

# Economic Conditions

North Carolina Local Government Investment Association

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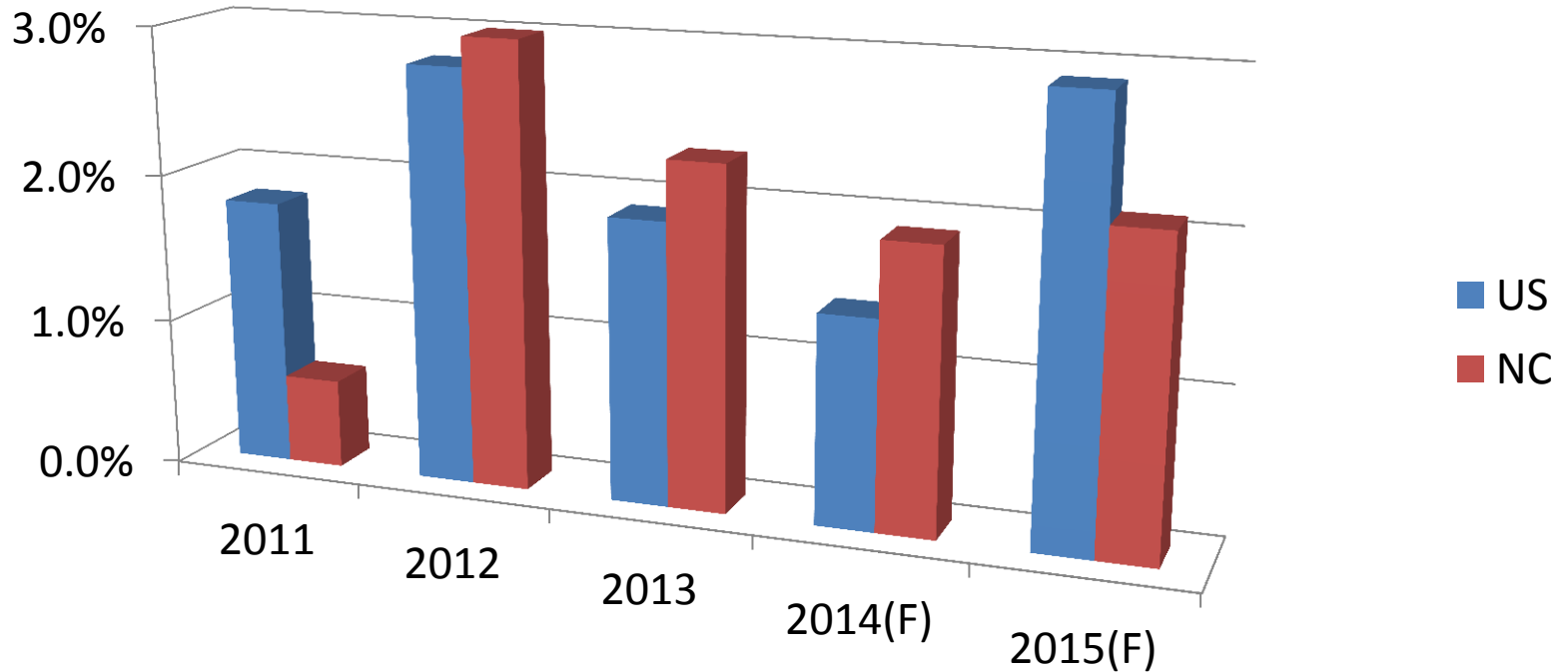


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# Web Slides

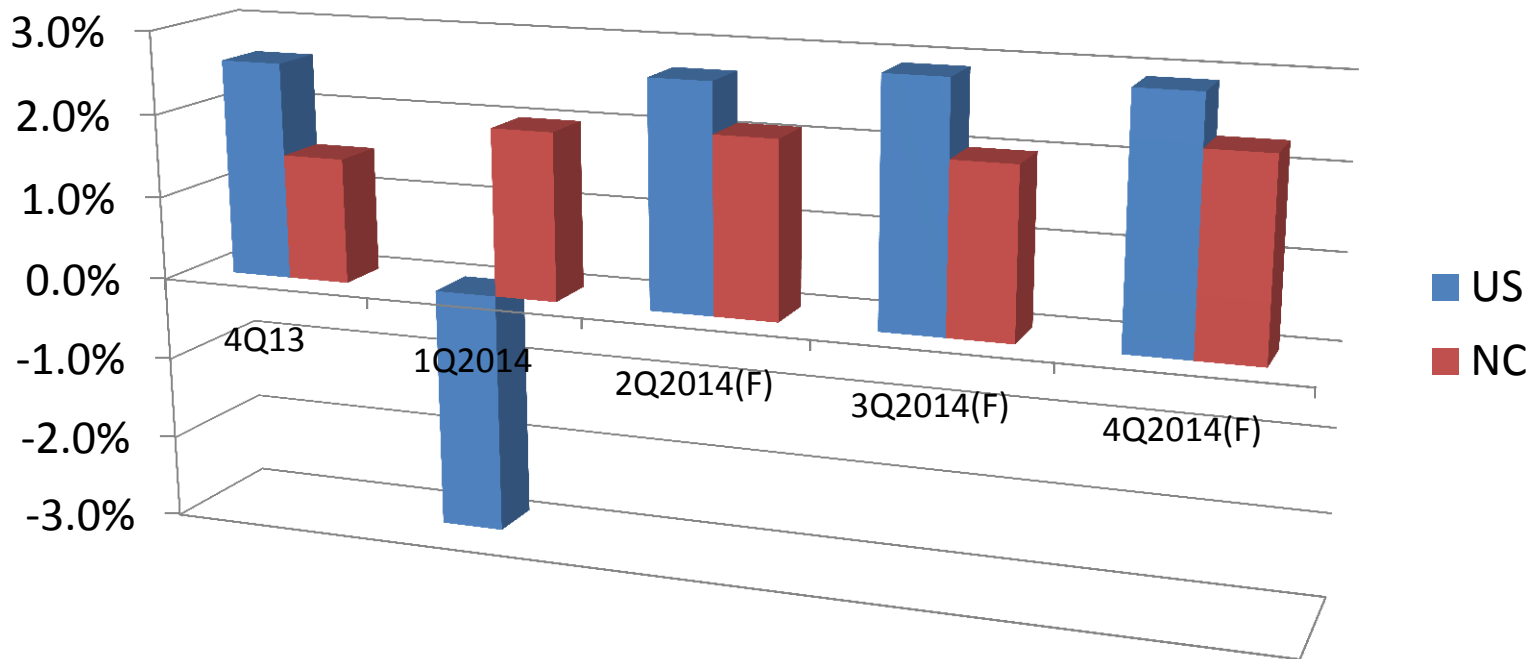
- <http://www.csb.uncw.edu/cbes/events/index.htm>

# Real (Inflation-Adjusted) US and NC Gross Domestic Product (GDP) Growth Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, <http://www.bea.gov/regional/>; Babson Capital/UNC Charlotte Economic Forecast, June 3, 2014.

# Real US and NC GDP Growth Rates (Quarterly Change at an Annual Rate)



1Q2014 NC rate is forecast.

Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, <http://www.bea.gov/regional/>; Babson Capital/UNC Charlotte Economic Forecast, June 3, 2014.

# The US Economic Outlook

- Tightening labor market
  - The National Federation of Independent Business (NFIB) hiring plans index rose two percentage points (200 basis points) in June 2014.
  - The June 2014 Job Openings and Labor Turnover Survey (JOLTS) report showed job openings in May 2014 reached their highest level since mid-2007.
- June 2014 Federal Open Market Committee (FOMC) meeting
  - “Split” among members over inflation
  - Potential steps for “normalizing” policy
  - Preferred tools for eventually raising interest rates

# The US Economic Outlook (Cont.)

- More robust growth is likely.
  - Retail sales rose in June.
  - Industrial production rose in June.
    - The 2Q2014 annualized growth rate was 5.5%.
  - Firms are building inventories.
- One negative was housing starts which fell 5.5%.
- Inflation remains “in check,” with the cost of living rising 0.3% in June (3.7% annualized).
- US home sales rose 2.6% in June.

# “When the rest of the world sneezes, the US may get sick.”

- The US is more vulnerable to troubles abroad than most people realize.
  - Exports accounted for 14% of US output last year.
  - Thus, the US is more dependent on global growth.
- “Worrisome” signs
  - European banks still carry many bad loans.
  - Foreign business debt is still high.
  - Foreign consumer and business confidence is declining.
- In the past, many of our major trading partners relied on “indebted” Americans to buy their products.
  - There is substantial excess production capacity.



# Labor Force Participation Rate

- Council of Economic Advisers (CEA) and Fed Chair Janet Yellen (July 2014)
  - Labor force decline preceded the 2008-09 national recession.
    - Aging population
    - Long-term decline for men aged 24-54, especially during the 2008-09 recession
    - Relatively recent decline for women
- Possible policy responses
  - Immigration reform
    - Increase the size of the labor force
    - Congressional Budget Office (CBO) study
      - Immigration overhaul legislation passed by the US Senate in 2013 would add 6 million workers to the US labor force by 2023.
  - Raise the minimum wage (demand-side and supply-side effects)
  - Implement \$302 billion transportation infrastructure plan



# US Employment

- The Bureau of Labor Statistics (BLS) June 2014 Employment Situation Summary showed that employment rose by 288,000 between May and June.
- The number of unemployed persons fell 325,000 to 9.5 million, and the unemployment rate fell 0.2 percentage points (20 basis points) to 6.1%.
- Over the year (June 2013 compared to June 2014), the unemployment rate is down 1.4 percentage points (140 basis points), and the number of unemployed persons is down 2.3 million.

# Long-Term US Unemployment

- The number of long-term unemployed (unemployed for at least 27 weeks) fell 293,000 in June to 3.1 million.
  - 32.8% of total unemployed
- Since June 2013, the number of long-term unemployed has decreased by 1.2 million.

# June 2014 US Unemployment Rates

Group	Unemployment Rate (%)	Change from May 2014
Overall	6.1	Down
Adult women	5.3	Down
Adult men	5.7	Virtually no change
Teenagers	21	Up
Whites	5.3	Virtually no change
Blacks	10.7	Down
Hispanics	7.8	Virtually no change
Asians(NSA)	5.1	Virtually no change from June 2013

# June 2014 Employment Changes

Employment Gains		Unchanged
Professional & Business Services	+67,000 (24%)	Mining & Logging
Retail Trade	+40,000 (14%)	Construction
Food Services & Drinking Places	+33,000 (12%)	Information
Health Care	+21,000 (8%)	Government
Transportation & Warehousing	+17,000 (6%)	
Financial Activities	+17,000 (6%)	
Manufacturing	+16,000 (6%)	
Wholesale Trade	+15,000 (5%)	

# June 2014 NC Employment Report

Sector	Employment Change
Professional & Business Services	+3,700
Financial Activities	+3,400
Trade, Transportation, & Utilities	+1,000
Construction	+600
Education & Health Services	+600
Manufacturing	+300
Mining & Logging	+100
Government	-13,300
Other Services	-1,500
Information	-500
Leisure & Hospitality	-200



Source: Labor and Economic Analysis Division, North Carolina Department of Commerce, NC Today, July 2014.

# The 2008-09 Recession's Impact on North Carolina's Employment

- NC lost 335,000 jobs (8% of total nonfarm employment) between the employment peak in February 2008 and the low of February 2012.
  - Only health services (+5,900) and government (+3,900) reported increases.
  - The largest losses were in manufacturing (-98,700), followed by trade, transportation, and utilities (-74,000), construction (-71,900), and professional and business services (-37,000).
- NC experienced 24 months of continuous decline until nonfarm employment bottomed out in February 2012 at 3,839,200.



# NC Employment Recovery

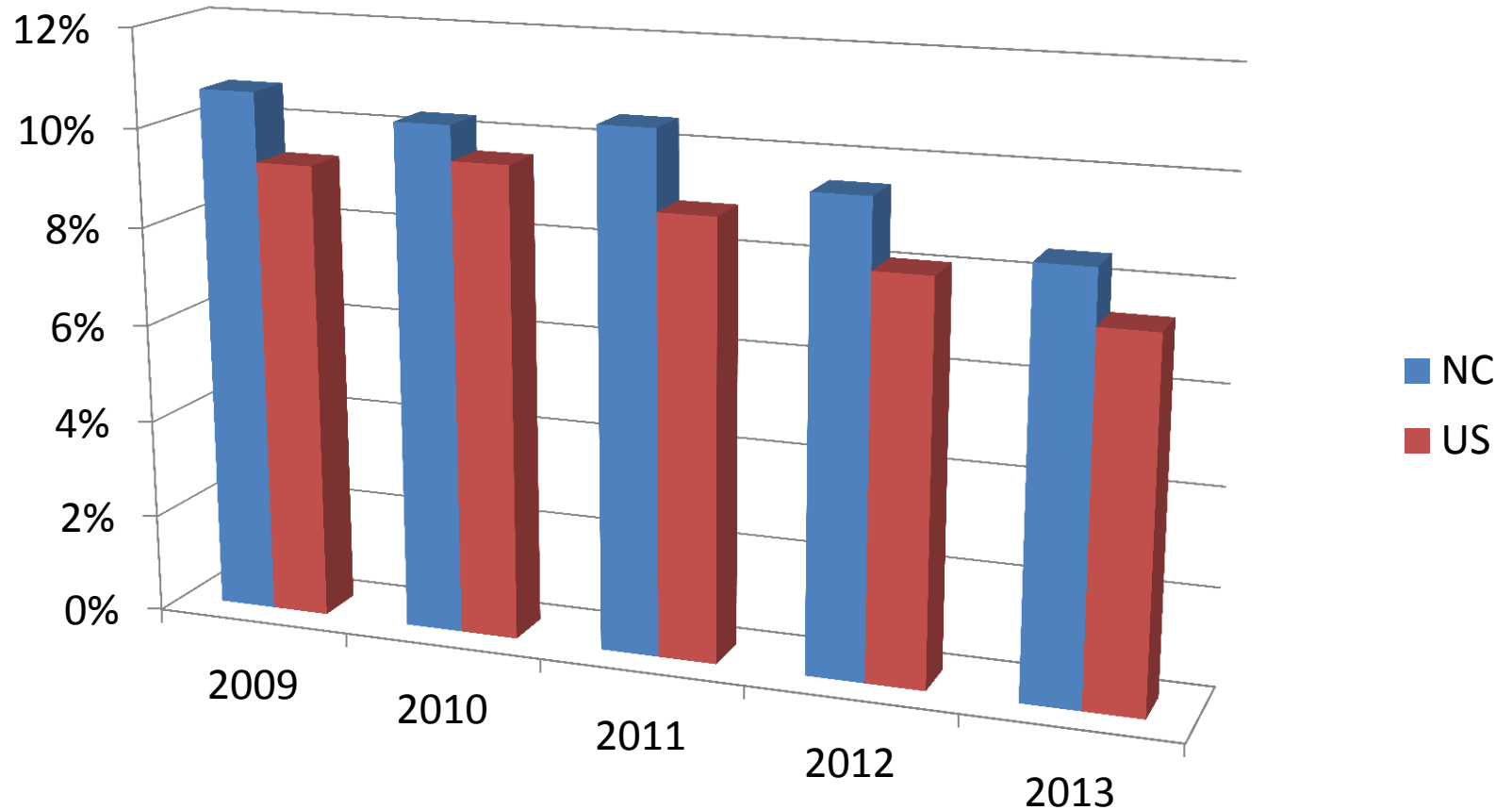
- Based on June 2014 preliminary estimates, NC has gained 280,300 jobs since February 2012.
  - Private sector employment has risen 297,300.
  - The largest job growth has been in professional and business services (+108,300), followed by trade, transportation, and utilities (+64,800), and leisure and hospitality services (+52,100).
  - Government has had the largest job loss (-17,000).

# NC MSA Employment Changes (NSA)

- Ten of the states 14 MSA's experienced declines in nonfarm employment between May and June.
  - The Charlotte/Gastonia/Rock Hill NC SC MSA posted the largest fall (-10,400).
  - Raleigh/Cary gained 200 jobs, and Fayetteville and Wilmington each gained 100 jobs.
  - Winston/Salem showed no change over the month.

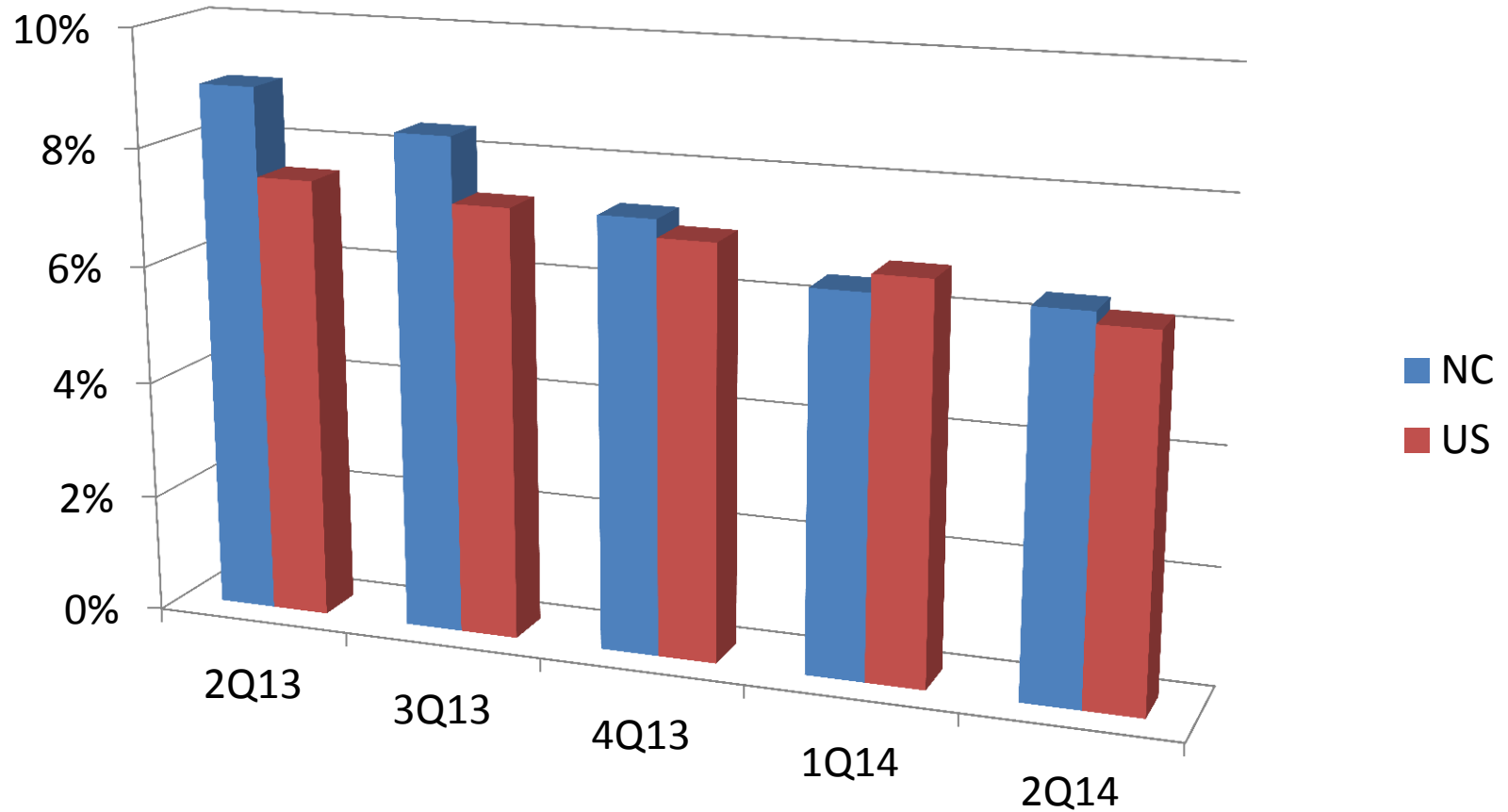


# Unemployment Rates



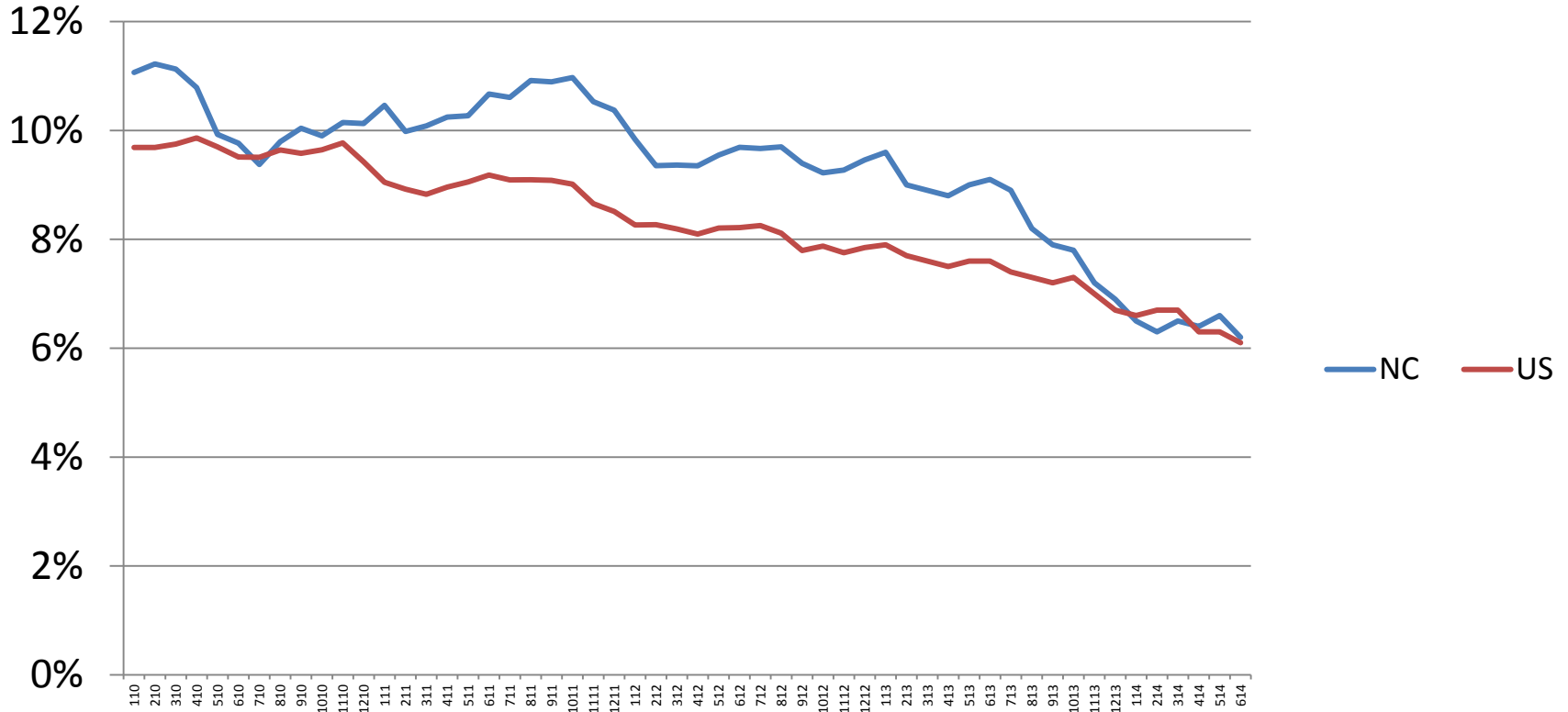
Source: Bureau of Labor Statistics, US Department of Labor; Division of Employment Security, NC Department of Commerce.

# Unemployment Rates



Source: Bureau of Labor Statistics, US Department of Labor; Division of Employment Security, NC Department of Commerce.

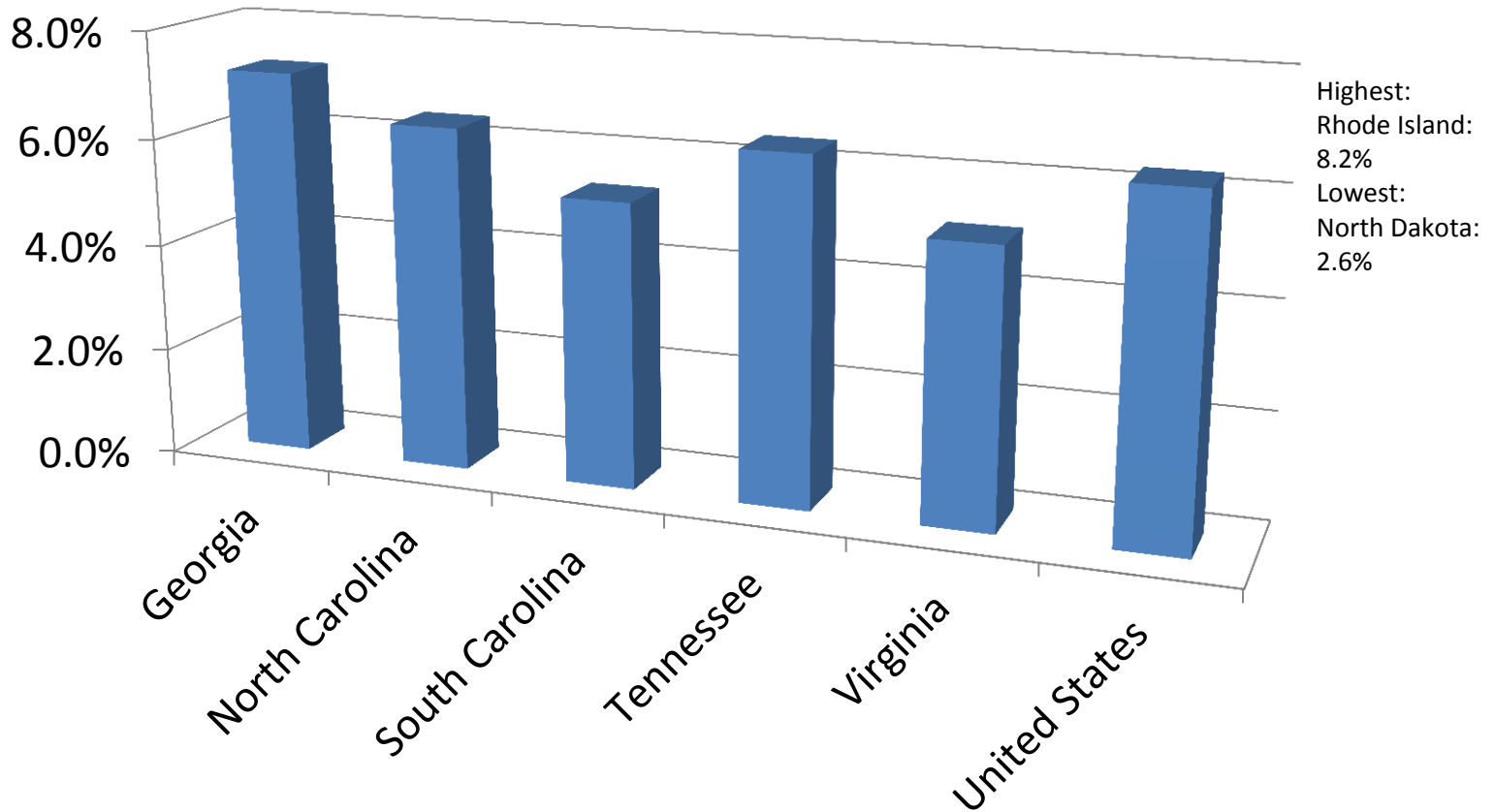
# Unemployment Rates (Seasonally Adjusted)



Source: Bureau of Labor Statistics, US Department of Labor; Division of Employment Security, NC Department of Commerce.



# May 2014 State Unemployment Rate Comparisons

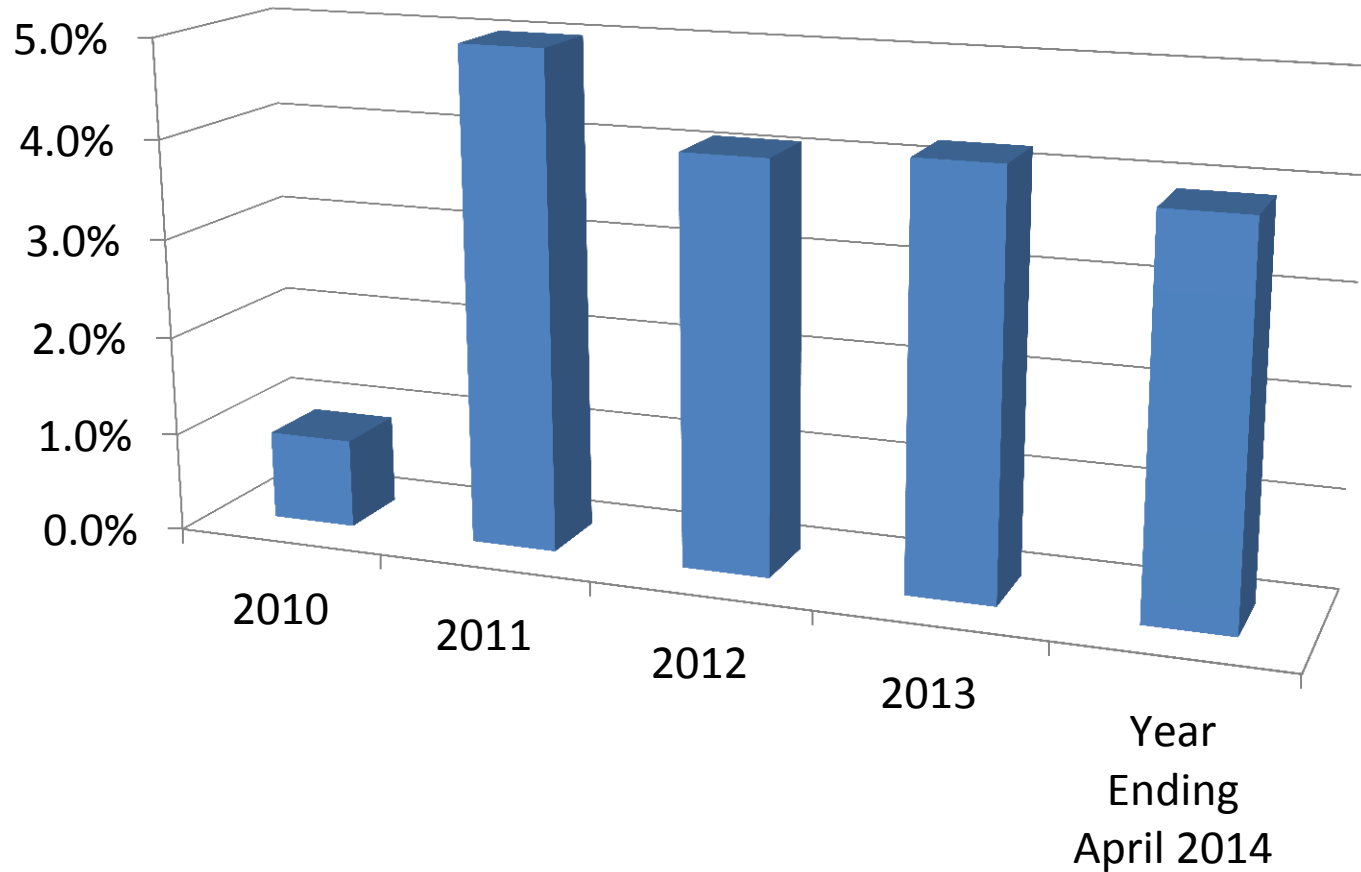


Source: Labor and Economic Analysis Division, North Carolina Department of Commerce, NC Today, July 2014.

# May 2014 NC County Unemployment Rates (NSA)

- Between April and May 2014, unemployment rates rose in 92 counties, fell in seven counties, and did not change in one county.
- Scotland County had the highest May 2014 rate at 12.7%, and Currituck County had the lowest rate at 4.6%.

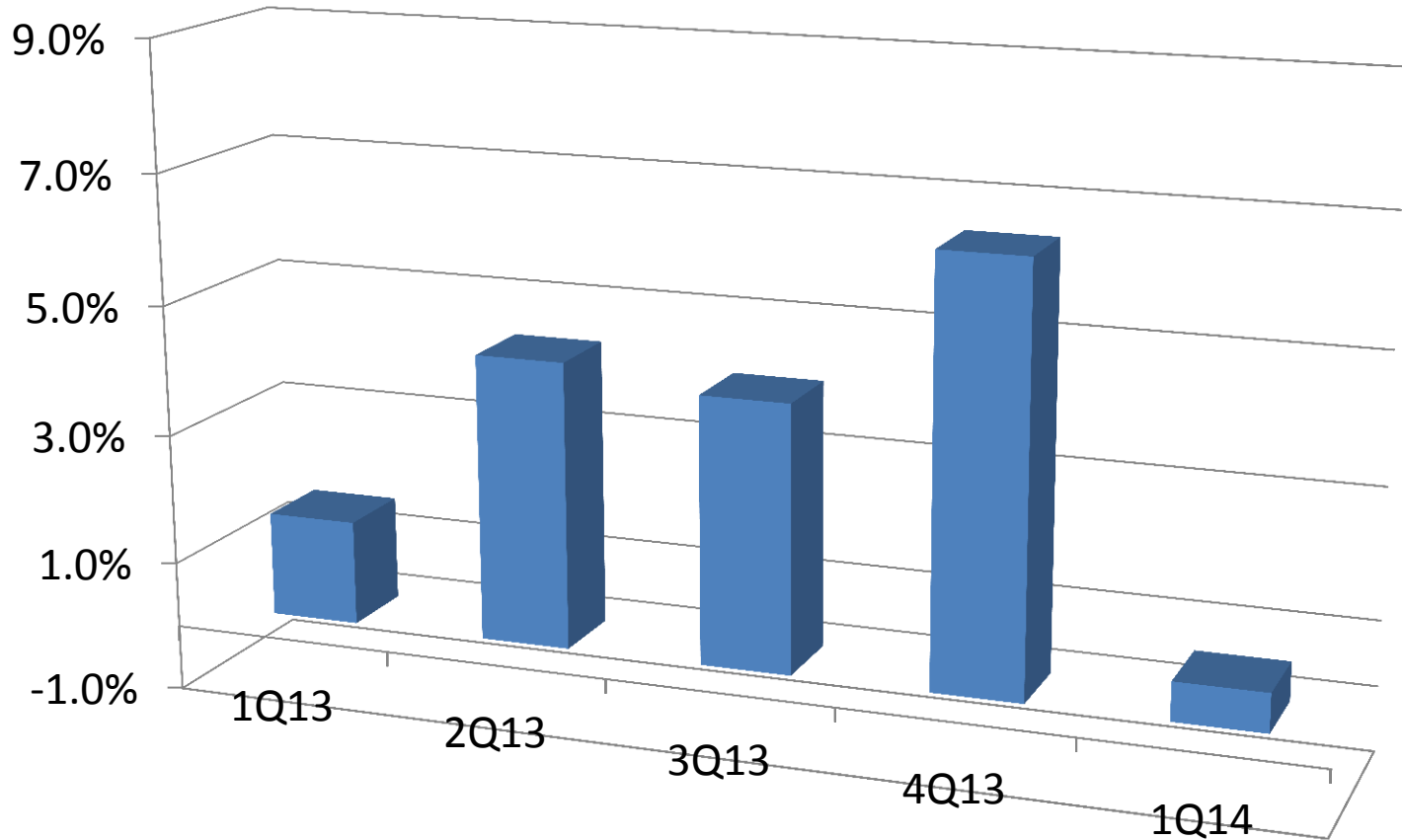
# North Carolina Retail Sales Growth Rates



Source: NC Department of Revenue.



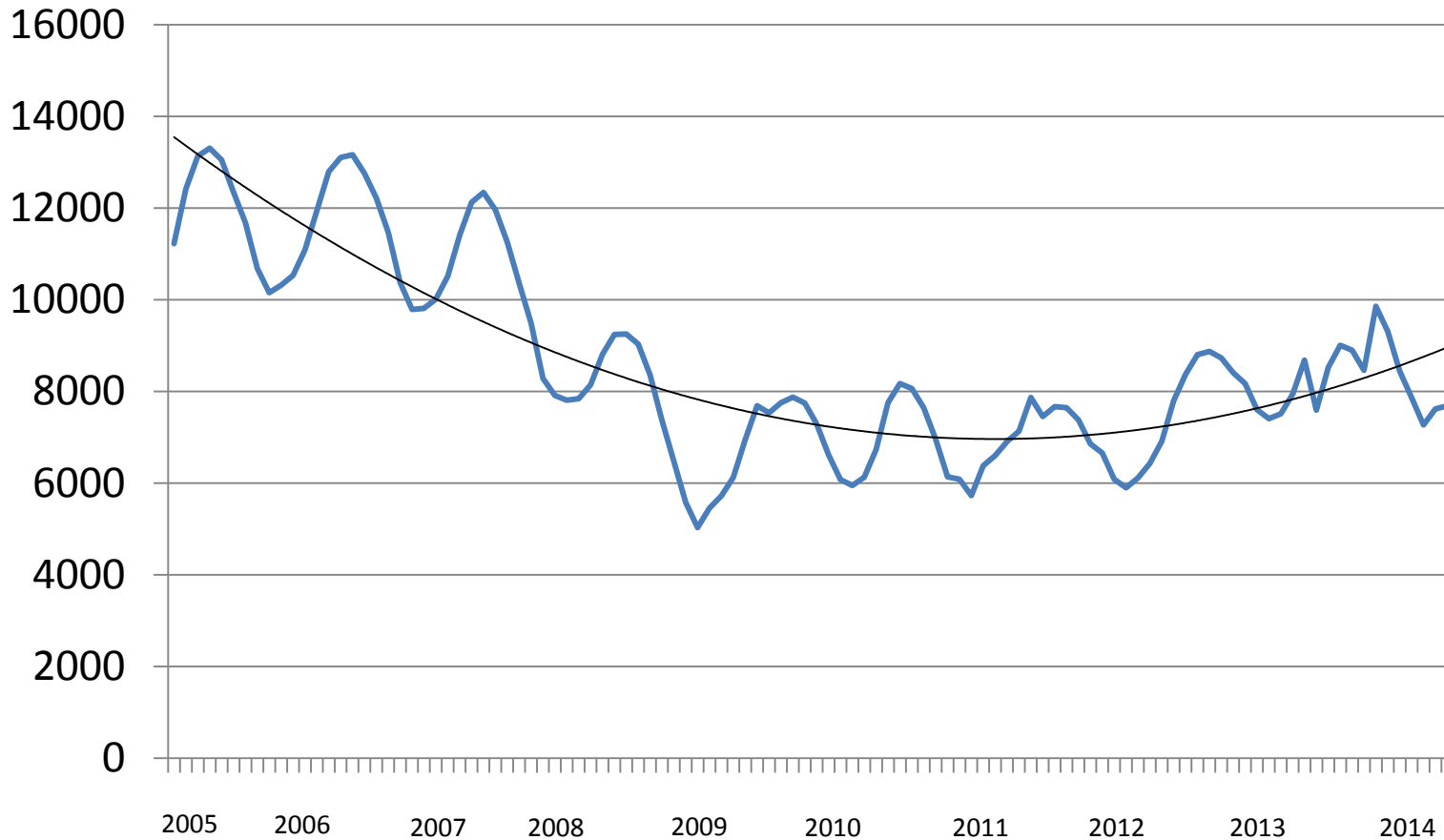
# North Carolina Retail Sales Growth Rates (Compared to Year-Earlier Quarter)



Source: NC Department of Revenue.



# Existing NC Single-Family Home Sales (5-Month Centered Moving Average)

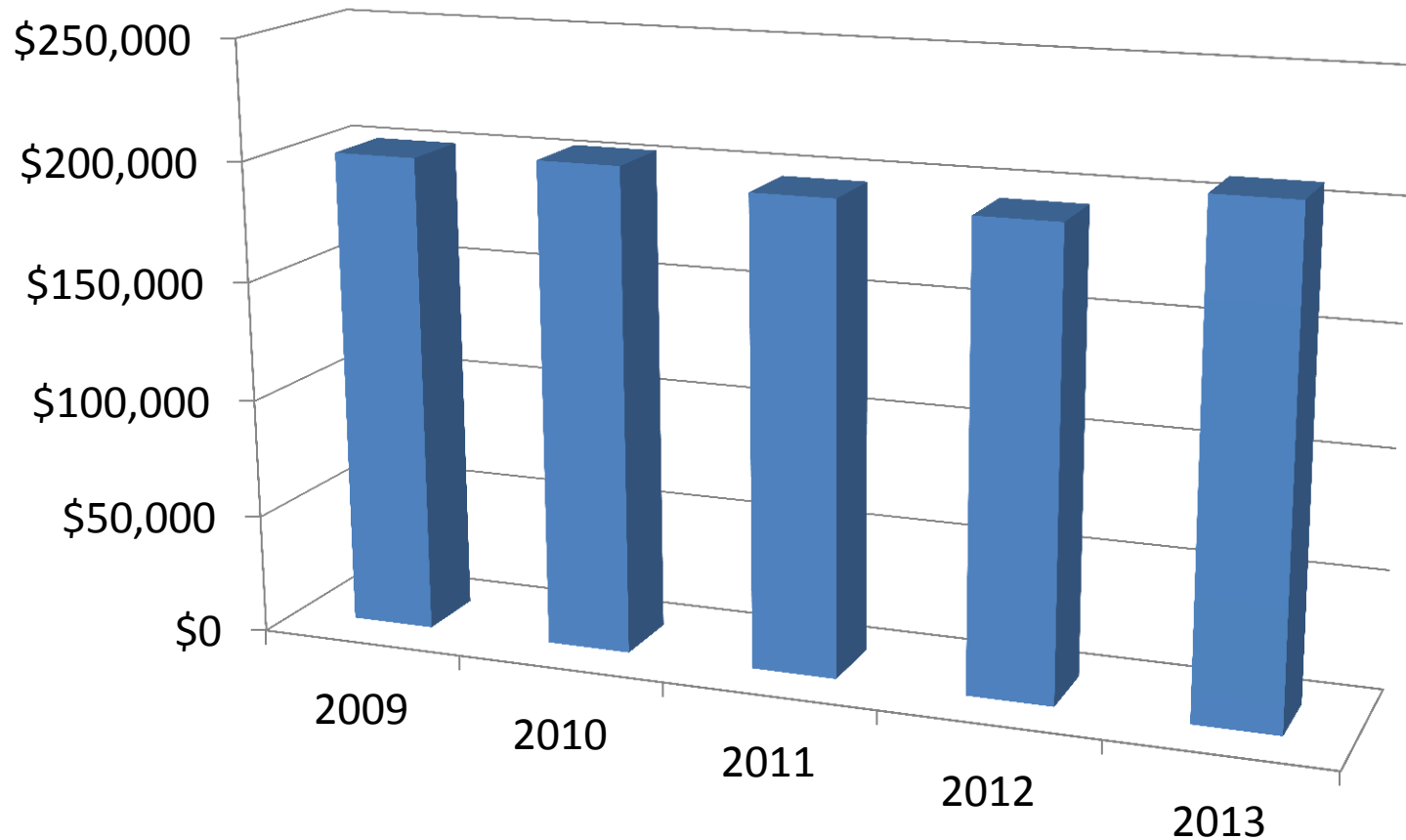


Source: NC Association of Realtors.





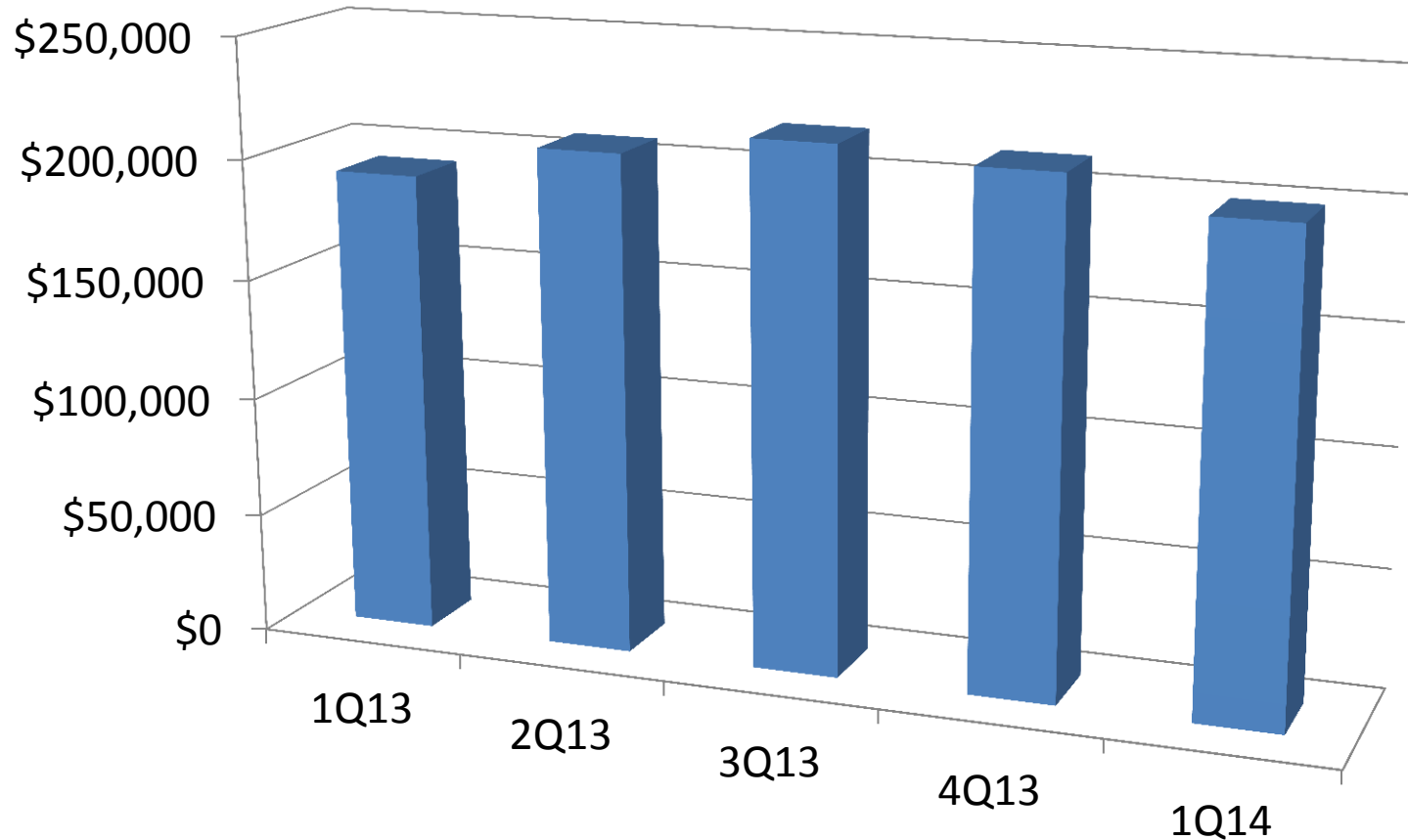
# Average Sales Prices of Existing Single-Family Home Sales in NC



Source: NC Association of Realtors.



# Average Sales Prices of Existing Single-Family Home Sales in NC



Source: NC Association of Realtors.

# North Carolina Foreclosure Filings

Time Period	Number	% Change
2010	66,281	10.0
2011	53,239	-19.7
2012	54,749	2.8
2013	45,119	-17.6
Year Ending May 2014	12,689	-23.0

Source: <http://www.nccourts.org/Citizens/SRPlanning/Statistics/Default.asp>



# Economic Barometer

<http://csb.uncw.edu/cbes/newsletter/documents/July2014BAROMETER.pdf>



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## Economic Barometer



Volume VI Issue II July 2014

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### The National Economy

**Readings Mixed.** Readings on the national economy have been mixed over recent months, owing importantly to the effects of unusually severe winter weather. Real GDP contracted at nearly a three percent rate in the first quarter. But, based on various production indicators, output more than reversed this drop in the second quarter. Meanwhile, labor market data point to robust gains over the first half of the year. Non-farm payroll growth averaged 230 thousand per month through June, up from 185 thousand per month in the second half of 2013. The first-half gains are roughly double the amount required to absorb new entrants into the labor force. The chart below illustrates that total hours worked by private sector workers have picked up appreciably this year. Total output varies directly with hours worked and with the productivity of workers.



**FRED** — Index of Aggregate Weekly Hours: Production and Nonsupervisory Employees: Total Private Industries

(Index 2002=100)

Jan 2013 Apr 2013 Jul 2013 Oct 2013 Jan 2014 Apr 2014

Source: U.S. Department of Labor, Bureau of Labor Statistics  
Shaded areas indicate US recessions - 2014 research.stlouisfed.org

