

MONTHLY TRENDS REPORT

Independent Fiscal Office | October 2018

On July 30th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2018-19.¹ General Fund collections were \$19.5 million (-0.8 percent) below estimate for October and \$184.8 million (1.9 percent) above estimate for the fiscal year-to-date (FYTD). October shortfalls in corporate net income tax (CNIT) and non-tax collections were partially offset by overages in gross receipts tax, sales and use tax (SUT) and inheritance tax.

October CNIT collections fell below estimate (-\$26.1 million), due entirely to lower than expected final payments (primarily for tax year 2017). Total FYTD CNIT collections are above estimate by \$95.6 million, driven by strong estimated payments for tax year 2018 and unusually large settlement payments for old tax years. The next large payment will be received December 15th, when corporations make their fourth estimated payment for tax year 2018.

Total SUT collections for October exceeded estimate (\$16.6 million), due largely to higher than expected motor vehicle collections (\$15.8 million). FYTD collections exceed estimate by \$96.9 million as a result of strength in both non-motor and motor vehicle SUT collections.

Personal income tax (PIT) collections for the month exceeded estimate by \$4.2 million and fiscal year collections are essentially meeting estimate. FYTD PIT collections are below estimate by only \$8.0 million (-0.2 percent), with shortfalls in withholding and quarterly payments partially offset by higher than expected annual payments.

| GENERAL FUND SNAPSHOT | | | |
|------------------------------|---------------------|--------------------|------------------------|
| | General Fund | Tax Revenue | Non-Tax Revenue |
| Oct-18 | \$2,474 | \$2,445 | \$30 |
| Growth | 13.7% | 13.2% | 88.7% |
| FYTD | \$10,028 | \$9,924 | \$104 |
| Growth | 10.1% | 9.9% | 34.3% |

Dollar amounts in millions. See final page for detail.

Non-tax collections were below estimate for October (-\$23.9 million), primarily due to lower than anticipated payments for licenses and fees (-\$3.9 million) and escheats (-\$20.8 million). The IFO's licenses and fees estimate for October included \$34.0 million for fees associated with gaming expansion. The actual amount received was \$20.1 million. Escheats collections for the month were impacted by lower than expected escheats payments and higher than anticipated claims by property owners. FYTD non-tax collections are below estimate by \$35.5 million as a result of historically low escheat payments, which are partially offset by an overage in Treasury collections.

FY 2018-19 Revenue Performance Through October

| | October Collections | | | FYTD Collections | | |
|------------------|----------------------------|-----------------|----------------|-------------------------|-----------------|----------------|
| | Actual | Estimate | \$ Diff | Actual | Estimate | \$ Diff |
| General Fund | \$2,474 | \$2,494 | (\$20) | \$10,028 | \$9,843 | \$185 |
| Corp. Net Income | 99 | 125 | (26) | 871 | 776 | 96 |
| Sales and Use | 959 | 943 | 17 | 3,782 | 3,685 | 97 |
| Personal Income | 1,088 | 1,084 | 4 | 4,077 | 4,085 | (8) |
| Other Taxes | 298 | 289 | 10 | 1,194 | 1,158 | 36 |
| Non-Tax | 30 | 54 | (24) | 104 | 140 | (35) |

Dollar amounts in millions. Estimate refers to IFO official estimate published on July 30, 2018.

¹ See *Official Monthly & Quarterly Revenue Estimates* for more information: <http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE-FY18-19-July.pdf>.

MONTHLY ECONOMIC INDICATORS

| | United States | | | | Pennsylvania | | | |
|---------------------------------------|---------------|--------|--------|--------|--------------|--------|--------|--------|
| | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 |
| Unemployment Rate ¹ | 3.9% | 3.9% | 3.7% | 3.7% | 4.2% | 4.1% | 4.1% | n.a. |
| Net Job Gains (000s) ² | 165.0 | 286.0 | 118.0 | 250.0 | 76.8 | 76.2 | 76.1 | n.a. |
| Average Gasoline Price ³ | \$2.85 | \$2.84 | \$2.84 | \$2.86 | \$2.92 | \$2.92 | \$2.92 | \$2.90 |
| CPI-U All Items ⁴ | 2.9% | 2.7% | 2.3% | n.a. | 1.8% | 1.7% | 1.8% | n.a. |
| CPI-U Excludes Energy ⁴ | 2.2% | 2.1% | 2.1% | n.a. | 1.0% | 1.0% | 1.0% | n.a. |
| Retail Sales ⁵ | 6.4% | 6.4% | 5.9% | n.a. | 7.5% | 8.1% | 8.2% | 7.8% |
| Consumer Sentiment Index ⁶ | 97.9 | 96.2 | 100.1 | 98.6 | n.a. | n.a. | n.a. | n.a. |

QUARTERLY ECONOMIC INDICATORS

| | United States | | | | Pennsylvania | | | |
|--------------------------------------|---------------|--------|--------|--------|--------------|--------|--------|--------|
| | 2017.4 | 2018.1 | 2018.2 | 2018.3 | 2017.4 | 2018.1 | 2018.2 | 2018.3 |
| Gross Domestic Product ⁷ | 2.3% | 2.2% | 4.2% | 3.5% | 2.5% | 2.0% | n.a. | n.a. |
| Personal Income ⁸ | 4.6% | 4.3% | 4.7% | 4.6% | 3.7% | 3.8% | 3.9% | n.a. |
| Wages and Salaries ⁹ | 4.6% | 4.6% | 4.9% | 4.7% | 3.8% | 4.1% | 4.4% | n.a. |
| CPI-U All Items ⁴ | 2.1% | 2.2% | 2.7% | 2.6% | 0.8% | 0.7% | 1.6% | 1.7% |
| CPI-U Excludes Energy ⁴ | 1.7% | 1.9% | 2.1% | 2.1% | 0.4% | 0.1% | 0.9% | 1.0% |
| FHFA House Price Index ¹⁰ | 6.9% | 7.3% | 6.5% | n.a. | 5.4% | 6.1% | 4.9% | n.a. |

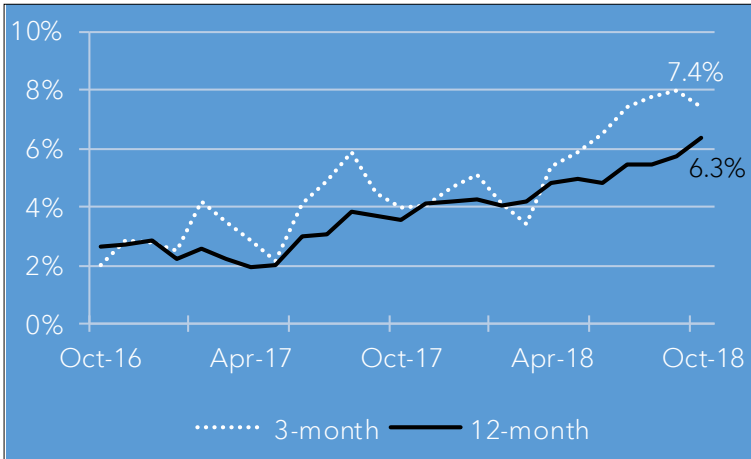
Notes:

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. Department 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 Department of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. The House Price Index is a broad measure of the movement of single-family house prices. The HPI is a weighted, repeat-sales index; it measures average price changes in repeat sales or refinancing on the same properties. These data are obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.

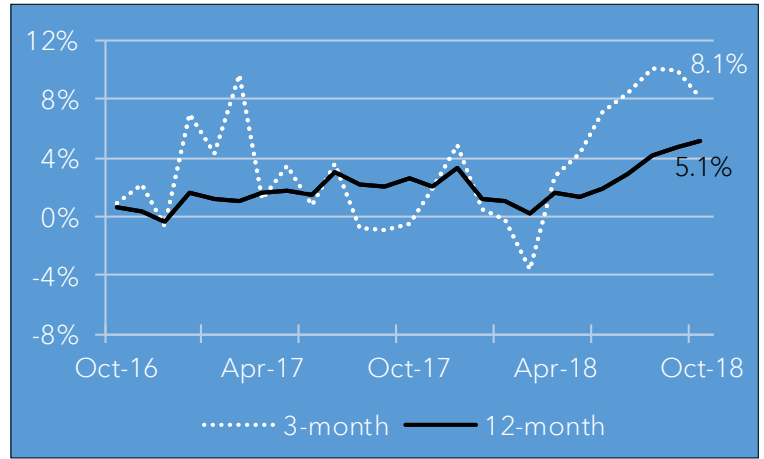
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

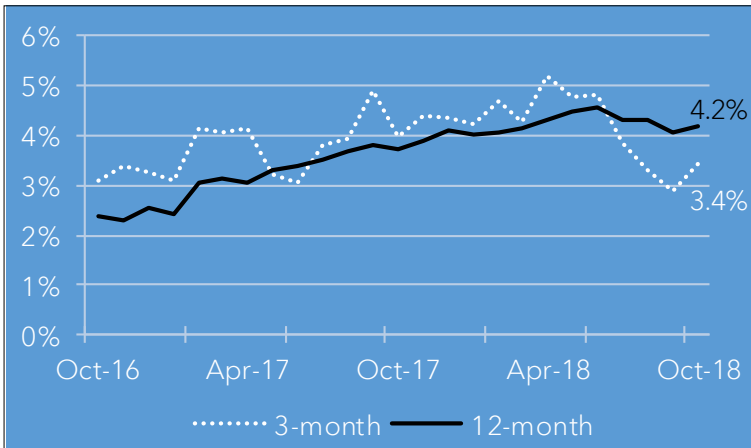
Sales and Use Tax – Non-Motor



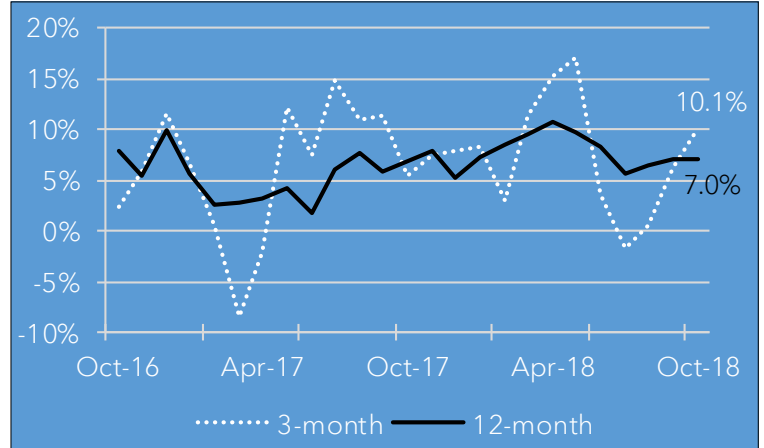
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



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

Technical Notes

- The graphs above correct for (1) transfers to the Commonwealth Financing Authority, Enhanced Revenue Collection Account and Housing Affordability and Rehabilitation Enhancement Fund and (2) issues related to fluctuating payment due dates.
- Treasury collections (next page) for the fiscal year include \$30.4 million for a settlement under the Air Pollution Control Act that was deposited into the General Fund in July 2018.

GENERAL FUND REVENUES SUMMARY

| Revenue Source | Oct 2018 | Oct 2017 | FYTD 2018-19 | FYTD 2017-18 | Monthly Growth | FYTD Growth |
|----------------------------|-----------|-----------|--------------|--------------|----------------|-------------|
| Total General Fund | \$2,474.5 | \$2,175.4 | \$10,028.2 | \$9,108.5 | 13.7% | 10.1% |
| Total Tax Revenue | 2,444.8 | 2,159.6 | 9,924.2 | 9,031.0 | 13.2 | 9.9 |
| Total Corporation Taxes | 111.2 | 92.4 | 941.5 | 709.6 | 20.4 | 32.7 |
| Accelerated Deposits | 0.5 | (0.0) | (0.2) | (0.0) | n.a. | -309.6 |
| Corporate Net Income | 98.6 | 85.9 | 871.1 | 673.1 | 14.7 | 29.4 |
| Gross Receipts | 9.3 | 5.6 | 33.2 | 8.9 | 66.1 | 271.4 |
| Utility Property | 0.1 | 0.1 | 1.2 | 1.1 | 23.8 | 8.3 |
| Insurance Premiums | 0.1 | 0.4 | 22.0 | 10.3 | -72.7 | 113.7 |
| Financial Institution | 2.7 | 0.4 | 14.1 | 16.2 | 517.5 | -12.9 |
| Total Consumption Taxes | 1,099.7 | 1,025.9 | 4,332.2 | 4,050.7 | 7.2 | 7.0 |
| Sales and Use - Total | 959.4 | 881.5 | 3,782.2 | 3,472.7 | 8.8 | 8.9 |
| Non-Motor | 824.5 | 761.5 | 3,257.4 | 2,998.0 | 8.3 | 8.7 |
| Motor Vehicle | 134.9 | 120.0 | 524.8 | 474.7 | 12.4 | 10.6 |
| Cigarette | 98.3 | 103.4 | 380.4 | 412.8 | -4.9 | -7.9 |
| Other Tobacco Products | 9.7 | 9.7 | 41.6 | 39.5 | 0.4 | 5.4 |
| Malt Beverage | 1.8 | 1.9 | 8.6 | 8.8 | -5.2 | -2.6 |
| Liquor | 30.5 | 29.5 | 119.5 | 116.9 | 3.4 | 2.2 |
| Total Other Taxes | 1,233.9 | 1,041.3 | 4,650.5 | 4,270.7 | 18.5 | 8.9 |
| Personal Income - Total | 1,088.3 | 906.7 | 4,077.1 | 3,743.2 | 20.0 | 8.9 |
| Withholding | 927.1 | 773.4 | 3,376.5 | 3,152.5 | 19.9 | 7.1 |
| Quarterly | 62.6 | 53.0 | 532.8 | 464.4 | 18.1 | 14.7 |
| Annual | 98.7 | 80.3 | 167.9 | 126.4 | 22.9 | 32.8 |
| Realty Transfer | 51.0 | 46.2 | 182.4 | 176.3 | 10.2 | 3.4 |
| Inheritance | 90.3 | 82.9 | 348.9 | 316.6 | 8.9 | 10.2 |
| Gaming | 9.2 | 9.2 | 39.1 | 40.0 | 0.0 | -2.1 |
| Minor and Repealed | (4.9) | (3.7) | 2.9 | (5.4) | -34.8 | 153.8 |
| Total Non-Tax Revenue | 29.7 | 15.8 | 104.0 | 77.5 | 88.7 | 34.3 |
| State Store Fund Transfers | 0.0 | 0.0 | 0.0 | 0.0 | n.a. | n.a. |
| Lic., Fees & Miscellaneous | 22.4 | 8.6 | 72.8 | 47.3 | 159.1 | 54.0 |
| Licenses and Fees | 36.1 | 4.8 | 68.5 | 23.9 | 651.2 | 186.2 |
| Miscellaneous | (13.7) | 3.8 | 4.3 | 23.3 | -458.5 | -81.5 |
| Treasury | 1.9 | 1.6 | 49.3 | 8.5 | 21.7 | 481.5 |
| Escheats | (24.9) | (3.3) | (76.7) | (5.9) | -653.1 | n.a. |
| Other Miscellaneous | 9.2 | 5.6 | 31.7 | 20.8 | 66.0 | 52.7 |
| Fines, Pen. & Int. - Total | 7.4 | 7.1 | 31.2 | 30.2 | 3.4 | 3.4 |

Note: Dollar amounts in millions. Growth rates computed from same time period in previous year and use the unrounded amounts.