

Governor's Council of Economic Advisors

August 29, 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

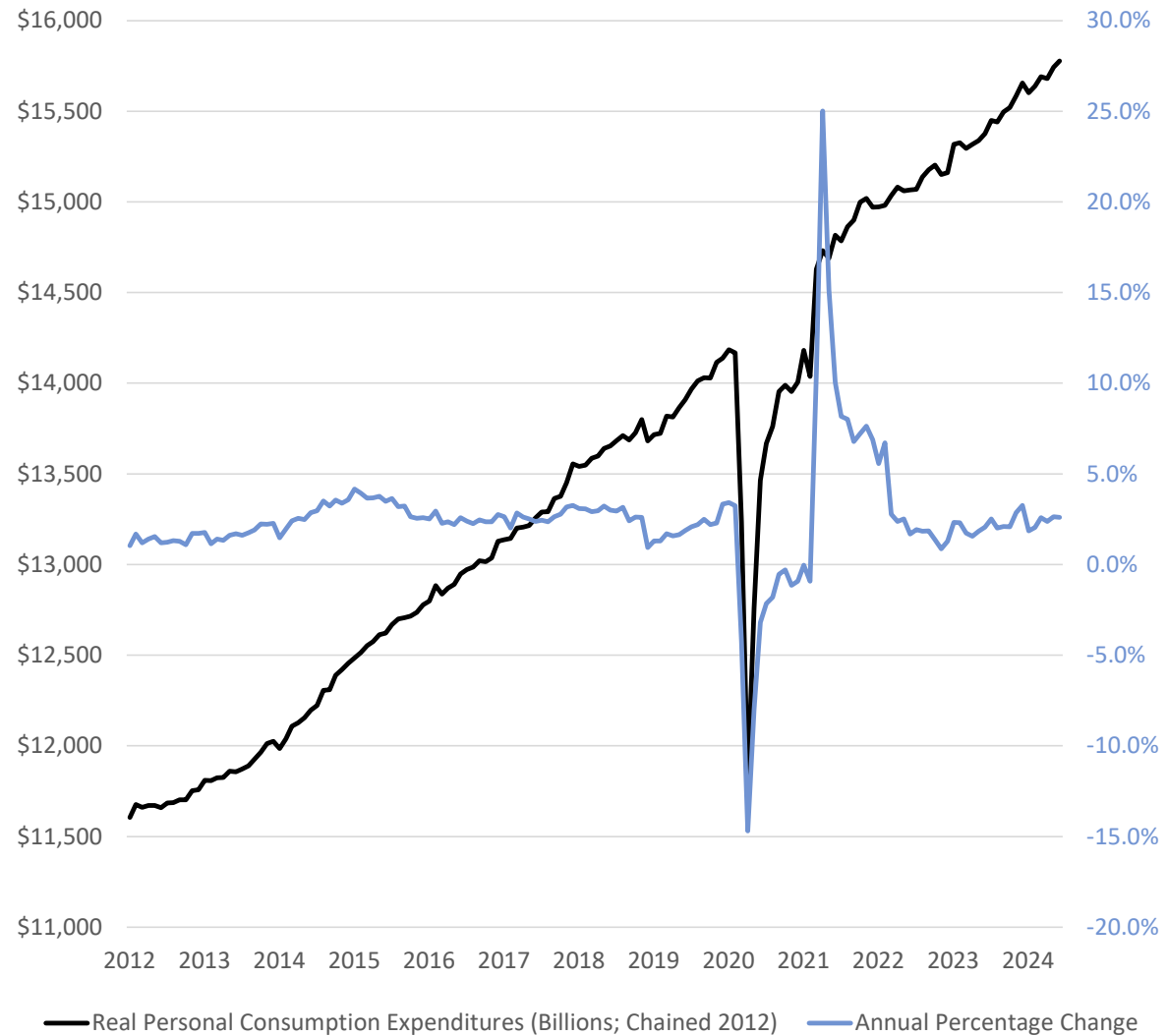


Consumption

- Real personal consumption expenditures increased 1.5% in the first quarter of 2024 and 2.3% in the second quarter of 2024.
- Growth of spending has outpaced growth of income since mid-2023.
- Real personal consumption expenditures grew 2.2% in 2023.
- Projected growth is at 2.3% in 2024 and 1.9% in 2025.

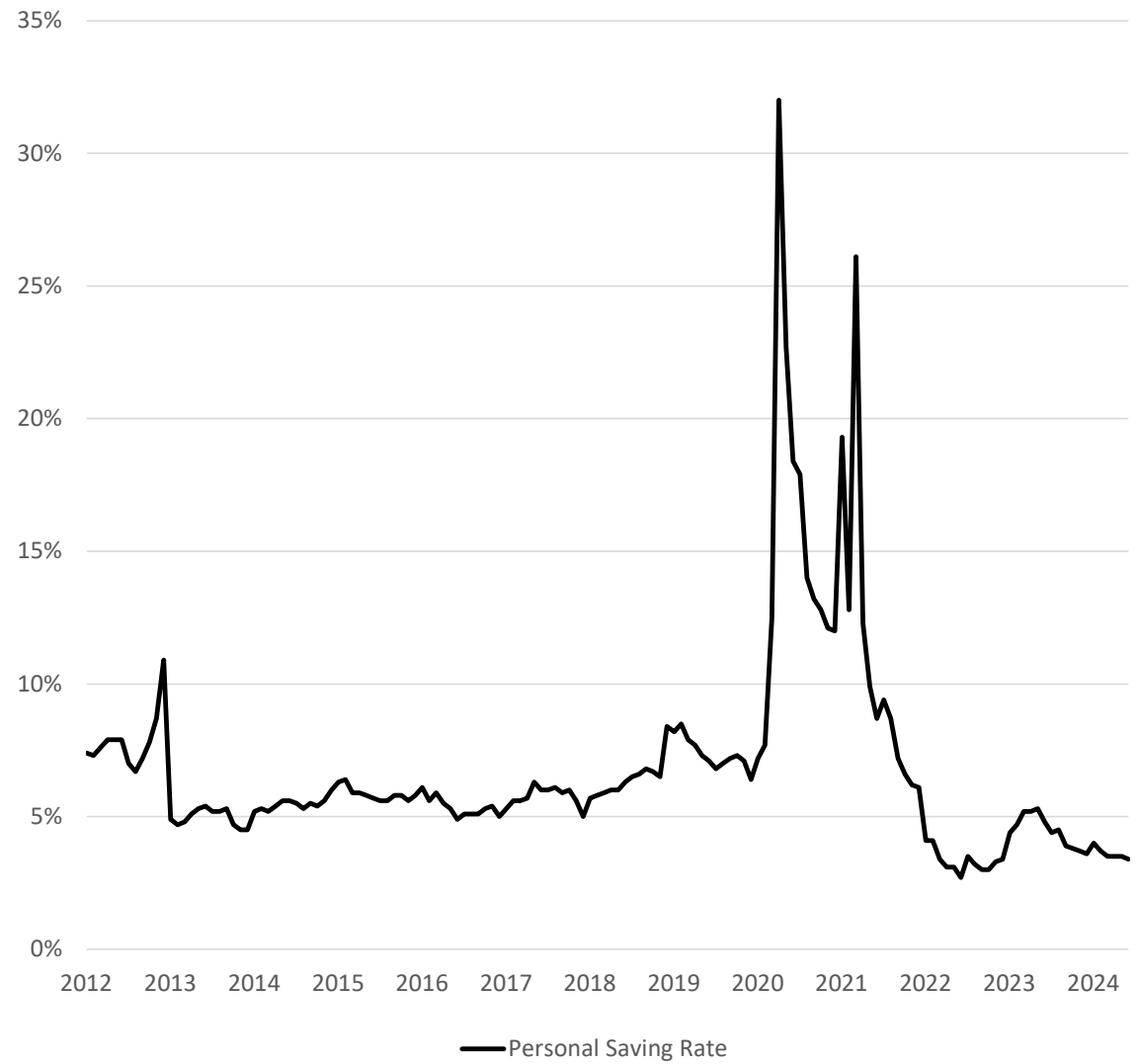


US Real Personal Consumption Expenditures



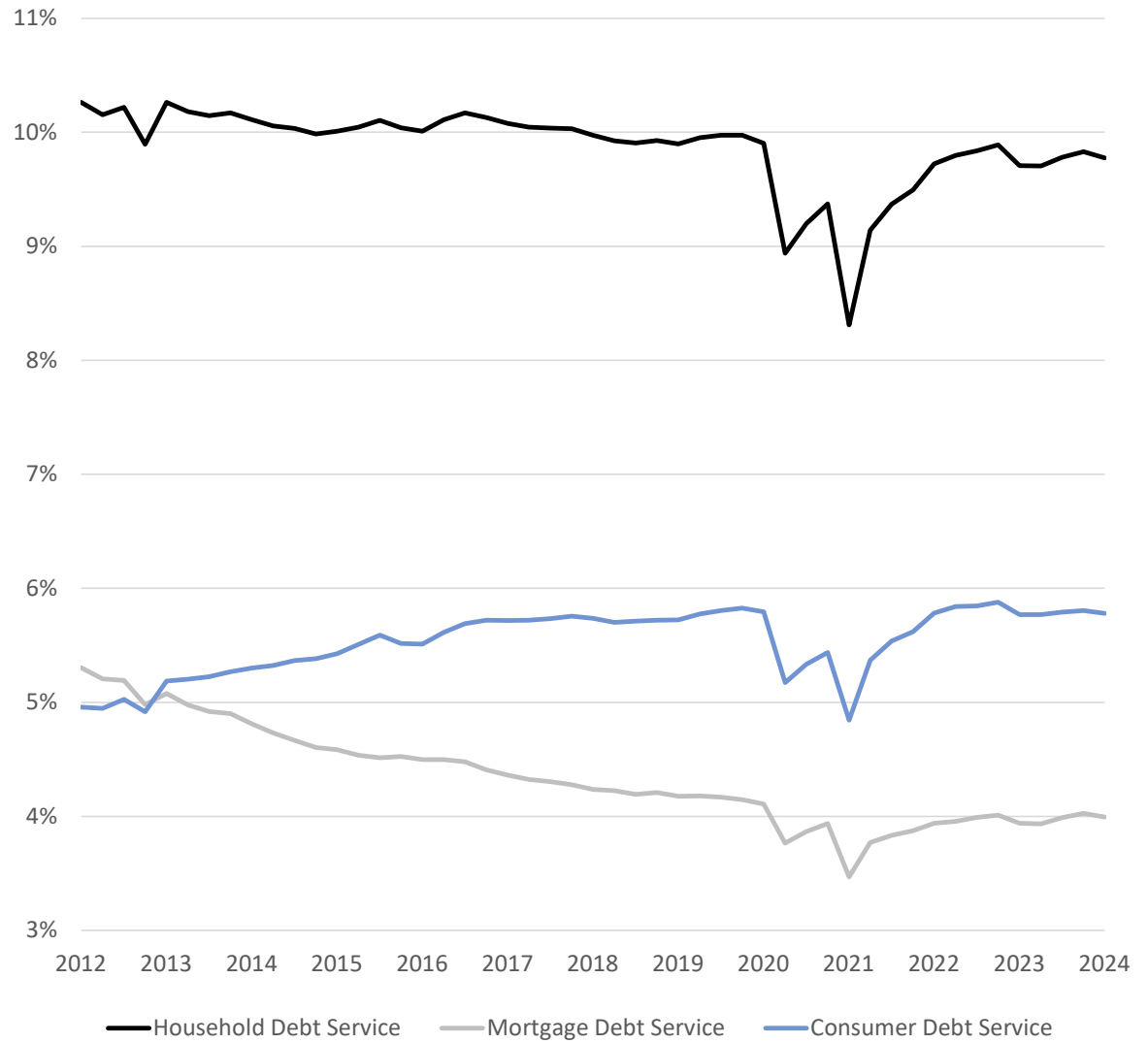


US Personal Saving Rate



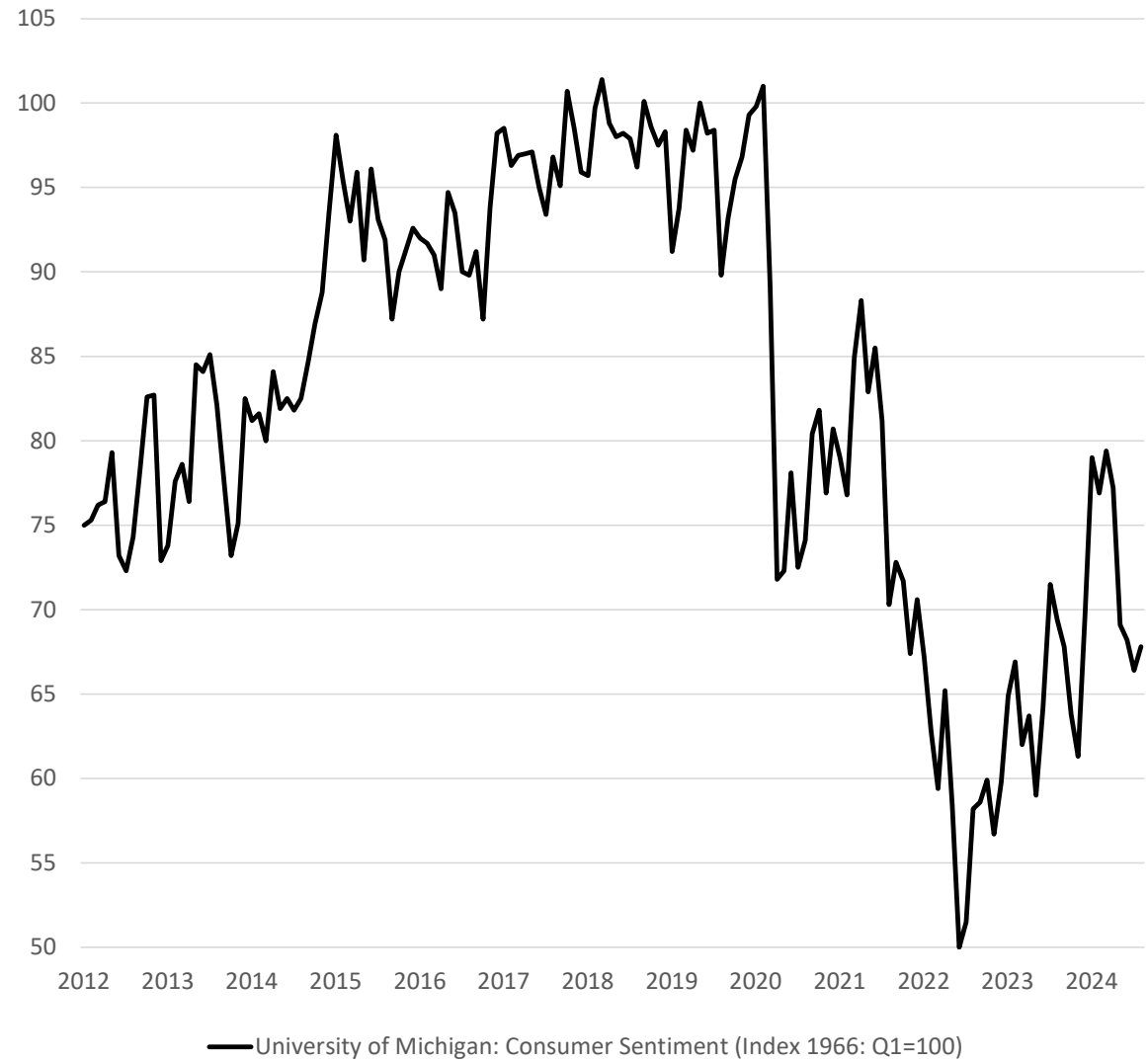


US Household Debt Service Ratio





US Consumer Sentiment



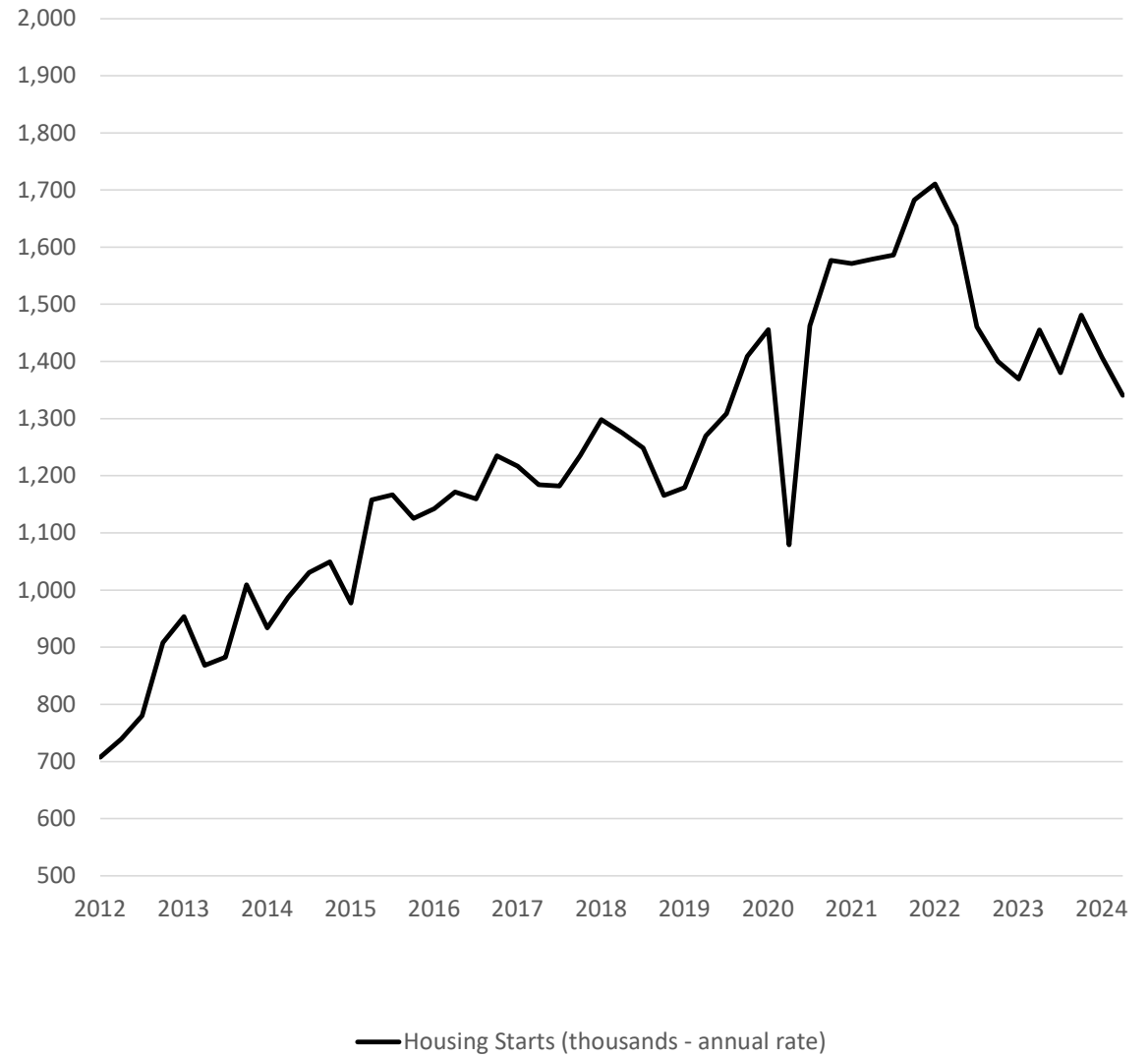
Investment



- Real business fixed investment is projected to slow from 4.5% in 2023 to 3.8% in 2024 and 2.3% in 2025.
- Residential investment finished 2023 at -10.6%. It is projected at 2.7% in 2024 and -1.0% in 2025.
- Housing starts are expected to slow from 1.42M in 2023 to 1.35M in 2024 and 1.36M in 2025.
- Home prices are expected to rise 5.0% in 2024 and 3.6% in 2025.

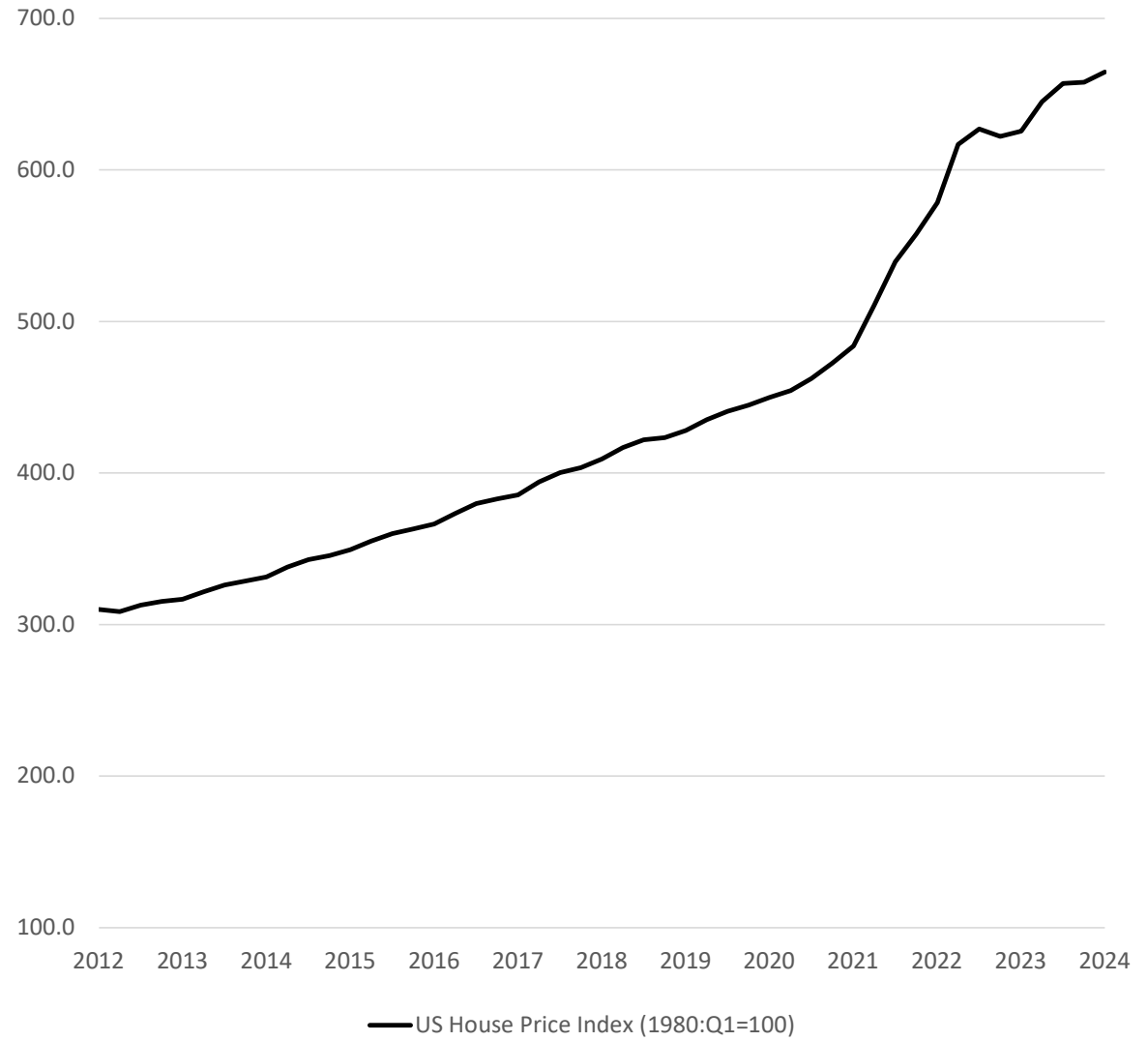


US Housing Starts





Home Price



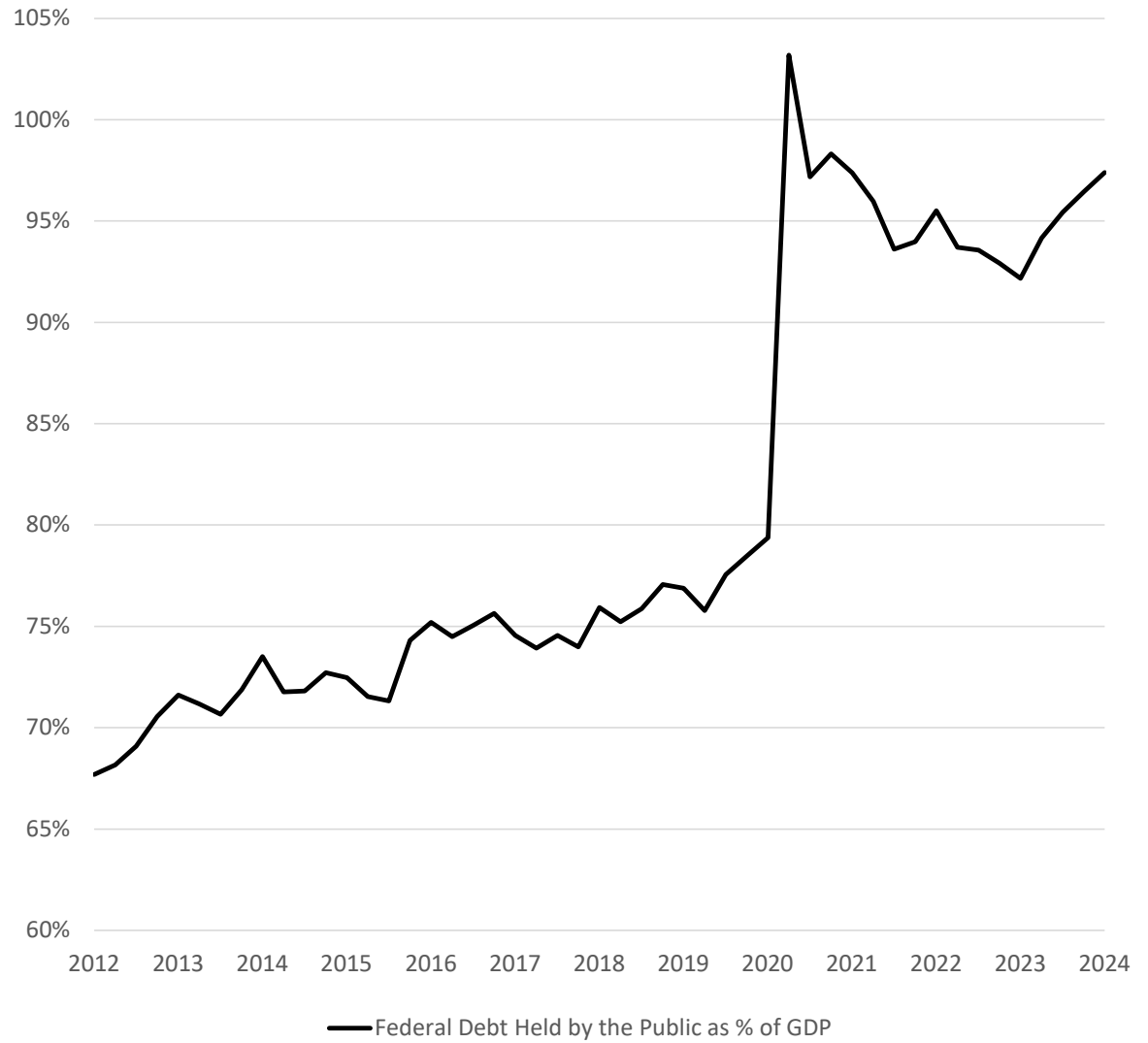
Federal Fiscal Picture



- 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 Open Market Committee has held the target federal funds rate at 5.25-5.50%.
- First Fed rate cut in September is likely.
- Forecast includes six rate cuts in 2025.

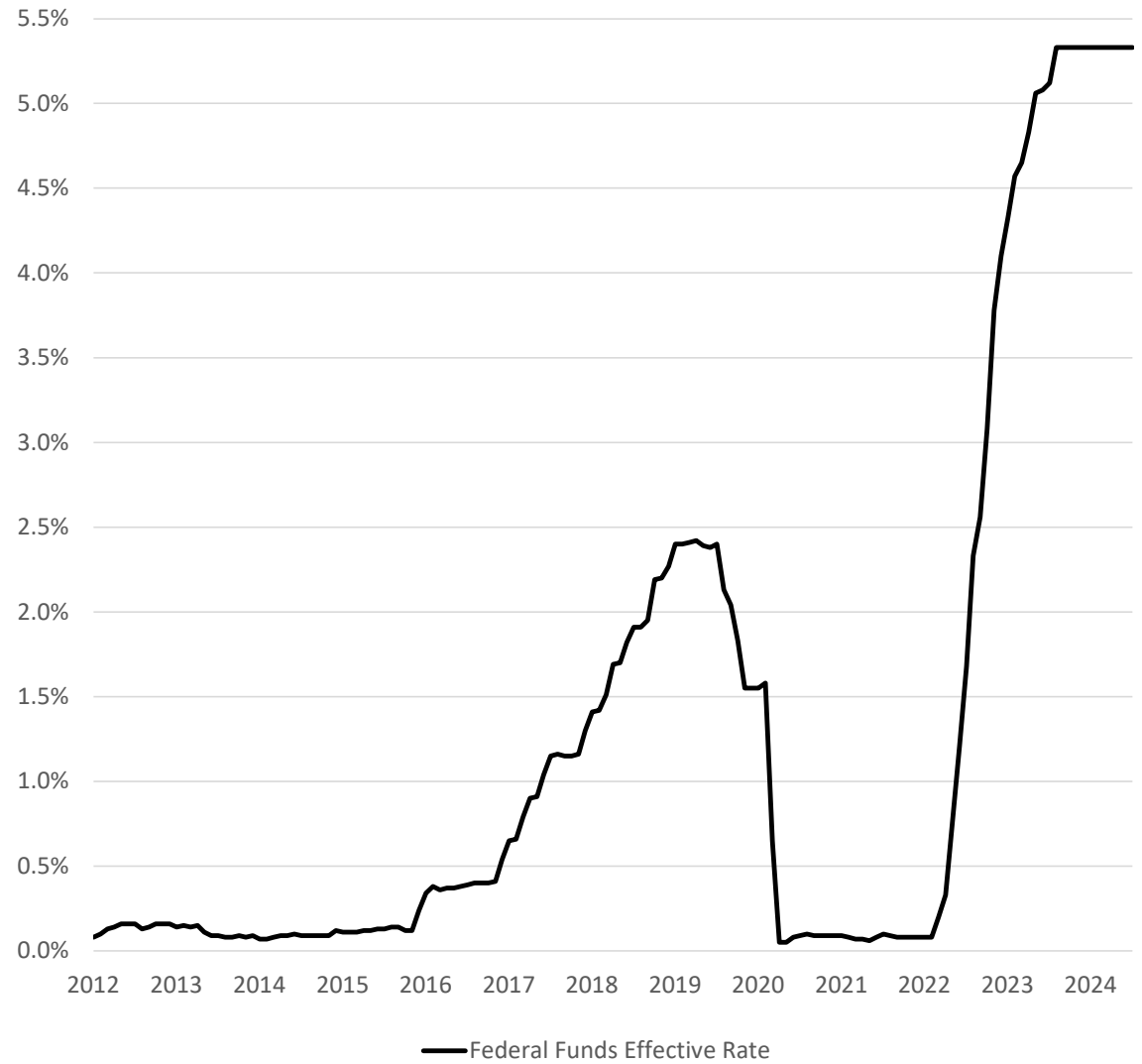


Debt Held by Public





Interest Rates



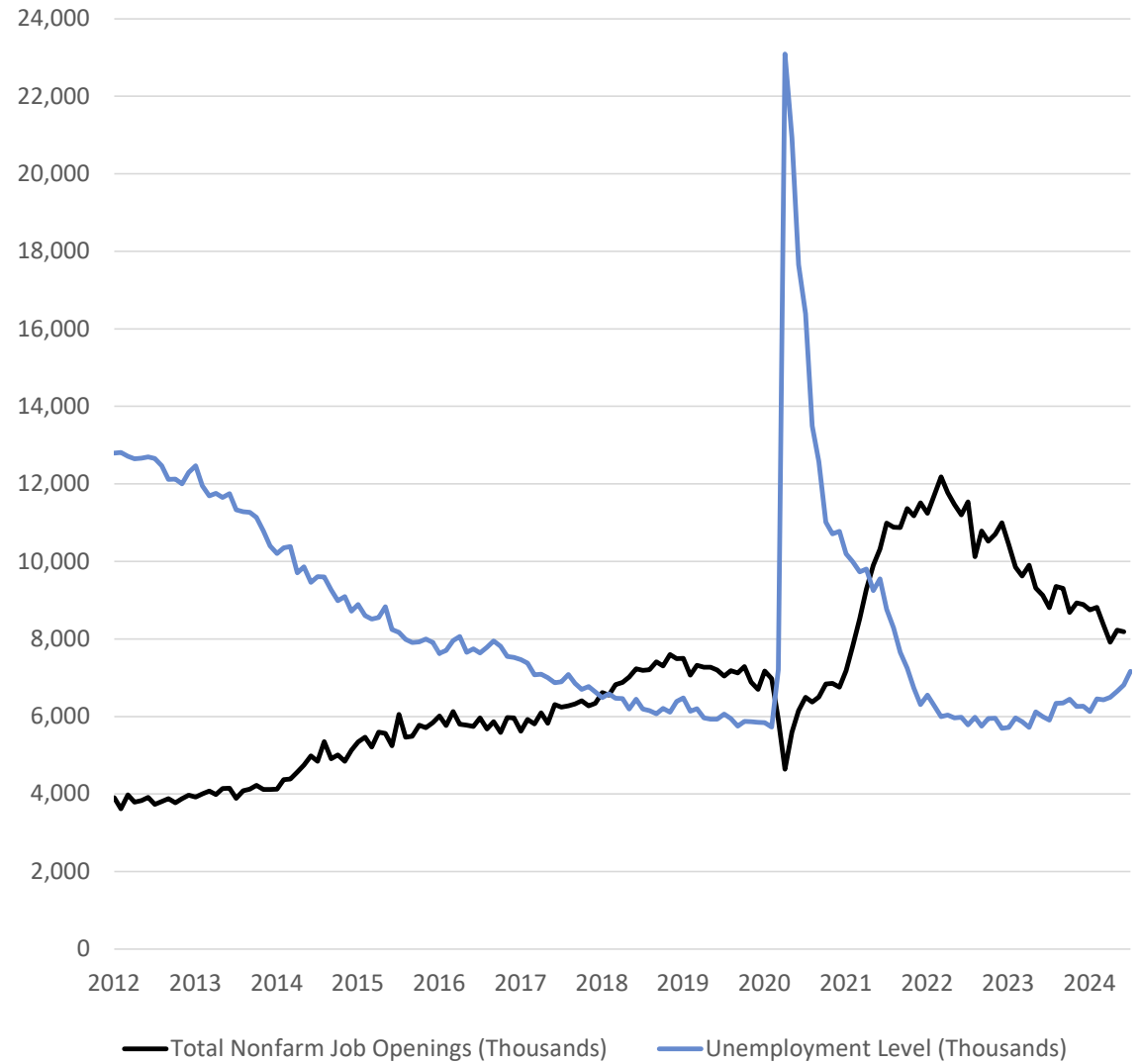
Employment and Unemployment



- Nonfarm payroll employment rose 114k in July – down from growth of 179k in June and 216k in May.
- Employment growth projected to slow from 2.3% in 2023 to 1.7% in 2024 and 0.7% in 2025.
- The unemployment rate was at 4.3% in July.
- Unemployment rate finished 2023 at 3.6%. Projections are 4.0% in 2024 and 4.3% in 2025.



US Job Openings vs. Unemployed



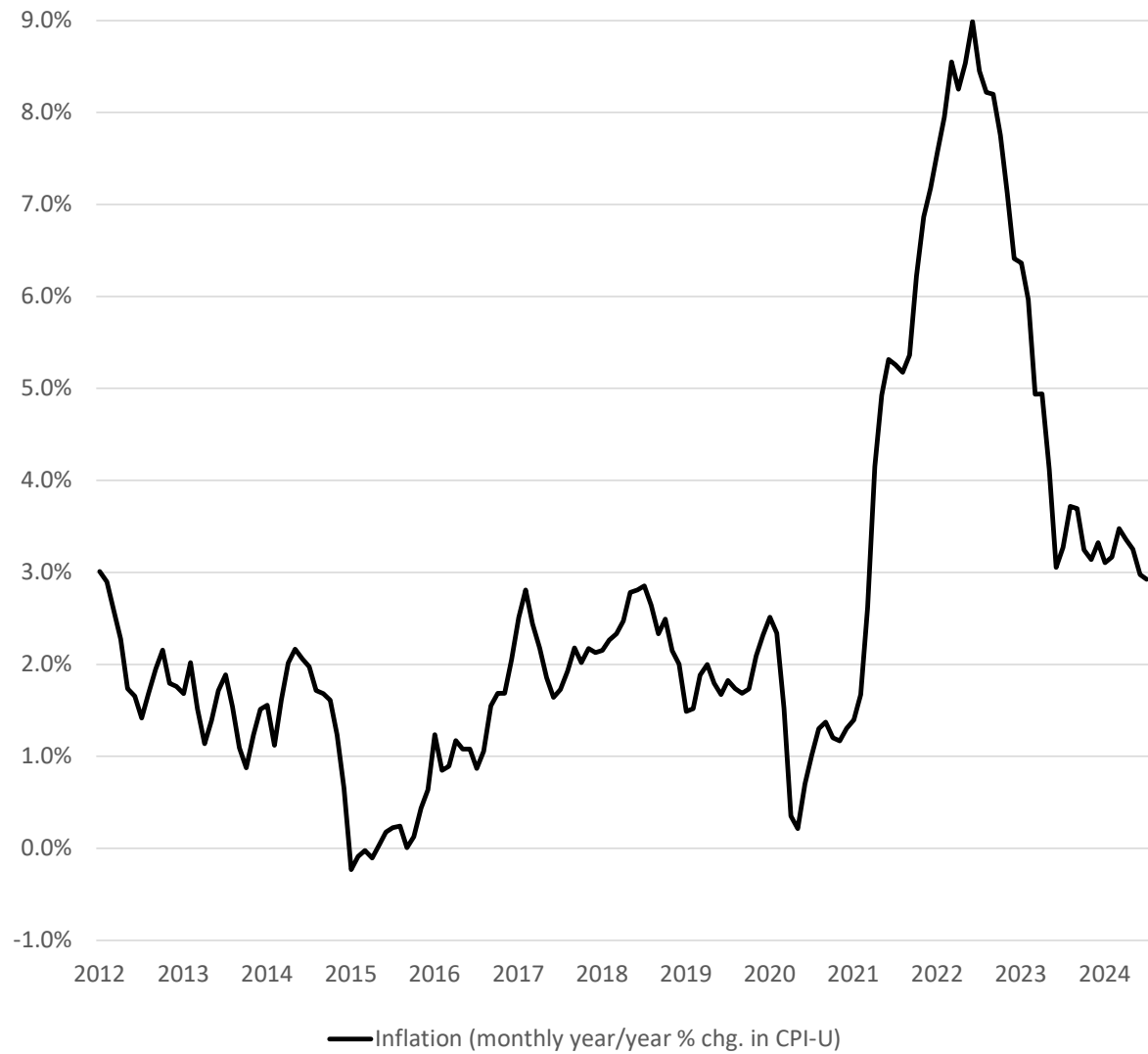


Inflation

- CPI rose 4.1% in 2023. Forecast is for 3.0% in 2024 and 2.2% in 2025.
- PPI on finished goods rose 1.5% in 2023. Forecast is for 0.7% in 2024 and 0.5% in 2025.
- Brent Crude spot price is forecast to increase from \$83 in 2023 to \$84 in 2024 and back down to \$79 in 2025.



Inflation: CPI



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%	2.6%	1.7%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.7%	0.7%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.1%	4.6%	5.1%	4.7%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.3%	5.1%
CPI-U	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.0%	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	2.7%	2.5%	2.4%	0.1%	2.3%
Nonfarm Employment	1.8%	0.9%	1.4%	-1.1%	1.4%
Personal Income	4.8%	5.8%	4.5%	3.9%	4.7%
Unemployment Rate	3.9%	4.0%	4.2%	6.0%	5.1%
CPI-U	2.8%	2.8%	3.2%	2.8%	2.6%

SD Forecast

Employment

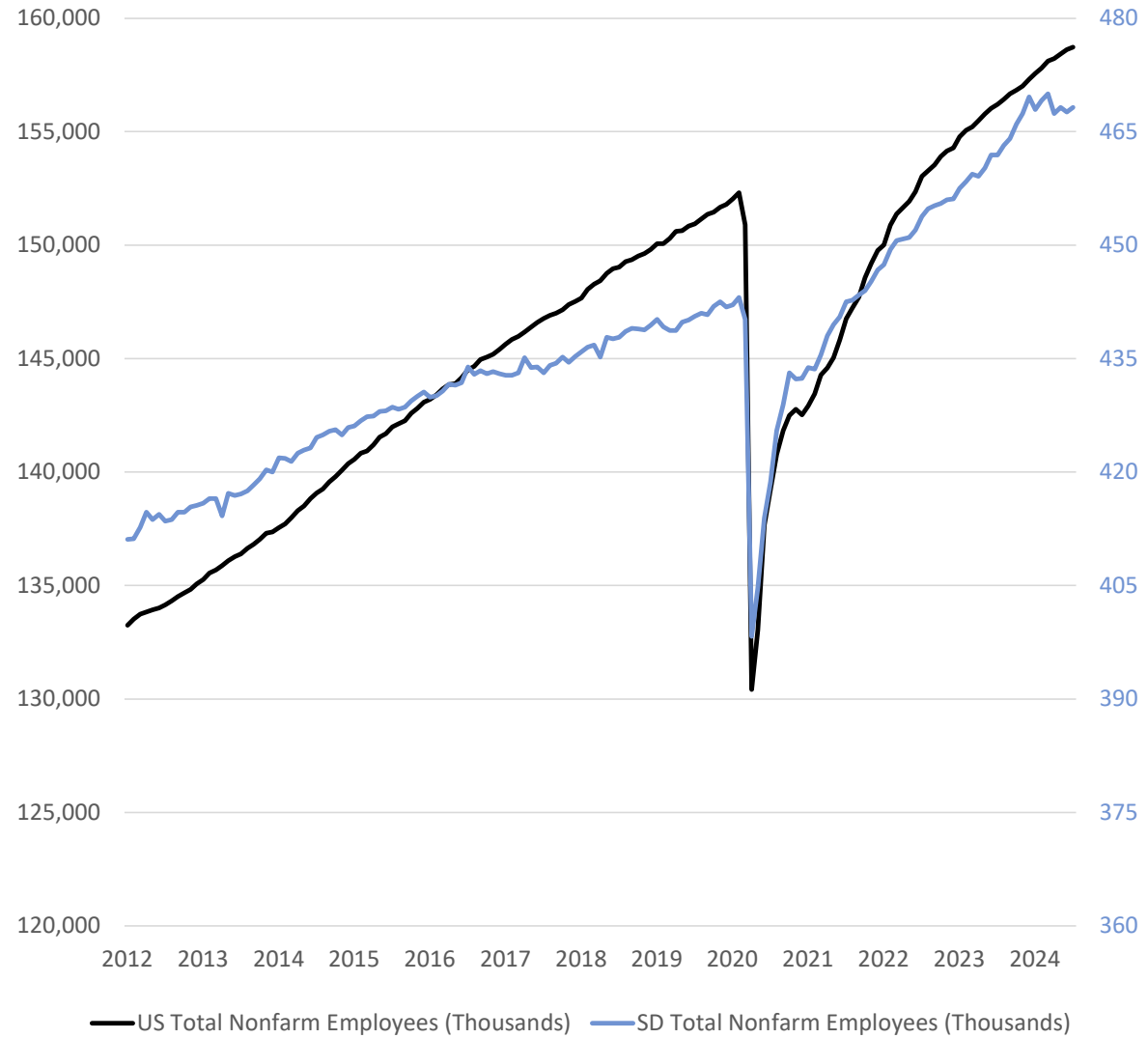
Housing

Personal Income

Tourism

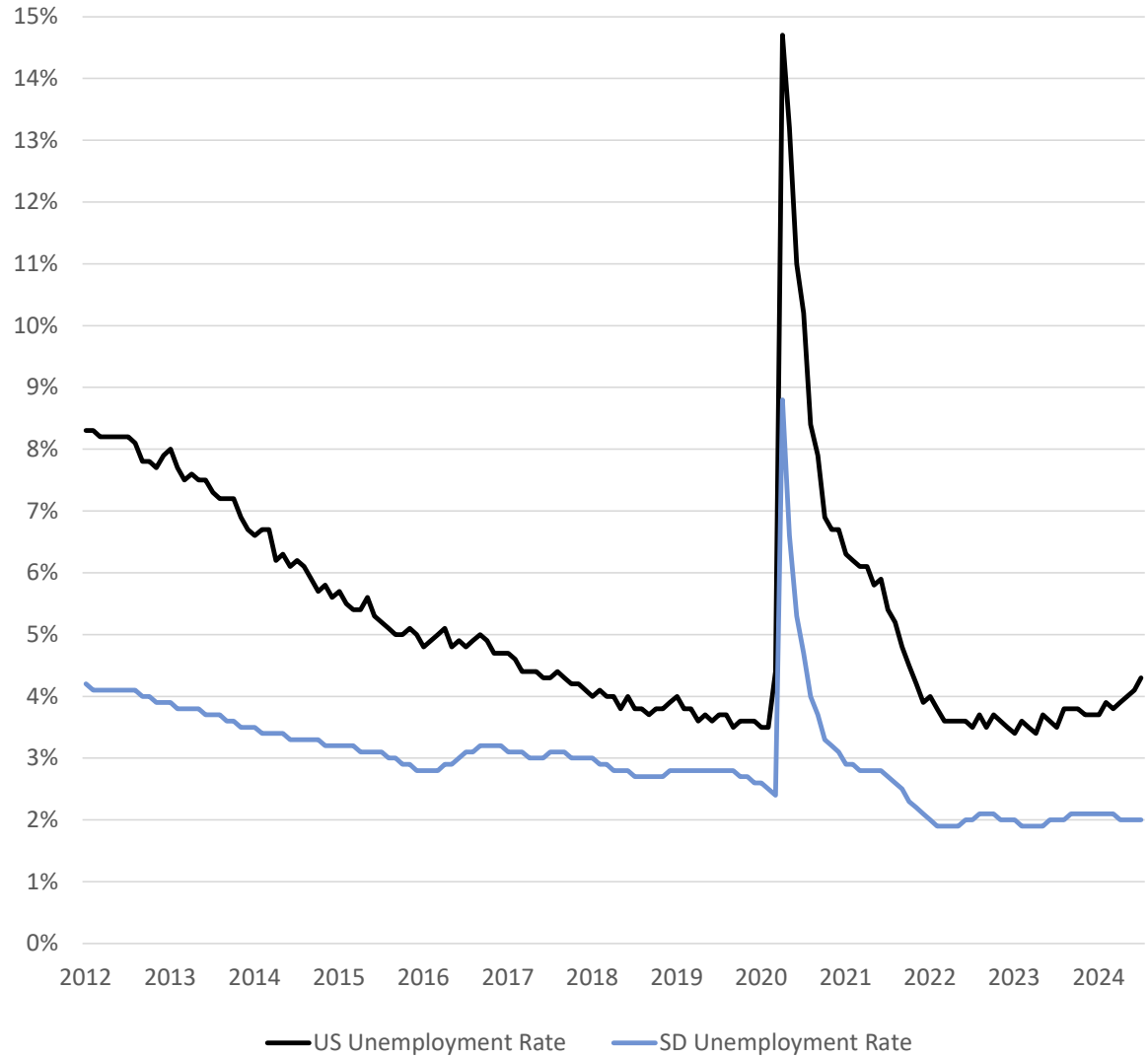


Employment Growth



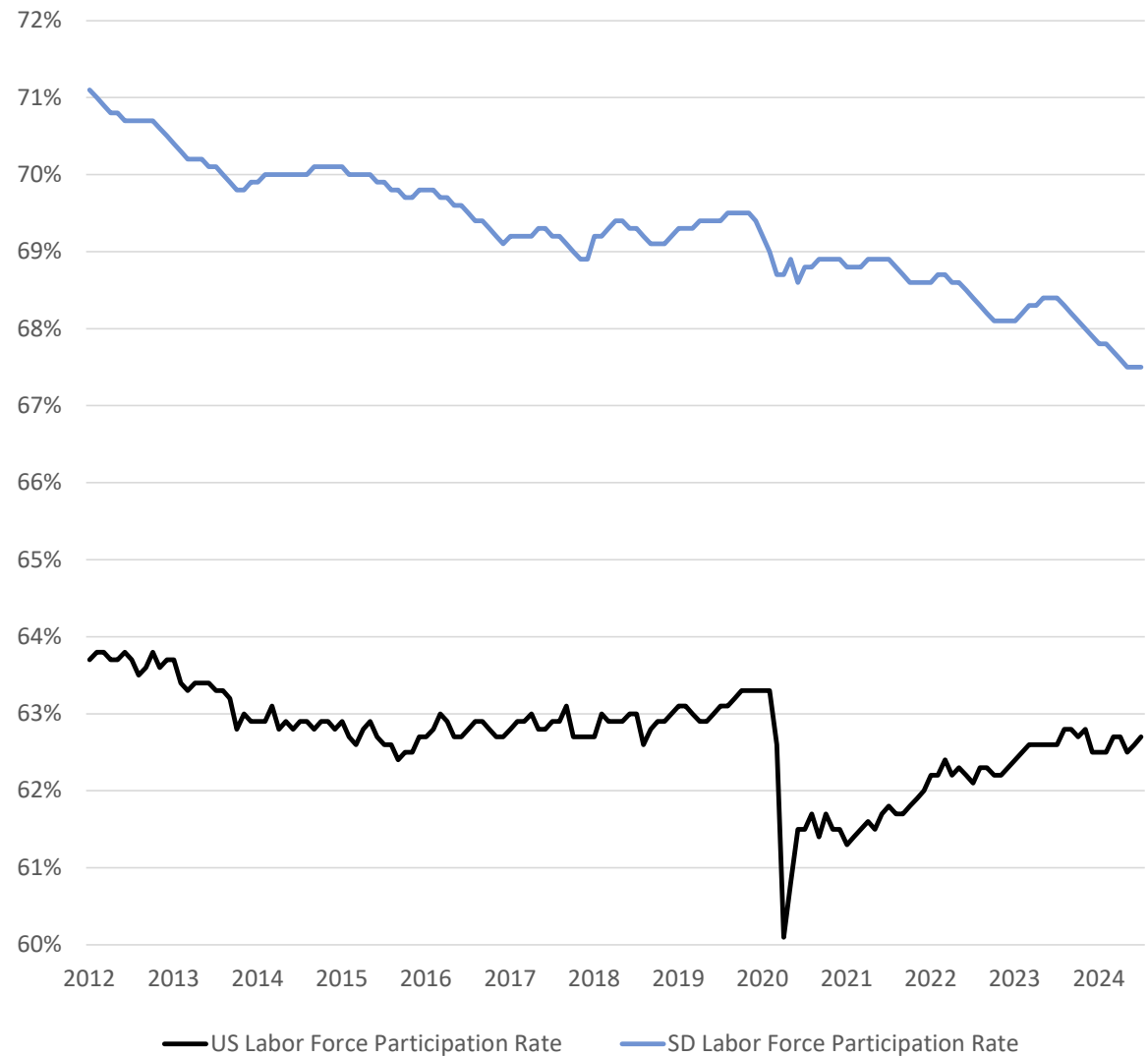


Unemployment Rate



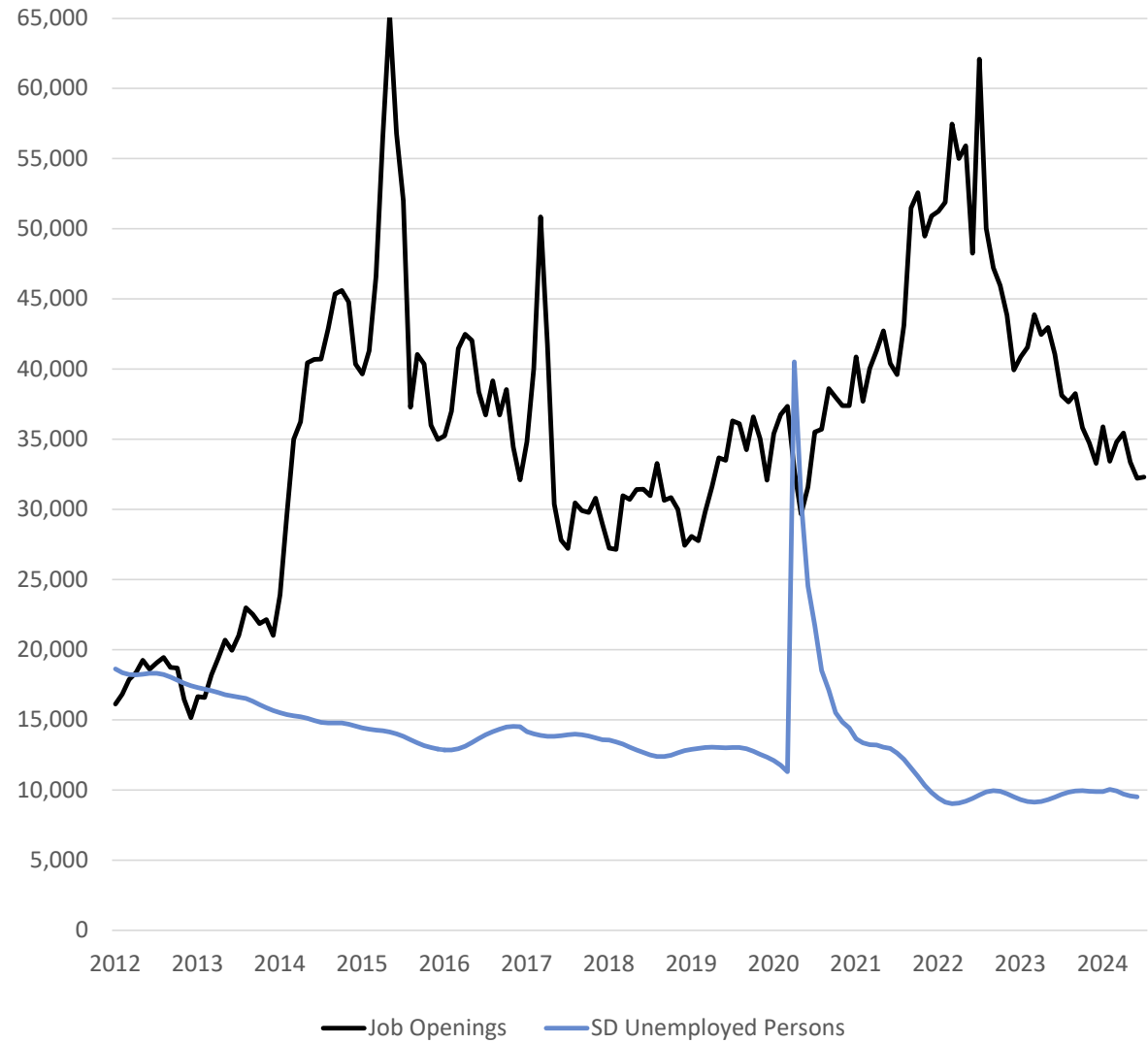


Labor Force Participation Rate



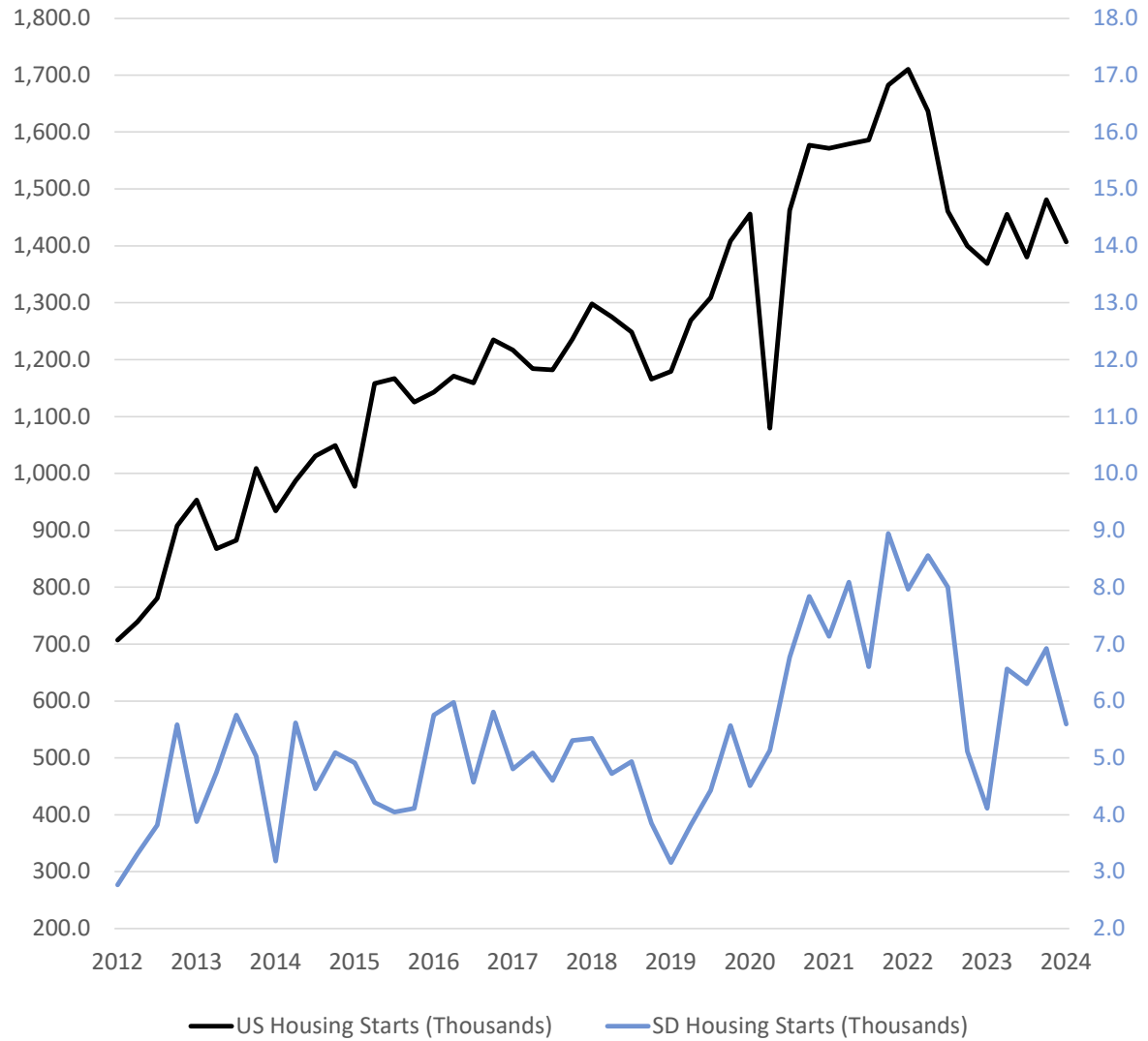


SD Job Openings vs. Unemployed



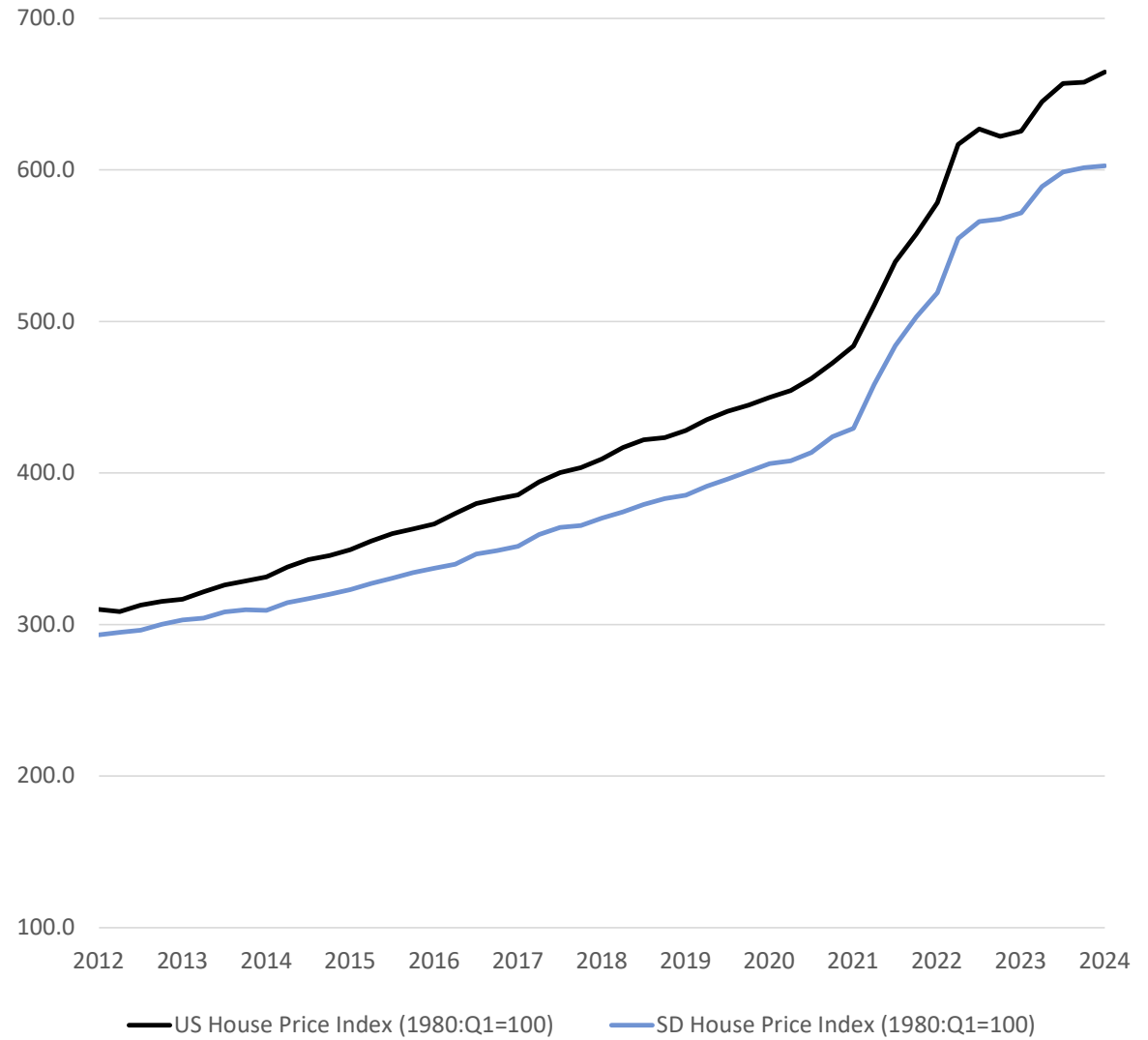


Housing Starts



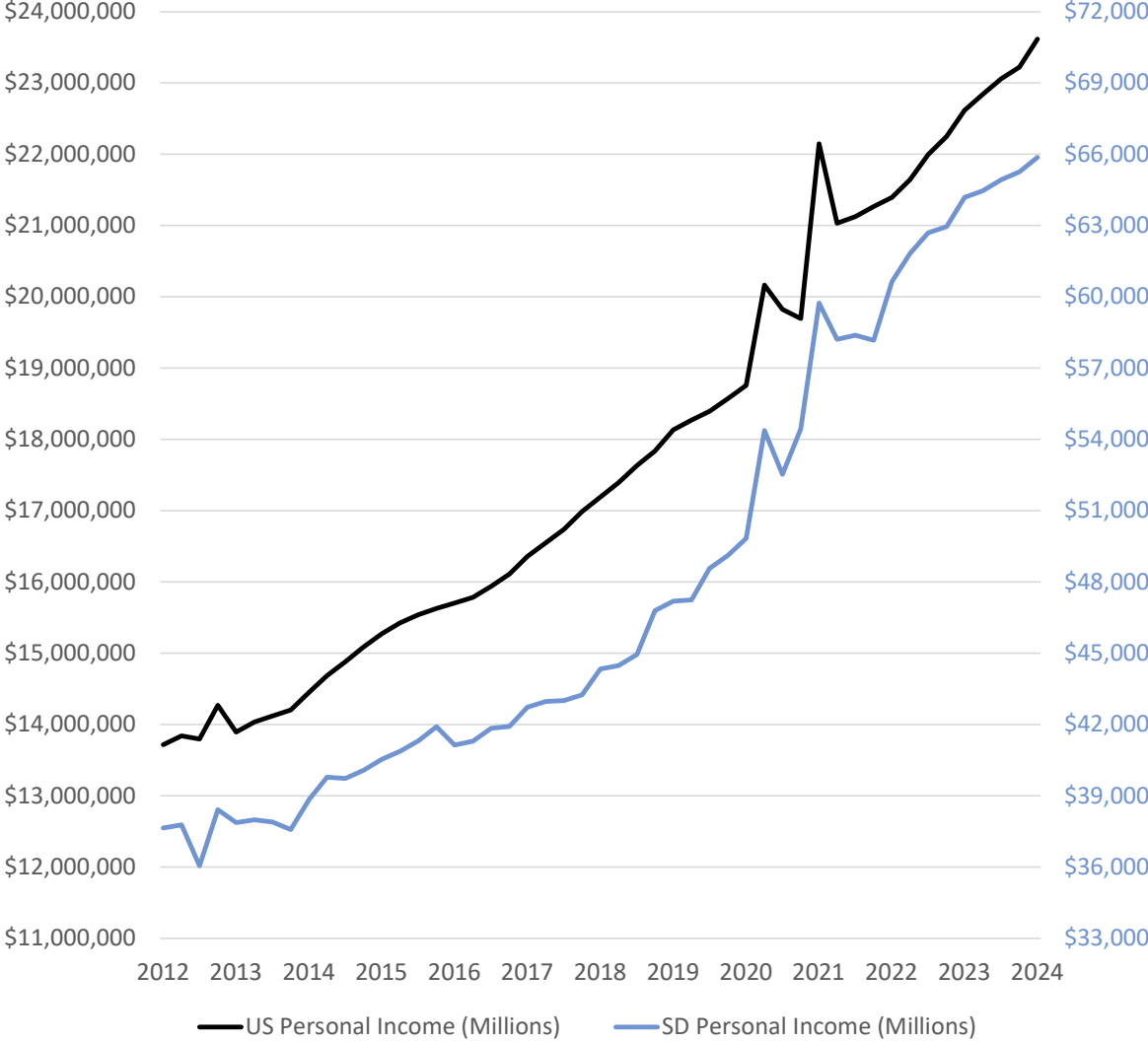


Home Price



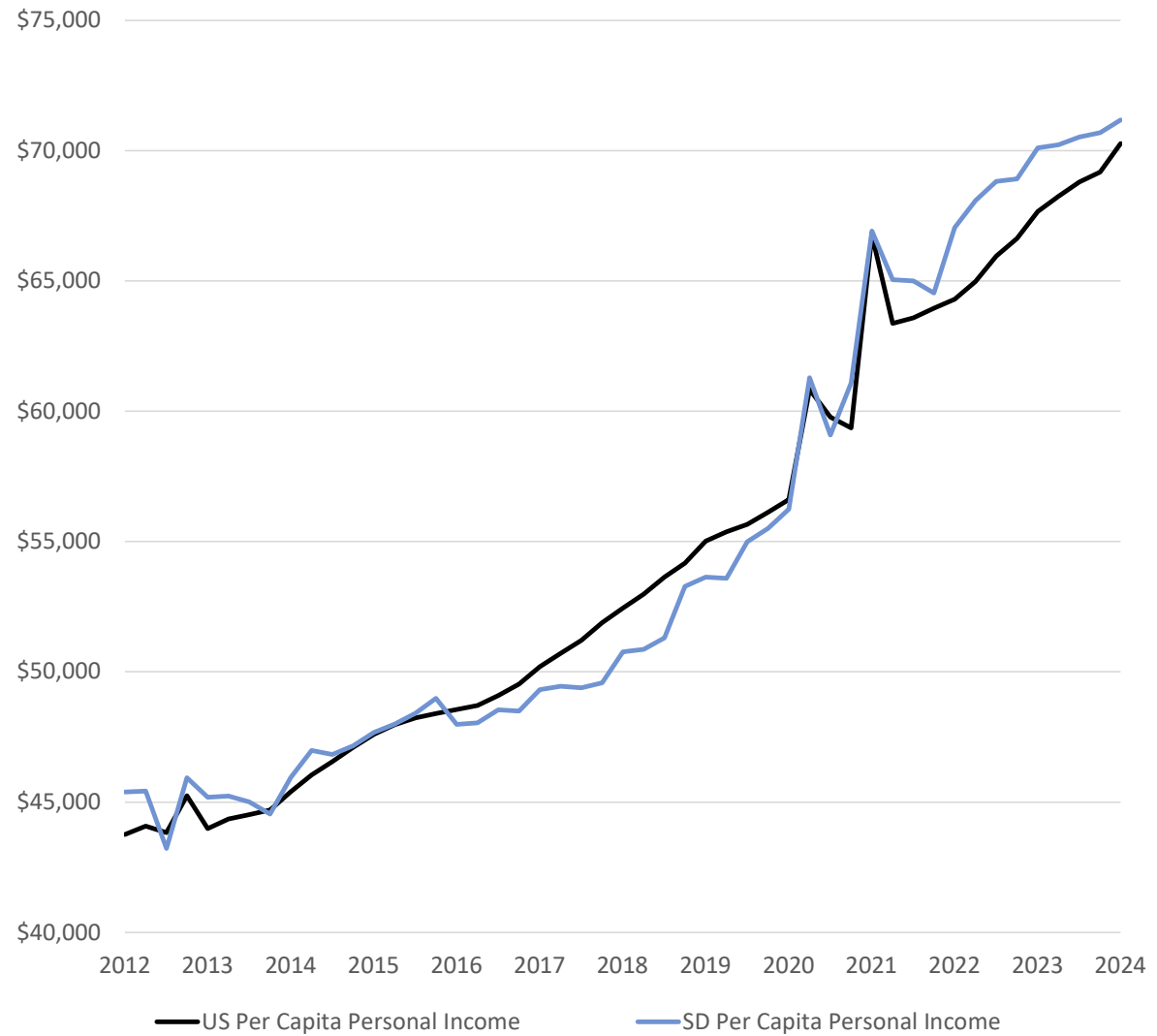


Personal Income



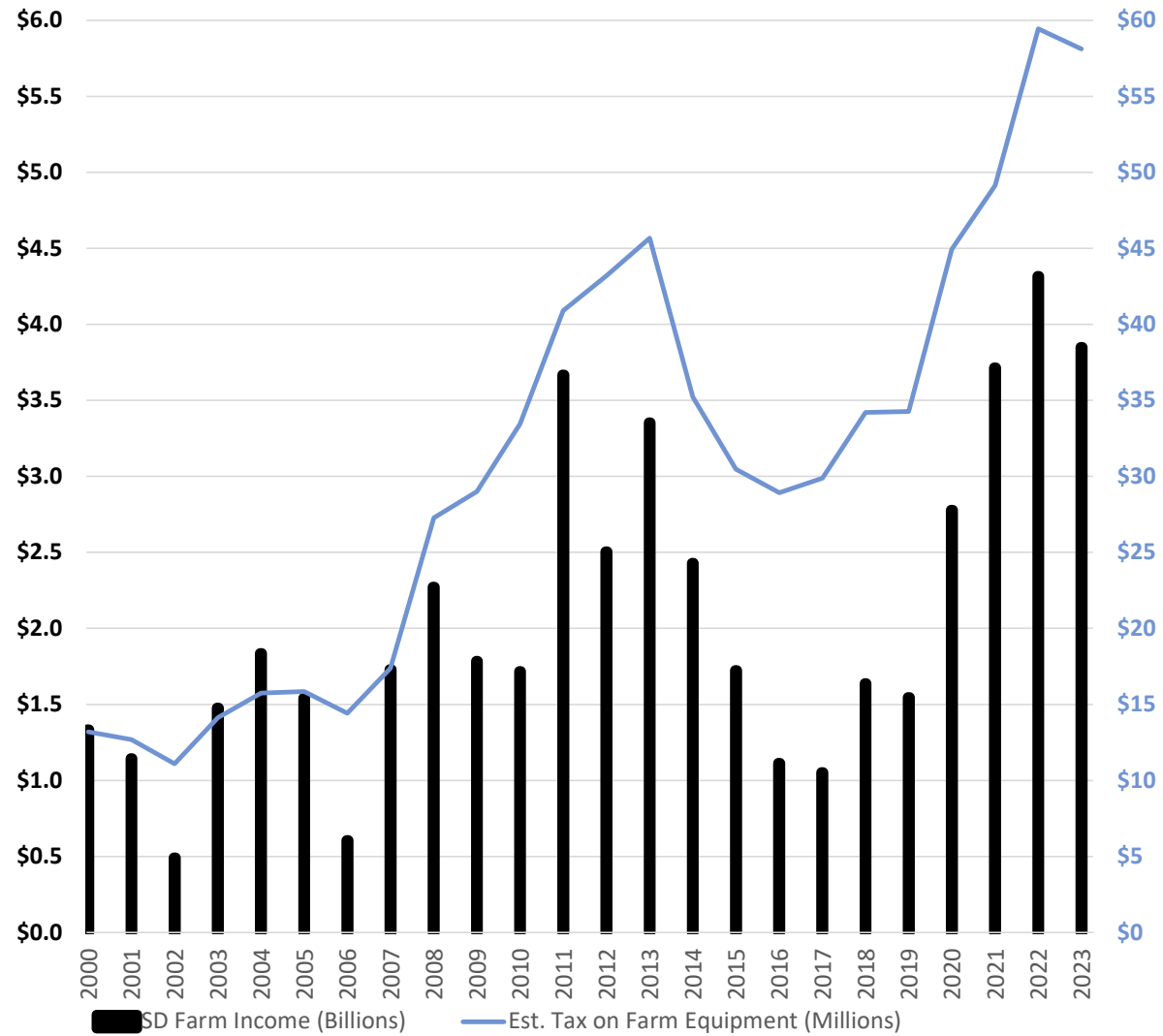


Per Capita Personal Income



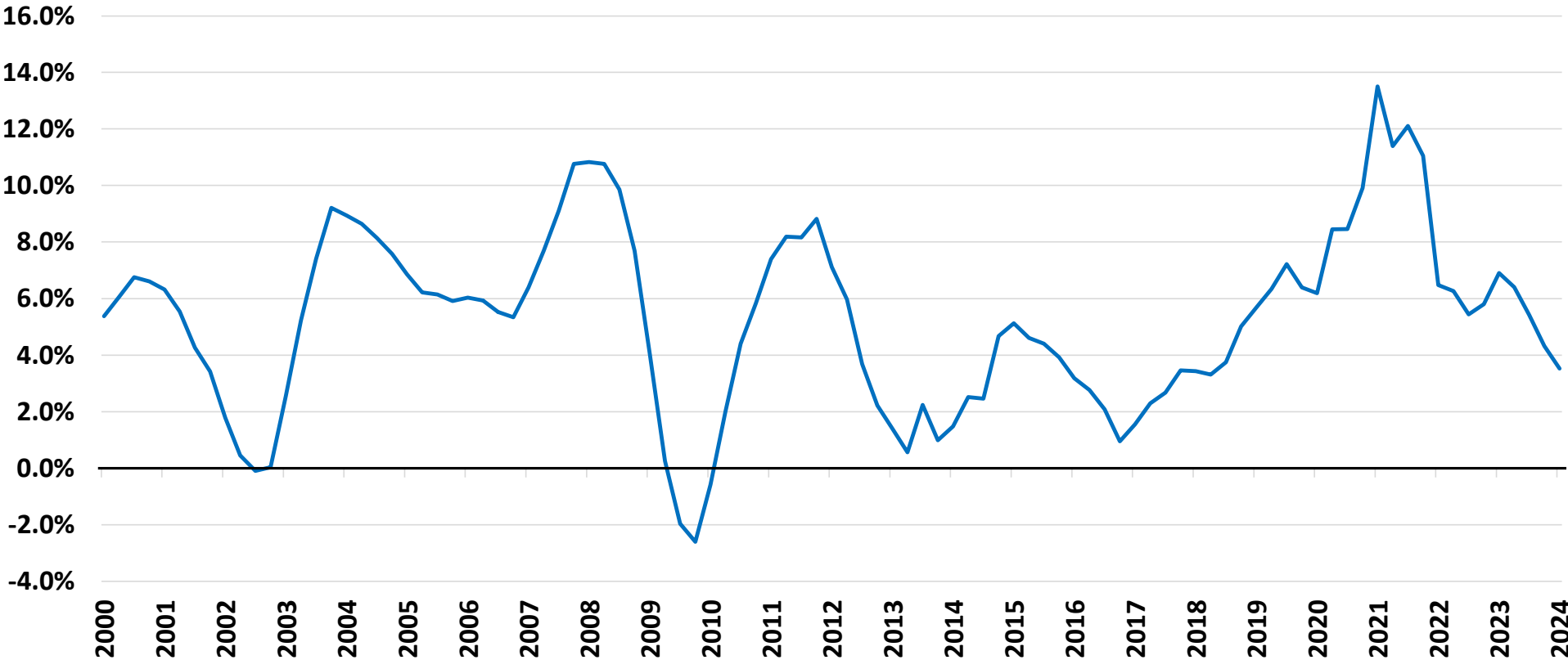


SD Farm Income & Spending on Equipment

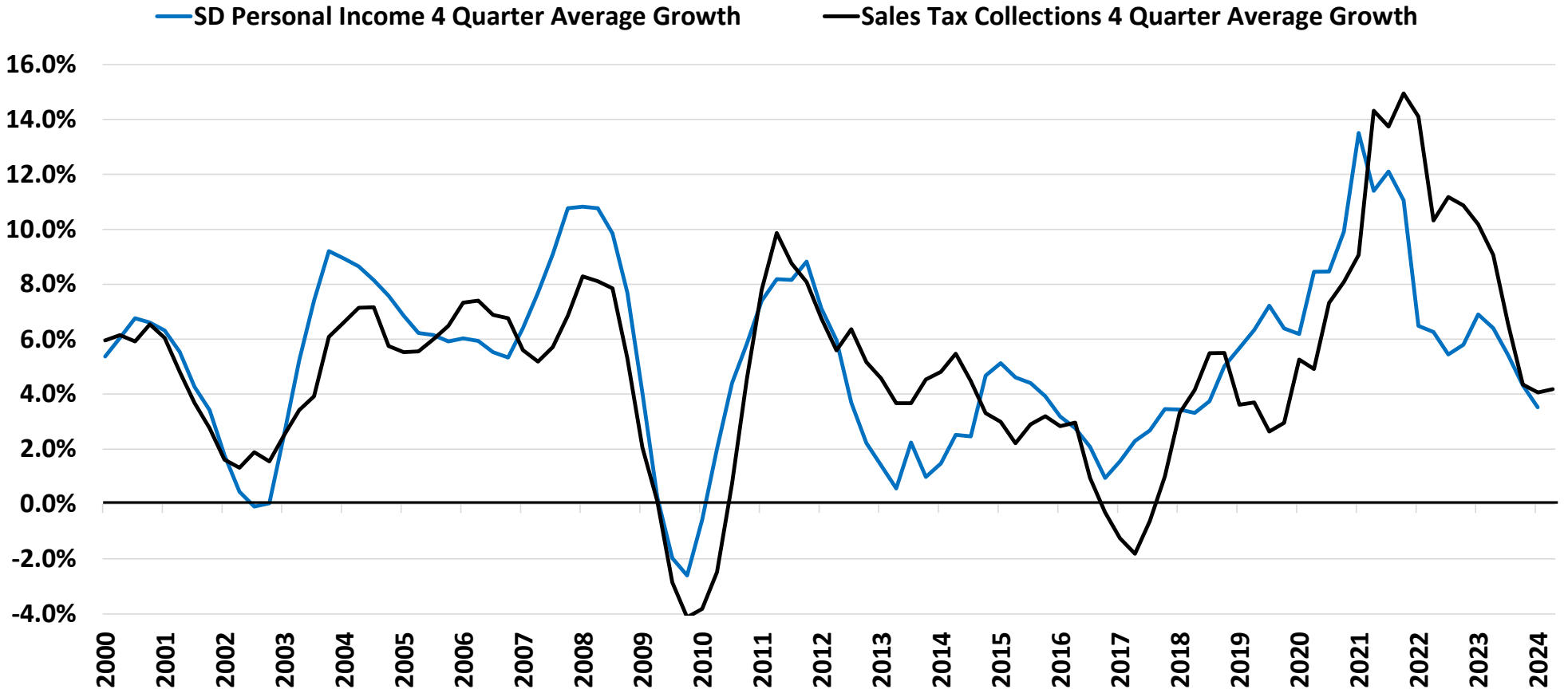


SD Personal Income

— SD Personal Income 4 Quarter Average Growth

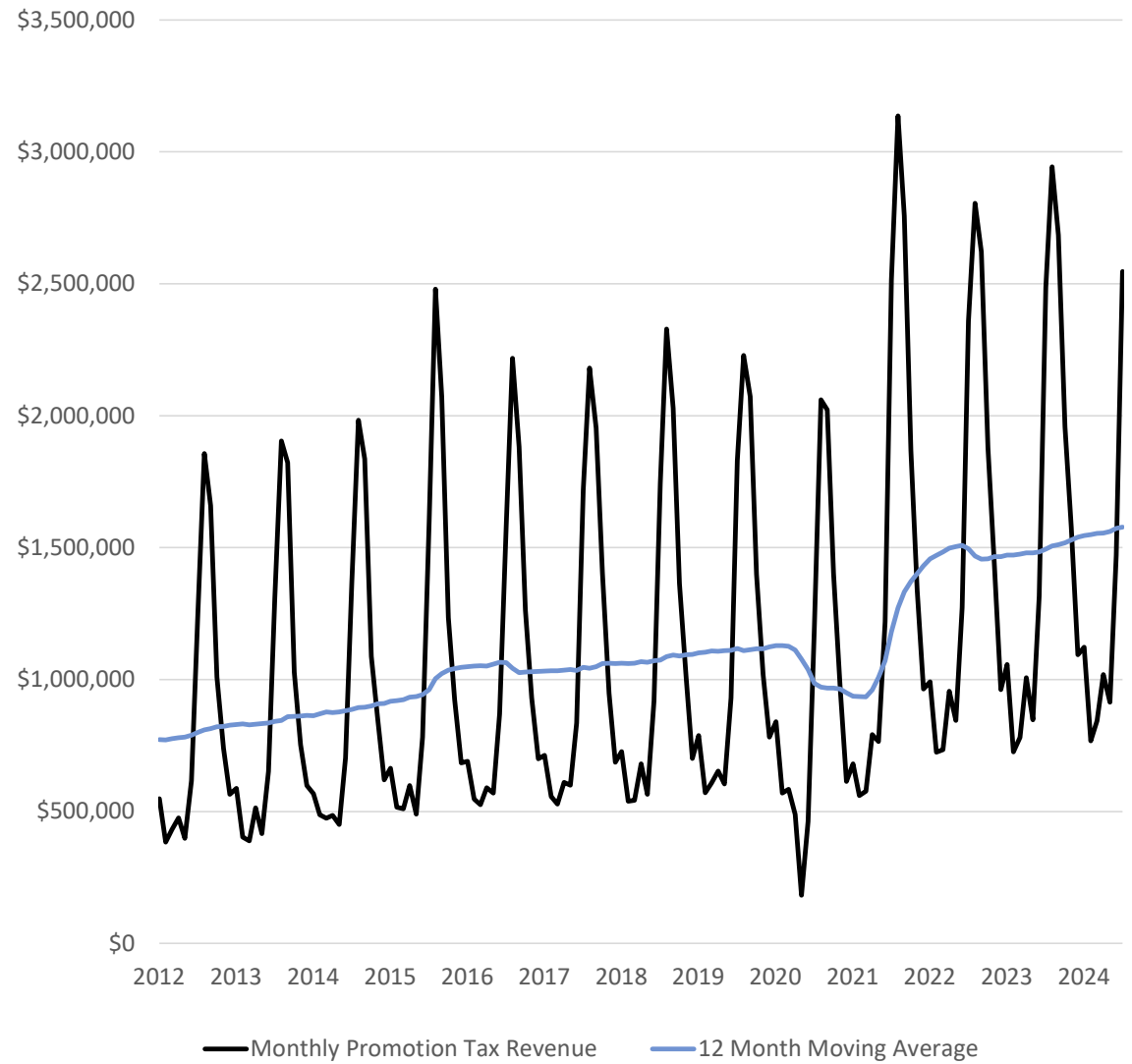


SD Personal Income vs. Sales Tax Collections



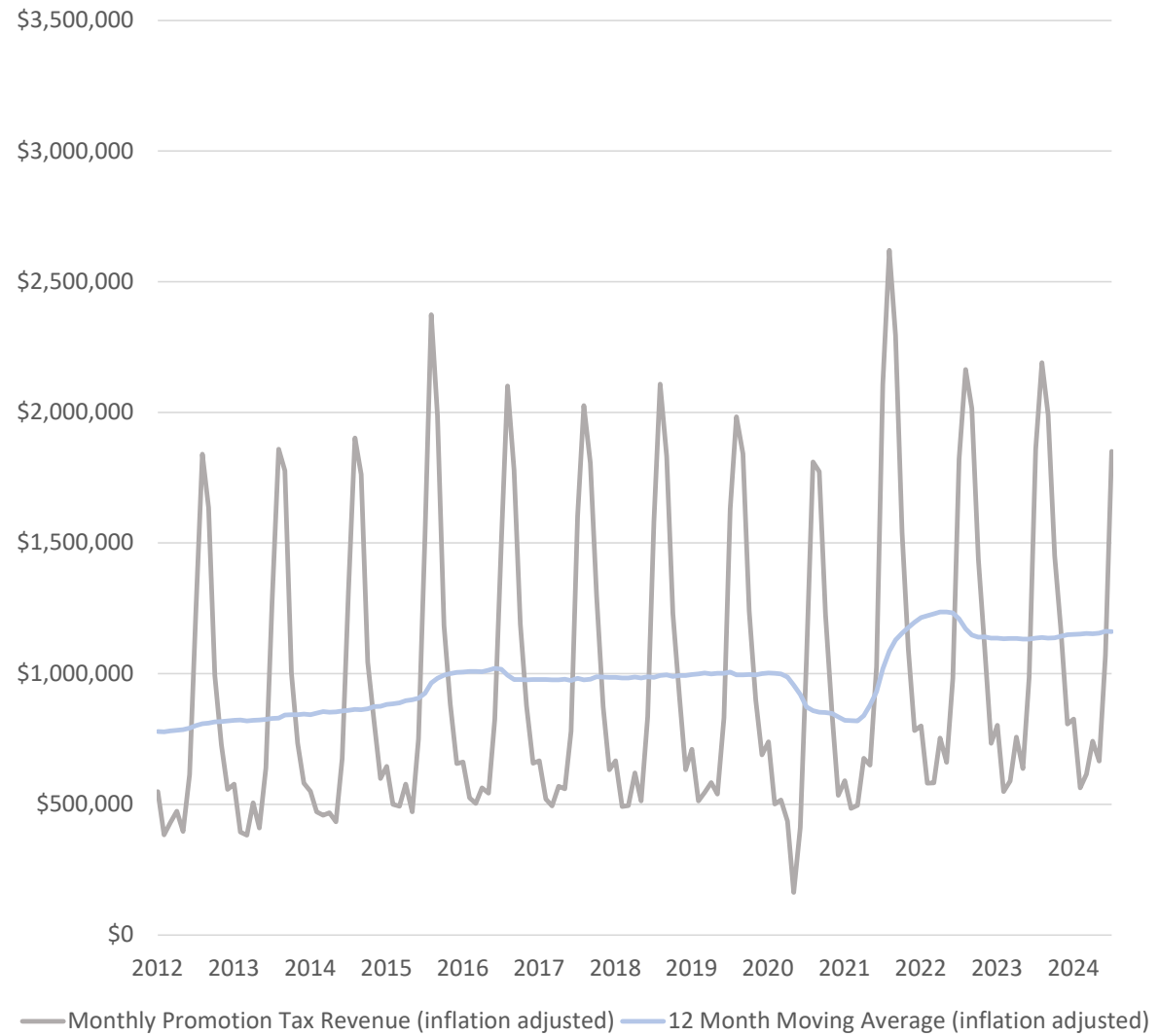


SD Tourism Promotion Tax Collections



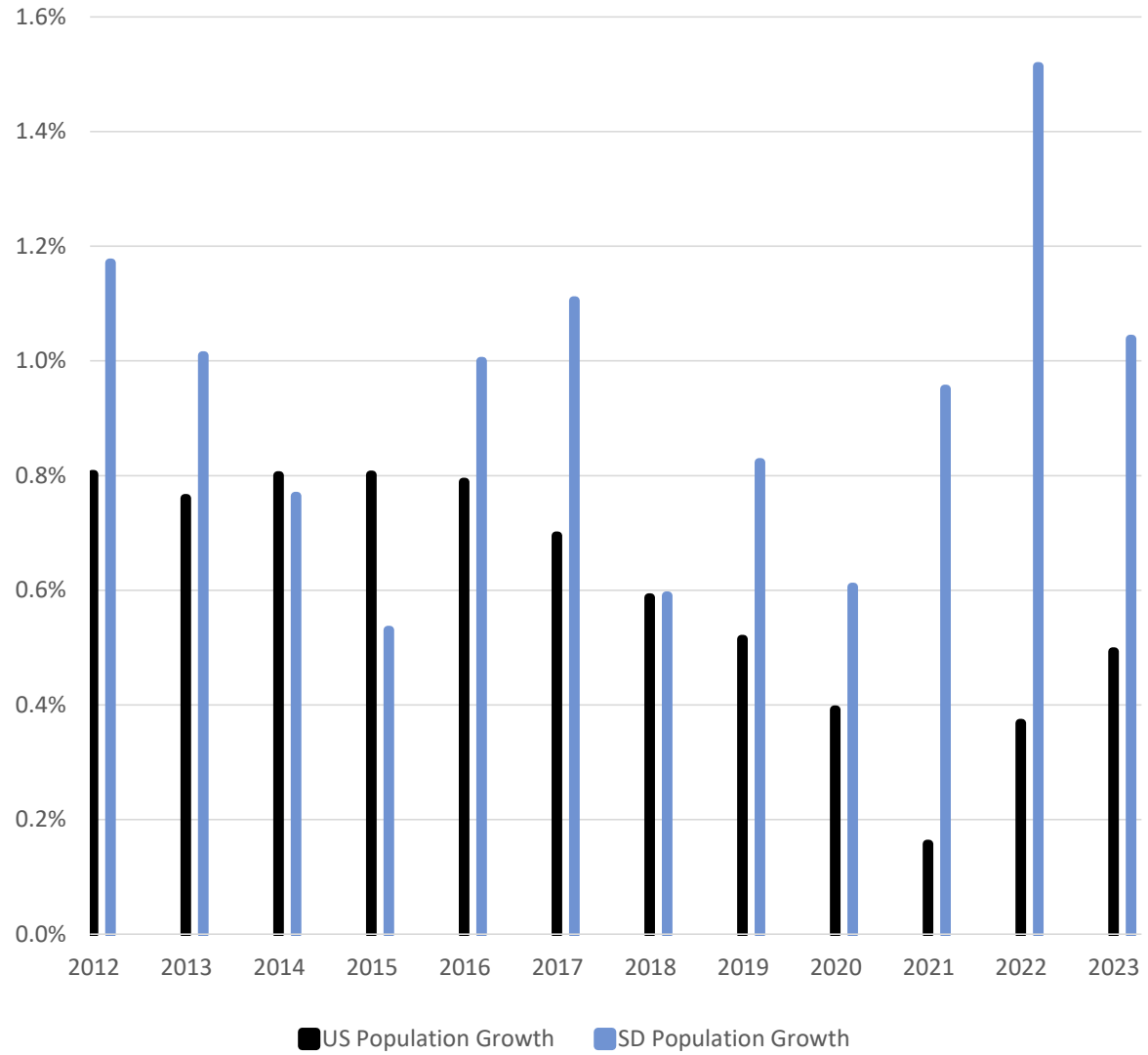


SD Tourism Promotion Tax Collections (inflation adjusted)





Population Growth



S&P Global Forecast - SD

	2018	2019	2020	2021	2022	2023	2024 f	2025 f	'13-'23 avg.
Real GDP Growth	0.6%	0.8%	0.6%	4.6%	-0.3%	2.5%	0.4%	1.5%	1.3%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.1%	1.4%	0.4%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.3%	5.0%	4.7%	5.2%
Housing Starts	4,713	4,243	6,062	7,695	7,409	5,976	5,179	5,223	5,486
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.0%	2.0%	2.1%	2.4%	3.0%



General Fund Revenue

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

	Leg. Rev. Adopted JUNE YTD FY2024	Actual JUNE YTD FY2024	DOLLAR CHANGE	YTD % Chg. Actual/Adopt Comparison
ONGOING RECEIPTS				
Net Sales and Use Tax*	1,462,785,293	1,441,678,770	(21,106,523)	-1.4%
Lottery	181,018,787	179,328,773	(1,690,014)	-0.9%
Net Contractor's Excise Tax	213,317,856	216,712,589	3,394,733	1.6%
Insurance Company Tax	120,445,684	128,189,481	7,743,797	6.4%
Unclaimed Property Receipts	125,855,625	133,617,777	7,762,152	6.2%
Licenses, Permits, and Fees	76,422,368	75,761,844	(660,524)	-0.9%
Tobacco Taxes	44,236,608	43,462,155	(774,453)	-1.8%
Trust Funds	48,319,904	48,334,193	14,289	0.0%
Net Transfers In (excluding one-time)	25,634,077	28,901,042	3,266,965	12.7%
Alcohol Beverage Tax	9,050,060	8,969,518	(80,542)	-0.9%
Bank Franchise Tax	19,328,221	28,659,255	9,331,034	48.3%
Charges for Goods and Services	13,223,671	14,262,896	1,039,225	7.9%
Telecommunications Tax	2,236,518	2,116,069	(120,449)	-5.4%
Severance Taxes	10,278,618	10,932,699	654,081	6.4%
Investment Income and Interest	49,185,773	49,318,506	132,733	0.3%
Alcohol Beverage 2% Wholesale Tax	3,063,457	3,063,771	314	0.0%
SUBTOTAL (ONGOING RECEIPTS)	\$ 2,404,402,520	2,413,309,338	\$ 8,906,818	0.4%
ONE-TIME RECEIPTS				
One-Time Sales and Use Tax**	-	12,319,527	12,319,526.97	N/A
Bank Franchise Tax Prior Year Revenue	-	1,443,391	1,443,391.34	N/A
Unexpended Carryovers and Specials	13,250,000	14,910,359	1,660,359	12.5%
Obligated Cash Carried Forward	96,775,123	96,775,123	0	0.0%
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 110,025,123	\$ 125,448,400	\$ 15,423,277	14.0%
GRAND TOTAL	\$ 2,514,427,643	\$ 2,538,757,738	\$ 24,330,095	1.0%

NOTES

* Includes cost of administration.

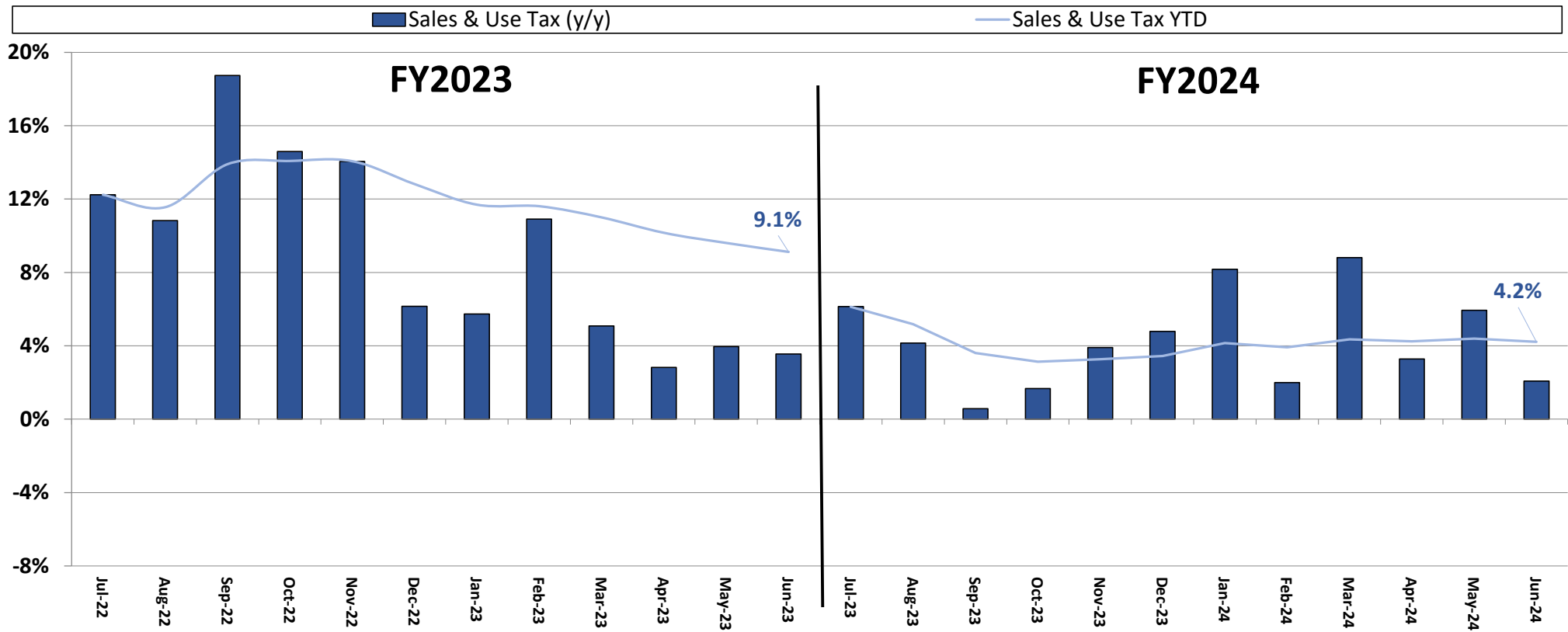
** The state sales tax rate was decreased from 4.5% to 4.2% on July 1st. However, July sales tax collections were from June sales. The additional 0.3% was noted as a one-time receipt in July in the amount of \$9.7M. Also included is \$2.6M in January due to a large audit.

Totals may not add due to rounding.

**General Fund
Receipts**

*Legislative Revised
Adopted FY2024
vs.
FY2024 Actuals*

Sales & Use Tax Growth *(RATE ADJUSTED)*

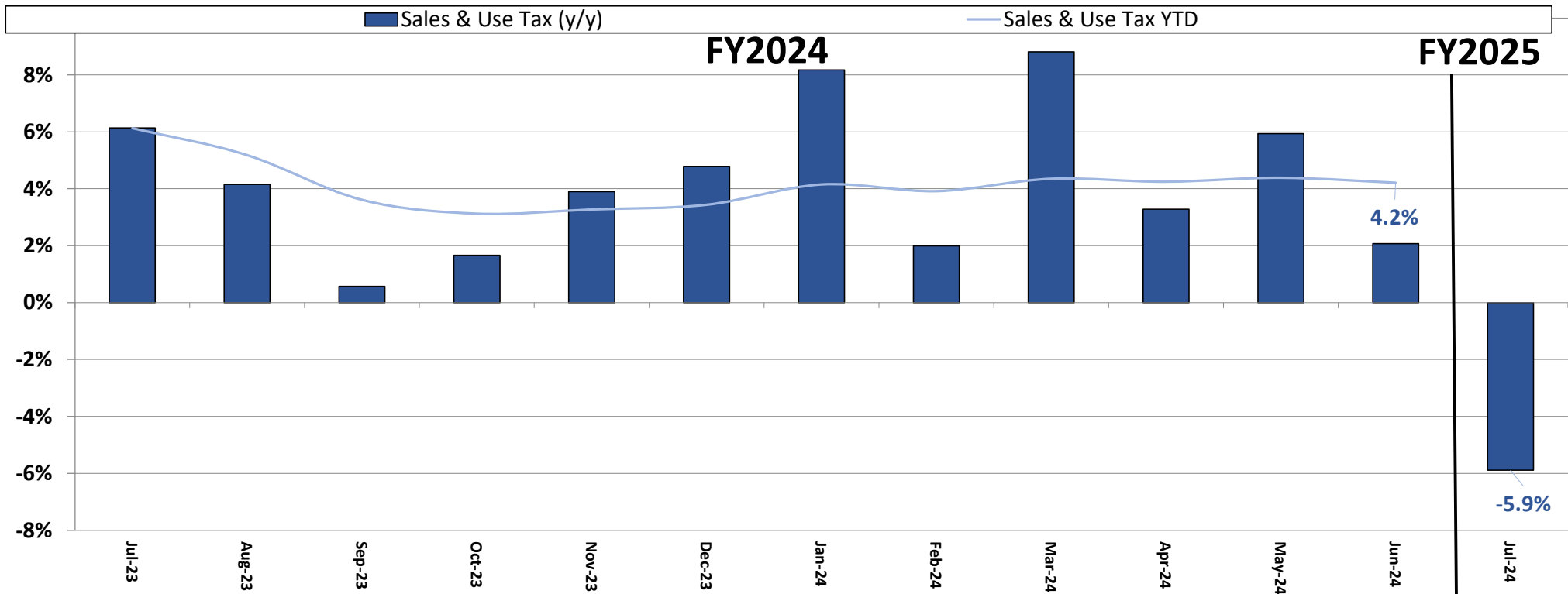


**Legislative Adopted FY2025 Estimate (Feb. 2024) vs. Actual Revenues
Year-to-Date Through JULY FY2025 Comparison**



	Leg. Adopted JULY YTD FY2025	Actual JULY YTD FY2025	DOLLAR CHANGE	YTD % Chg. Actual/Adopt Comparison
ONGOING RECEIPTS				
Net Sales and Use Tax (excl. cost of admin)	137,287,153	130,498,567	(6,788,585)	-4.9%
Lottery	13,004,998	13,006,325	1,326	0.0%
Net Contractor's Excise Tax	21,481,101	20,129,472	(1,351,629)	-6.3%
Insurance Company Tax	20,227,856	22,093,242	1,865,386	9.2%
Unclaimed Property Receipts	(1,740,257)	(2,814,811)	(1,074,554)	N/A
Licenses, Permits, and Fees	843,367	1,050,520	207,153	24.6%
Tobacco Taxes	4,534,094	3,901,134	(632,959)	-14.0%
Trust Funds	35,309,002	35,309,002	0	0.0%
Net Transfers In (excluding one-time)	8,564,045	8,625,861	61,816	0.7%
Alcohol Beverage Tax	17,924	3,571	(14,353)	-80.1%
Bank Franchise Tax	352,754	114,241	(238,514)	-67.6%
Charges for Goods and Services	1,024,833	937,338	(87,495)	-8.5%
Telecommunications Tax	-	-	0	N/A
Severance Taxes	1,332,812	350,792	(982,020)	-73.7%
Investment Income and Interest	15,388	649	(14,740)	-95.8%
Alcohol Beverage 2% Wholesale Tax	237,049	294,757	57,708	24.3%
SUBTOTAL (ONGOING RECEIPTS)	\$ 242,492,119	233,500,660	\$ (8,991,459)	-3.7%
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	-	4,895	4,895	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 4,895	\$ 4,895	N/A
GRAND TOTAL	\$ 242,492,119	\$ 233,505,555	\$ (8,986,564)	-3.7%

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%	2.6%	1.7%	2.3%
Nonfarm Employment	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.7%	0.7%	1.4%
Personal Income	5.2%	4.7%	6.9%	9.1%	2.0%	5.1%	4.6%	5.1%	4.7%
Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	4.3%	5.1%
CPI-U	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.0%	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	0.6%	0.8%	0.6%	4.6%	-0.3%	2.5%	0.4%	1.5%	1.3%
Nonfarm Employment	0.8%	0.6%	-3.3%	3.4%	2.8%	2.1%	1.4%	0.4%	1.0%
Nonfarm Income	3.7%	6.8%	7.6%	9.8%	5.1%	5.3%	5.0%	4.7%	5.2%
Housing Starts	4,713	4,243	6,062	7,695	7,409	5,976	5,179	5,223	5,486
Unemployment Rate	2.8%	2.8%	4.2%	2.6%	2.0%	2.0%	2.1%	2.4%	3.0%

Other Discussion Items

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