



Economic and Revenue Update

A Briefing for the Money Committees

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Topics for Discussion

- National and State Economic Indicators
- August Year-to-Date Revenue Collections, Fiscal Year 2017
- Next Steps

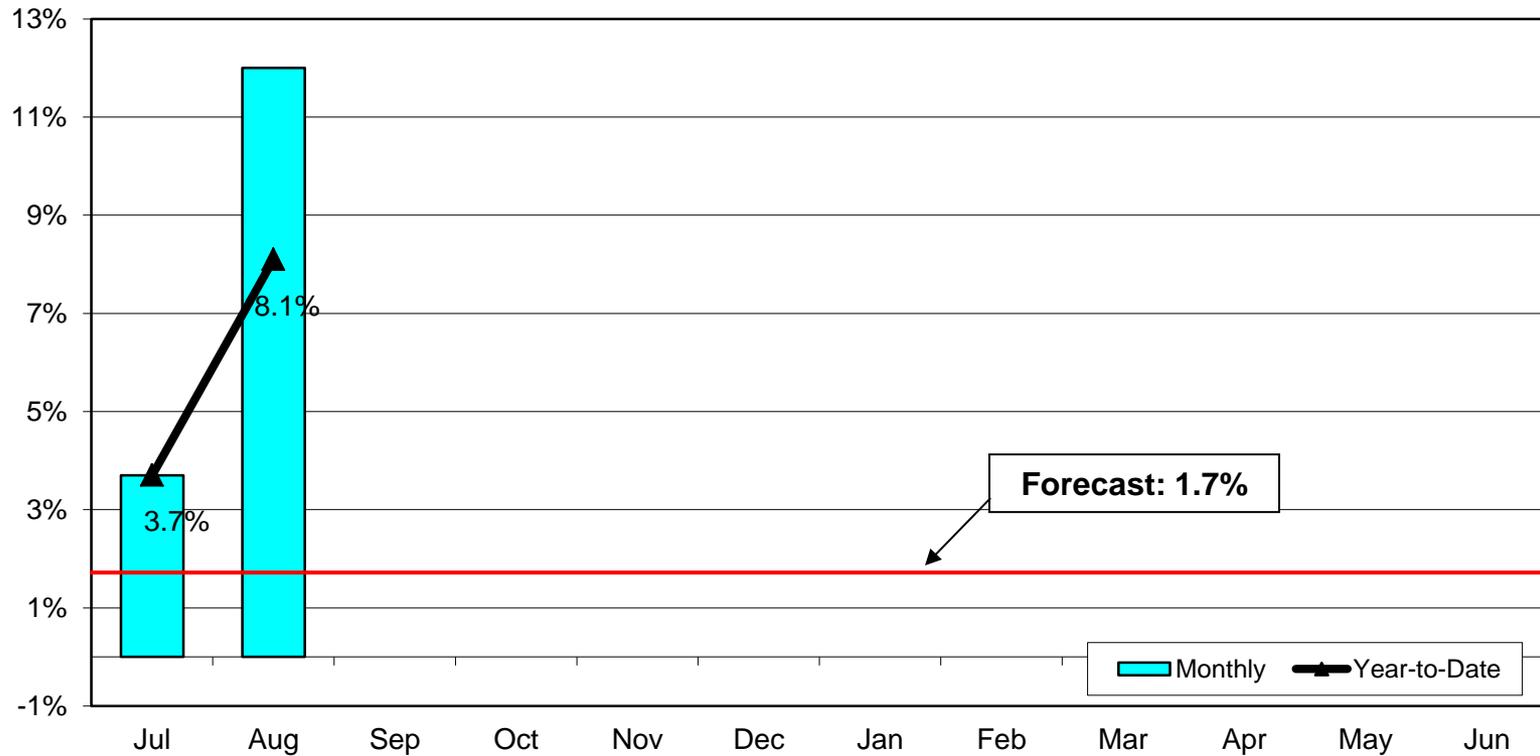
National and State Economic Indicators

- According to the second estimate, real GDP grew at an annualized rate of 1.1 percent in the second quarter of 2016, up from 0.8 percent in the first quarter.
- Payroll employment rose by 151,000 in August, following gains of 275,000 in July and 271,000 in June.
- The national unemployment rate remained unchanged at 4.9 percent in August.
- Initial claims for unemployment fell by 4,000 to 259,000 during the week ending September 3.
 - The four-week moving average fell by 1,750 to 261,250 consistent with an improving labor market.
- The Conference Board's index of leading indicators rose 0.4 percent in July following a 0.3 percent increase in June.
- The Conference Board's index of consumer confidence jumped from 96.7 to 101.1 in August.
- Activity in the manufacturing sector stalled in August, with the Institute of Supply Management index falling from 52.6 to 49.4.
 - Index has dipped below the expansionary territory.

National and State Economic Indicators

- The CPI was unchanged in July and stands 0.9 percent above July 2015.
 - Core inflation (excluding food and energy prices) also rose 0.1 percent in July, and has increased 2.2 percent from last year.
- At its July meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.25 to 0.5 percent.
- In Virginia, payroll employment rose 1.6 percent in July from July of last year.
 - Northern Virginia posted growth of 1.9 percent, Hampton Roads grew 0.6 percent, and Richmond-Petersburg rose 2.9 percent.
 - The seasonally adjusted unemployment rate was unchanged at 3.7 percent.
- The Virginia Leading Index rose 0.6 percent in July after rising 0.1 percent in June. The U.S. leading index, auto registrations, future employment and initial claims all improved in July.
 - The indexes for Richmond, Northern Virginia, Roanoke, Bristol, Hampton Roads, Charlottesville, Blacksburg, Winchester, and Staunton rose in July while the indexes for Harrisonburg and Lynchburg declined.

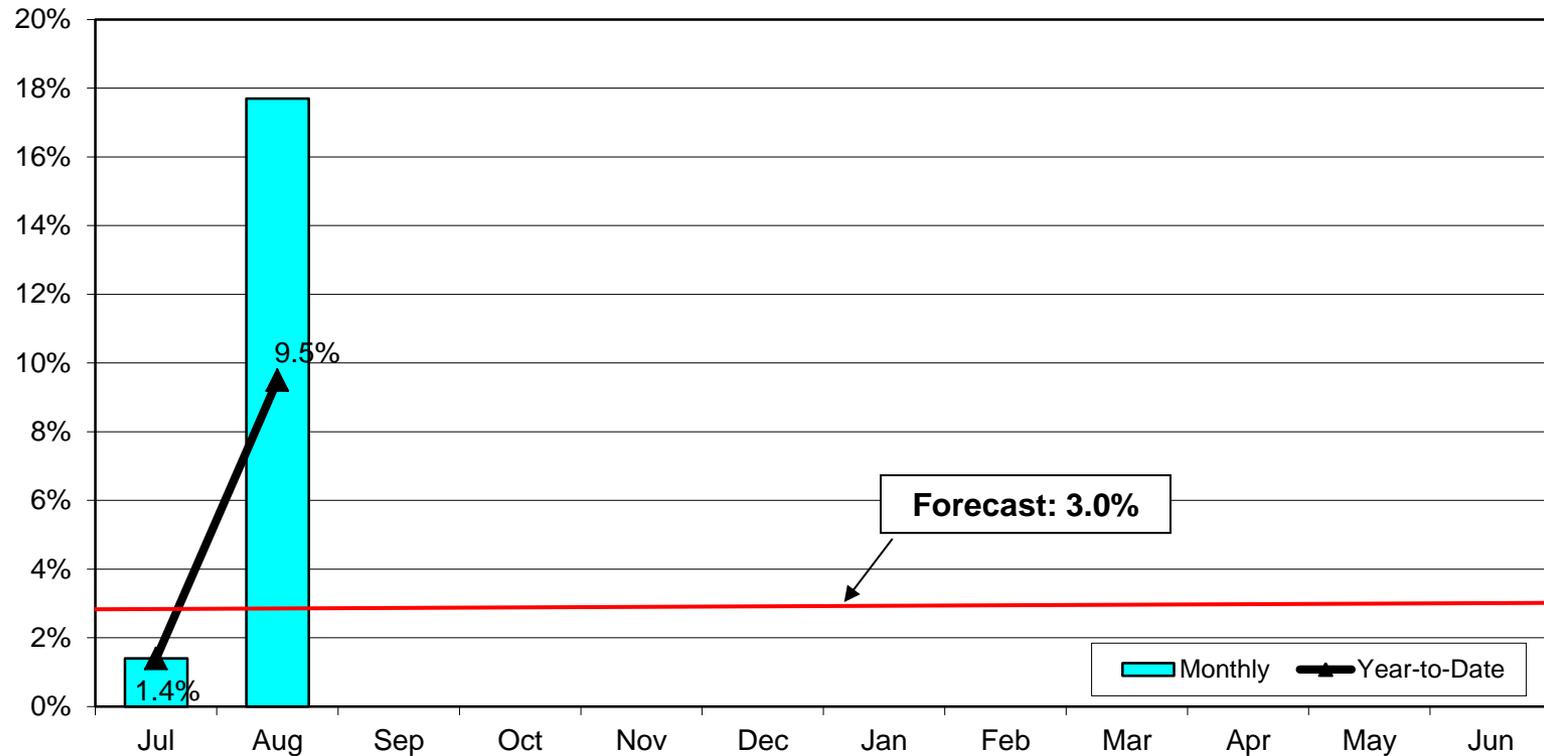
Growth in Total General Fund Revenue Collections FY17 Monthly and Year-to-Date



Monthly Growth: 3.7% 12.0%

- Total general fund revenues increased 12.0 percent in August, driven by growth in individual withholding.
- On a year-to-date basis, total revenues decreased 8.1 percent, ahead of the annual forecast of a 1.7 percent increase.

Growth in Withholding Tax Collections FY17 Monthly and Year-to-Date



Monthly Growth: 1.4% 17.7%

- With two additional deposit days compared with August of last year, collections of payroll withholding taxes increased 17.7 percent in August.
- Year-to-date, withholding collections increased 9.5 percent compared with the same period last year, ahead of the projected annual growth rate of 3.0 percent.

Individual Nonwithholding

- Collections through August were \$115.6 million compared with \$105.6 million in the same period last year, increasing by 9.5 percent and above the annual estimated of a 1.2 percent decline.

Individual Income Tax Refunds

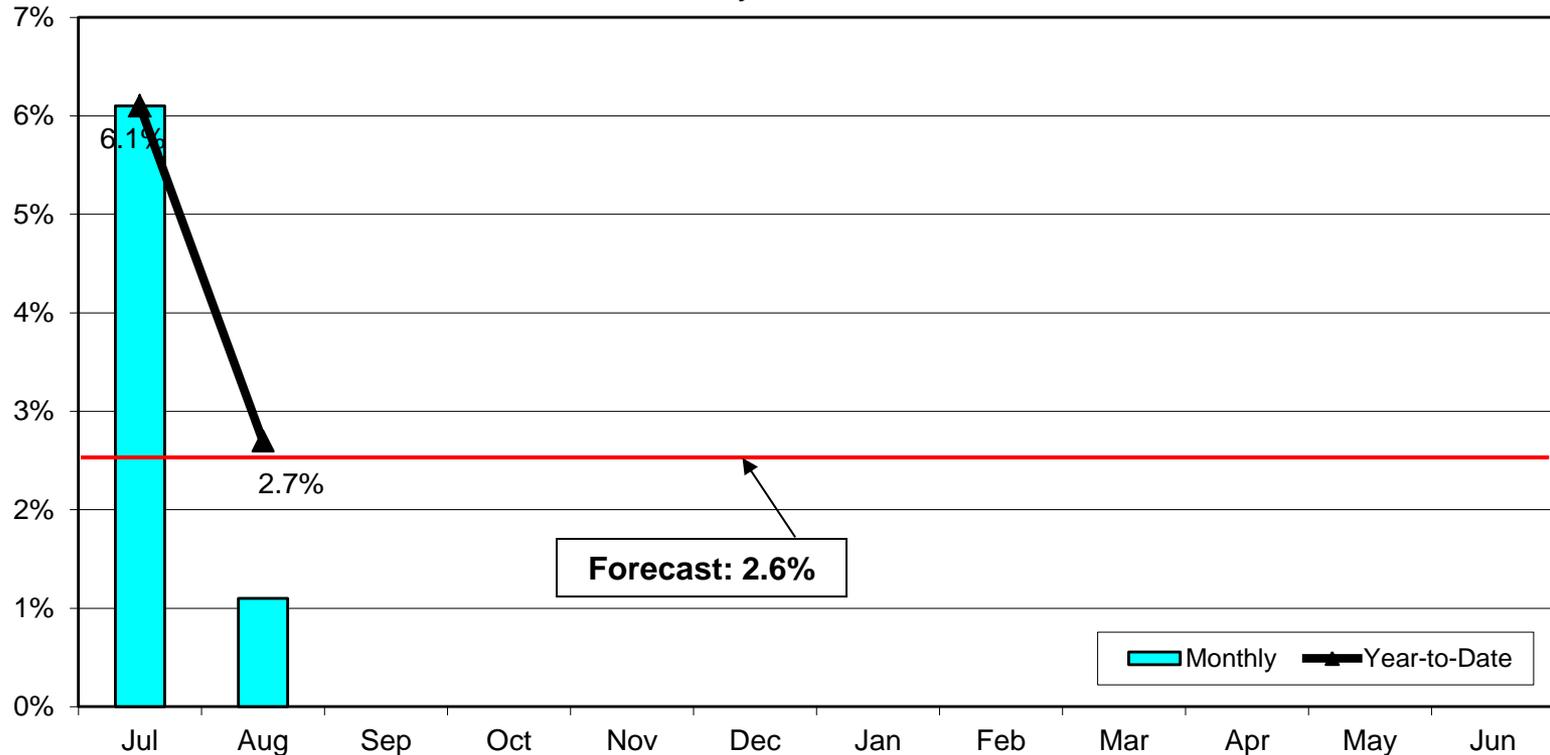
- Through August, TAX has issued \$76.7 million in individual refunds compared with \$74.0 million in the same period last year, a 3.7 percent increase and below the annual estimate of 4.0 percent growth.

Net Individual Income Tax

- Through the first two months of the fiscal year, collections of net individual income tax increased 9.7 percent from the same period last year, ahead of the annual estimate of a 1.8 percent increase.

Growth in Sales Tax Collections

FY17 Monthly and Year-to-Date



Monthly Growth: 6.1% 1.1%

- Collections of sales and use taxes, reflecting mainly July sales, increased 1.1 percent in August.
- On a year-to-date basis, collections increased 2.7 percent, ahead of the annual estimate of 2.6 percent growth.
 - Adjusting for AST program, sales tax collections increased 2.7 percent through August, behind the economic-base forecast of a 3.7 percent increase.

Net Corporate Income Tax Collections

- Through the first two months of the fiscal year, \$17.1 million has been collected in this source, compared with \$24.0 million over the same period last year. August is not typically a significant month for this source.

Recordation and Insurance Premiums Tax

Recordation

- In August, collections increased 24.9 percent compared to last year. Year-to-date collections have increased 12.0 percent compared to last year, ahead of the forecast of a 5.5 percent increase.

Insurance

- Collections are zero as the required transfers to the Transportation Trust Fund are being completed. Transportation must receive \$163.1 million before deposits are made to the General Fund.

Summary of Fiscal Year 2017 Revenue Collections

July through August

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total <u>Revenues</u>	<u>YTD</u> <u>Actual</u>	<u>Annual</u> <u>Estimate</u>	<u>Variance</u>
Withholding	63.5 %	9.5 %	3.0 %	6.5 %
Nonwithholding	16.5	9.5	(1.2)	10.7
Refunds	(10.3)	3.7	4.0	(0.3)
Net Individual	69.7	9.7	1.8	7.9
Sales	18.4	2.7	2.6	0.1
Corporate	4.0	(28.6)	(3.0)	(25.6)
Wills (Recordation)	2.1	12.0	5.5	6.5
Insurance	1.9	na	1.3	na
All Other Revenue	3.8	4.7	(2.7)	7.4
Total	100.0 %	8.1 %	1.7 %	6.4 %
Sales (x AST)		2.7 %	3.7 %	(1.0) %
Total (x AST)		8.1 %	1.9 %	6.2 %

Summary of Fiscal Year 2017 Revenue Collections

July through August

General Fund Revenue Collection Trends

(thousands of dollars)

FY	Total Collections	Revenue Collections Through:											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2000	10,788.5	699.1	1,435.8	2,503.0	3,210.6	3,977.8	5,080.0	6,067.5	6,704.5	7,374.1	8,411.9	9,663.1	10,788.5
2001	11,105.3	688.0	1,452.7	2,546.4	3,312.7	4,106.3	5,052.9	6,295.8	6,981.1	7,652.5	8,696.8	9,998.9	11,105.3
2002	10,679.0	705.4	1,483.7	2,485.4	3,315.4	4,136.9	5,071.2	6,184.7	6,794.7	7,459.8	8,388.0	9,414.6	10,679.0
2003	10,867.1	644.3	1,409.6	2,513.3	3,324.3	4,109.7	5,203.2	6,320.5	6,933.6	7,547.7	8,579.5	9,539.0	10,867.1
2004	11,917.9	699.3	1,553.7	2,724.3	3,618.2	4,449.1	5,570.2	6,721.0	7,377.9	8,130.2	9,393.7	10,423.6	11,917.9
2005	13,687.3	772.5	1,698.8	3,009.8	3,998.0	4,964.5	6,295.1	7,684.7	8,415.7	9,300.7	10,745.5	12,012.3	13,687.3
2006	14,834.3	840.5	1,987.8	3,445.8	4,510.5	5,537.3	7,006.6	8,542.7	9,306.7	10,273.3	11,758.2	13,253.6	14,834.3
2007	15,565.8	1,059.7	2,158.2	3,707.7	4,778.6	5,873.0	7,303.6	8,882.9	9,684.8	10,658.1	12,180.5	13,883.2	15,565.8
2008	15,767.0	1,095.6	2,231.1	3,842.1	5,023.2	6,085.2	7,540.8	9,175.5	9,916.1	10,920.8	12,664.1	14,131.9	15,767.0
2009	14,315.1	1,126.9	2,188.0	3,679.9	4,848.9	5,861.6	7,278.9	8,667.9	9,307.9	10,173.1	11,572.9	12,811.3	14,315.1
2010	14,219.5	1,036.2	2,027.7	3,407.0	4,482.0	5,465.7	6,960.9	8,258.9	8,861.4	9,752.5	11,157.9	12,394.4	14,219.5
2011	15,040.2	867.4	1,911.7	3,348.1	4,462.9	5,537.9	7,062.6	8,523.8	9,226.6	10,228.2	11,655.4	13,113.5	15,040.2
2012	15,846.7	955.4	2,080.6	3,573.2	4,722.6	5,903.2	7,356.7	8,868.2	9,692.1	10,770.1	12,347.9	13,927.3	15,846.7
2013	16,684.6	938.0	2,137.6	3,619.5	4,948.9	6,091.0	7,615.0	9,421.8	10,229.6	11,242.1	12,855.0	14,757.7	16,684.6
2014	16,411.4	1,059.9	2,201.4	3,722.3	4,980.1	6,134.4	7,670.6	9,371.5	10,151.7	11,242.9	13,017.7	14,526.7	16,411.4
2015	17,735.6	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	9,871.8	10,821.7	12,041.3	13,997.6	15,595.1	17,735.6
2016	18,040.1	1,088.3	2,309.0	4,066.3	5,312.6	6,538.5	8,318.1	10,111.0	11,048.9	12,360.6	14,185.1	15,883.0	18,040.1
Average	14,323.8	910.9	1,919.9	3,303.9	4,360.9	5,366.1	6,739.8	8,174.7	8,909.1	9,831.1	11,271.0	12,666.4	14,323.8
% of Total	100.0%	6.4%	13.4%	23.1%	30.4%	37.5%	47.1%	57.1%	62.2%	68.6%	78.7%	88.4%	100.0%
2017													
Interim	18,338.0	1,128.1	2,495.9										
% of Estimate		6.2%	13.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

September is Next Significant Data Point

- Estimated payments are due from individuals, corporations and insurance companies.
 - Last data point to include in the revenue models.
 - Nonwithholding forecast will be driven by this payment and financial markets' performance.
- Sales tax for August sales will complete the summer tourism season.

Next Steps

- Joint Advisory Board of Economists (JABE) – November
- Governor's Advisory Council on Revenue Estimates (GACRE) – November