

Initial Revenue Estimate

Fiscal Year 2024-25

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Today's Presentation

- Presentation runs ~20 minutes
 - Posted to IFO website at end
 - Use chat feature to submit questions
 - Will attempt to address them at end
- If connection is lost, we will re-establish as soon as possible
- Economic and Revenue performance as expected, unusual revenue sources provide gains

PA Economic Forecast

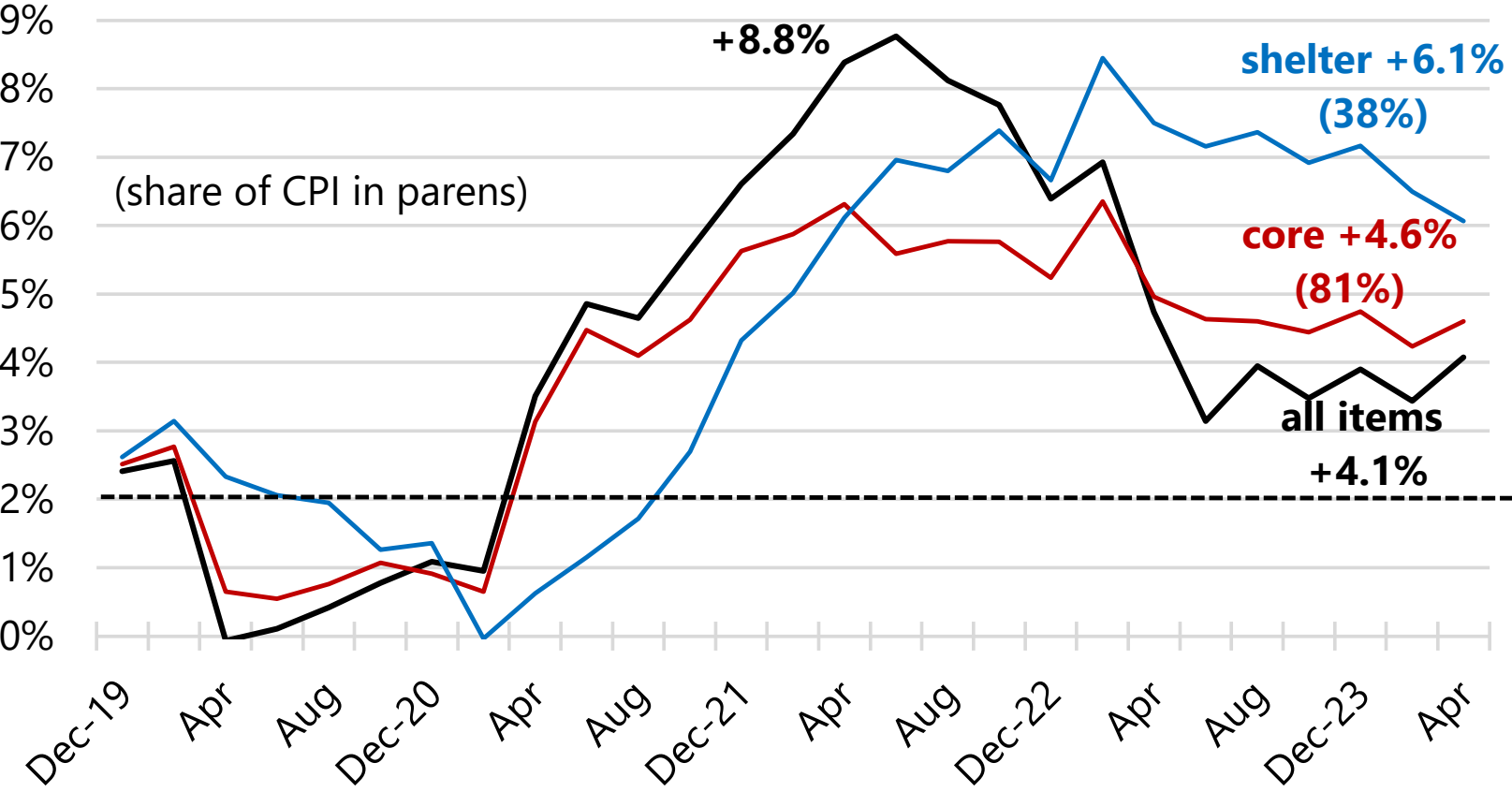
	Latest Data	2021	2022	2023	2024	2025
Real GDP	2023 Q4	3.8%	1.0%	2.2%	1.3%	1.4%
Wages and Salaries	2023 Q4	7.3%	7.7%	5.5%	4.1%	3.9%
Job Gains (000s)	Apr 2024	155	224	102	40	37
Philadelphia CPI-U	Apr 2024	4.0%	7.9%	4.4%	3.3%	2.4%

Note: Job Gains are payroll jobs only, excludes self-employed. Data in blue shade are estimates or forecasts.

Latest PA Economic Trends

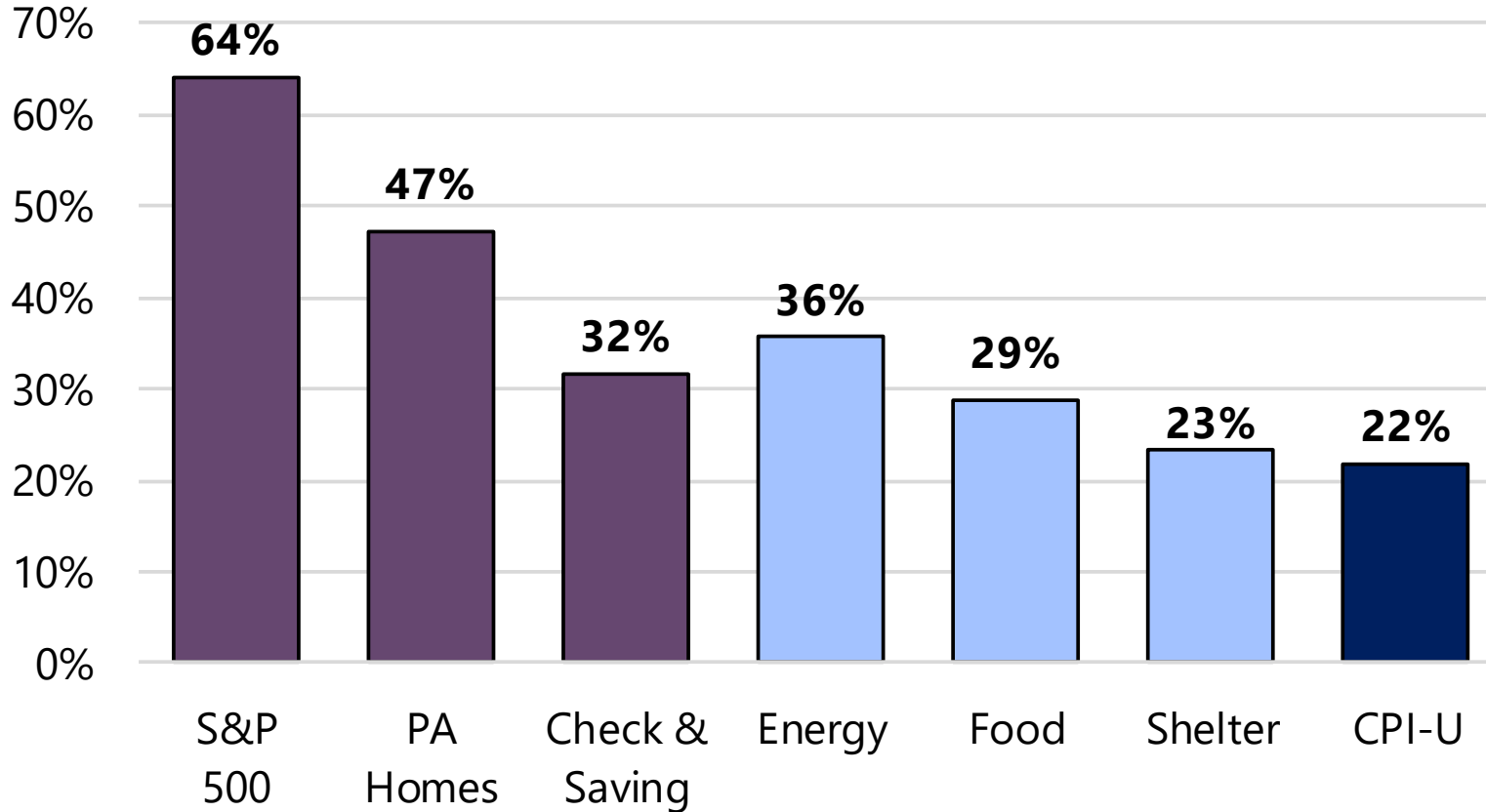
	2023.3	2023.4	2024.1	2024.2
Macroeconomics				
Wages and Salaries	4.6%	6.0%	4.5%	4.2%
Philadelphia CPI-U	3.9%	3.7%	3.4%	4.1%
Housing Market				
FHFA Home Value Index	7.9%	6.9%	5.7%	--
RedFin Home Sales	-18.1%	-5.5%	-4.1%	--
30-Yr Mortgage Rate	7.04%	7.30%	6.80%	7.05%
Labor Market				
Unemployment Rate	3.3%	3.4%	3.4%	3.4%
Change Payroll Jobs (000s)	81	85	72	81
Change All Jobs (000s)	97	96	78	82
<p>Note: Figures are year-over-year growth rate or change. Unemployment Rate is average rate for quarter. All Jobs include self-employed (household survey). Data for 2024.2 is preliminary and based only on April (CPI, Jobs) or data through first half of May (Wages and Mortgage Rate).</p>				

Annual Growth Philly CPI-U



- April uptick due to Transportation and Energy
- Core excludes Food and Energy | uptick due to Rent, Car Repair and Insurance
- Inflation to remain elevated in 2024 due to
 - (1) lagging Shelter component
 - (2) lack of Energy deflation
 - (3) solid wage growth

Figure 1.2
Asset Inflation Exceeds CPI-U Growth



Cumulative Growth Since Dec 2019

- Philly CPI-U +22%
- Energy (7% of total) includes gasoline and utilities
- US Check-Savings peaks in Mar 2022 +38%; falls to +32% May 2024; flat last few months
- Most stock and home gains unrealized, but support propensity to spend

Consumer Purchases and Debt

	YOY Growth Rate				
	2023.2	2023.3	2023.4	2024.1	2024.2
Sales and Use Tax					
Non-Motor Vehicle	1.7%	1.8%	0.3%	4.5%	1.6%
Motor Vehicle	-0.1%	-3.0%	-1.0%	-7.7%	6.2%
Consumer Debt					
PA Auto Loans	3.3%	3.5%	3.8%	0.4%	--
PA Credit Cards	13.2%	14.2%	12.0%	10.0%	--
PA Mortgage	3.2%	1.7%	-1.4%	0.7%	--
US Credit Cards	11.4%	10.7%	8.8%	7.6%	7.2%

Sources: Federal Reserve Bank of New York and Federal Reserve Board. PA Mortgage includes home equity loans. 2024.2 data are estimates.

FY 2023-24 Revenues Through April

	Dollar Amount	Dollar Change	YOY Growth	Notes
General Fund Revenues	\$38,484	\$546	1.4%	
Corporate Net Income	4,379	-322	-6.8	1 st estimated payment weak (-30%)
Sales - Non-Motor	10,723	157	1.5	
Sales - Motor Vehicle	1,110	-20	-1.8	
PIT - Withholding	11,018	501	4.8	growth holds up into 2024 Q2
PIT - Estimated/Annual	4,007	-366	-8.4	weakness in April final payment
Inheritance	1,368	104	8.2	
All Tobacco	639	-90	-12.4	Unusual cigarette tax weakness
Realty Transfer	427	-101	-19.2	Strong lock-in effect continues
All Other	4,814	683	16.5	Treasury at \$780 million

Note: Dollar millions. PIT is personal income tax.

Revised Estimate for FY 2023-24

	Official Estimate	Revised Estimate			
		Update	\$ Revise	YOY Grow	Notes
General Fund Revenues	\$45,201	\$45,341	\$140	0.9%	
Corporate Net Income	5,699	5,569	-130	-9.3	rate cut backloaded
Sales - Non-Motor	12,651	12,893	242	2.0	
Sales - Motor Vehicle	1,414	1,367	-47	-1.2	
PIT - Withholding	13,226	13,177	-49	4.2	
PIT - Estimated/Annual	5,048	4,614	-434	-7.4	less overpayments
Inheritance	1,526	1,623	97	6.4	stocks, home values
All Tobacco	892	814	-78	-12.0	
Realty Transfer	649	536	-113	-16.8	stronger lock-in
All Other	4,098	4,749	652	17.9	GRT, Treasury

Note: Dollar millions. Official estimate is adjusted for tax law changes enacted in December 2023. PIT is personal income tax.

Focus: Estimated Payments and Corporate Refunds

	2023	2024	\$ Change	% Change
1st Estimated Payment (Mar-Apr)				
Personal Income Tax	\$554	\$585	\$31	+6%
Corporate Net Income	\$644	\$434	-\$210	-33%
2nd Estimated Payment (June)				
Personal Income Tax	\$407	\$438	\$31	+8%
Corporate Net Income	\$813	\$640	-\$173	-21%
Corporate Refunds (Jan to Apr)	\$169	\$357	\$188	+112%

Note: Millions of dollars. Blue shading is a forecast.

Other Revenue Trends

Realty Transfer



PA home sales at all time low since 1990 | very strong lock-in effect

FY 23-24 revenues \$536 million same as FY 18-19, but home values ~47% higher

Treasury Earnings



FY 23-24 is \$780 million

FY 24-25 falls to \$600 million

Assumes two 25 basis pt rate cuts next fiscal year

Gross Receipts



Unexpected surge in FY 23-24, up +17.5%

Telecom and Electric both strong

Forecast assumes this is mainly due to reversion to “normal” payment pattern, pulls monies forward from FY 24-25

Initial Estimate for FY 2024-25

	Amount	Dollar Change	Growth Rate	Notes
General Fund Revenues	\$46,020	\$679	1.5%	
Corporate Net Income	5,490	-79	-1.4	on-going rate reduction
Sales - Non-Motor	13,191	298	2.3	May payment could impact
Sales - Motor Vehicle	1,396	29	2.1	
PIT - Withholding	13,688	512	3.9	wage growth remains solid
PIT - Estimated/Annual	4,834	220	4.8	need to see June payment
Inheritance	1,666	43	2.6	
All Tobacco	751	-63	-7.7	
Realty Transfer	592	56	10.5	lock-in begins to unwind
All Other	4,412	-338	-7.1	GRT reverts / Treasury falls

Note: Dollar millions. PIT is personal income.

Federal Factors All Suggest Downside Risk

November Election

Uncertainty harms economic growth

Business investment most likely to be impacted

Post election reaction

Expiration of TCJA

Tax Cuts and Jobs Act 2017

Expires end of CY 2025

A ~\$13 billion (+17%) tax increase for PA taxpayers

Timing matters for forecast
First 100 days after inauguration?
End of CY 2025?

Federal Deficit

Fed Chair Powell:
“unsustainable” fiscal path

CBO Director Swagel:
U.S. fiscal trajectory is “unsustainable”

Tax hikes and/or spending cuts must occur

Questions?

Submit to contact@ifo.state.pa.us

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