



# Commission on Government Forecasting and Accountability

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**MONTHLY BRIEFING FOR THE MONTH ENDED: DECEMBER 2019**

<http://cgfa.ilga.gov>

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## Heading into 2020

Julie Bae, Pension Analyst/Economic Specialist

The U.S. economy grew at a pace of 2.1% in the 3<sup>rd</sup> quarter, according to the advance estimate released in December by the Bureau of Economic Analysis. The U.S. unemployment rate is currently at 3.5%, a 50-year low, and 266,000 new jobs were added in November, above the average monthly gain of 180,000 in 2019. Personal income also gained 0.5% and real disposable personal income rose 0.4% in November. Personal consumption expenditures, a measure of how much consumers spend on goods and services, were up 3.9% in November from a year earlier, or a 0.4% up from the previous month.

Consumer confidence remains favorable in December. Stock market indexes already hit several record highs in the 4<sup>th</sup> quarter. IHS Market, the Commission's forecasting service, projects that the GDP growth rate in the 4<sup>th</sup> quarter would be at 1.8%, bringing the GDP growth rate for the entire year to 2.2%. Overall, the economy grew at a moderate pace in 2019.

Having said that, there were moments when recession concerns were raised in 2019, due to inverted yield curves, weak global outlook, slower economic growth and some other uncertainties including trade policies. However, the worries were erased by the Fed's three rate cuts since July. Therefore, with the continued strong labor market and growth in wages, along with strong stock market and consumer sentiment, economists believe that 2020 is off to a good start.

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As consumer spending represents approximately 70% of the entire economic activity in the United States, it is hard to neglect holiday spending as November and December are the heaviest shopping seasons. The National Retail Federation (NRF) reported in October that the winter holiday sales (excluding autos, gas and restaurant sales) in November and December were expected to grow between 3.8% and 4.2% to between \$727.9 billion and \$730.7 billion, a slight improvement from the past 5-year average of 3.7%. Deloitte also forecasted in September that the holiday sales were expected to rise between 4.5% and 5%, exceeding \$1.1 trillion.

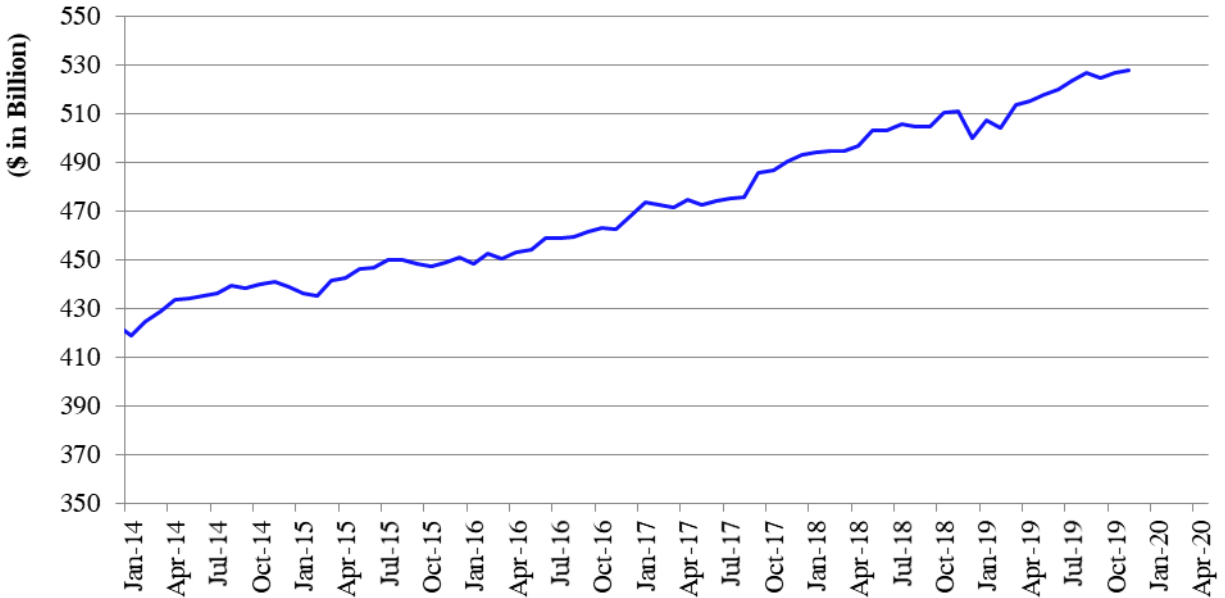
As shown in a table on the next page, the U.S. total retail sales went up 0.2% to \$528 billion in November from the previous month. Excluding autos and gas, the November retail sales were flat. The readings were slightly weaker than expected, which could have been impacted by the lateness of Black Friday (the 29<sup>th</sup>) as only a two-day portion of the Black Friday shopping season fell into November. As a result, forecasters believe that higher sales during the remaining period will more likely be recognized in December.

According to the research firm, Customer Growth Partners, consumers spent \$34.4 billion on Super Saturday, the last Saturday before Christmas, making it the largest single retail sale day in U.S.

history. “Paced by the ‘Big Four’ mega-retailers – Walmart, Amazon, Costco and Target – Super Saturday was boosted by the best traffic our team has seen in years,” Craig Johnson, president of the research firm told Bloomberg. Dec. 14, with \$28.1 billion, and Cyber Monday, with \$19.1 billion, were the next two biggest shopping days. Online shopping was accountable for 58% of this year’s sales increase as improved online platforms were provided by retailers. However, whether or not this strong momentum will be sustainable in 2020 remains uncertain.

IHS Markit noted that “*the outlook for 2020 GDP growth remains a healthy one. [IHS Markit’s forecast] is likely to project 2020 GDP growth in the vicinity of 2¼%, buttressed by solid growth in labor income, large gains in equity wealth that are strengthening household balance sheets, and generally favorable financial conditions. Business and consumer sentiment remain healthy. Measures of housing-related activity have strengthened in response to low interest rates.*” While current economic data suggests that the outlook for 2020 would be positive, some economists mention not to overlook some uncertainties from ongoing trade negotiations with China, the global slowdown, geopolitical risks, significant U.S. consumer debts, weaker business investment in the U.S., etc.

## Total Retail Sales



Source: U.S. Census Bureau

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Nov.)	3.8%	3.9%	4.3%
Inflation in Chicago (12-month percent change) (Nov.)	2.2%	1.8%	1.1%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (Nov.)	6,496.3	-0.1%	0.4%
Employment (thousands) (Nov.)	6,250.3	-0.1%	0.9%
Nonfarm Payroll Employment (Nov.)	6,181,500	-17,200	40,600
New Car & Truck Registration (Nov.)	42,929	-28.7%	-6.1%
Single Family Housing Permits (Nov.)	659	-26.7%	-12.8%
Total Exports (\$ mil) (Oct.)	5,180.0	5.0%	-10.6%
Chicago Purchasing Managers Index (Dec.)	48.9	5.6%	-23.4%

\* Due to monthly fluctuations, trend best shown by % change from a year ago

## **REVENUE: RECEIPTS INCREASE MODESTLY IN DECEMBER**

Jim Muschinske, Revenue Manager

Base December revenues increased by \$51 million. While the larger economically related sources fared well, a drop in federal source revenues coupled with declines in a variety of other revenue lines, served to limit monthly gains. December had one more receipting day as compared to last fiscal year.

As mentioned, the largest sources performed quite respectably for the month as gross personal income taxes rose \$172 million, or \$150 million net. Gross sales taxes improved \$34 million, or \$30 million net. Corporate income taxes increased \$26 million [same on net basis]. In addition, public utility taxes rose \$12 million and vehicle use tax posted a \$1 million advance.

A number of revenue sources experienced declines in December. Other sources were down \$54 million due mostly to timing related to last year's SERS prior year overpayment which was \$55 million [per SERS, only \$13 million is anticipated to be moved into GRF in FY 2020]. Inheritance tax receipts fell \$15 million, corporate franchise taxes by \$3 million, and both insurances taxes and interest earnings were \$2 million behind last year's levels.

Overall transfers declined \$36 million in December. While riverboat transfers rose \$11 million, lottery transfers fell \$1 million, and all other miscellaneous transfers decreased by \$46 million. As indicated, federal sources again suffered a monthly decline, falling \$56 million.

### **Year to Date**

Excluding proceeds from the Treasurer's Investment program as well as interfund borrowing, through the first half of the fiscal year, base general funds receipts have posted gains of \$1.366 billion. Those increases have been driven by specific transfers [Refund Fund and Capital Projects], stronger federal sources, court settlement proceeds, tax amnesty program efforts, and decent underlying performance from the larger economically related sources.

Gross personal income taxes are ahead of last year by \$550 million, or \$487 million net, while gross corporate income taxes are up \$163 million, or \$146 million net. Gross sales taxes are up \$116 million, or \$161 million net. The performance of the remaining revenue sources have been mixed, but have experienced a combined \$5 million decline.

Aided by gains associated to Refund Fund and Capital Projects Fund transfers, overall transfers to the general funds are up \$446 million. Federal sources, despite the past couple of weak months, are still up \$131 million through December.

**DECEMBER**  
**FY 2020 vs. FY 2019**  
(\$ million)

<b>Revenue Sources</b>	<b>Dec. FY 2020</b>	<b>Dec. FY 2019</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$1,749	\$1,577	\$172	10.9%
Corporate Income Tax (regular)	478	452	\$26	5.8%
Sales Taxes	849	815	\$34	4.2%
Public Utility Taxes (regular)	83	71	\$12	16.9%
Cigarette Tax	27	27	\$0	0.0%
Liquor Gallonage Taxes	15	15	\$0	0.0%
Vehicle Use Tax	3	2	\$1	50.0%
Inheritance Tax	27	42	(\$15)	-35.7%
Insurance Taxes and Fees	72	74	(\$2)	-2.7%
Corporate Franchise Tax & Fees	27	30	(\$3)	-10.0%
Interest on State Funds & Investments	9	11	(\$2)	-18.2%
Cook County IGT	0	0	\$0	N/A
Other Sources	23	77	(\$54)	-70.1%
<b>Subtotal</b>	<b>\$3,362</b>	<b>\$3,193</b>	<b>\$169</b>	<b>5.3%</b>
<b>Transfers</b>				
Lottery	70	71	(\$1)	-1.4%
Riverboat transfers & receipts	39	28	\$11	39.3%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	37	83	(\$46)	-55.4%
<b>Total State Sources</b>	<b>\$3,508</b>	<b>\$3,375</b>	<b>\$133</b>	<b>3.9%</b>
<b>Federal Sources</b>	<b>\$61</b>	<b>\$117</b>	<b>(\$56)</b>	<b>-47.9%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$3,569</b>	<b>\$3,492</b>	<b>\$77</b>	<b>2.2%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$166)	(\$153)	(\$13)	8.5%
Corporate Income Tax	(\$68)	(70)	\$2	-2.9%
<b>LGDF--Direct from PIT</b>	<b>(\$91)</b>	<b>(82)</b>	<b>(\$9)</b>	<b>11.0%</b>
<b>LGDF--Direct from CIT</b>	<b>(\$27)</b>	<b>(25)</b>	<b>(\$2)</b>	<b>8.0%</b>
<b>Downstate Pub/Trans--Direct from Sales</b>	<b>(\$51)</b>	<b>(47)</b>	<b>(\$4)</b>	<b>8.5%</b>
<b>Subtotal General Funds</b>	<b>\$3,166</b>	<b>\$3,115</b>	<b>\$51</b>	<b>1.6%</b>
<b>Treasurer's Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Interfund Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$3,166</b>	<b>\$3,115</b>	<b>\$51</b>	<b>1.6%</b>

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

3-Jan-20

# GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2020 vs. FY 2019

(\$ million)

<u>Revenue Sources</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$9,832	\$9,282	\$550	5.9%
Corporate Income Tax (regular)	1,413	1,250	\$163	13.0%
Sales Taxes	4,663	4,547	\$116	2.6%
Public Utility Taxes (regular)	406	399	\$7	1.8%
Cigarette Tax	134	180	(\$46)	-25.6%
Liquor Gallonage Taxes	93	90	\$3	3.3%
Vehicle Use Tax	16	16	\$0	0.0%
Inheritance Tax	136	197	(\$61)	-31.0%
Insurance Taxes and Fees	183	190	(\$7)	-3.7%
Corporate Franchise Tax & Fees	132	133	(\$1)	-0.8%
Interest on State Funds & Investments	88	63	\$25	39.7%
Cook County IGT	56	56	\$0	0.0%
Other Sources	352	277	\$75	27.1%
<b>Subtotal</b>	<b>\$17,504</b>	<b>\$16,680</b>	<b>\$824</b>	<b>4.9%</b>
<b>Transfers</b>				
Lottery	280	344	(\$64)	-18.6%
Riverboat transfers & receipts	162	161	\$1	0.6%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	617	327	\$290	88.7%
Other	582	363	\$219	60.3%
<b>Total State Sources</b>	<b>\$19,145</b>	<b>\$17,875</b>	<b>\$1,270</b>	<b>7.1%</b>
<b>Federal Sources</b>	<b>\$1,384</b>	<b>\$1,253</b>	<b>\$131</b>	<b>10.5%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$20,529</b>	<b>\$19,128</b>	<b>\$1,401</b>	<b>7.3%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$934)	(\$900)	(\$34)	3.8%
Corporate Income Tax	(\$202)	(194)	(\$8)	4.1%
<b>LGDF--Direct from PIT</b>	<b>(\$512)</b>	<b>(483)</b>	<b>(\$29)</b>	<b>6.0%</b>
<b>LGDF--Direct from CIT</b>	<b>(\$78)</b>	<b>(69)</b>	<b>(\$9)</b>	<b>13.0%</b>
<b>Downstate Pub/Trans--Direct from Sales</b>	<b>(\$155)</b>	<b>(200)</b>	<b>\$45</b>	<b>-22.5%</b>
<b>Subtotal General Funds</b>	<b>\$18,648</b>	<b>\$17,282</b>	<b>\$1,366</b>	<b>7.9%</b>
<b>Treasurer's Investments</b>	<b>\$400</b>	<b>\$700</b>	<b>(\$300)</b>	<b>-42.9%</b>
<b>Interfund Borrowing</b>	<b>\$150</b>	<b>\$250</b>	<b>(\$100)</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$19,198</b>	<b>\$18,232</b>	<b>\$966</b>	<b>5.3%</b>

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

3-Jan-20