



BUDGET *AND* ***ECONOMIC FORECAST***



FEBRUARY 2022

Produced by Minnesota Management and Budget

State Budget Outlook Remains Positive

- Forecast improvement adds \$1.5 billion to FY 2022-23, changes mostly one-time
- Projected general fund surplus now \$9.3 billion
- Higher income, consumer spending, and corporate profits lead to improved revenue forecast
- Inflation and geopolitical conflict pose risk to the forecast

FY 2022-23 Forecast Changes

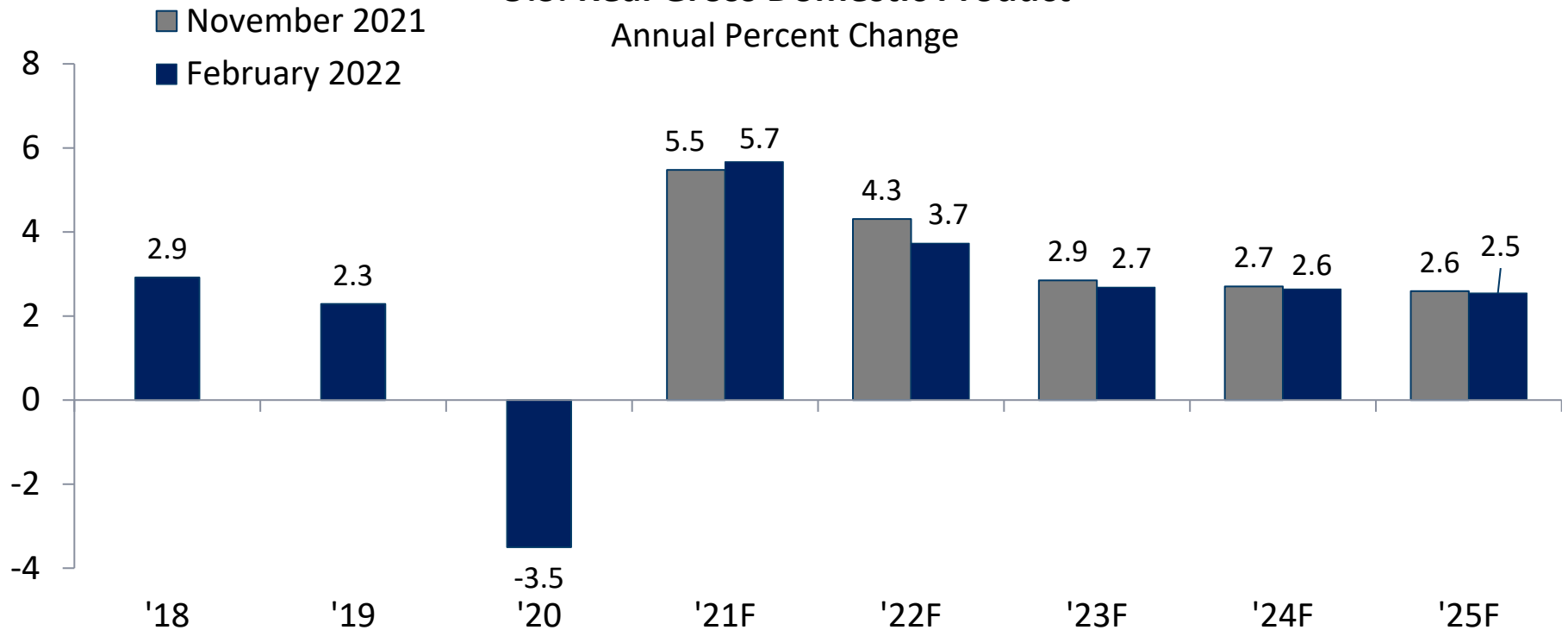
(\$ in millions)	FY 2022-23 Nov. Forecast	FY 2022-23 Feb. Forecast	Forecast Change
Beginning Balance	\$7,026	\$7,026	\$ -
Revenues	56,037	57,289	1,252
Spending	51,999	51,729	(270)
Budget Reserve	2,656	2,656	-
Cash Flow Account	350	350	-
Stadium Reserve	312	327	15
Budgetary Balance	\$7,746	\$9,253	\$1,507

Economic and Revenue Outlook

- U.S. Economic Outlook
- Minnesota Labor Market
- Revenue Forecast
- Forecast Risks

U.S. Economic Growth Projected to Continue

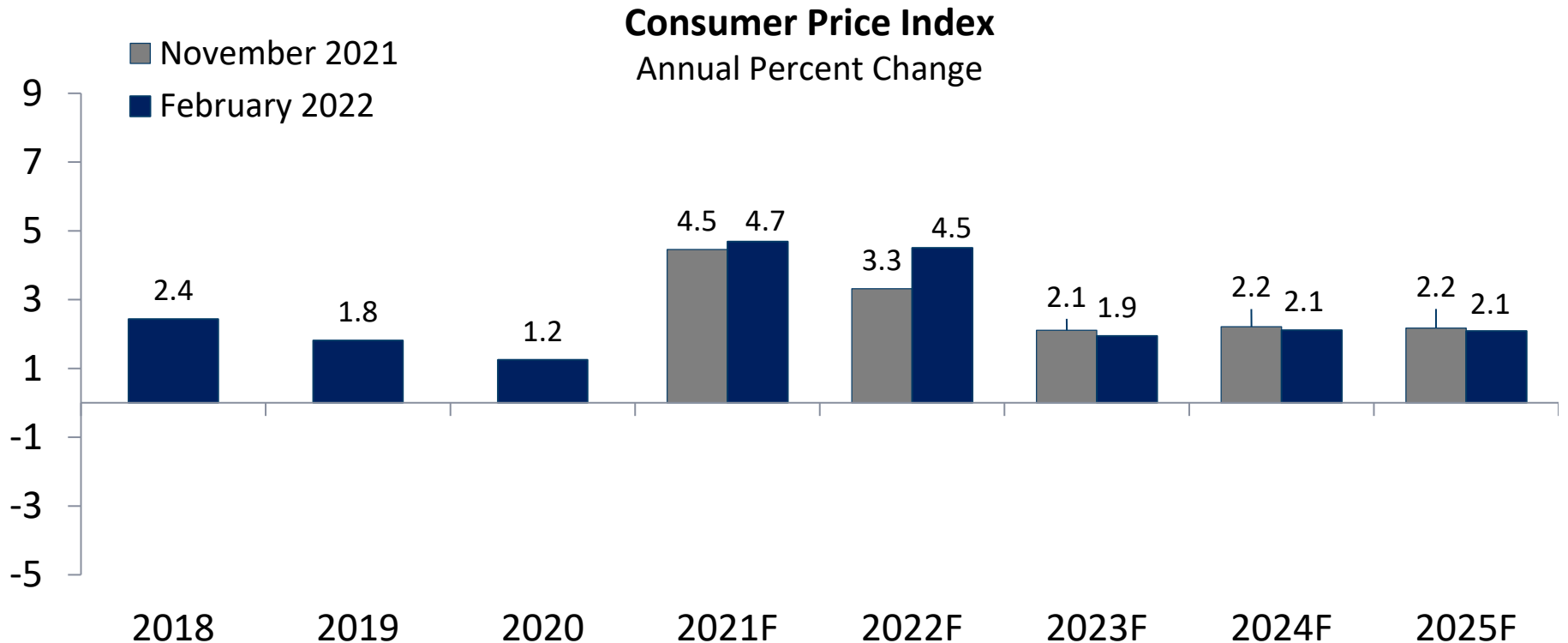
U.S. Real Gross Domestic Product
Annual Percent Change



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

The winter Omicron wave dampened consumer spending on services, lowering growth at the beginning of this year. U.S. employment is expected to recover to pre-pandemic level in mid-2022.

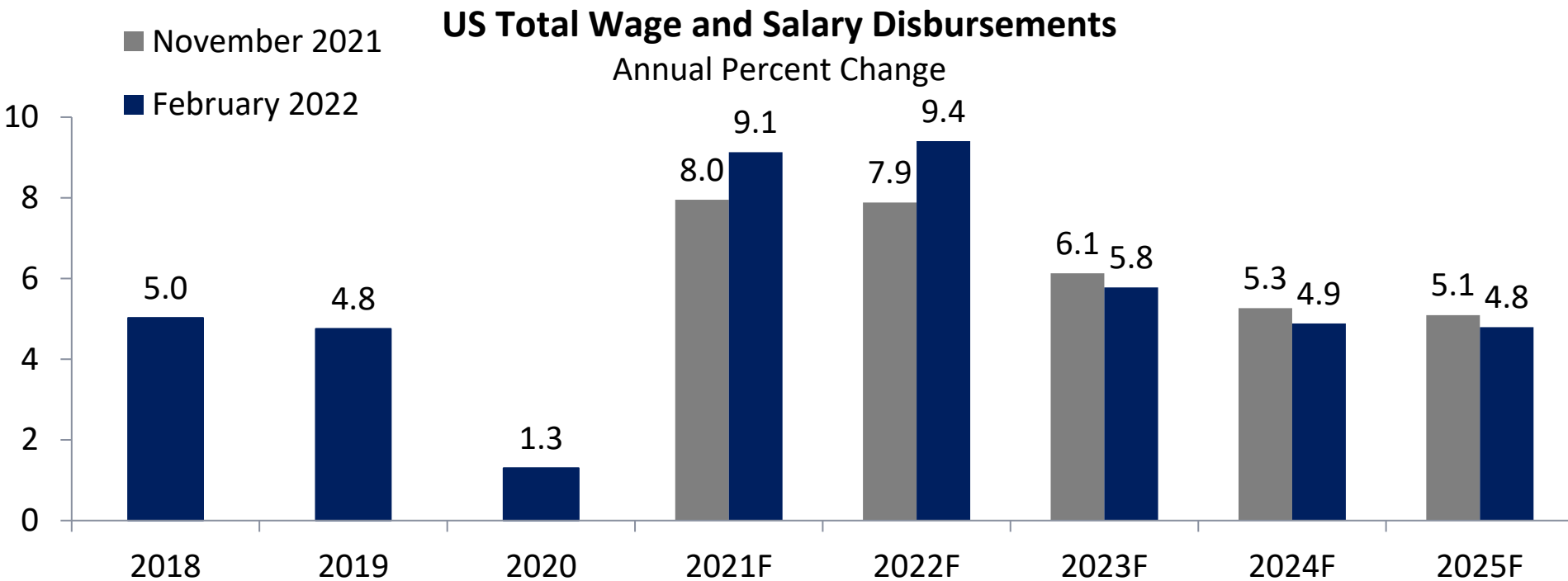
Inflation Higher in 2021 and 2022, Settles in 2023



Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

In December 2021, the CPI rose 7.1 percent over December 2020, bringing annual inflation to 4.7 percent. Resolution of supply-chain issues, consumer demand reverting to services, and monetary policy expected to slow inflation late this year and into next. Recently surging energy prices add risk to the inflation forecast.

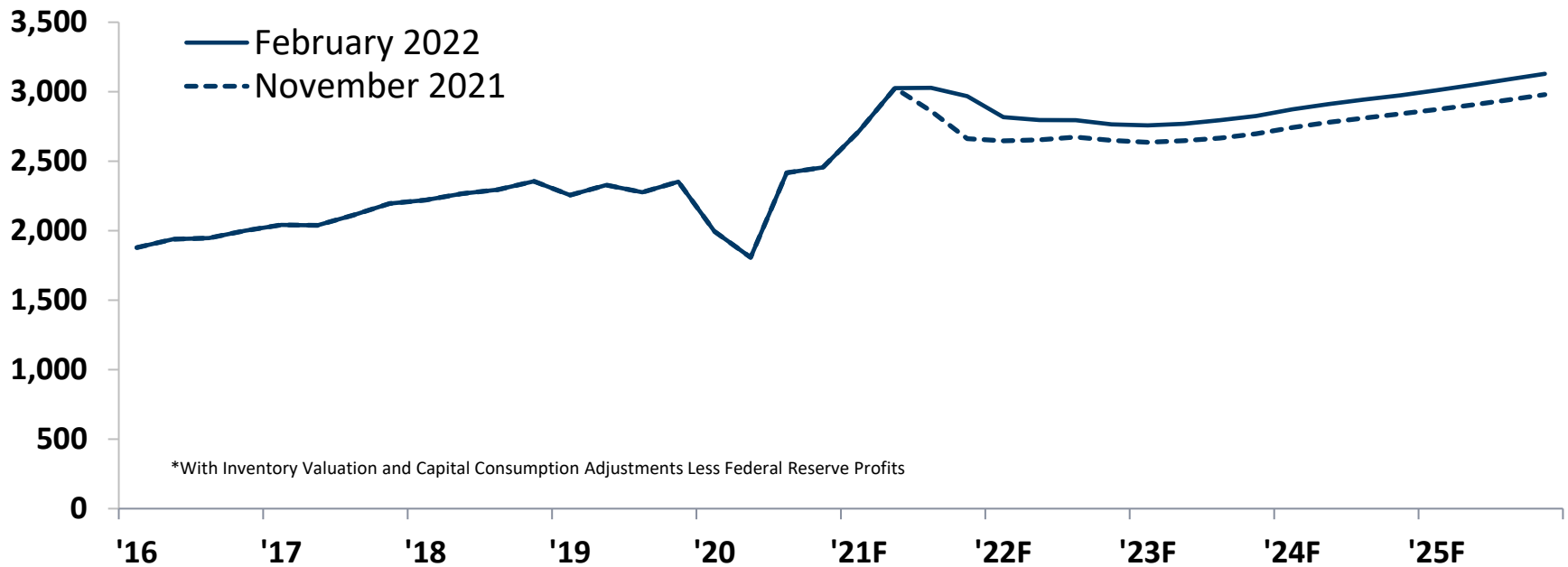
U.S. Wage and Salary Income Growth Higher in 2021 and 2022



A tight labor market is expected to support strong total wage income growth of 9.4 percent this year.

Corporate Profits Higher Than Expected

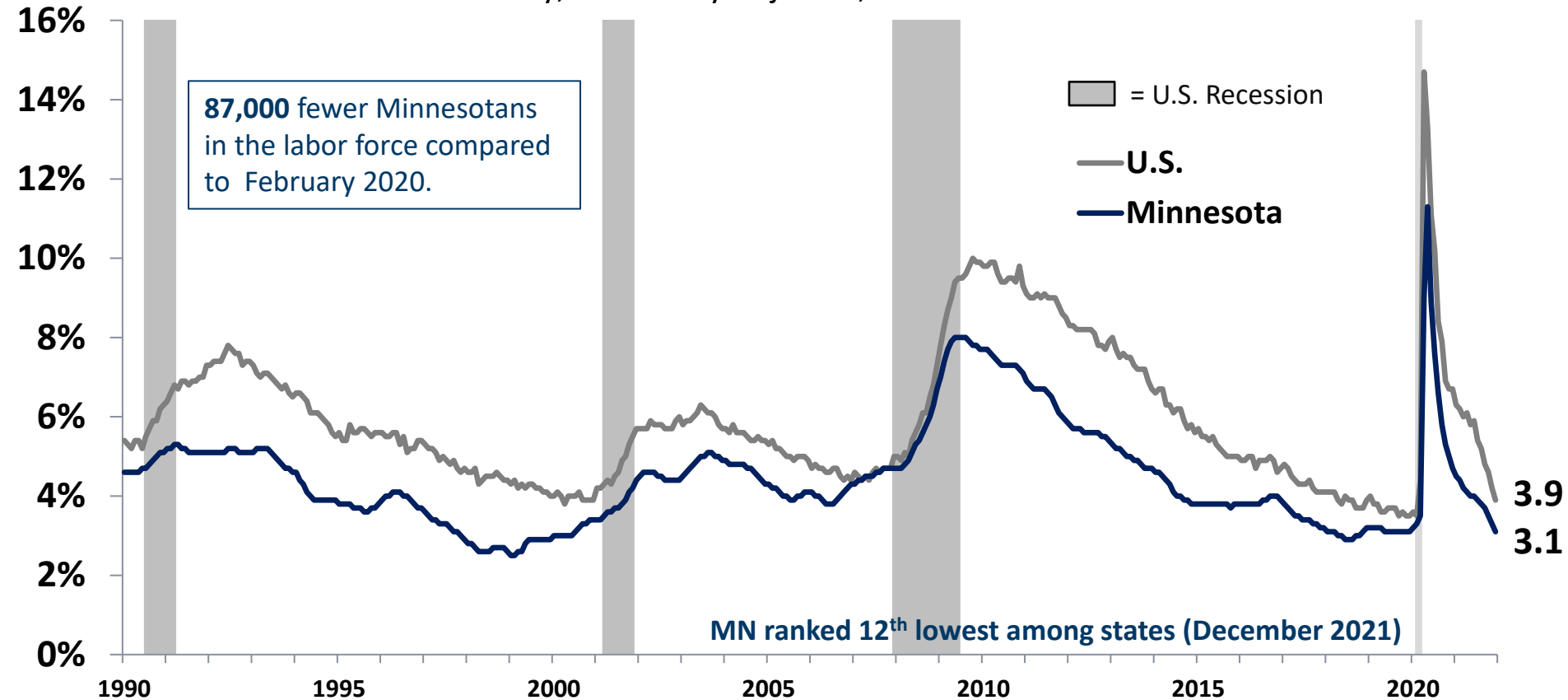
U.S. Corporate Profits Before Tax*
Billions of Dollars, Annual Rate



Source: U.S. Bureau of Economic Analysis (BEA); IHS Economics; Minnesota Management & Budget (MMB)

State Unemployment Rate Below U.S. Rate

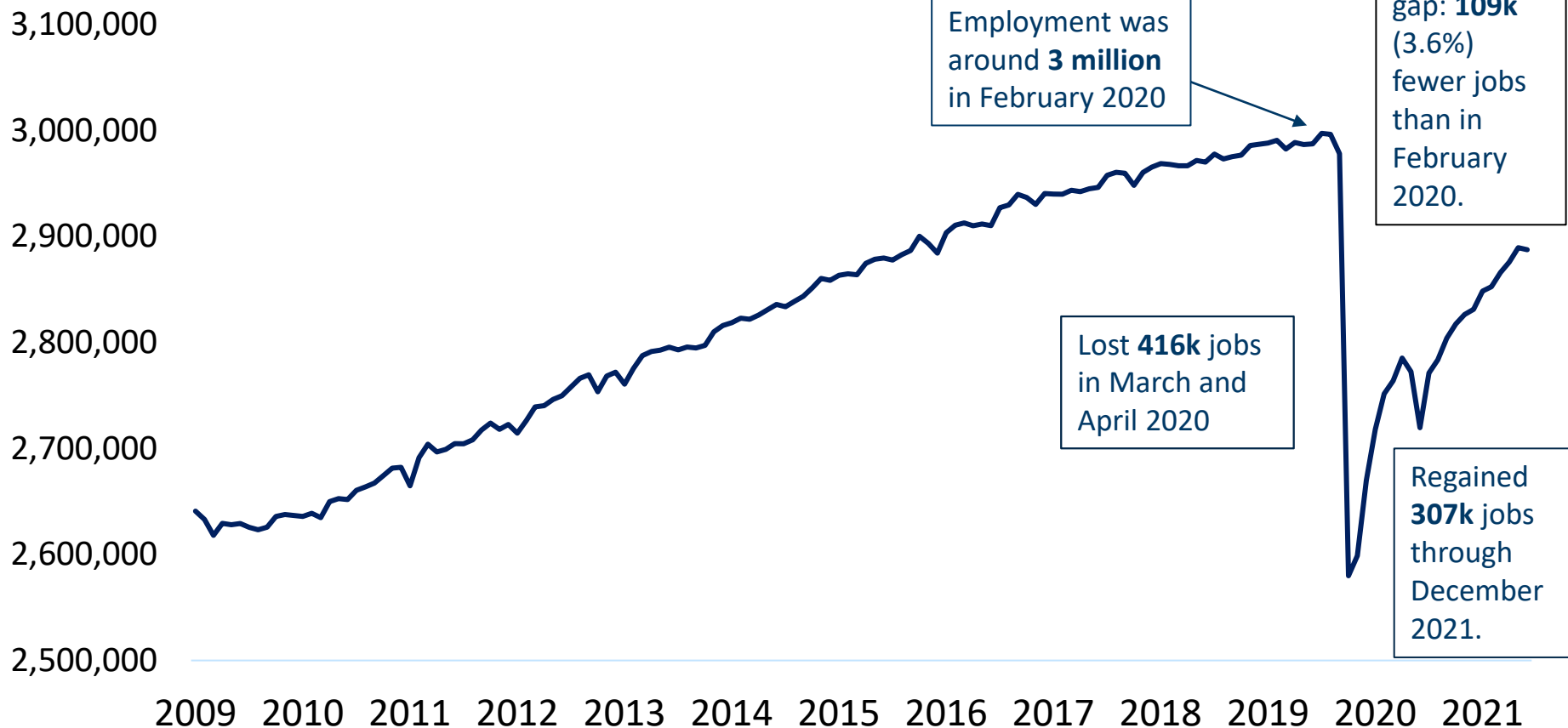
Unemployment Rate
Monthly, Seasonally Adjusted, December 2021



Source: MN Department of Employment and Economic Development (DEED)

State Employment Recovering

MN Non-Farm Total Employment
Seasonally Adjusted Monthly Level, December 2021



Revenue Forecast Higher for FY 2022-23

(\$ in millions)

	FY 2022-23	
	Feb. 2022 Forecast	Forecast Change
Individual Income Tax	\$30,174	\$498
General Sales Tax	13,822	212
Corporate Franchise Tax	4,427	324
All Other Revenue	8,866	219
Total Revenues	\$57,289	\$1,252

Economic Forecast Risks



Inflation, energy prices



Geopolitical conflict



Supply chain issues



Labor force participation



Path of pandemic



16 months until the end of FY 2022-23

Spending and Long Term Budget Outlook

- Expenditure Forecast
- Long Term Budget Outlook

Spending Forecast Lower

(\$ in millions)

	FY 2022-23	
	Feb. 2022 Forecast	Forecast Change
E-12 Education	\$20,503	\$(158)
Health and Human Services	16,302	(108)
Property Tax Aids and Credits	4,154	(15)
Debt Service	1,197	(2)
All Other	9,574	12
Total Spending	\$51,729	\$(270)

Long Term Budget Outlook

(\$ in millions)	FY 2022-23	FY 2024-25	Biennial Growth	Annualized % Growth
Forecast Revenues	\$57,289	\$60,596	\$3,307	2.8%
Projected Spending	51,729	54,307	2,578	2.5%
Structural Balance	\$5,560	\$6,289		
<i>Estimated Inflation</i>		<i>\$1,090</i>		



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