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PHILADELPHIA REVENUE OUTLOOK, 2017-2022

PICA Forecast Presentation

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U.S. Outlook

US economic growth will strengthen

- US consumers and businesses enter 2017 with rising optimism.
- Consumer spending will increase at a moderate pace, sustained by gains in employment, real incomes, and household net worth.
- Business fixed investment will benefit from an improving tax and regulatory environment, along with a recovery in energy prices.
- With demand outpacing supply, housing markets continue to recover.
- The recovery in industrial production will gain momentum as the inventory correction nears completion.
- Fiscal stimulus, accelerating prices and wages, and strengthening loan demand will lead to higher interest rates.
- In response to the dollar's appreciation, real import growth will outpace real export growth.

Policy assumptions in the January forecast

- Personal income tax reforms that lower the average effective tax rate from 21.0% to 19.5%
- A reduction in the statutory corporate income tax rate from 35% to 20%, partially offset by a scaling back of tax credits
- A \$250-billion increase in public infrastructure investments over 10 years, financed by tax receipts from repatriated corporate profits
- Federal Reserve policy rate increases of 75 basis points in each of the next three years, bringing the rate to a long-term equilibrium of 3%

US economic growth by sector

Real GDP and its components

Percent change	2016	2017	2018	2019
Real GDP	1.6	2.3	2.6	2.3
Consumption	2.7	2.8	3.2	2.9
Residential investment	4.7	2.7	3.1	2.6
Business fixed investment	-0.2	4.6	4.5	3.9
Federal government	0.7	0.3	-0.8	-1.0
State & local government	0.9	0.8	1.4	1.4
Exports	0.4	1.9	2.3	3.1
Imports	0.9	4.4	6.4	5.1

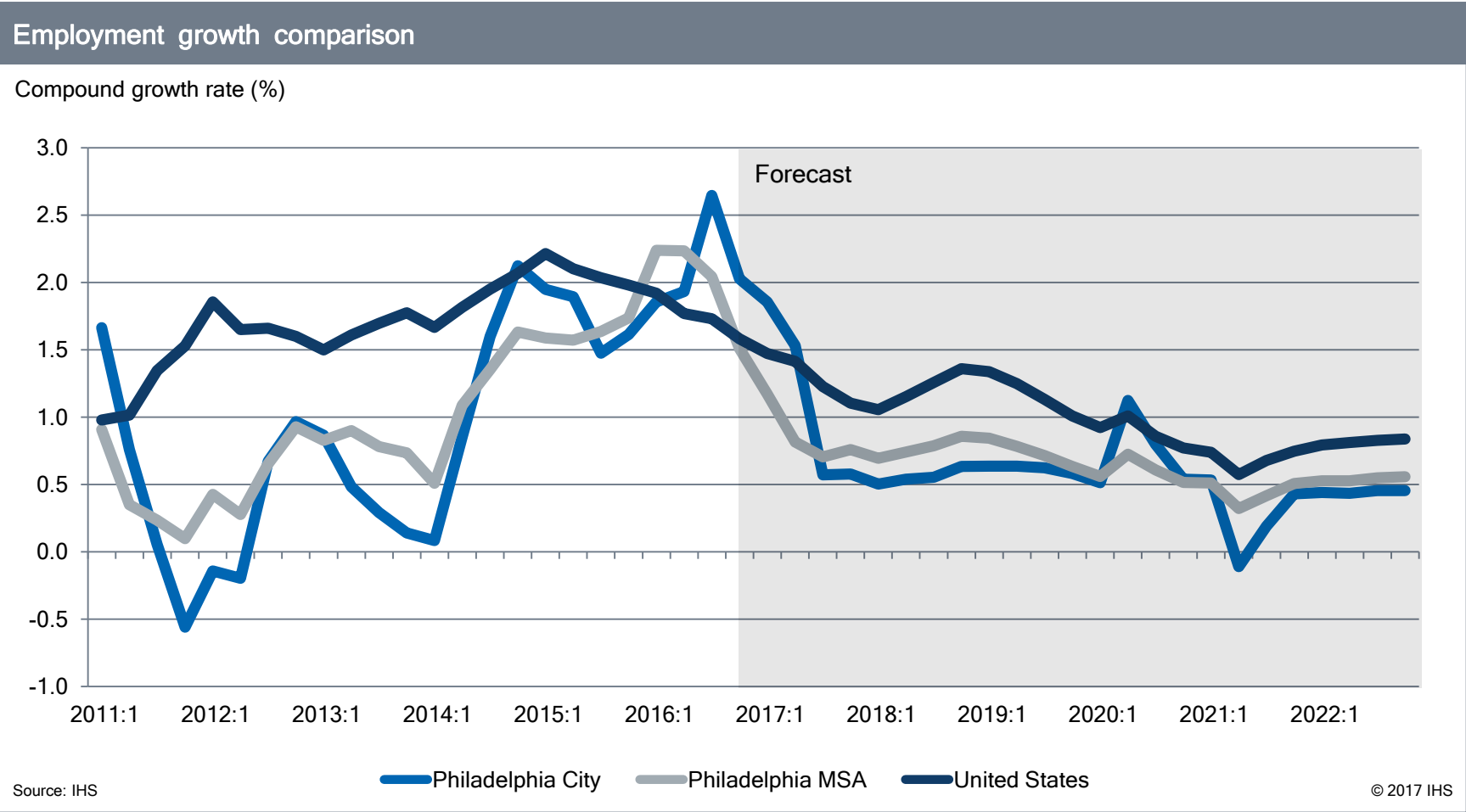


Regional Economic Outlook



Employment growth comparison

Philadelphia City / Philadelphia MSA / Nation



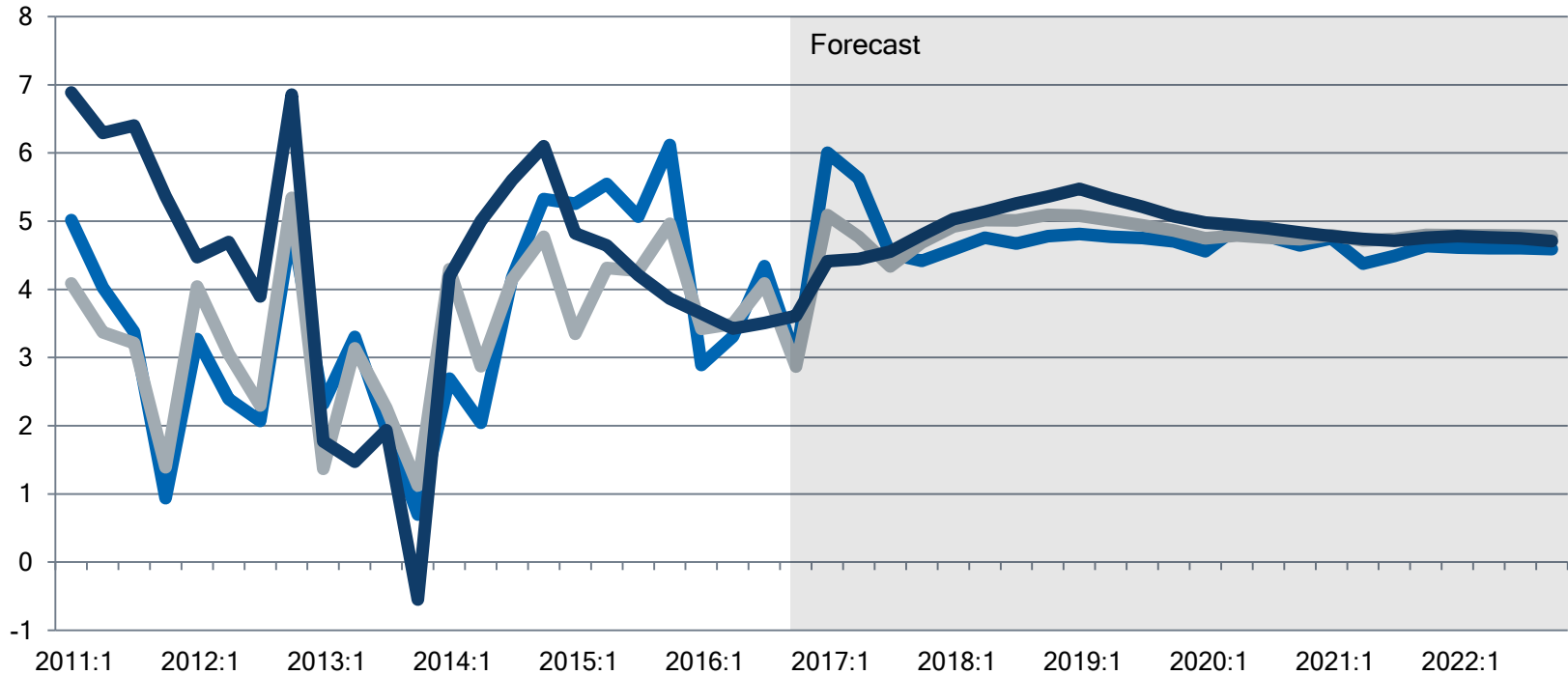


Wage disbursements growth comparison

Philadelphia City / Philadelphia MSA / Nation

Wage disbursements growth comparison

Compound growth rate (%)



Source: IHS

Philadelphia City Philadelphia MSA United States

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Forecast methodology

Model Structure

- Wage and Earnings Taxes
 - wage income
- Sales Tax
 - personal income
- Business Income and Receipts Tax
 - Net Income - U.S. corporate profits, local proprietor's income
 - Gross receipts – local economic output
- Realty Transfer
 - Residential – home sales and prices
 - Commercial

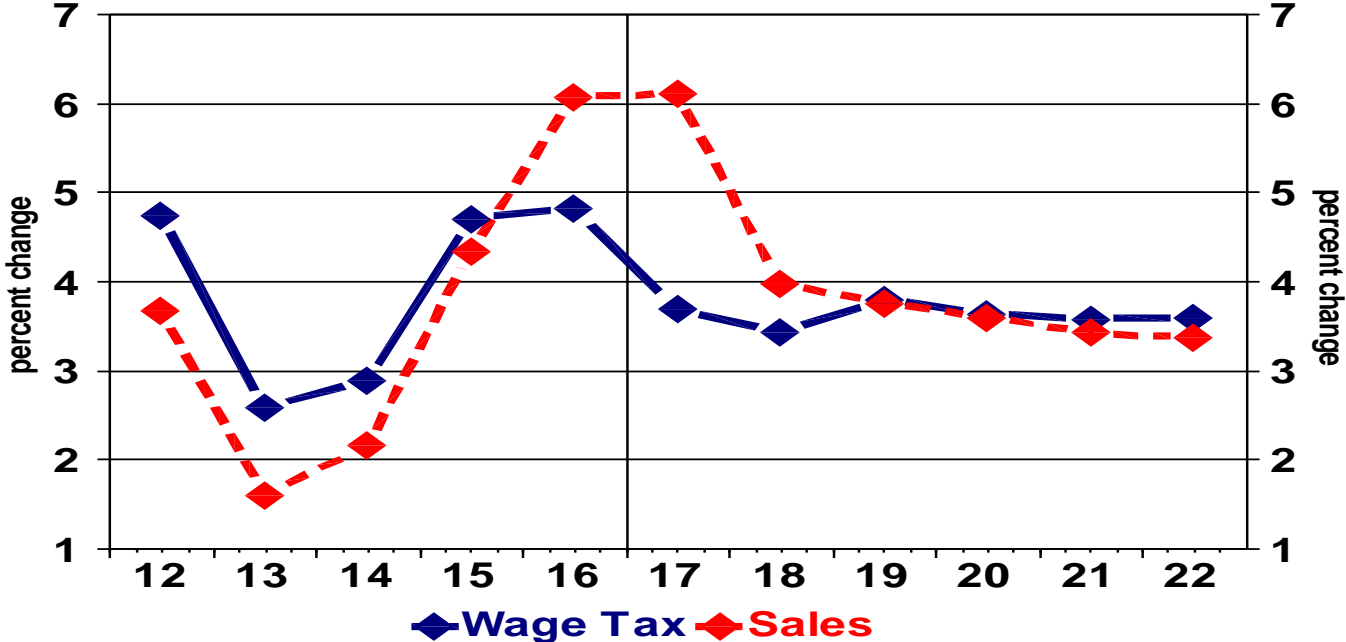
Model Structure, continued

- Net Profits Tax
 - Local proprietors' income
 - Parking
 - MSA-level personal income

- Miscellaneous
 - Time series models

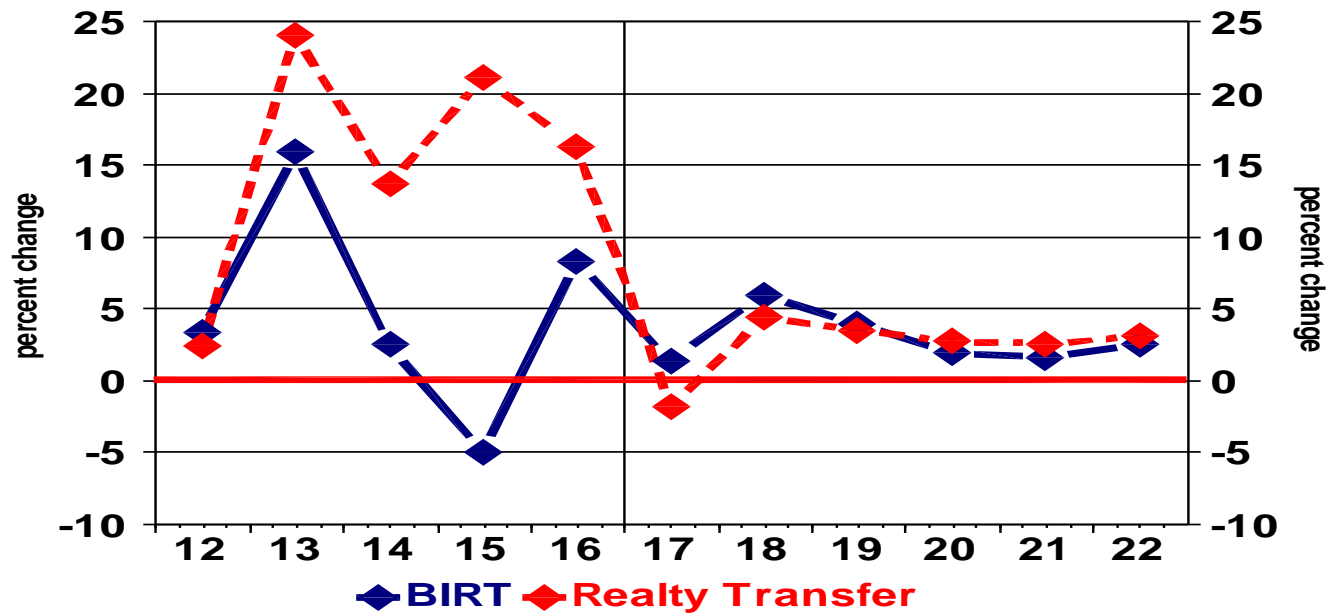


Revenue Growth by Tax



- FY 2017 year to date: Wage Tax = 4.4%; Sales = 7.5%

Revenue Growth by Tax



- FY 2017 year to date: BIRT = -15.6%; Realty Transfer = 0.4%

Thank you!

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