

# Tracking South Carolina Out of the Recession

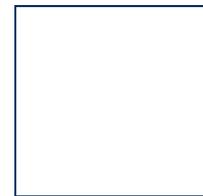
**Rick Kaglic**  
Regional Economist  
Research Department

**CFA Society of South Carolina**  
November 9, 2010



**THE FEDERAL RESERVE BANK OF RICHMOND**

RICHMOND ■ BALTIMORE ■ CHARLOTTE





# The Outlook (Last Year)



## The Outlook (Last Year)

- Low trajectory climb out of the trough





## The Outlook (Last Year)

- Low trajectory climb out of the trough
  - Consumers constrained by rising joblessness, need to rebuild the balance sheet



## 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



## 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



## 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





## 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)



## 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:			NONMANUFACTURING BUSINESS:		
	<u>Sep.</u>	<u>Oct.</u>		<u>Sep.</u>	<u>Oct.</u>
Purchasing Managers Index	54.4	56.9	NonManufacturing Index	53.2	54.3
Production	56.5	62.7	Business Activity	52.8	58.4
New Orders	51.1	58.9	New Orders	54.9	56.7
Employment	56.5	57.7	Employment	50.2	50.9
Supplier Deliveries	52.3	51.2	Supplier Deliveries	55.0	51.0
Inventories	55.6	53.9	Inventories	47.0	47.5
Prices	70.5	71.0	Prices	60.1	68.3
Backlog of Orders	46.5	46.0	Backlog of Orders	48.0	52.0
New Export Orders	54.5	60.5	New Export Orders	58.0	55.5
Imports	56.5	51.5	Imports	53.0	54.0

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

# 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.



# 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:

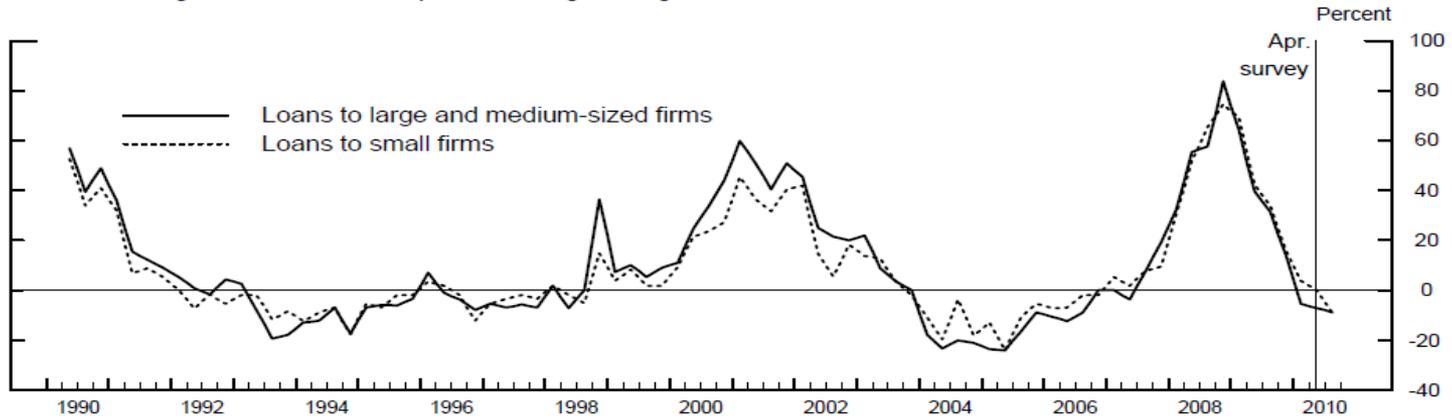
	<u>Sep.</u>	<u>Oct.</u>
NonManufacturing Index	53.2	54.3
Business Activity	52.8	58.4
New Orders	54.9	56.7
Employment	50.2	50.9
Supplier Deliveries	55.0	51.0
Inventories	47.0	47.5
Prices	60.1	68.3
Backlog of Orders	48.0	52.0
New Export Orders	58.0	55.5
Imports	53.0	54.0

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

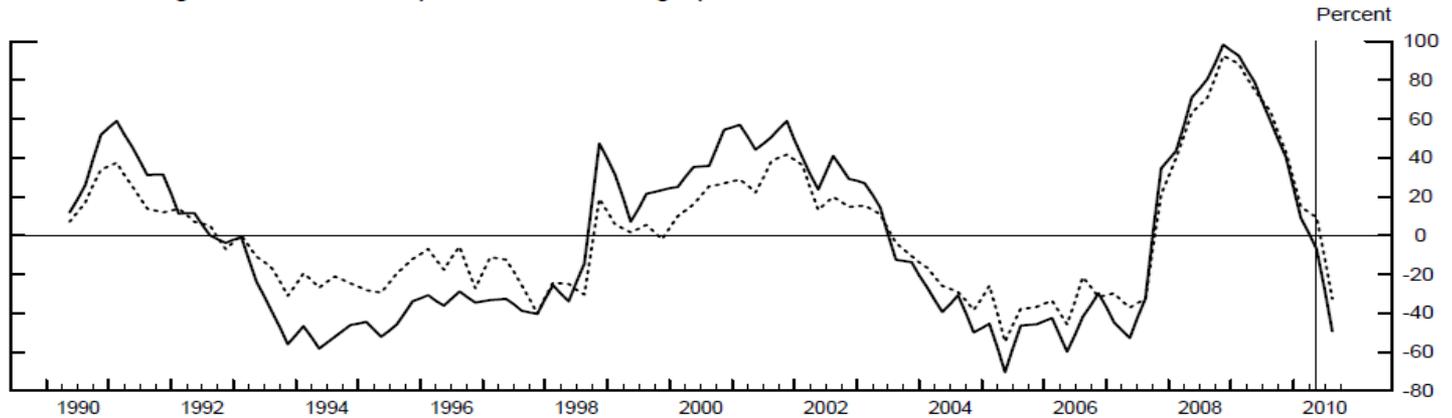


# Senior Loan Officer Survey

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

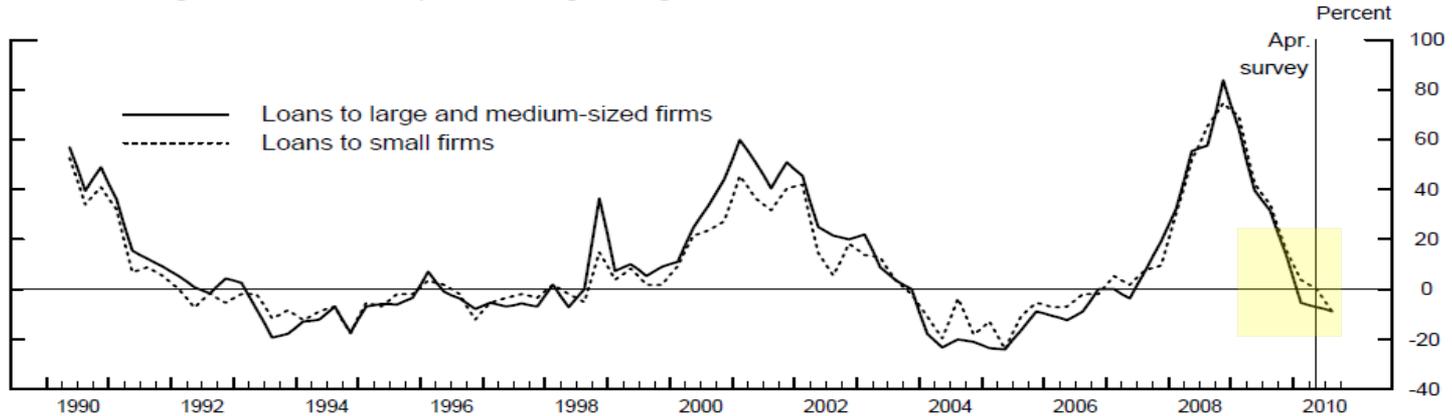


Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds

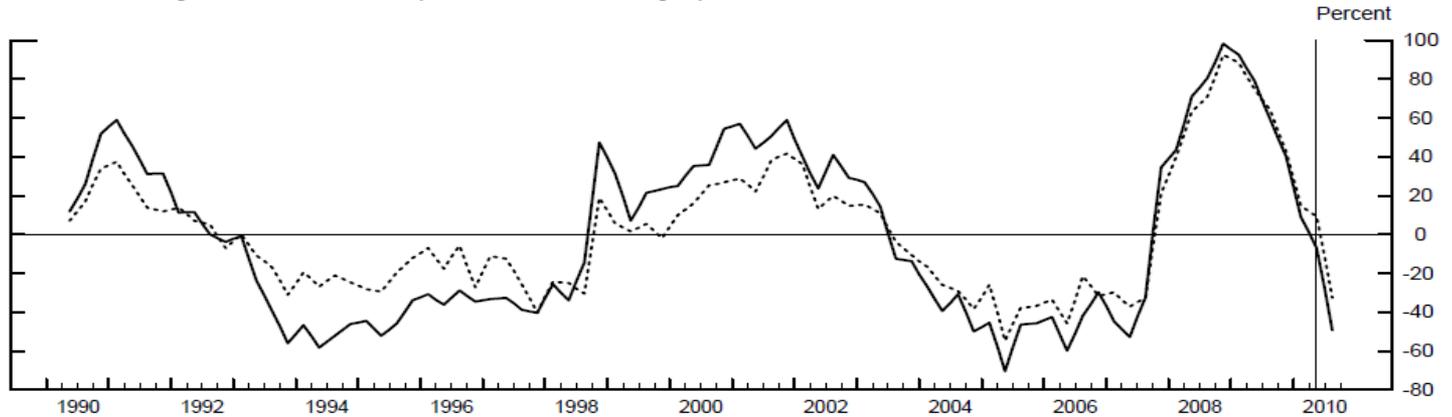


# Senior Loan Officer Survey

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



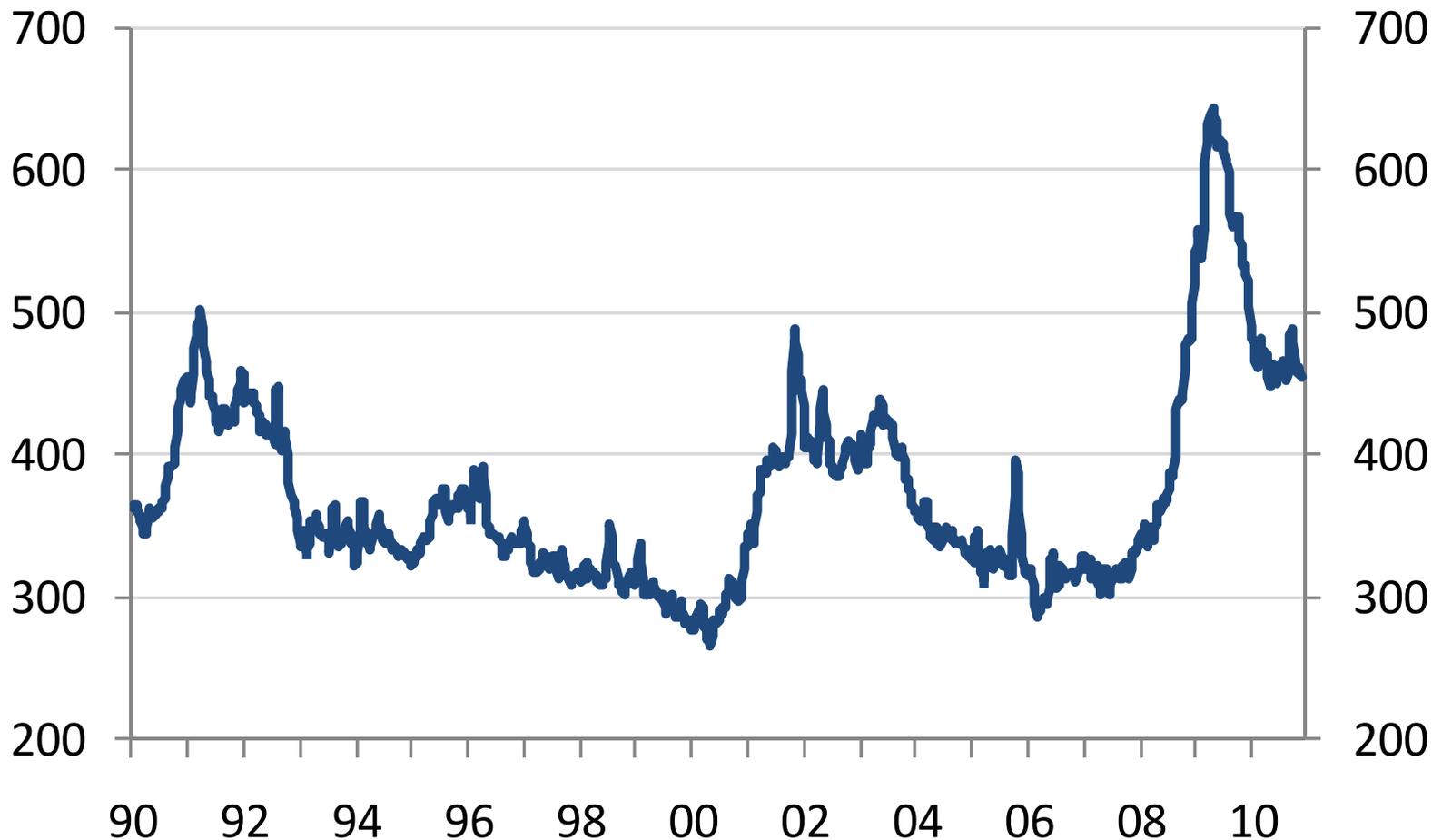
Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds





# Initial Jobless Claims

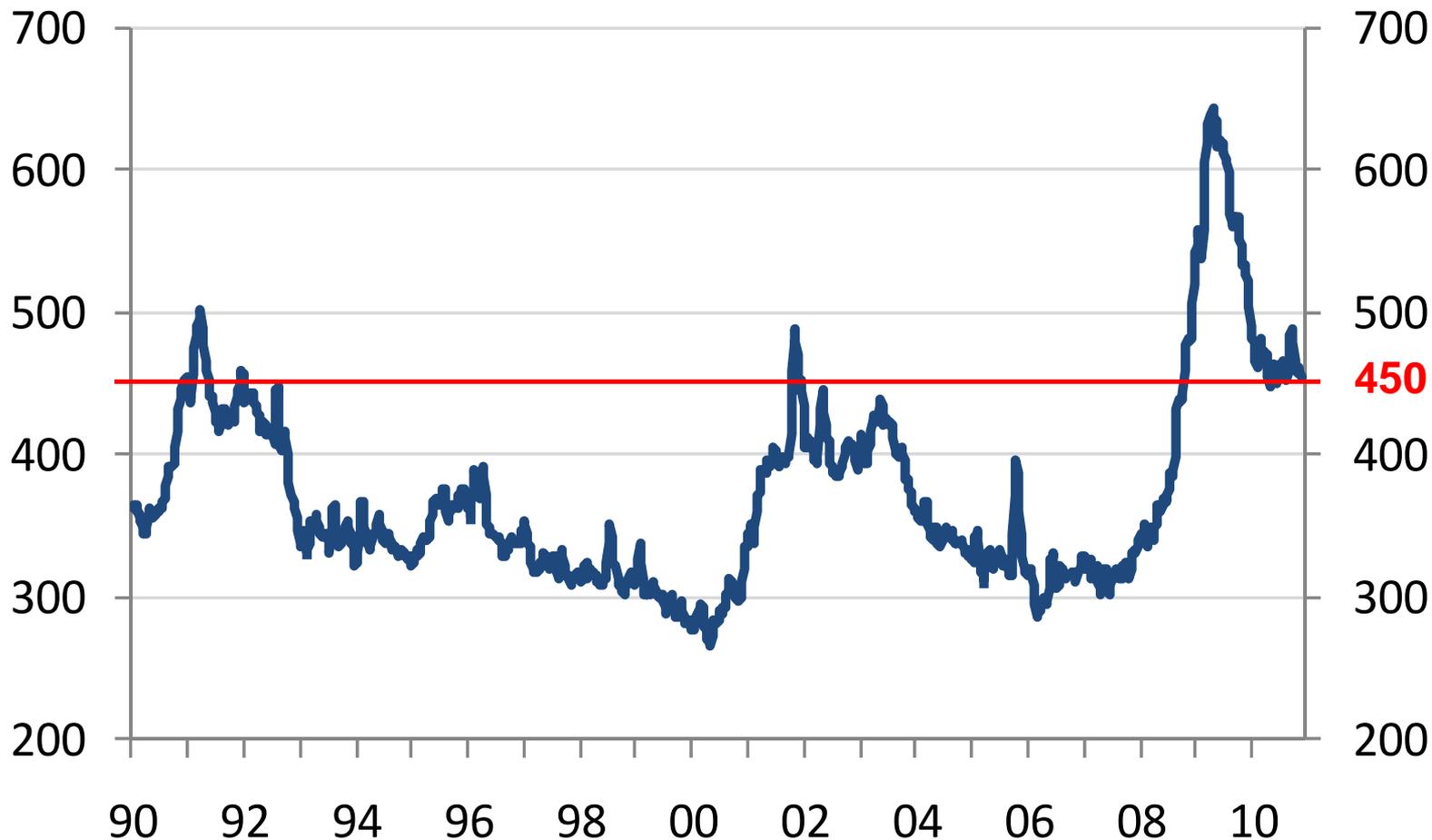
(000s, 4-week moving average)





# Initial Jobless Claims

(000s, 4-week moving average)





# What's going on?



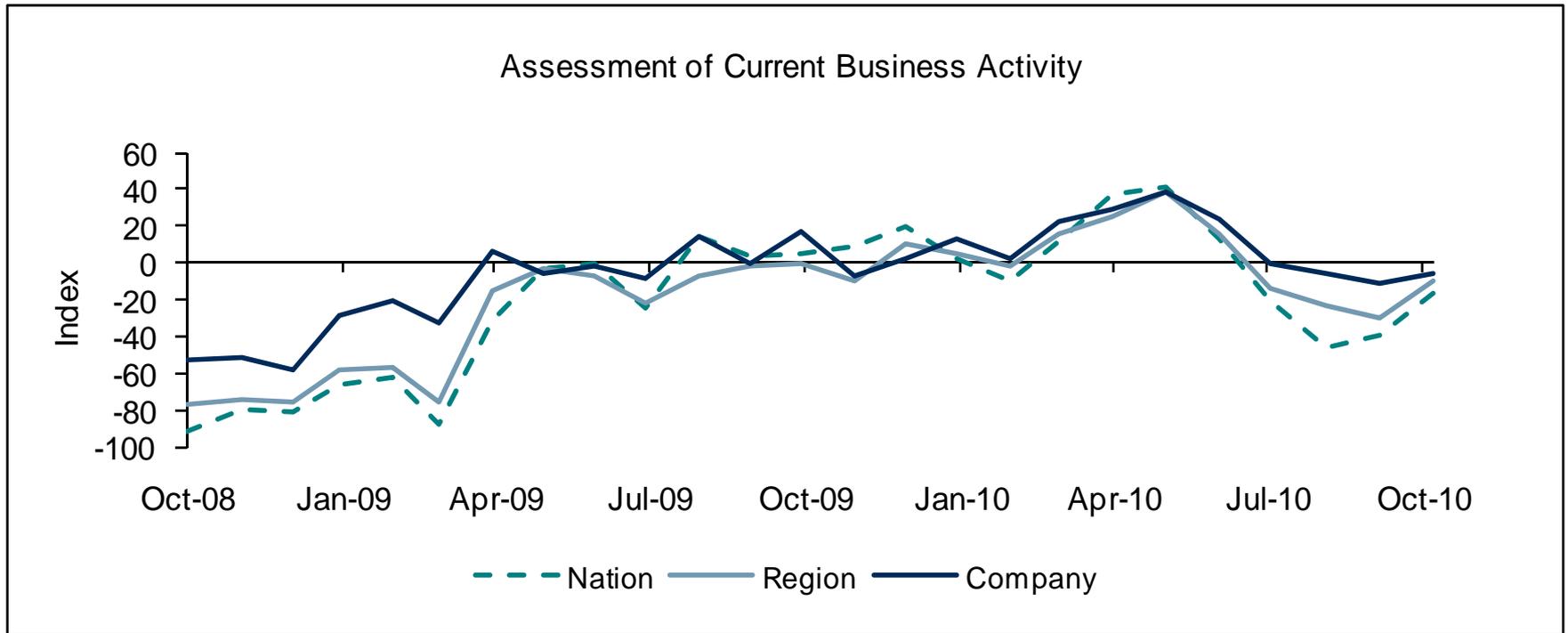


# Uncertainty



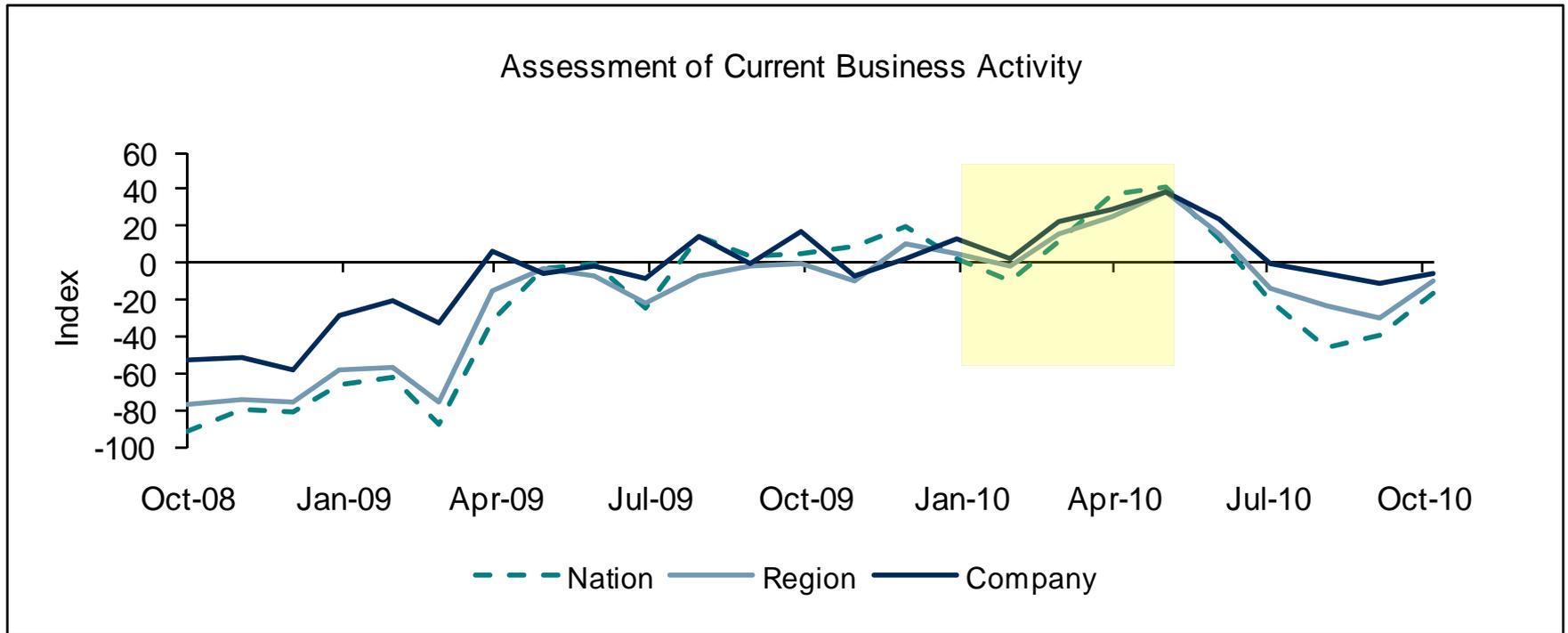
# Carolinas Business Activity Index

(Index > 0 indicates expansion)



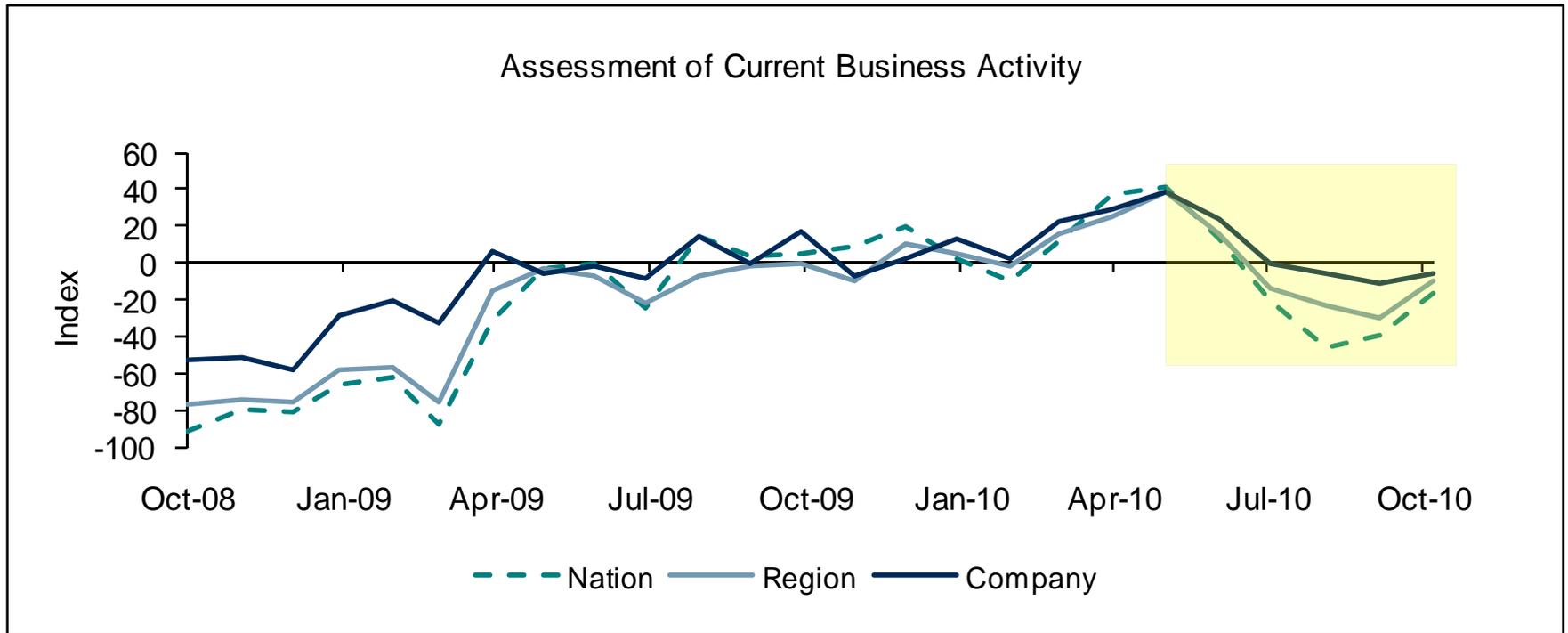
# Carolinas Business Activity Index

(Index > 0 indicates expansion)



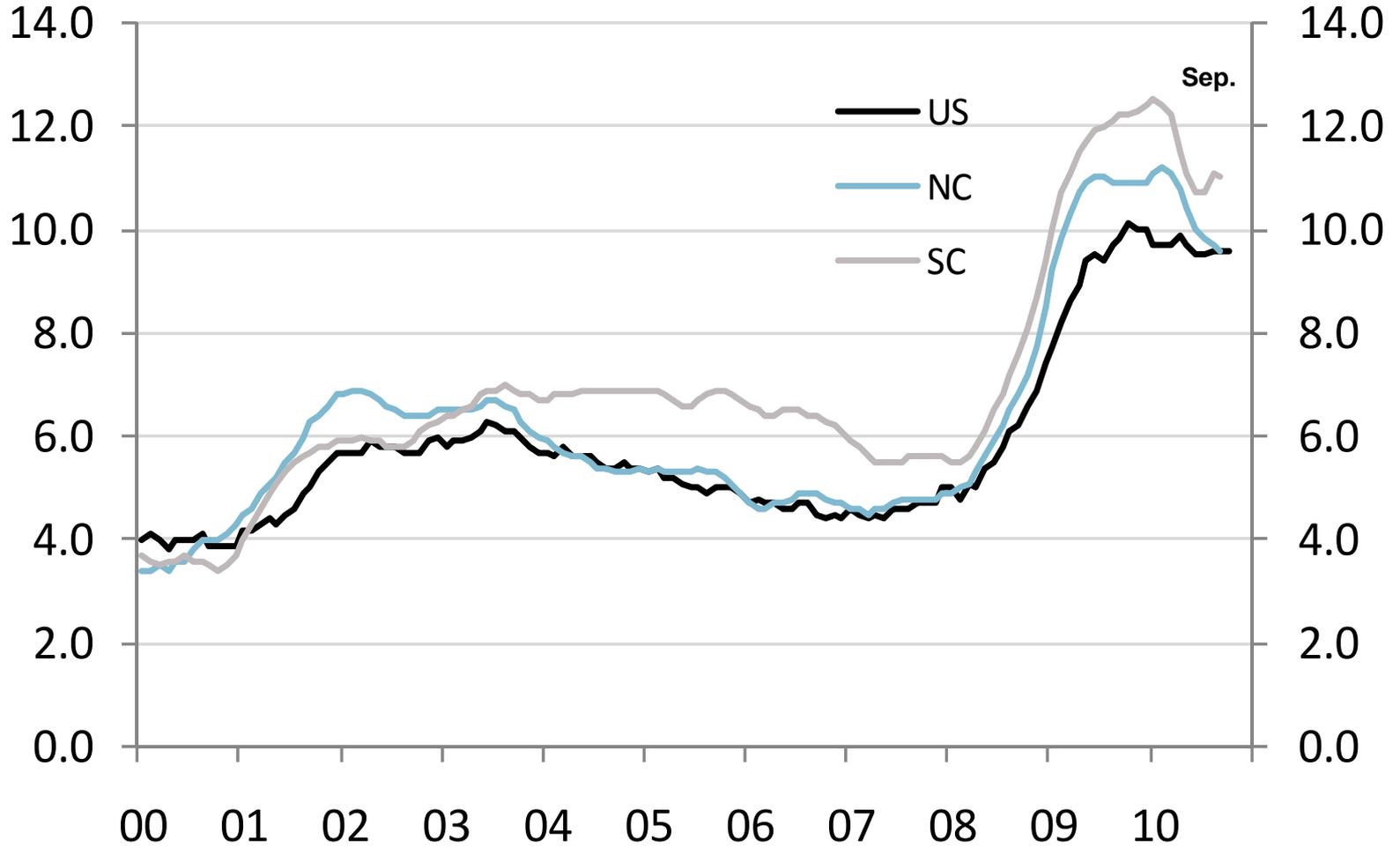
# Carolinas Business Activity Index

(Index > 0 indicates expansion)



# Unemployment Rates

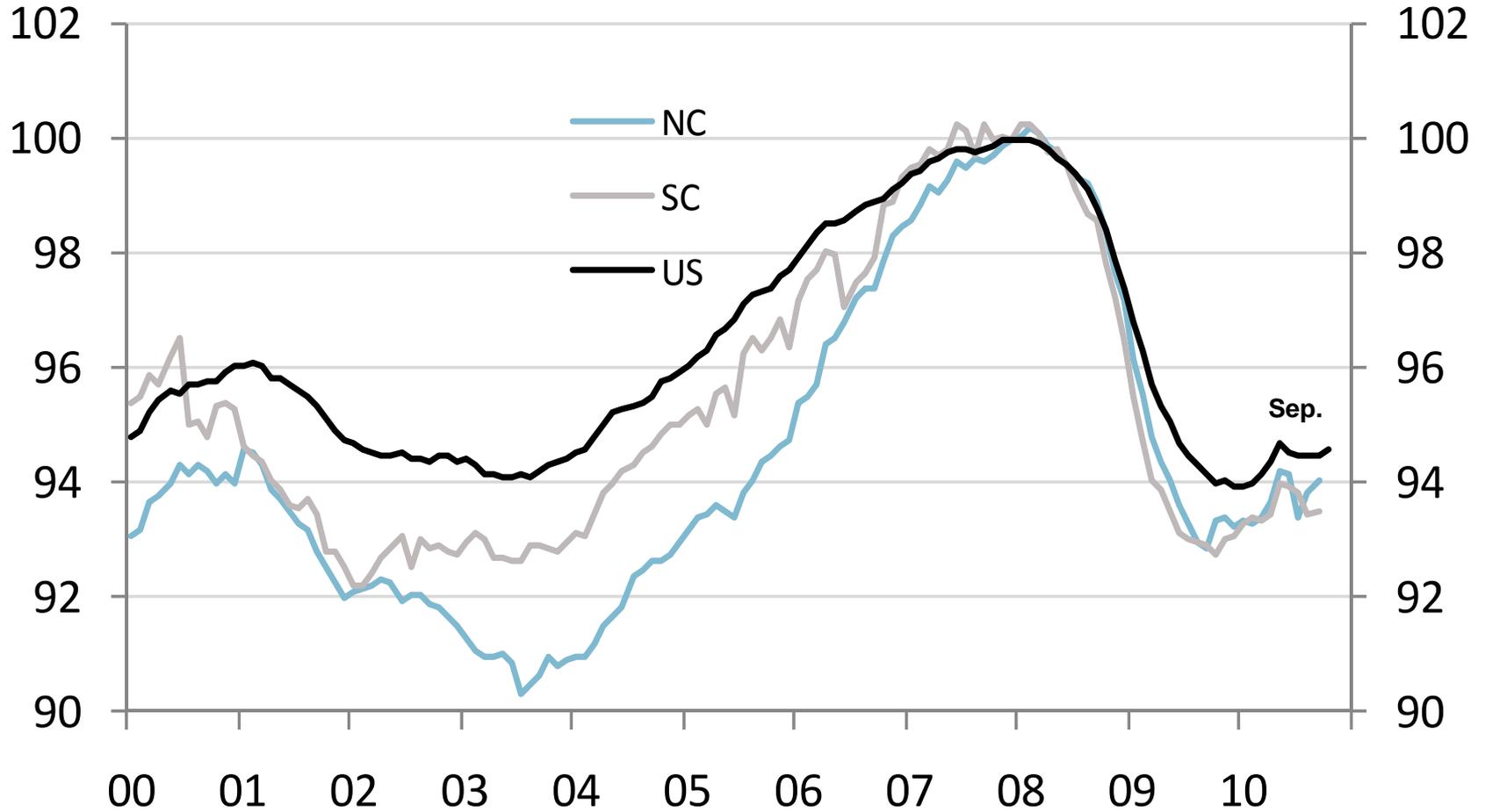
Percent





# Payroll Employment

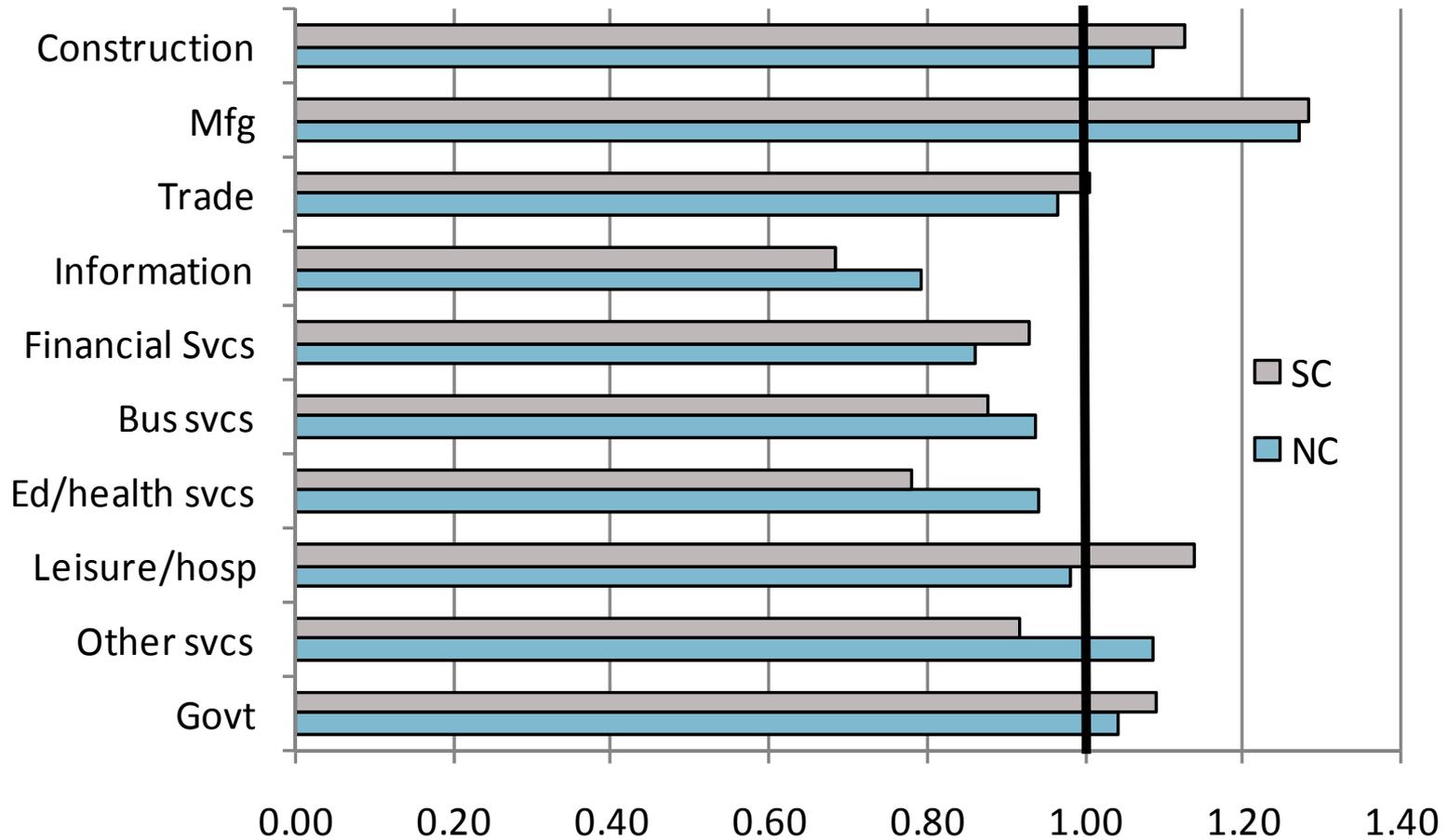
Index, December 2007 = 100





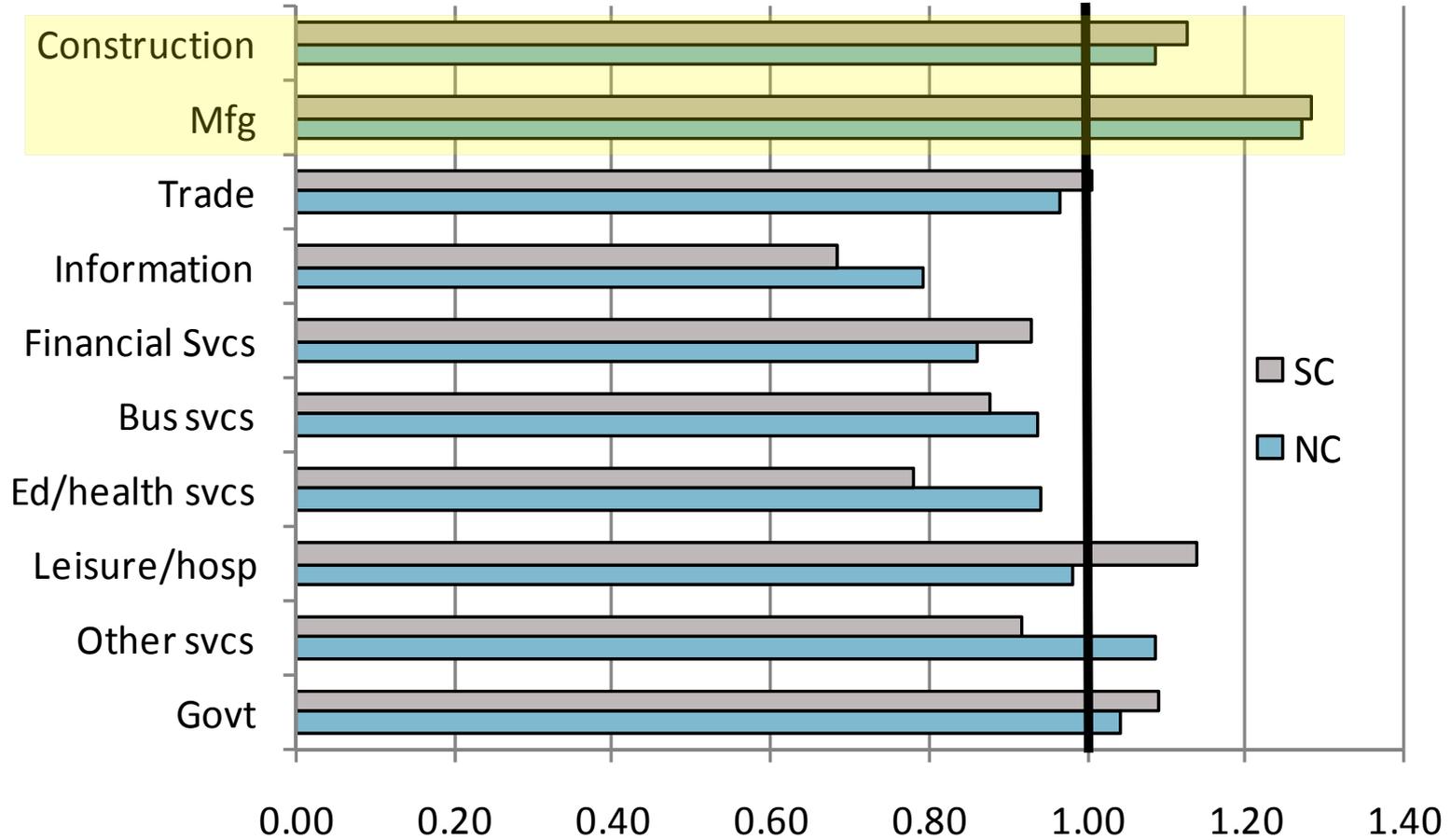
# Employment Concentration, The Carolinas

Location Quotients, U.S. average = 1.0



# Employment Concentration, The Carolinas

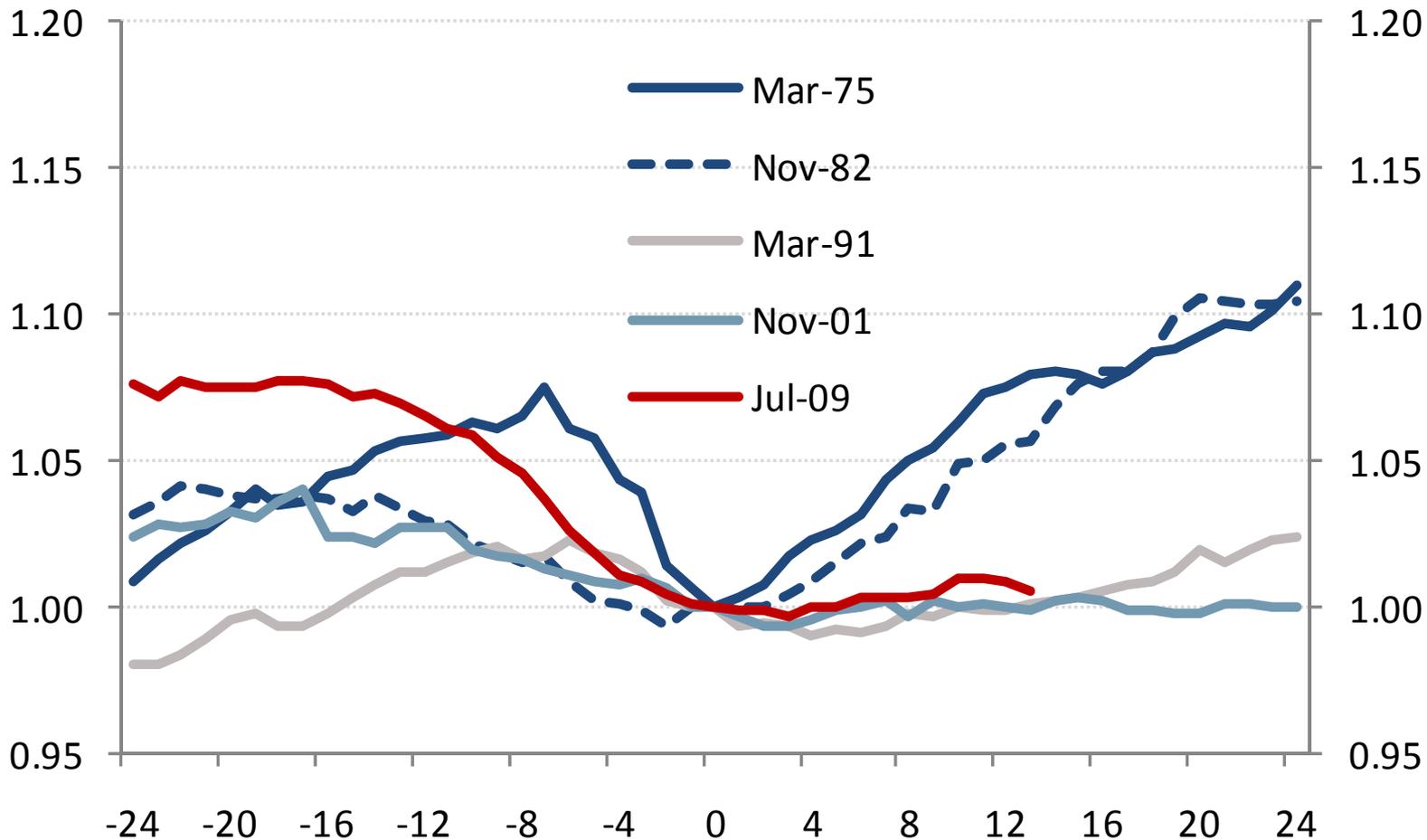
Location Quotients, U.S. average = 1.0





# Payroll Employment, South Carolina

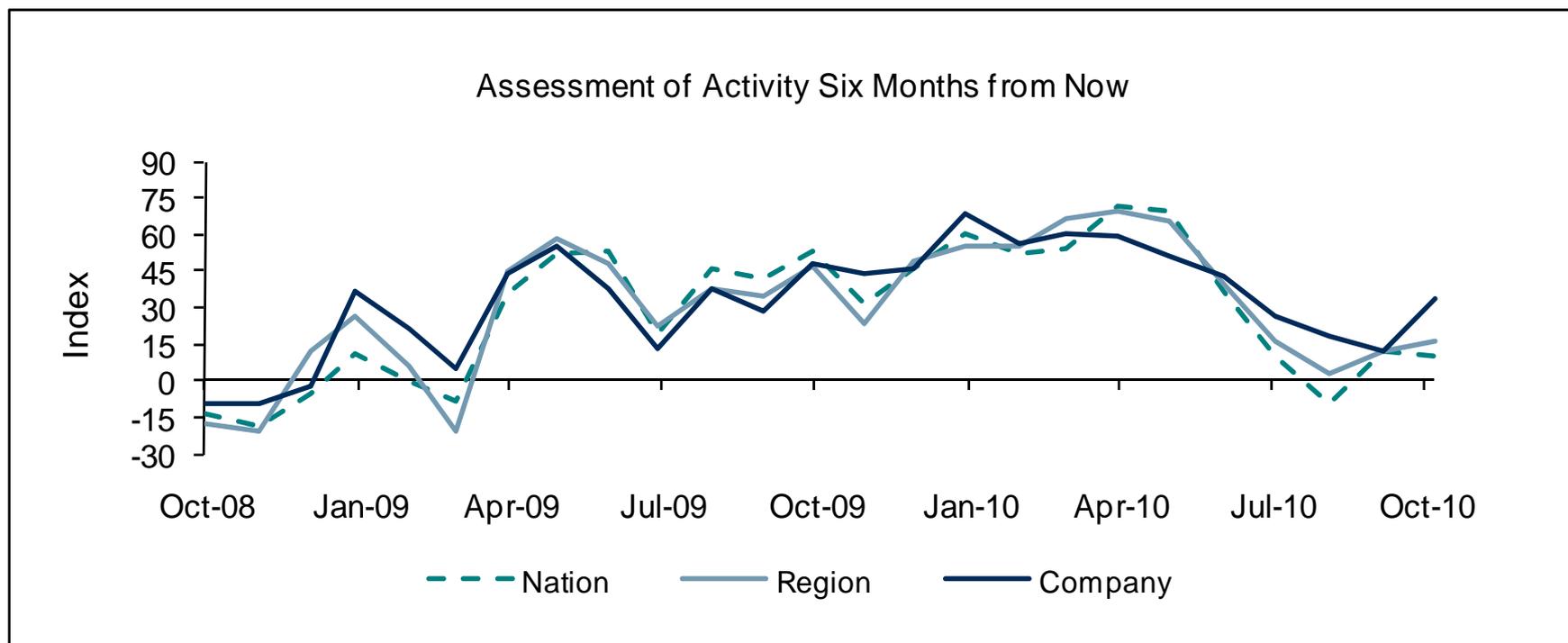
Index, recession trough = 1.00





# Carolinas Business Expectations Index

Index > 0 indicates expansion



# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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

# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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

# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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



# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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



# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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

# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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



# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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



# Real Gross Domestic Product

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
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
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
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



# Real Gross Domestic Product

	2009		2010			
	Q3	Q4	Q1	Q2	Q3	Q4?
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>						
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	
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>						
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	

# Real Gross Domestic Product

	2009		2010			
	Q3	Q4	Q1	Q2	Q3	<u>Q4?</u>
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>						
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	
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>						
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	

# Real Gross Domestic Product

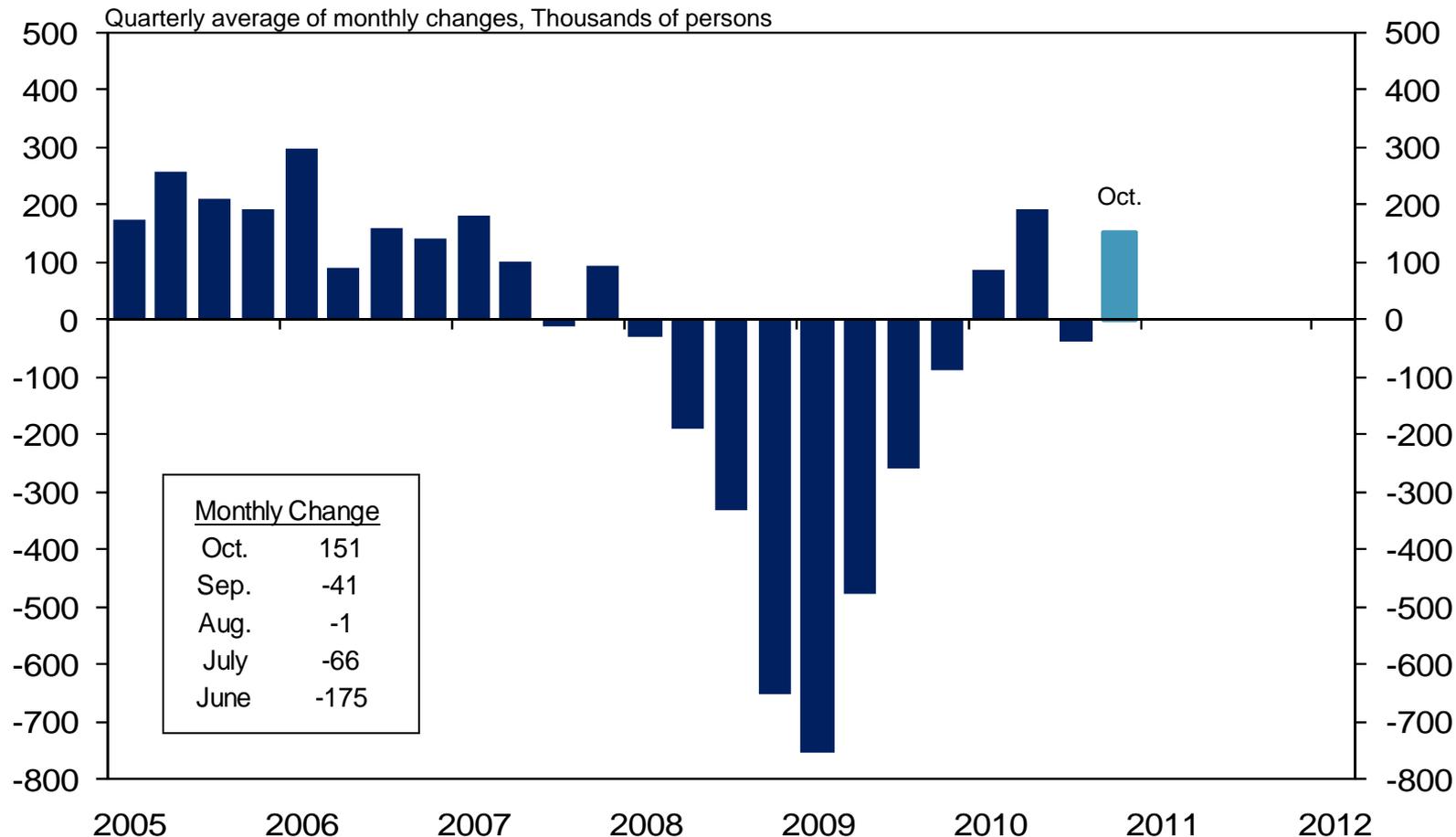
	2009		2010			
	Q3	Q4	Q1	Q2	Q3	<u>Q4?</u>
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>						
Gross Domestic Product	1.6	5.0	3.7	1.7	2.0	
Personal Consumption Expenditures	2.0	0.9	1.9	2.2	2.6	
Nonresidential Fixed Investment	-1.7	-1.4	7.8	17.2	9.7	
Structures	-12.4	-29.2	-17.8	-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	
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>						
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	

# Real Gross Domestic Product

	2009		2010			
	Q3	Q4	Q1	Q2	Q3	<u>Q4?</u>
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>						
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	
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>						
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	



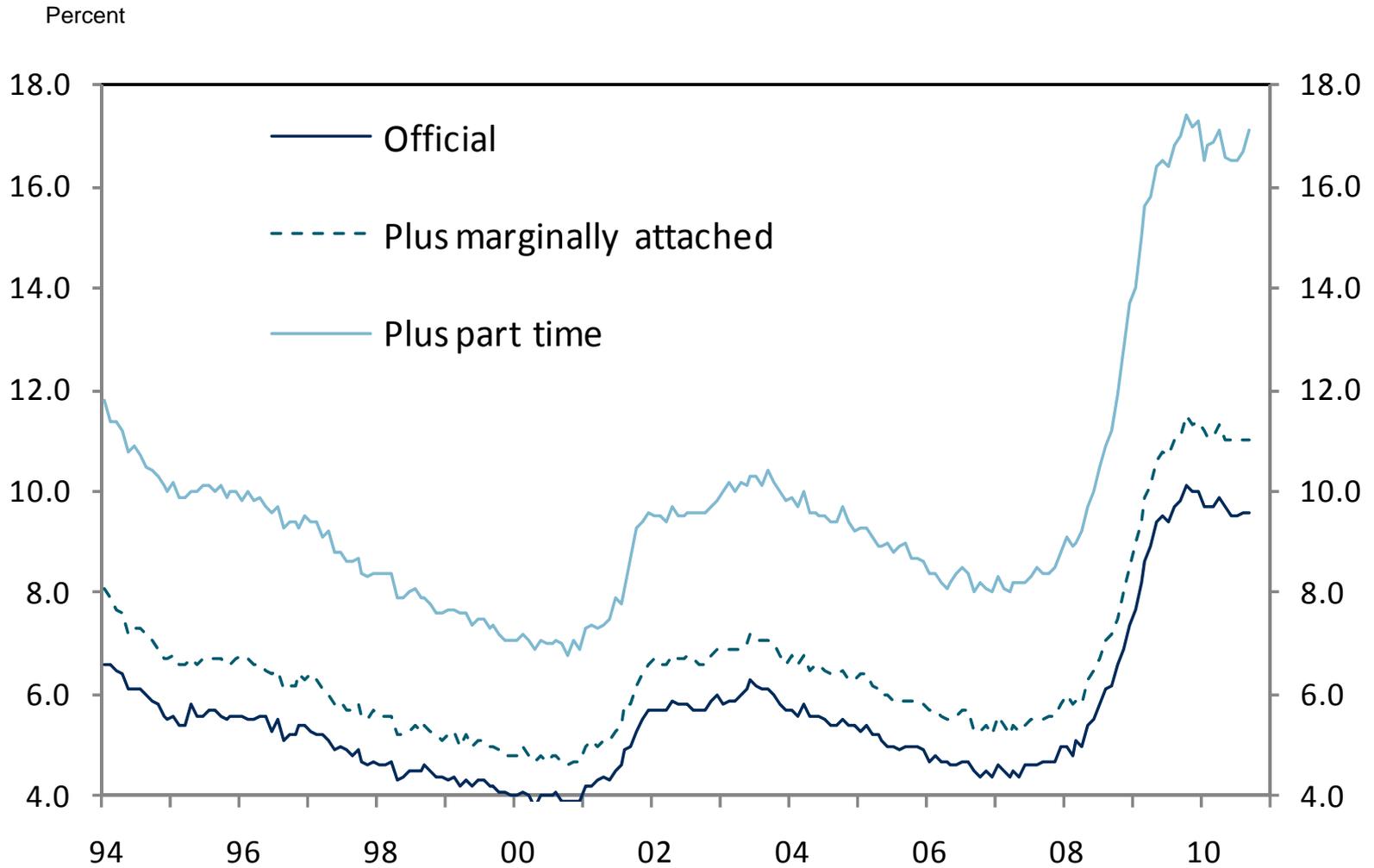
# Nonfarm Payroll Employment



Monthly Change	
Oct.	151
Sep.	-41
Aug.	-1
July	-66
June	-175

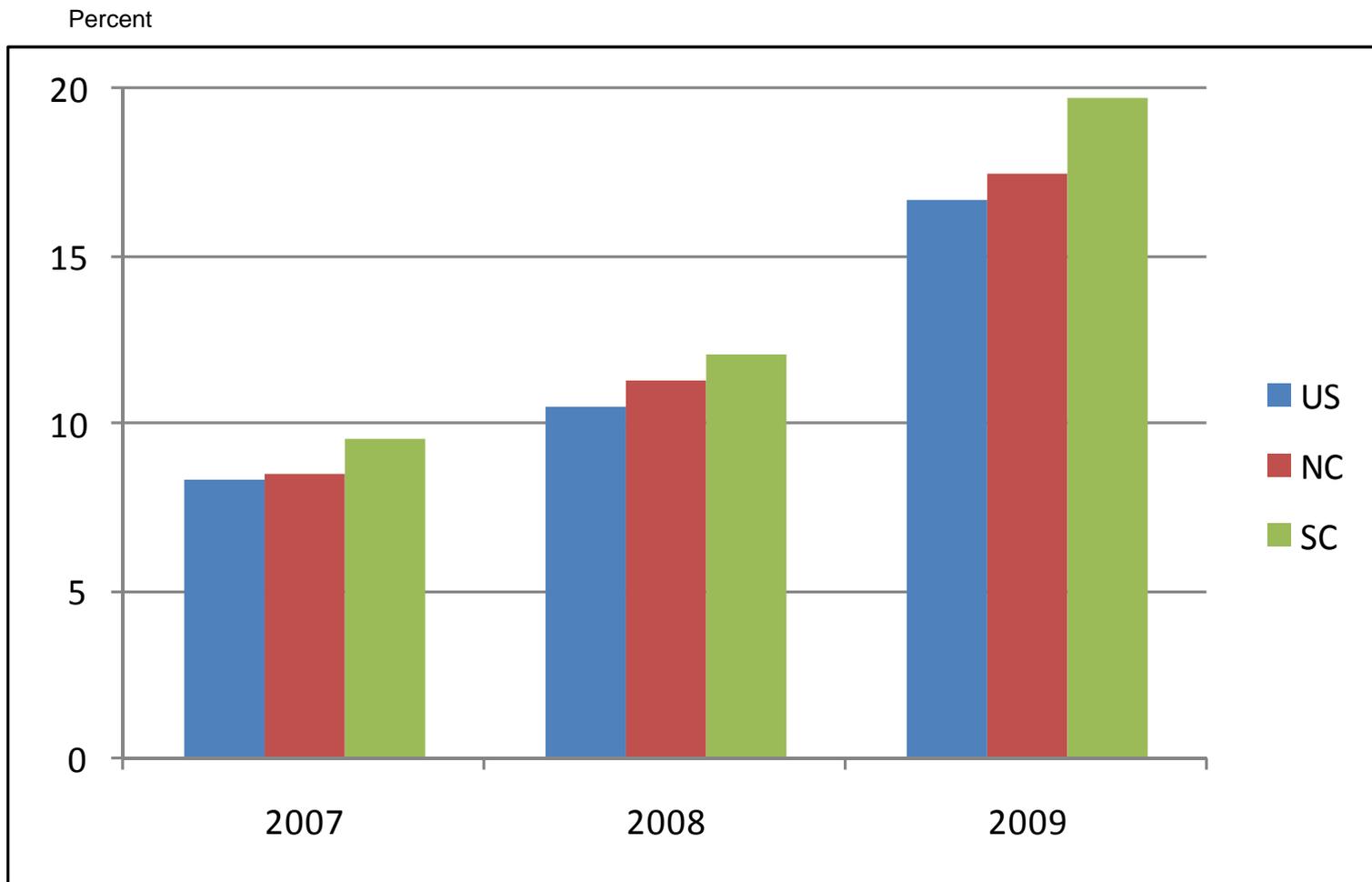


# Alternative Measures of Unemployment





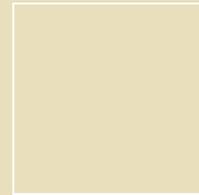
# Alternative Measures of Unemployment





**In short, a painfully slow recovery**





The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.



THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE