



Monthly Trends Report

August 2016

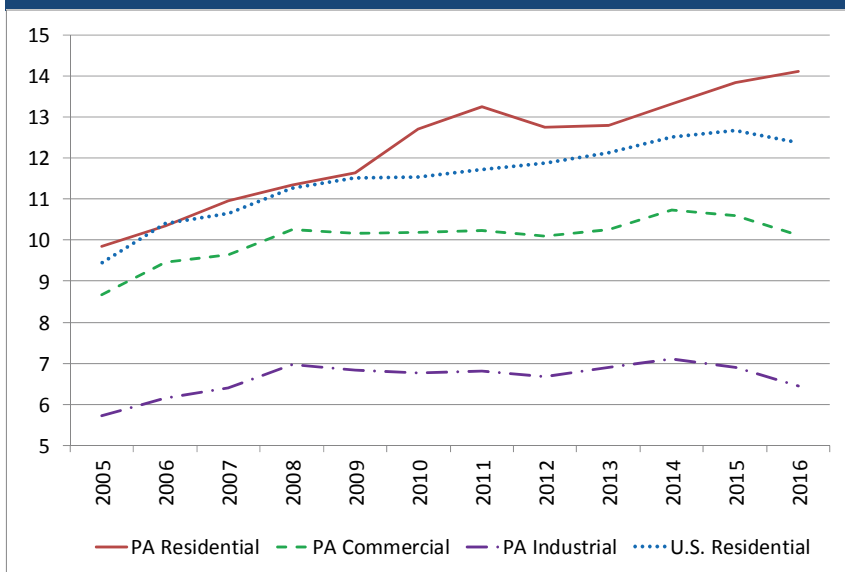
PA ELECTRICITY MARKET TRENDS

The U.S. Energy Information Administration (EIA) releases an Electricity Monthly Update¹, which provides historical revenues, retail sales (demand) and average retail prices of electricity on national, regional and state levels. For Pennsylvania, these data show that from 2005 to 2015, demand for electricity displayed nearly flat growth (-0.1% per annum), while average prices grew moderately (2.6%). The flat demand combined with moderate price growth caused total revenues from electricity sales to grow at a rate of 2.4% per annum.

Sales from the first half of 2016 reveal a downturn in the PA electricity market. Total retail sales of electricity declined by 5.7% compared to the same period in 2015, as demand contracted in every sector. The unseasonably warm winter was a potential factor affecting demand in 2016. The residential sector was especially affected by this phenomenon, as EIA data reveal that roughly one-fifth of PA households use electricity as their primary source of heat.²

Decreased demand has likely applied downward pressure on recent prices. Average retail prices in the first six months of 2016 were 1.1% lower than in the first half of 2015, driven by declines in the commercial (-3.2%) and industrial (-5.5%) sectors. By contrast, average residential prices continue to grow in PA, and were 4.2% higher in the first half of 2016 than the same period in 2015.

Retail Electricity Prices



Source: U.S. Energy Information Administration.

Notes: Average retail prices are measured in cents per kilowatt-hour. Average retail prices for 2016 are through June.

GENERAL FUND SNAPSHOT

The Commonwealth collected \$2.02 billion in General Fund revenues for August, an increase of \$147.7 million (7.9%) compared to August 2015. Fiscal year-to-date revenues were \$3.99 billion, a decrease of \$14.8 million (-0.4%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
Aug-16	\$2,015	\$1,996	\$20
Growth	7.9%	8.0%	0.2%
FYTD	\$3,988	\$3,930	\$58
Growth	-0.4%	-0.4%	1.1%

Dollar amounts are in millions.

Declining prices of natural gas and coal, which generated 43.7% of PA electricity in the first half of 2016, may be a factor in recent electricity price trends. The lower prices may be realized more quickly in the commercial and industrial sectors since they are more sensitive to price changes and likely to seek low-cost suppliers who benefit from falling commodity prices.

Recent data from the Pennsylvania Public Utility Commission show that from 2013 to 2015, the number of commercial and industrial customers who actively shopped for electricity suppliers remained constant, while the number of residential customers who shopped declined. More recently, residential customers have started to return to competitive suppliers, but that trend has yet to induce lower residential prices.

The EIA projects average U.S. residential prices to decline slightly through the rest of 2016, and then rise by 3.0% in 2017.³ Given the divergent price trends for the first half of 2016, it is unclear whether residential prices in PA will follow the same trend as the national average.

¹See: <http://www.eia.gov/electricity/monthly/update/>

²See: <http://www.eia.gov/state/?sid=PA>

³See: http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	May-16	Jun-16	Jul-16	Aug-16	May-16	Jun-16	Jul-16	Aug-16
Unemployment Rate ¹	4.7%	4.9%	4.9%	n.a.	5.5%	5.6%	5.6%	n.a.
Net Job Gains (000s) ²	24.0	292.0	254.0	151.0	61.3	50.9	50.7	n.a.
Average Gasoline Price ³	\$2.27	\$2.37	\$2.24	\$2.18	\$2.30	\$2.34	\$2.25	\$2.17
Consumer Price Index ⁴	1.0%	1.0%	0.8%	n.a.	0.4%	0.1%	n.a.	n.a.
Retail Sales ⁵	2.3%	2.7%	2.5%	n.a.	4.1%	0.8%	-0.3%	n.a.
Consumer Sentiment Index ⁶	94.7	93.5	90.0	89.8	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	11.8%	8.3%	4.4%	n.a.	24.8%	25.6%	8.7%	n.a.

QUARTERLY ECONOMIC INDICATORS

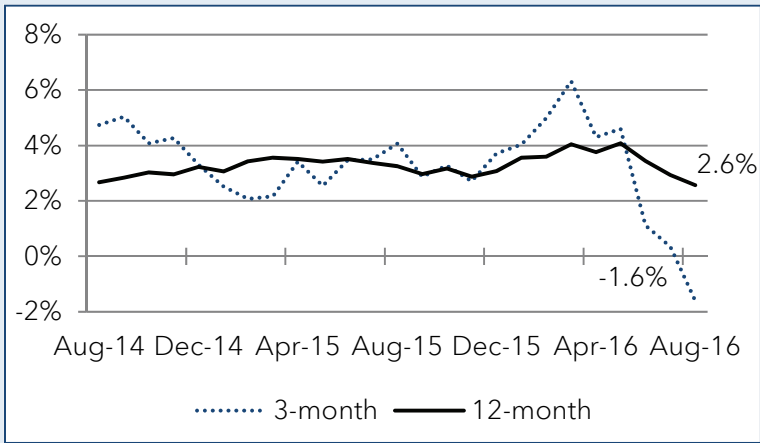
	United States				Pennsylvania			
	2015.3	2015.4	2016.1	2016.2	2015.3	2015.4	2016.1	2016.2
Gross Domestic Product ⁸	2.0%	0.9%	0.8%	1.1%	2.0%	1.7%	1.5%	n.a.
Personal Income ⁹	4.2%	3.9%	3.6%	3.2%	3.4%	3.5%	4.2%	n.a.
Completed Home Sales ¹⁰	8.3%	2.0%	5.7%	4.0%	13.4%	7.1%	11.2%	9.9%
FHFA House Price Index ¹¹	5.7%	5.9%	6.0%	5.6%	2.7%	2.7%	3.8%	3.0%
Student Loan Debt ¹²	\$4,480	\$4,600	\$4,710	\$4,690	\$5,170	\$5,310	\$5,450	\$5,430
Industrial Electricity Sales ¹³	-3.8%	-5.3%	-1.0%	-3.4%	-1.2%	-4.5%	-1.7%	-2.3%

Notes:

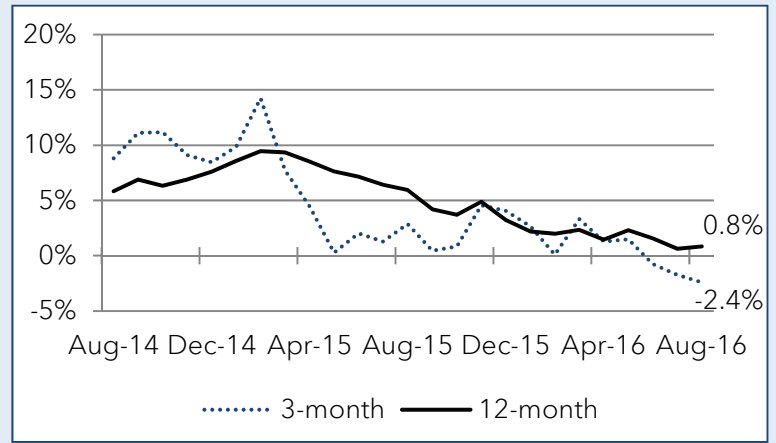
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. 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

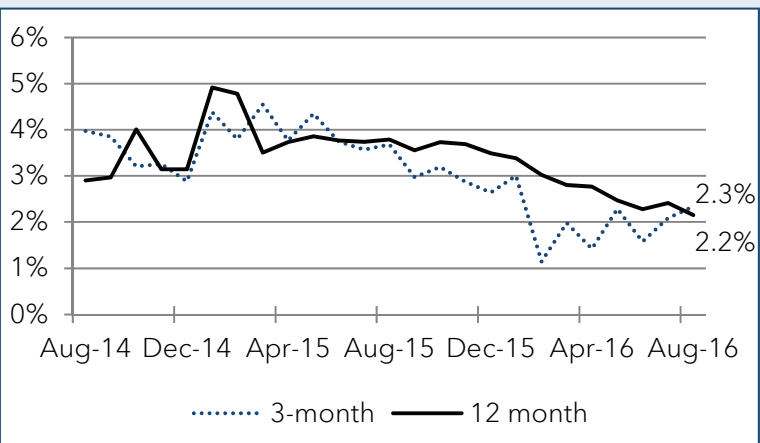
Sales and Use Tax – Non-Motor



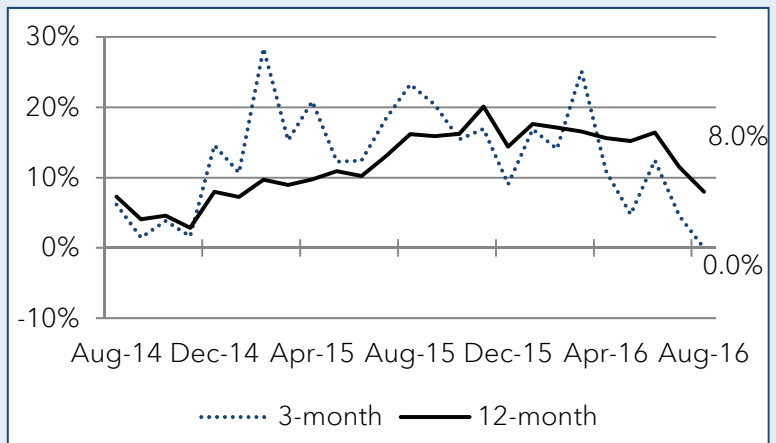
Sales and Use Tax – Motor



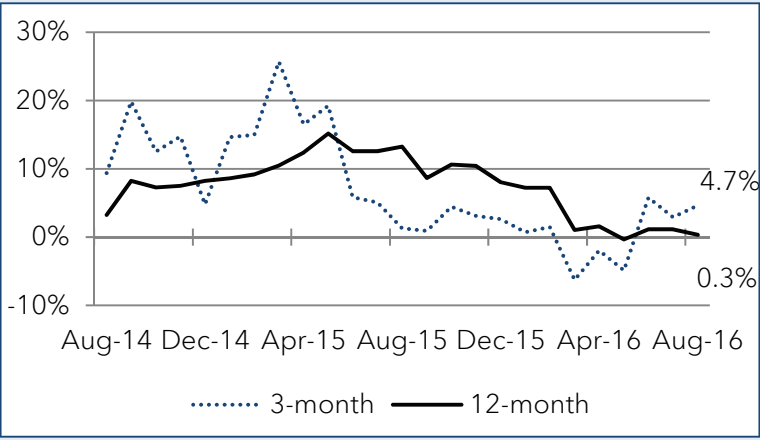
Personal Income Tax – Withholding



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 \$23.2 million and included: \$7.0 million from Corporate Net Income Tax; \$1.7 million from Inheritance Tax; \$7.5 million from Sales and Use Tax; and \$5.8 million from Personal Income Tax.
- ↳ 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 other months last year but have shifted to August this year.

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

Pennsylvania General Fund Revenues Summary

Revenue Source	Aug 2016	Aug 2015	Aug 2014	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
Total General Fund	\$2,015.3	\$1,867.6	\$1,791.3	\$3,988.0	\$4,002.7	\$4,037.5	7.9%	-0.4%
Total Tax Revenue	1,995.8	1,848.1	1,775.5	3,930.0	3,945.3	3,770.1	8.0	-0.4
Total Corporation Taxes	44.8	57.4	45.6	111.2	131.4	126.1	-21.9	-15.3
Accelerated Deposits	0.4	0.0	1.1	0.3	-0.1	1.7	n.a.	-727.8
Corporate Net Income	26.9	43.8	32.4	81.3	107.0	92.1	-38.7	-24.0
Capital Stock & Fran.	9.2	5.1	5.7	14.4	10.2	16.9	79.9	40.9
Gross Receipts	5.1	6.8	4.2	7.8	12.1	12.5	-25.8	-35.6
Utility Property	0.9	0.1	0.3	0.9	0.1	0.3	870.3	821.7
Insurance Premium	1.6	1.0	1.4	2.2	1.4	1.6	62.5	59.5
Financial Institution	0.7	0.6	0.5	4.2	0.6	0.9	26.6	609.7
Total Consumption Taxes	920.4	920.9	907.3	1,907.6	1,916.0	1,860.4	-0.1	-0.4
Sales and Use - Total	790.8	804.8	789.8	1,683.1	1,706.7	1,651.8	-1.7	-1.4
Non-Motor	664.1	683.5	671.3	1,448.1	1,463.3	1,409.8	-2.8	-1.0
Motor Vehicle	126.7	121.3	118.5	235.1	243.4	242.0	4.5	-3.4
Cigarette	99.9	87.1	87.5	163.8	149.7	150.3	14.7	9.4
Other Tobacco Products	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Malt Beverage	2.2	2.4	2.4	4.4	4.8	4.7	-6.9	-8.1
Liquor	27.5	26.7	27.5	56.2	54.8	53.6	2.8	2.5
Total Other Taxes	1,030.6	869.8	822.7	1,911.1	1,897.9	1,783.6	18.5	0.7
Personal Income - Total	893.7	742.6	711.2	1,654.1	1,619.5	1,547.1	20.3	2.1
Withholding	849.1	697.2	673.9	1,566.8	1,520.6	1,463.1	21.8	3.0
Quarterly	29.3	29.3	24.2	63.0	66.9	57.5	-0.2	-5.9
Annual	15.3	16.1	13.1	24.4	32.0	26.5	-4.9	-23.9
Realty Transfer	45.3	47.6	36.0	77.8	100.5	77.5	-4.9	-22.6
Inheritance	81.8	71.9	66.3	158.8	156.5	142.3	13.7	1.5
Table Games	8.6	8.0	8.9	18.6	17.8	15.8	6.9	4.0
Minor and Repealed	1.3	-0.4	0.3	1.8	3.5	1.0	-456.9	-47.7
Total Non-Tax Revenue	19.6	19.5	15.8	58.0	57.4	267.4	0.2	1.1
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Lic., Fees & Misc.	11.6	11.7	8.4	41.3	42.0	253.3	-0.8	-1.8
Licenses and Fees	6.3	6.1	5.5	12.9	13.4	12.1	2.3	-3.2
Miscellaneous	5.4	5.6	2.9	28.3	28.7	241.1	-4.1	-1.2
Treasury	1.0	0.4	0.3	5.6	0.8	3.9	141.4	592.6
Escheats	0.5	-1.8	2.3	-10.5	8.2	-3.3	-126.6	-227.2
Other Miscellaneous	3.9	7.0	0.4	33.2	19.6	240.6	-43.7	69.0
Fines, Pen. & Int. - Total	7.9	7.8	7.4	16.8	15.4	14.1	1.7	9.1

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