



Monthly Trends Report

February 2016

U.S. CORPORATE PROFITS DECLINE

According to the U.S. Department of Commerce, domestic profits of non-financial corporations decreased \$56.5 billion (-4.3%) in the third quarter of 2015 on a year-over-year basis.¹ For the fourth quarter, analysts project that earnings will continue to decline by 2% to 10% compared to the prior year. If these projections are correct, it will be the first time that corporate profits declined for two consecutive quarters since the recession.

However, nearly all of the weakness in profits is attributable to two sectors. Mining sector profits have deteriorated rapidly due to the collapse in oil and gas prices. In addition, utility profits have weakened due to falling consumption, strong competition and facility upgrades. The losses in these two sectors are large enough to offset moderate to strong profit gains in most other sectors.

Recent data from the Pennsylvania Department of Revenue show that Pennsylvania's three largest corporate sectors (in terms of taxable profits) are the manufacturing, wholesale and retail trade sectors. These three sectors comprised

PA CORPORATE NET INCOME TAX PAYMENTS

Sector	Dollar Amounts		Growth Rate	Share of Total
	2013-14	2014-15		
Wholesale Trade	\$410.0	\$481.8	17.5%	17.1%
Manufacturing	455.0	464.5	2.1	16.5
Retail Trade	284.4	330.3	16.1	11.7
Finance-Insurance	197.7	283.5	43.4	10.1
Information	210.9	213.9	1.4	7.6
Professional-Scientific	123.9	150.0	21.1	5.3
Transportation	133.8	147.0	9.9	5.2
Utilities	103.8	135.9	30.9	4.8
Mining	91.7	118.7	29.4	4.2
All Other	490.6	485.8	-1.0	17.3
Total	2,501.6	2,811.5	12.4	100.0

Note: data are in millions. Source: PA Department of Revenue, Statistical Supplement to the Tax Compendium.

GENERAL FUND SNAPSHOT

The Commonwealth collected \$1.85 billion in General Fund revenues for February, an increase of \$112.1 million (6.4%) compared to February 2015. Fiscal year-to-date revenues were \$17.75 billion, an increase of \$313.9 million (1.8%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
Feb-16	\$1,855	\$1,819	\$36
Growth	6.4%	5.7%	62.9%
FYTD	\$17,754	\$17,508	\$246
Growth	1.8%	3.4%	-50.8%

Dollar amounts are in millions.

45.4% of total corporate net income tax (CNIT) collections for FY 2014-15. National profit trends for the third quarter of 2015 may suggest strong profit gains for Pennsylvania manufacturers (16.4% growth) and retailers (14.5%), but a reduction for wholesalers (-1.1%).

National profits for two key Pennsylvania industries declined during the third quarter of 2015. The mining and utilities sectors recorded declines of 126.9% (i.e., all sector profits eliminated, resulting in a net loss) and 42.9%, respectively.² These two sectors comprised 9.0% of total CNIT payments in FY 2014-15, and the significant decline in their third quarter profits may have a notable impact on tax collections in March and April, when corporations remit their final payments for tax year 2015.

¹ U.S. Bureau of Economic Analysis. Data for the fourth quarter of 2015 will be released March 25.

² Third quarter mining profits from the "Quarterly Financial Report", U.S. Census Bureau.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Nov-15	Dec-15	Jan-16	Feb-16	Nov-15	Dec-15	Jan-16	Feb-16
Unemployment Rate ¹	5.0%	5.0%	4.9%	4.9%	4.7%	4.7%	4.6%	n.a.
Net Job Gains (000s) ²	280.0	271.0	172.0	242.0	43.2	41.8	38.7	n.a.
Average Gasoline Price ³	\$2.16	\$2.04	\$1.95	\$1.76	\$2.20	\$2.13	\$2.01	\$1.84
Consumer Price Index ⁴	0.4%	0.7%	1.3%	n.a.	-0.4%	-0.2%	-0.2%	n.a.
Retail Sales ⁵	1.8%	1.9%	2.5%	n.a.	3.0%	3.8%	3.9%	4.4%
Consumer Sentiment Index ⁶	91.3	92.6	92.0	90.7	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	10.5%	10.7%	11.5%	n.a.	-10.1%	-12.4%	-3.1%	n.a.

QUARTERLY ECONOMIC INDICATORS

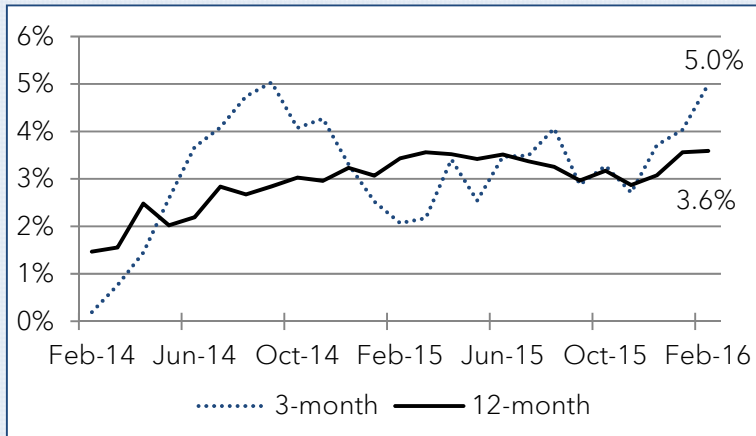
	United States				Pennsylvania			
	2015.1	2015.2	2015.3	2015.4	2015.1	2015.2	2015.3	2015.4
Gross Domestic Product ⁸	0.6%	3.9%	2.0%	1.0%	-0.7%	4.1%	n.a.	n.a.
Personal Income ⁹	4.5%	4.5%	4.5%	4.1%	3.4%	3.3%	3.6%	n.a.
Completed Home Sales ¹⁰	6.9%	8.2%	8.3%	2.0%	12.4%	11.8%	13.3%	5.0%
FHFA House Price Index ¹¹	5.3%	5.6%	5.7%	5.8%	2.9%	2.2%	2.5%	3.1%
Student Loan Debt ¹²	\$4,590	\$4,480	\$4,480	\$4,600	\$5,330	\$5,180	\$5,170	\$5,310
Industrial Electricity Sales ¹³	-3.1%	-3.8%	-4.0%	n.a.	-2.4%	-1.6%	-1.2%	n.a.

Notes:

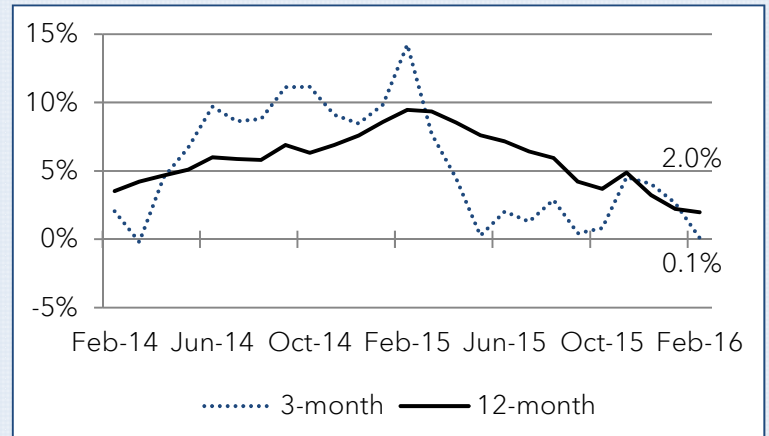
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in monthly payroll employment compared to the previous month. PA: Average increase in annual payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. 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 month 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 2014, Pennsylvania has 10.7 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

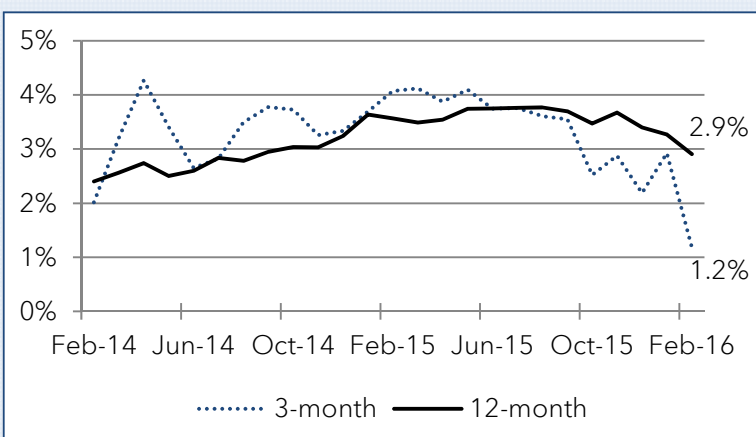
Sales and Use Tax – Non-Motor



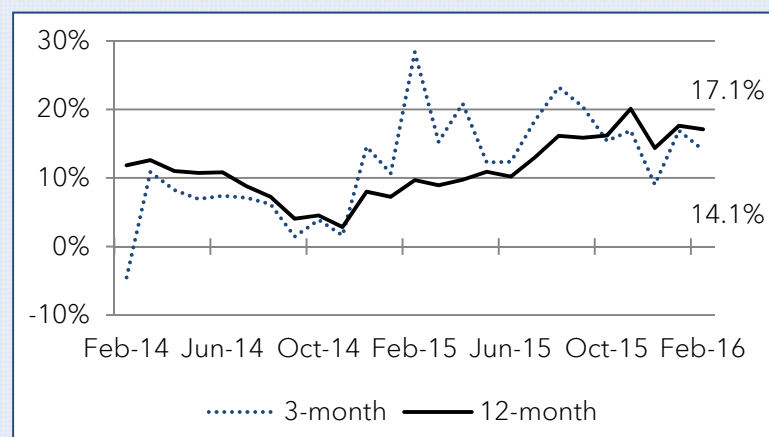
Sales and Use Tax – Motor



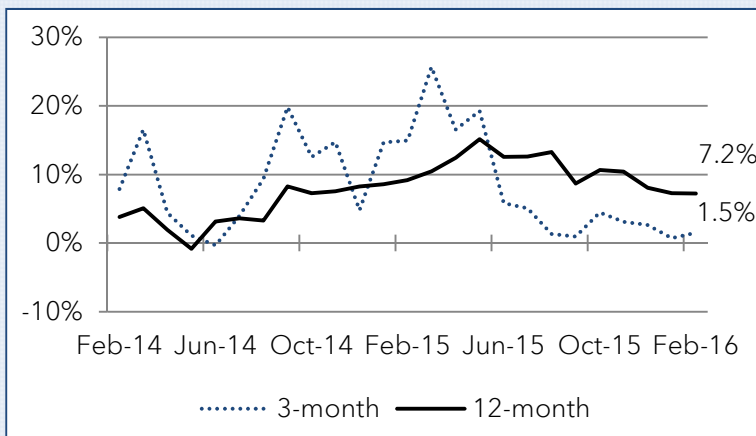
Personal Income Tax – Withholding



Realty Transfer Tax



Corporate Net Income Tax



Technical Notes:

- ↳ Transfers from the General Fund to the Enhanced Revenue Collection Account were \$15.4 million and included: \$0.8 million from CNIT; \$1.9 million from Inheritance; \$8.5 million from SUT; and \$4.5 million from PIT.
- ↳ February is typically one of the three lowest months for revenue collections, along with August and November.

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

Pennsylvania General Fund Revenues Summary

Revenue Source	Feb 2016	Feb 2015	Feb 2014	FYTD 2015-16	FYTD 2014-15	FYTD 2013-14	Feb 2016 Growth	FYTD Growth
Total General Fund	\$1,854.6	\$1,742.5	\$1,648.5	\$17,754.2	\$17,440.3	\$16,294.9	6.4%	1.8%
Total Tax Revenue	1,818.9	1,720.6	1,606.8	17,508.2	16,940.2	16,119.1	5.7	3.4
Total Corporation Taxes	105.5	66.1	58.2	1,656.4	1,620.5	1,499.1	59.6	2.2
Accelerated Deposits	-0.1	0.3	-1.9	0.2	4.5	1.2	-123.5	-95.8
Corporate Net Income	49.7	34.1	31.6	1,417.0	1,382.6	1,226.3	45.5	2.5
Capital Stock & Fran.	7.5	5.0	6.1	105.9	116.9	180.1	50.9	-9.4
Gross Receipts	7.9	2.5	4.5	43.7	42.5	40.1	221.0	2.7
Utility Property	0.0	0.0	0.0	2.8	2.1	2.3	30.8	34.2
Insurance Premiums	27.7	23.3	17.4	48.7	41.6	37.9	18.8	17.0
Financial Institutions	12.6	0.5	0.1	36.0	28.1	8.3	2,493.6	28.2
Other Sel. Business	0.2	0.4	0.5	2.2	2.3	3.0	-48.3	-4.9
Total Consumption Taxes	761.7	746.4	722.0	7,345.5	7,147.6	6,891.6	2.1	2.8
Sales and Use - Total	668.3	651.4	621.6	6,498.2	6,298.0	6,013.0	2.6	3.2
Non-Motor	578.2	568.1	547.9	5,626.2	5,442.4	5,236.1	1.8	3.4
Motor Vehicle	90.2	83.3	73.7	872.0	855.7	776.9	8.3	1.9
Cigarette	65.8	68.7	74.5	595.0	607.4	644.7	-4.2	-2.0
Malt Beverage	1.8	1.9	1.9	16.6	16.0	16.8	-6.4	3.7
Liquor	25.8	24.5	24.0	235.7	226.1	217.1	5.5	4.2
Total Other Taxes	951.6	908.1	826.6	8,506.3	8,172.1	7,728.4	4.8	4.1
Personal Income - Total	821.0	819.5	745.3	7,487.2	7,141.7	6,875.5	0.2	4.8
Withholding	768.0	777.3	709.4	6,155.7	6,006.7	5,791.6	-1.2	2.5
Quarterly	20.5	18.2	13.3	1,117.4	959.4	903.2	12.7	16.5
Annual	32.6	24.0	22.6	214.2	175.5	180.6	36.0	22.0
Realty Transfer	33.3	24.8	15.7	325.1	271.9	248.4	34.7	19.6
Inheritance	89.6	66.1	60.5	604.9	660.7	542.3	35.5	-8.5
Table Games	8.0	7.6	6.9	66.5	63.5	59.7	5.2	4.7
Minor and Repealed	-0.3	-9.9	-1.7	22.6	34.3	2.5	-96.6	-33.9
Total Non-Tax Revenue	35.7	21.9	41.7	246.0	500.1	175.8	62.9	-50.8
Liquor Store Profits	0.0	0.0	0.0	50.0	80.0	0.0	n.a.	-37.5
Lic, Fees & Misc.	27.4	14.1	35.2	137.9	363.1	114.9	94.5	-62.0
Licenses and Fees	2.8	3.9	3.5	65.3	65.3	65.0	-29.0	0.0
Miscellaneous	24.6	10.2	31.7	72.6	297.9	49.9	142.4	-75.6
Treasury	1.8	0.3	1.2	11.8	6.7	5.5	527.4	75.6
Escheats	17.7	3.9	0.1	11.8	18.9	-14.9	355.1	-37.4
Other Miscellaneous	5.2	6.0	30.5	49.0	272.2	59.3	-13.4	-82.0
Fines, Pen & Int. - Total	8.3	7.8	6.4	58.1	57.0	60.9	5.8	2.0

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