



IFO NEWS STAND

A monthly glimpse at the state of the economy

- December 2018 -

Pennsylvania News

PA Impact Fee to Use Higher Fee Schedule for CY 2018

Final futures data for CY 2018 reveal that the average price for Henry Hub natural gas on the NYMEX exceeded \$3.00 per MMBtu. Due to very strong price gains in November and December, the average price finished at \$3.09. An average NYMEX price that exceeds \$3.00 implies that the per well impact fee schedule will be higher than if the price was below that threshold. In June 2018, the IFO [estimated](#) impact fee revenues of \$235 million if the average price exceeded \$3.00. If the price fell below that threshold, then impact fee collections would decline by \$45 million. The IFO will release an updated impact fee forecast for CY 2018 (remitted April 2019) in late January 2019.

Home Price Growth Slows in 2018 Q3

On November 27, the Federal Housing Finance Agency (FHFA) released [purchase-only index data](#) for 2018 Q3. For Pennsylvania, seasonally adjusted data show that third quarter home prices grew by 1.8% on a quarterly annualized basis. Pennsylvania home price growth has slowed significantly since earlier in the year (Q1: 6.1%, Q2: 3.1%). Third quarter annualized growth was also slower than surrounding states: Ohio (6.9%), West Virginia (6.7%), New York (4.7%), New Jersey (3.7%), Delaware (3.0%) and Maryland (2.2%). For the U.S., annualized growth for the third quarter was 5.1%.

National News

U.S. Housing Market in Third Largest Boom

Based on data from the Case-Shiller Home Price Index, a December 7 [article](#) written by Professor Robert Shiller notes that the U.S. is currently in the third largest housing boom since 1913. Since February 2012, U.S. home prices have increased by 53%. In real terms (controlling for inflation), home prices are up nearly 40%. The article notes that it is not possible to know when the boom will end, but there are signs of weakness in the current market as leading indicators for building permits and sales of new and existing homes have declined in recent months.

U.S. Corporate Profits Record Strong Growth in 2018 Q3

On November 28, the U.S. Bureau of Economic Analysis released [preliminary data](#) for third quarter U.S. corporate profits. (Table 6.16d in the link.) On a year-over-year basis, domestic profits grew by 10.8% in the third quarter. If financial firms are excluded (e.g., banks and insurers), the growth rate is 15.8%. For the first three quarters of the calendar year, those growth rates are 6.8% (domestic profits) and 8.8% (excludes banks and insurers). It should be emphasized that all figures are preliminary and subject to significant revision.