

# Current Economic Conditions and the Outlook for the Future

Poyner Spruill CPA Seminar

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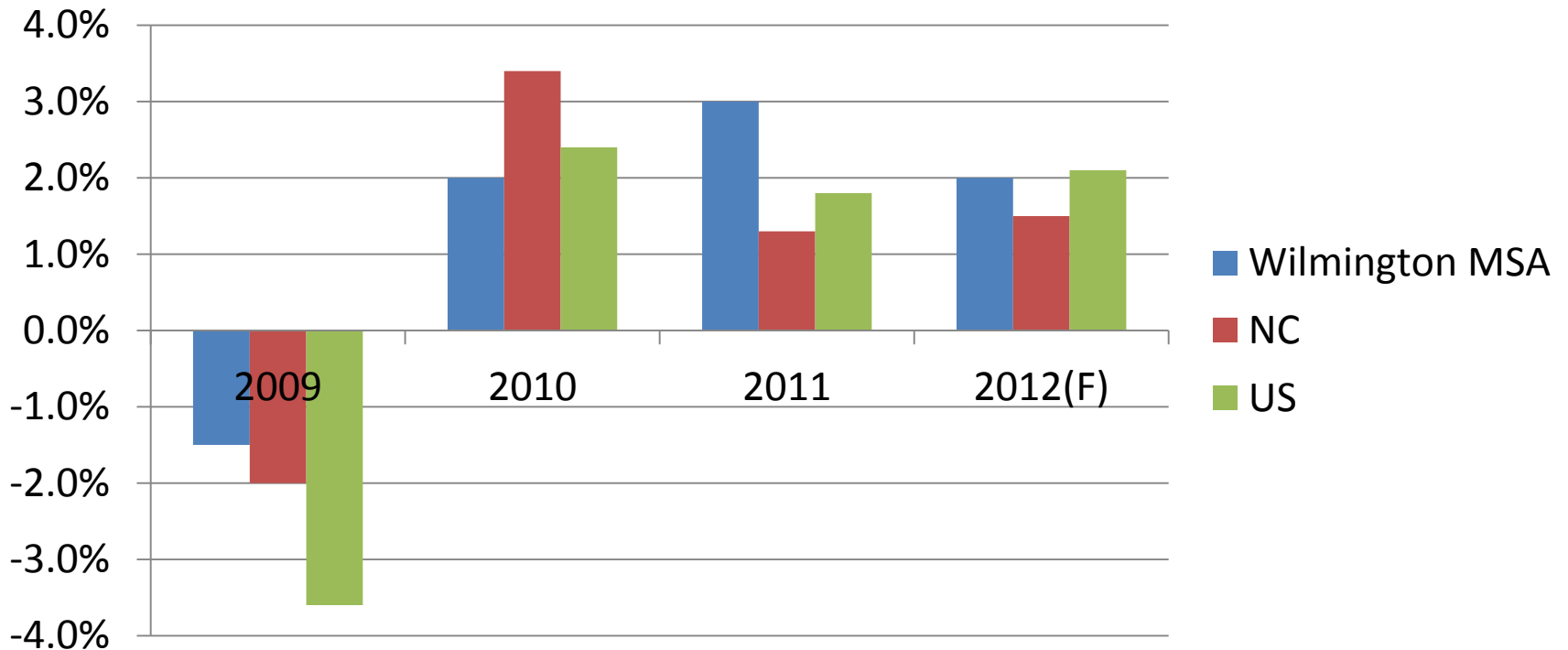
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# Web Site for Slides

- <http://www.uncw.edu/swaincenter>

# Real Gross Domestic Product Growth Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, November 2, 2012; Babson Capital/UNC Charlotte Economic Forecast, September 11, 2012; Ravija Badarinathi and William W. Hall, Jr., for the H. David and Diane Swain Center for Business and Economic Services, Cameron School Business, UNC Wilmington.

# October 2012 Employment Report

(Bureau of Labor Statistics, US Department of Labor)

- Overall October 2012 unemployment rate of 7.9%
  - Up from 7.8% in September 2012

Higher Rates	Lower Rates	Unchanged Rates
Blacks (14.3%)	Asians (4.9%)	Adult men (7.3%)
		Adult women (7.2%)
		Teenagers (23.7%)
		Whites (7%)
		Hispanics (4.9%) <sup>1</sup>
<sup>1</sup> Not seasonally adjusted		

# October 2012 Employment Report

(Bureau of Labor Statistics, US Department of Labor)

- 5 million unemployed for at least 27 weeks
  - 40.6% of the unemployed
- Civilian labor force participation rate of 63.8%
- Total employment up 410,000 from September 2012
  - Involuntarily employed part-time workers down 269,000 from September 2012 to 8.3 million
- 813,000 discouraged workers

# October 2012 Employment Report

(Bureau of Labor Statistics, US Department of Labor)

Employment Gains	Employment Unchanged	Employment Losses
Professional & Business Services (+51,000)	Manufacturing	Mining (-9,000)
Retail Trade (+36,000)	Wholesale Trade	
Health Care (+31,000)	Transportation & Warehousing	
Leisure & Hospitality (+28,000)	Information	
Construction (+17,000)	Financial Activities	
	Government	

# The National Outlook

- Slow growth in 2013
  - Growth is likely to be slower for the foreseeable future than we've become accustomed to in the 25 years prior to the financial crisis.
  - If the “fiscal cliff” is avoided, there will likely be no new recession.
- “Better” times may reappear in late 2014 / early 2015.

# Housing Outlook

- Housing will strengthen even with sluggish overall economic growth.
  - This apparent contradiction is due to the sheer size of the housing collapse.
  - The housing sector is recovering from a drop that started with residential construction activity peaking at 6.3% of GDP in 4Q2005, compared to 2.5% in 3Q2012.
- In a “normal” recovery, housing starts increase 40-50% in the first year.
  - Housing usually leads a recovery.
  - Not so this time



# The NC Economy in 2012

- Real (inflation adjusted) Gross State Product (GSP) is forecast to grow 1.5% over 2012.
- Ten of the state's 15 economic sectors are forecast to experience output growth.

Strongest Growth	
Sector	Growth Rate in Real Output
Mining	6.4%
Hospitality & Leisure Services	4.6%
Retail Trade	4.4%
Finance, Insurance, & Real Estate	4.3%
Educational & Health Services	4.1%

Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 11, 2012.



# The NC Economy in 2013

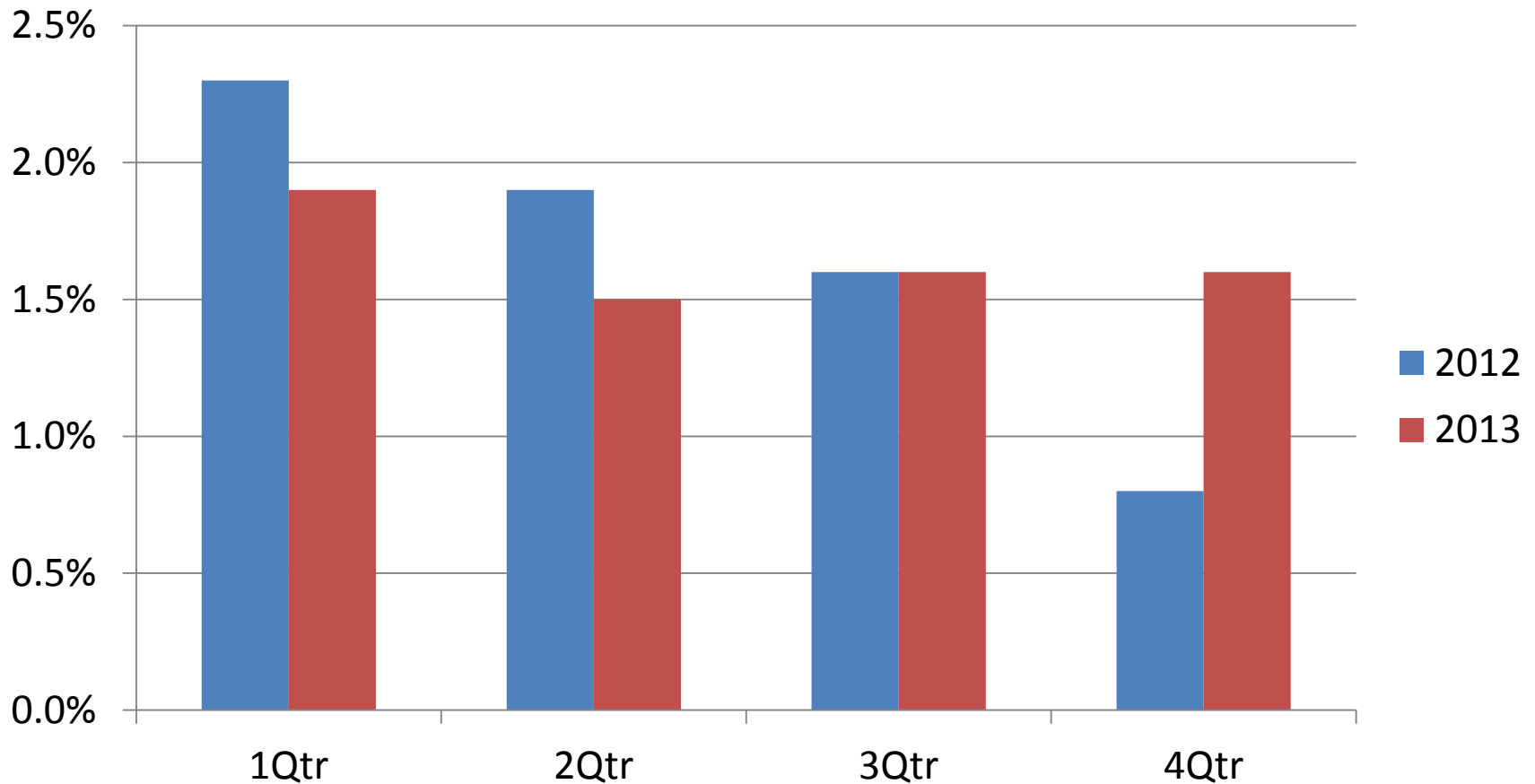
- Real GSP is forecast to grow 1.5% over 2013.
- 14 of the state's 15 economic sectors are forecast to experience output growth.

Strongest Growth	
Sector	Growth Rate in Real Output
Agriculture	8.3%
Other Services	4.5%
Hospitality and Leisure Services	3.8%
Educational & Health Services	3.6%
Transportation, Warehousing, & Utilities	3.2%

Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 11, 2012.



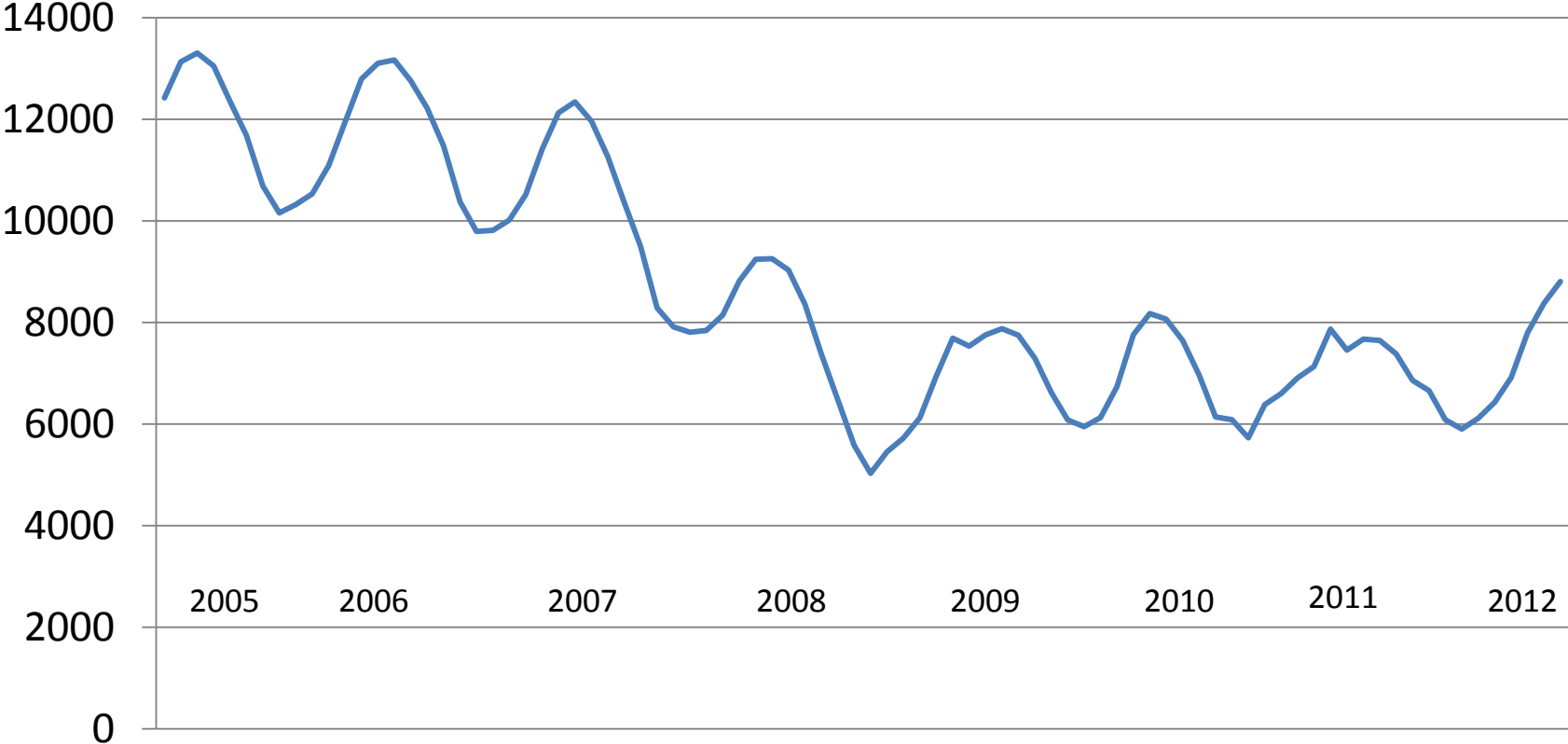
# 2012-13 Quarterly Growth Rates in NC Real GSP



Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 11, 2012.



# North Carolina Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source : NC Association of Realtors.



# North Carolina 1Q2012 Employment and Wages (Largest 10 Employment Sectors)

NAICS <sup>1</sup> Sector	% of Total Employment	% Change from 1Q2011	% Change from 1Q2007	Average Weekly Wage	
				Wage (\$)	% of All- Sector Average
Health Care & Social Assistance	14.6	1.9	7.1	835.33	96.1
Retail Trade	11.6	2.5	-2.9	486.63	56.0
Local Government	11.5	-0.4	--	764.00	87.9
Manufacturing	11.3	1.0	-19.6	1,088.09	125.2
Educational Services	10.0	-0.5	2.0	744.39	85.7
Public Administration	6.2	1.1	3.8	828.63	98.8
Accommodation & Food Services	8.9	3.8	3.4	287.68	33.1
Administrative & Waste Services	6.5	4.3	5.3	597.18	68.7
Public Administration	6.1	-1.5	3.8	839.72	96.6
Professional & Technical Services	5.2	3.5	7.1	1,315.48	151.4
All Sectors		1.7	-3.9	869.00	

<sup>1</sup> North American Industrial Classification System.

Source: NC Division of Employment Security, NC Department of Commerce.



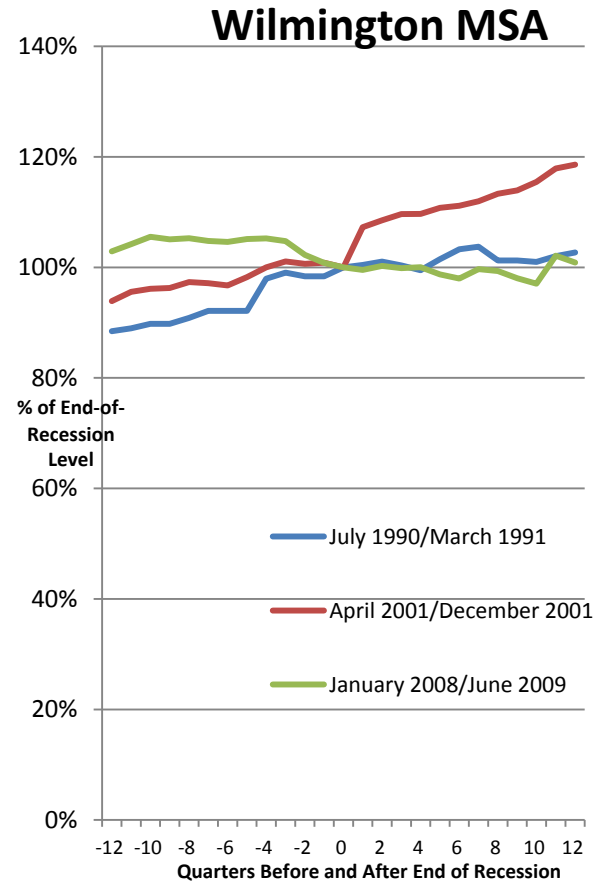
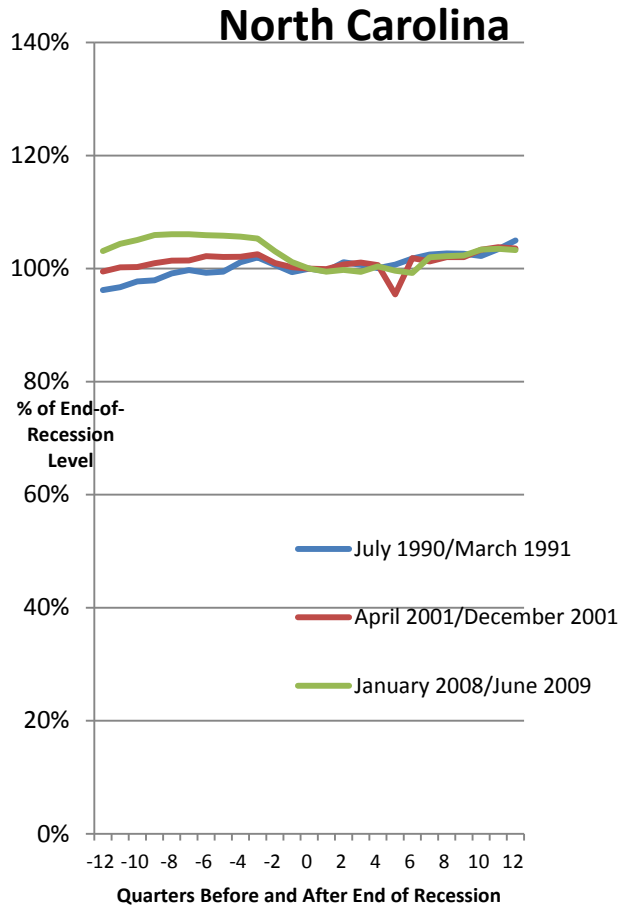
# NC MSA Employment Changes

MSA	% Change 1Q11-1Q12	% Change 1Q07-1Q12
Asheville	0.9	-4.3
Burlington	1.9	-4.3
Charlotte-Gastonia-Rock Hill	2.9	-1.7
Durham-Chapel Hill	1.8	-1.1
Fayetteville	0.3	0.3
Goldsboro	1.7	-4.8
Greensboro-High Point	0.9	-6.7
Greenville	2.6	-0.1
Hickory-Lenoir-Morganton	-0.4	-12.7
Jacksonville	0.2	6.8
Raleigh-Cary	2.3	0.9
Rocky Mount	-1.6	-10.3
Wilmington	--	-7.8
Winston-Salem	1.9	-6.4
Total MSA	1.7	-3.2



Source: NC Division of Employment Security, NC Department of Commerce.

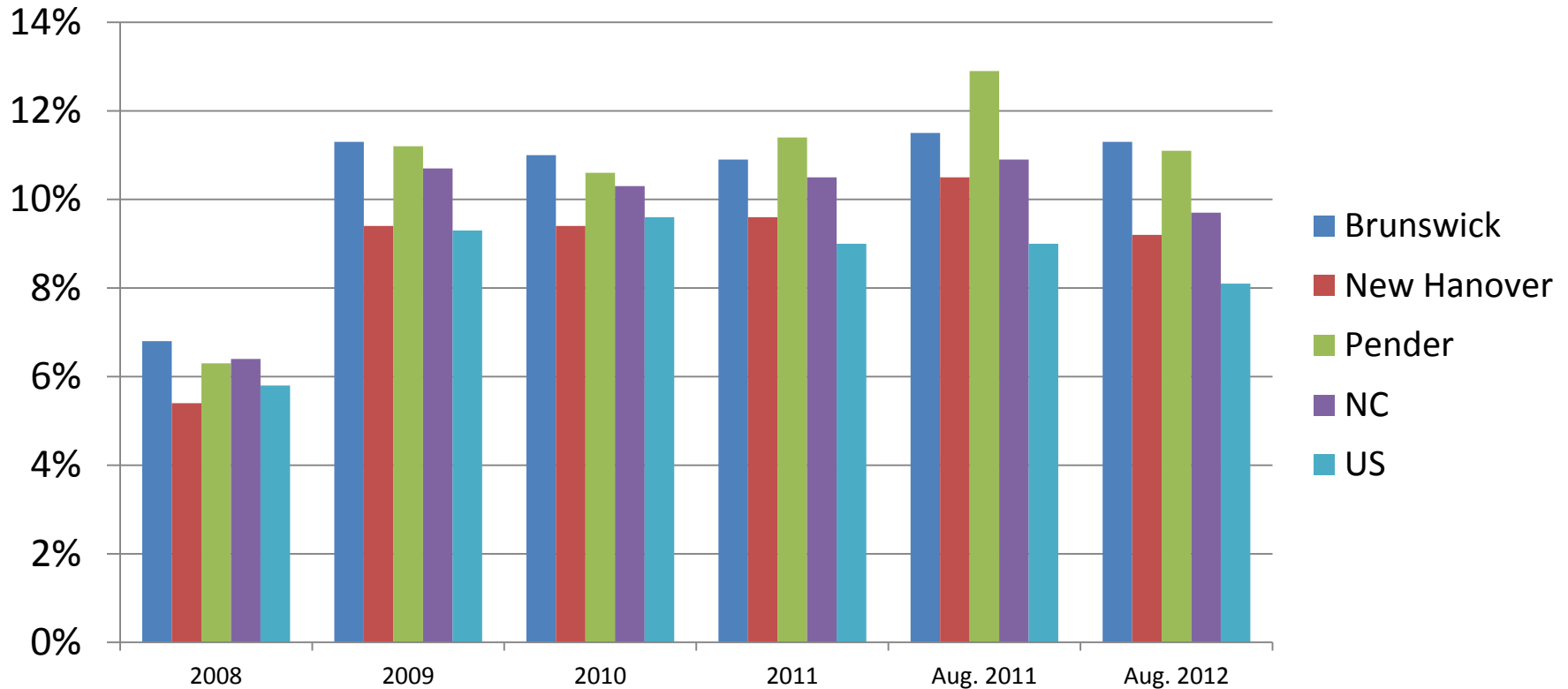
# Employment Spider Graphs



Source: NC Division of Employment Security, NC Department of Commerce.



# Unemployment Rates

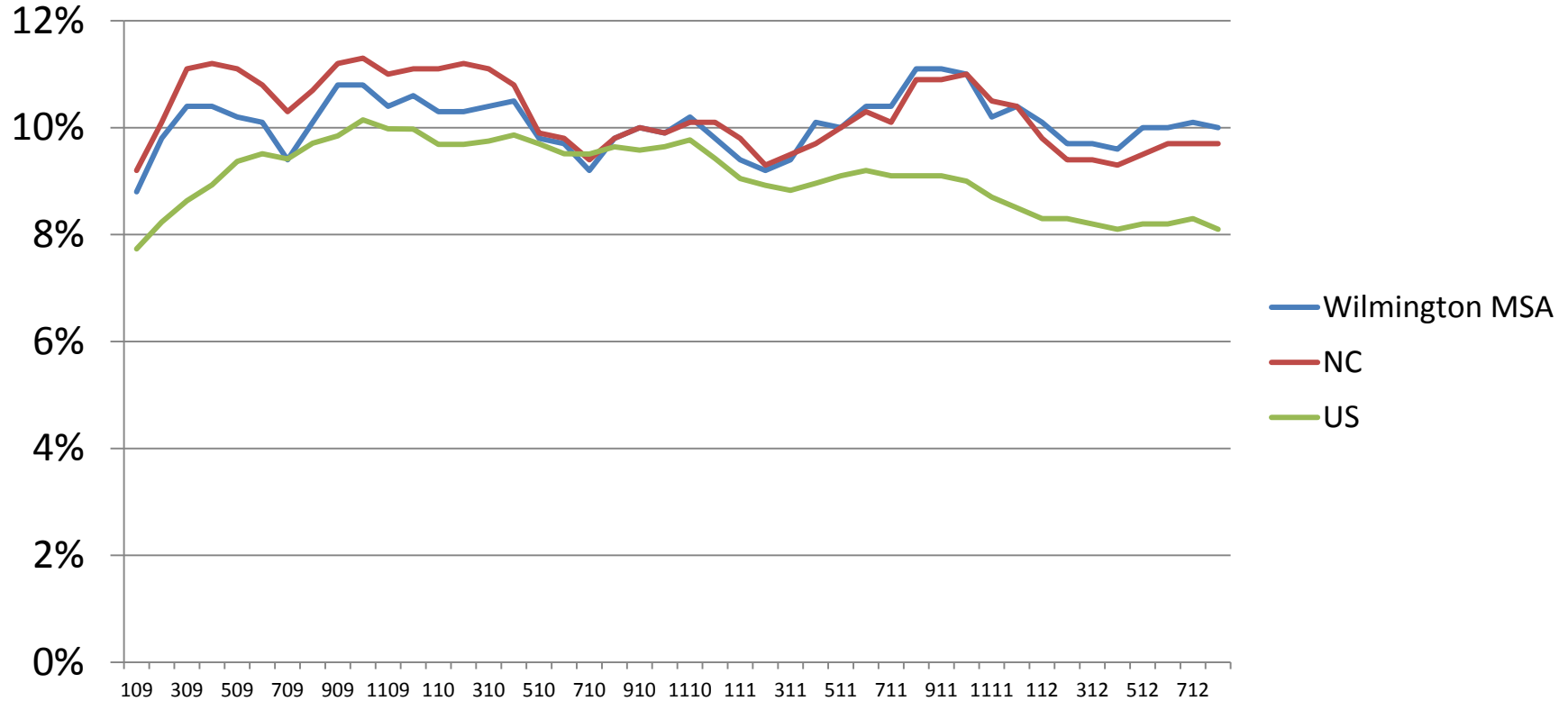


Source: NC Division of Employment Security, NC Department of Commerce; Bureau of Labor Statistics, US Department of Labor.





# Unemployment Rates (Seasonally Adjusted)



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



# Wilmington MSA 1Q2012 Employment and Wages

NAICS Sector	% of Total Employment	% Change from 1Q2011	% Change from 1Q2007	Average Weekly Wage		% of State Sector
				Wage (\$)	% of All-Sector Average	
Health Care & Social Assistance	16.4	0.7	12.5	731.52	100.6	87.6
Local Government	14.3	0.6	1.4	779.00	107.2	102.0
Retail Trade	14.2	1.8	-7.8	470.14	64.7	96.6
Accommodations & Food Services	12.5	6.4	-1.2	262.15	36.1	91.1
Educational Services	9.0	-3.1	-0.3	720.59	99.1	96.8
Public Administration	6.2	1.1	8.8	828.63	114.1	98.8
Professional & Technical Services	6.1	1.9	--	1,169.72	160.9	88.9
Manufacturing	5.7	0.4	-17.4	1,353.82	186.2	124.4
Construction	5.4	-22.4	-45.0	689.63	94.9	86.0
Administrative & Waste Services	5.0	2.8	-9.3	558.61	76.8	93.5
All Sectors		--	-7.8	727.00		87.0



Source; NC Division of Employment Security, NC Department of Commerce.

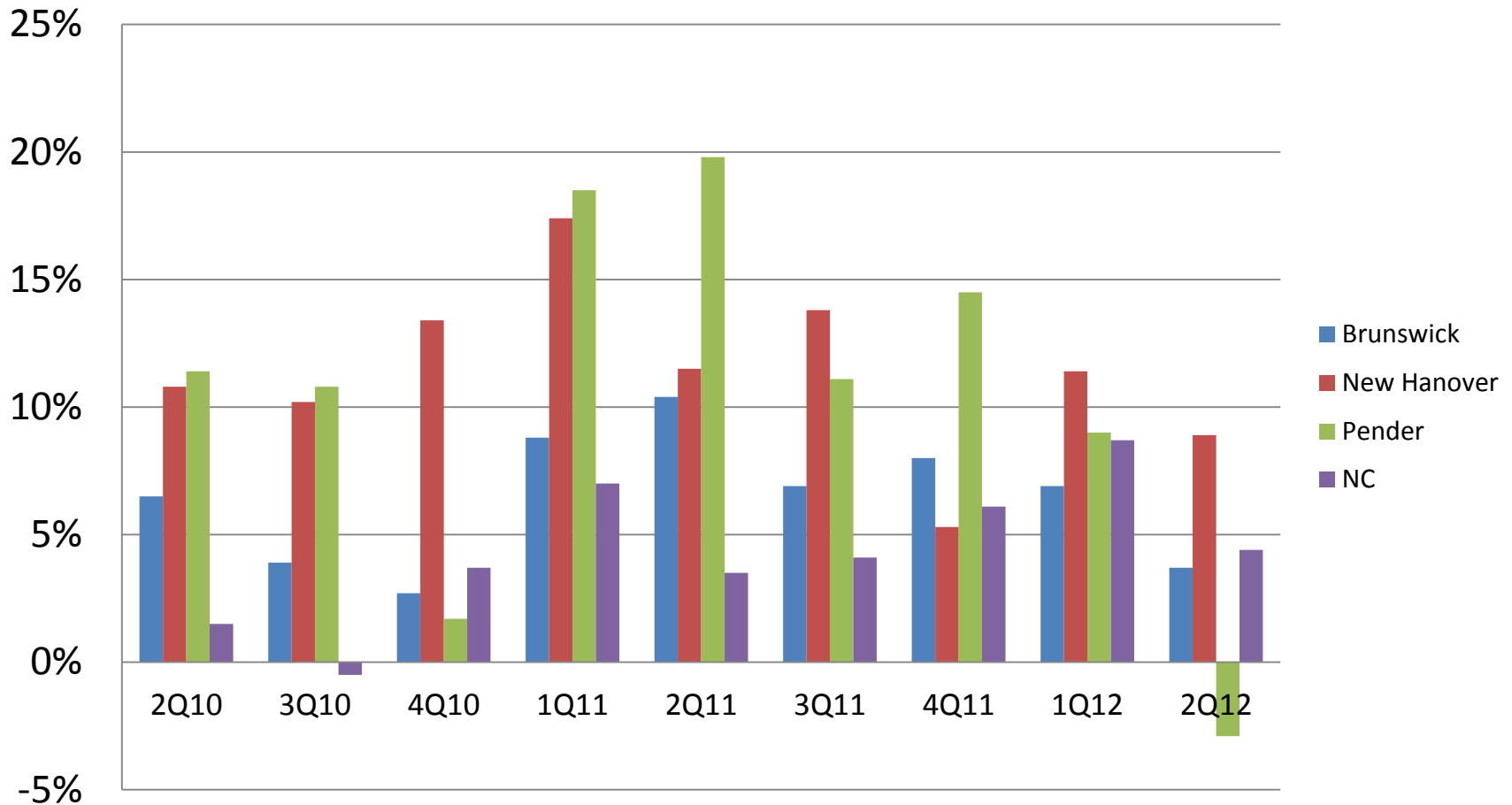
# Retail Sales Growth Rates



Source: NC Department of Revenue.



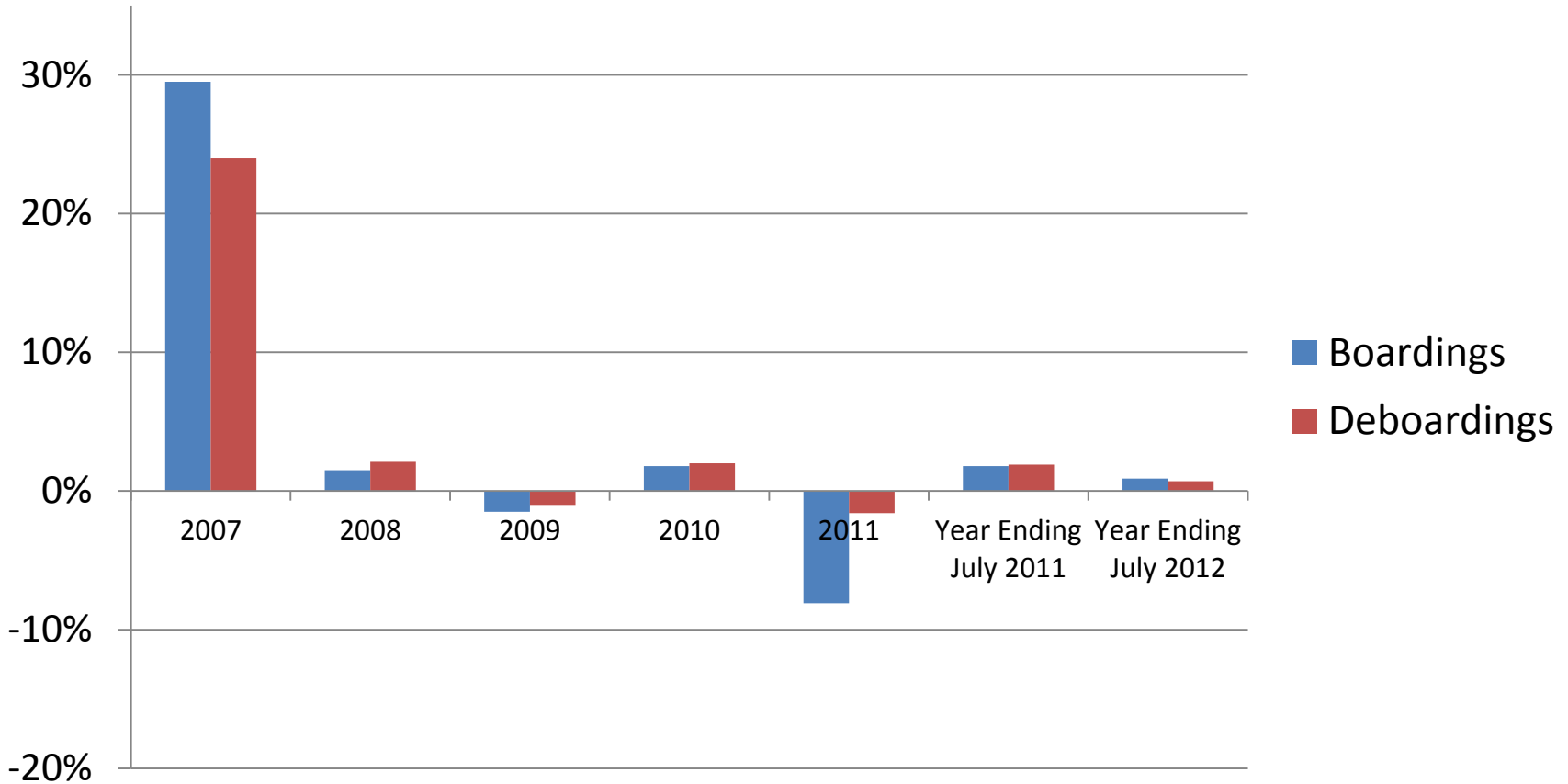
# Retail Sales Growth Rates (Compared to Previous Year)



Source: NC Department of Revenue.



# Wilmington International Airport (ILM) Air Passenger Traffic Growth Rates



Source: Wilmington International Airport.



# ILM Air Passenger Traffic Growth Rates (Compared to Previous Year)

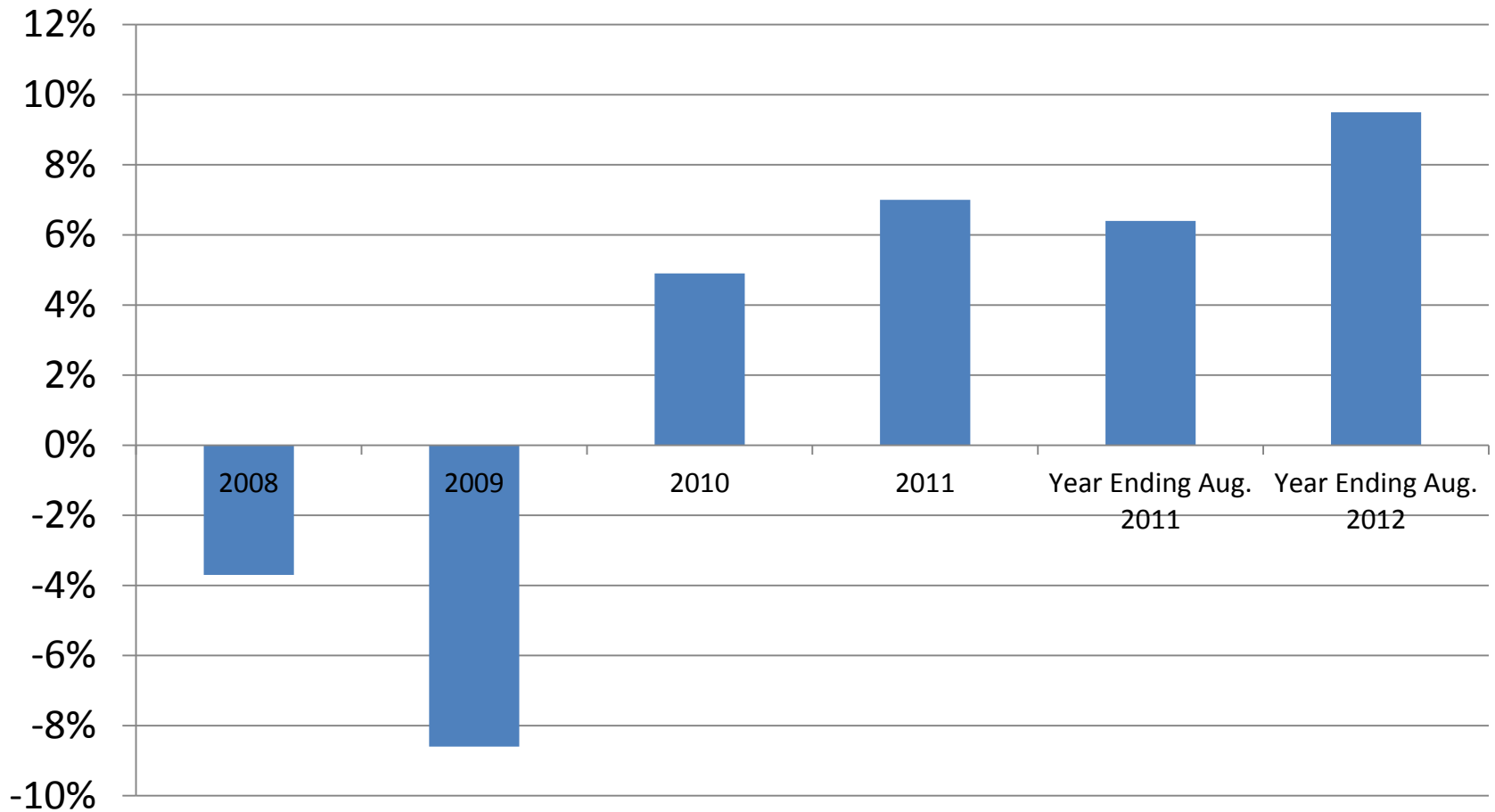


Source: Wilmington International Airport.



# New Hanover County Room Occupancy Tax Collection Growth Rates

(Not Seasonally Adjusted)

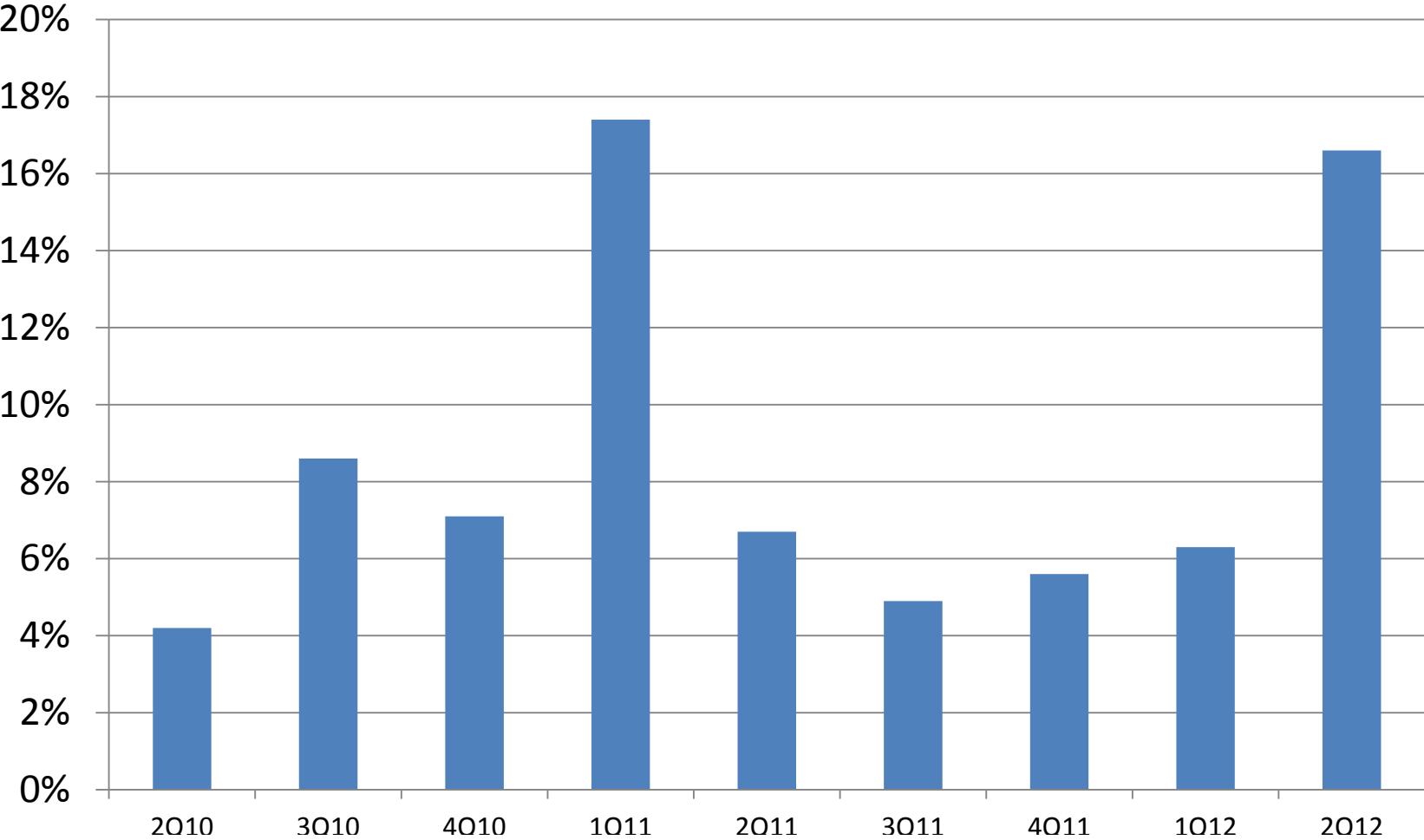


Source: New Hanover County Finance Department.



# New Hanover County Room Occupancy Tax Collection Growth Rates (Compared to Previous Year)

(Not Seasonally Adjusted)

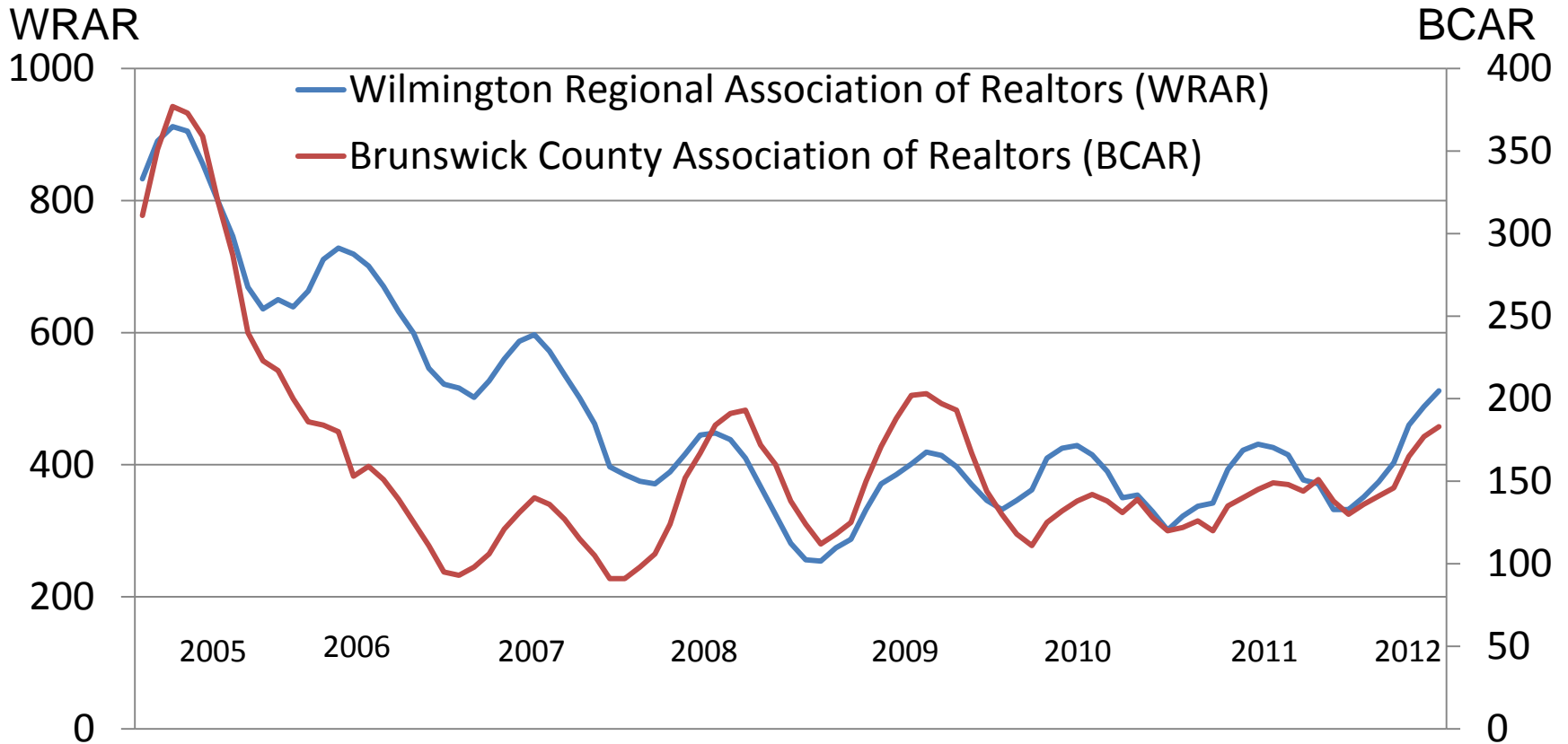


Source: New Hanover County Finance Department.





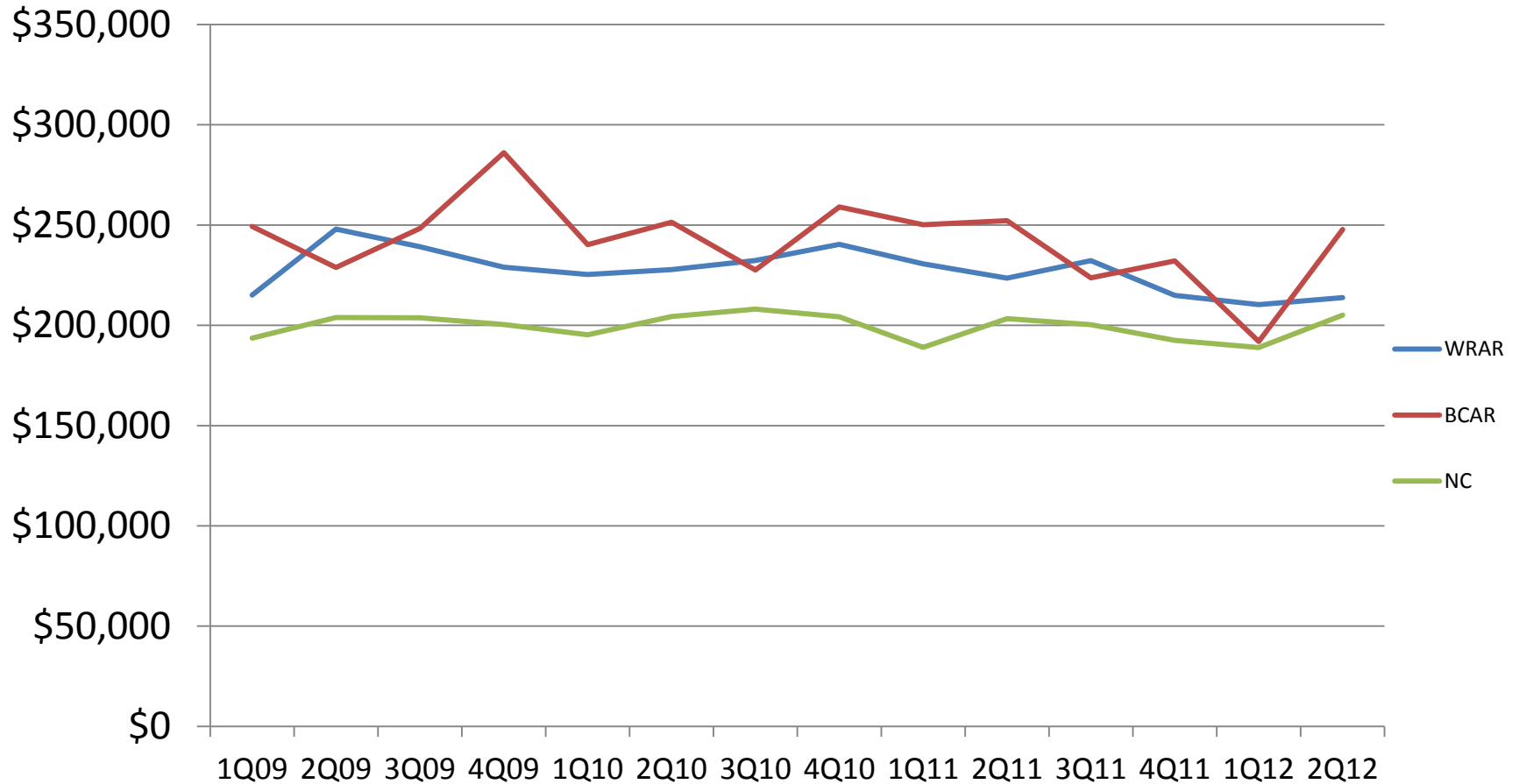
# Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.



# Average Quarterly Single-Family Sales Price



Source: NC Association of Realtors.



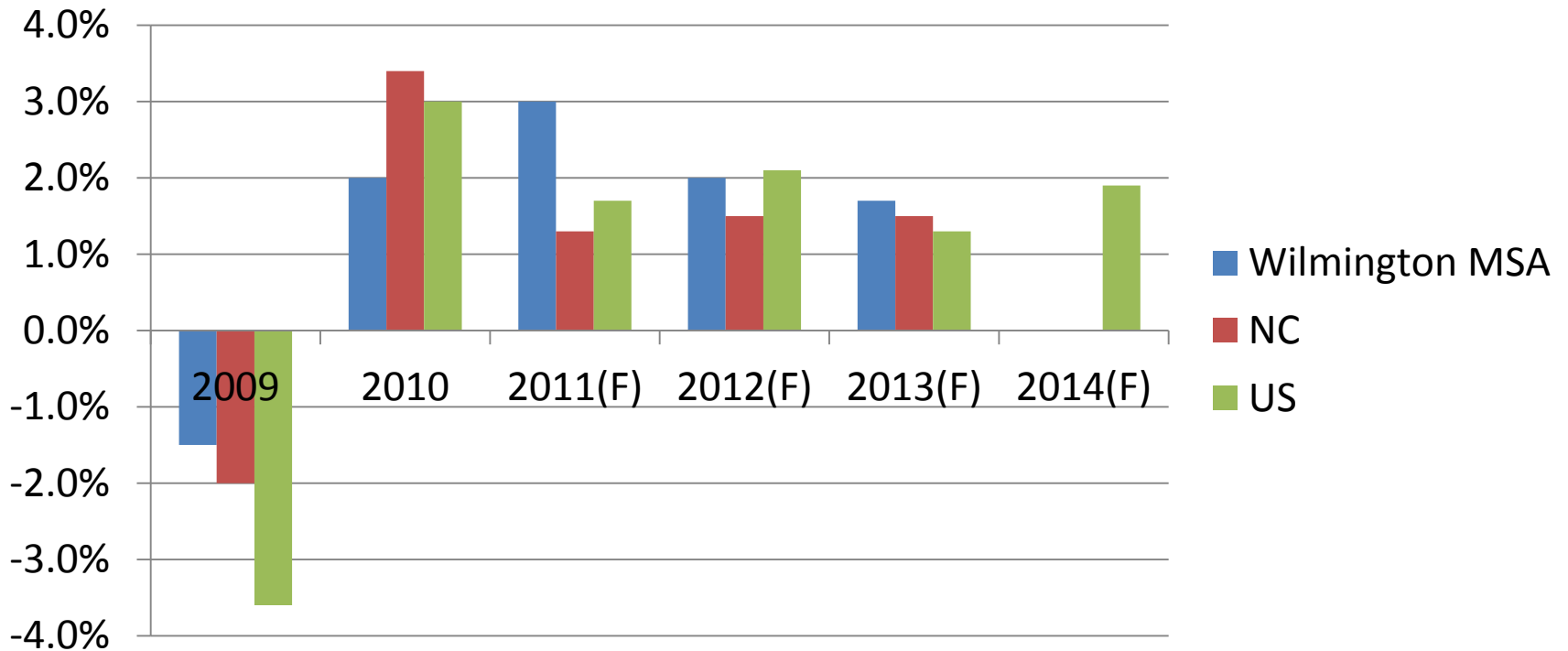
# Foreclosures

	Brunswick County	New Hanover County	Pender County	North Carolina
2009	1,642	1,483	473	60,249
% Change 2008-09	82.4	45.8	44.6	11.7
2010	1,693	1,881	521	66,296
% Change 2009-10	3.1	26.8	10.1	10.0
2011	1,458	1,559	419	53,218
% Change 2010-11	-13.9	-17.1	-19.6	-19.7
Oct. 2010-Sept. 2011	1,511	1,660	434	56,234
% Change Oct. 2009-Sept. 2010	-17.4	-12.4	-23.0	-18.3
Oct. 2011-Sept. 2012	1,222	1,395	413	52,274
% Change Oct. 2010-Sept. 2011	-19.1	-16.0	-4.8	-7.0

Source: NC Administrative Office of the Courts.



# Real Gross Domestic Product Growth Rates



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# Can presidents really have any effect on economic activity?

- Political leaders should not take credit for job creation.
  - For example, the President does not set housing or stock prices.
  - Perhaps the only historical exception was during the Depression when, for a brief time, FDR reportedly set the price of gold every morning over breakfast.
- *The economy is not run by the President or Congress*
  - *it runs itself.*

Who is the person in Washington who likely has the most influence on economic activity?

- Ben Bernanke, the chairman of the Federal Reserve System
- In theory, the Federal Reserve System is not under the control of either the executive or legislative branches of the federal government.
  - The Federal Reserve System receives no budget appropriation from Congress.

# What can the President do?

- The President can set the “tone.”
- His/her actions can create certainty or uncertainty in the marketplace.

# Perception vs. Reality

- The economy is the rare issue that affects voters of all ages, races, religions, and ideologies.
- Despite economic reality, presidential candidates from both parties talked endlessly about their plans to increase hiring and (private-sector) spending.
  - They often leave voters with the impression that job creation and economic growth are simple, predictable things that the President can control.
    - Mitt Romney at the 2012 RNC
      - “What America needs is jobs....Lots of jobs.”
    - Barack Obama at the 2012 DNC
      - “My platform will place the nation on a path to grow this economy, create good jobs and strengthen the middle class.”



# The “Fiscal Cliff”

- Large predicted fall in the federal budget deficit and a corresponding projected slowdown in economic activity if specific laws are allowed to expire automatically and/or take effect at the beginning of 2013
  - These laws include tax increases due to the expiration of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the spending reductions (“sequestrations”) under the Budget Control Act of 2011.
    - Spending for federal agencies and cabinet departments, including defense, would be reduced.
    - Some major domestic programs to include Social Security, federal pensions, and veterans’ benefits, are exempted.

# A Possible Effect of the “Fiscal” Cliff

- A “double-dip” recession in the first half of 2013

# Reaction to the Impending Crisis

- Calls from both inside and outside of Congress to extend some or all of the tax cuts and to replace across-the-board reductions with more targeted cutbacks
- Nearly all proposals involve extending certain parts of the 2010 Tax Relief Act or changing the 2011 Budget Control Act or both.
  - The deficit would rise.

# Reaction not Unexpected

- Most elected representatives are mainly concerned with the short run.
- If the deficit problem were seriously addressed, the economy would bear substantial short-run costs in return for benefits over the longer run.
- The larger the short-run costs, the lower the likelihood of being reelected.

# The Environment Facing Obama


- Obama will likely have 4-6 months to make major policy changes.
  - If this fails to happen, the economy will experience slow growth over his/her entire term.

# The National Outlook (Repeated)

- No better than 2% growth over the next year
- Bush-era tax cuts extended temporarily
- Little political will to change the tax code
- Hopefully, over the longer term compromise will no longer be a “four-letter” word.

# Quarterly Barometer

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




CAROLINA SCHOOL OF BUSINESS  
H. DAVID AND DIANE SWAIN CENTER FOR BUSINESS AND ECONOMIC SERVICES

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## Economic Barometer

Volume IV, Issue 4 October 2012

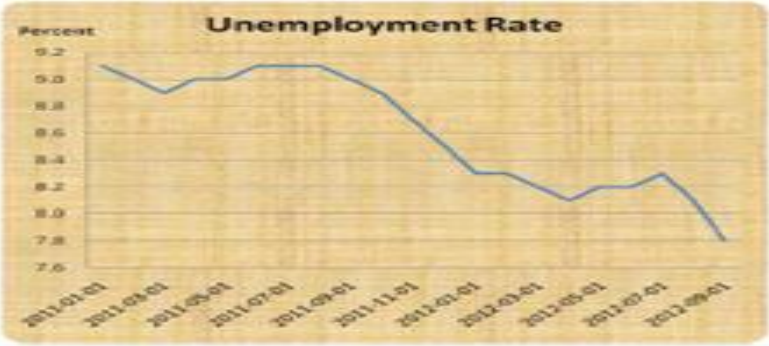
### The National Economy: What's Ahead?

#### Recent Performance Subdued

The U.S. economy has yet to show convincing signs of breaking out from its subpar performance. As shown in the table below, real GDP in the third quarter continued to grow at the same sluggish pace it has over the past couple years.

Growth in Real GDP (in percent)			
2011	2012		
	Q1	Q2	Q3
2	2	1.3	2

This is below the 2-1/2 percent pace needed to prevent slack from expanding. Thus, the output shortfall remains very large for the start of the fourth year of an economic expansion—despite massive fiscal and monetary stimulus. In contrast, the unemployment rate has fallen more than a percentage point over this period—shown below—with the bulk of the decline owing to falling participations—next page—as discouraged workers left the labor force.



Date	Rate (%)
2011-01-01	9.2
2011-04-01	8.9
2011-06-01	9.5
2011-07-01	9.5
2011-09-01	9.1
2011-11-01	8.6
2012-01-01	8.3
2012-03-01	8.2
2012-05-01	8.1
2012-07-01	8.2
2012-08-01	8.3
2012-09-01	8.4

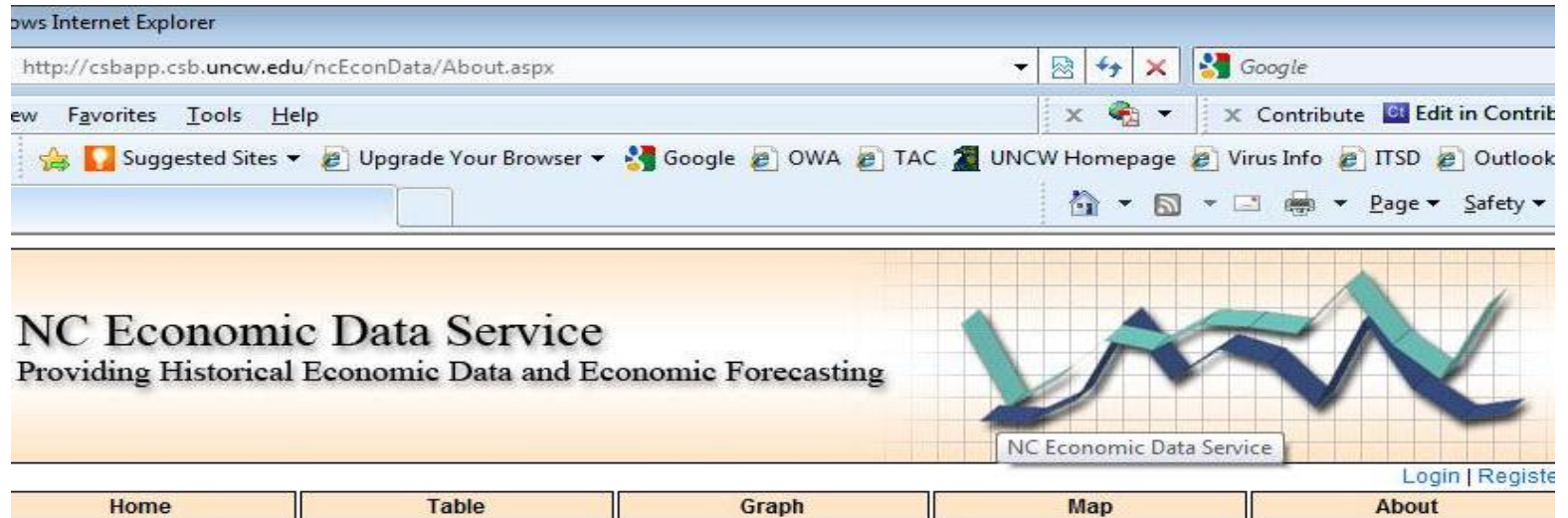
# North Carolina's Southeast

- <http://www.ncse.org/>



# Online Data

<http://csbapp.csb.uncw.edu/ncecondata>



The screenshot shows a Microsoft Internet Explorer browser window displaying the NC Economic Data Service website. The address bar shows the URL <http://csbapp.csb.uncw.edu/ncecondata/About.aspx>. The browser's menu bar includes File, Favorites, Tools, and Help. The toolbar contains various icons for navigation and utility. The website content features a header with the text "NC Economic Data Service" and "Providing Historical Economic Data and Economic Forecasting". To the right of the text is a 3D line graph with two data series, one in blue and one in green, plotted on a grid. Below the graph is a navigation menu with buttons for "Home", "Table", "Graph", "Map", and "About". In the bottom right corner of the page, there are links for "Login" and "Register".

## About The Site

UNCW's Economic Web Service provides twenty years of historical economic data for the southeastern United States. This publicly available data is presented in tables and graphs that can be searched and sorted by specific parameters. It also features a back-end system for administrators to record new data and manipulate old data. The goal of this service is to develop economic models based on historical and emerging trends using accepted forecasting procedures. Government agencies and businesses will then have the capability to use these models to forecast future economic growth for a particular region or industry.

Funding and support for this website comes from Progress Energy and the Center for Business and Economic Services at the University of North Carolina Wilmington. All economic data and analysis was collected and analyzed by Senior Economist Woody Hall. Website design and development supported by Dr. Tom Janicki, Information Systems Department and Josh Tobey, Masters Student in Computer Science and Information Systems at UNCW.



# Professional Development Courses

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