South Carolina's Economy 2006 & Beyond: How It Affects You

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February 2, 2006

SwaimBrown

Opening Comments

Welcome – *J. Scott Keim, Partner*

Special Comments – *Dr. Sheila Breitweiser*

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Introduction of Dr. Bruce Yandle

SwaimBrown

Is this a Global Post-Katrina Recession-Adjusting Economy, or What?

- First, a Report Card
- The Dynamic Economy
- Swimming Upstream...at Niagara Falls
- The Economy in Gear
- And now what?

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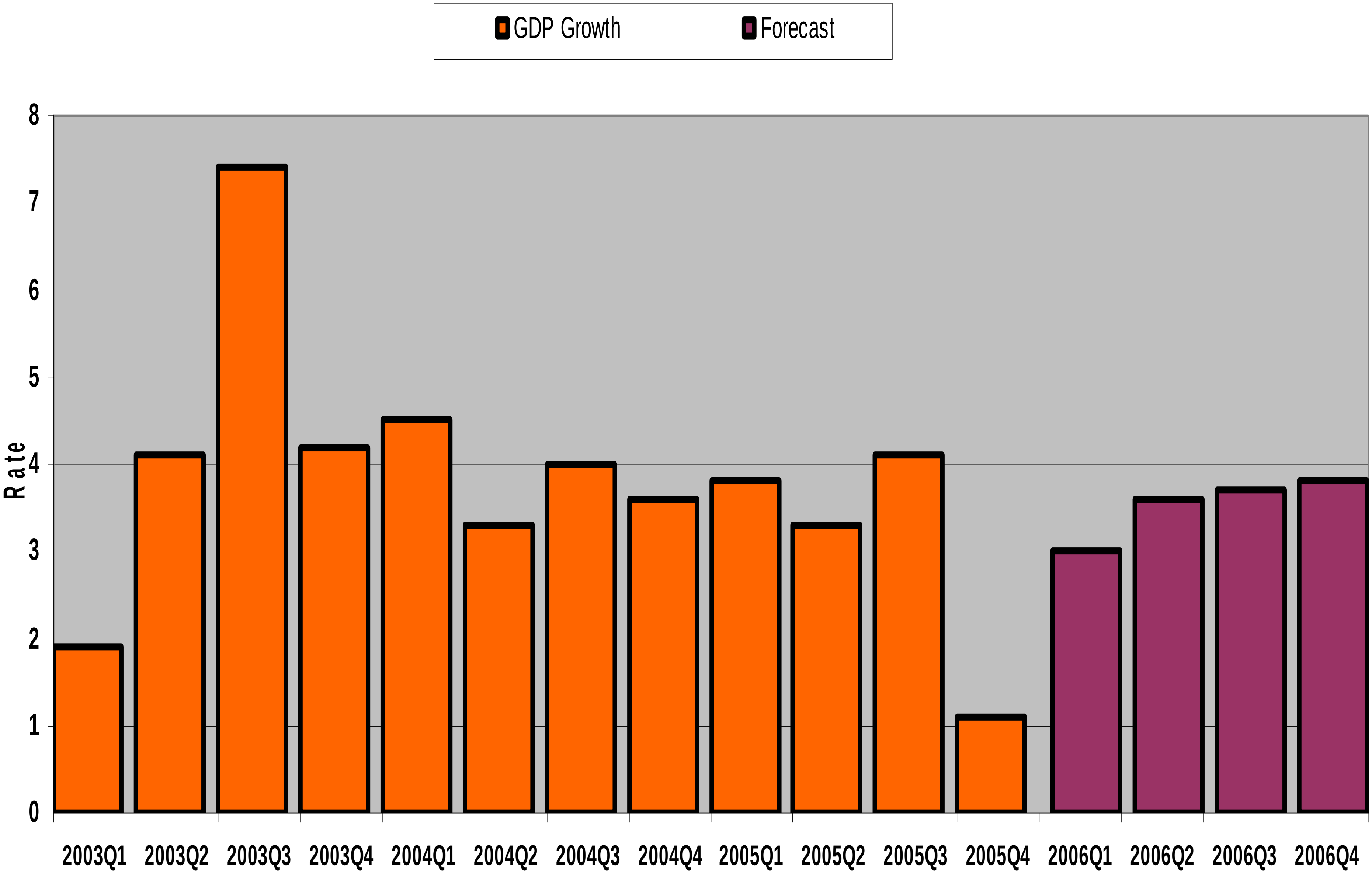
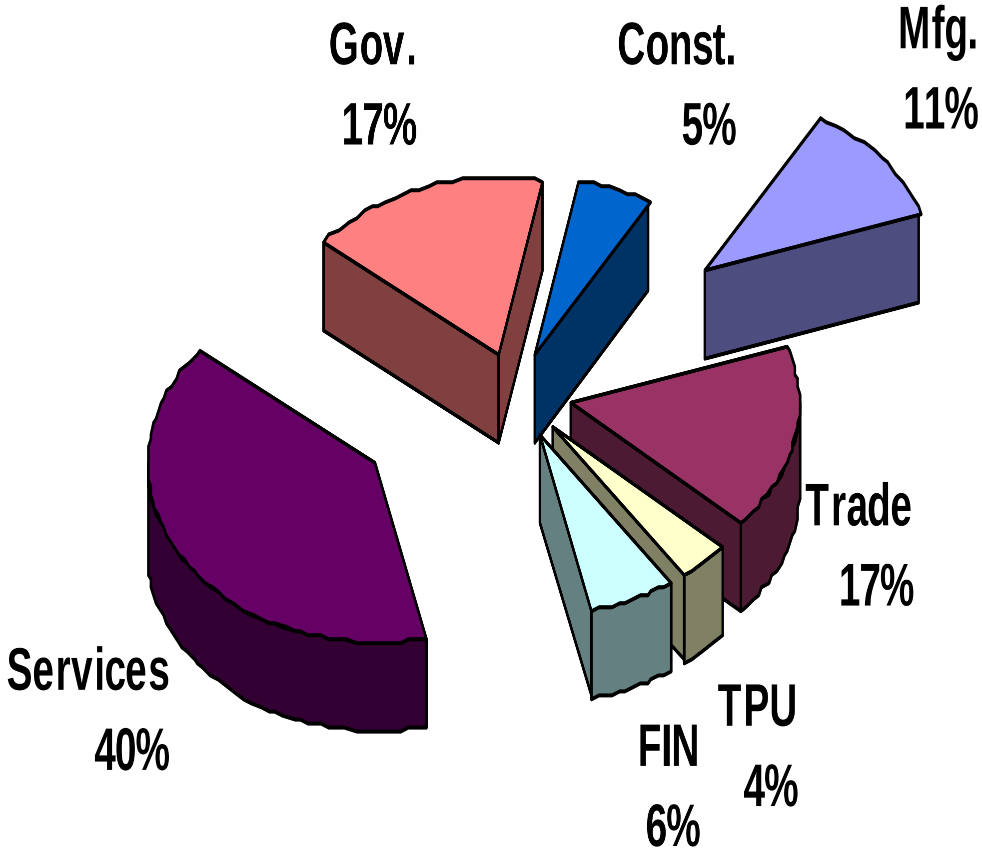
The Year Past & Ahead

	2004 Actual	2005 Year Ahead	December 2005	2006 Year Ahead
GDP Growth	4.2%	3.7%	3.5%	3.9%
Inflation (Core)	1.8%	2.5%	2.2%	2.7%
30-yr. Mort.	5.19%	6.25%	6.26%	6.80%
Unemploy	5.4%	5.0%	4.9%	4.6%
Prime Rate	5.25%	6.00%	6.75%	7.70%
Dow-Jones	10,600	11,200	10,717	11,500
Employ Gain	150M/mo.	150M/mo.	213M/mo.	200M/mo.
Oil	$45	$40	$54	$67
Gold	$422	$400	$500	$510

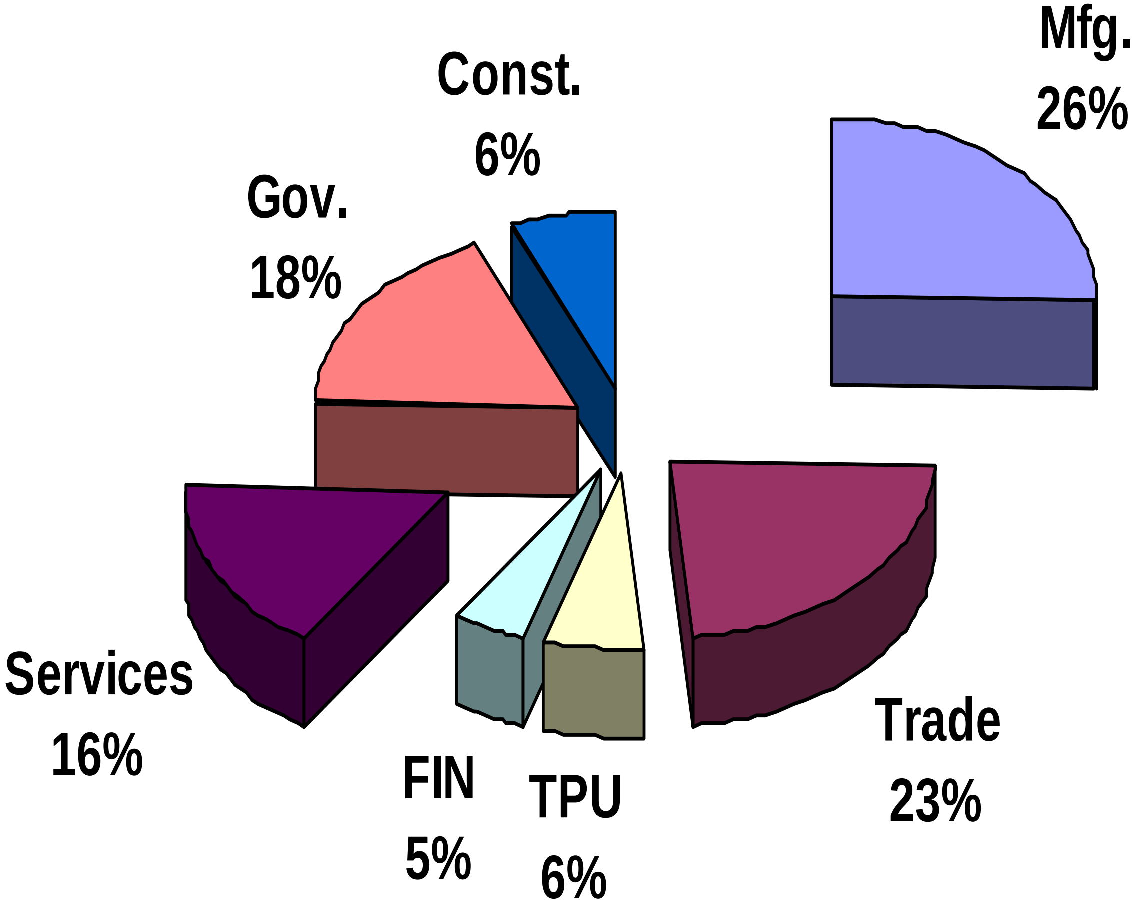
GDP Growth and Projections



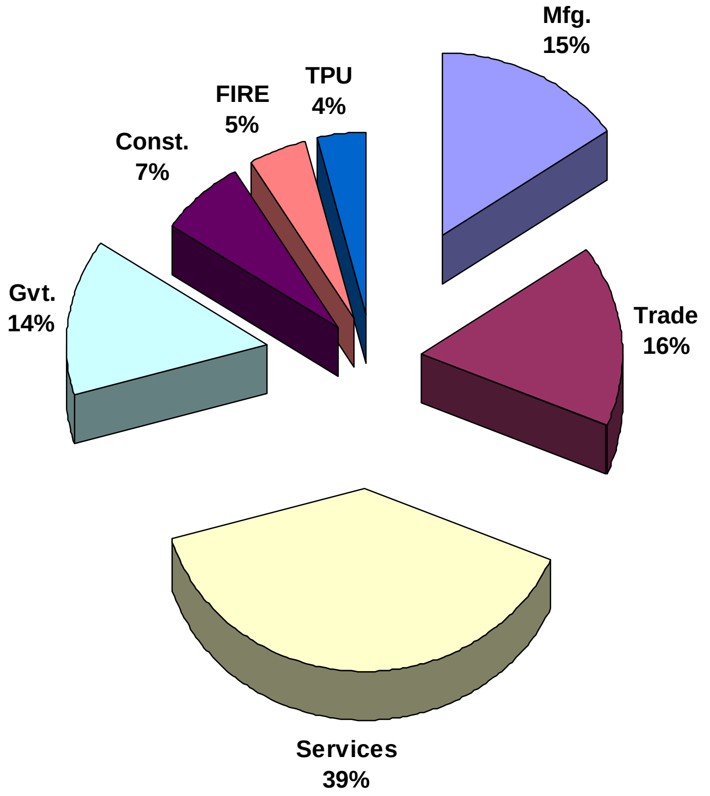
U.S. Employment Sectors: 2005



U.S. Employment Sectors: 1972



Greenville-Spartanburg-Anderson Sectors: 2005



PRODUCTION-BASED INDUSTRY RANKINGS

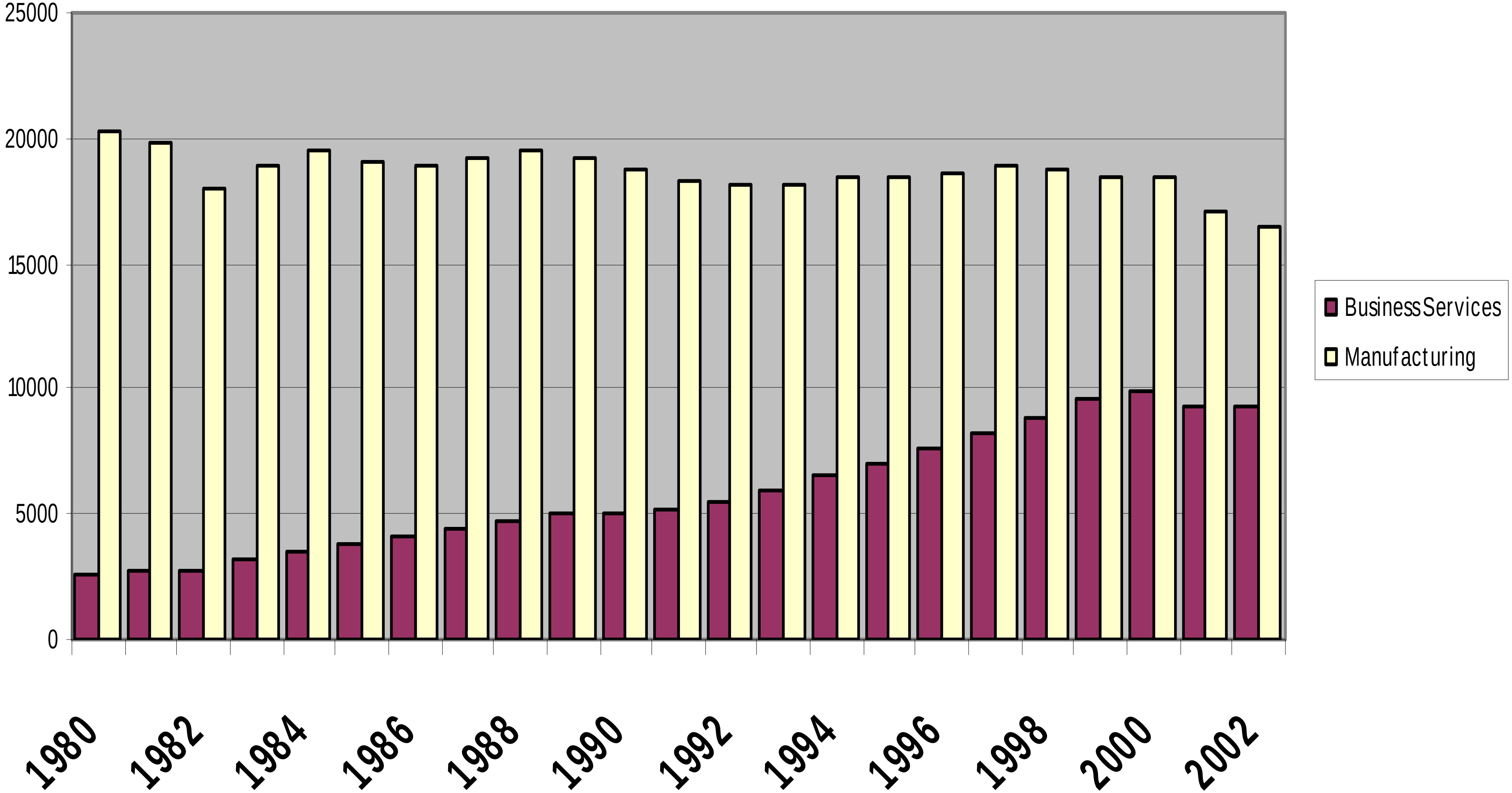
1972	1980	1990	2000	2004	12.2005
Iron/Steel	Iron/Steel	Printing	Comp/El	Comp/El	Comp/El
Apparel	Apparel	Apparel	Autos	Autos	Machinery
Machinery	Paper	Plast/Rubber	Food	Food	Aircraft
Food	Fab. Metal	Food	Fab. Metal	Chemicals	Fab Metal
Paper	Paper	Chemicals	Machinery	Iron/Steel	Plast/Rubber
Fab Metal	Food	Iron/Steel	Food	Plast/Rubber	Glass
Chemicals	Chemicals	Fab. Metal	Chemicals	Machinery	Autos
Autos	Printing	Machinery	Printing	Fab. Metal	Food
Printing	Autos	Plast/Rubb	Paper	Paper	Chemicals
Plast/Rubb	Plast/Rubb	Autos	Iron/Steel	Printing	Paper

Source: Economic Report of the President, 2005, and Federal Reserve Board.

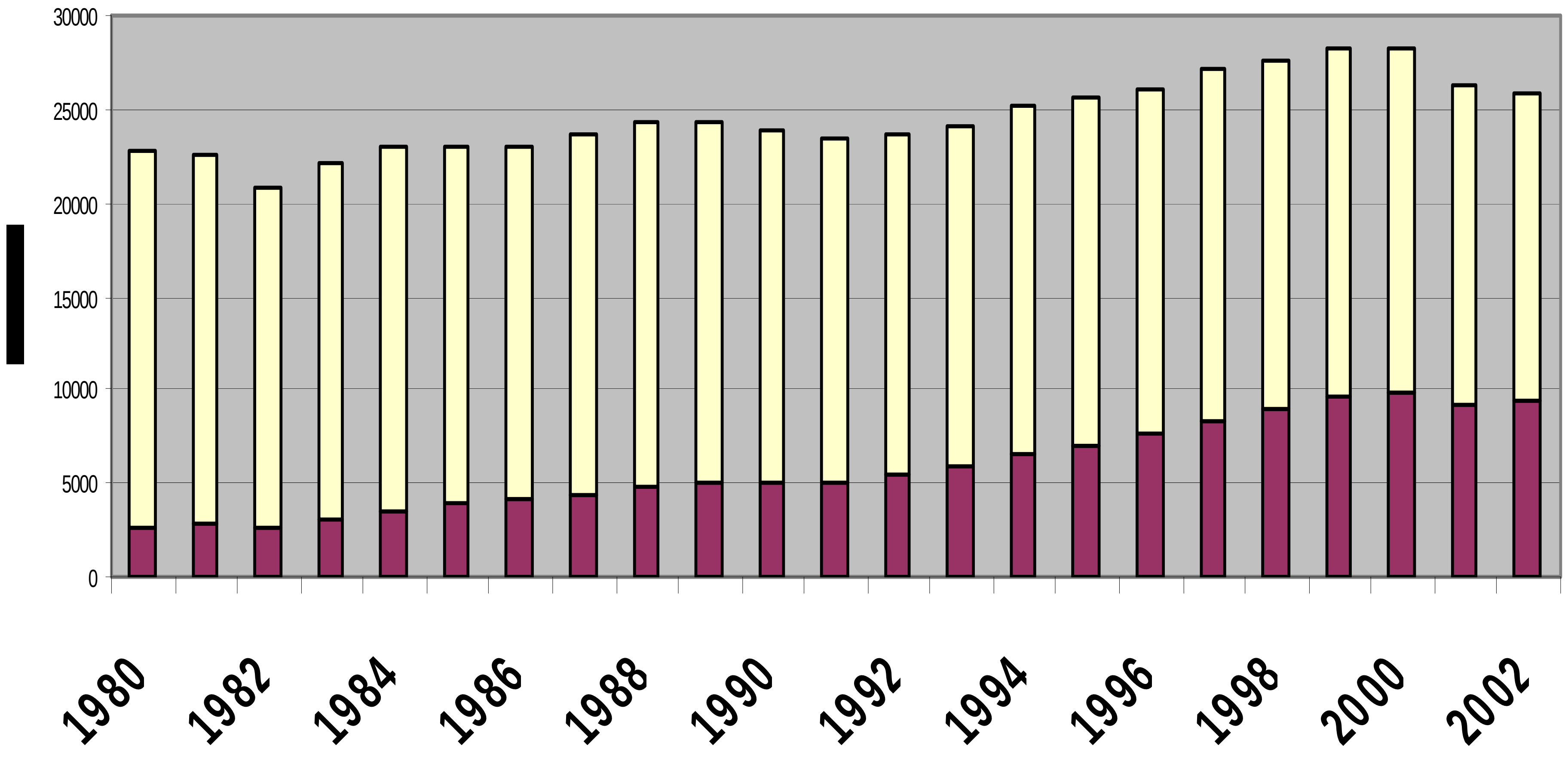
U.S. Manufacturers are Disintegrating

- From doing it all to doing one thing
- And bringing down costs
- While maintaining world leadership

Manufacturing and Business Services Employment, 1980-2002



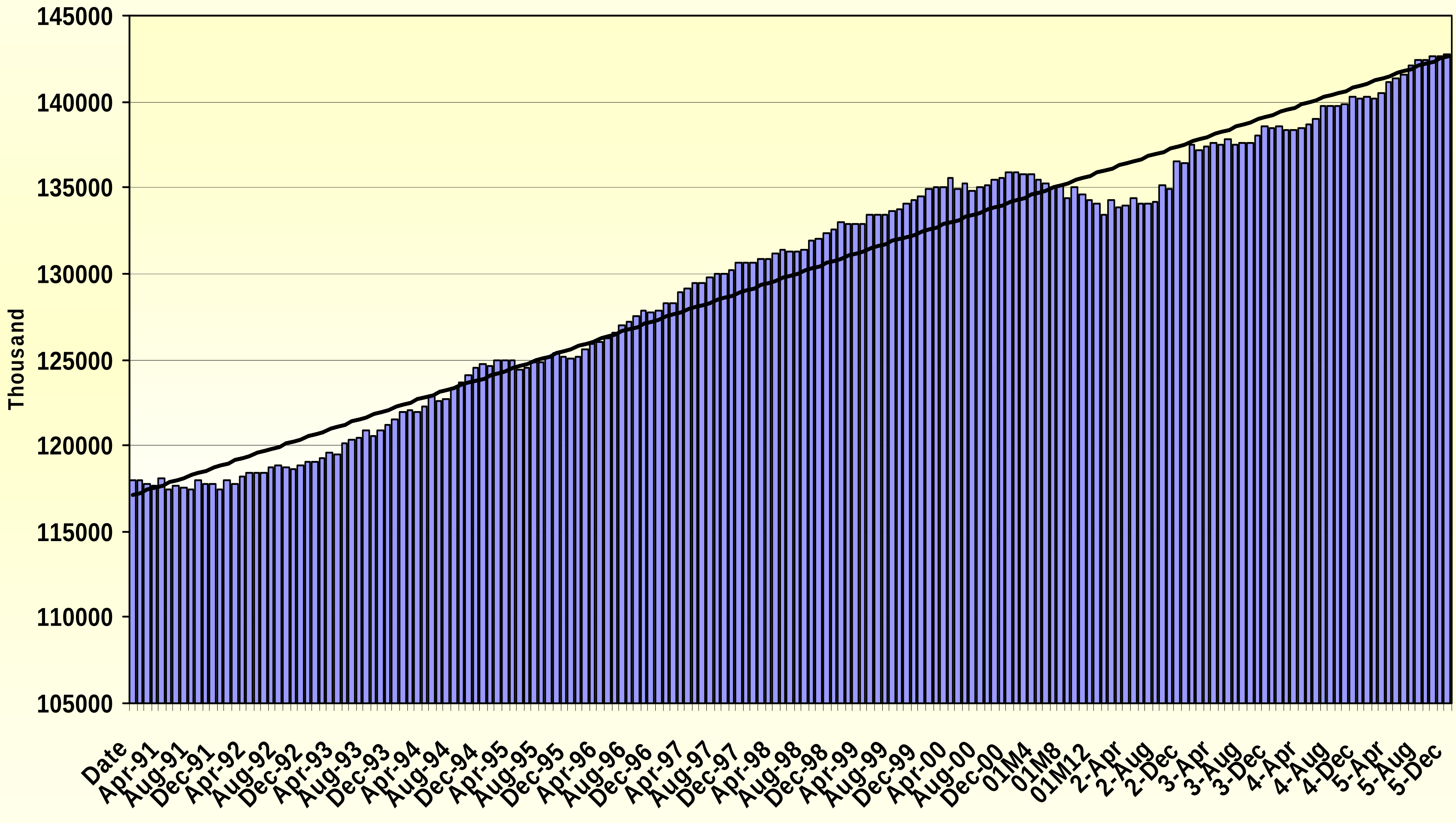
Total Manufacturing and Total Business Services Employment: 1980-2002

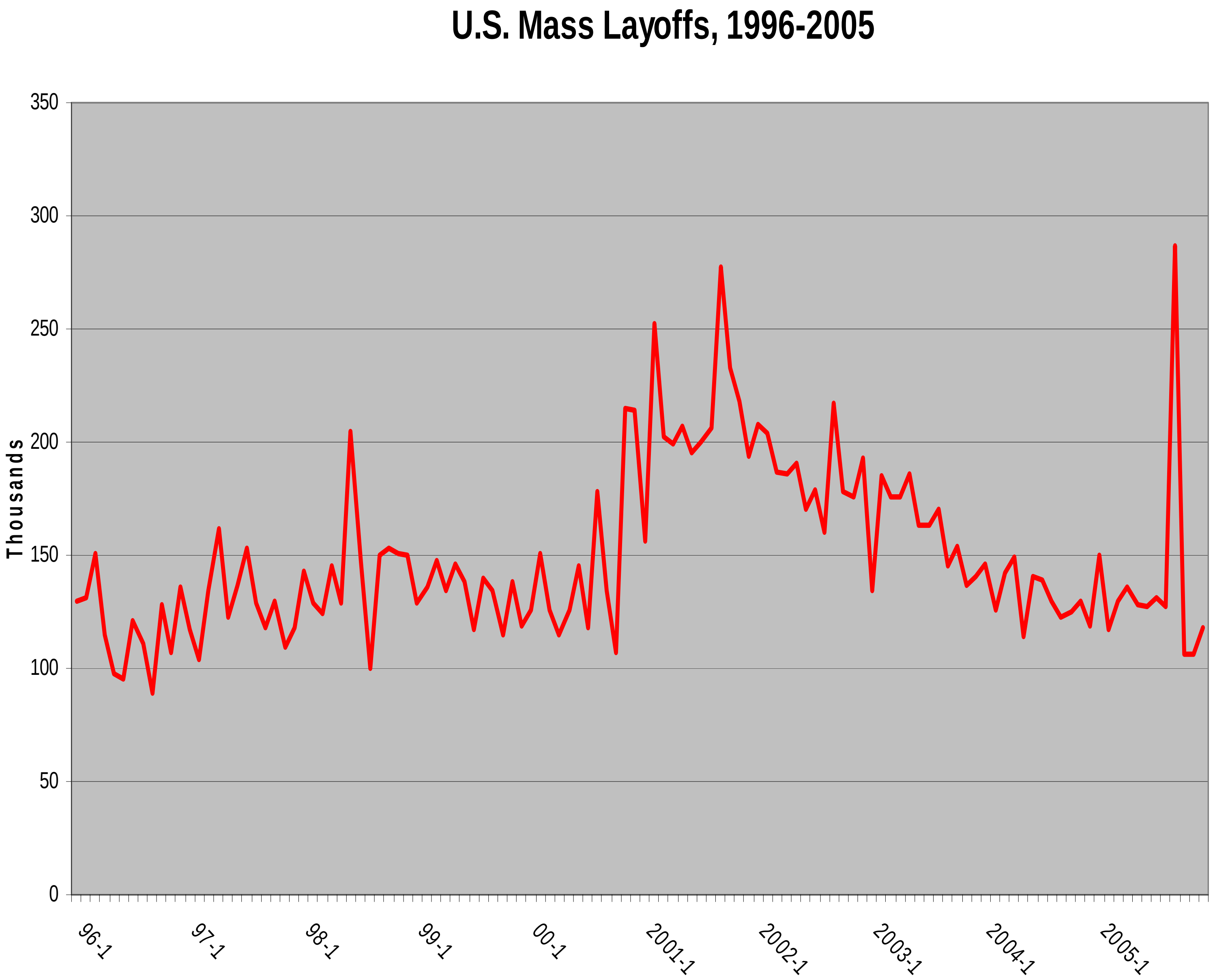


The Economy in Growth Phase

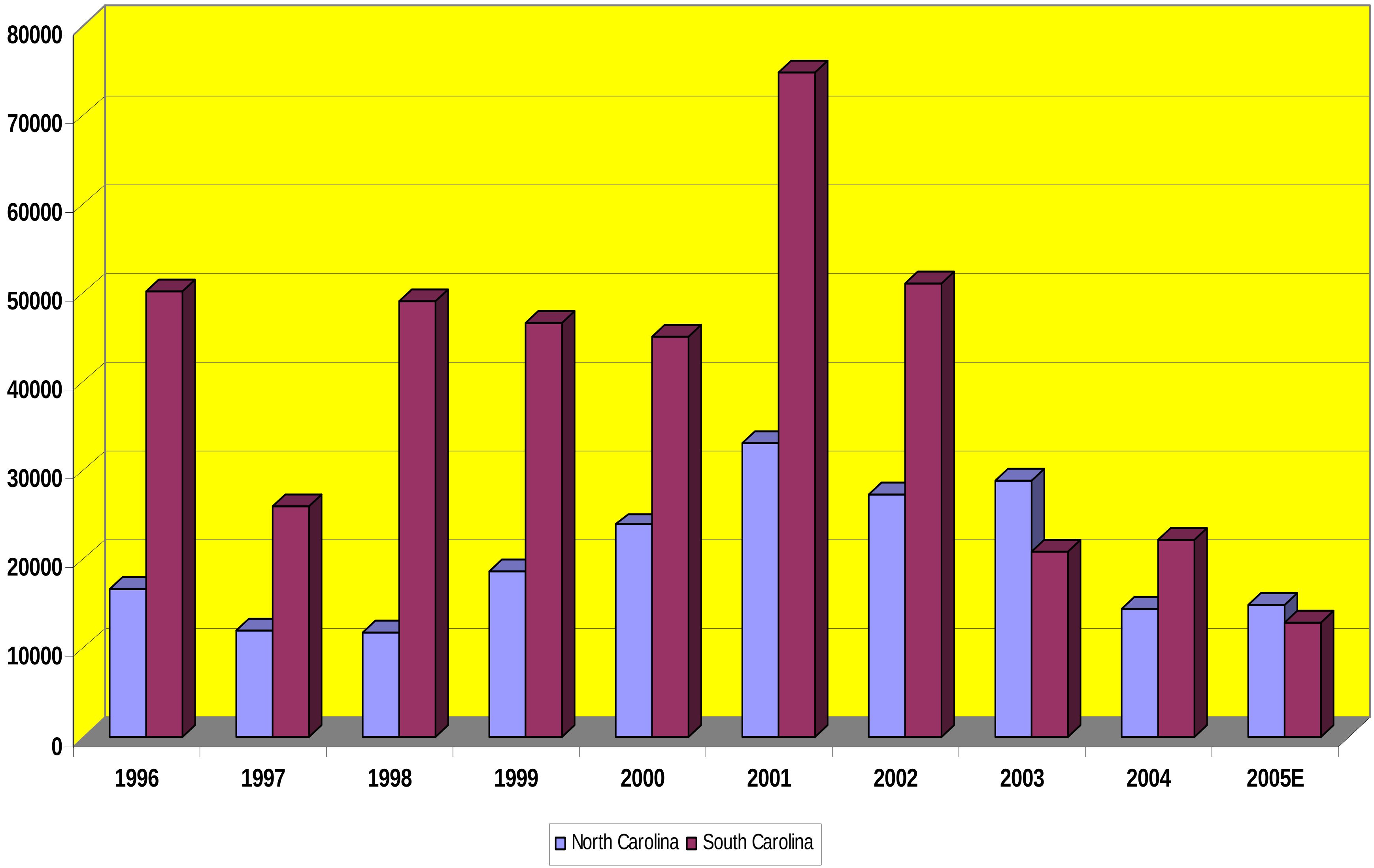
- Employment Closes the Gap
- Shocks to the System
- Whither the Jobs?
- Geographic Imprint
- Human Capital
- A Final Word

Total Employed, 16 and Over, Seasonally Adjusted
Household Survey, with Trend
1/1991 - 12/2005

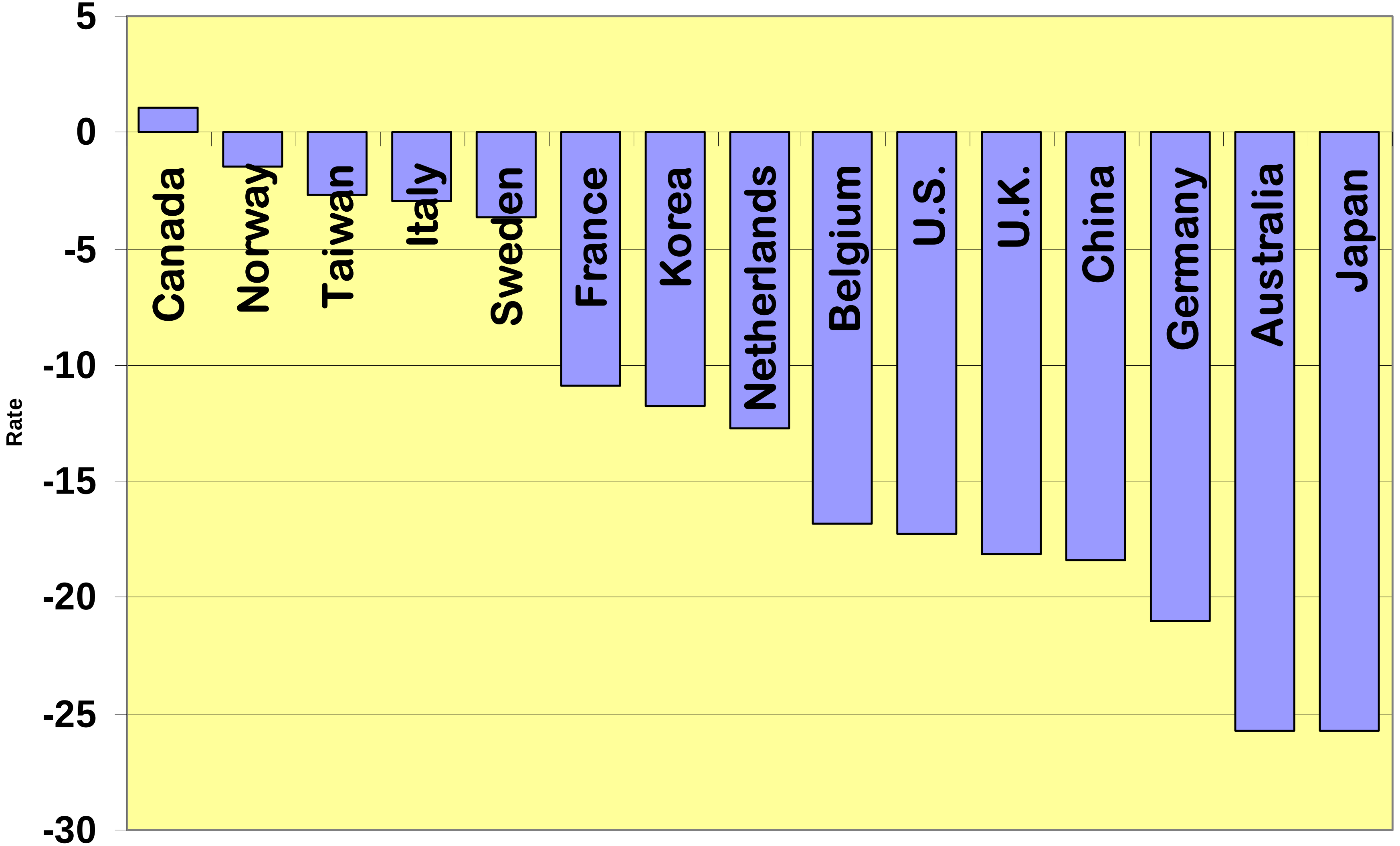



U.S. Mass Layoffs, 1996-2005
Thousands
0
50
100
150
200
250
300
350
96-1
97-1
98-1
99-1
00-1
2001-1
2002-1
2003-1
2004-1
2005-1

N.C. & S.C. Mass Layoffs, 1996-2005



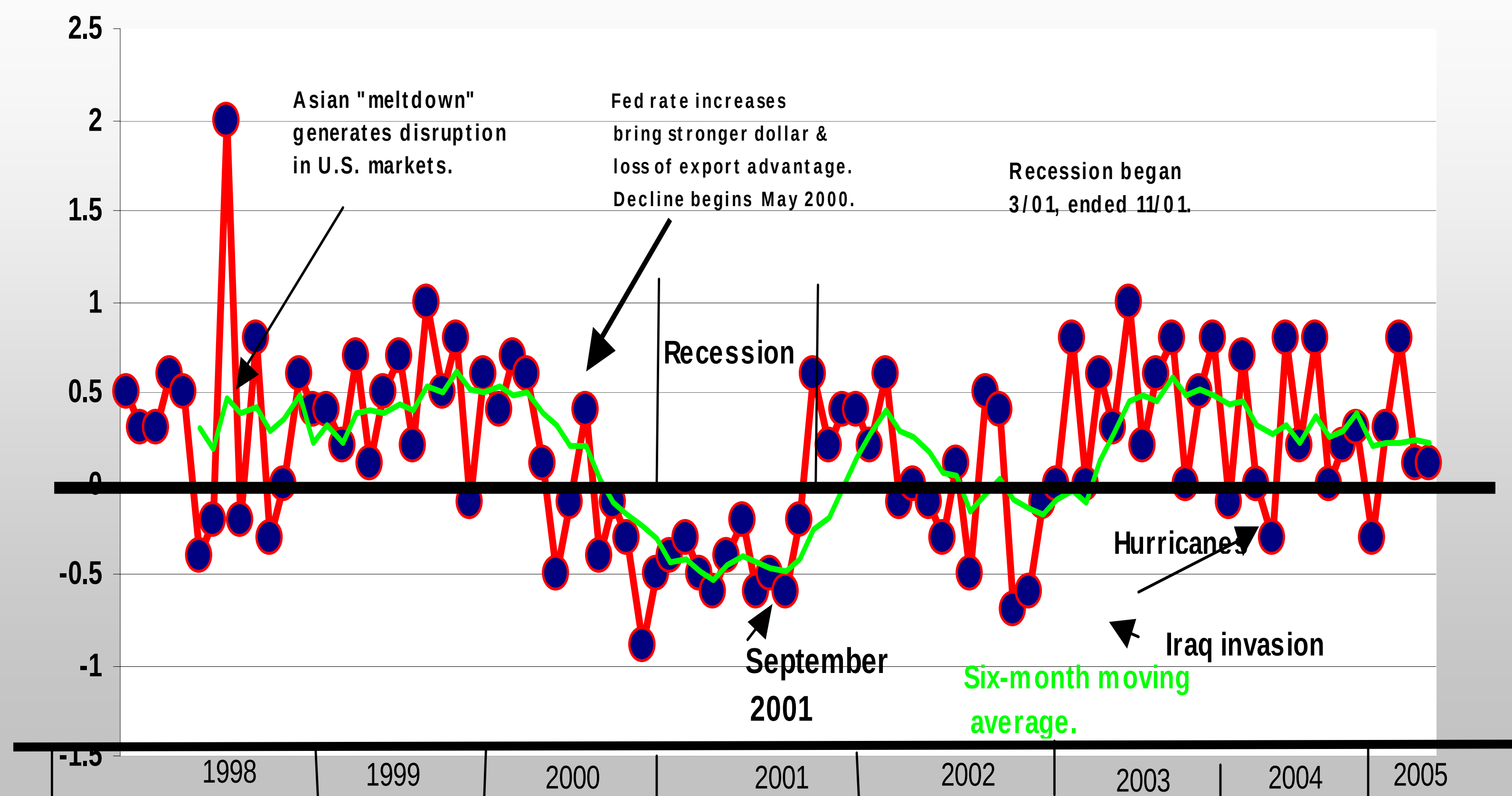
Percentage Change in Manufacturing Employment 1992-2003



Data for The Netherlands and China are for 1990-2002.
Source: W.A. Ward, Manufacturing Productivity and the Shifting U.S., China, and Global Job Scenes, 1990-2005. Center for International Trade, Clemson University, Clemson, SC.

05.16.05

Growth in U.S. Industrial Production: 1998-2005



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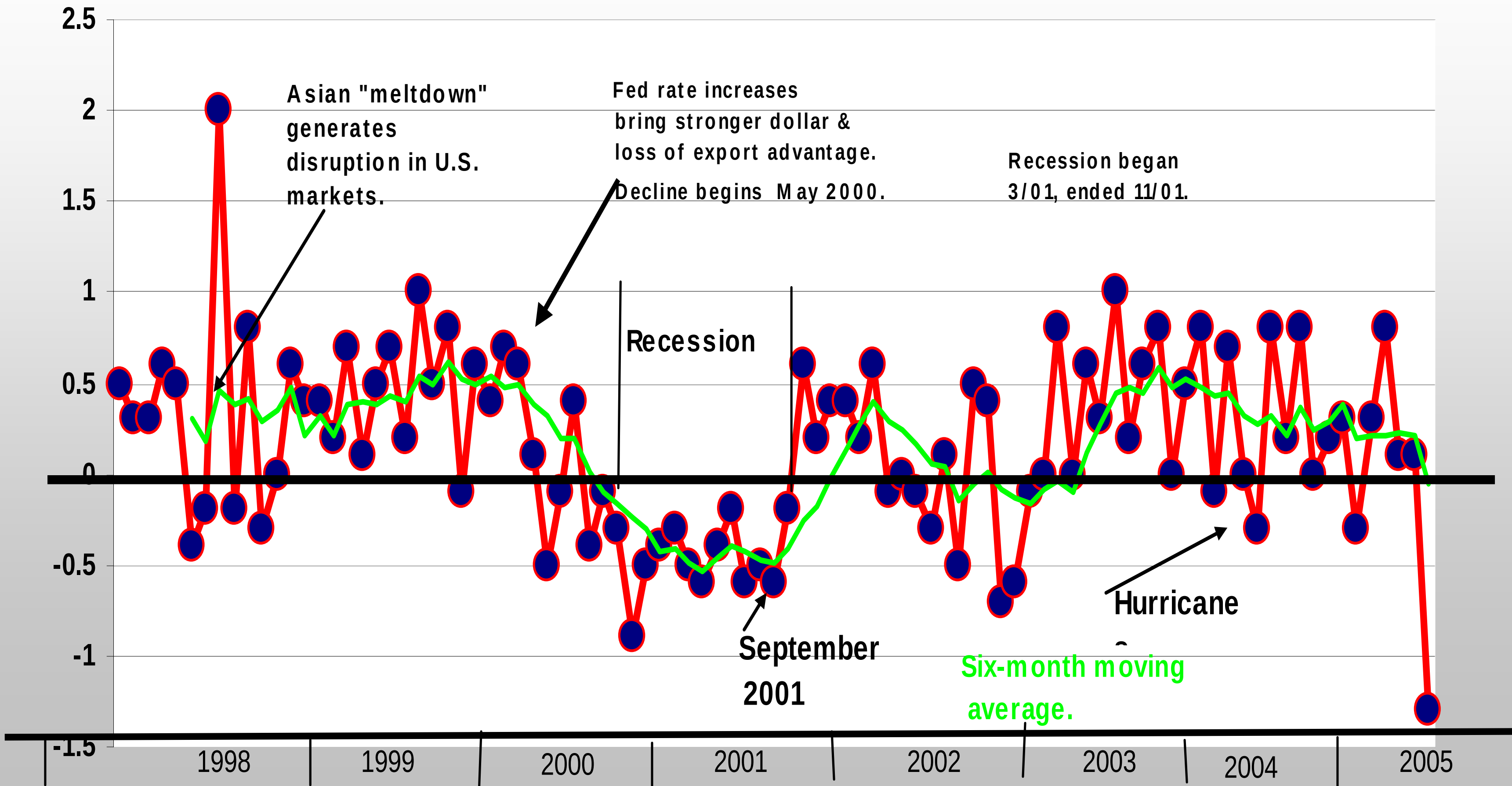
Growth in U.S. Industrial Production: 1998-2005



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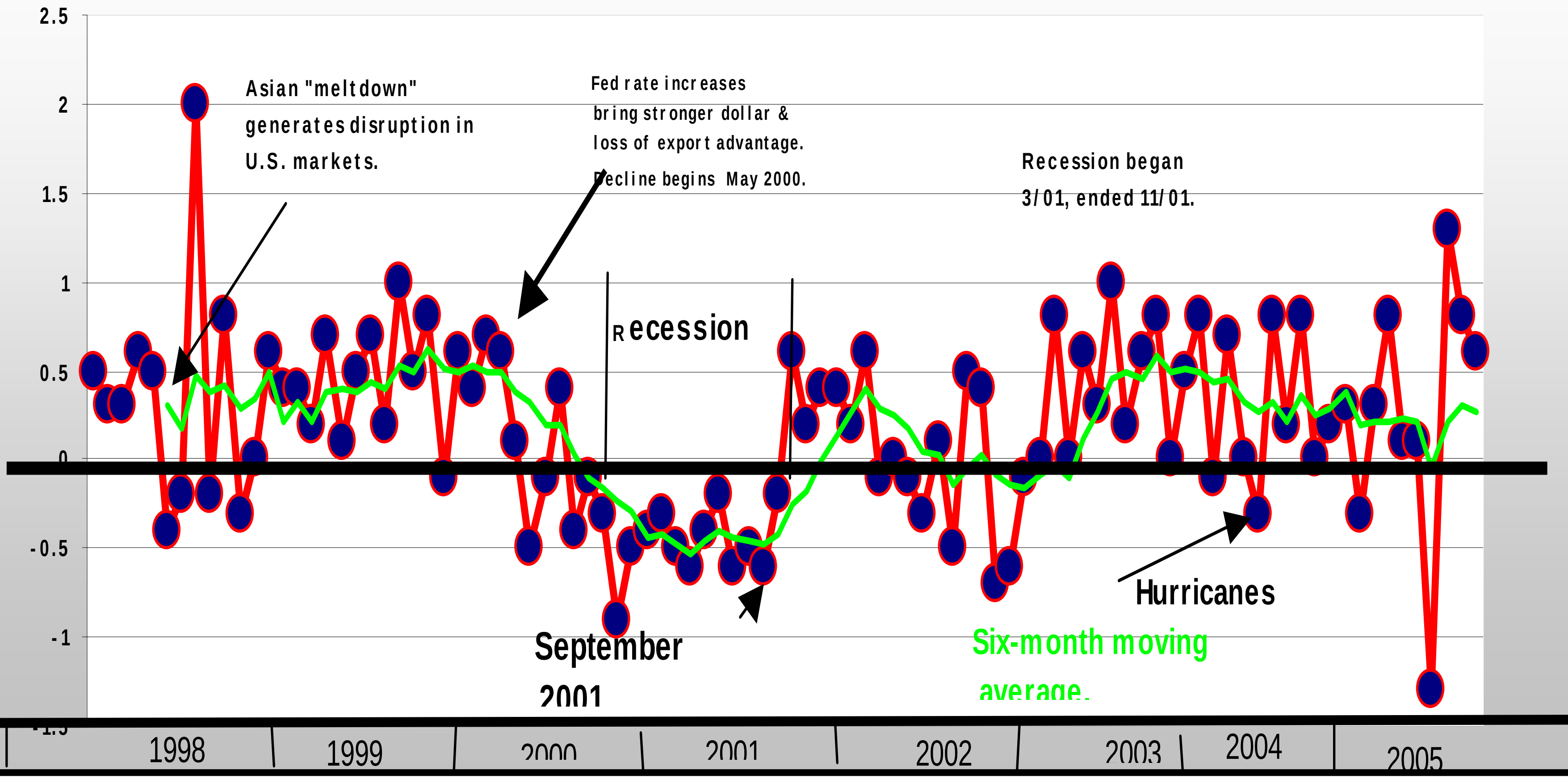
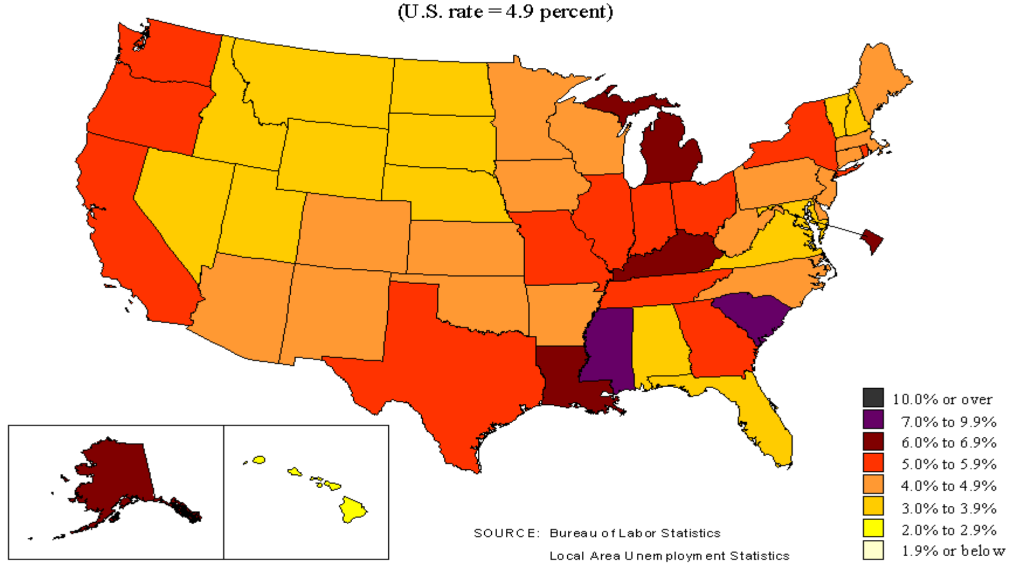
Growth in U.S. Industrial Production: 1998-2005



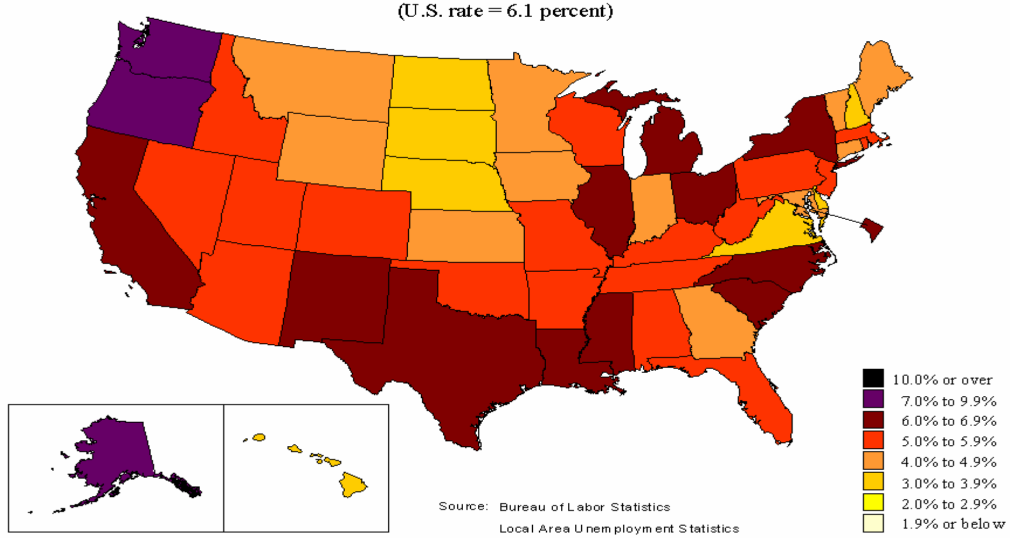
Unemployment rates by state,
seasonally adjusted, December 2005

(U.S. rate = 4.9 percent)



seasonally adjusted, May 2003

(U.S. rate = 6.1 percent)



South Carolina Unemployment Rates by County

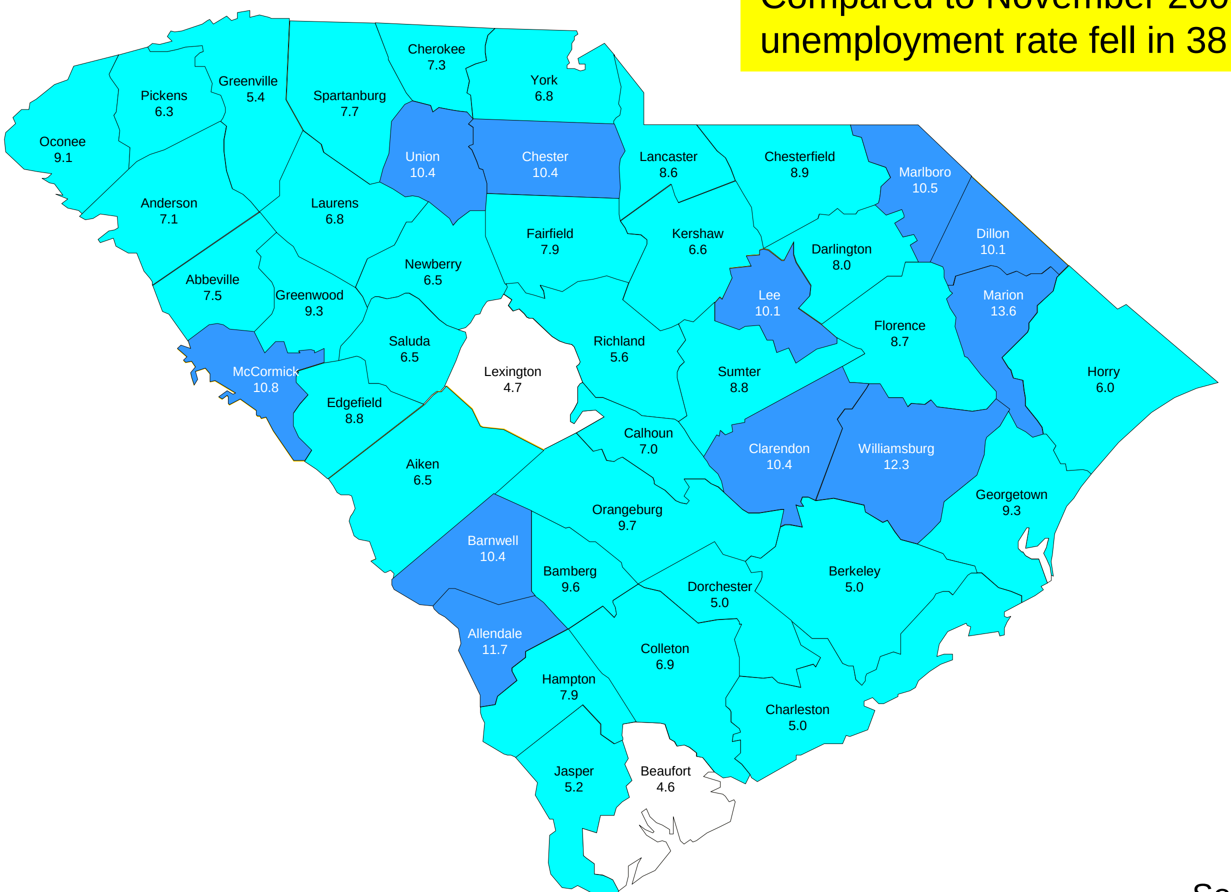
December 2005 State Unemployment Rate = 7.0%

Greater Than 10.0%

5.0% to 10.0%

Less Than 5.0%

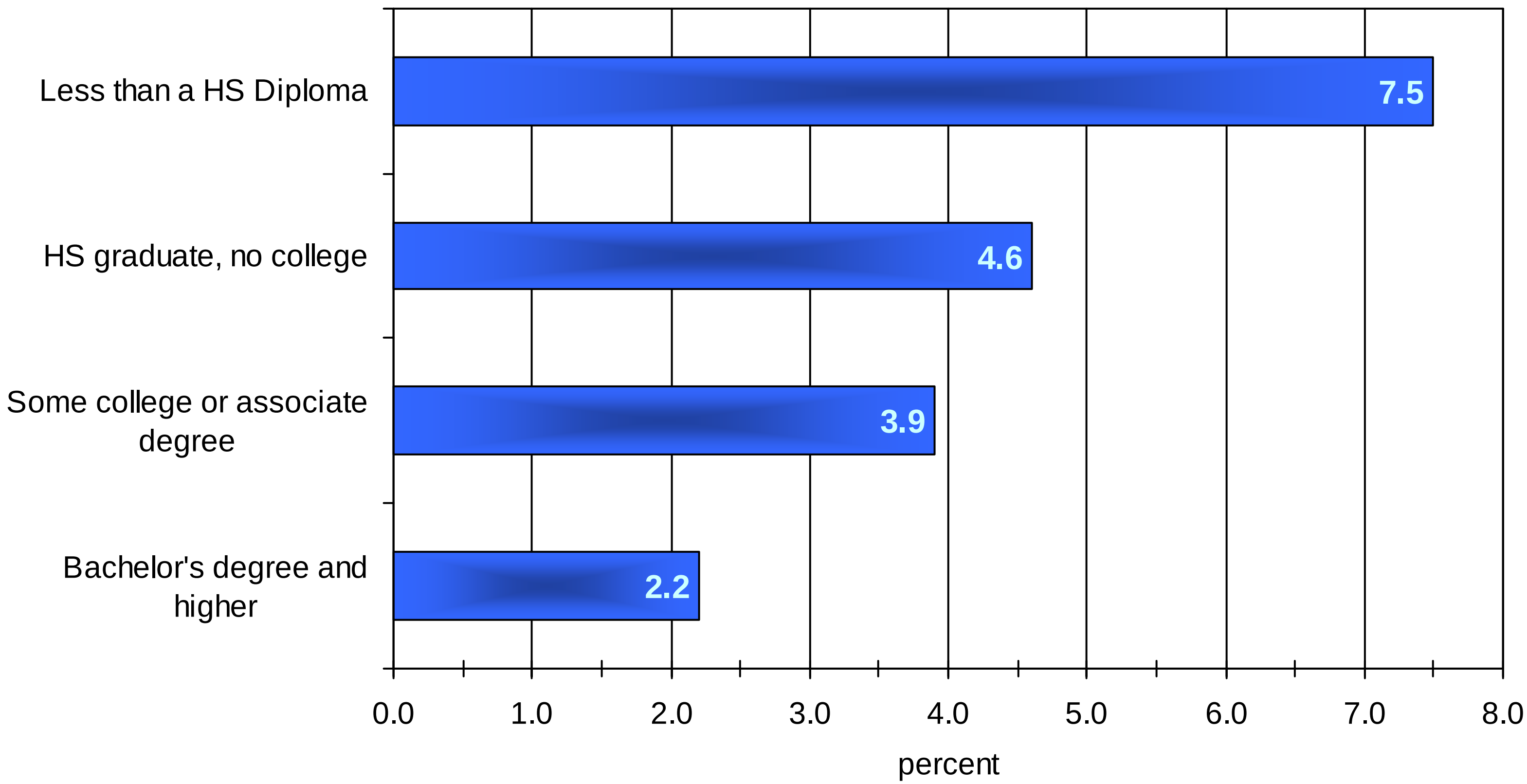
Compared to November 2005, the unemployment rate fell in 38 of 46 counties.



Source: SCESC/LMI

US Unemployment Rate by Educational Attainment December 2005

Education is the key to labor market success –The unemployment rate for persons with a bachelor's degree or higher held steady at 2.2%.

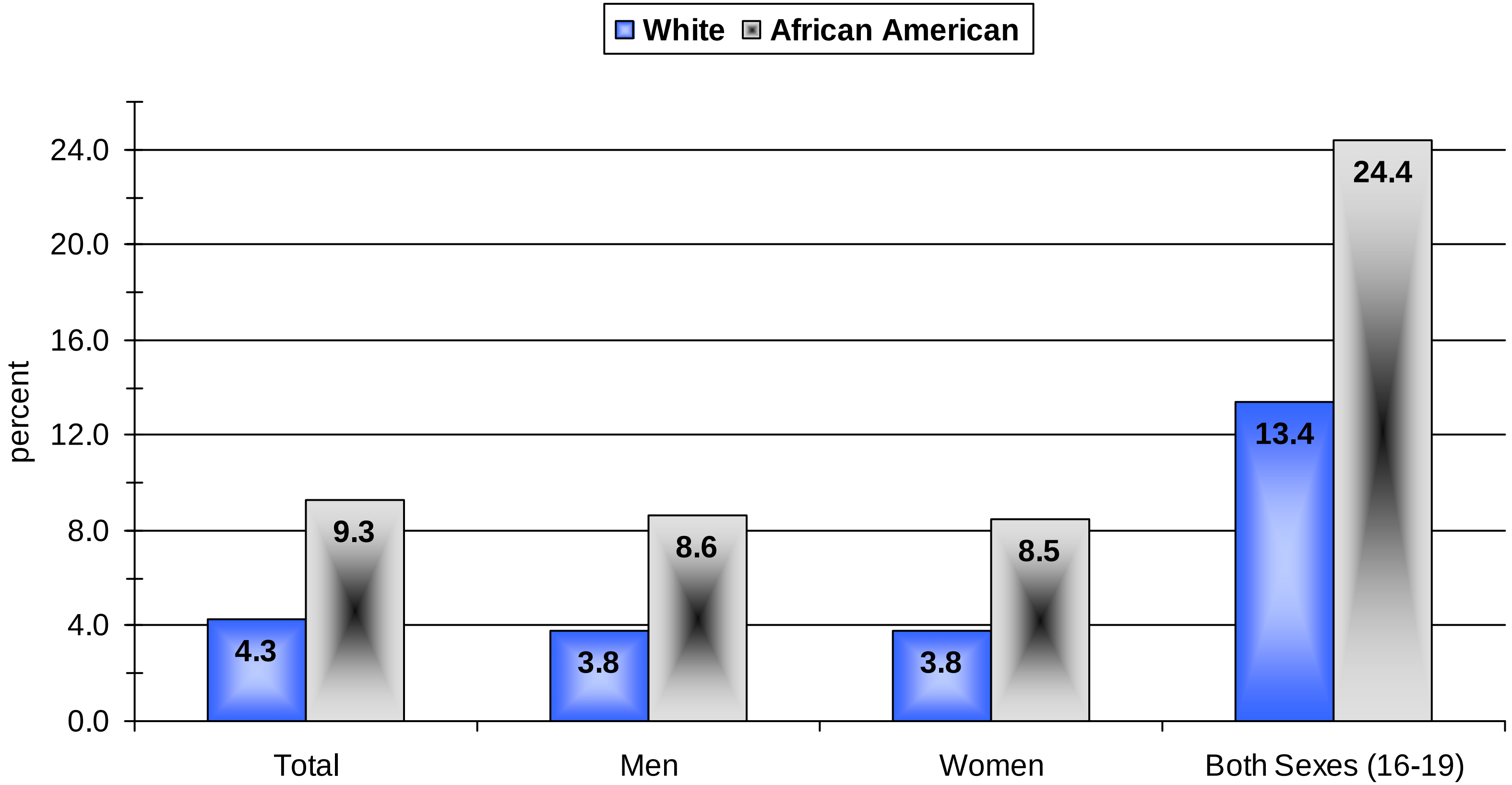


Employment status of the civilian population 25 years and older by educational attainment

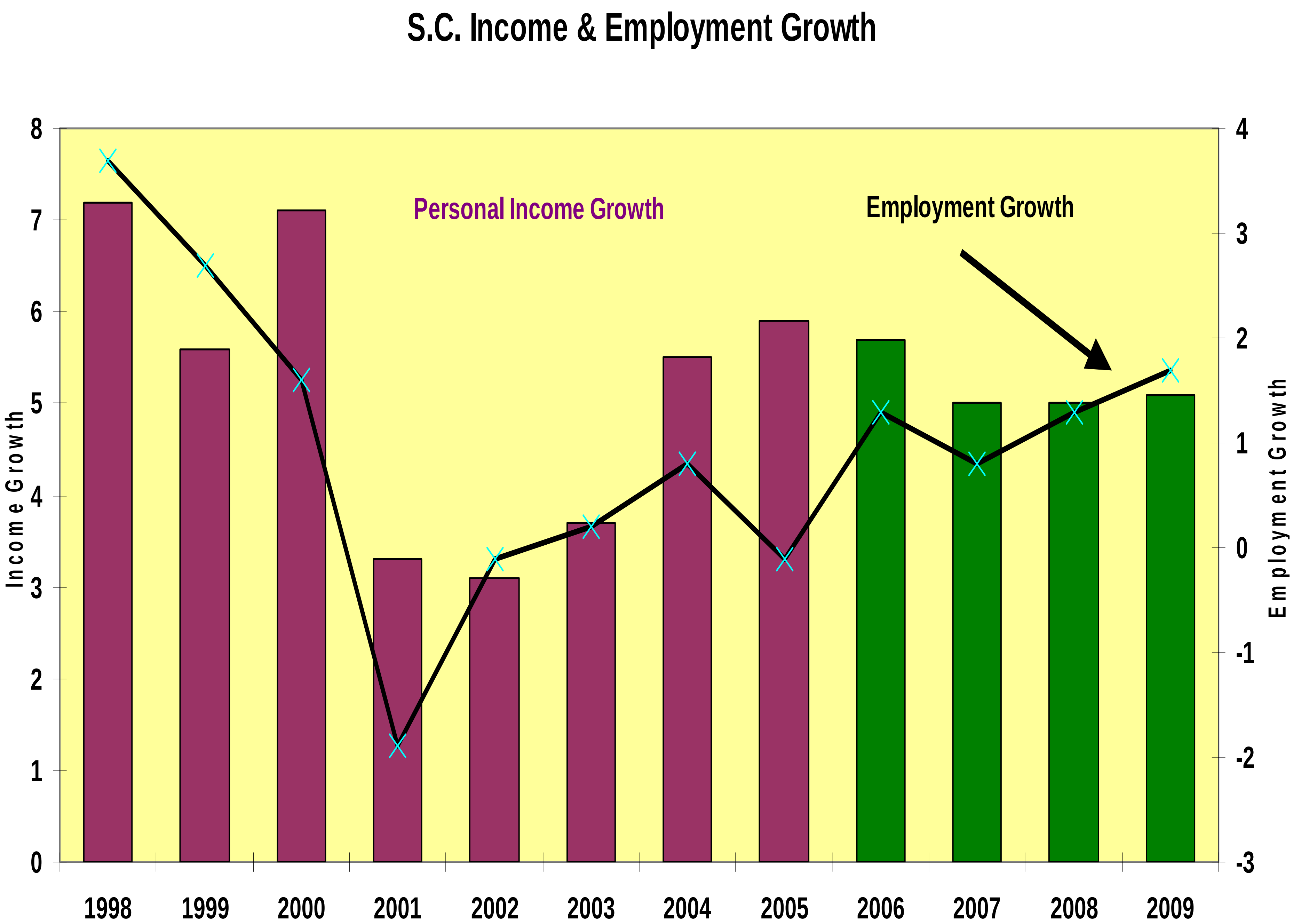
Source: Bureau of Labor Statistics

US Unemployment Rate by Age, Race and Gender December 2005

The unemployment rate for African Americans aged 16 to 19 fell to 24.4% in December from 38.4% in November.



Source: Bureau of Labor Statistics


S.C. Income & Employment Growth
Personal Income Growth
Employment Growth
Income Growth
Employment Growth
0
1
2
3
4
5
6
7
8
-3
-2
-1
0
1
2
3
4
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009

CLEMSON UNIVERSITY

SOUTH CAROLINA

1889

Imagination is more important than knowledge.

Knowledge is limited.

Imagination encircles the world.

Patents Per 1000 People by Southern Metropolitan Area, 1995-1999

Leading Southern Metropolitan Areas

1.	Austin-San Marcos	4.28
2.	Baton Rouge	3.71
3.	Raleigh-Durham-Chapel Hill	2.66
4.	Gainesville, FL	1.96
5.	West Palm Beach-Boca Raton	1.75
6.	Houston	1.52
7.	Dallas-Fort Worth-Arlington	1.49
8.	Melbourne-Titusville-Palm Bay	1.45
14.	Greenville-Spartanburg-Anderson	1.16
29.	Florence	.79
31.	Charlotte-Gastonia-Rock Hill	.75
50.	Charleston	.56
51.	Columbia	.54
64.	Augusta-Aiken	.39
82.	Myrtle Beach	.31
104.	Sumter	.17

Total R&D Expenditures at Universities and Colleges, 1998-2000

Area	Total R&D 1998-2000	R&D Expenditures Per Capita
Leading Southern Metropolitan Areas		
1. Bryan-College Station, TX	1,193,191,000	$7.81
2. Athens, GA	713,914,000	4.63
3. Gainesville, FL	893,001,000	4.09
4. Baton Rouge, LA	703,565,000	3.62
5. Hattiesburg, MS	388,843,000	3.46
6. Charlottesville, VA	410,689,000	2.56
7. Auburn-Opelika, AL	260,924,000	2.26
8. Raleigh-Durham-Chapel Hill, NC	2,550,055,000	2.12
16. Columbia	305,927,000	$.57
20. Charleston	179,002,000	.33
21. Greenville-Spartanburg-Anderson	306,074,000	.32
22. Augusta-Aiken	133,100,000	.28
54. Charlotte-Gastonia-Rock Hill	36,745,000	.02
68. Myrtle Beach	1,638,000	.01
NR Florence	0	0
NR Sumter	0	0

Source: National Science Foundation

Share of Adult Population with College Degrees, 2000.

Leading Southern Metropolitan Areas

1.	Charlottesviille	40.1%
2.	Raleigh-Durham-Chapel Hill	38.9
3.	Gainesville, FL	38.7
4.	Bryan-College Station	37.0
5.	Austin	36.7
6.	Tallahassee	36.7
7.	Athens, GA	34.1
8.	Atlanta	32.0
10.	Columbia	29.2%
19.	Charlotte-Gastonia-Rock Hill	26.5
23.	Charleston	25.0
58.	Augusta-Aiken	20.9
60.	Greenville-Spartanburg-Anderson	20.7
74.	Florence	18.7
75.	Myrtle Beach	18.7
99.	Sumter	15.8

Source: U.S. Census, 2000

Entrepreneurial Growth Companies as a Share of Business in Labor Market Areas, 1991-1996.

Entrepreneurial Growth Companies

- Annual employment growth rate ≥ 15%
- Employment growth ≥ 100% for 1991-96

Southern Metropolitan Areas

Labor Market Area	Companies	High Growth	Share
Austin	20,915	1,514	7.2%
Atlanta	69,279	4,479	6.5
Nashville	24,458	1,465	6.0
Pensacola	10,863	643	5.9
Raleigh	25,768	1,507	5.8
Little Rock	13,036	757	5.8
Charlotte	28,383	1,544	5.4
United States Average			4.7
Florence	12,091	567	4.7
Green.-Spart.-Ander.	22,771	1,049	4.6
Columbia	13,577	607	4.5
Augusta-Aiken	9,106	393	4.3
Charleston	12,350	507	4.1
Sumter	3,185	118	3.7

Source: National Commission on Entrepreneurship, 2001.

THE KATRINA ECONOMY
New Orleans, Baton Rouge, Mobile, Lafayette, Gulfport / Biloxi, Lake Charles, Houma, Alexandria, Pascagoula

- 1.3% of nation's employment, 1.6 million workers.
- 1.1% of the nation's GDP
- Annual output, $131.8 billion, $36 million per day.
- 30% of the nation's oil production
- 20% of natural gas production
- 10% of nation's refining capacity
- 20% of nation's imports & exports move through N.O. port, $150 billion
- Estimates of insured losses, $10 billion to $25 billion.
- 25% of N.O. population below poverty line.

Insured losses move reserves from insurers and reinsurers worldwide to fund losses. Interest rates rise as funds depart bonds, mortgages, and other assets.

Flow of funds stimulates recovering economy and reduces financial activity worldwide. The losses are spread.

How Strong is the Foundation?

	GSA Rank
Patents per 1000	14
R&D at Universities	21
Labor Force/Profess.	38
Share, College Degree.	60
Share, High School	93
Share, Professional	73
Share, Growth Firms	4.6%/4.7%

Q&A

Any Questions?

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In Closing

Closing Comments – *Jay Peay, Partner*

Special Thanks

Please stay and join us for conversation

and refreshments.

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