

Governor's Council of Economic Advisors

May 28, 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

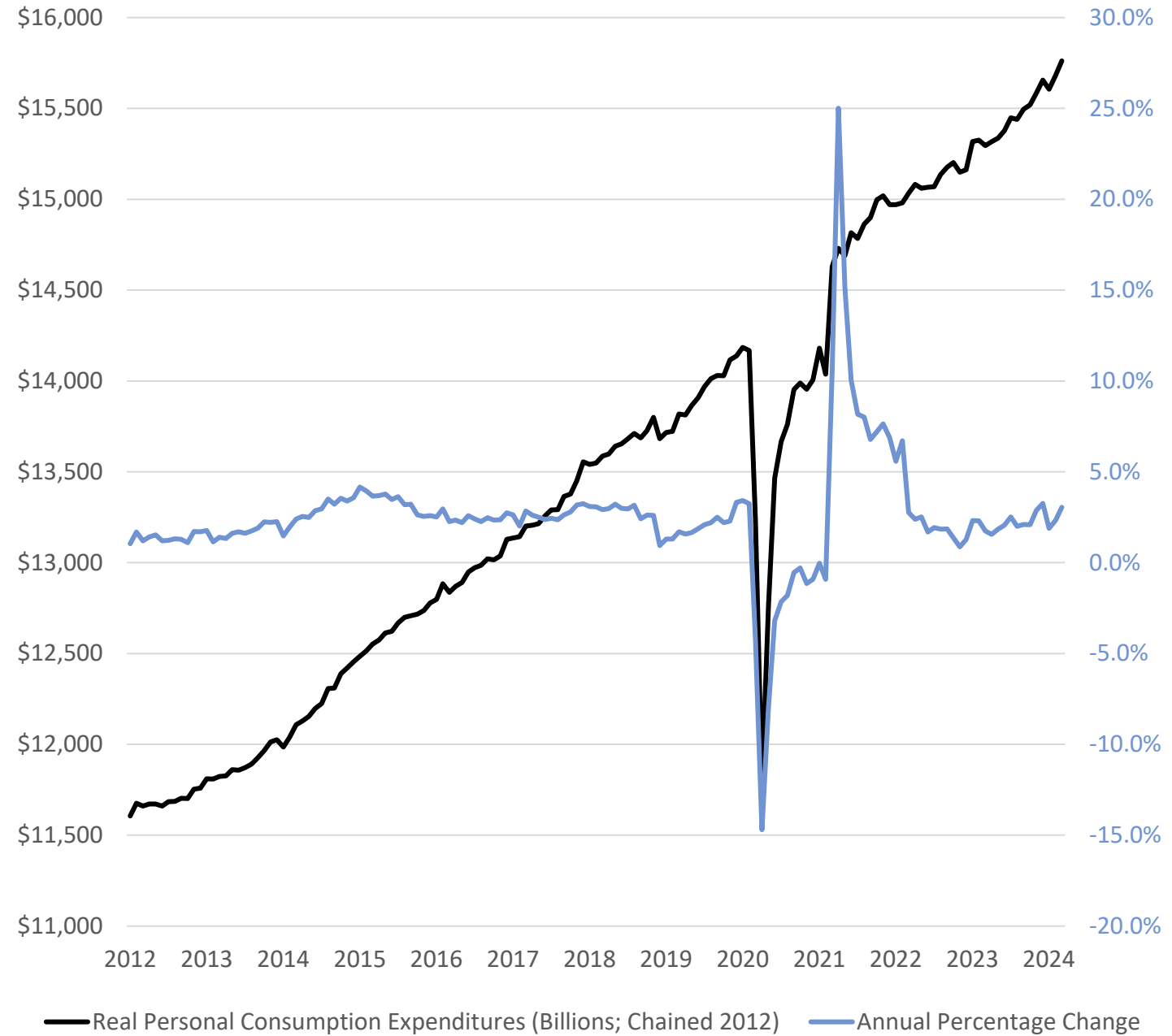
Consumption



- Real personal consumption expenditures increased 3.3% in the fourth quarter of 2023 and 2.5% in the first quarter of 2024.
- Consumers continue to spend freely in a tight labor market.
- Real personal consumption expenditures grew 2.2% in 2023.
- Projected growth is at 2.7% in 2024 and 1.9% in 2025.

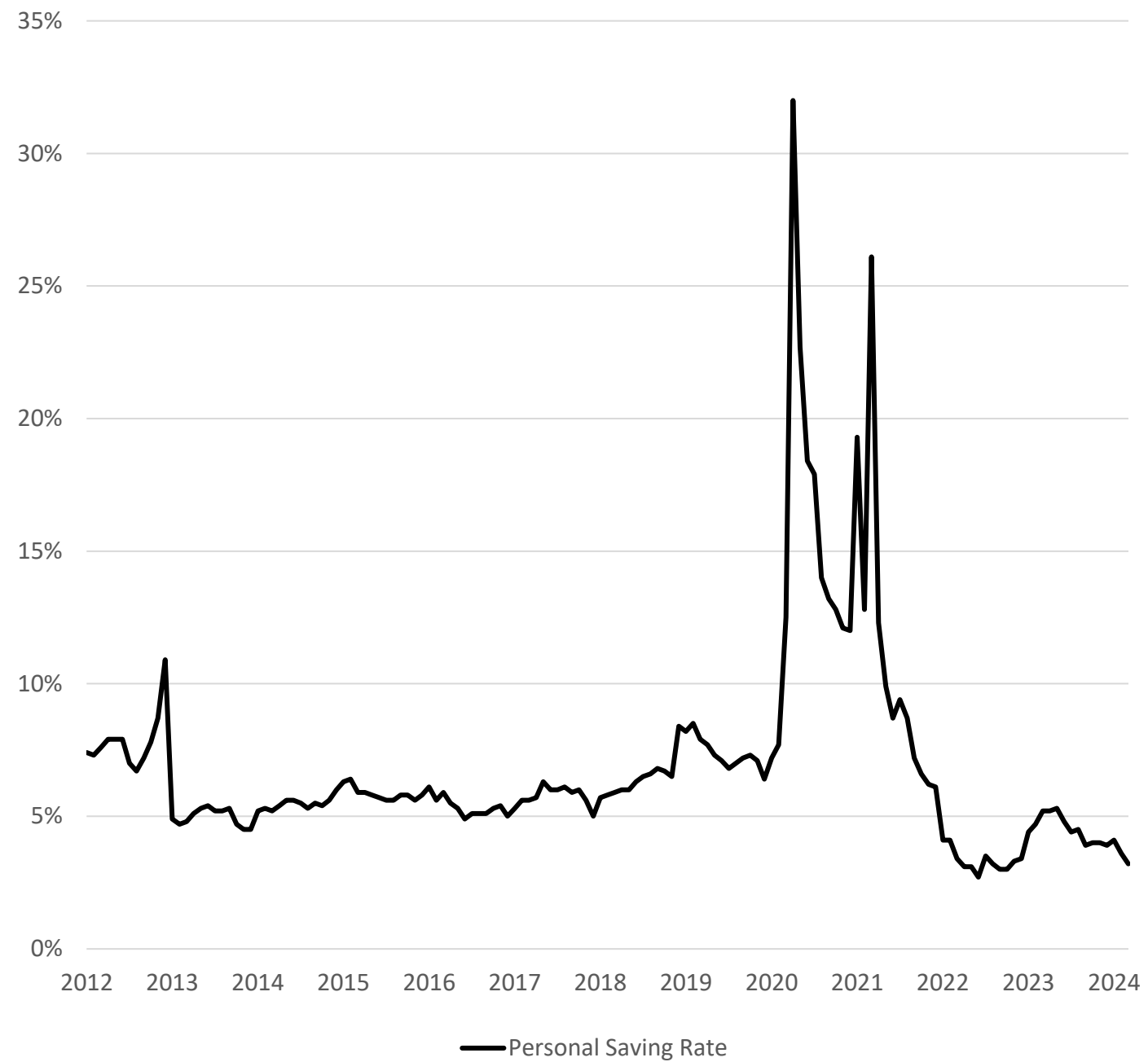


US Real Personal Consumption Expenditures



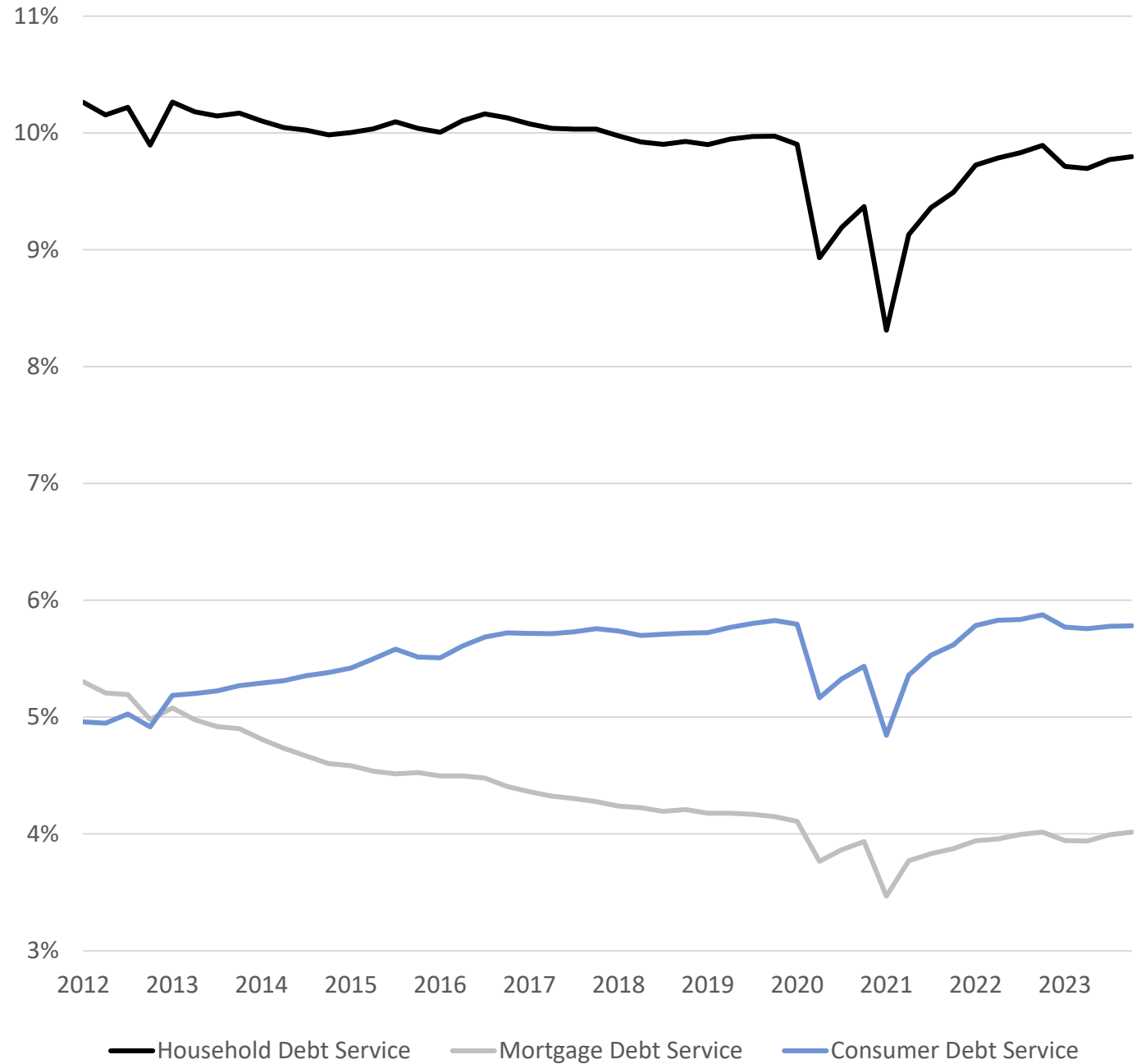


US Personal Saving Rate



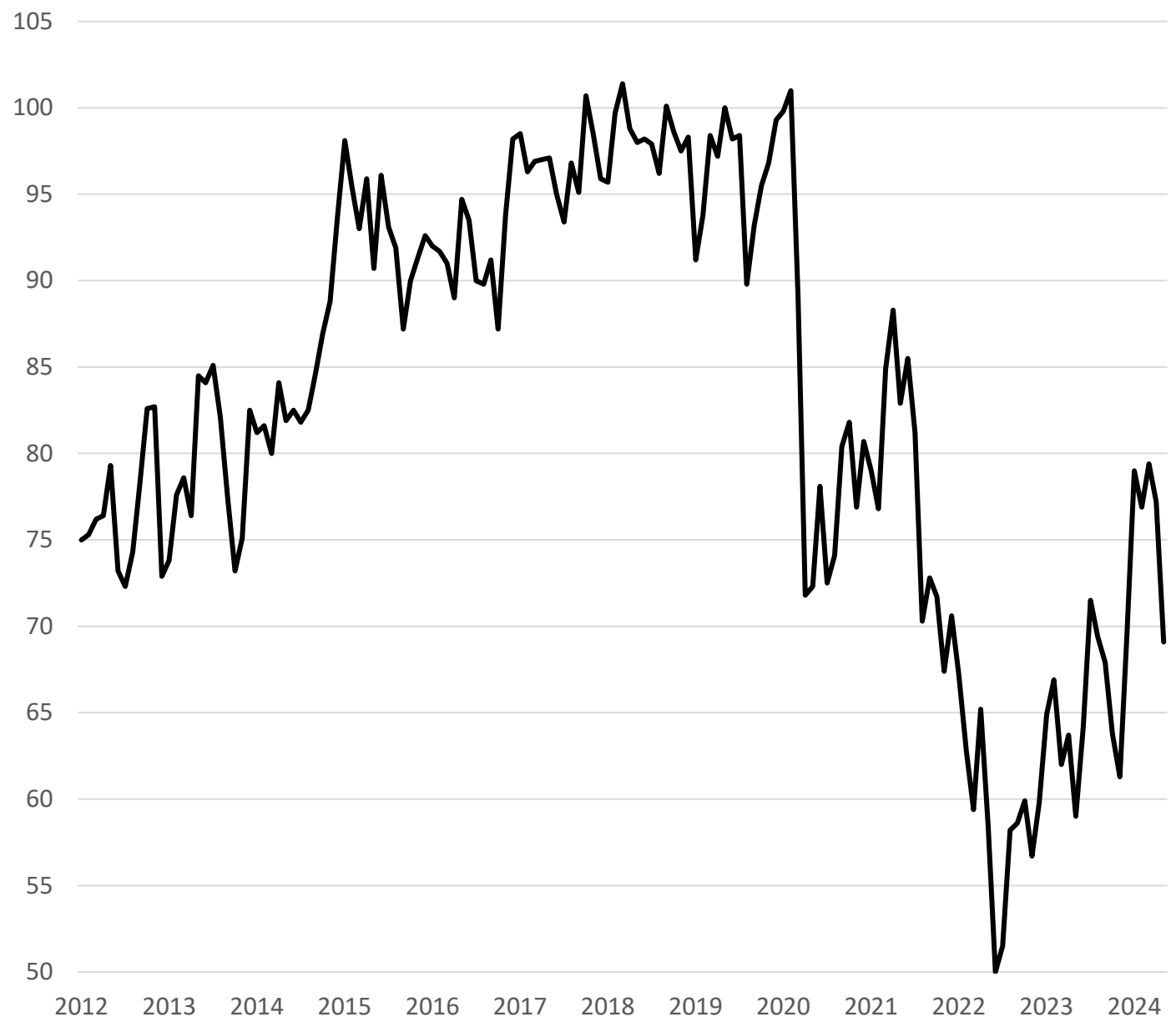


US Household Debt Service Ratio





US Consumer Sentiment



— University of Michigan: Consumer Sentiment (Index 1966: Q1=100)

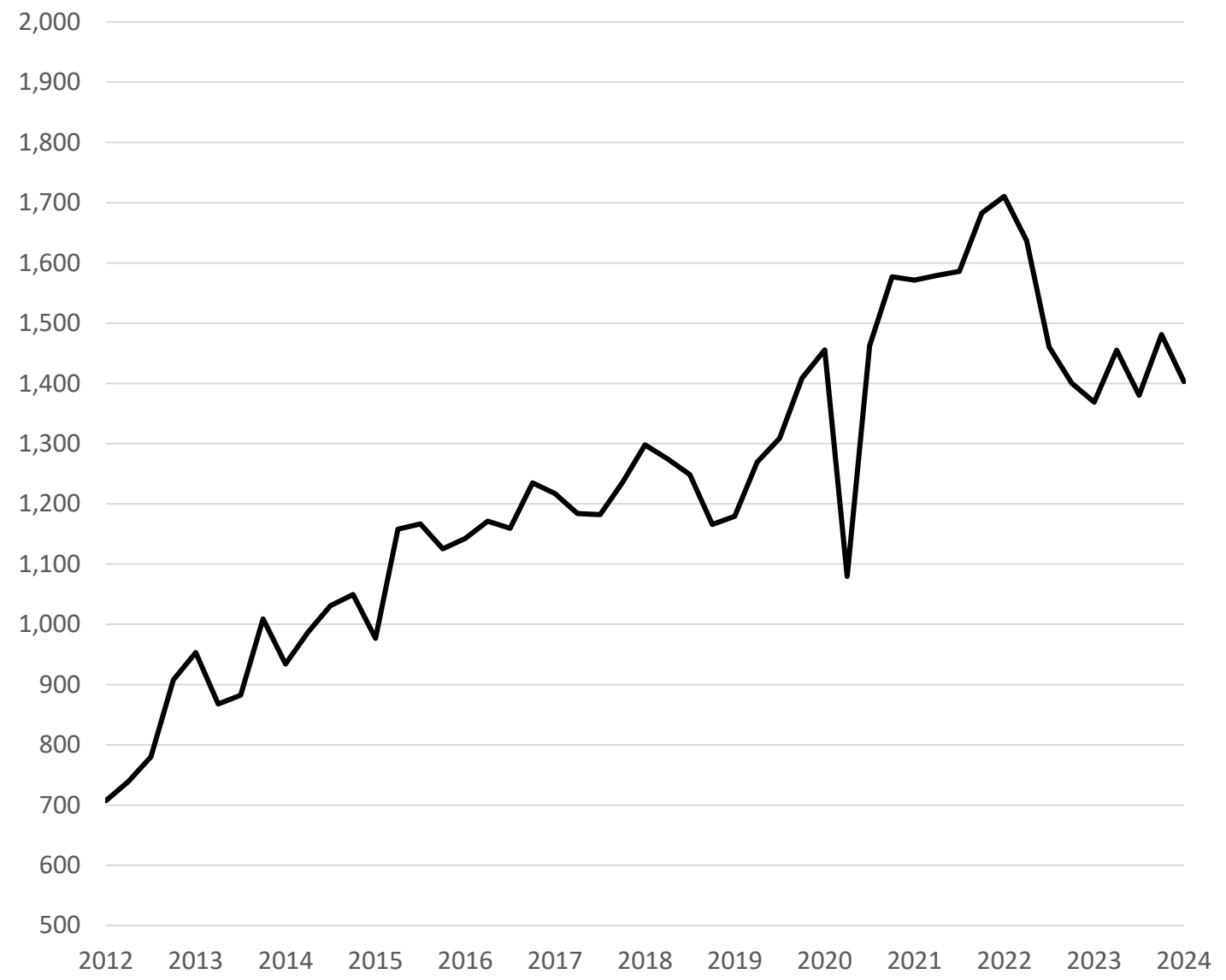
Investment



- Real business fixed investment is projected to slow from 4.5% in 2023 to 2.9% in 2024 and 2.4% in 2025.
- Residential investment finished 2023 at -10.6%. It is projected at 3.5% in 2024 and 0.3% in 2025.
- Housing starts are expected to slow from 1.42M in 2023 to 1.41M in 2024 and 1.39M in 2025.
- Home prices are expected to rise 5.8% in 2024 and 2.6% in 2025.



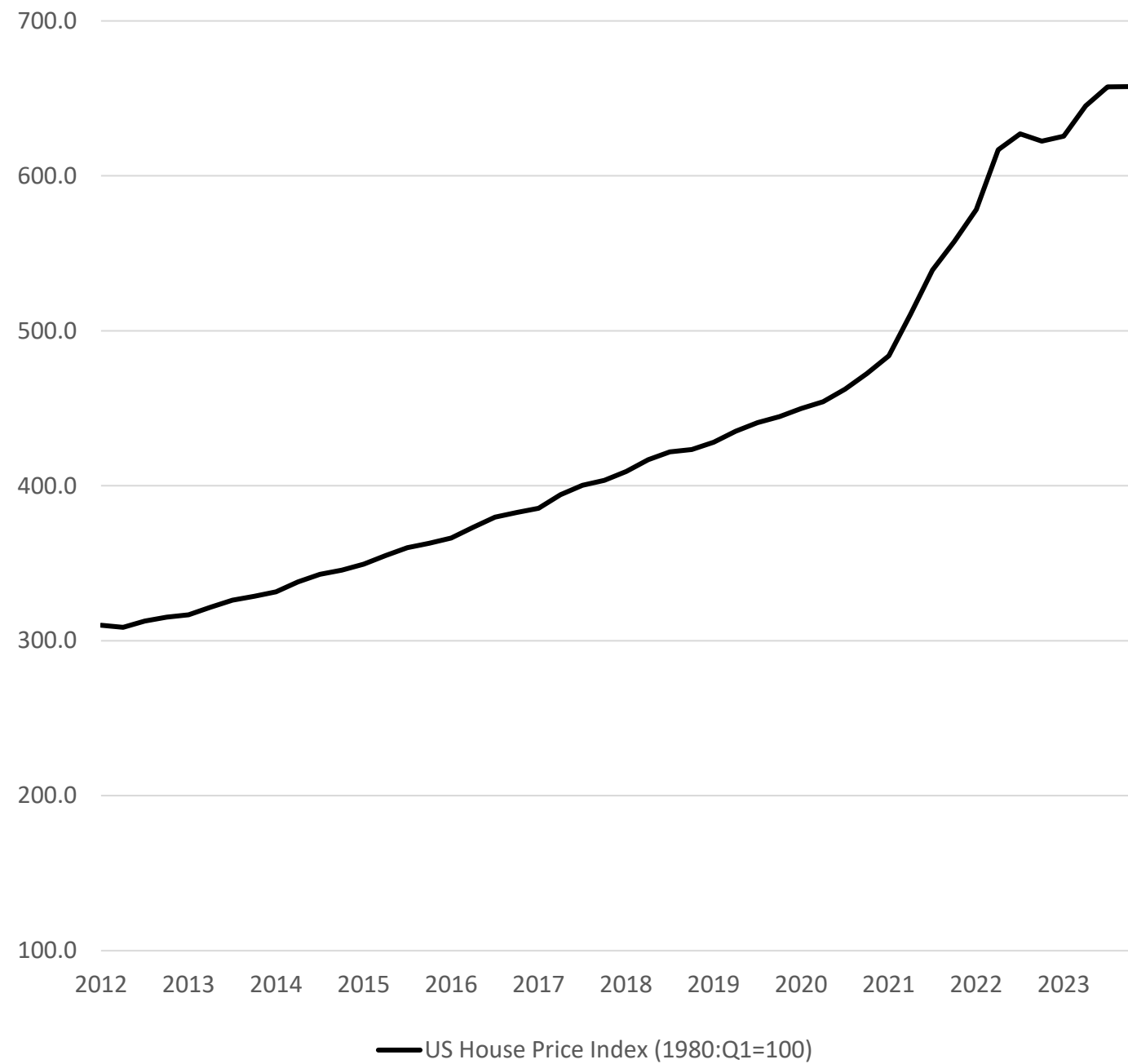
US Housing Starts



— Housing Starts (thousands - annual rate)



Home Price



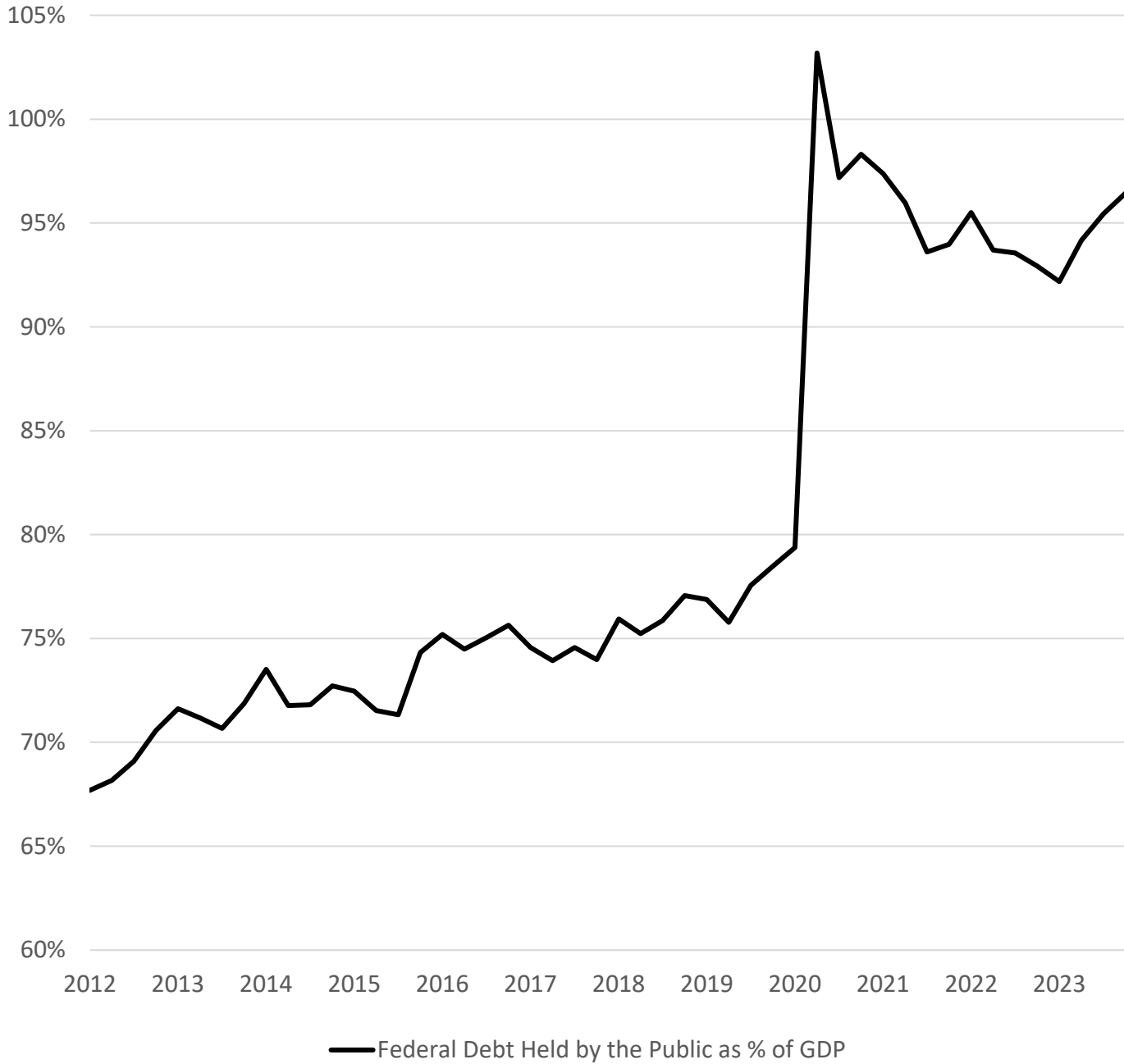
— US House Price Index (1980:Q1=100)

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 2025.
- Federal Open Market Committee has held the target federal funds rate at 5.25-5.50%.
- Forecast has delayed first Fed rate cut to December.
- Forecast includes six rate cuts in 2025.



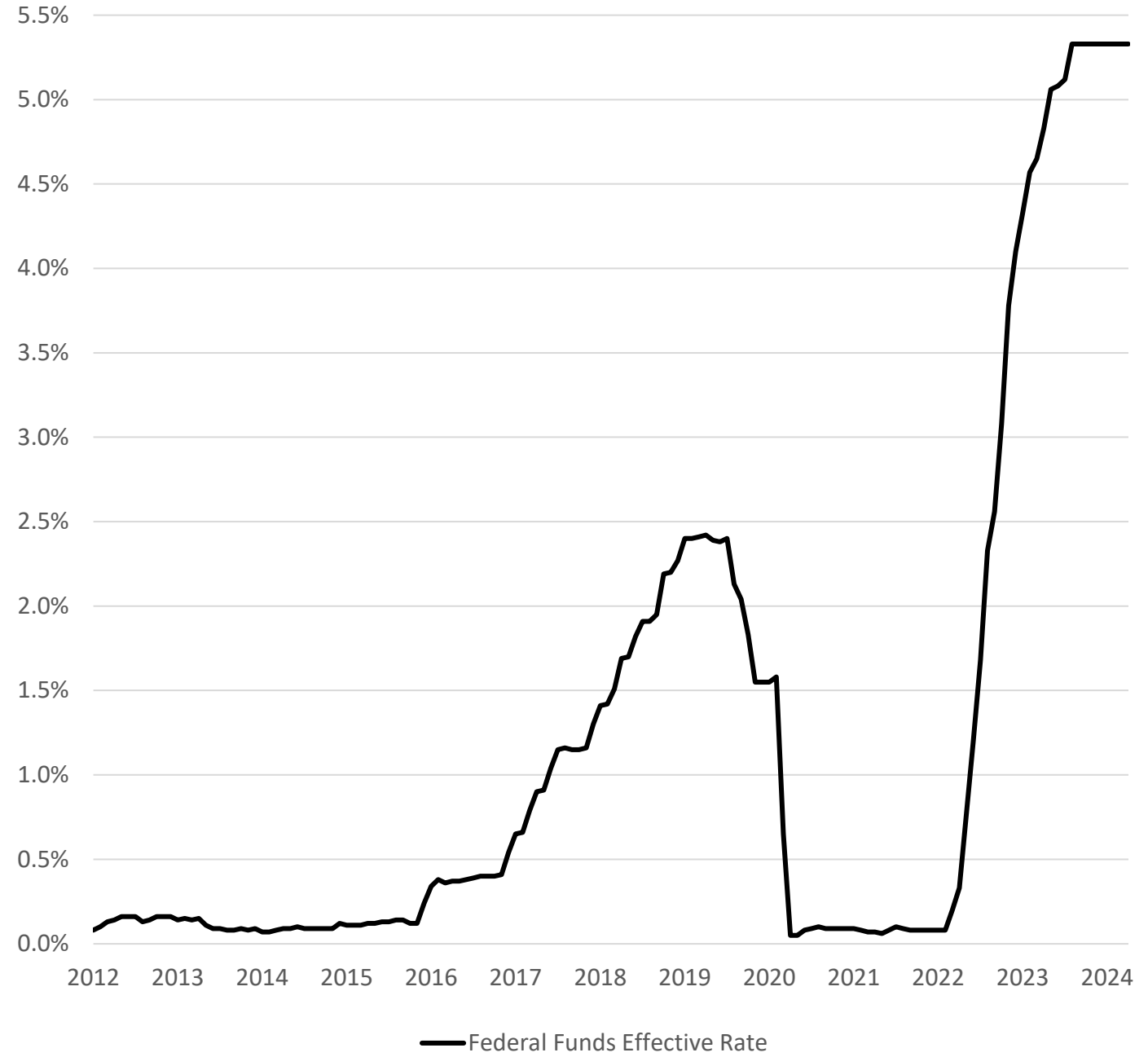
Debt Held by Public



— Federal Debt Held by the Public as % of GDP



Interest Rates

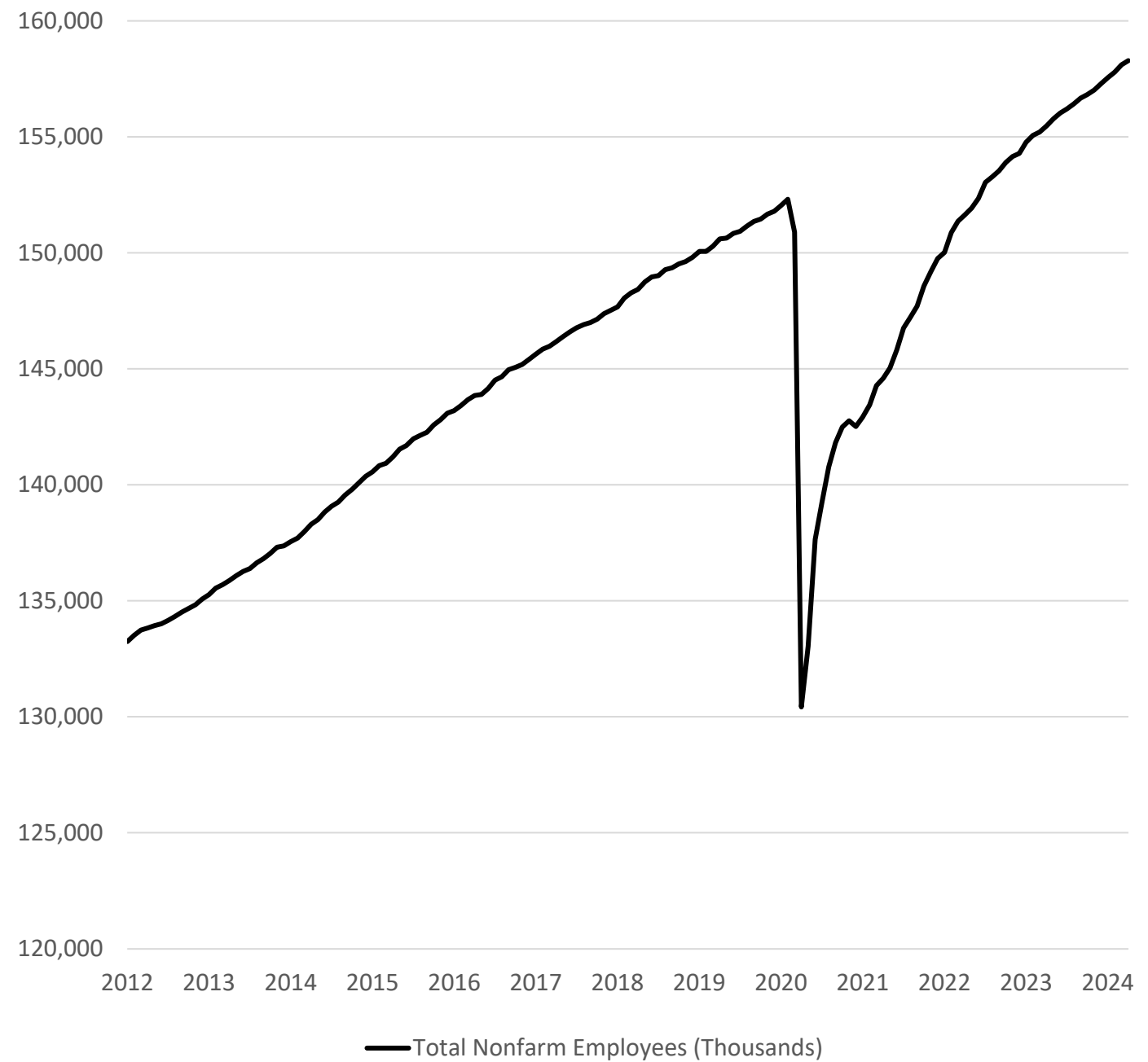


Employment and Unemployment

- Nonfarm payroll employment rose 175k in April – down from growth of 315k in March and 236k in February.
- Employment growth projected to slow from 2.3% in 2023 to 1.7% in 2024 and 0.6% in 2025.
- The unemployment rate was at 3.9% in April.
- Unemployment rate finished 2023 at 3.6%. Projections are 3.8% in 2024 and 4.1% in 2025.



US Employment Growth



— Total Nonfarm Employees (Thousands)



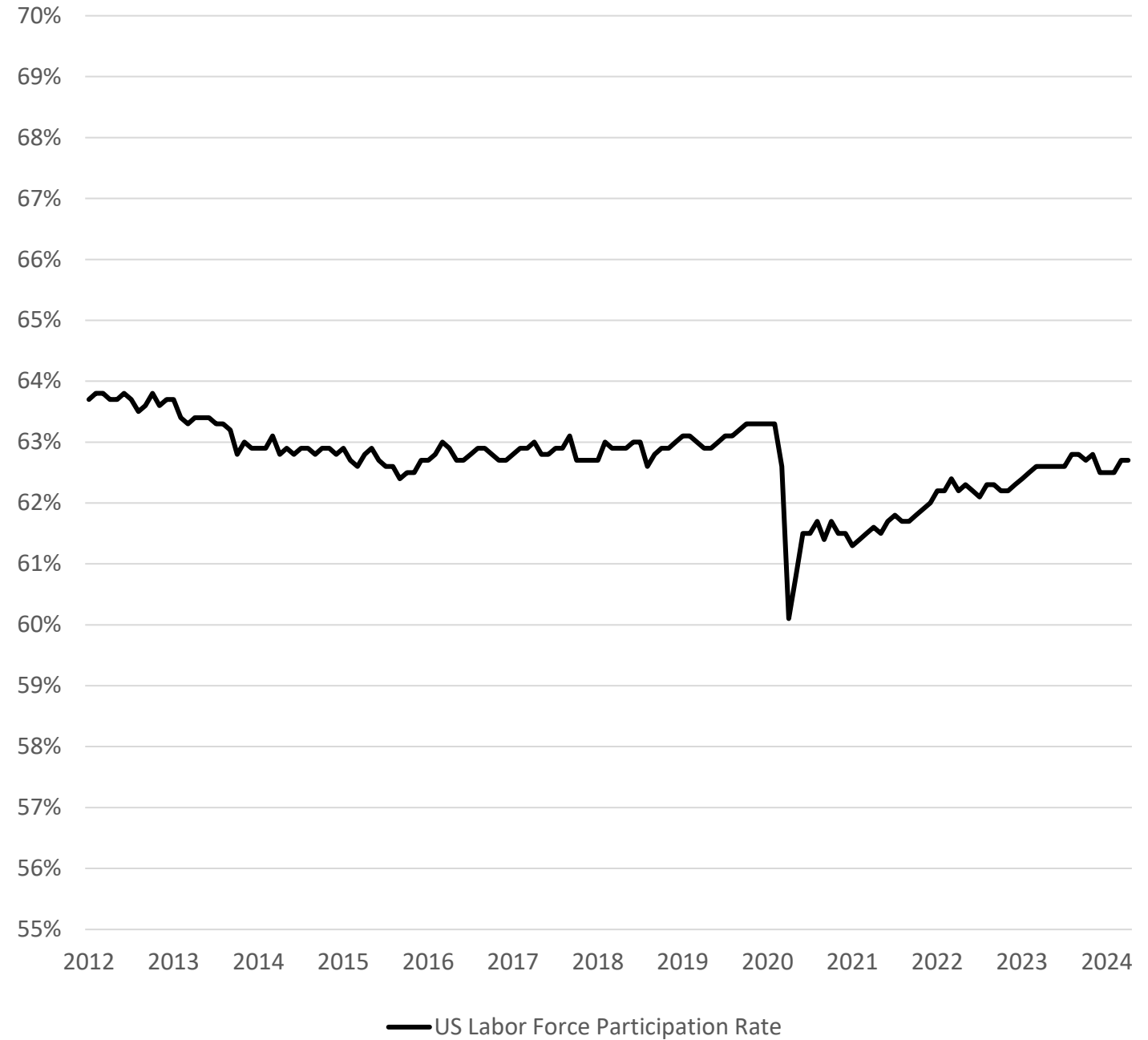
US Unemployment Rate



— US Unemployment Rate

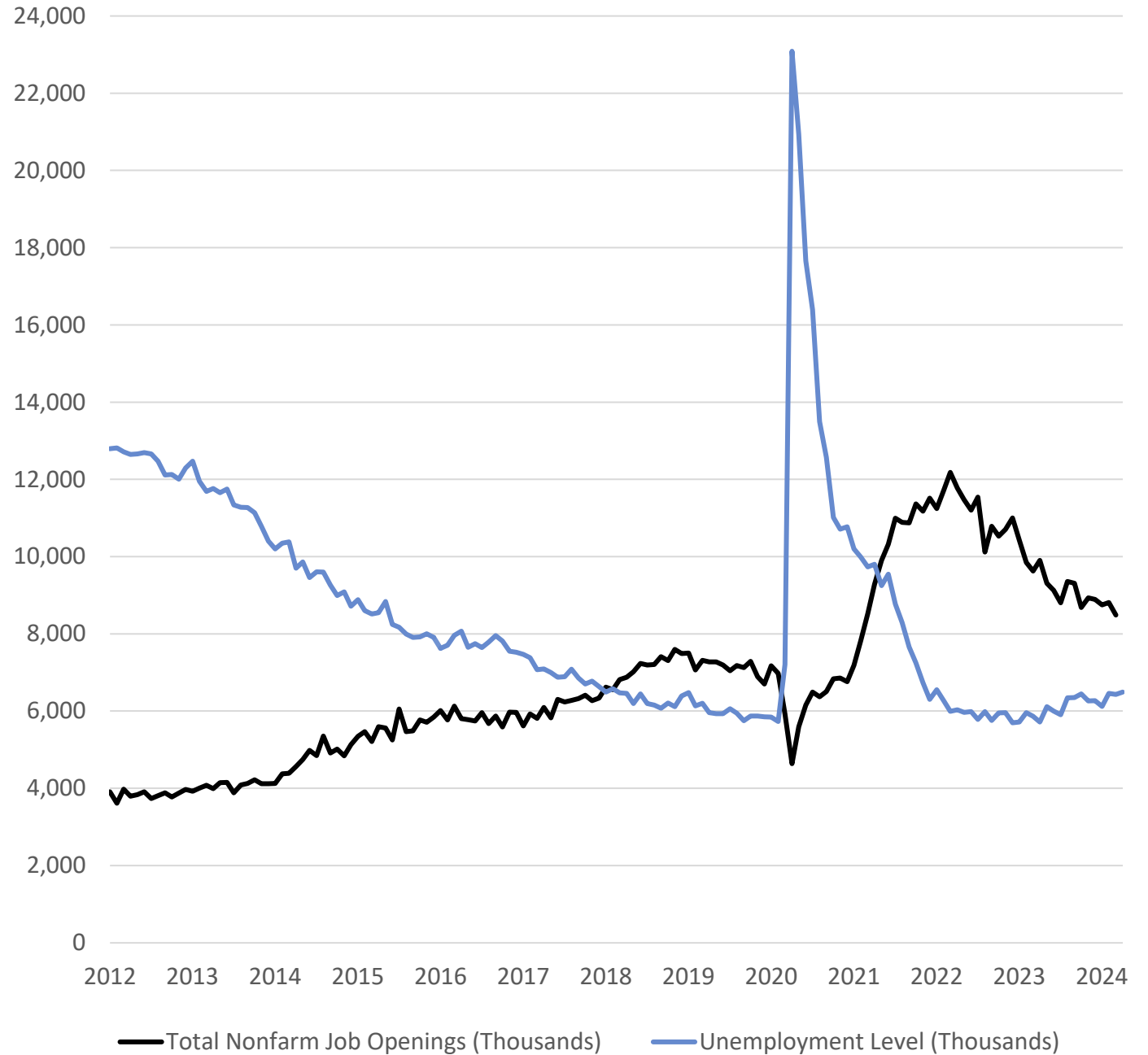


US Labor Force Participation Rate





US Job Openings vs. Unemployed



Inflation

- CPI rose 4.1% in 2023. Forecast is for 3.3% in 2024 and 2.2% in 2025.
- PPI on finished goods rose 1.5% in 2023. Forecast is for 2.2% in 2024 and 1.2% in 2025.
- Brent Crude spot price is forecast to increase from \$83 in 2023 to \$89 in 2024 and back down to \$81 in 2025.



Inflation: CPI



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

S&P Global Forecast - US

	2018	2019	2020	2021	2022	2023	2024 f	2025 f	'13-'23 avg.
Real GDP Growth	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	2.5%	1.6%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.7%	0.6%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%	5.0%	5.2%	4.7%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	3.8%	4.1%	5.1%
CPI-U	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.3%	2.2%	2.6%

S&P Global Alternate Scenarios - US

Optimistic Scenario (20% probability)			Pessimistic Scenario (25% probability)			
	2024 f	2025 f	2024 f	2025 f	'12-'23 avg.	
Real GDP Growth	3.0%	2.4%	1.7%	0.7%	2.3%	
Nonfarm Employment	2.0%	0.6%	0.8%	-1.1%	1.4%	
Personal Income	5.4%	5.9%	4.7%	3.9%	4.7%	
Unemployment Rate	3.6%	3.8%	4.4%	5.9%	5.1%	
CPI-U	3.2%	2.9%	3.6%	2.7%	2.6%	

SD Forecast

Employment

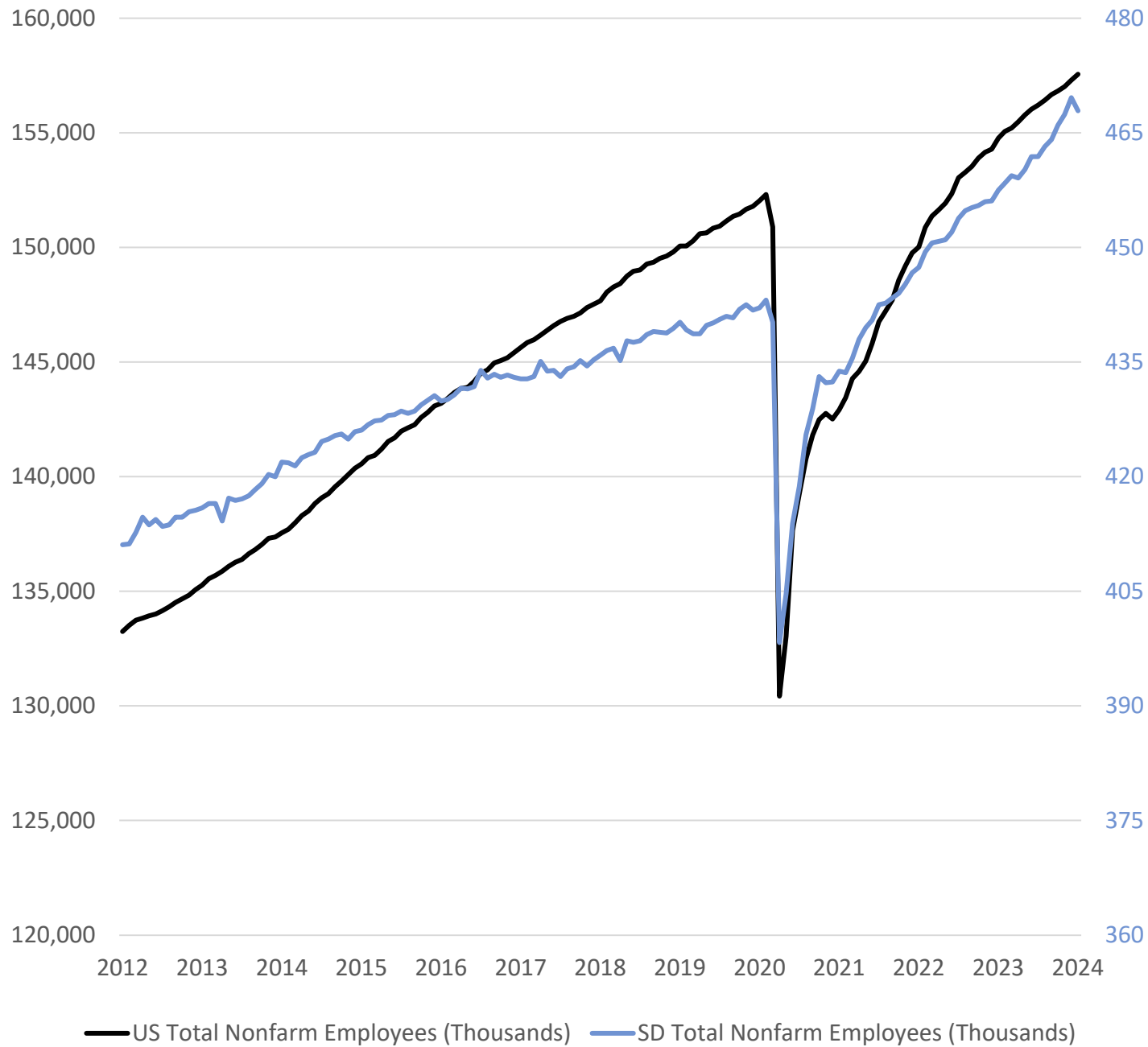
Housing

Personal Income

Tourism

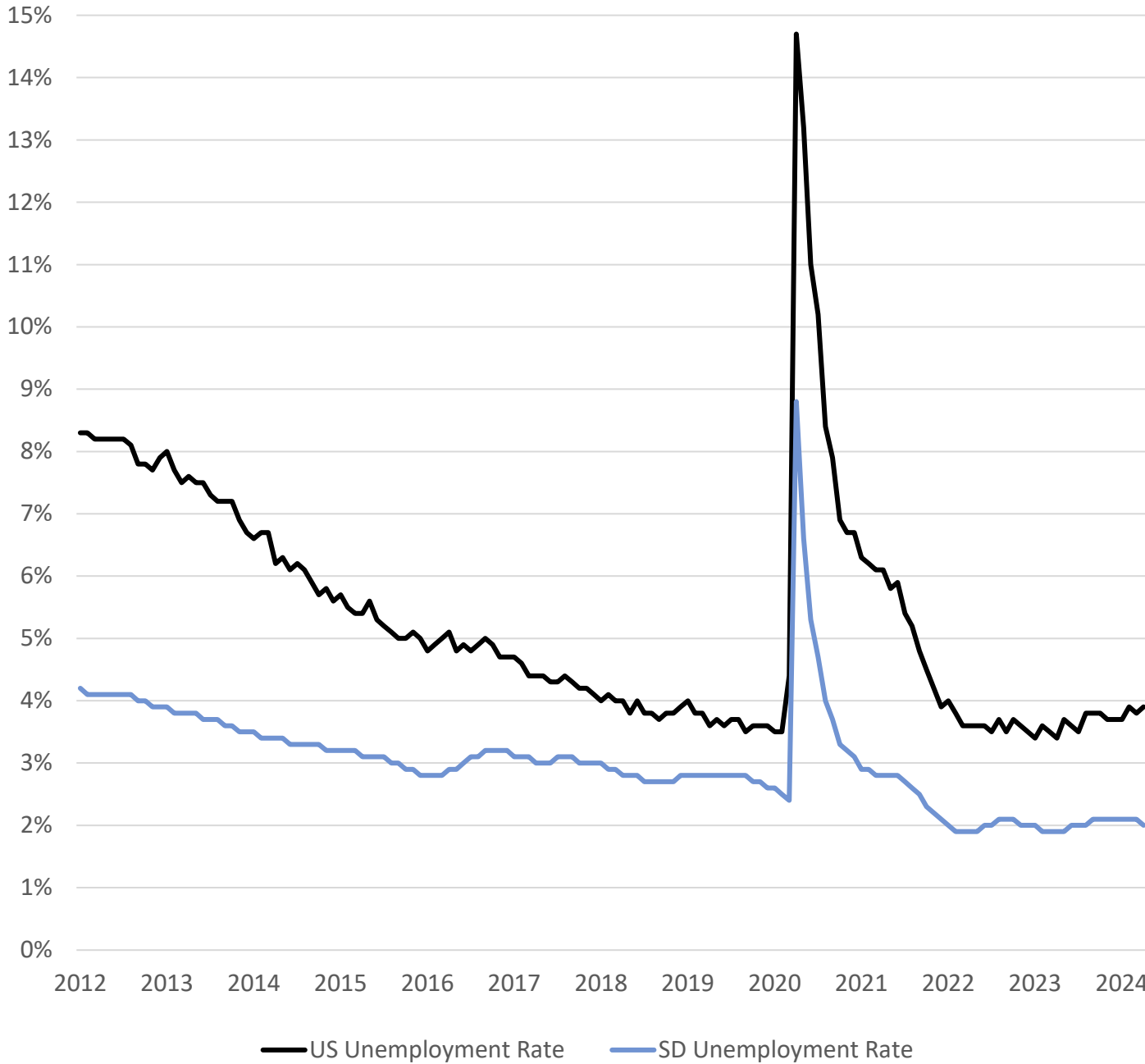


Employment Growth



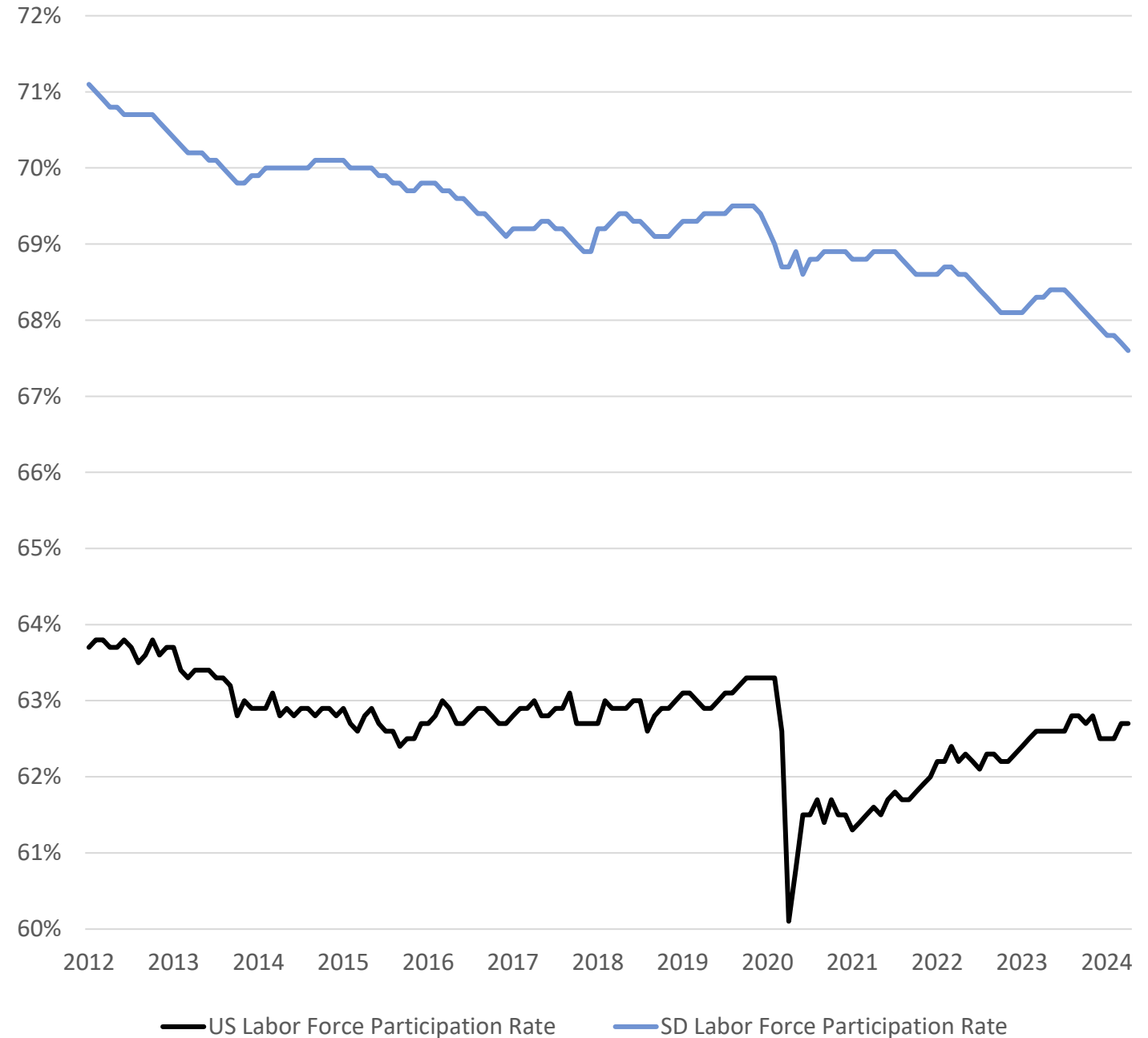


Unemployment Rate



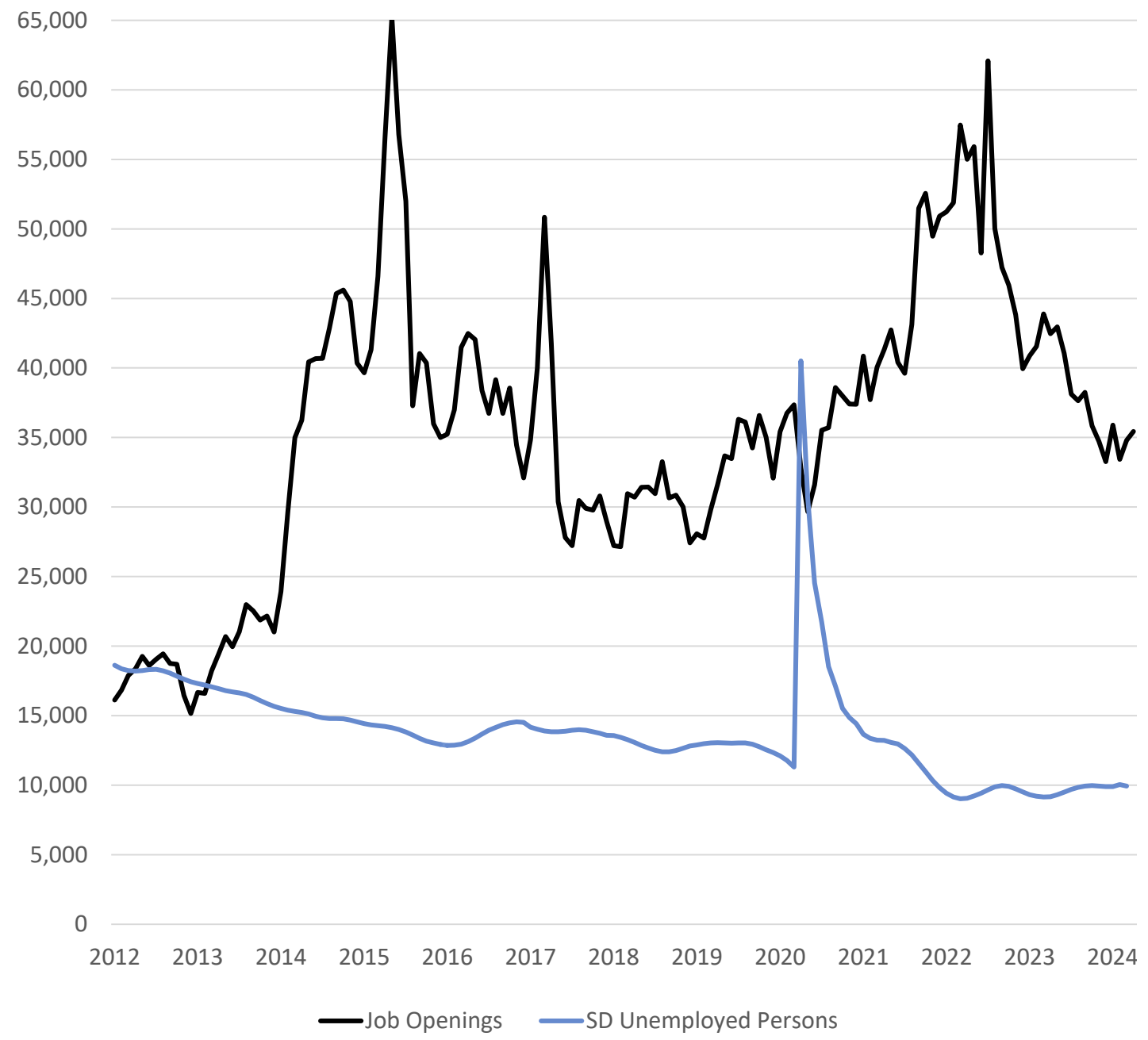


Labor Force Participation Rate



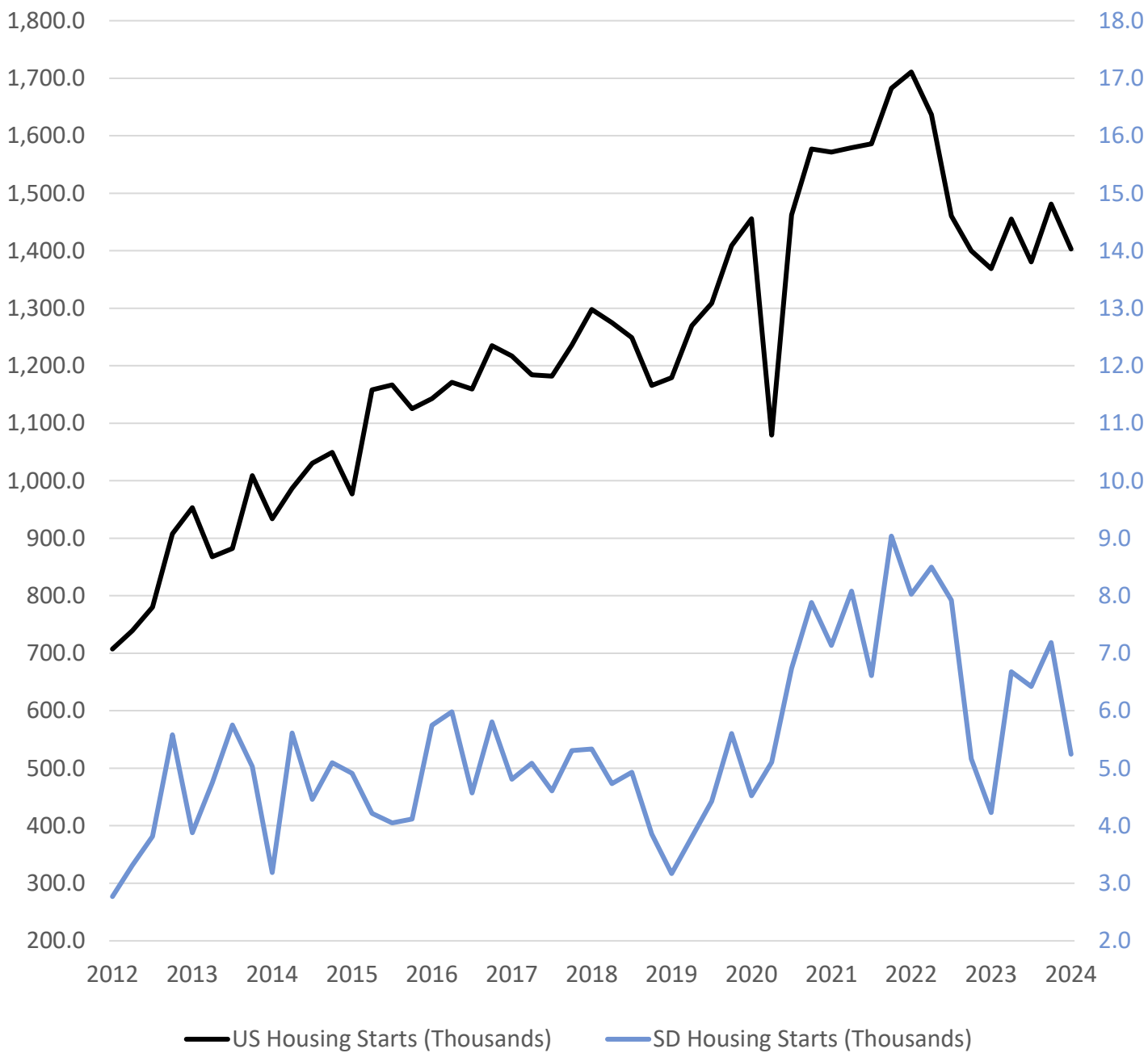


SD Job Openings vs. Unemployed



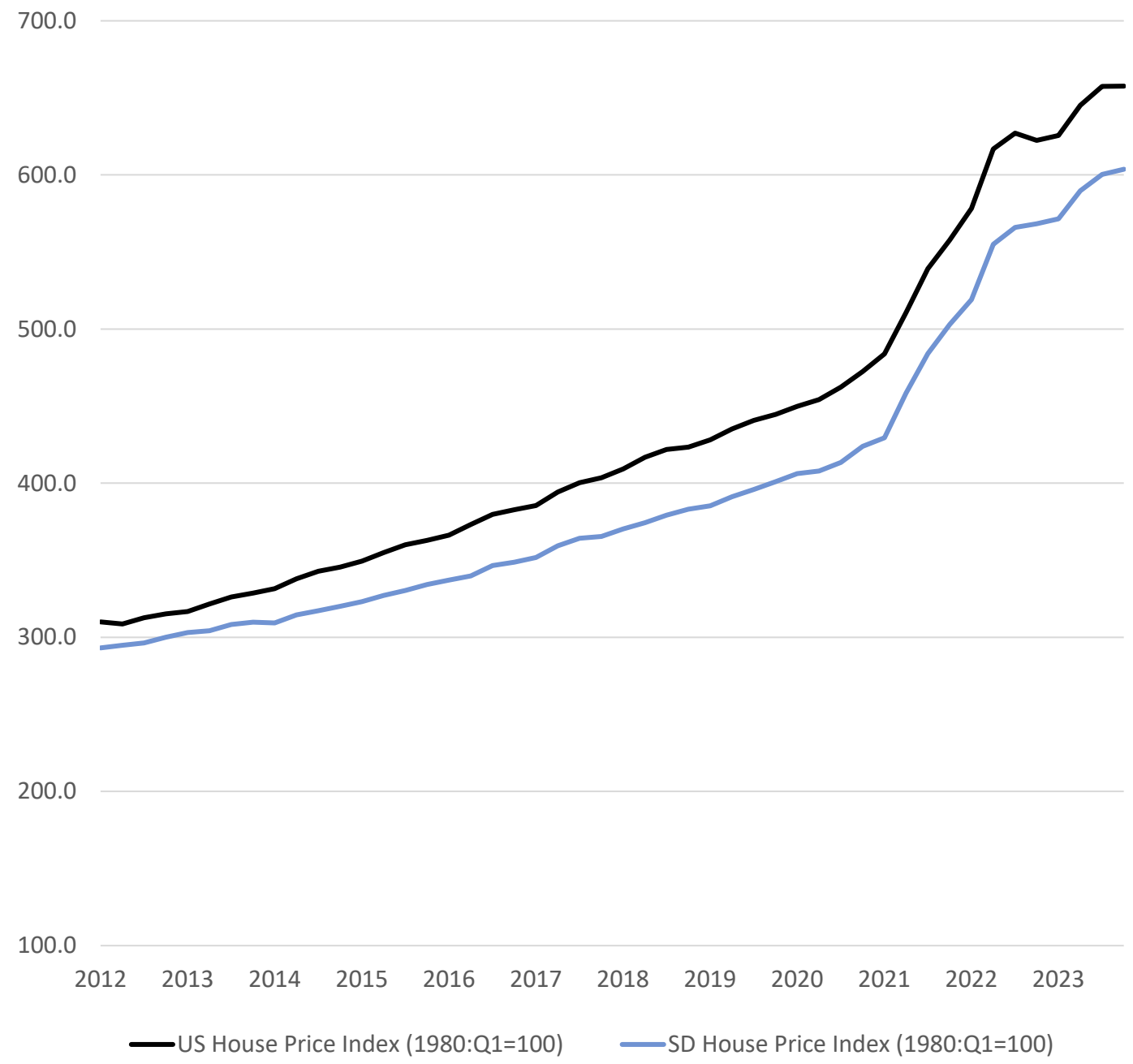


Housing Starts



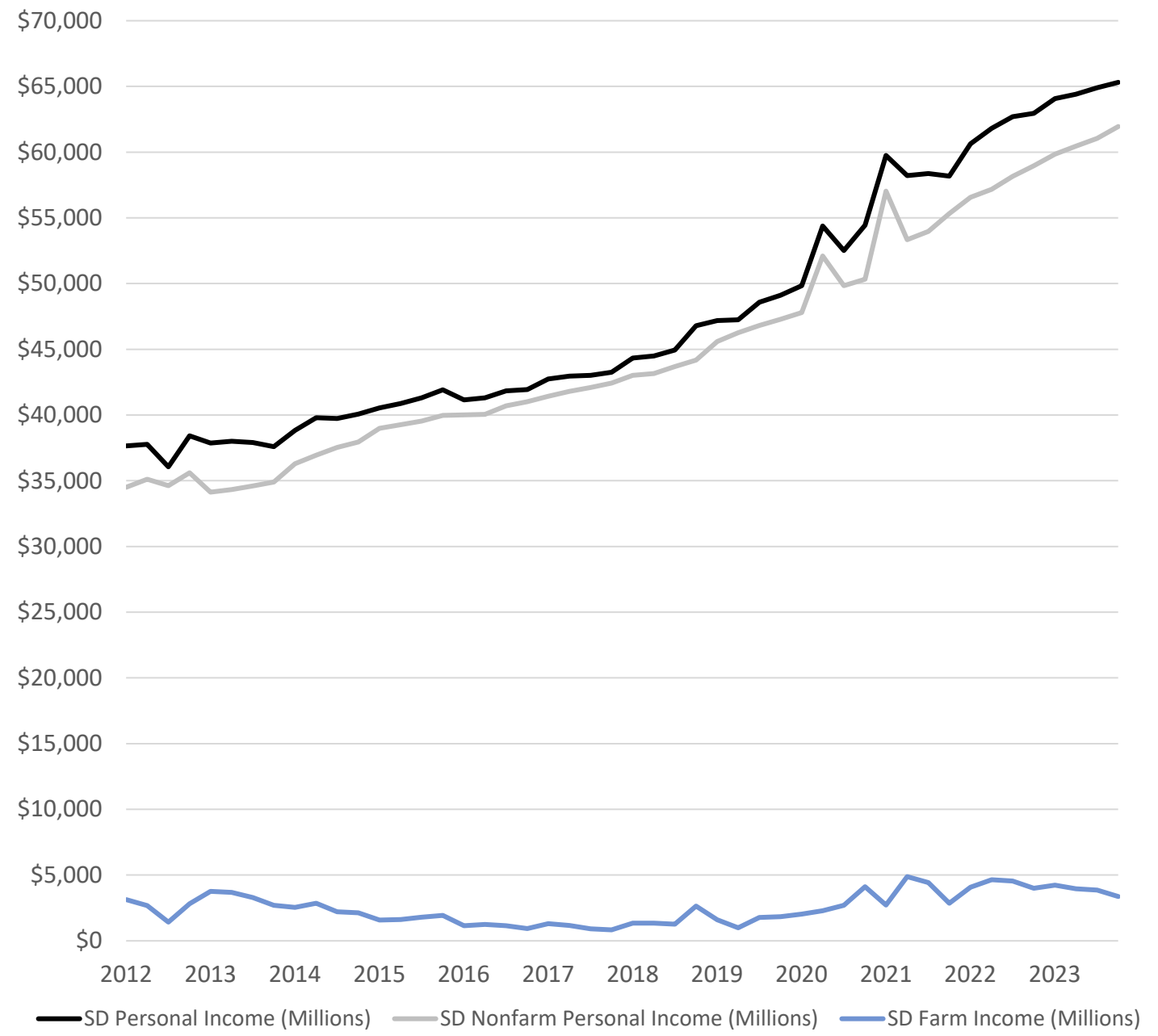


Home Price



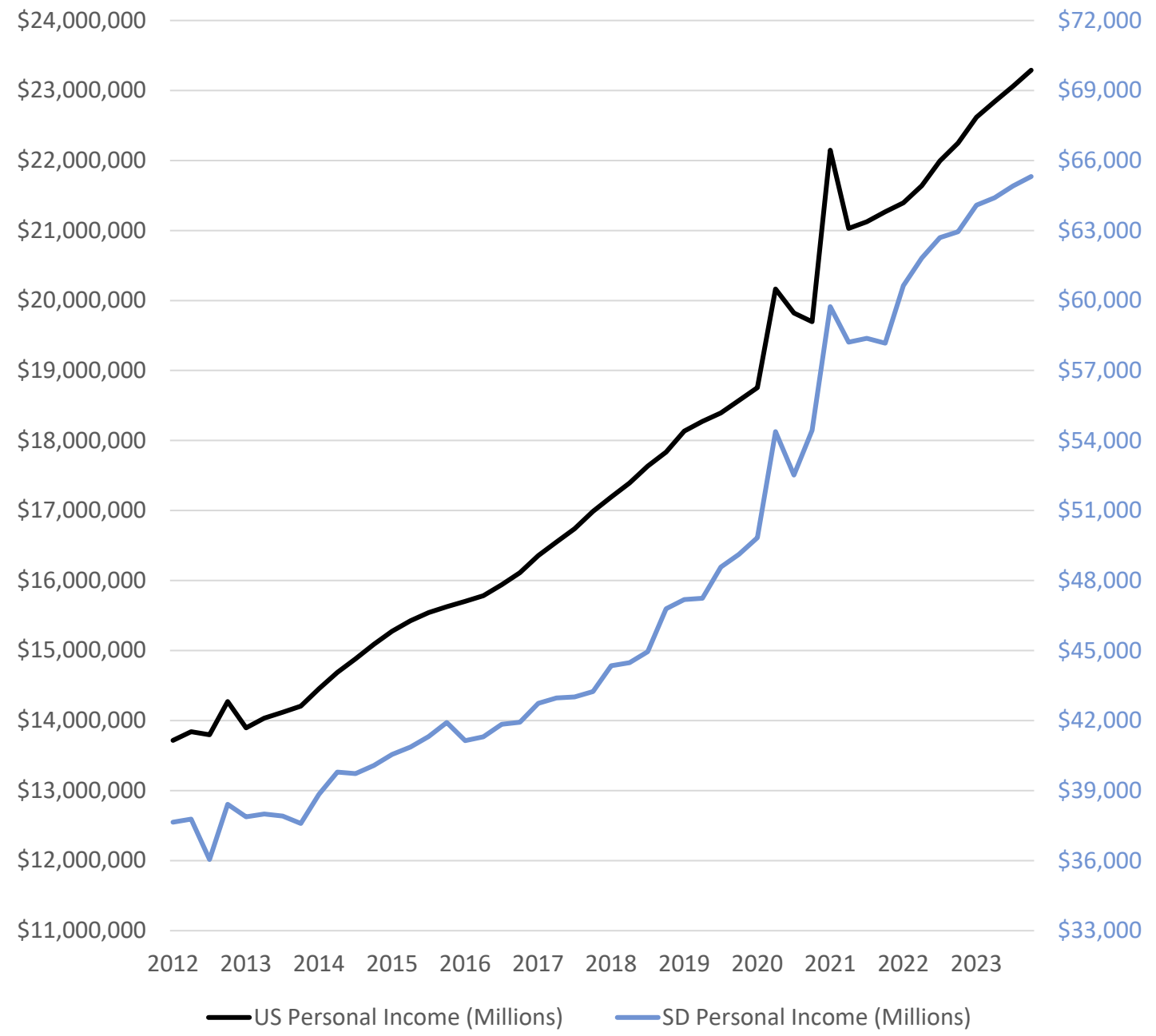


Personal Income





Personal Income



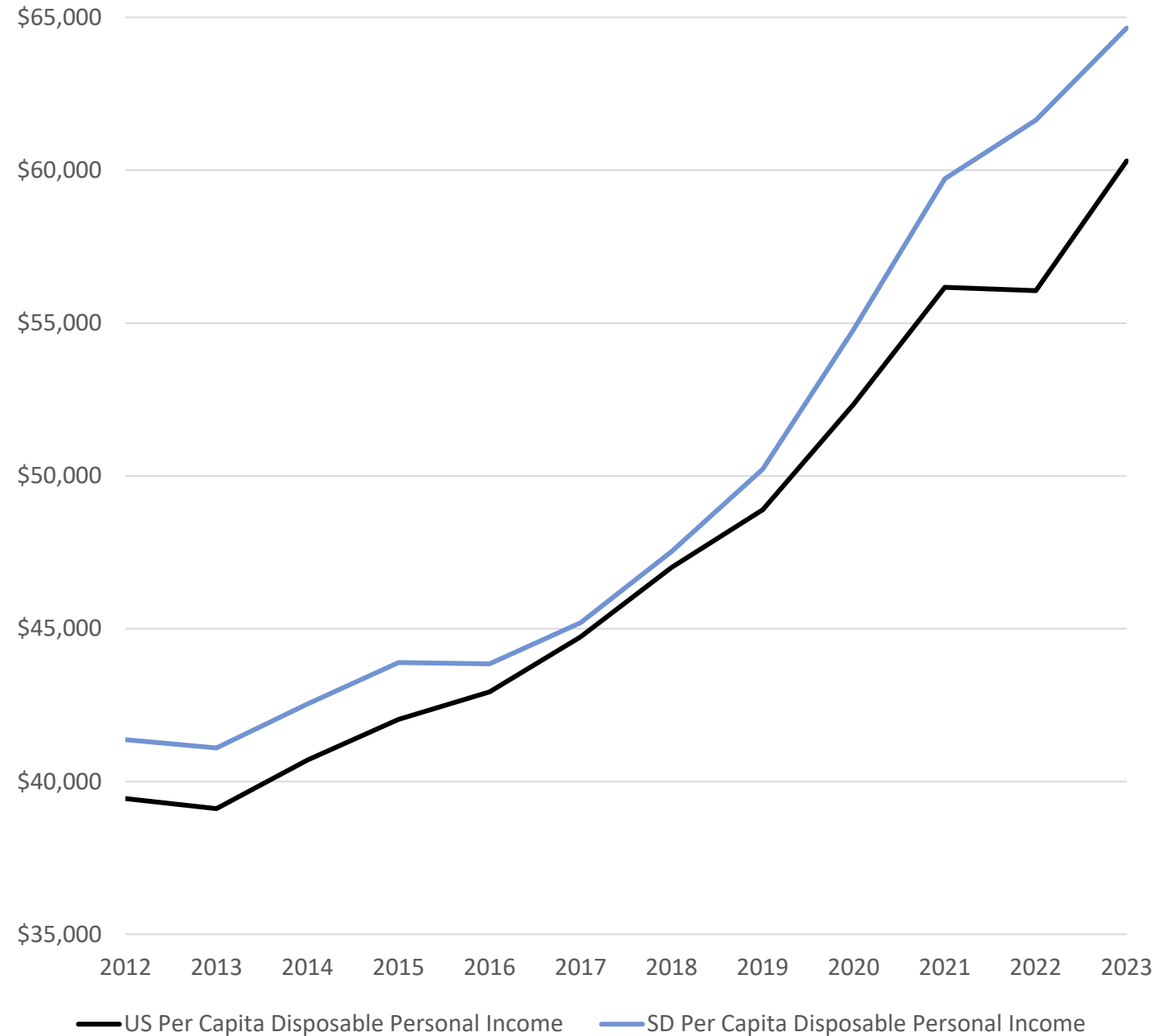


Per Capita Personal Income



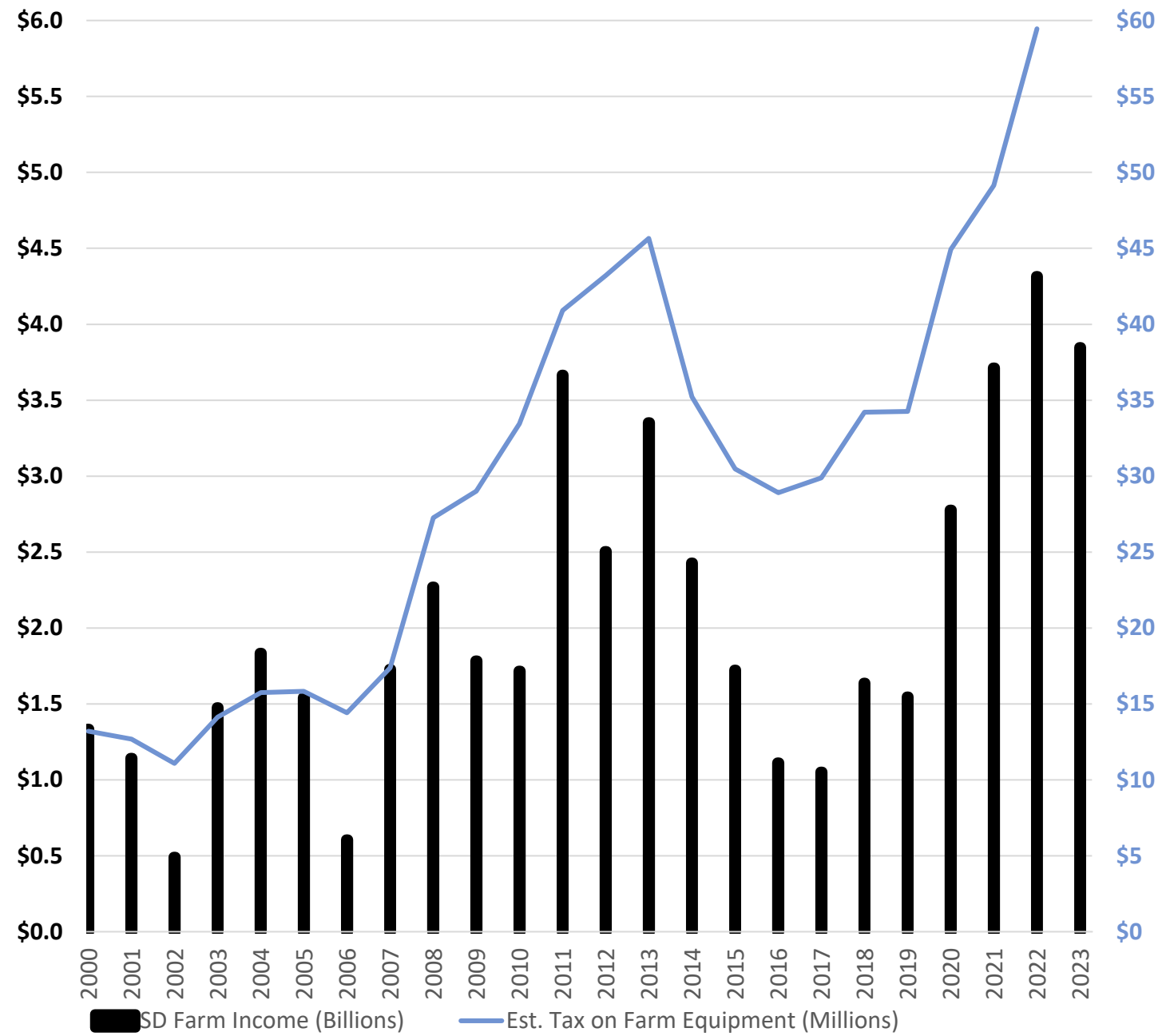


Per Capita Disposable Personal Income



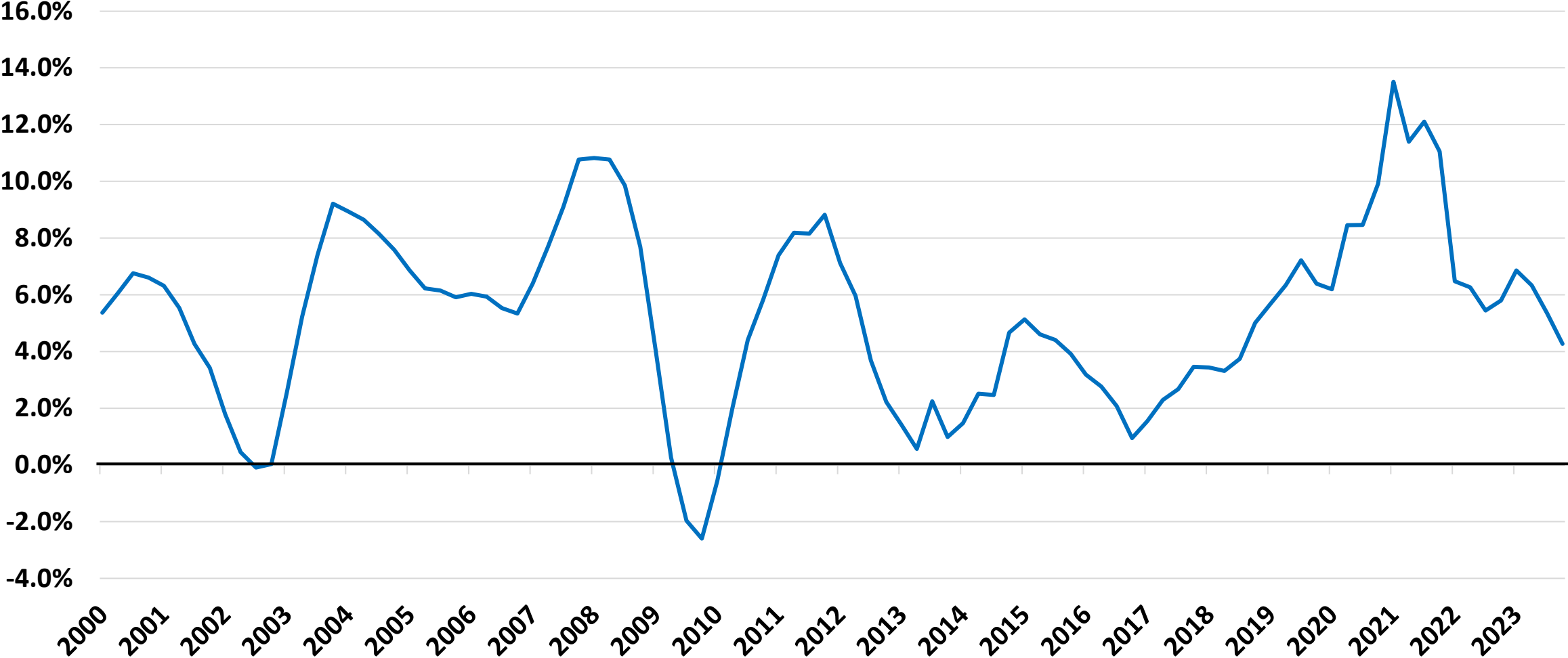


SD Farm Income & Spending on Equipment

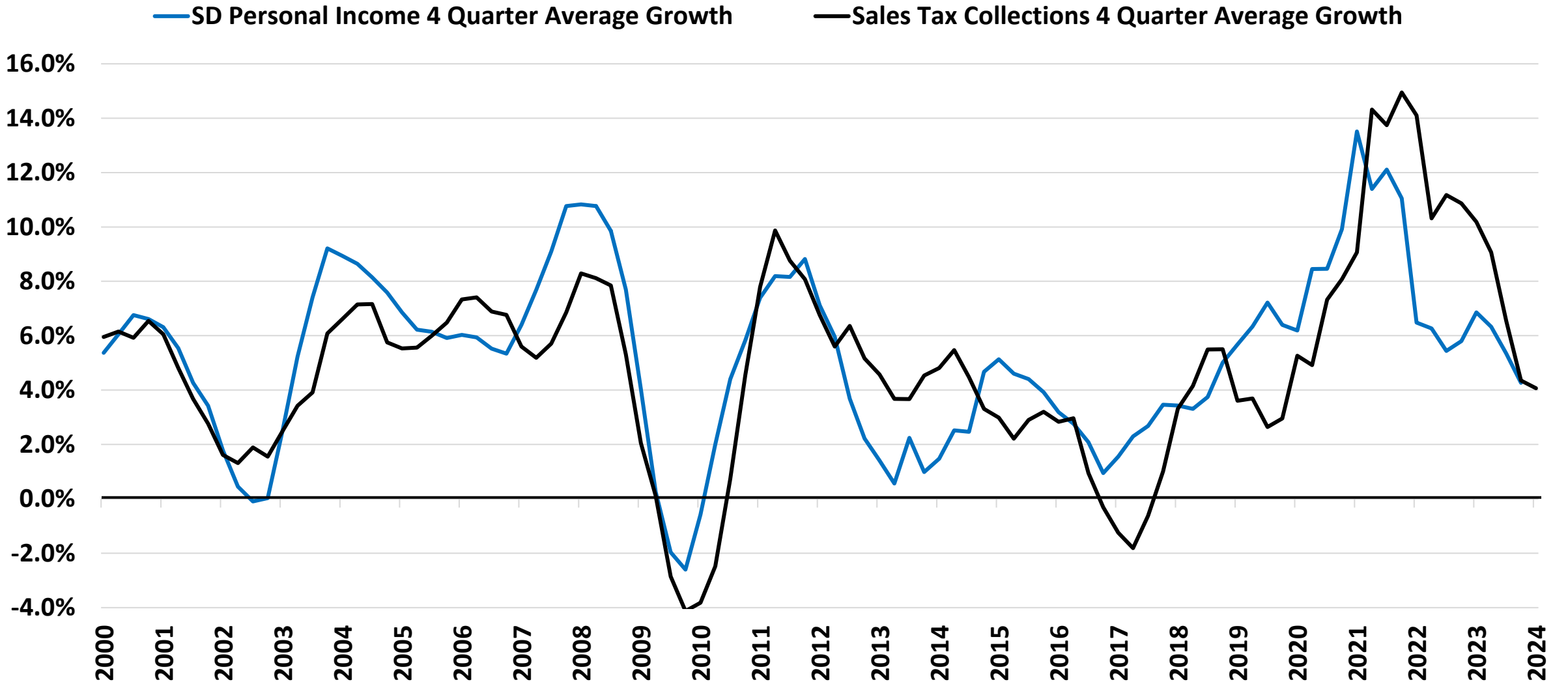


SD Personal Income

— SD Personal Income 4 Quarter Average Growth

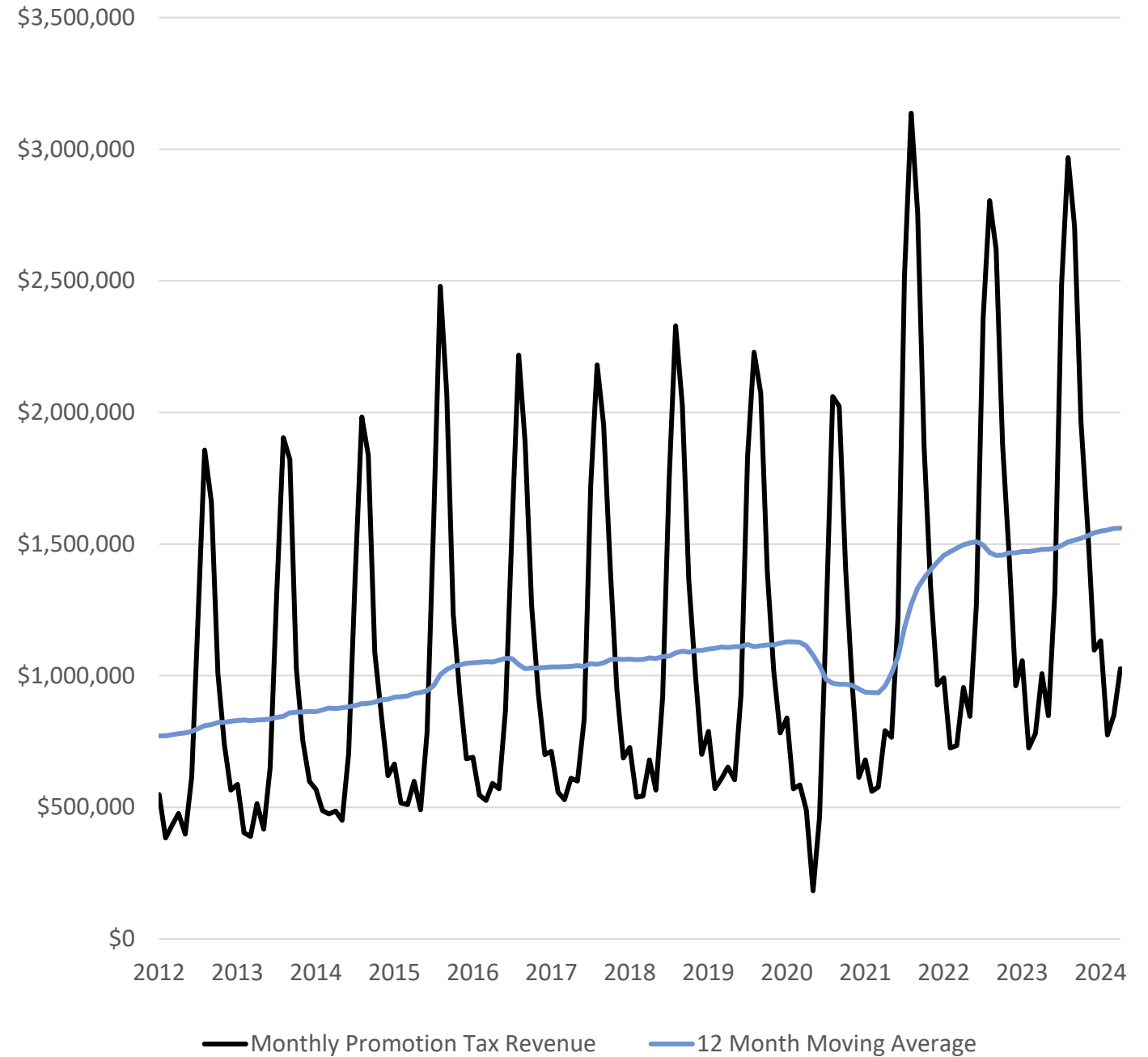


SD Personal Income vs. Sales Tax Collections



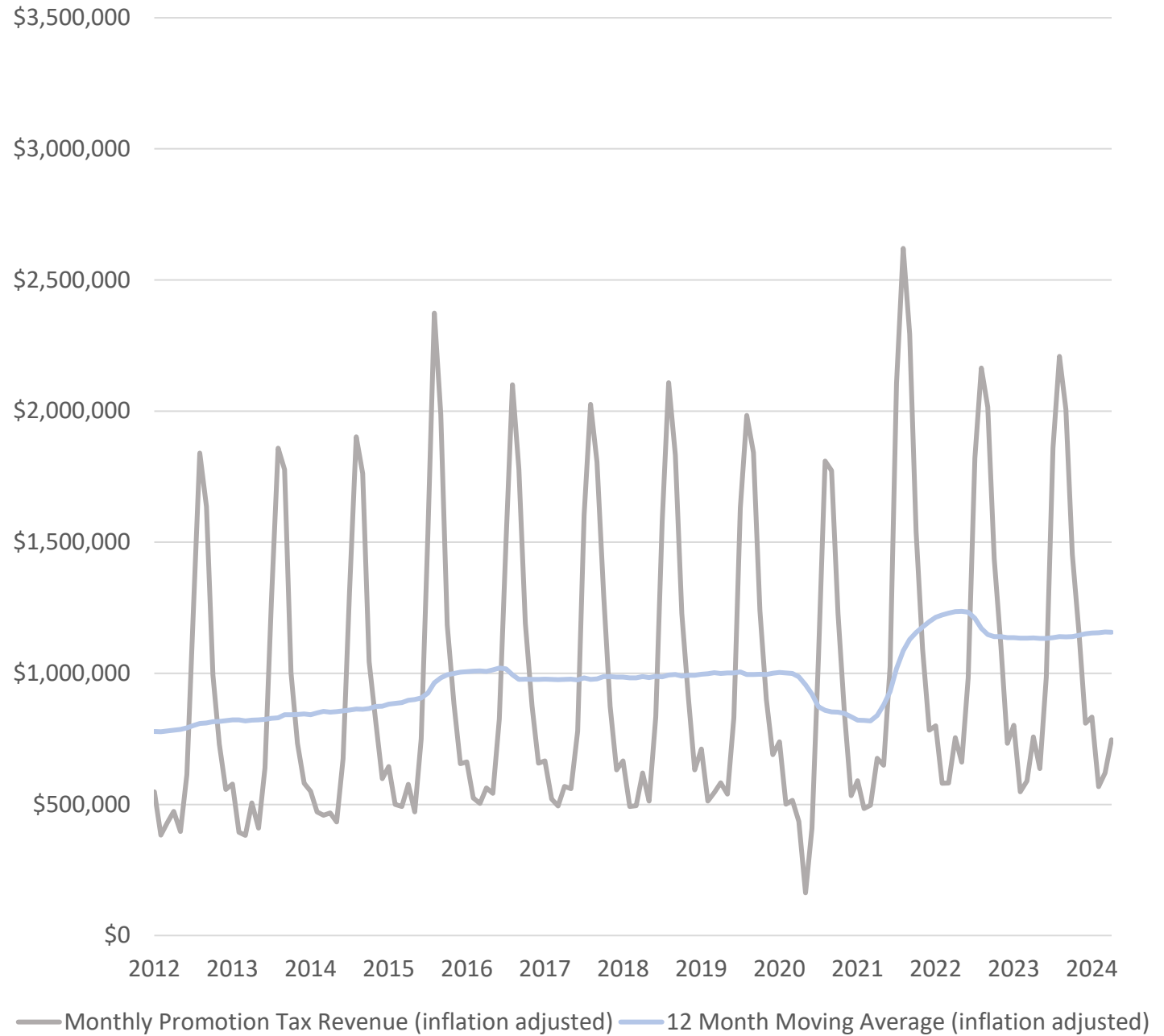


SD Tourism Promotion Tax Collections



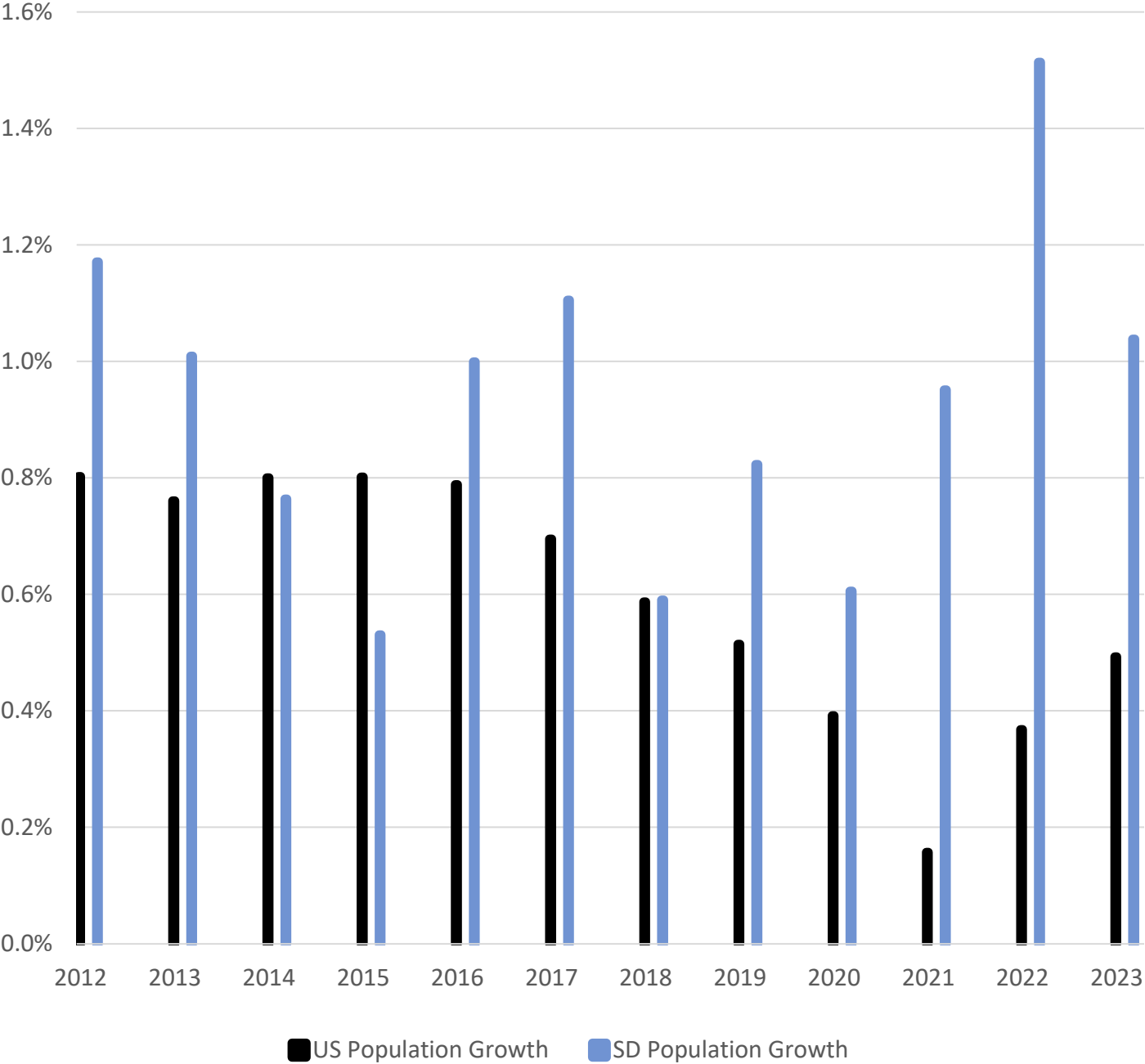


SD Tourism Promotion Tax Collections (inflation adjusted)





Population Growth



S&P Global Forecast - SD

	2018	2019	2020	2021	2022	2023	2024 f	2025 f	'13-'23 avg.
Real GDP Growth	0.7%	0.8%	0.6%	4.6%	-0.3%	2.5%	2.5%	1.9%	1.2%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.1%	2.0%	0.5%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.4%	4.9%	4.7%	5.2%
Housing Starts	4,713	4,252	6,063	7,717	7,403	6,129	5,208	5,023	5,502
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.0%	2.0%	2.2%	2.5%	3.0%

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



	<u>Actual APRIL YTD FY2023</u>	<u>Actual APRIL YTD FY2024</u>	<u>DOLLAR CHANGE</u>	<u>YTD GROWTH OVER FY2023</u>
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	1,251,839,779	1,219,961,847	(31,877,933)	-2.5%
Lottery	140,075,314	141,800,800	1,725,486	1.2%
Net Contractor's Excise Tax	163,250,534	187,230,284	23,979,749	14.7%
Insurance Company Tax	102,931,610	112,112,551	9,180,941	8.9%
Unclaimed Property Receipts	76,424,692	138,322,751	61,898,059	81.0%
Licenses, Permits, and Fees	56,710,964	56,000,725	(710,239)	-1.3%
Tobacco Taxes	36,559,607	35,155,222	(1,404,386)	-3.8%
Trust Funds	31,890,322	33,665,904	1,775,583	5.6%
Net Transfers In (excluding one-time)	22,218,835	23,208,641	989,806	4.5%
Alcohol Beverage Tax	6,874,576	7,043,834	169,258	2.5%
Bank Franchise Tax	19,983,635	26,945,543	6,961,908	34.8%
Charges for Goods and Services	10,308,087	11,071,709	763,622	7.4%
Telecommunications Tax	1,909,021	1,579,704	(329,317)	-17.3%
Severance Taxes	4,797,527	10,909,497	6,111,969	127.4%
Investment Income and Interest	13,764,818	49,019,656	35,254,838	256.1%
Alcohol Beverage 2% Wholesale Tax	2,439,796	2,583,393	143,597	5.9%
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,941,979,119</u>	<u>\$ 2,056,612,060</u>	<u>\$ 114,632,941</u>	<u>5.9%</u>
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	1,443,391	751,042	108.5%
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 692,349</u>	<u>\$ 13,762,918</u>	<u>\$ 751,042</u>	<u>1887.9%</u>
GRAND TOTAL	<u>\$ 1,942,671,468</u>	<u>\$ 2,070,374,978</u>	<u>\$ 127,703,510</u>	<u>6.6%</u>

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.

**Legislative Revised Adopted FY2024 Estimate (Feb. 2024) vs. Actual Revenues
Year-to-Date Through APRIL FY2024 Comparison**

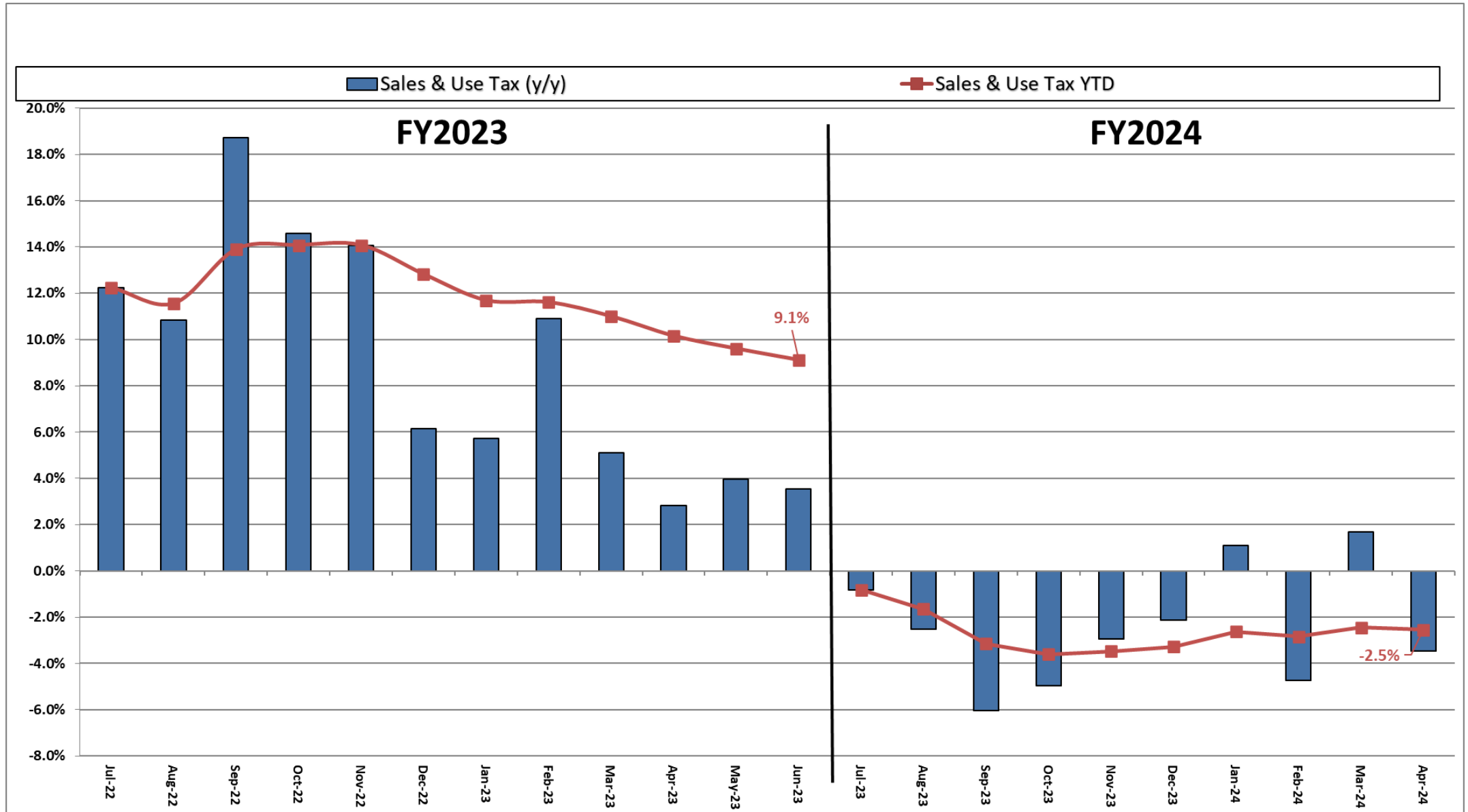


	Leg. Rev. Adopted APRIL YTD FY2024	Actual APRIL YTD FY2024	DOLLAR CHANGE	YTD % Chg. Actual/Adopt Comparison
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	1,234,393,092	1,219,961,847	(14,431,245)	-1.2%
Lottery	141,553,676	141,800,800	247,124	0.2%
Net Contractor's Excise Tax	184,564,847	187,230,284	2,665,437	1.4%
Insurance Company Tax	111,125,742	112,112,551	986,809	0.9%
Unclaimed Property Receipts	130,063,820	138,322,751	8,258,931	6.3%
Licenses, Permits, and Fees	55,065,112	56,000,725	935,613	1.7%
Tobacco Taxes	34,988,870	35,155,222	166,351	0.5%
Trust Funds	33,665,904	33,665,904	0	0.0%
Net Transfers In (excluding one-time)	22,052,994	23,208,641	1,155,648	5.2%
Alcohol Beverage Tax	6,978,831	7,043,834	65,003	0.9%
Bank Franchise Tax	18,481,887	26,945,543	8,463,656	45.8%
Charges for Goods and Services	10,445,051	11,071,709	626,658	6.0%
Telecommunications Tax	1,666,041	1,579,704	(86,337)	-5.2%
Severance Taxes	9,993,057	10,909,497	916,439	9.2%
Investment Income and Interest	49,000,469	49,019,656	19,187	0.0%
Alcohol Beverage 2% Wholesale Tax	2,573,210	2,583,393	10,183	0.4%
SUBTOTAL (ONGOING RECEIPTS)	\$ 2,046,612,602	2,056,612,060	\$ 9,999,458	0.5%
ONE-TIME RECEIPTS				
One-Time Sales and Use Tax*	-	12,319,527	12,319,527	N/A
Bank Franchise Tax Prior Year Revenue	-	1,443,391	1,443,391	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 13,762,918	\$ 13,762,918	N/A
GRAND TOTAL	\$ 2,046,612,602	\$ 2,070,374,978	\$ 23,762,376	1.2%

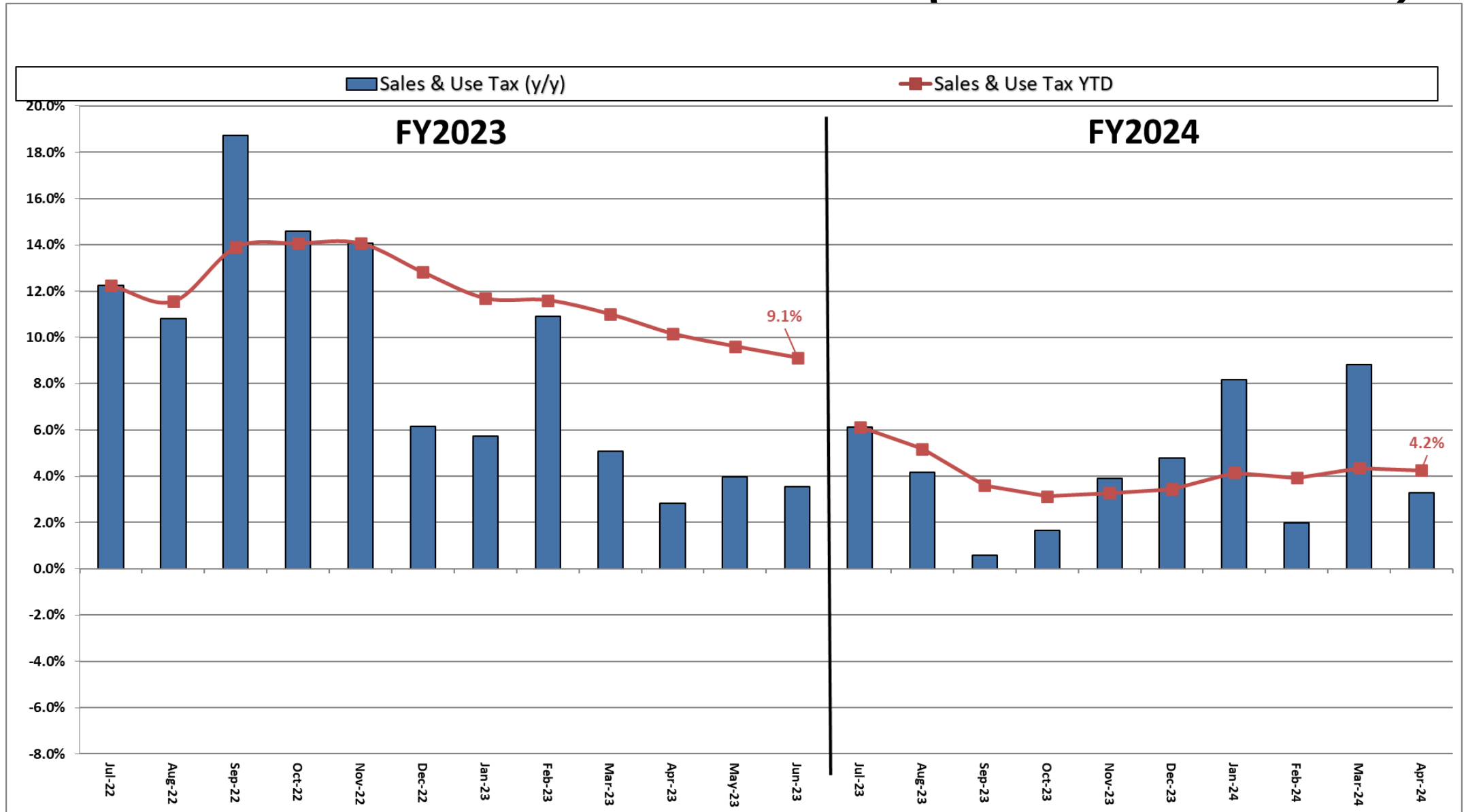
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Sales & Use Tax Growth



Sales & Use Tax Growth *(RATE ADJUSTED)*





Council Discussion

S&P Global Forecast - US

	2018	2019	2020	2021	2022	2023	2024 f	2025 f	'13-'23 avg.
Real GDP Growth	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	2.5%	1.6%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.7%	0.6%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%	5.0%	5.2%	4.7%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	3.8%	4.1%	5.1%
CPI-U	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.3%	2.2%	2.6%

S&P Global Forecast - SD

	2018	2019	2020	2021	2022	2023	2024 f	2025 f	'13-'23 avg.
Real GDP Growth	0.7%	0.8%	0.6%	4.6%	-0.3%	2.5%	2.5%	1.9%	1.2%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.1%	2.0%	0.5%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.4%	4.9%	4.7%	5.2%
Housing Starts	4,713	4,252	6,063	7,717	7,403	6,129	5,208	5,023	5,502
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.0%	2.0%	2.2%	2.5%	3.0%

Other Discussion Items

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