

Preliminary Economic Outlook Amid COVID-19

PRESENTED TO



July 17, 2020

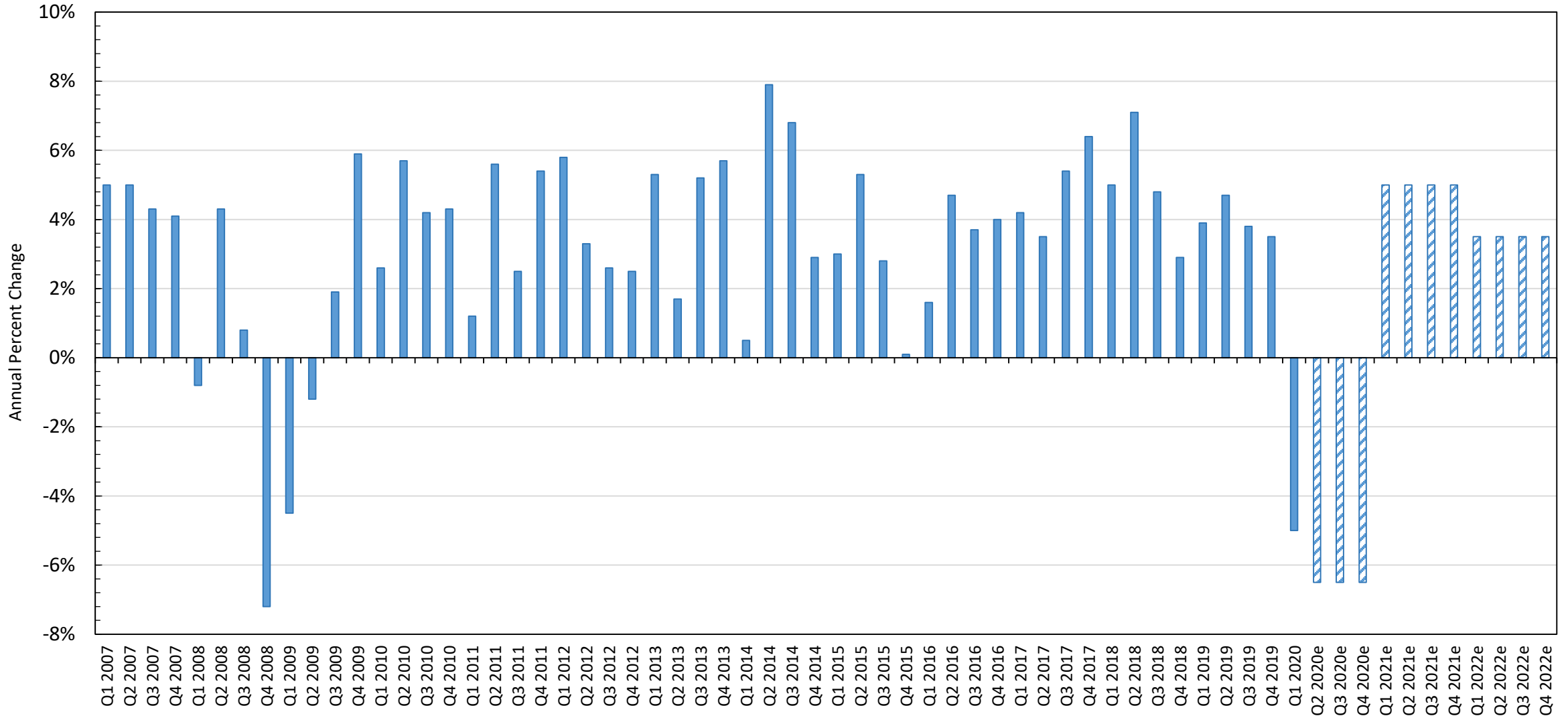
By

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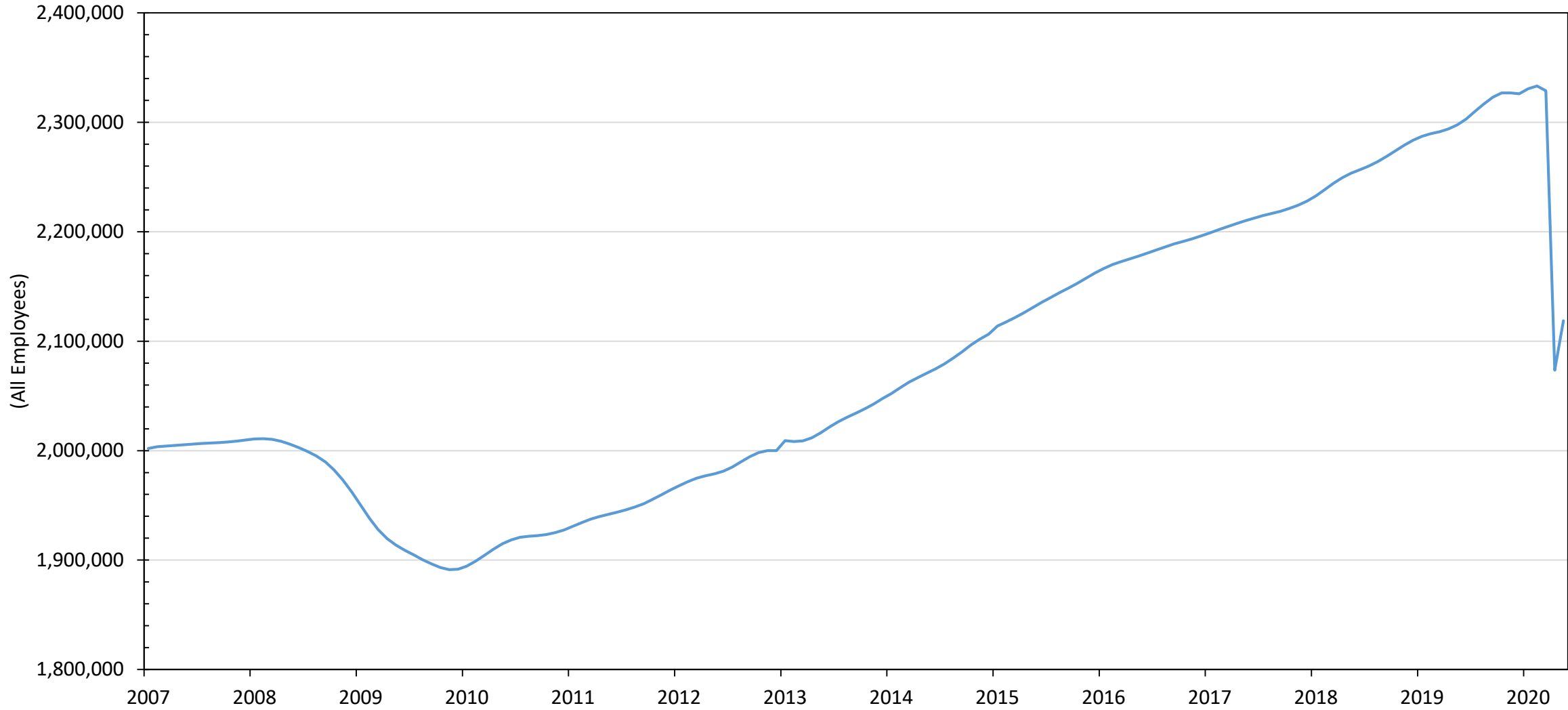
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UNITED STATES REAL GDP GROWTH FROM PRIOR QUARTER



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce, 2006 - Q1 2020, Federal Reserve Bank Projections, Q2 2020-2022, June 2020, NG 6/22/2020

TOTAL EMPLOYMENT, SOUTH CAROLINA



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics; Calculations by Revenue and Fiscal Affairs NG 06/19/2020

COVID-19 Economic Conditions vs the Great Recession

- The current pandemic and the 2008 financial crisis are characteristically different in a number of ways
- The majority of unemployment during the current crisis is attributable to the service-providing sector
- In the Great Recession it was concentrated in the goods producing sector

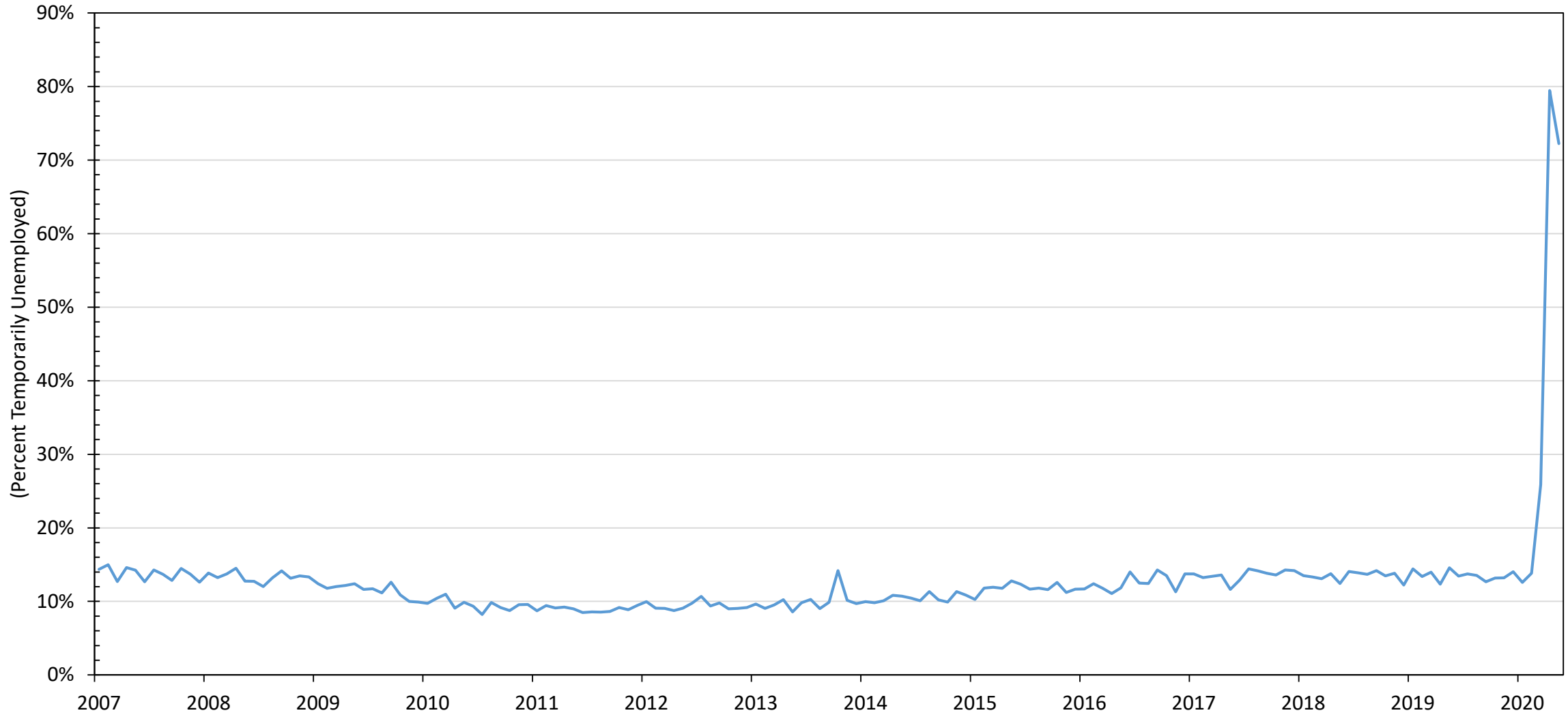
COVID-19 Economic Conditions vs the Great Recession

- Current job losses are largely concentrated in sectors with lower average wages
 - The Leisure and Hospitality Sector has been affected the most, with a 42% decrease in employment from February 2020 to May 2020
 - As of May 2020, the average weekly earnings for employees in this sector are 57% lower than the average weekly earnings of all private employees
- While unemployment is up significantly, withholdings have not declined substantially

COVID-19 Economic Conditions vs the Great Recession

- Increases in unemployment claims are largely due to temporary layoffs instead of permanent job losses as in the 2008 crisis
- Changes in the requirements for unemployment insurance allow workers to claim benefits if they have been temporarily furloughed
- Many businesses report that they intend to bring workers back
- This may change if:
 - business leaders' expectations change
 - consumers do not readily re-enter the economy
 - social distancing measures are ongoing businesses cannot adapt (e.g. manufacturing, restaurants, hotels, and retail, must implement social distancing)

PERCENT TEMPORARILY UNEMPLOYED RELATIVE TO TOTAL UNEMPLOYED



Source: Current Population Survey, Bureau of Labor Statistics; Calculations by Revenue and Fiscal Affairs NG 05/28/2020



Business License and Local Option Sales Tax Revenue

Business License Tax Revenue

- In March 2020, gross sales were 6.55% less than March 2019
- Based on average growth rates from the last 3 years, RFA would have anticipated a 5% increase in gross sales over this same period
- Gross sales are expected to continue to decrease relative to past years as community shutdowns, temporary business closures, and social distancing precautions persist, negatively impacting business license tax revenue
- These decreases will likely be particularly evident in the Leisure and Hospitality Sector and the Retail Sector
- Further, it is likely that industries will experience slower than average growth in FY 2020-21, depending on how quickly businesses are able to return to normal functions

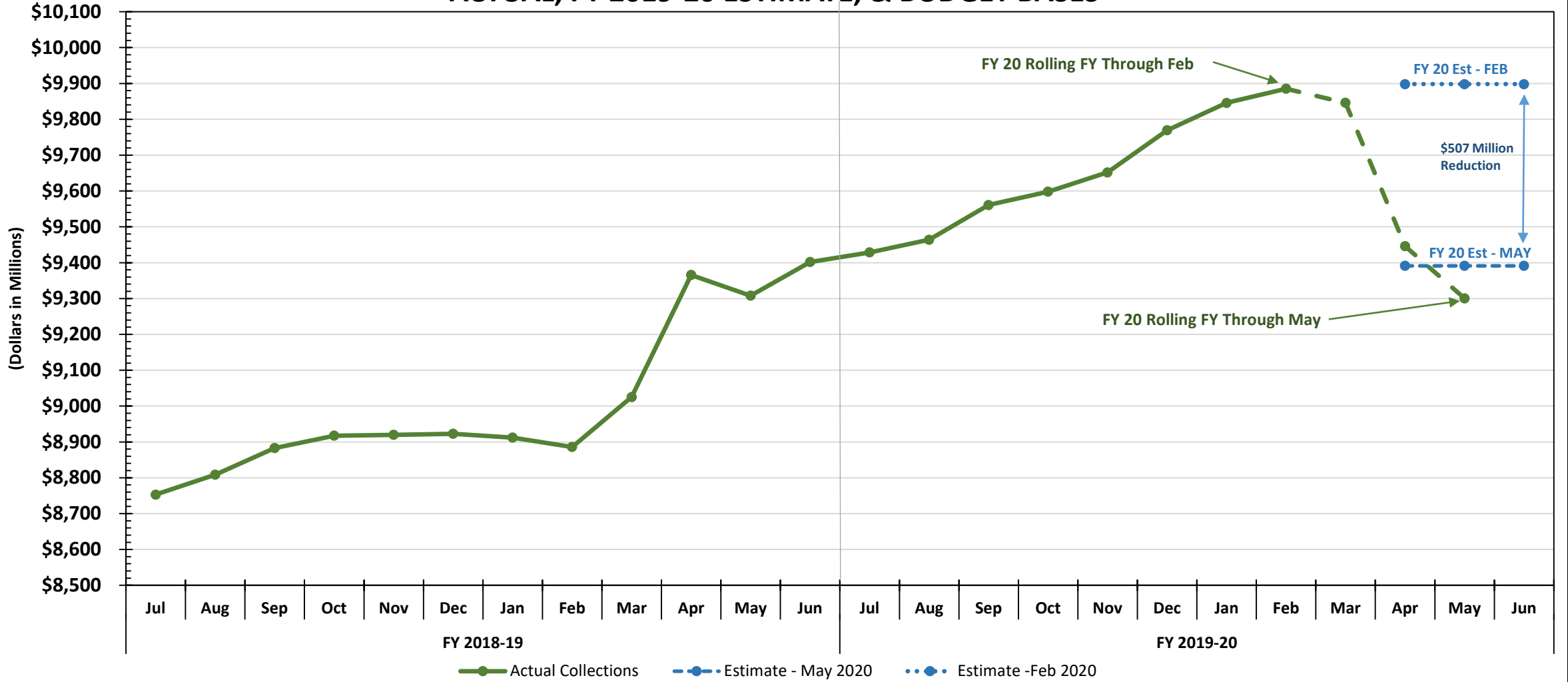
Local Option Sales Tax Revenue

- April local option sales tax collections account for 8.64% of total FY collections on average
- Based on local option sales tax collections from July 2019 to February 2020, RFA would have anticipated April 2020 collections to total \$34,615,631
- Actual April 2020 collections totaled \$26,394,535
- However due to COVID-19 emergency measures DOR extended state returns and payments due April 1 to June 1 to be due June 1. Many accounts waited to file until this deadline, resulting in April 2020 collections being unreliably low.
- Local option sales tax revenue is expected to decrease relative to past years in line with gross sales

Impact on Property Taxes

- Due to the slow down in the economy property value growth may slow down.
- However, we do not anticipate that property values will decrease due to COVID-19.
- Prior to COVID-19 the estimated projected growth rate for assessed property value statewide was 3.5 percent.
- Counties currently reassessing property values MAY experience delays due to issues with COVID-19 such as staffing and social distancing complications.

ROLLING FISCAL YEAR GENERAL FUND REVENUE ACTUAL, FY 2019-20 ESTIMATE, & BUDGET BASES



Source: Revenue and Fiscal Affairs; FAR 06/19/2020

SC Revenue Forecast Timeline

- Mid-August – Comptroller General Release of Final Results for FY 2019-20
- Aug 31 – BEA to update FY 2020-21
- Sep 15 – General Assembly returns to consider updating FY 2020-21 Budget (currently operating under Continuing Resolution)
- Nov 10 – BEA to provide FY 2021-22 Estimate