

# **Economic Base Assessment of Beaufort County, South Carolina**

## **Executive Summary**

This report depicts socioeconomic characteristics and trends in Beaufort County, South Carolina. The analysis begins by providing background information about the county, followed by a more detailed description of various socioeconomic trends, including an analysis of population, employment, industrial make-up, income, and quality of life. Finally, using the IMPLAN input-output model, this report concludes with an economic base analysis that further details economic conditions within the county.

Beaufort County has experienced positive growth in several economic indicators over the last thirty years, at rates that exceed those for both the state of South Carolina and the United States. In addition, diversification in industry structure has increased. However, the county is clearly transitioning in a number of ways that may challenge future economic stability, if not for the county as a whole, at least for multiple enclaves.

The combined structural changes in county demographics and industry sectors have set in motion the wheels for increasing economic inequality. For instance, the majority of the county population growth has taken place in two sub-county areas with very different income structures—Hilton Head at the high end and Bluffton at the low end. Service and retail jobs are replacing military and civil service positions, which tend to have higher wage rates than the former. The impact of this change is likely to be the greatest in the Port Royal area, which was already among the lowest income regions in 1990 and whose community and its surroundings are deeply vested in the military installations. The continual growth pressures of Hilton Head pose serious challenges to individual communities and the county as a whole to preserve residential integrity and the natural resource base, such as lower-income housing and farms, which are threatened by inflated market values.

The input-output analysis of Beaufort County reveals a continued dependence on federal government employment and direct income, in addition to a growing dependence on the services sector, while also showing that neither contributes to the overall economy in any significant way. The forestry sector does not appear to be a major contributor to the county economy either, beyond employment in the pulp and paper industry.

Construction and manufacturing provide the greatest returns to the county economy through direct industry-to-industry linkages and value-added multiplier effects. Manufacturing is also a significant source of leakage for the area, but shows the greatest potential for growth among aggregate sectors. Within both manufacturing and the forestry sector, pulp and paper and wood products are also sources of leakage and potential growth factors, while wood furniture shows the greatest potential for expansion into value added manufacturing. However, the feasibility of expanding production or diversifying into other areas (e.g., furniture) within the forestry sector is dependent on many factors, including the characteristics and sustainability of the forest stock.

In conclusion, the input-output analysis suggests that Beaufort County, as a whole, is currently prospering in comparison to the rest of South Carolina and the nation. Its trends are (1) increasing income levels and (2) steady employment rates that exceed national and state averages. And although the county remains dependent on the government sector, the economy has witnessed a fairly rapid and significant degree of diversification over the last fifteen years. Much of that structural change has been in favor of the services industry, but that too is diversified and contains both weak and strong sectors.

Yet these are not altogether positive factors, as they point further to the necessity of finding a means for managing rapid growth, and doing so in a sustainable manner. In addition, particular attention needs to be paid to change at the sub-county level, where equitable growth is concerned. There is a growing disparity among county residents due to the influx of affluent retirees, and long-term residents who do not have access to similar economic resources. The continual growth of Hilton Head and the surrounding area poses serious challenges to individual communities and the county as a whole to preserve residential integrity and the natural resource base, such as lower-income housing and farms, which are threatened by inflated market values.