THE 2022 SOUTH CAROLINA ECONOMIC OUTLOOK

Joseph Von Nessen, Ph.D.
Research Economist
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joey.vonnessen@moore.sc.edu
COVID-19 WAS A PAUSE BUTTON ON THE GREAT EXPANSION
S.C. EMPLOYMENT AS PCT. OF PRE-RECESSION PEAK

PUSHING PLAY AGAIN IN 2022?
SUPPLY AND DEMAND
SOUTH CAROLINA EMPLOYMENT LEVELS

SOUTH CAROLINA EMPLOYMENT RECOVERY

Gains and Losses by Industry Sector

PCT. LOST JOBS RECOVERED SINCE FEB.'20

- South Carolina: 87.6%
- Charleston: 80.2%
- Columbia: 75.7%
- Florence: 78.0%
- Greenville: 81.0%
- Hilton Head: 92.2%
- Myrtle Beach: 86.3%
- Spartanburg: 100.0%
- Sumter: 79.1%

S.C. POSSIBLE EMPLOYMENT RECOVERY SCENARIOS

Source: U.S. Bureau of Labor Statistics, CES, SA & Division of Research
SOUTH CAROLINA UI CLAIMS AS PCT. OF CLAIMS IN JAN.’20

Source: U.S. Department of Labor
SOUTH CAROLINA UNEMPLOYMENT RATE

Source: U.S. Bureau of Labor Statistics

- 2.4% in Sept.’19
- 11.5% in Apr.’20
- 3.9% in Oct.’21
SOUTH CAROLINA LABOR FORCE

Source: U.S. Bureau of Labor Statistics

+1.8% vs. Jan.’20
CURRENT SIZE OF LABOR FORCE RELATIVE TO FEB.'20

S.C. LABOR FORCE PARTICIPATION RATE

Source: U.S. Bureau of Labor Statistics

-0.5% vs. Jan.'20
U.S. ANNUALIZED GDP GROWTH

Source: U.S. Bureau of Economic Analysis
SOUTH CAROLINA GDP LEVELS

Real GDP Levels, Millions of Dollars, Seasonally Adjusted

Source: U.S. Bureau of Economic Analysis
**SOUTH CAROLINA GDP LEVELS**

Real GDP Levels, Millions of Dollars, Seasonally Adjusted

Source: U.S. Bureau of Economic Analysis
TOTAL U.S. CONSUMER SPENDING

Note: Values Represent Annualized Totals, in billions

+3.8% vs. trend

Source: U.S. Bureau of Economic Analysis
U.S. DISPOSABLE PERSONAL INCOME

Note: Values Represent Annualized Totals, in billions

Source: U.S. Bureau of Economic Analysis
U.S. PERSONAL SAVINGS RATE

Source: U.S. Bureau of Economic Analysis
THE GROWTH RATE IN CONSUMER SPENDING MAY TAPER IN 2022
TOTAL U.S. CONSUMER SPENDING
Note: Values Represent Annualized Totals, in billions

Source: U.S. Bureau of Economic Analysis
INCOME EFFECT

VS.

SUBSTITUTION EFFECT
Income effect represents about 68% of this consumer goods bubble.
GOODS AS PCT. OF TOTAL U.S. CONSUMER SPENDING

Source: U.S. Bureau of Economic Analysis
THREATS IN 2022 AND BEYOND

S.C.’S BIGGEST SHORT-RUN ECONOMIC THREAT
• HIGH INFLATION

S.C.’S BIGGEST LONG-RUN ECONOMIC THREAT
• ONGOING LABOR SHORTAGES
U.S. INFLATION MEASURES

Year/Year Pct. Change

<table>
<thead>
<tr>
<th>Year</th>
<th>CPI: All Items</th>
<th>CPI: All Items Less Food and Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>2012</td>
<td>1.7%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2013</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2014</td>
<td>3.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2015</td>
<td>4.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2016</td>
<td>3.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>2017</td>
<td>2.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2018</td>
<td>2.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>2019</td>
<td>1.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2020</td>
<td>0.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2021</td>
<td>+6.2%</td>
<td>+4.6%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics
WHY?

A MISMATCH OF SUPPLY AND DEMAND
CUMULATIVE GROWTH SINCE FEB.’20

Source: U.S. Bureau of Labor Statistics

U.S. Consumer Spending
U.S. Employment
S.C. Employment

Source: U.S. Bureau of Labor Statistics
While labor shortages may limit a business’ ability to resume pre-pandemic production levels (in grey) … …expanding to even higher production levels (in green) may require a higher volume of labor and capital than was being utilized before the pandemic.
Roughly 40.3% of the state’s workforce has seen a loss in purchasing power since 2019 due to inflation.
RAISING INTEREST RATES CAN IMPACT RECOVERY MOMENTUM
THE ONGOING LABOR SHORTAGE

IS THIS THE NEW NORMAL?
The job openings rate was significantly lower the last time unemployment in South Carolina was at 3.9% (in January 2018).
THE GREAT RESIGNATION IS NOT THE
CAUSE OF THE LABOR SHORTAGE...

...IT IS THE RESULT OF THE LABOR
SHORTAGE
CURRENT SIZE OF LABOR FORCE RELATIVE TO FEB.'20

- Increase in LF
- Decrease in LF, less than U.S. avg.
- Decrease in LF, greater than U.S. avg.

<table>
<thead>
<tr>
<th>State</th>
<th>Net Migration Percentage</th>
<th>Net Migration Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>+12.6%</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>South Carolina</td>
<td>+10.3%</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>North Carolina</td>
<td>+7.6%</td>
<td>10&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Tennessee</td>
<td>+5.9%</td>
<td>13&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Georgia</td>
<td>+5.3%</td>
<td>16&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Alabama</td>
<td>+1.1%</td>
<td>25&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Kentucky</td>
<td>+0.8%</td>
<td>28&lt;sup&gt;th&lt;/sup&gt;</td>
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“Net migration” is defined as the percentage of a population’s increase resulting from in-migration.
AN INCREASING WORKER DEFICIT

• APPROXIMATELY 68.8% OF IN-MIGRANTS TO SOUTH CAROLINA ARE OVER AGE 55, IMPLYING A 2:1 RATIO OF NEW “CONSUMERS” TO NEW “WORKERS”

• FOR EVERY INDIVIDUAL WHO MOVES TO SOUTH CAROLINA WHO IS OF PRIME WORKING AGE, TWO ADDITIONAL INDIVIDUALS ARE MOVING TO SOUTH CAROLINA WHO ARE OUTSIDE OF PRIME WORKING AGE
• Millennials became the largest generation in the labor force in 2016.

• Baby Boomer Generation went from 50% of the labor force in 1994 to 25% by 2017.

• The Census Bureau projects that the Millennial Population will peak at 75 million, which would require a labor force participation rate of 88% to reach the size of the peak Boomers.
THE BOTTOM LINE

- South Carolina’s economy has rebounded and is in a relatively strong position headed into 2022, barring any major disruptions from additional COVID-19 variants.

- The income and substitution effects in consumer spending will continue to be leading indicators that will help reveal the evolving path of South Carolina’s ongoing recovery and economic growth in the new year.

- Inflation remains the biggest short-run economic threat to South Carolina, while the current labor shortage is more likely to be a long-run phenomenon that will be a defining challenge for South Carolina in the coming decade.

- In order to experience rates of economic growth in the 2020’s comparable to what was seen in the previous decade, South Carolina will likely need to focus on the high-growth potential tied to changes in the advanced manufacturing and transportation/distribution industry sectors.
THANK YOU!