

Economic Conditions

American Public Works Association – NC Chapter
June 10, 2013

William W. (Woody) Hall, Jr.
Professor of Economics

Department of Economics and Finance
and

Senior Economist

H. David and Diane Swain Center for Business and Economic Services
Cameron School of Business

The University of North Carolina Wilmington

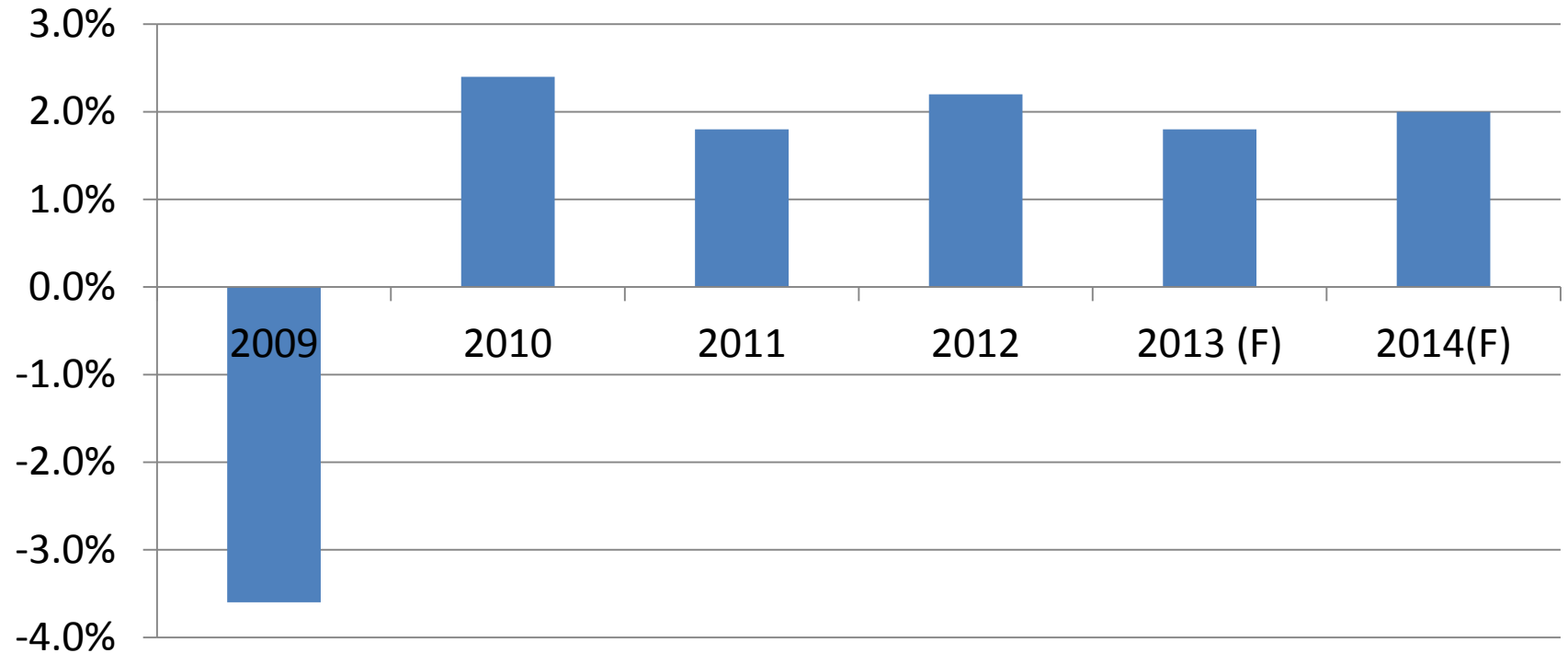
hall@uncw.edu



Web Slides

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

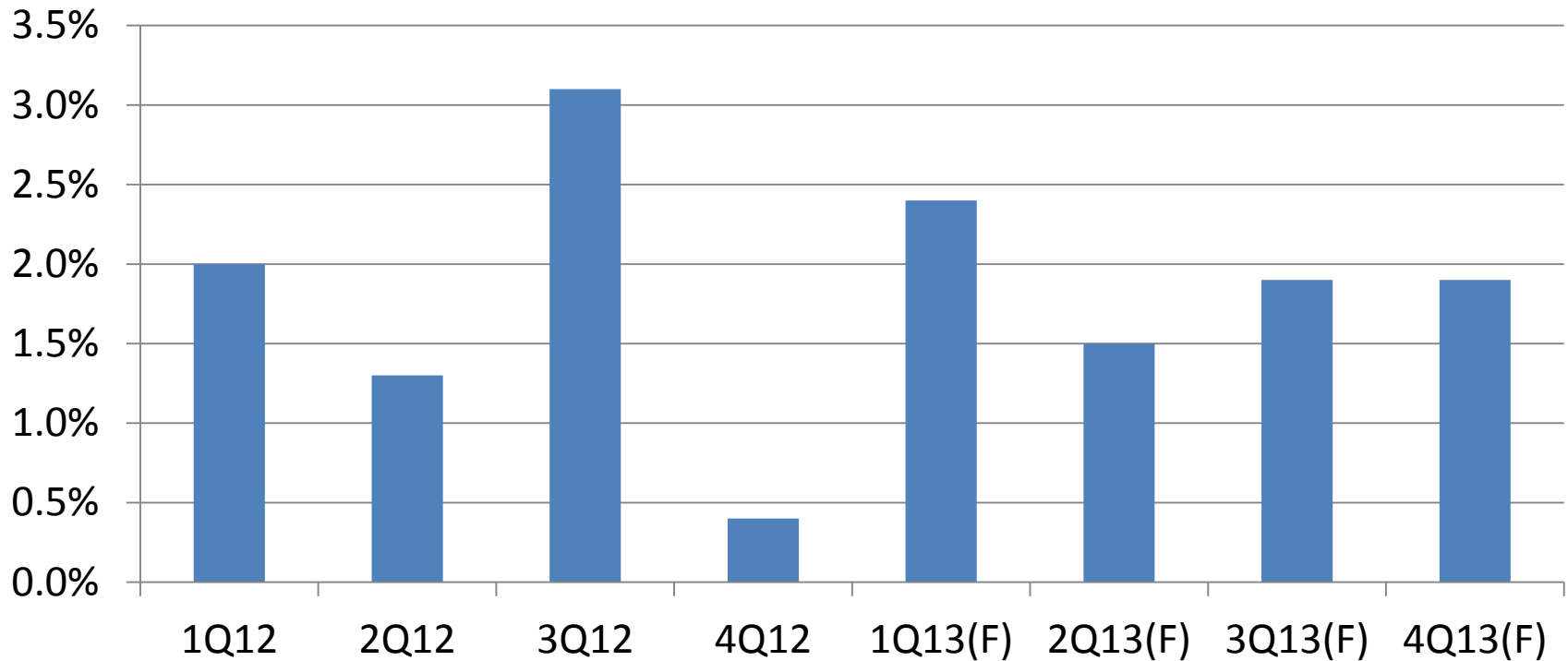
Real US Gross Domestic Product Growth Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, June 7, 2013.

Real US Gross Domestic Product Growth Rates

(Quarterly Change at an Annual Rate)



Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, June 7, 2013.



The US Economic Outlook

- Sustained “subpar” growth
- Low inflation
- Federal Reserve easing

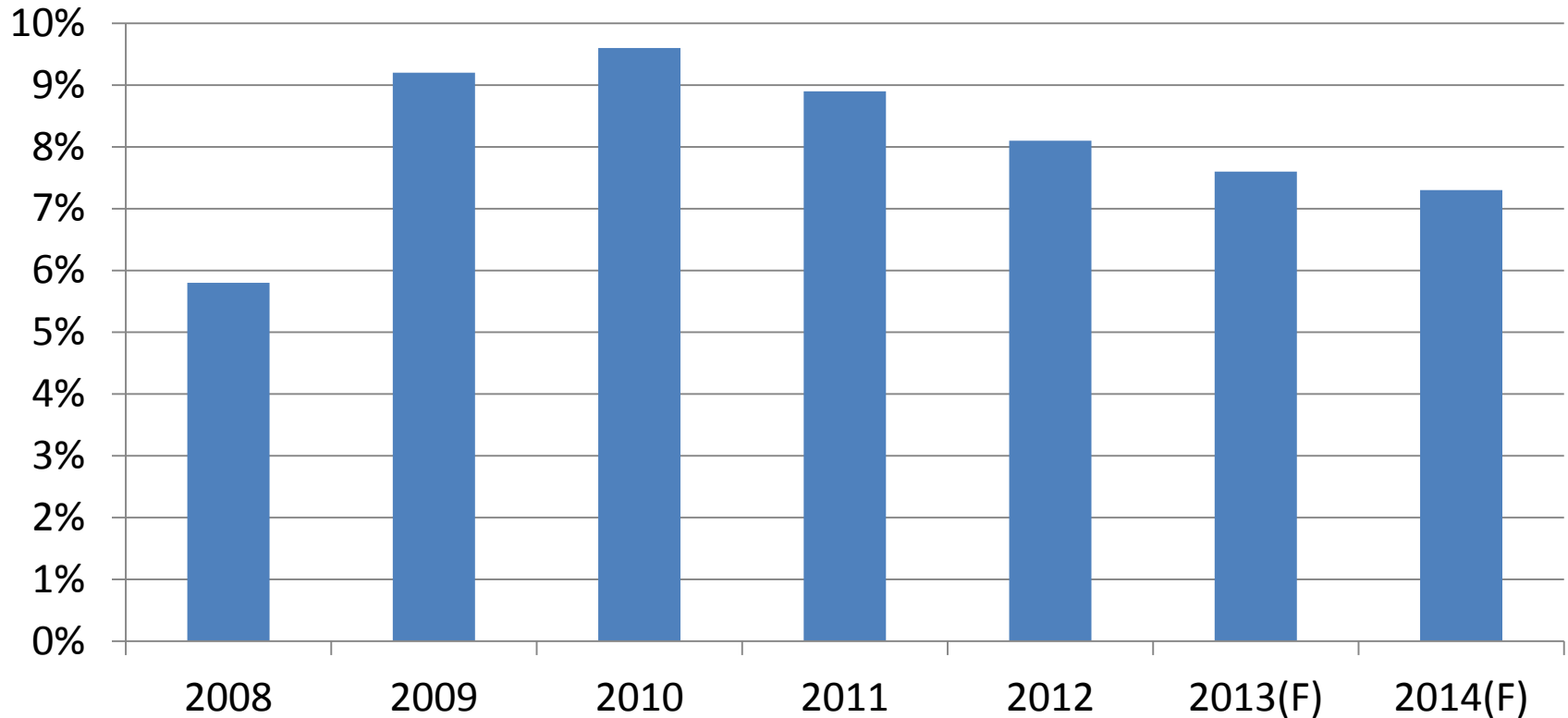
Sustained Subpar Growth

- Past three years
- Continued over 2013
- Pickup expected during the second half of 2013
 - Business investment
 - Housing
 - Net exports
 - The labor market will likely generate 190,000-200,000 jobs per month with an accompanying slow fall in the unemployment rate.
- Federal, state and local government spending will be reduced in line with what is sustainable over the long run given the slowdown in potential GDP growth based upon labor force and productivity trends.

Low Inflation

- The PCE (personal consumption expenditure) deflator remains in the 1-1.5% range.
 - Below any sort of trigger for Federal Reserve action
- Interest rates on many “safe” instruments remain low.
 - The yield on the benchmark 10-year US Treasury bond is likely to stay below 2% for at least the next six months.

The U. S. Unemployment Rate



Source: Bureau of Labor Statistics, US Department of Labor; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, June 7, 2013.



US Employment

- The Bureau of Labor Statistics (BLS) June 2013 Employment Situation Summary showed that employment rose by 175,000 in May 2013.
 - Employment rose in professional and business services, food services and drinking places, and retail trade.
- The national unemployment rate was little changed from April 2013 at 7.6%.
 - The number of long-termed unemployed (unemployed for 27 or more weeks) was unchanged at 4.4 million.
 - 37.3% of total unemployment

May 2013 Unemployment Rates

Group	Unemployment Rate (%)
Adult women	6.5%
Adult men	7.2%
Teenagers	24.5%
Whites	6.7%
Blacks	13.5%
Hispanics	9.1%
Asians(NSA)	4.3%

“Unsettling” Employment Changes in May 2013

- A relatively large proportion of the May 2013 gains in nonfarm payroll employment was in lower-paying sectors, namely, leisure and hospitality (+ 43,000 jobs) and retail trade (+ 27,700 jobs).
 - When added to temporary services and home health care, a total of 103,200 jobs were created by these four sectors, accounting for 58.9% of all jobs created.
 - These four sectors comprise 24.4% of total nonfarm employment.

Employment Changes in May 2013 (cont.)

- Employment in many higher-paying sectors has weakened.
 - Manufacturing
 - Manufacturing employment fell by 8,000, with most of the fall in nondurable goods.
 - Manufacturing employment has fallen for three consecutive months.
 - Aggregate hours worked in manufacturing did rise 0.1% in May.
 - As a result, industrial production likely showed a modest gain.
 - Manufacturing appears to be bearing the brunt of the global economic slowdown, which has reduced export growth.
 - Businesses employed in distribution (e.g., railroads, trucking firms, shipping firms, and storage and warehousing businesses) also reduced employment.

US Manufacturing

- Despite the widely held view that US manufacturing is in decline, the industrial sector remains an important sector.
 - However, the same can not be said about manufacturing employment.
 - In the late 1970s, manufacturing employment represented 20% of total employment.
 - At its height in June 1979, manufacturing employed 19.5 million.
- Manufacturing processes have become more capital intensive.
 - There is less need for labor.
 - Manufacturing now employs around 11.9 million.
 - Skill requirements for labor employed in manufacturing have risen.
 - These shifts are likely necessary for the US to maintain global competitiveness.
 - See The Evolution of U.S. Manufacturing at <https://www.wellsfargo.com/com/insights/economics/special-reports>.



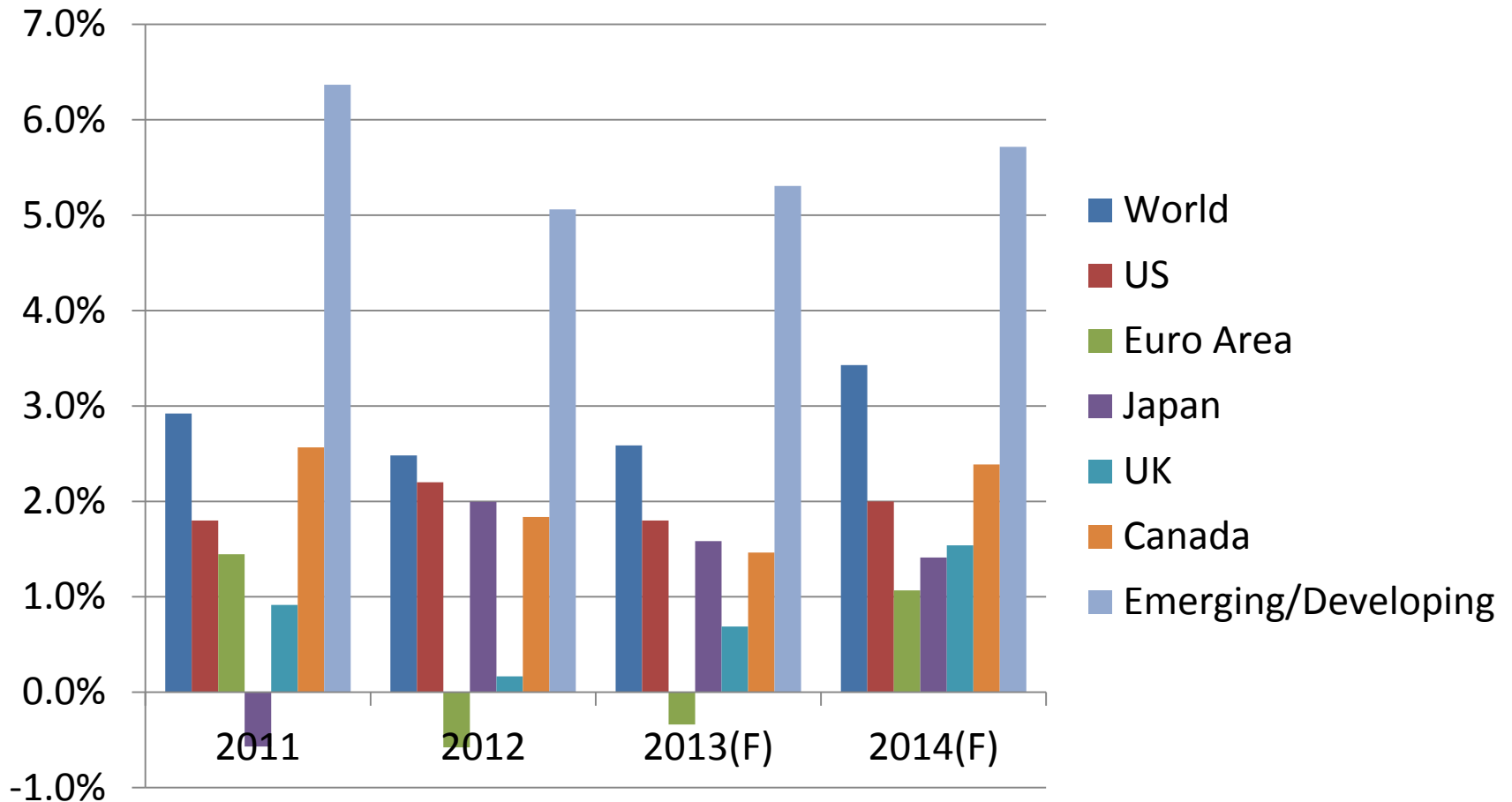
The Federal Reserve

- The Federal Reserve System has consistently placed a high value on data pertaining to manufacturing and related sectors.
 - The information is timely and rarely revised substantially.
- With the loss in growth momentum, will the Federal Reserve System continue the quantitative easing (QE) wind-down?

Policy Uncertainty and Sequestration

- Given higher taxes, ongoing policy uncertainty, and \$44 billion of sequestration currently scheduled for FY 2013, growth prospects for the first half of 2013 will likely be at a below-average pace of around 2.5%.
- The US economy should be able to withstand these effects (*code for no likely recession*) given continued strength in housing, solid motor vehicle sales activity, and a rise in exports as growth abroad gradually improves.

Global Economic Growth



Source: International Monetary Fund; Bureau of Economic Analysis, US Department Of Commerce; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, June 7, 2013.

Annual Compound Growth Rates (2011-14)

Area	Annual Compound Growth Rate (%)	Doubling Time in Years ("Rule of 72")
World	2.9	25
United States	2.0	36
Euro Area	0.4	180
Japan	1.2	60
United Kingdom	0.9	80
Canada	2.1	34
Emerging/Developing Countries	5.7	13

Recent Changes in the Global Economy

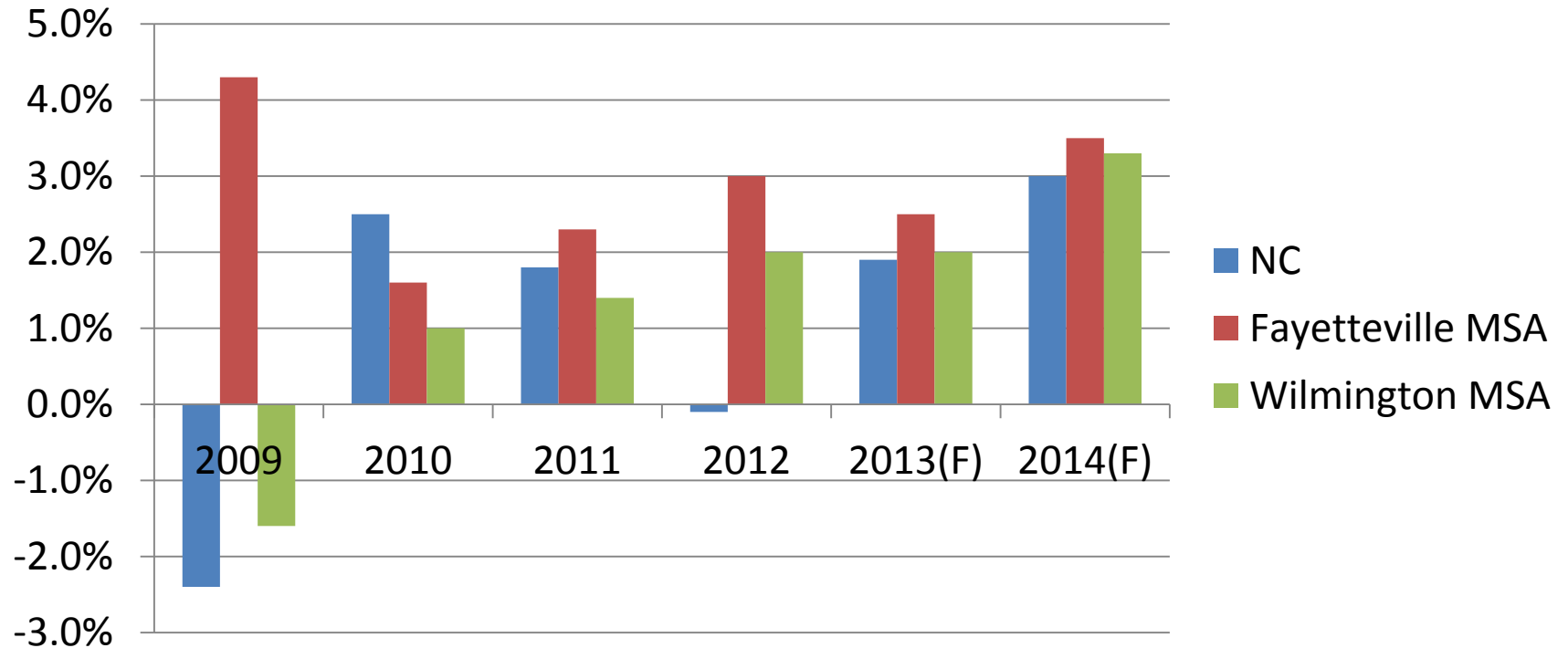
- Production is not slowing any further.
- The “fly in the ointment”
 - Trade flows are not yet following suit.
 - Much of the global economy is heavily dependent on trade.
 - The alternative would be to see a strengthening domestic market which is not that likely.

The European Central Bank (ECB)

- The main ECB policy interest rate (LIBOR) was recently reduced by 25 basis points from 0.75% (where it had been since July 2012) to 0.5%.
 - The ECB has committed to keeping its policy stance “accommodative for as long as needed.”
 - However, this rate cut will not likely have a major effect on Euro (Germany, France, Italy, and Spain) economic growth.
 - It’s probably not large enough.
 - Lending standards are more important now than interest rates.
- To spur lending, the ECB *may* develop a market for asset-backed securities collateralized by business loans.
 - Presumably, banks would be more willing to lend if they knew that they could eventually get those loans off their balance sheets via securitization.

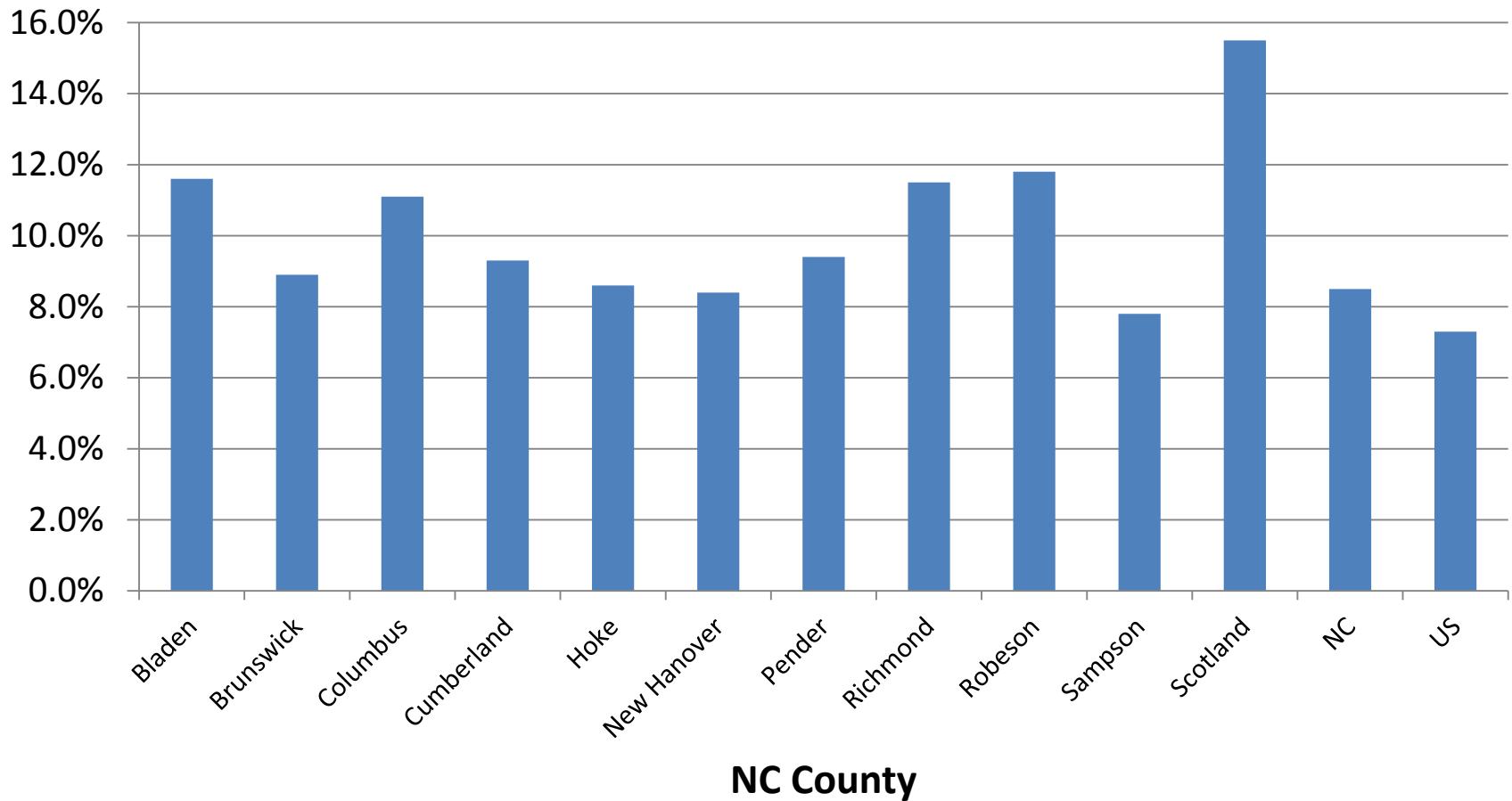


Real Gross Domestic Product Growth Rates



Source: <http://www.bea.gov/regional>; Babson Capital/UNC Charlotte Economic Forecast, June 4, 2013; Ravija Badarinathi and William W. Hall, Jr., for the Swain Center for Business and Economic Services, Cameron School Business, UNC Wilmington.

April 2013 Unemployment Rates (Not Seasonally Adjusted)



Source: <https://www.ncesc.com/default.aspx>

2012 Largest Employers (NAICS Sector)

Fayetteville MSA	Wilmington MSA	NCSE	NC
Health Care & Social Assistance <i>(13.2%)</i>	Health Care & Social Assistance <i>(13.5%)</i>	Health Care & Social Assistance <i>(13.6%)</i>	Health Care & Social Assistance <i>(12.3%)</i>
Local Government <i>(12.4%)</i>	Retail Trade <i>(12.3%)</i>	Local Government <i>(12.1%)</i>	Retail Trade <i>(9.9%)</i>
Retail Trade <i>(9.8%)</i>	Local Government <i>(11.5%)</i>	Retail Trade <i>(10.7%)</i>	Manufacturing <i>(9.5%)</i>
Federal Government <i>(9.0%)</i>	Accom & Food Services <i>(11.4%)</i>	Accom & Food Services <i>(8.6%)</i>	Local Government <i>(9.4%)</i>
Educational Services <i>(8.8%)</i>	Educational Services <i>(7.0%)</i>	Educational Services <i>(8.5%)</i>	Educational Services <i>(8.0%)</i>
Public Administration <i>(8.7%)</i>	Public Administration <i>(5.2%)</i>	Manufacturing <i>(8.1%)</i>	Accom & Food Services <i>(7.8%)</i>
Accom & Food Services <i>(8.2%)</i>	Professional & Tech Services <i>(4.9%)</i>	Public Administration <i>(7.0%)</i>	Adm & Waste Services <i>(5.7%)</i>
Manufacturing <i>(5.5%)</i>	Manufacturing <i>(4.6%)</i>	Adm & Waste Services <i>(4.1%)</i>	Public Administration <i>(4.6%)</i>
Adm & Waste Services <i>(4.6%)</i>	Construction <i>(4.5%)</i>	Federal Govt <i>(3.7%)</i>	Professional & Tech Services <i>(4.3%)</i>
Professional & Tech Services <i>(3.5%)</i>	Adm & Waste Services <i>(4.3%)</i>	Construction <i>(3.4%)</i>	State Government <i>(3.9%)</i>
Top Ten Total <i>(83.7%)</i>	Top Ten Total <i>(79.2%)</i>	Top Ten Total <i>(79.8%)</i>	Top Ten Total <i>(75.4%)</i>

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



2012 Largest Employers

Average Annual Wages as Percent of State Sector

Fayetteville MSA	Wilmington MSA	NCSE	NC (% of Average Across All Sectors)
Health Care & Social Assistance <i>(103.2%)</i>	Health Care & Social Assistance <i>(93.9%)</i>	Health Care & Social Assistance <i>(91.7%)</i>	Health Care & Social Assistance <i>(101.8%)</i>
Local Government <i>(102.6%)</i>	Retail Trade <i>(96.9%)</i>	Local Government <i>(98.0%)</i>	Retail Trade <i>(58.5%)</i>
Retail Trade <i>(98.1%)</i>	Local Government <i>(105.9%)</i>	Retail Trade <i>(94.3%)</i>	Manufacturing <i>(122.9%)</i>
Federal Government <i>(98.8%)</i>	Accom & Food Services <i>(95.1%)</i>	Accom & Food Services <i>(90.7%)</i>	Local Government <i>(91.6%)</i>
Educational Services <i>(91.2%)</i>	Educational Services <i>(95.9%)</i>	Educational Services <i>(89.7%)</i>	Educational Services <i>(93.2%)</i>
Public Admin <i>(125.2%)</i>	Public Admin <i>(97.3%)</i>	Manufacturing <i>(88.3%)</i>	Accom & Food Services <i>(35.3%)</i>
Accom & Food Services <i>(90.8%)</i>	Prof & Tech Services <i>(89.8%)</i>	Public Admin <i>(103.9%)</i>	Adm & Waste Services <i>(74.2%)</i>
Manufacturing <i>(92.8%)</i>	Manufacturing <i>(128.2%)</i>	Adm & Waste Services <i>(86.5%)</i>	Public Admin <i>(101.3%)</i>
Adm & Waste Services <i>(91.7%)</i>	Construction <i>(87.7%)</i>	Federal Government <i>(98.6%)</i>	Prof & Tech Services <i>(161.5%)</i>
Prof & Tech Services <i>(88.7%)</i>	Adm & Waste Services <i>(92.1%)</i>	Construction <i>(63.3%)</i>	State Government <i>(105.4%)</i>



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

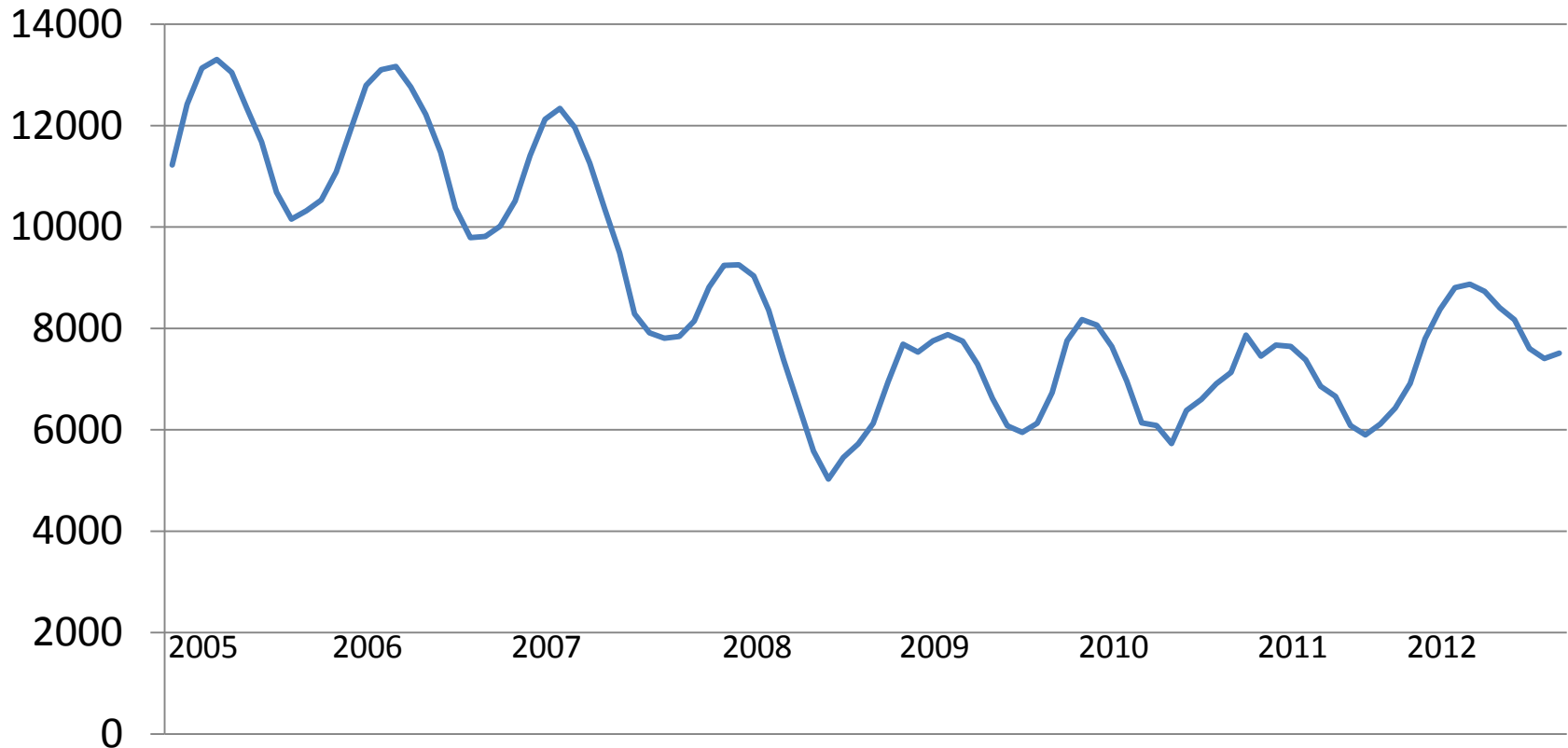
Retail Sales Growth Rates



Source: NC Department of Revenue.



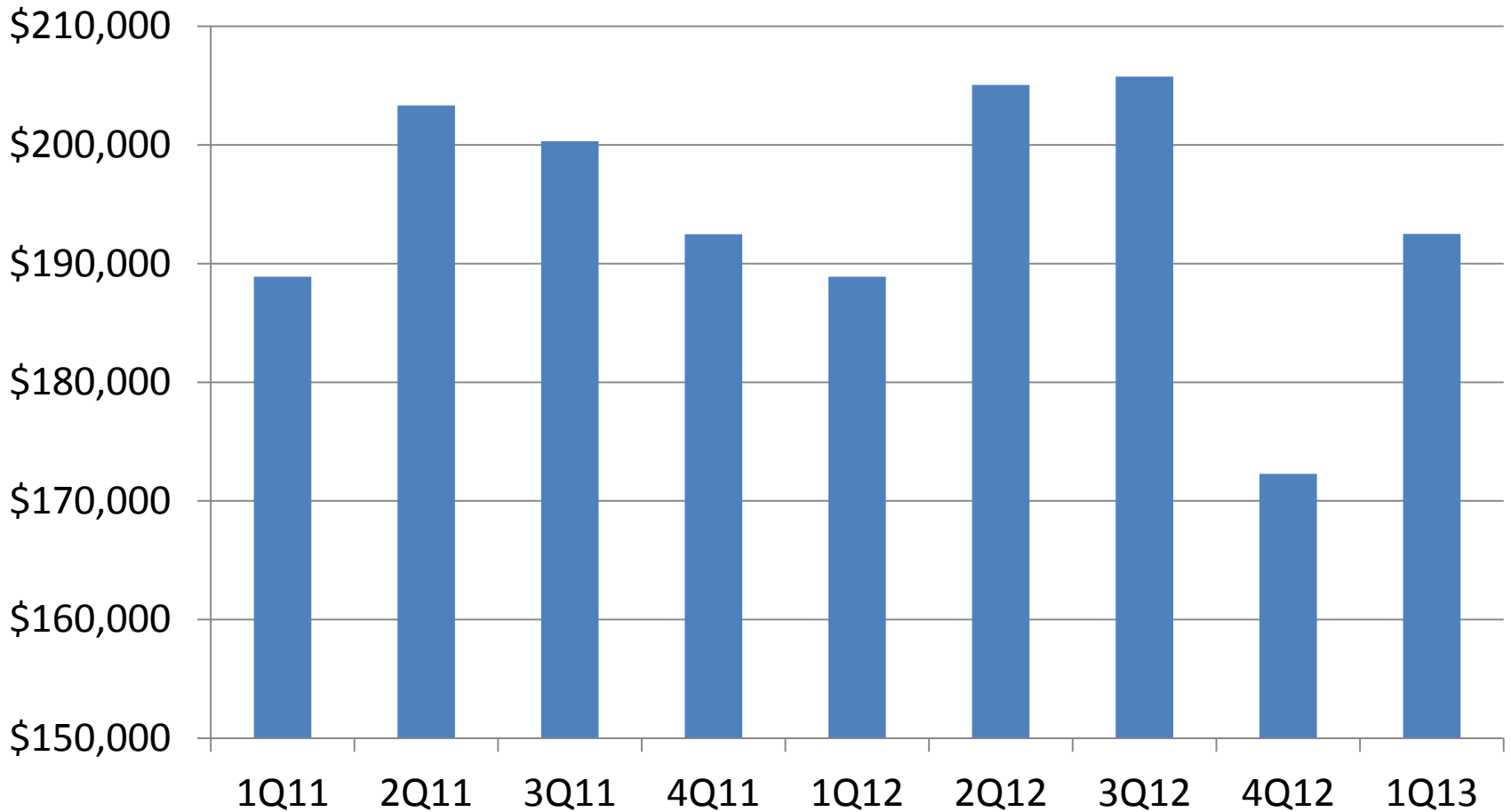
NC Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.



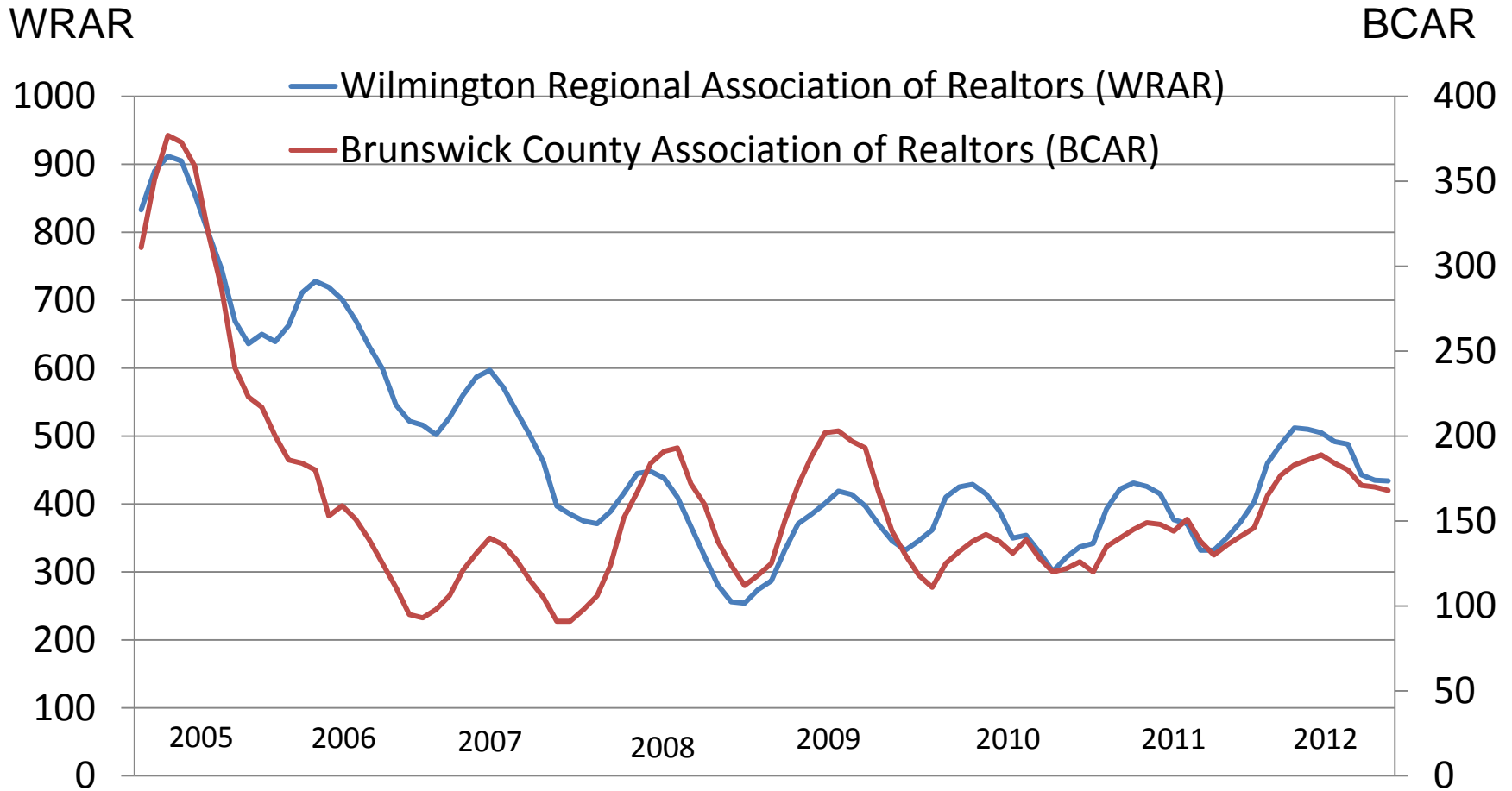
Average Sales Prices of Existing Single-Family Home Sales in NC



Source: NC Association of Realtors.

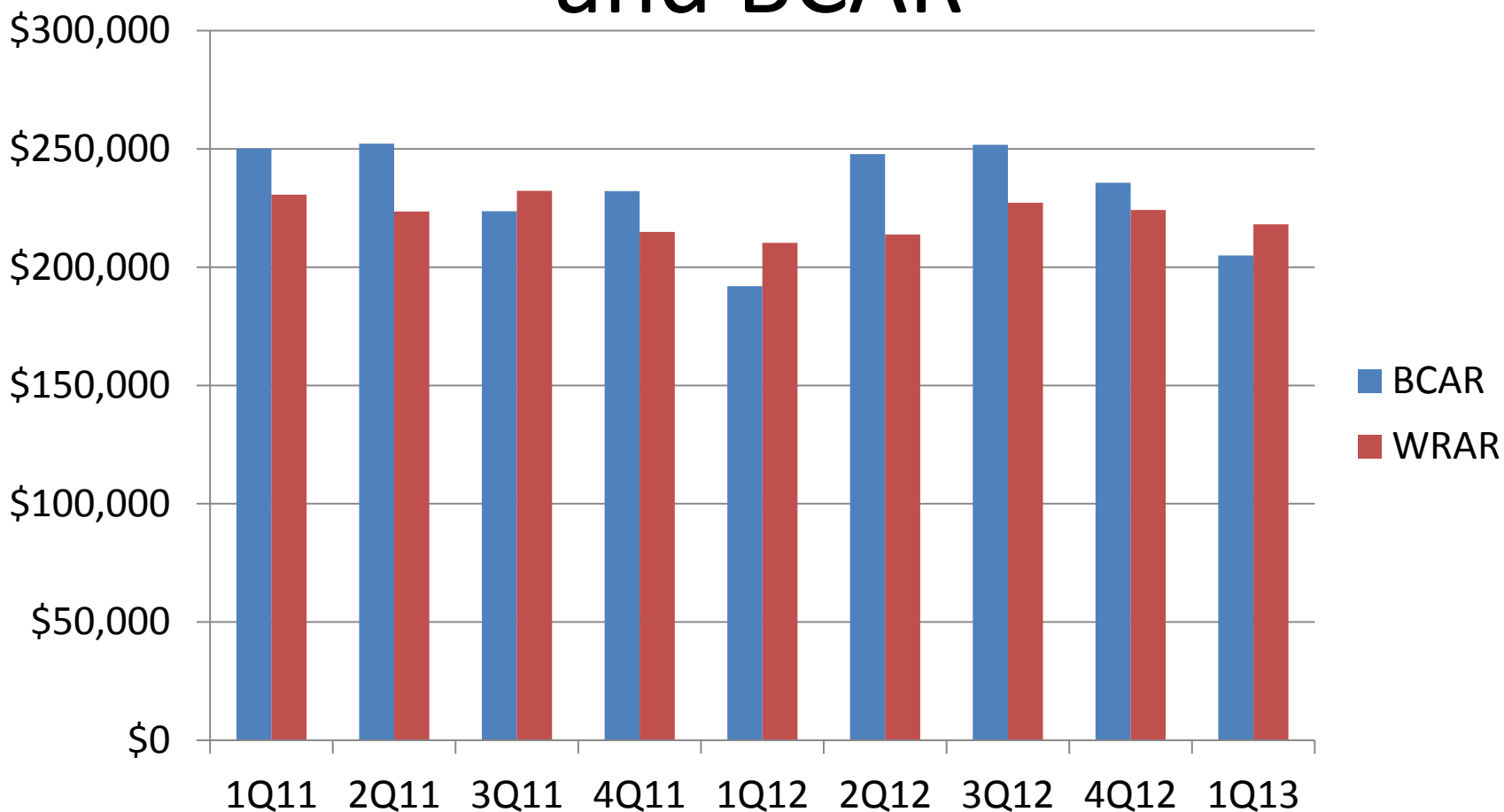


Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.

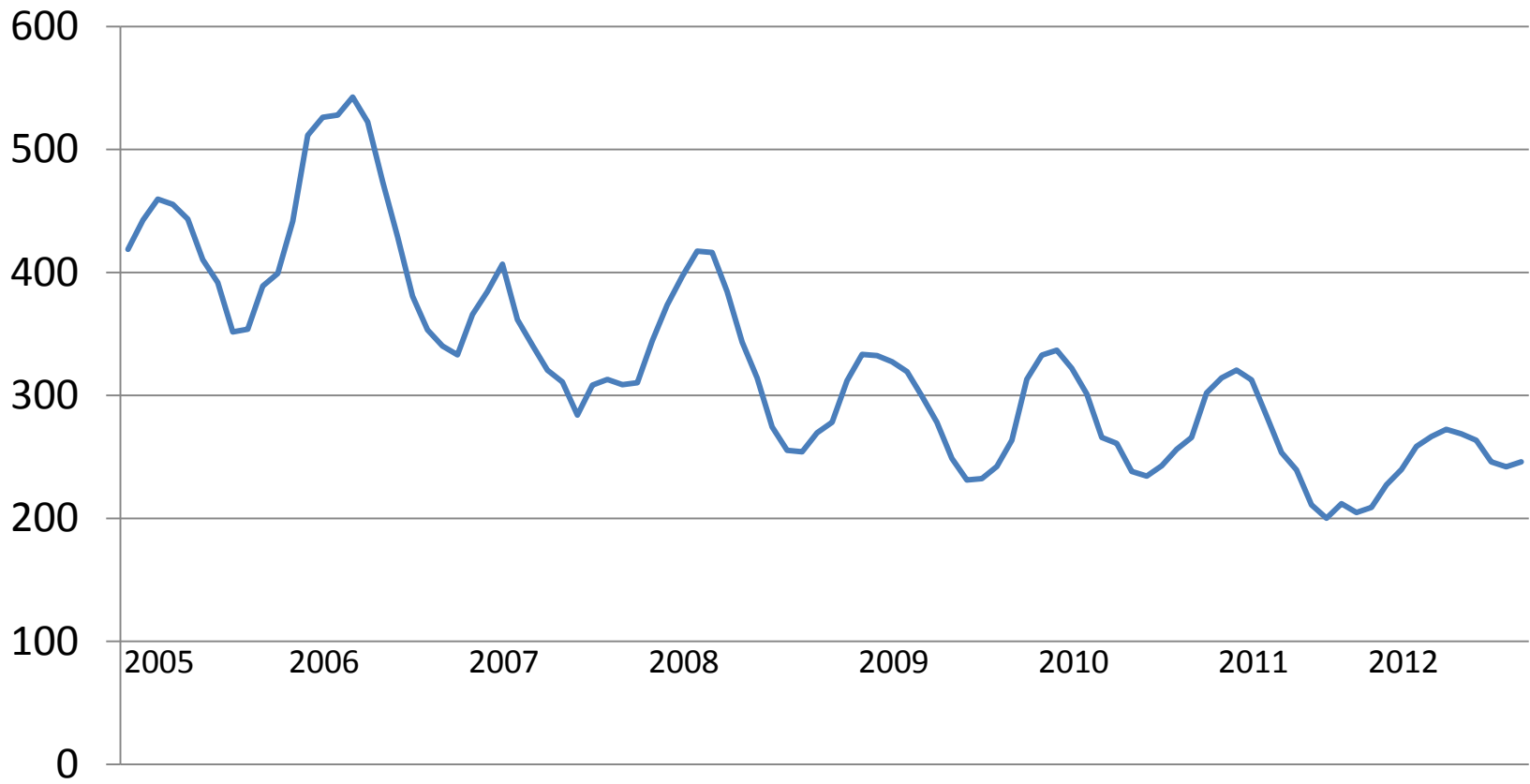
Average Sales Prices of Existing Single-Family Home Sales in WRAR and BCAR



Source: NC Association of Realtors.



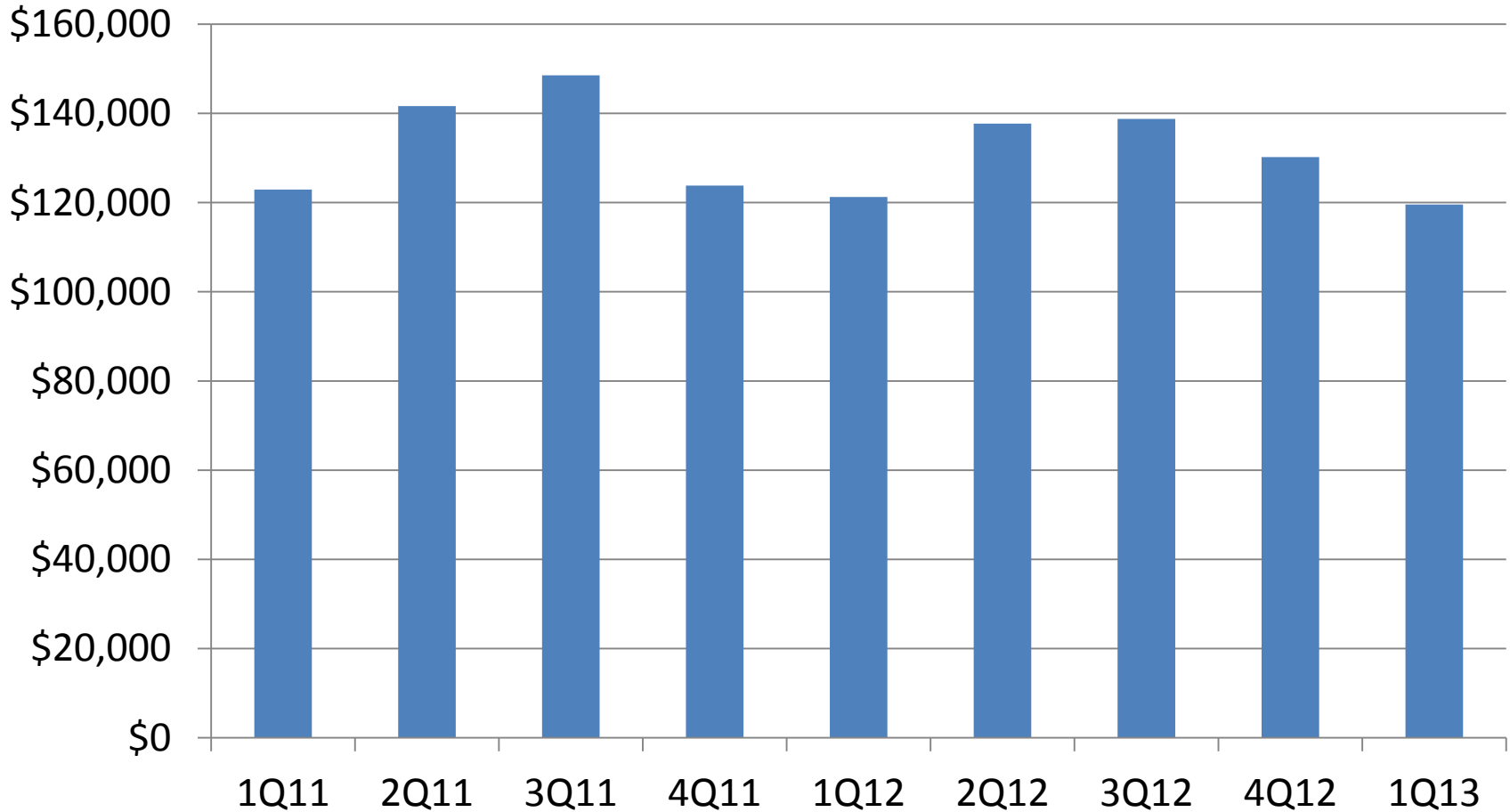
Fayetteville Regional Association of Realtors (FRAR) Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.



Average Sales Prices of Existing Single-Family Home Sales in FRAR



Source: NC Association of Realtors.




Special Thanks

Bank of America



Quarterly Barometer



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


INSIDE THIS ISSUE:

- The US Economy 1
- Readings on the Labor Market More Upbeat 1
- Consumption Looking Firmer 2
- Dirto Residential Construction 3
- Haling Advances in Business Investment 3
- Stock Prices Could be Higher 5
- The Outlook Calls for some Pickup in Growth 6
- Unemployment Rates 6
- Wilmington MSA Unemployment 7
- Employment and Wages 8
- New Incorporations 8
- Retail Sales Growth Rates 9
- Airport Passenger Traffic 9
- Port Container Tonnage Growth 10
- 2011 Travelers' Expenditures 10
- Housing 11

Learn about our benefactors, H. David and Diane Swain at www.csbswaincenter.com

www.csbswaincenter.com

Economic Barometer



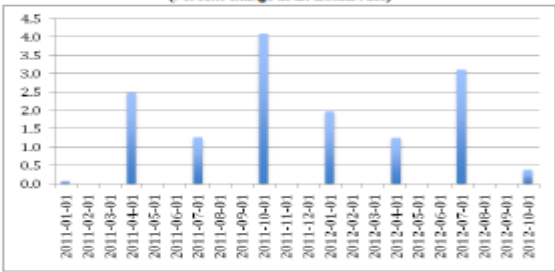
Volume V, Issue 1 April 2013

The U.S. Economy: Are Green Chutes Emerging?

News on the economy in recent months has on balance been upbeat, suggesting that growth may have shifted up from the sluggish pace of 2012. This seems to have happened even as taxes were increased as a result of the January 1 agreement to avoid the worst of the "fiscal cliff," and as sequester cuts in federal spending kicked in on March 1. Does this mean that the economy may finally be emerging from the doldrums?

The chart below illustrates growth in real GDP through the end of last year. While growth was sluggish over the year, it ended on an especially weak note. This weakness was compounded by the disruption from Hurricane Sandy and some other one-off factors. Clearly, more economic vigor is long overdue.

Growth in Real GDP
(Percent change at an annual rate)



Date	Annual % Change
2011-01-01	0.0
2011-02-01	0.0
2011-03-01	0.0
2011-04-01	2.5
2011-05-01	0.0
2011-06-01	1.5
2011-07-01	0.0
2011-08-01	0.0
2011-09-01	0.0
2011-10-01	4.0
2011-11-01	0.0
2011-12-01	2.0
2012-01-01	0.0
2012-02-01	0.0
2012-03-01	0.0
2012-04-01	1.5
2012-05-01	0.0
2012-06-01	0.0
2012-07-01	3.0
2012-08-01	0.0
2012-09-01	0.0
2012-10-01	0.5

Readings on the Labor Market More Upbeat

Overall, readings on the labor market have been more favorable over recent months. Even with a pause in March, private sector payrolls have grown an average of 200 thousand per month since last fall, well above the pace required to absorb labor force entrants. Beyond this, employers have been upping the hours of work for their em-