Preparing for the Future
Thanks to the following organizations that purchased tables.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Supplier</th>
<th>Sponsor</th>
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<tbody>
<tr>
<td>Coldwell Banker Commercial Sun Coast Partners</td>
<td>McKim &amp; Creed</td>
<td>UNCW- University Advancement</td>
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<tr>
<td>Cape Fear Community College</td>
<td>nCino</td>
<td>UNCW – Cameron Executive Network</td>
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<td>Duke Energy</td>
<td>New Hanover County Government</td>
<td>UNCW – Center for Innovation &amp; Entrepreneurship</td>
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<td>Greater Wilmington Business Journal</td>
<td>New Hanover Regional Medical Center</td>
<td>Wells Insurance</td>
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<td>Maus, Warwick, Matthews &amp; Co.</td>
<td></td>
<td>WHQR Public Media</td>
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<tr>
<td>Time</td>
<td>Event</td>
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<tr>
<td>7:30 a.m.</td>
<td>Registration and Breakfast</td>
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<tr>
<td>8:00 a.m.</td>
<td>Welcome and Greetings</td>
<td></td>
</tr>
<tr>
<td>8:10 a.m.</td>
<td>Economic and Market Forecasts</td>
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<td>8:30 a.m.</td>
<td>Preparing for the Future</td>
<td></td>
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<tr>
<td>9:15 a.m.</td>
<td>Table Discussion and Questions for Speakers</td>
<td></td>
</tr>
<tr>
<td>9:35 a.m.</td>
<td>Closing Remarks</td>
<td></td>
</tr>
<tr>
<td>9:45 a.m.</td>
<td>Conclude</td>
<td></td>
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</tbody>
</table>
The U.S. Economy: Losing its Legs?

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2.8</td>
<td>2.5</td>
<td>3.1</td>
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<tr>
<td>Q2</td>
<td>2.0</td>
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<tr>
<td>Q3\textsuperscript{e}</td>
<td></td>
<td></td>
<td>2.0</td>
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</table>

\textit{e} - estimate
Some Believe the Yield Curve is Pointing to Recession

10yr minus 3m

Percent

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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.
• Such uncertainty has been off the charts recently, discouraging business investment
Consumers in Good Position

Growth in Consumption

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019&lt;sup&gt;e&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.8</td>
<td>2.9</td>
<td>2.7</td>
<td>2.8</td>
</tr>
</tbody>
</table>

- Job growth remains solid
- Wage growth is firming

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Confidence Remains Buoyant

- GDP Growth
- Sentiment Index

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Wealth Positions Are Strong

Ratio of Net Worth to Disposable Income

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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

![Graph showing manufacturers' new orders from 2006 to 2018. The graph indicates a sharp decrease in 2009, followed by a recovery and fluctuations over the years.](chart)
Uncertainty Has Affected Small Business Optimism

NFIB Optimism Index

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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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>2.3</td>
<td>2.0</td>
<td>2.0</td>
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</tbody>
</table>

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Growth Will be Sufficient to Keep Unemployment Low

Unemployment Rate

Percent

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

• But the prime age participation rate is not up on balance this year
Inflation May Drift Above the Fed’s 2 Percent Target

Core PCE Inflation

Percent

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

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

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>End 2019</th>
<th>End 2020</th>
<th>End 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>1.85</td>
<td>1.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Fed</td>
<td>1.9</td>
<td>1.9</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>
Preparing for the Future
The Regional Outlook: When the Sun Is Out, Don’t Forget to Smile

Dr. Adam T. Jones
Department Chair and Regional Economist
Cameron School of Business – Swain Center
GDP Growth Responses

Percent of Responses
Sunny With a Dark Cloud
Florence Was the Story...
Hospitality Most Exposed

Sectoral Employment

Index


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Source: BLS
Growth Settling Into Normal

Wilmington MSA GDP Growth

Source: BEA
Unemployment Ticking Up Slightly

Unemployment Rate

Rate


Three County NC US

Aug. 4.3%

Source: BLS
Sales Continuing to Grow, But Levelling
Home Prices Rising Again

NHC Home Price Index

Source: Zillow
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

Index


Gasoline
Gas / Wage

Source: US EIA

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Room Occupancy Distorted

NHC Peak Season ROT Growth

% Growth

2014 12.0
2015 4.0
2016 8.0
2017 7.0
2018 6.0
YTD 2019 13.0

Source: NHC
Non-Tourists Still In ROT Data

NHC Occupancy Taxes

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Source: NHC
Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12.0</td>
</tr>
<tr>
<td>2015</td>
<td>4.0</td>
</tr>
<tr>
<td>2016</td>
<td>8.0</td>
</tr>
<tr>
<td>2017</td>
<td>7.0</td>
</tr>
<tr>
<td>2018</td>
<td>6.0</td>
</tr>
<tr>
<td>YTD 2019</td>
<td>8.0</td>
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</tbody>
</table>

Source: NHC
Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth

% Growth

- 2014
- 2015
- 2016
- 2017
- 2018
- YTD 2019

Source: NHC
But...
Some Believe the Yield Curve is Pointing to Recession
Construction Remains Slightly Sluggish

Housing Units Permitted

Number of Permits

Total  Single-Family

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Source: Census
Uncertainty Is Rising

Economic Policy Uncertainty

Index (Quarterly Avg)

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Source: Baker Bloom Davis
Carolina Business Expectations

Change in Expectations

YoY Change (3m TA)

Sales
General
Employment

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Source: Richmond Fed
Recreational Goods Expenditures

Source: BEA
RV Shipments Declining

Inflection Point (May 2018)

Source: RVIA

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RV Shipments Declining

Source: RVIA
## Forecast

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Economy</td>
<td>2.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Wilmington MSA</td>
<td>1.9%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
Sunny With a Dark Cloud
Future Trends

The World is Changing

Big Data & Augmented Intelligence

Rise of Millennials, Women, and Diversity

Personal Transformation, Resiliency, & Agility
Table Activity

• 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.

uncw.edu/EOCFeedback

• We encourage you to use the online version.