



National and Regional Economic Update

Beaufort Chamber
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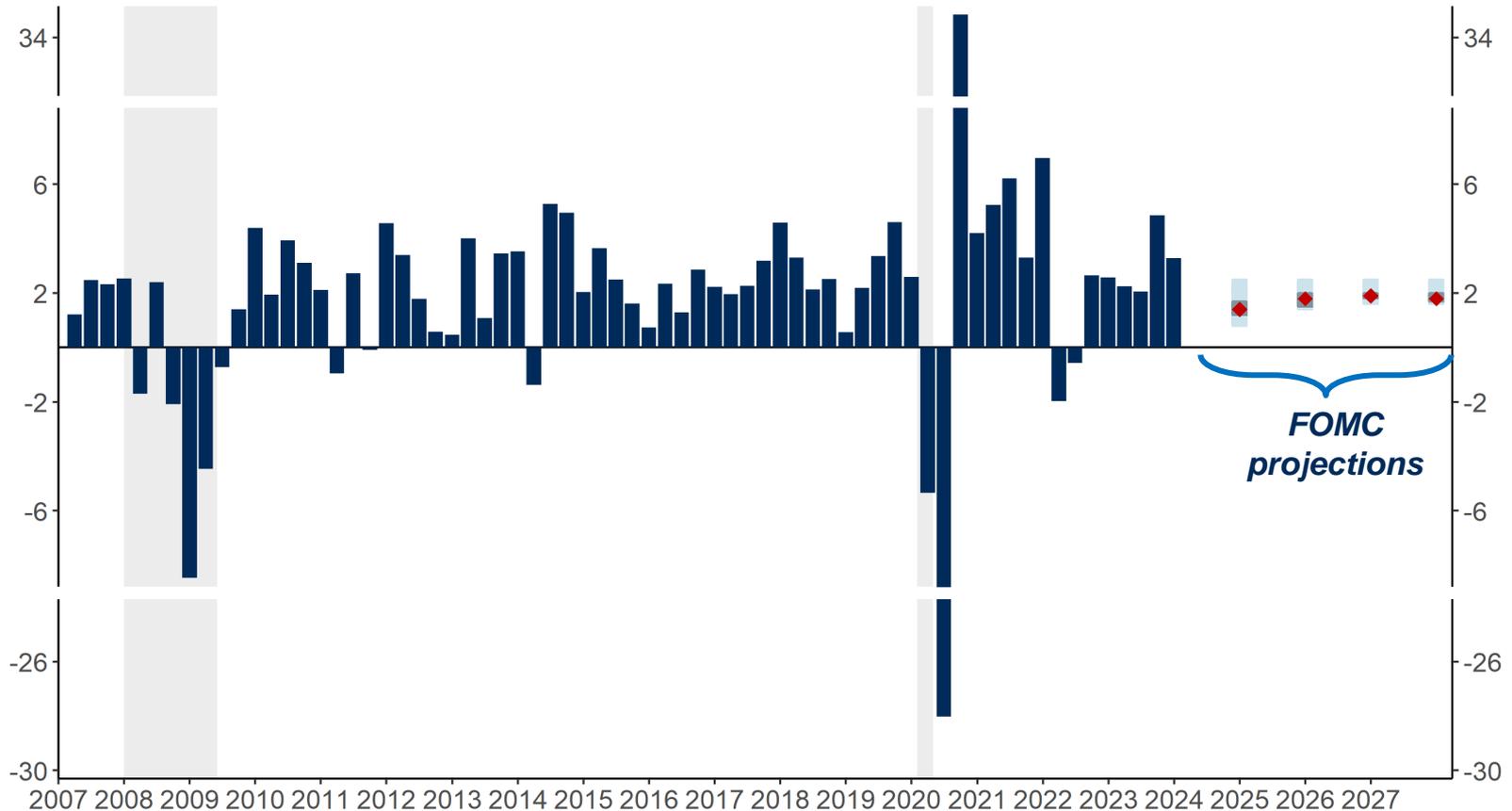
Where are we now?

- 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, Greenville and Myrtle Beach 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
- Housing is a key topic in every market we visit

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

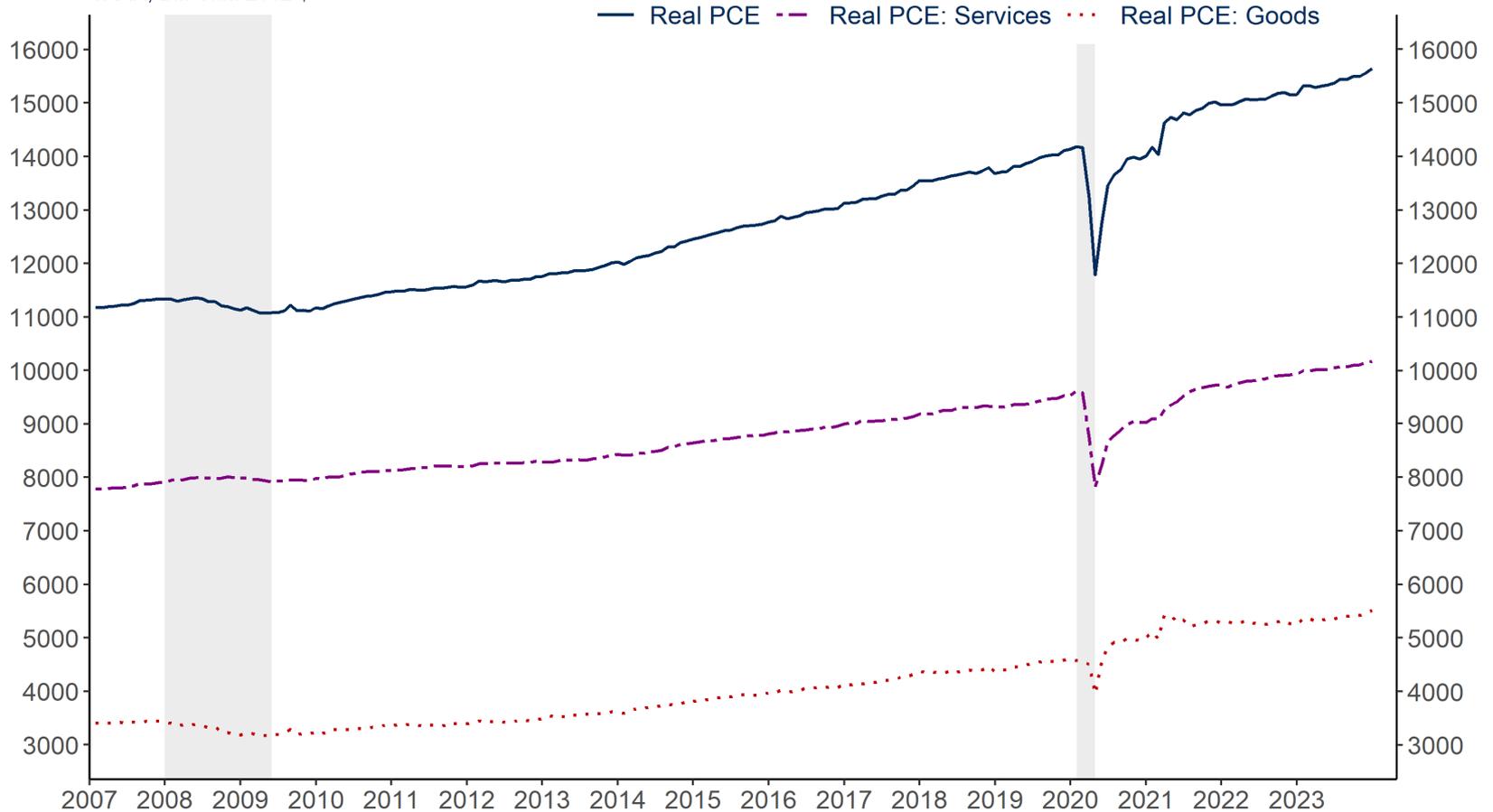


Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

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

Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



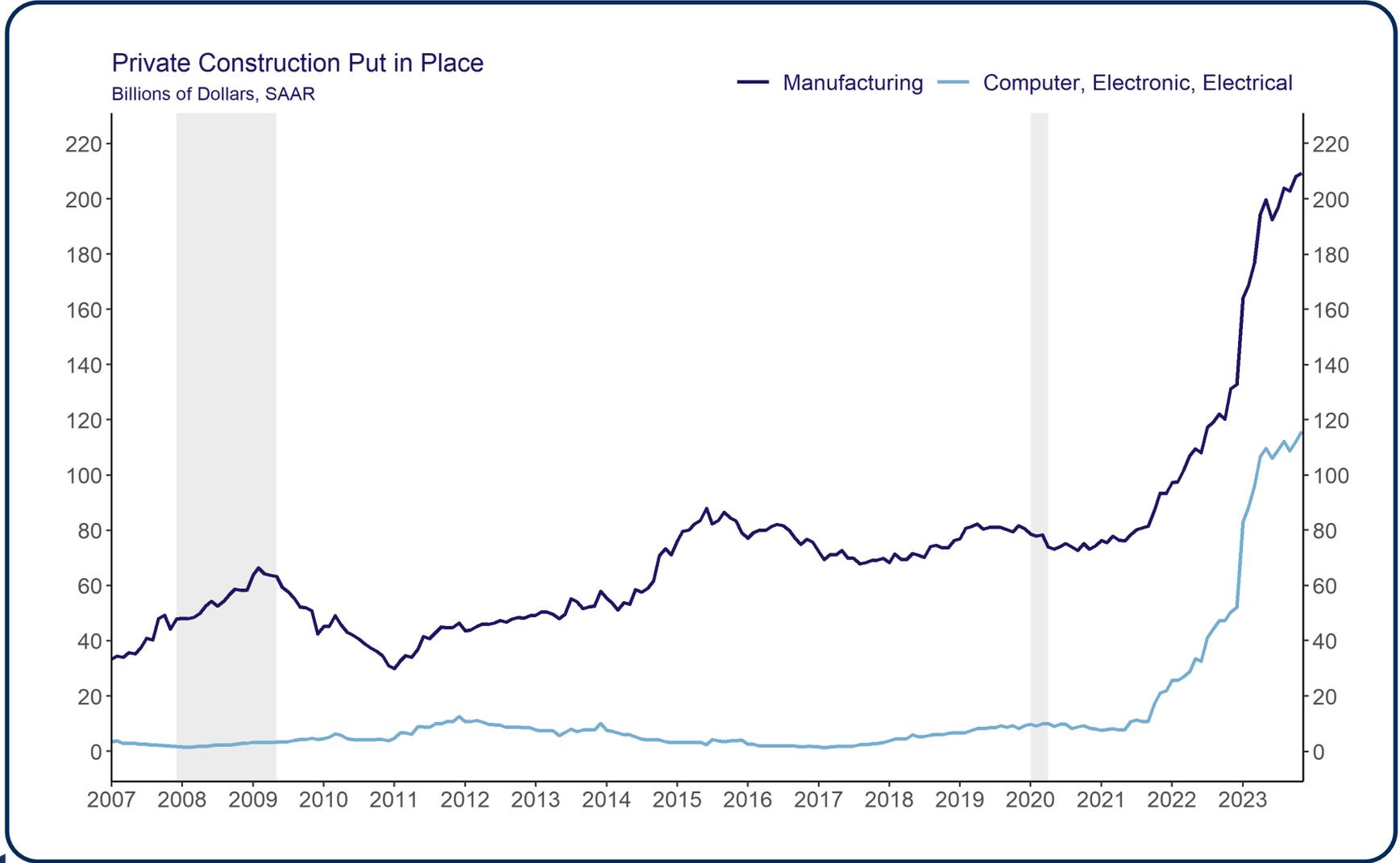
Source: Bureau of Economic Analysis

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



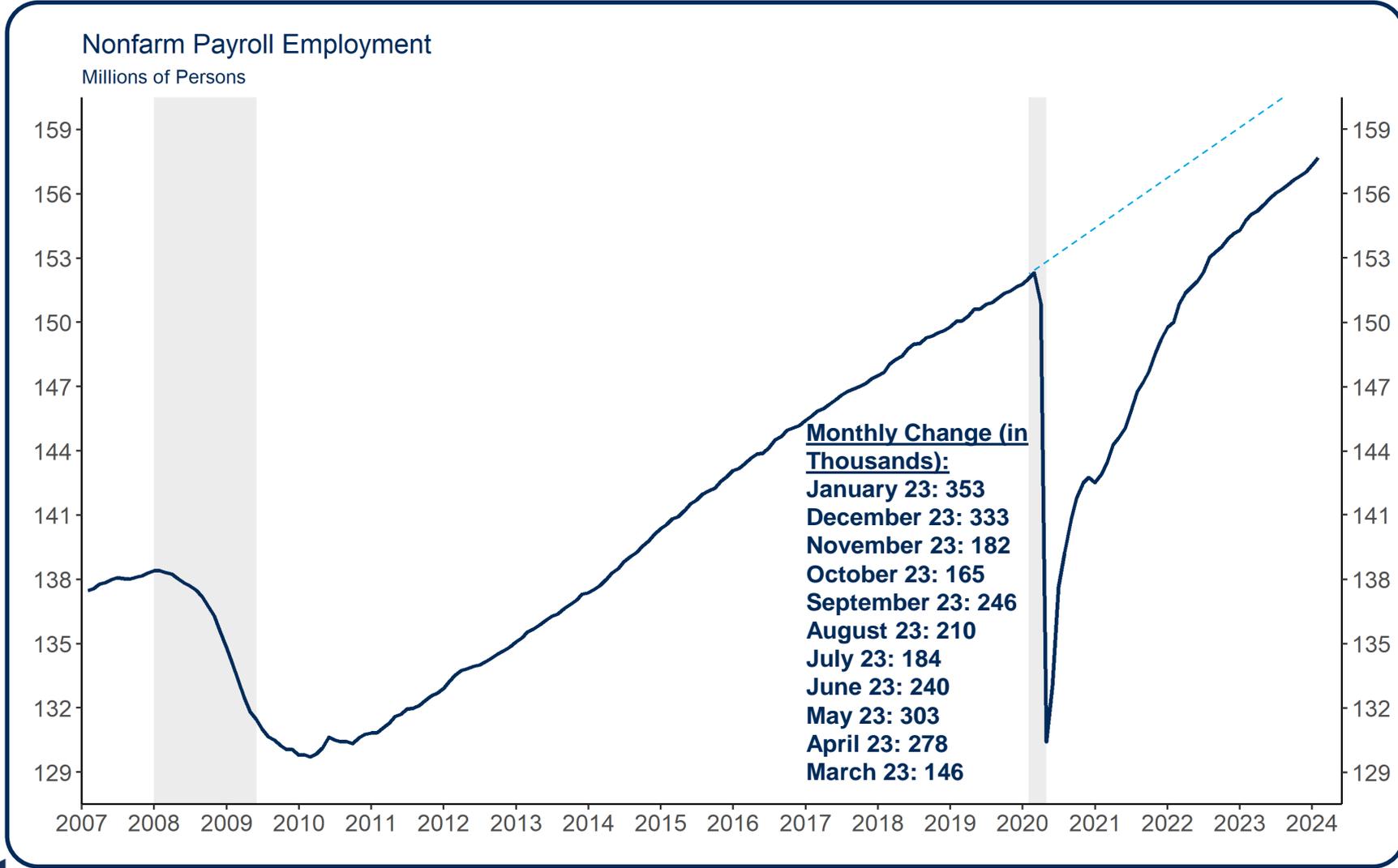
Source: Federal Reserve Bank of New York

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



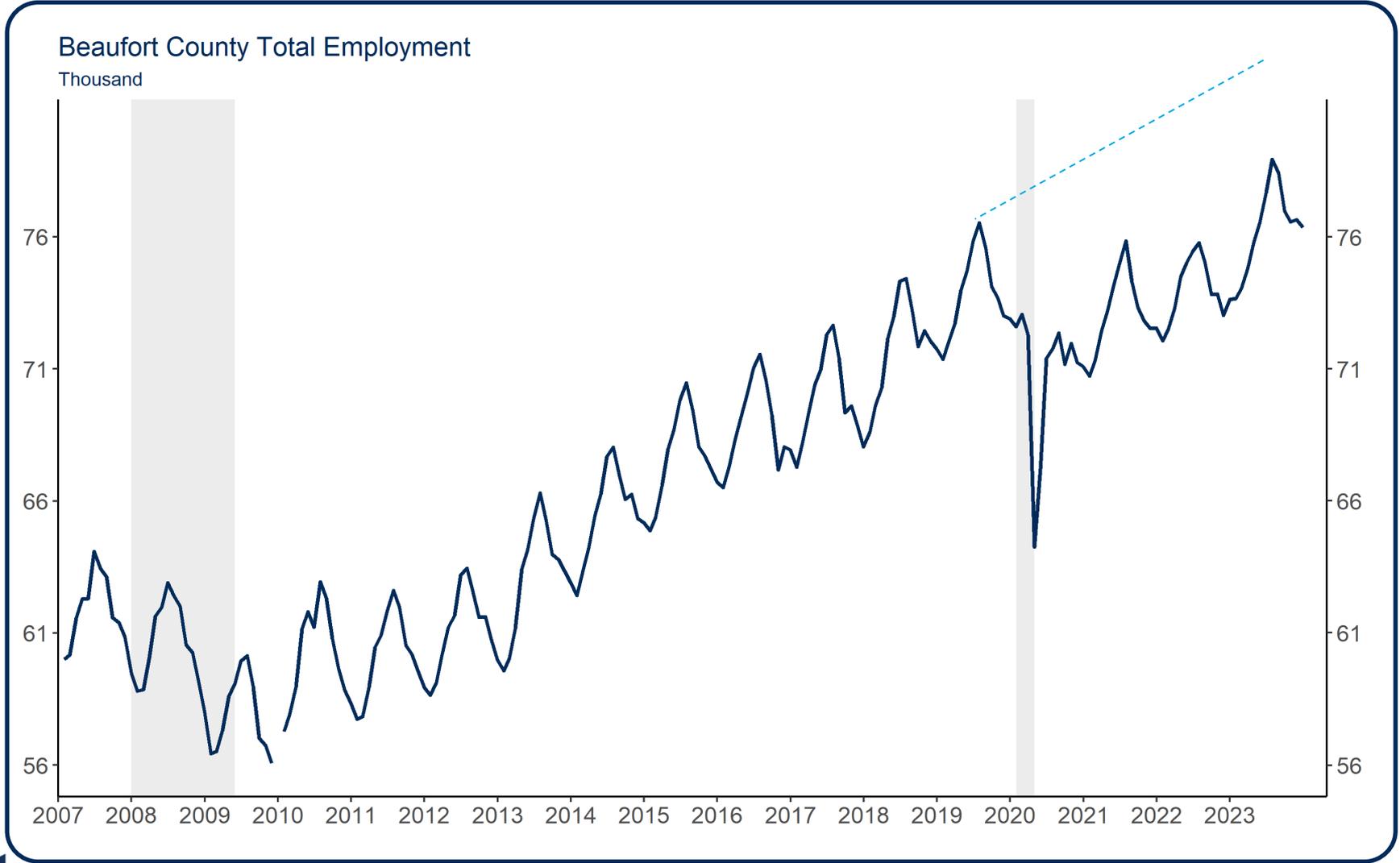
Source: Census Bureau/Haver Analytics

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

Beaufort County employment has recovered, but the path has clearly changed post-COVID.



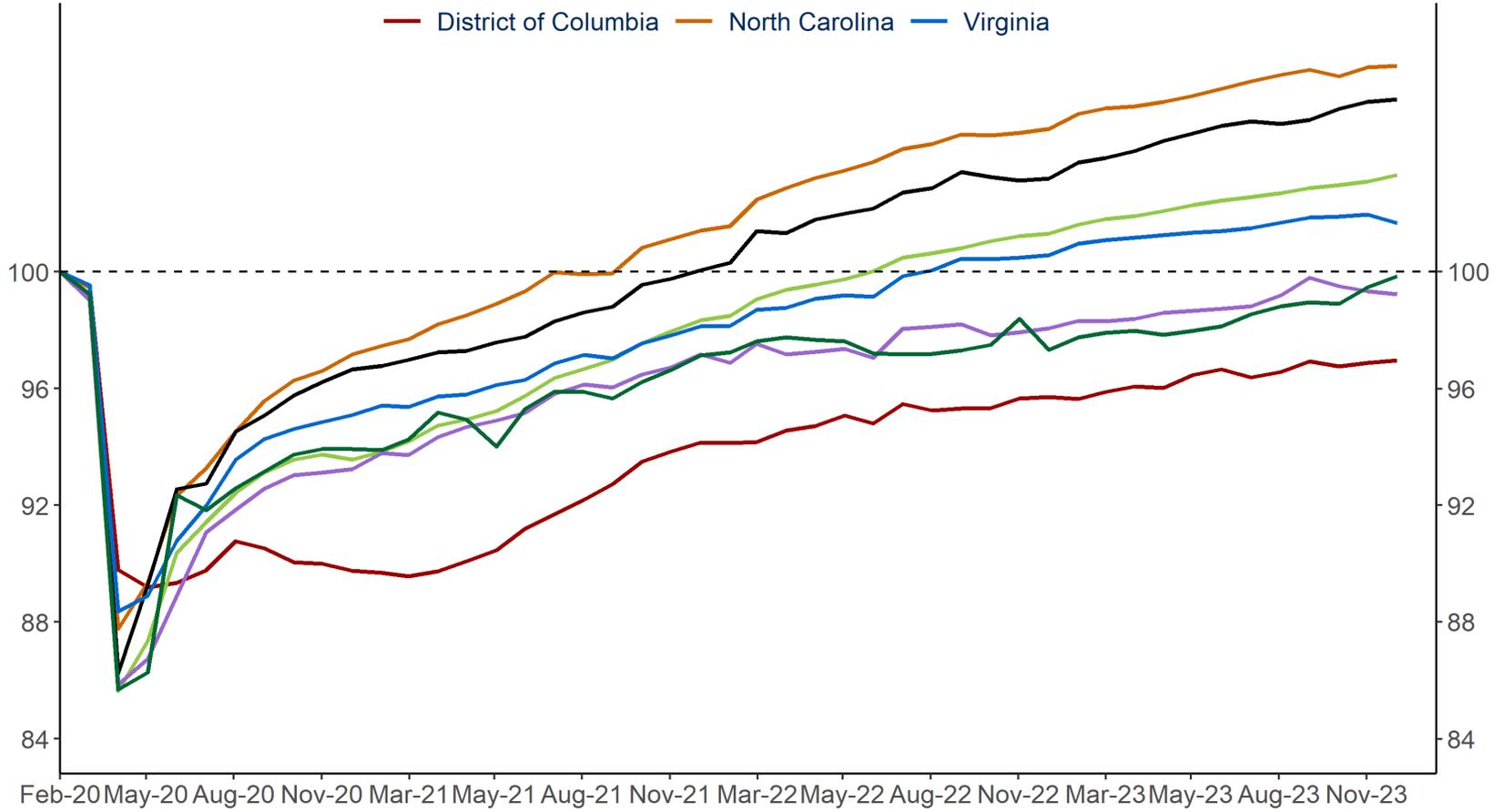
Source: Bureau of Labor Statistics via Haver Analytics

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

Total Payroll Employment Index

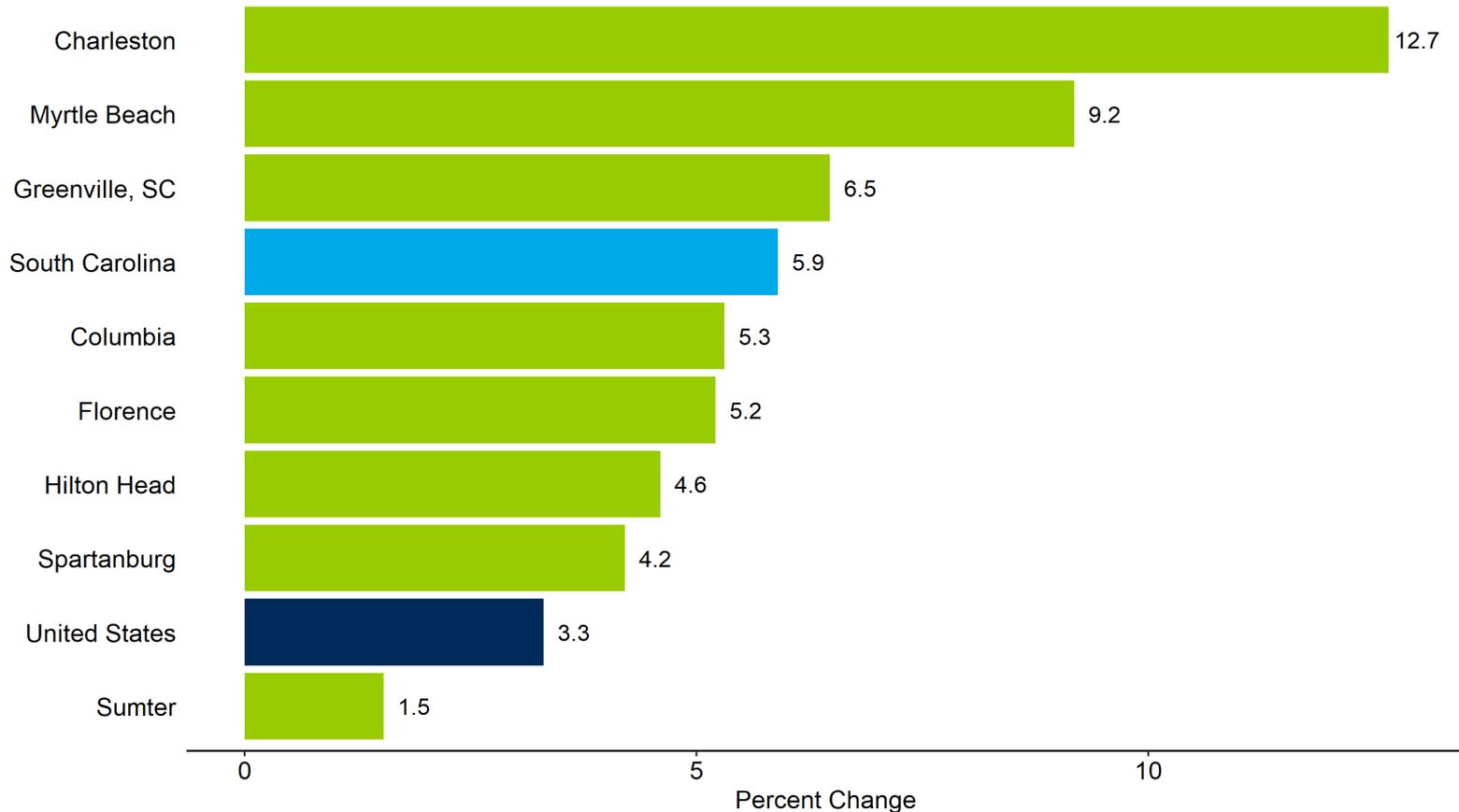
Index: February 2020 = 100

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



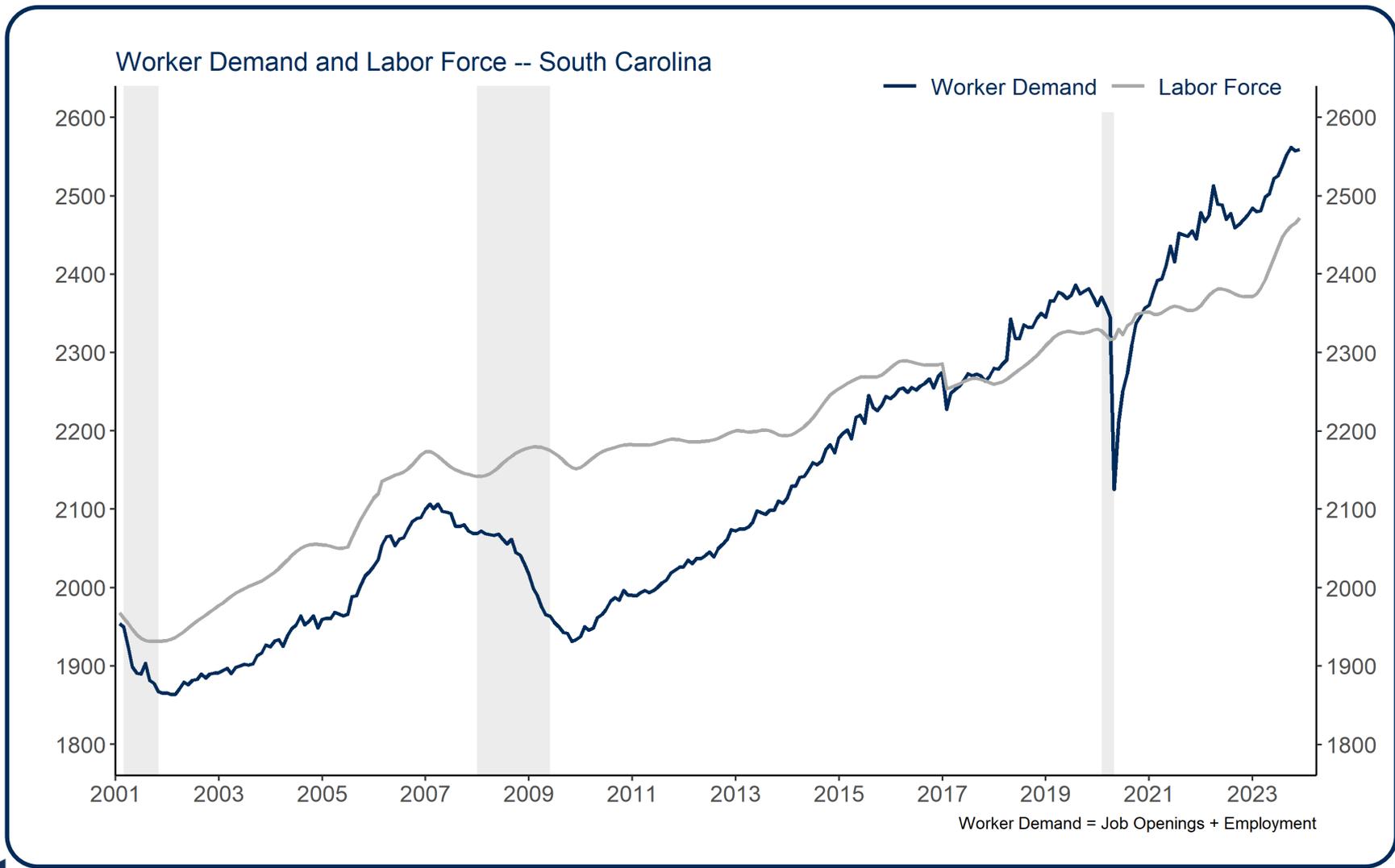
All SC MSAs have more than recovered from COVID employment losses

Employment Change from February 2020 to December 2023



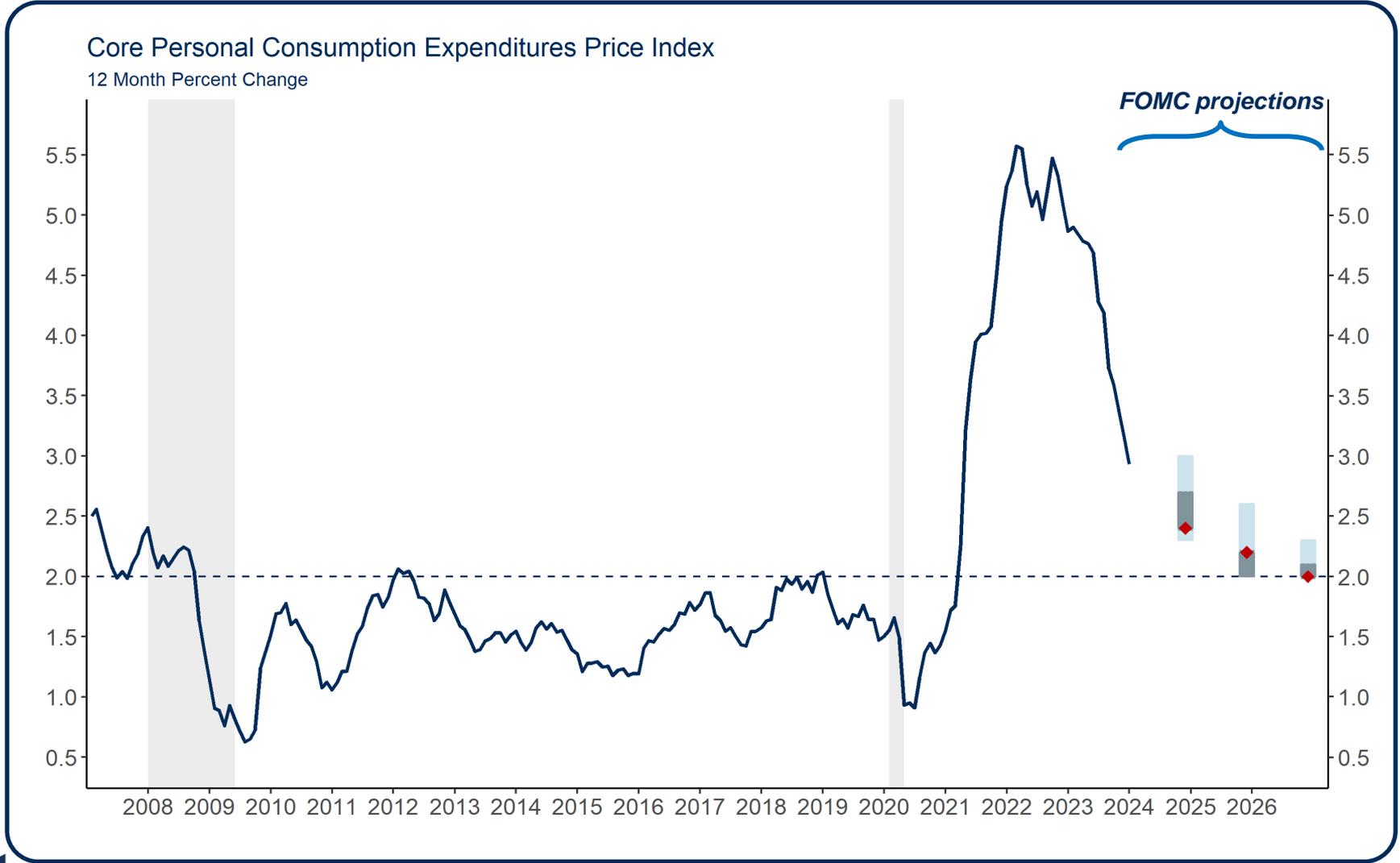
Source: Bureau of Labor Statistics/Haver Analytics

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



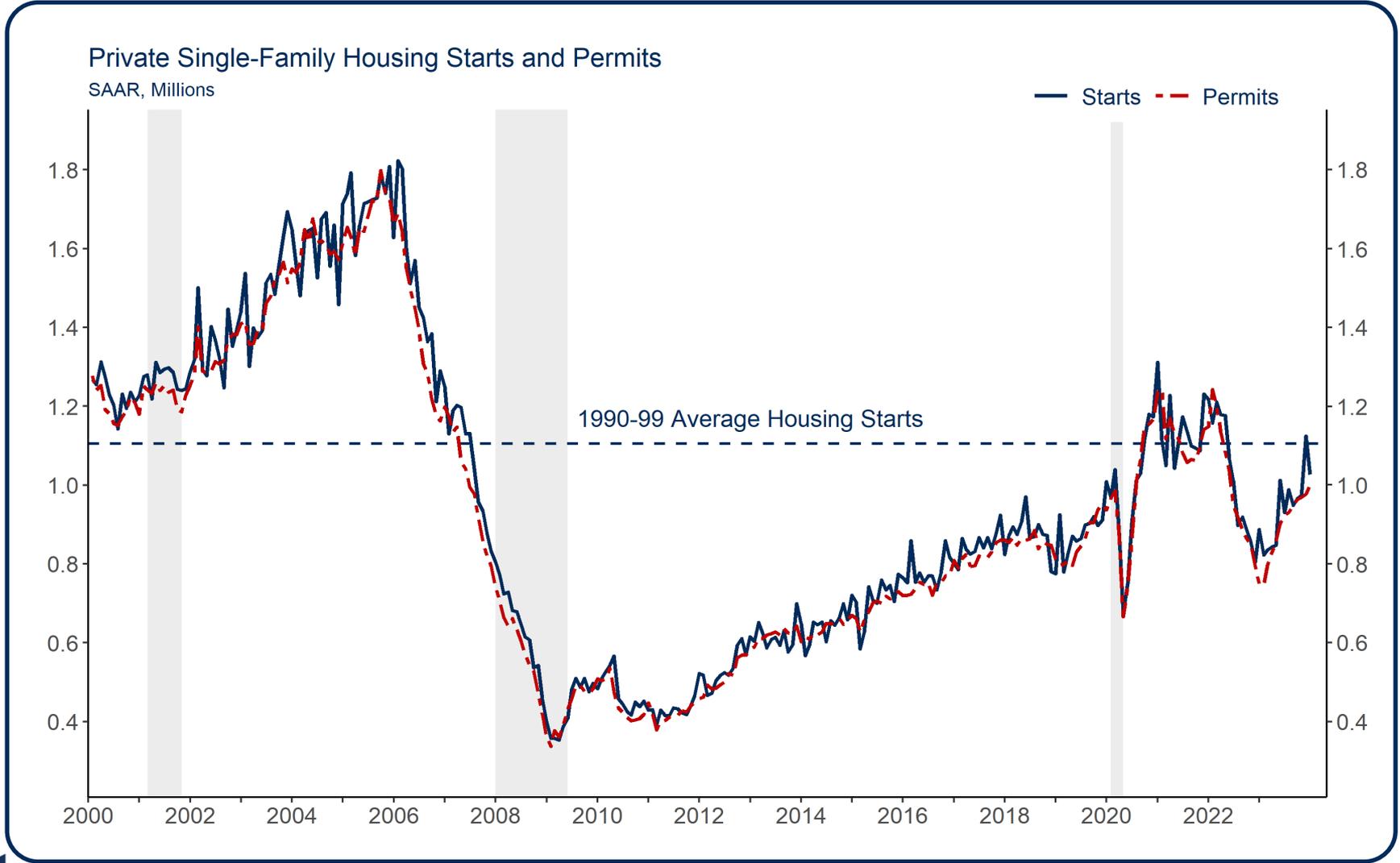
Source: Bureau of Labor Statistics, JOLTS, CES, LAUS / Haver Analytics

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



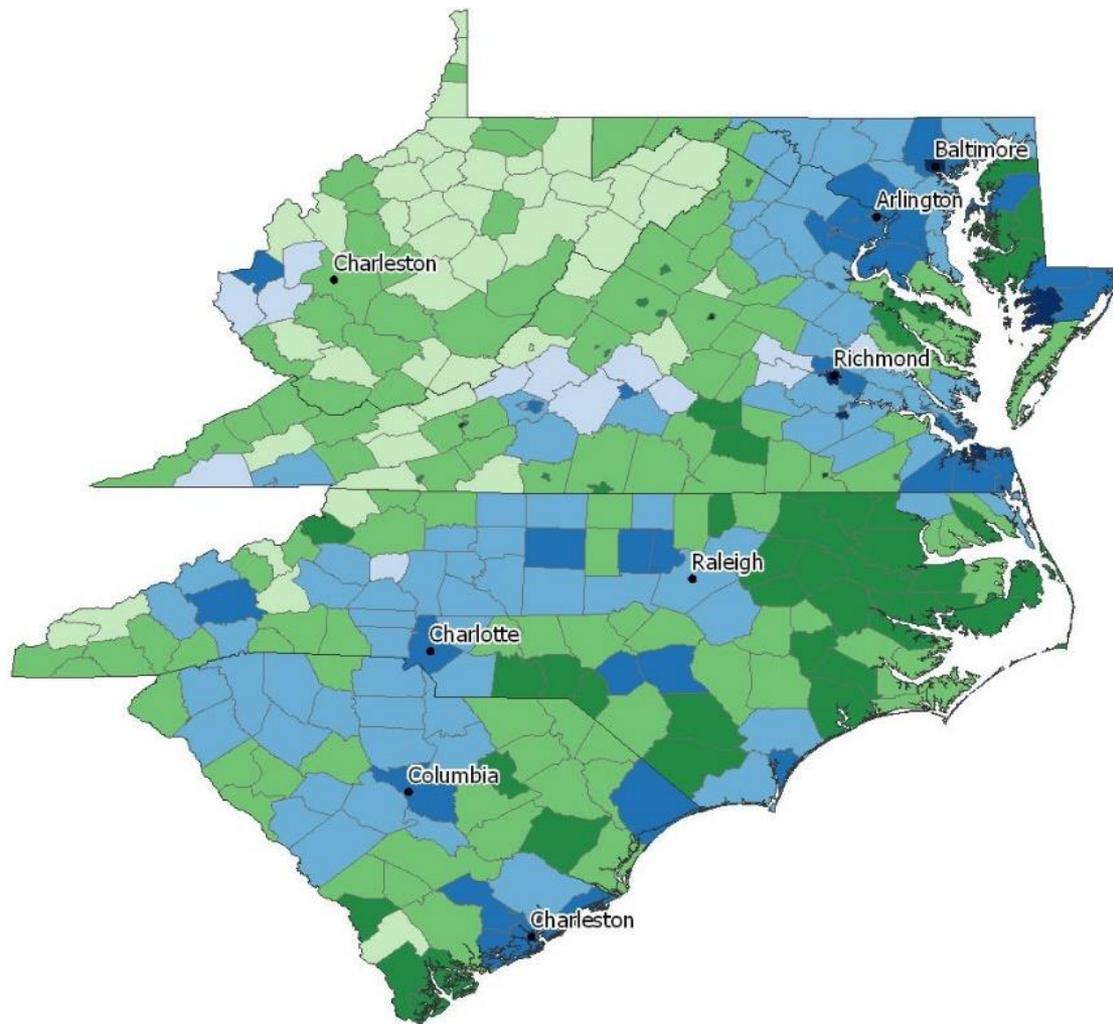
Source: Bureau of Labor Statistics via Haver Analytics

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



Share of housing cost burdened households

Urban

- Less than 19 percent
- 19 - 28 percent
- 28 - 37 percent
- Greater than 37 percent

Rural

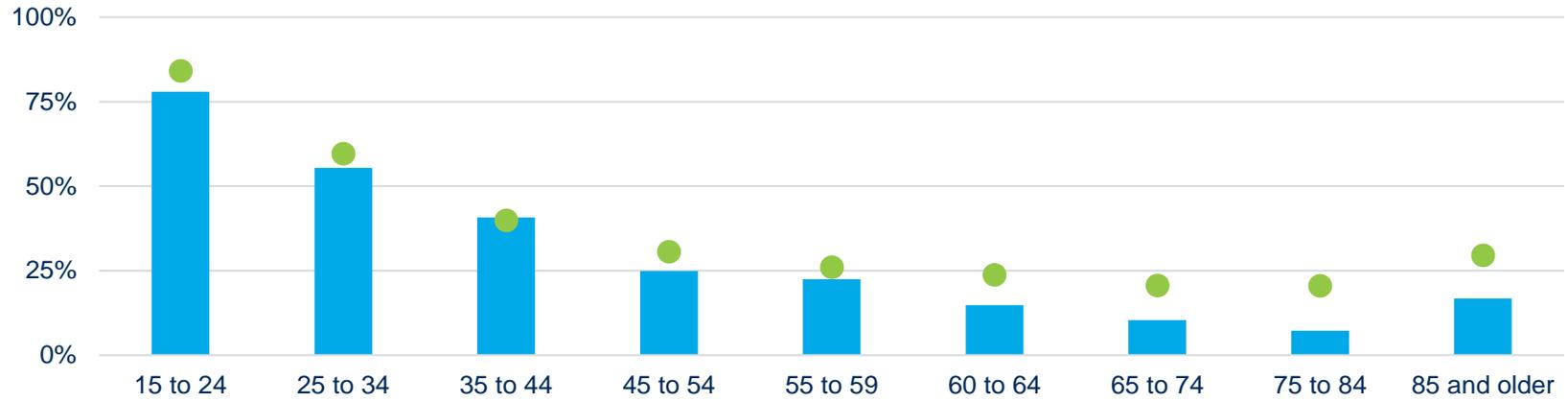
- Less than 19 percent
- 19 - 28 percent
- 28 - 37 percent
- Greater than 37 percent

Source: Census Bureau and Department of Agriculture

Housing: Affordability and Market Trends

Younger and lower income households are more likely to rent

Share of households that rent, by age of householder



Share of households that rent, by household income



Source: U.S. Census Bureau, 2018-2022 American Community Survey (ACS) 5-year estimates

Housing Affordability, by Tenure

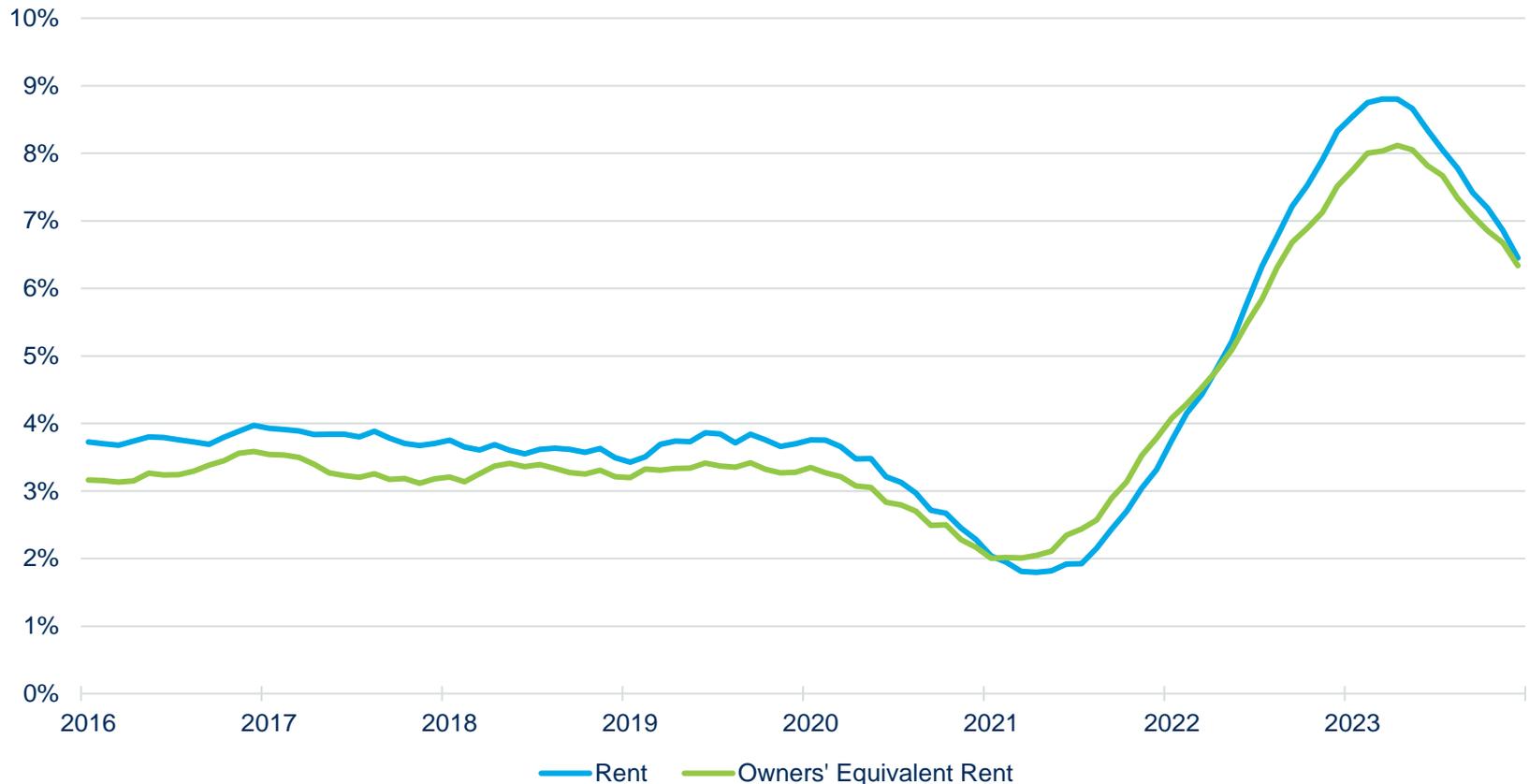
Share of households spending more than 30 percent of household income on housing, by tenure



Source: U.S. Census Bureau, 2018-2022 ACS 5-year estimates

Nationally, the cost of housing rose rapidly in 2022 and early 2023

Year-Over-Year Change in Consumer Price Index for Rent and Owners' Equivalent Rent

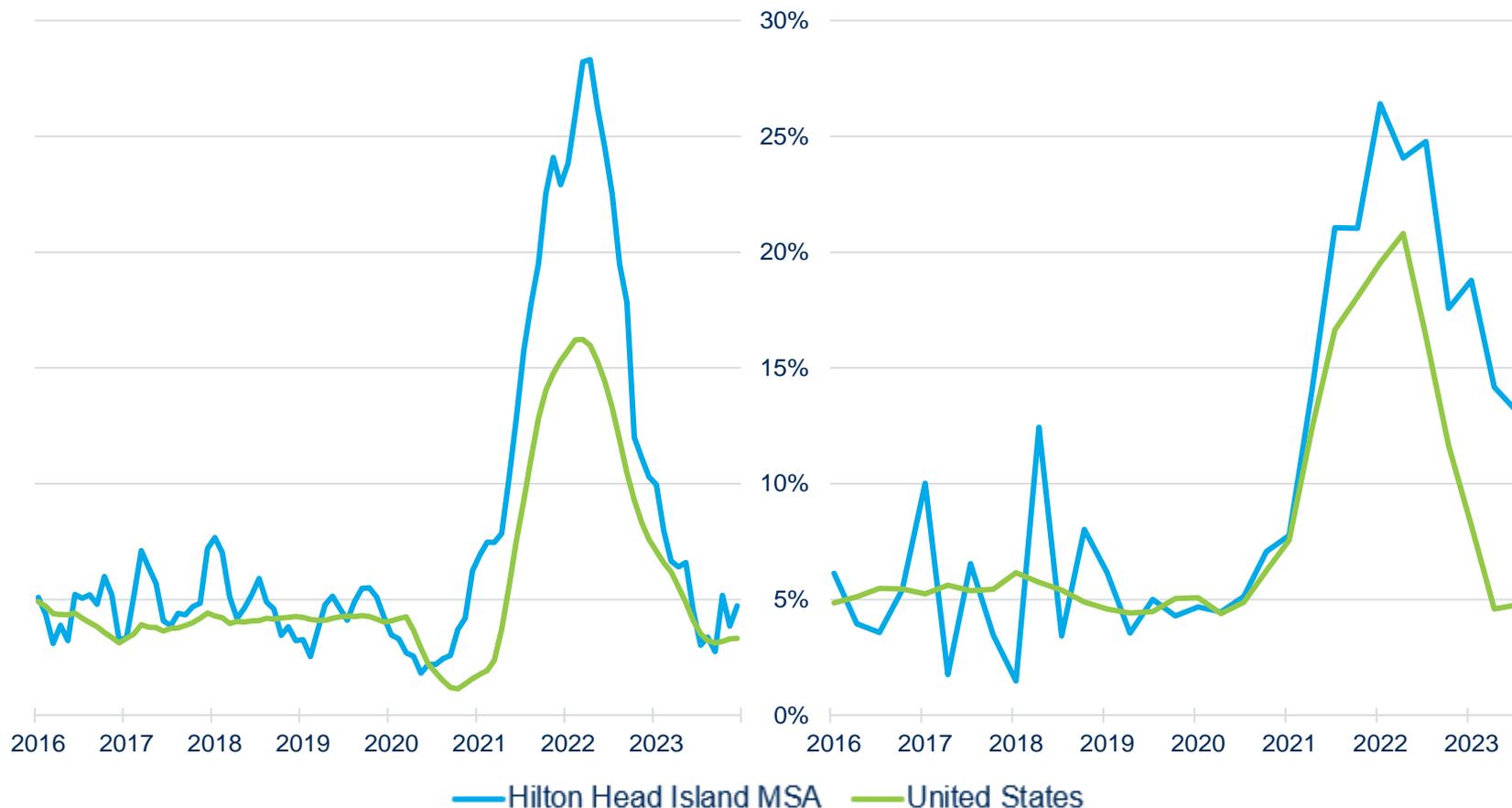


Sources: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): Rent of Primary Residences in U.S. City Average and CPI-U: Owners' Equivalent of Rent of Residences in U.S. City Average and author's calculations

In the Hilton Head Island MSA, rent and home prices grew even more rapidly

Year-Over-Year Change in Zillow Observed Rent Index

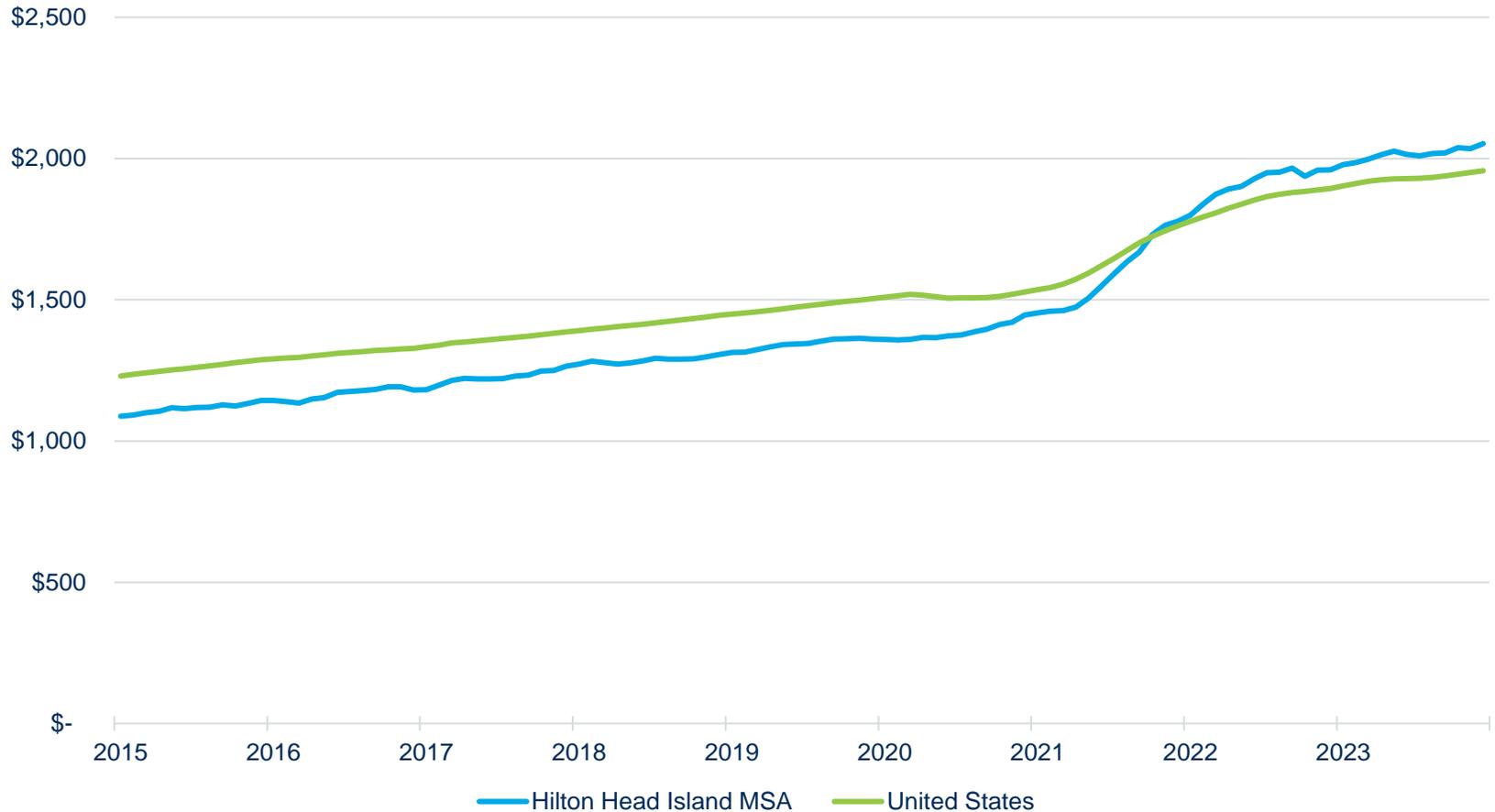
Year-Over-Year Change in FHFA House Price Index



Sources: U.S. Federal Housing Finance Agency (FHFA), All-Transactions House Price Index for Hilton Head Island-Bluffton MSA and the United States, Zillow Observed Rent Index (ZORI), and author's calculations

The typical local rent now exceeds national levels

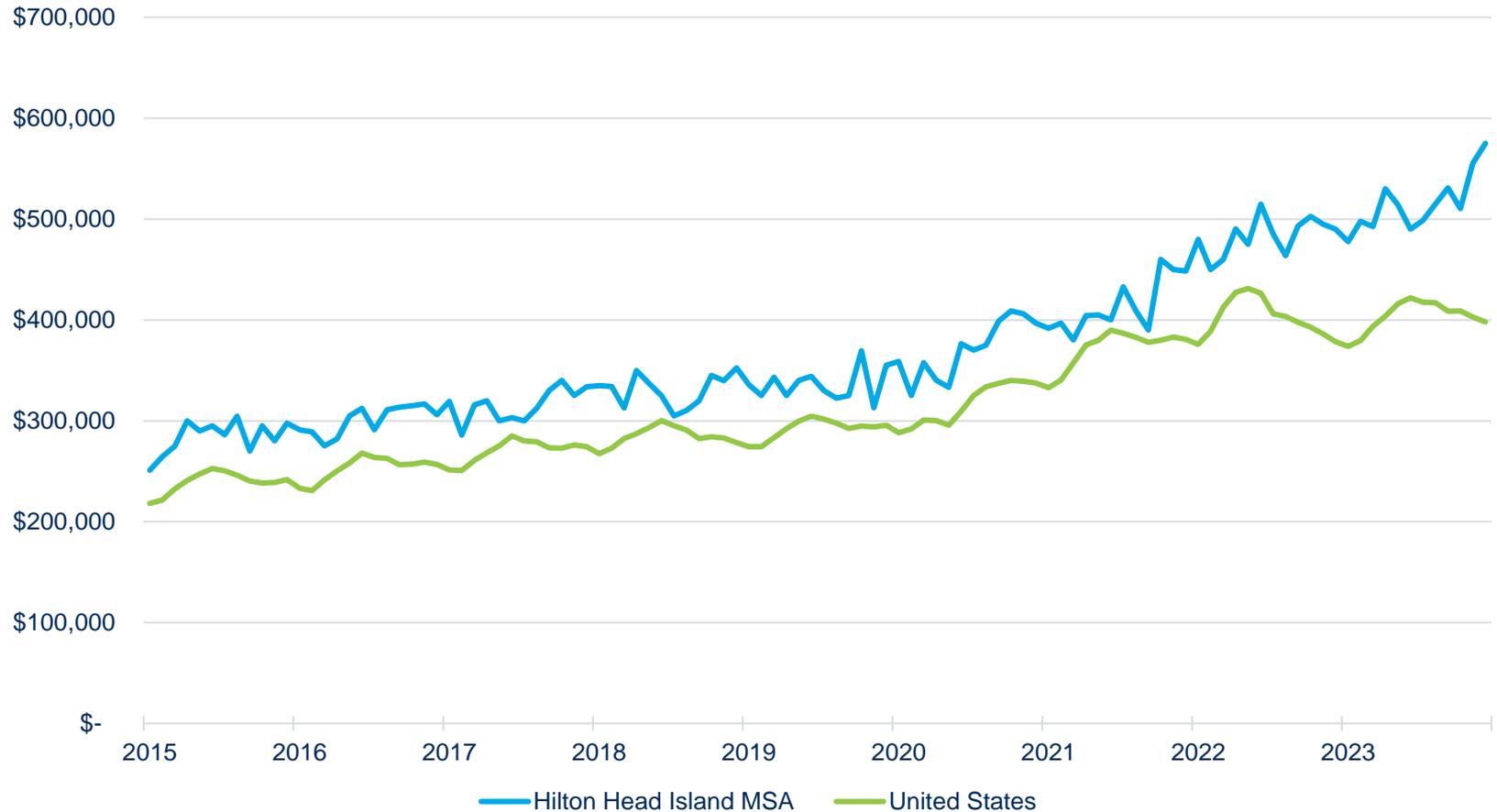
Zillow Observed Rent Index



Source: ZORI

Single-family home prices remain above national levels

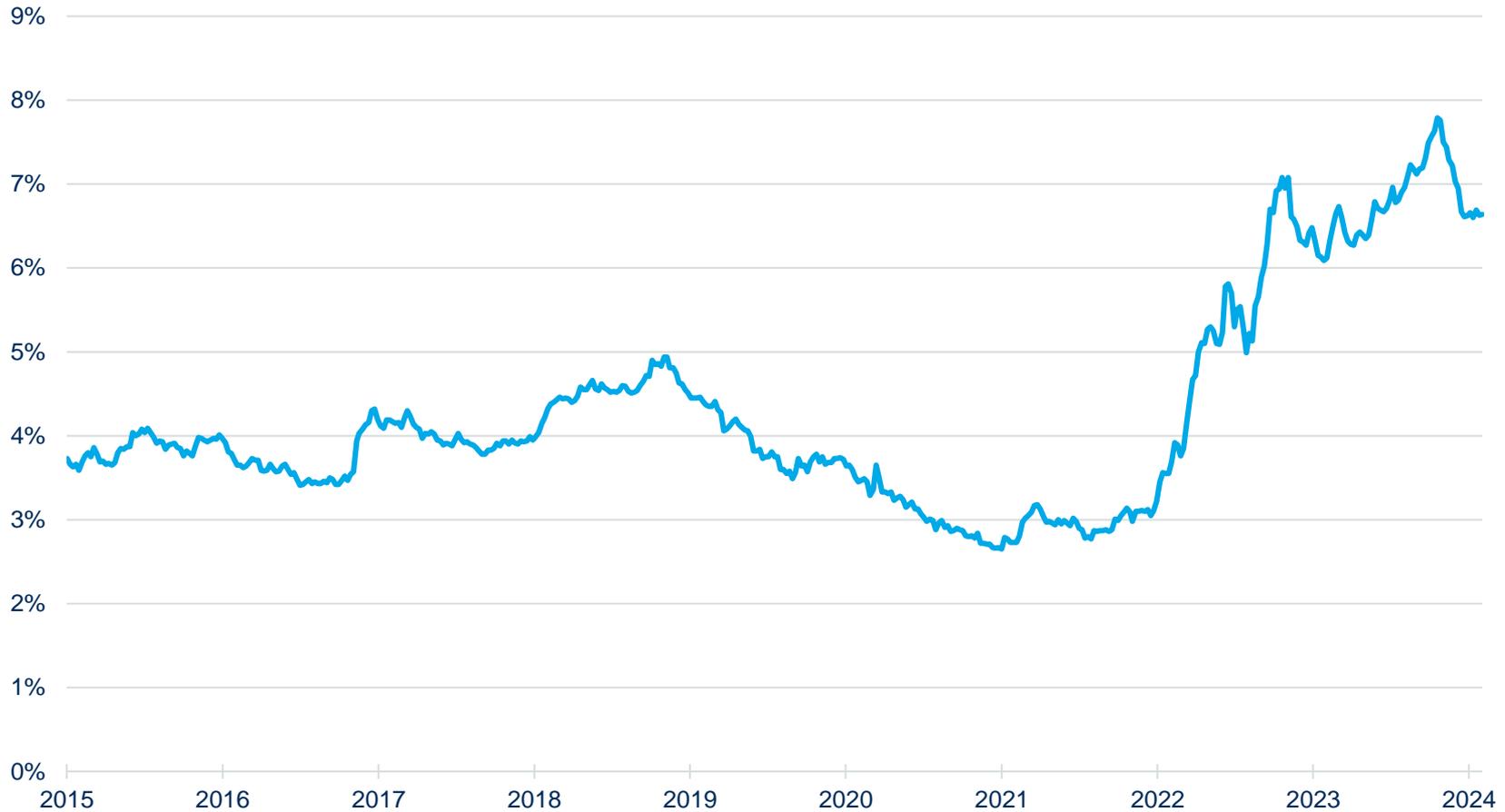
Median Sale Price for Single Family Homes



Source: Redfin

At the same time, mortgage rates have been climbing

Average 30-Year Fixed Rate Mortgage

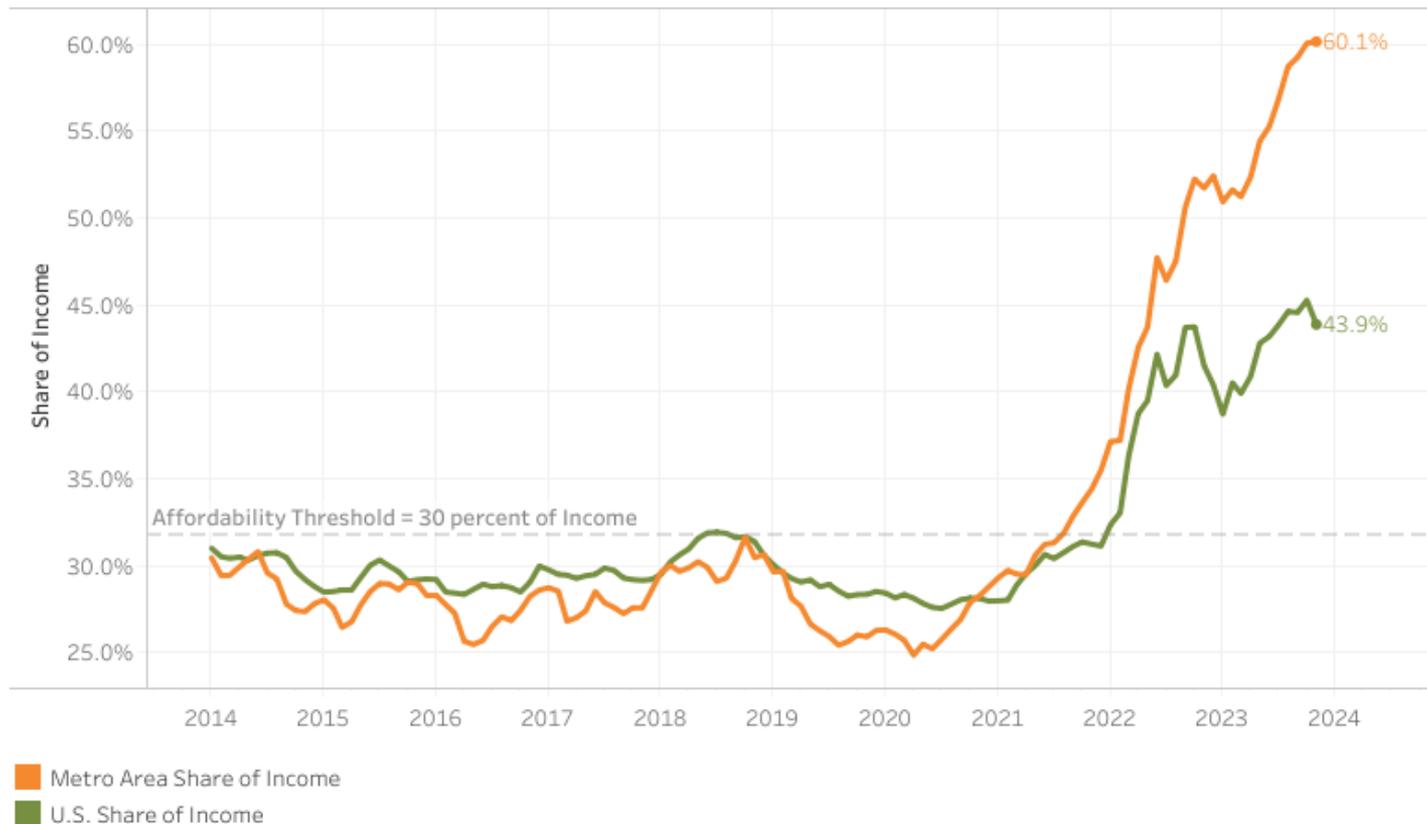


Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States

Homeownership is less affordable overall

Updated: 1/18/2024

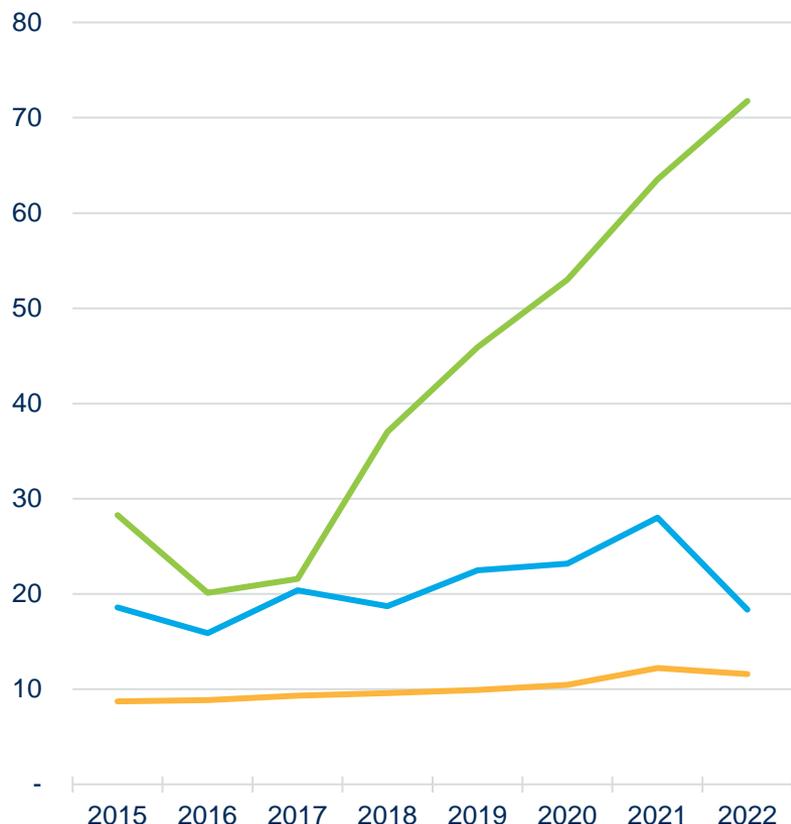
Nation vs Hilton Head Island-Bluffton-Beaufort, SC
Share of Income Needed to Own the Median Priced Home
Federal Reserve Bank of Atlanta Home Ownership Affordability Monitor
Data through November 2023



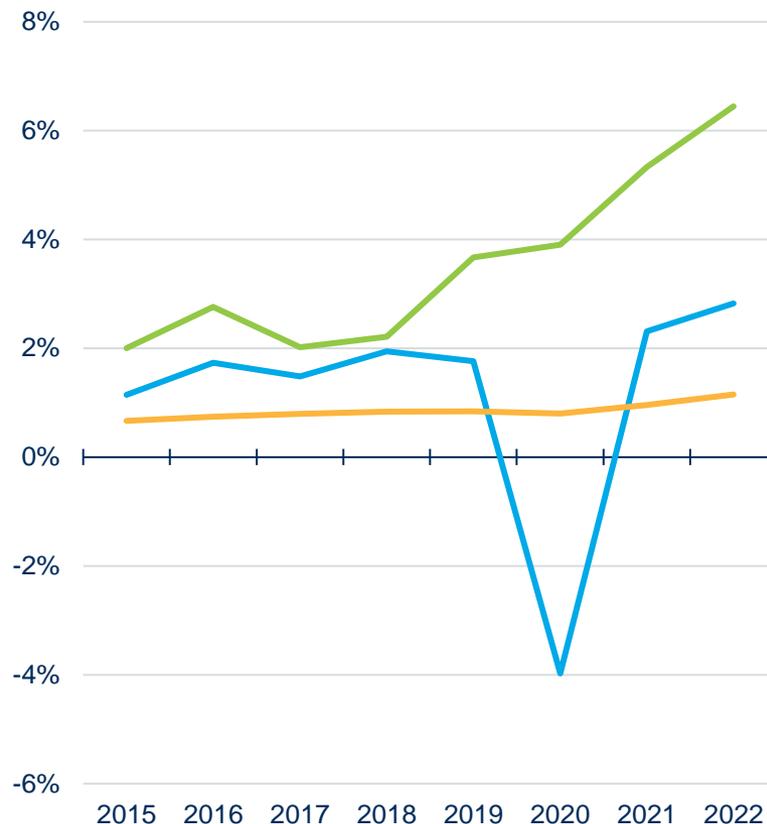
Source: Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor

Permitting and construction rates are generally higher than national rates

Number of Units Permitted per 1,000 Existing Units



Year-Over-Year Change in Number of Units

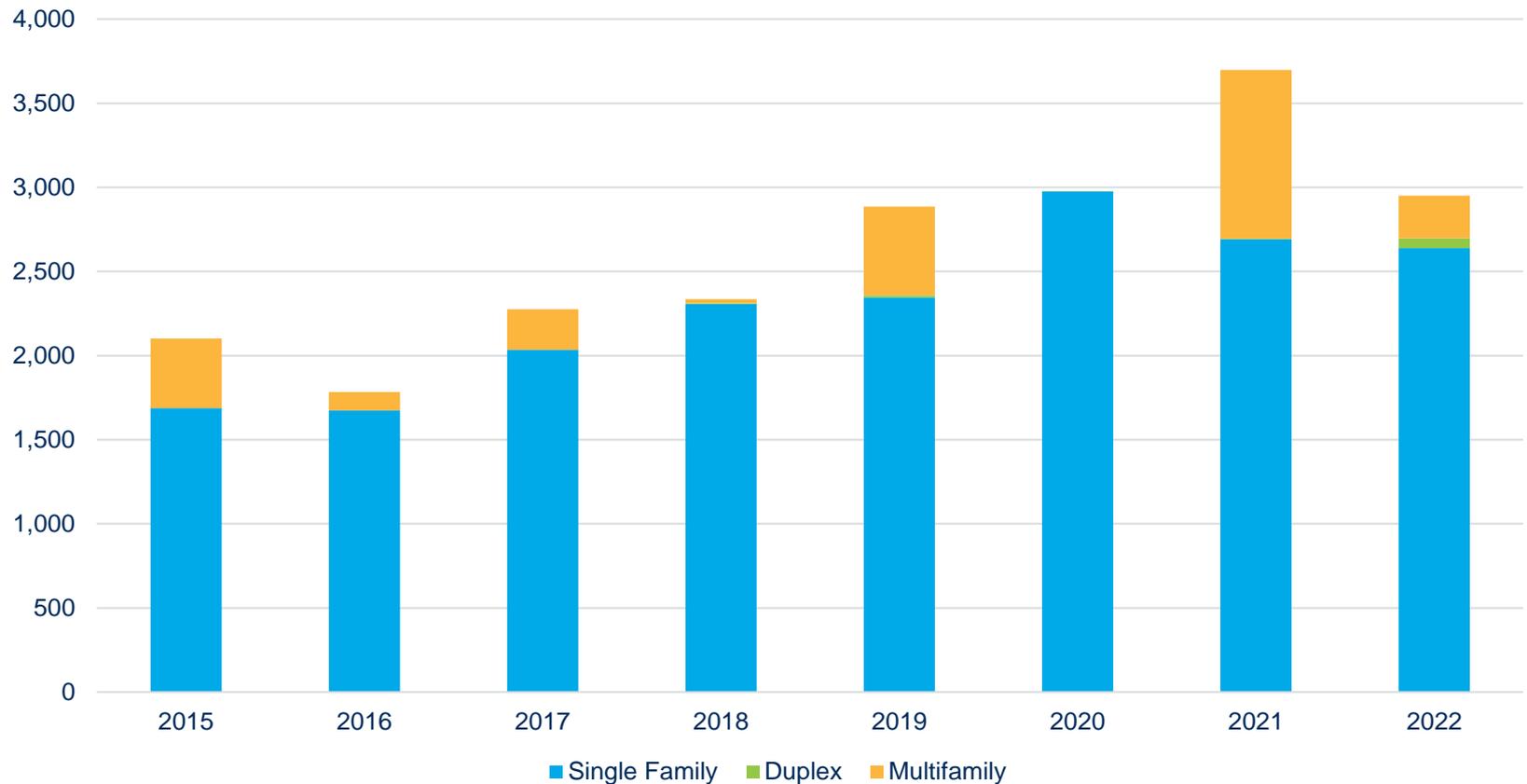


— Beaufort County — Jasper County — United States

Sources: U.S. Census Bureau Residential Building Permits Survey, U.S. Census Bureau Population and Housing Estimates, and author's calculations

Locally, more units are permitted in single-family structures

Number of permitted units in the Hilton Head Island MSA, by structure type



Sources: U.S. Census Bureau Residential Building Permits Survey and author's calculations

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Questions/Comments?

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