

# ECONOMIC OUTLOOK: FORWARD OR BACKWARD?

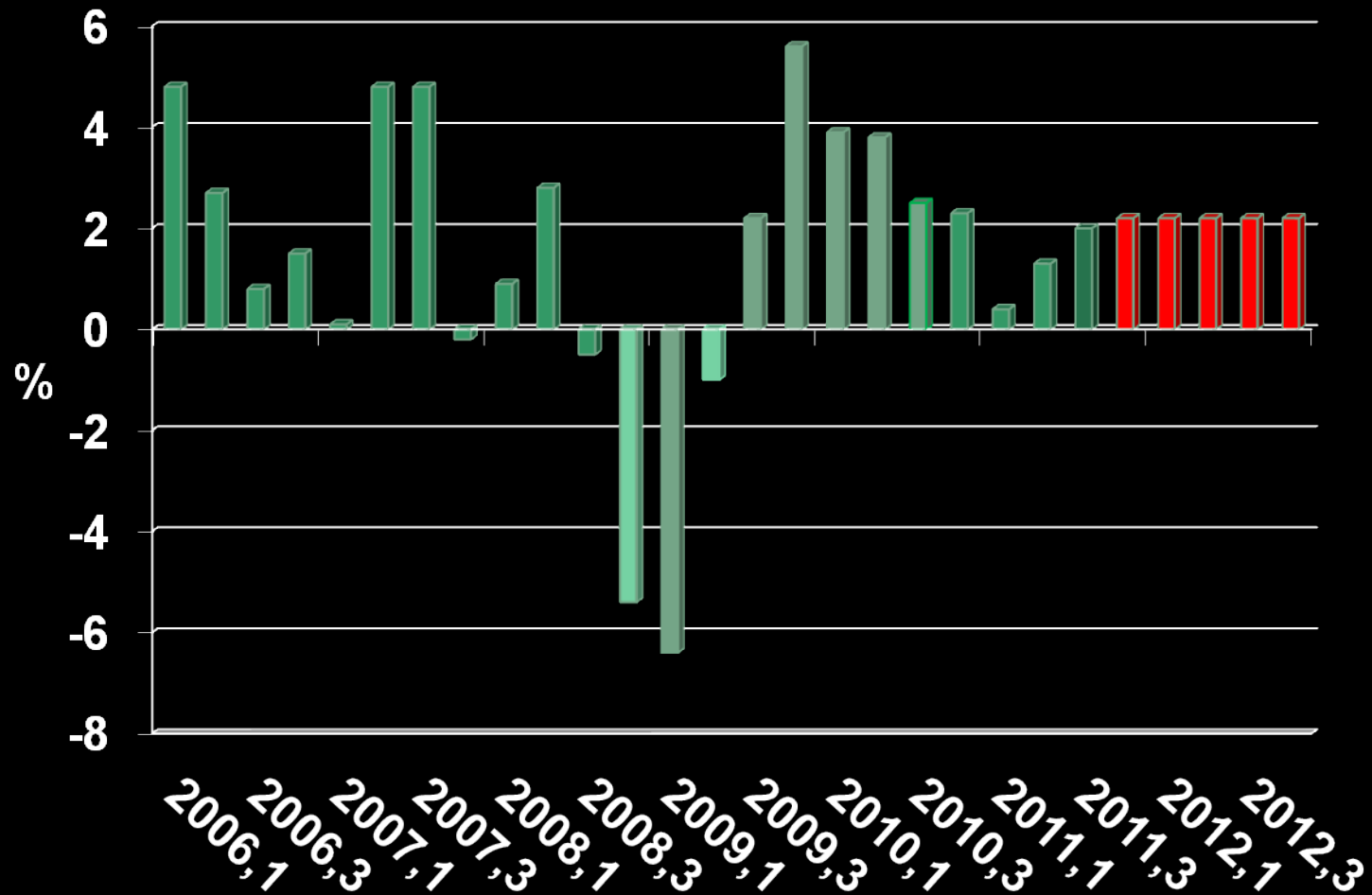
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Dr. Michael Walden  
Reynolds Distinguished  
Professor  
North Carolina State  
University

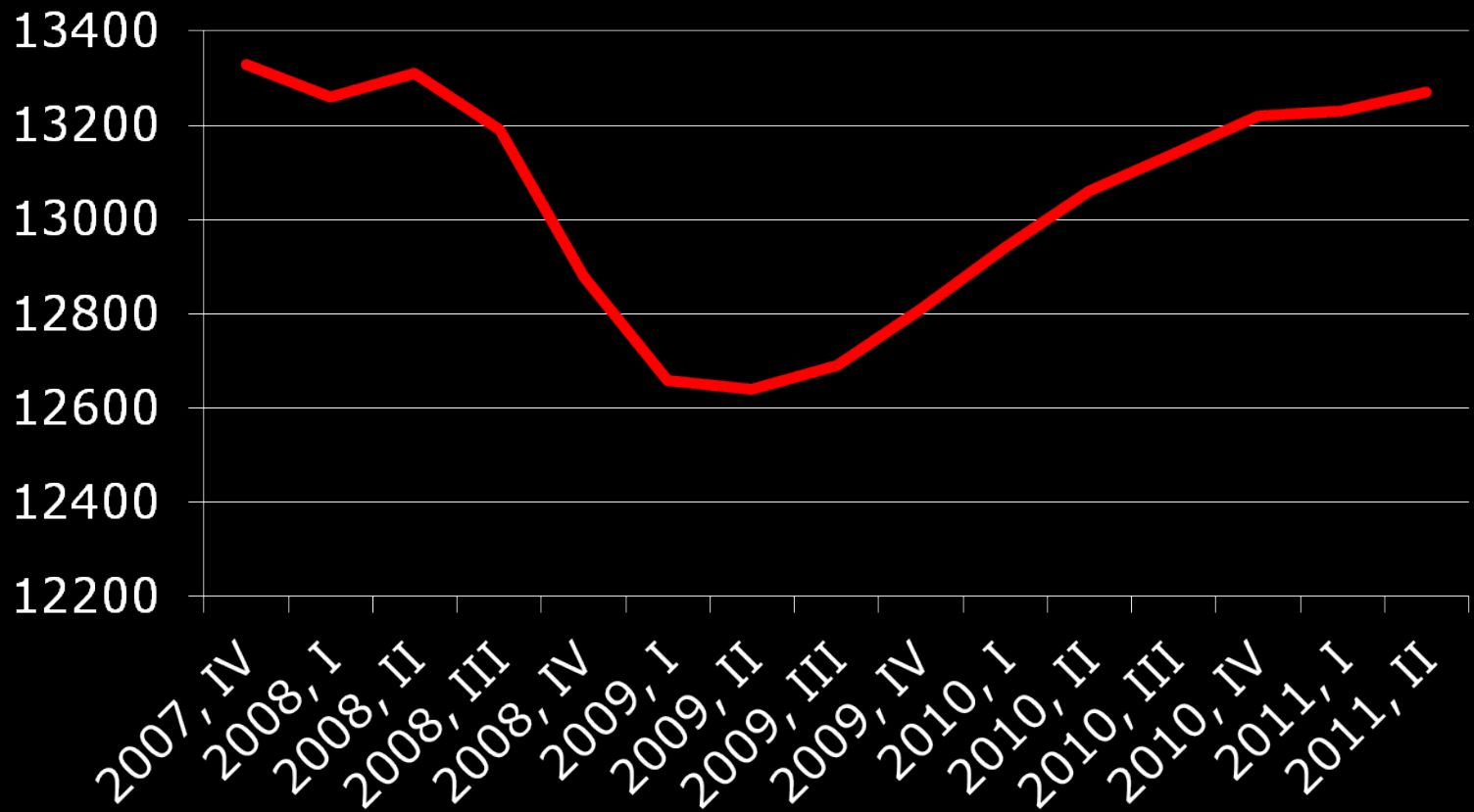
# Nation's Economic Report Card: Real GDP

(annualized % change in real GDP)



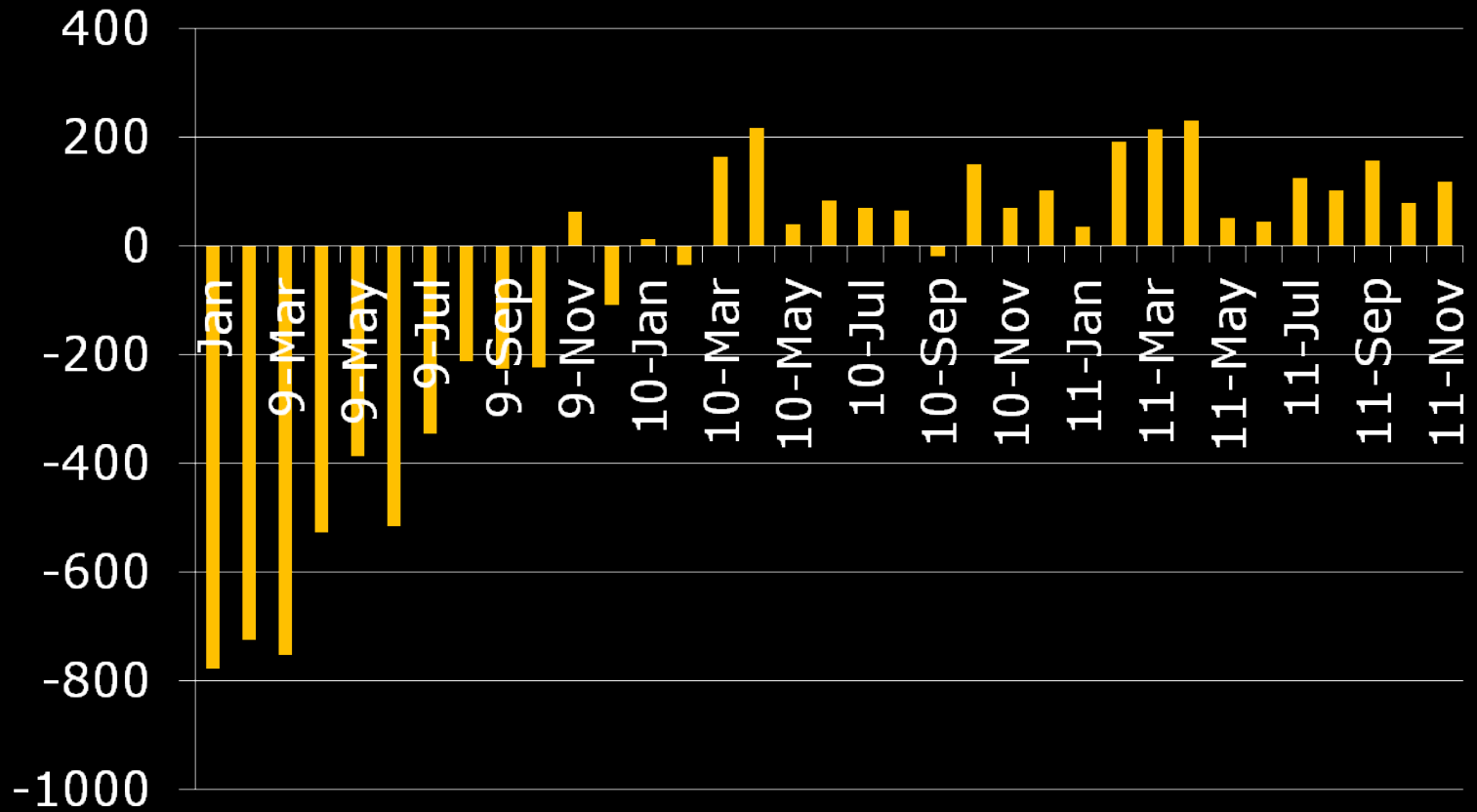
# MEANING OF “END OF RECESSION”

Real GDP, 2005 \$ millions

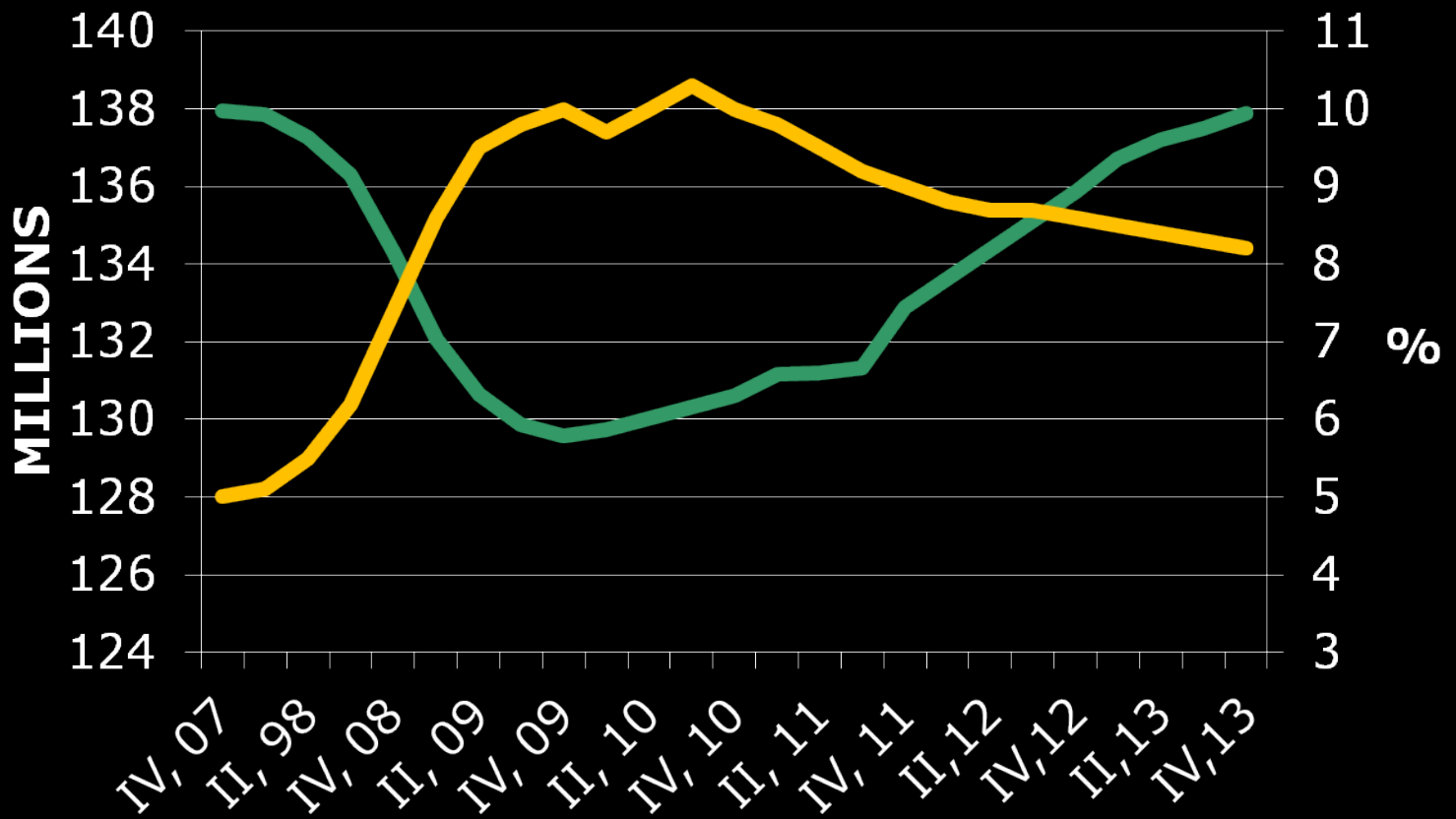


# Job Losses Have Stopped, But Small Gains

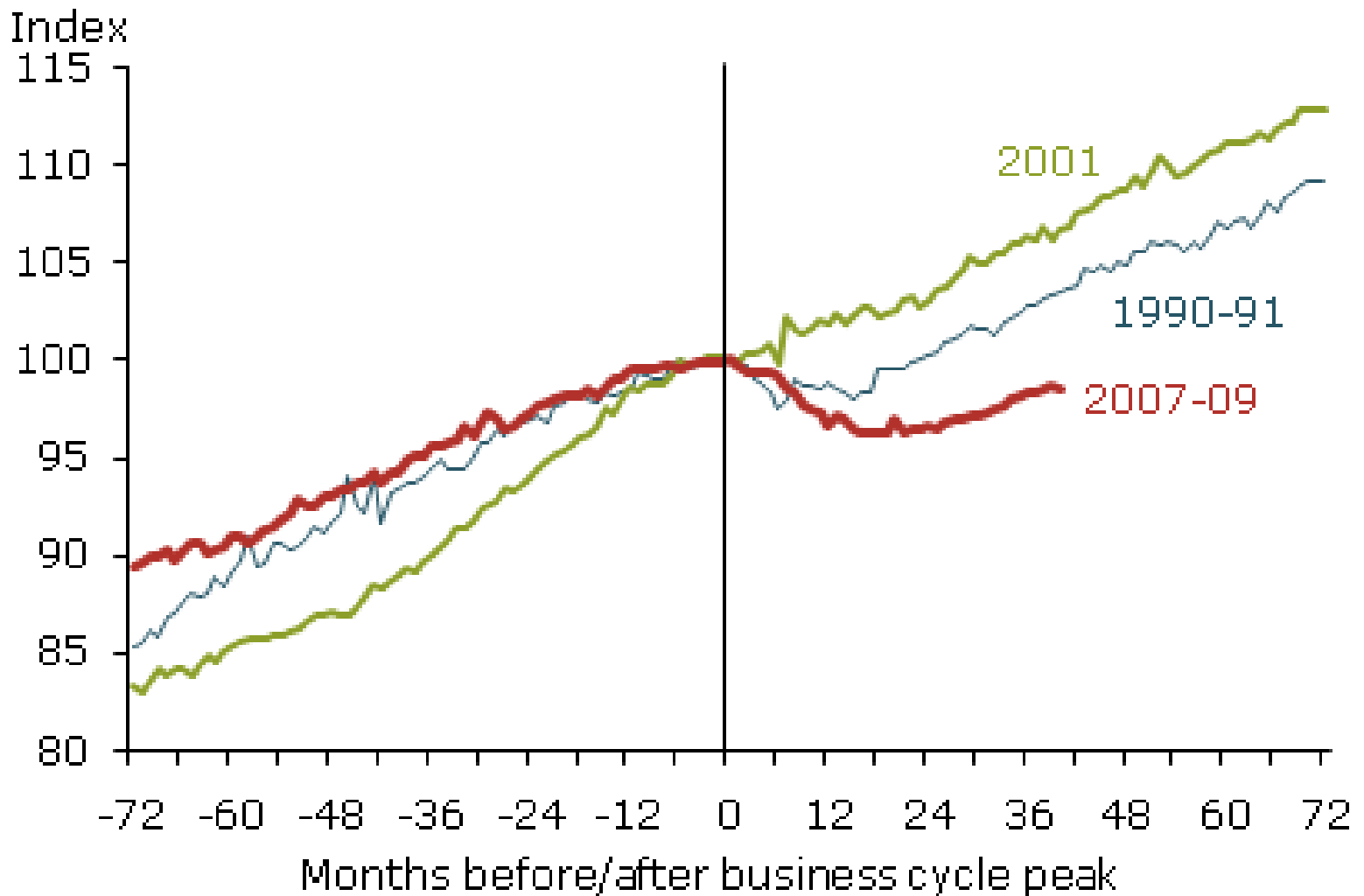
(thousands of jobs)



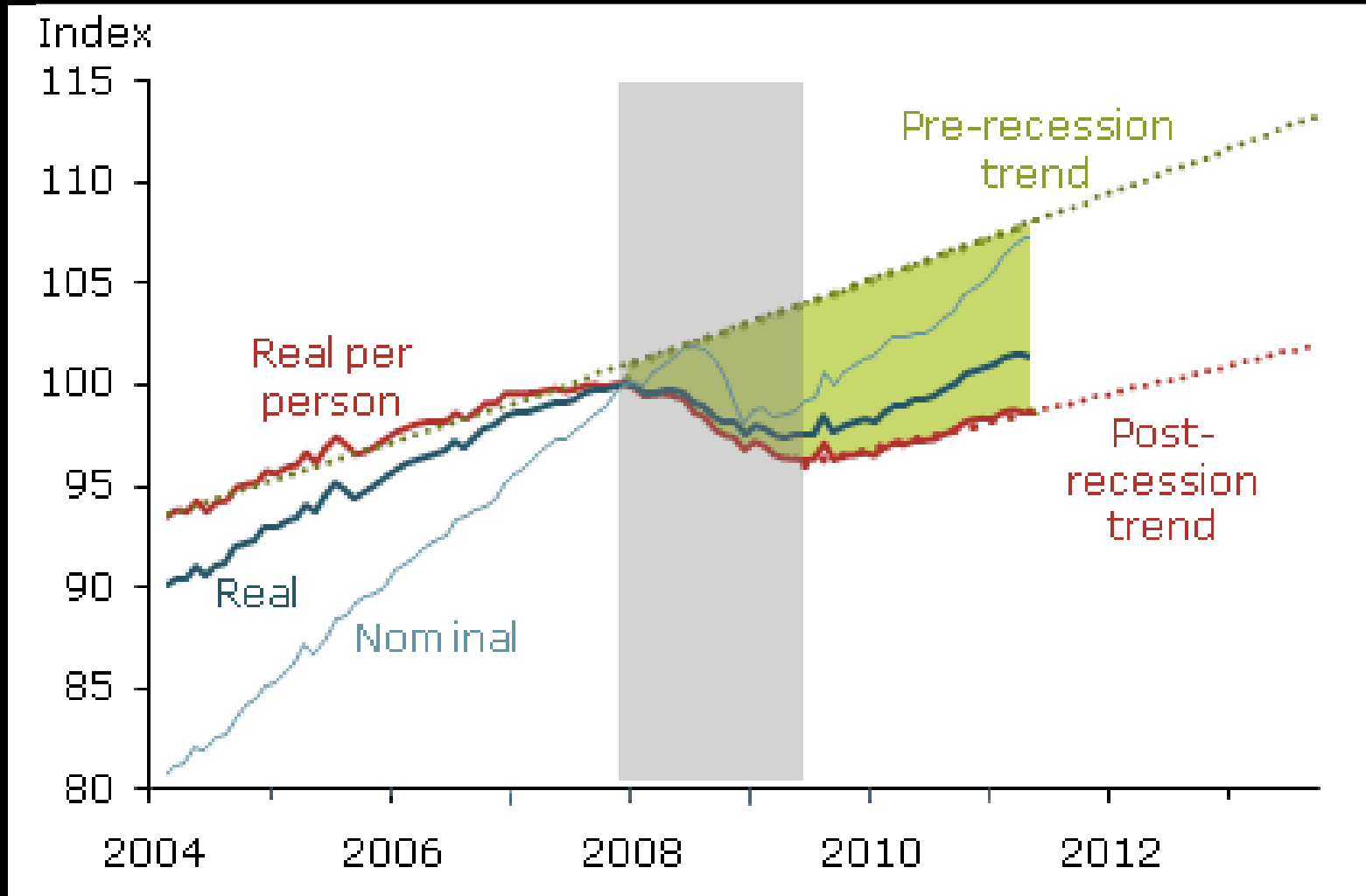
# BUT THE JOB RECOVERY WILL BE SLOW (NONFARM EMP AND UNEMP RATE)



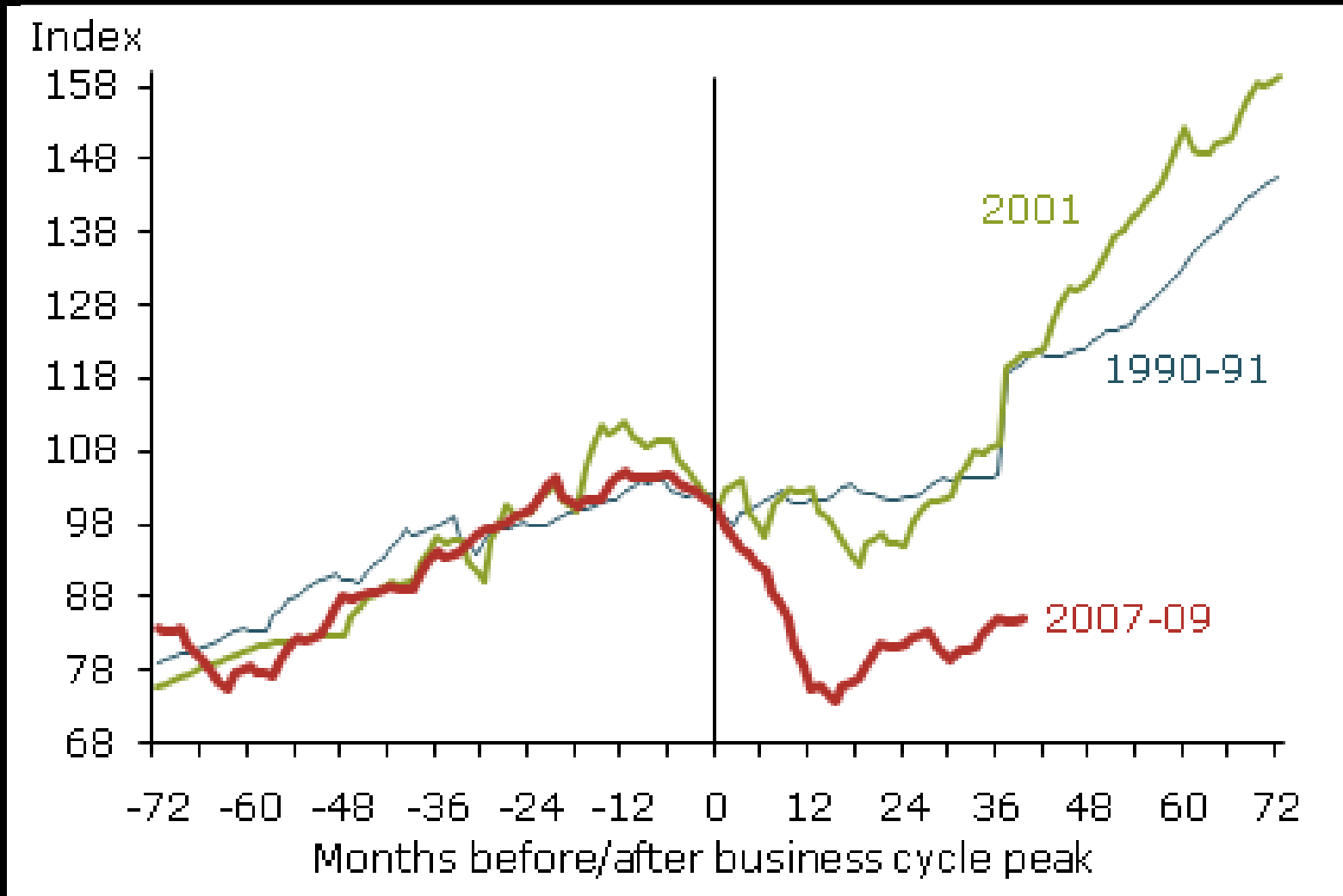
# CONSUMER SPENDING HAS LAGGED RECENT RECOVERIES



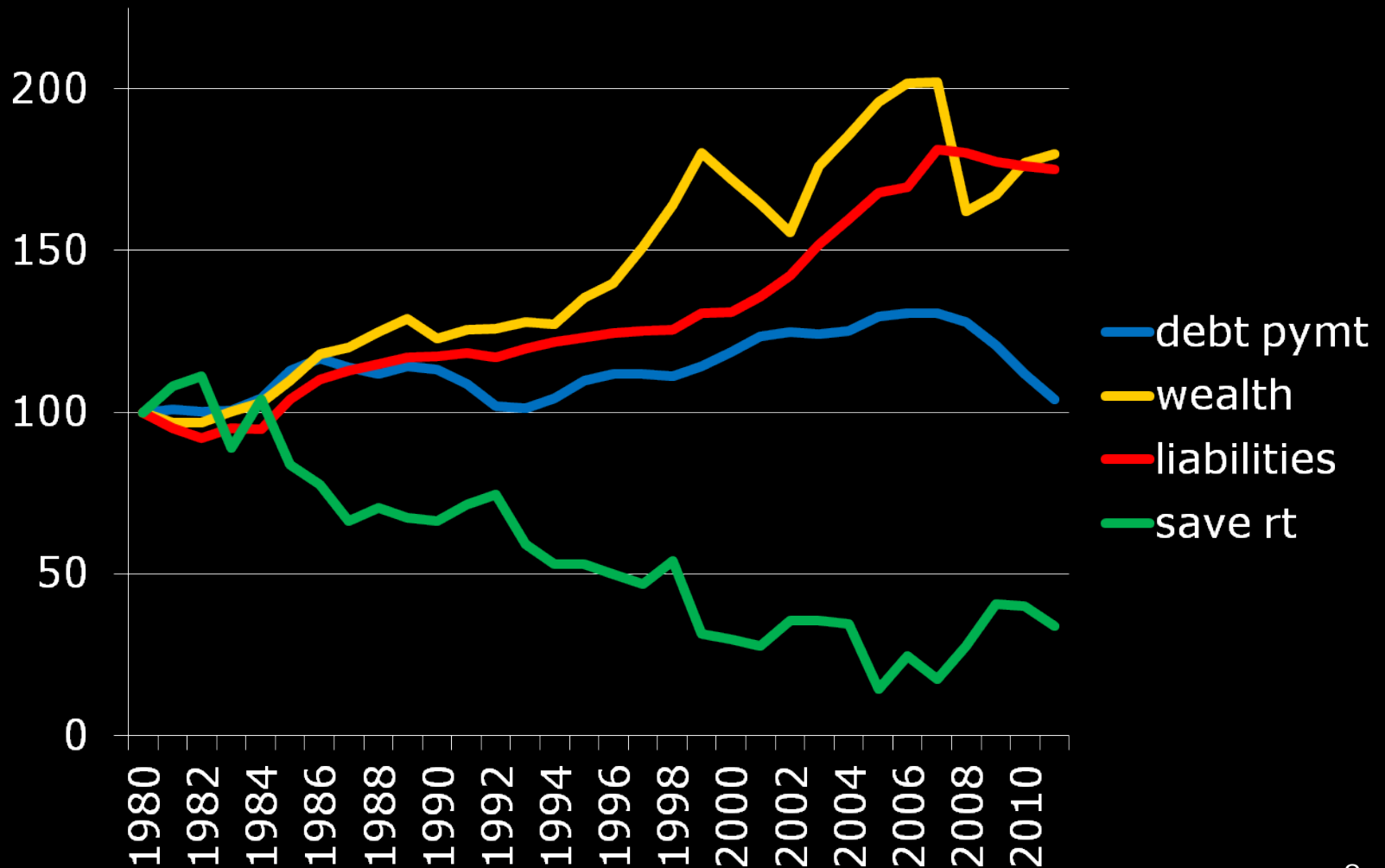
# THE ECONOMY IS ADJUSTING TO A LOWER TREND IN CONSUMER SPENDING



# THE RECOVERY IN HOUSEHOLD WEALTH HAS ALSO LAGGED



# CONSUMER FINANCIAL BEHAVIOR HAS DRAMATICALLY CHANGED (INDICES)

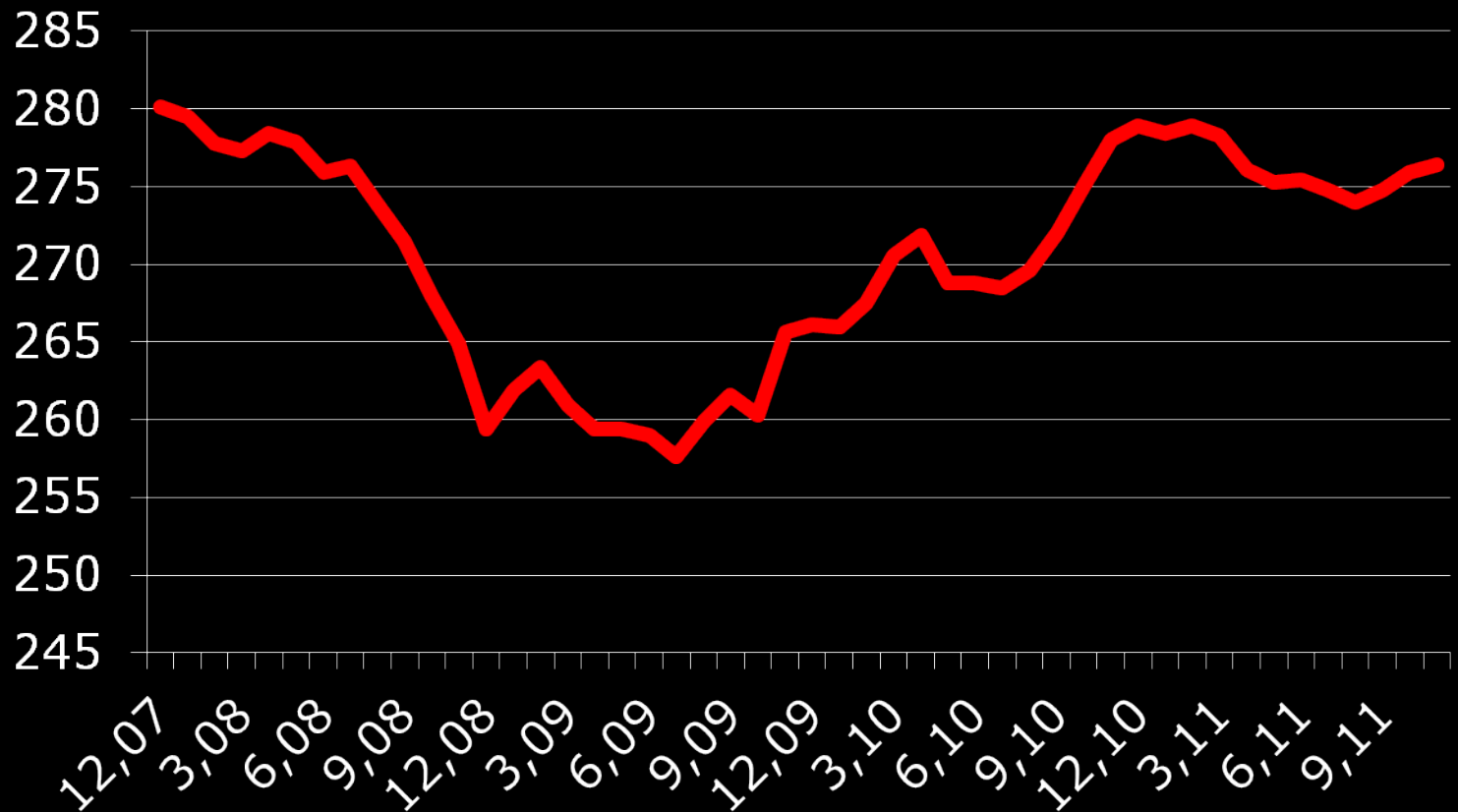


# KEY HOUSEHOLD FINANCIAL RATIOS



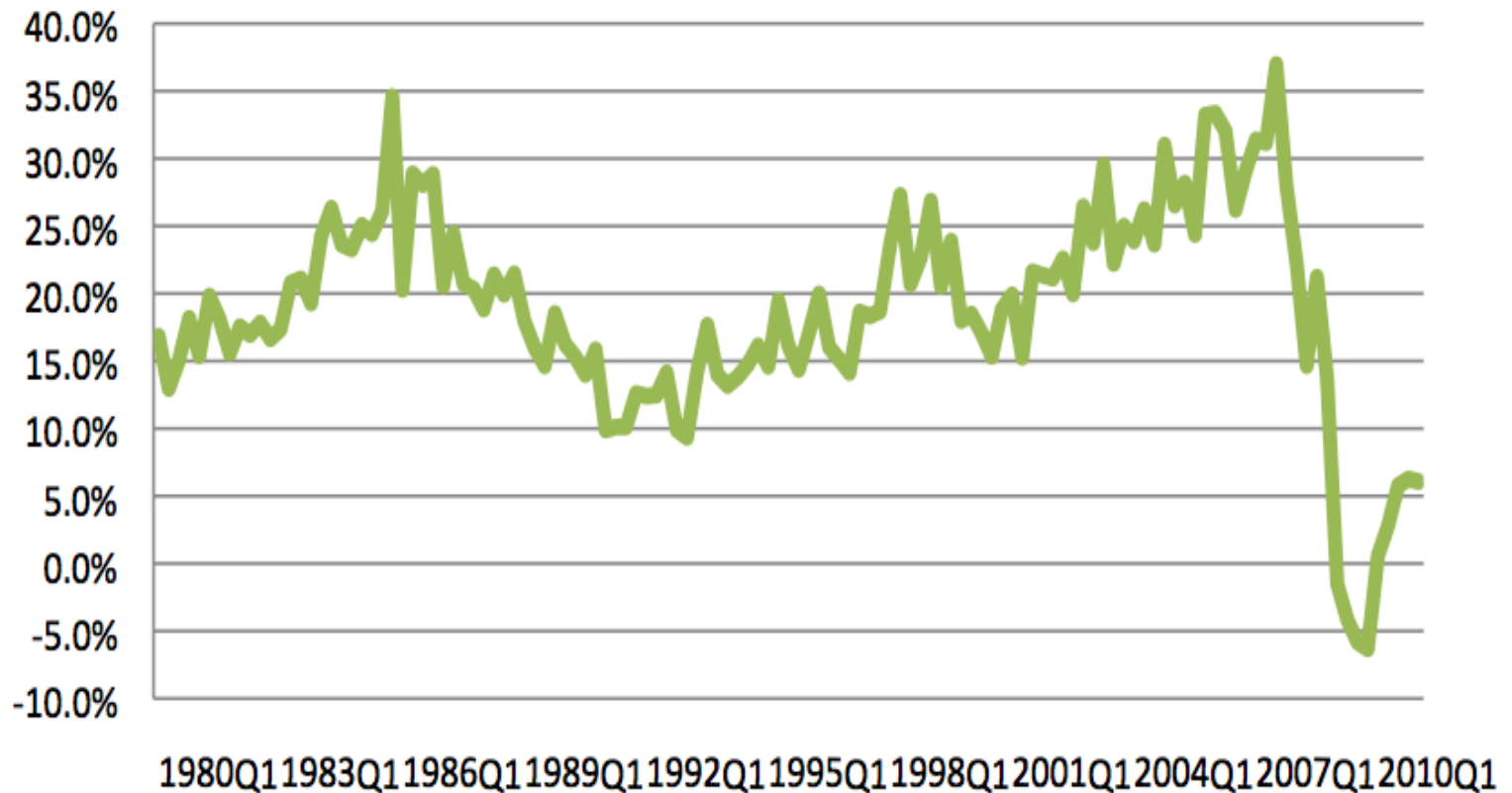
# BUT CONSUMER SPENDING AT RETAIL STORES HAS STRUGGLED LATELY

(billions of 2005 \$, seasonally-adjusted, excl. vehicles & parts)



# LENDING HAS IMPROVED – BUT SLOWLY

## Credit Growth as a % of GDP



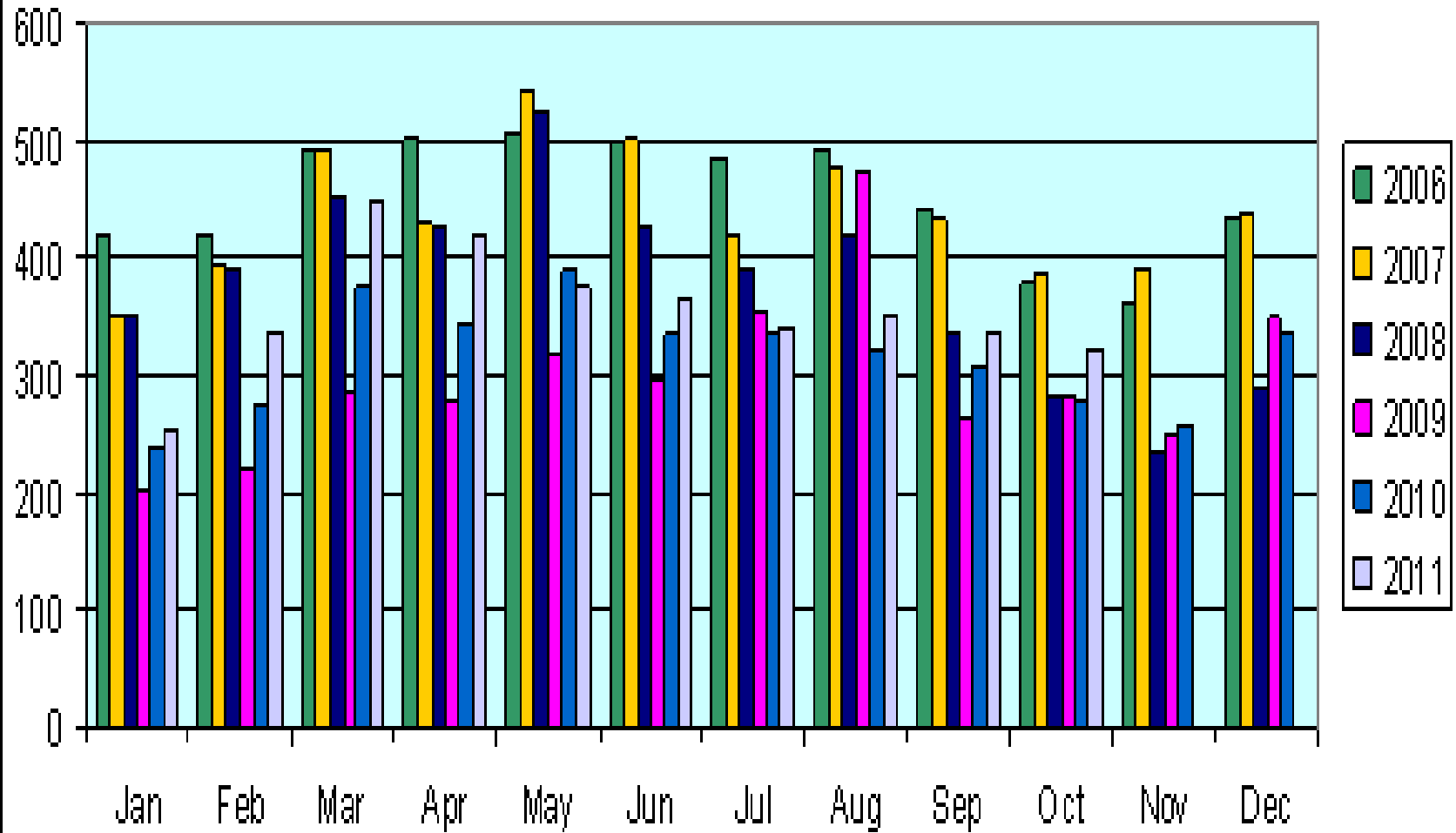


# WHY IS LENDING SLOW?

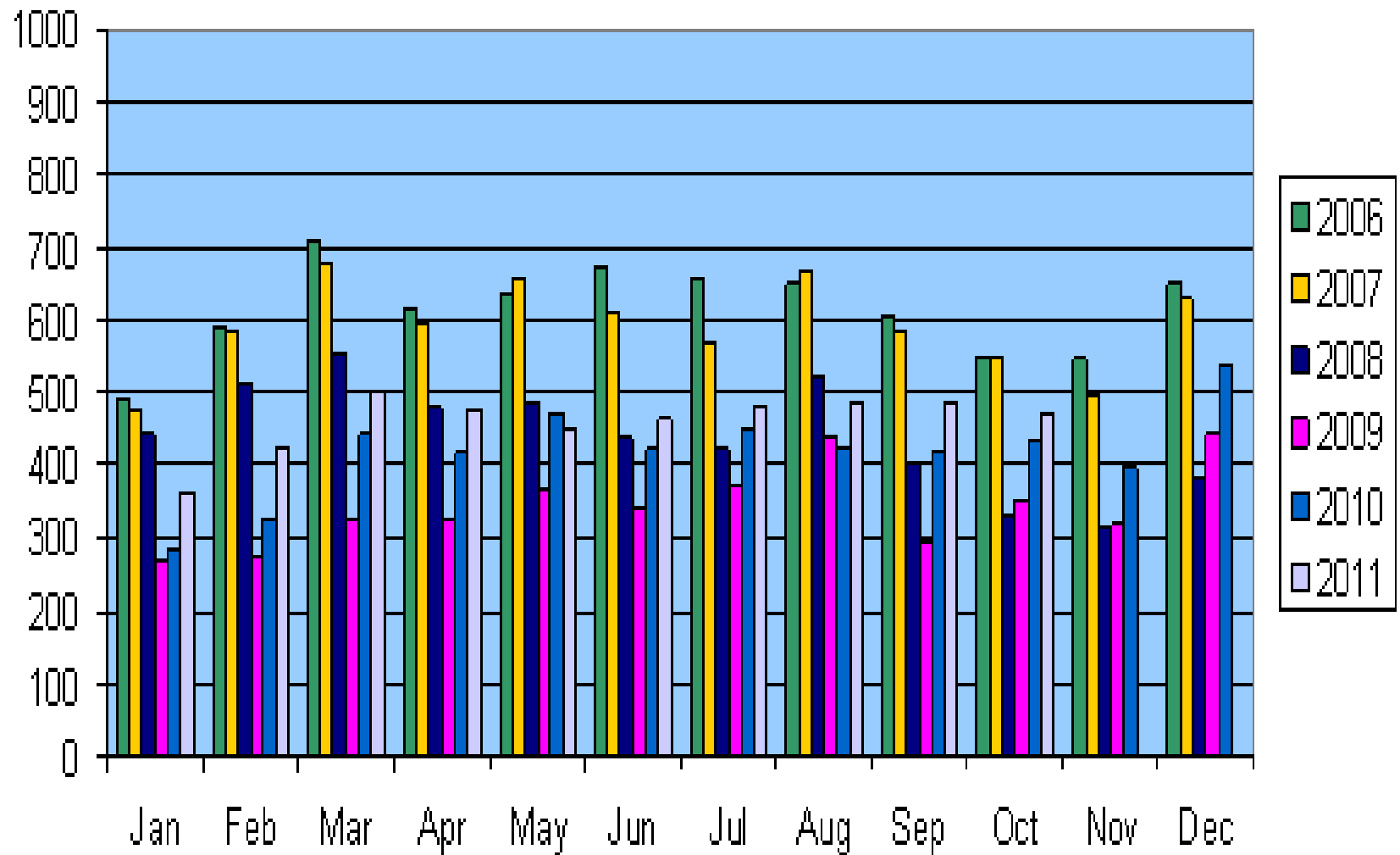
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1. SLOW CONSUMER SPENDING –  
BUSINESSES HAVE SCALED BACK
2. TIGHTER LENDING STANDARDS  
(DODD-FRANK)
3. FED PAYS INTEREST ON “EXCESS  
RESERVES” KEPT IN BANK VAULTS

# U.S. domestic car sales (thousands of units)



# U.S. domestic light truck sales (thousands of units)

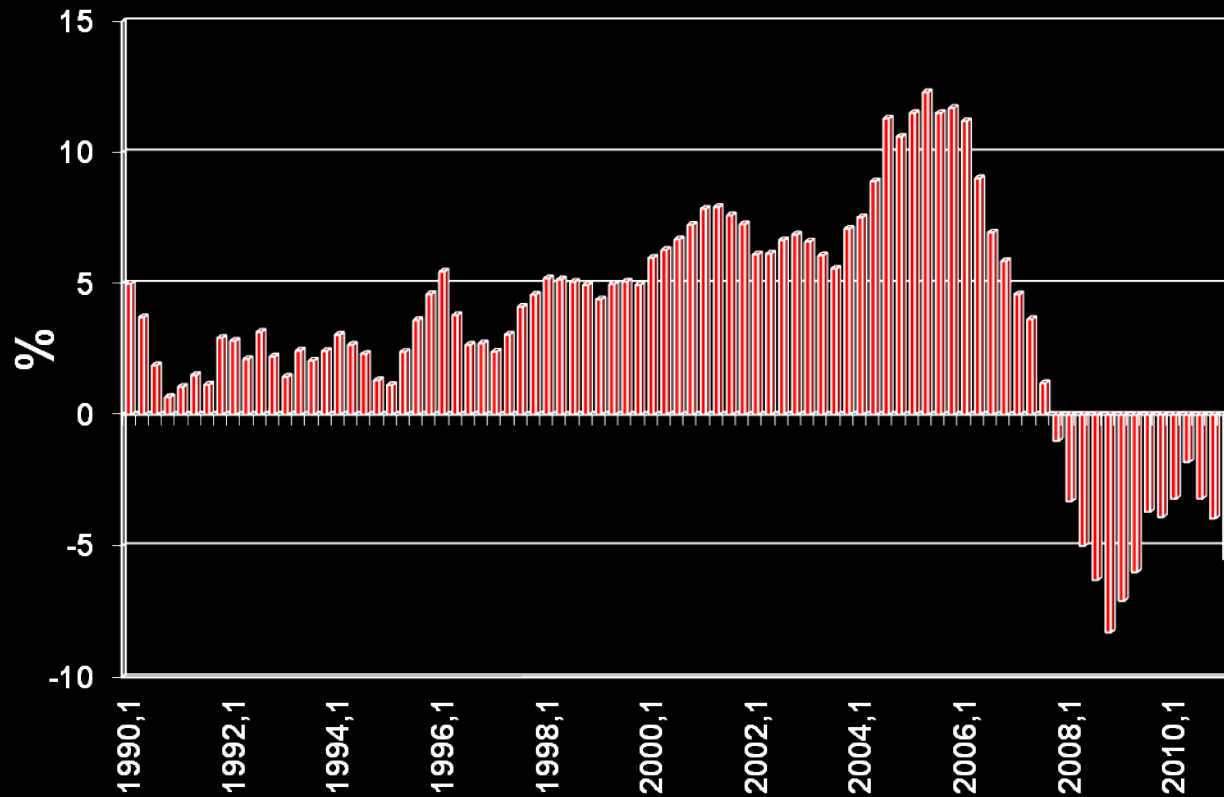


# CORPORATE PROFITABILITY HAS ALSO IMPROVED

(PRE-TAX, % OF GDP)

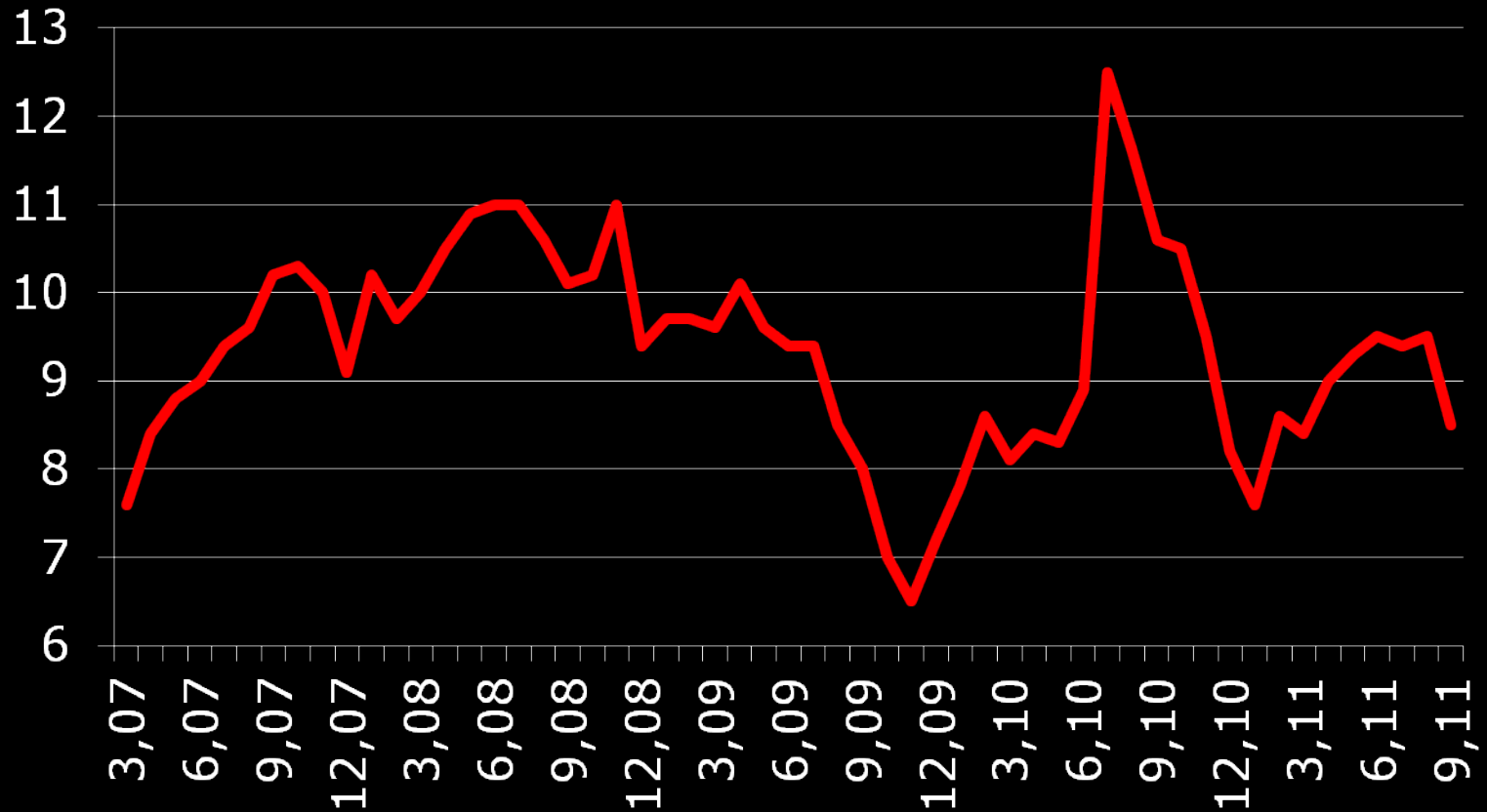


# HOUSING PRICES ARE STILL UNDER STRESS (ANNUALIZED % CHANGE)

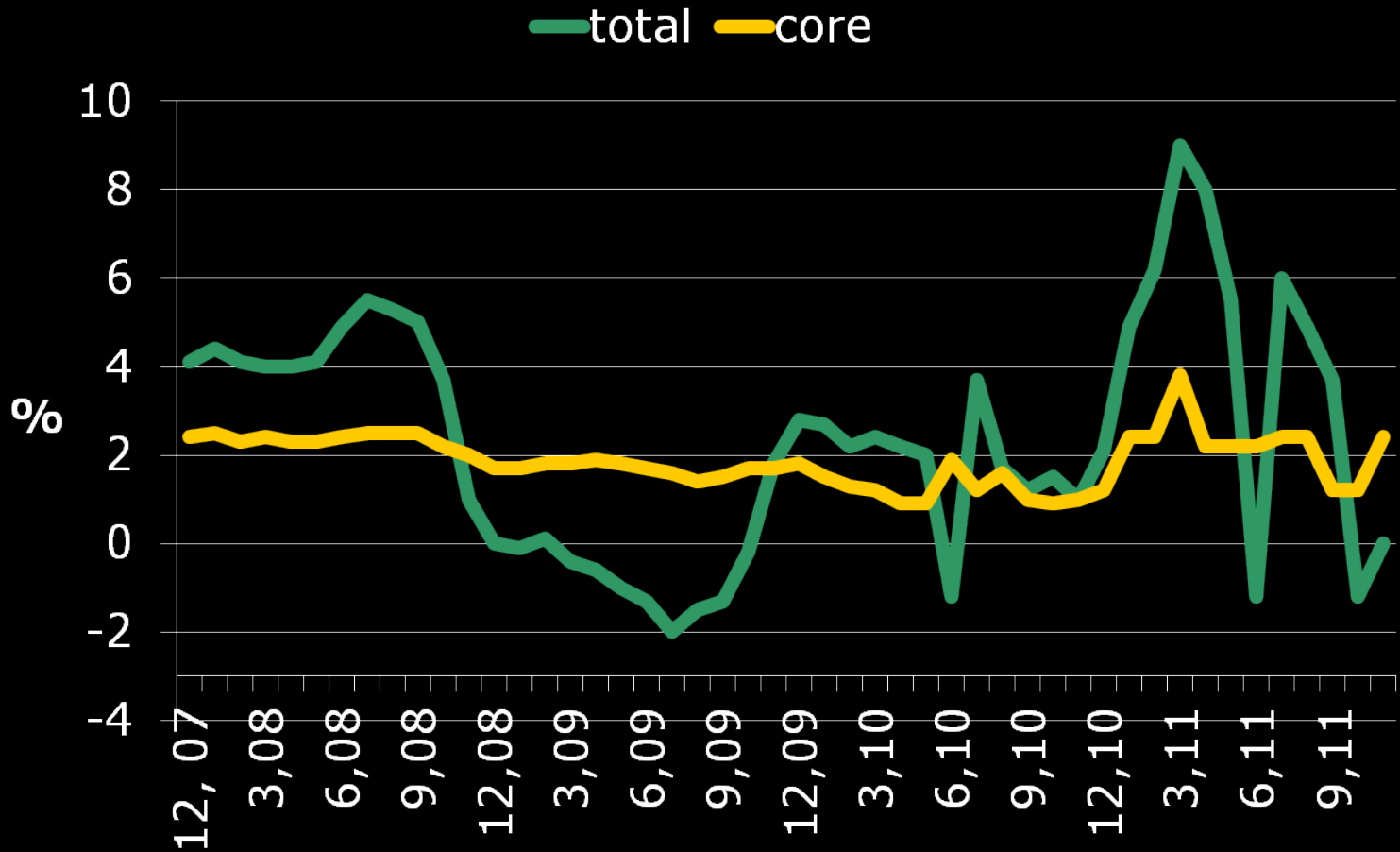


# HOME INVENTORIES ARE STILL HIGH

(MONTHS OF SUPPLY – UNITS)

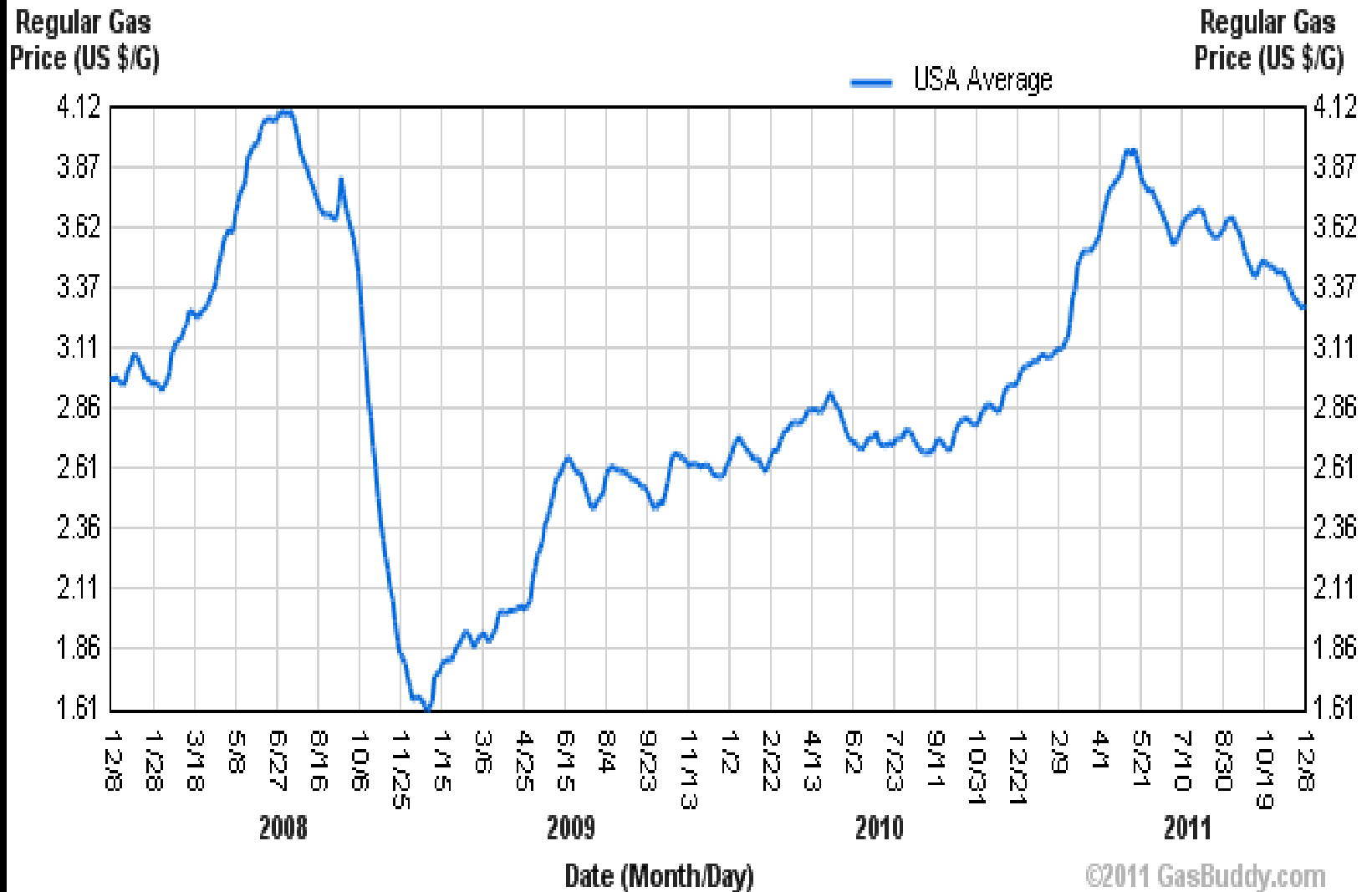


# TOTAL INFLATION HAS BEEN VOLATILE (CPI, total and core)



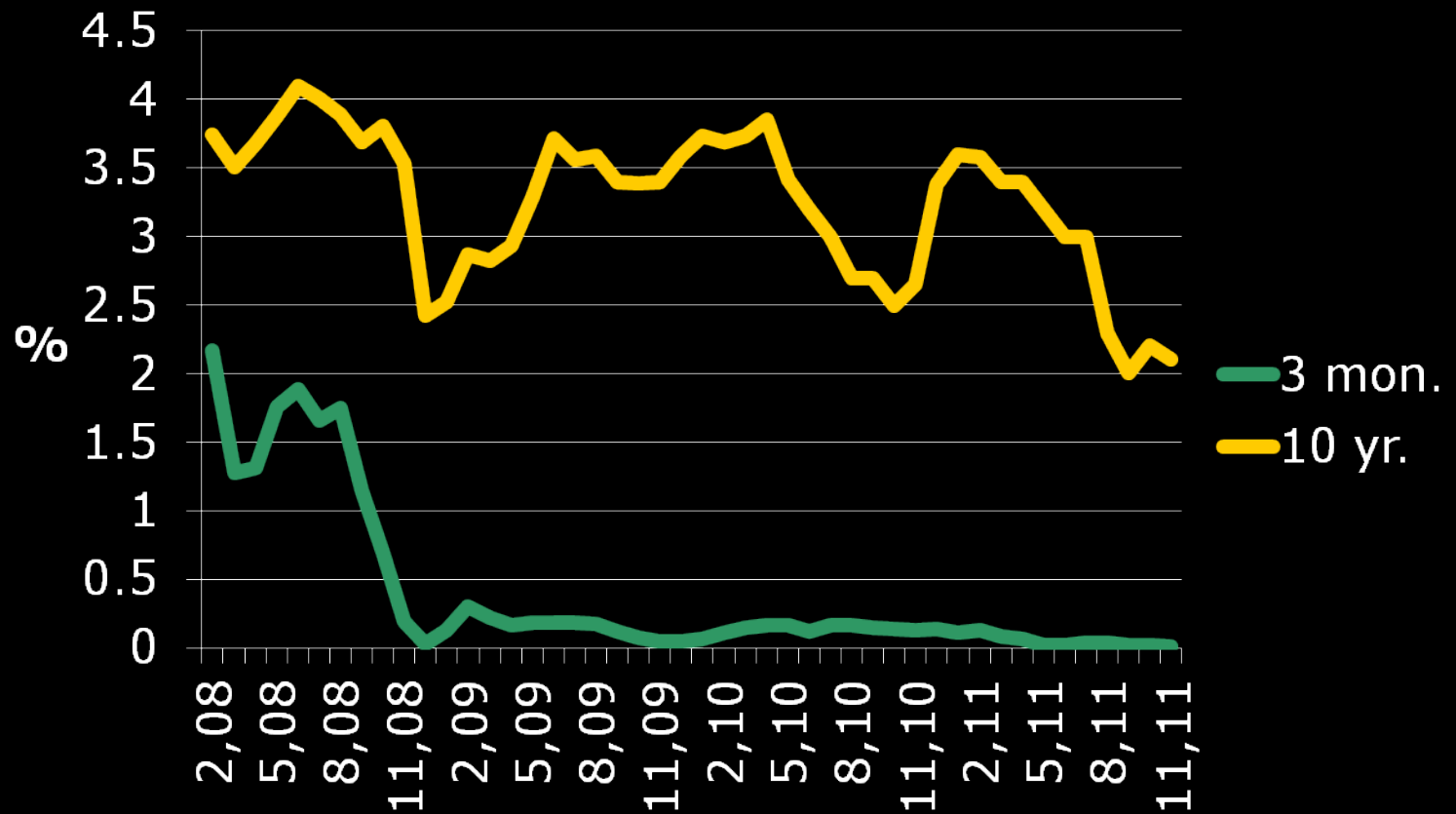
# GAS PRICE TRENDS

## 48 Month Average Retail Price Chart



# WHAT ARE INTEREST RATES SAYING?

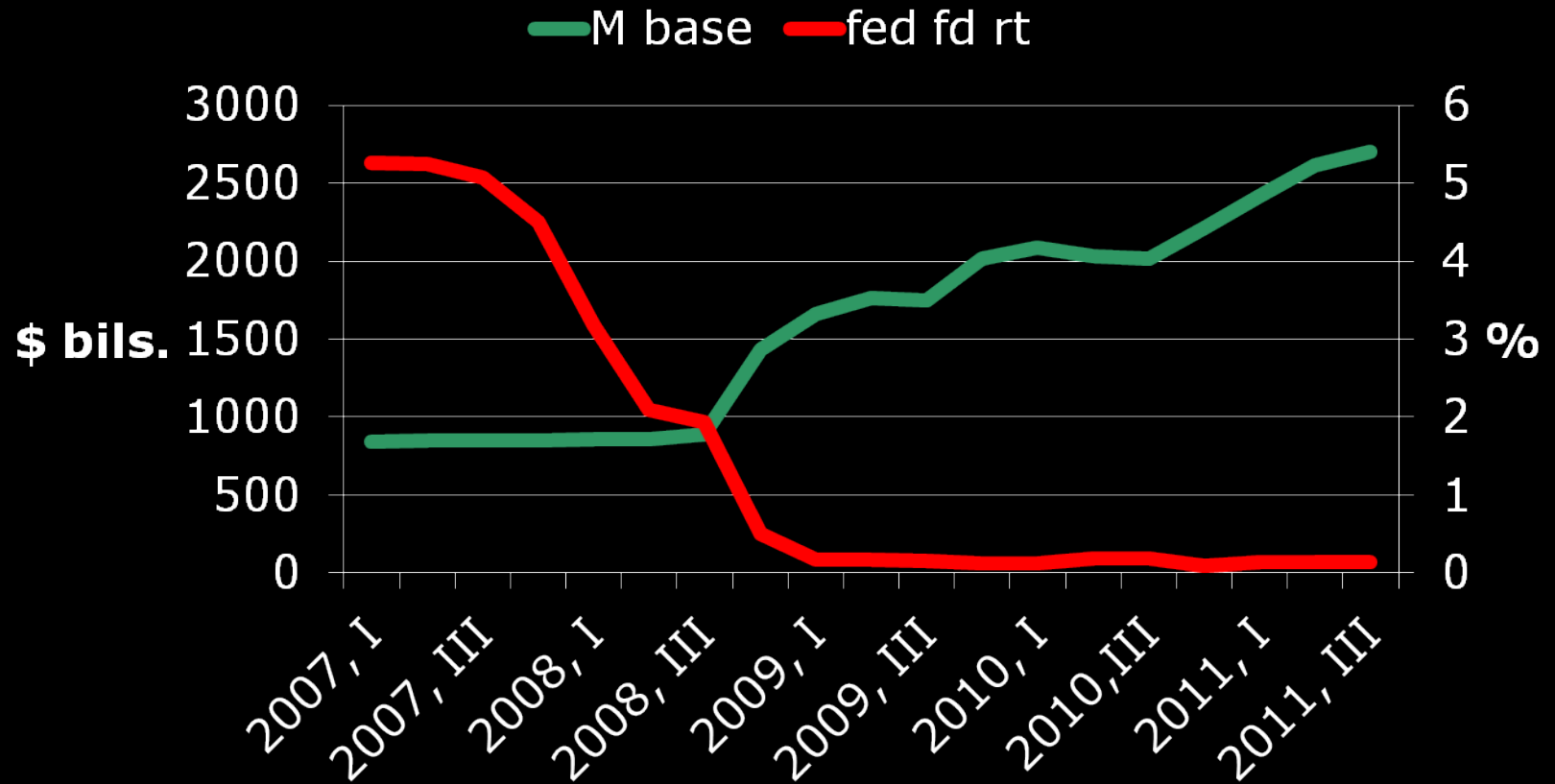
(YIELDS ON TREASURY SECURITIES)



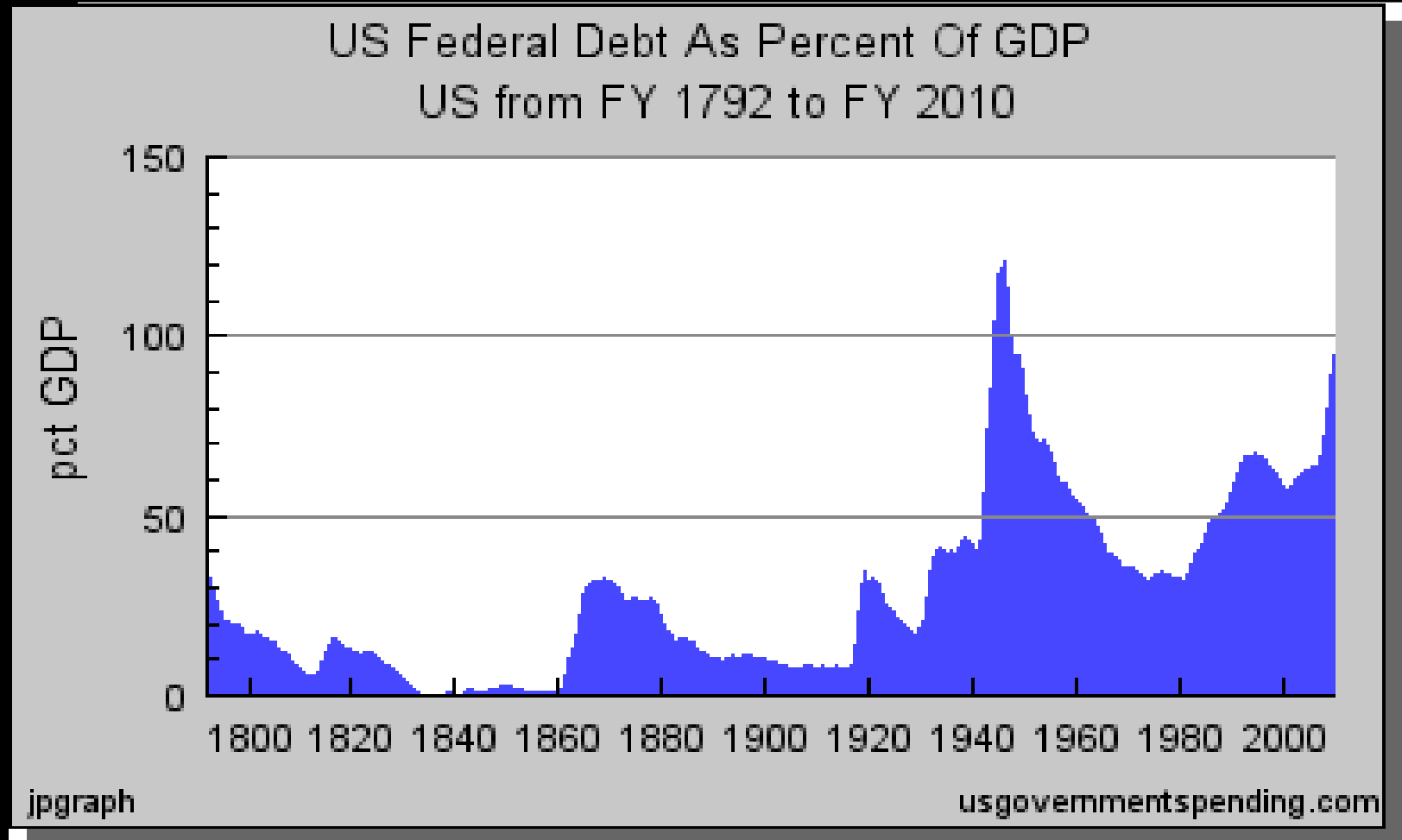
# GOVERNMENT POLICY



# The Fed's Monetary Policy



# ON FISCAL POLICY



# GOING FORWARD – DISAGREEMENT AMONG POLICY-MAKERS AND ECONOMISTS

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KEYNESIANS – MORE GOV'T SPENDING

MONETARISTS – MORE MONEY

SUPPLY-SIDERS – LOWER TAXES AND  
REGULATIONS

FISHERIANS – LESS DEBT/MORE  
INFLATION

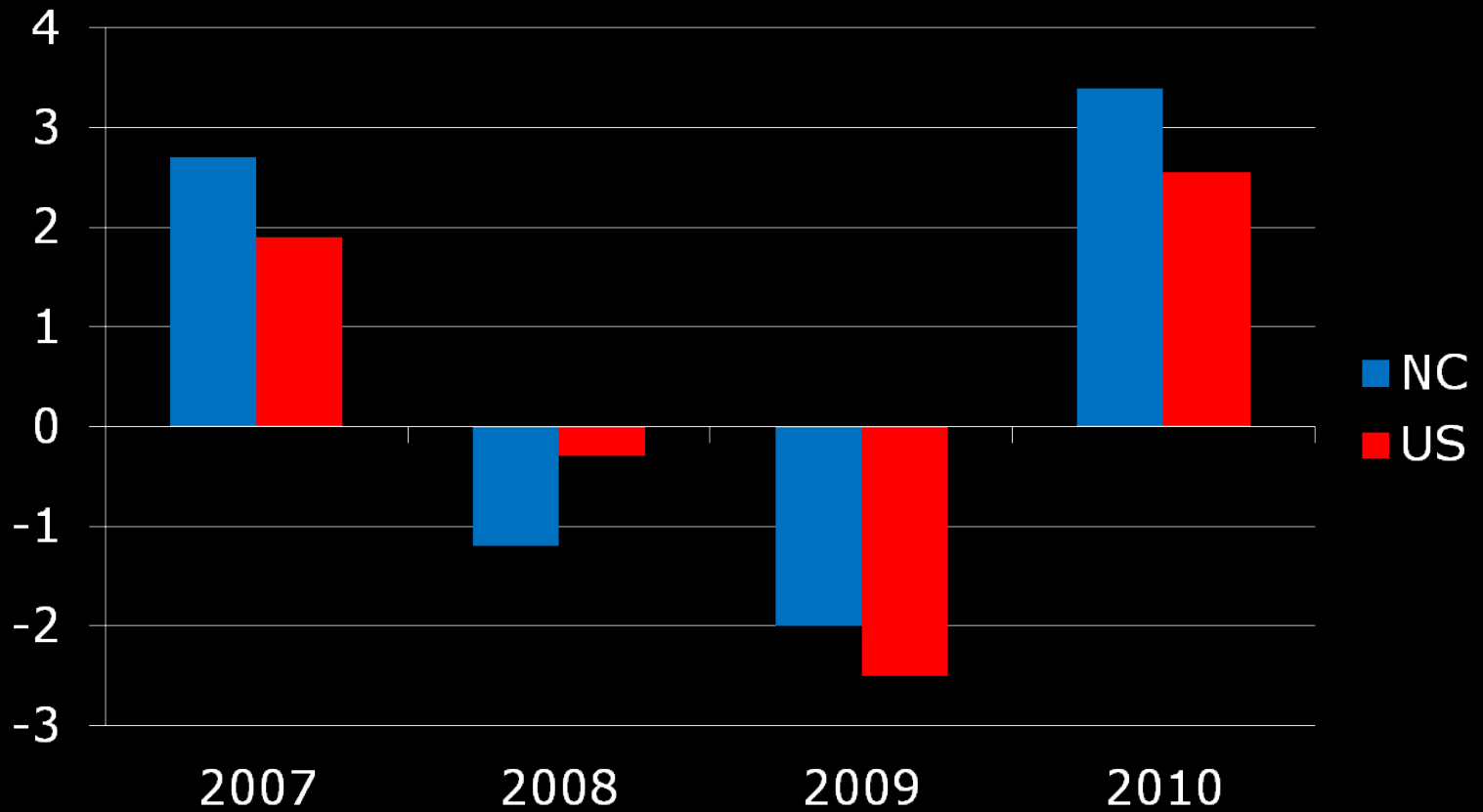
HAYEKIANS – DO NOTHING

# NORTH CAROLINA ECONOMY

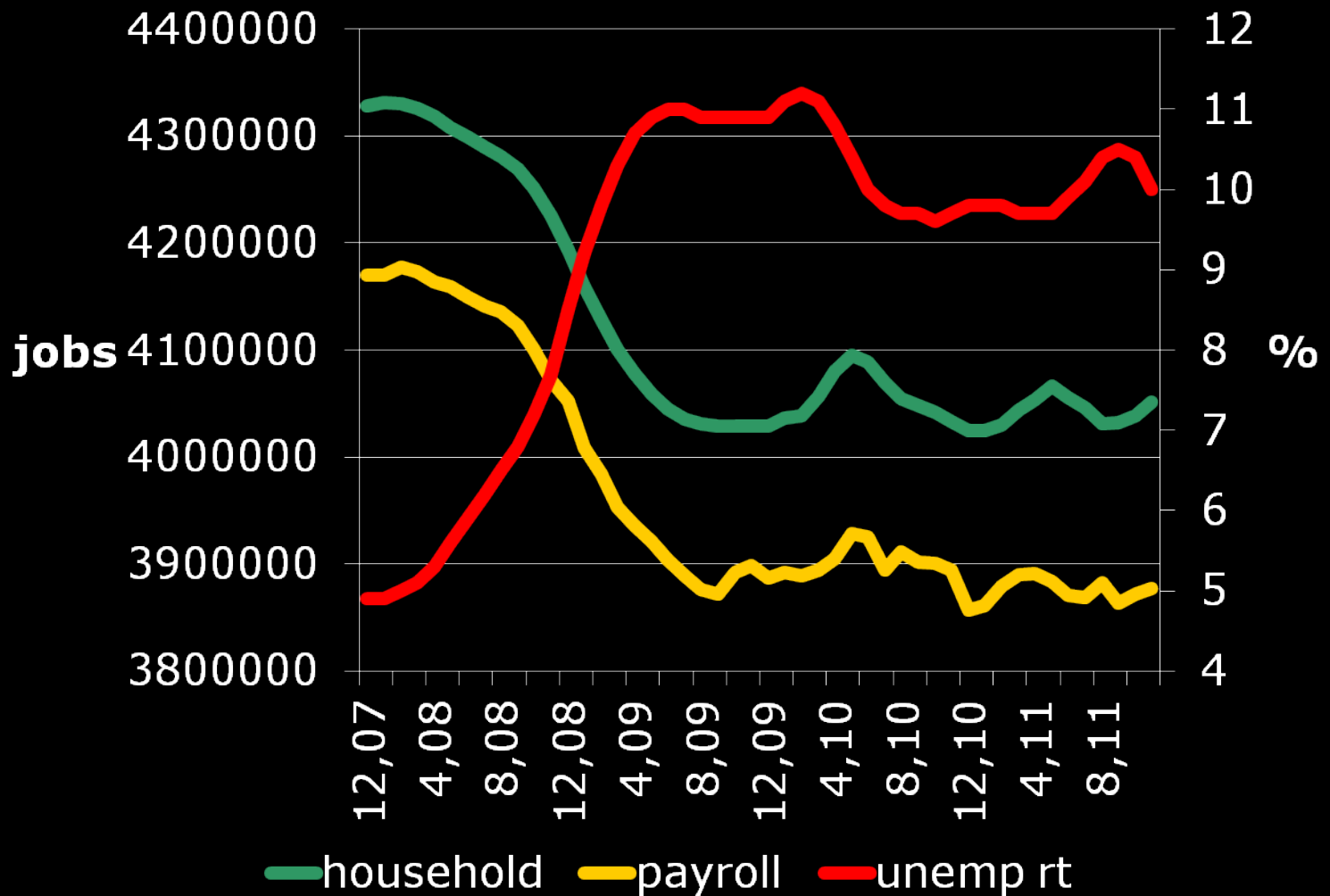


# N.C. vs. U.S. Real GDP

(annual % change)

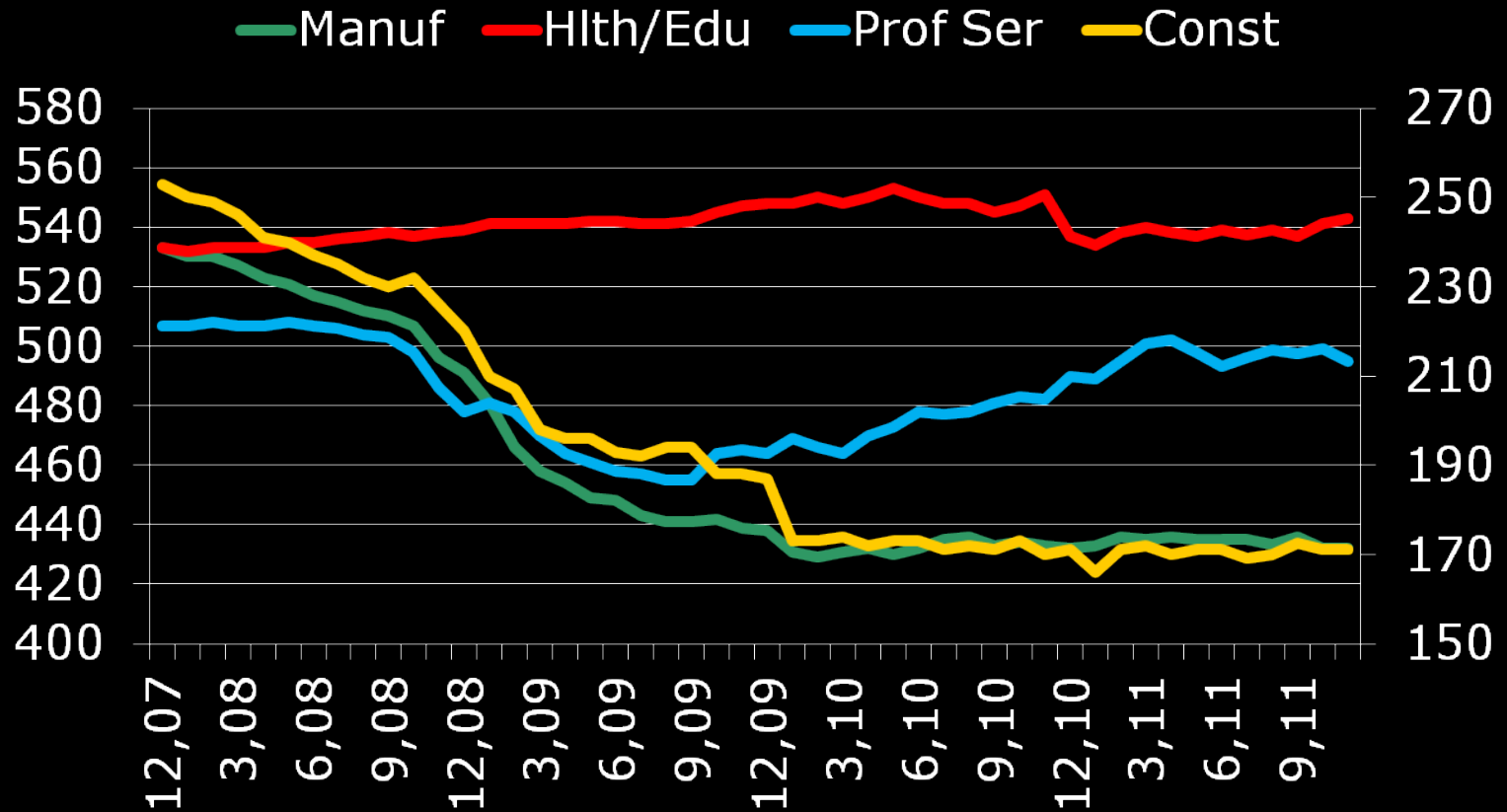


# A "STUCK" NC JOB MARKET



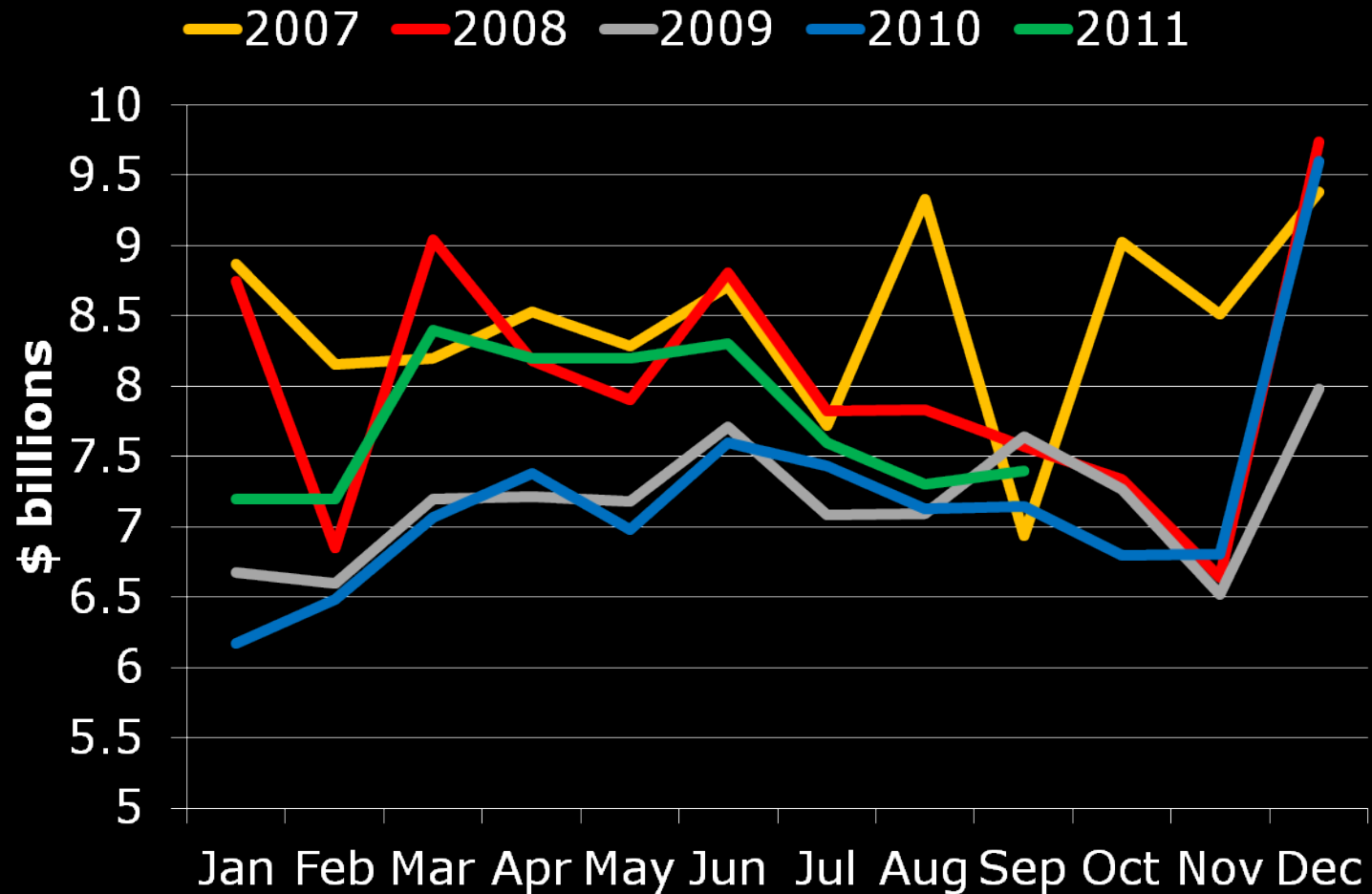
# JOB CHANGES BY MAJOR SECTOR, NC

(thousands, manuf, hlth/edu,, prof ser on left; const on right)

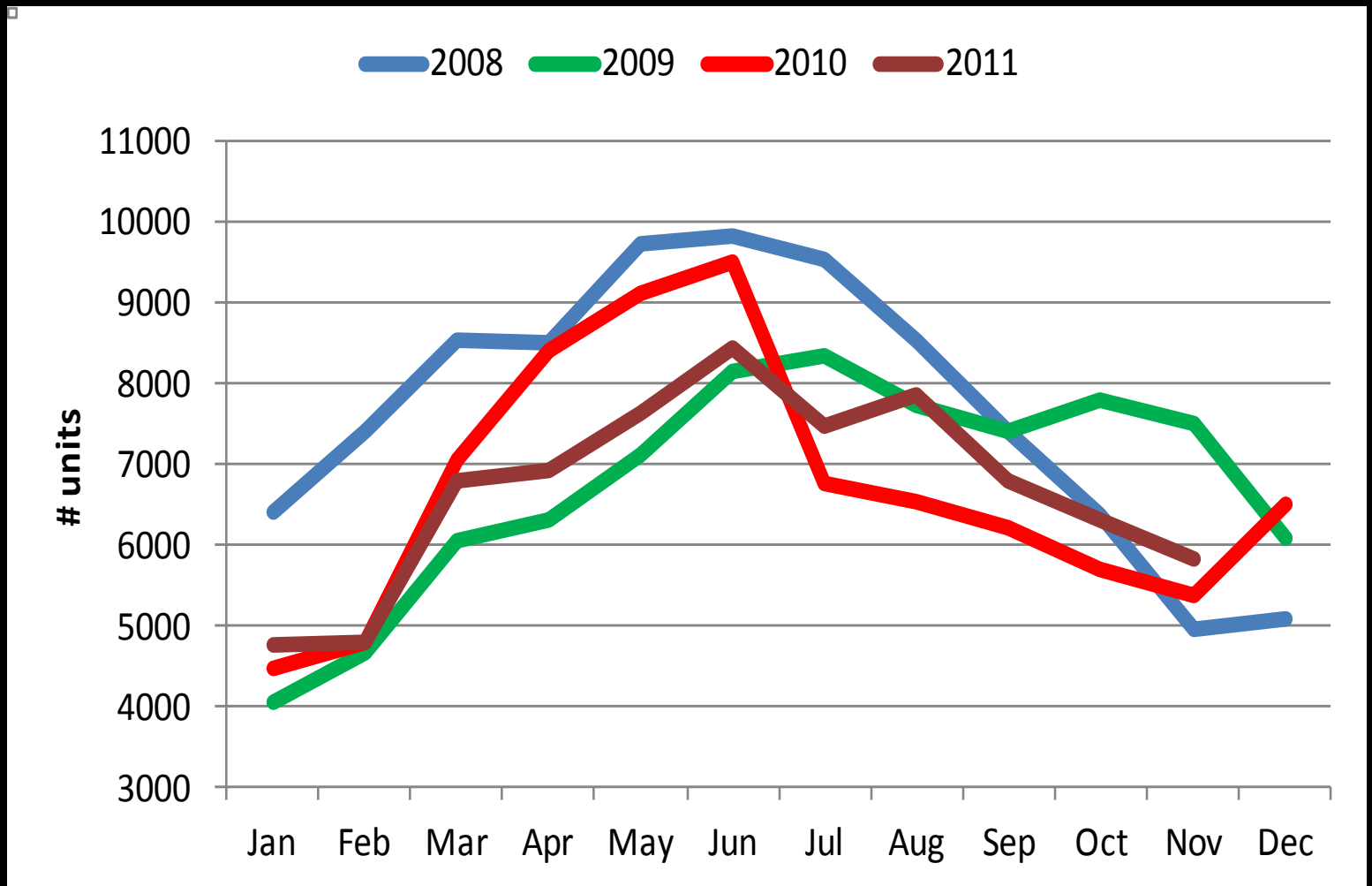


# NORTH CAROLINA RETAIL SALES

2005 \$

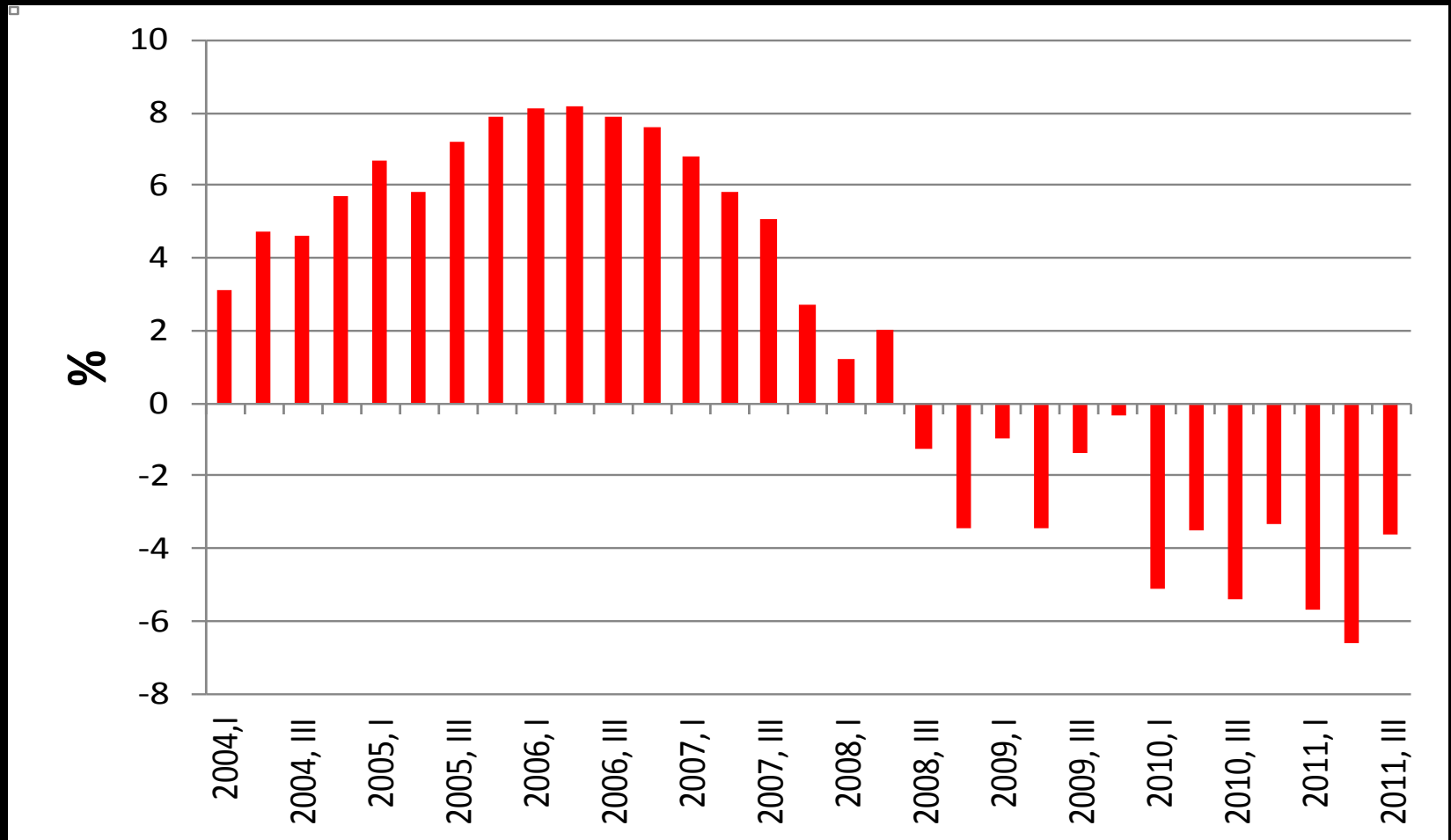


# NORTH CAROLINA EXISTING HOME SALES



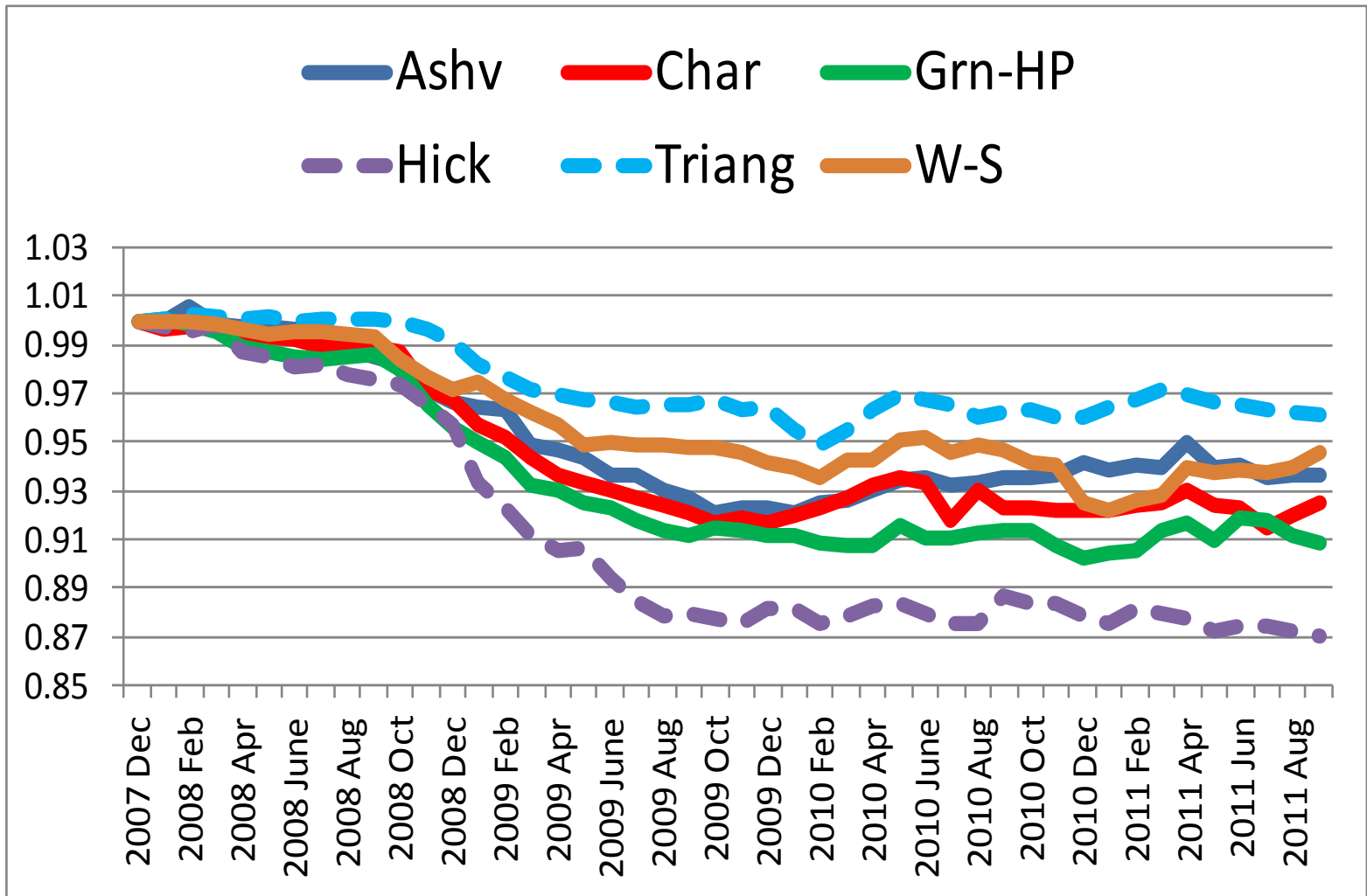
# NORTH CAROLINA HOME PRICE APPRECIATION RATE

(SEASONALLY ADJUSTED, ANNUALIZED, QUARTERLY DATA)



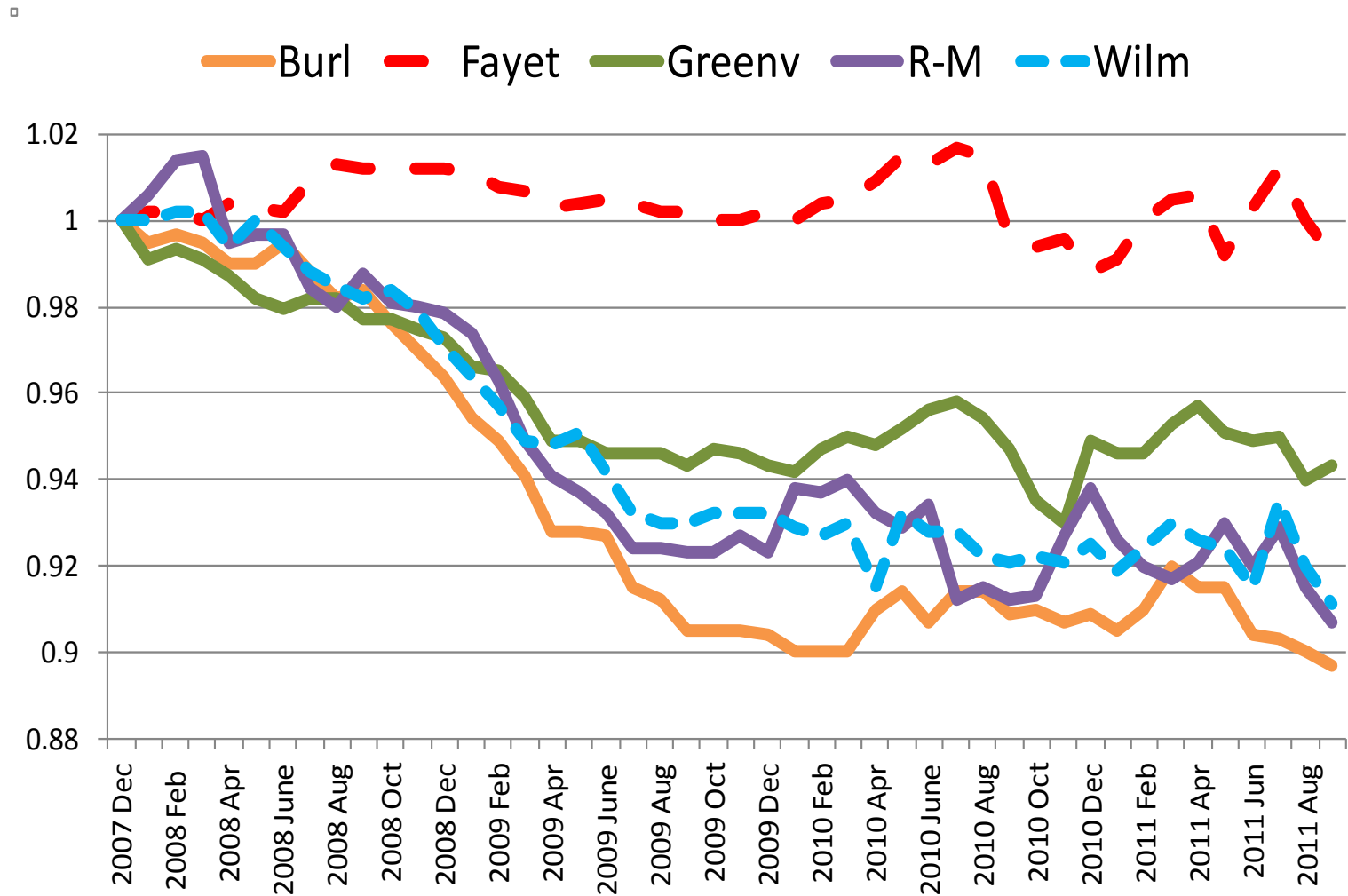
# NC Big Metro Job Market Trends

(Index, December 2007 = 100)



# NC Small Metro Job Market Trends

(Index, December 2007 = 100)



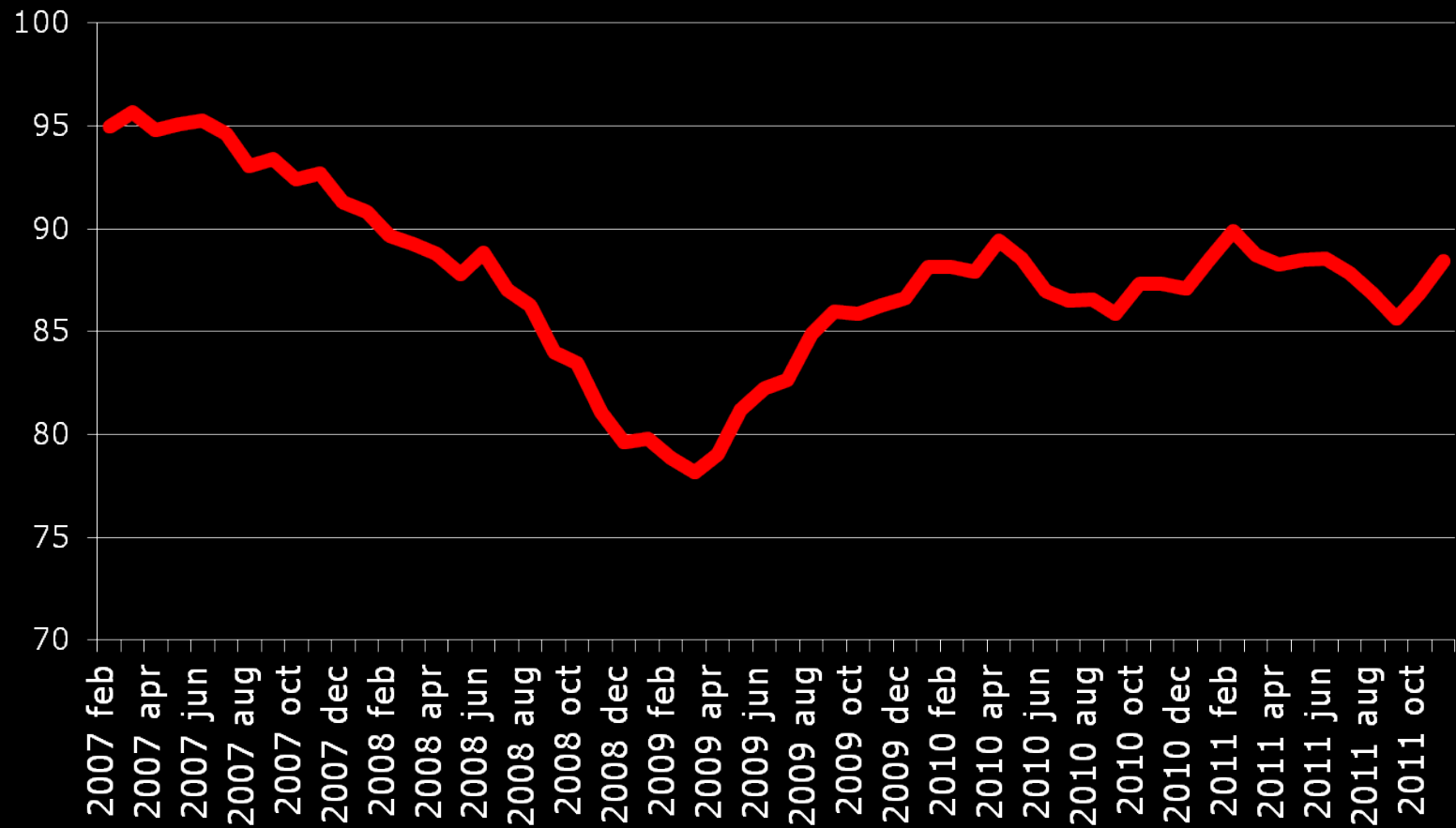
# JOB GAINS (%) IN METRO AREAS SINCE BOTTOM OF JOB RECESSION (Feb. 2010)

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Raleigh-Cary	2.5%
Winston-Salem	2.1%
U.S.	1.8%
Fayetteville	1.6%
Burlington	1.6%
Greensboro	1.4%
Charlotte	1.1%
Asheville	0.7%
Rocky Mount	0.7%
State	0.6%
Greenville	0.3%
Hickory	-1.4%
Wilmington	-1.7%
Goldsboro	-2.1%



## NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

# NC UNEMPLOYMENT RATE FORECAST

END OF 2012:

9.3% TO 9.5%



# PREPARING N.C. FOR THE FUTURE

MORE TECH TRAINING IN HIGH SCHOOL

MOVING STUDENTS THROUGH COLLEGE FASTER

MORE \$ FOR ROADS

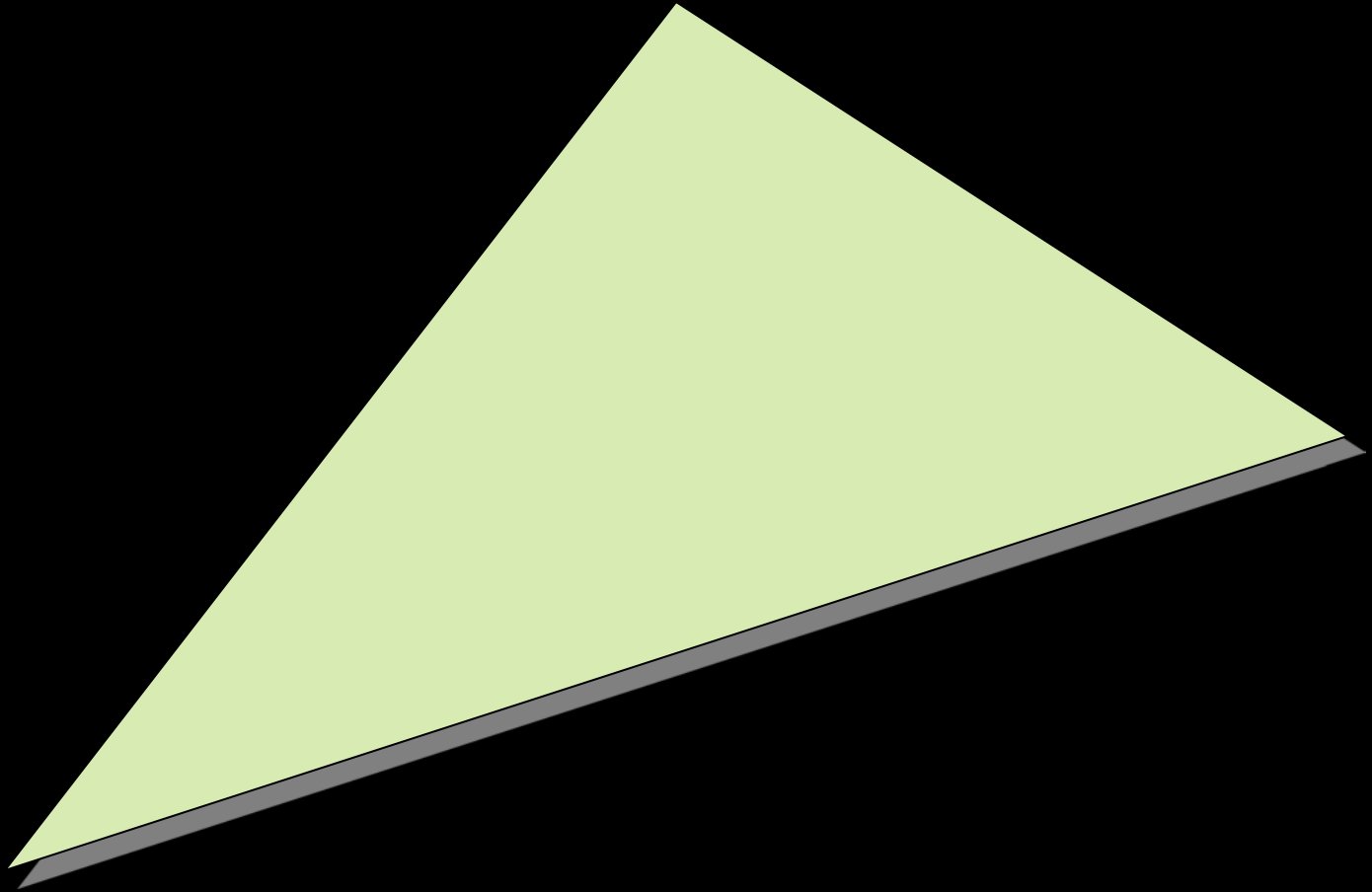
REVAMPING MEDICIAD

TAX REFORM

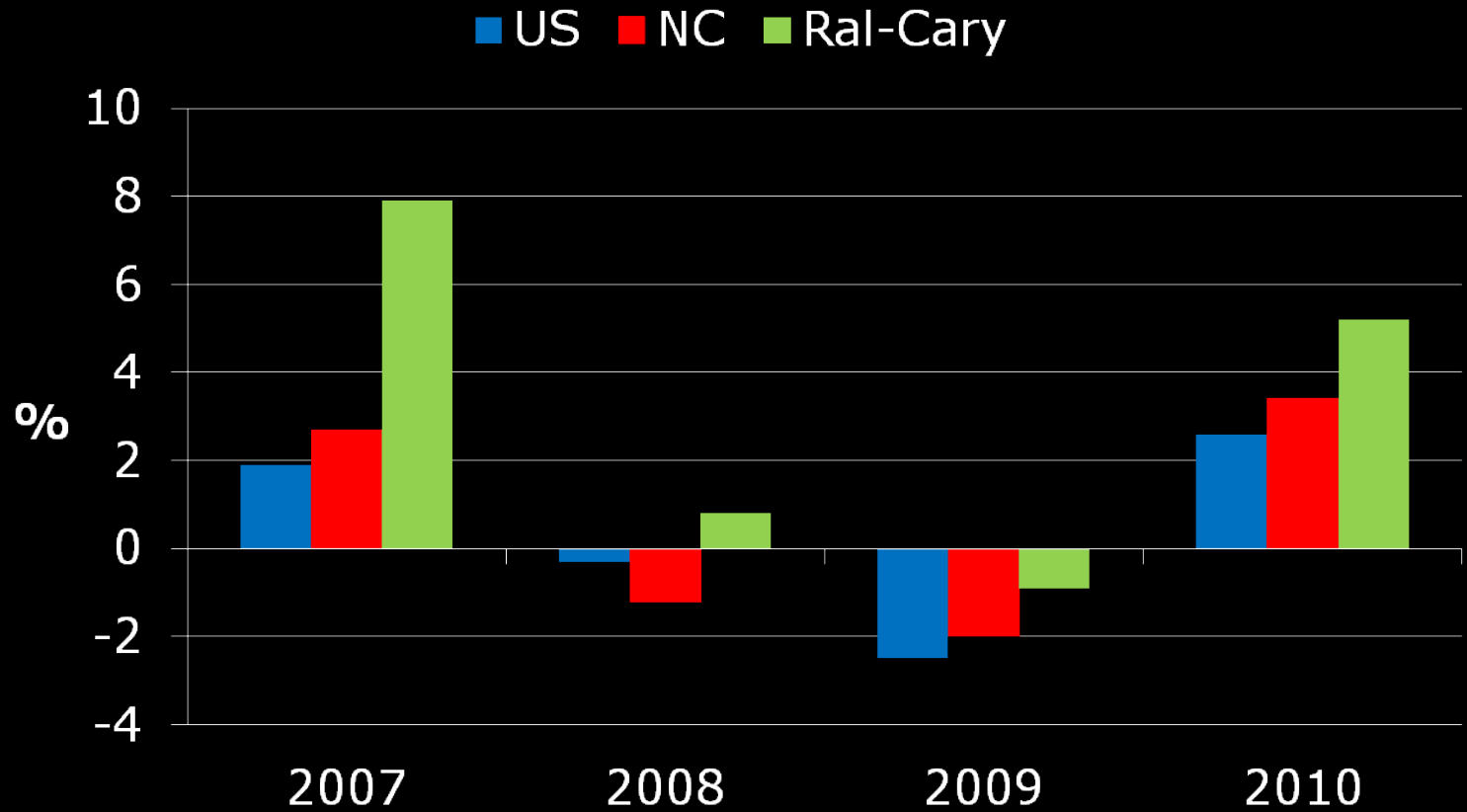


# RALEIGH-CARY METRO AREA

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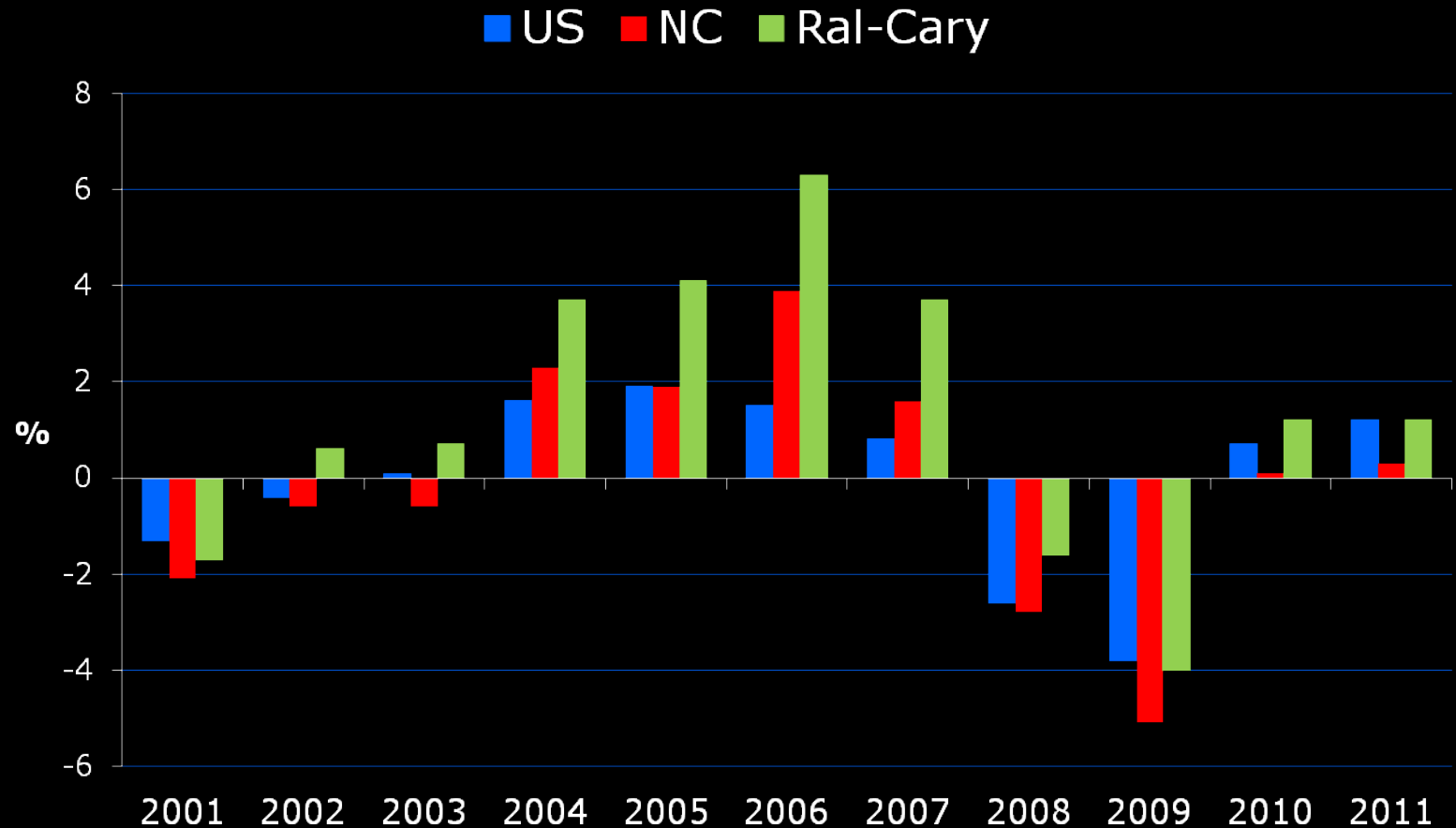


# REAL GDP GROWTH RATES (%)



# NON-FARM JOBS, % CHANGE

(2011: Oct to Oct.)



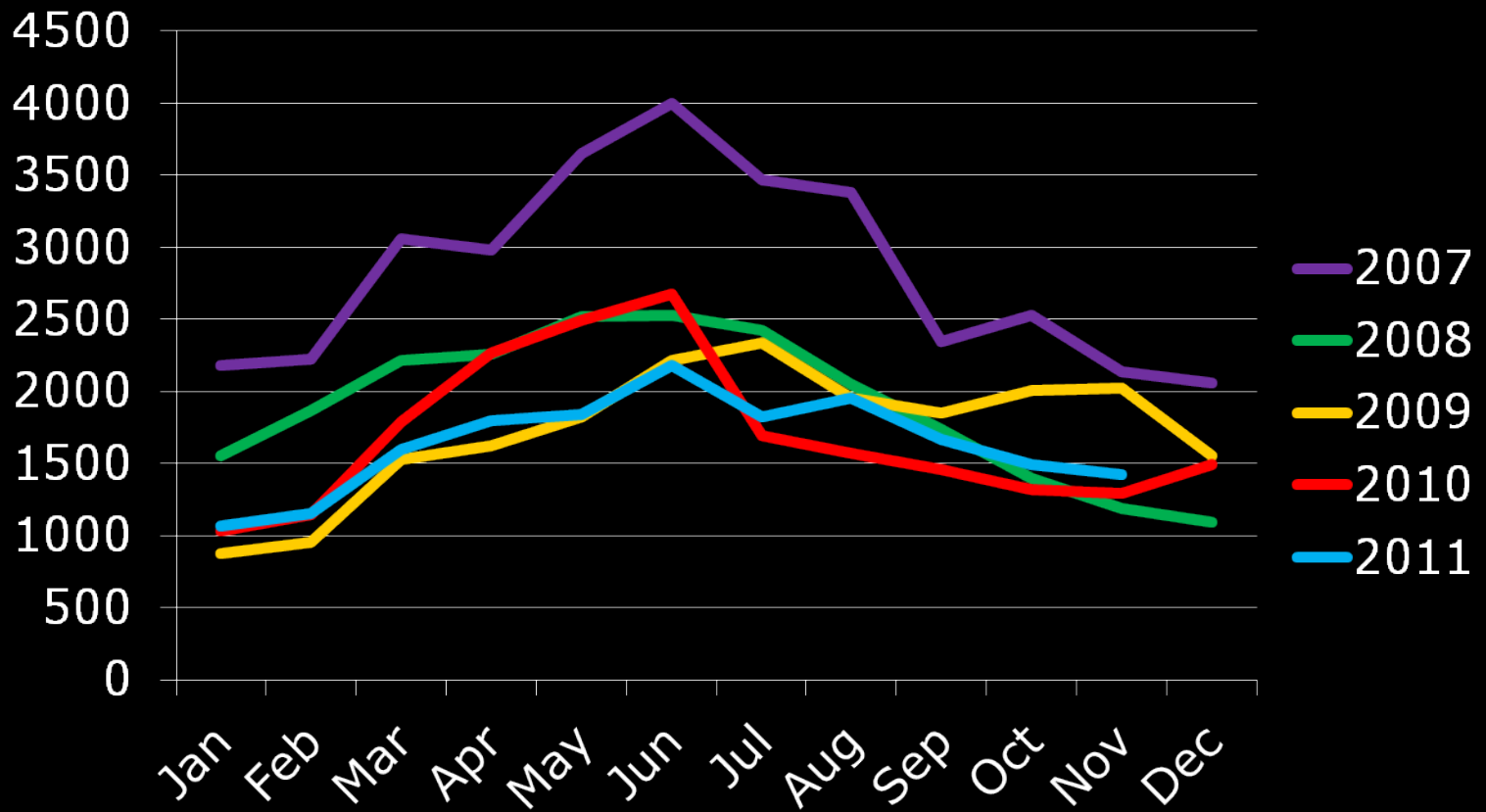
# JOB GROWTH IN RALEIGH-CARY METRO AREA SINCE FEBRUARY 2010 (%)

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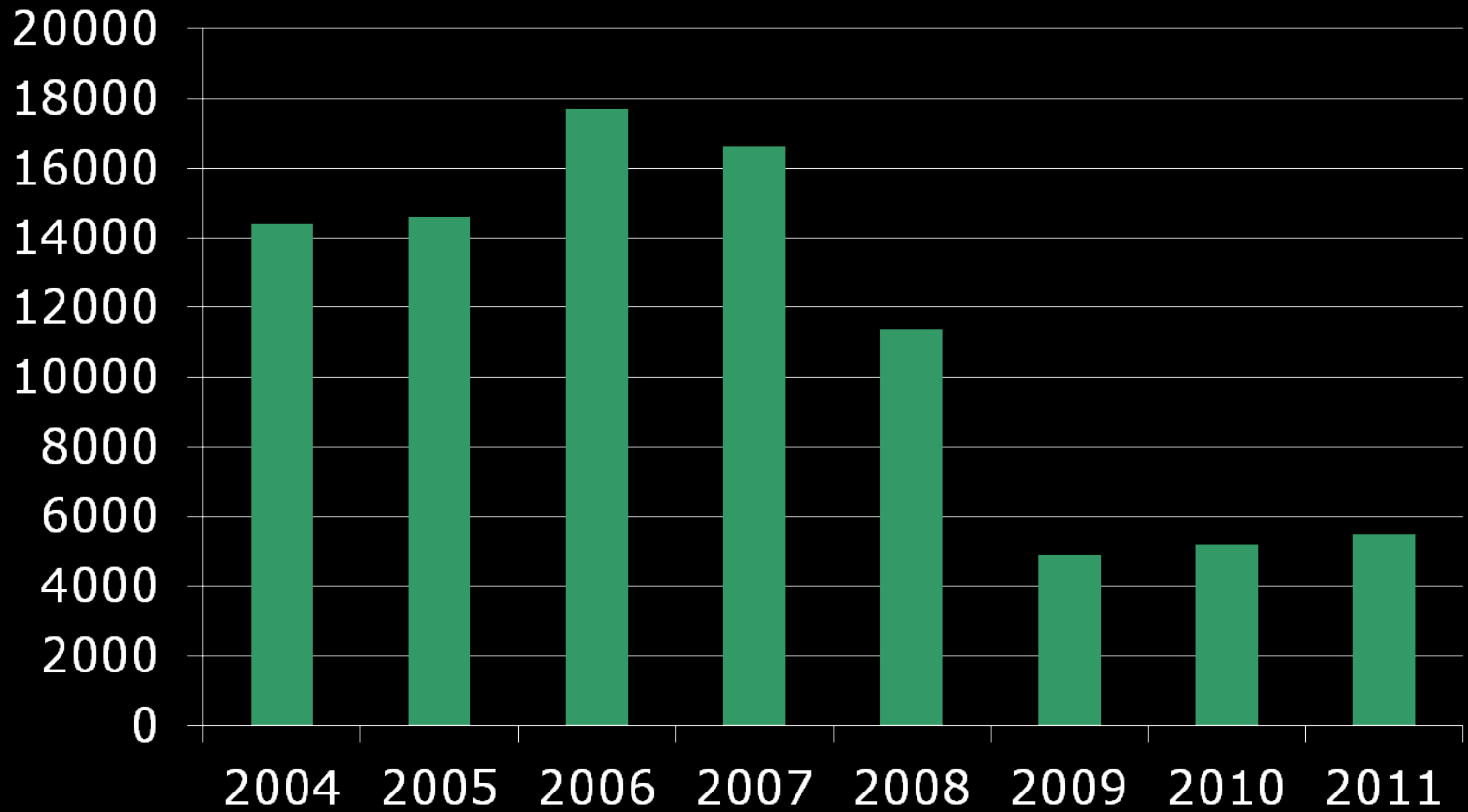
Professional/bus. serv.	10.7%
Leisure/hospitality	9.7%
Construction	7.8%
Other services	5.6%
Educ./health care	4.9%
Transp./trade/utilities	1.9%
Manufacturing	1.5%
Information	0.0%
Financial services	-2.0%

# TRENDS IN TRIANGLE HOME SALES



# Raleigh-Cary New Privately Owned Housing Permits Issued

(Nov. and Dec. 2011 forecasted)



# OFHEO HOME PRICE CHANGES, 3<sup>ND</sup> QUARTER 2010 TO 3<sup>ND</sup> QUARTER 2011

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U.S. -3.7%

N.C. -3.6%

Raleigh-Cary -2.3%

Durham-C.H. -2.9%

# WRAP-UP: LOOKING AHEAD

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IN 2012  
IMPROVEMENT, AND BETTER  
THAN 2011

HOUSING MARKET AND  
HOUSEHOLD FINANCES ARE  
KEYS

NC GROWTH WILL ACCELERATE

TRIANGLE WILL BE A LEADER