

Economic and Revenue Update

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Four Things to Note

Wage and Salary data are stronger than expected

- Despite large job losses, only a moderate decline in total wages paid
- Housing market fares decently | but renters struggle

Steady employment gains since April low | can it continue?

- 45% of job losses in retail-wholesale and food service-accommodations
- Concerns about long-term unemployed | many jobs will not return in prior form

Consumer spending is remarkably robust

- Spending shifts to home remodeling, furniture/appliances, groceries, cars
- But what impact from loss of \$600 weekly FPUC payment?

July revenues exceed expectation

- Car sales tax breaks record | projected \$2 billion shift largely captured

Latest Real-Time PA Economic Data

	Year-Over-Year Growth Rate or Change			
	2019.3	2019.4	2020.1	2020.2
Real GDP	1.9%	2.3%	0.0%	--
Wages and Salaries Paid	3.4%	4.6%	3.3%	-7.0%
Net Jobs Change (percent)	0.9%	0.7%	0.5%	-13.9%
Net Jobs Change (000s, annualized)	55.1	41.4	27.8	-847.4
% Renters Deferring/Not Paying	--	--	11.4%	19.1%
Zillow Home Value Index	4.1%	4.1%	4.0%	4.2%
Per Capita Consumer Debt	3.5%	3.7%	3.7%	0.3%

Note: % Renters Deferring/Not Paying reflects payment status from prior month. Value for 2020.1 is first survey for week that begins April 23 (week 1). Value for 2020.2 is latest survey for week that begins July 16 (week 12). Jobs data are not seasonally adjusted and do not include self-employed.

Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, NY Federal Reserve Board, Zillow and U.S. Census Bureau Household Pulse Survey.

Recent Contraction of PA Payroll Jobs

	YOY Number Change (000s)			YOY Percent Change		
	April	May	June	April	May	June
Total Payroll Jobs	-1,062	-866	-614	-17.5%	-14.2%	-10.1%
Construction	-104	-25	-16	-40.1	-9.4	-5.9
Manufacturing	-77	-51	-35	-13.3	-8.8	-6.0
Retail Trade	-127	-100	-74	-21.1	-16.4	-14.8
Wholesale Trade	-28	-22	-17	-12.7	-10.2	-7.9
Transport-Storage	-27	-24	-11	-9.1	-8.1	-3.6
Financial-Real Estate	-3	-3	-3	-0.9	-0.8	-0.9
Professional Business	-81	-78	-59	-9.9	-9.6	-7.2
Education	-42	-39	-12	-16.1	-16.2	-5.9
Healthcare	-89	-76	-51	-10.9	-9.3	-6.2
Social Assistance	-31	-25	-14	-13.3	-10.7	-5.7
Arts-Entertainment	-58	-59	-49	-60.9	-56.1	-40.7
Accommodation-Food Service	-280	-240	-176	-58.6	-49.2	-35.9
Other Services	-86	-75	-55	-32.8	-28.5	-20.6
All Government	-17	-25	-24	-2.3	-3.5	-3.4
All Other	-14	-24	-20	-11.8	-20.3	-16.9

Note: Data not seasonally adjusted. June data are preliminary. **Does not include self-employed.** Source: U.S. Bureau of Labor Statistics.

Some Subsectors Hit Hard, but a Few Gain

	YOY Number Change (000s)			YOY Percent Growth		
	April	May	June	April	May	June
Full-Service Restaurants	-158	-131	-95	-79.5%	-64.9%	-46.9%
Amusements-Gaming	-47	-47	-39	-70.7	-60.5	-42.8
Personal Care-Laundry	-46	-45	-29	-64.7	-61.8	-39.6
Child Care	-21	-16	-10	-43.5	-28.3	-20.1
Employment Services	-30	-30	-22	-26.1	-22.5	-19.6
Couriers and Messengers	1	2	4	3.7%	6.7%	11.8%
Federal Government	2	2	2	2.5	2.1	1.9

Note: Data are not seasonally adjusted. June data are preliminary. Does not include self-employed.
Source: U.S. Bureau of Labor Statistics, State and Area Employment data.

Miscellaneous Economic Notes

What impact from expiration of federal programs?

- March 15 to end of July: \$15.5 billion FPUC and \$4.4 billion PUA paid
- Injection of nearly \$1 billion per week on average
- Likely a large negative hit | new data are needed to assess

Many lower wage jobs likely permanently lost

- Increased automation | shifting spending patterns | less travel/tourism
- Acceleration of on-line purchases

Key dates to watch

- August 21: July jobs report for Pennsylvania
- Mid-September: 3rd PIT estimated payment (first two down ~9% YOY)

IFO and Administration Forecast for FY 20-21

	IFO	Admin	\$ Diff	IFO \$ Shifts
General Fund	\$35,874	\$34,631	\$1,243	\$1,995
Corporate Net Income	3,188	2,828	360	350
Gross Receipts	1,005	1,010	-5	
Sales - Non-Motor	9,893	11,076	376	135
Sales - Motor Vehicle	1,559	above	above	
PIT - Withholding	10,767	15,165	214	
PIT - Other	4,612	above	above	1,415
All Tobacco	1,008	967	41	
All Other Tax	3,175	2,898	277	70
All Non-Tax	667	686	-20	25

Note: Dollar amounts are in millions. PIT is personal income tax. FY 20-21 has 53 Wednesdays which translates into ~\$125 million in extra withholding monies. DOR has not published detail for sales-use tax and personal income tax.

July 2020 Revenues Exceed Expectations

	July 2020	Less \$ Shifts	Adjusted July 2020	July 2019	Percent Change
General Fund	\$4,104	\$1,620	\$2,484	\$2,444	1.6%
Corporate Net Income	237	130	107	93	14.6
Gross Receipts	1		1	4	n.a.
Sales - Non-Motor	1,064	160	904	898	0.6
Sales - Motor Vehicle	192		192	142	34.9
PIT - Withholding	923		923	945	-4.3
PIT - Other	1,390	1,315	75	78	-3.4
All Tobacco	85		85	62	37.9
All Other Tax	198	15	184	187	-2.1
All Non-Tax	14		14	34	-58.4

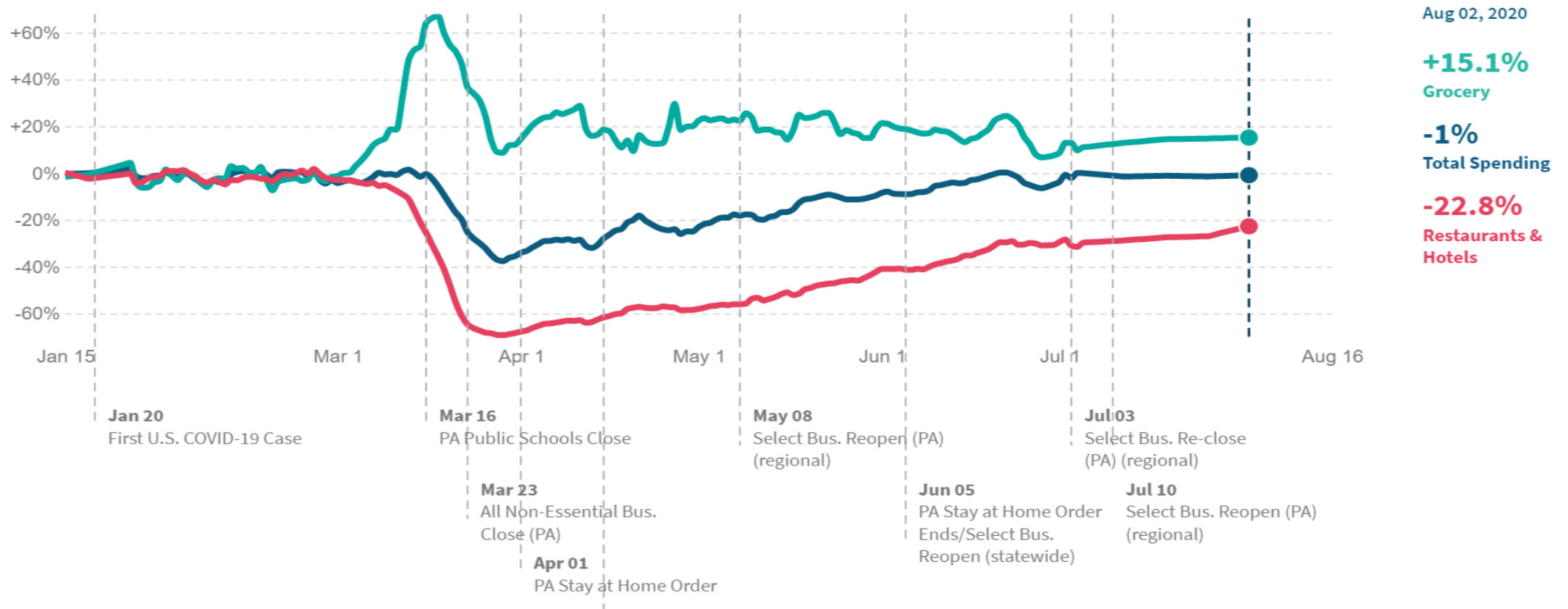
Note: Dollar amounts are in millions. PIT is personal income tax. July 2019 Non-Motor Sales adds back a \$115 million transfer to the Tobacco Settlement Fund. PIT withholding rate adjusted for misc. transfers and due dates.

PA Consumer Spending Holds Up Despite Strain

Percent Change in All Consumer Spending*

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In **Pennsylvania**, as of August 02 2020, total spending by all consumers decreased by **1%** compared to January 2020.

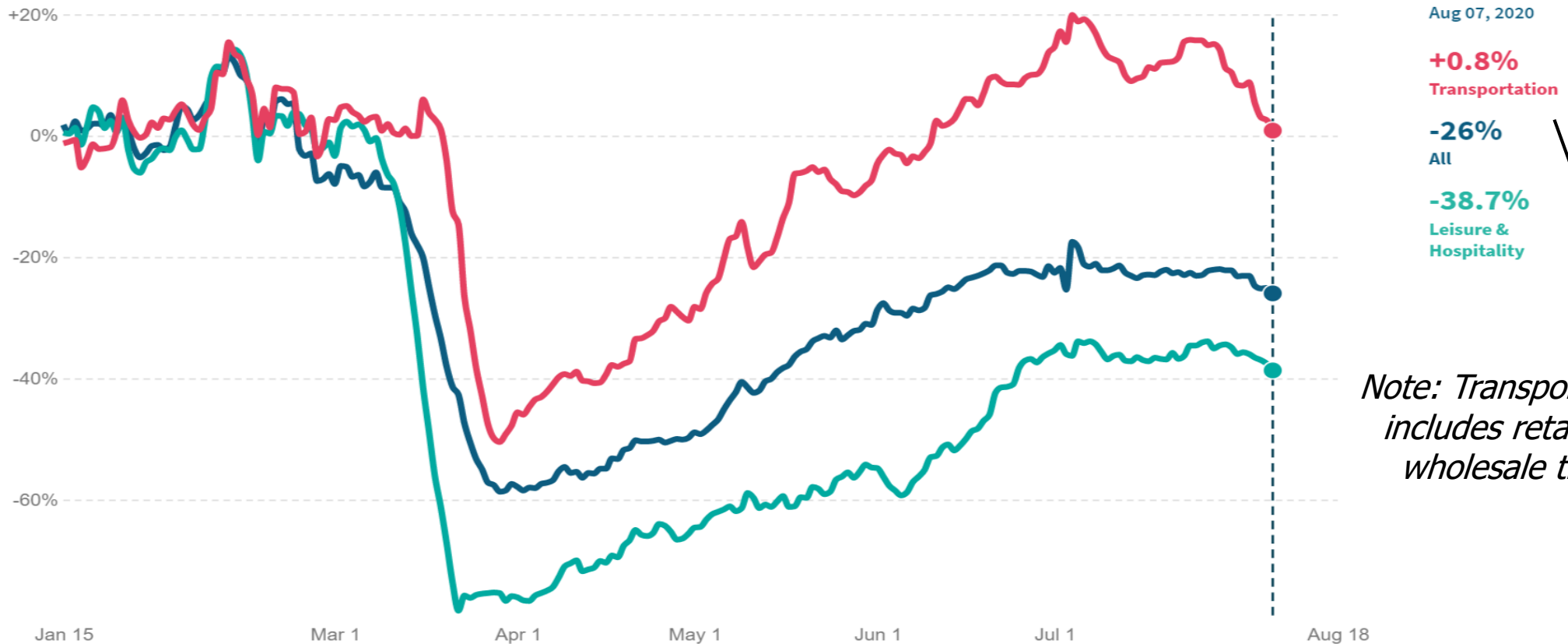


PA Small Business Revenue Begins to Falter

Percent Change in Small Business Revenue*

In **Pennsylvania**, as of August 07 2020, total small business revenue decreased by **26%** compared to January 2020.

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Note: Transportation includes retail and wholesale trade