Growth Has Picked Up

- Q4 2017 growth likely to be in the 3 percent area, near the pace of the second and third quarters
- Contrasts with the 2.1 percent pace that had characterized this expansion
- Notable in this uptick has been a revival of BFI
- Its contribution to growth has risen from under 0.2 percentage points in 2016 to more than 0.7 in 2017
Our Capacity to Grow Has Shrunk

- Owes to slower growth in both labor input and productivity

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>1990-01</th>
<th>1974-89</th>
<th>1950-73</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential</td>
<td>1.8</td>
<td>3.3</td>
<td>3.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Labor</td>
<td>0.5</td>
<td>1.3</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Prod.</td>
<td>1.3</td>
<td>2.0</td>
<td>1.1</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Explains Why Unemployment Has Fallen So Much
Near-term Outlook: Brisk

- Paced by BFI
- Business optimism is high—attributed to regulatory rollback and tax bill
- Tax bill: 40 percent cut in corporate profits tax rate and full expensing raises the rate of return on investing
- Bodes well for a rebound in productivity over the years ahead
Capital Goods Orders Up Already

![Graph showing manufacturers' new orders: Nondurable capital goods excluding aircraft over time.]
External Sector Also a Plus

- Growth abroad revised higher, especially Europe and China, and synchronized globally
- Weaker dollar also giving a lift
Household Spending to be Solid

- Supported by tax cuts and job and wage gains
- Further boosted by huge gains in wealth
Growth Will Place Strains

- Growth of 3+ percent in 2018 and 2-1/2 percent in 2019 will reduce unemployment even further.
- Already widespread reports of labor shortages, and indications of a pickup in wages.
- Will the Fed fall behind the curve?
Inflation Has Been Tame

- Core inflation still well below the Fed’s 2 percent target, anchored by subdued inflation expectations
But Expectations Have Drifted Up
The Market Has Priced in Only Tepid Tightening

- The Fed envisions much more

<table>
<thead>
<tr>
<th>Year-end</th>
<th>Market</th>
<th>Fed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-actual</td>
<td>1.38</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>2019</td>
<td>2.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2020</td>
<td>2.2</td>
<td>3.1</td>
</tr>
</tbody>
</table>
Markets Could be in for a Surprise

- Current Treasury benchmark rates are still quite low.

![Graph showing the 10-Year Treasury Constant Maturity Rate from 2002 to 2016. The shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System (US).]
An Outsider Looking “In” and “Forward”

Dr. Adam T. Jones
Associate Professor and Regional Economist
The Swain Center

- Executive Education
  - Leadership Development
  - Project Management
  - Customer Delight
  - Data Analytics
- Customized Training
- Economic Services
  - Economic Research
  - Impact Studies
- UNCW Entry Point
Thoughts For A Morning

• Outsider
• Perspective on past
• Today
• Short-run outlook
• Medium/Long Run
Brunswick County
Cruising Speed...
Neighboring Growth Mixed

Gross Domestic Product Growth

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Income Growth

Earnings by Place of Work

- NC
- Brunswick
- New Hanover
- Horry, SC

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Income Growth

Earnings by Place of Work

-8 -6 -4 -2 0 2 4 6 8 10


NC Brunswick
Surplus Labor Shrinking

- Employment
- Labor Force

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Unemployment Rate

Brunswick Unemployment

Unemployment Rate (sa)

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Incorporations Slowing

Monthly Incorporations

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Population Growth Picking Up

Population Growth

Growth Rate


NC Brunswick

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Residential Construction Picking Up

Building Permits

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The Present Situation

• Employment expanding
• Nearing “Full Employment”
  • Although slack remains
• Residential growth picking up momentum
Outlook

- Positive outlook for short and medium run
- Employment outpacing “Labor Force” growth

<table>
<thead>
<tr>
<th>Time Period</th>
<th>July 2010 → July 2016</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>108,181 → 126,953</td>
<td>17.4%</td>
</tr>
<tr>
<td>Labor Force</td>
<td>49,988 → 53,243</td>
<td>6.5%</td>
</tr>
<tr>
<td>Employment</td>
<td>44,382 → 50,050</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

- “Shadow Unemployment” will restrain wage growth
Wage Growth

Wage Growth 2010 → 2016

Leisure & Hosp.
Ed. & Health
Prof. & Bus. Serv.
Fin. Services
Information
Trade and Trans.
Manufacturing
Construction

Percent Growth

Brunswick  US

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Sectoral Strength

![Graph showing sectoral strength with data for years 2000, 2010, 2016, and comparison with US average.](image-url)
Brunswick Location Quotient and Wage

<table>
<thead>
<tr>
<th>Industry</th>
<th>Quotient</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nat. Res.</td>
<td>0.20</td>
<td>$31,742</td>
</tr>
<tr>
<td>Construction</td>
<td>0.40</td>
<td>$41,806</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.60</td>
<td>$48,769</td>
</tr>
<tr>
<td>Trade and Trans.</td>
<td>0.80</td>
<td>$42,344</td>
</tr>
<tr>
<td>Information</td>
<td>1.00</td>
<td>$48,472</td>
</tr>
<tr>
<td>Fin. Services</td>
<td>1.20</td>
<td>$41,682</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv.</td>
<td>1.40</td>
<td>$42,475</td>
</tr>
<tr>
<td>Ed. &amp; Health</td>
<td>1.60</td>
<td>$39,625</td>
</tr>
<tr>
<td>Leisure &amp; Hosp.</td>
<td>1.80</td>
<td>$16,958</td>
</tr>
</tbody>
</table>

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**Wage Growth**

Wage Growth 2010 → 2016

- Leisure & Hosp.
- Ed. & Health
- Prof. & Bus. Serv.
- Fin. Services
- Information
- Trade and Trans.
- Manufacturing
- Construction

Percent Growth

Brunswick | US

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Thoughts for the Long Run
Urbanization

- Migration from rural areas to urban areas
- Opportunities...
- Brunswick County mixed land types
  - Some near urban areas
  - Much rural
  - Coastal
Brunswick County
Urbanization and Expansion
Growth

- Residential Growth Pushing in from Wilmington
- Improved transportation:
  - Increased demand for property
    - Upward pressure on prices
  - Decreased desire to avoid crossing river
    - Upward pressure on wages
  - Brunswick and New Hanover as functional region
    - But lines drawn around political jurisdictions
## Cost of Services

*Ratio* = \( \frac{\text{Public Service Expenditure}}{\text{Revenues from Land Use}} \)

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>1.18</td>
</tr>
<tr>
<td>Commercial / Industrial</td>
<td>0.44</td>
</tr>
<tr>
<td>Agricultural / Open Space</td>
<td>0.50</td>
</tr>
</tbody>
</table>
Looking Forward

• Near term:
  • Expect growth to continue and labor market to continue to tighten
  • Likely will not “catch” national rate anytime soon
  • Wage increases will lag national

• Longer term
  • Residential expansion from Wilmington
  • Need to balance with commercial/industrial development (team effort)
Thank you.

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