

The National Outlook: Will the Speed-Up Last?

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Growth Has Strengthened

- Underlying growth 2.6 percent this year

2015

2016

2017

Potential

2.0

1.8

2.6

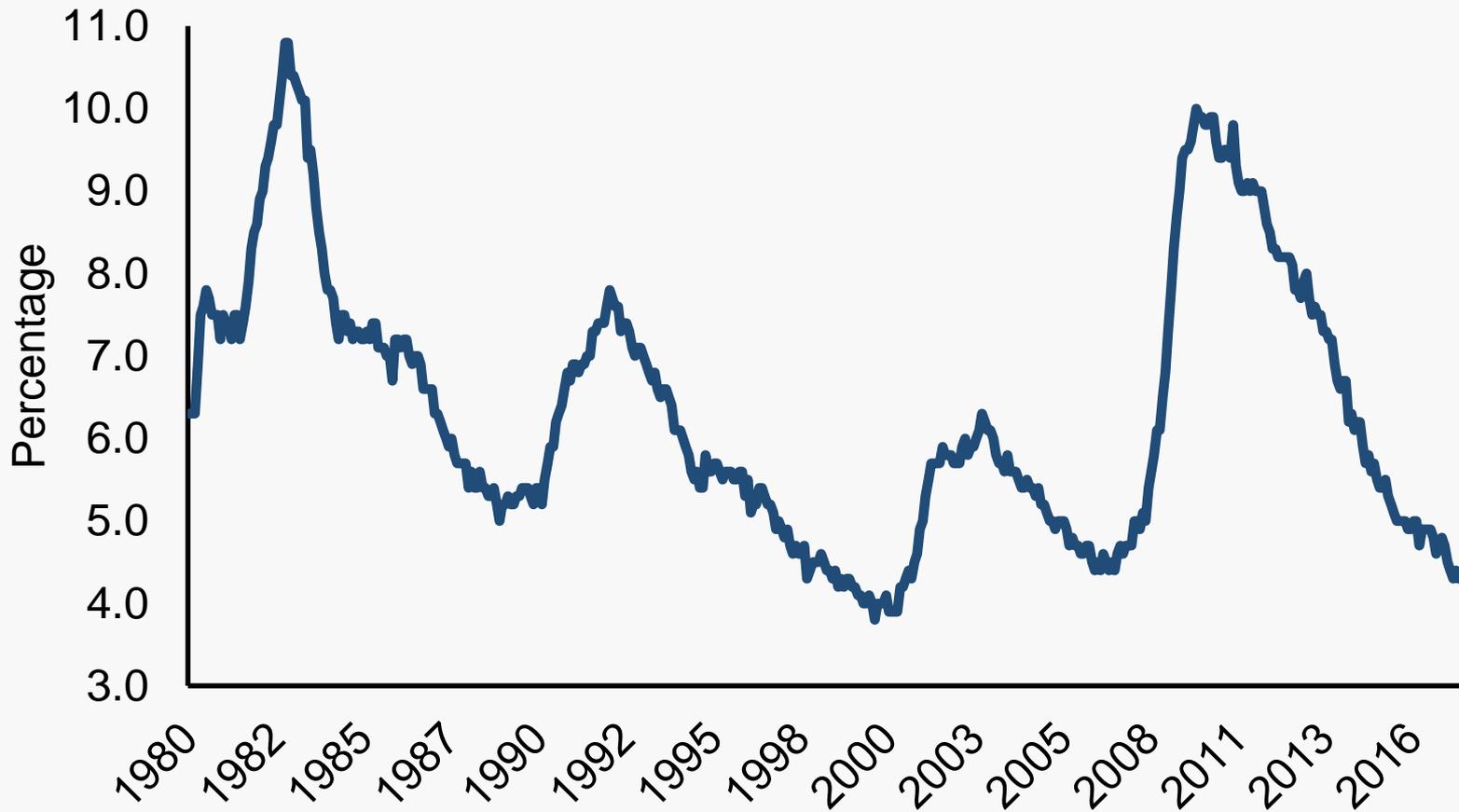
1.8

2.2*

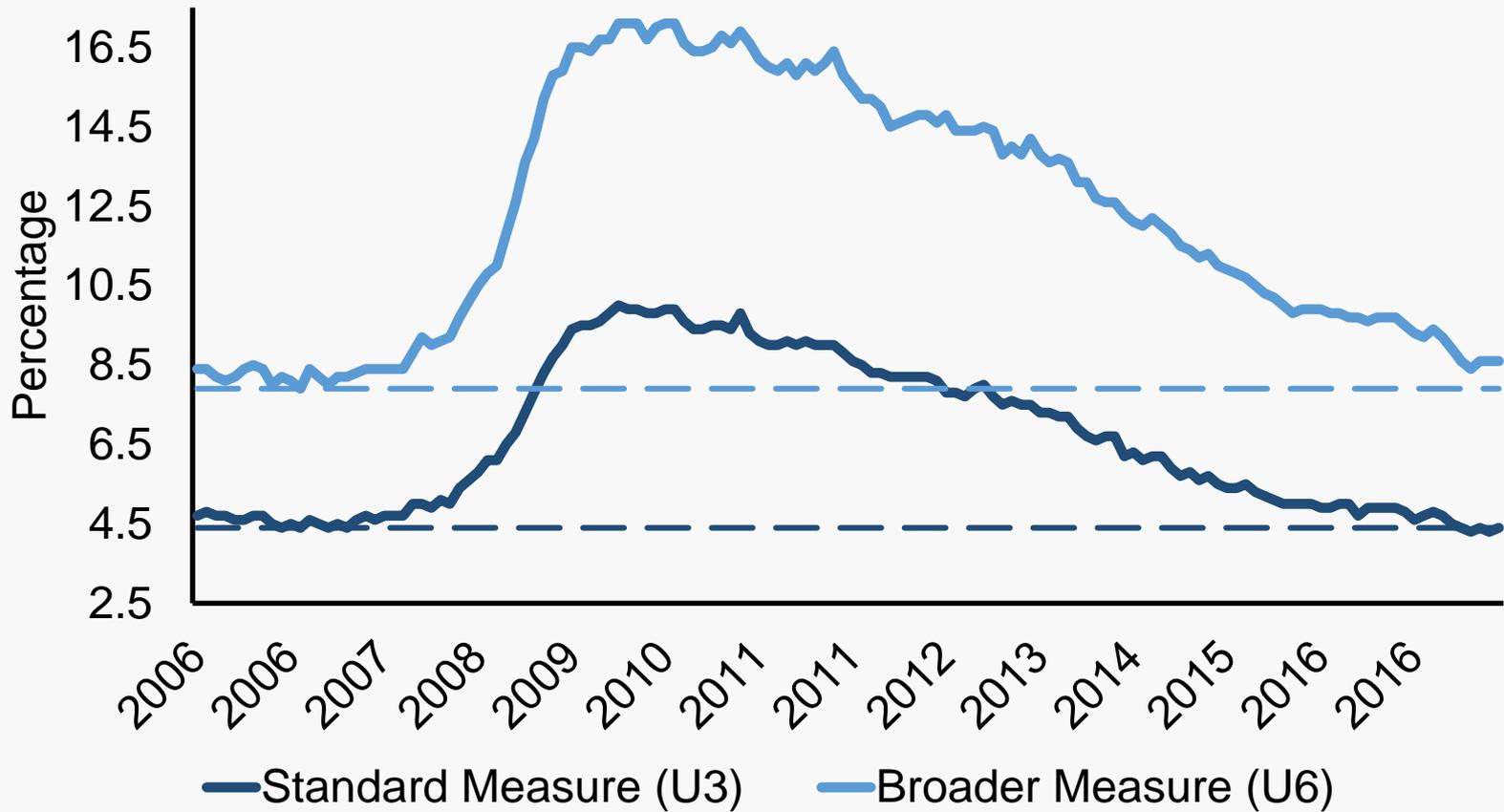
** Actual Growth After Hurricanes*



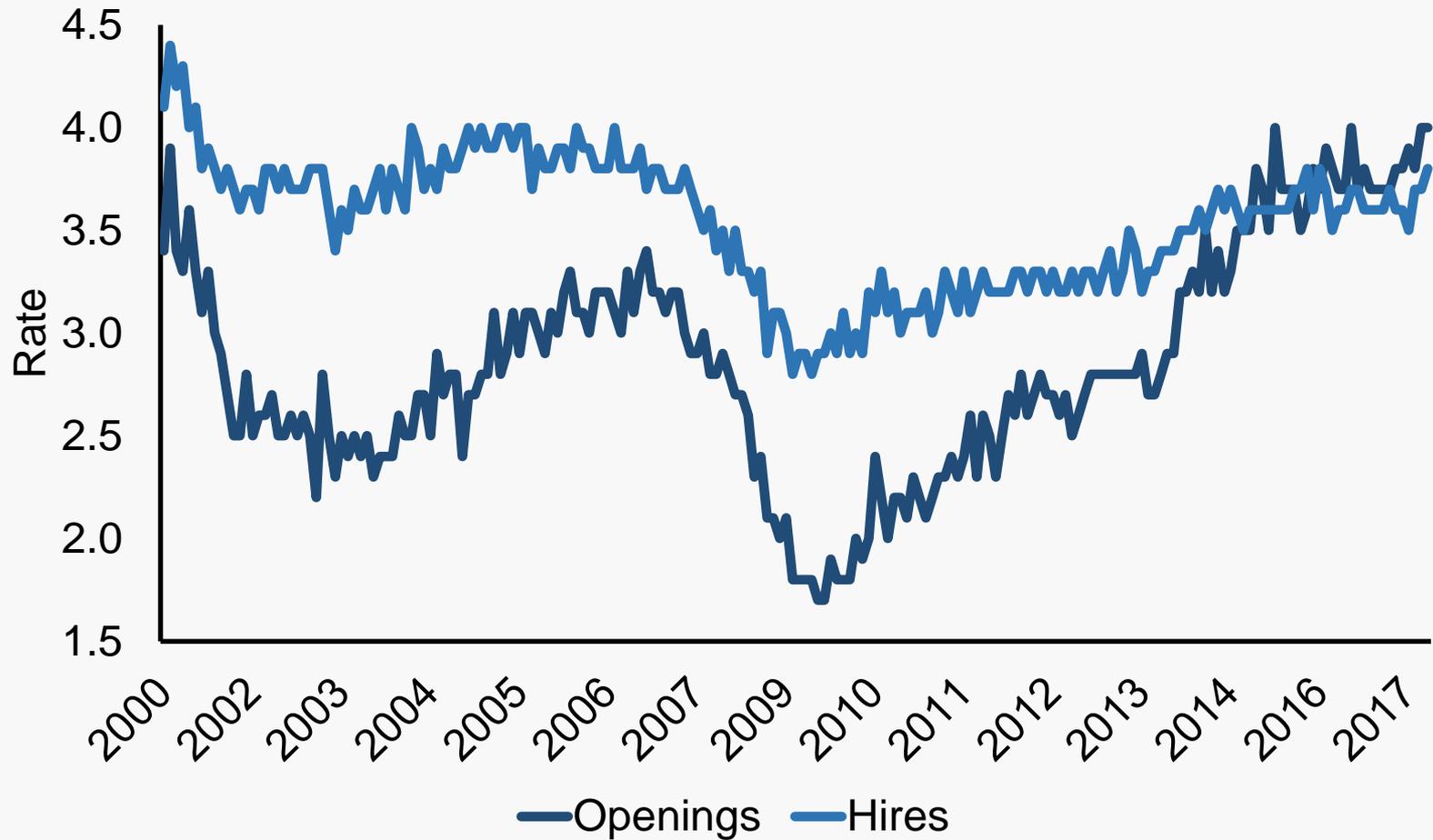
Unemployment Rate Very Low



Broader Measures Suggest Slack Remains

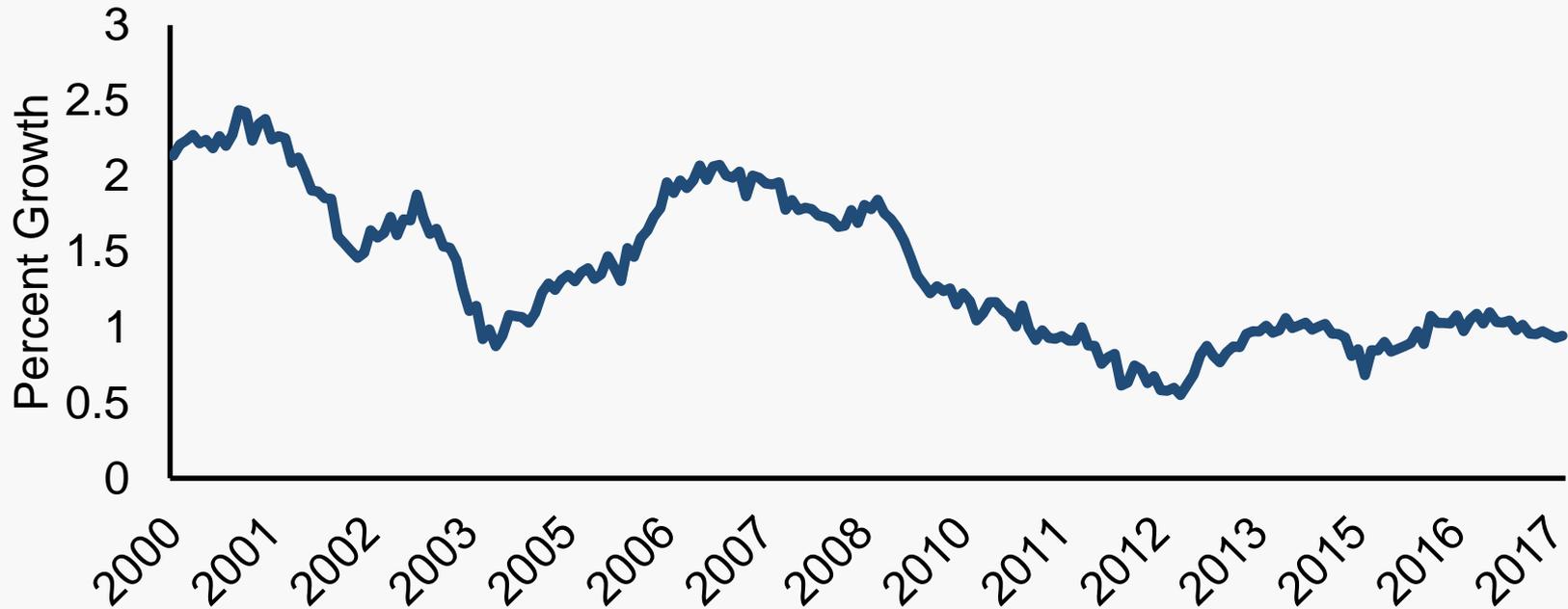


Job Openings High



Wage Pressures Yet to Emerge

Real Wage Growth (12-month change)

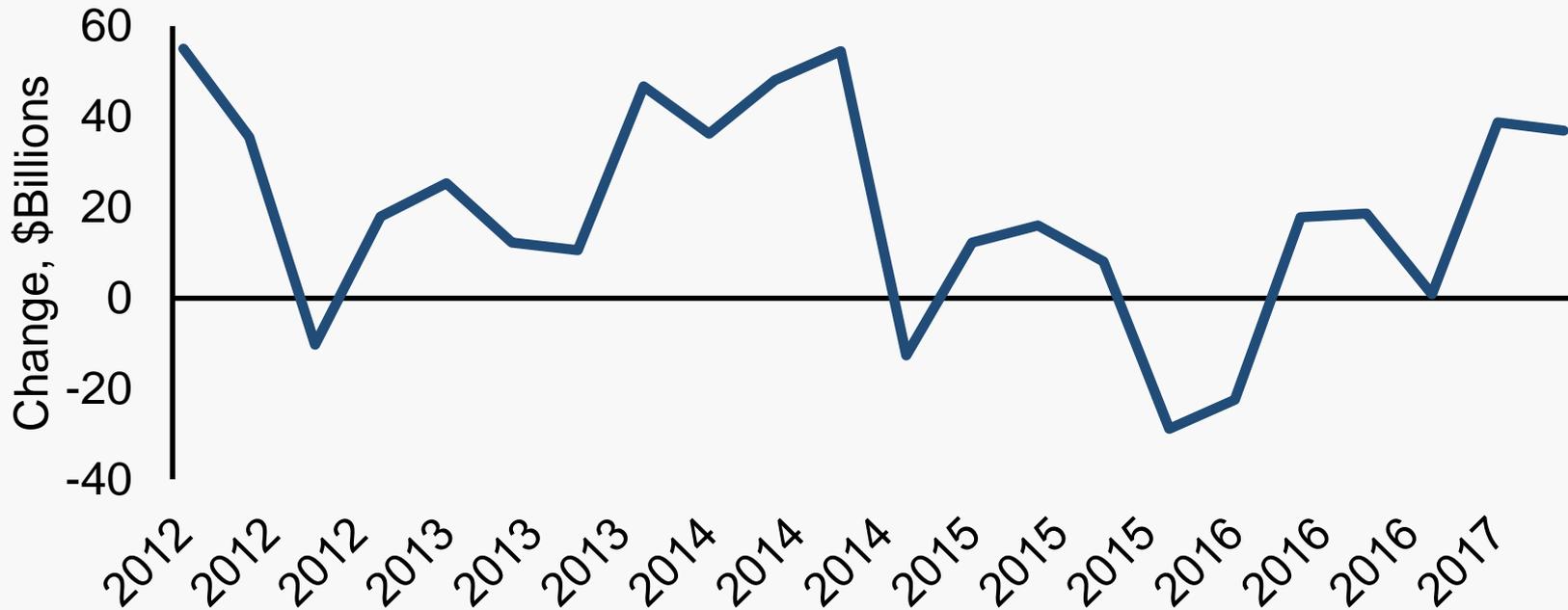


- Small gains reflect sluggish growth in productivity
- Average growth masking a pickup in some sectors



After a Pause, BFI Has Turned Up

Real Nonresidential Fixed Investment

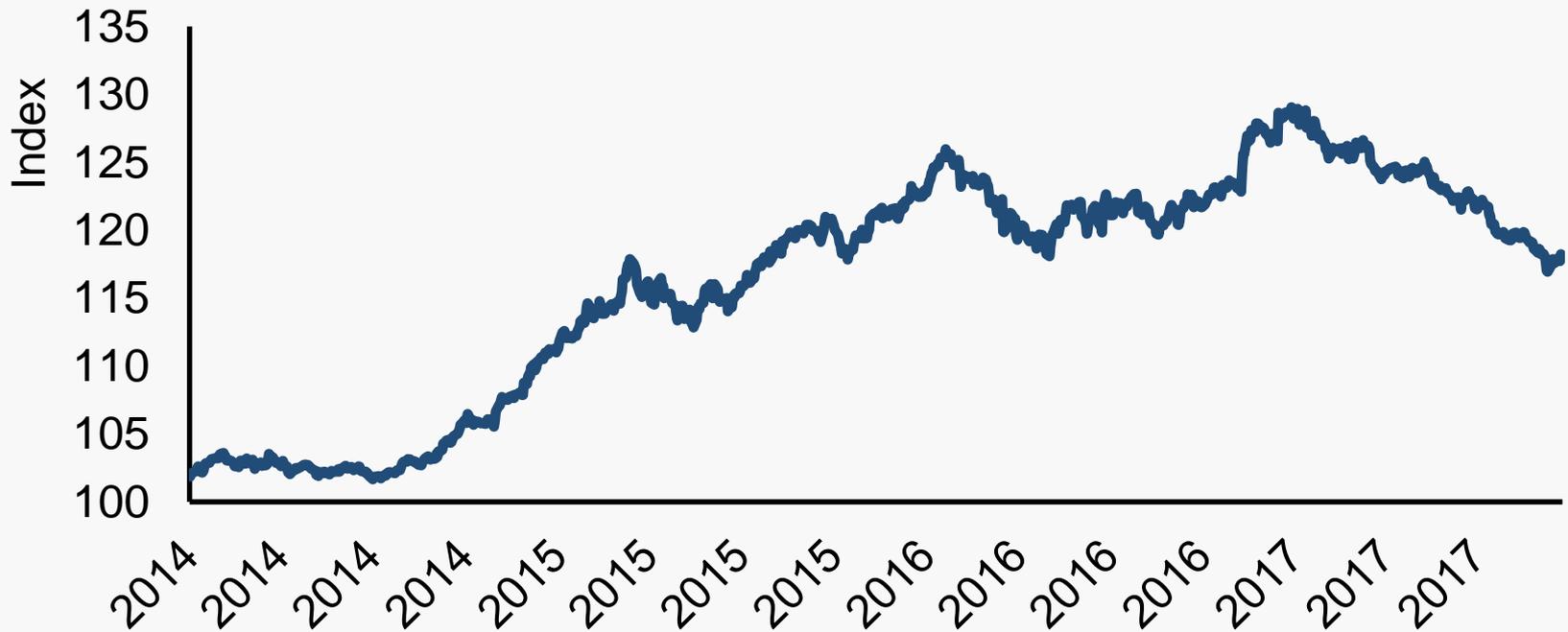


- Business sentiment has improved, evidently as the regulatory and tax climates have changed



External Sector Swinging to a Tailwind

Trade-Weighted Dollar



- In addition to the weaker dollar, projections for growth abroad have been revised up.



Outlook

- Growth will be well maintained

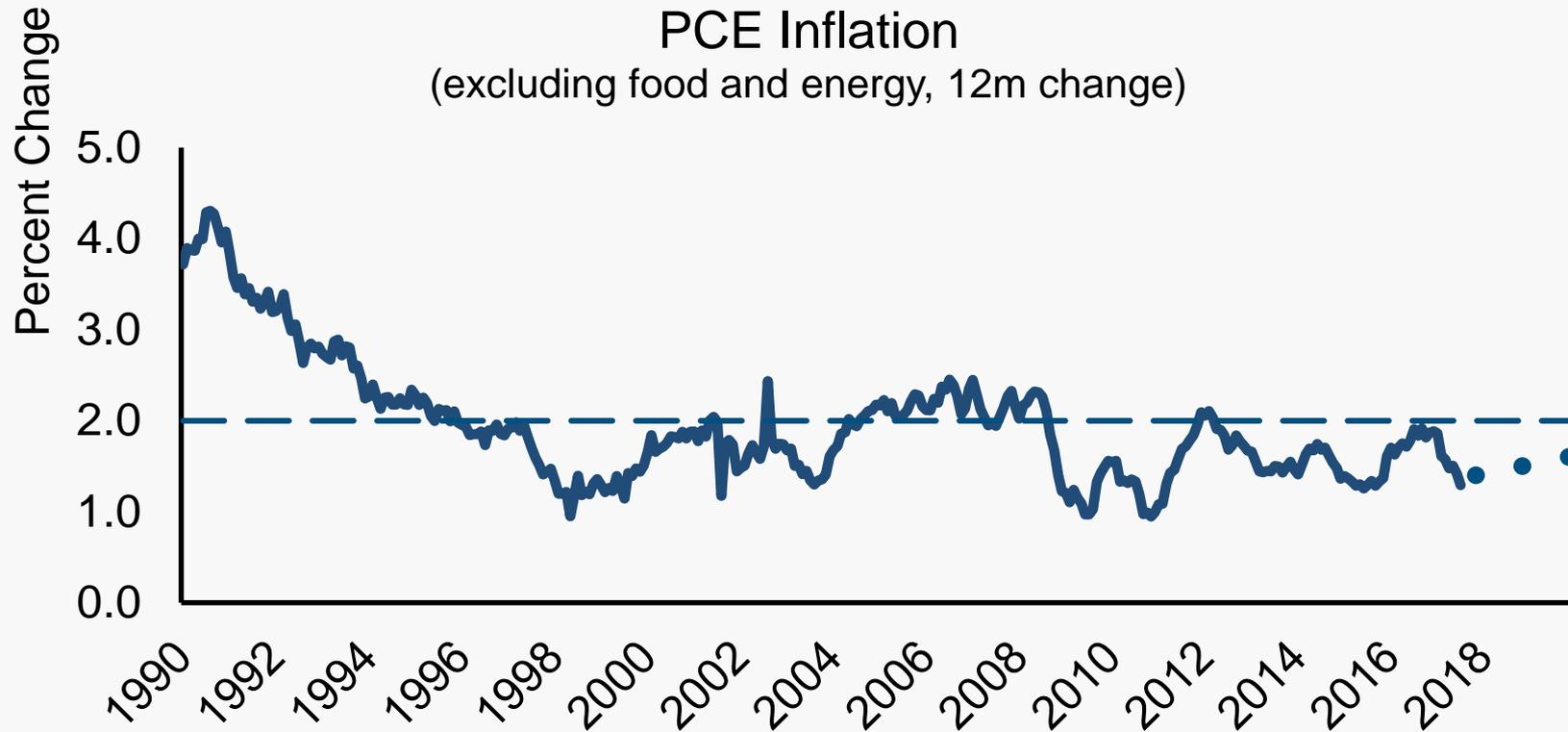
2017	2018	2019
2.6	2.4	2.2
2.2*	2.8*	

**Actual Growth After Hurricanes*

- BFI and exports provide a boost
- Also infrastructure and tax cuts



Inflation to Edge Higher

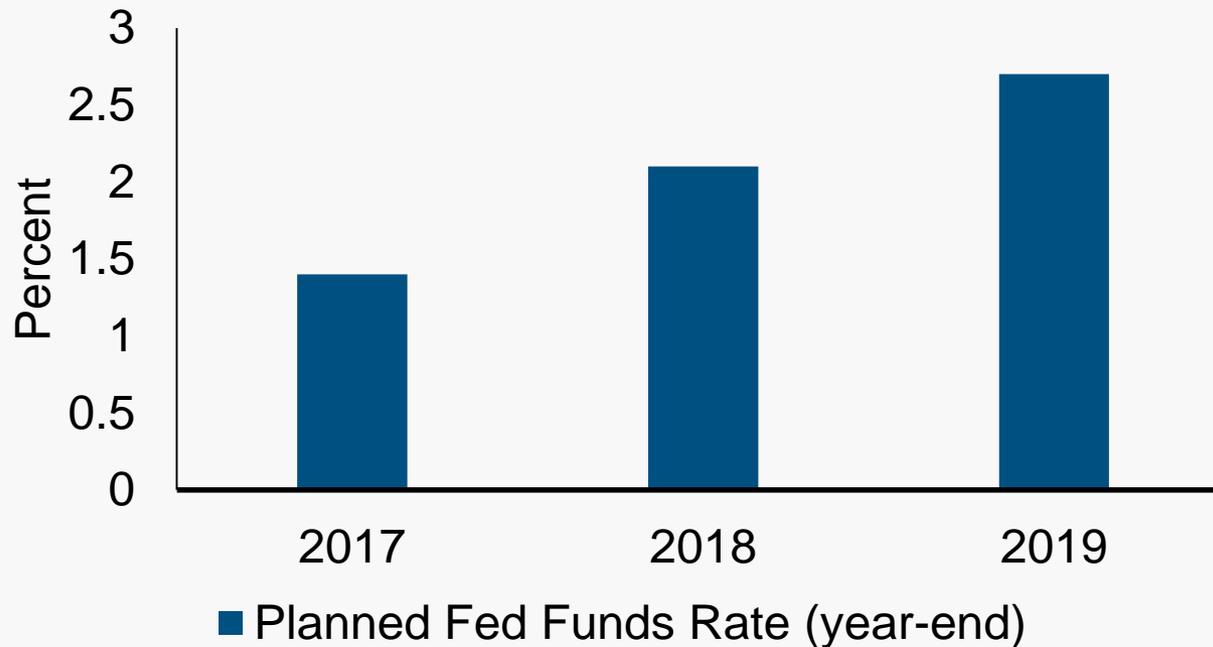


- But remain below the 2 percent target



Low Inflation Poses Dilemma for the Fed

- Will Fed proceed with planned rate increases?



- Scheduled asset run-offs imply more upward pressure
- Delaying action poses risk of more build-up of strains



Past the “Slowdown” and Catching Traffic Again?

The Regional Outlook



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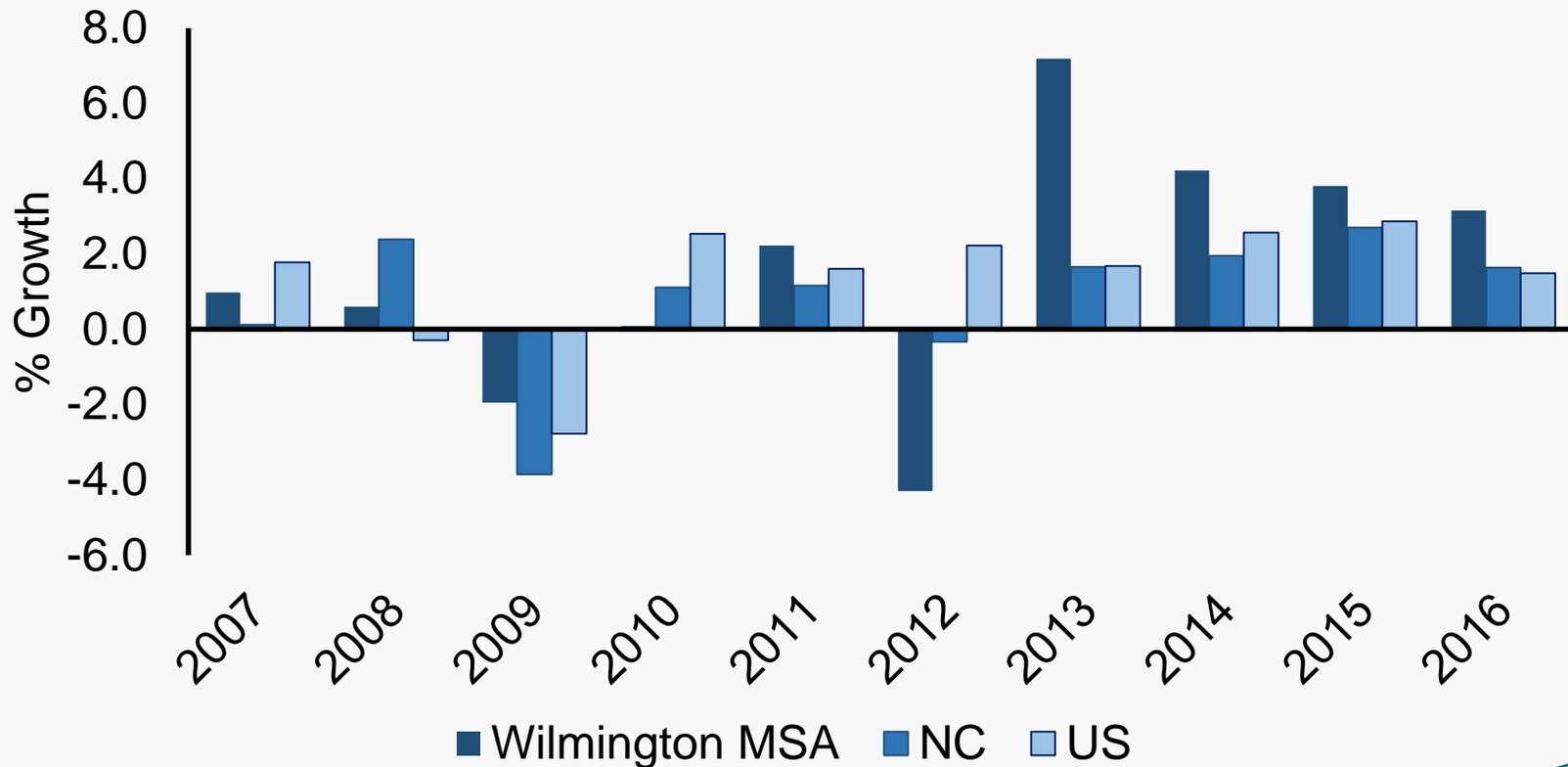


The Economy (in pictures)



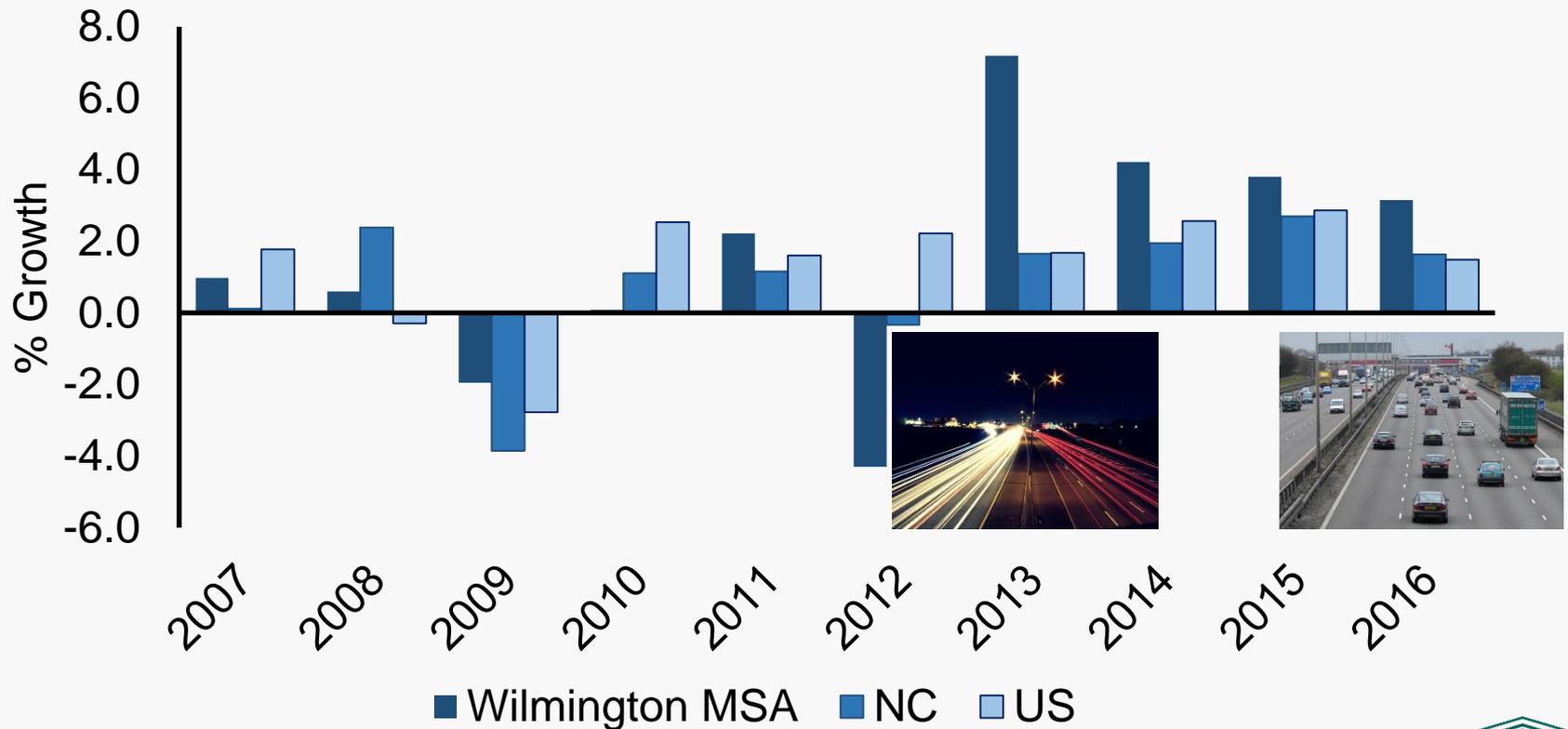
Robust Growth Slowing

Gross Domestic Product Growth



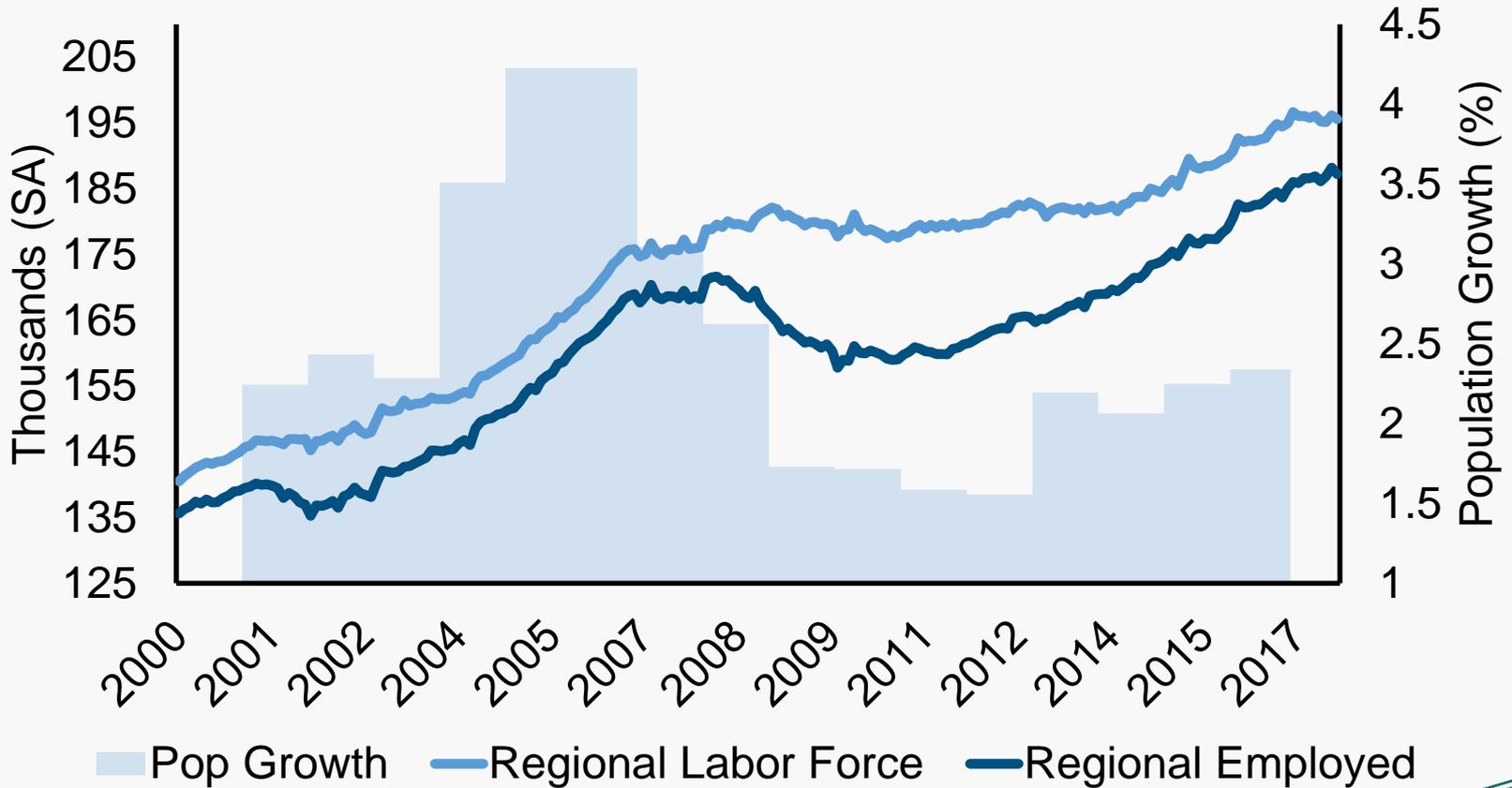
Robust Growth Slowing

Gross Domestic Product Growth

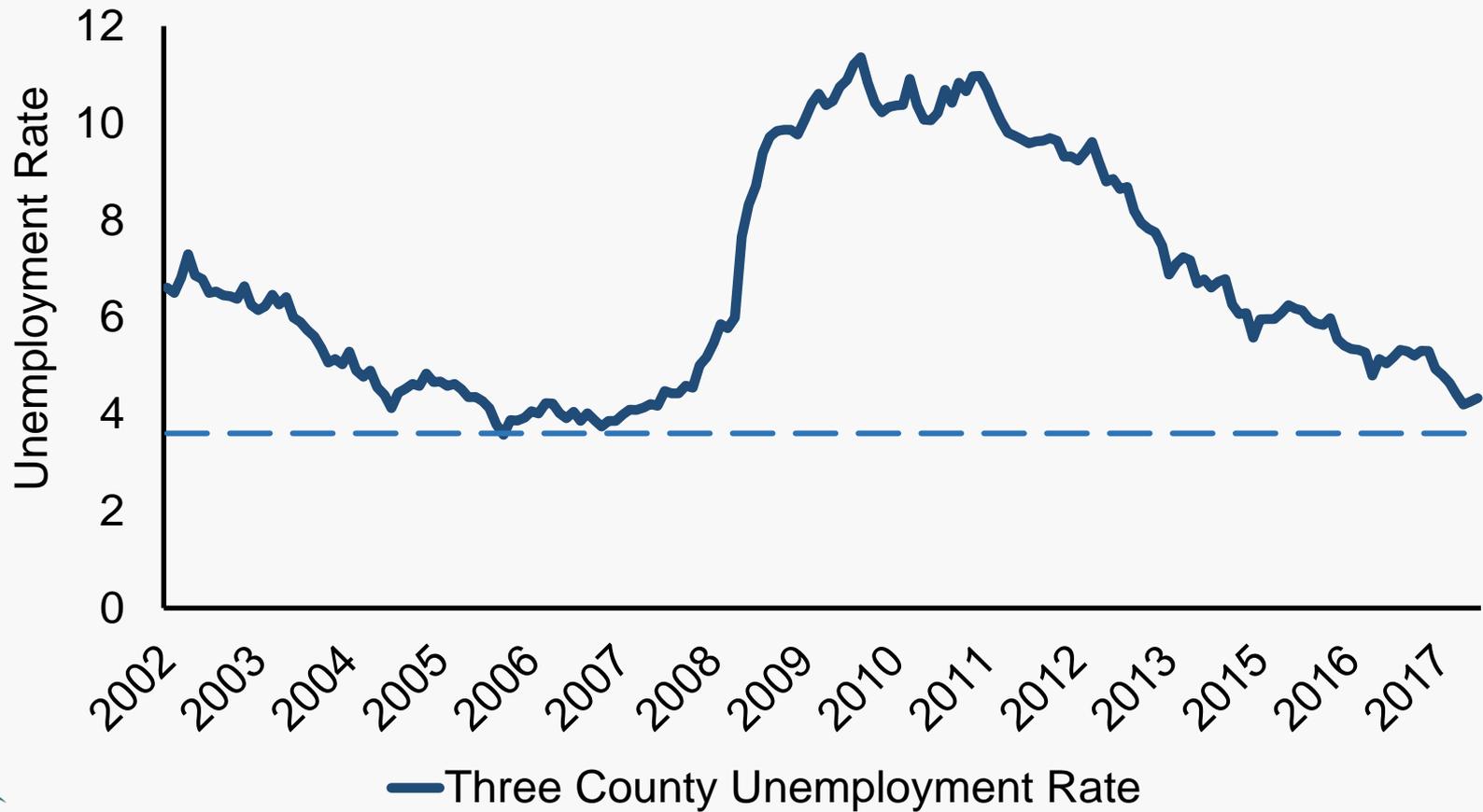


Slack Capacity Diminishing

Regional Labor Force vs. Employment

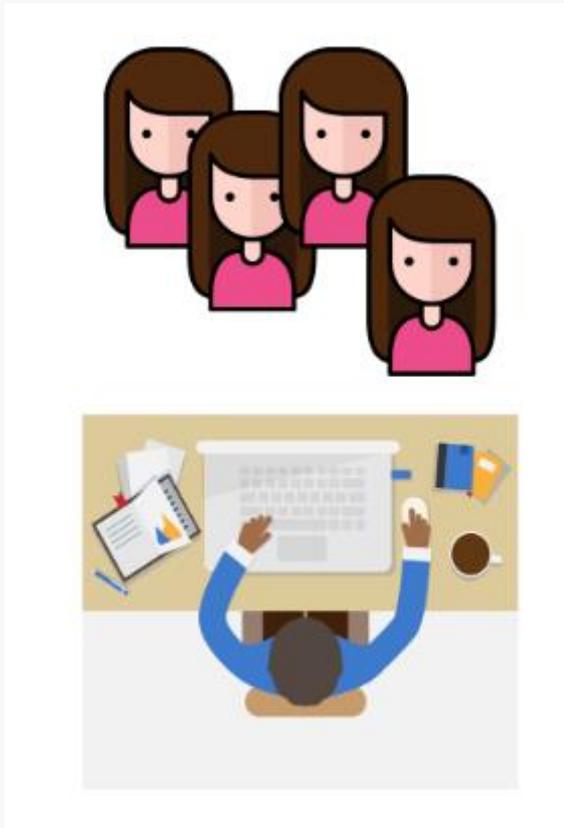


Excess Unemployment Nearly Eliminated

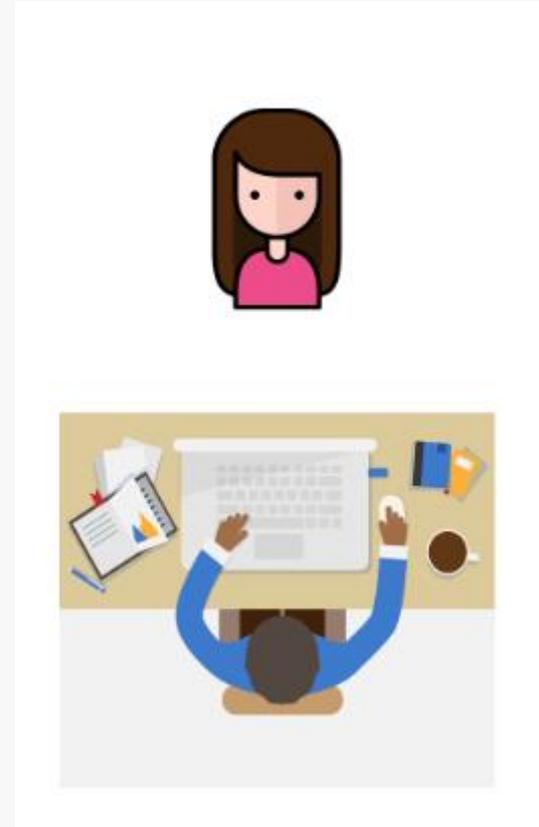


Labor Markets

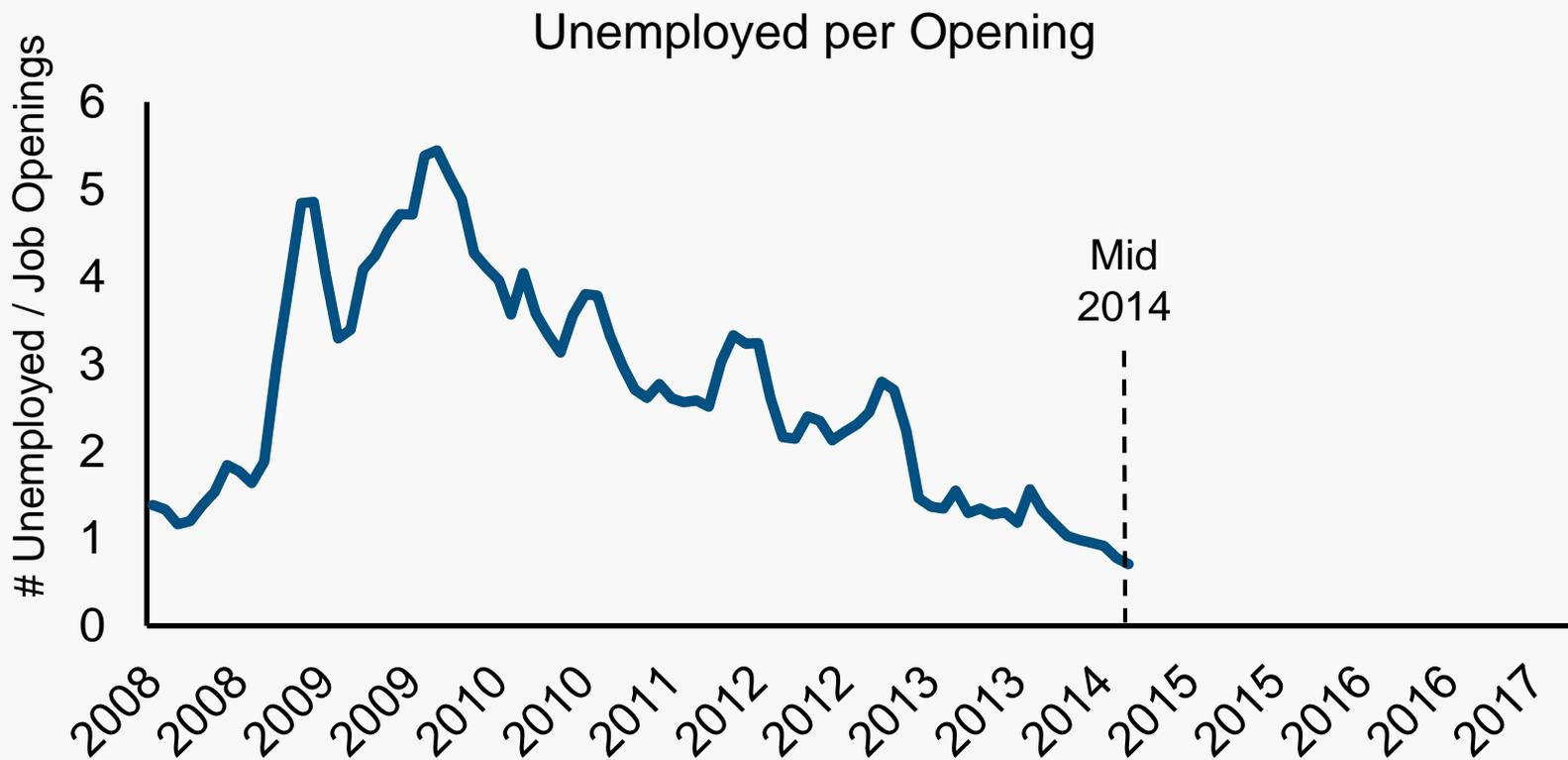
Slack Labor Market



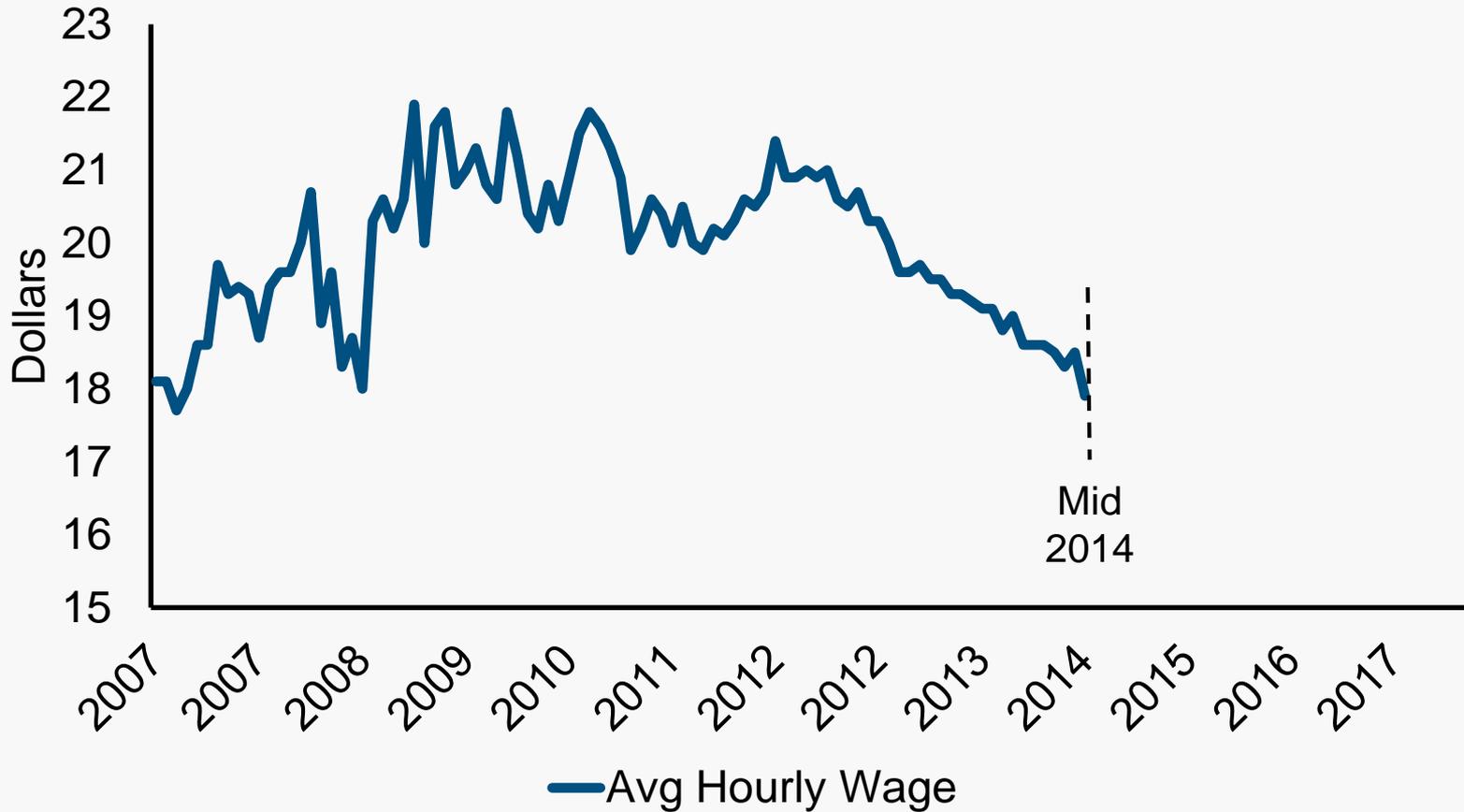
Tight Labor Market



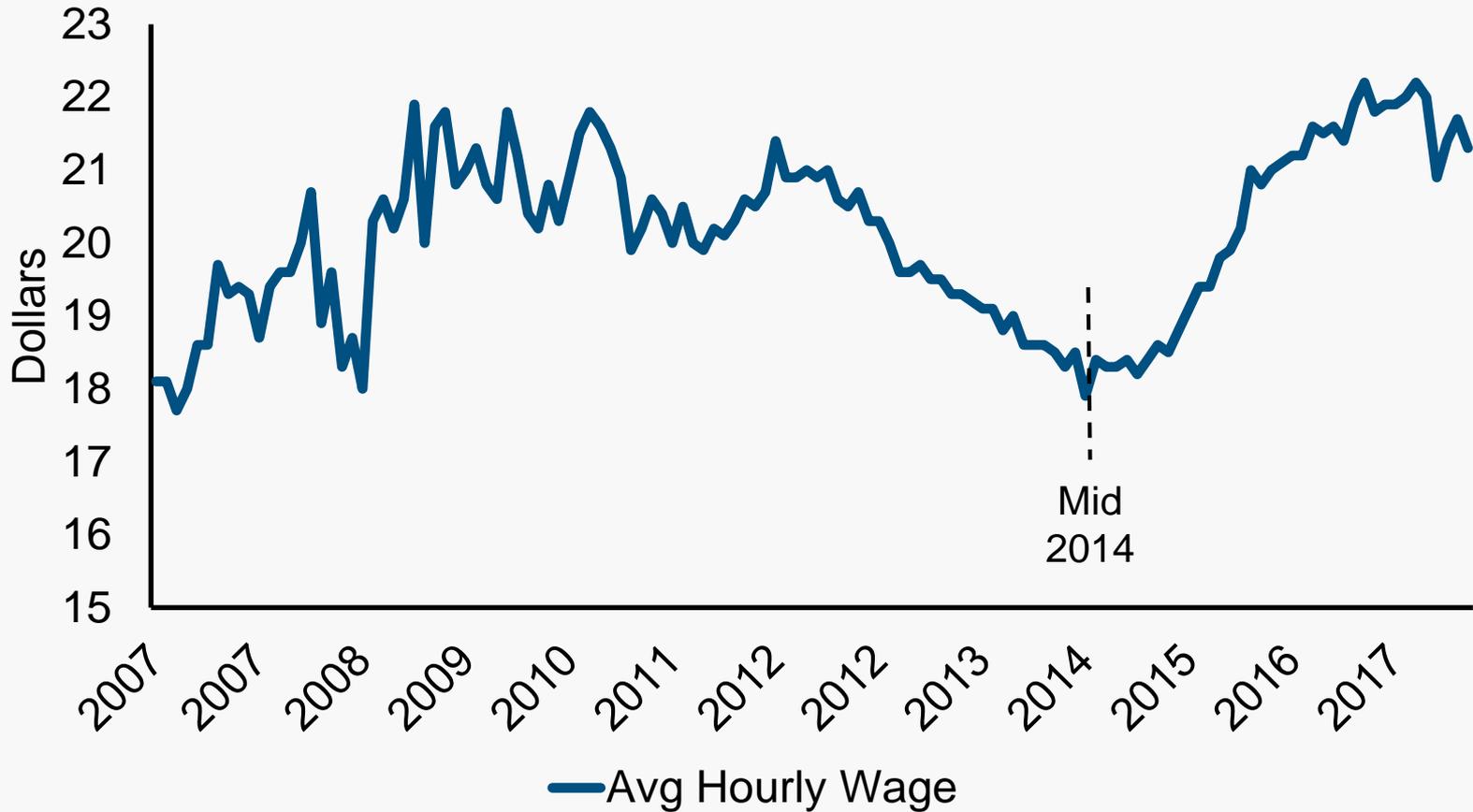
Slack Labor Market Was Tightening



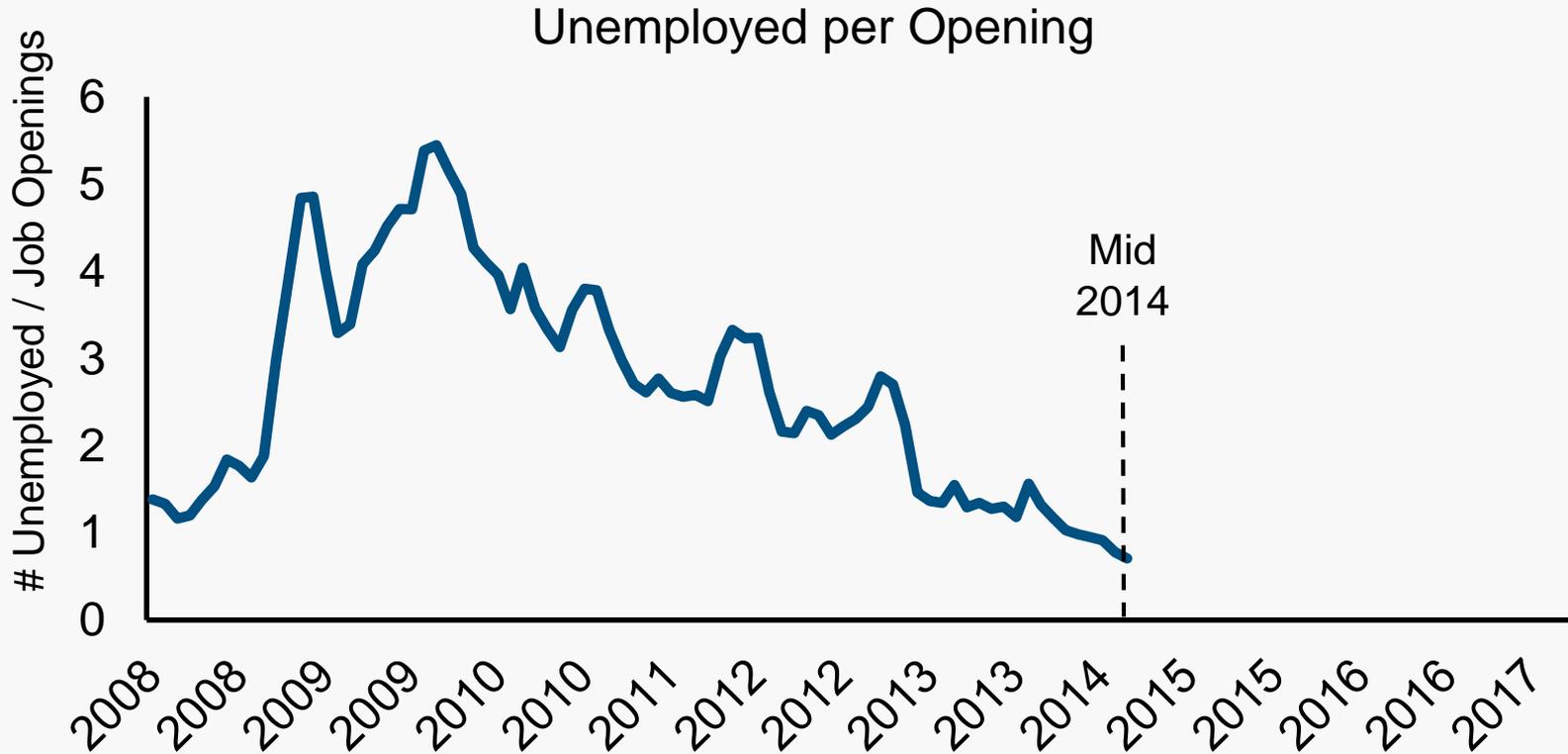
Wages Declined in Slack Market...



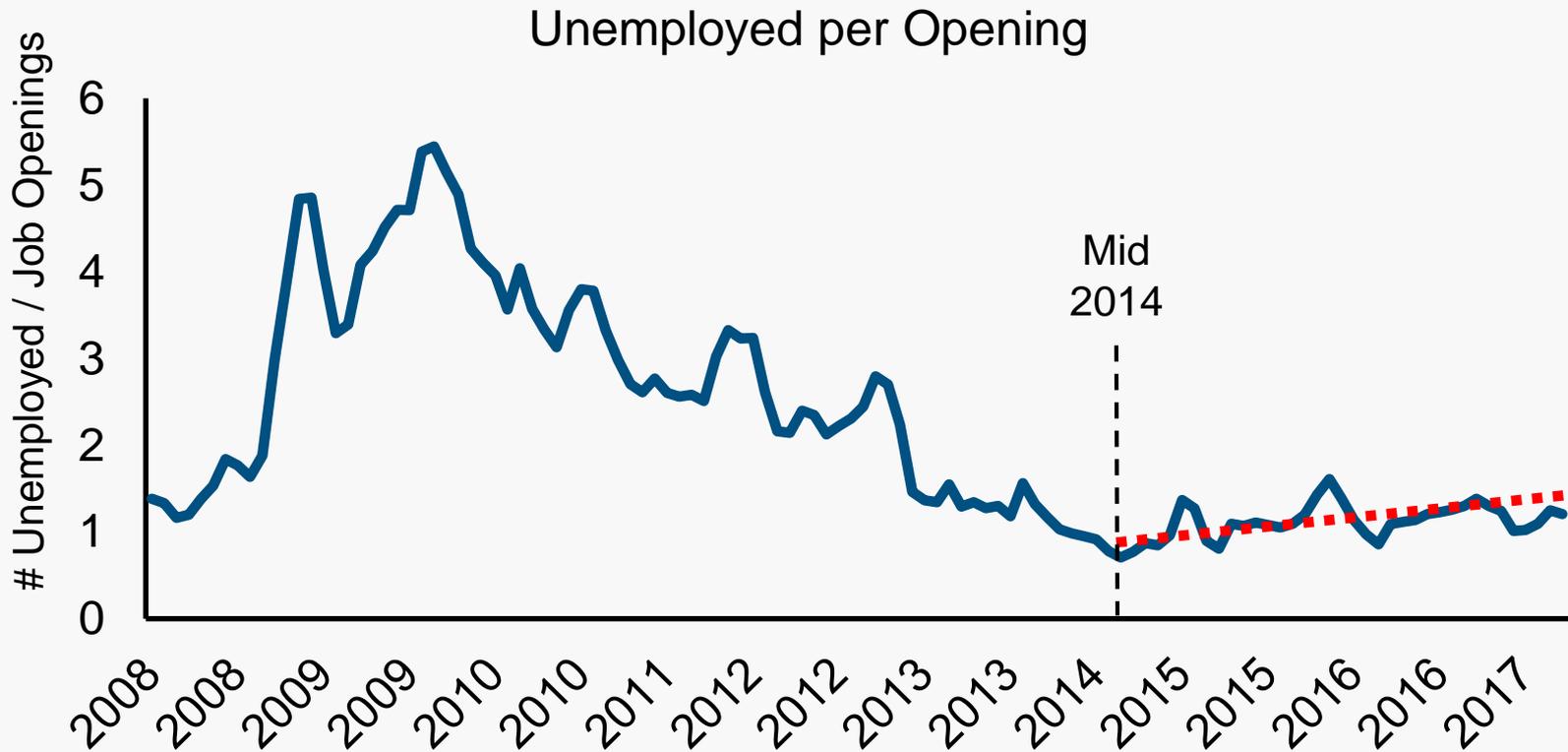
...Until Market Tightened



Tightening Labor Market...



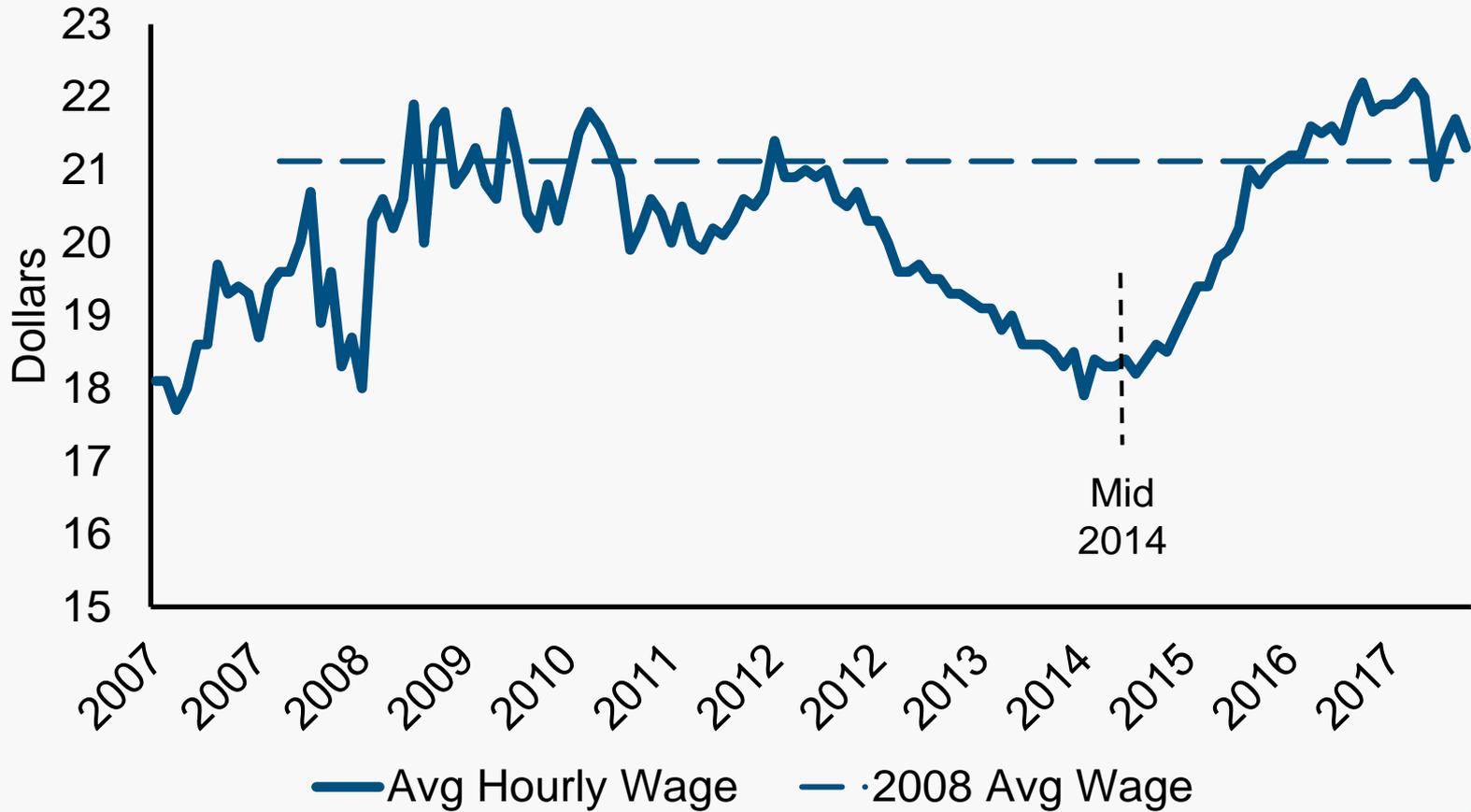
...Drawing Workers Back



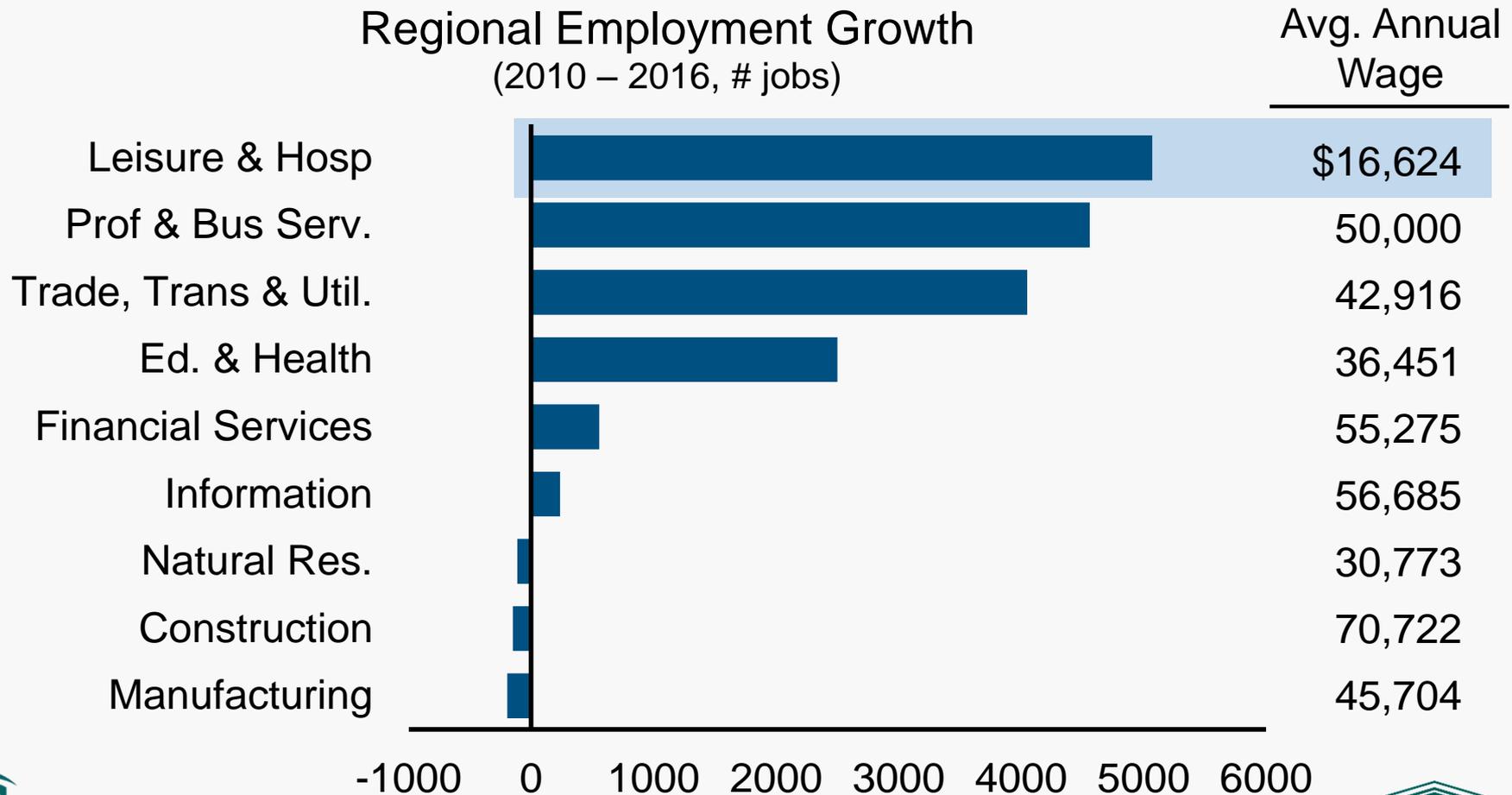
- Discouraged workers may be returning



Average Wages at 2008 Levels

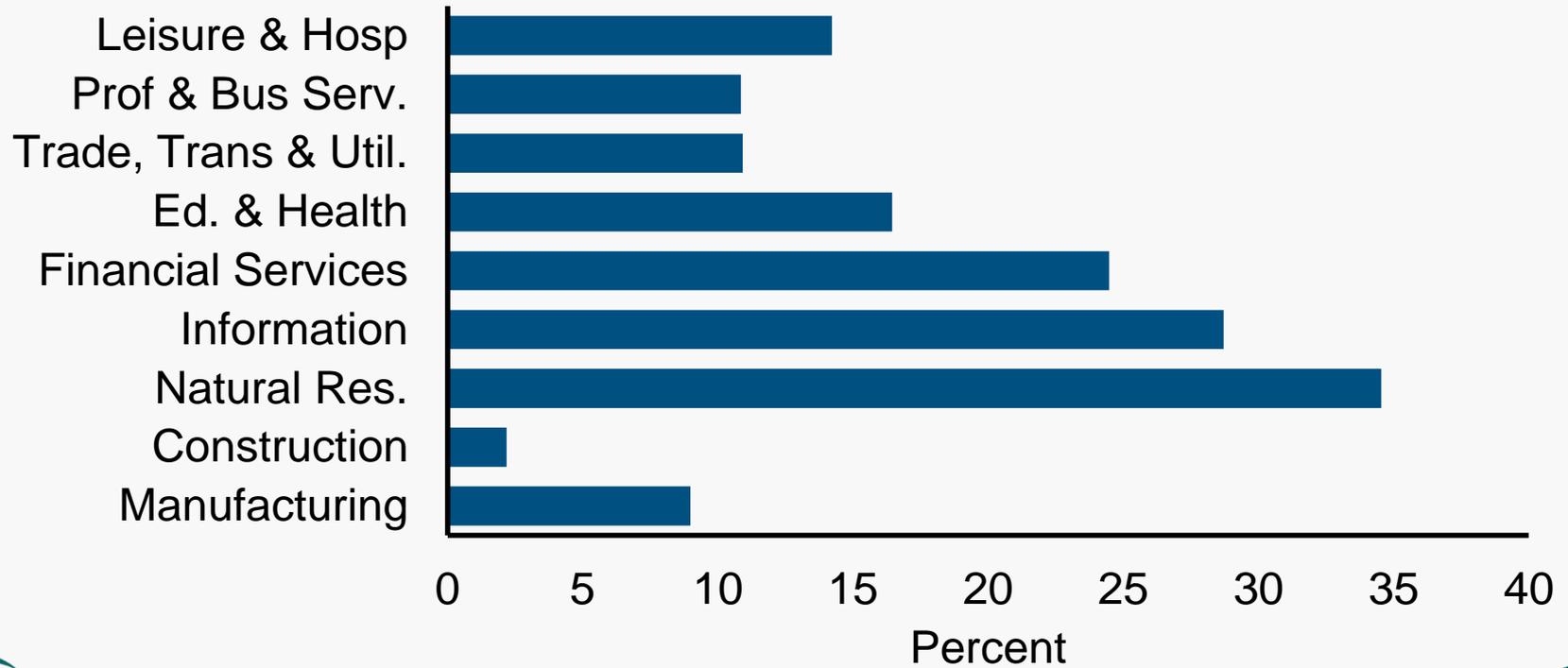


Growth of Low Wage Jobs Holding Down Avg.



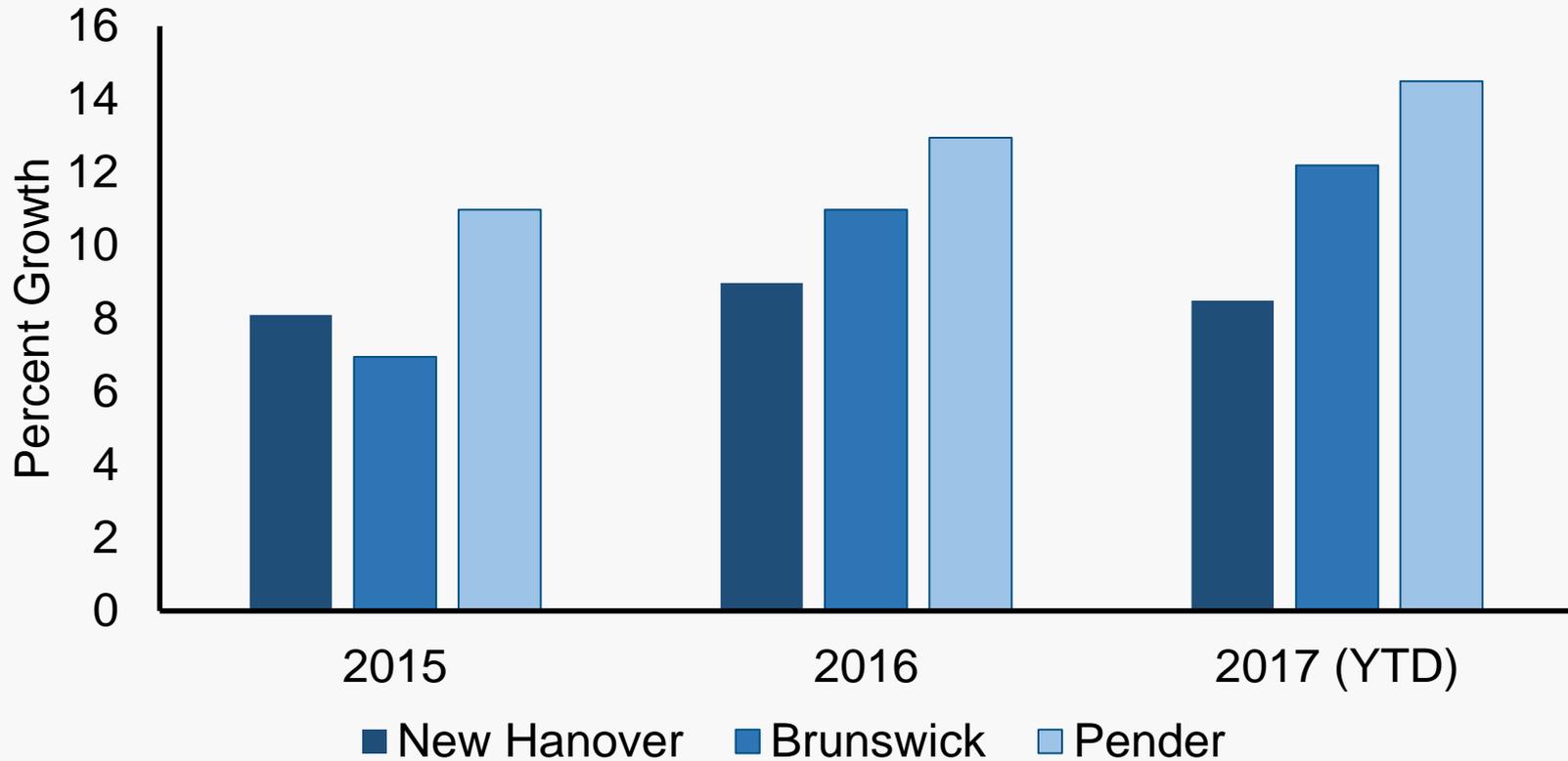
Wages are Growing Though...

Regional Wage Growth
(2010-2016)



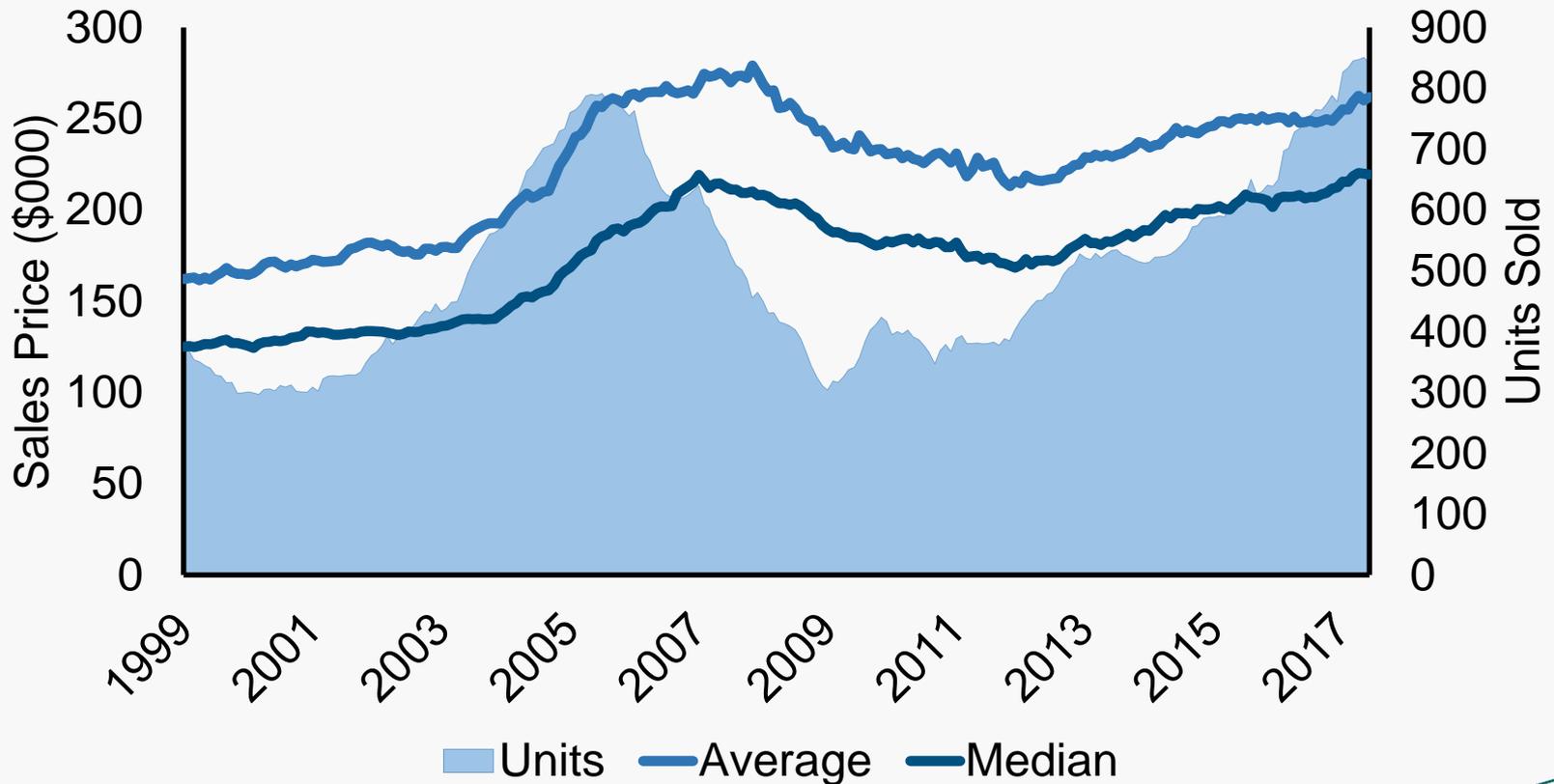
Consumption is growing

Taxable Sales Growth



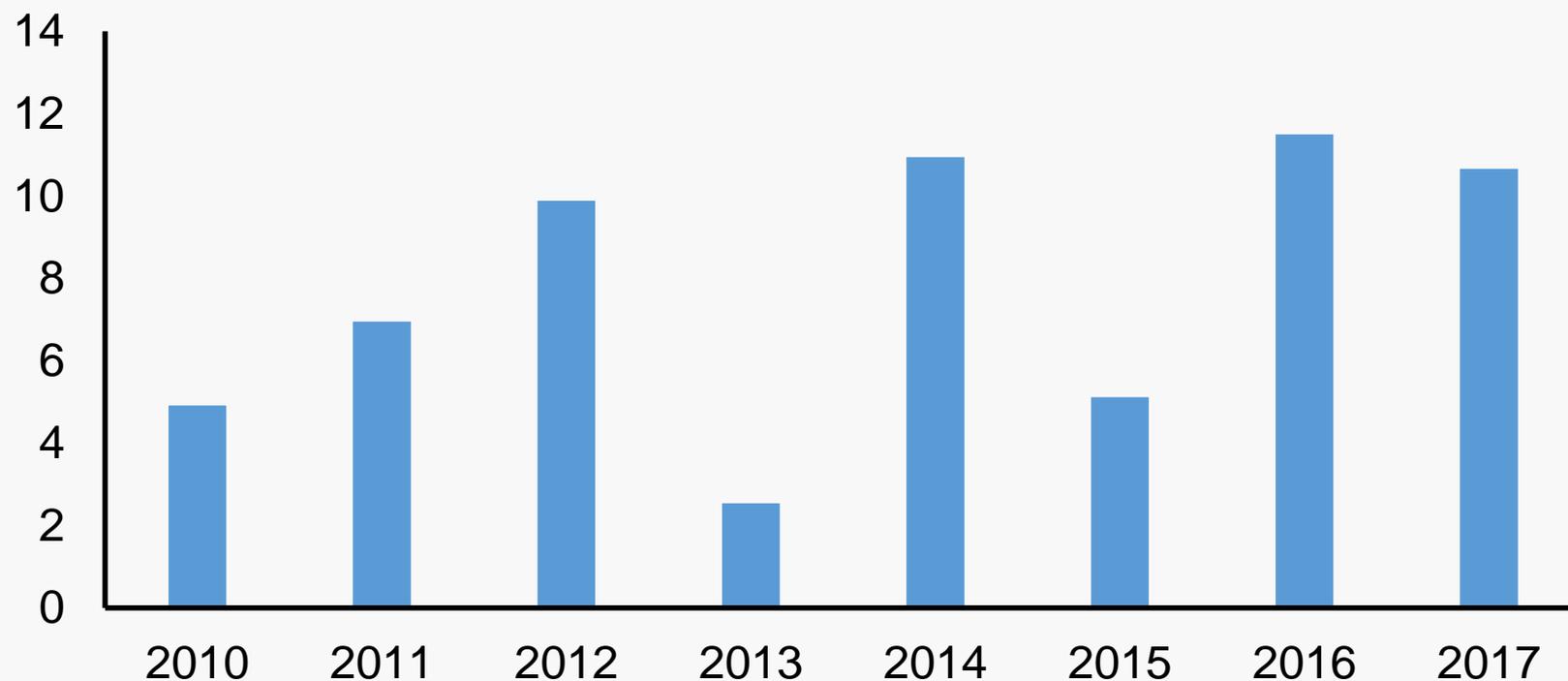
Home Price Growth Normalizing

Single Family Home Price



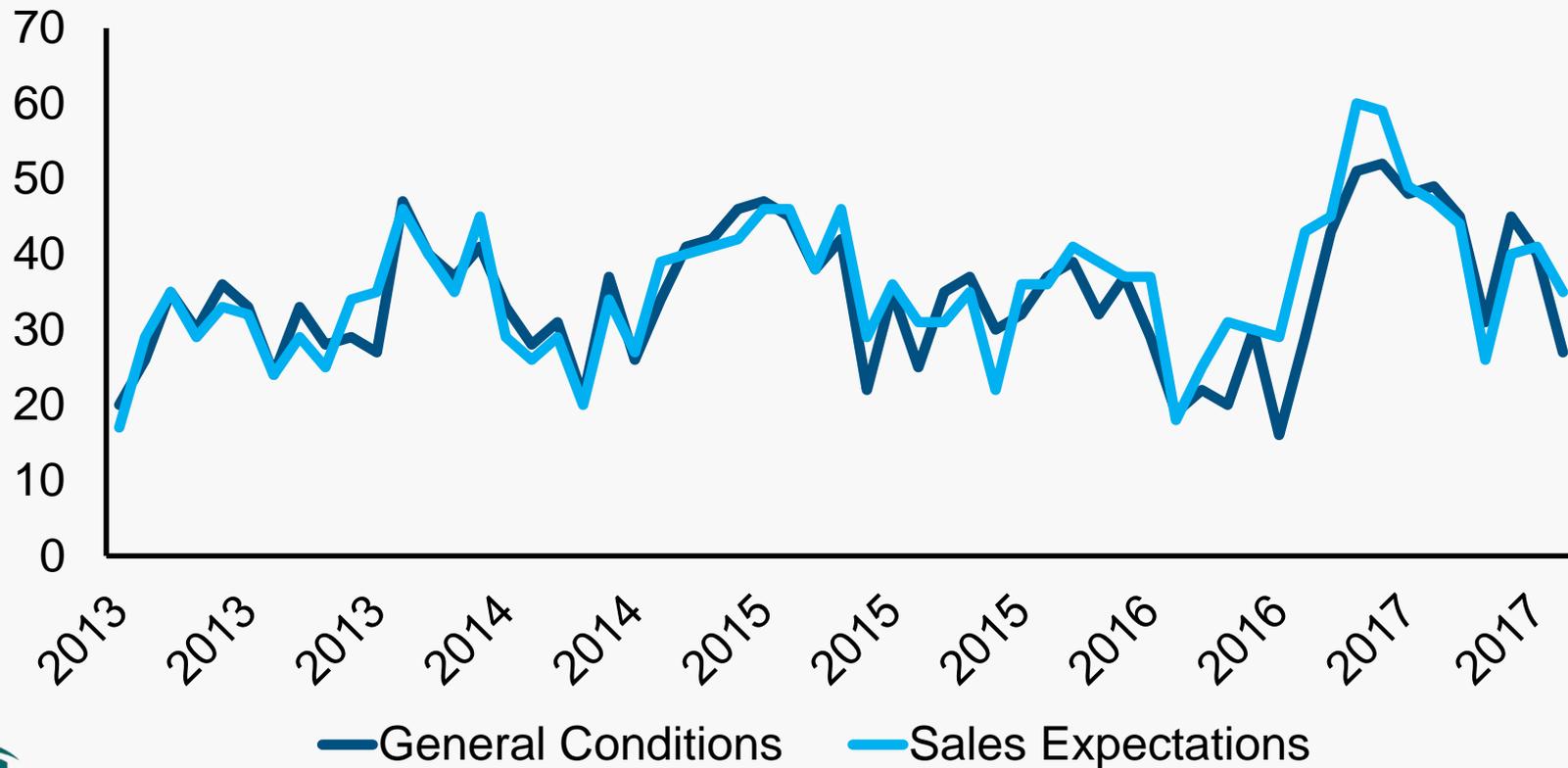
Tourism Growth Relatively Strong

Room Occupancy Tax Growth

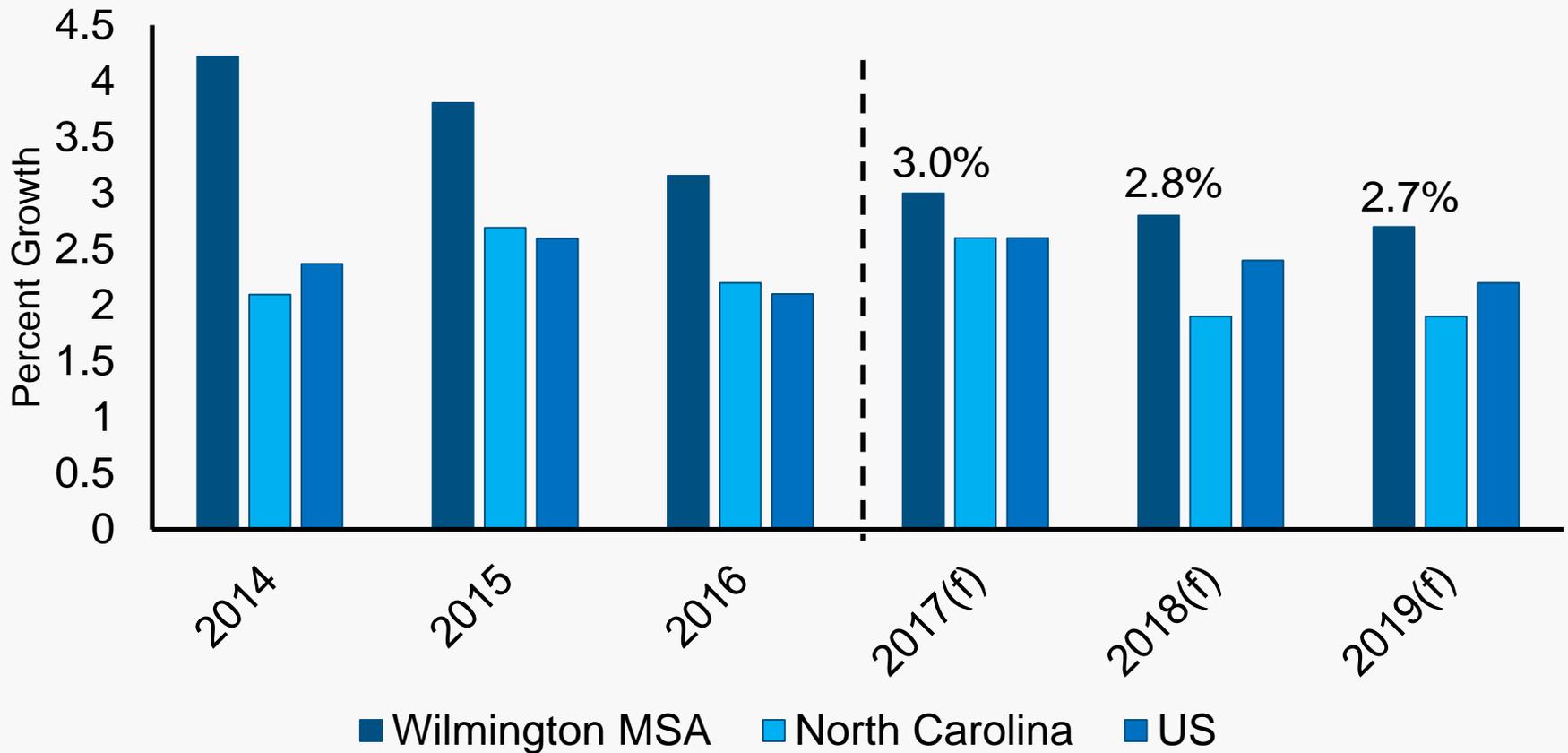


Business Sentiment Normalizing

Business Expectations



Forecast



Looking Down the Road

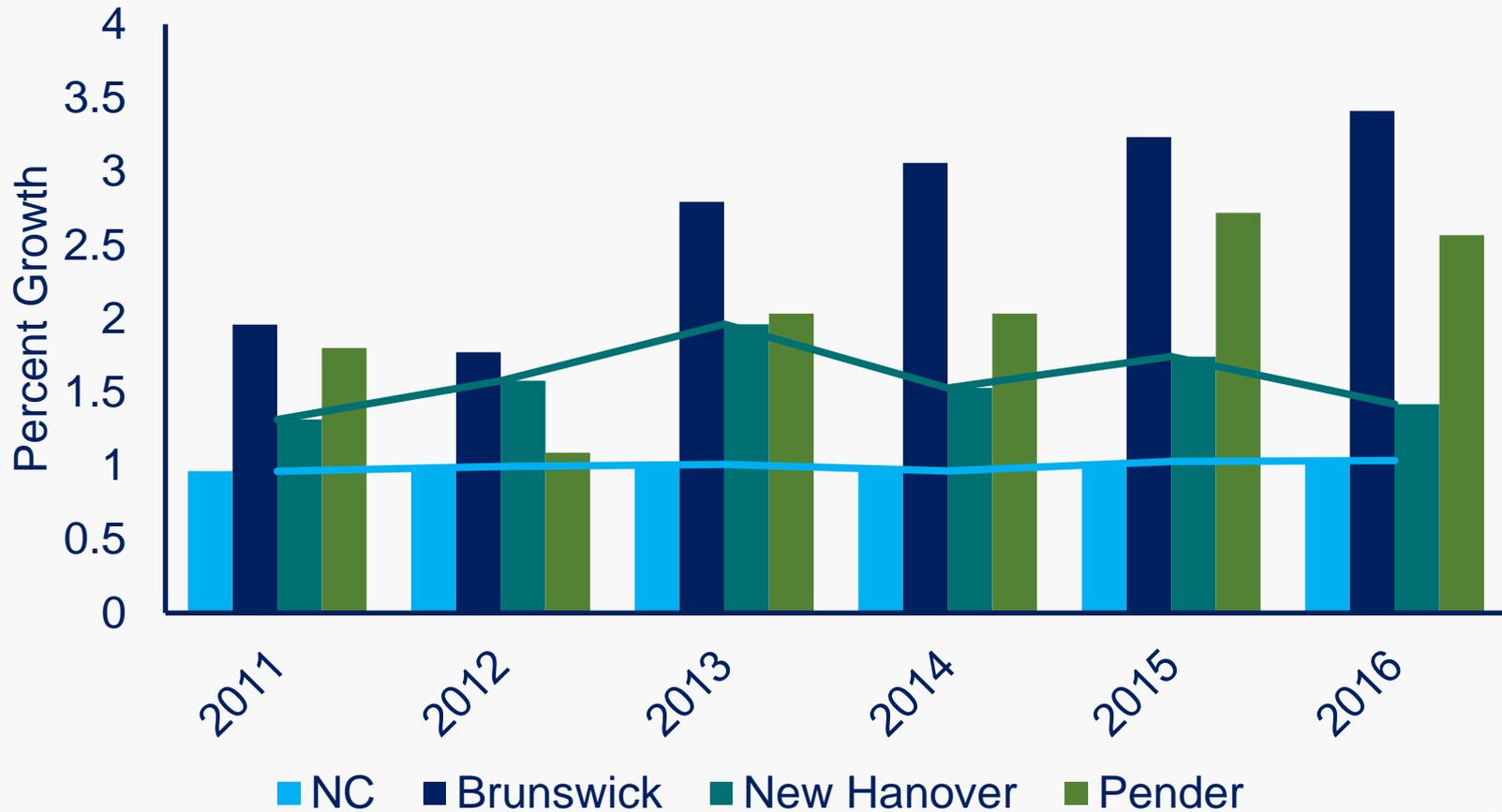


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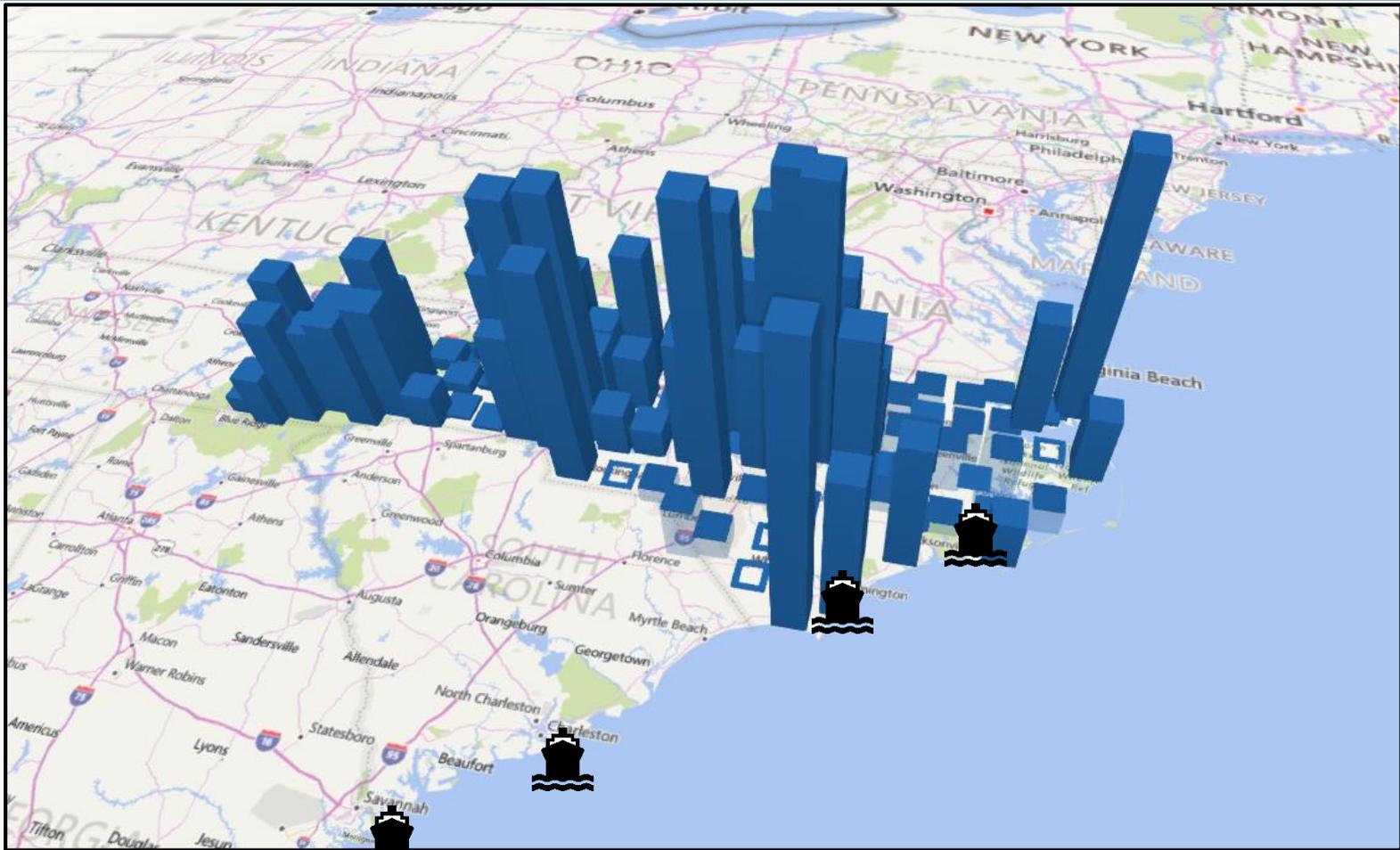


Growing Outward

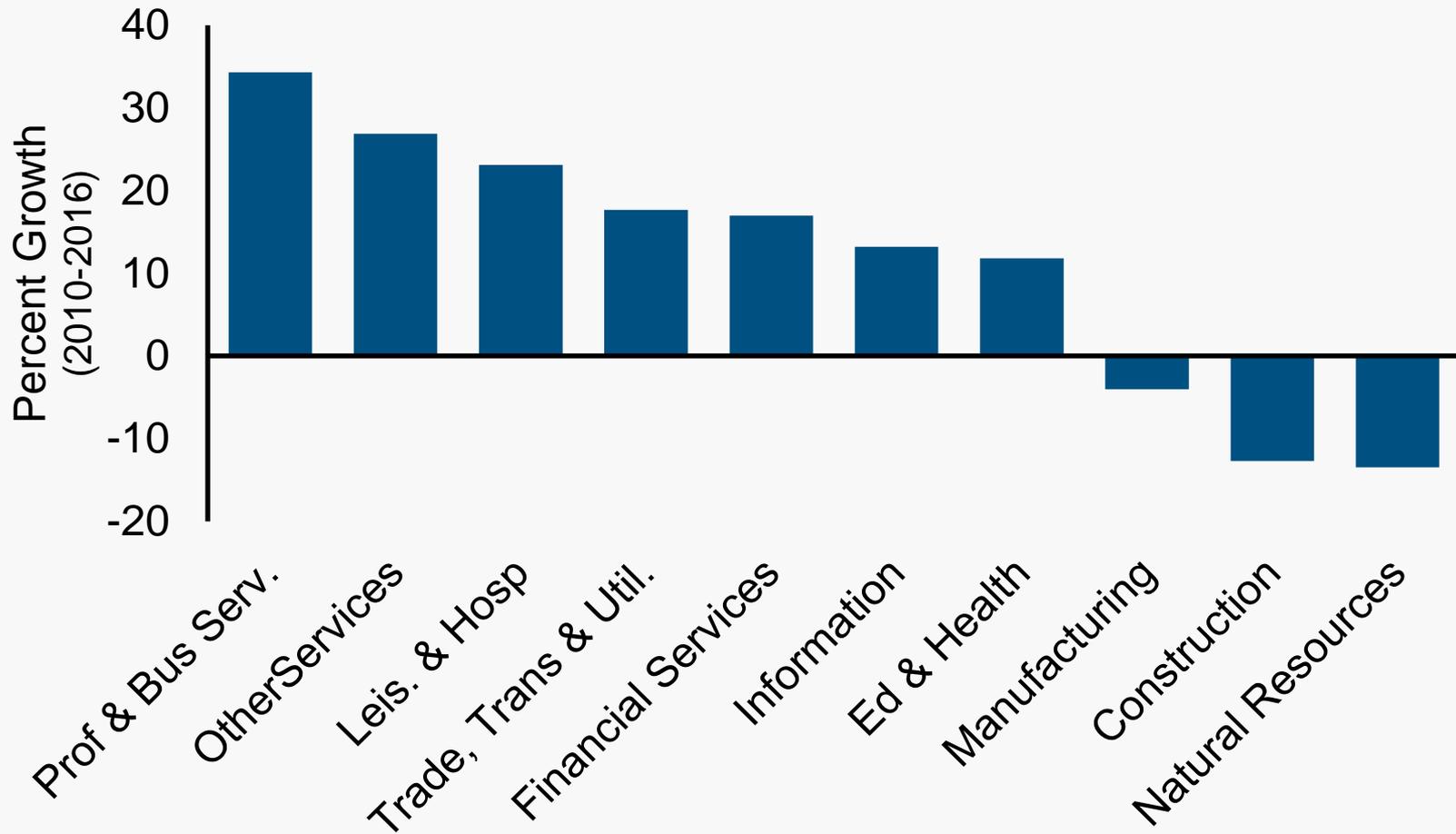
Population Growth



Growth Projected for Urban Areas



New Hanover Becoming Hub of SENC



Thank you.



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