

Governor's Council of Economic Advisors

October 23, 2024



Outline of Presentation

- US Economy
- US Economy Forecast
- SD Economy
- SD Economy Forecast
- General Fund Revenue Collections
- Roundtable Discussion
- Other Items

US Economy

Consumption

Investment

Federal Fiscal Picture

Employment and Unemployment

Inflation

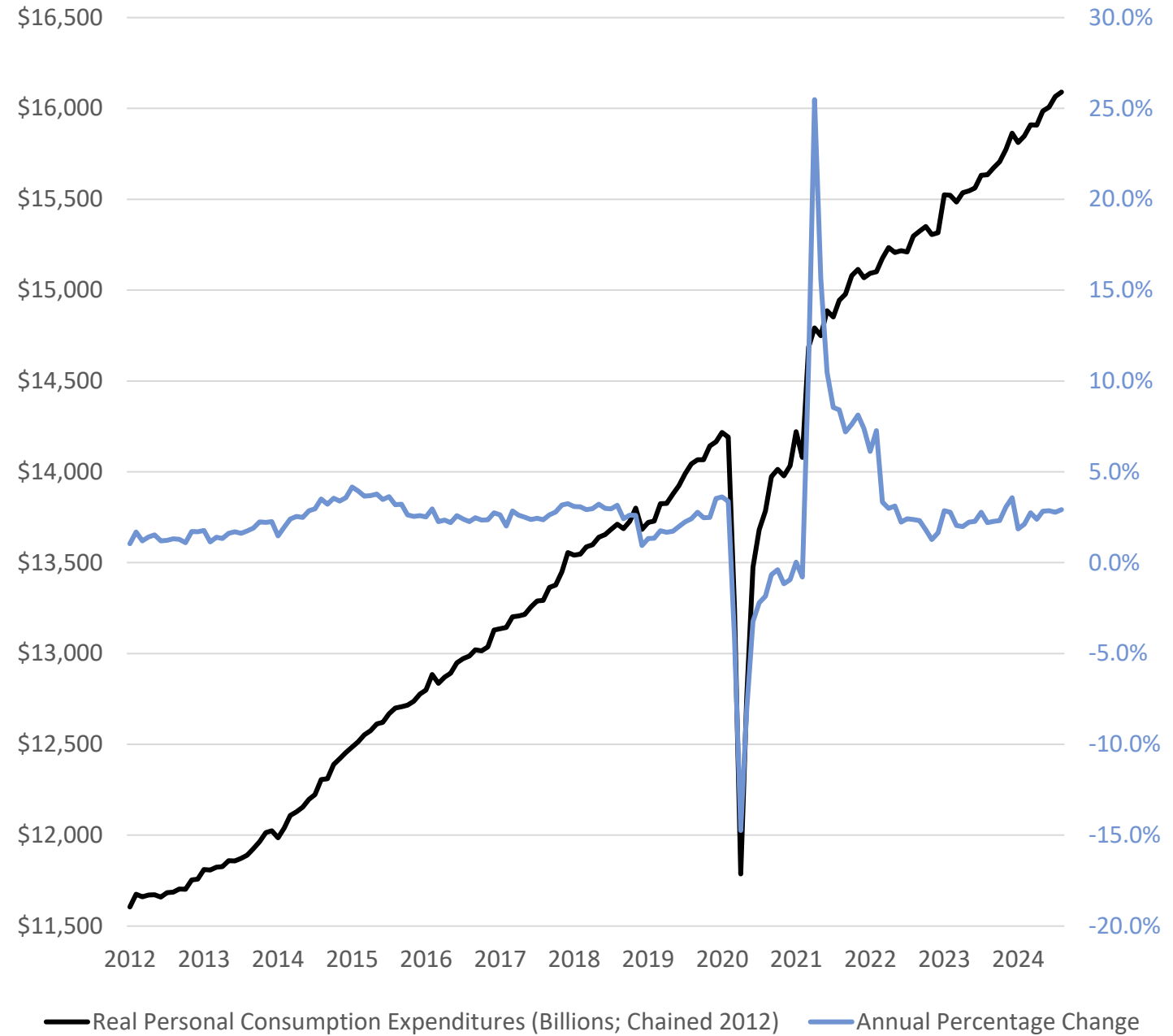
Consumption



- Real personal consumption expenditures increased 1.9% in the first quarter of 2024, 2.8% in the second quarter of 2024, and an estimate of 3.2% in the third quarter of 2024.
- Income growth in 2024 was revised up recently. Prior to revisions, solid consumer spending was assumed to be due to less saving. However, income growth could be the source.
- Real personal consumption expenditures grew 2.5% in 2023.
- Projected growth is at 2.6% in 2024 and 2.4% in 2025.



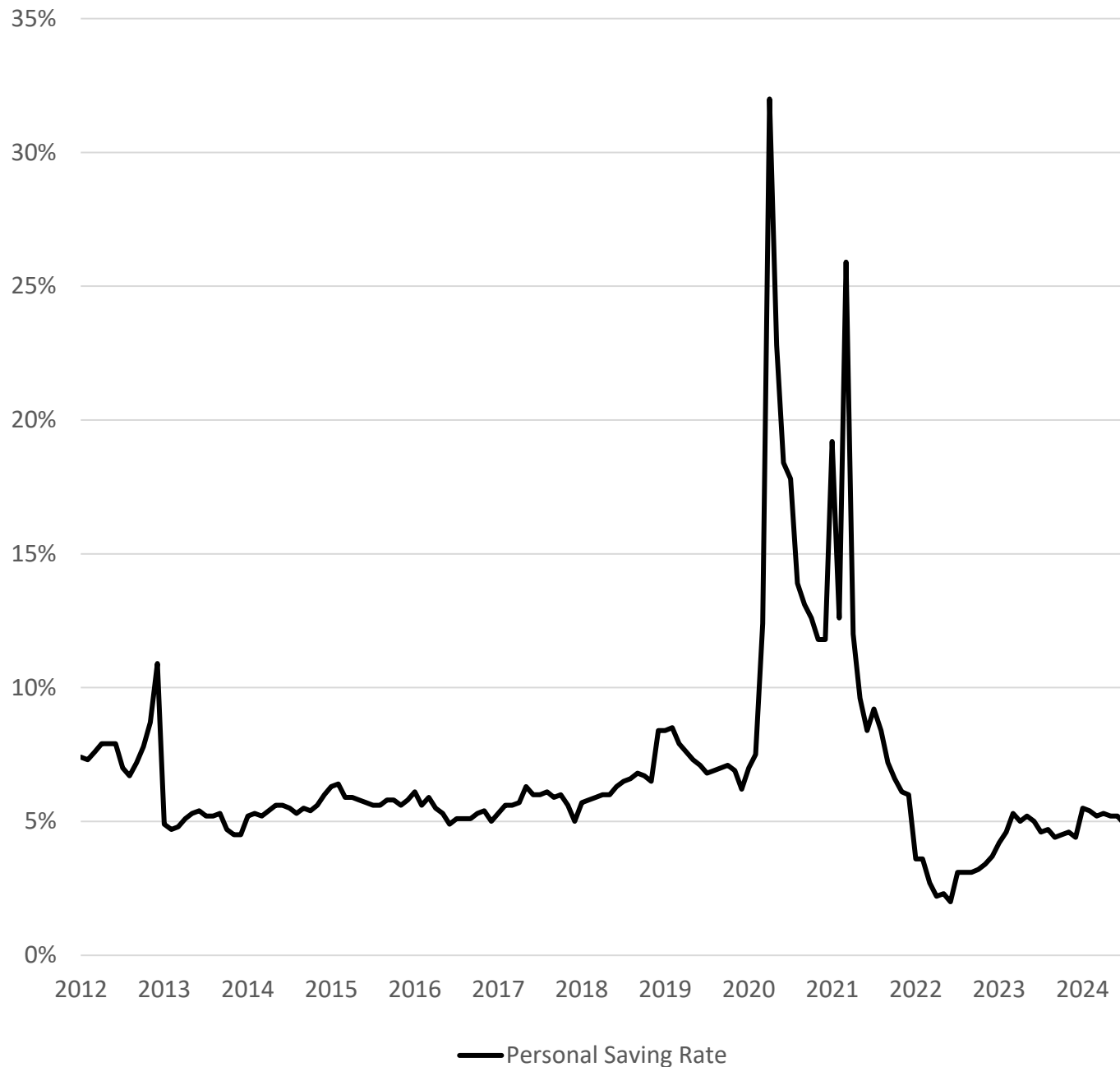
US Real Personal Consumption Expenditures



— Real Personal Consumption Expenditures (Billions; Chained 2012) — Annual Percentage Change

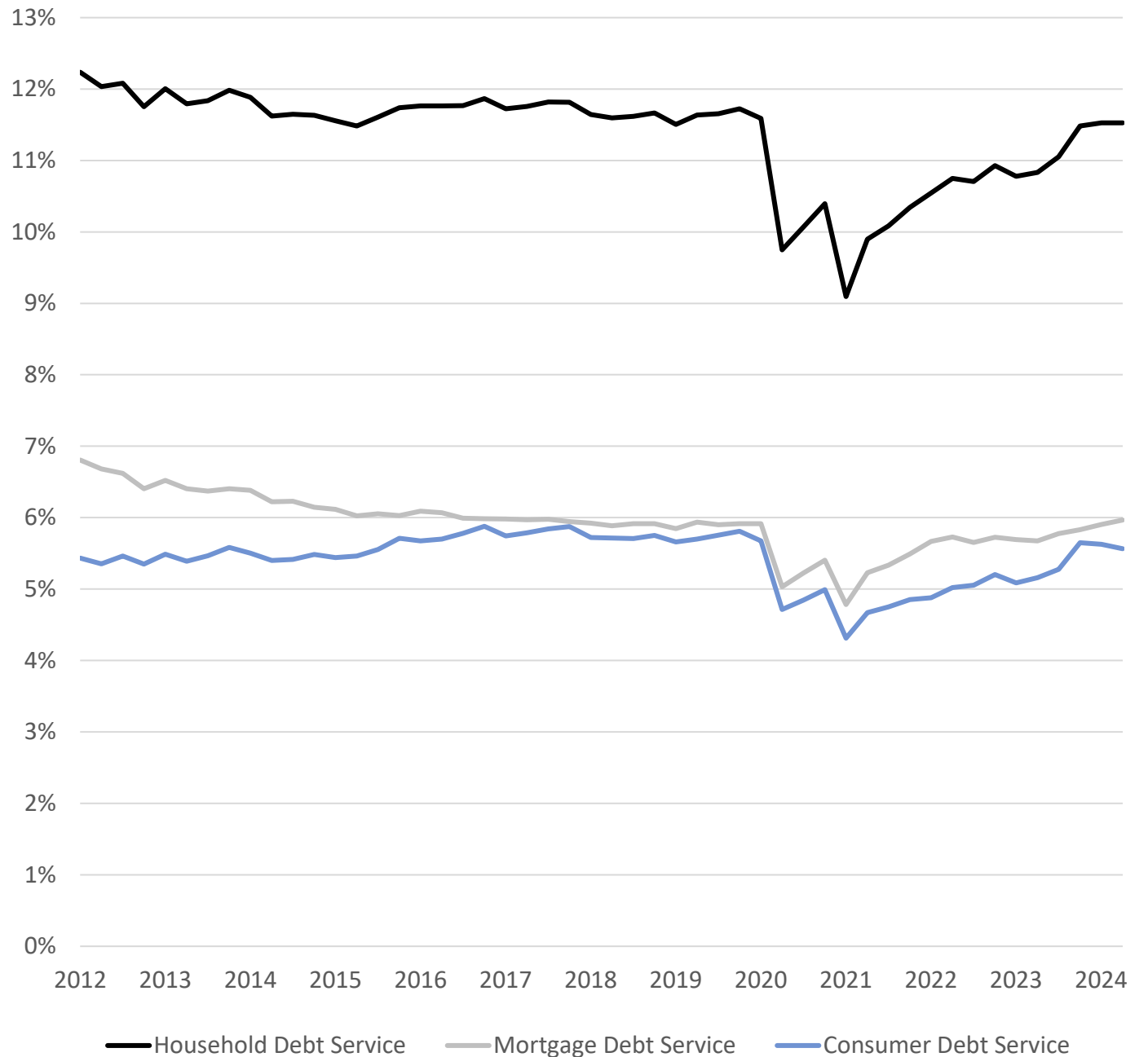


US Personal Saving Rate



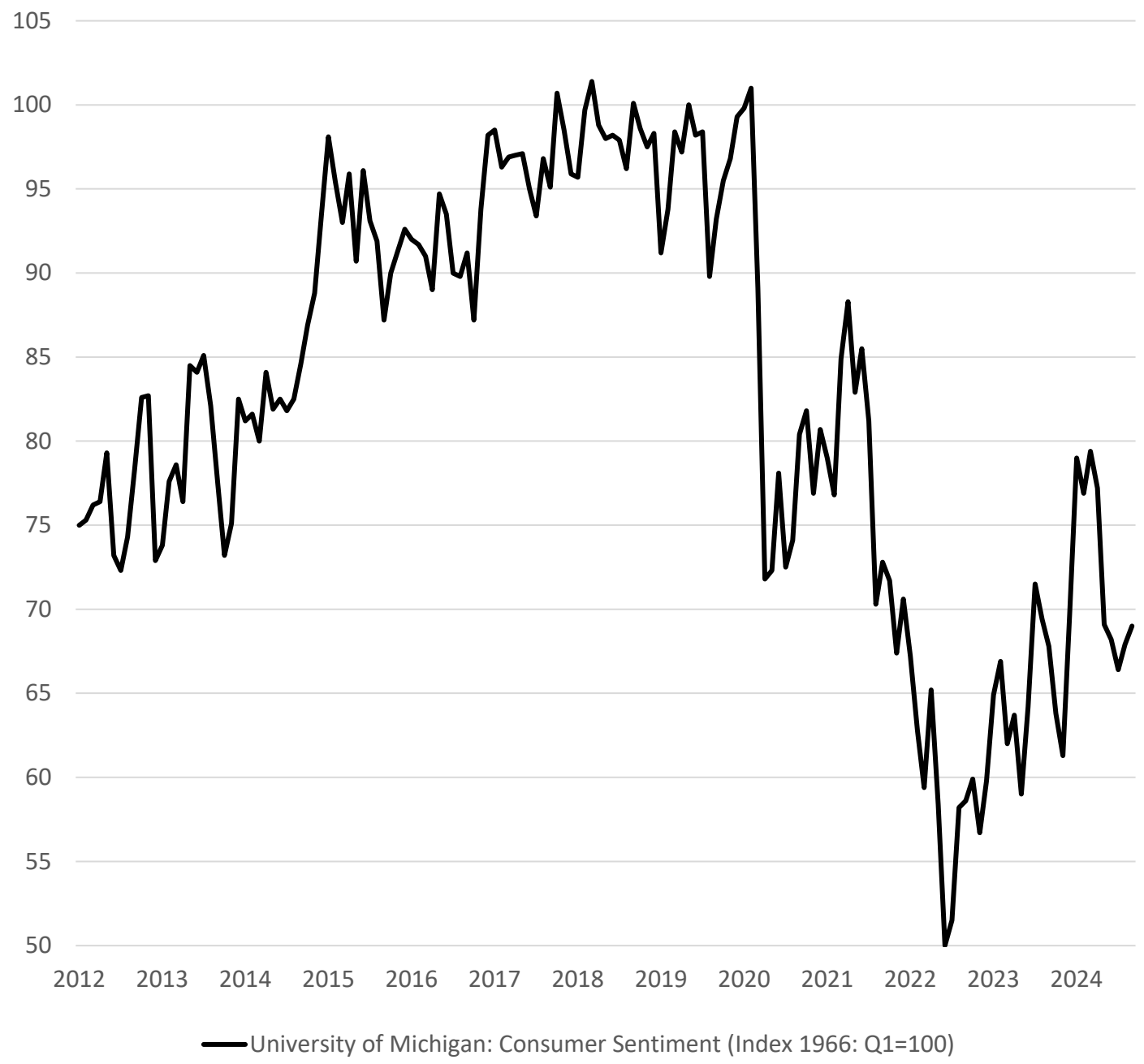


US Household Debt Service Ratio





US Consumer Sentiment

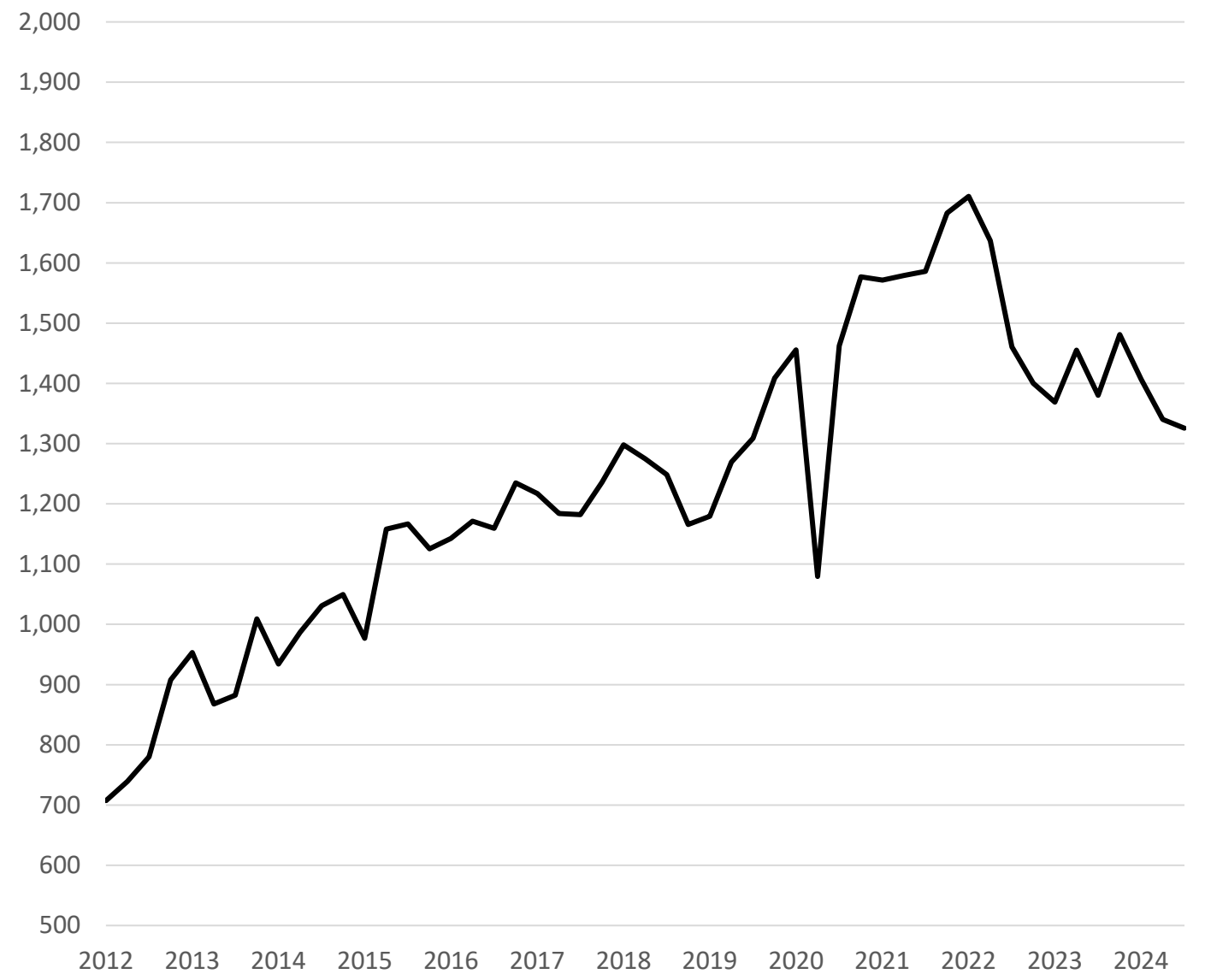


Investment

- Real business fixed investment is projected to slow from 6.0% in 2023 to 4.1% in 2024 and 2.9% in 2025.
- Residential investment finished 2023 at -8.3%. It is projected at 3.4% in 2024 and -0.8% in 2025.
- Housing starts are expected to slow from 1.42M in 2023 to 1.35M in 2024 and 1.37M in 2025.
- Home prices are expected to rise 4.7% in 2024 and 2.1% in 2025.



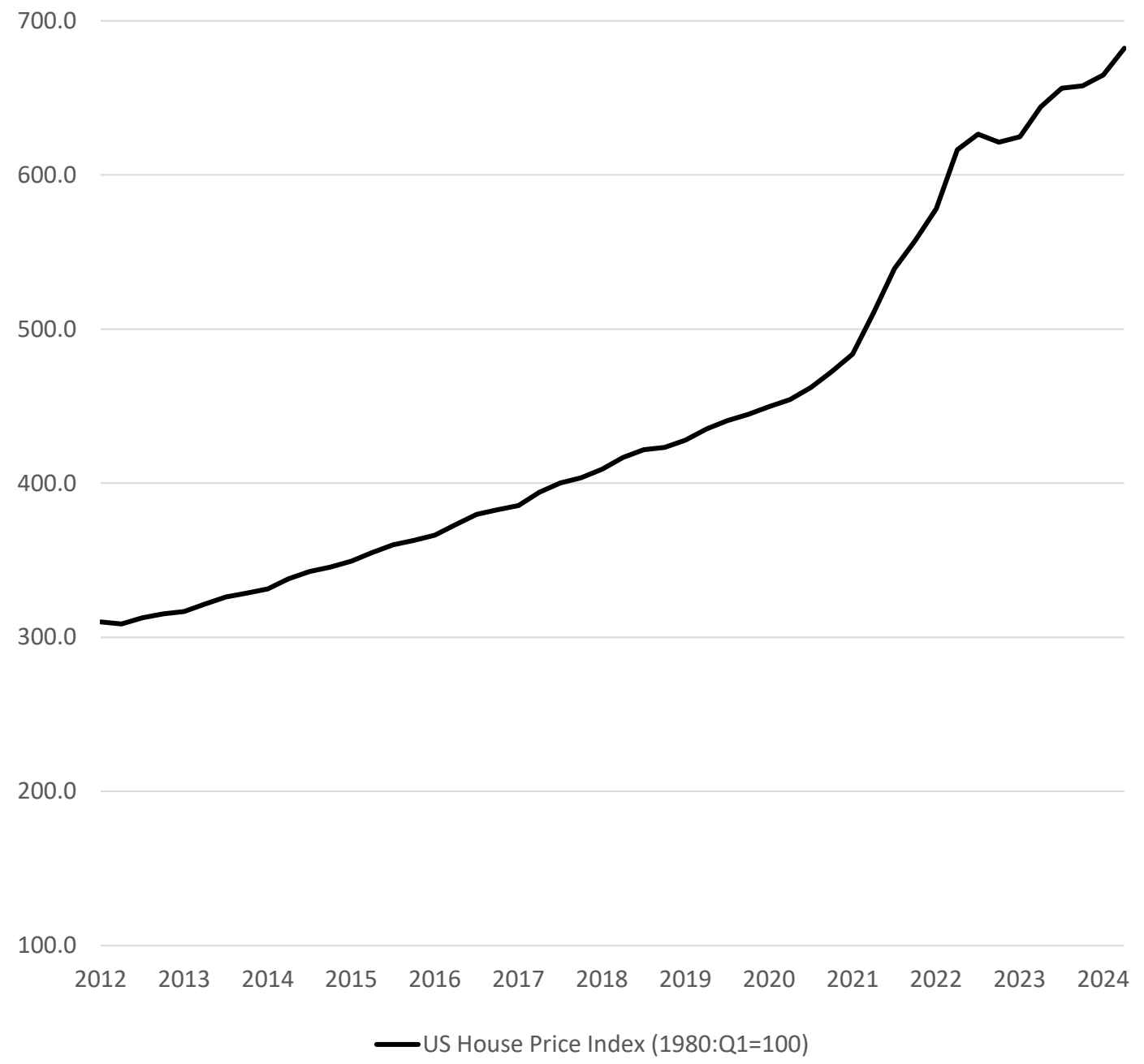
US Housing Starts



— Housing Starts (thousands - annual rate)



Home Price

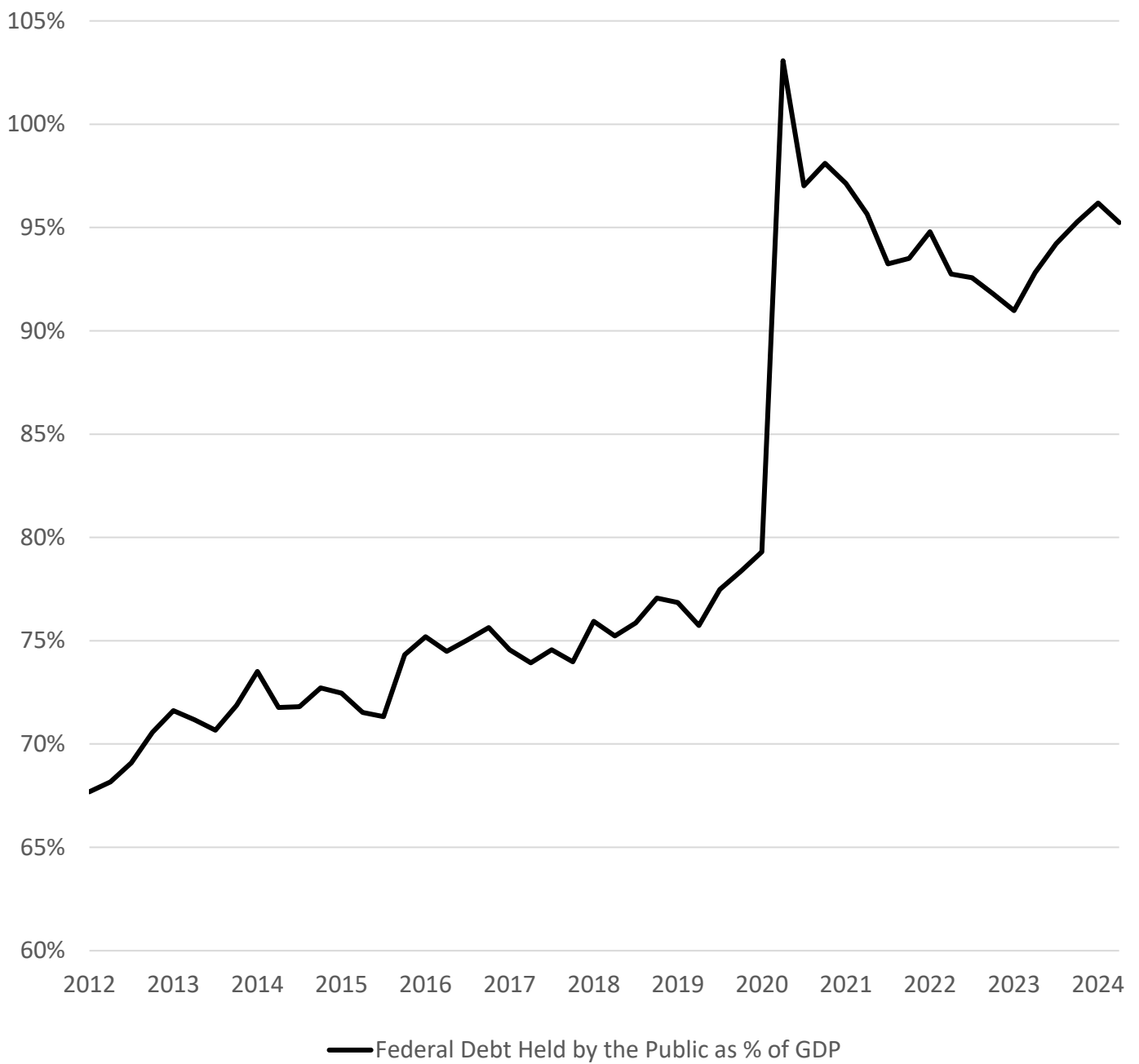


Federal Fiscal Picture

- The debt ceiling is suspended through 2024 but is assumed to be raised before then in the forecast.
- The pandemic-era policy of continuous enrollment in Medicaid expired last April and states are assumed to trim Medicaid enrollment through 2027.
- Federal Reserve cut the federal funds rate by 50 basis points at September meeting to 4.75%-5.00%.
- Expect cuts of 25 basis points at each of the last two FOMC meetings in 2024.
- Pace of rate cuts are projected to slow to every other meeting in the first half of 2025 before resuming to rate cuts at every meeting in the second half of 2025.



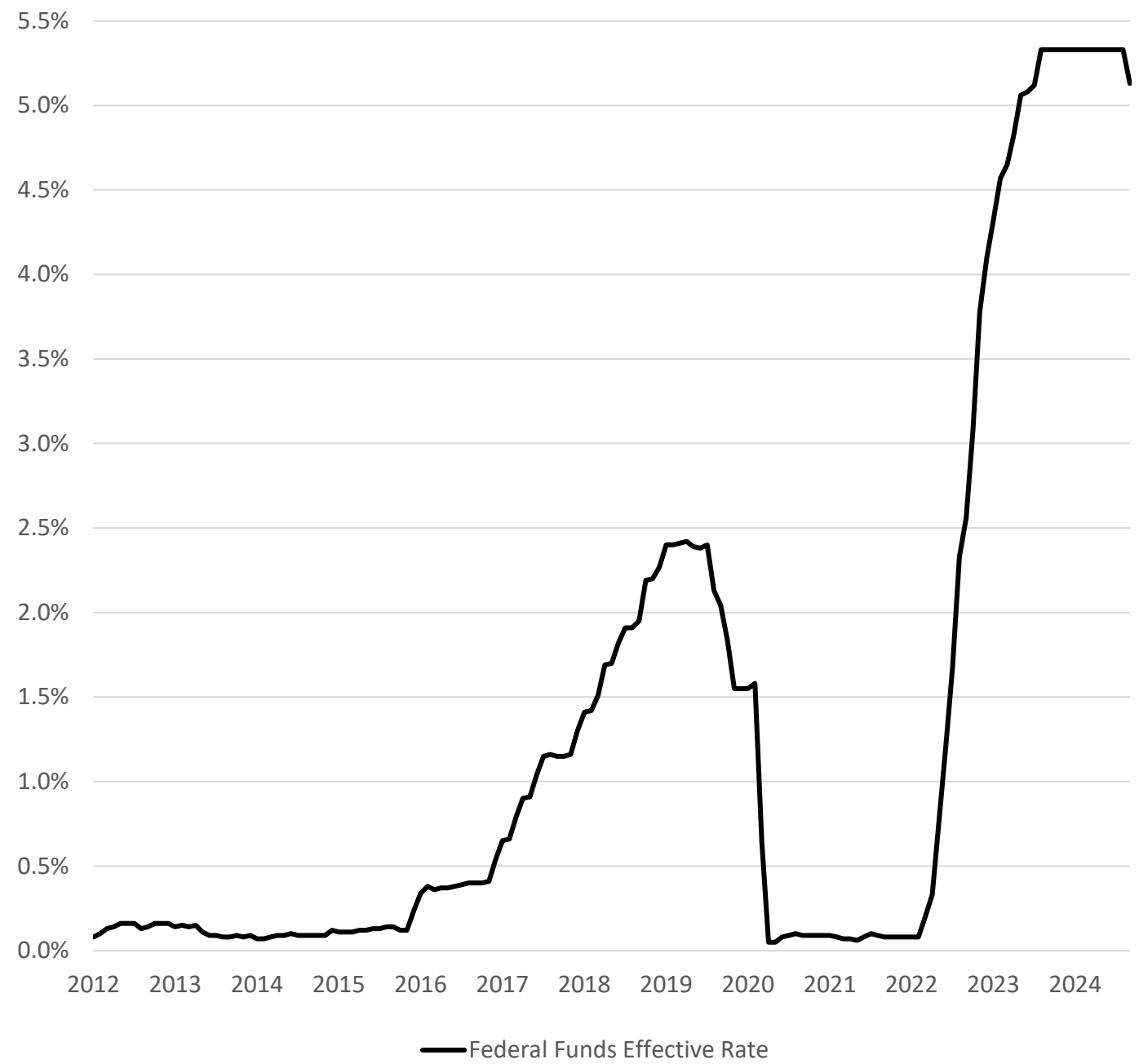
Debt Held by Public



— Federal Debt Held by the Public as % of GDP



Interest Rates

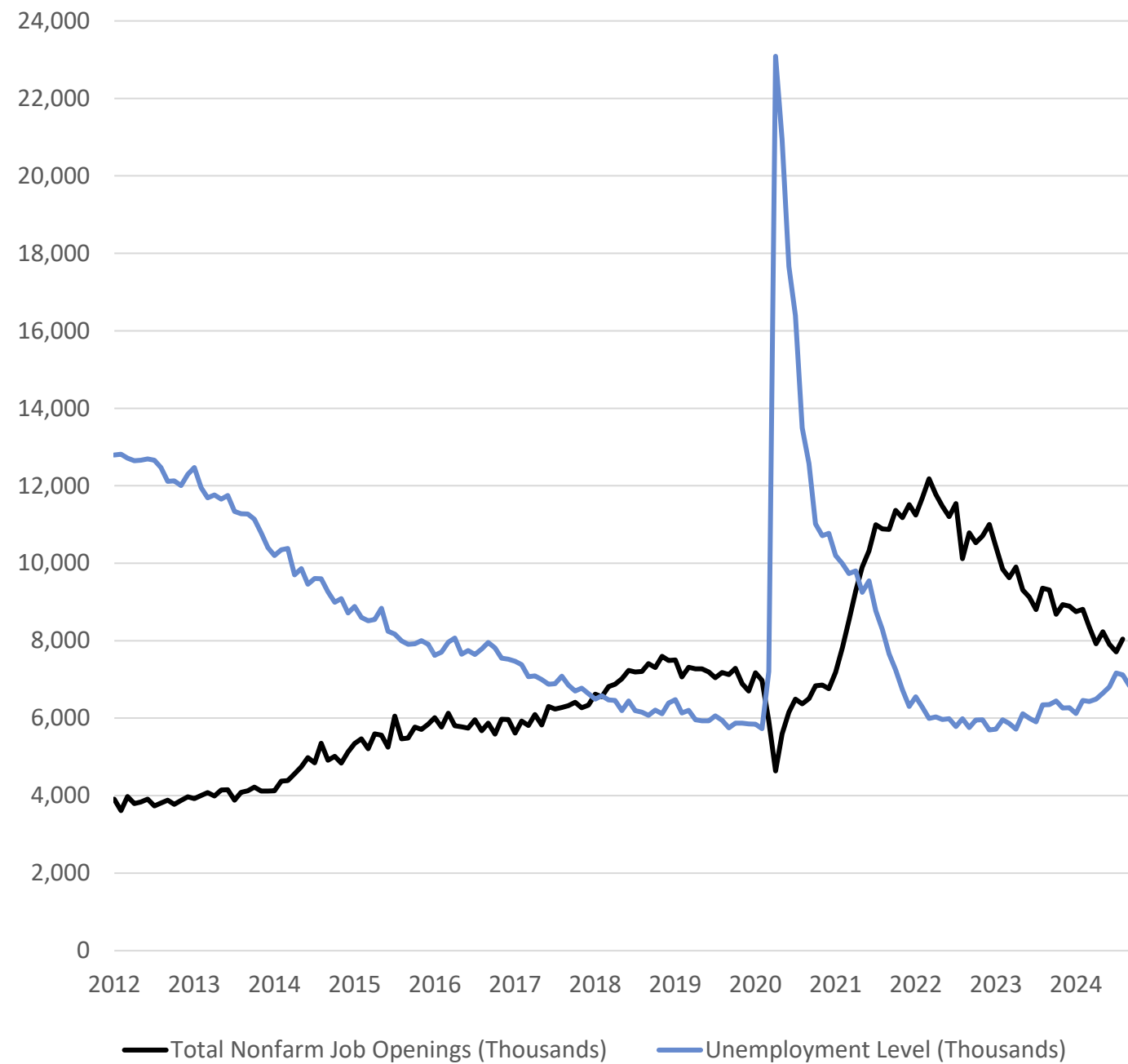


Employment and Unemployment

- Nonfarm payroll employment rose 254k in September and gains over prior months were revised higher.
- Employment growth projected to slow from 2.3% in 2023 to 1.6% in 2024 and 0.8% in 2025.
- The unemployment rate was at 4.1% in September.
- Unemployment rate finished 2023 at 3.6%. Projections are 4.0% in 2024 and 4.3% in 2025.



US Job Openings vs. Unemployed

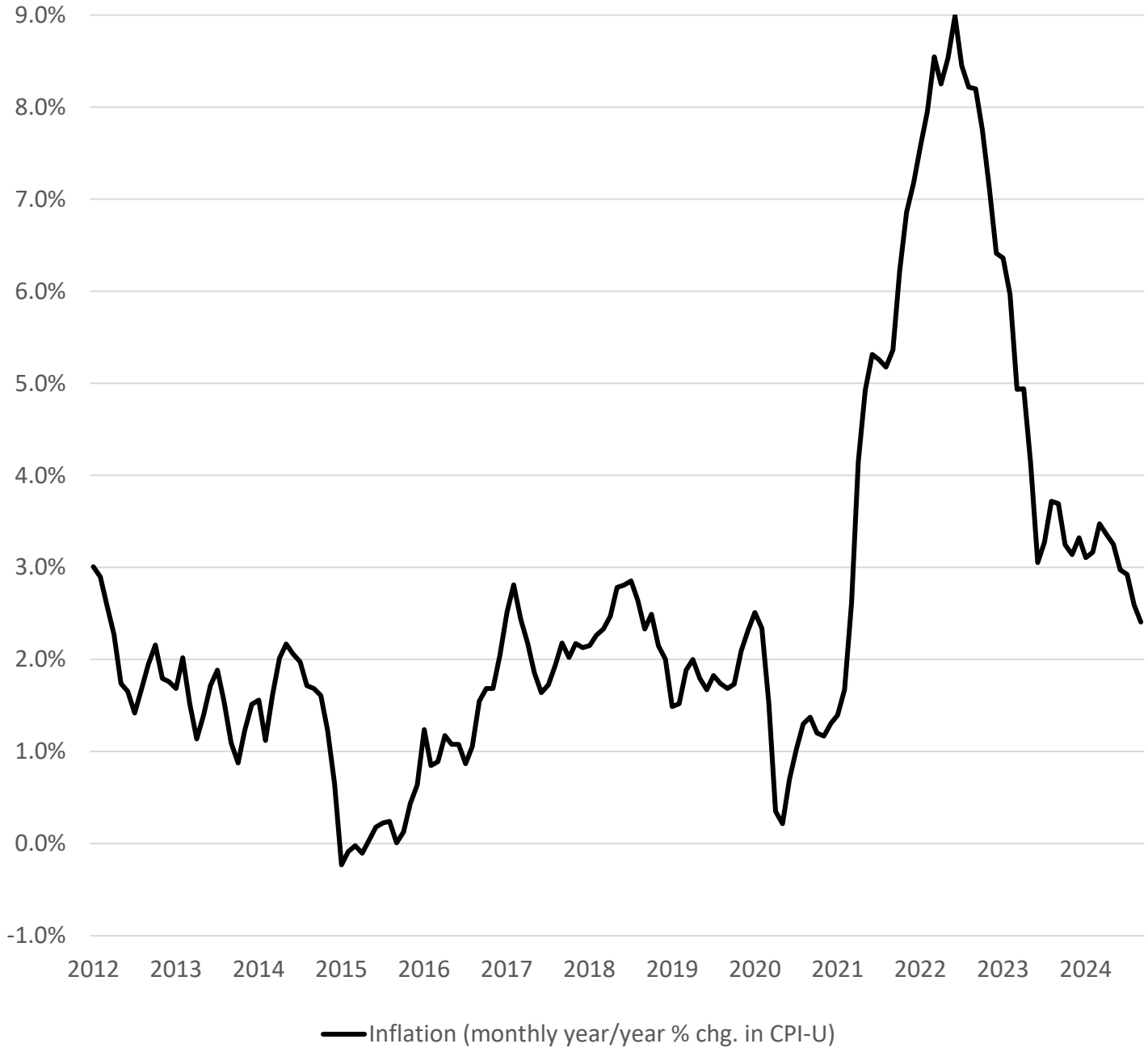


Inflation

- CPI rose 4.1% in 2023. Forecast is for 2.8% in 2024 and 2.0% in 2025.
- PPI on finished goods rose 1.5% in 2023. Forecast is for 1.0% in 2024 and 0.8% in 2025.
- Brent Crude spot price is forecast to decrease from \$83 in 2023 to \$81 in 2024 and \$75 in 2025.



Inflation: CPI



— Inflation (monthly year/year % chg. in CPI-U)

S&P Global Forecast - US

	2019	2020	2021	2022	2023	2024 f	2025 f	2026 f	'13-'23 avg.
Real GDP Growth	2.6%	-2.2%	6.1%	2.5%	2.9%	2.7%	2.1%	1.8%	2.4%
Nonfarm Employment	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.8%	0.2%	1.4%
Personal Income	4.8%	6.8%	9.2%	3.1%	5.9%	5.7%	4.7%	5.1%	4.9%
Unemployment Rate	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.3%	4.5%	5.1%
CPI-U	1.8%	1.2%	4.7%	8.0%	4.1%	2.8%	2.0%	3.1%	2.6%

S&P Global Alternate Scenarios - US

Optimistic Scenario (20% probability)				Pessimistic Scenario (25% probability)			
	2024 f	2025 f	2026 f	2024 f	2025 f	2026 f	'13-'23 avg.
Real GDP Growth	2.8%	2.9%	2.3%	2.6%	0.4%	1.4%	2.4%
Nonfarm Employment	1.7%	1.0%	0.1%	1.5%	-1.0%	-0.7%	1.4%
Personal Income	5.8%	5.5%	5.4%	5.8%	3.4%	4.3%	4.9%
Unemployment Rate	4.0%	4.0%	4.2%	4.2%	5.9%	6.4%	5.1%
CPI-U	2.6%	2.6%	3.3%	3.0%	2.7%	2.8%	2.6%

SD Forecast

Employment

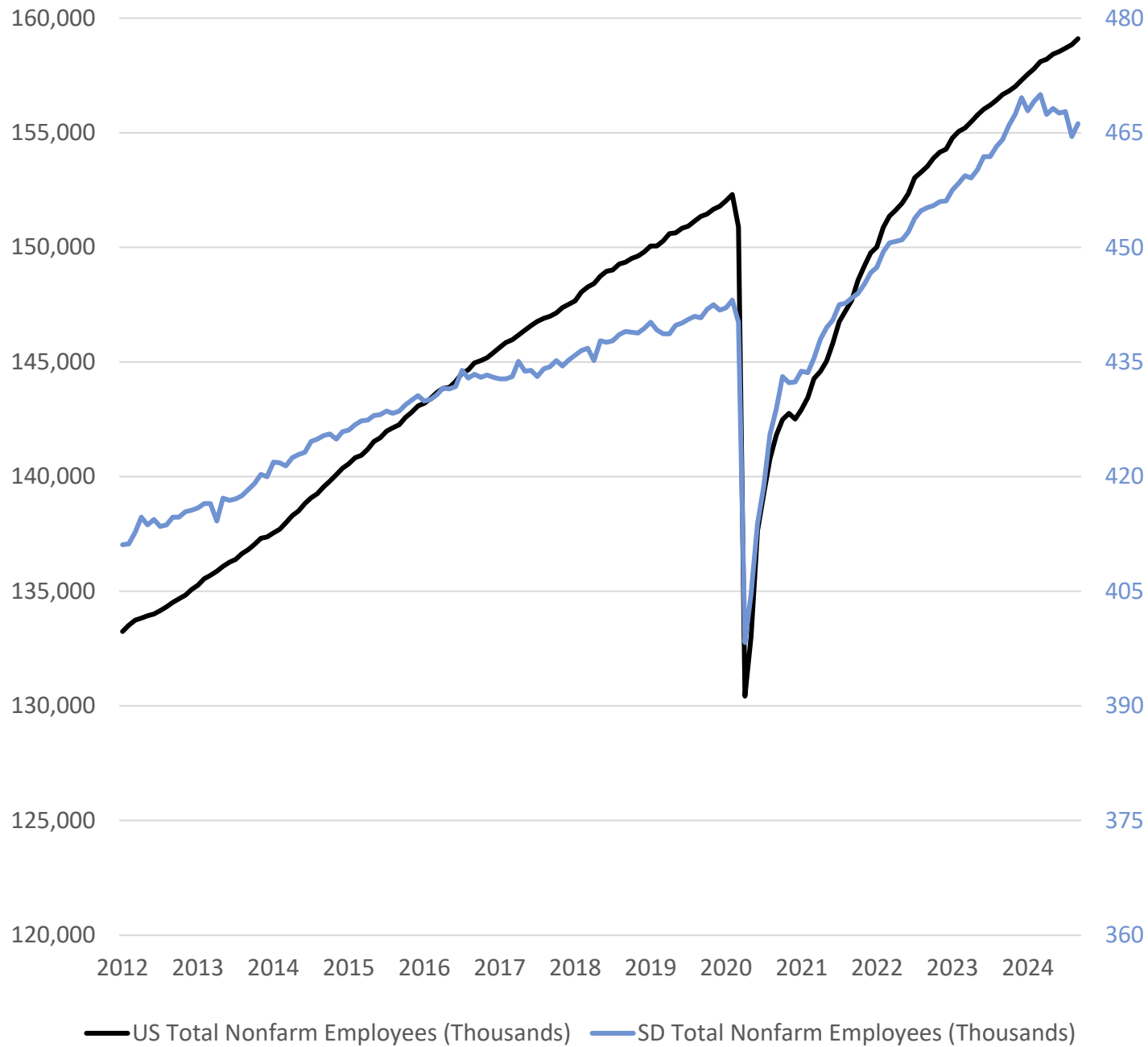
Housing

Personal Income

Tourism

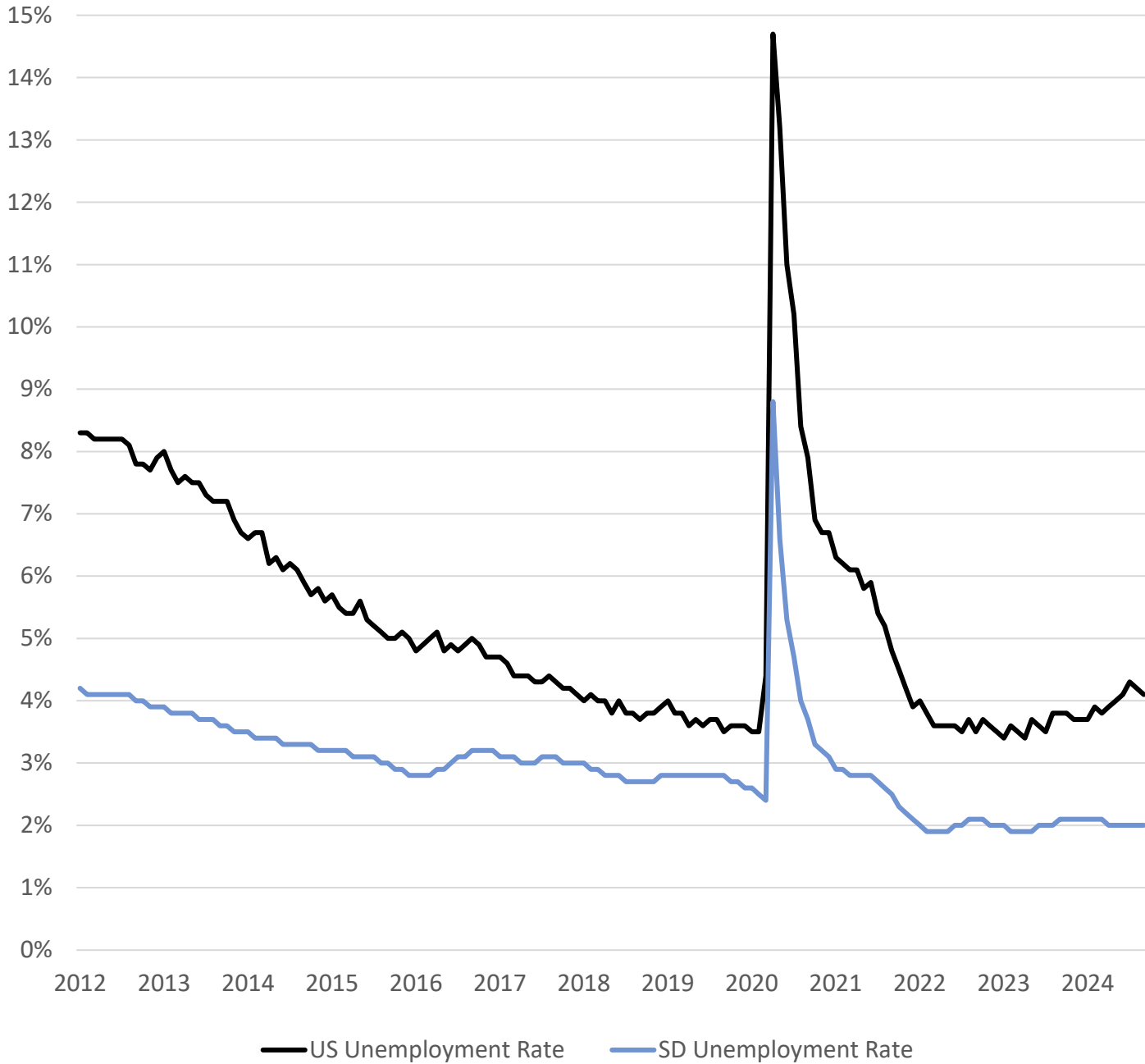


Employment Growth



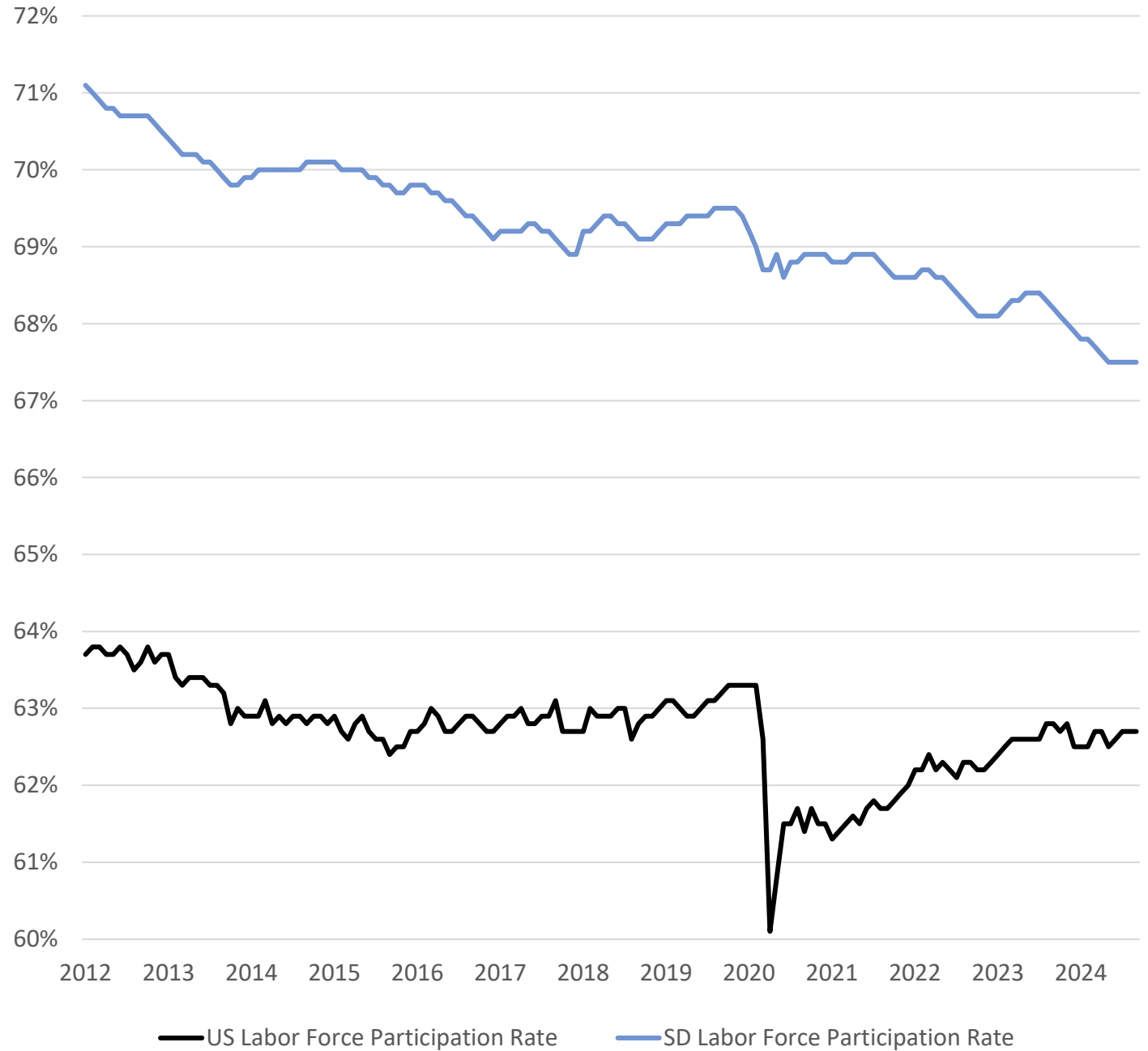


Unemployment Rate



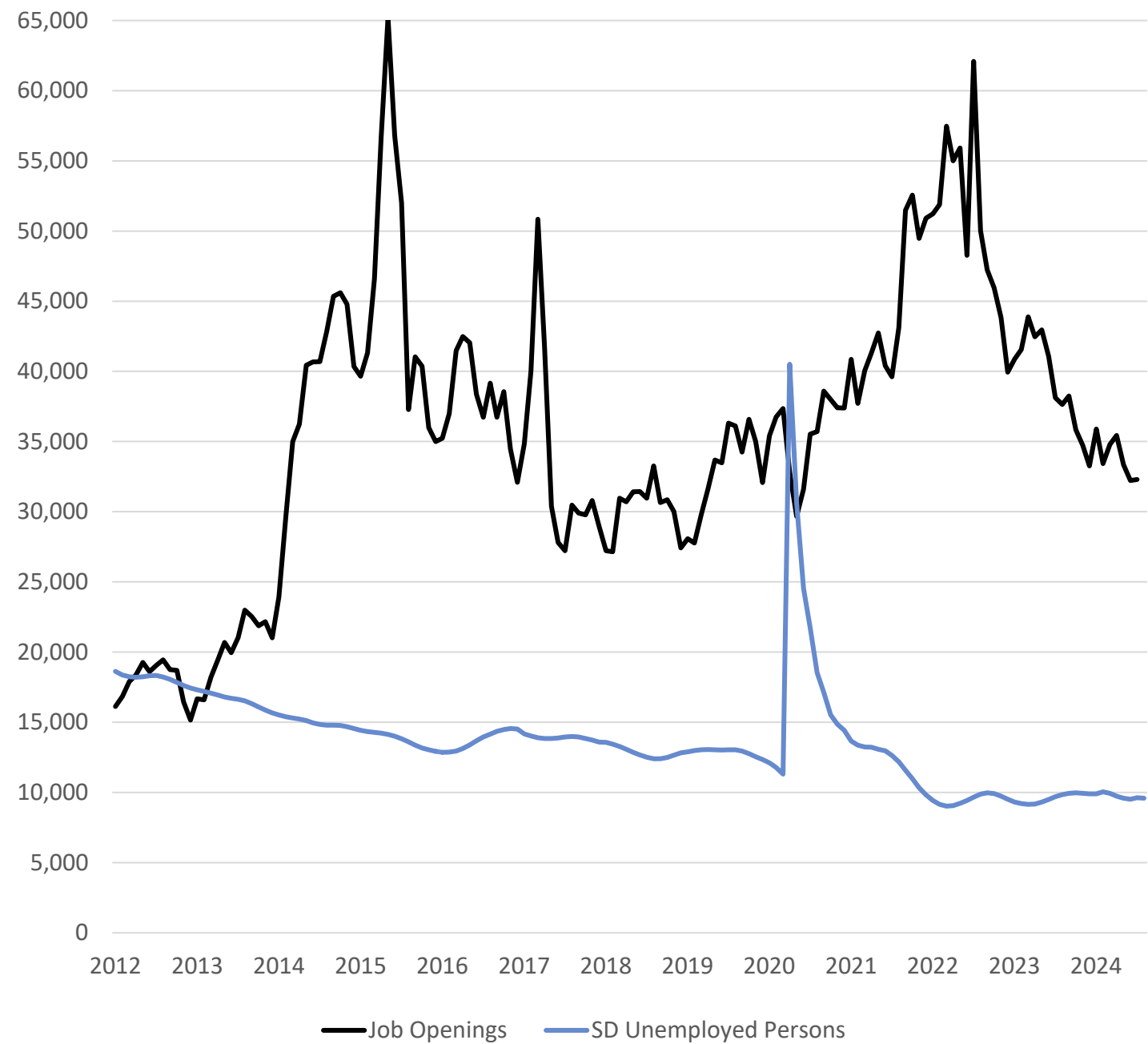


Labor Force Participation Rate



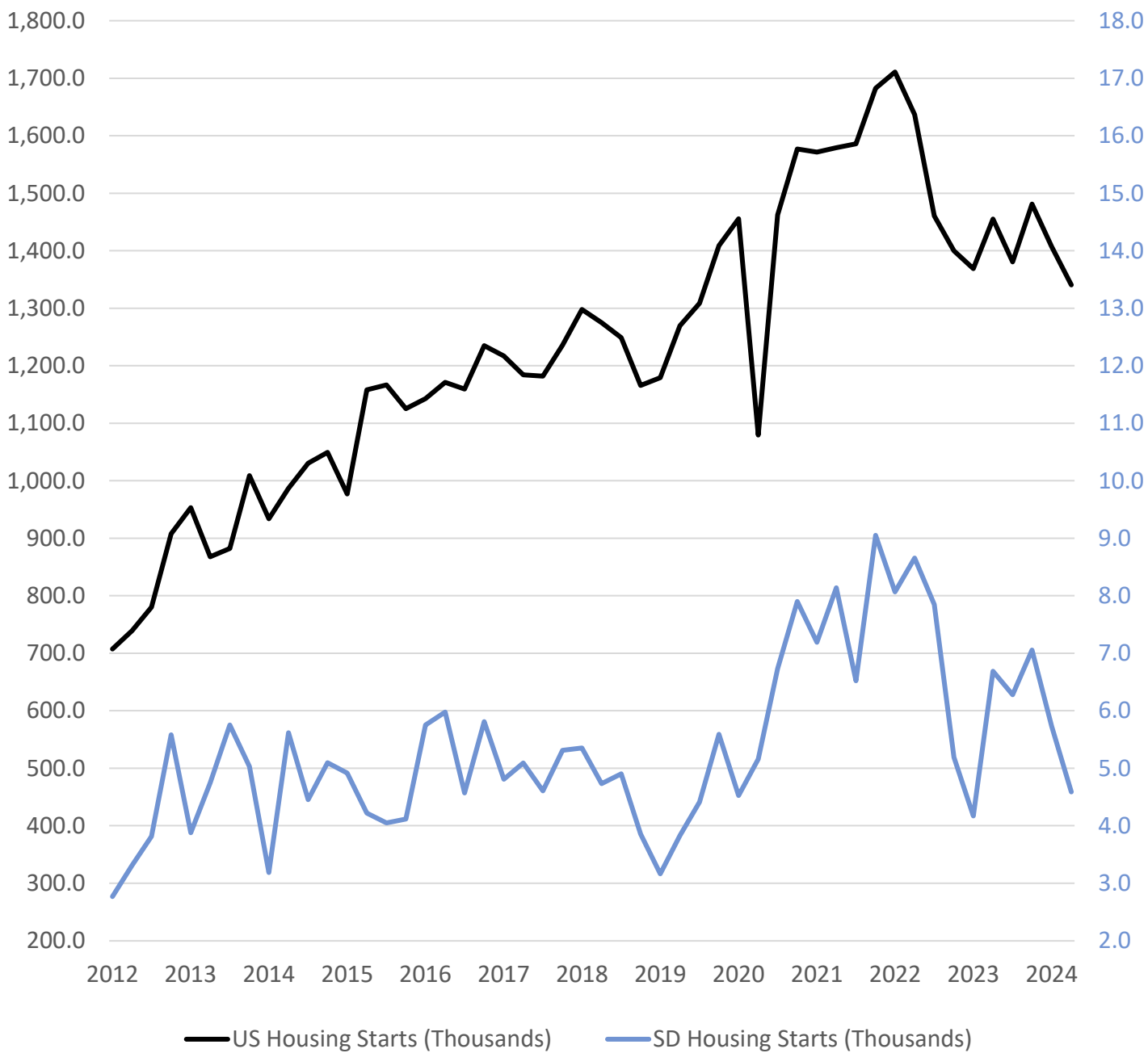


SD Job Openings vs. Unemployed



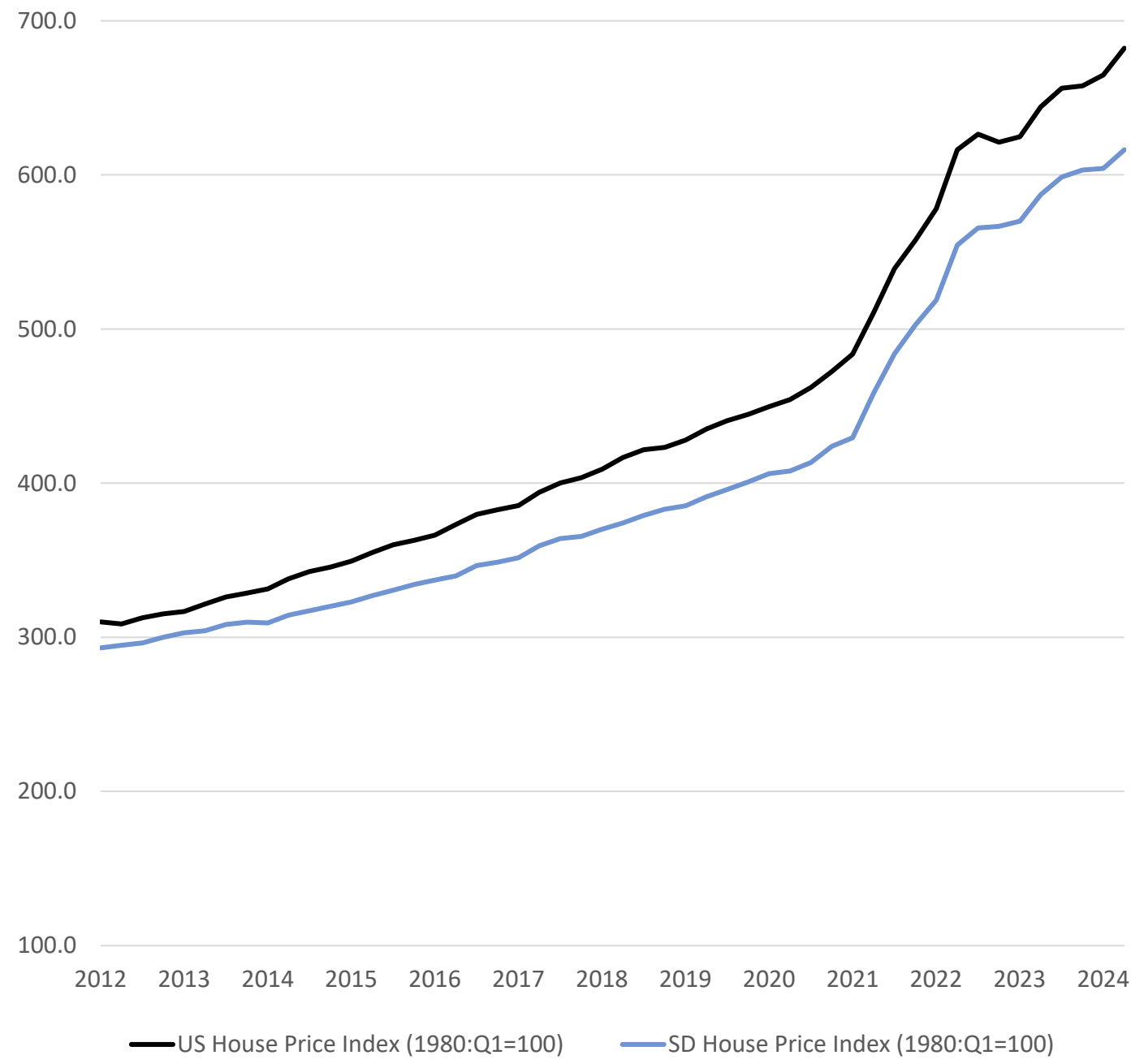


Housing Starts



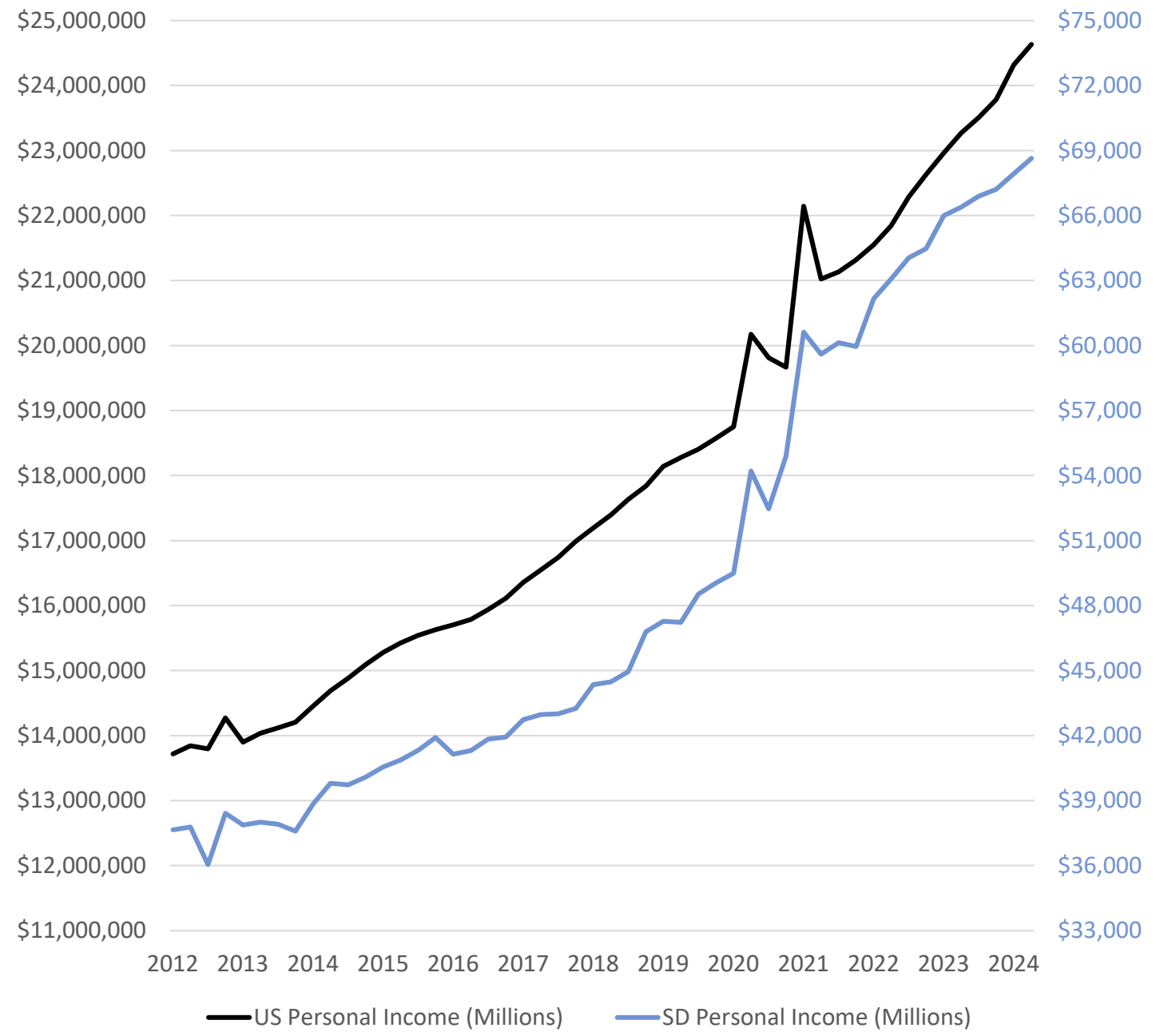


Home Price



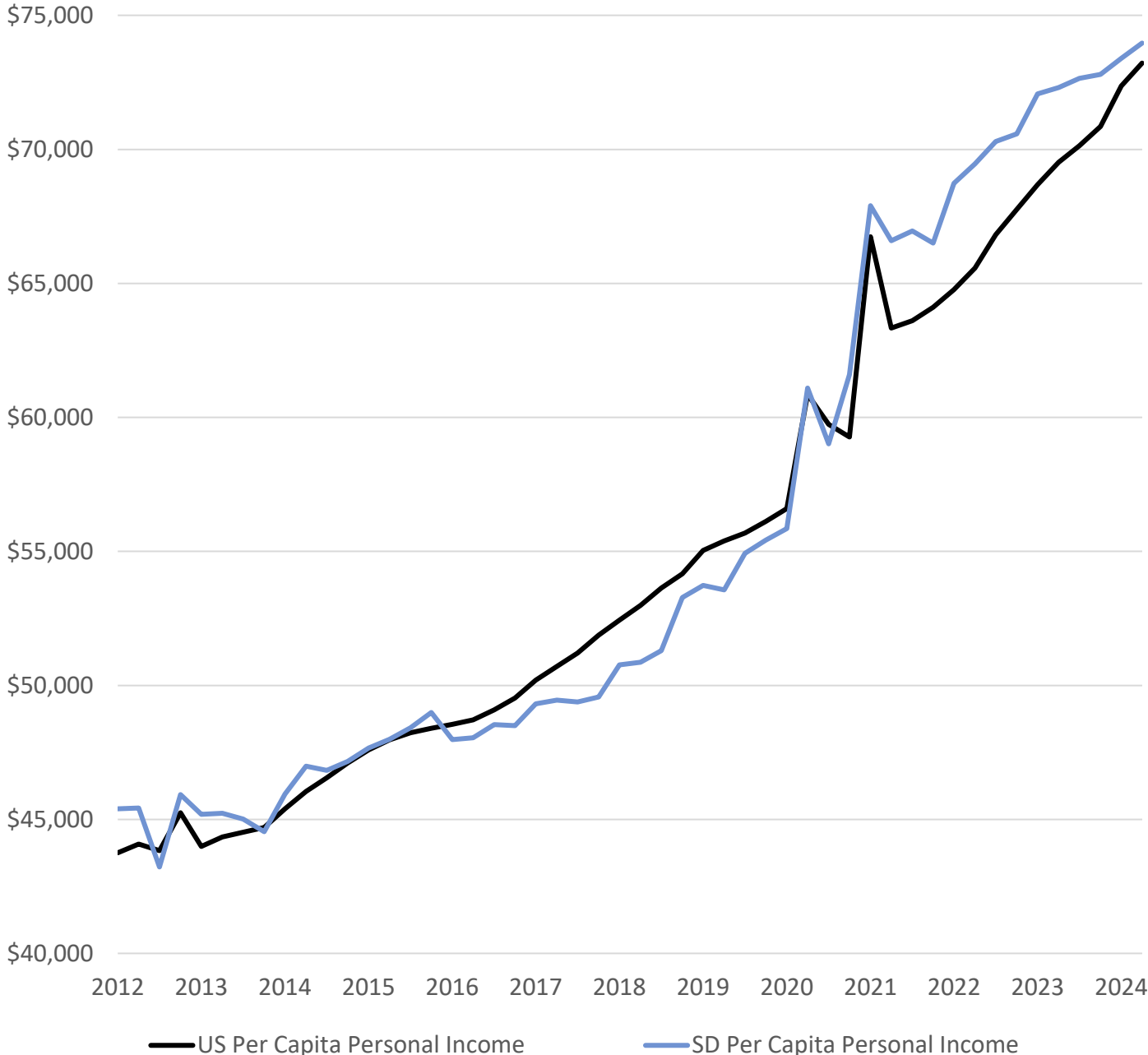


Personal Income



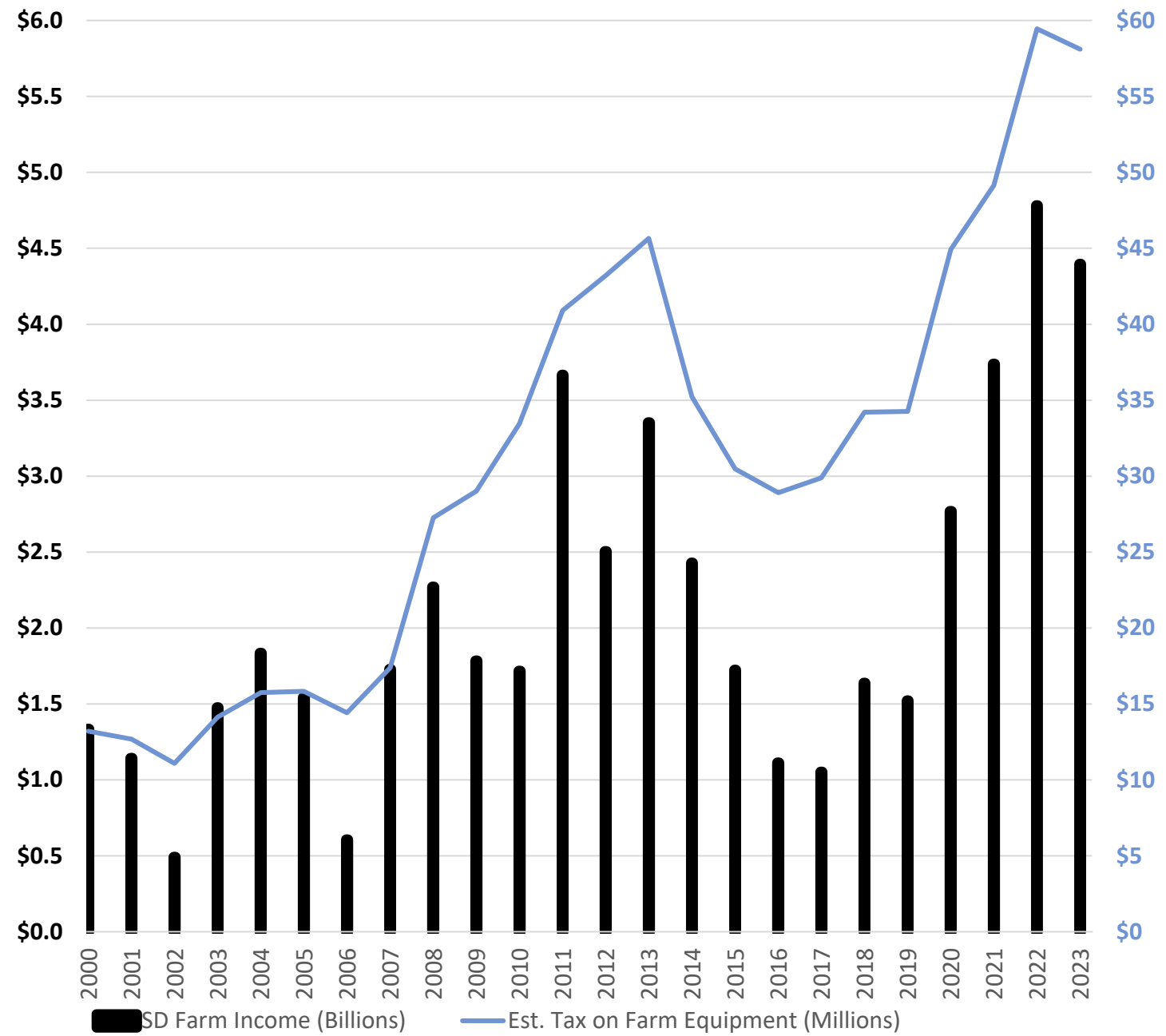


Per Capita Personal Income



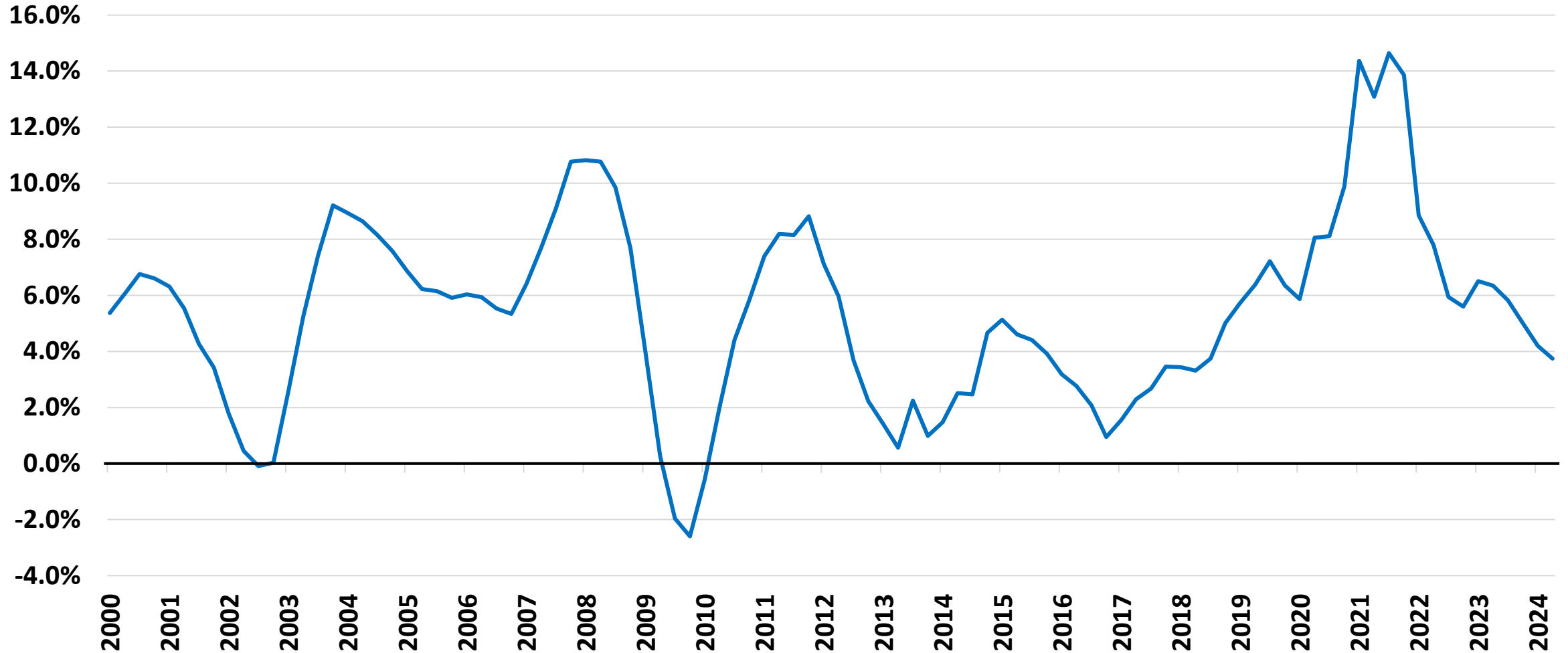


SD Farm Income & Spending on Equipment

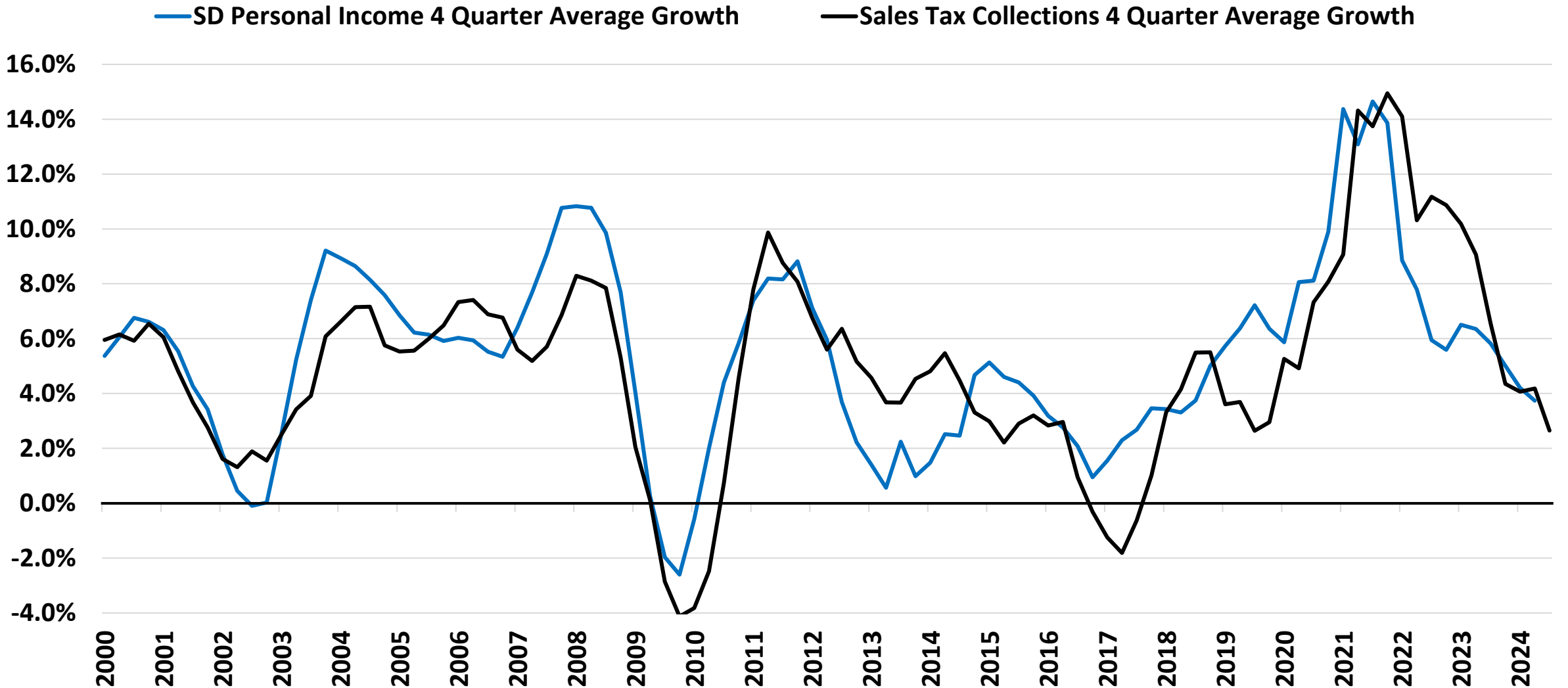


SD Personal Income

— SD Personal Income 4 Quarter Average Growth

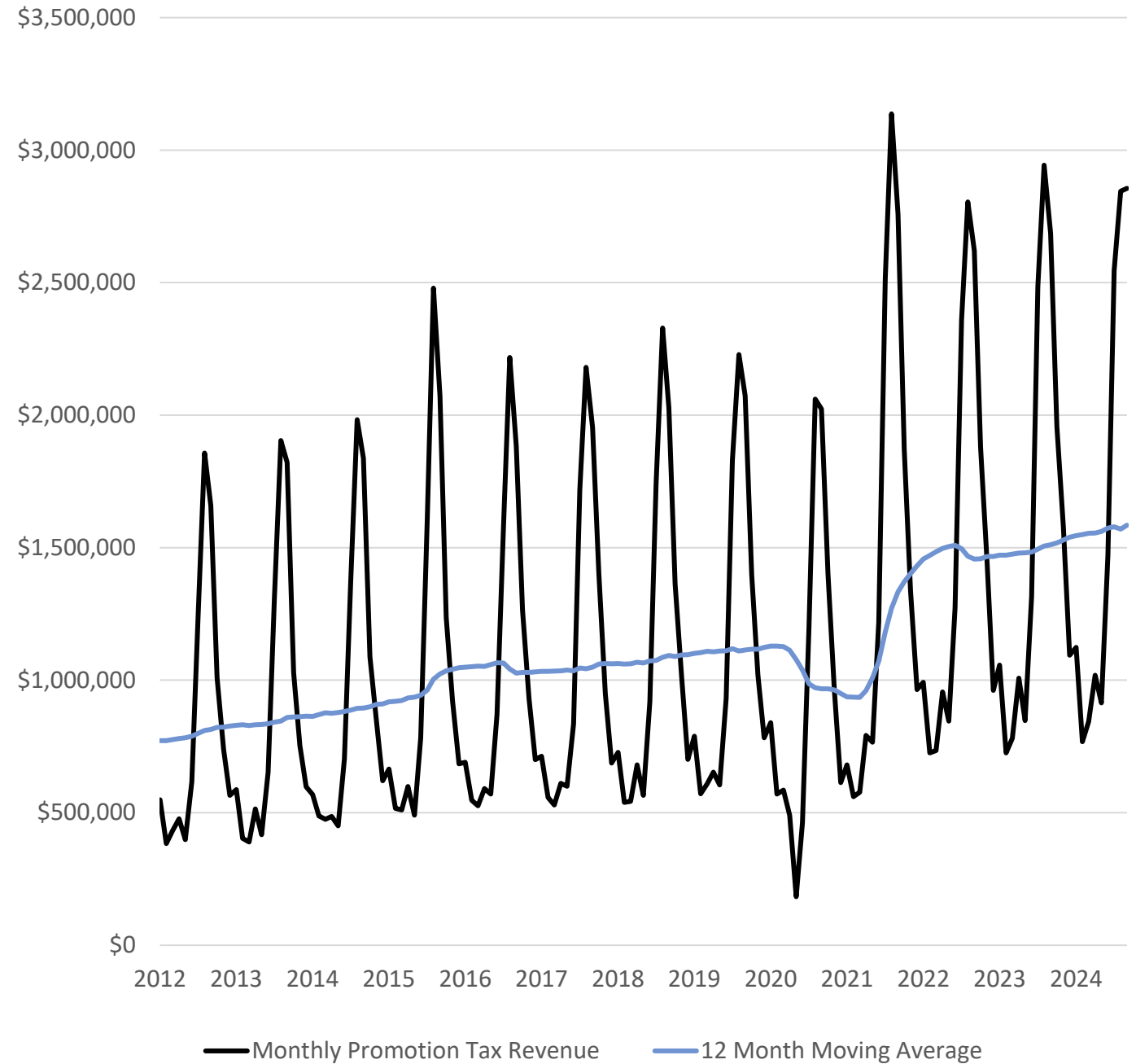


SD Personal Income vs. Sales Tax Collections



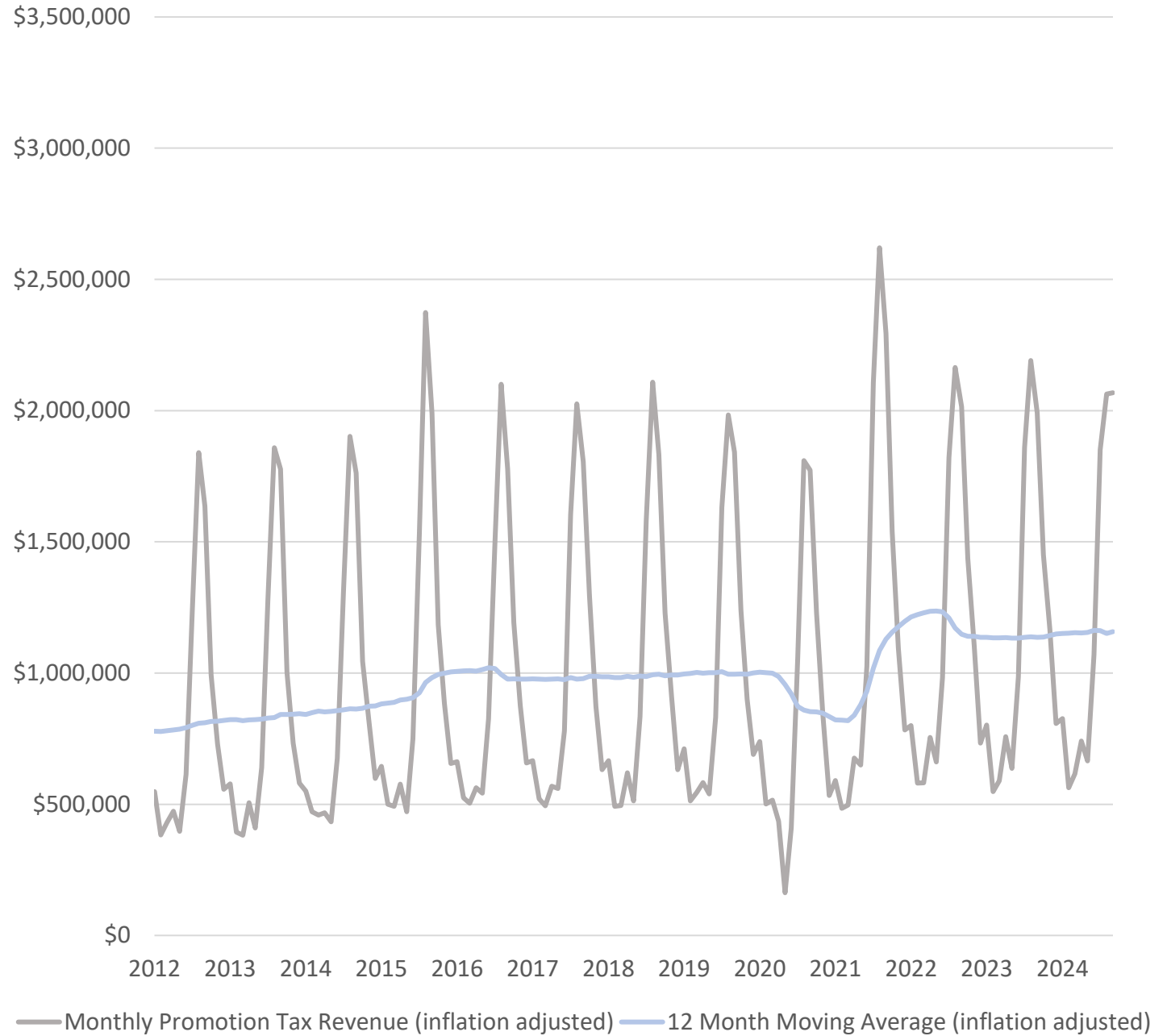


SD Tourism Promotion Tax Collections



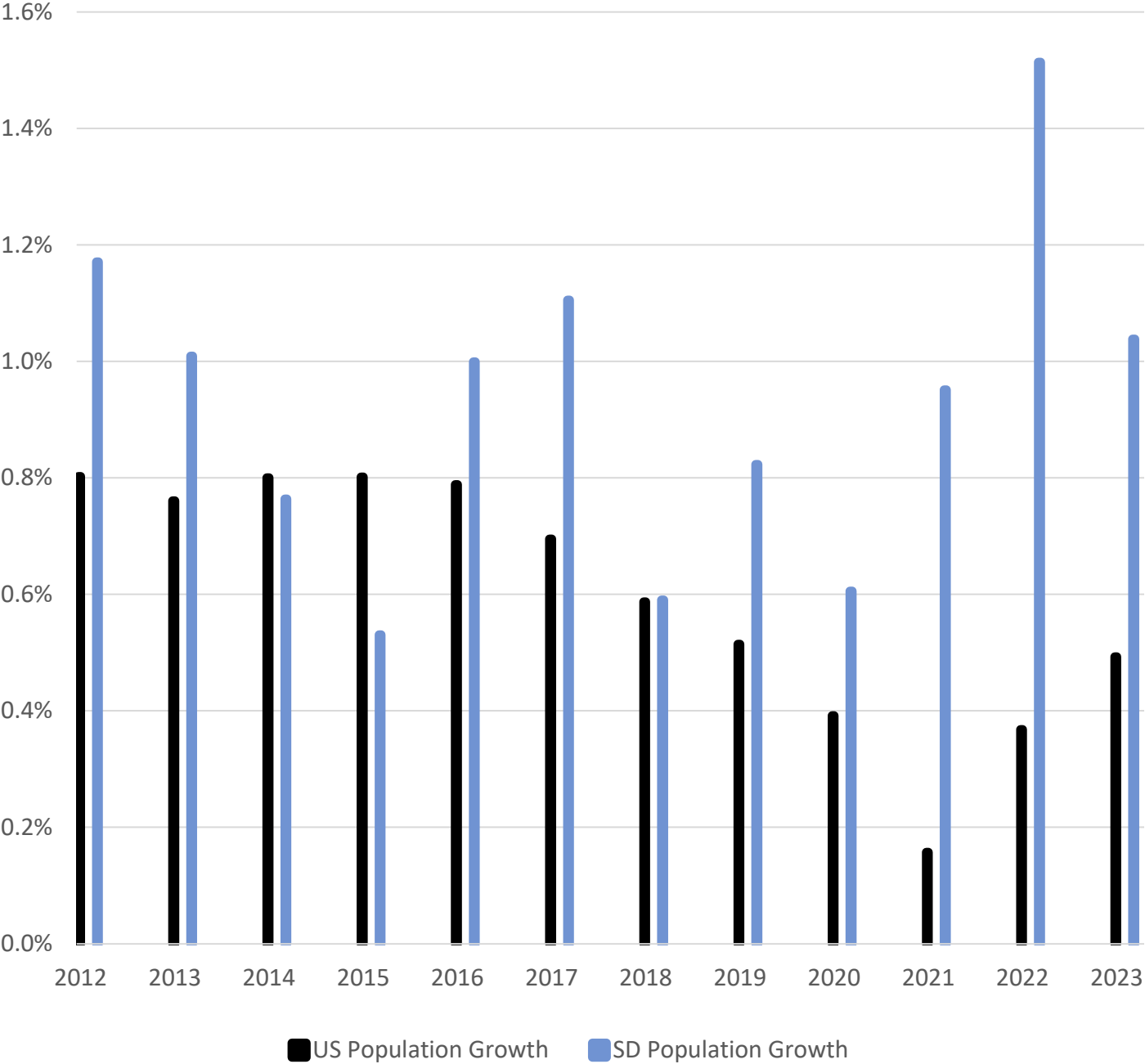


SD Tourism Promotion Tax Collections (inflation adjusted)





Population Growth



S&P Global Forecast - SD

	2019	2020	2021	2022	2023	2024 f	2025 f	2026 f	'13-'23 avg.
Real GDP Growth	1.1%	0.5%	5.2%	-0.5%	3.6%	0.4%	1.7%	2.6%	1.5%
Nonfarm Employment	0.6%	-3.3%	3.4%	2.8%	2.1%	1.2%	0.3%	0.4%	1.0%
Nonfarm Income	6.9%	7.5%	12.7%	4.1%	6.1%	5.0%	4.7%	5.0%	5.4%
Housing Starts	4,250	6,079	7,726	7,439	6,046	5,436	5,412	4,997	5,500
Unemployment Rate	2.8%	4.2%	2.6%	2.0%	2.0%	2.1%	2.4%	2.6%	3.0%



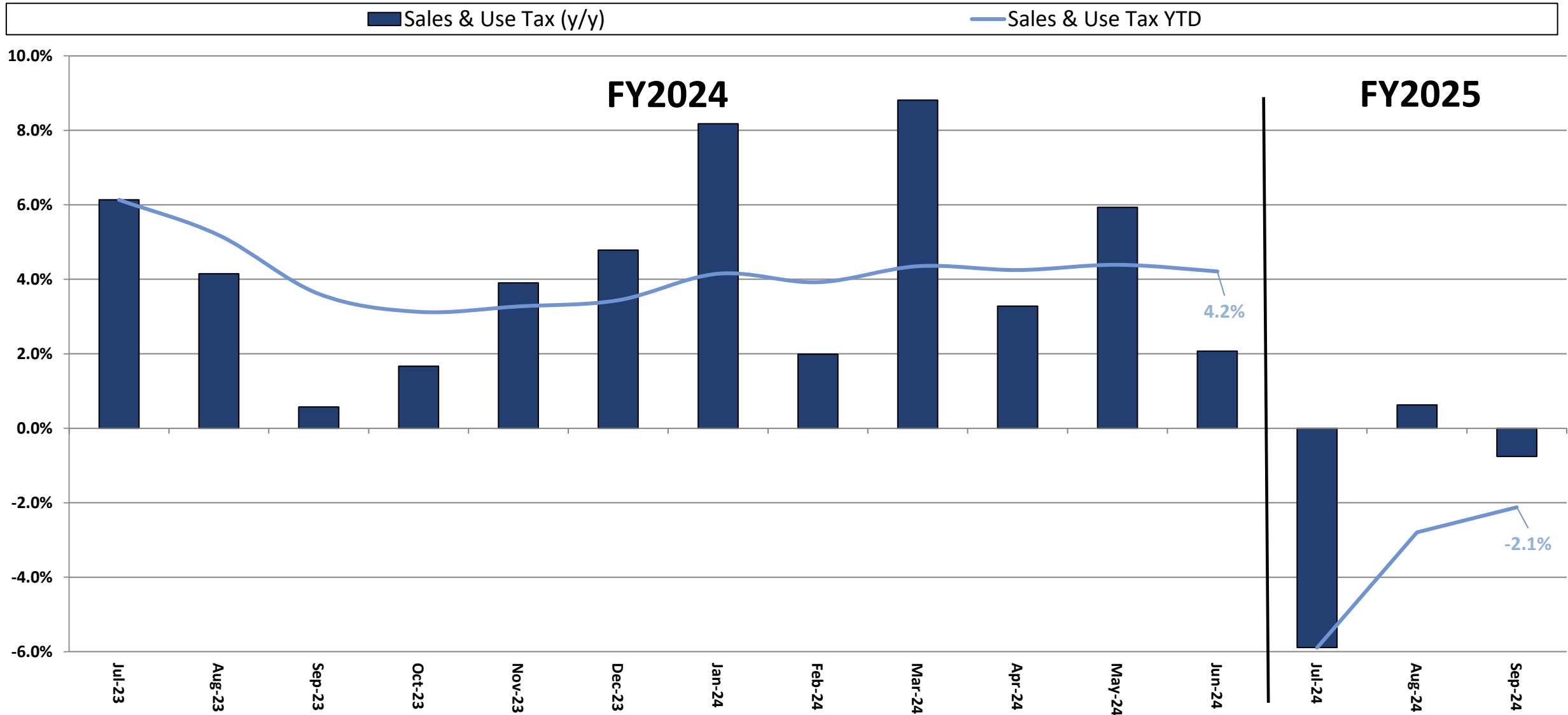
General Fund Revenue

**Legislative Adopted FY2025 Estimate (Feb. 2024) vs. Actual Revenues
Year-to-Date Through SEPTEMBER FY2025 Comparison**



	Leg. Adopted SEPTEMBER YTD FY2025	Actual SEPTEMBER YTD FY2025	DOLLAR CHANGE	YTD % Chg. Actual/Adopt Comparison
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	405,465,835	386,153,754	(19,312,081)	-4.8%
Lottery	40,178,278	40,176,051	(2,227)	0.0%
Net Contractor's Excise Tax	64,214,648	58,574,939	(5,639,709)	-8.8%
Insurance Company Tax	26,918,214	28,636,502	1,718,288	6.4%
Unclaimed Property Receipts	(6,010,770)	(12,781,352)	(6,770,582)	N/A
Licenses, Permits, and Fees	2,356,689	1,314,367	(1,042,322)	-44.2%
Tobacco Taxes	13,296,545	12,635,976	(660,569)	-5.0%
Trust Funds	35,309,002	35,309,002	0	0.0%
Net Transfers In (excluding one-time)	10,603,712	10,999,735	396,023	3.7%
Alcohol Beverage Tax	33,453	27,150	(6,303)	-18.8%
Bank Franchise Tax	1,222,961	228,696	(994,266)	-81.3%
Charges for Goods and Services	2,981,229	2,722,359	(258,870)	-8.7%
Telecommunications Tax	370,067	365,254	(4,814)	-1.3%
Severance Taxes	2,429,052	2,606,810	177,757	7.3%
Investment Income and Interest	73,385,564	95,859,840	22,474,276	30.6%
Alcohol Beverage 2% Wholesale Tax	788,874	787,560	(1,315)	-0.2%
SUBTOTAL (ONGOING RECEIPTS)	\$ 673,543,355	\$ 663,616,641	\$ (9,926,714)	-1.5%
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	-	54,690	54,690	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 54,690	\$ 54,690	N/A
GRAND TOTAL	\$ 673,543,355	\$ 663,671,331	\$ (9,872,024)	-1.5%

Sales & Use Tax Growth *(RATE ADJUSTED)*





Council Discussion

S&P Global Forecast - US

	2019	2020	2021	2022	2023	2024 f	2025 f	2026 f	'13-'23 avg.
Real GDP Growth	2.6%	-2.2%	6.1%	2.5%	2.9%	2.7%	2.1%	1.8%	2.4%
Nonfarm Employment	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.8%	0.2%	1.4%
Personal Income	4.8%	6.8%	9.2%	3.1%	5.9%	5.7%	4.7%	5.1%	4.9%
Unemployment Rate	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.3%	4.5%	5.1%
CPI-U	1.8%	1.2%	4.7%	8.0%	4.1%	2.8%	2.0%	3.1%	2.6%

S&P Global Forecast - SD

	2019	2020	2021	2022	2023	2024 f	2025 f	2026 f	'13-'23 avg.
Real GDP Growth	1.1%	0.5%	5.2%	-0.5%	3.6%	0.4%	1.7%	2.6%	1.5%
Nonfarm Employment	0.6%	-3.3%	3.4%	2.8%	2.1%	1.2%	0.3%	0.4%	1.0%
Nonfarm Income	6.9%	7.5%	12.7%	4.1%	6.1%	5.0%	4.7%	5.0%	5.4%
Housing Starts	4,250	6,079	7,726	7,439	6,046	5,436	5,412	4,997	5,500
Unemployment Rate	2.8%	4.2%	2.6%	2.0%	2.0%	2.1%	2.4%	2.6%	3.0%

Other Discussion Items

- Next Meeting Date – late January/early February
- Other Comments
- Public Comments