Economic Conditions

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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

### Real US and NC GDP Growth Rates

(Quarterly Change at an Annual Rate)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>US</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q13</td>
<td>3.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>1Q2014</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2Q2014(F)</td>
<td>3.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>3Q2014(F)</td>
<td>1.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>4Q2014(F)</td>
<td>1.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

1Q2014 NC rate is forecast.

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Unemployment Rate (%)</th>
<th>Change from May 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>6.1</td>
<td>Down</td>
</tr>
<tr>
<td>Adult women</td>
<td>5.3</td>
<td>Down</td>
</tr>
<tr>
<td>Adult men</td>
<td>5.7</td>
<td>Virtually no change</td>
</tr>
<tr>
<td>Teenagers</td>
<td>21</td>
<td>Up</td>
</tr>
<tr>
<td>Whites</td>
<td>5.3</td>
<td>Virtually no change</td>
</tr>
<tr>
<td>Blacks</td>
<td>10.7</td>
<td>Down</td>
</tr>
<tr>
<td>Hispanics</td>
<td>7.8</td>
<td>Virtually no change</td>
</tr>
<tr>
<td>Asians(NSA)</td>
<td>5.1</td>
<td>Virtually no change from June 2013</td>
</tr>
</tbody>
</table>
## June 2014 Employment Changes

<table>
<thead>
<tr>
<th>Employment Gains</th>
<th>Unchanged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>+67,000 (24%)</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>+40,000 (14%)</td>
</tr>
<tr>
<td>Food Services &amp; Drinking Places</td>
<td>+33,000 (12%)</td>
</tr>
<tr>
<td>Health Care</td>
<td>+21,000 (8%)</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>+17,000 (6%)</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>+17,000 (6%)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>+16,000 (6%)</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>+15,000 (5%)</td>
</tr>
</tbody>
</table>
# June 2014 NC Employment Report

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>+3,700</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>+3,400</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>+1,000</td>
</tr>
<tr>
<td>Construction</td>
<td>+600</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>+600</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>+300</td>
</tr>
<tr>
<td>Mining &amp; Logging</td>
<td>+100</td>
</tr>
<tr>
<td>Government</td>
<td>-13,300</td>
</tr>
<tr>
<td>Other Services</td>
<td>-1,500</td>
</tr>
<tr>
<td>Information</td>
<td>-500</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>-200</td>
</tr>
</tbody>
</table>

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

Unemployment Rates

Unemployment Rates
(Seasonally Adjusted)

May 2014 State Unemployment Rate Comparisons

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

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Number</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>66,281</td>
<td>10.0</td>
</tr>
<tr>
<td>2011</td>
<td>53,239</td>
<td>-19.7</td>
</tr>
<tr>
<td>2012</td>
<td>54,749</td>
<td>2.8</td>
</tr>
<tr>
<td>2013</td>
<td>45,119</td>
<td>-17.6</td>
</tr>
<tr>
<td>Year Ending May 2014</td>
<td>12,689</td>
<td>-23.0</td>
</tr>
</tbody>
</table>

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 throughout 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.