

South Carolina Digest

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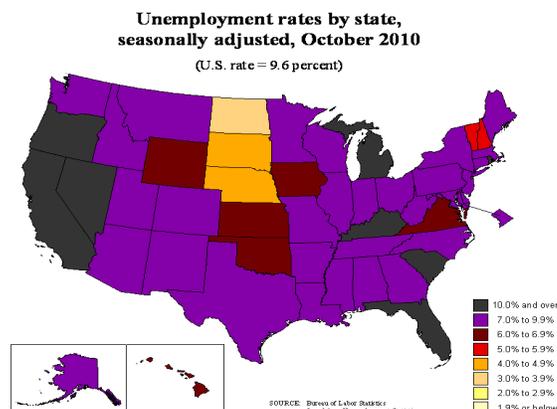
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Ending the year and lagging the nation.

With 2010 ending and South Carolina lagging, it is time to look at some pictures and data and assess the economic situation for the state. In some ways, the most recent Bureau of Labor Statistics state unemployment map captures the essence of the situation. When the October data were painted across the map, South Carolina was one of 8 states with unemployment 10% or greater. The state's unemployment rate first hit 10% in January 2009...and stuck. At that time, only Michigan shared the higher unemployment distinction. Of course, South Carolina and Michigan shared a common trait. They were both heavy vehicle component producers.

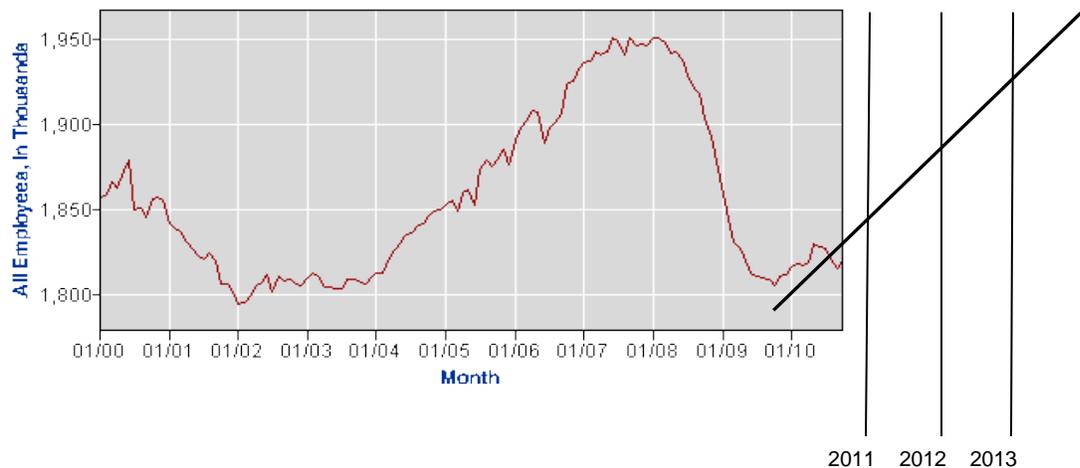


What is it that our state (10.7%) has in common with California (12.4%), Florida (11.9%), Kentucky (10.0%), Michigan (12.8%), Nevada (14.2%), Oregon (10.5%), and Rhode Island (11.4%), other than greater than 10% unemployment? Not much. Similar situations can be found, but each state faces its own set of challenges. California, Nevada, and Oregon represent the severe cases of West Coast over-expanded housing. Florida is the East Coast poster child for housing over-investment. Kentucky, Michigan, and South Carolina are heavy automotive states caught in transformations from older to newer industries. Michigan is in a transition from the old Big Three plants to the new Asian model. Kentucky is moving from tobacco to modern industry, and South Carolina is in a long transition from high labor using textiles and apparel to new low labor using manufacturing and services. Buried in some of the high unemployment stories are facts about high taxes, heavy regulation, and outmigration. Rhode Island and California share these traits. And Rhode Island and California have also suffered from recent natural disasters.

Transitions do not last forever. Employment is improving.

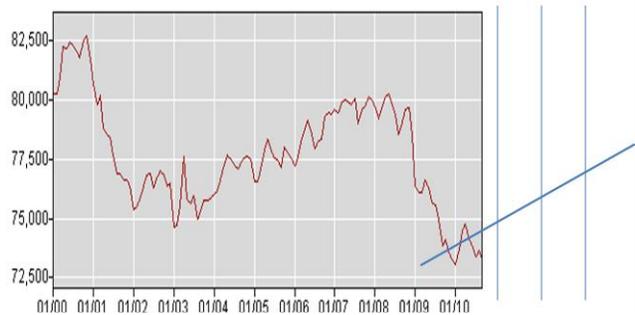
South Carolina's total employment picture provides clues for future recovery. As can be seen here, recession depleted employment bottomed in August 2009, which was a couple of months after the Great Recession's June 2009 official ending. Since then, a pattern of monthly recovery points is emerging that enable one with courage to make a recovery projection. If this recovery follows the slope of the most recent 2004-07 recovery, then we can look forward to seeing the December 2007 level of employment by 2Q2013. Of course, the labor force will have grown in the intervening months. This means we will see recovery level employment but a high level of unemployment.

South Carolina Employment 1/2000 – 10/2010

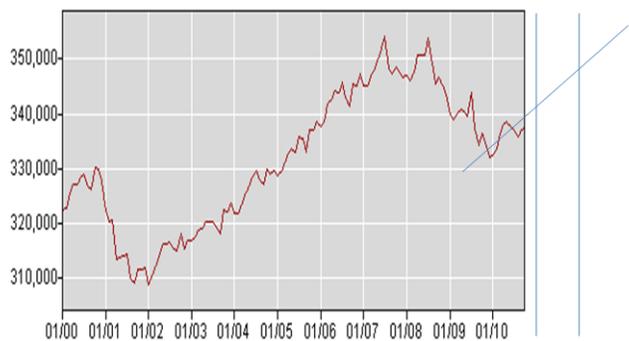


The state picture is a summation of actions taken across counties, cities, and regions and firms and organizations. We observe a very different employment picture for the state metro areas. I show six of these in the figures that follow. I have placed a ray in each figure that traces an employment expansion path based on the previous recovery. Anderson's recovery is shown to take place around 2015. Charleston's and Charlotte/Rock Hill by 2012. Columbia and Florence by 2Q2012. And Greenville by 2Q2013. .

Anderson, 1/2000 – 10/2010



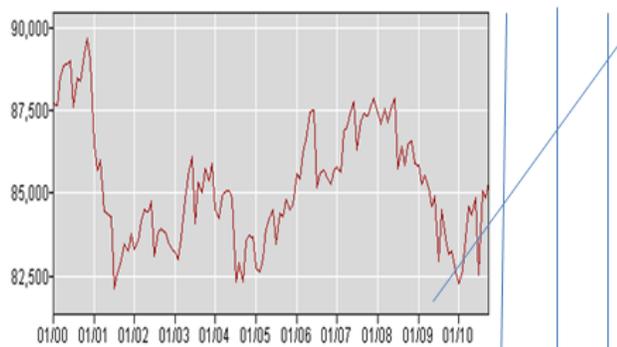
Columbia, 1/2000 – 1-/2010



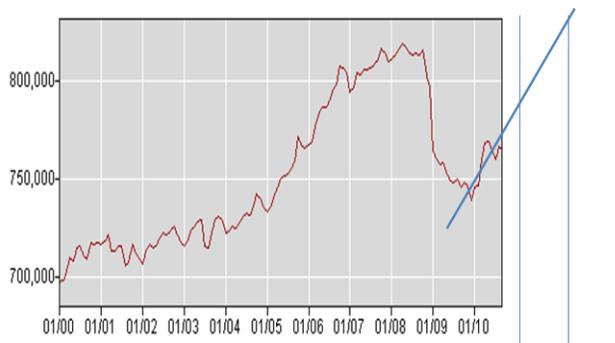
Charleston, North Charleston, Summerville, 1/2000 – 10/2010



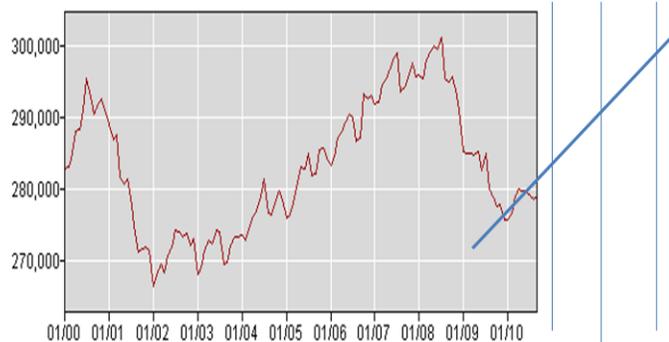
Florence, 1/2000 – 10/2010



Charlotte, Gastonia, Rock Hill Employment, 1/2000 – 9/2010



Greenville-Mauldin-Easley, 1/2000 – 8/2010



Growing and lagging employment sectors.

While it is clear that total employment is on the rise with significant variation across counties and metro areas, it is just as clear that the weak recovery varies widely across economic sectors. A comparison of South Carolina's sector growth with that of the United States sheds another bit of light on how the state differs from the nation. Two positive growth sectors are particularly interesting. Manufacturing, which led the nation out of the recession, shows larger positive growth in the state. Professional Business Services (PBS), which has been the nation's leading growth sector, is also lively in the South Carolina. Part of that growth is associated with temporary help organizations that are counted in PBS. The state's large decline in construction employment sets us apart in a tough area for future recovery.

Employment Growth, October 2009- October 2010

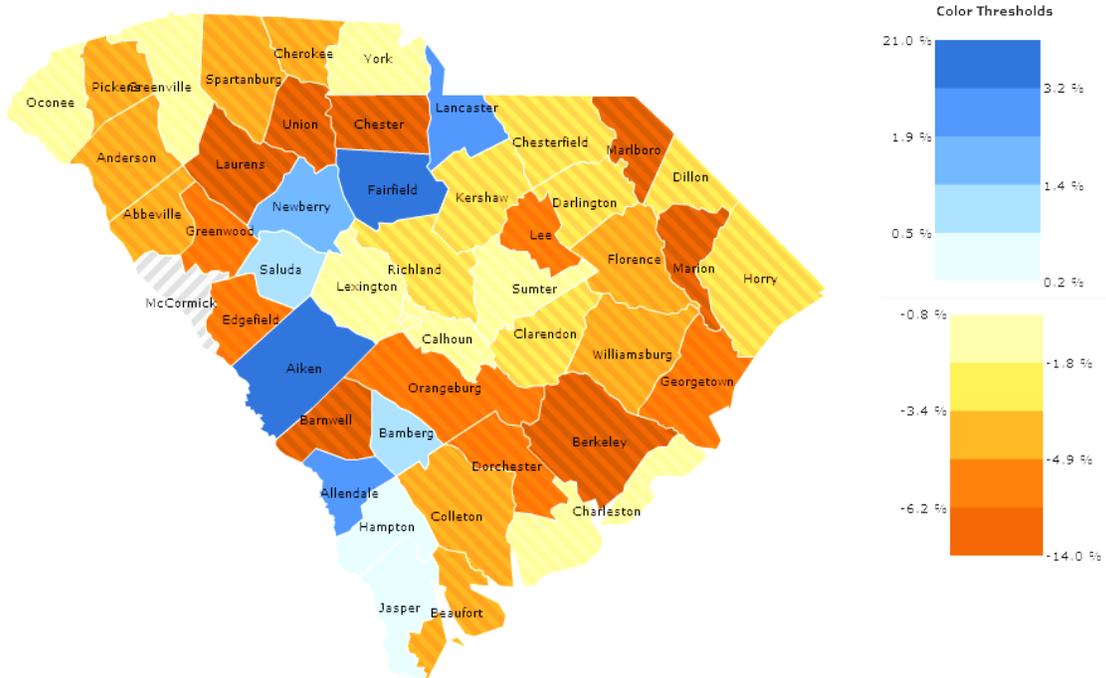
Sector	South Carolina	U.S.
Total Nonfarm	0.6%	0.8%
Construction	-5.1	-1.9
Manufacturing	1.3	0.7
Trade	-1.2	0.7
Information	-0.4	-1.9
Finance	2.2	-1.3
Profess. Bus. Svc	4.2	2.2
Health & Educ.	1.2	1.9
Leisure & Hosp.	-1.9	1.0
Other Svc.	3.1	1.3
Government	1.1	-1.4

As a destination state for East Coast tourism, South Carolina's employment weakness in Leisure & Hospitality tells us that other coastal area sectors will have to be their growth engines for 2011 and 2012.

Employment is improving and wages are rising, too...in some counties.

As shown in the next chart, where blue denotes positive growth, employment growth from March 2009 to March 2010 varied widely across South Carolina with only nine counties registering positive numbers.

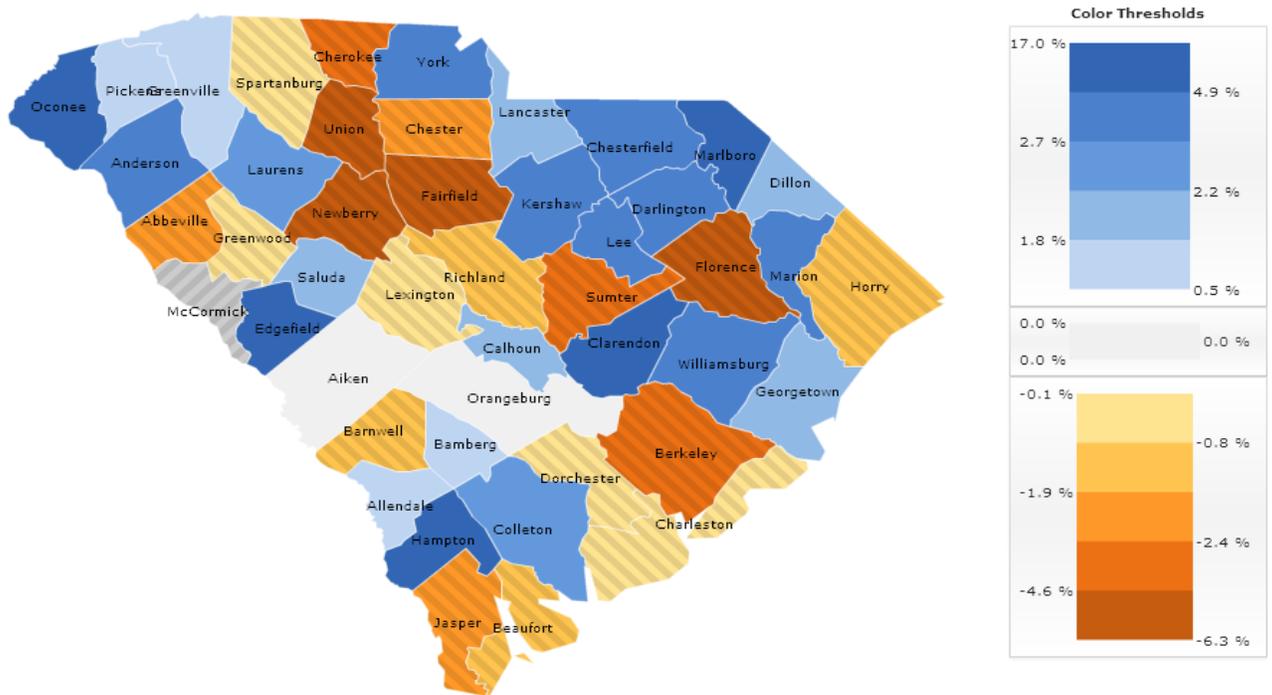
12 month percent change in employment, Total, all industries, private ownership, Mar 2009-Mar 2010 (p)



Source: U.S. Bureau of Labor Statistics (www.bls.gov)

But growth pressures are showing up in rising wages in far more places. (Positive growth is again shown in different shades of blue.)

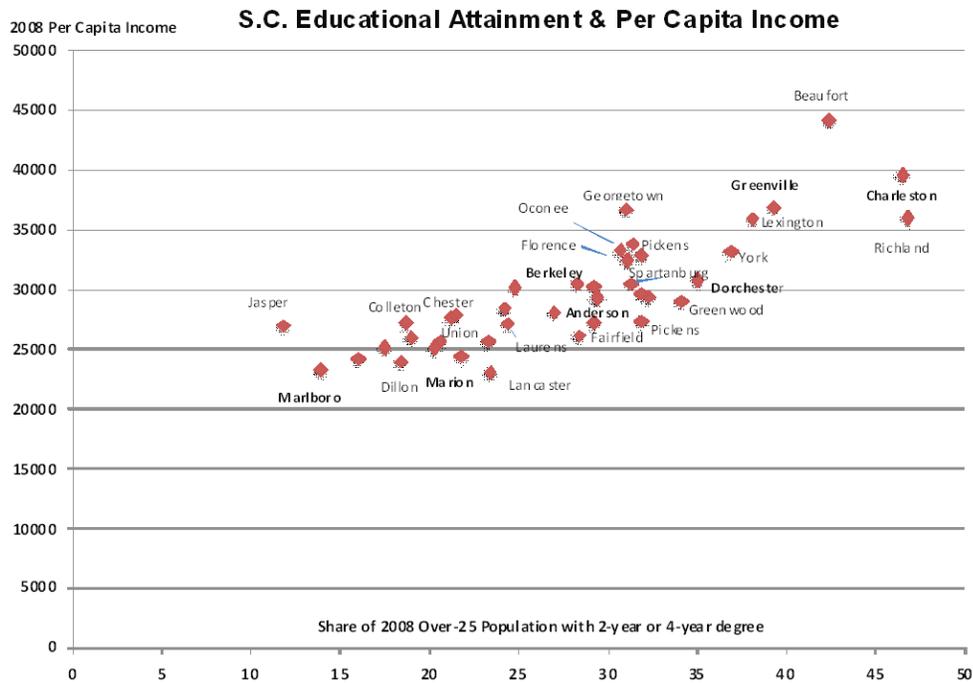
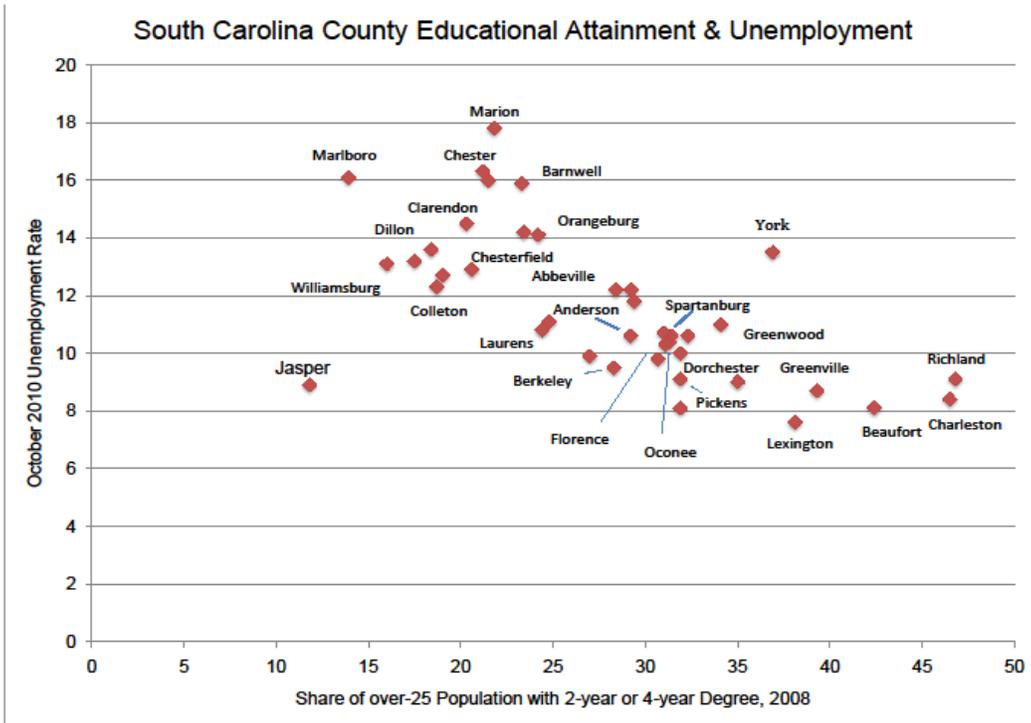
12 month percent change in average weekly wage, Total, all industries, private ownership, Mar 2009-Mar 2010 (p)



Source: U.S. Bureau of Labor Statistics (www.bls.gov)

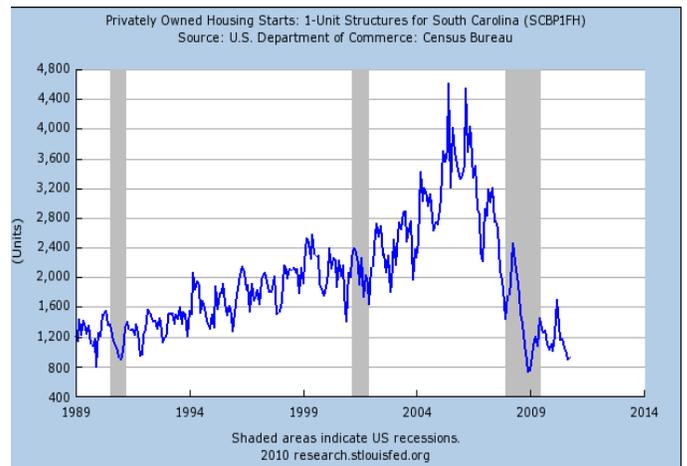
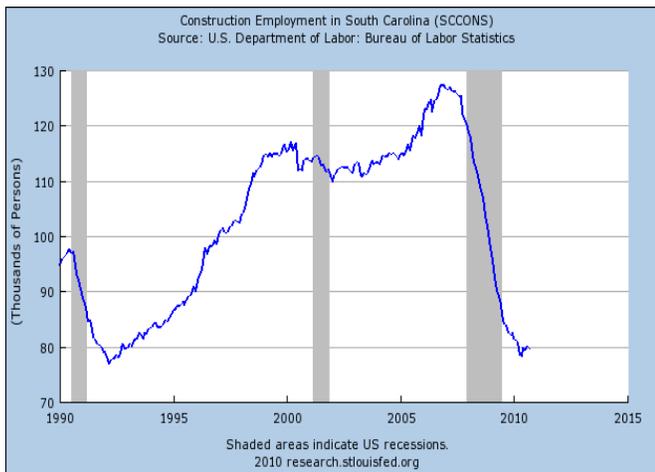
County unemployment and income relate to educational attainment.

Variation in unemployment across S.C. counties has multiple explanations. Educational attainment is one of these. The next chart maps October 2010 unemployment into 2008 educational attainment. There are some outliers and there is a good bit of scatter in the array of points. Still, the drift of the data are clear. Higher educational attainment goes with greater job security. The relationship between county per capita income and educational attainment, which is seen in the next chart. The message is clear and the challenge is high. Expanded educational attainment is the ticket to higher employment and income.



Construction is the toughest situation of all.

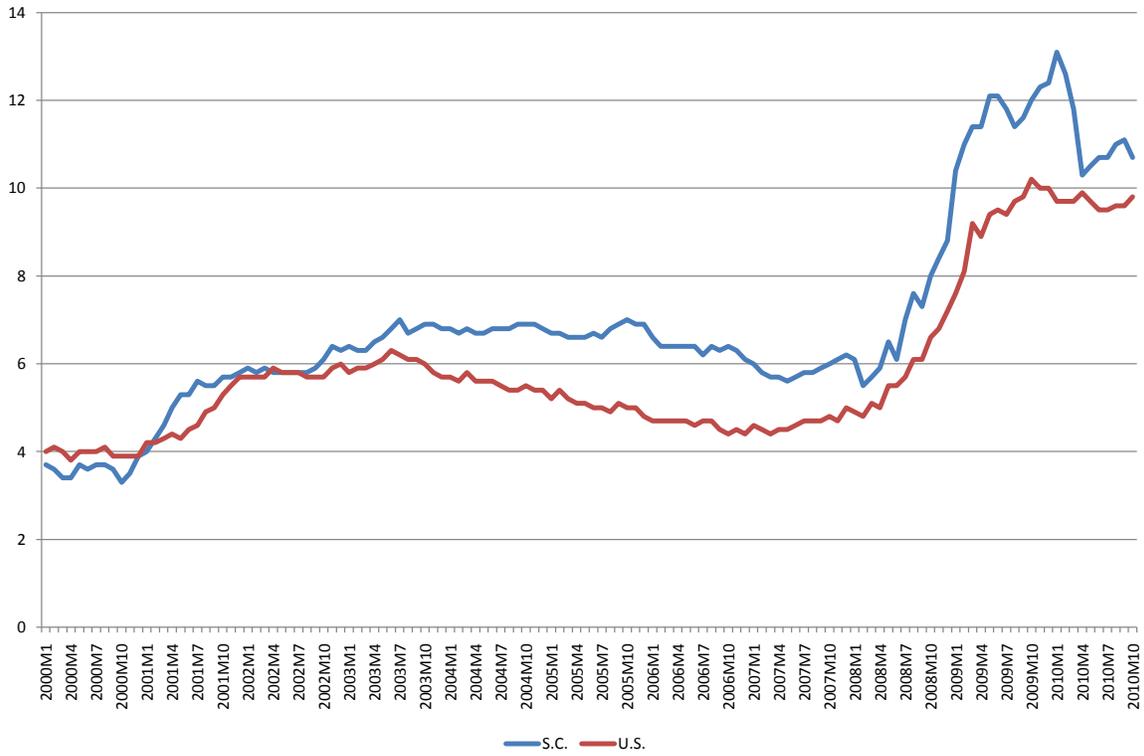
The collapse of home construction and related activities distinguishes the Great Recession from past ones. Yes, there have been past credit crunches that caused construction to come to a screeching halt, but recovery emerged when the crunch was over. There was not a problem of two years' excess supply of housing. By official counts, the Great Recession ended in June 2009. By similar counts, the construction recession may just now be ending. Roughly 18 months later, construction employment is finding a bottom. The picture for South Carolina is seen in the next chart. The record on single-family housing permits is shown in the chart next to it.



In both cases, there are no recovery data points on which to build a future activity projection. The bottom seems to have been found, but there are no prospects for general optimism about home building in 2011 or 2012.

All things considered, S.C. unemployment will continue to remain higher than the U.S. level, with perhaps some closing of an unemployment gap that has existed for more than a decade. The final chart tells the tale. The U.S. unemployment rate will likely hit 9% by the beginning of 2012. South Carolina's rate will be riding at about 9.7% then.

Unemployment Rates, 1/2000 - 10/2010
United States and South Carolina



Final Thoughts.

An economic recovery is in place for South Carolina. Total state employment is following a growth path that should generate December 2007 employment levels by 2Q2013. It is a slow path, but it is positive. The pace of the recovery varies significantly across S.C. metro areas, but all areas seem to be generated job recovery. The recovering knowledge-based economy calls for workers with higher educational attainment. We see this reflected in county unemployment and income data. Construction is the chief of all sectors that have suffered. There are no bright prospects for meaningful growth in that sector in the next two years.

The relationship between South Carolina Total Personal Income growth and national Industrial Production provides additional evidence of better times for the state population. Industrial Production is headed north, from a low level, but still northward bound.

On the basis of the evidence shown in this South Carolina Digest, 2011 will be a year of slow, but positive, recovery.

All best wishes for a better time.

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