



National and Regional Economic Update

Western Upstate Assoc of Realtors
February 15, 2024



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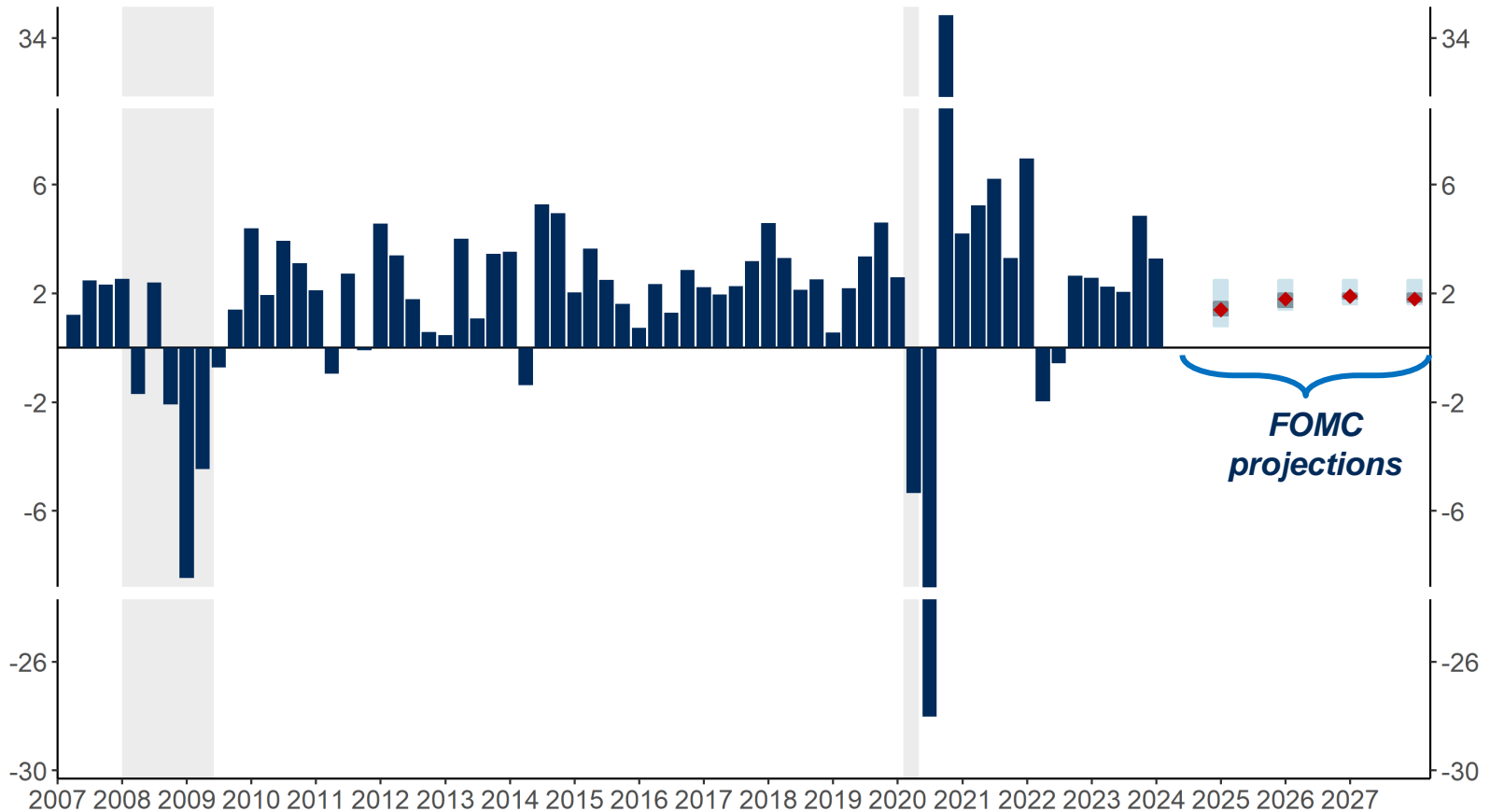
Where are we now?

- Economic growth in 2023 far exceeded all expectations; growth in 2024 looks promising, but uncertainties exist.
 - Some sectors have seen significant pullback while others continue to see strong demand
- Economic indicators show slowing in some cases but continued growth in others
 - Fears of recession 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 Charleston and Greenville are outperforming larger metros and more rural spaces
 - Much of this is industry and geography based
- Inflation remains above the 2 percent average target
 - Inflation reports are moving in the right direction, especially at the end of 2023
 - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target

GDP growth estimate for Q4 2023 came in at 3.3 percent. Growth for 2023 as a whole likely exceeded 3.0 percent.

Real Gross Domestic Product

Percent change from previous quarter at annual rate

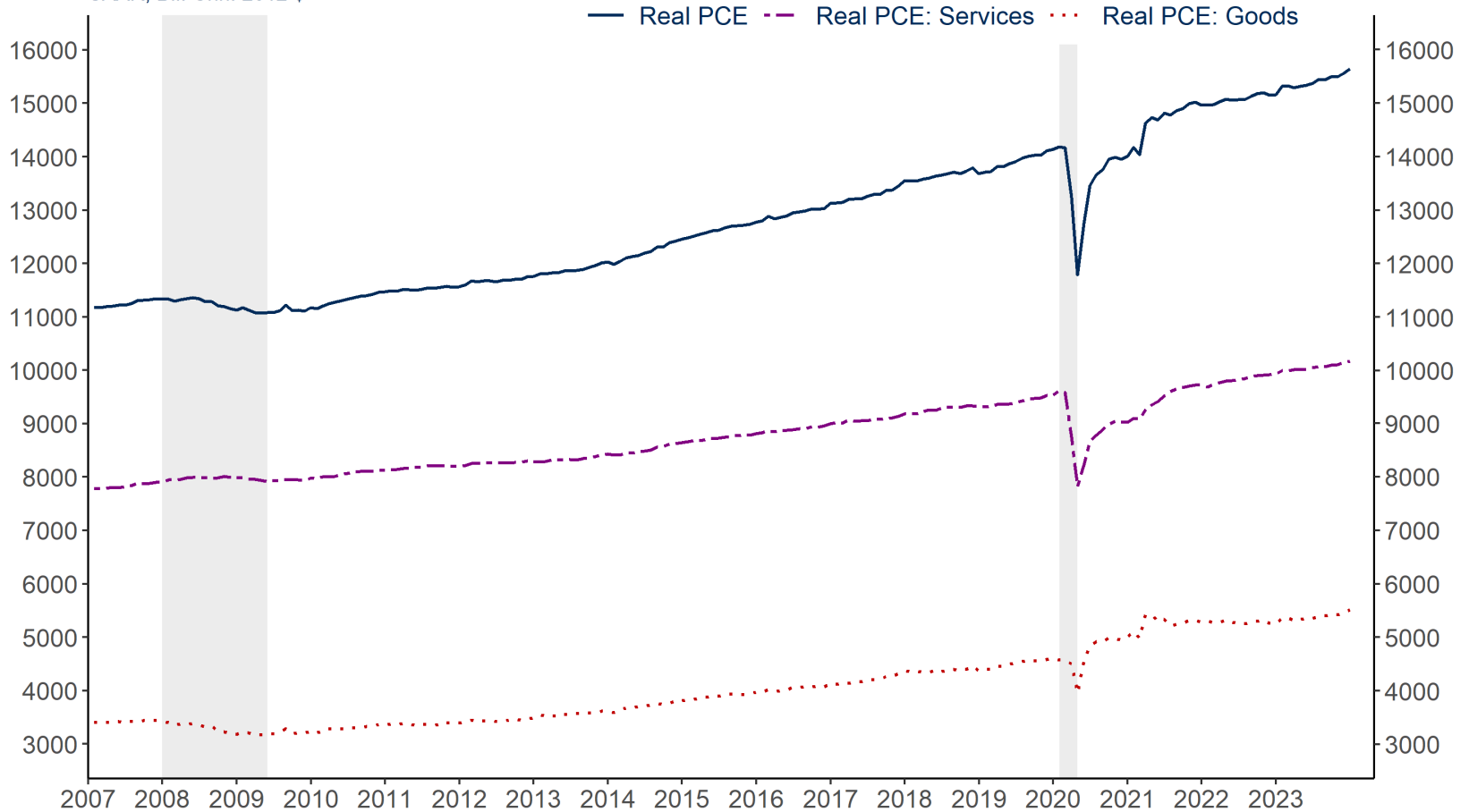


Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

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

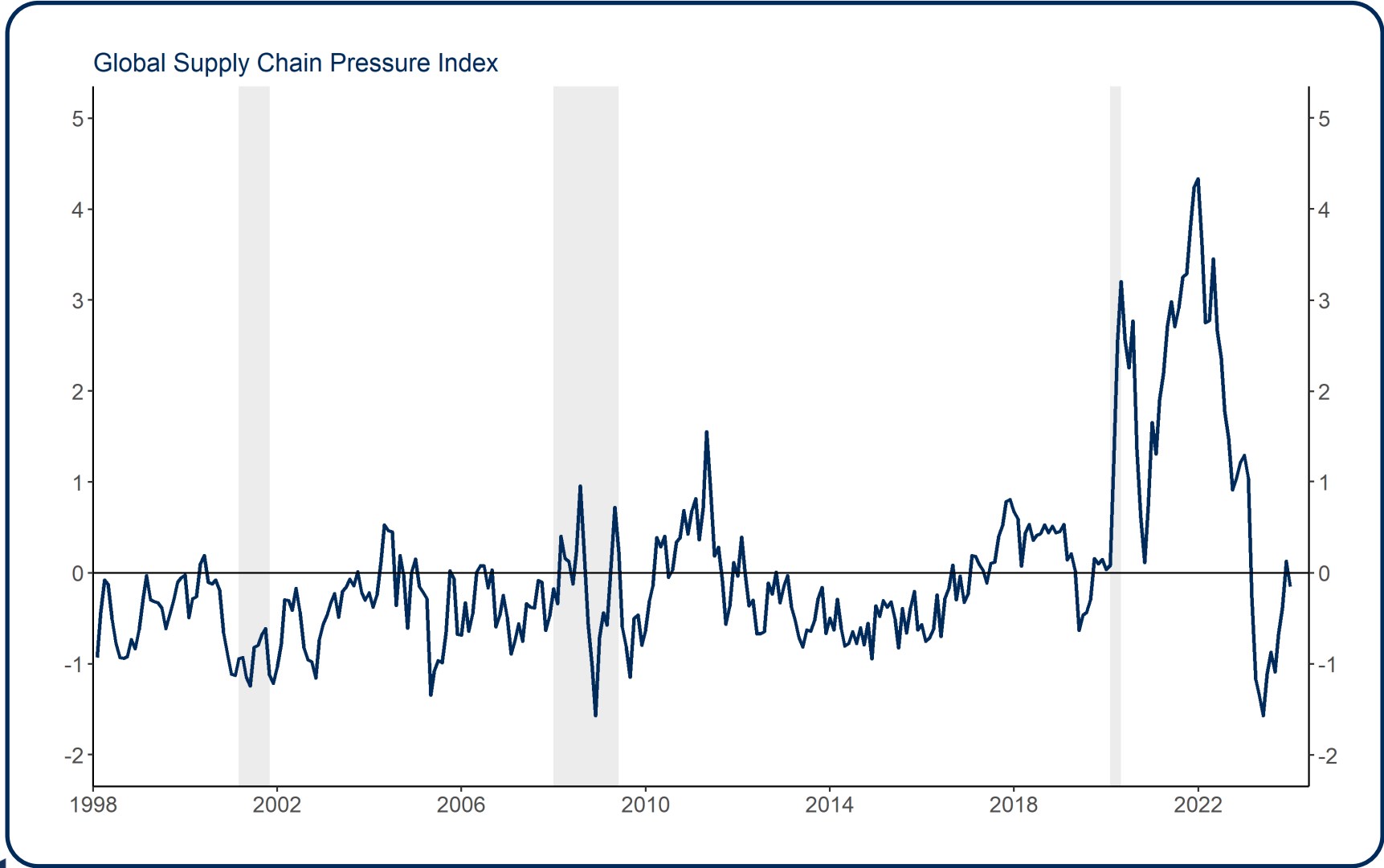
Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



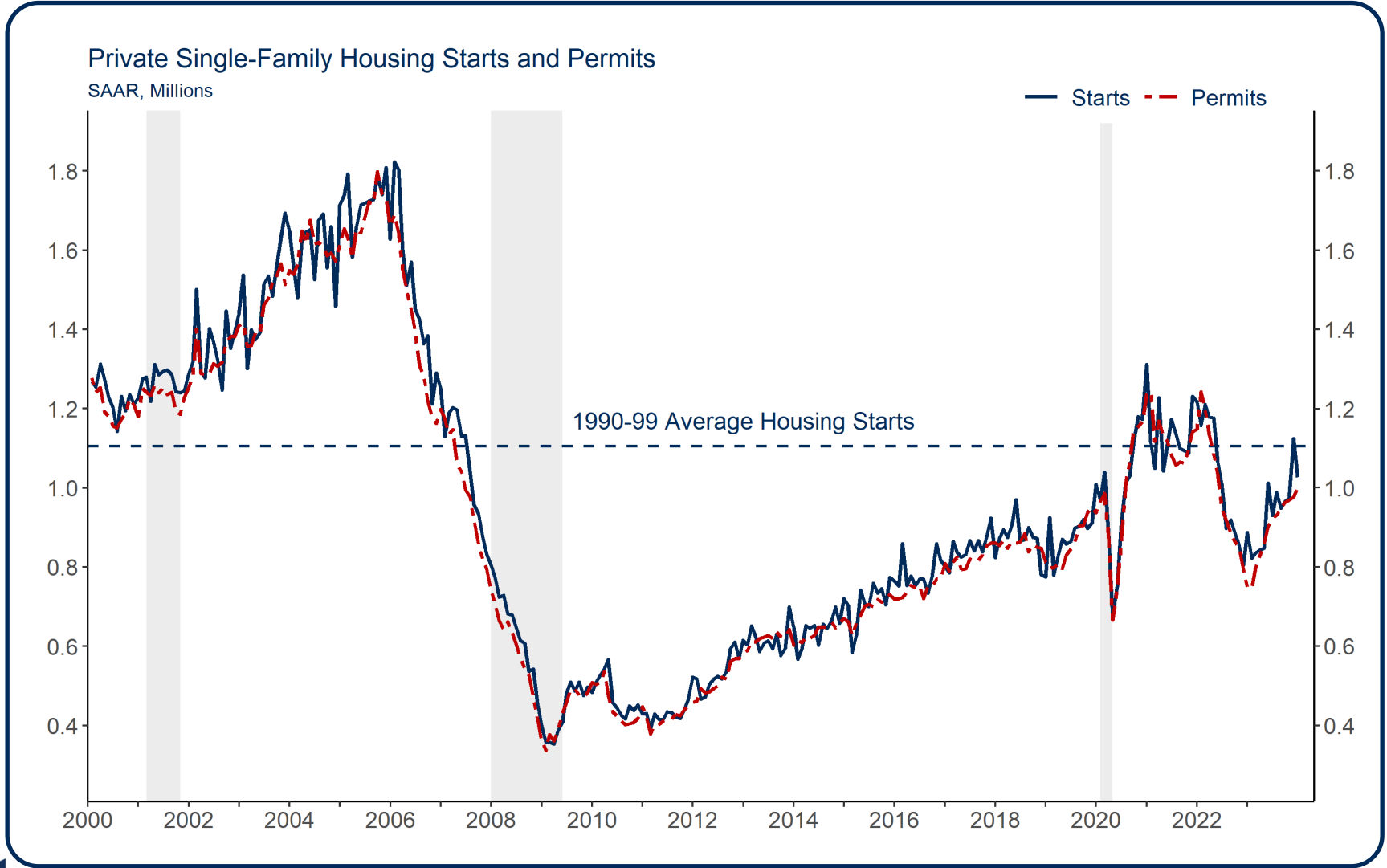
Source: Bureau of Economic Analysis

Global supply chain issues have calmed back to below pre-COVID levels, but some isolated shortages remain



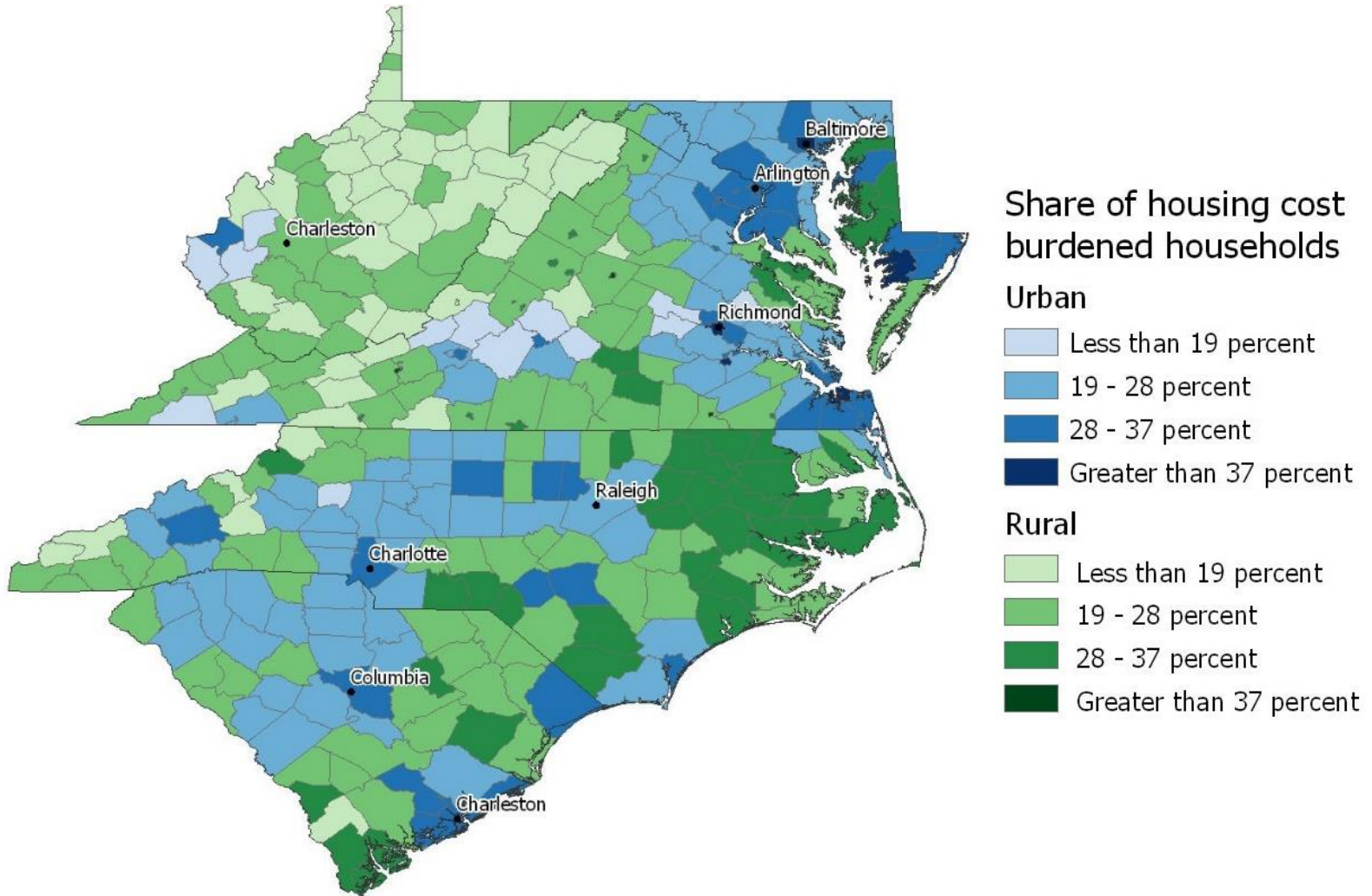
Source: Federal Reserve Bank of New York

Housing starts and permits have increased the past few months, but remain down from 2021...



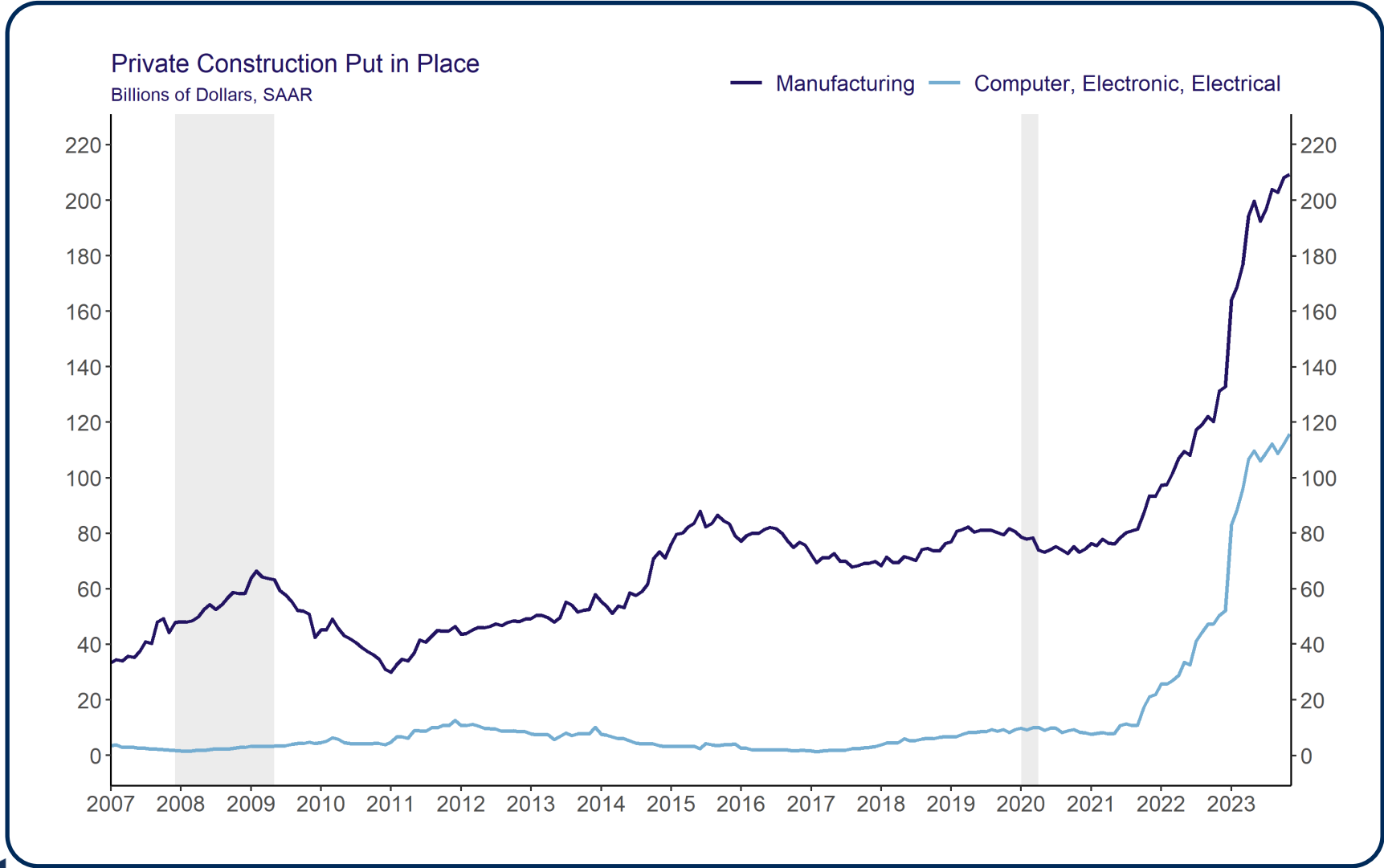
Source: Census Bureau/Haver Analytics

...and there isn't a region we visit that isn't struggling with housing



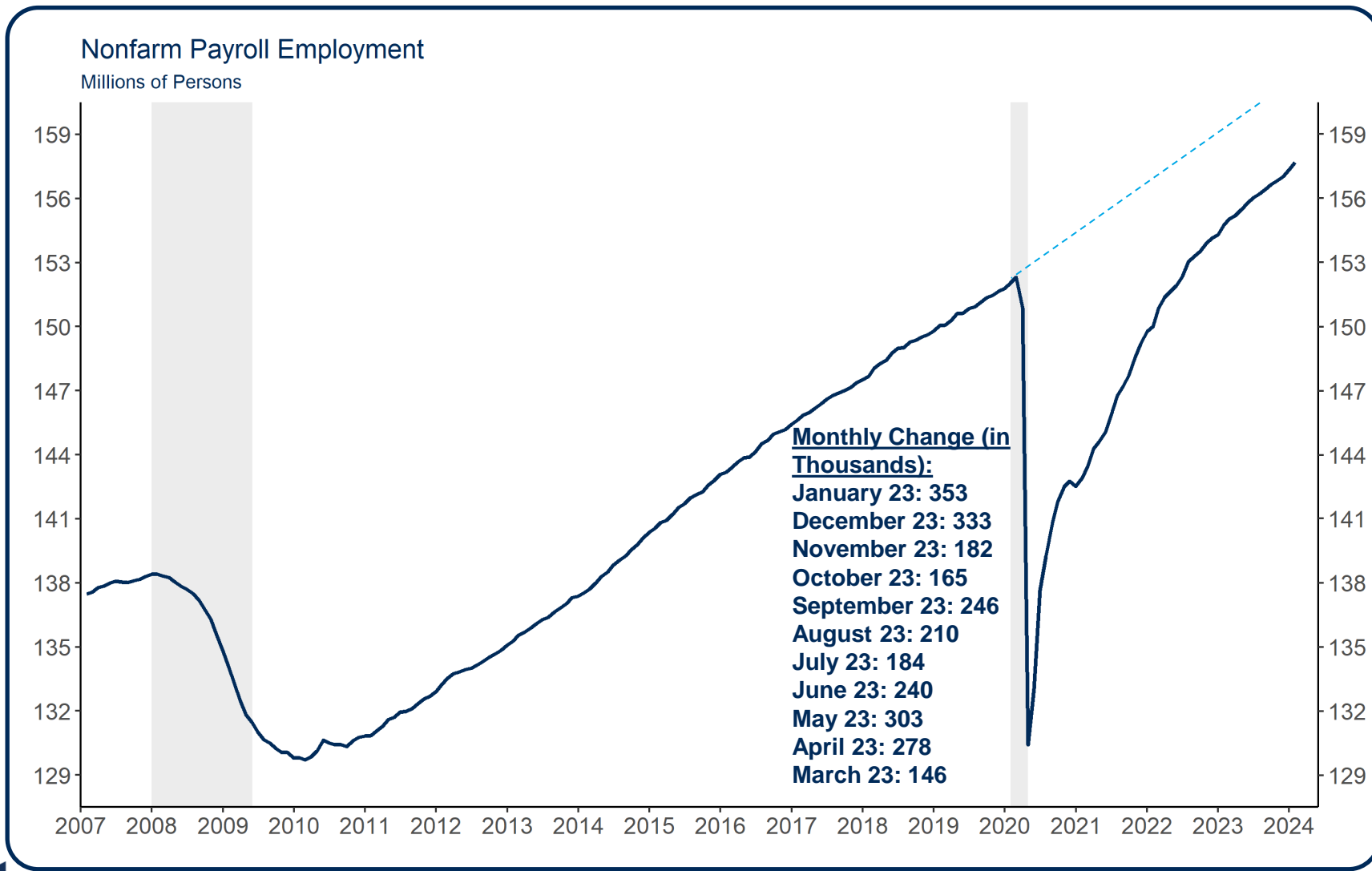
Source: Census Bureau and Department of Agriculture

Construction spending in manufacturing has seen sharp increases, driven by emerging industries



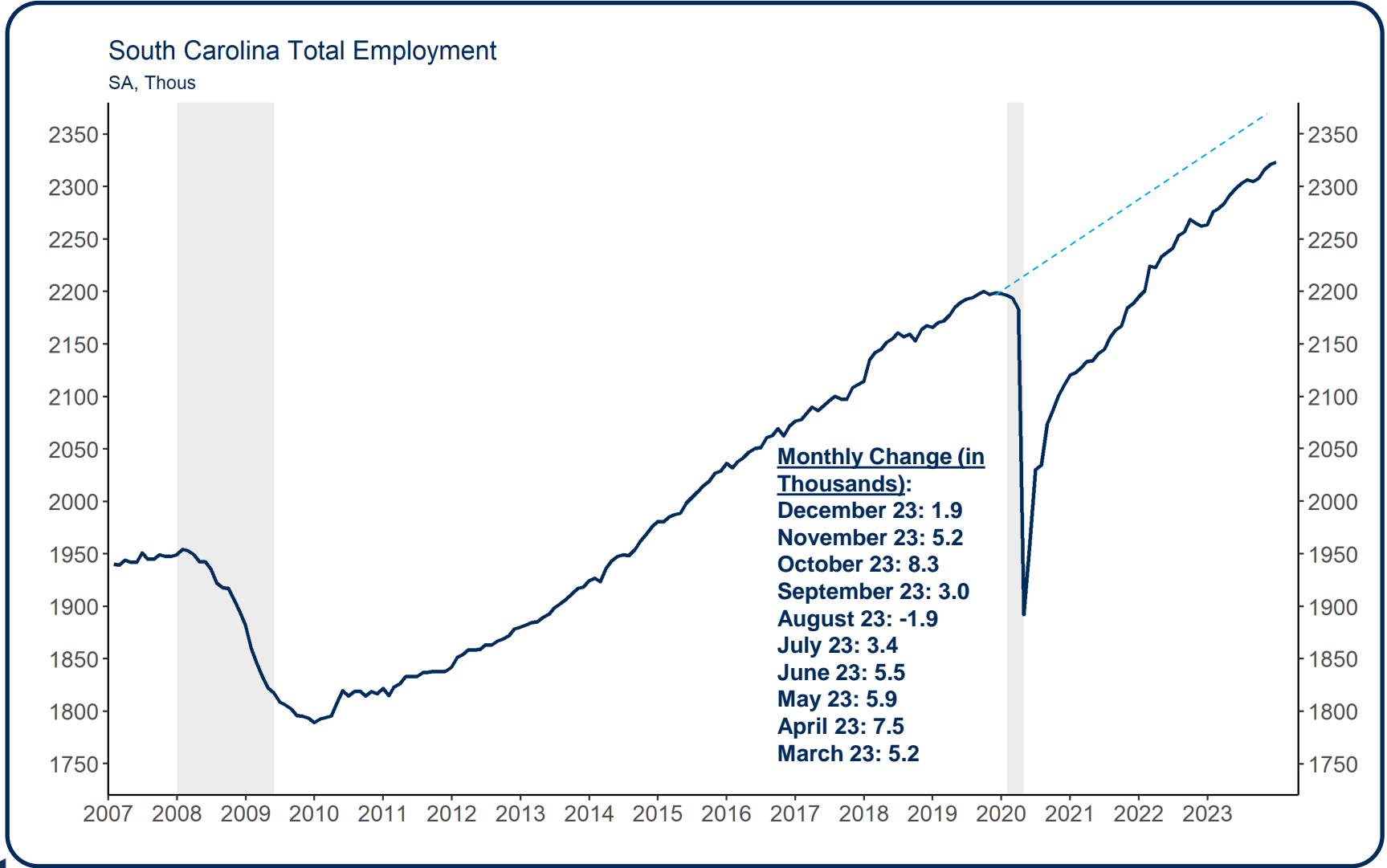
Source: Census Bureau/Haver Analytics

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



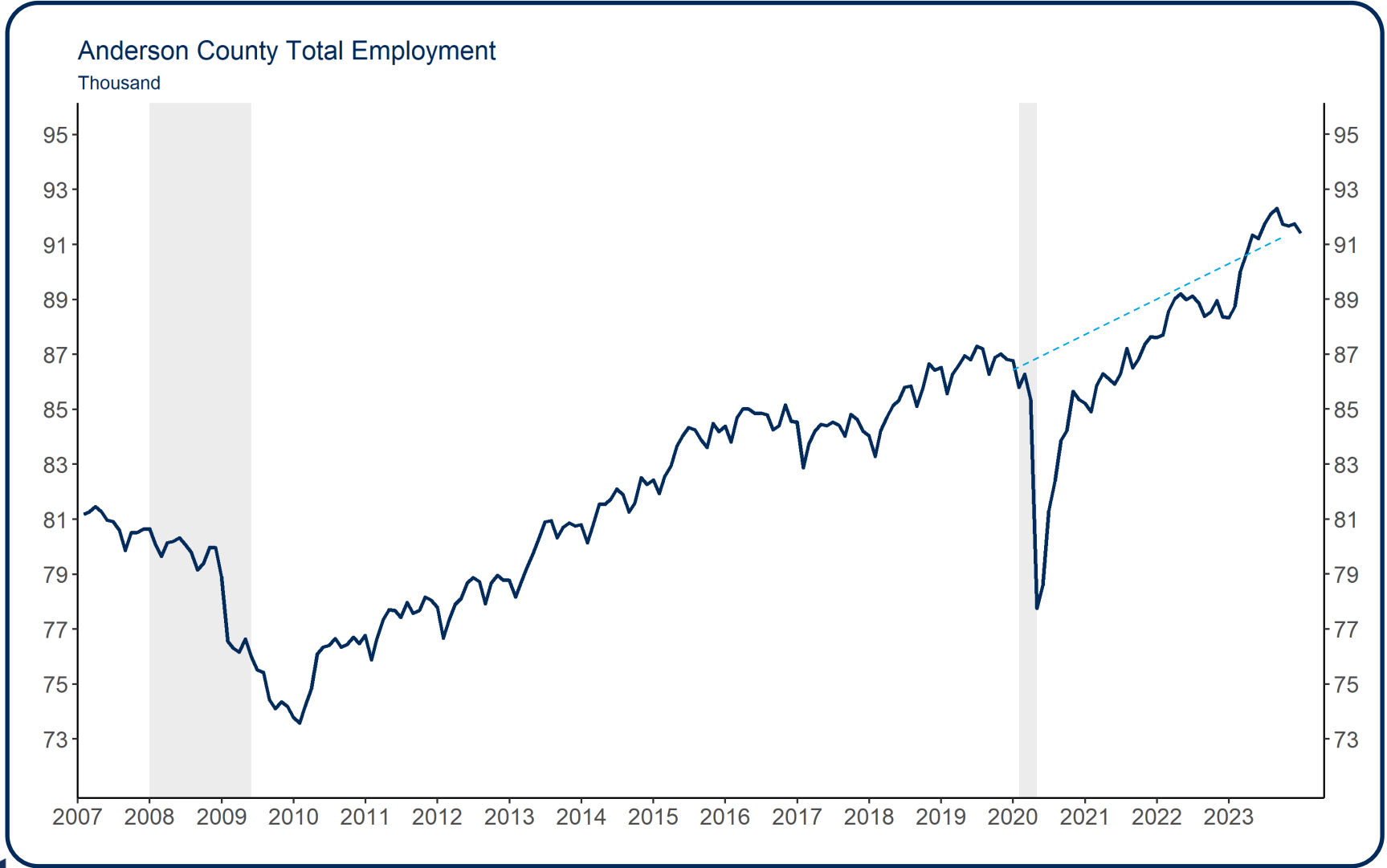
Source: Bureau of Labor Statistics/Haver Analytics

South Carolina has performed very well, but is also not back to pre-COVID expectations...



Source: Bureau of Labor Statistics via Haver Analytics

...but Anderson County is



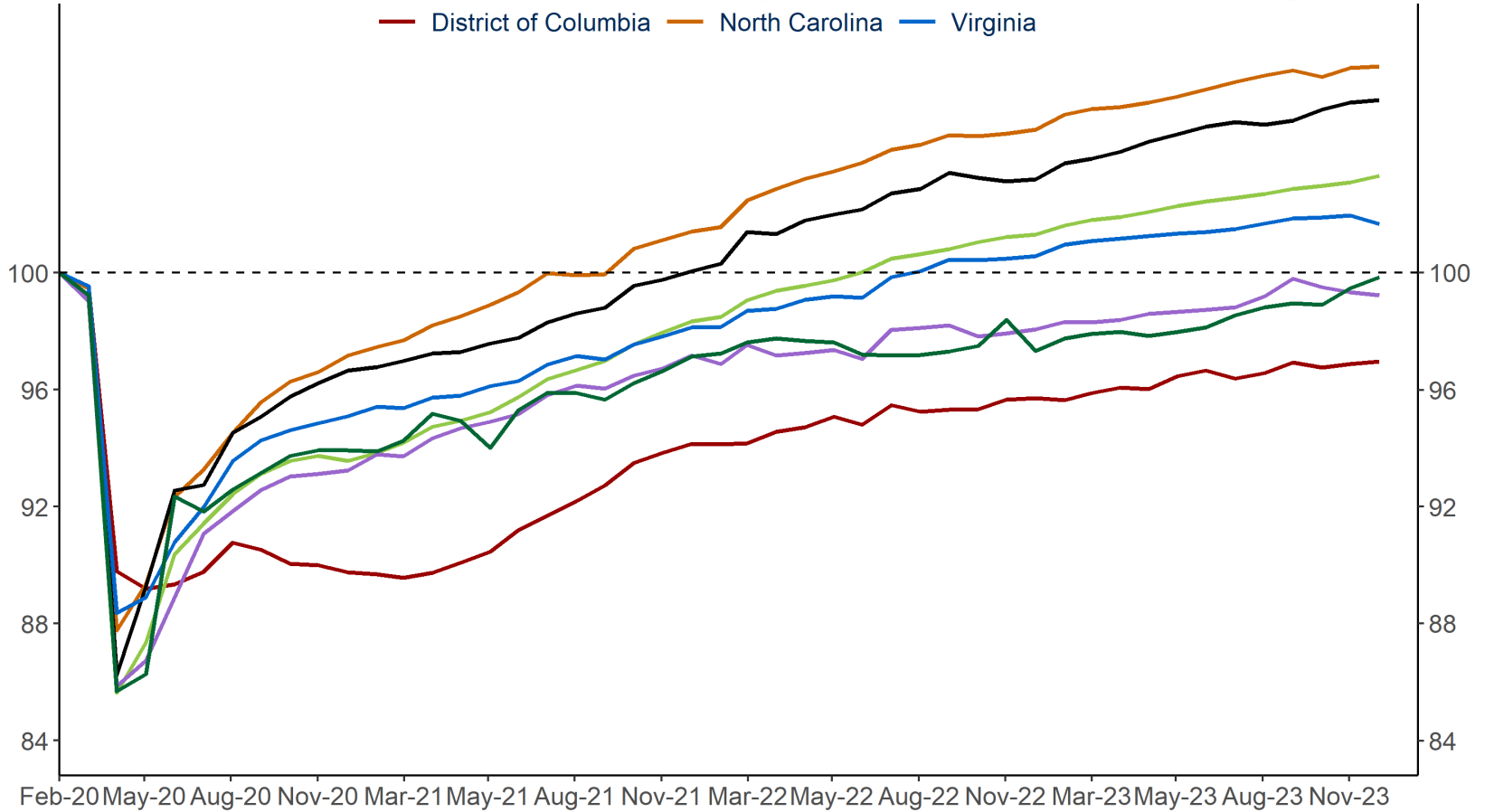
Source: Bureau of Labor Statistics via Haver Analytics

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

Total Payroll Employment Index

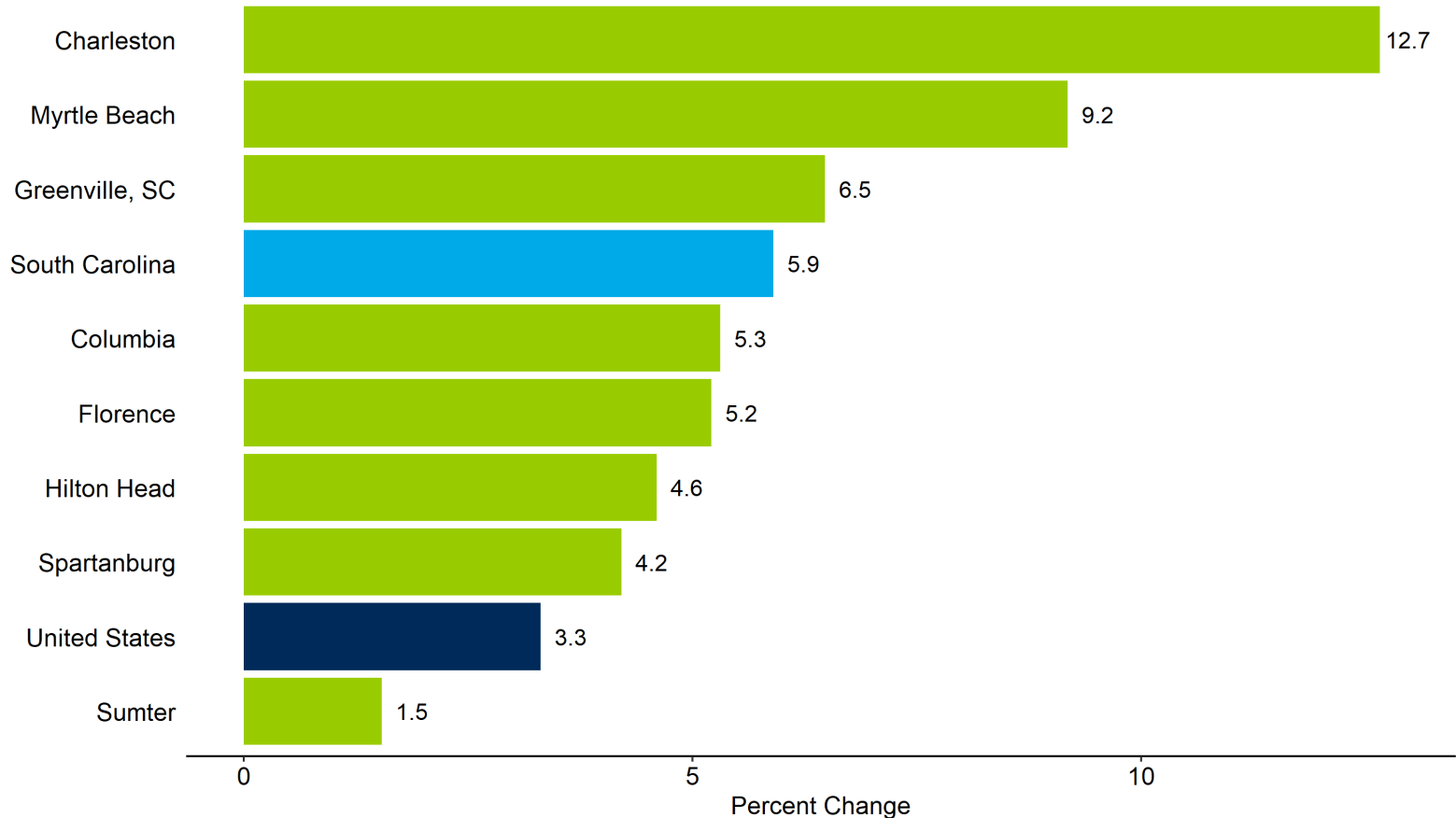
Index: February 2020 = 100

- United States
- Maryland
- South Carolina
- West Virginia
- District of Columbia
- North Carolina
- Virginia



All SC MSAs have seen employment growth compared to February 2020

Employment Change from February 2020 to December 2023

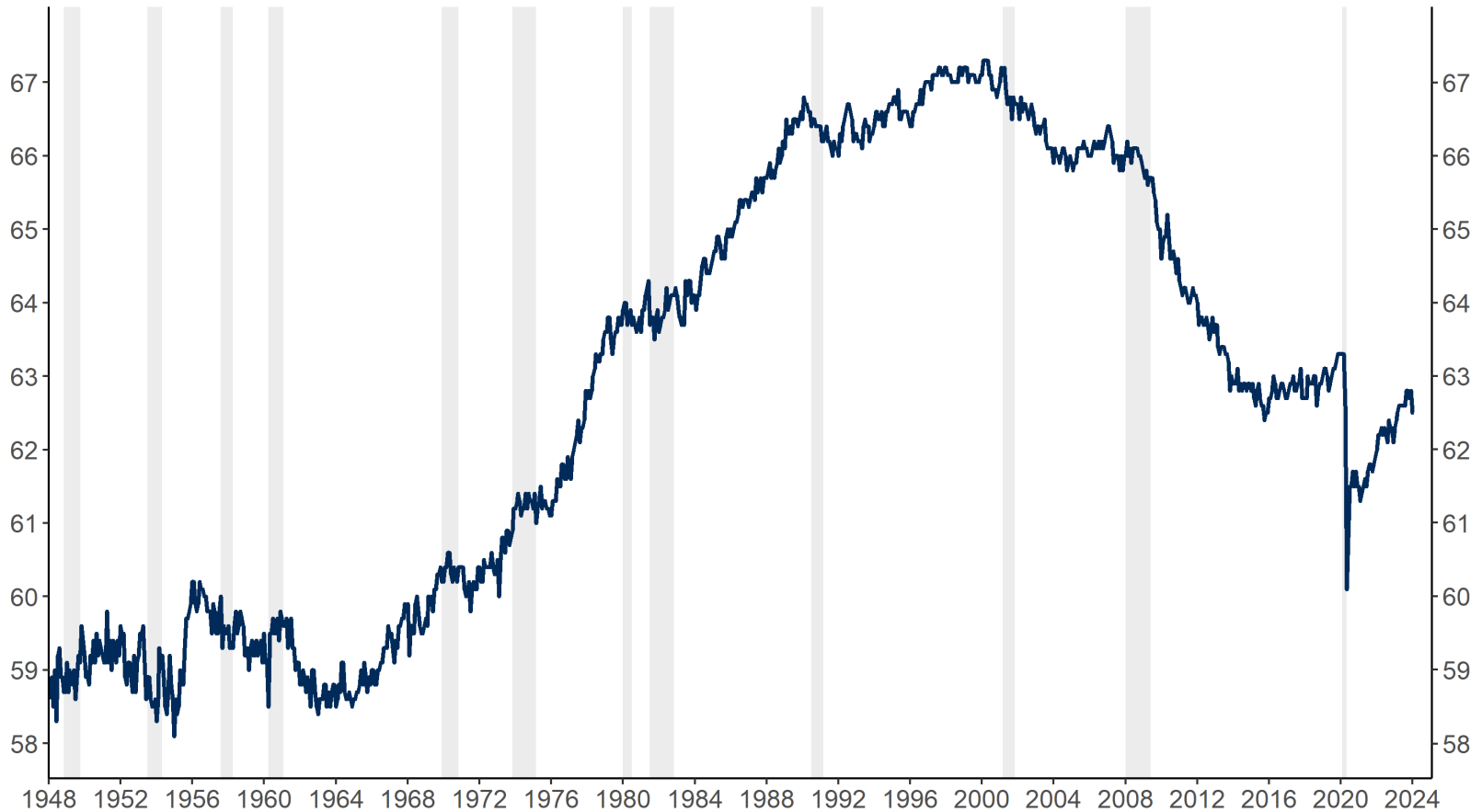


Source: Bureau of Labor Statistics/Haver Analytics

Labor force participation has not fully recovered, and new BLS projections foresee additional declines to 60.4% in 2032

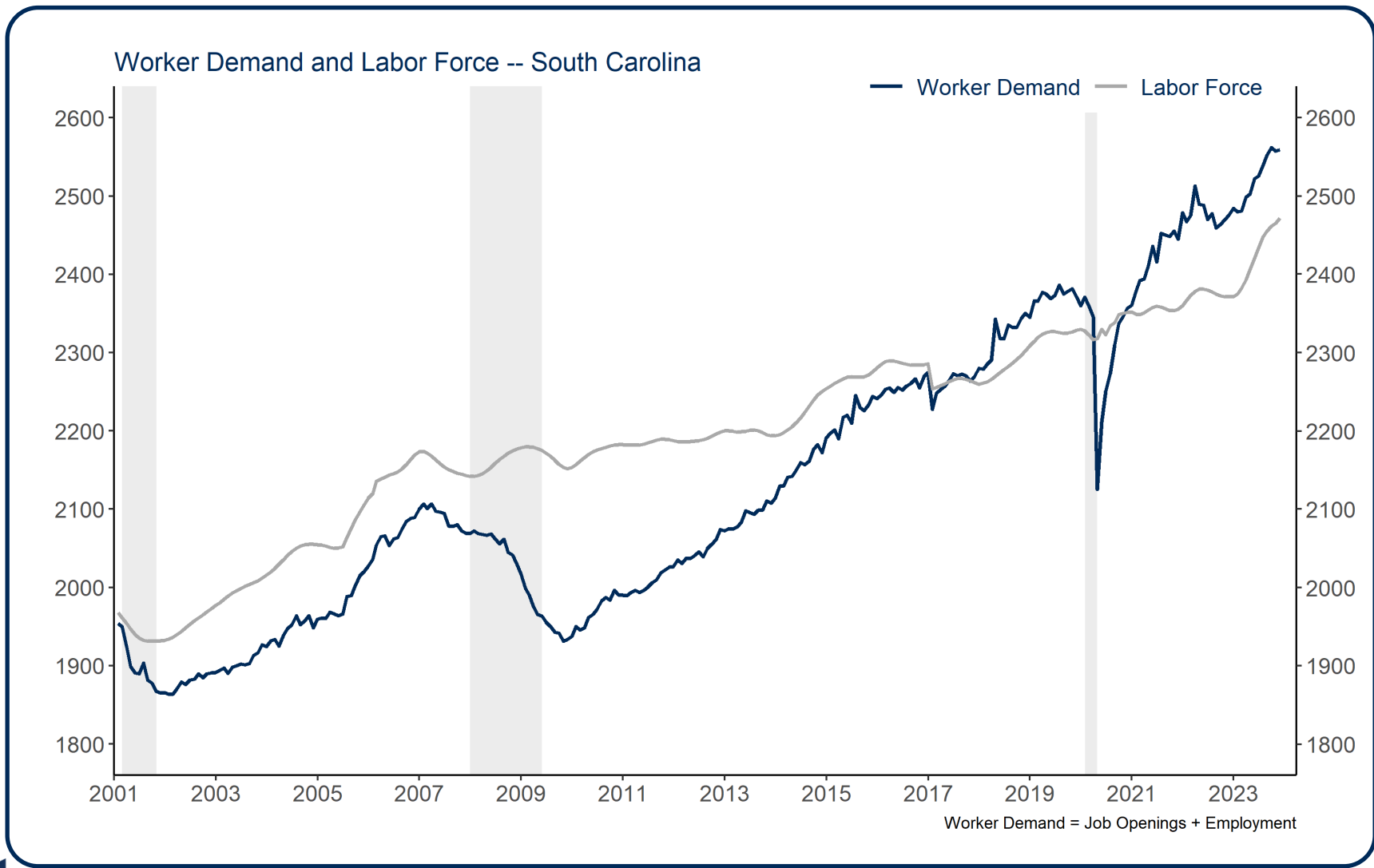
Labor Force Participation (16 years old +)

Percent



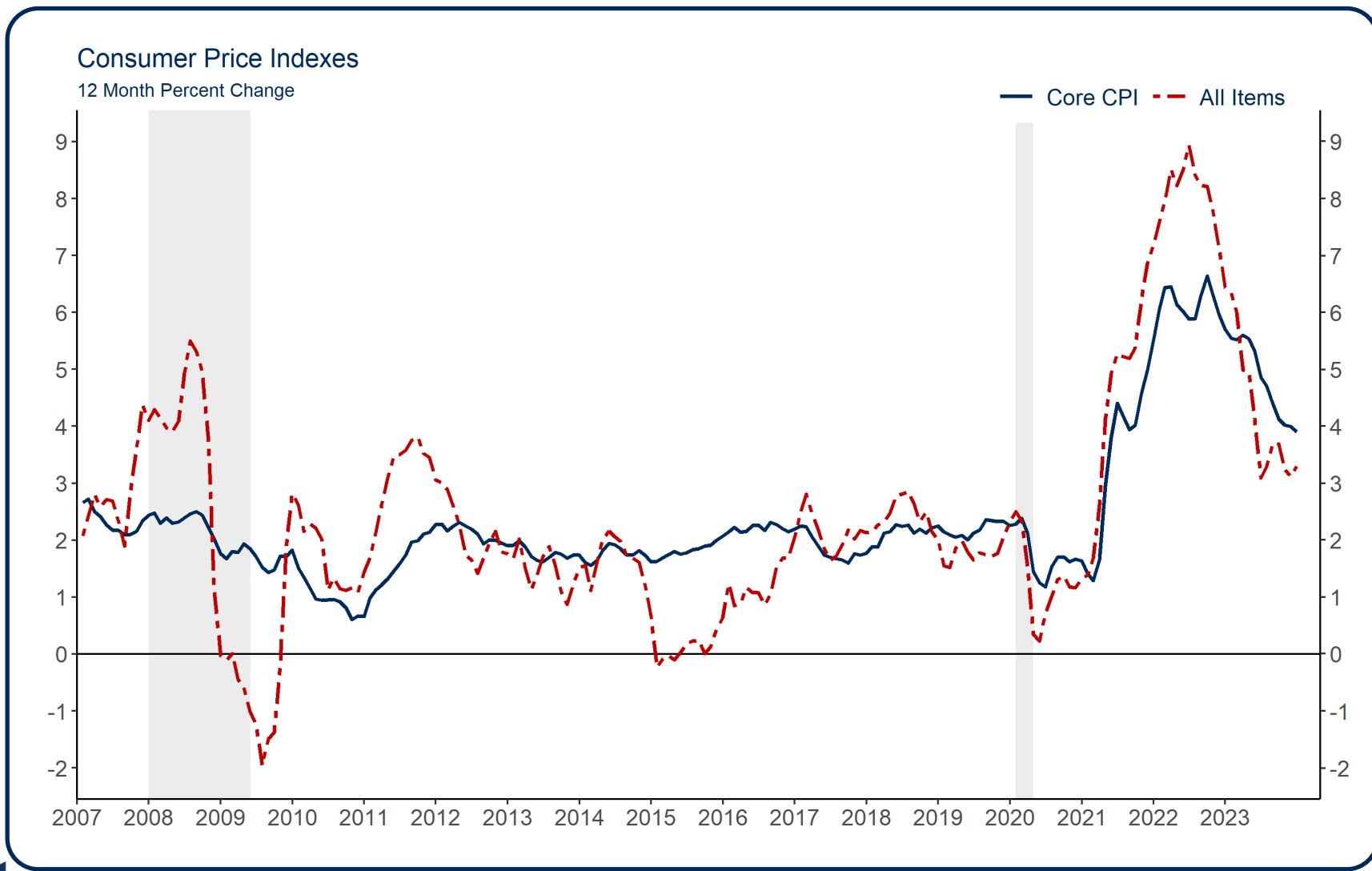
Source: Bureau of Labor Statistics/Haver Analytics

The short story...labor is tight and is likely to get tighter



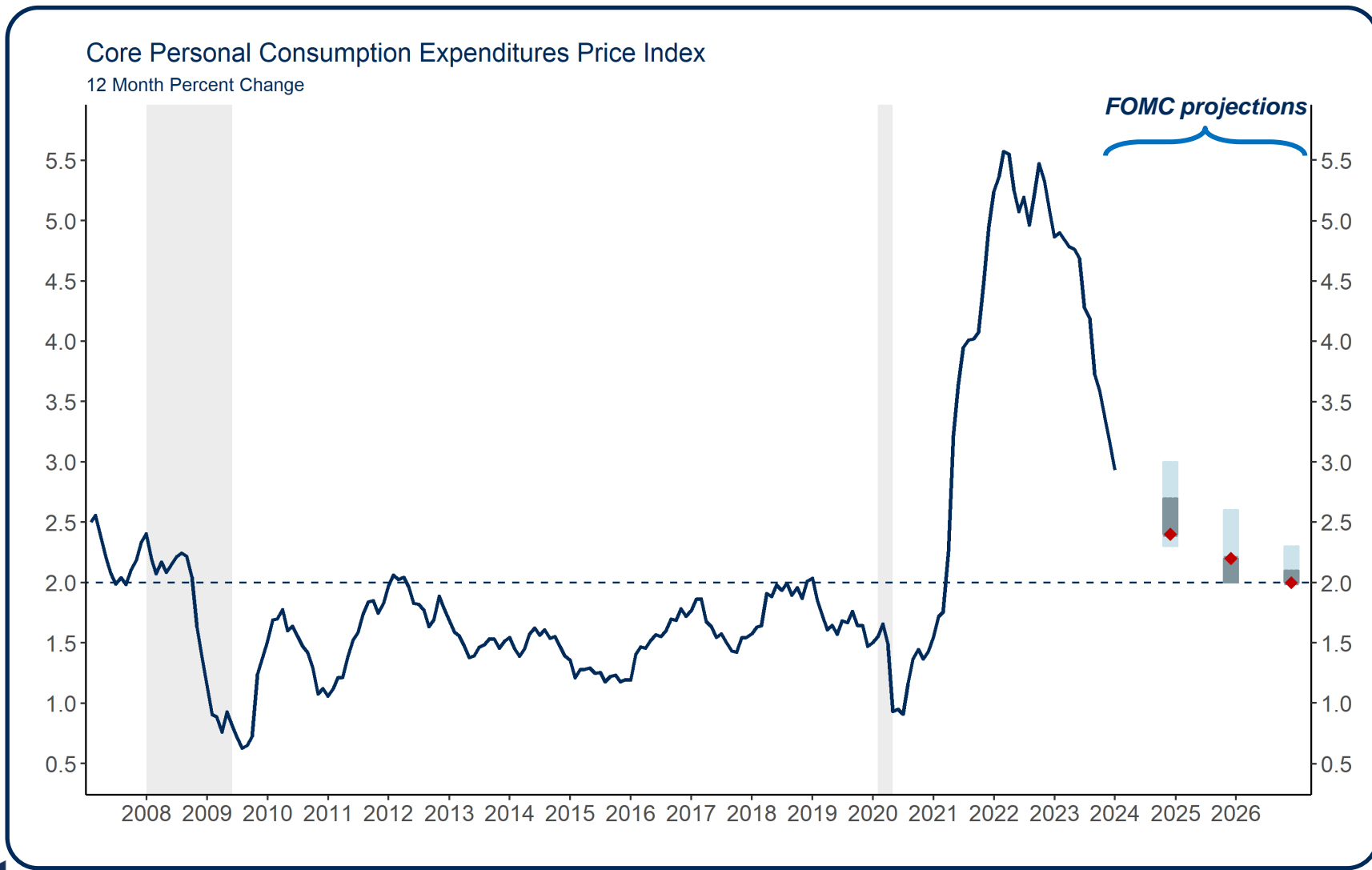
Source: Bureau of Labor Statistics, JOLTS, CES, LAUS / Haver Analytics

Core inflation has seen steep declines in recent months



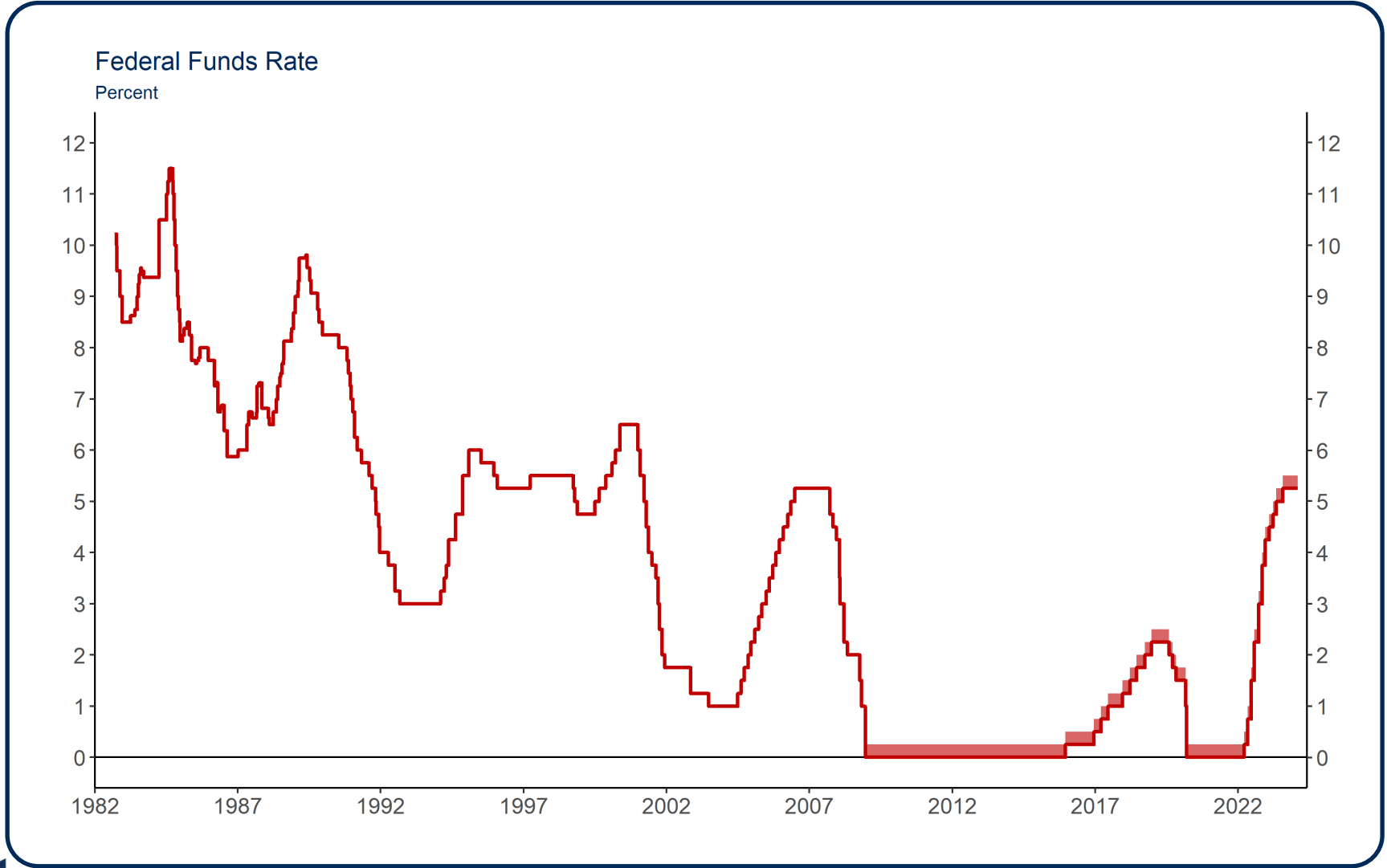
Source: Bureau of Labor Statistics via Haver Analytics

Core PCE, the Fed's primary measure of inflation, remains elevated above the 2 percent target, but appears to be normalizing quickly



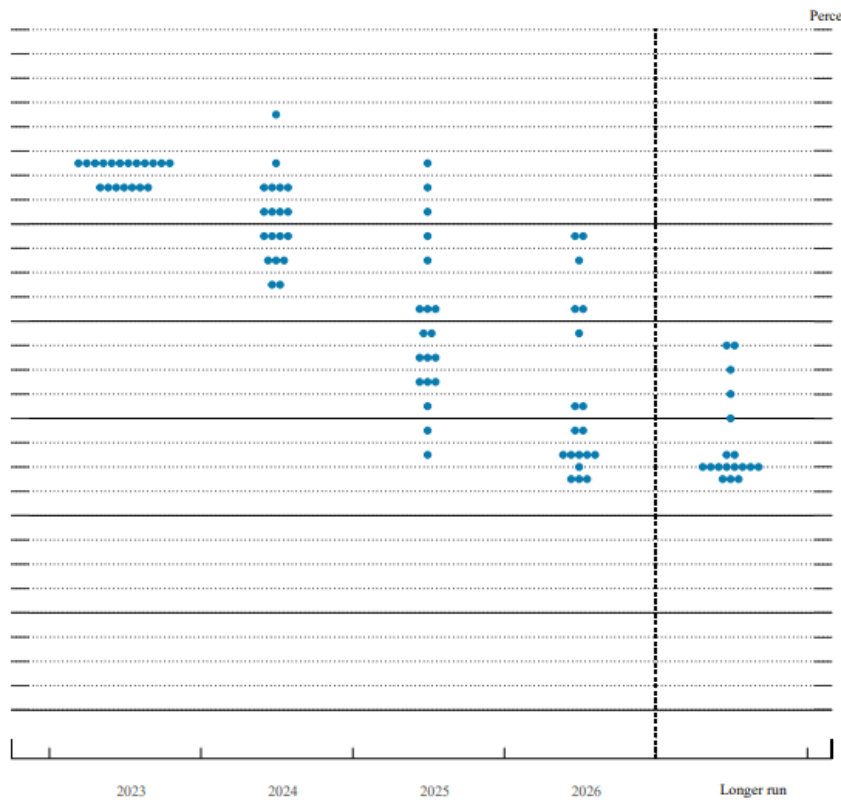
Source: Bureau of Labor Statistics via Haver Analytics

Markets appear to believe that interest rates have reached the terminal rate; but when will the first rate cut come?

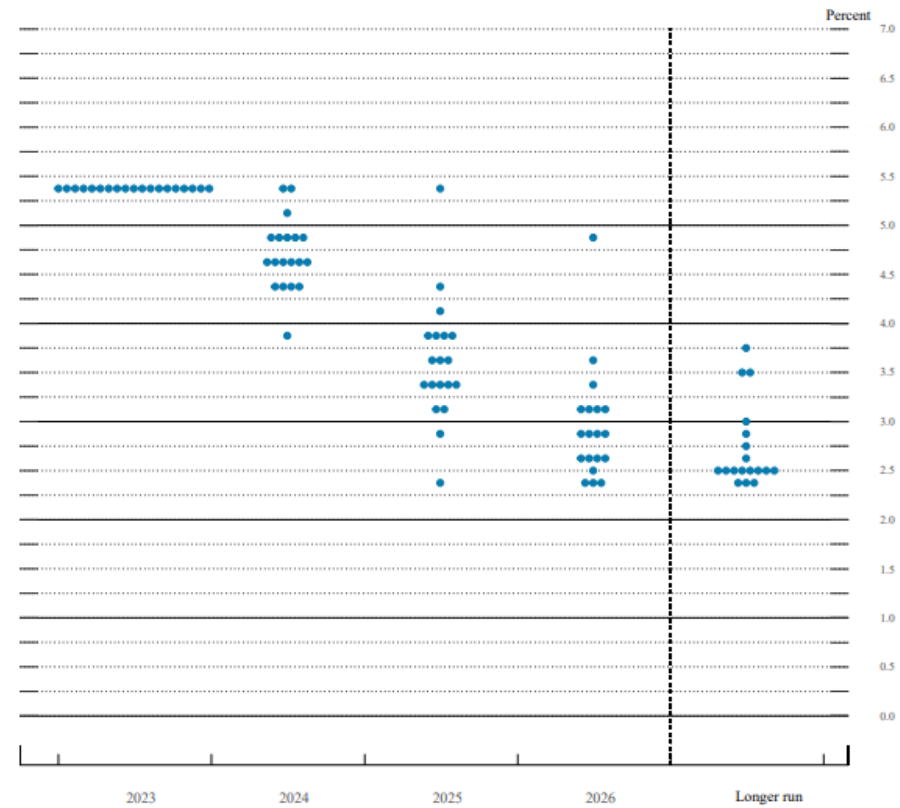


Source: Federal Reserve Board

Changes in FOMC near term interest rate projections: September 2023 vs December 2023



September 2023



December 2023

Where does the economy go from here?

- Growth for 2023 outpaced expectations. It is hard to know exactly what to expect in 2024, but we are off to a relatively strong start based on holiday spending figures and the January jobs report. There are significant potential speedbumps ahead
 - Potential government shutdown
 - Geo-political issues
 - Inflation that significantly exceeds current policymakers' expectations
 - The election
 - Expiration of pandemic-era benefits
- The FOMC raised rates considerably and some industries are being impacted directly. What about broader economic impacts? Consumption?
 - Are rates now high enough to bring inflation back to the 2 percent target?
 - Is the 'soft landing' really possible?
- There will continue to be winners and losers as we move forward
 - The Carolinas as a whole are very well poised to be 'winners'; rural parts of the states will face continued challenges

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Questions/Comments?

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