

# Georgia's Economic Outlook

## Fiscal Management Council

Ken Heaghney

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# Key Themes

- **Budget is Tracking Ahead of Plan.....*But***
- **A Case for Caution:**
  - **Special Factors Boosted FY 2013 Revenues**
  - **Economic Growth is Still Subdued**
  - **Federal Policy Risk is Still High**

# Budget Plan for AFY 2013 and FY 2014

	Budget Plan				
	FY 2012 <u>Revenues</u>	AFY 2013 <u>Budget</u>	<u>Growth</u>	FY 2014 <u>Budget</u>	<u>Growth</u>
Total Taxes	16,144,582,369	16,783,871,863	4.0%	17,597,326,429	4.8%
Interest Fees and Sales	1,125,393,105	1,196,011,768	6.3%	1,201,022,161	0.4%
Total General Fund	17,269,975,474	17,979,883,631	4.1%	18,798,348,590	4.6%

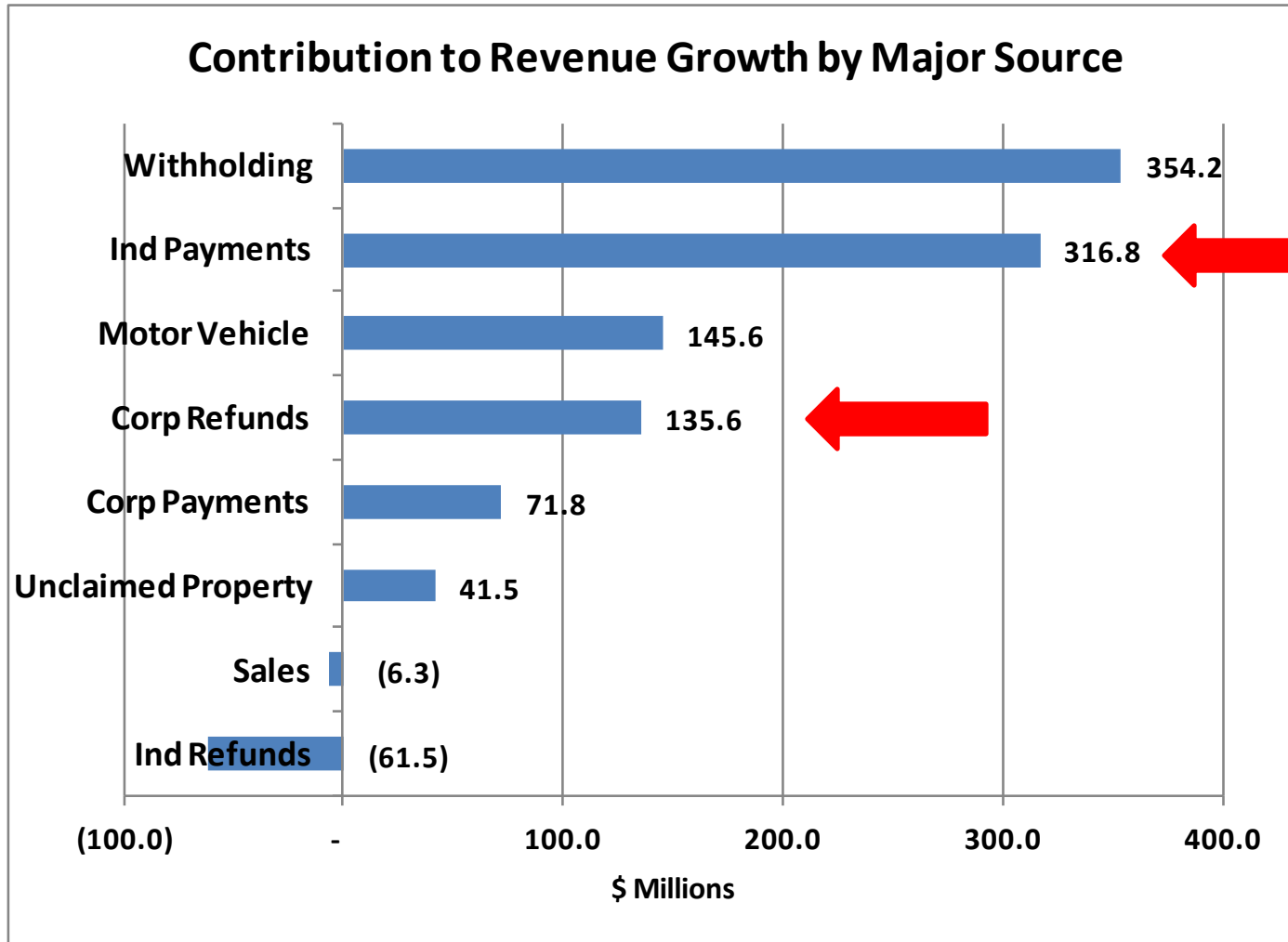
# Preliminary AFY 2013 Revenue Performance

<u>Preliminary Estimates</u>	<b>Change vs. AFY 2013 Budget Estimate (\$M)</b>
<b>DOR Revenue Collections</b>	<b>\$309.6</b>
<b>OTFS Collections</b>	<b>(\$21.1)</b>
<b>Net Change vs. Budget Estimate</b>	<b>\$288.5</b>

# Lower Growth Rates Required to Meet FY 2014 Budget

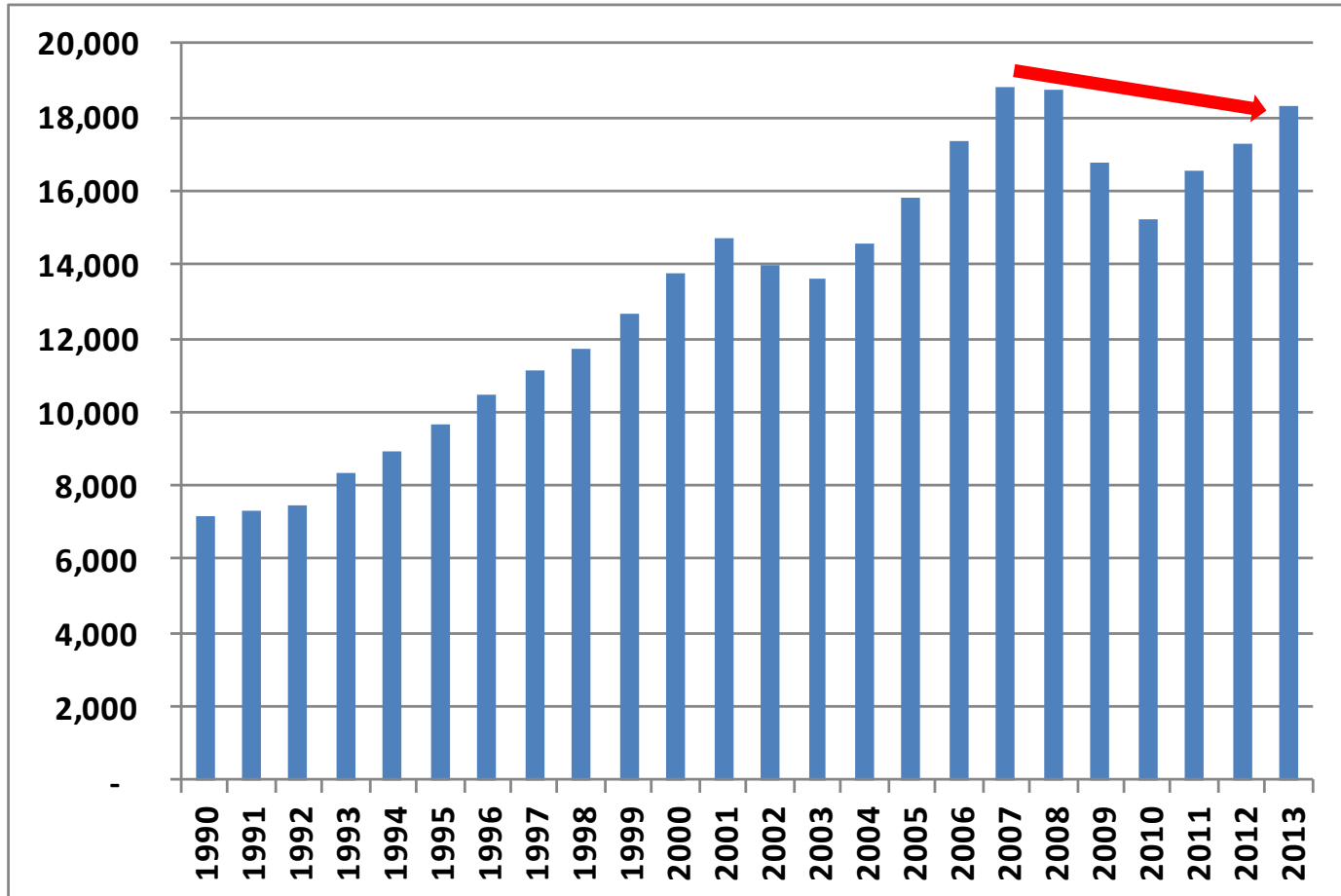
	Update		
	FY 2013 Preliminary Revenue	FY 2014 Budget	Growth vs. Preliminary FY 2013
Total Taxes	17,057,491,920	17,597,326,429	3.2%
Interest Fees and Sales	1,210,899,207	1,201,022,161	-0.8%
Total General Fund	18,268,391,128	18,798,348,590	2.9%

# Preliminary AFY 2013 Revenue Performance – Special Factors

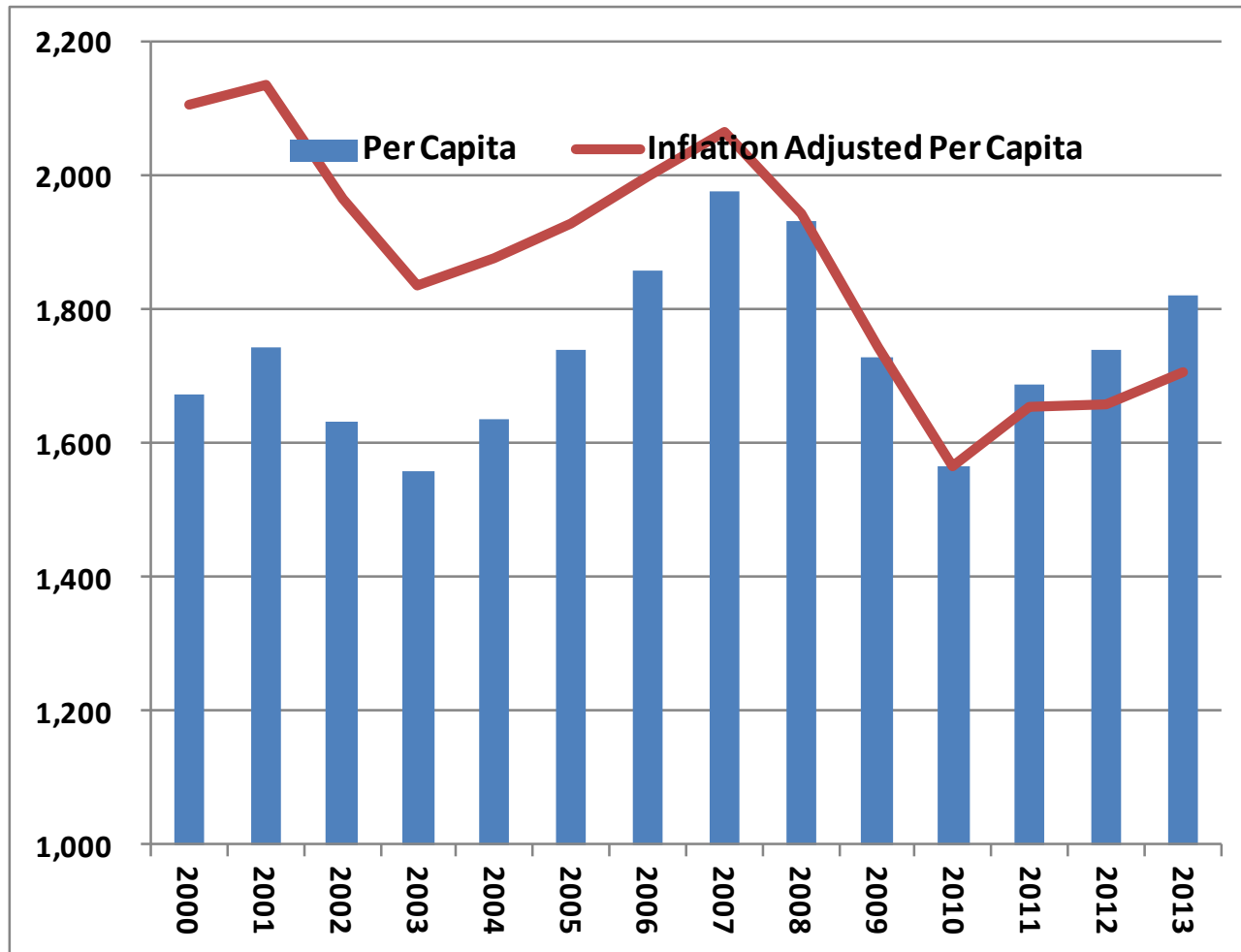


# Despite Recent Growth, General Fund Revenue is Still Below Prior Peak by about \$570 Million

## Georgia Total General Fund Revenue (\$M)



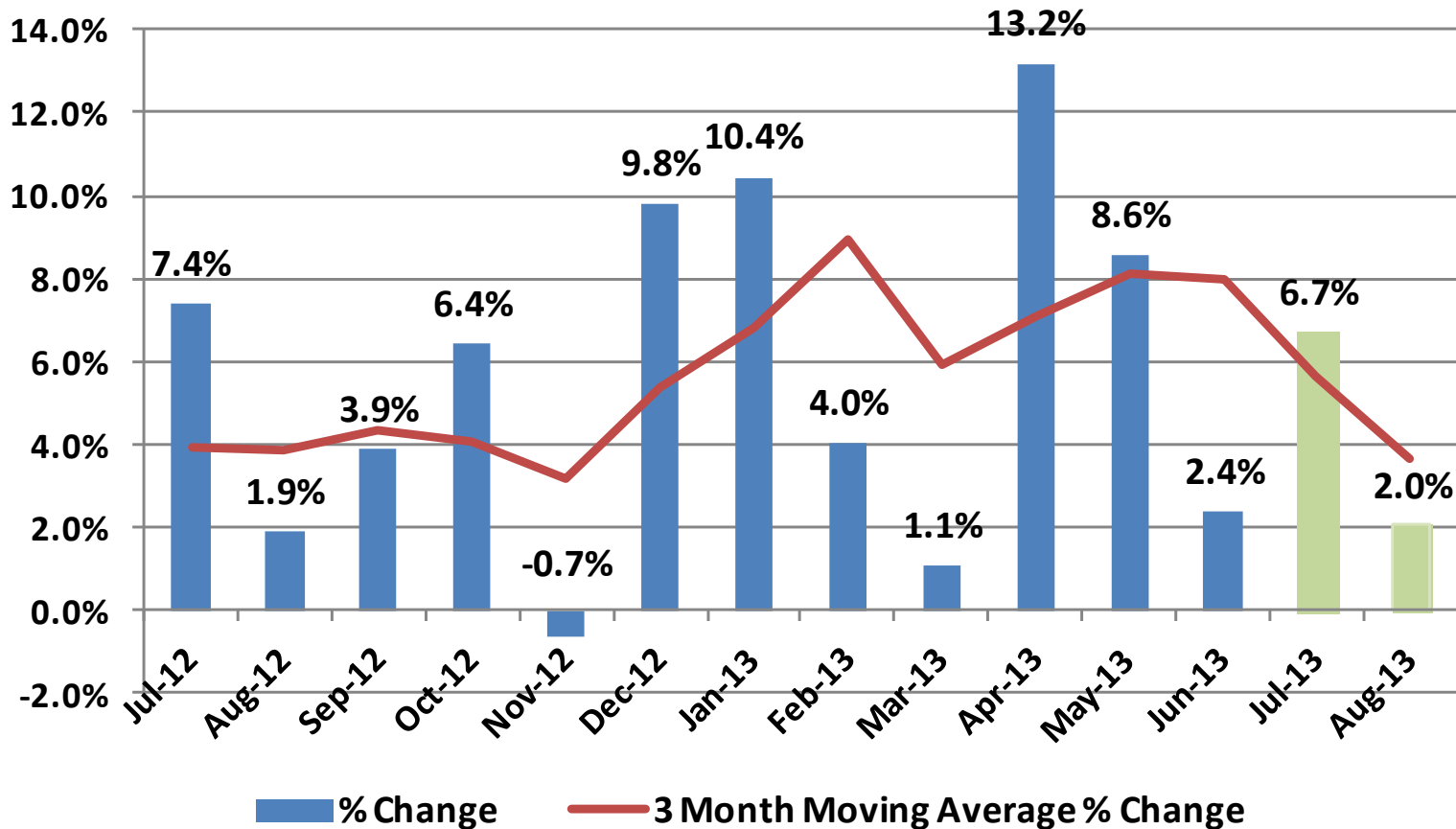
# Inflation Adjusted Per Capita General Fund Revenues are Over 17% Below 2007



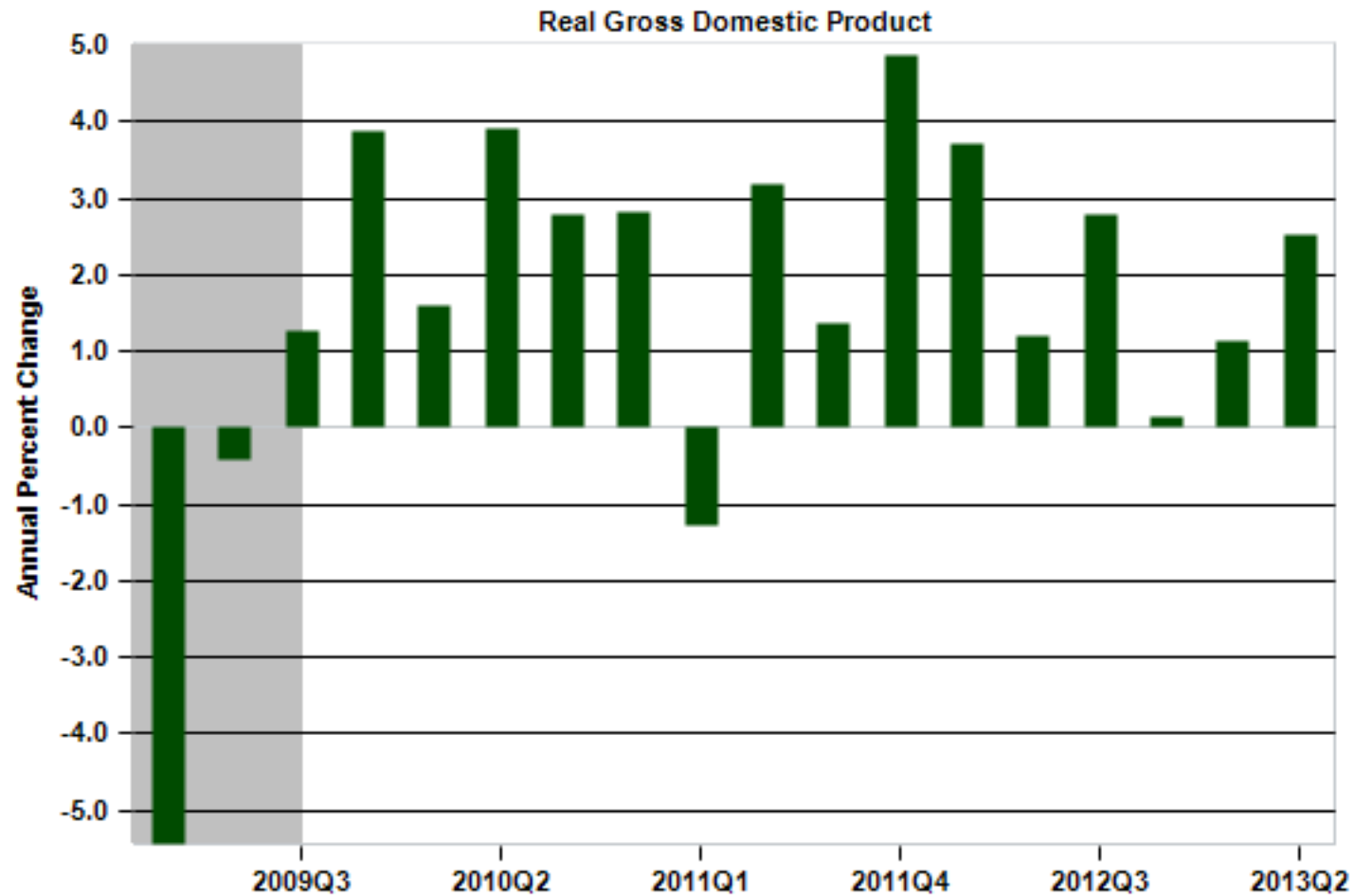


# FY 2014 is Off to a Decent Start – DOR YTD Growth Equals 4.4%

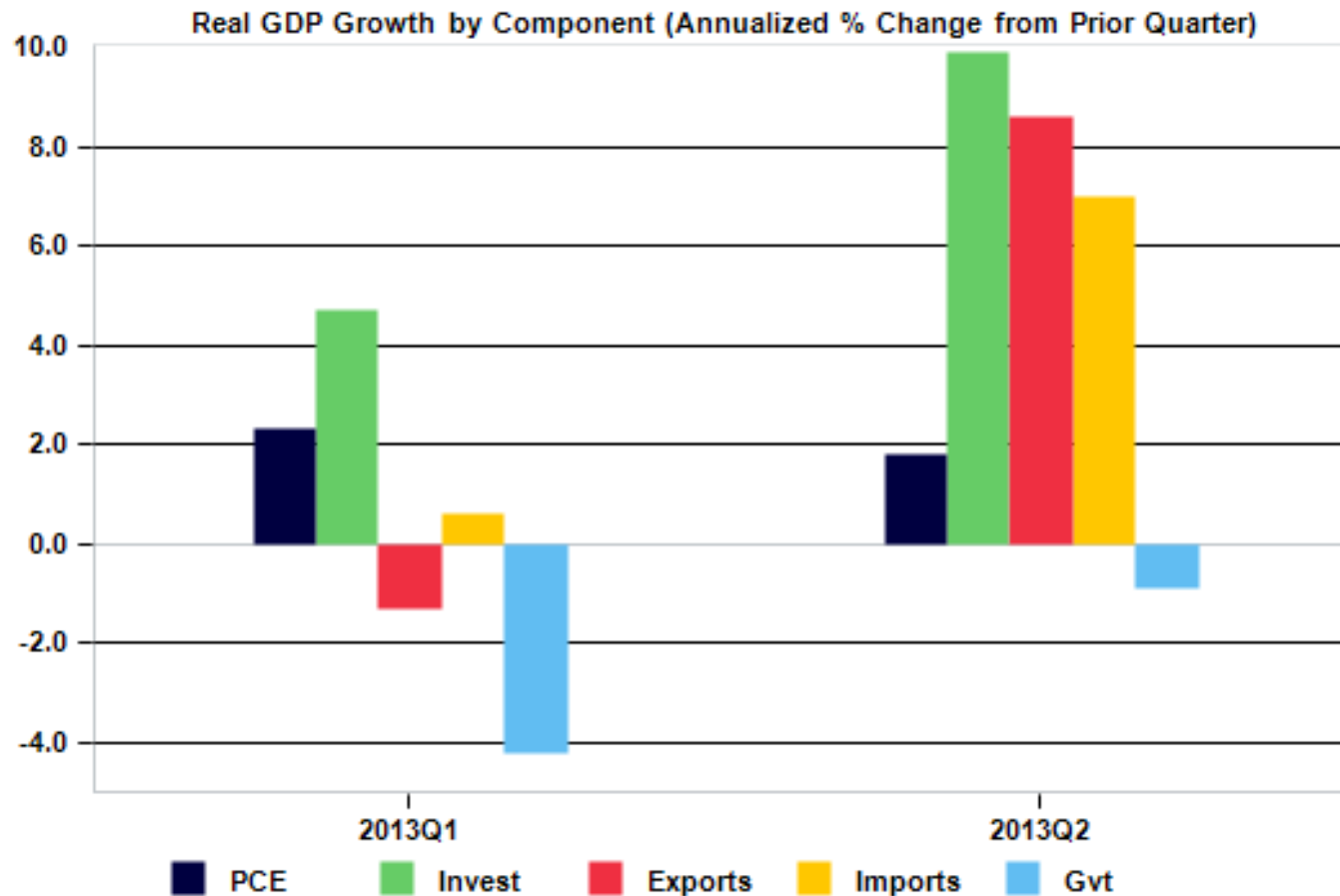
## DOR Tax Revenue Growth



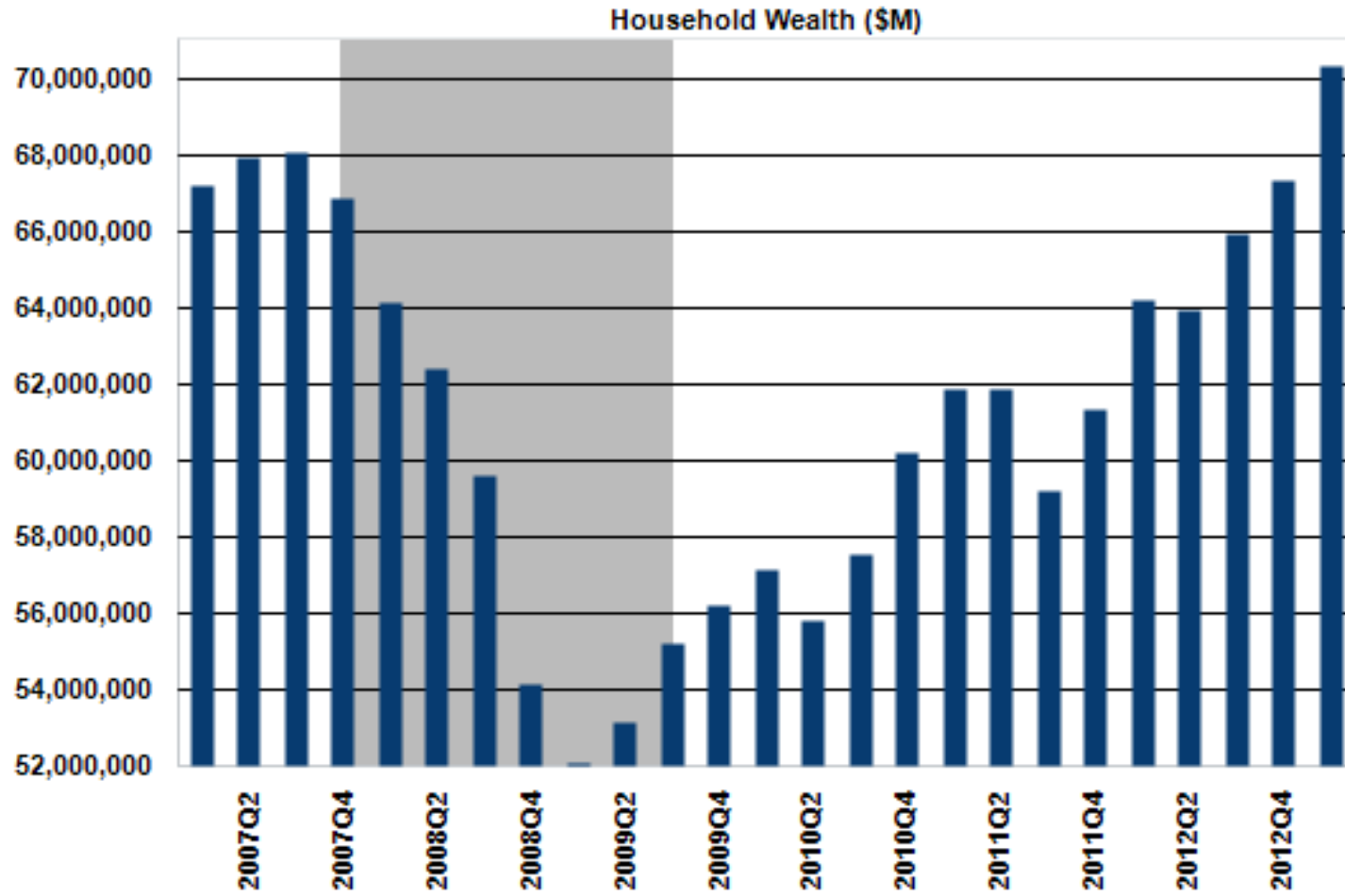
# GDP Growth is Still Modest



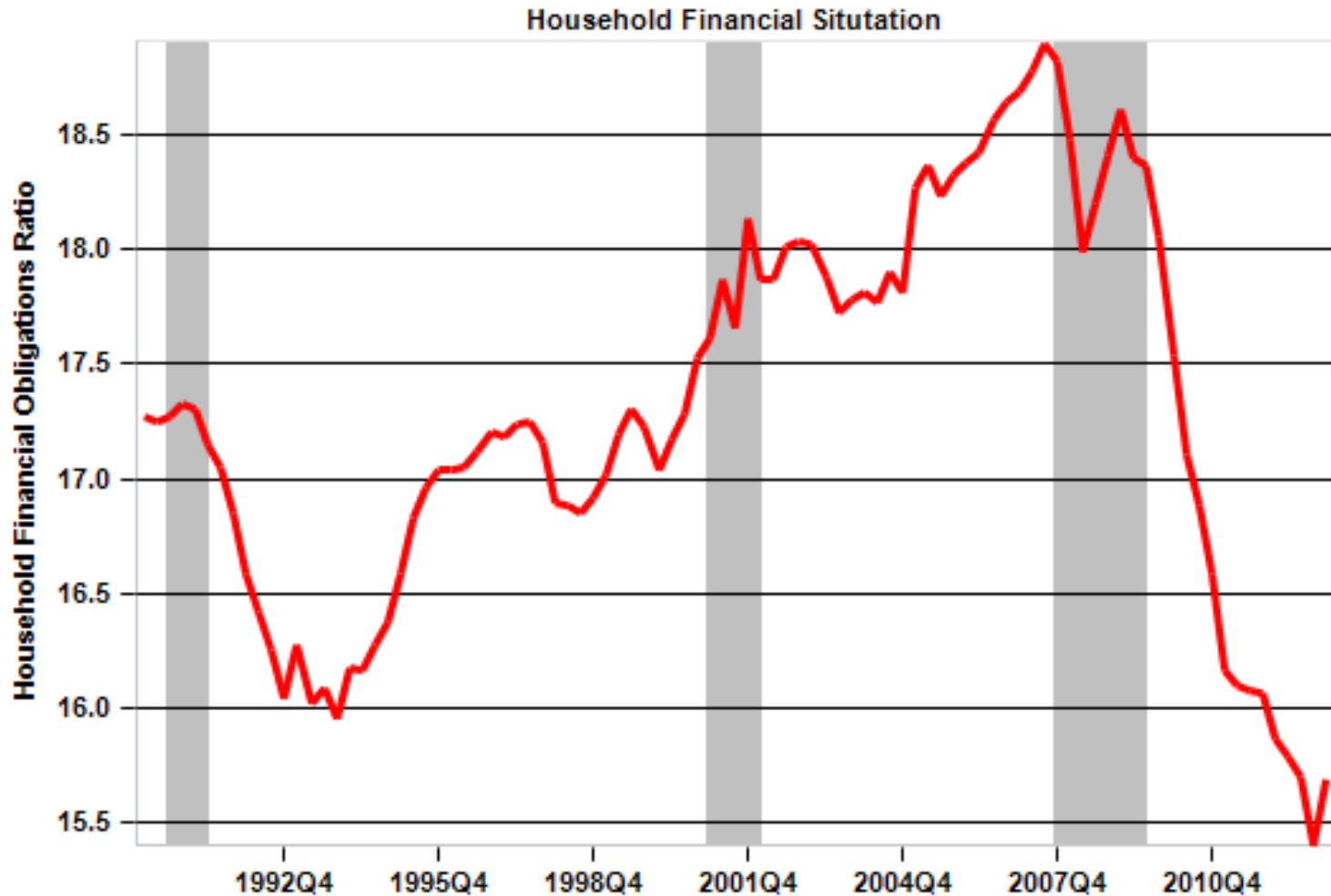
# GDP Growth: Consumption Slow and Investment Boosted by Inventories and Housing



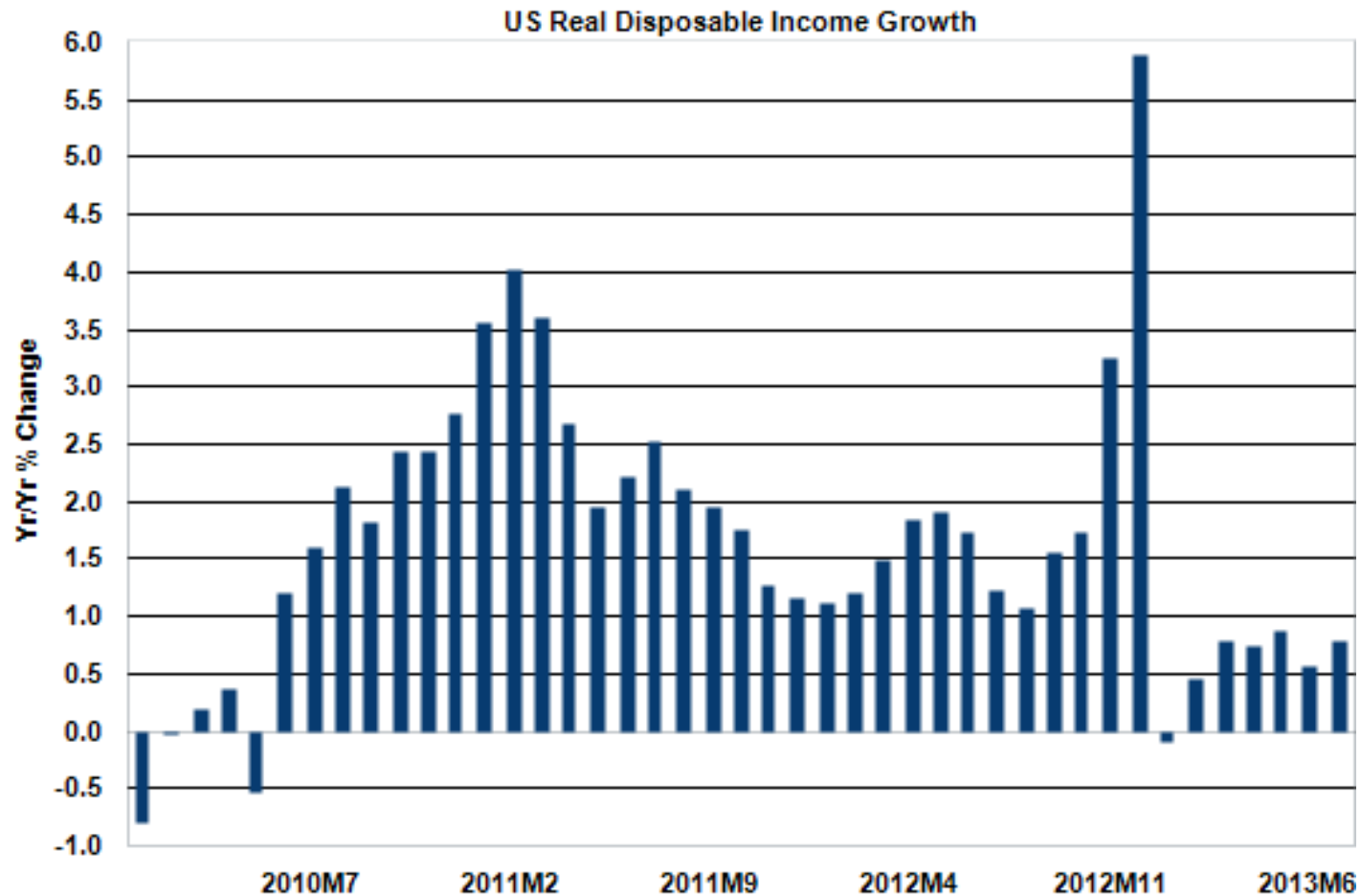
# Consumer Financial Situation – Wealth has Surpassed Pre-Recession Peak



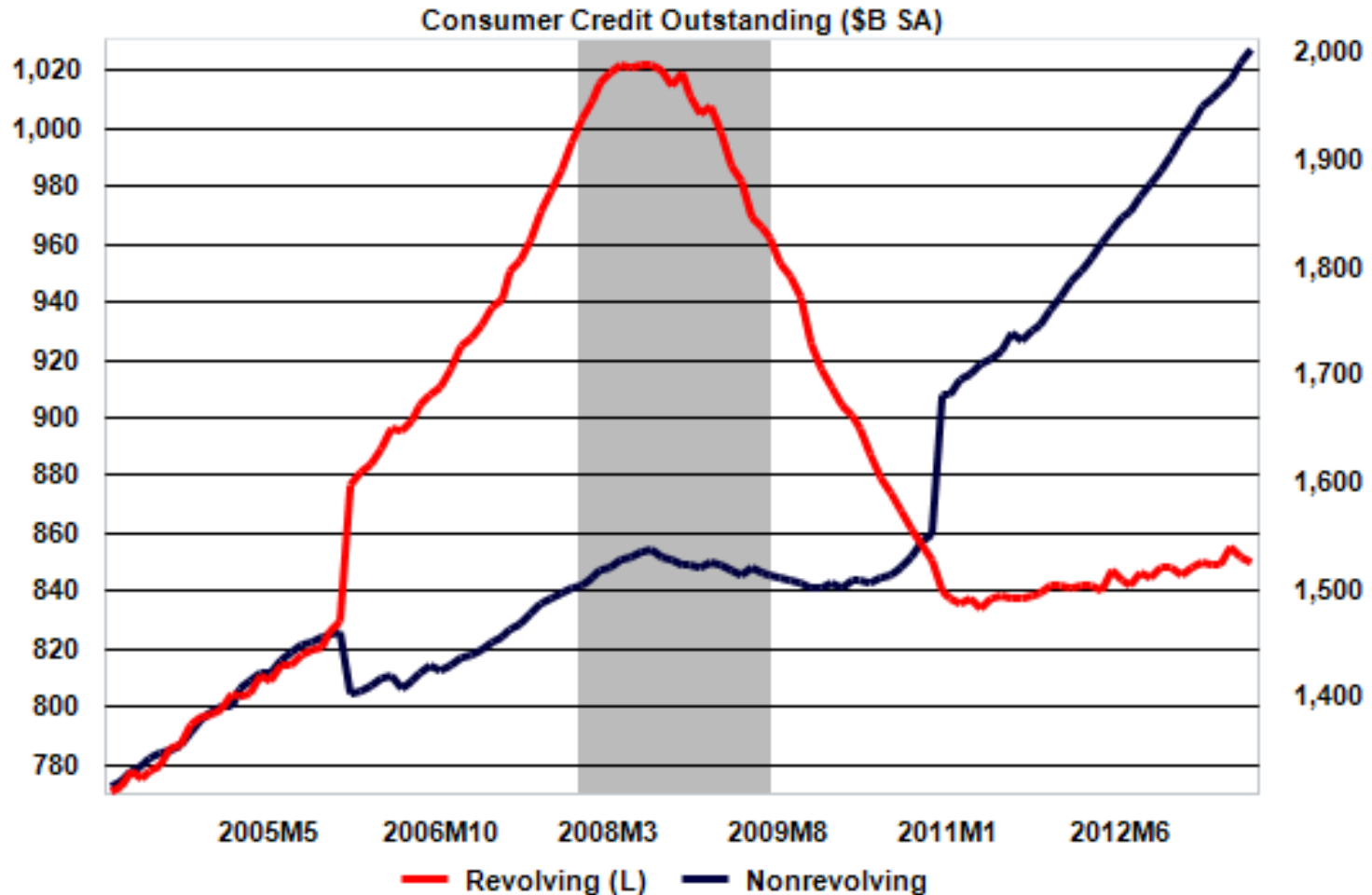
# Households' Monthly Financial Obligations are at Twenty Year Lows



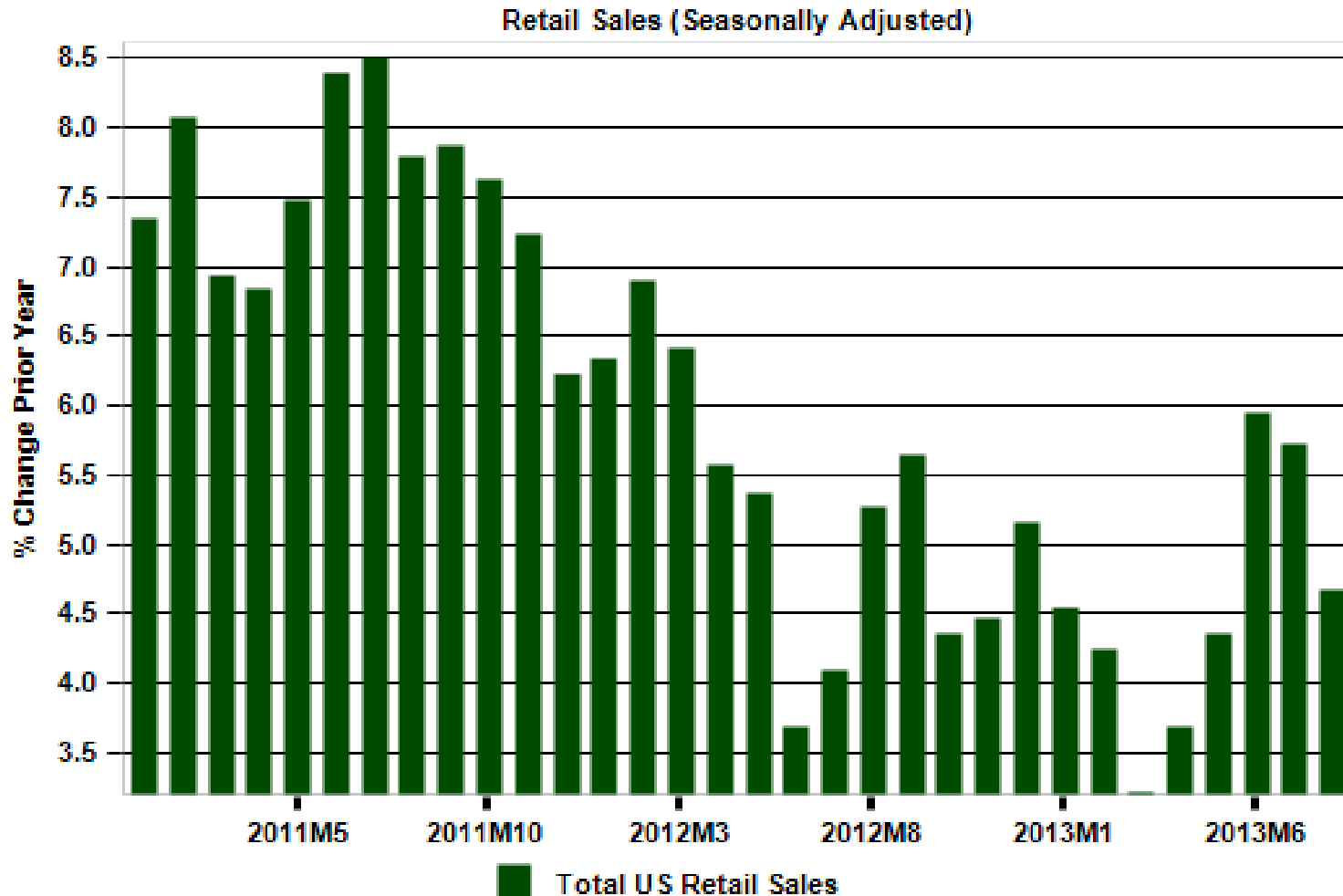
# But Real Disposable Income Growth is Very Slow



# Consumers are Cautious (Mostly) with Credit

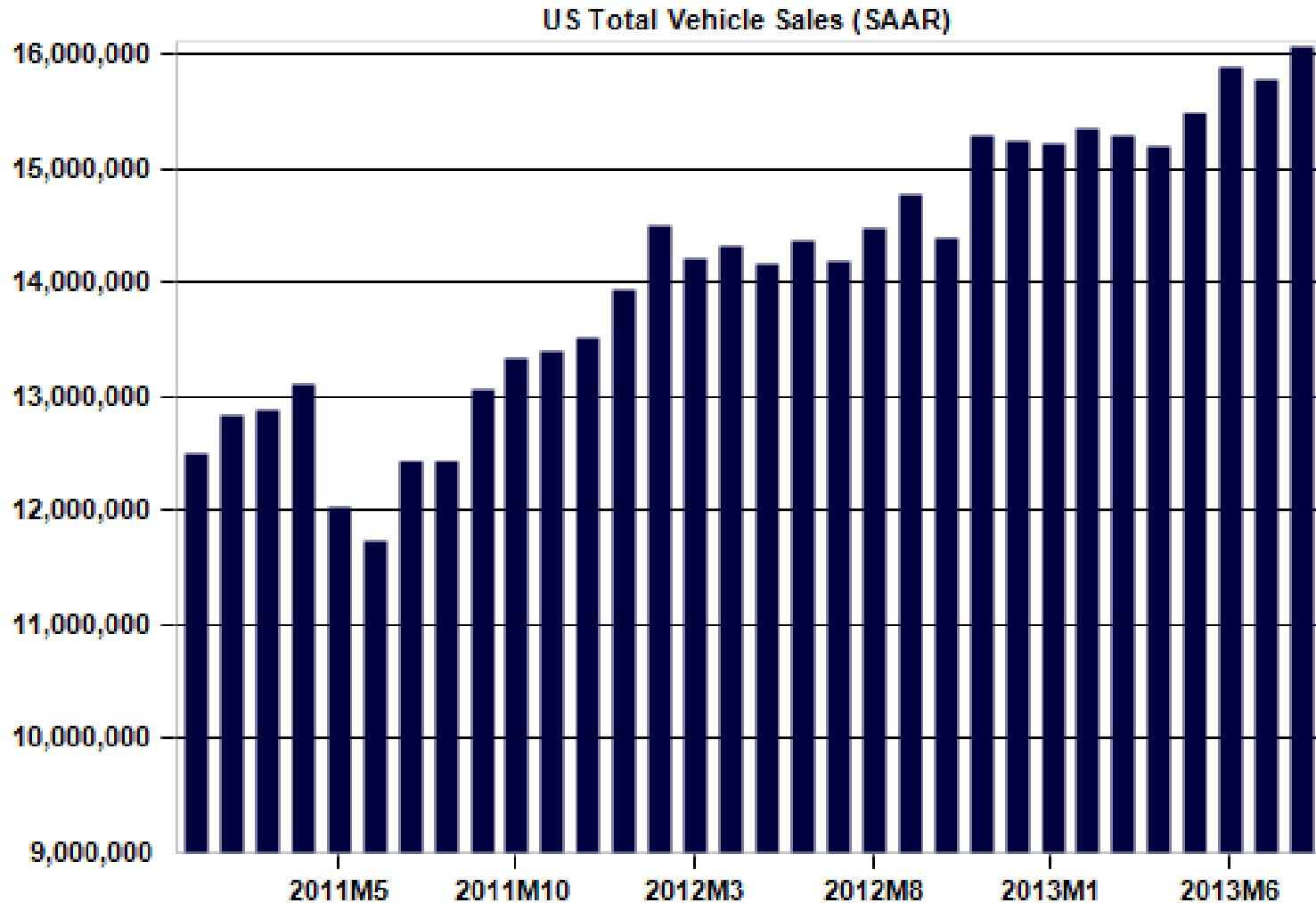


# All This Translates to Slower Consumer Spending Growth

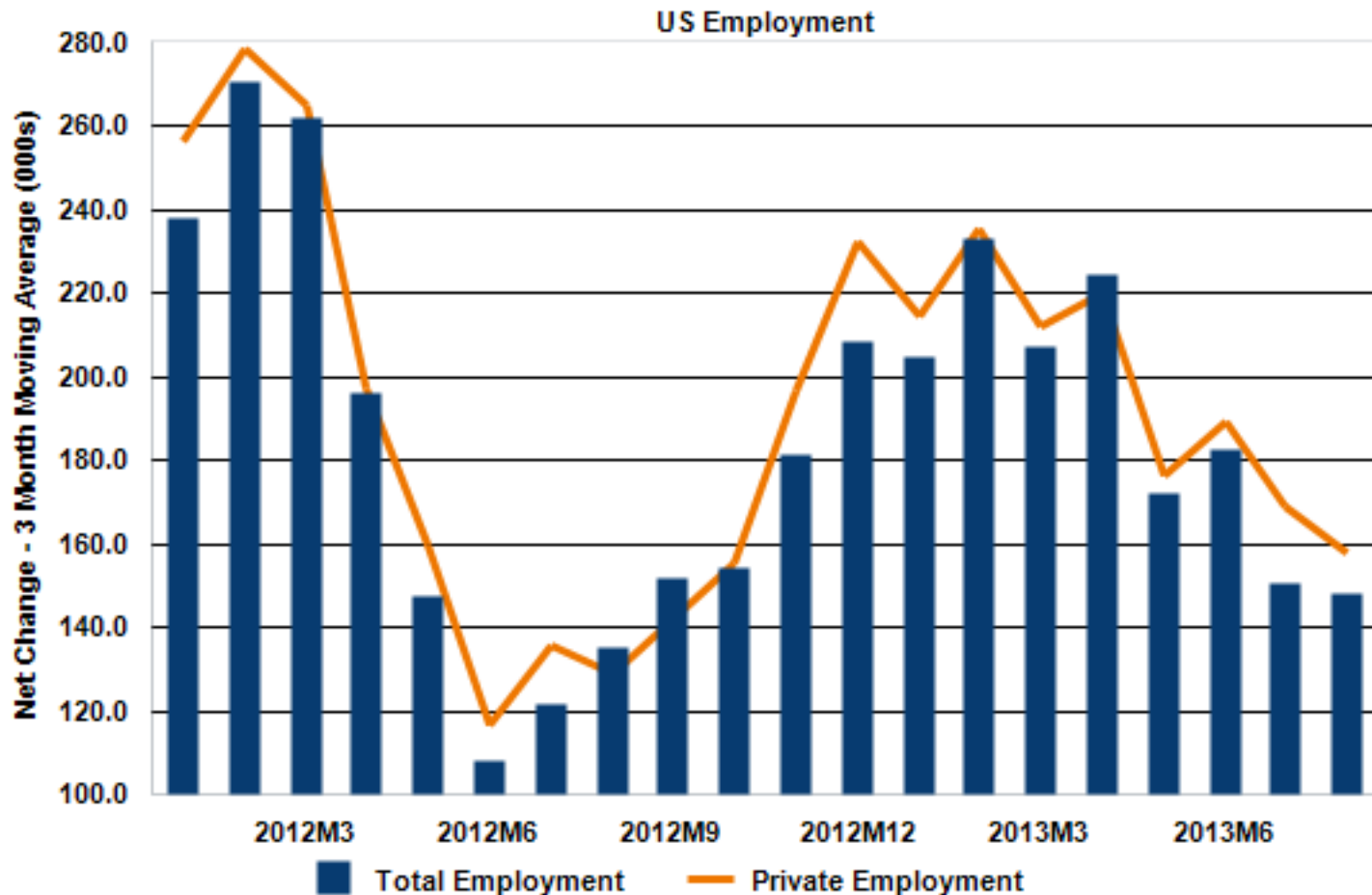




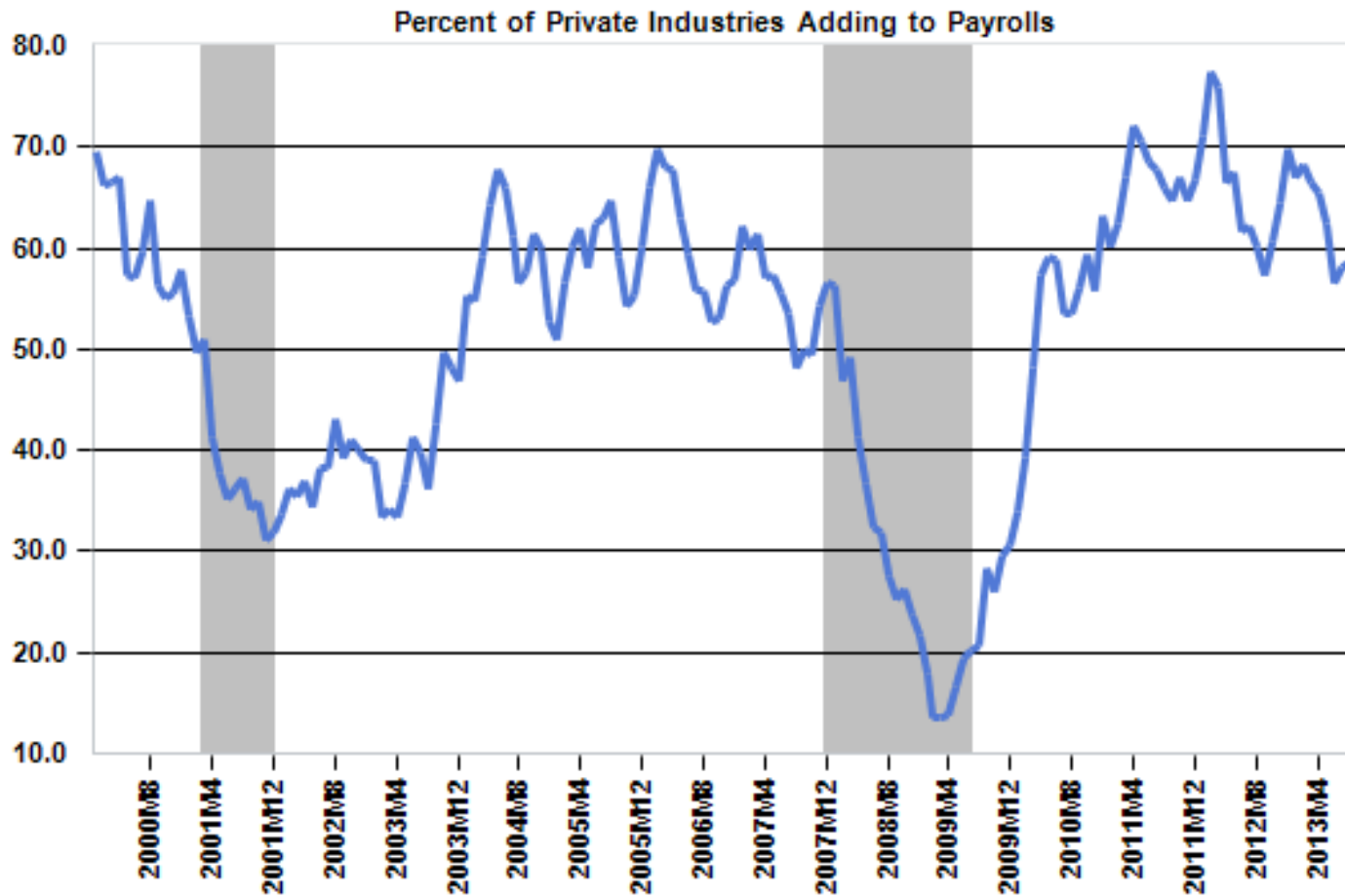
# Except for Auto Sales which are Booming



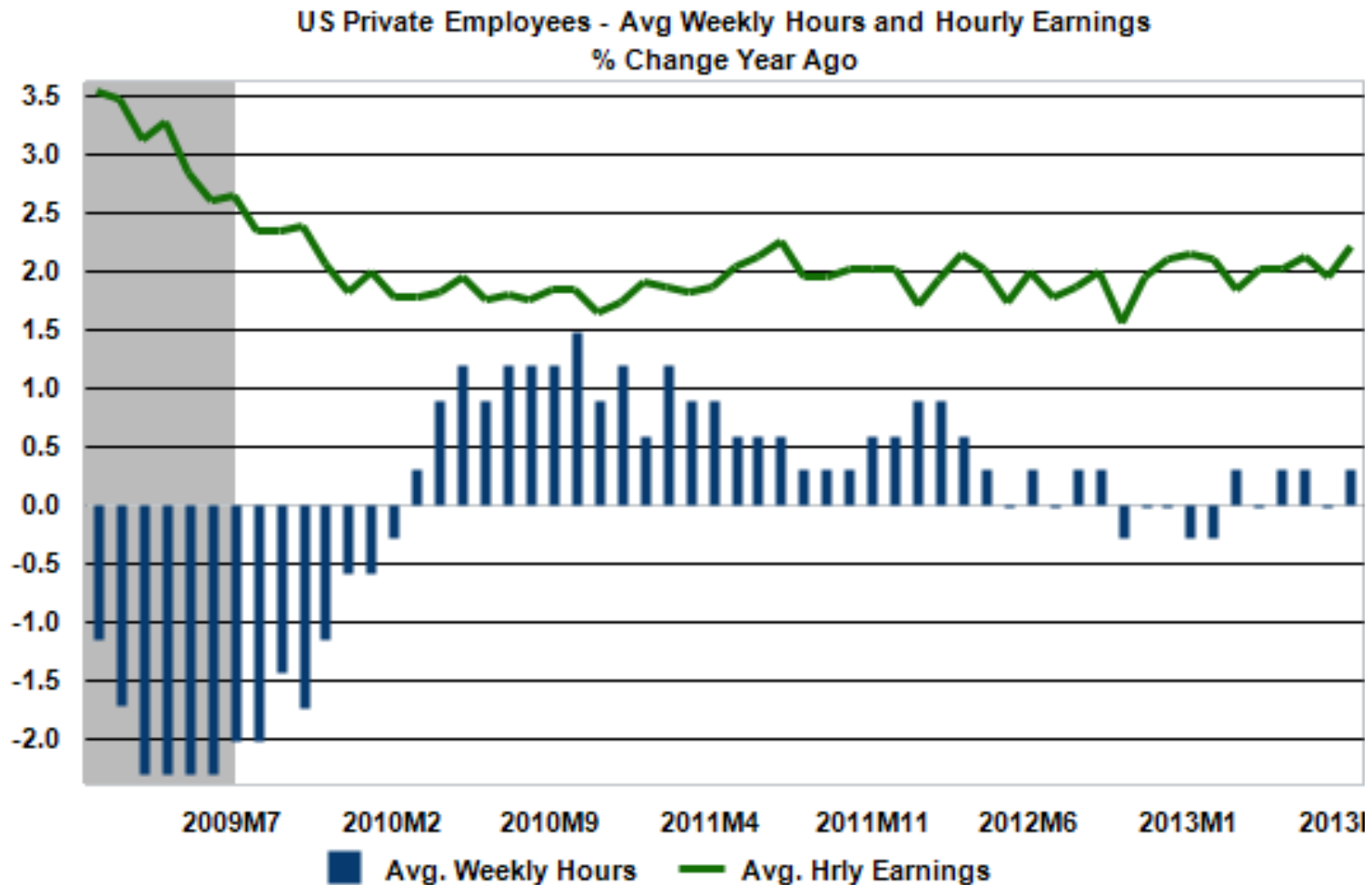
# Weak Income Growth Tied to Mediocre Job Market – US Employment Growth



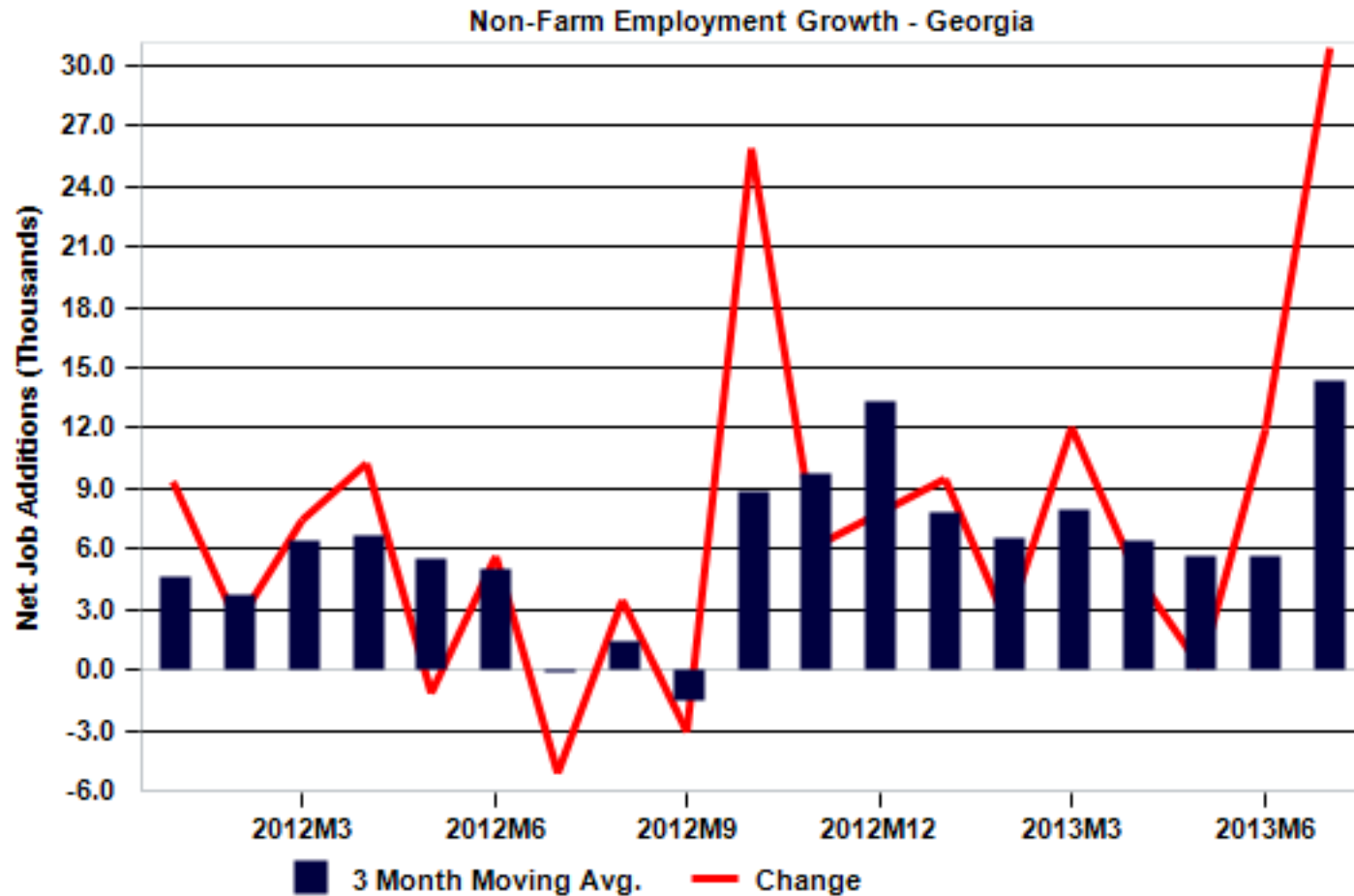
# Spread of Hiring Across Sectors is Narrowing



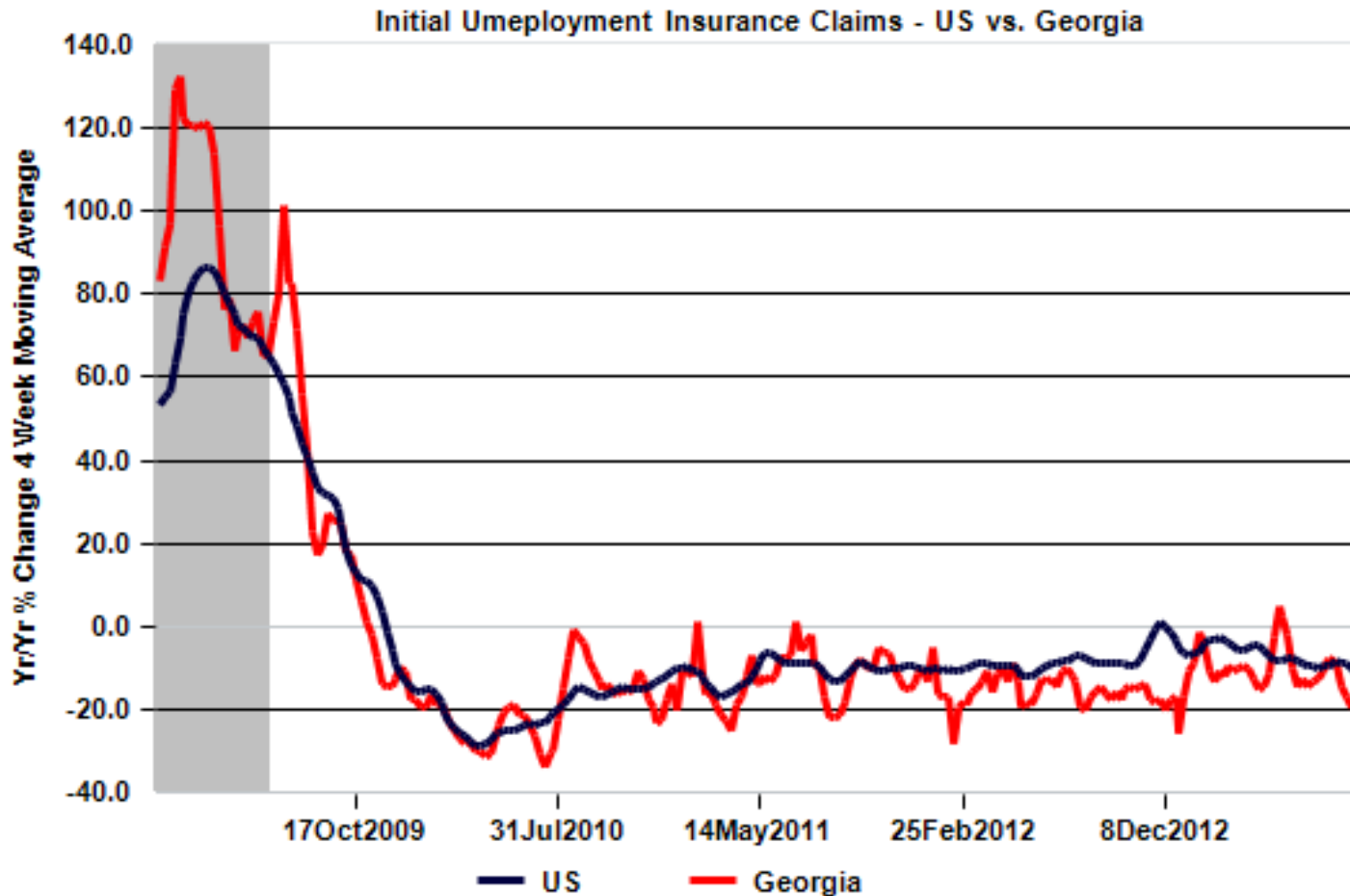
# Hours and Earnings Growth are also Weak



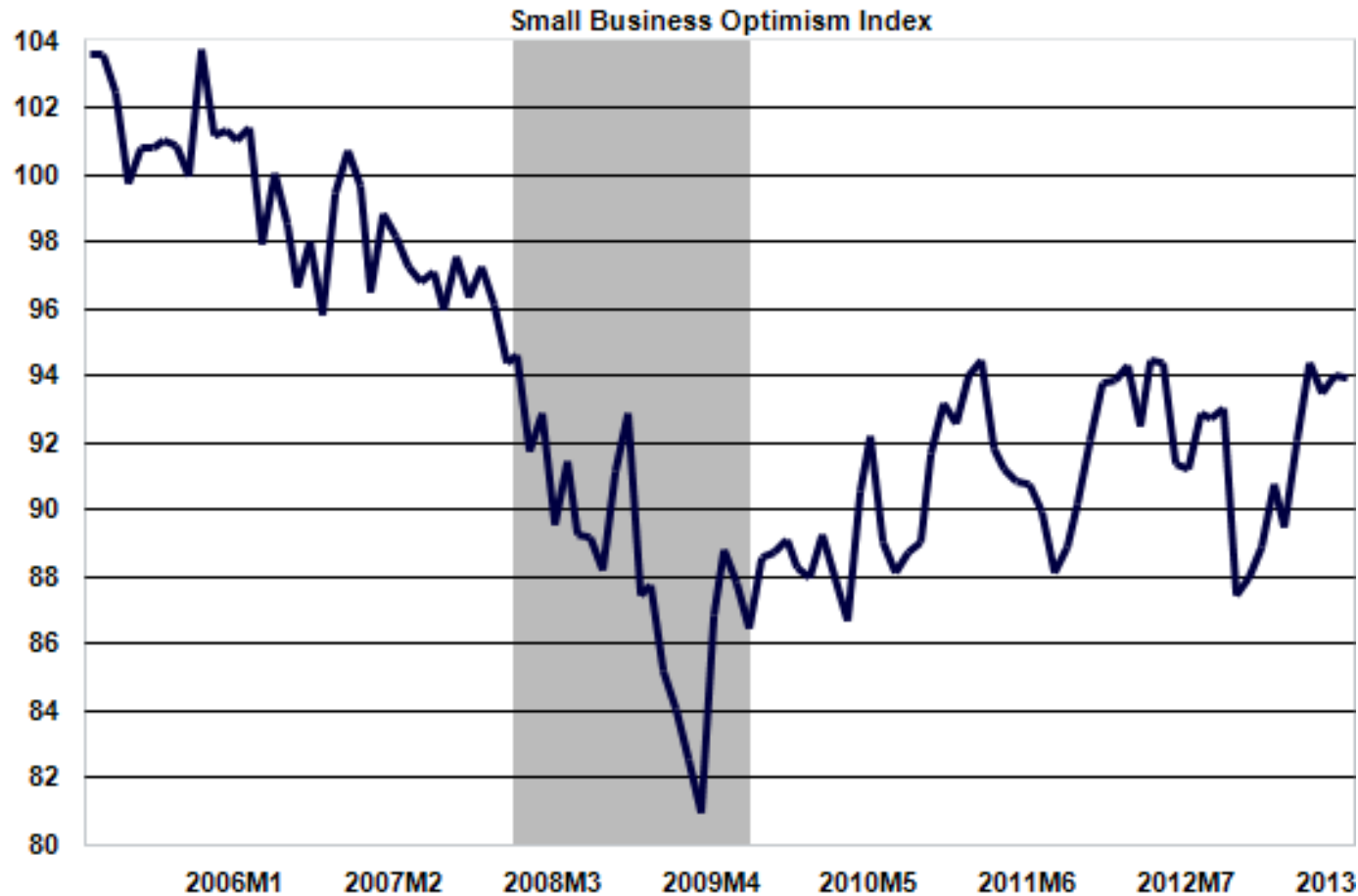
# Georgia Non-Farm Employment Growth is Stronger than US, Especially Over Last 3 Months



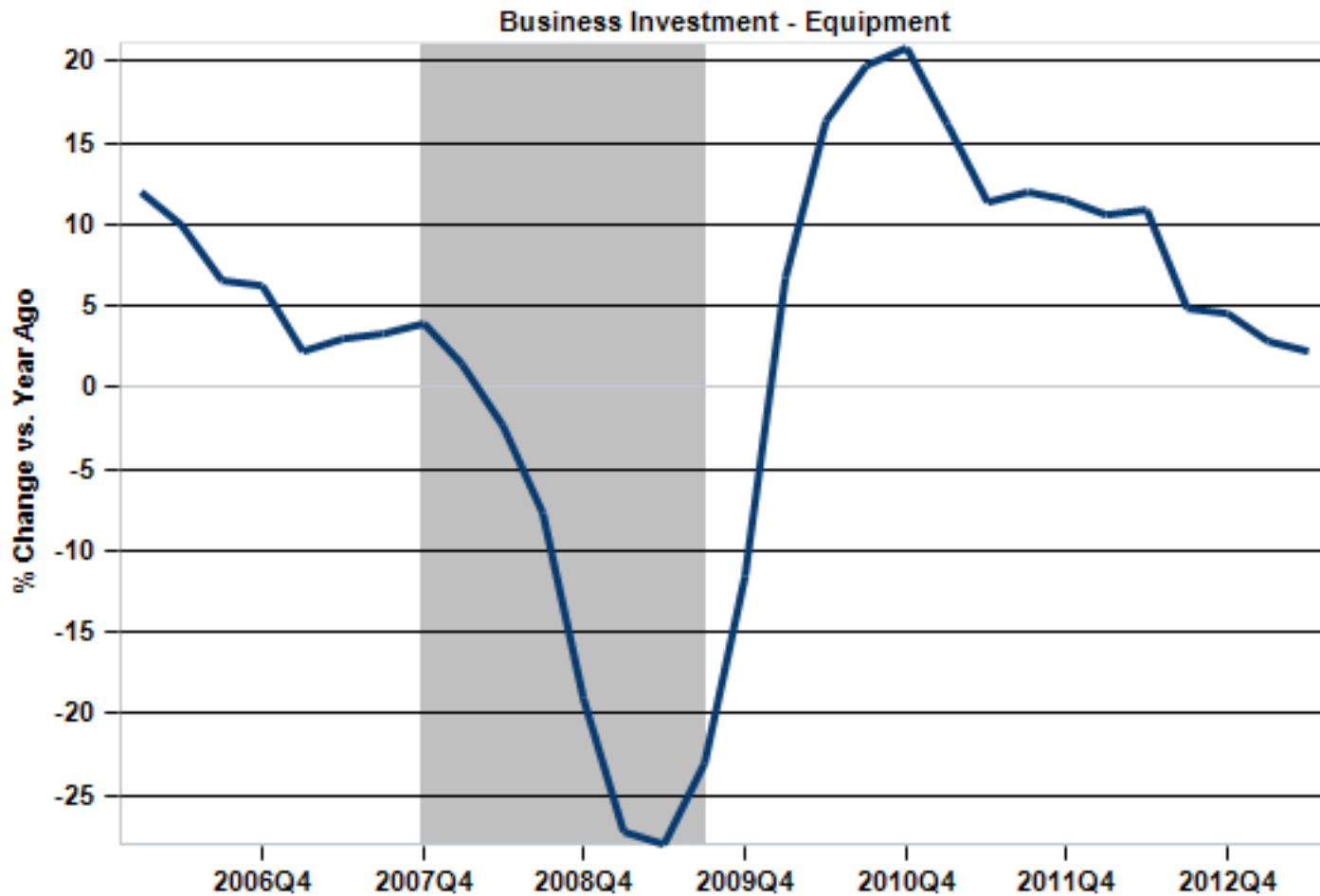
# Unemployment Insurance Claims are Running Well-Below Year Ago Levels



# Investment - Business Sentiment has Improved but is Still Far Below Pre-Recession Levels

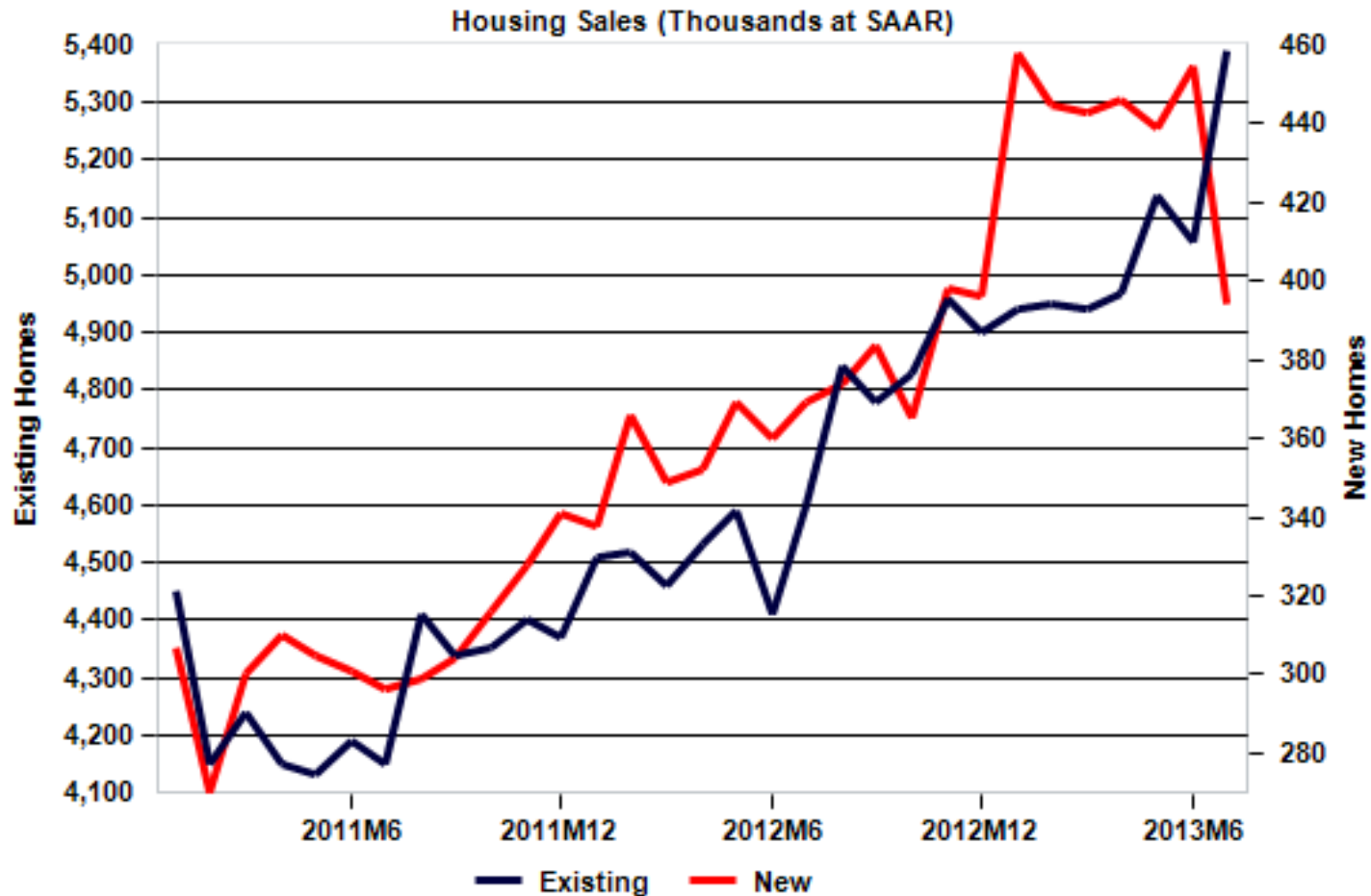


# And Business Investment Growth is Slowing

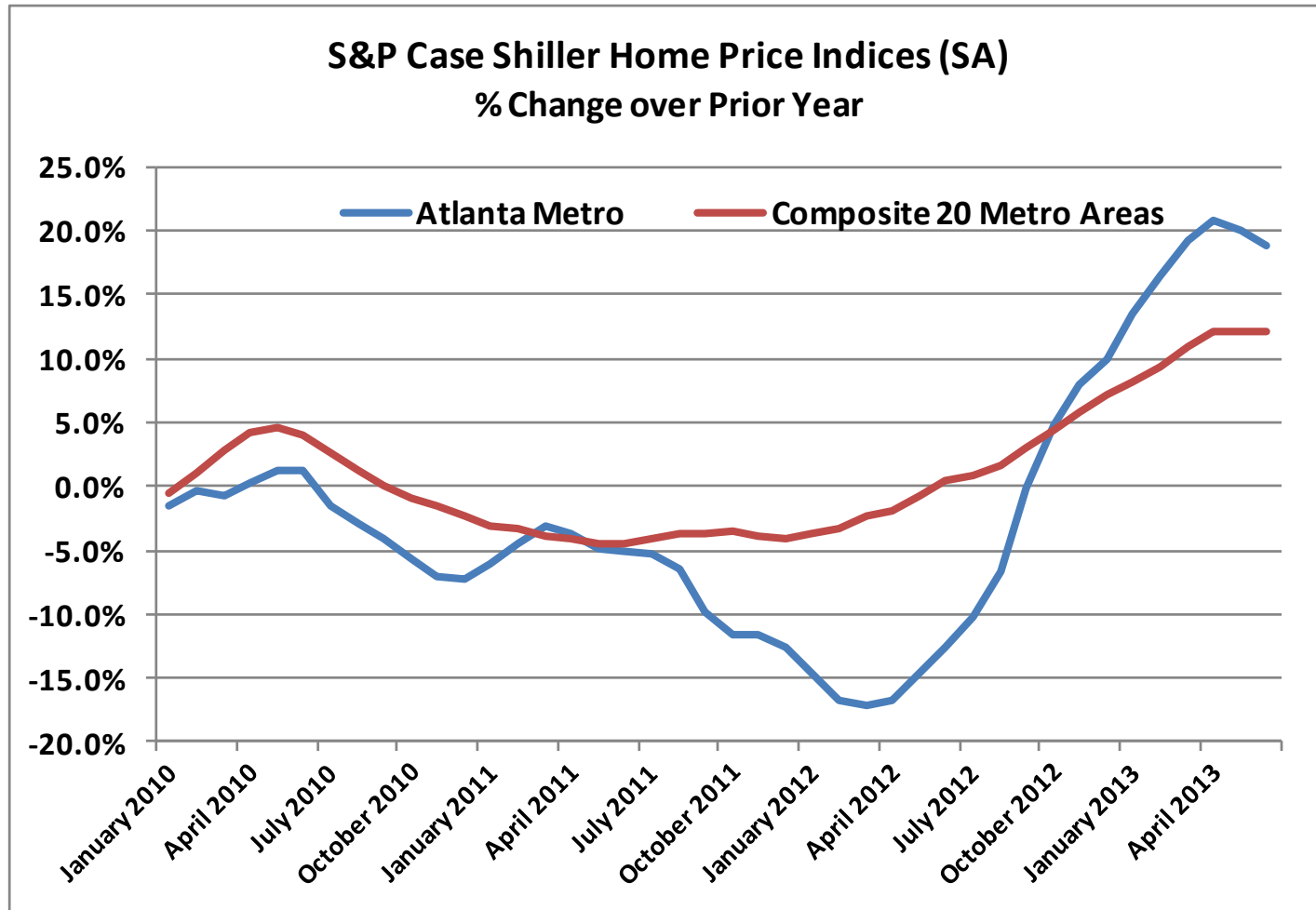




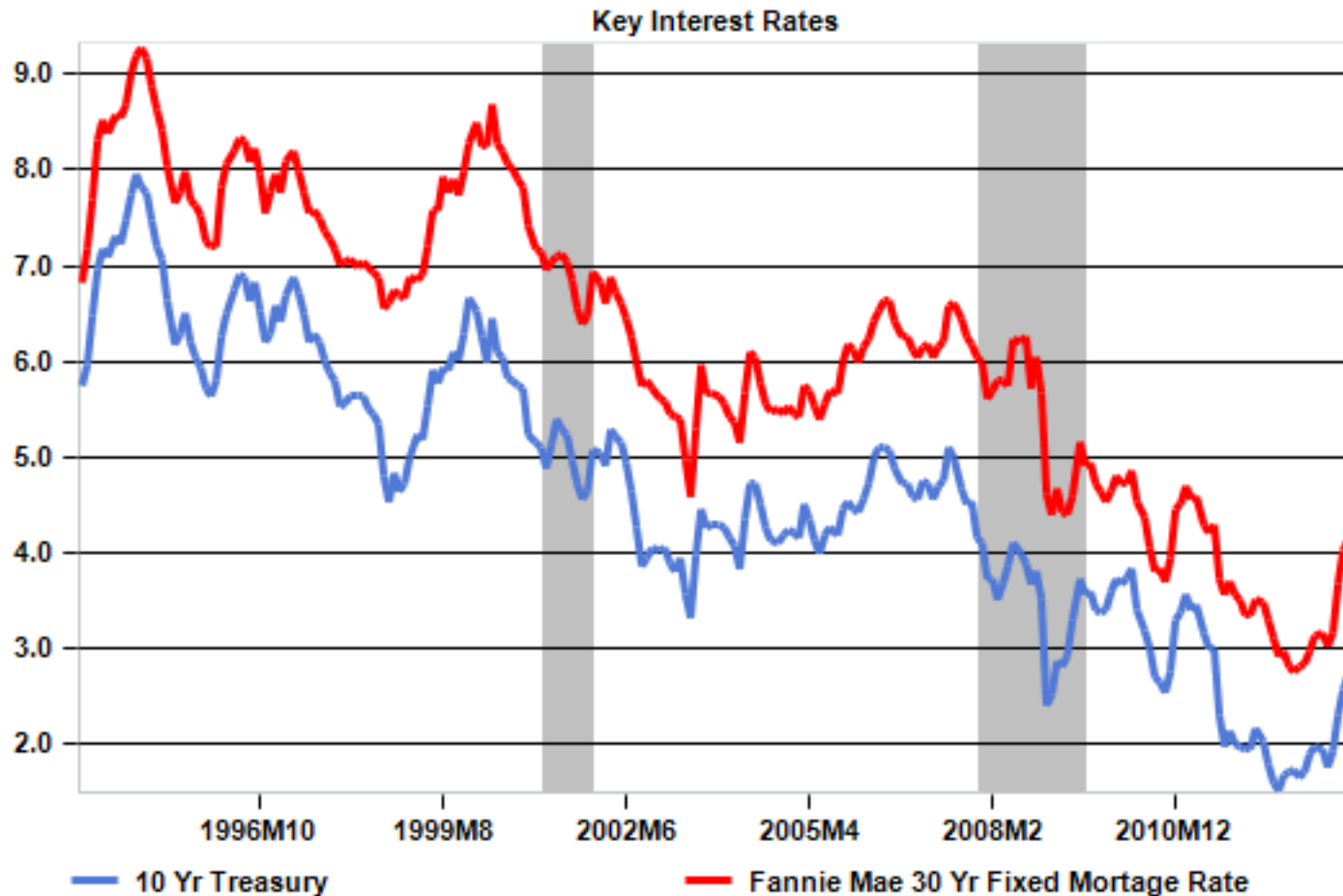
# Housing is Boosting Growth – Sales are Up



# Home Prices are Up



# One Concern – Rising Interest Rates



# Recap

- ***Positives***

- **Global growth has strengthened, especially in Europe and China. This is helping exports and manufacturing.**
- **Consumer finances are in much better shape and bank lending has become a little more aggressive.**
- **Housing and auto sales are boosting growth.**
- **Drag on growth from government spending is set to moderate in late 2013 and on into 2014.**

# Recap

- ***Concerns***
  - **Rising interest rates have unsettled some emerging economies – India, Brazil.**
  - **Higher interest rates could also slow housing rebound but rates are still low by historical standards and affordability is still good.**
  - **Geo-political risks are high.**
  - **Federal budget and debt negotiations could undermine growth.**