Upstate economy faring better than most

Manufacturing, health care, services are driving forces behind area's growth

By Angelia Davis
STAFF WRITER
davisal@greenvilleonline.com

MORE ONLINE
Read Bruce Yandle's Economic Situation for June at GreenvilleOnline.com/Yandle

Manufacturing, health care and professional service are some of the reasons that the Upstate economy is strengthening while the national economy is weakening.

Gross Domestic Product (GDP) grew 1.8 percent in the year's first quarter, which is a "substantial decline" from the 3.1 percent growth rate in the fourth quarter of 2010, said Bruce Yandle, dean emeritus of Clemson University's College of Business and Behavioral Science.

Yandle said the major economic engine pulling the Upstate economy is manufacturing and within that automotive-related manufacturing.

"That engine is running well," he said. As are two additional strong sectors — health care and professional and business services.

The Upstate's unemployment rate should continue to improve in 2011 and 2012, but the region will continue to lag in residential construction, he said.

Yandle said April's data shows continuing weakening in the national economy, which has led to downward revisions of the growth rate expected for the year from numbers like 3.1 and 3.2 percent to 2.8 and 2.9 percent.

"When we have growth rates less than 3 percent, that is too weak to generate mean-

See ECONOMY on page

GROWTH

FROM PAGE4A

assumed that a cut in workers' Social Security taxes, which raised take-home pay, would boost consumer spending. And new business tax breaks were thought likely to spur business spending.

But political upheaval in the Middle East and North Africa sent energy prices soaring. The result was that consumers had to pay more for gas, leaving less money to spend on other items.

The government's revised estimate for gross domestic product — the economy's total output of goods and services — showed consumer spending growing at an annual rate of just 2.2 percent. That's sharply down from an initial estimate of 2.7 percent.

Consumer spending, which accounts for 70 percent of economic activity, had grown at a much faster 4 percent rate in the October-December period.

The GDP revision showed that the government sector is dragging on growth.

Government spending fell at an annual rate of 5.1 percent. Federal and state and local governments have cut spending to battle budget deficits.

Economists expect government spending to remain weak. They note that Congress will likely slash spending to try to shrink $1 trillion-plus budget deficits.

Exports grew faster than previously estimated last quarter — a brisk 9.2 percent rate. But imports grew even faster — at a 9.5 percent rate — causing the U.S. trade deficit to widen. A higher trade deficit subtracts from growth.

Spending by companies on equipment and software grew at a solid rate of 11.6 percent. Economists expect that to continue as companies take advantage of one-year tax write-offs for such purchases.

David Wyss, chief economist at Standard & Poor's in New York, said he thinks the economy will grow at an annual rate of 2.5 percent in the current quarter. Wyss said he expects growth to strengthen slightly to around 3 percent in the second half of this year.

In part, that's because the U.S. manufacturing supply disruptions caused by the Japanese earthquake and nuclear crisis in March should ease. And auto plants and other factories get back to full production.

Still, analysts think the economy may not be able to exceed 3 percent growth for the full year.

"There are just too many headwinds for the economy to fight against at the moment," Wyss said.