The National Outlook: Will the Speed-Up Last?

Thomas D. Simpson, Ph.D.
Growth Has Strengthened

- Underlying growth 2.6 percent this year

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Potential</th>
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<tbody>
<tr>
<td>2015</td>
<td>2.0</td>
<td>1.8</td>
<td>2.6</td>
<td>1.8</td>
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<tr>
<td>2016</td>
<td></td>
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<td>2.2*</td>
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* Actual Growth After Hurricanes
Unemployment Rate Very Low

Percentage


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Broader Measures Suggest Slack Remains

Percentage

Standard Measure (U3)  Broader Measure (U6)

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Job Openings High

Rate

Openings  Hires

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• 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
And New Capital Goods Orders Are Rising

New Orders for Durable Goods
(excluding defense and aircraft)

Billions of Dollars


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

- Growth will be well maintained

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<tr>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td>Actual Growth After Hurricanes</td>
<td>2.2*</td>
<td>2.8*</td>
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<tr>
<td>2017</td>
<td>2.6</td>
<td>2.4</td>
<td>2.2</td>
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</tbody>
</table>

- BFI and exports provide a boost
- Also infrastructure and tax cuts
Inflation to Edge Higher

PCE Inflation
(excluding food and energy, 12m change)

• 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
Robust Growth Slowing

Gross Domestic Product Growth

% Growth


Wilmington MSA NC US

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Robust Growth Slowing

Gross Domestic Product Growth

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Slack Capacity Diminishing

Regional Labor Force vs. Employment

- Pop Growth
- Regional Labor Force
- Regional Employed

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Excess Unemployment Nearly Eliminated

![Unemployment Rate Graph](image-url)

Three County Unemployment Rate

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Labor Markets

Slack Labor Market

Tight Labor Market

Source: piktochart.com
Slack Labor Market Was Tightening

Unemployed per Opening

# Unemployed / Job Openings

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Wages Declined in Slack Market...
...Until Market Tightened

Avg Hourly Wage

Dollars

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Tightening Labor Market...

Unemployed per Opening

# Unemployed / Job Openings


Mid 2014
• Discouraged workers may be returning
Average Wages at 2008 Levels

- Avg Hourly Wage
- 2008 Avg Wage

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Growth of Low Wage Jobs Holding Down Avg. Annual Wage

Regional Employment Growth (2010 – 2016, # jobs)

- Leisure & Hosp: $16,624
- Prof & Bus Serv.: 50,000
- Trade, Trans & Util.: 42,916
- Ed. & Health: 36,451
- Financial Services: 55,275
- Information: 56,685
- Natural Res.: 30,773
- Construction: 70,722
- Manufacturing: 45,704
Wages are Growing Though...

Regional Wage Growth (2010-2016)

Leisure & Hosp
Prof & Bus Serv.
Trade, Trans & Util.
Ed. & Health
Financial Services
Information
Natural Res.
Construction
Manufacturing

Percent

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Consumption is growing

Taxable Sales Growth

- New Hanover
- Brunswick
- Pender

Percent Growth

- 2015
- 2016
- 2017 (YTD)
Tourism Growth Relatively Strong

Room Occupancy Tax Growth

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Business Sentiment Normalizing

Business Expectations

- General Conditions
- Sales Expectations

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Forecast  

North Carolina Forecasts Courtesy of UNCC and NCSU
Looking Down the Road
New Hanover Becoming Hub of SENC

[Bar chart showing percent growth (2010-2016) for various sectors, including Prof & Bus Serv., Other Services, Leis. & Hosp, Trade, Trans & Util, Financial Services, Information, Ed & Health, Manufacturing, Construction, Natural Resources, with Percent Growth ranging from -20 to 40.]

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Thank you.