Monthly Economic Update

SEPTEMBER 2021, FEATURING AUGUST NEWS RELEASES

WISCONSIN DEPARTMENT OF REVENUE

Based in part on information and commentary supplied by Federal and State government statistical agencies.

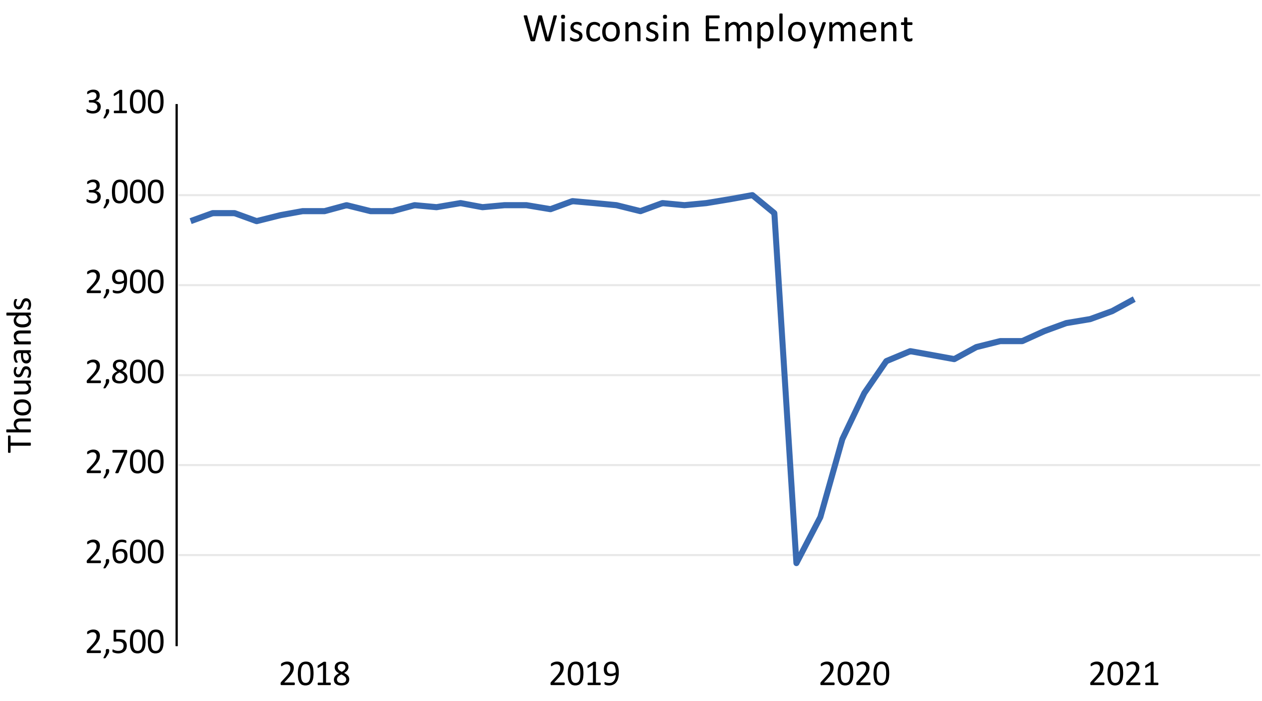
Wisconsin Updates

Employment

- Industry Detail

Housing Permits

Wisconsin Added 13,100 Jobs in July



Source: US Bureau of Labor Statistics, Current Employment Statistics Program.

Wisconsin added 13,100 jobs in July. 12,400 of those were in private employment, while government added 700 new jobs.

At 2.884 million jobs, July employment was 3.8%, or 114,000, below the pre-pandemic peak of 2.998 million in February of 2020.

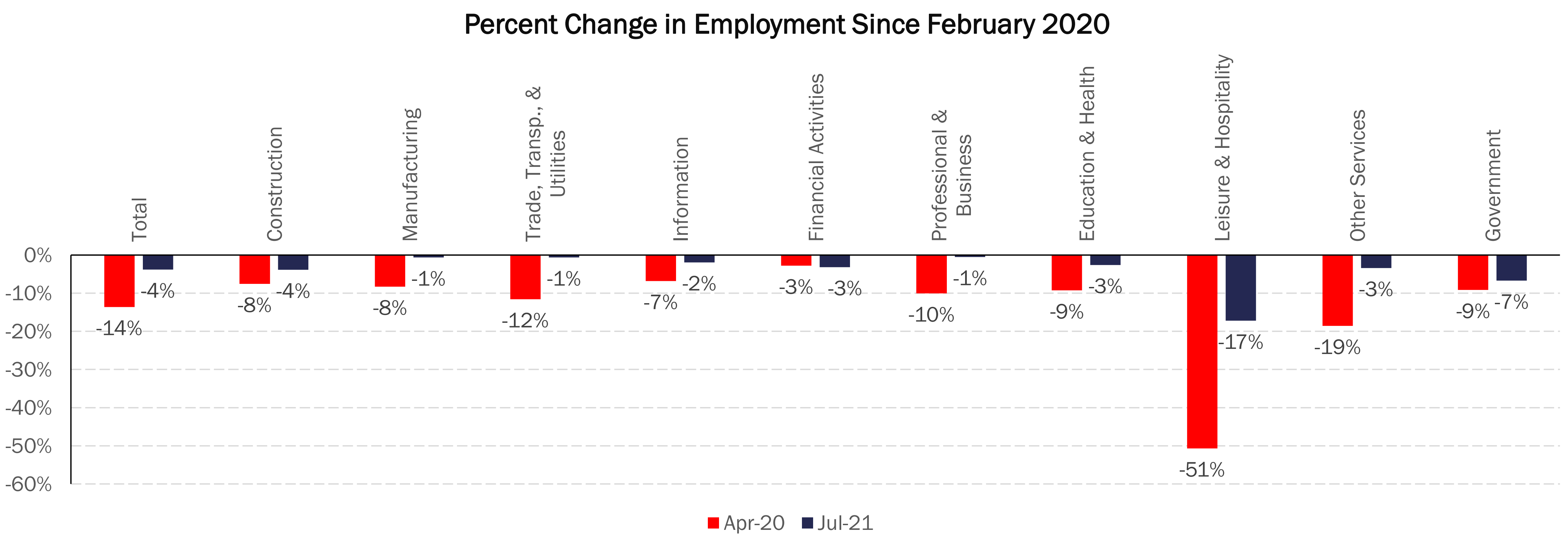
Most industries posted monthly jobs gains. The largest gains were in educational services (3,300 jobs), manufacturing (2,300 jobs) and wholesale trade (2,000 jobs).

The leisure and hospitality industry continues to recover at a solid pace adding 4,000 jobs in July. The industry lost 146,000 jobs between February and April 2020 and it's now 50,000 below its pre-pandemic level.

Local governments added 1,600 jobs, more than offsetting the loss of 1,200 jobs in state government.

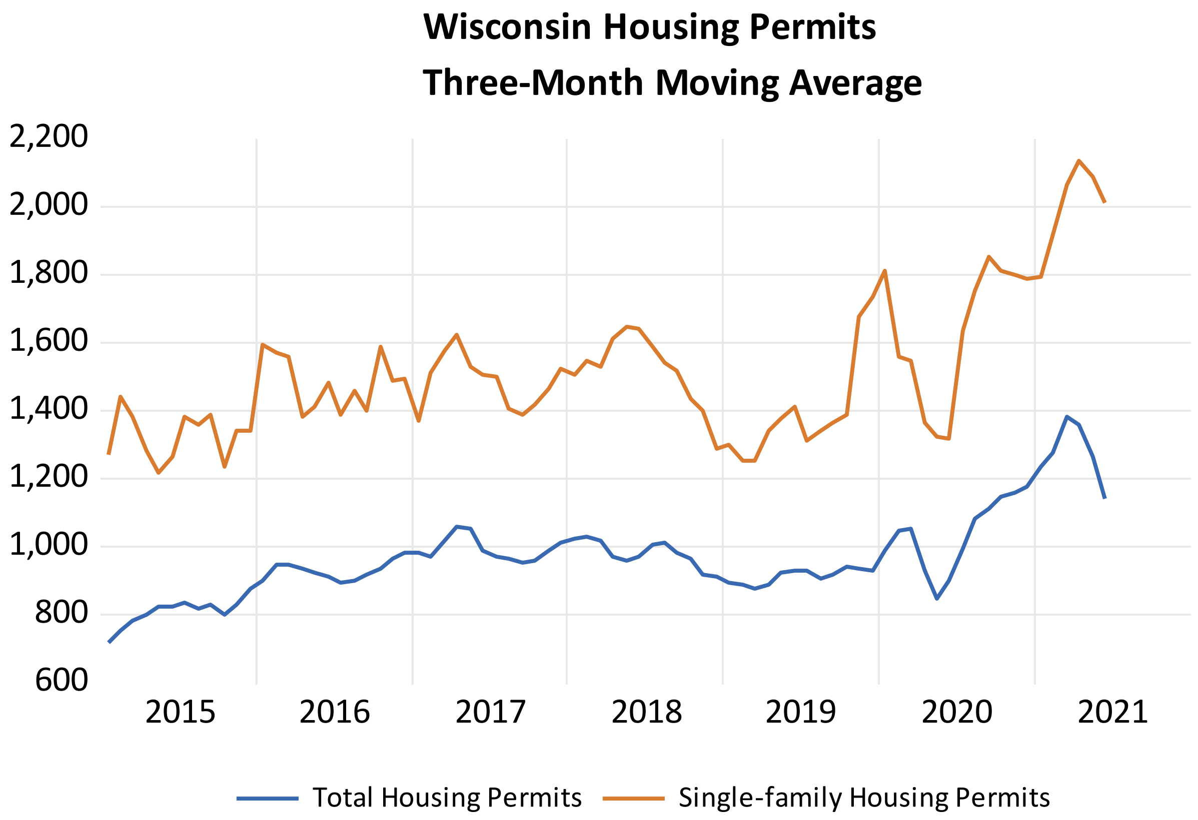
The unemployment rate remained at 3.9%, and the labor force increased by nearly 10,000.

Wisconsin July Employment Detail: Continued Recovery in Nearly all Sectors



Source: US Bureau of Labor Statistics, Current Employment Statistics Program.

WI Housing Permits Dipped in Second Quarter



Source: US Census Bureau

Similar to the pattern at the national level, Wisconsin housing permits have slowed over the past three months.

Prior to the dip, housing permits were at their highest level since mid-2003, before the housing crisis.

Permits for the first half of the year remain above last year's level, which was negatively impacted by the pandemic. Total housing permits were 42.4% above last year's level during the first half of the year, while single-family permits were 29.6% above last year's level.

Both single and total housing permits are above their pre-pandemic level.

US Updates

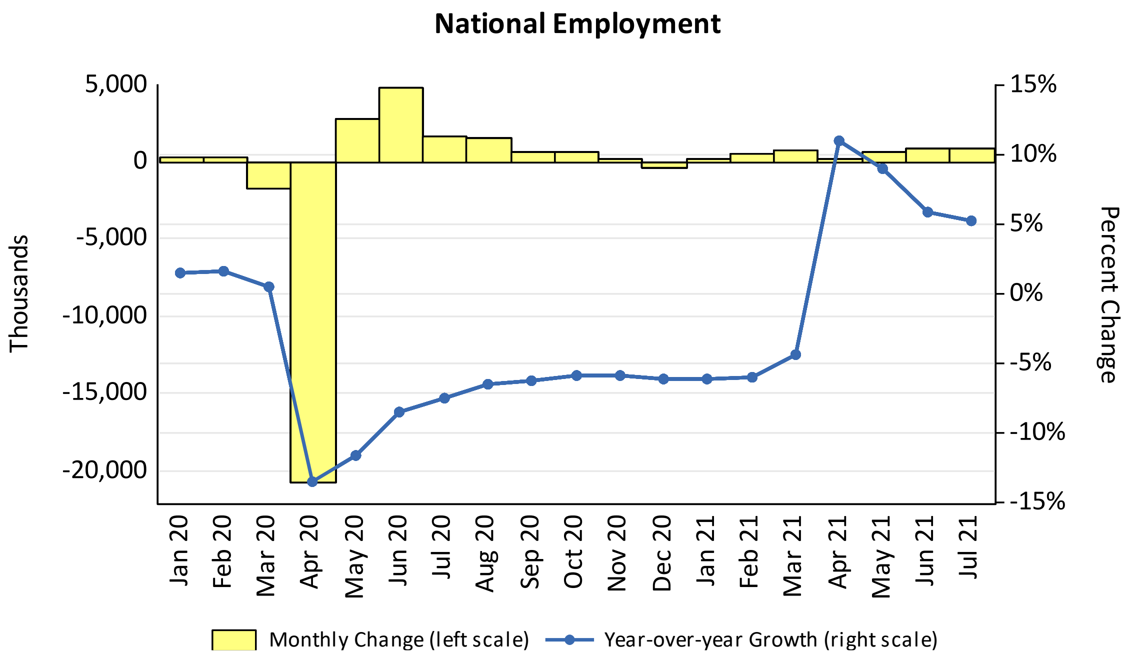
Employment

Inflation (CPI)

Personal Income

Consumer Sentiment

US Adds 943,000 Jobs in July Driven by Services Sectors



Nonfarm payroll employment rose 943,000 in July following gains over May and June that were revised higher by a cumulative 119,000. The unemployment rate declined 0.5 percentage point to 5.4%, as a sharp gain in civilian employment substantially outpaced a moderate increase in the civilian labor force.

The July employment report revealed that labor-market conditions were improving rapidly just prior to the intensification of the Delta outbreak.

Nearly two-thirds of the gain in total payrolls in July was in education services (public and private) and accommodations and food services, where payrolls expanded a combined 600,000.

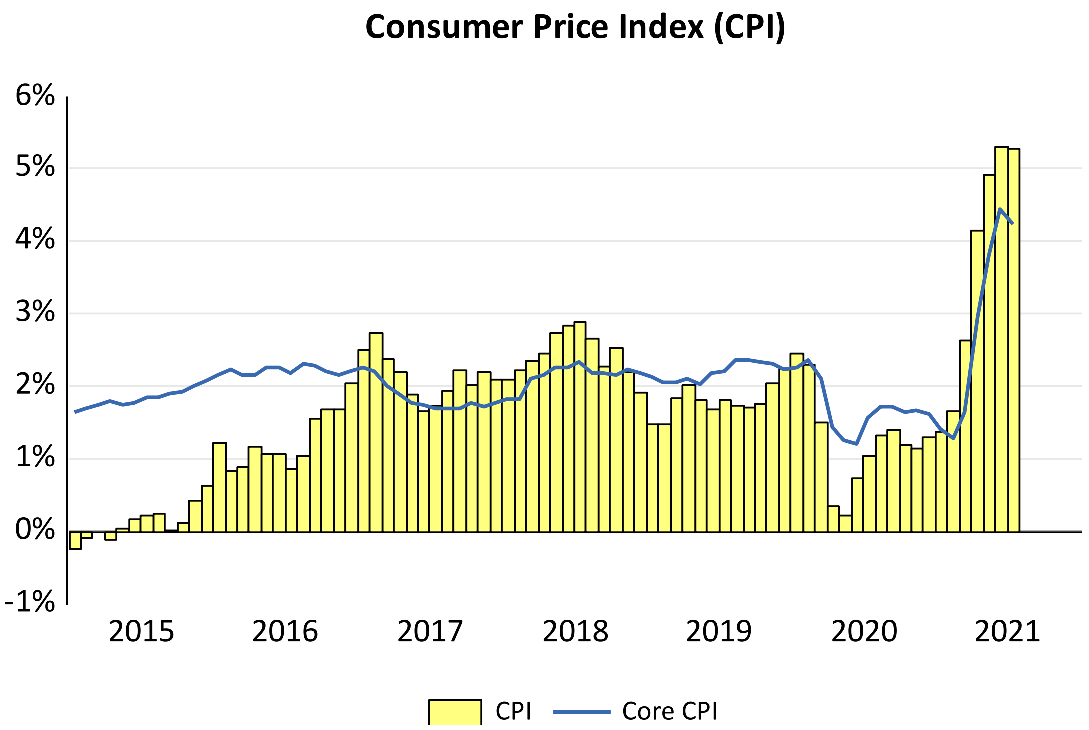
Payrolls have come a long way since spring 2020 but are still 5.7 million short of the pre-pandemic peak. Roughly one-half of this deficit is accounted for by leisure and hospitality (1.7 million short of full recovery) and education and healthcare (1.4 million short of full recovery).

The average (private) workweek was unchanged in July at 34.8 hours, remaining well above pre-pandemic norms.

Average hourly earnings (AHE) rose 0.4% in July and are up 4.0% from July 2020.

Source: US Bureau of Labor Statistics, Current Employment Statistics Program.

Consumer Prices Increased 0.5% in July



The consumer price index (CPI) rose 0.5% in July and the core CPI, which excludes food and energy, rose 0.3%. Both indices increased 0.9% in June. The CPIs for food and energy rose 0.7% and 1.6%, respectively.

The 12-month change in the overall CPI remained at 5.4% in July. The 12-month change in the core CPI eased 0.2 percentage point to 4.3%.

The index for used car and truck prices rose just 0.2% in July following increases over the previous three months that averaged 9.3%.

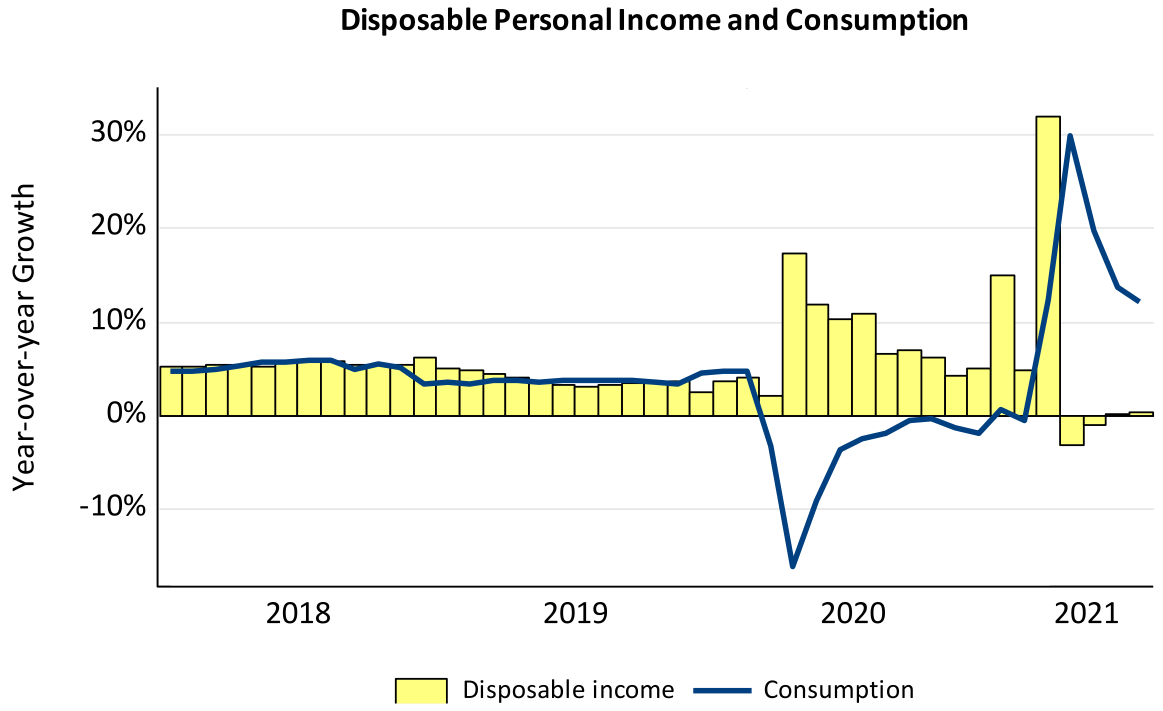
More broadly, several pandemic-affected price components were mixed in July. The price index for airline fares declined 0.1% and the price index for car rentals fell 4.6%. In contrast, the CPI for other lodging away from home (hotels and motels) rose 6.8%, continuing its sharp rebound.

Relative to its immediate pre-pandemic level in February 2020, the core CPI has risen at an annualized rate of 3.2%, underscoring that a portion of the rise in 12-month inflation is due to “base effects”—comparisons with depressed price levels earlier in the pandemic.

Rents have firmed in the past couple of months but the trend in rent inflation remains low. Owner’s equivalent rent and rent of primary residence rose 0.3% and 0.2%, respectively, in July. Their 12-month changes were 2.4% and 1.9%, respectively, both below pre-pandemic trends but above lows earlier this year.

Source: US Bureau of Labor Statistics, Consumer Price Index

US Personal Income Boosted by Wage Gains and Child Tax Credit Payments in July



Source: US Bureau of Economic Analysis

Personal income rose 1.1% in July and was 2.7% above a year ago. Real disposable personal income (DPI) increased 0.7% in July but declined 3.5% from July 2020. Wage and salary income increased by 1.0% over the month.

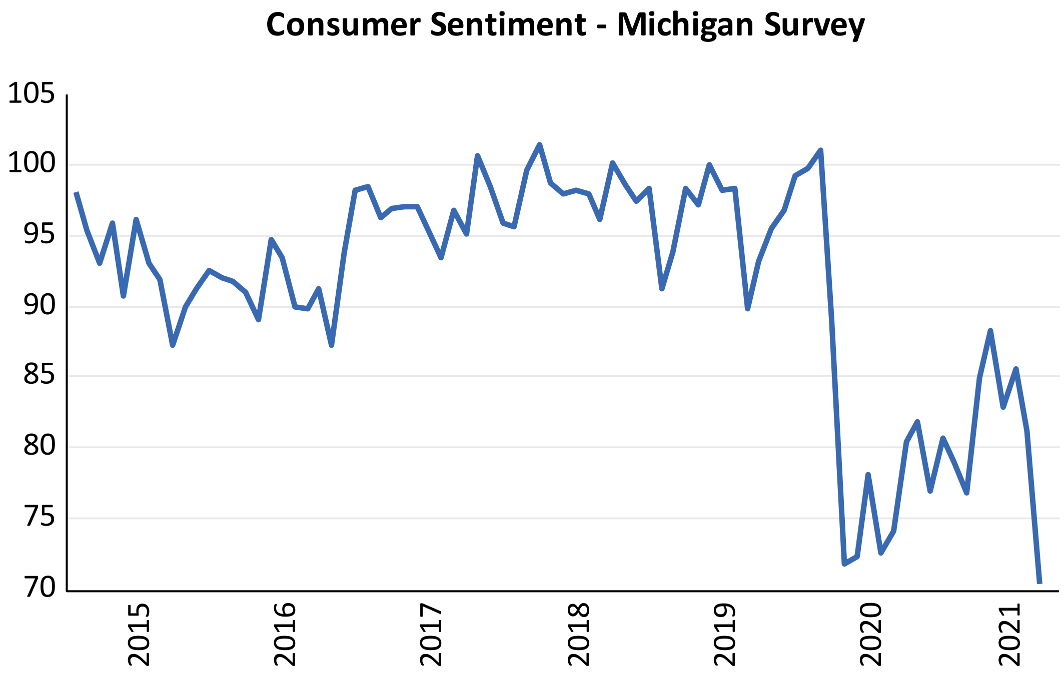
Declining participation in special pandemic-related unemployment programs reduced personal income by $52 billion (annual rate) in July, while advance payments of the Child Tax Credit authorized under the American Rescue Plan raised personal income by $212 billion (annual rate).

Real personal consumption expenditures (PCE) edged down 0.1% in July as a 1.6% decline in spending for goods marginally offset a 0.6% increase in spending for services. Within goods, real PCE for motor vehicles and parts declined 3.7% in July and was 19% lower than its April peak.

The profile of PCE through July was somewhat softer than expected, implying less PCE growth in the third quarter.

The core PCE price index increased 0.3% in June, a marked deceleration from the prior three months when the average monthly increase was nearly 0.6%. Price pressures in the used vehicle market are beginning to abate; the price index for net purchases of used motor vehicles declined 0.2% in July.

US Consumer Sentiment Dives in August



Source: University of Michigan, Surveys of Consumers

The University of Michigan Consumer Sentiment Index plummeted 10.9 points (13.4%) from its July level to 70.3 in the final August reading—slightly below its nadir in April 2020.

The decrease was predominantly caused by a plunge in expectations, the index for which fell 13.9 points to 65.1. Views on the present situation were also lower as that index declined 6.0 points to 78.5.

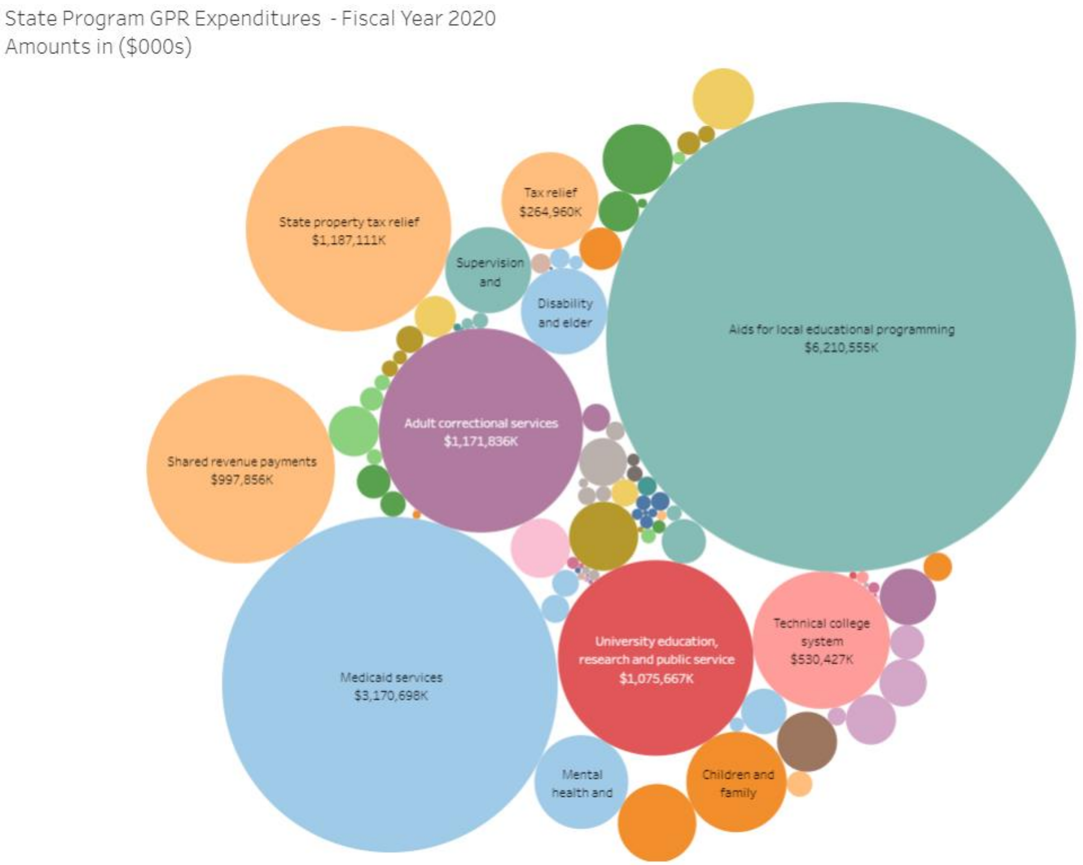
The decline in sentiment was shared among households throughout the income distribution. The index of sentiment for households earning more than $100,000 a year fell 11.0 points to 73.3, while sentiment for households earning less than $100,000 a year fell 9.4 points to 70.0.

The expected one-year inflation rate edged down 0.1 point to 4.6%. Consumers do not appear overly concerned with inflation over the longer term; the expected 5-to-10-year inflation rate rose 0.1 point to 2.9%, well within its historical range.

Views on buying conditions for big-ticket items moved deeper into negative territory in August. The indexes of buying conditions for large household durable goods, homes, and vehicles were each near their lowest levels since the early 1980s.

The dramatic decline in the index reflects consumers' COVID-19 fatigue. This report emphasizes the downside risks related to the spread of the Delta variant.

Explore Our Interactive Data!



DOR's Division of Research and Policy created and maintain a visualization to show in a clear format an overview of the amounts of General Fund Revenue collected and the purposes of which the amounts are spent. (as required by 2021 Act 66).

To the left is one view of the data. More detail can be found at Act 66 State Fiscal Dashboard

You can check out our other visualizations on a range of Wisconsin tax and economic data at DOR Interactive Data Visualizations (wi.gov).

Questions: doreconomists@wisconsin.gov

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