

Demographic and Economic Trends in the Tri-State Region

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FEDERAL RESERVE BANK
OF PHILADELPHIA

Talk Outline

- **Demographic Trends in the Region**
- **Economic Trends in the Region**
- **Regional Resources at the Federal Reserve**

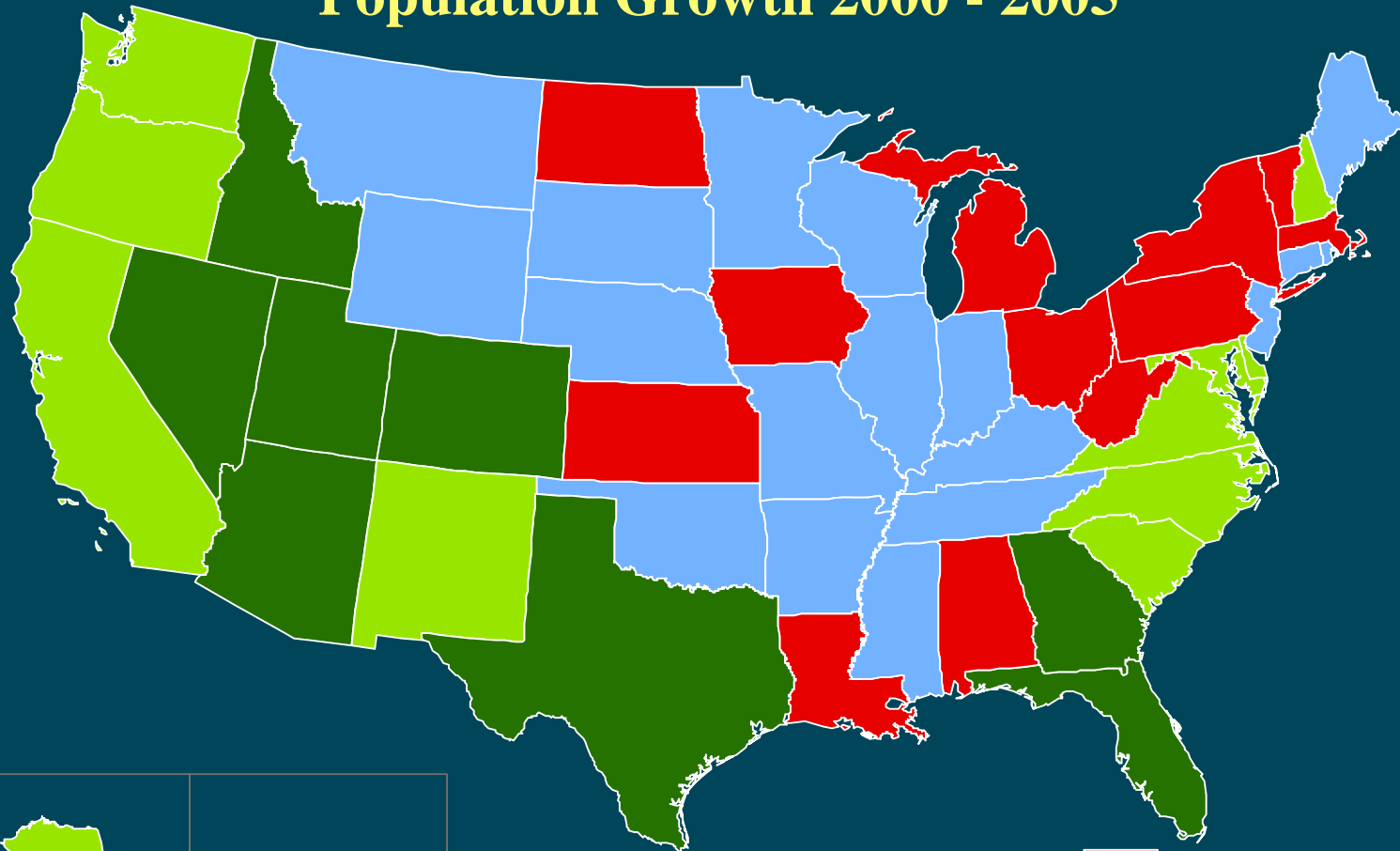


Major Demographic Trends in the Tri-State Region

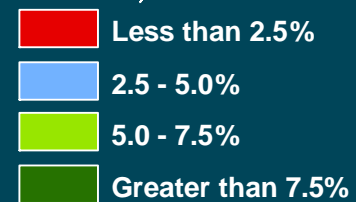
- **Delaware growing faster than the nation**
- **Pennsylvania one of the slowest growing states**
- **Population losses in western and northern Pennsylvania**
- **Foreign immigration an important factor in parts of New Jersey, eastern Pennsylvania, and Delaware**

Delaware has grown faster than the national average and Pennsylvania has been one of the slowest growing states since 2000.

Population Growth 2000 - 2005

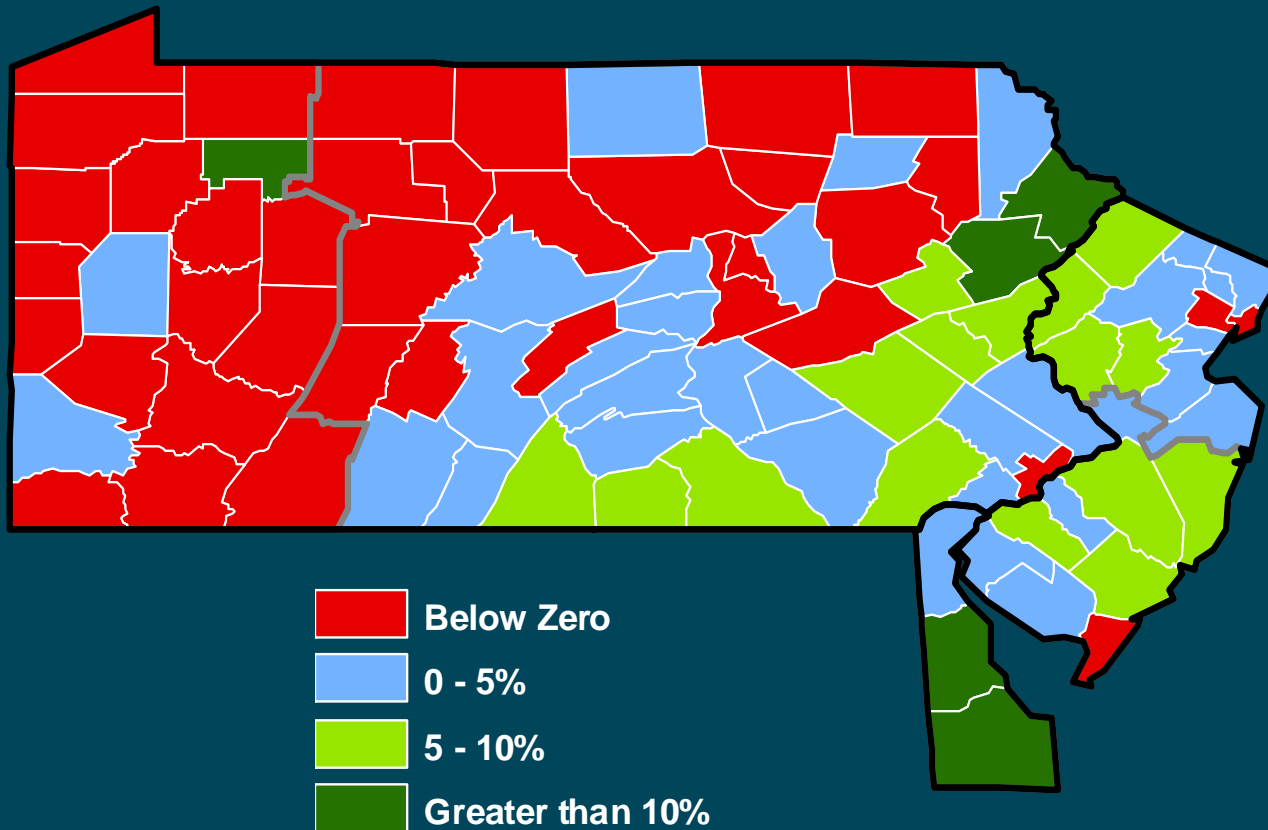


US Population Growth = 5.0%



A large number of counties in western and northern Pennsylvania have lost population in the last five years.

Population Growth 2000 - 2005



The Three Components of Population Growth

Total population growth =

**Natural increase
(births minus deaths)**

+

Net international migration

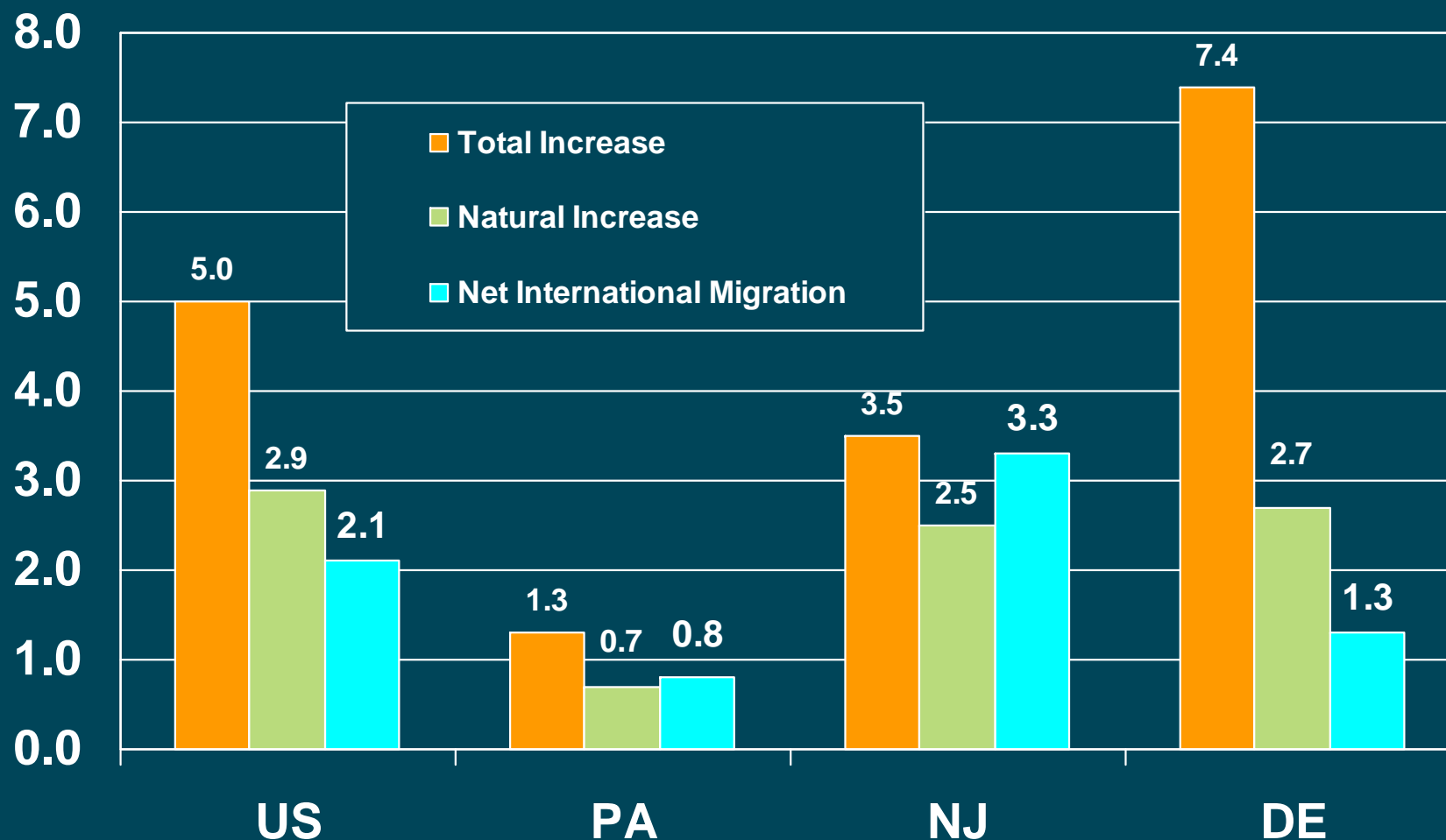
+

Net domestic migration

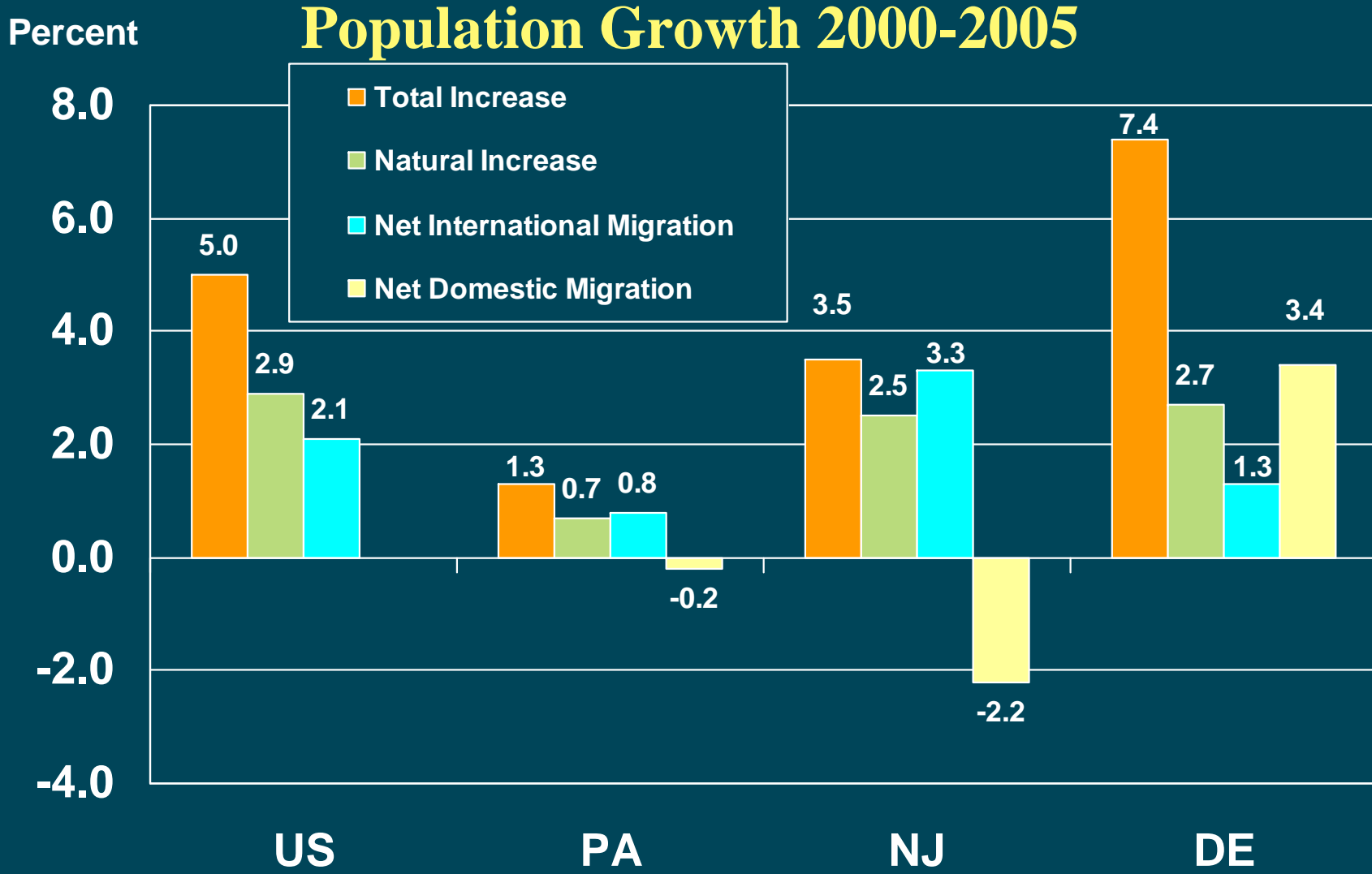
International migration has been an important factor in growth in the nation and especially in New Jersey.

Population Growth 2000-2005

Percent

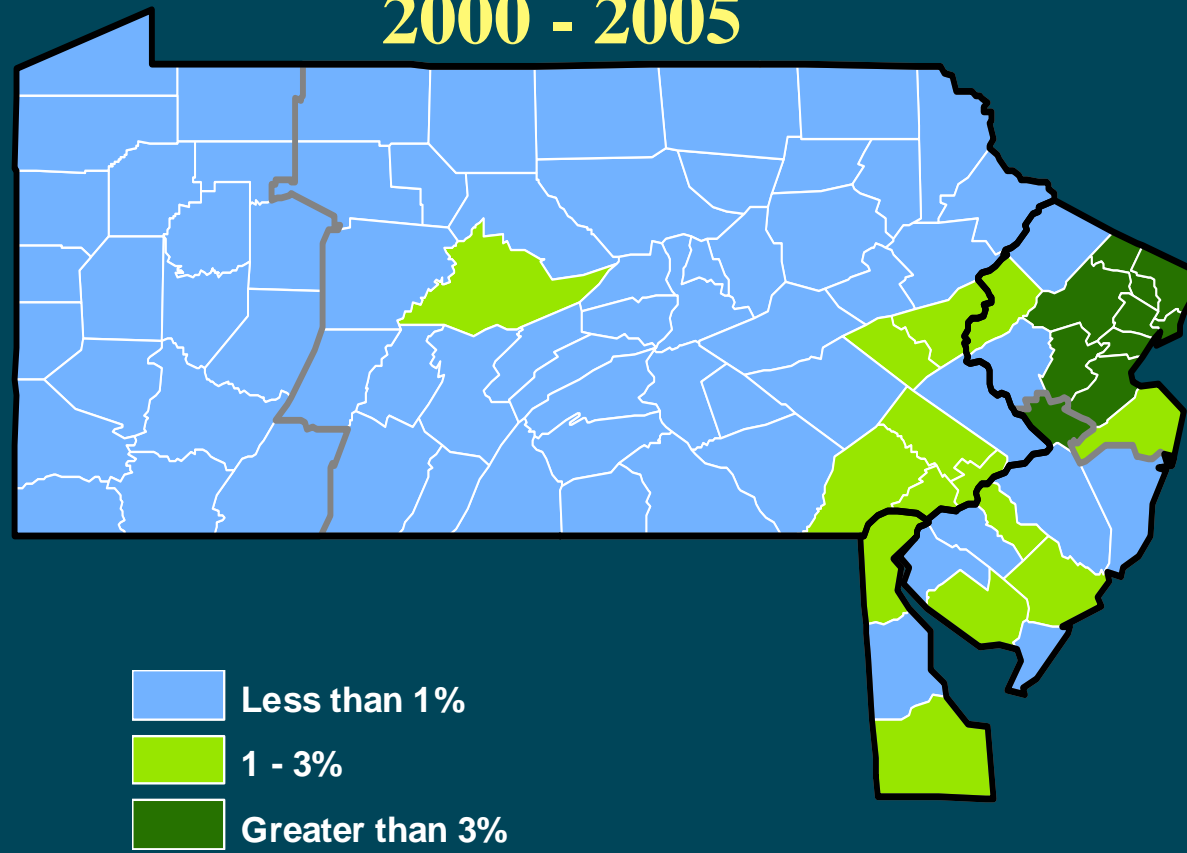


Out-migration to other states has offset much of the increase from foreign immigration in New Jersey.



Foreign immigration has been concentrated in New Jersey, eastern Pennsylvania, and Delaware.

**International Migration's Contribution to
Population Growth
2000 - 2005**



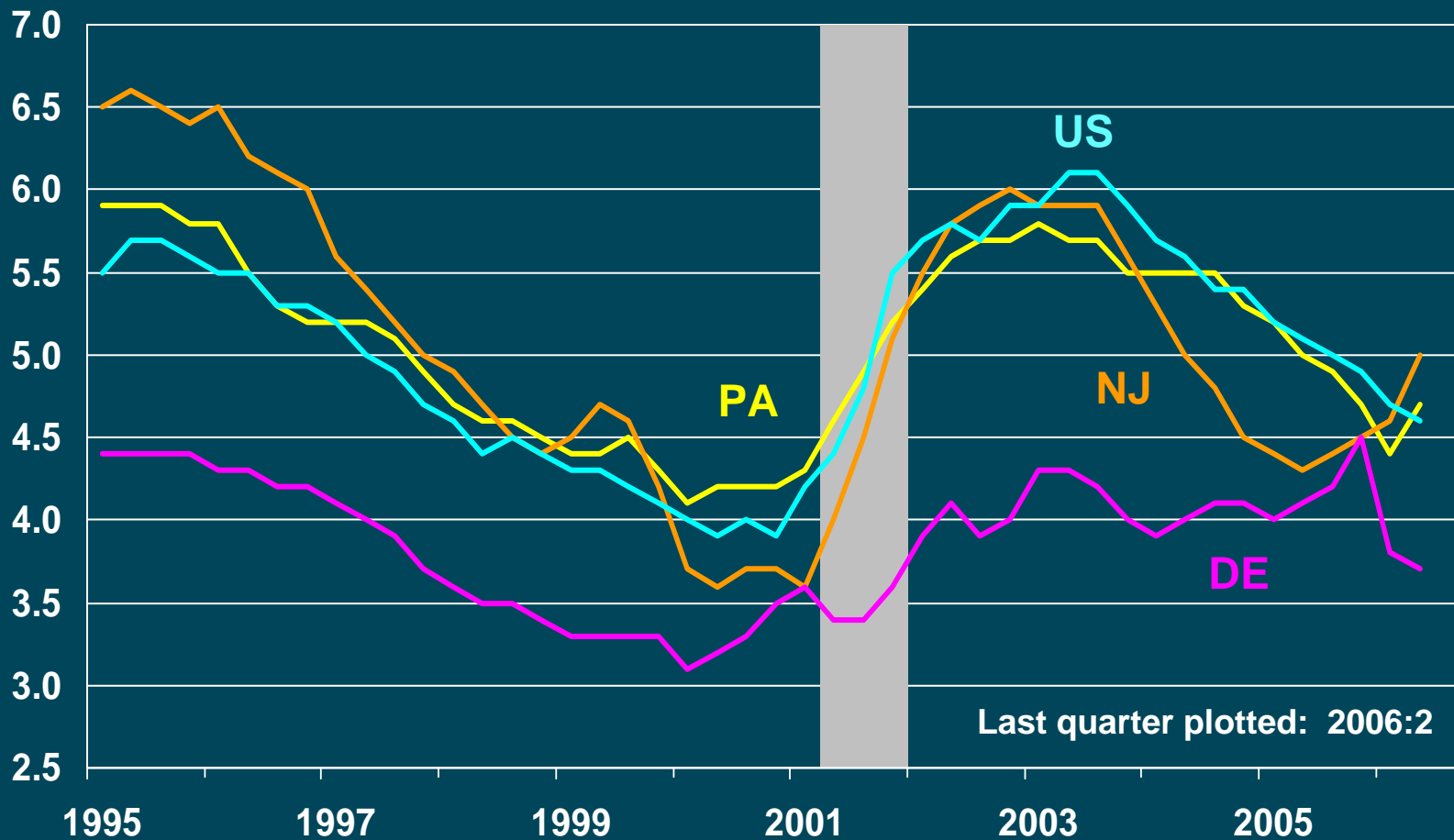
Economic growth has mirrored population growth across the region

- **Delaware had the greatest overall job growth in the past five years.**
- **New Jersey had the steadiest growth and the mildest recession.**
- **Pennsylvania's job growth over the past five years has been anemic.**
- **Sectors to watch:**
 - Manufacturing**
 - Residential construction**

Unemployment rates began to climb at the beginning of the recession or slightly before. They have not returned to their pre-recession lows.

Unemployment Rates

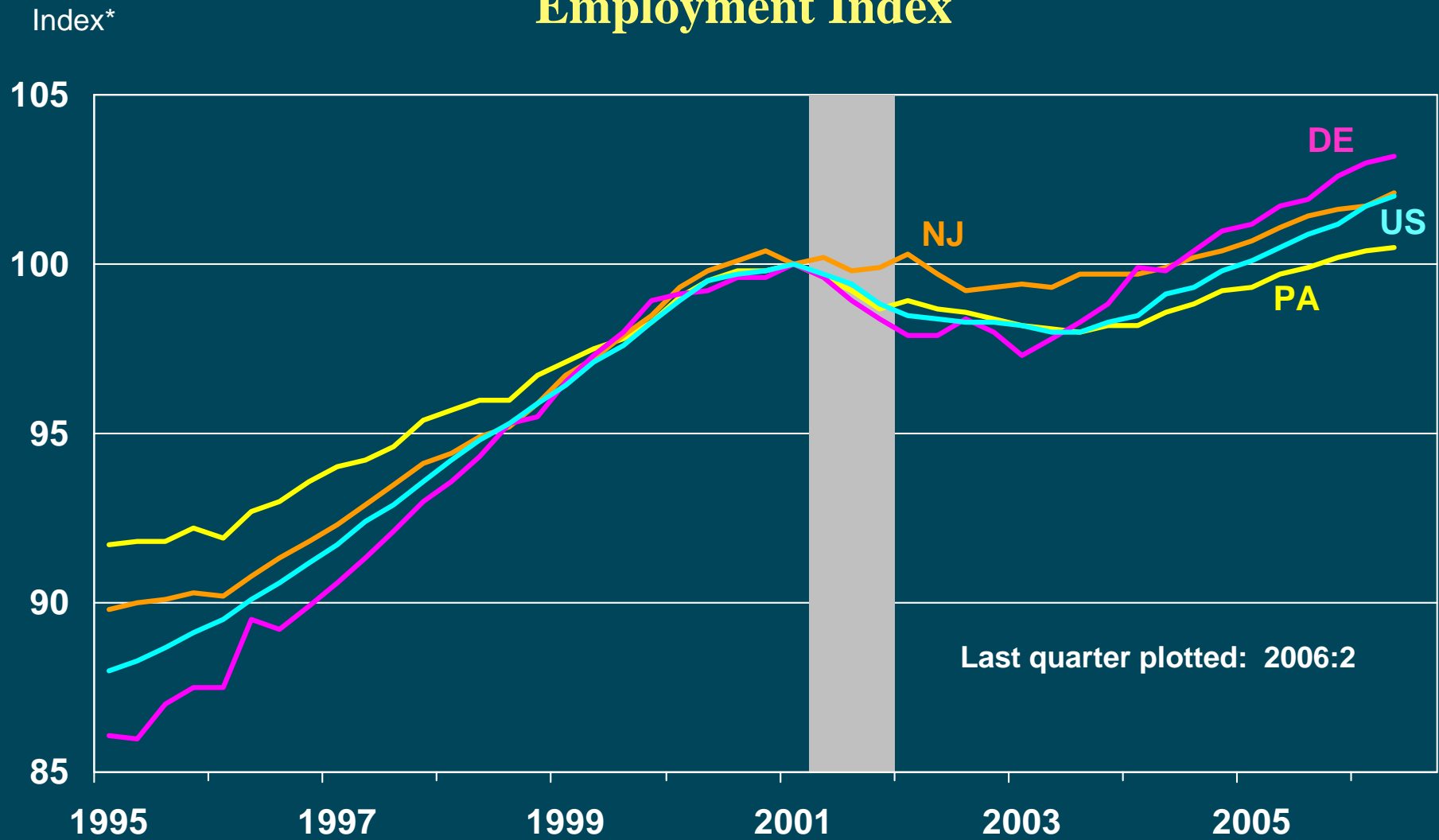
Percent



Last quarter plotted: 2006:2

**New Jersey had the smallest job loss during the recession.
Delaware had the steepest job loss but also the strongest recovery.**

Employment Index

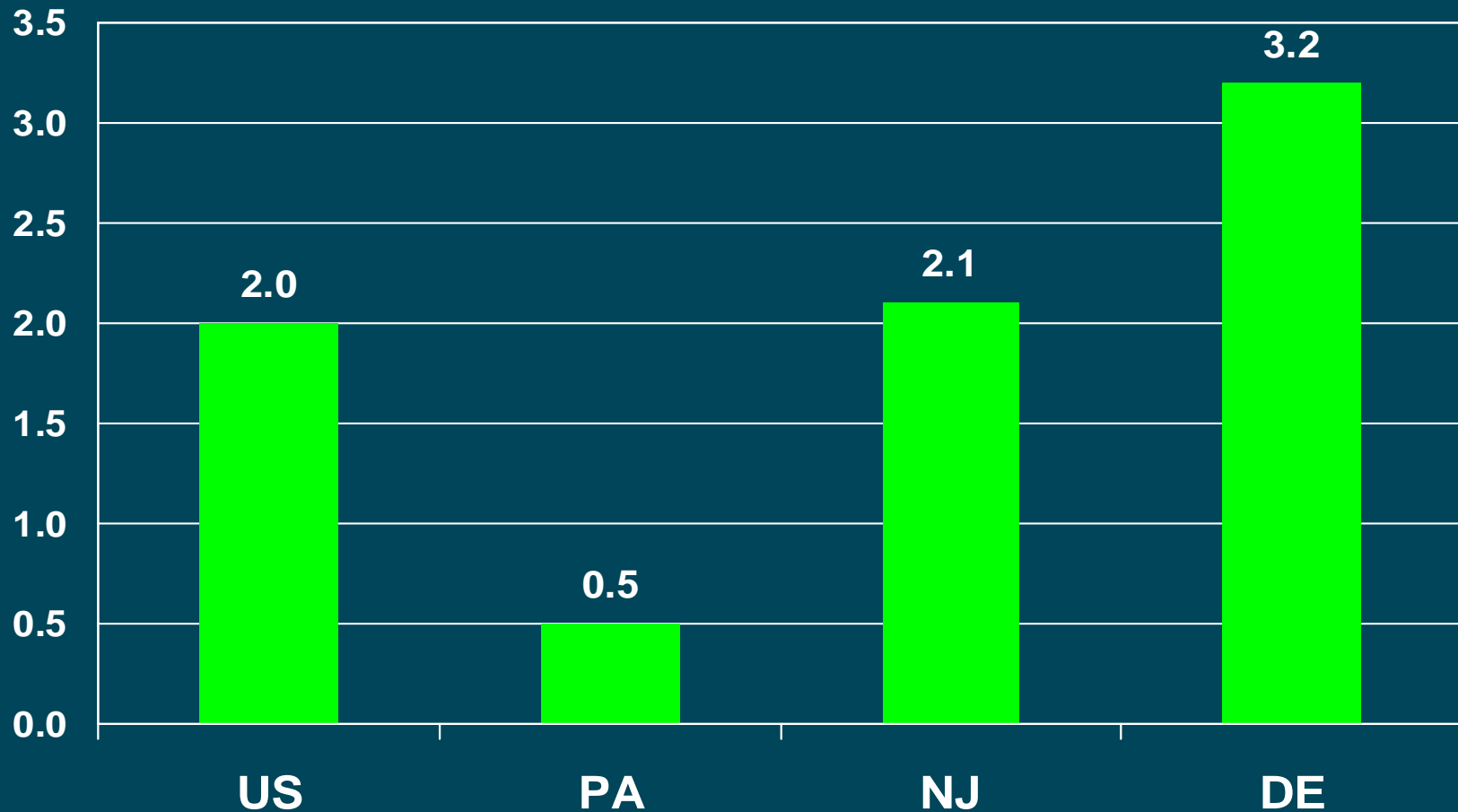


* 2001:I=100

Since the peak of the last expansion, New Jersey's job growth has matched the nation's; Delaware's has exceeded the nation's; and Pennsylvania's job growth has lagged far behind.

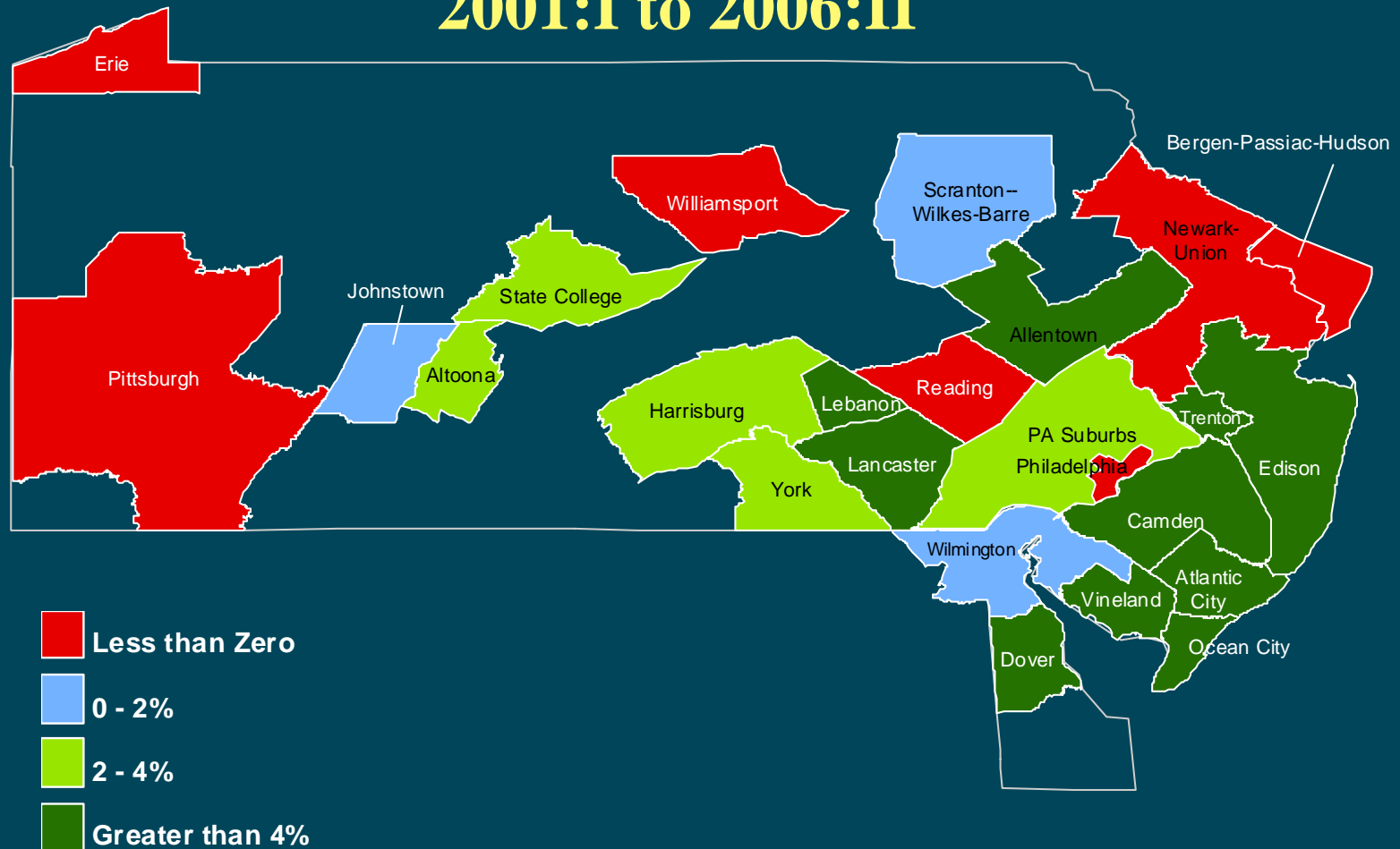
Total Job Growth 2001:I to 2006:II

Percent



The greatest job growth in the region has been in south Jersey, south central Pennsylvania, and Delaware.

Metro area job growth 2001:I to 2006:II

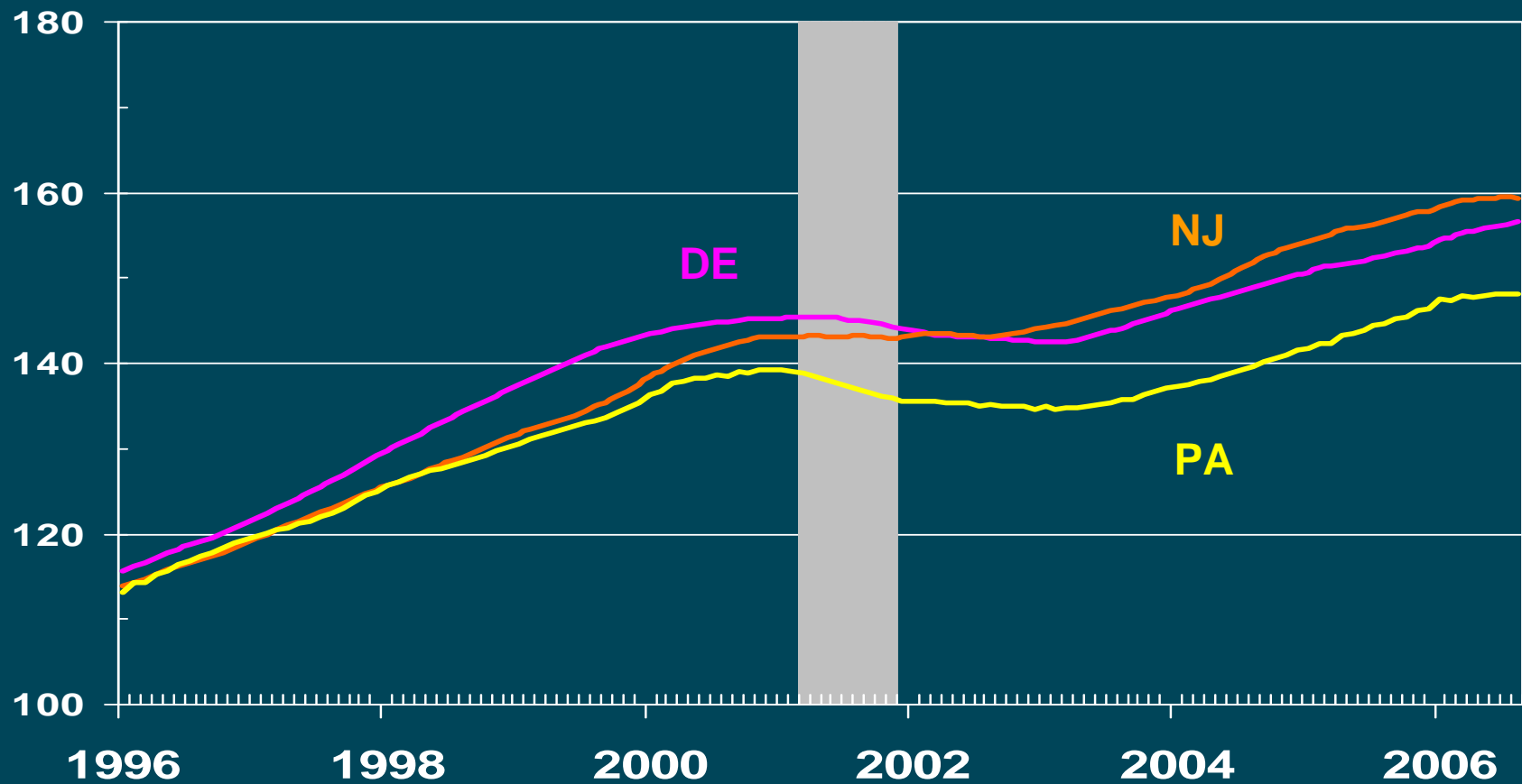


U.S. Growth 2001:I to 2006:II = 2.0%

The Philadelphia Fed's economic activity index combines employment, hours, and wage data to show the pattern of growth through the recession and recovery.

Economic Activity Indexes

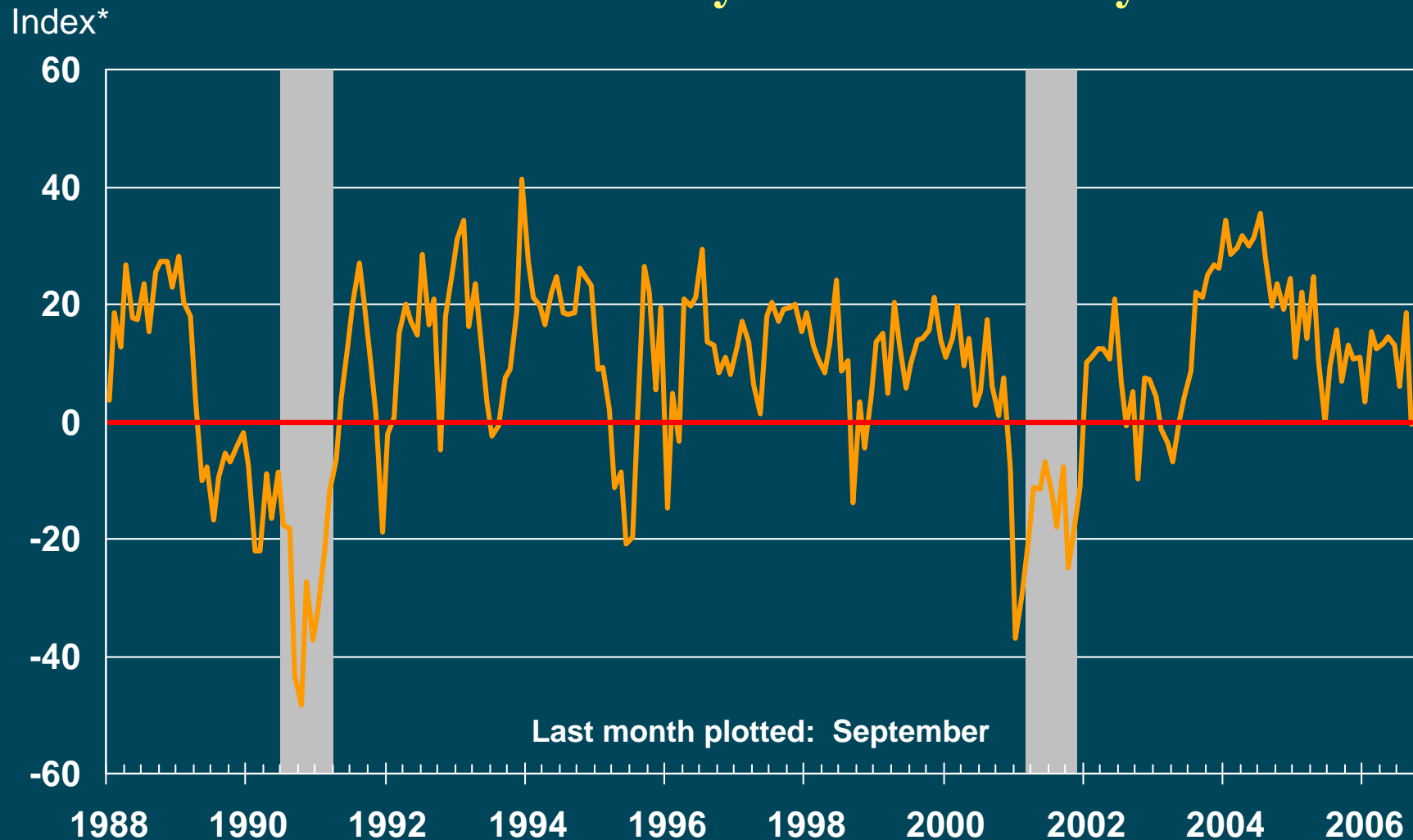
Index*



*July 1992=100

As usual manufacturing bore much of the brunt of the recession in the latest business cycle.

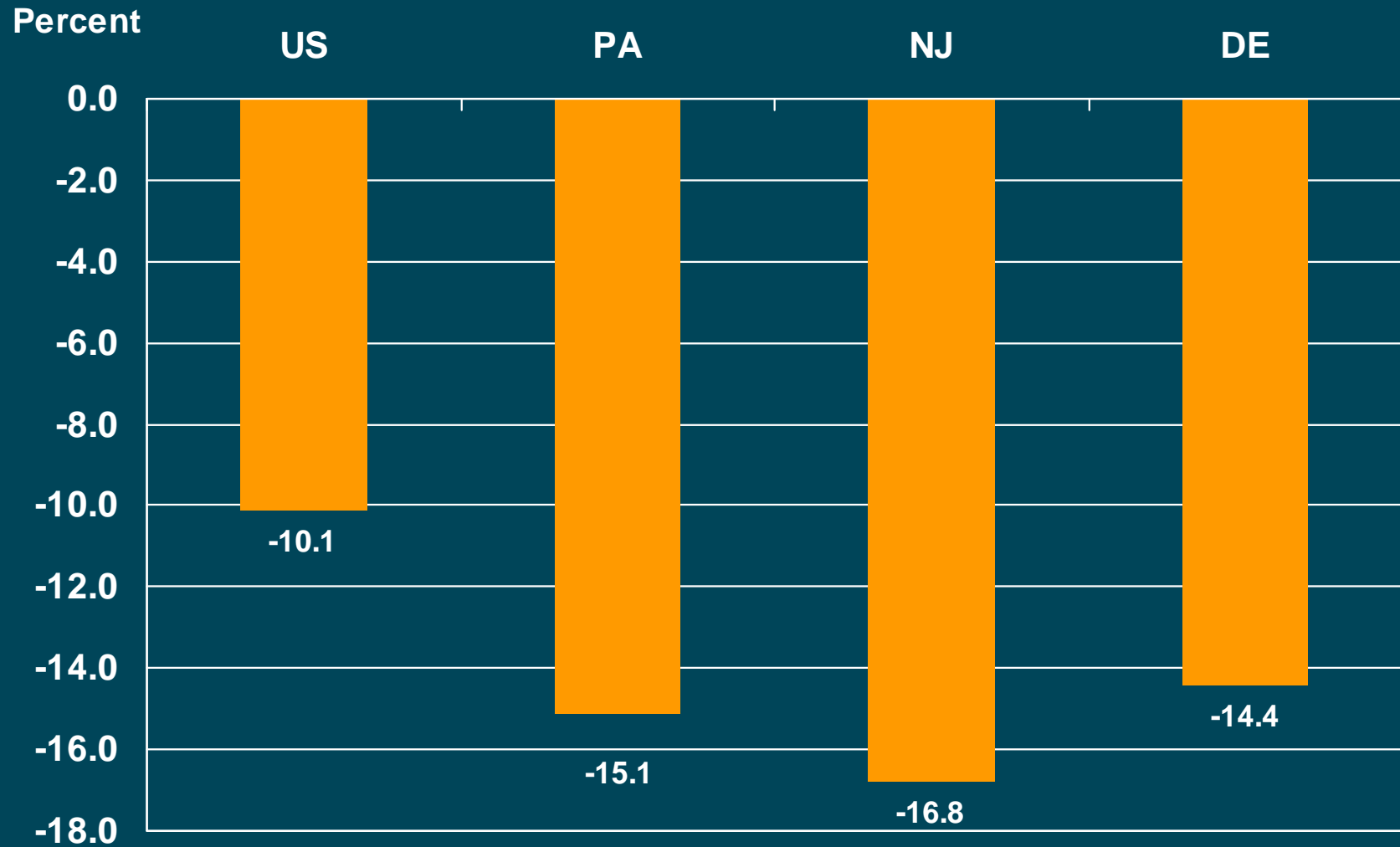
Business Outlook Survey: General Activity Index



* Index represents percentage of respondents reporting an increase minus percentage reporting a decrease.

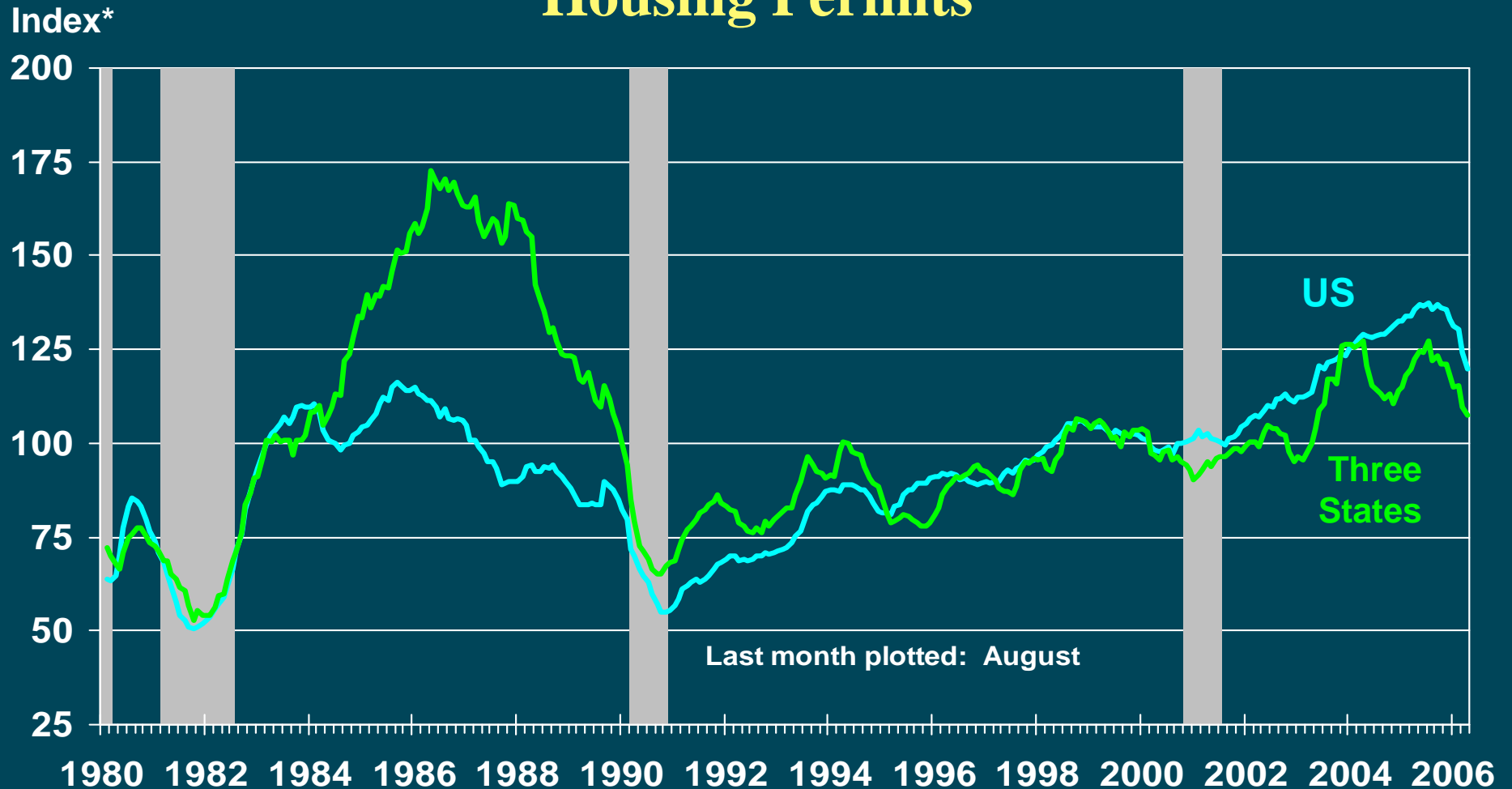
Manufacturing employment continued its decline even after the end of the recession.

Manufacturing Job Losses 2001:IV to 2006:II



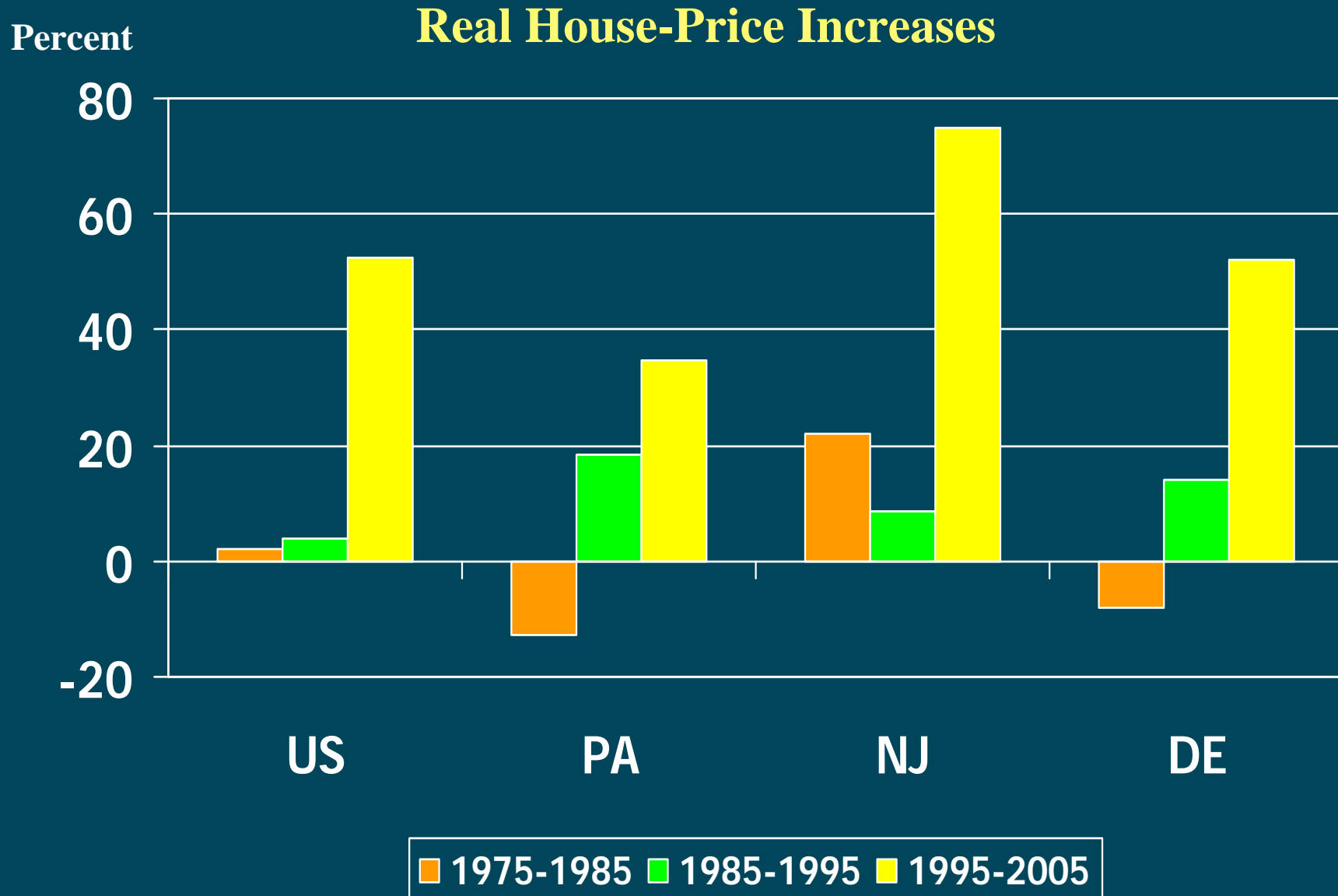
In the latest recession the decline in residential construction was modest.

Housing Permits



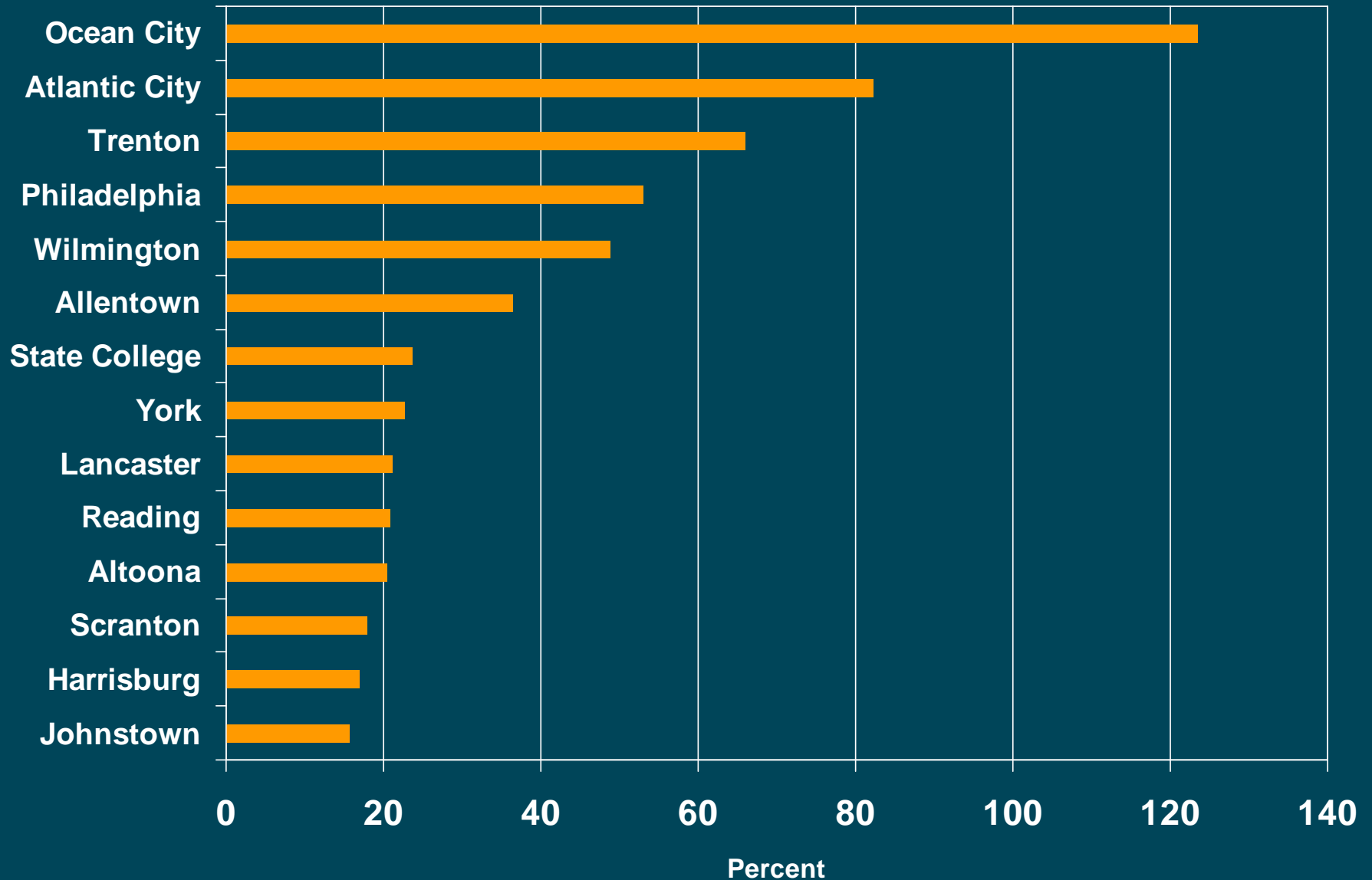
* 2000=100 Data are six-month moving averages.

Real house prices have increased more rapidly in the last 10 years than in any other 10-year period since 1975



In our District, the shore areas of New Jersey have had the most rapid house-price appreciation.

Real House Price Increases 1995-2005



**House prices continue to rise in our three states
but five states had house-price declines in the second quarter**

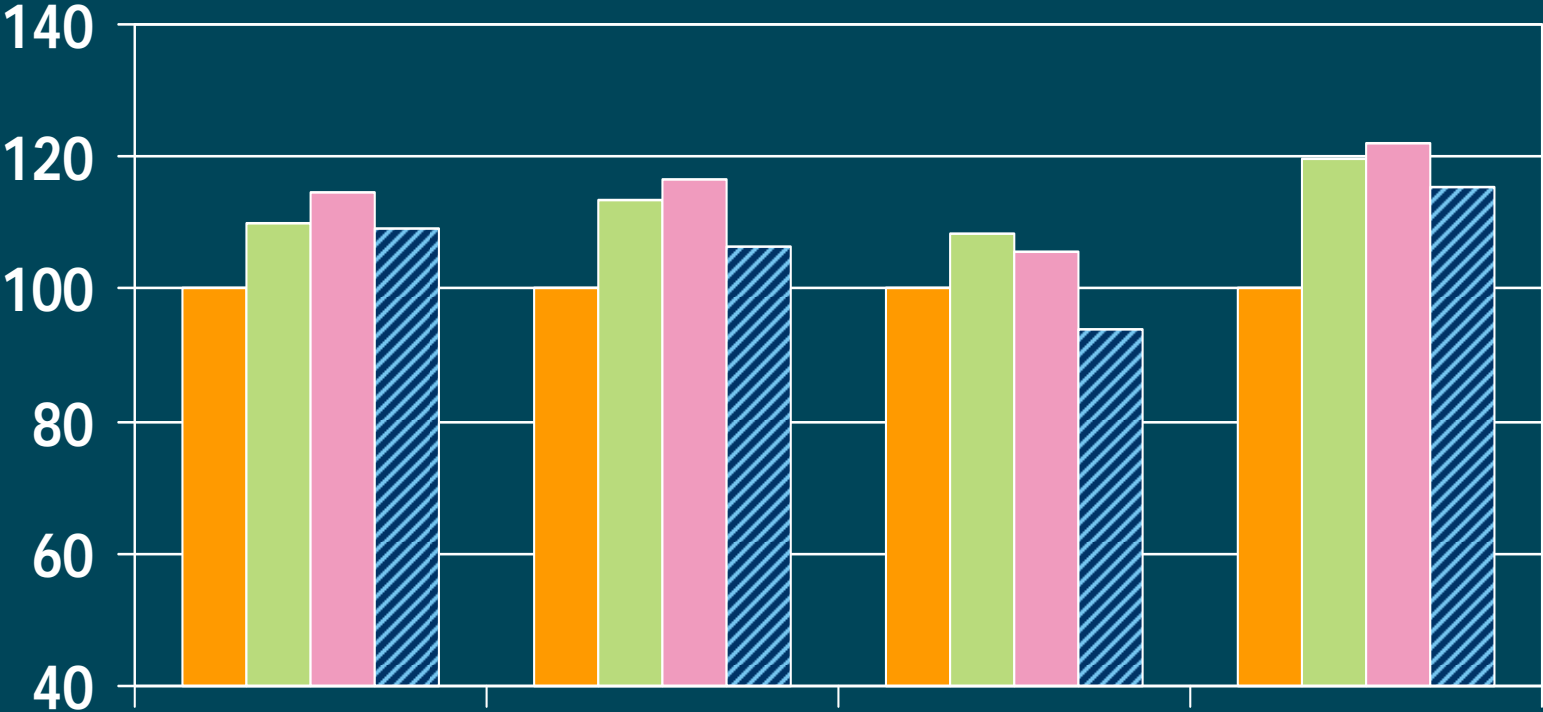
**Annualized House Price Appreciation (%)
(OFHEO House Price Index)**

	2003	2004	2005	2006 Q1	2006 Q2
US	7.8	11.9	13.4	9.1	4.8
PA	7.8	11.7	12.8	10.3	6.6
NJ	12.2	15.1	16.1	10.0	7.6
DE	10.3	15.0	16.0	10.7	2.5
ME	10.4	12.9	10.9	6.2	-0.8
MA	10.0	11.0	8.3	2.6	-1.7
IN	3.0	3.7	4.7	1.0	-0.2
OH	3.7	4.0	3.8	2.1	-0.2
MI	4.0	4.5	3.6	0.6	-2.8

Existing home sales have peaked for this cycle.

Existing Home Sales

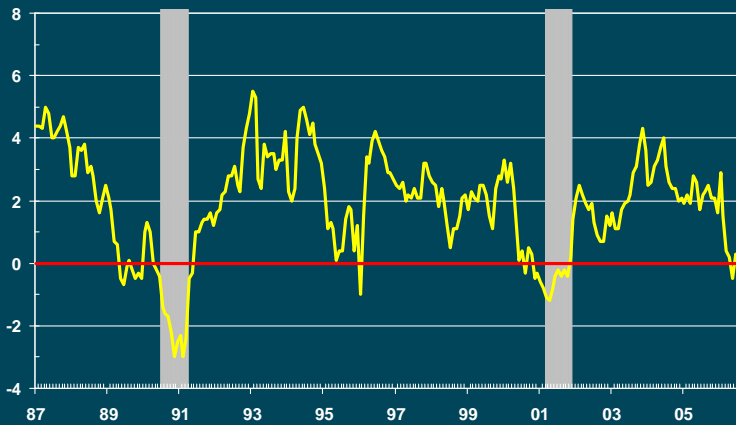
Index (2003 = 100)



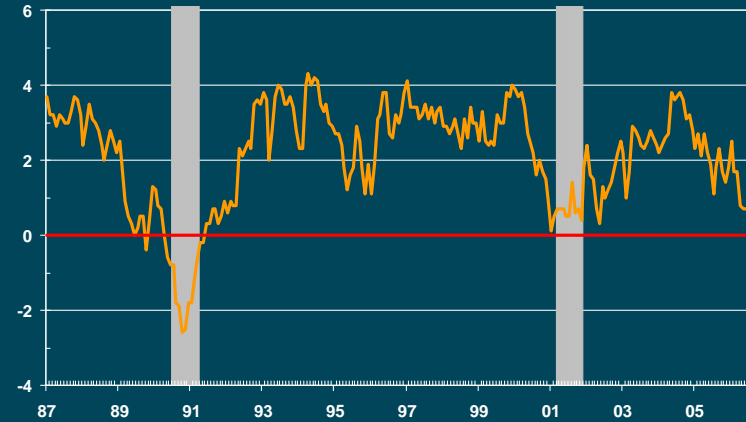
2003 2004 2005 2006 1st half (SAAR)

Our leading indexes for the states have been lower in the last few months, indicating slower growth ahead.

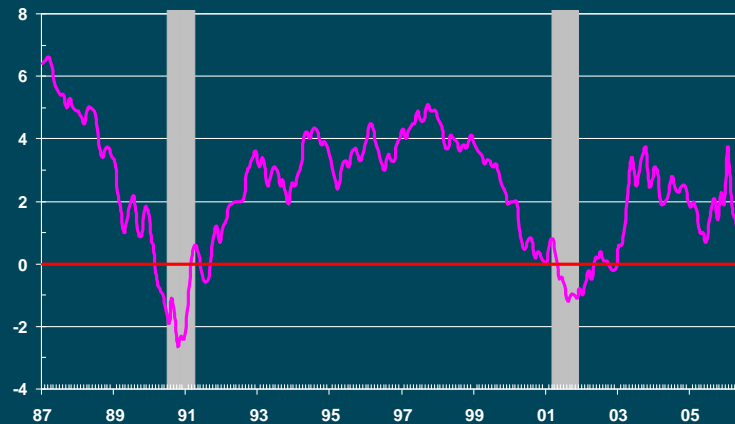
Pennsylvania



New Jersey



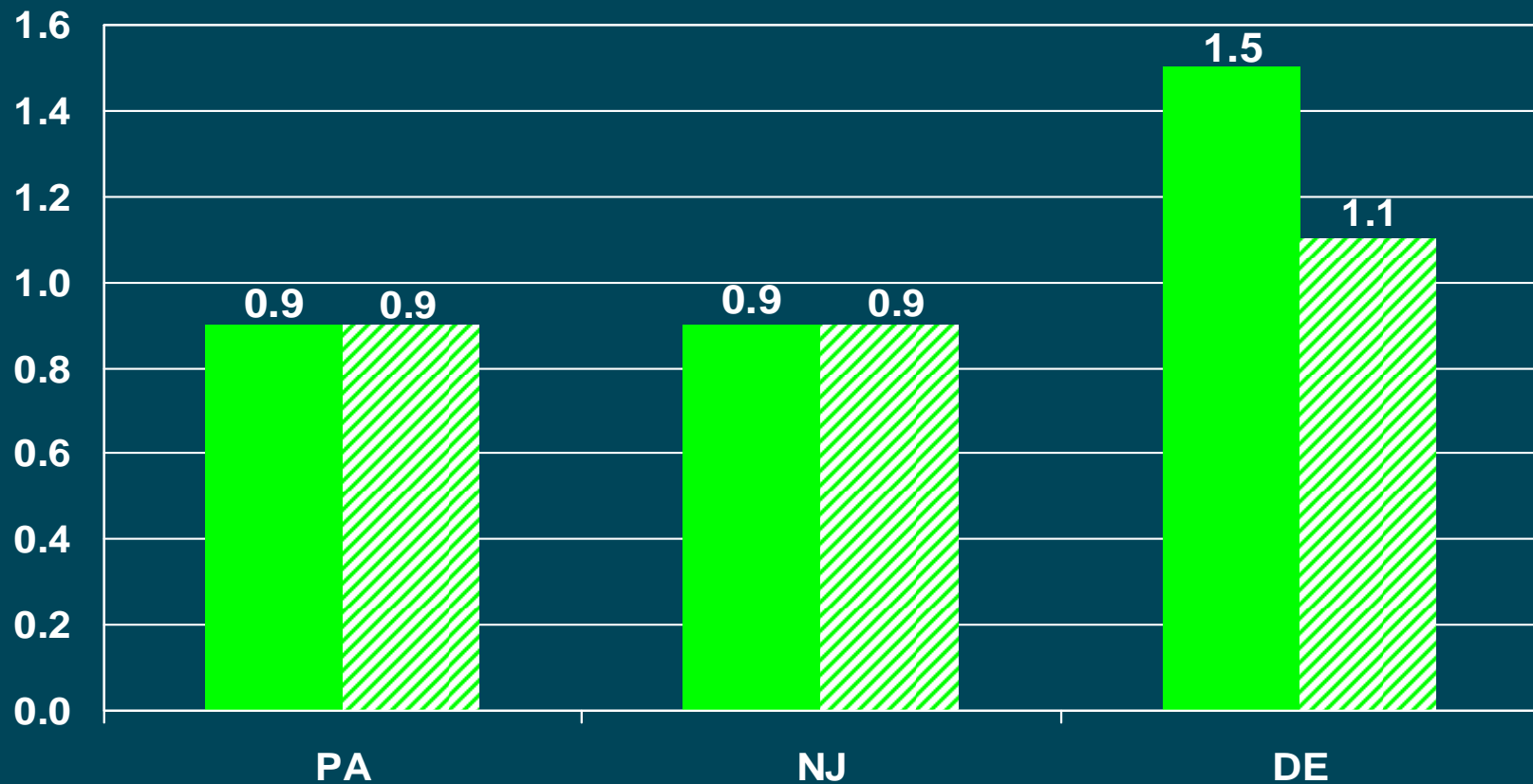
Delaware



Job growth is projected to hold steady from last year's pace in Pennsylvania and New Jersey and to slow in Delaware.

Payroll Employment Growth (Second Quarter to Second Quarter)

Percent

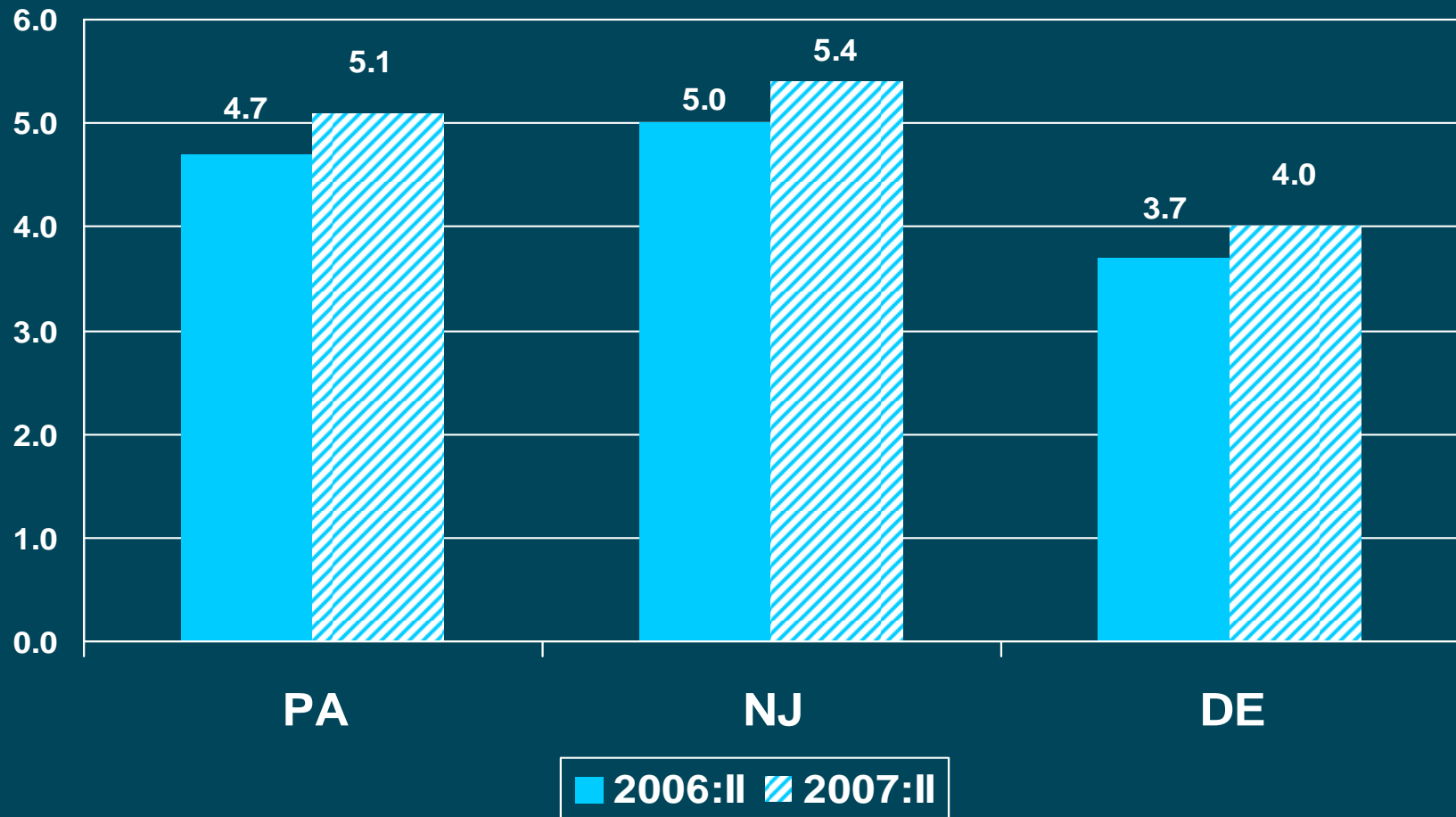


■ 2005:II - 2006:II ▨ 2006:II - 2007:II

Unemployment rates are expected to rise by next year.

Unemployment Rates (Second Quarter)

Percent



The Federal Reserve Bank of Philadelphia as a Resource



FEDERAL RESERVE BANK
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Business Outlook Survey

The *Business Outlook Survey* is a monthly survey of manufacturers in the Third Federal Reserve District. Participants indicate the direction of change in overall business activity and in the various measures of activity at their plants: employment, working hours, new and unfilled orders, shipments inventories, delivery times, prices paid, and prices received. The survey has been conducted each month since May 1968.

[2006-2007 Release Calendar](#)

[Historical Data Page](#)

Historical monthly data for all of the *Business Outlook Survey* diffusion indexes and aggregate proportions series (percentage of firms reporting increases, decreases, and no change) are available from May 1968 to the most current release month.

The survey's annual historical revisions, which incorporated new seasonal adjustment factors, were released on January 12, 2006, at noon E.T. (see [Press Release](#) and [details](#))

related links

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Regional Highlights

Regional Highlights, published quarterly, analyzes recent economic activity in the Third Federal Reserve District. Topics include employment, retail spending, manufacturing, and housing activity by state. The links to the right will take you to pdf versions of the most recent *Regional Highlights* and some back issues.

related links

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The Beige Book

The
Beige
Book

September 6, 2006

Federal Reserve Districts

Third District--Philadelphia

Economic activity in the Third District increased in August, although the rate of growth appeared to ease. Manufacturers' shipments and orders increased. Retail sales of general merchandise rose slightly, but auto sales weakened. Bank lending increased, but not as much as it had in previous months. Residential real estate activity slowed sharply, but commercial real estate markets tightened.

Third District business contacts generally expect business activity in the region to continue to expand, but they have become more cautious in their outlook. Manufacturers expect further gains. Retailers anticipate only modest growth in sales. Auto dealers expect sales to remain slow. Banks anticipate slight gains in business and consumer lending but forecast a further decline in mortgage lending. Commercial real estate contacts expect the demand for office and industrial space to continue, but residential real estate agents and home builders anticipate further declines in home sales.

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Data, surveys, and analysis:

www.phil.frb.org

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