

Economic Conditions

SCORE Breakfast

February 15, 2013

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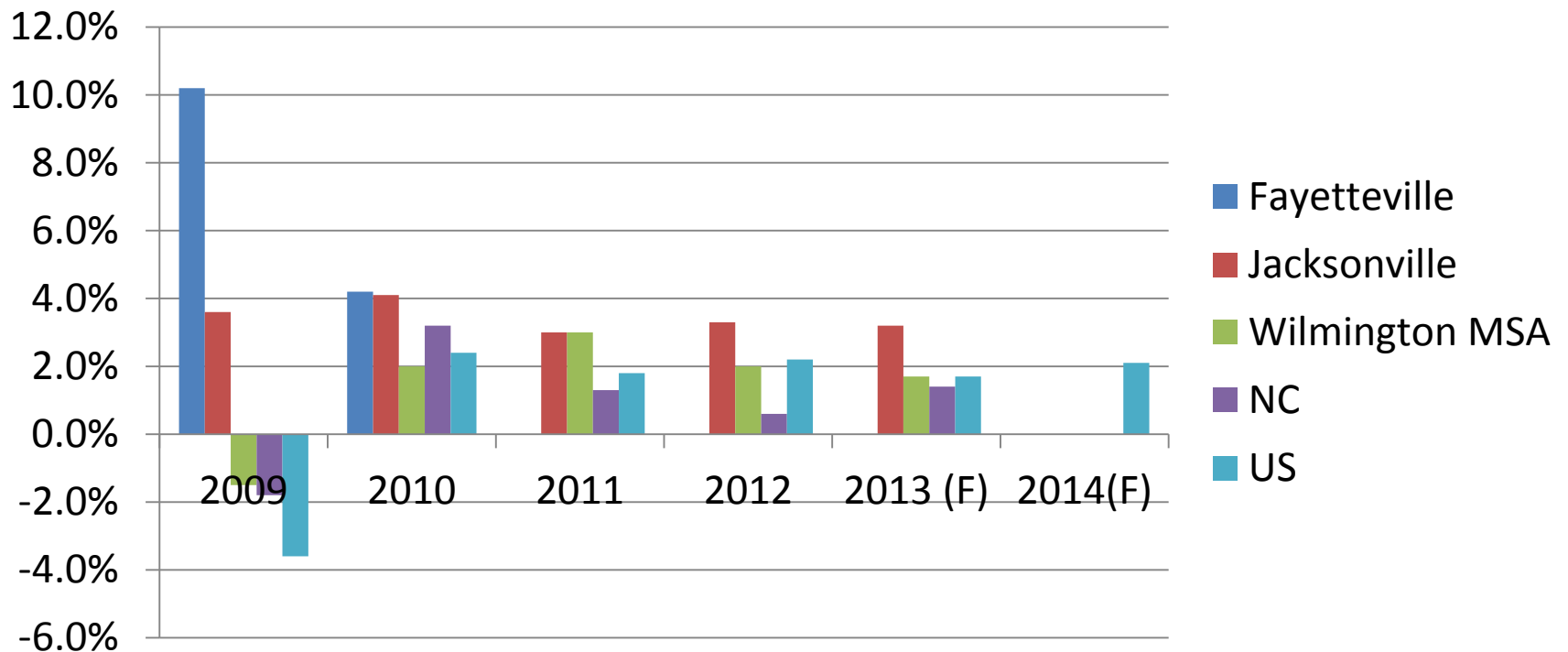
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Web Slides

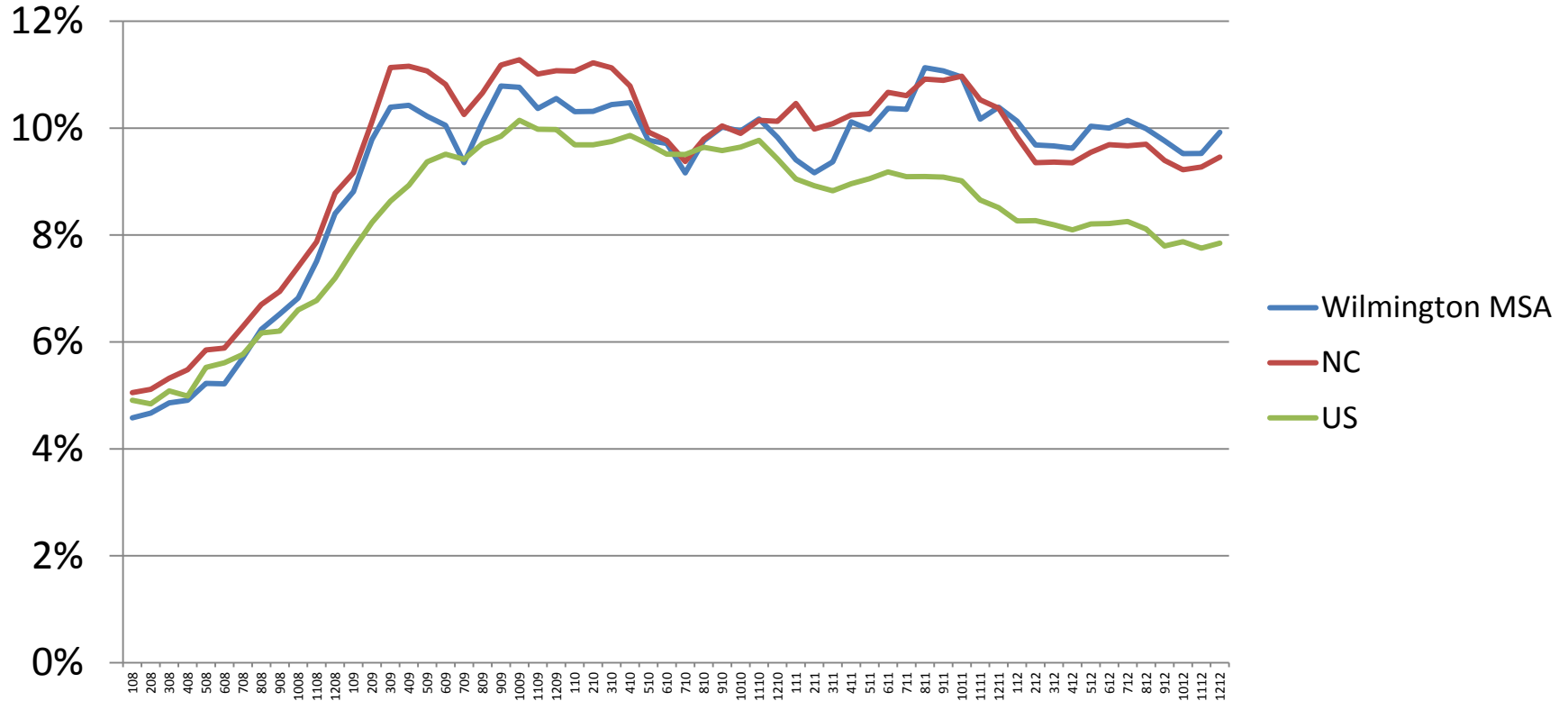
- <http://www.csb.uncw.edu/cbes/events/index.htm>

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, February 8, 2013; Babson Capital/UNC Charlotte Economic Forecast, December 11, 2012; Ravija Badarinathi and William W. Hall, Jr., for the H. David and Diane Swain Center for Business and Economic Services, Cameron School Business, UNC Wilmington.

Unemployment Rates (Seasonally Adjusted)

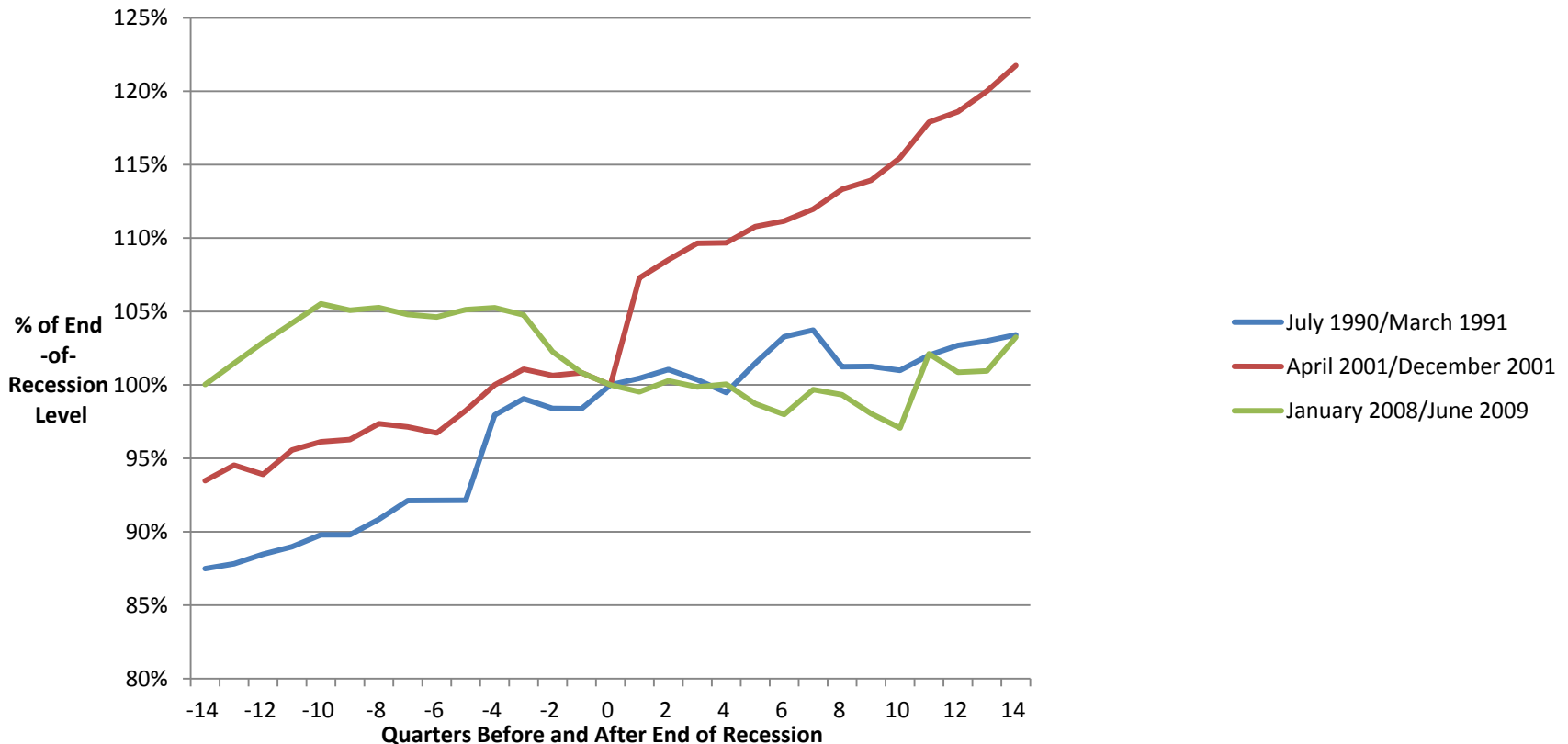


Source: Employment Security Commission of NC; Bureau of Labor Statistics, US Department of Labor.



Wilmington MSA Employment “Spider” Chart

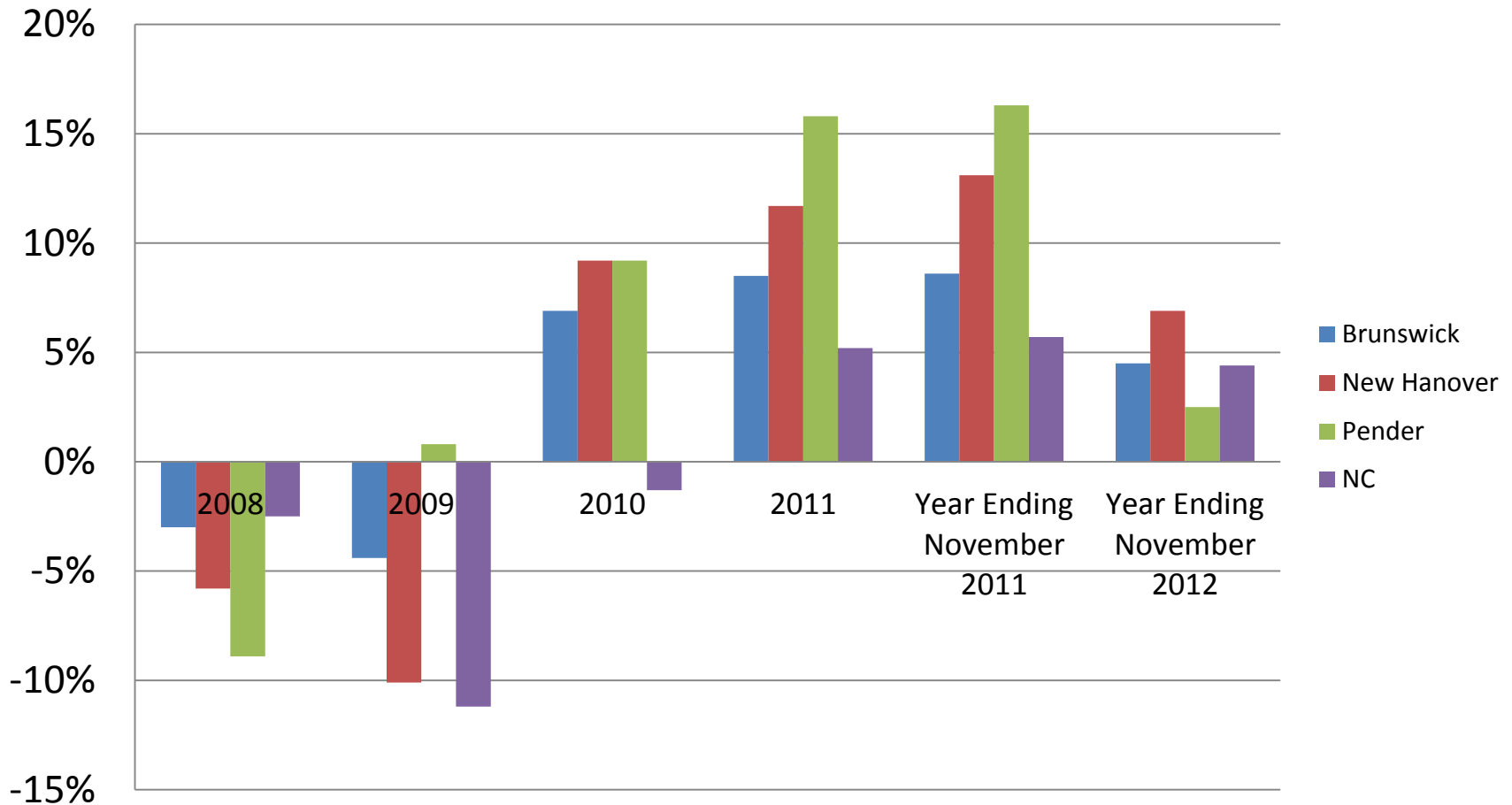
(Brunswick, New Hanover, and Pender Counties)



Source: Employment Security Commission of NC; H. David and Diane Swain Center for Business and Economic Services, Cameron School of Business, UNC Wilmington.



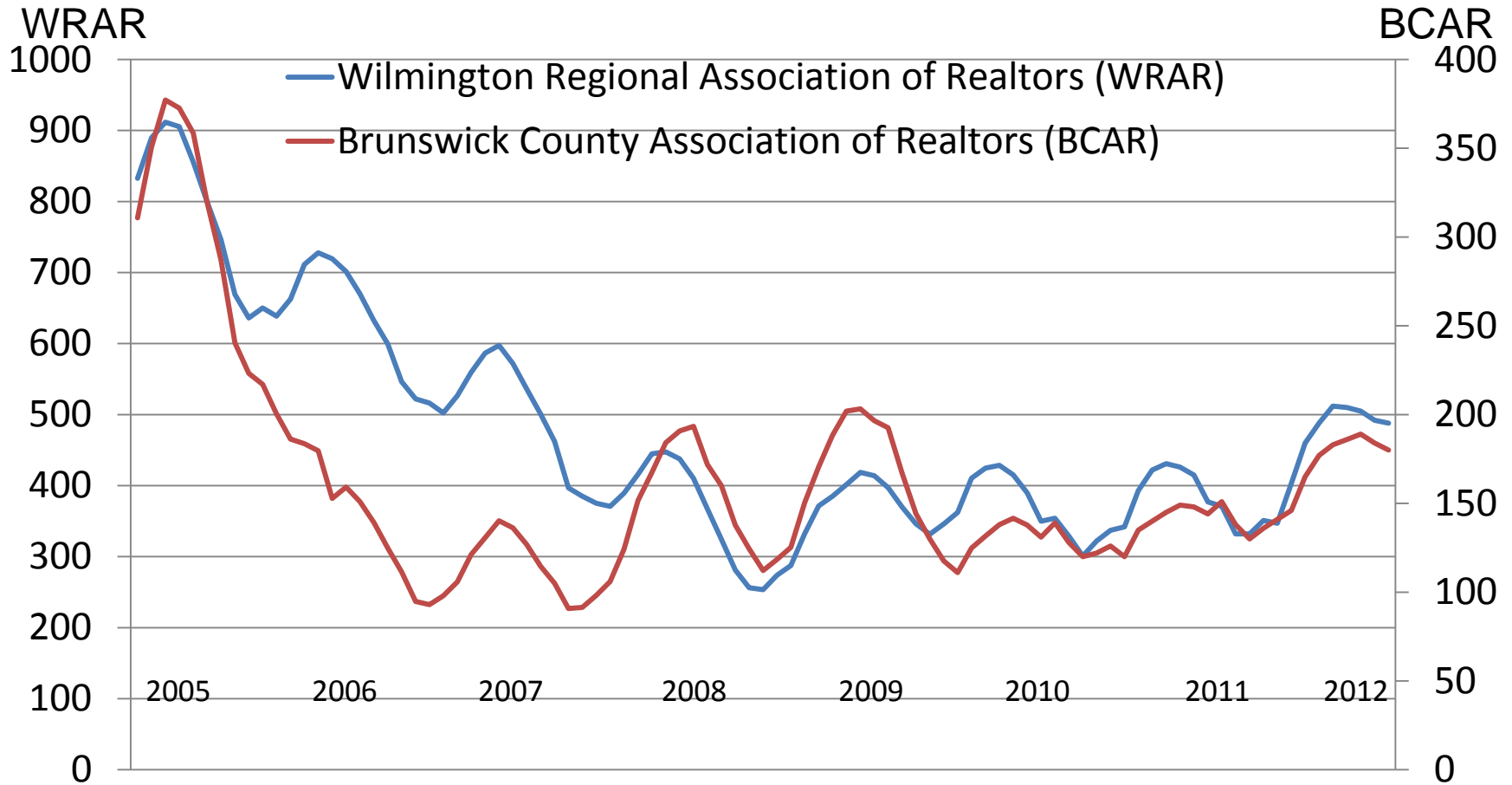
Retail Sales Growth Rates



Source: NC Department of Revenue.



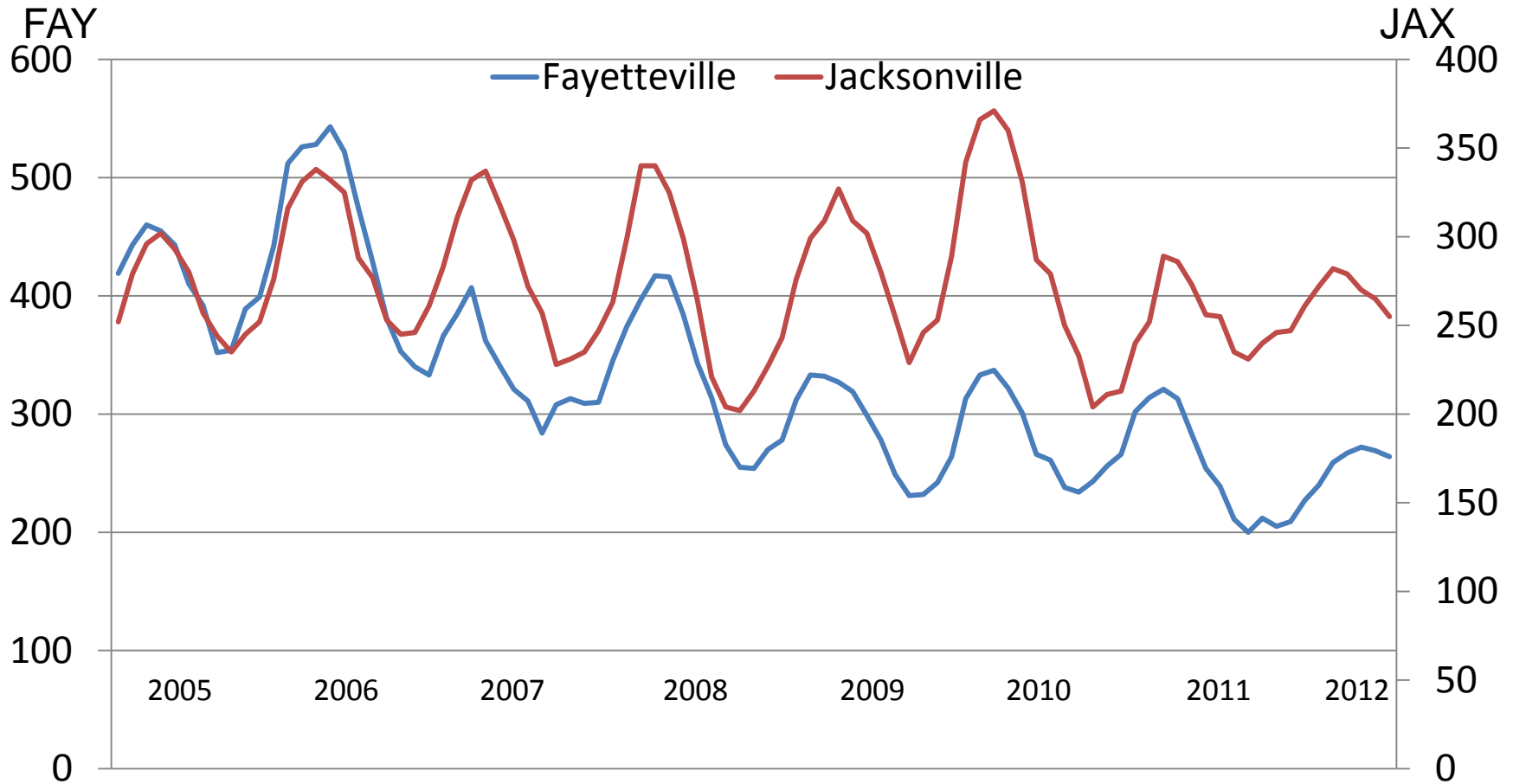
Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.



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

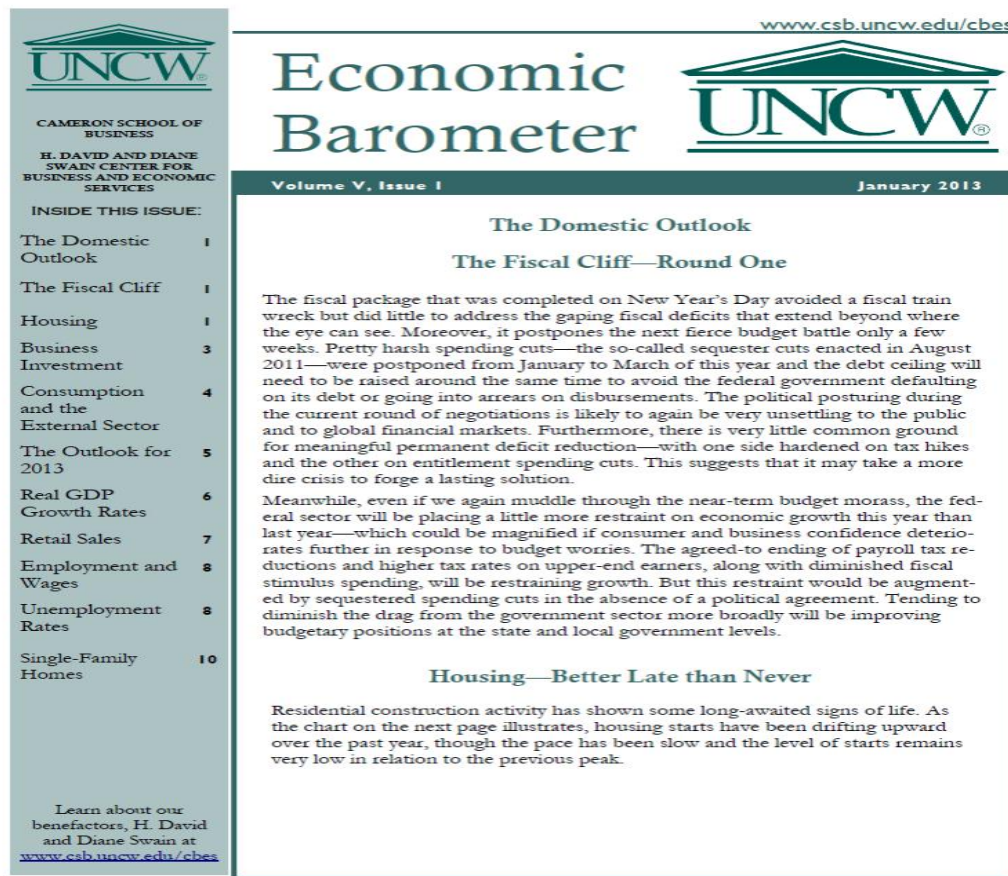


Source: NC Association of Realtors.



Quarterly Barometer

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



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Economic Barometer

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The Domestic Outlook

The Fiscal Cliff—Round One

The fiscal package that was completed on New Year's Day avoided a fiscal train wreck but did little to address the gaping fiscal deficits that extend beyond where the eye can see. Moreover, it postpones the next fierce budget battle only a few weeks. Pretty harsh spending cuts—the so-called sequester cuts enacted in August 2011—were postponed from January to March of this year and the debt ceiling will need to be raised around the same time to avoid the federal government defaulting on its debt or going into arrears on disbursements. The political posturing during the current round of negotiations is likely to again be very unsettling to the public and to global financial markets. Furthermore, there is very little common ground for meaningful permanent deficit reduction—with one side hardened on tax hikes and the other on entitlement spending cuts. This suggests that it may take a more dire crisis to forge a lasting solution.

Meanwhile, even if we again muddle through the near-term budget morass, the federal sector will be placing a little more restraint on economic growth this year than last year—which could be magnified if consumer and business confidence deteriorates further in response to budget worries. The agreed-to ending of payroll tax reductions and higher tax rates on upper-end earners, along with diminished fiscal stimulus spending, will be restraining growth. But this restraint would be augmented by sequestered spending cuts in the absence of a political agreement. Tending to diminish the drag from the government sector more broadly will be improving budgetary positions at the state and local government levels.

Housing—Better Late than Never

Residential construction activity has shown some long-awaited signs of life. As the chart on the next page illustrates, housing starts have been drifting upward over the past year, though the pace has been slow and the level of starts remains very low in relation to the previous peak.