



ECONOMIC UNCERTAINTY INCREASES

In recent months, U.S. economic uncertainty has increased due to weak job growth, tepid business investment and pressure on corporate profits. Those economic indicators can be used to assess the probability of a recession (i.e., a decline in real GDP in two consecutive quarters) within the next year. A recent Wall Street Journal survey of economists placed that probability at 21%, an increase of 11 percentage points from the prior year.¹

Recent international trends also affect the potential for recession. These include: (1) the deceleration of growth in China and other emerging markets, (2) the U.K.'s vote to exit the European Union and (3) appreciation of the U.S. dollar, which restrains exports. In June, the World Bank and International Monetary Fund reduced their 2016 outlooks for global and U.S. economic growth.

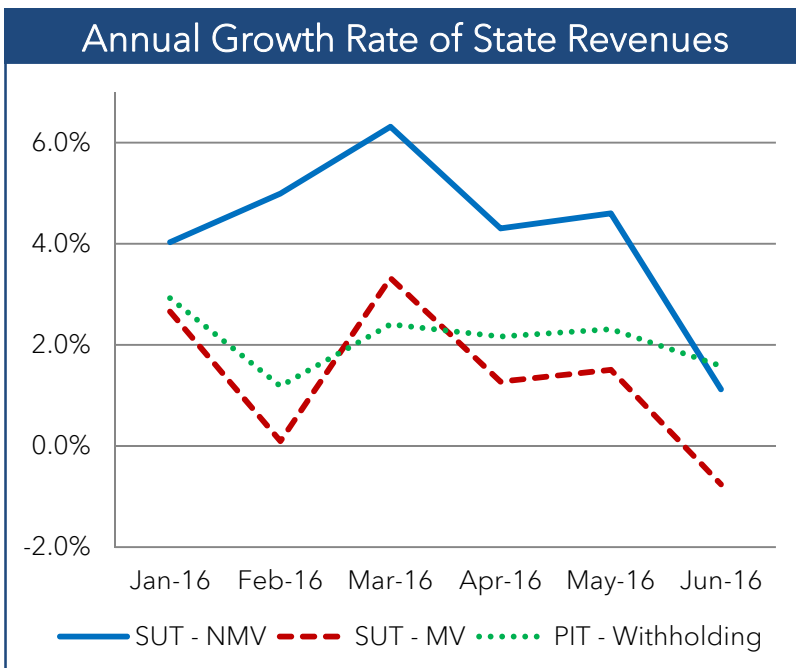
Despite these trends, Pennsylvania's economy remains relatively healthy; however, the release of state economic data typically lags national sources. One timely indicator of the state economy is employment growth, which remains solid. Based on data from the first five months of the year, the state is on pace to add 54,500 jobs in 2016, which is comparable to last year's average gain of 48,600. During the same five months, sales and use tax (SUT) revenues increased 4.6%, an indication that consumers remain

GENERAL FUND SNAPSHOT			
The Commonwealth collected \$3.06 billion in General Fund revenues for June, an increase of \$145.2 million (5.0%) compared to June 2015. Fiscal year-to-date revenues were \$30.90 billion, an increase of \$309.1 million (1.0%) from the prior year.			
	General Fund	Tax Revenue	Non-Tax Revenue
June-16	\$3,061	\$3,031	\$30
Growth	5.0%	3.8%	969.2%
FYTD	\$30,902	\$30,258	\$644
Growth	1.0%	2.6%	-41.5%
Dollar amounts are in millions.			

confident in the economy and are willing to spend instead of save.

However, very recent revenue data from June suggest possible weakness in Pennsylvania. June sales and use tax revenues declined (-1.1%) year-over-year, while personal income tax (PIT) collections exhibited unexpected weakness for withholding (0.9%) and estimated payments (-11.4%). Positive signs from June include gains in corporate tax payments (8.6%) and realty transfer tax remittances (22.6%).

Although certain national indicators show an increased risk of recession, the latest state indicators do not yet provide strong evidence of that outcome. This pattern is consistent with Pennsylvania's slower growth economy that exhibits more moderate swings compared to the U.S. Additional data are necessary to evaluate the implications of recent economic trends. The release later this month of June employment growth and second quarter GDP will provide key insights to the U.S. economic outlook.



Notes: 3-month average growth rates. PIT is withholding collections adjusted to account for due dates. NMV is non-motor vehicle. MV is motor vehicle.

¹ The Wall Street Journal, "Economic Gauges Raise Specter of Recession," June 19, 2016.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Mar-16	Apr-16	May-16	Jun-16	Mar-16	Apr-16	May-16	Jun-16
Unemployment Rate ¹	5.0%	5.0%	4.7%	n.a.	4.9%	5.3%	5.5%	n.a.
Net Job Gains (000s) ²	186.0	123.0	38.0	n.a.	58.3	65.3	60.5	n.a.
Average Gasoline Price ³	\$1.97	\$2.11	\$2.27	\$2.37	\$1.94	\$2.13	\$2.30	\$2.34
Consumer Price Index ⁴	0.9%	1.1%	1.0%	n.a.	0.5%	0.6%	n.a.	n.a.
Retail Sales ⁵	2.7%	2.8%	2.4%	n.a.	5.9%	3.9%	4.1%	0.8%
Consumer Sentiment Index ⁶	91.0	89.0	94.7	93.5	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	15.1%	14.1%	11.8%	n.a.	25.9%	31.2%	24.8%	n.a.

QUARTERLY ECONOMIC INDICATORS

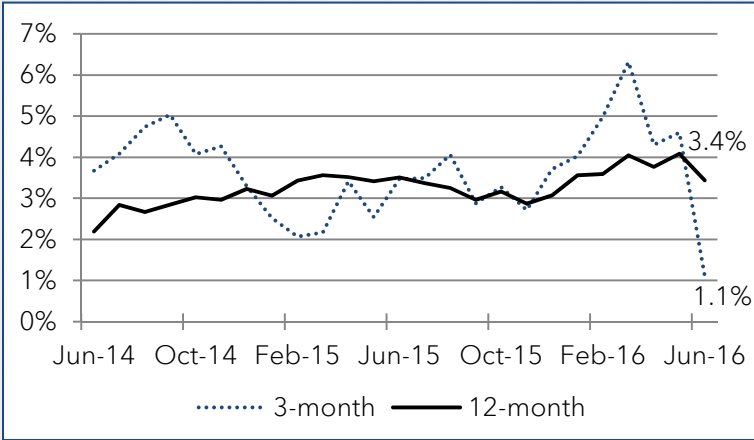
	United States				Pennsylvania			
	2015.2	2015.3	2015.4	2016.1	2015.2	2015.3	2015.4	2016.1
Gross Domestic Product ⁸	3.9%	2.0%	1.4%	1.1%	0.2%	2.0%	1.7%	n.a.
Personal Income ⁹	4.5%	4.5%	4.3%	4.4%	3.3%	3.4%	3.5%	4.2%
Completed Home Sales ¹⁰	8.2%	8.3%	2.0%	5.7%	11.8%	13.3%	6.9%	9.8%
FHFA House Price Index ¹¹	5.6%	5.7%	5.9%	5.7%	2.2%	2.6%	2.6%	3.6%
Student Loan Debt ¹²	\$4,480	\$4,480	\$4,600	\$4,710	\$5,180	\$5,170	\$5,310	\$5,450
Industrial Electricity Sales ¹³	-3.6%	-3.8%	-5.3%	-1.0%	-1.6%	-1.2%	-4.5%	-1.7%

Notes:

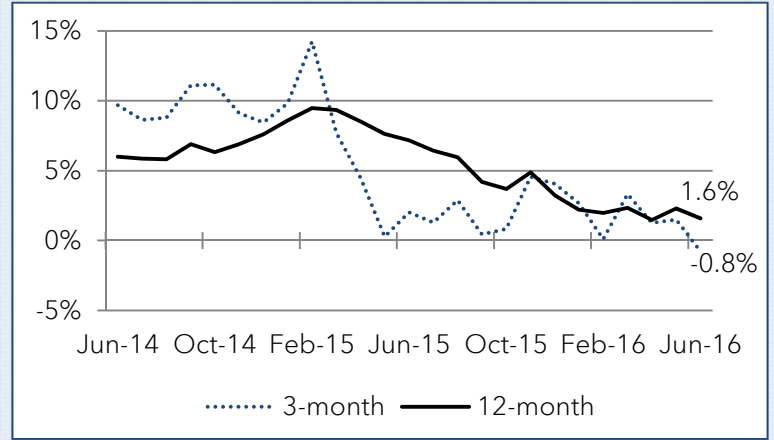
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3.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

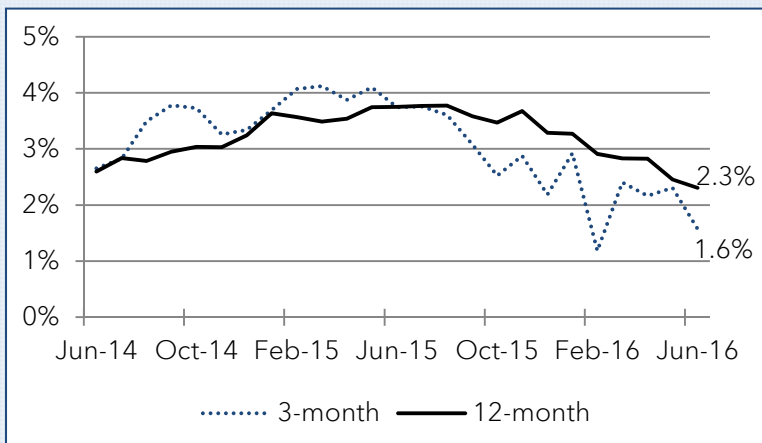
Sales and Use Tax – Non-Motor



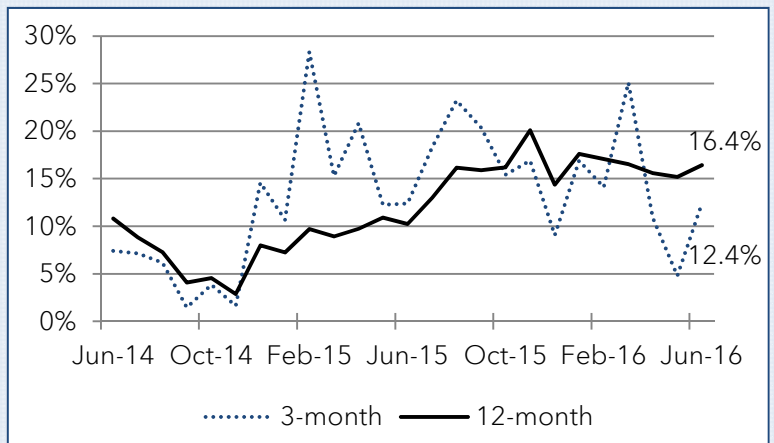
Sales and Use Tax – Motor



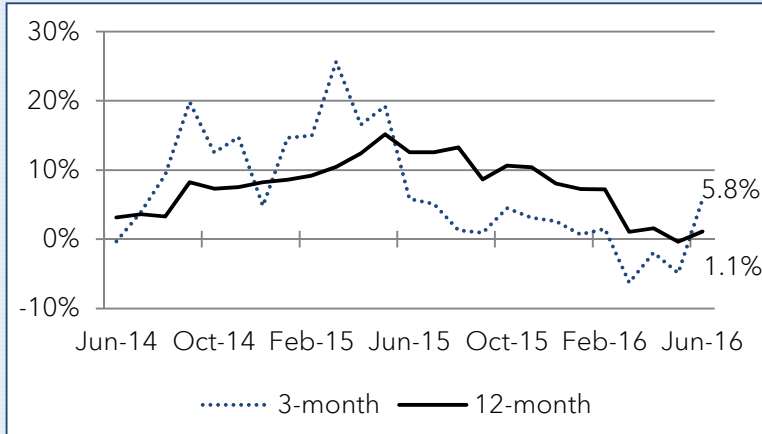
Personal Income Tax – Withholding



Realty Transfer Tax



Corporate Net Income Tax



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

- ↳ Transfers from the Enhanced Revenue Collection Account to the General Fund were \$285.8 million and included: \$41.5 million to CNIT; \$27.5 million to Inheritance; \$89.9 million to SUT; and \$117.3 million to PIT.
- ↳ Personal income tax withholding collections were affected by a weekly filer due date that occurred in June this year but fell in July last 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	Jun 2016	Jun 2015	Jun 2014	FYTD 2015-16	FYTD 2014-15	FYTD 2013-14	Jun 2016 Growth	FYTD Growth
Total General Fund	\$3,060.5	\$2,915.3	\$2,820.8	\$30,901.6	\$30,592.5	\$28,607.2	5.0%	1.0%
Total Tax Revenue	3,030.8	2,918.7	2,788.5	30,257.8	29,492.3	28,098.1	3.8	2.6
Total Corporation Taxes	561.4	585.0	542.8	5,137.8	5,116.9	4,898.4	-4.0	0.4
Accelerated Deposits	0.2	-6.3	-0.1	1.6	11.2	0.7	102.4	-85.4
Corporate Net Income	531.3	489.3	472.4	2,842.4	2,811.5	2,501.6	8.6	1.1
Capital Stock & Fran.	2.7	46.8	48.7	150.6	241.6	320.2	-94.3	-37.7
Gross Receipts	11.2	22.8	16.4	1,304.9	1,261.8	1,279.2	-50.9	3.4
Utility Property	0.0	0.1	0.5	39.2	38.2	37.0	-116.2	2.8
Insurance Premiums	12.2	21.8	-1.2	464.6	454.3	432.1	-44.2	2.3
Financial Institutions	3.0	10.3	5.1	330.0	294.1	317.9	-70.9	12.2
Other Sel. Business	0.9	0.3	0.9	4.5	4.3	9.6	242.7	5.2
Total Consumption Taxes	1,030.1	1,044.3	1,003.1	11,079.7	10,779.2	10,452.5	-1.4	2.8
Sales and Use - Total	918.2	928.5	886.6	9,795.2	9,493.1	9,129.6	-1.1	3.2
Non-Motor	794.0	803.7	770.8	8,448.0	8,166.9	7,892.0	-1.2	3.4
Motor Vehicle	124.3	124.7	115.9	1,347.2	1,326.2	1,237.6	-0.4	1.6
Cigarette	81.8	87.4	89.0	911.5	927.2	976.9	-6.5	-1.7
Malt Beverage	2.3	2.7	2.3	24.9	24.5	25.1	-14.6	1.9
Liquor	27.8	25.8	25.1	348.1	334.4	320.9	7.9	4.1
Total Other Taxes	1,439.3	1,289.4	1,242.7	14,040.3	13,596.2	12,747.1	11.6	3.3
Personal Income - Total	1,259.4	1,163.2	1,093.8	12,506.0	12,107.4	11,437.3	8.3	3.3
Withholding	824.4	708.0	688.8	9,391.0	9,071.7	8,743.8	16.4	3.5
Quarterly	291.6	329.3	278.6	1,773.1	1,641.7	1,493.3	-11.4	8.0
Annual	143.4	125.8	126.4	1,341.9	1,394.0	1,200.1	14.0	-3.7
Realty Transfer	54.6	44.6	40.3	481.7	413.8	375.4	22.6	16.4
Inheritance	110.0	96.6	92.2	962.2	1,002.3	877.4	13.8	-4.0
Table Games	7.3	7.7	6.9	100.2	95.9	90.5	-5.3	4.5
Minor and Repealed	8.0	-22.6	9.5	-9.8	-23.1	-33.4	135.5	57.4
Total Non-Tax Revenue	29.7	-3.4	32.3	643.8	1,100.2	509.1	969.2	-41.5
Liquor Store Profits	25.0	0.0	0.0	100.0	80.0	80.0	n.a.	25.0
Lic, Fees & Misc.	15.2	5.1	41.1	471.8	950.0	358.2	198.9	-50.3
Licenses and Fees	5.4	4.5	6.5	116.7	110.1	109.2	18.5	6.0
Miscellaneous	9.8	0.5	34.6	355.1	839.9	249.0	1,719.1	-57.7
Treasury	1.4	0.6	0.4	13.5	8.4	7.6	129.9	60.7
Escheats	5.1	-0.6	28.3	250.7	544.4	150.8	1,008.9	-53.9
Other Miscellaneous	3.3	0.5	5.9	90.8	287.1	90.6	590.6	-68.4
Fines, Pen & Int. - Total	-10.5	-8.5	-8.9	72.0	70.2	70.9	-23.3	2.5

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