

United States and North Carolina Economic Conditions

North Carolina Local Government Investment Association

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Web Slides

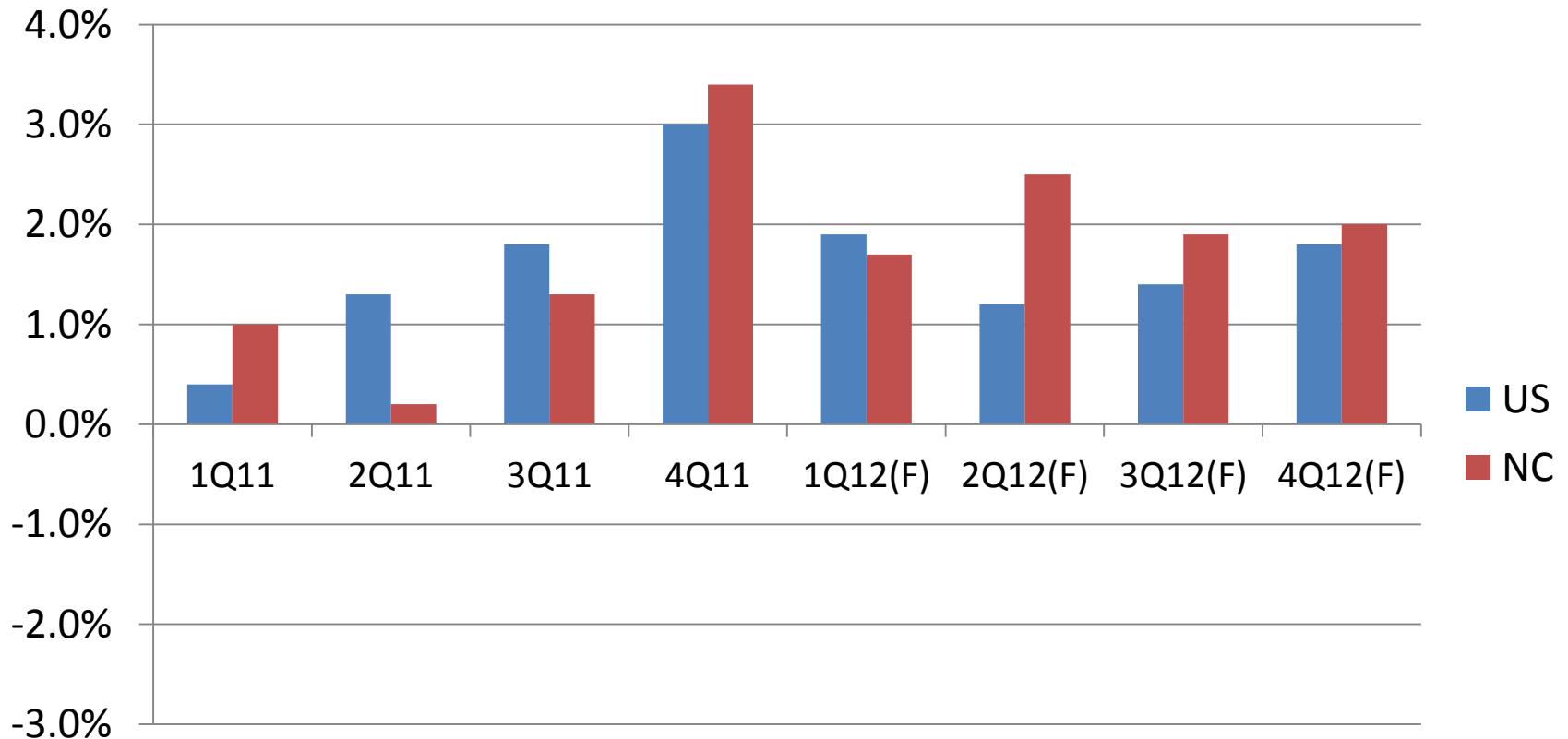
- <http://www.csb.uncw.edu/cbes/events/index.htm>

US and NC Economic Growth



Source: US Department of Commerce; Weekly Economic & Financial Commentary, Economics Group, Wells Fargo Securities, July 13, 2012; Babson Capital/UNC Charlotte Economic Forecast, Belk College of Business, UNC Charlotte, Babson Capital Management, LLC, June 5, 2012.

US and NC Economic Growth (Quarterly Change at An Annual Rate)



Source: US Department of Commerce; Weekly Economic & Financial Commentary, Economics Group, Wells Fargo Securities, July 13, 2012; Babson Capital/UNC Charlotte Economic Forecast, Belk College of Business, UNC Charlotte, Babson Capital Management, LLC, June 5, 2012.



June 2012 US Employment

- Nonfarm employment rose by 80,000 (18,000 in June 2011).
- Over 2Q12, employment growth averaged 75,000/month, compared to an average of 226,000 over 1Q12.

Group	Unemployment Rate (%)	
	June 2011	June 2012
Overall	9.2	8.2
Adult Men	9.1	7.8
Adult Women	8.0	7.4
Teenagers	24.5	23.7
Whites	8.1	7.4
Blacks	16.2	14.4
Hispanics	11.6	11.0
Asians (NSA)	6.8	6.3

Source: Bureau of Labor Statistics, U.S. Department of Labor.



June 2012 US Employment Cont.

- Unemployment
 - The number of long-term unemployed (at least 27 weeks) was unchanged at 5.4 million.
 - 41.7% of total unemployment
 - Involuntary part-time unemployed was unchanged at 8.2 million.
 - The number of discouraged workers was 821,000, down 161,000 from June 2011.

June 2012 US Employment Cont.

Employment Gains	Employment Unchanged
Professional and Technical Services (+47,000)	Mining and Logging
Manufacturing (+11,000)	Construction
Health Care (+13,000)	Retail Trade
Wholesale Trade (+9,000)	Transportation and Warehousing
	Financial Activities
	Leisure and Hospitality
	Government

May 2012 NC Employment

- Employment rose 11,600 to 4.2 million.
- Unemployment rates (not seasonally adjusted)
 - State rate of 9.4%
 - Down in 21 counties
 - Up in 76 counties
 - Unchanged in 3 counties
 - Extremes
 - Currituck County had the lowest rate at 5.2%.
 - Scotland County had the highest rate at 16.9%.

Source: Division of Employment Security, N.C. Department of Commerce.



2012 NC Forecast

Sector	Constant Dollar Output Change (%)	Employment Change (%)
Mining	2.0	-2.8
Construction	1.0	-1.8
Durable Manufacturing	1.5	0.1
Nondurable Manufacturing	1.2	1.9
Transportation, Warehousing, and Utilities	3.0	-1.0
Wholesale Trade	3.2	0.6
Retail Trade	6.1	2.9
Finance, Insurance, and Real Estate	1.7	2.4
Business and Professional Services	3.7	2.8
Education and Health Services	3.8	3.2
Hospitality and Leisure Services	4.2	2.4
Other Services	2.5	-0.8
Government	-1.2	0.7
Total	2.1	1.6



Source: Babson Capital/UNC Charlotte Economic Forecast, Belk College of Business, UNC Charlotte, Babson Capital Management, LLC, June 5, 2012.

Forecast Risks

- “Fiscal cliff”
- Restrained export growth
- Inflation
- Federal Reserve action

“Fiscal Cliff”

- *n.* A moment in early 2013 when Federal tax cuts expire and automatic spending reductions take effect (see sequestration), removing \$600 billion (4% of US GDP) from the already shaky economy over the coming year.

Options for Dealing with the “Fiscal Cliff”

- Congress and the White House could
 - Agree to a large package of tax hikes and spending cuts or
 - Rewrite the laws to postpone the cliff to another day

Options for Dealing with the “Fiscal Cliff”

- Congress and the White House could
 - Agree to a large package of tax hikes and spending cuts or
 - Rewrite the laws to postpone the cliff to another day (**most likely**)

NC 2011 Employment and Wages

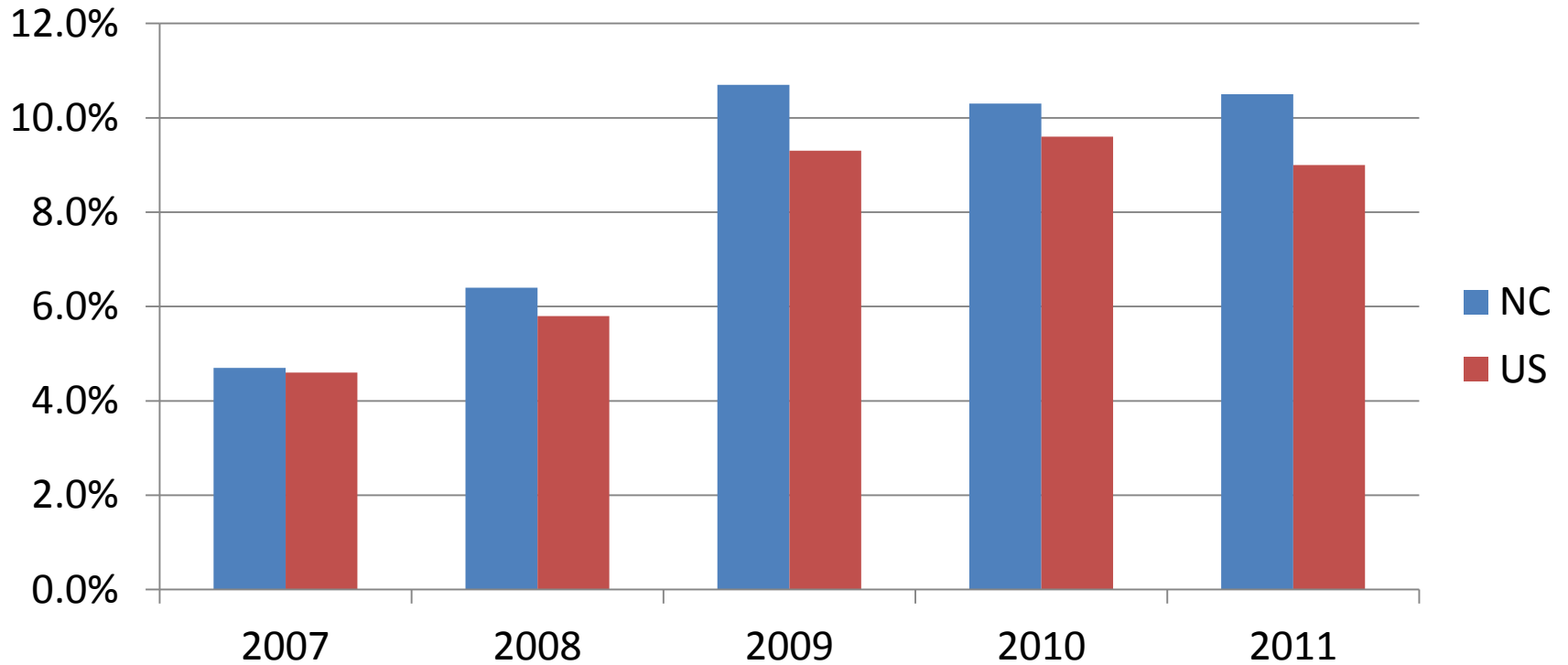
NAICS Sector ¹	% of Total Employment	Average Annual Wage	
		Wage (\$)	% of All-Sector Average
Health Care & Social Assistance	14.4	42,810.83	101.6
Retail Trade	11.7	24,650.45	58.5
Manufacturing	11.3	52,612.73	124.9
Local Government	11.2	39,000.00	92.6
Educational Services	9.6	39,787.12	94.5
Accommodations & Food Services	9.0	14,877.49	35.3
Administrative & Waste Services	6.5	30,258.28	71.8
Public Administration	6.2	43,641.53	103.6
State Government	4.7	44,824.00	106.4
Construction	4.5	41,315.80	98.1
All Sectors		42,120.00	

1 Ten largest employment sectors

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



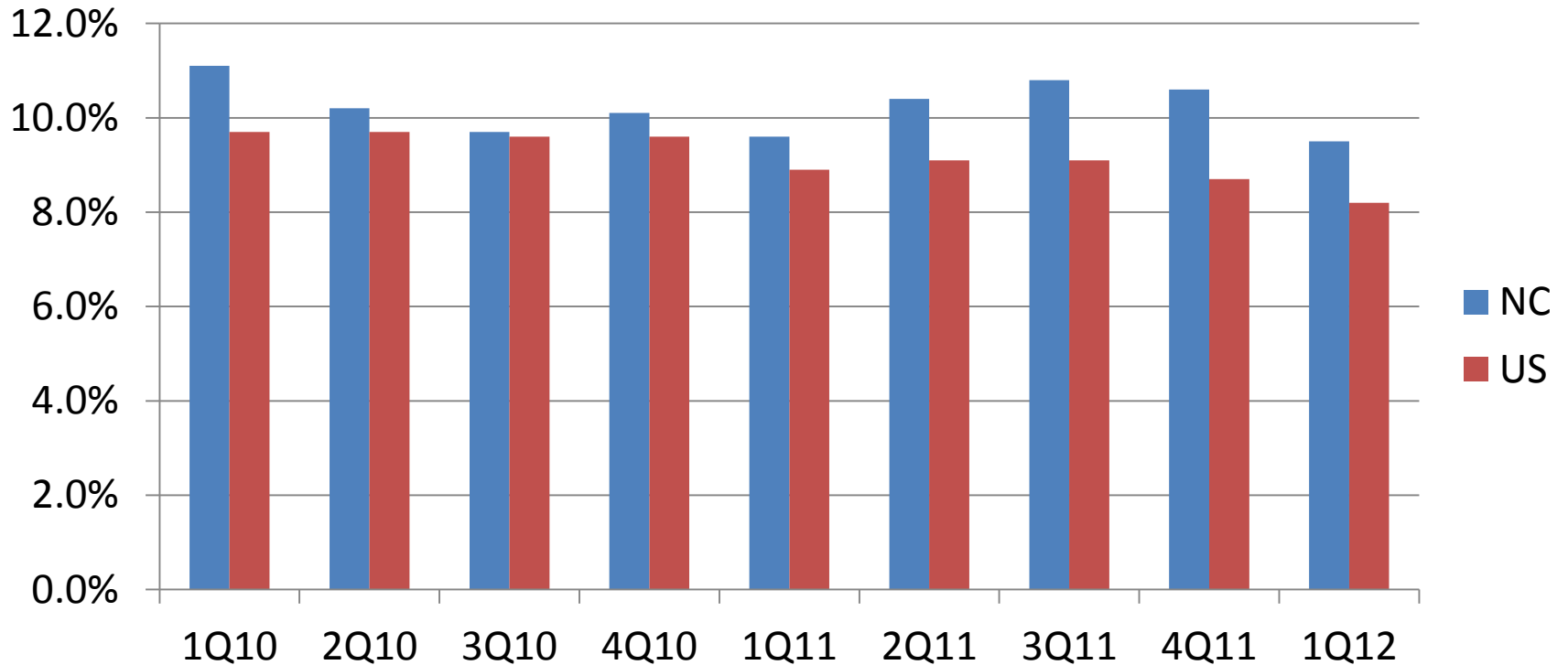
Unemployment Rates



Source: Bureau of Labor Statistics, U.S. Department of Labor; Division of Employment Security, N.C. Department of Commerce.

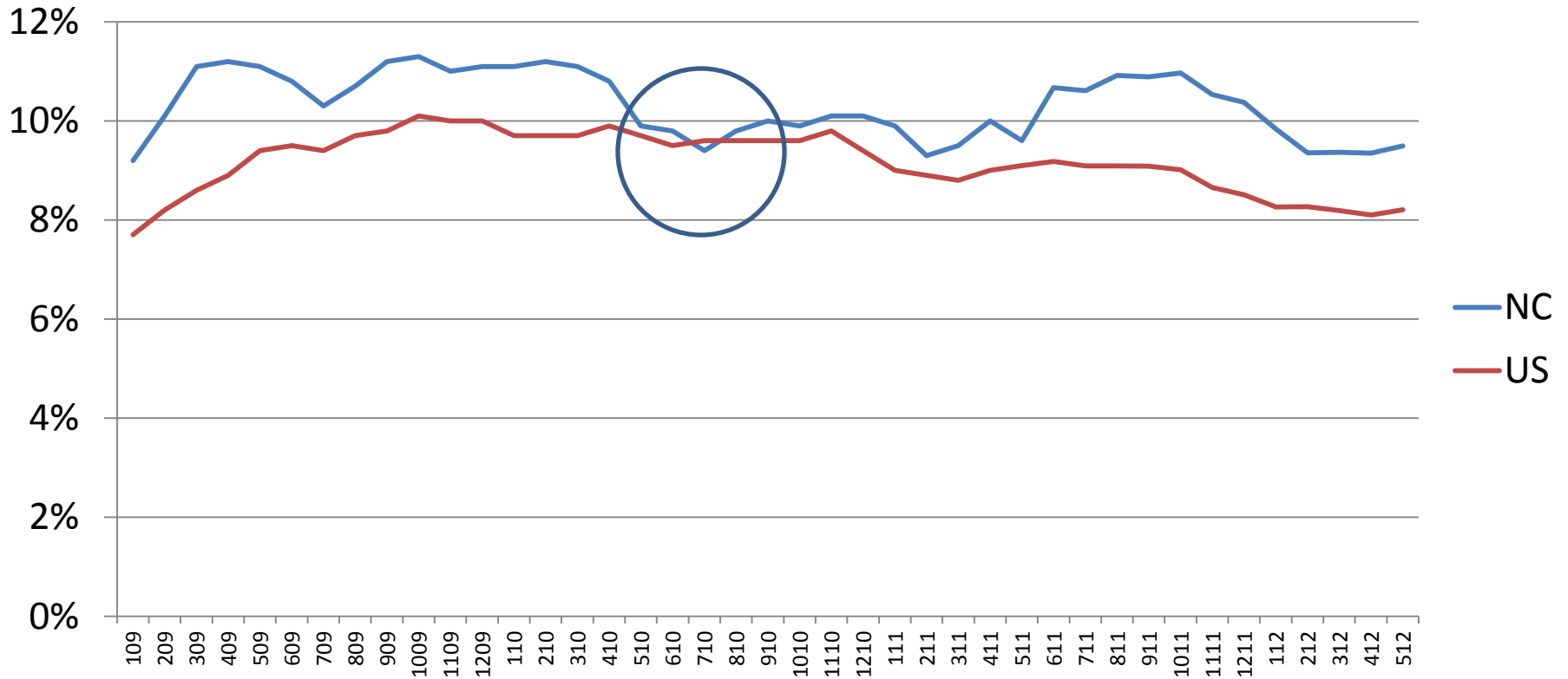


Unemployment Rates



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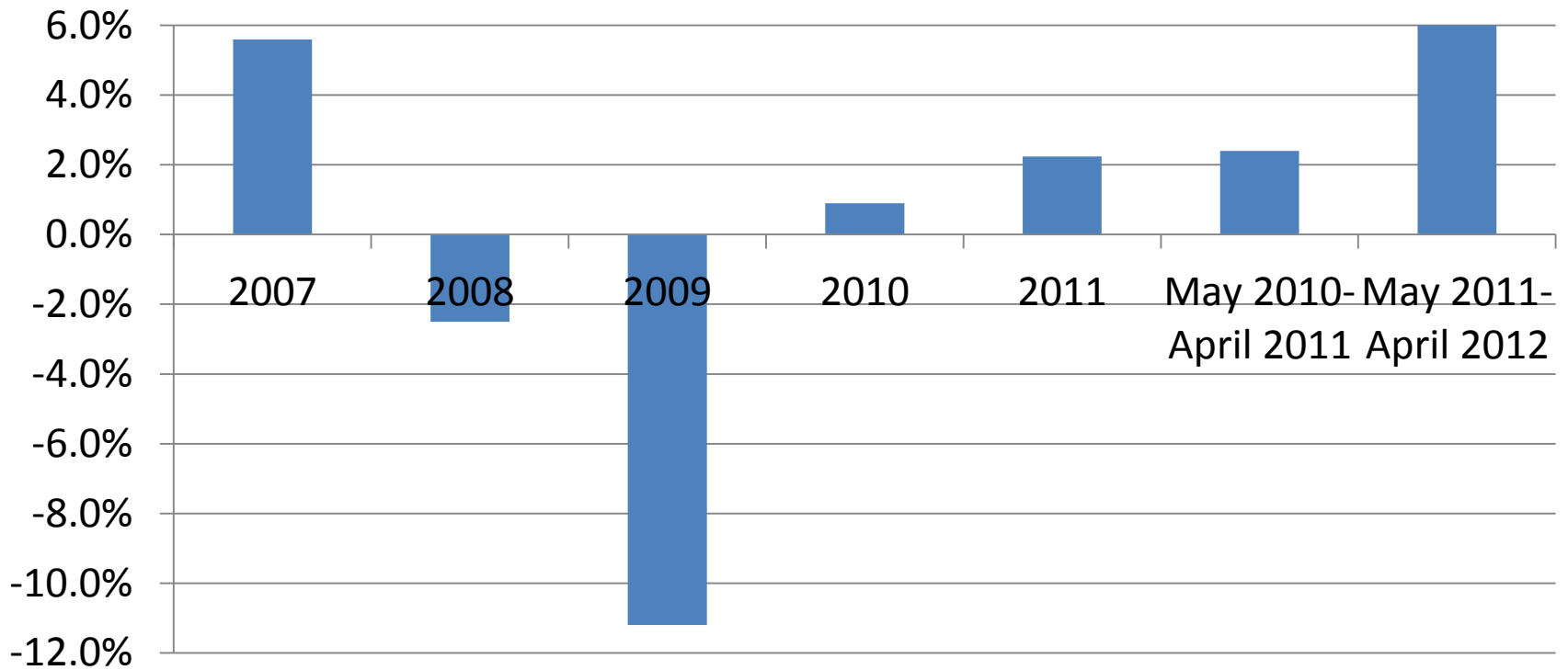
Unemployment Rates



Source: Bureau of Labor Statistics, U.S. Department of Labor; Division of Employment Security, N.C. Department of Commerce.



NC Retail Sales Growth Rates (Compared to Previous Year)

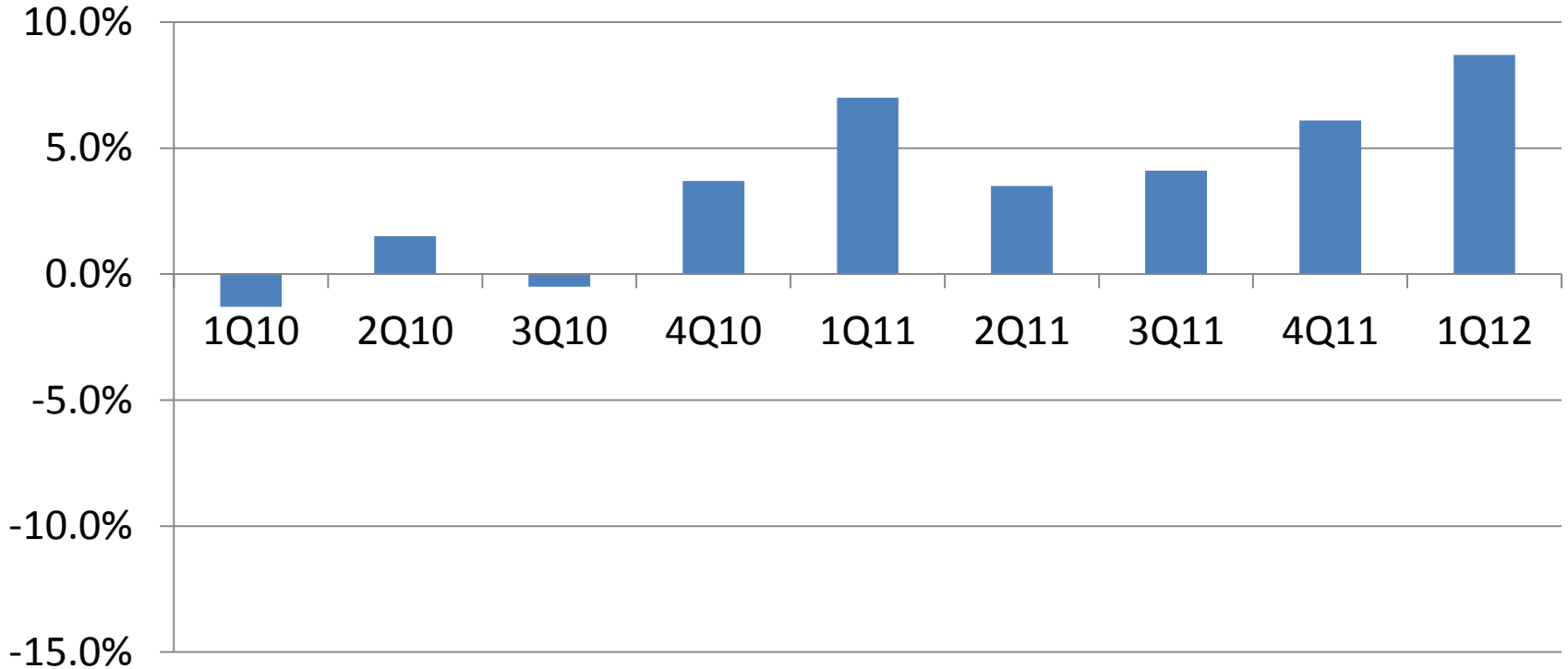


Source: N.C. Department of Revenue.



NC Retail Sales Growth Rates

(Compared to Previous Year-Earlier Quarter)

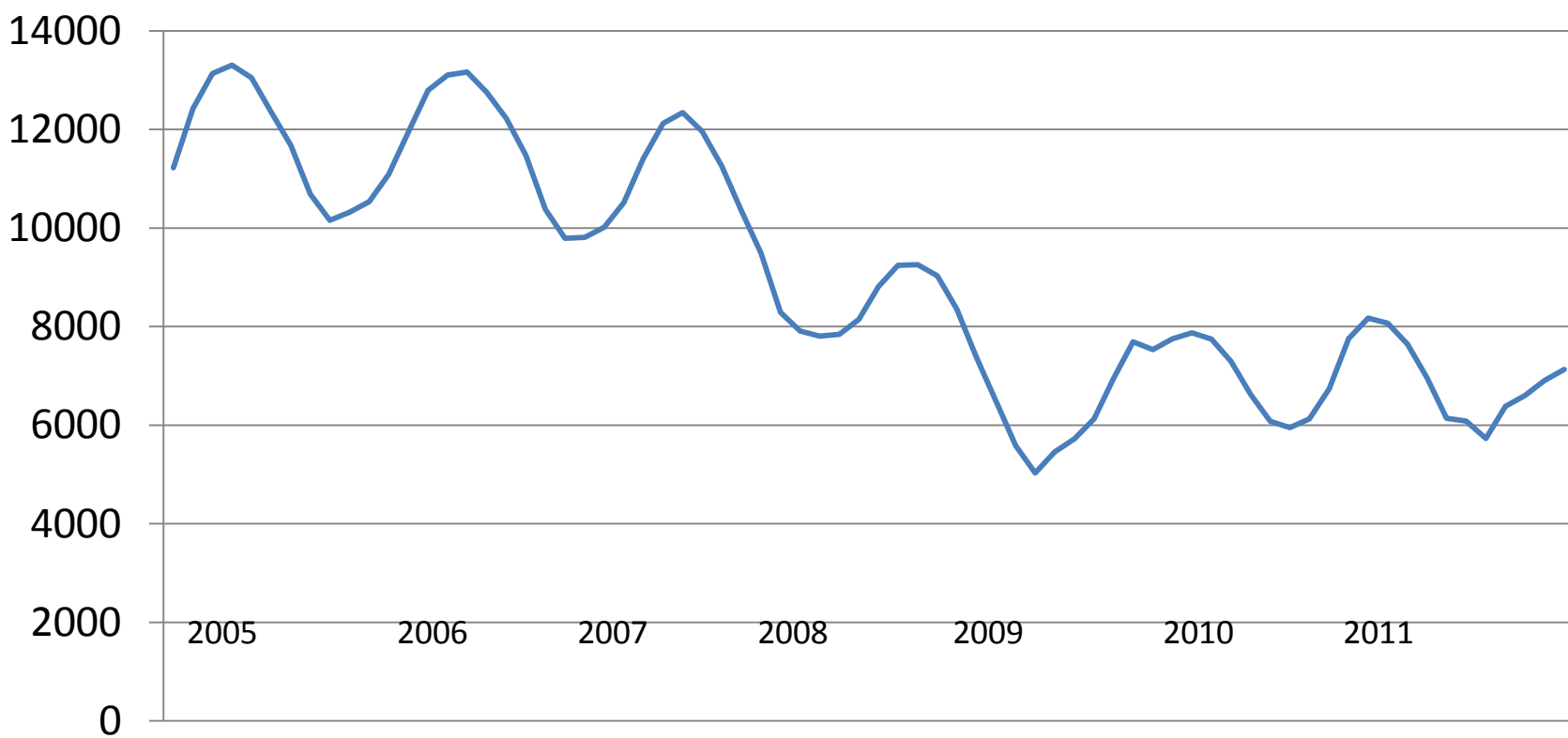


Source: N.C. Department of Revenue.



NC Sales of Existing Single-Family Homes

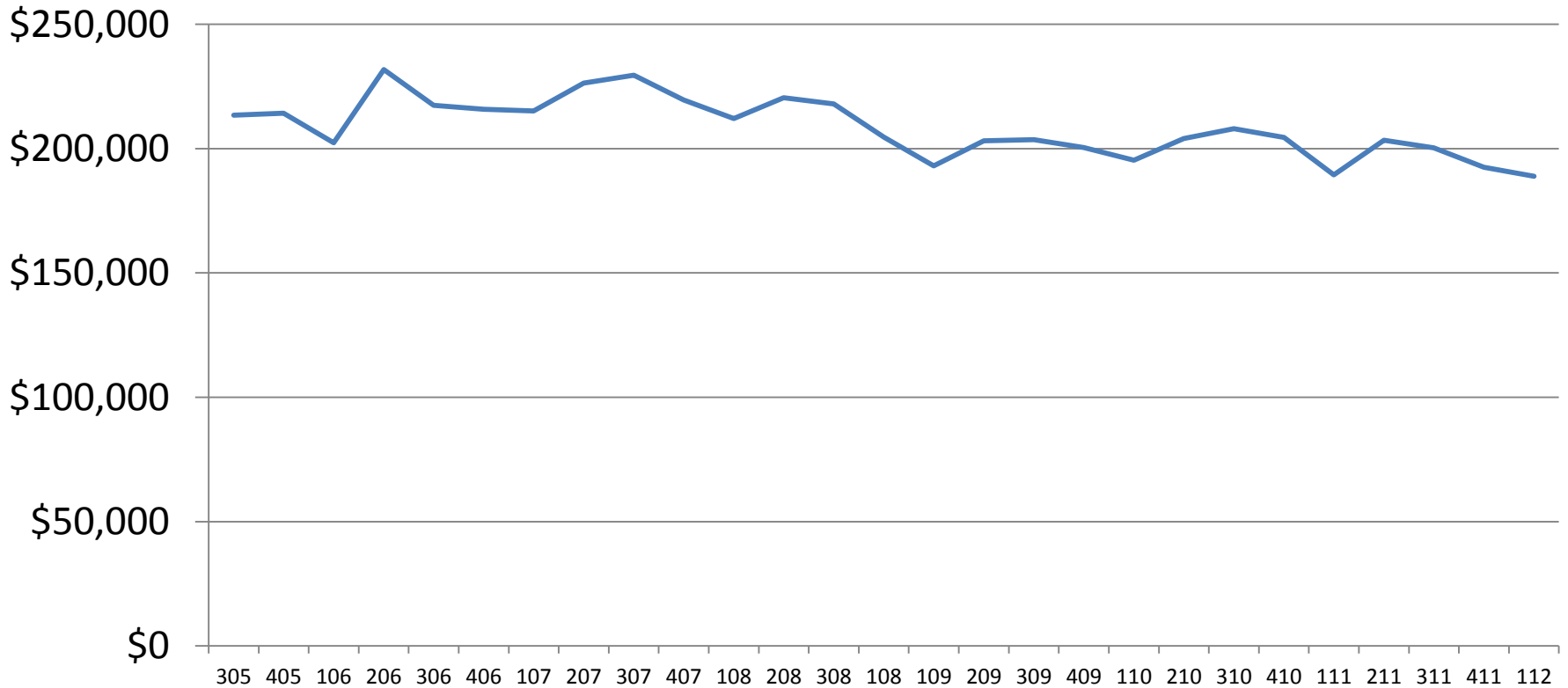
(5-Month Centered Moving Average)



Source: NC Association of Realtors.



NC Existing Single-Family Home Average Quarterly Price



Source: NC Association of Realtors.



NC Foreclosures

Time Period	Foreclosures	Percent Change from Previous Period
2007	49,488	8.7
2008	53,938	9.0
2009	60,251	11.7
2010	66,282	10.0
2011	53,240	-19.7
June 2009-May 2011	62,277	-9.8
June 2010-May 2012	50,995	-18.1

Source: N.C. Administrative Office of the Courts.



NC General Fund Revenues

- Through May 2012, general fund revenue was \$215 million (1.3%) over the revenue target of \$16.3 billion.
 - The April 2011 “surprise” from 2011 tax year final payments and refunds never materialized.
 - Personal income tax withholding collections (40% of General Fund revenue) continue to grow (up 5% through April 2012).
 - Through April 2012, sales tax collections are 0.3% below their target.
 - The decline is due in part to the expiration of the 1-cent increase on June 30, 2011.
 - Business tax collections are 5.1% higher than at this time last year.

Source: Fiscal Research Division, North Carolina General Assembly.




Conclusions

- The NC economy is following the path of a slow and steady recovery.
- The slow growth path is expected to persist into 2012.
- Potential economic trouble in Europe is perhaps the biggest threat to the momentum that has been building on the past 5-6 months.

Quarterly Barometer

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




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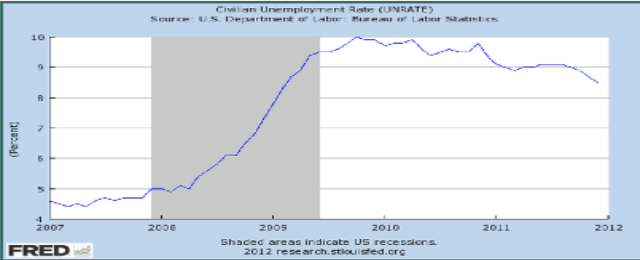
Economic Barometer

Volume IV, Issue I January 2012

Recent Output and Unemployment Developments

After struggling over much of last year, U.S. output strengthened in the final months of the year and unemployment dropped noticeably.

Civilian Unemployment Rate (UNRATE)
Source: U.S. Department of Labor, Bureau of Labor Statistics



FRED

Shaded areas indicate US recessions.
2012 research.stlouisfed.org

To put things in perspective, the decline in the unemployment rate over the final three months of 2011—half a percentage point—likely overstates the pickup in growth in output. Translating this decline using standard rules of thumb, one would expect that real GDP would have grown at more than a six percent annual rate in the fourth quarter—a good bit above consensus estimates.

A small portion of the decline in unemployment owes to withdrawals from the labor force of discouraged workers. More importantly, it appears that employers have found themselves unable to continue to meet production schedules with the overly lean work forces that they have been managing in recent years and have gingerly moved to hiring more workers. It is unlikely that this factor will persist much longer, and, once it plays out, unemployment will mirror more closely the strength of output growth.

Beyond this, the firming in real GDP growth in the fourth quarter likely reflects inventory restocking, which will not go on much longer. In view of these circumstances, what are the prospects for faster growth in output and solid ongoing declines in joblessness? To answer this question, we need to turn to sources of aggregate demand.

Special Thanks

