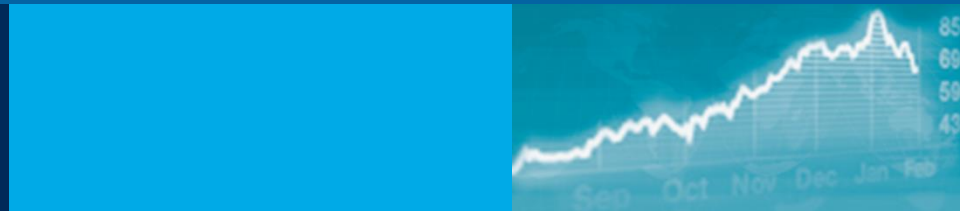




# Economic Update

South Carolina Assoc of Counties  
August 2, 2023



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*Research Department*  
*Federal Reserve Bank of Richmond*



**The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.**

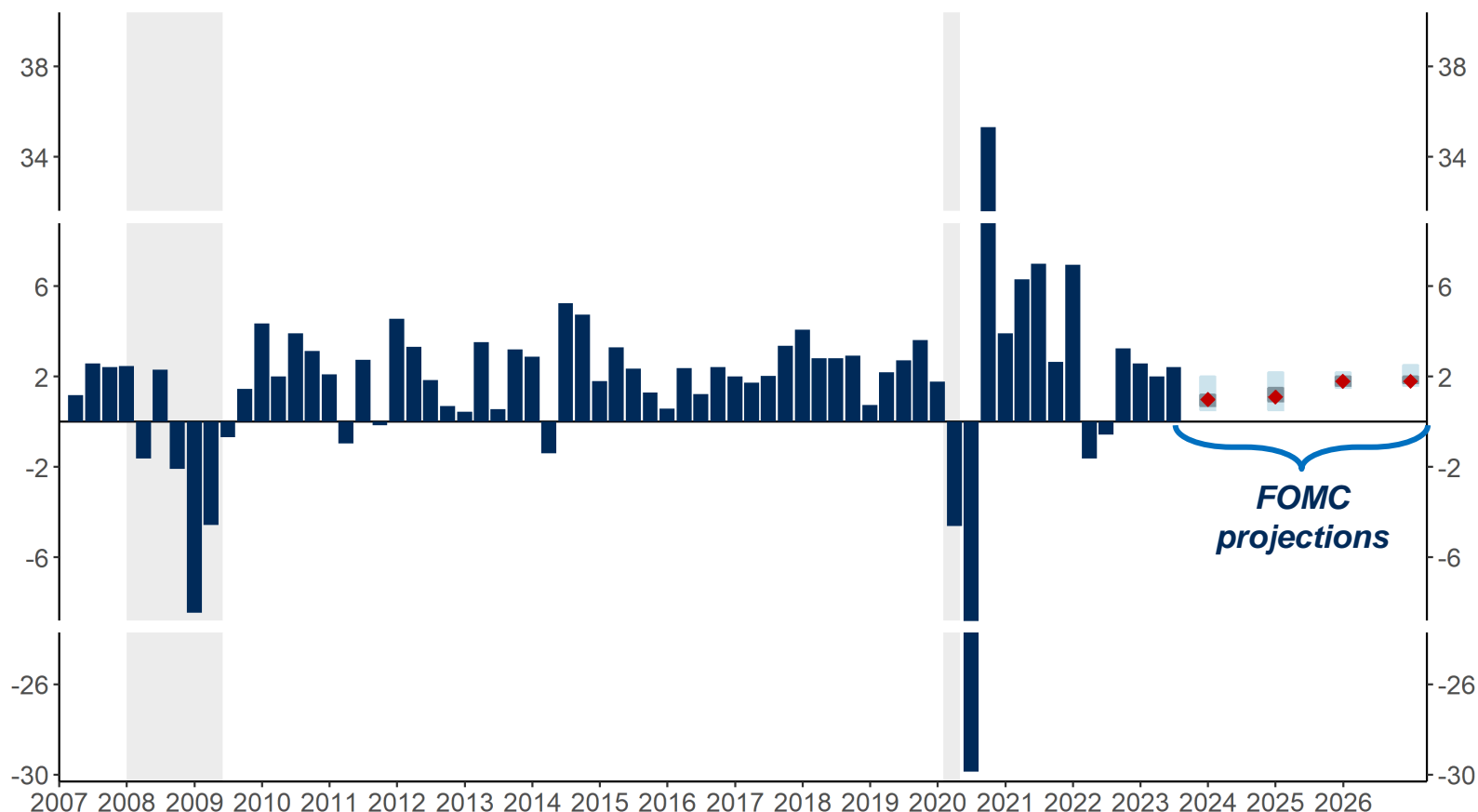
# Where are we now?

- 2021 was a year of strong economic growth and recovery; 2022 proved to be much bumpier but ended stronger than expected; so far growth in 2023 has beaten expectations
  - Some sectors continue to be hit harder than others
- Economic indicators show slowing in some cases but continued growth in others
  - Fears of recession abound, but seem to have lessened
  - Consumer spending (even in real terms) has remained robust
  - The pace of job growth has been impressive nationally, but some states are faring better than others
- Some metro areas, including Greenville, Spartanburg and Charleston, are outperforming larger metros and more rural spaces
  - Much of this is industry and geography based
- Inflation remains well above the 2 percent average target
  - Inflation reports are moving in the right direction, but not rapidly
  - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target

# GDP growth came in at 2.0 percent in Q1 and 2.4 percent in Q2 (many economists had expected flat growth in 2023)

## Real Gross Domestic Product

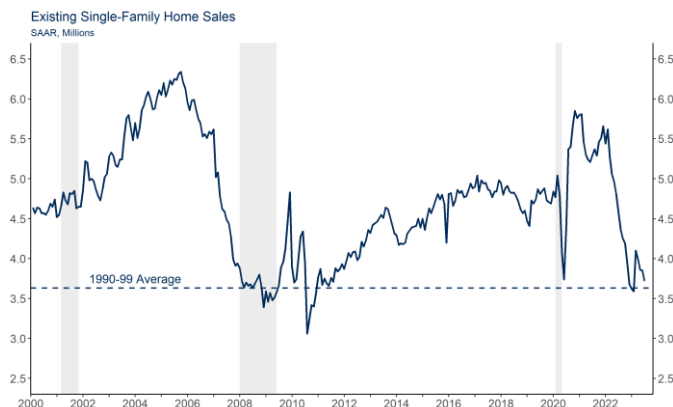
Percent change from previous quarter at annual rate



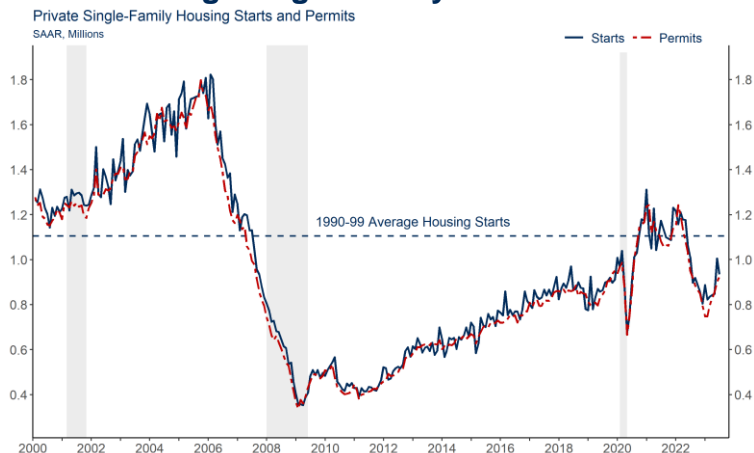
Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

# Housing is hurting, but Manufacturing remains robust

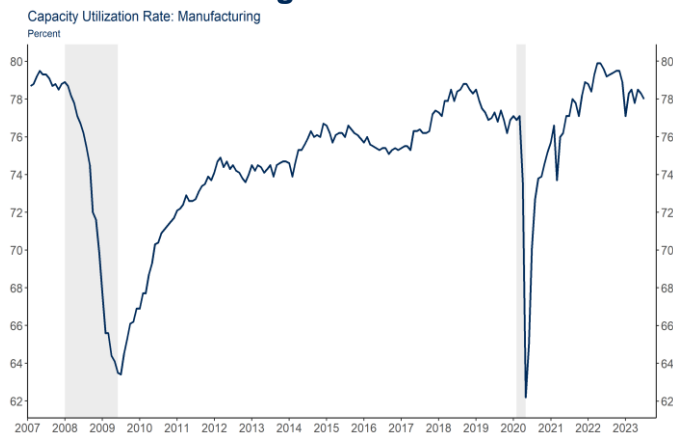
## Housing: Single-Family Sales



## Housing: Single-Family Starts and Permits



## Mftg: New Orders

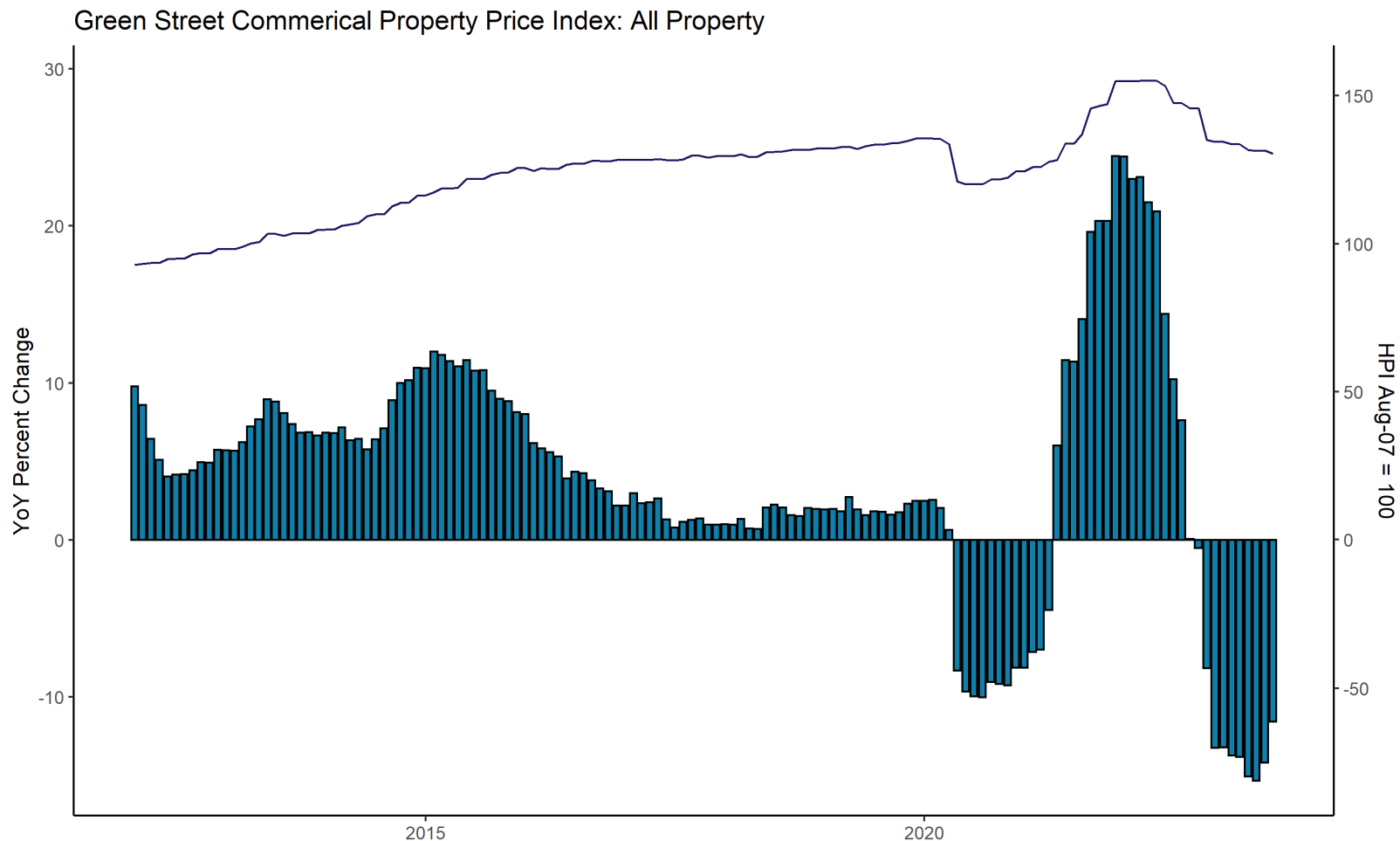


## Mftg: Capacity Utilization Rate



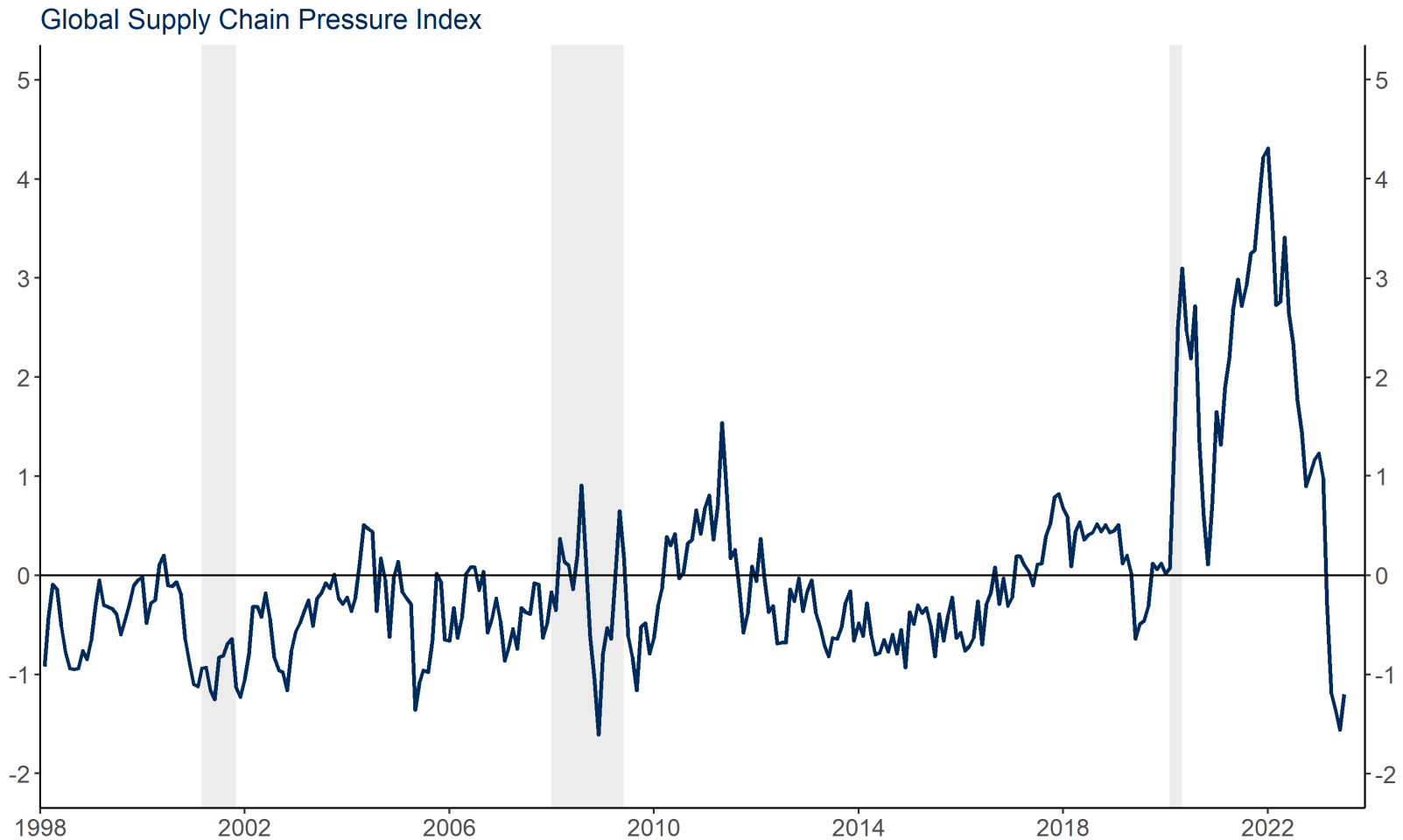
Source: Haver Analytics

# Commercial real estate prices have come down broadly, but this is heavily dependent on sector and geography



Source: Green Street Advisors via Haver Analytics

# Global supply chain issues have calmed back to below pre-COVID levels, but some isolated shortages remain

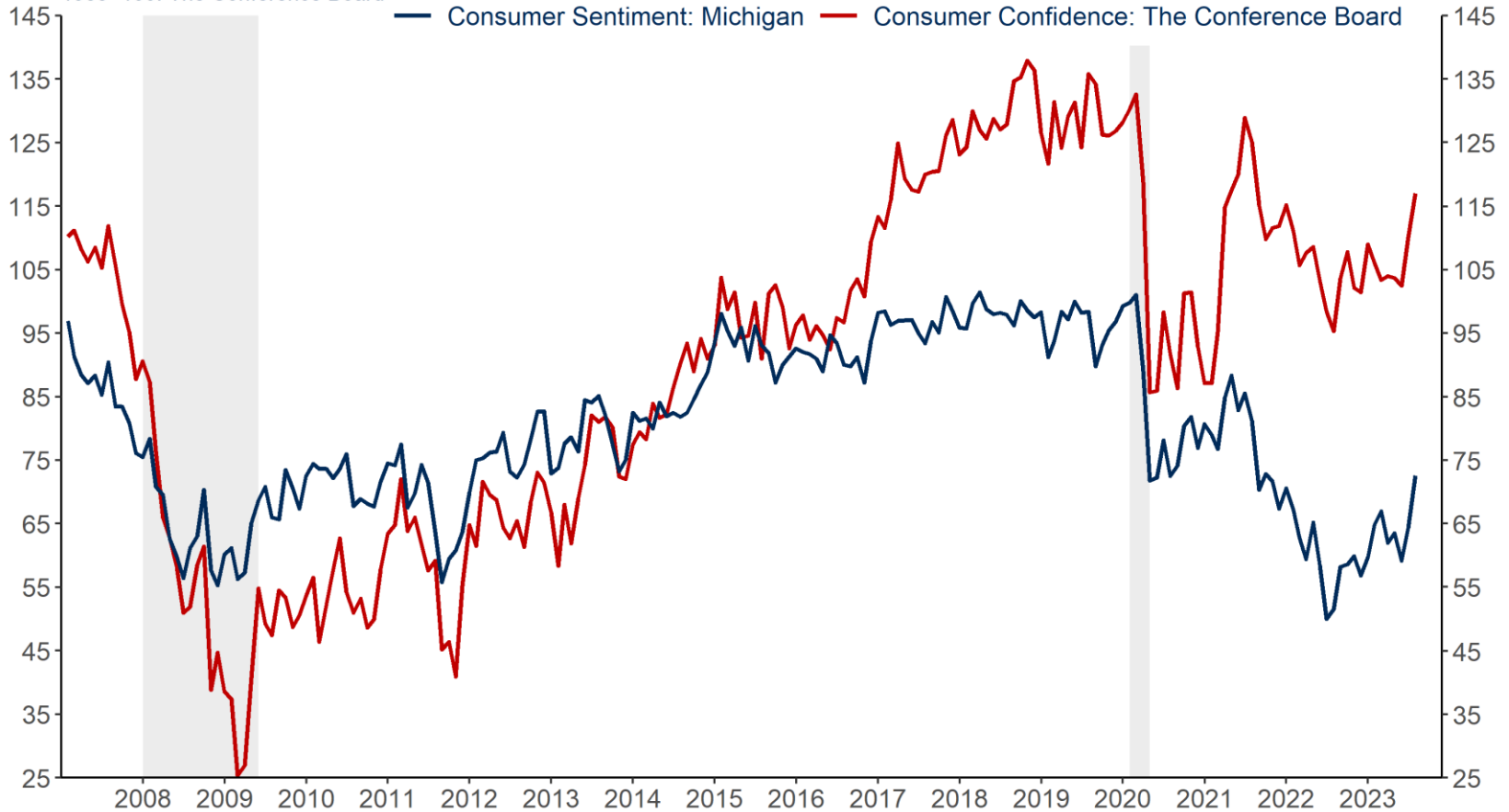


Source: Federal Reserve Bank of New York

# Consumer sentiment is improving

## Consumer Sentiment

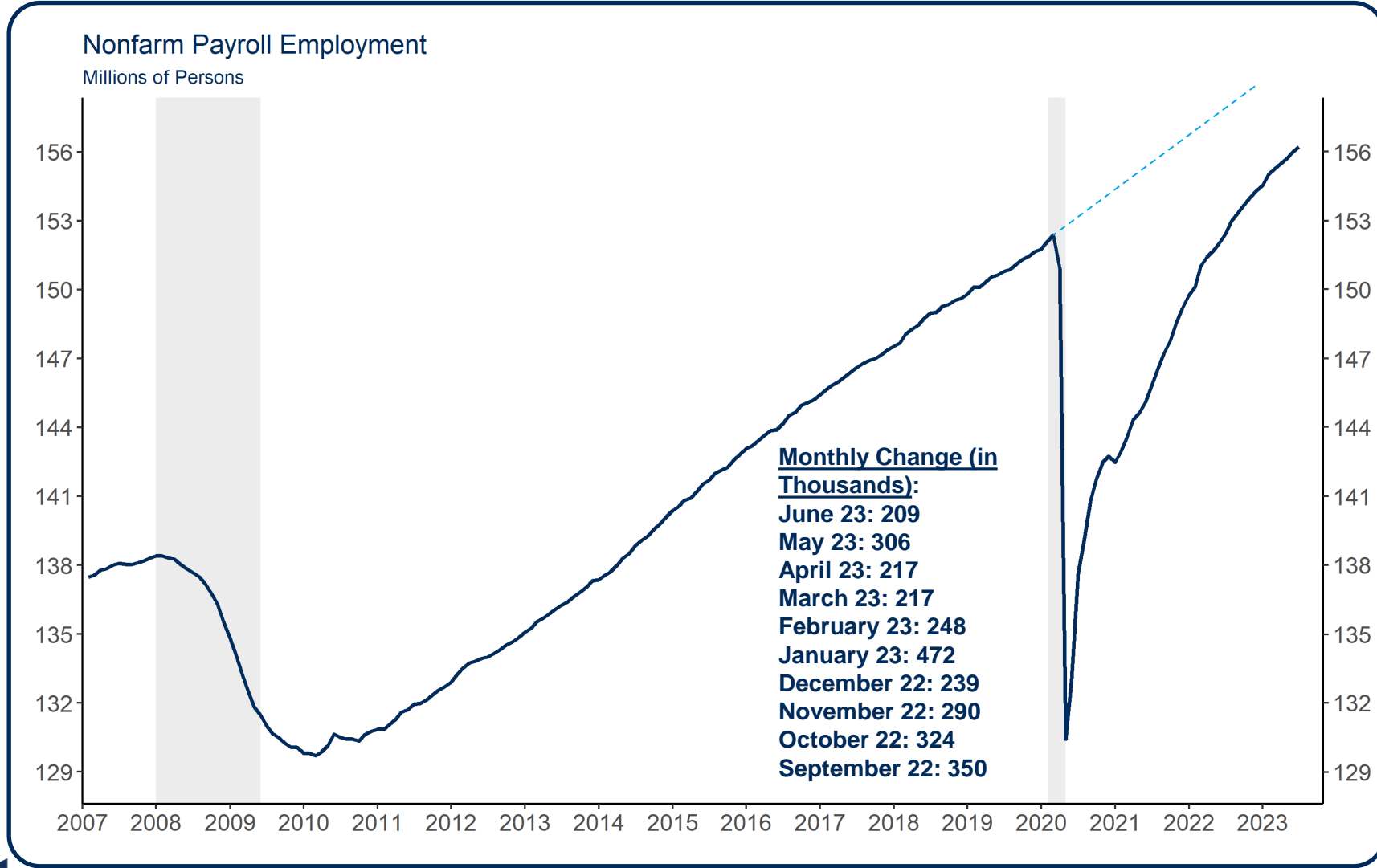
1966=100: Michigan  
1985=100: The Conference Board



Source: Federal Reserve Board via Haver Analytics

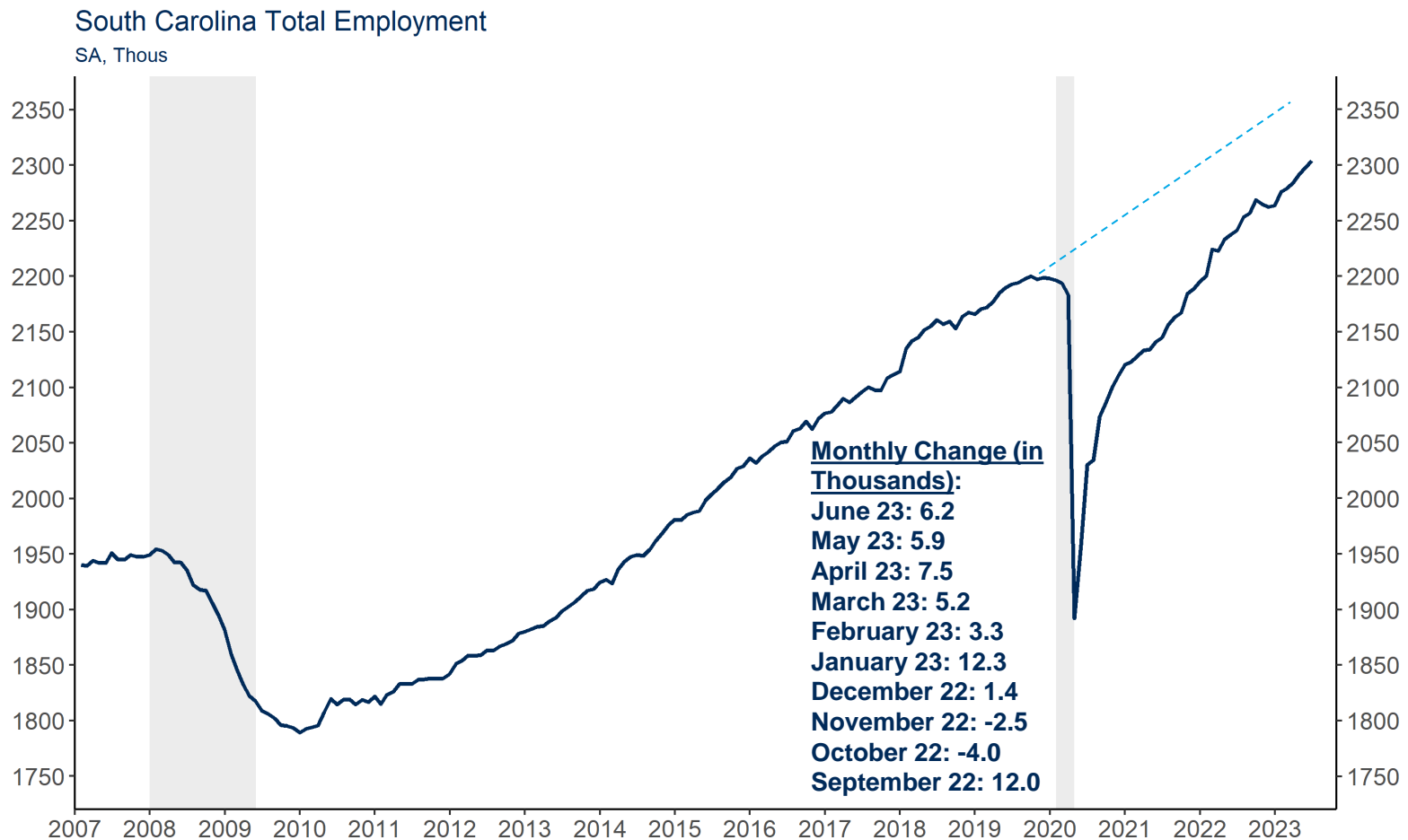


We are now well above pre-COVID levels of employment nationally, but we haven't returned to the pre-COVID trajectory



Source: Bureau of Labor Statistics/Haver Analytics

# South Carolina has also not yet returned to its pre-COVID trend

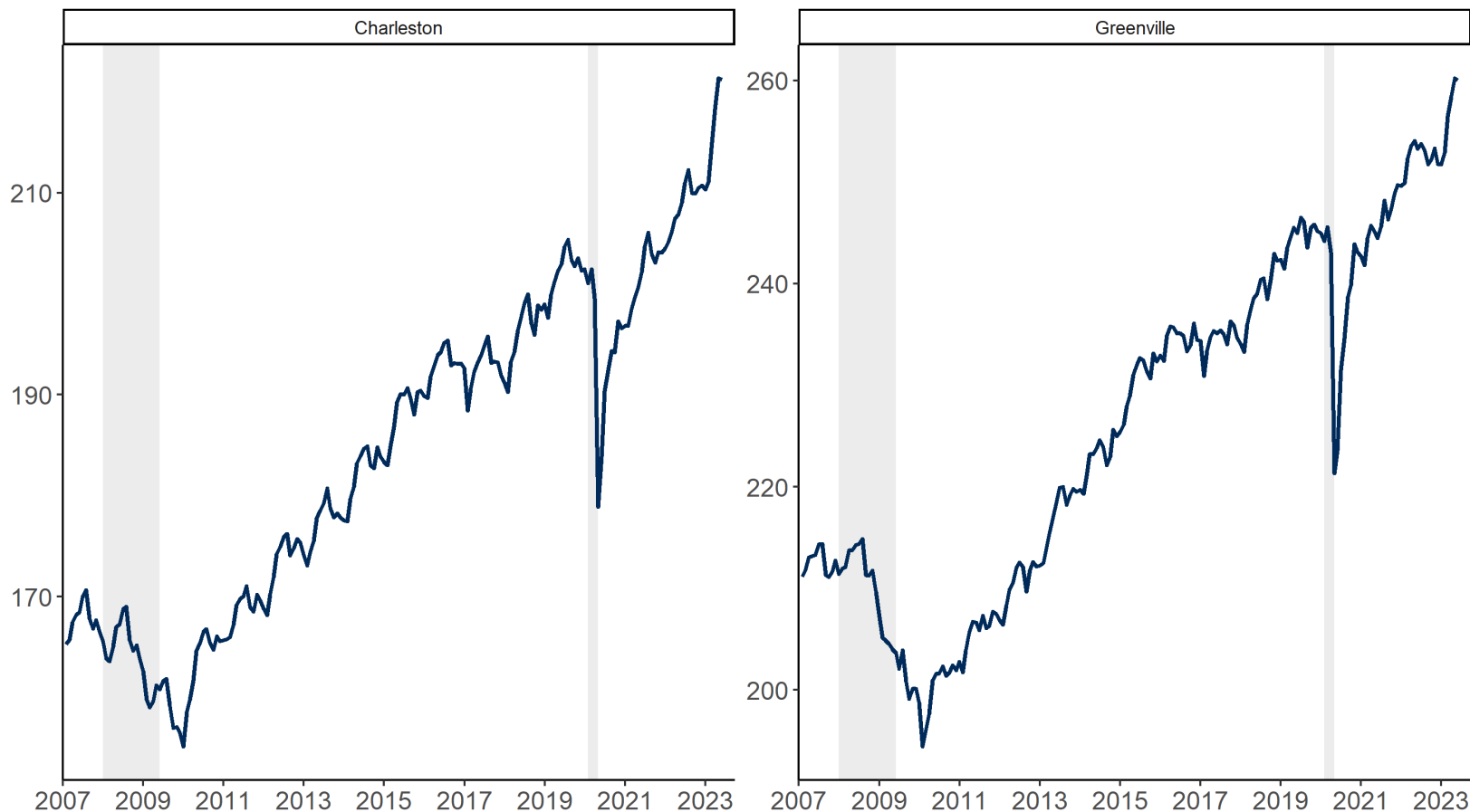


Source: Bureau of Labor Statistics/Haver Analytics

...but some counties have (e.g. Charleston and Greenville)

### Household Employment

Thousands

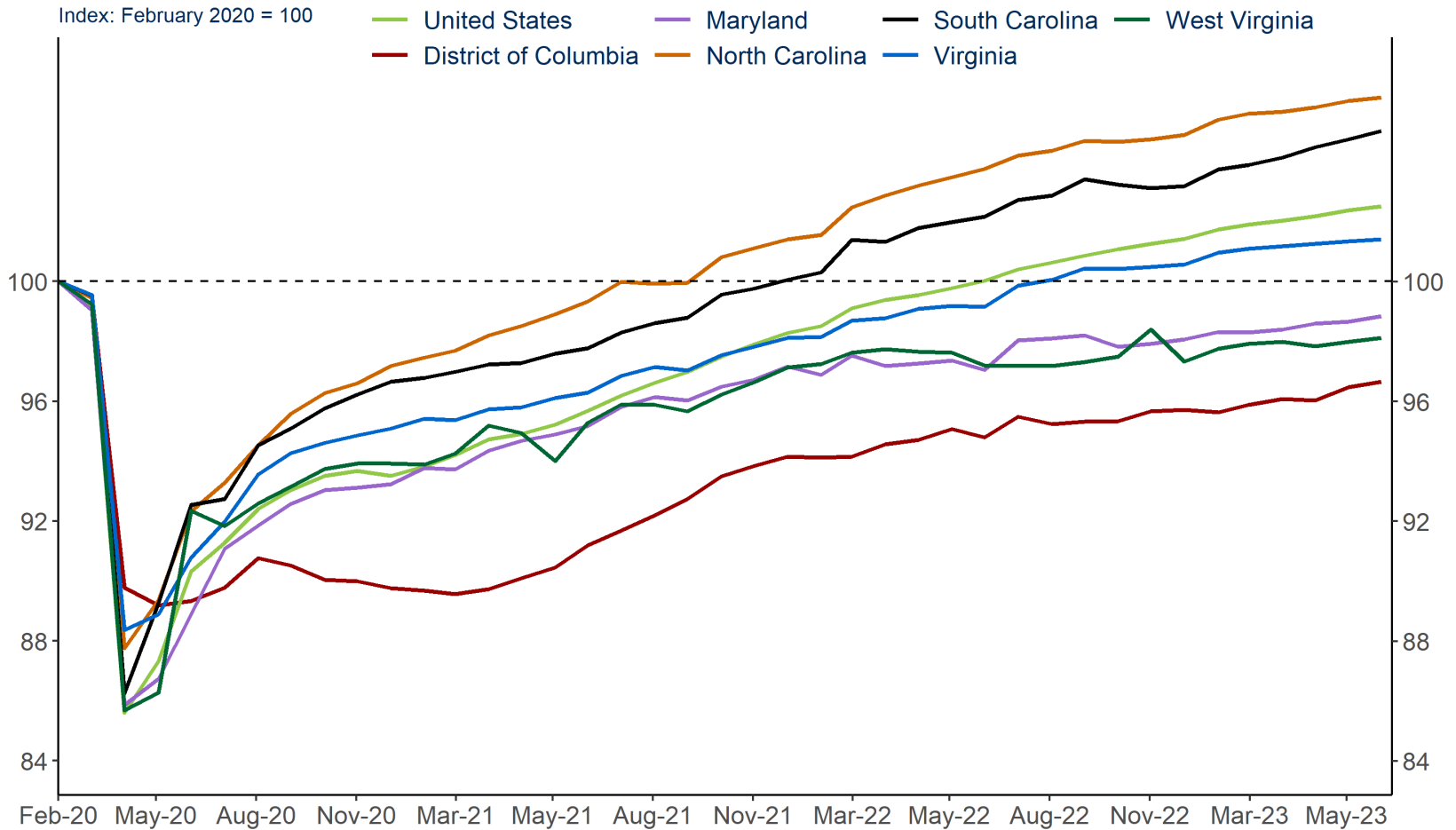


Source: Bureau of Labor Statistics/Haver Analytics

# The Carolinas are clearly leading the employment recovery in the Fifth District

## Total Payroll Employment Index

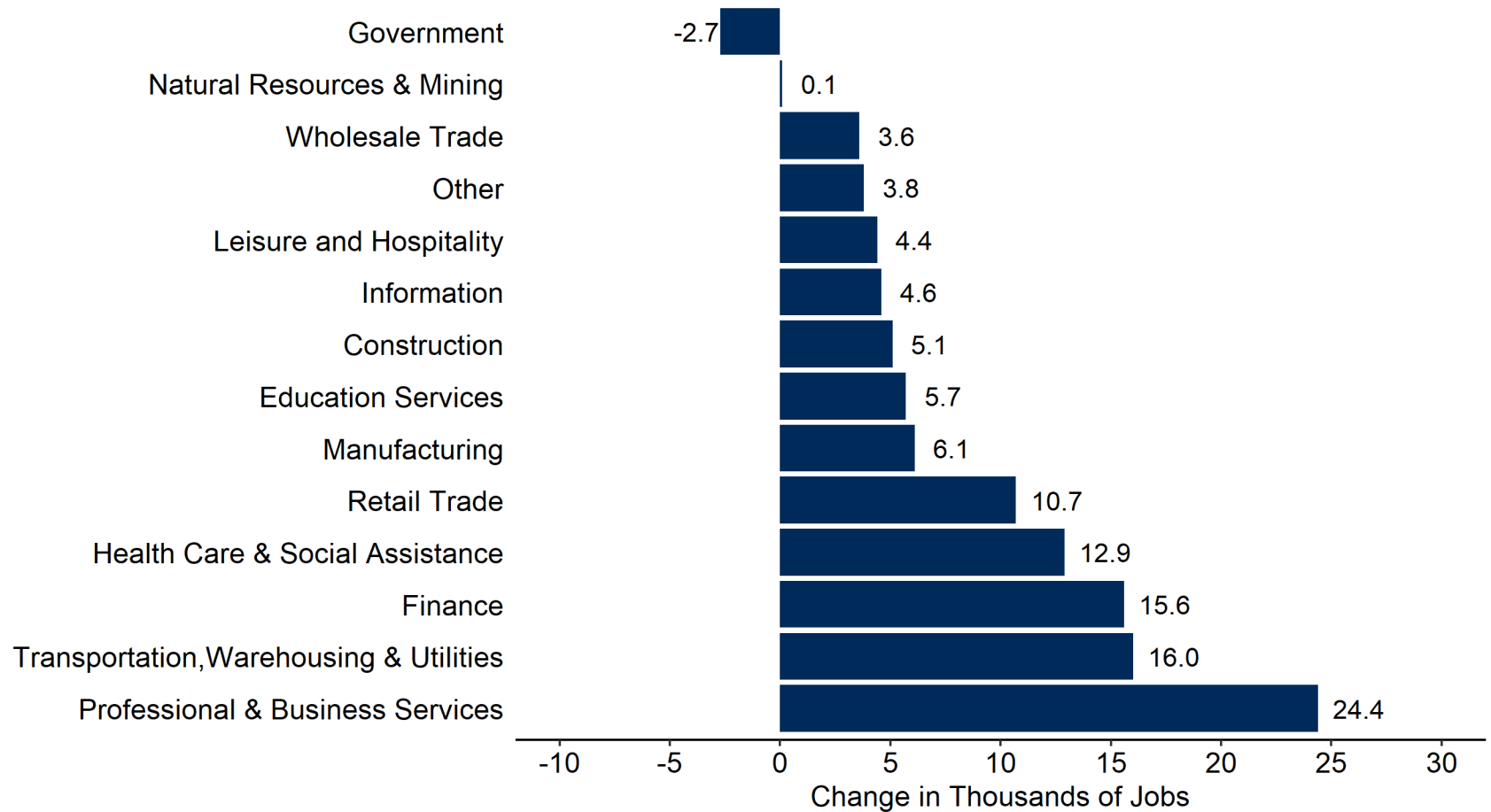
Index: February 2020 = 100



Source: Bureau of Labor Statistics/Haver Analytics

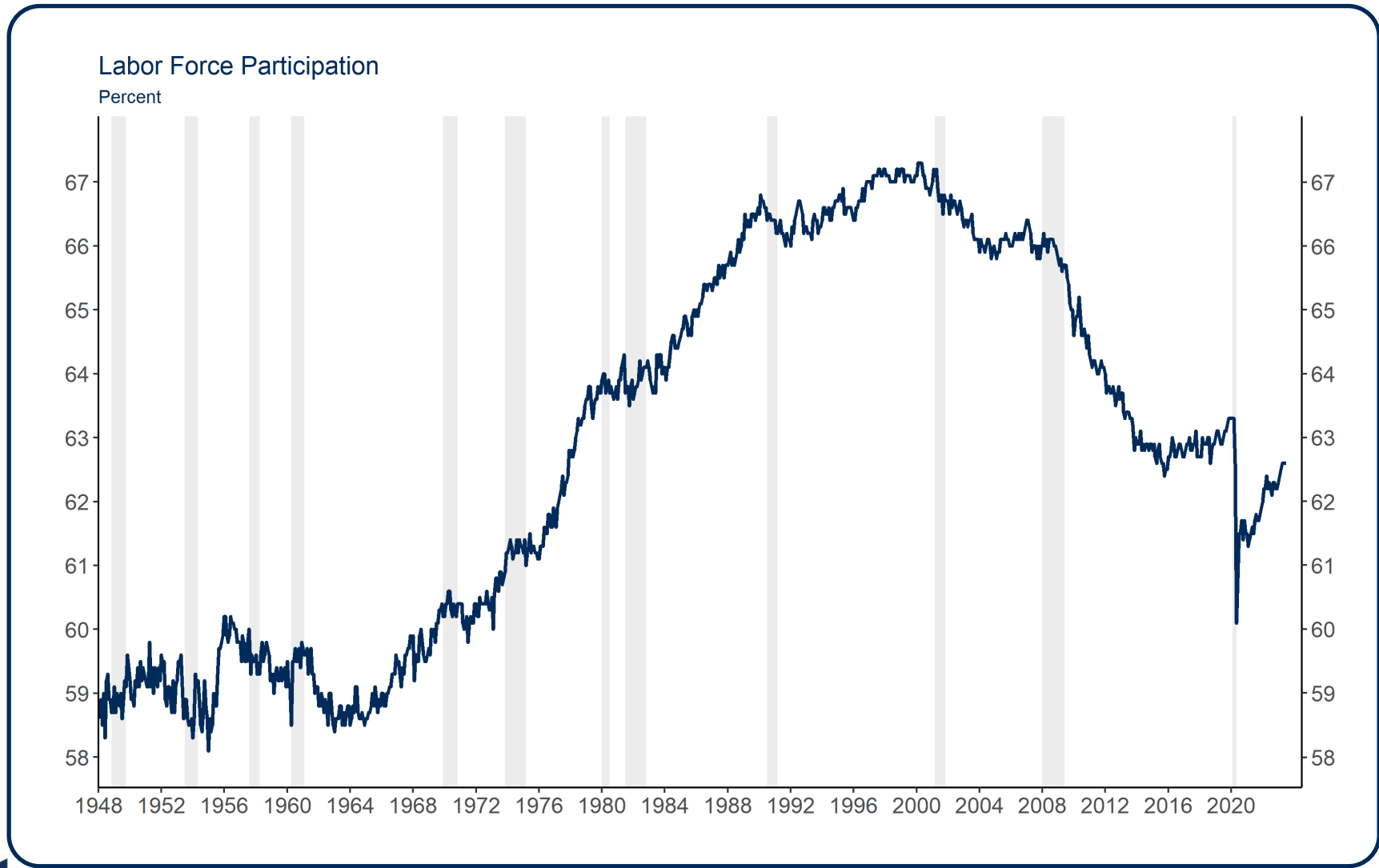
# There have been major sectoral shifts in employment

## South Carolina Employment Change from February 20 to June 23



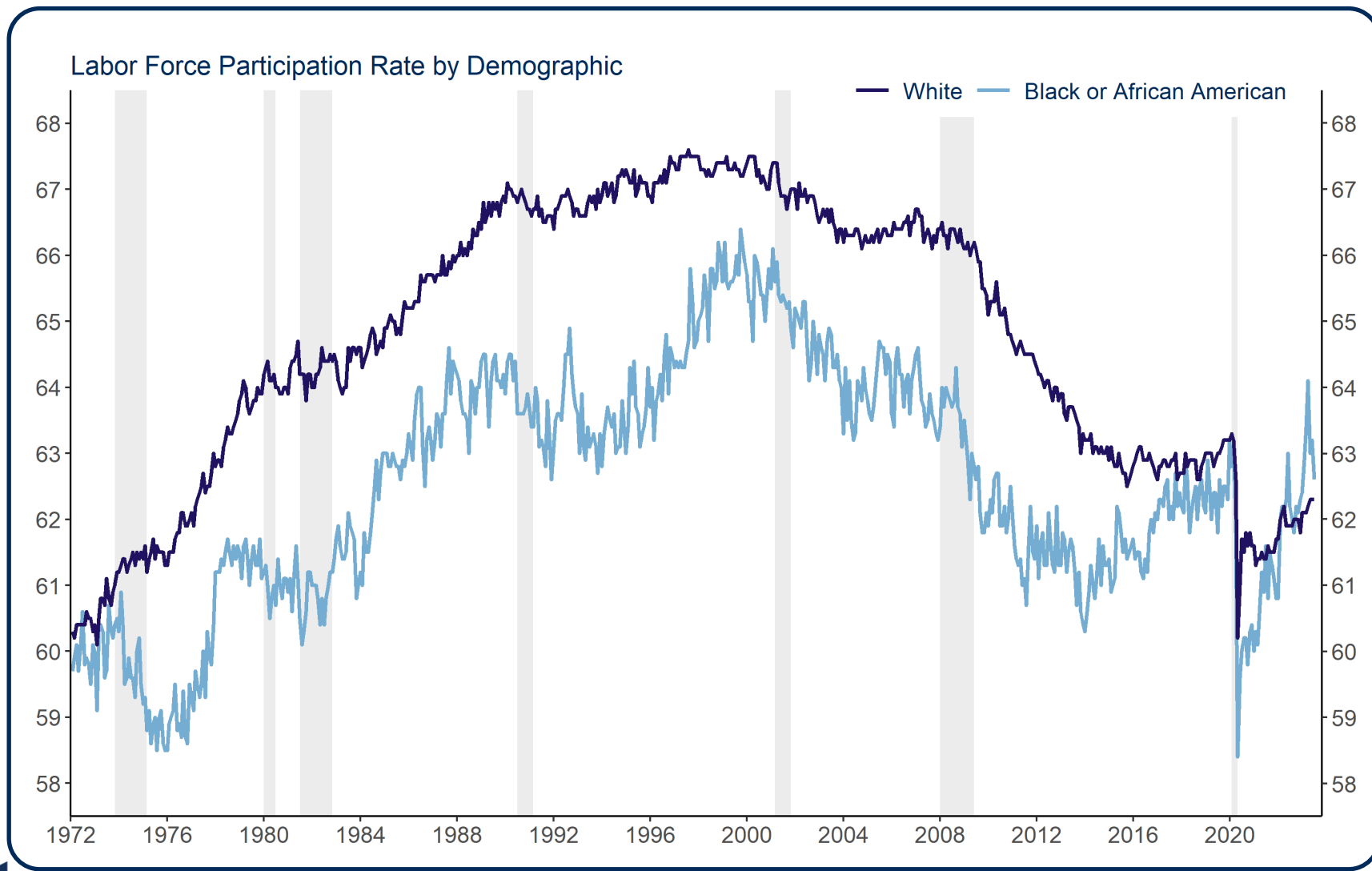
Source: Bureau of Labor Statistics/Haver Analytics

# Labor force participation hasn't recovered to pre-COVID levels, but has been increasing amongst some groups recently...



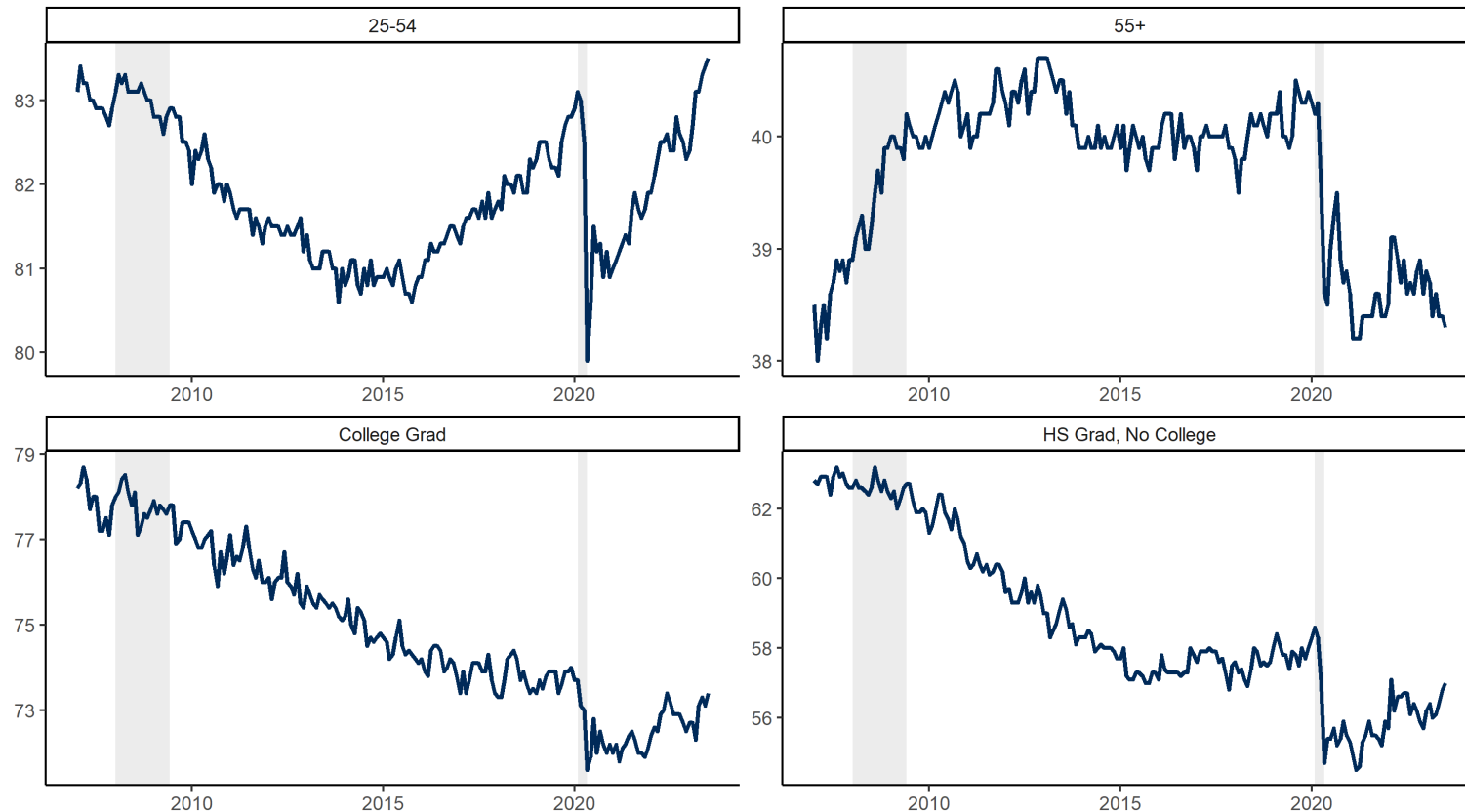
Source: Bureau of Labor Statistics/Haver Analytics

## ...and one of the main shifts has been in black/white labor force participation gaps



# So, who has left the labor force? Labor force participation rates by age and education

Labor Force Participation Rate  
Percent, SA



Source: Bureau of Labor Statistics

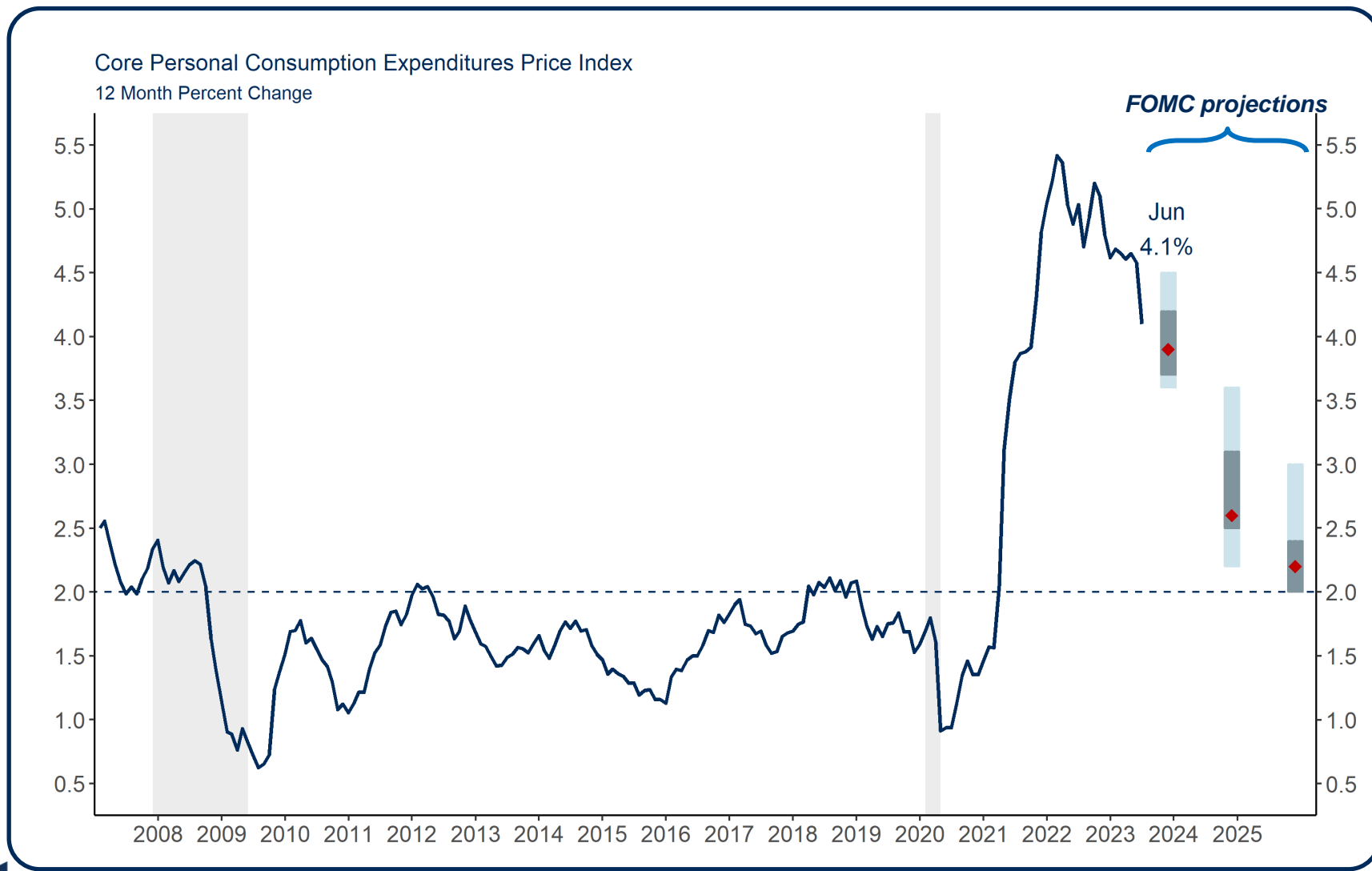


There are approximately 5 million Americans who report that they want to work, but they are not working or actively looking for a job. Who are they?



Source: Bureau of Labor Statistics

# Core PCE, the Fed's primary measure of inflation, remains elevated well above the 2 percent target, but the June report was very positive



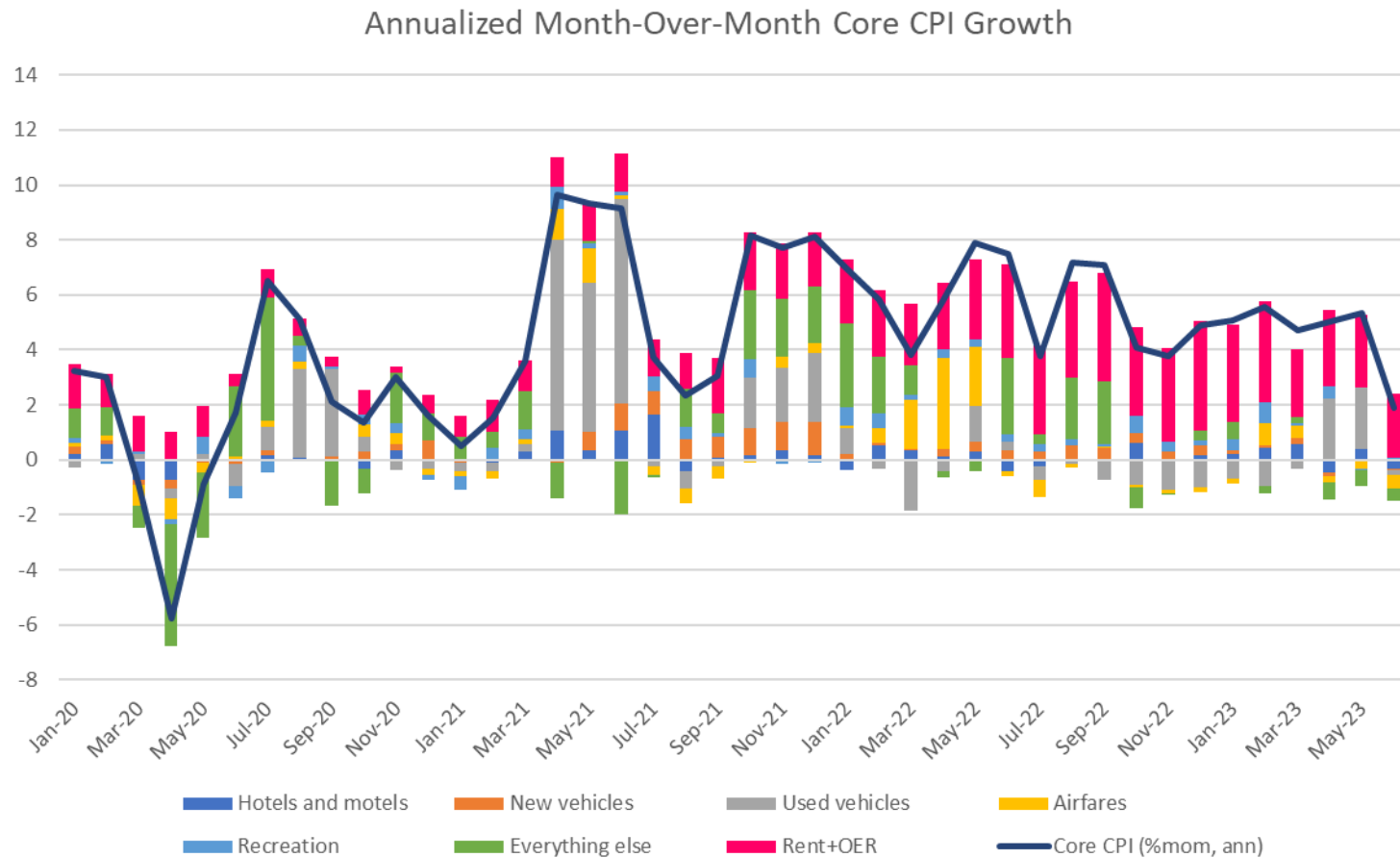
Source: Bureau of Labor Statistics via Haver Analytics

# CPI shows a very similar path, with core inflation remaining well above headline numbers



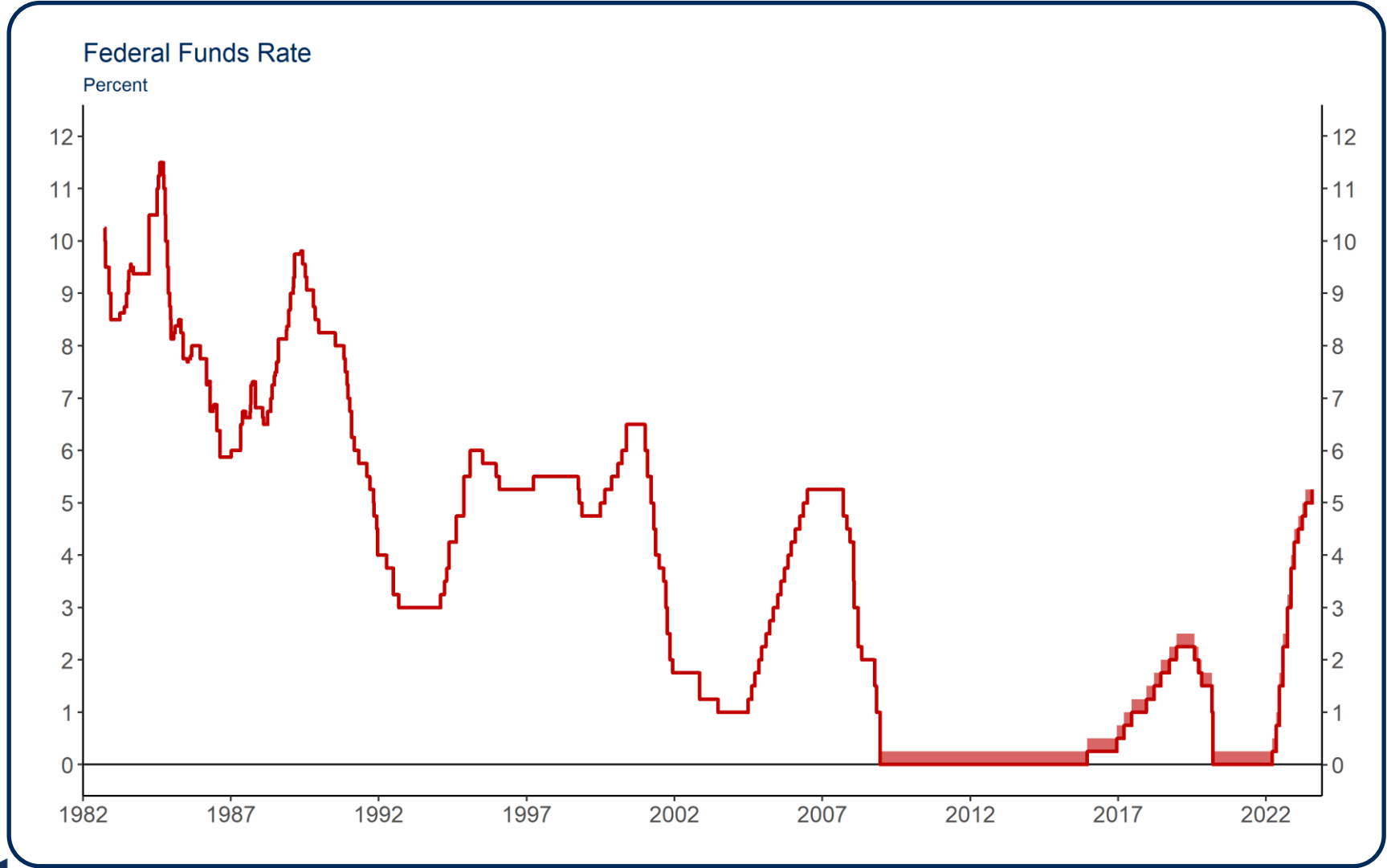
Source: Bureau of Labor Statistics via Haver Analytics

# Rent is accounting for much of current CPI growth



Source: Bureau of Labor Statistics via Haver Analytics

# Historical context is important



Source: Federal Reserve Board

# Where do we go from here?

- Economic growth in 2022 ended better than expected. Growth for 2023 is outpacing expectations thus far. There are significant potential speedbumps ahead
  - Geo-political issues, especially the situation in Ukraine
  - Inflation that significantly exceeds current policymakers' expectations
  - Anything that makes supply chain issues even worse
  - A COVID variant that evades vaccines and is more severe
  - Expiration of pandemic-era benefits (and restart of student loan payments)
- The FOMC has already raised rates considerably and some industries are being impacted directly. What about broader economic impacts? Consumption?
  - How high will rates need to go in order to recede inflation?
  - It remains unclear whether or not the Fed will be able to achieve a “soft” or “softish” landing
- There will continue to be winners and losers as we move forward
  - South Carolina is well-poised to be a ‘winner’, but rural counties continue to face challenges going forward

*Questions/Comments?*

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