State economy strengthens

Companies report business improving

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At Triton Custom Woodworks in Greer, CEO Frank Wingate says business has been improving since the start of the year.

The 12-employee firm on Brushy Creek Road makes custom cabinetry and millwork for hotel chains, commercial buildings and high-end homes.

Wingate said his hotel customers, including Hampton Inn and Holiday Inn Express, are upgrading their properties as occupancy and room rates rise following a long lull in business.

In addition, Wingate said he's quoting a growing number of commercial and residential projects and is planning to add four employees and possibly a second shift. "We're starting to have those conversations because we're seeing things start to heat up," Wingate said.

Growing business at durable goods manufacturers such as Triton Custom Woodworks is a key reason why Wells Fargo economists have concluded that South Carolina's economic output has likely returned to its pre-recession peak.

That doesn't mean the state has replaced all the jobs it lost during the recession or that every industry is healthy again.

It does mean the state's real gross domestic product — the total value of all goods and services — probably has recovered, said Mark Vitner, senior economist with Wells Fargo in Charlotte.

Vitner said he can't say for sure until the U.S. Bureau of Economic Analysis releases more data.

"You can't pinpoint it exactly, but it looks like we're either right at it, or slightly above where we were pre-recession," he said.

As evidence, Vitner points to the Philadelphia Federal Re-

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serve's coincident index for South Carolina, which shows economic activity climbed at its fastest pace in March than at any time since the end of 2006.

And the Philadelphia Fed's leading economic indicator index points to stronger growth in South Carolina over the next six months, Vitner and Wells Fargo economic analyst Sarah Watt concluded in a research report.

A key reason for the rebound is the strength of durable goods manufacturing "where there's a great deal of value added per unit of labor," Vitner said.

Those manufacturers produce goods that last for several years.

They range in size from small businesses such as Triton Custom Woodworks to huge operations such as the General Electric plant in Greenville, the BMW plant near Greer and Boeing's new aircraft factory in North Charleston.

While South Carolina's total economic output may look more like it used to, the state's economic mix is a lot different than it was before the recession, Vitner said.

Before the recession, for example, residential construction accounted for much more of the output.

Vitner said that about the best thing now that can be said about housing is that it has "stabilized."

Manufacturing, on the other hand, shrank for years before the recession but now it's growing.

Over the past year, South Carolina's manufacturing employment grew by 7,800 jobs, more than any other sector, according to the latest data from the state Department of Employment and Workforce.

South Carolina's economy has more than turned a corner as the nation's economy expands, said Clemson University economist Bruce Yandle.

The long and painful adjustment from apparel and textile manufacturing to a more diverse manufacturing and services economy is mostly behind the state, Yandle said.

That's evident, he said, in the narrowing gap between the state's unemployment rate and that of the nation. "We are more like the nation, and getting healthier," he said.

Part of the improvement relates to South Carolina's strong ties to the expanding global economy, Yandle said. Exports from the state are up more than 20 percent, he said.

Still, not everything's coming up roses in South Carolina's economy.

Employment remains more than 5 percent off its pre-reces-

sion peak, and the unemployment rate is 3.8 percentage points higher than it was at the onset of the recession, Vitner and Watt said.

The state's per-capita income also remains nearly 20 percent below the national figure, and the gap between South Carolina and the nation has widened since the end of the past recession, the analysts said.

One reason, they said, is that a larger percentage of South Carolina's economy and population still is centered in rural areas, where earnings and living expenses tend to be significantly lower.

They also said South Carolina incomes remain heavily reliant on federal government support through Social Security, Medicaid, food stamps and unemployment insurance.

Such "transfer payments" account for 23 percent of the state's total income, the analysts said.

While South Carolina has a lot of retirees who draw Social Security, "It's really Medicaid and food stamps that are growing extremely rapidly," Vitner said.

In the last year, employers in the state have stepped up hiring, adding more than 25,000 positions to payrolls, with strong growth in the state's manufacturing and professional and business services industries, according to Vitner and Watt.

At the same time, the analysts said, the unemployment rate has ticked down since last fall and is now less than 9 percent.

"Looking ahead, we expect the pace of economic activity to accelerate," the analysts said.

Greenville, Charleston and Columbia continue to attract "a great deal" of industrial development and much of the surge can be traced to BMW's arrival nearly 20 years ago, a development that dramatically reshaped the region's industrial base, the analysts said.

"Economic development is now focusing on marrying the growth in the automotive industry with the region's historic focus in engineering," they said.

Downtown Greenville, which has seen a major makeover, and Clemson University's International Center for Automotive Research along Interstate 85 have been economic draws for companies who are "increasingly becoming interested" in doing business in the state, Vitner and Watt said.

Boeing's huge new commercial airliner manufacturing facility in North Charleston is another example of the state's success and new tire plants over the last few years, including Michelin's new and expanded facilities, should propel South Carolina to the top spot for tire-manufacturing states nationwide, the analysts said.

Successful inroads also have been made in attracting life-science firms, advanced manufacturing and research and development facilities, they said.

The influx of new industry has helped drive manufacturing employment up 8.4 percent since employment bottomed out 27 months ago, accounting for more than one of every four jobs added in the state during that period, Vitner and Watt said.

In their report, Vitner and Watt said output in the Palmetto State fell nearly 5 percent during 2008 and 2009.

Vitner told GreenvilleOnline.com recently that he worries about the large amount of direct-foreign investment in the state, given Europe's financial crisis. But even if economic activity slows, "There is so much in the pipeline right now" in South Carolina that the state can weather the crisis fairly well, he said.

In their snapshot of South Carolina, Vitner and Watt said Columbia, Charleston, Florence and Spartanburg have seen the most sizable employment gains in the last year, adding more than 17,000 jobs among the four regions.

"While the state is heading in the right direction, the labor market still has a long road ahead to a full recovery," they said.