

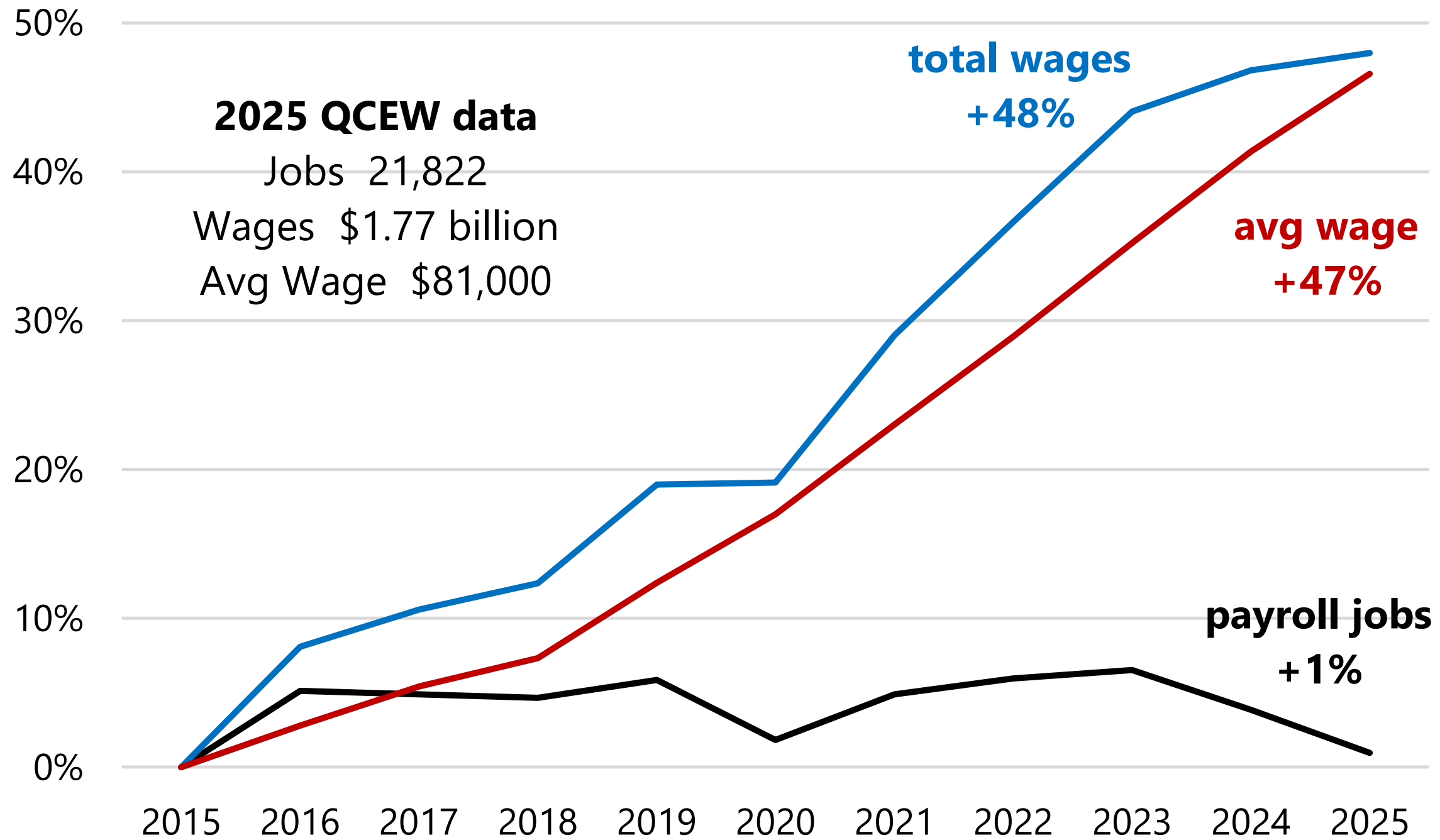
Independent Fiscal Office

Budget & Economic Update

Pennsylvania Aggregates and Concrete Association

Matthew Knittel, Director

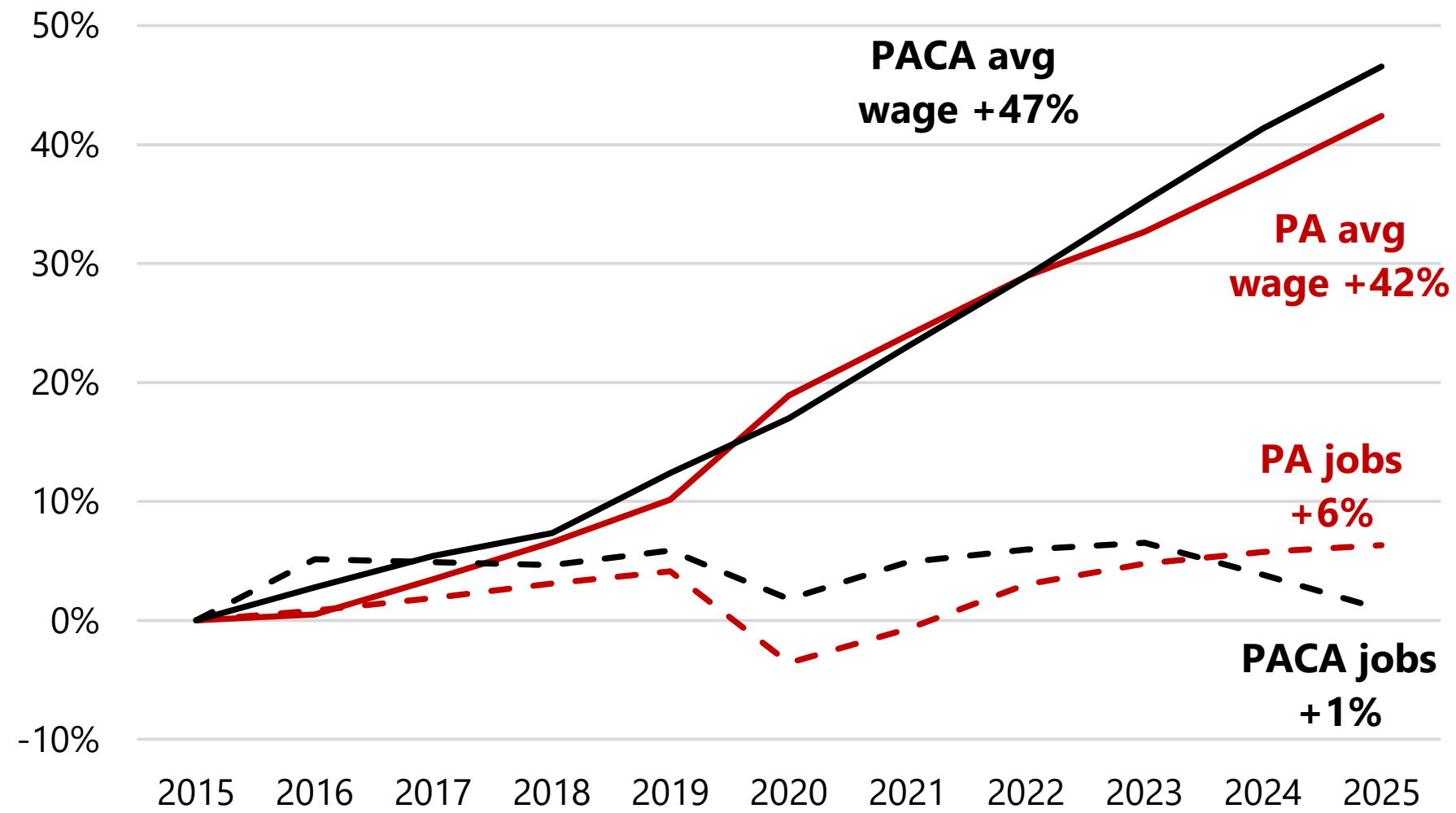
PACA Cumulative Growth Since 2015



Note: Includes NAIC 21231, 21232, 23811, 23812, 3273 and 3274.

Source: U.S. BLS Quarterly Census of Employment and Wages.

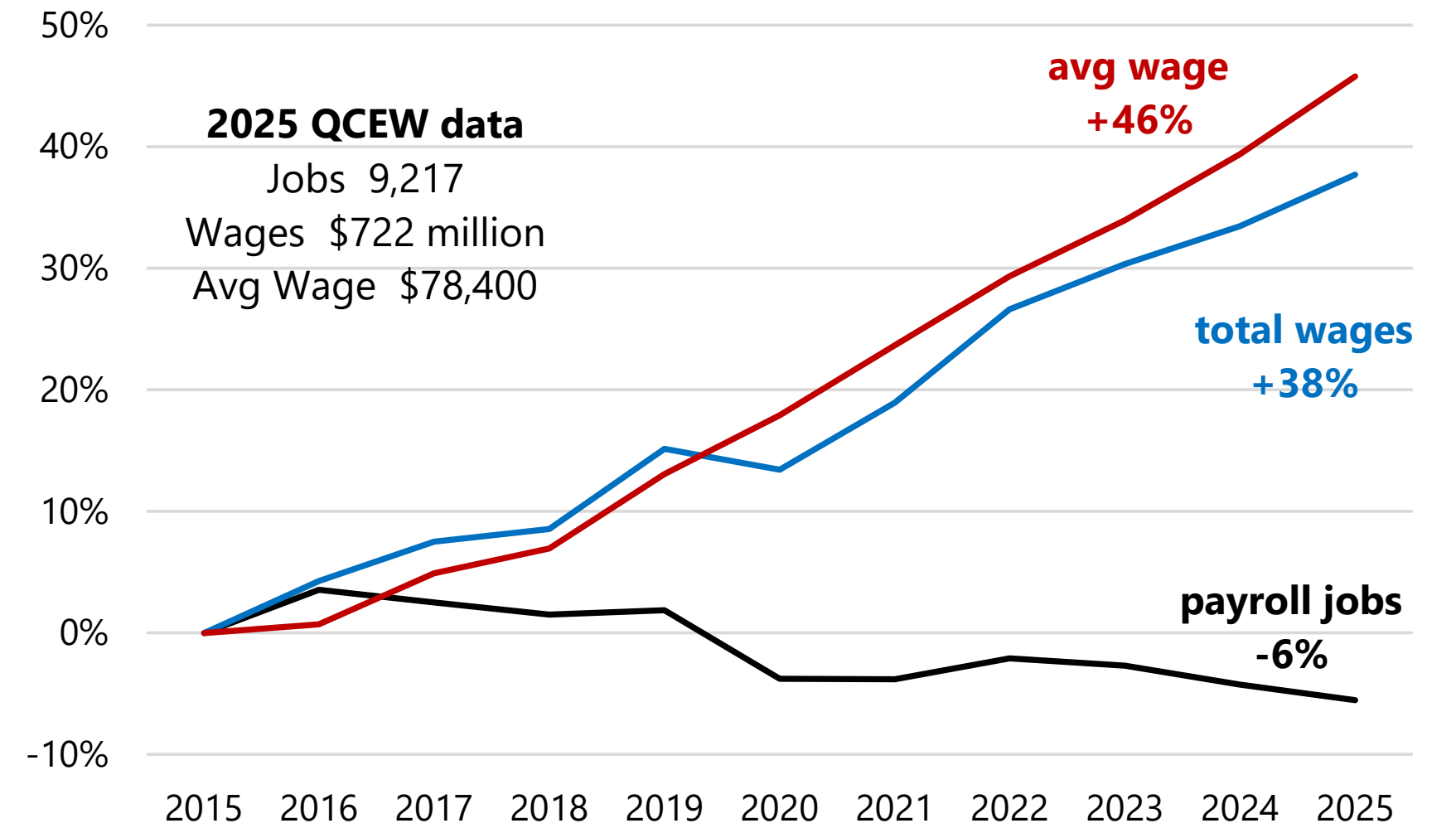
Compare to All PA Payroll Jobs



Note: Includes NAIC 21231, 21232, 23811, 23812, 3273 and 3274.

Source: U.S. BLS Quarterly Census of Employment and Wages.

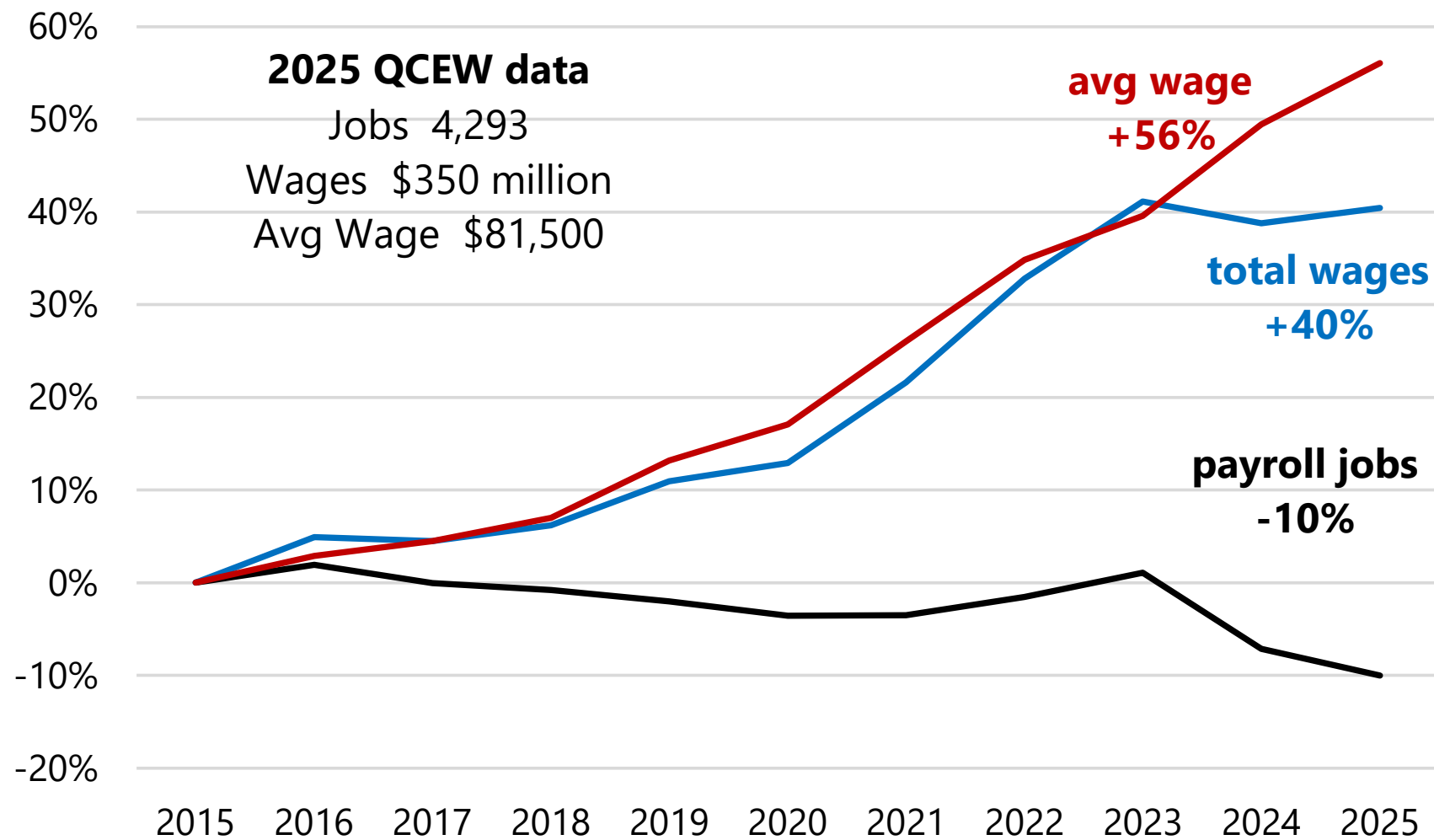
PACA Manufacturing Only



Note: Includes NAIC 3273 and 3274.

Source: U.S. BLS Quarterly Census of Employment and Wages.

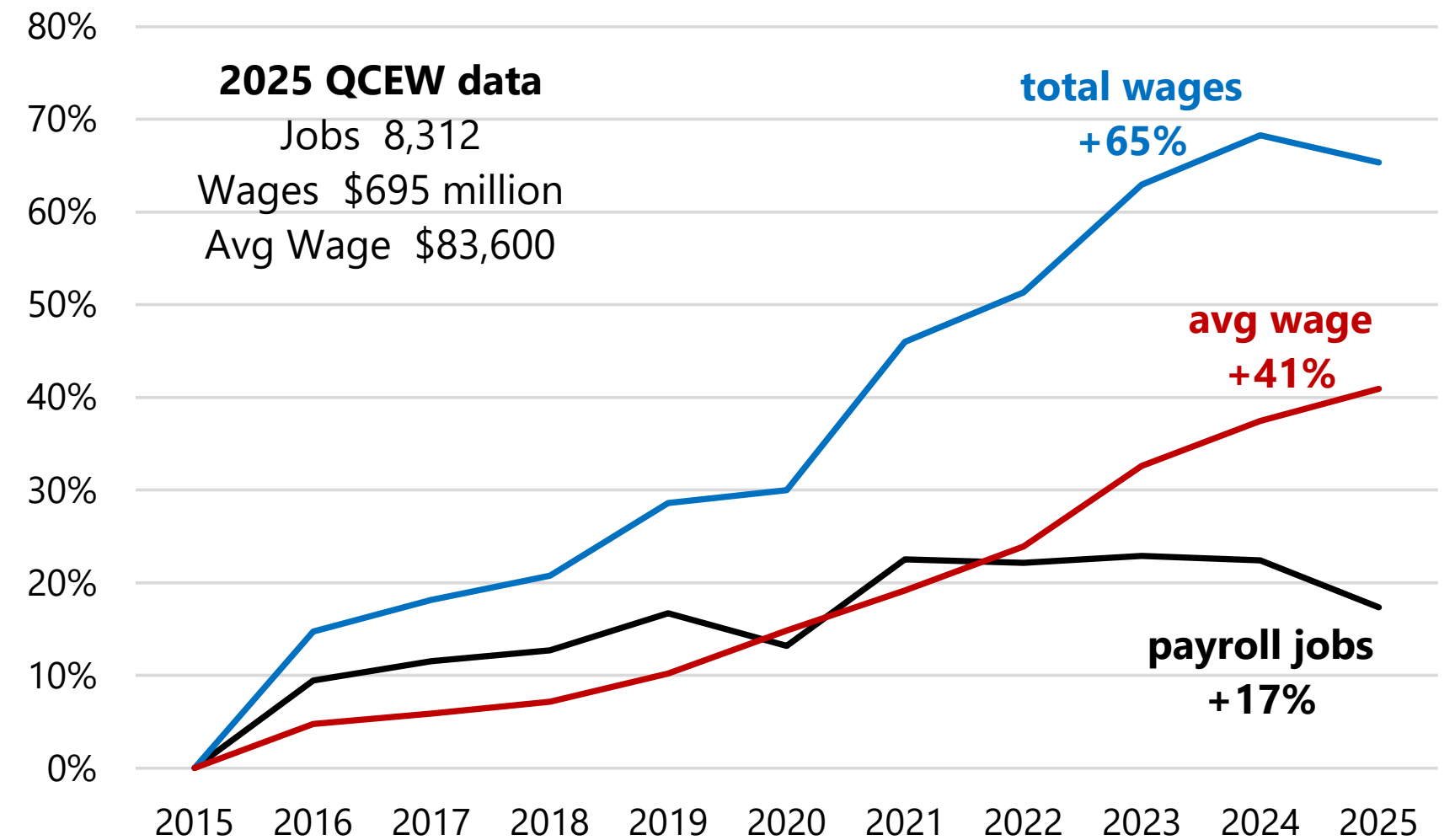
PACA Mining Only



Note: Includes NAIC 21231, 21232.

Source: U.S. BLS Quarterly Census of Employment and Wages.

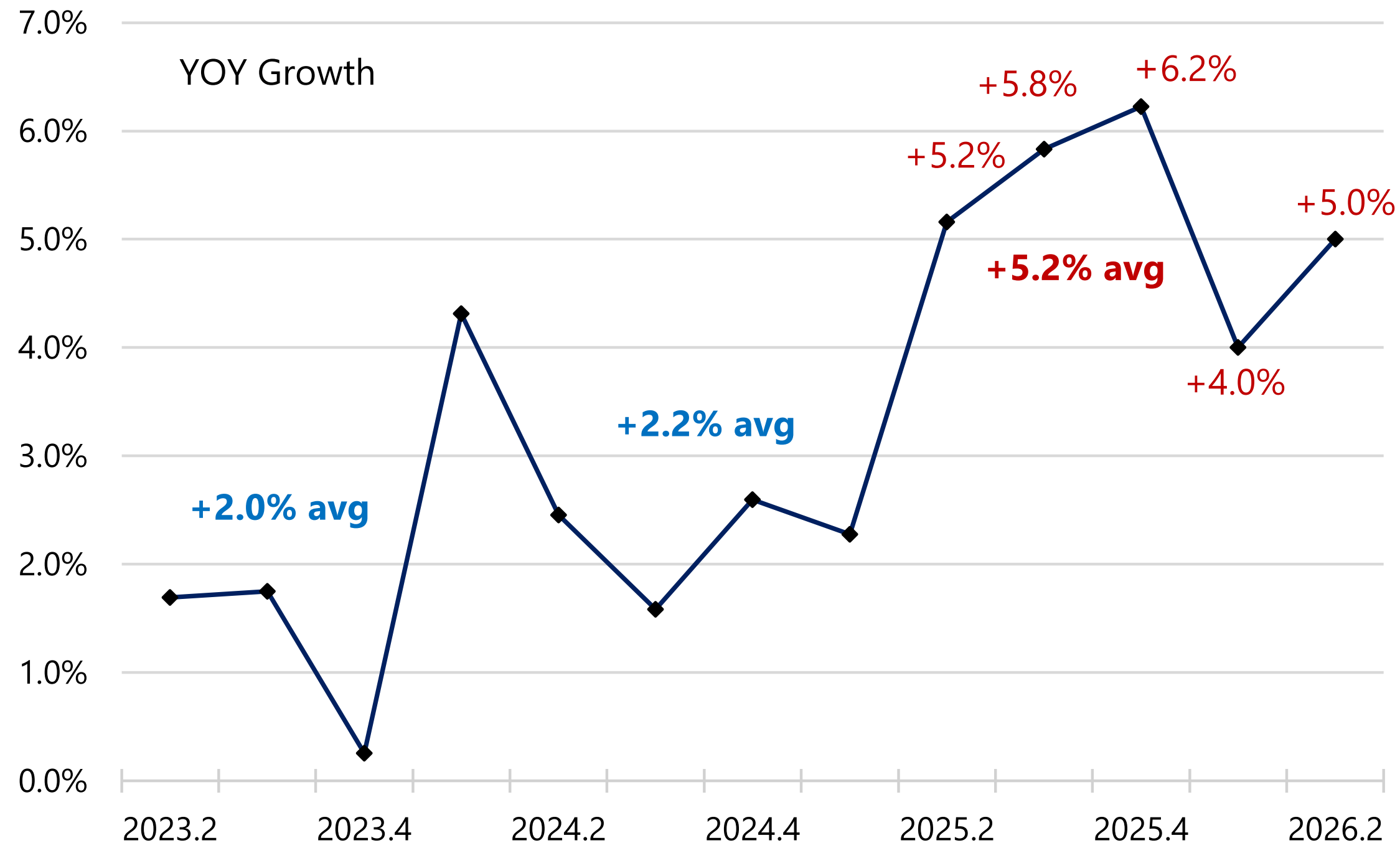
PACA Construction Only



Note: Includes NAIC 23811, 23812.

Source: U.S. BLS Quarterly Census of Employment and Wages.

Main Story: Sales Tax Surge and Taxable Spending



Consumers and businesses (excludes vehicle sales)

FY 25-26: ~\$14 billion

Spending grows by nearly twice normal rate: ~+\$350 million

Federal tax cut: ~\$4-\$5 billion for PA, half in higher refunds

Sales Tax Breakdown
~20% business
~20% food/dine out
~40% general merch
~8% rental/lease
~12% all other

Pennsylvania Economic Trends - Quarterly Data

	Year-Over-Year Latest Quarters			
	2025.3	2025.4	2026.1	2026.2
All Taxable Spending				
Non-Motor Vehicle	5.8%	6.2%	4.0%	5.0%
Motor Vehicle	3.2%	1.1%	1.1%	-0.4%
Philadelphia Consumer Price Index				
All Excluding Energy (94%)	3.3%	3.7%	3.8%	5.1%
Energy Only (6%)	5.6%	9.6%	9.4%	25.1%
Payroll Job Gains (# 000s)	23	15	18	--
<p>Note: Payroll Jobs exclude self-employed. Energy Only is gasoline and utility bills (electric/natural gas). 2026.2 are estimates using data through May. Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Taxable Spending from IFO.</p>				

Pennsylvania Economic Trends - Monthly Data

	Year-Over-Year Latest Monthlies			
	Feb	Mar	Apr	May
All Taxable Spending				
Non-Motor Vehicle	1.6%	7.5%	6.3%	5.9%
Motor Vehicle	-6.2%	3.7%	-3.5%	1.7%
Philadelphia Consumer Price Index				
All Excluding Energy (94%)	3.5%	4.2%	4.8%	5.3%
Energy Only (6%)	7.1%	16.2%	21.6%	27.7%
Payroll Job Gains (# 000s)				
	13	6	27	--
<p>Note: Payroll Jobs exclude self-employed. Energy Only is gasoline and utility bills (electric/natural gas). Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Taxable Spending from IFO.</p>				

Pennsylvania Demographics

	2022	2023	2024	2025	2026
Age 18-64 (000s)	7,801	7,775	7,763	7,738	7,704
Change Number	-65	-27	-11	-25	-35
Growth	-0.8%	-0.3%	-0.1%	-0.3%	-0.4%
Age 65+ (000s)	2,528	2,595	2,659	2,721	2,773
Change Number	56	57	64	61	53
Growth	2.3%	2.7%	2.5%	2.3%	1.9%
Age 75+ (000s)	1,050	1,089	1,127	1,163	1,200
Change Number	45	39	38	36	37
Growth	4.5%	3.7%	3.5%	3.2%	3.1%

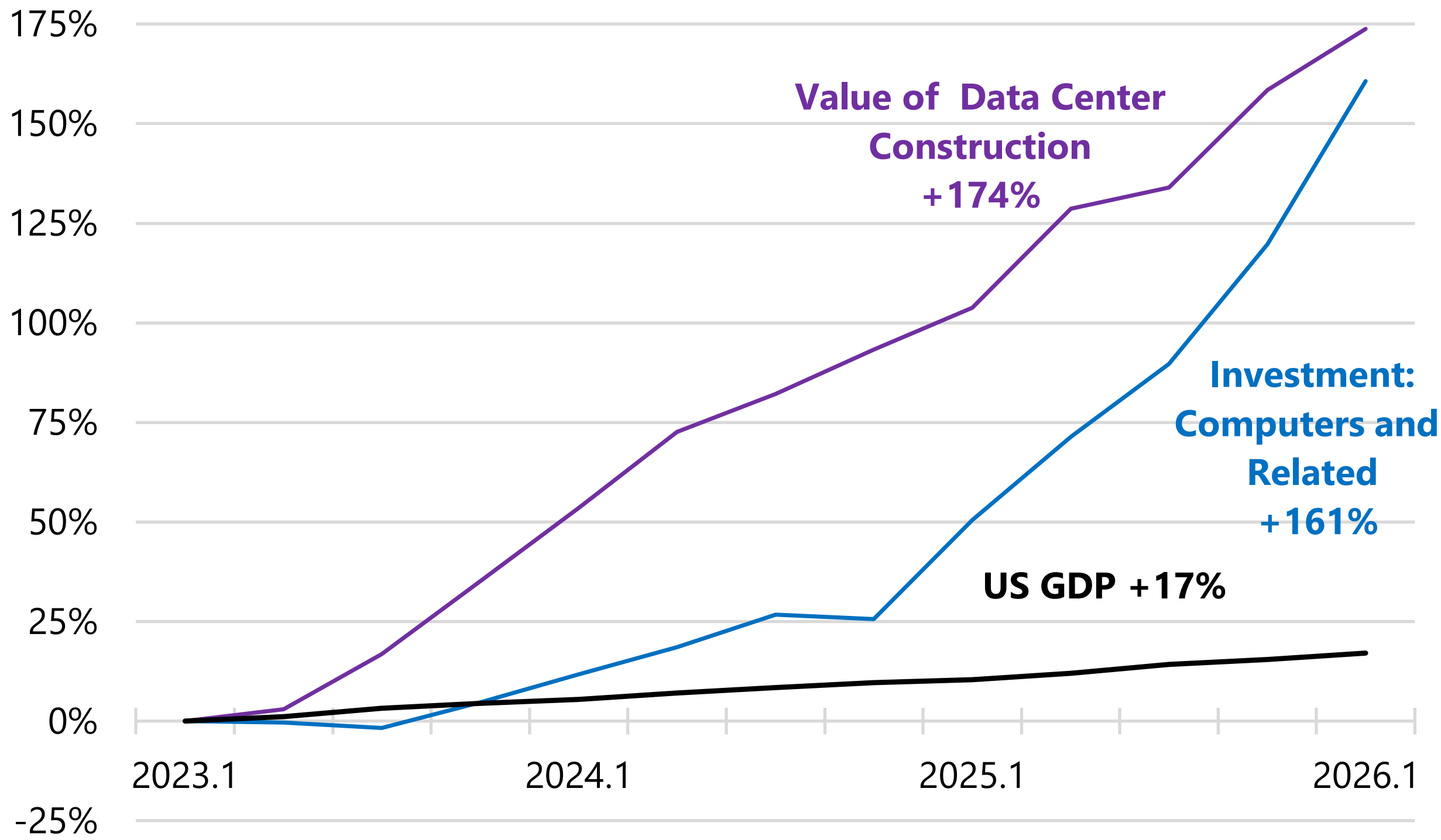
Source: Historical data from U.S. Census Bureau. 2026 is a forecast by IFO.

Overdrive: Stock Market, Corporate Profits and Business Spending

	Year-Over-Year Growth		
	2024.4	2025.4	2026.1
S&P 500 Index	23.3%	17.2%	20.3%*
S&P 500 Earnings	18.2%	14.0%	27.7%
U.S. Business Equipment Purchases	5.3%	13.3%	13.7%
Computers and Related	20.0%	74.9%	73.3%

Note: All growth rates are year-over-year. S&P 500 Index rate for 2026.1 is gain from June 10, 2025 to June 10, 2026. FactSet Earnings from quarterly filings with SEC.
Source: U.S. Bureau of Economic Analysis and FactSet.

Cumulative Growth Since 2023



US Census Bureau
Data Center Value of Construction “Put in Place” 2026 Q1 = \$49.5 billion on-going or underway

US BEA
Computer-Related Equipment Invest 2026 Q1 = \$386 billion (annualized)

Data Center Proposal Tracker (PA Only)
72 Active
5 Under Construct
62 Proposed

DOR does not collect exempt data center equipment purchases

PA Labor Market: Low Hiring and Low Firing Dynamic

Latest Continued UC Claims

85,000

Down 9,000 from 2025

Down 11,000 from 2024

April Unemployment Rate

4.2%

Full employment

2026 Q1 Labor Force Expansion

+61,000

Second quarterly gain after

5 quarters of contraction

2026 March-April Payroll Jobs Created

+16,400

Lowest gain since 2013

All net gains are healthcare-related

(+22,000)

Fiscal Year-to-Date Revenues Through May 2026

	Dollar Amount	Dollar Change	YOY Growth	Notes
General Fund Revenues	\$44,967	\$2,299	5.4%	
Corporate Net Income	4,017	-309	-7.1	rate cut 8.49% - 7.99% - 7.49%
Sales – Non-Motor	12,850	696	5.7	very strong – business spending too
Sales – Motor Vehicle	1,281	0	0.0	
PIT – Withholding	13,232	565	4.5	
PIT – Non-Withholding	5,102	433	9.3	strong capital gains
Inheritance	1,697	100	6.3	stock market impact
Gross Receipts	1,379	107	8.5	residential electric prices +9% 2025
Treasury Interest	388	-134	-25.6	declining General Fund balance
All Other	5,020	840	20.1	\$670 million one-time transfer

Note: Dollar millions. PIT is personal income tax.

Financial Statement: Modest Reduction in Structural Deficit

	Actual	FY 2025-26 Estimate			Forecast
	FY 2024-25	Nov 2025	Revision	May 2026	FY 2026-27
Revenues	\$46.41	\$48.10	\$0.67	\$48.77	\$49.56
Less Refunds	<u>-\$2.25</u>	<u>-\$2.15</u>	<u>-\$0.30</u>	<u>-\$2.45</u>	<u>-\$2.40</u>
Net Revenues	\$44.16	\$45.95	\$0.37	\$46.32	\$47.16
Expenditures	-\$47.82	-\$50.09	-\$0.14	-\$50.24	-\$53.07
Plus Prior Year Lapses	<u>\$1.12</u>	<u>\$0.50</u>	<u>\$0.00</u>	<u>\$0.50</u>	<u>\$0.35</u>
Current Year Deficit	-\$2.55	-\$3.65	\$0.23	-\$3.42	-\$5.56
Less Temporary Support	<u>\$0.87</u>	<u>\$1.33</u>	<u>\$0.00</u>	<u>\$1.33</u>	tbd
Structural Deficit	-\$3.42	-\$4.98	\$0.23	-\$4.75	-\$5.56
<u>Ending Balances</u>					
General Fund	\$4.15	\$0.51	\$0.21	\$0.72	\$0.00
Rainy Day Fund	\$7.47	\$7.75	\$0.13	\$7.88	n.a.

Note: Billions of dollars. FY 2026-27 spend uses HB 2400, Budget Office Spring Update and includes \$230 million for legislative adds.

Questions?

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