Preparing for the Future
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<th>UNCW- University Advancement</th>
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<tr>
<td>Cape Fear Community College</td>
<td>nCino</td>
<td>UNCW – Cameron Executive Network</td>
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<td>Duke Energy</td>
<td>New Hanover County Government</td>
<td>UNCW – Center for Innovation &amp; Entrepreneurship</td>
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<td>Greater Wilmington Business Journal</td>
<td>New Hanover Regional Medical Center</td>
<td>Wells Insurance</td>
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<td>Maus, Warwick, Matthews &amp; Co.</td>
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<td>WHQR Public Media</td>
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</table>
Agenda

7:30 a.m. Registration and Breakfast
8:00 a.m. Welcome and Greetings
8:10 a.m. Economic and Market Forecasts
8:30 a.m. Preparing for the Future
9:15 a.m. Table Discussion and Questions for Speakers
9:35 a.m. Closing Remarks
9:45 a.m. Conclude
The U.S. Economy: Losing its Legs?

Thomas D. Simpson, Ph.D.
Department of Economics and Finance
University of North Carolina Wilmington
• This expansion: Longest on record
• Inflation: Still subdued, despite a very tight labor market
• Interest rates: Very low
• Monetary policy: Fed has been lowering—not raising—its policy rate
• Sustainable growth: Down to around 2 percent
Growth Has Slowed

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td>3.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Q3&lt;sup&gt;e&lt;/sup&gt;</td>
<td></td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>

<sup>e</sup> - estimate
Some Believe the Yield Curve is Pointing to Recession
But Model-based Recession Probability is Low
The Consumer Has Kept Things Going

• Following a pause around year-end, consumers have opened their wallets.

• However, business investment spending has been subdued, despite a very favorable tax situation.

• The external sector has been adversely affected by a slowdown abroad and a strong dollar.
Acting as a Serious Headwind is Trade Policy Uncertainty

• Such uncertainty has been off the charts recently, discouraging business investment
## Consumers in Good Position

<table>
<thead>
<tr>
<th>Growth in Consumption</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019&lt;sup&gt;e&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.8</td>
<td>2.9</td>
<td>2.7</td>
<td>2.8</td>
</tr>
</tbody>
</table>

- Job growth remains solid
- Wage growth is firming

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Confidence Remains Buoyant

Graph showing GDP Growth and Consumer Sentiment Index from 1975 to 2016. The graph indicates periods of GDP contraction and highlights consumer sentiment over time.
Wealth Positions Are Strong

Ratio of Net Worth to Disposable Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
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</thead>
<tbody>
<tr>
<td>1960</td>
<td>4.5</td>
</tr>
<tr>
<td>1965</td>
<td>5</td>
</tr>
<tr>
<td>1970</td>
<td>5.5</td>
</tr>
<tr>
<td>1975</td>
<td>6</td>
</tr>
<tr>
<td>1980</td>
<td>6.5</td>
</tr>
<tr>
<td>1985</td>
<td>7</td>
</tr>
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</table>

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And Debt-Service Burdens Light

Debt Service Burden

Percent

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Despite a Favorable Climate, Businesses Capital Spending Has Been Cautious

- 2017 tax reform boosted rates of return and financing costs remain low
- But orders for capital goods have been flat
- Business leaders point to trade policy uncertainty, though lower oil prices have led to a cutback on oil field outlays
Uncertainty Has Affected Small Business Optimism

NFIB Optimism Index

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The Outlook Depends on Business Investment

- Absent a resolution of trade policy rifts, capital spending will remain lackluster
- Struggling economies abroad will be a drag on exports
- The United States will continue to grow, but only in line with potential

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>2.3</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>
Growth Will be Sufficient to Keep Unemployment Low
Some of the Employment Gains Have Come From People Coming Off the Sidelines

• But the prime age participation rate is not up on balance this year
Inflation May Drift Above the Fed’s 2 Percent Target

Core PCE Inflation

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Fed Likely to be Squeezed Between White House Pressure and Inflation Concerns

- Tension between the market and the Fed on the rate outlook

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>End 2019</th>
<th>End 2020</th>
<th>End 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>1.85</td>
<td>1.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Fed</td>
<td>1.9</td>
<td>1.9</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>
Preparing for the Future
The Regional Outlook: When the Sun Is Out, Don’t Forget to Smile

Dr. Adam T. Jones
Department Chair and Regional Economist
Cameron School of Business – Swain Center
Sunny With a Dark Cloud
Florence Was the Story…

[Graph showing Local Rate vs National Rate for different cities (Baton Rouge, Atlantic City, New Orleans, Houston) over months pre and post storm.]

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Source: BLS
Hospitality Most Exposed

Sectoral Employment

Index

- Ed & Health
- Prof Bus Serv
- Trade & Trans
- Manufacturing
- Fin, Ins, Real Estate
- Leis. And Hosp

Source: BLS
Growth Settling Into Normal

Wilmington MSA GDP Growth

% Growth

Source: BEA
Unemployment Ticking Up Slightly

Unemployment Rate

Aug. 4.3%

Source: BLS
Sales Continuing to Grow, But Levelling

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>10</td>
</tr>
<tr>
<td>2017</td>
<td>12</td>
</tr>
<tr>
<td>2018</td>
<td>8</td>
</tr>
<tr>
<td>2019 (YTD)</td>
<td>16</td>
</tr>
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</table>
Home Prices Rising Again

NHC Home Price Index

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Source: Zillow
Labor Market Tightening, “New Wages” Increasing

Wage Openings

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Source: NC Works
Wages Growing But Slowing

Earnings Growth in Wilmington MSA

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Source: BLS
Homes Remain “Somewhat Affordable”

Home Price to Income

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Source: BLS/FHFA
Gasoline Prices Remain Favorable

Source: US EIA
Room Occupancy Distorted

NHC Peak Season ROT Growth

% Growth

2014: 12.0
2015: 0.0
2016: 8.0
2017: 7.0
2018: 5.0
YTD 2019: 13.0

Source: NHC

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Non-Tourists Still In ROT Data

NHC Occupancy Taxes

Dollars (m)

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Source: NHC
Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12.0</td>
</tr>
<tr>
<td>2015</td>
<td>4.0</td>
</tr>
<tr>
<td>2016</td>
<td>8.0</td>
</tr>
<tr>
<td>2017</td>
<td>7.0</td>
</tr>
<tr>
<td>2018</td>
<td>6.0</td>
</tr>
<tr>
<td>YTD 2019</td>
<td>14.0</td>
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</tbody>
</table>
Room Occupancy Distorted But Likely Slowing

Peak Season ROT Growth

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Source: NHC
But...
Some Believe the Yield Curve is Pointing to Recession

Source: STL Fed
Construction Remains Slightly Sluggish

Housing Units Permitted

Number of Permits

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Source: Census
Uncertainty Is Rising

Economic Policy Uncertainty

Source: Baker Bloom Davis
RV Shipments Declining

Source: RVIA
RV Shipments Declining

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Source: RVIA
<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Economy</td>
<td>2.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Wilmington MSA</td>
<td>1.9%</td>
<td>1.6%</td>
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</tbody>
</table>
Sunny With a Dark Cloud
Future Trends

The World is Changing

Big Data & Augmented Intelligence

Rise of Millennials, Women, and Diversity

Personal Transformation, Resiliency, & Agility
Table Activity

• How will the economic outlook and future trends impact you and your organization?

• As time permits, what is one question your table would want to ask one of the speakers?
Your Feedback is Valued

• You have two options: online or hard copy.

 uncw.edu/EOCFeedback

• We encourage you to use the online version.