CAROLINA DIGEST
A Special Report on South Carolina

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- **South Carolina Growth Time**
- **Looking inside the State**
- **South Carolina's Changing Economy**

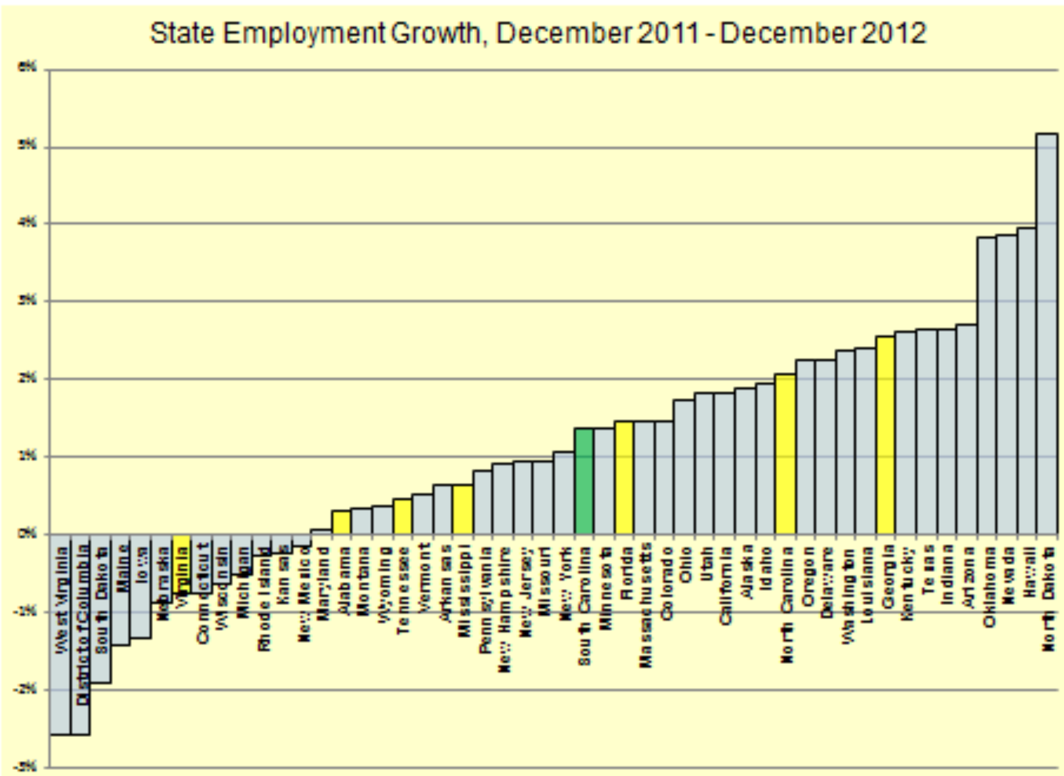
South Carolina's Turn to Grow

With the U.S. registering pale 2.0% real GDP growth, Europe at a standstill, but the global economy popping corks, how is the Palmetto state faring? Of course, it depends on where you are. Which city or town, which county, and which zip code matters. And relative to what? How does South Carolina compare with other states. Let's take a figurative walk across the country. We will then look inside the box, examine S.C. counties and metropolitan areas, reflect on transitions that are occurring in the state, and close out with a peak at state government revenues..

A Cross-State Comparison

Relative to what comes first. The next chart shows growth rates for the 50 states and D.C. for a recent 12-month period. A glance at the extremes shows North Dakota breaking 5.5% and at the other end, West Virginia losing ground at the rate of 2.5%. Number 24 from the top, South Carolina rests about in the middle of the pack, looking better than Tennessee, Mississippi, Alabama and Virginia, but not as good as Florida, Georgia, and North Carolina. But middle of the pack is not exactly a bad place to be.

South Carolina also ranks 24th in the 2011 Kauffman Foundation state entrepreneurship index, which reflects the rate at which the population opens new businesses.[1] Incidentally, the state ranks 27th in the 2013 report on *Rich States, Poor States: Economic Competitiveness Ranking* issued by the American Legislative Exchange Council.[2] It seems logical that state employment growth would be higher where it is easier to open and expand business. It also seems to follow that a middling rank in competitiveness would go with middling employment growth.



Looking at a Larger Indicator

Let's consider real per capita GDP growth, a more encompassing measure of economic activity. GDP growth provides the economic stuff that goes into personal income, savings, and the ability to pay off debt and avoid bankruptcy. The next chart gives the most recent state growth data for 2010-2011. As indicated, South Carolina looks good in light blue, not the darkest blue on the map, but real per capita GDP growth is positive.

Pause here and celebrate!

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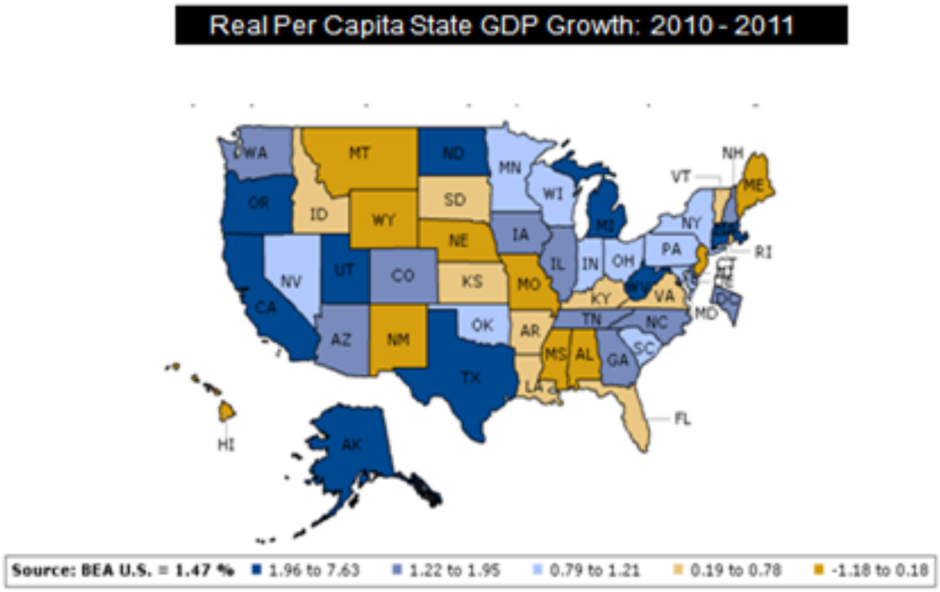
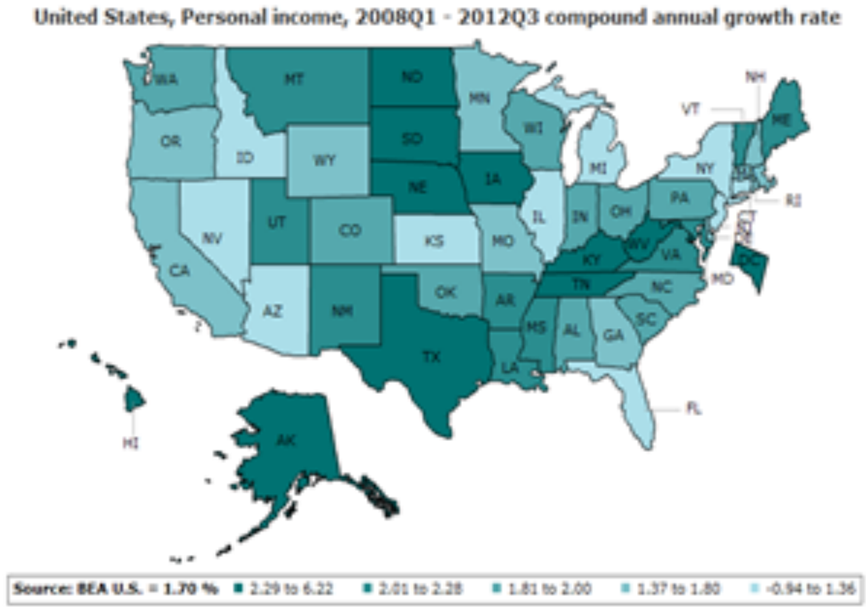
[1] See http://www.kauffman.org/research-and-policy/kauffman-index-of-entrepreneurial-activity.aspx.
[2] On this see http://www.alec.org/docs/RSPS_5th_Edition.pdf.



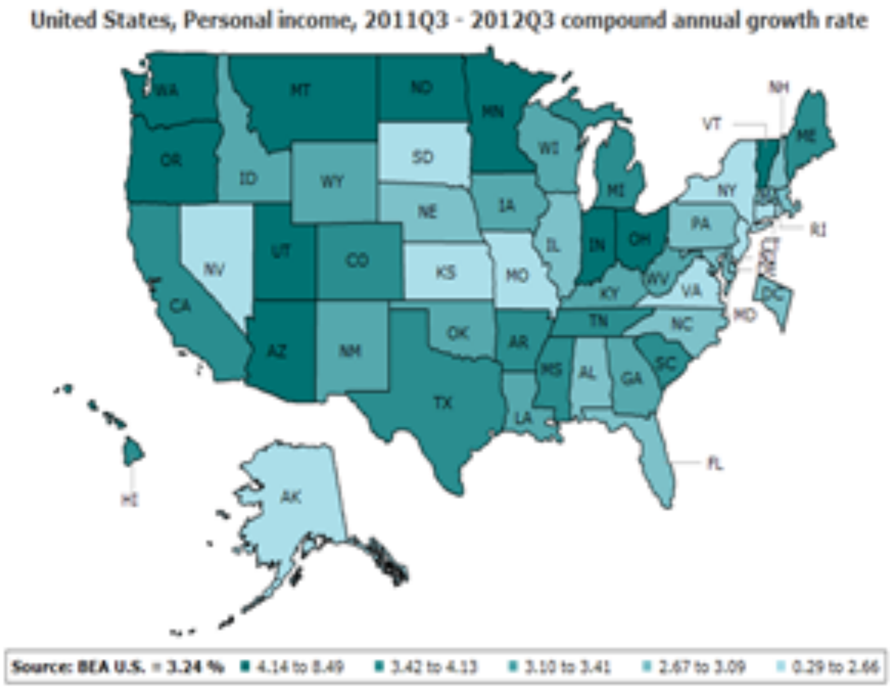
Total Personal Income Growth

Let's take yet another tack in our search for growth indicators. Real GDP is what we produce. Total personal income is what we receive, and what we receive includes transfer payments from retirement and welfare benefits that were funded at an earlier time or by other people. We can be in a community with low GDP growth but high income growth. The next chart shows growth in state total personal income for the period 2008Q1 through 2012Q3. Please note that the period includes the Great Recession and the recovery from it.

South Carolina's 2.00% growth rate places the state in the third growth quintile and makes the state one of the strongest in the neighborhood. Neighboring states have the following growth rates: Alabama, 1.84%; Florida, 1.03%; Georgia, 1.58%; North Carolina, 1.83%; Florida, 1.03%, Alabama, 1.84%, Tennessee, 2.48%; and Virginia, 2.25%. I call attention to the square states in the middle of the map. Here we see the effects of energy production—oil, coal, gas, and ethanol—combined with some of the highest educational attainment in the country.



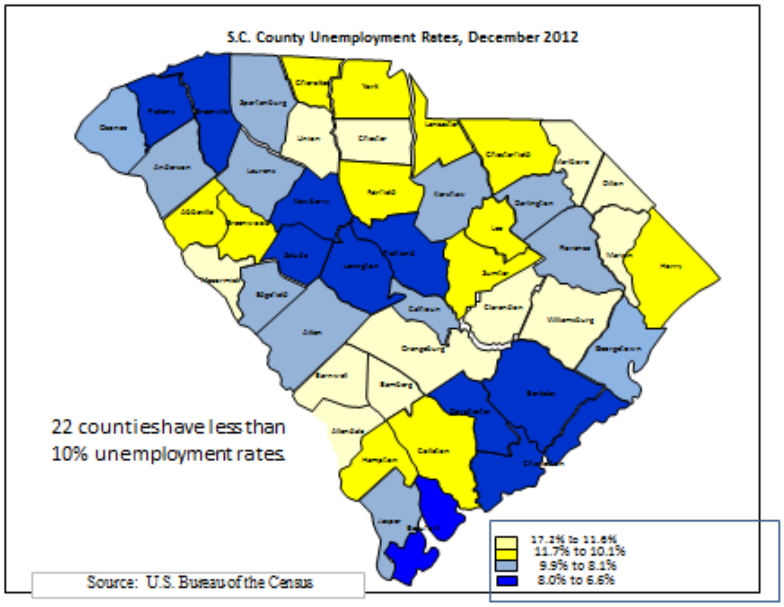
If we examine the most recent year's growth rate reported in the next map, we observe South Carolina's darker blue hue. Indeed, with a 3.53% growth rate, the state has the second strongest growth rate in the region. Only Tennessee, with 3.64%, has a larger growth rate. Taking the maps together, the data tell us the South Carolina economy has been gaining momentum with the passage of time. The more recent the data, the better things look. Whether that continues is, of course, unknowable.

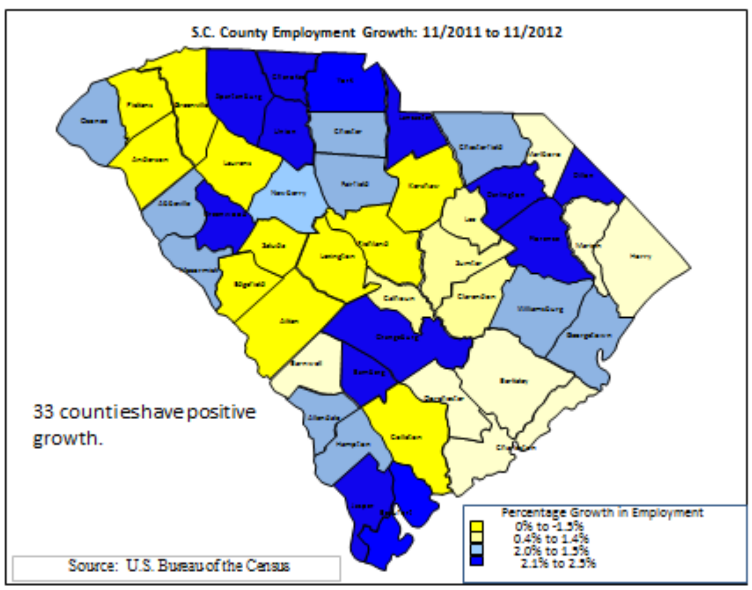


Looking Inside the State

Now let's look inside the state. We have pockets of prosperity, and we also have counties and communities that still are experiencing little to no growth. But when all the data are put in a churn and turned, the outcome looks pretty good. Consider the next three county-outline maps. Here we see immediately pockets of strengths and weakness. The first map shows the December 2012 unemployment rate. Notice the counties that have an unemployment rate in the 17.2% to 11.6% and at the other end of the scale, where unemployment ranges from 8% to 6%. Blue is obviously the preferred color. There are 22 counties with less than 10% unemployment rates.

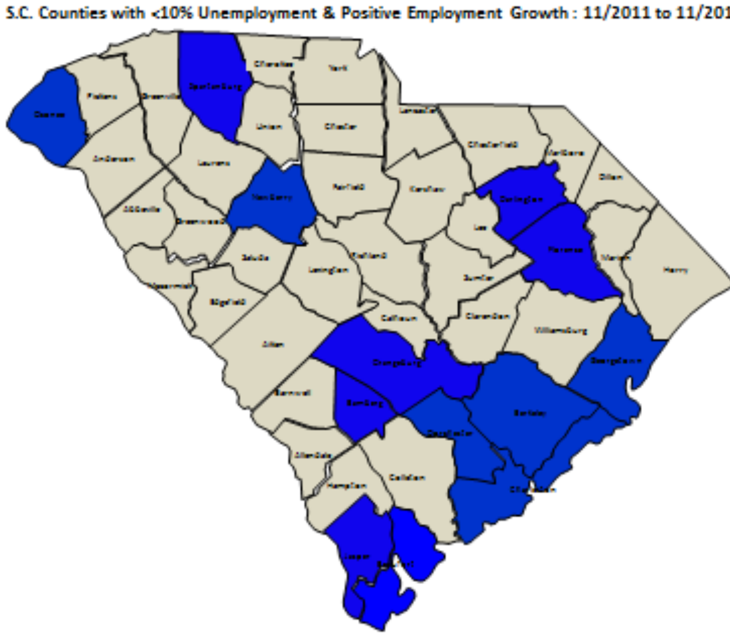
The second map reports county employment growth from November 2011 through November 2012. Once again, blue is the preferred color. For the year reported, 33 counties showed positive employment growth. Some of the growth counties are also high unemployment counties. And some of the low unemployment counties show zero to negative employment growth.





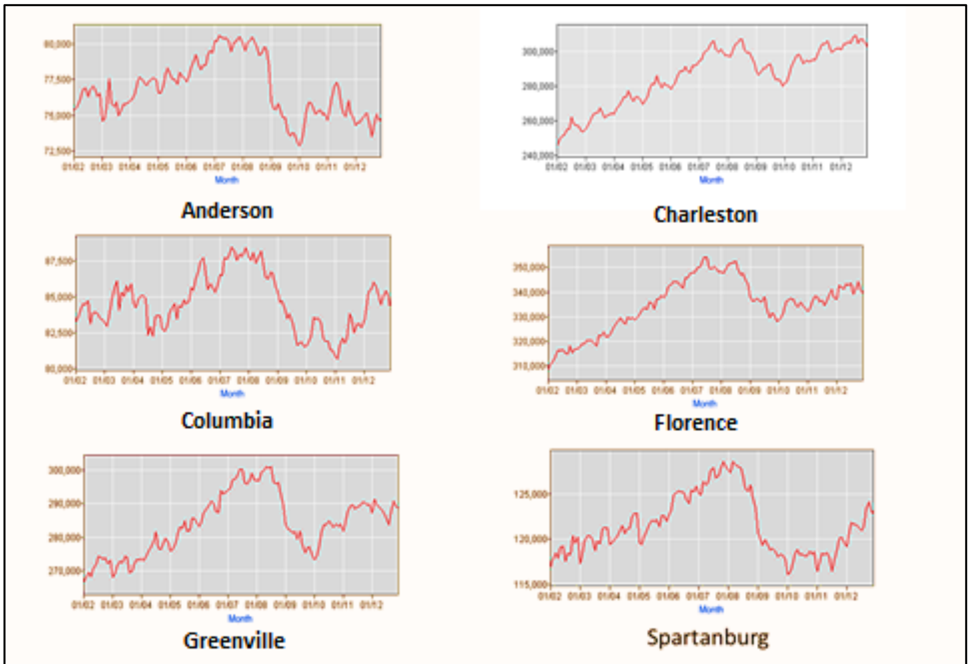
The data are combined in the third chart to give a composite measure of employment wellbeing. The blue counties have a less than 10% unemployment rate and positive growth over the most recent 12 months. As indicated, South Carolina's current employment muscle is found in the low country.

S.C. Counties with <10% Unemployment & Positive Employment Growth : 11/2011 to 11/2012



Metro Area Employment Trends

When we look at employment trends for S.C. metro areas we see a mixed bag. As indicated in the accompanying chart, Charleston is by far the strongest economy. Total employment there is well above the previous 2007 peak and continues to rise. Spartanburg is also showing remarkable employment muscle, while Columbia and Greenville are tracking a recovery path. All three have a way to go to reach the 2007 recovery level. Florence did not lose as much ground as the other metro areas when the Great Recession hit, and shows a steady-paced recovery pattern. Anderson, on the other hand, was hit hard by the recession and then showed an employment spurt with some major industrial expansion. Since then, the employment pace has slowed.

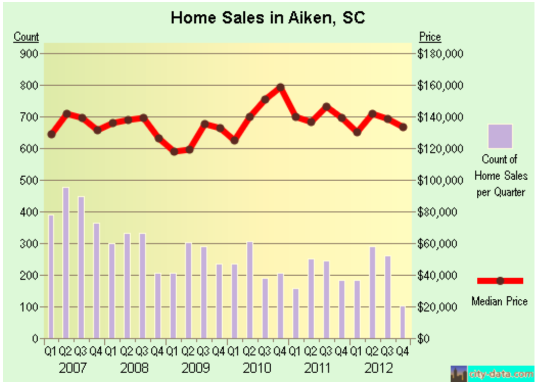


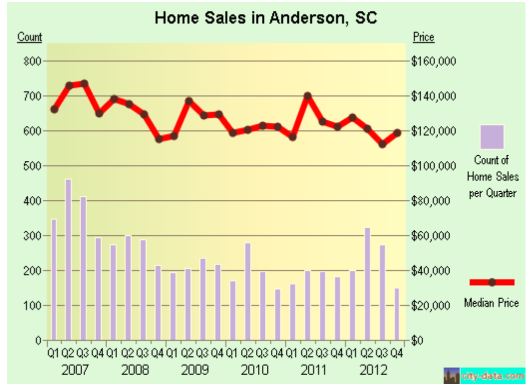
EMPLOYMENT GROWTH, 1/2002 – 12/2012

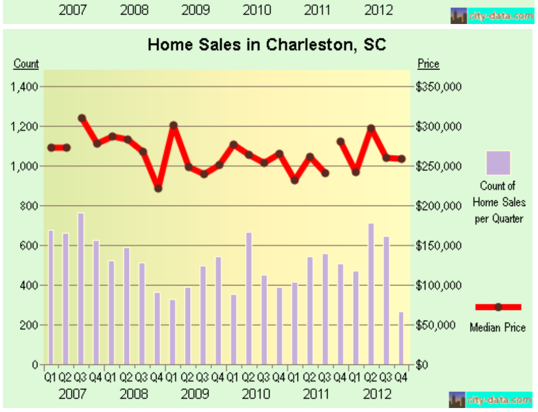
How about Metro Housing?

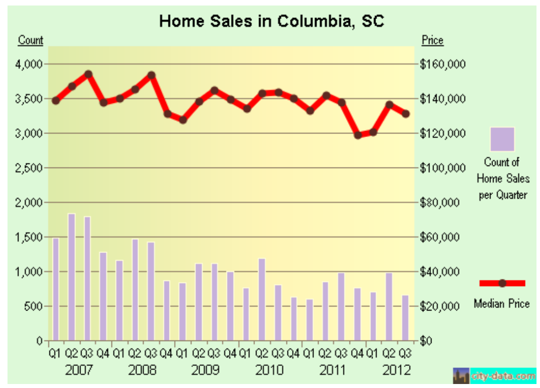
The next seven charts provide S.C. metro data on the number of housing units sold and their median prices for 2007 through 4Q2012. Generally speaking, given the past problems, seeing a flat to rising median price is a sign that markets are stabilizing. Of course, the larger the number of units sold, the stronger the recovery. The data here allow one to review past trends and compare the present situation.

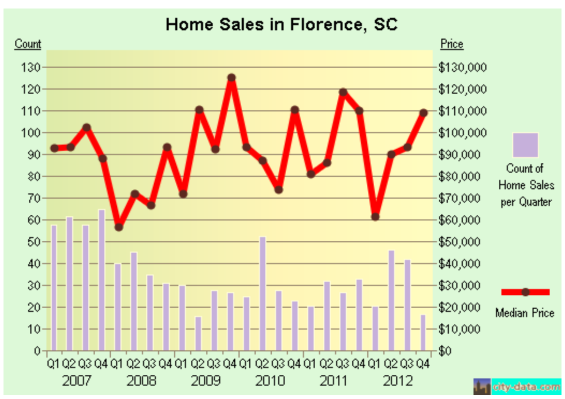
As indicated, Charleston appears to be the stronger housing market, with Greenville running close behind. Columbia continues to show weakness while Aiken, Anderson, Florence and Spartanburg show stability.

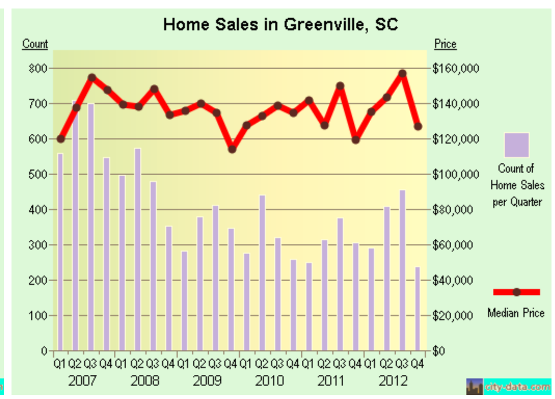

Home Sales in Aiken, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com

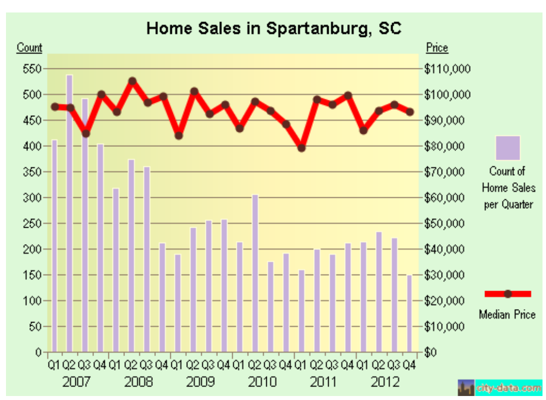

Home Sales in Anderson, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com


Home Sales in Charleston, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com


Home Sales in Columbia, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com

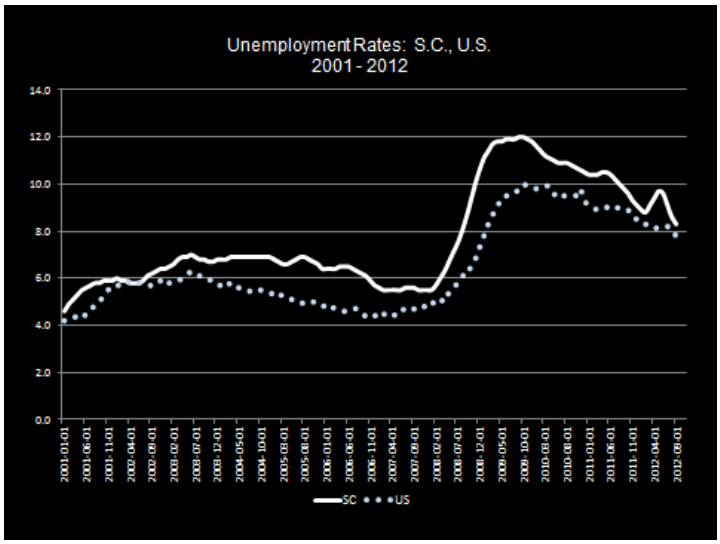

Home Sales in Florence, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com


Home Sales in Greenville, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com


Home Sales in Spartanburg, SC
Count
Price
Count of Home Sales per Quarter
Median Price
2007 2008 2009 2010 2011 2012
city-data.com

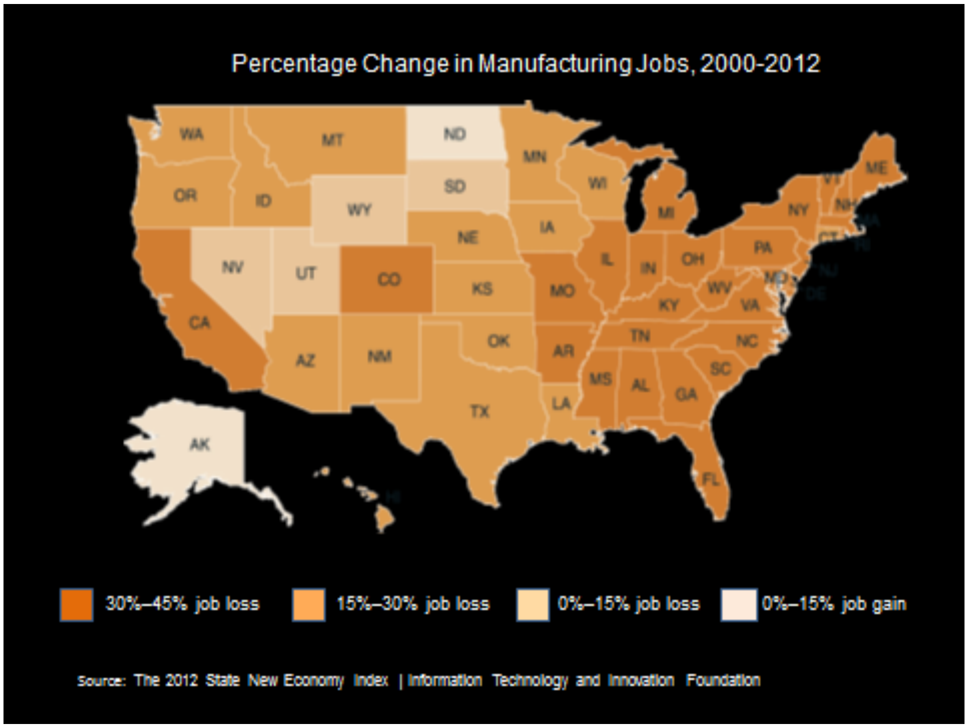
South Carolina's Changing Economy

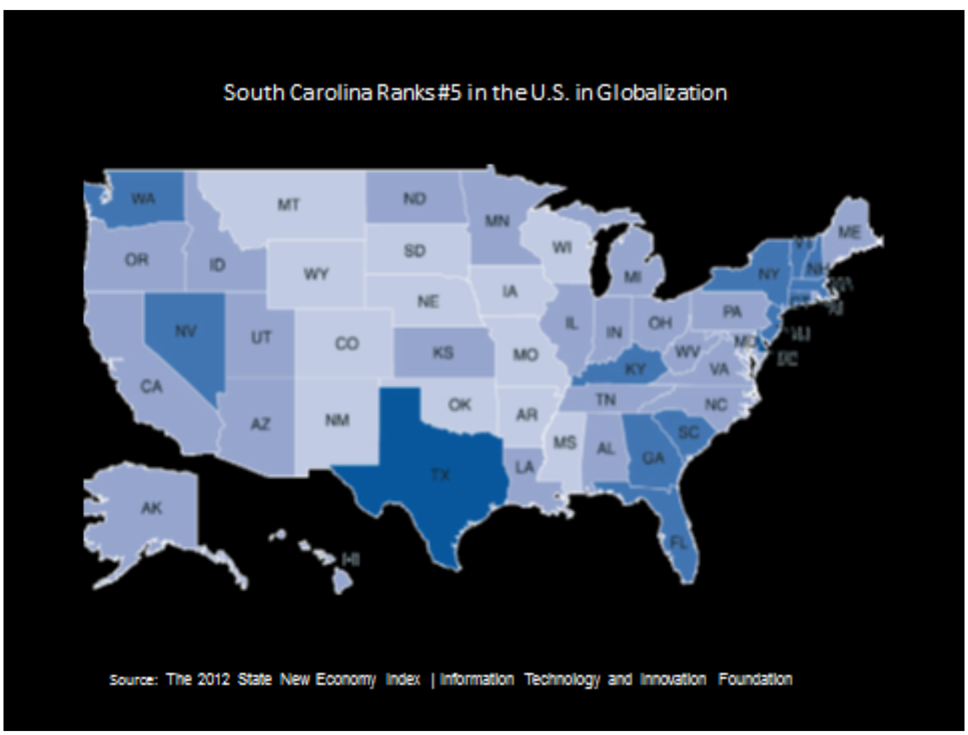
Over recent years, South Carolina's employment picture has become more closely attuned to that of the nation. By this I mean that the state is no longer struggling as much with employment transitions from declining to expanding sectors. A comparison of the state unemployment rate across time with the nation's unemployment rate gives an indication of what I am describing. As shown here, the gap between the two rates is slowly disappearing.



Part of this transition has taken a heavy toll on manufacturing employment, but not on manufacturing output. As indicated in the next map, South Carolina and 47 other states have experienced a decline in factory jobs since 2000. Alaska and North Dakota are the outliers. The losses have generally been offset by expanded services employment. But there are rising and declining manufacturing industries in the picture. Nondurable goods employment has fallen while durable goods industries have gained. This has happened in South Carolina along with another significant element to be seen in the state's manufacturing transition. The state's changing economy has become intensely associated with the global economy. I should say *fortunately associated* with the global economy, because it is the developing world that is currently experiencing a high rate of economic prosperity.

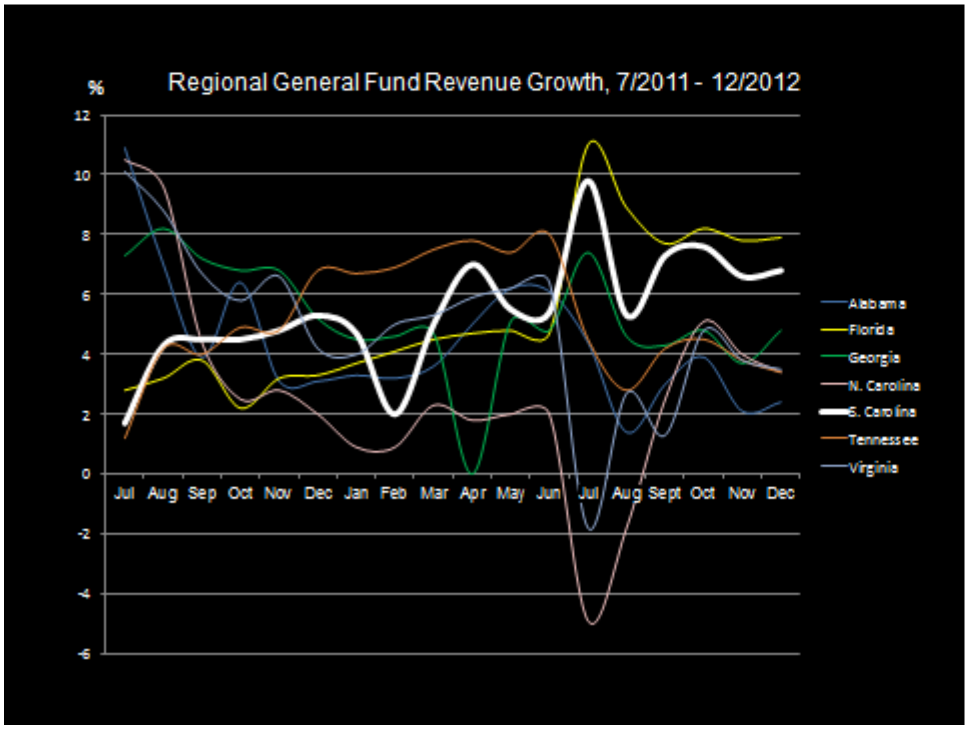
The last map shows South Carolina, #5 in the United States in terms of international intensity. The darker the blue, the larger the global linkage. This is measured by the share of employment in international and exporting firms.


Percentage Change in Manufacturing Jobs, 2000-2012
WA
MT
ND
MN
OR
ID
WY
SD
WI
MI
NY
ME
NE
IA
NV
UT
CO
IL
IN
OH
PA
KS
MO
KY
WV
VA
CA
AZ
NM
OK
AR
TN
NC
SC
MS
AL
GA
TX
LA
AK
FL
30%–45% job loss
15%–30% job loss
0%–15% job loss
0%–15% job gain
Source: The 2012 State New Economy Index | Information Technology and Innovation Foundation


South Carolina Ranks #5 in the U.S. in Globalization
WA
MT
ND
MN
OR
ID
WY
SD
WI
MI
NY
ME
NE
IA
NV
UT
CO
IL
IN
OH
PA
KS
MO
KY
WV
VA
CA
AZ
NM
OK
AR
TN
NC
SC
MS
AL
GA
TX
LA
AK
FL
HI
Source: The 2012 State New Economy Index | Information Technology and Innovation Foundation

And How about State Revenues?

State general fund revenue growth gives an indirect reading of the underlying health of the state's general economy and provides information on prospects for provision of public sector services. As seen in the next chart, general fund revenue growth has headed north and is moving at about a 3% annual growth rate. Just how healthy is this? A comparison for neighboring states tells us that only Florida's growth rate exceeds South Carolina's. The growth pulse beat for the other states is much weaker.



Final Thoughts

And so how is South Carolina doing? Obviously, it depends on how and where we look. The Great Recession is history, but its imprint is still seen and felt when we examine employment recovery and housing markets. While recovery to pre-recession levels of employment is still yet to be experienced uniformly across the state, there are impressive pockets of prosperity where wealth creation is occurring at a high pace. At this point in the state's history, that strength is found in low country. But there are other pockets of prosperity to be observed in the midlands and upstate. It is also important to note that 33 S.C. counties experienced recent employment growth, and some of those were high unemployment counties. With only weak expectations for 2013 national GDP growth and with massive levels of uncertainty being generated by Washington, South Carolina's prospects remain about like the nation's, with one major exception. South Carolina has stronger ties to the developing world than does the nation. State export growth matters a lot. And to that I add one last small spoon of economic sugar. People vote with their feet, and more people are choosing to live in South Carolina. We have a growing stock of the ultimate resource: Human beings.