

# 2019 OUTLOOK ECONOMIC CONFERENCE

## Preparing for the Future



EXECUTIVE EDUCATION &  
ECONOMIC DEVELOPMENT



UNIVERSITY of NORTH CAROLINA WILMINGTON

CAMERON SCHOOL of BUSINESS



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# Agenda

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|           |   |
|-----------|---|
| 7:30 a.m. | Registration and Breakfast                  |
| 8:00 a.m. | Welcome and Greetings                       |
| 8:10 a.m. | Economic and Market Forecasts               |
| 8:30 a.m. | Preparing for the Future                    |
| 9:15 a.m. | Table Discussion and Questions for Speakers |
| 9:35 a.m. | Closing Remarks                             |
| 9:45 a.m. | Conclude                                    |





# The U.S. Economy: Losing its Legs?

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Thomas D. Simpson, Ph.D.

Department of Economics and Finance

University of North Carolina Wilmington



# Departing from Script

- This expansion: Longest on record
- Inflation: Still subdued, despite a very tight labor market
- Interest rates: Very low
- Monetary policy: Fed has been lowering—not raising—its policy rate
- Sustainable growth: Down to around 2 percent



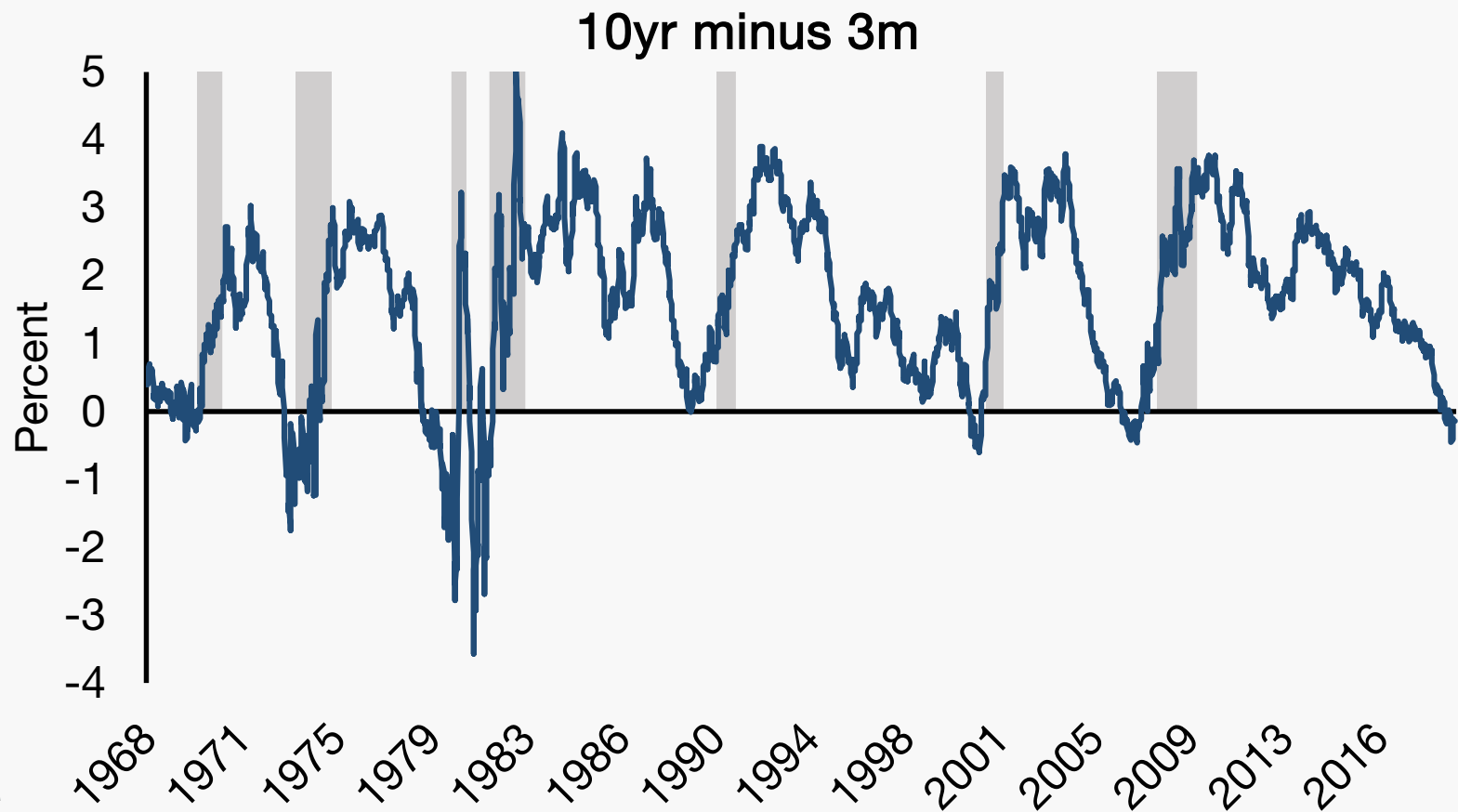
# Growth Has Slowed

| 2017 | 2018 | 2019      |           |                       |
|------|------|-----------|-----------|-----------------------|
|      |      | <u>Q1</u> | <u>Q2</u> | <u>Q3<sup>e</sup></u> |
| 2.8  | 2.5  | 3.1       | 2.0       | 2.0                   |

e - estimate

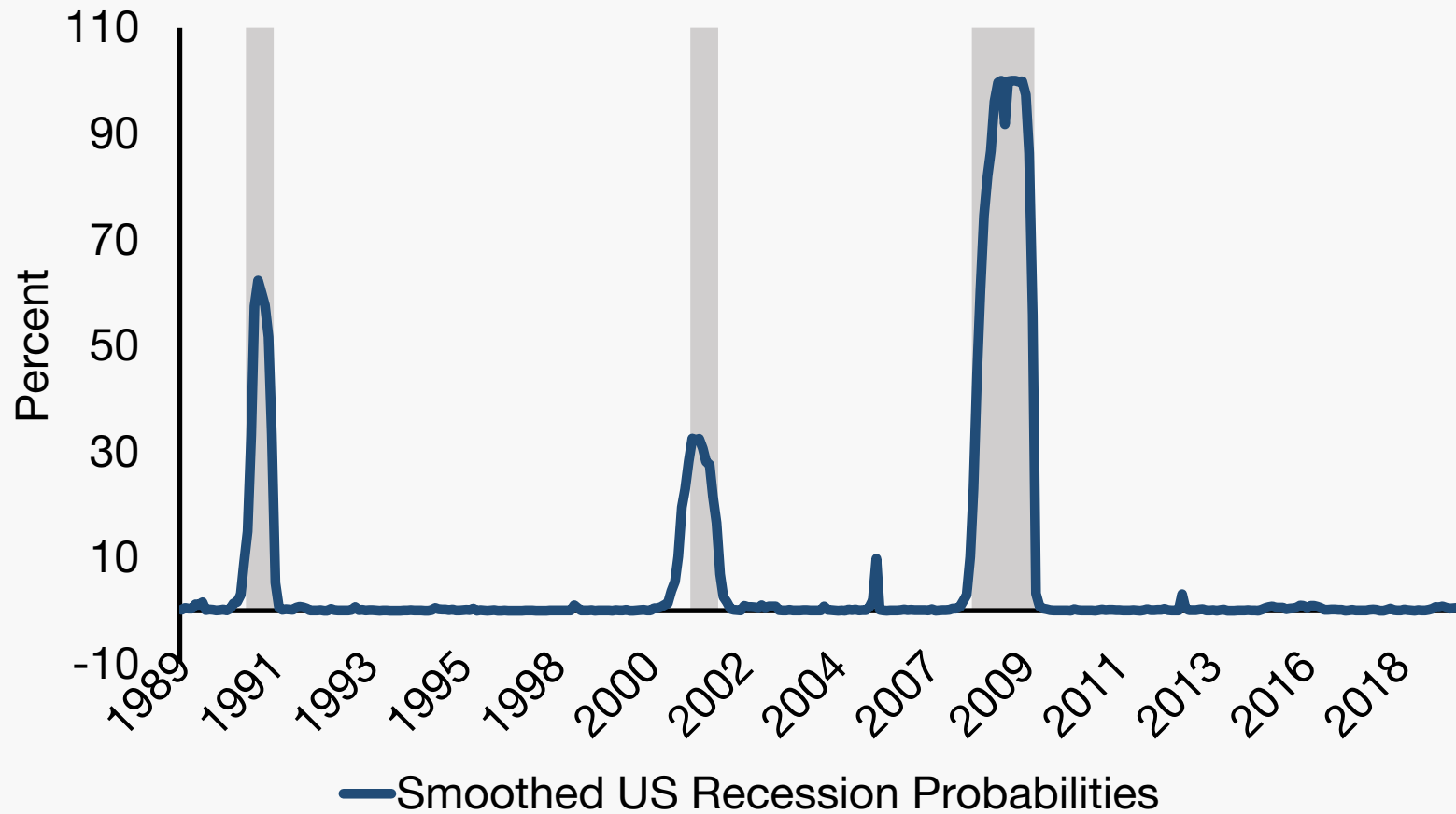


# Some Believe the Yield Curve is Pointing to Recession





# But Model-based Recession Probability is Low

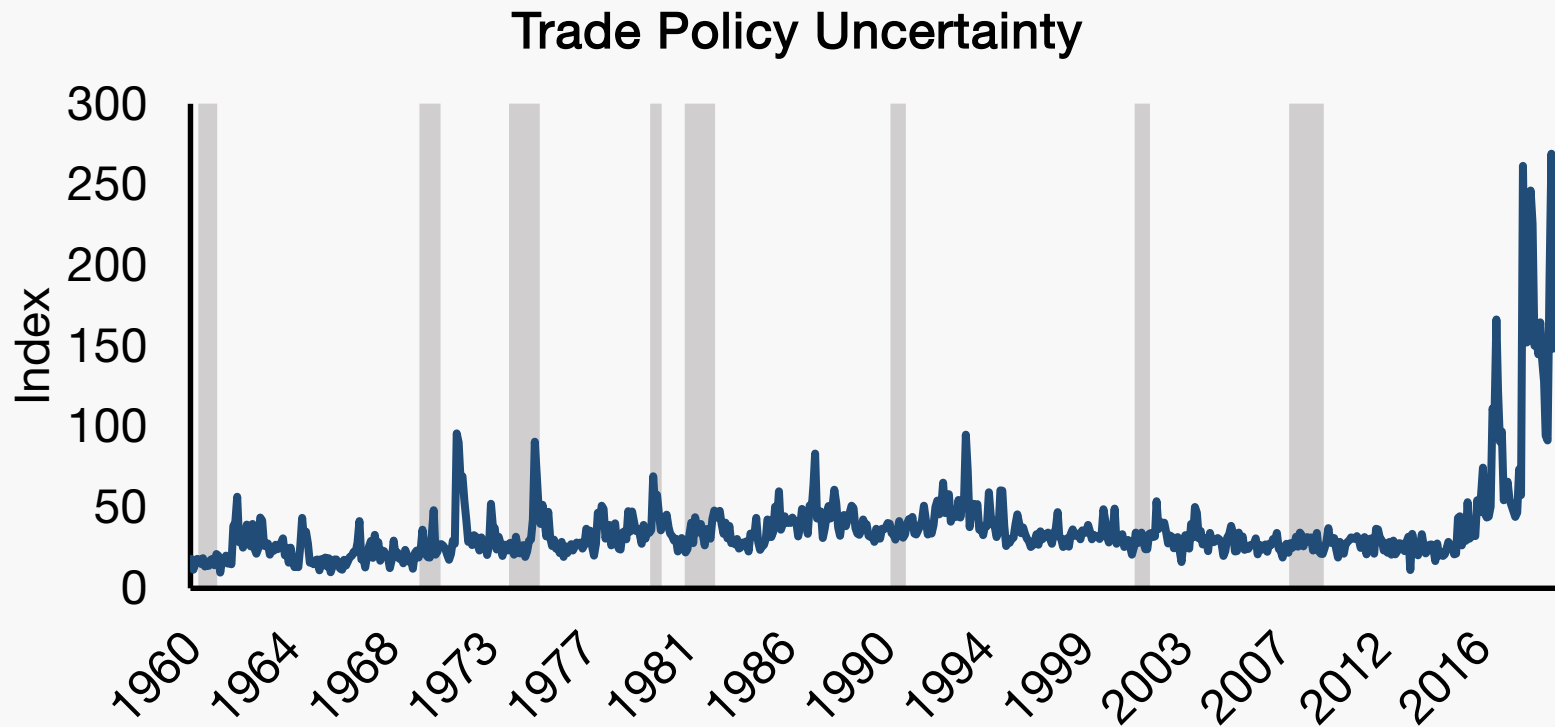


# The Consumer Has Kept Things Going

- Following a pause around year-end, consumers have opened their wallets.
- However, business investment spending has been subdued, despite a very favorable tax situation
- The external sector has been adversely affected by a slowdown abroad and a strong dollar



# Acting as a Serious Headwind is Trade Policy Uncertainty



- Such uncertainty has been off the charts recently, discouraging business investment



# Consumers in Good Position

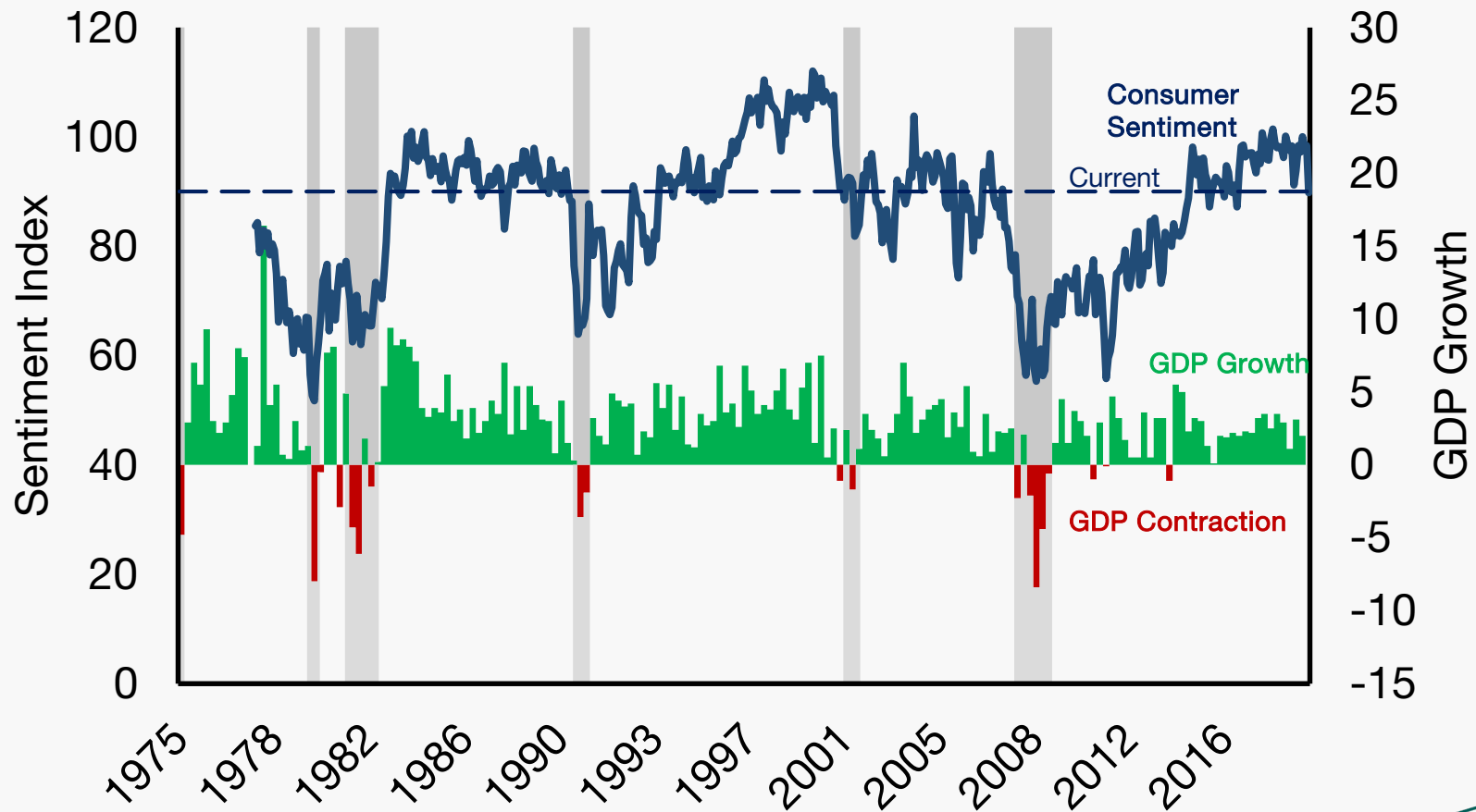
| Growth in Consumption |             |             |                         |
|-----------------------|-------------|-------------|-------------------------|
| <u>2016</u>           | <u>2017</u> | <u>2018</u> | <u>2019<sup>e</sup></u> |
| 2.8                   | 2.9         | 2.7         | 2.8                     |

e – Estimate based on first three quarters

- Job growth remains solid
- Wage growth is firming

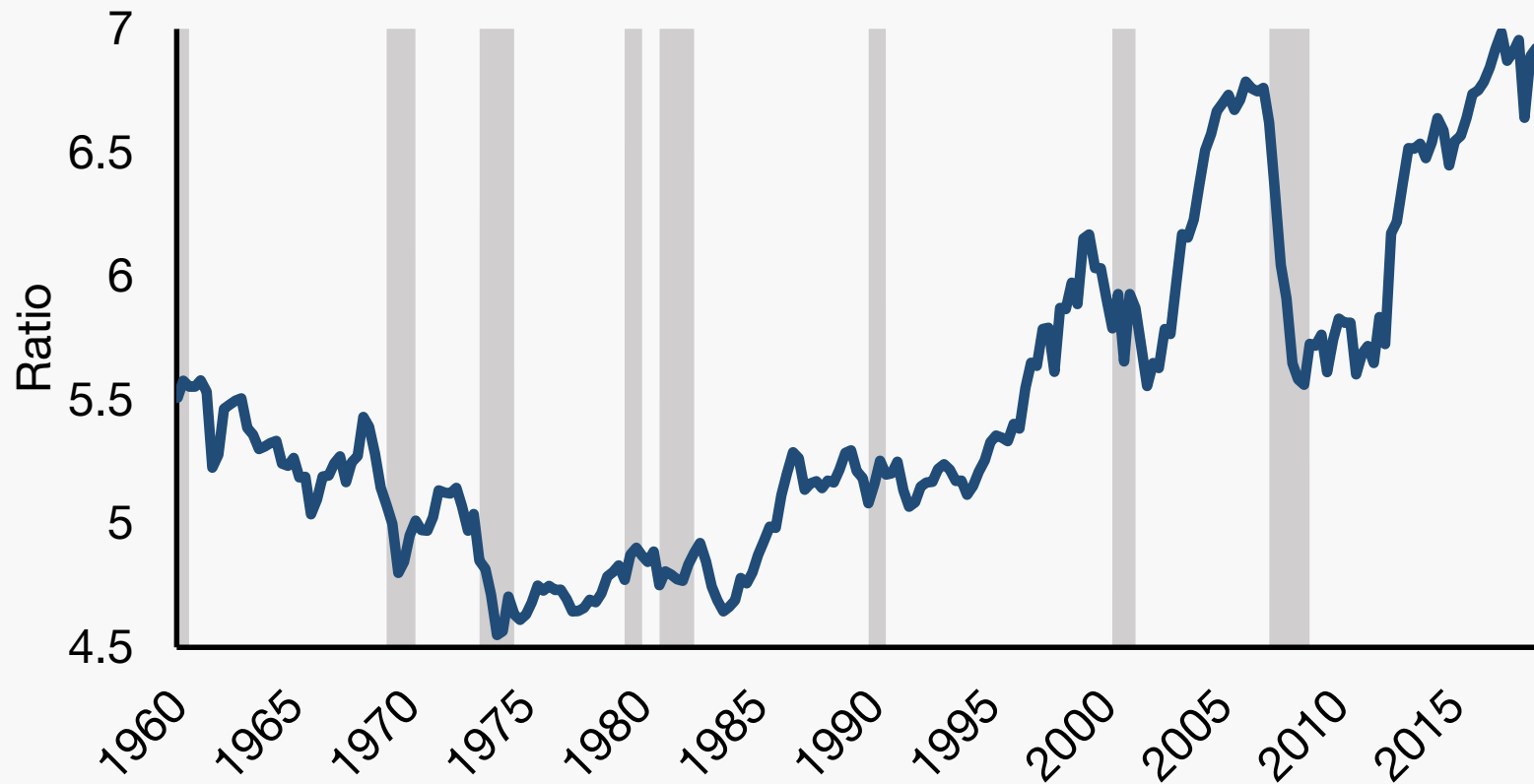


# Confidence Remains Buoyant

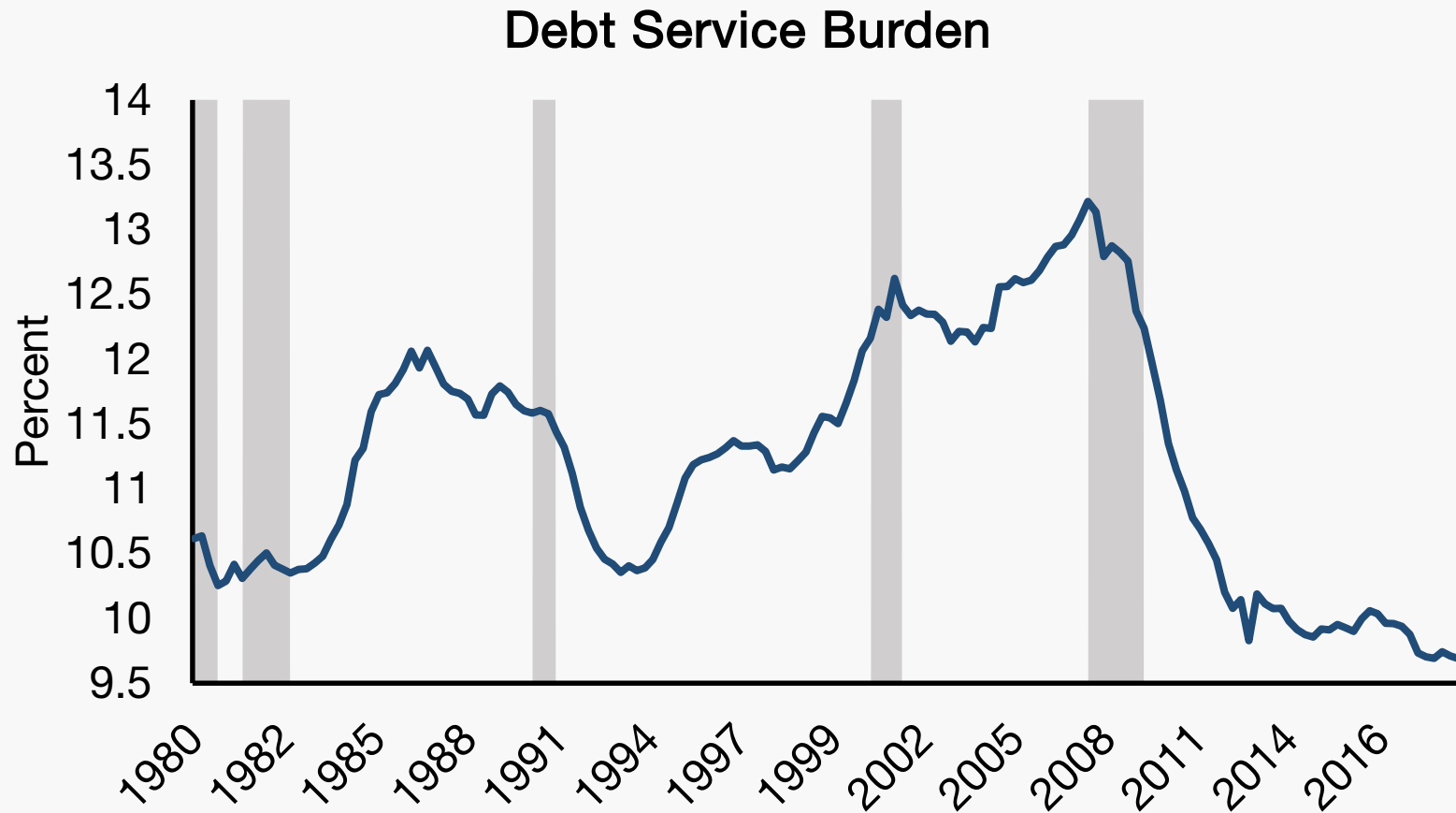


# Wealth Positions Are Strong

Ratio of Net Worth to Disposable Income



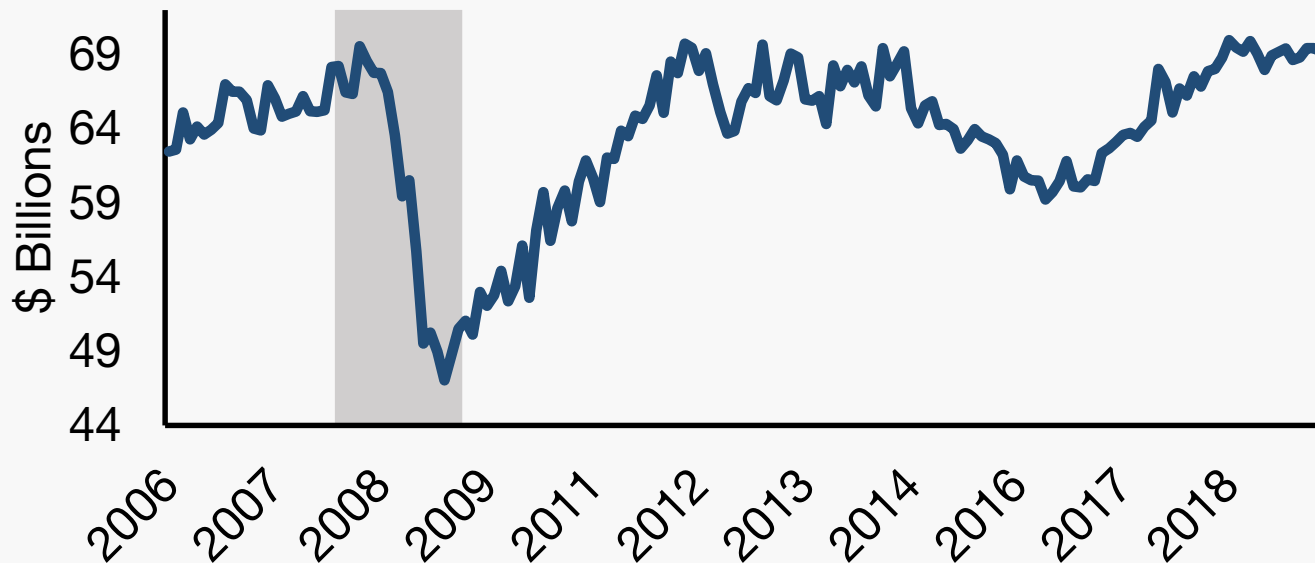
# And Debt-Service Burdens Light



# Despite a Favorable Climate, Businesses Capital Spending Has Been Cautious

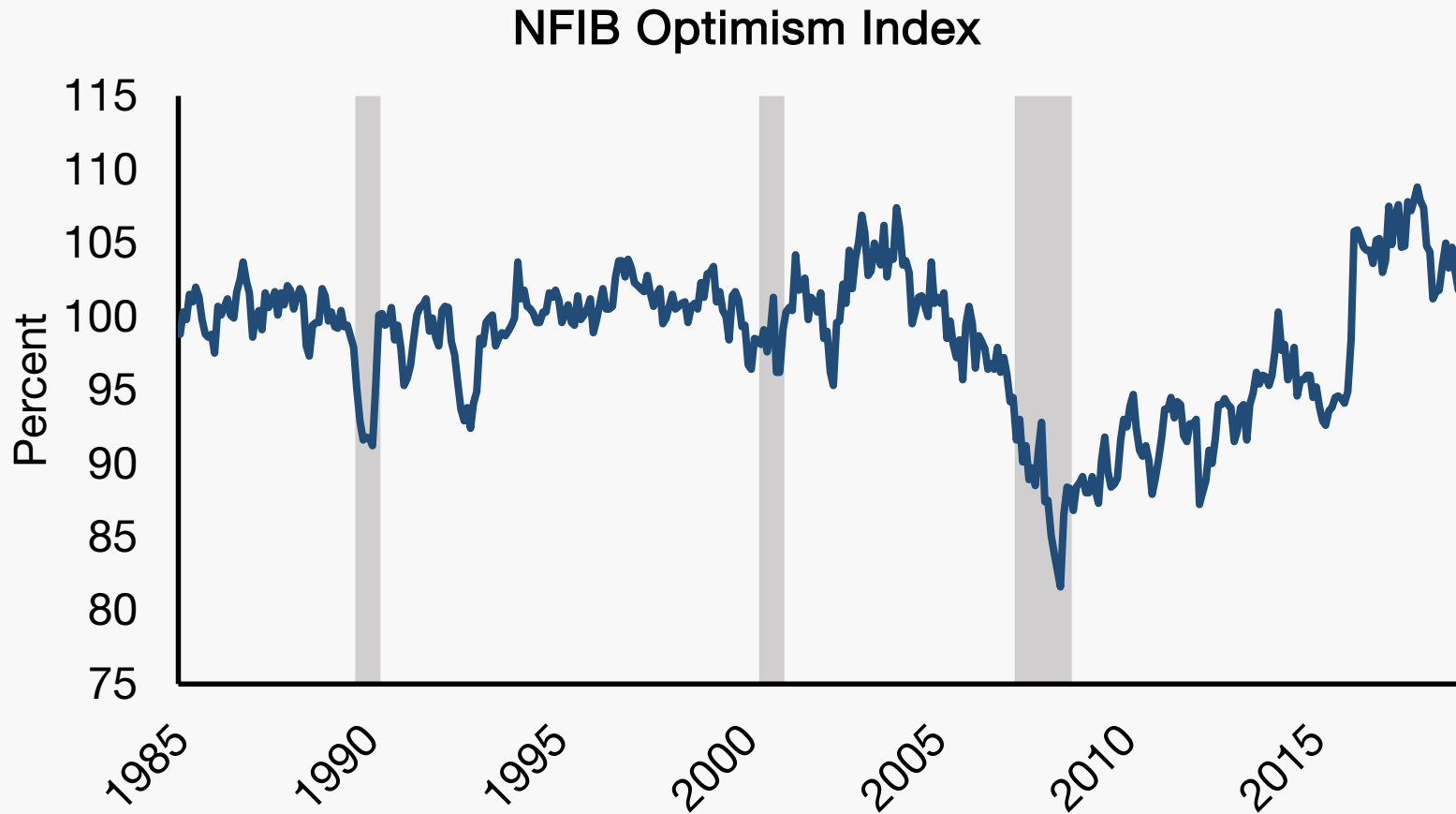
- 2017 tax reform boosted rates of return and financing costs remain low
- But orders for capital goods have been flat
- Business leaders point to trade policy uncertainty, though lower oil prices have led to a cutback on oil field outlays

Manufacturers' New Orders





# Uncertainty Has Affected Small Business Optimism



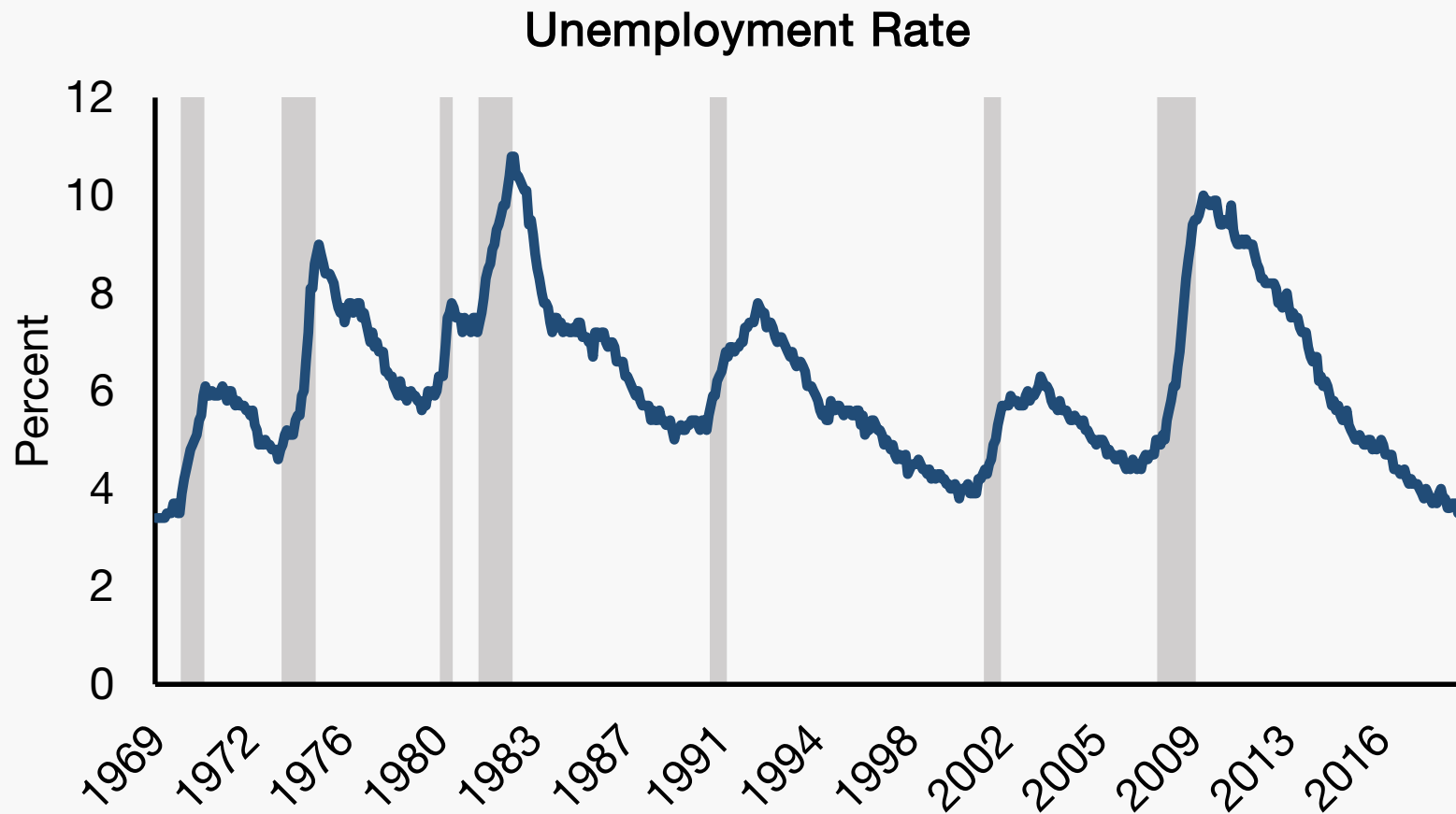
# The Outlook Depends on Business Investment

- Absent a resolution of trade policy rifts, capital spending will remain lackluster
- Struggling economies abroad will be a drag on exports
- The United States will continue to grow, but only in line with potential

| 2019 | 2020 | 2021 |
|------|------|------|
| 2.3  | 2.0  | 2.0  |

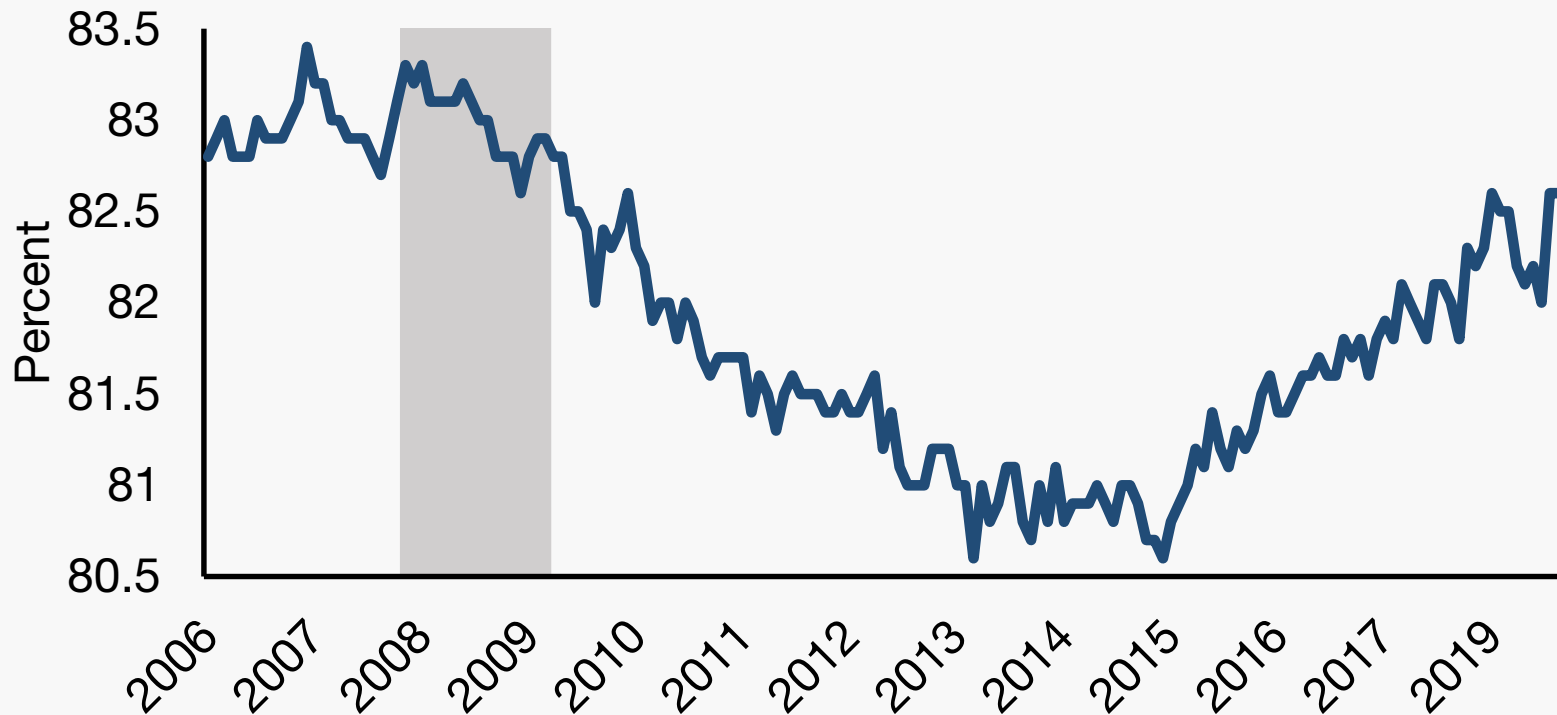


# Growth Will be Sufficient to Keep Unemployment Low



# Some of the Employment Gains Have Come From People Coming Off the Sidelines

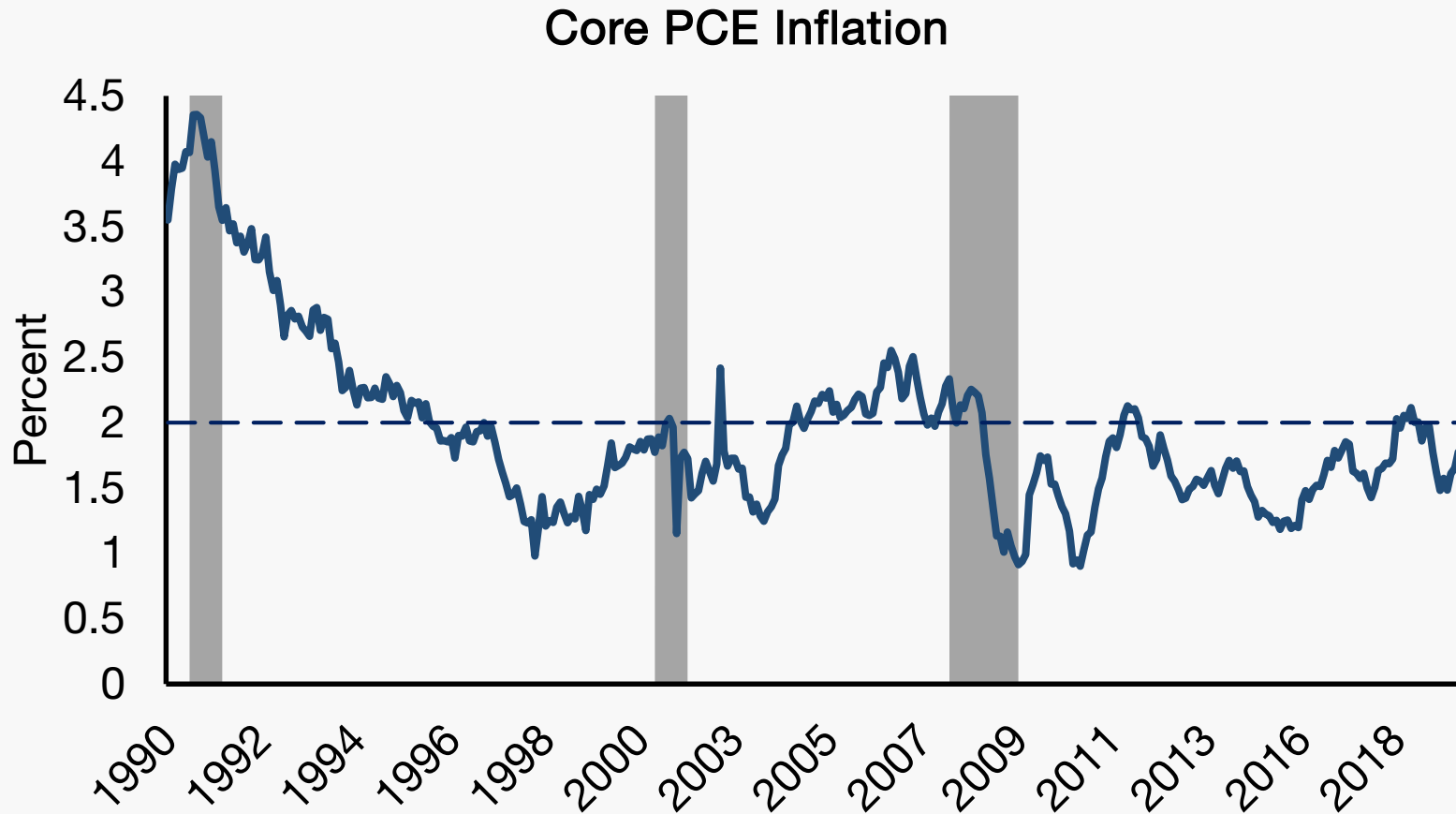
Labor Force Participation: 25-44 Years



- But the prime age participation rate is not up on balance this year



# Inflation May Drift Above the Fed's 2 Percent Target



# Fed Likely to be Squeezed Between White House Pressure and Inflation Concerns

- Tension between the market and the Fed on the rate outlook

|        | Current | End 2019 | End 2020 | End 2021 |
|--------|---------|----------|----------|----------|
| Market | 1.85    | 1.5      | 1.1      | 1.1      |
| Fed    |         | 1.9      | 1.9      | 2.0      |





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# The Regional Outlook: When the Sun Is Out, Don't Forget to Smile

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Dr. Adam T. Jones

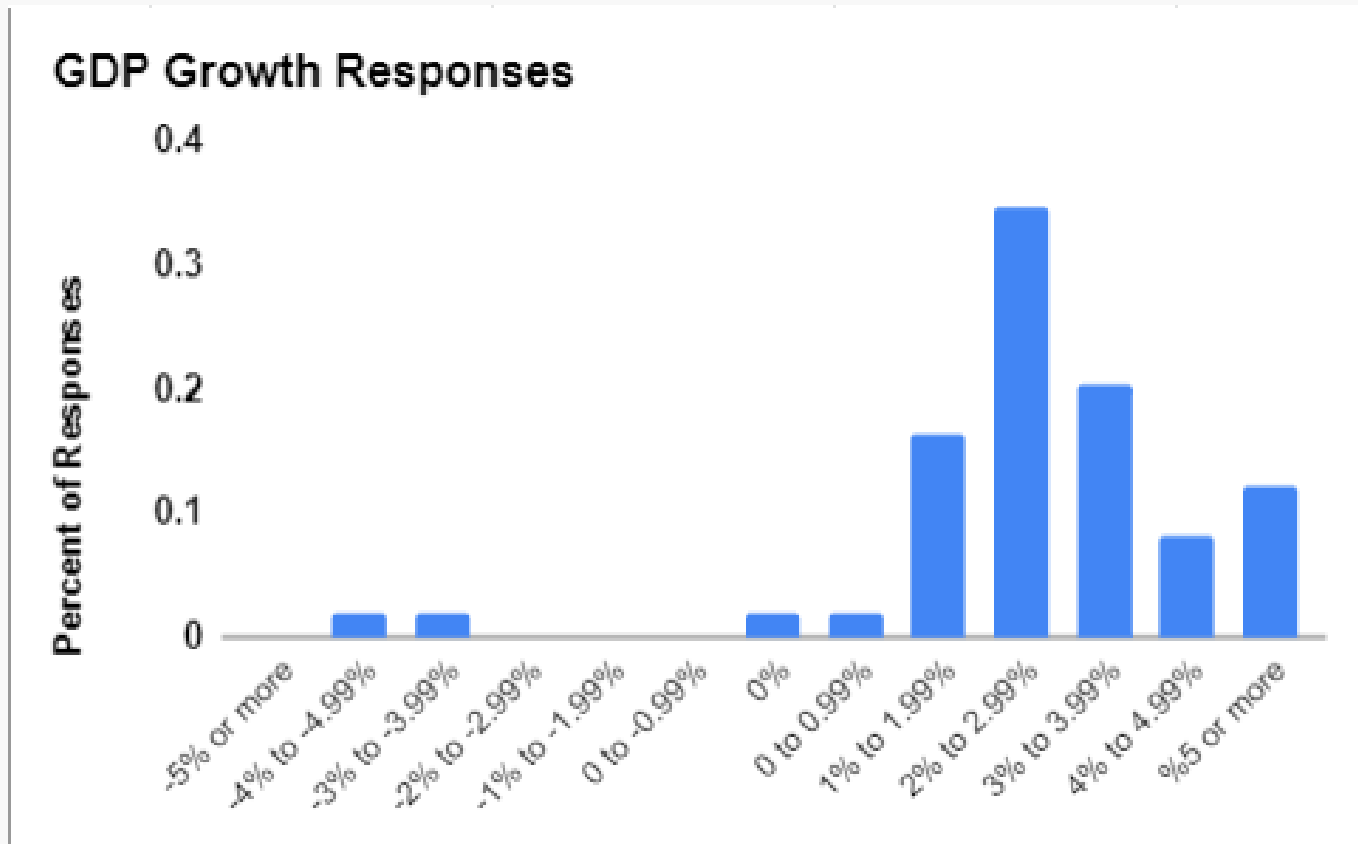
Department Chair and Regional Economist

Cameron School of Business – Swain Center





# Your View



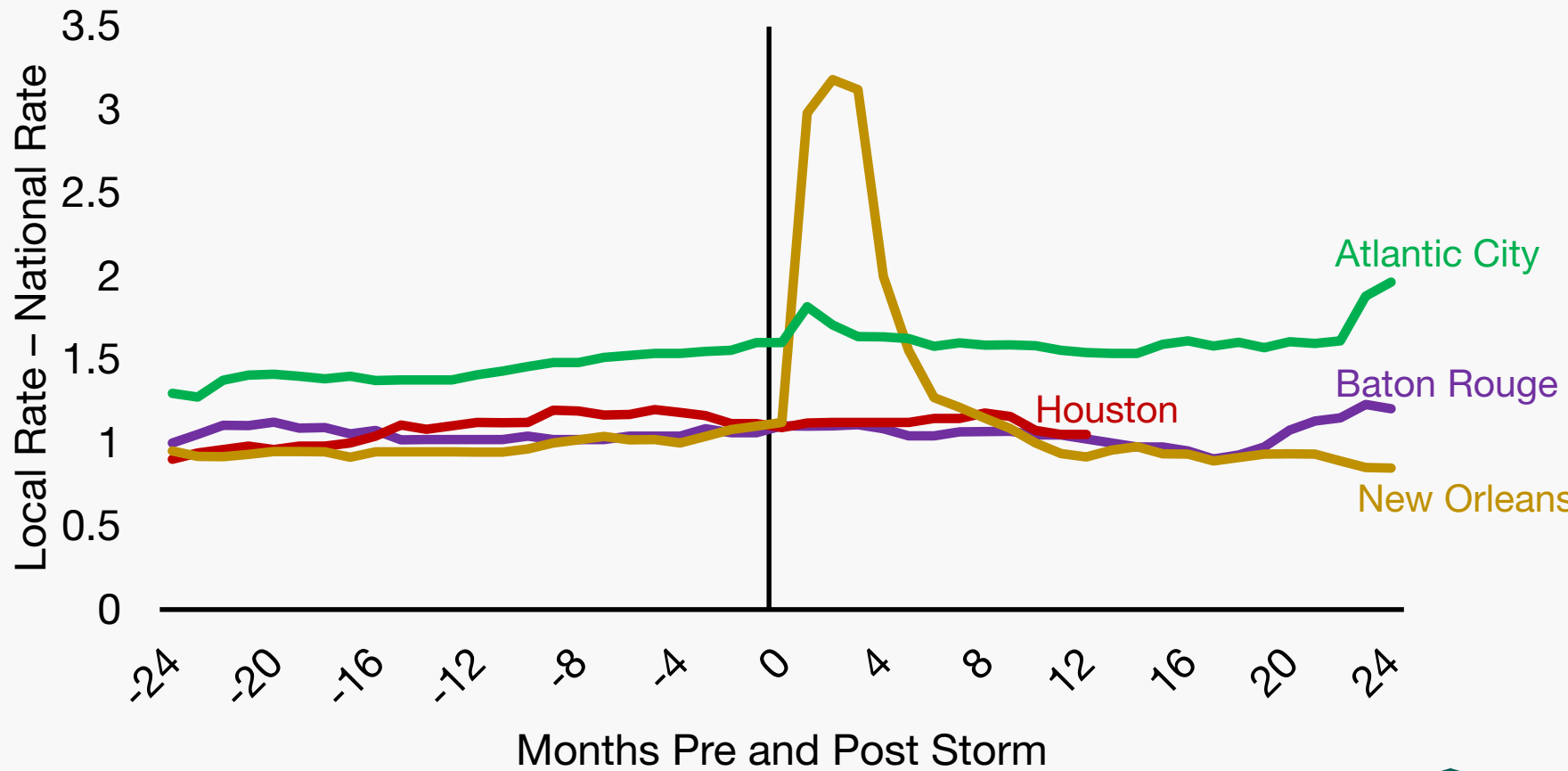
# Sunny With a Dark Cloud



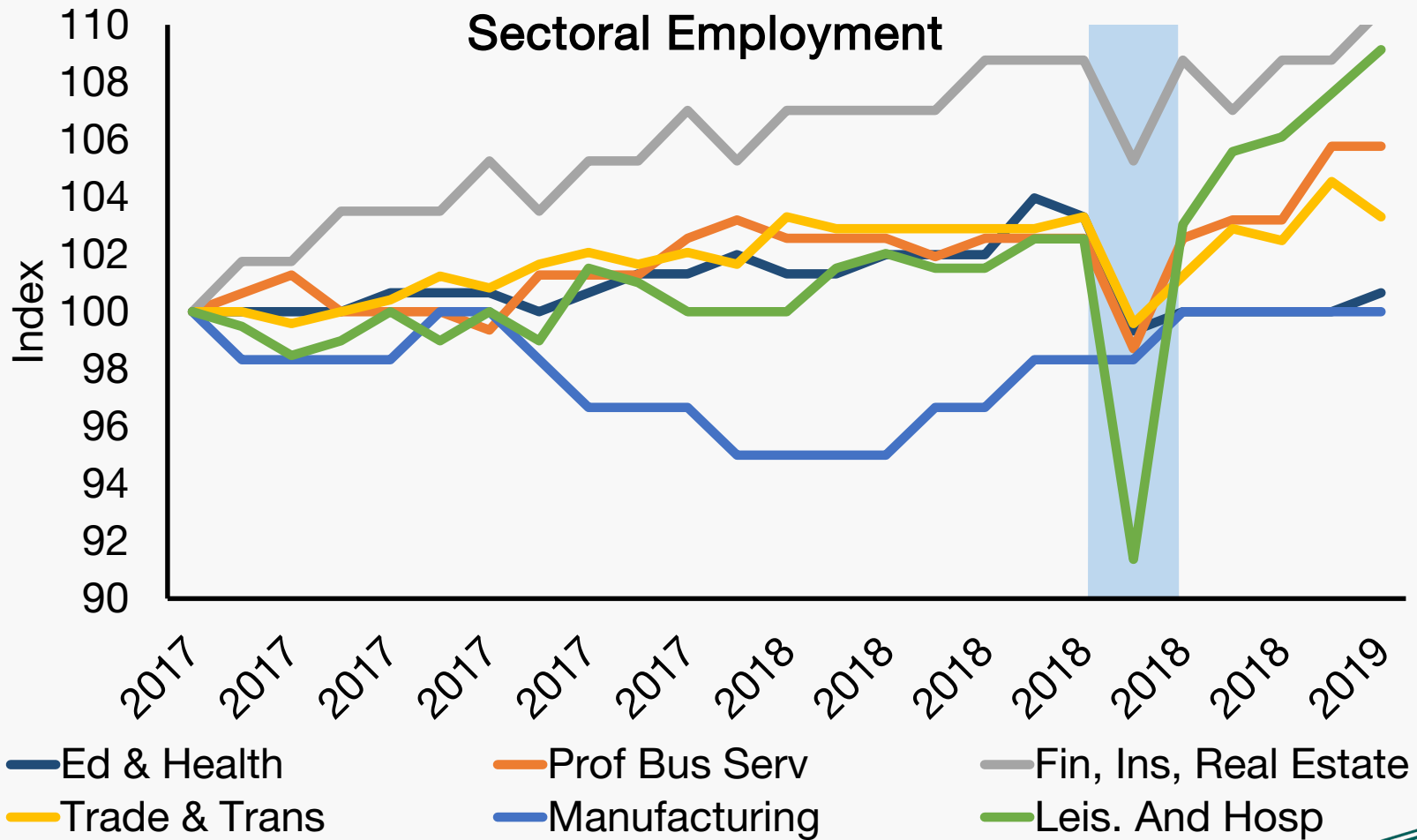
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# Florence Was the Story...



# Hospitality Most Exposed



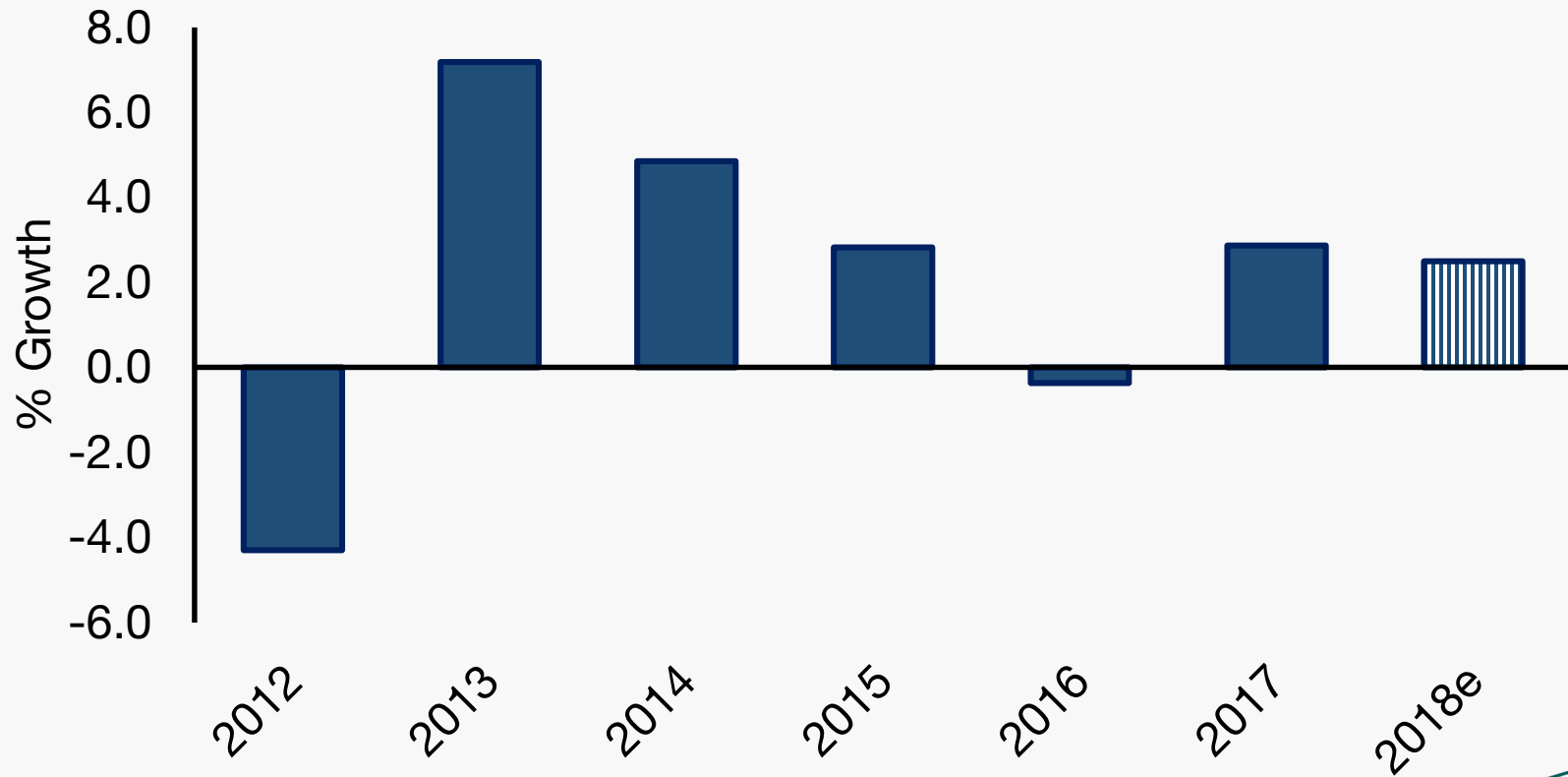
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Source: BLS

# Growth Settling Into Normal

Wilmington MSA GDP Growth

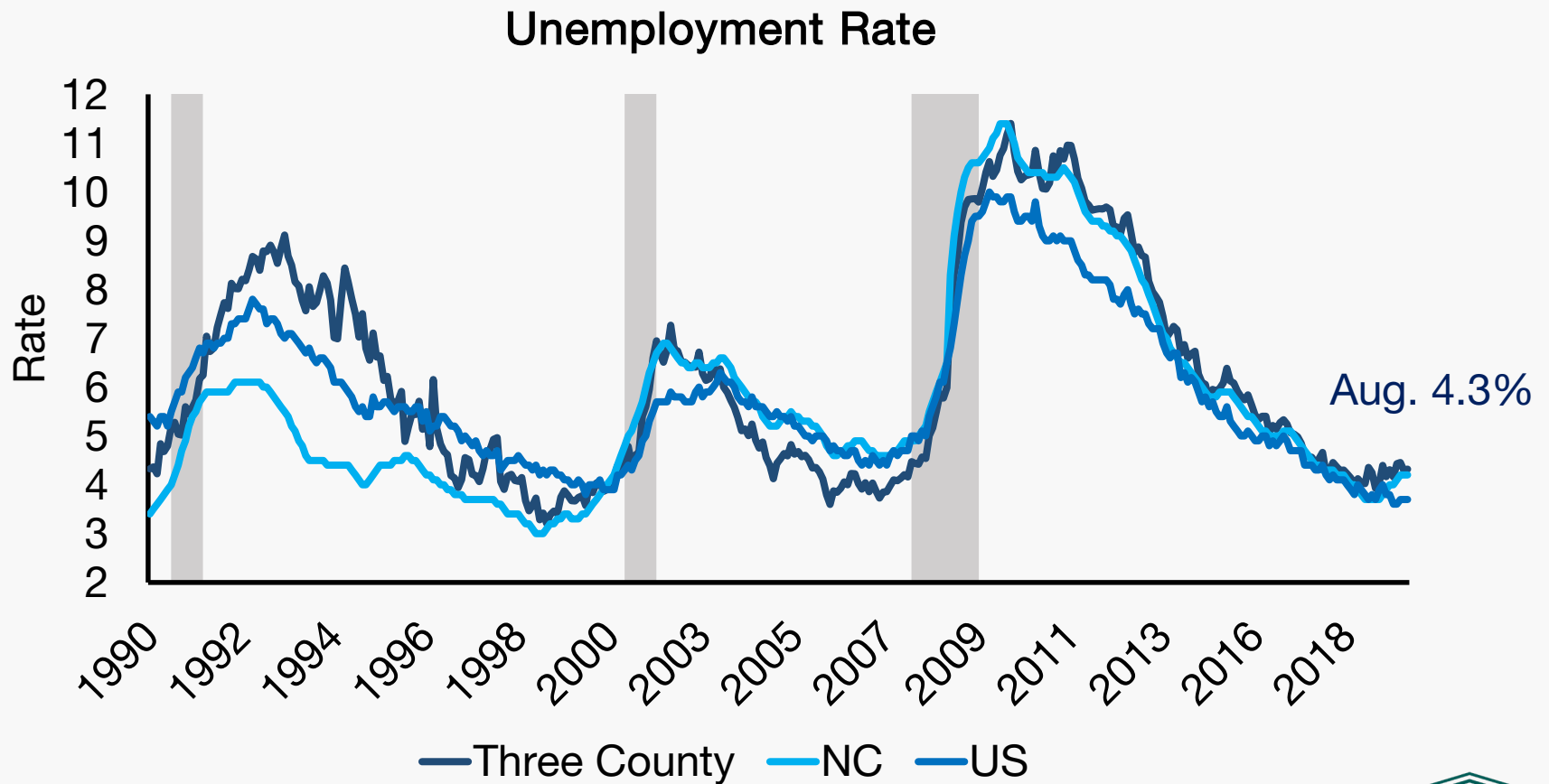


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Source: BEA

# Unemployment Ticking Up Slightly

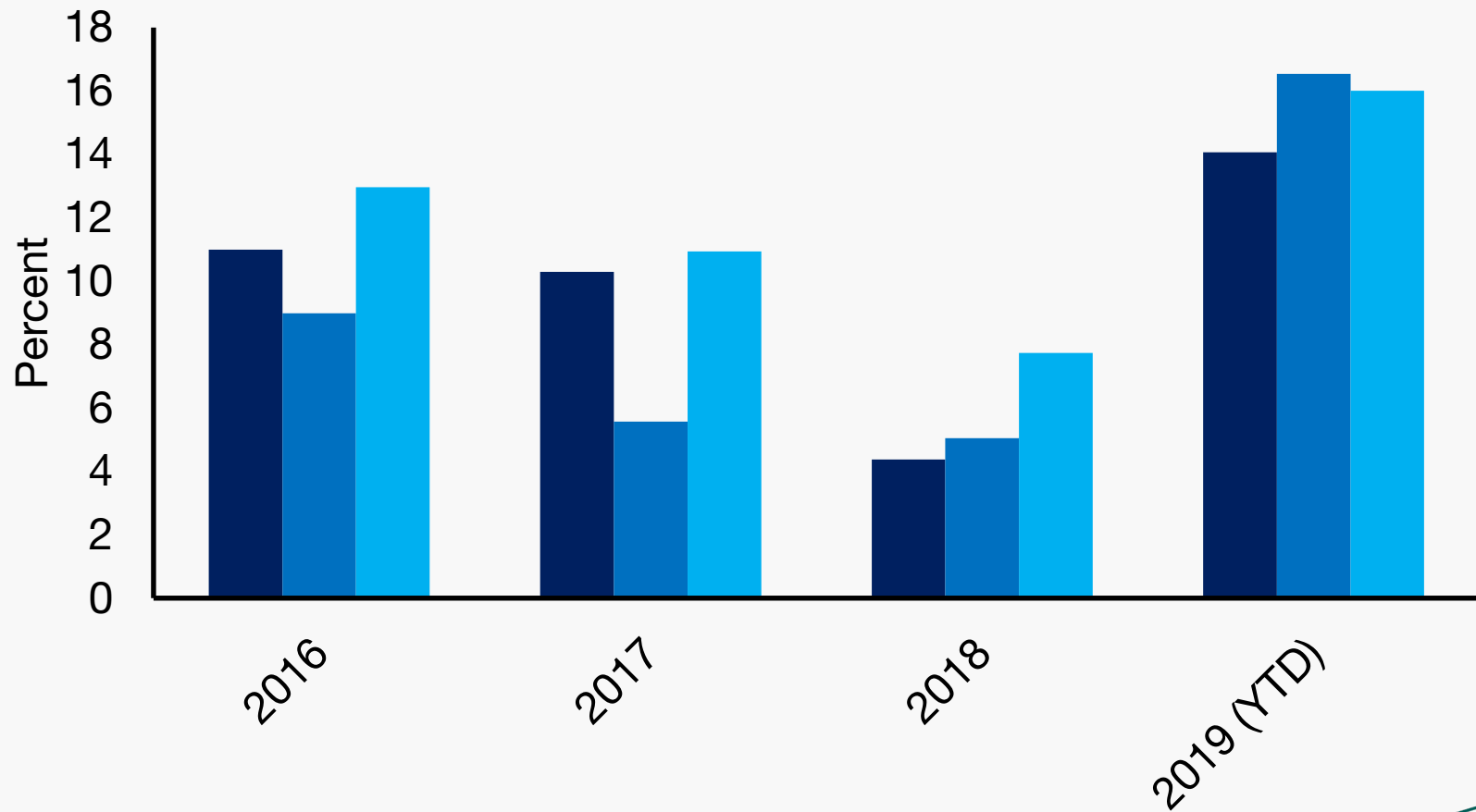


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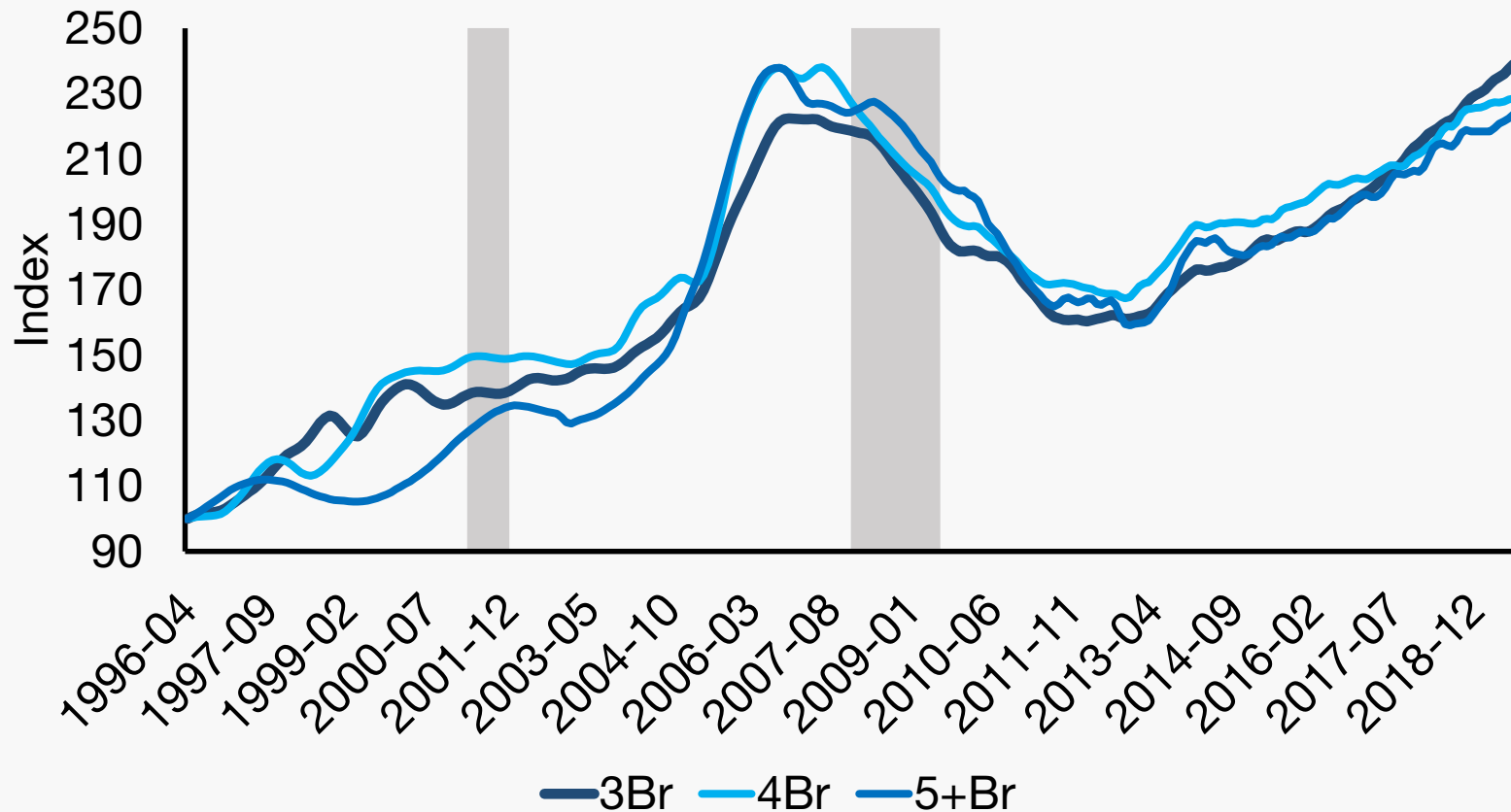
Source: BLS

# Sales Continuing to Grow, But Levelling



# Home Prices Rising Again

NHC Home Price Index



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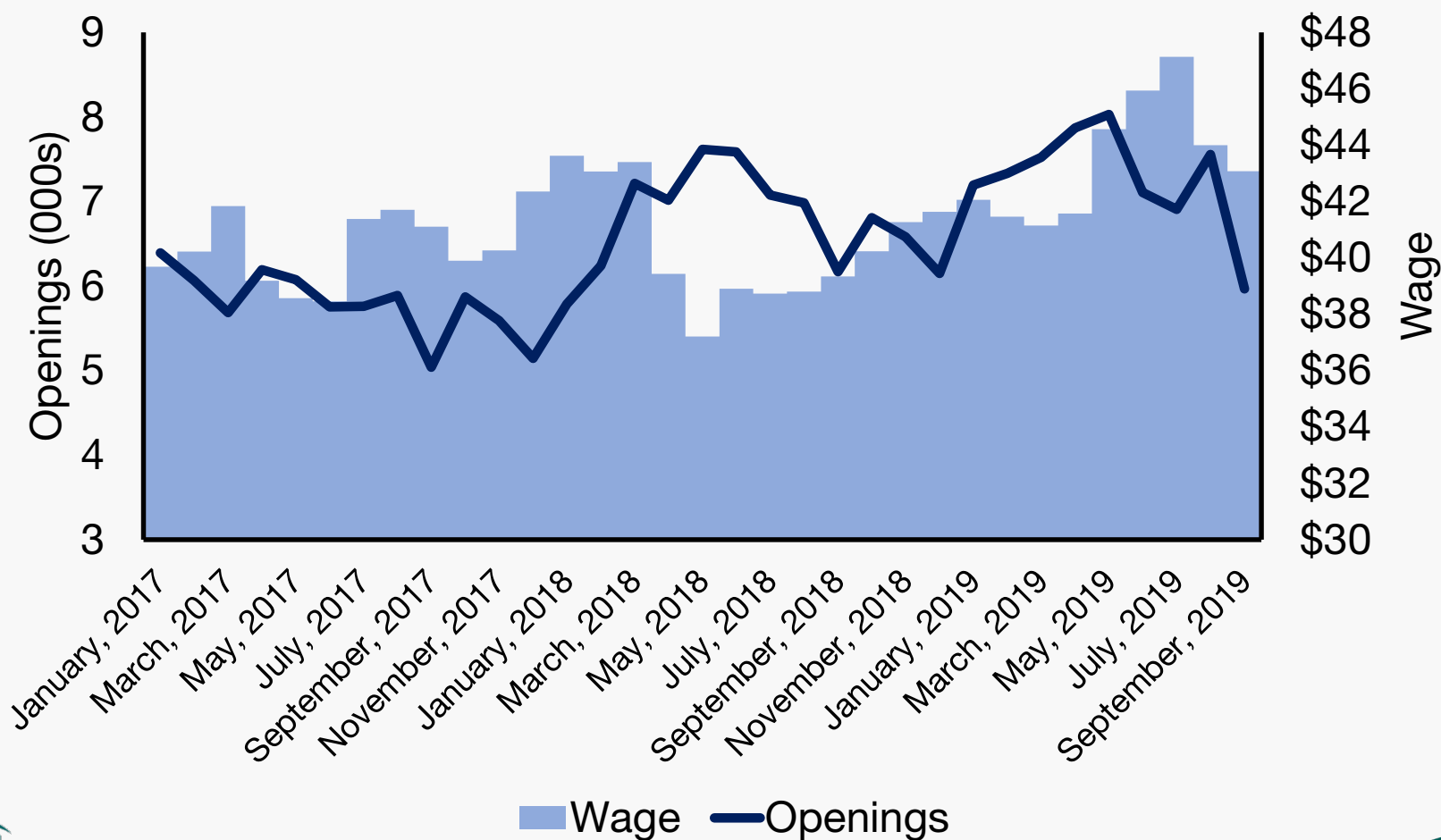


Source: Zillow





# Labor Market Tightening, “New Wages” Increasing



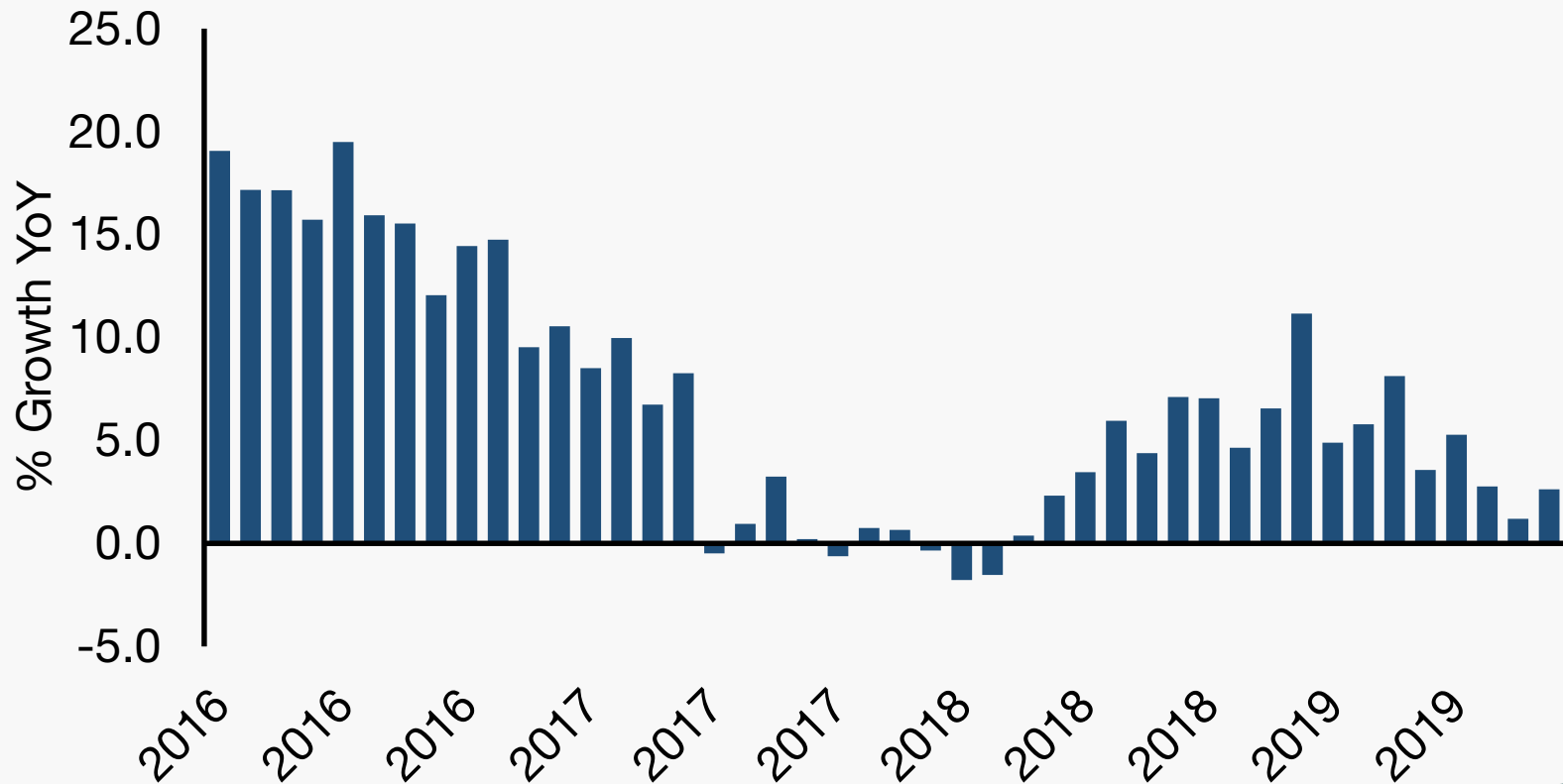
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Source: NC Works

# Wages Growing But Slowing

Earnings Growth in Wilmington MSA



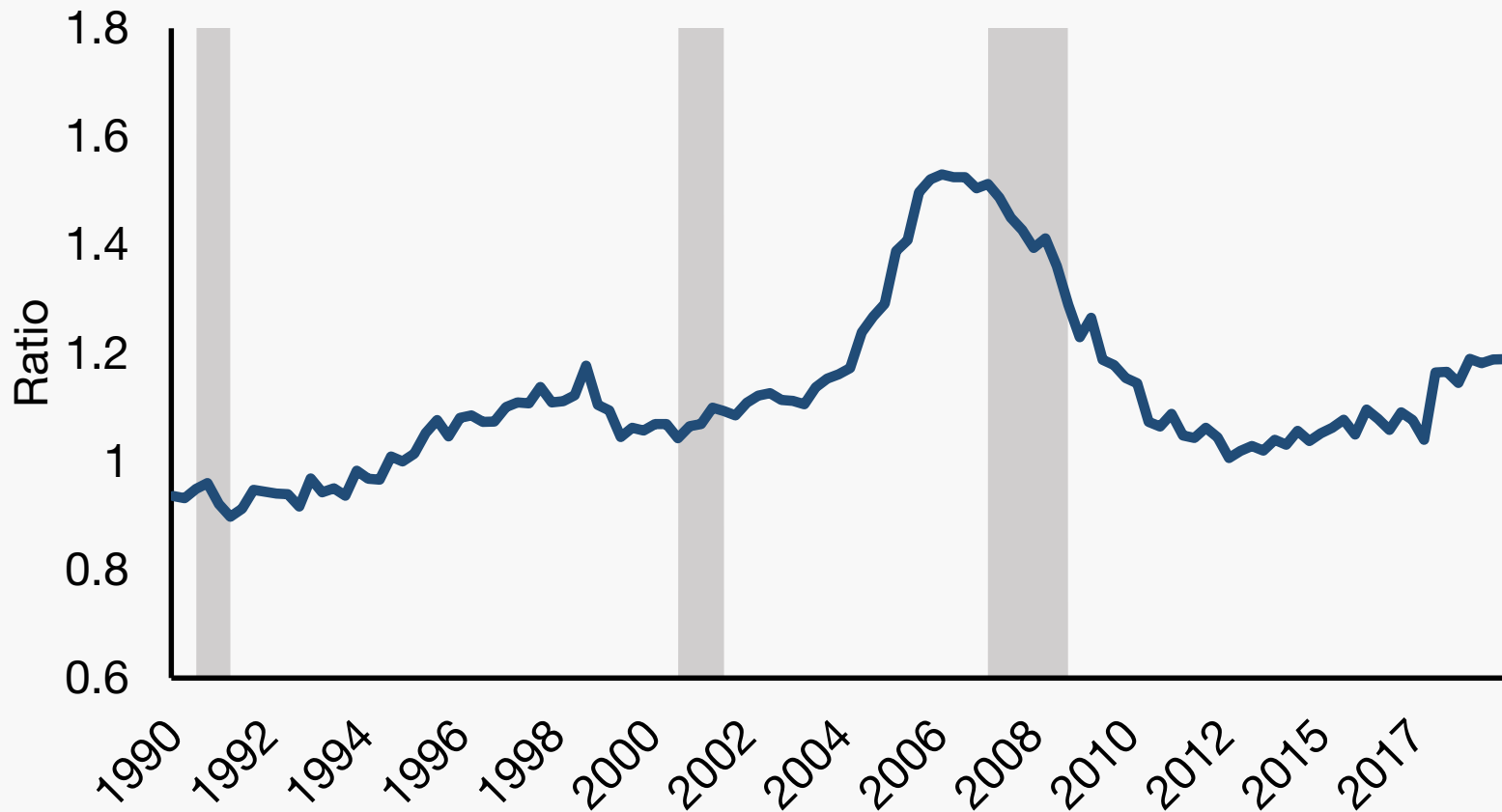
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Source: BLS

# Homes Remain “Somewhat Affordable”

Home Price to Income

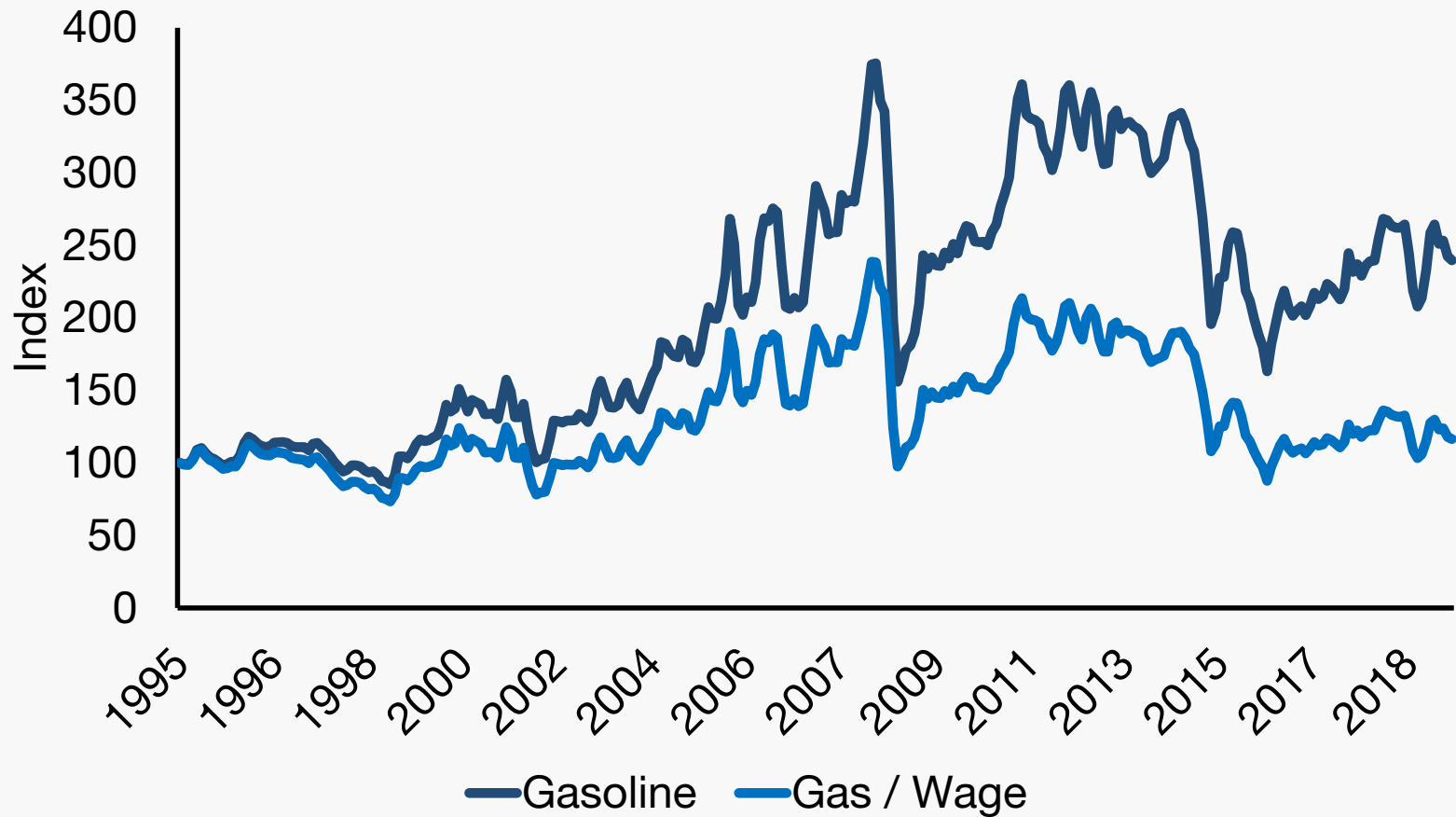


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Source: BLS/FHFA

# Gasoline Prices Remain Favorable



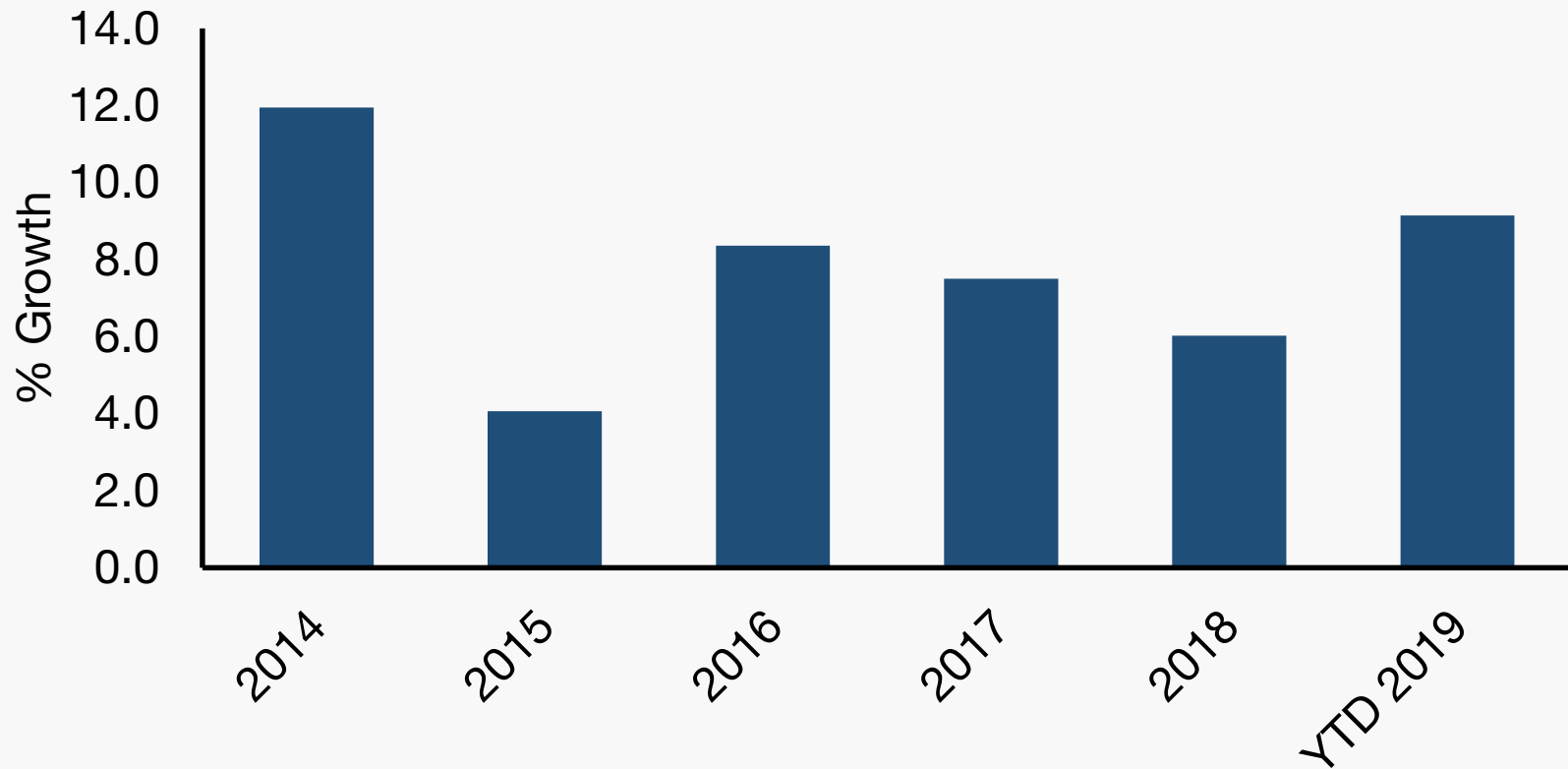
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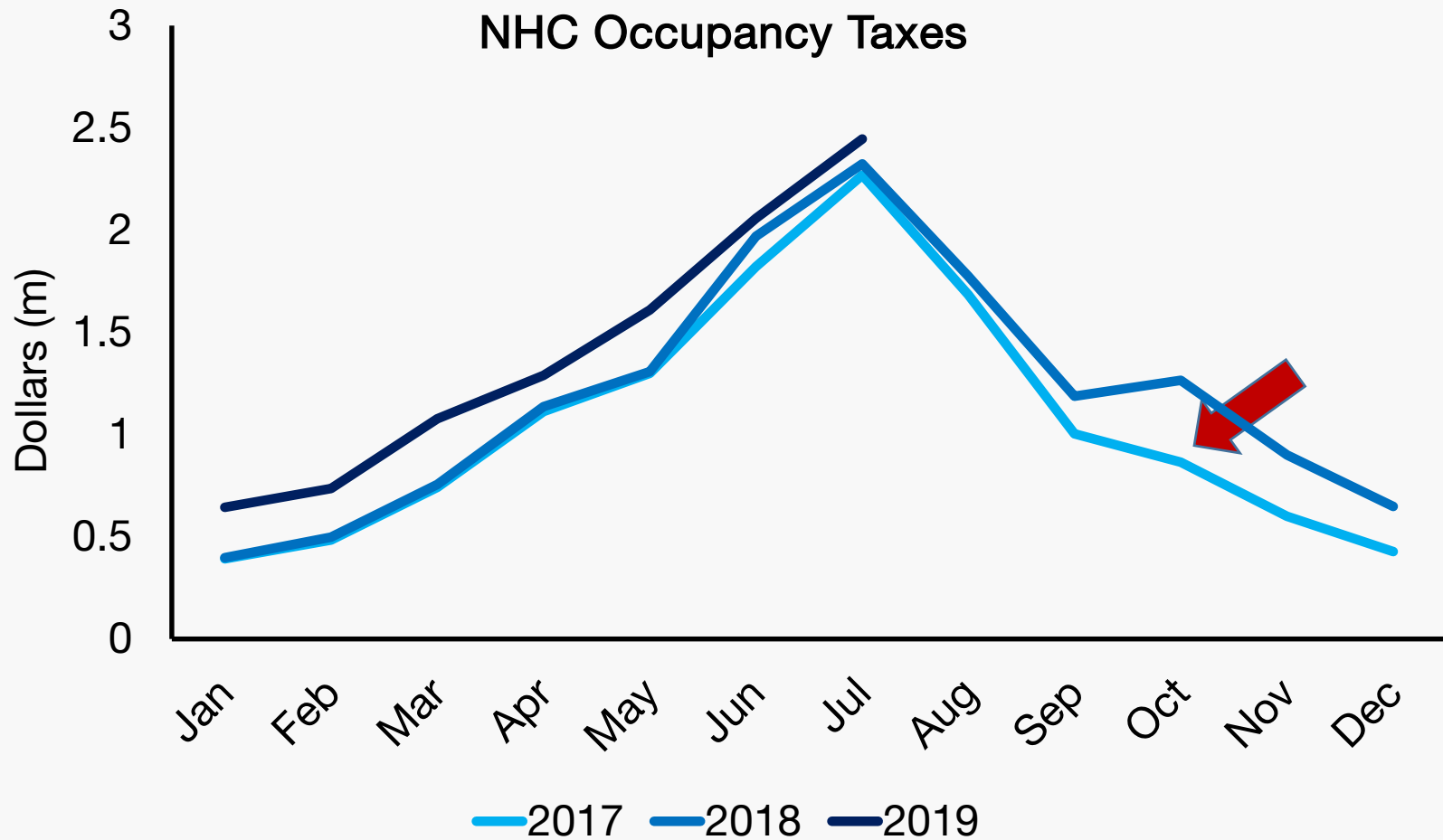
Source: US EIA

# Room Occupancy Distorted

NHC Peak Season ROT Growth



# Non-Tourists Still In ROT Data



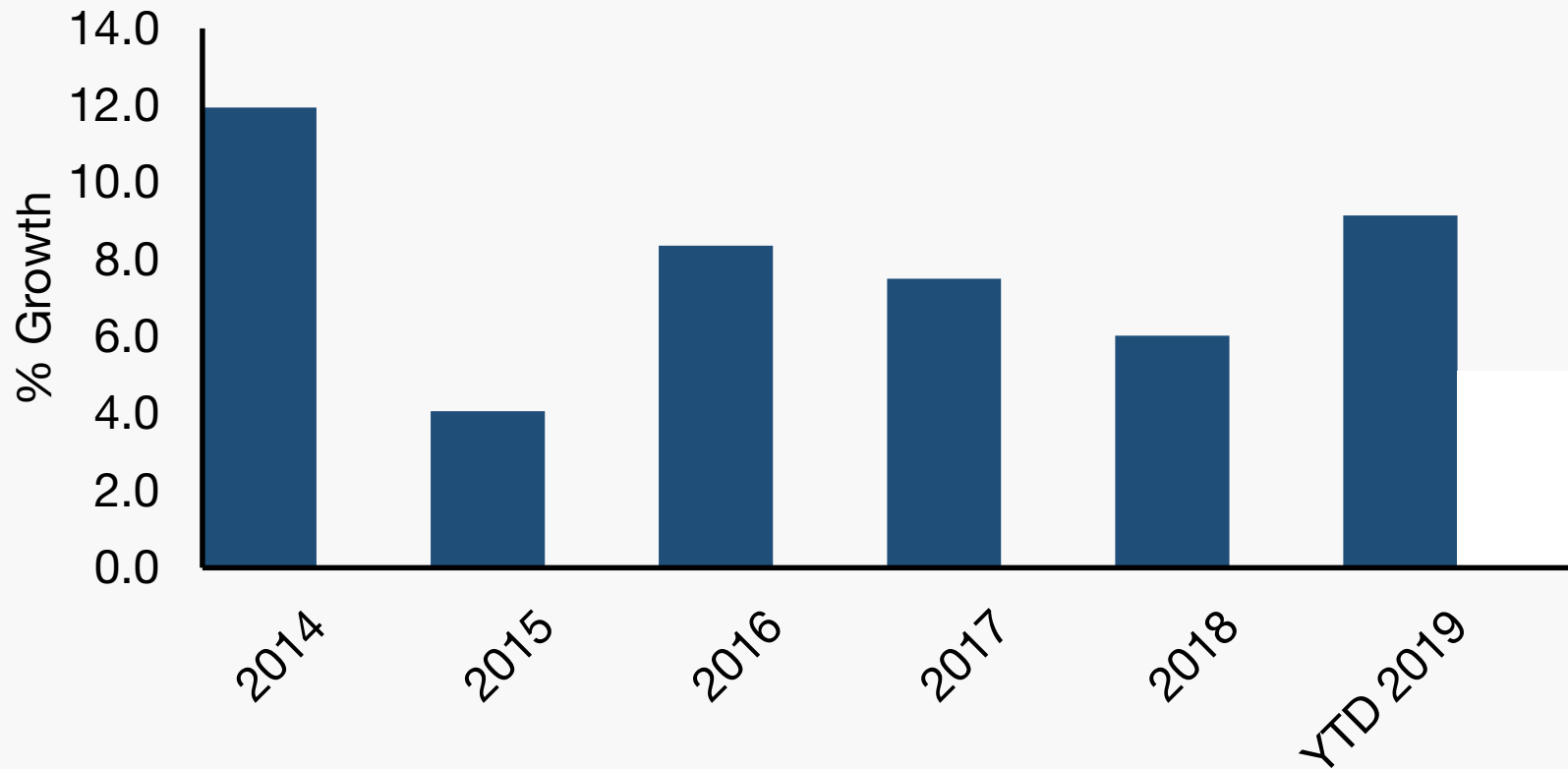
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Source: NHC

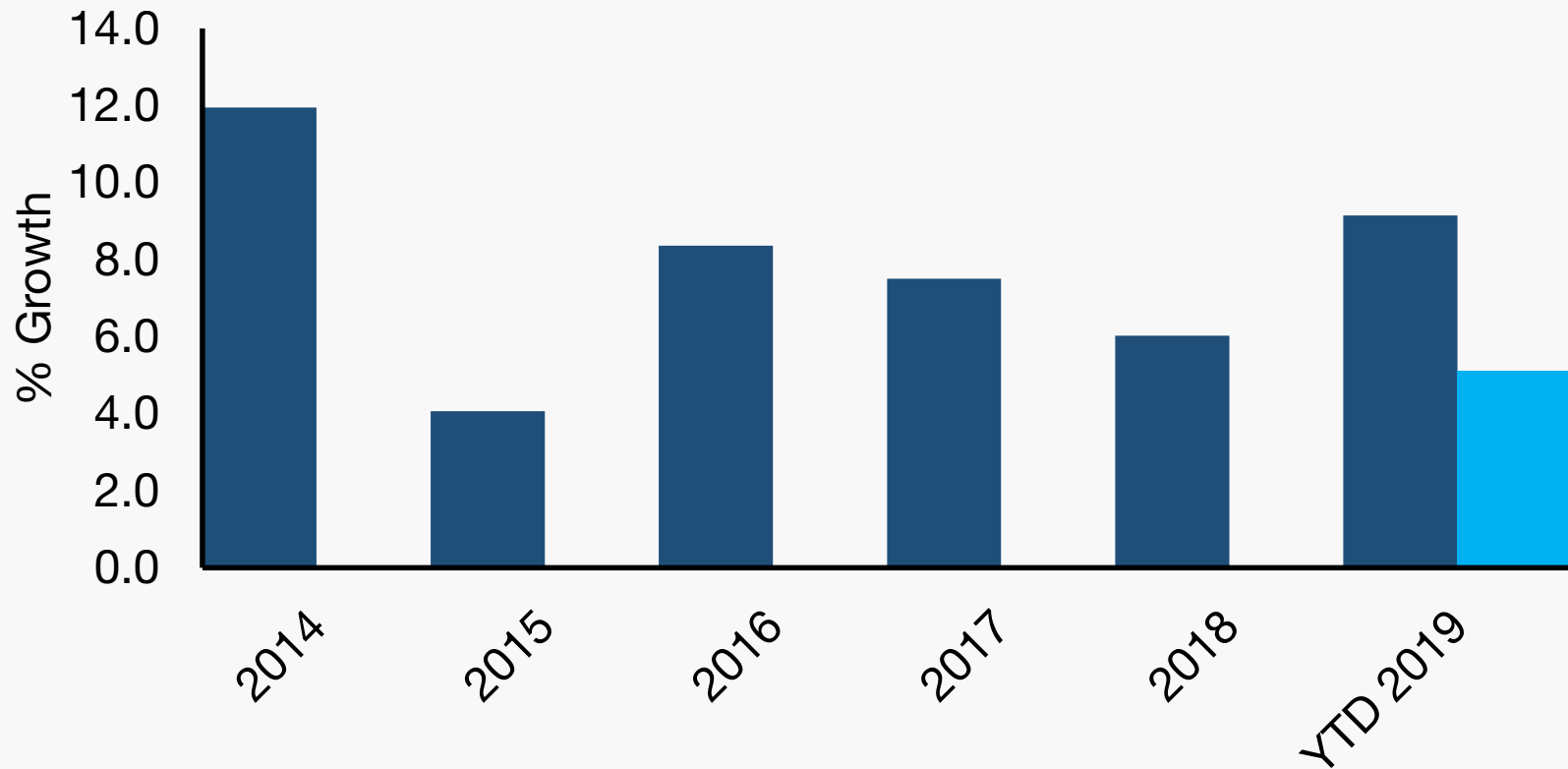
# Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth



# Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth



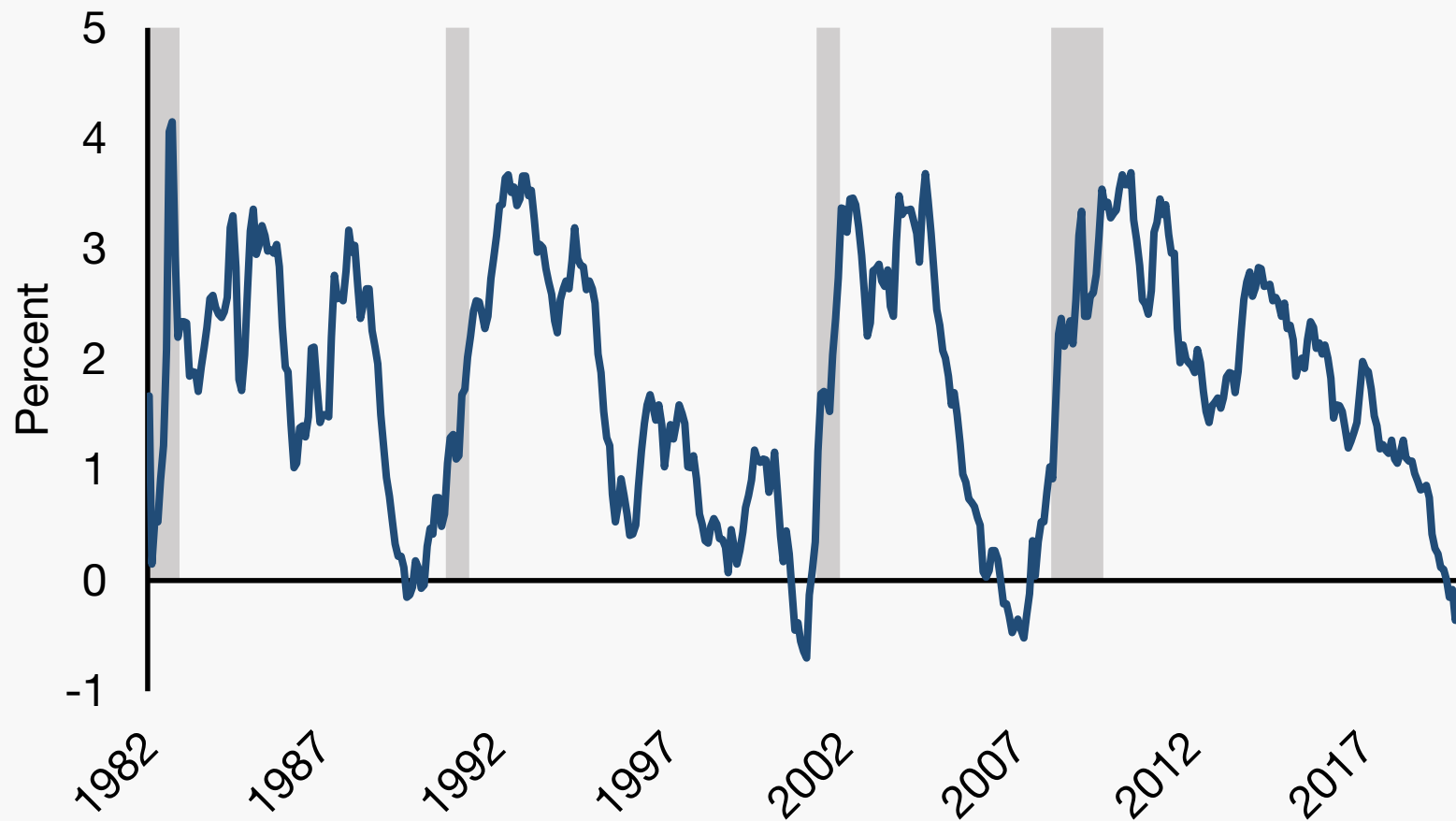


# But...

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# Some Believe the Yield Curve is Pointing to Recession



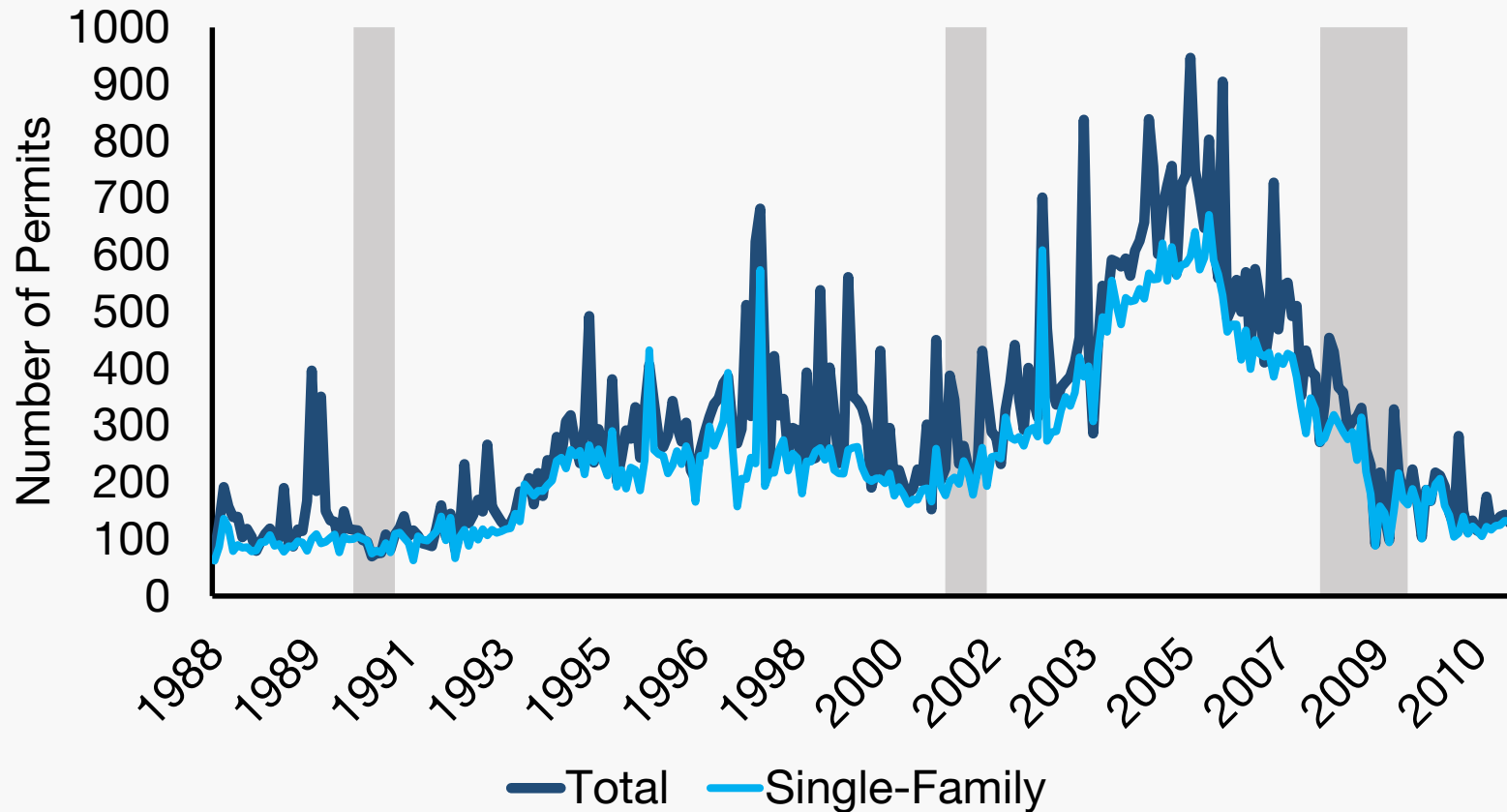
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Source: STL Fed

# Construction Remains Slightly Sluggish

## Housing Units Permitted



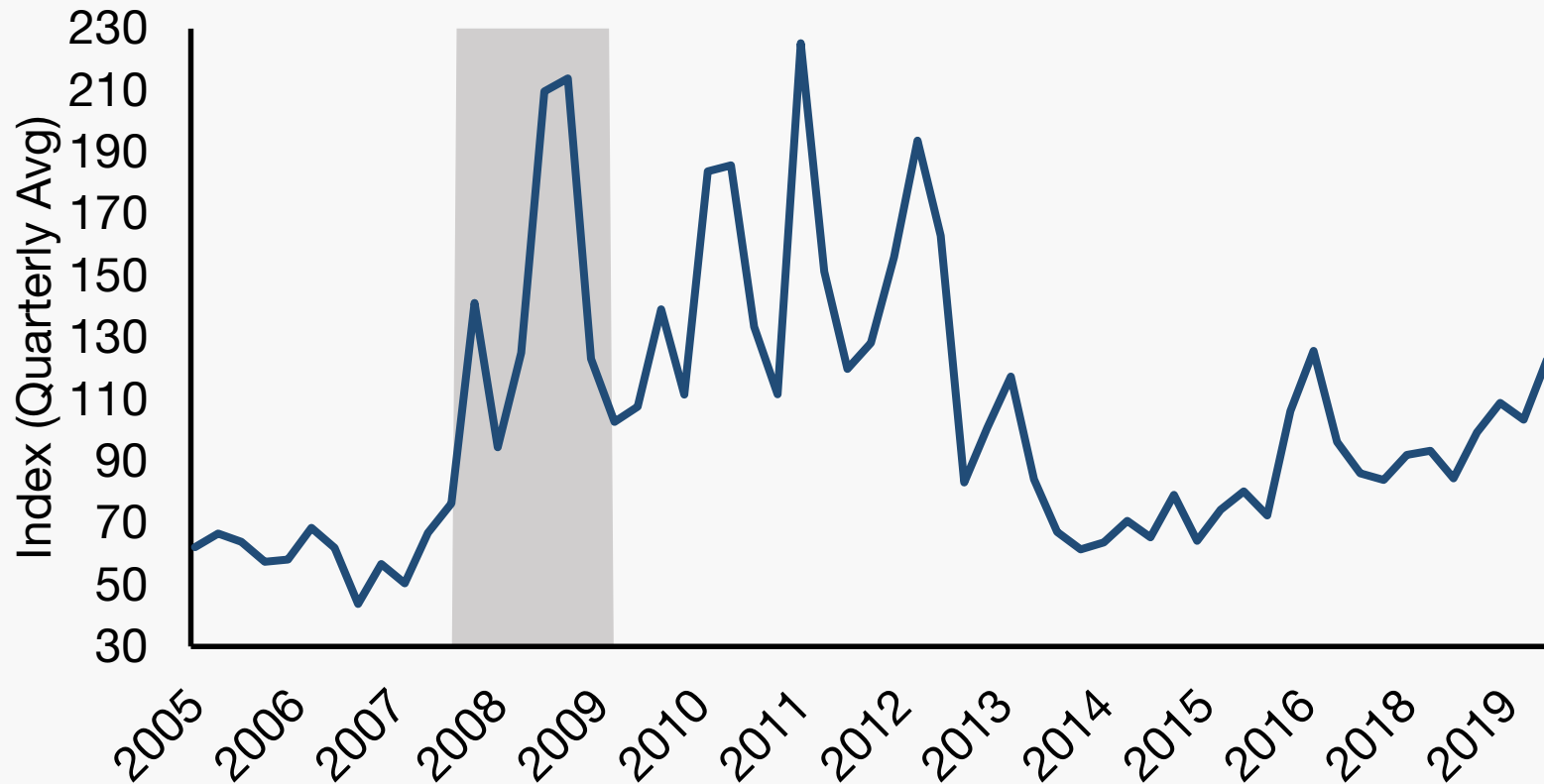
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Source: Census

# Uncertainty Is Rising

Economic Policy Uncertainty



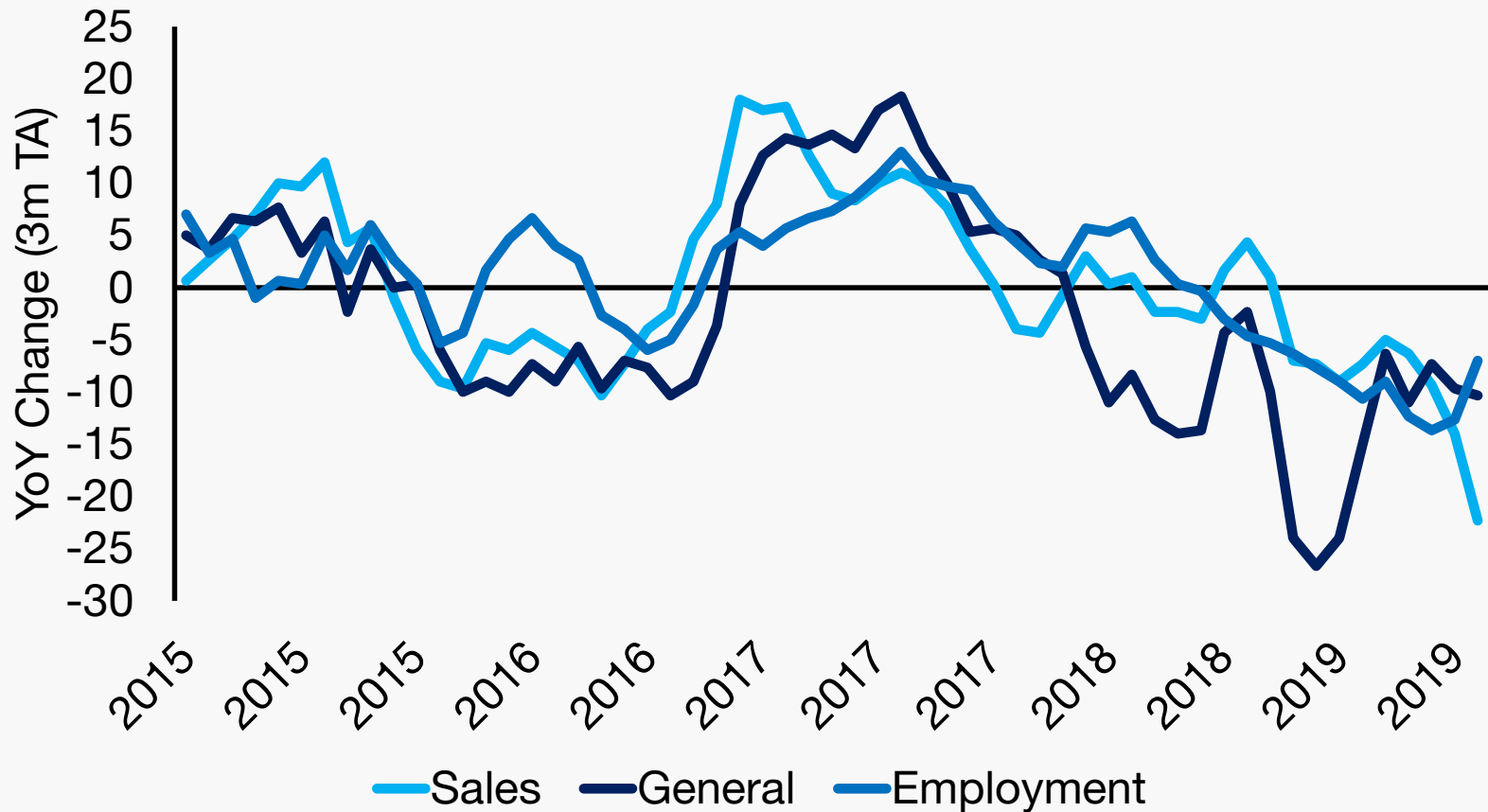
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Source: Baker Bloom Davis

# Carolina Business Expectations

## Change in Expectations



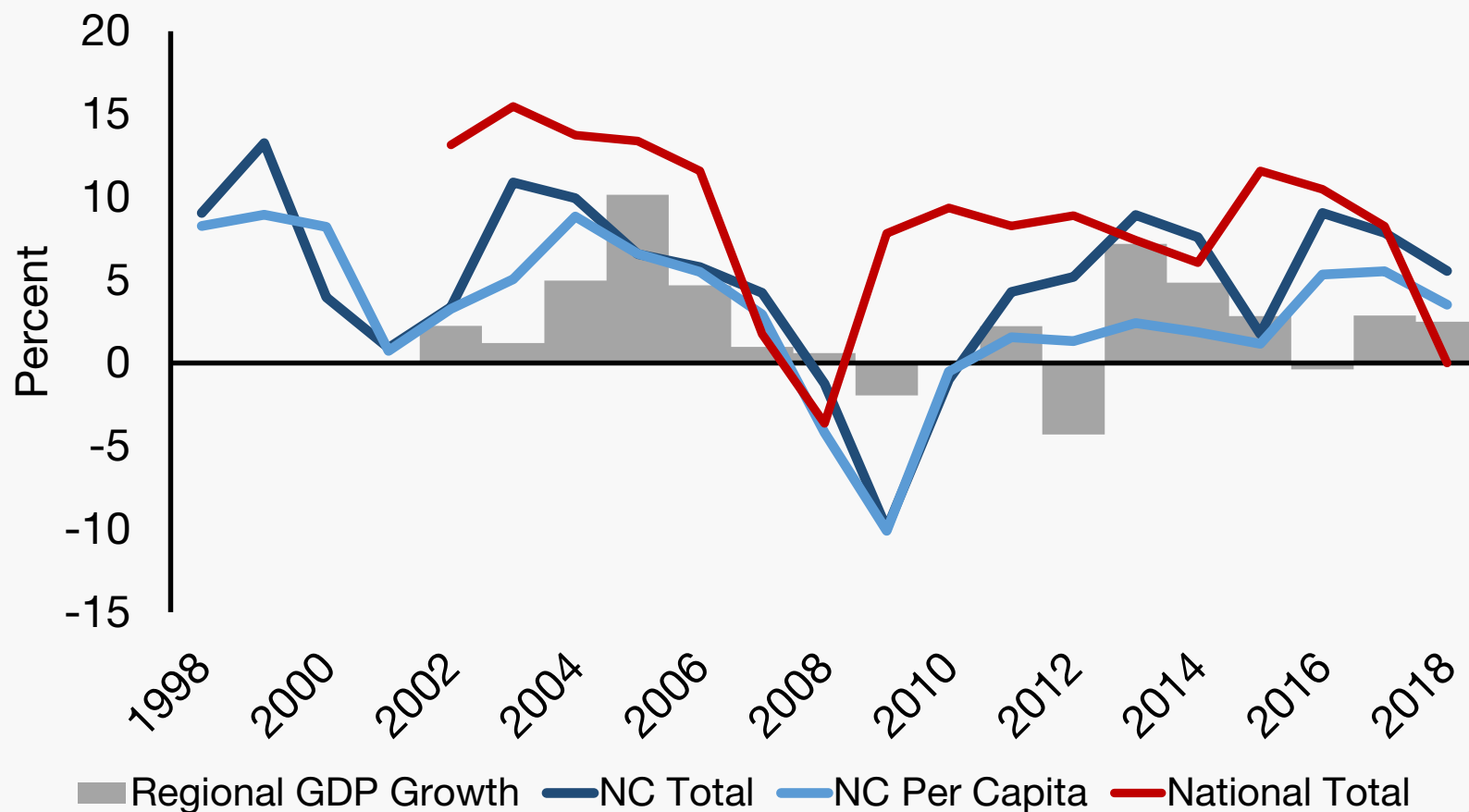
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Source: Richmond Fed



# Recreational Goods Expenditures

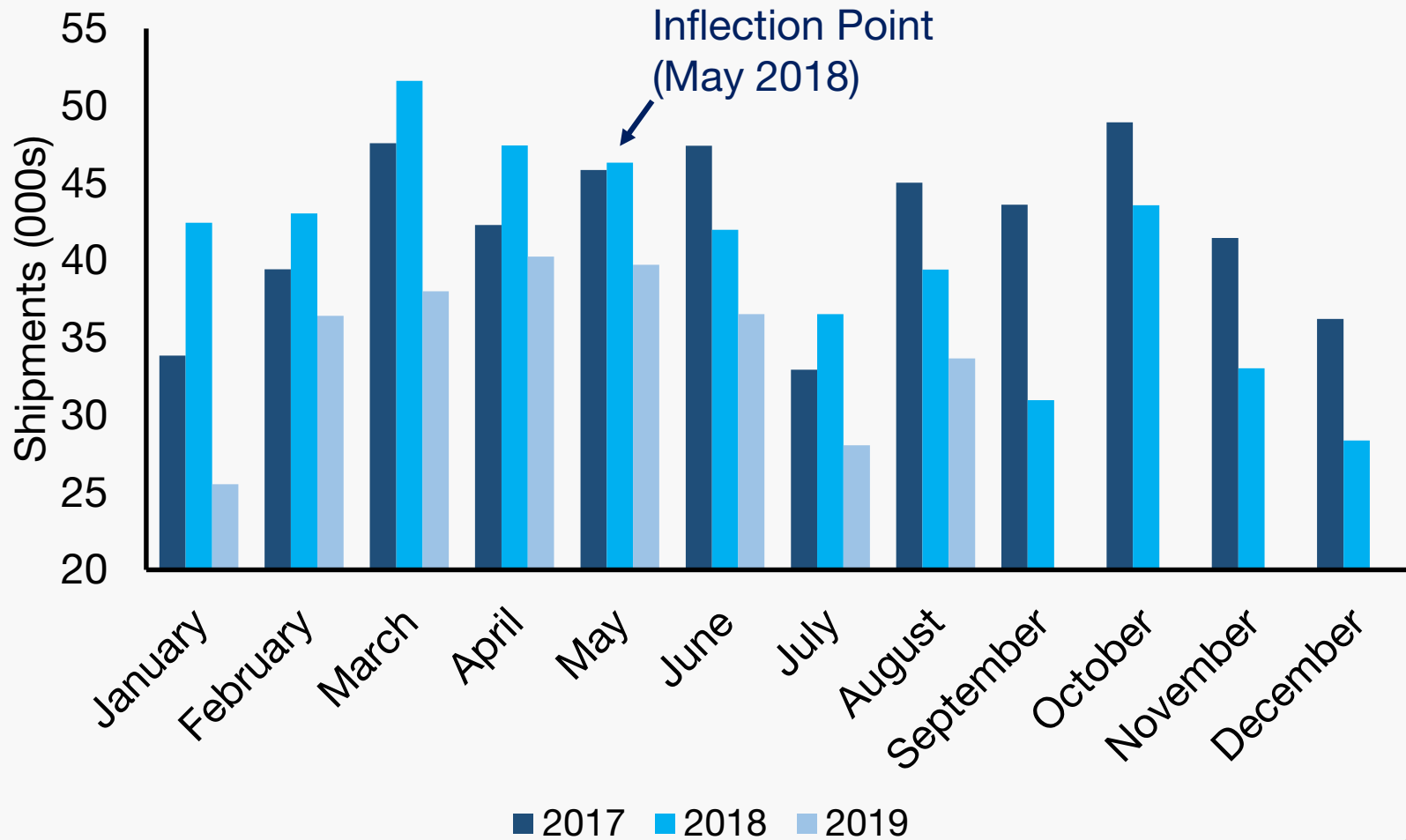


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Source: BEA

# RV Shipments Declining

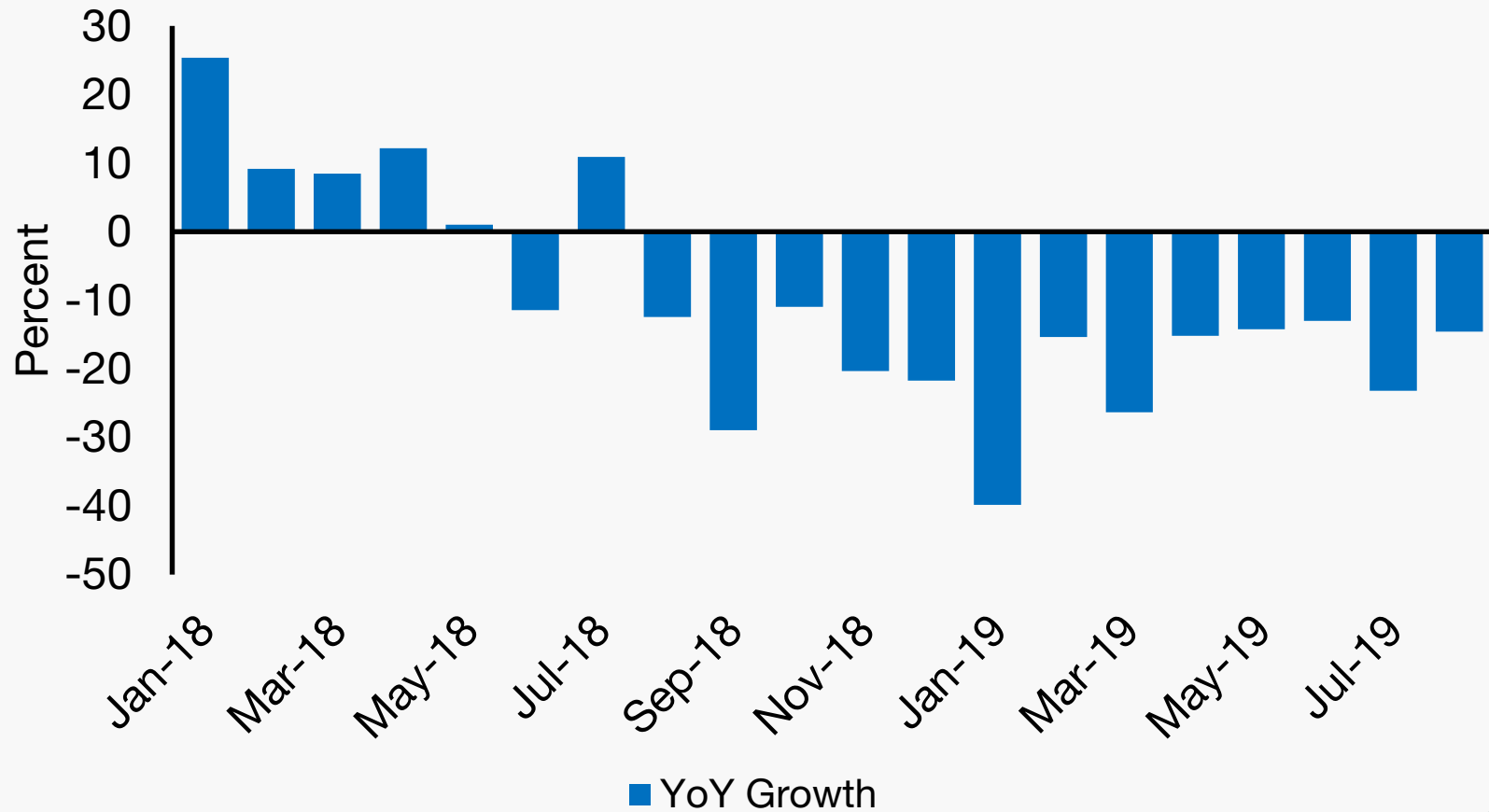


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Source: RVIA

# RV Shipments Declining



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Source: RVIA



# Forecast

|                | 2019 | 2020 |
|----------------|------|------|
| US Economy     | 2.3% | 2.0% |
| Wilmington MSA | 1.9% | 1.6% |





# Sunny With a Dark Cloud



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# Future Trends



The World is Changing



Big Data & Augmented Intelligence



Rise of Millennials, Women, and Diversity



Personal Transformation, Resiliency, & Agility



# Table Activity

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- How will the economic outlook and future trends impact you and your organization?
- As time permits, what is one question your table would want to ask one of the speakers?



# Your Feedback is Valued

- You have two options: online or hard copy.



First, please answer this short survey.

| I have a stronger working knowledge about the: | (Place a check under the best response) |                           |          |
|--|---|---------------------------|----------|
|  | Agree                                   | Neither agree or disagree | Disagree |
| National Economy                               |   |                           |          |
| Regional Economy                               |   |                           |          |
| Market Outlook                                 |   |                           |          |
| Future Trends                                  |   |                           |          |

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