

South Carolina's Economy in 2022

A post stimulus environment

January 21, 2022



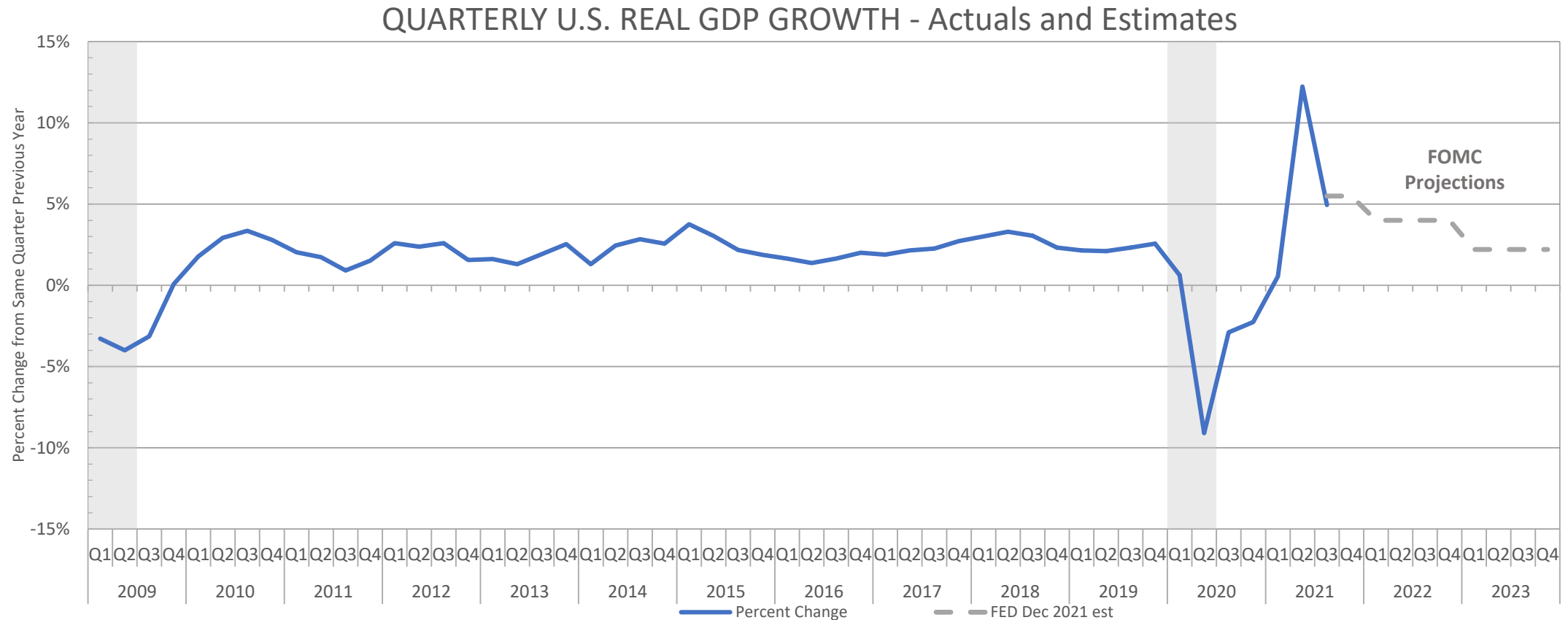
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National Economic Indicators



Real GDP Growth

Fed revised estimate for 2021 Q4 down from 5.9% to 5.5% and revised 2022 Q4 up from 3.8% to 4.0%; adjustment reflects timing shift but expectations remain positive



Source: U.S. Dept. of Commerce, Bureau of Economic Analyses; Federal Reserve Open Market Committee, Dec 2021 RFA/nmg/266/01/16/2022

Unemployment Rate

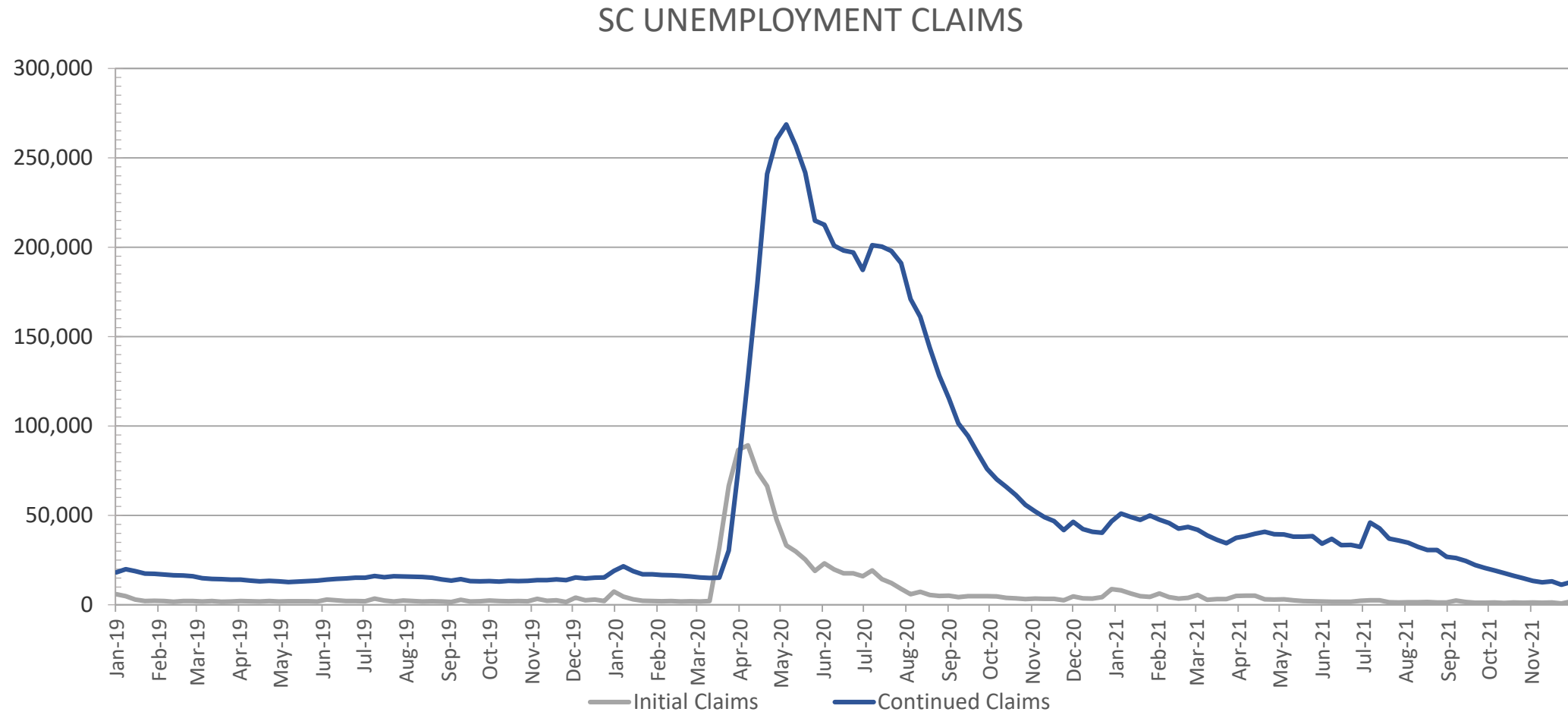
SC unemployment rate back to pre-pandemic level as of November 2021 and remains below the US rate



Source: Bureau of Labor Statistics 129--RFA/nmg/1/10/2021

Unemployment Claims

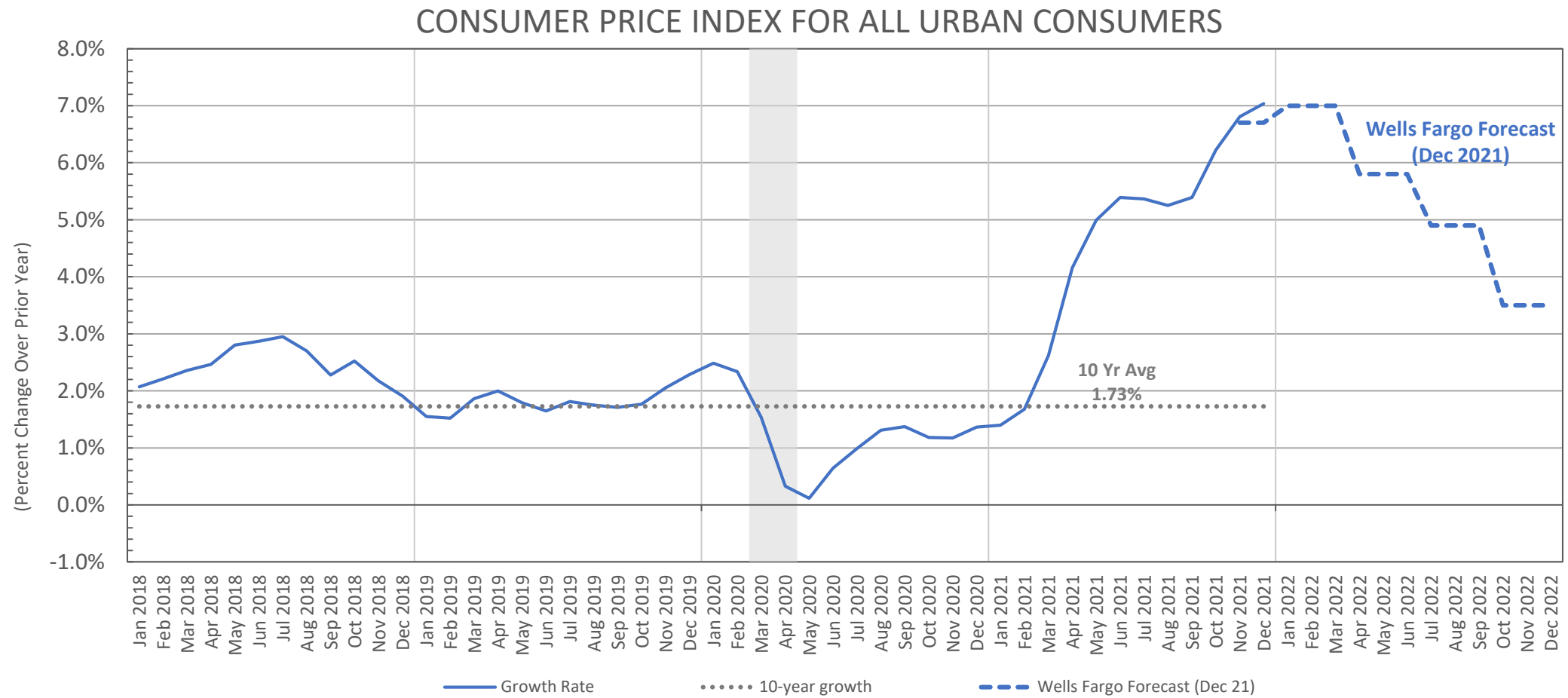
Initial and continued unemployment claims in South Carolina have steadily fallen and are back in line with pre-pandemic levels



Source: U.S. Department of Labor; 287-RFA/nmg/12/15/2021

Consumer Price Index

Current and forecasted inflation continues to be well ahead of 10-year average driven by a handful of categories



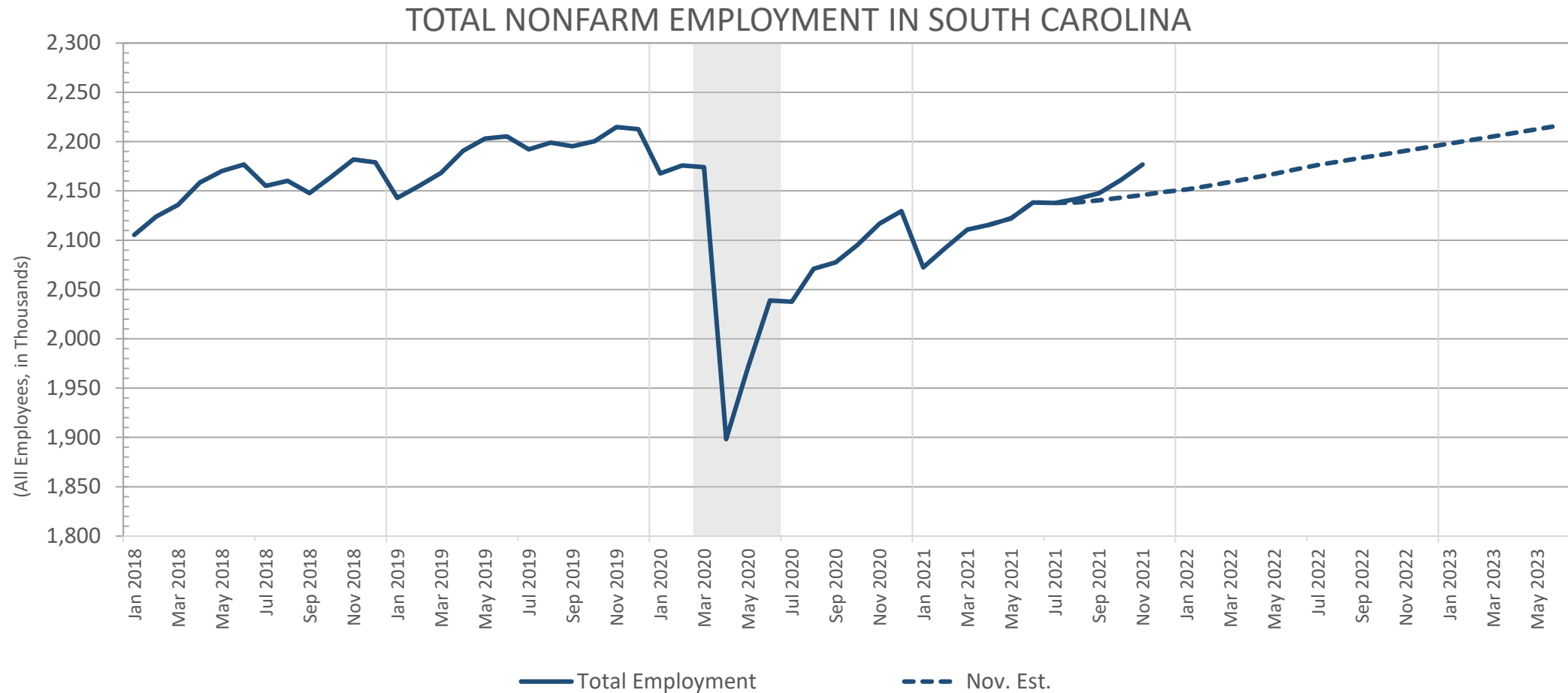
Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo Securities 216 - RFA/bdc/1/12/2021

South Carolina Economic Indicators



SC Employment

Employment is above the forecast for the fourth straight month, partially due to data revisions



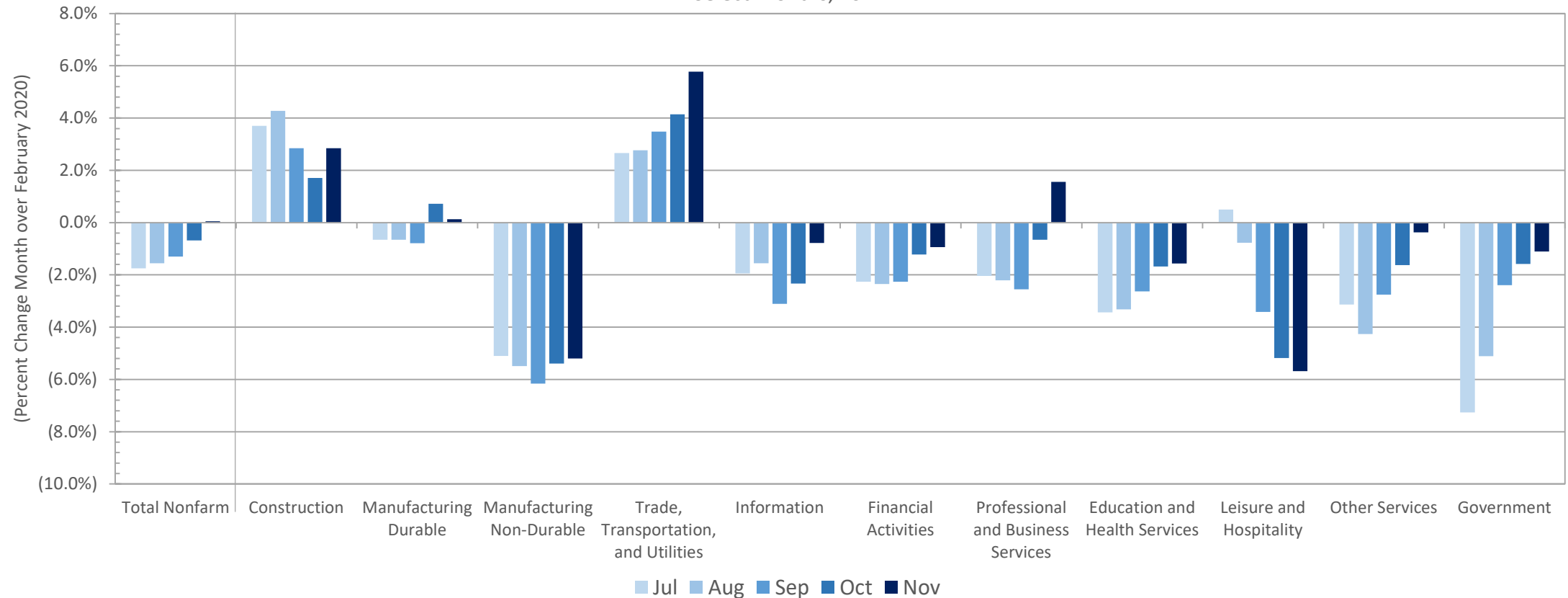
Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/nmv/1/10/2022

S.C. Employment by Sector

Many sectors trending well; Leisure & Hospitality still significantly lagging

SC EMPLOYMENT BY INDUSTRY PERCENT CHANGE FROM FEBRUARY 2020

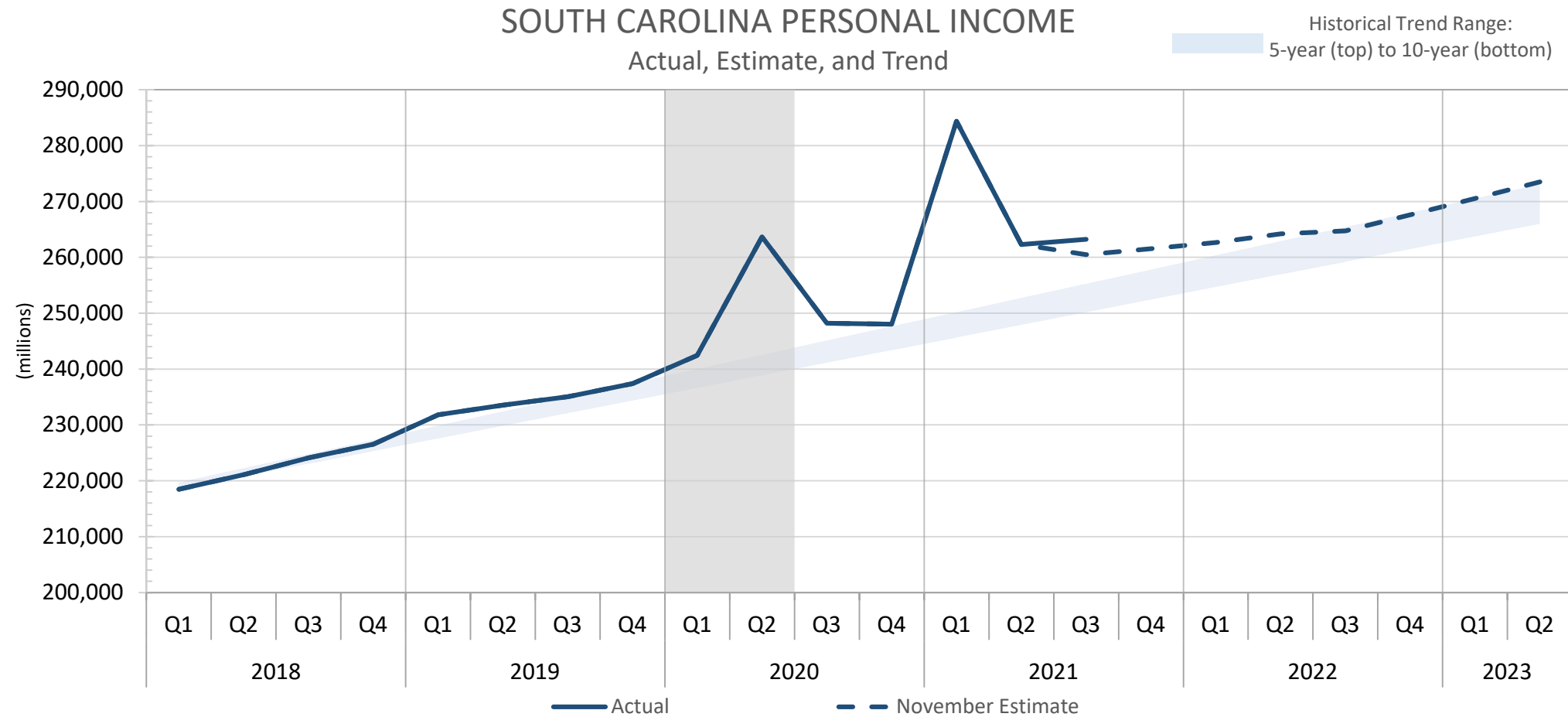
Select Months, 2021



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Federal Reserve Bank of St. Louis, FRED 281a--RFA/bdc/1/5/2022

SC Personal Income

Actual Q3 2021 personal income was slightly above estimate, driven by higher than expected wage growth (8.6% forecasted, 10.3% actual)



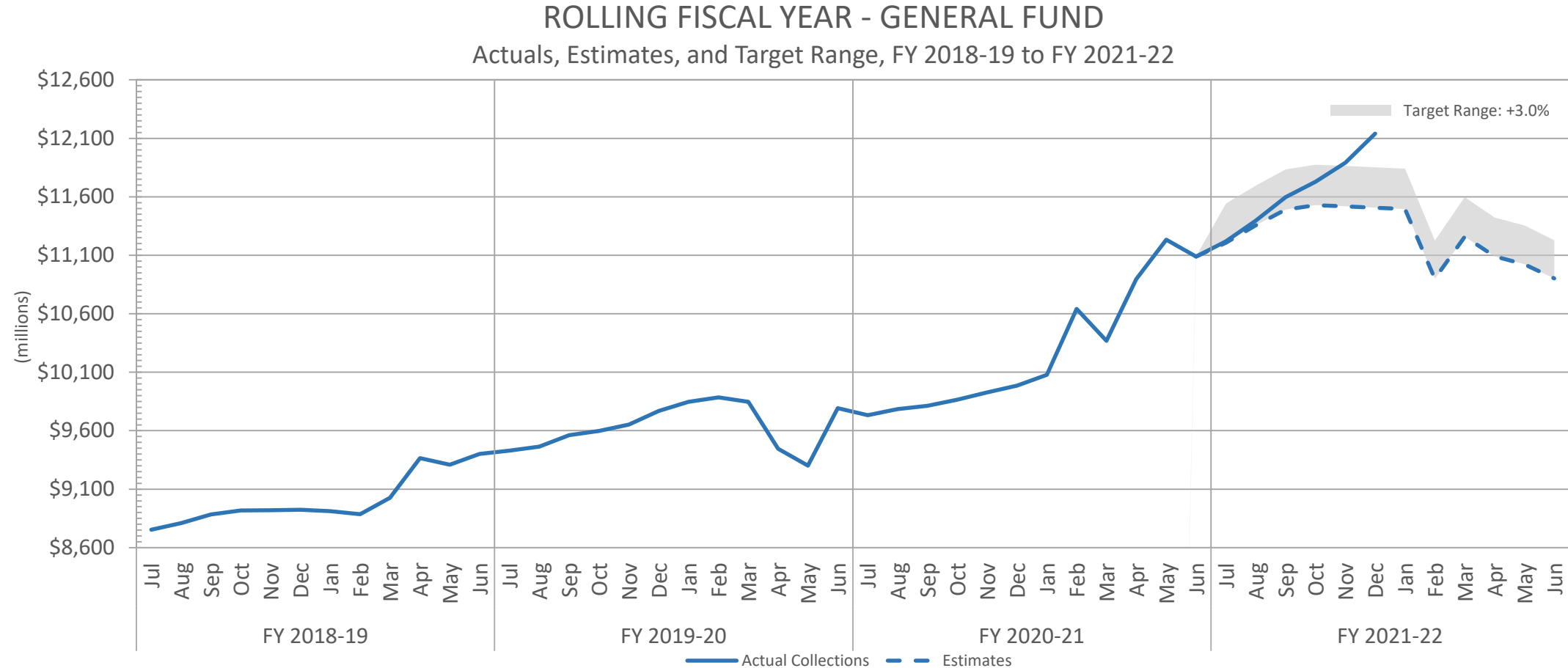
Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors, nmg/1/10/2022

State Revenues



General Fund Revenue – Actual vs. November Estimate

Collections are up 20.2% over last year and \$626.7 million ahead of the estimate; expected flattening following stimulus has not yet occurred



General Fund Revenue

Individual Income Tax Components



Individual Income Tax – Key Issues

FY 2021-22 and FY 2022-23

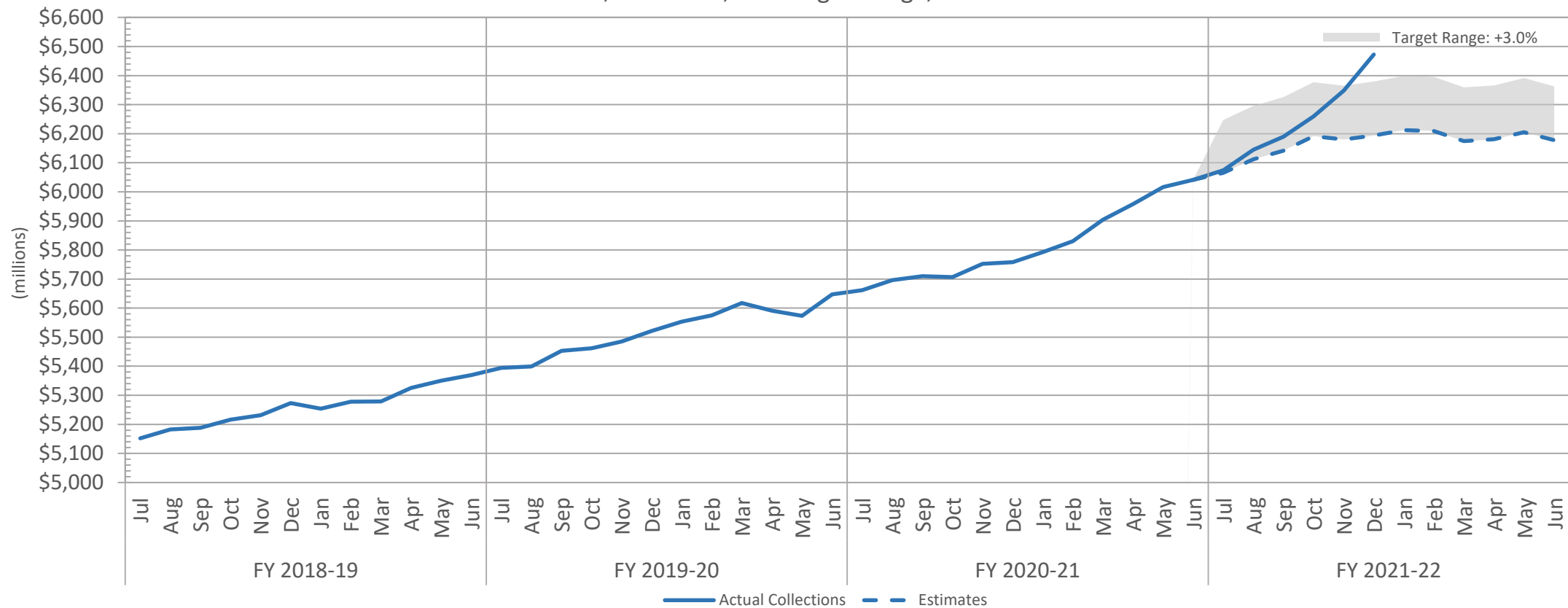
- Despite major employment losses during the pandemic, Withholdings were hardly impacted
 - The most heavily impacted industries were typically the lowest earning industries
- Rising wages caused by the labor shortage have driven growth in Withholdings collections, and these higher wages are not expected to fall back down
 - Individuals have exited the labor market due to retirement, family obligations, and health concerns
- Non-Withholdings had a record year in FY 2020-21, further elevating Individual Income tax collections
 - A new self-employment trend, soaring financial markets, and increased household participation in investment activities drove this

Withholdings - Actual vs. Estimate

After a record December, Withholdings are up 14.8% over last year and are running \$278.4 million above the estimate

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

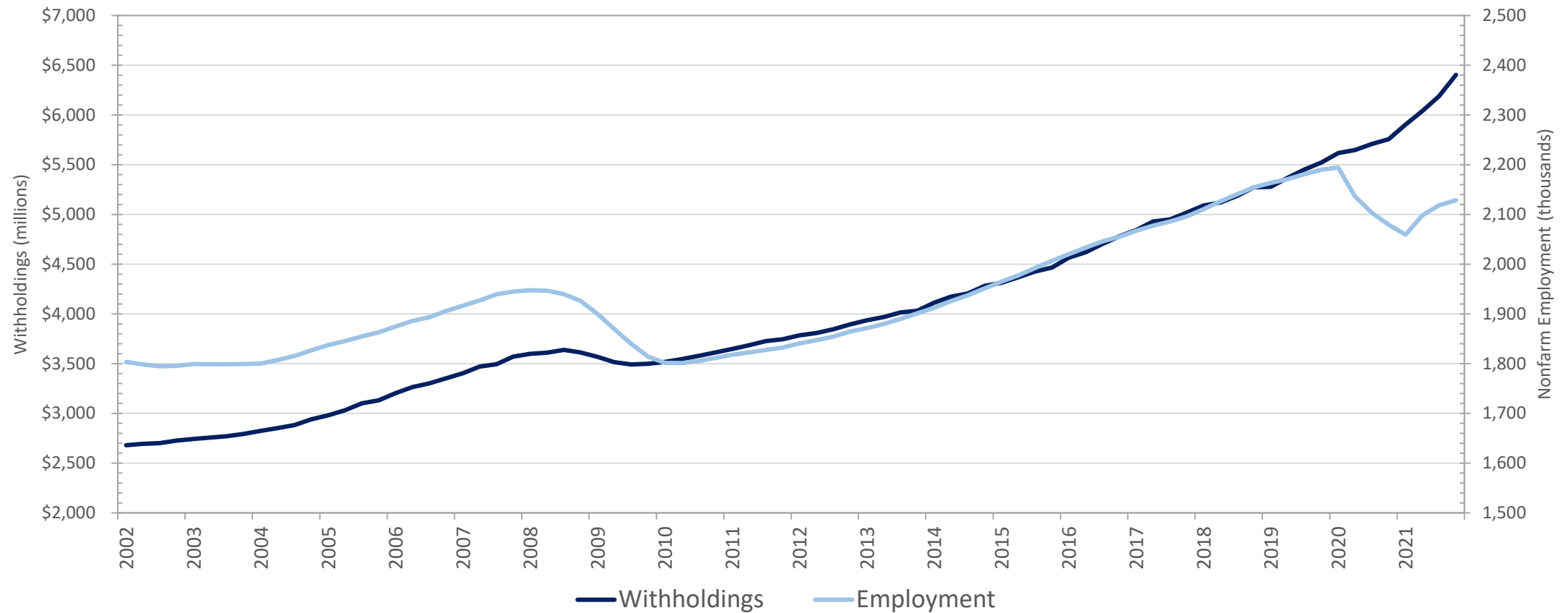
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



SC Employment and Withholdings

FY 2020-21 withholdings grew despite employment decline due to disproportionate losses in low-wage jobs

SOUTH CAROLINA WITHHOLDINGS VS. EMPLOYMENT

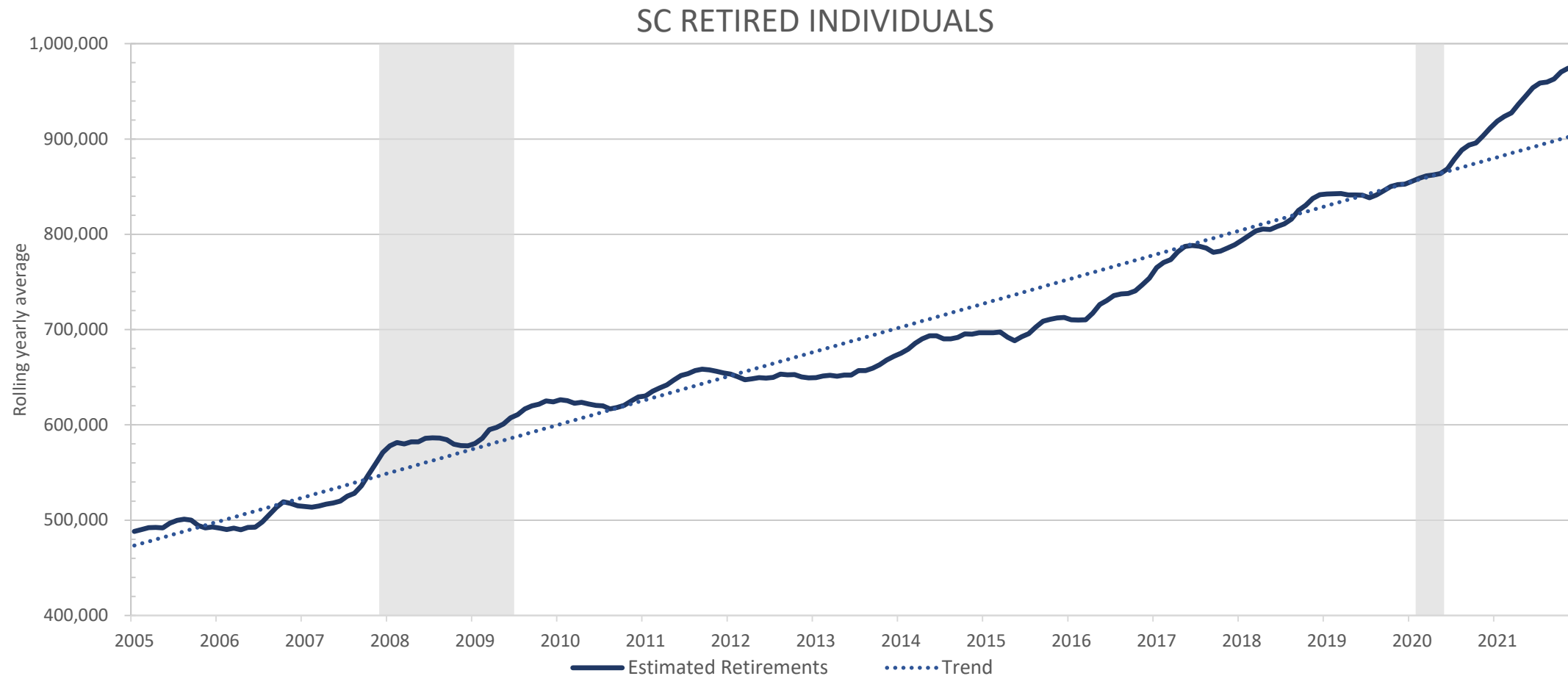


Source: U.S. Department of Labor, Bureau of Labor Statistics; Revenue and Fiscal Affairs 308-RFA/bdc/1/5/2022



SC Retired Population

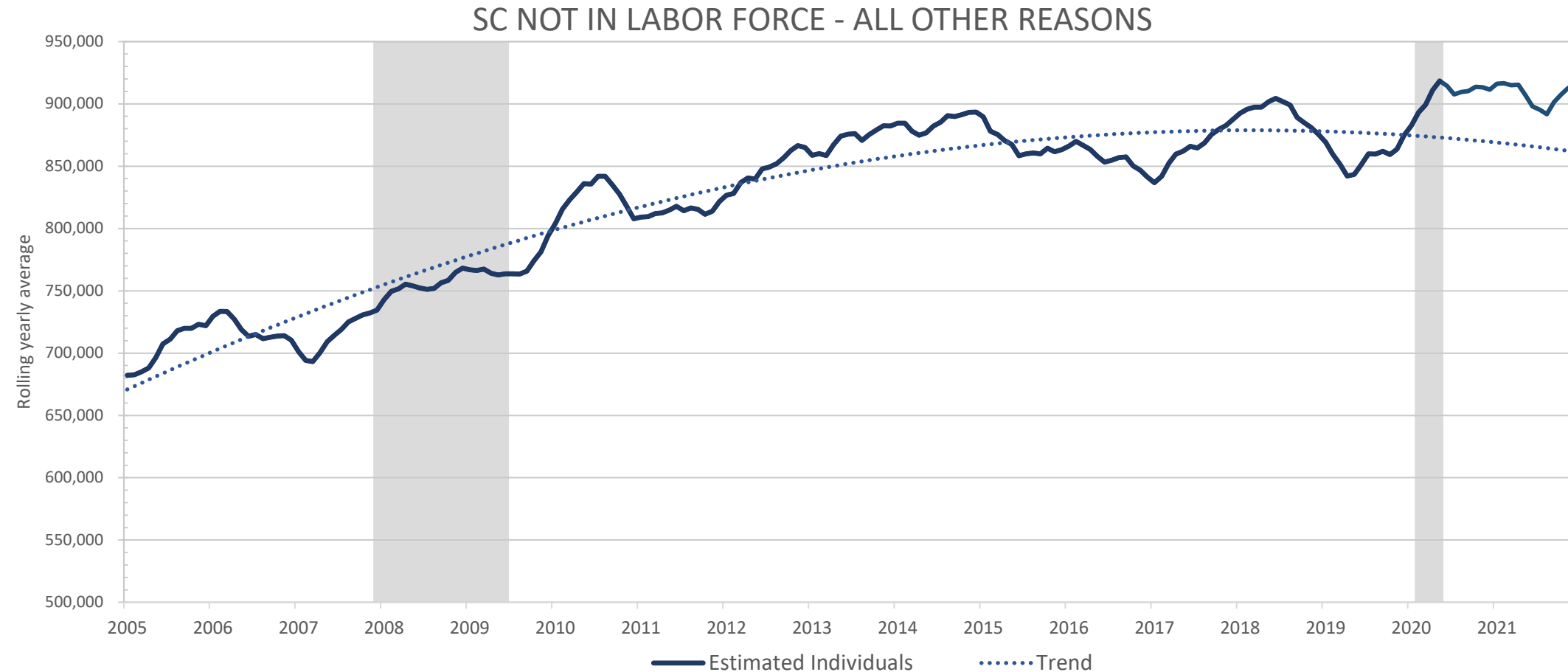
South Carolina retirement levels jumped in the past year and have continued to rise



Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021; 309B - RFA/bdc/1/6//2021

SC Individuals Not in Labor Force - All Other Reasons

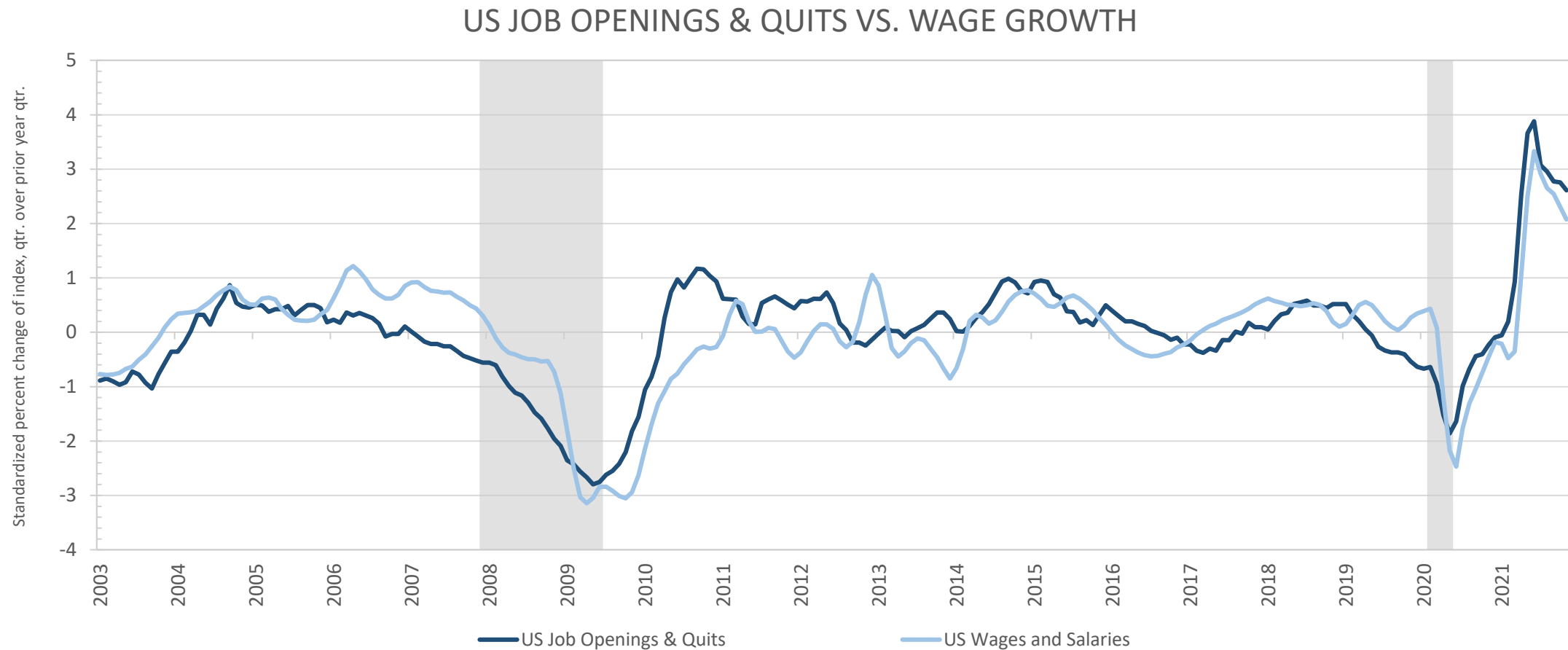
Individuals exited the labor force during the pandemic for other reasons; these levels remain elevated above the trend



Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021. 309C - RFA/bdc/1/7/2021

Wages and the Labor Market

Job openings and quits are up, indicative of a labor shortage; wage growth continues to be highly elevated as a result



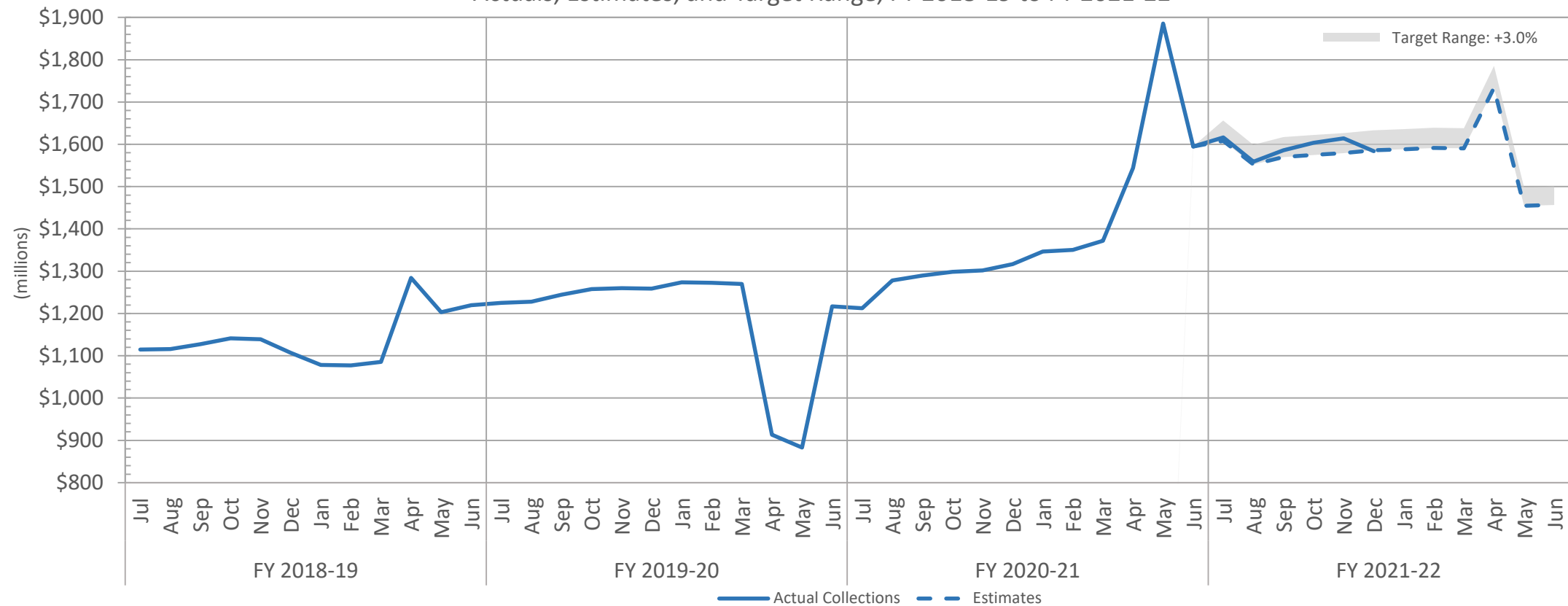
Source: U.S. Bureau of Economic Analysis, Compensation of Employees, Received; U.S. Bureau of Labor Statistics, JOLTS; 309A - RFA/bdc/1/10/2022

Non-Withholdings - Actual vs. Estimate

Collections are in line with the estimate after an abnormally low December caused by payment processing delays

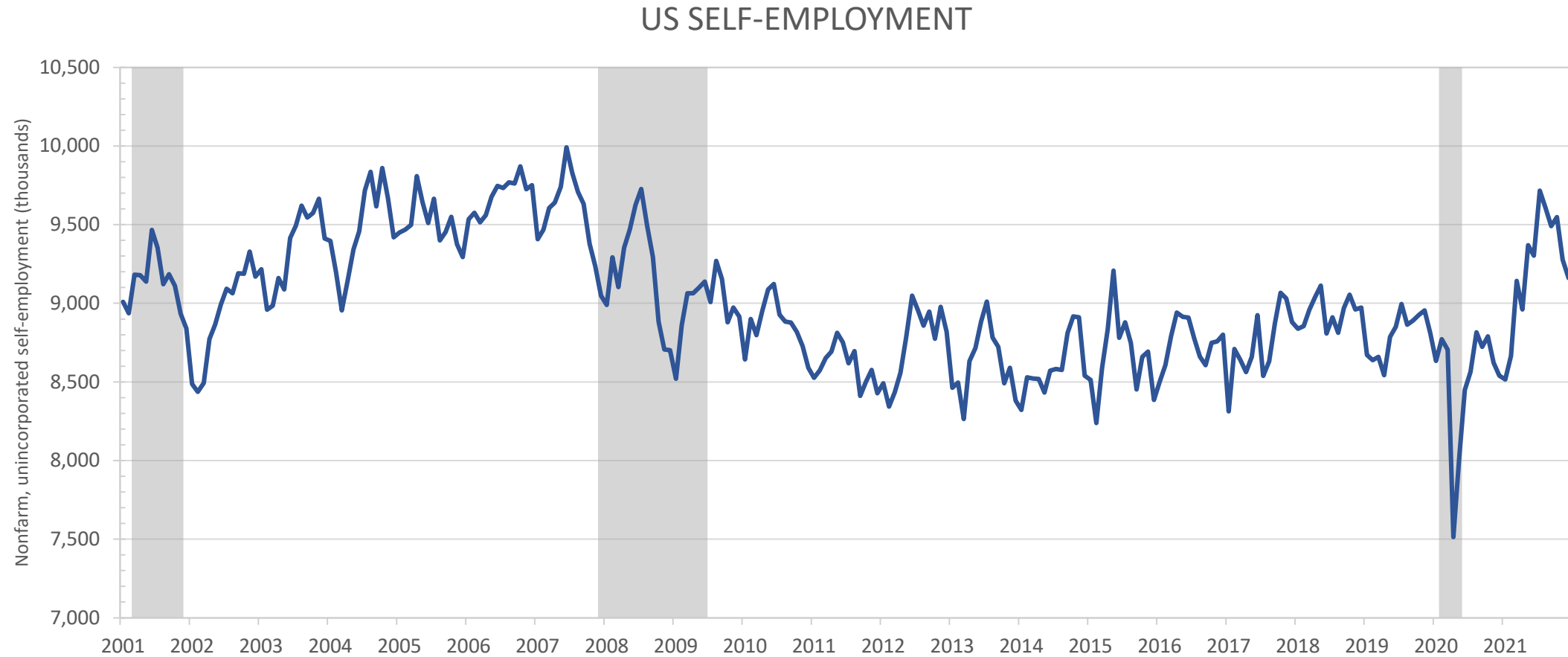
ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Self-employment Trend

After reaching a 13-year high, self-employment levels have begun to fall

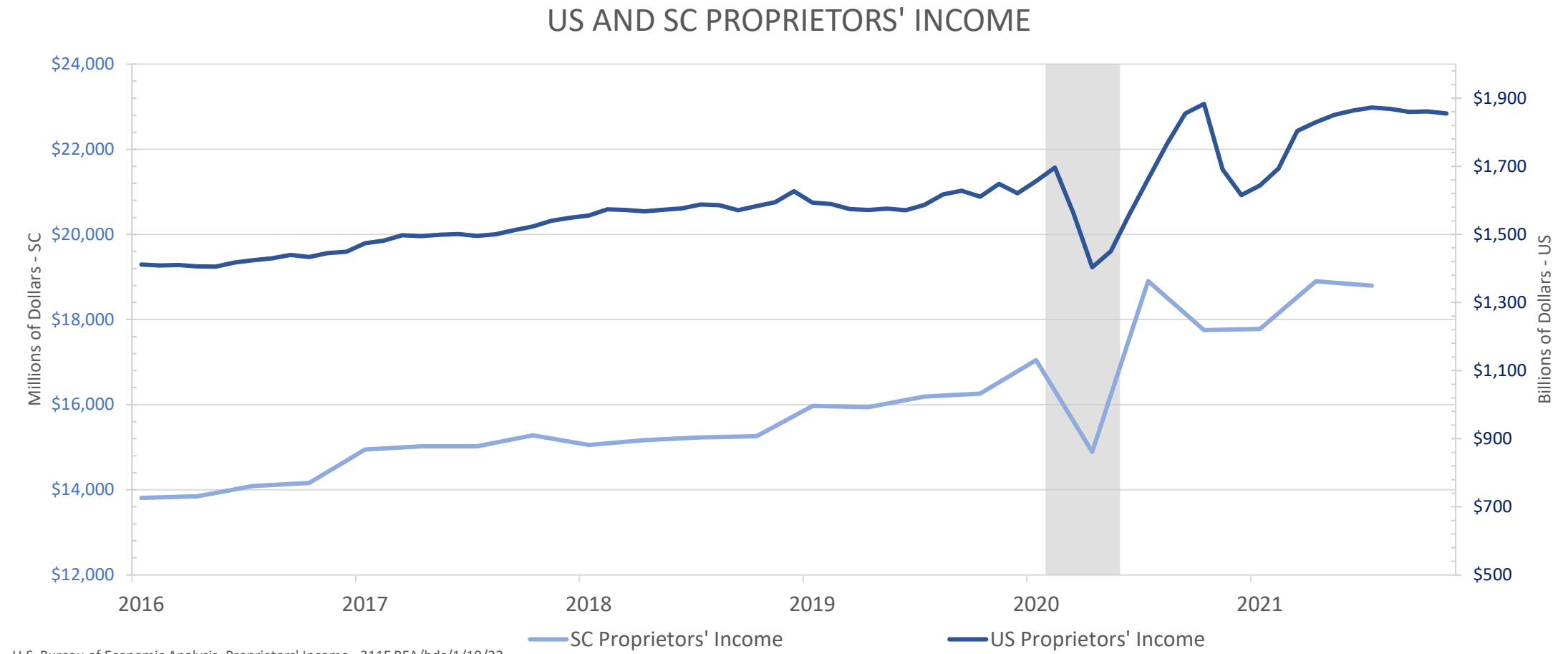


U.S. Bureau of Economic Analysis, Current Employment Statistics - 311A RFA/bdc/1/10/2022



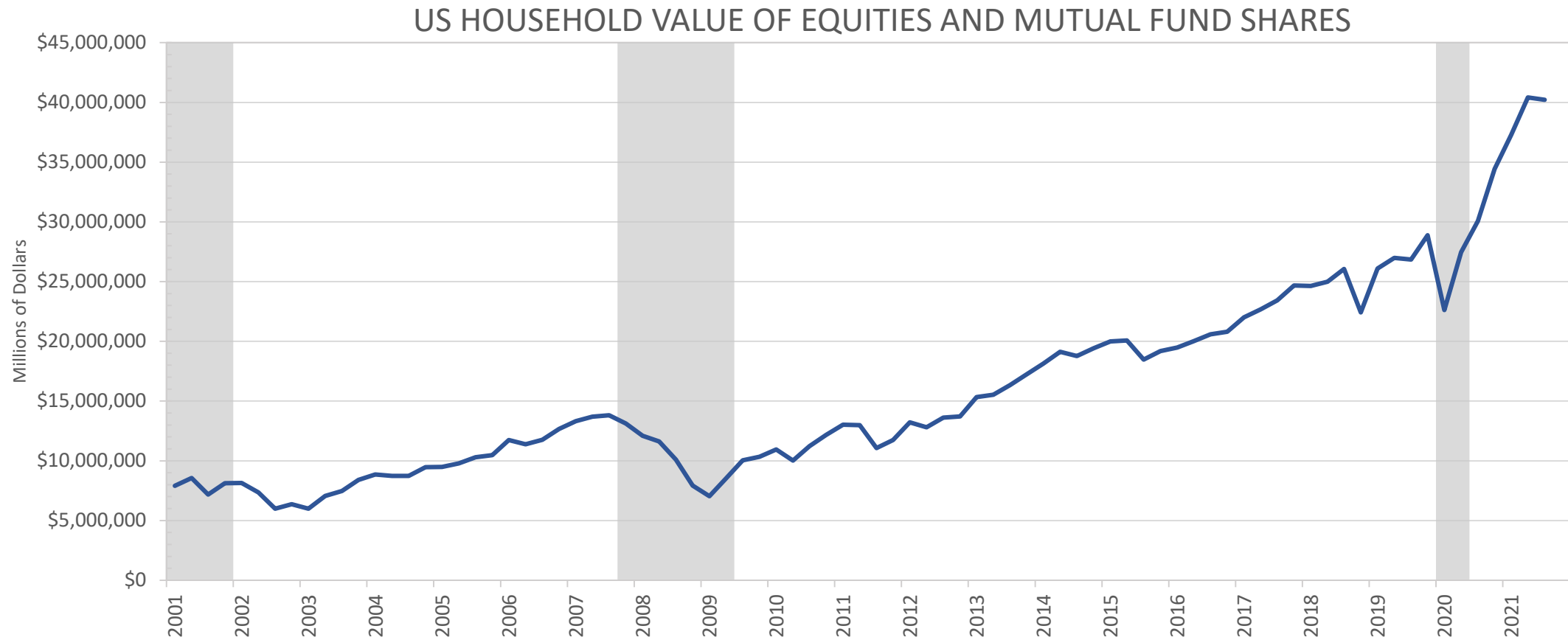
Proprietors' Income

Growth has leveled out, but total proprietors' income remains above the normal trend



Personal Financial Asset Values

Asset values skyrocketed in the past year but have recently leveled out



Board of Governors of the Federal Reserve System, Financial Accounts of the United States - 311D RFA/bdc/1/10/2022

General Fund Revenue Consumption Taxes



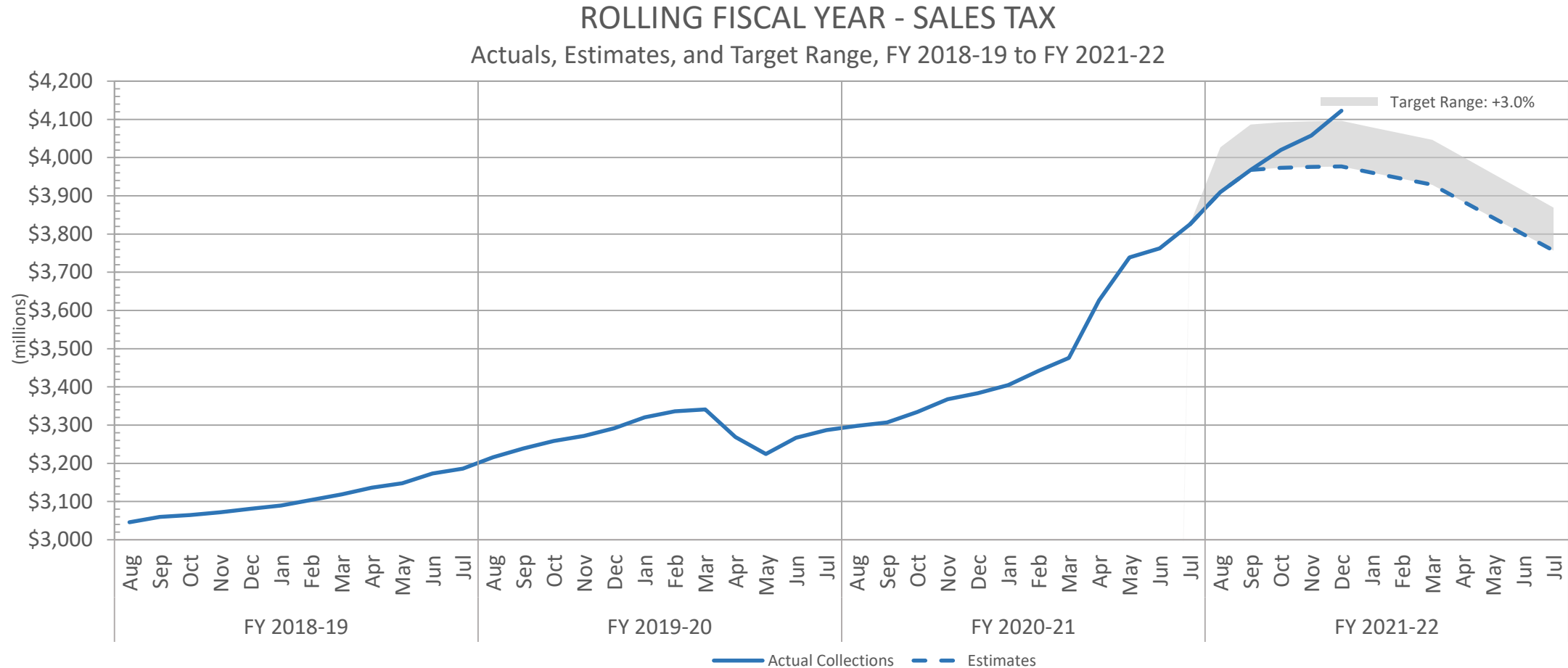
Sales Tax Revenue

Key Issues FY 2020-21 & FY 2022-23

- FY 2021-22 growth continues to greatly exceed expectations, with fiscal year-to-date growth at 20.0% compared to the estimate of 10.2%
- Stimulus measures increased capacity to spend
 - Increased personal saving rate and accumulated excess savings
 - Decreased debt repayment
- Personal savings rate has fallen back to its 5-year trend; however, cumulative excess savings have allowed households greater economic capacity to spend in the medium-term
- Inflation is not a major driver of sales tax growth at this time
- Looking forward to FY 2022-23, we anticipate revenue growth will moderate

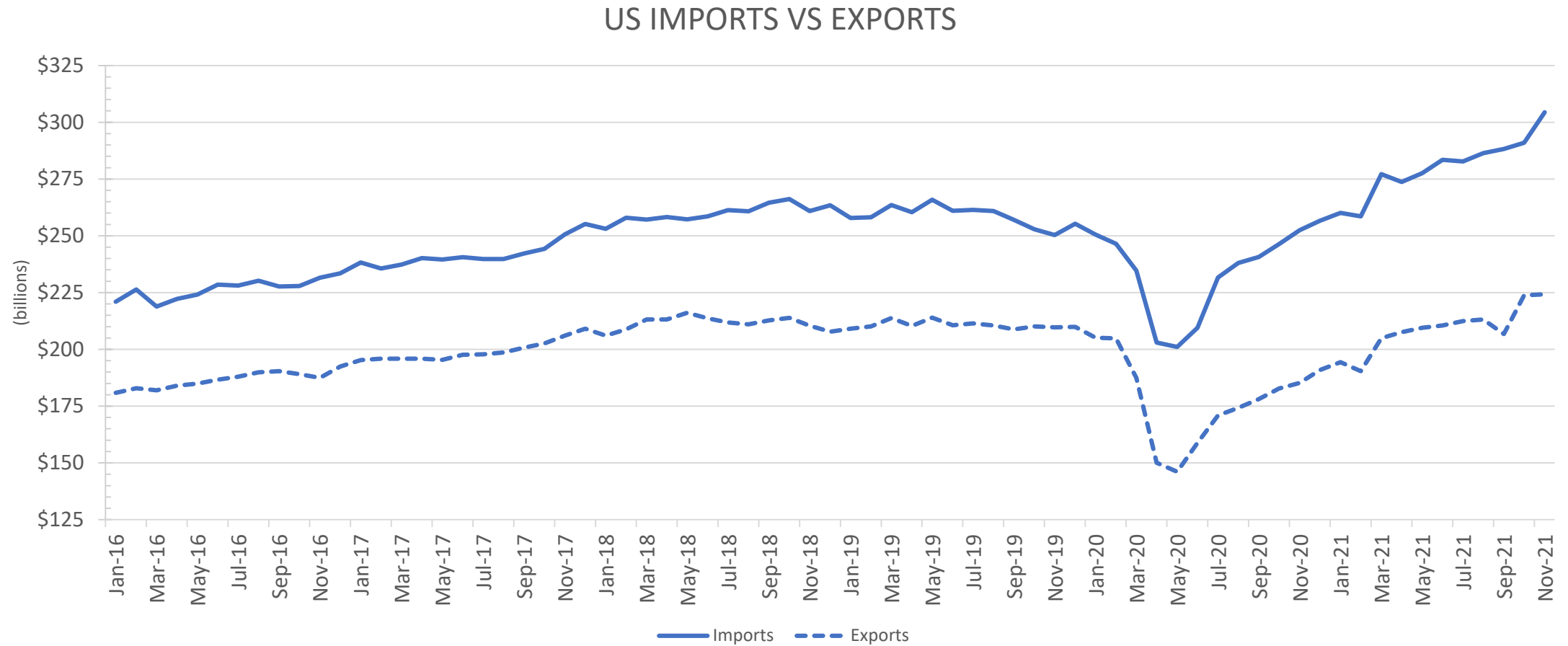
Sales Tax - Actual vs. Estimate

Collections are \$145.9 million above the estimate fiscal year-to-date



Consumer Spending

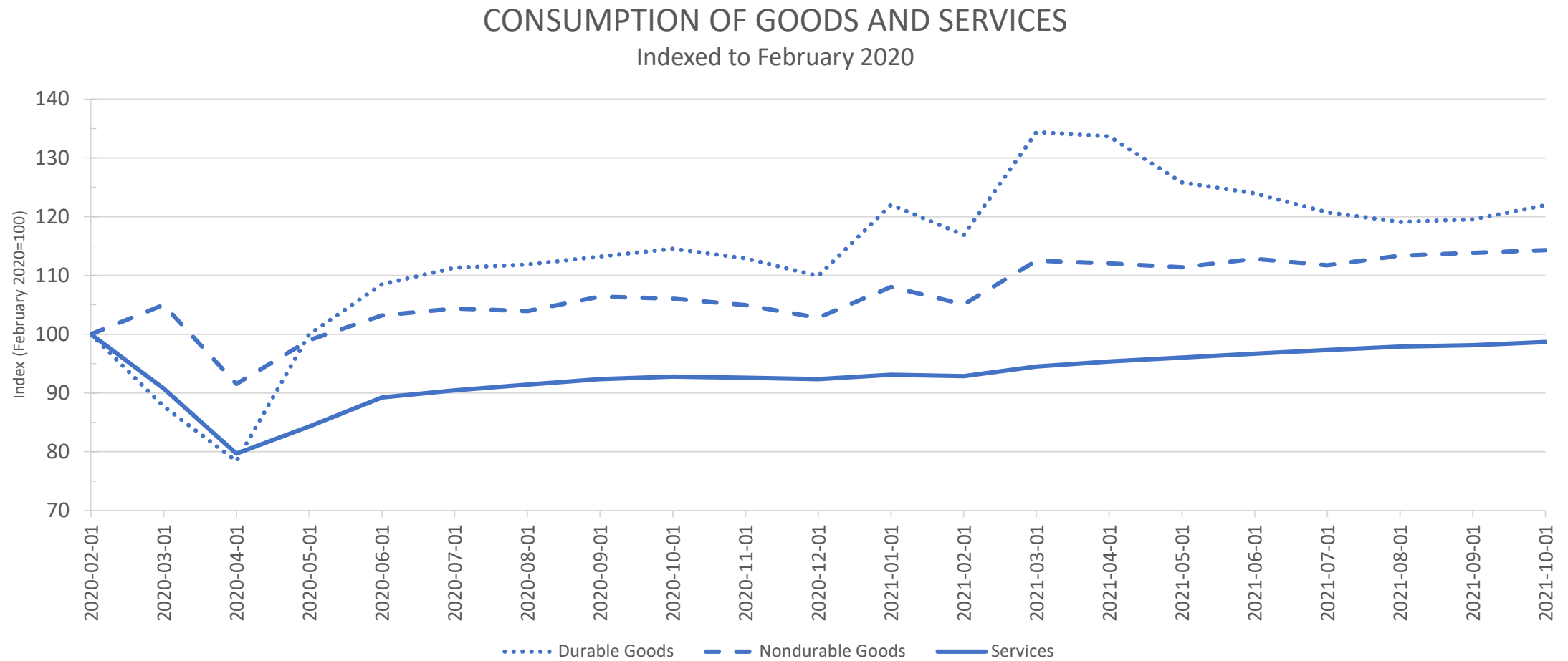
A 4.6% increase in imports indicates consumer demand remains strong



U.S. Bureau of Economic Analysis, Imports of Goods and Services, Exports of Goods and Services, nmg/1/10/2022

Consumer Spending – Goods and Services

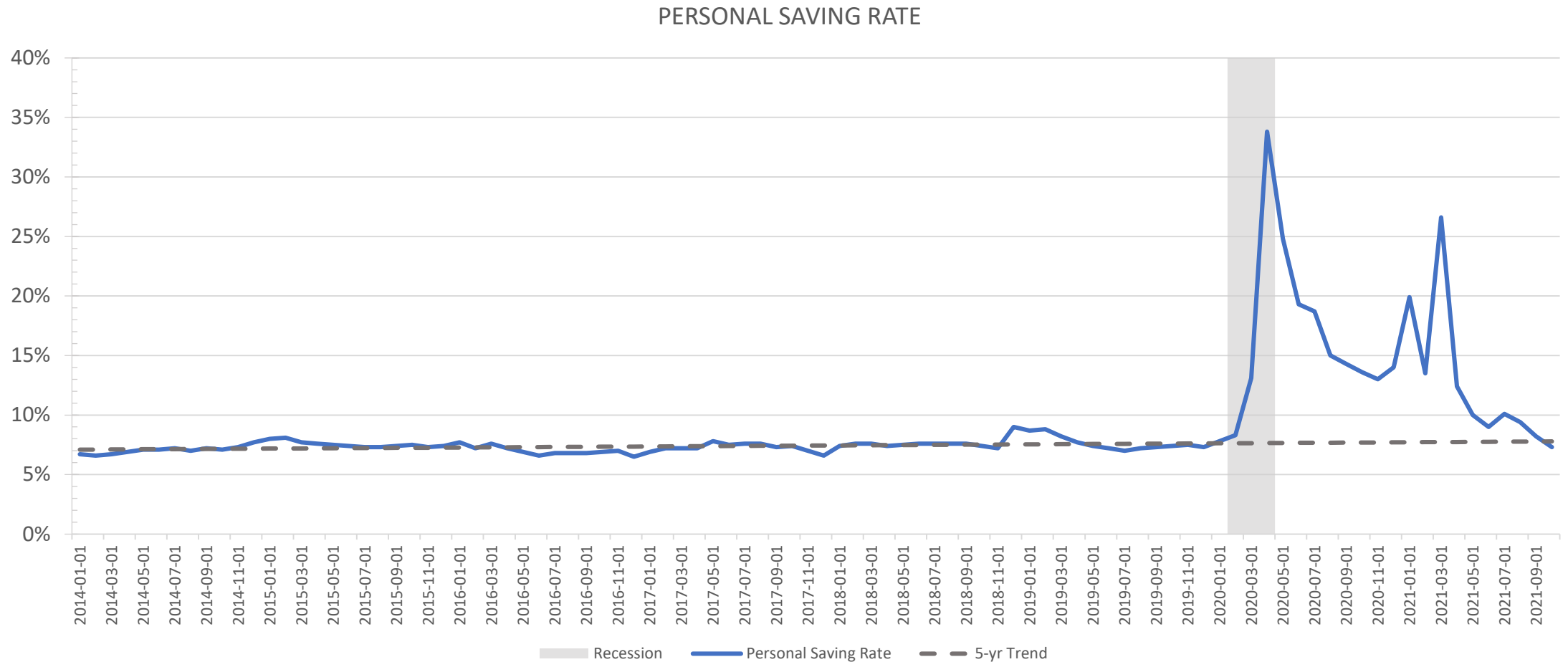
Compared to the start of the pandemic, durable and nondurable goods purchases have increased



U.S. Bureau of Economic Analysis, Real Personal Consumption Expenditures, RFA/nmg/12/15/2021

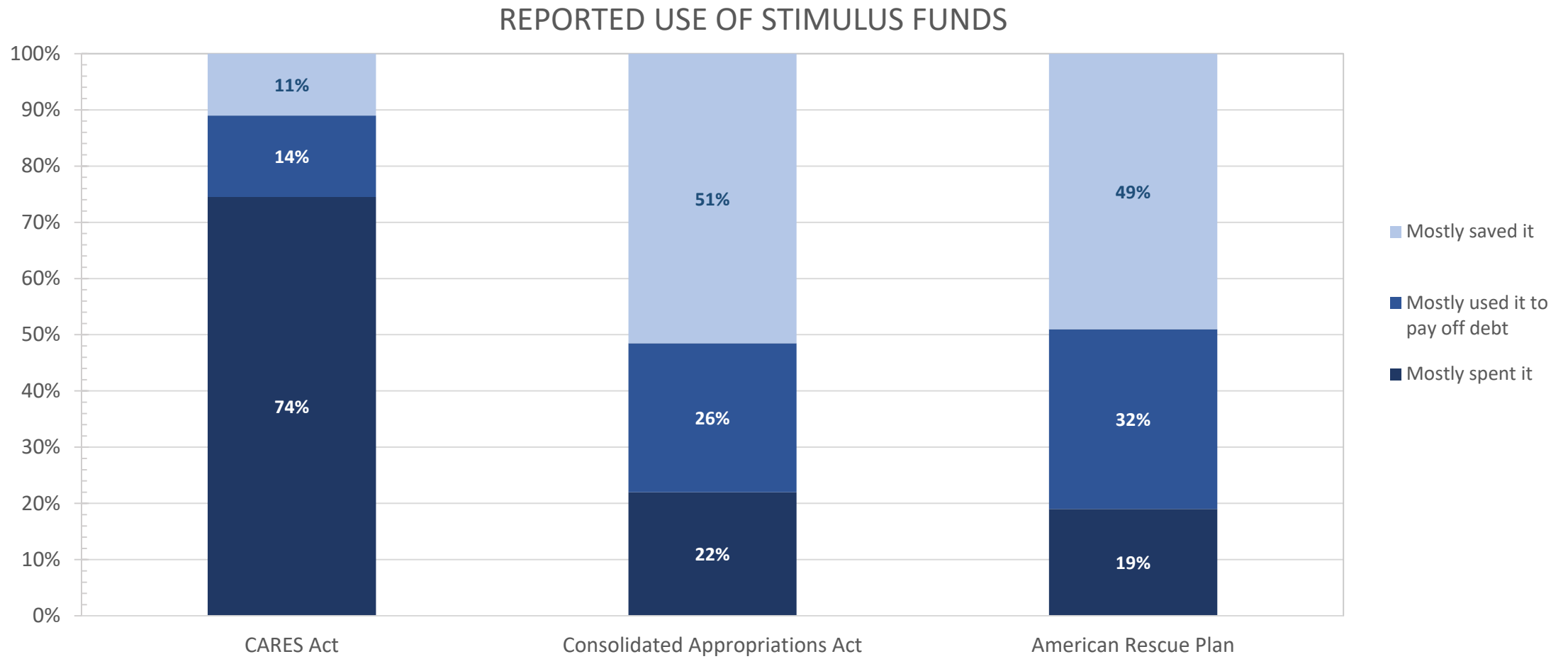
Savings

Personal saving rate spikes coincide with stimulus payments, however the current rate has fallen below the 5-yr trend



Stimulus Payments

Households were more likely to spend their first federal stimulus check and save or pay off debt with second and third payments

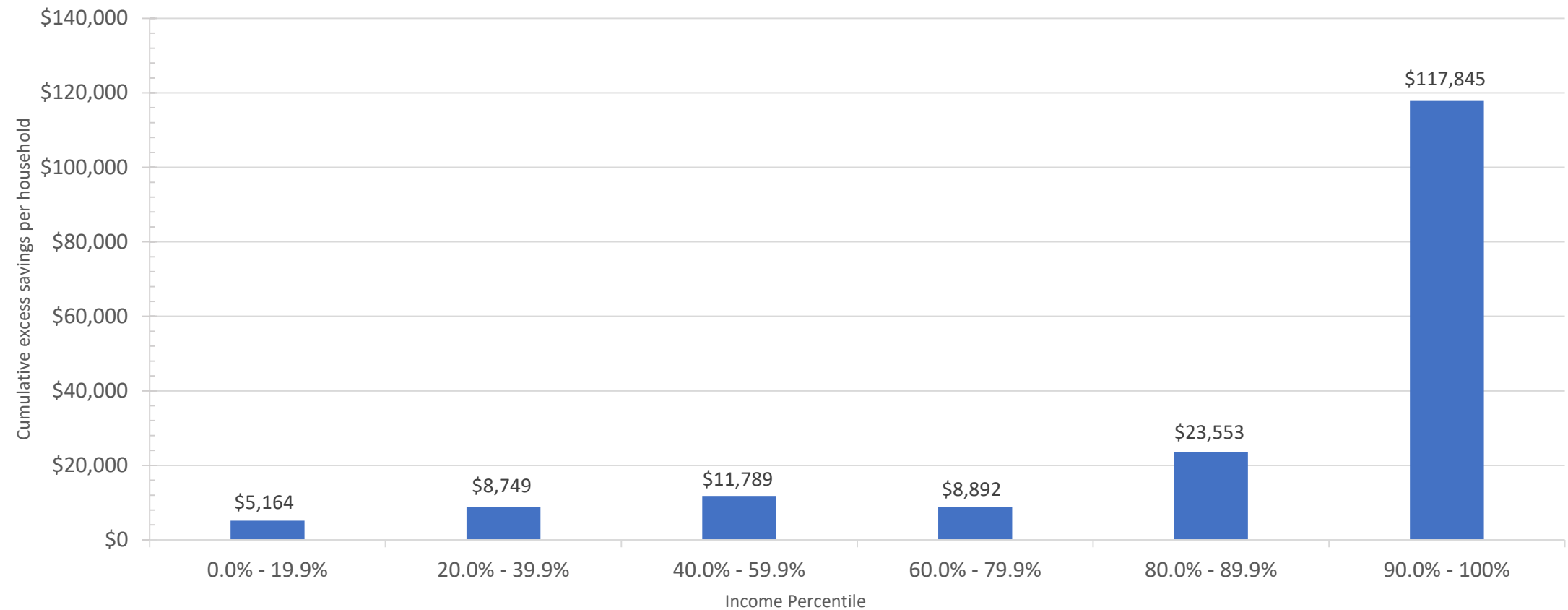


Source: United States Census Bureau, Household Pulse Survey, RFA/nmg/10/06/2021

Excess Savings Per Household

Households at all income percentiles accumulated excess savings during the pandemic, increasing economic capacity to spend

US CUMULATIVE EXCESS SAVINGS PER HOUSEHOLD BY INCOME LEVEL

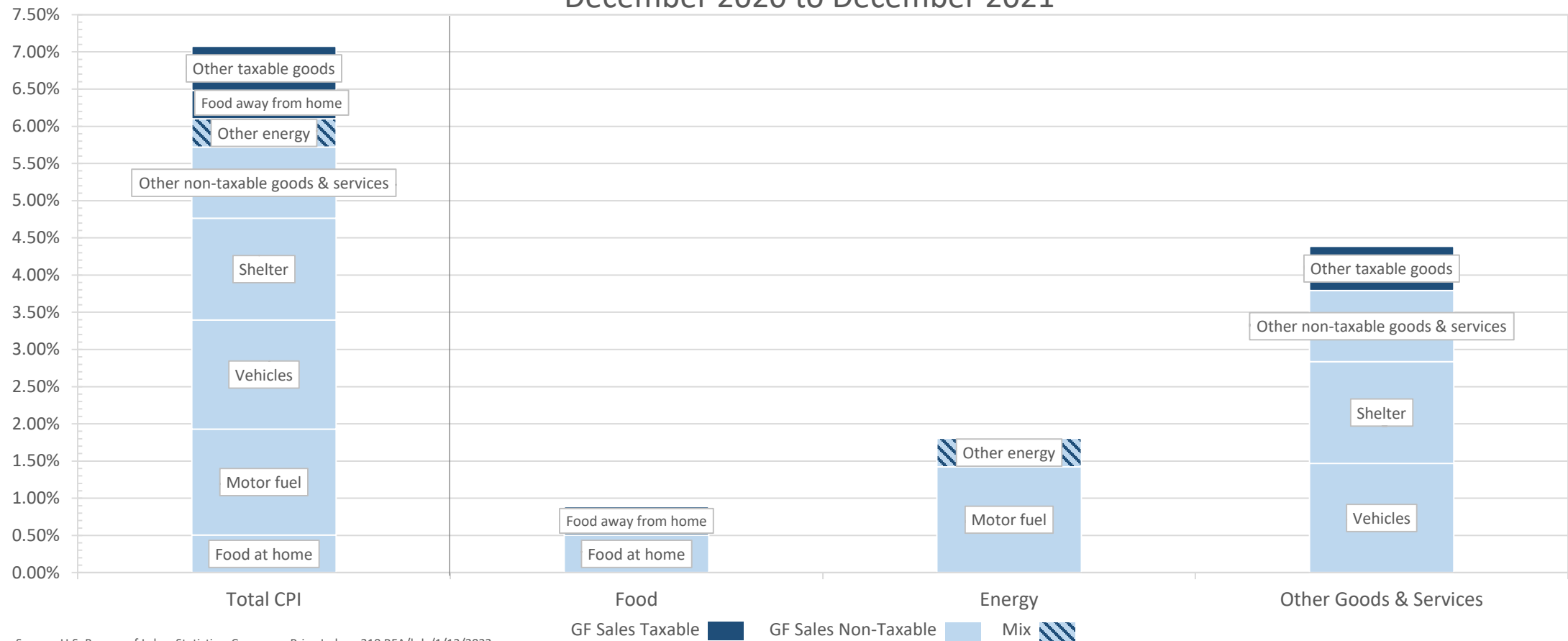


Moody's Analytics (excess saving by household), U.S. Bureau of Economic Analysis (personal saving rate) from the Wall Street Journal, data through Q3 2021, nmg/1/10/2022

Consumer Price Index

Inflation is congregated in areas that are not impacting General Fund sales tax collections

CPI - PERCENTAGE POINT CONTRIBUTION TO TOTAL CHANGE BY SUBCOMPONENT
December 2020 to December 2021



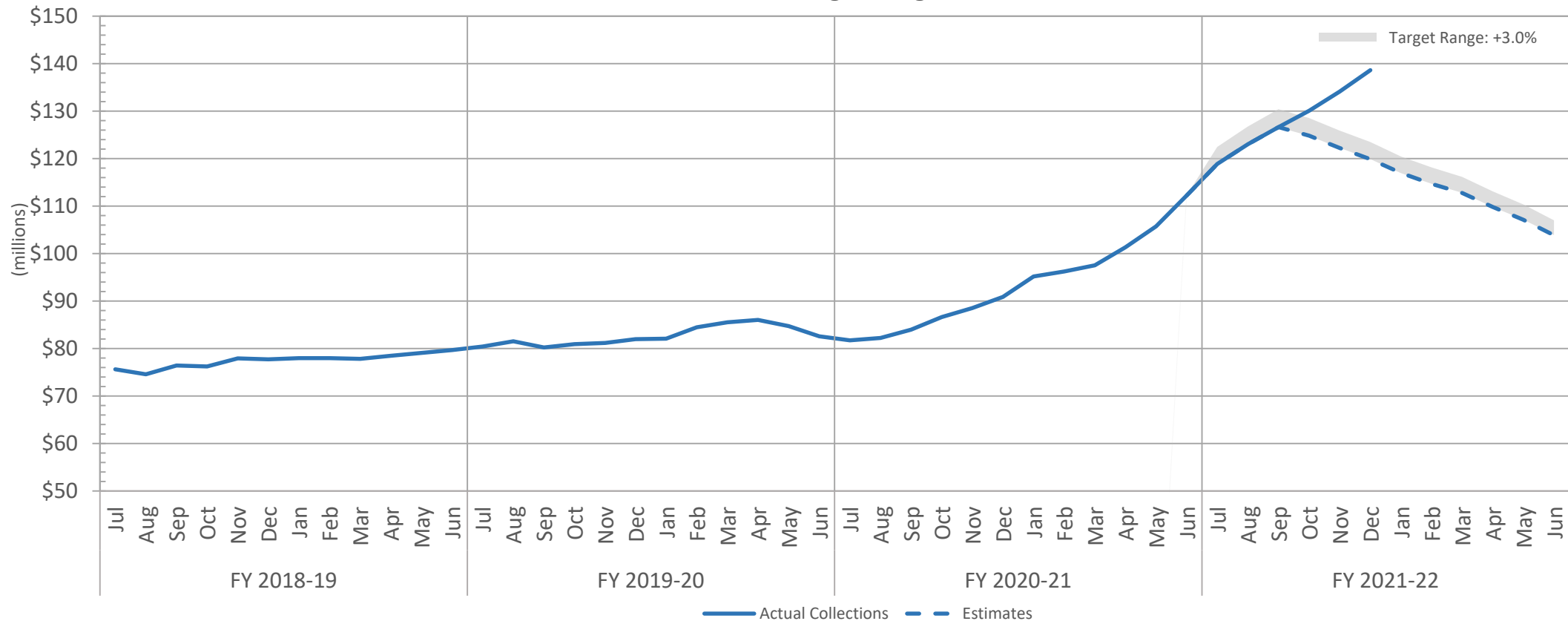
General Fund Revenue Deed Recording Fees



Deed Recording

The November estimate expected Deed Recording Fees to moderate in the second half of FY 2021-22, this leveling off has not occurred

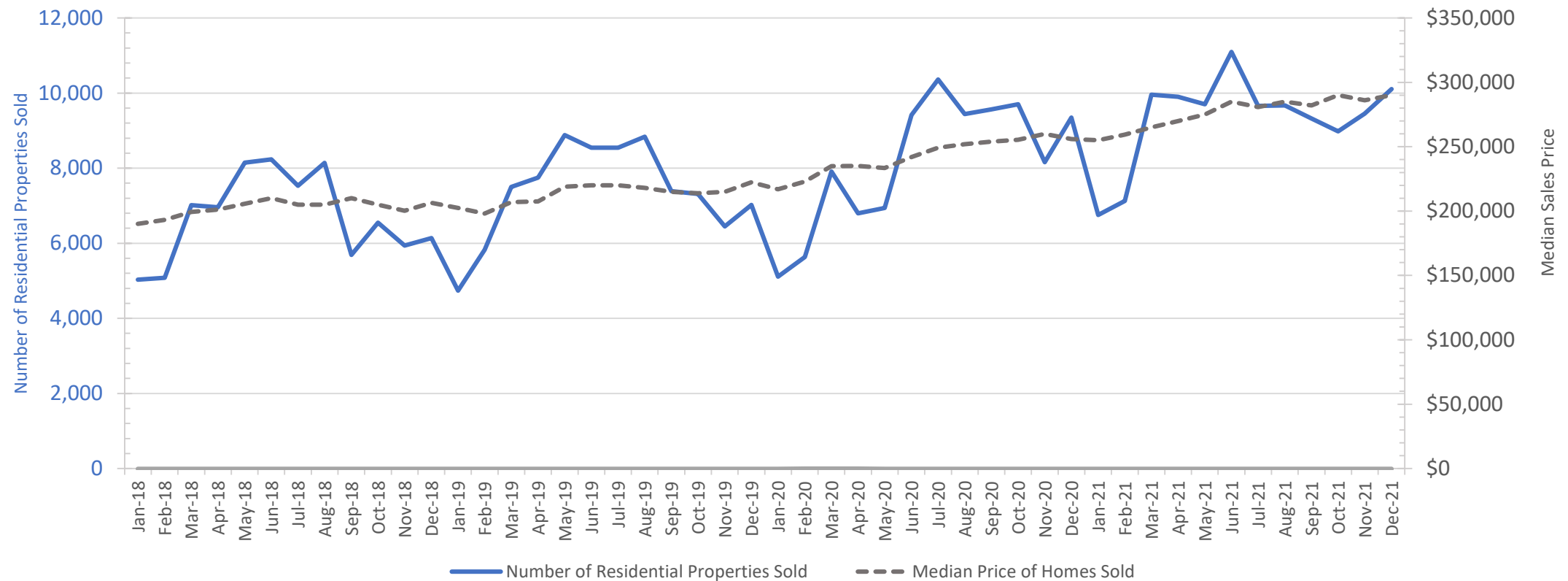
ROLLING FISCAL YEAR - DEED RECORDING FEES
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



South Carolina Home Sales and Prices

The number of homes sold and the median sales price have continued to grow, resulting in a prolonged increase in Deed Recording Fees

SOUTH CAROLINA HOME SALES
Number Sold vs. Average Sale Price



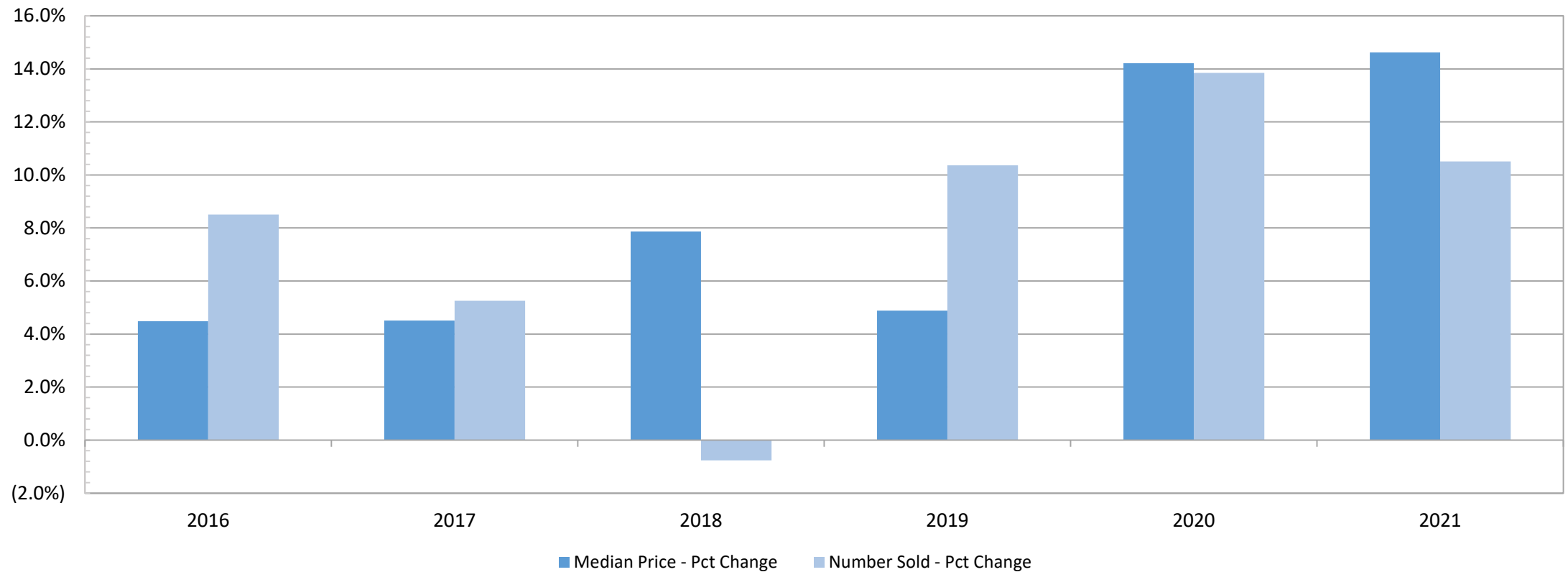
S.C. Realtors, Market Reports: Regional Data, 276-RFA/nmg/1/12/2021



South Carolina Home Sales and Prices

We have continued to see growth over an extremely high base FYTD, resulting in higher than anticipated revenue collections

SOUTH CAROLINA HOME SALES
Median Price and Number Sold - Percent Change



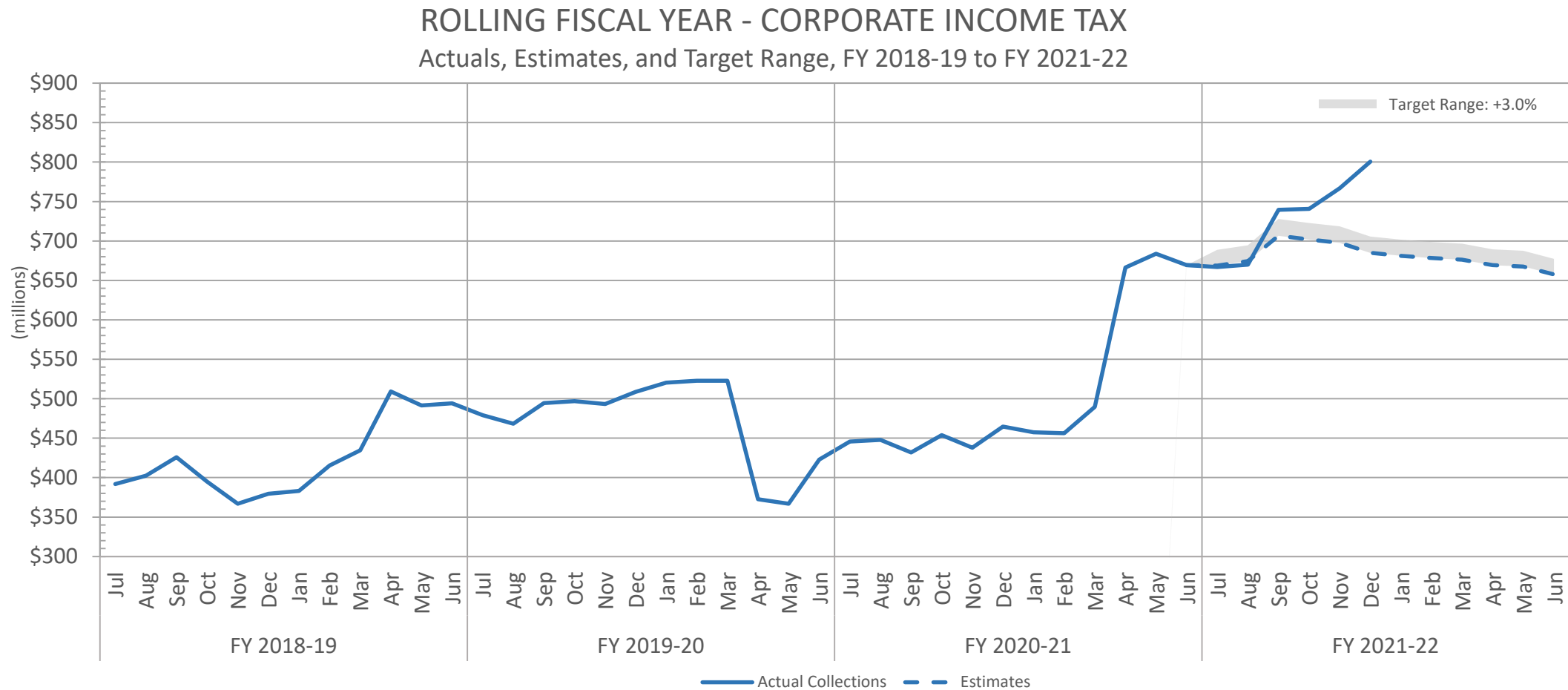
S.C. Realtors, Market Reports: Regional Data, RFA/nmg/1/12/2021

General Fund Revenue Corporate



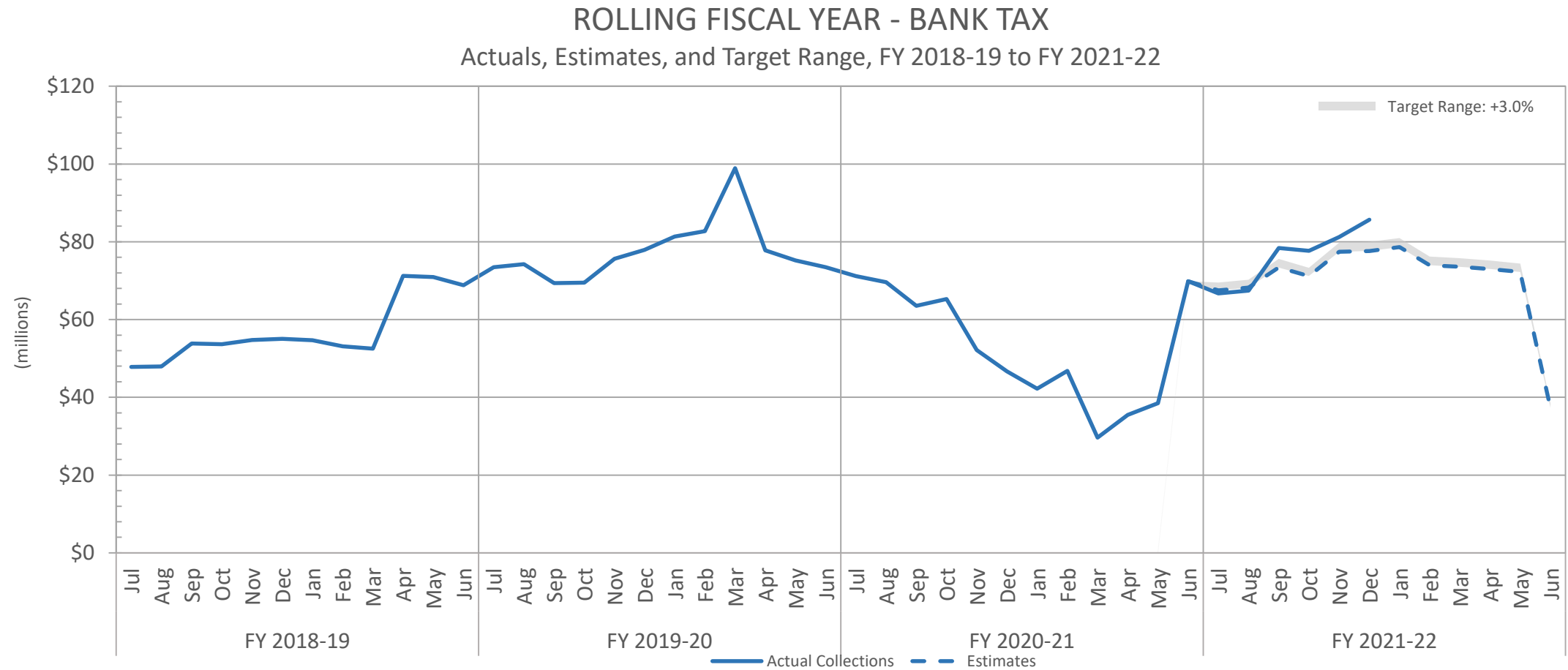
Corporate Income Tax – Actual vs. Estimate

Above November estimate by \$115.6 million year-to-date



Bank Tax – Actual vs. Estimate

Collections above forecast by \$8.0 million



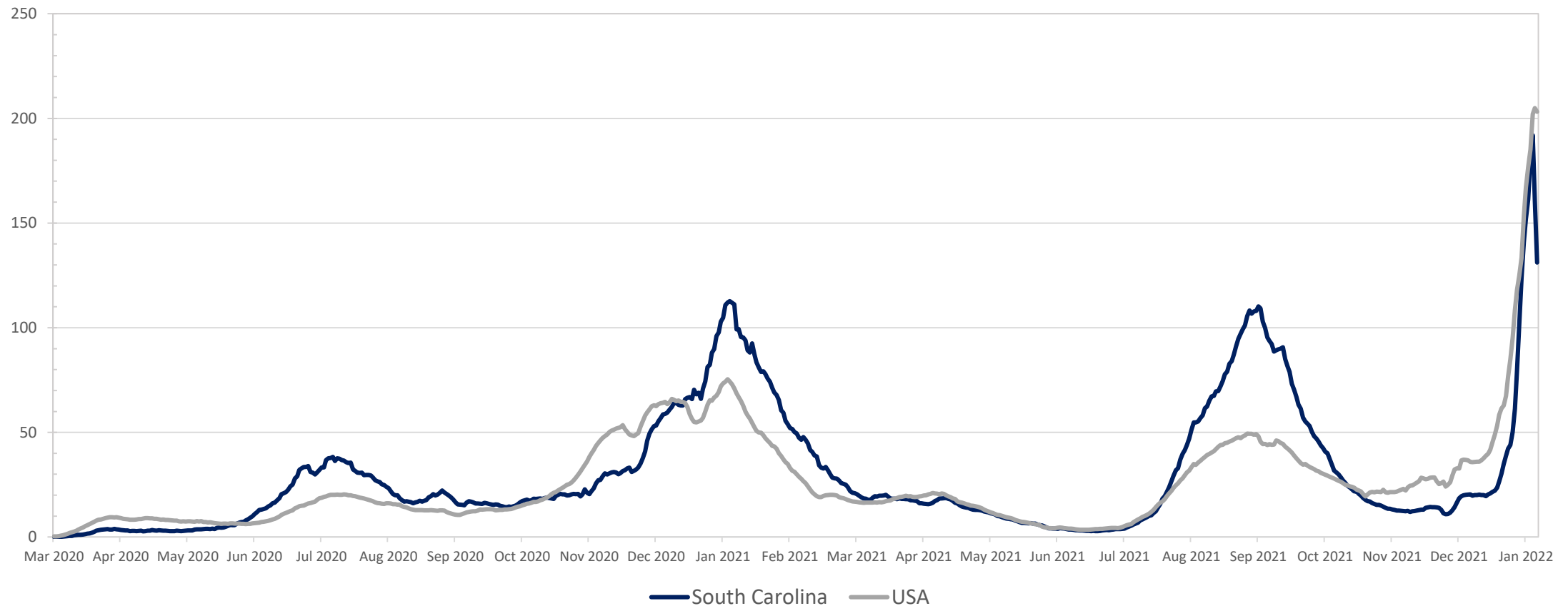
Issues and Assumptions Moving Forward



COVID-19 Case Rate

Infections have reached new highs in South Carolina and across the US

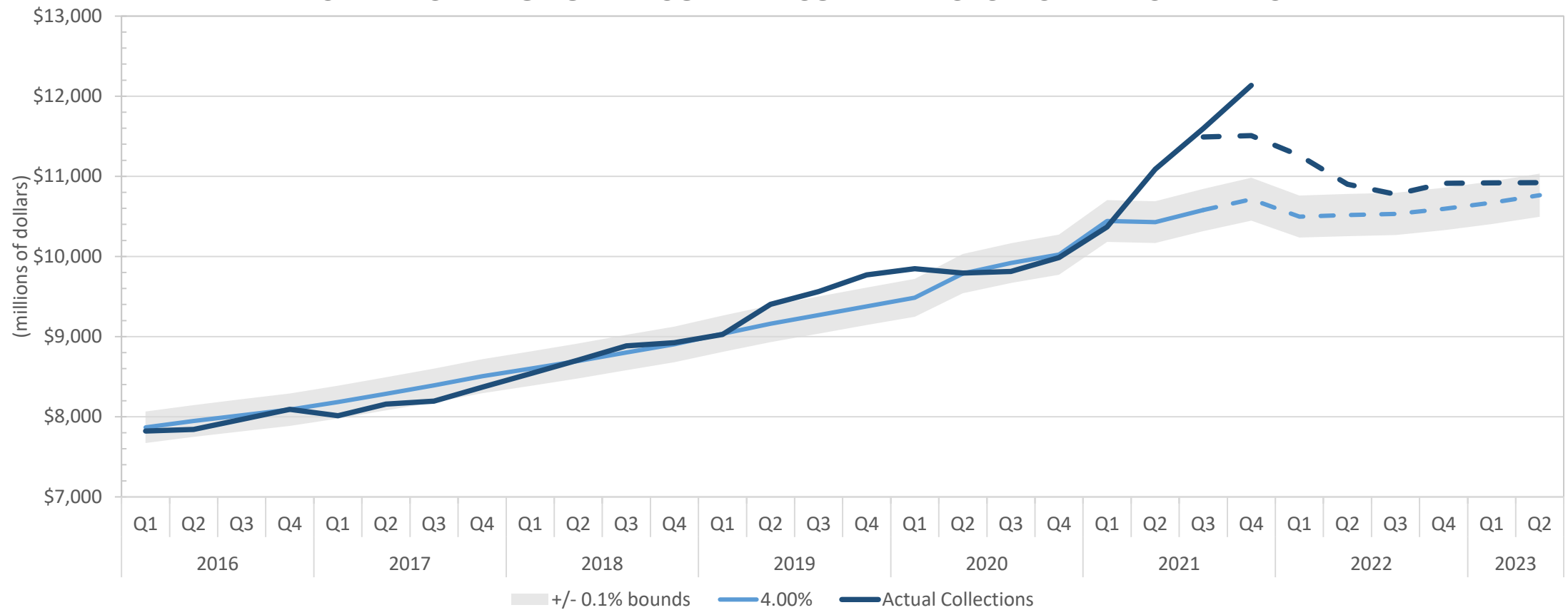
7-DAY AVERAGE NEW CASES PER 100K



Source: Centers for Disease Control and Prevention COVID Data Tracker 294 - RFA/bdc/01/11/2022

General Fund Second Quarter Summary

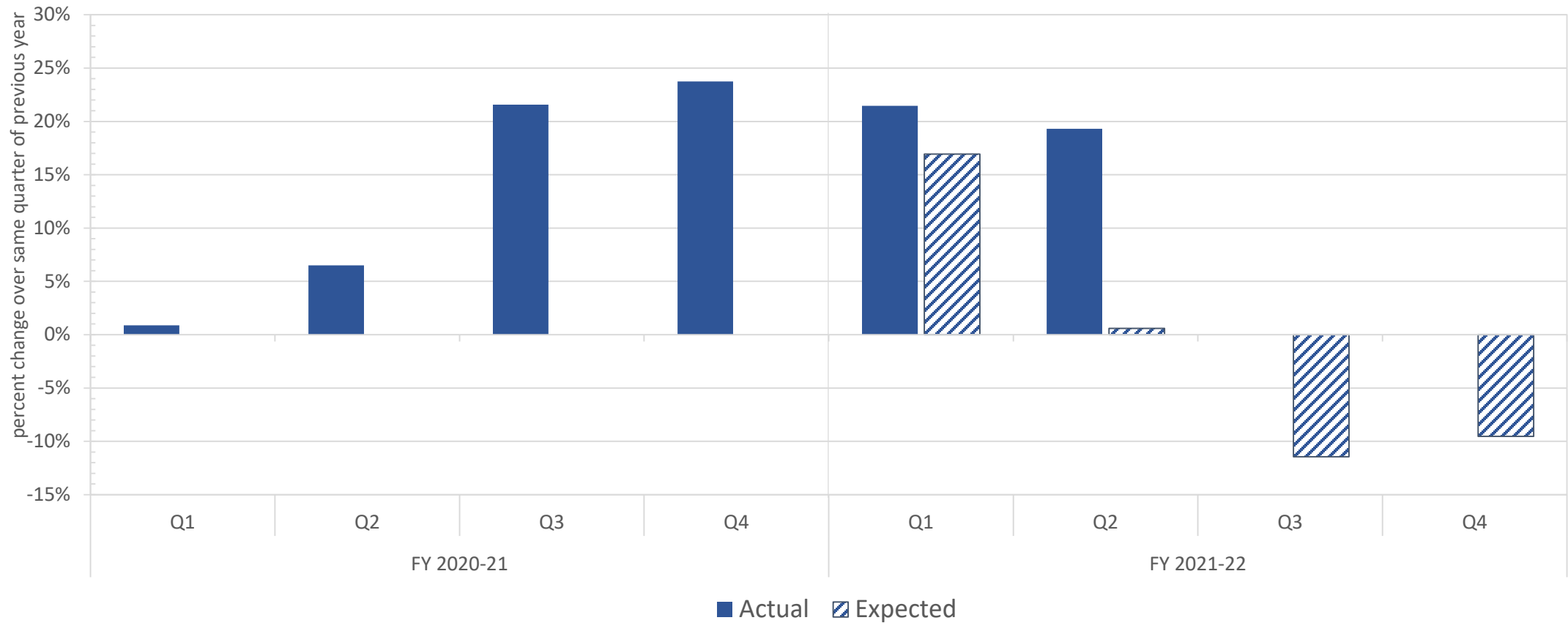
ROLLING FISCAL YEAR GENERAL FUND REVENUE
AS A PERCENTAGE OF PERSONAL INCOME — ACTUALS AND ESTIMATES



Source: U.S. Bureau of Economic Analysis; S.C. Board of economic Advisors; 307 - RFA/bdc/1/12/2021

Quarterly Growth Rates – Actual vs. November 2021 Estimate

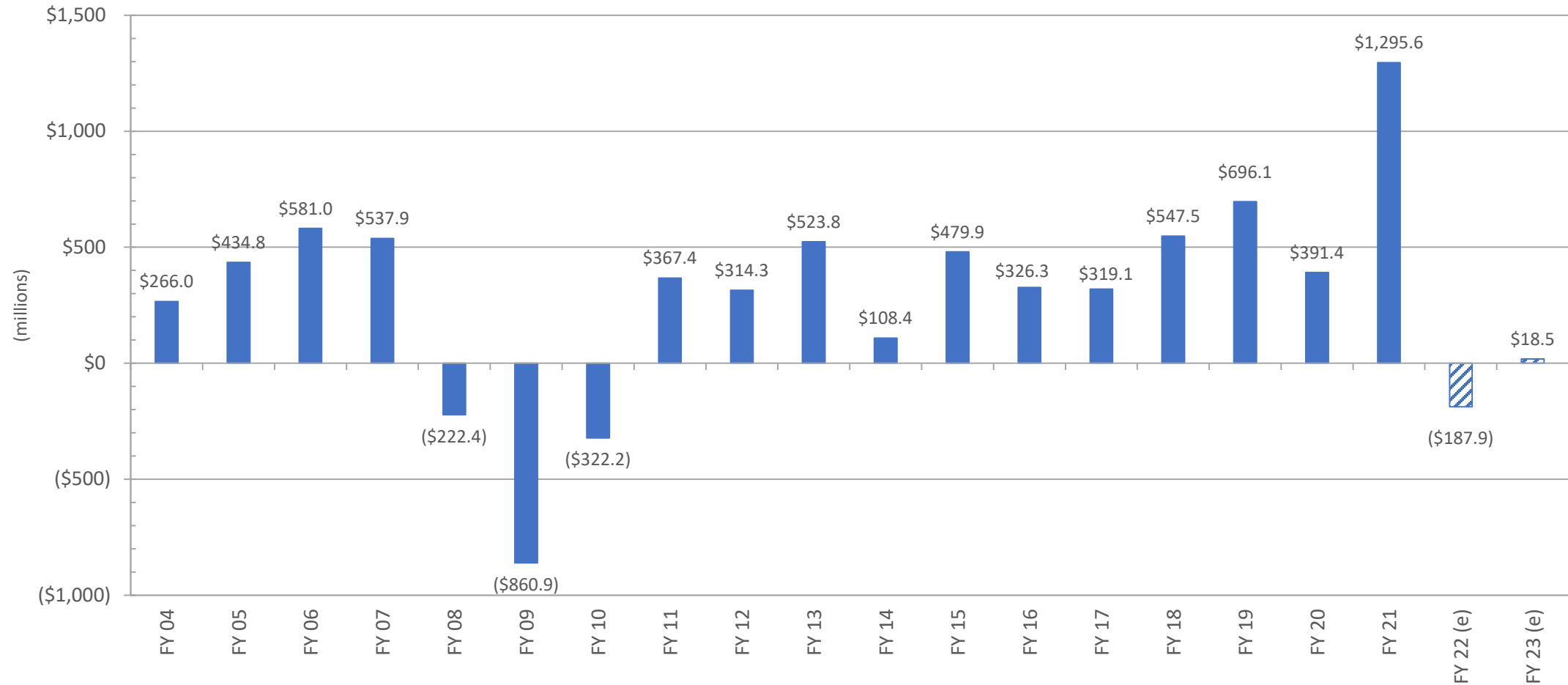
GENERAL FUND REVENUE QUARTERLY GROWTH



General Fund Revenue Growth

Annual Dollar Change

ANNUAL GROWTH IN GENERAL FUND REVENUE

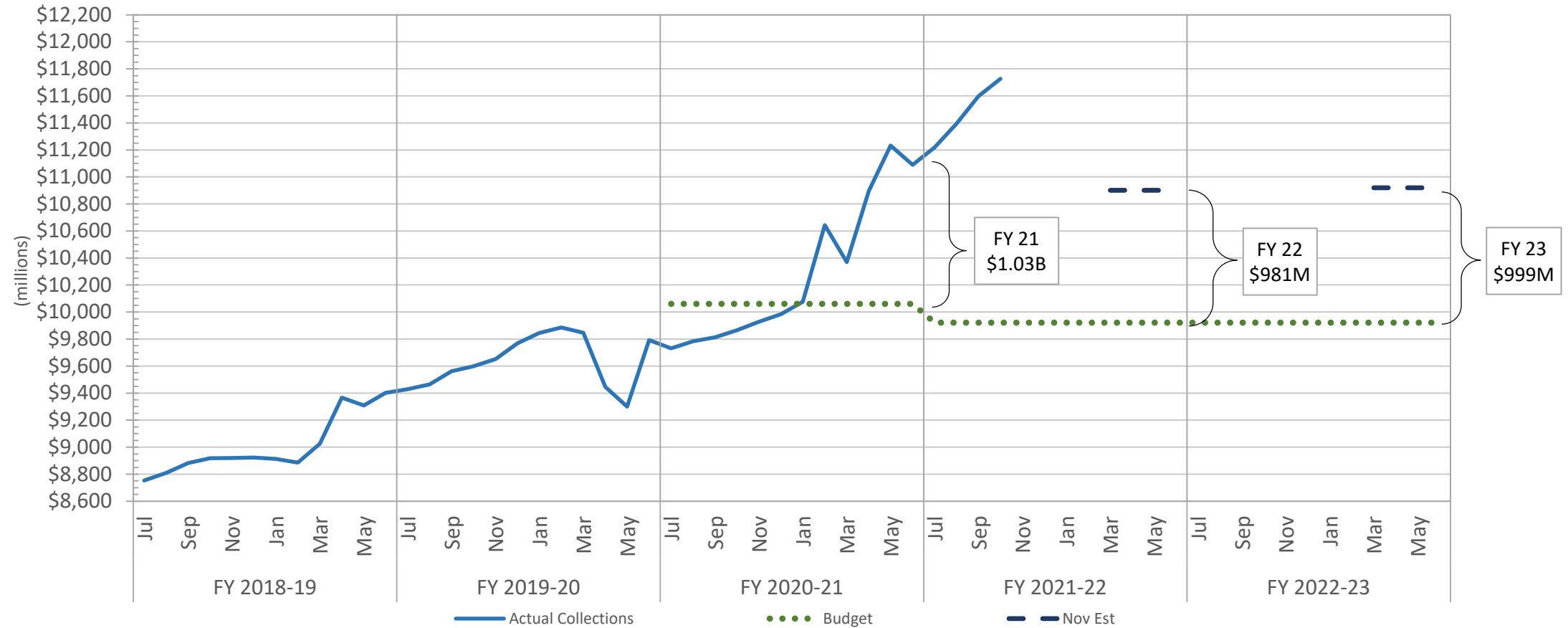


Source: Revenue and Fiscal Affairs - 169A/LHJ/11/10/2021

General Fund Revenue – Budget

Gross revenue relative to total budgetary revenue

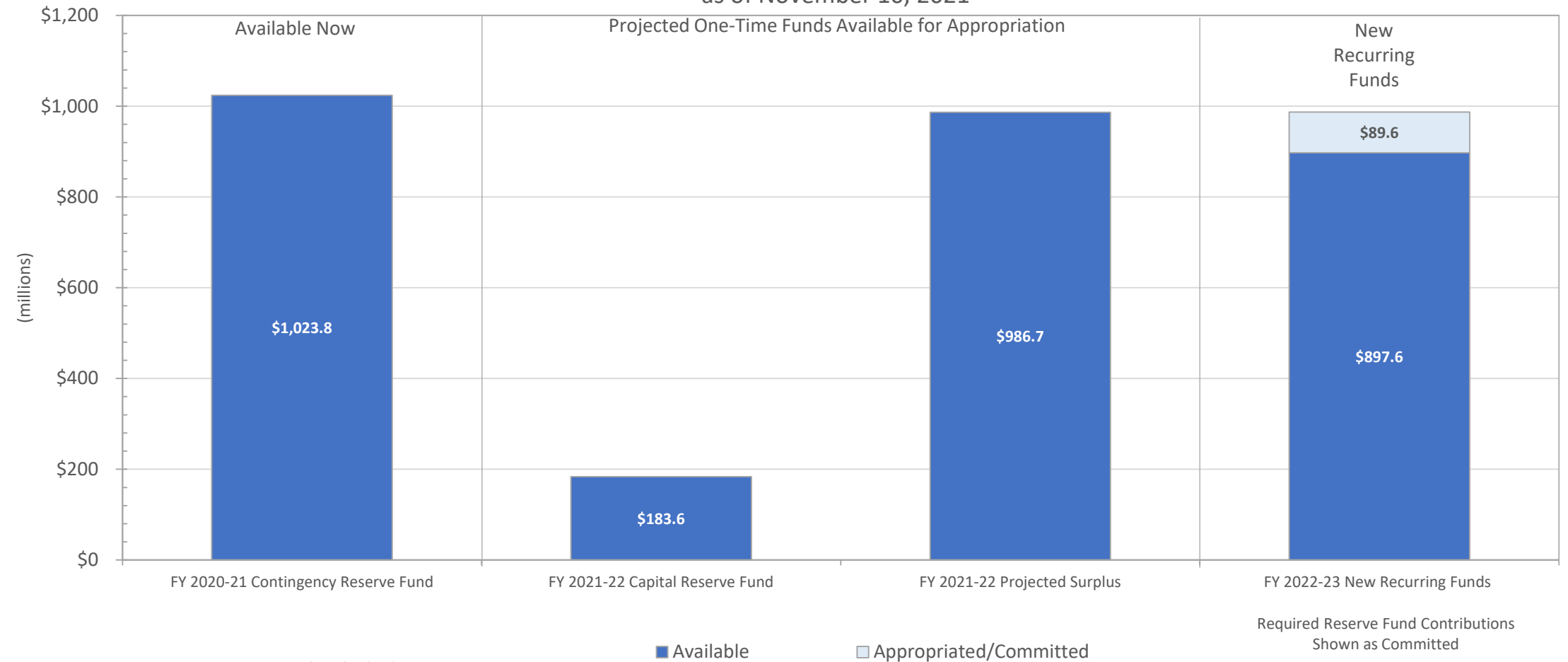
ROLLING FISCAL YEAR - GENERAL FUND
Actuals, Estimates, and Budget, FY 2018-19 to FY 2022-23



*Budget figures are gross revenue before Tax Relief Trust Fund and Reserve Funds

FY 2022-23 Available Funds

AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS as of November 10, 2021



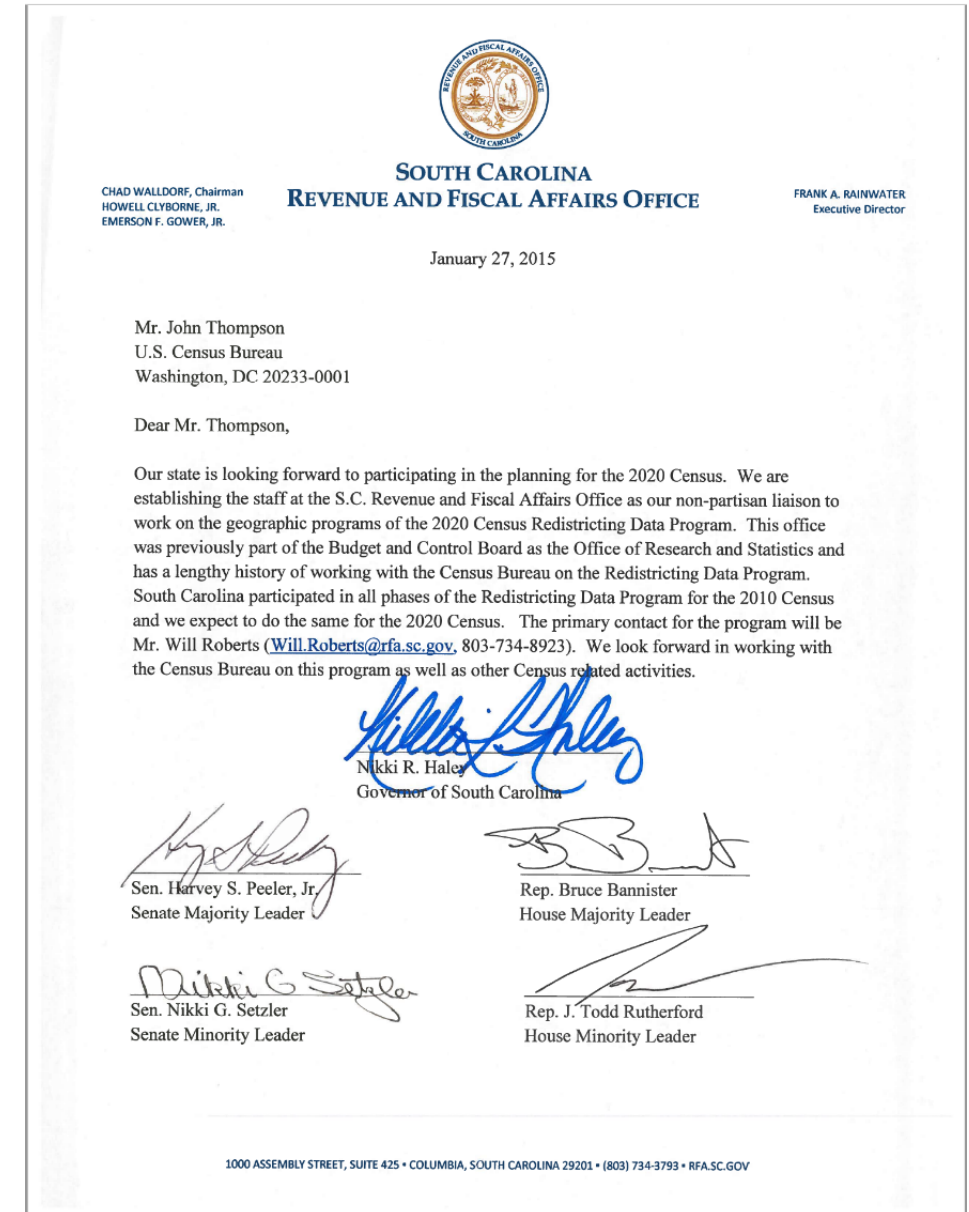
Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/10/2021

Demographics and Redistricting



SC Revenue and Fiscal Affairs Office

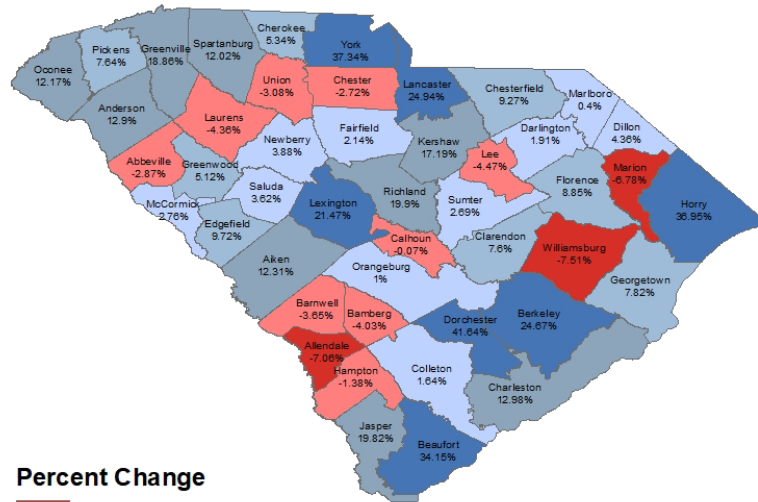
- Official State Contact with Census
- Maintain official precinct maps (SC Code of Laws §7-7-30 et seq; 11-9-850)
- Coordination with other mapping programs
 - Jury Areas (SC Code of Laws §22-2-30)
 - Transportation Network Company (SC Code of Laws §58-23-1610) – Municipalities required to notify RFA of annexations within 30 days
 - Incorporation criteria (SC Code of Regs 113-200(A))
- Census Prep Work
 - Local Update of Census Addresses (LUCA)
 - Boundary and Annexation Program
- Served as technical advisors to the Federal Courts
- **Redistricting Services (No statutory mandate)**
 - *Provide redistricting services in accordance with redistricting law and principles*
 - *RFA is not providing legal advice*



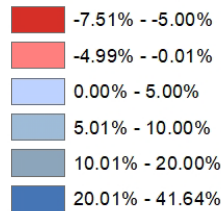
SC Population Change by Census Tract

Percent Change in Census Population

2000 to 2010

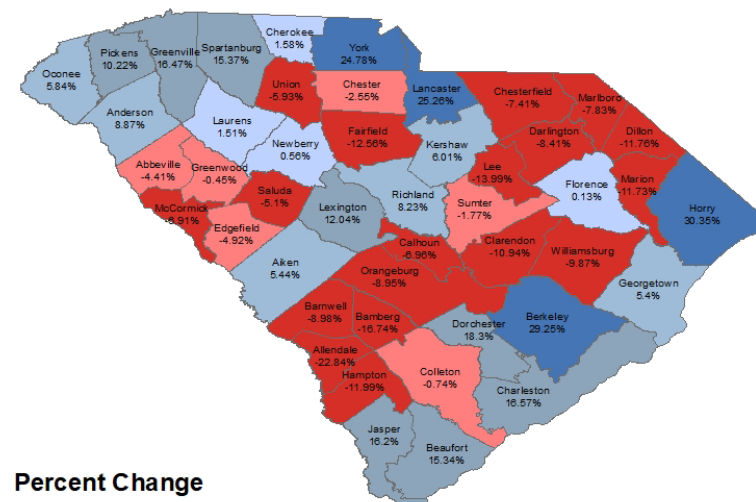


Percent Change

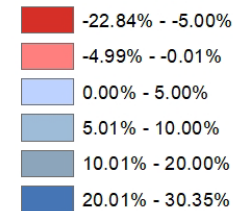


Source: US Census Bureau Decennial Census Data

2010 to 2020



Percent Change



South Carolina
Revenue and Fiscal Affairs Office



Traditional Redistricting Principles

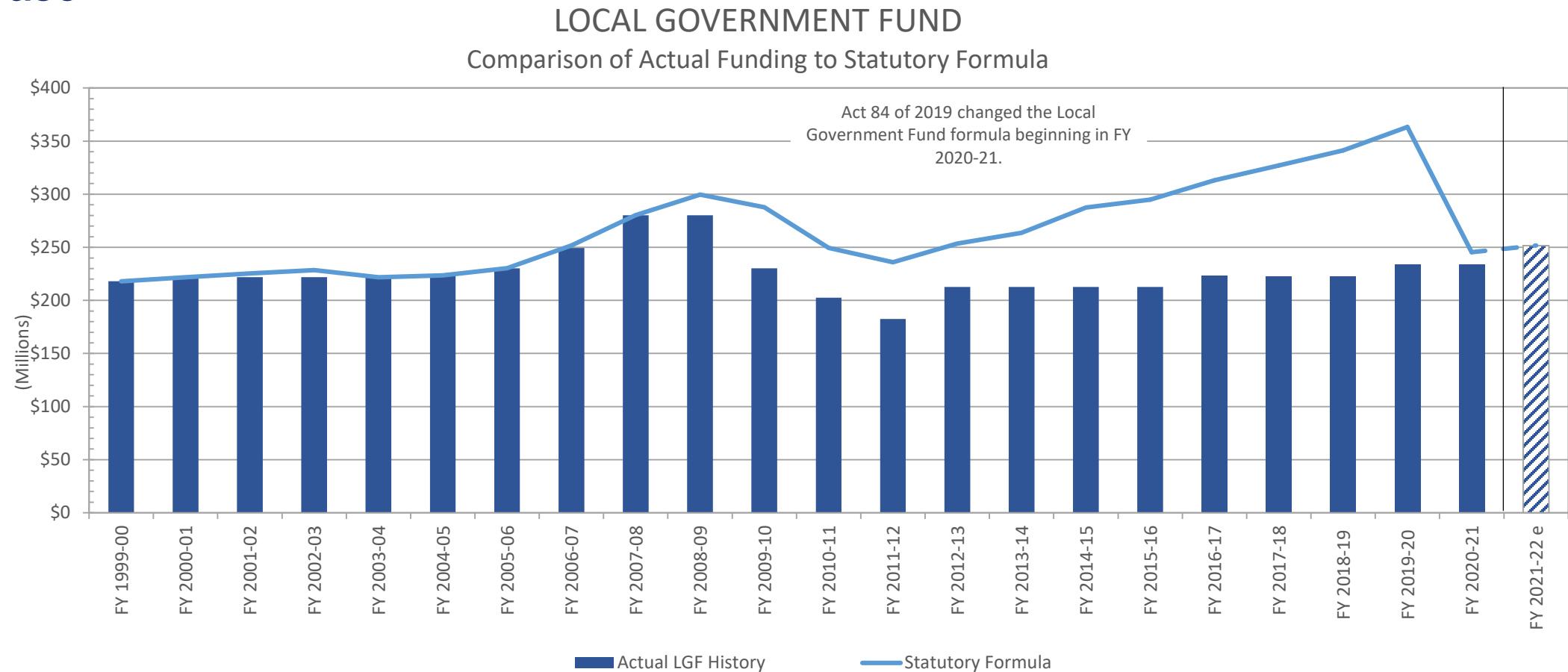
- **Contiguousness** – All parts of the districts must be touching. Point contiguity is acceptable.
 - **Compactness** – Districts should be able to pass an “eye” test as well as can be measured by statistical models.
 - **Constituent Consistency** – Preserving the core of existing districts and respecting incumbents is acceptable.
 - **Communities of Interest** – Preserving areas where residents have common interests (ex - social, economic, neighborhoods, school zones).
 - **Voting Precincts** – Avoid splitting precincts (as much as practical).
- * * The General Assembly has the authority to redraw voting precincts. Precincts are typically redrawn after redistricting has occurred or a large population change in one geographic area. *RFA is responsible for maintaining the official maps (§1-11-360).*

Local Government Fund and Rural Stabilization Fund



Local Government Fund

New formula increases funding at growth in the General Fund over the budget base



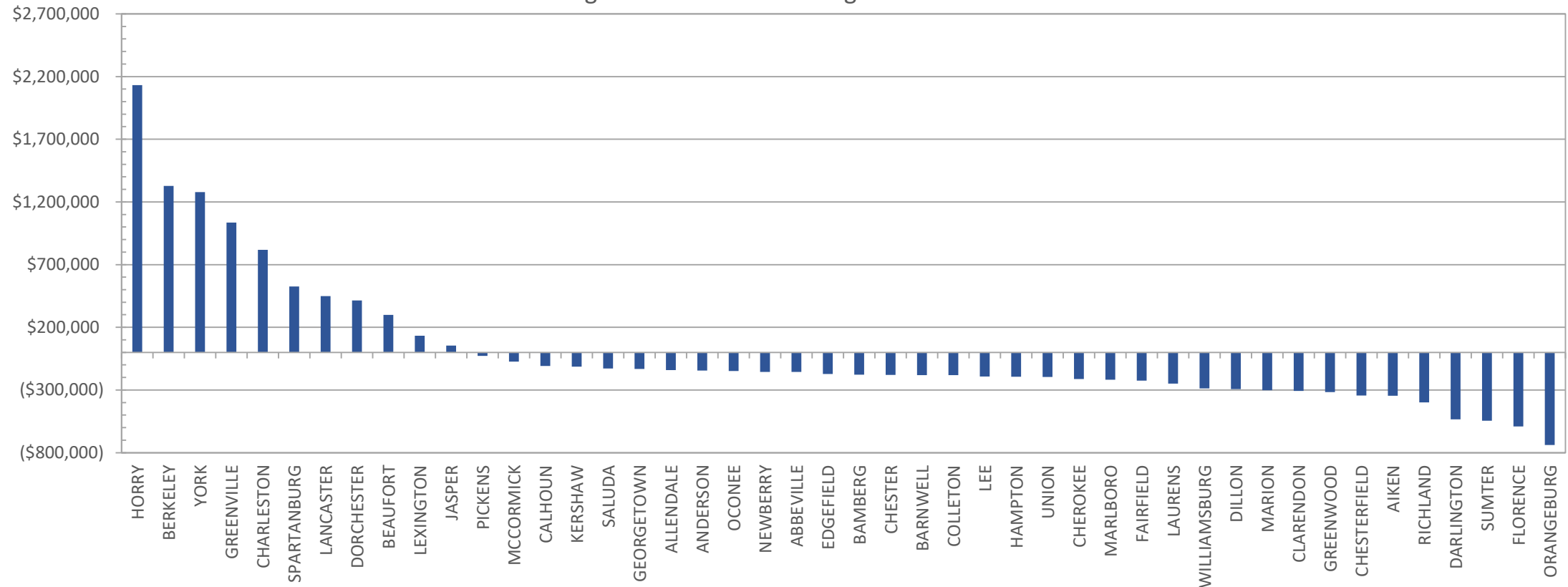
Note: FY 2020-21 was funded at the FY 2019-20 level due to the continuing resolution adopted by the General Assembly on May 13, 2020. The FY 2021-22 statutory formula includes a catch up amount for FY 2020-21, and the General Assembly appropriated \$251,661,595 on June 21, 2021.
Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/9/14/21

County Local Government Fund Impact

Estimated change in Local Government Fund due to Census population revision

COUNTY LOCAL GOVERNMENT FUND CENSUS POPULATION IMPACT

Estimated Change in FY 2021-22 Funding With 2010 Census vs 2020 Census

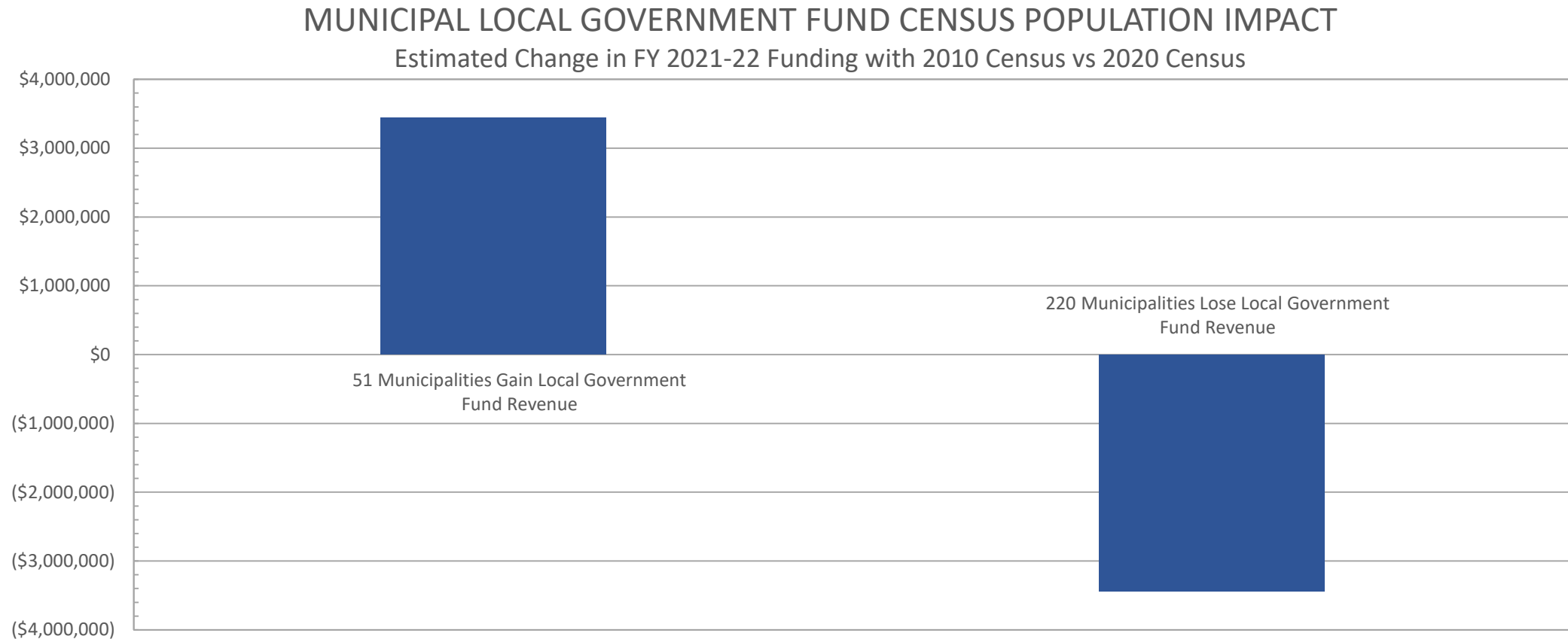


Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595. The population figures are based on 2010 and 2020 U.S. Census Bureau data.

Source: S.C. Revenue and Fiscal Affairs Office - 211C/lpw/12/16/2021

Municipal Local Government Fund Impact

Estimated change in Local Government Fund due to Census population



Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595 . The population figures are based on 2010 and 2020 U.S. Census Bureau data.
Source: S.C. Revenue and Fiscal Affairs Office - 211G/lpw/12/16/2021

Rural County Stabilization Fund

- Created pursuant to Proviso 113.11 of the FY 2021-22 Appropriations Act
- Allocates \$10 million to counties that have population growth less than 5.35% since the 2010 Census as follows:
 - A baseline of \$300,000 to each eligible county;
 - An additional \$100,000 to eligible counties with a population between 50,000 and 99,999; and
 - An additional \$200,000 to eligible counties with a population of more than 100,000
 - After disbursement of funds, any monies remaining are distributed to each eligible county on a pro rata basis.
- 28 counties were deemed eligible

Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595. The population figures are based on 2010 and 2020 U.S. Census Bureau data.
Source: S.C. Revenue and Fiscal Affairs Office - 211G/lpw/12/16/2021



Questions

