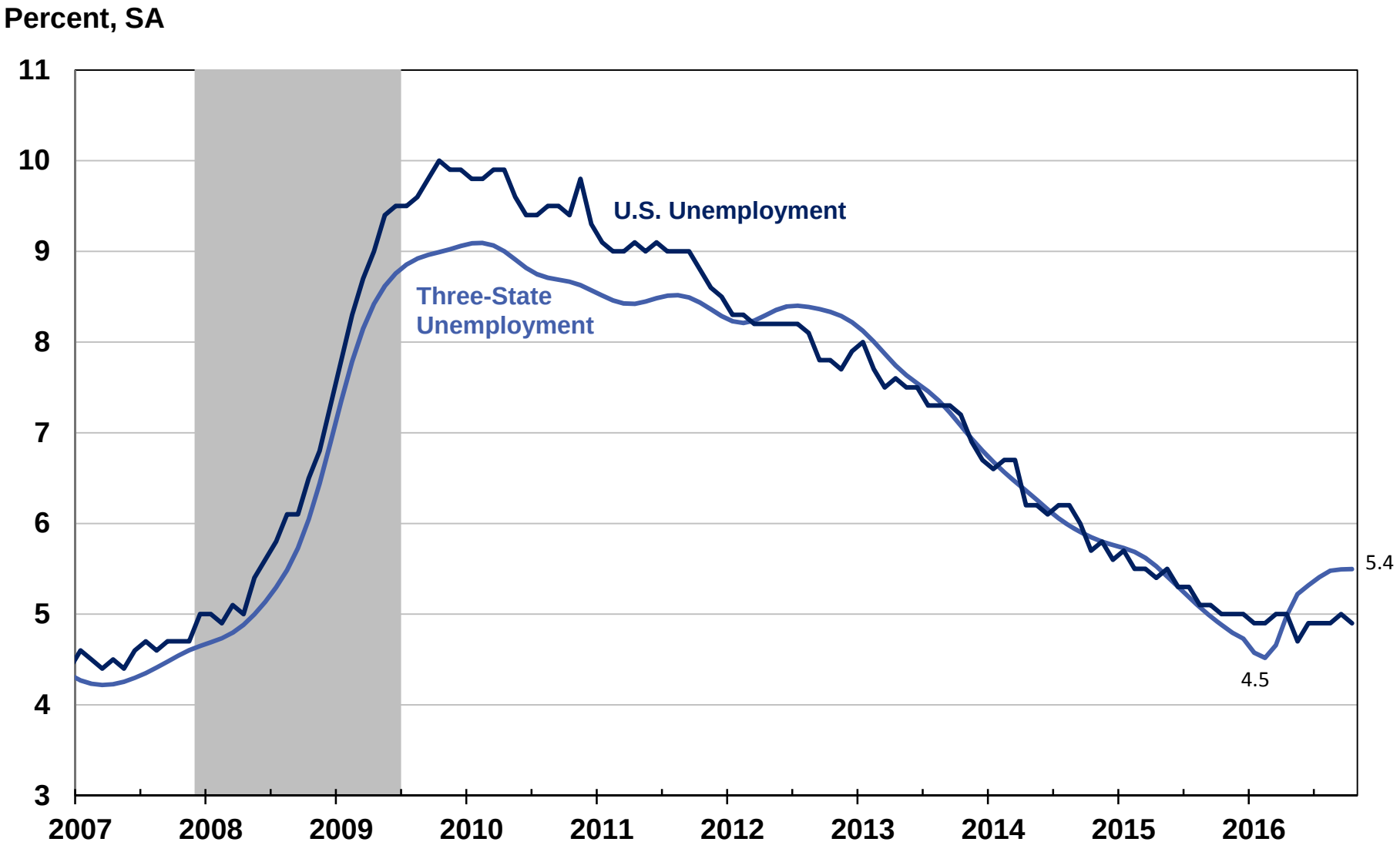
Source: Bureau of Economic Analysis via Haver

Three-State (PA, NJ, DE) Employment



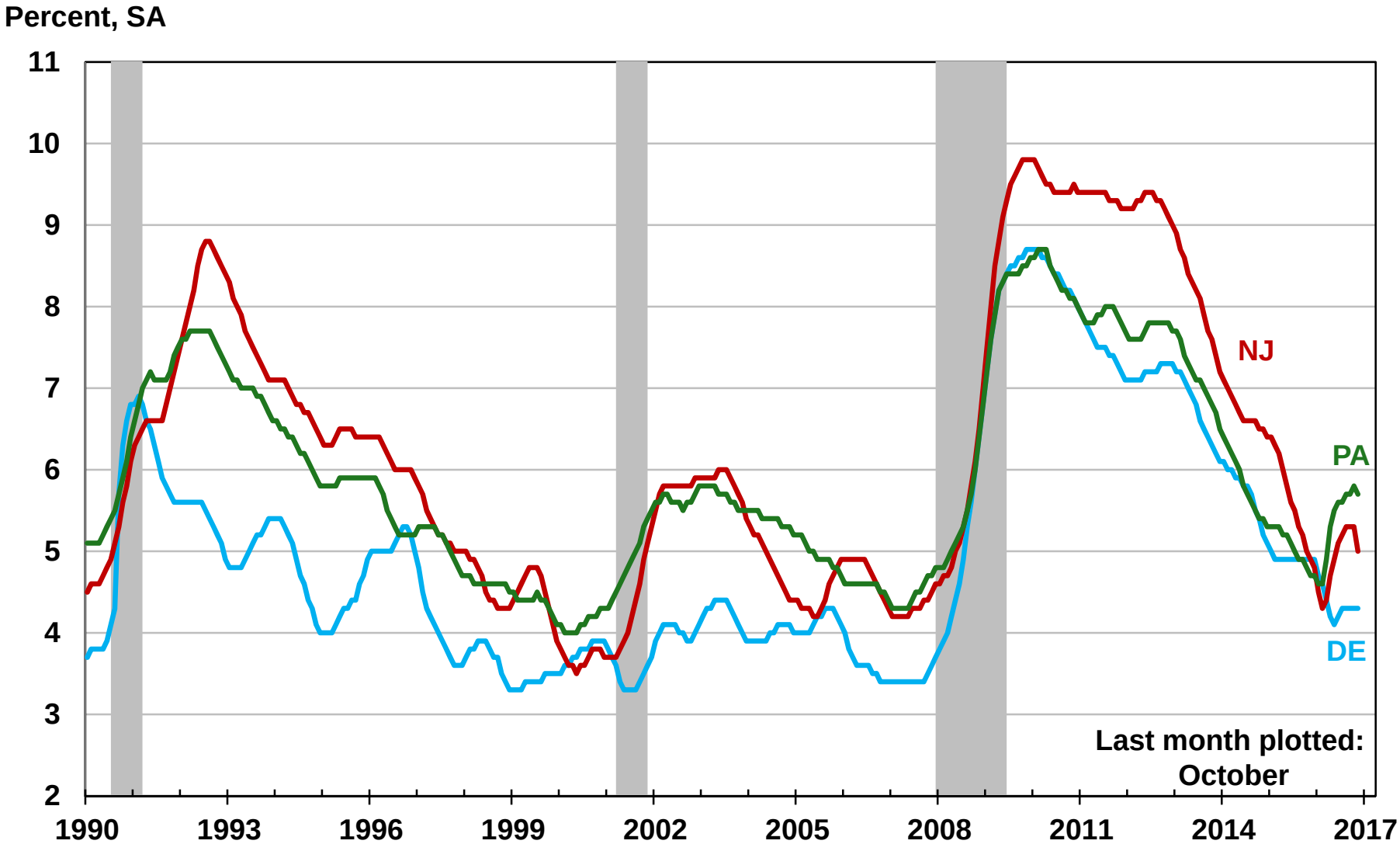
Source: Bureau of Labor Statistics via Haver

United States and Three-State Unemployment Rate



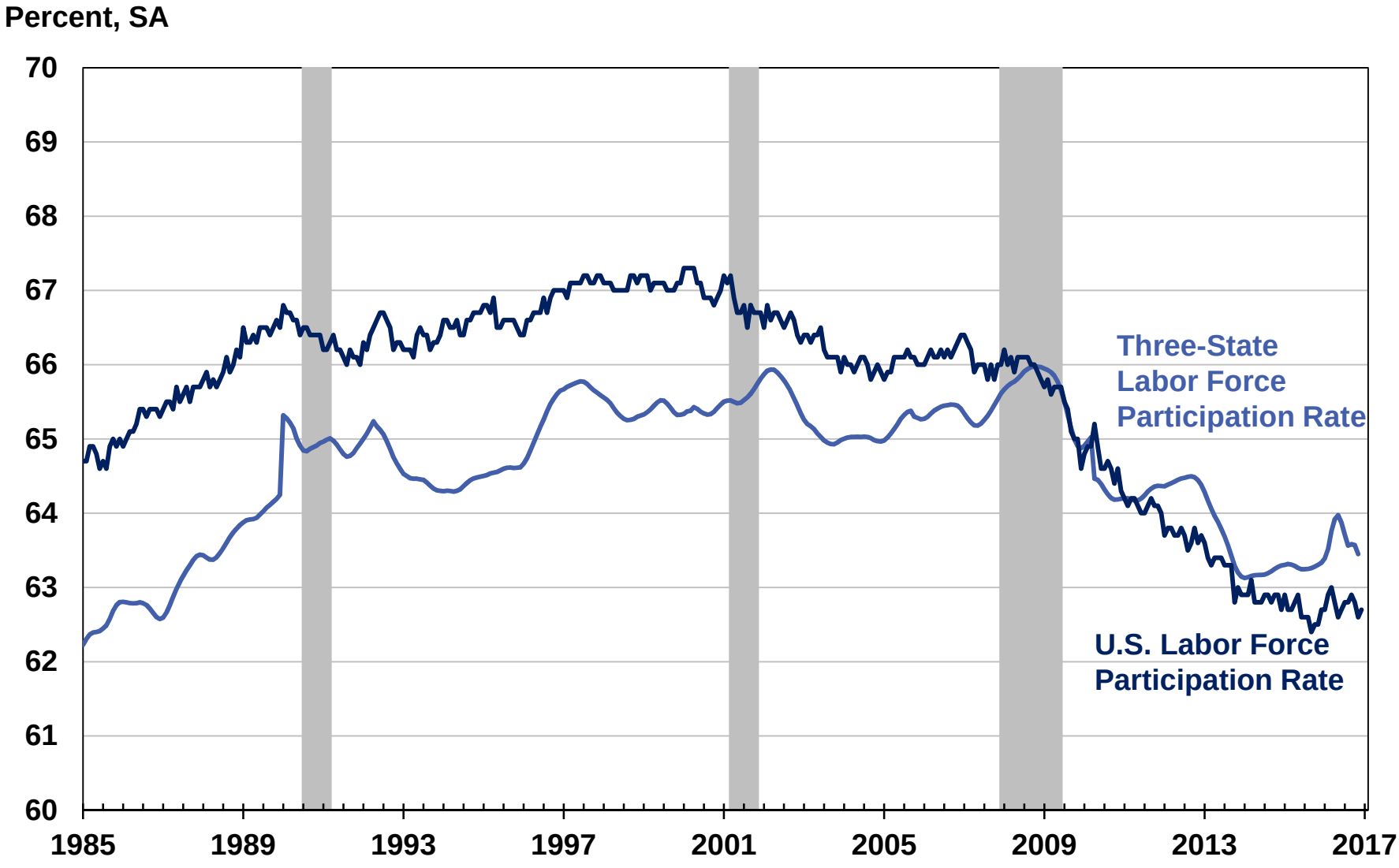
Source: Bureau of Labor Statistics via Haver

Unemployment Rates



Source: Bureau of Labor Statistics

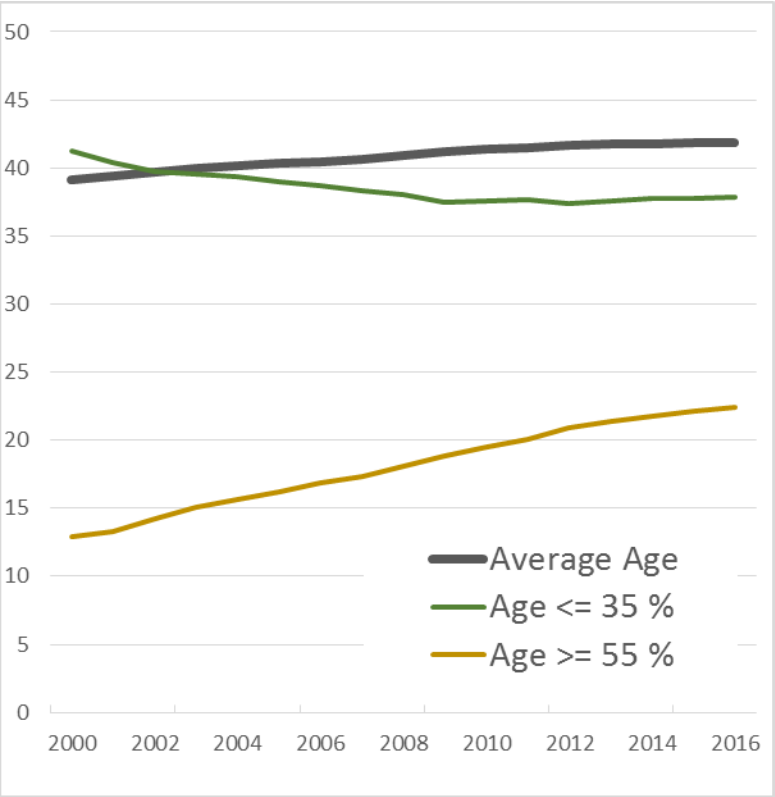
Three-State Labor Force Participation



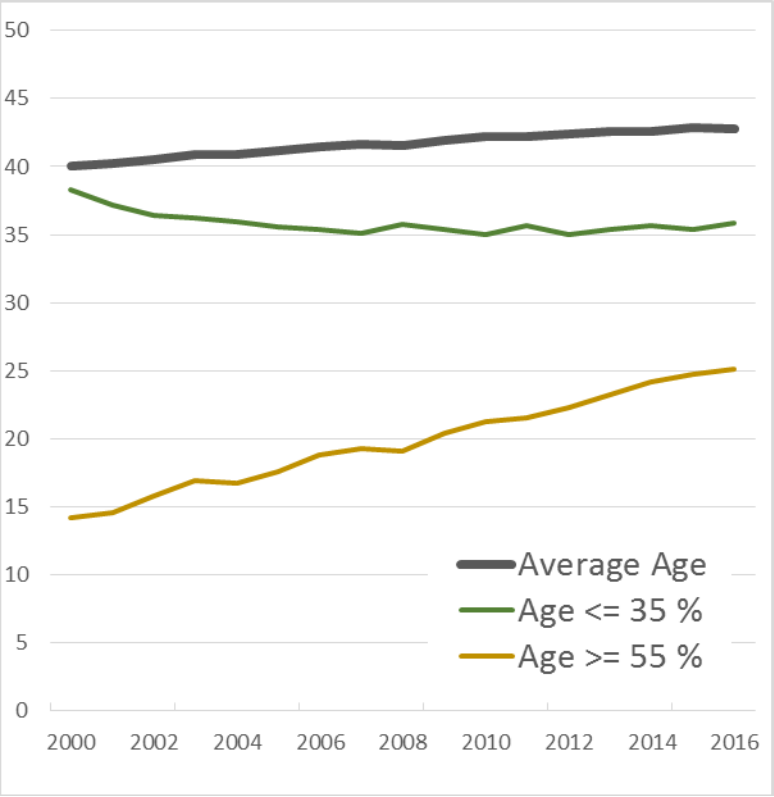
Source: Bureau of Labor Statistics via Haver

The Regional Labor Force Age Issue

National Labor Force



Three States (PA, NJ, DE)



Economics and Demographics

	US	Pennsylvania	New Jersey	Delaware	Combined 3 States	10 States	West Virgina
GDP per Capita (2015)	51,100	50,600	56,800	63,900	53,600	55,000	36,900
Total Population (thousands)	320,897	12,792	8,935	944	22,671	74,868	1,841
Density (pop per sq mile)	90.9	285.9	1,215.0	484.5	419.5	393.1	76.6
Population in Households (thousands, 2015)	308,540	12,348	8,707	901	21,956	72,431	1,800
Households (thousands, 2015)	116,926	4,959	3,189	344	8,492	28,073	741
Population Growth (annualized, 2010-2015)	0.83	0.24	0.38	1.05	0.33	0.44	**0.08**
Household Growth (annualized, 2010-2015)	0.47	0.07	0.08	0.74	0.10	0.19	**0.00**
Payroll Empl Growth CES|EB (Y/Y Nov 2016)	1.6 | 1.3	0.7 | 0.4	0.5 | 0.6	1.2 | -0.2	0.6 | 0.4	0.9 | 0.5	1.4 | -0.3
Unemployment Rate (latest)	4.6	5.7	5.0	4.3	5.4	5.0	**6.0**
Labor Force Growth (Y/Y Nov 2016)	1.3	1.4	-0.1	1.0	0.8	1.1	1.5
Labor Force Growth (annualized, 2010-2015)	0.4	0.2	0.0	1.5	0.1	0.4	**-0.7**
Labor Force Participation Rate	62.7	63.4	63.6	62.2	63.4	62.7	**53.6**
Labor Force Average Age	41.9	42.4	**43.9**	42.3	42.8	42.5	42.8
Labor Force Age <= 35 %	37.8	37.6	**33.3**	36.6	35.9	36.5	35.1
Labor Force Age >= 55 %	22.4	**25.7**	24.5	23.1	25.1	24.0	24.5
Average household size	2.64	2.49	2.73	2.62	2.59	2.58	**2.43**
Women birth in the past 12 months as Pct of Pop.	1.31	1.20	1.21	1.24	1.20	1.24	**1.05**
Households with Children Pct	28.8	26.0	31.2	26.5	28.0	27.9	**23.9**
Household Families with Single Head Pct	17.8	16.4	18.2	18.8	17.2	13.3	16.0
Households 65 years and over Pct	26.7	29.4	28.2	29.5	29.0	27.7	**30.7**
No HS Diploma Pct (of 25 & older)	13.4	10.8	11.4	11.6	11.1	12.0	**15.0**
Bachelor's degree or higher Pct	29.8	28.6	36.8	30.0	31.9	32.5	**19.2**
Native Born in Different State Pct	27.0	18.7	23.5	44.1	21.9	22.4	28.0
Population Foreign born Pct	13.5	6.3	21.7	8.7	12.8	14.1	**1.5**
Foreign-born Naturalized Pct	46.6	51.9	53.1	45.4	52.5	52.1	49.0
With a Disability Pct	4.1	5.1	3.6	4.3	4.5	4.2	**5.5**
With a Disability 18 to 64 years Pct	10.3	11.0	7.7	10.0	9.6	9.7	**17.3**

10 States add: New York, Connecticut, Rhode Island, Ohio, Maryand, Virginia, and West Virginia

Most demographically challenged (highest or lowest depending on measure) in terms of labor force growth) -- double underline, bold

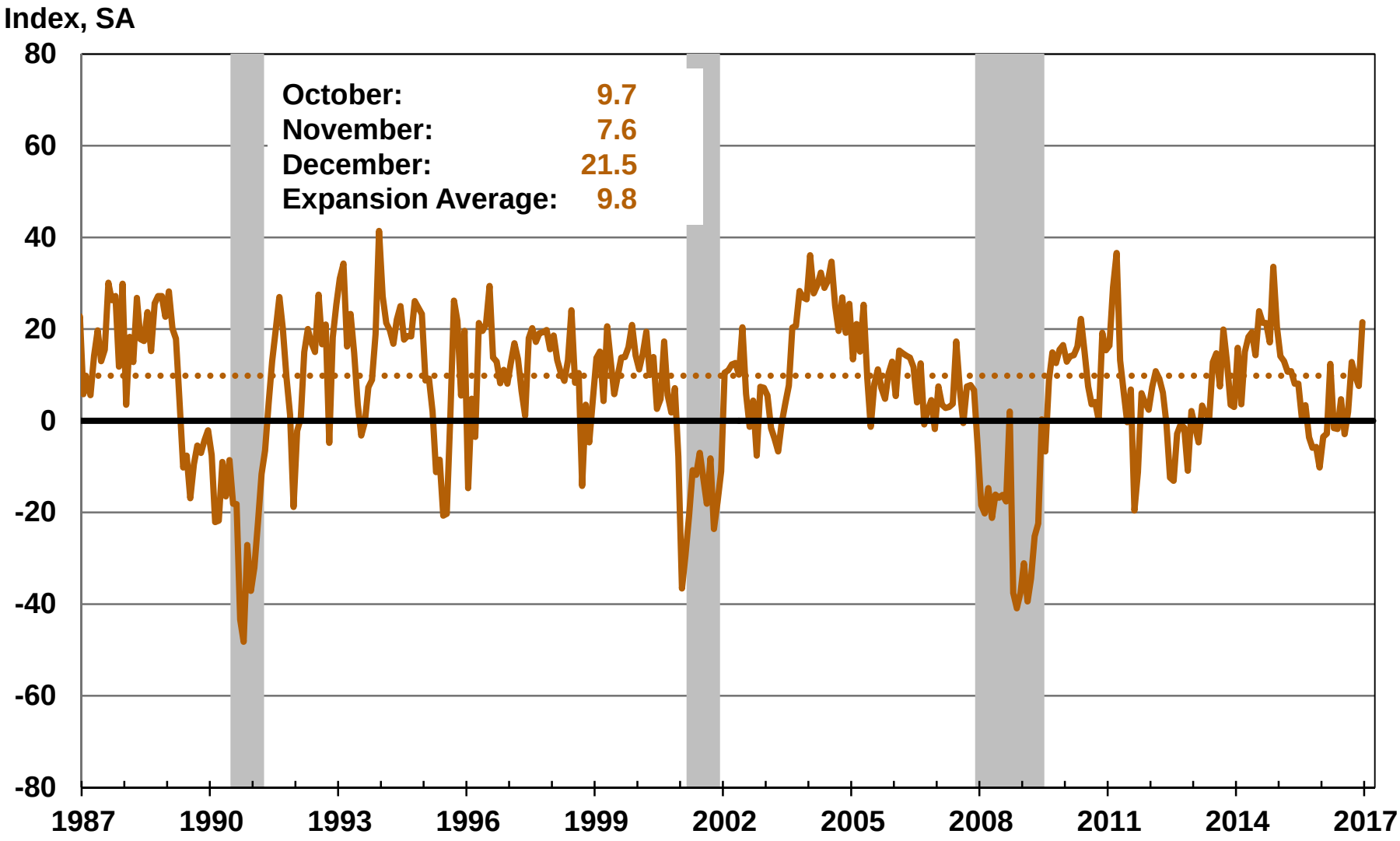
Close to 'most demographically challenged' -- double underline

Other demographically disadvantaged (higher or lower than US depending on measure) -- only shaded

Other indicators

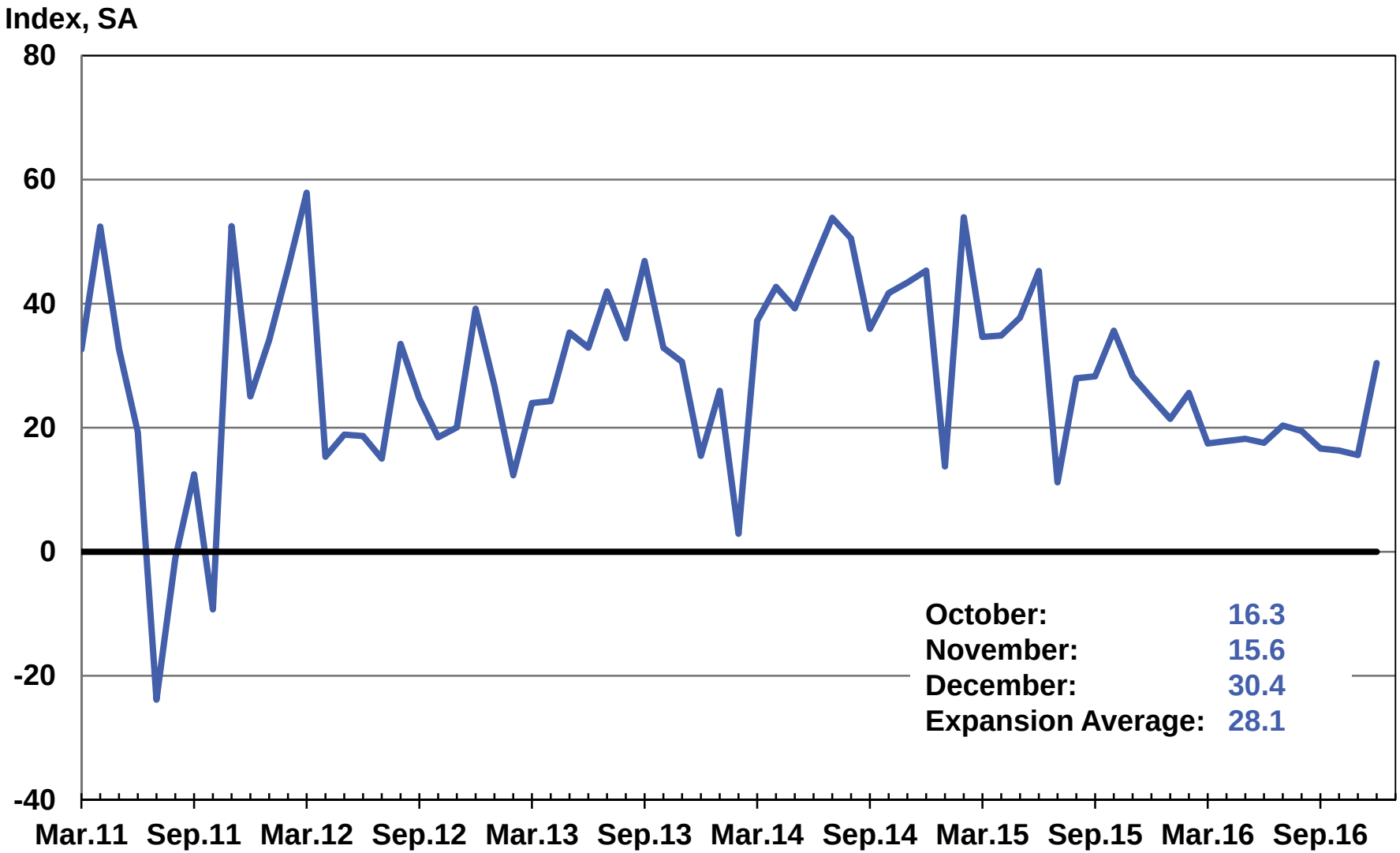
- Nothing great, nothing dire.
  Coincident Indexes,
  MBOS & NBOS, Consumer Confidence,
  House Prices, Permits, and Construction Contracts
  - Except maybe municipal bond spreads.

Manufacturing Business Outlook Survey: Current General Activity



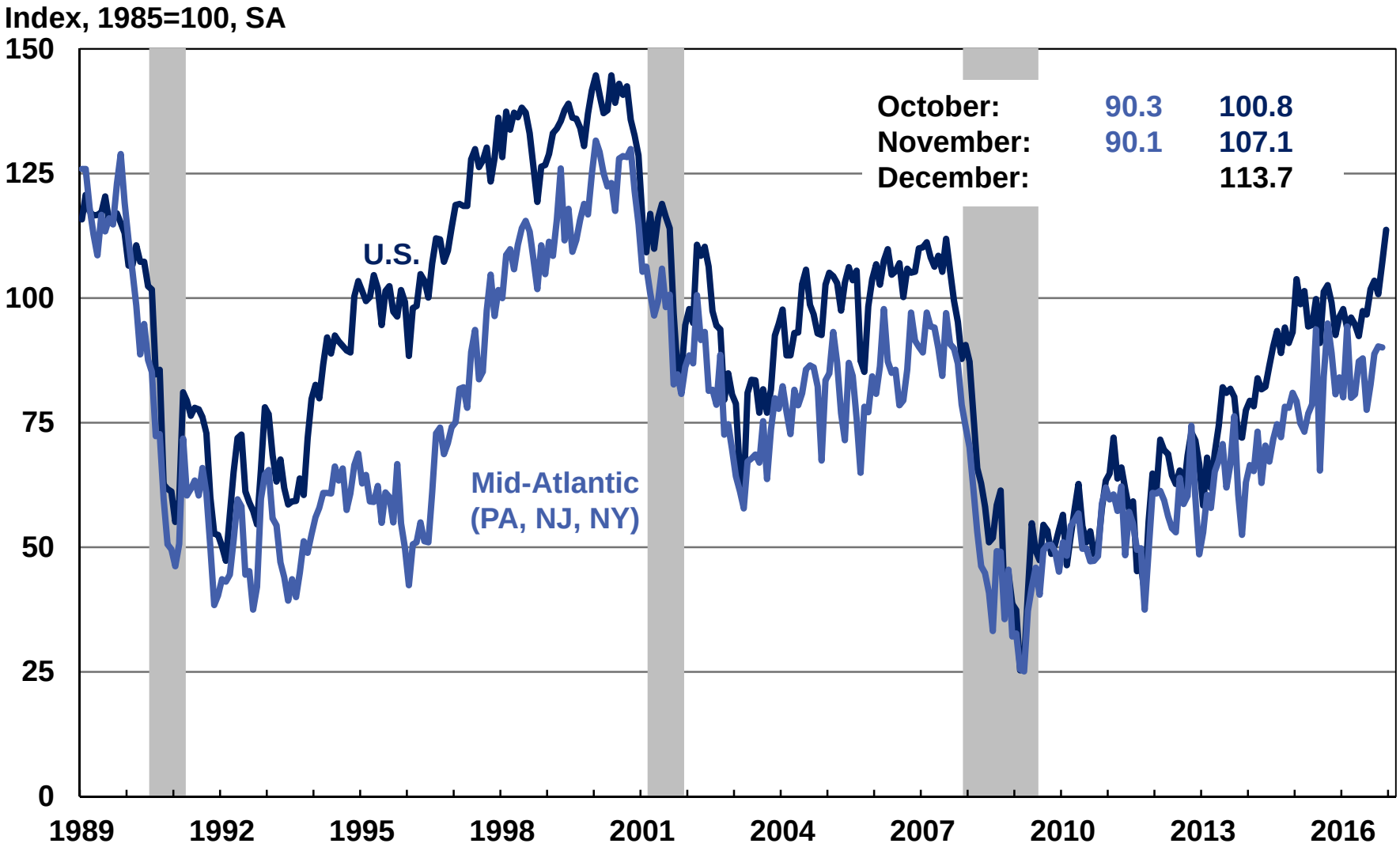
Note: Dotted line shows the nonrecession average from 1987-present.
Index represents percentage of respondents reporting an increase minus percentage reporting a decrease.

Nonmanufacturing Business Outlook Survey: Current Activity for Firms



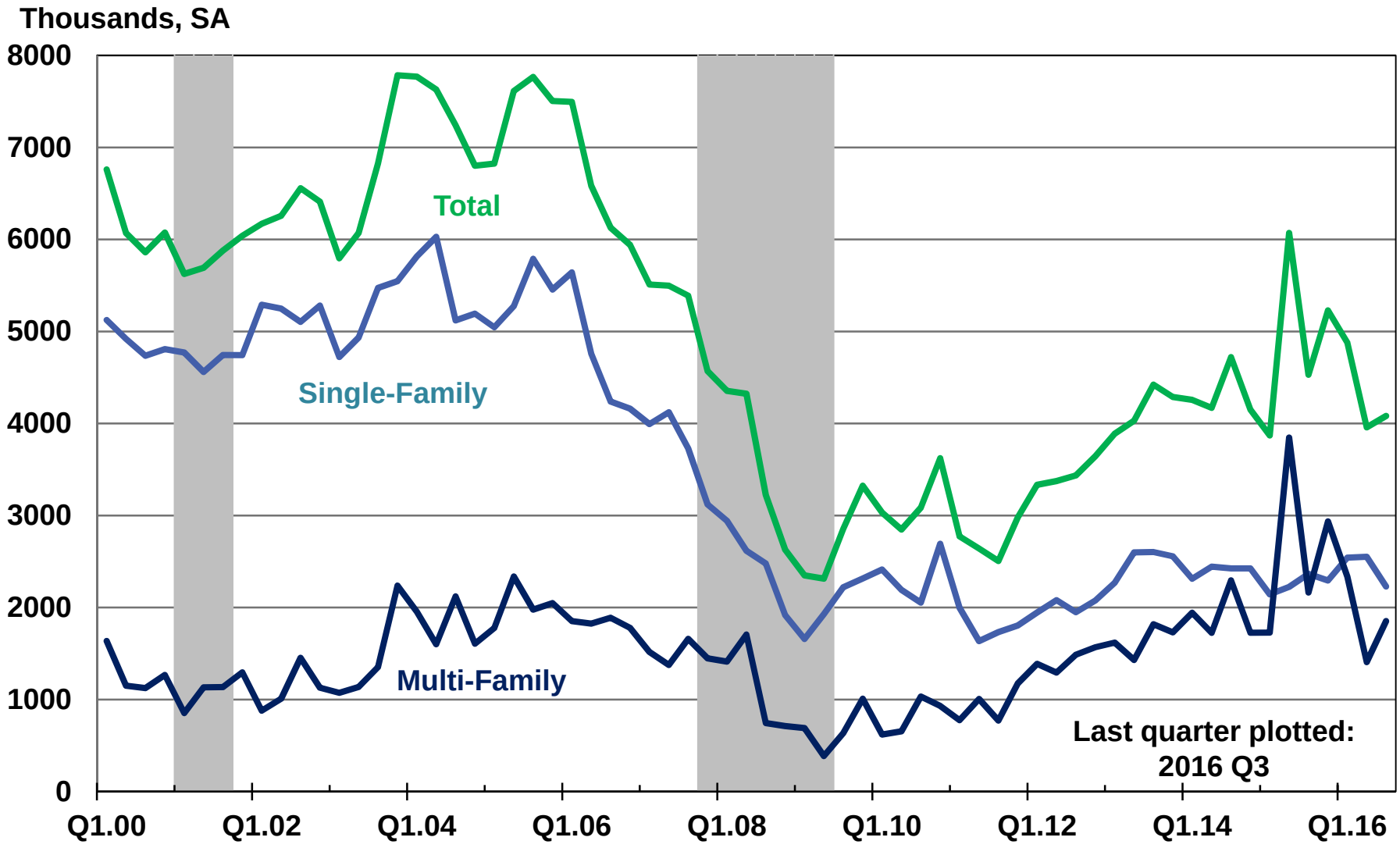
Note: Dotted line shows average for Nonmanufacturing BOS from March 2011-present.
Index represents percentage of respondents reporting an increase minus percentage reporting a decrease.

Consumer Confidence
U.S. and Mid-Atlantic Region



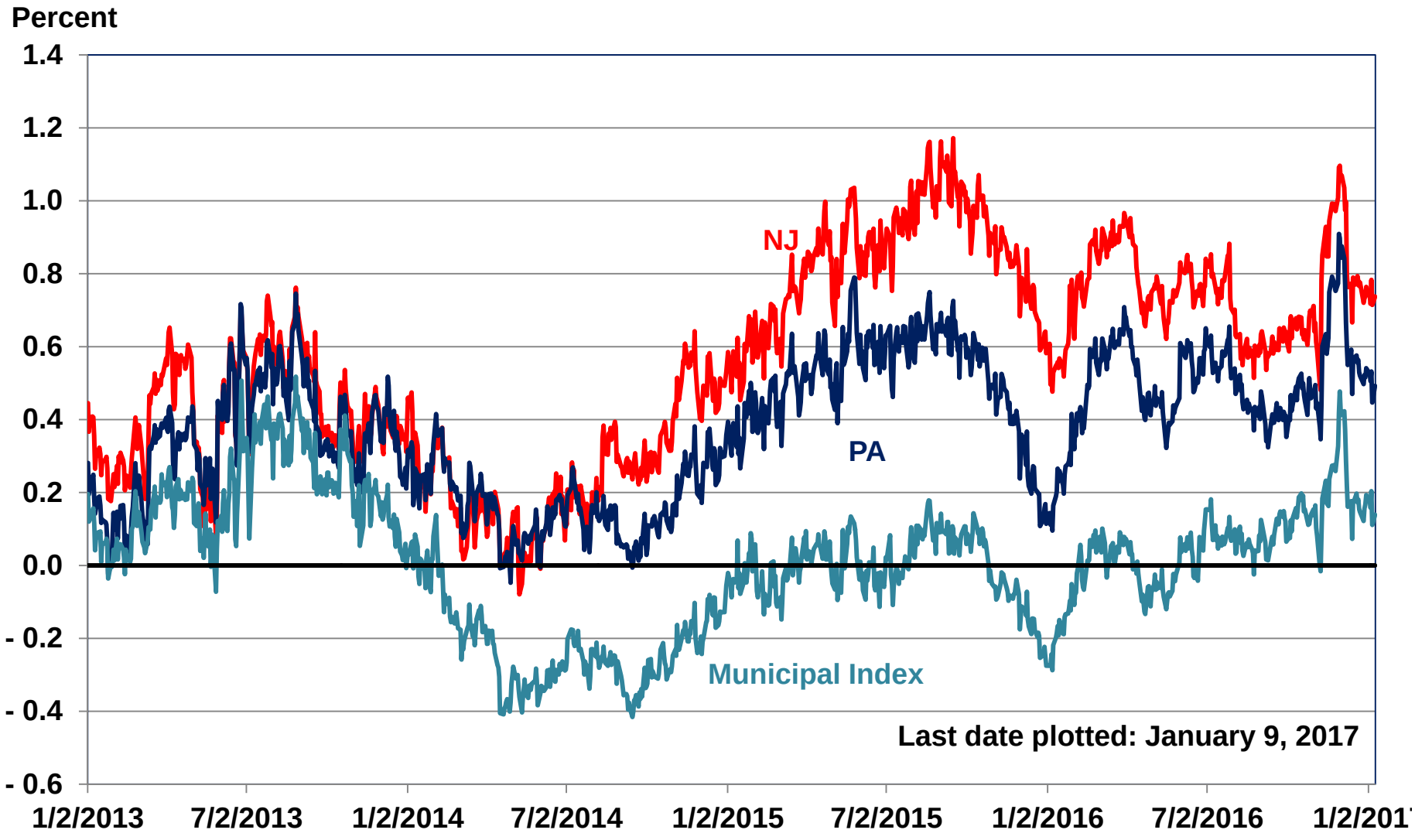
Source: The Conference Board via Haver

Three-State Housing Permits



Note: Data based on a three-month quarterly average.
Source: U.S. Census Bureau

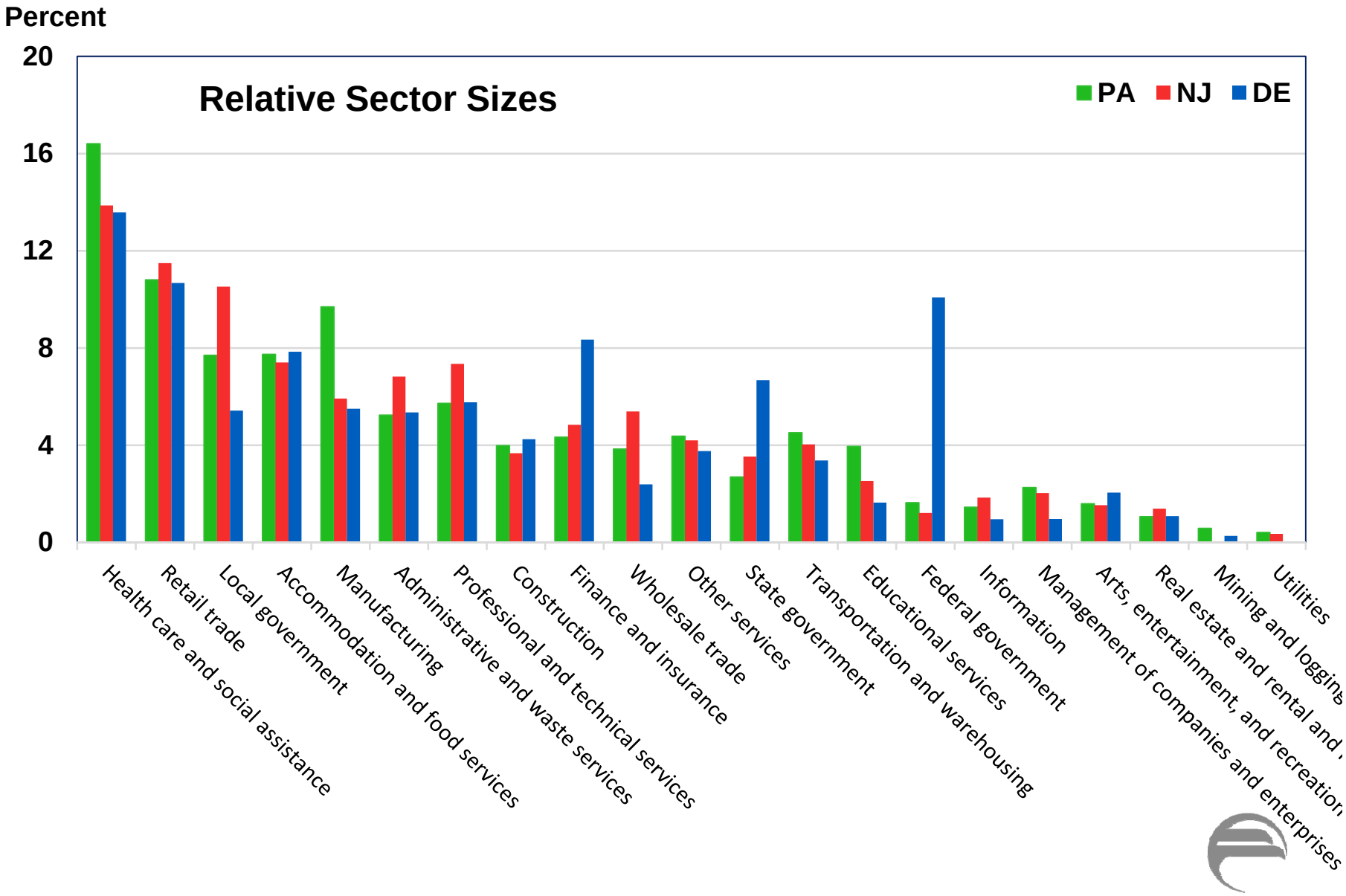
Municipal 10-Year Bond Spreads over Treasuries



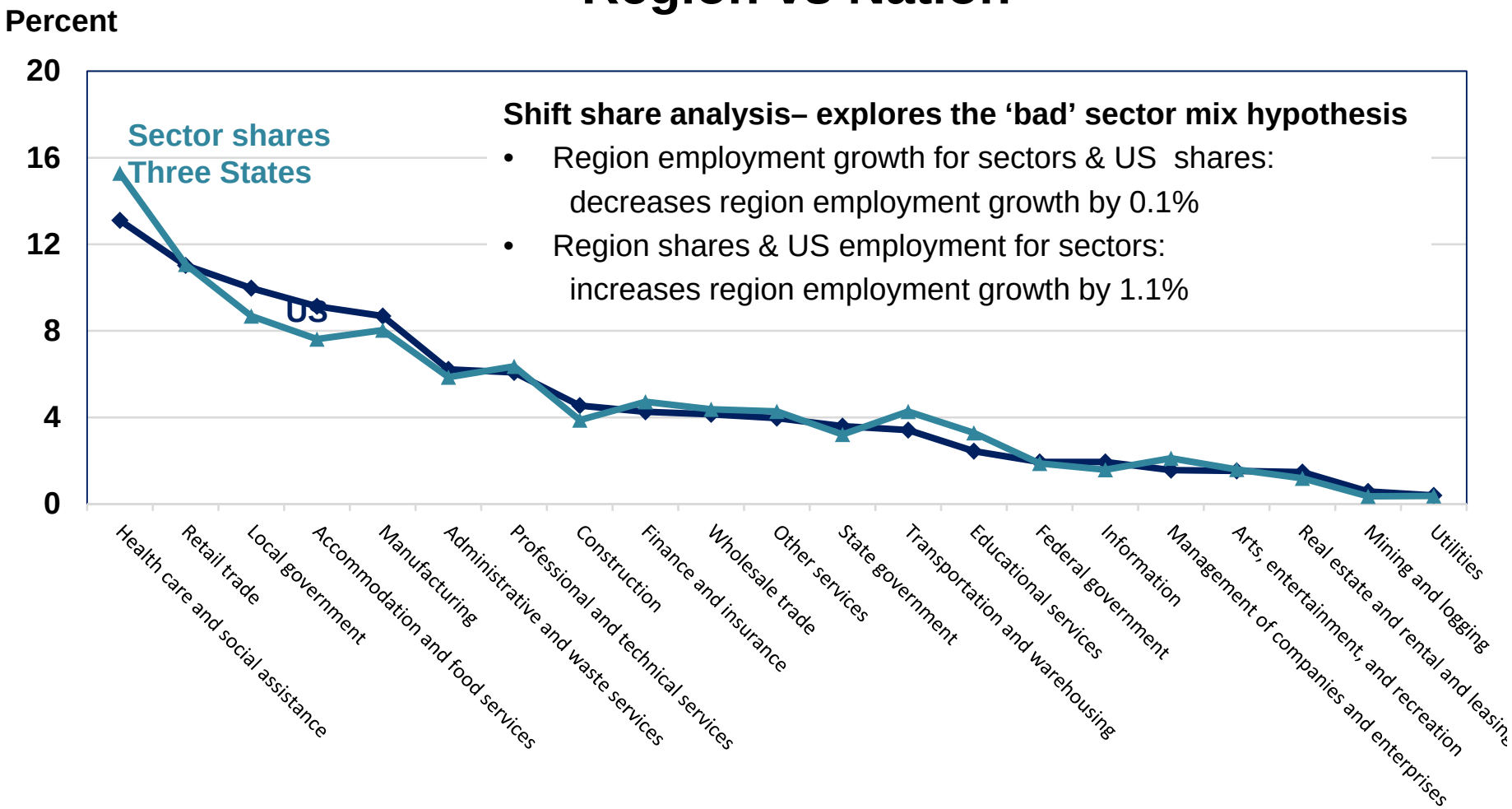
Source: Bloomberg

Region Potential

Is a ‘bad’ sector mix holding back regional growth ?



Relative Sector Sizes: Region vs Nation



Slower growth for the largest sectors explains slower growth in the region, not a bad mix.
For most of these sectors, demand is driven by population growth and demographics
(health care, retail, local and state govt, food services …)

Conclusions

- Expect a continuation of
  slow overall growth in the region.
- We look good on a per capita basis.
  But population and labor force growth is slow.
- Demographics are not favorable
  for future labor force growth .
- Unemployment in Pennsylvania
  deserves close monitoring.