

Tracking South Carolina Out of the Recession

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THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE



The Outlook (Last Year)

- Low trajectory climb out of the trough
 - Consumers constrained by rising joblessness, need to rebuild the balance sheet
 - Investment hindered by weak demand, capacity excesses, credit conditions
 - Global economy is weak, but improving
- What to look for:
 - Production to pick up, survey results, particularly PMIs
 - Banks start lending again (risk spreads, lending surveys)
 - Firms stop firing and start hiring (jobless claims)



ISM: Business Survey Indexes

MANUFACTURING BUSINESS:

	<u>Sep.</u>	<u>Oct.</u>
Purchasing Managers Index	54.4	56.9
Production	56.5	62.7
New Orders	51.1	58.9
Employment	56.5	57.7
Supplier Deliveries	52.3	51.2
Inventories	55.6	53.9
Prices	70.5	71.0
Backlog of Orders	46.5	46.0
New Export Orders	54.5	60.5
Imports	56.5	51.5

NONMANUFACTURING BUSINESS:

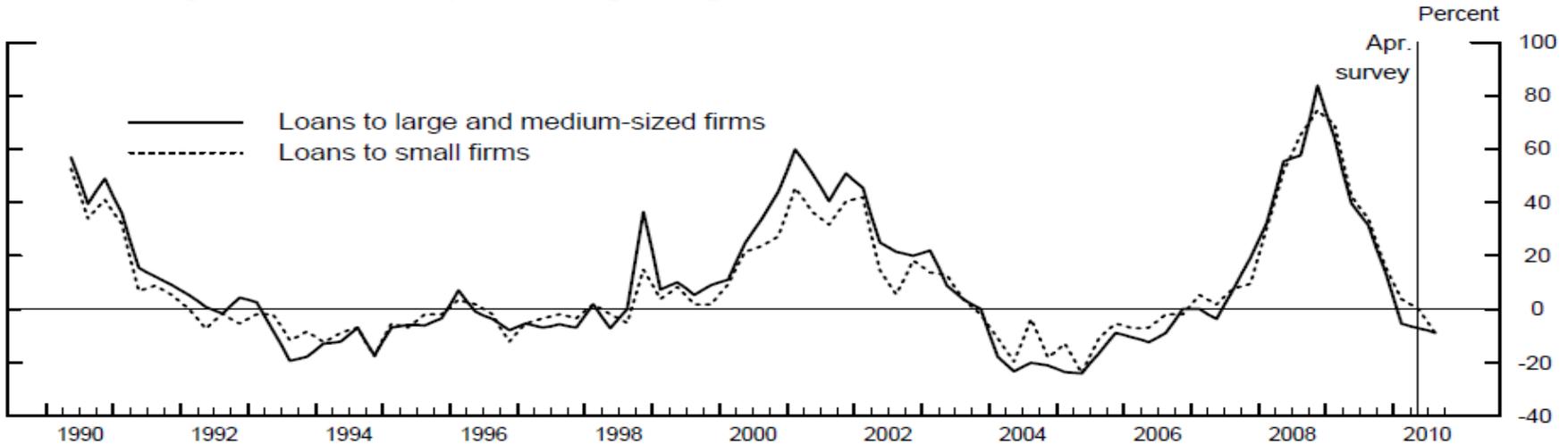
	<u>Sep.</u>	<u>Oct.</u>
NonManufacturing Index	53.2	54.3
Business Activity	52.8	58.4
New Orders	54.9	56.7
Employment	50.2	50.9
Supplier Deliveries	55.0	51.0
Inventories	47.0	47.5
Prices	60.1	68.3
Backlog of Orders	48.0	52.0
New Export Orders	58.0	55.5
Imports	53.0	54.0

DIFFUSION INDEXES: Numbers above 50 percent indicate a preponderance of expanding firm activity.

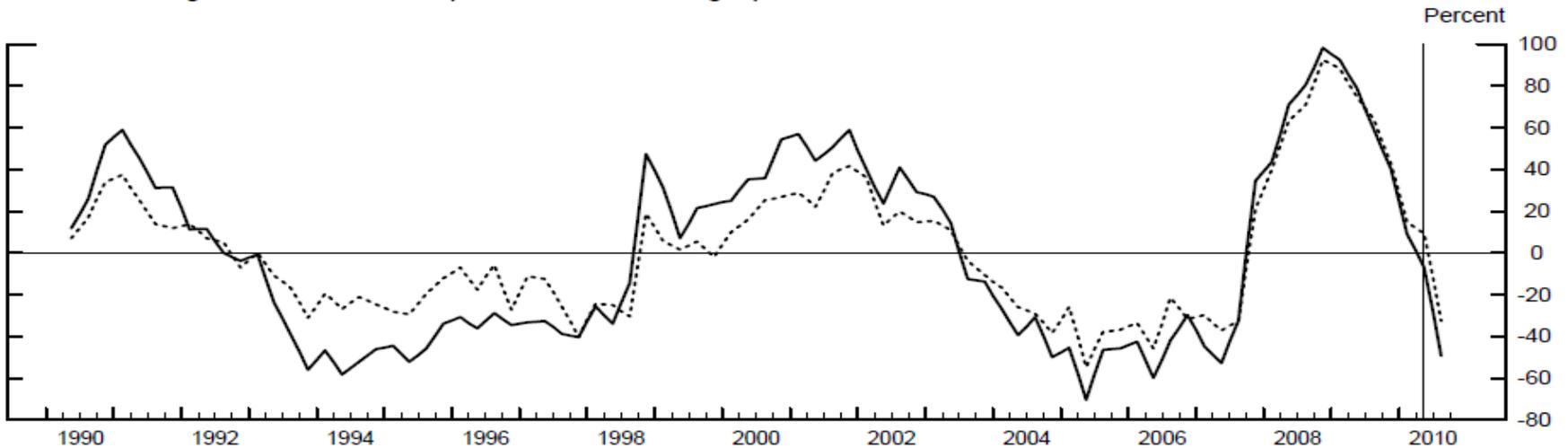


Senior Loan Officer Survey

Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



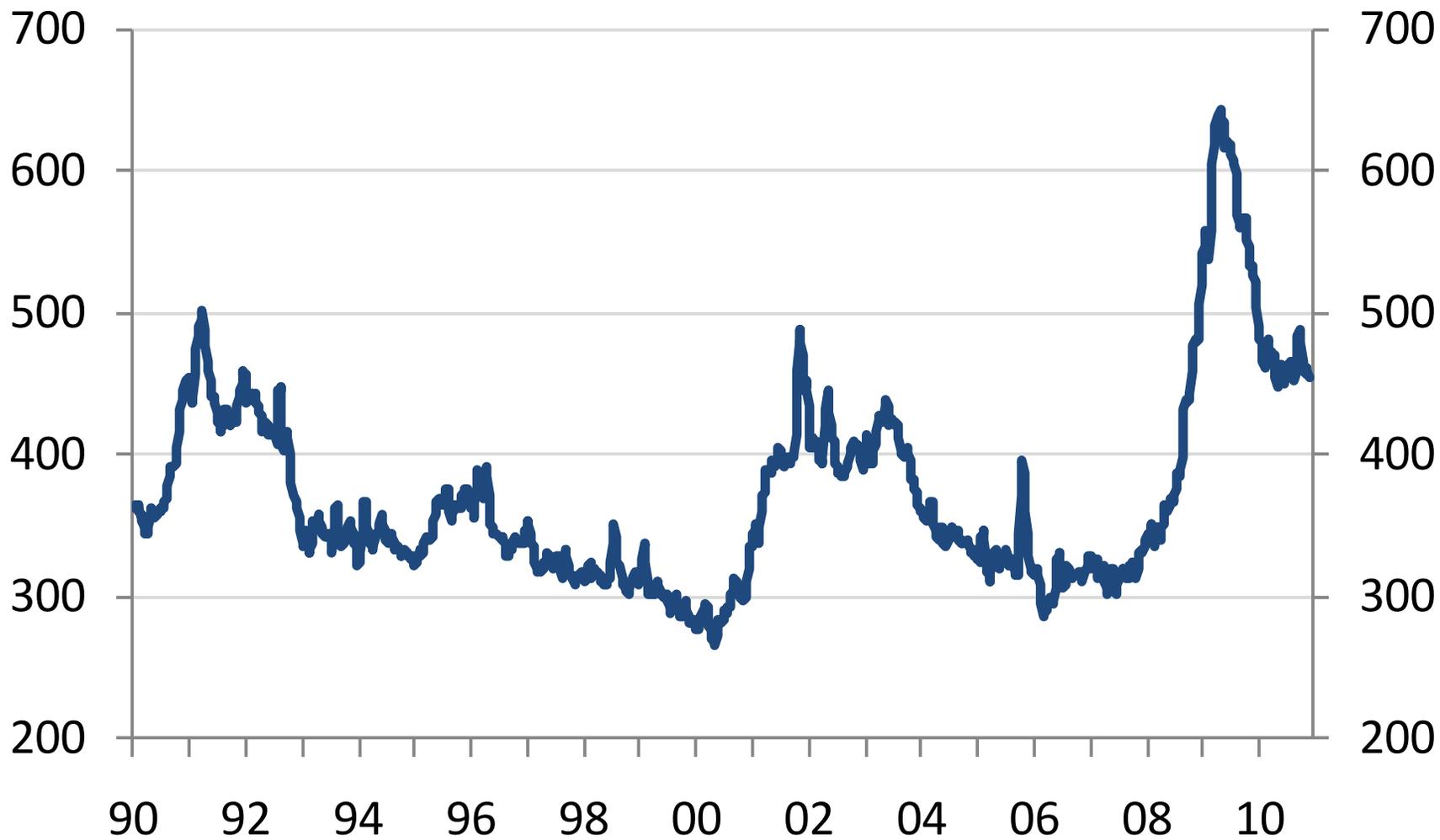
Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds





Initial Jobless Claims

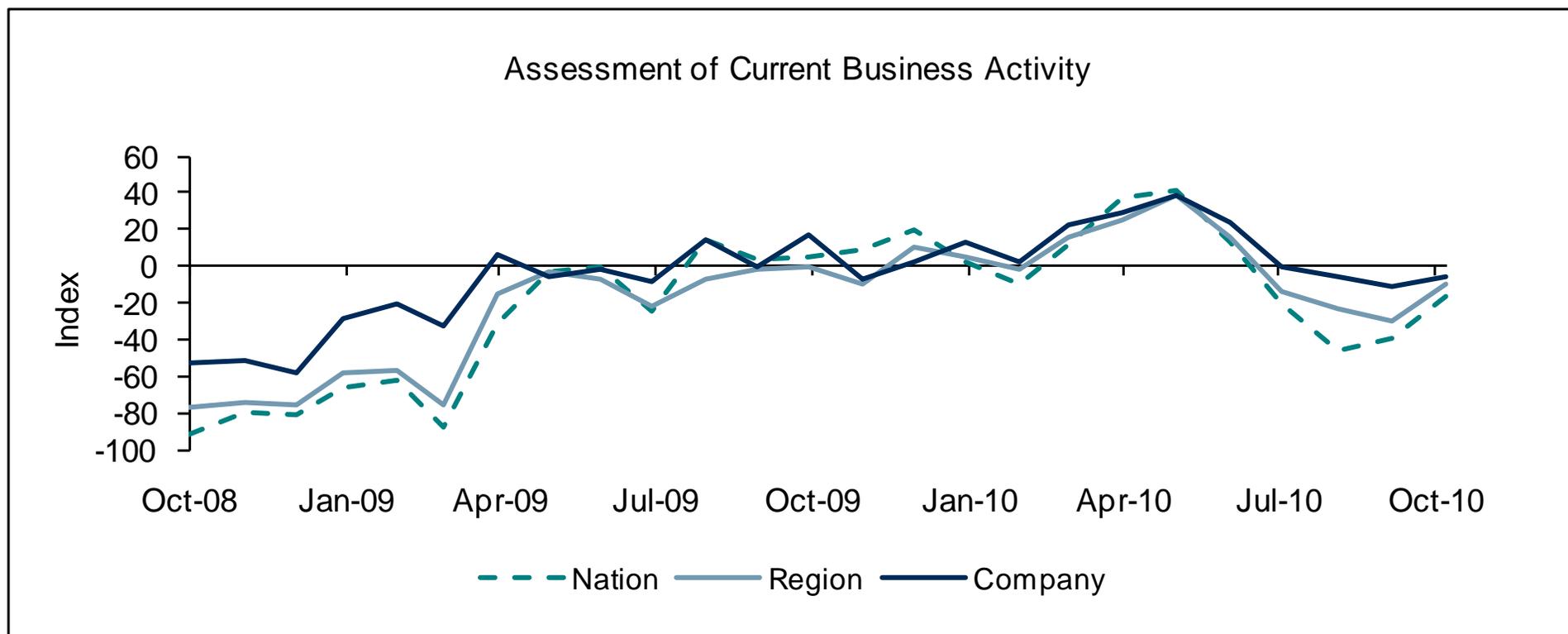
(000s, 4-wk MA)





Carolinas Business Activity Index

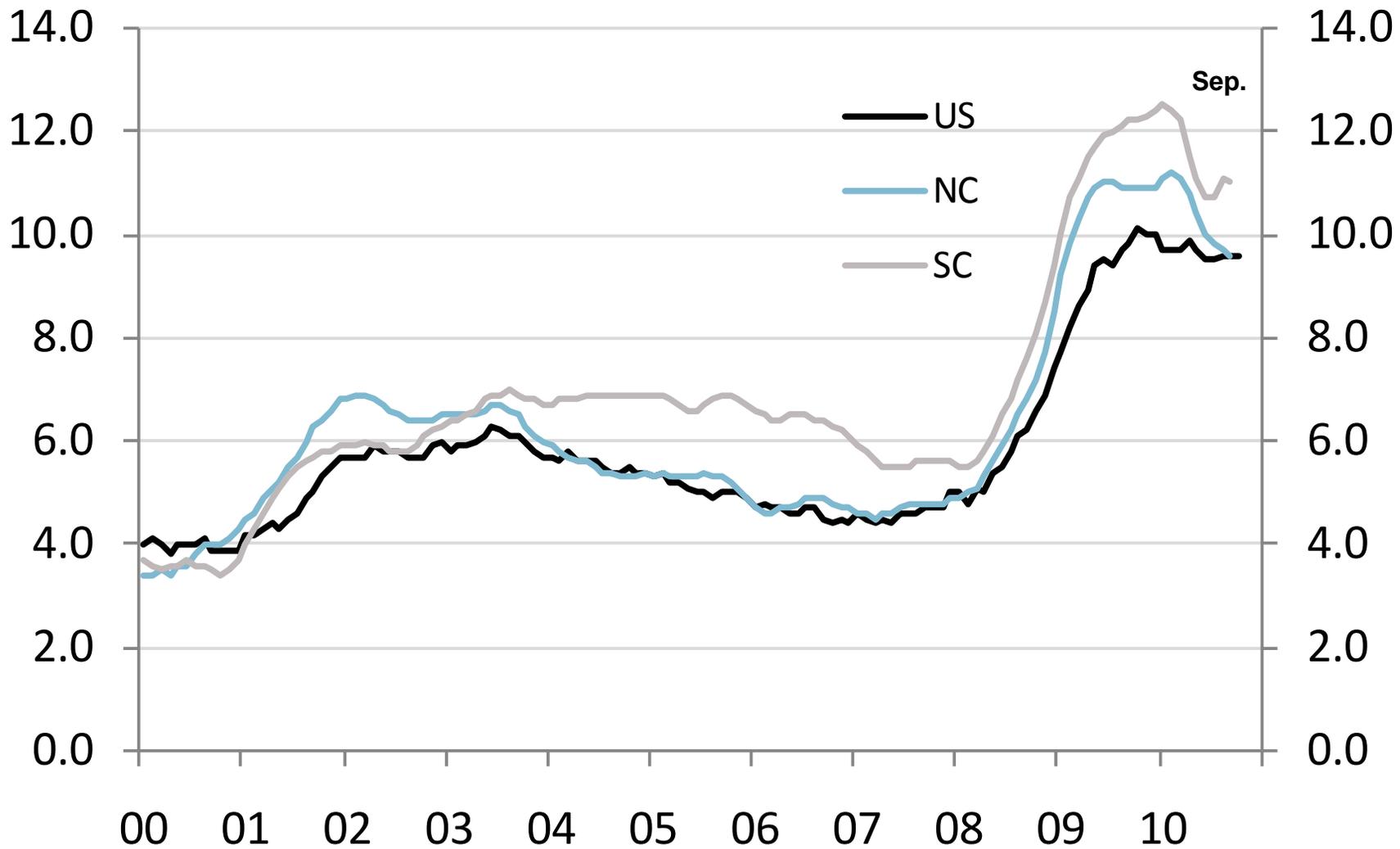
Index > 0 indicates expansion





Unemployment Rates

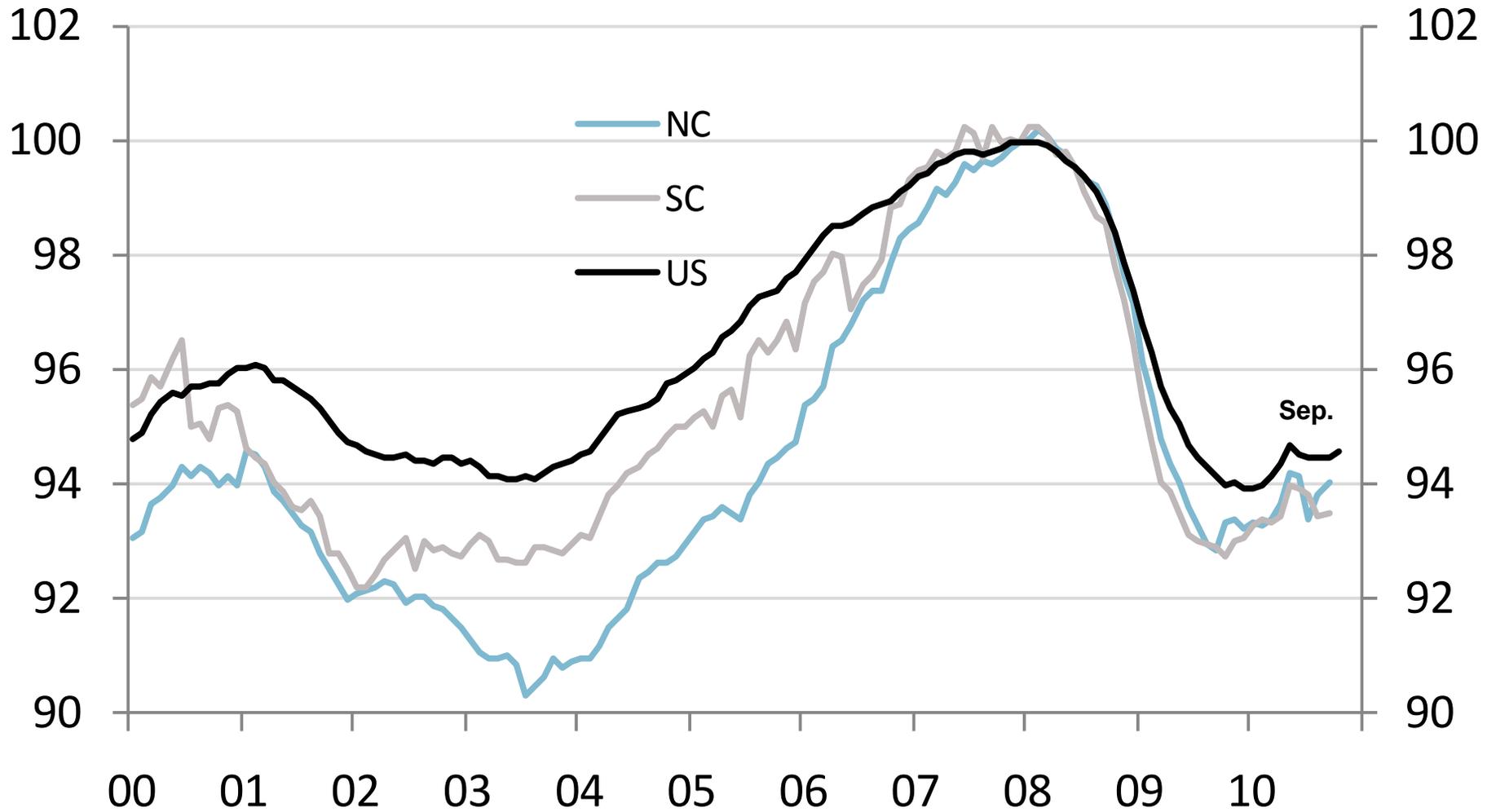
Percent





Payroll Employment

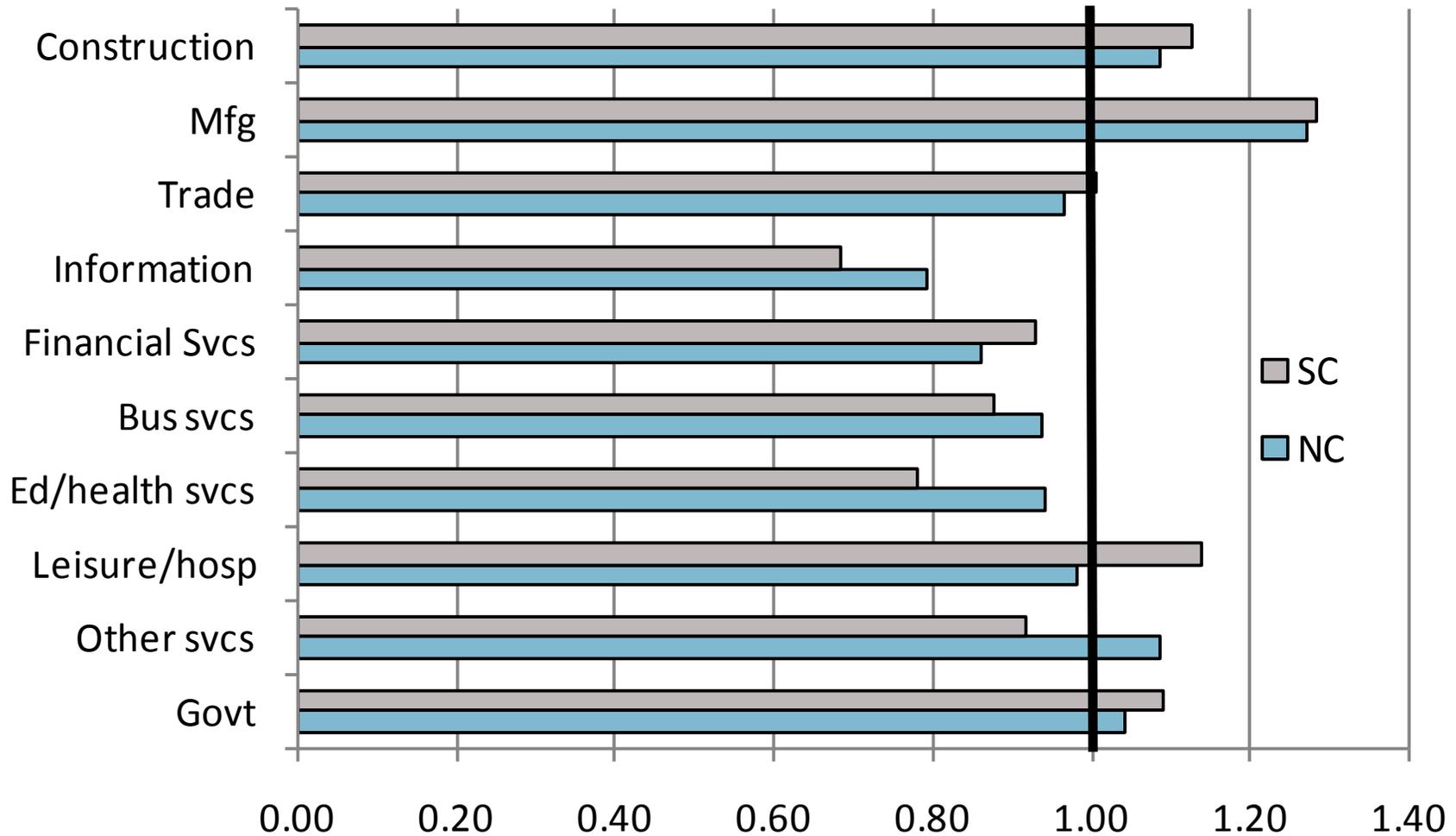
Index, December 2007 = 100





Employment Concentration

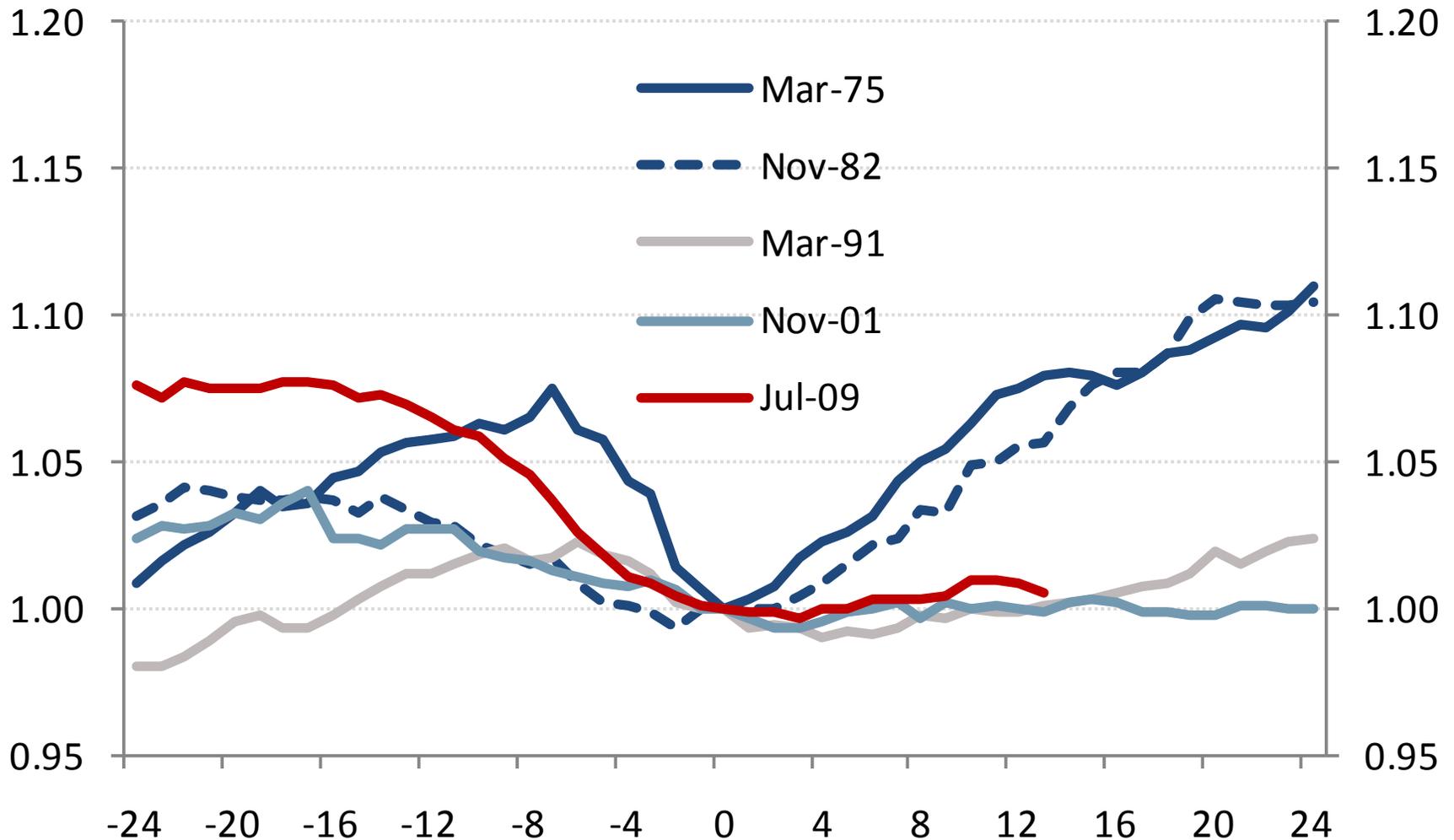
Location Quotients, U.S. average = 1.0





Payroll Employment, South Carolina

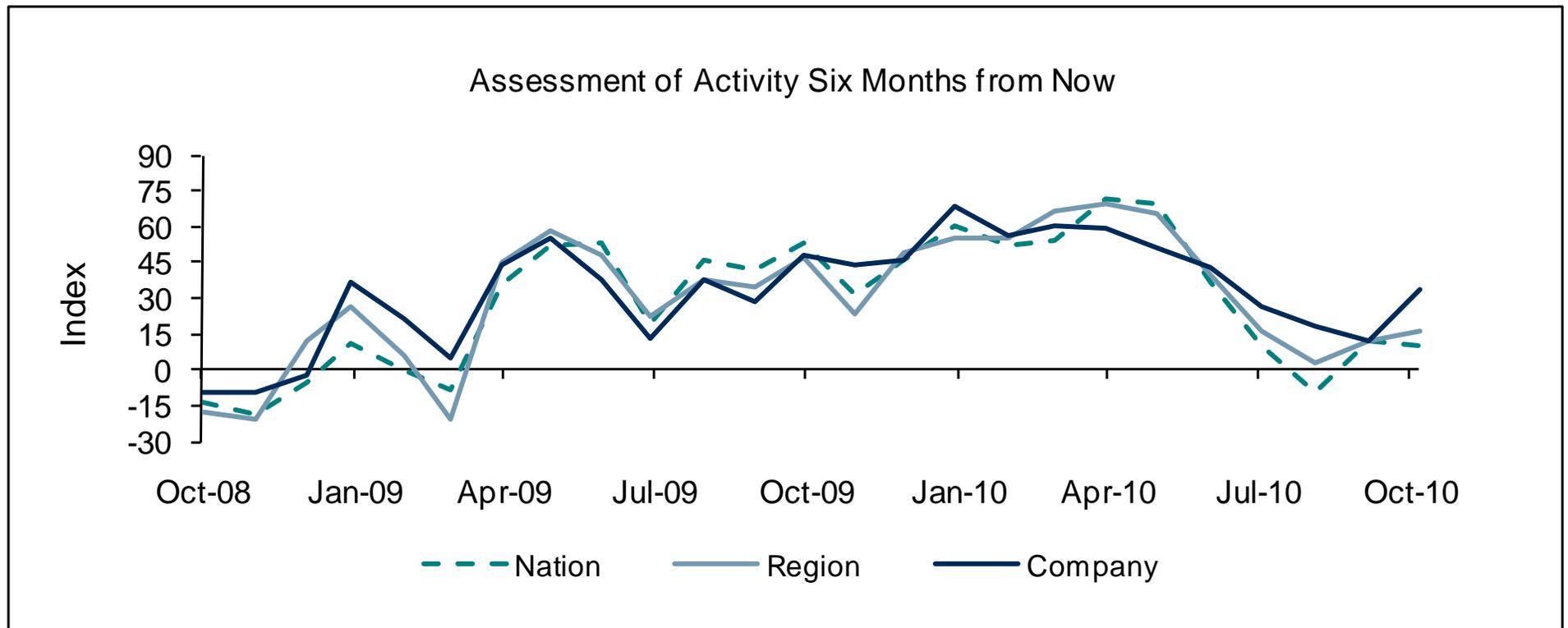
Index, recession trough = 1.00





Carolinas Business Expectations Index

Index > 0 indicates expansion



Real Gross Domestic Product

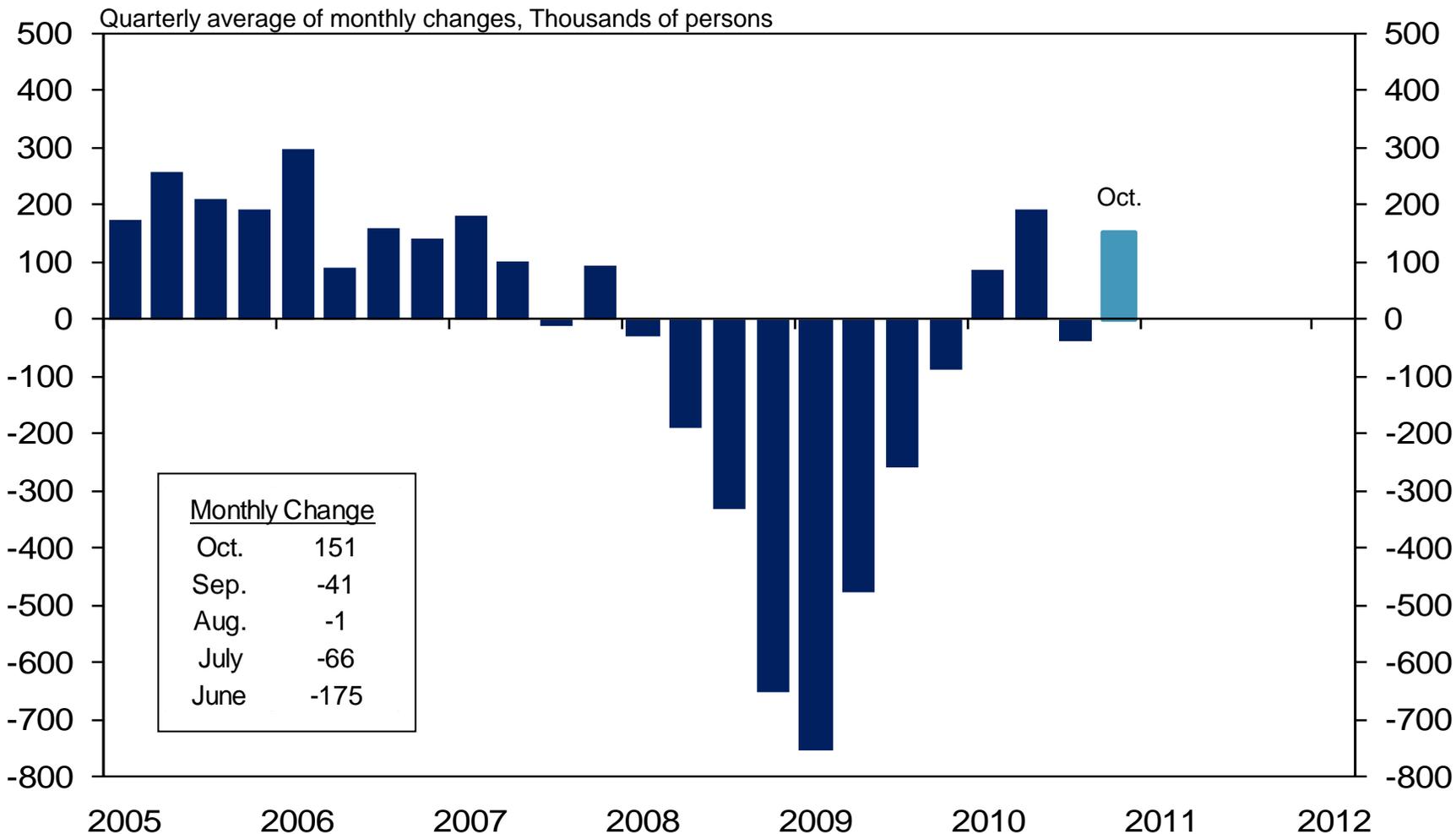
	2009		Q1	2010		
	Q3	Q4		Q2	Q3	
CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:						
Gross Domestic Product	1.6	5.0	3.7	1.7	2.0	
Personal Consumption Expenditures	2.0	0.9	1.9	2.2	2.6	←
Nonresidential Fixed Investment	-1.7	-1.4	7.8	17.2	9.7	
Structures	-12.4	-29.2	-17.8	-0.5	3.9	←
Equipment & Software	4.2	14.6	20.4	24.8	12.0	←
Residential Fixed Investment	10.6	-0.8	-12.3	25.7	-29.1	←
Exports of Goods & Services	12.2	24.4	11.4	9.1	5.0	←
Imports of Goods & Services	21.9	4.9	11.2	33.5	17.4	←
Government Consumption Expenditures & Gross Investment	1.6	-1.4	-1.6	3.9	3.4	←
Final Sales to Domestic Purchasers	1.8	0.2	1.3	4.3	2.5	
LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:						
Change in Private Inventories	-128.2	-36.7	44.1	68.8	115.5	←
Net Exports of Goods & Services	-390.8	-330.1	-338.4	-449.0	-514.9	

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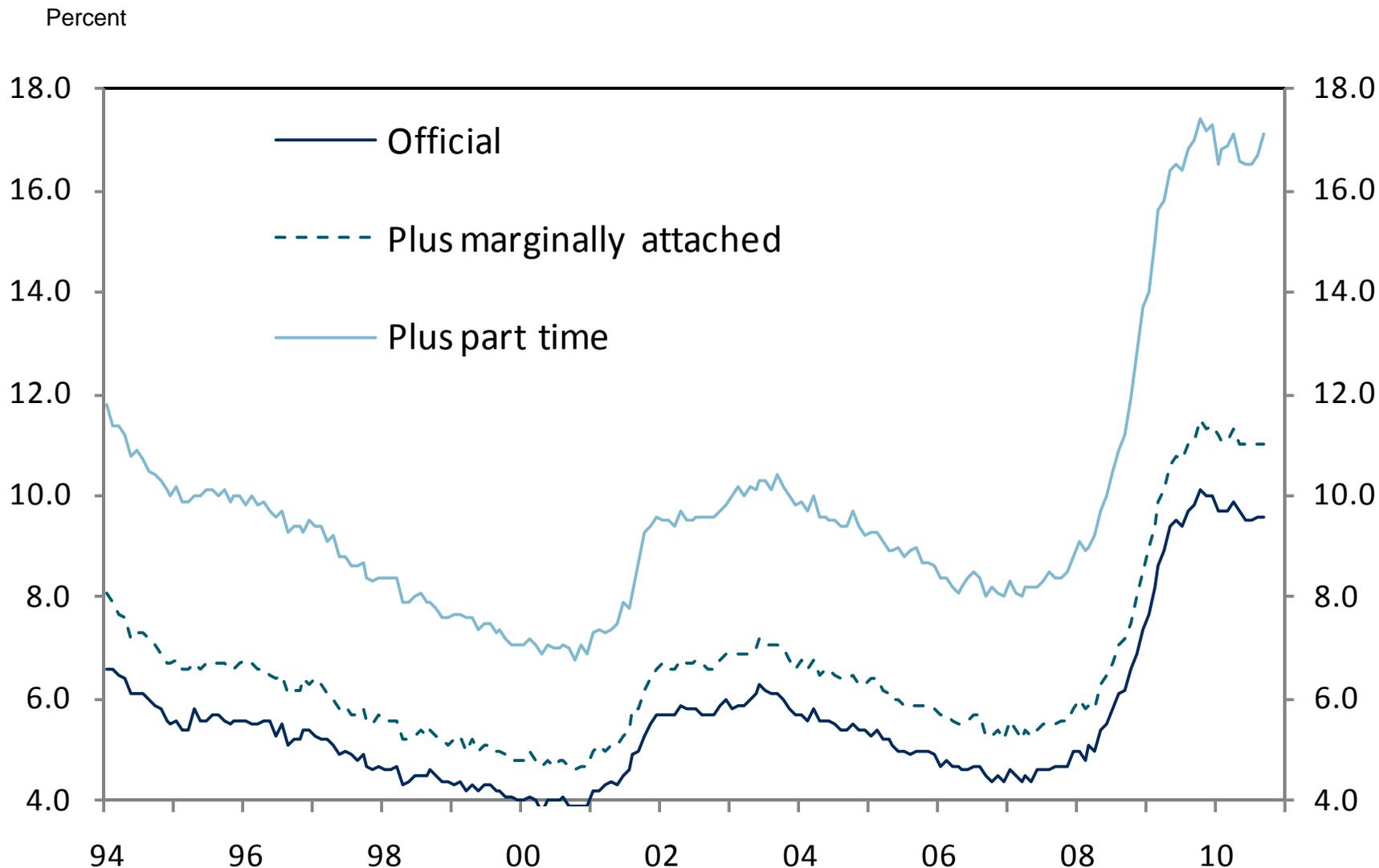


Nonfarm Payroll Employment





Alternative Measures of Unemployment



Gauges of Inflation

Expenditure Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	Aug.	Sep.	YoY %
Personal Consumption Expenditures	2.3	1.0	1.4
Core (excludes Food* and Energy)	0.8	0.3	1.2

Consumer Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	Aug.	Sep.	YoY %
All Items	3.1	1.2	1.1
Core (excludes Food and Energy)	0.6	0.0	0.8

Producer Price Indexes	[Percent Change from Previous Month at Annual Rate]:		
	Aug.	Sep.	YoY %
Finished Goods	4.8	5.5	4.0
Core (excludes Food and Energy)	0.7	1.4	1.5
Core Intermediate Goods	0.7	2.7	3.9
Crude Goods	32.0	-5.6	20.2

Spot Commodity Price Index	[Percent Change from Previous Month]:		
	Sep.	Oct.	YoY %
CRB Spot Commodity Price Index	5.4	3.3	28.7

Notes: Core PCE Price Index includes expenditures on food services.



For immediate release

Information received since the Federal Open Market Committee met in September confirms that the pace of recovery in output and employment continues to be slow. Household spending is increasing gradually, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software is rising, though less rapidly than earlier in the year, while investment in nonresidential structures continues to be weak. Employers remain reluctant to add to payrolls. Housing starts continue to be depressed. Longer-term inflation expectations have remained stable, but measures of underlying inflation have trended lower in recent quarters.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate is elevated, and measures of underlying inflation are somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. Although the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, progress toward its objectives has been disappointingly slow.

To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to expand its holdings of securities. The Committee will maintain its existing policy of reinvesting principal payments from its securities holdings. In addition, the Committee intends to purchase a further \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about \$75 billion per month. The Committee will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.

The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.

The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

