National and Regional Economic Update

South Carolina Department of Commerce
February 26, 2020
National Economy
What is the Story?

• U.S. economic growth by the numbers looks solid
  – GDP is growing as anticipated
  – Labor markets are strong

• Manufacturing seems to be softening and sentiment broadly is less positive than the numbers. Data at the end of 2019 showed continued strength and slight rebounds from earlier in the year.

• The economies in North Carolina and South Carolina are growing robustly overall and this growth is outpacing the U.S.

• 2020 looks promising, but there are potential speed bumps ahead.
  – Election, Coronavirus fears
What is the Story?

Raleigh 3rd, Charlotte 7th fastest-growing large metro
Growth from 2010-2018 for top ten fastest-growing large (>1M) metro areas

Source: 2018 Population Estimates, U.S. Census Bureau
What is the Story?

Net migration main driver of growth across top metros
% of growth by component of change, 2010-2018

- Orlando: Net Migration 79, Natural Increase 21
- Charlotte: Net Migration 71, Natural Increase 29
- Austin: Net Migration 70, Natural Increase 30
- Raleigh: Net Migration 69, Natural Increase 31
- Nashville: Net Migration 69, Natural Increase 31
- Phoenix: Net Migration 66, Natural Increase 34
- San Antonio: Net Migration 64, Natural Increase 36
- Denver: Net Migration 62, Natural Increase 38
- Dallas: Net Migration 58, Natural Increase 42
- Houston: Net Migration 54, Natural Increase 46

Source: 2018 Population Estimates, U.S. Census Bureau
U.S. Real Gross Domestic Product

\[ \text{% Change, SAAR} \]

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics
Total Employment Growth

Average Monthly Change, Thous.

Monthly Change
January: 225
December: 147
November: 261

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment Rate

January 2020
US: 3.6%

Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics
Average Hourly Earnings

January: 3.1%

Source: Bureau of Labor Statistics/Haver Analytics
National House Prices

December 2019
Total: 4.0%
Non-Distressed: 3.7%

Source: CoreLogic Information Solutions, Inc.
Home Sales: United States

![Graph showing home sales trends from 2008 to 2020 with SAAR (Seasonally Adjusted Annual Rate) for new and existing home sales. The graph includes a comparison of the 90s average sales for new and existing homes.](graph.png)

Source: National Association of Realtors/Haver Analytics
Private Single-family Housing Starts & Permits

Millions, SAAR


90's Average Permits: 1.010
90's Average Starts: 1.105

January 2020
Permits: 0.99
Starts: 1.0

Source: U.S. Census Bureau/Haver Analytics
Private Multi-family Housing Starts & Permits

Source: U.S. Census Bureau/Haver Analytics

January 2020
Permits: 0.56
Starts: 0.52

90's Average Permits: 0.313
90's Average Starts: 0.268
University of Michigan Consumer Expectations

Source: University of Michigan via Haver Analytics
PCE Inflation

December 2019
PCE Inflation: 1.6
PCE Less Food & Energy: 1.6

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

Fed Funds Target Rate
Fed Funds Effective Rate

Source: Federal Reserve Board and FRBNY via Haver Analytics
The dot plot for the Fed Funds Rate

Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant’s judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

Source: Federal Reserve Board, September 2019 Summary of Economic Projections
Regional Economy
Manufacturing Index

Richmond Manufacturing Survey and ISM Manufacturing Survey

Manufacturing Composite Index (Left Axis)
ISM Manufacturing (Right Axis)

Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics
Service Sector Index

Richmond Service Sector Survey and ISM Nonmanufacturing Survey

- Services Revenue Index (Left Axis)
- ISM Nonmanufacturing (Right Axis)

Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics
South Carolina Industry Structure

December 2019

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>South Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources and Mining</td>
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<td>0.2</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Manufacturing</td>
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<td>Trade, Transportation &amp; Utilities</td>
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<tr>
<td>Information</td>
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<td>Government</td>
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<td>17.3</td>
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</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
South Carolina Industry Growth

Source: Bureau of Labor Statistics/Haver Analytics
South Carolina Unemployment Rate

December 2019
US: 3.5%
SC: 2.3%

Source: Bureau of Labor Statistics/Haver Analytics
Charlotte MSA Payroll Employment

Source: Bureau of Labor Statistics/Haver Analytics

December 2019
US: 1.4
SC: 1.3
Charlotte: 2.8
MSA Payroll Employment Growth in South Carolina

Source: Bureau of Labor Statistics/Haver Analytics

December 2019

- Myrtle Beach (NSA): 4.7%
- Spartanburg (NSA): 2.9%
- Greenville (NSA): 1.7%
- US: 1.4%
- South Carolina: 1.3%
- Charleston: 1.1%
- Florence: 0.8%
- Columbia: 0.7%
- Sumter: -0.5%

Source: Bureau of Labor Statistics/Haver Analytics
Employment Growth by Locality

Source: Bureau of Labor Statistics/Haver Analytics

YoY % Change

York County
Chester County
Lancaster County

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment Rates by Locality

December 2019
US: 3.5%
SC: 2.3%

York County: 2.3%
Chester County: 5.7%
Lancaster County: 2.9%

Source: Bureau of Labor Statistics/Haver Analytics
A Closer Look at MSA Growth: South Carolina

Bubble size: Total Employment - December 2019

Source: Bureau of Labor Statistics/Haver Analytics
Summary

- Recent economic data indicates continued growth in the U.S. economy. Labor markets are tight and consumer spending is solid.
- After declining sentiment through the midpoint of 2019, the economy ended 2019 on a strong point with increased sentiment and a rebound in residential fixed investment.
- The states in the corner of the Southeast continue to grow, and cities like Charlotte and Raleigh continue to outpace the rest of the U.S.
- All of the quickly growing metro areas are experiencing typical issues related to rapid growth: increased demand for talent, increased housing prices, and increased stress on public infrastructure.
- Things aren’t this positive everywhere. It’s important to remember that some of our communities are facing declining populations, employment and tax bases.
Expectations for 2020

• Continued positive economic growth, likely in line with 2019, with estimates remaining around 2.0%.

• 2020 does bring with it some uncertainty
  – Elections
  – Recession in Europe?
  – Trade/international relations
  – Coronavirus

• The outlook for North Carolina and South Carolina remains positive, and regional growth will likely exceed national growth again in 2020.
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.