



EDWARD B. GRIMBALL, Chairman
HOWELL CLYBORNE, JR.
EMERSON F. GOWER, JR.

SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP MEETING AGENDA

January 25, 2018, 1:30 P.M.

Bowers Conference Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for October 19, 2017 and November 9, 2017
3. Review of Revenues and Economic Conditions
 - A. Report for December 2017 (F. Rainwater, R. Martin)
 - B. Discussions Regarding February Forecast Meeting (F. Rainwater, R. Martin)
4. Other Business
5. Reports from Working Group Members
 - A. Governor's Office
 - B. Senate Finance Office
 - C. Ways & Means Office
 - D. Treasurer's Office
 - E. Comptroller General's Office
6. Future Meeting Schedule:
 - A. February 15, 2018, 2:00pm; Forecast – due by February 15th
 - B. March 22, 2018, 1:30pm – BEA Forecast – Members join via WebEx
 - C. April 9, 2018, 2:00pm – Quarterly Review
 - D. 2018 Calendar at <http://rfa.sc.gov/calendar>
7. Adjournment

Please note that the Agenda is subject to change.

For further information, please contact Karen Rhinehart at (803) 734-2265,
or visit the RFA webpage at www.rfa.sc.gov



FY 2017-18 FORECAST AND STATUS CHECK - JANUARY 2018

	Estimate	November Concern	January Status
Sales	\$3,041.2	(\$21.80)	Nov/Dec - Additional \$18.2 million
Individual Income	\$4,295.4	(\$14.30)	Nov/Dec - Withhold Additional \$45.7 million
Corporate Income	\$344.5	\$14.90	Nov/Dec - \$20.8 million BELOW
Corporate License	\$93.0	(\$20.00)	_____
Insurance	\$242.0	(\$12.50)	_____
Other	\$517.7	\$7.90	_____
Total GFR	\$8,533.8	(\$45.80)	_____

November/December
Additional Growth



December 2017

South Carolina Board of Economic Advisors Survey Results of Regional Advisory Committee Summary of Economic Forecast Assumptions

Variable	Actual FY2016-17	Most Recent	Current 1/ Forecast Rates FY2017-18	Regional Advisory Committee Forecast Rates Forecast for FY2017-18					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income	3.3%	3.71%	4.75%	4.70%	4.00%	3.80%	4.45%	3.30%	4.05%	4.08%	4.25%
S.C. Employment	1.9%	1.6%	1.8%	2.30%	1.80%	1.60%	1.75%	1.90%	1.87%	1.82%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	2.0%	1.90%	2.00%	1.80%	2.25%	1.80%	1.96%	1.90%	2.00%
Sales Tax	2.8%	1.3%	5.0%	3.70%	3.00%	3.80%	3.20%	N/A	3.43%	3.46%	4.20%
Individual Income Tax 1/	7.2%	1.4%	4.6%	3.90%	4.00%	N/A	3.20%	N/A	3.70%	3.90%	4.30%

Variable	Actual FY2016-17	Most Recent	Current Forecast Rates FY2018-19	Regional Advisory Committee Forecast Rates Forecast for FY2018-19					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income 1/	3.3%	3.71%	N/A	5.70%	4.50%	3.50%	4.40%	4.10%	4.44%	4.33%	4.50%
S.C. Employment	1.9%	1.6%	N/A	2.70%	1.90%	1.40%	1.70%	2.00%	1.94%	1.87%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	N/A	2.20%	2.00%	2.00%	2.25%	1.90%	2.07%	2.07%	2.00%
Sales Tax	2.8%	1.3%	N/A	4.10%	4.00%	3.60%	3.10%	N/A	3.70%	3.80%	4.50%
Individual Income Tax 1/	7.2%	1.4%	N/A	4.50%	4.50%	N/A	3.20%	N/A	4.07%	4.50%	3.80%

Notes: 1/ Current forecast rates as of February 15, 2017 (the last official BEA forecast estimate).
2/ Growth rate as of the most recent time period, e.g., month, quarter.
N/A - Not Available.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
S.C. Board of Economic Advisors, Columbia, S.C.

BEA/RWM/10/19/17



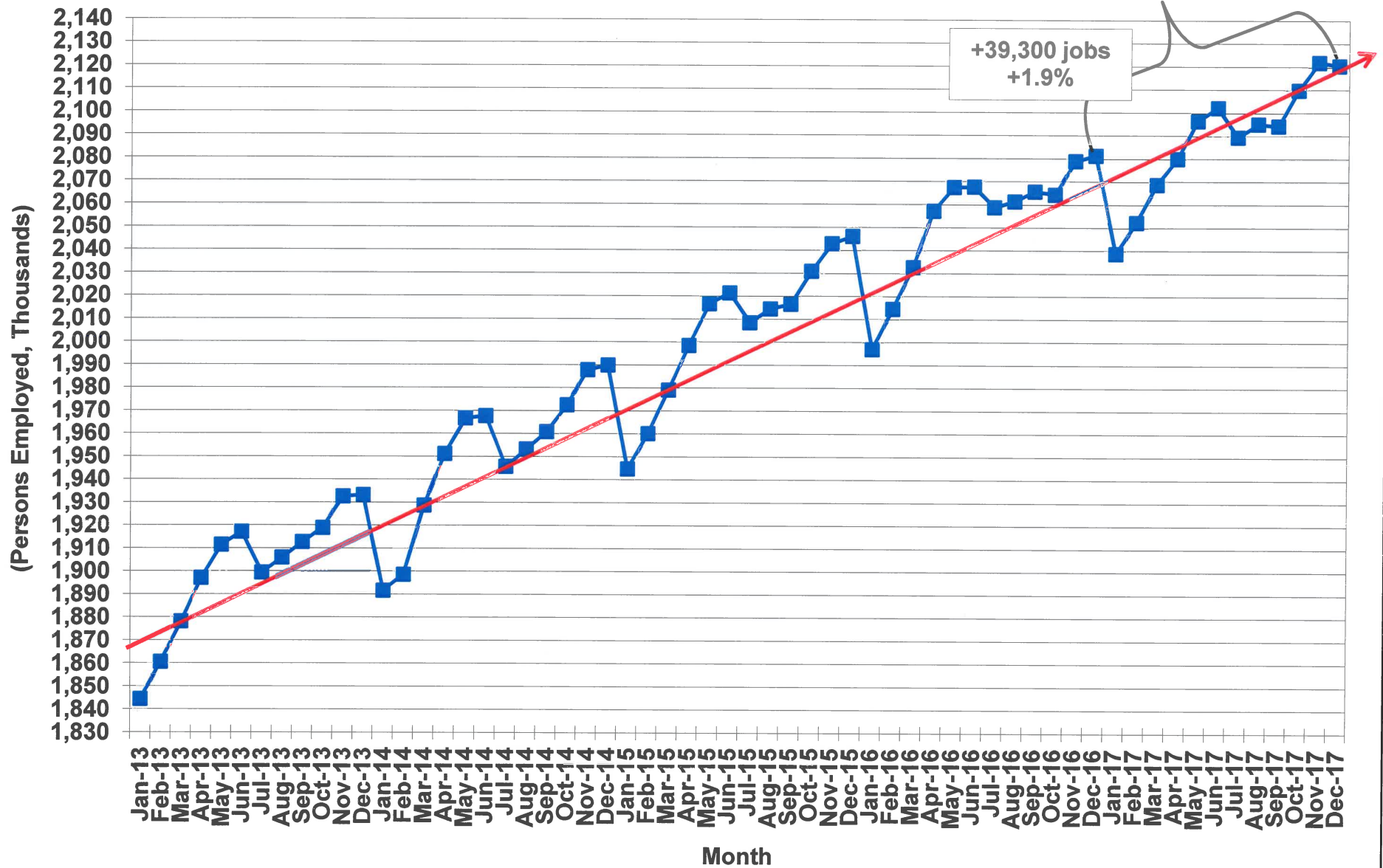
December 2017

Economic Health - Then and Now

Indicator	Then Nov. 10, 2017	Now Jan. 25, 2018	Effect On Economy
SC Employment	2.2%	1.9%	-
SC Income	3.71%	3.33%	-
US GDP	3.0%	3.2%	+
Oil Price	\$56.75	\$63.82	-
SC Gasoline Price	\$2.25	\$2.30	-
US Retail Sales	5.0%	5.4%	+
Interest rates	4.25%	4.50%	-
30-Year Mortgage	3.90%	4.04%	-
Value of \$	89.41	86.86	+
S&P 500 Index	2,557.00	2,776.42	+

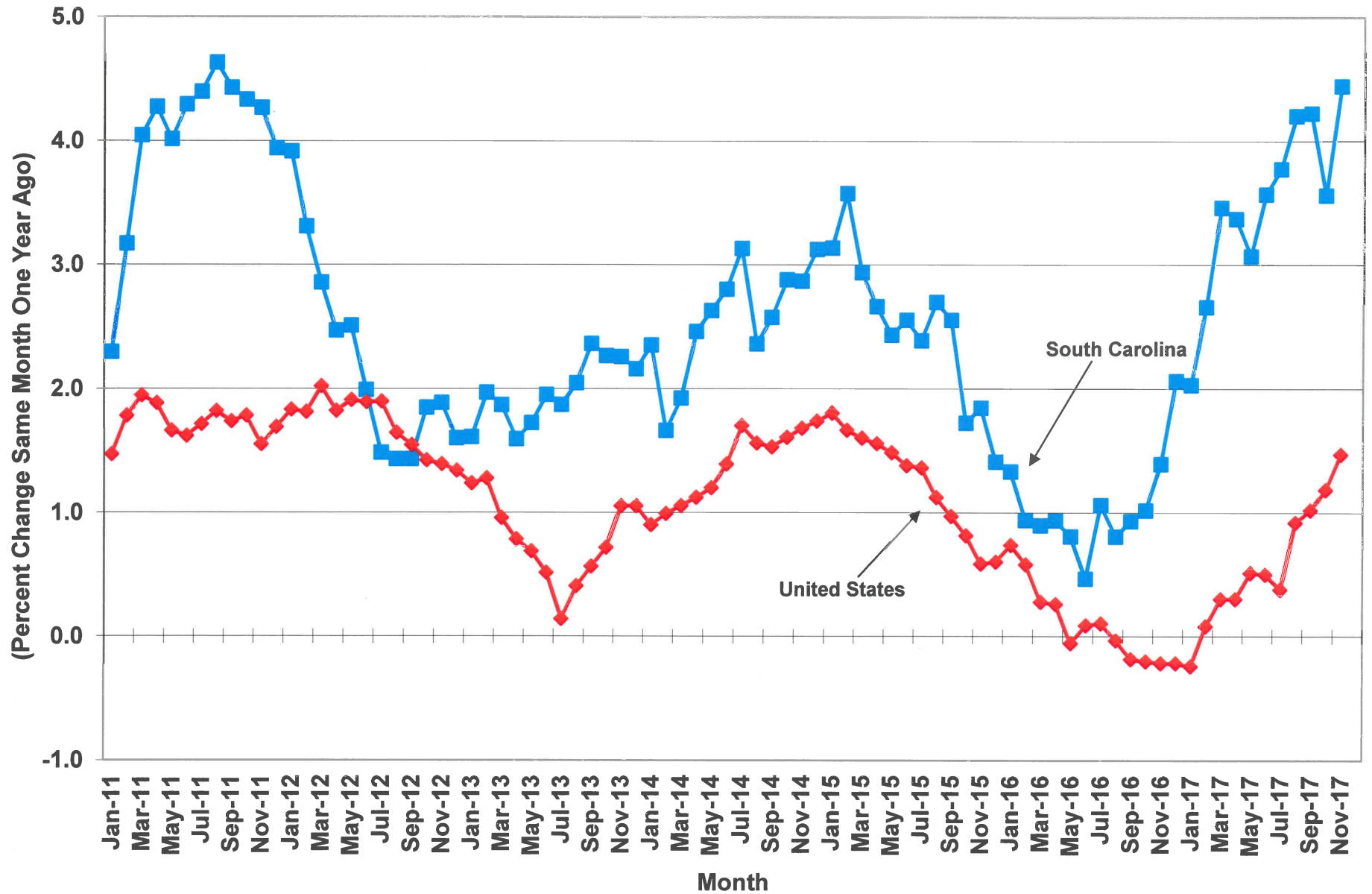
Source: Compiled by the BEA from various sources.

Total Nonfarm Employment in South Carolina



Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/01/25/18

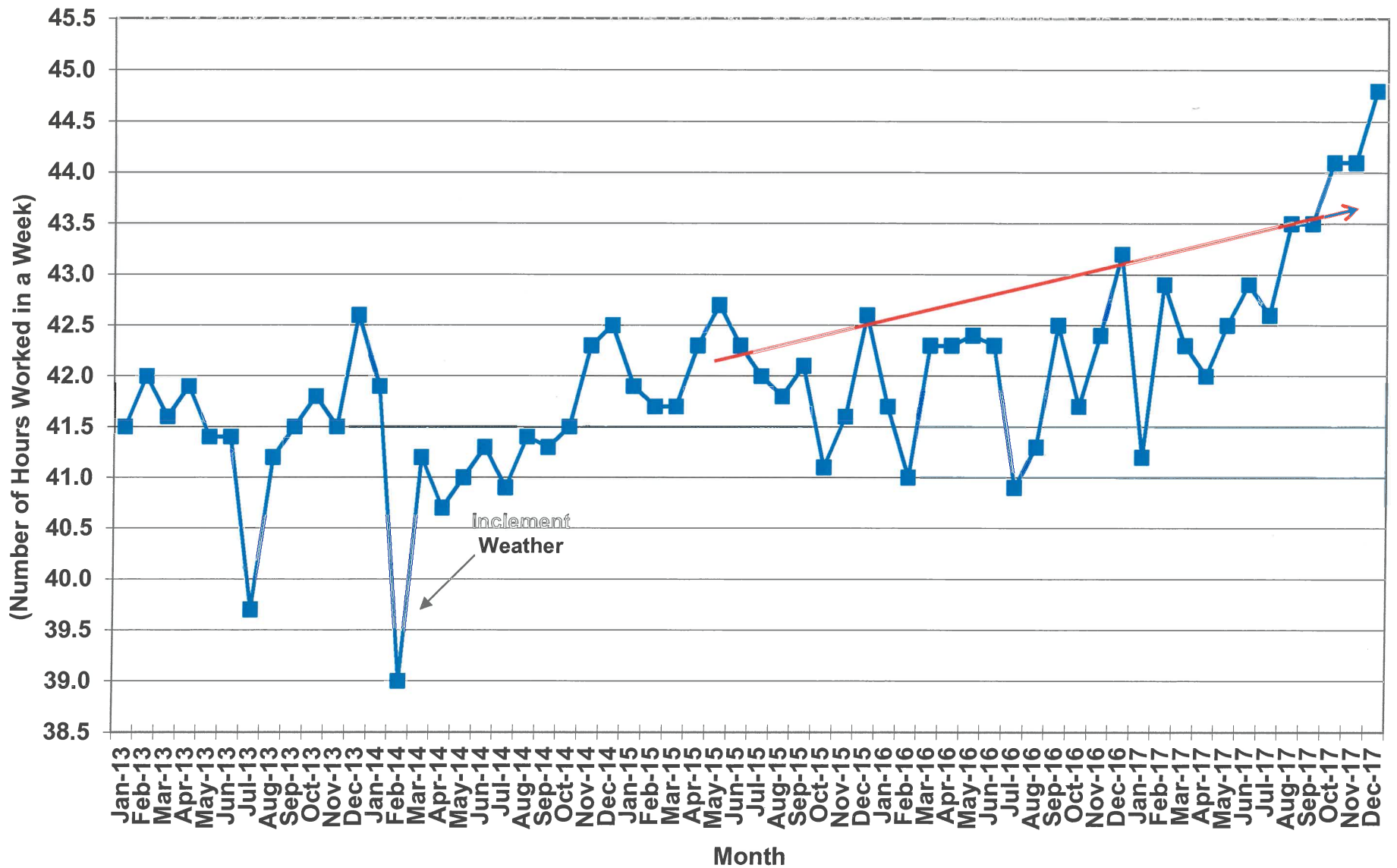
Growth in Manufacturing Employment in SC and US



Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/11/03/17

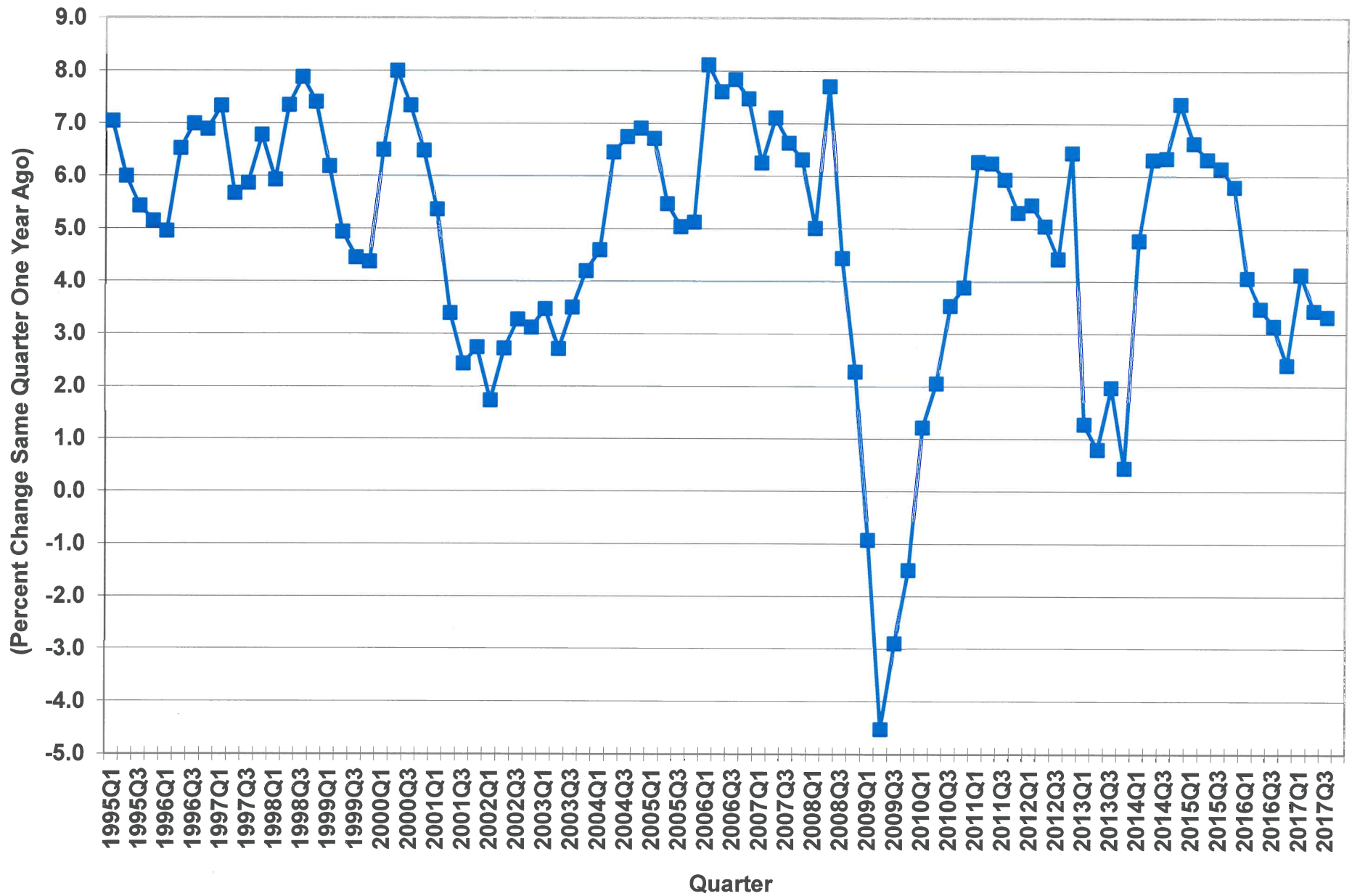
Source: Board of Economic Advisors

Average Work Week of Manufacturing Employees in South Carolina



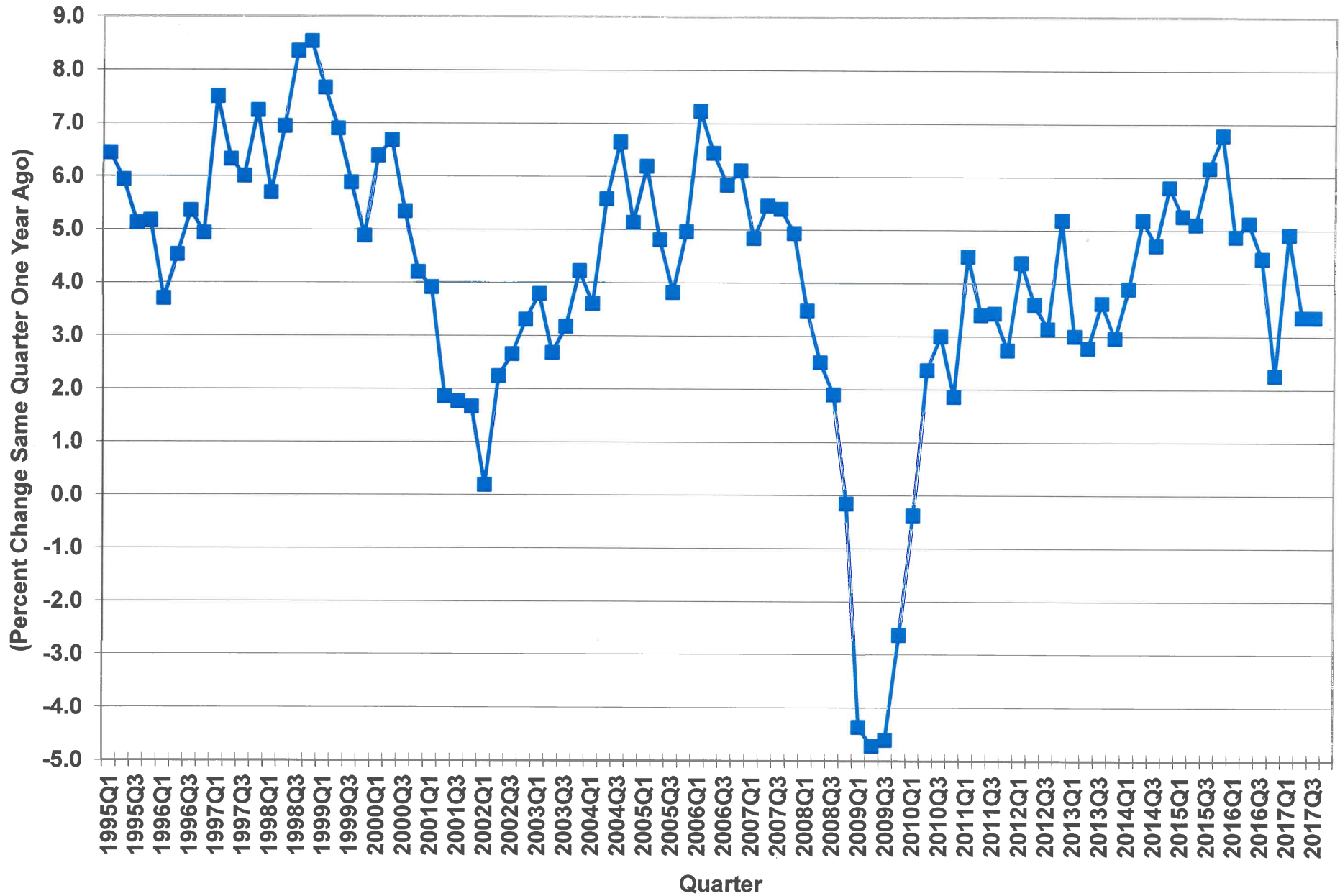
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/01/25/18

Growth in Personal Income in South Carolina



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Wages and Salaries in South Carolina



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.



December 2017

Economic Sectors to Watch

Gross Domestic Product (GDP) – back-to-back quarters of 3% growth, healthy spending, export growth, and strong corporate profits

Energy – oil and gas prices, refining capacity recovered from hurricanes

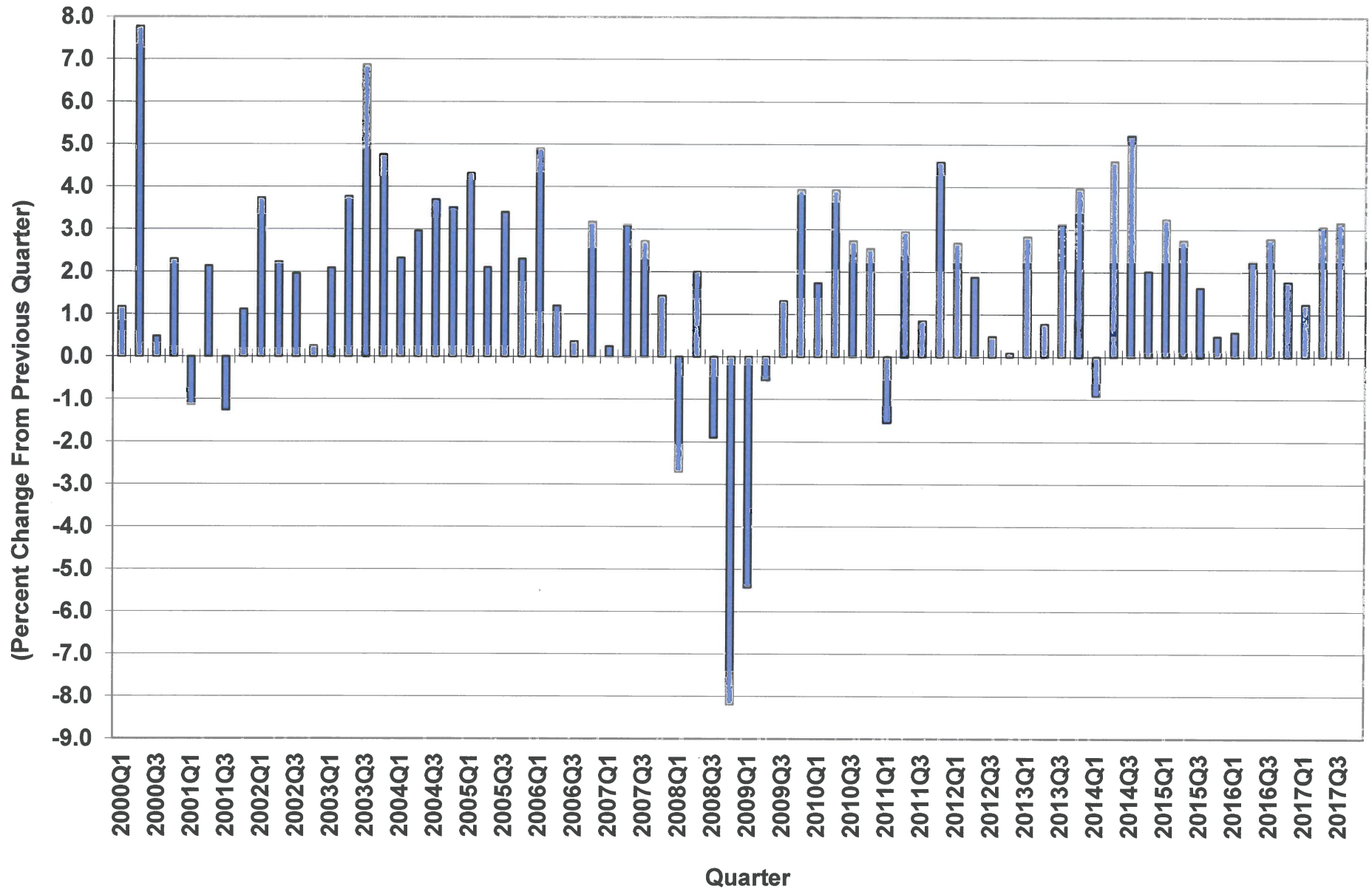
Retail Sales – better-than-expected holiday sales, increased spending, and use of credit

Housing – building permits, interest rates (Fed hiked rates 3 times in 2017), more expected in 2018

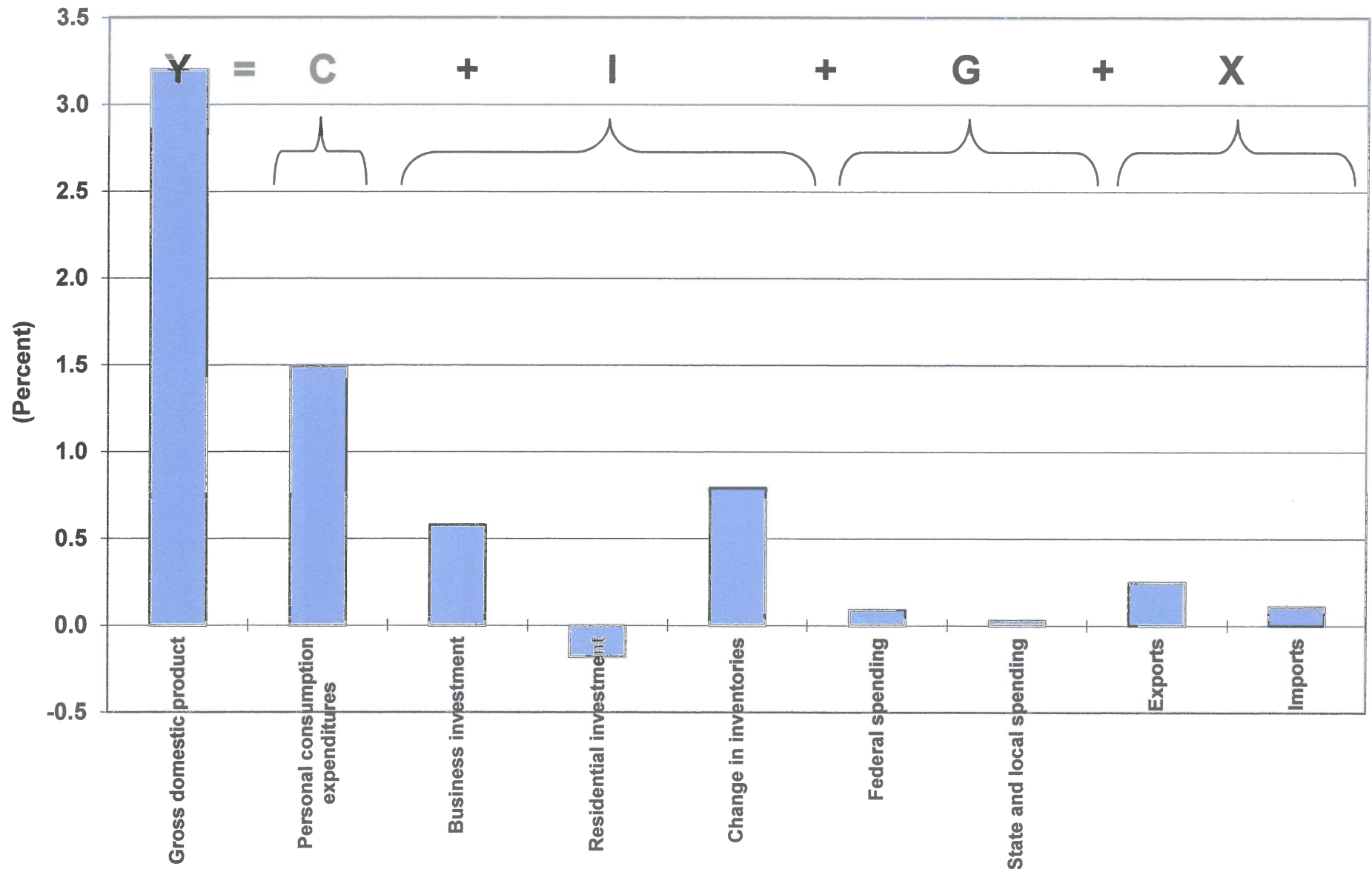
International Growth – lower value of \$ against key trading partners boosting export growth

Employment – growth is not translating into wage increases

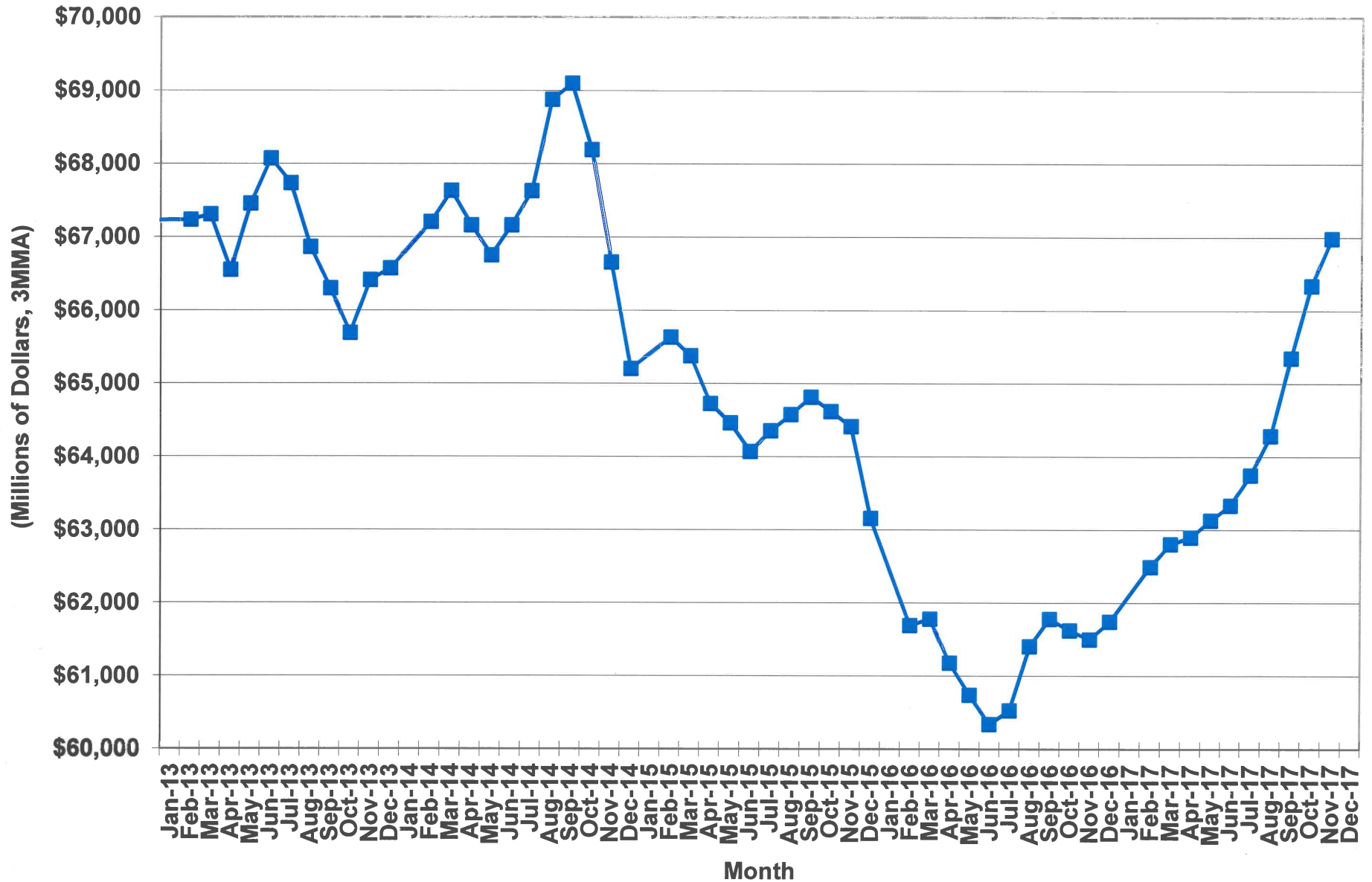
Real Gross Domestic Product in the U.S.



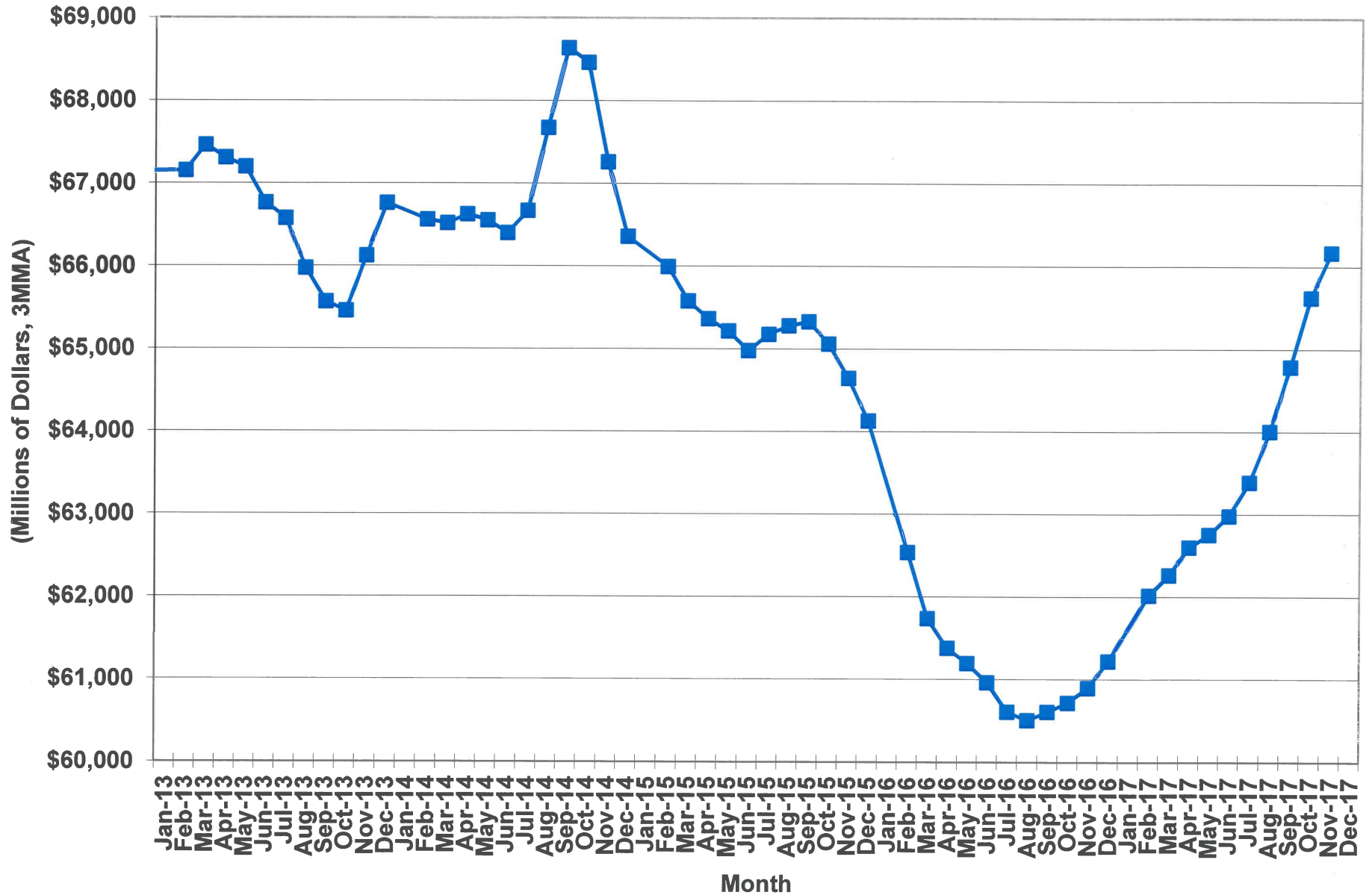
Contribution to Real Gross Domestic Product in the U.S. 2017, Third Quarter, (Final Estimate)



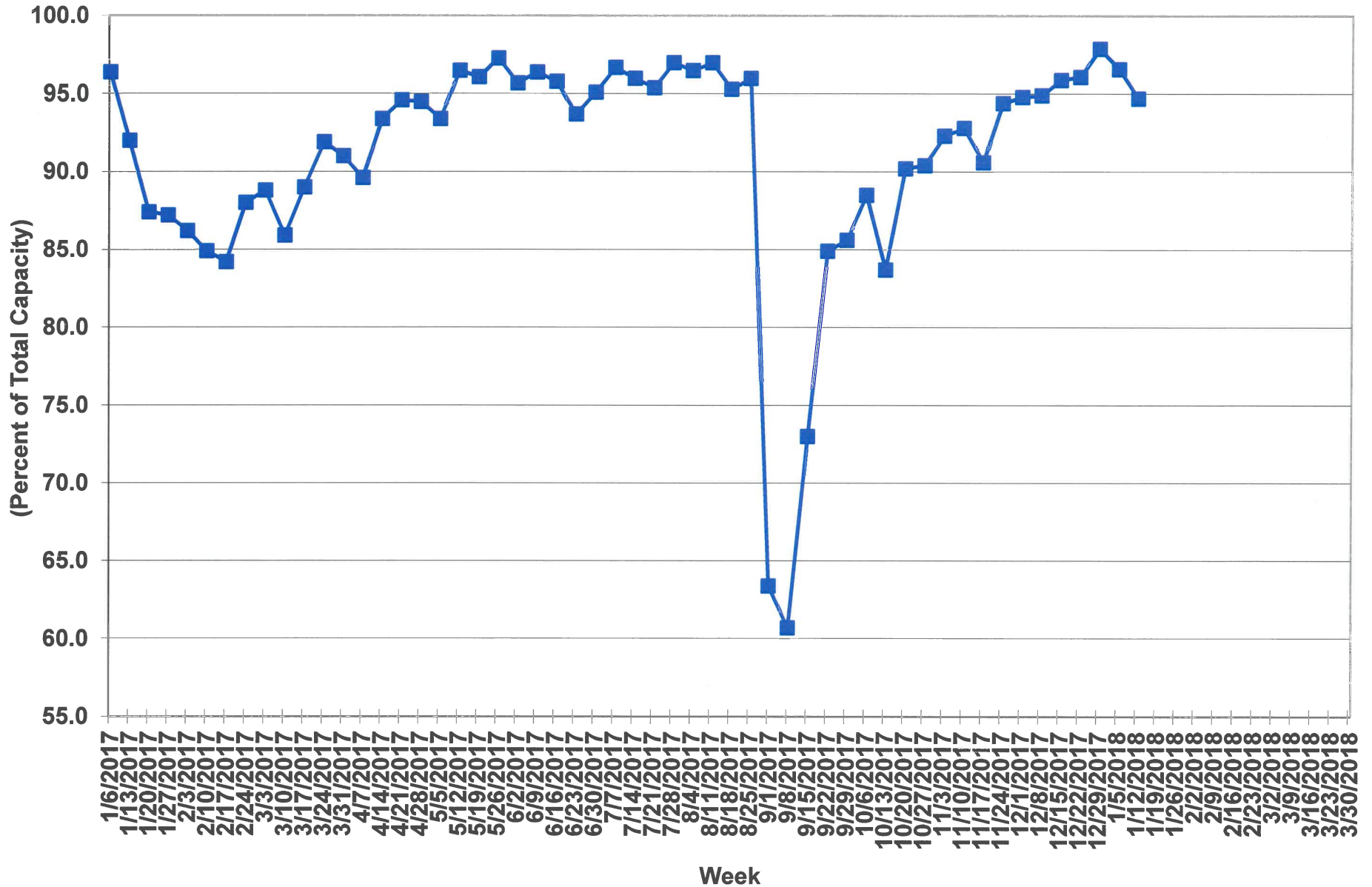
Total Manufacturer's New Orders of Nondefense Capital Goods Excluding Aircraft in the U.S.



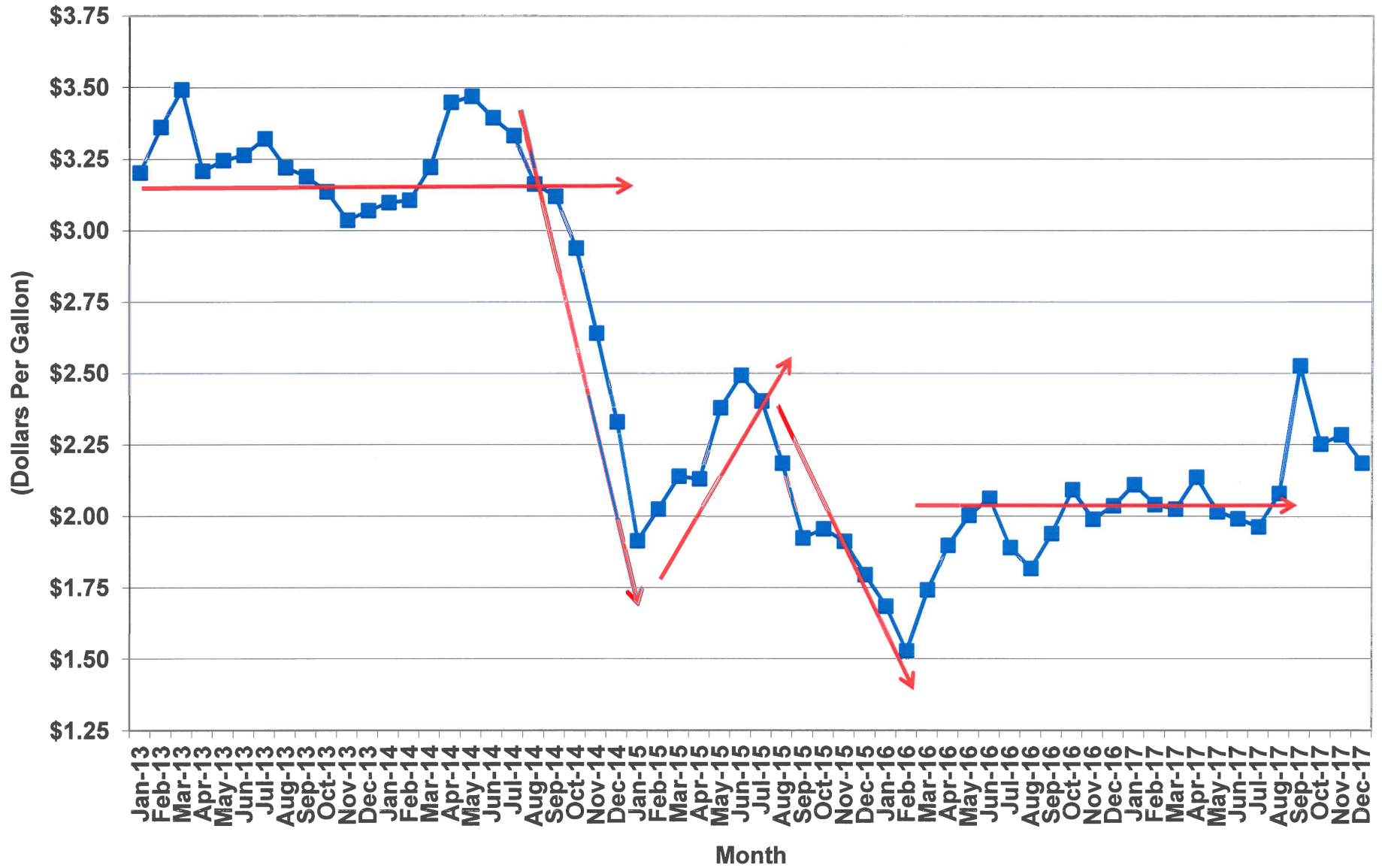
Total Manufacturer's Shipments of Nondefense Capital Goods Excluding Aircraft in the U.S.



Refinery Capacity in the Gulf Coastal Region

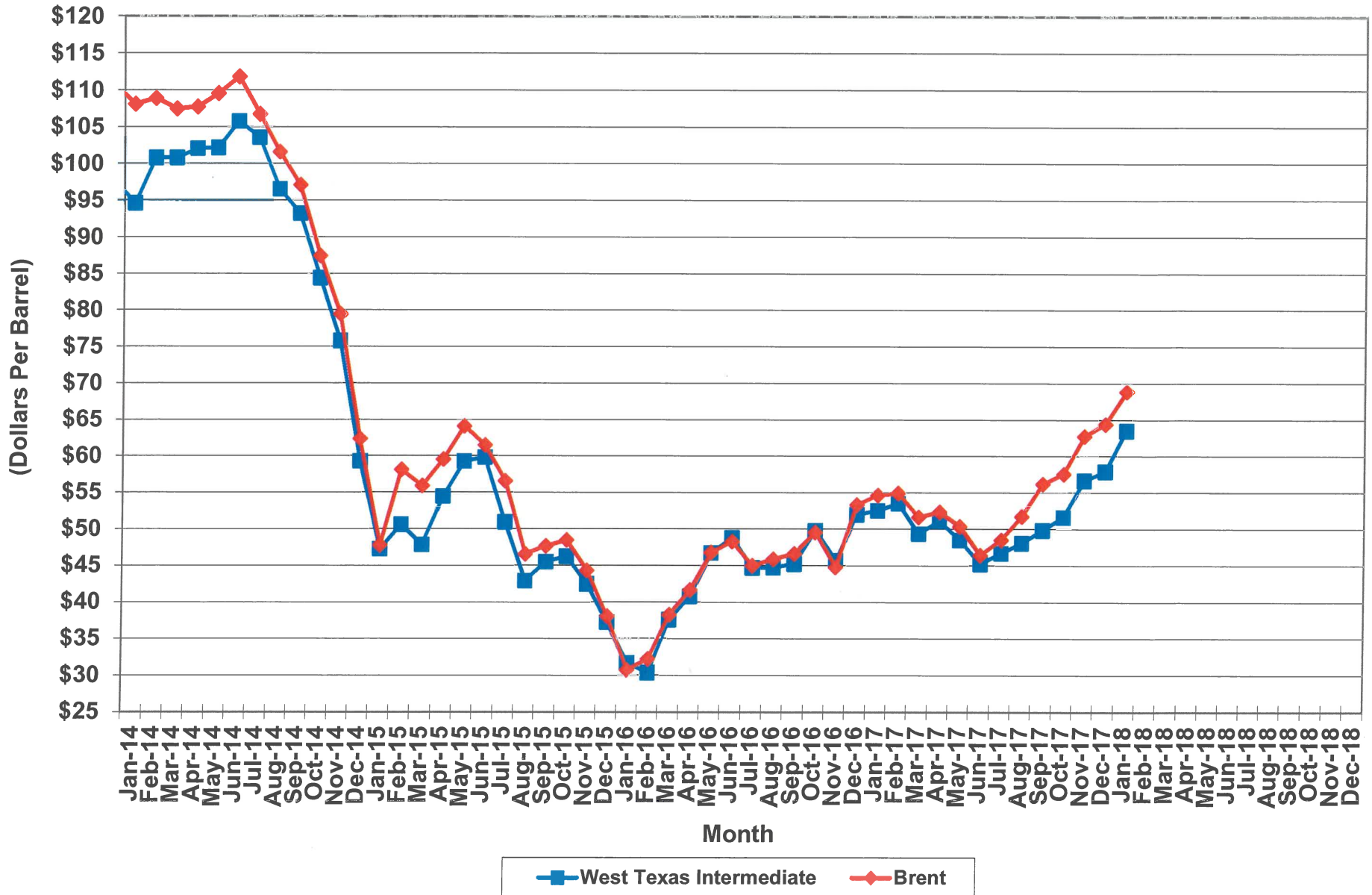


Gasoline Prices in South Carolina

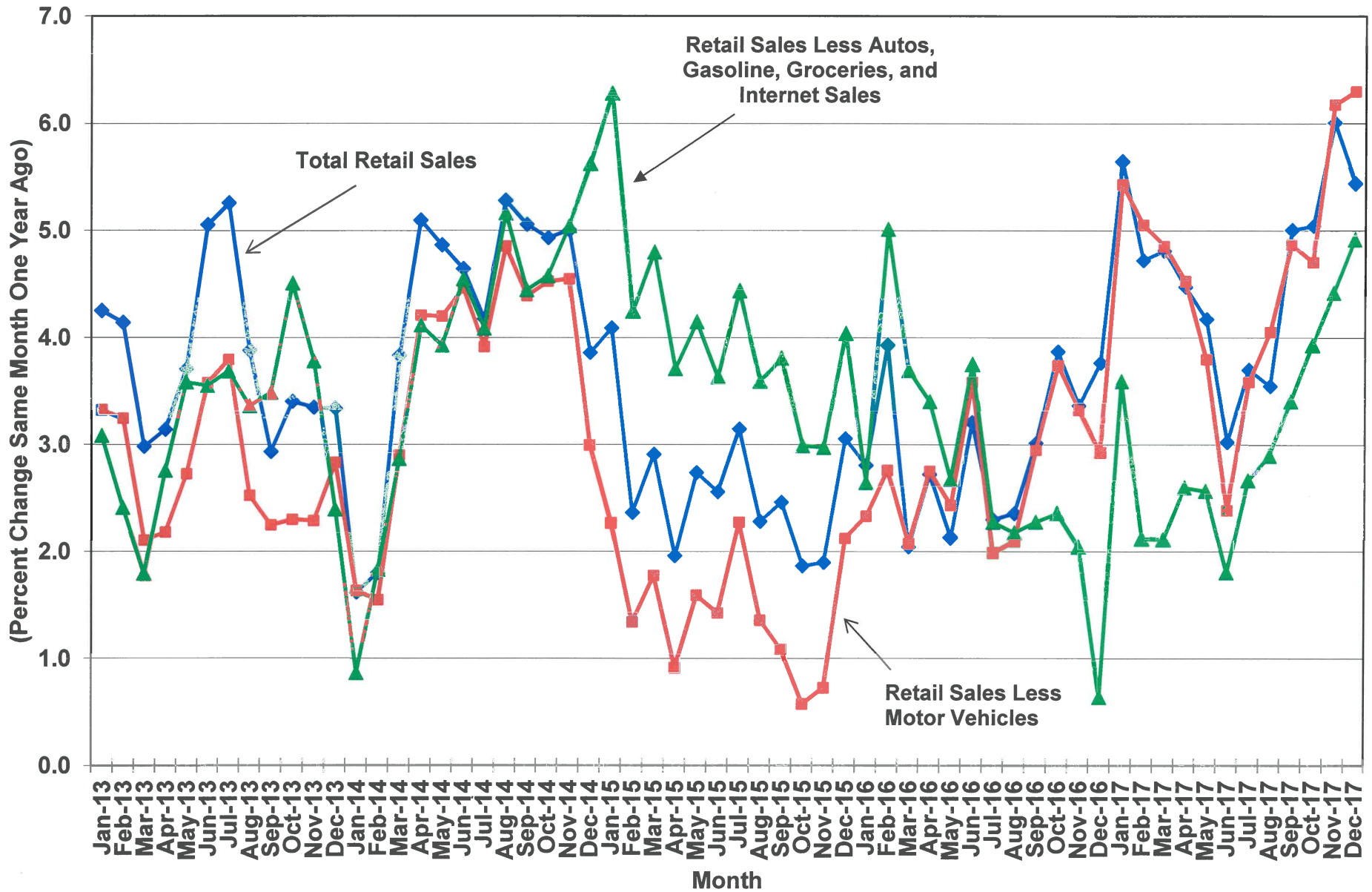


Source: AAA of the Carolina's
SCBEA/RWM/01/25/18

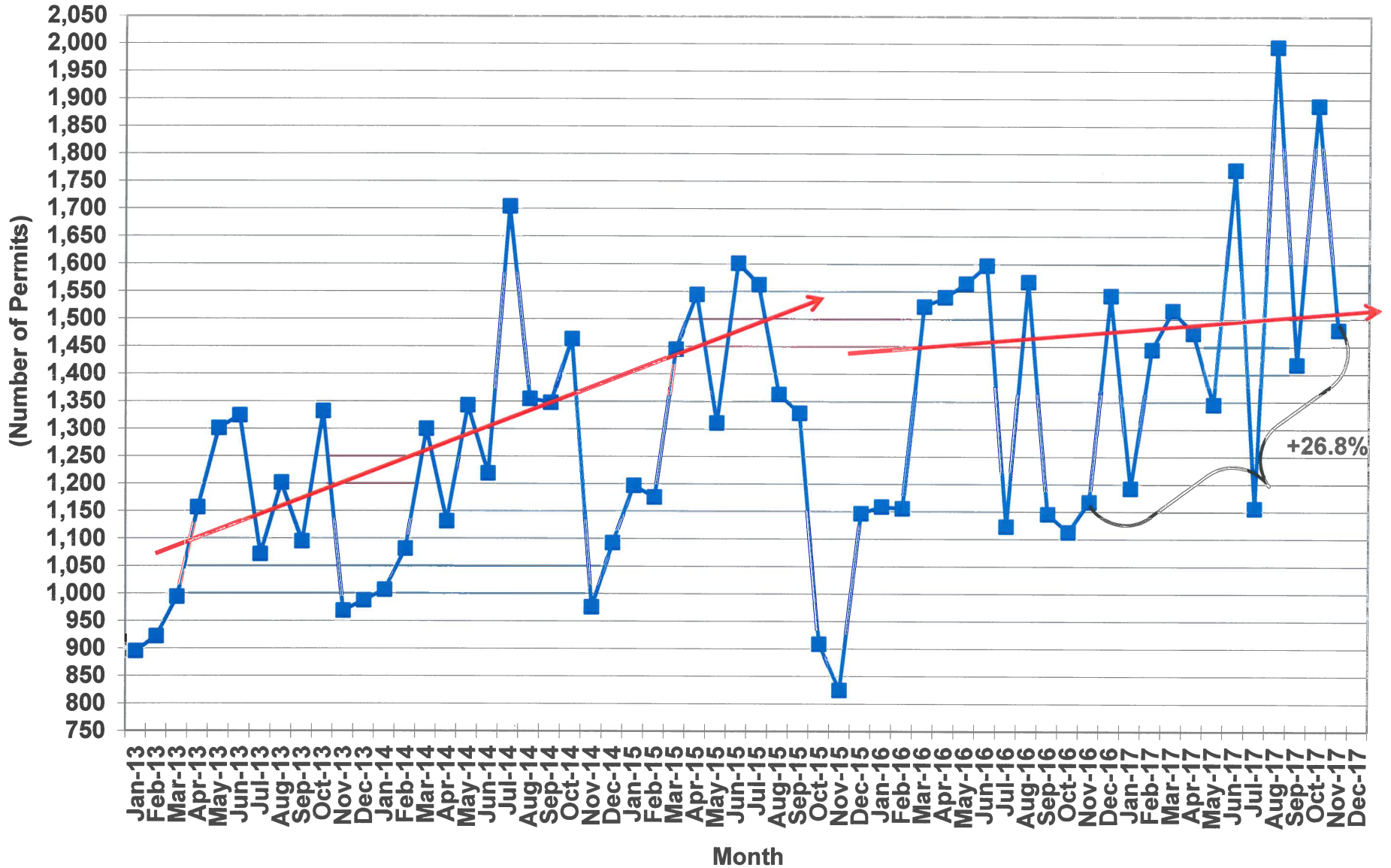
Spot Crude Oil Prices



U.S. Retail & Food Service Sales

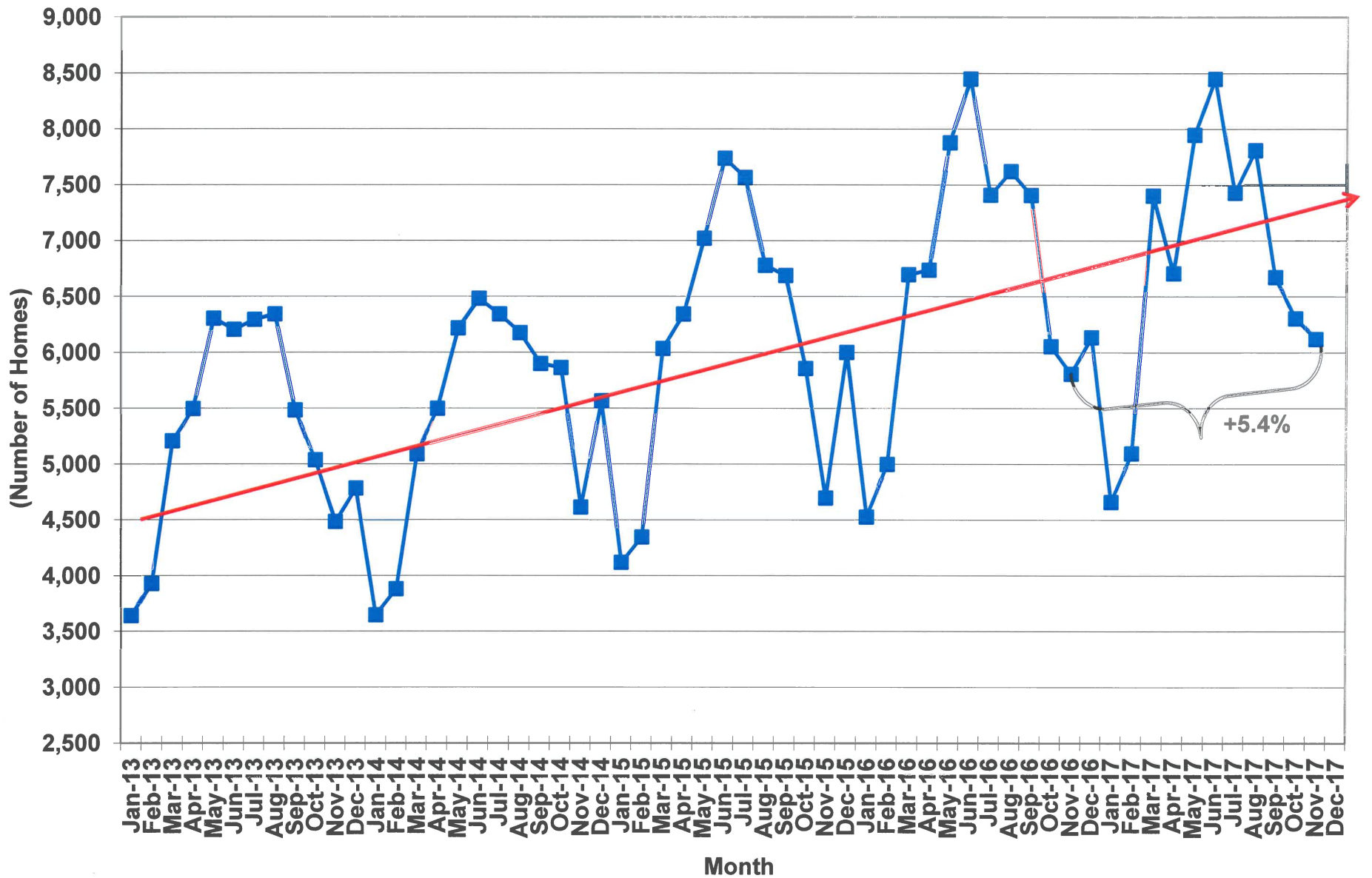


Residential Building Permits in South Carolina



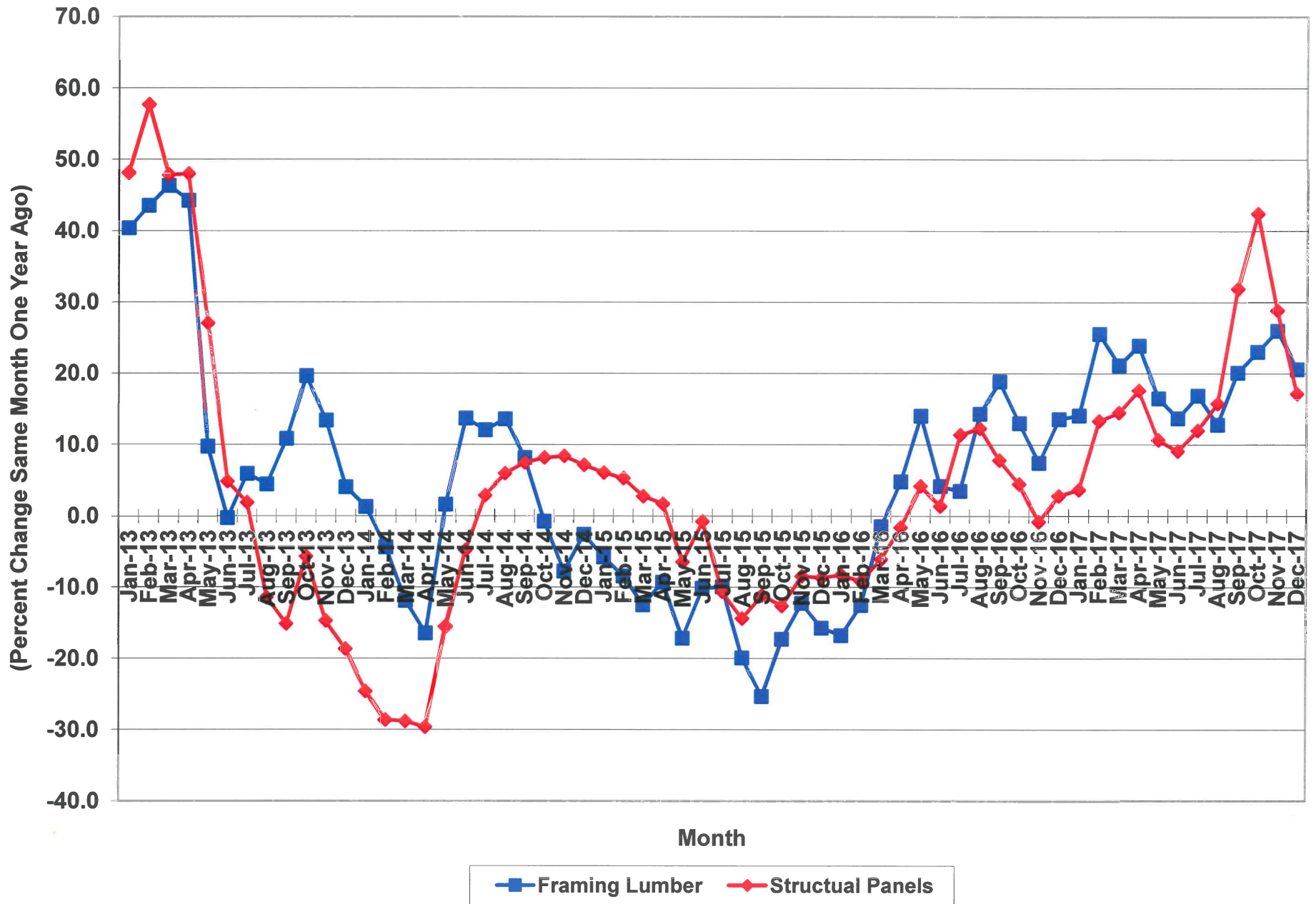
Source: U.S. Department of Commerce, Bureau of the Census
SCBEA/RWM/01/25/18

Number of Homes Sold in South Carolina

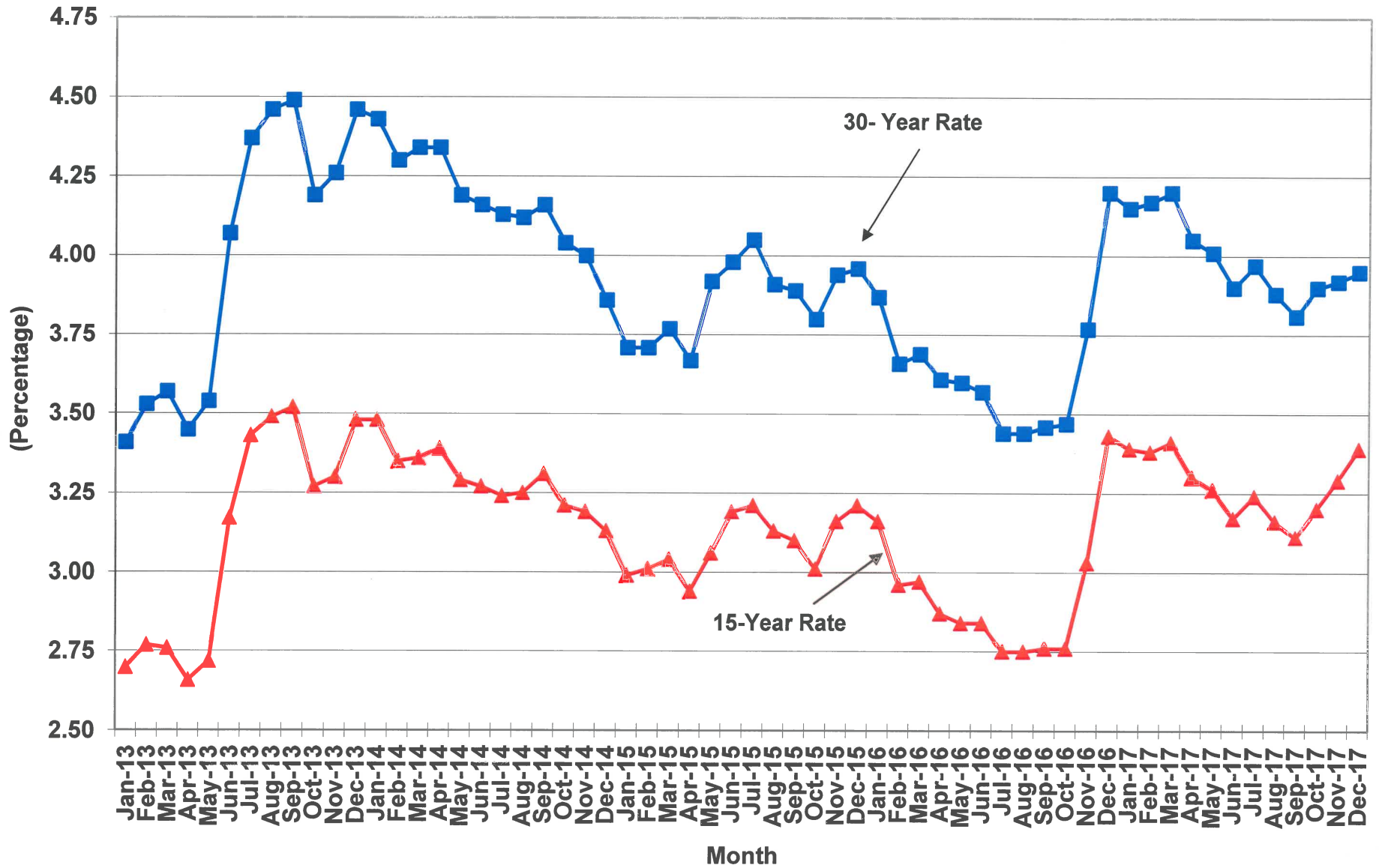


Source: South Carolina Association of Realtors
SCBEA/RWM/01/25/18

Growth in Building Supply Prices in the United States

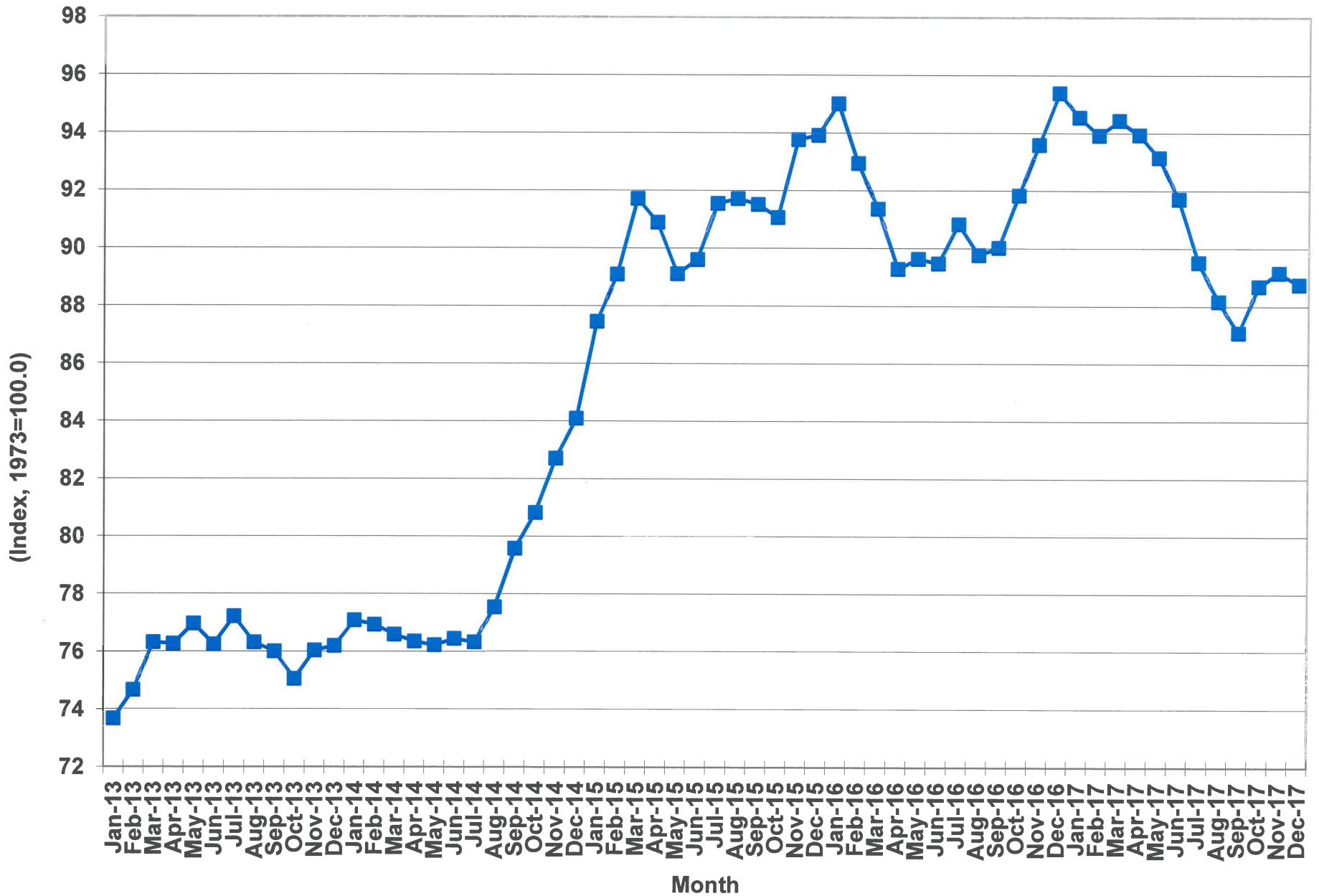


Mortgage Rates

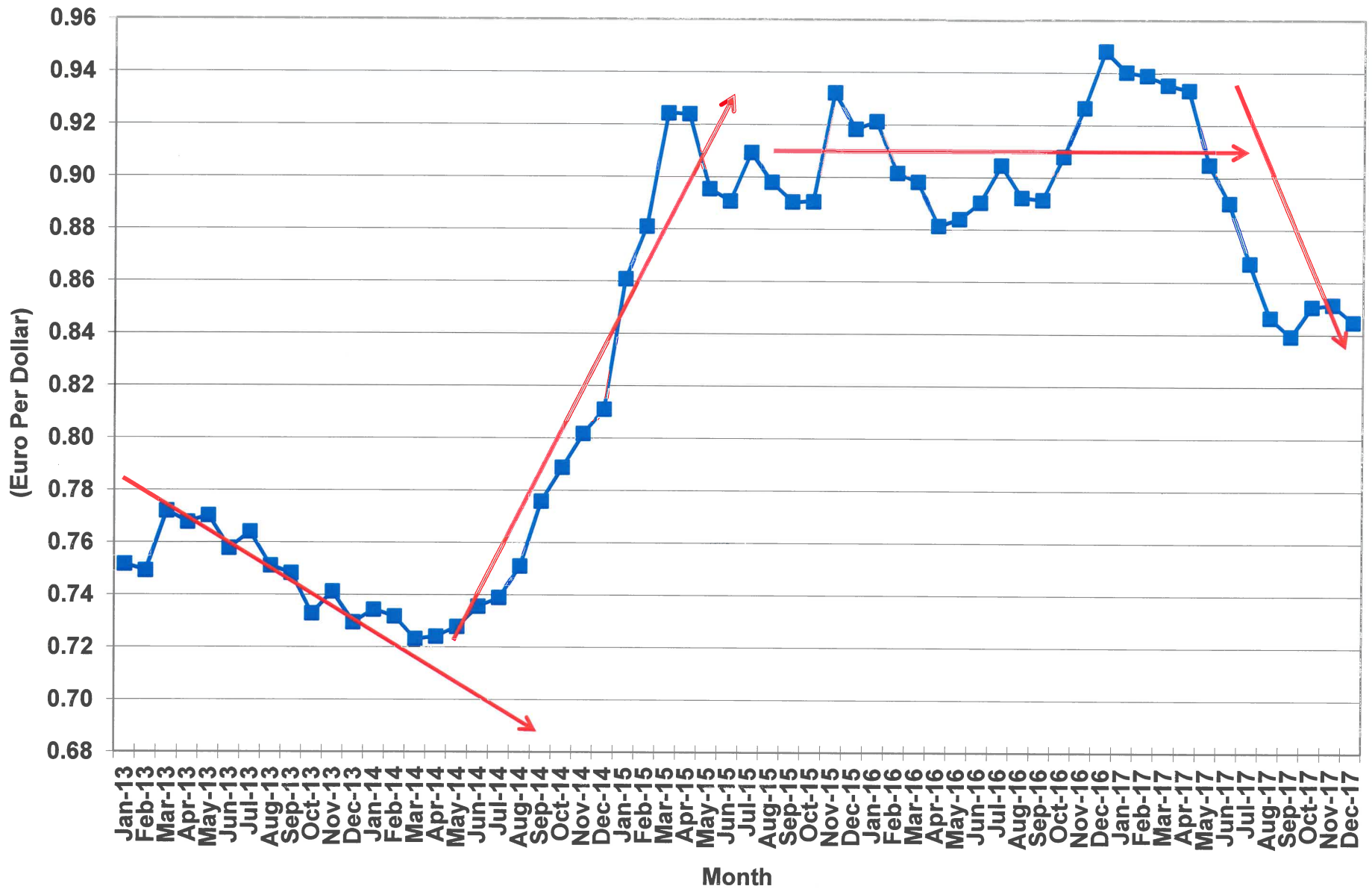


Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/01/25/18

U.S. Trade-Weighted Exchange Rate Index of U.S. Dollar



Value of the Euro vs. the U.S. Dollar



Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/01/25/18



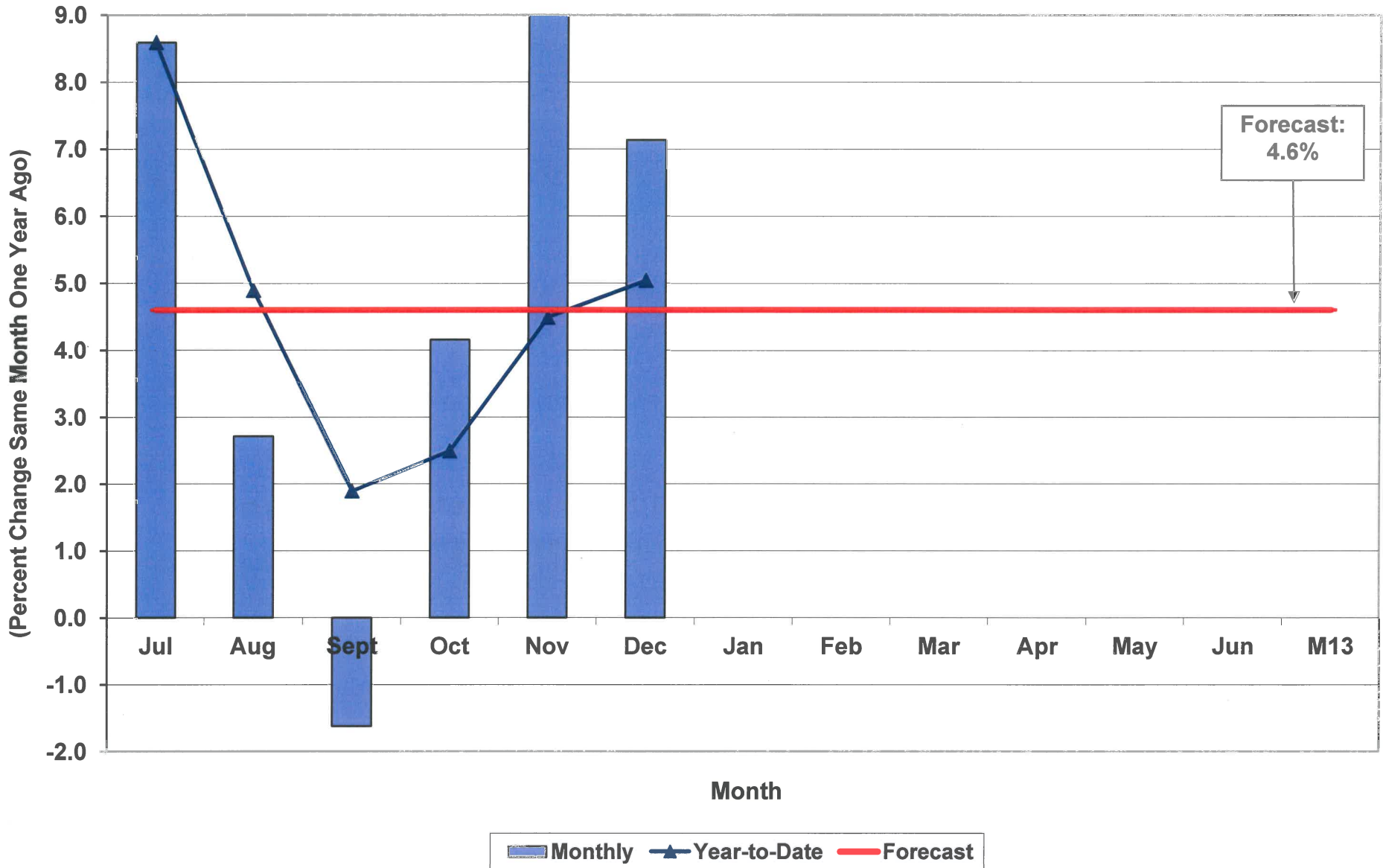
December 2017

General Fund Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Total General Fund	\$4,397.2	\$4,378.8	\$18.4	4.6	5.0

- Through the first six months of FY2017-18, General Fund revenues have increased 5.0 percent and are trending above current forecast projections by \$18.4 million
- After adjustments for sales tax held in a clearing account and a large corporate income tax refund, the Y-T-D revenue growth is 3.7 percent

Growth in Total General Fund Revenue Collections FY2018 Monthly and Year-to-Date





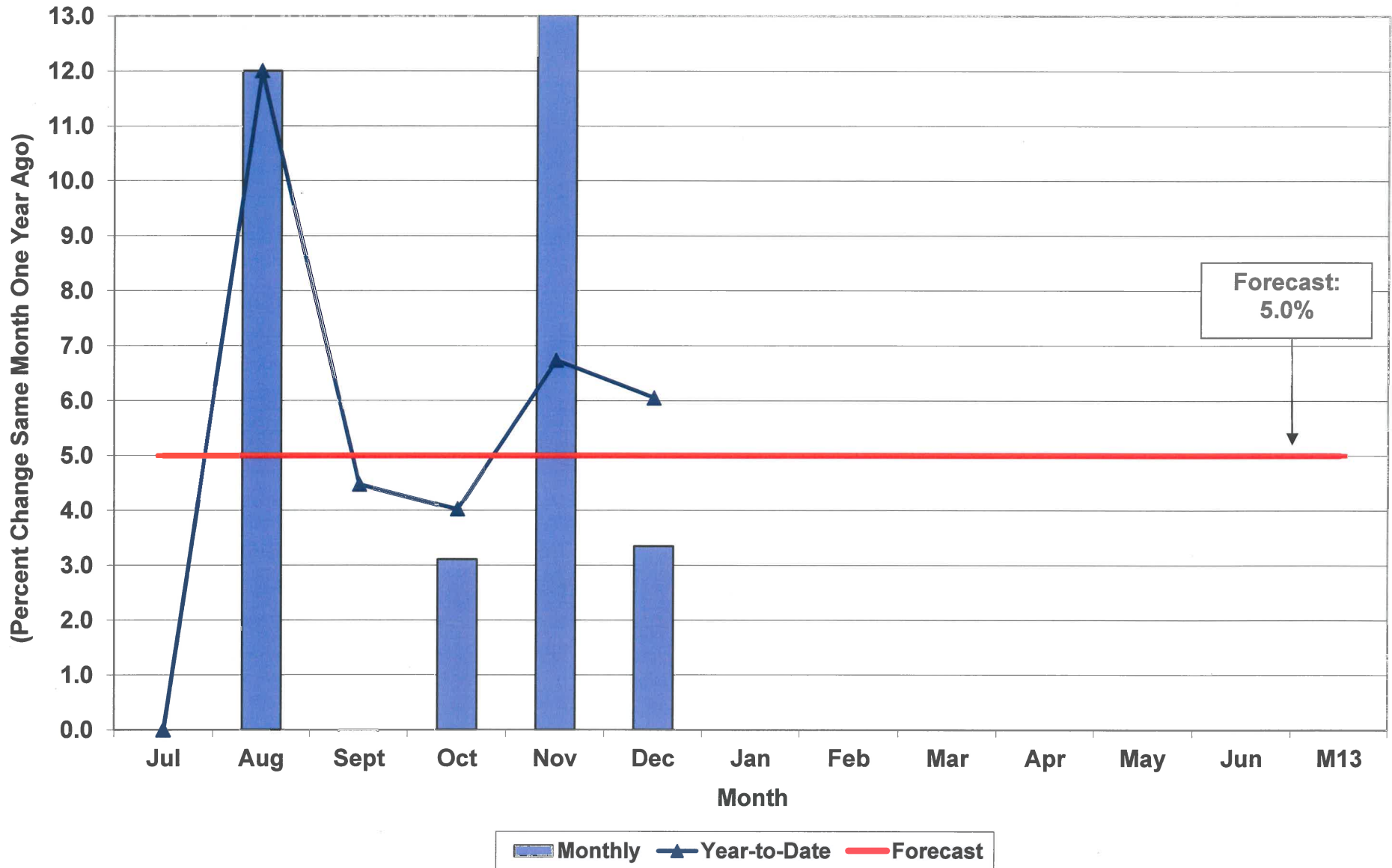
December 2017

Sales Tax

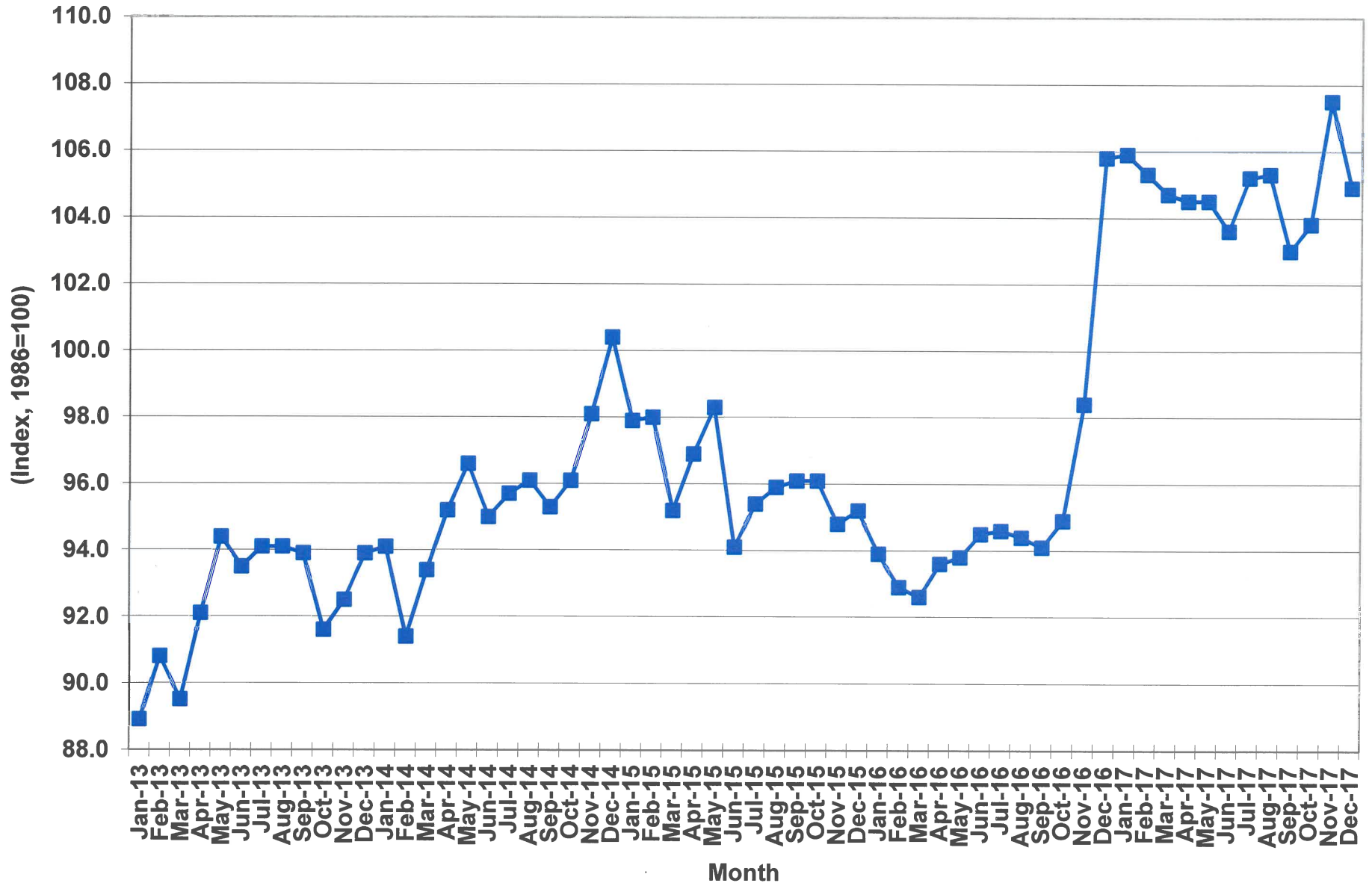
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$1,235.8	\$1,223.7	\$12.1	5.0	6.0

- Better-than-expected holiday sales have help boost sales tax collections
- There remains \$9.0 million in clearing account in December 2017
- After adjustments, the Y-T-D growth rate is 5.5 percent

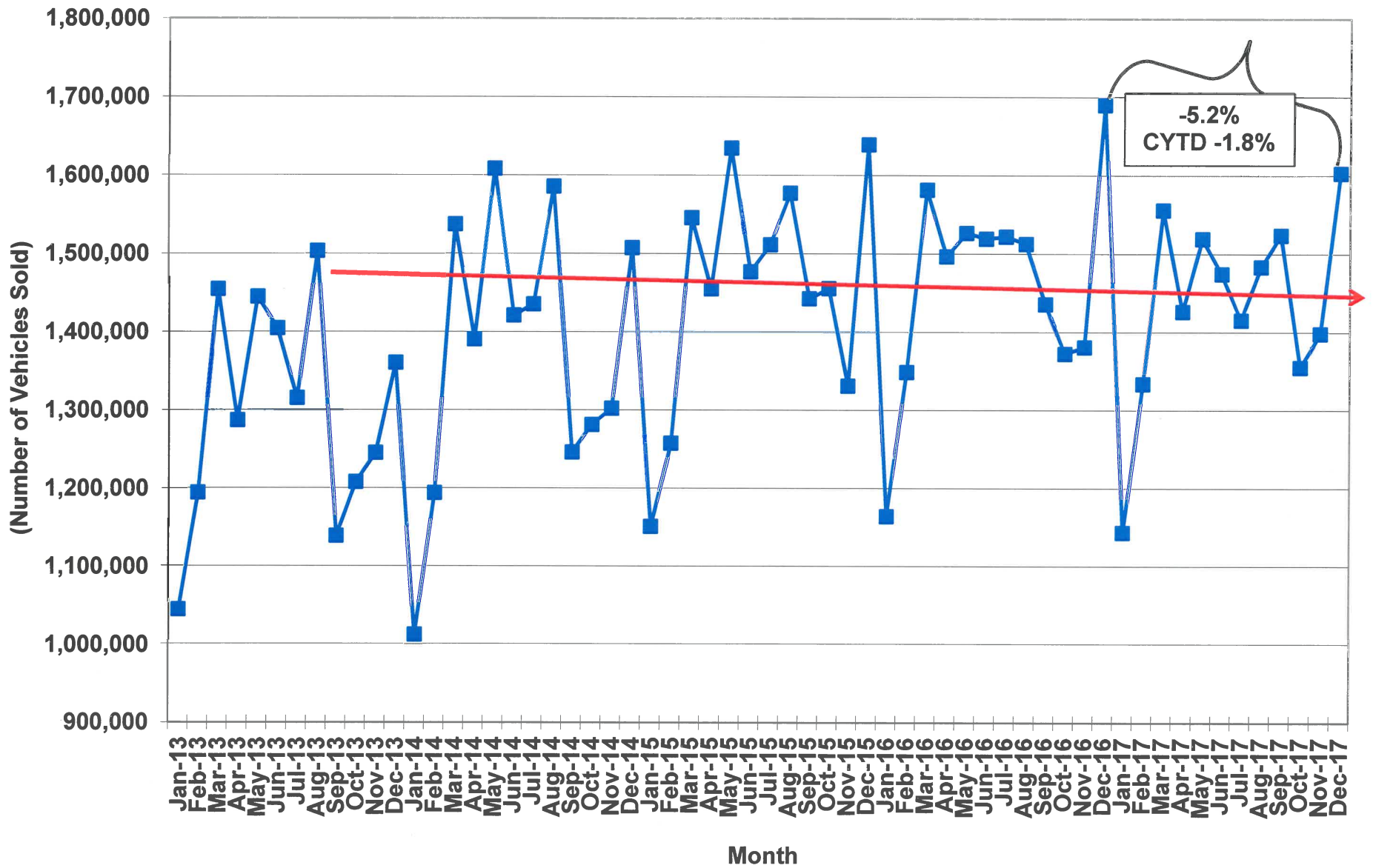
Growth in Total Sales & Use Tax Revenue Collections FY2018 Monthly and Year-to-Date



National Federation of Independent Business (NFIB) Small Business Optimism Index

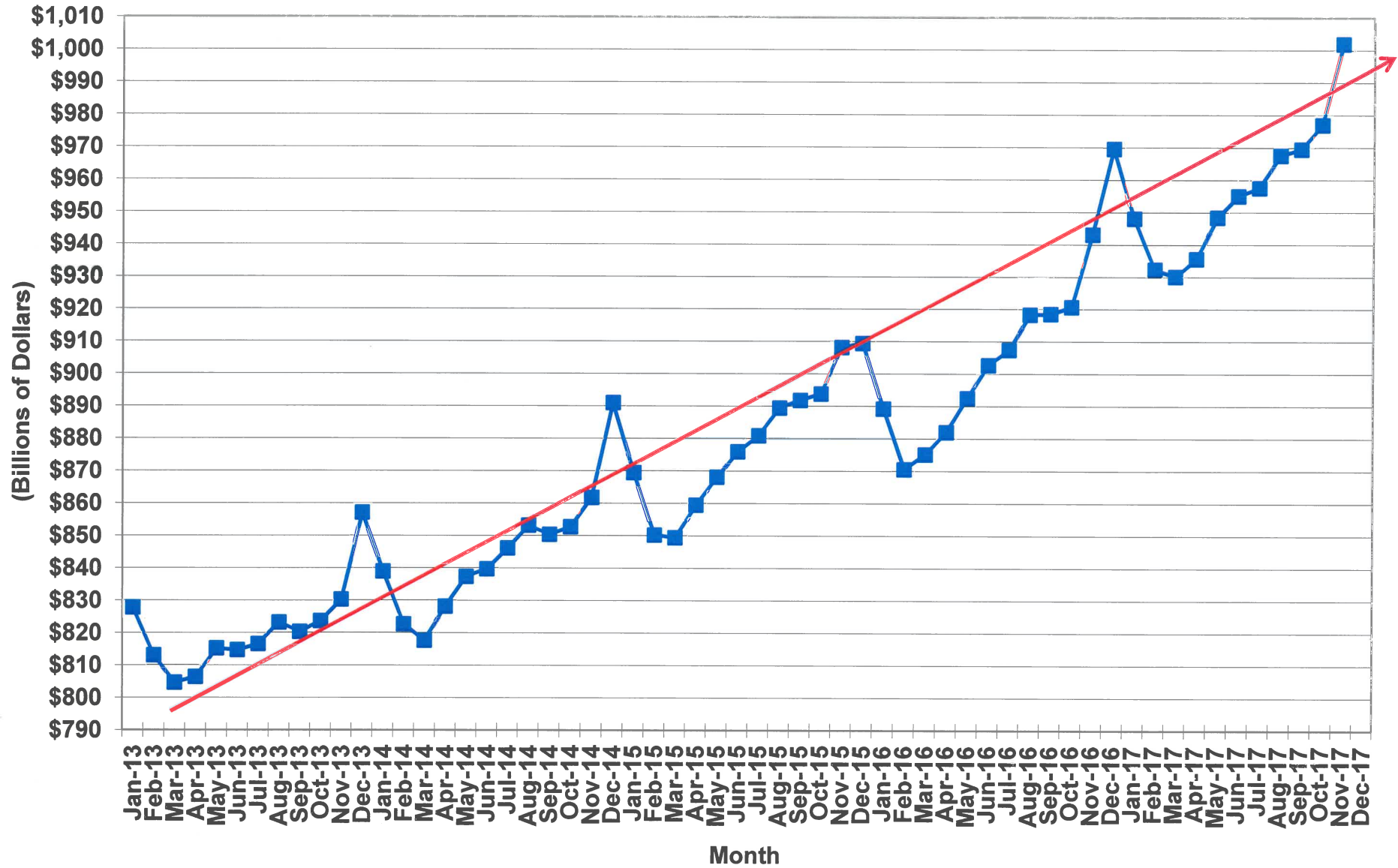


Total Light Vehicle Sales in the United States



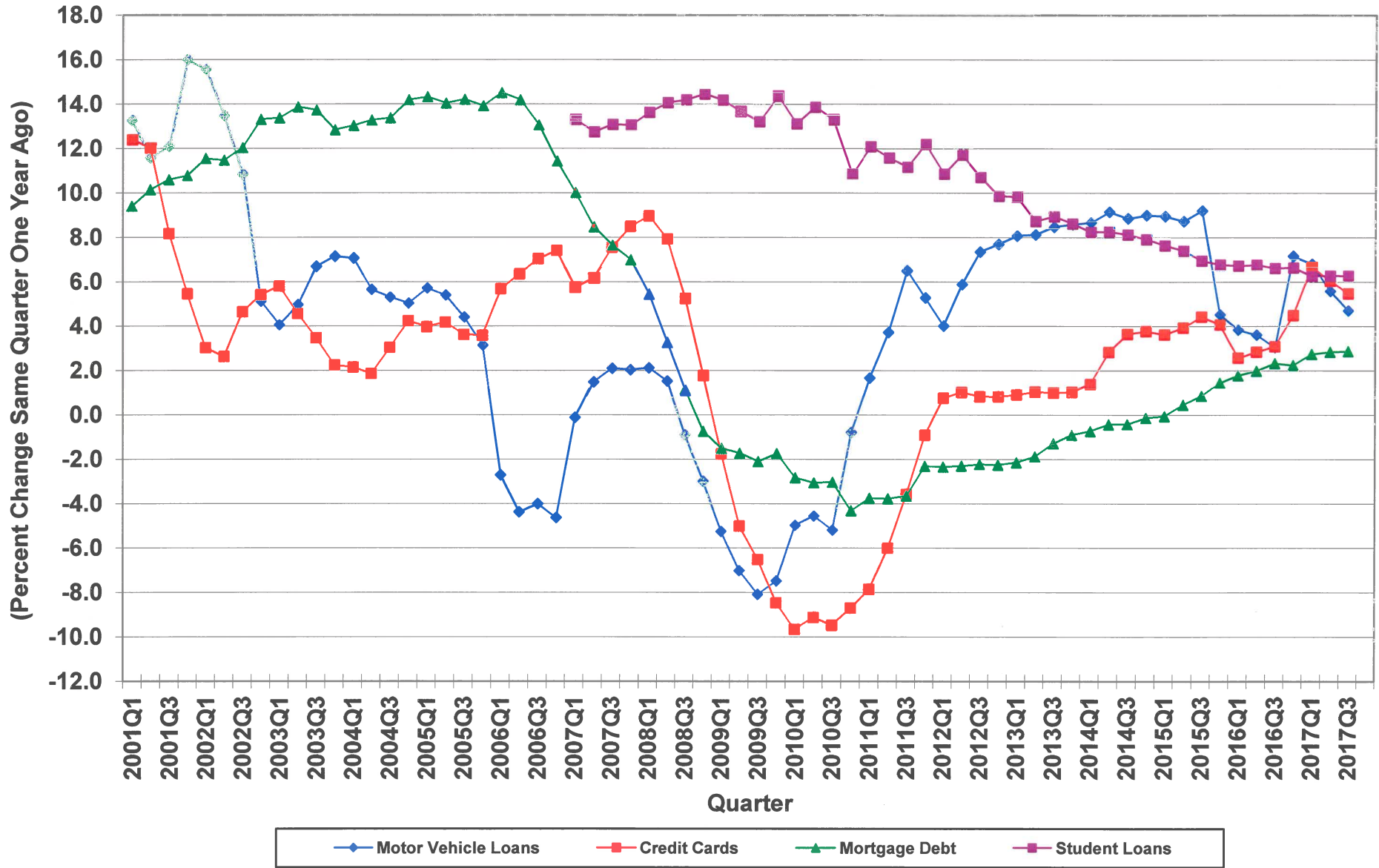
Source: Autodata Corporation and WardsAuto
SCBEA/RWM/01/25/18

Total Revolving Credit Outstanding in the U.S.

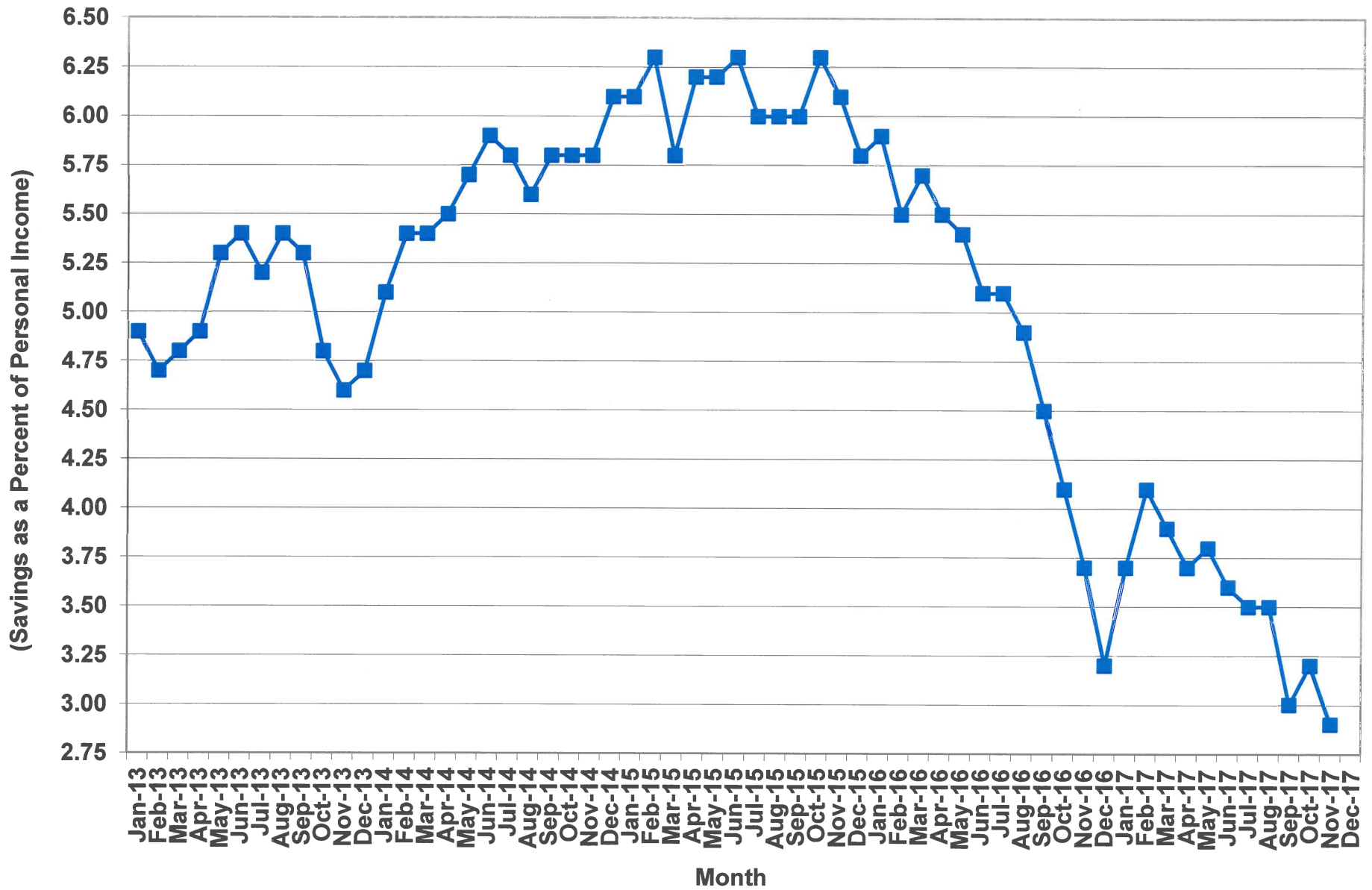


Source: The Board of Governors of the Federal Reserve System
SCBEA/RWM/01/25/18

Growth in Major Types of Household Debt



Personal Savings Rate in the U.S.



Source: U.S. Department of Commerce, Bureau of Economic Analysis
SCBEA/RWM/01/25/18



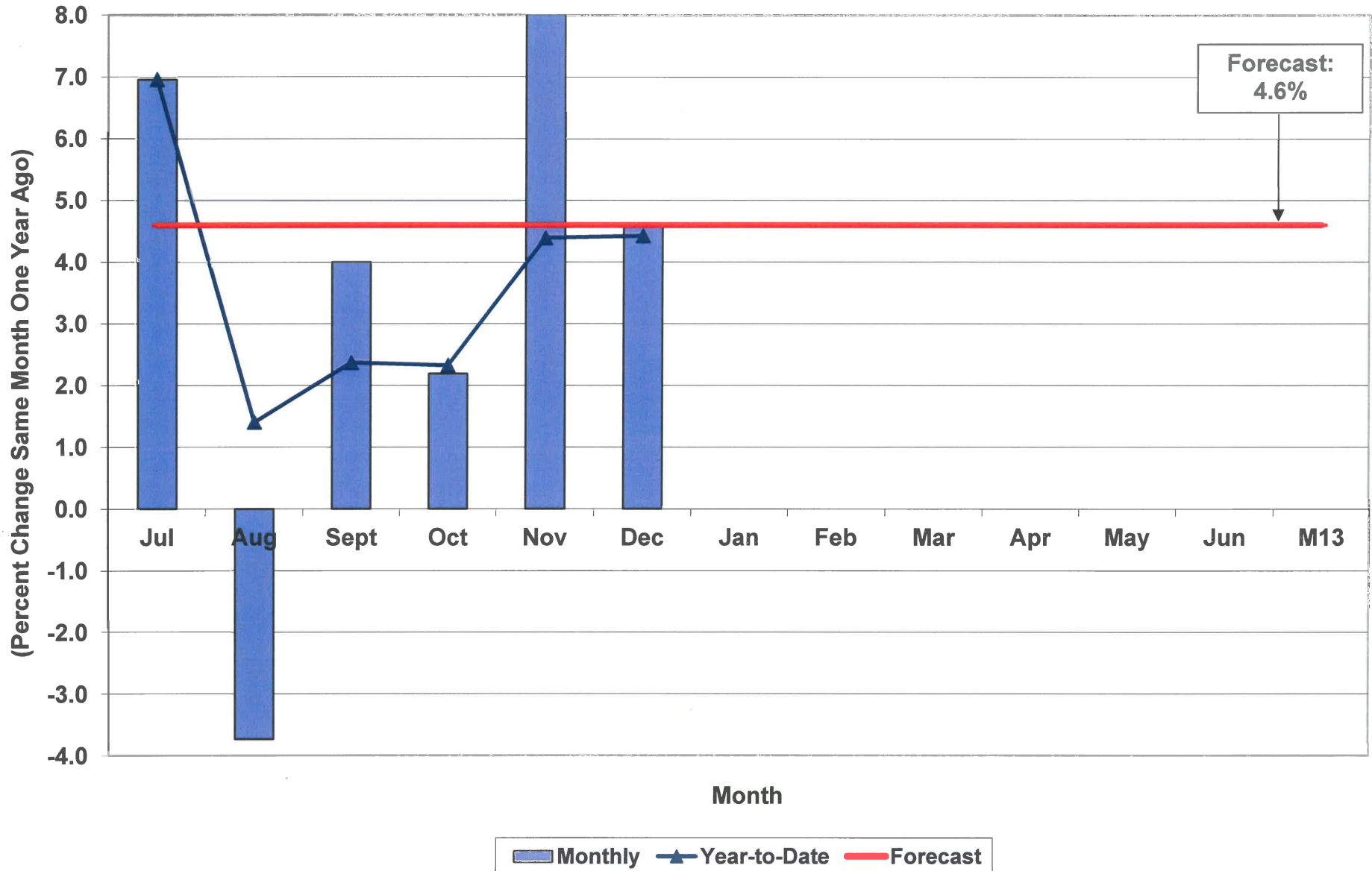
December 2017

Individual Income Tax

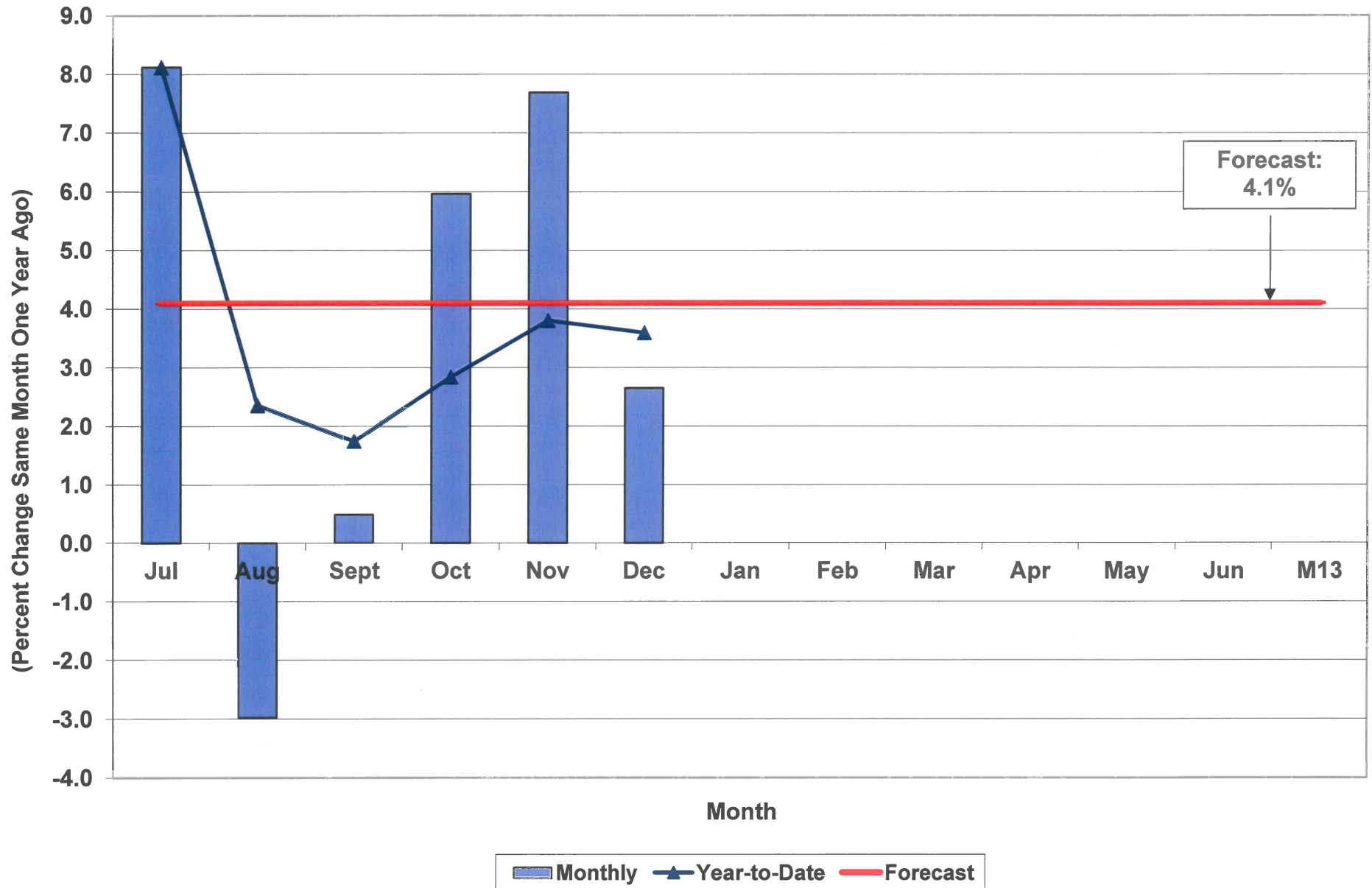
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Individual Income Tax	\$2,652.7	\$2,635.8	\$16.9	4.6	4.4

- Income tax withholdings, the single largest revenue source, slowed in December and have fallen in line with forecast
- Increased refund processing also contributed to slower income tax growth year-to-date

Growth in Total Individual Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



Growth in Individual Income Tax Withholding Revenue FY2018 Monthly and Year-to-Date





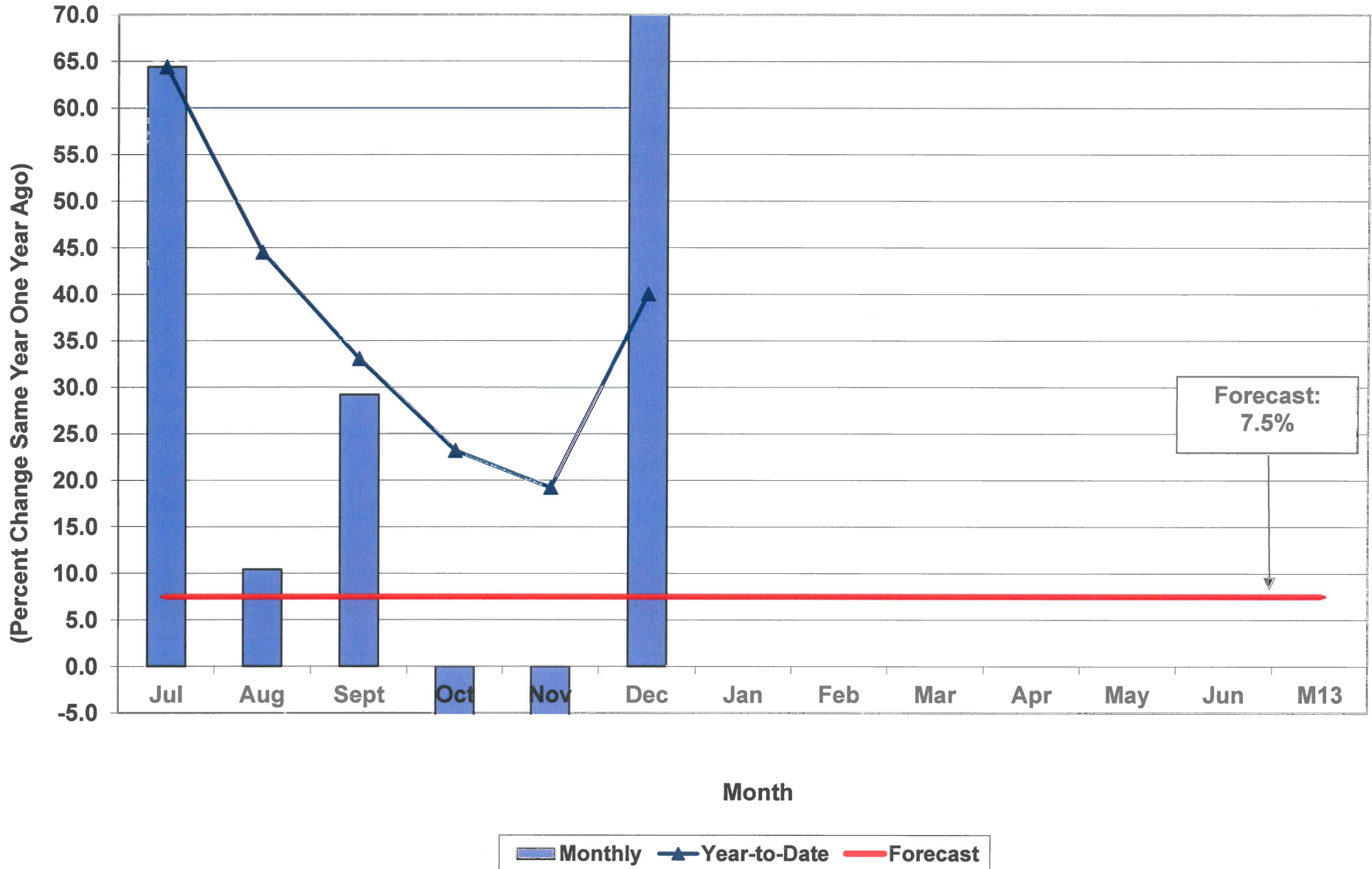
December 2017

Corporate Income Tax

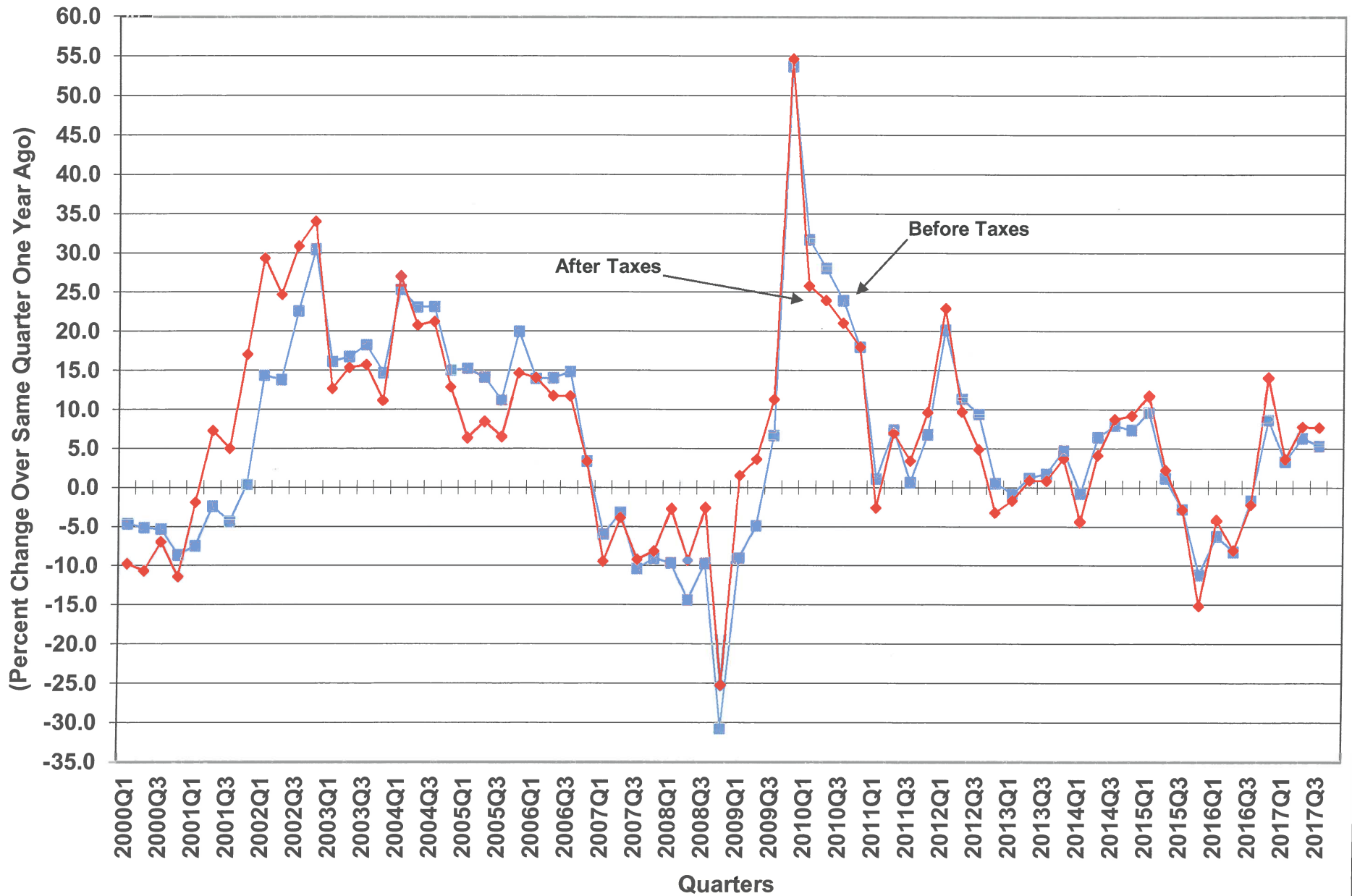
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Corporation Income Tax	\$114.3	\$154.7	(\$40.4)	7.5	40.1

- A \$48 million refund to a single taxpayer last December caused an artificially high growth rate in December 2017
- A transfer of \$11.4 million out of Corporate Income Tax and into Corporate License Tax in December

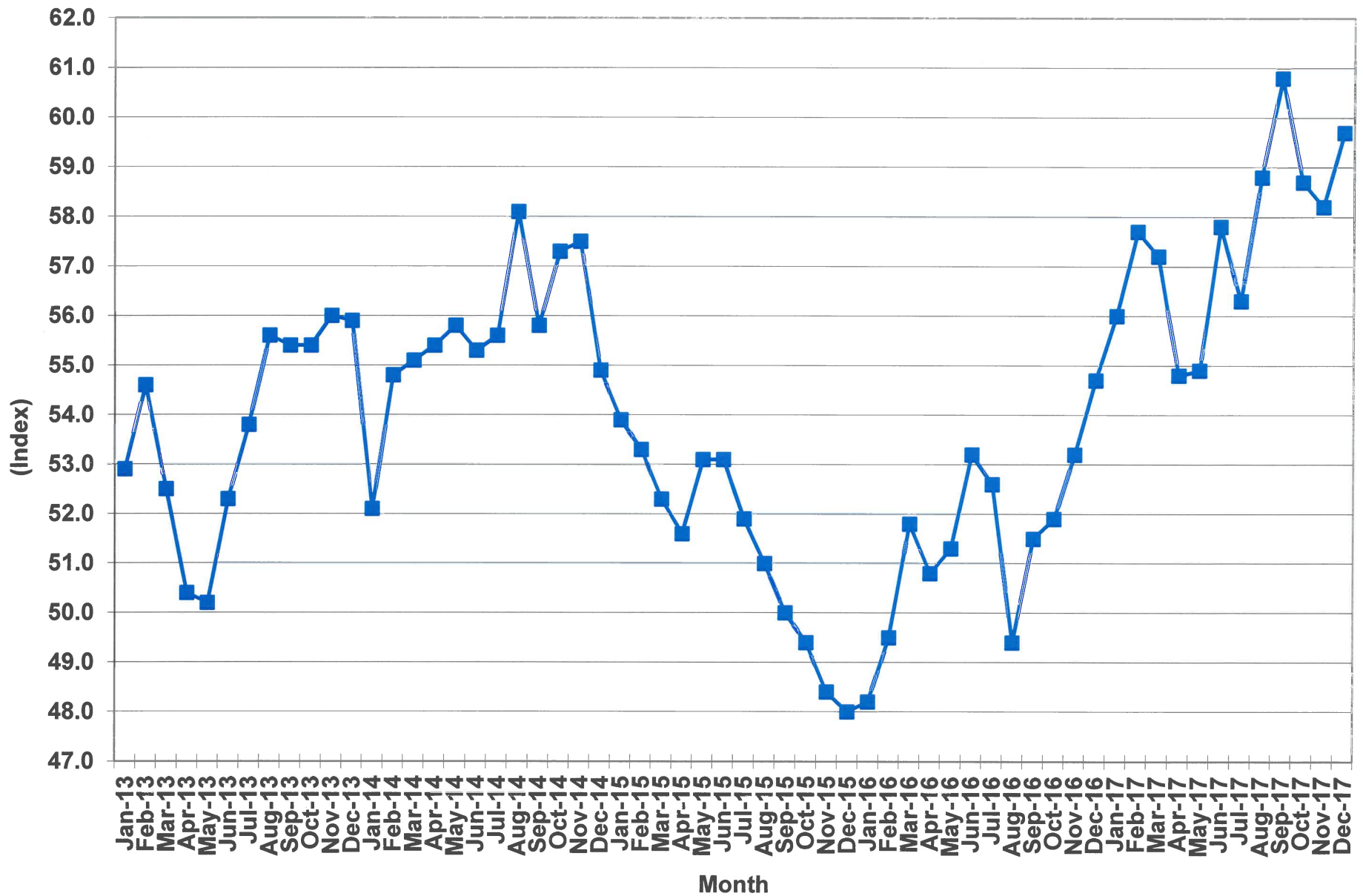
Growth in Total Corporation Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



U.S. Corporate Profits Before and After Taxes



Index of Manufacturing Purchasing Managers Index (NAPM)



Source: The Institute for Supply Management
SCBEA/RWM/01/25/18



December 2017

Other Taxes

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$394.4	\$364.6	\$29.8	2.3	(1.1)

- Growth is from a variety of sources and timing of receipts
- Majority of growth is from stronger growth in the Documentary Stamp Tax by retention of funds usually transferred to the Conservation Bank
- Weakness is from Aircraft Tax (commercial aviation) and Private Car Lines Tax (trains) deposited earlier in November