

ECONOMIC OUTLOOK: FASTER GROWTH AHEAD? Dr. Michael L. Walden



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THE BIG NATIONAL ECONOMIC STORIES



ELECTION OF DONALD TRUMP AND
MEANING FOR ECONOMIC POLICIES

TRADE WARS COMING?

WILL FEDERAL RESERVE APPLY THE
BRAKE?

THE DEMOGRAPHIC AND
TECHNOLOGY CHALLENGES

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FIRST GOAL OF TRUMP ADMINISTRATION: INCREASE ANNUAL ECONOMIC GROWTH RATE

WANTS TO DOUBLE ANNUAL GROWTH RATE:
2% TO 4%

POLICIES TO ACCOMPLISH

- * TAX REDUCTIONS
- * INFRASTRUCTURE PROJECTS
- * INCREASED MILITARY SPENDING
- * REDUCED REGULATIONS
- * INCREASED ENERGY PRODUCTION
- * REDUCED TRADE DEFICIT

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TAX REDUCTION PLAN



BIG: \$6 TRILLION OVER 10 YRS.

DEDUCTIONS/CREDITS?

LIKELY INCREASE FEDERAL
BORROWING

CORPORATE RATE IS KEY

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INFRASTRUCTURE PROGRAM



\$1 TRILLION OVER 10 YRS.

HOW FAST COULD START?
REGULATIONS/STUDIES

NOT LABOR INTENSIVE

HOW FINANCE?

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INCREASED MILITARY SPENDING



HOW MUCH?

IMPACT ON BORROWING?

SPLIT BETWEEN EQUIPMENT
AND PERSONNEL

COULD HELP PARTS OF NORTH
CAROLINA

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REDUCED REGULATIONS



VAGUE ON DETAILS, BUT
LIKELY START WITH ENERGY

STUDIES SHOW REGULATIONS
CAN IMPEDE GROWTH

BUT ALSO HAVE BENEFITS

SLOW PROCESS

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INCREASE ENERGY PRODUCTION



HAS ALREADY BEEN
OCCURRING

PRICE STILL DETERMINES
IF PROFITABLE

NC COULD BE IMPACTED BY
OFF-SHORE DRILLING

ENVIRONMENTAL IMPACTS

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REDUCE TRADE DEFICIT AND SHIFT PRODUCTION TO THE U.S.



RENEGOTIATE TREATIES,
LAWSUITS, TARIFFS

WORRY OF A "TRADE WAR"
THAT IMPACT US EXPORTS

COMPLICATIONS WITH
SUPPLY CHAINS

LABOR USAGE HAS SHRUNK

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OTHER LONGER-RUN ISSUES IMPACTING THE ECONOMY



THE AFFORDABLE CARE ACT

MINIMUM WAGE

EDUCATION

NATIONAL DEBT

SOCIAL SECURITY/MEDICARE

REVISION OF DODD-FRANK

GLOBAL WARMING

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OR, DOES ANY OF IT MATTER?




ARGUMENT THAT OUR **AGING SOCIETY** AND **LOWER BIRTH RATE** ARE THE MAJOR REASONS FOR SLOWER ECONOMIC GROWTH

WORRIES OF **"TECHNOLOGICAL UNEMPLOYMENT"**

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SOME NUMBERS



	<u>2016</u>	<u>2017</u>	<u>2018</u>
GDP	1.3%	2.2%	2.4%
Payroll jobs	1.7%	2.0%	2.1%
Real wage growth	2.3%	2.6%	2.8%

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TRUMP STIMULUS WILL LIKELY LEAD TO HIGHER INFLATION AND INTEREST RATES



	<u>2016</u>	<u>2017</u>	<u>2018</u>
Inflation rate	1.1%	2.1%	2.2%
Short interest rate	0.5%	1.3%	1.7%
Long Interest rate	3.0%	3.3%	3.4%

Short rate: 3 month treasury bill
Long rate: 30 year treasury note

PRESIDENT TRUMP AND THE FEDERAL RESERVE



PRESIDENT-ELECT HAS CRITICIZED FED FOR LOW INTEREST RATE POLICY


FED LIKELY WILL INCREASE ITS SHORT TERM RATES

CHAIR YELLEN SERVES UNTIL EARLY 2018

CURRENTLY TWO VACANCIES ON THE BOARD

COULD HALT STOCK GAINS

ARE THERE ECONOMIC EXCESSES (BUBBLES) READY TO POP AND CAUSE A RECESSION?



STOCK MARKET?

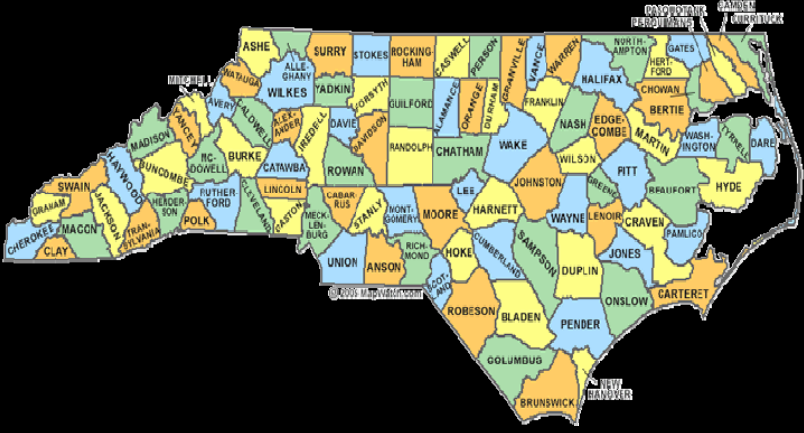
HOUSING MARKET?

DEBT?

MONEY (DOLLAR)?

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THE NORTH CAROLINA ECONOMY



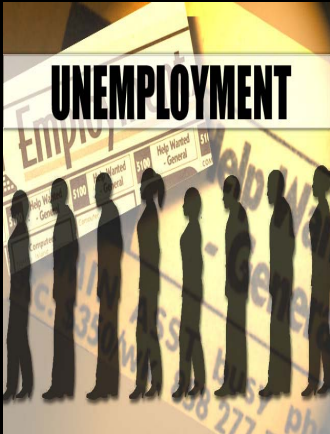
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BETTER NUMBERS THAN THE NATION IN 2016

	<u>NC</u>	<u>US</u>
GDP	2.0%	1.3%
PAYROLL JOBS	2.0%	1.7%
REAL WAGE GROWTH	5.1%	2.3%

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NC WILL ADD 90,000 JOBS IN 2017, BUT OFFICIAL JOBLESS RATE WILL FALL SLIGHTLY BECAUSE:



230,000 "official" unemployed in NC

another 200,000 "unofficial" unemployed in NC

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CONTINUED URBAN/RURAL DIVIDE



BUT AS METRO AREAS EXPAND, "INNER" RURAL AREAS WILL EXPERIENCE GROWTH,

... BUT ALSO TRAFFIC ISSUES

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KEY TO A PROSPEROUS FUTURE WILL CONTINUE TO BE EDUCATION, BUT.....



WILL HAVE TO BE LIFELONG

ALLOWING RAPID RETRAINING

WILL HAVE TO BE MORE EFFICIENT AND COST-EFFECTIVE

AND MORE ADAPTABLE TO THE CHANGING JOB MARKET

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