Fiscal Research Division

A Staff Agency of the North Carolina General Assembly

FY 2024-25 Consensus Revenue Forecast Revisions

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Outline

- Year in Review
- General Fund Forecast Summary
- Detailed Revisions
- Economic Outlook
- Transportation Revenue Forecast

Year in Review

No "Slow-cession"

Positive economic factors (year-over-year change, through March 2024)

Gross State Product	Wages & Salaries	Unemployment Rate	Number Employed	Retail Sales
+6.7% Δ	+6.2% Δ	-3.8% Δ	+1.5% Δ	+4.0% Δ

Negative economic factors (year-over-year change, through March 2024)

Inflation (US CPI)	30 Year Mortgage Rate (US)
+3.5% Δ	+15.5% Δ

***Improved economic picture**

***Inflation and interest rates elevated**

Source: Moody's Analytics

General Fund Forecast Summary

$ in millions

April 2024 Consensus Revenue Forecast Revisions

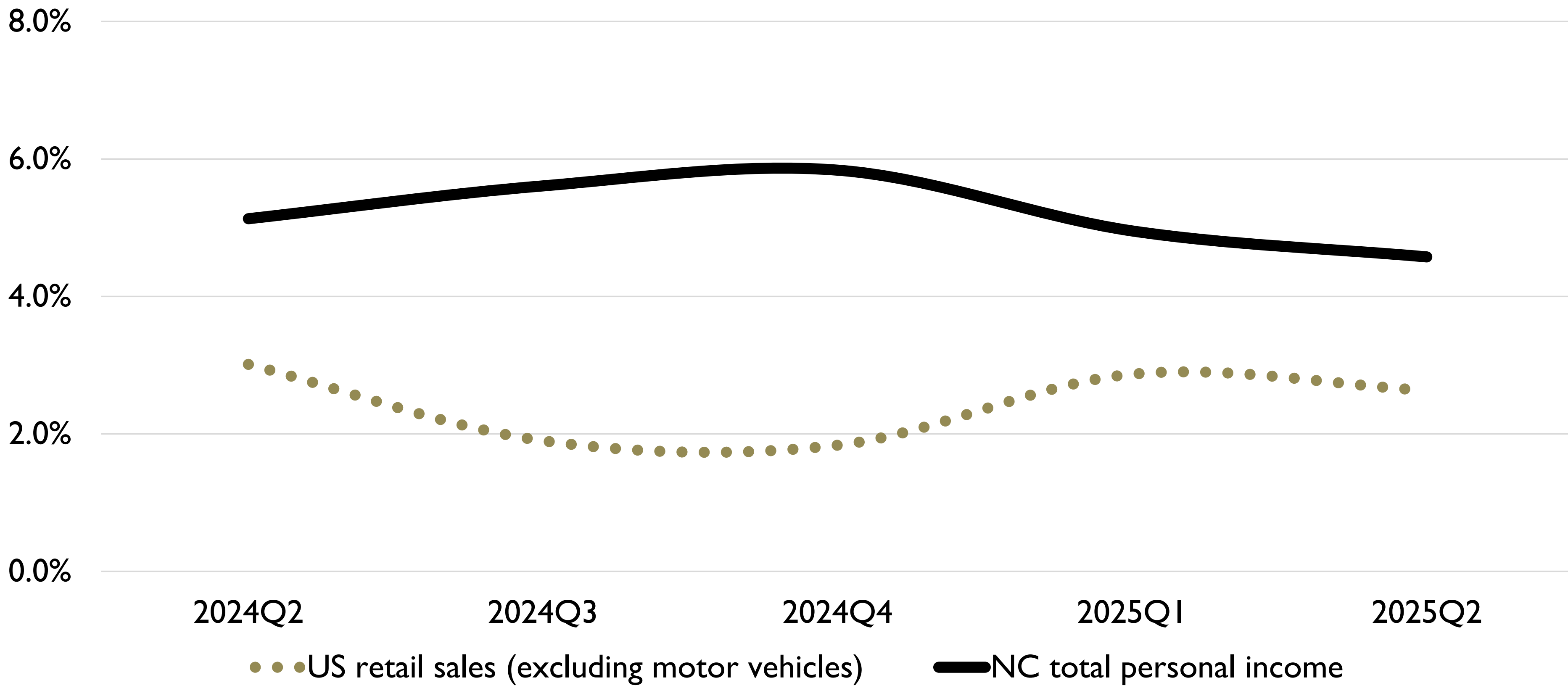
Fiscal Year	Revised Consensus Revenue	Change from Certified (%)
2023-24	$34,139	$413 (1.2%) (Estimated over collections)
2024-25	$34,369	$1,004 (3.0%)

General Fund Revenue Detail
$ in millions

	FY 2023-24		FY 2024-25	
Source	Revised Consensus Revenue	Change from Certified	Revised Consensus Revenue	Change from Certified
Individual Income	$17,022	$438 (2.6%)	$16,984	$703 (4.2%)
Sales and Use	$10,929	$179 (1.7%)	$11,036	$260 (2.4%)
Other Revenue	$6,189	-$204 (-3.2%)	$6,349	$40 (0.6%)
Total General Fund Revenue	**$34,139**	**$413 (1.2%)**	**$34,369**	**$1,004 (3.0%)**

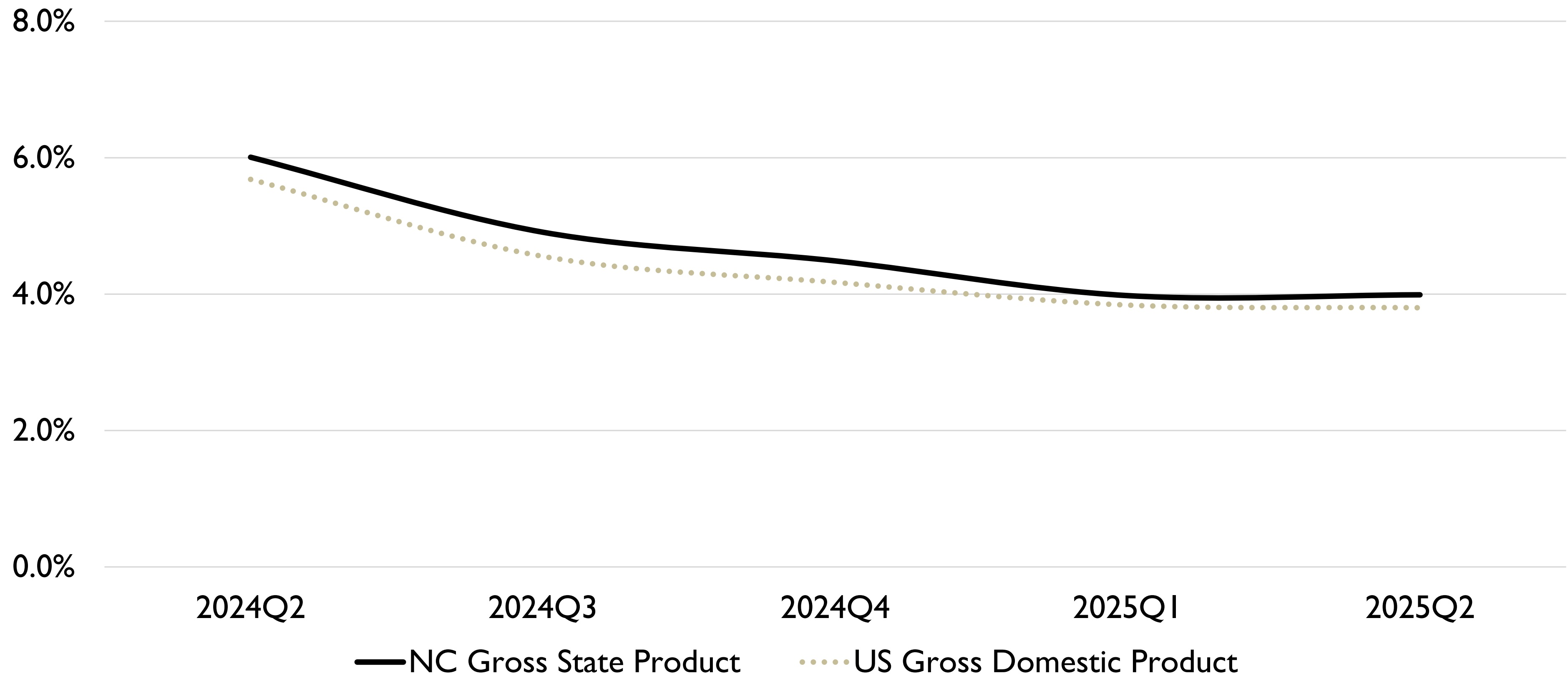
Economic Outlook – Income and Sales

Year-over-year percentage growth, Moody's baseline forecast, April 2024



Economic Outlook – Overall

Year-over-year percentage growth, Moody's baseline forecast, March 2024



Revenue Risks

- April surprise
- Inflation remaining elevated or increasing
  - Elevated: interest rates stay high for longer
  - Increasing: Federal Reserve raises rates
- Supply issues
  - Gaza conflict and wider regional war

Transportation Revenue Forecast Summary

$ in millions

Fiscal Year	Revised Consensus Revenue	Change from Certified
2023-24	$5,272	$108 (2.1%) **(Estimated over collections)**
2024-25	$5,742	$105 (1.9%)

Summary

- $1.4 billion
  - Estimated additional General Fund revenue over certified budget
  - $400 million estimated over collections in current fiscal year
  - $1 billion estimated additional revenue in FY 2024-25
- Economy has performed better than expected since May 2023
- Strong labor market = higher wages = increased tax collections
- Risks include April surprise, inflation, Fed action, and supply issues
- $200 million in estimated additional Transportation revenue