



Economic Outlook

FY22 BUDGET RETREAT
APRIL 15 & 16 2021
JOHN T. RHODES MYRTLE BEACH SPORTS CENTER

US Economy: What the Experts Predict

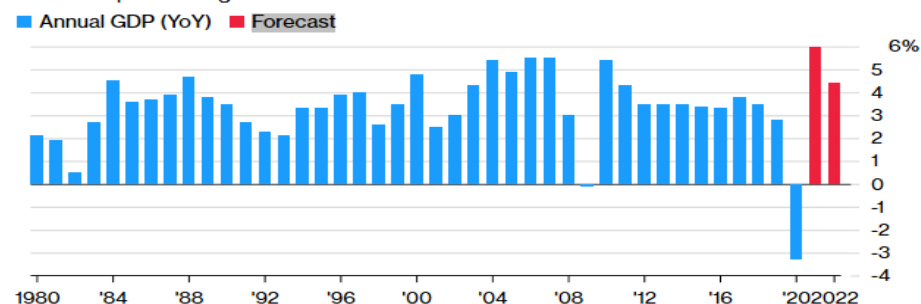
Key Takeaways:

“Among advanced economies, the United States is expected to surpass its pre-Covid GDP level this year, while many others in the group will return to their pre-COVID levels only in 2022,” *International Monetary Fund, April 2021*

- “In its new economic forecast, which covers the period from 2021 to 2031, the Congressional Budget Office therefore projects that the economic expansion that began in mid-2020 will continue.” *Congressional Budget Office, February 2021*
- “The strength and composition of retail sales (specifically the tilt toward discretionary categories) is an encouraging signal that consumers’ aggressive saving patterns from 2020 are starting to ease — a development which, if sustained, could unleash a torrent of pent-up demand in 2021.” *Carl Riccadonna and Yelena Shulyatyeva, Bloomberg economists February 2021*
- “The pandemic is not over, but it is starting to look like we have entered the final phase of the economic crisis.” Brian Coulton, *Chief Economist Fitch Ratings March 2021*
- “Even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible,” *Gita Gopinath, the IMF’s chief economist, said in the latest World Economic Outlook report, April 2021*
- On Tuesday (April 6th), the group said it expects the world economy to grow by 6 percent in 2021, up from its 5.5 percent forecast in January. *International Monetary Fund update, April 2021*

Global Rebound

The IMF predicts growth in 2021 will be the most since at least 1980



Source: International Monetary Fund

US Economy: What the Experts Predict

While there are many possible outcomes, The Conference Board has generated three potential recovery scenarios based on specific sets of assumptions.

Base Case Forecast

The Base Case forecast yields Q1 21 real GDP growth of 3.0 percent (annualized rate), and an annual expansion of 5.5 percent in 2021. The recovery will likely continue into next year and yield an annual growth rate of 3.5 percent in 2022. We view this scenario as the most probable. It assumes:

- New cases of COVID-19 peak in early Q1 21 and many social distancing restrictions are subsequently retracted;
- COVID-19 vaccinations rise in Q1 21, are broadly available in Q2 21, and are universally available in early Q3 21;
- Moderate improvements in labor markets and consumption in Q1 21 precede a sharp rebound in Q2 21 and Q3 21.

In this scenario, US monthly economic output returns to pre-pandemic levels in May 2021.

US Economy: What the Experts Predict

Upside Forecast - In this scenario, US monthly economic output returns to pre-pandemic levels in April 2021.

Upside Forecast

The Upside Forecast is a more optimistic scenario in which the economy grows 6.5% in 2021. This scenario assumes:

- New COVID-19 cases fall dramatically in Q1 21 and all social distancing policies are virtually eliminated in Q2 21;
- Vaccines are broadly available by the end of Q1 21 and are universally available in Q2 21;
- Large improvements in unemployment result in a rebound in consumption by the end of Q1 21.

In this scenario, US monthly economic output returns to pre-pandemic levels in April 2021.

US Economy: What the Experts Predict

Downside Forecast - In this scenario, US monthly economic output does not recover to pre-pandemic levels until sometime in 2022.

Downside Forecast

The more pessimistic scenario in which the US economy grows by just 2.8% in 2021. This scenario assumes

- New cases of COVID-19 rise as vaccine-resistant mutations result in an additional wave by Q4 21;
- Social distancing restrictions remain and are augmented to address the outbreaks;
- Distribution of vaccines is prolonged and mutations render them ineffective;
- Unemployment deteriorates and the consumption recovery stagnates; and
- A large correction in equity markets hurts consumer and business confidence.

In this scenario, US monthly economic output does not recover to pre-pandemic levels until sometime in 2022.

US Economy: What the Experts Predict

While the economy has already partially rebounded from the deep contraction in the first half of 2020, a variety of factors will determine the way forward.

Key variables include:

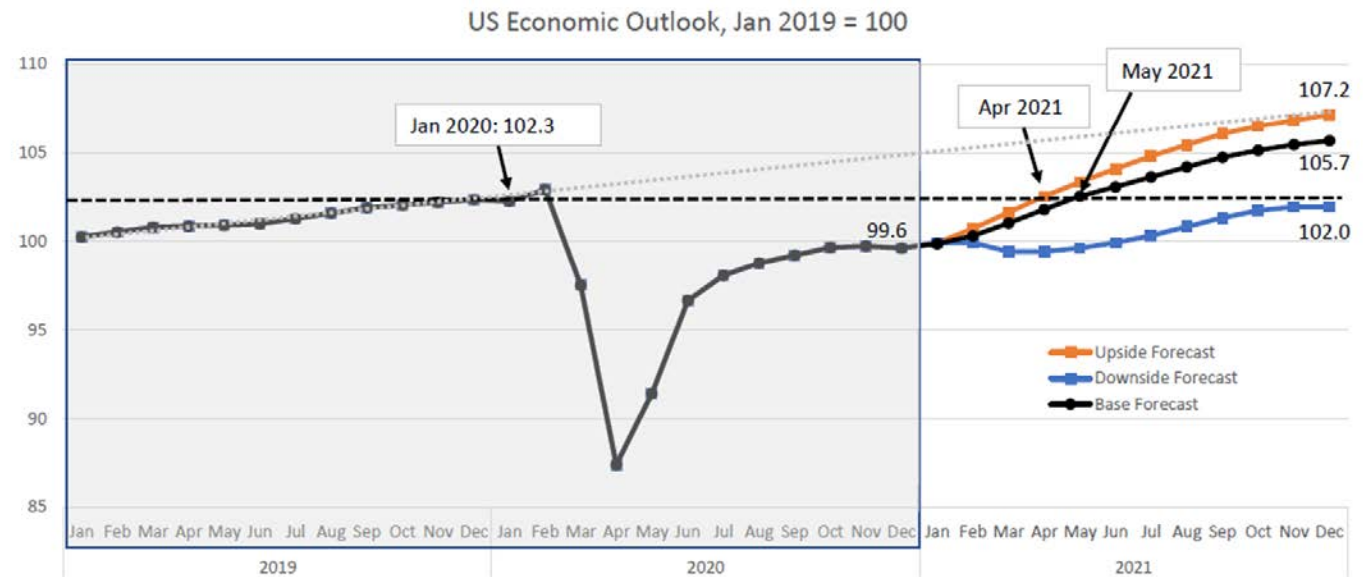
- The spread of the virus itself;
- The deployment and effectiveness of COVID-19 vaccines;
- The status of labor markets and household consumption;
- The pace at which mobility and travel restrictions are lifted.

While there are many possible outcomes for these factors, The Conference Board has generated three potential recovery scenarios based on specific sets of assumptions.

Base Case Forecast - In this scenario, US monthly economic output returns to pre-pandemic levels in May 2021.

Upside Forecast - In this scenario, US monthly economic output returns to pre-pandemic levels in April 2021.

Downside Forecast - In this scenario, US monthly economic output does not recover to pre-pandemic levels until sometime in 2022.

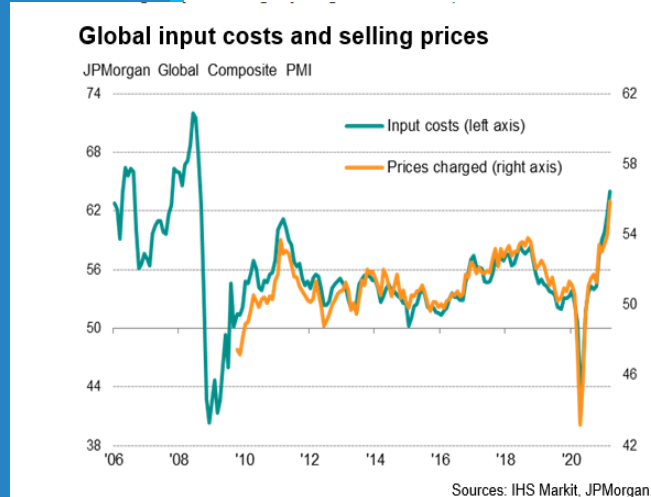
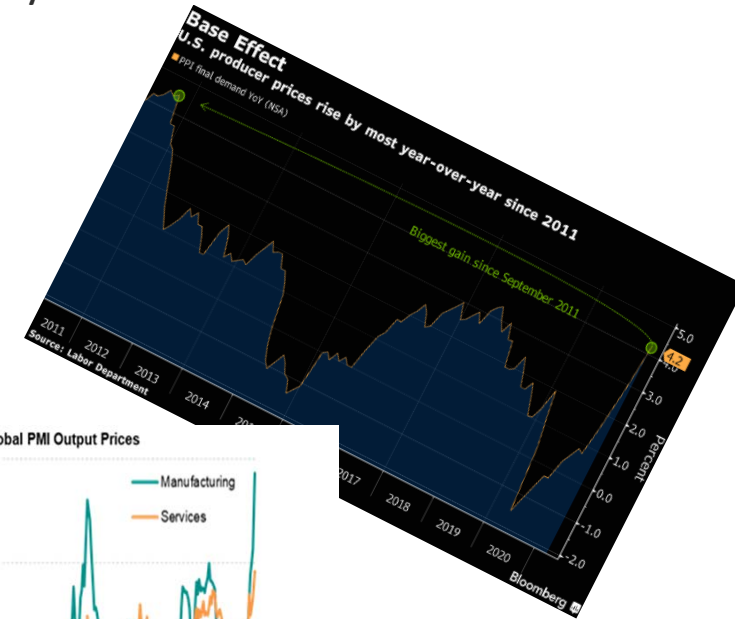




Possible Challenges for Economic Growth

“There is no doubt the economy is positioned for growth in 2021, but how much growth comes down to a single non-economic force – the coronavirus,” *Jack Kleinhenz, NRF Chief Economist*

- Fourth Spike in Covid Cases
- Social distancing restrictions remain and are augmented to address the outbreaks
- Continued high levels of unemployment
- Consumer Spending Habits
- Consumer Prices
- Inflation





Vaccination Rates

“With millions of Americans getting vaccinated every day, it is important to update the public on the latest science about what fully vaccinated people can do safely, now including guidance on safe travel,” said CDC Director Dr. Rochelle Walensky. “We continue to encourage every American to get vaccinated as soon as it’s their turn, so we can begin to safely take steps back to our everyday lives.” *Centers for Disease Control, April 2, 2021*

According to *WebMD*, the US broke a record for vaccinations this past weekend, delivering 4.6 million vaccinations in a single day, more than the total population of some states.

According to the CDC, US vaccination rates through March 2021:

Demographic	1st Vaccine	Fully Vaccinated
Total Population	34.50%	20.50%
>/= 18 years	44.10%	26.40%
>/= 65 years	77.40%	59.40%

“As with any other infection, there are two ways to achieve herd immunity: A large proportion of the population either gets infected or gets a protective vaccine. What we know about coronavirus so far suggests that, if we were really to go back to a pre-pandemic lifestyle, we would need at least 70% of the population to be immune to keep the rate of infection down (“achieve herd immunity”) without restrictions on activities. But this level depends on many factors, including the infectiousness of the virus (variants can evolve that are more infectious) and how people interact with each other.” *John’s Hopkins - Bloomberg School of Public Health, April 6, 2021*



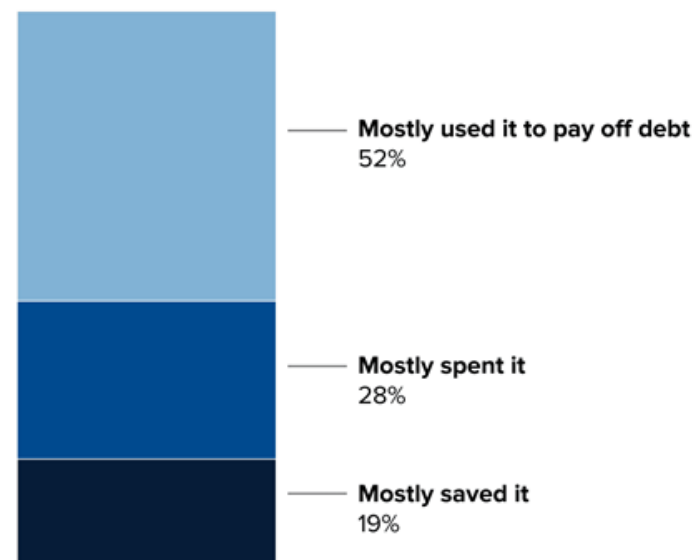
Stimulus Spending: How will the money be spent?

According to Paul Davidson in a March 29 article in USA Today, the answer will determine how quickly the economy returns to pre-COVID-19 output levels and whether the surge in outlays will be robust enough to set off a spike in inflation that jeopardizes the recovery. *USA Today March 29, 2021*

“Many economists said the unprecedented circumstances set the stage for a historic spending spree. However, spending will be moderated by the inclination of higher-income households to save most of the money and a hesitancy by many Americans to come out of their COVID-19 shells.” *USA Today March 29, 2021*

How Americans are handling their stimulus checks

Saving vs. spending breakdown of survey respondents who reported receiving checks in the previous seven days. Survey dates are February 17 through March 1, 2021.



SOURCE: U.S. Census Bureau Household Pulse Survey, Week 25, February 17 - March 1





US Economy: Travel

“All in all, domestic travel will continue to flourish for the remainder of 2021. It's safe to say large gatherings like conferences, concerts and festivals will take years to return to pre-2020 levels.”

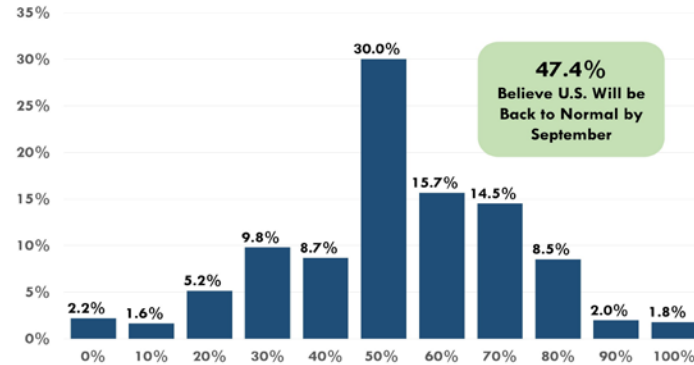
Forbes.com March 2021

- “Upon arrival at a new destination, self-isolating will remain. This will translate well for those who are willing to travel to be in it for the long haul. There will be an urge to make up for lost time, so longer stays or even relocating for a while will become more popular.” *Forbes Advisor, March 2021*

DESPITE BELIEF IN ANOTHER SURGE, AMERICAN ANXIETY IS DOWN, NORMALCY IN SIGHT AS OF APRIL 4, 2021

53.8% BELIEVE THERE WILL BE ANOTHER COVID-19 SURGE IN THE U.S. THIS YEAR

HOW CLOSE TO NORMAL
IS THE UNITED STATES?
(0% NOT NORMAL - 100% NORMAL)

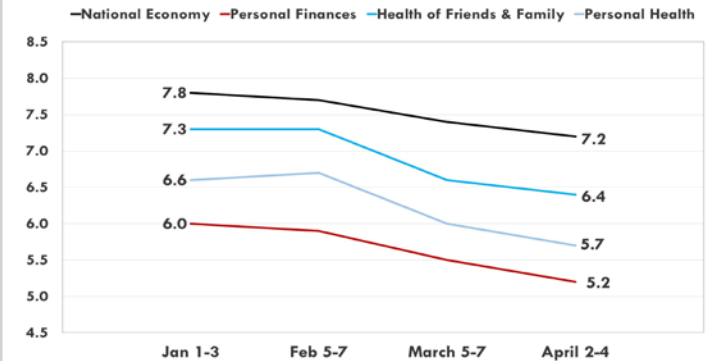


QUESTION: OVERALL, HOW CLOSE TO “NORMAL” IS THE U.S. IN TERMS OF RESUMING LEISURE ACTIVITIES (DINING OUT, TRAVEL, ETC.)?

(Base: Wave 56 data. All respondents, 1,206 completed surveys. Data collected April 2-4, 2021)

Destination  Analysts
DO YOUR RESEARCH

NATIONAL ANXIETY MAP:
HIGH CONCERNS ABOUT COVID-19'S IMPACT IS DOWN
(AVERAGE SCORE ON AN 11-POINT SCALE)



QUESTION: THINKING ABOUT THE CURRENT CORONAVIRUS SITUATION, HOW CONCERNED ARE YOU ABOUT THE IMPACT IT MAY HAVE ON THE/YOUR ____ ?)

(Base: Waves 1-56. All respondents, 1,201, 1,200, 1,201, 1,216, 1,263, 1,238, 1,208, 1,204, 1,200, 1,212, 1,223, 1,257, 1,214, 1,214, 1,205, 1,231, 1,365, 1,213, 1,200, 1,206, 1,224, 1,201, 1,202, 1,207, 1,250, 1,225, 1,205, 1,200, 1,205, 1,203, 1,203, 1,204, 1,203, 1,203, 1,203, 1,205, 1,206, 1,205, 1,205, 1,204, 1,206, 1,201, 1,207, 1,206, 1,225, 1,205, 1,206, 1,209, 1,209, 1,216, 1,210, 1,204, 1,209, 1,204, 1,208, 1,202 and 1,206 completed surveys.)



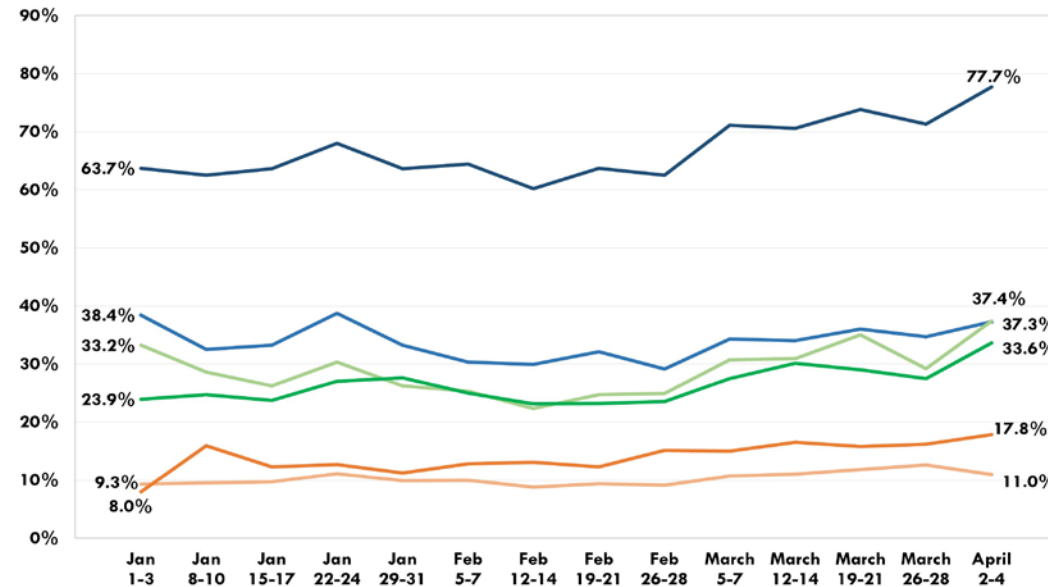
US Economy: Travel

“About two-thirds of Americans are highly open to travel inspiration right now and the number of Americans actively dreaming about and planning travel reached a 2021 peak at 77.7%. A 2021 record 33.6% researched travel ideas online in the last week, while another record 17.8% made travel reservations or bookings.”

Destination Analysts, April 2021

AMERICANS ARE DREAMING OF TRAVEL & MAKING PLANS AT RECORD LEVELS FOR 2021

JANUARY 1—APRIL 4, 2021



ANY TRAVEL
DREAMING/
PLANNING

DAY-DREAMED
ABOUT TAKING A
LEISURE TRIP

TALKED TO A
FRIEND OR
RELATIVE ABOUT A
FUTURE TRIP

RESEARCHED
TRAVEL IDEAS
ONLINE

RESEARCHED
TRAVEL IDEAS
OFFLINE

MADE
TRAVEL
RESERVATIONS

QUESTION: IN THE PAST WEEK, WHICH OF THE FOLLOWING HAVE YOU DONE? (SELECT ALL THAT COMPLETE THE SENTENCE) IN THE PAST WEEK I HAVE _____

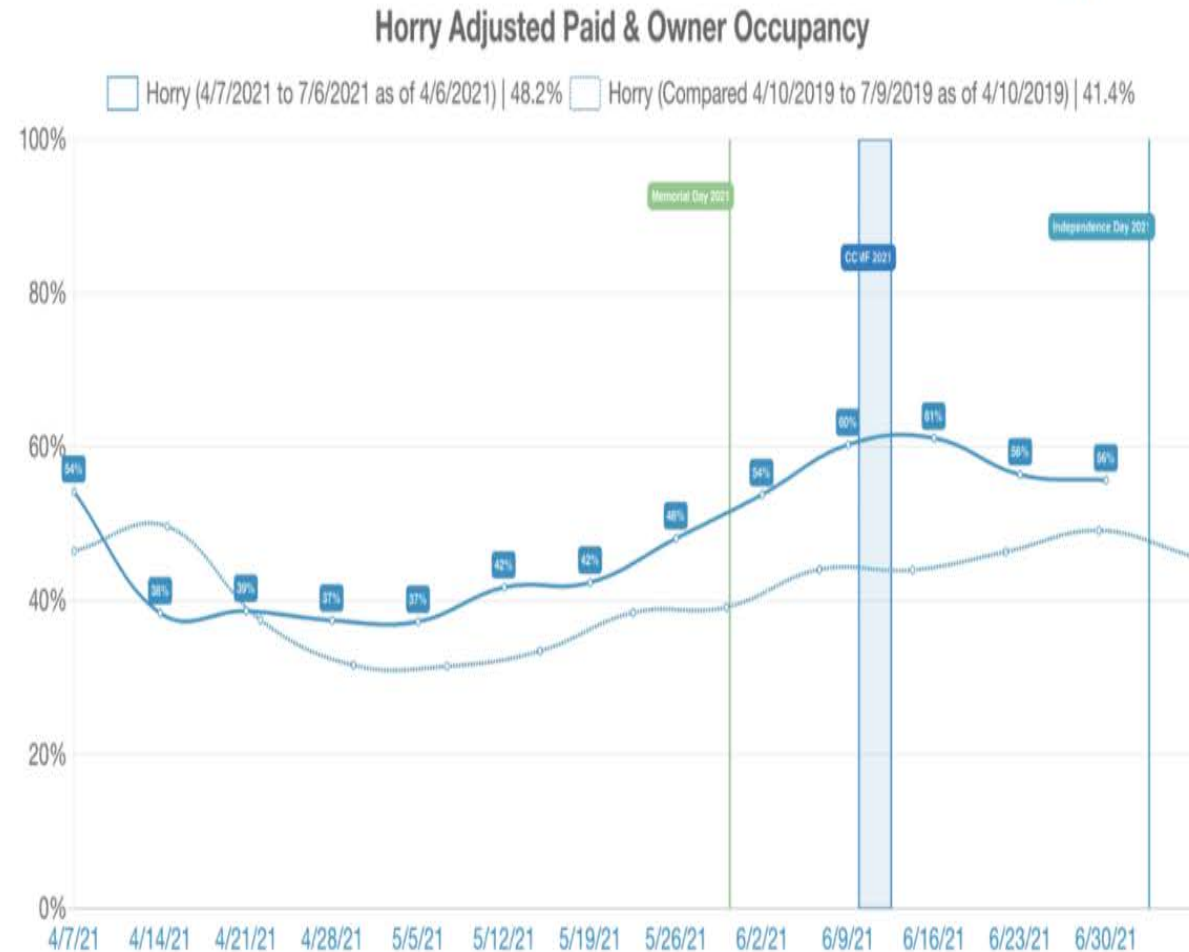
(Base: Waves 43-56. All respondents, 1,206, 1,225, 1,205, 1,206, 1,209, 1,209, 1,216, 1,210, 1,204, 1,209, 1,204, 1,208, 1,202 and 1,206 completed surveys.)

Destination Analysts
DO YOUR RESEARCH

Local Outlook: Occupancy Trends

“As of April 7, 2021, Horry County Adjusted Paid and Owner Occupancy bookings for the next 60 days are pacing 6.8 points ahead of 2019. We’ve been seeing very short booking windows with a lot of last minute bookings for upcoming weekends resulting in high occupancy rates on the weekends.” *Myrtle Beach Area Convention & Visitor’s Bureau April 2021*

HORRY COUNTY: AVERAGE OCCUPANCY TRENDS



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Local trends in Economically Sensitive Revenues

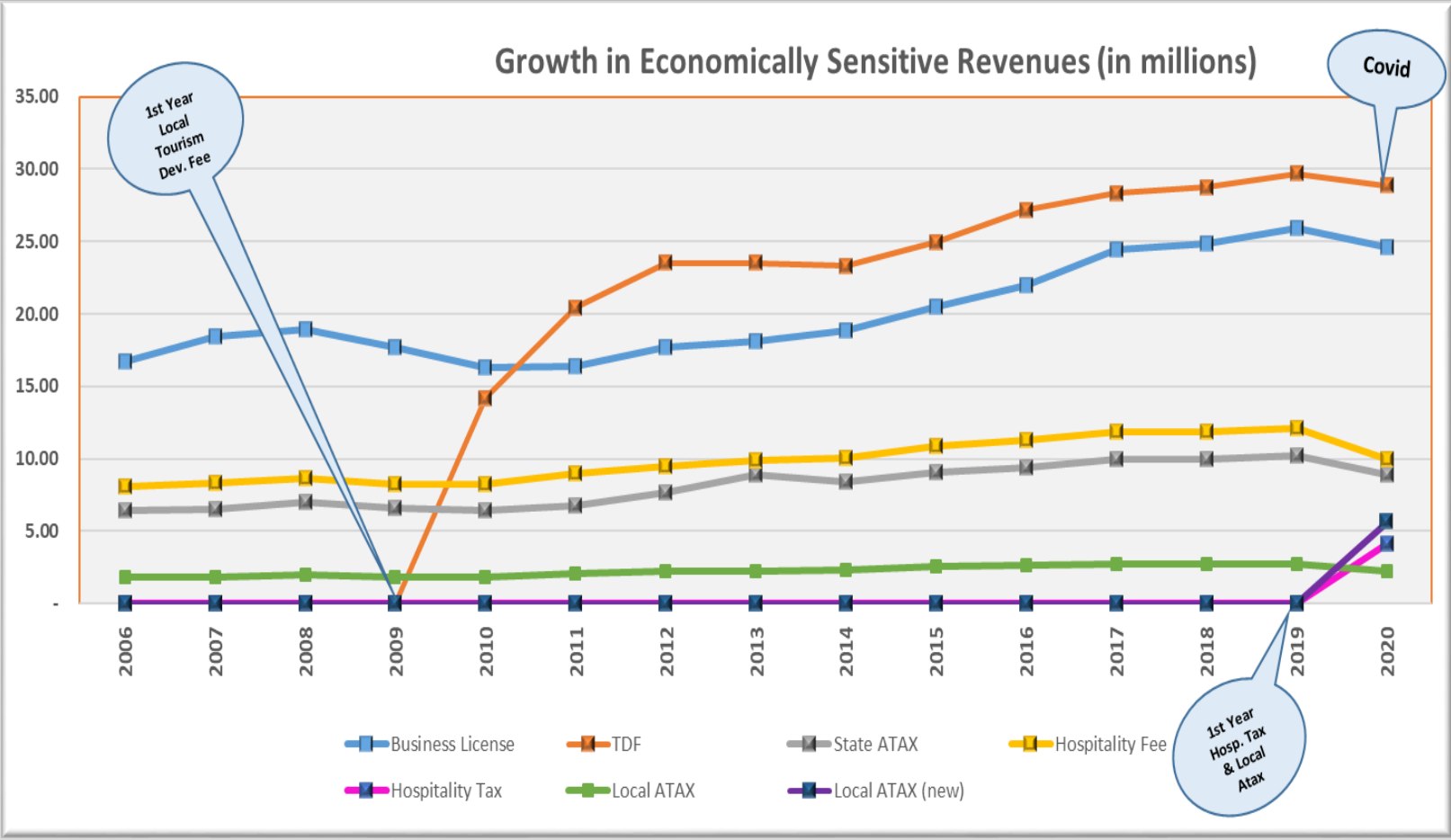
Following the residential housing boom and the subsequent recession and recovery (2009 – 2012), the City has seen steady upward trends in economically sensitive revenues.

Revenues have increased year over year for eight of the past ten years.

Average annual growth in tourism driven revenues for the 10 years preceding Covid: 4.2%

FY20 Tourism Driven Revenues decreased 11.3% overall

Collections in FY19 were the highest in all tourism driven revenues since collections began and FY20 was on track to exceed FY19 before Covid-19.



Local trends in Construction



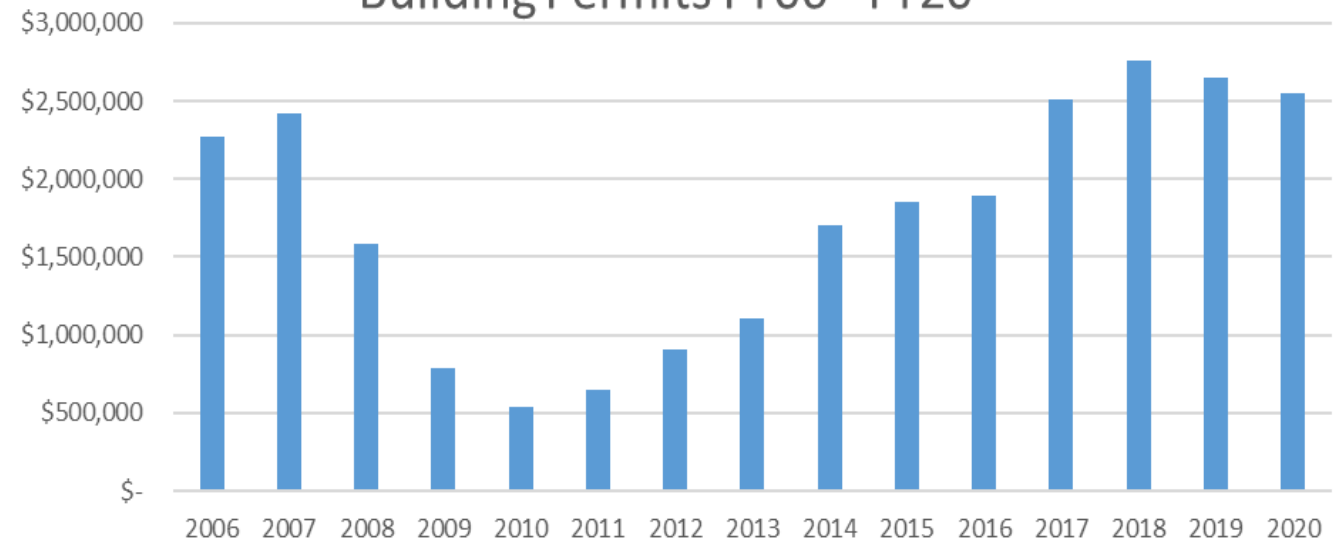
Building Permit Revenue through February 2021 is \$1,849,000, which represent the second highest collection for the timeframe since 2007 when July – February collections totaled \$1,877,000 .

Revenues of \$2,761,000 in 2018 represented the highest annual collections recorded. 2019 revenues of \$2,647,000 were the second highest and 2020 revenues of \$2,522,000 were the third highest collections recorded.

In December 2019, Realtor.com ranked Myrtle Beach as the 3rd most affordable place to build a new home.



Building Permits FY06 - FY20



Bottom lines...

A consensus seems to be emerging that economic growth will pick up pace through the rest of 2021 and continue through 2022.

Early reports from the Myrtle Beach Area Chamber's Convention Visitor's Bureau demonstrate a clear increase in tourist activity over the past several weeks.

Construction activity has shown steady, strong growth throughout the fiscal year and shows no sign of slowing in the near-term.

It is too soon to tell if the predicted economic rebound will occur quickly enough to improve previously forecasted FY20 tourism driven revenue estimates.

The timing and extent of economic growth will depend on Covid 19.



American Rescue Plan Act of 2021

Local Governments

*President Biden signed the \$1.9 trillion American Rescue Plan Act (ARPA) of 2021 on March 11, 2021. It includes \$350 billion in direct, flexible aid to States, Territories, Tribes, **Cities**, & Counties.*

Cities and counties can use the direct aid to:

1. Plug revenue holes, using 2019 pre-pandemic budgets as the baseline.
2. Cover increased expenditures and mitigate economic harm from the pandemic.
3. Provide up to \$13 an hour in “premium pay” for essential workers or \$25,000 per worker.
4. Transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state of local governments.
5. Make investments in water, sewer, and broadband infrastructure through a state-administered program.

Allocation of American Rescue Plan Funding

Local governments can use the funds to cover costs incurred through December 31, 2024. Funds will be distributed in two tranches, with 50% delivered no later than 60 days from March 11, 2021 and the remainder delivered no earlier than one year later.

Restore Fund Balances affected by pandemic induced revenue loss:

- General Fund
- Hospitality Fee Fund
- Debt Service Fund
- Capital Improvements

Provide a Bonus to City Employees, front line workers who continue to ensure service provision for our residents and visitors during the pandemic.

American Rescue Funding:	\$	12,960,000
Allocation:		
General Fund Balance	\$	5,750,000
Hospitality Fund Balance		2,335,000
Employee Bonus - 3%		1,875,000
Capital/Facility Acquisition		3,000,000
Total	\$	12,960,000

Funds cannot be used to offset, directly or indirectly, net tax revenues, either by reducing any tax rates or delaying any new tax or tax hike. There is also a restriction on using “funds made available under this section for deposit into any pension fund.”