



Economic Brief

Rep. Stan Saylor, Chairman

December 2021

Chairman's Report

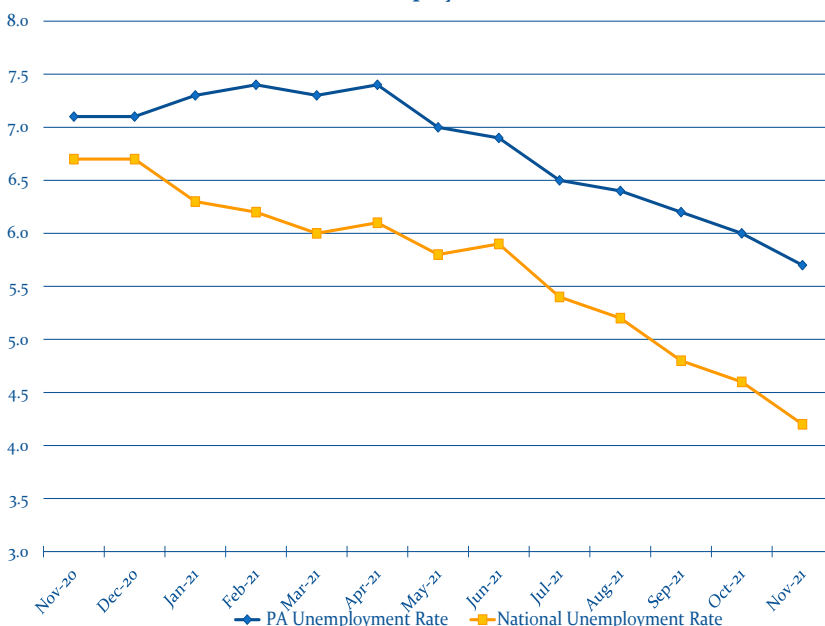
December General Fund collections of \$3.85 billion exceeded the monthly estimate by \$464.3 million. Year-to-date collections of \$22.6 billion are above estimate by \$1.47 billion.

Every major tax category exceeded estimate for the month of December including Non-Tax revenue: Total Corporation Taxes by \$259.4 million; Total Consumption Taxes by \$85.3 million; Total Other Taxes by \$109.0 million; and Total Non-Tax Revenue by \$10.5 million.

For the first six months of the current fiscal year 2021-22, General Fund tax revenues have shown significant growth over the same six months of the prior fiscal year. Since the beginning of the pandemic in 2020, we have seen significant downward and upward fluctuations in revenue collections from one month to another and from one fiscal year to another. These fluctuations have been the result of business shutdowns, delays in payment due dates across fiscal years and increased spending of Federal stimulus dollars. In order to better understand the current economic condition of the Commonwealth tax revenue collections, one must look back to calendar year 2019 (pre-pandemic) collections.

It is important to note that the growth in tax collections experienced in calendar year 2021 followed a significant slowdown or decline in revenue collections in calendar year 2020. A better measurement of how the economy is performing is to look at the compound annual growth rate over the 2-year period from 2019 to 2021. Looking at the PIT withholding collections, this growth is 3.9% a year for the 2-year period. The annual growth of 9.2% for SUT and 16.7% for CNIT over the same 2-year period is enhanced by the spending of Federal stimulus monies and is not in line with actual wage growth as evidenced by the PIT withholding collections. This fact raises concerns as to the ability of the economy and tax revenue collections to continue to perform at the current levels into the future.

12-Month Unemployment Rates



PA EMPLOYMENT STATISTICS

	Nov. 2021	Monthly Change	
Labor Force	6.259 Million	-10,000	↓
Unemployment Rate	5.7%	-0.3%	↓
Total Nonfarm Jobs	5.782 Million	+13.500	↑
12-Month Change			
Total Nonfarm Jobs	+144,00		
Unemployment Rate	-1.4%		

Surrounding States Unemployment Rates

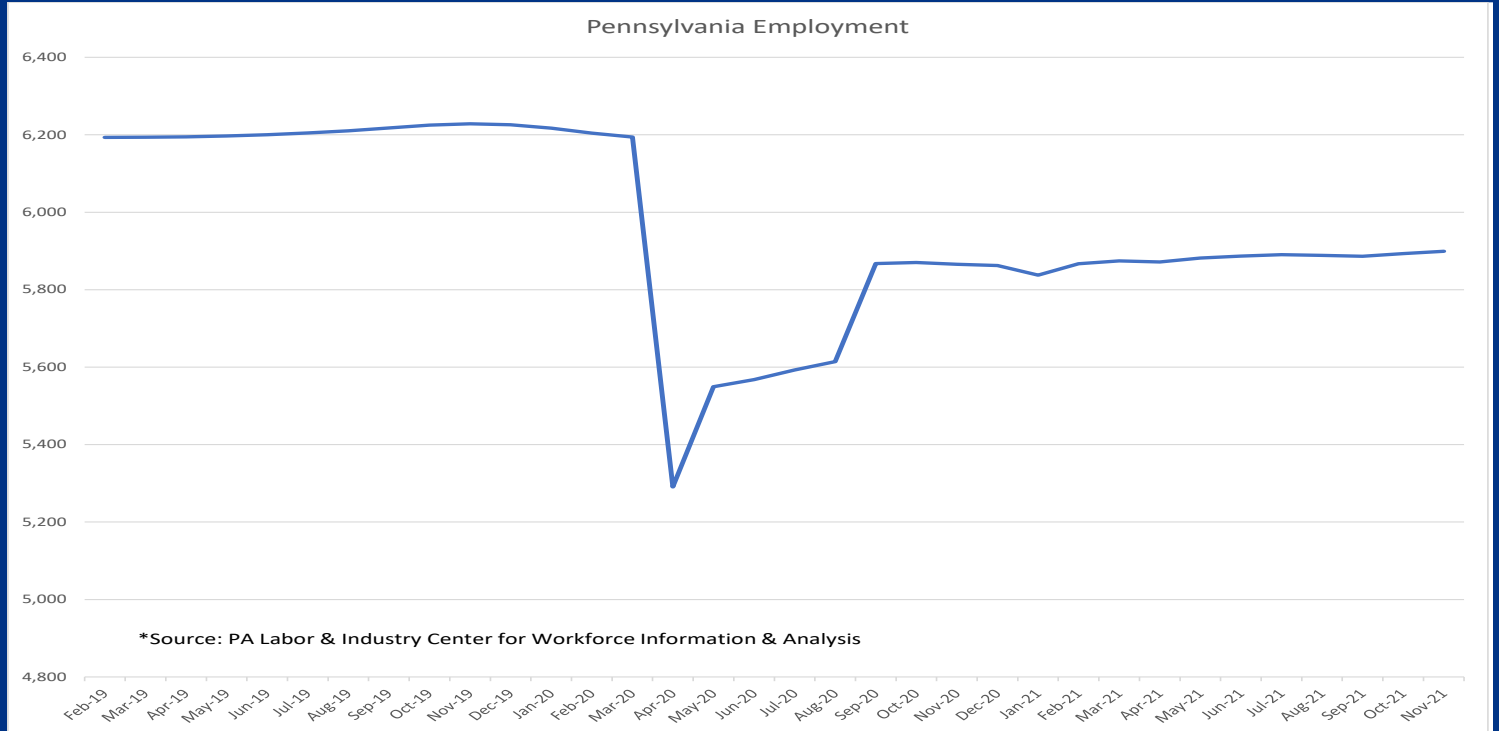
DE	5.1%	NY	6.6%
MD	5.4%	OH	4.8%
NJ	6.6%	WV	4.0%



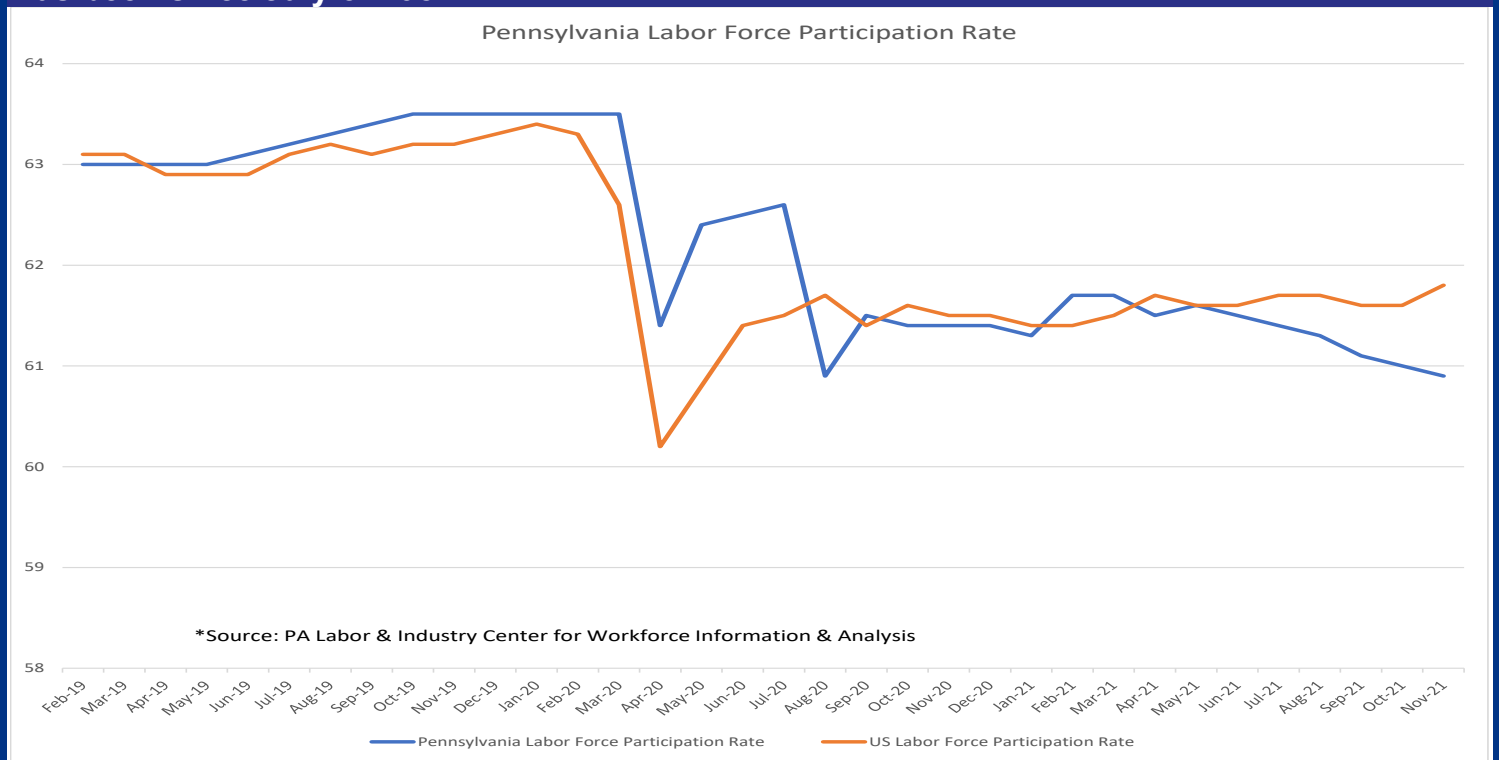
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November's unemployment report shows a slight increase in employment but a greater exit from the labor force. There are approximately 300,000 fewer people working in Pennsylvania than before the pandemic. Pennsylvania's workforce participation rate of 60.9 is the lowest it has been since July of 1987.





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December Revenue Collections Over Estimate by \$464.3 Million

3 Year Revenue Growth				December Revenue Collections	
	Calendar	Calendar	Calendar	Official Estimate	Actual Collections
	2019	2020	2021		
CNIT	3,414,831	3,392,933	4,653,991	Total General Fund	Total General Fund ↑
year/year growth		-0.6%	37.2%	\$3.38 Billion	\$3.85 Billion
2-year CAG			16.7%	Corporation Taxes	Corporation Taxes ↑
				\$654.0 Million	\$913.4 Million
SUT	11,249,378	11,419,690	13,410,366	Sales Taxes	Sales Taxes ↑
year/year growth		1.5%	17.4%	\$1.08 Billion	\$1.18 Billion
2-year CAG			9.2%	Personal Income Taxes	Personal Income Taxes ↑
				\$1.25 Billion	\$1.31 Billion
PIT Withholding	10,609,216	10,475,927	11,445,705	All Other Taxes	All Other Taxes ↑
year/year growth		-1.3%	9.3%	\$366.5 Million	\$399.4 Million
2-year CAG			3.9%	Non-Tax Revenue	Non-Tax Revenue ↑
				\$28.5 Million	\$39.0 Million

CAG - compounding annual growth

Revenue Collections vs Estimate By Category

