Economic data shows promise

Upstate recovering, but jobless rate predicted to stay high

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Unemployment next year is expected to improve but remain high, manufacturing should remain strong although exports could be hurt by the European debt crisis and economic growth will remain slow.

South Carolina's most recent data, however, show the Upstate regaining its economic leadership in the state, said Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science and author of The Economic Situation and Carolina Digest.

The data "is rather heartening for the Upstate," he said, adding that the recovery is being driven by the manufacturing expansion. The state reported an average unemployment rate of 10.5 percent in October.

Next year is not likely to look much different from 2011, said Yandle and Mark Vitner, senior economist with Wells Fargo Securities.

"It's a situation, where as much as we dislike it, we might as well get used to a similar outlook," Yandle said.

When he looks at the unemployment rate, he sees both an optimistic and pessimistic path.

"Optimistically, we should be where we were pre-recession sometime in 2015," he said. "Pessimistically, we'll get there in 2017." But "we will be a larger population with more people looking for jobs," he said, a scenario that is likely to result in high unemployment rates, probably in the mid- to high 9 percent range for South Carolina and in the 8 percent range nationally.

While the European crisis could affect South Carolina's exports and direct foreign investment, "it's difficult to determine how the state will be affected," Vitner said. A European recession is unlikely to slow Boeing sales dramatically.

"It will be tougher for BMW to operate in Europe, but how that will affect its South Carolina operations is hard to say," he said. Still, the state has a lot of industrial investment in the pipeline. That will provide jobs over time although much of the investment is in facilities that don't require large numbers of employees.

Unemployment "will gradually grind lower," he said, adding that South Carolina stills faces a gap in the skills needed by employers and the skills workers have.

"That first rung of the employment ladder is much further away than it was even 10 years ago," Yandle said. Educational attainment is improving in some parts of the state, but "it's not happening fast."

And the improvment is not even, he said. Counties that are losing population tend to lose those who are most mobile and most highly educated.

Yandle expects the gap between South Carolina and national unemployment rates to narrow but South Carolina is likely to experience higher unemployment than the national average.

"We're trying to get back on our feet while still transforming" the economy from the textile manufacturing focus and while facing increasing global competition, he said.