



# Monthly Trends Report

May 2017

## WHERE ARE PA CONSUMERS?

Recent data confirm a significant revenue shortfall for the current fiscal year relative to official projections. A primary factor that drives that result is weak sales tax revenues. Through April 2017, total sales tax collections increased by only 0.7 percent from the same period in the prior fiscal year.<sup>1</sup> For the latest three months, collections have increased by only 0.8 percent. Sales tax revenues are critical to the state budget because each percentage point of growth generates roughly \$100 million of new revenues.

Weak sales tax revenues are not limited to Pennsylvania. As shown by the table, some adjacent states have also experienced modest (or negative) growth of sales tax revenues. Four factors impact spending trends and could motivate that result.

First, PA consumers could be paying down debt. However, recent data from the Federal Reserve Board of New York show that PA per capita consumer debt levels increased (1.3%) during the past nine months. An increase in credit card, auto and student loan debt more than offset a slight decline in mortgage debt.

Second, the PA labor market could be weak, generating few jobs and minor gains in take home pay. However, data for January to April 2017 suggest a strong labor market that created 63,000 net new jobs (annualized rate), compared to 52,200 for CY 2016. Moreover, withholding tax revenues show solid growth in take home pay, growing roughly 3.5% for the first three quarters of FY 2016-17.

Sales Tax Revenue Growth	
State	Growth
New York	+3.9%
Ohio	+3.4%
Virginia	+2.2%
Massachusetts	+2.1%
New Jersey	+1.5%
<b>Pennsylvania</b>	<b>+0.7%</b>
West Virginia	-2.2%

Note: Year-over-year growth rates for July 2016 through April 2017 revenues. PA growth rate excludes impact of recent tax law changes.  
Source: Various state agency websites.

## GENERAL FUND SNAPSHOT

The Commonwealth collected \$2.58 billion in General Fund revenues for May, an increase of \$637 million (32.8%) compared to May 2016. Fiscal year-to-date revenues were \$28.41 billion, an increase of \$564 million (2.0%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
<b>May-17</b>	\$2,582	\$2,257	\$325
<b>Growth</b>	32.8%	18.5%	719.7%
<b>FYTD</b>	\$28,405	\$27,527	\$879
<b>Growth</b>	2.0%	1.1%	43.1%

Dollar amounts are in millions.

Third, consumers could be impacted by "wealth effects" if the stock market is performing poorly or home values are stagnant. However, the S&P 500 Index has increased by 14.8% since July 2016. Data from the U.S. Federal Housing Finance Agency show that median PA home values increased by 4.0% in 2017 Q1 on a year-over-year basis.<sup>2</sup>

A final factor could be weak business spending. Analysts estimate that business purchases may comprise one-third of the PA sales tax base. Unfortunately, state-level business profit or purchases data are not available. Hence, it is not clear why PA sales tax revenues continue to lag other key economic metrics, or U.S. consumer spending generally. Consumer spending will need to accelerate for the PA economy to break from its tepid economic expansion. Sales tax revenues for May were encouraging (3.2% growth), but additional data are needed to establish a new trend.<sup>1</sup>

<sup>1</sup> Excludes impact of tax law changes and transfers.  
<sup>2</sup> See <https://www.fhfa.gov/DataTools/>.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Feb-17	Mar-17	Apr-17	May-17	Feb-17	Mar-17	Apr-17	May-17
Unemployment Rate <sup>1</sup>	4.7%	4.5%	4.4%	4.3%	5.0%	4.8%	4.9%	n.a.
Net Job Gains (000s) <sup>2</sup>	232.0	50.0	174.0	138.0	70.5	68.9	n.a.	n.a.
Average Gasoline Price <sup>3</sup>	\$2.30	\$2.33	\$2.42	\$2.39	\$2.42	\$2.38	\$2.47	\$2.46
Consumer Price Index <sup>4</sup>	2.7%	2.4%	2.2%	n.a.	2.1%	1.7%	1.3%	n.a.
Retail Sales <sup>5</sup>	4.8%	5.1%	4.7%	n.a.	4.2%	4.3%	2.6%	2.4%
Consumer Sentiment Index <sup>6</sup>	96.3	96.9	97.0	97.1	n.a.	n.a.	n.a.	n.a.
New Building Permits <sup>7</sup>	11.8%	13.4%	8.3%	n.a.	5.8%	6.7%	0.1%	n.a.

## QUARTERLY ECONOMIC INDICATORS

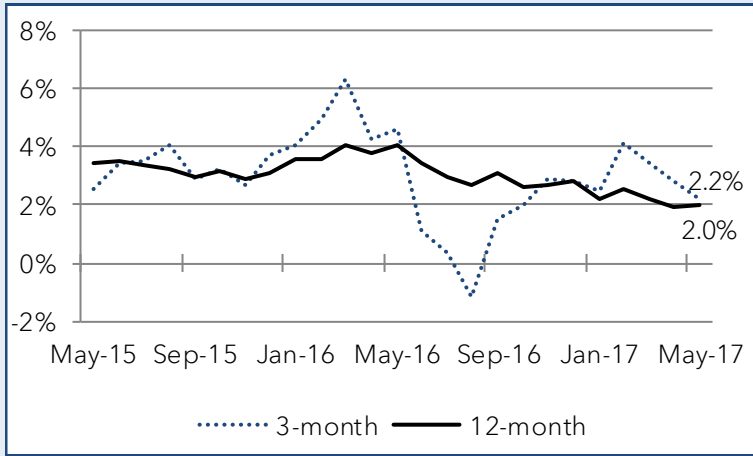
	United States				Pennsylvania			
	2016.2	2016.3	2016.4	2017.1	2016.2	2016.3	2016.4	2017.1
Gross Domestic Product <sup>8</sup>	1.4%	3.5%	2.1%	1.2%	3.2%	6.0%	1.7%	n.a.
Personal Income <sup>9</sup>	3.4%	3.6%	3.0%	3.7%	2.7%	3.4%	3.2%	n.a.
Completed Home Sales <sup>10</sup>	4.0%	0.8%	5.6%	5.0%	11.2%	2.8%	5.2%	n.a.
FHFA House Price Index <sup>11</sup>	5.9%	6.2%	6.2%	6.0%	3.5%	4.1%	4.1%	4.0%
Student Loan Debt <sup>12</sup>	\$4,690	\$4,830	\$4,920	\$5,030	\$5,430	\$5,590	\$5,690	\$5,840
Industrial Electricity Sales <sup>13</sup>	-6.1%	-4.9%	-4.9%	-0.6%	-2.8%	-0.6%	0.8%	-0.5%

### Notes:

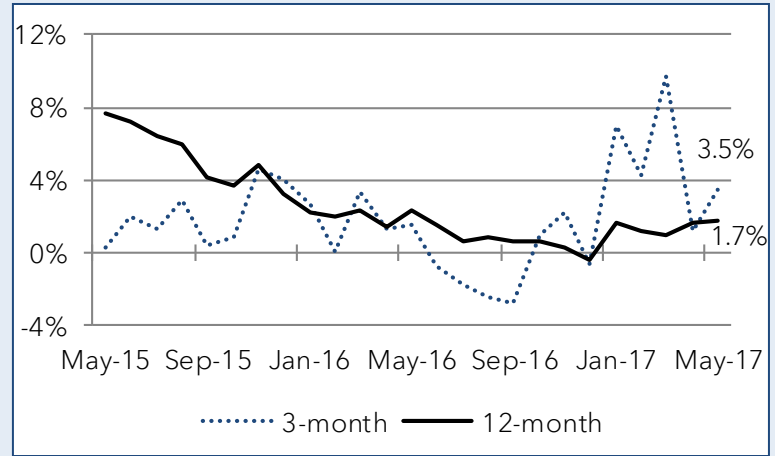
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3.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

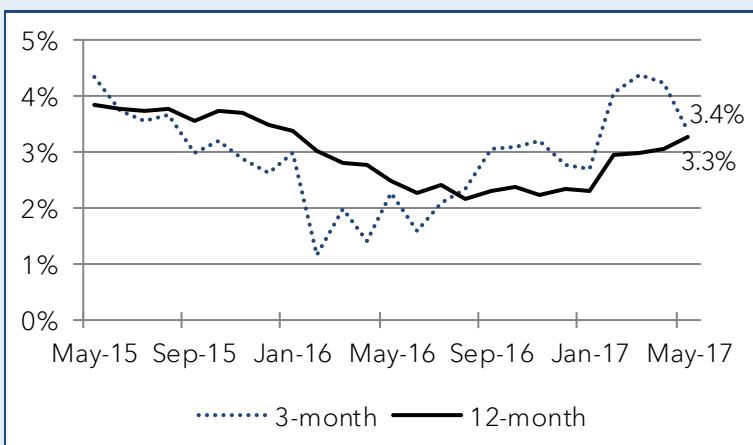
## Sales and Use Tax – Non-Motor



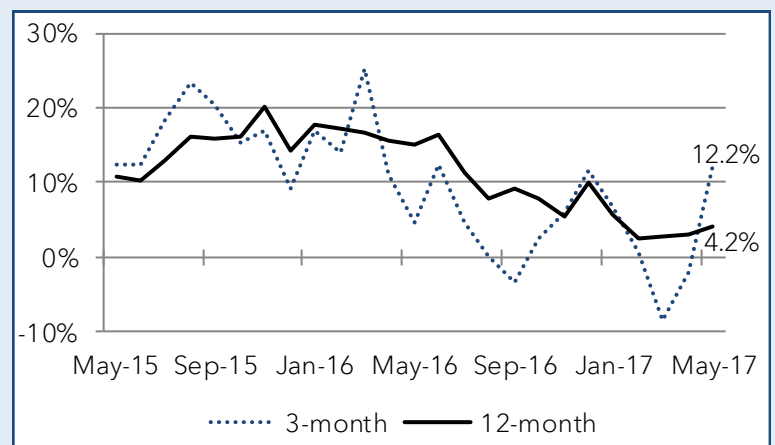
## Sales and Use Tax – Motor



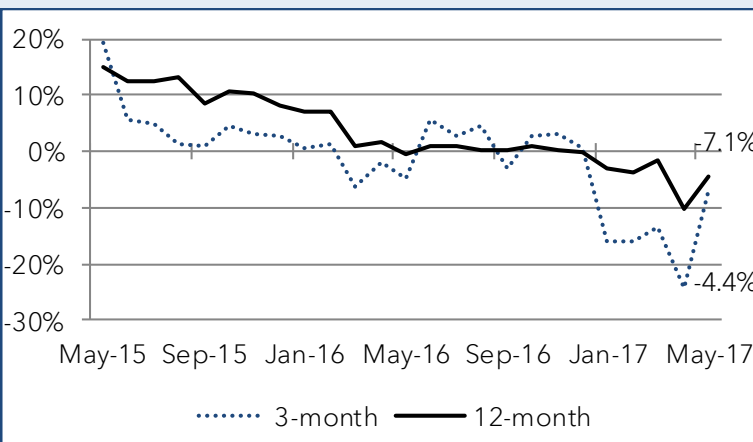
## Personal Income Tax – Withholding



## 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 \$27.6 million including: \$9.5 million from personal income tax; \$8.6 million from sales and use tax; and \$7.4 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 Wednesday) that occurred in May this year and in June last year. (The personal income tax withholding graph above corrects for this difference.)
- ↳ Corporate net income collections were impacted by a change to the filing deadline, which was moved from April 15 to May 15 for calendar-year filers effective for tax year 2016.

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

## Pennsylvania General Fund Revenues Summary

Revenue Source	May 2017	May 2016	May 2015	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,581.9</b>	<b>\$1,944.5</b>	<b>\$1,961.7</b>	<b>\$28,405.4</b>	<b>\$27,841.0</b>	<b>\$27,679.2</b>	<b>32.8%</b>	<b>2.0%</b>
<b>Total Tax Revenue</b>	<b>2,256.8</b>	<b>1,904.8</b>	<b>1,863.6</b>	<b>27,526.5</b>	<b>27,227.0</b>	<b>26,573.6</b>	<b>18.5</b>	<b>1.1</b>
<b>Total Corporation Taxes</b>	<b>230.5</b>	<b>80.1</b>	<b>98.3</b>	<b>4,165.3</b>	<b>4,572.9</b>	<b>4,527.9</b>	<b>187.9</b>	<b>-8.9</b>
Accelerated Deposits	-5.8	-5.7	-4.2	2.3	1.5	17.5	-1.3	55.5
Corporate Net Income	200.7	57.0	62.8	2,129.7	2,311.1	2,322.2	252.4	-7.8
Capital Stock & Fran.	1.4	8.8	7.3	33.9	147.9	194.8	-84.4	-77.1
Gross Receipts	-2.5	0.2	-0.5	1,207.6	1,293.7	1,239.1	n.a.	-6.7
Utility Property	34.5	16.6	27.8	40.2	39.2	38.1	108.3	2.4
Insurance Premiums	1.5	3.1	4.9	435.1	452.5	432.5	-52.4	-3.8
Financial Institutions	0.8	0.1	0.2	316.6	327.0	283.8	513.6	-3.2
<b>Total Consumption Taxes</b>	<b>972.6</b>	<b>902.6</b>	<b>857.9</b>	<b>10,581.4</b>	<b>10,049.6</b>	<b>9,734.9</b>	<b>7.8</b>	<b>5.3</b>
Sales and Use - Total	823.7	791.2	746.0	9,011.5	8,877.0	8,564.6	4.1	1.5
Non-Motor	693.2	670.2	633.0	7,764.6	7,654.0	7,363.2	3.4	1.4
Motor Vehicle	130.5	121.0	113.0	1,246.9	1,223.0	1,201.5	7.9	2.0
Cigarette	107.8	81.0	81.1	1,142.2	829.7	839.8	33.0	37.7
Other Tobacco Products	9.3	0.0	0.0	73.5	0.0	0.0	n.a.	n.a.
Malt Beverage	2.0	2.1	1.9	22.1	22.7	21.8	-3.4	-2.6
Liquor	29.8	28.2	28.8	332.2	320.2	308.6	5.7	3.7
<b>Total Other Taxes</b>	<b>1,053.6</b>	<b>922.1</b>	<b>907.4</b>	<b>12,779.8</b>	<b>12,604.5</b>	<b>12,310.8</b>	<b>14.3</b>	<b>1.4</b>
Personal Income - Total	911.8	773.1	775.4	11,443.7	11,246.6	10,944.2	17.9	1.8
Withholding	860.7	720.0	701.5	8,862.1	8,566.6	8,363.7	19.6	3.4
Quarterly	22.1	23.6	23.7	1,440.1	1,481.5	1,312.3	-6.3	-2.8
Annual	29.0	29.5	50.2	1,141.5	1,198.5	1,268.1	-1.9	-4.8
Realty Transfer	46.8	37.8	34.2	424.2	427.1	369.2	23.8	-0.7
Inheritance	83.7	82.7	73.8	855.3	852.3	905.7	1.3	0.4
Table Games	9.8	8.0	8.9	109.7	92.9	88.2	22.7	18.1
Minor and Repealed	1.4	20.5	15.1	-53.1	-14.3	3.5	n.a.	-270.9
<b>Total Non-Tax Revenue</b>	<b>325.1</b>	<b>39.7</b>	<b>98.1</b>	<b>878.8</b>	<b>614.0</b>	<b>1,105.6</b>	<b>719.7</b>	<b>43.1</b>
State Store Fund Transfers	23.2	0.0	0.0	191.4	75.0	80.0	n.a.	155.2
Lic., Fees & Misc.	290.1	31.2	89.9	602.3	456.6	944.9	829.9	31.9
Licenses and Fees	-1.2	0.5	-1.7	114.0	111.3	105.5	n.a.	2.4
Miscellaneous	291.3	30.7	91.6	488.2	345.3	841.4	848.5	41.4
Treasury	1.3	1.2	0.6	17.4	12.1	7.8	9.2	43.7
Escheats	102.9	22.2	87.4	180.2	245.7	545.0	362.8	-26.7
Other Miscellaneous	187.1	7.3	3.7	290.7	87.5	288.6	n.a.	232.2
Fines, Pen. & Int. - Total	11.9	8.5	8.2	85.2	82.4	78.7	40.1	3.3

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