South Carolina’s Economy in 2018
Where We Are and Where We’re Headed

Joseph Von Nessen, Ph.D.
Research Economist
October 18, 2018

joey.vonnessen@moore.sc.edu
Both the U.S. and S.C. economies are strong and stable overall.
U.S. GDP Growth (Annualized)

Source: U.S. Bureau of Economic Analysis
Real Personal Consumption Expenditures Growth

Year/Year Percent Change, SAAR

Source: U.S. Bureau of Economic Analysis
Real Private Non-Residential Fixed Domestic Investment Growth

Year/Year Percent Change, SAAR

Source: U.S. Bureau of Economic Analysis
Real Net Export Growth
Year/Year Percent Change, SAAR

Source: U.S. Bureau of Economic Analysis
Keep your eye on the fundamentals...

\[ \text{GDP} = C + I + G + NX \]

Which growth trend will dominate?

Private Investment vs. Net Exports in 2019
Labor Force Participation

Source: U.S. Bureau of Labor Statistics
10-Year Treasury Constant Maturity Rate Less 2-Year Treasury Constant Maturity Rate

Source: Board of Governors of the Federal Reserve System
10-Year Treasury Constant Maturity Rate

Source: Board of Governors of the Federal Reserve System
2-Year Treasury Constant Maturity Rate (Yr/Yr Pct. Change)

Source: Board of Governors of the Federal Reserve System
What about South Carolina?
South Carolina Employment Growth

Source: U.S. Bureau of Labor Statistics
S.C. Employment Growth

Source: U.S. Bureau of Labor Statistics
S.C. Employment Growth

Source: U.S. Bureau of Labor Statistics
S.C. Construction Markets
Construction Emp. Growth vs. SC Average

Source: U.S. Bureau of Labor Statistics
S.C. Construction Emp. Growth Components

Source: U.S. Bureau of Labor Statistics
U.S. Commerce Dept. Places Higher Import Tariffs on Canadian Lumber

Index up 21% since January 2017
Housing Demand is Strong

Sales Activity

Permit Activity

Inventory
Tradeoffs!

Increasing builder costs

vs.

High demand due to steady employment & wage growth
Source: Federal Housing Finance Agency
E/P Ratio = \frac{Employment (D)}{Permits (S)}

A Demand to Supply Ratio
E/P Ratio Increases 2010-2018

Source: U.S. BLS & U.S. Census Bureau
Total Employment Growth: 2010-2018

Charlotte: 27.3%
Charleston: 25.7%
Columbia: 16.6%
Greenville: 18.9%
South Carolina: 17.1%

Source: U.S. Bureau of Labor Statistics
How are tariffs affecting manufacturing in South Carolina?

**Short-run**
- Increased production costs
- Lower demand (-1.9%)

**Long-run**
- USMCA to replace NAFTA?
- Adjust global production strategies – a possible benefit for South Carolina
Growth in S.C. Employment Services

Source: U.S. Bureau of Labor Statistics
USMCA May Benefit the S.C. Automotive Sector

- 75% of a vehicle’s value must be produced in North America
- 40% of a vehicle must be made by workers earning at least $16/hour
- “We will allocate more U.S. production for the U.S. market” – Harald Kruger, BMW CEO
- Moving away from export-oriented manufacturing?
Unemployment Rates

US: 3.7%
SC: 3.4%

Source: U.S. Bureau of Labor Statistics
Average Hourly Earnings of all U.S. Employees

Source: U.S. Bureau of Economic Analysis
Annualized Growth in Employer Costs per Hour Worked (2011-2017)

<table>
<thead>
<tr>
<th>Component</th>
<th>2.8%</th>
<th>2.6%</th>
<th>7.4%</th>
<th>10.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages &amp; Salaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplemental Pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Productivity Bonuses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics
Spotlight on Millennials & iGen
Total S.C. Population by Age

Source: American Community Survey
Average Daily Spending by U.S. Adults

Source: Gallup; August 2017
S.C. vs. U.S. Student Loan Debt per Capita

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax
## Average Homeownership by Age 30

<table>
<thead>
<tr>
<th>Group</th>
<th>Homeownership by Age 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>No College</td>
<td>22%</td>
</tr>
<tr>
<td>Associate’s Degree, Student Debt</td>
<td>24%</td>
</tr>
<tr>
<td>Associate’s Degree, No Student Debt</td>
<td>31%</td>
</tr>
<tr>
<td>Bachelor’s Degree or higher, Student Debt</td>
<td>33%</td>
</tr>
<tr>
<td>Bachelor’s Degree or higher, No Student Debt</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax & National Student Clearinghouse
The Bottom Line

- Strong national economic growth with steady employment and wage gains
- Broad-based growth across most South Carolina sectors
- Consumer spending experiencing consistent growth

- Tariffs
- Labor shortages
- Interest rates
Thank You!