



Georgia's Revenue Performance & Economic Outlook

Georgia Association of State Facilities Administrators

Office of Planning and Budget

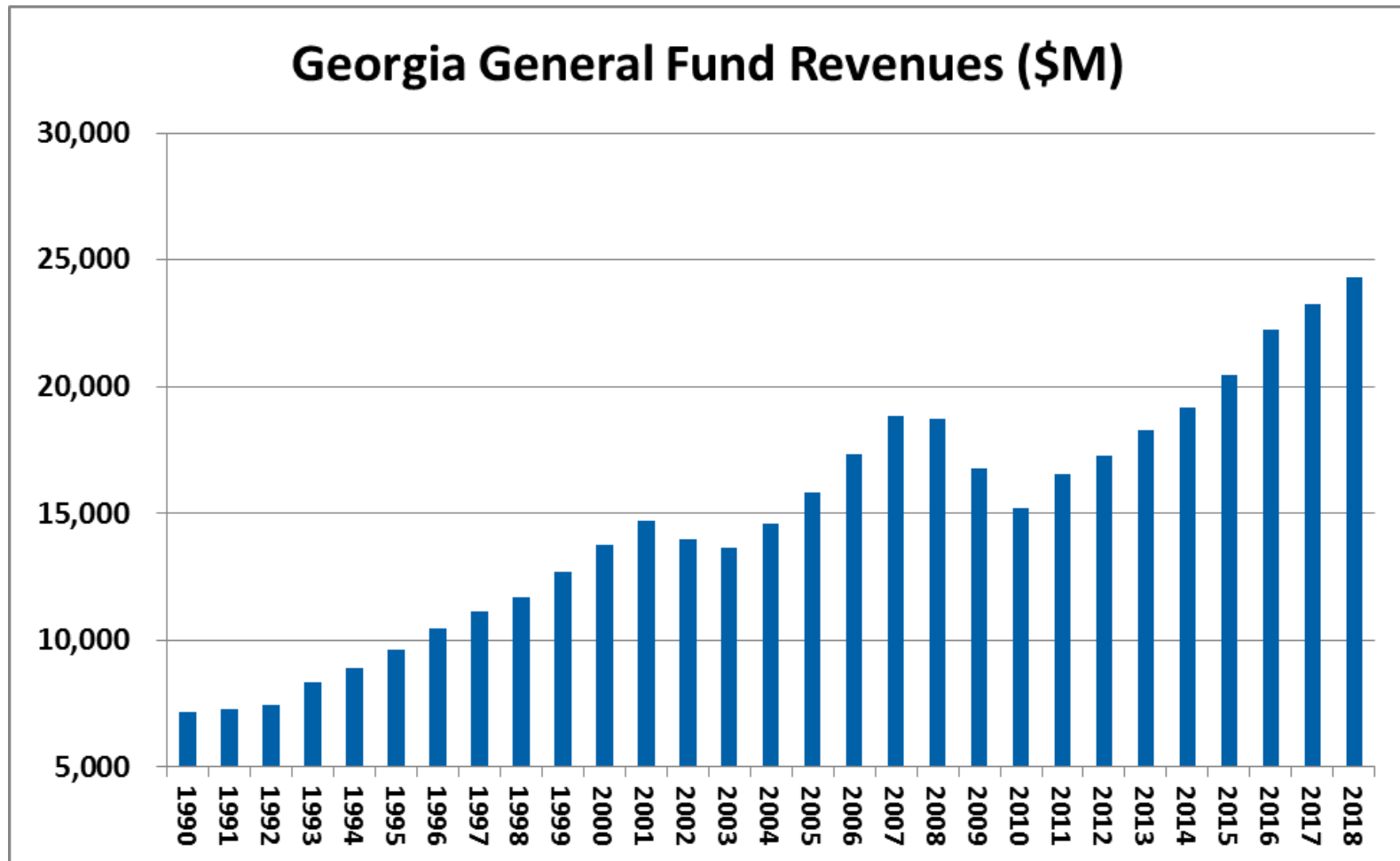
Ken Heaghney

April 23, 2019



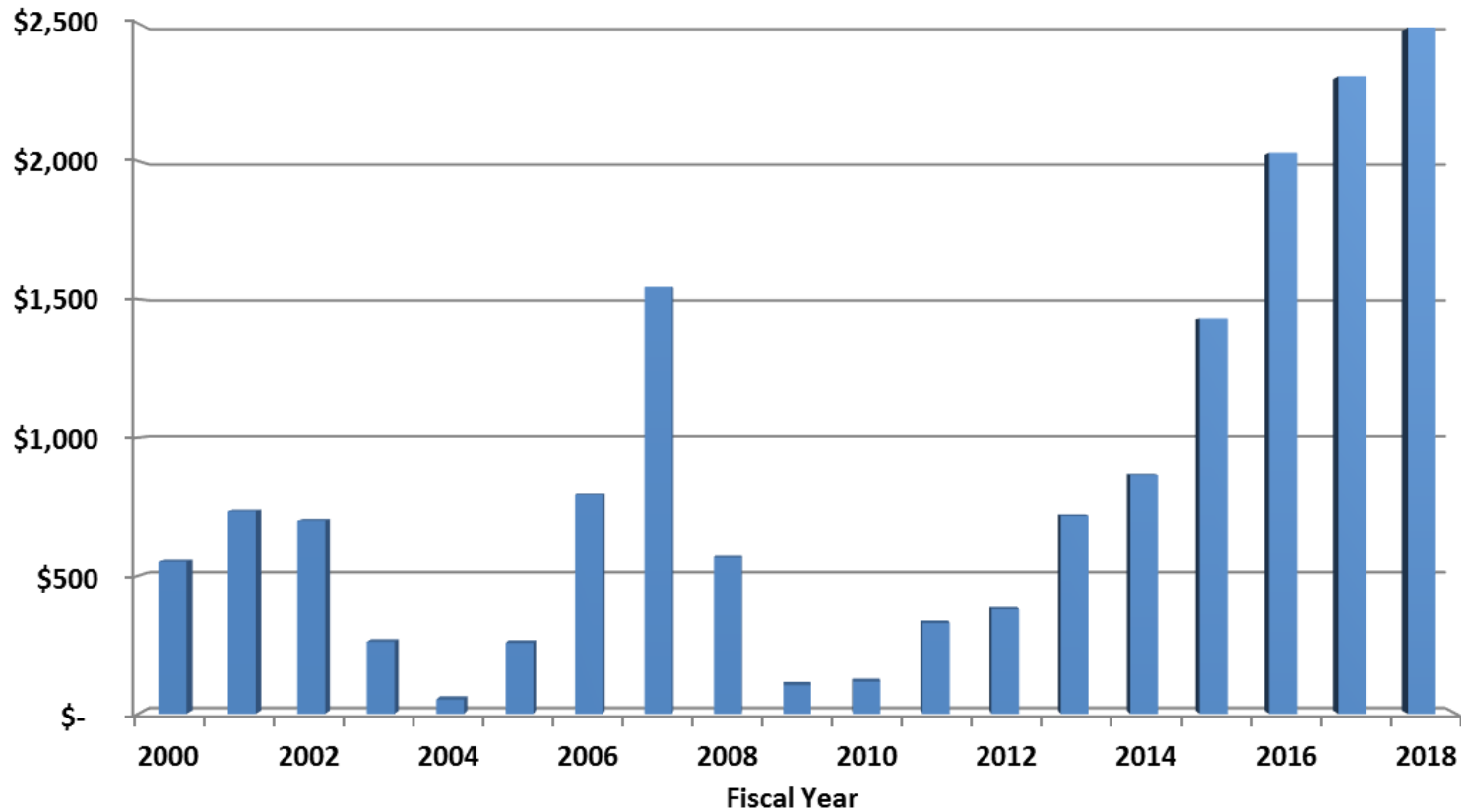
ANDREW YOUNG SCHOOL
FISCAL RESEARCH CENTER

General Fund Revenues Continue to Expand Above Pre-Recession Peak



All Time High in Revenue Shortfall Reserve - \$2.5B

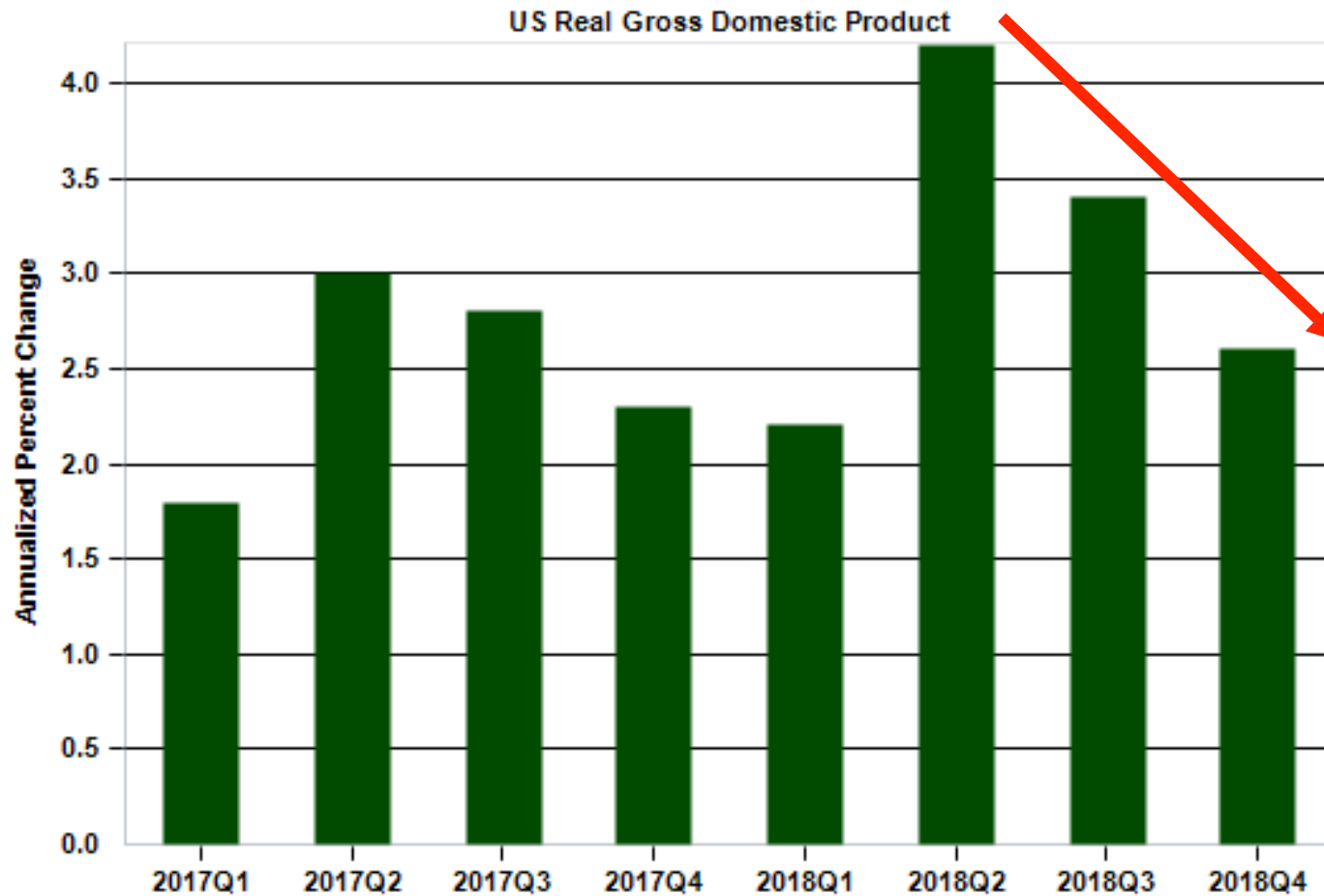
Revenue Shortfall Reserve (\$M)



Revenue Performance YTD

- Revenue growth lagging budget growth target through March.
- Digesting tax reform is source of below trend growth.
- Tax filing season is especially critical to FY 2019 revenue performance. So far, April revenue activity has been strong.

US Economy is Moving onto a Slower Growth Path

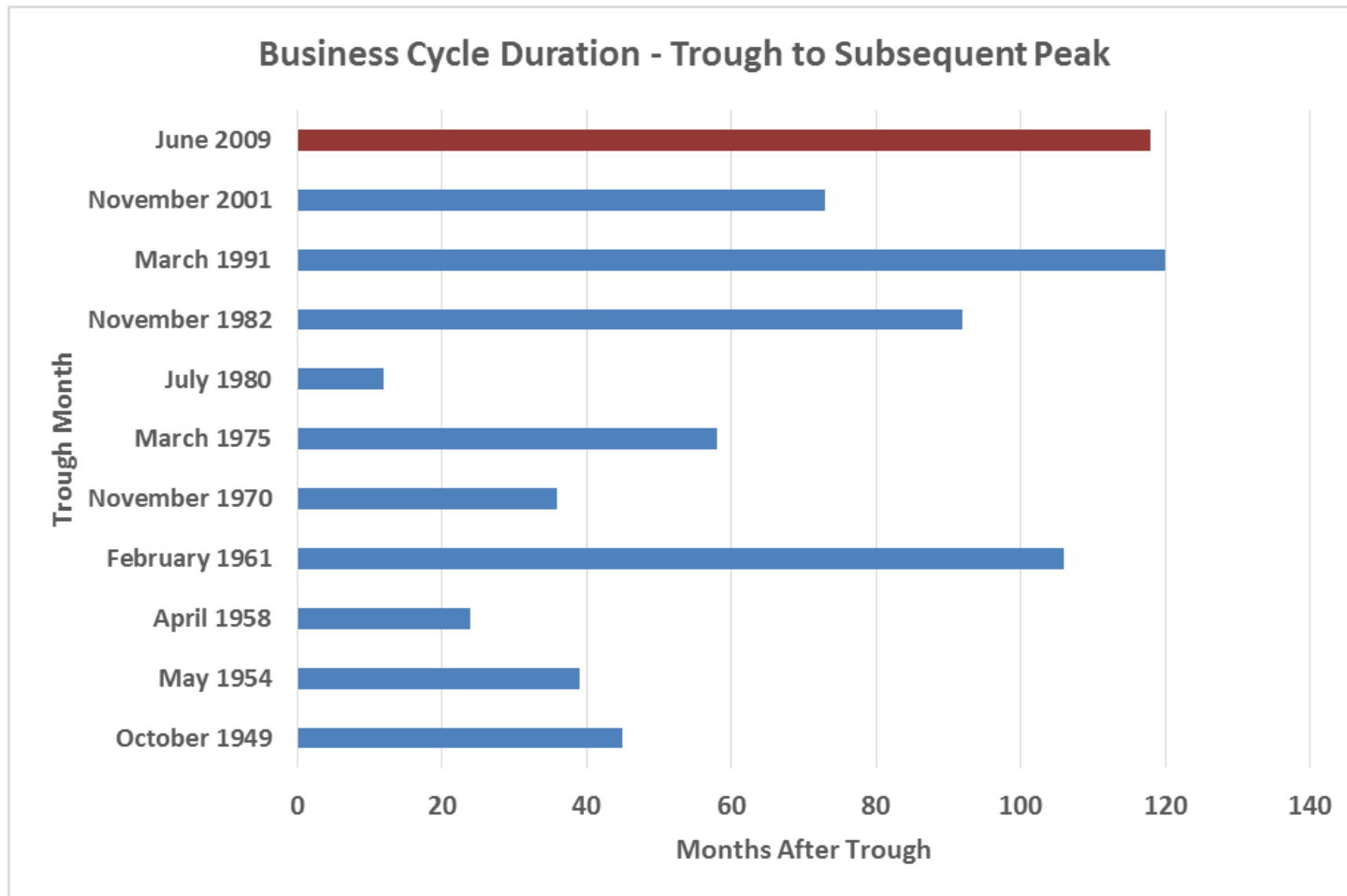


GDPNow Tracking Estimate of Q1 GDP Growth is 2.4%

Global Economic Environment is Creating Headwinds for US Growth

- Stimulus from Tax Cut and Jobs Act is fading.
- Synchronized global growth is over.
- International trade tensions are a drag on growth prospects.
- Brexit uncertainty.
- Yield Curve Inversion.

One More Thing – Current Business Cycle is Approaching the Longest on Record



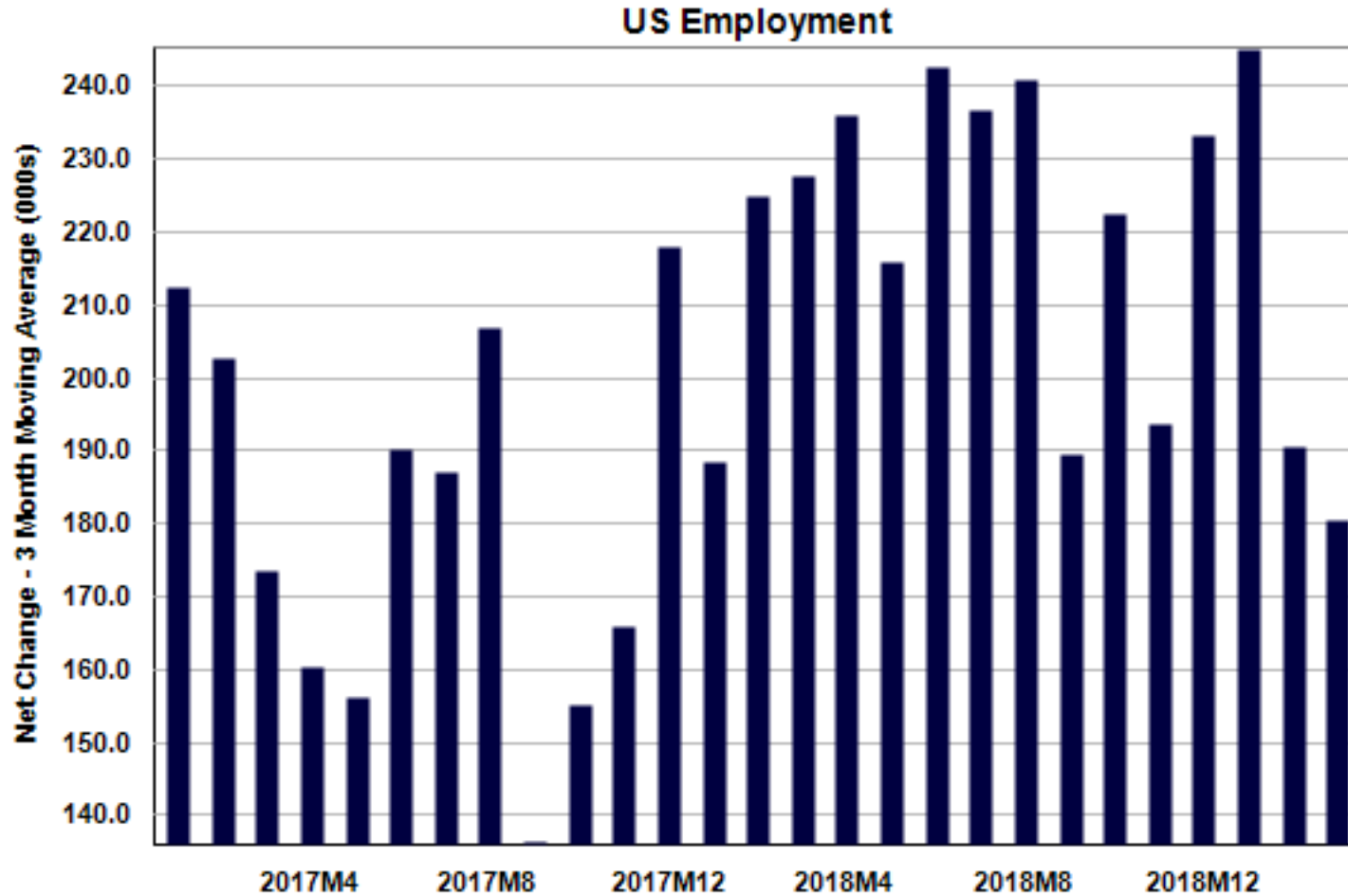
Main Message:

Domestic Economic Fundamentals are Still Solid

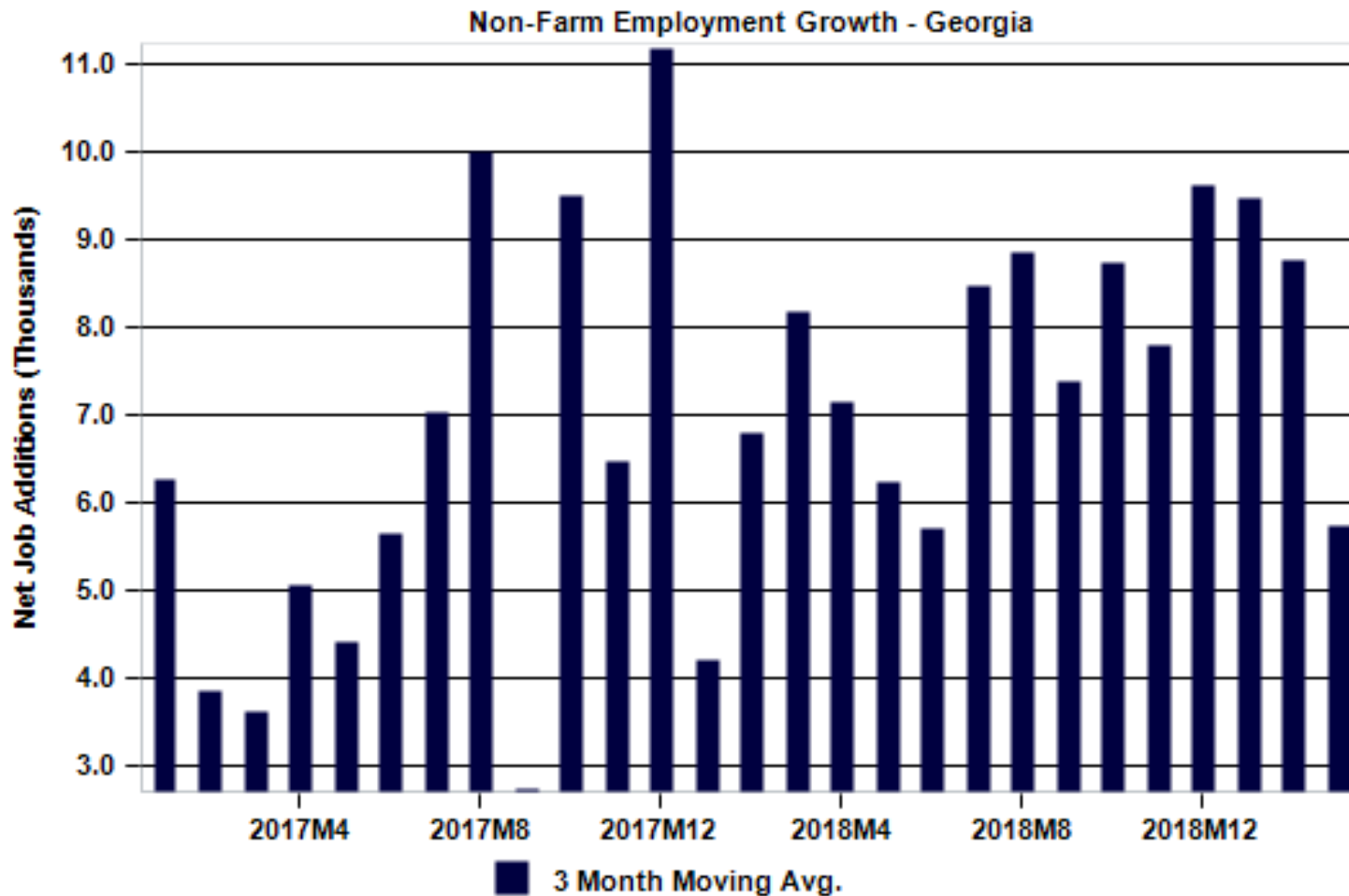
- **Labor markets are tight.**
- **Consumer finances are good and supportive of spending growth.**
- **Business sector is expanding, albeit at slower rates.**
- **Housing sector is weak.**
- **Financial conditions are not flashing warnings.**

Keep in Mind that Recent Economic Data could be Impacted by Government Shutdown

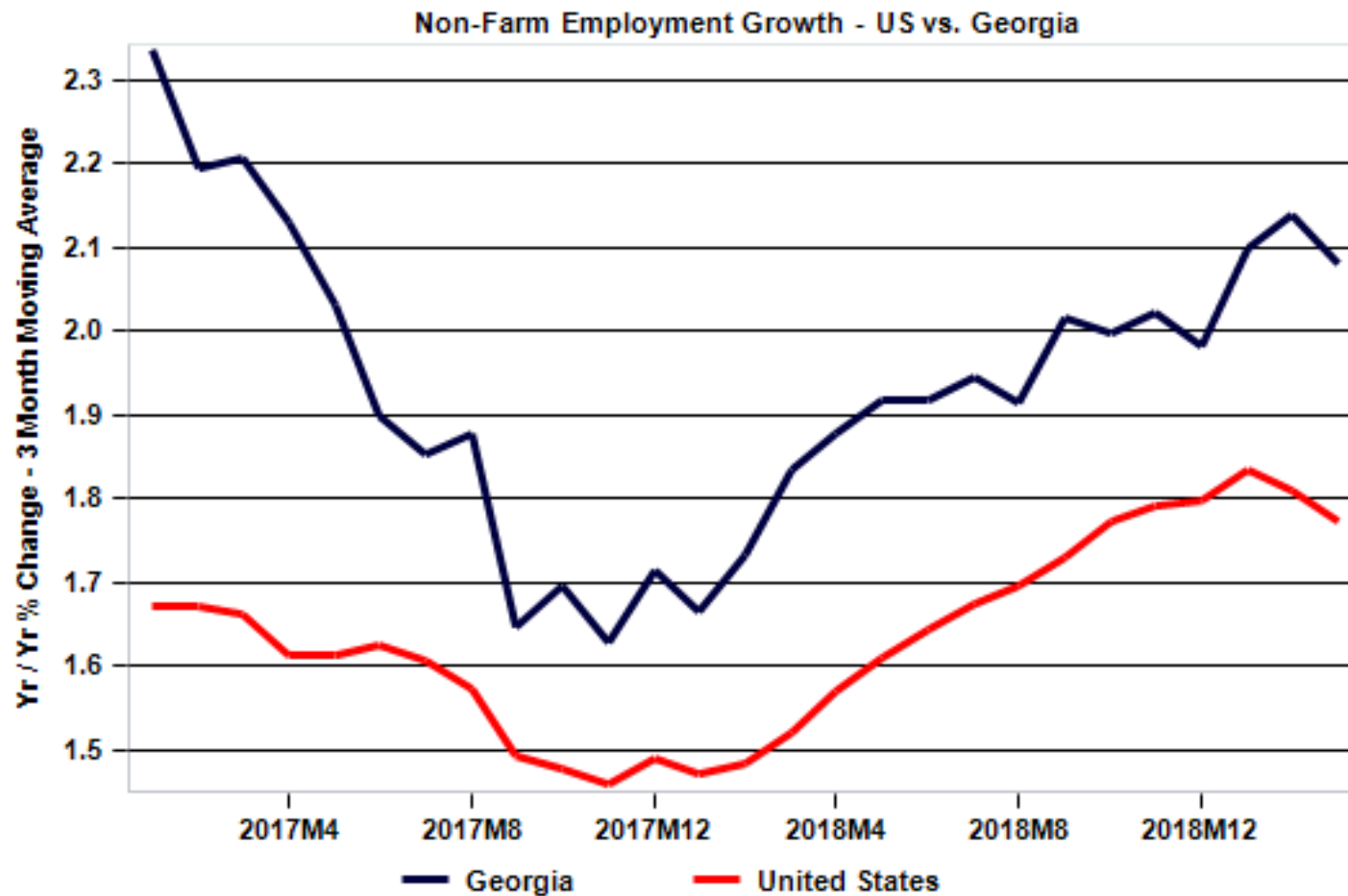
US Job Growth is Averaging About 180k Jobs Per Month



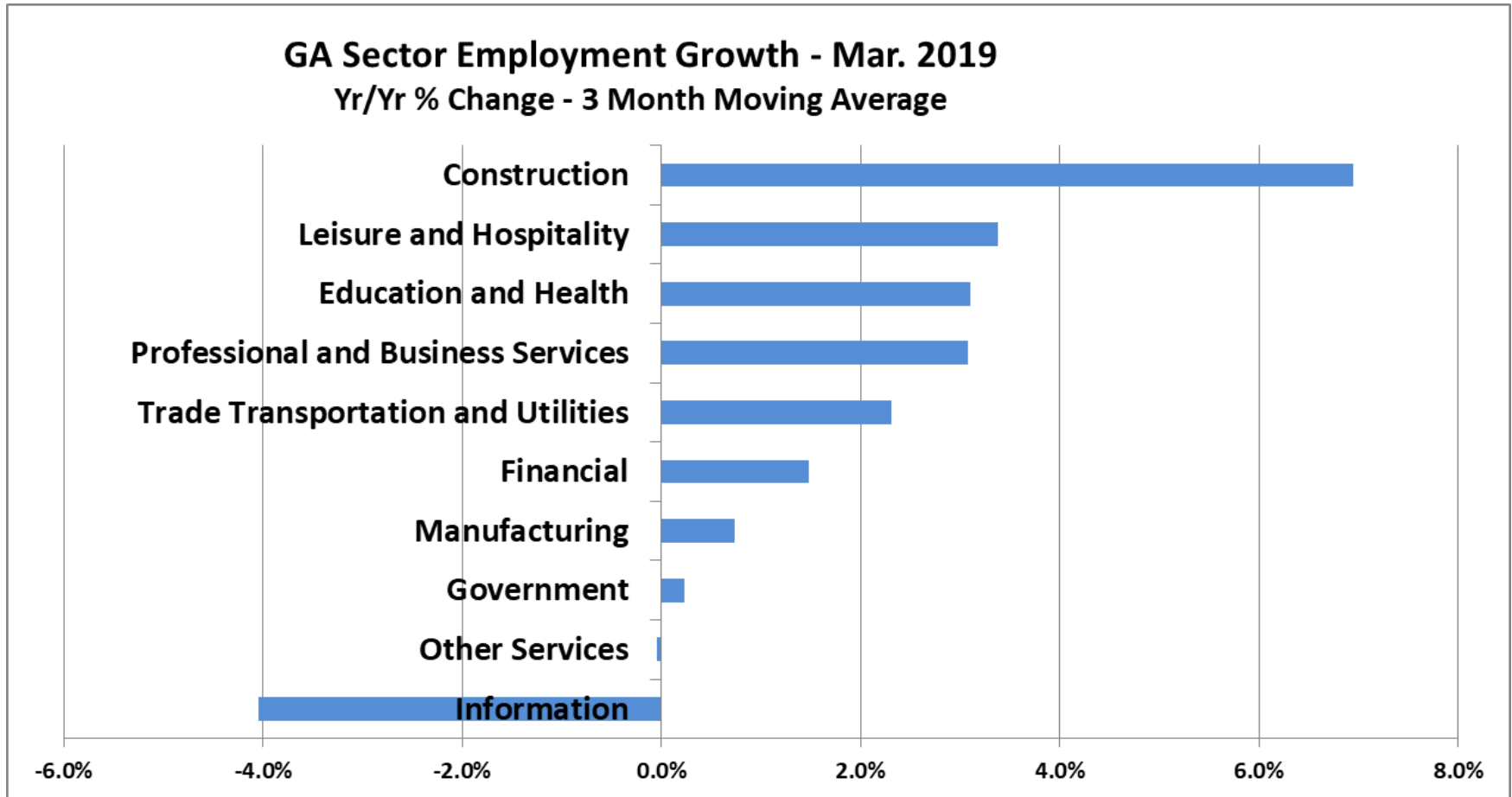
Georgia is Averaging Just Over 6,000 New Jobs Per Month



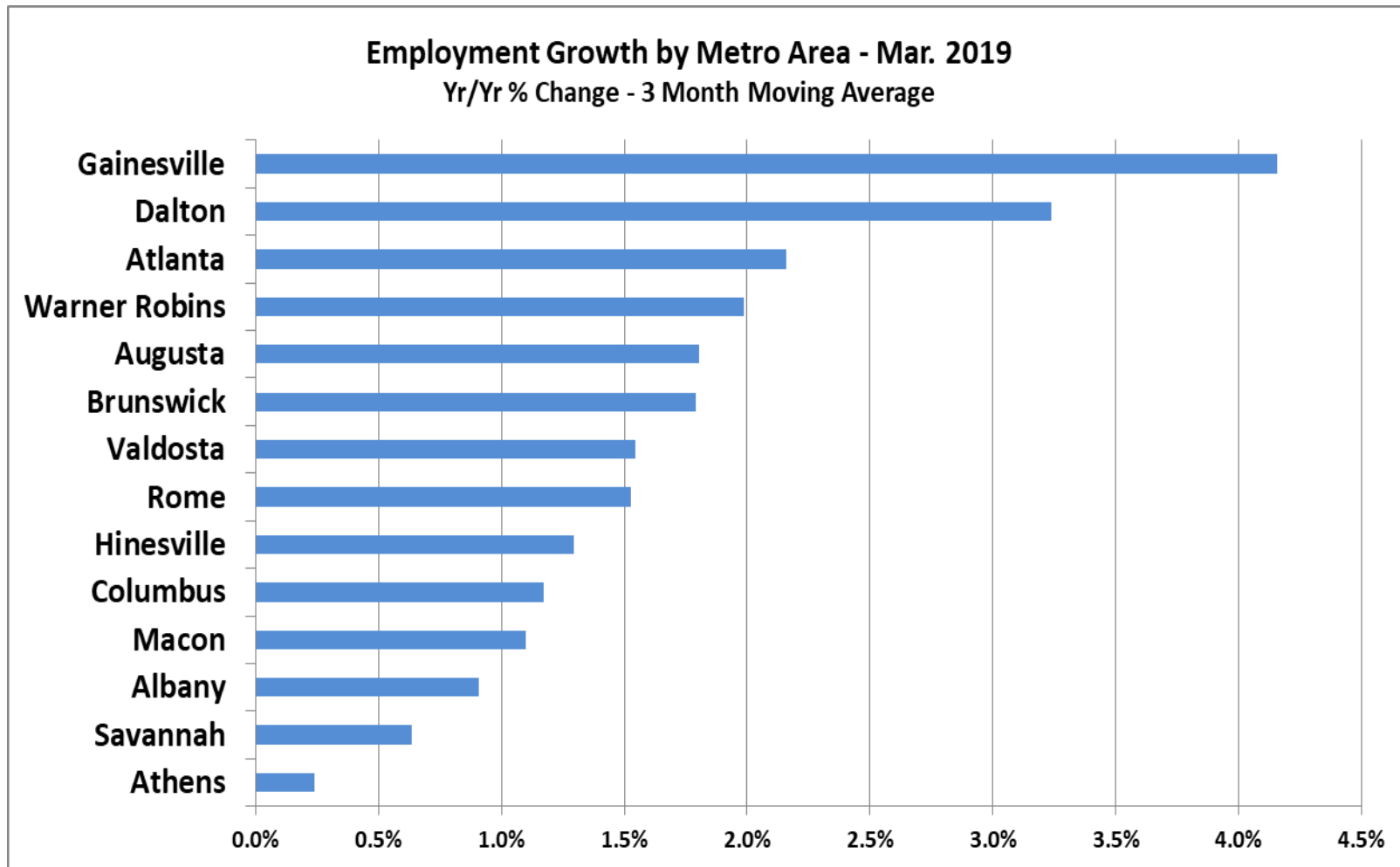
Job Growth in Georgia is Out-pacing that of US



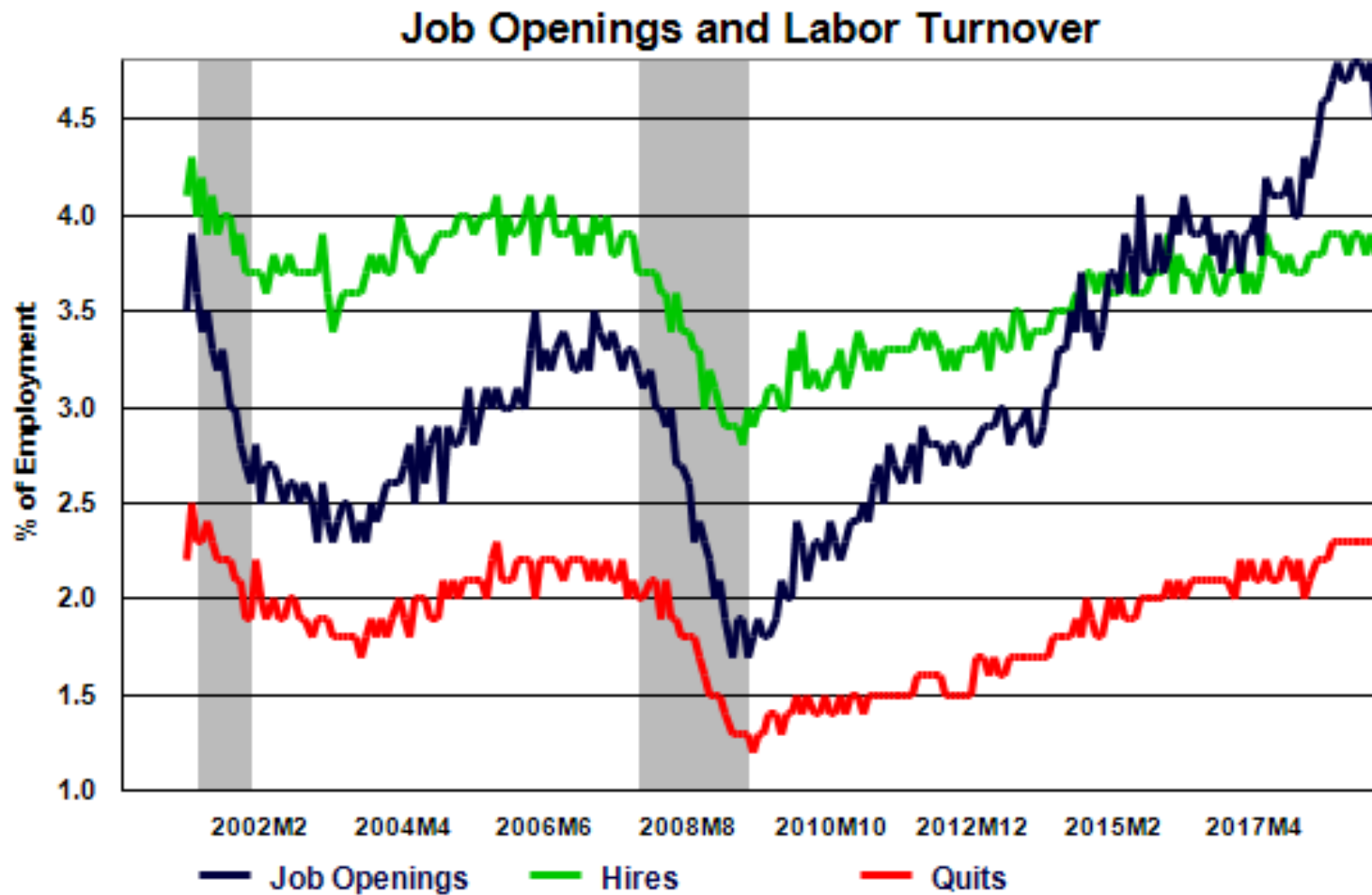
Georgia's Employment Growth is Diversified Across Industry Sectors



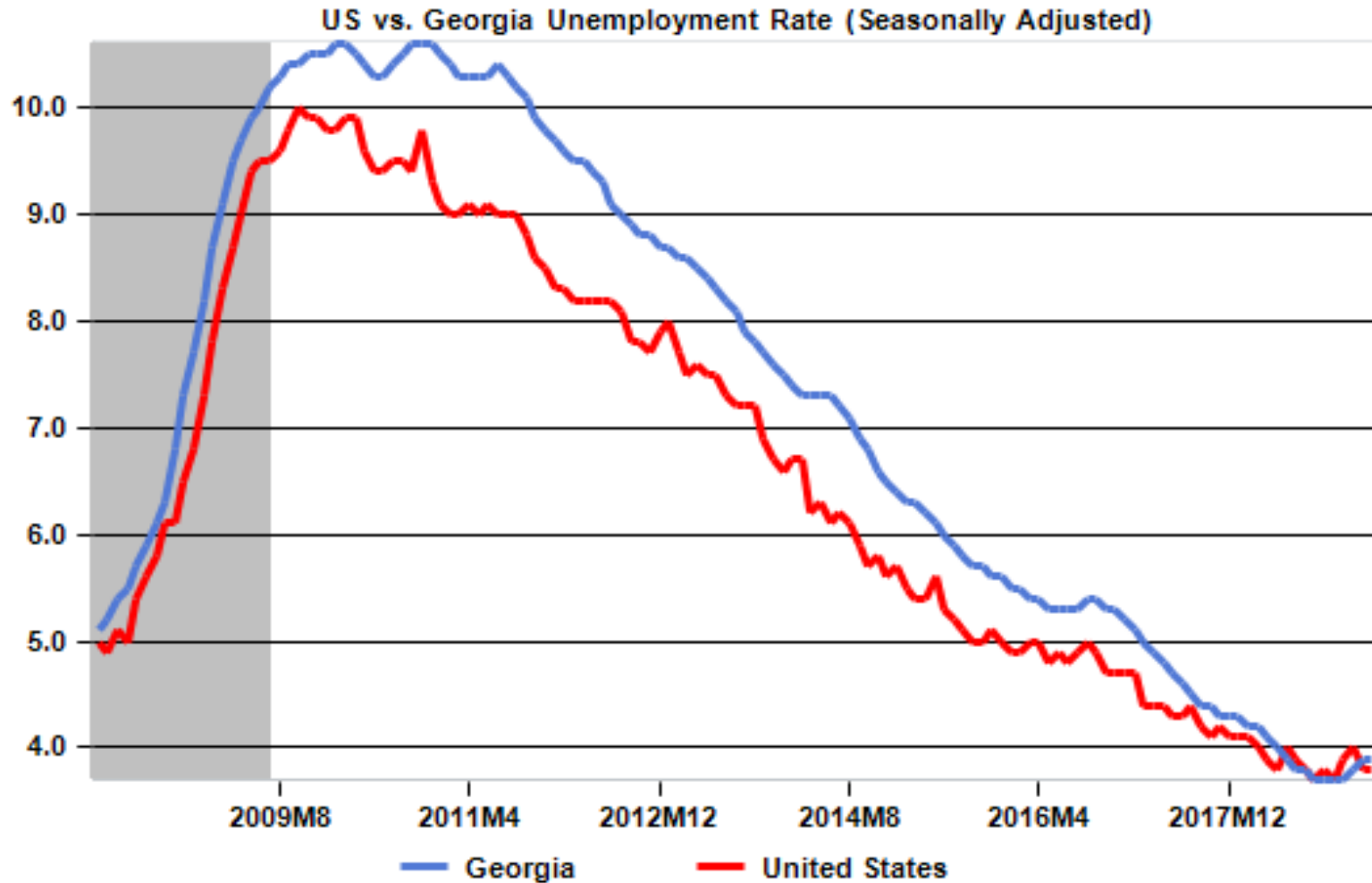
As Well as Metro Areas



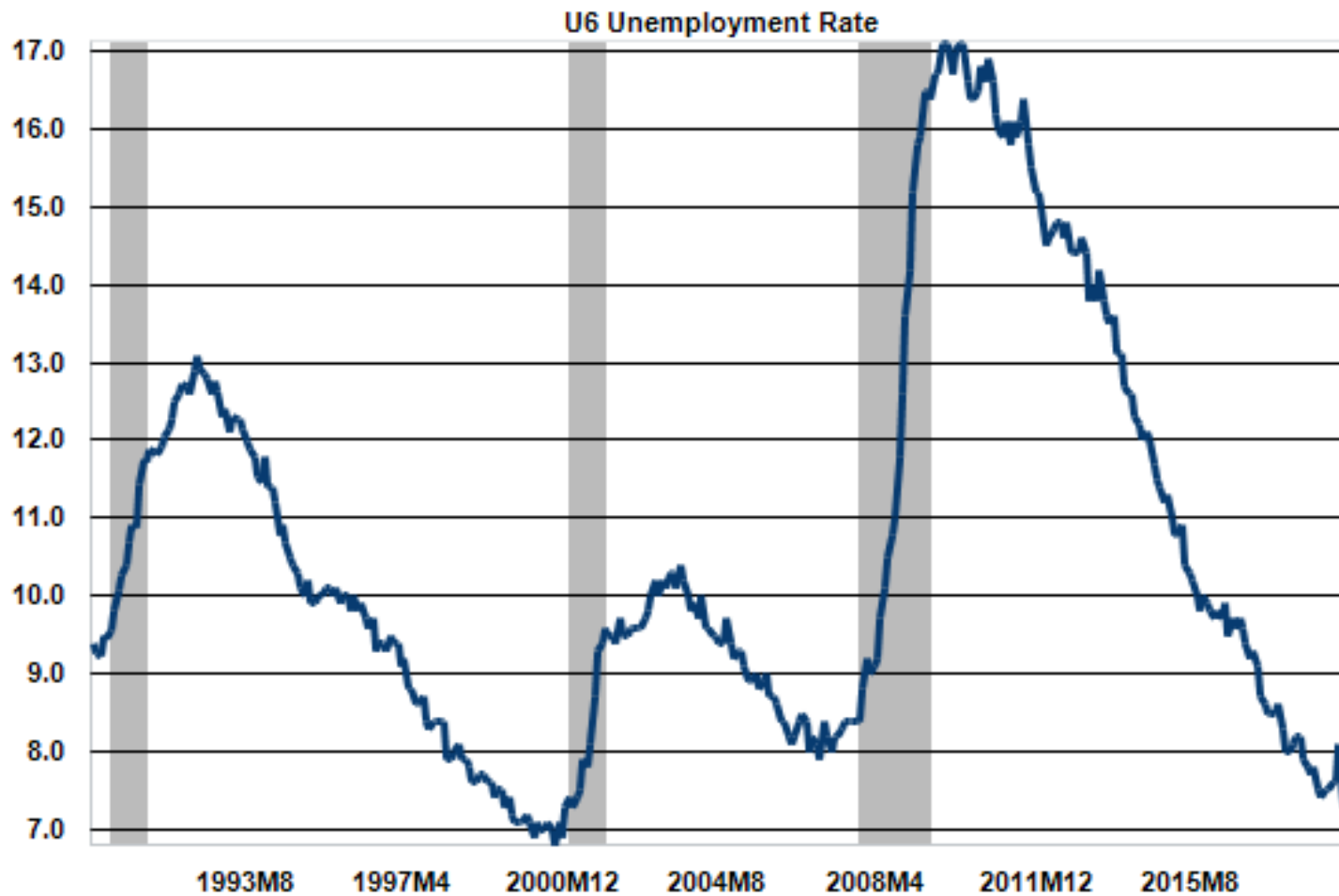
Job Market Dynamics are Strong



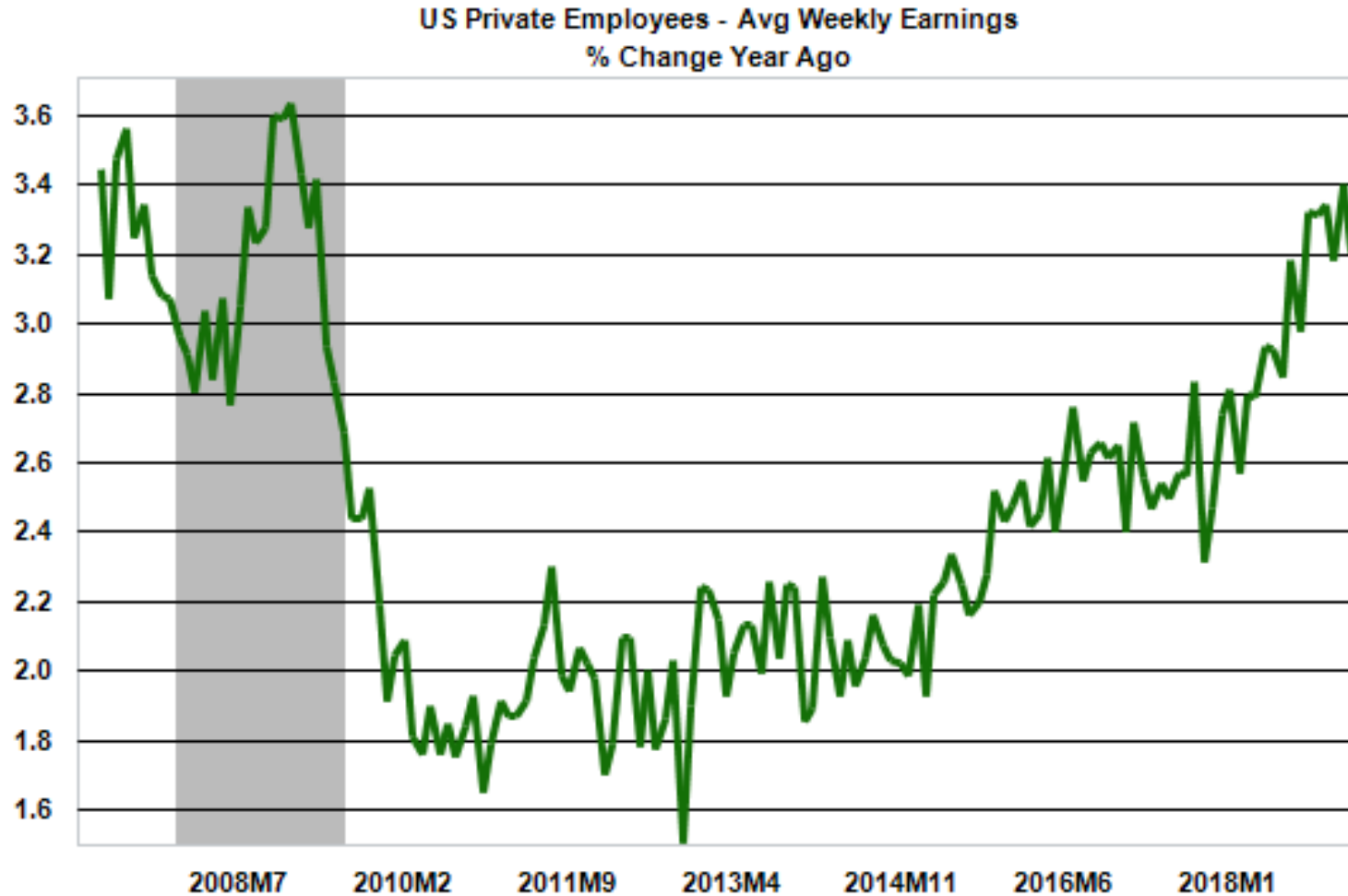
Unemployment is Very Low



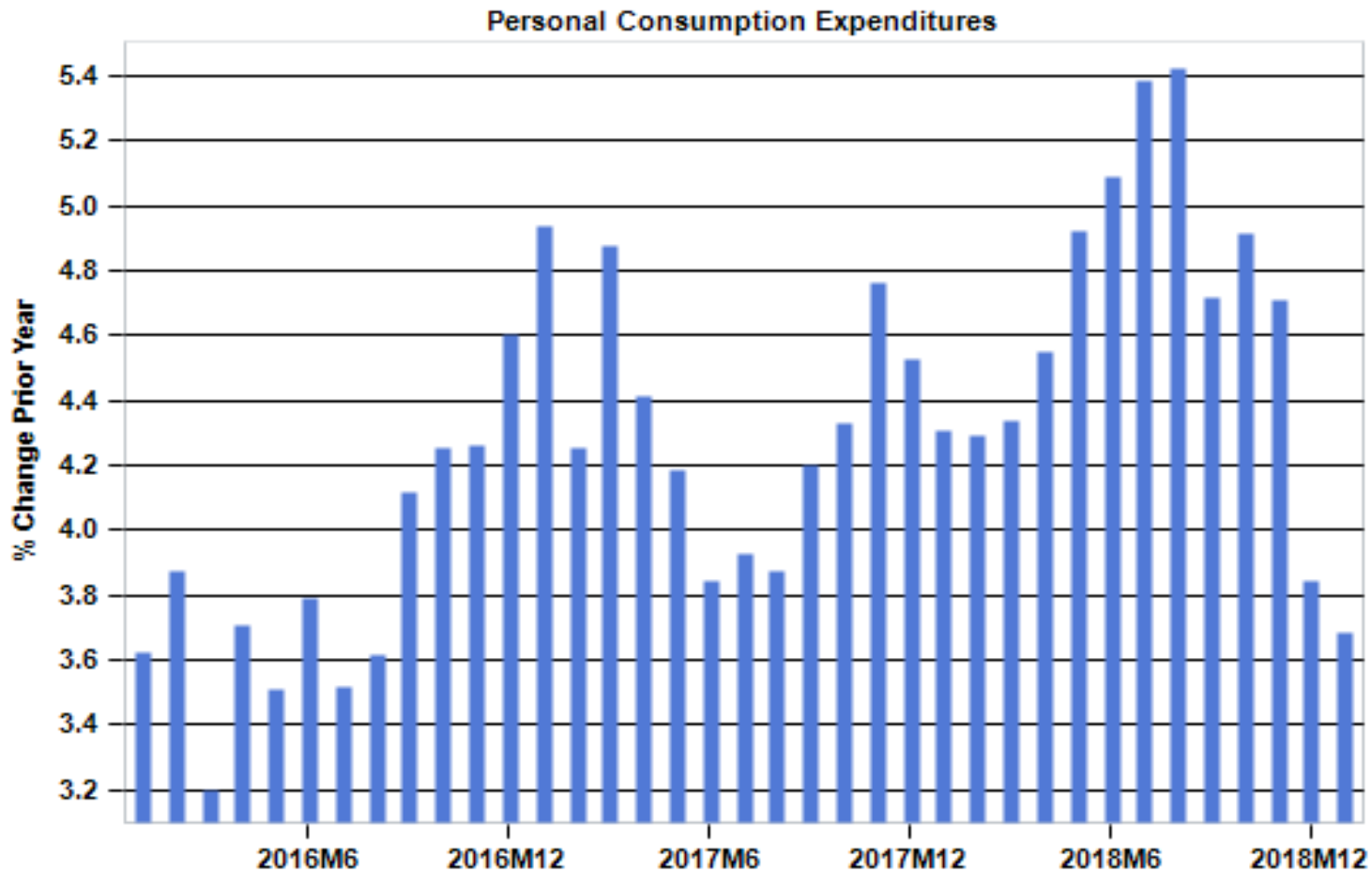
Broader Measures of Unemployment are Also Healthy



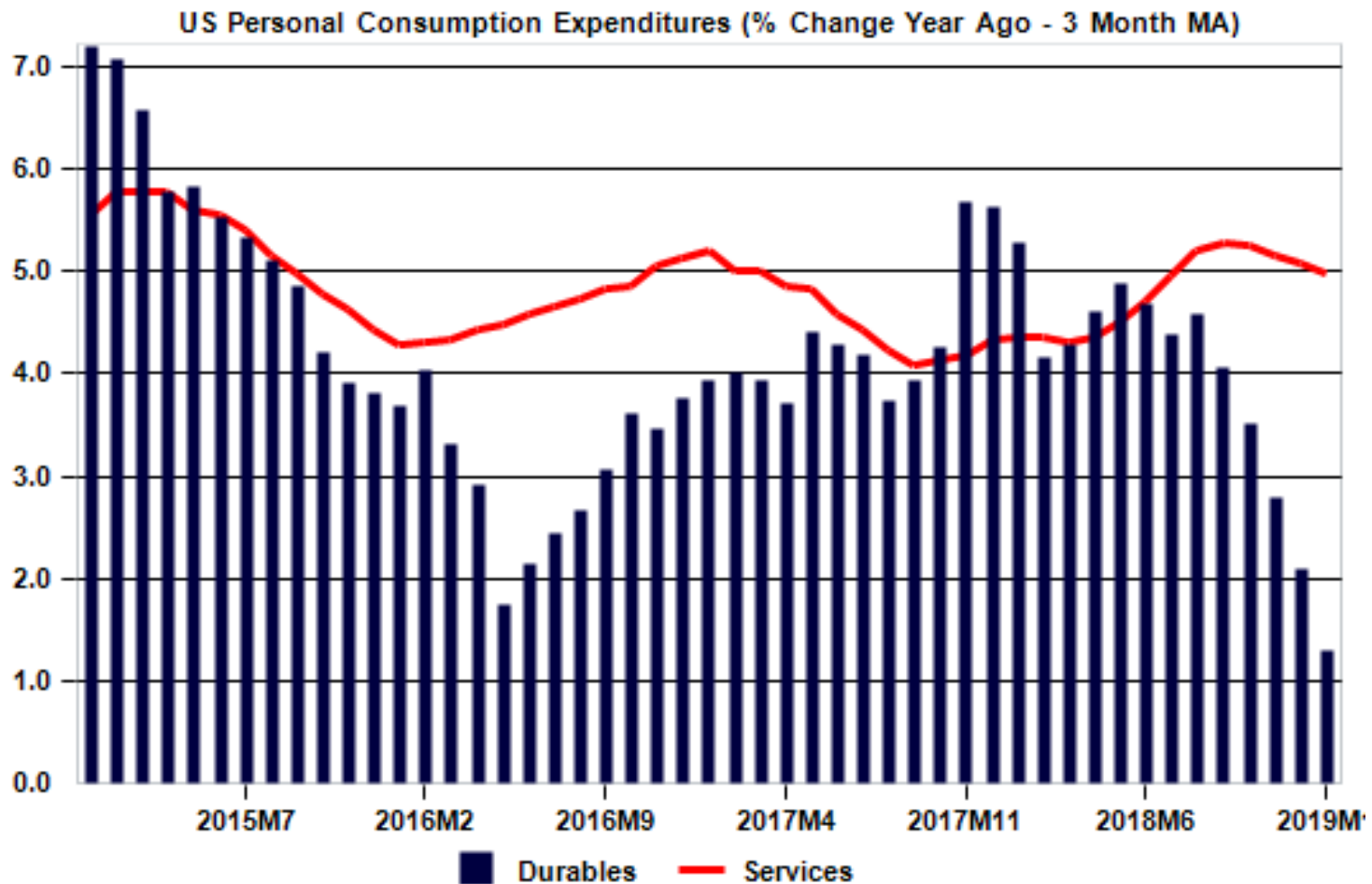
Job Market Tightness is Translating into Wage Growth



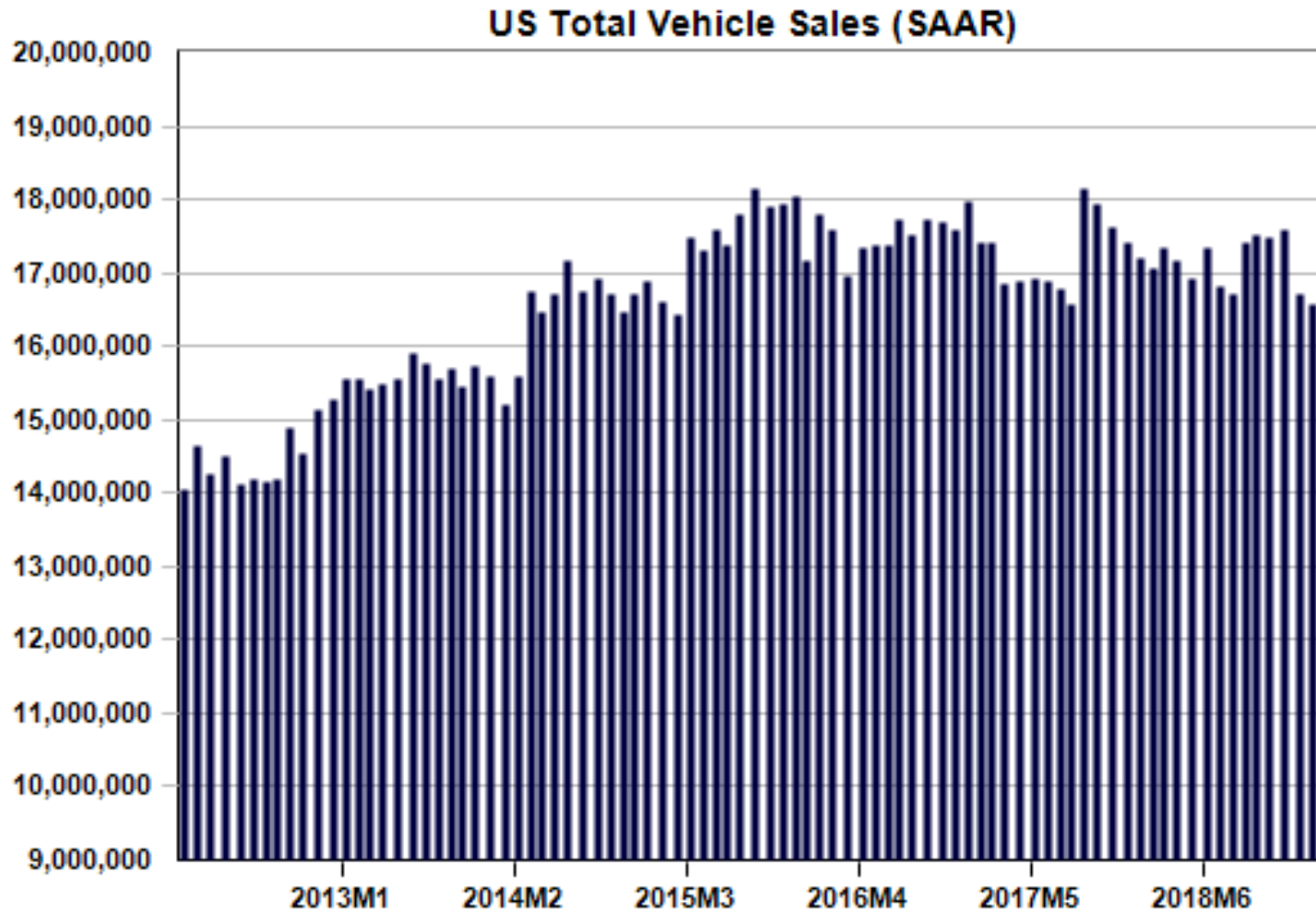
Personal Consumption Expenditures Growth has Slowed from Mid-2018



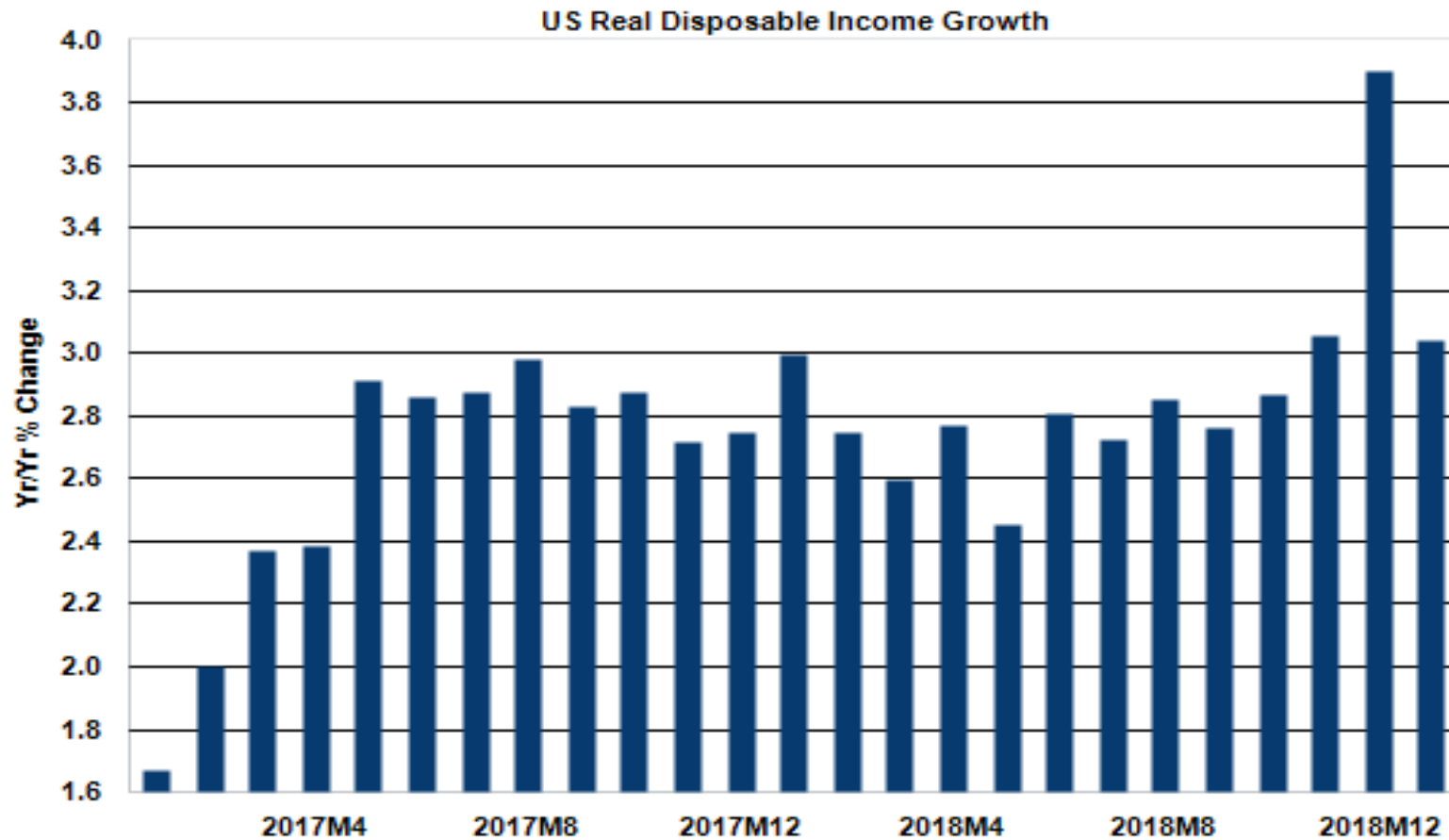
Durable Goods have Borne the Brunt of the Slowdown



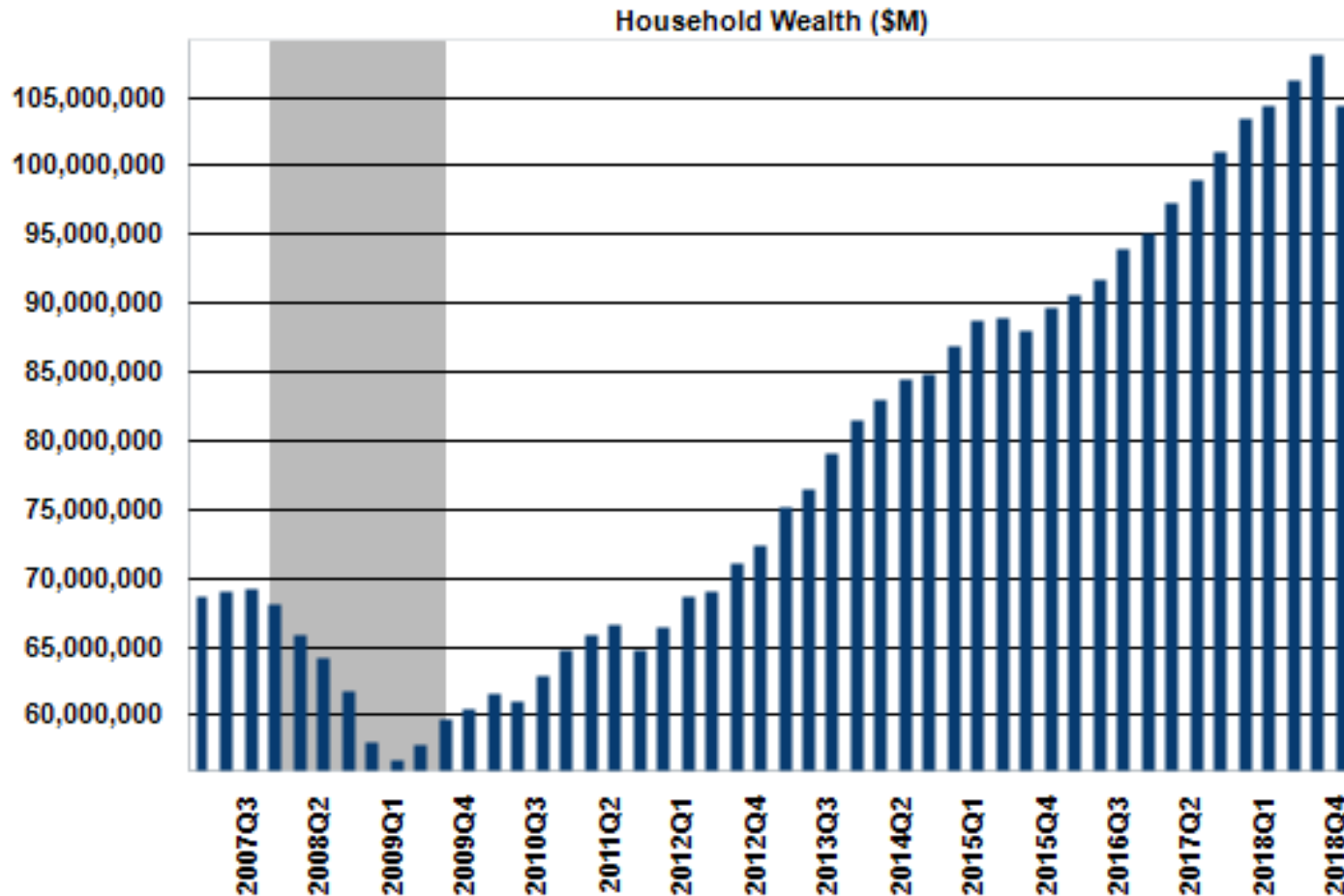
Auto Sales Flat to Down from Year Ago Levels



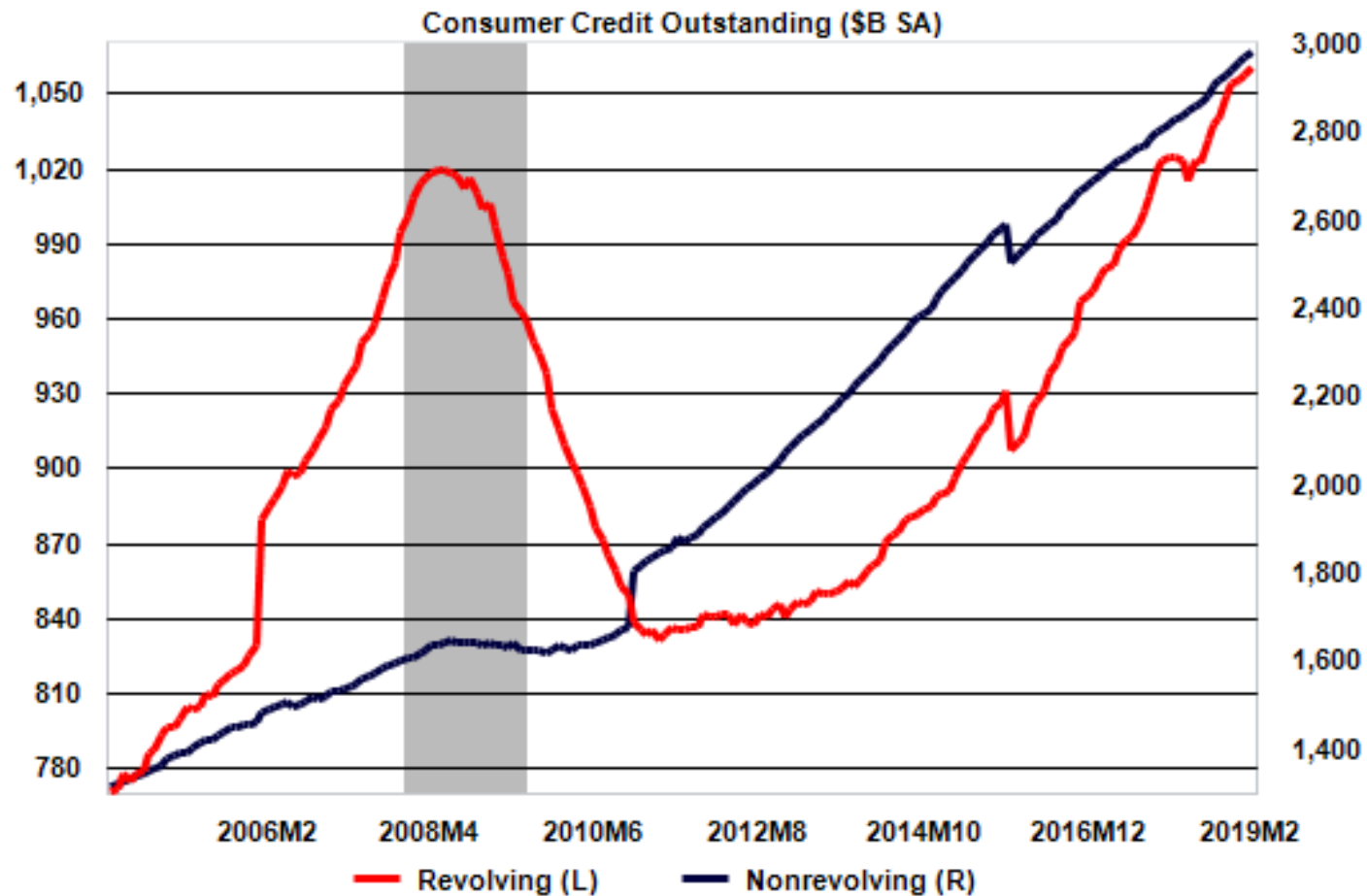
Income Growth is Steady



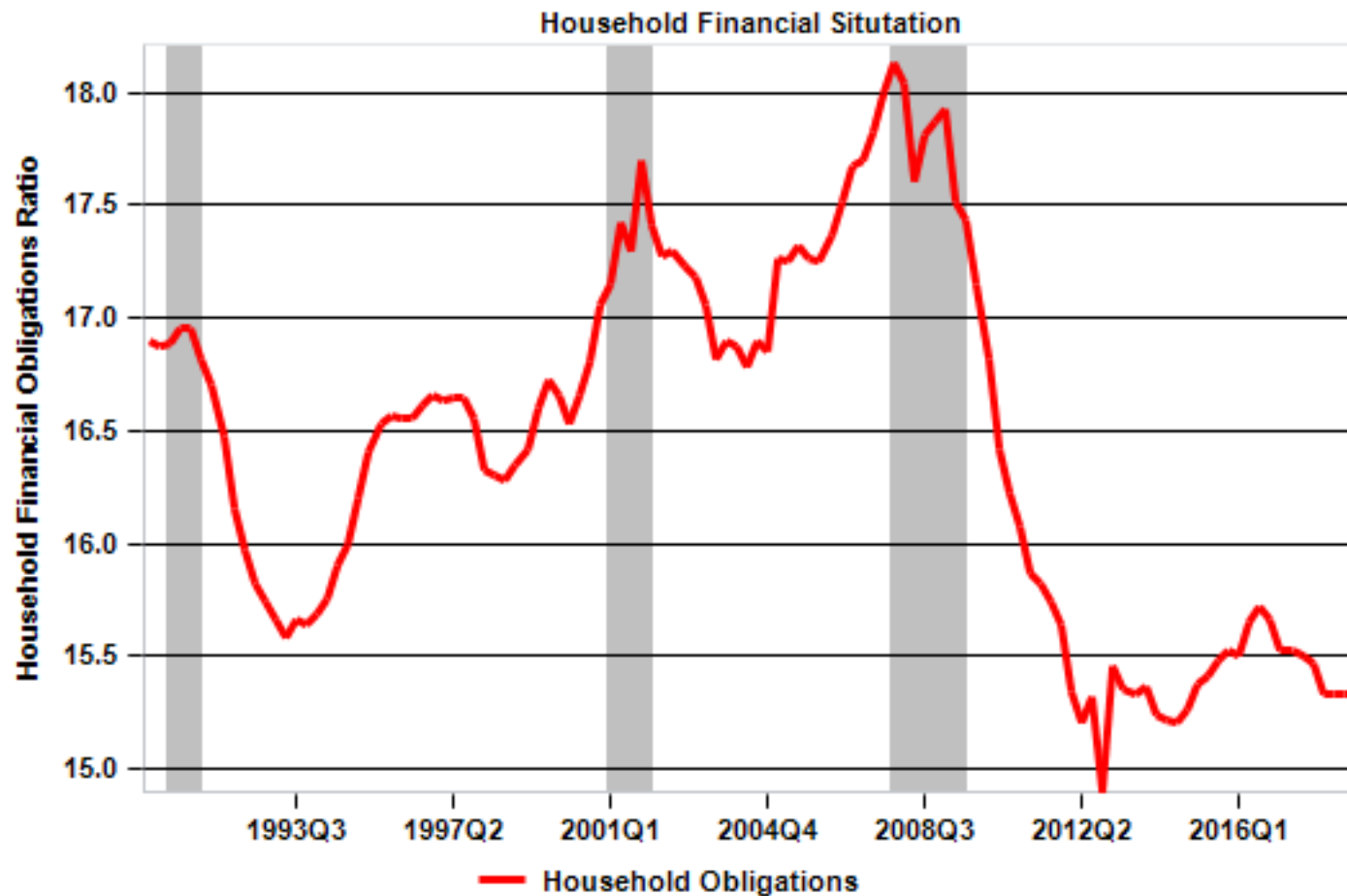
Household Wealth Took a Hit in Q4 But is Likely to Bounce Back with Stock Market Recovery



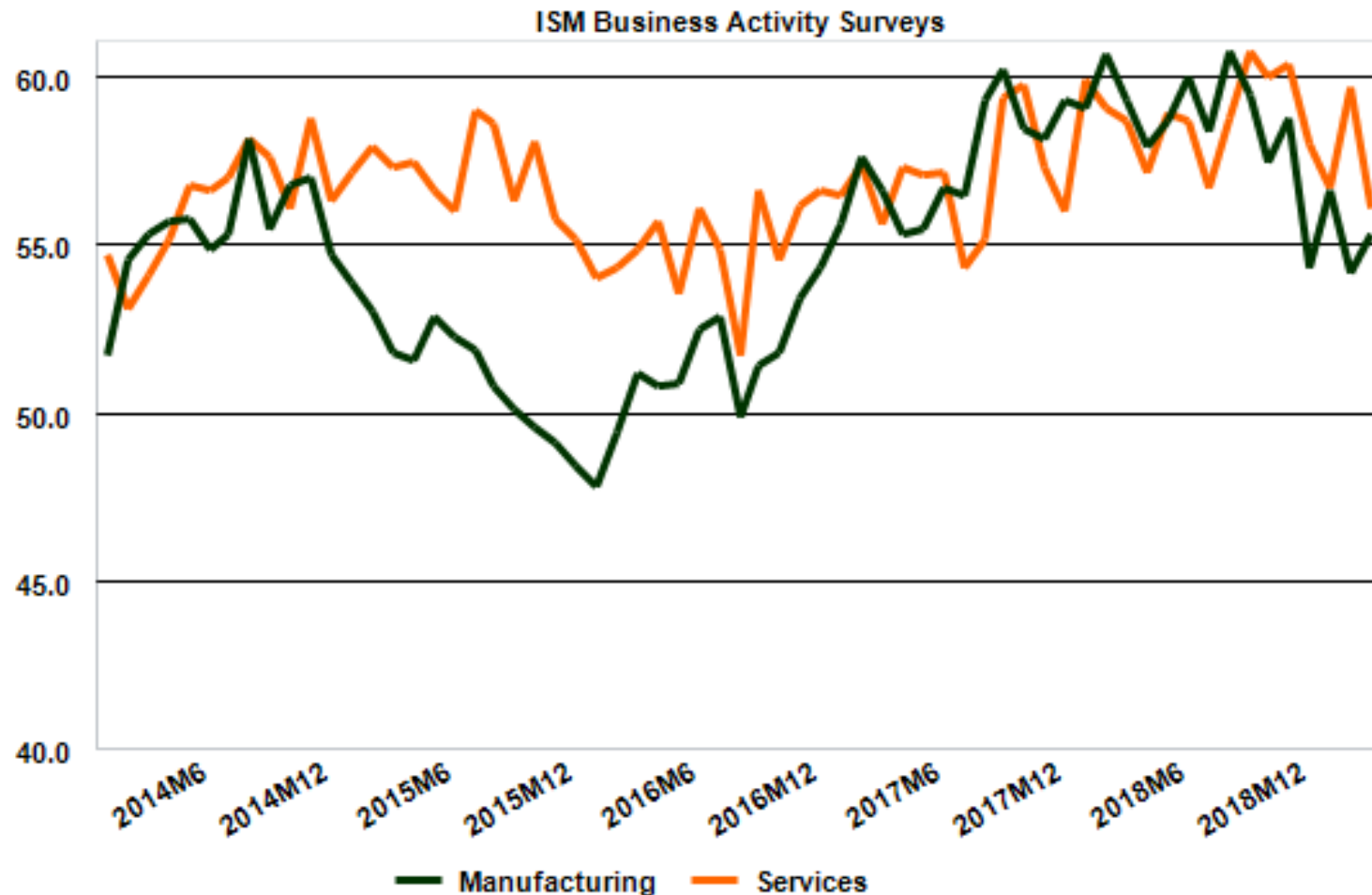
Consumer Credit Balances are Growing



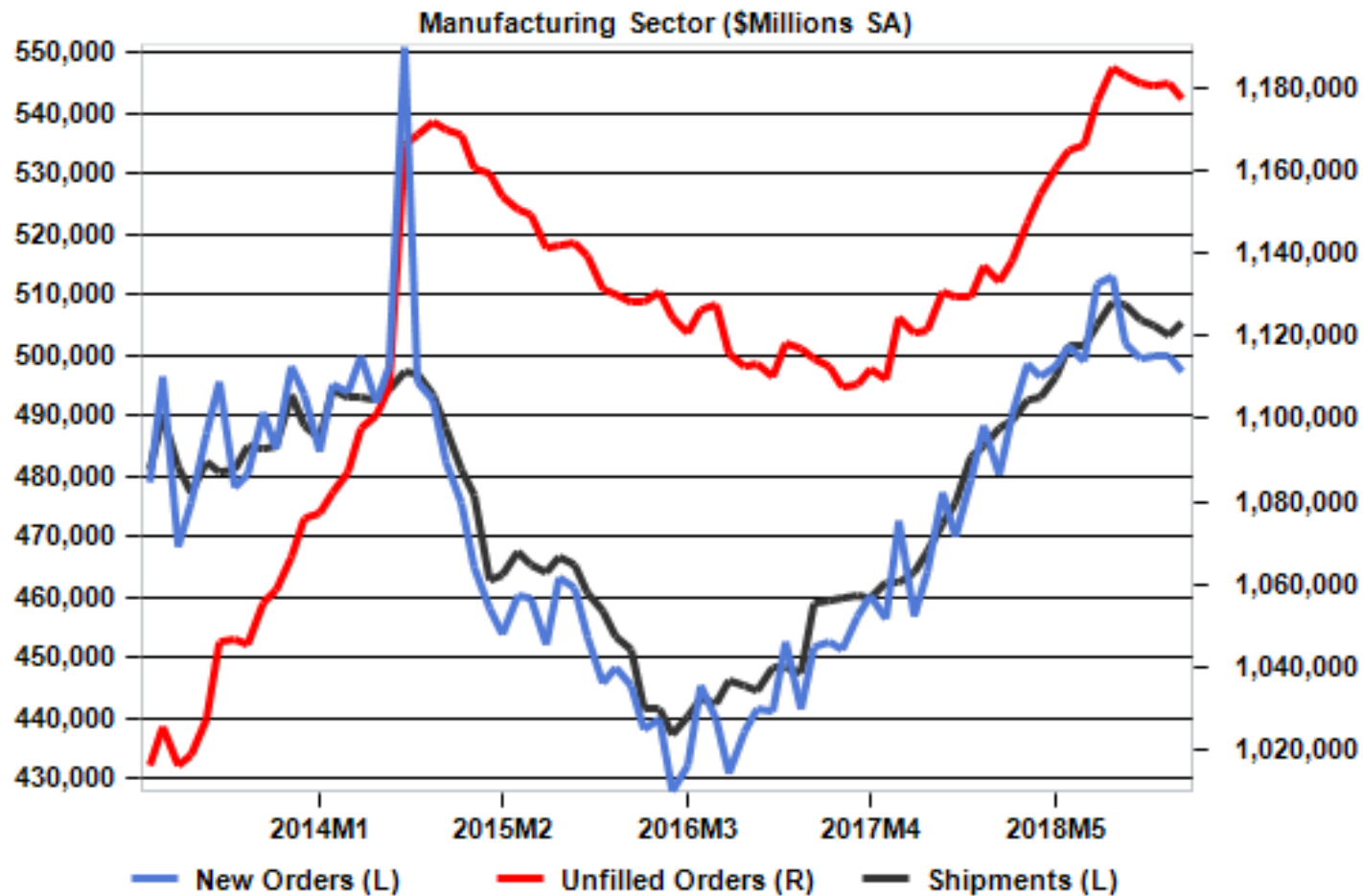
But Household Debt Burdens are Still Low



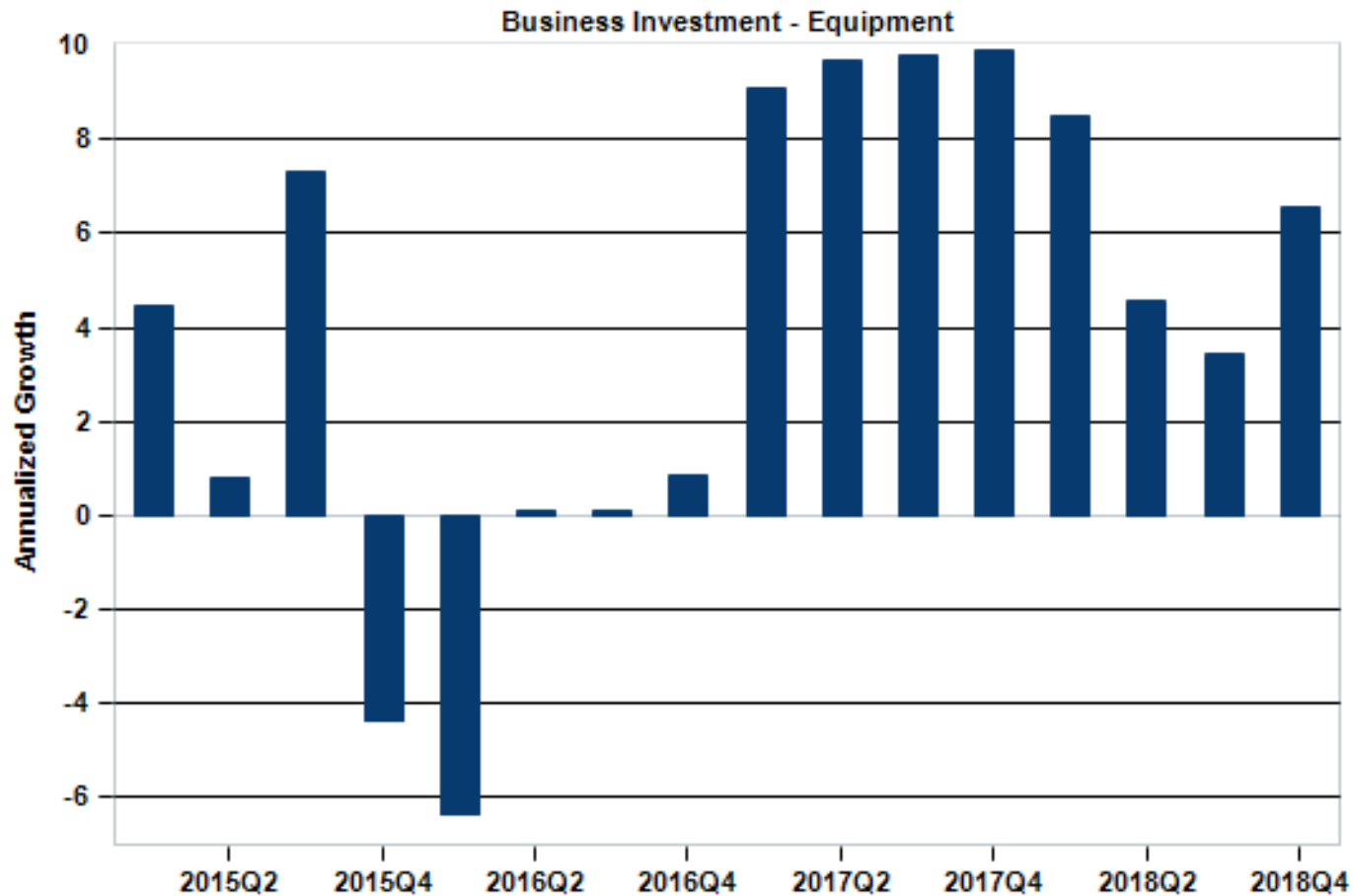
Business Activity is Expanding But Pace of Growth in Manufacturing has Slowed



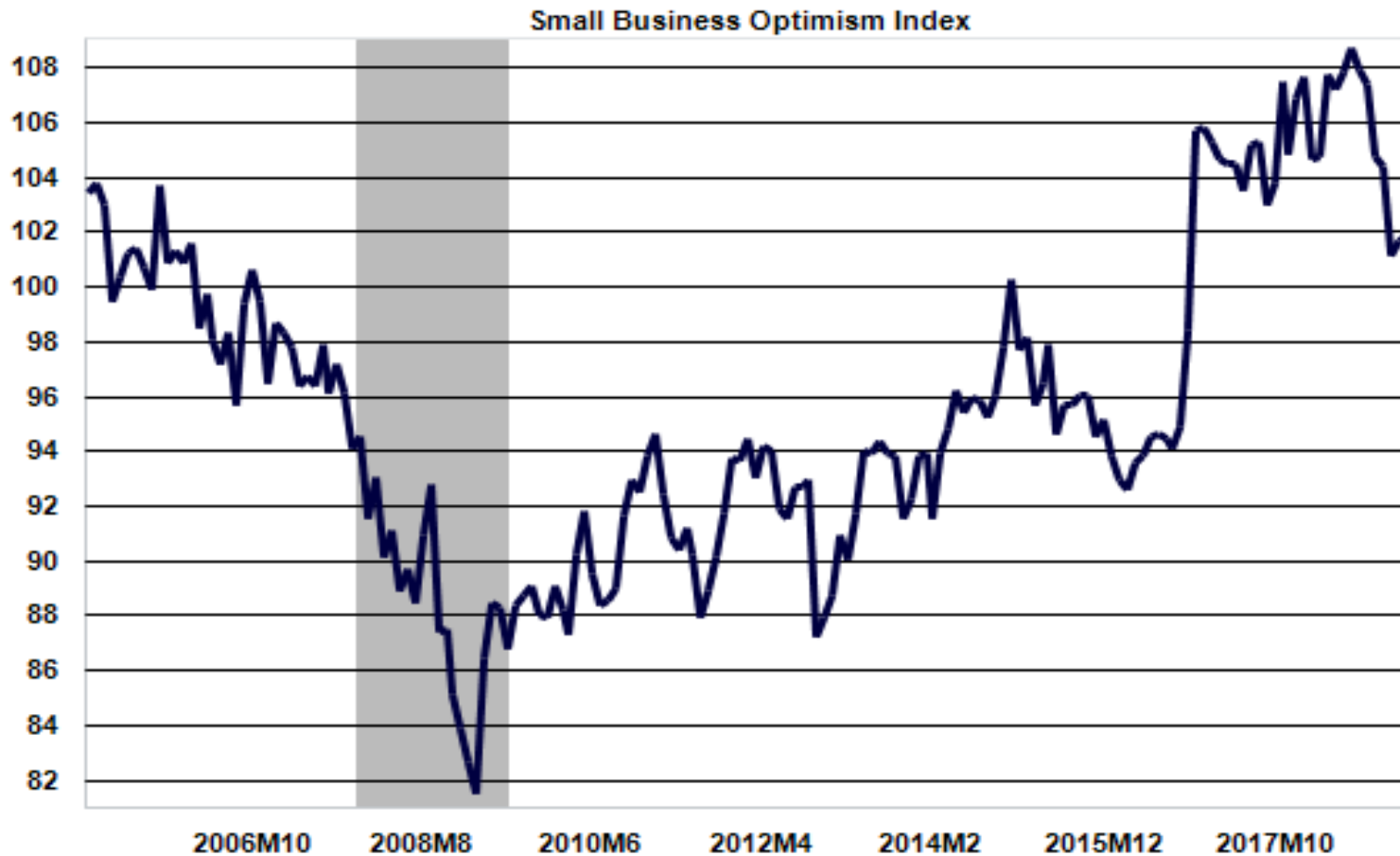
Details of Manufacturing Data Also Indicate a Tailing Off



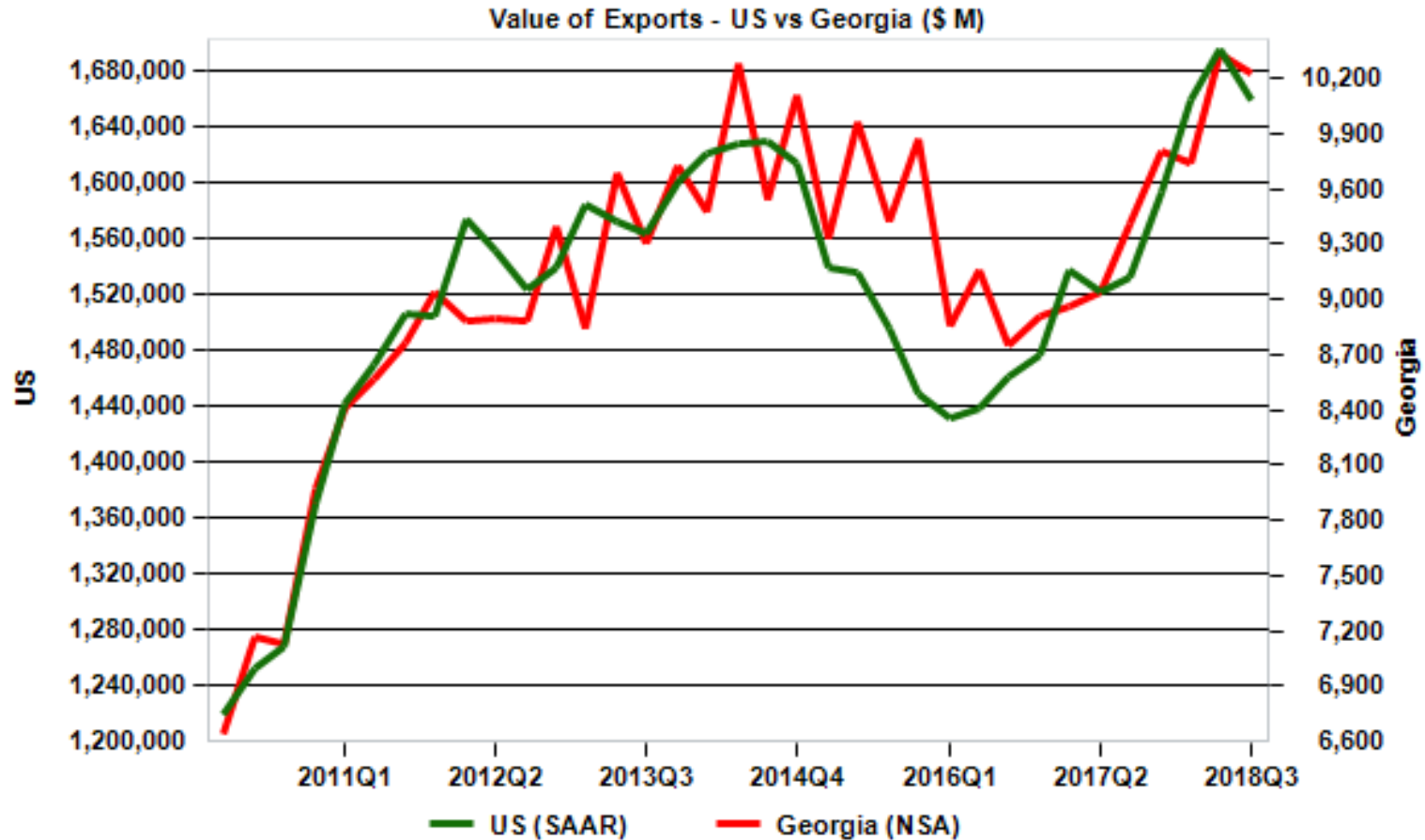
Business Investment Growth is Decent



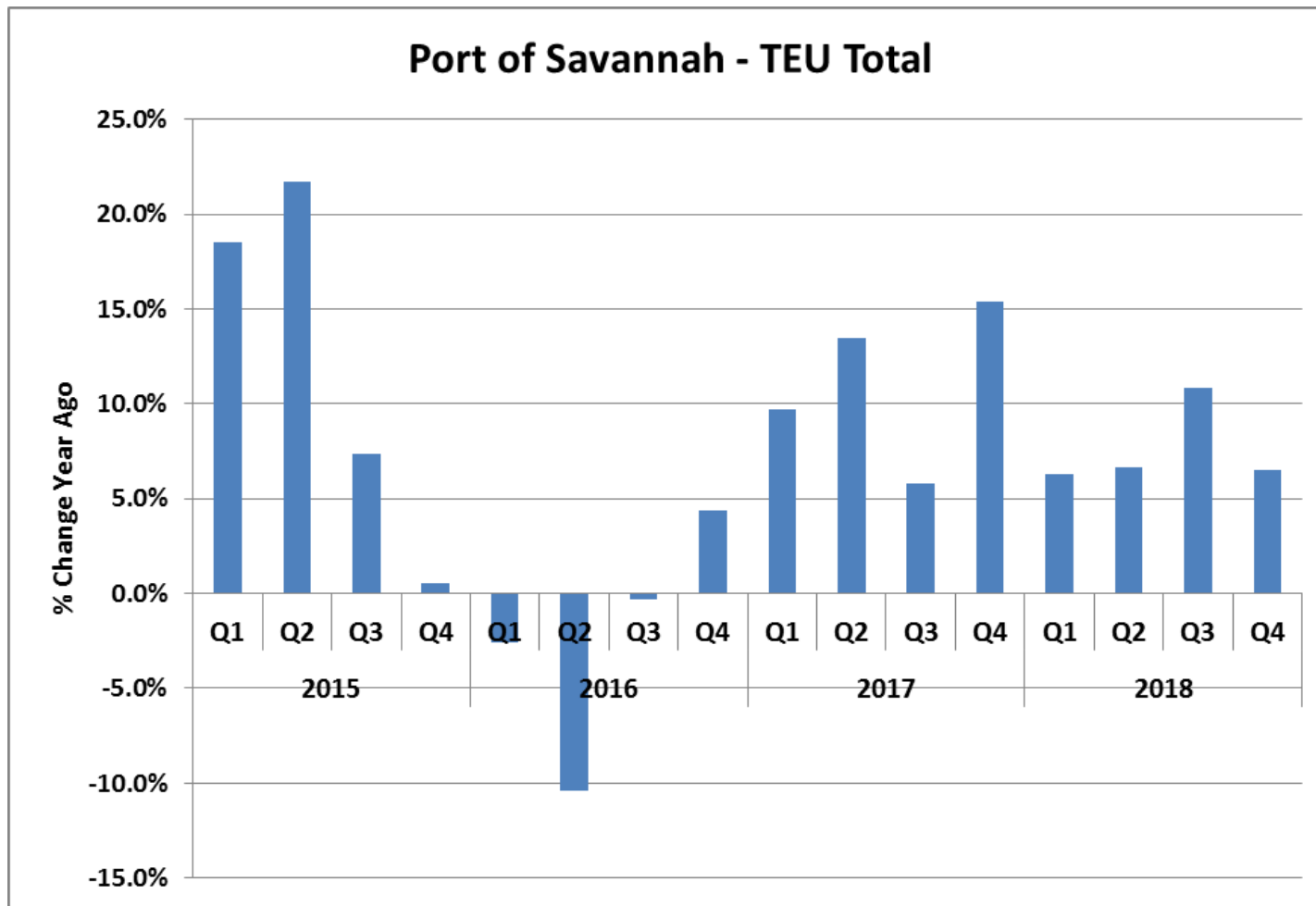
Business Owner Optimism has Dipped



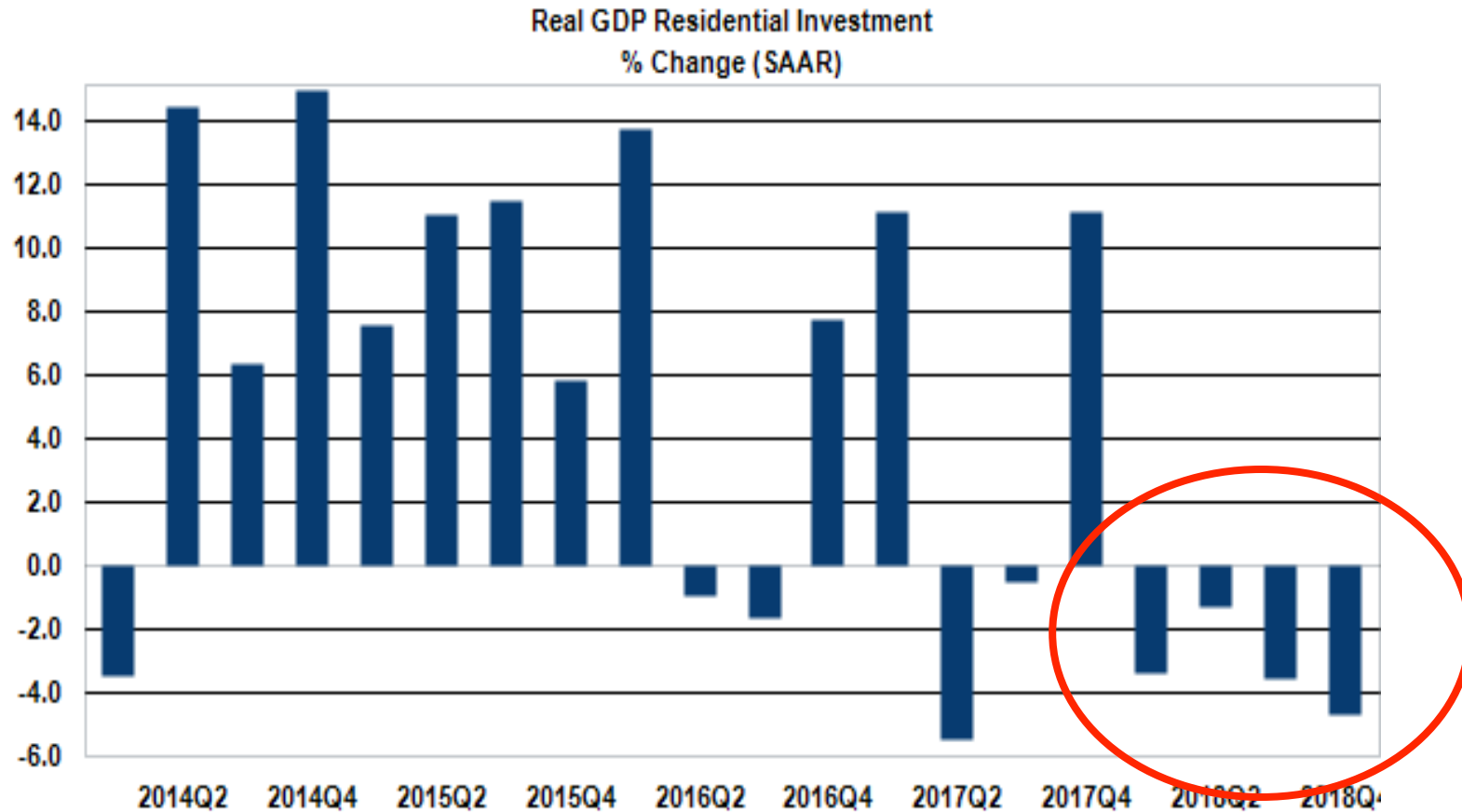
Export Activity has Dipped from Recent Peak



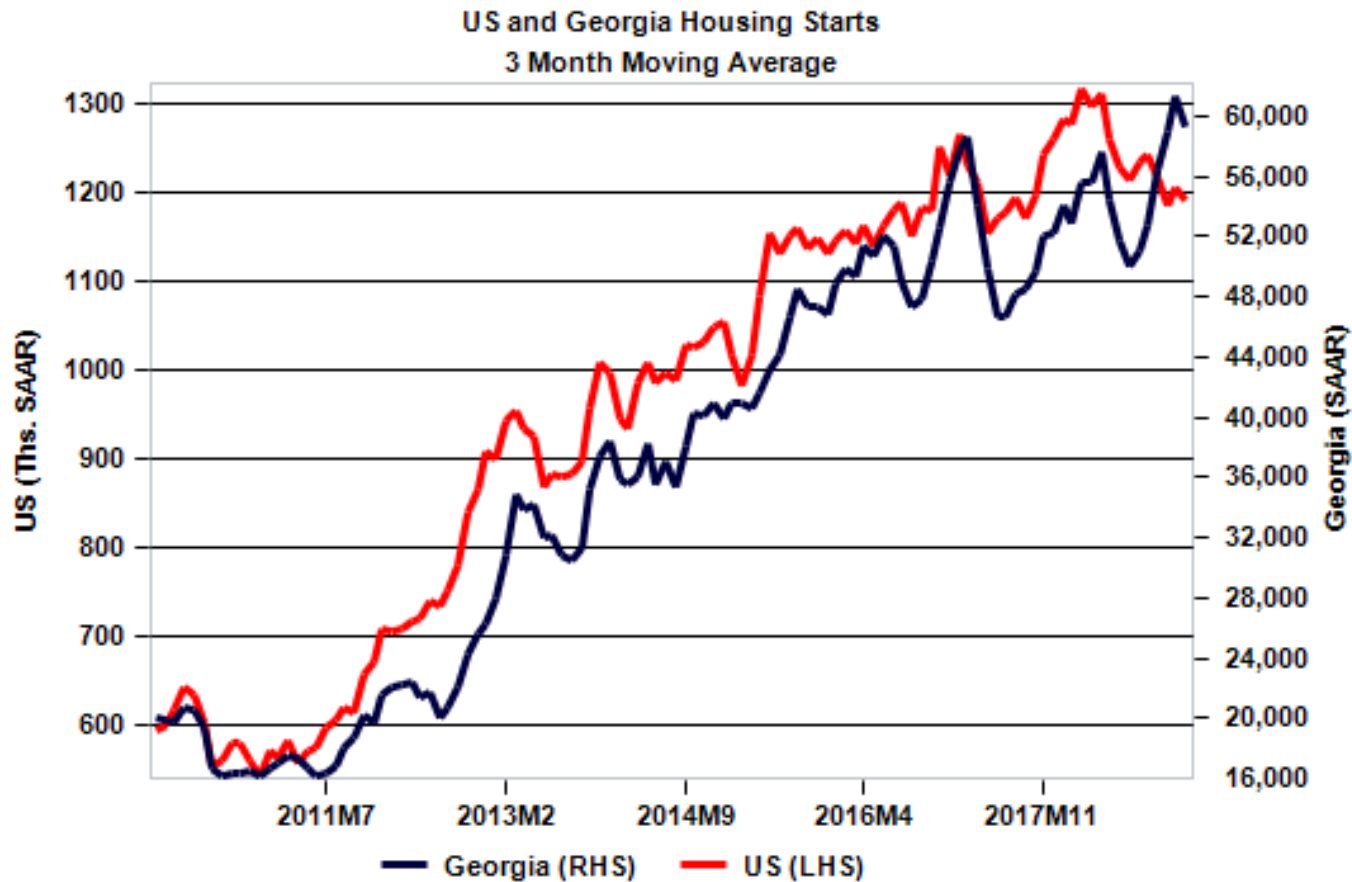
But Shipping Activity at Georgia's Ports is Still Brisk



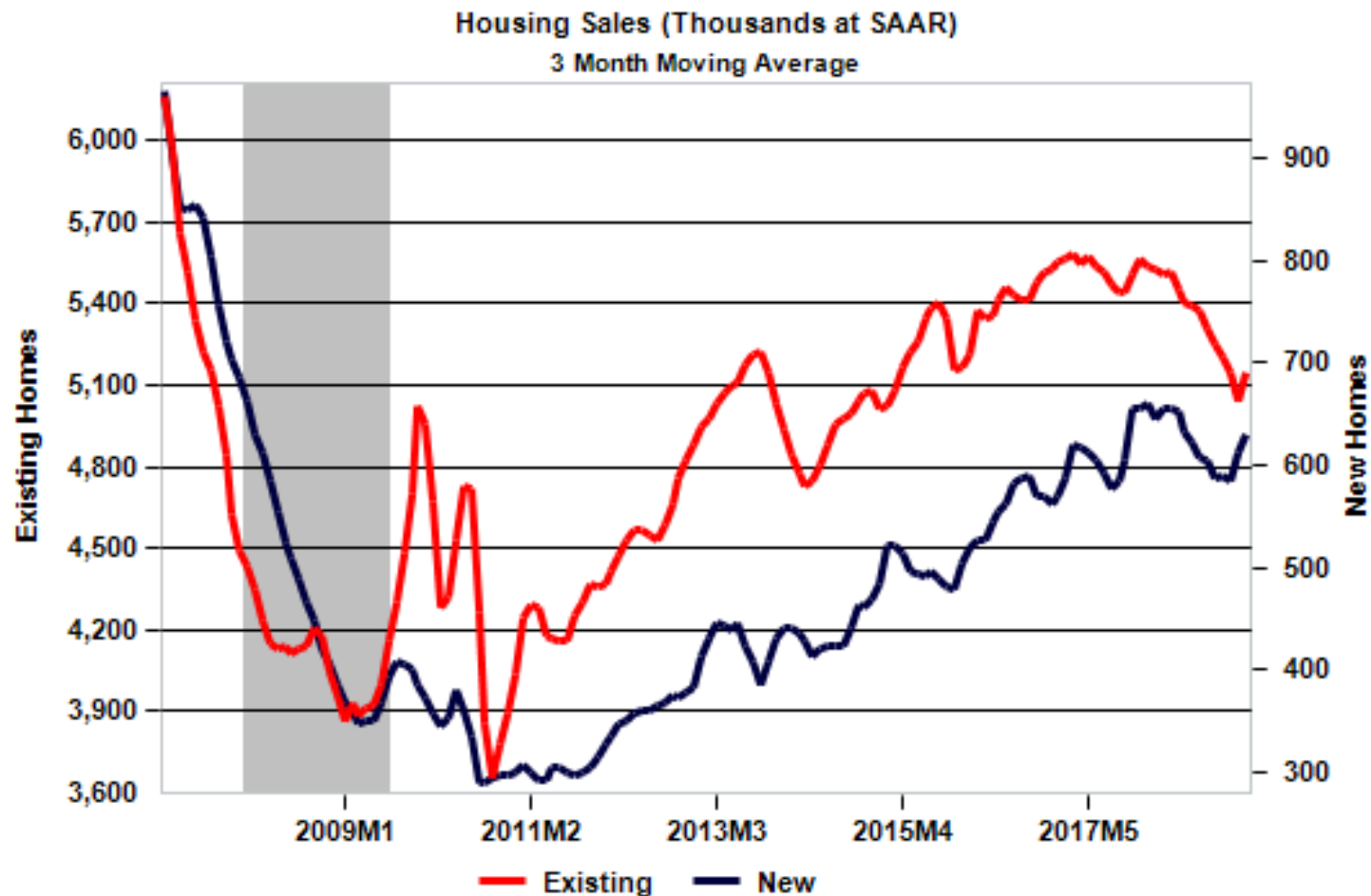
Residential Construction has Been a Drag on GDP Growth



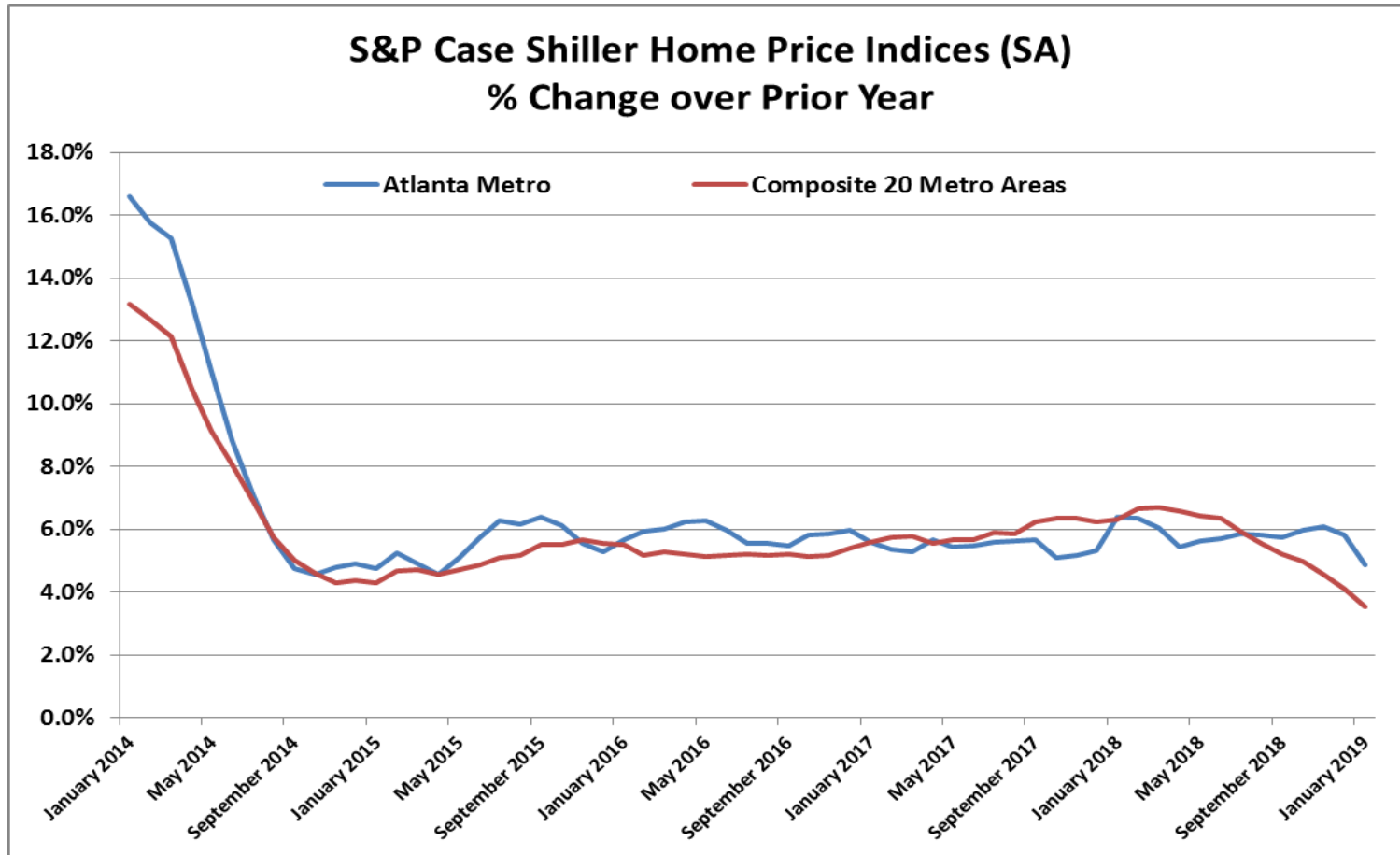
US Housing Starts have Weakened but Georgia's have Held Up



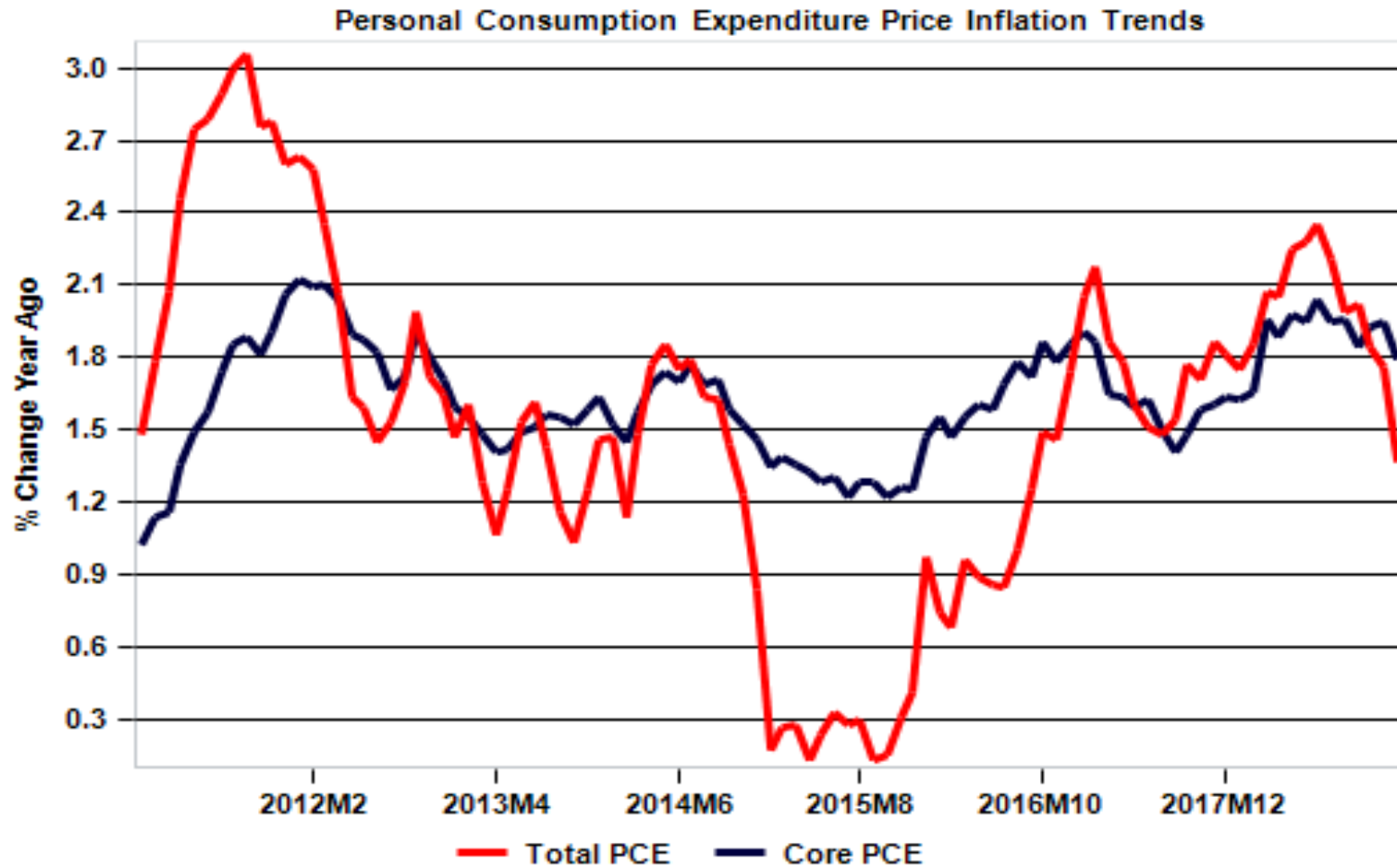
Home Sales are Off Their Cyclical Peaks



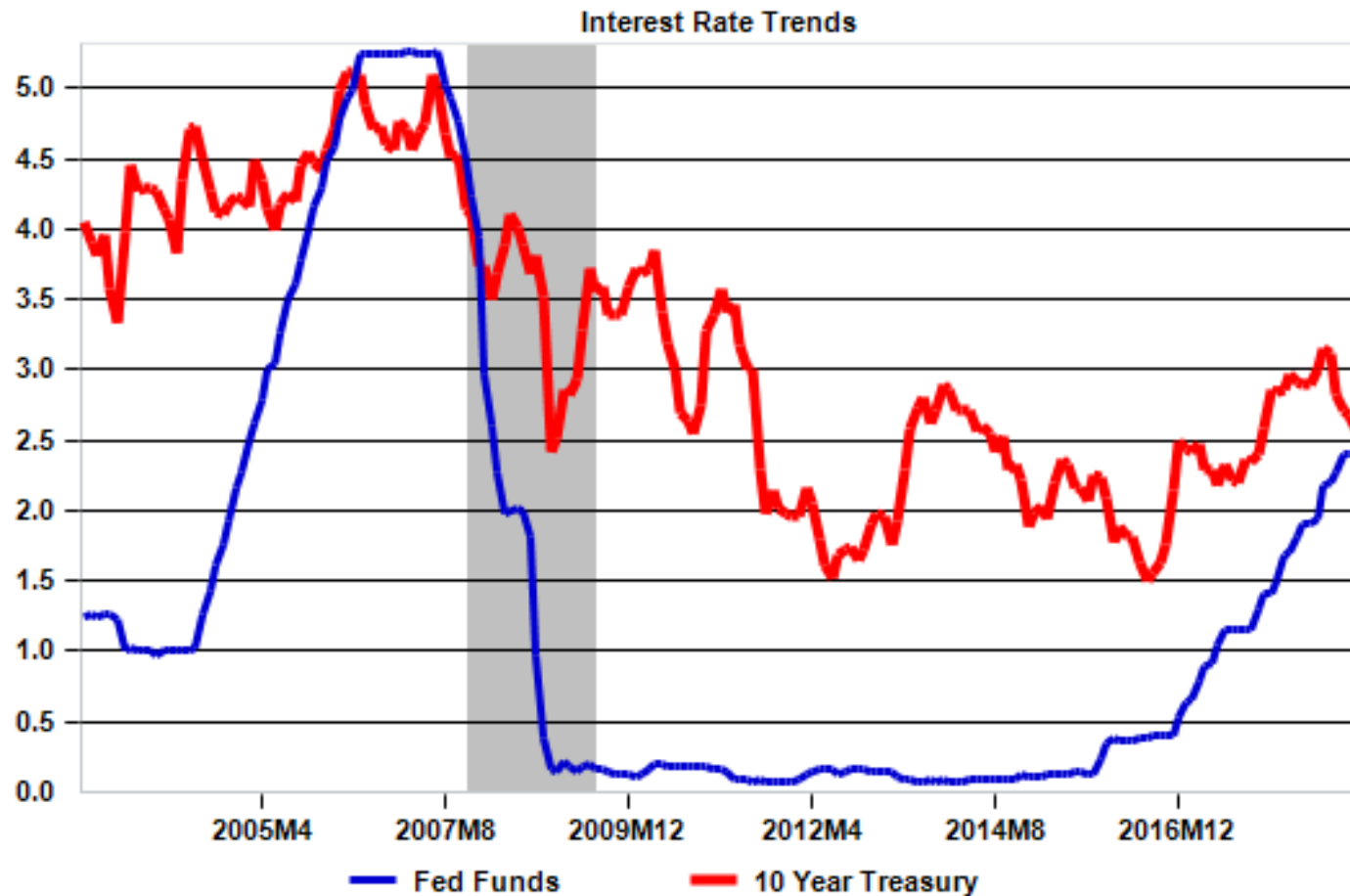
Pace of Home Price Appreciation has Eased



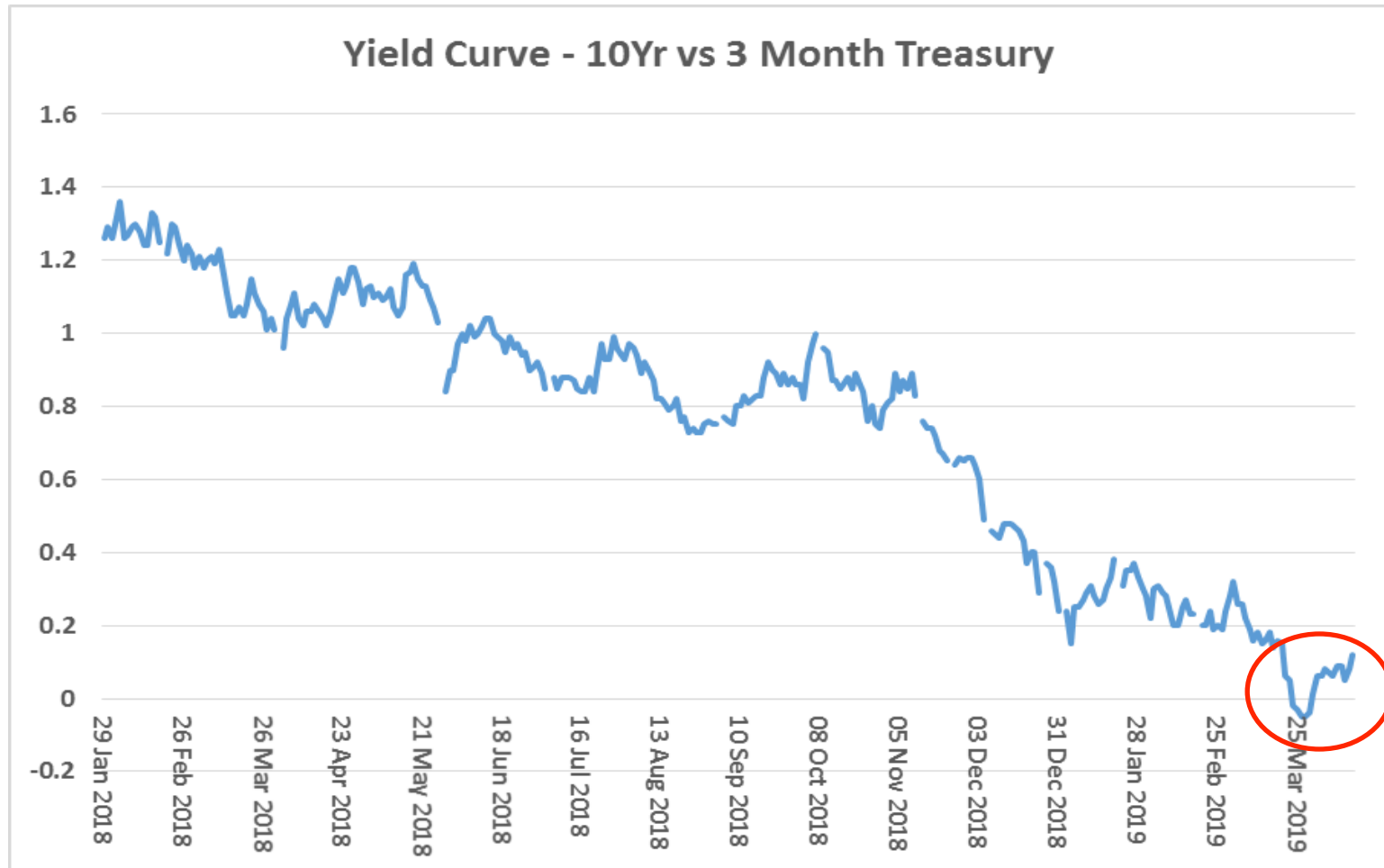
Inflation is Below Target



Interest Rates are Low and Fed is Unlikely to Resume Rate Increases Any Time Soon



Yield Curve Inversion – Recession Signal?



Where Do We Go from Here?

- **Economic Growth has slowed but is unlikely to tip into recession anytime soon (12 months?).**
- **Sound fundamentals (strong labor market, rising income and wages, expanding business sector) should outweigh weakness from durables spending and housing.**
- **Growth conditions are more likely to look like the majority of the post-Great Recession period than 2018.**
- **Risks are more weighted to the downside; slower global growth, trade wars, bad Brexit outcome.**