Overview

• National Economic Trends
  • Economy is slowing towards trend, but from an above trend pace as fiscal stimulus fades
  • Some things to watch: the yield curve, softer investment, home sales, Europe, China, others?

• Regional Economic Trends
  • Business Activity looks solid overall based on high frequency data
  • Regional differences persist, with large metro areas seeing the strongest growth
The National Economy
Economic growth expected to moderate over time

% Change, SAAR

U.S. Real Gross Domestic Product

Q3: 2018
US: 3.4%

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics, December 2018 Summary of Economic Projections
Business investment growing, though only modestly

% Change, SAAR

Q3:2018 2.5%

Source: Bureau of Economic Analysis/Haver Analytics
But recent monthly data is reasonably strong

Current $, Billions

New Orders: $69.3 billion
Shipments: $69.0 billion

November 2018:

Source: Census Bureau/Haver Analytics
Employment growth has enjoyed a sustained period of gains.

Average Monthly Change, Thous.

Source: Bureau of Labor Statistics/Haver Analytics
Solid job growth joined by declining unemployment rate

Wage growth is finally accelerating in a tight labor market

Source: Bureau of Labor Statistics/Haver Analytics
Consumer spending has grown steadily

Real Personal Consumption Expenditures
Real Personal Income

November 2018
RPCE: 3.0%
RPI: 2.7%
Construction of single-family homes remains subdued

### Single-family Housing Permits

- November 2018: Permits: 0.848
- 90's Average Permits: 1.010

### Single-family Housing Starts

- November 2018: Starts: 0.824
- 90's Average Starts: 1.105

Source: U.S. Census Bureau/Haver Analytics
Measures of inflation consistent with the Fed’s target

Personal Consumption Expenditure (PCE) Index

YoY % Change


November 2018
PCE Inflation: 1.8
PCE Less Food & Energy: 1.9

Source: Bureau of Economics Analysis, Federal Reserve Board of Governors/Haver Analytics
Summary of Economic Projections: Federal Funds Rate

Note: Each dot in the chart represents the value of an FOMC participant's judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made for the December 2018 meeting.

Source: Board of Governors
The yield curve is getting shallower

Slope of 10-Year and 3-Month

Source: Haver Analytics
The State Economy
Is this slower growth or maybe a lingering hurricane effect?

Source: Federal Reserve Bank of Richmond
South Carolina’s employment matching the U.S.

All Employees: Total Nonagricultural, South Carolina
% Change - Year to Year    SA, Thous

All Employees: Total Nonfarm
% Change - Year to Year    SA, Thous

Source: Bureau of Labor Statistics / Haver Analytics

Source: Bureau of Labor Statistics via Haver Analytics
Employment growth across most SC industry sectors

Percent change year-over-year

South Carolina - Total
Logging and Mining (NSA)
Construction
Manufacturing
Trade, Transportation, and Utilities
Information
Financial Activities
Professional and Business Services
Education and Health Services
Leisure and Hospitality
Other Services
Government

Source: Bureau of Labor Statistics/Haver Analytics
Employment growth varies across SC metro areas

November 2018

- Myrtle Beach: 2.4
- Charleston: 2.2
- Florence: 2.0
- South Carolina: 1.6
- Sumter: 1.5
- Columbia: 1.4
- Greenville: 1.0
- Spartanburg: 1.0

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment remains very low in SC …

Source: Bureau of Labor Statistics/Haver Analytics
... but unemployment rates vary substantially

Unemployment

- 2.5 - 3.9
- 4.0 - 4.8
- 4.9 - 5.7
- 5.8 - 6.9
- 7.0 - 10.5

Source: Bureau of Labor Statistics, annual average 2017
Similarly, labor force participation rates differ.

Source: U.S. Census Bureau, ACS, 5-year estimate, 2016
New home construction remains constrained

Permits: New Privately Owned Housing Units, South Carolina

Source: Bureau of Labor Statistics/Haver Analytics

Source: Census Bureau/Haver Analytics
Home price growth steady, however

United States
South Carolina
Economic growth in the U.S. continues to be solid, with tightening labor markets and some employers reporting difficulty finding and attracting skilled workers.

Consumer spending has held up, while business investment has moderated somewhat.

Housing markets have moderated, and construction activity is not back to where it was in the 1990s; inventories of new homes remain low.

South Carolina’s job growth is at least pacing the U.S., with many metro areas looking strong as well. Rural areas are challenged, however.
Resources
Inequality in and across Cities

By Jessie Romero and Felipe Schwartzman

Inequality in the United States has an important spatial component. More-skilled workers tend to live in larger cities where they earn higher wages. Less-skilled workers make lower wages and do not experience similar gains even when they live in those cities. This dynamic implies that larger cities are also more unequal. These relationships appear to have become more pronounced as inequality has increased. The evidence points to externalities among high-skilled workers as a significant contributor to those patterns.
Resources from the Richmond Fed – Data and Analysis

SNAPSHOT
A MONTHLY UPDATE OF THE FIFTH DISTRICT ECONOMY

January 2017

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity
October 23, 2018

Fifth District manufacturing activity expanded moderately in October, according to the results from the most recent survey by the Federal Reserve Bank of Richmond. The composite index fell from 29 in September to 15 in October, as indexes for shipments and new orders dropped, while the third component, employment, rose. However, survey respondents were optimistic, expecting to see positive growth across most measures in the coming months.

While the employment index rose in October, the indexes for wages and workweek dropped but remained positive, indicating continued but weaker growth. Firms were unable to find workers with skills they needed, as the skills index dropped to an all-time low of ~22. Respondents expect this struggle to continue in the next six months.

Both prices paid and prices received grew at an accelerated rate in October. Growth of prices paid continued to outpace growth of prices received and hit its highest rate since May 2011. Firms expect price growth to continue in the near future.
Resources from the Richmond Fed – Economic Education

Student Loans
Are yours afloat?

Inside:
• Beacons to guide student loan repayment
• Steering clear of student loan default

Invest in What’s Next: Life After High School
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.