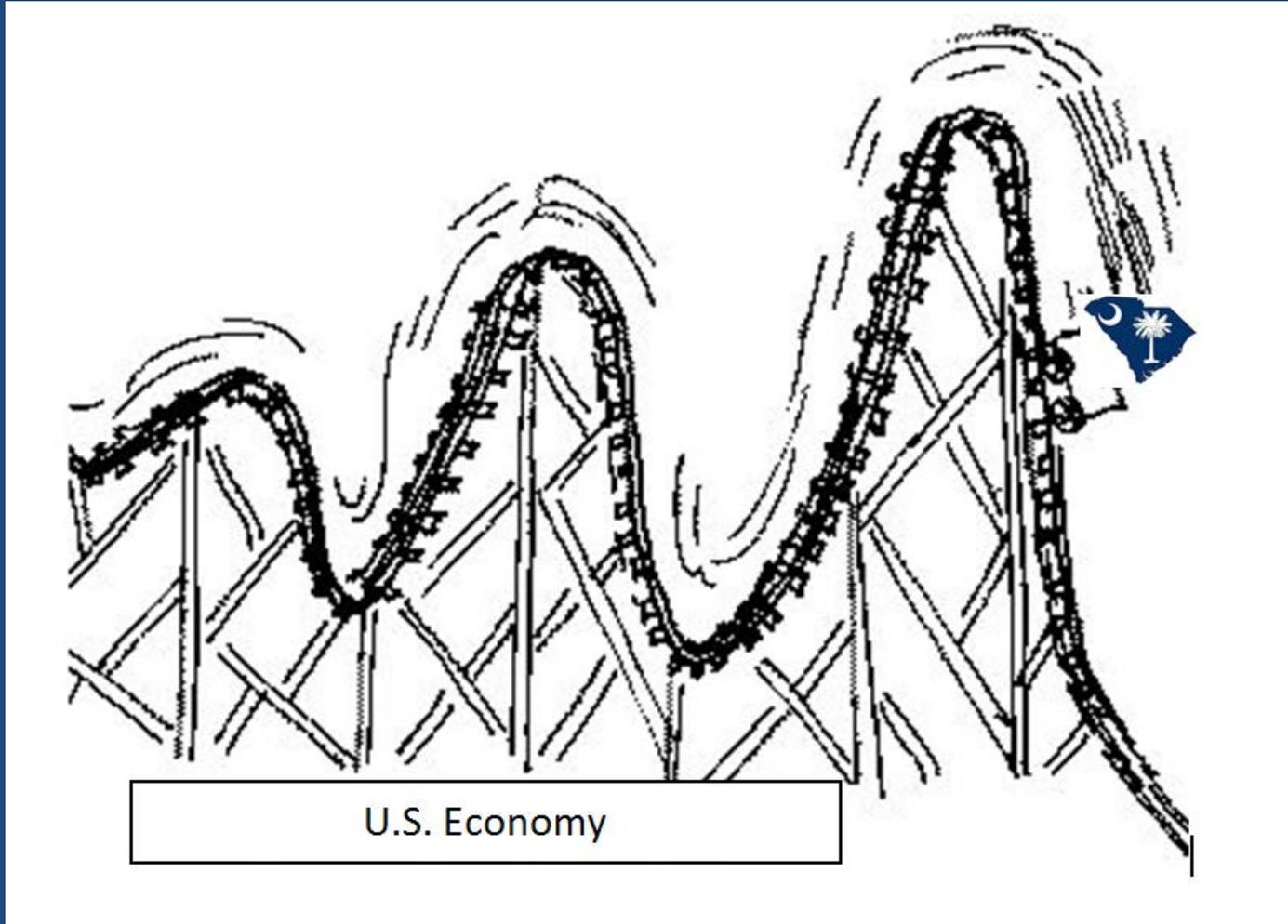
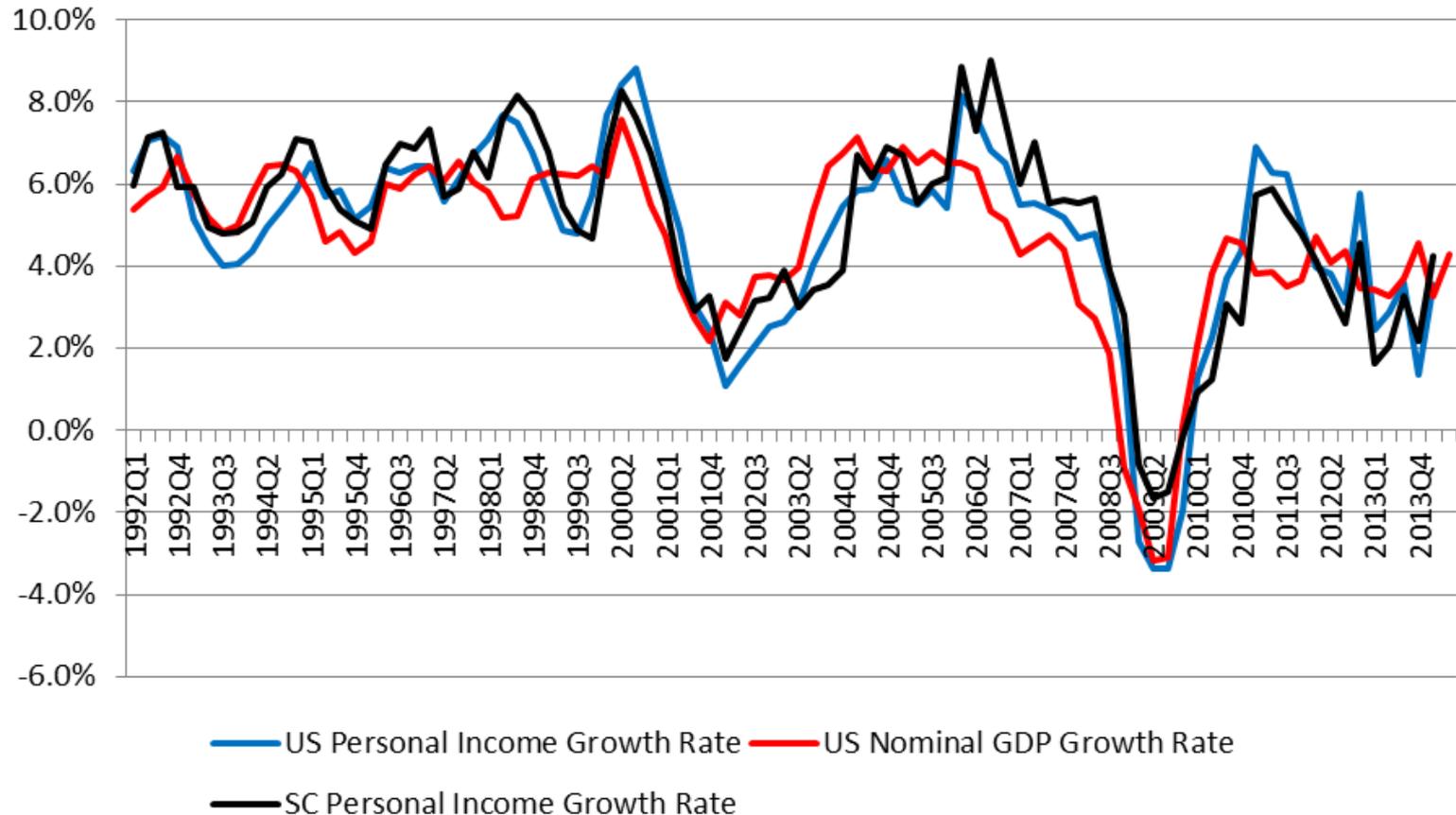


S.C. Personal Income Growth is Closely Tied to U.S. National Economy:

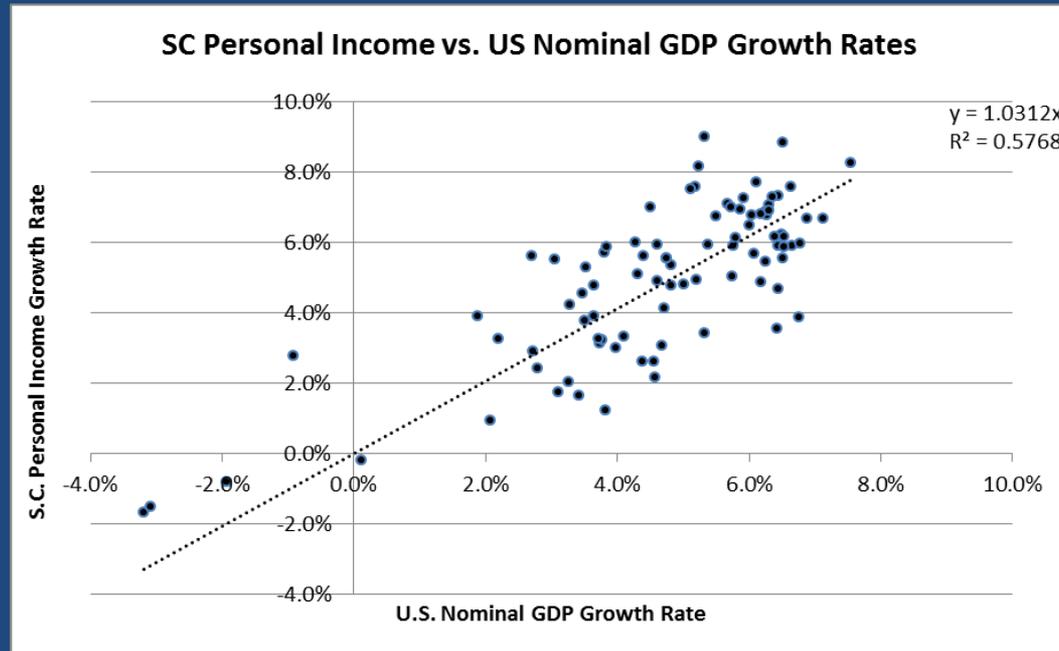


S.C. Personal Income Growth is Closely Tied to U.S. National Economy:

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



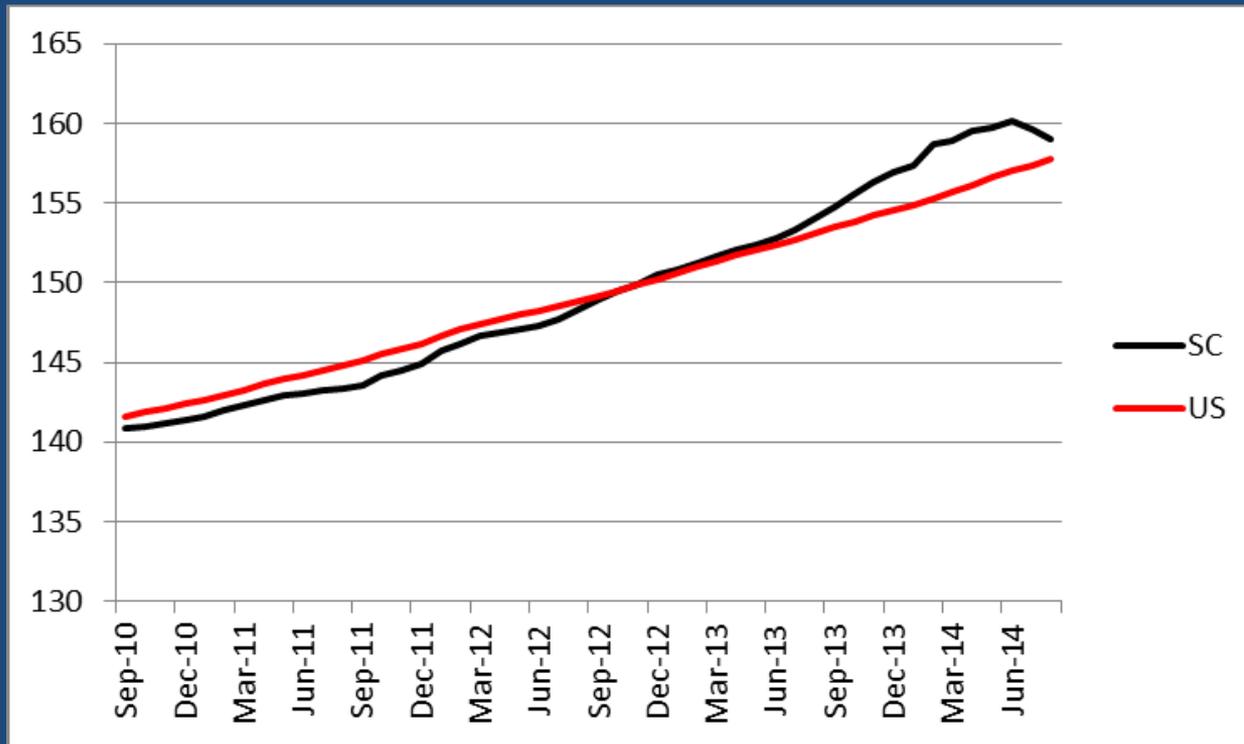
S.C. Personal Income Growth is Closely Tied to U.S. National Economy:



The elasticity of S.C. Personal Income with Respect to U.S. Nominal GDP is not significantly different from 1.0 using quarterly data (converted to annual changes vs. 4 quarters ago), from 1993 Q1 to present. I therefore assume that:

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

Index of Leading Indicators



While SC Personal Income growth lagged slightly behind US growth in 2012-13, during 2013Q4 and 2014Q1, SC's growth was faster than the US rate. However, the forecasts seem to suggest we will move back closer to the US rate (SC one of only 5 states with declines in the monthly August index).

Summary of Major Economic Forecasts:

1. IMF World Economic Outlook (July 24, 2014 Update and April 2014 original)²

	<i>World Output Growth</i>	<i>U.S. Real GDP Growth</i>	<i>U.S. Inflation</i>	<i>U.S. Nominal GDP</i>
2014:	3.4%	1.7%	1.6%	3.3%
2015:	4.0%	3.0%	1.9%	4.9%
<i>Long Term (through 2019) for inflation only:</i>			2.3%	

<p>Averaging these two gives 1.75% for FY2014-15</p>
<p>Long term for FY2015-16 between 1.9 and 2.3 (so 2.1%)</p>

<p>Averaging these two gives 4.1% for FY2014-15, and implies 4.9% for end of 2015 (beginning of FY2015-2016)</p>
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Summary of Major Economic Forecasts:

2. Federal Reserve Bank of Philadelphia's Livingston Survey (June 2014)³

	<i>U.S. Real GDP Growth Rate</i>	<i>U.S. Nominal GDP Growth Rate</i>	
2014Q2 to 2014Q4:	3.0%	4.7%	} 2014Q3 to 2015Q2 is FY2014-2015 , the average of these two is 4.85%
2014Q4 to 2015Q2:	2.9%	5.0%	
Annual 2013 to 2014:	2.3%	3.9%	} FY2015-2016 , roughly in the range 4.8% to 4.9% (so 4.85% avg.)
Annual 2014 to 2015:	3.0%	4.9%	
Long Term (Next 10 Years):	2.5%	4.8%	
 <i>Unemployment Rate</i>			
December 2014:	6.1%		
June 2015:	5.9%		
Annual 2013 to 2014:	6.3%		
Annual 2014 to 2015:	5.9%		
 <i>CPI Inflation Rate</i>			
June 2014 to Dec 2014:	2.0%		} June 2014 to June 2015 is roughly FY2014-2015 , the average of these two is 2.0%
Dec 2014 to June 2015:	2.0%		
Annual 2013 to 2014:	1.8%		} Looking out into FY2015-2016 , inflation average 2.15%
Annual 2014 to 2015:	2.0%		
Long Term (Next 10 Years):	2.3%		

Summary of Major Economic Forecasts:

3. Survey of Professional Forecasters (Third Quarter 2014 released August 15, 2014)⁴

	<i>Real GDP%</i>	<i>Nominal GDP%</i>		<i>Unemployment Rate</i>		<i>Employment Growth%</i>
Quarterly data:						
2014:Q3	3.0%	4.7%	2014Q3 to 2015Q2 is FY2014-2015 , the average of these four is 4.725%, FY2015-16 begins 5.0% for 2015Q3	6.1%	2014Q3 to 2015Q2 is FY2014-2015 , the average of these four is 1.85%, and then 1.7% beginning FY2015-16	2.0%
2014:Q4	3.1%	4.9%		6.0%		1.8%
2015:Q1	3.1%	4.9%		5.8%		1.8%
2015:Q2	3.1%	4.4%		5.8%		1.8%
2015:Q3	3.0%	5.0%		5.6%		1.7%
Annual data (based on annual average levels):						
2014	2.1%	3.7%		6.3%		1.8%
2015	3.1%	4.9%		5.7%		1.9%
2016	2.9%	N.A.		5.4%		N.A.
2017	2.8%	N.A.		5.3%		N.A.

Probability of Negative Real GDP Growth by Quarter:

2014:Q3	7.6%	The chance of a negative quarter of GDP growth during FY2014-15 (2014Q3 to 2015Q2) averages 10.125%, and the probability grows as we move toward first quarter of FY2015-16
2014:Q4	9.7%	
2015:Q1	11.3%	
2015:Q2	11.9%	
2015:Q3	13.5%	

Summary of Major Economic Forecasts:

3. Survey of Professional Forecasters (Third Quarter 2014 released August 15, 2014)⁴ ...continued...

U.S. Inflation Rate (CPI):

Quarterly Data

2014:Q3	2.2%
2014:Q4	2.0%
2015:Q1	2.1%
2015:Q2	2.2%
2015:Q3	2.1%

2014Q3 to 2015Q2 is **FY2014-2015**,
the average of these four is 2.125%

Q4/Q4 Annual Averages

2014	2.3%
2015	2.2%
2016	2.3%

2015Q3 into 2016 is **FY2015-2016**,
the average of these two is 2.2%

Long-Term Annual Averages

2014-18	2.2%
2014-23	2.2%

Summary of Forecast Data:

Summary of Forecast Data:

Economic Estimates:

	FY 2014-2015			FY 2015-2016		
	SC Personal Income Growth (=US Nominal GDP Growth)	CPI Inflation Rate	Employment Growth	SC Personal Income Growth (=US Nominal GDP Growth)	CPI Inflation Rate	Employment Growth
International Monetary Fund	4.1%	1.75%		4.9%	2.1% (1.9-2.3%)	
Livingston Survey	4.85%	2.0%		4.85% (4.8-4.9%)	2.15%	
Survey of Professional Forecasters	4.725%	2.125%	1.85%	5.0%	2.2%	1.7%
Average	4.56%	1.96%	1.85%	4.92%	2.15%	1.7%
Median	4.725%	2.0%	1.85%	4.9%	2.15%	1.7%

Summary of Forecast Data:

Revenue Estimates:

	FY2014-2015	FY2015-2016
Sales Tax Revenue	3.3% (3.1%-3.5%)	3.45% (3.3%-3.6%)
Individual Income Tax Revenue	3.65% (3.5%-3.8%)	4.0% (3.9%-4.1%)
General Revenue	5.5% (5.3%-5.7%)	5.6% (5.5%-5.7%)

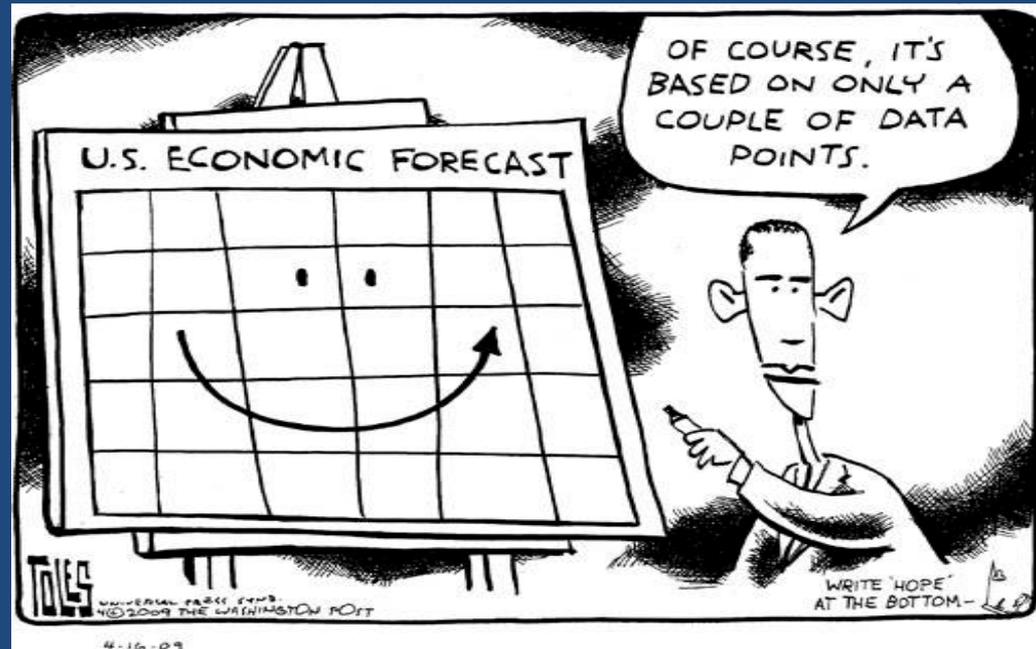
Using estimated elasticities per Sobel & Holcombe (1996) method.

Forecast Table:

What is your forecast growth rate for the following variables:

Variable	Actual FY2013-14	Most Recent	Current 2/ Forecast Rates FY2014-15	Forecast FY2014-15	Forecast FY2015-16
S.C. Personal Income 1/	3.2%	4.2%	3.75%	4.7%	4.9%
S.C. Employment	2.1%	1.7%	1.8%	1.85%	1.7%
Inflation Rate (CPI-U)	1.6%	1.7%	2.0%	2.0%	2.15%
Sales Tax	2.8%	3.6%	3.0%	3.3%	3.45%
Individual Income Tax 1/	1.9%	4.3%	3.0%	3.65%	4.0%

Caveats:



- Given the uncertainty present in the current economy, the high level of federal government debt, increased size of government as a share of the economy, and the large stock of bank reserves from previous Fed monetary expansions, *I personally remain more pessimistic about the economic future than these prevailing estimates I have provided.*

Caveats:

- *I think a significant economic slowdown accompanied by high inflation is in our economic future—a repeat of the 1970s—the only question is when it will occur.*
- Clearly the forecasters whose estimates I have compiled, summarized, and merged into a single forecast are more optimistic than I remain.
- *I strongly urge S.C. state government to continue to build & maintain sufficient reserves to handle such an event.*

