

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch: US State Tax Collections, GDP, and Job Recoveries Still Strong Despite Looming Recession

Fitch Ratings-New York-08 November 2022: U.S. state tax collections expanded 14.8% yoy in the LTM ending in June 2022, with all states experiencing revenue gains, according to Fitch Ratings.

“The surge in consumer spending and personal income that powered fiscal 2021 state tax revenues out of the deep, but short-lived, 2020 ‘pandemic recession’ is showing early signs of moderating,” said Olu Sonola, Head of US Regional Economics. “Although impressive by historical measures, the 2022 gain is a deceleration from the 24.3% yoy tax revenue growth of the prior year (which was also supported by delayed income tax payments carried over from fiscal 2020 into fiscal 2021).”

States with some of the slowest growth in 2021 rebounded to be among the fastest growing in LTM ending June 2022. Alaska stands out as the top performer in LTM ending June 2022, with tax collections up over 160% yoy after a 19% drop in LTM ending June 2021. Elevated wage and goods price inflation likely contributed to growth in tax collections.

Yoy real GDP growth for states was mixed at the end of 2Q22. Idaho, Tennessee and Florida were the top three fastest growing states in this period, with New York, Nevada and North Carolina close behind. Nine states realized declines in real GDP yoy in 2Q22. Alaska, Louisiana and Iowa were the hardest hit states, with Oklahoma, North Dakota and Wyoming following closely.

Through September, the median jobs recovery rate for states was 98%, up nine percentage points from 1Q22. Twenty-three states have now recovered all job losses connected to the pandemic’s onset. Several deserve special note, including recoveries in Utah at 172%; Idaho at 168%; Texas at 142%; North Carolina at 136%; and Florida at 133%. The states with the weakest employment recoveries are Hawaii at 69%; Alaska at 71%; Vermont at 79%; and Louisiana at 80%.

Notably, LTM ending June 2022 tax collections continued to outstrip both GDP and personal income growth, suggesting that the cessation of direct federal stimulus to taxpayers by late 2021 had little effect on consumer behavior.

For more information, a special report titled “U.S. States — Revenue and Economic Monitor 4Q22” is available at www.fitchratings.com.

Contact:

Olu Sonola
Head of US Regional Economics
+1 212 908-0583
olu.sonola@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower
300 W 57th Street
New York, NY 10019

Nicholas Rizzo
Analyst, US Public Finance
+1 212 908-0596
nicholas.rizzo@fitchratings.com

Media Relations: Elizabeth Fogerty, New York, Tel: +1 212 908 0526, Email:
elizabeth.fogerty@thefitchgroup.com

Additional information is available on www.fitchratings.com

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com