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SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP/REGIONAL ADVISORY COMMITTEE MEETING AGENDA October 15, 2020, 10:30am

Instructions for accessing the meeting virtually will be posted on our website at <http://rfa.sc.gov/> the afternoon prior to the meeting

- I. Welcome
- II. Revenue and Economic Update
 - A. Quarterly Review - (Frank Rainwater, Lisa Jolliff, Natalie Gallagher, Ben Coomer)
 - B. Forecast Outlook for FY 2020-21 and FY 2021-22 (Frank Rainwater)

Recess for Lunch (*Please note that lunch is by invitation only*)

Regional Advisory Committee Meeting will begin at 12:45 P.M.

- III. Economic Outlook for FY 2020-21 and FY 2021-22
 - A. Introduction (Frank Rainwater)
 - B. Regional Advisory Committee Members
 - Dr. Laura Dawson Ullrich** (*Via videoconference*) - Regional Economist - Federal Reserve Bank of Richmond, Charlotte Branch
 - Mr. Mark Vitner** (*Via videoconference*)- Managing Director and Senior Economist - Wells Fargo Securities
 - Dr. Russell S. Sobel** (*Via videoconference*) - Professor of Economics and Entrepreneurship - Baker School of Business, The Citadel
 - Dr. Frank Hefner** (*Via videoconference*) - Professor of Economics, Director of Office of Economic Analysis - College of Charleston
 - Dr. Joseph Von Nessen** - Research Economist - Darla Moore School of Business, University of South Carolina
 - C. Review and Discussion of Key Assumptions (Frank Rainwater)

- IV. 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
 - F. Executive Budget Office

- V. Future Meeting Schedule
 - A. November 10, 2020, 1:30pm (Forecast for FY 2020-21 and FY 2021-22)
 - B. December 10, 2020, 1:30pm (If Necessary)
 - C. 2020 Calendar at <http://rfa.sc.gov/meetings>

- VI. Adjournment

Please note that the Agenda is subject to change.

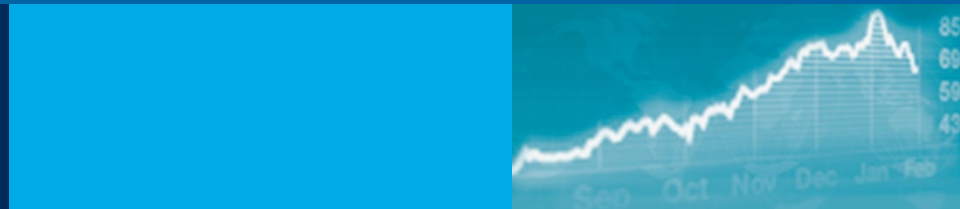
For further information, please contact Karen Rhinehart at (803) 734-2265,
or visit the RFA webpage at www.rfa.sc.gov



Economic Update

South Carolina BEA
October 15, 2020

Laura Dawson Ullrich, PhD
Regional Economist
Research Department
Federal Reserve Bank of Richmond



The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

Where were we then?

The Pre-Virus Economy

- GDP was growing at a steady pace with strong consumer spending and a rebound in residential investment, although some softness in business investment.
- Nationally, employment was expanding, and the unemployment rate was at its lowest level since the late 1960s.
- South Carolina was seeing unprecedented employment growth and all-time low unemployment rates.

Where are we now and where are we going?

- **The Positives**

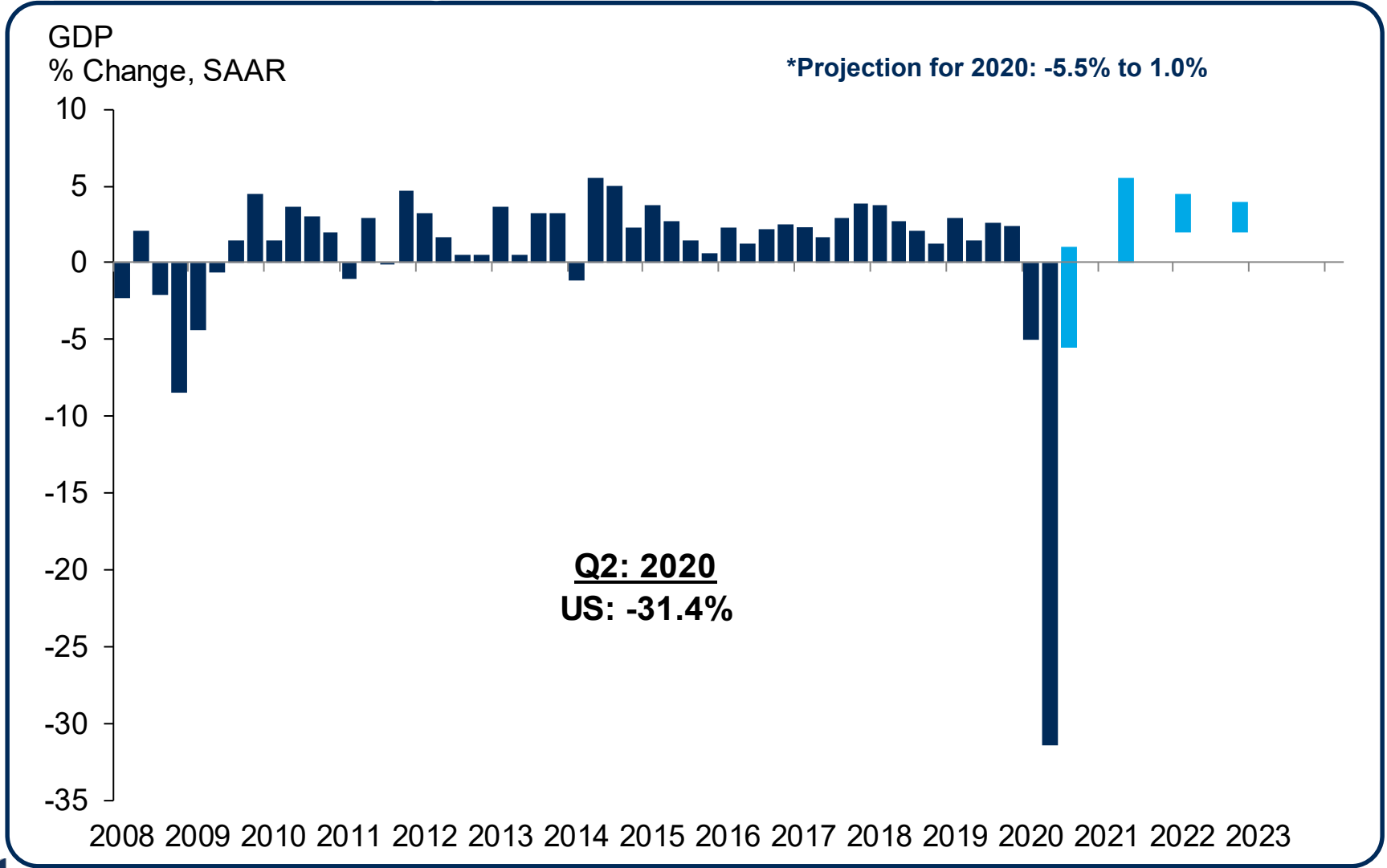
- After a historical decline in second-quarter GDP, third and fourth quarter are expected to be strong.
- We have now had five consecutive months of strong employment growth.
- Employment in South Carolina has improved across industries; only leisure and hospitality remains down significantly.
- South Carolina will be a very attractive location for businesses and employees looking to relocate.

- **Potential Roadblocks**

- Even after 5 months of strong employment growth, we remain 10+ million jobs below where we were in February; we've erased 5 years of employment growth (as of September).
- Labor force participation remains very low.
- People haven't returned to their 'normal' activity.
- Low-income families have been hit especially hard.

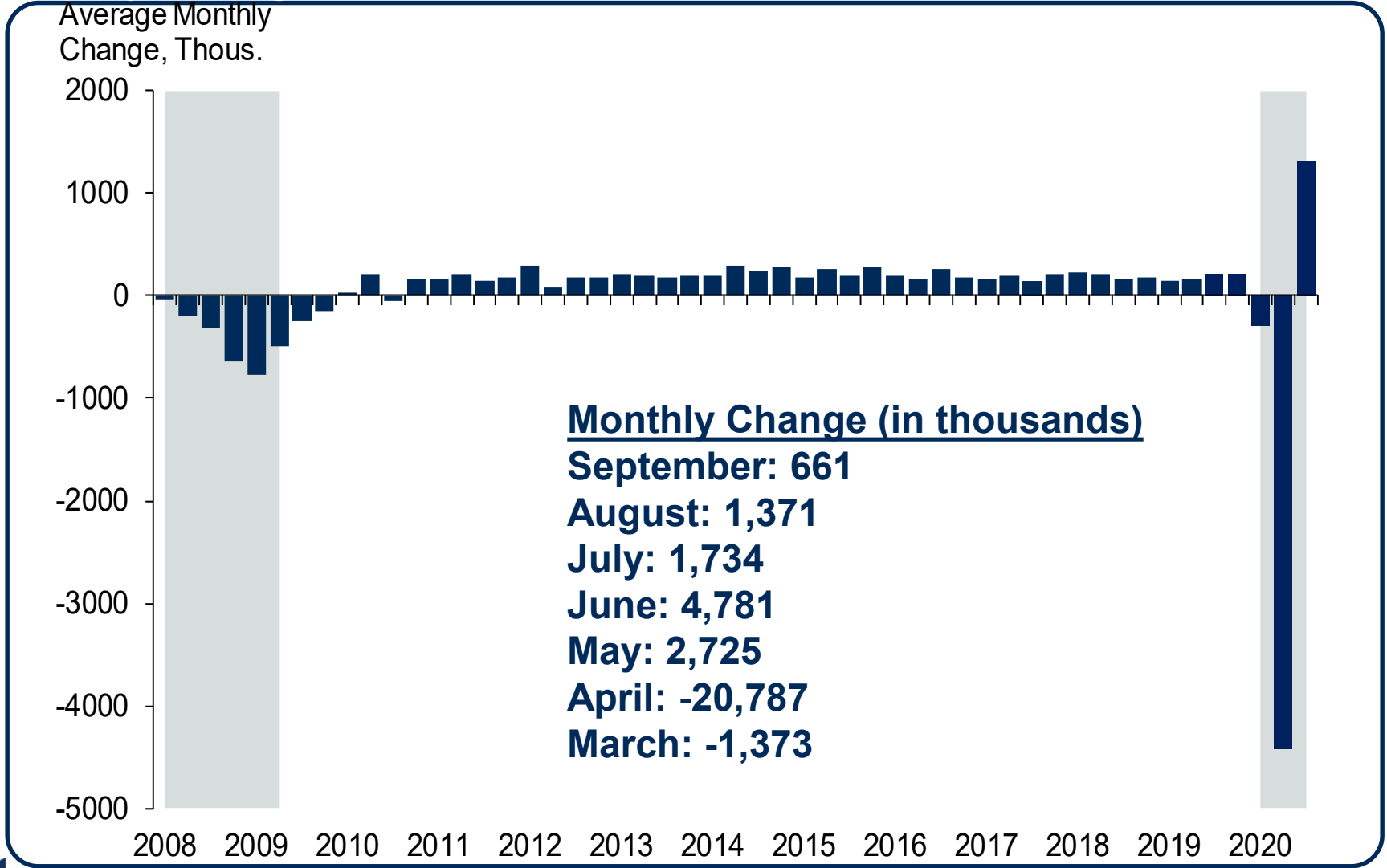
The Positives

After a dismal 2nd quarter, third and fourth quarter are expected to be strong



Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics

We have now had five consecutive months of strong employment growth



Source: Bureau of Labor Statistics/Haver Analytics

Employment in SC has improved across industries; Only leisure and hospitality remains down significantly

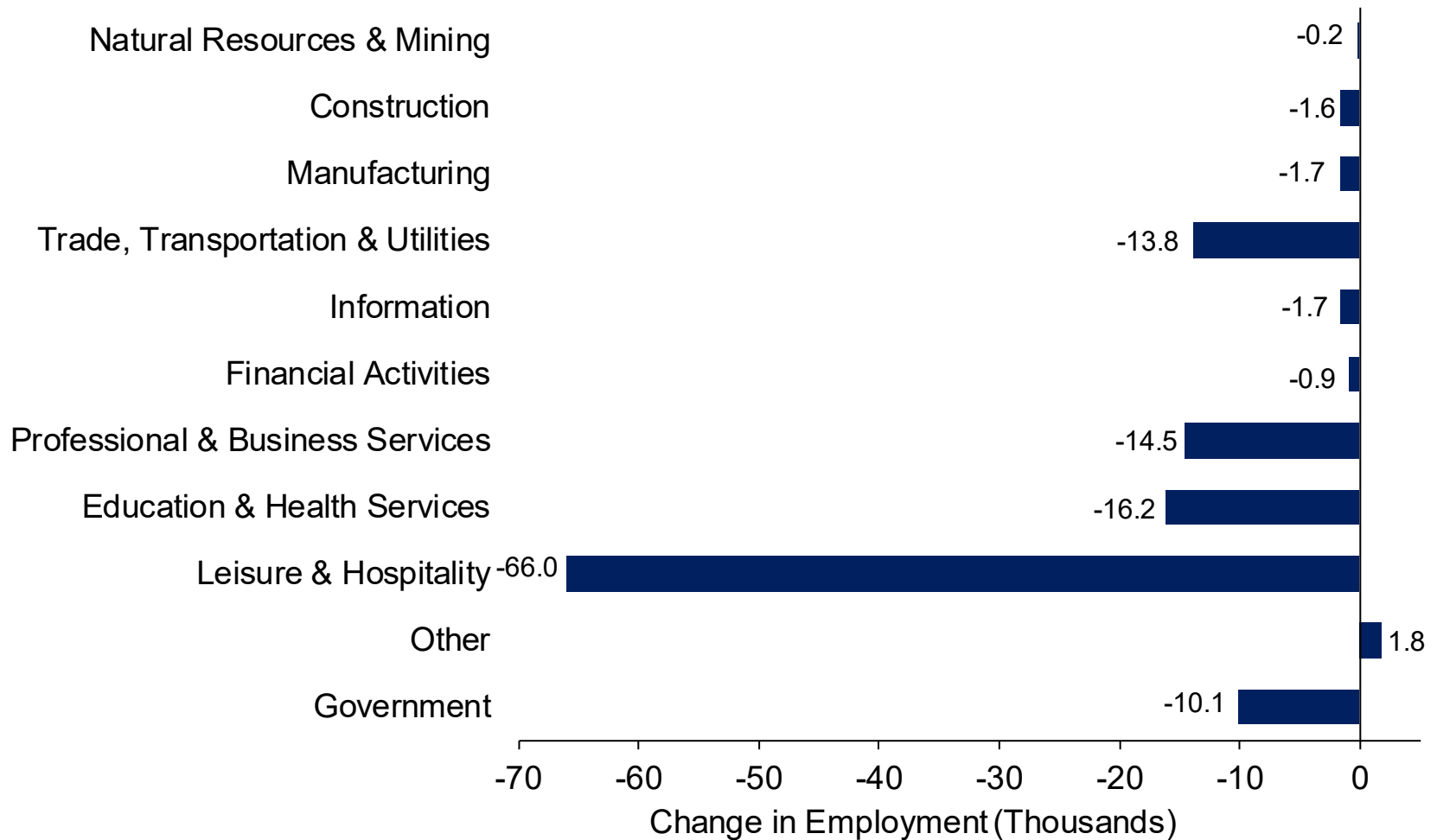
South Carolina Industry Employment Aug. 2019 vs. Aug. 2020



Source: Bureau of Labor Statistics/Haver Analytics

Employment in SC has improved across industries; Only leisure and hospitality remains down significantly

South Carolina Employment Change February to August



Source: Bureau of Labor Statistics/Haver Analytics

SC will be a very attractive location for businesses and employees looking to relocate

What we are hearing....

- Most employees in large metro areas that work for large businesses are still working remotely; many believe they will have the opportunity to work remotely going forward.
- Those who have tried to bring people back have only been moderately successful.
- Businesses in large office towers are having an especially hard time. Two reasons: elevators and public transportation
- Realtors/developers in SC have reported selling houses ‘sight unseen’ to people from large metro areas.
- Some companies in California are paying employees to leave the state (and then adjusting their pay to the cost of living in the area where they relocate).

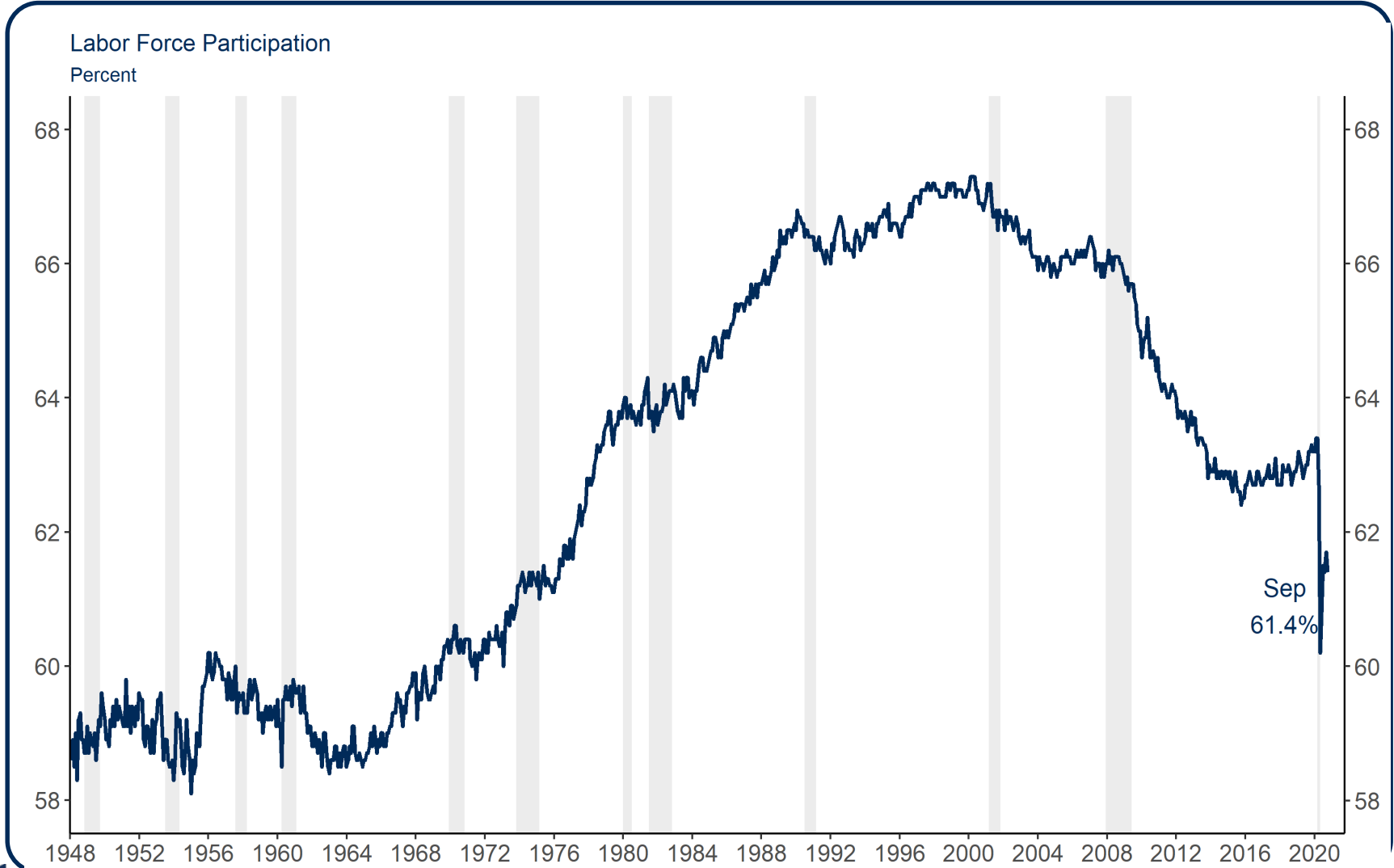
Potential roadblocks

Even after 5 months of strong growth we remain 10+ million jobs below where we were in February



Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics

Labor Force Participation Remains Very Low



Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics

People Have Not Returned to 'Normal' Activity

Percent Change in Time Spent Outside Home*

In **South Carolina**, as of **October 06 2020**, total time spent away from home **decreased** by **3.5%** compared to January 2020.

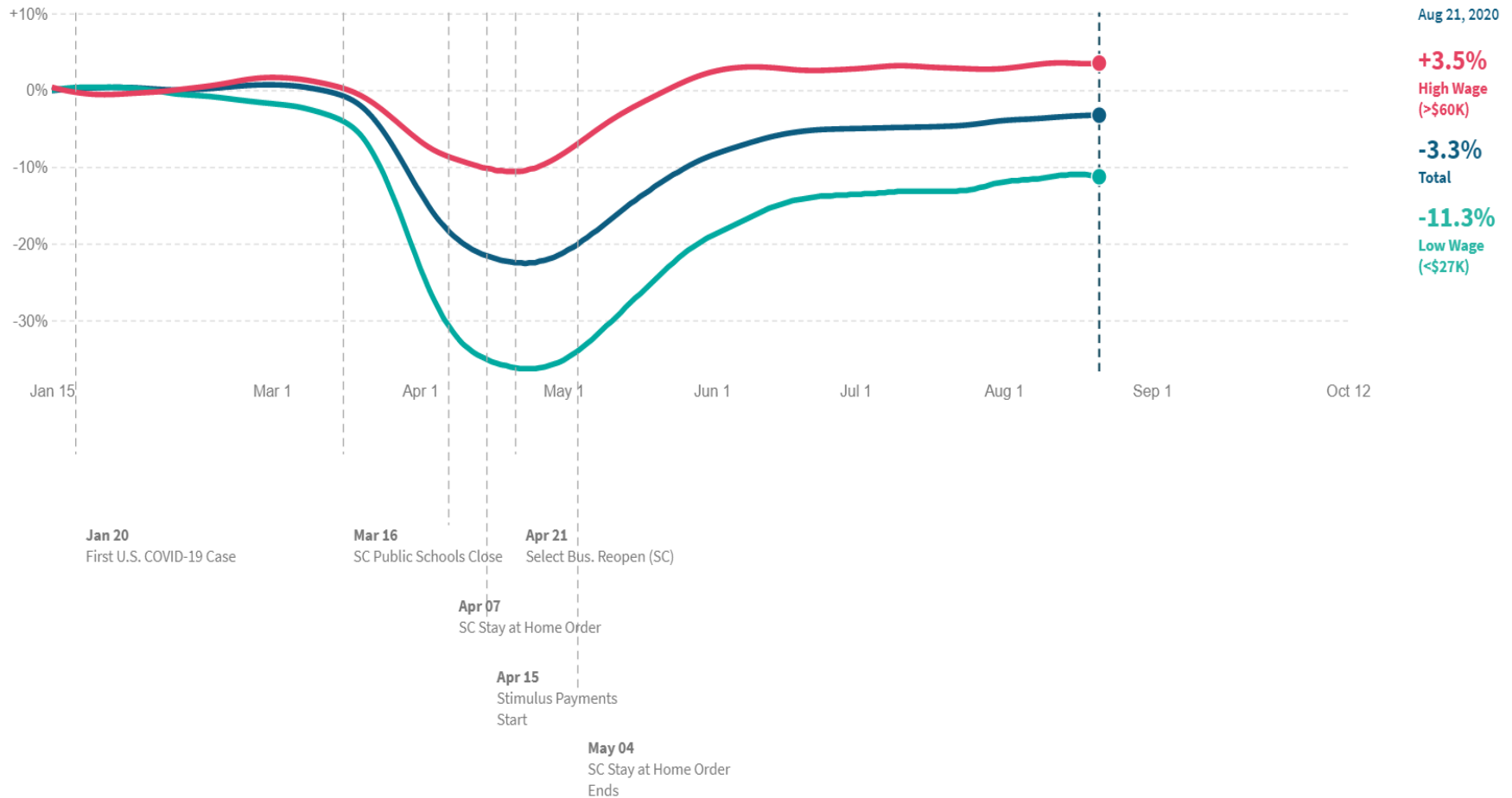


*Change in the average time spent outside of residential locations indexed to the period between Jan 3-Feb 6 2020. This series uses data from Google's COVID-19 Community Mobility reports.

Low Income Families Have Been Hit Especially Hard

Percent Change in Employment*

In **South Carolina**, as of **August 21 2020**, employment rates **decreased** by **3.3%** compared to January 2020 (not seasonally adjusted).



*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

Questions?
... and thank you!

WELLS
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SECURITIES

Economic Outlook

Mark Vitner, Managing Director & Senior Economist

October 15, 2020

Economic Outlook

- **COVID led to a sudden stop in economic activity but has not led to systemic issues with the underlying economy or financial system. Current momentum suggests businesses are adapting to the pandemic environment.**

Notable Impacts

- **Public policy was enacted unusually quickly and was exceptionally well targeted. Consumer spending on goods recovered quickly. Services spending, on the other hand, is taking much longer to come back.**

Changes in the Economic Landscape

- **The sudden shutdown hit minority owned businesses particularly hard, heightening economic inequality and fueling unrest. Movement away from large, globally connected urban centers has accelerated.**

The Geography of Economic Growth is Changing

- **Recessions triggered by exogenous shocks not only accelerate trends previously in place but also result in a paradigm shift for many industries. Disruptions in one market are fueling strong growth in other markets.**

Real Estate

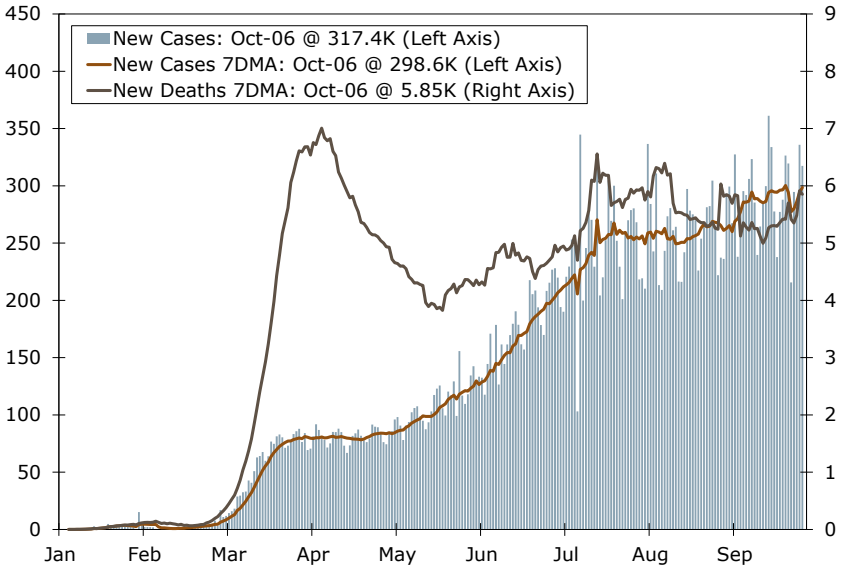
- **Home sales and homebuilding are leading the recovery, thanks to lower mortgage rates and a greater desire for space. Commercial properties are facing short and long-term challenges but fears are somewhat overblown.**

Despite COVID-19 cases spiking again in the summer, deaths in the United States have remained well below the levels reached during the lockdown months of March and April.

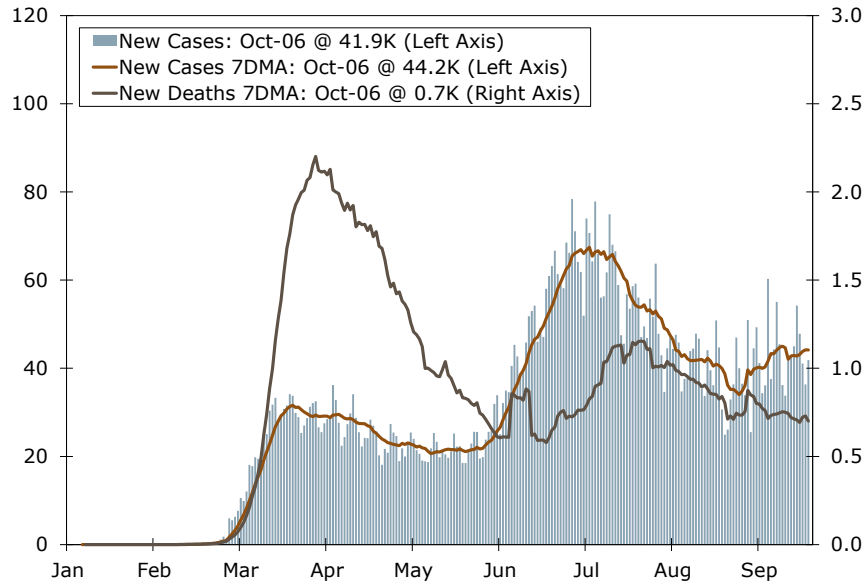
Global COVID-19 Trends

United States COVID-19 Trends

Global COVID-19 Cases and Deaths
Thousands



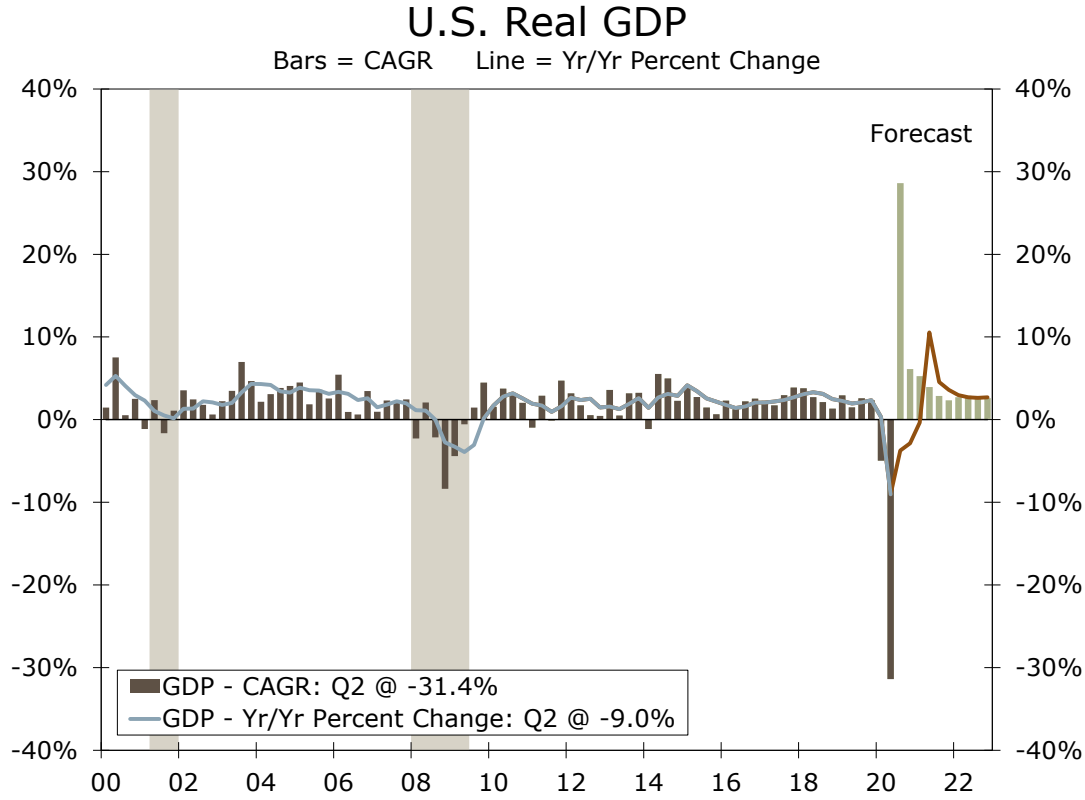
U.S. COVID-19 Cases and Deaths
Thousands



Source: Bloomberg LP and Wells Fargo Securities

The unprecedented contraction in Q2 GDP underscores the dramatic halt of economic activity in April and May.

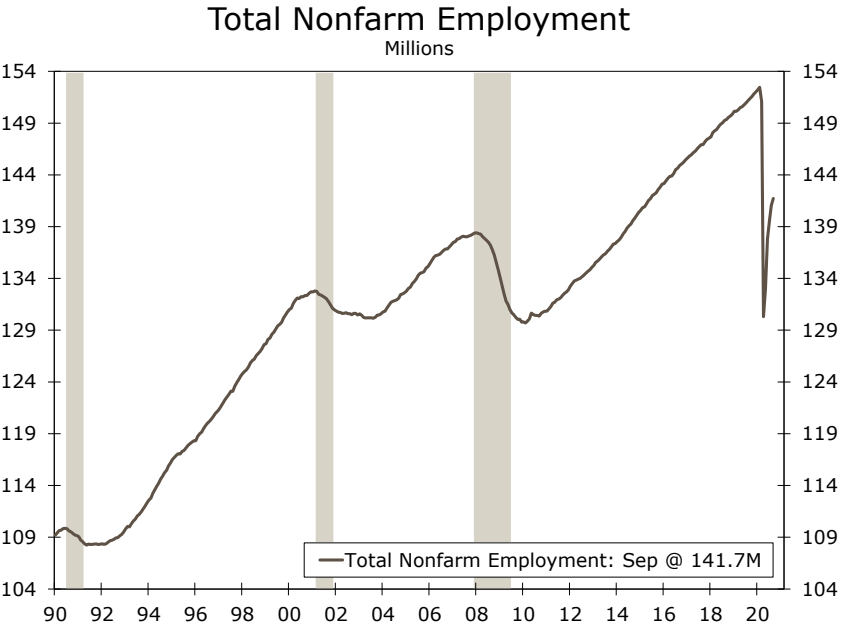
Momentum picked up over the summer, however, and we expect to see a bounce back this quarter as well as healthy growth in the following quarters.



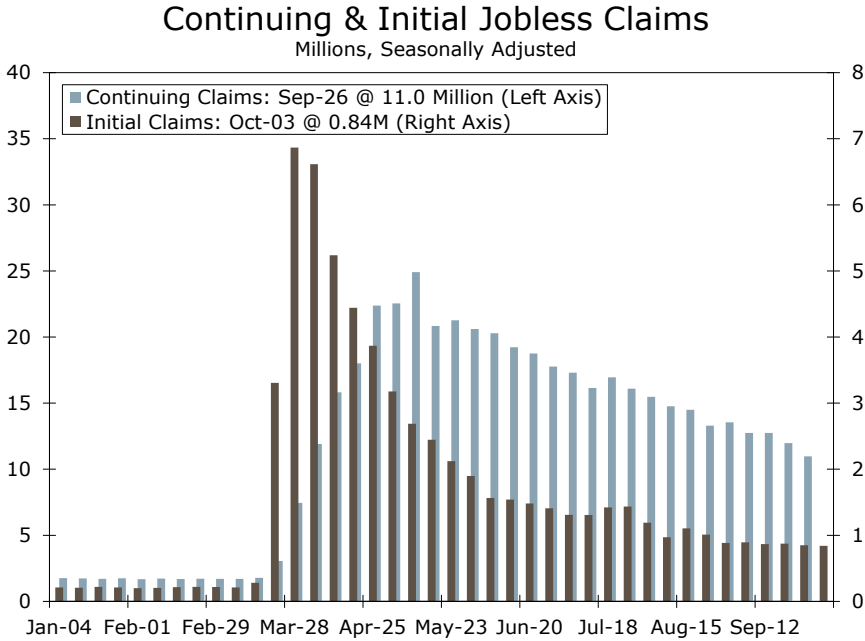
Source: U.S. Department of Commerce and Wells Fargo Securities

We have seen historic swings in nonfarm payrolls. Continuing and initial jobless claims have receded from their peaks, but remain stubbornly high, reflecting the concentration of job losses within the leisure & hospitality sector and “other services.”

Upside Surprises in Recent Months

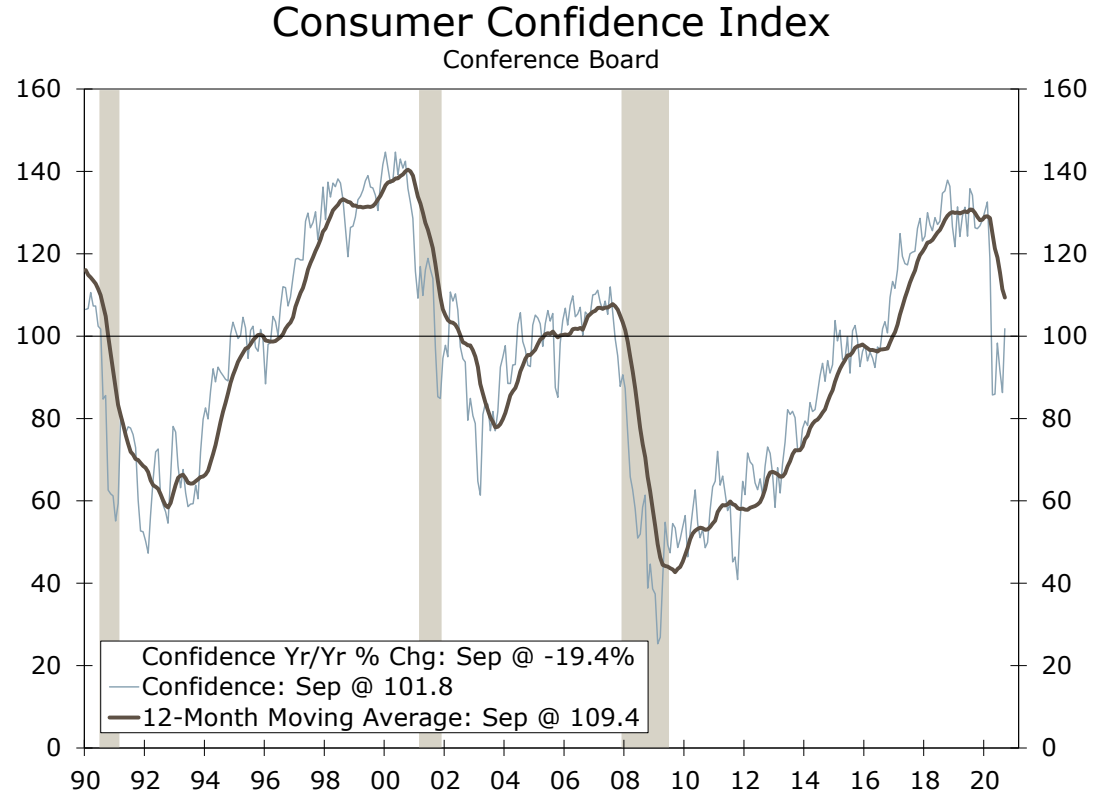


Still a Long Way to Go



Source: U.S. Department of Labor and Wells Fargo Securities

Consumer sentiment picked up in September as perceptions about the economy improved. Confidence still remains well below its pre-virus level, however.



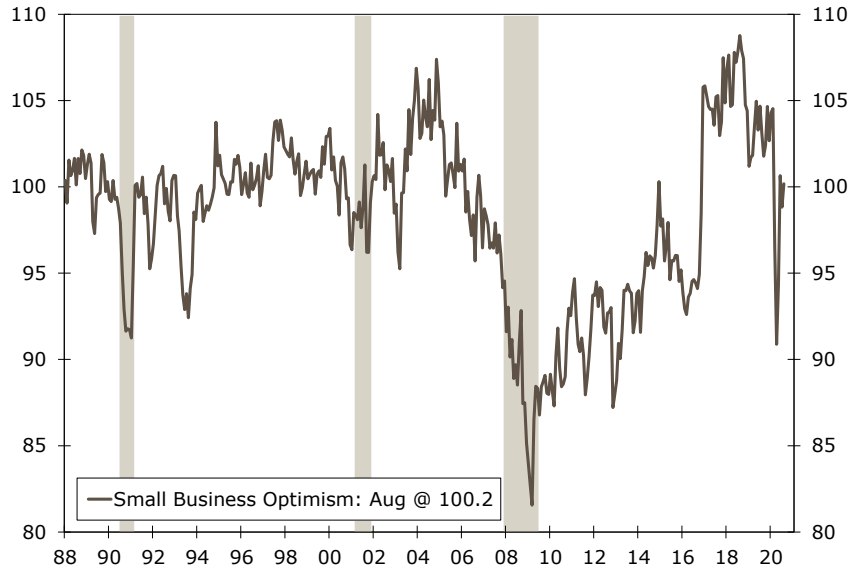
Source: The Conference Board and Wells Fargo Securities

Small business has been near the eye of the economic storm caused by efforts to contain COVID-19. Recently, both the Wells Fargo/Gallup and NFIB Optimism indices showed increases in confidence as owners are learning to operate within the pandemic environment.

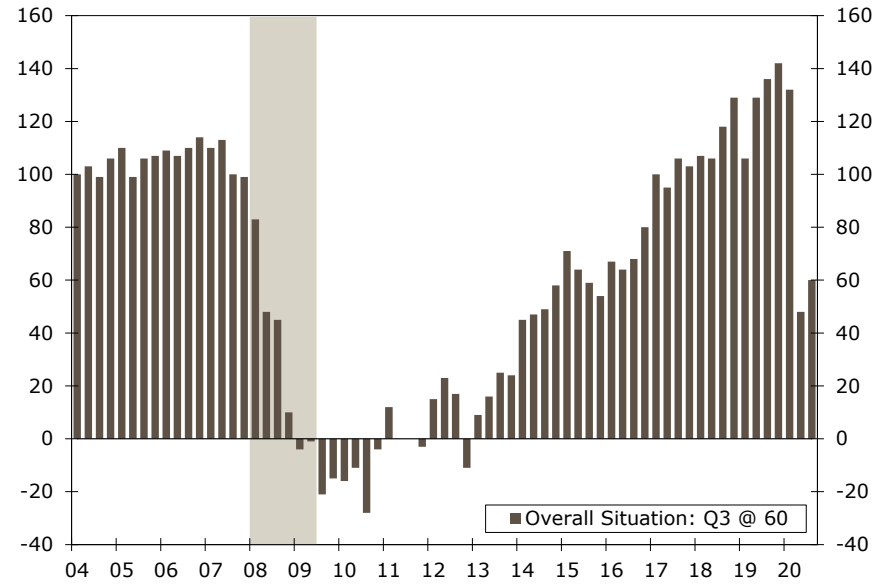
Improvement in Small Business Optimism

Still Well Below Last Year's Levels

NFIB Small Business Optimism
Overall Index 1986 = 100



Wells Fargo Small Business Survey
Overall Situation

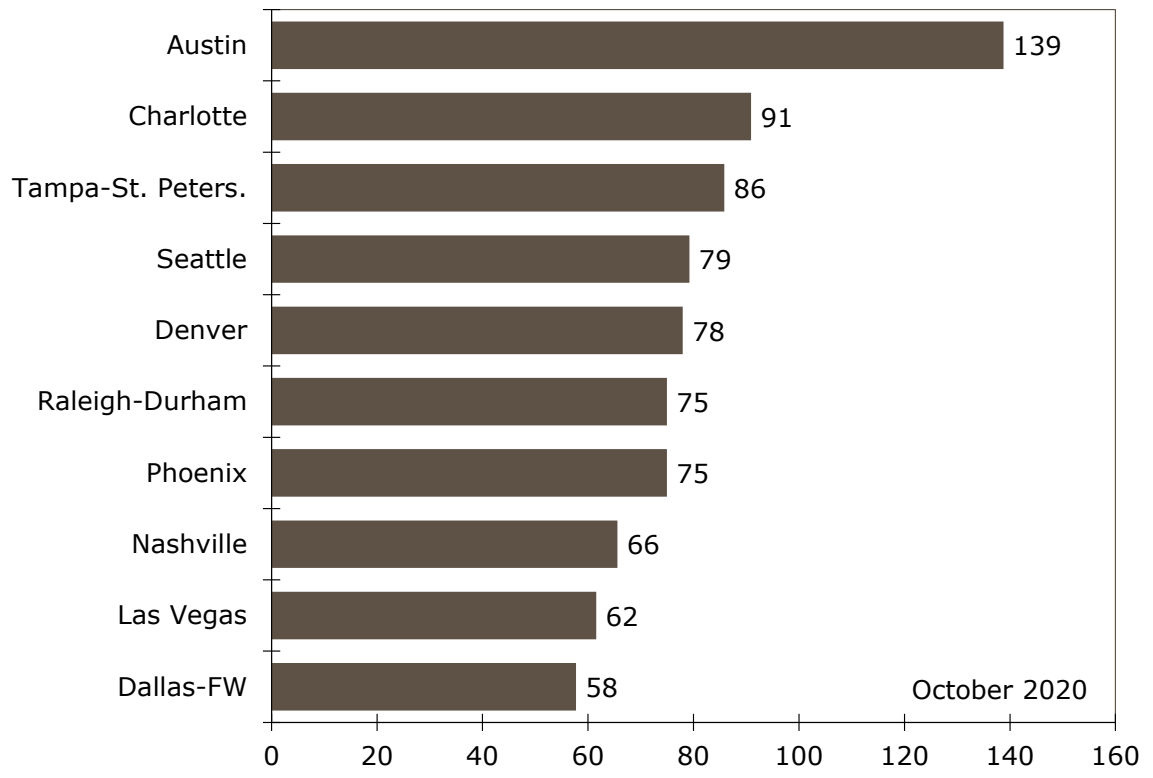


Source: National Federation of Independent Business, Gallup, Wells Fargo Bank and Wells Fargo Securities

For every 10,000 LinkedIn members in Austin, around 140 arrived in the last 12 months.

Cities that Gained the Most Workers

LinkedIn Population Gain per 10,000 LinkedIn Members

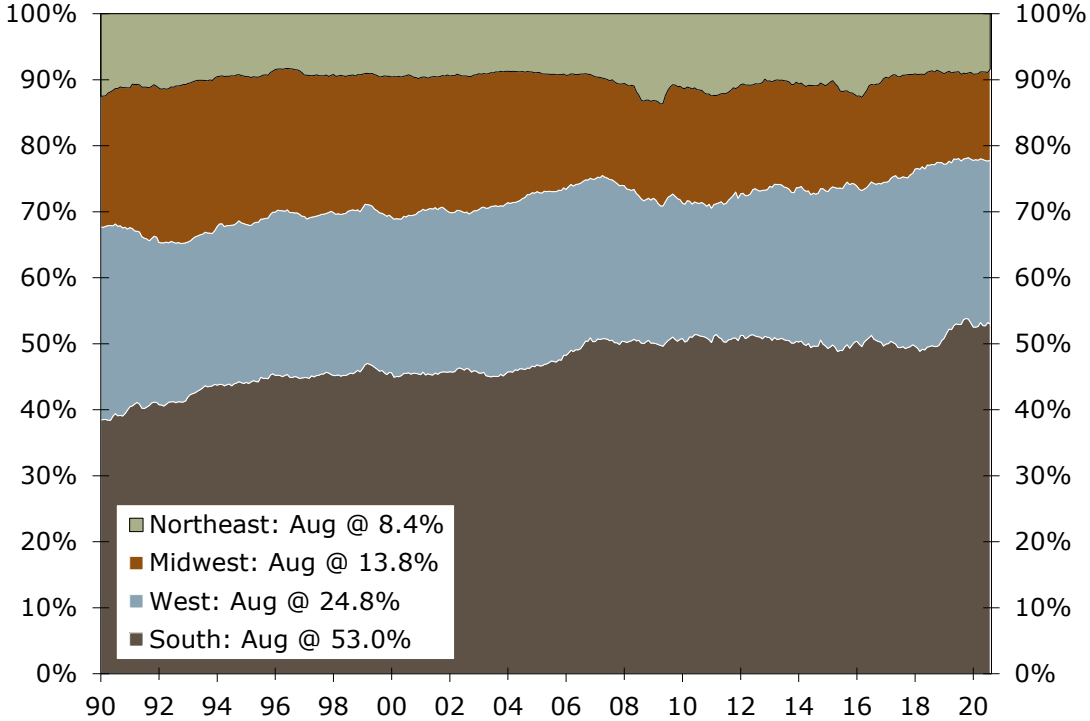


Source: LinkedIn Corporation and Wells Fargo Securities

There has been a clear shift in preferences toward more affordable housing markets, many of which are in the South.

Housing Starts by Region

As a Percent of Total Starts, 12-Month Moving Average



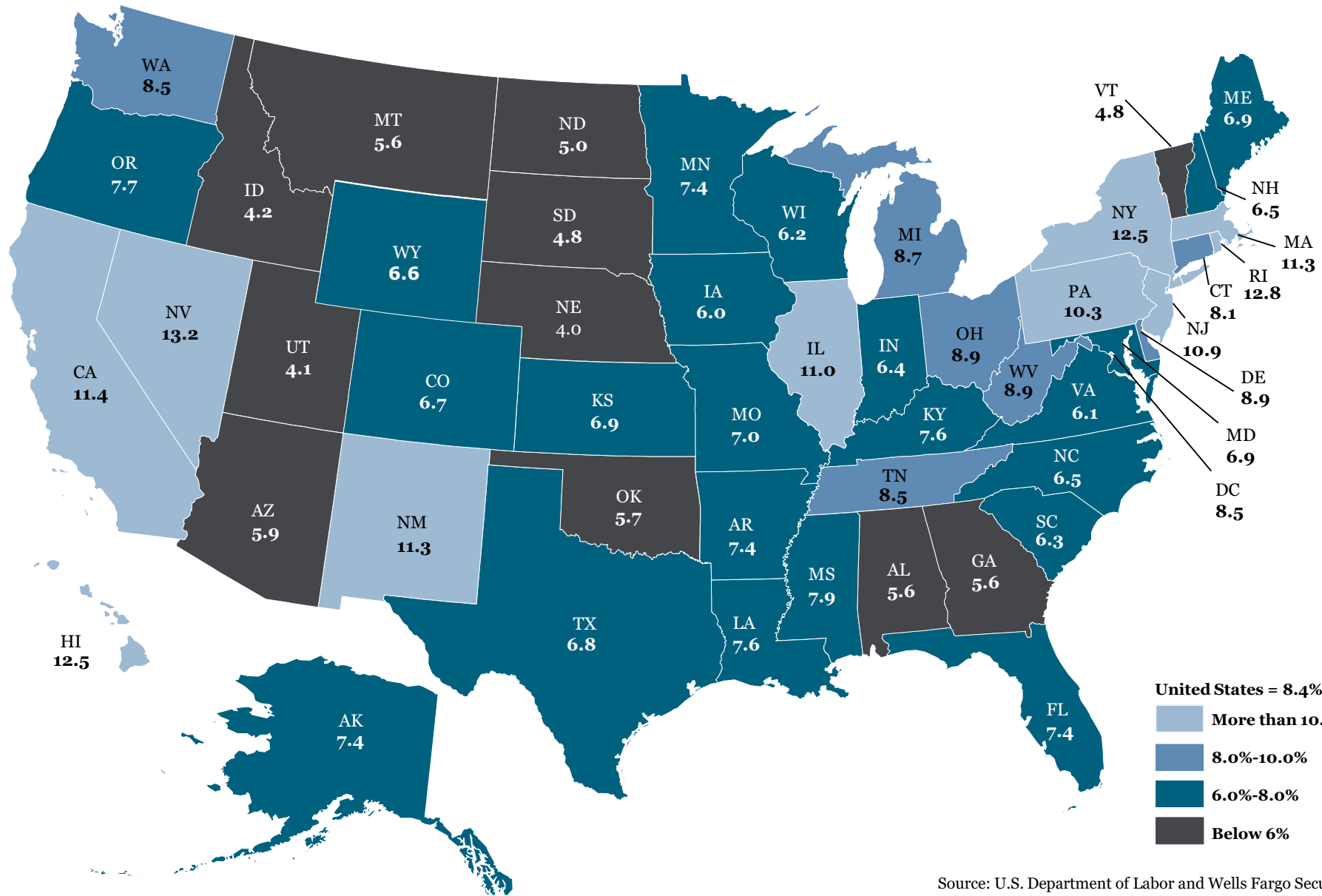
Source: U.S. Department of Commerce and Wells Fargo Securities

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SECURITIES

Regional Commentary

Unemployment Rate by State – August 2020

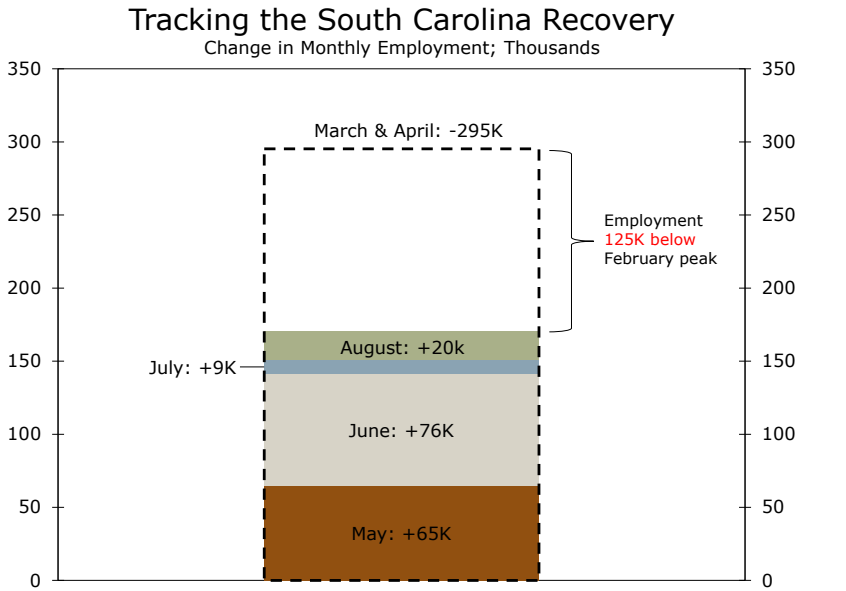


Source: U.S. Department of Labor and Wells Fargo Securities

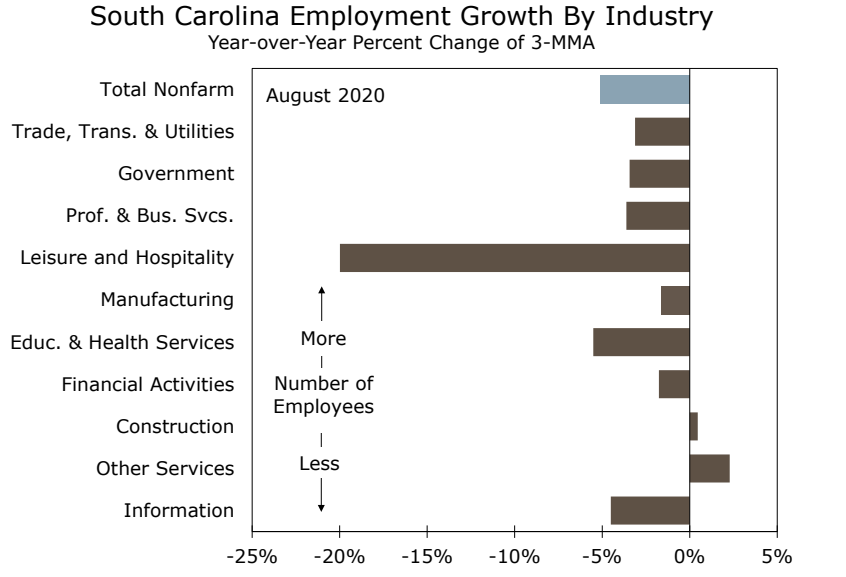
South Carolina Employment Recovery

While South Carolina’s employment recovery has brought economic relief to many, the pace of rehiring has decelerated. Employers have recovered 58% of the jobs lost in March and April. More than two-thirds of the remaining lost jobs are in leisure & hospitality, retail trade and administrative positions at doctors and dentists offices, and professional services providers.

South Carolina Employment Since March



Leisure & Hospitality Slow to Recover

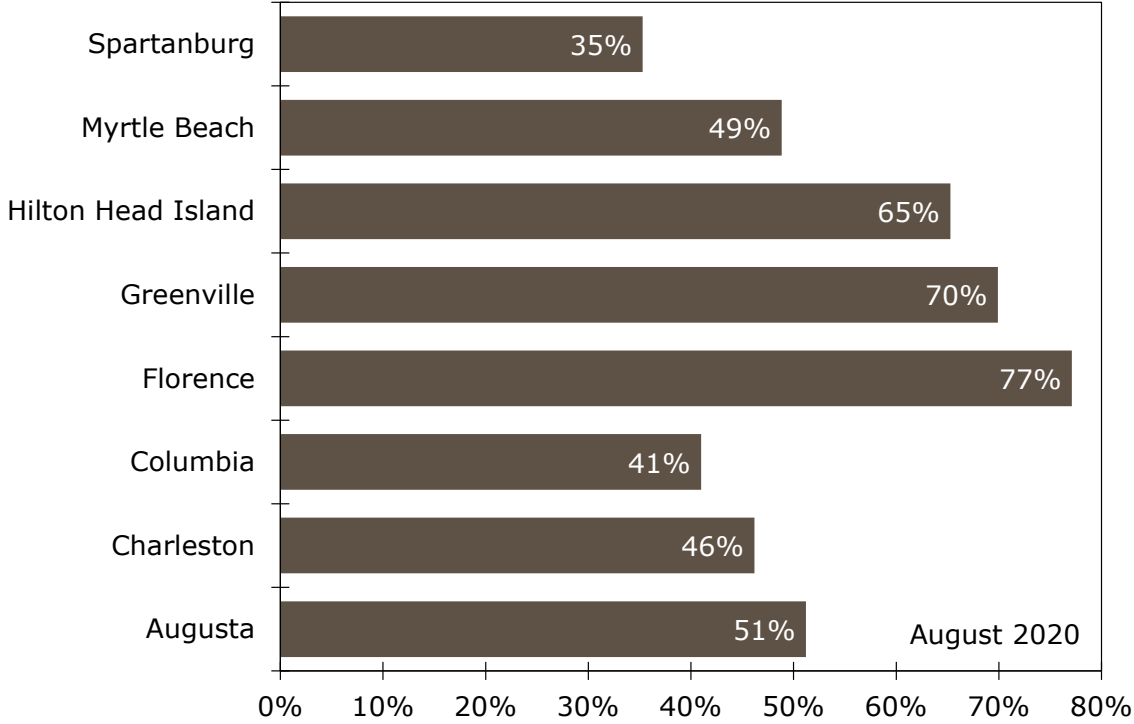


Source: U.S. Department of Labor and Wells Fargo Securities

Florence has recovered over three-fourths of the jobs lost during the shutdown months.

South Carolina Employment Recovery by MSA

Percent of Jobs Recovered from March-April 2020 Losses

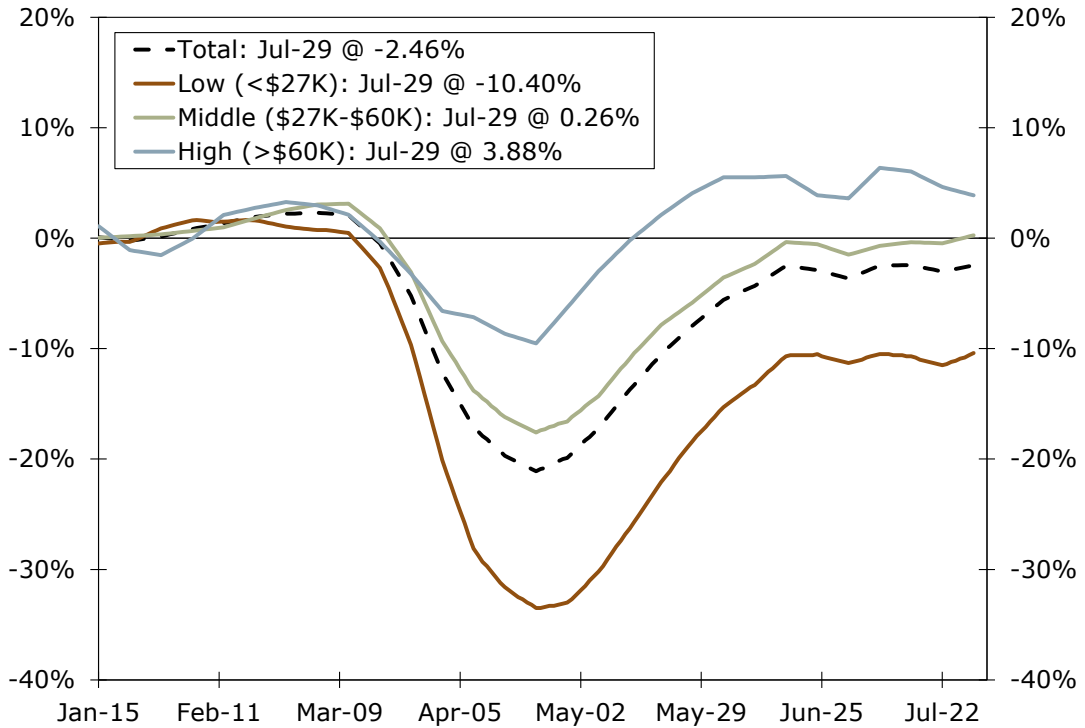


Source: U.S. Department of Labor and Wells Fargo Securities

Employment among workers earning less than \$27,000 a year in South Carolina remains 10.4% below where it was at the start of 2020.

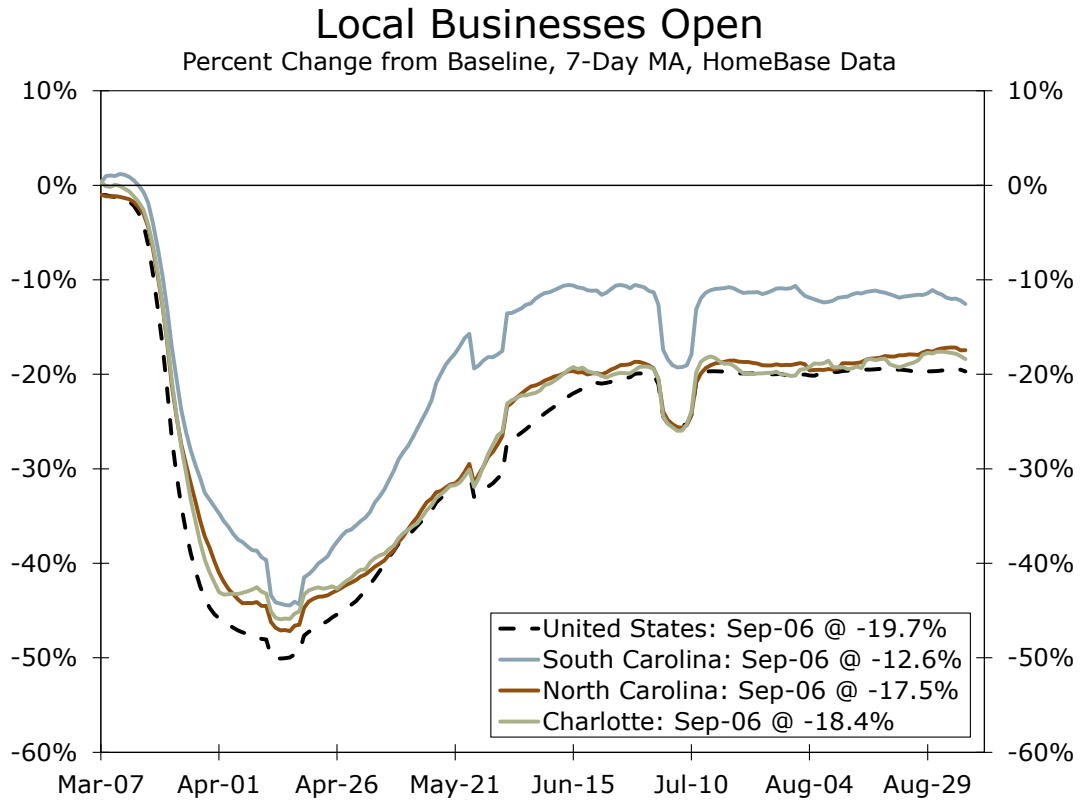
On balance, workers in the top wage quartile have seen the best recovery in employment rates.

South Carolina Employment Rates
Percent Change from January 2020 by Wage Level



Source: Opportunity Insights and Wells Fargo Securities

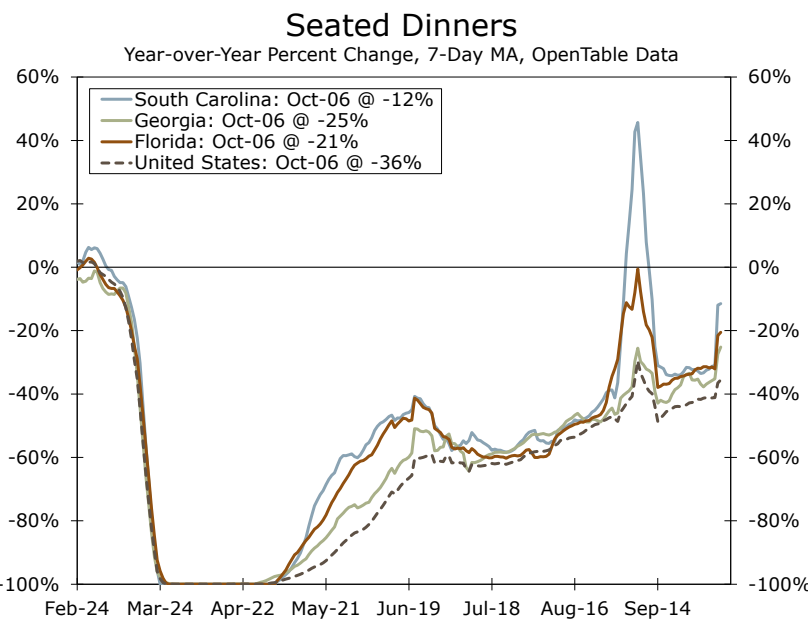
Local business openings have little improved in South Carolina since July.



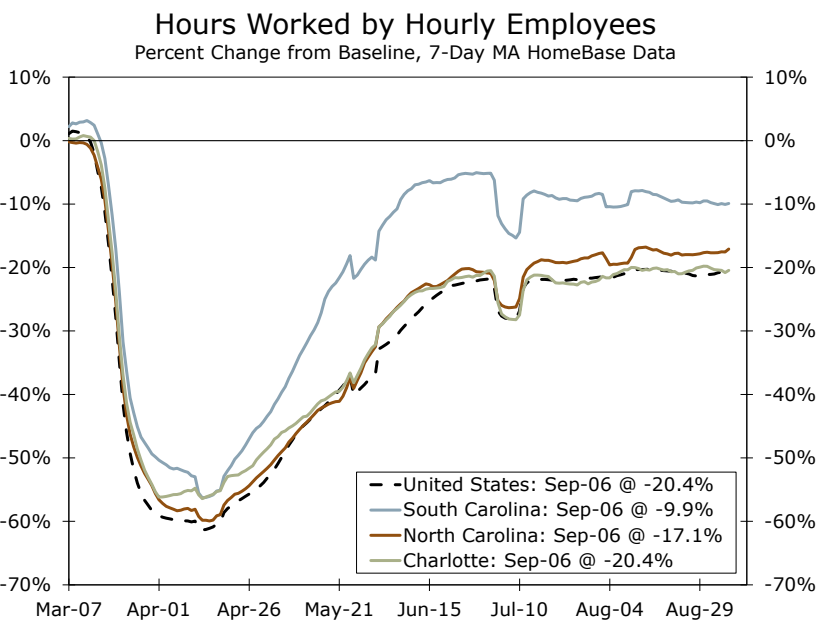
Source: HomeBase and Wells Fargo Securities

Seated dinners have fallen since their Labor Day weekend spike, which is a byproduct of the timing of the holiday. Averaged out, restaurant visits are higher than their level a few months ago. Hours worked by hourly employees has not seen much improvement since July.

Slowly Recovering Restaurant Visits

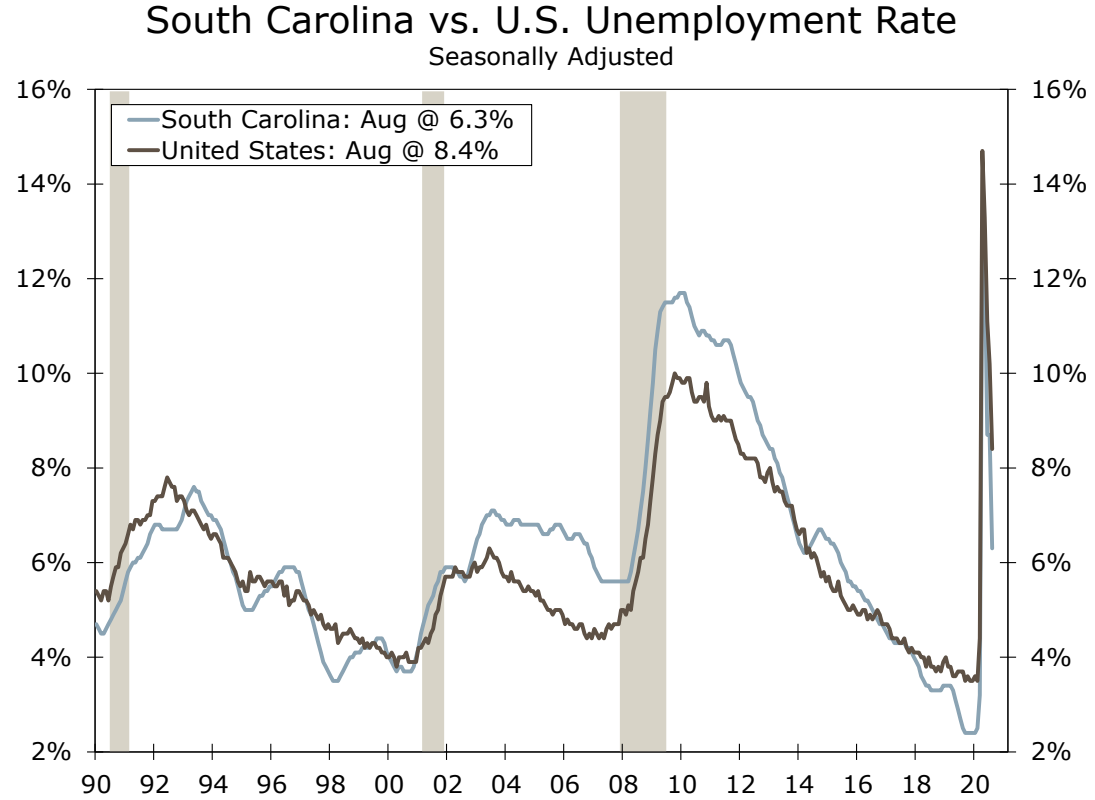


Hours Worked Still Depressed



Source: OpenTable, HomeBase and Wells Fargo Securities

The unemployment recovery in South Carolina outpaces the nation.



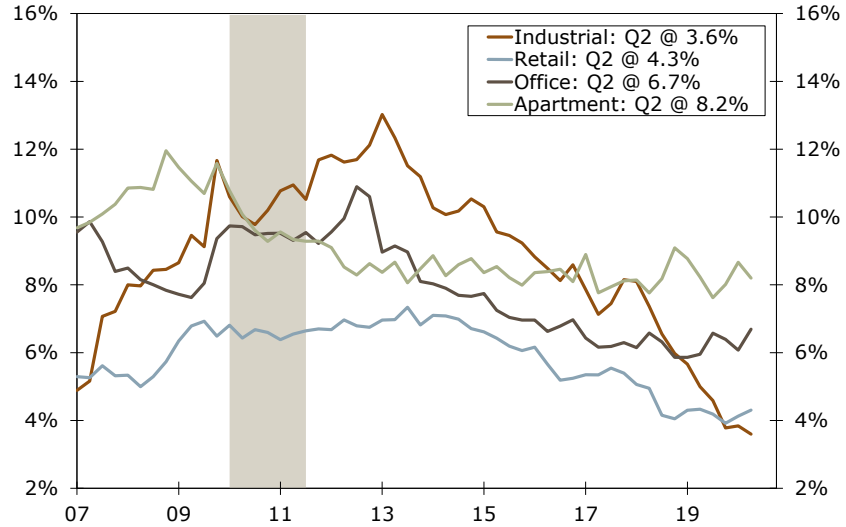
Source: U.S. Department of Labor and Wells Fargo Securities

Apartment vacancies jumped in Greenville in Q2 amid a surge in home buying and a shift in preferences away from dense, urban centers. Despite the recent increase, we expect that rental demand will likely hold up better in these markets in the longer-term.

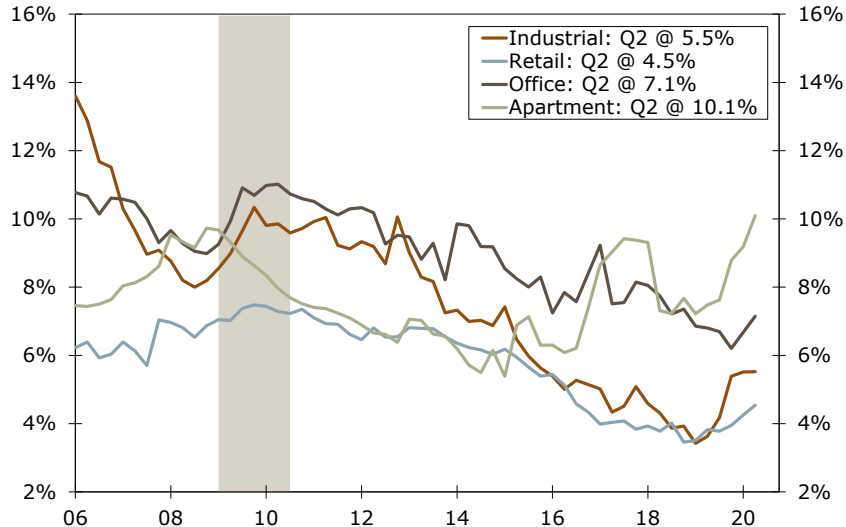
Columbia Vacancies

Greenville Vacancies

Columbia MSA CRE Vacancy Rates



Greenville MSA CRE Vacancy Rates

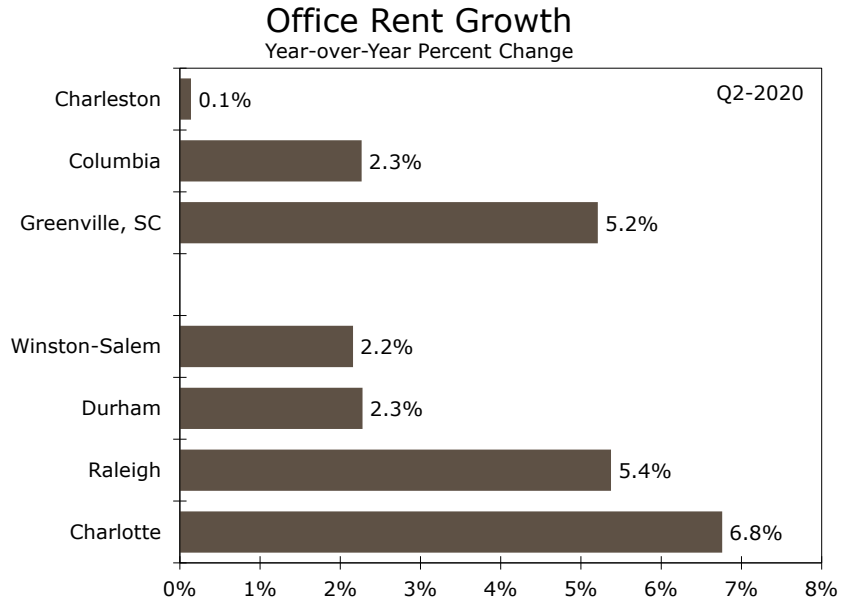
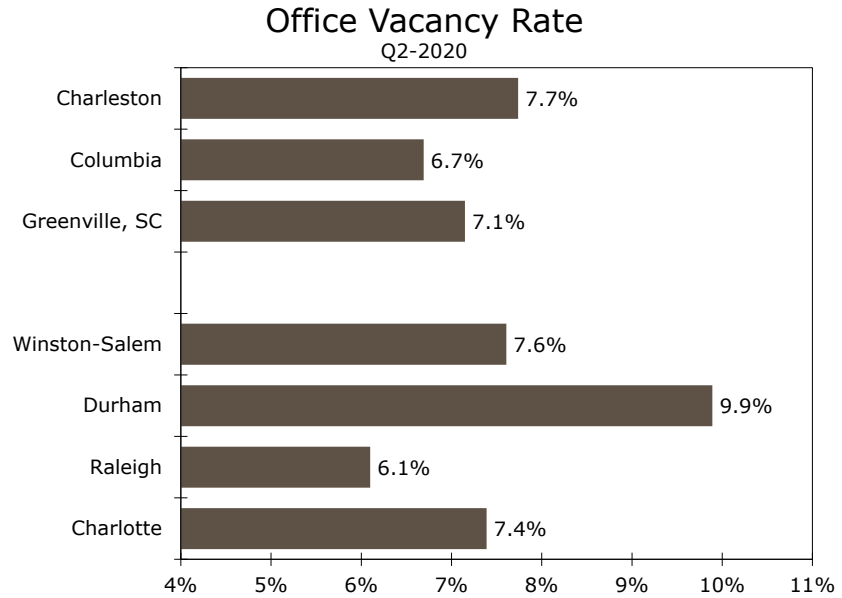


Source: CoStar, Inc. and Wells Fargo Securities

Office leasing activity is likely to remain muted as tenants reconsider their space needs. More affordable markets such as Charlotte and Greenville were relatively resilient to downward pressure on rents in the second quarter.

Vacancy

Rent Growth



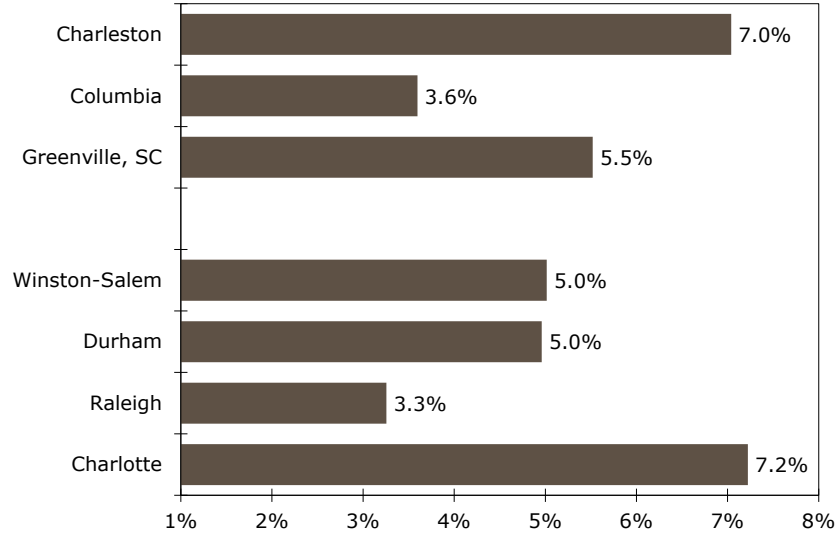
Source: CoStar, Inc. and Wells Fargo Securities

Although vacancies are trending higher, industrial properties have shown a great deal of resiliency. Leasing activity from healthcare and medical services firms has strengthened.

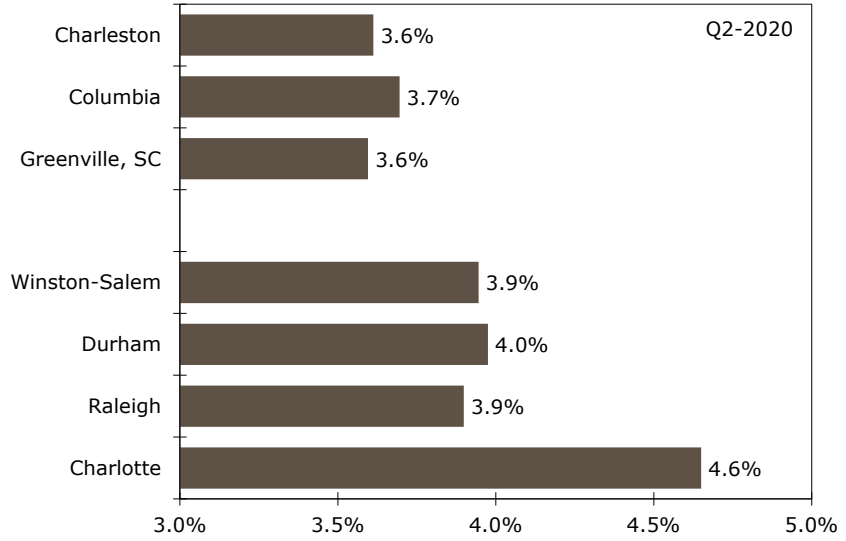
Vacancy

Rent Growth

Industrial Vacancy Rate
Q2-2020



Industrial Rent Growth
Year-over-Year Percent Change

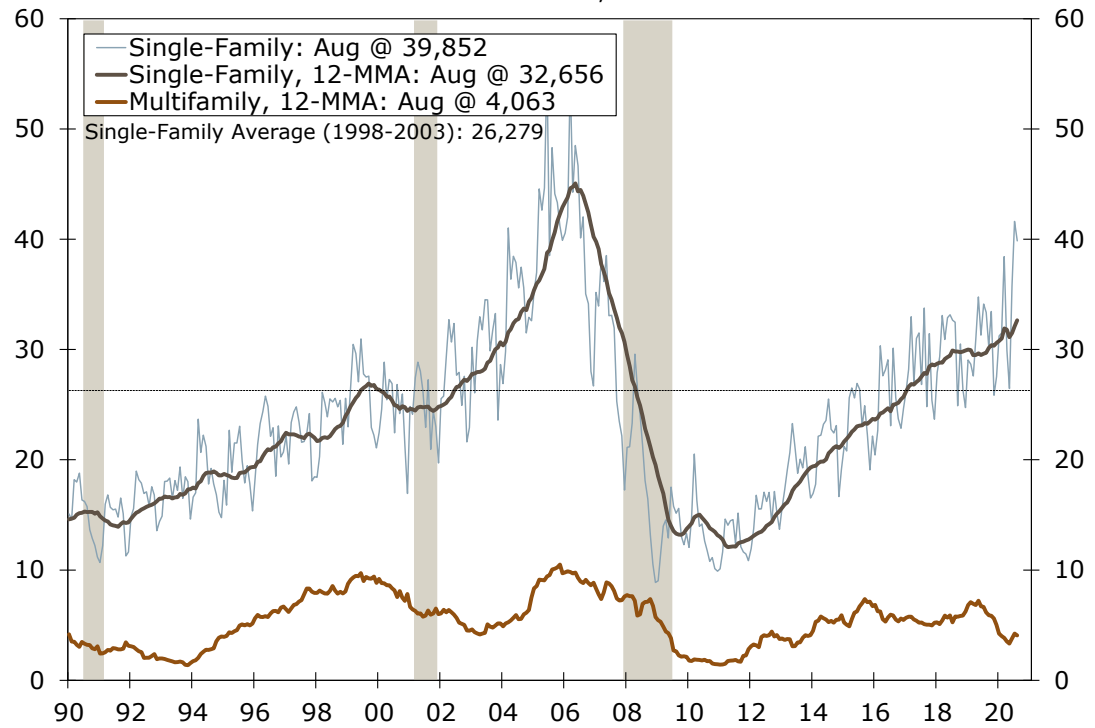


Source: CoStar, Inc. and Wells Fargo Securities

After quickly bouncing back in the summer months, housing starts slowed in August, although we expected to see some payback.

South Carolina Housing Permits

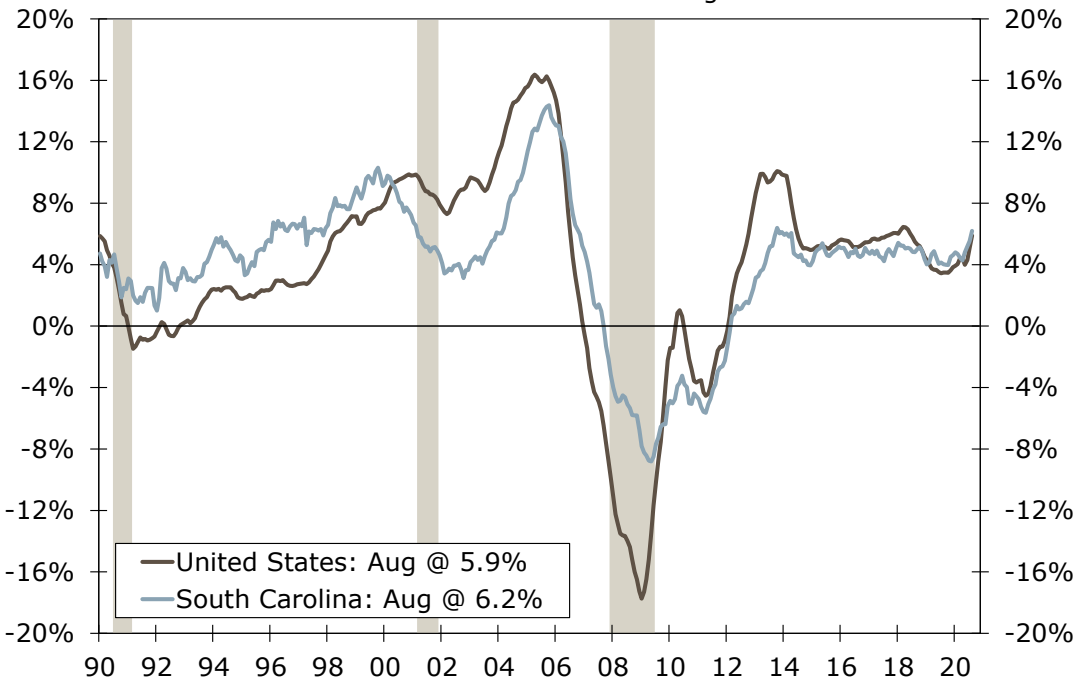
Thousands of Permits, Annual Rate



Source: U.S. Department of Commerce and Wells Fargo Securities

Home prices have recovered from their fall during the lockdown months and are trending higher.

Core Logic HPI: SC vs. U.S.
Year-over-Year Percent Change



Source: CoreLogic and Wells Fargo Securities

Wells Fargo Securities U.S. Economic Forecast

	Actual				Forecast				Forecast				Actual				Forecast			
	2019				2020				2021				2022				2019	2020	2021	2022
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	2.9	1.5	2.6	2.4	-5.0	-31.4	28.6	6.1	5.3	3.9	2.9	2.3	2.7	2.9	2.6	2.6	2.2	-3.8	4.4	2.7
Personal Consumption	1.8	3.7	2.7	1.6	-6.9	-33.2	39.1	6.0	5.1	3.6	3.2	2.3	2.3	2.6	2.6	2.5	2.4	-3.8	5.2	2.6
Business Fixed Investment	4.2	0.0	1.9	-0.3	-6.7	-27.2	10.7	4.4	3.4	4.0	4.8	4.8	5.3	5.2	5.2	4.9	2.9	-5.8	2.6	5.0
Equipment	2.0	-3.8	-1.7	-1.7	-15.2	-35.9	38.7	7.5	3.5	5.5	5.8	6.9	7.1	6.4	6.1	5.8	2.1	-8.2	5.8	6.5
Intellectual Property Products	4.5	4.1	5.3	4.6	2.4	-11.4	-0.6	0.7	4.2	4.8	6.8	6.3	6.2	5.5	5.6	5.1	6.4	0.0	2.5	5.9
Structures	8.2	1.6	3.6	-5.3	-3.7	-33.6	-19.0	4.5	1.5	-1.5	-2.2	-3.4	-1.4	1.3	1.9	2.1	-0.6	-10.7	-4.8	-0.8
Residential Investment	-1.7	-2.1	4.6	5.8	19.0	-35.6	50.0	16.0	9.0	7.0	7.0	6.5	6.5	7.0	6.8	6.5	-1.7	3.8	10.1	6.7
Government Purchases	2.5	5.0	2.1	2.4	1.3	2.5	-3.1	-2.4	-1.0	-0.8	-0.4	0.2	0.2	0.5	0.5	0.8	2.3	1.2	-1.1	0.2
Net Exports ²	0.6	-0.8	0.0	1.5	1.1	0.6	-3.5	-1.1	-0.4	0.3	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	0.3	-0.7	0.0
Inventories ²	0.2	-1.0	-0.1	-0.8	-1.3	-3.5	4.0	2.4	1.5	0.4	-0.2	-0.2	0.1	0.1	0.0	0.0	0.0	-0.9	1.0	0.0
Nonfarm Payroll Change ³	139	159	203	210	-303	-4427	1304	567	450	328	283	270	257	243	227	213	178	-715	333	235
Unemployment Rate	3.9	3.6	3.6	3.5	3.8	13.0	8.8	7.6	7.1	6.8	6.3	5.9	5.6	5.3	5.0	4.7	3.7	8.3	6.5	5.2
Consumer Price Index ⁴	1.6	1.8	1.8	2.0	2.1	0.4	1.3	1.2	1.4	2.7	1.9	1.9	2.0	2.0	2.1	2.1	1.8	1.3	1.9	2.0
Quarter-End Interest Rates ⁵																				
Federal Funds Target Rate	2.50	2.50	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	2.25	0.25	0.25	0.25
Conventional Mortgage Rate	4.28	3.80	3.61	3.72	3.45	3.16	2.89	2.80	2.80	2.85	2.90	3.00	3.05	3.10	3.15	3.20	3.94	3.08	2.89	3.13
2 Year Note	2.27	1.75	1.63	1.58	0.23	0.16	0.13	0.15	0.20	0.20	0.20	0.25	0.25	0.30	0.35	0.45	1.97	0.17	0.21	0.34
10 Year Note	2.41	2.00	1.68	1.92	0.70	0.66	0.69	0.85	1.00	1.10	1.20	1.30	1.35	1.40	1.45	1.50	2.14	0.73	1.15	1.43

Forecast as of: October 07, 2020

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Percentage Point Contribution to GDP

³ Average Monthly Change

⁴ Year-over-Year Percentage Change

⁵ Annual Numbers Represent Averages

Source: IHS Markit and Wells Fargo Securities

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BEA Regional Advisory Committee

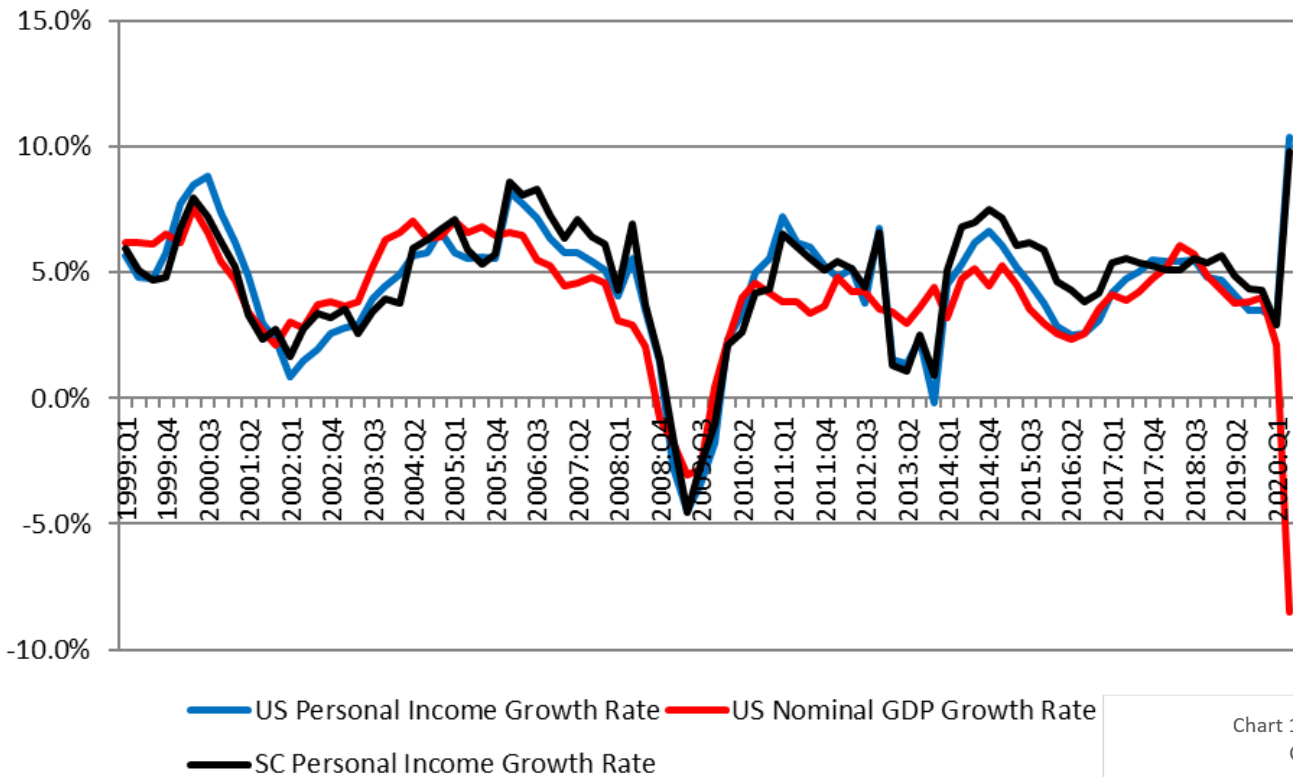
October 15, 2020

Russell S. Sobel, Ph.D.



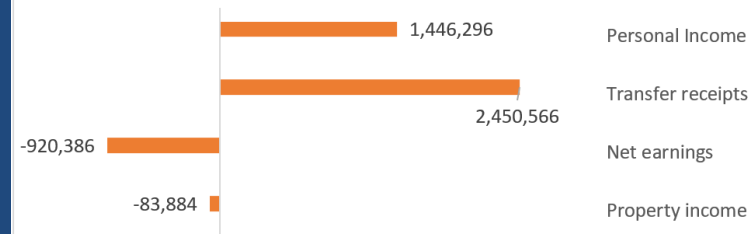
S.C. Personal Income vs U.S. Economy:

S.C. vs. U.S. Economic Growth Rates

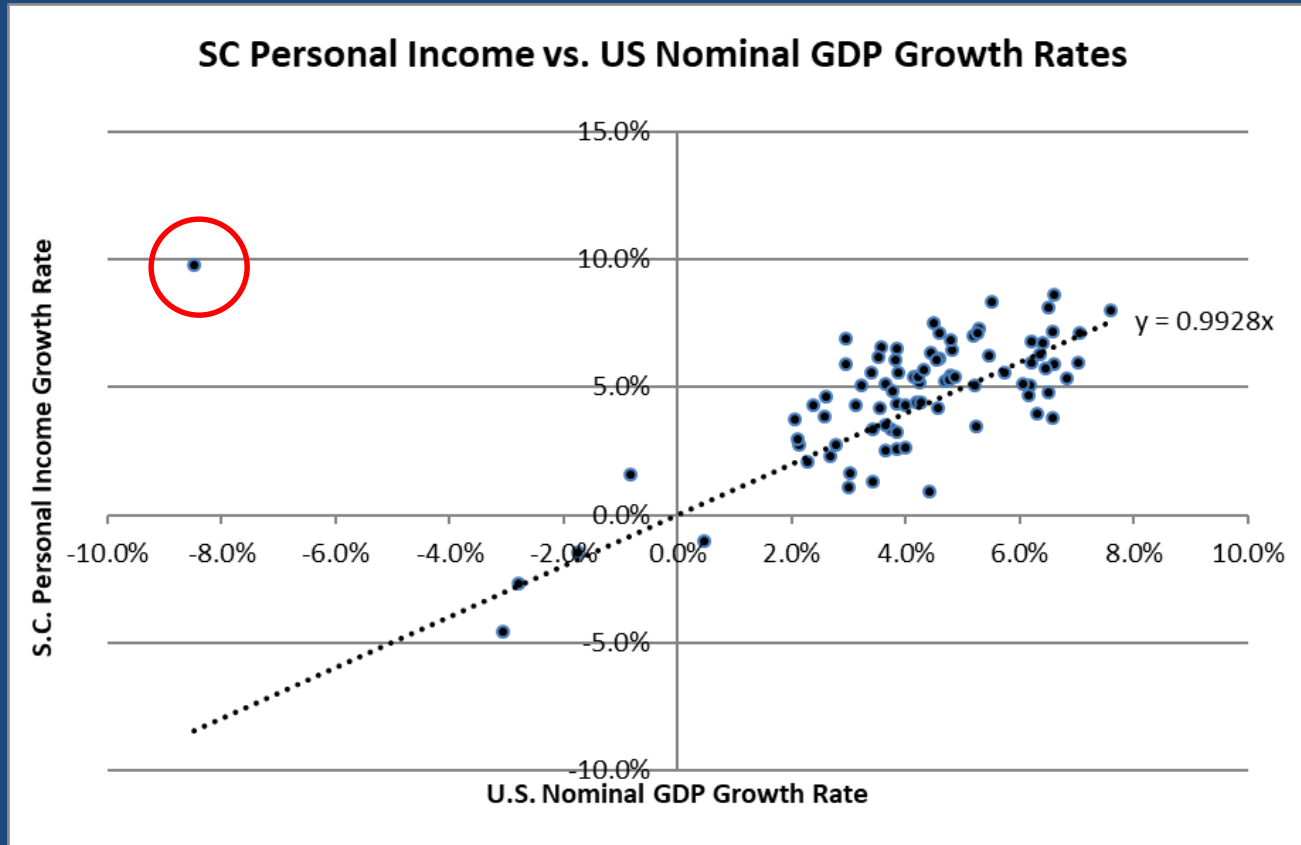


Q2: Personal Income includes government relief payments provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and higher unemployment benefits.

Chart 1. Dollar Change in Personal Income and Select Components, United States: 2020 Q1-Q2 (Millions of Dollars)



S.C. Personal Income vs U.S. Economy:



The elasticity of S.C. Personal Income with Respect to U.S. Nominal GDP over the long term is not significantly different from 1.0 using quarterly data (converted to annual changes vs. 4 quarters ago), from 1992 Q1 to present. I therefore assume that:

S.C. Personal Income Growth Rate \approx U.S. Nominal GDP Growth Rate

Assessing Prior Accuracy:

Was certainly an unpredictable year....

For the past five years I provided data on forecaster accuracy but have been asked not to do it this year and focus on the forecasts instead....

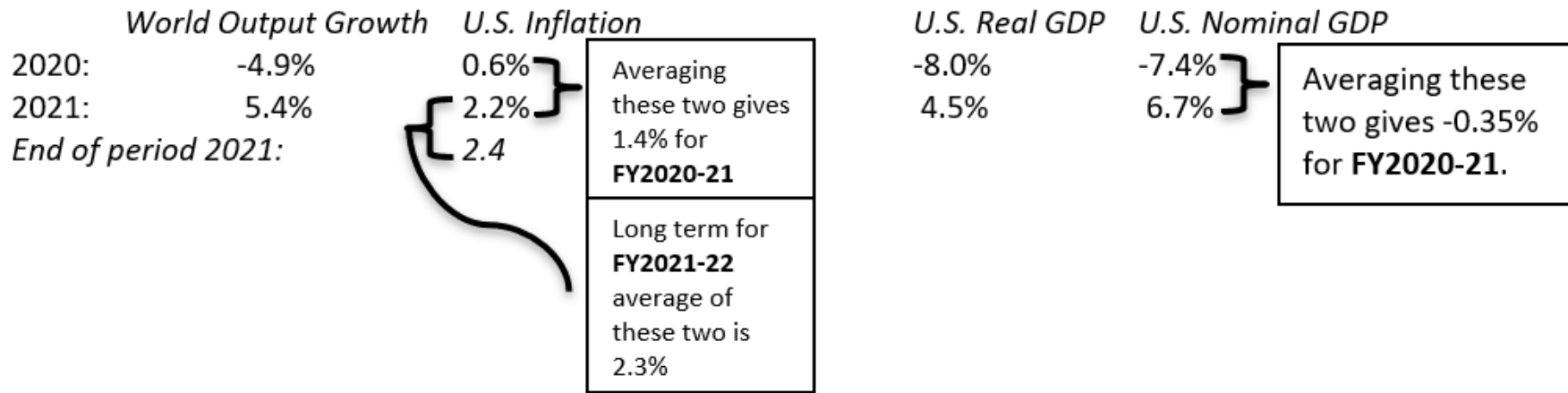
Summary of Major Economic Forecasts:

I rely on three independent major national forecasts as the basis for my state-level forecasts:

1. IMF World Economic Outlook
2. Federal Reserve Bank of Philadelphia's Livingston Survey
3. Survey of Professional Forecasters

Summary of Major Economic Forecasts:

1. IMF World Economic Outlook (June 2020 Update and April 2020 original)¹



Summary of Major Economic Forecasts:

2. Federal Reserve Bank of Philadelphia's Livingston Survey (June 2020)²

U.S. Nominal GDP Growth Rate

2020Q2 to 2020Q4:	12.8%	} 2020Q3 to 2020Q2 is FY2020-2021 , the avg. of these two is 10.1%
2020Q4 to 2021Q2:	7.4%	
Annual 2019 to 2020:	-4.7%	
Annual 2020 to 2021:	5.2%	} FY2020-2021 , avg. 4.7%
Long Term (Next 10 Years):	4.2%	

CPI Inflation Rate

June 2020 to Dec 2020:	2.0%	} June 2020 to June 2021 is roughly FY2020-21 , the average of these two is 2.05%
Dec 2020 to June 2021:	2.1%	
Annual 2019 to 2020:	0.8%	
Annual 2020 to 2021:	1.6%	} Looking out into FY2021-22 , inflation average 1.8%
Long Term (Next 10 Years):	2.0%	

Summary of Major Economic Forecasts:

3. Survey of Professional Forecasters (Third Quarter 2020 released August 14, 2020)³

	<i>Nominal GDP%</i>		<i>Employment Growth%</i>
2020: Q3	21.9%	2020Q3 to 2021Q2 is FY2020-21 , the average of the top four is 10.2%, FY2021-22 based on bottom two is 4.95%	19.9%
2020: Q4	6.1%		3.5%
2021: Q1	6.2%		3.1%
2021: Q2	6.5%		1.7%
2021: Q3	5.2%		2.4%
2021 (year over year)	4.7%		2.3%
			2020Q3 to 2021Q2 is FY2020-21 , the average of the top four is 9.17%, FY2021-22 based on bottom two is 3.06% for US. [My new adjustment is: SC=1.3*US] or 1.53% and 1.30%

Probability of Negative Real GDP Growth by Quarter (Means):

2020: Q3	11.9%	The chance of a negative quarter of GDP growth during FY2020-21 (2020Q3 to 2021Q2) averages 17.5%, and the probability remains about the same toward first quarter of FY2021-22 – ABOUT 5 to 10% LOWER THAN A YEAR AGO
2020: Q4	20.4%	
2021: Q1	19.2%	
2021: Q2	18.6%	
2021: Q3	17.1%	

Continued.....

Summary of Major Economic Forecasts:

3. Survey of Professional Forecasters

U.S. Inflation Rate (CPI):

Quarterly Data

2020: Q3	2.3%
2020: Q4	1.6%
2021: Q1	1.8%
2021: Q2	1.6%
2021: Q3	2.1%

2020Q3 to 2021Q2 is **FY2020-21**, the average of these four is 1.83%

Q4/Q4 Annual Averages

2020	0.4%
2021	1.8%
2022	2.0%

2021Q3 into 2022 is **FY2021-22**, the average of these two is 2.05%

Summary of Forecast Data:

Economic Estimates:

	FY 2020-21			FY 2021-22		
	SC Personal Income Growth (=US Nominal GDP Growth)	CPI Inflation Rate	SC Employment Growth	SC Personal Income Growth (=US Nominal GDP Growth)	CPI Inflation Rate	SC Employment Growth
International Monetary Fund	-0.35%	1.4%		6.7%	2.3%	
Livingston Survey	10.1%	2.05%		4.7%	1.8%	
Survey of Professional Forecasters	10.2%	1.83%	9.17%	4.95%	2.05%	3.06%
Median	10.10%	1.83%	9.17%	4.95%	2.05%	3.06%

Revenue Estimates:

	FY2020-21	FY2021-22
Sales Tax Revenue ⁴	8.1%	3.7%
Individual Income Tax Revenue ⁵	13.2%	4.2%

Using estimated elasticities per Sobel & Holcombe (1996) method.

Forecast Table:

SC Board of Economic Advisors Forecast Scoring Sheet
Regional Advisors Meeting - October 2020

Variables	Actual	Ullrich	Vitner	Sobel	Von Nessen	Sauer	Hefner	Average	Olympic Score	Staff Est
SC Personal Income										
FY 2018-19	5.38%									
FY 2019-20	5.36%									
Most Recent Qrt	----									
Jul - Dec 2020 Est										
Jan - Jun 2021 Est										
Jul - Dec 2021 Est										
Jan - Jun 2022 Est										
SC Employment										
FY 2018-19	2.06%									
FY 2019-20	-0.94%									
Most Recent Qrt	-8.74%									
Jul - Dec 2020 Est										
Jan - Jun 2021 Est										
Jul - Dec 2021 Est										
Jan - Jun 2022 Est										
Inflation (CPI)										
FY 2018-19	2.07%									
FY 2019-20	1.56%									
Most Recent Qrt	0.36%									
FY 2020-21 Est										
FY 2021-22 Est										
SC Sales Tax										
FY 2018-19	5.01%									
FY 2019-20	3.15%									
Most Recent Qrt	2.70%									
FY 2020-21 Est										
FY 2021-22 Est										
SC Individual Inc Tax										
FY 2018-19	7.20%									
FY 2019-20	6.46%									
Most Recent Qrt	---									
FY 2020-21 Est										
FY 2021-22 Est										

New Part Year Fiscal Year
Estimates (2 per FY)

Usual Fiscal Year
Estimates

Forecast Table:

	Sobel			
SC Personal Income				
Jul - Dec 2020 Est	13.40%	<i>Just in Case....</i>		
Jan - Jun 2021 Est	6.88%	FY 2020-21 Est	10.10%	
Jul - Dec 2021 Est	5.20%			
Jan - Jun 2022 Est	4.70%	FY 2021-22 Est	4.95%	
SC Employment				
Jul - Dec 2020 Est	15.2%	<i>Just in Case....</i>		
Jan - Jun 2021 Est	3.1%	FY 2020-21 Est	9.17%	
Jul - Dec 2021 Est	3.1%			
Jan - Jun 2022 Est	2.6%	FY 2021-22 Est	3.06%	
Inflation (CPI)				
FY 2020-21 Est	1.83%			
FY 2021-22 Est	2.05%			
SC Sales Tax				
FY 2020-21 Est	8.1%			
FY 2021-22 Est	3.7%			
SC Individual Inc Tax				
FY 2020-21 Est	13.2%			
FY 2021-22 Est	4.2%			

Caveats, Notes, and the Future:

- There is obvious uncertainty suggesting a careful and conservative approach.
- In general, we should expect an abrupt economic rebound, with likely slower future growth and more inflation than would have happened without COVID-19.
- Long term, we will see significant changes in the economy and negative secondary effects of recent government policies. Here are five of them:
 1. Changes in the structure of the economy due to: (1) permanent shifts to remote work and health care, (2) discoveries and development of new talents and skills (cooking at home), (3) reluctance to travel → combined these factors will reallocate resources, helping some sectors hurting others.
 2. Record levels of federal government debt → as interest rates rise in the future this will require either higher taxes or money creation, one of which will slow growth the other will be inflationary.
 3. Risk of monetary policy error and overhang → continued pressure for monetary expansion coupled with trillions in asset purchases... given the lags in policy impacts, higher inflation, economic instability and slower growth could result.
 4. Increased restrictions on international trade and travel may persist → slowing growth especially for sectors dependent on imports, exports, and tourism.
 5. Ratchet effects on government spending → large increases in expenditures due to crisis situations rarely return to prior levels, leading to permanently higher spending, and slower economic growth as government spending as a share of the economy is permanently higher.

**South Carolina
Board of Economic Advisors
Regional Advisory Committee
Economic Update
October 15, 2020
Frank Hefner**

?????? UNCERTAINTY????????



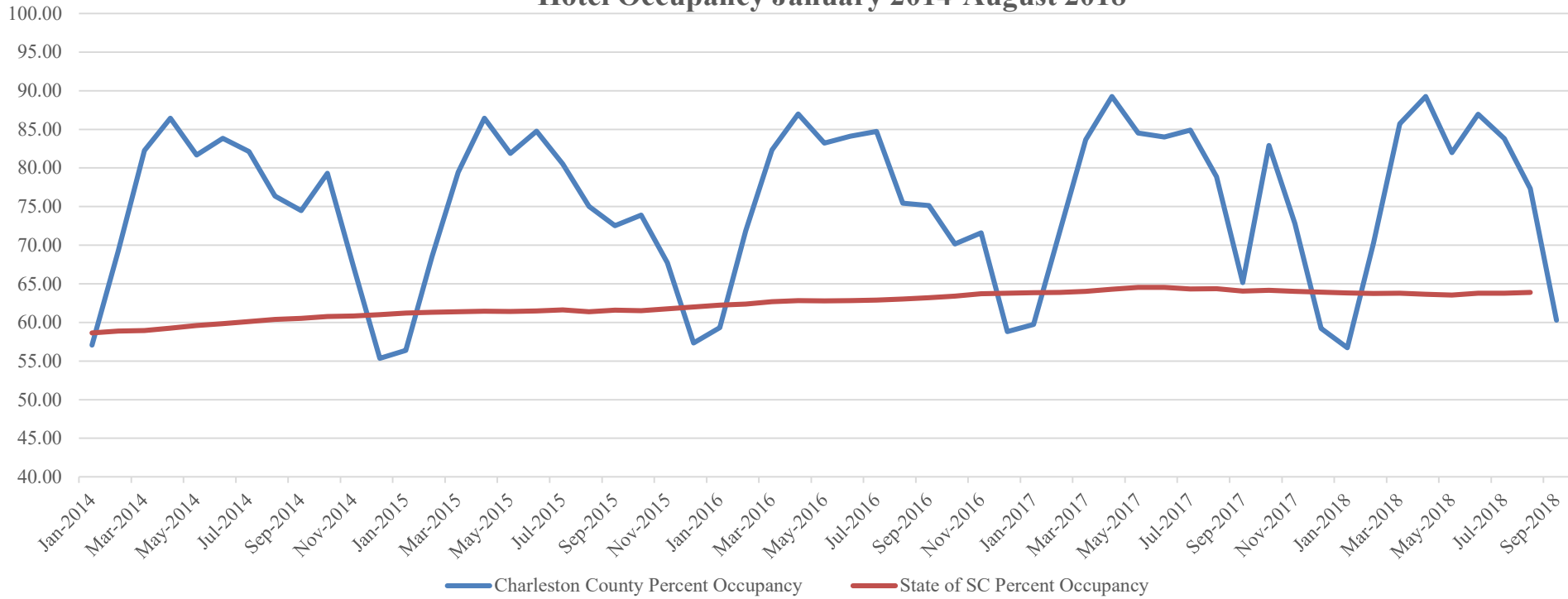
Inclement Weather	
Month	Event
Oct-2015	Charleston flood
Oct-2016	Hurricane Matthew
Sep-2017	Hurricane Irma
Jan-2018	Ice storm
Sep-2018	Hurricane Florence
Sep-2019	Hurricane Dorian
2020	Lucky! So far!

Year	Charleston County Occupancy	State of SC Percent Occupancy
2014	69.2%	61.0%
2015	73.7%	62.0%
2016	75.6%	63.8%
2017	76.7%	63.9%
2018	78.9%	63.7%

	Hurricane Andrew	Hurricane Katrina		Hurricane Ike	Superstorm Sandy		Hurricane Matthew	
Month	Unemployment Rate in Florida	Unemployment Rate in Louisiana	Unemployment Rate in Mississippi	Unemployment Rate in Texas	Unemployment Rate in New York	Unemployment Rate in New Jersey	Unemployment Rate in Florida	Unemployment Rate in South Carolina
t-6	8.5	5.9	6.8	4.4	8.7	9.2	4.9	5.2
t-5	8.5	5.8	6.8	4.4	8.7	9.3	4.9	5.1
t-4	8.5	5.7	6.7	4.5	8.7	9.6	4.9	4.9
t-3	8.4	5.7	6.8	4.7	8.6	10.0	4.9	4.8
t-2	8.4	6.0	7.0	4.8	8.4	9.4	4.9	4.6
t-1	8.3	6.6	7.4	5.0	8.3	9.0	4.9	4.5
Hurricane Month (t)	8.2	7.3	8.0	5.1	8.2	8.9	4.9	4.4
t+1	8.1	9.3	7.7	5.3	8.2	9.0	4.9	4.3
t+2	8.0	9.5	8.4	5.6	8.1	8.9	4.9	4.3
t+3	7.8	9.3	8.4	5.8	8.0	9.7	5.0	4.4
t+4	7.6	7.7	8.3	6.1	7.9	9.2	5.0	4.4
t+5	7.5	6.2	7.9	6.3	7.8	8.7	4.8	4.4
t+6	7.4	5.4	7.3	6.5	7.7	8.2	4.5	4.3

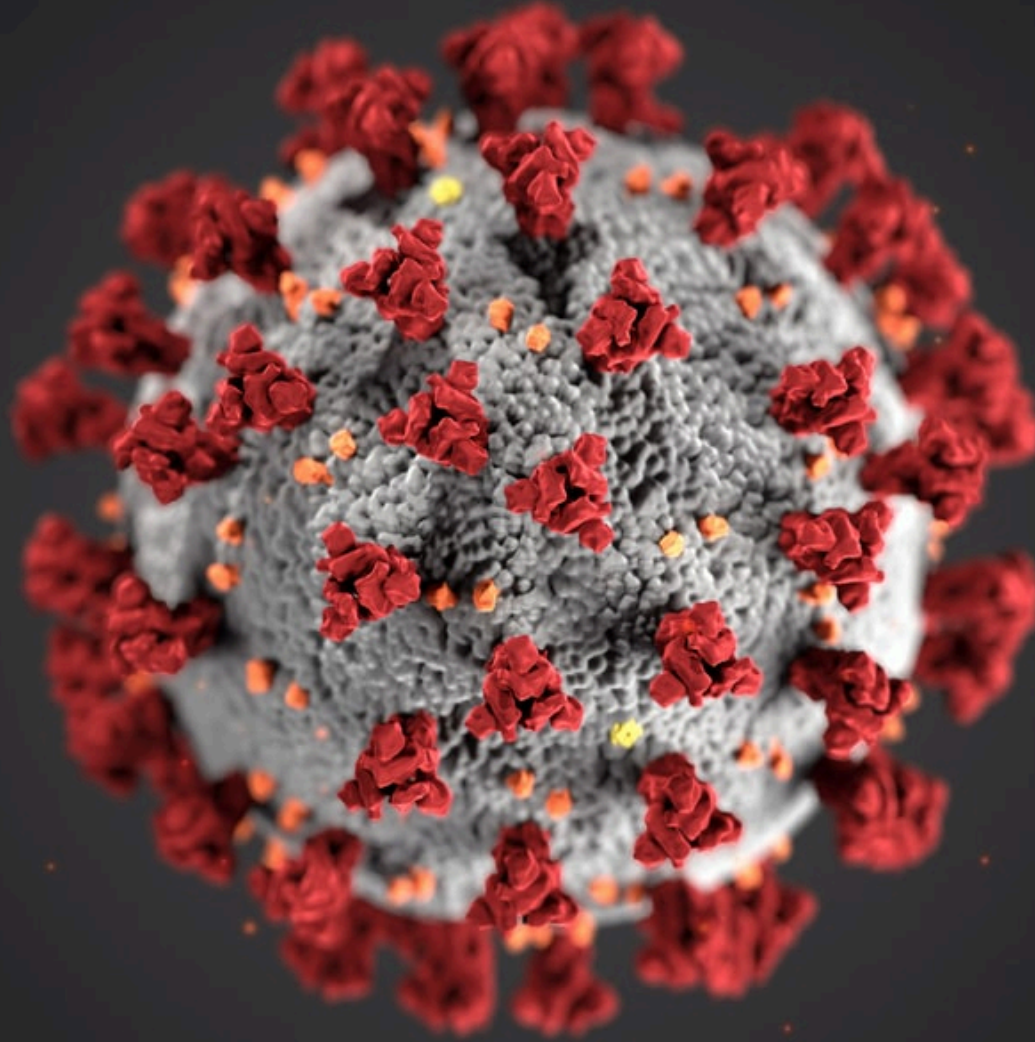
Recovery from Weather Events
Resiliency in the Face of Weather Related Destruction

Hotel Occupancy January 2014-August 2018



“Normal Pattern”

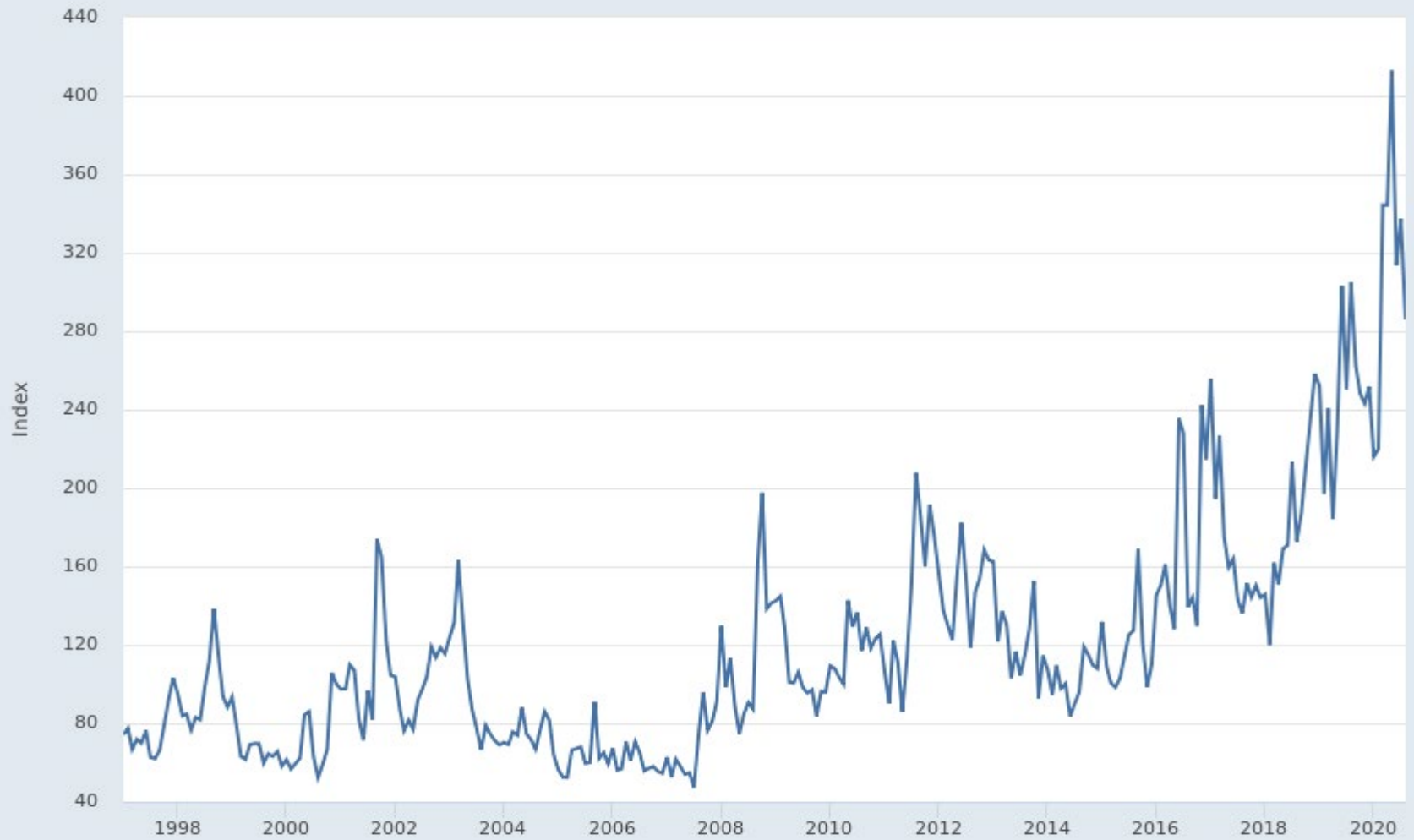
COVID



Spreading Uncertainty



— Global Economic Policy Uncertainty Index: Current Price Adjusted GDP

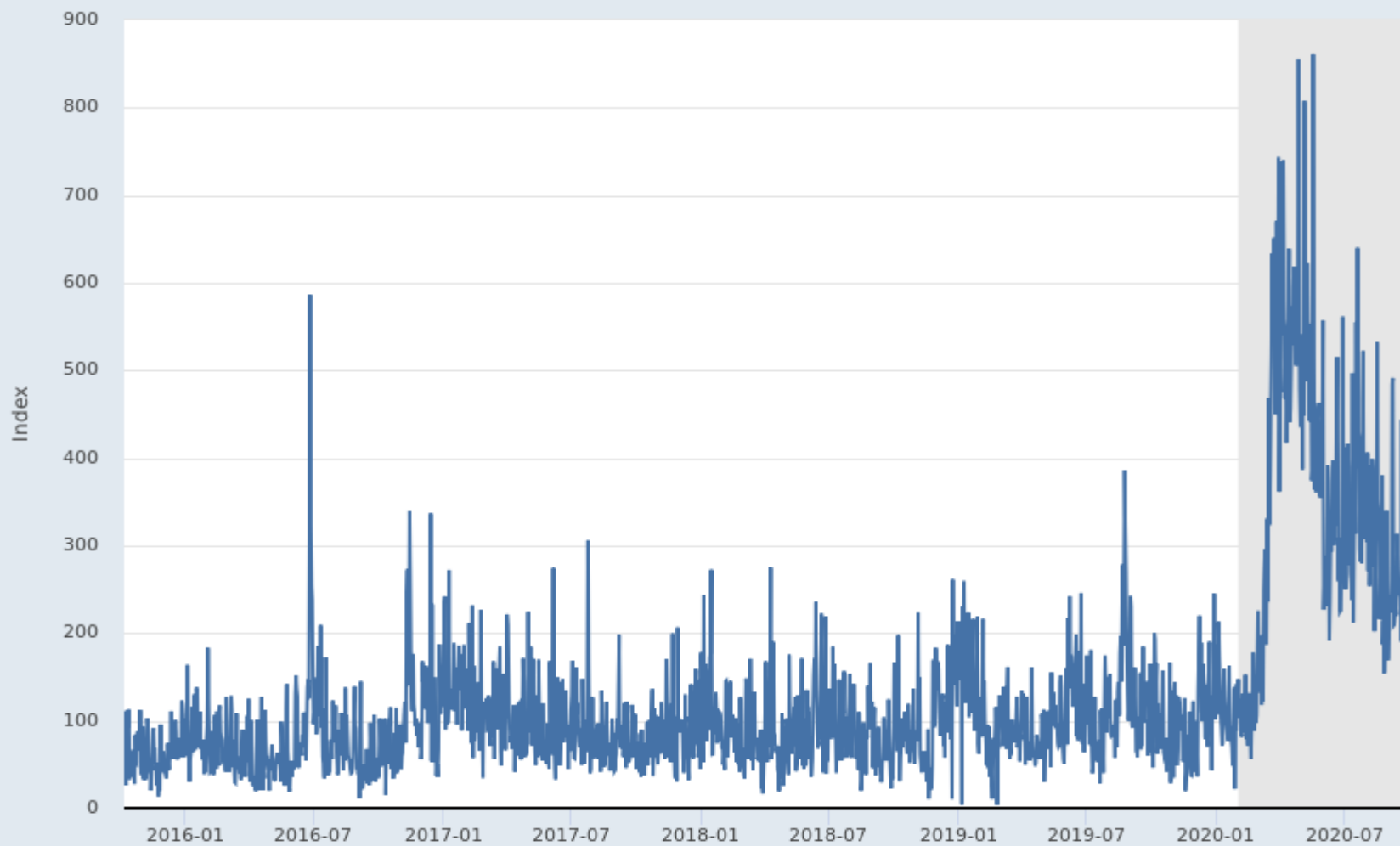


Source: Baker, Scott R.

myf.red/g/wu0B



— Economic Policy Uncertainty Index for United States

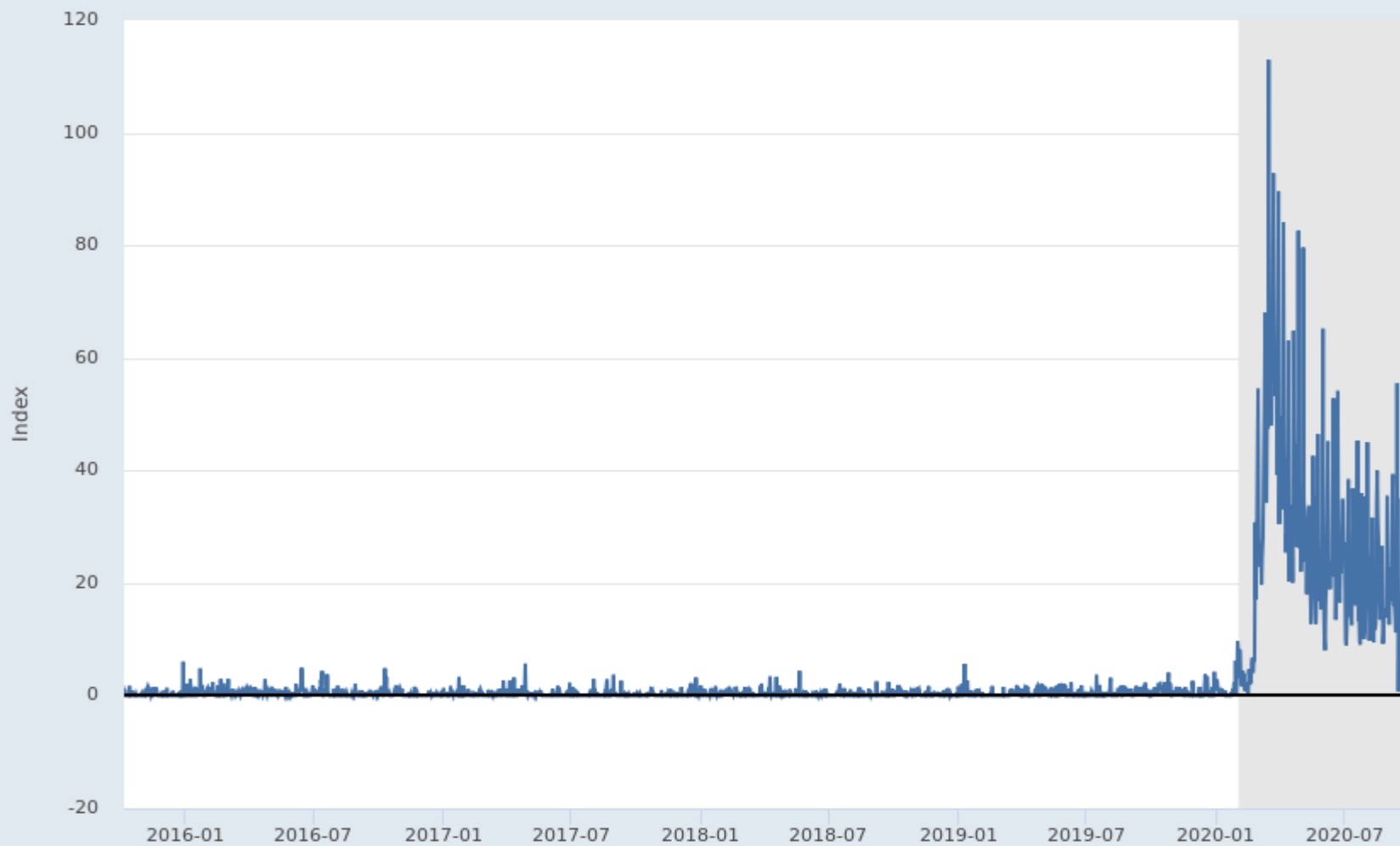


Source: Baker, Scott R.

myf.red/g/wtYC



Equity Market Volatility: Infectious Disease Tracker



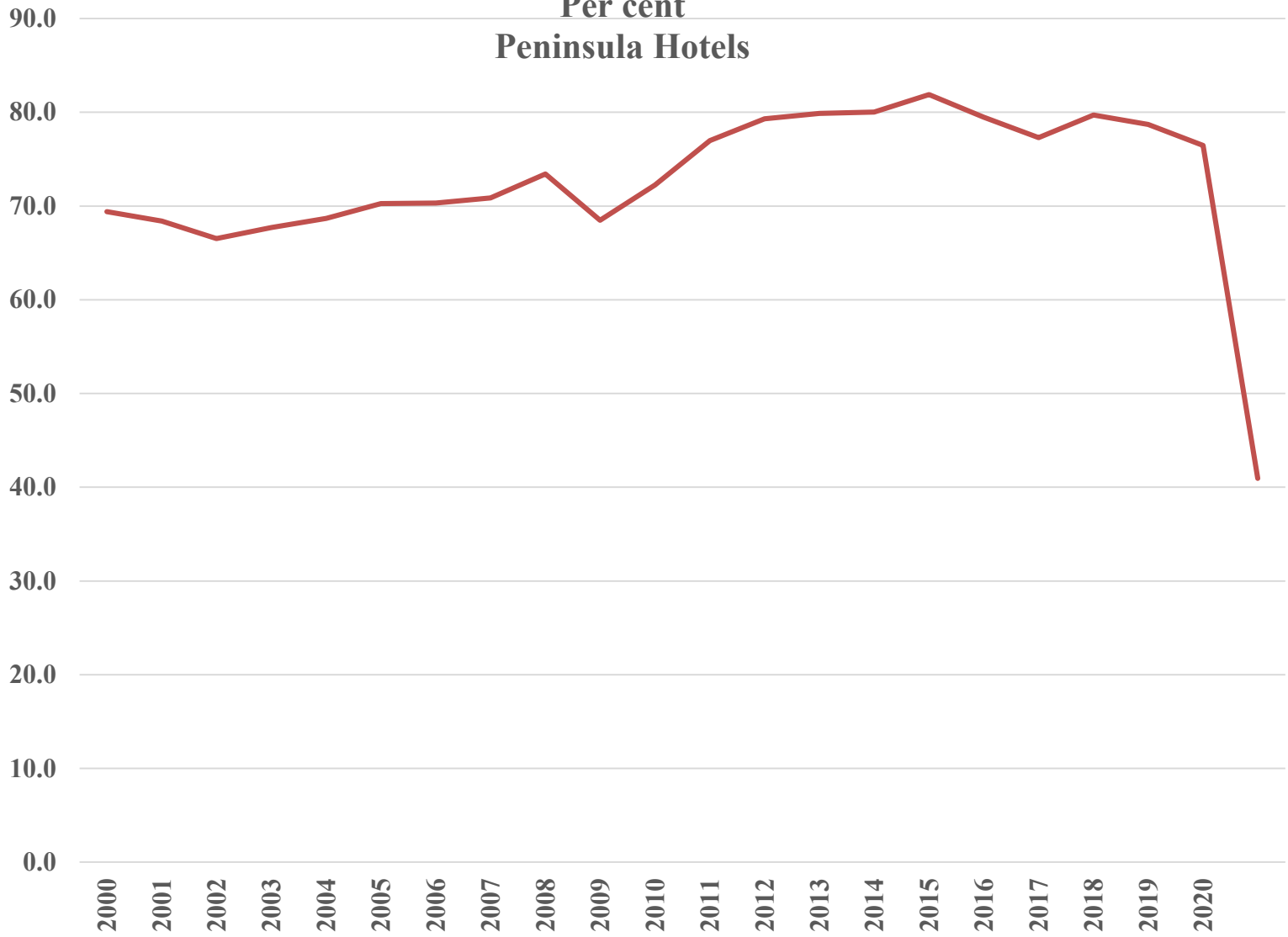
Source: Baker, Scott R.

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Occupancy Rates Per cent Peninsula Hotels

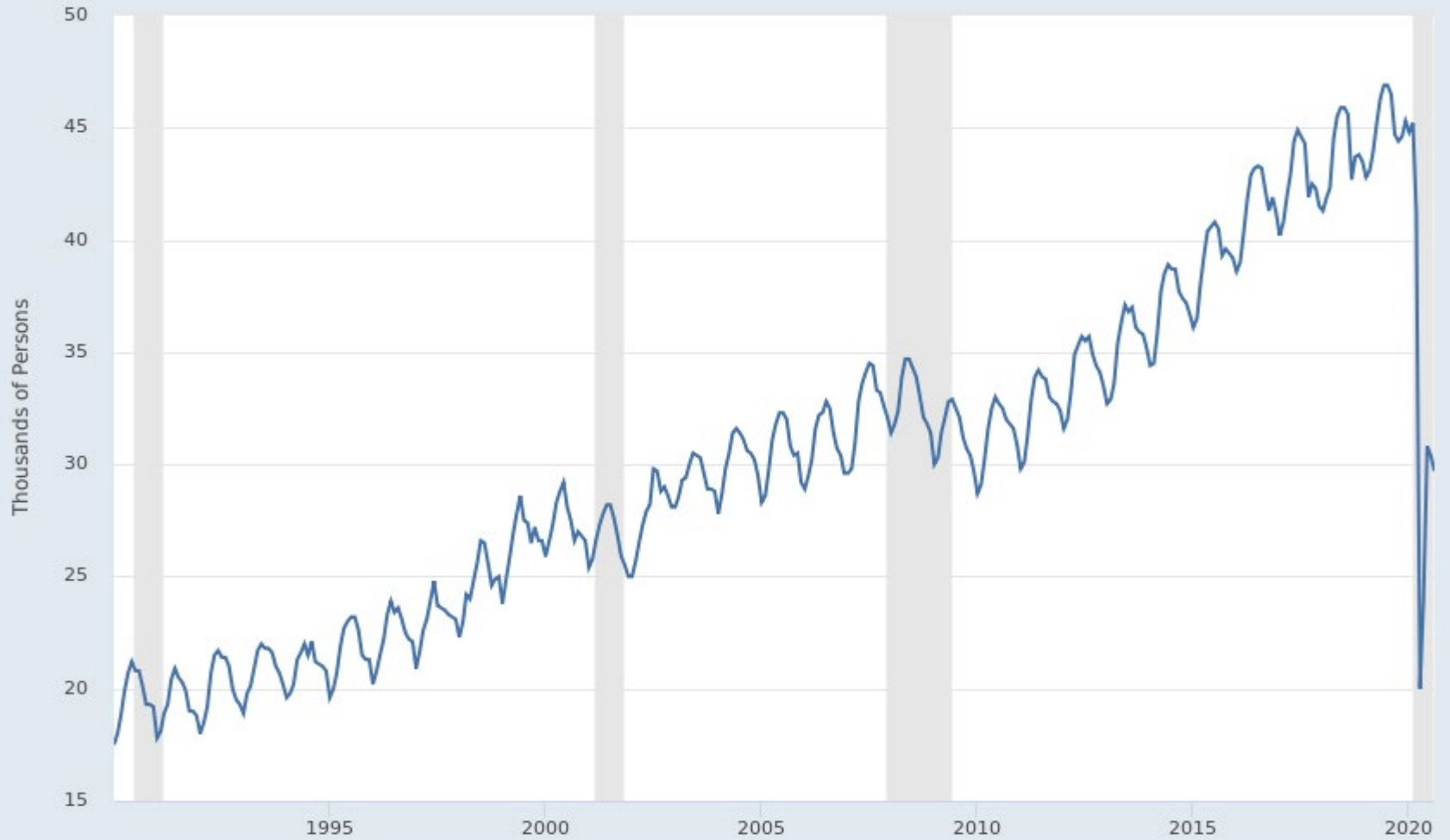
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020





— All Employees: Leisure and Hospitality: Accommodation and Food Services in Charleston-North Charleston, SC (MSA)

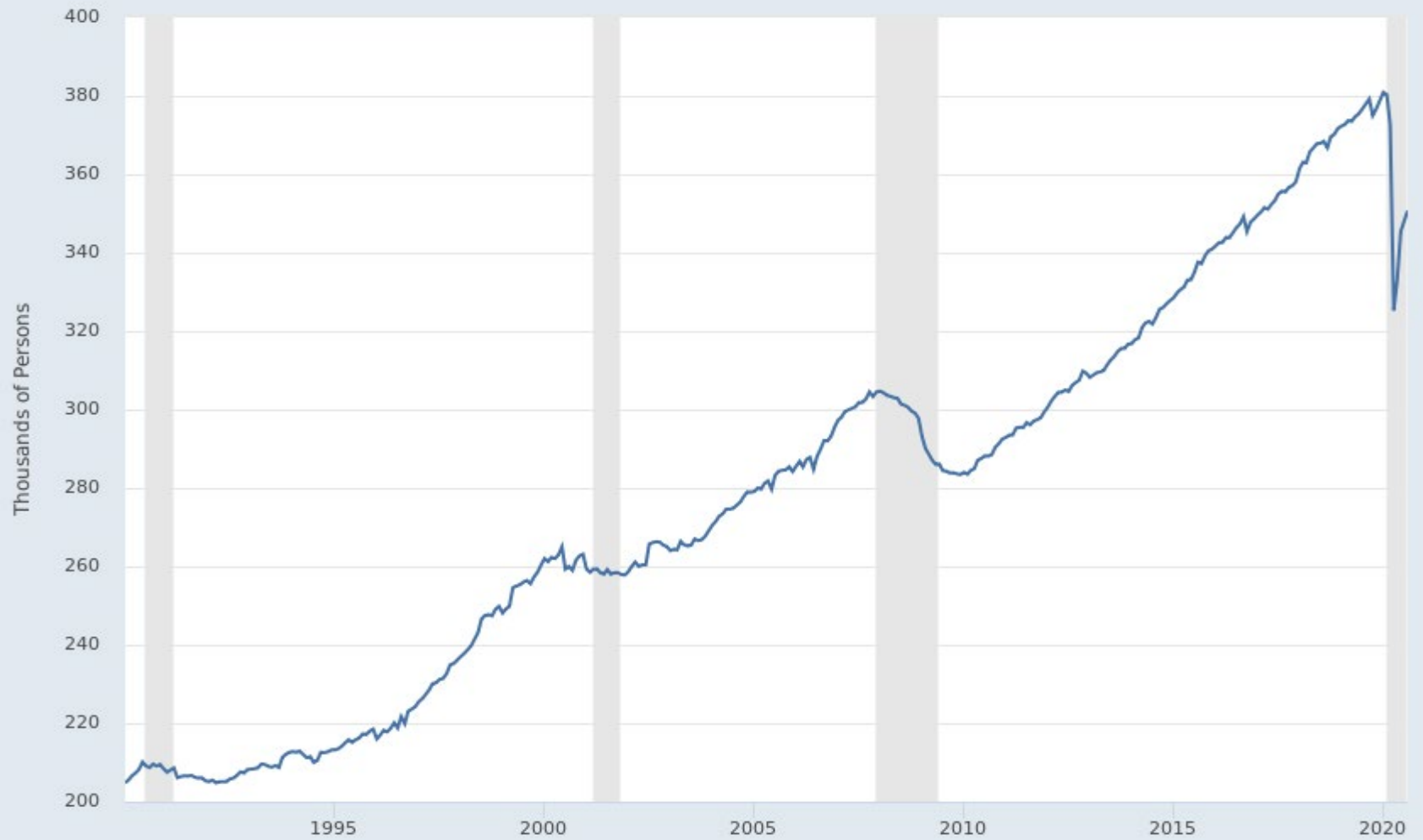


Source: Federal Reserve Bank of St. Louis

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— All Employees: Total Nonfarm in Charleston-North Charleston, SC (MSA)



Source: U.S. Bureau of Labor Statistics

myf.red/g/wu4e

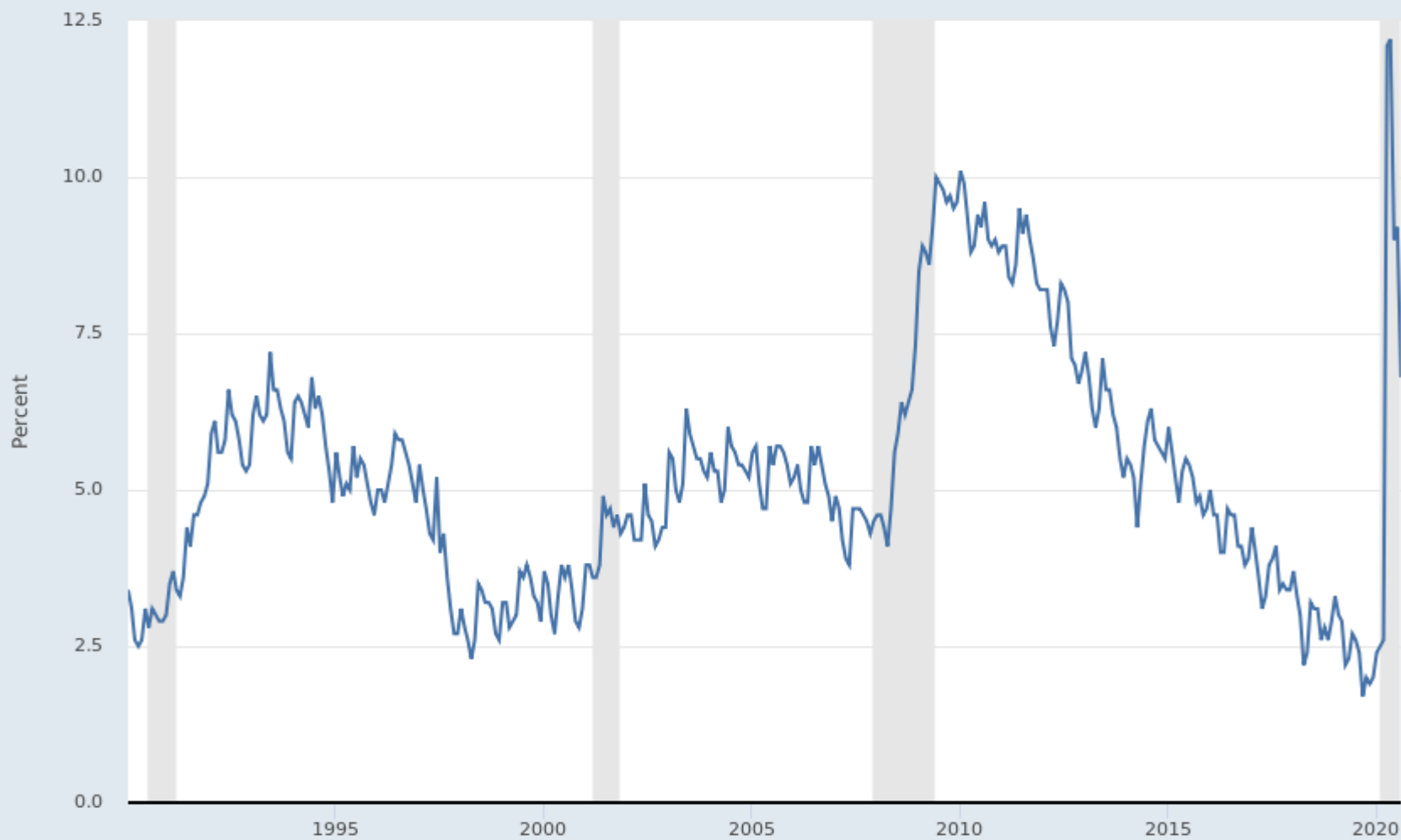


— All Employees: Manufacturing in Charleston-North Charleston, SC (MSA)



Source: U.S. Bureau of Labor Statistics

myf.red/g/wu4i



**WHAT IS THE PROBABILITY A VOLCANO WILL
ERUPT IN CHARLESTON?**



FORECASTING POST COVID

South Carolina's Economy in 2020

The Road to Recovery



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Joseph Von Nessen, Ph.D.
Research Economist
October 15, 2020

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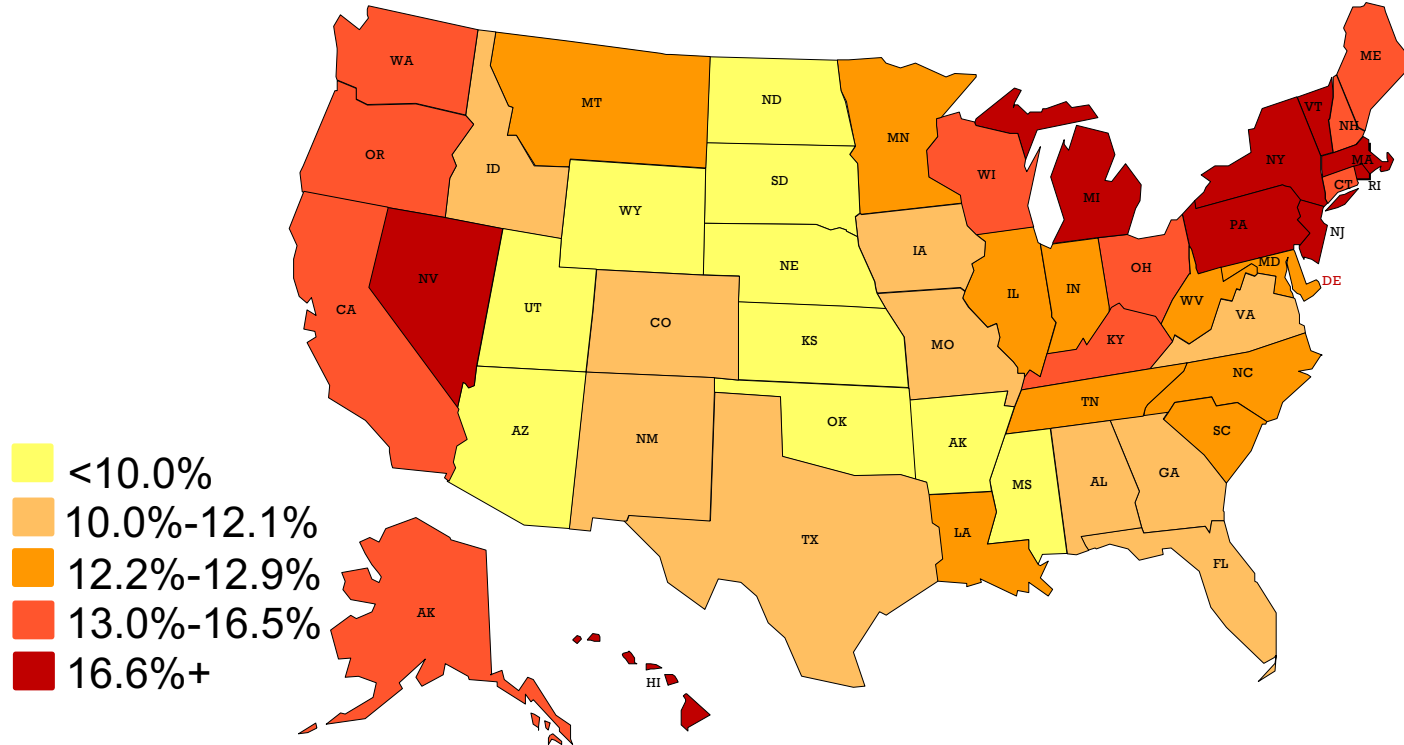


How is South Carolina Doing?



U.S. Pandemic Job Losses by State

Job Losses shown are from March 2020 to April 2020



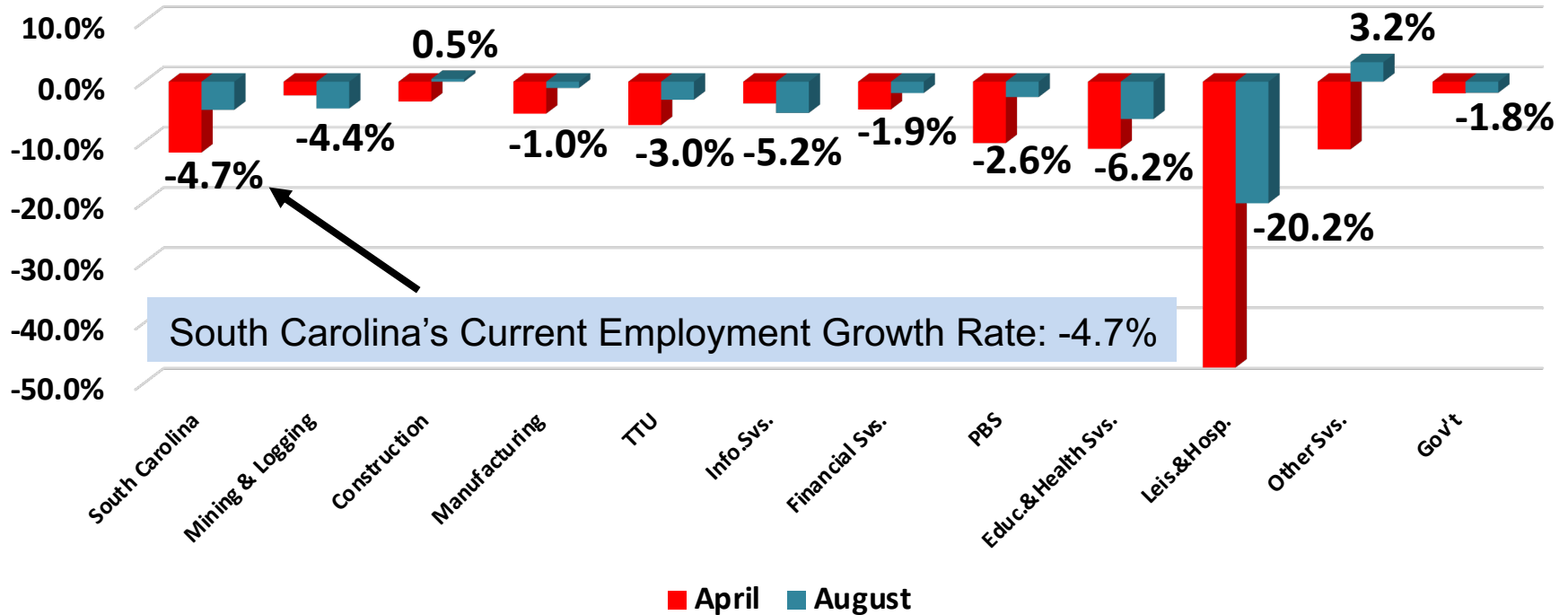
Rank	State	% Jobs Lost
1	Michigan	23.1%
2	Vermont	20.6%
3	Hawaii	19.2%
25	South Carolina	12.6%
48	Arkansas	8.6%
49	Wyoming	8.4%
50	Nebraska	8.2%

Source: U.S. Bureau of Labor Statistics



S.C. Employment Growth by Industry

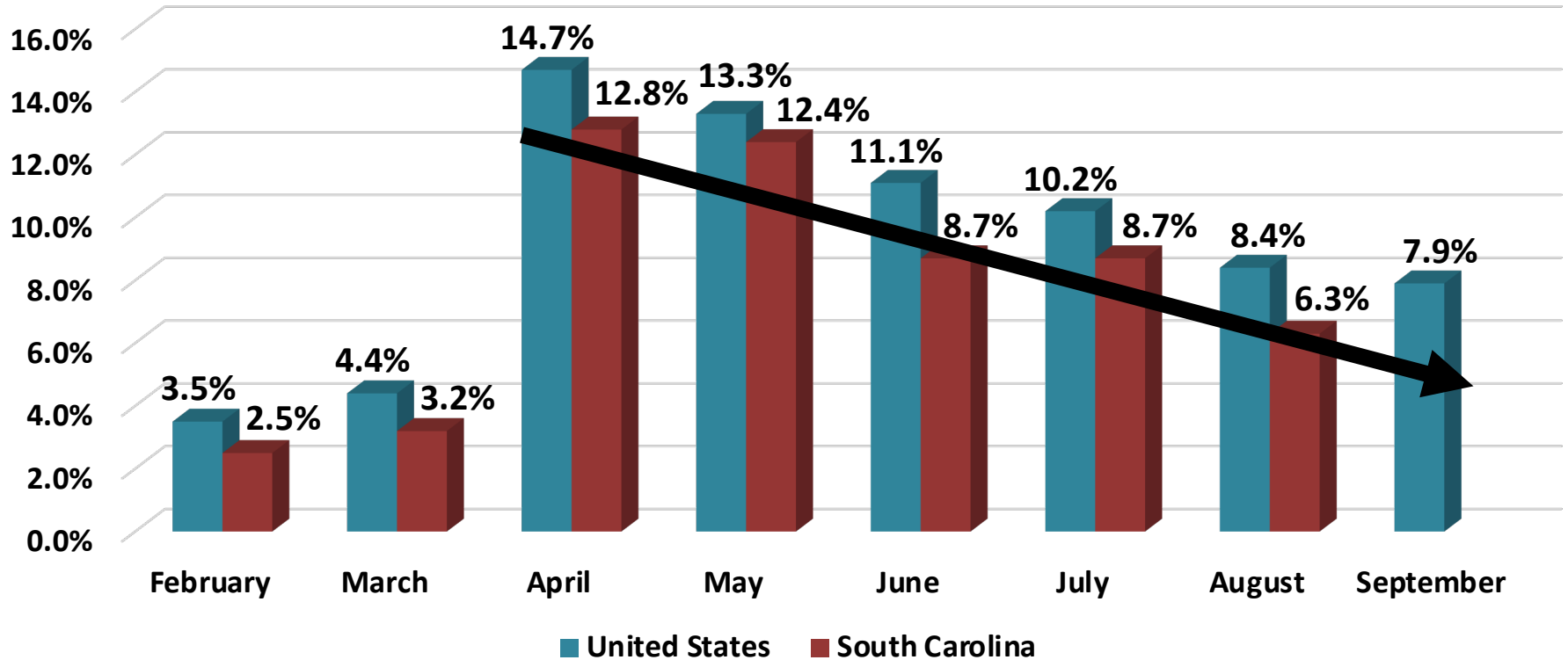
Listed Growth Rates: August 2020 vs. August 2019



Source: U.S. Bureau of Labor Statistics, CES, NSA



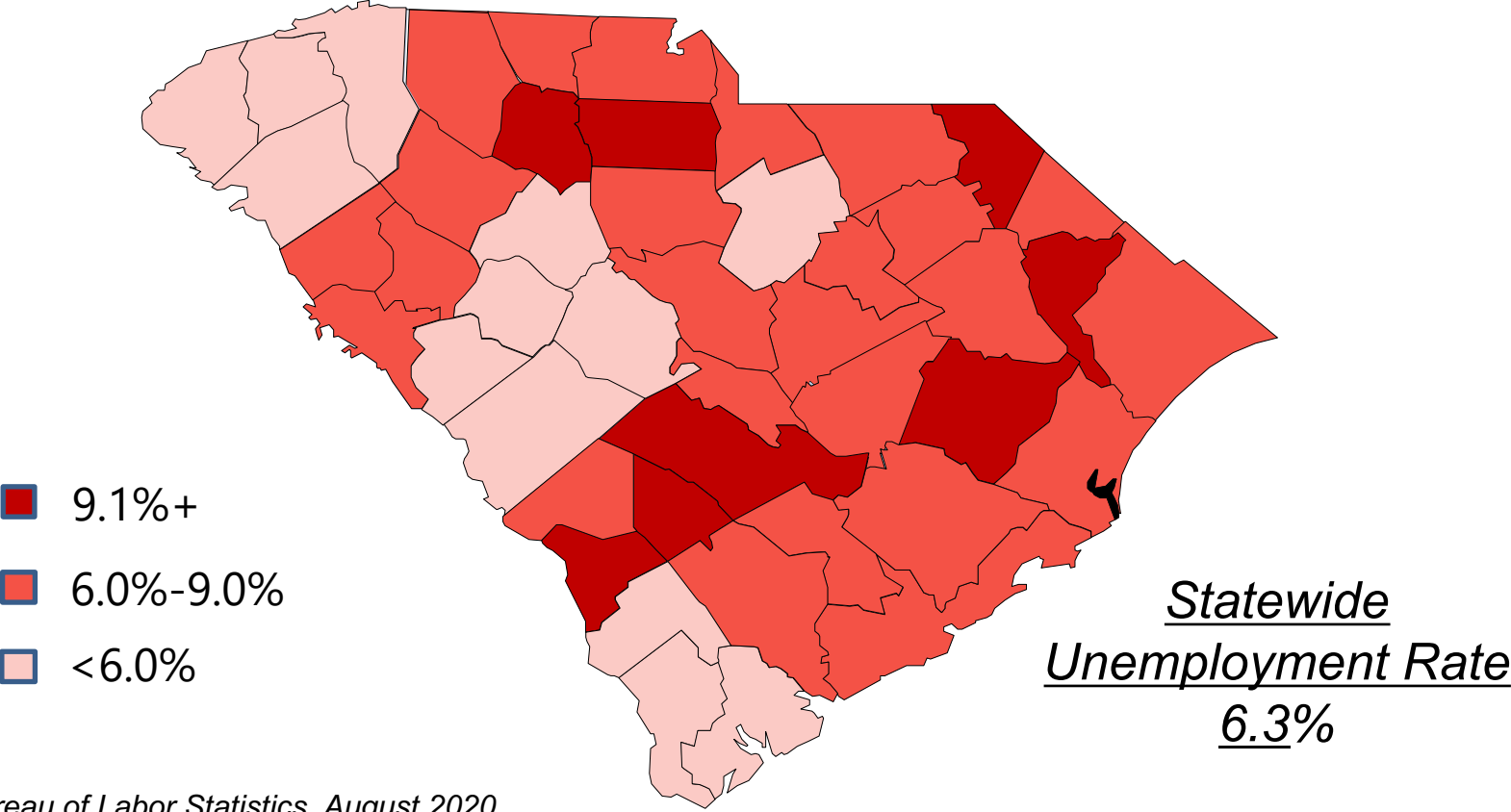
Unemployment Rates: Feb.-Sept. 2020



Source: U.S. Bureau of Labor Statistics



S.C. Unemployment Rates by County



Source: U.S. Bureau of Labor Statistics, August 2020

South Carolina Employment Changes

Time Period	Job Losses/Gains
March 2020 to April 2020	-275,900
April 2020 to August 2020	+170,400

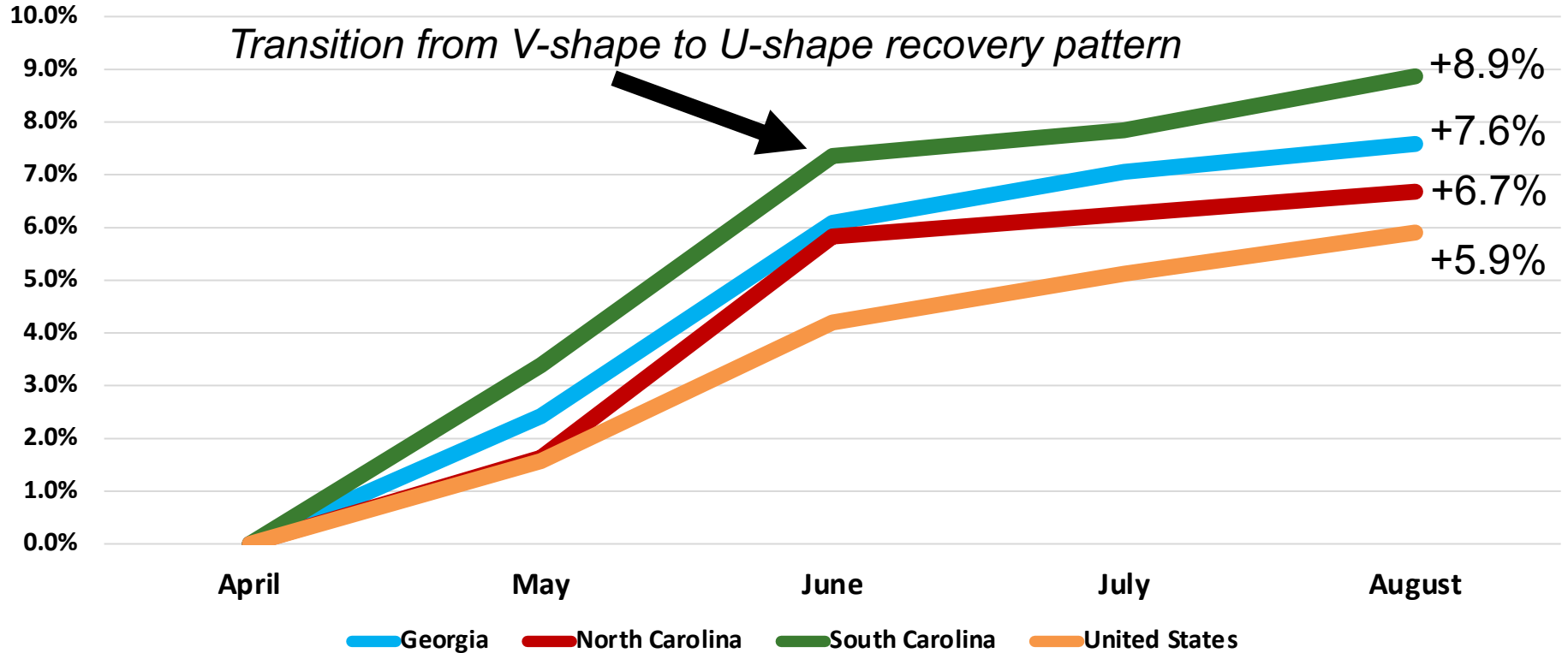
Pct. of Jobs Recovered	+61.8% for S.C. (vs. +51.0% for U.S.)



Source: U.S. Bureau of Labor Statistics



Cumulative Job Growth Since April 2020

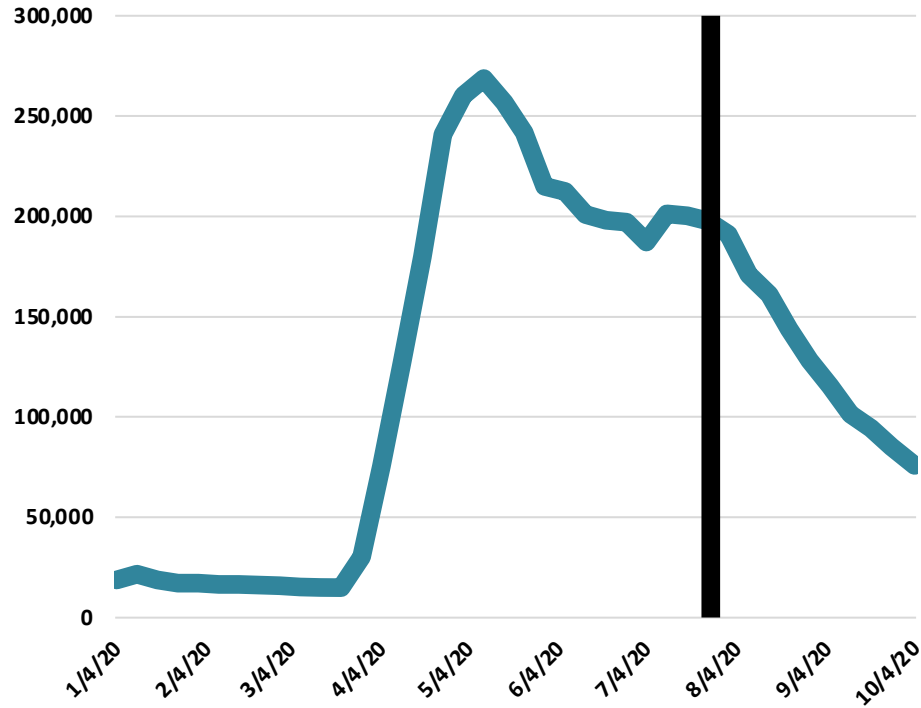


Source: U.S. Bureau of Labor Statistics

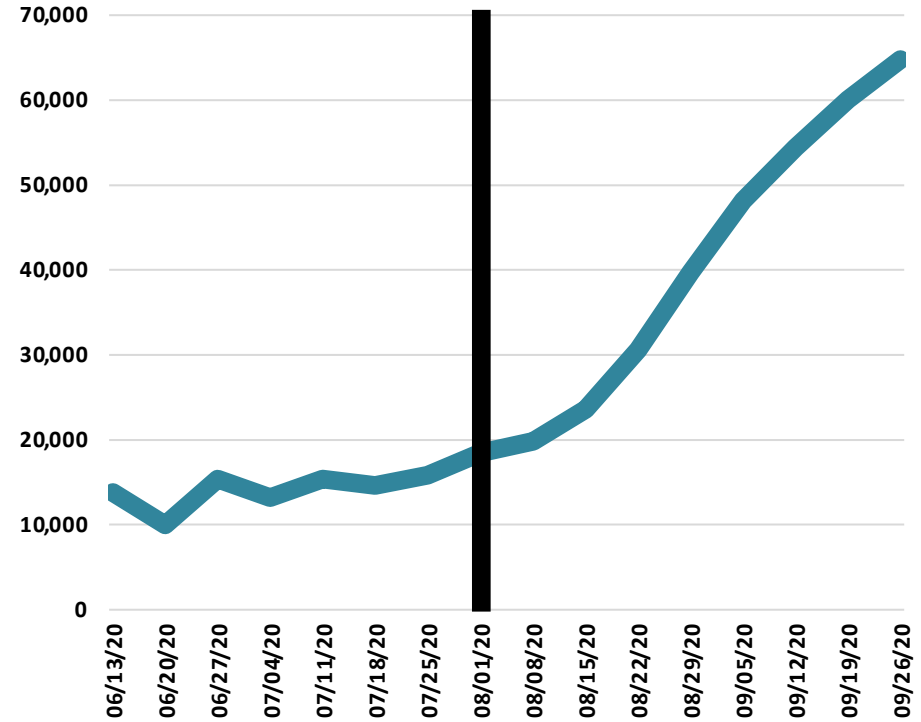


S.C. Unemployment Insurance Claims

Continued Claims



PEUC Claims



Source: U.S. Department of Labor

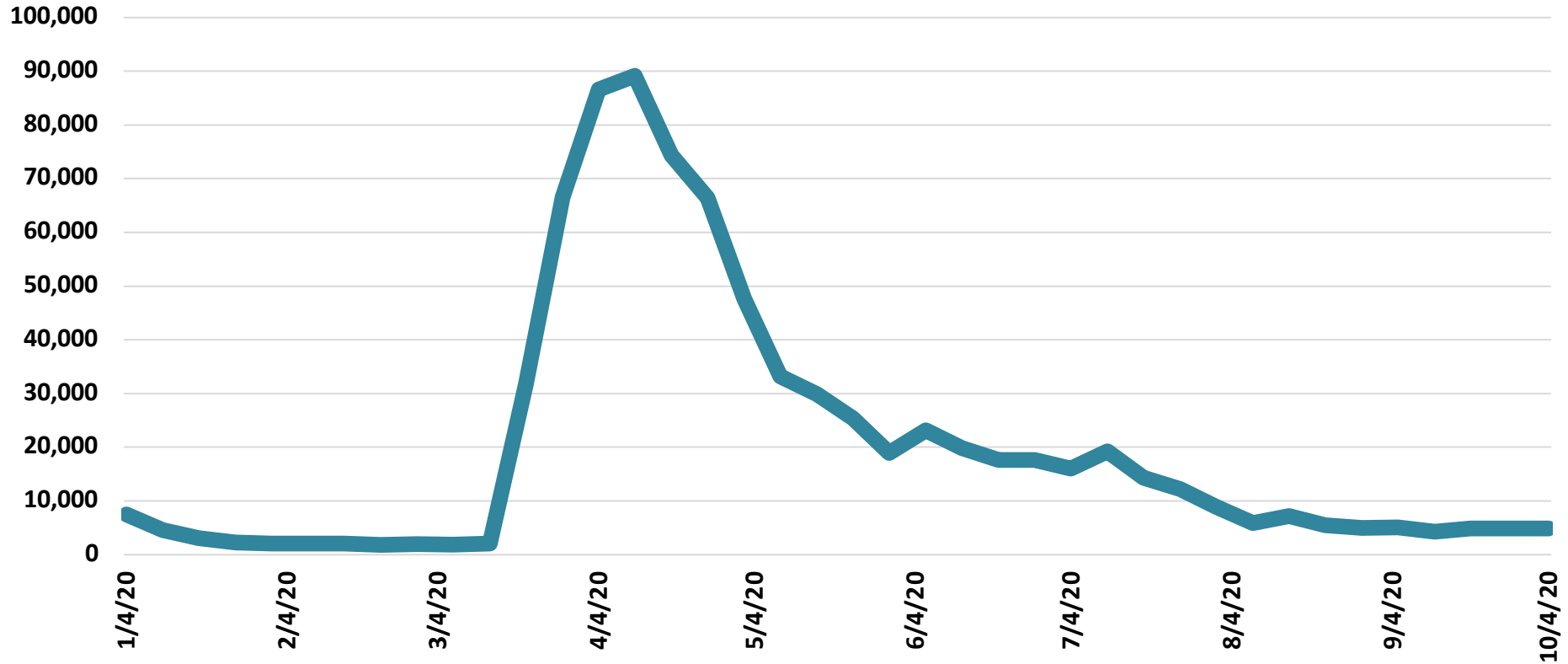


Why?

- *A spike in new COVID-19 cases in July*
- *PPP fund exhaustion*
- *Upper limits on business activity in the short-run*



S.C. Initial Unemployment Insurance Claims



Source: U.S. Department of Labor



Fall Scenarios to be Tracking

- *The changing impacts of virtual schooling on the labor force*
- *Possible increases in COVID-19 cases combined with the flu season – how will a potential vaccine mitigate these impacts?*
- *Additional targeted fiscal stimulus from Congress*



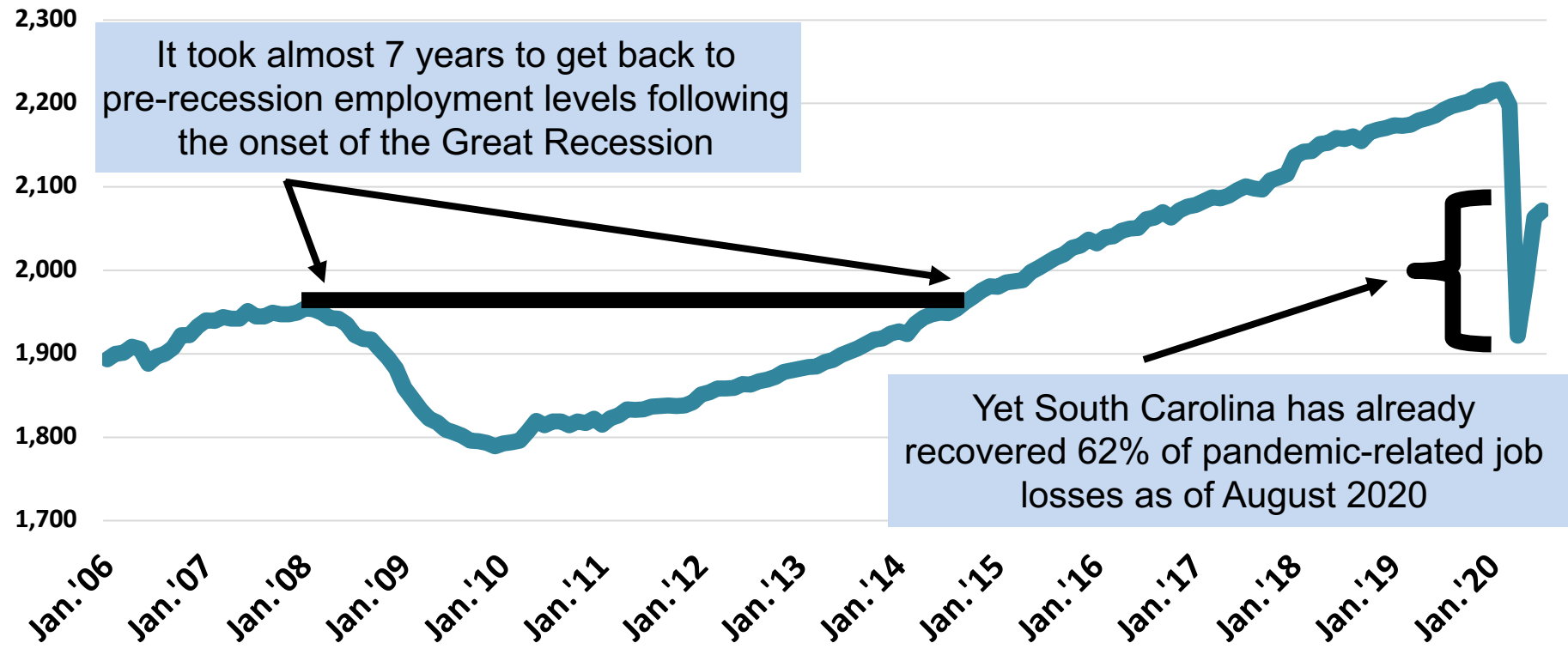
Recovery and Expansion



Looking Beyond 2020

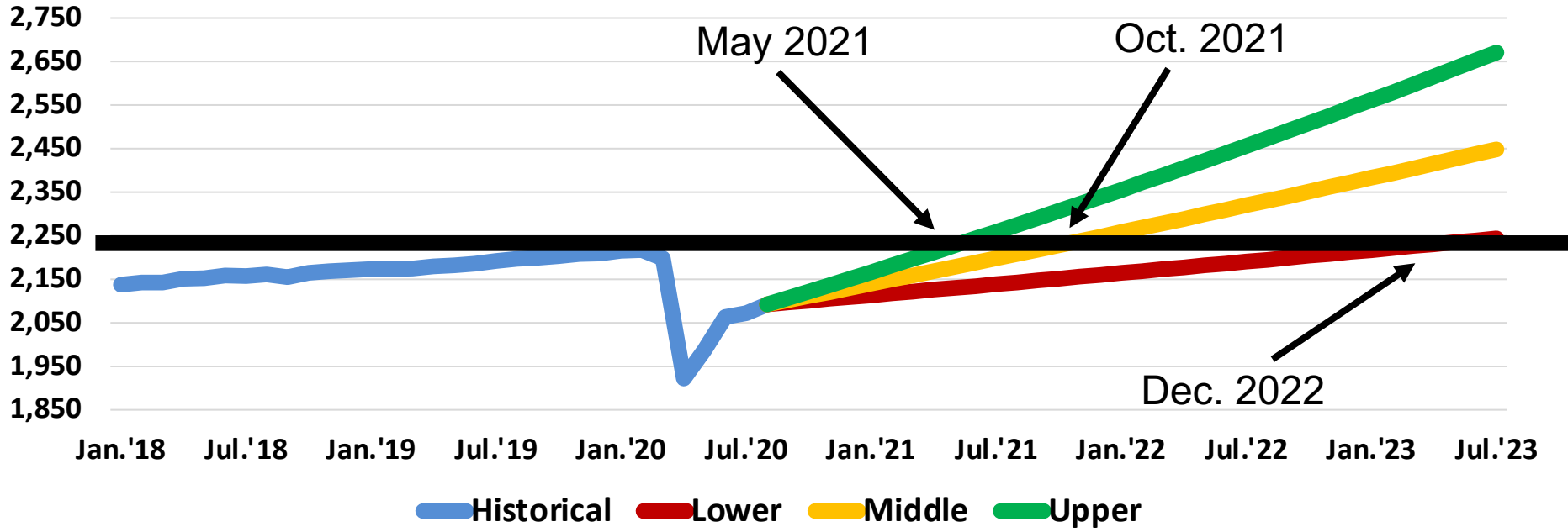


Total South Carolina Employment



Source: U.S. Bureau of Labor Statistics, CES-SA

S.C. Possible Emp. Recovery Scenarios

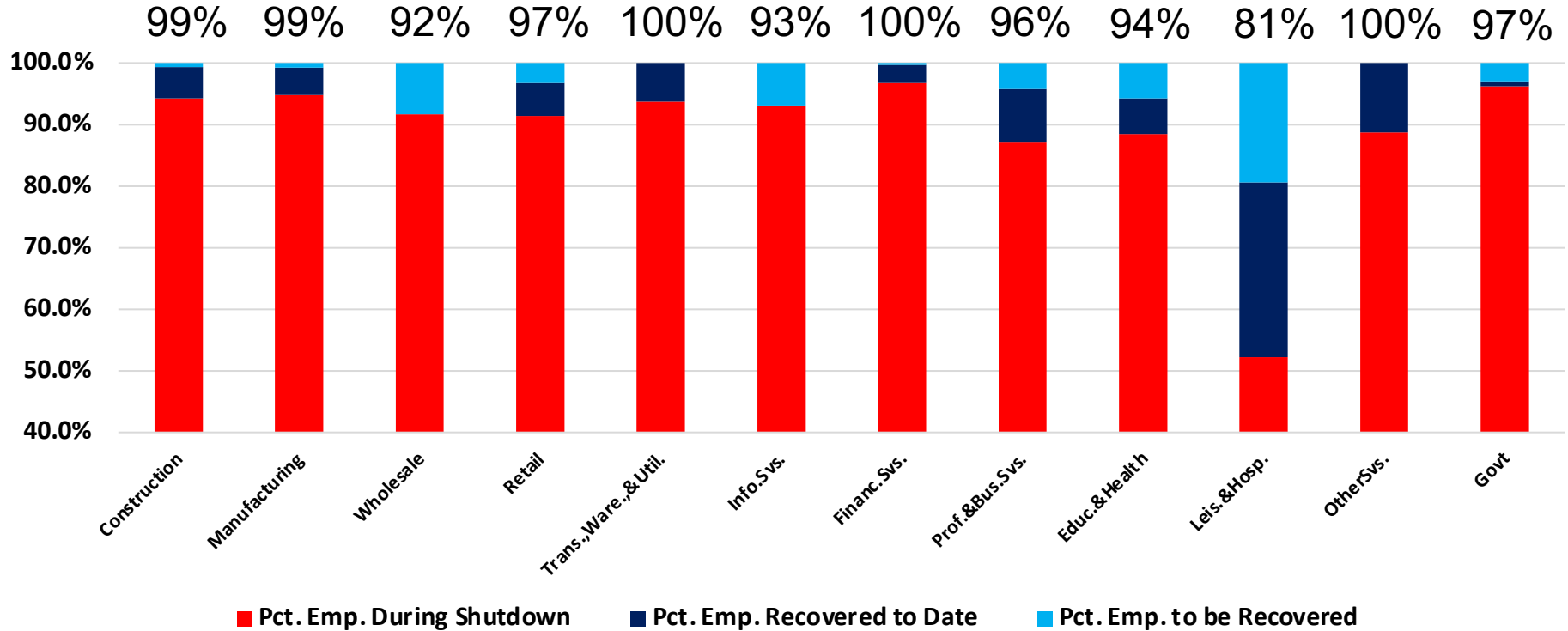


Even the lower bound on recovery scenarios suggests a much faster recovery in South Carolina than what was experienced following the Great Recession

Source: U.S. Bureau of Labor Statistics, CES-SA & Division of Research

Current Industry Size as a Pct. of Pre-Pandemic Size

Estimated by Comparing March 2020 to August 2020 Employment Levels

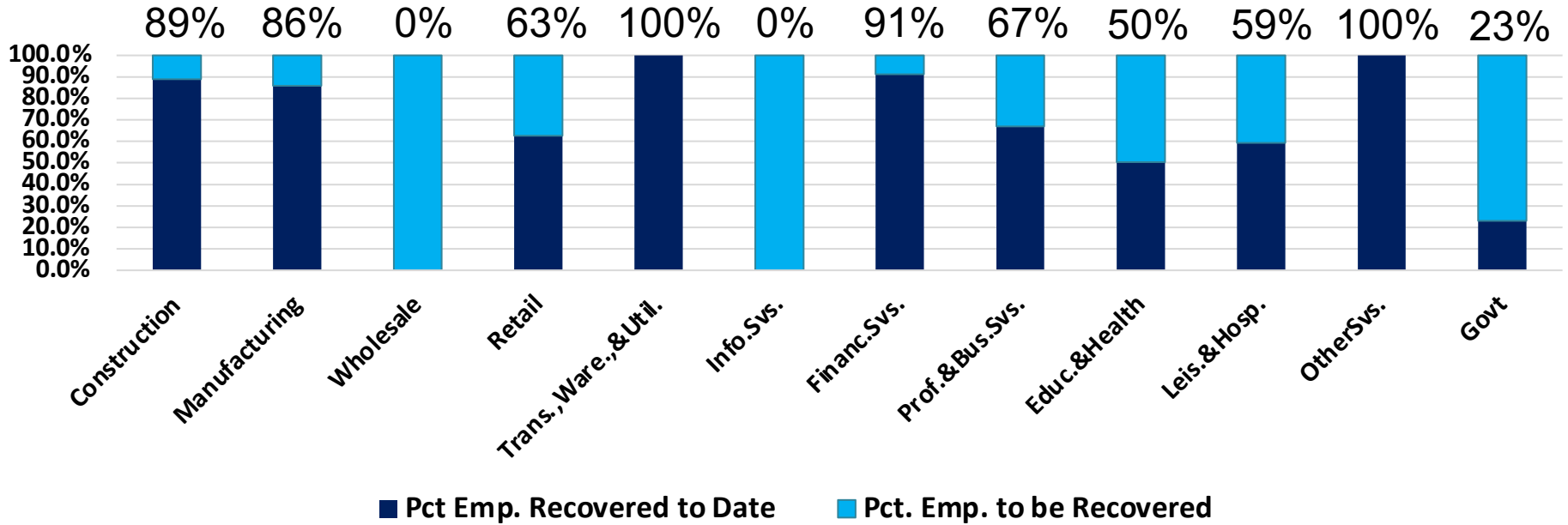


Source: U.S. Bureau of Labor Statistics



Pct. of Lost S.C. Jobs Recovered to Date

Estimated by Comparing March 2020 to August 2020 Employment Levels



To date, South Carolina has recovered approximated 62% of all jobs lost between March 2020 and April 2020

Source: U.S. Bureau of Labor Statistics

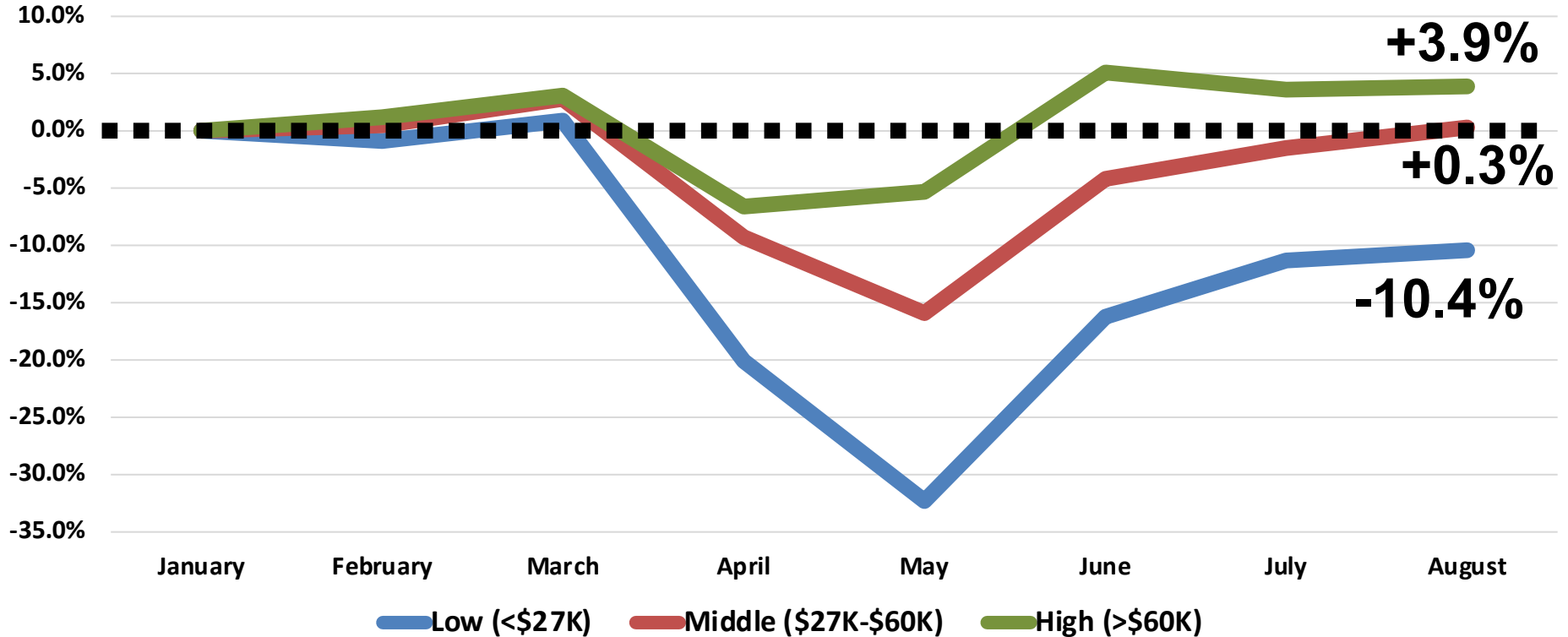


An Uneven Recovery



S.C. Employment Growth by Wage Level

Cumulative Employment Growth Since January 2020



Source: Harvard University, Opportunity Insights Economic Tracker, September 2020



S.C. Employment-Based Income Losses by Household Demographic

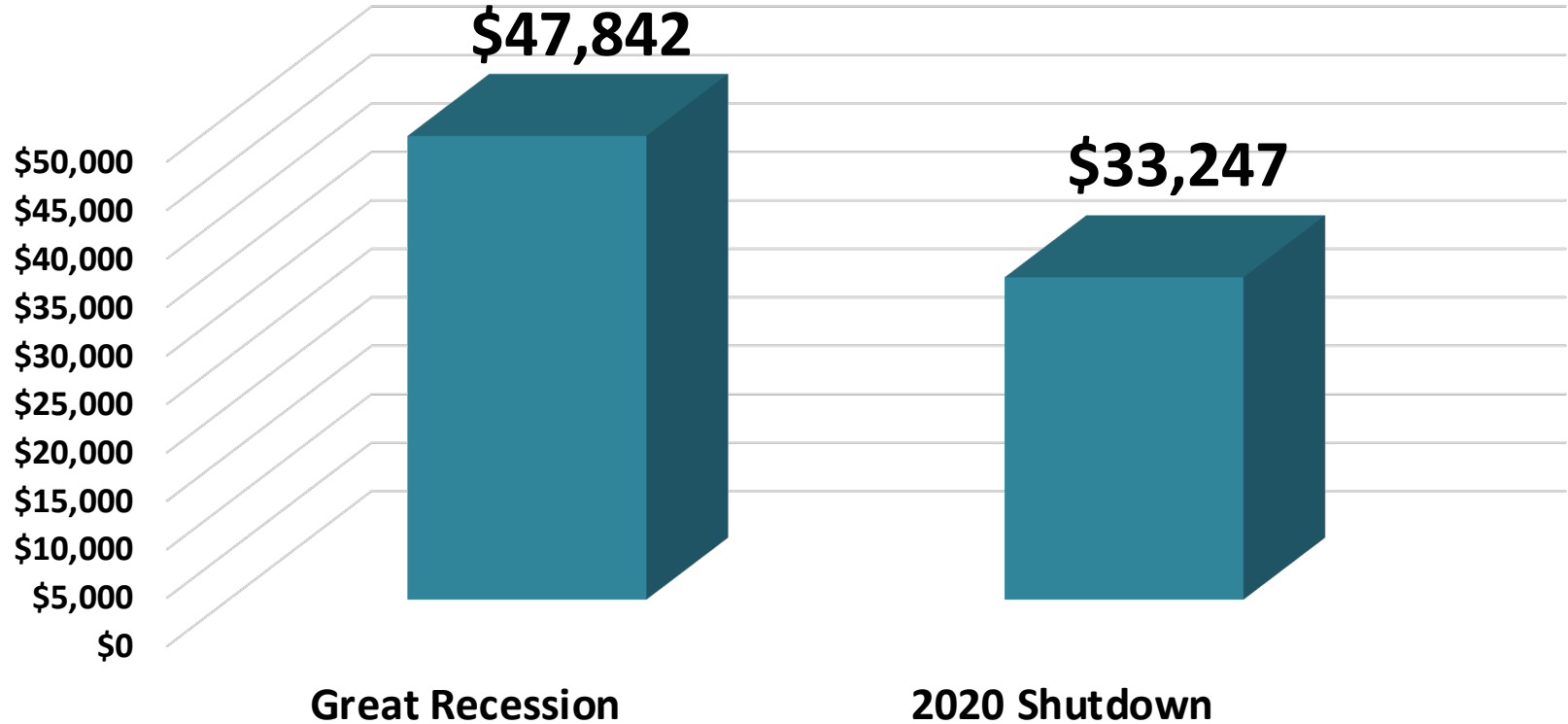
Reported for Losses Experienced Since March 15, 2020

Household Income Level	Experienced a Loss	Expecting Future Loss
Less than \$25K	67.0%	37.6%
\$25K-\$35K	49.6%	36.2%
\$35K-\$50K	47.4%	28.7%
\$50K-\$75K	47.8%	33.3%
\$75K-\$100K	34.9%	25.0%
\$100K-\$150K	31.2%	22.5%
\$150K+	26.4%	9.3%

Source: U.S. Census, Household Pulse Survey, September 2020

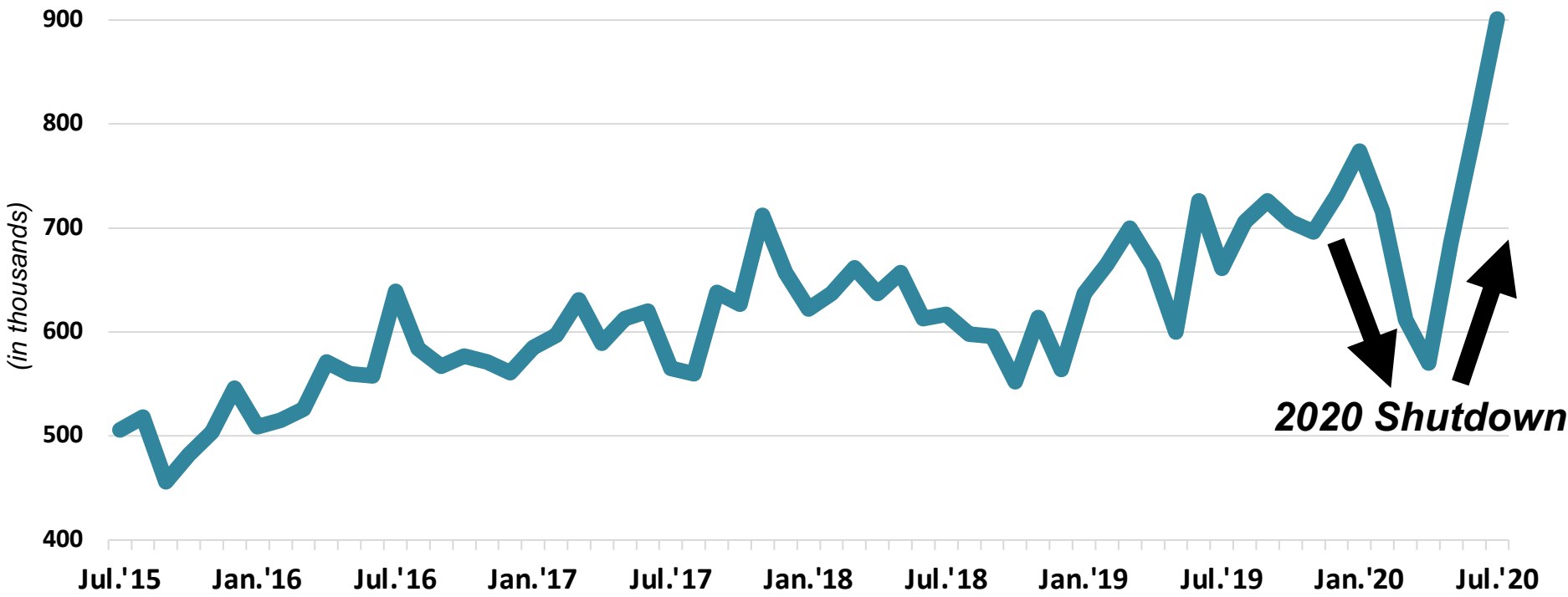


Avg. Annual Wage of All Jobs Lost in South Carolina



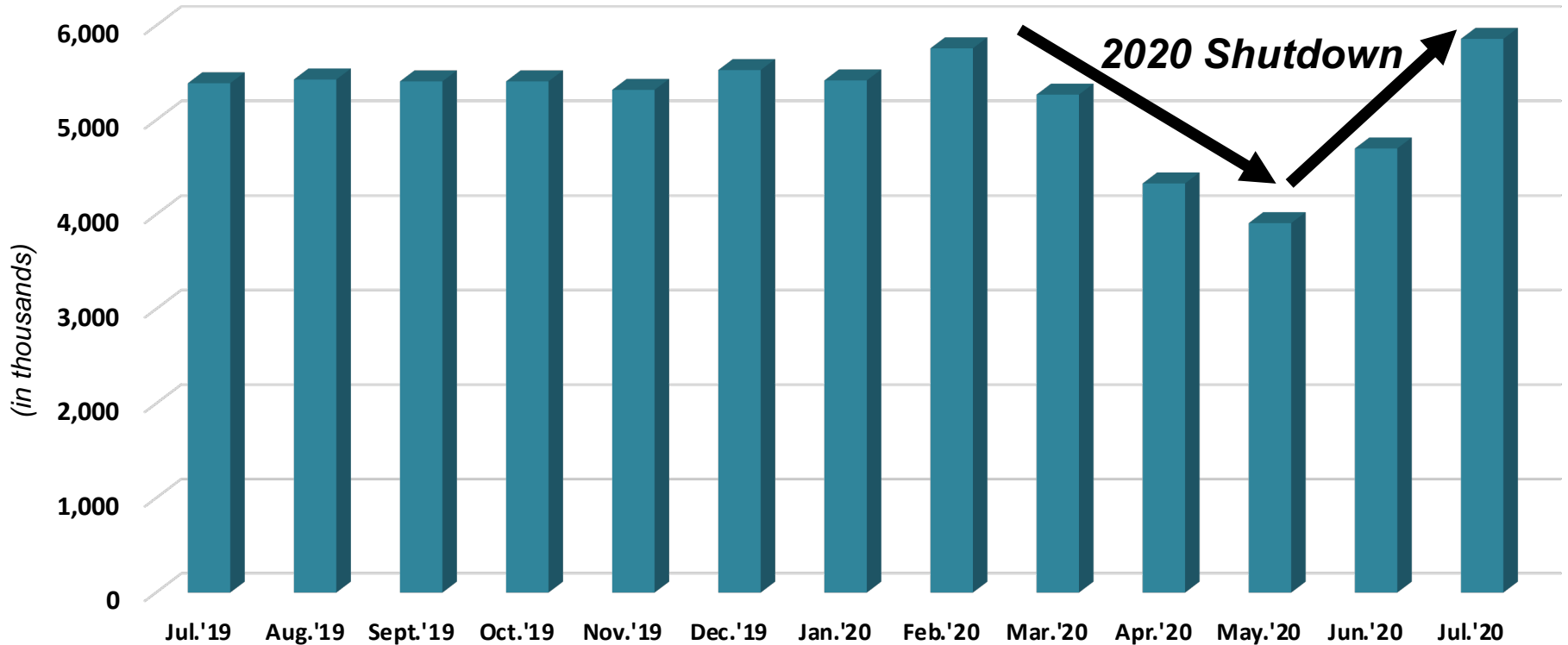
Source: U.S. Bureau of Labor Statistics

U.S. New Single Family Home Sales



Source: National Association of REALTORS

U.S. Existing Single Family Home Sales



Source: National Association of REALTORS



The Bottom Line

- *The pace of our recovery has slowed considerably since July, from a V-shape to a U-shape. This U-shaped recovery path may persist throughout the Fall.*
- *A full recovery in which employment rebounds to pre-pandemic levels is highly unlikely before Summer 2021.*
- *To date this recovery has been very uneven, with educational attainment being a major dividing line between market segments experiencing strong or weak growth.*
- *South Carolina is well-positioned for a “post-pandemic world” and may emerge as a leader for economic growth in the coming decade.*



Thank You!

