

Economics Group

Special Commentary

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Clemson vs. South Carolina

Classic Rivalries Provide Opportunities for Redemption

The final week of the regular college football season brings about a number of classic rivalry games. Some, including Michigan-Ohio State and Washington State-Washington, will help decide division championships and have major implications for the College Football Playoff. Others, such as Notre Dame-USC and Georgia-Georgia Tech, present one last hurdle for teams destined for the Playoff or on the bubble. Still others offer one last opportunity to become bowl eligible or simply provide an opportunity for redemption for teams that fell short of lofty preseason expectations.

Michigan-Ohio State is likely the marquee game of the weekend, with two top 10 one-loss teams competing for the Big Ten's Eastern Conference title and a date with Northwestern for the conference championship. The Saturday evening matchup between Notre Dame and Southern Cal is also intriguing. USC may be the best team with a losing record in the country and can make up a great deal of this season's disappointment with an upset of Notre Dame. We are focusing on another matchup, with second-ranked Clemson hosting arch rival the University of South Carolina. Clemson is a 25-point favorite but a talented South Carolina team has a chance to put this season's disappointments behind them, pick up a seventh win and boost their bowl prospects.

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Of course, beating Clemson is a pretty tall order. The Tigers have looked nearly invincible and come in 11-0 and ranked 2nd. Clemson's schedule, however, has not been particularly tough. They were tested early in the season, winning a squeaker at Texas A&M and coming back to beat Syracuse at home the following week. South Carolina played a tougher schedule, with games against three highly ranked teams. Unfortunately they lost all three, but were very competitive in a 35-31 loss to Florida and a 26-23 loss to Texas A&M, their only common opponent with Clemson this season.

The Clemson-South Carolina rivalry dates all the way back to the founding of the two schools' football programs in the 1890s. Clemson leads the series 69-42-4. The series has not been played every year, however. Violent clashes preceded and followed South Carolina's 1902 win against the highly rated Tigers coached by John Heisman. The two teams did not meet again until 1909. Heisman brought a lot of early success to Clemson before he was hired away by Georgia Tech.

Figure 1

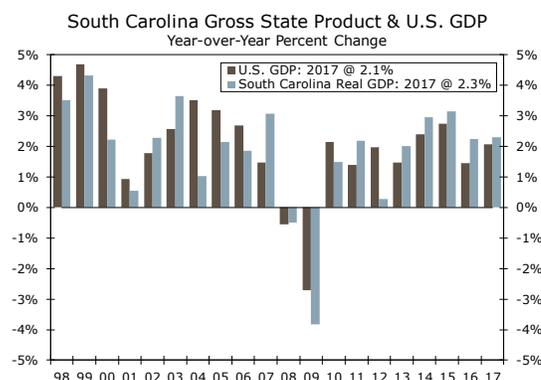
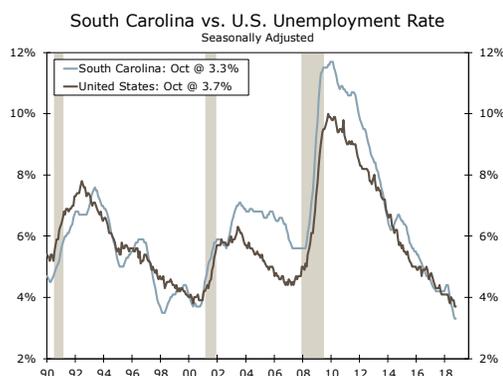


Figure 2



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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Together we'll go far



Clemson and the University of South Carolina both share a rich history that parallels the state's economic history.

A Storied History, Both on the Field and in the Trenches

Clemson and the University of South Carolina both share a rich history that parallels the state's economic history. Early ties to the state's agriculture sector were supplemented with programs that helped promote the industrial development of the state. Football has been an important part of that history, helping bring name recognition and public and private support to the state's largest universities. Clemson has clearly had the most success on the field, winning 23 conference championships, including the past three ACC Championships. Clemson won the national championship in 1981 and 2016 and has appeared in three of the four College Football Playoff series that began four years ago.

South Carolina has not won as many championships. The Gamecocks won an ACC Championship back in 1969 but played as an independent from 1971 to 1991 before joining the Southeast Conference. They have won one Eastern Division Championship and lost to Auburn in the title game. The team's greatest run of success was under Steve Spurrier from 2011 to 2013, when they posted three consecutive 11-win seasons. The 2013 season included a fifth consecutive win over Clemson, which came into that game ranked number six in the nation. South Carolina was ranked 10th at the time, marking the highest rated matchup of these two rivals. South Carolina finished the year with a 34-24 win over Wisconsin in the Capital Bowl and a number four ranking.

Located in a relatively small state, both Clemson and South Carolina have to heavily recruit players from neighboring states. Only 42% of Clemson's roster hails from the state of South Carolina and more than half of the University of South Carolina's players come from other states. South Carolina is a football frenzied state, however, and participation in high school football ranks among the highest in the nation. The state's rapidly growing population also helps attract great talent to the state, and some of the best high school football programs are located in rapidly growing suburbs surrounding Greenville, Spartanburg and Anderson in South Carolina's Upstate; Columbia in the Midlands; and Charleston in the Lowcountry.

Universities, colleges and community colleges have long been a key competitive advantage for South Carolina.

Universities, colleges and community colleges have long been a key competitive advantage for South Carolina. Initially, research from the state's universities helped the state's farmers navigate numerous challenges, including blights and mechanization. Today the state's universities and colleges are a key draw for new businesses and are helping establish the state as a leading center for research in advanced materials, alternative energy & energy storage and the automotive sector. The addition of cutting edge research is helping South Carolina build off its success at attracting a bevy of huge capital projects, including the North American headquarters and several manufacturing facilities for Michelin, the largest assembly plant for BMW and a massive operation for Boeing, where it builds two models of the 787.

South Carolina's success at industrial development is no accident. The state saw that its dependence on the textile industry was unsustainable and worked to attract industries that would utilize and enhance the skills of its workforce. The state has also been exceptionally aggressive at attracting international investment, landing more foreign investment per capita than any state in the country.

Figure 3

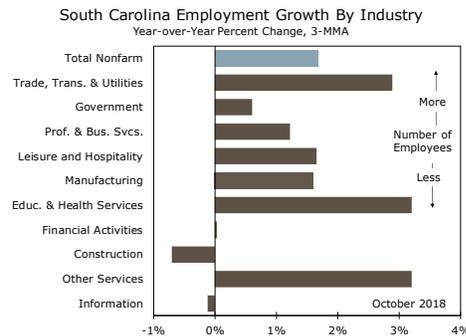
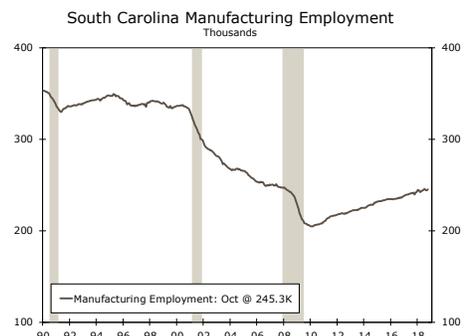


Figure 4



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

Strong and Broad-Based Economic Growth is Expected to Continue

South Carolina continues to see solid economic gains, although the halting of construction of a massive nuclear plant in Jenkinsville, located between Charlotte and Columbia, has weighed on construction payrolls and resulted in slower overall nonfarm employment growth. Real GDP grew at a 3.2% annual rate during the second quarter and has risen 1.9% over the past year, which slightly trails the nation. Nonfarm employment has risen 1.7%, with strong gains in wholesale trade & distribution, education & health care, leisure & hospitality and manufacturing. The unemployment rate has fallen to just 3.3%. We suspect the most recent employment data is understating job growth in the state, and the impact of Hurricane Florence may linger over nonfarm employment growth for the next few months.

Growing trade frictions have cast a cloud over parts of South Carolina’s economy but so far have not materially weighed on the state’s overall performance. The volume of container traffic through the Port of Charleston has risen strongly through the summer months and was running 3.8% ahead of its year-ago pace through September of this year. Export volumes have clearly slowed in recent months, however, which likely reflects the effects of slower global growth and a stronger dollar. Trade restrictions will likely bite a little harder if trade tensions intensify further. Data surrounding October and November will be distorted by the effects of Hurricane Florence, which led to an interruption in shipping through the Port of Charleston.

Growing trade frictions have cast a bit of a cloud over parts of South Carolina’s economy.

A slowdown in foreign direct investment would present an even greater threat to South Carolina. The state’s economic transformation has largely been led by a massive inflow of international investment. South Carolina is now the nation’s leading producer of tires, led by huge investments from Michelin, Bridgestone-Firestone and Continental. Tires are a major export for the state, as are automobiles and commercial aircraft. BMW exports roughly 70% of its production from its massive plant in Greer. Boeing is the nation’s largest exporter and exports a large proportion of its output from its assembly plant in North Charleston. The Charleston region has also added presences from Volvo and Daimler in recent years, which are developing large manufacturing and export operations that will become much more important to the state in coming years. Foreign direct investment is also evident in many other areas of the state’s economy, including automotive parts, advanced materials, household appliances and textiles.

While real GDP and nonfarm employment growth have reportedly slowed in recent months, we suspect job growth is being underreported. The latest Quarterly Census of Employment and Wages (QCEW) shows job growth through March of this year running about a half percentage point faster than the monthly survey data reported in the Current Employment Statistics (CES) data. The QCEW data reflect a hard count of jobs from the unemployment insurance payrolls and are the basis for the annual revisions to the CES data, as well as reports on personal income and state GDP. While growth has likely been stronger than reported, the slowdown in international trade presents some risk to South Carolina’s economy going forward, as the state has anchored its economic future to growing volumes of international trade and investment.

Foreign direct investment has been a major factor for the state.

Figure 5

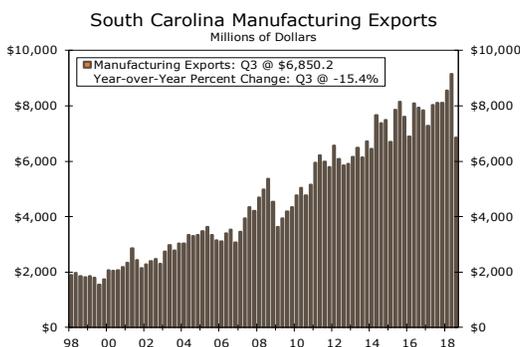
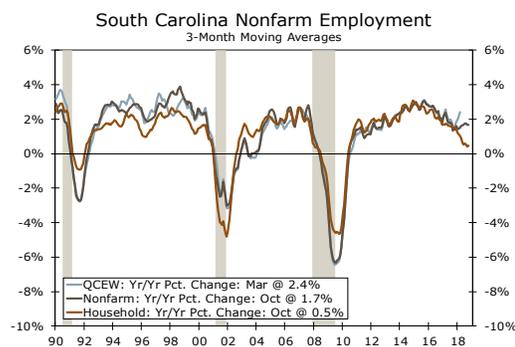


Figure 6



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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