



Economic Update

June 2017

Associated Builders and Contractors - Carolinas

Adam T. Jones

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

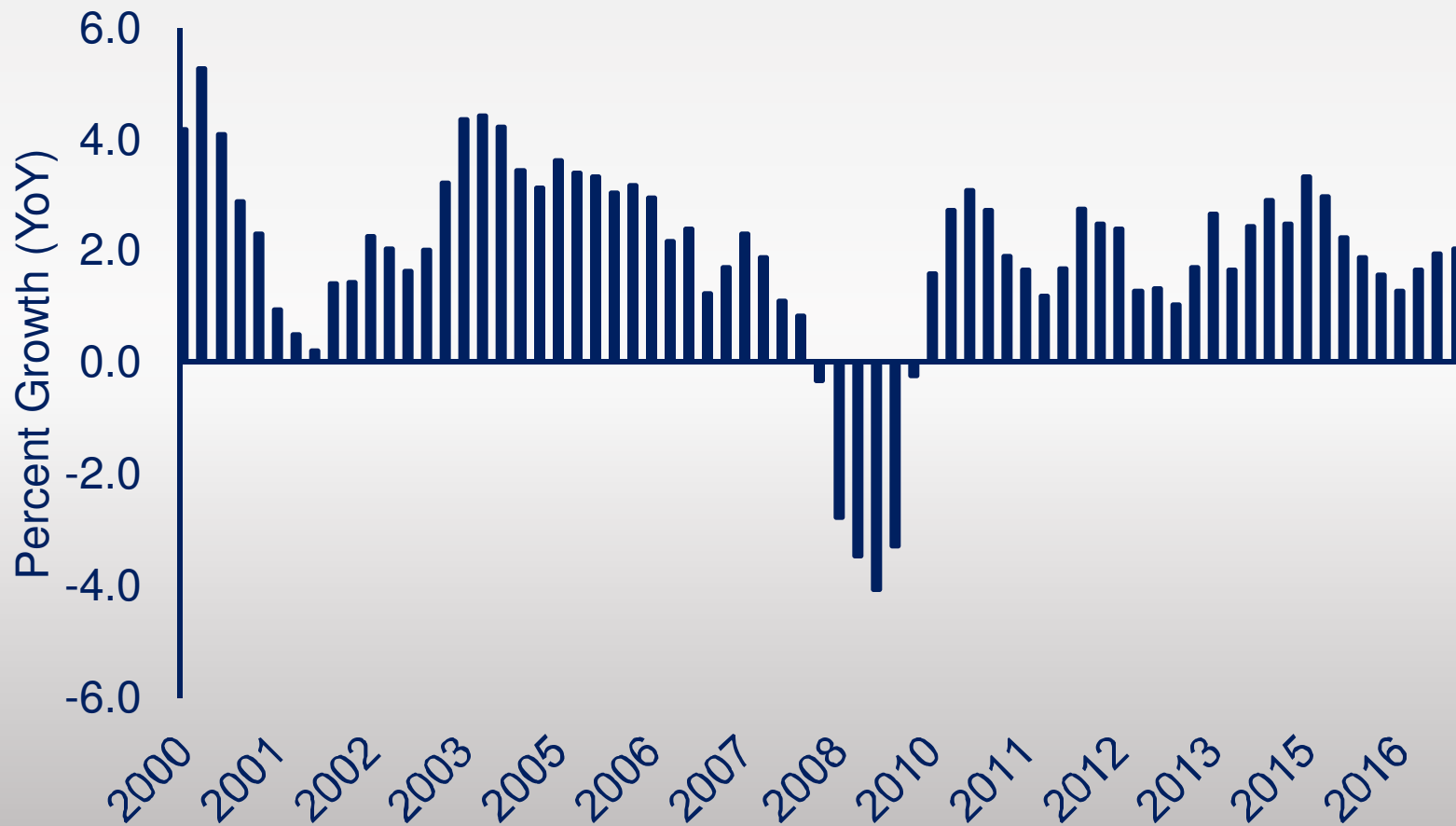
- **Macroeconomy Overview**
- **Implications for Region**
- **Thoughts to Carry**

Recession...

- **Recession:**
 - **Ended in June of 2009!**
 - **Still recovering**
 - **But nearing full employment**
 - **Maybe...**

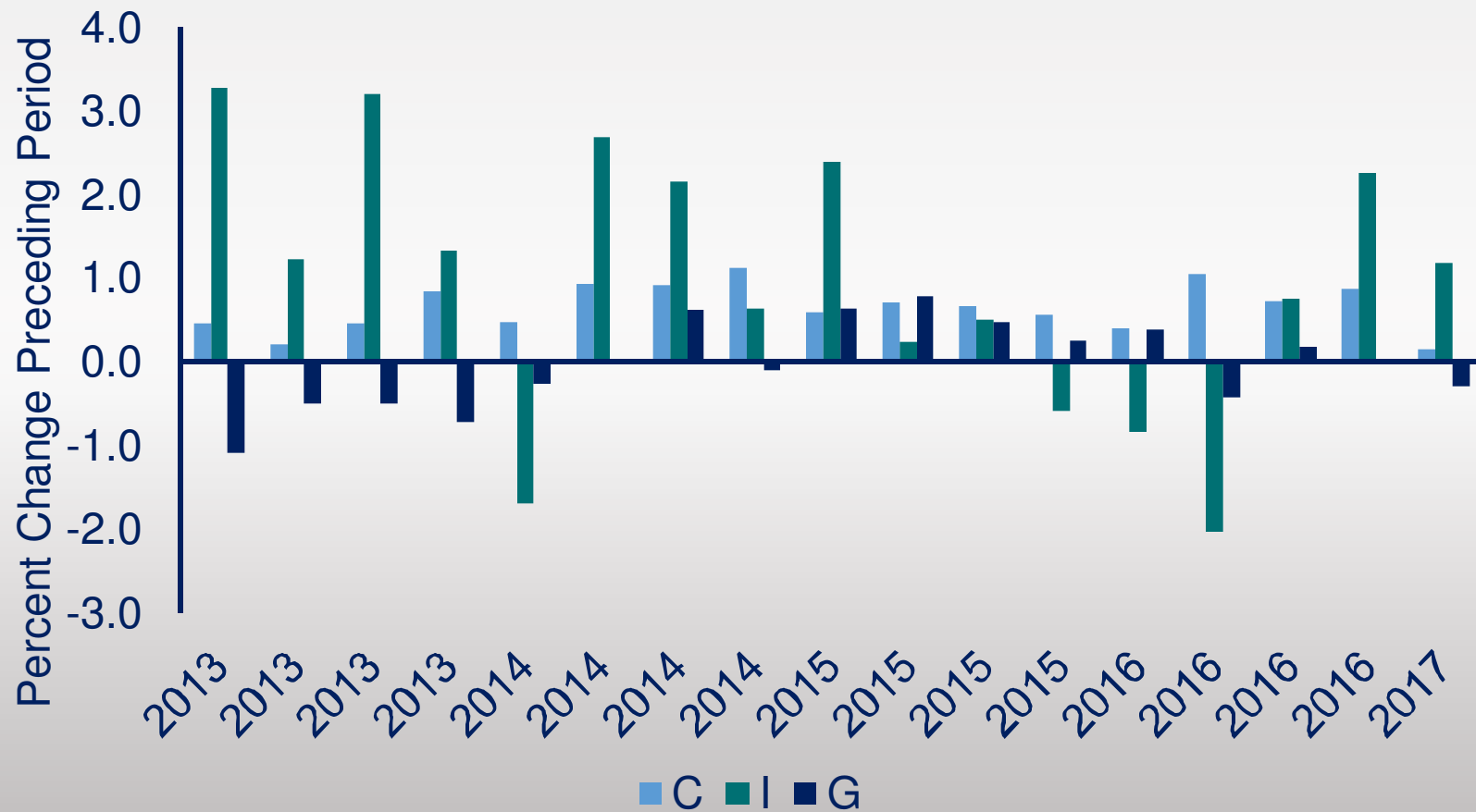
GDP Growth

Quarterly GDP Growth



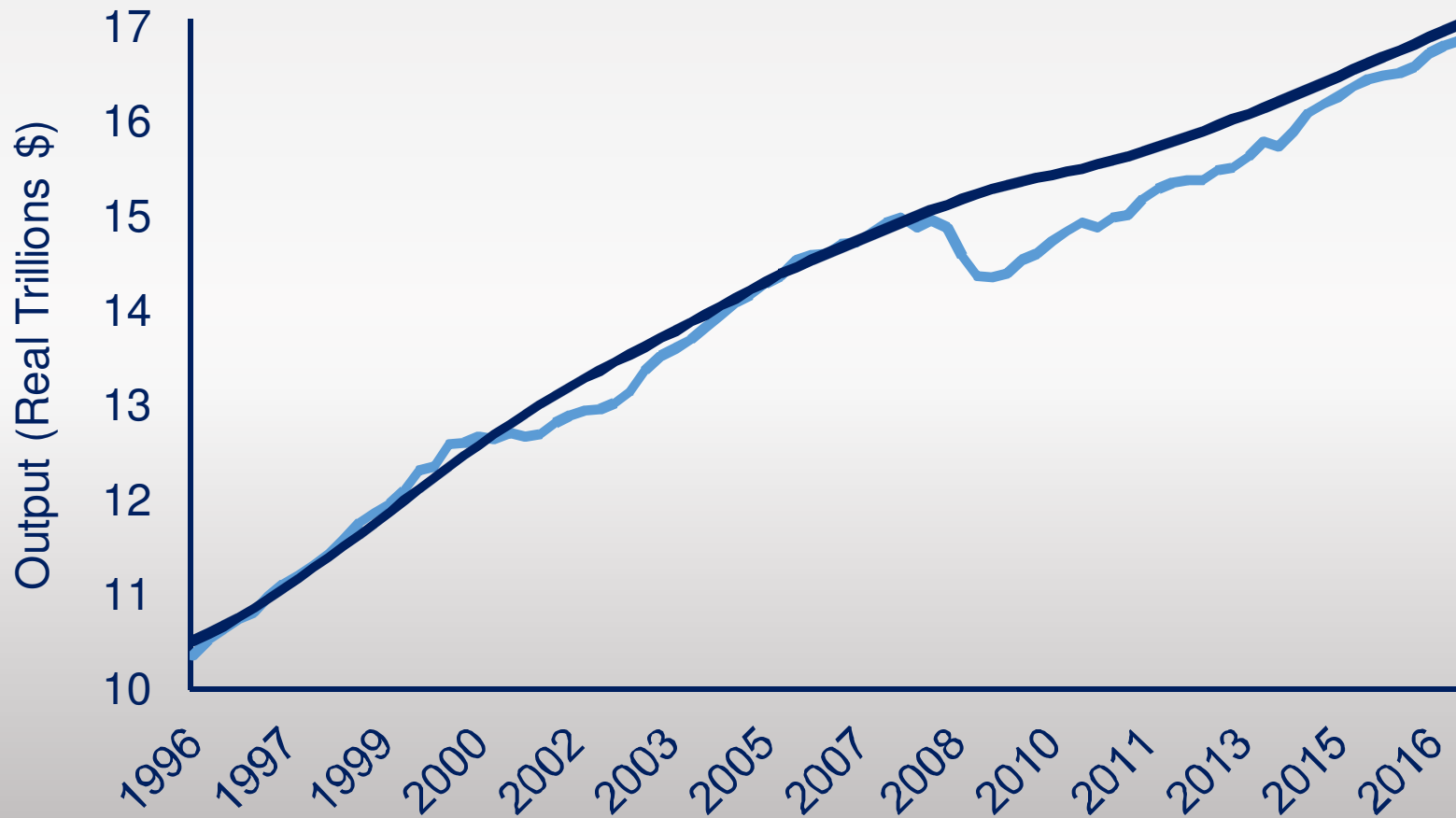
Fundamentals

Components of GDP



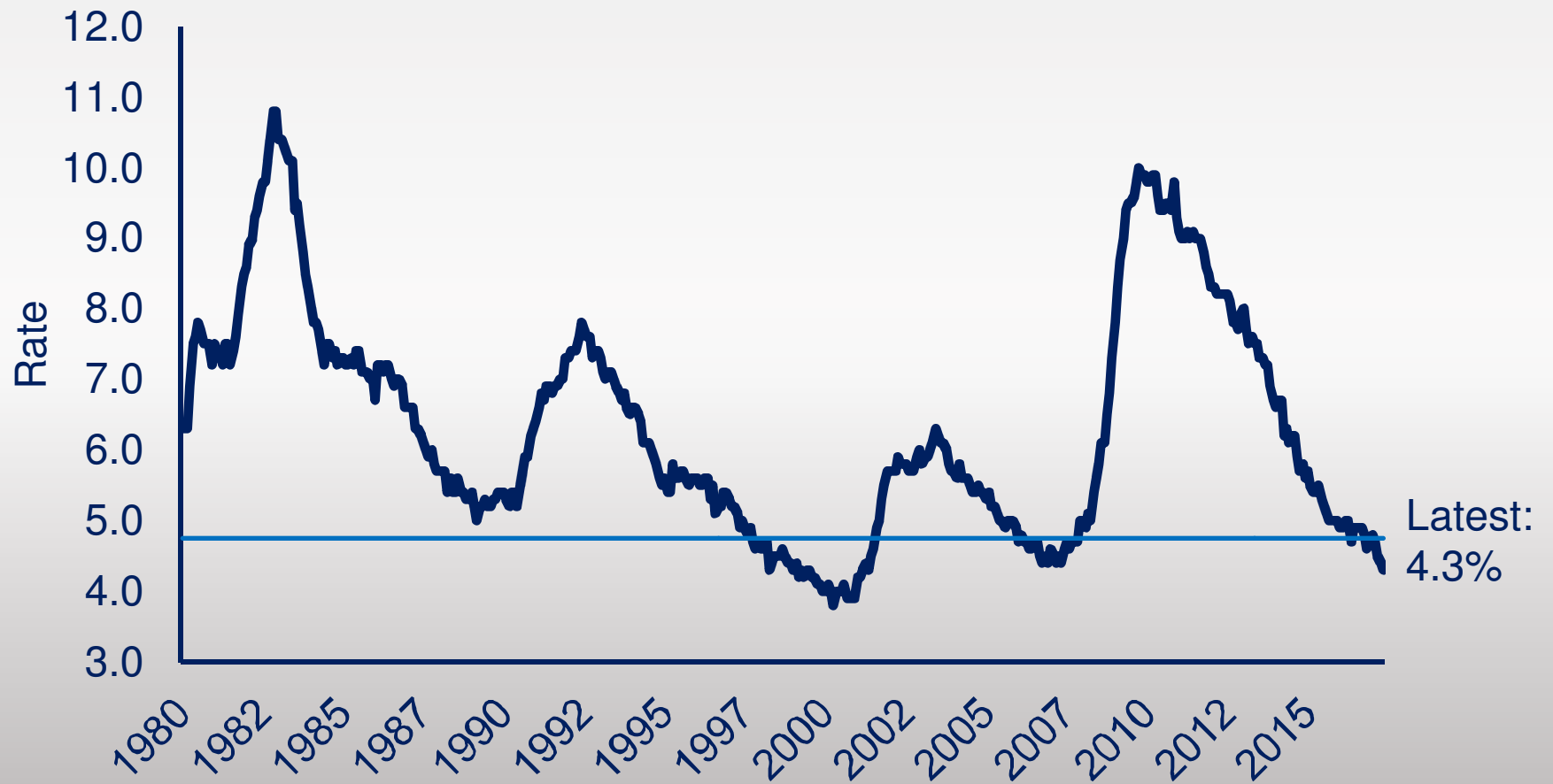
Output Gap

Actual vs. Potential Output



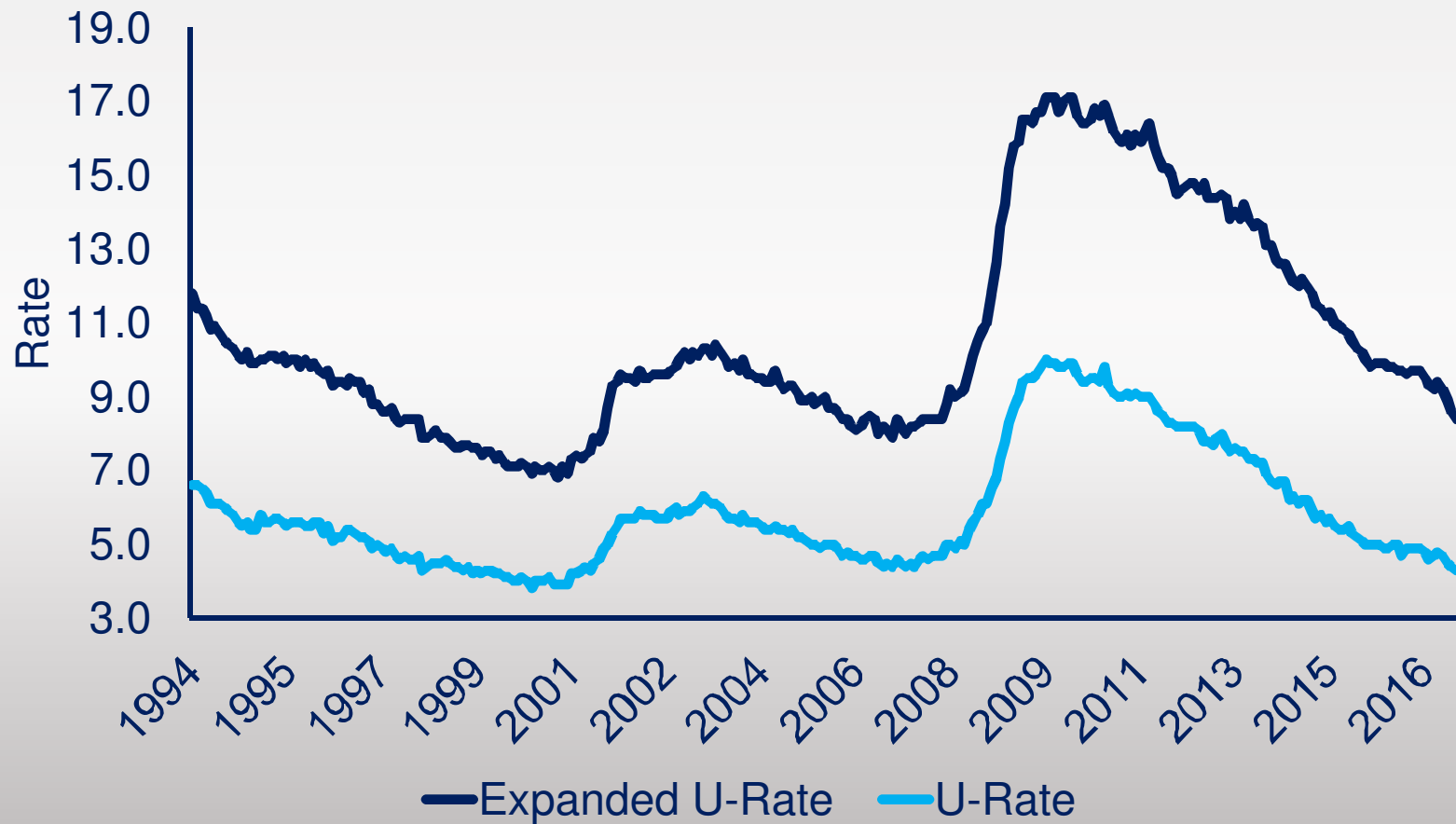
Unemployment

Unemployment Rate



Unemployment

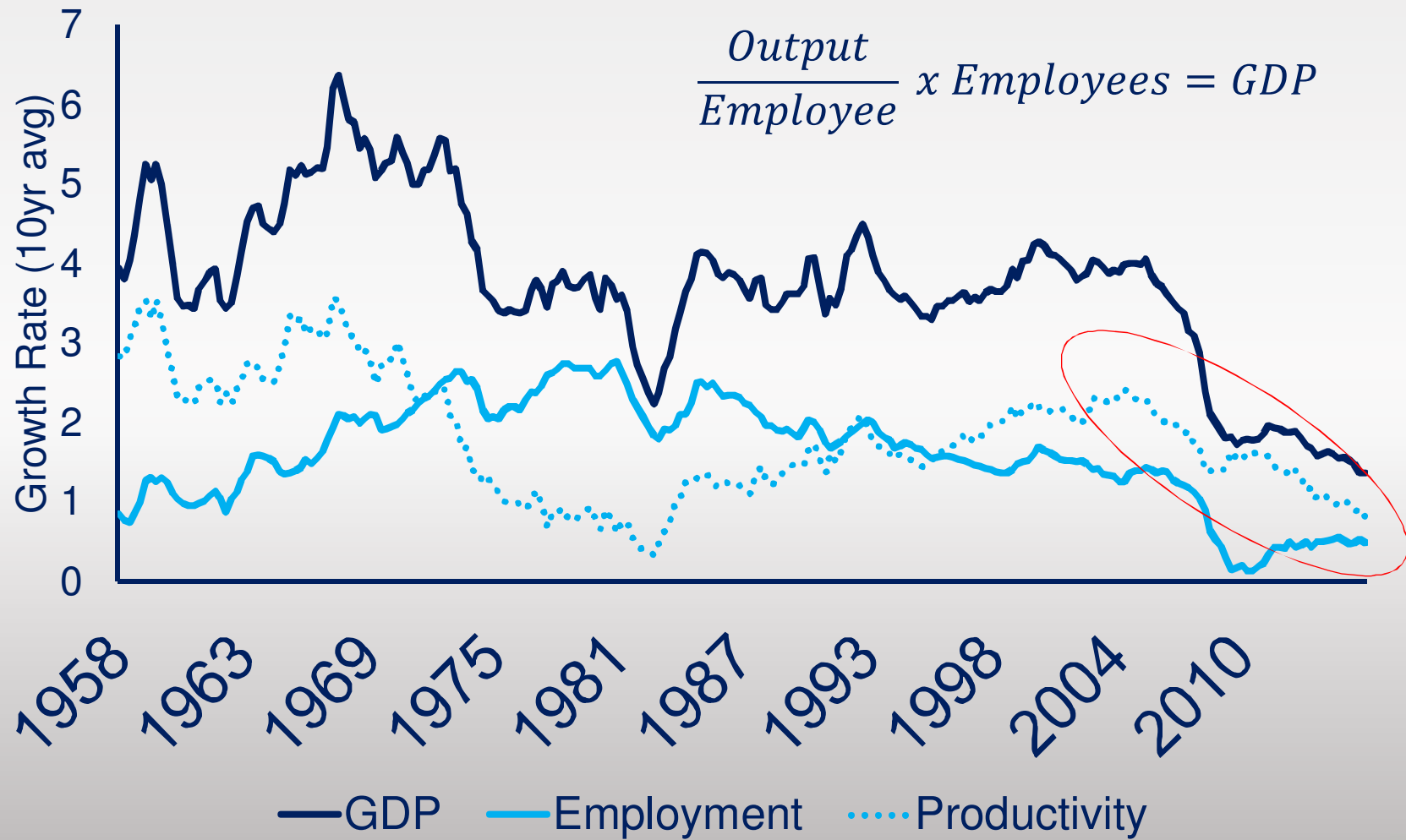
Unemployment Rate



Outlook

- Some “catch-up” room left
- Likely slower GDP growth than in past
- $Output = \frac{Output}{Worker} \times \#workers$

Decomposition of Real GDP



Outlook

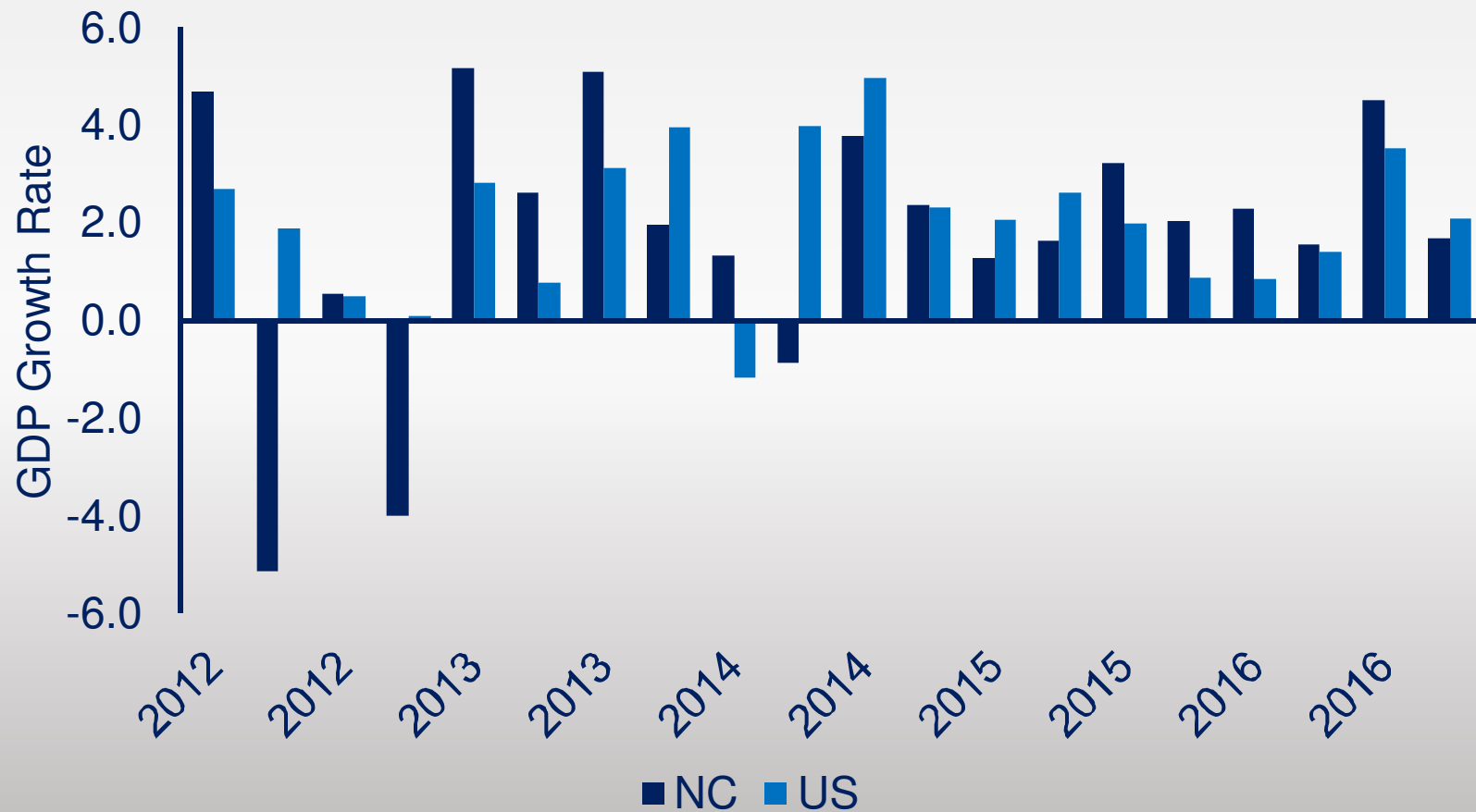
- **Some “catch-up” room left**
- **Likely slower GDP growth than in past**
- $Output = \frac{Output}{Worker} \times \#workers$
 - **Growth in workers is slowing**
 - **Productivity growth is slowing**
 - **→ Output growth may be slower than historical norm**

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North Carolina

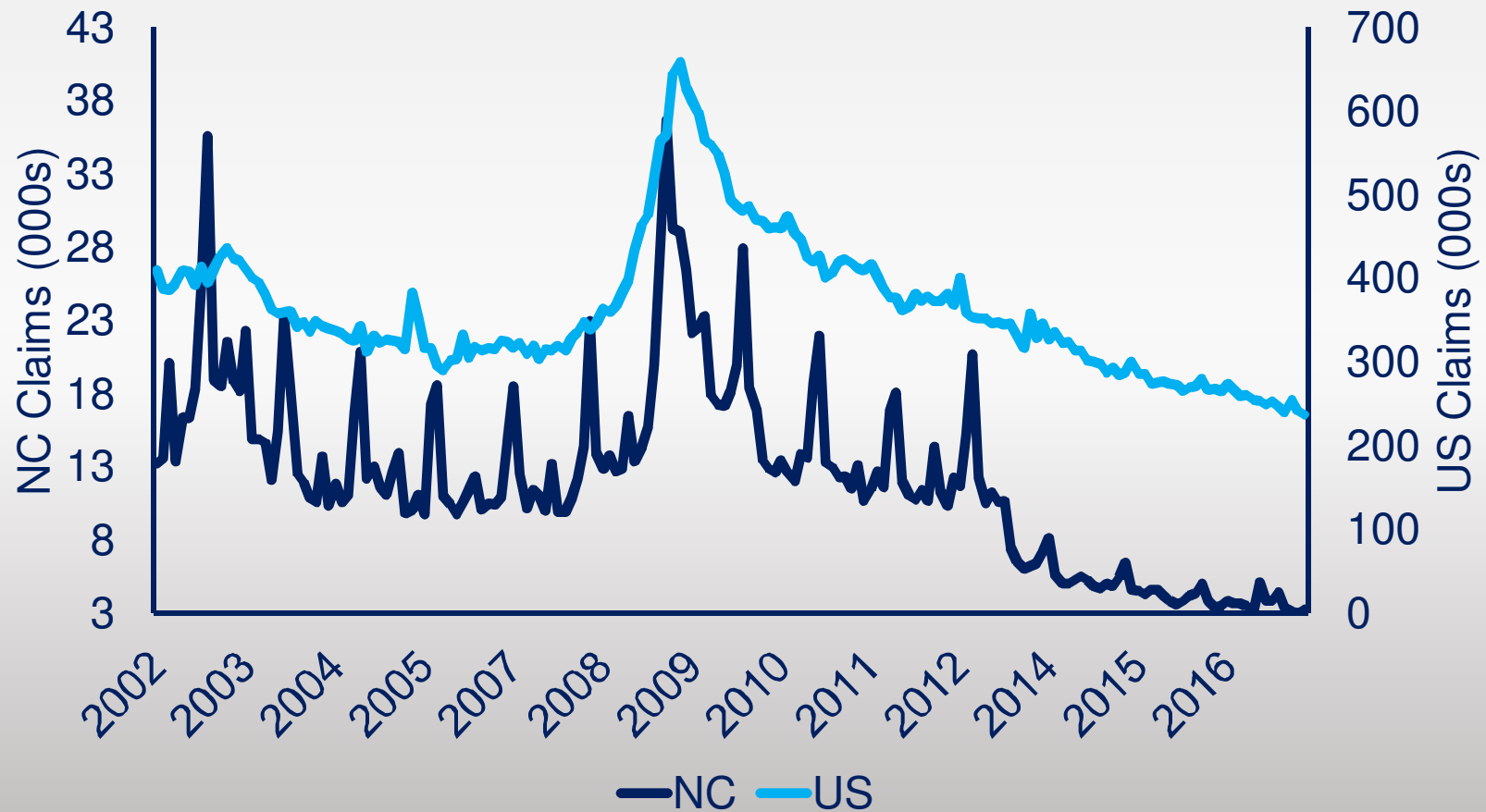
NC Outperforming

NC vs US Growth



Layoffs Low

Unemployment Initial Claims



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For you...

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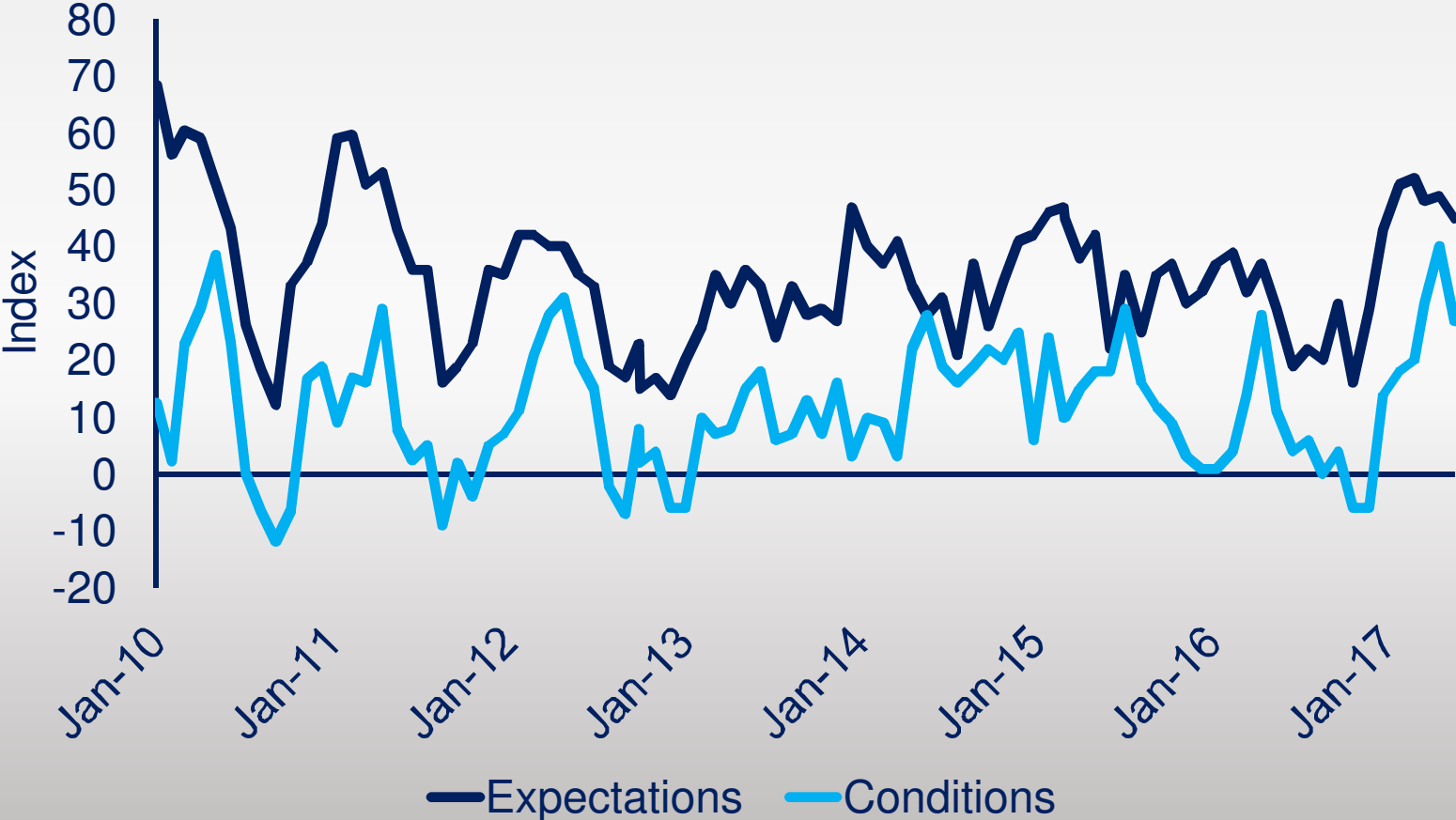


Some thoughts for the future

- **Business Sentiment**
- **Population growth differs**
- **Economic vs. Population growth → Wage Growth**
- **Interest rates**

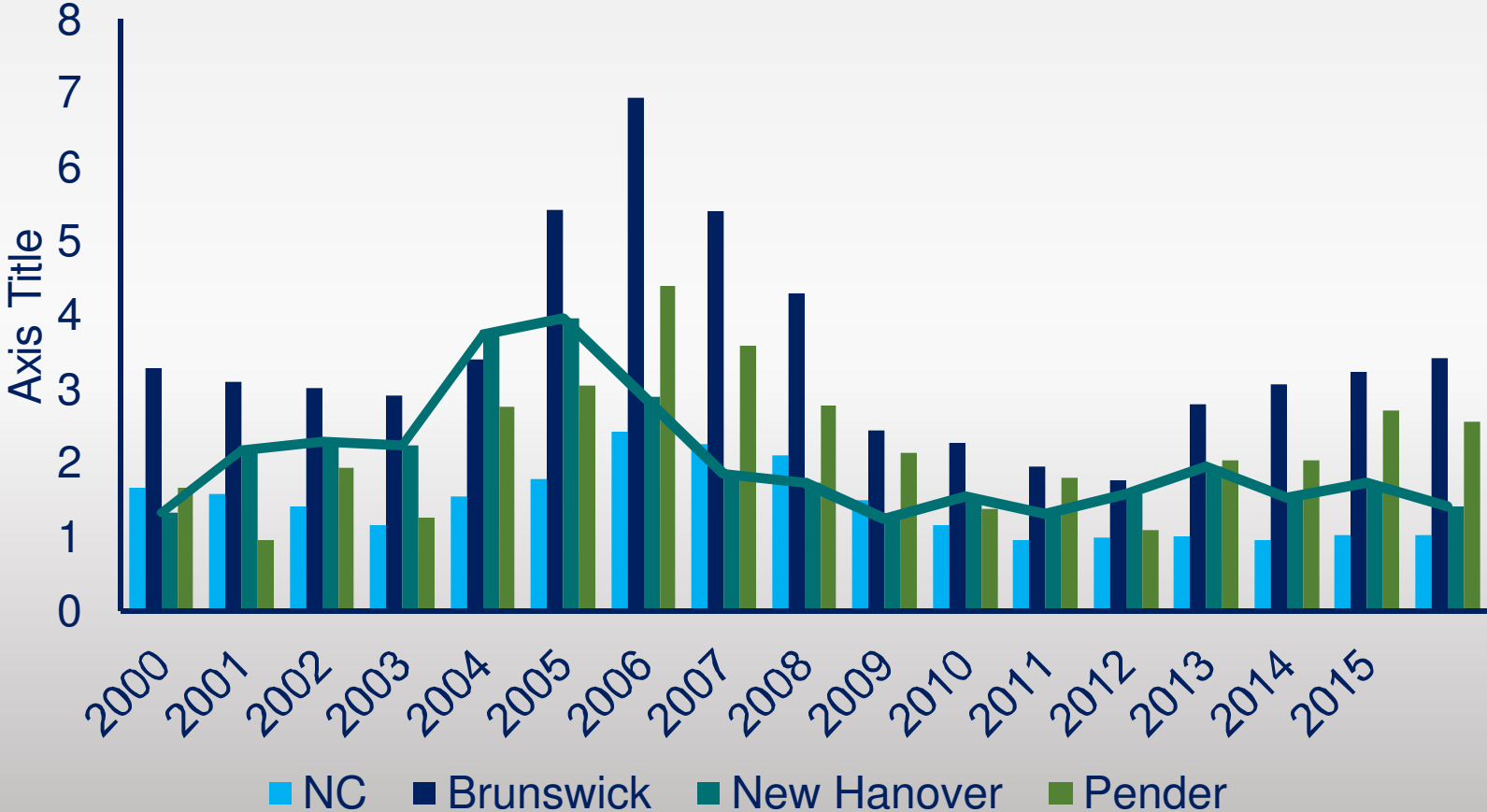
Business Sentiment

Carolinas' Business Conditions and Expectations

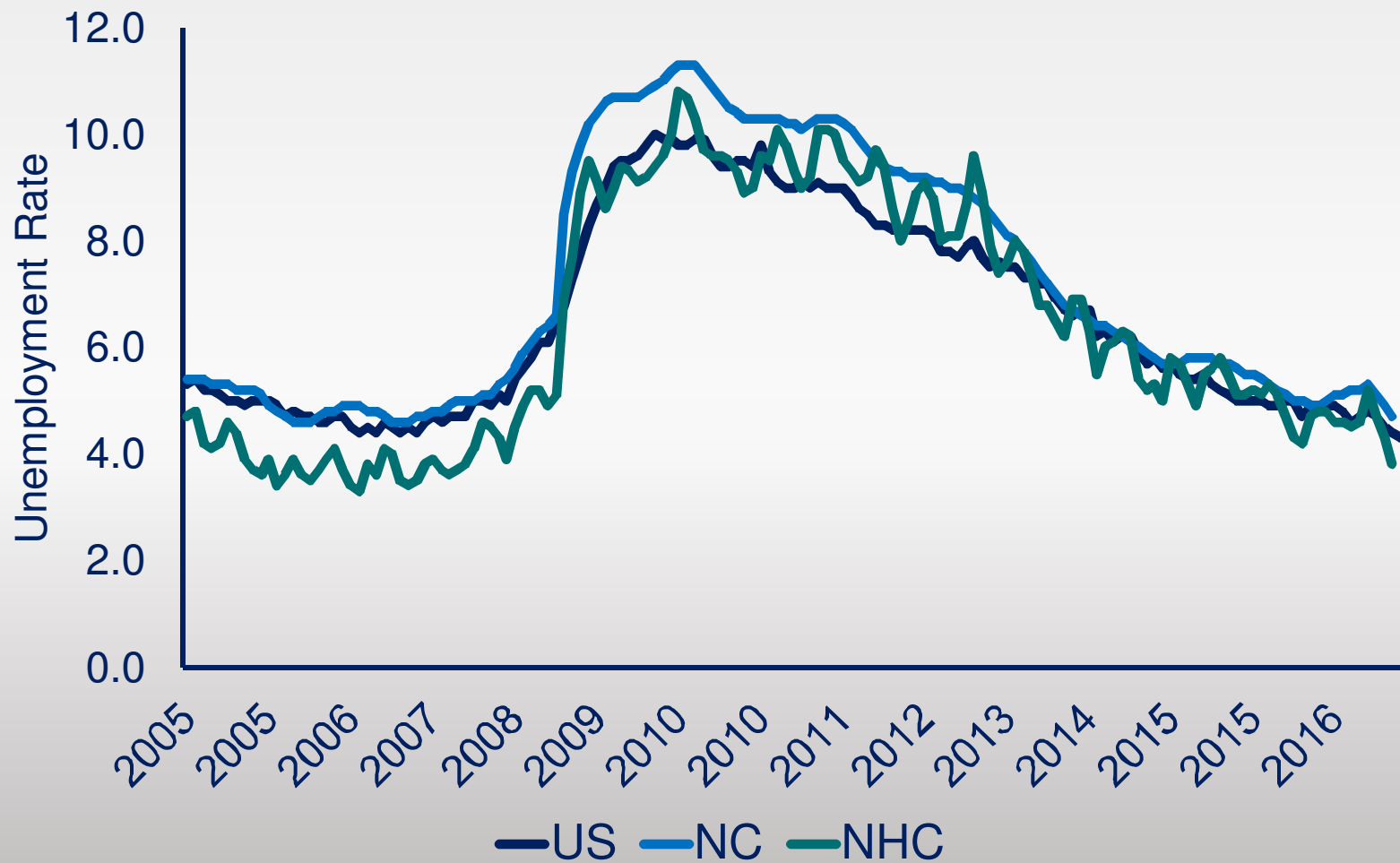


Growth Stable but Differs

Population Growth

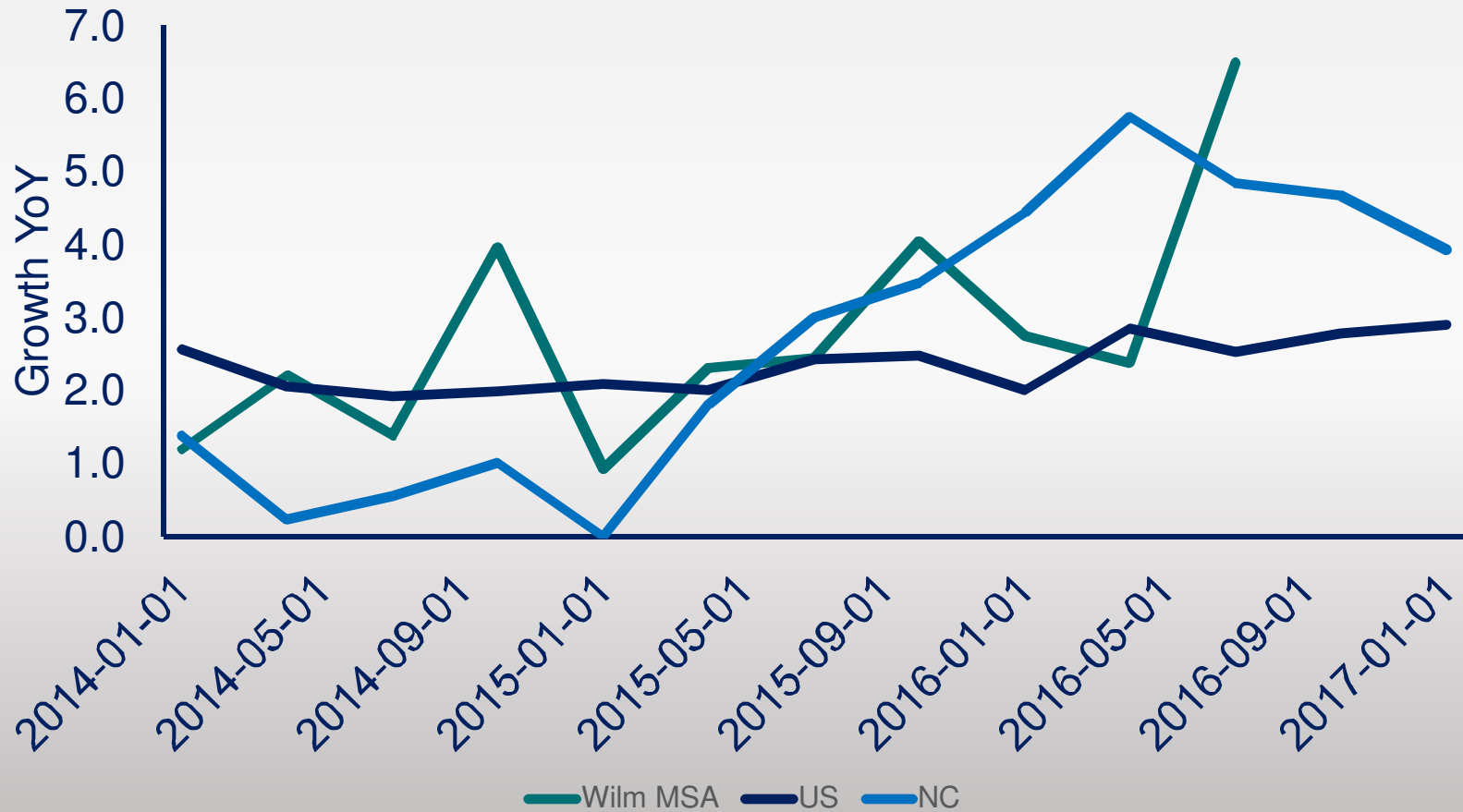


Labor Markets Tightening



Wage Growth

Average Weekly Wage Growth

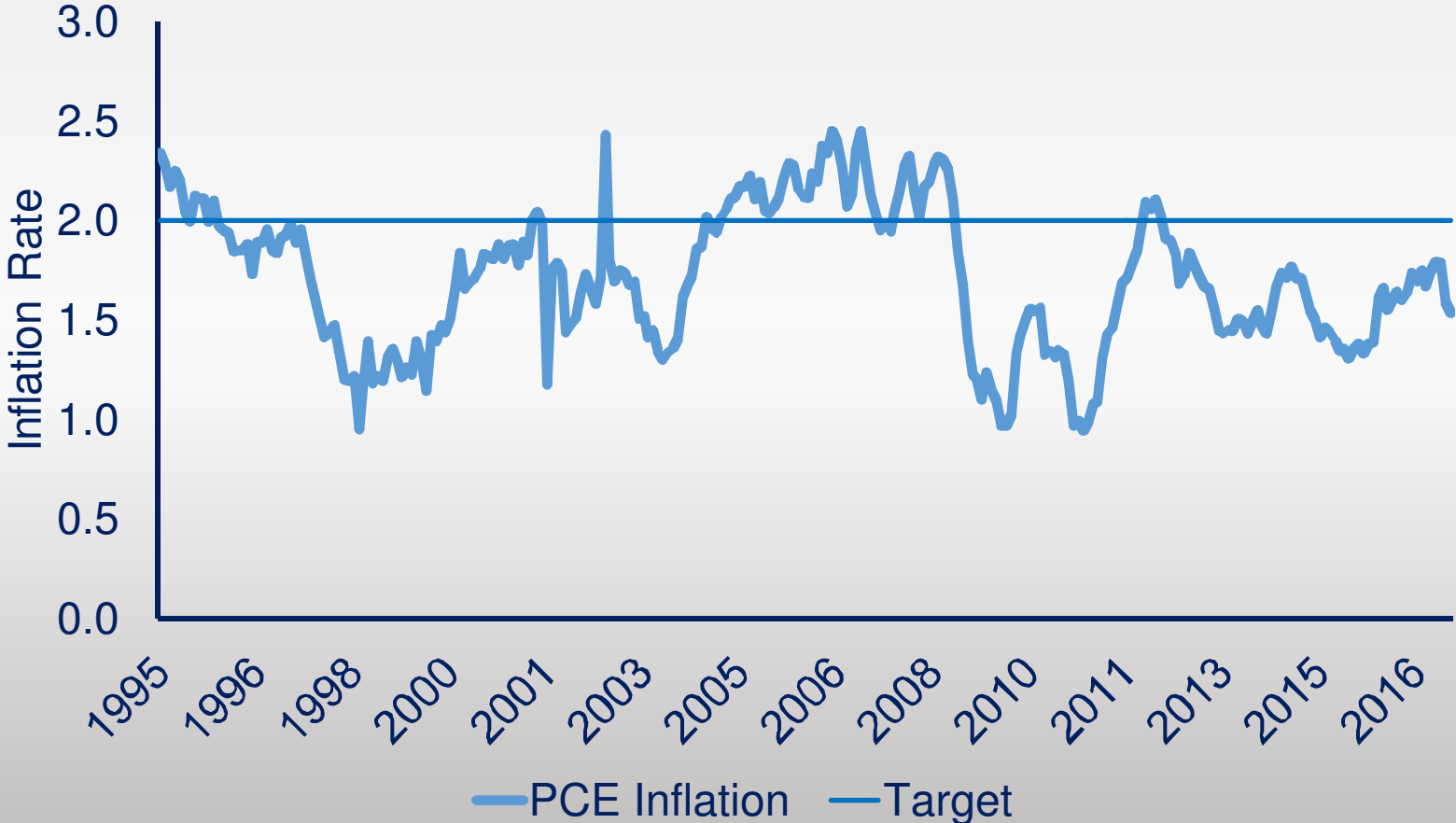


Primer on the Federal Reserve

- **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

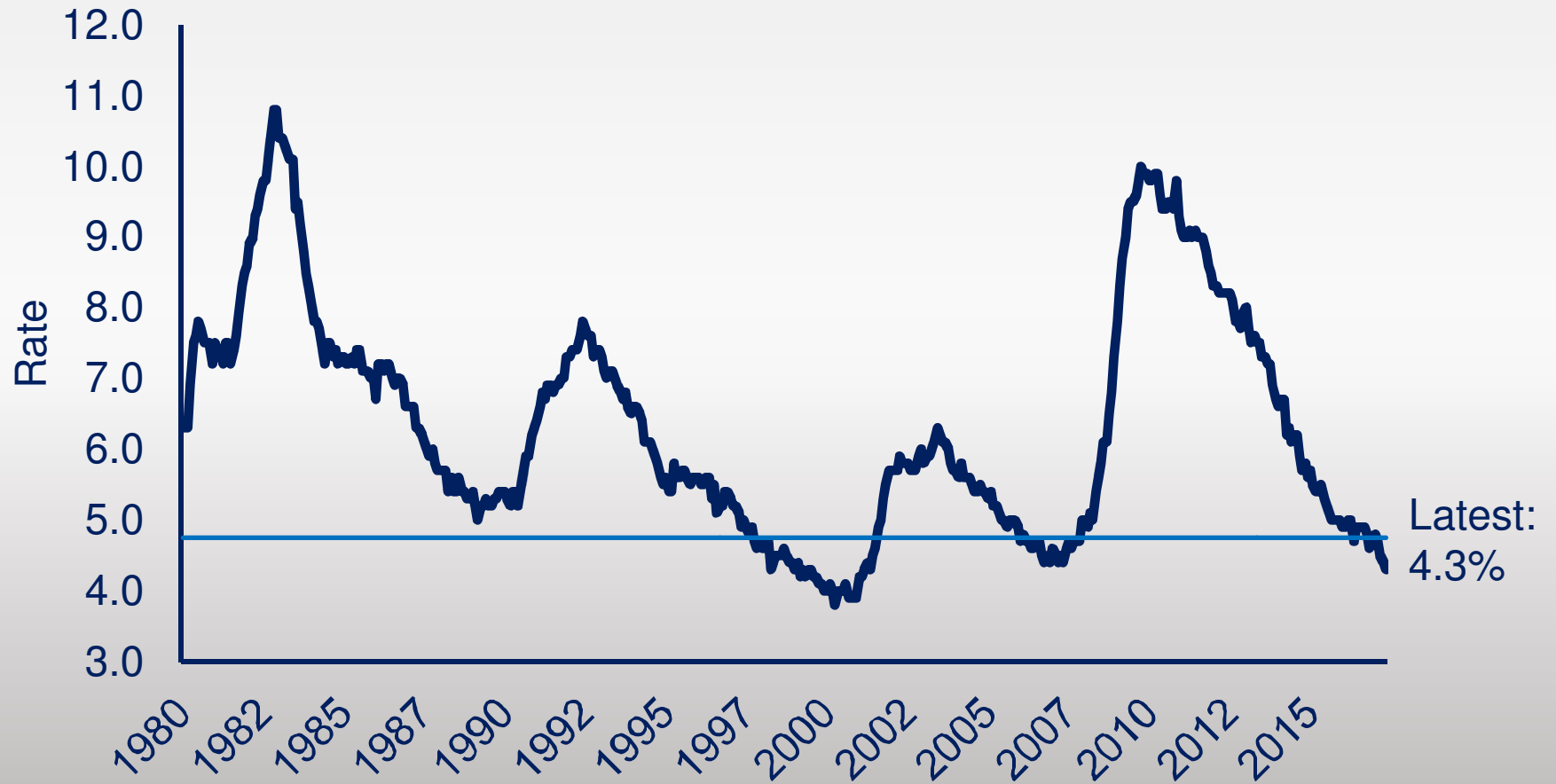
Inflation Still Low

Personal Consumption Expenditures Inflation



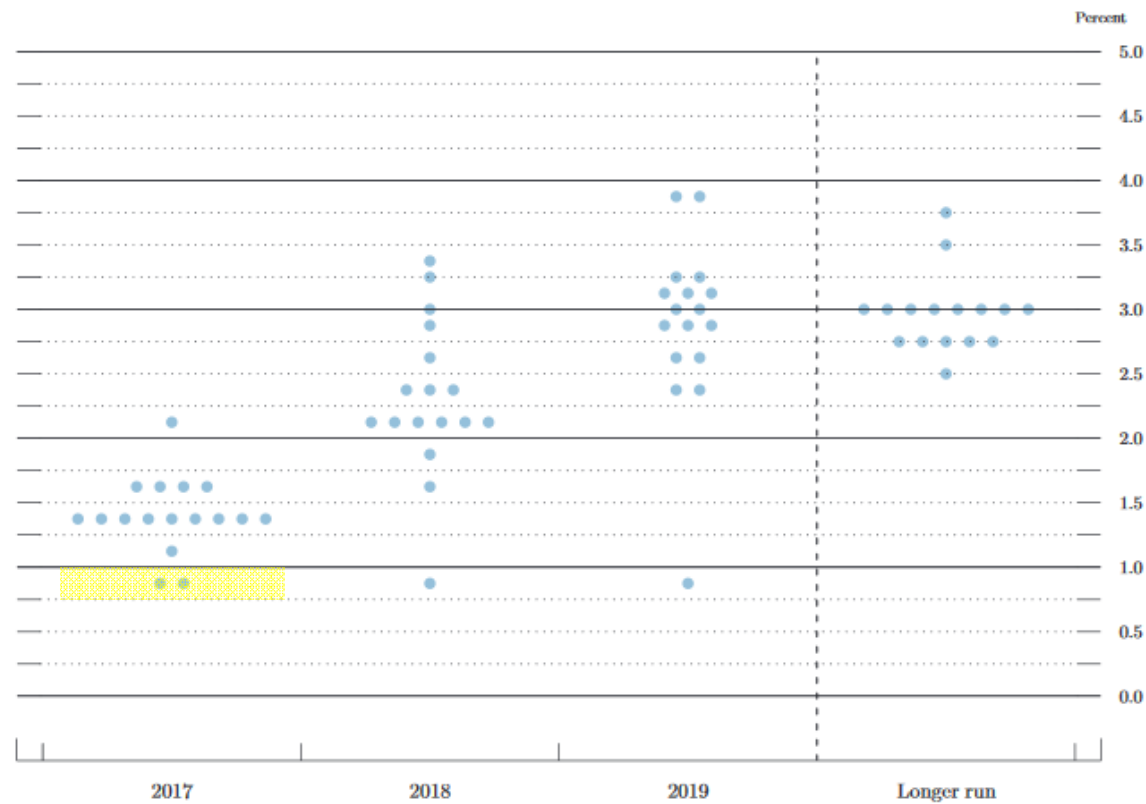
Unemployment

Unemployment Rate



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...**

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Thank you.

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