

## ECONOMIC OUTLOOK 2019: THE LATE INNINGS OF GROWTH?



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## A REVIEW OF 2018: A GOOD YEAR

GDP GROWTH: 3.2%

2.5 MILLION JOBS ADDED

JOBLESS RATE: 3.7%

INVEST. RT.: 17.7%

2018

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## IN JUNE 2019, CURRENT EXPANSION WILL BE LONGEST IN HISTORY, BUT WILL IT GO ON?



### THREE VIEWS:

1. YES, BECAUSE THERE WAS A "RECESSION" IN 2015
2. YES, BECAUSE TAX CUTS AND DEREGULATION RE-CHARGED THE ECONOMY
3. NO – RECESSION IN 2020

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## WHAT COULD IGNITE A RECESSION?



HOUSEHOLD DEBT

BUSINESS DEBT

ENERGY PRICES

FEDERAL RESERVE

TRADE WAR

FOREIGN SHOCK

STOCK MARKET

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## FEDERAL RESERVE HAS SHIFTED FOCUS FROM GROWTH TO INFLATION



FED'S DUAL MANDATE

"TAKE THE PUNCH BOWL AWAY"

HAS BEEN GRADUALLY INCREASING INTEREST RATES

IF MOVE TOO FAST, COULD SQUASH PRIVATE SPENDING

SIGNAL OF A PAUSE IN HIKES?

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## TRADE WARS



- \* NEW NAFTA: USMCA
- \* EU TALKS
- \* S. KOREA TREATY
- \* JAPAN TALKS

REMAINING BIG CHALLENGE – CHINA

0.4% HIT TO GDP GROWTH RATE IF FAIL

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## FOREIGN SHOCK



### CHINA'S CHALLENGES:

SLOWING GROWTH  
 HIGH DEBT  
 WOBBLY FINANCIAL SECTOR  
 TRADE WAR WITH U.S. –  
 MEANS MORE TO CHINA

ALSO – SLOWING GROWTH  
 IN GERMANY AND JAPAN

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## STOCK MARKET



SOME SIGNS MARKET  
 MAY BE OVER-VALUED

MARKET WILL REACT  
 TO FUNDAMENTAL  
 FACTORS

DAILY EVALUATION OF  
 THE ECONOMY

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## WHAT ABOUT THE NATIONAL DEBT?



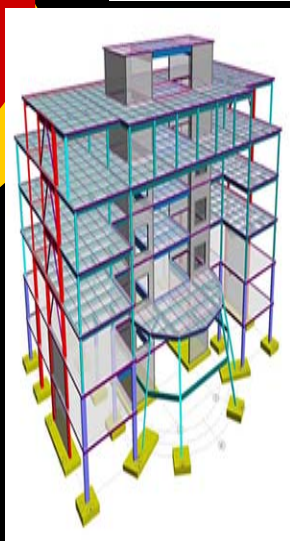
WE SLEEPWALKED THROUGH RECENT DEBT HIKES AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

INTEREST ON DEBT AS % OF BUDGET COULD DOUBLE FROM 7% TO 14% IN 2028

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## MANY STRUCTURAL CHALLENGES



LABOR PRODUCTIVITY

AGING POPULATION & SLOW LABOR FORCE GROWTH

"INVISIBLE" UNEMPLOYMENT

HOLLOWING-OUT OF LABOR MARKET

URBAN/RURAL DIVIDE

TECHNOLOGY AND UNEMPLOYMENT

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## OUTLOOK FOR 2019



GROWTH BUT SLOWER: GDP UP 2.7% COMPARED TO 3.3% IN 2018

JOBLESS RATE NOW 3.7%; POST WW II LOW IS 2.8% - KEY TO LOWER IS RAISING PARTICIPATION RATE

WATCH INFLATION AND FED

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## NORTH CAROLINA



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## STATE ECONOMY IMPROVED IN 2018



100,000 NET NEW JOBS –  
FASTER GROWTH RATE  
THAN NATION

BUT SLOWER GDP  
GROWTH RATE THAN THE  
NATION

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## ALSO, PROGRESS ON THE TWO ECONOMIC DIVIDES

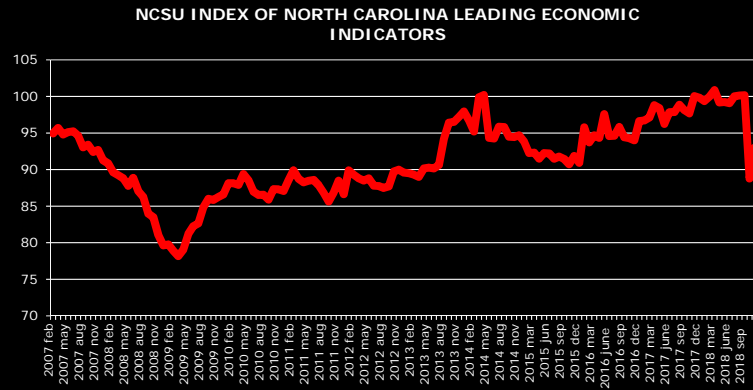


FASTER GROWTH RATE IN  
MIDDLE-PAY JOBS THAN  
IN RECENT PAST

FASTER GROWTH RATE IN  
RURAL AREA JOBS THAN  
IN RECENT PAST

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## NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

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## ON-GOING CHALLENGES



MORE GAINS IN K-12

COLLEGE COSTS AND OUTCOMES

WORKFORCE: RE-TRAINING

ROADS: FUNDING

DEMOGRAPHICS: AGING –  
BATTLE OVER \$ WITH YOUTH?

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**QUESTIONS FOR HIM, NOT ME!**



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