



# Monthly Trends Report

March 2017

## PA CONSUMER DEBT OUTPACES REGION

The Federal Reserve Bank of New York (FRBNY) publishes quarterly state data on consumer debt. The data span major loan types, such as mortgage, auto, credit card and student loan, and provide insight as to whether consumers are accumulating or paying down debt. For Pennsylvania and most nearby states, total consumer debt peaked in 2008 prior to the Great Recession. Pennsylvania's total consumer debt surpassed its 2008 level (\$395 billion) in 2011 (\$399 billion) and has grown by 2.5% per annum post-recession. This represents a more rapid rebound compared to several nearby states that have only reached their pre-recession levels in the past two years. Some states (Michigan, New Jersey and Ohio) have yet to reach their pre-recession levels.

Mortgage debt is the largest category, comprising more than 60% of the total. Compared to nearby states, Pennsylvania has experienced the highest, albeit relatively flat, average annual growth in mortgage debt since the recession at 0.5% per annum (2010 to 2016), and it was the only state in this comparison to surpass its 2008 peak during this period. Michigan, Ohio and New Jersey fell by more than 1% per annum, but recent data show modest gains.

Similar to mortgage debt, credit card debt peaked in 2008 for the states below. However, credit card debt grew more quickly than mortgage debt from 2010 to 2016. Pennsylvania outpaced nearby states, with a growth rate of 1.5% per annum. Despite recent acceleration in U.S. credit card debt (roughly 6% growth in 2016), January 2017 data suggest that consumers either paused on making new purchases or paid down existing debt.<sup>1</sup>

Auto and student loans have been the fastest growing loan types over the past six years for Pennsylvania and nearby states. The rise in auto loans directly correlates with the increase in national consumer spending on auto vehicles and parts (7.7% per annum

### Average Annual Growth in Consumer Debt, 2010-2016

	Mortgage	Credit Card	Auto	Student	Total
MI	-1.1%	0.2%	5.9%	8.6%	1.2%
NJ	-1.3%	1.0%	6.4%	8.6%	0.1%
NY	0.4%	1.3%	5.8%	6.1%	1.5%
OH	-1.5%	-2.3%	6.7%	7.3%	0.9%
PA	0.5%	1.5%	7.0%	7.3%	2.5%

Note: Data are per capita for the fourth quarter of each calendar year and multiplied by the number of consumers with a credit report in each state to yield total debt. Number of consumers for 2016 is an IFO estimate. Total debt figures include HELOC and other loans. Source: FRBNY.

### GENERAL FUND SNAPSHOT

The Commonwealth collected \$4.42 billion in General Fund revenues for March, a decrease of \$64.5 million (-1.4%) compared to March 2016. Fiscal year-to-date revenues were \$22.39 billion, an increase of \$153.9 million (0.7%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
Mar-17	\$4,422	\$4,376	\$46
Growth	-1.4%	-0.4%	-51.1%
FYTD	\$22,394	\$22,055	\$339
Growth	0.7%	0.7%	-0.3%

Dollar amounts are in millions.

from 2010 to 2016), according to retail sales data from the U.S. Census Bureau.

Although Pennsylvania's student loan debt growth is not the highest among the nearby states, the Commonwealth continually ranks second nationwide in the average debt per graduate with debt (\$34,798) and third in the share of graduates with debt (71%).<sup>2</sup>

The strong growth in auto and student loans, coupled with the weak growth in mortgage loans, have changed the composition of consumer debt. For Pennsylvania, the weak growth in mortgage debt drove down that share of total debt from 68% in 2010 to 61% in 2016. The share of auto loans grew from 7% to 9%, while the share of student loans increased from 11% to 14% over that same period. Credit card debt was unchanged at 7%. Research by the FRBNY suggests that the changing composition of debt is influenced by (1) the aging population and associated change in consumer habits and (2) tighter underwriting standards that hindered loans to potential new homeowners.<sup>3</sup>

<sup>1</sup> Consumers Take a Credit Card Breather, The Wall Street Journal. March 2017.

<sup>2</sup> Project on Student Debt, The Institute for College Access and Success. October 2016.

<sup>3</sup> The Graying of American Debt. FRBNY. February 2016.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Dec-16	Jan-17	Feb-17	Mar-17	Dec-16	Jan-17	Feb-17	Mar-17
Unemployment Rate <sup>1</sup>	4.7%	4.8%	4.7%	4.5%	5.4%	5.2%	5.0%	n.a.
Net Job Gains (000s) <sup>2</sup>	155.0	216.0	219.0	98.0	61.1	63.2	67.6	n.a.
Average Gasoline Price <sup>3</sup>	\$2.25	\$2.35	\$2.30	\$2.33	\$2.37	\$2.49	\$2.42	\$2.38
Consumer Price Index <sup>4</sup>	2.1%	2.5%	2.7%	n.a.	1.7%	n.a.	2.1%	n.a.
Retail Sales <sup>5</sup>	4.2%	4.7%	5.4%	n.a.	2.3%	3.0%	4.2%	4.3%
Consumer Sentiment Index <sup>6</sup>	98.2	98.5	96.3	96.9	n.a.	n.a.	n.a.	n.a.
New Building Permits <sup>7</sup>	8.6%	13.4%	11.8%	n.a.	20.7%	16.9%	5.8%	n.a.

## QUARTERLY ECONOMIC INDICATORS

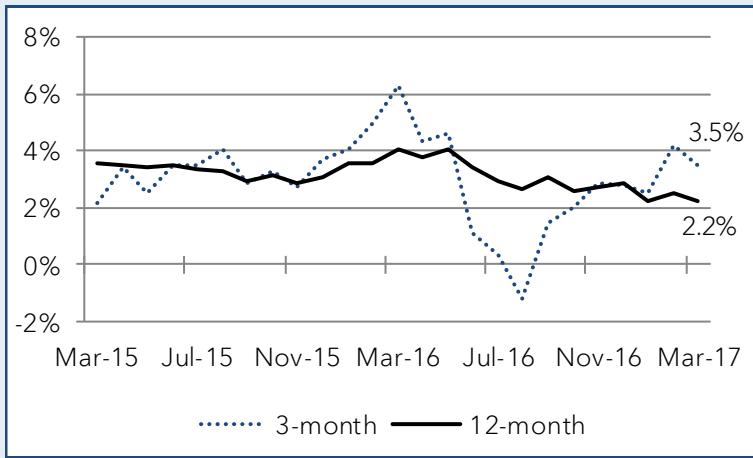
	United States				Pennsylvania			
	2016.1	2016.2	2016.3	2016.4	2016.1	2016.2	2016.3	2016.4
Gross Domestic Product <sup>8</sup>	0.8%	1.4%	3.5%	2.1%	-4.5%	0.5%	3.3%	n.a.
Personal Income <sup>9</sup>	3.6%	3.4%	3.6%	3.7%	2.4%	2.7%	3.4%	3.2%
Completed Home Sales <sup>10</sup>	5.7%	4.0%	0.8%	5.6%	11.2%	11.2%	2.8%	5.2%
FHFA House Price Index <sup>11</sup>	6.1%	5.9%	6.0%	5.9%	3.9%	3.3%	4.1%	4.0%
Student Loan Debt <sup>12</sup>	\$4,710	\$4,690	\$4,830	\$4,920	\$5,450	\$5,430	\$5,590	\$5,690
Industrial Electricity Sales <sup>13</sup>	-3.9%	-6.2%	-4.9%	-4.9%	-2.2%	-2.8%	-0.6%	0.8%

### Notes:

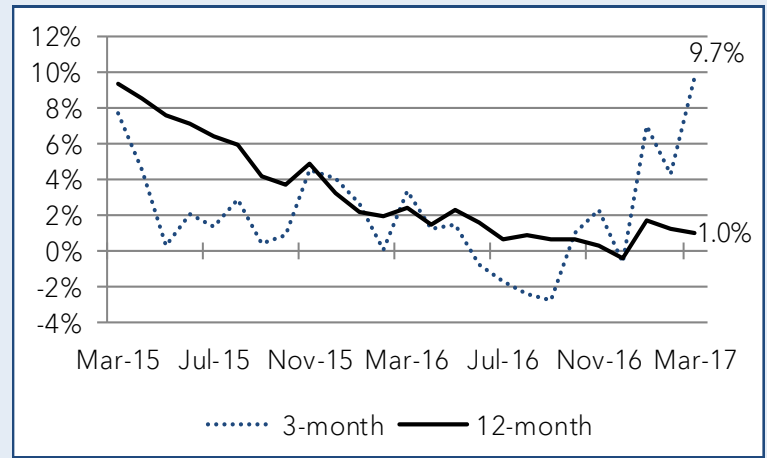
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. 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

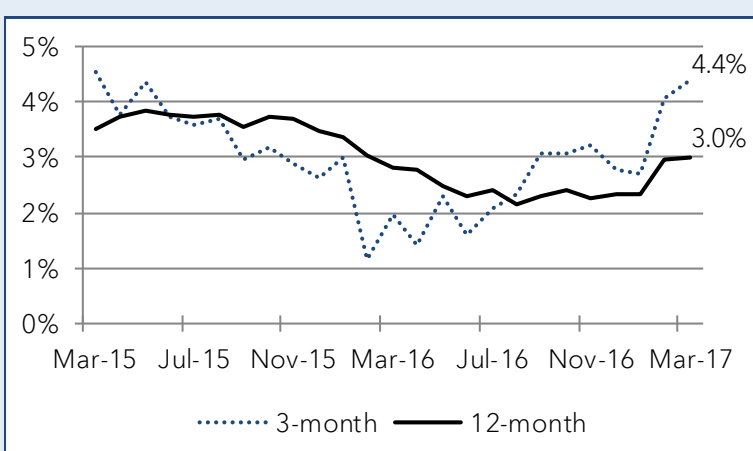
## Sales and Use Tax – Non-Motor



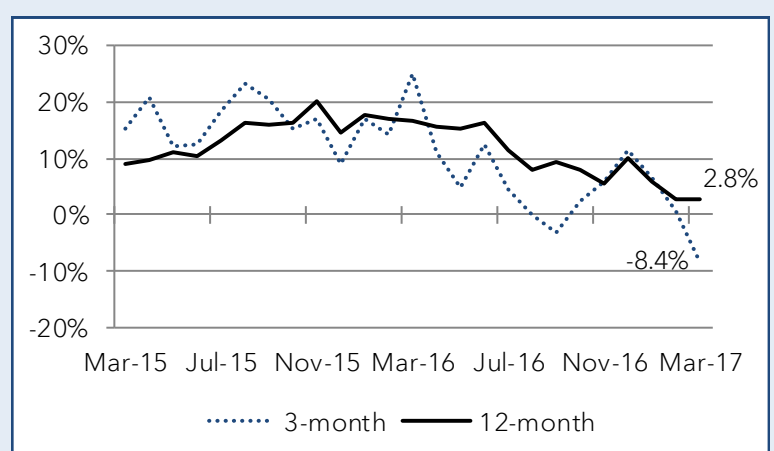
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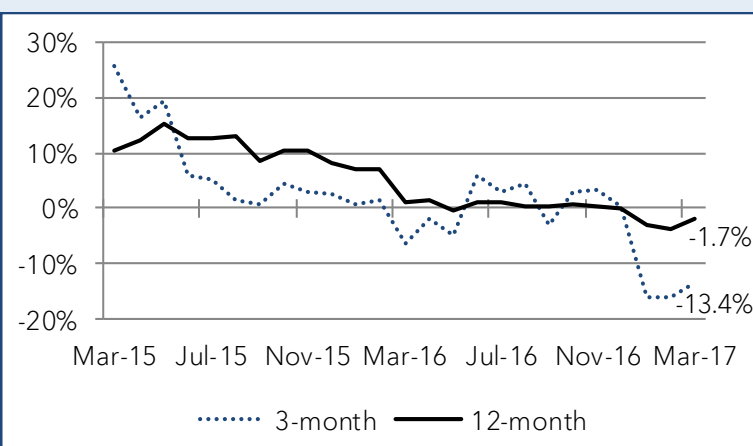
## Personal Income Tax – Withholding



## 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 \$6.5 million including: \$5.4 million from personal income tax; \$7.0 million from sales and use tax; and -\$9.0 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 a weekly filer due date (extra Friday) that occurred in April last year and in March this year. (The personal income tax withholding graph above corrects for this difference.)
- ↳ The minor and repealed category includes a \$78.5 million transfer to the Neighborhood Improvement Zone, an increase of \$16.7 million from the March 2016 transfer.

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

## Pennsylvania General Fund Revenues Summary

Revenue Source	Mar 2017	Mar 2016	Mar 2015	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$4,421.5</b>	<b>\$4,486.0</b>	<b>\$4,270.9</b>	<b>\$22,394.1</b>	<b>\$22,240.2</b>	<b>\$21,711.2</b>	<b>-1.4%</b>	<b>0.7%</b>
<b>Total Tax Revenue</b>	<b>4,375.7</b>	<b>4,392.3</b>	<b>4,211.3</b>	<b>22,055.5</b>	<b>21,900.5</b>	<b>21,151.4</b>	<b>-0.4</b>	<b>0.7</b>
<b>Total Corporation Taxes</b>	<b>2,243.4</b>	<b>2,356.7</b>	<b>2,368.9</b>	<b>3,696.3</b>	<b>4,010.9</b>	<b>3,987.1</b>	<b>-4.8</b>	<b>-7.8</b>
Accelerated Deposits	1.2	1.7	19.3	2.9	1.9	23.7	-29.7	53.2
Corporate Net Income	457.5	450.1	515.5	1,738.2	1,867.2	1,898.2	1.6	-6.9
Capital Stock & Fran.	-5.2	6.1	32.8	29.8	112.0	149.7	-185.1	-73.4
Gross Receipts	1,159.1	1,243.3	1,195.5	1,206.4	1,287.0	1,238.0	-6.8	-6.3
Utility Property	0.6	0.0	0.0	2.9	2.8	2.1	n.a.	4.6
Insurance Premium	342.5	366.7	353.0	405.4	415.3	394.6	-6.6	-2.4
Financial Institution	287.8	288.8	252.8	310.7	324.8	280.9	-0.3	-4.3
<b>Total Consumption Taxes</b>	<b>909.1</b>	<b>849.2</b>	<b>793.2</b>	<b>8,625.5</b>	<b>8,194.7</b>	<b>7,940.8</b>	<b>7.1</b>	<b>5.3</b>
Sales and Use - Total	760.6	745.3	692.9	7,356.8	7,243.5	6,990.9	2.1	1.6
Non-Motor	639.0	628.5	583.6	6,351.5	6,254.7	6,025.9	1.7	1.5
Motor Vehicle	121.6	116.8	109.3	1,005.3	988.8	965.0	4.1	1.7
Cigarette	108.6	73.9	71.5	923.5	668.9	678.9	46.9	38.1
Other Tobacco Products	8.6	0.0	0.0	53.2	0.0	0.0	n.a.	n.a.
Malt Beverage	1.6	1.9	1.7	18.0	18.5	17.7	-17.3	-2.5
Liquor	29.7	28.1	27.1	274.0	263.8	253.2	6.0	3.9
<b>Total Other Taxes</b>	<b>1,223.1</b>	<b>1,186.4</b>	<b>1,049.2</b>	<b>9,733.7</b>	<b>9,694.9</b>	<b>9,223.6</b>	<b>3.1</b>	<b>0.4</b>
Personal Income - Total	1,162.1	1,107.9	972.8	8,684.8	8,595.1	8,114.5	4.9	1.0
Withholding	1,004.9	962.3	825.4	7,258.1	7,118.1	6,832.1	4.4	2.0
Quarterly	47.7	42.5	39.3	1,134.6	1,159.9	998.8	12.3	-2.2
Annual	109.5	103.0	108.1	292.0	317.2	283.6	6.3	-7.9
Realty Transfer	33.4	31.4	30.5	343.2	356.5	302.4	6.6	-3.7
Inheritance	92.9	97.5	78.7	691.4	702.4	739.4	-4.8	-1.6
Table Games	12.2	8.3	8.1	89.5	74.8	71.6	47.2	19.6
Minor and Repealed	-77.4	-58.7	-40.9	-75.2	-33.8	-4.3	n.a.	-122.3
<b>Total Non-Tax Revenue</b>	<b>45.8</b>	<b>93.7</b>	<b>59.6</b>	<b>338.6</b>	<b>339.7</b>	<b>559.8</b>	<b>-51.1</b>	<b>-0.3</b>
State Store Fund Transfers	0.0	25.0	0.0	144.9	75.0	80.0	n.a.	93.2
Lic., Fees & Misc.	39.9	61.1	53.1	129.4	198.9	416.2	-34.7	-35.0
Licenses and Fees	33.5	33.9	17.4	102.6	99.1	82.7	-1.0	3.5
Miscellaneous	6.3	27.2	35.7	26.8	99.8	333.5	-76.7	-73.2
Treasury	3.4	-2.0	0.2	14.8	9.8	7.0	271.0	51.2
Escheats	0.0	18.5	31.3	-59.4	30.3	50.2	-99.8	-296.2
Other Miscellaneous	2.9	10.7	4.1	71.4	59.7	276.3	-73.1	19.6
Fines, Pen. & Int. - Total	6.0	7.6	6.5	64.3	65.8	63.6	-21.5	-2.2

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