

SOUTH CAROLINA'S WORKFORCE DEMOGRAPHIC AND ECONOMIC TRENDS

“Never make predictions, especially about the future”

Presented to

State Fiscal Accountability Authority Management Retreat

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Population Trends

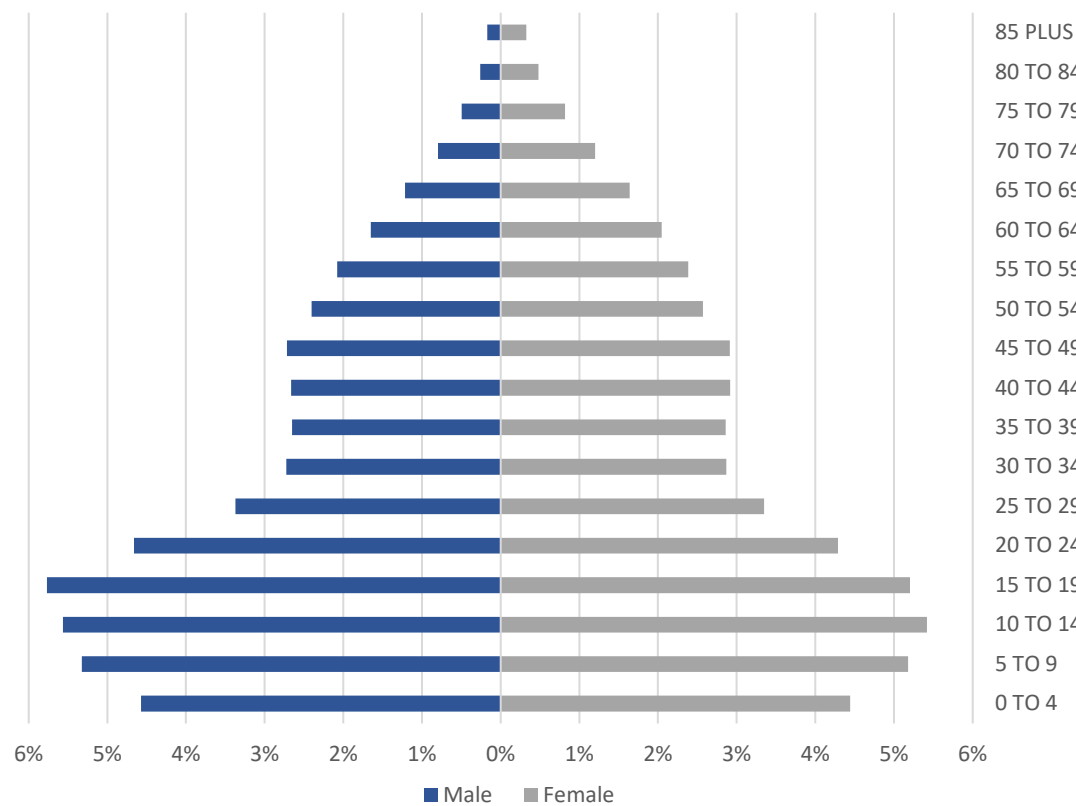
“Economics is extremely useful as a form of employment for economists.”

- John Kenneth Galbraith

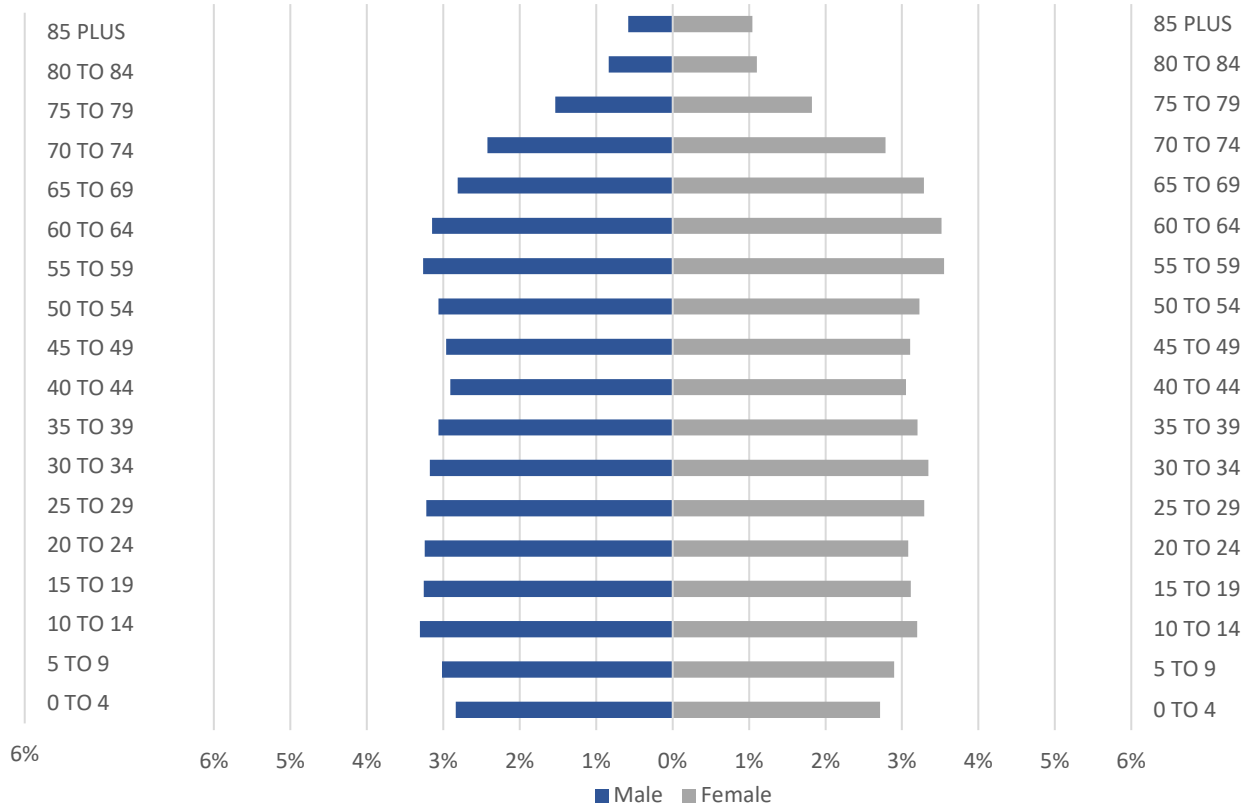
SC Population Pyramid

The age distribution of the state's population has shifted dramatically since 1970; the median age has increased from 24 in 1970 to 40 in 2020

1970 POPULATION PYRAMID



2020 POPULATION PYRAMID

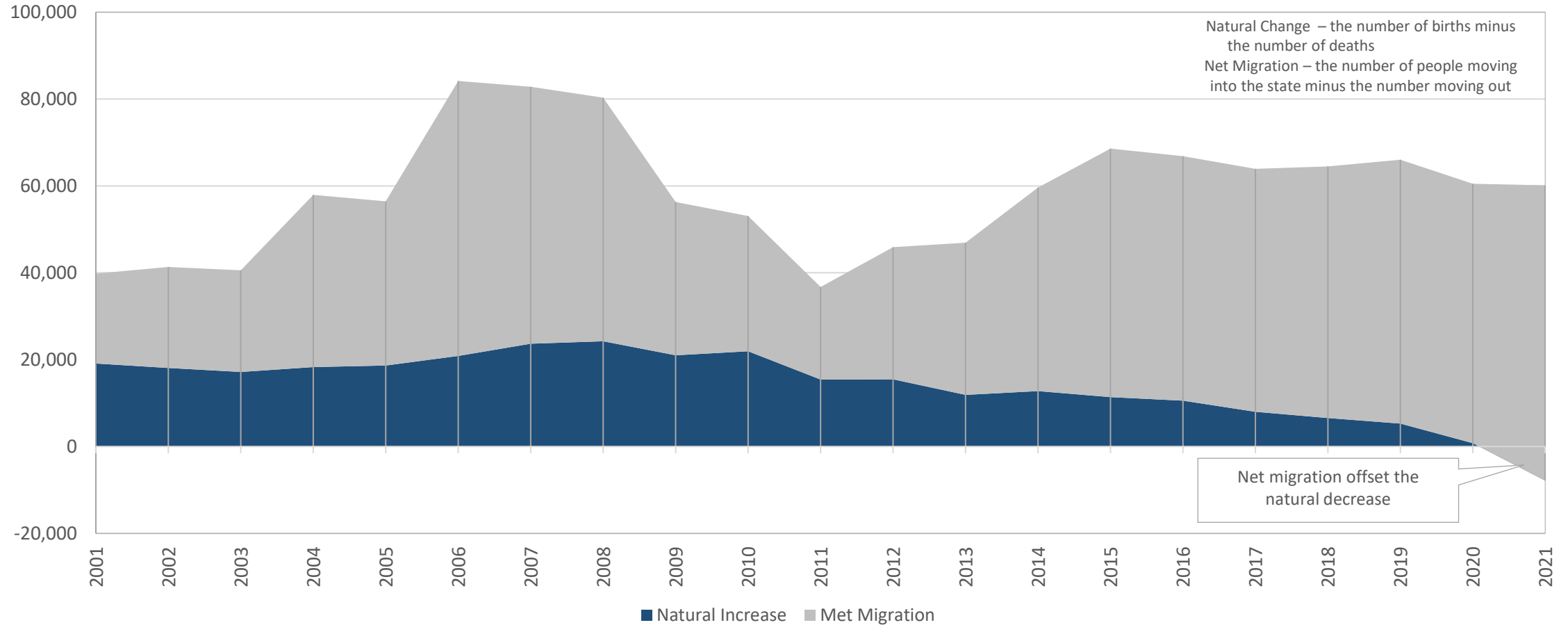


Source: S.C. Revenue and Fiscal Affairs Office 320 /08/25/2020

Components of Population Change

Migration into the state contributed more to population than the natural change; deaths exceeded births in 2021

SC POPULATION CHANGE BY COMPONENT



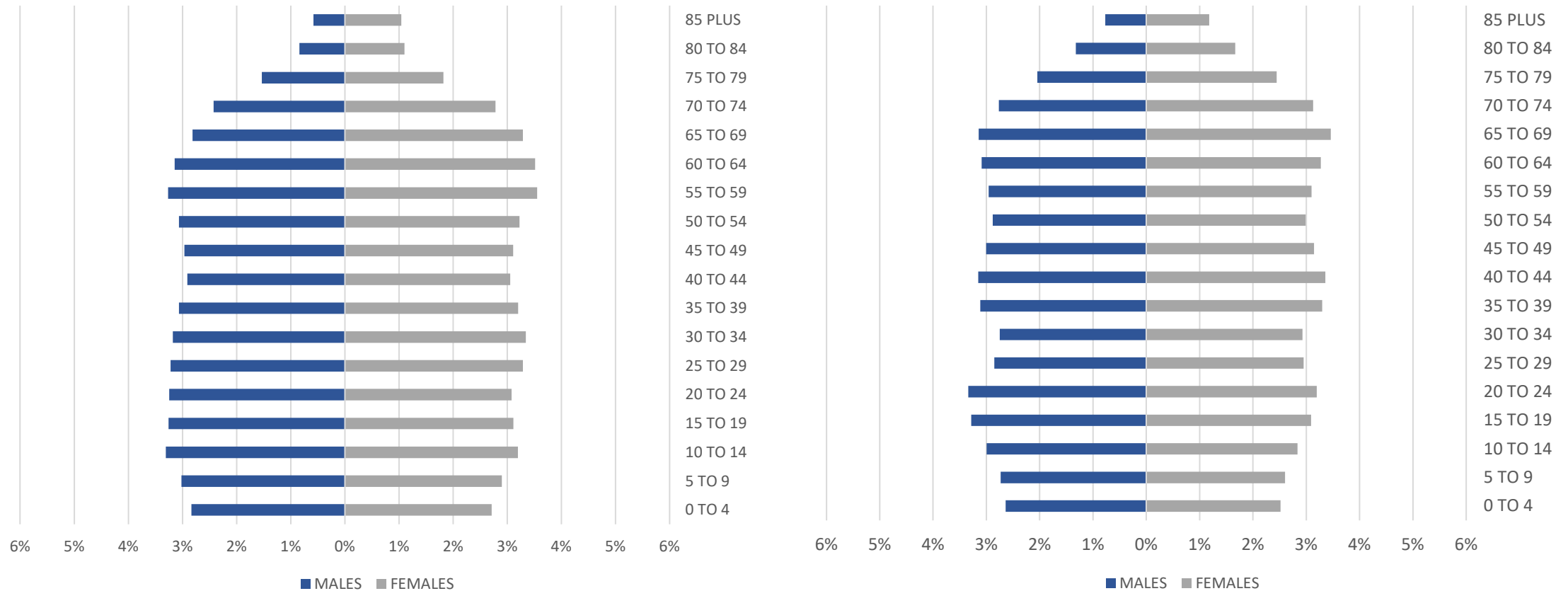
Source: US Census Bureau Population Estimates 321-RFA/08/29/2022

SC 2030 Population Projections

The median age is expected to increase from 40 to 42 over the next decade; all baby boomers will be older than 65

2020 POPULATION PYRAMID

2030 POPULATION PYRAMID

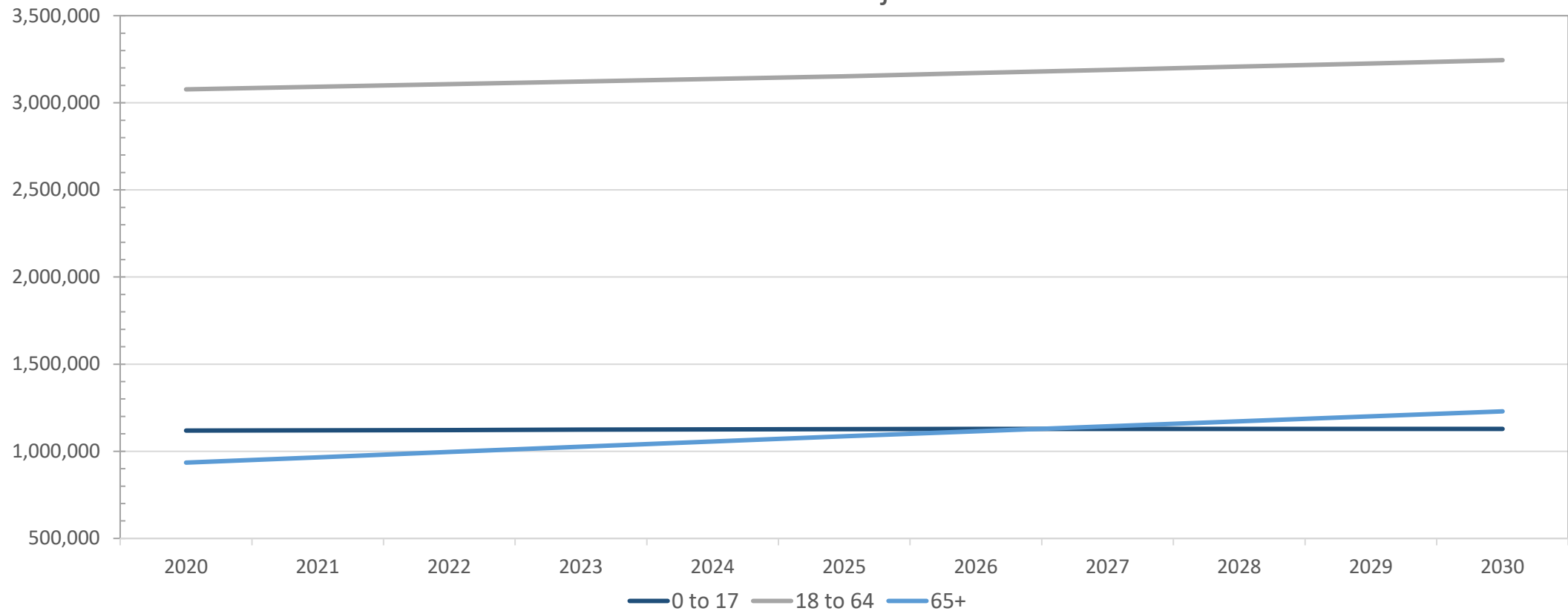


Source: US Census Bureau, Estimates, Projections by S.C. Revenue and Fiscal Affairs

SC Population by Age Group

Population in the 65 plus age range is projected to surpass the under 18 age range by 2027

SC POPULATION BY AGE RANGE
Estimates and Projections

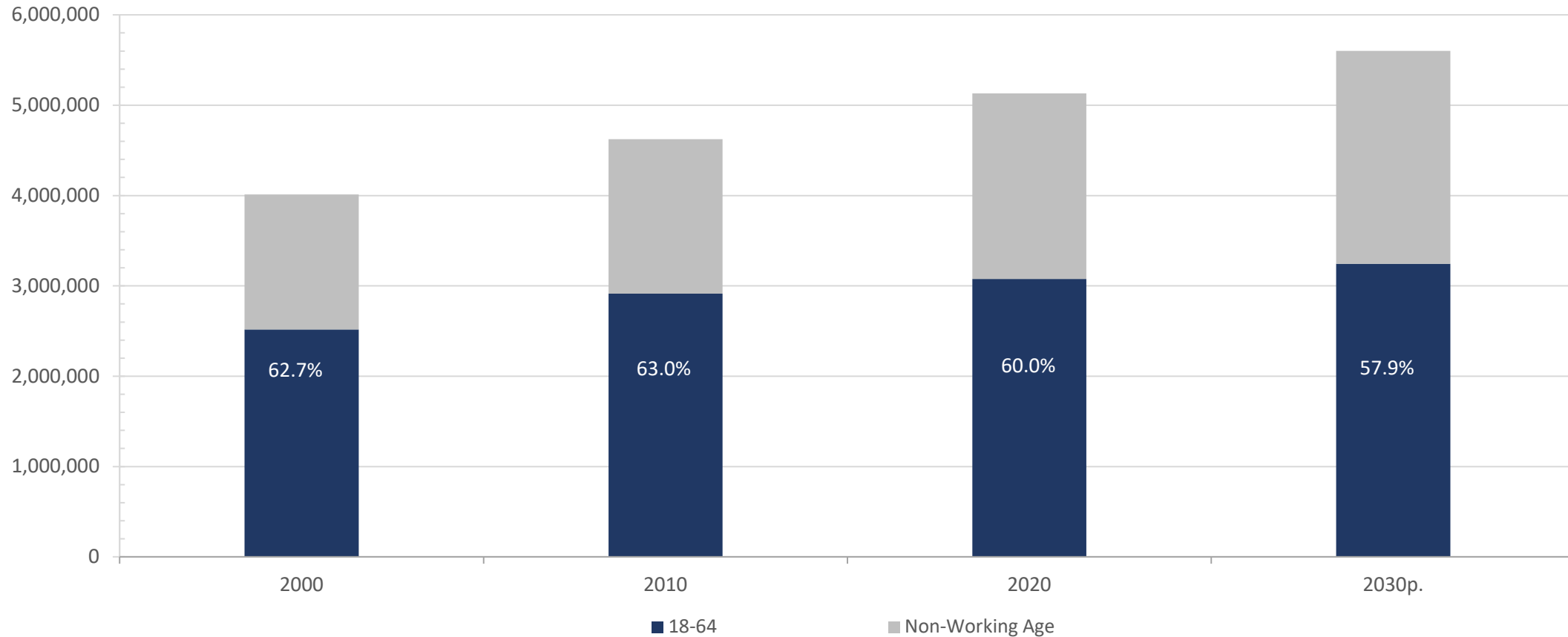


Source: U.S. Census Bureau, population estimates 2020, 2021; S.C. Revenue and Fiscal Affairs Office projections -319/lhj/08/29/2022

SC Workforce Population, Age 18 - 64

The workforce age population is expected to comprise a smaller percentage of the total SC population; employers may be faced with more demand for goods and services but a smaller pool of workers

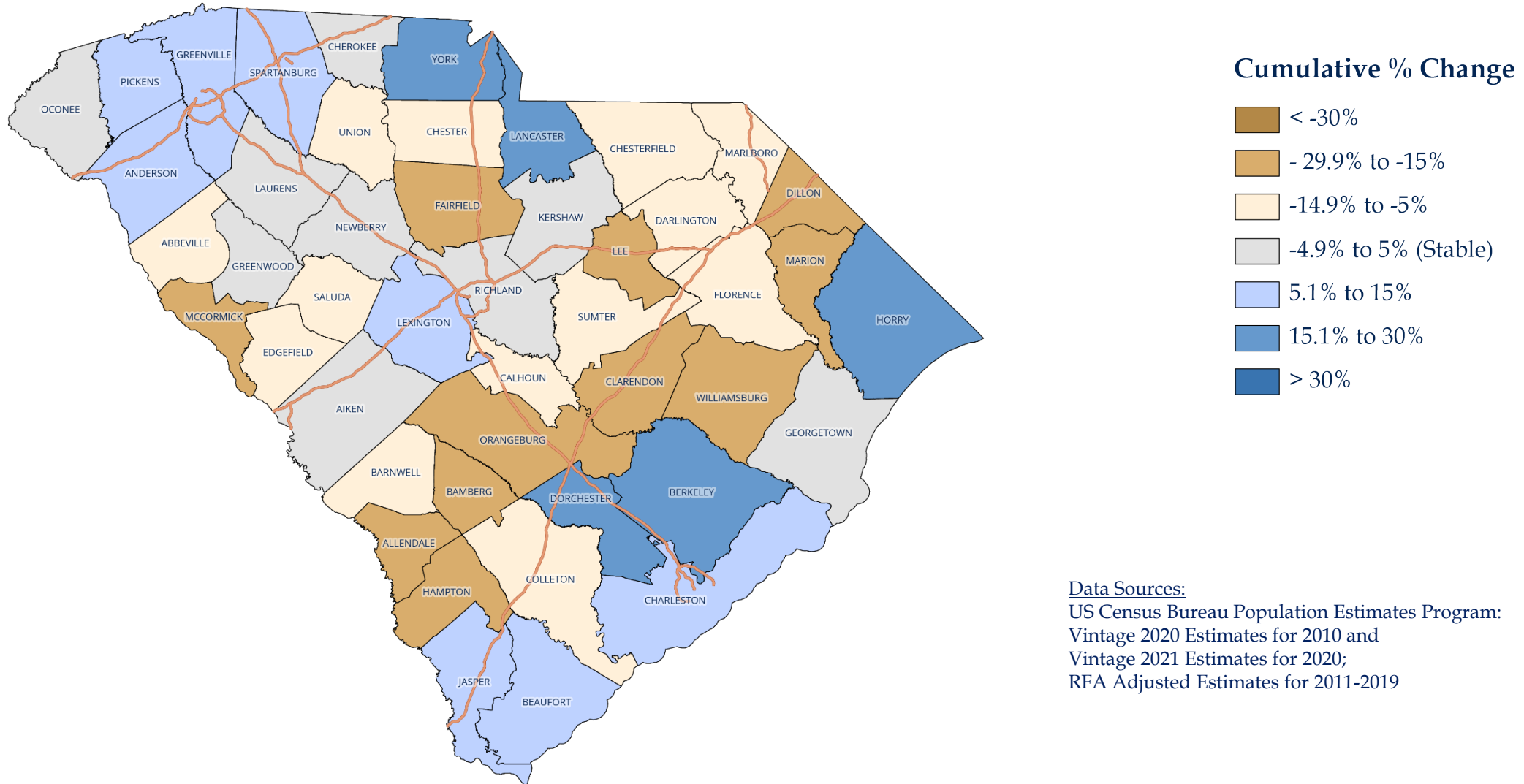
WORKING AGE VS TOTAL POPULATION



Source: US Census Bureau, Estimates, Projections by S.C. Revenue and Fiscal Affairs

SC Estimated Workforce Age (18 – 64) Population, 2010 – 2020

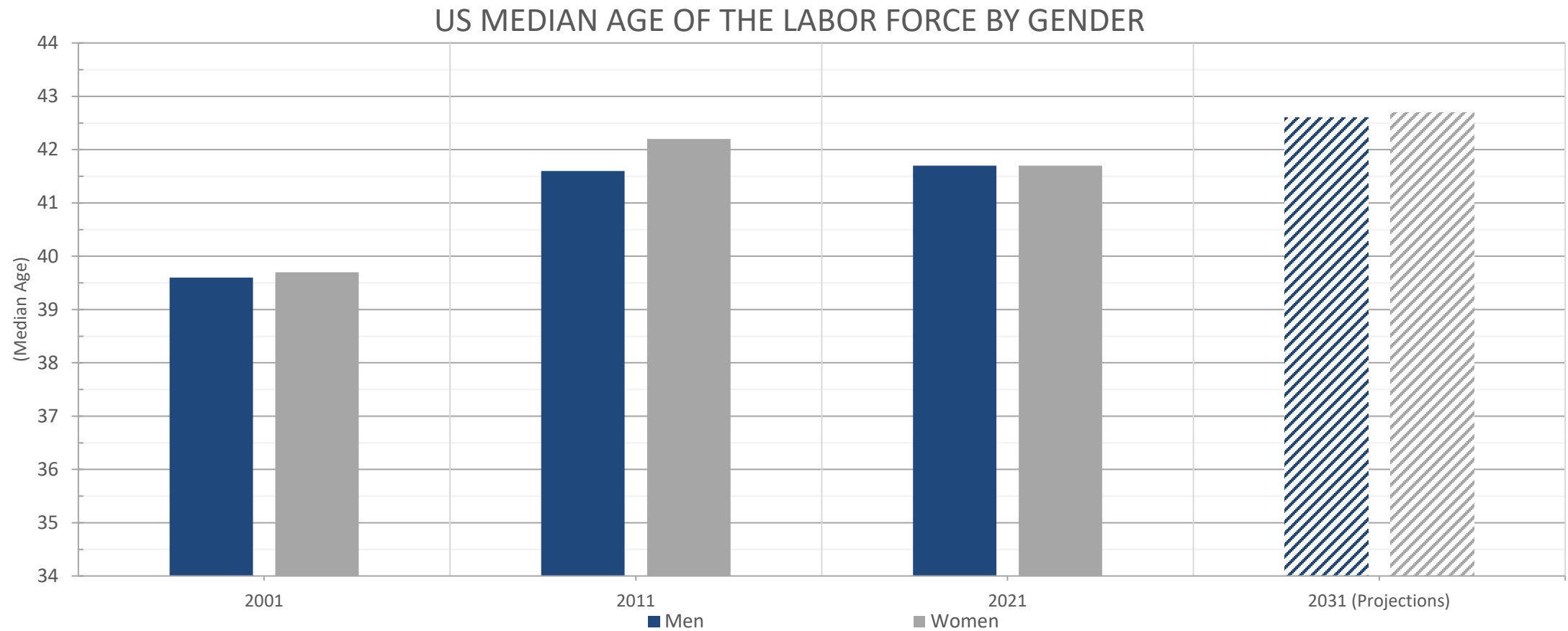
Thirteen counties increased in this age group



Data Sources:
 US Census Bureau Population Estimates Program:
 Vintage 2020 Estimates for 2010 and
 Vintage 2021 Estimates for 2020;
 RFA Adjusted Estimates for 2011-2019

US Median Age of the Labor Force

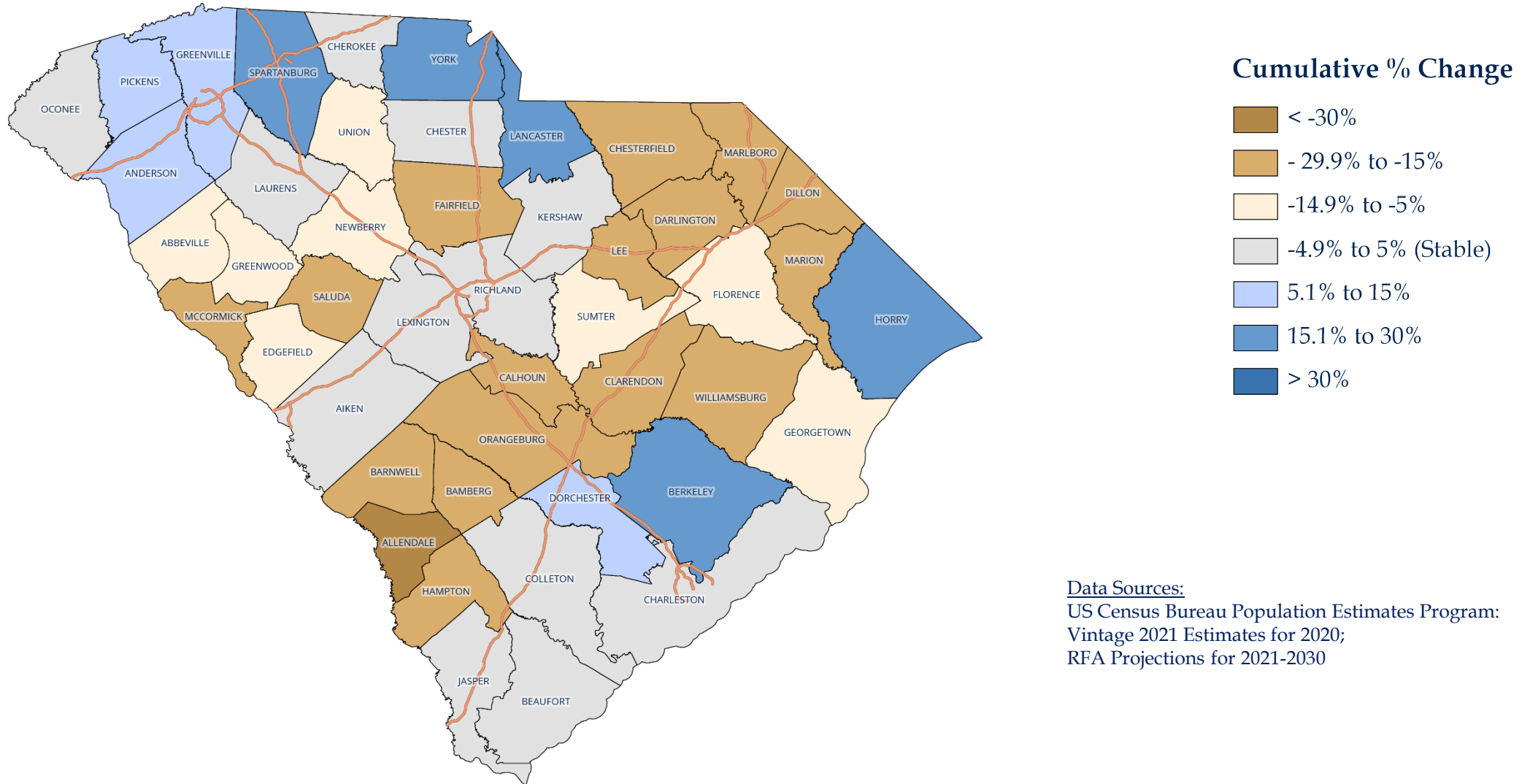
The median age remained almost the same for men but fell for women from 2011 to 2021; both are projected to increase by one year to 42.6 and 42.7, respectively, by 2031



Data Source: U.S. Bureau of Labor Statistics, Employment Projections Program as of 9/8/2022 326A-RFA/lpw/10/25/22

SC Estimated Workforce Age (18 – 64) Population, 2020 – 2030

Nine counties are projected to increase in this age group

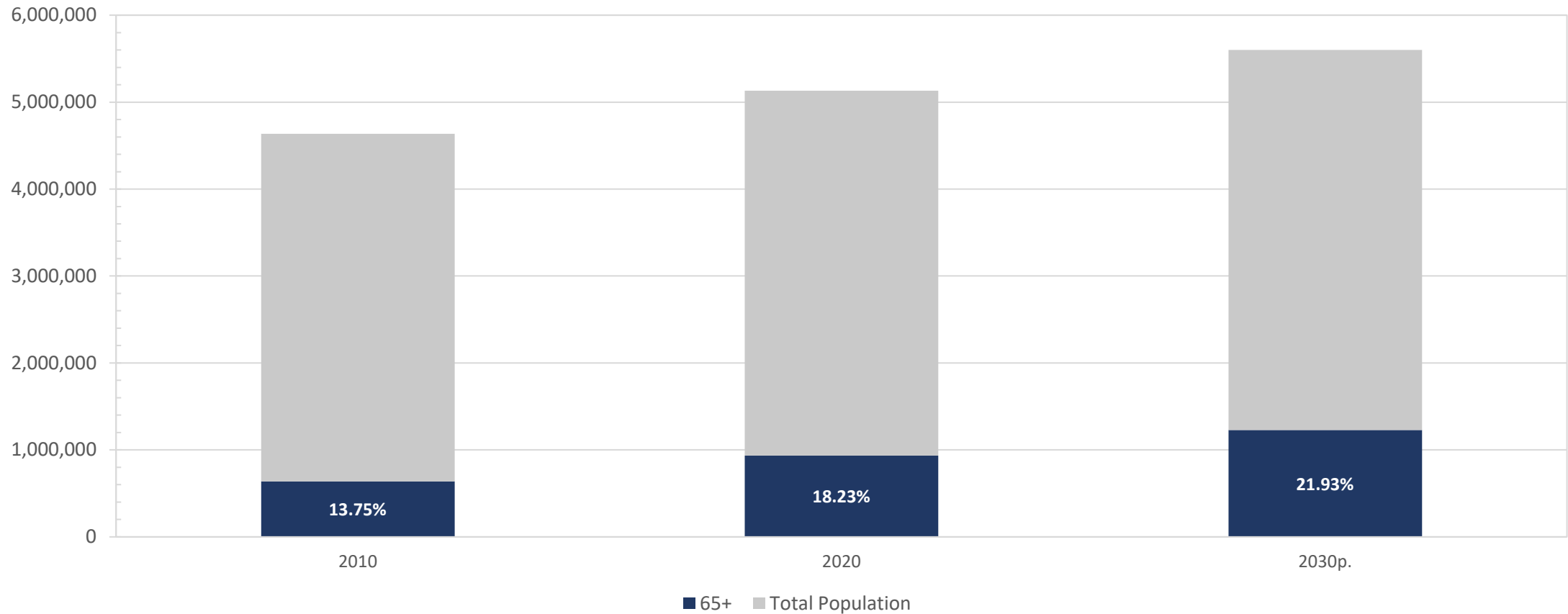


Data Sources:
 US Census Bureau Population Estimates Program:
 Vintage 2021 Estimates for 2020;
 RFA Projections for 2021-2030

SC Projected Age 65+ Population

Projected to increase to approximately 22% of total population by 2030

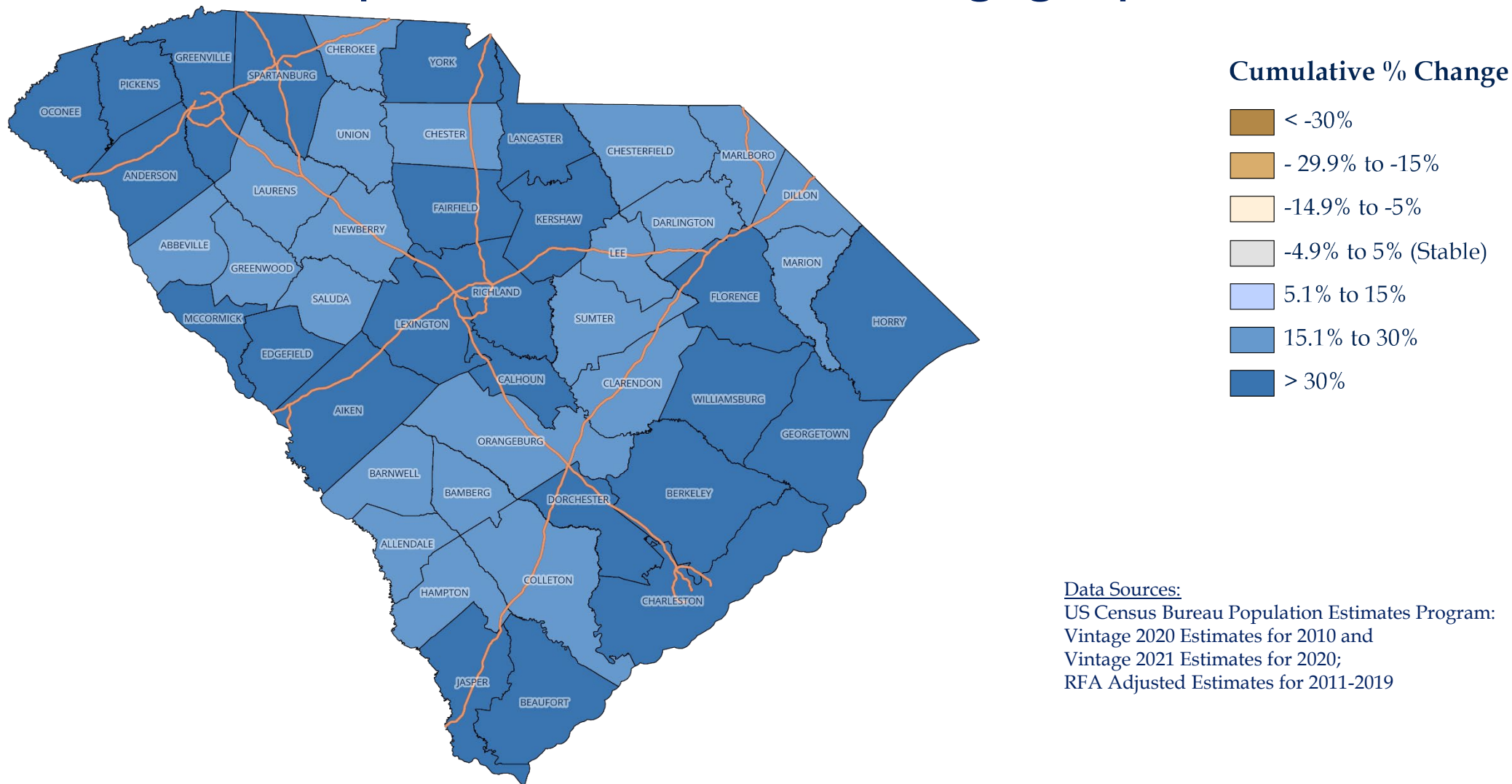
65+ AS A PERCENT OF TOTAL POPULATION



Source: US Census Bureau, Estimates; Projections by S.C. Revenue and Fiscal Affairs

SC Estimated Retirement Age (65+) Population, 2010 - 2020

All counties experienced an increase in this age group



Data Sources:
US Census Bureau Population Estimates Program:
Vintage 2020 Estimates for 2010 and
Vintage 2021 Estimates for 2020;
RFA Adjusted Estimates for 2011-2019

South Carolina and National Economy

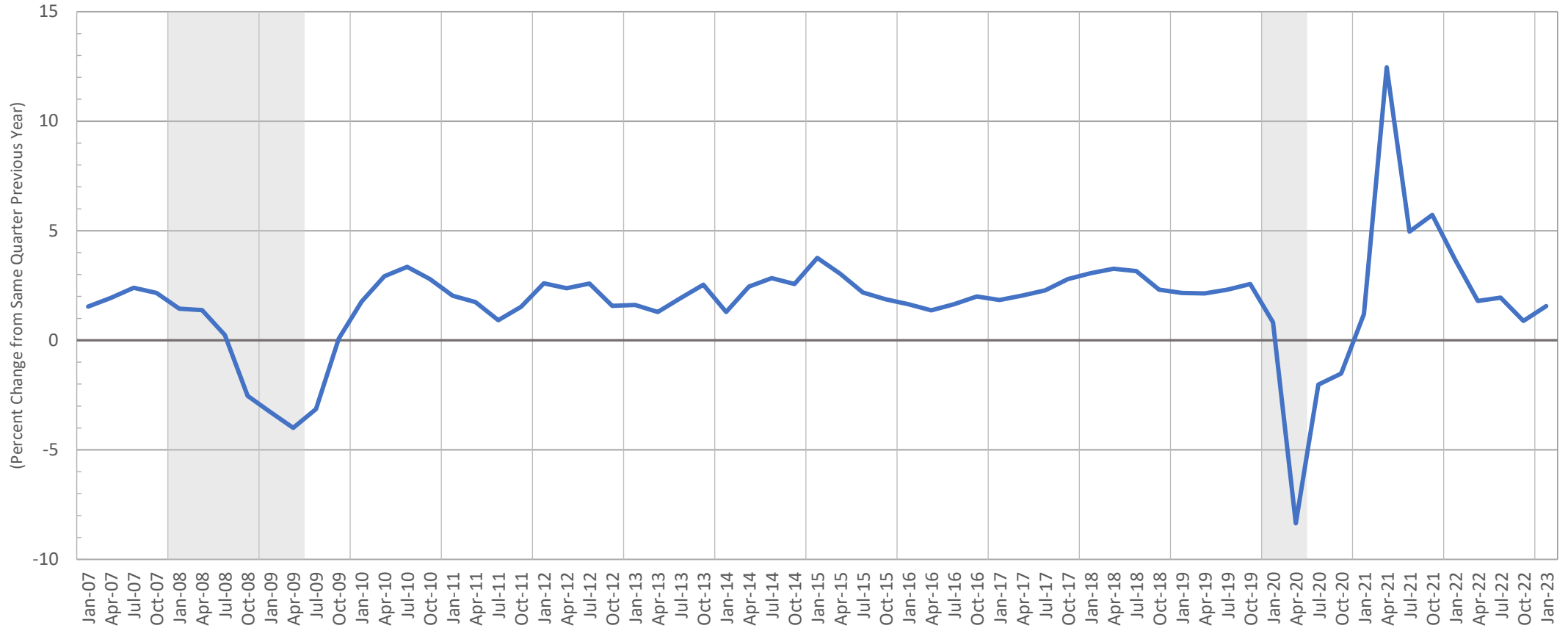
“The only function of economic forecasting is to make astrology look respectable.”

- John Kenneth Galbraith

US Real GDP

Q1 2023 GDP growth increased to 1.6% over Q1 2022

US REAL GROSS DOMESTIC PRODUCT GROWTH

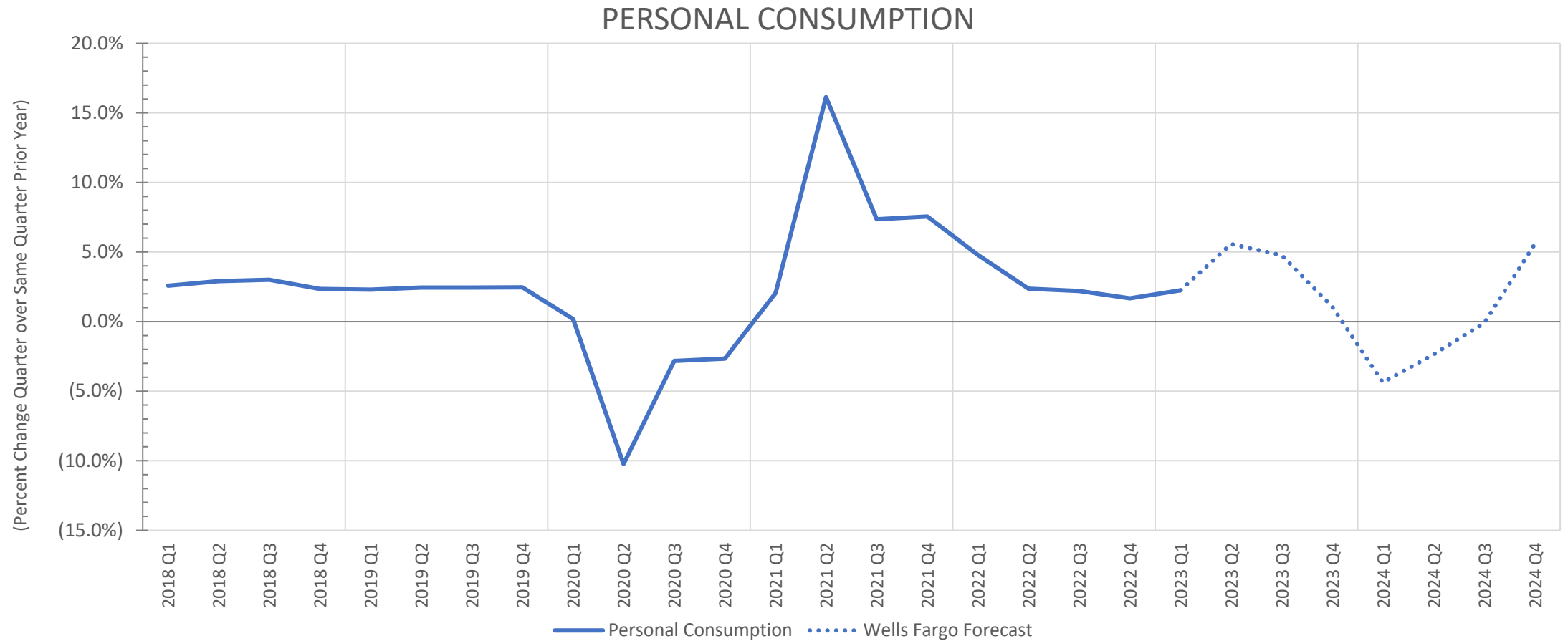


Source: U.S. Dept. of Commerce, Bureau of Economic Analyses RFA/lhj/266/04/28/2023



US Personal Consumption

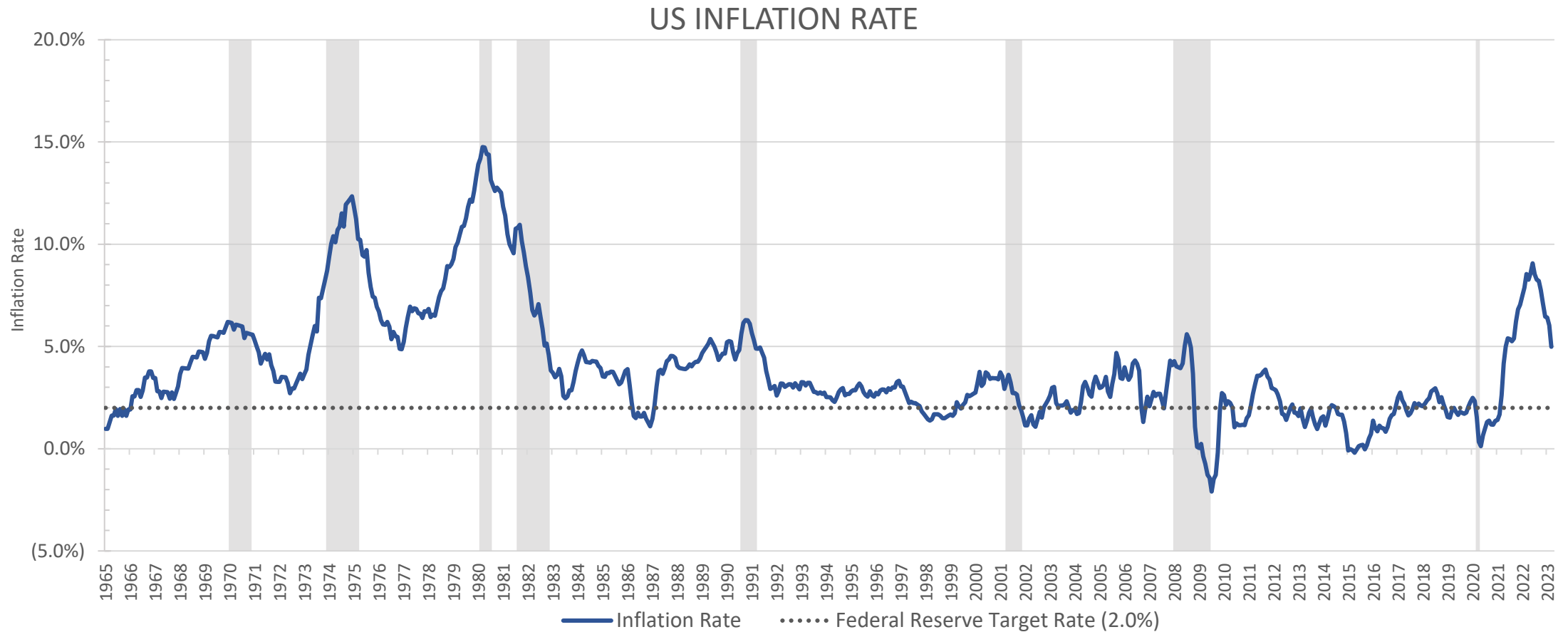
Growth in personal consumption component of GDP is expected to slow in late 2023



Source: Bureau of Economic Analyses; Wells Fargo US Economic Outlook, April 13, 2023 292A RFA/lhj/05/03/2023

US Inflation – History

Inflation reached a high of 9.1% in 2022; inflation has not been over 9% since 1981

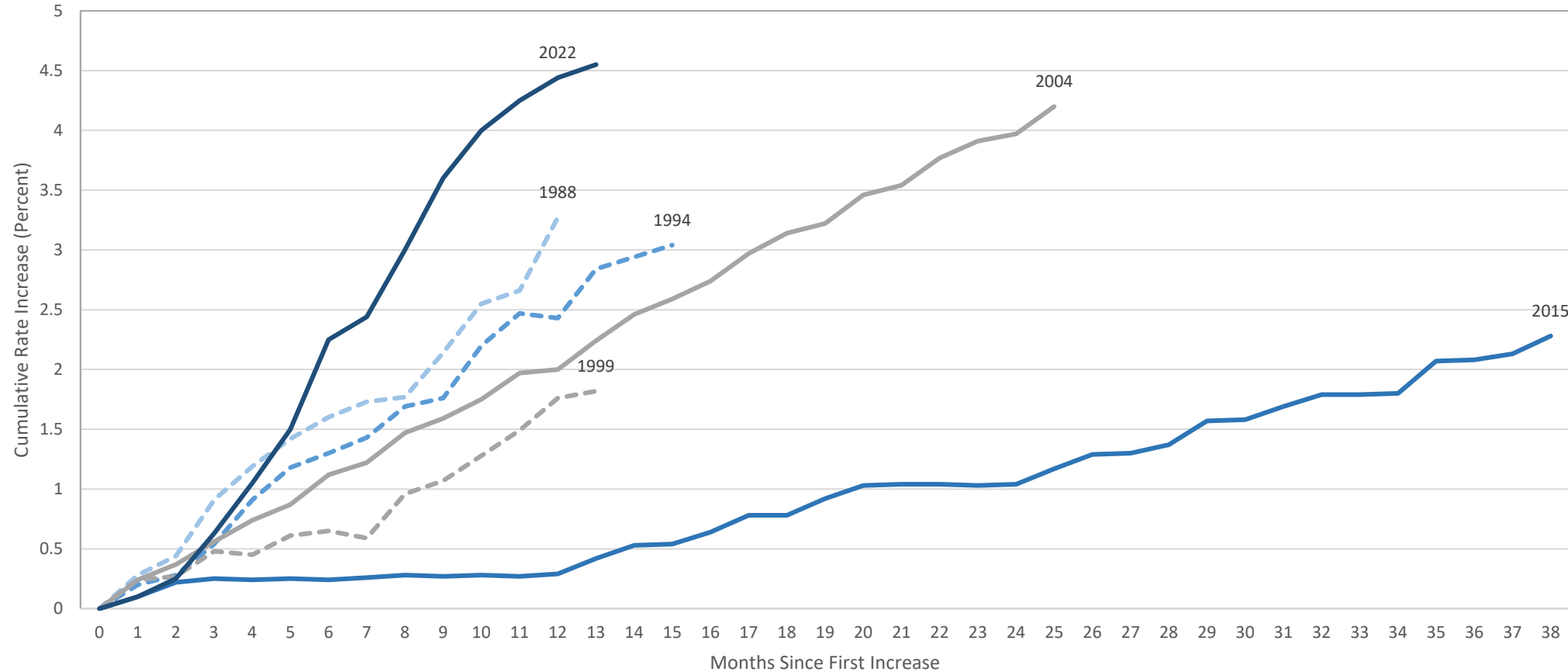


Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers in U.S. City Average; RFA/316/lhj/05/16/2023

Federal Funds Interest Rate Changes – History

The current increases in the federal funds rate are faster than other periods in the last 30+ years

CUMULATIVE CHANGE IN FEDERAL-FUNDS RATE SINCE START OF RATE INCREASE



Final Effective Rate

- 1988: 9.8%
- 1994: 6.0%
- 1999: 6.5%
- 2004: 5.25%
- 2015: 2.5%
- 2022: 4.63%*

*As of 4/3/2023

Source: Board of Governors of the Federal Reserve System via Wall Street Journal and FRED Economic Data 277C -RFA/lhj/4/03/2023

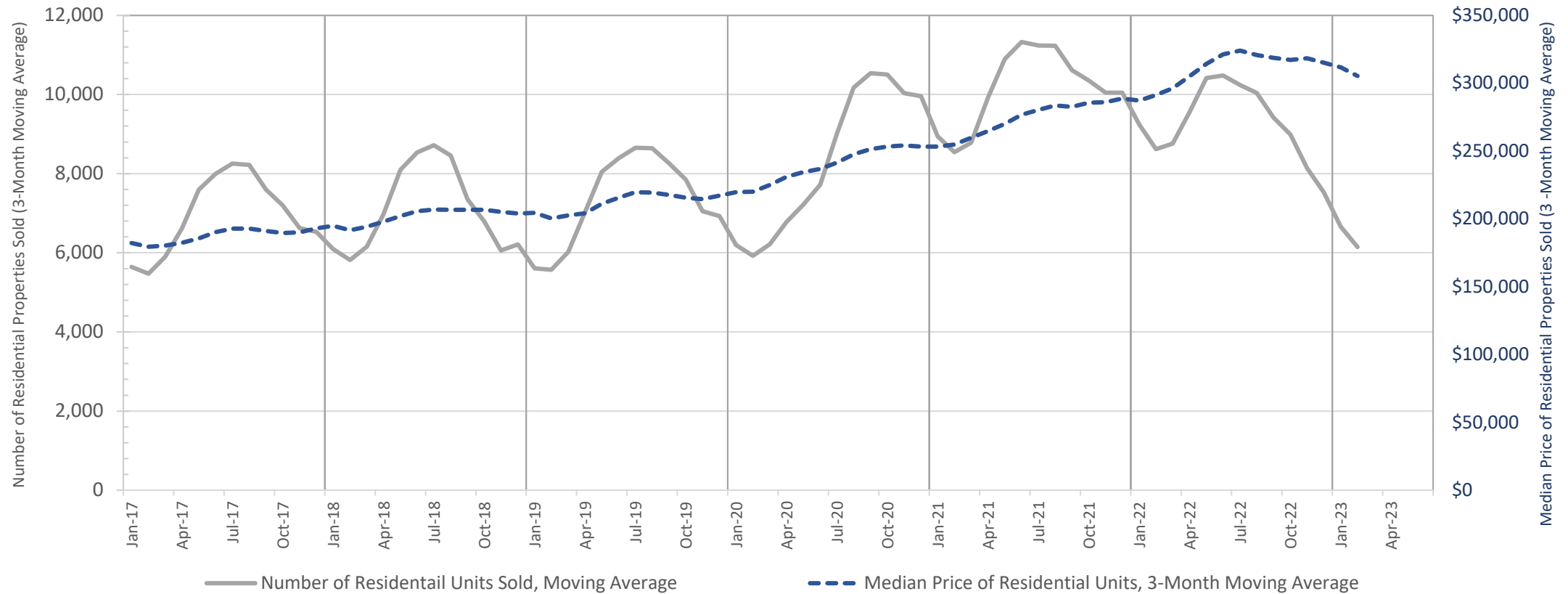


SC Housing Market

Total home sales have declined since the start of interest rate increases; prices are now starting to fall as well

SOUTH CAROLINA RESIDENTIAL HOME SALES

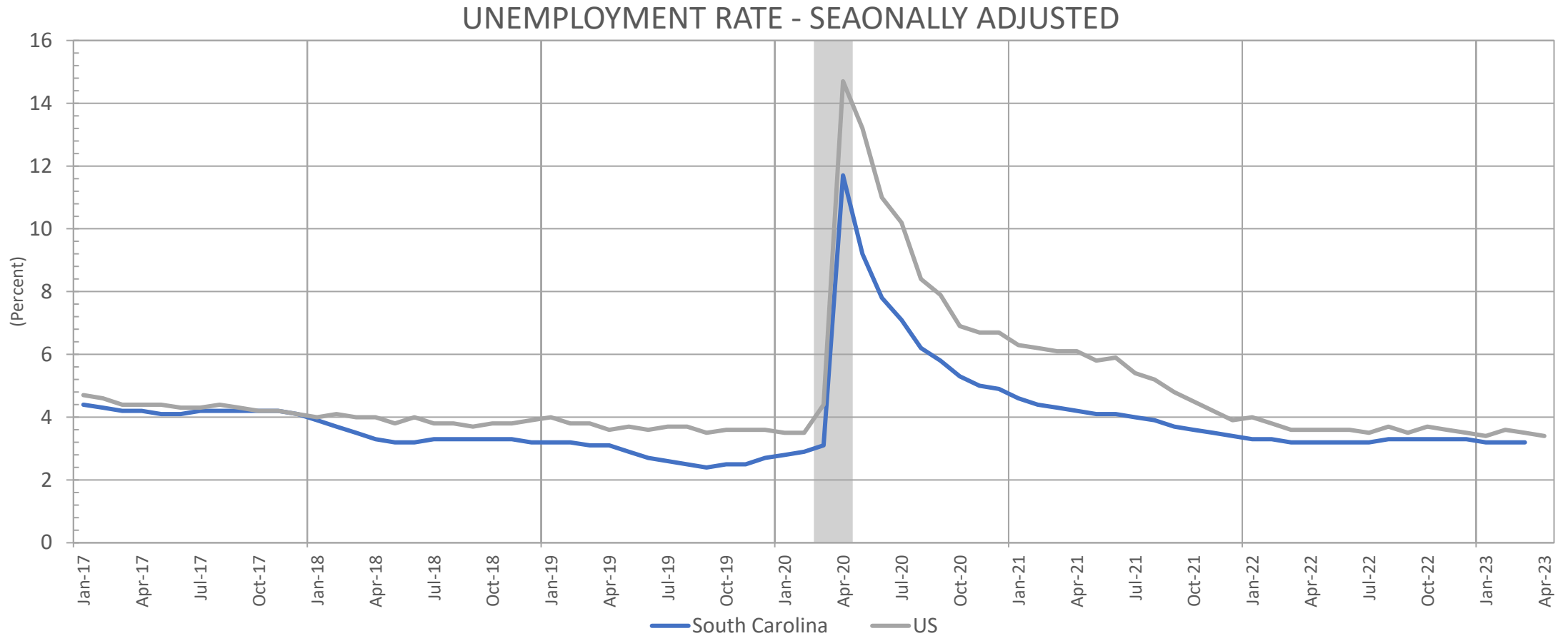
Number Sold vs. Median Sales Price



Source: S.C. Realtors, Market Activity for South Carolina 276-RFA/lhi/3/22/2023

Unemployment Rate

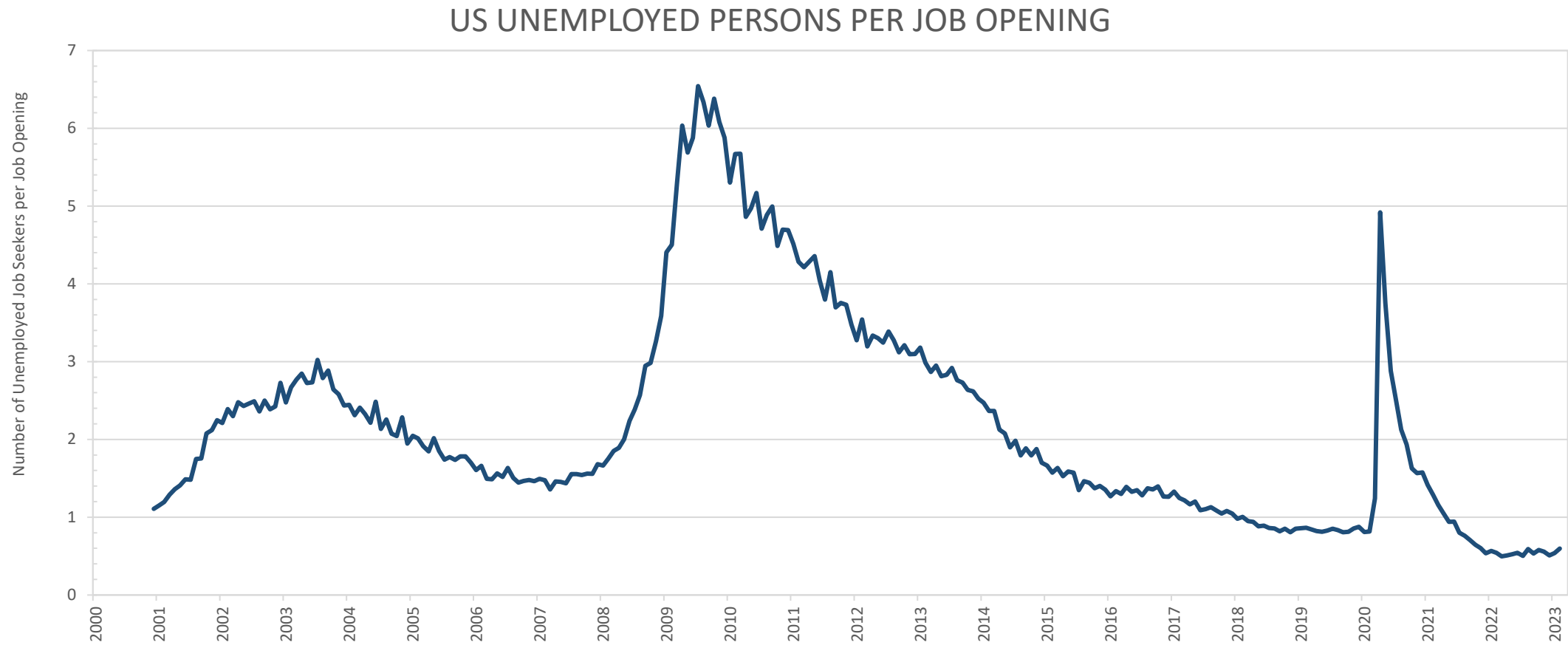
SC unemployment rate was 3.2% in March 2023 compared to the US rate of 3.5%, which dropped to 3.4% in April



Source: U.S. Department of Commerce, Bureau of Labor Statistics, Seasonally Adjusted 129--RFA/lhj/5/16/2023

US Unemployed Persons Per Job Opening

The US labor market remains at historic levels of tightness as employers compete over a smaller pool of potential workers



Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; 259A - RFA/lhj/04/19/23



SC Employment

Employment has exceeded pre-pandemic levels

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA

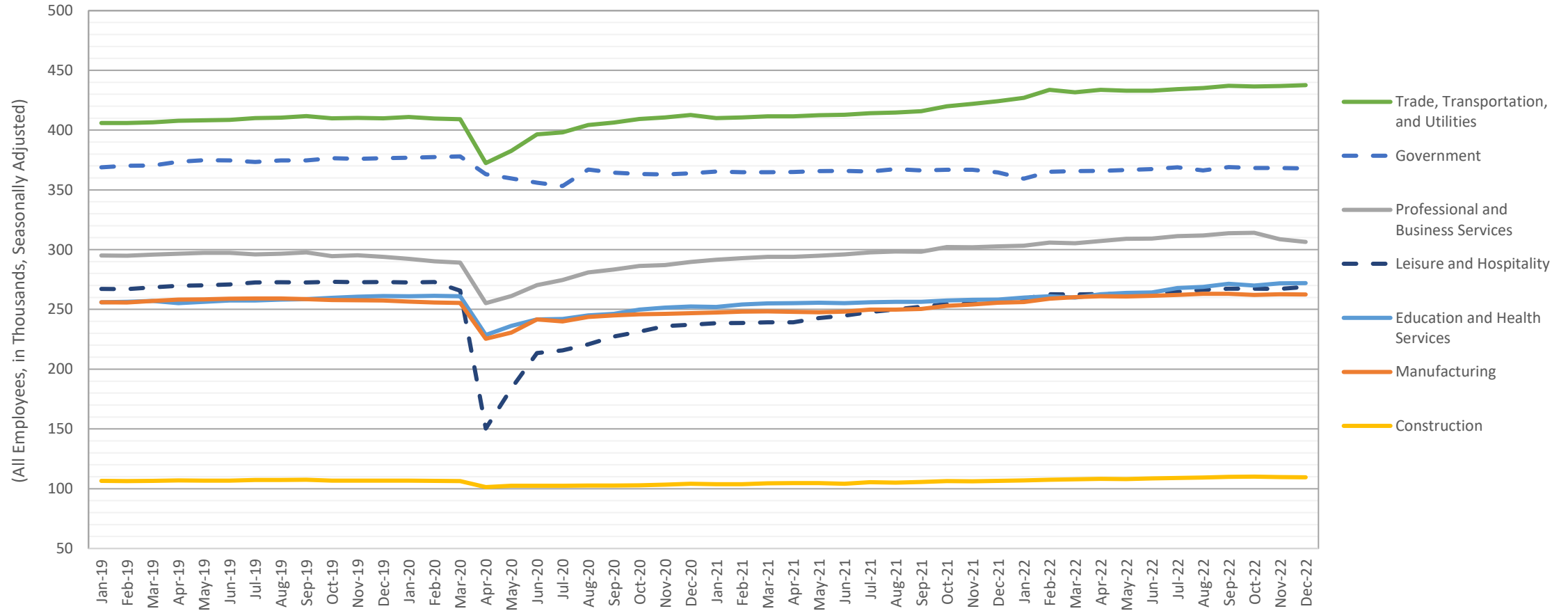


Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/lhj/5/15/23

SC Employment by Industry

Not all sectors have recovered to pre-pandemic employment levels; government is below pre-pandemic levels

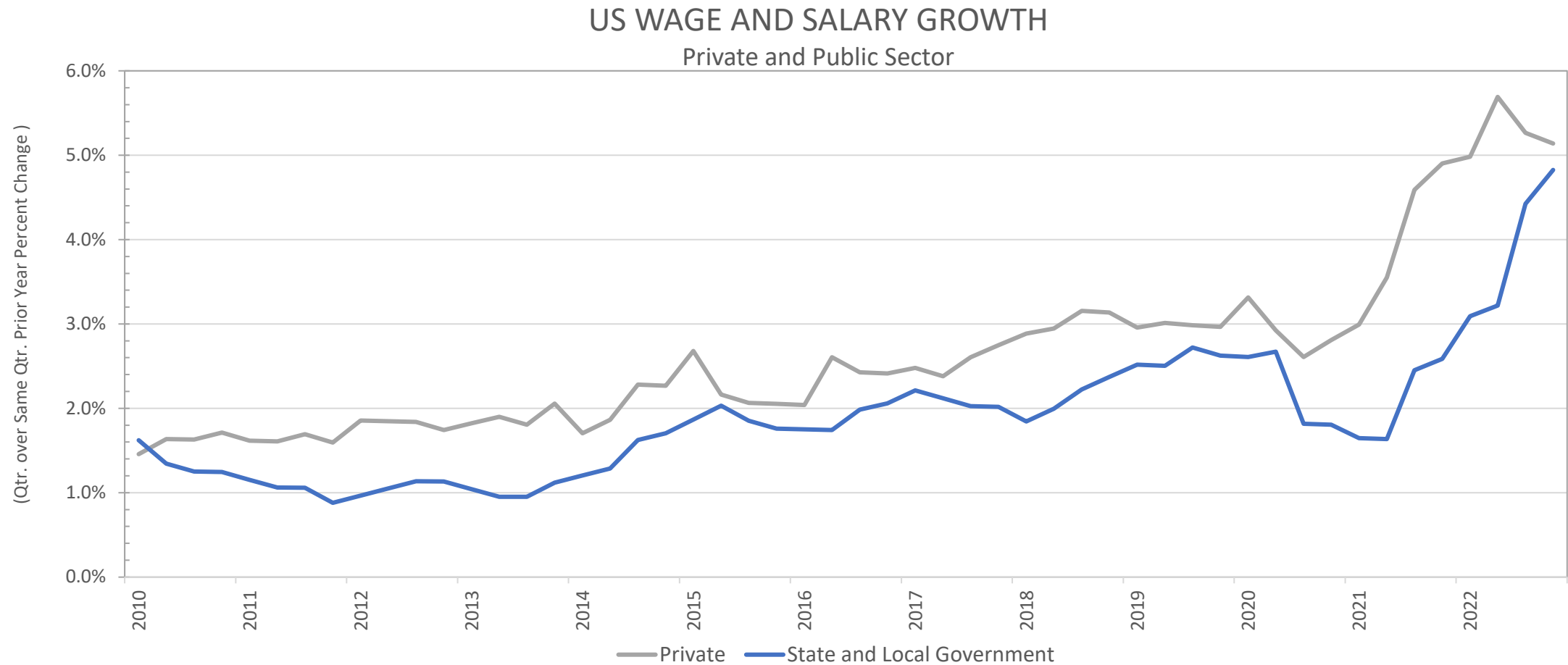
SOUTH CAROLINA EMPLOYMENT BY INDUSTRY SECTOR



Source: U.S. Bureau of Labor Statistics 325-RFA/lhj/4/4/2023

US Wage and Salary Growth by Sector

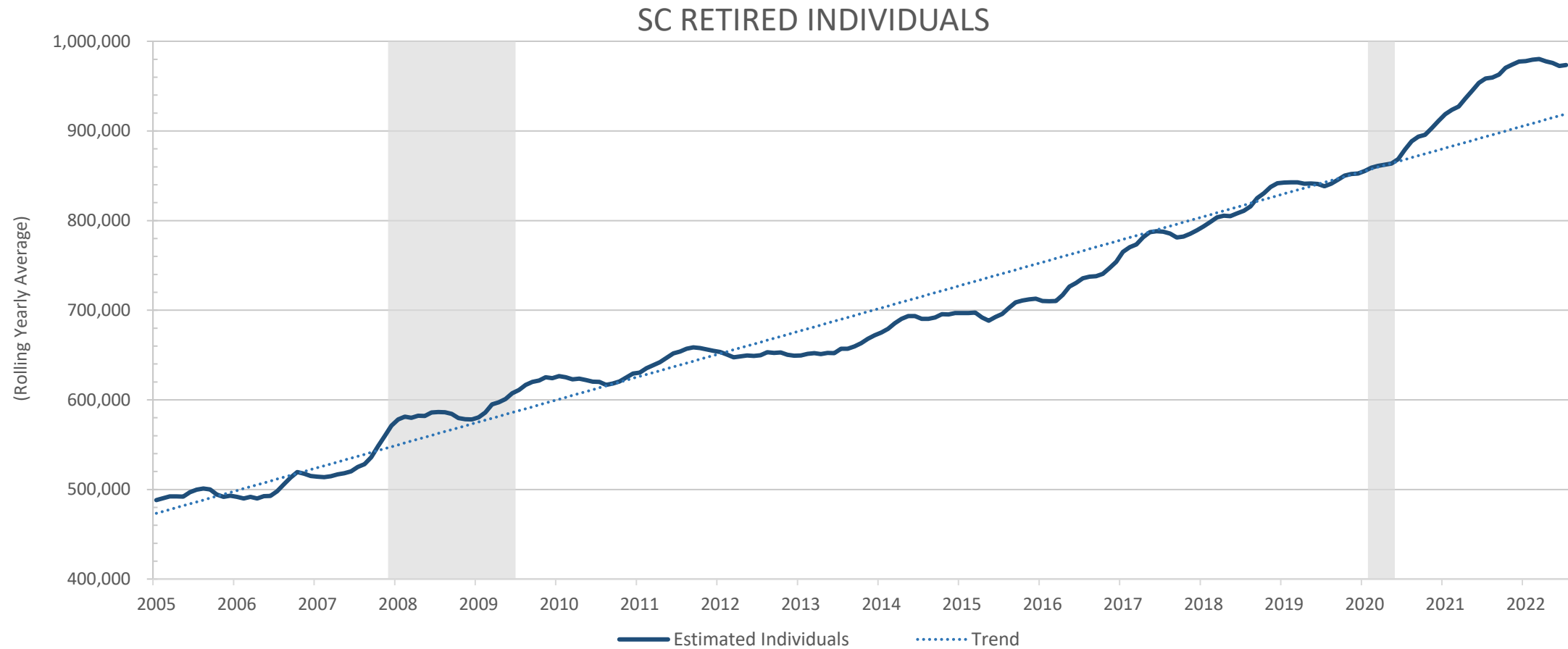
Private sector wage growth far outpaced the public sector following the pandemic



Source: U.S. Bureau of Labor Statistics, Employment Cost Index: Wages and Salaries: Private Industry Workers, Government Workers 318-RFA/lhj/04/11/2023

SC Retirements

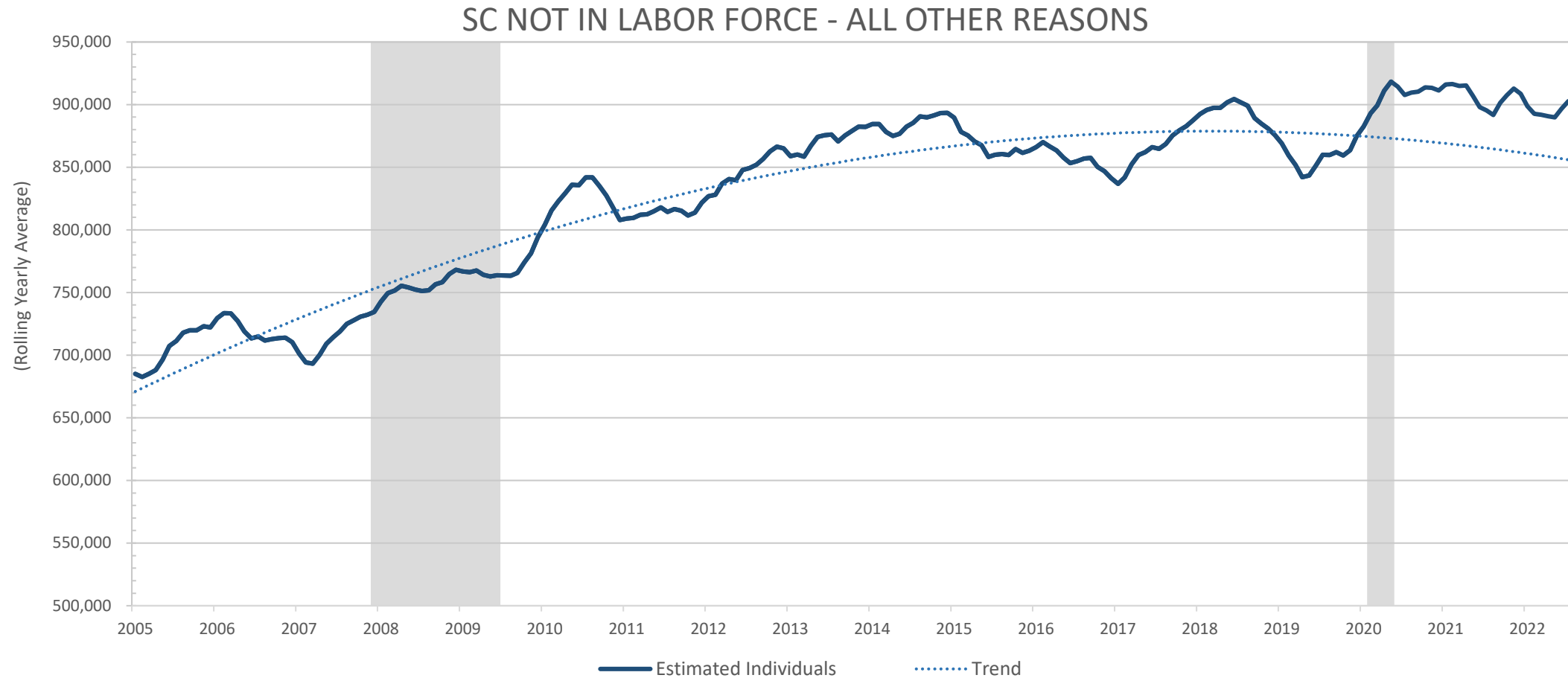
Individuals retired at higher rates during the pandemic; while there has been some re-entry into the labor market, current estimates place retirements 54,000 higher than trend in the past year



Source: Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021; 309B - RFA/bdc/8/17/2022

SC Not in Labor Force – All Other Reasons

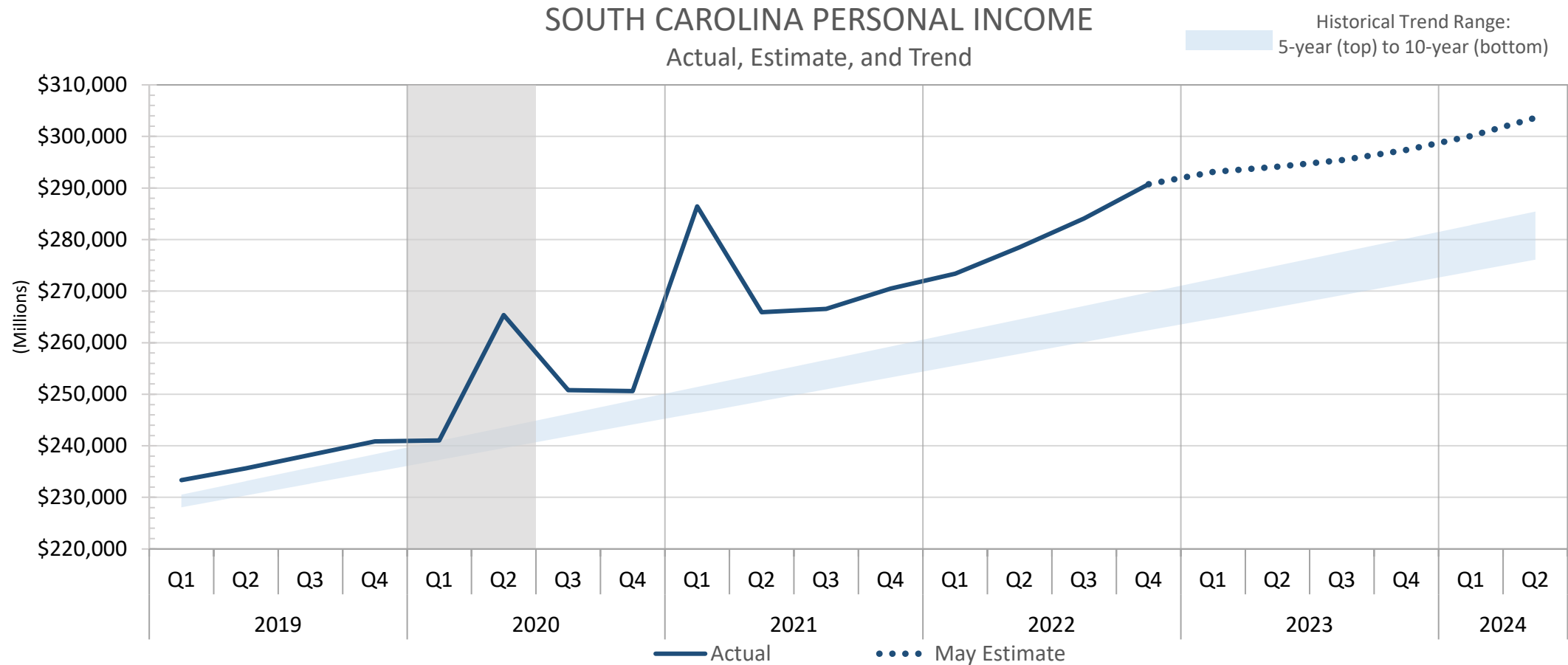
Individuals exited the labor force for health concerns, family obligations, etc. during the pandemic; an estimated 45,000 more individuals than expected remained outside for these reasons in the past year



Source: Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021. 309C - RFA/bdc/8/17/2022

SC Personal Income

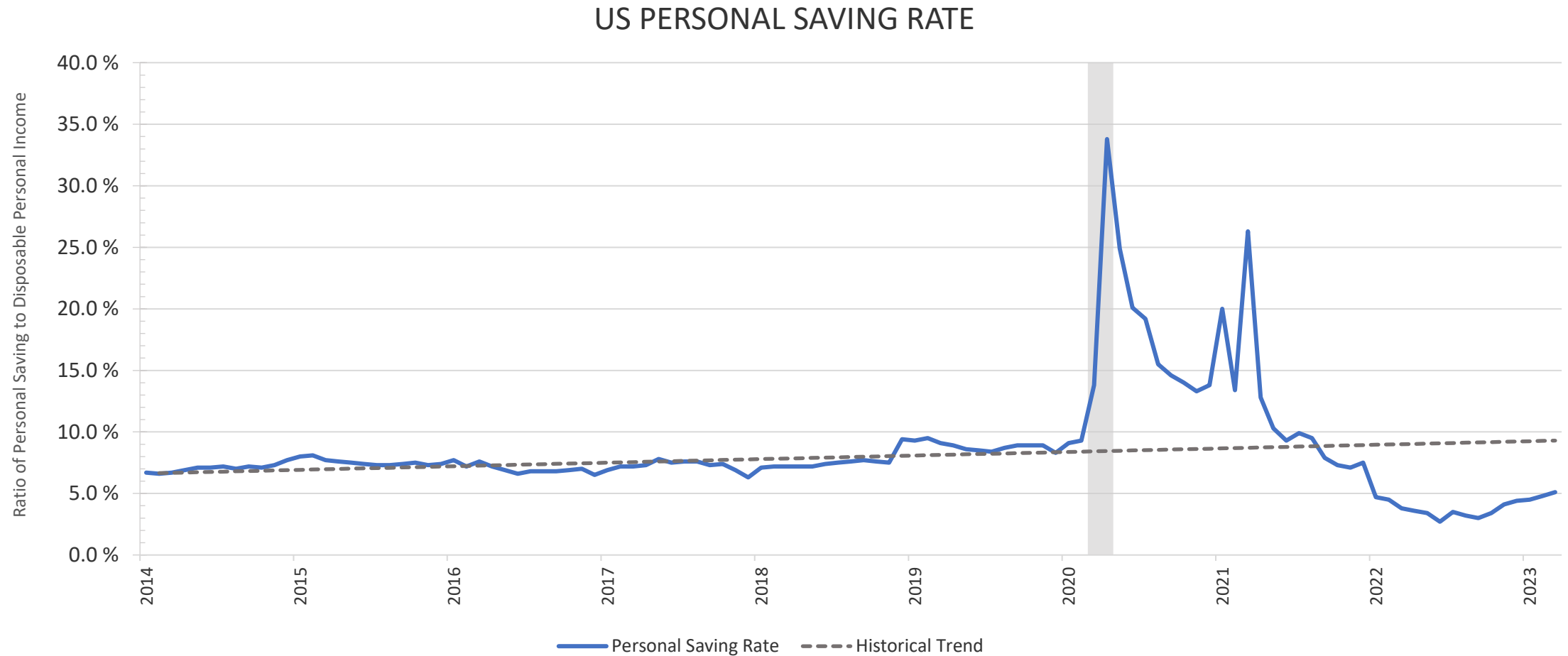
Personal Income is growing well above our historical trend, but growth is expected to slow in FY 2023-24



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/lhj/05/09/2023

US Personal Saving Rate

Saving rate remains below historical trend after stimulus impact wears off

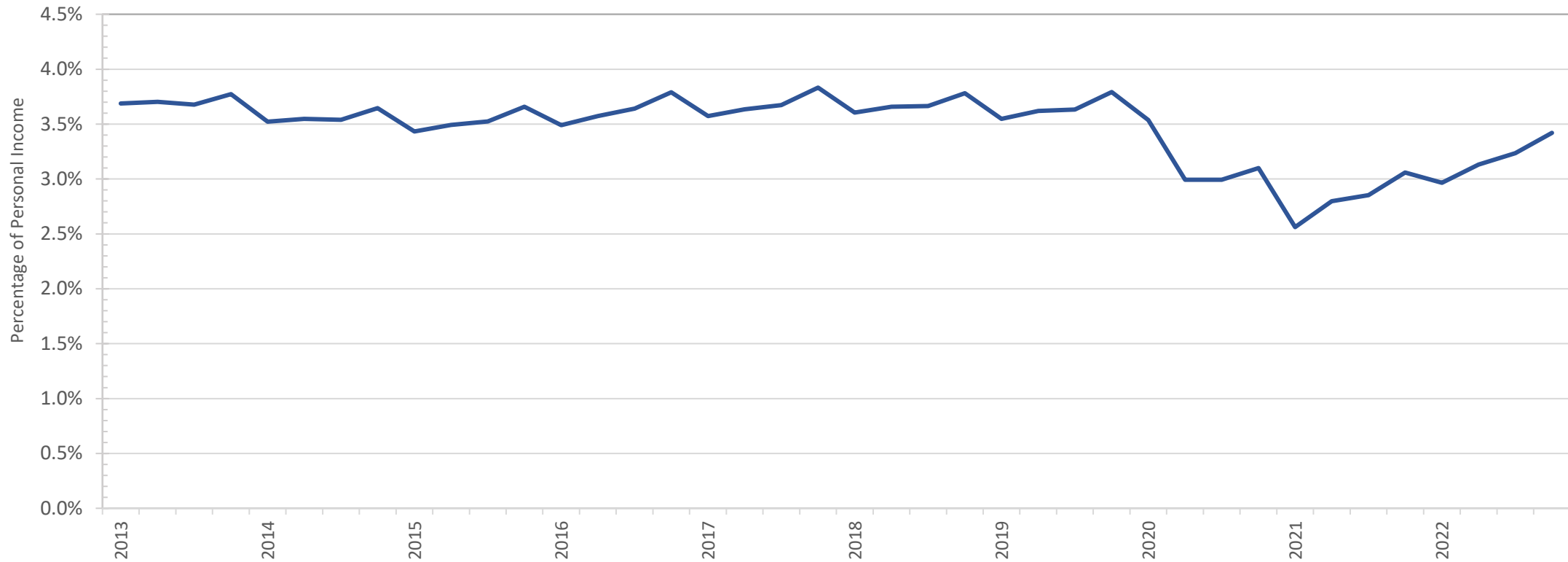


Source: U.S. Bureau of Economic Analysis, Personal Saving Rate [PSAVERT], retrieved from FRED, Federal Reserve Bank of St. Louis; 330-RFA/lhj/5/3/2023

US Consumer Credit Card Debt

Credit card debt as a percentage of personal income is below pre-pandemic levels but rising closer to normal levels

US CONSUMER CREDIT CARD DEBT
as a Percentage of Personal Income



Source: U.S. Bureau of Economic Analysis, Personal Income [PI]; Federal Reserve Bank of Philadelphia, Large Bank Consumer Credit Card Balances: Total Balances [RCCCBALTOT]; retrieved from FRED, Federal Reserve Bank of St. Louis; RFA/330/lhj/05/03/2023

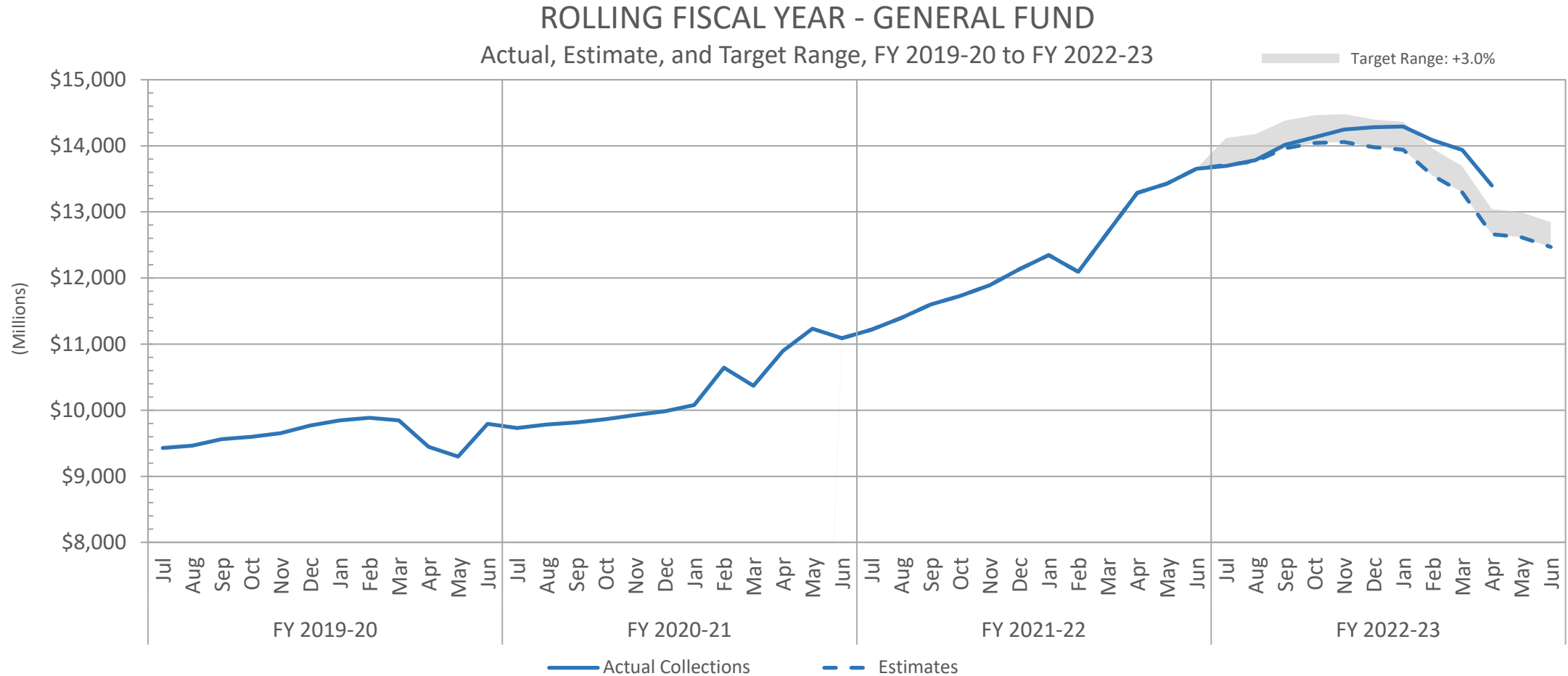
State Revenues and the Budget

“Give me a one-handed economist. All my economists say, ‘on the one hand...[but then] on the other.’”

- Harry Truman

General Fund – Actuals vs. Feb. Estimates

Revenues continue to grow faster than expected and are \$736.7 million above the estimate year-to-date

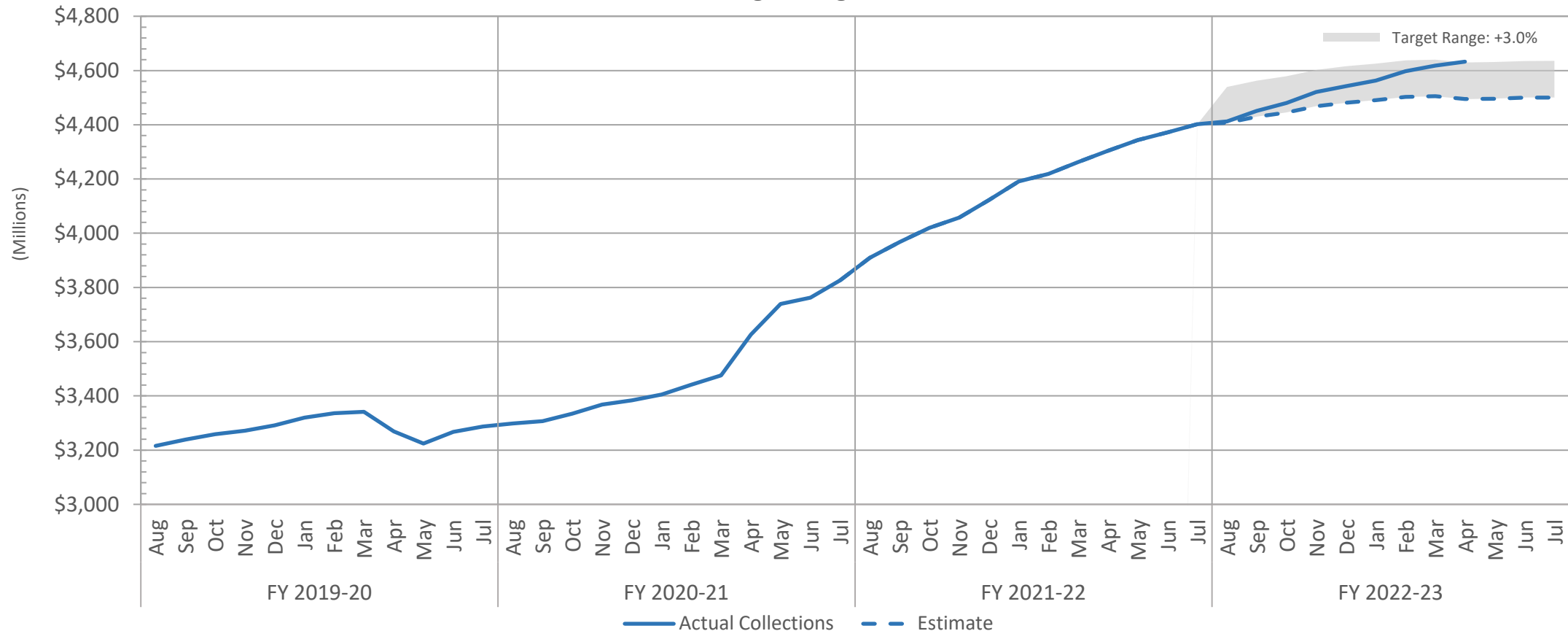


Sales Tax - Actual vs. Feb. Estimate

Collections are \$137.9 million above the estimate although growth slowed in April

ROLLING FISCAL YEAR - SALES TAX

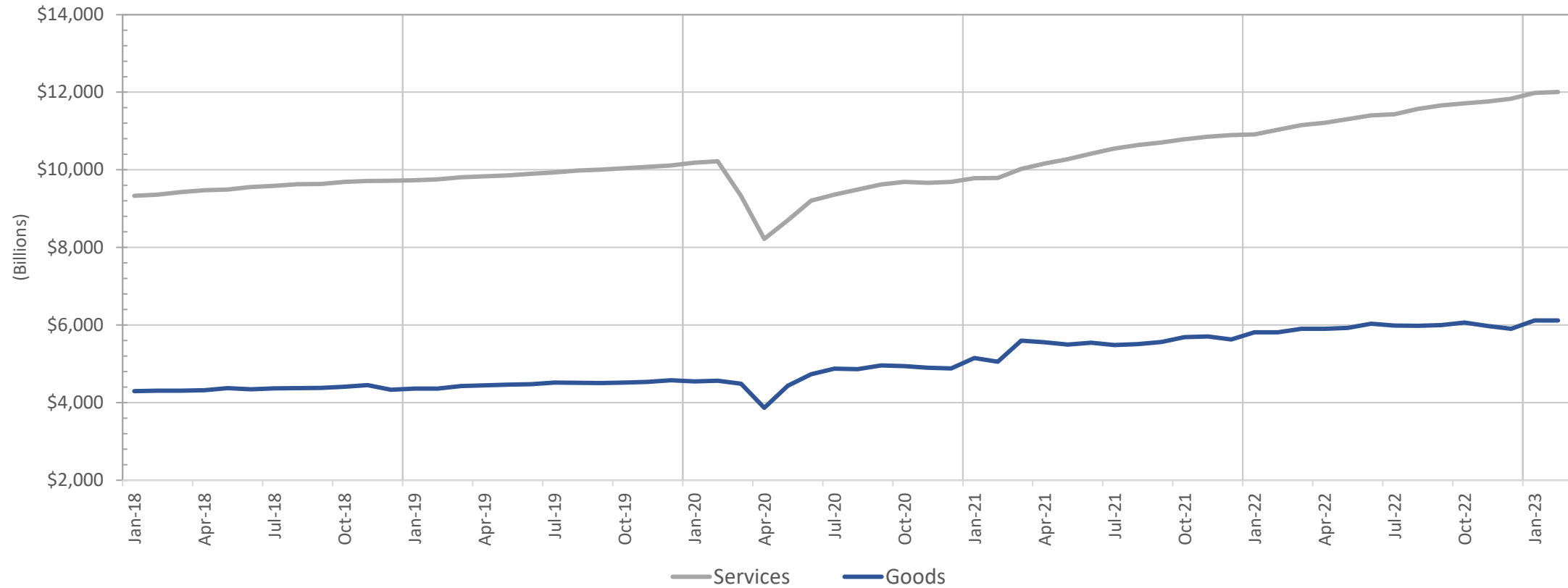
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



U.S. Consumer Spending

Consumers are spending more on services, while purchases of goods have flattened out

US PERSONAL CONSUMPTION EXPENDITURES



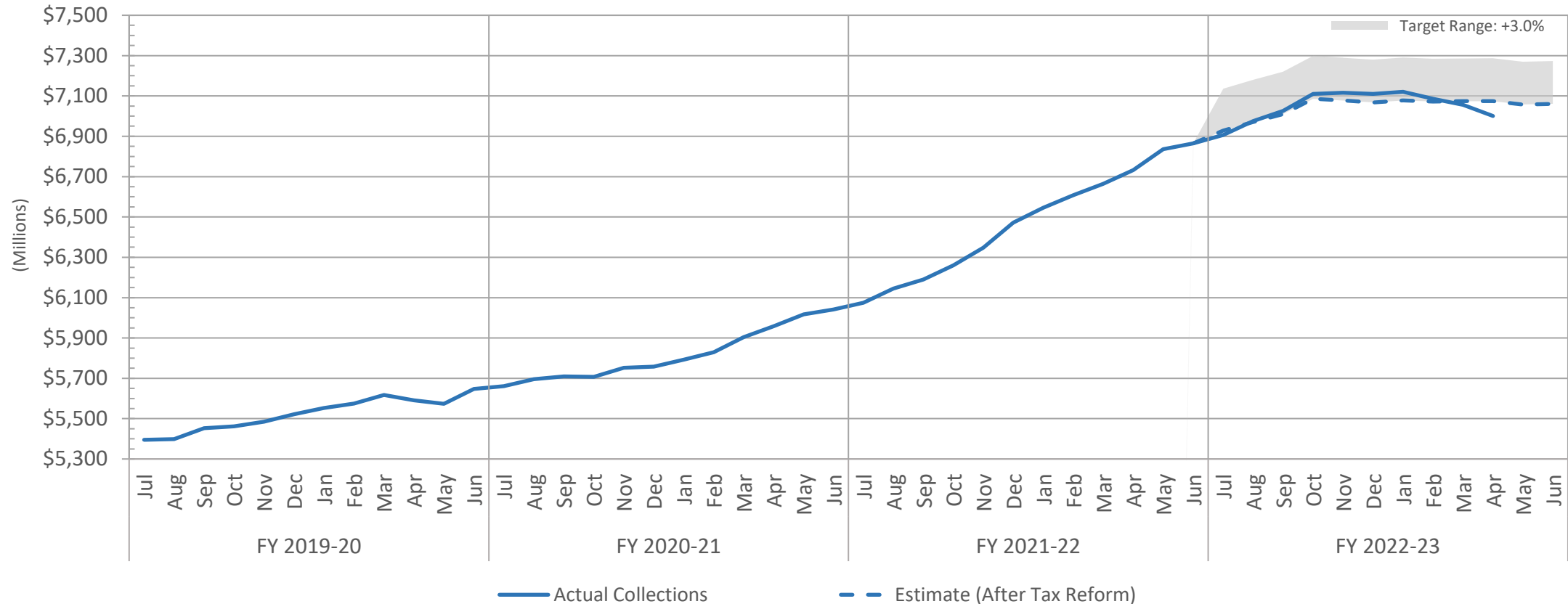
Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Goods [DGDSRC1], retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/lhj/4/11/2023

Withholdings - Actual vs. Feb. Estimate

Withholdings are running \$73.8 million below the estimate; adjustments to the tax tables are reducing Withholdings more than anticipated

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23

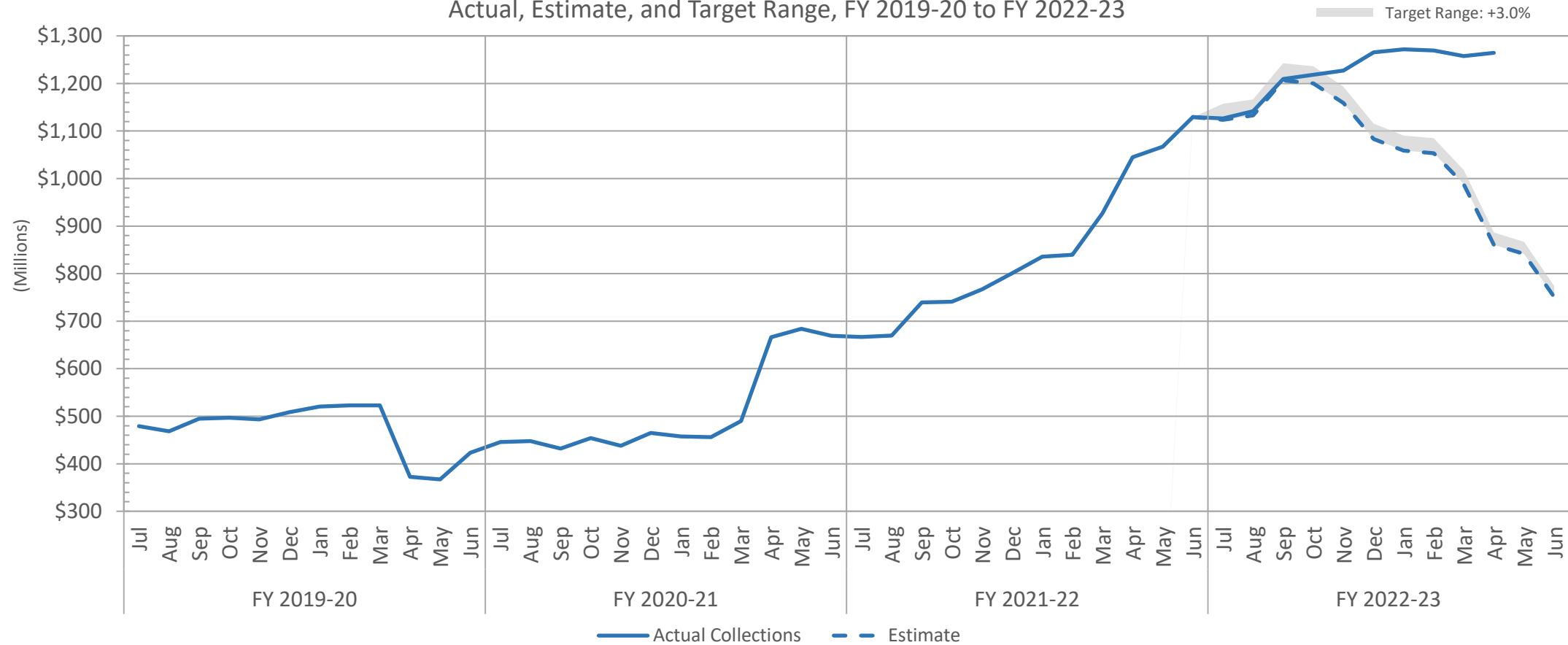


Corporate Income Tax – Actual vs. Feb. Estimate

Collections are above the estimate by \$403.8 million year-to-date following strong tax filings

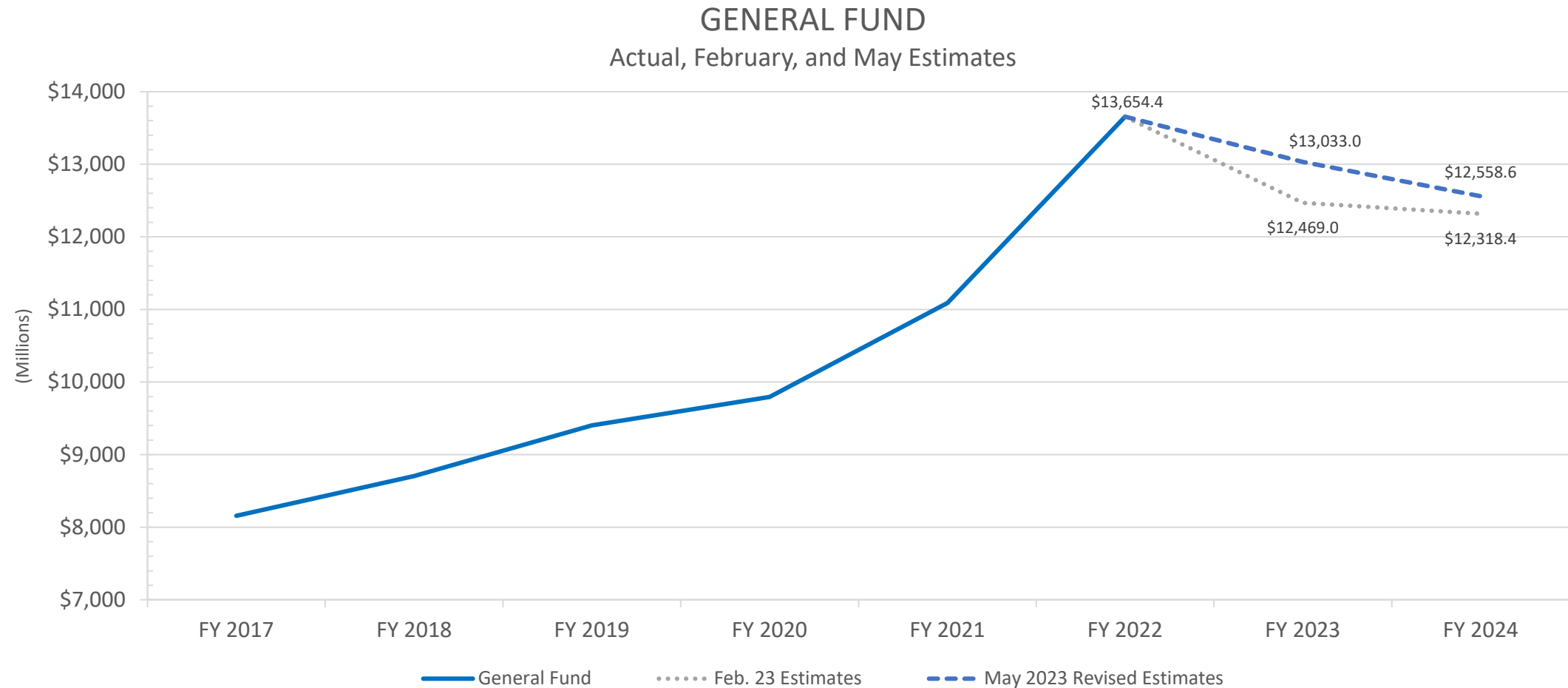
ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



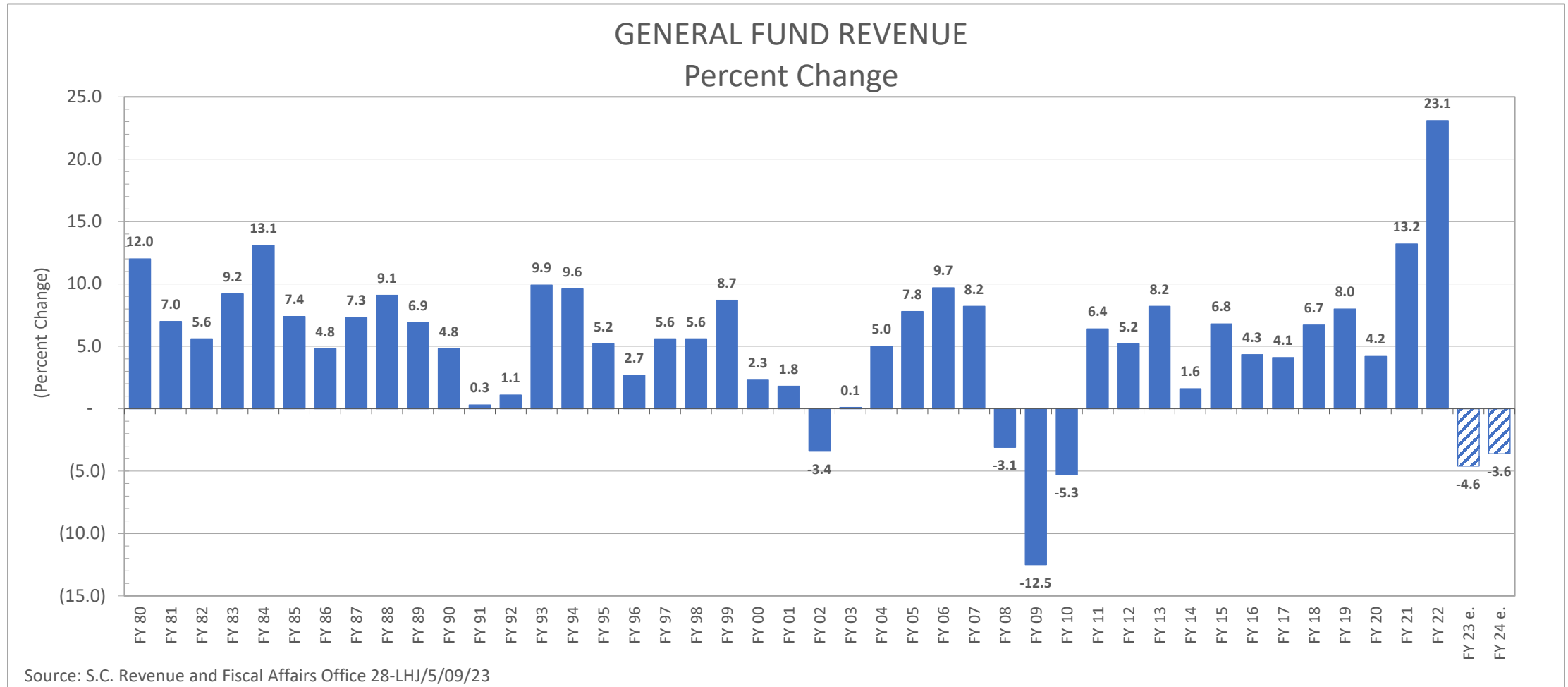
General Fund – May 2023 Forecast Revision

Increase FY 2022-23: \$564 million; FY 2023-24: \$240 million



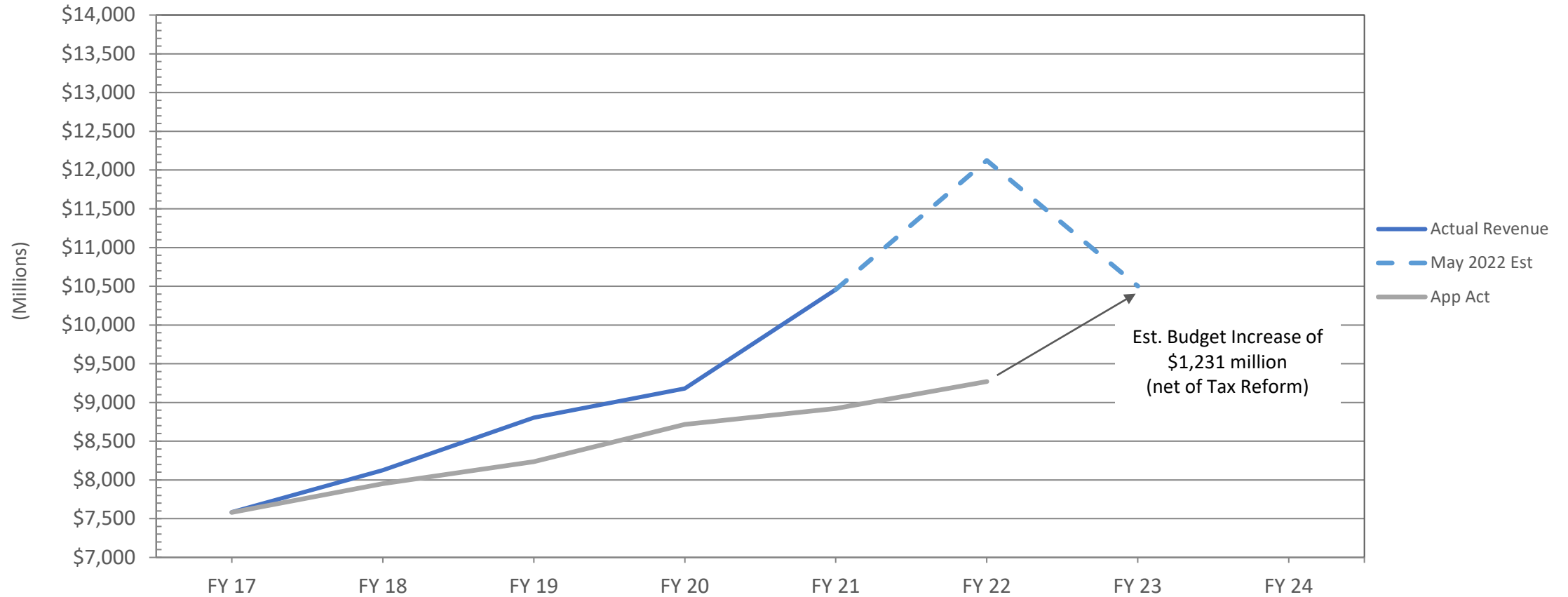
General Fund Revenue Growth – May 2023 Forecast

FY 22 revenue grew 23.1% on top of 13.2% growth in FY 21



FY 2022-23 General Fund Revenue & Appropriations – May 2022

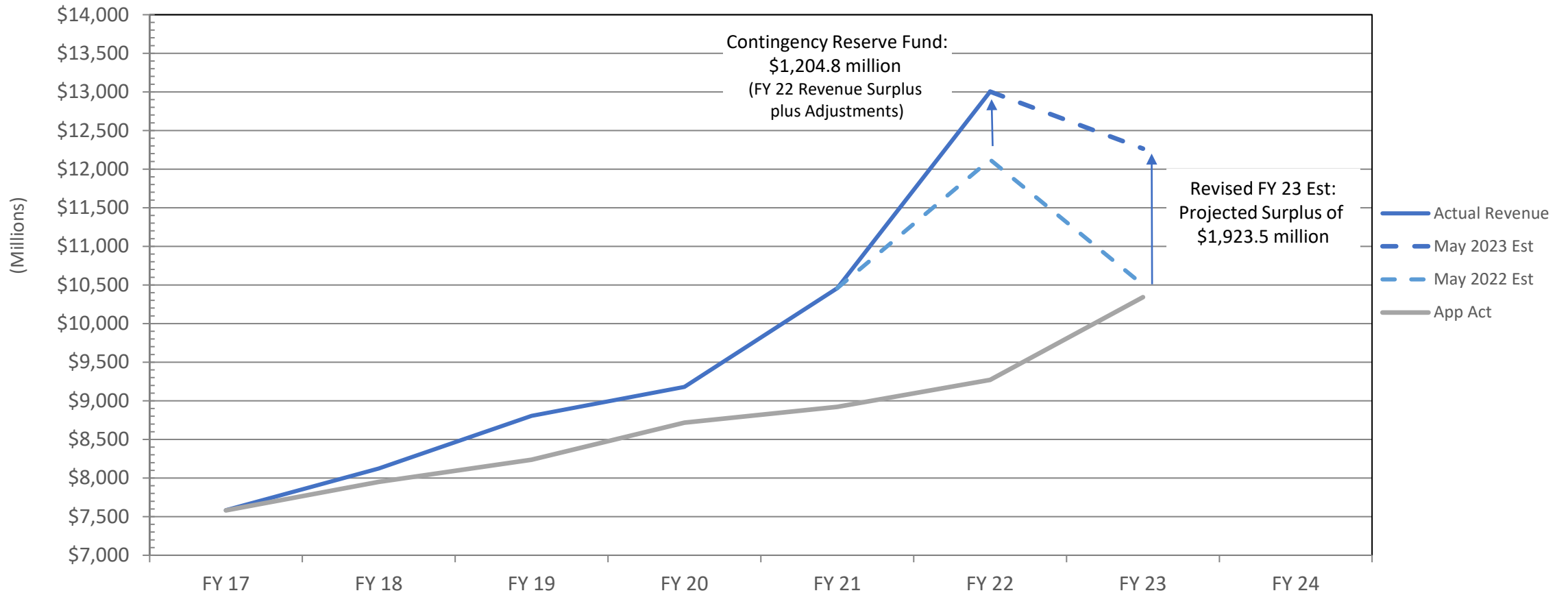
FY 2022-23 BUDGET OUTLOOK, MAY 2022
Actual and Estimated Revenue vs Appropriation Act Expenses (Net of Tax Reform)



FY 2022-23 General Fund Revenue - May 2023 Revision

Final FY 22 revenues were higher, creating more surplus for FY 22 and FY 23

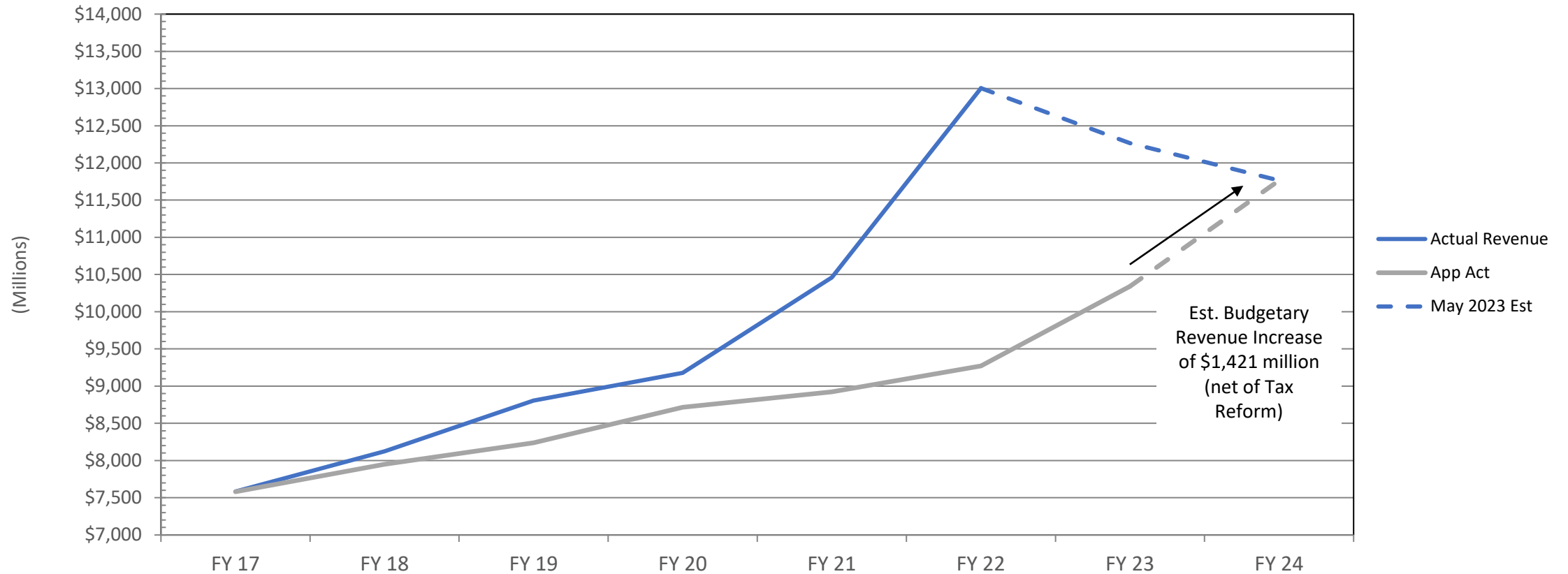
FY 2022-23 BUDGET CATCH-UP, MAY 2023
Actual and Estimated Revenue vs Appropriation Act Expenses



FY 2023-24 General Fund Appropriations - May 2023

Even with an expected decline in revenues, the base budget is still playing “catch-up”

FY 2023-24 BUDGET OUTLOOK, MAY 2023
Actual and Estimated Revenue vs Appropriation Act Expenses

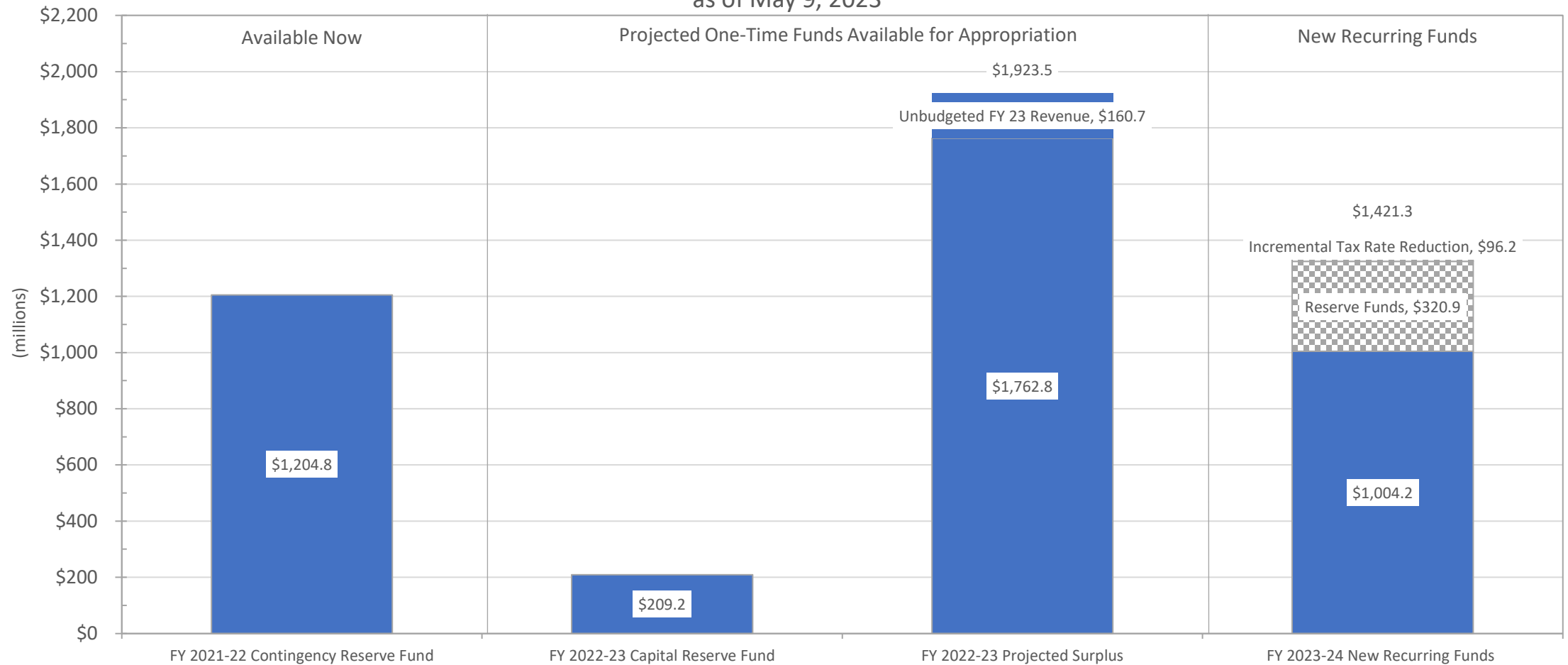


Est. Budgetary Revenue Increase of \$1,421 million (net of Tax Reform)

Note: Includes incremental income tax rate reduction for tax year 2023

FY 2023-24 Available Funds

AVAILABLE FUNDS - FY 2023-24 BUDGET PROCESS
as of May 9, 2023



* \$1,291 million in non-recurring revenue was appropriated in H. 3604
Source: S.C. Revenue and Fiscal Affairs 297/RFA/05/09/2023

■ Available

▒ Appropriated/Committed

Required Reserve Fund Contributions
Shown as Committed

Final Thoughts ... Questions?

