Highlights

- The South Carolina leading index jumped by 2.1 percent.
- The unemployment rate reached a new high of 12.1 percent.
- Inflation adjusted retail sales dropped 3.6 percent.

Summary

Looking at the South Carolina economic data yields increasing confidence that the worst is over. The S.C. leading index, the index that anticipates the level of economic activity, had its fourth consecutive monthly increase in July 2009. At the same time, the coincident index, which gives a picture of the current state of the economy, had its first non-negative reading in more than one year. It appears the economy has finally started its
healing process and may soon start experiencing some growth. However, questions remain whether this will be a sustainable recovery and how strong the recovery will be.

To understand the recent increases in the leading index one needs to look at the individual components of the index. The most striking feature is the drop in the seasonally adjusted values for the initial claims for unemployment insurance. In July 2009, unemployment insurance claims dropped 12.9 percent compared with the preceding month and are now 12.7 percent above the values for July 2008. Keep in mind that just two months ago, unemployment claims were running at more than 50 percent of last year’s value. The other encouraging news comes from residential construction which seems to have halted its decline. In July 2009, the seasonally adjusted value for residential construction increased a meager 0.1 percent even though this is the fourth consecutive monthly increase in seasonally adjusted construction. This means that builders in the state are seeing some sustained activity in the sector. Also, single family permits increased this month suggesting that the upward trend in construction is likely to be maintained in the coming months. Another positive contribution to the South Carolina Leading Index was that of the U.S. Conference Board leading indicator. In July the leading indicator for the U.S. economy rose again led by the strength in some of its components, namely, the interest rate spread, initial unemployment claims and the average workweek.

Consumer expectations, real money supply, and building permits have had negative contributions, but these were offset by the strength of the other components.

Finally, the two other contributors to the South Carolina Leading Index, those related to the manufacturing sector, had both positive results for the month. The seasonally adjusted average manufacturing workweek increased to 41.5, 0.4 percent above last month while seasonally and inflation-adjusted earnings raised 0.8 percent to 312.3.

For July 2009, the South Carolina Coincident Index, the index that tracks the state of the Palmetto economy, remained flat at 116.8. This is significant because it is the first time in more than a year that the index did not drop. The brakes on the index may be credited to the news from the labor market. Total employment seems to have stabilized slightly above the 1,850,000, and the unemployment rate had a drop of 0.3 percentage points. To be sure, the drop in the unemployment rate occurred...
after having reached its highest value in record, 12.1 percent, in the June 2009. The fact that seasonally adjusted real retail sales are still falling and, in July 2009, dropped another 3 percent is worrying. Compared with last year retail sales are now 17 percent lower despite the known effect of several programs that have stimulated consumer demand, for example the "cash-for-clunkers" program. South Carolina consumers are definitely still retracting and we will need better economic news before we can see restored consumer confidence.

In sum, there are signs that the South Carolina economy has bottomed out. However, the data also suggest that recovery from the recession will be slow to develop.

### Indicator data...

**Indices, Leading, and Coincident Indicators seasonally adjusted data for May 2009 through July 2009.**

<table>
<thead>
<tr>
<th>Indices</th>
<th>May-09</th>
<th>Jun-09</th>
<th>Jul-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading Index (1992=100)</td>
<td>132.6</td>
<td>133.0</td>
<td>134.2</td>
</tr>
<tr>
<td>- monthly percentage change</td>
<td>2.5</td>
<td>0.3</td>
<td>0.9</td>
</tr>
<tr>
<td>- annual percentage change</td>
<td>-4.5</td>
<td>-4.1</td>
<td>-2.6</td>
</tr>
<tr>
<td>Coincident Index (1992=100)</td>
<td>117.6</td>
<td>116.8</td>
<td>116.8</td>
</tr>
<tr>
<td>- monthly percentage change</td>
<td>-0.6</td>
<td>-0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>- annual percentage change</td>
<td>-10.8</td>
<td>-12.0</td>
<td>-10.8</td>
</tr>
</tbody>
</table>

**Leading Indicators**

- Average Manufacturing Workweek (hours) [1]
  - May-09: 41.5
  - Jun-09: 41.3
  - Jul-09: 41.5
  - monthly percentage change: 3.5
  - annual percentage change: -3.0

- Initial Claims for Unemployment Ins. [1]
  - May-09: 11,058
  - Jun-09: 10,376
  - Jul-09: 9,038
  - monthly percentage change: -9.6
  - annual percentage change: 56.8

- Real Weekly Earnings* [1]
  - May-09: $314.80
  - Jun-09: $309.80
  - Jul-09: $312.30
  - monthly percentage change: 1.2
  - annual percentage change: 1.3

- Residential Construction Dwelling Units [2]
  - May-09: 1,323
  - Jun-09: 1,330
  - Jul-09: 1,332
  - monthly percentage change: 7.9
  - annual percentage change: -35.2

- U.S. Leading Index [3]
  - May-09: 132.3
  - Jun-09: 133.4
  - Jul-09: 134.2
  - monthly percentage change: 1.2
  - annual percentage change: -2.1

* Source: South Carolina Department of Revenue.
### Coincident Indicators

<table>
<thead>
<tr>
<th></th>
<th>1982</th>
<th>1983</th>
<th>1984</th>
</tr>
</thead>
<tbody>
<tr>
<td><em><em>Real Retail Sales (millions)</em> [4]</em>*</td>
<td>$4,857</td>
<td>$4,767</td>
<td>$4,621</td>
</tr>
<tr>
<td>monthly percentage change</td>
<td>-3.7</td>
<td>-1.8</td>
<td>-3.1</td>
</tr>
<tr>
<td>annual percentage change</td>
<td>-13.7</td>
<td>-14.4</td>
<td>-17.1</td>
</tr>
<tr>
<td><strong>Total Nonagricultural Employment (000s) [1]</strong></td>
<td>1,851</td>
<td>1,851</td>
<td>1,852</td>
</tr>
<tr>
<td>monthly percentage change</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>annual percentage change</td>
<td>-5.3</td>
<td>-5.4</td>
<td>-5.3</td>
</tr>
<tr>
<td><strong>Total Unemployment Rate [1]</strong></td>
<td>12.0</td>
<td>12.1</td>
<td>11.8</td>
</tr>
<tr>
<td>monthly absolute change</td>
<td>0.6</td>
<td>0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>annual absolute change</td>
<td>5.4</td>
<td>5.9</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Notes:

[2] Calculated from data provided by the F.W. Dodge Corporation.
[3] Calculated from data provided by The Conference Board.
[4] Calculated from data provided by the S.C. Department of Revenue.
[R] Revised.
[n.a.] Data not available.
Monthly percentage change based on seasonally adjusted data.
Annual percentage change based on unadjusted data.
*1982-1984 dollars

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### Commentary

Commentary will return next month.