



# Monthly Trends Report

December 2016

## STATE GDP CONTRACTS

The U.S. Bureau of Economic Analysis recently released real gross domestic product (GDP) by state for the second quarter of 2016. The release includes revised quarterly statistics for 2005 to 2016. The table below shows real GDP growth at annualized rates (first and second quarters and first half of 2016) for Pennsylvania and contiguous states. The growth of real GDP measures total economic output (adjusted for inflation), and can be used to evaluate the rate at which a state economy expands or contracts. In Pennsylvania, real GDP declined at an average annual rate of 2.0% in the first half of 2016. The decline was driven by a 4.5% drop in the first quarter. Real GDP growth picked up in the second quarter, increasing 5.0 percentage points to 0.5%. During the first half of the year, real GDP growth in surrounding states ranged from 2.8% in New York to -3.4% in West Virginia.

The U.S. Bureau of Economic Analysis divides GDP into different sectors for reporting purposes. For Pennsylvania, real GDP growth in the first half of the year was motivated by gains in agriculture (54.8%), utilities (18.0%), professional services (4.8%) and manufacturing (2.0%); and by losses in mining (-29.8%), management (-8.8%), government (-8.7%) and real estate (-4.5%). Excluding real estate, Pennsylvania's largest private sectors: manufacturing, healthcare, information and professional services, which comprise nearly 40% of state GDP, were more resilient (1.4% growth, weighted average) than the overall state economy.

2016 Real GDP Growth by State			
State	Q1	Q2	First Half
New York	5.6%	0.1%	2.8%
Delaware	2.9	1.5	2.2
New Jersey	2.2	1.7	1.9
Ohio	-2.9	1.9	-0.5
Maryland	-3.7	1.0	-1.4
Pennsylvania	-4.5	0.5	-2.0
West Virginia	-5.9	-0.8	-3.4
Region	0.6	0.8	0.7
U.S.	0.8	1.4	1.1

Notes: Data are preliminary and subject to revision. Figures are annualized rates.  
Source: U.S. Bureau of Economic Analysis.

## GENERAL FUND SNAPSHOT

The Commonwealth collected \$2.62 billion in General Fund revenues for December, a decrease of \$106.6 million (-3.9%) compared to December 2015. Fiscal year-to-date revenues were \$13.45 billion, an increase of \$54.2 million (0.4%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
<b>Dec-16</b>	\$2,618	\$2,581	\$37
<b>Growth</b>	-3.9%	-4.3%	27.5%
<b>FYTD</b>	\$13,455	\$13,308	\$147
<b>Growth</b>	0.4%	0.4%	2.0%

Dollar amounts are in millions.

For the first half of 2016, real GDP grew more slowly in Pennsylvania and its contiguous states (0.7%, weighted average) than the U.S. as a whole (1.1%). The far west and rocky mountain regions grew faster than the U.S. at 2.8% and 1.4%, respectively. Some of these gains are attributable to population growth (see below). By contrast, the southwest and plains regions grew more slowly than the U.S. at 0.1% and -1.9%, respectively. These regions are particularly vulnerable to fluctuations in the energy sector, which contracted significantly in recent years.

It is important to note that real GDP growth does not control for population changes, which can have a positive (population increases) or negative (population declines) impact. According to the Pennsylvania State Data Center<sup>1</sup>, six states recorded population declines from 2015 to 2016, including Pennsylvania (-0.1%) and West Virginia (-0.5%). The population contraction explains some of the weakness in their real GDP growth rates from the first half of 2016.

<sup>1</sup>Pennsylvania State Data Center, "Research Brief: 2016 National and State Population Estimates Released," December 21, 2016.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Sep-16	Oct-16	Nov-16	Dec-16	Sep-16	Oct-16	Nov-16	Dec-16
Unemployment Rate <sup>1</sup>	4.9%	4.8%	4.6%	4.7%	5.7%	5.8%	5.7%	n.a.
Net Job Gains (000s) <sup>2</sup>	208.0	135.0	204.0	156.0	60.9	48.4	42.5	n.a.
Average Gasoline Price <sup>3</sup>	\$2.22	\$2.25	\$2.18	\$2.25	\$2.22	\$2.26	\$2.31	\$2.37
Consumer Price Index <sup>4</sup>	1.5%	1.6%	1.7%	n.a.	0.8%	1.3%	n.a.	n.a.
Retail Sales <sup>5</sup>	2.6%	3.2%	3.7%	n.a.	0.9%	1.9%	2.8%	2.3%
Consumer Sentiment Index <sup>6</sup>	91.2	87.2	93.8	98.2	n.a.	n.a.	n.a.	n.a.
New Building Permits <sup>7</sup>	5.4%	8.9%	7.5%	n.a.	-2.4%	12.3%	18.8%	n.a.

## QUARTERLY ECONOMIC INDICATORS

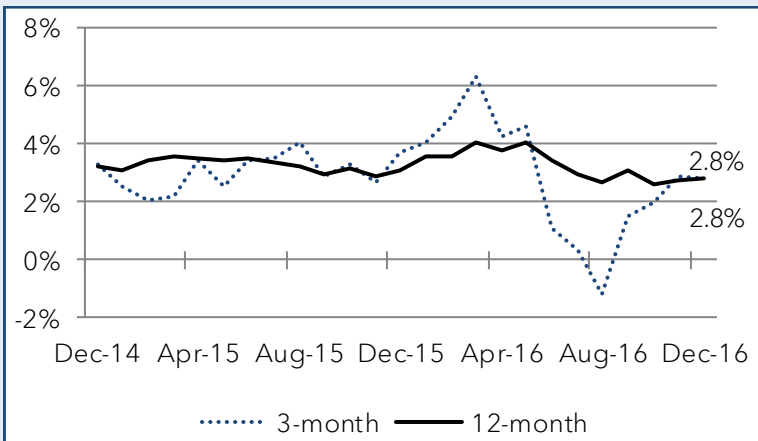
	United States				Pennsylvania			
	2015.4	2016.1	2016.2	2016.3	2015.4	2016.1	2016.2	2016.3
Gross Domestic Product <sup>8</sup>	0.9%	0.8%	1.4%	3.5%	1.7%	-4.5%	0.5%	n.a.
Personal Income <sup>9</sup>	3.9%	3.6%	3.4%	3.5%	3.5%	2.5%	2.6%	2.9%
Completed Home Sales <sup>10</sup>	2.0%	5.7%	4.0%	0.8%	6.9%	11.0%	11.4%	1.5%
FHFA House Price Index <sup>11</sup>	5.9%	6.1%	5.9%	6.0%	3.0%	3.7%	3.2%	4.0%
Student Loan Debt <sup>12</sup>	\$4,600	\$4,710	\$4,690	\$4,830	\$5,310	\$5,450	\$5,430	\$5,590
Industrial Electricity Sales <sup>13</sup>	-2.5%	-3.9%	-6.2%	-4.9%	-4.0%	-2.2%	-2.8%	-0.6%

### Notes:

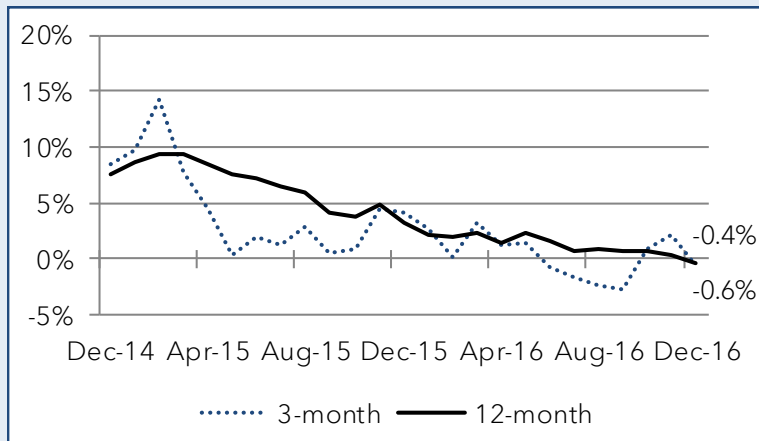
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM—Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. The annual growth rate of sales of existing single-family properties, townhomes and condominiums. (PA data contain some new properties.) Sources: National Association of Realtors and PA Association of Realtors.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2015, Pennsylvania has 10.8 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

## SELECT GENERAL FUND TAX REVENUES - ANNUAL GROWTH RATES

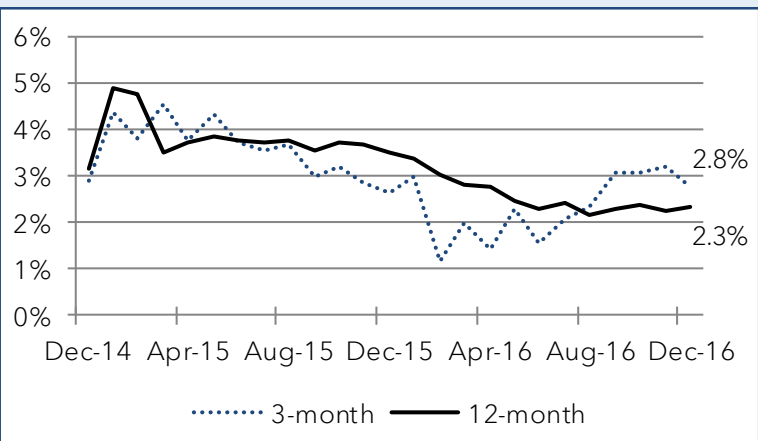
### Sales and Use Tax – Non-Motor



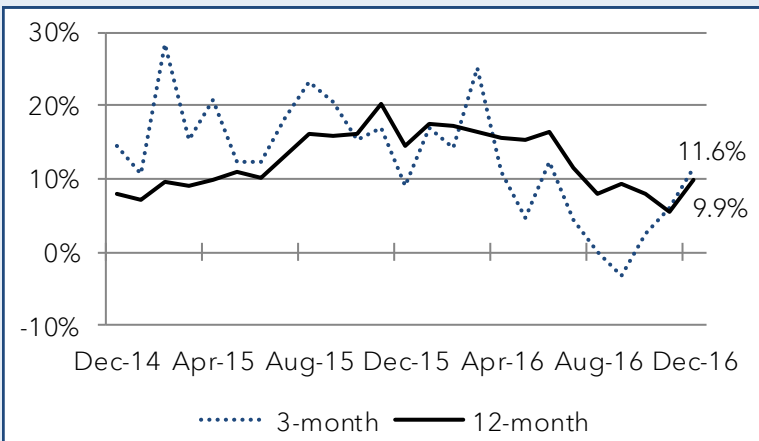
### Sales and Use Tax – Motor



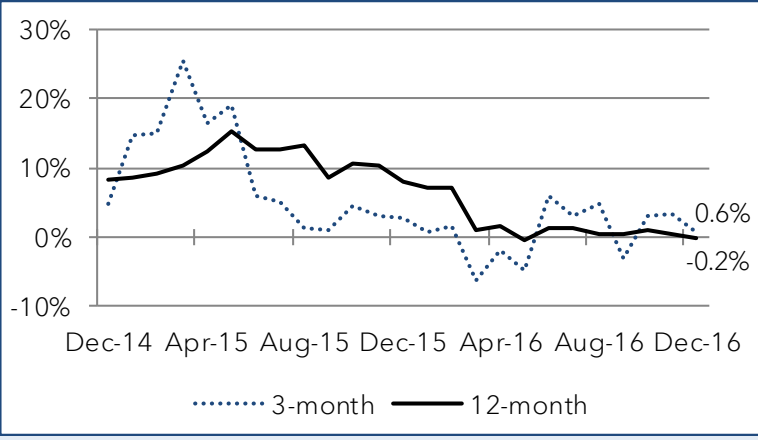
### Personal Income Tax – Withholding



### Realty Transfer Tax



### Corporate Net Income Tax



Technical Notes (for revenue graphs and table on next page):

- ↳ Transfers from the General Fund to the Enhanced Revenue Collection Account were \$19.8 million including: \$6.5 million from personal income tax; \$5.7 million from sales and use tax; and \$5.2 million from corporate net income tax. (The graphs above correct for these transfers.)
- ↳ The personal income tax withholding collections year-over-year growth rate was impacted by (1) a weekly filer due date (extra Wednesday) that occurred in December last year and in November this year, and (2) another weekly filer due date (extra Friday) that occurred in January last year and in December this year. (The personal income tax withholding graph above corrects for this difference.)

Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

## Pennsylvania General Fund Revenues Summary

Revenue Source	Dec 2016	Dec 2015	Dec 2014	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,618.4</b>	<b>\$2,725.0</b>	<b>\$2,710.6</b>	<b>\$13,454.8</b>	<b>\$13,400.6</b>	<b>\$13,299.5</b>	<b>-3.9%</b>	<b>0.4%</b>
<b>Total Tax Revenue</b>	<b>2,581.1</b>	<b>2,695.8</b>	<b>2,647.5</b>	<b>13,307.8</b>	<b>13,256.5</b>	<b>12,922.7</b>	<b>-4.3</b>	<b>0.4</b>
<b>Total Corporation Taxes</b>	<b>466.7</b>	<b>527.3</b>	<b>564.1</b>	<b>1,273.9</b>	<b>1,398.7</b>	<b>1,425.6</b>	<b>-11.5</b>	<b>-8.9</b>
Accelerated Deposits	0.9	0.9	29.4	1.5	2.6	31.1	2.6	-42.6
Corporate Net Income	452.5	477.1	496.8	1,183.8	1,234.9	1,226.9	-5.2	-4.1
Capital Stock & Fran.	-2.2	24.2	22.0	29.4	87.2	98.2	-109.2	-66.3
Gross Receipts	7.7	3.8	7.0	32.5	30.8	36.4	101.1	5.4
Utility Property	0.0	0.0	0.1	2.3	2.7	2.1	-71.4	-14.8
Insurance Premium	1.3	1.9	1.1	4.3	5.8	3.5	-28.4	-25.9
Financial Institution	6.6	19.5	7.7	20.2	34.7	27.5	-66.2	-42.0
<b>Total Consumption Taxes</b>	<b>1,012.1</b>	<b>958.0</b>	<b>938.0</b>	<b>5,845.5</b>	<b>5,620.4</b>	<b>5,481.6</b>	<b>5.7</b>	<b>4.0</b>
Sales and Use - Total	840.8	824.3	804.2	4,980.7	4,939.6	4,802.2	2.0	0.8
Non-Motor	739.3	711.3	689.3	4,301.7	4,248.2	4,125.0	3.9	1.3
Motor Vehicle	101.5	113.0	114.8	679.0	691.5	677.2	-10.2	-1.8
Cigarette	118.4	87.9	90.2	653.3	482.9	489.0	34.7	35.3
Other Tobacco Products	4.5	0.0	0.0	5.4	0.0	0.0	n.a.	n.a.
Malt Beverage	1.8	1.7	1.6	12.8	13.1	12.5	4.2	-2.1
Liquor	46.7	44.1	41.9	193.3	184.7	177.9	5.9	4.6
<b>Total Other Taxes</b>	<b>1,102.3</b>	<b>1,210.5</b>	<b>1,145.4</b>	<b>6,188.4</b>	<b>6,237.4</b>	<b>6,015.5</b>	<b>-8.9</b>	<b>-0.8</b>
Personal Income - Total	962.4	1,067.1	1,020.0	5,433.9	5,465.1	5,213.8	-9.8	-0.6
Withholding	798.8	884.6	878.0	4,660.9	4,629.7	4,502.1	-9.7	0.7
Quarterly	150.2	166.0	126.7	628.2	665.1	571.3	-9.5	-5.5
Annual	13.4	16.5	15.3	144.7	170.2	140.4	-18.8	-15.0
Realty Transfer	44.9	33.1	40.4	244.2	248.4	216.0	35.5	-1.7
Inheritance	84.5	83.5	72.1	453.0	449.7	521.7	1.3	0.7
Table Games	10.9	7.2	9.2	58.6	48.7	46.3	51.8	20.5
Minor and Repealed	-0.5	19.6	3.7	-1.3	25.6	17.8	-102.3	-105.1
<b>Total Non-Tax Revenue</b>	<b>37.2</b>	<b>29.2</b>	<b>63.2</b>	<b>147.0</b>	<b>144.1</b>	<b>376.8</b>	<b>27.5</b>	<b>2.0</b>
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Lic., Fees & Misc.	30.0	22.4	55.8	100.9	99.9	332.7	33.6	1.0
Licenses and Fees	22.9	25.3	23.2	54.4	55.2	50.5	-9.5	-1.6
Miscellaneous	7.1	-2.9	32.6	46.5	44.6	282.2	346.5	4.2
Treasury	0.9	0.0	0.8	9.7	3.1	6.2	n.a.	213.6
Escheats	-12.8	-7.6	30.8	-27.3	6.4	16.2	-69.4	-527.2
Other Miscellaneous	18.9	4.7	1.1	64.1	35.2	259.7	300.4	82.4
Fines, Pen. & Int. - Total	7.3	6.8	7.4	46.1	44.2	44.1	7.4	4.3

Note: Dollar amounts in \$ millions. Growth rates computed from the same time period from the previous year.