



Monthly Trends Report

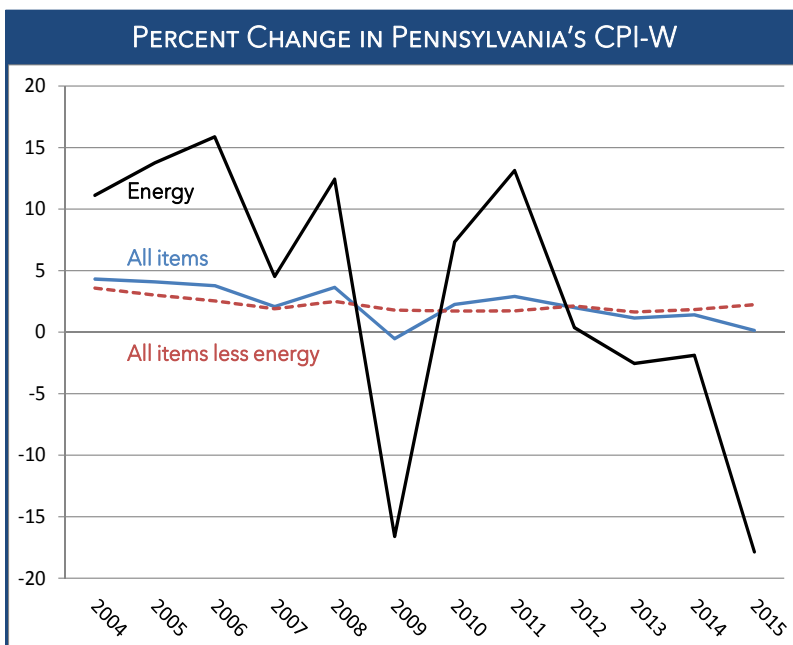
October 2015

FALLING ENERGY PRICES DRIVE LOW INFLATION AND ELIMINATE COLAS

The inflation rate, an important economic indicator, has remained relatively low over the past three years, and that outcome has implications for large federal transfers made to Pennsylvania residents. For 2016, the Social Security Administration recently announced that recipients will not receive an annual cost of living adjustment or COLA. Social Security recipients receive COLAs to ensure that their benefits are not eroded by inflation. Annual COLAs are determined by the U.S. Department of Labor based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which measures inflation's effect on a typical bundle of goods and services purchased by consumers. Due to low consumer price inflation, Social Security recipients have received an average COLA of 1.9% per annum since 2007.

The impact of Social Security benefits on the Pennsylvania economy is significant. In 2014, approximately 2.8 million Pennsylvania residents received Social Security benefits (includes retirees, disabled workers and survivors) valued at nearly \$40.8 billion. If Pennsylvania's Social Security recipients would have received an average COLA for 2016, an additional \$800 million of personal income would have been added to the state economy.

The recent decline in consumer prices is primarily the result of depressed energy costs. Although energy purchases



GENERAL FUND SNAPSHOT

The Commonwealth collected \$2.13 billion in General Fund revenues for October, a decrease of \$109.9 million (-4.9%) compared to October 2014. Fiscal year-to-date revenues were \$8.87 billion, an increase of \$11.6 million (0.1%) from the prior year.

See pages 3 and 4 for additional General Fund detail.

	General Fund	Tax Revenue	Non-Tax Revenue
Oct-15	\$2,132	\$2,109	\$23
Growth	-4.9%	-4.6%	-27.8%
FYTD	\$8,868	\$8,764	\$103
Growth	0.1%	2.6%	-66.8%

Dollar amounts are in millions.

comprise only 11.5% of total consumer purchases used in the CPI computation, its high volatility can have a noticeable impact on the CPI-W. In Pennsylvania, the CPI-W declined 0.2% in the third quarter of 2015 (year-over-year), and is near the national inflation rate, which declined 0.4% over the same period. Gasoline prices fell sharply, declining 27.7%. Natural gas prices also fell, declining 14.0%. Overall, energy costs in Pennsylvania declined 17.2%. Excluding energy costs, the CPI-W increased 1.7% in the third quarter of 2015.

The impact of low gasoline and natural gas prices will also be reflected in COLAs for 2017. The Social Security Administration does not reduce benefit payments when consumer prices fall. However, future COLAs take into account lower consumer prices from the previous year. For example, if consumer prices fall by 0.4% this year, then they must rise by roughly 2.4% next year if Social Security recipients are to receive a 2.0% COLA in 2017.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jul-15	Aug-15	Sep-15	Oct-15	Jul-15	Aug-15	Sep-15	Oct-15
Unemployment Rate ¹	5.3%	5.1%	5.1%	n.a.	5.4%	5.4%	5.3%	n.a.
Net Job Gains (000s) ²	223.0	136.0	142.0	n.a.	62.6	62.0	55.1	n.a.
Average Gasoline Price ³	\$2.79	\$2.64	\$2.37	\$2.29	\$2.76	\$2.56	\$2.32	\$2.22
Consumer Price Index ⁴	0.2%	0.2%	0.0%	n.a.	-0.1%	-0.3%	-0.3%	n.a.
Retail Sales ⁵	2.3%	2.2%	2.4%	n.a.	3.2%	3.9%	2.5%	2.9%
Consumer Sentiment Index ⁶	93.1	91.9	87.2	90.0	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	9.3%	11.2%	9.4%	n.a.	-11.0%	2.3%	-0.8%	n.a.

QUARTERLY ECONOMIC INDICATORS

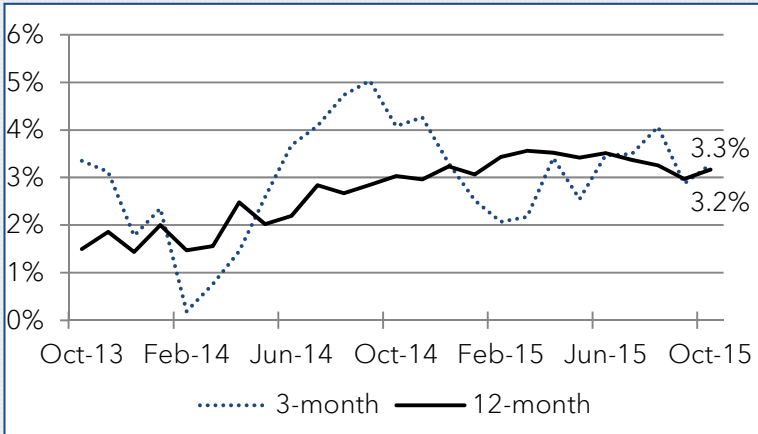
	United States				Pennsylvania			
	2014.4	2015.1	2015.2	2015.3	2014.4	2015.1	2015.2	2015.3
Gross Domestic Product ⁸	2.1%	0.6%	3.9%	1.5%	1.8%	n.a.	n.a.	n.a.
Personal Income ⁹	5.2%	4.5%	4.2%	4.2%	4.3%	3.5%	3.3%	n.a.
Completed Home Sales ¹⁰	2.9%	6.9%	8.2%	8.3%	7.7%	13.2%	12.9%	12.3%
FHFA House Price Index ¹¹	5.1%	5.2%	5.4%	n.a.	2.2%	2.8%	2.1%	n.a.
Student Loan Debt ¹²	\$4,480	\$4,590	\$4,480	n.a.	\$5,180	\$5,330	\$5,180	n.a.
Industrial Electricity Sales ¹³	-1.3%	-0.5%	-0.7%	n.a.	-1.2%	-1.8%	-1.1%	n.a.

Notes:

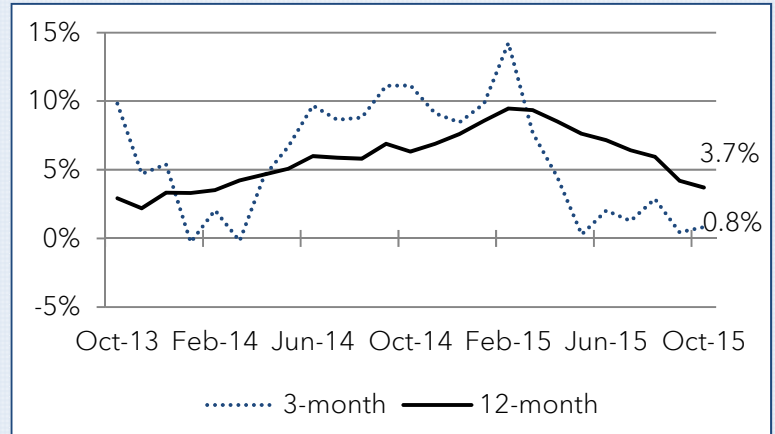
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in monthly payroll employment compared to the previous month. PA: Average increase in annual payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. 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 month of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the U.S. economy. Excludes inflation. For PA, values are annual growth rates for the entire year as quarterly data are not available. 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 2014, Pennsylvania has 10.7 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

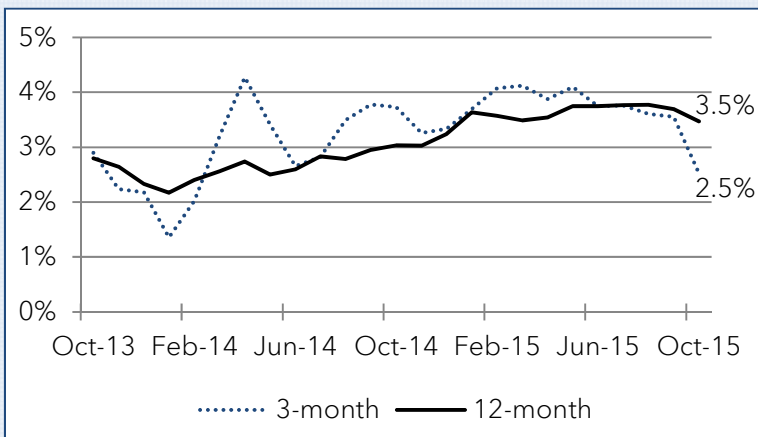
Sales and Use Tax – Non-Motor



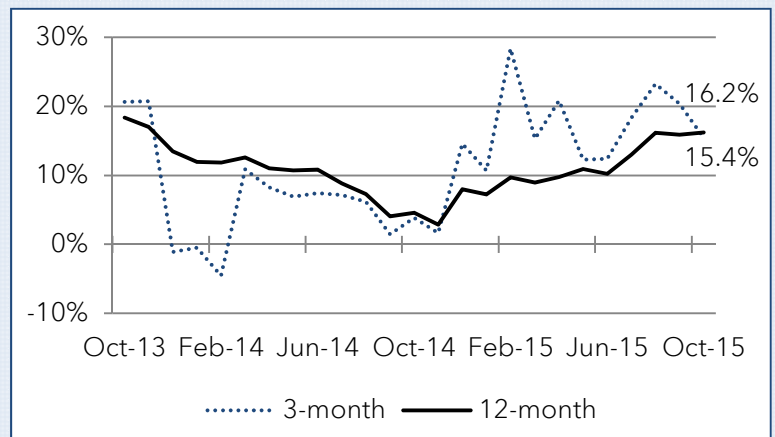
Sales and Use Tax – Motor



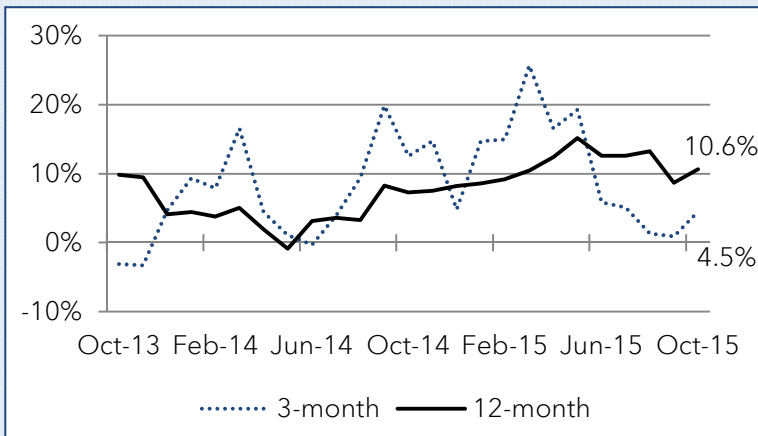
Personal Income Tax – Withholding



Realty Transfer Tax



Corporate Net Income Tax



Technical Notes:

- ↳ Monthly personal income tax withholding collections declined compared to October 2014 because certain collections received in that month were received in other months in 2015.
- ↳ Inheritance tax revenue collections declined from the previous fiscal year due to a one-time payment of \$100 million in 2014.
- ↳ Transfers from the General Fund to the Enhanced Revenue Collection Account increased \$10.9 million from the previous fiscal year and included: \$2.4 million from CNIT; \$3.4 million from CSFT; \$11.5 million from SUT; \$4.9 million from PIT; and \$3.5 million from other taxes.

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

PENNSYLVANIA GENERAL FUND REVENUES SUMMARY

Revenue Source	Oct 2015	Oct 2014	Oct 2013	FYTD 2015-16	FYTD 2014-15	FYTD 2013-14	Oct 2015 Growth	FYTD Growth
Total General Fund	\$2,131.9	\$2,241.7	\$2,085.7	\$8,867.6	\$8,856.0	\$8,195.2	-4.9%	0.1%
Total Tax Revenue	2,109.1	2,210.2	2,066.1	8,764.4	8,544.8	8,124.6	-4.6	2.6
Total Corporation Taxes	161.5	138.2	159.9	811.5	804.7	748.8	16.9	0.9
Accelerated Deposits	12.0	2.9	-1.4	12.9	6.1	1.7	317.9	113.4
Corporate Net Income	138.0	113.8	137.0	710.5	684.0	614.8	21.3	3.9
Capital Stock & Fran.	6.3	12.5	19.5	45.1	67.9	108.1	-49.7	-33.6
Gross Receipts	4.9	5.2	3.3	22.0	21.8	16.5	-6.1	1.2
Utility Property	0.0	0.2	0.2	2.7	2.0	2.3	-96.6	34.9
Insurance Premium	0.2	0.3	-0.1	2.2	2.2	-0.8	-11.8	0.1
Financial Institution	0.1	3.1	1.0	14.3	19.4	4.1	-96.7	-25.9
Other Sel. Business	0.0	0.4	0.4	1.7	1.4	2.1	-95.6	18.6
Total Consumption Taxes	975.6	926.2	896.1	3,789.7	3,680.2	3,532.3	5.3	3.0
Sales and Use - Total	864.3	819.5	783.1	3,354.1	3,248.6	3,084.8	5.5	3.2
Non-Motor	753.1	708.3	678.1	2,874.5	2,770.7	2,649.7	6.3	3.7
Motor Vehicle	111.2	111.2	105.1	479.6	477.9	435.1	0.0	0.3
Cigarette	79.6	76.5	84.9	316.0	316.7	337.6	4.0	-0.2
Malt Beverage	2.2	2.1	2.0	9.3	9.0	9.2	2.8	3.0
Liquor	29.6	28.1	26.0	110.3	105.9	100.7	5.2	4.2
Total Other Taxes	972.0	1,145.8	1,010.1	4,163.2	4,060.0	3,843.6	-15.2	2.5
Personal Income - Total	833.6	928.1	896.2	3,632.8	3,492.1	3,380.5	-10.2	4.0
Withholding	701.3	813.1	782.1	3,012.1	2,946.9	2,838.7	-13.8	2.2
Quarterly	51.7	46.9	44.8	481.3	429.8	420.3	10.4	12.0
Annual	80.6	68.1	69.3	139.5	115.5	121.5	18.3	20.8
Realty Transfer	42.1	36.9	33.5	178.9	150.6	145.5	14.1	18.8
Inheritance	72.5	171.6	73.5	300.5	384.2	287.1	-57.8	-21.8
Table Games	9.3	8.7	6.6	34.2	31.8	29.1	7.5	7.6
Minor and Repealed	14.5	0.5	0.4	16.8	1.3	1.3	n.a.	n.a.
Total Non-Tax Revenue	22.7	31.5	19.6	103.2	311.2	70.6	-27.8	-66.8
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Licenses, Fees & Misc.	15.7	24.6	10.9	73.3	281.6	37.6	-36.3	-74.0
Licenses and Fees	4.7	5.4	11.6	24.9	22.7	26.9	-14.2	9.7
Miscellaneous	11.0	19.2	-0.8	48.4	258.9	10.6	-42.6	-81.3
Treasury	11.9	0.2	0.4	13.1	5.2	14.0	n.a.	150.4
Escheats	-4.5	13.5	-1.6	6.6	3.0	-16.7	-133.6	118.7
Other Miscellaneous	3.7	5.5	0.5	28.7	250.7	13.3	-32.8	-88.5
Fines, Pen. & Int. - Total	7.1	6.9	8.7	29.9	29.6	33.0	2.4	1.1

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