

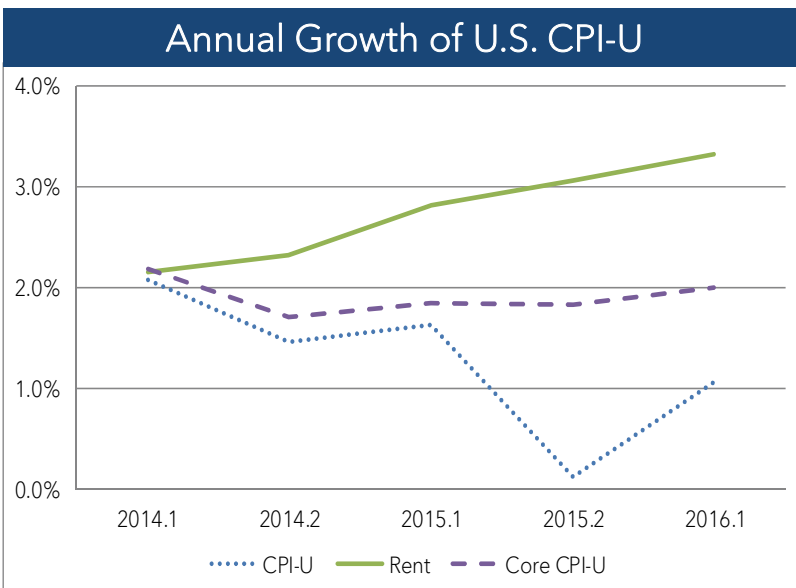


U.S. RENT PRICES OUTPACE INFLATION

Last month, the U.S. Bureau of Labor Statistics (BLS) released the June 2016 Consumer Price Index (CPI) for the United States. The CPI uses a basket of goods consumers typically buy to determine the inflation rate. The moderate inflation rate for the first half of 2016 (1.1%) can be attributed to low energy prices. The Core CPI-U (excludes energy) is slightly higher (2.0%) for the first half of 2016. (See graph.)

Although general inflation has been modest, U.S. rent prices continue to increase at a solid pace. For the first half of 2014, rent and general inflation increased at the same rate (2.2%). Since then, general inflation has decelerated precipitously, while rent inflation has accelerated. By the first half of 2016, U.S. rent inflation (3.3%) was three times the rate of general inflation (1.1%). Although general inflation is beginning to accelerate, analysts expect the gap between rent and general inflation to persist in the near term.

For Pennsylvania, rent prices are increasing at roughly the same pace as general inflation. In Philadelphia, June year-over-year rent prices grew modestly (0.3%), which was slightly less than general inflation (0.5%). In Pittsburgh, year-over-year rent prices (1.8%) grew slightly faster than general inflation (1.6%).



Source: U.S. Bureau of Labor Statistics.

Notes: CPI-U refers to general inflation. Core CPI-U excludes energy.

GENERAL FUND SNAPSHOT

The Commonwealth collected \$1.97 billion in General Fund revenues for July, a decrease of \$162.5 million (-7.6%) compared to July 2015.

See pages 3 and 4 for more detail on the General Fund.

	General Fund	Tax Revenue	Non-Tax Revenue
July-16	\$1,973	\$1,934	\$38
Growth	-7.6%	-7.8%	1.5%
FYTD	\$1,973	\$1,934	\$38
Growth	-7.6%	-7.8%	1.5%

Dollar amounts are in millions.

Data from the U.S. Census Bureau show that homeownership rates declined to 62.9% for the second quarter of 2016, the lowest level since 1965.¹ In particular, 18-35 year-olds saw a 21-year low in homeownership rates (34.1%). The share of households renting has been increasing since 2004, pushing demand and prices for rentals upwards.

The rent affordability metric published by Zillow finds that the average U.S. renter spent 30.1% of their income on rent in the first quarter of 2016.² That share is the highest share since the firm tracked that metric (1979). For Philadelphia, the rent share is 29.4%, somewhat less than the all-time high for the city (30.2%). For Pittsburgh, the rent share is only 24.8%, much lower than the all-time high for the city (29.0%). These data, much like the BLS inflation data, suggest more moderate rent inflation in Pennsylvania compared to the U.S.

¹ The Wall Street Journal, "U.S. Homeownership Falls to a Five-Decade Low," July 28, 2016.

² See <http://www.zillow.com/research/data>.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Apr-16	May-16	Jun-16	Jul-16	Apr-16	May-16	Jun-16	Jul-16
Unemployment Rate ¹	5.0%	4.7%	4.9%	4.9%	5.3%	5.5%	5.6%	n.a.
Net Job Gains (000s) ²	144.0	24.0	292.0	255.0	65.3	61.3	54.3	n.a.
Average Gasoline Price ³	\$2.11	\$2.27	\$2.37	\$2.24	\$2.13	\$2.30	\$2.34	\$2.25
Consumer Price Index ⁴	1.1%	1.0%	1.0%	n.a.	0.6%	0.4%	0.1%	n.a.
Retail Sales ⁵	2.8%	2.3%	2.6%	n.a.	3.9%	4.1%	0.8%	-0.3%
Consumer Sentiment Index ⁶	89.0	94.7	93.5	93.1	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	14.1%	11.8%	8.3%	n.a.	31.2%	24.8%	25.6%	n.a.

QUARTERLY ECONOMIC INDICATORS

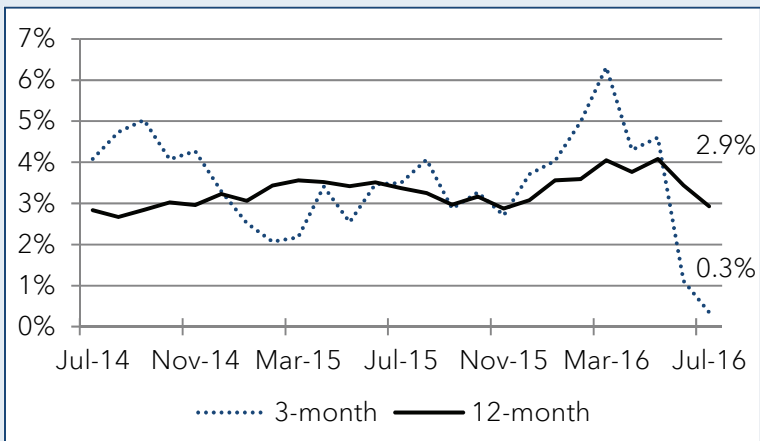
	United States				Pennsylvania			
	2015.3	2015.4	2016.1	2016.2	2015.3	2015.4	2016.1	2016.2
Gross Domestic Product ⁸	2.0%	0.9%	0.8%	1.2%	2.0%	1.7%	1.5%	n.a.
Personal Income ⁹	4.5%	4.3%	4.4%	3.8%	3.4%	3.5%	4.2%	n.a.
Completed Home Sales ¹⁰	8.3%	2.0%	5.7%	4.1%	13.3%	6.9%	9.8%	9.9%
FHFA House Price Index ¹¹	5.7%	5.9%	5.7%	n.a.	2.6%	2.6%	3.6%	n.a.
Student Loan Debt ¹²	\$4,480	\$4,600	\$4,710	n.a.	\$5,170	\$5,310	\$5,450	n.a.
Industrial Electricity Sales ¹³	-3.8%	-5.3%	-1.0%	n.a.	-1.2%	-4.5%	-1.7%	n.a.

Notes:

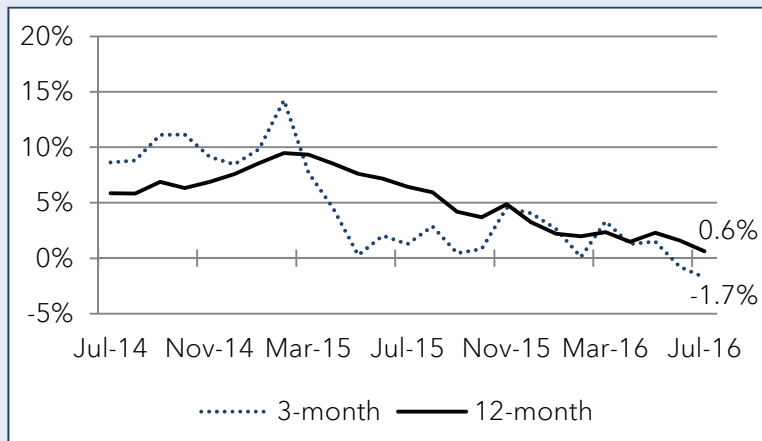
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. 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 months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. 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 2015, Pennsylvania has 10.8 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

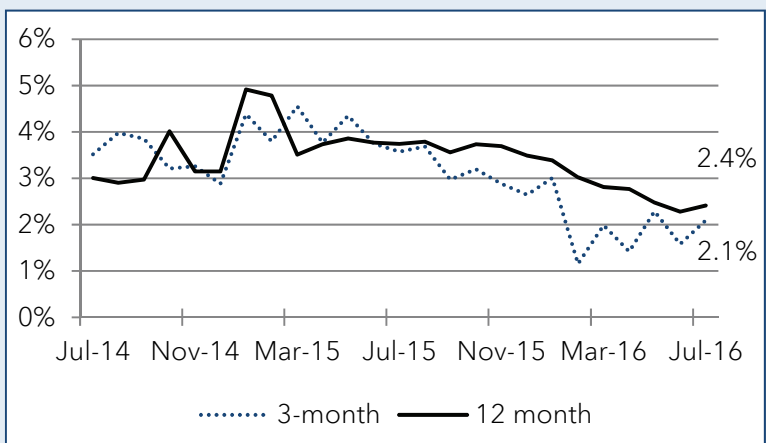
Sales and Use Tax – Non-Motor



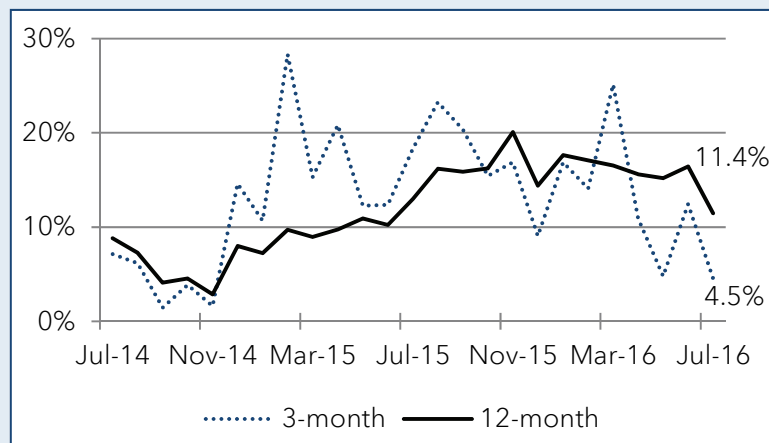
Sales and Use Tax – Motor



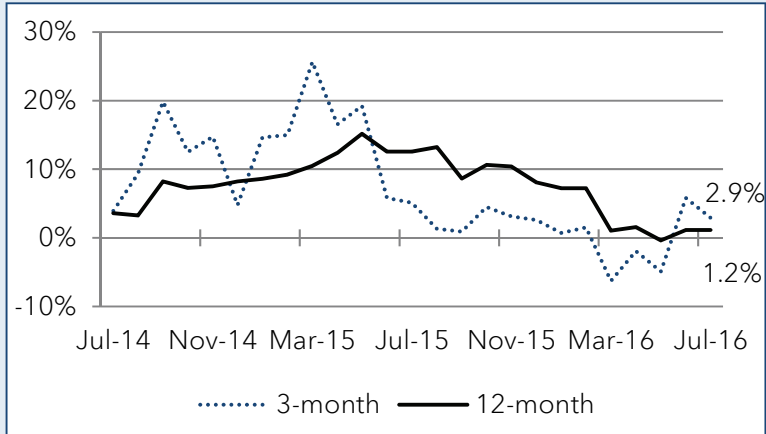
Personal Income Tax – Withholding



Realty Transfer Tax



Corporate Net Income Tax



Technical Notes (for revenue graphs and table on next page):

- ↳ Transfers from the General Fund to the Enhanced Revenue Collection Account were \$33.8 million and included: \$13.2 million to CNIT; \$3.1 million to Inheritance; \$8.5 million to SUT; and \$8.5 million to PIT.
- ↳ Personal income tax withholding collections were affected by (1) an extra weekly filer due date and (2) a quarterly filer due date. Both of these due dates occurred in July last year but have shifted to August this year.
- ↳ Realty transfer tax was affected by a -\$12.7 million transfer as a result of Act 58 of 2015. For the purposes of this graph, the transfer was added back.

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

Pennsylvania General Fund Revenues Summary

Revenue Source	Jul 2016	Jul 2015	Jul 2014	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
Total General Fund	\$1,972.6	\$2,135.1	\$2,246.2	\$1,972.6	\$2,135.1	\$2,246.2	-7.6%	-7.6%
Total Tax Revenue	1,934.2	2,097.2	1,994.6	1,934.2	2,097.2	1,994.6	-7.8	-7.8
Total Corporation Taxes	66.4	74.0	80.5	66.4	74.0	80.5	-10.3	-10.3
Accelerated Deposits	-0.1	0.0	0.6	-0.1	0.0	0.6	-350.9	-350.9
Corporate Net Income	54.5	63.2	59.6	54.5	63.2	59.6	-13.8	-13.8
Capital Stock & Franchise	5.2	5.1	11.2	5.2	5.1	11.2	1.6	1.6
Gross Receipts	2.8	5.3	8.4	2.8	5.3	8.4	-48.1	-48.1
Utility Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Premium	0.6	0.4	0.3	0.6	0.4	0.3	52.0	52.0
Financial Institution	3.5	0.0	0.4	3.5	0.0	0.4	n.a.	n.a.
Total Consumption Taxes	987.2	995.1	953.2	987.2	995.1	953.2	-0.8	-0.8
Sales and Use - Total	892.3	901.9	862.0	892.3	901.9	862.0	-1.1	-1.1
Non-Motor	784.0	779.8	738.5	784.0	779.8	738.5	0.5	0.5
Motor Vehicle	108.3	122.1	123.5	108.3	122.1	123.5	-11.3	-11.3
Cigarette	63.9	62.6	62.8	63.9	62.6	62.8	2.1	2.1
Other Tobacco Products	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Malt Beverage	2.3	2.5	2.2	2.3	2.5	2.2	-9.2	-9.2
Liquor	28.7	28.1	26.1	28.7	28.1	26.1	2.3	2.3
Total Other Taxes	880.6	1,028.1	960.9	880.6	1,028.1	960.9	-14.3	-14.3
Personal Income - Total	760.4	876.9	835.9	760.4	876.9	835.9	-13.3	-13.3
Withholding	717.7	823.4	789.3	717.7	823.4	789.3	-12.8	-12.8
Quarterly	33.7	37.6	33.3	33.7	37.6	33.3	-10.3	-10.3
Annual	9.1	15.9	13.3	9.1	15.9	13.3	-43.1	-43.1
Realty Transfer	32.6	52.9	41.4	32.6	52.9	41.4	-38.5	-38.5
Inheritance	77.1	84.6	76.0	77.1	84.6	76.0	-8.9	-8.9
Table Games	10.0	9.8	7.0	10.0	9.8	7.0	1.7	1.7
Minor and Repealed	0.6	3.9	0.7	0.6	3.9	0.7	-85.1	-85.1
Total Non-Tax Revenue	38.5	37.9	251.6	38.5	37.9	251.6	1.5	1.5
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Lic., Fees & Misc.	29.6	30.3	244.8	29.6	30.3	244.8	-2.2	-2.2
Licenses and Fees	6.7	7.2	6.6	6.7	7.2	6.6	-7.8	-7.8
Miscellaneous	23.0	23.1	238.3	23.0	23.1	238.3	-0.5	-0.5
Treasury	4.7	0.4	3.6	4.7	0.4	3.6	1,023.1	1,023.1
Escheats	-11.0	10.0	-5.6	-11.0	10.0	-5.6	-209.3	-209.3
Other Miscellaneous	29.2	12.6	240.2	29.2	12.6	240.2	131.4	131.4
Fines, Pen. & Int. - Total	8.8	7.6	6.8	8.8	7.6	6.8	16.6	16.6

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