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October 30, 2013

	Forecast FY2013-14	Forecast FY2014-15
SC Personal Income	3.0%	3.5%
SC Employment	1.5%	1.8%
Inflation Rate	1.7%	2.1%
Sales Tax	3.5%	4.0%
Individual Income Tax	3.0%	3.5%

**What are the significant/specific factors/sectors affecting personal income?**

The largest issue holding back the state's personal income situation is the large decline in the state's labor force. As of August, labor force participation stood at 58.5 percent compared to the national rate of 63.4 percent.

Employment growth should remain modest with the latest round of economic development/expansion announcements

The pick up in net migration/population could also pose some upside risk to personal income in the fiscal year ahead.

**What are the significant/specific factors/sectors affecting employment?**

The service sector continues to be the main source of job growth.

The manufacturing sector will continue to add jobs modestly, however higher skilled workers will be needed. The skills deficiency is likely playing a role in reducing the labor force participation rate.

**What are the key risks you see over the next 20 months?**

The largest risk to the state's economic growth is continued federal fiscal policy uncertainty and the potential for larger federal budget cuts. The fiscal policy uncertainty could adversely affect the production of consumer durable goods (automobiles) and could adversely impact areas of the state with exposure to defense cuts.

The state's population growth could further accelerate activity in the housing market, providing some upside risk to growth.

**Are there any other key points that should be considered?**

WF Economics expects U.S. economic growth to average 2.6 percent in FY2015. This stronger pace of economic growth is partly driven by stronger consumer durable goods spending. In addition, a strengthening global growth environment should help to support further export growth. Both of these factors should indicate that South Carolina should also experience stronger economic activity in the 2015 fiscal year.