The National Outlook: Will the Speed-Up Last?

Thomas D. Simpson, Ph.D.
Growth Has Strengthened

- Underlying growth 2.6 percent this year

<table>
<thead>
<tr>
<th>Year</th>
<th>Potential</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Potential</th>
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<tbody>
<tr>
<td>2015</td>
<td>1.8</td>
<td>2.0</td>
<td></td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>2016</td>
<td>1.8</td>
<td></td>
<td>1.8</td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>2017</td>
<td>2.6</td>
<td></td>
<td></td>
<td>2.6</td>
<td>2.2*</td>
</tr>
</tbody>
</table>

* Actual Growth After Hurricanes
Unemployment Rate Very Low

Percentage

Job Openings High

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Wage Pressures Yet to Emerge

Real Wage Growth (12-month change)

- Small gains reflect sluggish growth in productivity
- Average growth masking a pickup in some sectors
• Business sentiment has improved, evidently as the regulatory and tax climates have changed
And New Capital Goods Orders Are Rising

New Orders for Durable Goods
(excluding defense and aircraft)
• In addition to the weaker dollar, projections for growth abroad have been revised up.
Outlook

• Growth will be well maintained

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.6</td>
<td>2.4</td>
<td>2.2</td>
</tr>
</tbody>
</table>

2.2*     2.8*  

*Actual Growth After Hurricanes

• BFI and exports provide a boost
• Also infrastructure and tax cuts
Inflation to Edge Higher

PCE Inflation
(excluding food and energy, 12m change)

• But remain below the 2 percent target
Low Inflation Poses Dilemma for the Fed

- Will Fed proceed with planned rate increases?

- Scheduled asset run-offs imply more upward pressure
- Delaying action poses risk of more build-up of strains
Past the “Slowdown” and Catching Traffic Again?

The Regional Outlook
The Economy (in pictures)
Robust Growth Slowing

Gross Domestic Product Growth

- 2007 - 2016

Wilmington MSA  NC  US

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Robust Growth Slowing

Gross Domestic Product Growth

% Growth


Wilmington MSA  NC  US

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Regional Labor Force vs. Employment

- Pop Growth
- Regional Labor Force
- Regional Employed
Excess Unemployment Nearly Eliminated

Unemployment Rate

Three County Unemployment Rate

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Labor Markets

Slack Labor Market

Tight Labor Market

Source: piktochart.com
Slack Labor Market Was Tightening

Unemployed per Opening

# Unemployed / Job Openings

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Wages Declined in Slack Market...
...Until Market Tightened
• Discouraged workers may be returning
Average Wages at 2008 Levels

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Growth of Low Wage Jobs Holding Down Avg. 

Regional Employment Growth 
(2010 – 2016, # jobs)  

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs Growth</th>
<th>Avg. Annual Wage</th>
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</thead>
<tbody>
<tr>
<td>Leisure &amp; Hosp</td>
<td>5000</td>
<td>$16,624</td>
</tr>
<tr>
<td>Prof &amp; Bus Serv.</td>
<td>45,722</td>
<td>50,000</td>
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<tr>
<td>Trade, Trans &amp; Util.</td>
<td>70,722</td>
<td>42,916</td>
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<tr>
<td>Ed. &amp; Health</td>
<td>30,773</td>
<td>36,451</td>
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<tr>
<td>Financial Services</td>
<td>70,722</td>
<td>55,275</td>
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<tr>
<td>Information</td>
<td>56,685</td>
<td>56,685</td>
</tr>
<tr>
<td>Natural Res.</td>
<td>30,773</td>
<td>30,773</td>
</tr>
<tr>
<td>Construction</td>
<td>45,704</td>
<td>70,722</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1000</td>
<td>45,704</td>
</tr>
</tbody>
</table>
Wages are Growing Though...

Regional Wage Growth
(2010-2016)

- Leisure & Hosp
- Prof & Bus Serv.
- Trade, Trans & Util.
- Ed. & Health
- Financial Services
- Information
- Natural Res.
- Construction
- Manufacturing

Wages are Growing Though...
Consumption is growing

Taxable Sales Growth

- New Hanover
- Brunswick
- Pender

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Home Price Growth Normalizing

Single Family Home Price

Sales Price ($000)

Units Sold

Units
Average
Median

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Tourism Growth Relatively Strong

Room Occupancy Tax Growth

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Business Sentiment Normalizing

Business Expectations

- General Conditions
- Sales Expectations

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North Carolina Forecasts Courtesy of UNCC and NCSU

Percent Growth

- Wilmington MSA
- North Carolina
- US

Forecast for Wilmington MSA, North Carolina, and US from 2014 to 2019: 3.0% (2017), 2.8% (2018), 2.7% (2019)
Looking Down the Road
Growth Projected for Urban Areas
New Hanover Becoming Hub of SENC

Percent Growth (2010-2016)

- Prof & Bus Serv.
- Other Services
- Leis. & Hosp
- Trade, Trans & Util.
- Financial Services
- Information
- Ed & Health
- Manufacturing
- Construction
- Natural Resources

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Thank you.