



# National and Regional Economic Update

SC BEA  
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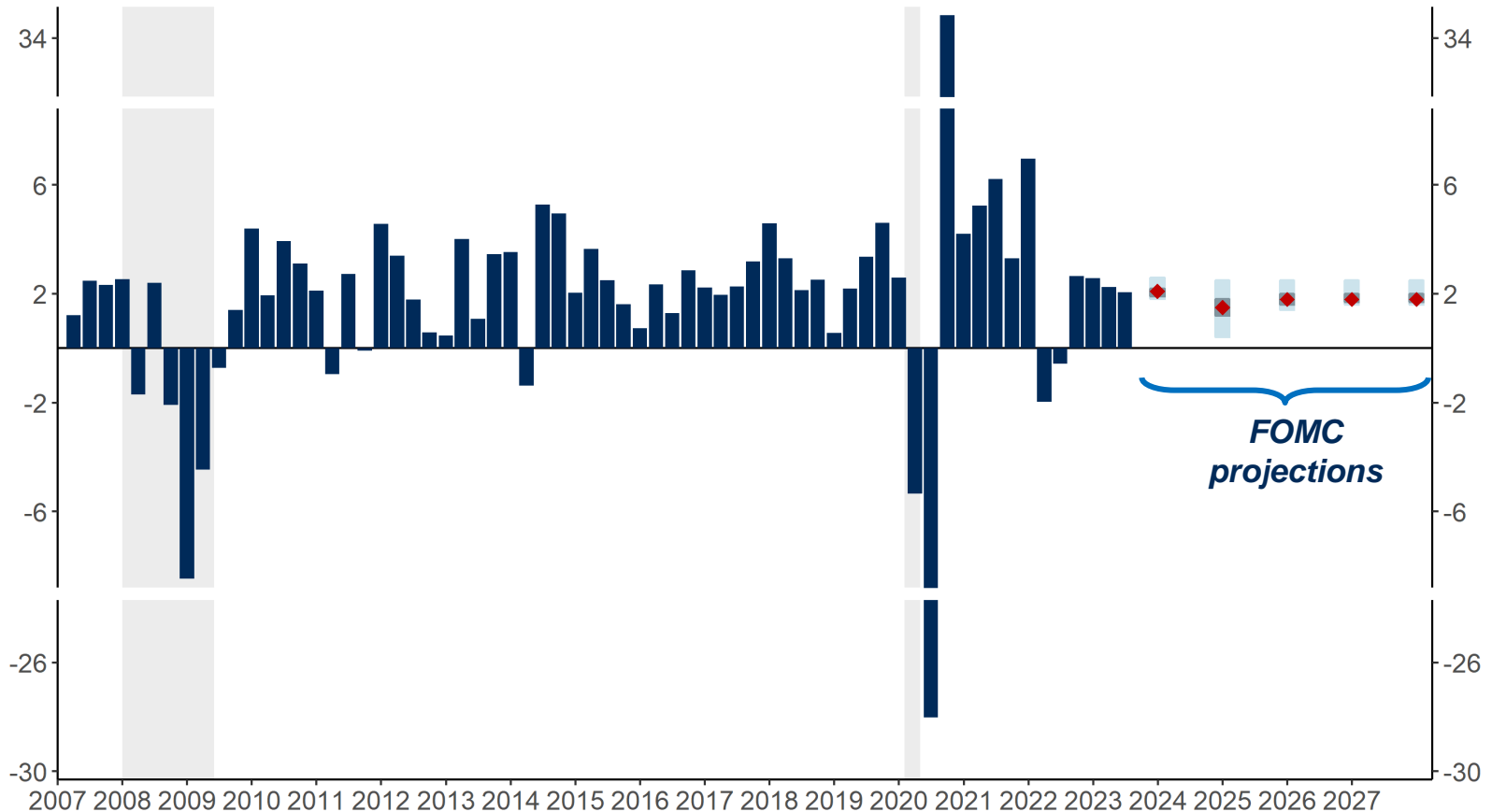
# Where are we now?

- So far growth in 2023 has beaten expectations
  - Some sectors continue to be hit harder than others
- Economic indicators show slowing in some cases but continued growth in others
  - Fears of recession abound, but seem to have lessened
  - Consumer spending (even in real terms) has remained robust
  - The pace of job growth has been impressive nationally, but some states are faring better than others
- Some metro areas, including Charlotte, Raleigh, Charleston and Myrtle Beach are outperforming larger metros and more rural spaces
  - Much of this is industry and geography based
- Inflation remains well above the 2 percent average target
  - Headline CPI came in above expectations today at 3.7% (3.6% was expected)
  - Core inflation came in as expected but remains significantly elevated
  - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target

# GDP growth came in at 2.0 percent in Q1 and 2.4 percent in Q2 (many economists had expected flat growth in 2023)

## Real Gross Domestic Product

Percent change from previous quarter at annual rate

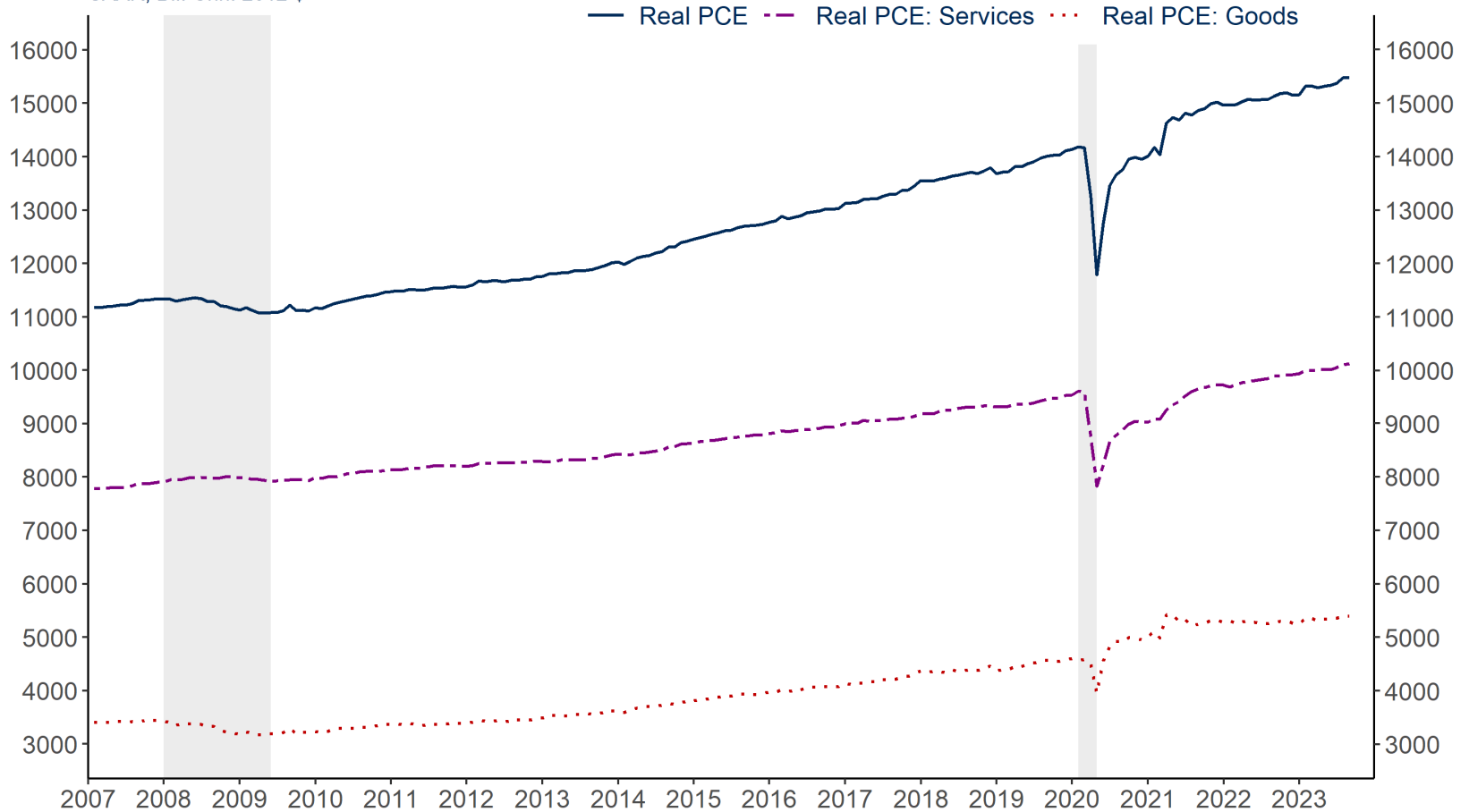


Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

# Real consumption spending has remained strong, even in the midst of considerable inflation

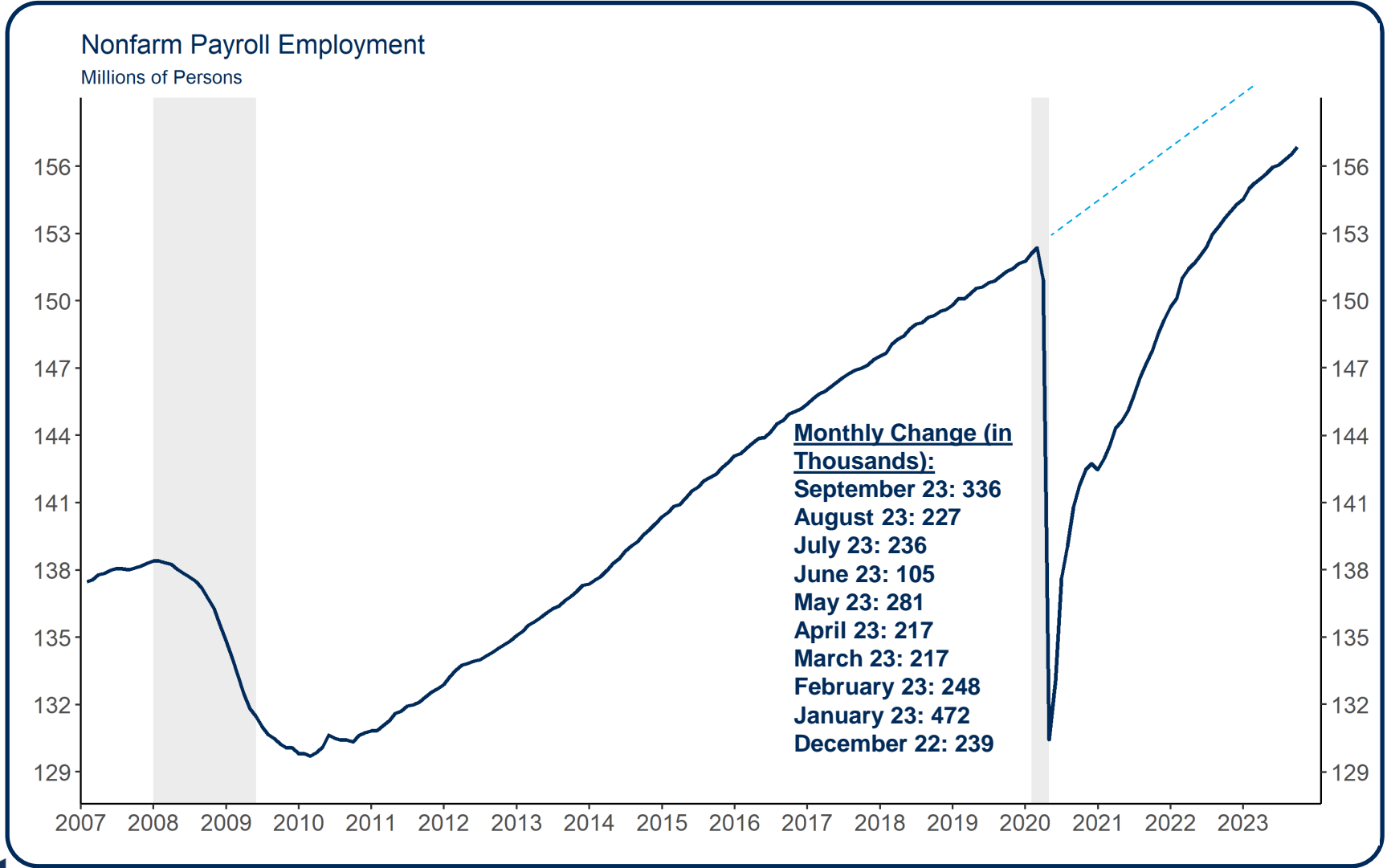
## Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



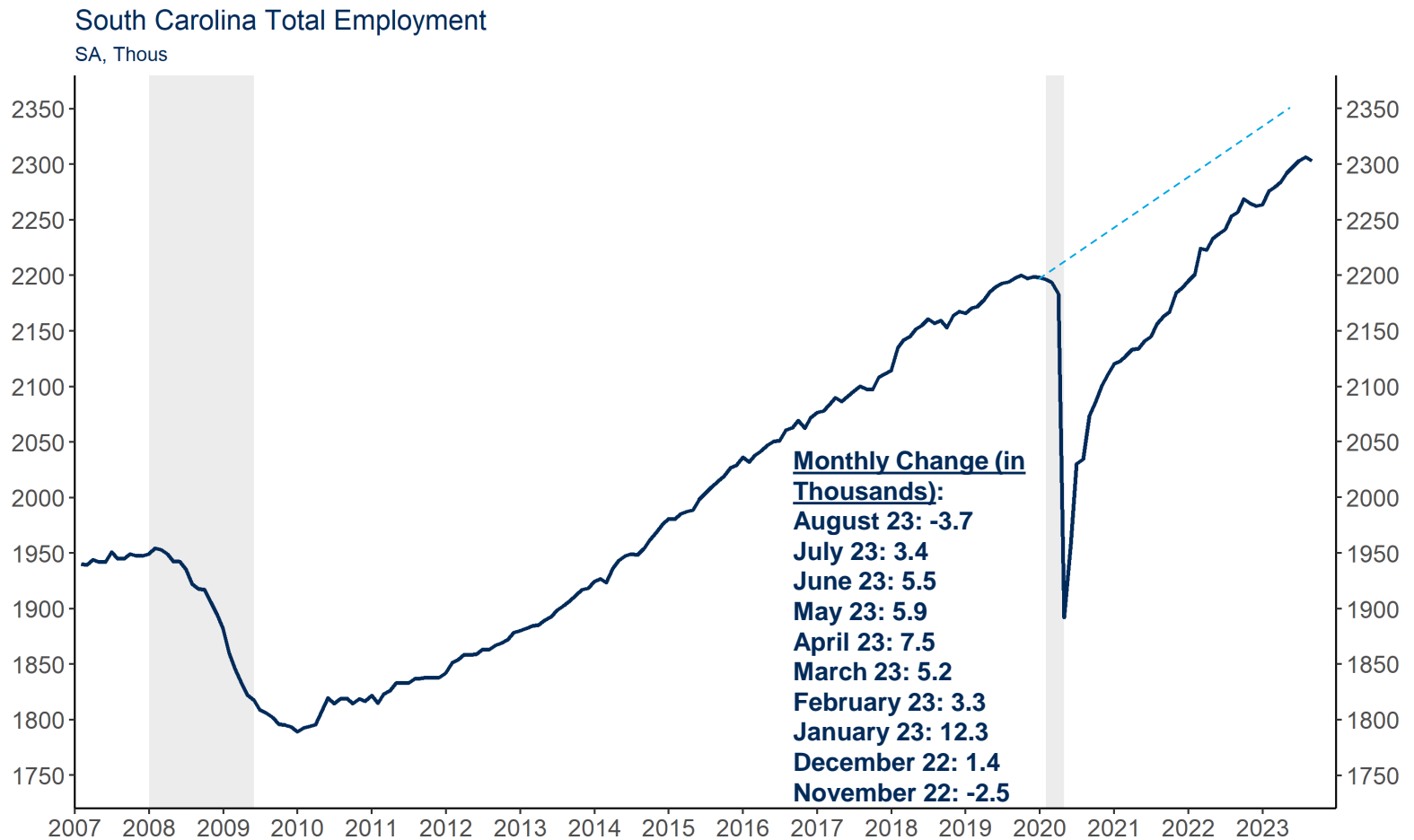
Source: Bureau of Economic Analysis

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



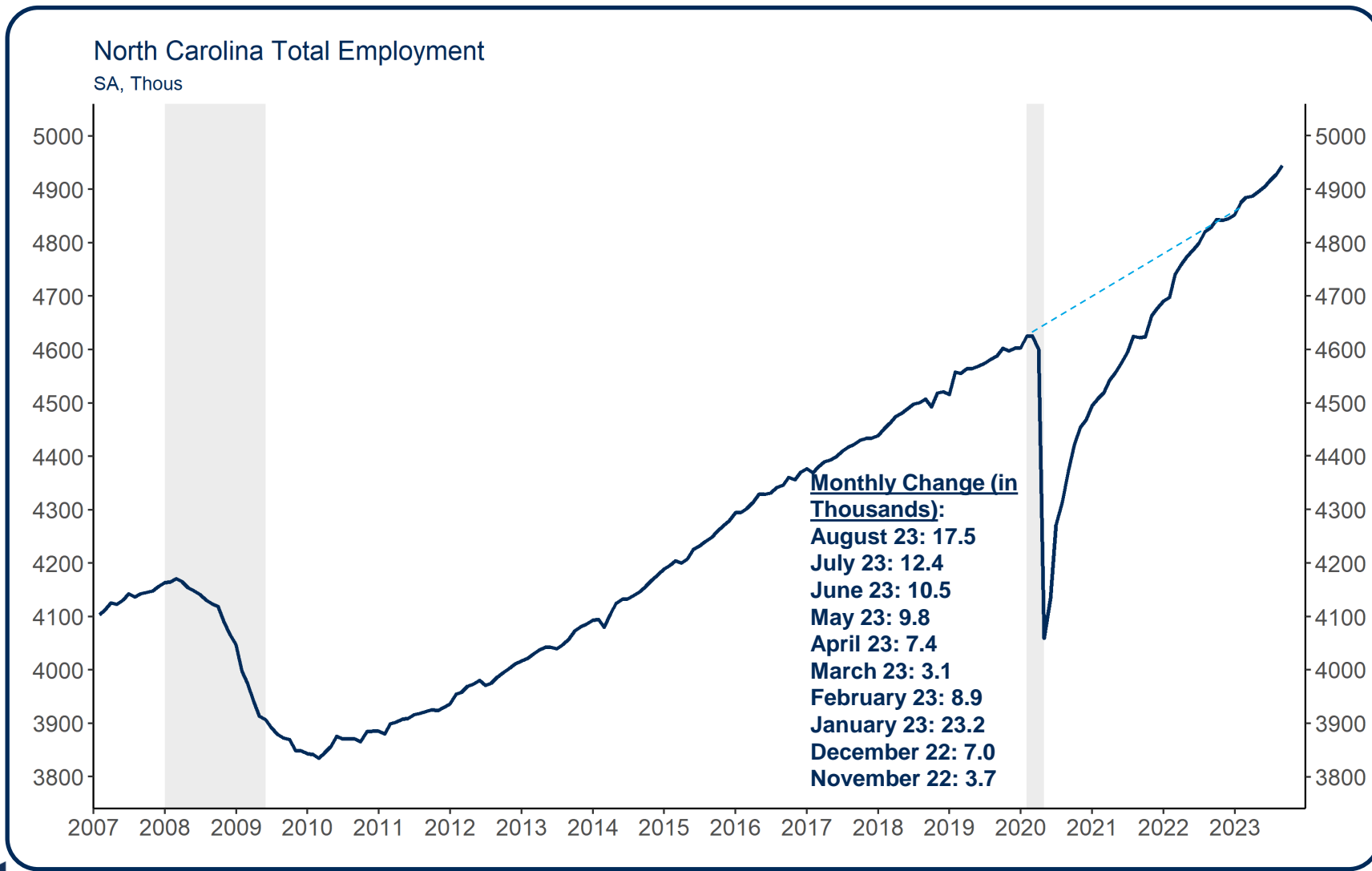
Source: Bureau of Labor Statistics/Haver Analytics

# South Carolina has also not yet returned to its pre-COVID trend...



Source: Bureau of Labor Statistics via Haver Analytics

...but North Carolina has, and very recent job numbers have been especially strong

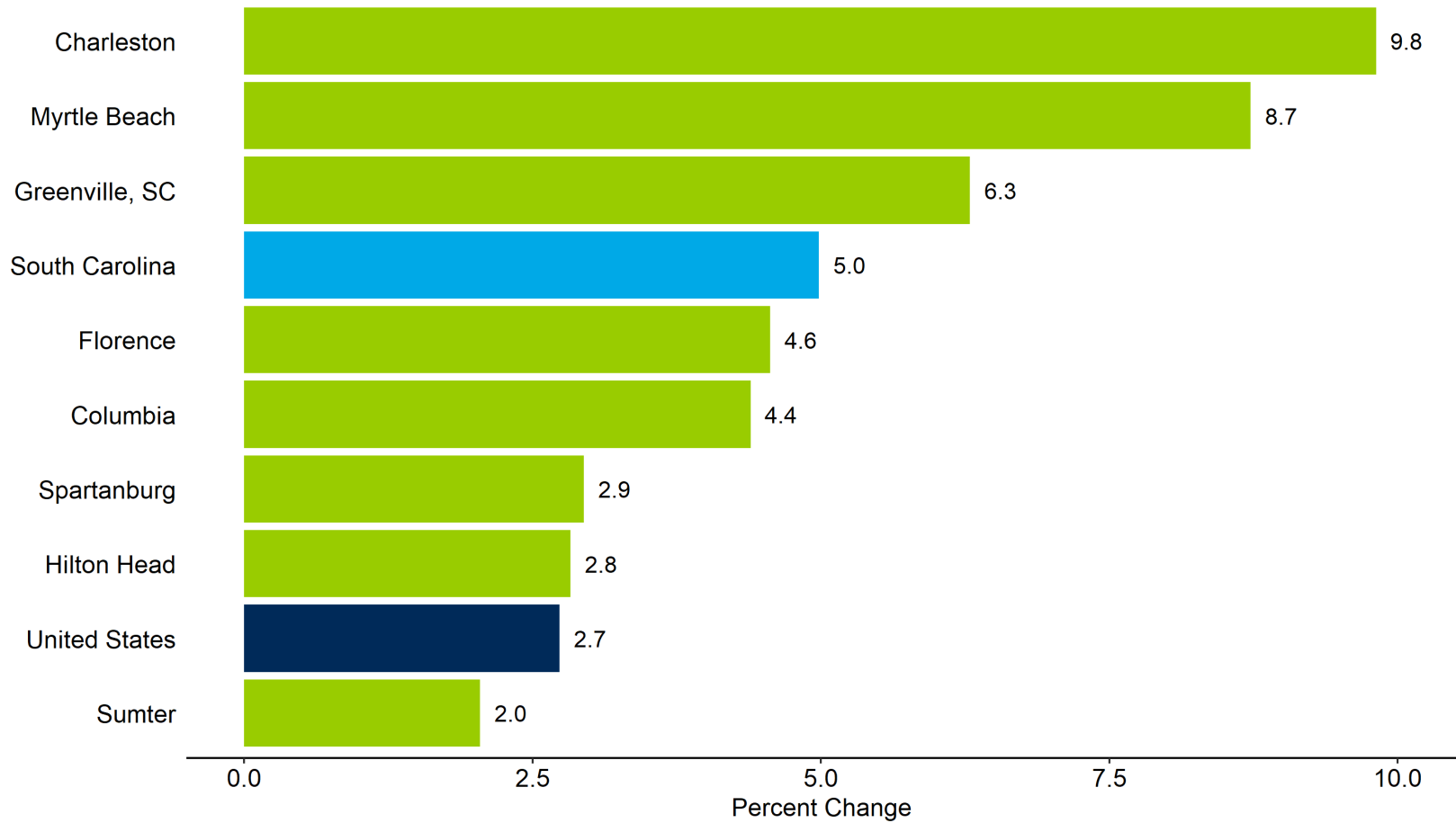


Source: Bureau of Labor Statistics via Haver Analytics



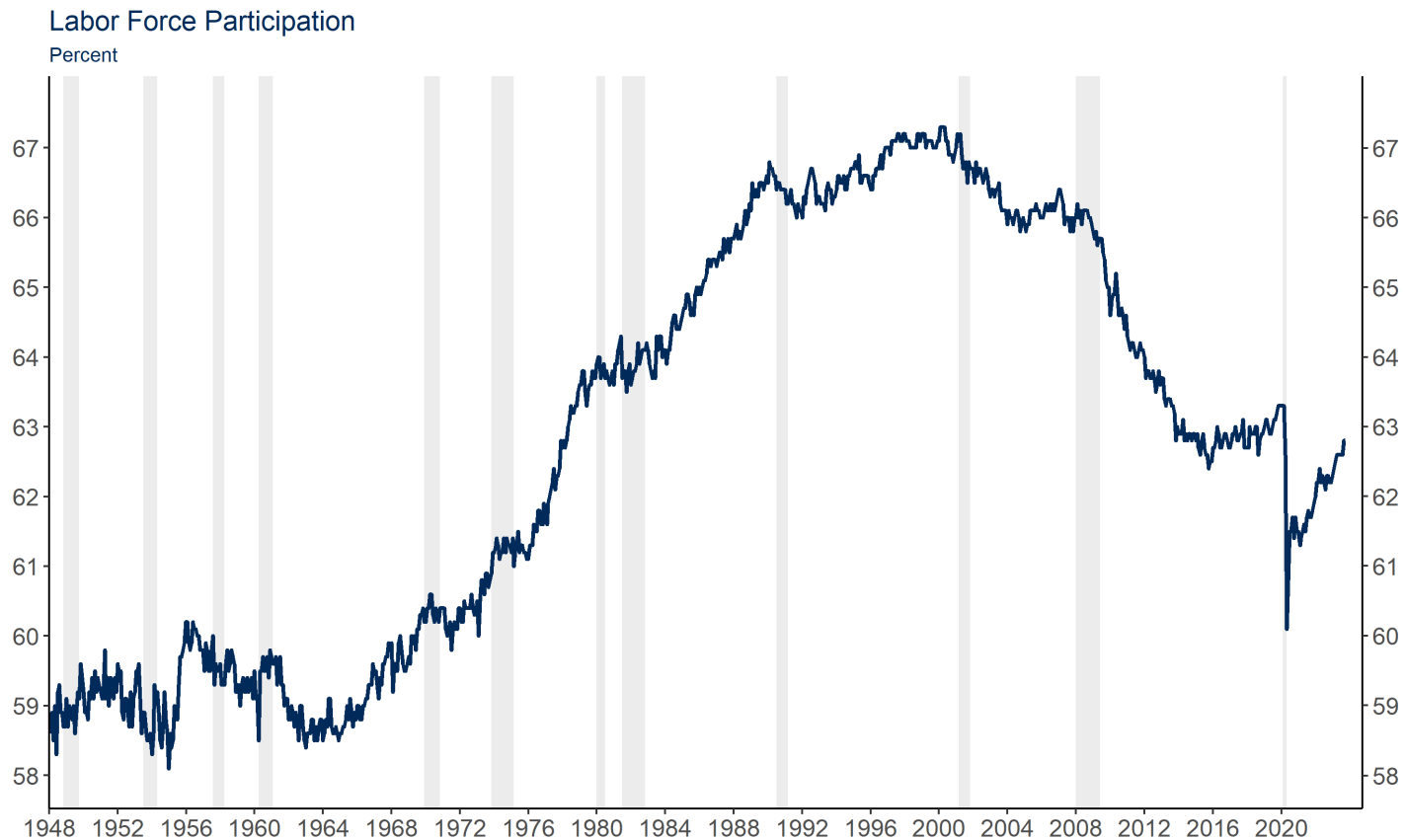
# All MSAs in SC have seen positive employment growth

Employment Change from February 2020 to August 2023



Source: Bureau of Labor Statistics/Haver Analytics

# Labor force participation hasn't recovered to pre-COVID levels, but has been increasing amongst some groups recently

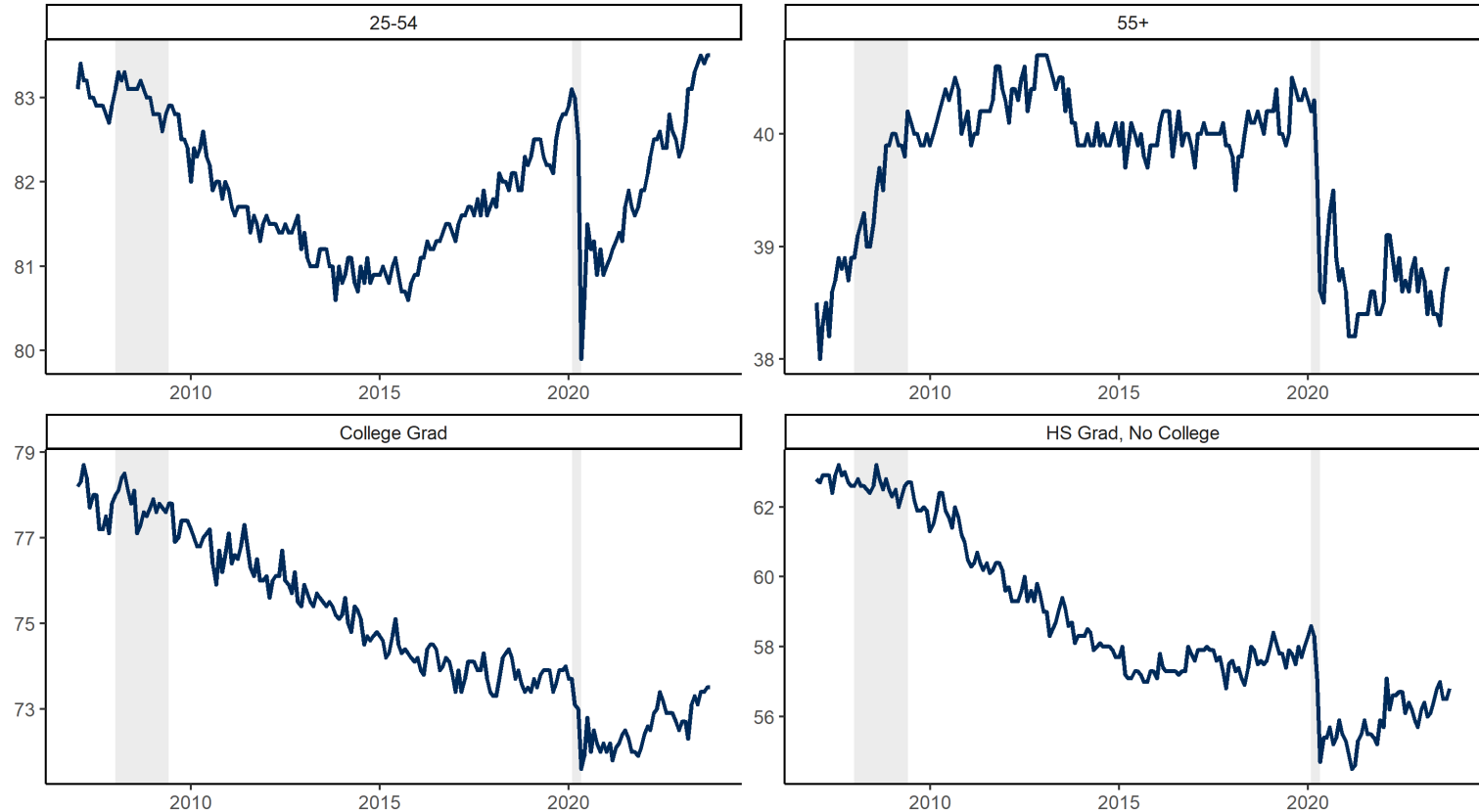


- New Bureau of Labor Statistics projections estimate LFPR will fall to 60.4 percent by 2032.

Source: Bureau of Labor Statistics/Haver Analytics

# So, who has left the labor force? Labor force participation rates by age and education

Labor Force Participation Rate  
Percent, SA



Source: Bureau of Labor Statistics

The growth in prime-age labor force is driven by increases in female LFPR and white males dominate older workers who left the labor force

Prime-Age LFPR Change by Race and Gender			
	June 2019	June 2023	Change
Black Female	77.5	80.6	4.00%
Black Male	82.3	83.9	1.94%
Hispanic Female	68.4	71.3	4.24%
Hispanic Male	90	90.4	0.44%
White Female	75.6	77.3	2.25%
White Male	90.2	90	-0.22%

Age 65+ LFPR Change by Race and Gender			
	June 2019	June 2023	Change
Black Female	17.1	18.2	6.43%
Black Male	18.3	19.6	7.10%
Hispanic Female	14.6	14.1	-3.42%
Hispanic Male	24.7	26.1	5.67%
White Female	15.9	15.4	-3.14%
White Male	25	23.4	-6.40%

Source: Bureau of Labor Statistics

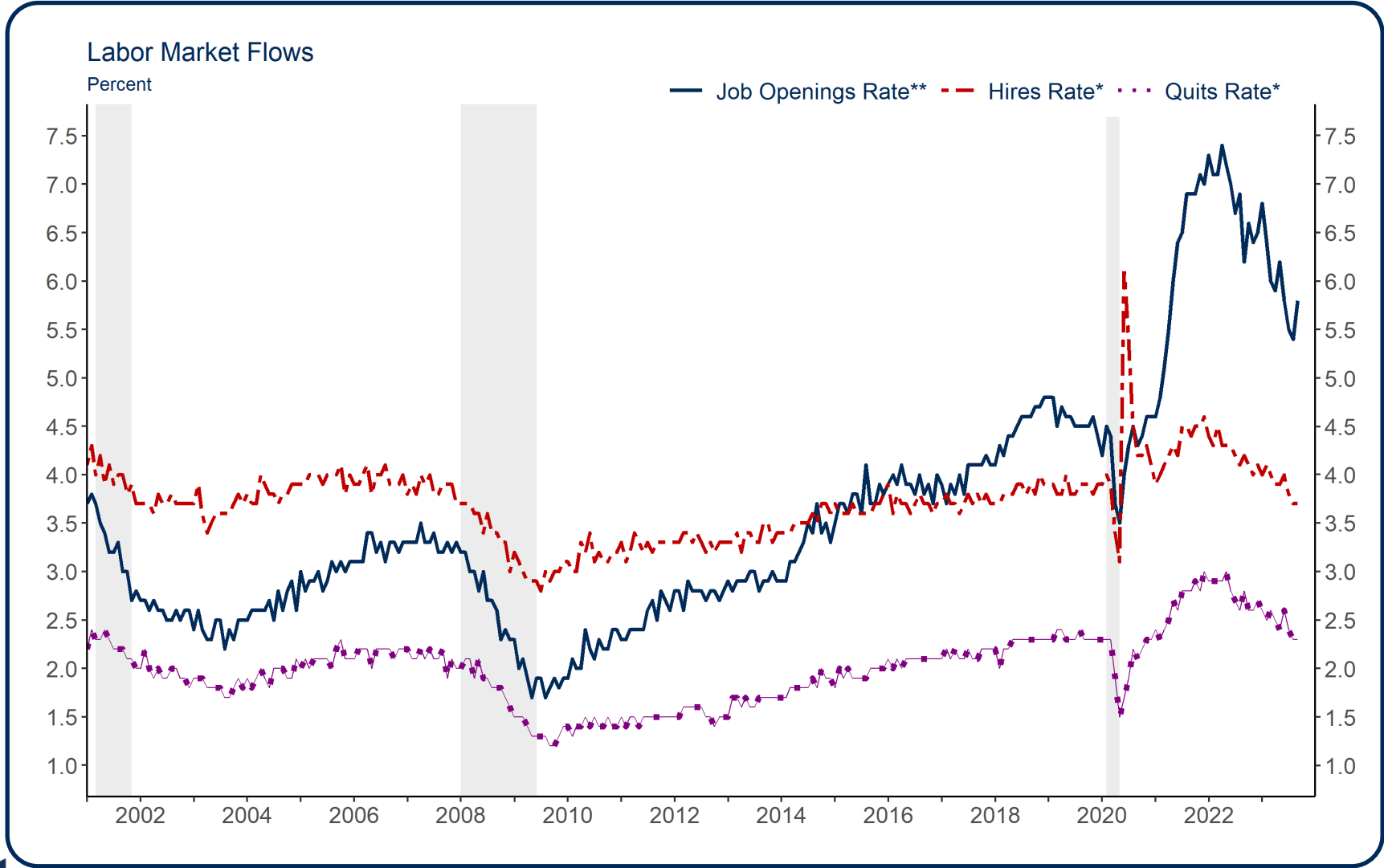
# Black workers and white males in the 20-24 age group are struggling, but teenagers are working more than before COVID

Age 20-24 LFPR Change by Race and Gender			
	June 2019	June 2023	Change
Black Female	69.4	67.8	-2.31%
Black Male	73.1	66	-9.71%
Hispanic Female	67.5	70.2	4.00%
Hispanic Male	77.2	78.4	1.55%
White Female	71.3	72.2	1.26%
White Male	77.9	75.9	-2.57%

Age 16-19 LFPR Change by Race and Gender			
	June 2019	June 2023	Change
Black Female	33.5	31.9	-4.78%
Black Male	25.5	28.1	10.20%
Hispanic Female	29.4	33.8	14.97%
Hispanic Male	32.2	34.8	8.07%
White Female	38.3	40.1	4.70%
White Male	38.1	40.2	5.51%

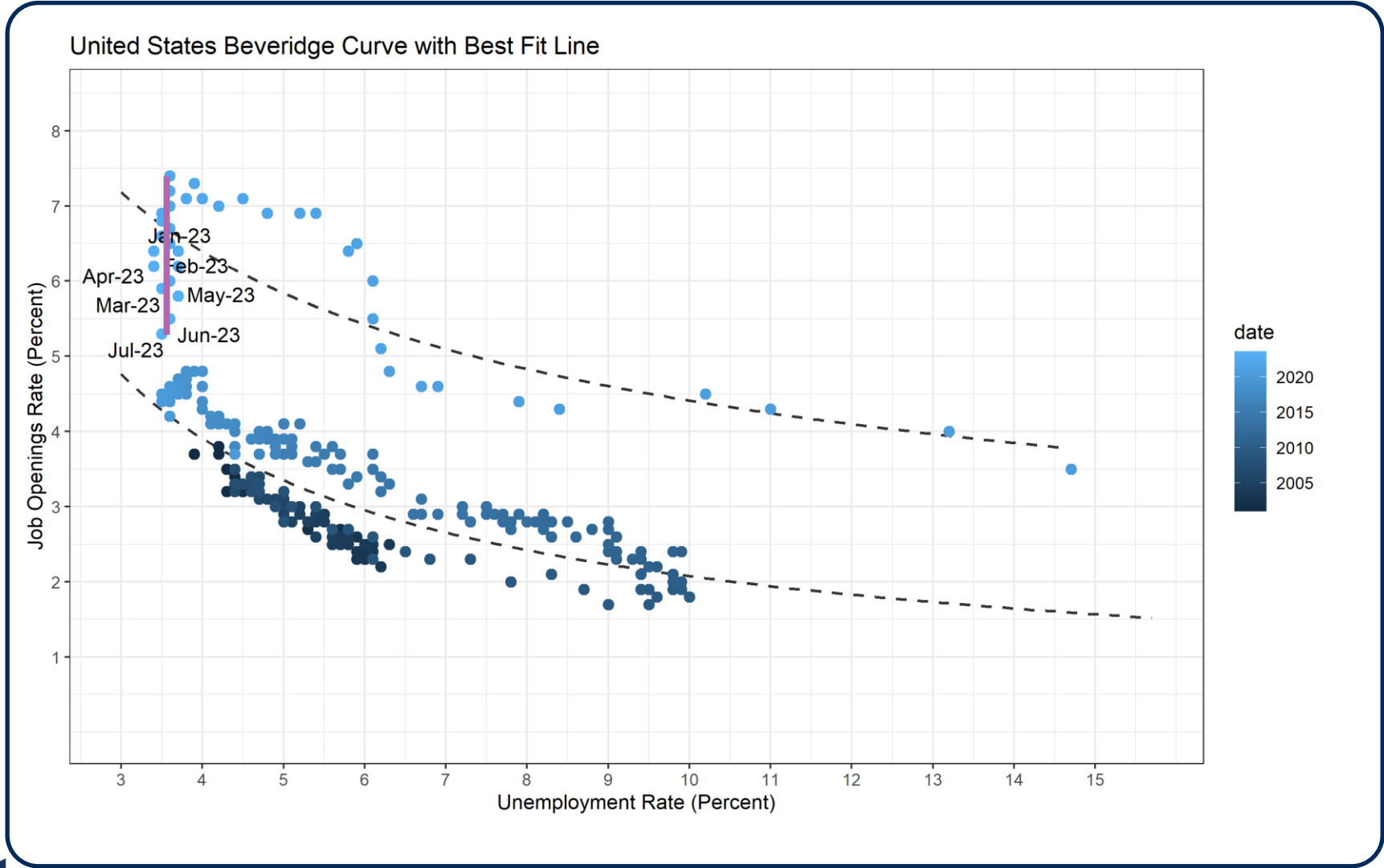
Source: Bureau of Labor Statistics

# Job openings have fallen quite a bit from the peak, with no accompanied increase in unemployment rates



Source: Bureau of Labor Statistics/Haver Analytics

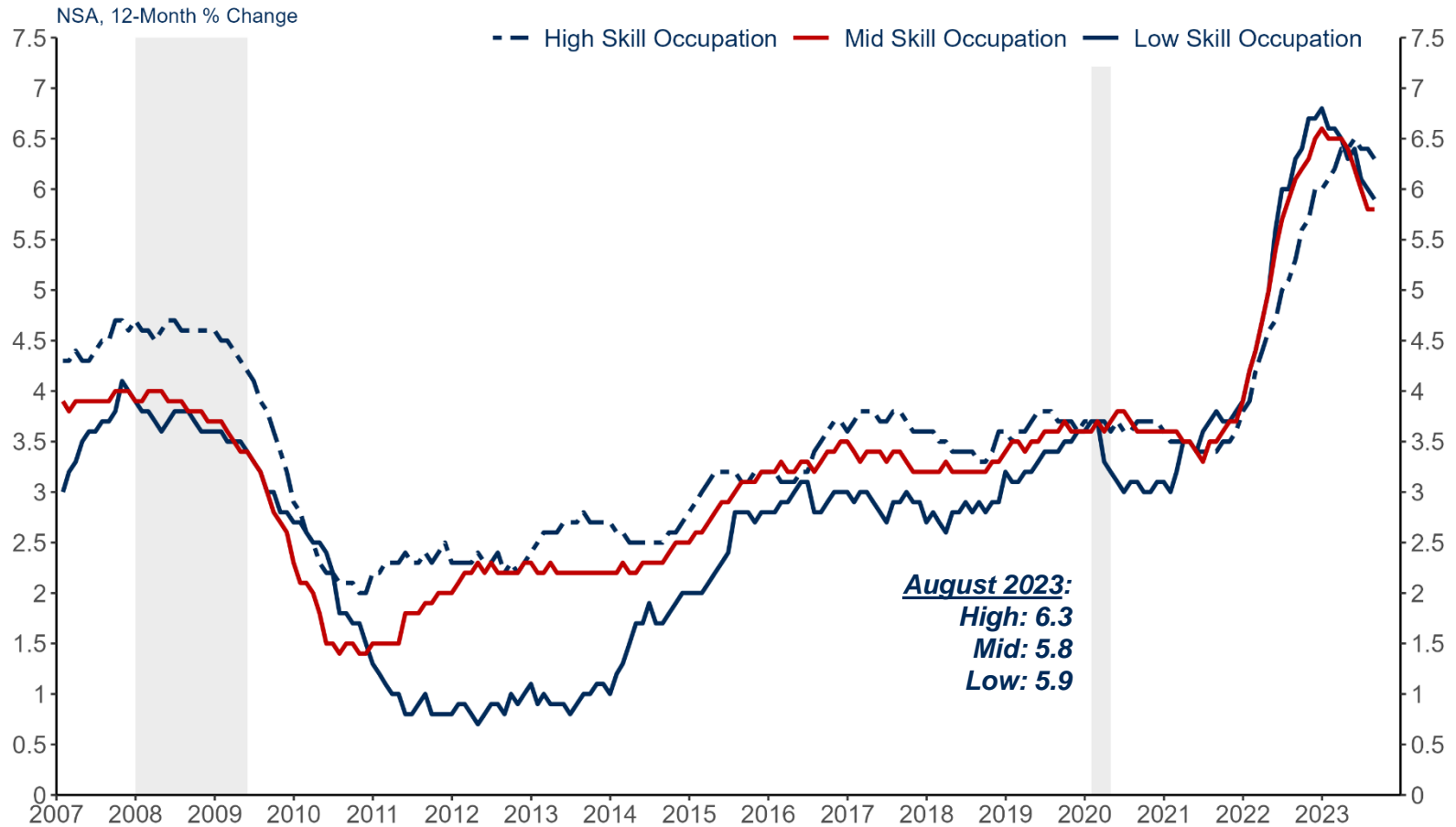
# The Beveridge Curve is behaving in extraordinary ways!



Source: Bureau of Labor Statistics/Haver Analytics

# Nominal wage growth remains elevated and is now above headline inflation, resulting in real wage growth for some

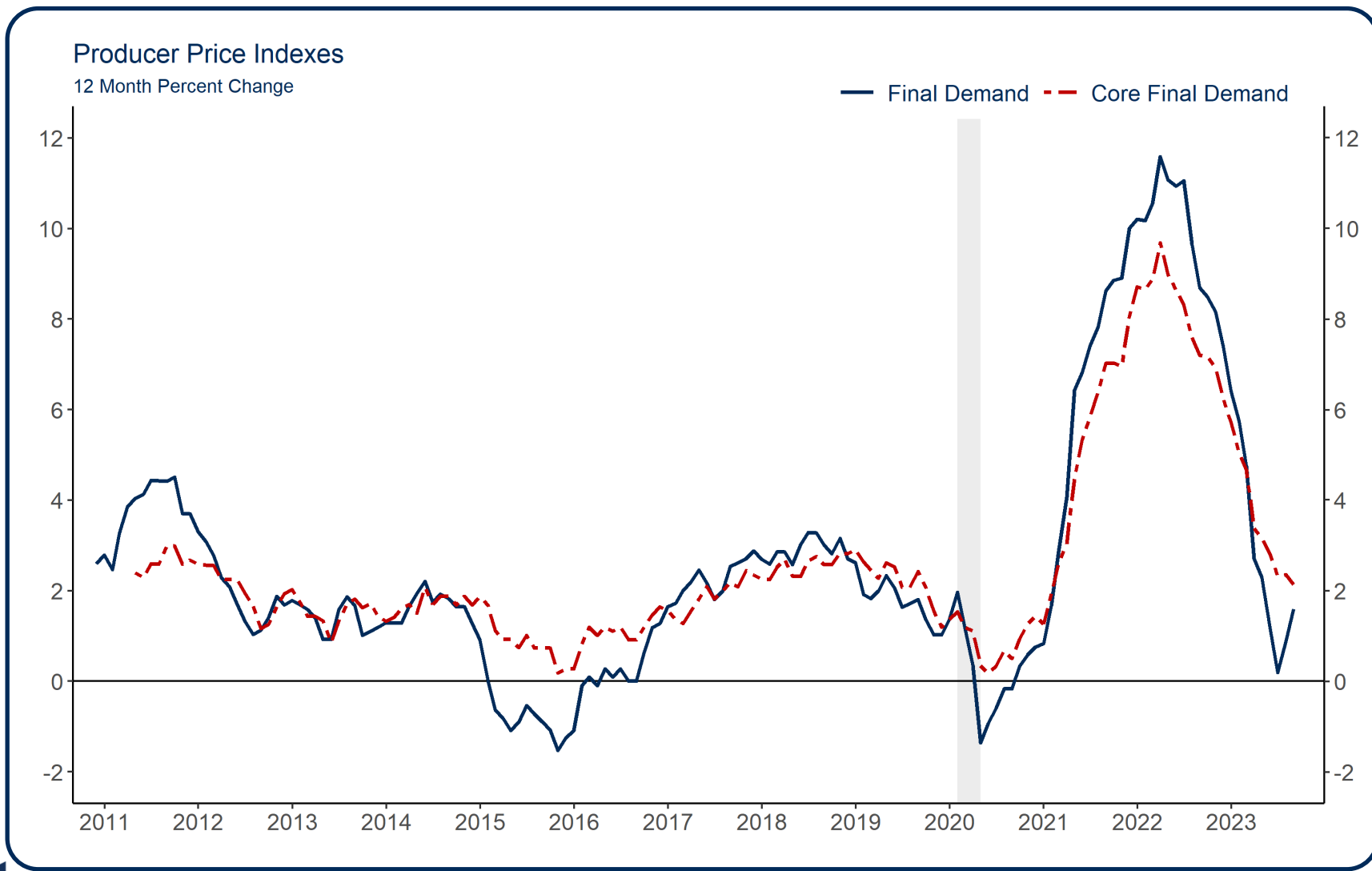
## Federal Reserve Bank of Atlanta Wage Growth Tracker by Skill Level



Source: FRB Atlanta via Haver Analytics

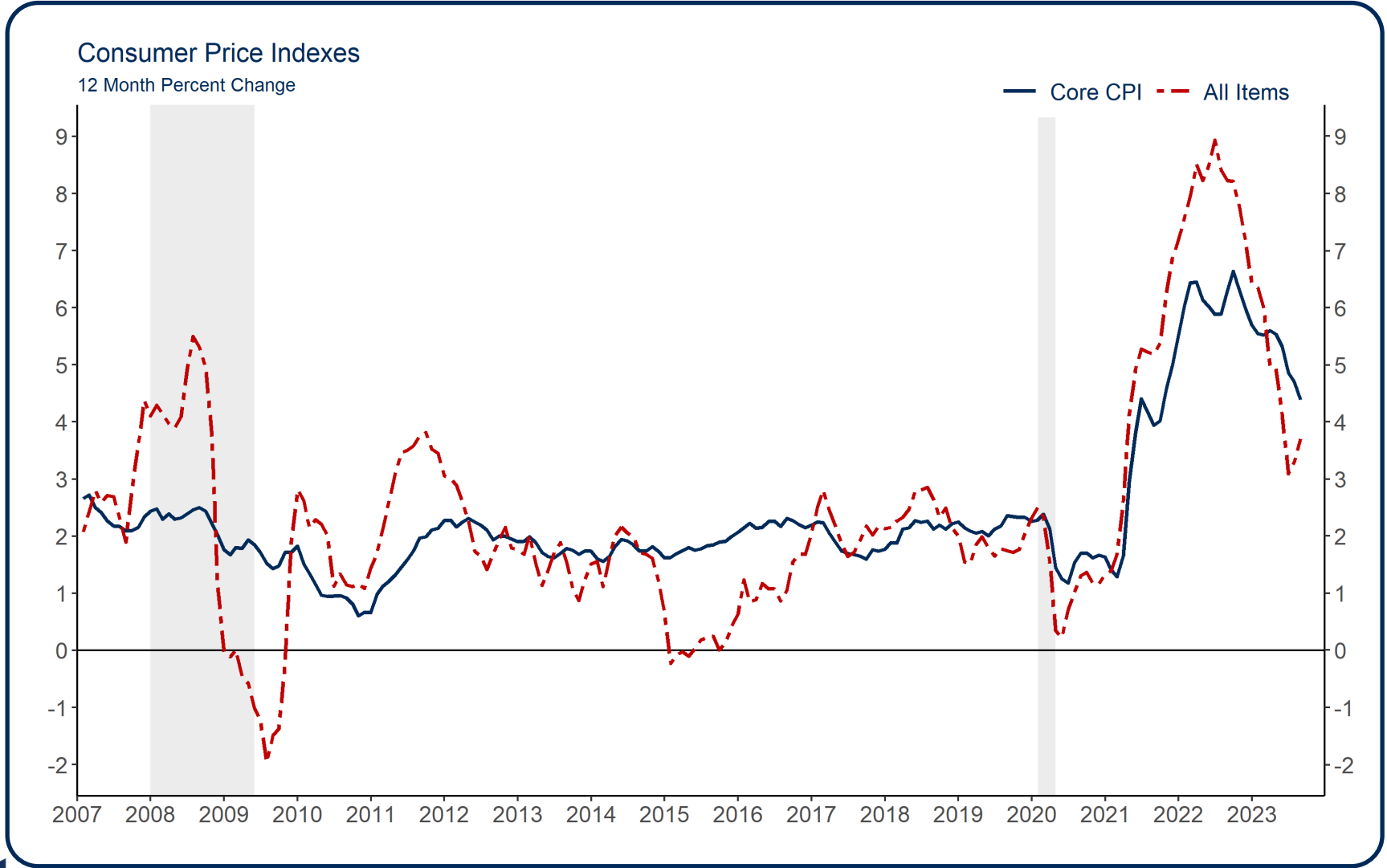


# Producer prices have returned to pre-COVID norms



Source: Bureau of Labor Statistics via Haver Analytics

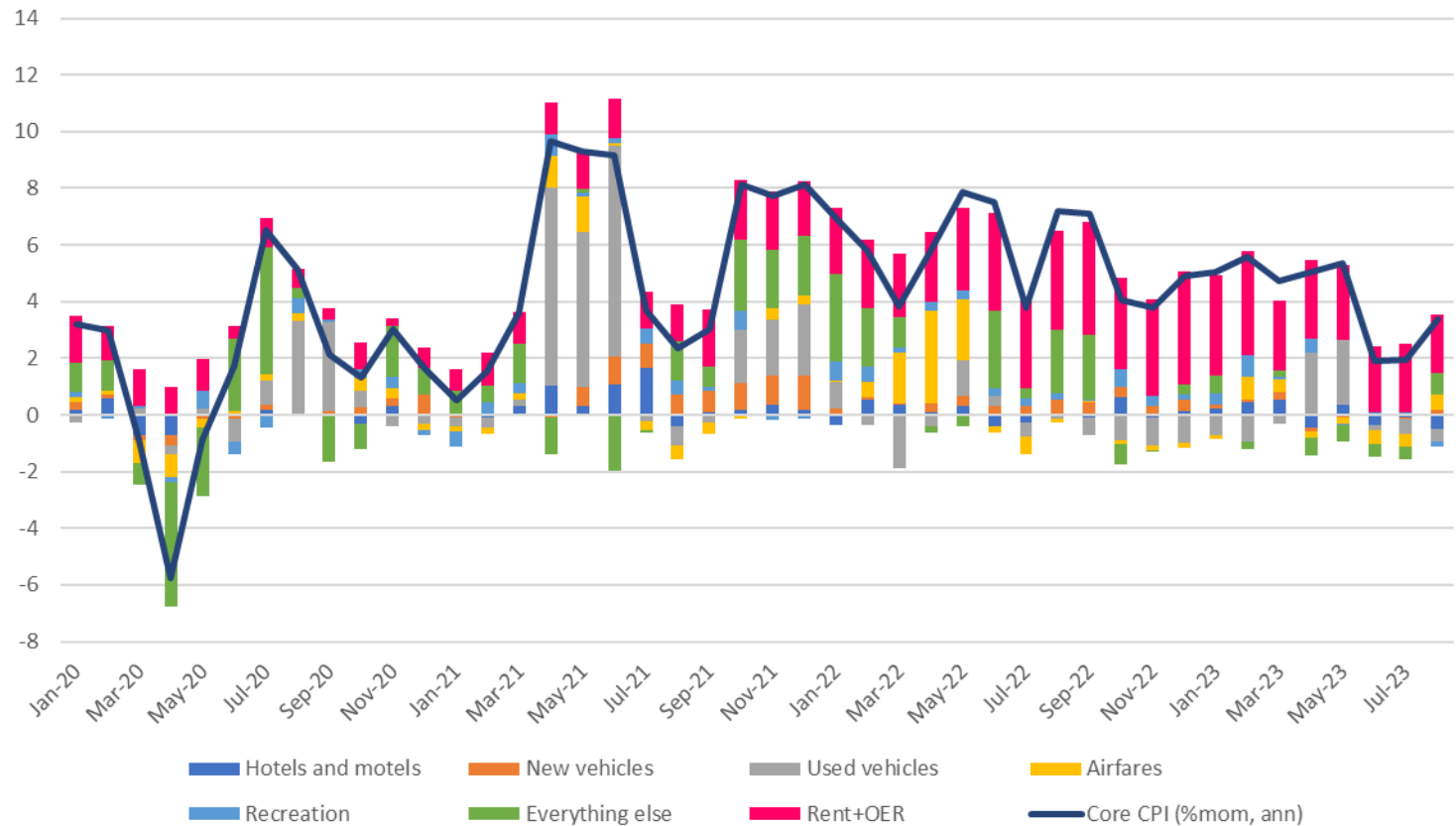
# CPI declines have been primarily driven by declines in energy prices, leading to slower declines in Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

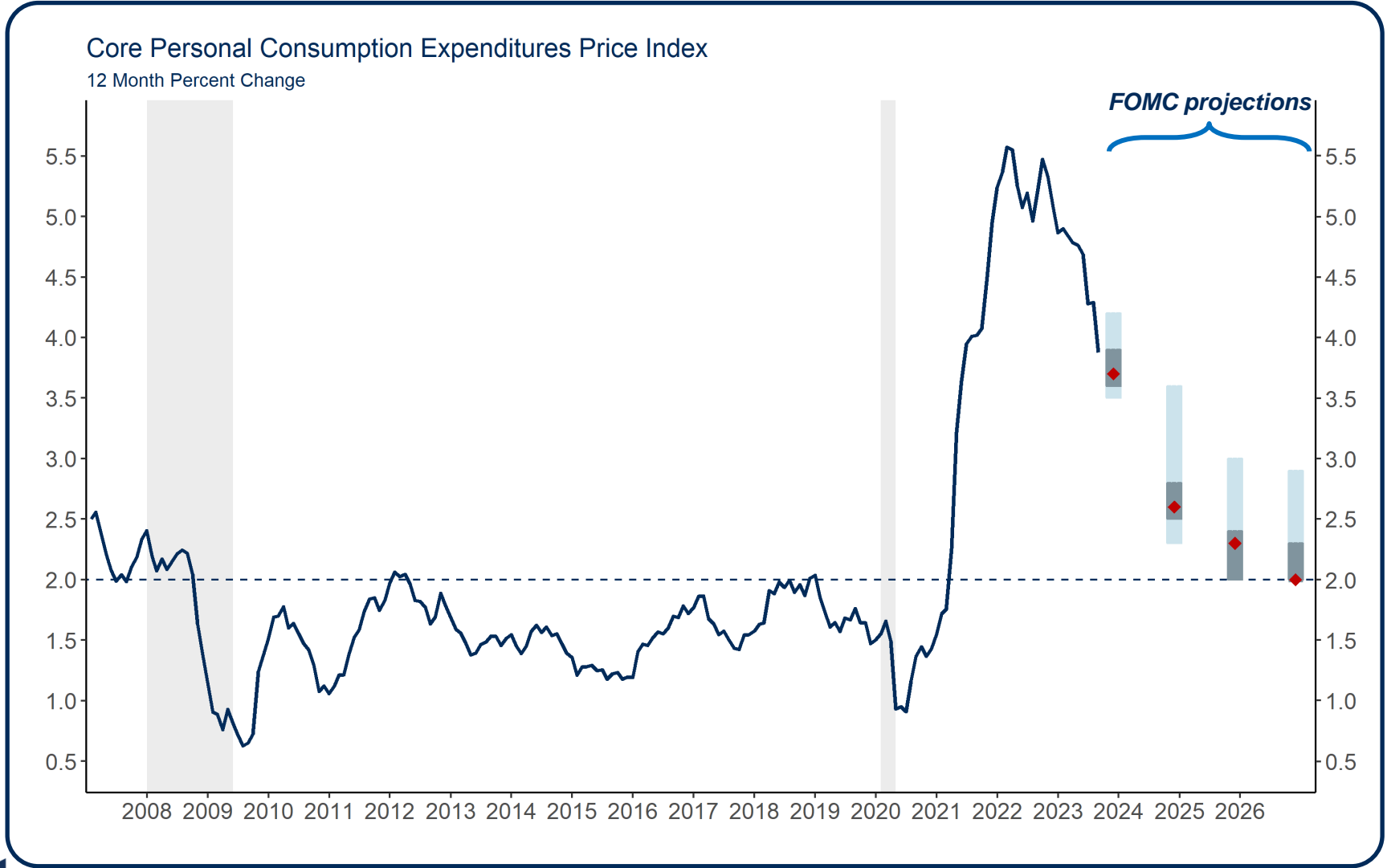
# Month-over-month Core CPI growth is now dominated by housing costs

Annualized Month-Over-Month Core CPI Growth



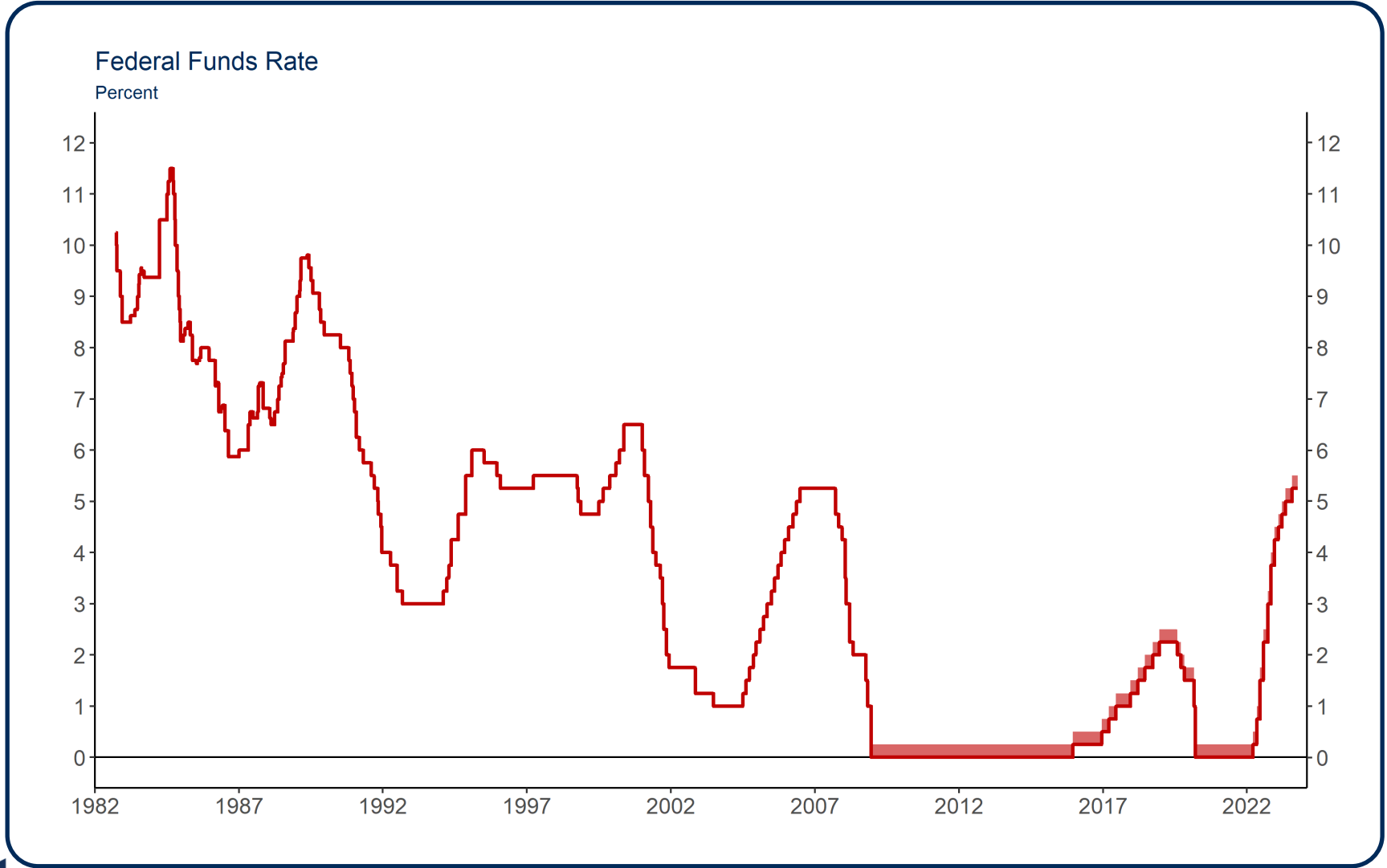
Source: Bureau of Labor Statistics via Haver Analytics

# Core PCE, the Fed's primary measure of inflation, remains elevated well above the 2 percent target



Source: Bureau of Labor Statistics via Haver Analytics

# Where do rates go from here? 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 outpacing expectations thus far. There are significant potential speedbumps ahead
  - Potential government shutdown
  - Geo-political issues
  - 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
  - Expiration of pandemic-era benefits (and restart of student loan payments)
- The FOMC has already raised rates considerably and some industries are being impacted directly. What about broader economic impacts? Consumption?
  - 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, but it looks more likely now than it did previously
- North and South Carolina are well-poised to be ‘winners’, but rural counties continue to face challenges going forward

*Questions/Comments?*

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