

BEA Regional Advisory Committee

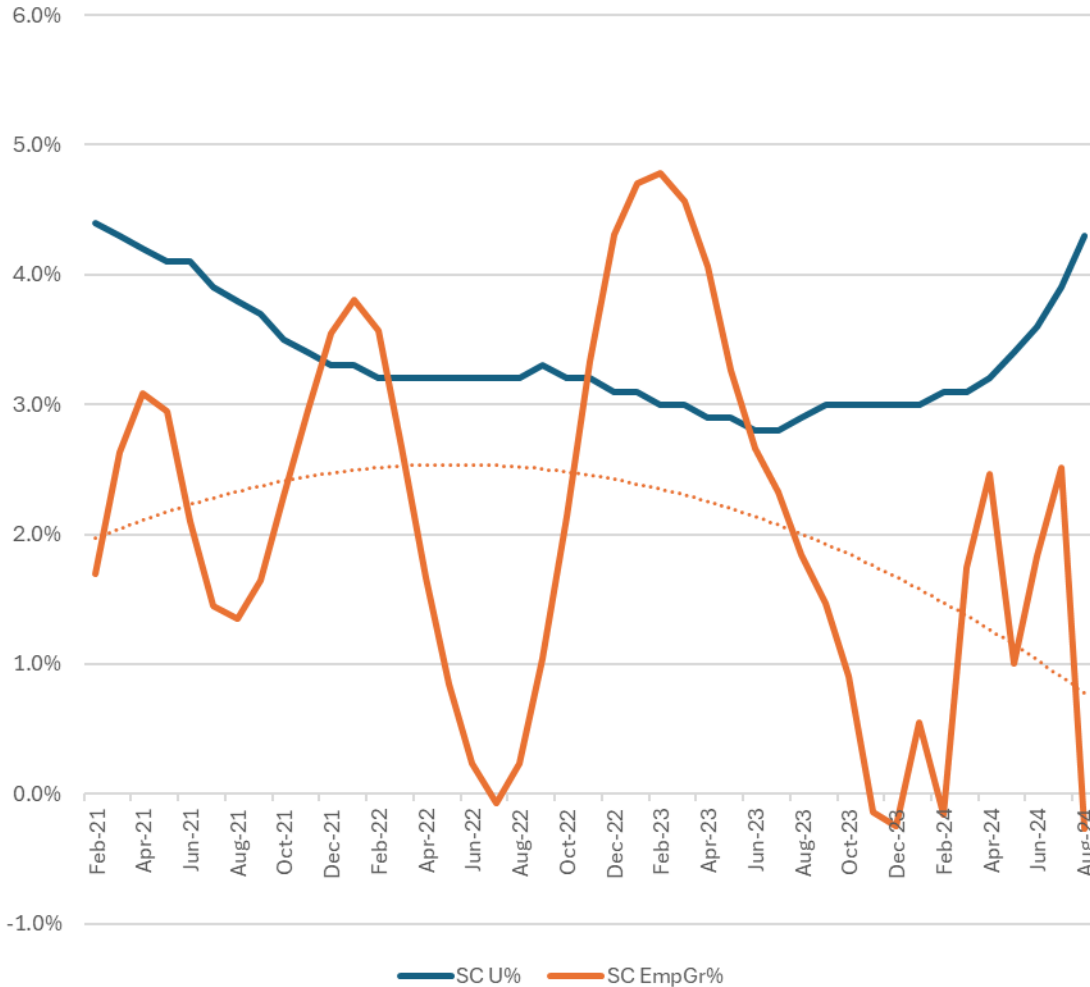
October 14, 2024

Russell S. Sobel, Ph.D.



Labor Markets

SC Unemployment Rate & Employment Growth Rate



Recent Trends

- SC unemployment rate rising during 2024
- Employment growth slowing

Recent U.S. U% Data:

4.3% July 2024

4.2% Aug. 2024

4.1% Sept. 2024

Recent S.C. U% Data:

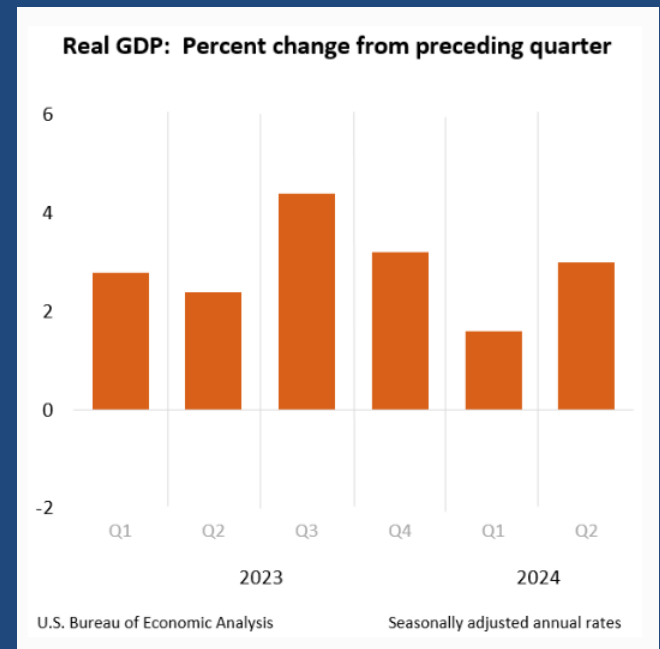
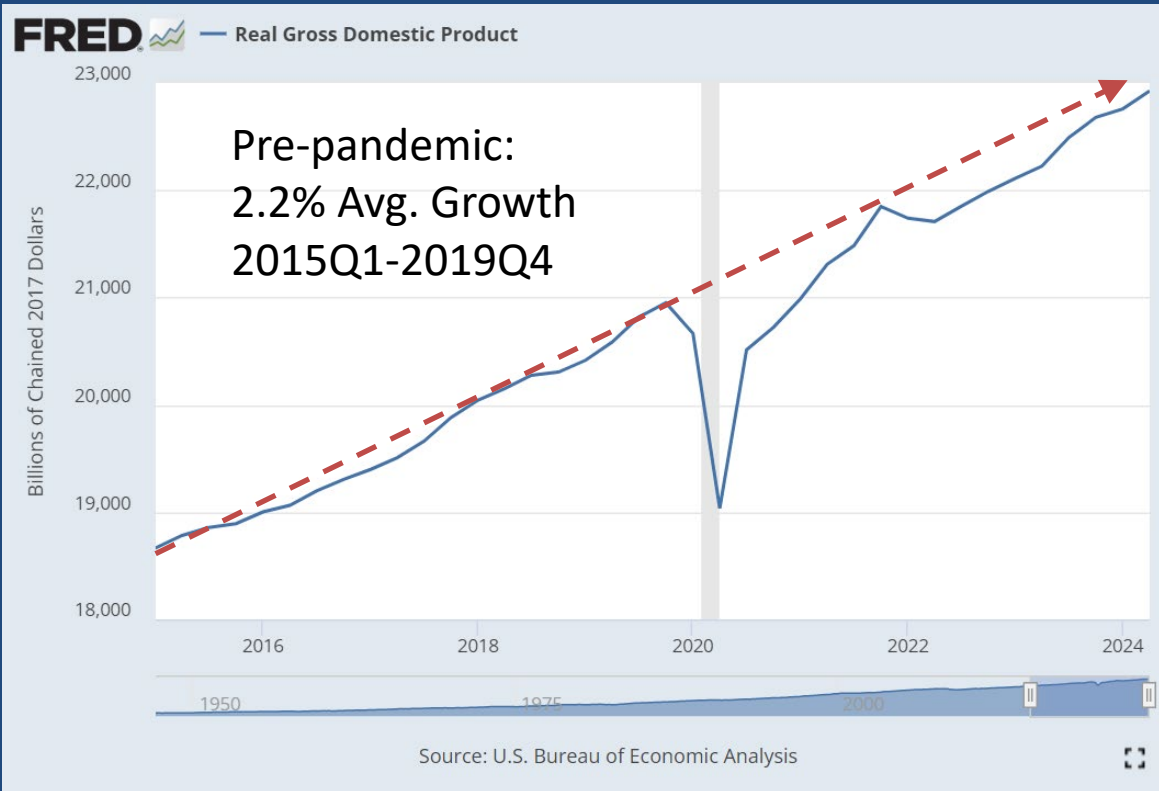
3.9% July 2024

4.3% Aug. 2024

Median U.S. Unemployment Forecasts:

2024: Q4	4.3%
2025: Q1	4.3%
2025: Q2	4.3%
2025: Q3	4.3%
2026 Annual	4.2%
2027 Annual	4.2%

Real Economic (GDP) Growth



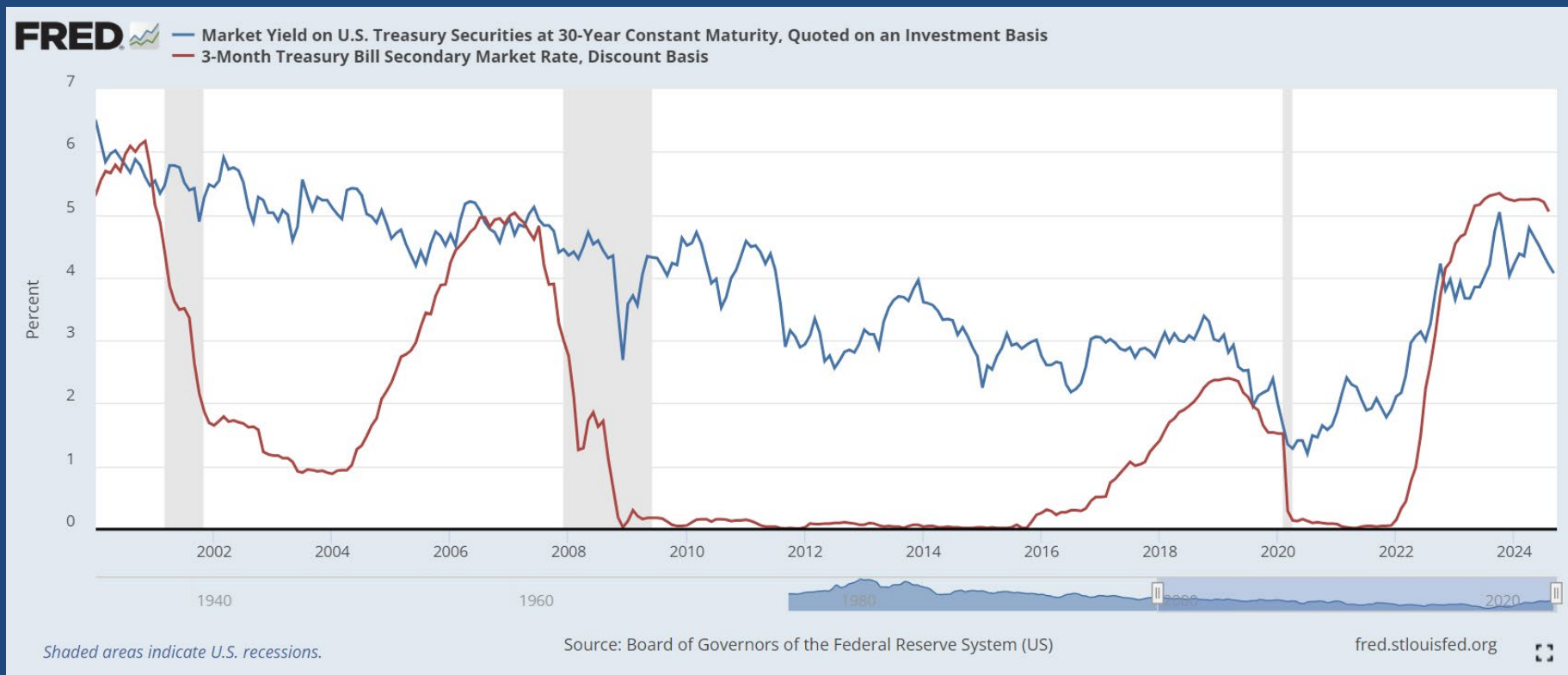
Recent Data:
1.6% 2024: Q1
3.0% 2024: Q2

- Growth expected to slow a bit until late 2025 then return to LR average →

<u>Median Forecasts:</u>	
2024: Q3	1.9%
2024: Q4	1.7%
2025: Q1	1.7%
2025: Q2	1.8%
2025: Q3	2.2%
2026 Annual	2.3%

Interest Rates

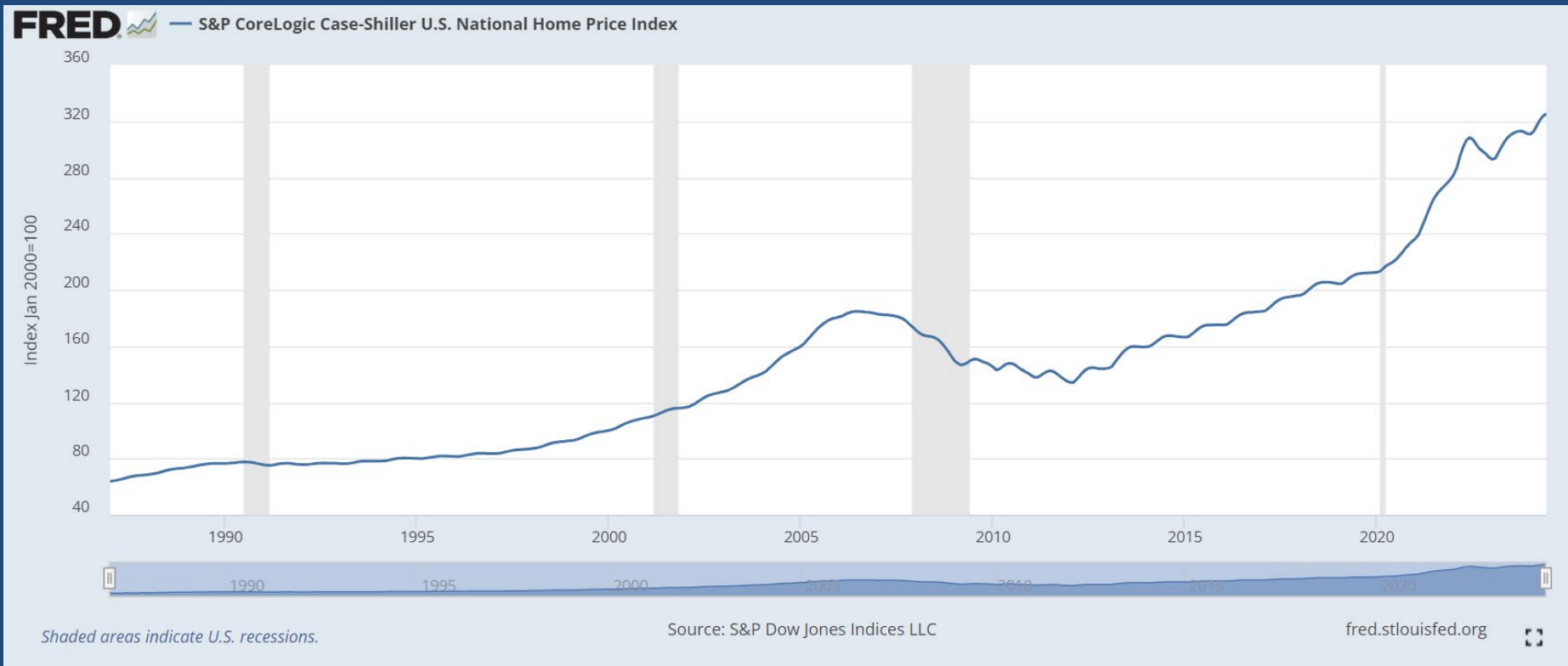
- Interest rates high (but falling) as the Fed tries to combat inflation - Yield curve remains inverted (which usually precedes recessions)



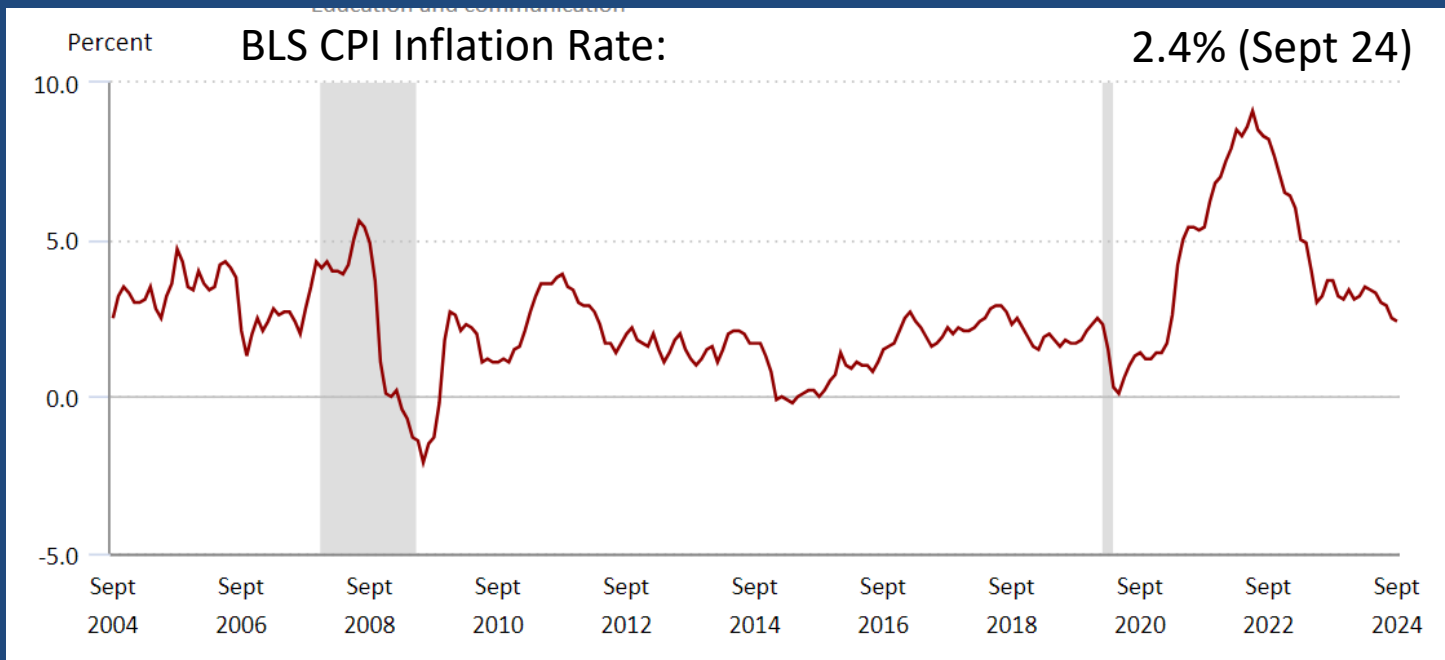
Red = short-term rates / blue = long-term rates

Housing Prices

- Higher interest rates are starting to have an effect, but not a lot – housing prices continue to rise:



Inflation



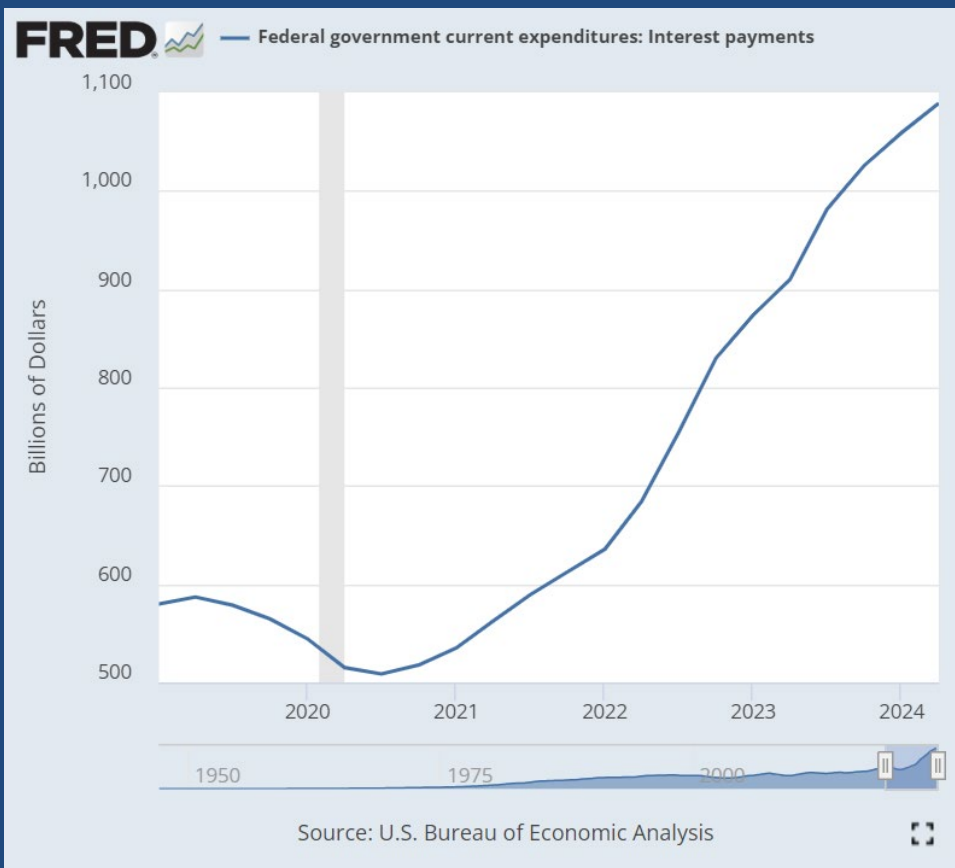
Question?
Will the Fed's recent larger than expected rate cuts cause this to rise again more than what is forecasted???

- Inflation is down to 2.4%-2.5% range, which is slightly above average relative to 2010-2020

<i>Median Forecasts:</i>	
2024: Q4	2.5%
2025: Q1	2.4%
2025: Q2	2.4%
2025: Q3	2.3%
2026 Annual	2.2%

A Looming Issue

- Interest Payments on the National Debt Soaring



Will require major shifts in the Federal budget

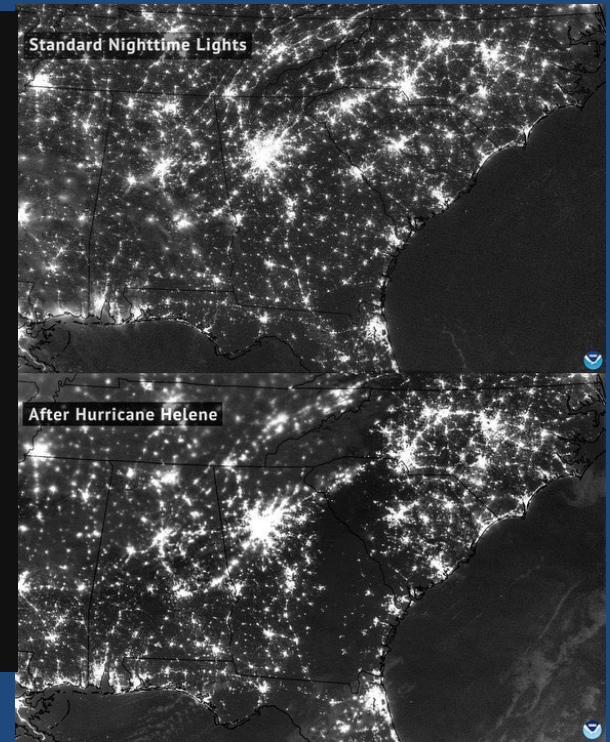
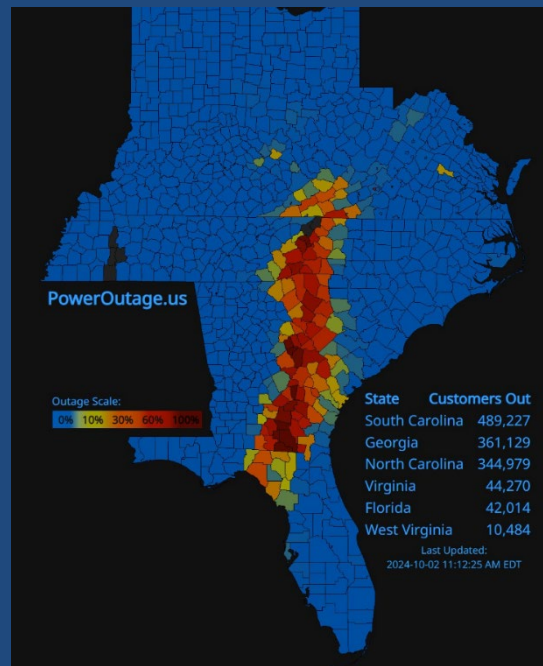
Interest payments on the \$35 trillion national debt have almost doubled over the past two years to \$1.1 trillion in Q2 2024.

This is larger than either Medicare or defense spending

Rise from 7.5% of the federal budget to almost 15%

Likely result in discretionary spending cuts and/or higher taxes

More Uncertainty...



The Economic Situation

My Summary:

- Unemployment rate increasing / Employment growth slowing
- Real GDP growth slowing to 0.5% below long run average
- Continued slightly higher than average inflation, will Fed rate cuts cause it to move back upward?
- Significant Pressure on the Federal Government Budget
- Many 'risk' factors (election, supply chain effects of strike, transportation/electric power issues SC)

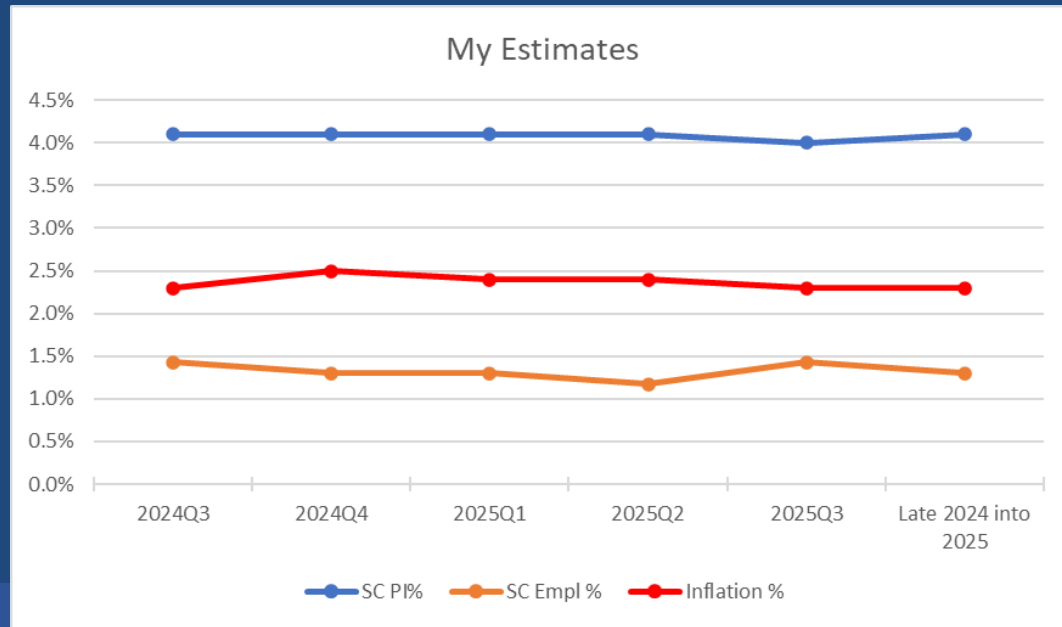
My Forecasts

Forecasts by Fiscal Year:				Revenue Estimates:		
		These Are My Forecasts				
	SC PI%	SC Empl %	Inflation %	SLS Tx %	Inc Tx %	
FY 24-25	4.1%	1.3%	2.4% (or higher)	2.9%	2.9%	
FY 25-26	4.1%	1.4%	2.3% (or higher)	2.7%	2.6%	

MY PI% is **lower for both** 24-25 (4.1% vs 5.7%) and 25-26 (4.1% vs 4.6%)

My EMPL% is **lower for both** 24-25 (1.3% vs 2.2%) and 25-26 (1.4% vs 1.7%)

My INFL% is basically the **same for both** 24-25 (2.4%+ vs 2.4%), and 25-26 (2.3%+ vs 2.5%)



FISCAL YEAR GROWTH RATES

Fiscal Year	Personal Income	Employment	Inflation
2024-25	5.7%	2.2%	2.4%
2025-26	4.6%	1.7%	2.5%

These are the BEA estimates you sent us

QUESTIONS?

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