The Swain Center

- **Director**
  - Laura Lunsford, PhD

- **Services**
  - Executive and Professional Development
  - Customized Training
  - Business and Economic Services
    - Economic Barometer
    - Education
    - Economic Impact Studies
    - Outlook Conference (October each year)
    - Other projects as requested

David and Diane Swain
Direction for an afternoon

- Macroeconomy Overview
- Implications for Region
- Thoughts to Carry
Recession...

• Recession:
  • Ended in June of 2009!
  • Still recovering
  • But nearing full employment
    • Maybe...
GDP Growth

Quarterly GDP Growth

Percent Growth (YoY)

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Output Gap

Actual vs. Potential Output

Output (Real Trillions $)


10 11 12 13 14 15 16 17

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Unemployment

Unemployment Rate

Latest: 4.3%
Outlook

• Some “catch-up” room left

• Likely slower GDP growth than in past

• \( \text{Output} = \frac{\text{Output}}{\text{Worker}} \times \#\text{workers} \)
Decomposition of Real GDP

\[
\frac{\text{Output}}{\text{Employee}} \times \text{Employees} = \text{GDP}
\]

GDP

Employment

Productivity
Outlook

• Some “catch-up” room left

• Likely slower GDP growth than in past

\[ \text{Output} = \frac{\text{Output}}{\text{Worker}} \times \#\text{workers} \]

• Growth in workers is slowing

• Productivity growth is slowing

\[ \rightarrow \text{Output growth may be slower than historical norm} \]
North Carolina
NC Outperforming

NC vs US Growth

GDP Growth Rate

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Layoffs Low

Unemployment Initial Claims

NC Claims (000s)

US Claims (000s)

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For you…
Some thoughts for the future

- Business Sentiment
- Population growth differs
- Economic vs. Population growth → Wage Growth
- Interest rates
Growth Stable but Differs

Population Growth

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Labor Markets Tightening

Unemployment Rate

US  NC  NHC
Primer on the Federal Reserve

• Federal Reserve System
  • Tasked with Monetary Policy
  • Federal Funds Rate is policy tool/measure
    • Feeds through to other rates

• Dual Mandate
  • Stable Prices
  • Maximum Employment
Inflation Still Low

Personal Consumption Expenditures Inflation

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Unemployment

Unemployment Rate

Rate

Latest: 4.3%
The Dot Plot

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate.
Takeaways

• Reasons for optimism
• Labor markets tightening
• Wage increases on horizon
• Expect the Fed to continue to tighten
  • But slowly…
Thank you.