



Brennan Barometer

Analysis of the Economy of
Wyoming Valley of
Northeastern Pennsylvania

The University of Scranton Kania School of Management

Aram Balagyozyan
Associate Professor

Satyajit Ghosh
Professor

Department of Economics, Finance,
and International Business

August 2026

Foreword from the Dean of the Kania School of Management

It is my pleasure to write the introduction for this edition of The Brennan Barometer newsletter. The Kania School of Management (KSOM) is extremely proud of the work economics professors Satyajit Ghosh and Aram Balagoyan do in conducting their economic analysis of the Wyoming Valley in Northeastern Pennsylvania (NEPA). Their expert analysis of the region's labor, housing, credit conditions, and the Scranton business environment provides the NEPA region with detailed information on what transpired and what businesses can expect going forward. As part of our mission, we aspire to serve as a key academic resource to promote business and economic growth in the region.



When discussing the region's labor market, they examine current unemployment in the region, how it has improved or worsened since their last newsletter, and the current hiring occurring in Northeast Pennsylvania. With respect to the housing market, the authors look at housing permits, housing sales, housing inventory, housing prices, and rental prices, thereby providing a 360-degree view of the current housing climate. Their analysis of credit conditions not only explains what has occurred but also offers a window into future consumer spending.

The newsletter also examines the downtown Scranton business environment. This unique feature allows us to use our business honors students to survey downtown Scranton businesses, and the results give us hands-on data on how the current economic conditions are impacting local business owners. Not only does it capture the sentiments of the businesses, but it also allows our students to get experience collecting data and helping to analyze it. All of the information in this newsletter is supported by charts and graphs, which allow the reader to easily follow their analysis.

Finally, the best part of the newsletter is the Big Picture section, where the authors not only discuss whether they believe inflation will continue or abate but also provide a prediction on whether the national and regional economies will get stronger or weaker. I would strongly encourage you to take the time to read through this newsletter, since it will provide you with a snapshot of where the national and NEPA economies have been and where they are headed.

A handwritten signature in dark ink, reading "Mark Higgins". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Mark Higgins, Ph.D.
Professor of Accounting
Dean, Kania School of Management

Foreword from the Authors

In this issue of Brennan Barometer we take a deeper look at the regional economy by focusing on the region's labor markets, housing markets, credit conditions, and business sentiment.

Aram Balagyozyan would like to acknowledge and thank several undergraduate students in the Frank P. Corcione Business Honors Program who have conducted the survey of business sentiment in downtown Scranton. Those students are Benjamin Blum, Harrison Braid, Dylan Brzyski, Lorenzo Bucolo, Sophia Burbridge, Luca Chiaramonte, Andrew Czahor, Nathaniel Gundling, Patrick Hansen, Jase Heffernan, Trevor Kerlin, Allison Kipp, Molly Lain, Aidan Landers, Riley Lyons, Charlie Malloy, Andrew Mohlenhoff, Vincent Nola, Kylee Noriega, Steven Penatzer, James Scialla, Adria Vargas, Hailey Zambriski, and Christopher Zampirri.

Satyajit Ghosh would like to thank Lauren Riegel, Statistician Manager at the Center for Workforce Information and Analysis, Pennsylvania Department of Labor and Industry, for providing useful regional data and for her valuable insights and suggestions.

The views and opinions expressed in this newsletter are solely those of the individual authors and do not reflect the views, positions, or policies of the Kania School of Management (KSOM) or the University of Scranton. The authors are solely responsible for the analysis presented herein and for any errors or omissions.

Aram Balagyozyan
Satyajit Ghosh

For comments on and suggestions for Brennan Barometer, please contact: Aram Balagyozyan at aram.balagyozyan@scranton.edu or Satyajit Ghosh at satyajit.ghosh@scranton.edu.

Contents

Executive Summary	1
Labor Markets	4
Housing Markets	13
Credit Conditions	21
Downtown Scranton Business Sentiment	23
The Big Picture	27

Executive Summary

Labor Markets

Regional labor markets usually reflect the broad pattern of the changes in the state's labor market, which in turn often follows the pattern of the overall US labor market. Over the last year, the unemployment rates in all these markets changed very little. Between June 2025 and June 2026, the national unemployment rate increased slightly from 4.1 percent to 4.2 percent. During the same period the state unemployment rate in Pennsylvania fell slightly from 4.3 percent to 4.1 percent. The seasonally adjusted unemployment rate in the Scranton-Wilkes-Barre Metropolitan Statistical Area or the MSA, remained almost unchanged between June 2025 and May 2026 when it fell from 5 percent to 4.9 percent. In May 2026, in the MSA most workers worked in the Health Care and Social Assistance sector, followed by Manufacturing, Professional and Business Service, Transportation, Warehousing and Utilities, Retail Trade, Leisure and Hospitality, and Education. As in the MSA, in all three counties of the MSA, the unemployment rate changed very little between June 2025 and May 2026. In Luzerne County the unemployment rate stayed at 5.4 percent in May 2026 as it did in June 2025. In Lackawanna County the unemployment rate in May 2026 was at 4.6 percent as it was in June 2025. In Wyoming county, the smallest of the three counties, the unemployment rate increased from 4.3 percent in June 2025 to 4.4 percent in May 2026. However, the (seasonally unadjusted) unemployment rates in the three major cities of the MSA increased quite a bit between June 2025 and May 2026. Scranton – the largest of the three cities – recorded the lowest unemployment rate of the three cities. It increased from 4.4 percent in June 2025 to 5.1 percent in May 2026. The unemployment rate in Wilkes-Barre increased from 5.1 percent to 6.2 percent during the same period. Hazleton – the smallest of the three cities – experienced the highest increase in unemployment rate, from 6.1 percent in June 2025 to 7.5 percent in May 2026.

Housing Market

Housing market indicators suggest that the Scranton–Wilkes-Barre metropolitan area remains fundamentally healthy but is gradually transitioning away from the exceptionally strong conditions that followed the COVID-19 pandemic. Housing construction has begun to moderate, with permit activity slowing over the past year, while the local real estate market remains only slightly hot as buyer demand has softened. Although housing inventory has recovered from pandemic lows, recent trends indicate that supply is tightening again. Home prices continue to rise faster than inflation and remain well below state and national levels, preserving the region's relative affordability for prospective homeowners. Rents also remain lower than elsewhere in Pennsylvania and the nation; however, lower household incomes mean that rental housing is less affordable than national averages, and rent growth has consistently outpaced the national rate since mid-2023. Overall, the local housing market remains resilient, but declining construction activity, tightening inventory, and worsening rental affordability warrant continued monitoring.

Credit Conditions

Consumer credit conditions in Northeastern Pennsylvania have continued to weaken, signaling increasing financial stress among households and a gradual deterioration in regional credit quality. In the third quarter of 2025, the share of the population classified as subprime rose in all three counties, reaching 25.08% in Lackawanna County, 26.44% in Luzerne County, and 21.46% in Wyoming County. Luzerne and Lackawanna counties continue to have substantially higher shares of subprime borrowers than the Pennsylvania average, ranking sixth and eleventh highest, respectively, among the state's 67 counties, while Wyoming County remains broadly in line with the statewide average. Although consumer credit conditions have gradually deteriorated in all three counties in recent years, the increases in Lackawanna and Wyoming counties over the past year outpaced the statewide trend, underscoring a continued weakening in local household credit conditions.

Downtown Scranton Business Sentiment

In April 2026, a survey of 58 downtown Scranton storefront businesses revealed that business sentiment improved substantially compared with the same month a year earlier, with firms reporting stronger current conditions and a more optimistic outlook for the next six months. Most businesses experienced stable or improving sales, and expectations for future business activity reached their highest level in four years. While businesses continued to face elevated input costs and anticipated further cost increases, selling price expectations remained stable, suggesting that firms expect pricing pressures to persist but not intensify. Labor market indicators remained positive, although hiring expectations softened somewhat compared with the previous year. At the same time, many businesses anticipated increasing capital and technology investments, reflecting continued confidence in future economic conditions. Overall, the survey indicates that downtown Scranton businesses remain resilient and optimistic despite persistent cost pressures and a modest easing in labor market momentum.

The Big Picture

With its promise for substantial productivity growth and economic boom, Artificial Intelligence or AI has become a key driver of US and global economic outlook. In development of AI, US is leading the way. Developers and proponents of data centers promise regional economic boost, increase in high paying jobs, substantial increase in tax revenue, and generation of more energy sources. Because of its cheap land, access to water, and energy and convenient geographical location, Northeastern Pennsylvania has emerged as one of the fastest growing data-center region in the Eastern United States. Currently there are proposals for building about 15 hyperscale data centers in Lackawanna and Luzerne counties. They are in different stages of government approval process. It is not surprising that most building plans are facing community push-backs because of the possible increase in cost of electricity, impact on the environment, eventual shortage of drinking

water, need for government incentives, and the uncertainty about the availability of high paying permanent jobs. These are very legitimate concerns. A recent rigorous study of the employment effects of the US data centers has determined that while the data centers indeed create jobs, rate of job creation is somewhat modest – much less than what the advocates of the data centers claim. Furthermore, wages in the local regions remain largely unaffected by the data center jobs. So, the investment in data centers must be carefully weighed against the impact of the data centers on the environment, the need for partnership of the data center developers with local utility companies, and little or no reliance on the incentive of the state or local governments.

Although inflation has cooled down somewhat in the recent months, it is still stubbornly high. The Federal Reserve has defined long term price stability in terms of annual 2 percent Personal Consumption Expenditure (PCE) based inflation. The yearly (or annual) PCE based inflation in June 2026 was 3.7 percent. Although it was somewhat lower than the 4.1 percent annual PCE inflation for May 2026 and 3.8 percent PCE inflation of April 2026, the rate of inflation was significantly higher than the stability benchmark of 2 percent. Other measures of inflation have also followed the same trend. In July 2026, the CPI based inflation for all items was at 3.4 percent before seasonal adjustment. It fell from 3.5 percent in June 2026, and 4.2 percent in May. What is a particularly troubling sign for the consumers is that inflation is now outpacing the wage growth, leading to a reduction in real income.

The recent inflation is mostly driven by the increases in the costs of shelter, food, electricity, medical care services, energy, and gasoline. It is widely believed that in order to combat inflation, the Fed will most likely increase the interest rate in September.

Finally, while the unemployment rate in the nation remains low, poor job growth reveals the weakness of the labor market. Stubborn inflation, along with a weak labor market, signals the weakening of the US economy.

Labor Markets

Satyajit Ghosh

Employment, Unemployment in the Local Economy

The Scranton-Wilkes-Barre Metropolitan Statistical Area (S-WB MSA) that includes three counties: Luzerne, Lackawanna and Wyoming home to the cities of Scranton, Wilkes-Barre, and Hazleton, has the sixth largest labor market in Pennsylvania in terms of the size of the labor force and the volume of employment. In the past year, the labor market in the S-WB MSA did not show any significant change compared to the previous year. The seasonally adjusted unemployment rate of the MSA remained almost unchanged between June 2025, when it stood at 5 percent and May 2026—the month for which the most recent regional data are available – when it was recorded as 4.9 percent.¹ During these twelve months the unemployment rate fluctuated very little. It reached the high value of 5.1 percent in August and September of 2025, after which it fell to 5 percent and finally settled at 4.9 percent in March, April and May of 2026. It should be noted that although the unemployment rate for the MSA continues to be rather low by the historical standard dating back to January 1976, of all sixteen MSAs in Pennsylvania, S-WB recorded the highest unemployment rate from March until May 2026.

Regional labor markets usually reflect the broad pattern of the changes in the state's labor market, which in turn often follows the pattern of the overall US labor market. Between June 2025 and June 2026 the national unemployment rate increased slightly from 4.1 percent to 4.2 percent. However, in the intermediate months, the national unemployment rate increased – reaching the high value of 4.5 percent in November 2025. The state unemployment rate in Pennsylvania fell slightly from 4.3 percent in June 2025 to 4.2 percent in May 2026. It fell further to 4.1 percent in June 2026. In the nation, Pennsylvania now ranks 25th in terms of low unemployment rate among all 50 states and Washington DC. Figure1 shows the unemployment rates between June 2025 and May 2026 for the state of Pennsylvania and the S-WB MSA.

¹The unemployment rate for June 2025 was revised from the preliminary rate of 4.3 percent as reported in the August 2025 issue of Brennan Barometer. The unemployment rate of the state of Pennsylvania for June 2025 was also revised from 4 percent to 4.3 percent.

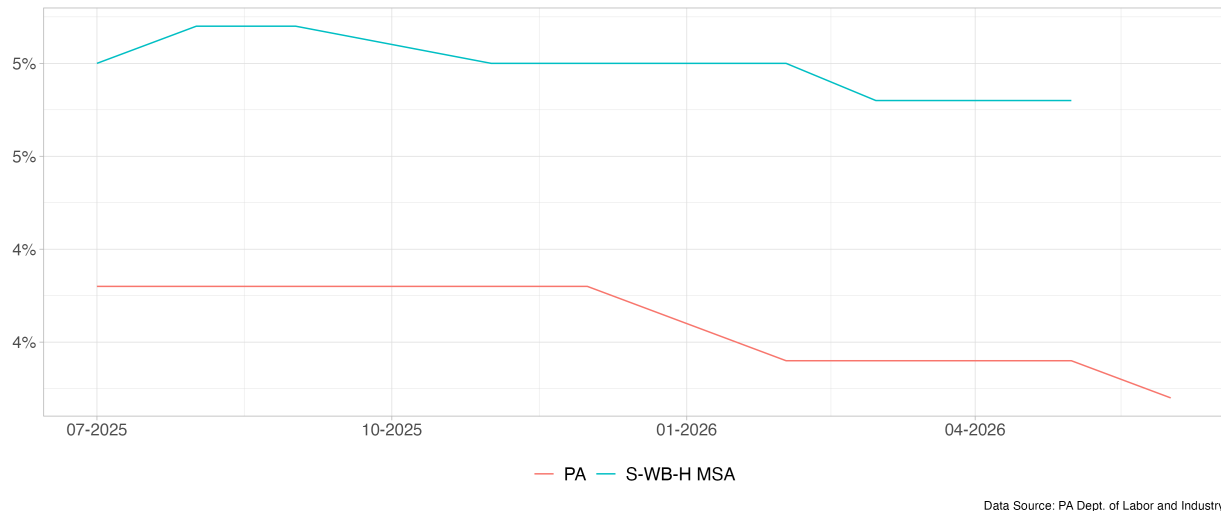


Figure 1: Unemployment Rate in Pennsylvania and the S-WB MSA

Other broader labor market indicators showed some improvement for the state. Between June 2025 and May 2026, the seasonally adjusted labor force in Pennsylvania increased by 105,000 while the State's employment level increased by 108,000. It should be noted that both the size of the labor force and the volume of employment recorded a modest decrease between June 2024 and June 2025. We observe similar patterns for the S-WB MSA. Between June 2025 and May 2026, its seasonally adjusted labor force and the volume of employment both increased by 4,200 after experiencing reduction for both between June 2024 and June 2025. Figure 2 shows the size of the labor force, the level of employment and the level of unemployment for the state of Pennsylvania, and Figure 3 shows the same data for the S-WB MSA.

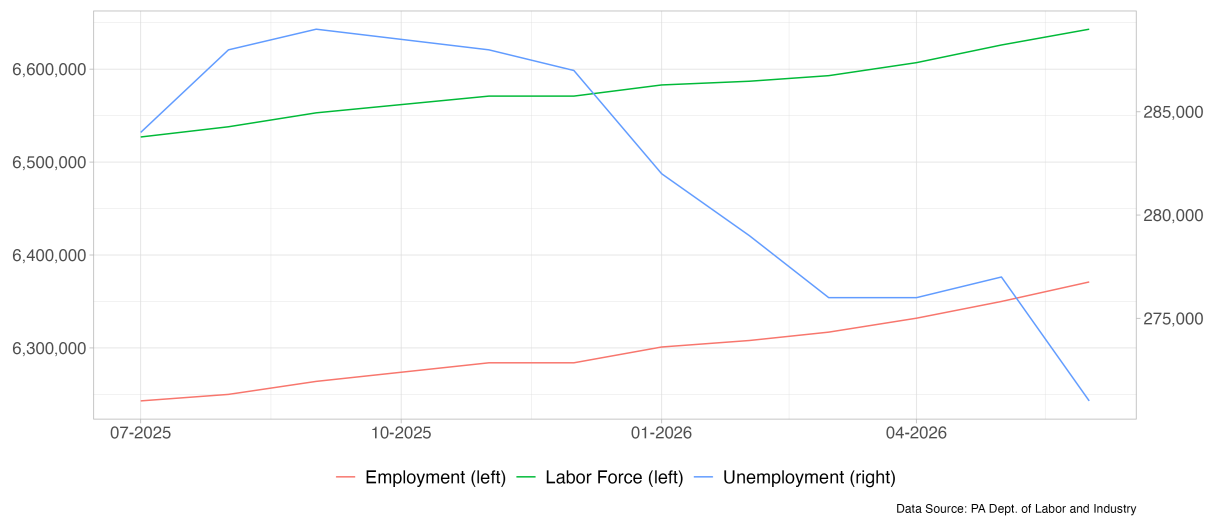
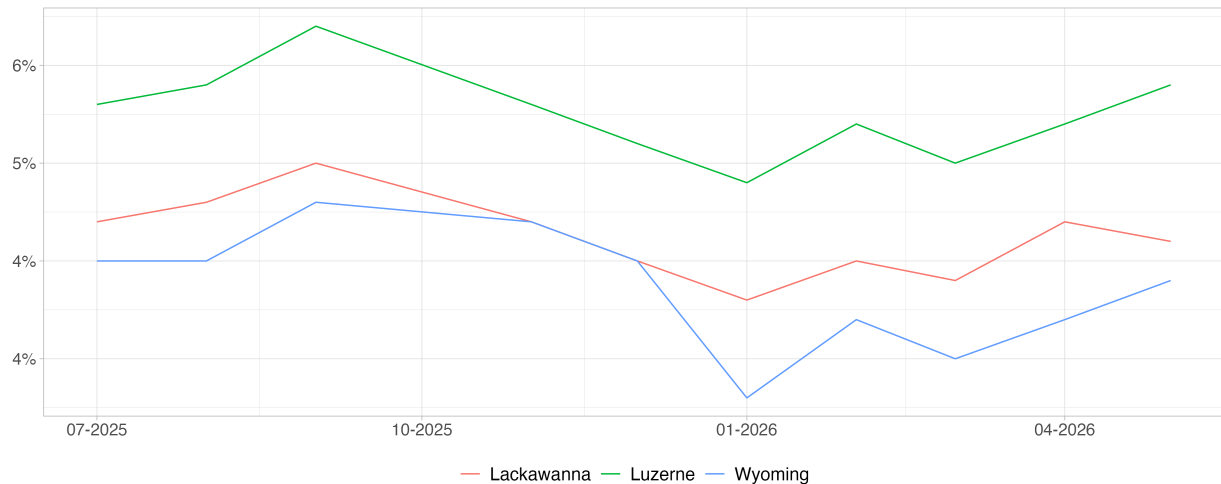


Figure 2: Employment, Unemployment, and Labor Force in Pennsylvania



Figure 3: Employment, Unemployment, and Labor Force in the S-WB MSA

The labor markets in the three counties followed a pattern very similar to the MSA. In Luzerne County, the largest in the MSA, the unemployment rate remained the same—5.4 percent between June 2025 and May 2026. However, there were some fluctuations in between these twelve months. The unemployment rate reached its highest level at 5.7 percent in September 2025 and its lowest level at 4.9 percent in January 2026. During this time period, the county's labor force increased by 3300 or 2.04 percent and the volume of employment increased by almost equal number—3100 or 2.02 percent, causing no net change in the unemployment rate. In Lackawanna county, we observe the same pattern. The labor force and the volume of employment increased by almost the same amount: labor force increased by 2200 or 2.10 percent while the volume of employment increased by 2100 or 2.11 percent. As a result, the unemployment rate for the county remained unchanged at 4.6 percent between June 2025 and May 2026. But as in the Luzerne county, its unemployment rate fluctuated somewhat, reaching its highest level at 5 percent in September 2025 and its lowest level at 4.3 percent in January 2026. Wyoming County, the smallest county in the MSA, recorded a slight increase in the unemployment rate—from 4.3 percent in June 2025 to 4.4 percent in May 2026. It also showed the same pattern of fluctuations as the two larger counties of the MSA, reaching the highest unemployment rate of 4.8 percent in September 2025 and the lowest rate of 3.8 percent in January 2026. Figure 4 shows the monthly seasonally adjusted unemployment rates for the three counties.

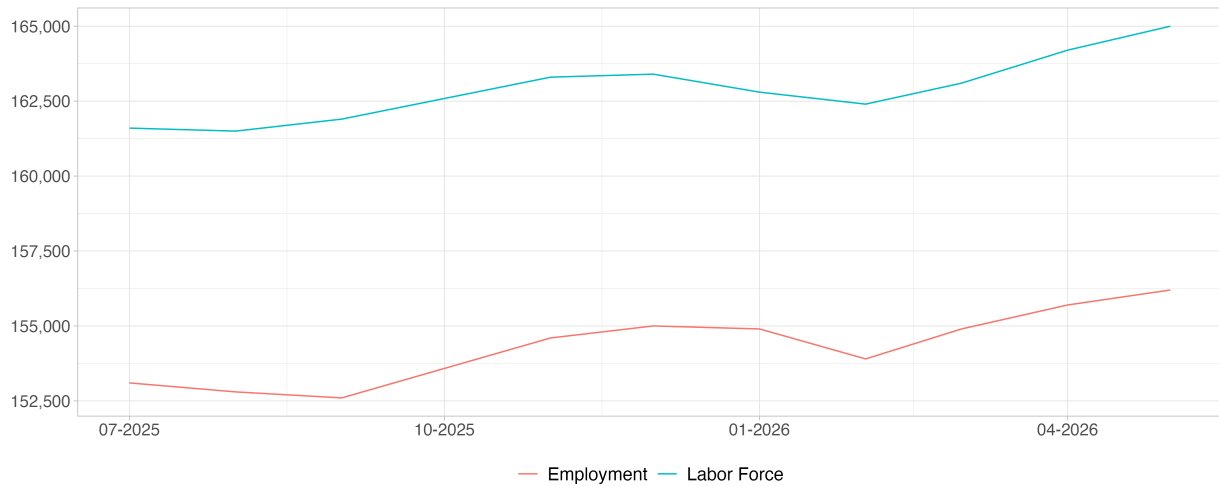


Data Source: PA Dept. of Labor and Industry

Figure 4: Unemployment Rate in Lackawanna, Luzerne, and Wyoming Counties

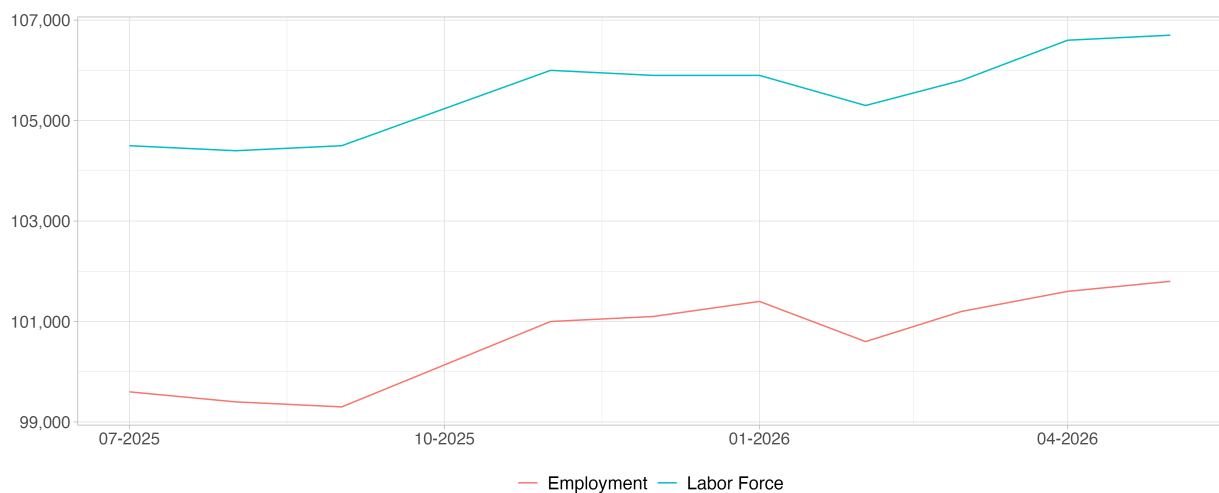
Changes in the size of the labor force that consists of employed and unemployed workers, excluding "discouraged" workers and others who for one reason or other have decided not to look for jobs, broadly indicate the perception of the workers about the state of the labor market. An increase in the size of the labor force, particularly if combined with an increase in the volume of employment, usually indicates an improvement in the labor market, whereas a decrease in the size of the labor force as well as a reduction in the volume of employment may indicate a growing weakness of the labor market. We have already observed a modest increase in both the size of the labor force (1.51 percent) and the volume of employment (1.59 percent) for the MSA between June 2025 and May 2026. We also notice similar patterns for the three counties.

Between June 2025 and May 2026, in Luzerne county, the size of the labor force increased by 3300 or 2.04 percent while employment increased almost by an equal amount, by 3100 or 2.02 percent. As a result the unemployment rate remained unchanged between June 2025 and May 2026. A similar pattern is observed in Lackawanna county, where during the same time period, the size of the labor force increased by 2,200 or 2.1 percent and the volume of employment increased by 2,100 or 2.11 percent, leaving the unemployment rate unchanged. The total number of unemployed workers increased by rather negligible amounts—by 200 (from 8,700 to 8,900) in Luzerne county and by 100 (from 4,800 to 4,900) in Lackawanna county. These numbers are likely to be affected by rounding of data. Between June 2025 and May 2026 there were slight increases in the Wyoming county's labor force (300) and its volume of employment (200). Figures 5-7 show the patterns of changes in the size of the labor force and employment in Luzerne and Lackawanna counties and the pattern of the number of unemployed in S-WB MSA, and its two larger counties.



Data Source: PA Dept. of Labor and Industry

Figure 5: Labor Force and Number of Employed in Luzerne County



Data Source: PA Dept. of Labor and Industry

Figure 6: Labor Force and Number of Employed in Lackawanna County

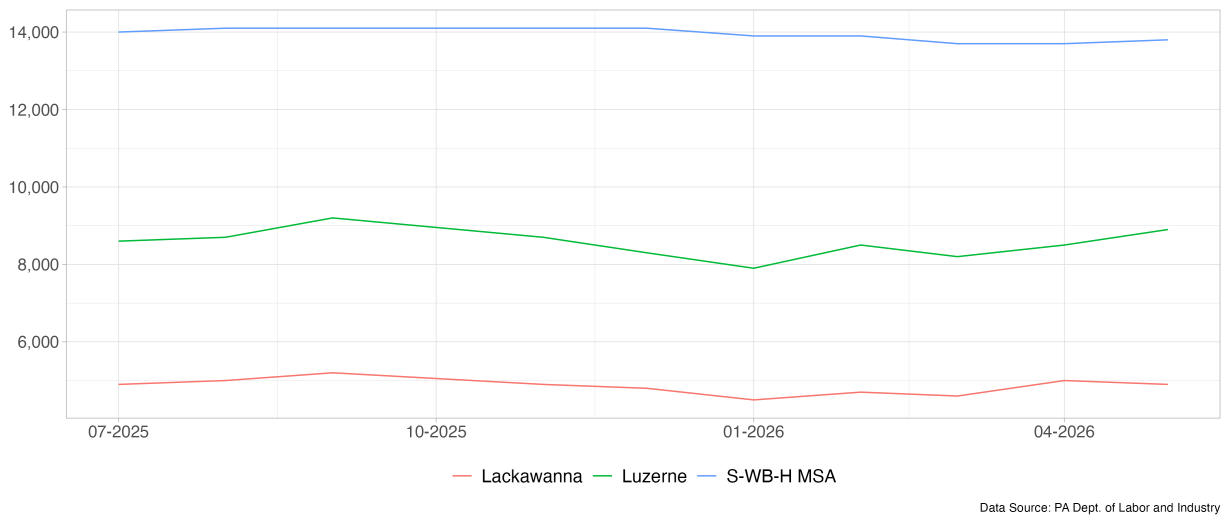


Figure 7: Number of Unemployed in the S-WB MSA and Lackawanna and Luzerne Counties

During June 2025 and May 2026, the three largest cities in the MSA – Scranton, Wilkes-Barre, and Hazleton – all experienced similar changes in unemployment rates and other broad labor market indicators. All of them experienced increase in unemployment rates, along with varying degrees of increase in labor force, volume of employment and the number of unemployed workers. Hazleton’s unemployment rate increased the most–by 1.4 percentage point and it also recorded the highest unemployment rate of 7.5 percent in May 2026 among all these cities. Scranton’s 5.1 percent unemployment rate in May 2026 was the lowest among all the major cities in the MSA.

During this period, the labor force increased modestly in all three cities. Scranton recorded the largest increase in the size of the labor force where the labor force increased by 1,117, followed by Wilkes Barre (748) and Hazleton (569). With the size of the labor force at 35,551 in May 2026, Scranton remained the city with the largest labor market in the MSA – 69 percent larger than Wilkes-Barre and about 140 percent larger than Hazleton. Scranton also recorded the largest increase in the number of employed workers (809) followed by Wilkes-Barre (470) and Hazleton (328). The number of unemployed workers increased the most in Scranton, where it increased by 308 between June 2025 and May 2026. In Wilkes-Barre the number of unemployed increased by 278 and in Hazleton by 241.

Table 4 outlines the changes in the labor market in these cities in the MSA between June 2024 and June 2025.

Table 1: Labor Market Indicators in the Cities, June 2025- May 2026
(Data not seasonally adjusted)

Indicators	Scranton	Wilkes-Barre	Hazleton
Unemployment rate (May 2026)	5.1%	6.2%	7.5%
Unemployment rate (June 2025)	4.4%	5.1%	6.1%
Total Employment (May 2026)	33,737	19,675	13,711
Total Employment(June 2025)	32,928	19,205	13,383
Total Unemployment (May 2026)	1,814	1,309	1,108
Total Unemployment (June 2025)	1,506	1,031	867
Labor Force (May 2026)	35,551	20,984	14,819
Labor Force (June 2025)	34,434	20,236	14,250

Data Source: Bureau of Labor Statistics.

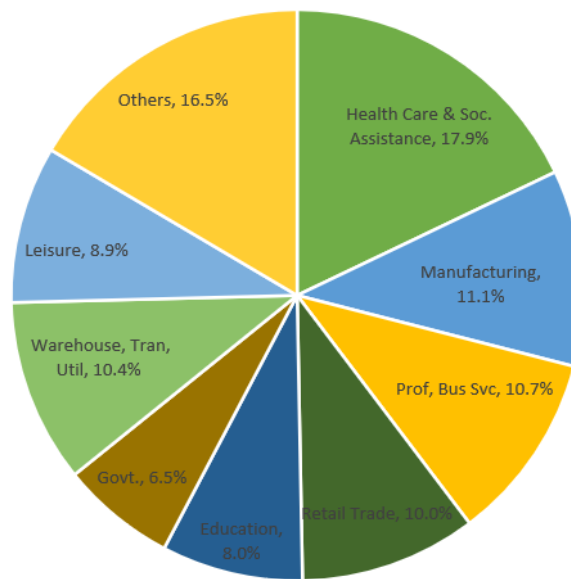
Although the unemployment rate remained mostly unchanged in the MSA and its two larger counties, the increase in unemployment rates in the three major cities of the MSA indicate that the regional labor markets are showing some weakness. While there may not be any reason to be very concerned about the current condition of the MSA's labor market in S-WB MSA, the future of the local labor markets will depend by and large on the state of the US economy.

Jobs in the Region: Where Do We Work?

Over the last twenty five years, the S-WB MSA has evolved as a service industry based region. As for the source of jobs in the area, most jobs are provided in the service-providing industries. In May 2026, out of the total (not seasonally adjusted) 269,400 nonfarm jobs in the MSA, 84.8 percent or 228,400 jobs were in the service-providing sectors that included local and federal governments. Remaining 15.2 percent or only 41,000 jobs were in the goods producing industries that included manufacturing, which provided 30,000 or 11.1 percent of total nonfarm jobs, while Mining, logging and construction provided the remaining 11,000 goods producing jobs. Within the service providing sectors, 199,300 or 87.3 percent jobs were in the private service-providing sectors and 12.7 percent of all service-providing jobs, i.e., 29,100 jobs were in the government sector. Thus, in May 2026, the private service-providing sectors contributed 84 percent of all nonfarm jobs and the government sector contributed 28,900 or 10.8 percent of jobs.

The pie chart in Figure 8 shows the contributions of the industries in all nonfarm jobs that were created in the MSA between June 2024 and June 2025. For a long time "Eds and Meds" – the Health Care and Social Assistance industry which also includes hospitals combined with private and public education services – have been the most important source of well-paying jobs in the MSA. As the pie chart shows, it was no different in May 2026 when more than one out of every four employed individuals in the MSA worked in the

health care and education sectors. 17.9 percent of nonfarm jobs were in the Health Care and Social Assistance industry, while 8 percent of nonfarm employment was in the Educational services sector – with 4.4 percent jobs were in the public sector (local government educational services) and 3.6 percent jobs were in the private educational services sector. Collectively, Transportation, Warehousing, and Utilities, that include retail and wholesale trade, provided 24.2 percent jobs. Warehousing, which gained substantial importance in the area even before the Covid-19 lockdown, along with Transportation and Utilities accounted for 10.4 percent jobs. When the importance of manufacturing began to diminish



Data source: PA Department of Labor and Industry.

Figure 8: Sources of nonfarm jobs in the S-WB MSA, May 2026

in the MSA, retail trade became the most visible sector in Scranton, Wilkes-Barre, and the adjacent areas as the source of employment. In May 2026 the Retail Trade sector that includes General merchandise retailers and Grocery and convenience retailers provided 10 percent of nonfarm jobs. In spite of its diminished importance, Manufacturing provided 11.1 percent nonfarm jobs. Professional and Business Services industry that indicates the growth of the area businesses in general, accounted for 10.7 percent of the jobs. 8.9 percent of the nonfarm employment was in the Leisure and Hospitality industry that includes Accommodation, Food services and Drinking places. Outside the public education services, much of the employment was in the private sector. In May 2026, excluding local government educational services, local, state and federal government collectively provided 6.5 percent of employment.

During the past year, while the MSA and the three counties did not show any sustained increase in unemployment, they did not experience any notable job growth either. This

becomes evident from the data on net job growth between May 2025 and May 2026.² During these 13 months the total nonfarm jobs in the MSA decreased by 800. This is not a substantial job loss, but a closer examination gives us a better understanding of the structure of the labor market in the MSA. First, it should be noted that the net job loss of 800 was all in the private service providing sectors and none in the goods producing sector. During this period, the manufacturing sector lost 300 jobs but that was compensated by the 300 jobs that were gained in Mining, Logging and Construction, the other component of the goods producing sector. There was also no net gain or loss of jobs in Government. This further emphasizes the importance of the private service producing sectors in controlling the job market and the employment situation in the MSA.

Two things stand out from the private service providing sectors. During May 2025 and May 2026, the Trade, Transportation and Utilities supersector in the S-WB MSA lost 2,500 jobs. Out of that, retail trade lost 700 jobs and Transportation, Warehousing and Utilities lost 1,900 jobs. Both are very significant for the local economy. Retail trade has been particularly visible in the major cities of the MSA. Job loss in that sector attracts particular attention. Warehousing gained tremendous importance during the pandemic. The industries in the Transportation, Warehousing, and Utilities sector continued to provide substantial employment long after that. Even in May 2026, this sector provided substantial employment. Significant job loss in this sector further suggests that there does not seem to be much potential for sustained growth in employment in these industries.

The impact of this job loss could have been more serious for the MSA, had it not been for the 1,700 jobs that were added in the Education and Health Care sector. "Eds and Meds" once again came to the rescue as they did during the Great Recession of 2007-2009. During May 2025 and May 2026, much of the job loss in the Trade, Transportation, and Utilities supersector was compensated by the job gains in Health Care and Social Assistance, which added 1,200 jobs and Private and Public Education Services which added 500 jobs. In addition to these, there were small job losses in Financial Activities, Federal Government, and State Government. These losses were compensated by the small gains in Wholesale Trade, Professional and Business Services, Leisure and Hospitality, and Local Government Excluding Education Services. It seems that in future, the job market in the MSA will be largely controlled by the Trade, Transportation, and Utilities supersector that includes Warehousing and Retail Trade and Education and Health Services.

²Since the industry employment data are not seasonally adjusted, May 2025 data provide a better basis for comparison with May 2026,

Housing Markets

Aram Balagyozyan

Building Permits and Housing Starts

The number of approved housing permits is one of the ten components of the Conference Board's Index of Leading Economic Indicators and serves as a leading indicator that is closely tied to consumer confidence. From January through May 2026, the number of approved housing permits in the United States remained stable, indicating continued strength in the housing market. A similar trend was observed in both the Northeast and Pennsylvania. As of May 2026, 1,930 housing permits had been approved in Pennsylvania and 11,436 in the Northeast, figures that were consistent with recent trends. The graph in Figure 9 presents the number of approved housing permits in Pennsylvania, the Northeast, and the United States over the 2018–2026 period.

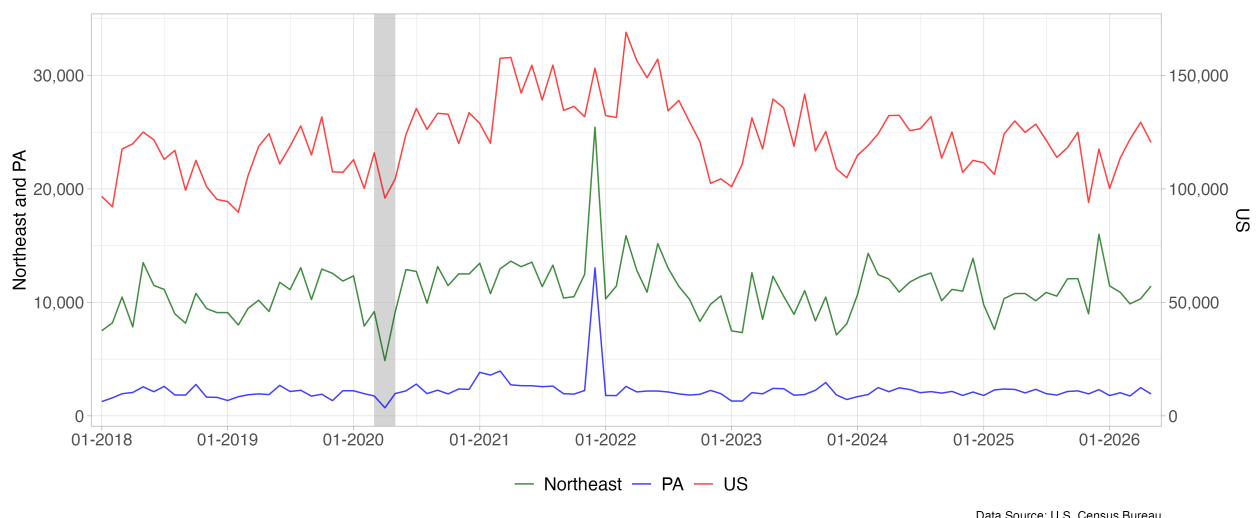


Figure 9: Total Number of Housing Permits in the Northeast, PA, and the US.

The data in Figures 10 and 11 show the number of approved housing permits and their year-over-year changes in the Scranton–Wilkes-Barre Metropolitan Area (S-WB MSA). As expected, and as Figure 10 illustrates, permit approvals exhibit a seasonal pattern. However, even after adjusting for seasonality (as indicated by the smooth trend line), the number of approved permits may appear to have been gradually increasing since 2023. However, Figure 11 reveals a somewhat different picture. From January 2024 through mid-2025, permit approvals exceeded their values from the same month in the previous year in most months. Between May 2025 and May 2026, however, permit approvals surpassed their year-earlier levels in only five out of twelve months, suggesting a gradual recent slowdown in housing construction.

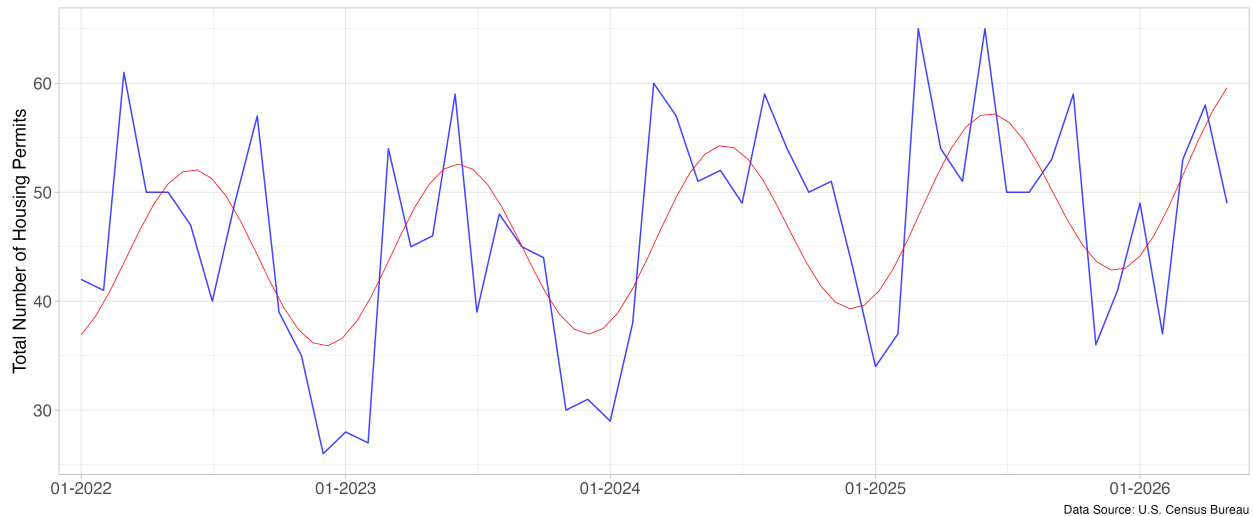


Figure 10: Total Number of Housing Permits in the S-WB MSA.

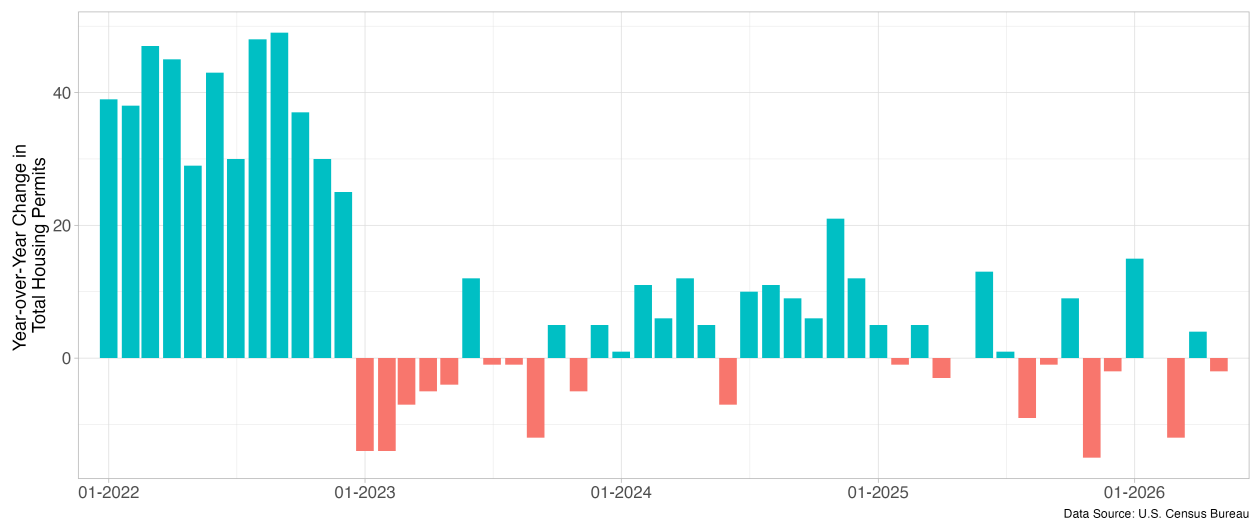


Figure 11: Year-over-year Change in Total Number of Housing Permits in the S-WB MSA.

Real-Estate Market Hotness

Realtor.com publishes data on its Market Hotness Index, an equally weighted composite of a market's supply score (based on days on market) and demand score (based on listing views on Realtor.com), shown in Figure 12 along with a smooth fitted trend line. In May 2026, the index value for the S-WB MSA was 70.74, up 1.2 points from April 2026 and down 3.7 points from May 2025. This indicates that the local real estate market was cooler than the same month a year earlier, signaling a tapering of the post-COVID real estate boom in the metropolitan area. According to Realtor.com³, in May 2026, the median

³<https://www.realtor.com/research/reports/hottest-markets/>

number of days a for-sale property remained on the market was 45. Housing inventory moved 7% slower than the previous year but 7 days faster than the national average. Listings in the area received 2.3 times more views than the U.S. average. With a Hotness Index score of 70.7, the S-WB MSA ranked 74th out of 300 metropolitan areas. Based on these metrics, Realtor.com classified the market as “Slightly Hot” but “Cooling Down” relative to the previous year.

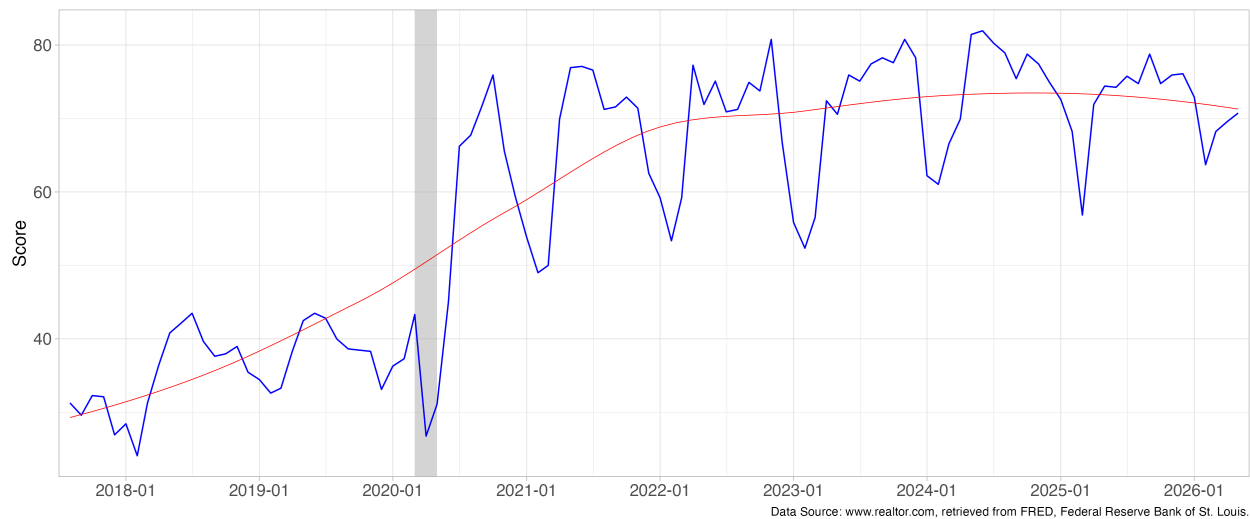


Figure 12: Real-Estate Hotness Score, S-WB MSA.

Home Sales Inventory

Realtor.com also publishes the monthly count of active single-family and condo/townhome listings for a given market (excluding pending listings).⁴ Because lower values represent fewer homes listed for sale, this measure is commonly viewed as an indicator of the tightness of housing supply. One notable trend during the COVID-19 pandemic was the increased demand for larger homes, driven by the growing number of workers transitioning to remote work. Figure 13, which illustrates the monthly for-sale housing inventory in the United States and the S-WB MSA, shows a substantial decline in housing inventory during and immediately following the pandemic, indicating a tightening of the housing market. Figure 14, which displays the year-over-year percent change in housing inventory, reveals that in subsequent years, since early 2024 and throughout much of 2025, the trend reversed, and both the S-WB MSA and the United States had more homes listed for sale than during the same period in the previous year, indicating a softening housing market. More recently, however, the year-over-year growth in housing inventory has been trending downward in both the S-WB MSA and the United States, indicating a gradual tightening of the housing market. In May 2026, the number of homes listed for sale in the S-WB MSA was only 1.2% higher than in the same month of the previous year. Nationally, for-sale housing inventory in May 2026 was 1.9% higher than a year earlier.

⁴<https://www.realtor.com/research/data/>

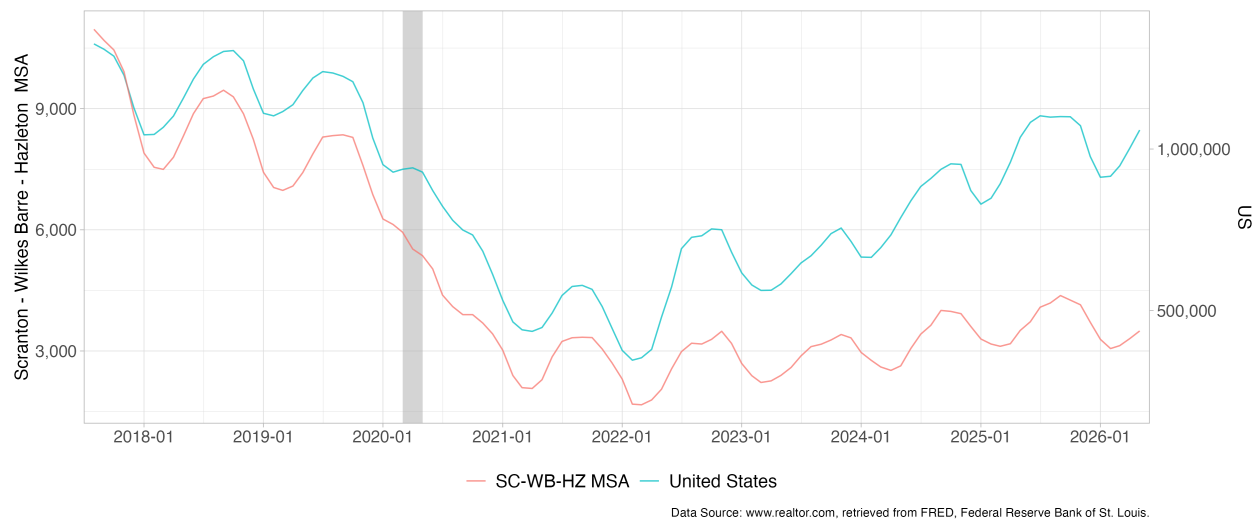


Figure 13: Monthly Number of For-Sale Housing Inventory.

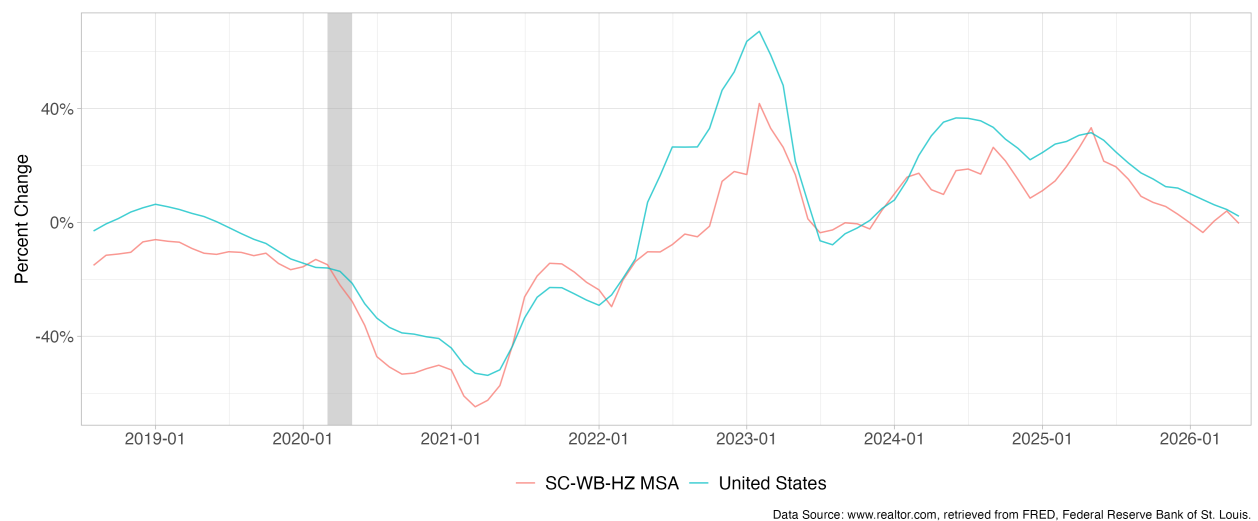


Figure 14: Year-over-Year Percent Change in Monthly Number of For-Sale Housing Inventory.

Home Prices and Rents

While an increase in home prices is welcomed news among current homeowners, it is inversely related to housing affordability and a cause for concern for perspective home buyers. Through 2025 and during the first quarter of 2026, housing prices continued to grow, albeit at a noticeably slower pace than between 2021 and 2025. The slowing growth of housing prices is most likely caused by the economic uncertainty and slowing demand for housing. Figure 15 exhibits year-over-year growth of the quarterly housing price index

published by the Federal Housing Finance Authority (FHFA) for the S-WB MSA, Pennsylvania, and the US. The data reflect all metro-area transactions. It is evident from the chart that housing price growth in the first quarter of 2026 has remained relatively strong across all three areas, with S-WB MSA, PA, and the US recording annual growth rates of 4.2%, 5.3%, and 3.4%, respectively. As a comparison, the annual PCE inflation in the US for the second quarter was 3.1%. This means that housing price growth outpaces inflation, despite relatively high borrowing costs. Historically, housing price growth in Pennsylvania has outpaced that of the S-WB MSA. However, since the onset of the pandemic in 2020, particularly during 2022 and again since early 2024, housing prices in the local area have grown noticeably faster than in Pennsylvania and, more recently, even faster than the national average. As Figure 15 indicates, however, the first quarter of 2026 marked a reversal of this trend. During this period, housing prices in the S-WB MSA grew at an annual rate that was 1.1 percentage points lower than in Pennsylvania, although still 0.9 percentage points higher than in the United States.

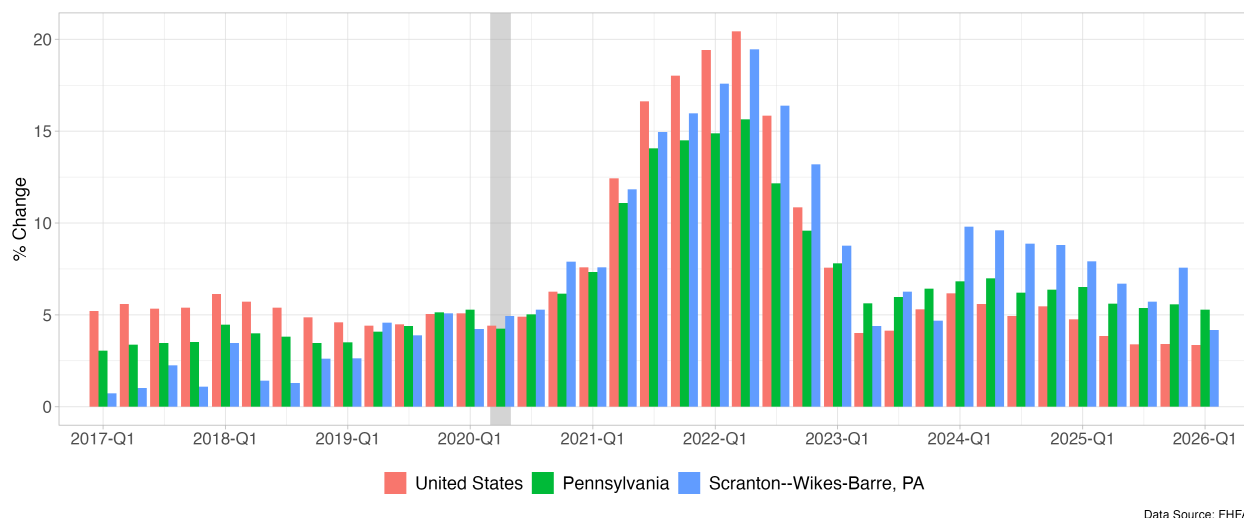


Figure 15: Year-over-Year Percent Change in the FHFA Quarterly Housing Price Index.

Still, housing in the S-WB MSA remains relatively inexpensive. Realtor.com also publishes historical data on the median listing price of single-family and condo/townhome housing within the specified geography during the specified month.⁵ Figure 16 exhibits the historical monthly data of this metric for the S-WB MSA, Pennsylvania, and the United States. In May 2026, the median home value in the S-WB metropolitan area was \$363,937 around 80% of the median house price in Pennsylvania (\$455,335) and less than half of the median house price in the United States (\$741,273). Figure 17 displays the year-over-year percent change in the median house price. The chart indicates that recently, housing price growth in the S-WB MSA were in line with that of Pennsylvania and the US. For the 6 months between January and June 2026, the average annual housing price growth in the S-WB MSA, PA, and the U.S. was 0.58%, -0.84%, and -1.10% respectively.

⁵ibid. see the footnote on page 15.

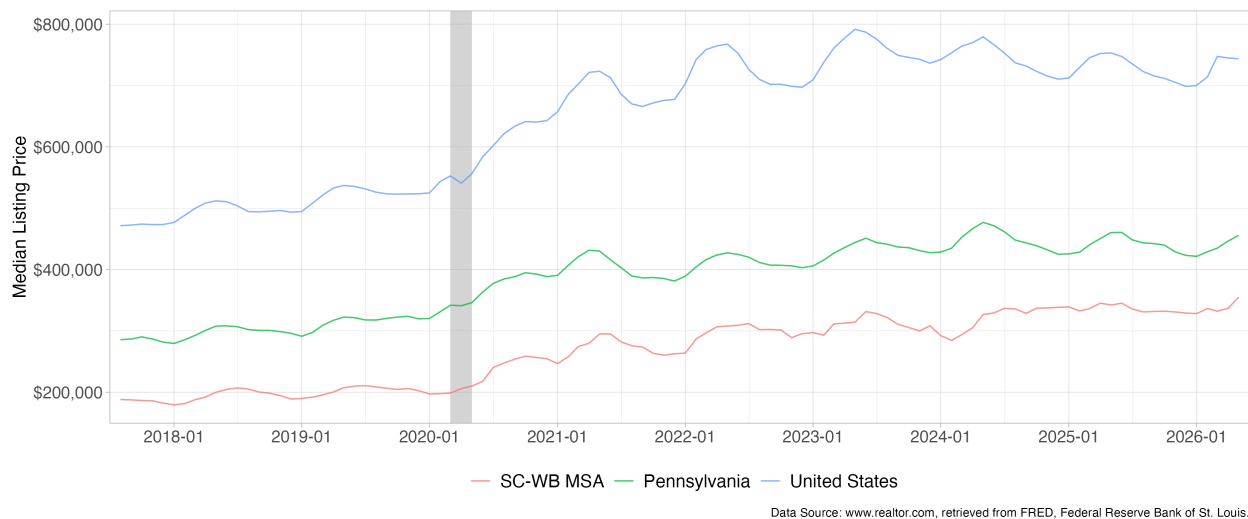


Figure 16: Median Housing Listing Price on Realtor.com.

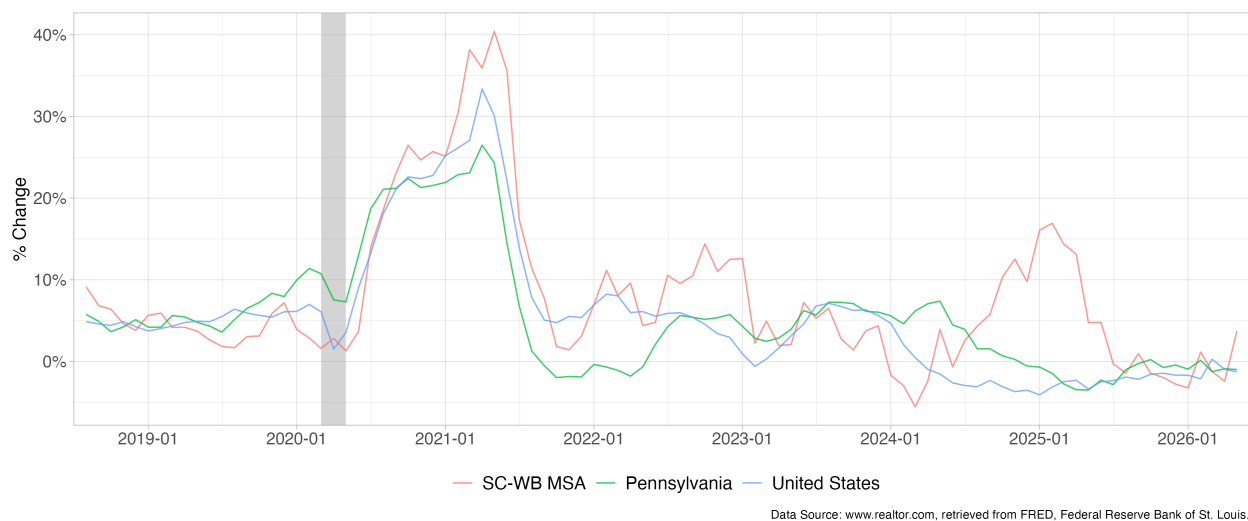


Figure 17: Year-over-Year Percent Change in the Median House Price Index.

Similar to housing prices, rents in the area remained quite affordable compared to state and national levels. We obtain our rent data for the Scranton metropolitan area from Zillow.com, which publishes its Zillow Observed Rent Index (ZORI) for various geographic levels (e.g., metropolitan areas, cities, ZIP codes).⁶ ZORI measures typical observed market rents in a region by incorporating both repeat rents and the rents of homes currently listed for rent. The index is calculated as the mean of listed rents falling between the 40th and 60th percentiles for all homes and apartments in a given region. Figures 18 and 19 show average rents in Scranton, PA, Philadelphia, PA, and the United States over time and the corresponding year-over-year percentage changes, respectively. In June 2026,

⁶<https://www.zillow.com/research/data/>

the average rent was \$1,334 in Scranton, \$1,928 in Philadelphia, and \$1,964 nationwide. One might wonder whether the relatively lower rents in the Scranton area translate into more affordable rental housing. According to the U.S. Census Bureau's American Community Survey,⁷ the median annual household incomes in 2024 were \$48,762 in Scranton, \$60,521 in Philadelphia, and \$81,604 nationwide. Based on these figures, a median household in Scranton would have spent approximately 33% of its annual income on rent in June 2026, compared with about 38% in Philadelphia and 29% nationwide. Thus, despite their lower nominal rents, rental housing in both Scranton and Philadelphia appears to have been less affordable than the national average. In addition, as Figure 19 indicates, rents in Scranton and Philadelphia grew faster than the national average in all months since mid-2023.

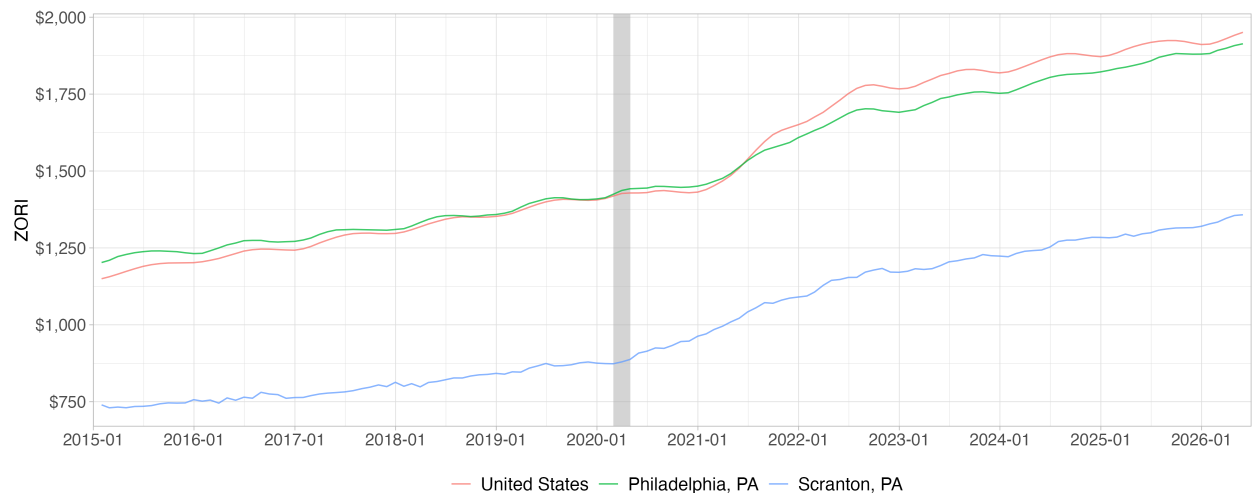


Figure 18: The Zillow Monthly Observed Rent Index (ZORI).

⁷Table S1901, <https://data.census.gov/table/ACSST1Y2024.S1901>

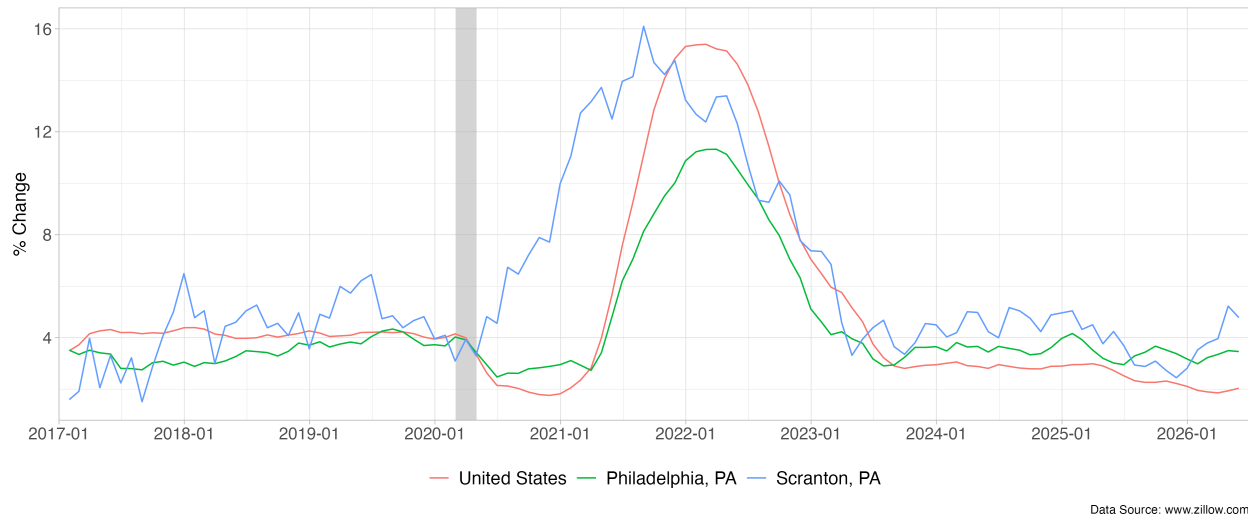


Figure 19: Year-over-Year Percent Change in the Zillow Monthly Observed Rent Index (ZORI).

Credit Conditions

Aram Balagyozyan

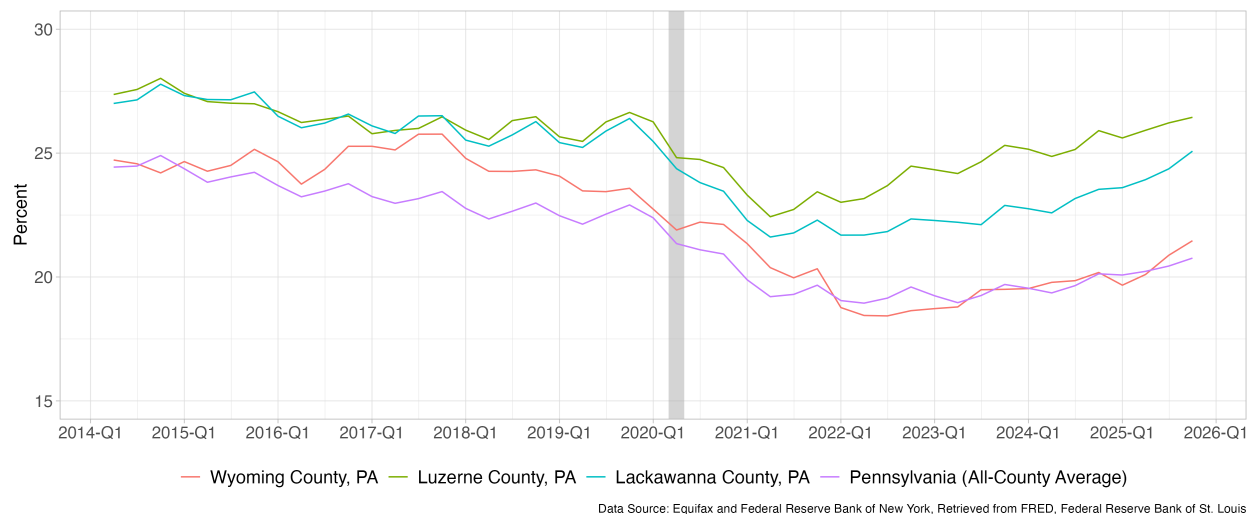


Figure 20: Equifax Subprime Credit Population.

The state of consumer credit is an important coincident indicator of households' financial well-being. It also serves as a leading indicator of regional economic conditions because it helps predict future consumer spending on goods and services. One useful measure of consumer credit conditions is the subprime population, defined as the percentage of individuals with a credit score below 660. This quarterly series is produced jointly by Equifax and the Federal Reserve Bank of New York. We obtain county-level data for Lackawanna, Luzerne, and Wyoming counties from FRED, the Federal Reserve Bank of St. Louis. To provide a statewide benchmark, we also retrieve the corresponding data for 64 other Pennsylvania counties for which data are available and calculate the statewide average. The third column of Table 2 reports the most recent estimates of the share of the population classified as subprime in Lackawanna, Luzerne, and Wyoming counties, as well as the Pennsylvania statewide average. Figure 20 illustrates the evolution of this measure since 2014. As shown in both Figure 20 and Table 2, the share of the population classified as subprime has, in recent years, been substantially higher in Luzerne and Lackawanna counties than the Pennsylvania statewide average, while Wyoming County has remained broadly in line with the state average. In fact, in the third quarter of 2025, Luzerne County had the sixth-highest share of subprime borrowers in Pennsylvania, while Lackawanna County ranked eleventh among the state's 67 counties. With 21.5 percent of its population classified as subprime, Wyoming County ranked 27th. As also shown in Figure 20, consumer credit conditions have gradually deteriorated in all three counties in recent years, although Wyoming County remains below its pre-pandemic level. In Luzerne County, the share of the subprime population exceeded the 25% threshold in the third quarter of 2023, while in Lackawanna County it crossed this threshold in the third quarter of 2025. In both counties, these levels are broadly comparable to those observed

immediately before the pandemic. Table 2 reports the most recent estimates. In the third quarter of 2025, the subprime population was 25.08% in Lackawanna County, 26.44% in Luzerne County, and 21.46% in Wyoming County. Between the third quarters of 2024 and 2025, the share of the subprime population increased in all three counties. Lackawanna County experienced the largest increase (1.54 percentage points), while Luzerne County recorded the smallest (0.54 percentage points). In both Lackawanna and Wyoming counties, the annual percentage increase in the subprime population was approximately twice as large as the corresponding increase for Pennsylvania as a whole.

Table 2: Equifax Subprime Credit Population.

	3Q 2024	3Q 2025	Change
Lackawanna	23.54%	25.08%	1.54%
Luzerne	25.91%	26.44%	0.54%
Wyoming	20.18%	21.46%	1.28%
Pennsylvania	20.13%	20.76%	0.63%

Data source: Equifax and the Federal Reserve Bank of New York. Retrieved from FRED, Federal Reserve Bank of St. Louis.

Downtown Scranton Business Sentiment

Aram Balagyozyan

In April 2026, we surveyed fifty-eight downtown Scranton storefront businesses to assess their current and expected business conditions. The surveyed businesses in our sample included various types, including retail shops (36.21%), bars and restaurants (36.21%), personal care salons (17.2%), financial/legal/professional (3.45%), healthcare retail and services (3.45%), a fitness club (1.72%), and a house of worship (1.72%). Businesses were asked to assess the most recent changes in their current conditions and their expectations for the next six months in six areas: general business conditions, the prices they pay, the prices they receive, their workforce size, average employee work hours, and their projections for technology spending and capital expenditure, such as store improvements or expansions. The survey is in the Appendix.⁸

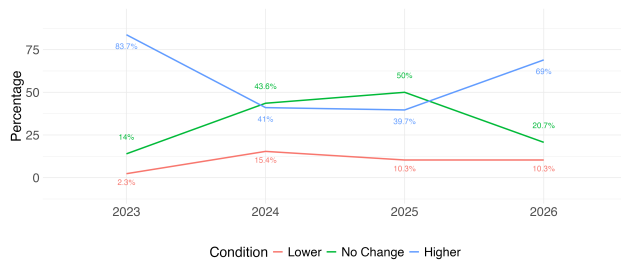
The results, shown in Figures 21-26, include a comparison with the data from previous years. For each survey question, we calculated a diffusion index by subtracting the percentage of responses indicating a decrease from those indicating an increase. This index ranges from -100 (pessimistic) to +100 (optimistic). The the April 2026 diffusion indexes for all questions, along with the values from previous years, are presented in Table 3. The survey results indicate that, by and large, business conditions in downtown Scranton have been quite optimistic. In April 2026, 69% of businesses reported improved conditions between March and April, compared to 39.7% the previous year. Additionally, 10.3% of businesses experienced a decline in general business conditions, which remained the same as last year. As a result, the current general-conditions diffusion index increased from 39.7 in April last year to 69% in April this year. Firms also have shown optimism about the near future, with the expected general business-condition index increasing from 44.8 last April to 79.3 this April.

For most surveyed businesses, input prices either increased (62.1%) or remained unchanged (31%) compared to the previous month, with half of all businesses (50.0%) anticipated higher input prices in six months. The majority either maintained (62.1%) or raised (31.1%) their selling prices compared to the previous month, with 22.4% expecting to increase their prices in the next six months and none anticipating lowering them. The expected-selling-price index has remained the same at 44.8 compared to last year. Labor market conditions remained positive but softened slightly, with the diffusion index for the number of employees declining from 15.5 in April 2025 to 12.1 in April 2026. Looking ahead, nearly 22% of the businesses planned to increase their workforce, and over 10% of them thought that work hours will increase in the future. Indicators for expected general business conditions and future capital and technology spending suggest that in April, business sentiment regarding the near future remained relatively bullish. Nearly 40% of surveyed businesses expected to boost their capital expenditure, and over 30% anticipated increasing their technology spending.

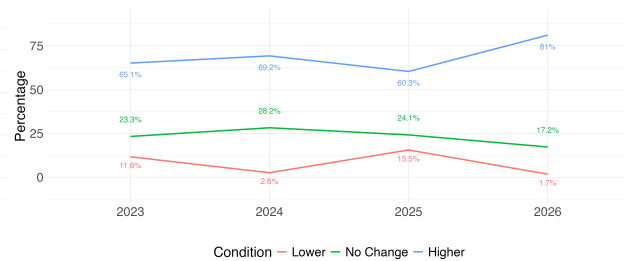
⁸The survey questions were adapted from the NY Federal Reserve Bank's Empire State Manufacturing Survey: https://www.newyorkfed.org/medialibrary/media/research/regional_economy/mfg_survey/surveyform.pdf

Table 3: Downtown Scranton Business Sentiment Diffusion Indices in April of Each Year

Survey Question	2023	2024	2025	2026
Current General Business Conditions	81.4	25.6	29.3	58.6
Expected General Business Conditions	53.5	66.7	44.8	79.3
Current Prices Paid	20.9	51.3	39.7	51.7
Expected Prices Paid	41.9	35.9	43.1	58.6
Current Prices Received	37.2	41.0	27.6	24.1
Expected Prices Received	44.2	48.7	44.8	44.8
Current Number of Employees	14.0	2.6	15.5	12.1
Expected Number of Employees	44.2	20.5	36.2	22.4
Current Average Employee Workweek	16.3	5.1	12.1	12.1
Expected Average Employee Workweek	27.9	15.4	15.5	10.3
Expected Technology Spending	34.9	30.8	19.0	29.3
Expected Capital Spending	48.8	20.5	31.0	37.9

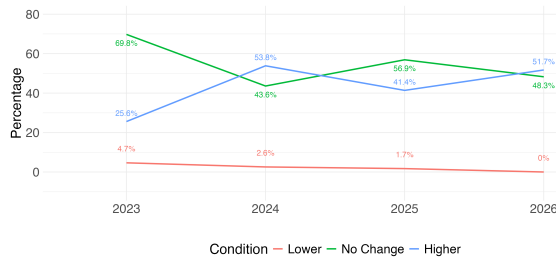


(a) Change from Preceding Month.

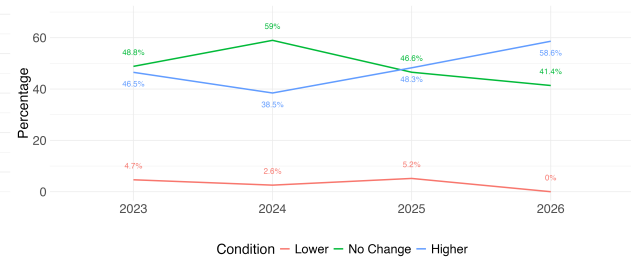


(b) Expectations Six Months Ahead.

Figure 21: General Business Conditions, Downtown Scranton, April 2023 and April 2026.

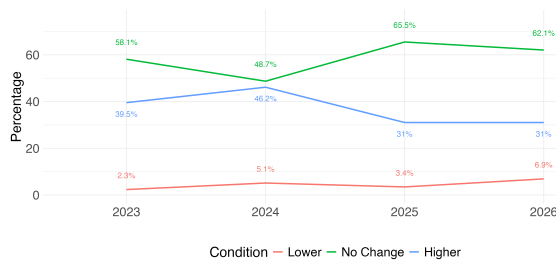


(a) Change from Preceding Month.

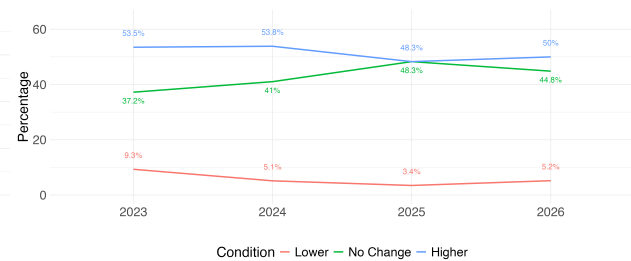


(b) Expectations Six Months Ahead.

Figure 22: Prices Paid, Downtown Scranton, April 2023 and April 2026.

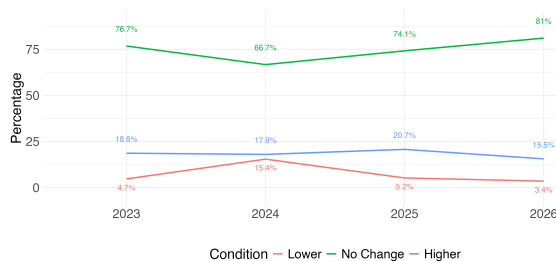


(a) Change from Preceding Month.

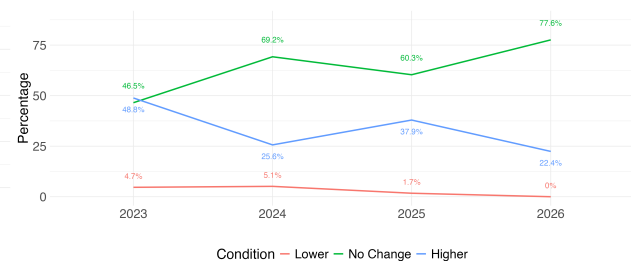


(b) Expectations Six Months Ahead.

Figure 23: Prices Received, Downtown Scranton, April 2023 and April 2026.

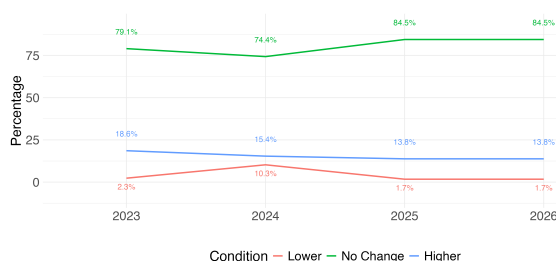


(a) Change from Preceding Month.

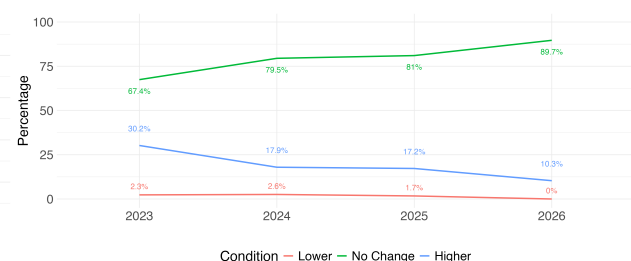


(b) Expectations Six Months Ahead.

Figure 24: Number of Employees, Downtown Scranton, April 2023 and April 2026.



(a) Change from Preceding Month.



(b) Expectations Six Months Ahead.

Figure 25: Average Employee Workweek, Downtown Scranton, April 2023 and April 2026.

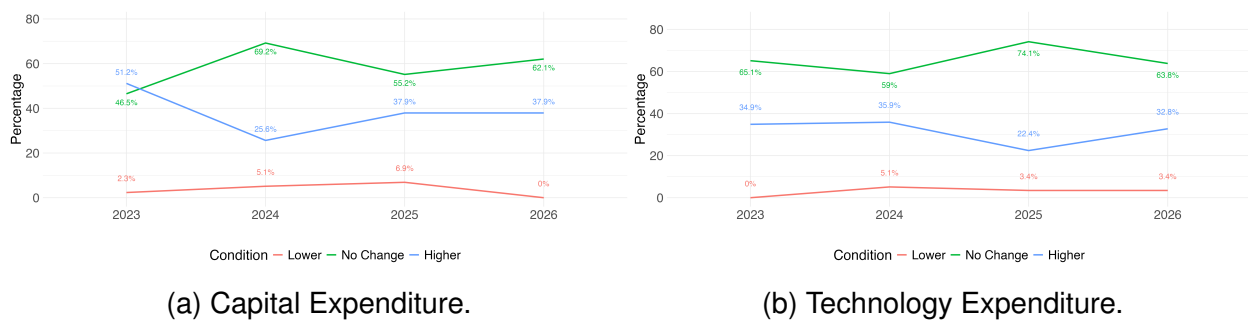


Figure 26: Six Months Ahead Expected Capital and Technology Expenditure, Downtown Scranton, April 2023 and April 2026.

The Big Picture

Satyajit Ghosh

AI Data Centers

In the postpandemic world of mostly sluggish economic growth, Artificial Intelligence or AI appears to bring a bold promise for economic development. In 2024, Nobel Prize winning economist Michael Spence wrote about AI: "If properly used, it (AI) could significantly accelerate economic growth and help productivity growth rebound."⁹ Spence further emphasized, "...AI has the potential not only to reverse the downward productivity trend, but over time to produce a major sustained surge in productivity."

Indeed, as the economists at the Federal Reserve noted, AI, "has become a key driver of the global economic outlook..."¹⁰ They noted that in US alone the data-center related spending – including, but not limited to, construction of buildings, computing and electrical systems, cooling and other infrastructure – was expected to exceed \$500 billion in 2025. And that was not enough. In May 2026, Federal Reserve Governor Lisa Cook stated in a speech that "To date, companies have announced more than \$1.5 trillion in data-center plans, only a small portion of which have been realized."¹¹ Nearly, half of the world's data centers are in the US. As of August, 2026, there are 1,214 operating data centers in the US with plans for additional 1,776.¹²

In Pennsylvania, currently, there are 15 operating data centers with plans for additional 74. Although, currently, there is no operating large scale data center in the Scranton-Wilkes Barre MSA, Northeastern Pennsylvania has emerged as one of the fastest growing data-center regions in the Eastern United States. As of August 2026, about 12 data-center campuses consisting of multiple buildings have been proposed in Lackawanna County, and about 3 such campuses have been proposed in Luzerne county. Table 4 below provides a list of a few notable data center proposals in the MSA with their approximate sizes.

⁹Michael Spence, "AI's Promise for the Global Economy," Finance and Development Magazine, International Monetary Fund, September, 2024.

¹⁰Francois de Soyres, Alex Haag, Mike Liu and Eva Van Leemput, "The Global Trade Effects of the AI Infrastructure Boom," FEDS Notes, Board of the Governors of the Federal Reserve System, February 13, 2026.

¹¹Lisa D. Cook, Speech at Stanford University, May 27, 2026.

¹²Source: Cleanview Data Centers Tracker.

Table 4: Selection of Data Centers Proposed in Scranton-WB MSA

Development	Location	Size
AWS Salem Township	Salem township, Luzerne County	1000+ acres, 15–20 buildings
Project Hazelnut	Luzerne, Luzerne County	1306 acres, 15 buildings
Project Gravity	Archbald, Lackawanna County	186 acres, 7 buildings
QTS Salem	Salem township, Luzerne County	1700+ acres, 12 buildings
Wildcat Ridge	Archbald, Lackawanna County	574 acres, 14 buildings
Project Gold	Clifton/Covington, Lackawanna County	1000 acres, up to 35 buildings

The proposed data centers in Table 4 are in different stages of development. AWS has already acquired the Cumulus data center in the Salem township. This data center is currently operational. AWS is developing a much larger 1000 + acre campus near the original Cumulus data center. After the AWS Salem development, Project Hazelnut has made most progress in the governmental approval process. It is on Pennsylvania's Fast Track program in 2026. Project Gravity has stalled while it is waiting for important Department of Environmental Protection's approval. QTS Salem has the potential for the largest data center campus in the area. In July 2026, Salem township approved QTS's master plan. Project Wildcat Range and Project Gold are in the initial stages of local approval process.

Given the massive plan for private investment in the development of AI in the United States, it is not surprising that AI data centers are often viewed as a panacea for local economic revitalization. Proponents of AI data centers emphasize the following economic benefits of building large scale data centers.

(1) Data centers can generate substantial tax revenue for the local economy that can fund schools and public services. (2) Development of data centers inject large amounts of private capital in the local economy. (3) Construction of data centers generate high paying short term construction jobs followed by more permanent well-paying technical and maintenance jobs. (4) Over the long term, developers of the data centers will partner with utility companies to generate more energy including renewable energy such as solar and wind power.

All these claims need to be carefully evaluated for regional economies, but for now we will focus on the importance of data centers for the labor market of the Scranton-Wilkes Barre MSA. Reliable data on actual or potential job creation by data centers are not readily available. For our discussion, we use what is possibly the most recent comprehensive analysis of employment effects of data centers by Bahar and Wright (2026)¹³

It should be noted that all data centers are not the same. Bahar and Wright (2026) classified data center facilities into two broad categories: "hyperscale (built by cloud and AI companies such as Amazon, Google, Microsoft, Meta – to run their own workloads) and colocation (built by data center landlords – Equinix, Digital Realty, CyrusOne – who lease

¹³Dany Bahar and Greg Wright, "New Evidence on Data Center Employment Effects," Brookings, May 4 (updated August 10), 2026.

space to remote tenants)." The distinction is important because the large hyperscale facilities that have large physical footprint, typically have low employment density compared to the colocation facilities. Besides construction jobs, both types of data centers create data processing jobs, but hyperscale facilities also create jobs in telecommunications while colocation facilities do not. Nevertheless, one cannot deny that the data centers are not very labor intensive. All the proposed data center facilities in the Lackawanna and Luzerne counties are believed to be hyperscale.

Bahar and Wright (2026) have concluded that data centers do create jobs in the local economy albeit fewer than what their proponents often promise. They have estimated that the biggest job gains from a new hyperscale data campus occurs in data processing sector where employment increases by 56 percent over the first decade of operations. For the Scranton-Wilkes Barre MSA, total volume of employment in data processing is not available. It is included in the Information sector along with broadcasting, publishing etc. In May 2026, total employment in the information sector in the MSA was 2,800. It was mostly stable at that level between May 2025 and May 2026. If we assume that any new hyperscale facility in Lackawanna or Luzerne County follows the trends projected by Bahar and Wright (2026), once operational, it would add approximately 1,600 jobs — a 56 percent increase — to the information sector over the next decade, averaging about 160 additional jobs per year. This projection, however, falls short of the claim made by the developers of Project Hazelnut in Luzerne County, who estimate that the project will create in excess of 900 permanent jobs once it becomes fully operational, which is expected to occur within approximately five years.¹⁴

Given the somewhat modest job gains that can be expected from these data centers, what can be their impact on wages in the local economy? Bahar and Wright (2026) find that while the data centers may create some well paying jobs – first in construction and then mostly in the information sector – since the scale of job creation is mostly unremarkable, wages for the local economy will probably remain largely unaffected. But, data centers consume very large amounts of water and electricity. Bahar and Wright (2026) noted that in the PJM grid region, which serves 65 million people in thirteen states, including Pennsylvania, New Jersey, Delaware, Maryland, and Virginia, among others, between 2023 and 2024, power supply costs increased by 568 percent, with data centers accounting for nearly two-thirds of this increase. Nationally, residential electricity rates rose by approximately 32 percent between July 2020 and July 2025 and have continued to increase since then.

Thus, the hesitation of the communities in Northeastern Pennsylvania and across the country about allowing massive data centers to be built in their neighborhood is well justified.¹⁵ Data centers need to be built, and the developers are increasingly attracted to Northeastern Pennsylvania and other similar regions across the country because of the

¹⁴Source: Jennifer Learn-Andes Jandes@timesleader.com, "Project Hazlenut developer announces \$165 million community benefits package proposal," Times Leader, June 25, 2026.

¹⁵The impact of data centers on local tax revenues, as well as their long-term environmental effects, also warrant careful consideration. We plan to examine these issues in greater detail in a future issue of the Brennan Barometer.

availability of cheap land, power, and water resources. But local communities must be better informed about the impacts of these developments, and policy makers must develop well-designed plans to make sure that the private investors behind the data center plans also directly contribute to protect the environment, work to develop alternative energy sources, improve old power grids, and rely less on state and local tax incentives.

An Update

Just a few days after we completed our work on Brennan Barometer 2026, issue 1, Pennsylvania Governor Josh Shapiro issued an Executive Order, EO 2026-05, that addressed many of the concerns that we raised in the above section (AI Data Centers).¹⁶In the executive order, Governor Shapiro noted that most of the current data center proposals in Pennsylvania, if approved in their present form, “would add significant burdens to the local community – including energy costs, noise pollution, and more – absent sufficient efforts to mitigate those impacts.” The Executive Order entrusted the Department of Environmental Protection to establish “strict guardrails for data center development.” In order to have enough time to thoroughly evaluate each proposal, Governor Shapiro announced that “data center projects shall no longer be eligible for the PA Permit Fast Track Program.” Consequently, all AI data center projects will be immediately removed from the PA Permit Fast Track Program. Locally, it will affect Project Hazelnut, which has been on the Fast Track program.

Still Stubborn Inflation

“Inflation remains stubborn.” This is how we began the section on inflation in last year’s Brennan Barometer (August 2025, Issue 1). Unfortunately, it is still stubborn. On August 12, 2026 The Bureau of Labor Statistics reported that the Consumer Price Index for All Urban Consumers (CPI-U) – the most popular indicator of inflation – increased 0.1 percent on a seasonally adjusted basis in July, after falling 0.4 percent in June. During the last 12 months, the CPI for all items increased 3.4 percent before seasonal adjustment. Although inflation remained stubborn, it cooled somewhat compared to previous months. The CPI based inflation stood at 3.5 percent in June 2026, 4.2 percent in May, and at 3.8 percent in April, 2026.

For all items less food and energy, the two most volatile categories of consumer expenditure, the inflation rate – which is known as the Core rate of inflation – increased at an annual rate of 2.5 percent in July 2026 as it continued to decrease from the annual rate of

¹⁶Governor Josh Shapiro, “Executive Order 2026-05-Protecting Pennsylvania Consumers from Data Center Impacts,” Executive Order: Commonwealth of Pennsylvania Governor’s Office, August 18, 2026 (available at Commonwealth of Pennsylvania Governor’s Office Document Library).

2.6 percent in June and 2.9 percent in May 2026. All these rates were before any seasonal adjustment. The Chained CPI (C-CPI-U), which is designed to be a closer approximation to a cost of living index, increased at an annual rate of 3.3 percent in July 2026 (based on seasonally unadjusted data) compared to 3.5 percent in June 2026 and 4.1 percent annual rate in May 2026.

The inflation indicator that the Federal Reserve Board closely watches and uses to formulate their interest rate policy is not the consumer price index based inflation but a somewhat complicated price index, the Personal Consumption Expenditure (PCE) price index – a chain type price index. Like CPI, PCE price index measures inflation by tracking consumer spending but PCE covers a much broader set of consumer spending and allows for substitution by cheaper goods and services when prices rise – something that CPI does not. In June 2026, PCE decreased by 0.1 percent compared to the May 2026 PCE index. The annual PCE based inflation for each month measures the rate of change of PCE index from the same month one year ago. Thus, PCE based inflation for June 2026 measures the rate of change of the PCE index between June 2025 and June 2026. The yearly (or annual) PCE based inflation in June 2026 was 3.7 percent, somewhat lower than the 4.1 percent annual PCE inflation for May 2026 and lower than the April 2026 annual PCE inflation of 3.8 percent. Although, the Federal Reserve started to use PCE to track inflation instead of CPI, it was not until January 2012, when the Federal Open Market Committee (FOMC) defined long term price stability in terms of 2 percent PCE based inflation. So, although inflation has somewhat cooled down, since it is considerably higher than the target of 2 percent PCE inflation, inflation indeed remains stubbornly high.

In addition to the headline PCE index, the Bureau of Economic Analysis also calculates the Core PCE index, which is the PCE Index Excluding Food and Energy. The core PCE index makes it easier to understand the underlying inflation trend by excluding two most volatile price categories. In June 2026, the Core PCE price index reported a 3.3 percent annual inflation, which was slightly lower than the 3.4 percent annual inflation from May 2026, but identical to the annual inflation of April and March 2026.

So, which items, which goods and services, are responsible for the current inflation? According to BLS, the largest contributor to inflation in July 2026 was the increase in the cost of shelter, which includes rent, owners' equivalent rent, and lodging away from home. The cost of shelter in July increased by 0.1 percent from June, and 3.2 percent over the year. It accounted for about two-thirds of the inflation in July. Cost of Medical Care services had a substantial impact on inflation. It went up by 0.6 percent in July 2026 and by 2.7 percent over the year. Price of food increased by 0.1 percent in July over June and by 3 percent over the prior 12 months. A significant part of the increase in the price of food was due to the increase in the cost of food away from home which increased by 0.3 percent over June and by 3.4 percent over the year. Electricity was also a major contributor to inflation in July. Cost of electricity went up by 0.1 percent between June and July 2026 and by 4.2 percent over the year. Two other items also had significant contribution to July inflation: cost of recreation, which went up by an annual rate of 2.6 percent, and airline fare, which increased by 25.5 percent over the year.

However, we should also note that the costs of several items fell in July, although their

sharp increases over the year contributed to stubborn inflation. Notable among them are the cost of energy commodities, which fell by 2.9 percent between June and July but increased by 24.7 percent over the year; cost of gasoline which fell by 2.9 percent in July compared to June but increased by 24.6 percent over the year; and the cost of fuel oil which increased over the past twelve month period by 39.1 percent but fell by 1.7 percent between June 2026 and July. It should be noted that the movements of the costs of all these items are attributable, at least in significant part, to the U.S.-Iran war.

There are regional disparities in inflation. Among the four main BLS regions – Northeast, Midwest, South and West – the Northeast region, which includes Pennsylvania, recorded the highest yearly inflation rate of 4.1 percent in July 2026, preceded by 4.3 percent in June, while the West posted the lowest yearly inflation of 3.0 percent in July and 3.2 percent in June (tied with South for the lowest yearly inflation in June, 2026). Northeast also recorded the highest yearly increase in the Core CPI – CPI excluding food and energy – of 3.2 percent in July 2026, while the West region posted the lowest yearly Core CPI based inflation of 2.2 percent in July 2026. These data are not seasonally adjusted.

There are also substantial regional disparities in the rate of price increase for different items. On a yearly basis, cost of food index increased in all four regions. But it increased the most in the Northeast region where the yearly rate of increase in July was 3.5 percent. It increased by 0.2 percent in July over the previous month, June 2026. In contrast there was no increase in food price in the month of July in the South region, which also recorded the lowest yearly increase in food price of 2.7 percent in July. Cost of shelter increased over the year in all four regions. The steepest increase in the cost of shelter was in the Northeast and the Midwest where in both regions it increased by 4.5 percent in July 2026 over the 12 month period and by 0.4 percent in the month of July over June 2026. There was no change in the cost of shelter during the month of July in the South region and the West region experienced the lowest yearly increase in cost of shelter by 2.5 percent in July 2026. There was quite a bit of variation in the rate of change in the cost of electricity among the different regions. In the month of July, the cost of electricity fell by 1.4 percent in the West and by 0.3 percent in the South region compared to the previous month. All four regions, however, recorded different degrees of increase in the cost of electricity on a yearly basis. The Midwest region recorded the highest annual rate of increase of 8.1 percent while the South experienced the lowest annual rate of electricity cost increase – by only 1.9 percent. However, the cost of medical care services increased both on a monthly and yearly basis in all four regions. The cost of medical care services increased the most – by 3.3 percent annually – in the Midwest in July 2026 while it increased the least – by 2.3 percent on a yearly basis in the West.

What is particularly troubling for consumers is that inflation is outpacing the wage growth. According to BLS, in the past year, wage rate was growing at the rate of 3.2 percent. But since, the CPI-U increased at the annual rate of 3.4 percent, average real hourly income fell by 0.2 percent. The fall in the average hourly real income combined with continued increase in prices of food, shelter, electricity, gasoline and medical care services are burdensome, specially for low and middle class income earners.

What can we expect the inflation rate to be in the later part of the year or the next year?

Usually the Producer Price Index or PPI that measures the price that producers pay to produce their products gives a clue. PPI indicates how consumer prices may change in future. A current increase in the PPI leads to an increase in consumer prices and hence inflation in future, while a fall in the PPI can lead to a fall in inflation within a few months. Between May and June the seasonally adjusted PPI for final goods fell by 0.1 percent and between June and July it remained unchanged. This can give us some reason to hope that perhaps consumer prices may not increase much in the near future. However, given that the energy index increased by 14.7 percent over the past year and uncertainty remains about when the U.S.-Iran war will end, inflation is likely to remain stubbornly high for at least the remainder of the year, although it may moderate in some months.

The Federal Reserve is in charge of controlling inflation. What should the Fed do to curb the continued inflationary pressure? Since price stability is defined by the Fed as 2 percent PCE inflation and PCE inflation along with the Core PCE inflation have been consistently above 3 percent, a large number of economists and financial analysts believe that the Fed should increase the interest rate by at least a quarter to a half percentage point at the next FOMC meeting in September and perhaps once again in December. But by increasing the rate, the Fed can increase the cost of borrowing and lower borrowing and spending. An interest rate increase may not be particularly useful to control a cost-push inflation when the increase in price of energy – an essential input for production – is one of the main reasons why inflation is so stubborn.

Furthermore, besides controlling inflation, the Fed also has the mandate of maintaining maximum employment. While the national unemployment rate is still very low, the report of job loss in July, may give the Fed a pause before raising the interest rate and further slowing down the economy. But not just the US economy, the global economy depends on the steady functioning of the Federal Reserve and the credibility of the Fed. The Fed has a new Chair – Kevin Warsh. If Mr. Warsh comes across as tentative, it can spell trouble for the US and global economy. There are already indications that the US financial market has factored in a possible increase in the interest rate. Many banks have already raised interest rates on their CDs in anticipation of a September rate hike. If the Fed does not raise the interest rate in September, Fed's credibility and the new Fed Chair's credibility will be at stake. So, it is most likely that the Fed will increase the interest rate at least once in September and perhaps once again in December, unless the labor market and the economy show severe signs of weakness. But without a credible end to the US-Iran war it seems unlikely that the interest rate hike by the Fed would lower inflation significantly.

Job Loss in July! Is the Labor Market Getting Weaker?

In July, 2026 the national unemployment rate fell to 4.1 percent from June's 4.2 percent. In May it was even higher – 4.3 percent. The days of 3.4 or 3.5 percent unemployment rate of 2023 are long gone, but the 4.1 percent unemployment rate can very easily be the envy of the world. So, why should we even entertain the thought that the US labor market is getting weaker? Isn't reduction in the unemployment rate a sign of strength? The answer lies in the details.

On August 7 2026, the BLS announced that in July the US economy lost 23,000 jobs – a far cry from 83,000 more jobs that many economists expected to be created in that month. In addition, the BLS revised down the prior two months' job numbers by a combined 103,000. May's jobs total was cut by 66,000 – from 129,000 to 63,000 total jobs added, while June's total was lowered by 37,000 – from 57,000 to 20,000. Between January 2026 and July 2026 the employment population ratio fell by 0.5 percent – from 59.4 percent to 58.9 percent. During the same period the civilian labor force participation rate fell by 0.7 percent – from 62.1 percent to 61.4 percent. As a result, in 2026 the US labor force has shrunk. Due to the reduction in the labor force even a low job growth can lead to a low unemployment rate! So, the unemployment rate can turn out to be low, but that cannot hide the fact that lately we have had the record of very poor job growth. Between July 2025 and July 2026, the US economy added only 380,000 jobs – about only 29,000 net jobs per month.

Stubborn inflation and poor job growth are clear indicators that the US economy is getting weaker.

Appendix

Downtown Scranton Business Survey

Part 1: Firm and Respondent Information

Firm Name: _____

Date: _____

Part 2: General Business Conditions

Question	Higher	No Change	Lower
1. Compared to last month, what is your general evaluation of the current level of business activity			
2. Six months from now, do you expect the level of business activity to be			

Part 3: Additional Questions Relating to Your Facilities in Scranton

Question	Higher	No Change	Lower
3. Compared to last month, the prices your company pays are			
4. Six months from now, do you expect the prices your company pays to be			
5. Compared to last month, the prices your company is receiving are			
6. Six months from now, do you expect the prices your company receives to be			
7. Compared to last month, the number of employees (including contract workers) in your company is			
8. Six months from now, do you expect the number of employees in your company (including contract workers) to be			
9. Compared to last month, the average number of hours that employees work is			
10. Six months from now, do you expect the average number of hours that employees work to be			
11. Six months from now, do you expect your company's spending on technology to be			
12. Six months from now, do you expect your company's capital spending (such as improvement or expansion of the physical plant) to be			