

Current Economic Conditions and the Outlook for the Future

Poyner Spruill CPA Seminar

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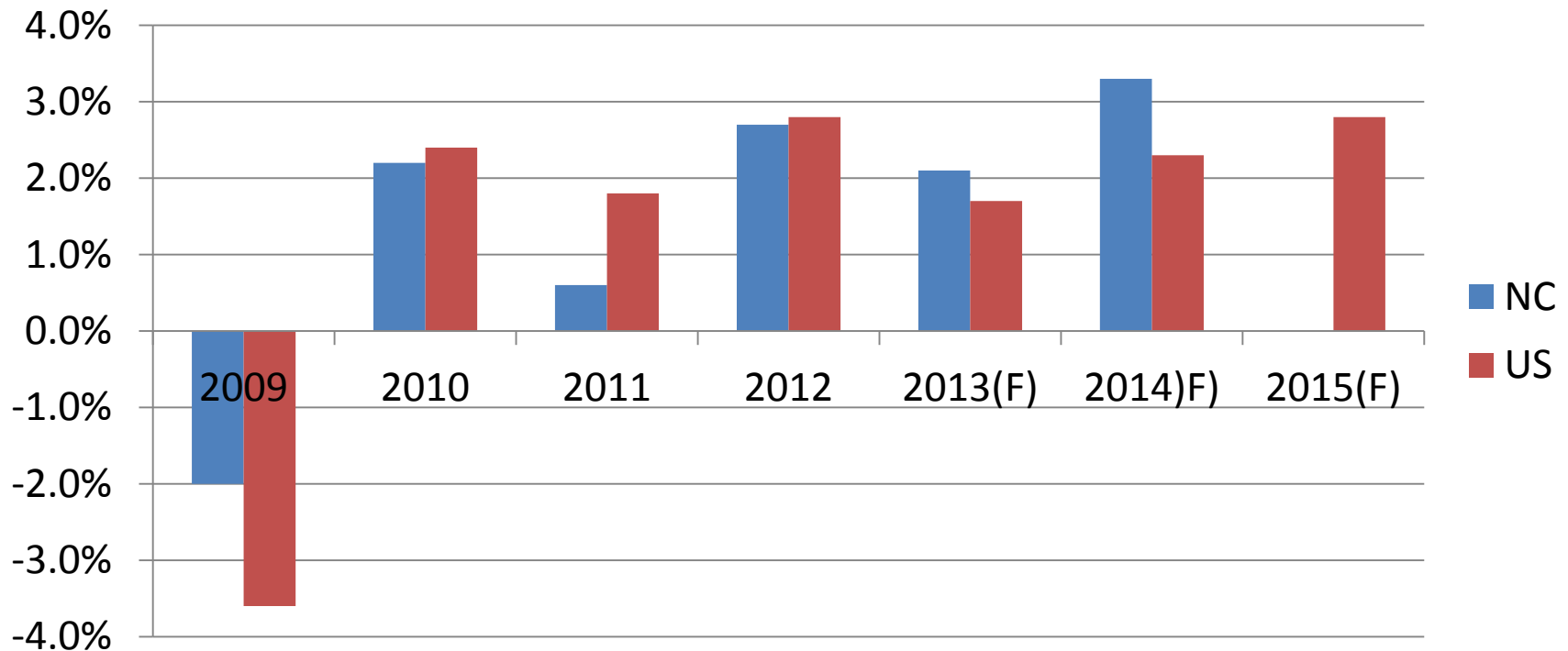


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Web Site for Slides

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

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 15, 2013; Babson Capital/UNC Charlotte Economic Forecast, September 10, 2013.

Caveats

- Even though US real GDP grew at an annual rate of 2.8% during 3Q2013, much of the growth was due to a relatively large rise in inventories.
 - As much as 80 basis points was due to inventory investment.
 - May mean a lower growth rate in 4Q2013, as much as 100 basis points lower than the growth rate in 3Q2013
- Final sales moderated to a 2% annual pace.

Growth Going Forward

- Greater consumer spending, business fixed investment, and homebuilding will likely mean greater growth as we move through 2014.
 - Perhaps the biggest question is the degree to which uncertainty about fiscal and monetary policy will affect business spending plans for the year.
- The Wells Fargo economics group is forecasting that retail sales for the 2013 holiday season will be 3-4% greater than they were in 2012 season.

October 2013 Employment Report

(Bureau of Labor Statistics, US Department of Labor)

Month/Year	US Unemployment Rate (%)	NC Unemployment Rate (%)
October 2007	4.7	4.9
October 2008	6.5	7.3
October 2009	10.0	10.9
October 2010	9.5	10.5
October 2011	8.9	10.4
October 2012	7.9	9.4
June 2013	7.6	8.8
July 2013	7.4	8.9
August 2013	7.3	8.7
Sept. 2013	7.2	
October 2013	7.3	

October 2013 Employment Report (cont.)

Major Worker Group	Unemployment Rate (%)
Adult Men (7.0%)	7.0 ¹
Adult Women (6.4%)	6.4 ¹
Teenagers (22.2%)	22.2 ¹
Whites (6.3%)	6.3 ¹
Blacks (13.1%)	13.1 ¹
Hispanics (9.1%)	9.1 ¹
Asians (5.2%) ^{1,2}	5.2 ^{2,3}
¹ Unchanged from the September 2013	
² Not seasonally adjusted	
³ Unchanged from the October 2012 rate	

October 2013 Employment Report (cont.)

- 4.1 million unemployed for at least 27 weeks
 - Unchanged from September 2013
 - 36.1% of the unemployed
- Civilian labor force participation rate of 62.8%
 - Down 40 basis points from September 2013
- Total employment down 735,000 from September 2013
- 815,000 discouraged workers
 - Unchanged from October 2012

October 2013 Employment Report (cont.)

Employment Gains	Employment Unchanged	Employment Losses
Leisure & Hospitality (+53,000)	Little or no change elsewhere in private sector employment	Federal Government (-12,000)
Retail Trade (+44,000)		Down 94,000 over the past year
Professional & Technical Services (+21,000)		
Manufacturing (+19,000)		
Little change from February 2013		
Health Care (+15,000)		

Data Revisions for August and September 2013

- Nonfarm employment rose 238,000 in August 2013.
 - Revised upward from 193,000
- Nonfarm employment rose 163,000 in September 2013.
 - Revised upward from 148,000
- With these revisions, employment gains in August and September 2013 were 60,000 higher than previously estimated.

The US Trade Deficit

- Larger-than-expected trade deficit in September 2013
- The deficit will likely narrow in 4Q2013 and continue to shrink into early 2014.
 - Export growth will strengthen.
 - Import growth will remain sluggish as US growth continues at an historically low pace.
 - US demand for imported petroleum products will likely continue to fall.

Small Business Confidence

- Fell in October 2013 due to the uncertainty caused by Federal government shutdown and the debt ceiling debate
- The recent hit to confidence was less severe than previous hits.

Manufacturing

- Manufacturing was not hurt that bad by the Federal government shutdown and debt ceiling debate.
- Manufacturing output has been fairly weak recently.
- Manufacturing output rose 10 basis points in October 2013.

Housing

- Existing home sales fell 3.2% in October.
 - Higher mortgage rates
 - The partial government shutdown
 - Low inventory
 - Higher qualification standards for first-time buyers
 - Cash purchases accounted for 31% of all sales.
- The recovery should remain intact.
 - US homebuilder confidence held steady in November 2013.

Household Wealth

- Household wealth is now greater than its pre-recession peak.
 - The major reasons are the rise in home prices and the stock market.
 - Some of these gains can be attributed to the Fed's low interest-rate policy.
 - Investors looking for better yields have invested in homebuilding and equities.

Other Countries

- Growth in the EU continues but at a slower pace.
 - French real GDP growth was flat during 3Q2013.
 - German real GDP rose 0.2% during 3Q2013.
- Japanese real GDP growth rose 0.5% during 3Q2013.
 - There was some drag on growth due to declining exports to the rest of the world.
- For the year ending September 2013, construction activity in Mexico was down 6.1%.
 - This was the tenth consecutive negative year-over-year change.
- Real global GDP grew an average of 3.0% over 2009-12, down from its historical average of 3.7%.

Likely New Fed Chair

- Janet Yellen's testimony before the Senate Banking Committee strongly suggests that monetary policy will continue its present course at least through year-end.
- The largest influence on Fed policy is the labor market.
- The minutes of the most recent Federal Open Market Committee (FOMC) meeting indicate the Fed is nearly ready to start pulling back on its stimulus program.

Inflation

- After five years, three rounds of “quantitative easing,” and \$3.5 trillion, inflation is not yet an issue.
- The weak global recovery has also meant less upward pressure on prices.

The NC Economy in 2013

- Real Gross State Product (GSP) is forecast to grow 2.1% over 2013.
- All of the state's 15 major economic sectors are forecast to experience output growth.

Strongest Growth	
Sector	Growth Rate in Real Output
Mining	8.5%
Education & Health Services	5.4%
Business & Professional Services	4.9%
Agriculture	3.5%

Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 10, 2013.



The NC Economy in 2014

- Real Gross State Product (GSP) is forecast to grow 3.3% over 2014.
- All of the state's 15 major economic sectors are forecast to experience output growth.

Strongest Growth	
Sector	Growth Rate in Real Output
Agriculture	16.5%
Educational & Health Services	8.9%
Business & Professional Services	5.3%
Construction	4.8%

Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 10, 2013.



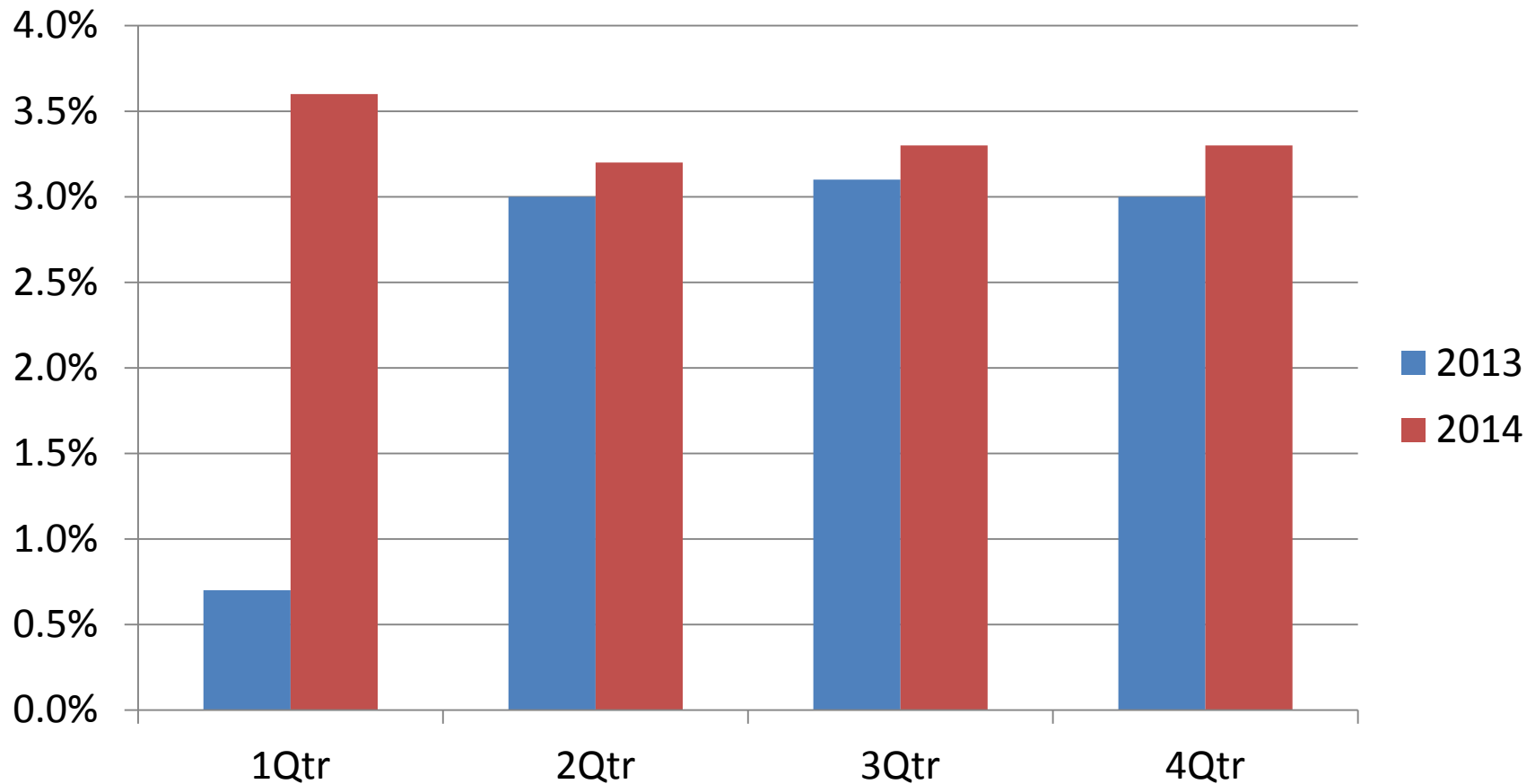
The NC Unemployment Rate

- The state has one of the highest unemployment rates in the nation.
- Mike Walden (NCSU) suggests two major reasons.
 - The importance of manufacturing in the state's economy
 - In-migration from other states
 - Five times higher than the average for all states

The NC Recovery

- Historically, the state's recovery from a recession has begun more slowly than in the rest of the nation but has then accelerated.
- The relatively high level of labor productivity is an inducement for the state to attract employment opportunities.
- Therefore, it reasonable to suggest that the state will out-perform the nation in the latter part of 2013 and most of 2014.

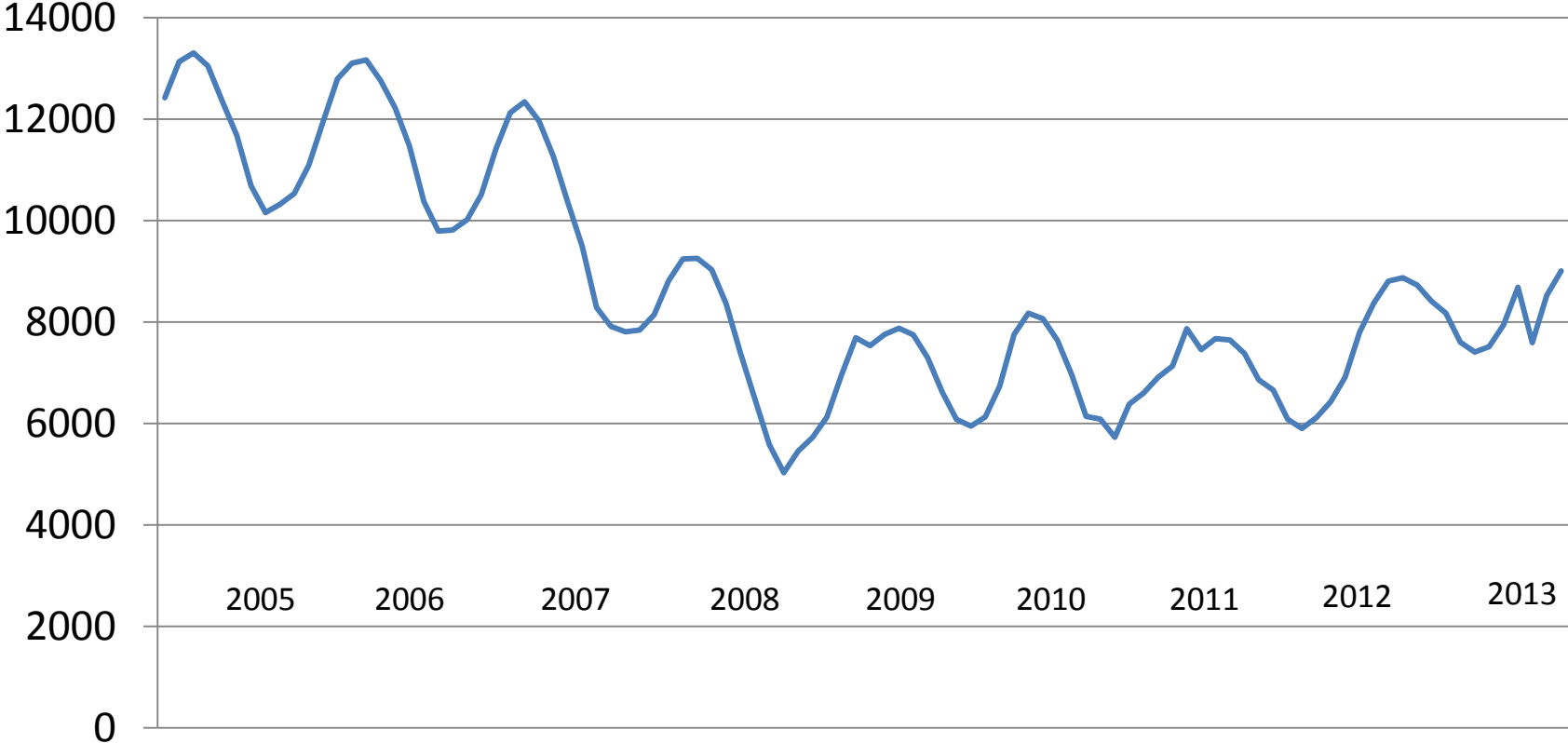
2012-13 Quarterly Growth Rates in NC Real GSP



Source: [Babson Capital/UNC Charlotte Economic Forecast](#), September 10, 2013.



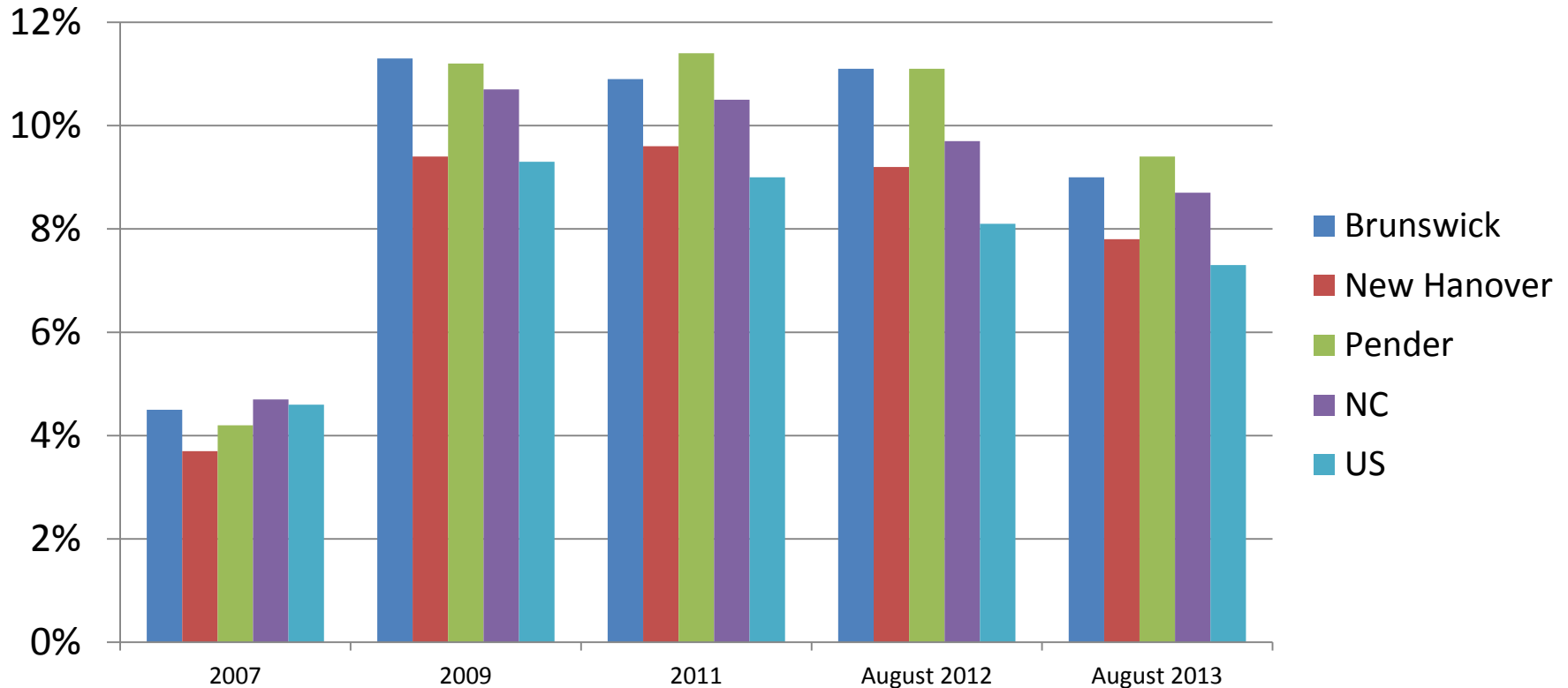
North Carolina Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source : NC Association of Realtors.

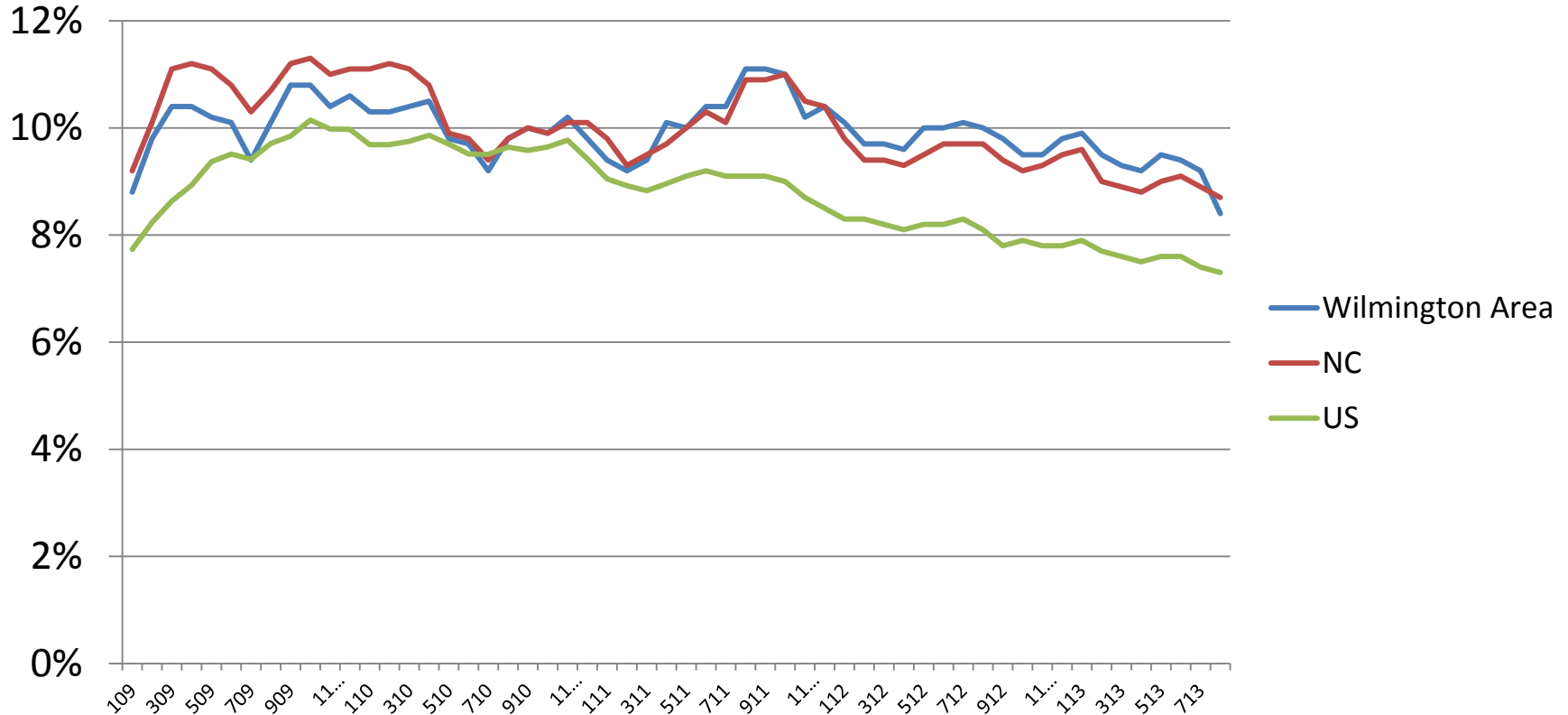


Unemployment Rates



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

Unemployment Rates (Seasonally Adjusted)



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



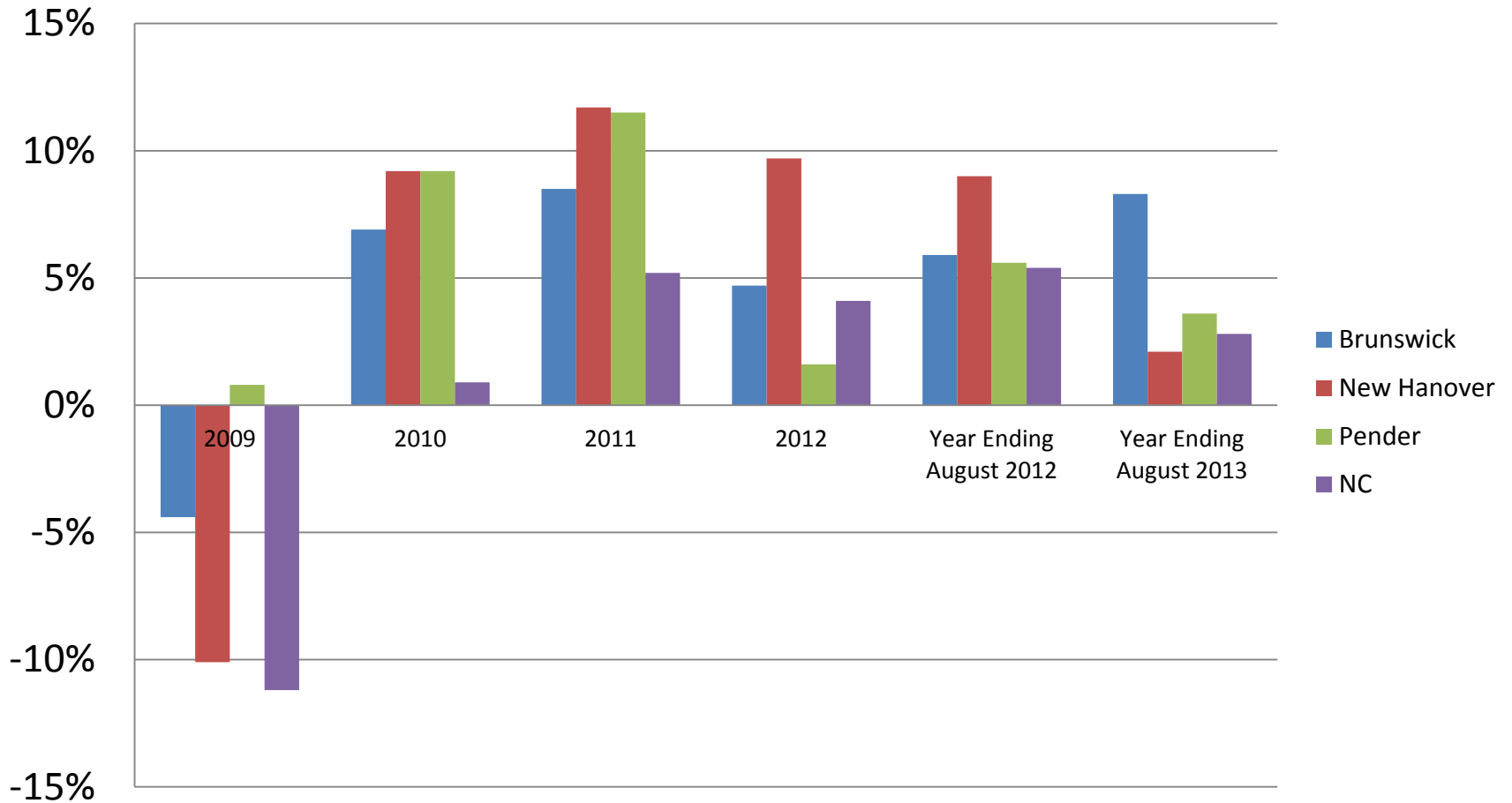
North Carolina 1Q2013 Private Sector Employment and Wages

NAICS Sector	1Q2013 Employment			1Q2013 Average Weekly Wage	
	% of Total 1Q2013 Employment	% Change from 1Q2012	% Change from 1Q2008	Wage (\$)	% of All-Sector Average
Health Care & Social Assistance	14.6	2.3	6.0	851	96.4
Retail Trade	11.6	1.4	-3.0	492	55.7
Manufacturing	11.3	1.2	-16.5	1,100	124.4
Educational Services	9.8	0.5	0.2	758	85.7
Accommodations & Food Services	9.0	3.4	4.4	284	32.2
Administrative & Waste Services	6.6	4.0	9.3	595	67.3
Public Administration	6.0	1.0	2.2	850	96.2
Professional & Technical Services	5.2	2.5	4.7	1,304	147.6
Wholesale Trade	4.4	1.7	-5.7	1,262	142.8
Construction	4.3	-0.7	-31.2	812	91.9
Finance & Insurance	3.8	0.6	-4.4	2,132	241.3
Total		1.7	-3.1		

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



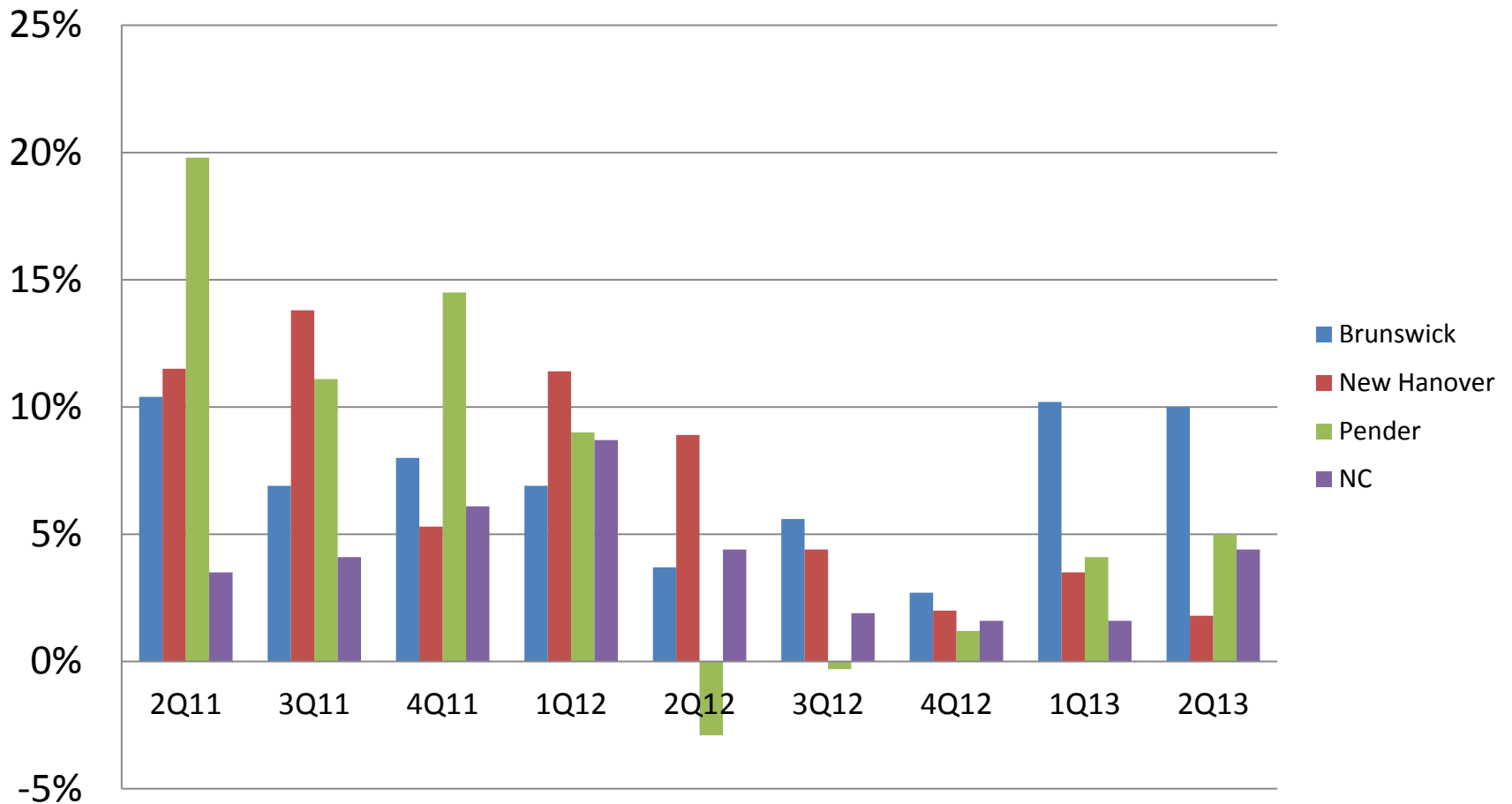
Retail Sales Growth Rates



Source: NC Department of Revenue.



Retail Sales Growth Rates (Compared to Previous Year)



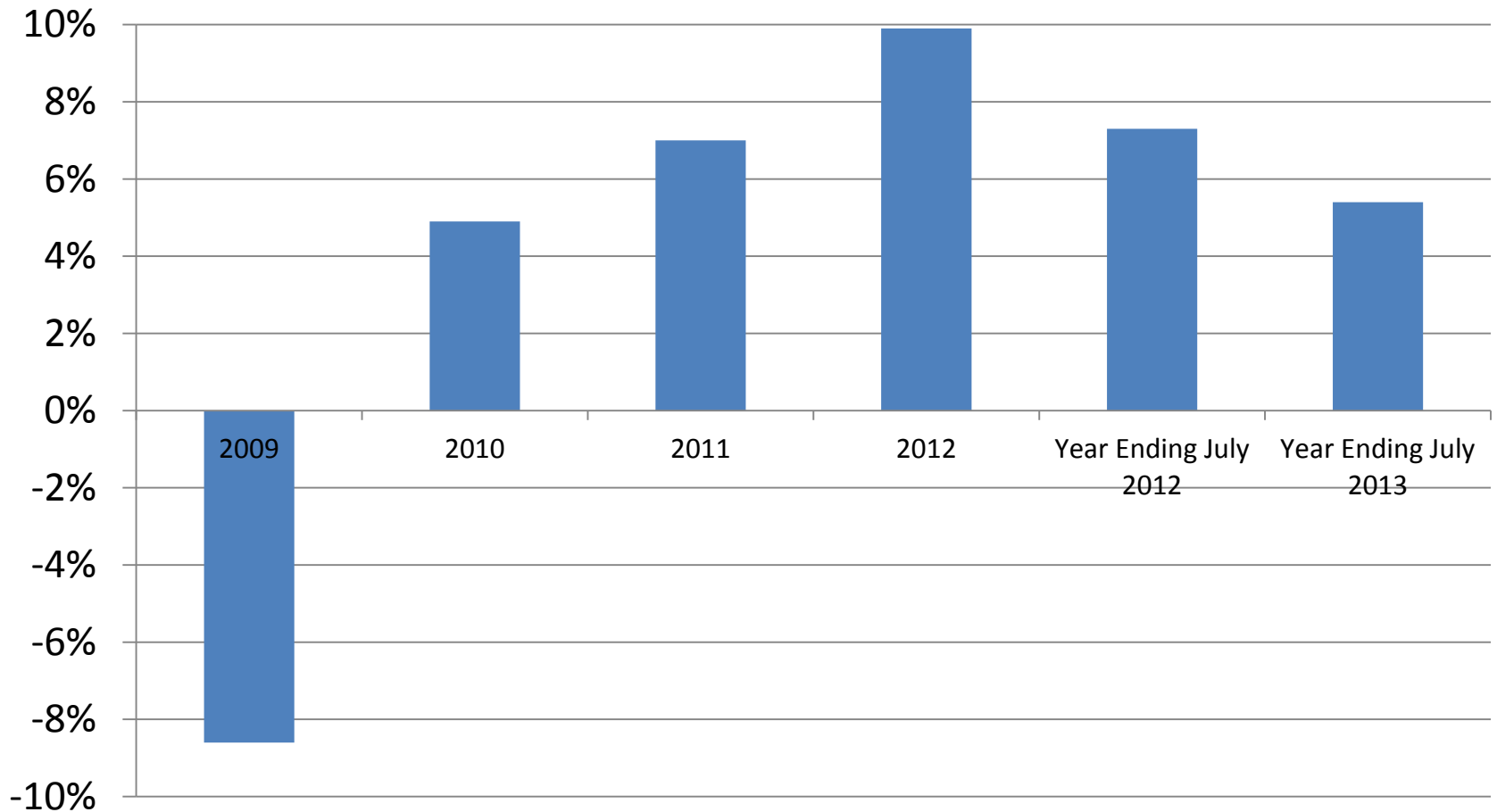
Source: NC Department of Revenue.



New Hanover County Room Occupancy Tax Collection

Growth Rates

(Not Seasonally Adjusted)

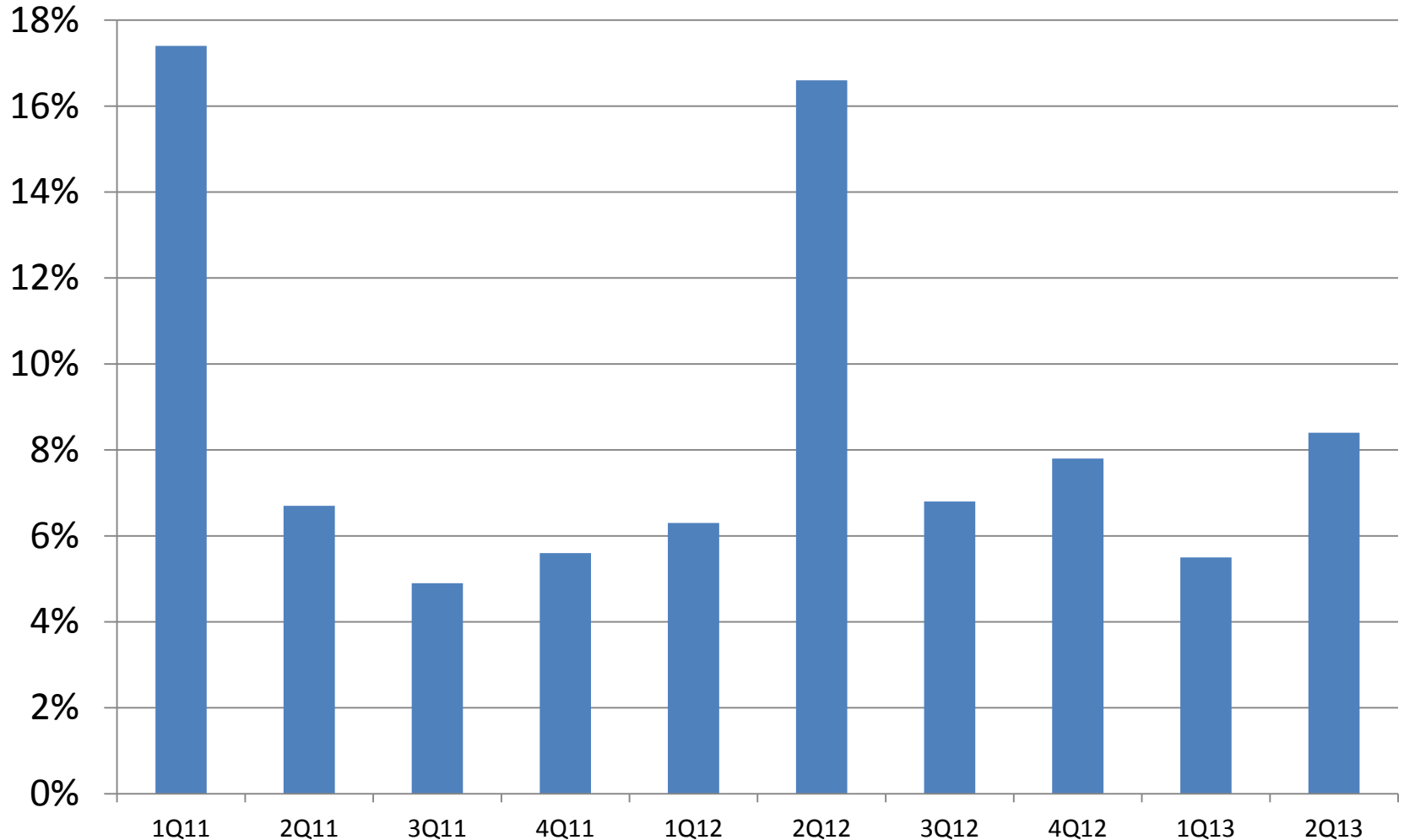


Source: New Hanover County Finance Department.



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

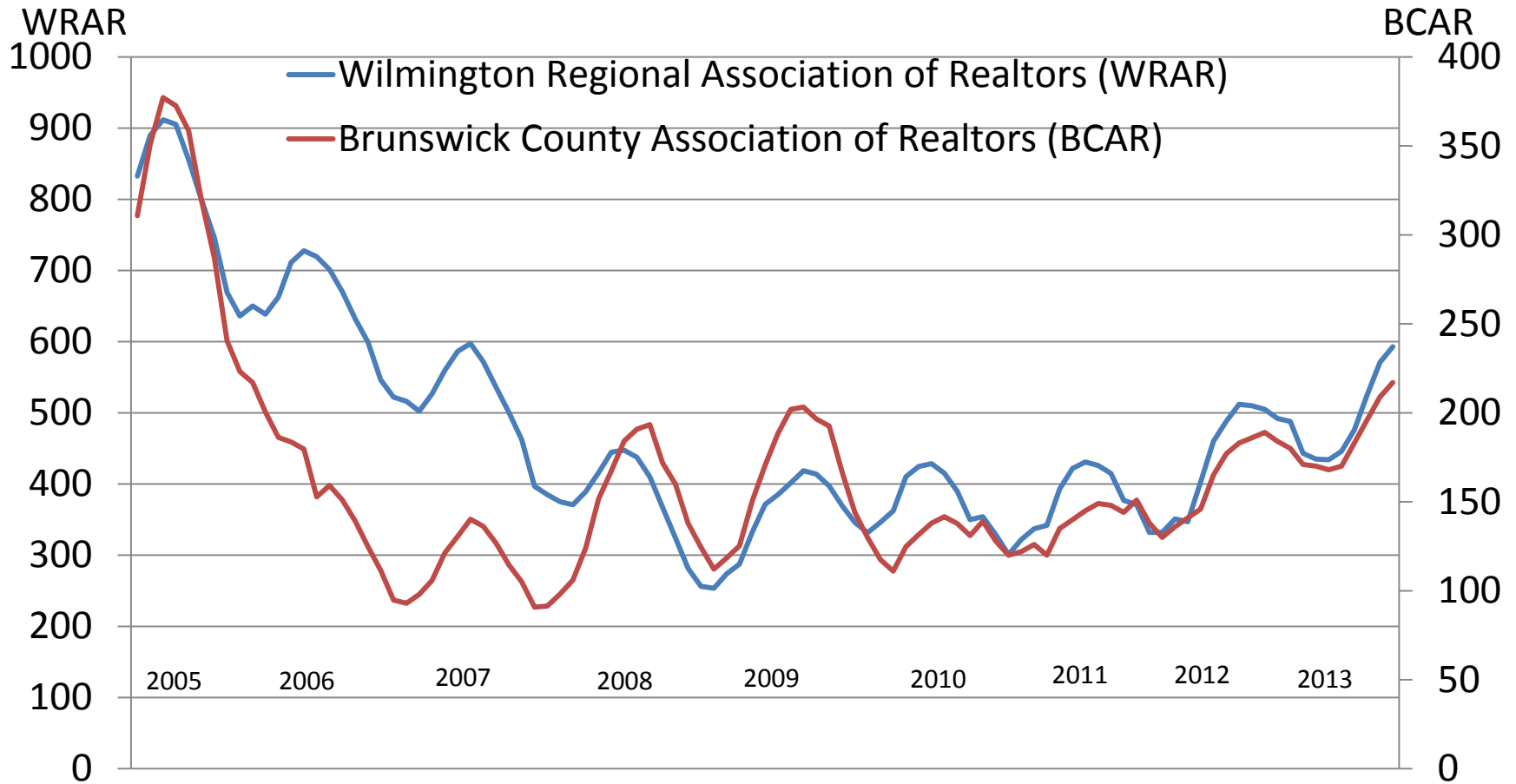
(Not Seasonally Adjusted)



Source: New Hanover County Finance Department.

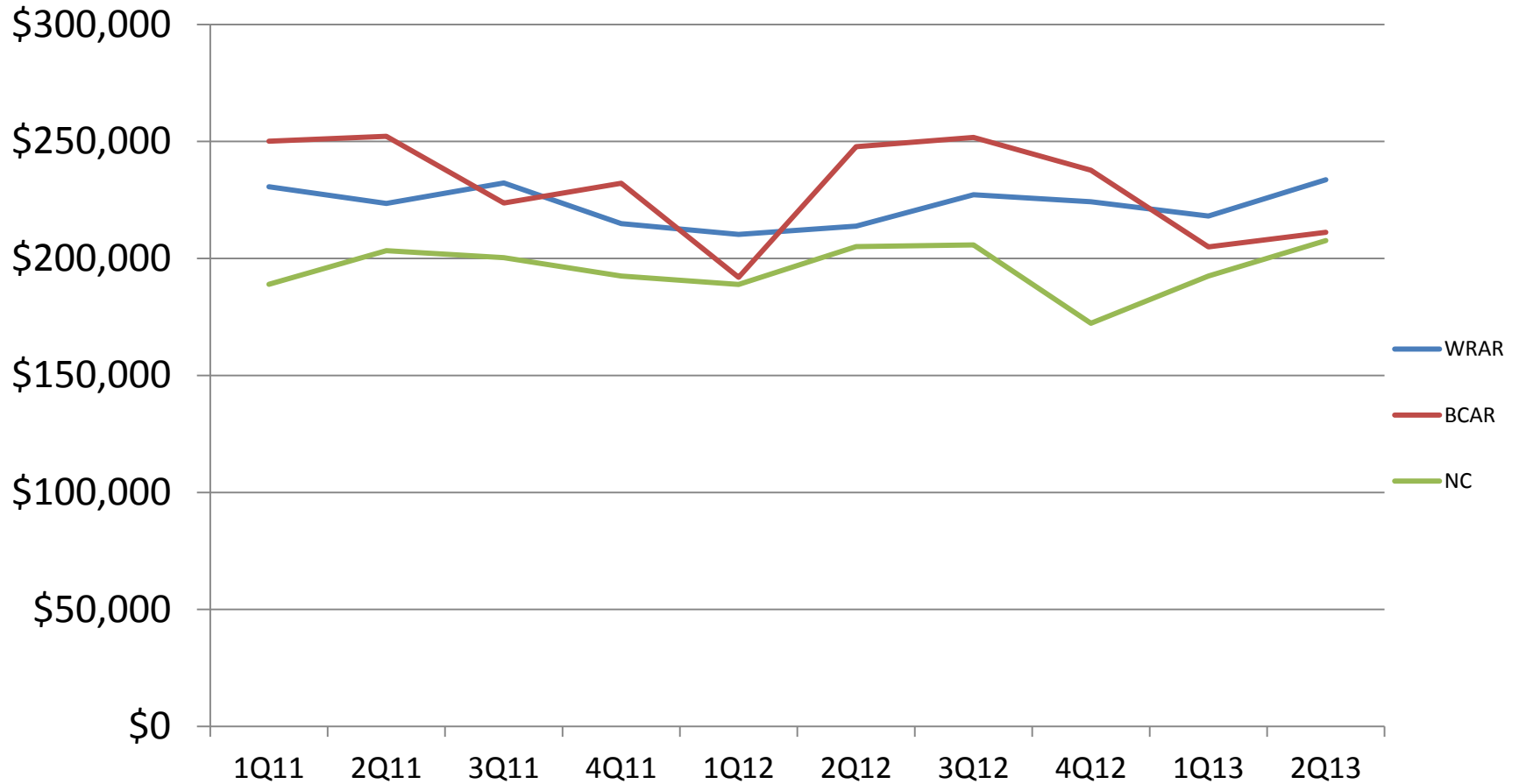


Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



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
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
2012	1,173	1,432	426	54,749
% Change 2011-2012	-19.5	-8.1	1.7%	2.8
Sept. 2012-Aug. 2013	1,044	1,161	383	50423
% Change from Sept. 2011-Aug. 2012	-14.9	-16.5	-7.5	-2.5

Source: NC Administrative Office of the Courts.



Quarterly Barometer

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




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Economic Barometer

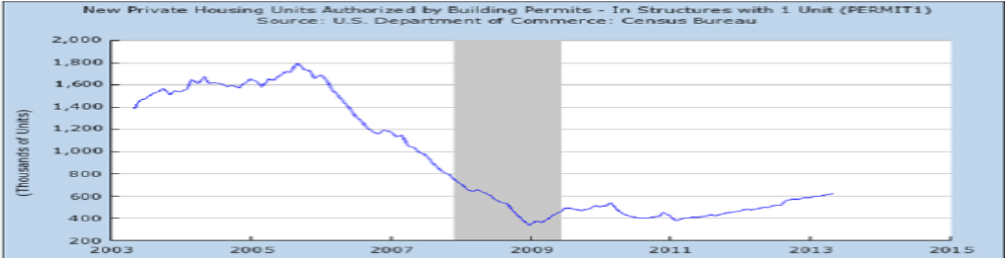


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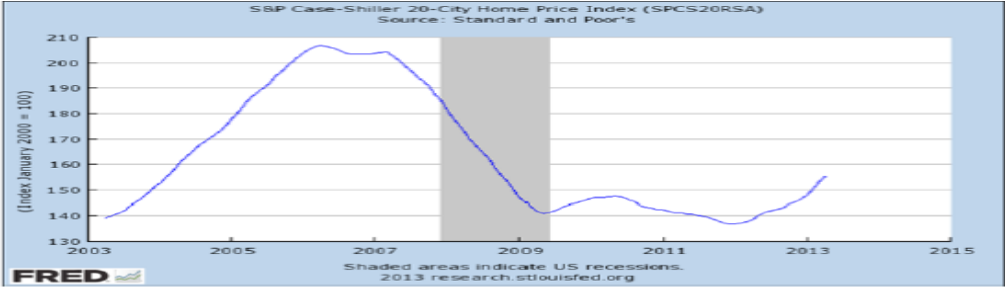
Recent Developments on the National Economy

The news at the national level has generally been upbeat of late, leading many commentators to conclude that the long-awaited pickup in the economy has arrived. Getting special attention has been new life in the long-dormant housing sector. As shown in the chart below, permits for single-family homes have been on a steady upward march for more than a year. Meanwhile, prices of existing homes have been

rising briskly in recent months, as shown in the next chart. The revival in home prices has been helping to lift equity positions in homes and household net worth,



New Private Housing Units Authorized by Building Permits - In Structures with 1 Unit (PERMIT1)
Source: U.S. Department of Commerce: Census Bureau



S&P Case-Shiller 20-City Home Price Index (SPCS20RSA)
Source: Standard and Poor's

