

# The University of Scranton

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## Foreword

In our commitment to serve the community, in this issue of Brennan Barometer, we provide updates on the two most important areas of the regional economy: the labor market and the housing market, using the data that have become available since our last issue in February and the Banking Crisis supplement in April 2023. But no discussion of economic conditions can be complete without reflecting on the current state of inflation in the economy. Therefore, we have included in this issue a brief discussion on that as well.

In our next long issue of the Brennan Barometer, we plan to provide more detailed discussions and analysis of these and other topics of interest.

We thank Dr. Mark Higgins, Dean, Kania School of Management, University of Scranton for his continued support. Satyajit Ghosh wants to take this opportunity to extend special thanks to Steven Zellers, Industry and Business Analyst—Pennsylvania Department of Labor and Industry, for his help with regional data and many valuable discussions.

However, we alone are responsible for our analysis and any errors or omissions.

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Figure 1: Local and State Unemployment Rates  
(January 2023-May 2023)

Source: PA Dept. of Labor and Industry

unemployment rates between January and May 2023. In April 2023, its unemployment rate fell to 3.7%. Only once before, its unemployment rate fell below this level, when it fell to 3.6% in May 2018. Wyoming County's unemployment rate increased somewhat to 4% in May 2023.

The strength of the MSA's labor market is also seen in Figure 2, which demonstrates that while the size of the labor market remained relatively stable between January and May 2023, the fall in the MSA's unemployment rate was brought about by a consistent increase in the number of employed workers and reduction in the number of unemployed individuals.

As for the source of job creation in the region between January 2023 and May 2023, out of 5500 new non-farm jobs, the private sector contributed more than 96% jobs and the



## Housing Markets: Building Permits, Home Sales Inventory, House Prices, and Rent

### Building Permits

The number of approved housing permits is one of the ten components of the Index of Leading Economic Indicators computed by the Conference Board, and is a leading indicator closely tied to consumer confidence.

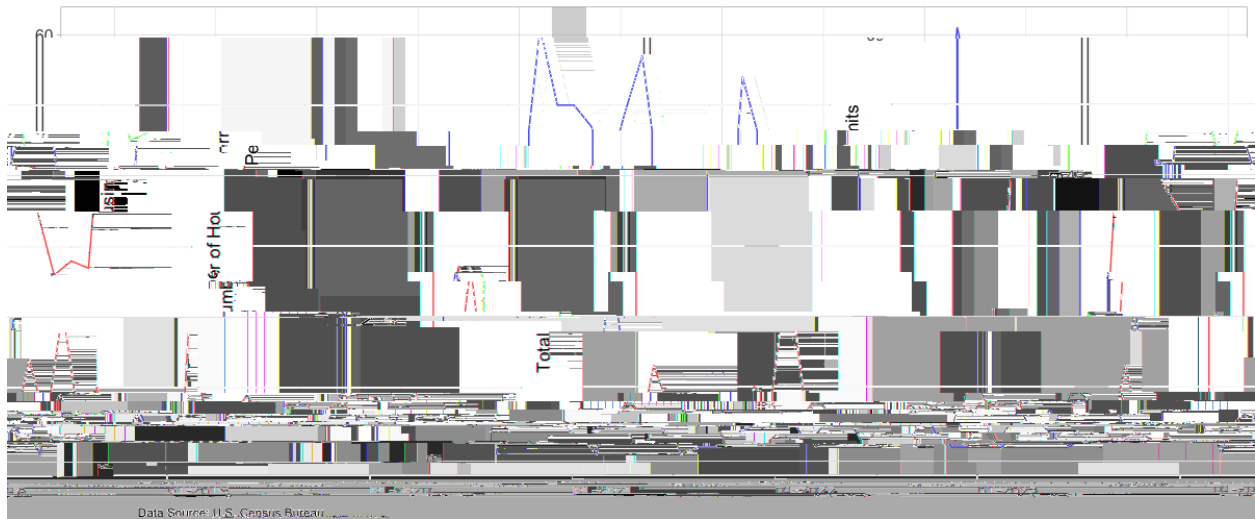


Figure 3: Total Number of Housing Permits in the Scranton – Wilkes-Barry – Hazleton MSA

Figure 3 shows the total number of approved building permits in the Scranton – Wilkes-Barry – Hazleton MSA between January 2018 and May 2023. As the chart indicates, the number of housing permits in the area remained at a visibly higher level in comparison to the pre-January 2023 figures.

### For-Sale Home Inventory

Every month, Zillow.com publishes the (smoothed) number of monthly for-sale inventory of all types of homes measured by the count of unique listings that were active at any time in a given month.<sup>1</sup> With lower numbers representing fewer houses listed for sale, this statistic is often viewed as an overall indicator of the tightness of the housing market. Figure 4 shows the monthly for-sale housing inventory in the United States and the city of Scranton. For both, Scranton and the United States, this indicator shows a slight softening of the housing market in recent months. However, upon reviewing Figure 5, which

<sup>1</sup><https://www.zillow.com/research/data/>

illustrates the year-over-year percent change in housing inventory, it can be inferred that the housing market in the Scranton area experienced a slight tightening in May 2023 compared to the corresponding period the previous year. Between May 2022 and May 2023, Scranton has shed 2.5% of its housing inventory, while in the United States, housing inventory has increased by 2.6%.

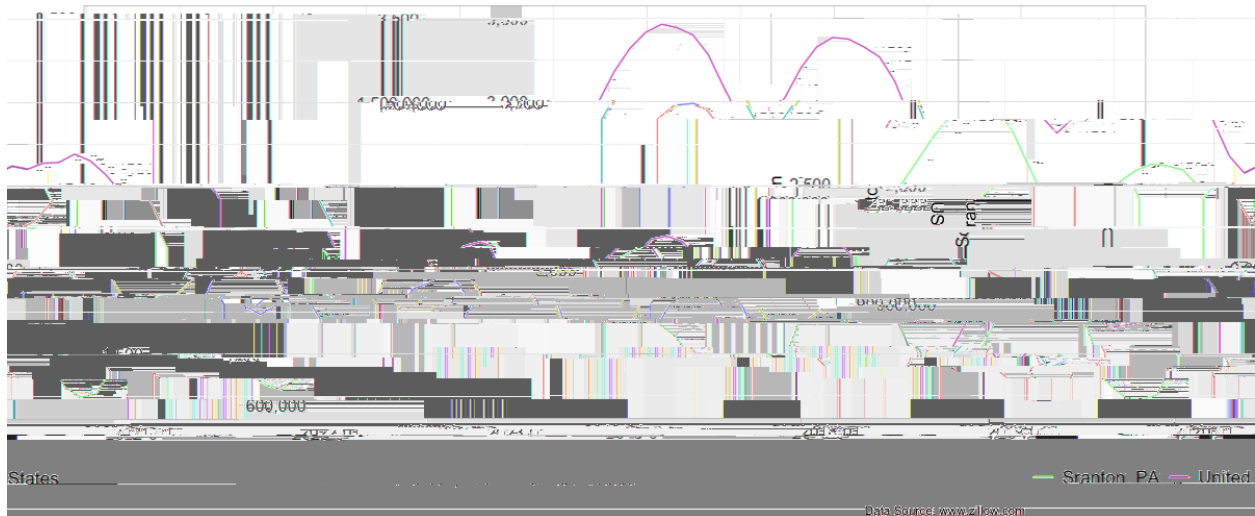


Figure 4: Monthly Smoothed Number of For-Sale Housing Inventory



Figure 5: Year-over-Year Percent Change in Monthly Smoothed Number of For-Sale Housing Inventory

## Home Prices and Rents



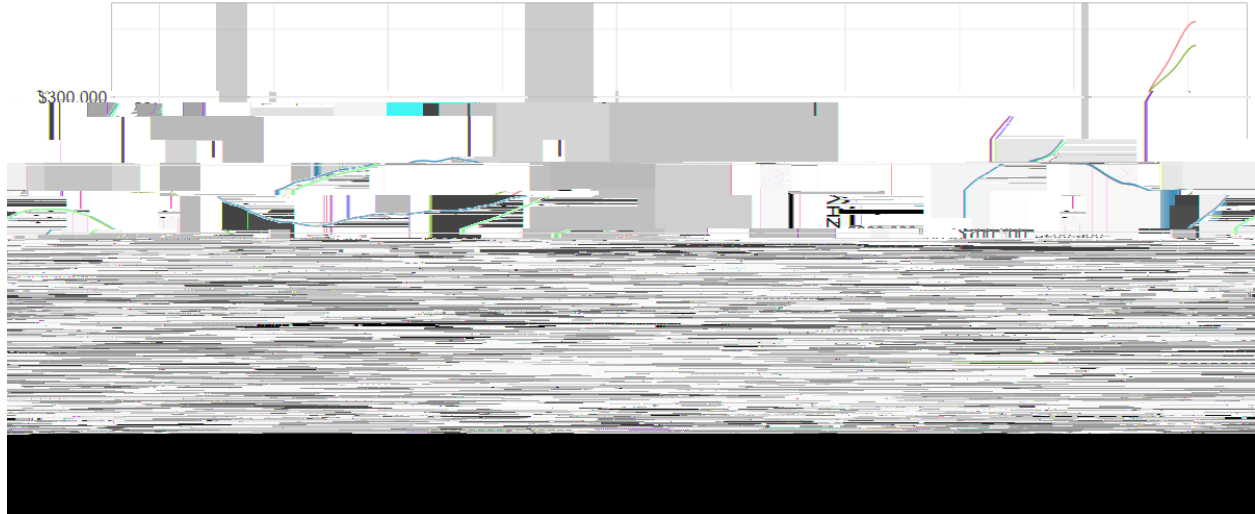


Figure 7: The Zillow Monthly Housing Value Index (ZHVI)



Figure 8: Year-over-Year Percent Change of the Zillow Monthly Housing Price Index

Zillow.com also publishes its Observed Rent Index (ZORI) for different types of geographies (metro area, city, ZIP code, etc.).<sup>2</sup> ZORI is a measure of typical observed market rent in a region; it represents repeat rents as well as the rents of those homes that are currently listed for-rent. The index is computed by considering the mean of listed rents that fall into the 40<sup>th</sup> to 60<sup>th</sup> percentile range for all homes and apartments in a given region. Figure 9 shows the mean rent in Scranton, PA, Philadelphia, PA, and the US over time. The chart reveals that rents in the Scranton metro area on average have been and still are much lower than in the Philadelphia metro area or in the US in general. In May 2023, the average rent in Scranton, Philadelphia, and across the US were \$1,212,

<sup>2</sup>ibid. see the footnote on page 4.

\$1,864, and \$2,048 respectively. However, relative to median income, rental costs in the Scranton area remained at par with the rest of the US. According to the 2020 US Census data, the median annual household income in Scranton, Philadelphia, and the US were \$41,687, \$49,127, and \$67,000 respectively. These numbers imply that in May 2023, median households in both, the Scranton area and the US spent about 30% of their 2020 income on rent, while the same measure of rental affordability for Philadelphia was around 38%.

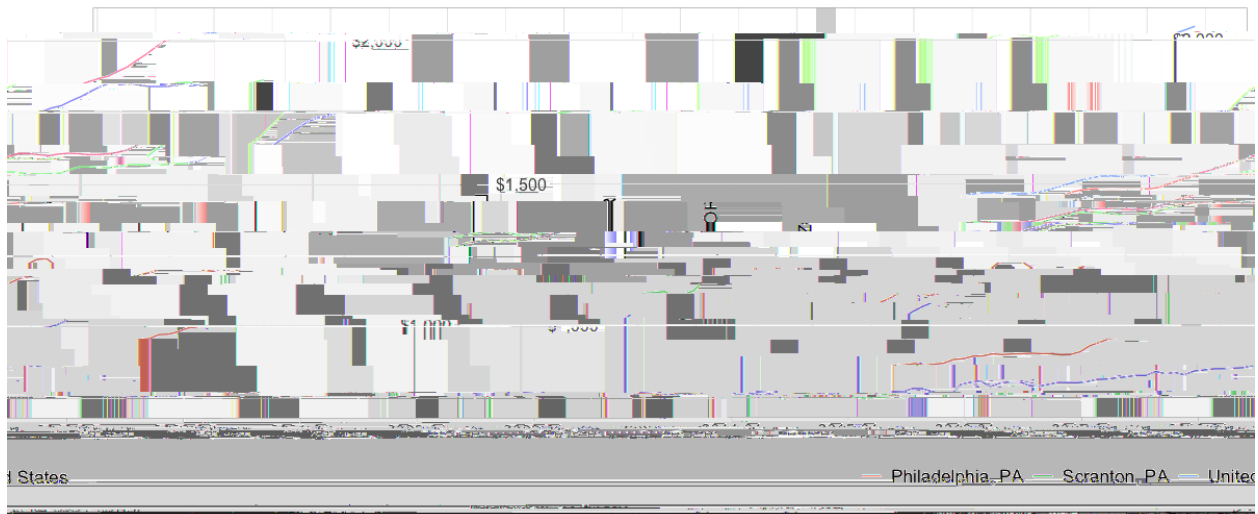


Figure 9: The Zillow Monthly Observed Rent Index (ZORI)

Figure 10, which displays the year-over-year percent change of the Zillow Observed Rent Index (ZORI), clearly illustrates that for approximately two years following the COVID pandemic, rents in the Scranton area experienced significantly faster growth compared to both Philadelphia and the overall United States market. However, it is evident that this trend did not persist, and by May 2023, rent growth in the Scranton is back to its pre-pandemic levels.

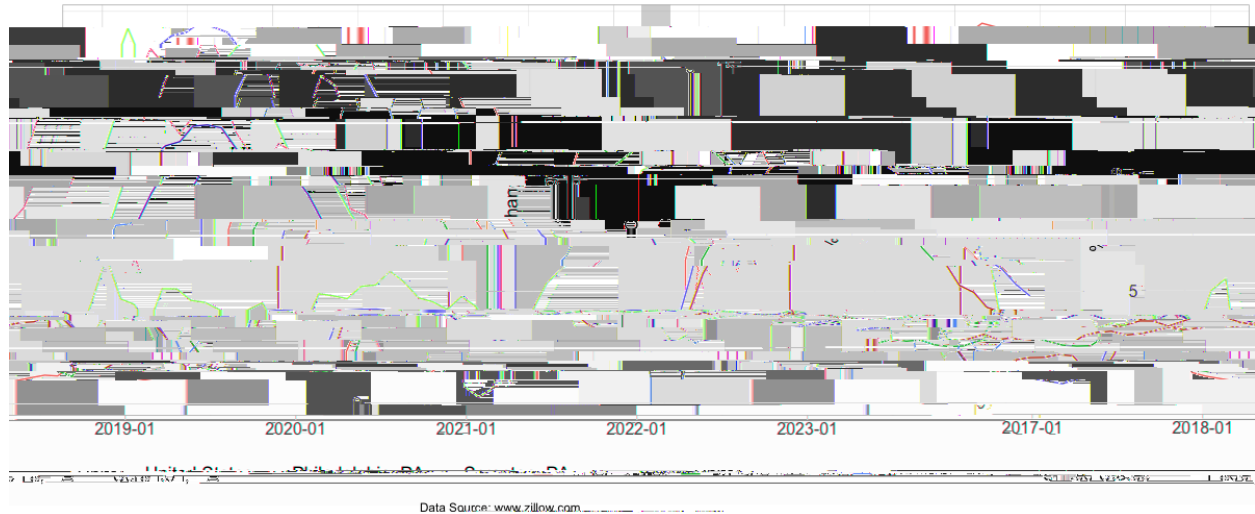


Figure 10: Year-over-Year Percent Change of the Zillow Monthly Observed Rent Index (ZORI)

*For any questions and comments regarding this section contact Aram Balagyozyan.*

## Inflation Watch

Worries about inflation weigh heavily on everyone's mind. It was only a year ago when in June 2022 we experienced the highest inflation rate in nearly forty years when the CPI (Consumer Price Index) based inflation in the United States reached 9.1%. The good news is that since then, perhaps mostly due to the aggressive interest rate hikes by the Fed, the annual inflation rate fell and in June 2023, it reached 3.0% – its lowest level since March 2021.

Table 1 shows the changes in the CPI-based inflation rates between January 2023 and June 2023 for key items of consumer concern. All of items show reduction in inflation which is often rather substantial. While the headlines may say that the inflation rate is down, consumers are more interested in the prices of the basic items that they deal with in their daily lives, such as food, gasoline, and housing among others. As Table 1 shows, there has been a significant reduction in inflation across almost all items. Between January and June 2023, inflation in food prices continued to fall to 5.7%. By January 2023, the rate of price increase in Gasoline was already slowing down. That trend continued and by June, the 12-month average of gasoline prices fell by more than 26%. Energy prices also followed the same trend. Economists and policy makers pay close attention to inflation of items excluding food and energy, because the prices of these two items tend to be the most volatile. Inflation for all items, excluding food and energy, fell from 5.6% to 4.8%.

One important feature of the recent inflation is the high rate of inflation in the service sector. That also has improved. Between January 2023 and June 2023, inflation for

	January 2023	June 2023
All items	6.4%	3.0%
Food	10.1%	5.7%