UPSTATE ECONOMIC GROWTH SLOWING

INDUSTRY STRONG, BUT MANUFACTURERS HIRING LESS, ECONOMISTS SAY

3.8%

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$493M

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$33.4B

The gross domestic product of the Greenville-Anderson-Mauldin metropolitan statistical area, up 1.5 percent from 2011 to 2012.



Jason Premo, co-owner of ADEX Machining Technologies, expressed optimism about the future. The aerospace field, for which his company supplies parts, is going strong. STAFF FILE

By Ron Barnett and David Dykes
Staff writers

The Upstate economy is still expanding, but not as fast as it has over the past few years — and growth in personal income has lagged far behind the increase in the output of goods and services, according to government data out Tuesday.

The gross domestic product of the Greenville-Anderson-Mauldin metropolitan statistical area grew by 1.5 percent between 2011 and 2012, to hit the $33.4 billion mark, according to new numbers from the Bureau of Economic Analysis. That was down from growth of 4.1 percent in 2010 and 4.2 percent in 2011, which was well above the national average for both years.

The Greenville-Anderson-Mauldin area ranked No. 202 out of 381 metro areas in the percentage of growth for the most recent year. It ranked No. 72 in size.

Between 2008 and 2012, the area's GDP grew by 11.6 percent, while during the same time span, per capita income grew by 3.9 percent.

Manufacturing has been the driver of the GDP increase. The sector was up by $493 million for the year and $1.3 billion over five years to total $6.7 billion in 2012, according to the report. But more production hasn't meant more jobs.

"If you bought stock in BMW five years ago, you're doing real well," said Clemson University economist Bruce Yandle. "Or if, in your 401(k), you had invested in manufacturing firms, you're doing OK. If you bought Dollar General you're doing great.

"But those firms are not hiring a lot of people. That's the thing."

Greenville manufacturers are generally upbeat about the

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future.

Jason Premo, co-owner of ADEX Machining Technologies, said a lot depends on the sector you're in. The aerospace field, for which his company supplies parts, is going strong. Improvements in fuel efficiency and new technology have led to a spike in demand for new planes.

"Both Boeing and Airbus are behind schedule," Premo said. "It's a good problem to have."

Robert Bass, co-owner of Kessick Wine Cellars, said his manufacturing company had its best month ever in July, and he bought some computer-controlled equipment to increase productivity.

"It's really a different attitude right now," he said of his customer base. "People have a little more confidence."

Bass said he is cautiously optimistic about the future, "but we're still careful about what we're spending and careful about the total number of employees we have. But at the same time, for us to deliver the products we've sold, we've had to tool up, have some capital investment, and we've had to bring on more employees."

Jobs gap

One of the main reasons manufacturers aren't hiring more is because of a shortage of qualified applicants, Yandle said.

A manager of a large manufacturing plant in the Lowcountry told him that he had to interview 100 people to find two who were qualified for the job he was seeking to fill, Yandle said.

That's the reality in high-tech industries, Premo said.

"We hear how wages haven't kept up with inflation, but it's the opposite at the higher end of the work force," he said. "For high-tech industries, those wages have risen enormously. There's a labor war out there so companies like us have to recruit from all over the nation."

Another reason many manufacturers aren't hiring is that they have learned they can produce more with fewer people by using more automation and avoid adding to their payroll — and sidestep the changes coming with the new health care law, Yandle said.

"What that cost is going to be is still unknown," he said of the Affordable Care Act, which goes into effect in January. "Robots are getting cheaper and people are becoming more costly."

A college education is the surest route to getting a job in this market, Yandle said.

The unemployment rate for people 25 or older with at least a bachelor's degree is 3.8 percent, compared with 11 percent for those without a high school diploma, he said. For high school graduates, it's 7.6 percent, he said.

Having a college degree doesn't always open the doors to a good job, though — at least not right away.

Natalyn Klump said she graduated with a degree in public relations from the University of South Carolina in May 2012 and has yet to find a permanent full-time job.

"I'm still trying to find a career starting position to get my foot in the door," she said.

She's working a temporary job but needs to find full-time employment to make payments on her student loan.

"I had quite a large one," she said.

The Upstate's economy is diversified enough that hiring overall has continued to improve, according to Julie Godshall Brown, president of Godshall Professional Recruiting & Staffing.

But there remains a gap between the number of qualified applicants and jobs that need to be filled in some areas, she said.

The Greenville Technical College system and charter high schools will help in the long term, she said.

"But we're expecting to see that gap between qualified work force and the demand to grow before it gets better," she said.

The bigger picture

Hank Hyatt, vice president for economic development at the Greenville Chamber of Commerce, said he was disappointed to see that the Greenville area had slowed compared with Spartanburg, which saw 4.1 percent GDP growth and ranked No. 44.

"We'd like to see the GDP growth faster than it was this year. We could do better than that," he said. "I think it's just a matter of folks putting their shoulder to the wheel and trying to get more investment."

Charleston and Columbia also grew faster than Greenville, at 2.9 percent and 3.2 percent, respectively. Charlotte posted the fastest growth rate, 4.9 percent, for a ranking of No. 29.

Nationally, real GDP increased in 305 of the 381 metro areas in 2012, with durable-goods manufacturing, trade and financial activities leading the growth, according to the report.

The overall GDP growth was 2.5 percent, up from 1.7 percent the previous year.

The fastest-growing large metro areas were San Francisco-Oakland-Hayward (7.4 percent), Houston-The Woodlands-Sugar Land (5.3 percent) and Dallas-Fort Worth-Arlington (4.3 percent).

Retail lags

But in South Carolina, slow growth of per capita income, which stood at $34,266 in 2012, according to the BEA, kept growth in the retail sector slow, Yandle said.

The new numbers indicate growth of $15 million in retail trade in the Greenville metro area between 2011 and 2012, for a total of $2.39 billion. But that's still below the 2008 figure of $2.42 billion.

"When we've had almost zero employment growth in the Greenville metro area over the last year, then you would expect to have almost zero growth in retail spending per capita," Yandle said.

Financial activities, or banking, was the drag on the area's GDP growth, falling by $203 million for the year to $4.5 billion.

The big drag — a 0.8 percent downturn in financial activities — reflects moves by institutions, particularly banks, to be more cautious in lending money, said Sujit CanagaRetna, senior fiscal analyst for the Southern Legislative Conference in Atlanta.

"But at the same time, if there's economic activity, you're going to see those financial entities trying to get a piece of that action," he said. "They're going to be there. It's sort of a complicated story."

CanagaRetna said the Greenville area's GDP growth in 2010 and 2011 was a "hot pace" to maintain.

He said events nationally and internationally last year might have contributed to the slower pace, including the downturn in Europe and its impact on trade.

That was unsettling "but at the same time, I don't know if it's cause for huge concern," he said.

"We're moving in the right direction and we're focusing on the right industries," he said of the region and the Greenville area.

By focusing on Greenville's industries in the manufacturing sector and the area's trading activities, including exports, local economic development officials have a good platform on which to continue to build, CanagaRetna said.

"Growth in those areas are encouraging. It's a positive," he said. "It's a just a matter of building on that."

In fact, Greenville ranked No. 11 among the nation's top 100 metros in export intensity in 2012, according to the Brookings Institution.

"Greenville stands out among the most export-intensive metro areas in that it is only slightly above average in industry specialization," Brookings said in a report out Tuesday.

"This may reflect Greenville's strategic approach to foreign direct investment, which has brought a range of export-intensive firms from diverse industries to the region, such as BMW and Michelin," CanagaRetna said.

The Japanese economy is picking up and there will be more opportunities for exports, he said. "They're going to be more of a player in the global economy and that's a good thing."

Staff writers Lillia Callum-Penso and Angelia Davis contributed.



Natalyn Klump graduated with a degree in public relations from the University of South Carolina in May 2012, but hasn't been able to find a full-time job. She works part-time at Godshall Staffing. HEIDI HEILBRUNN/STAFF