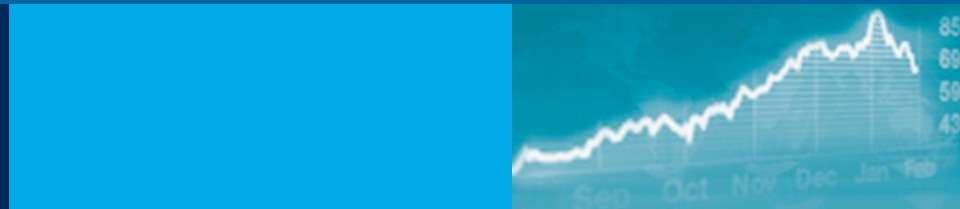




Economic Update

Beaufort Chamber of Commerce
March 2, 2023



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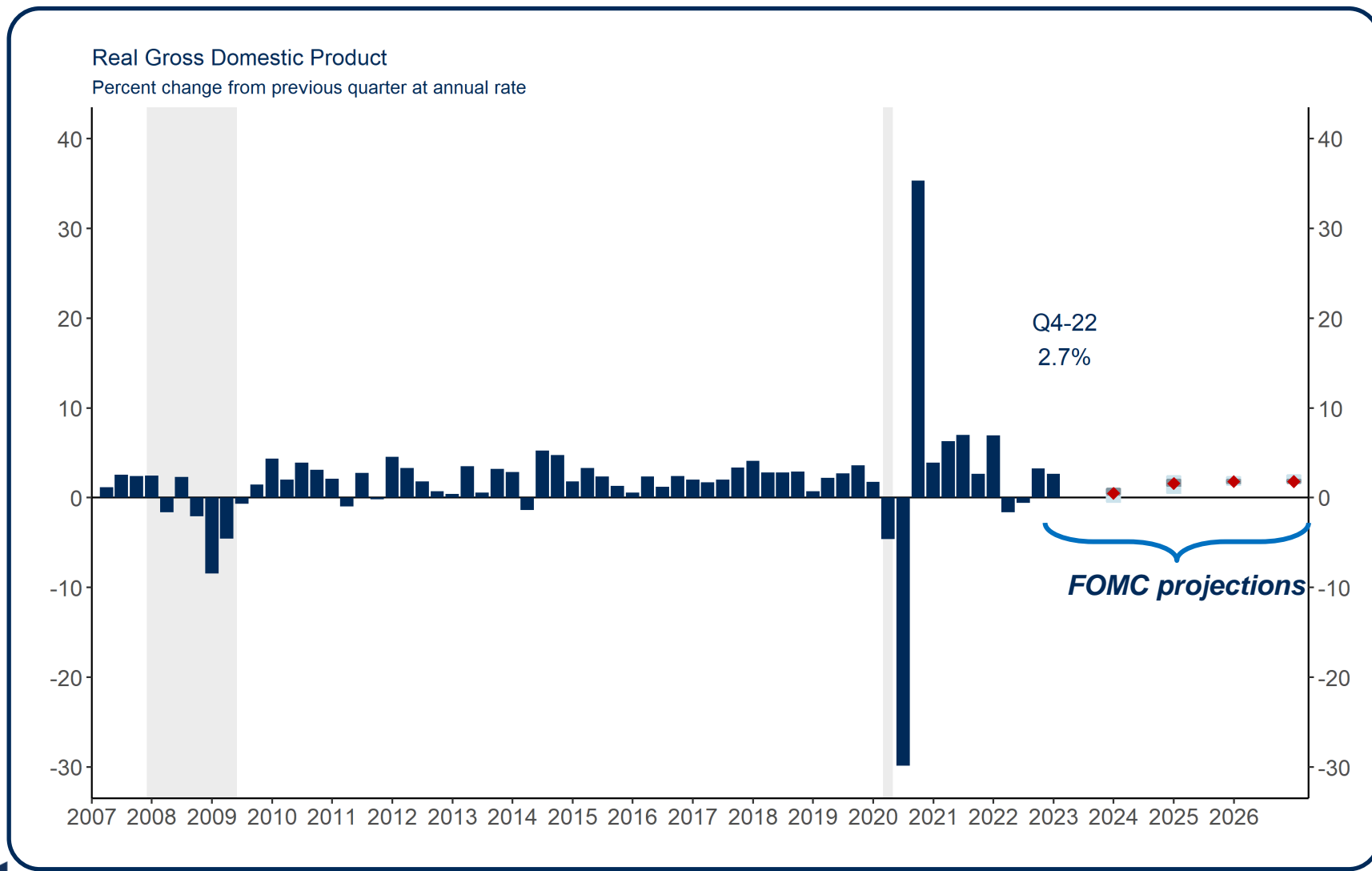


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Where are we now?

- 2021 was a year of strong economic growth and recovery; 2022 proved to be much bumpier but ended stronger than expected
 - Some sectors continue to be hit harder than others
- GDP growth was negative for Q1 and Q2 but ended up in positive territory for Q3 and Q4
 - Fears of recession abound, but thus far, no official recession has occurred
 - The pace of job growth has remained impressive, especially in the Carolinas and especially in places like Charlotte/Raleigh/Charleston
 - The quits rate has been normalizing, and job postings are down, but they both remain elevated compared to pre-COVID
- Inflation remains well above the 2 percent average target
 - The latest inflation report showed a uptick/plateauing of month-over-month inflation (after several months of decline)
 - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target and rate hikes continued in January

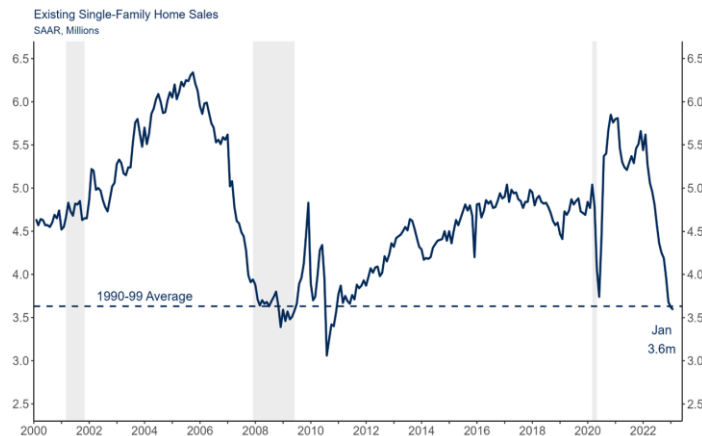
Growth is 2022 ended up stronger than anticipated due to a strong Q3 and Q4



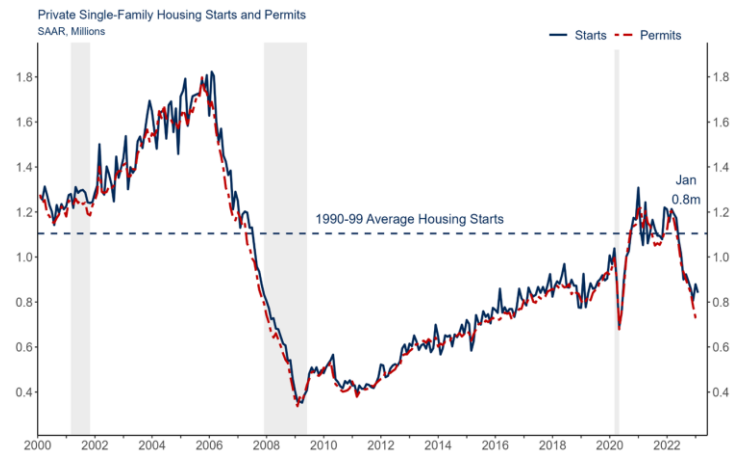
Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

Housing is hurting, but Manufacturing remains robust

Housing: Single-Family Sales



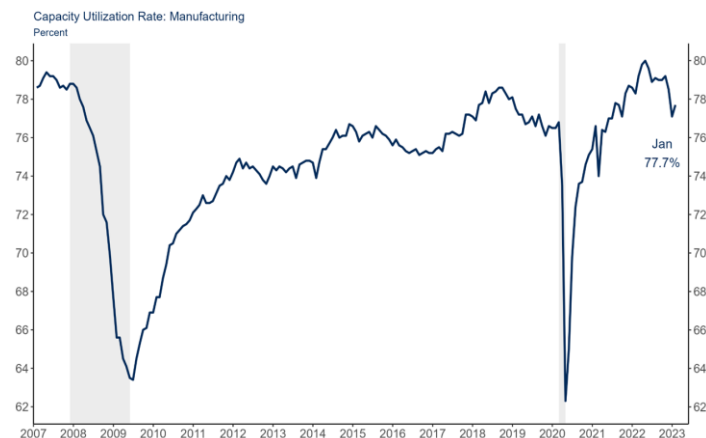
Housing: Single-Family Starts and Permits



Mftg: New Orders

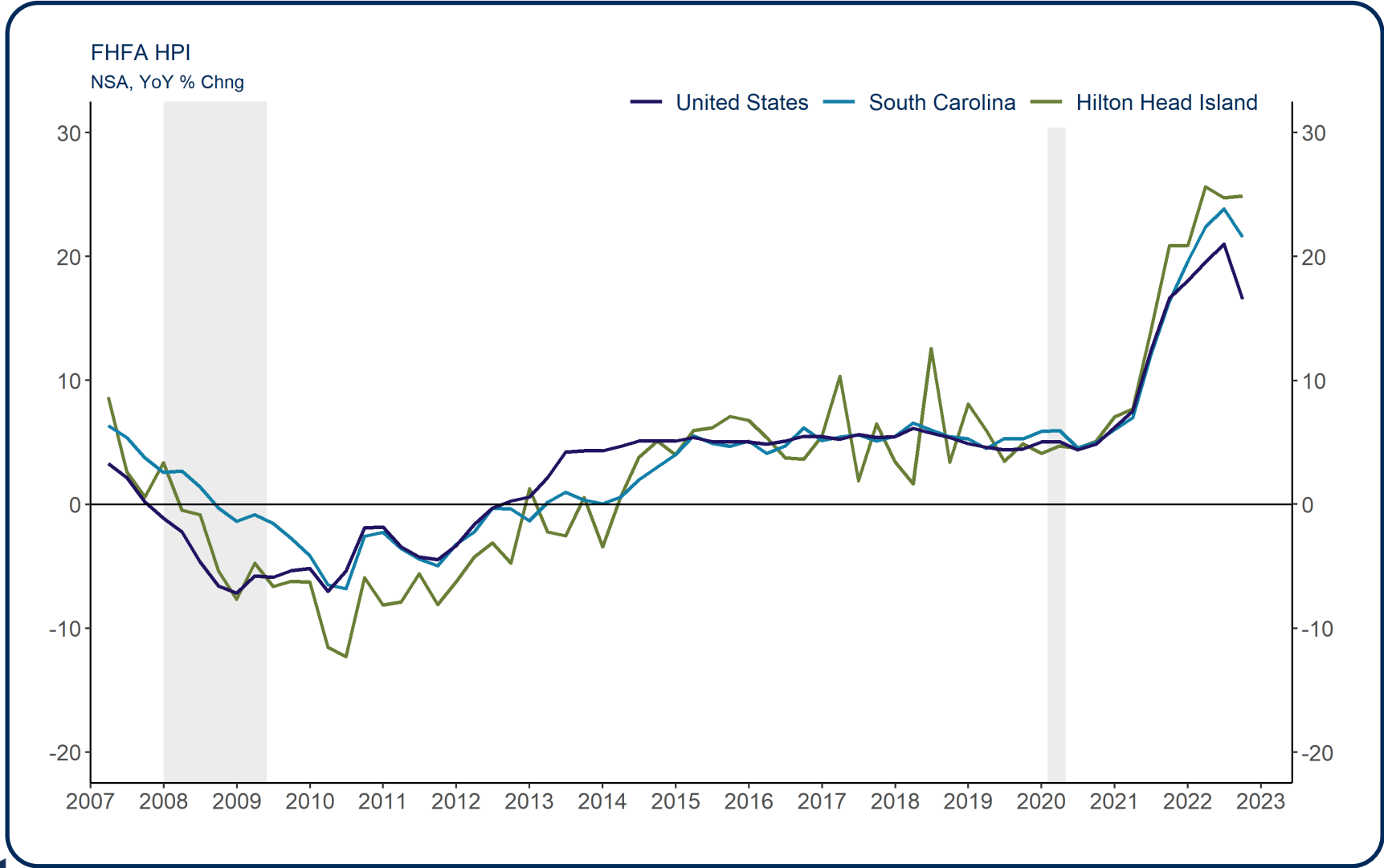


Mftg: Capacity Utilization Rate



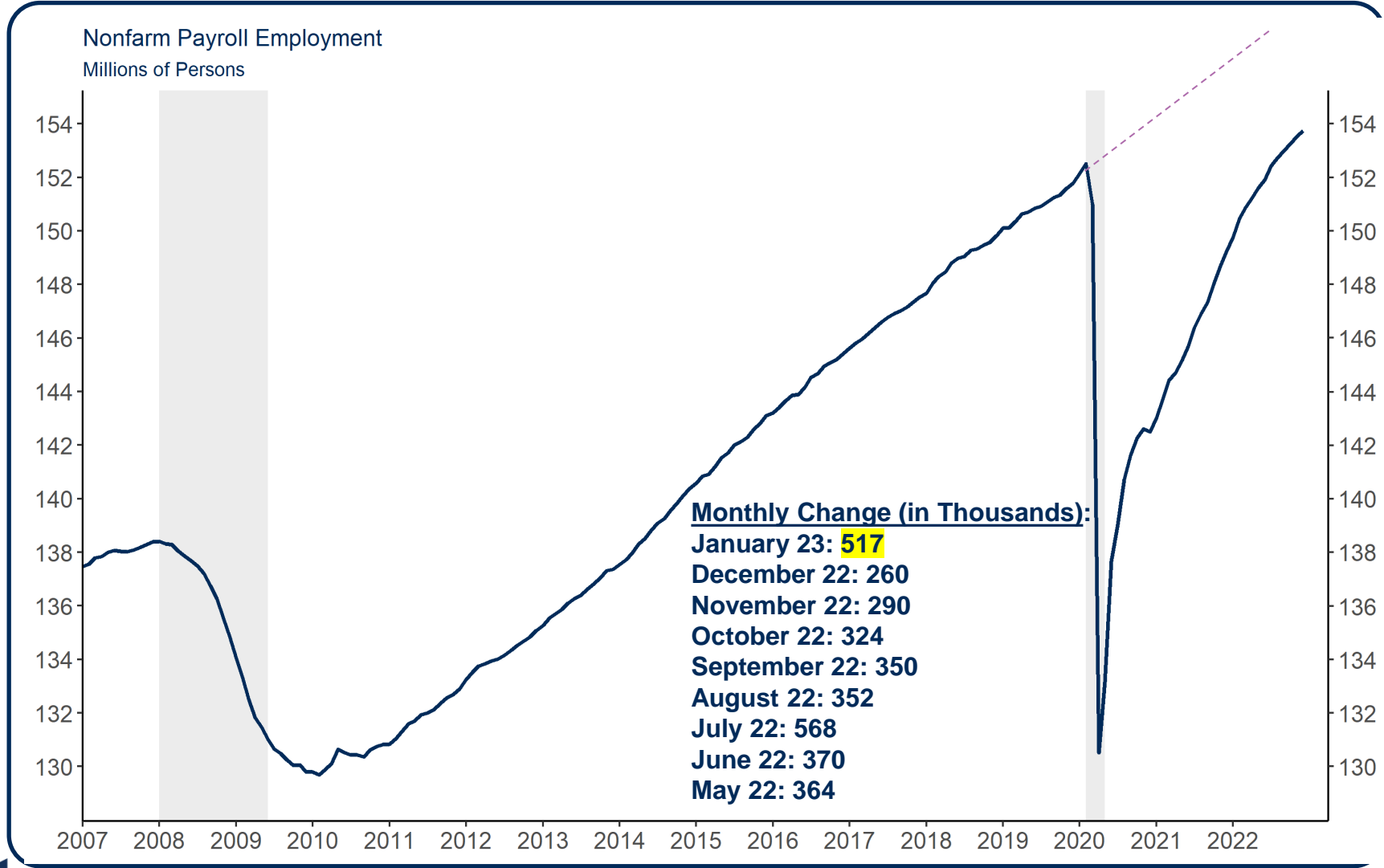
Source: Haver Analytics

Housing prices have fallen nationally, but have remained relatively stable in the Hilton Head MSA



Source: Federal Housing Finance Agency via Haver Analytics

We are now above pre-COVID levels of employment nationally, but we haven't returned to the pre-COVID trajectory



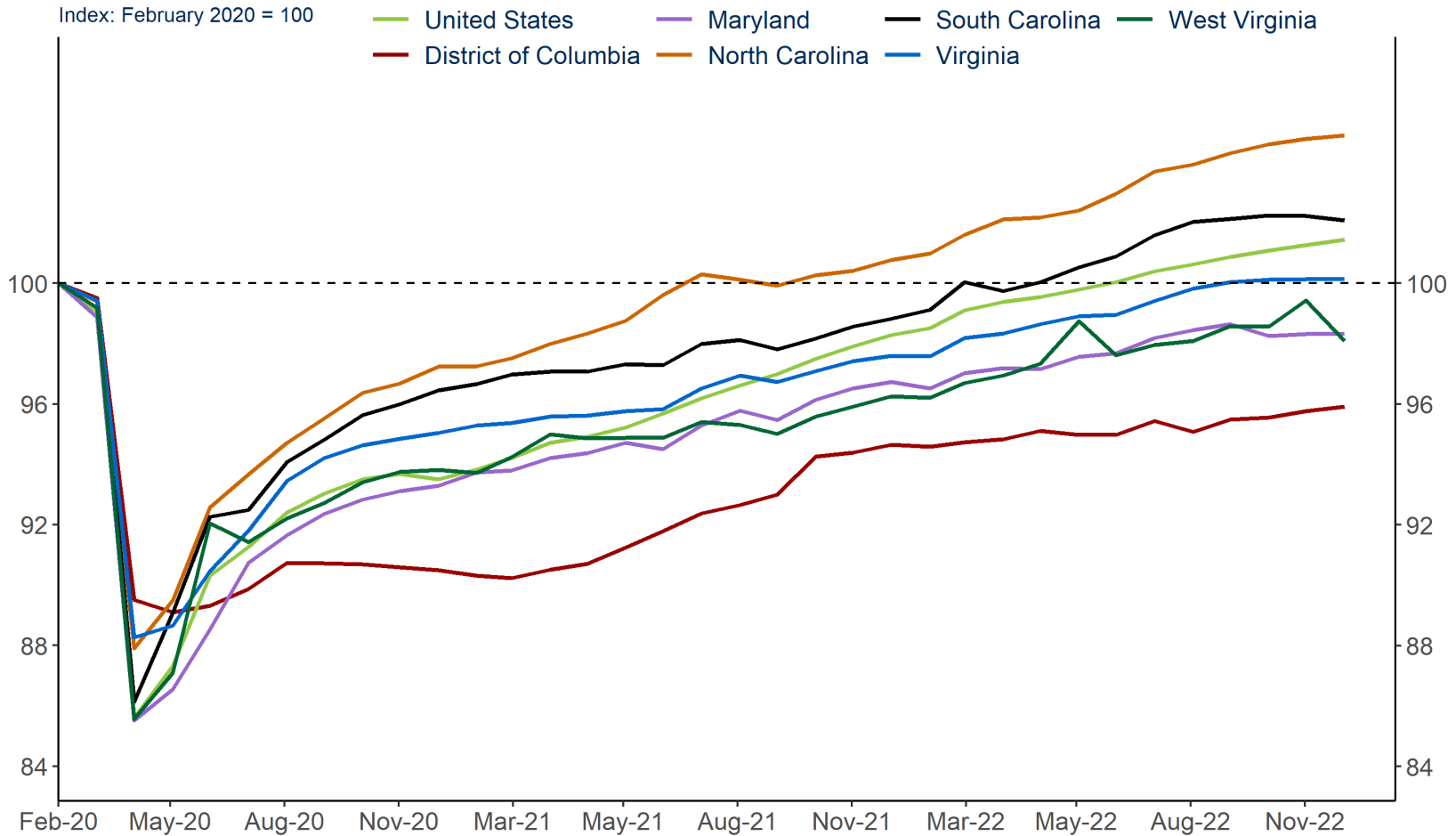
Source: Bureau of Labor Statistics/Haver Analytics

The Carolinas are clearly leading the employment recovery in the Fifth District



Total Payroll Employment Index

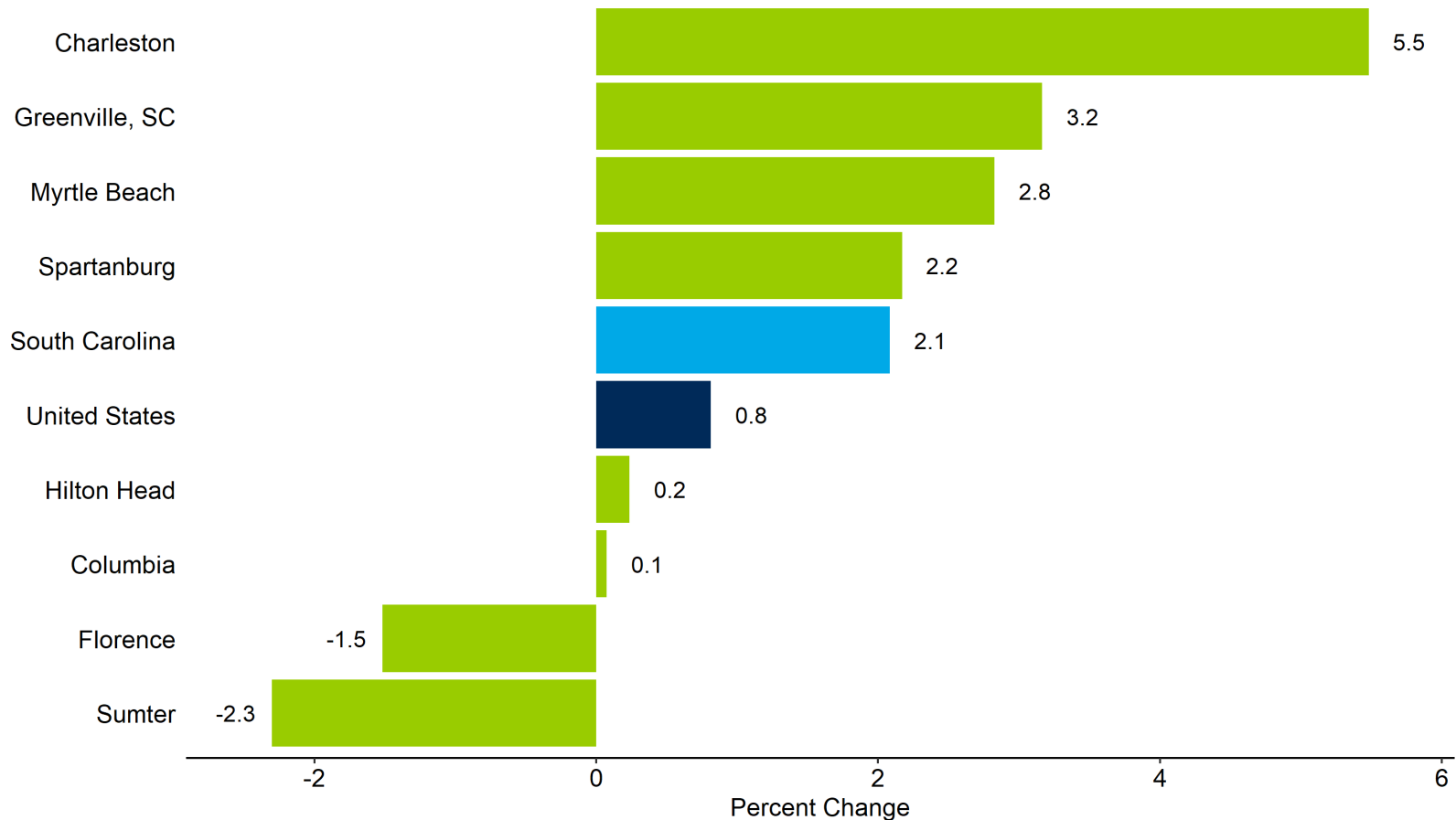
Index: February 2020 = 100



Source: Bureau of Labor Statistics/Haver Analytics

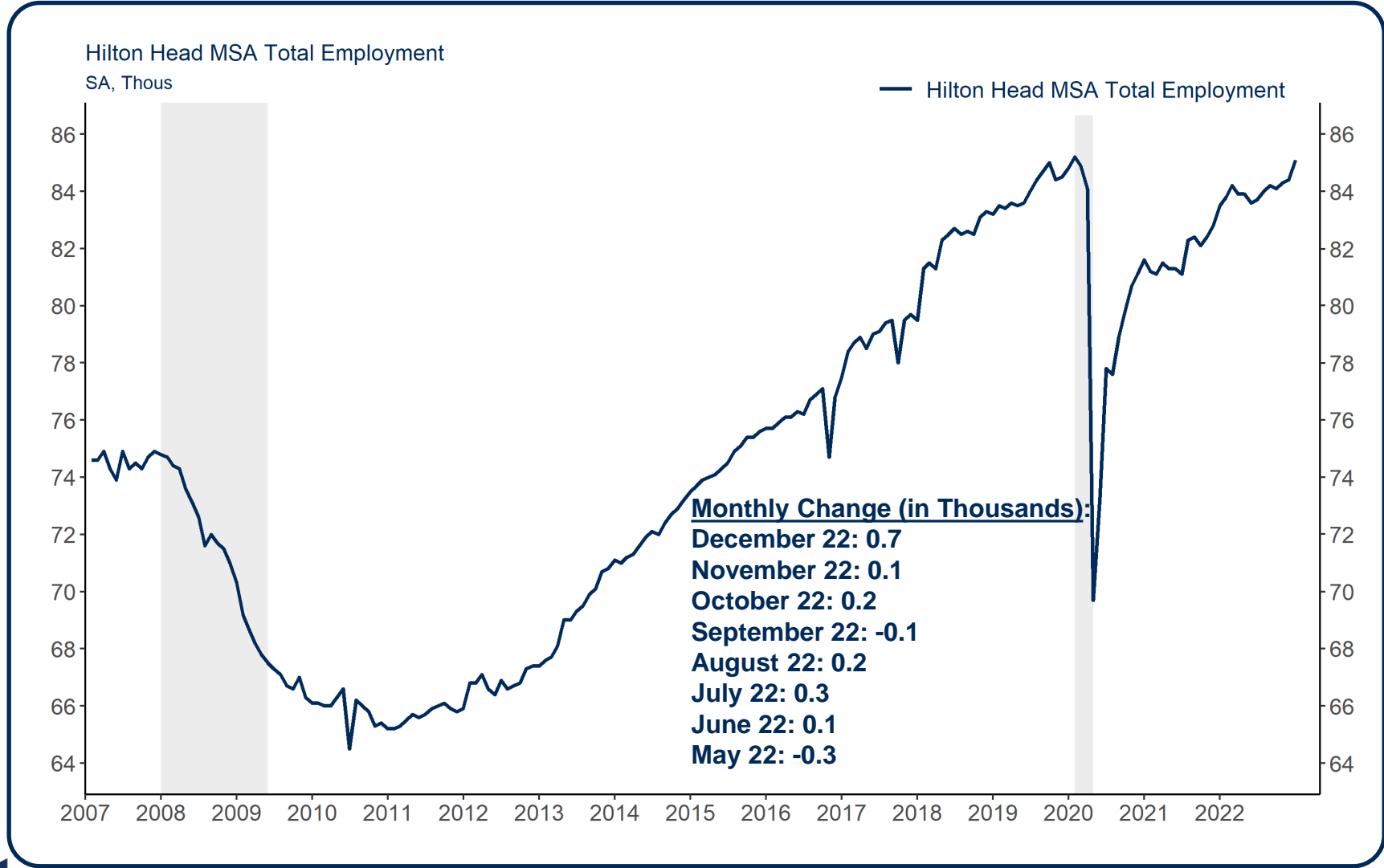
While most SC MSAs are now above pre-COVID employment, a couple still lag behind; Charleston is the clear leader

Employment Change from February 20 to December 22



Source: Bureau of Labor Statistics/Haver Analytics

The recovery in Hilton Head has lagged some other parts of the state



Source: Bureau of Labor Statistics/Haver Analytics

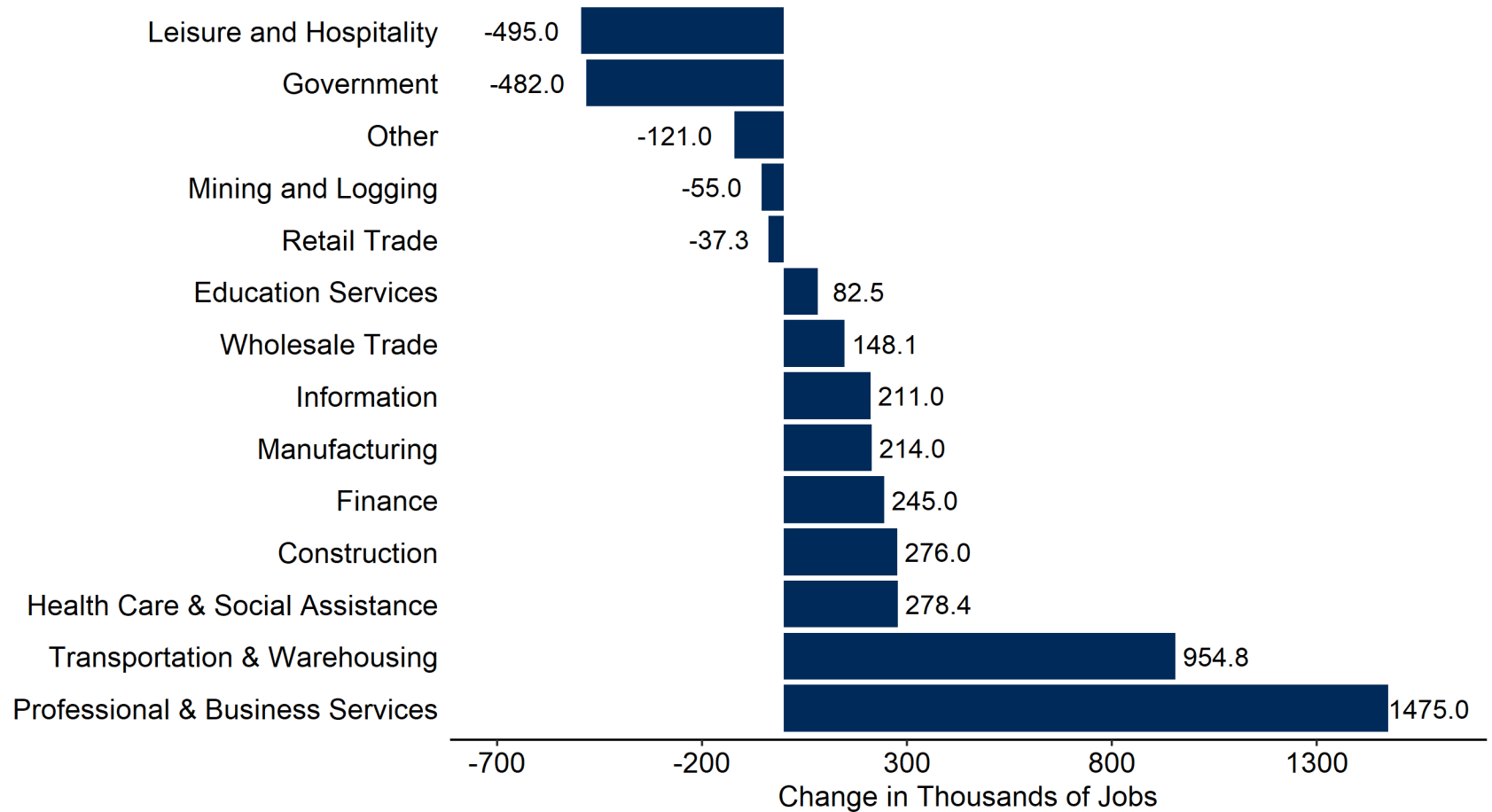
And long-term growth amongst NC and SC MSAs remains almost entirely positive, even considering COVID declines



Source: Bureau of Labor Statistics/Haver Analytics

While some industries have more than fully recovered, others still lag pre-COVID levels considerably

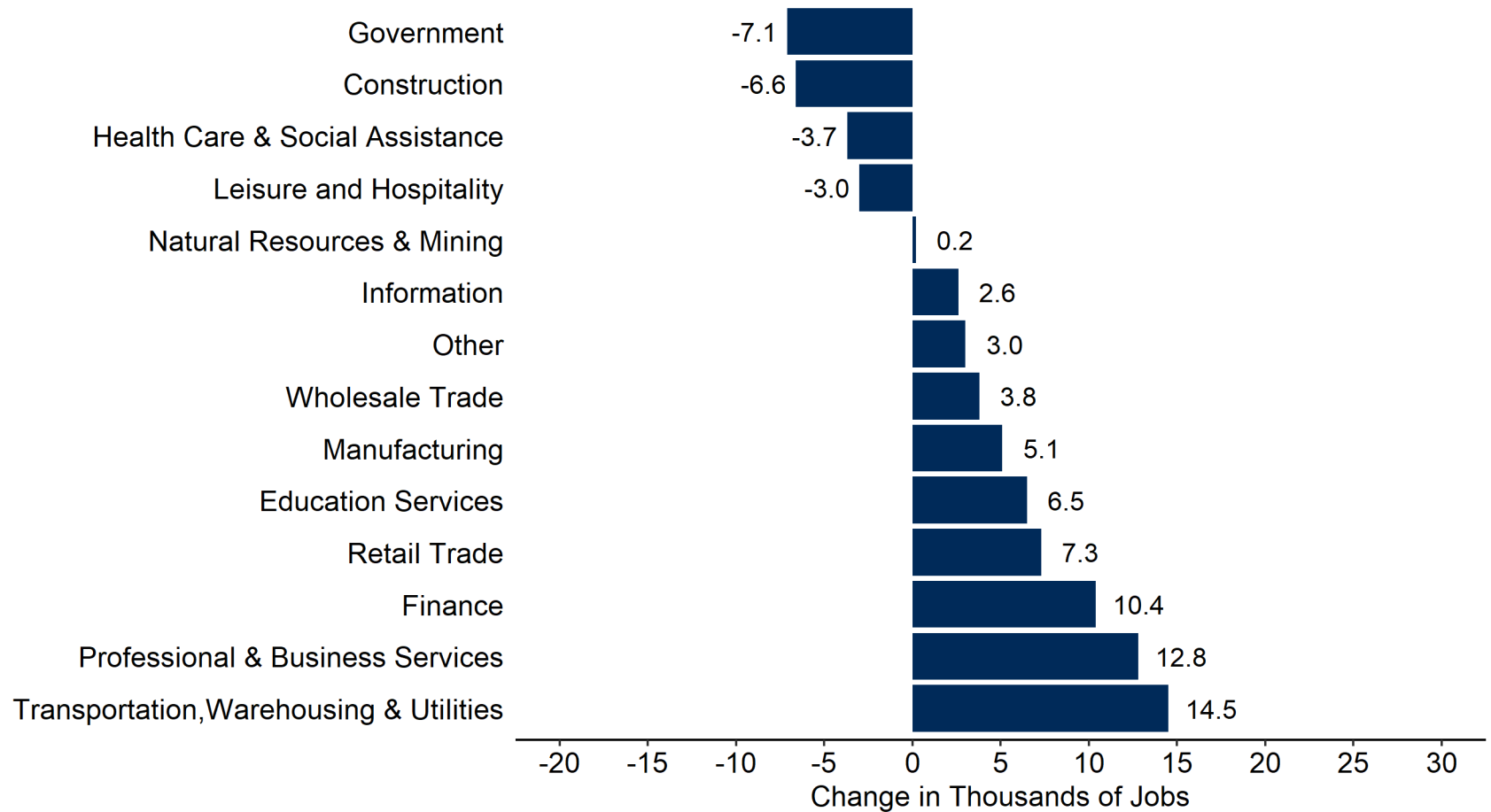
United States Employment Change from February 20 to January 23



Source: Bureau of Labor Statistics/Haver Analytics

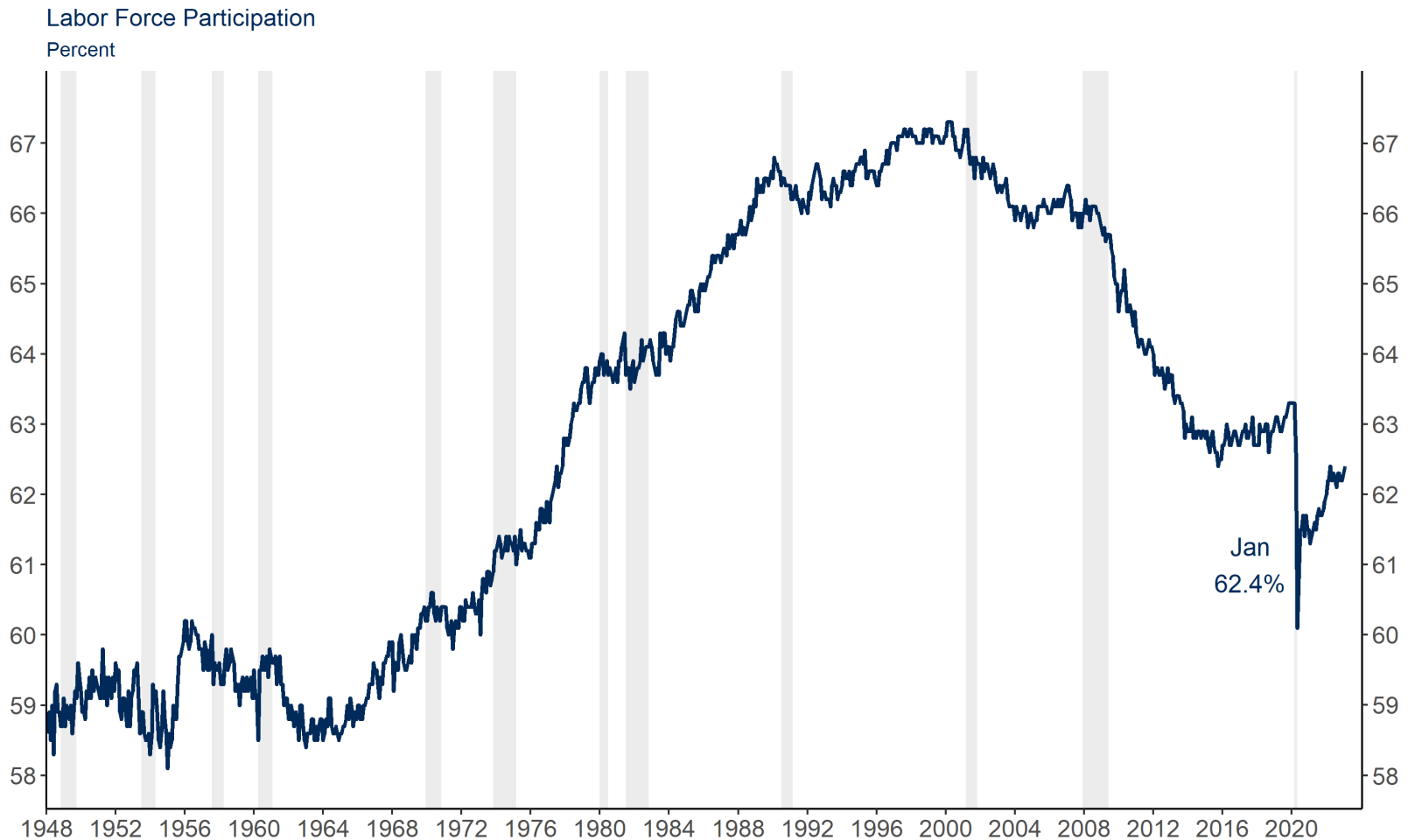
There have been major sectoral shifts in employment across and within sectors

South Carolina Employment Change from February 20 to December 22



Source: Bureau of Labor Statistics/Haver Analytics

The recovery looks a less impressive when considering labor force participation (LFP)

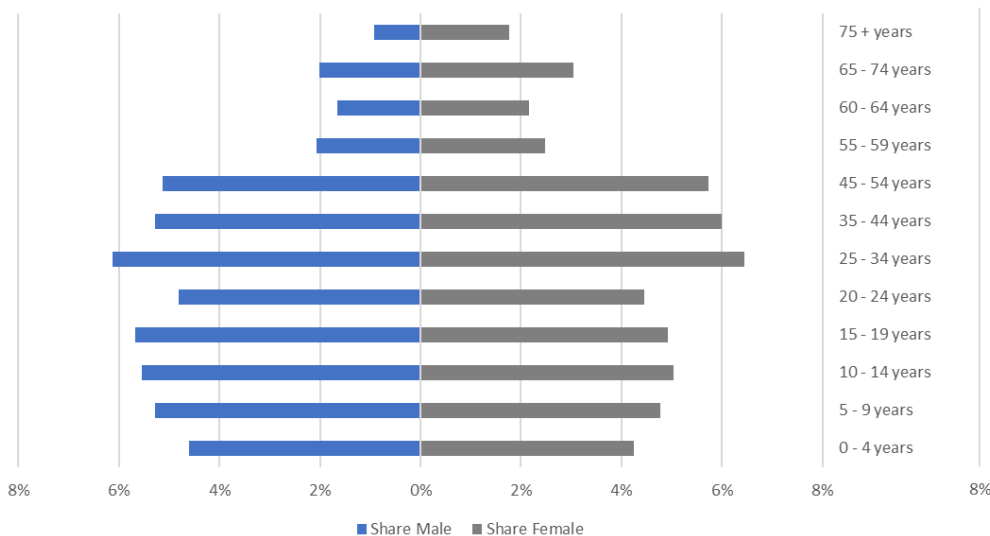


Source: Bureau of Labor Statistics/Haver Analytics

Some of the decline in LFPR is due to the 'graying of America' and low fertility rates

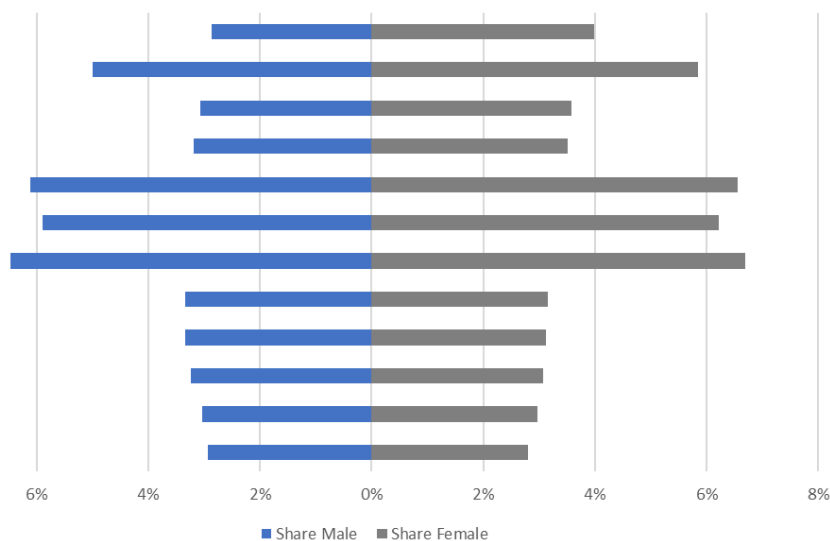
Median Age in 1970: 25

SC Population 1970

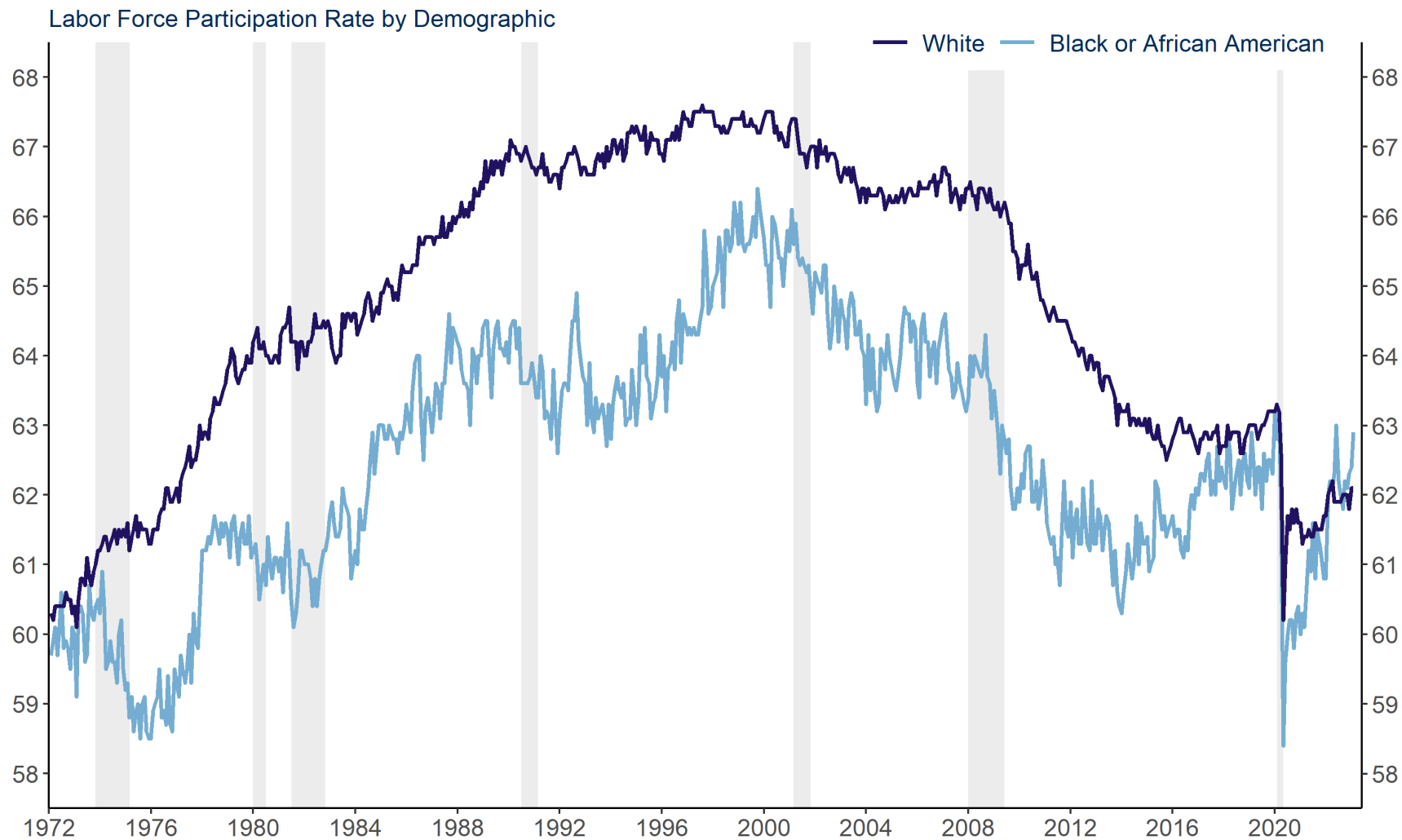


Median Age in 2020: 40.2

SC Population 2020



But other things are changing as well...



Source: 1970 Decennial Census, 2020 ACS 5-Year Estimates

Who has left the labor force? Changes in labor force and LFPR since November 2019 by age, race and gender

Age 20-24

	Percent Change in LFPR Since November 2019	Change in Labor Force Since November 2019
Black Men	5.60%	46,000
Black Women	-3.11%	(42,000)
White Men	-1.20%	(112,000)
White Women	-2.58%	(141,000)

	Percent Change in LFPR Since November 2019	Change in Labor Force Since November 2019
Black Men	-1.43%	101,000
Black Women	1.67%	215,000
White Men	-1.00%	(206,000)
White Women	-0.78%	(489,000)

Age 25 - 54

Age 65+

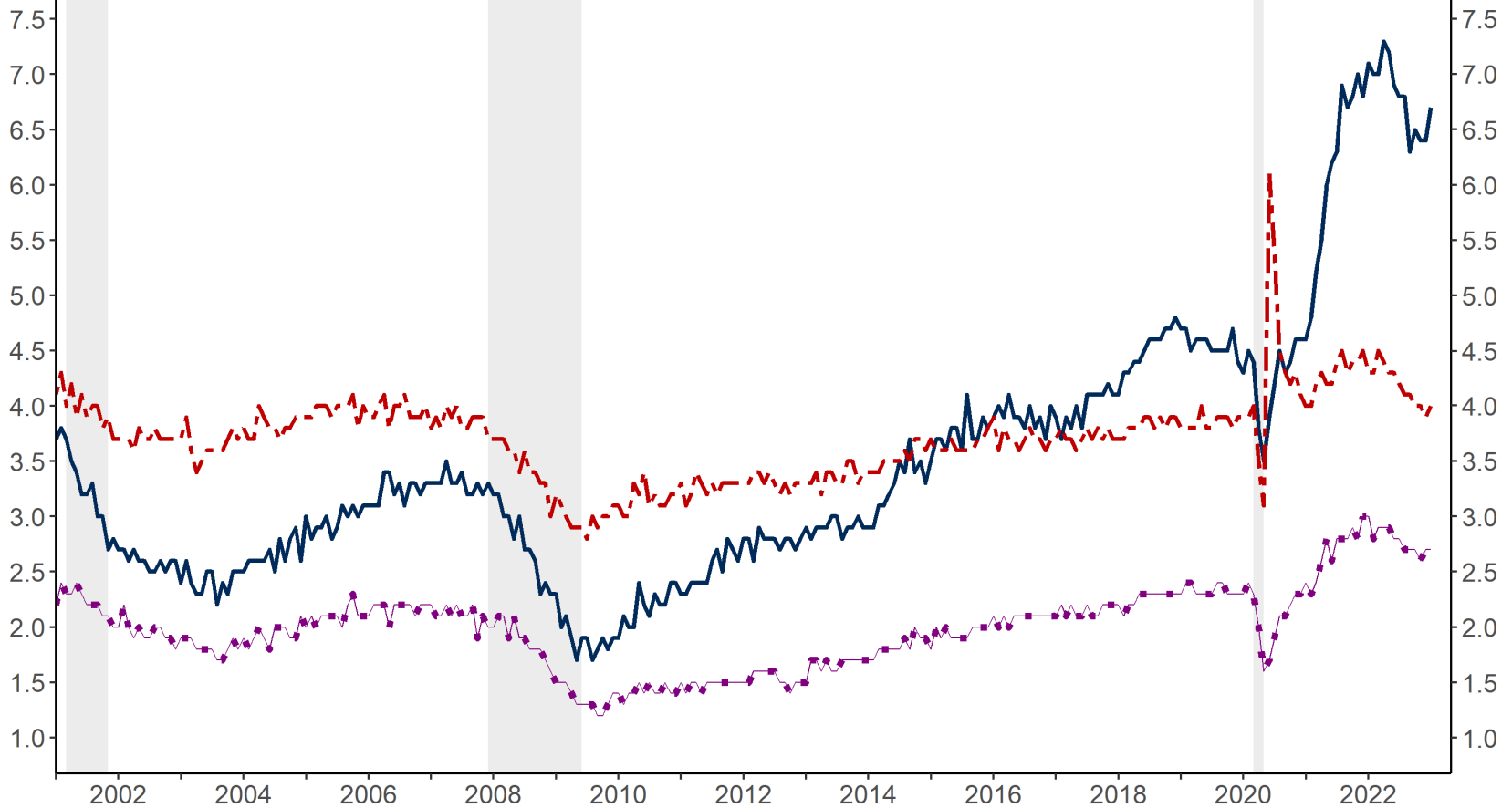
	Percent Change in LFPR Since November 2019	Change in Labor Force Since November 2019
Black Men	0.44%	75,000
Black Women	-4.07%	(28,000)
White Men	-8.59%	(76,000)
White Women	-7.19%	(133,000)

Job openings and quits remain elevated, although each has been falling in recent months

Labor Market Flows

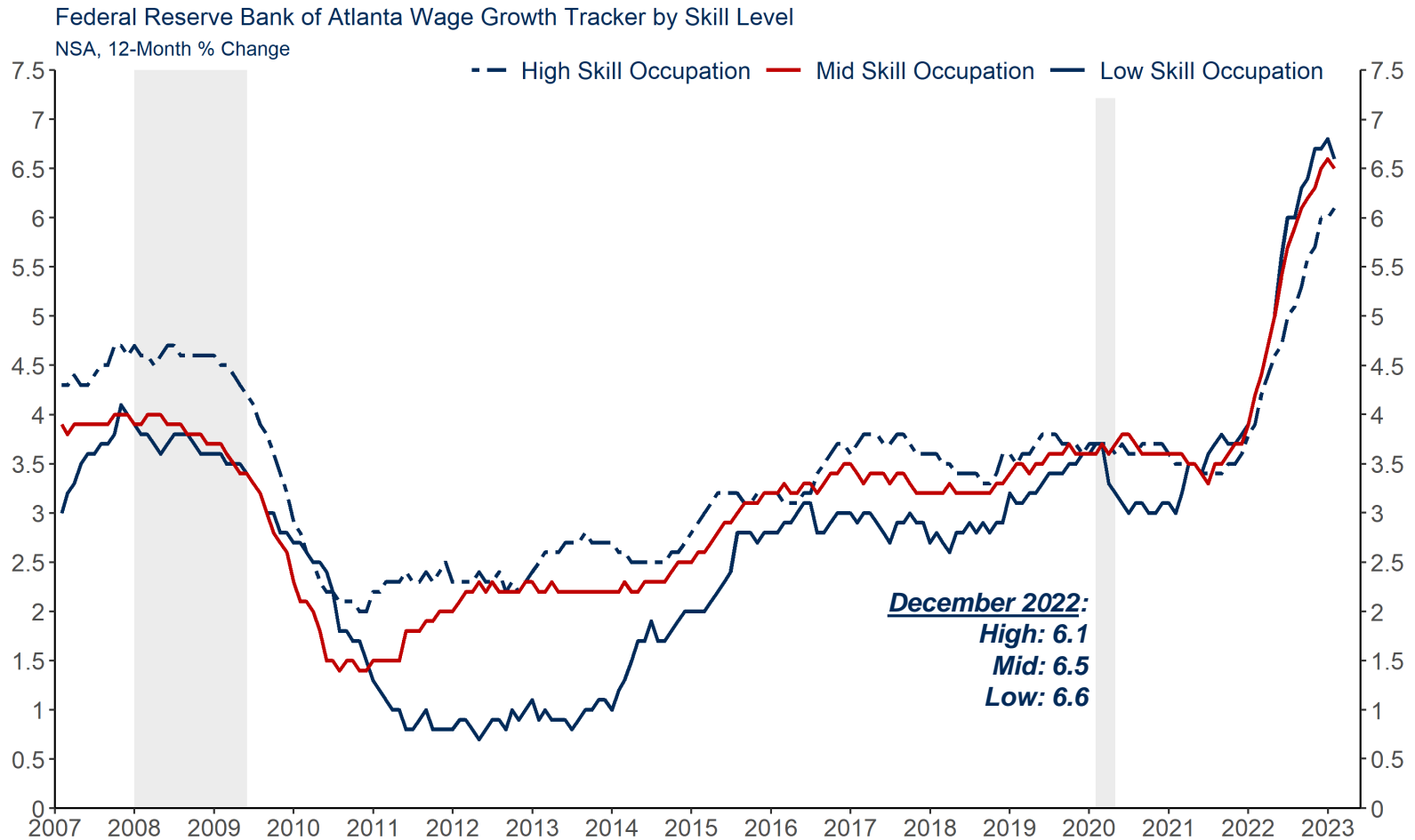
Percent

— Job Openings Rate** - - Hires Rate* ··· Quits Rate*



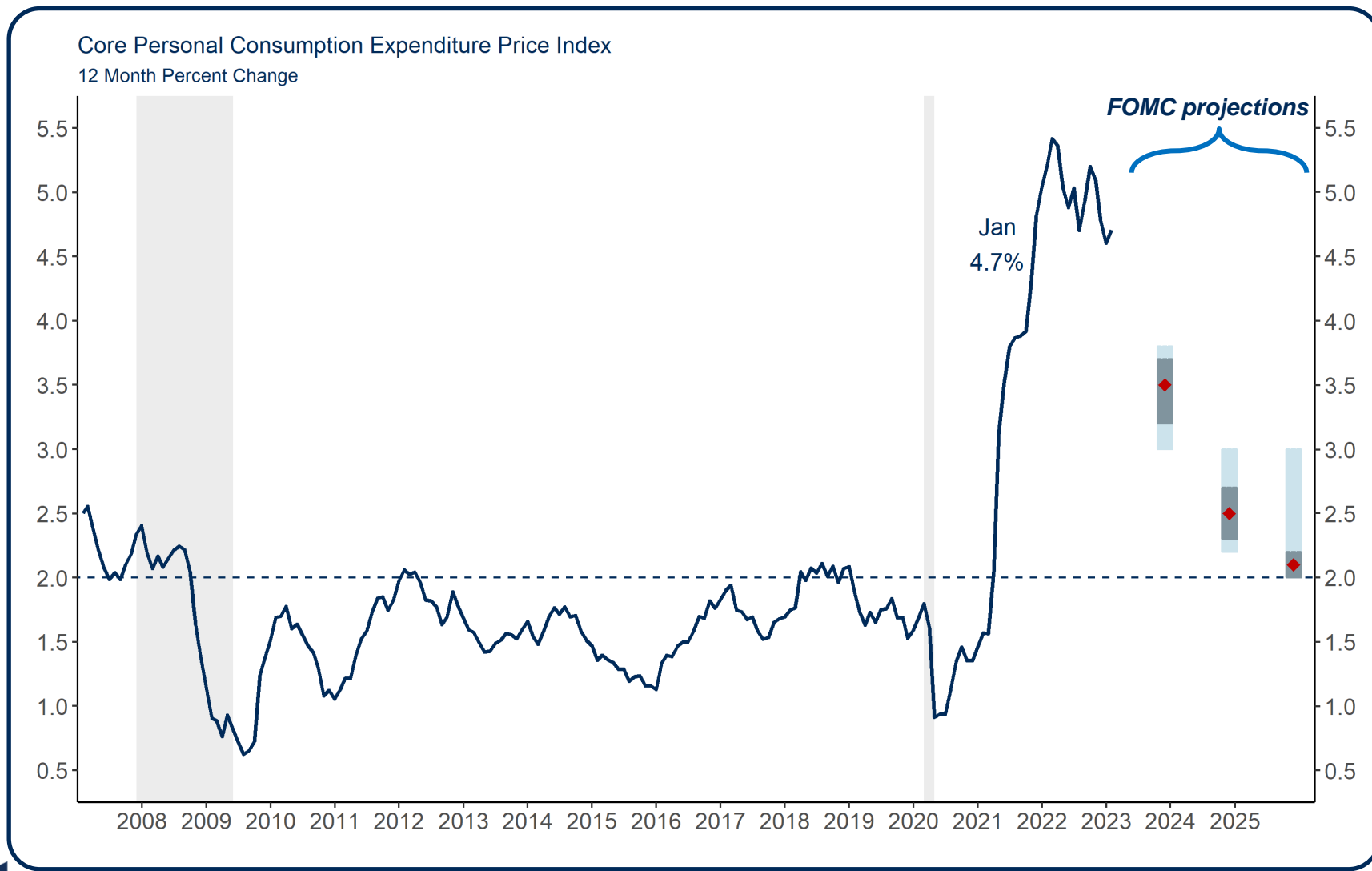
Source: Bureau of Labor Statistics/Haver Analytics

Nominal wages continue to rise, and low skill wages are increasing faster than high skill occupations



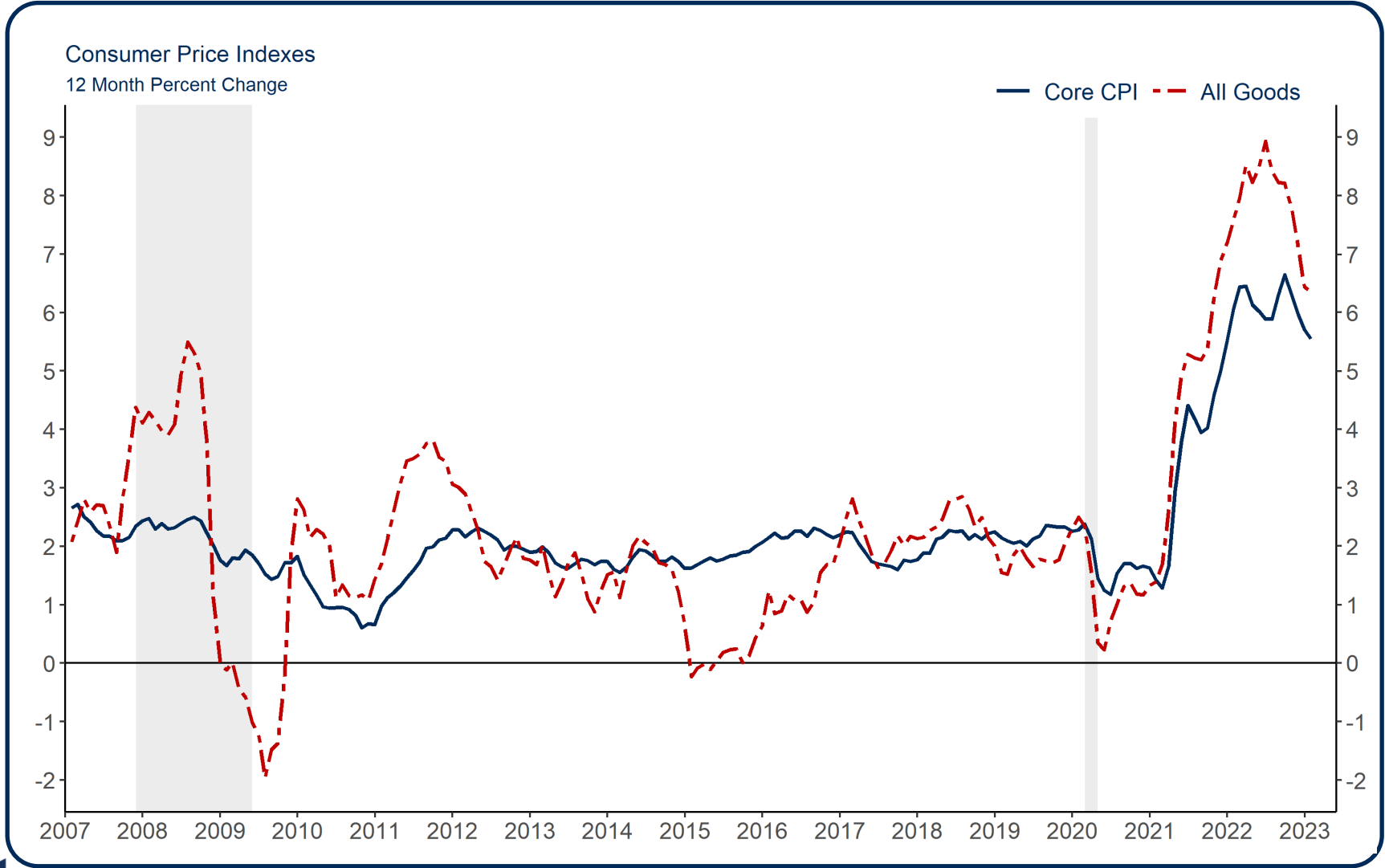
Source: FRB Atlanta via Haver Analytics

The January PCE report showed a slight increase in core inflation and came in above expectations



Source: Bureau of Labor Statistics via Haver Analytics

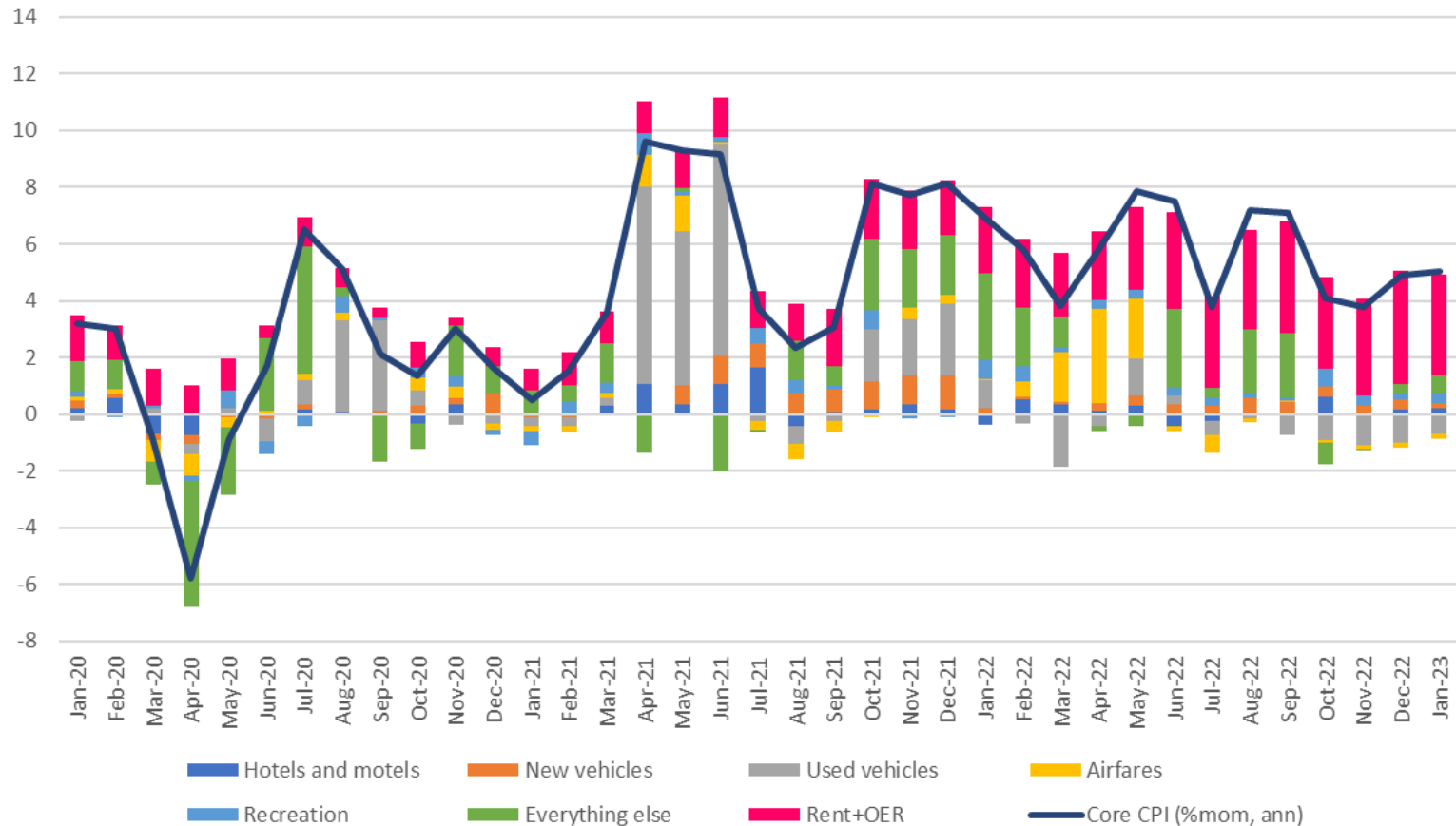
CPI shows a very similar path, but inflation remains well above the 2 percent target



Source: Bureau of Labor Statistics via Haver Analytics

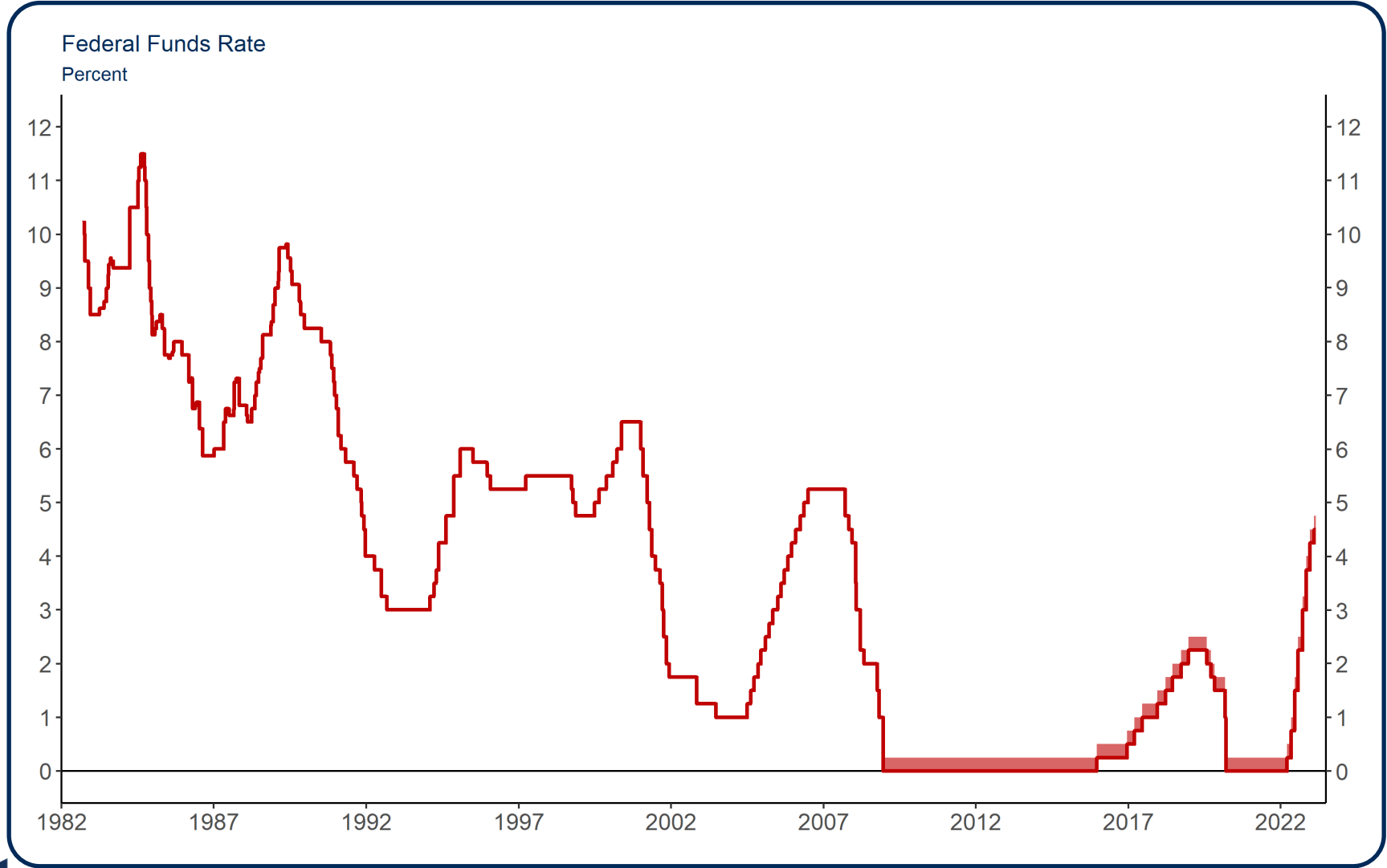
The January CPI report showed a stalling of the decline in month-over-month CPI

Annualized Month-Over-Month Core CPI Growth



Source: Bureau of Labor Statistics via Haver Analytics

Historical context is important



Source: Federal Reserve Board

Where do we go from here?

- Economic growth in 2022 ended better than expected. Growth for 2023 is forecasted to be roughly flat. There are significant potential speedbumps ahead.
 - Geo-political issues, especially the situation in Ukraine
 - Inflation that significantly exceeds current policymakers' expectations
 - Anything that makes supply chain issues even worse
 - A COVID variant that evades vaccines and is more severe
- What happens to employment in the coming weeks? Do we see real softening of labor demand?
- The FOMC has already raised rates considerably and seems poised to be as aggressive as is needed to return inflation to close to the 2 percent average target.
 - How high will rates need to go in order to recede inflation?
 - It remains unclear whether or not the Fed will be able to achieve a “soft” or “softish” landing.

Questions/Comments?

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