Moderate growth expected for state

Economists say rebounds in some industries a good sign

By David Dykes
Staff writer
ddykes@greenvillenews.com

Economic growth in the lower South Atlantic states will continue to outpace the national economy and South Carolina's will accelerate, but not as fast as the rest of the region, a new report says.

The quarterly state forecast by TD Bank economists said regional growth will reach 2.4 percent this year and accelerate to 3.6 percent in 2015, led by Florida and Georgia.

South Carolina's economy should accelerate to "a still moderate 1.6 percent pace" this year before growing by 2.8 percent in 2015, the economists said.

Cuts in health-care funding and a manufacturing slowdown have dragged down the state's economy, TD said.

"Growth in 2012 was halved and slowed further to just 1.2 percent last year — at odds with job growth," the economists said. "The source of weakness last year was a stupefying 5.1 percent contraction in education and health care — its first ever on record in S.C. — as well as a slowdown in manufacturing, which has contributed nearly half of Palmetto State growth in recent years."

The TD report relies on data from several government sources, including the U.S. Bureau of Economic Analysis. TD Senior Economist Michael Dolega said the 2013 data could be revised and contraction in education and health care "might not be as dire."

"Still, there's no question that the sector has slowed," he said. Changes in regulations for hospital and nursing facility funding had an impact, but those were "one-off events," he said.

In their report, TD's economists said rebounds in health care and manufacturing are among reasons for economic optimism in South Carolina.

"Job and funding cuts to hospitals and nursing homes have waned. In fact, S.C. education and health firms have been hiring faster than the nation since late 2013," the economists said. "Manufacturing payrolls have also accelerated, rising by 3.7 percent (year-over-year), with expansions in some existing operations and new business coming to the state, with yet another tire company (Giti) planning to set up shop."

Giti Tire, based in Singapore and the 10th largest tire company in the world, recently announced plans to build a new manufacturing plant in Chester County and to create 1,700 jobs.

South Carolina Department of Employment and Workforce officials said the education and health-services sector lost 400 jobs in May from a month earlier. But since May 2013, the sector has added 5,000 jobs, DEW officials said.

TD's economists said the state's housing market also is on the mend.

Home price gains are nearing double-digits, supported by an improving labor market, the economists said. They noted the jobless rate fell below pre-recession levels recently, with Charleston, Greenville and Columbia below 5 percent.

Job gains are also driving new construction, with housing starts up 25 percent year-over-year, supported by surging multifamily construction in metro markets, TD's economists said.

Clemson University economist Bruce Yandle told *The Greenville News* that South Carolina's pace of economic growth has slowed after the state accelerated ahead of its neighbors.

North Carolina and Georgia are gaining momentum, hitting a post-recession expansion phase that South Carolina already was in, Yandle said.

But for South Carolina, according to Yandle, there are three reasons to expect strong growth in late 2014 and 2015: the state is a heavy exporter as the world economy grows; manufacturing is expanding with investments in existing and new plants; and benefits from a strong services economy, linked to manufacturing, should continue.

"World real GDP growth is pacing at 3.5 percent," Yandle said. "U.S. real GDP growth is 2 percent. Put another way, the world is growing 75 percent faster than the U.S., and S.C. — and especially Greenville metro — is heavily linked to the fast-paced world economy."

The state Department of Commerce said the South Carolina Leading Index rose for the fourth consecutive month in May, gaining 0.06 points to a seven-year-high value of 101.51. An index value greater than 100 predicts economic growth over the next three to six months in South Carolina, Commerce officials said.

Stock-market gains and a 1 percent increase in the average manufacturing work week moved the index higher, said Commerce Research Director David Clayton.

A 3.3 percent increase in initial claims for unemployment insurance and a 7.9 percent decline in permits issued for new residential construction offset some of the index's positive movement, Clayton said.

In May, the Conference Board's Leading Economic Index for the U.S. increased 0.5 percent to 101.7.

Looking ahead, South Carolina might underperform neighboring states' economies for another year or two, said Dolega, the TD economist. But the state should remain "a powerhouse of manufacturing" while at the same time attracting more retirees, he said.

"The future really looks quite bright for South Carolina, given its focus on trying to bring business and be an attractive place for companies and for people to move to work," Dolega said.

"There's a lot to look forward to. As long as it's managed properly, the state has a lot of potential and could very well catch up to the likes of North Carolina and Georgia."