

STATE

COINCIDENT

INDEXES



MAY 2020

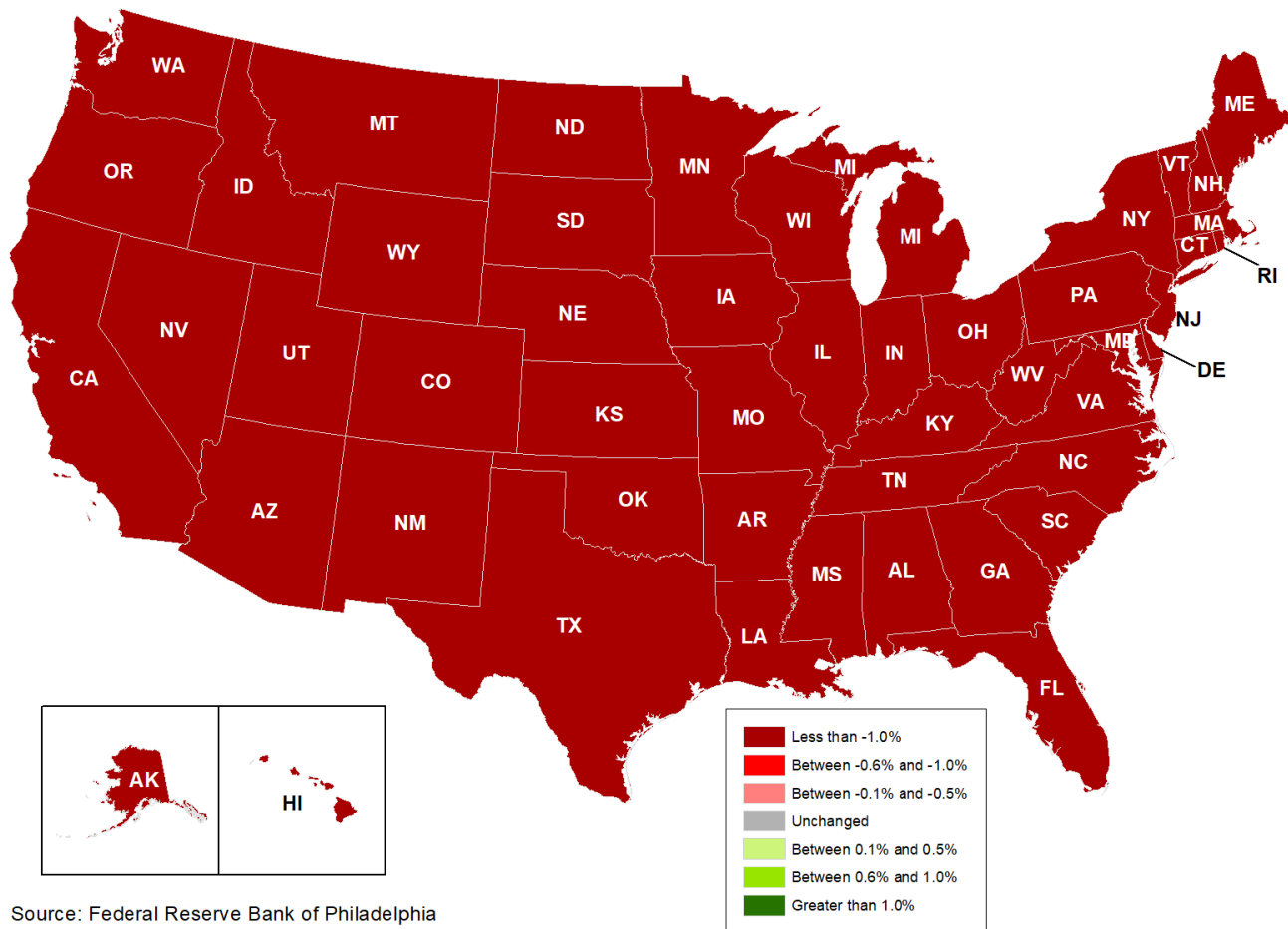
Release Date: June 26, 2020

The Federal Reserve Bank of Philadelphia has released the coincident indexes for the 50 states for May 2020. Over the past three months, the indexes decreased in all 50 states, for a three-month diffusion index of -100. Additionally, in the past month, the indexes increased in 33 states, decreased in 16 states, and remained stable in one, for a one-month diffusion index of 34. For comparison purposes, the Philadelphia Fed has also developed a similar coincident index for the entire United States. The Philadelphia Fed's U.S. index fell 9.4 percent over the past three months and increased 2.5 percent in May.

** See the **Potential Impacts of the Coronavirus (COVID-19) Pandemic on the May 2020 State Unemployment Rates and the State Coincident Indexes** and **South Carolina Employment and Wages Data** on the third page.

The next release date of the state coincident indexes will be July 22, 2020.

May 2020 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

Historical data for the state coincident indexes and diffusion indexes are available in Excel format. Click [here](#) to download the files.

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THIRD DISTRICT COINCIDENT INDEXES: MAY 2020

Pennsylvania

In the three months to May, the coincident index for Pennsylvania fell 13.9 percent. The level of payroll employment remained much lower than that of February, while the unemployment rate stayed at an elevated level during the three-month period. In addition, average hours worked in manufacturing declined. Overall, Pennsylvania's economic activity as measured by the coincident index has fallen 13.4 percent over the past 12 months.

New Jersey

In the three months to May, the coincident index for New Jersey fell 15.4 percent. The level of payroll employment remained much lower than that of February, while the unemployment rate stayed at an elevated level during the three-month period. In addition, average hours worked in manufacturing declined. Overall, New Jersey's economic activity as measured by the coincident index has fallen 14.4 percent over the past 12 months.

Delaware

In the three months to May, the coincident index for Delaware fell 34.7 percent. The level of payroll employment remained much lower than that of February, while the unemployment rate stayed at an elevated level during the three-month period. In addition, average hours worked in manufacturing declined. Overall, Delaware's economic activity as measured by the coincident index has fallen 34.5 percent over the past 12 months.

May 2020 DATA: Third District Coincident Indexes

Area	May 2020*	1-Month Change	3-Month Change	12-Month Change
Pennsylvania	105.7	7.5%	-13.9%	-13.4%
New Jersey	107.5	2.0%	-15.4%	-14.4%
Delaware	83.6	-9.8%	-34.7%	-34.5%
US	118.0	2.5%	-9.4%	-7.9%

* Indexed to 2007 annual average. Values are subject to monthly revision.

Visit [our website](#) for data, maps, and more information on the state coincident indexes.

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**** Potential Impacts of the COVID-19 Pandemic on the May 2020 State Unemployment Rates and the Philadelphia Fed's State Coincident Indexes**

In May 2020, unemployment rates were lower in 38 states and higher in three states (in which the monthly change was considered statistically significant); the monthly changes in the remaining nine states were considered stable. For nonfarm payroll jobs, statistically significant level changes were positive in 46 states and negative in one state; the monthly changes in three states were considered stable.

However, the Bureau of Labor Statistics (BLS) noted the following for the U.S. as a whole:

- Despite the over-the-month increase, nonfarm employment in May was nearly 20 million (or 13 percent) below its February level.
- Although unemployment fell in May, the unemployment rate and the number of unemployed people are up by 9.8 percentage points and 15.2 million, respectively, since February.

Our map and our three-month diffusion index currently depict changes from February through May, which remain significantly negative for all 50 states. The monthly unemployment rate is typically the most influential factor underlying a state's coincident index for most states, and the unemployment rate remains elevated in all 50 states on a three-month basis.

Of note, the BLS reported on changes to and aspects of their standard methodology for state estimates that bear particular relevance to movements in the Philadelphia Fed's coincident indexes.

- **Handling reports of zero employment:** The BLS noted that the relationship between firm births and deaths is no longer stable. This prompted a change to its methodology to include some portion of firms that reported zero employment for the period (they are typically excluded). This change resulted in lower payroll job totals for May preliminary estimates, as well as for April final estimates. The latter change contributed to downward revisions of the April coincident indexes for some states. However, for some firms reported employment turned positive in May from zero in April. [See [State Employment and Unemployment — May 2020](#).]
- **Handling misclassifications:** The BLS noted again that in May 2020 an atypically large number of workers were classified as employed, but not at work for "other reasons," and suggested that some of these workers should have been classified as "unemployed on temporary layoff." The BLS noted that the national unemployment rate might have been as high as 16.1 percent (not seasonally adjusted) compared with 13.0 percent. Thus, state unemployment rates also may have been higher than estimated, which would imply that the coincident indexes may have fallen further than our model indicates. [See [FAQ: The Impact of the Coronavirus \(COVID-19\) Pandemic on the Employment Situation for May 2020](#).]

Finally, the BLS reported two other aspects of its methodology of relevance for the coincident indexes:

- **Greater uncertainty:** The May 2020 unemployment rate estimates met the Census Bureau's standards for accuracy and reliability, even though the response rate for the household survey was about 16 percentage points less than in the 12 months preceding February 2020. [See [FAQ: The Impact of the Coronavirus \(COVID-19\) Pandemic on the Employment Situation for May 2020](#).]
- **Handling outliers:** The BLS routinely examines each state's Current Population Survey inputs for outliers. If an outlier is sufficiently large — passes certain statistical tests — the information is retained or preserved as a level shift. If not, the information is discounted. Generally, the need to implement level shifts does not occur during normal month-to-month processing. For May 2020, level shifts were implemented for most, if not all, states.

Beginning with the May report, the BLS also modified its seasonal adjustment process for state estimates in April and May to reduce the impact these large outliers have on the seasonal factors. This change improved the May estimates and resulted in some unusually large monthly revisions to the seasonally adjusted estimates for April 2020. [See [State Employment and Unemployment — May 2020](#).]

**** South Carolina Employment and Wages Data**

According to the Bureau of Labor Statistics (BLS), "QCEW and BED data for 2018 and the first quarter of 2019 for South Carolina are showing unusual movements, potentially as a result of a change in reporting. These unusual movements coincide with a modernization of the South Carolina unemployment insurance system. Both QCEW and BED data are subject to changes in the administrative data produced by state unemployment insurance systems. The BLS is working with its South Carolina partners to identify any impact this system change may have. Data from both QCEW and BED are considered preliminary until the release of their final revision." [Read the report](#).