Economist: Gas price, lending rate headed up

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Gas prices are likely headed up to $3 a gallon in a few months, a Lowcountry economist predicted during a presentation with a University of South Carolina economist who said reduced gas prices have been a boon for the Myrtle Beach area.

"My guess is we are going to be back up to about three bucks a gallon by the time we get to the middle of the year," said Stephen Slifer, owner of Daniel Island-based NumberNomics and former chief U.S. economist for Lehman Brothers and senior economist at the Board of Governors of the Federal Reserve.

Slifer said the price has "dropped 40% from where we were back in September. So the less you have to spend filling up your car with gas, the more money you've got to spend on other stuff."

Speaking at a GSA Business Power Event, Slifer also said he expects the Fed to start gradually raising borrowing rates in June. He said labor costs are already increasing and "prices are going to follow." Slifer said there will not likely be any reason to worry about a "rate that bites" and a recession before 2017.

Slifer said for this year he has "GDP growth picking up, close to 3.5%. That is up from about 2.5 this past year, so that is pretty good, right?"

Joseph Von Nessen, a research economist at the University of South Carolina, also gave an economic forecast, describing South Carolina's economy as "stable." He said the state's employment growth rate has steadily increased since the Great Recession to 2%, the same rate recorded between 2005 and 2008.

The researcher at the university's Darla Moore School of Business said lower gas prices have helped push the Myrtle Beach area and its tourism businesses ahead of the Upstate and Charleston area, both manufacturing-led economies, in employment growth rate, which he described as the best measure of economic performance. He has said the Myrtle Beach area recorded 4% employment growth last year. Greenville had the second-highest employment growth for the year at 2.5%, on the strength of manufacturing.

He said "it's not that manufacturing is doing worse."

"What is happening is the major growth in the Myrtle Beach region is rising from the leisure and hospitality sector and that is due primarily to increased consumer spending," Von Nessen said.

He said consumers are in "better financial position today than they have been at any point in the last five years" and their spending has contributed to the growth in leisure and hospitality jobs.

Slifer said oil production has increased by 80% in the last seven years and "that's why gasoline prices have done what they've done. This is all this hydraulic fracturing and the horizontal drilling that you keep reading about."

He said that "by the end of this decade the U.S. is going to be a net exporter of oil. That is something that is absolutely off the charts, unimaginable five years ago … what that means is we are not just going to not be as reliant on OPEC as a source of oil as we've ever been in, certainly in my adult lifetime, and at the same time the U.S. is going to become the world's biggest oil producer. We are going to surpass Saudi Arabia and Russia."

Slifer also talked about declining homeownership rates. "There's something kind of odd going on here," he said. "Every single age category has dropped. But the drop has been pronounced in the younger crowd, sort of the under-45 group," Slifer said. "That is important because these are the largest source of your first-time homebuyers … Part of it may just be a lifestyle issue, that the younger generation just isn't as enamored with homeownership as my generation, my parents' generation perhaps was. Or maybe it's a financial thing. You come out of school, you've got a lot of student debt, so you are just having a hard time qualifying for a mortgage."

He said they seem "much more interested in renting than they are in purchasing a home. As a result, the rental market is super tight."