

Governor's Council of Economic Advisors

February 6, 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

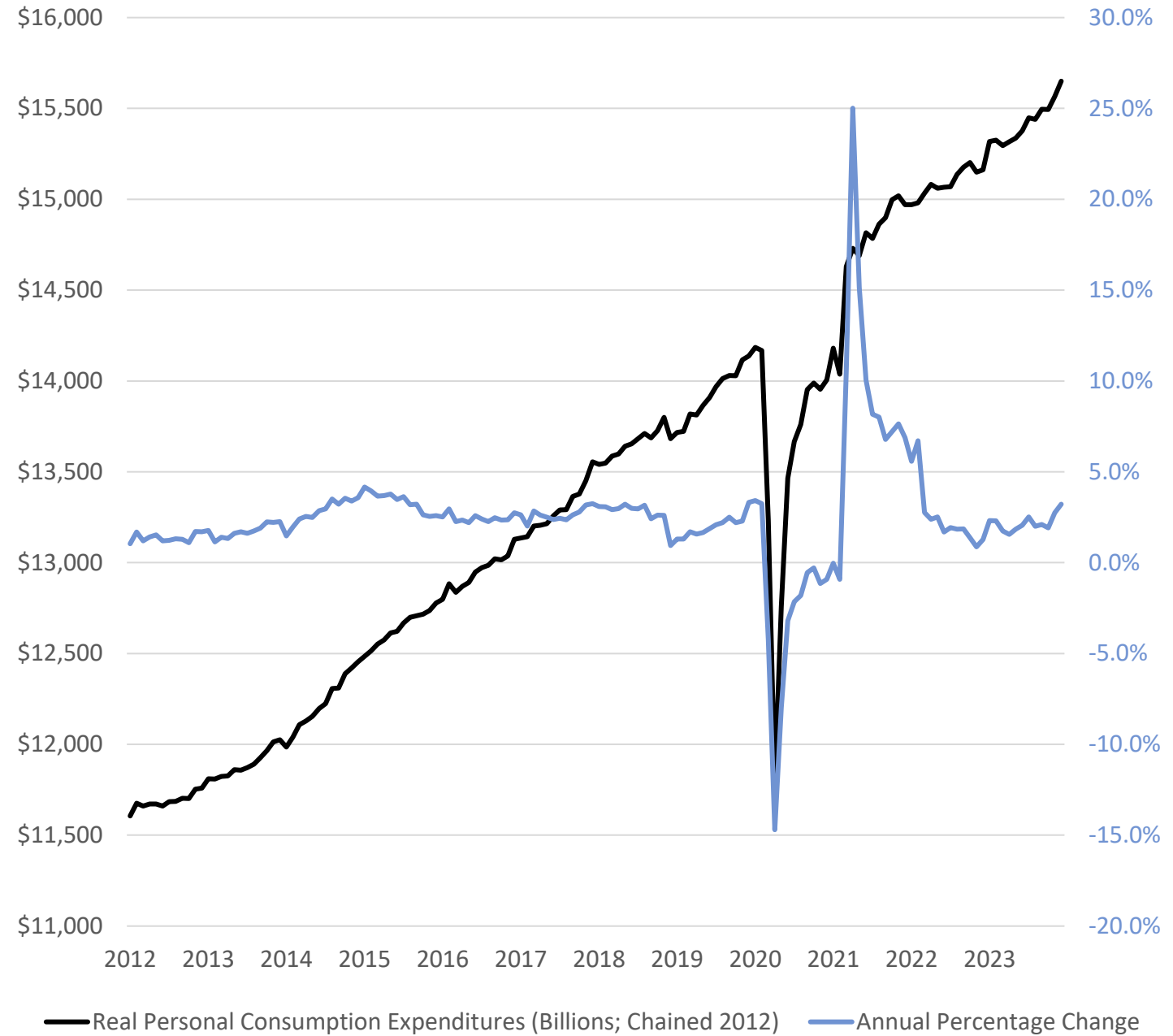
Consumption



- Real personal consumption expenditures increased from 0.8% in the second quarter to 3.1% in the third quarter and 2.2% in the fourth quarter.
- Tight labor markets and rising real wages have allowed consumers to maintain growth in spending.
- Real personal consumption expenditures grew 2.2% in 2023.
- Projected growth is at 1.8% in 2024 and 1.2% in 2025.

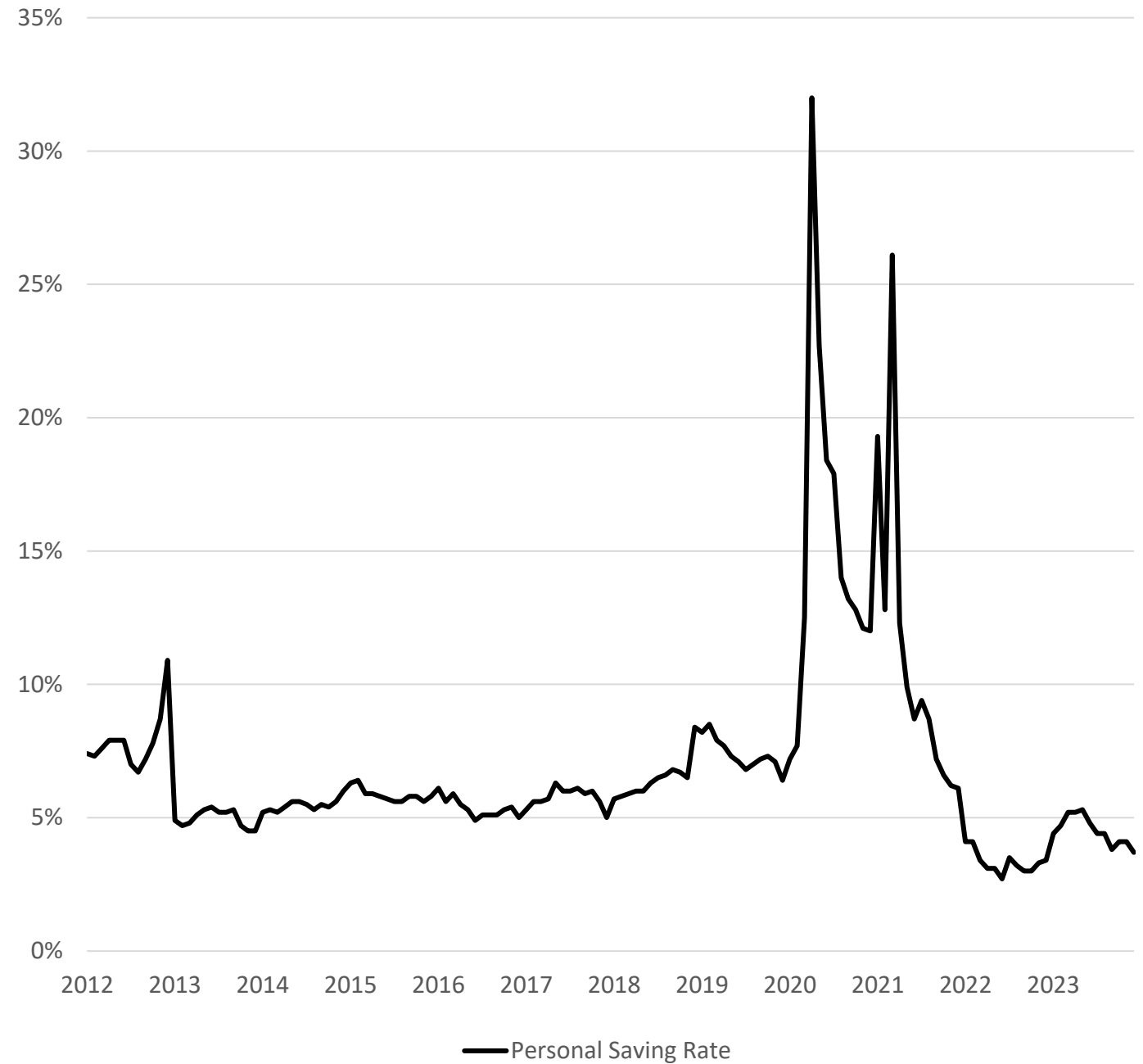


US Real Personal Consumption Expenditures



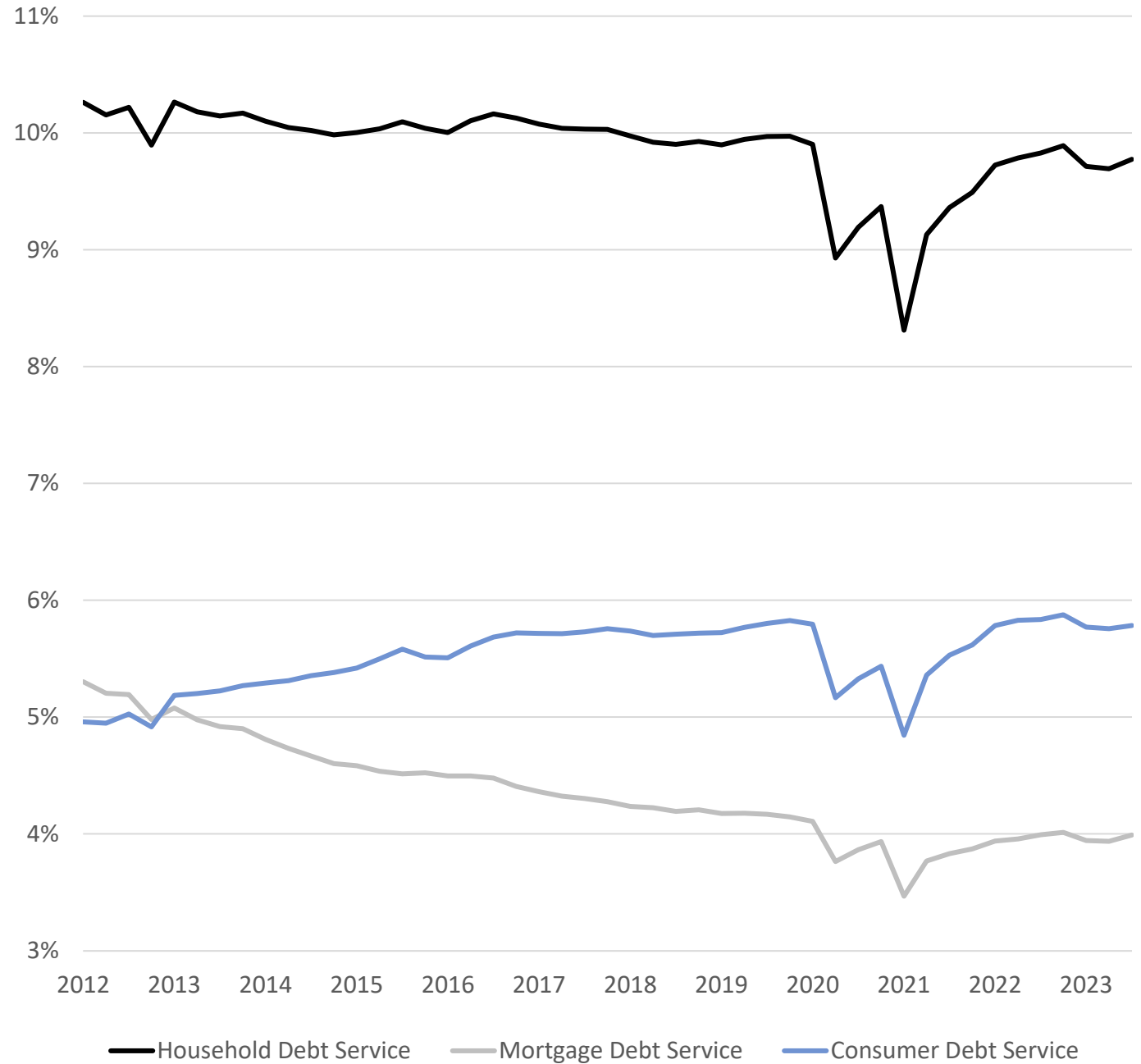


US Personal Saving Rate





US Household Debt Service Ratio





US Consumer Sentiment



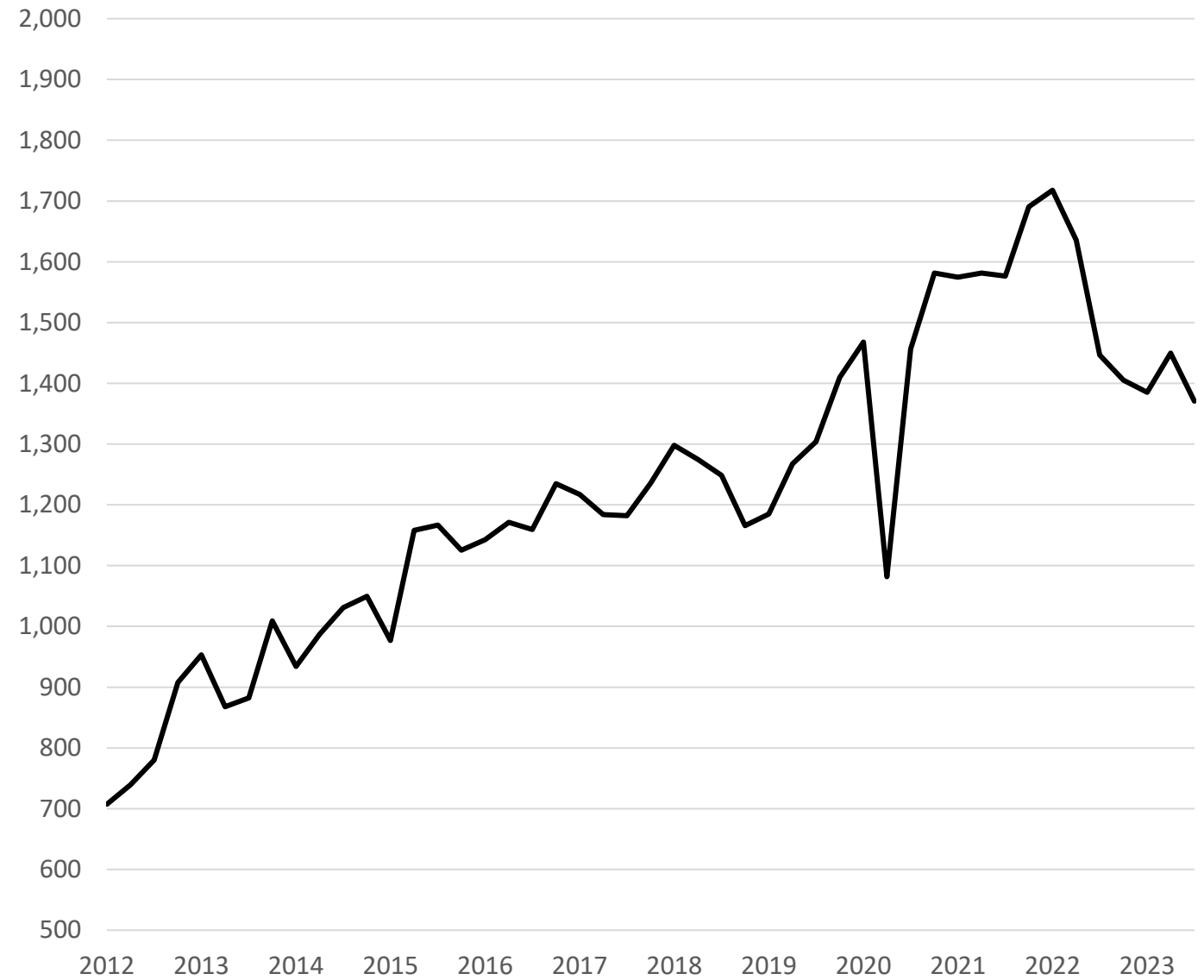
Investment



- Real business fixed investment is projected to slow from 4.5% in 2023 to 2.4% in 2024 and 1.8% in 2025.
- Residential investment finished 2023 at -1.8%. It is projected at 0.0% in 2024 and 1.7% in 2025.
- Housing starts are expected to slow from 1.41M in 2023 to 1.39M in 2024 and 1.37M in 2025.
- Inflation-adjusted home prices are estimated to have fallen 1.5% in 2023 before rising 2.3% in 2024 and 1.4% in 2025.



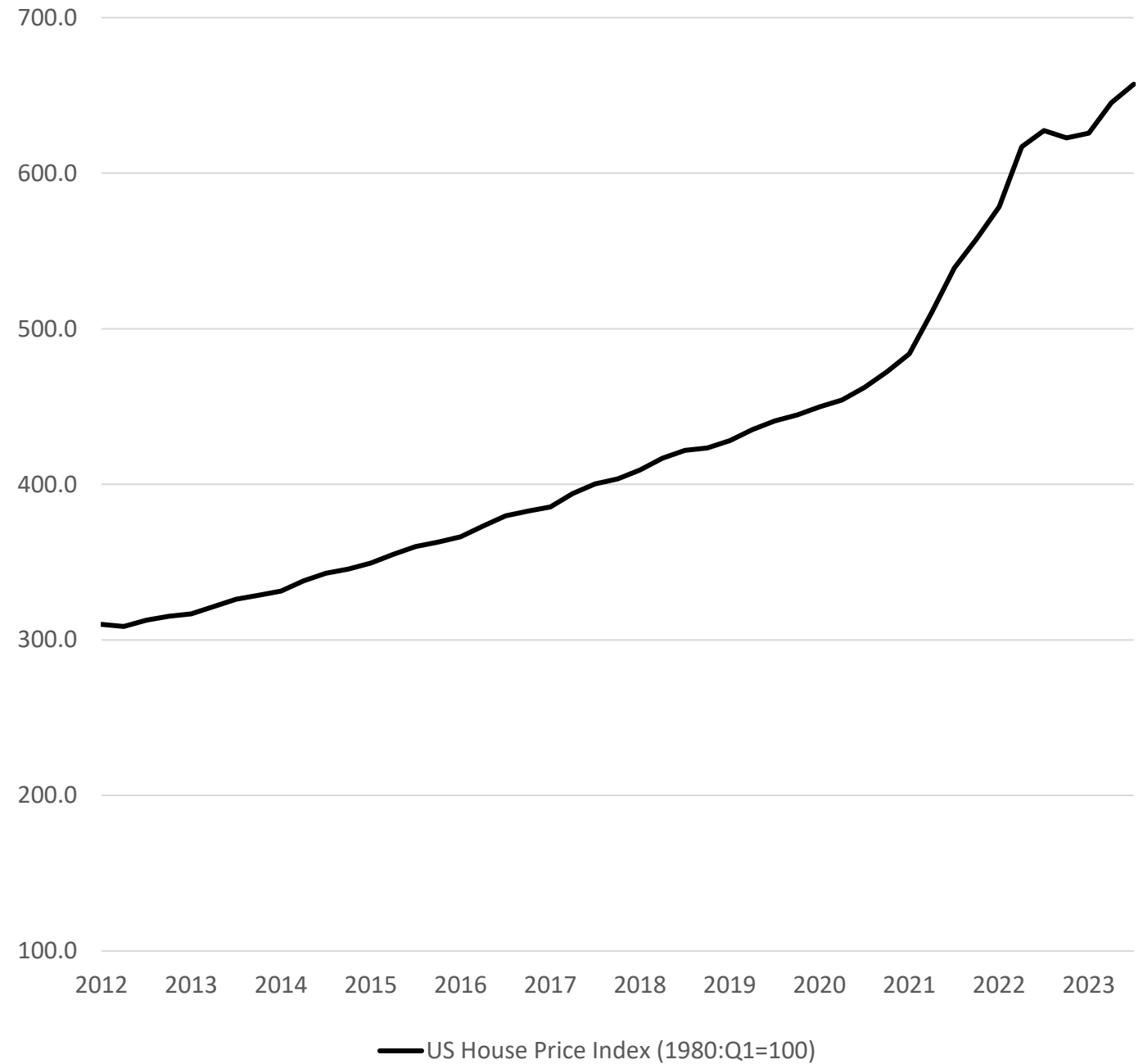
US Housing Starts



— Housing Starts (thousands - annual rate)



Home Price

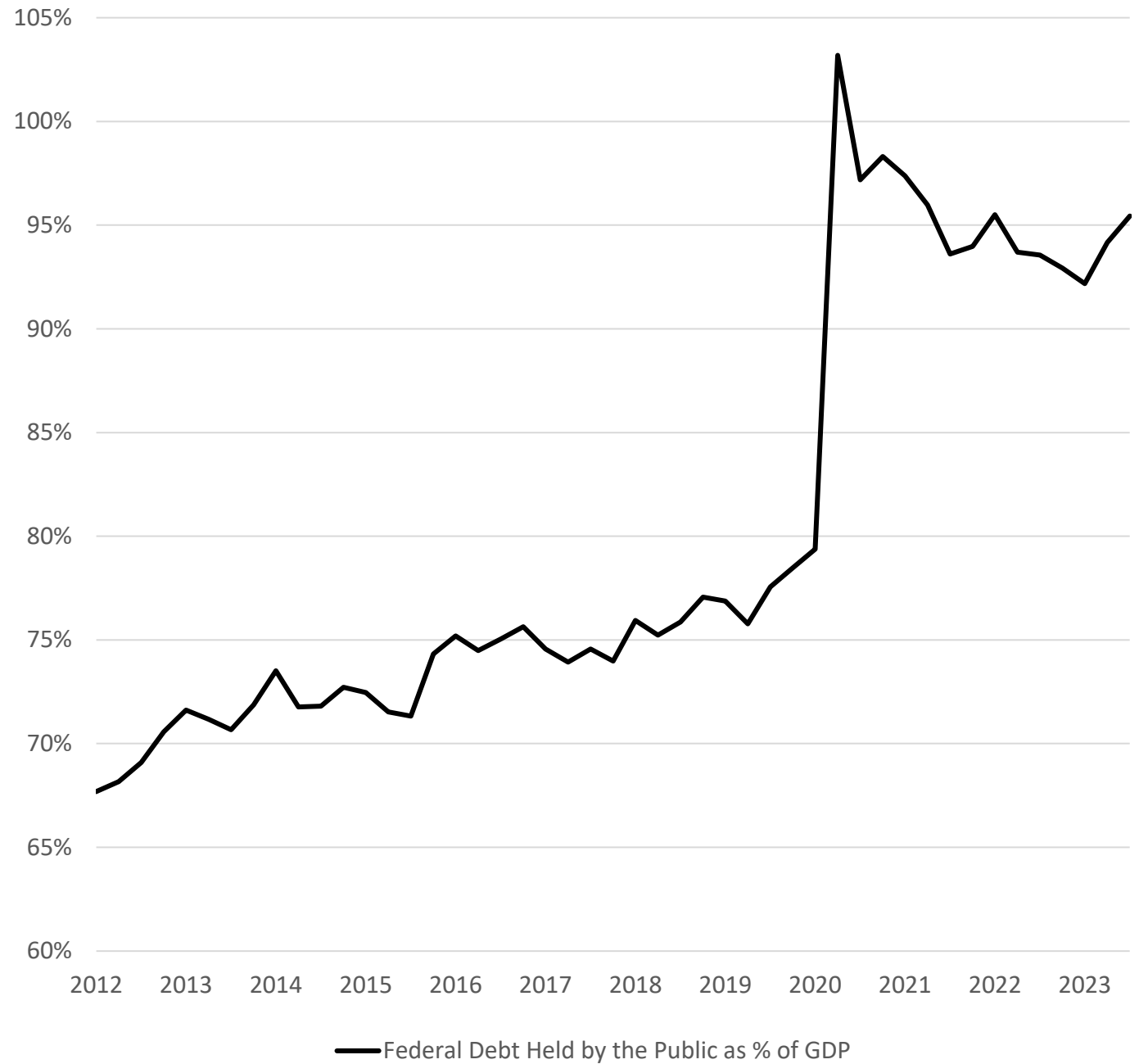


Federal Fiscal Picture

- The debt ceiling is suspended through 2024 but is assumed to be raised before then in the forecast.
- The pandemic-era 6.2% enhancement to the Federal Medical Assistance Percentage was phased out in 2023.
- Student loan forbearance ended August 31st, and principal payments resume October 1st.
- Federal Open Market Committee has held the target federal funds rate at 5.25-5.50%.
- Forecast is for policy rate to decrease 25 basis points (5.00-5.25%) in March.

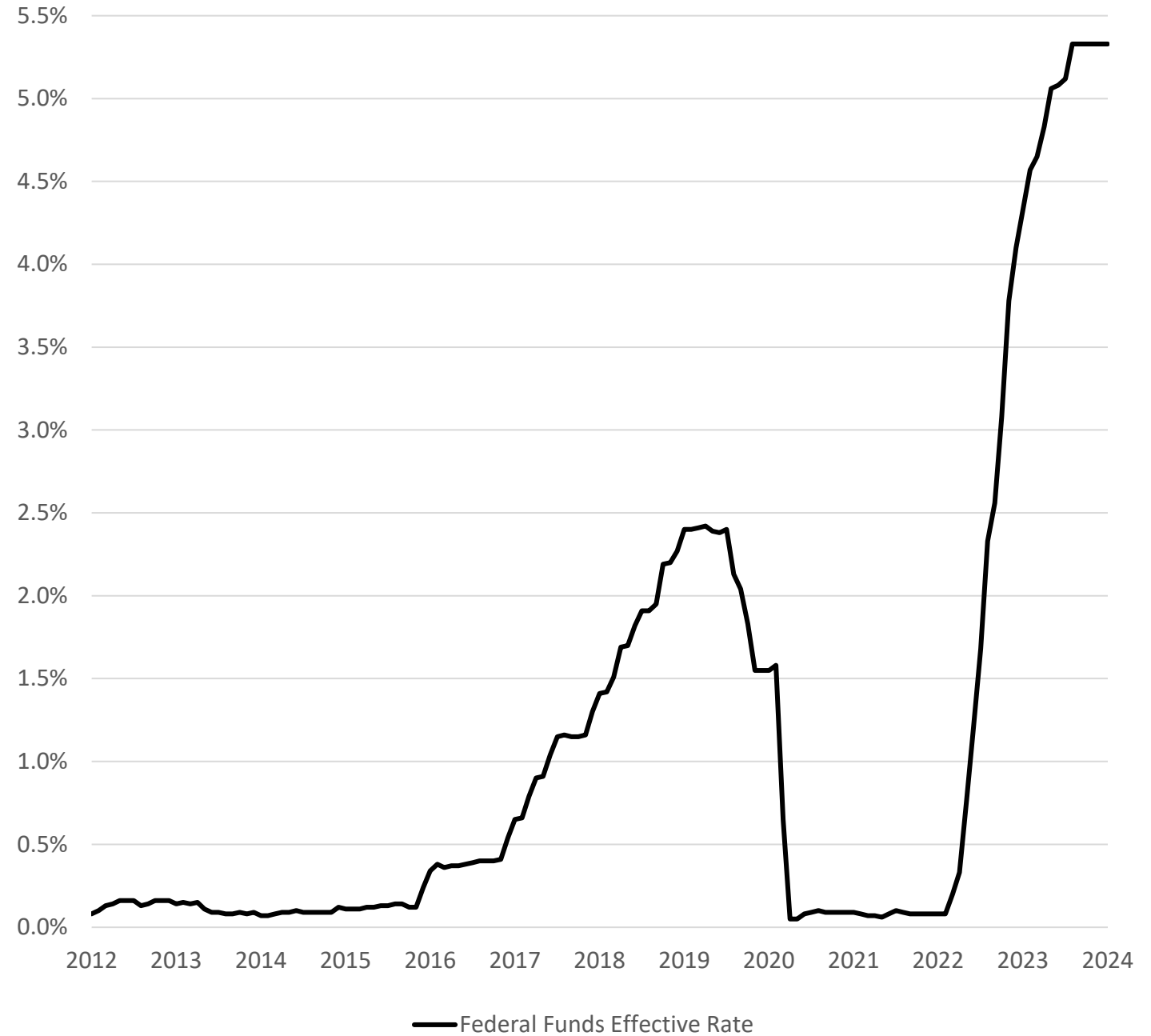


Debt Held by Public





Interest Rates



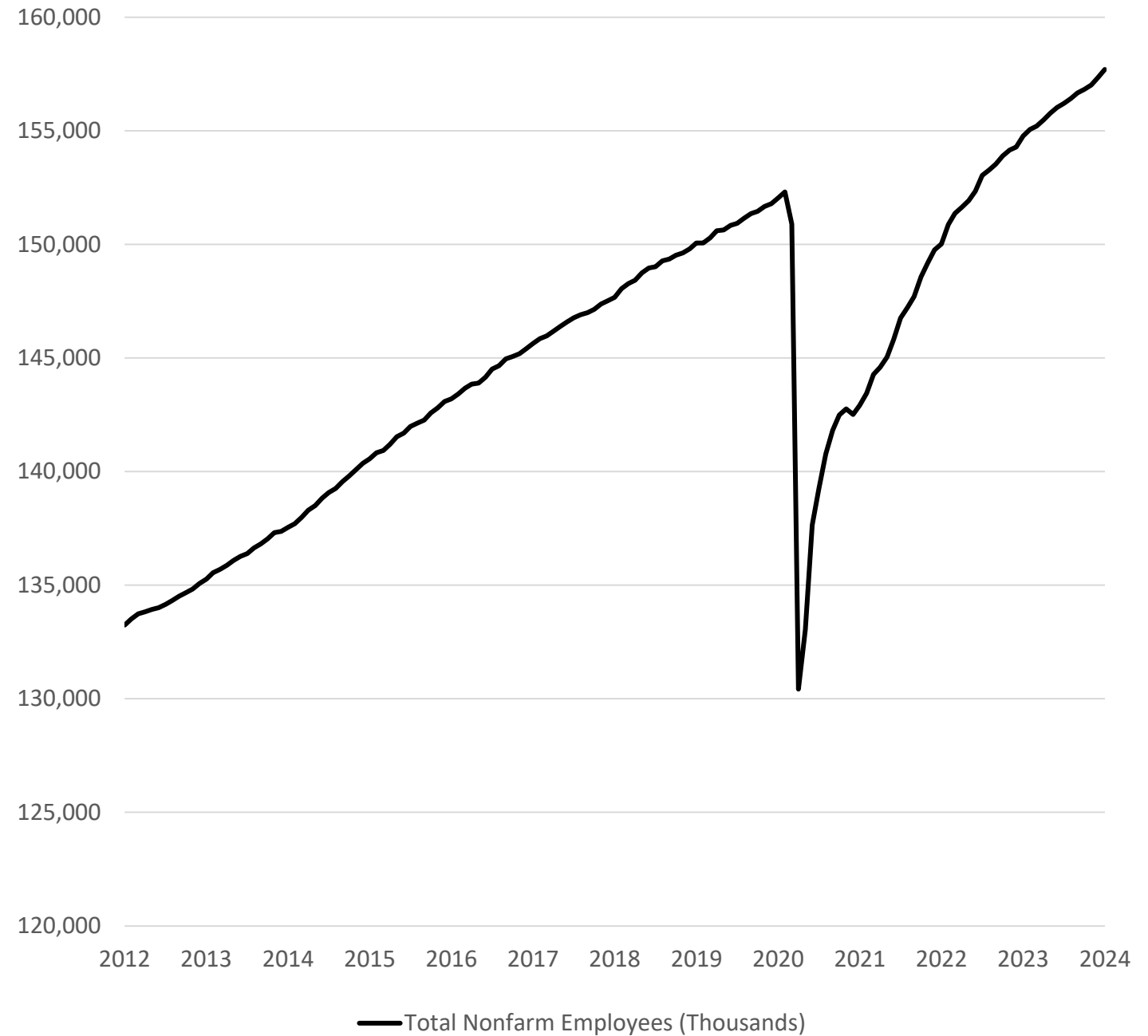
Employment and Unemployment



- Nonfarm payroll employment rose 353k in January – spikes in both December and January from the Fall figures.
- Employment growth projected to slow from 2.3% in 2023 to 0.8% in 2024 and 0.2% in 2025.
- The unemployment rate was at 3.7% in December.
- Unemployment rate finished 2023 at 3.6%. Projections are 4.0% in 2024 and 4.1% in 2025.
- Wage growth is projected to come down to a rate more consistent with long-term 2% inflation.

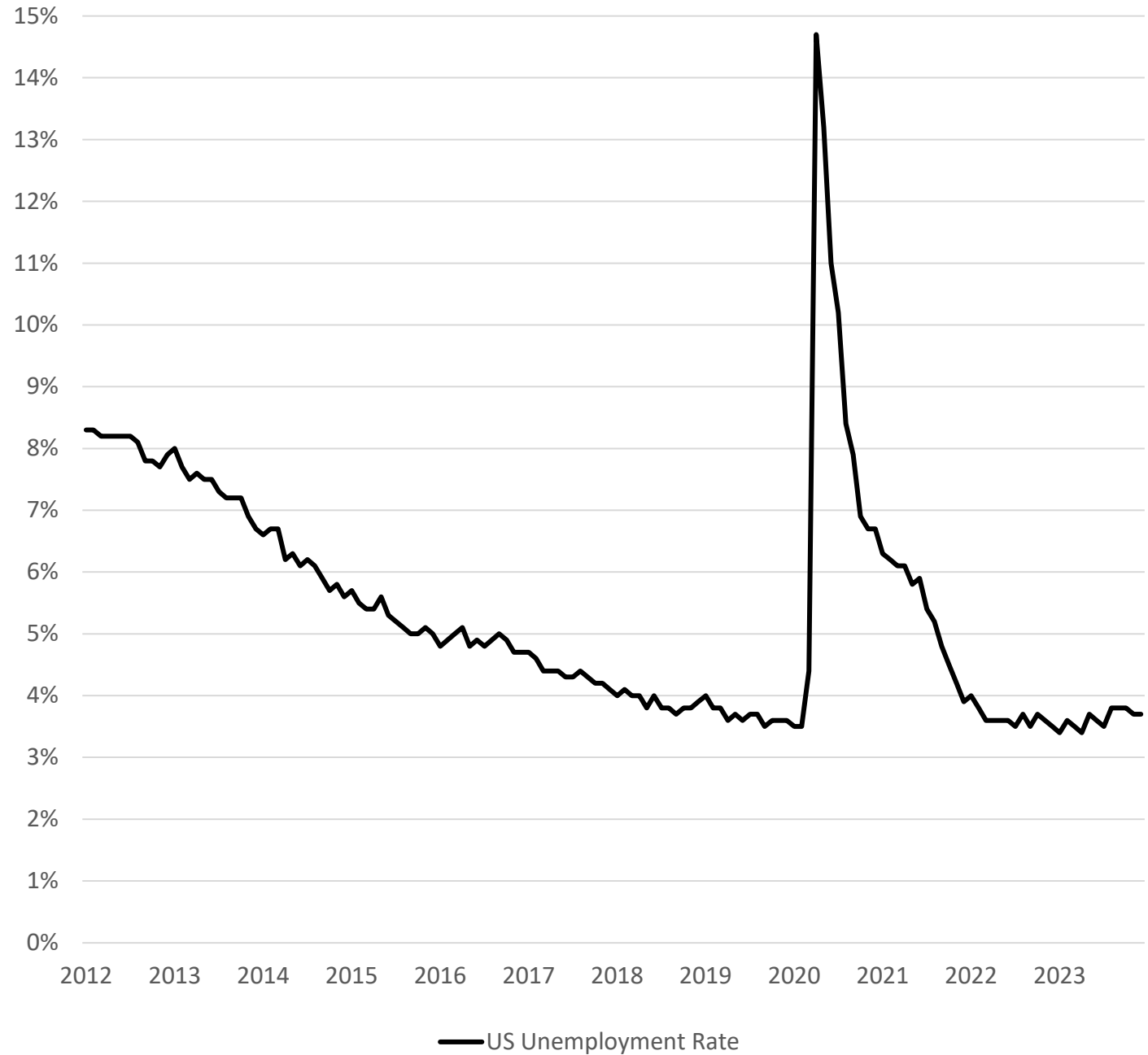


US Employment Growth





US Unemployment Rate



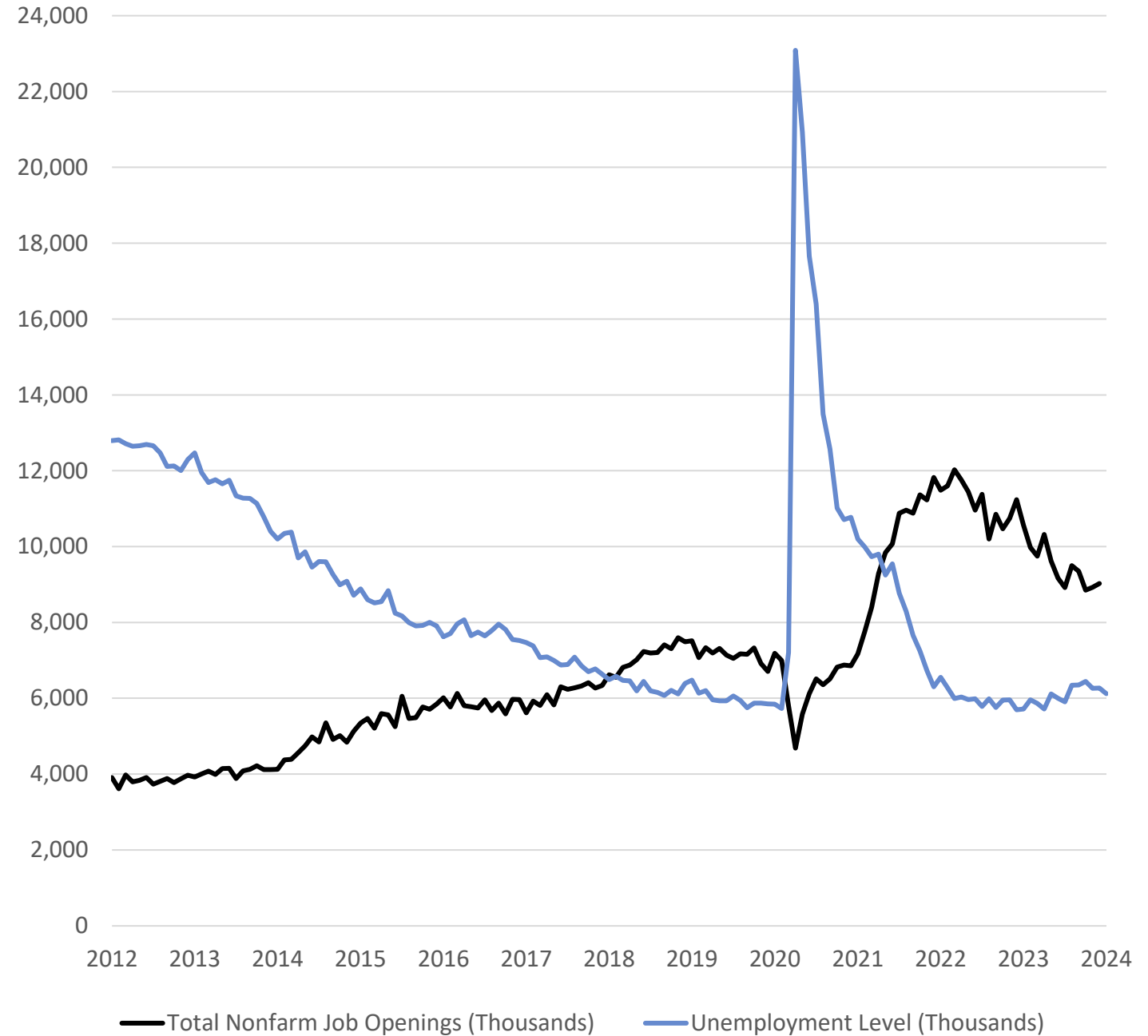


US Labor Force Participation Rate





US Job Openings vs. Unemployed



Inflation



- CPI rose 4.1% in 2023. Forecast is for 2.7% in 2024 and 2.0% in 2025.
- PPI on finished goods rose 1.6% in 2023. Forecast is for 0.7% in 2024 and 0.9% in 2025.
- Brent Crude spot price is forecast to decrease from \$83 in 2023 and 2024 to \$76 in 2025.



Inflation: CPI



S&P Global Forecast - US

	2018	2019	2020	2021	2022	2023 f	2024 f	2025 f	'12-'22 avg.
Real GDP Growth	3.0%	2.5%	-2.2%	5.8%	1.9%	2.4%	1.7%	1.5%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	0.8%	0.2%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%	4.7%	5.0%	4.6%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.1%	5.5%
CPI-U	2.4%	1.8%	1.3%	4.7%	8.0%	4.1%	2.7%	2.0%	2.4%

S&P Global Alternate Scenarios - US

Optimistic Scenario (15% probability)				Pessimistic Scenario (30% probability)		
	2024 f	2025 f		2024 f	2025 f	'12-'22 avg.
Real GDP Growth	2.4%	2.0%		0.8%	1.2%	2.3%
Nonfarm Employment	1.2%	0.2%		-0.7%	-0.7%	1.4%
Personal Income	5.6%	5.4%		4.0%	4.0%	4.6%
Unemployment Rate	3.7%	3.9%		5.5%	6.1%	5.5%
CPI-U	3.1%	2.4%		3.7%	2.0%	2.4%

SD Forecast

Employment

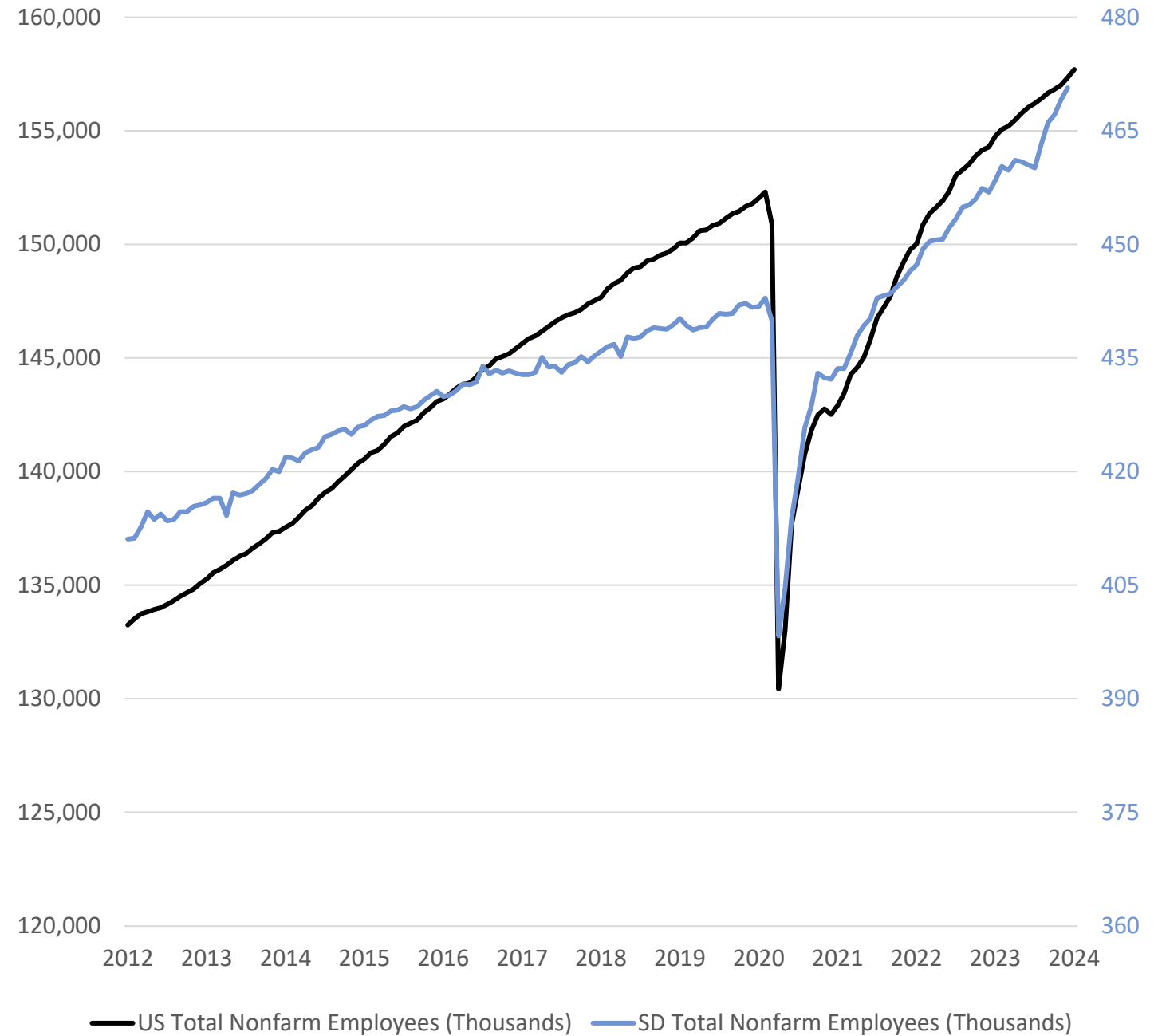
Housing

Personal Income

Tourism

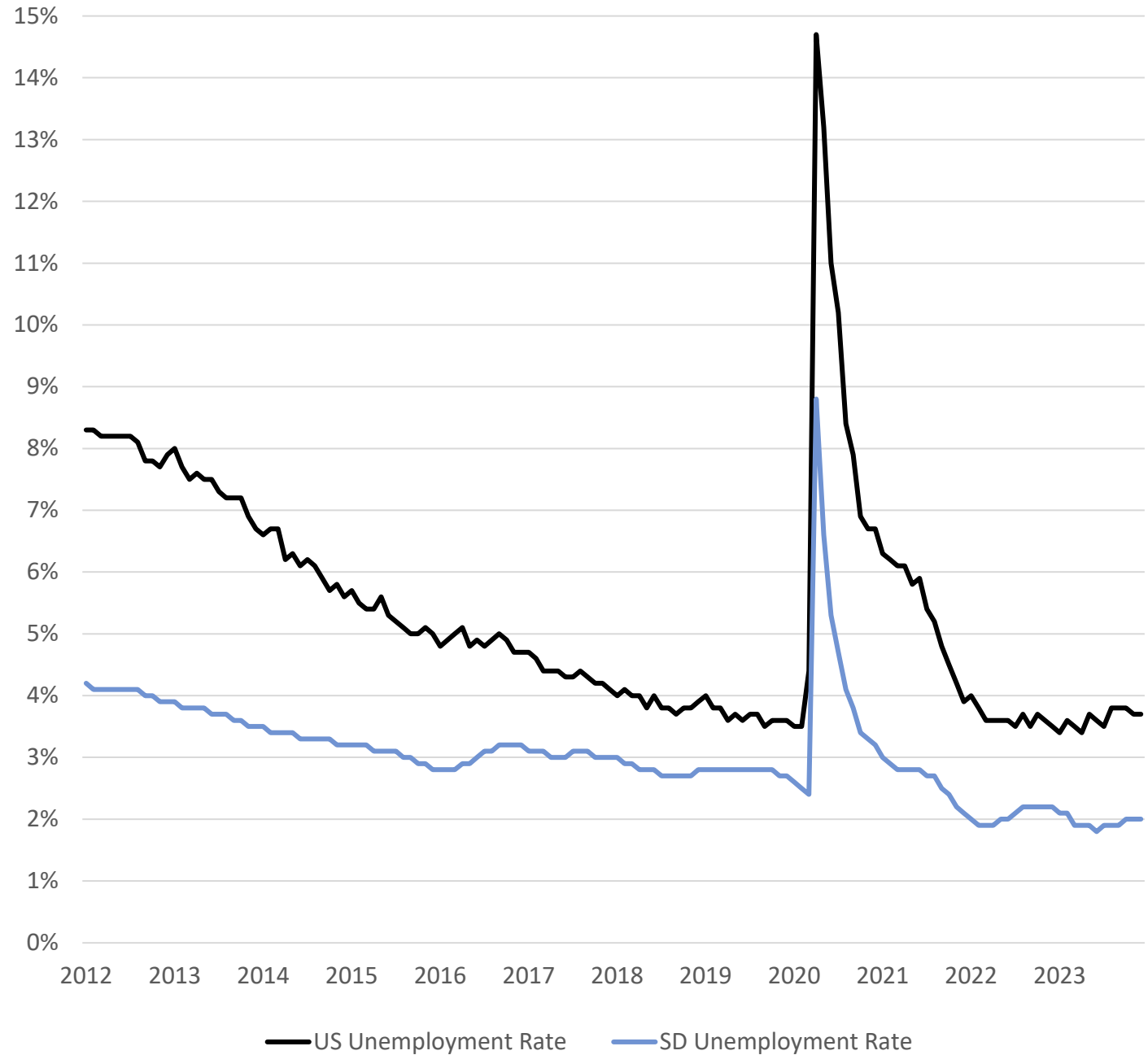


Employment Growth



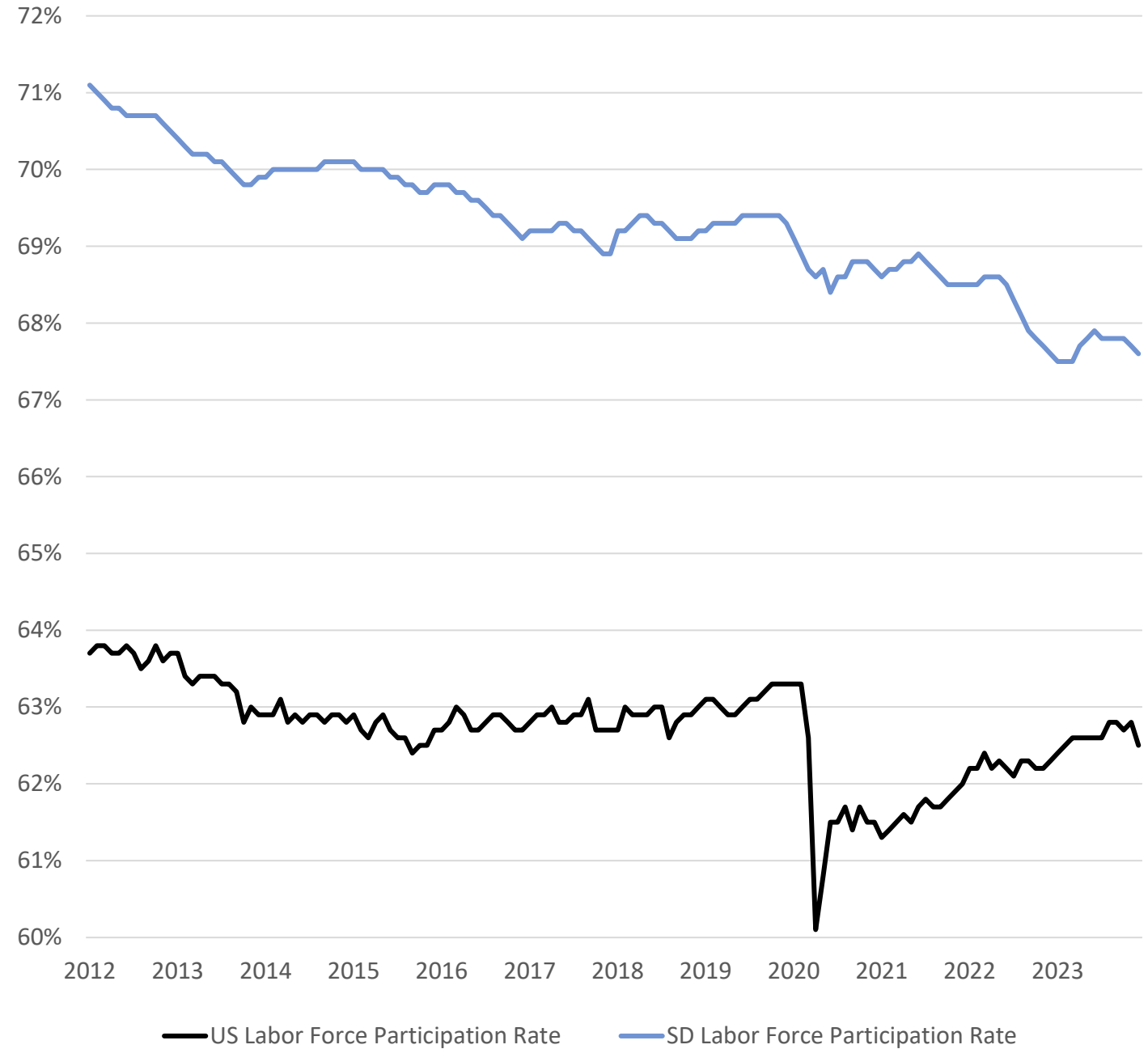


Unemployment Rate



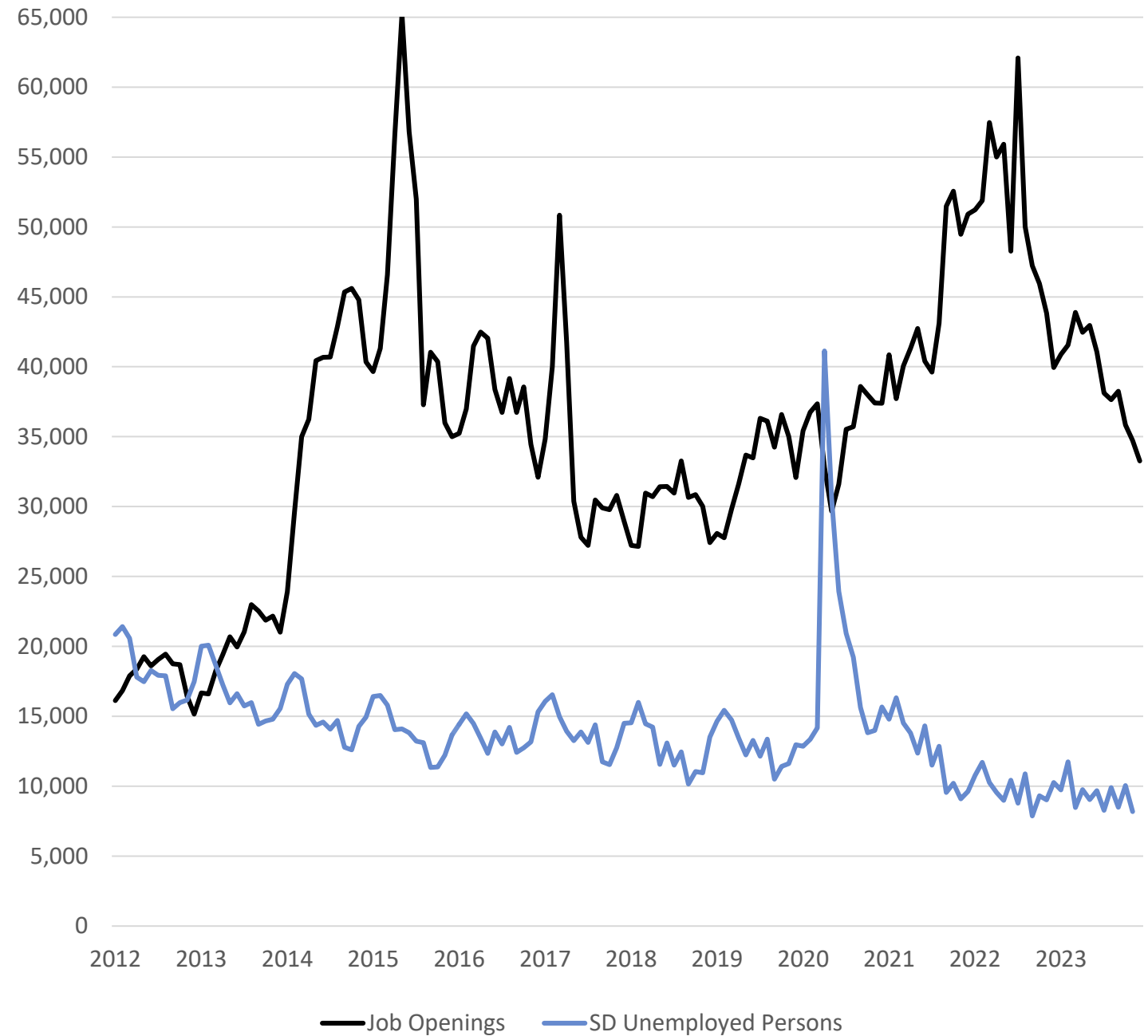


Labor Force Participation Rate



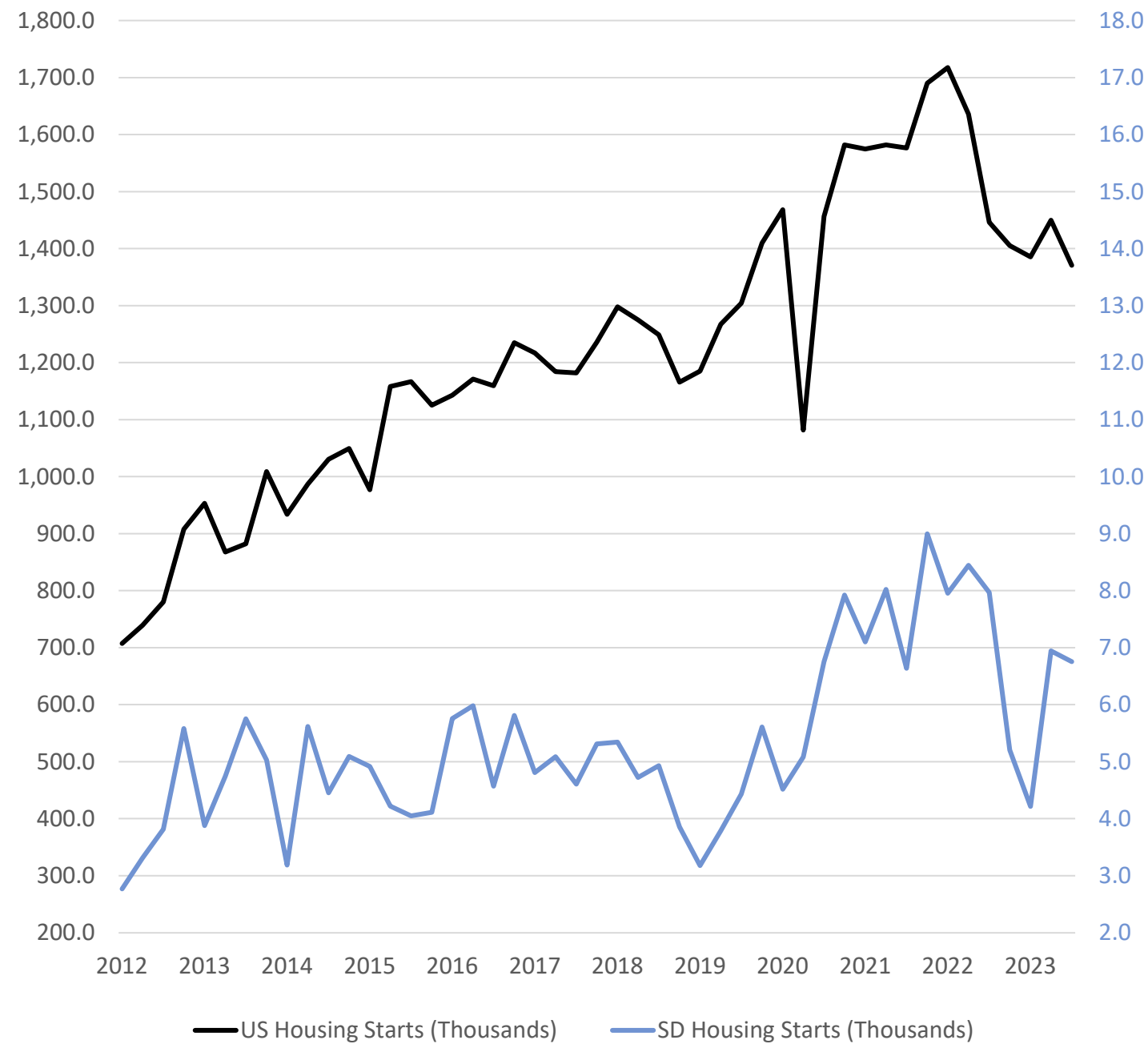


SD Job Openings vs. Unemployed



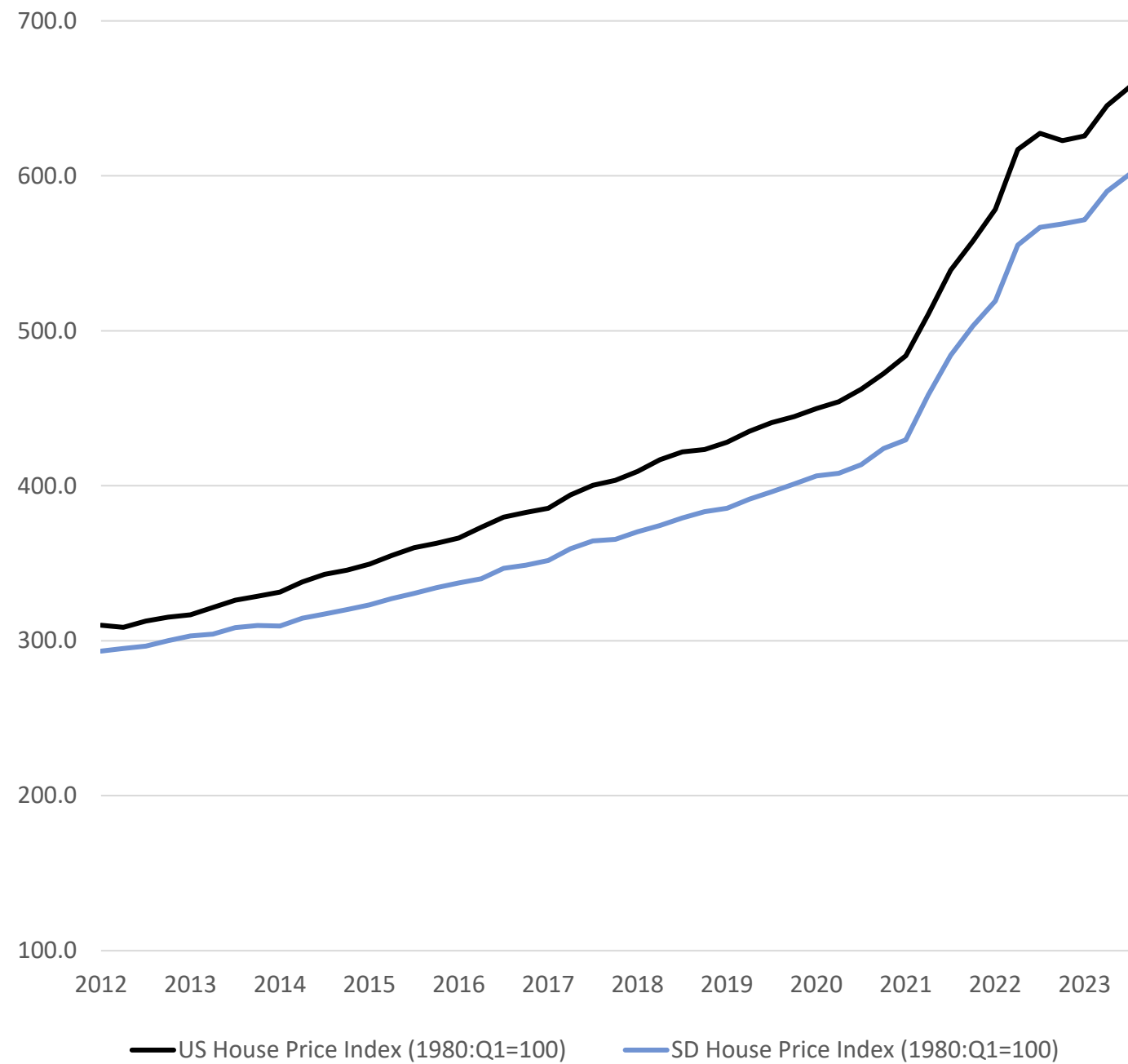


Housing Starts



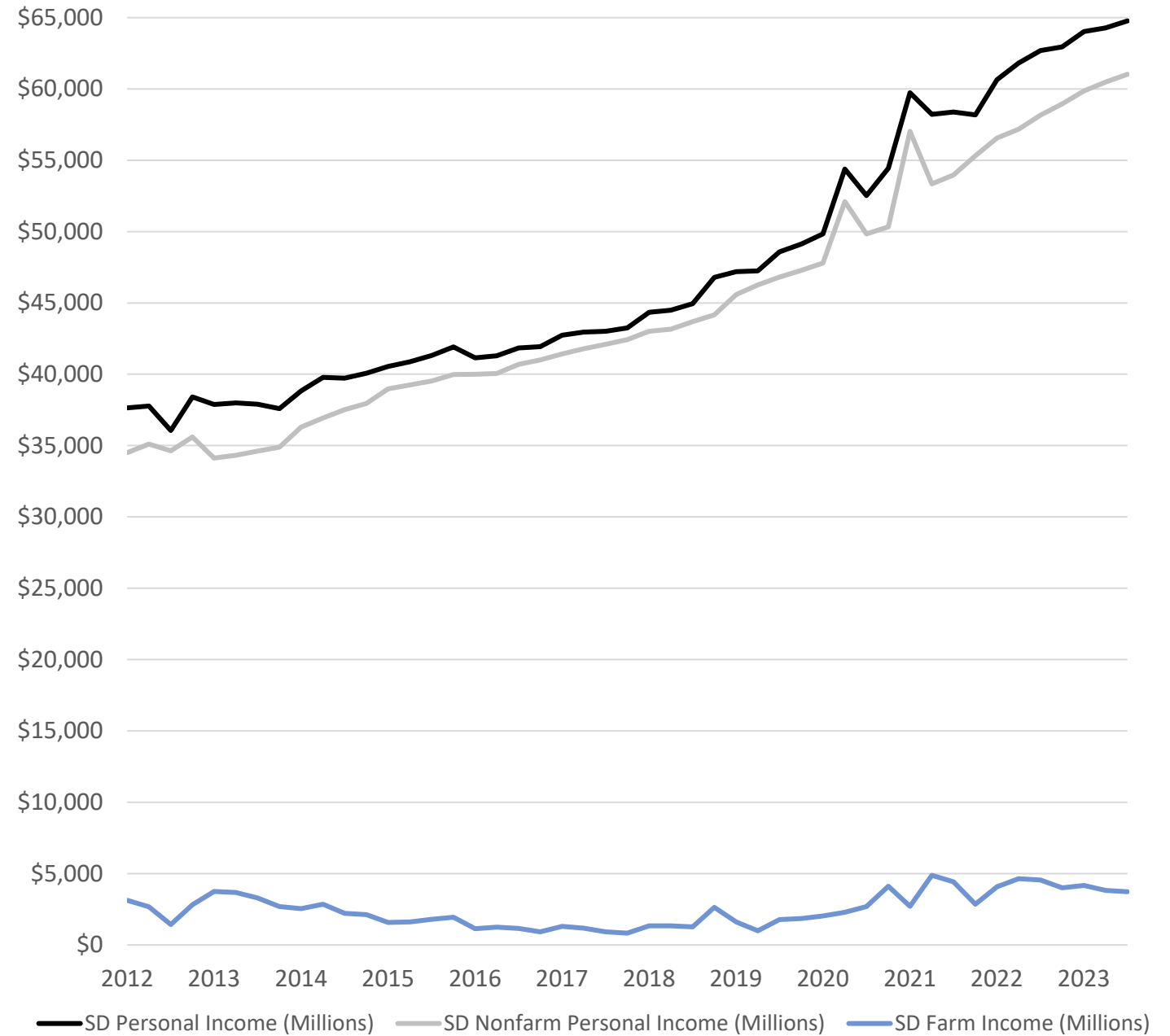


Home Price



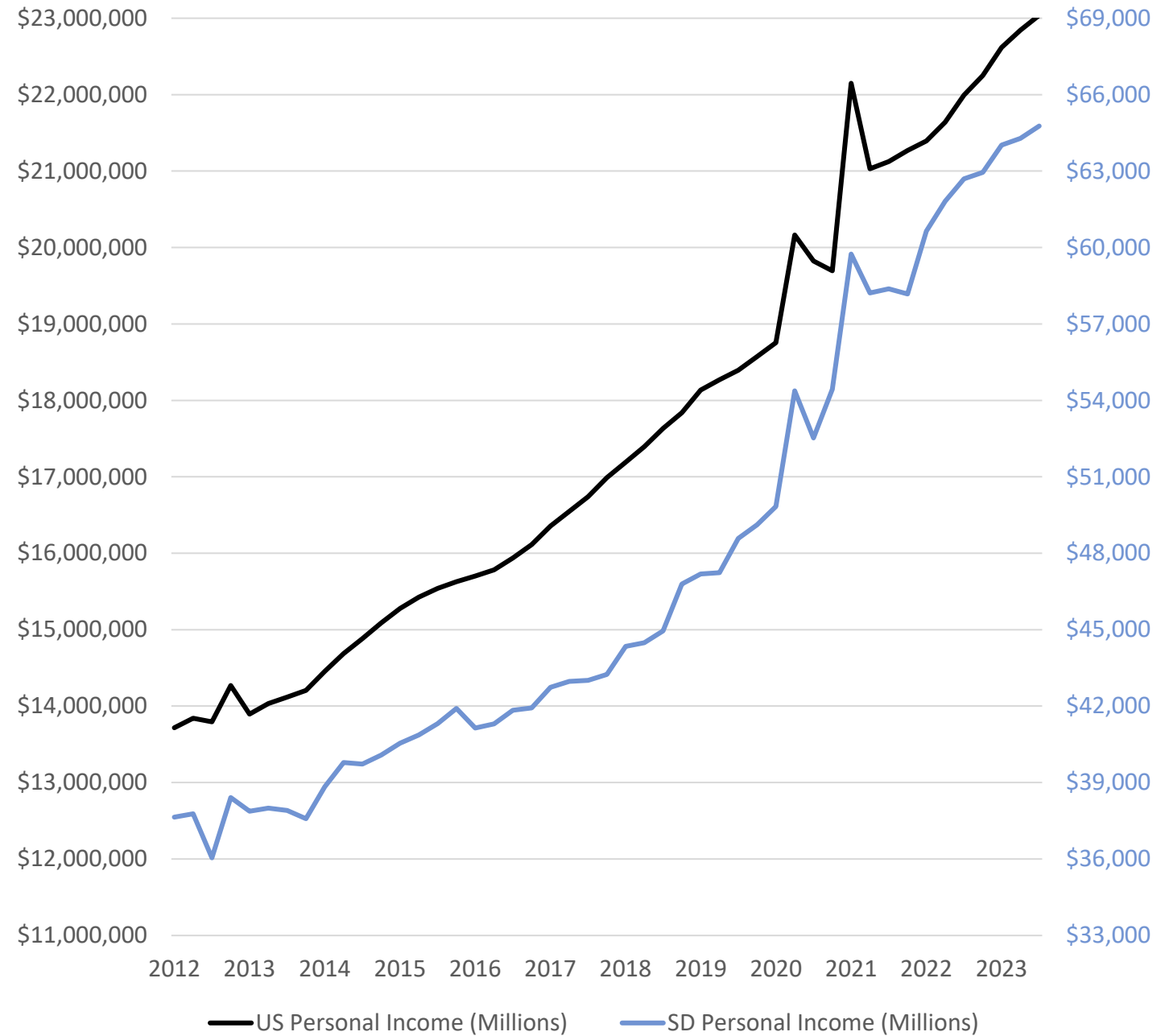


Personal Income



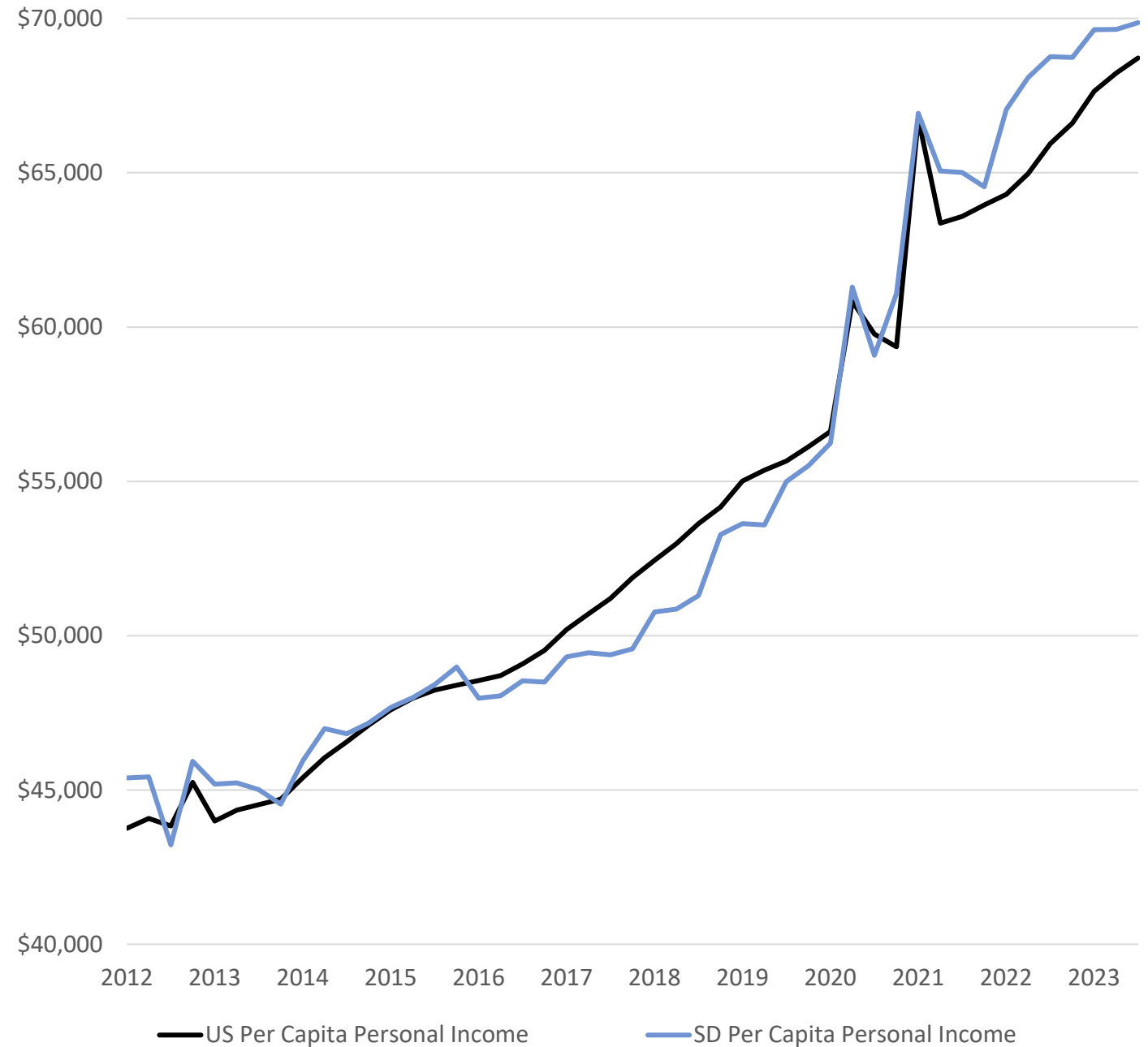


Personal Income



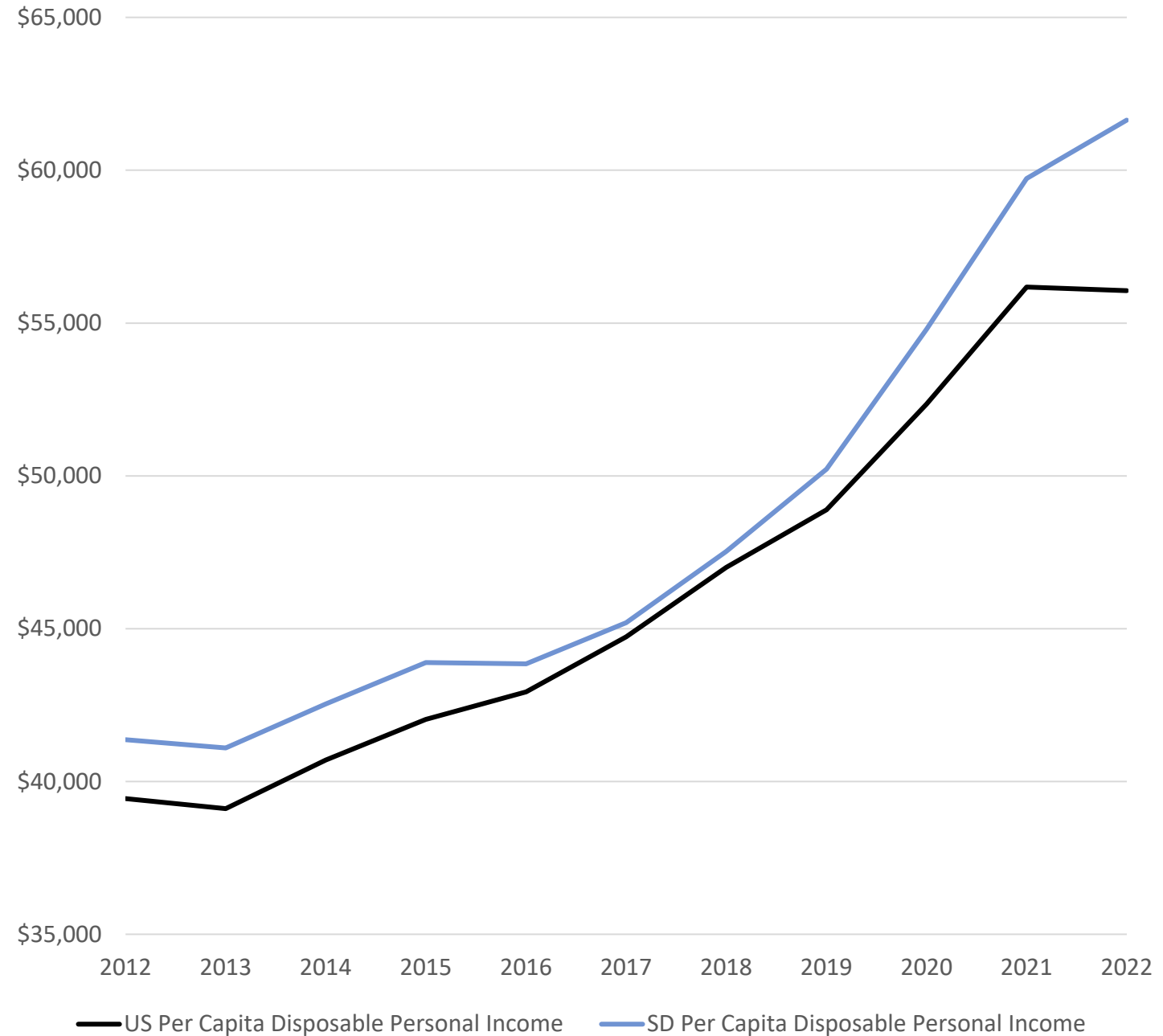


Per Capita Personal Income



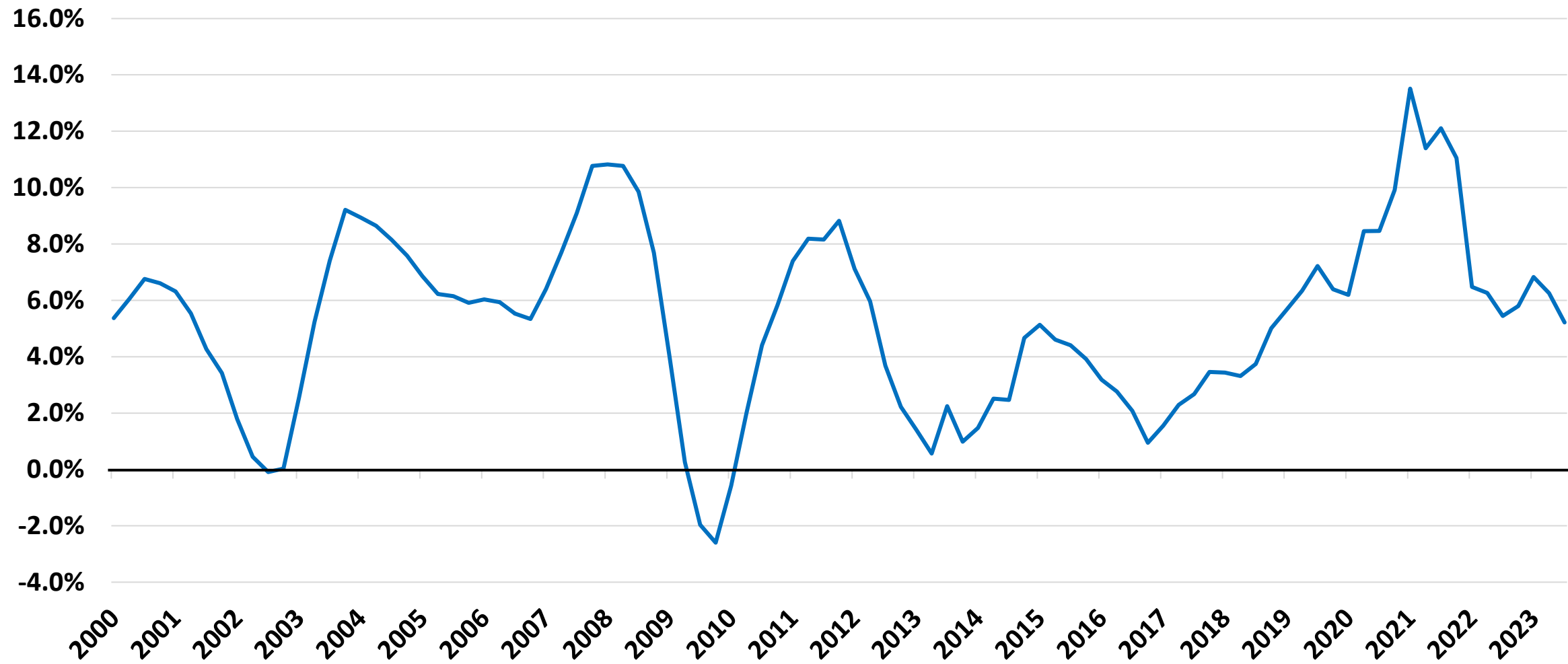


Per Capita Disposable Personal Income

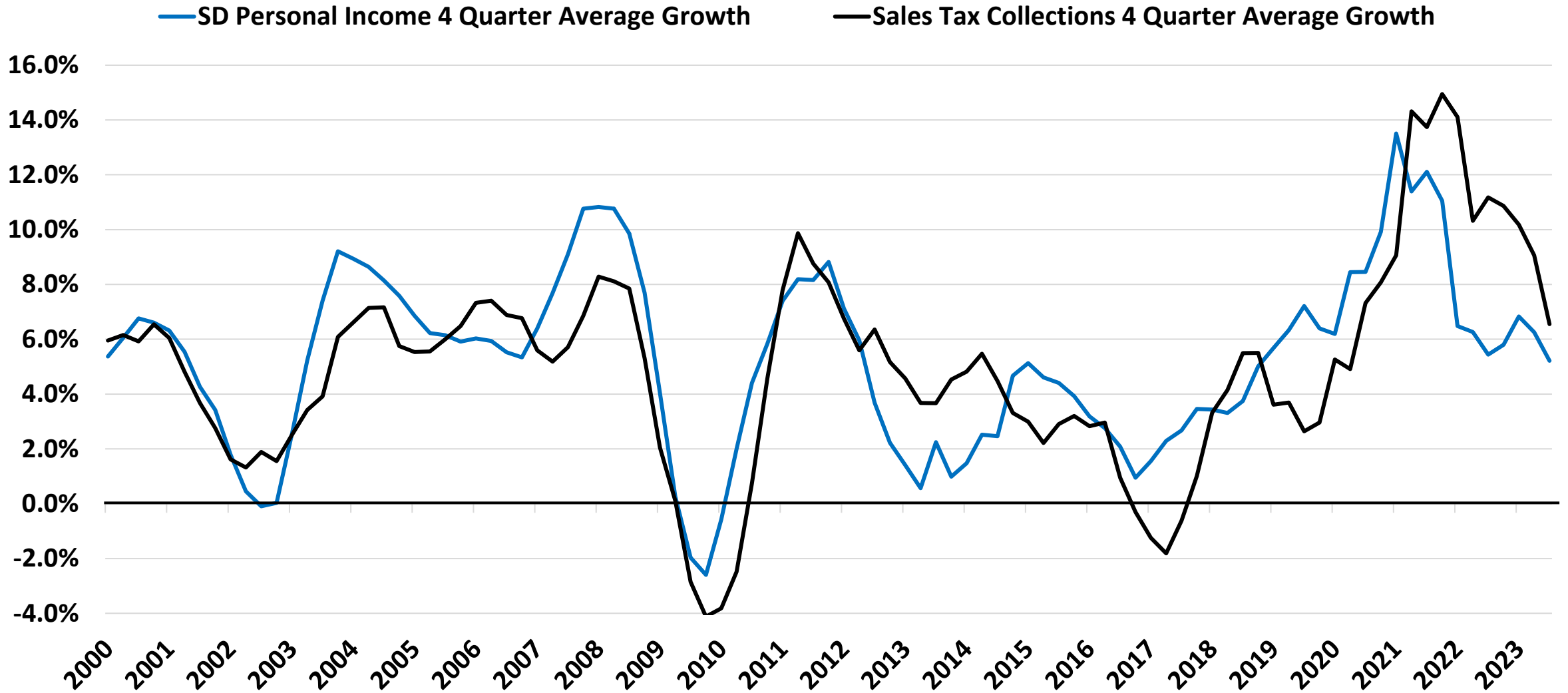


SD Personal Income

SD Personal Income 4 Quarter Average Growth

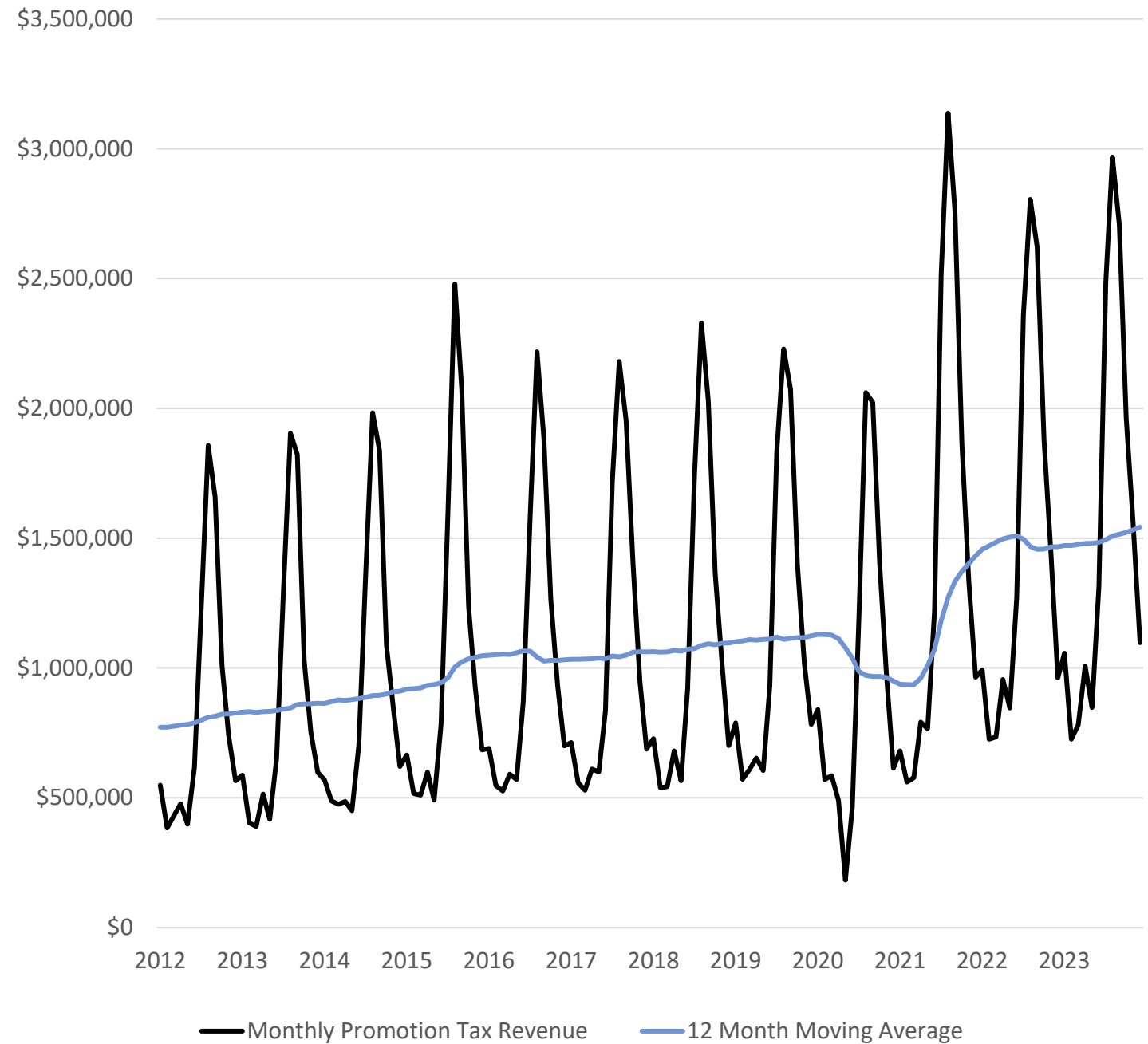


SD Personal Income vs. Sales Tax Collections



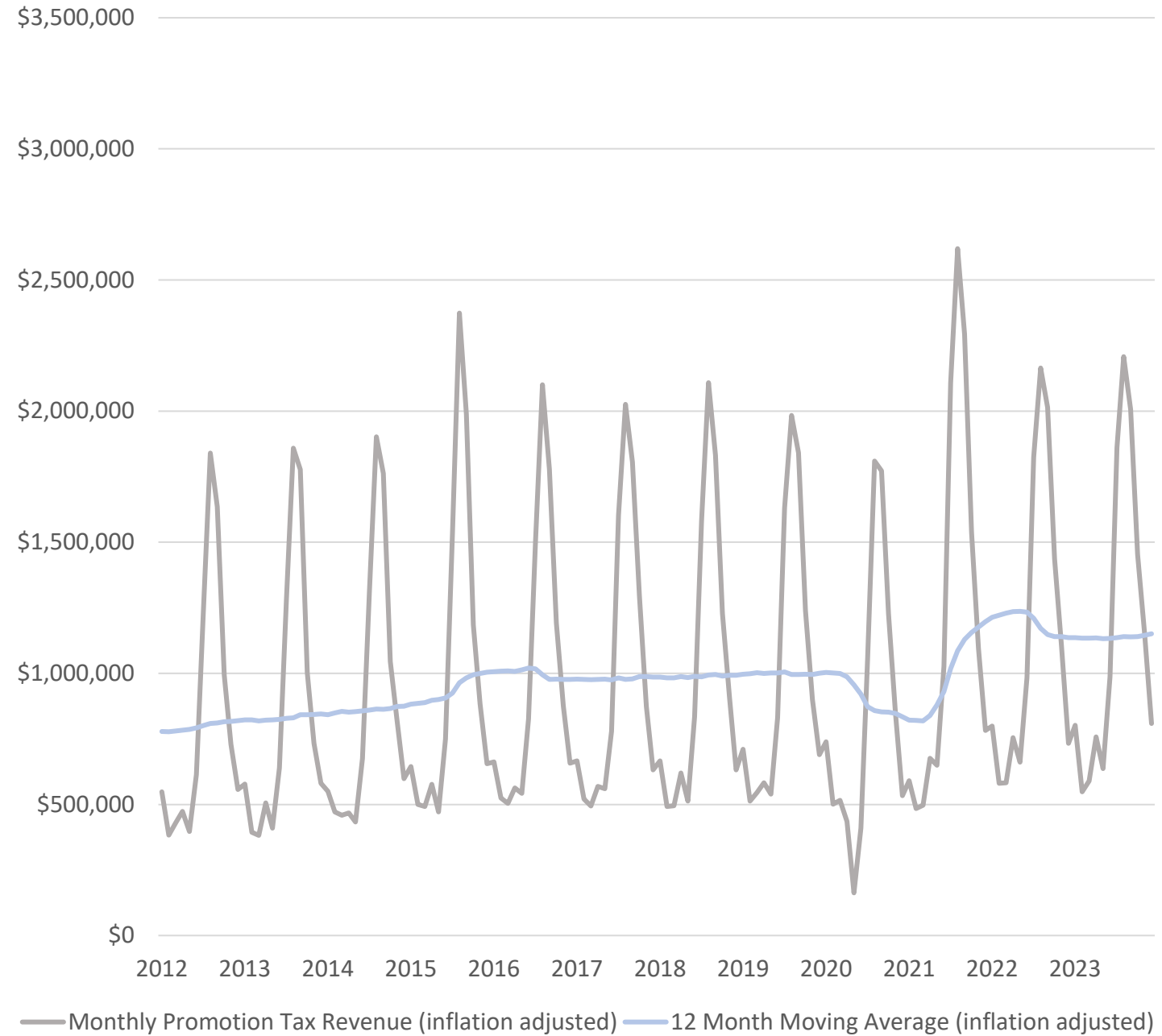


SD Tourism Promotion Tax Collections





SD Tourism Promotion Tax Collections (inflation adjusted)



S&P Global Forecast - SD

	2018	2019	2020	2021	2022	2023 f	2024 f	2025 f	'12-'22 avg.
Real GDP Growth	0.7%	0.8%	0.6%	4.6%	-0.3%	2.5%	2.3%	1.3%	1.2%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.2%	1.4%	0.1%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.4%	5.2%	5.0%	5.3%
Housing Starts	4,713	4,251	6,070	7,689	7,392	6,462	6,615	5,273	5,294
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.1%	2.0%	2.3%	2.6%	3.2%

**Actual Revenue FY2023 vs. Actual Revenue FY2024
Year-To-Date Through JANUARY FY2024 Comparison**



	Actual JANUARY YTD FY2023	Actual JANUARY YTD FY2024	DOLLAR CHANGE	YTD GROWTH OVER FY2023
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	922,513,406	898,336,035	(24,177,371)	-2.6%
Lottery	98,403,550	99,707,120	1,303,571	1.3%
Net Contractor's Excise Tax	128,339,830	145,980,792	17,640,962	13.7%
Insurance Company Tax	67,119,635	74,004,806	6,885,171	10.3%
Unclaimed Property Receipts	83,394,283	144,509,851	61,115,568	73.3%
Licenses, Permits, and Fees	26,451,668	25,264,669	(1,186,998)	-4.5%
Tobacco Taxes	30,000,000	28,580,257	(1,419,744)	-4.7%
Trust Funds	31,890,322	33,665,904	1,775,583	5.6%
Net Transfers In (excluding one-time)	13,378,315	15,968,193	2,589,877	19.4%
Alcohol Beverage Tax	4,783,376	4,871,009	87,633	1.8%
Bank Franchise Tax	4,617,975	4,445,966	(172,009)	-3.7%
Charges for Goods and Services	7,296,148	7,655,695	359,547	4.9%
Telecommunications Tax	1,224,655	1,038,670	(185,985)	-15.2%
Severance Taxes	4,605,166	8,843,879	4,238,712	92.0%
Investment Income and Interest	13,761,991	48,987,099	35,225,108	256.0%
Alcohol Beverage 2% Wholesale Tax	1,812,776	1,910,038	97,263	5.4%
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,439,593,095	\$ 1,543,769,982	\$ 104,176,887	7.2%
ONE-TIME RECEIPTS				
One-Time Sales and Use Tax*	-	12,319,527	12,319,527	N/A
Bank Franchise Tax Prior Year Revenue	692,349	727,097	34,748	5.0%
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 692,349	\$ 13,046,624	\$ 34,748	1784.4%
GRAND TOTAL	\$ 1,440,285,444	\$ 1,556,816,606	\$ 116,531,162	8.1%

NOTES

* The state sales tax rate was decreased from 4.5% to 4.2% on July 1st. However, July sales tax collections were from June sales. The additional 0.3% was noted as a one-time receipt in July in the amount of \$9.7M. Also included is \$2.6M in January due to a large audit.

Governor's Revised FY2024 Estimate (Nov. 2023) vs. Actual Revenues
Year-To-Date Through JANUARY FY2024 Comparison

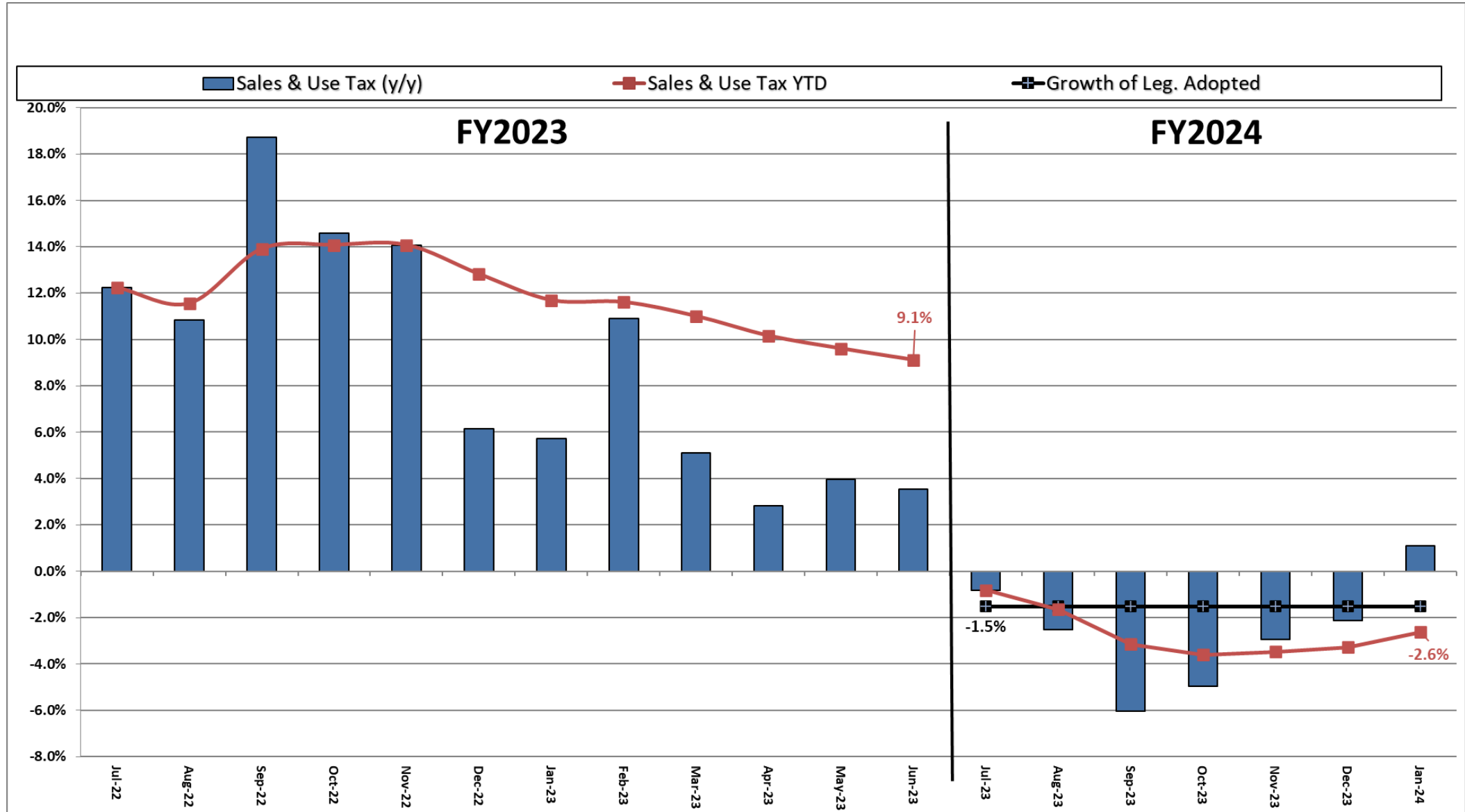


	Gov. Revised JANUARY YTD FY2024	Actual JANUARY YTD FY2024	DOLLAR CHANGE	YTD % Chg. Actual/Revised Comparison
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	892,604,137	898,336,035	5,731,898	0.6%
Lottery	98,374,821	99,707,120	1,332,299	1.4%
Net Contractor's Excise Tax	142,888,666	145,980,792	3,092,126	2.2%
Insurance Company Tax	75,968,894	74,004,806	(1,964,088)	-2.6%
Unclaimed Property Receipts	130,616,977	144,509,851	13,892,874	10.6%
Licenses, Permits, and Fees	27,328,182	25,264,669	(2,063,513)	-7.6%
Tobacco Taxes	28,857,471	28,580,257	(277,215)	-1.0%
Trust Funds	33,665,904	33,665,904	0	0.0%
Net Transfers In (excluding one-time)	15,346,042	15,968,193	622,151	4.1%
Alcohol Beverage Tax	4,958,633	4,871,009	(87,624)	-1.8%
Bank Franchise Tax	4,381,476	4,445,966	64,491	1.5%
Charges for Goods and Services	6,957,358	7,655,695	698,337	10.0%
Telecommunications Tax	1,129,720	1,038,670	(91,050)	-8.1%
Severance Taxes	7,769,212	8,843,879	1,074,667	13.8%
Investment Income and Interest	48,993,156	48,987,099	(6,058)	0.0%
Alcohol Beverage 2% Wholesale Tax	2,027,426	1,910,038	(117,387)	-5.8%
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,521,868,075	\$ 1,543,769,982	\$ 21,901,907	1.4%
ONE-TIME RECEIPTS				
One-Time Sales and Use Tax*	9,726,426	12,319,527	2,593,101	26.7%
Bank Franchise Tax Prior Year Revenue	1,751,228	727,097	(1,024,131)	-58.5%
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 11,477,654	\$ 13,046,624	\$ 1,568,970	13.7%
GRAND TOTAL	\$ 1,533,345,729	\$ 1,556,816,606	\$ 23,470,877	1.5%

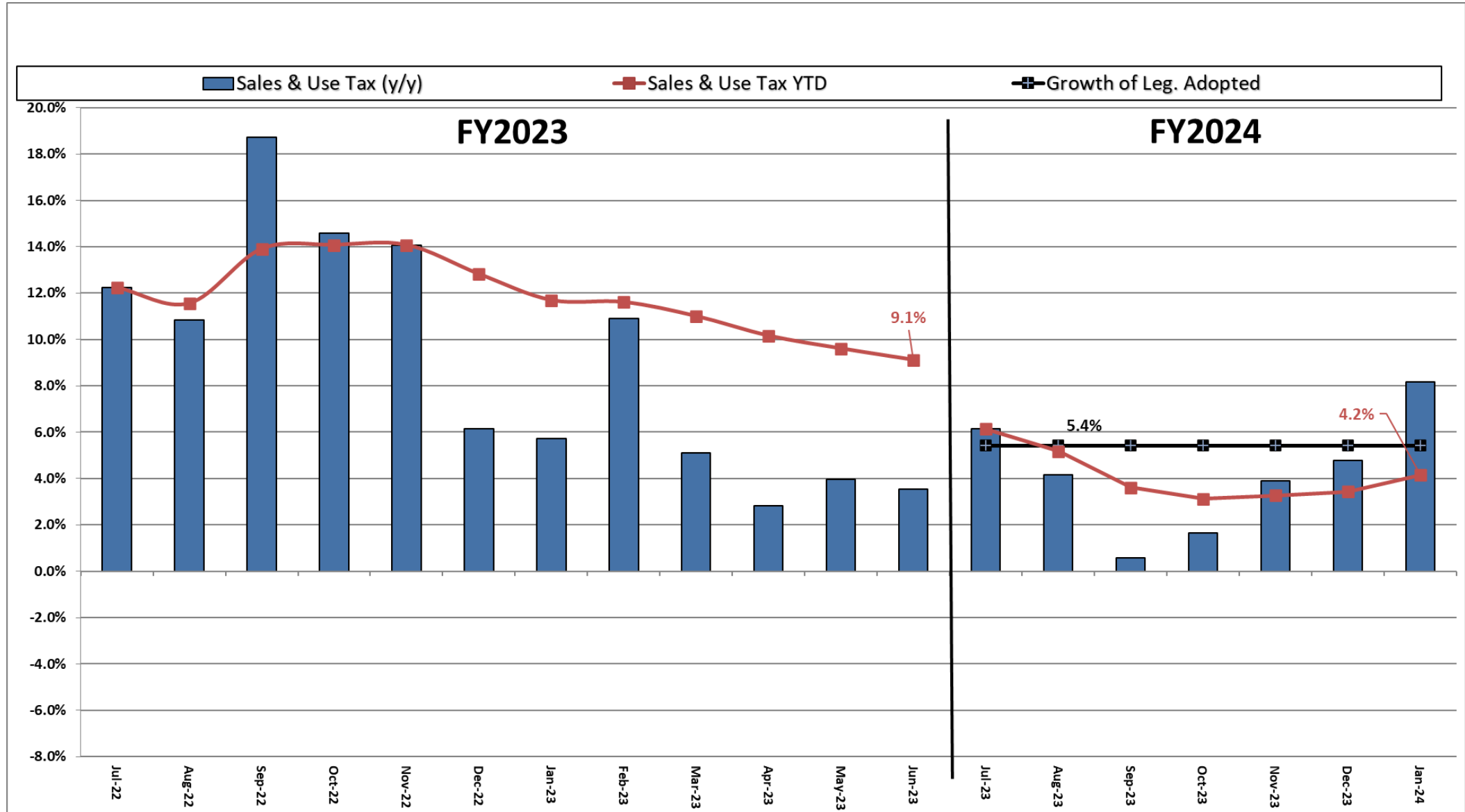
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Sales & Use Tax Growth



Sales & Use Tax Growth *(RATE ADJUSTED)*





Council Discussion

S&P Global Forecast - US

	2018	2019	2020	2021	2022	2023 f	2024 f	2025 f	'12-'22 avg.
Real GDP Growth	3.0%	2.5%	-2.2%	5.8%	1.9%	2.4%	1.7%	1.5%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	0.8%	0.2%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%	4.7%	5.0%	4.6%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.1%	5.5%
CPI-U	2.4%	1.8%	1.3%	4.7%	8.0%	4.1%	2.7%	2.0%	2.4%

S&P Global Forecast - SD

	2018	2019	2020	2021	2022	2023 f	2024 f	2025 f	'12-'22 avg.
Real GDP Growth	0.7%	0.8%	0.6%	4.6%	-0.3%	2.5%	2.3%	1.3%	1.2%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.2%	1.4%	0.1%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.4%	5.2%	5.0%	5.3%
Housing Starts	4,713	4,251	6,070	7,689	7,392	6,462	6,615	5,273	5,294
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.1%	2.0%	2.3%	2.6%	3.2%

Other Discussion Items

- Next Meeting Date – May
- Other Comments
- Public Comments