

ECONOMY IN UPSTATE, NATION POINTING TO ANOTHER SLOW YEAR FOR JOB GROWTH



Estlean Cook, president of Treblig Inc., says it's not clear what impact the economy have on a business like hers, a machine tooling company with 14 employees, but she's trying to remain positive. MYKAL MCELDOWNEY/STAFF

MIXED SIGNALS

By David Dykes | Staff writer
ddykes@greenvilleonline.com

The economy is blowing crosswinds the first week of the new year, both in the Upstate and across the country.

While none of the first-week reports are suggesting a stall, now that a run off the fiscal cliff has been averted, the numbers are good in some spots, weak in others, with economists pointing to another slow year for job growth both here and the nation at large.

Manufacturing in the Upstate remains strong, with industrial catalyst BMW running full speed, and small manufacturers telling GreenvilleOnline.com they see more clear sky than clouds on the horizon.

Estlean Cook, president of Treblig Inc., a Greenville milling business with customers such as Michelin North America and Lockheed Martin, said the impact of the economy on businesses her size — 14 employees — is a "guess" at this point.

"I'm going to try to keep a positive attitude and say that we're going to stay as well as we are and hopefully better," she said.

Construction, another key component in the Upstate economy, remains weak, with the Greenville metro area losing 4 percent of its construction jobs between November 2011 and November 2012.

South Carolina's pockets of prosperity — including Charleston and the Upstate — are linked to a

See ECONOMY, Page 3A

> *"I'm going to try to keep a positive attitude and say that we're going to stay as well as we are and hopefully better."*
>
> **ESTLEAN COOK,** president of Treblig Inc.

global economy experiencing the largest boom in growth in history, said Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science.

Boeing manufactures jetliners in North Charleston, and BMW produces cars at its plant in Greer.

"When you look at that first Boeing plane that was produced in Charleston — if you look at the logo on it — it's going to Air India," Yandle told GreenvilleOnlinecom.

"When you look at acres of BMWs getting ready to be put on ships in Charleston, they're going to Germany, by and large initially, but a good many of them are going to China.

"And so South Carolina is enjoying a good linkage to the developing world," with state exports increasing about 23 percent on a year-over-year basis, one of the larger increases in the nation, he said.

"While we're not doing as well, by a long shot, as North Dakota and some of those oil-producing states, we've got our own little pockets of prosperity in South Carolina," Yandle said. "And they're tied to autos and they're tied to exports and they're tied to manufactured products."

In the Southeast, South Carolina has the second-strongest economy, behind only Tennessee, in terms of employment growth and other measures, Yandle said.

"It's one of those rare times in recent history when South Carolina is a stronger economy than North Carolina and a lot stronger than Georgia," he said.

Mixed bag along I-85 corridor

But in South Carolina, it's a mixed bag, particularly along Interstate 85, Yandle said.

While employment in the Charleston metropolitan area has "fully recovered" from the recession, going back to December 2007, other areas haven't been as fortunate, he said.

"That's the only region in South Carolina that has fully recovered," Yandle said of the Charleston area.

York and Cherokee counties — near Charlotte — are rebounding, but the Greenville metropolitan area "has had very little growth in total employment — zero growth in the last year," he said.

Spartanburg is the strongest region in the Upstate in terms of employment growth and related factors such as housing starts and retail sales, Yandle said. The Anderson area is improving, he said.

Elsewhere in the state, "There are counties that are not doing very, very well, (and) haven't been for a long time," he said.

"But it's sort of curious in a way," Yandle said. "Just recently, some of those counties are showing some growth now, some signs of improvement.

"Usually, if you get, say, two counties away from the interstate system, it's hard to find prosperity."

Stabilizing home construction

Tom Dillard, president and founder of Dillard-Jones Builders LLC, said the home construction industry has seen "some stabilization" but it also is encountering upward pressure on pricing for materials such as lumber.

"We're very hopeful that the demand will continue to be strong, but cautiously optimistic is what we're thinking," he said. "We're not so optimistic that we're intending on hiring a lot of people or anything drastic like that."

But, he said, "I think we are more optimistic going into this year than last year."

The U.S. still is clawing its way out of a serious recession, Yandle said. The prospects for the nation in the year ahead "are probably no brighter" than 2012's real gross domestic product growth of about 2.5 percent, he said.

"In a sense we are traveling along on a flat plain, generating growth — 2.5 percent or less, but generating growth — and generating some employment gains as we move along," Yandle said.

In the third quarter of last year, it was apparent the combination of sluggish economic growth, persistent European Union issues, approaching elections in the United States, and the impending "fiscal cliff" was making chief financial officers "very nervous," Deloitte said in its latest CFO Signals report.

One major source of uncertainty is now resolved, the report said. The U.S. elections are over, and not much seems to have changed, it said.

"The president is still a Democrat, the House is still Republican-led, and the Senate still has a Democratic majority. In the aftermath, the fiscal cliff parties have been working the inside and outside game of negotiations, but largely holding to the same positions they held before," the report said.

Given that, "CFOs' outlook does not appear to have changed much either," Deloitte said, referring to its fourth-quarter survey.

Capital spending growth slow

Lingering uncertainty, however, has pushed CFOs' investment expectations even lower — with new lows for growth in capital spending, research and development and marketing investments, the report said.

"CFOs are cautious on domestic hiring, too, and more of them are projecting cuts than at any time in the last two years," the report said.

Those expectations were largely premised on not going over the fiscal cliff and conditions not getting worse in Europe, the report said. It said most CFOs also said they didn't expect either to be a factor "in the near term."

To many economists, there is little doubt the seeds of faster growth are being planted. They point to a recovering housing market and rising credit growth.

"However, with taxes rising by an average of $700 per household and ongoing uncertainty with respect to fiscal policy, job growth in 2013 is likely to be held to the pace set in 2012," said James Marple, TD senior economist.

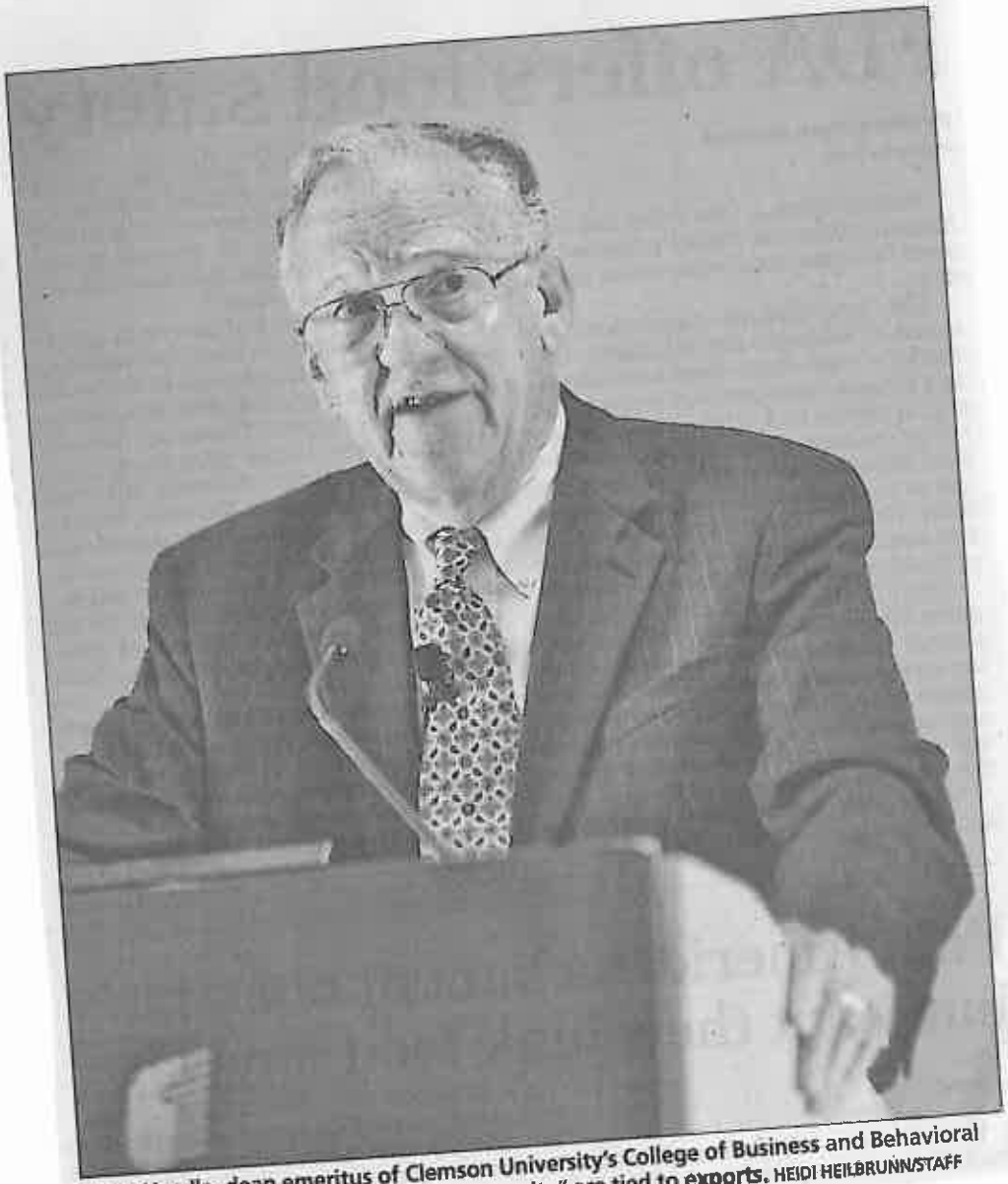
Wells Fargo Securities chief economist John E. Silvia and economic analyst Sarah Watt said in a research report the nation has only averaged 153,000 new jobs each month over the past two years, while the 12-month average of the labor force participation rate has fallen a full percentage point.

"This suggests that if the labor force participation rate remains the same, then declines in the unemployment rate will be difficult to come by given the current fiscal, trade and regulatory policy environments," the economists said.

The average duration of unemployment continues to stand near the record high at 40 weeks, Silvia and Watt said.

"This data suggest many workers face severely long spells of unemployment, and that the headline unemployment rate does not fully capture the severity of the unemployment experience for millions of Americans," they said.

Staff writer Angelia Davis contributed.



Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science, says the state's "pockets of prosperity" are tied to exports. HEIDI HEILBRUNN/STAFF