

ECONOMIC UPDATE AND OUTLOOK



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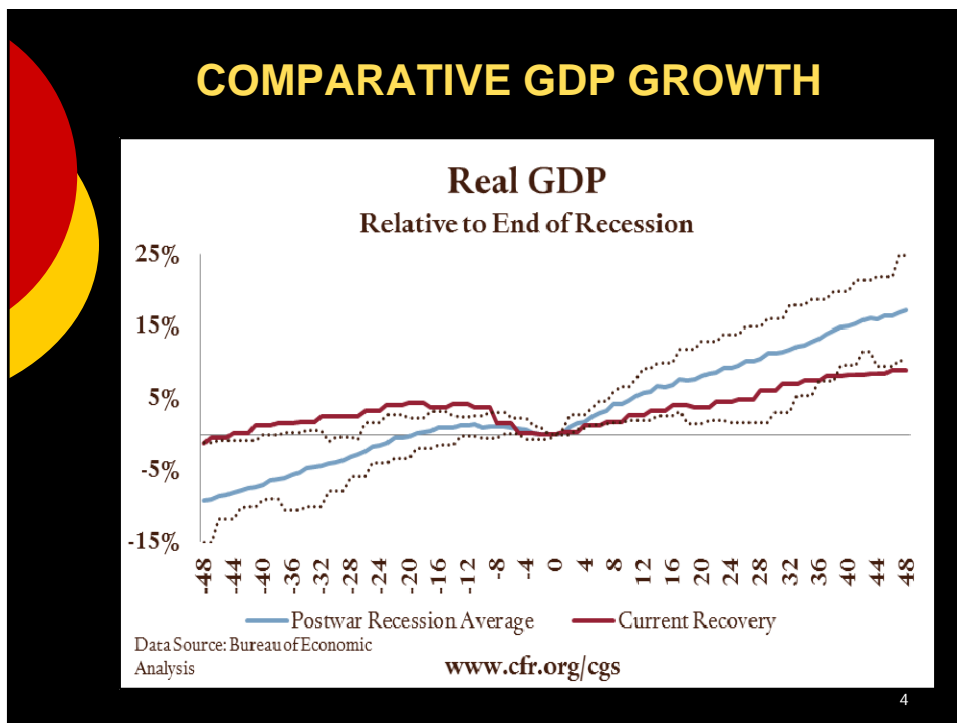
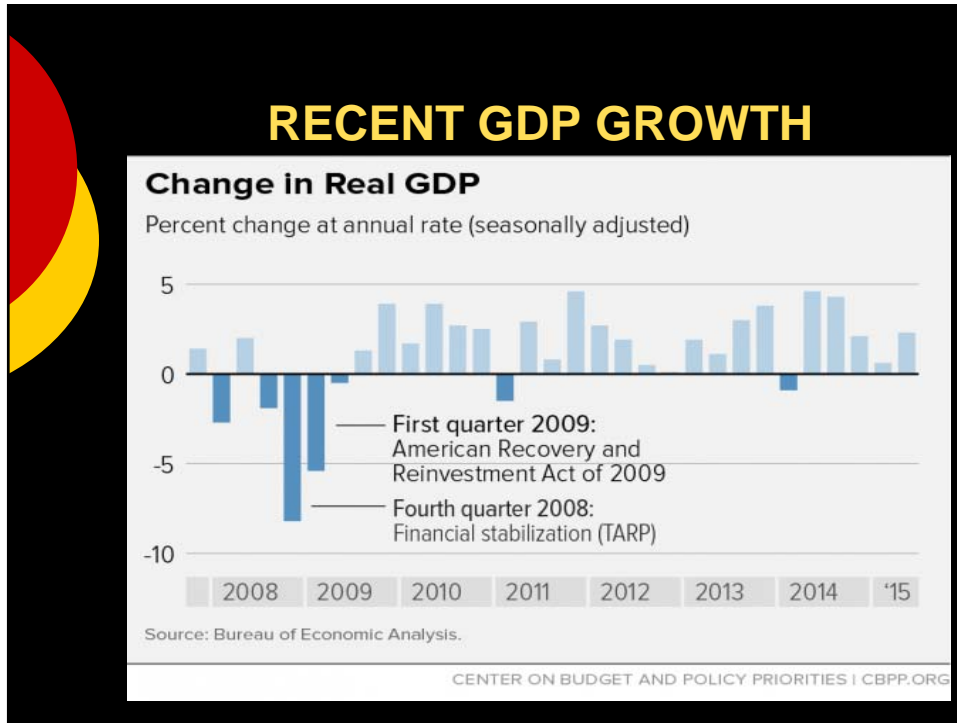
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THE NATIONAL ECONOMY

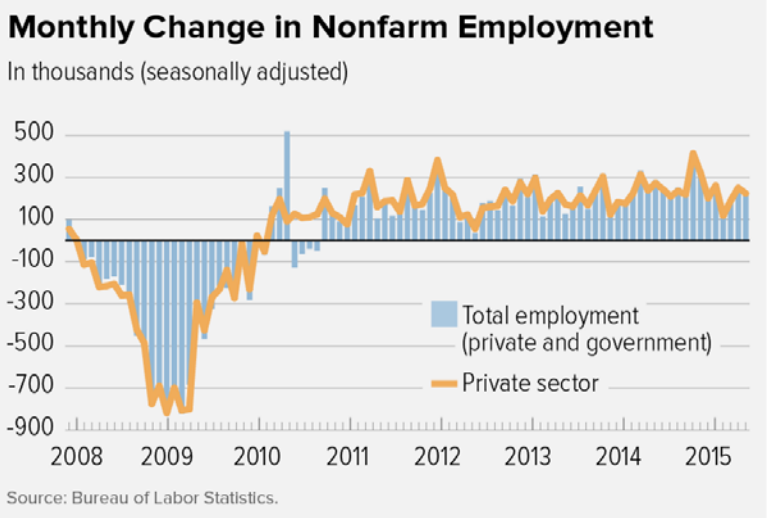


THE EFFECTS OF
THE FINANCIAL
CRASH STILL
LINGER

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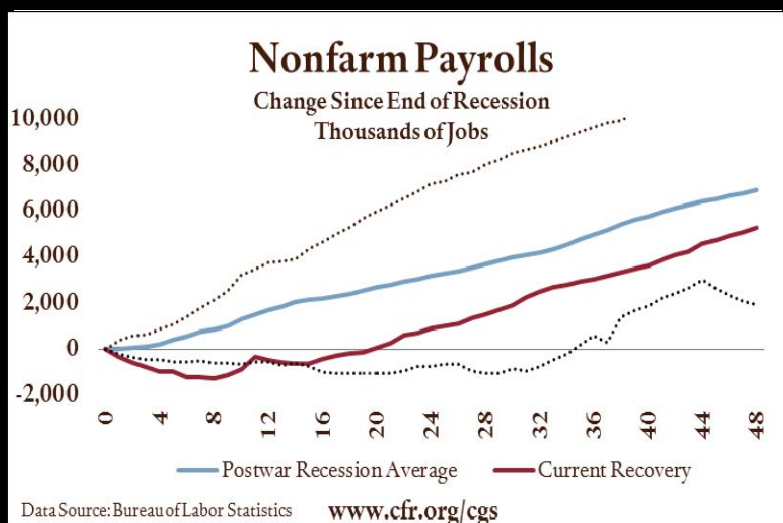


RECENT JOB GROWTH



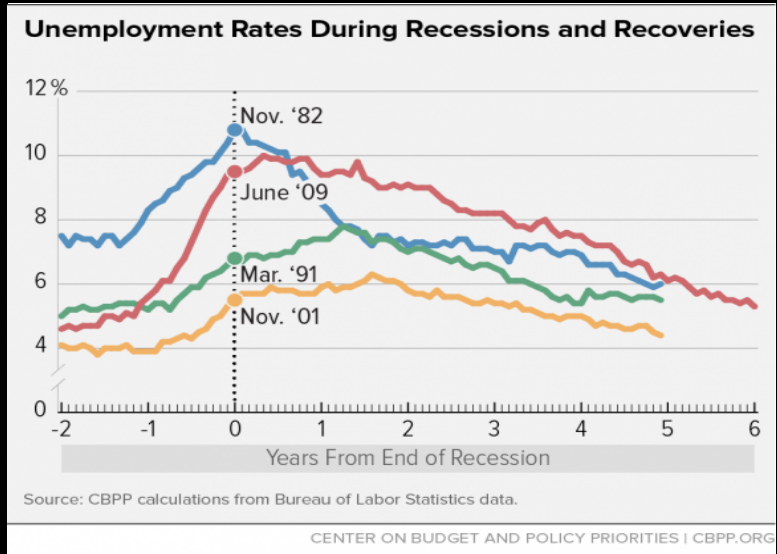
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

COMPARATIVE JOB GROWTH

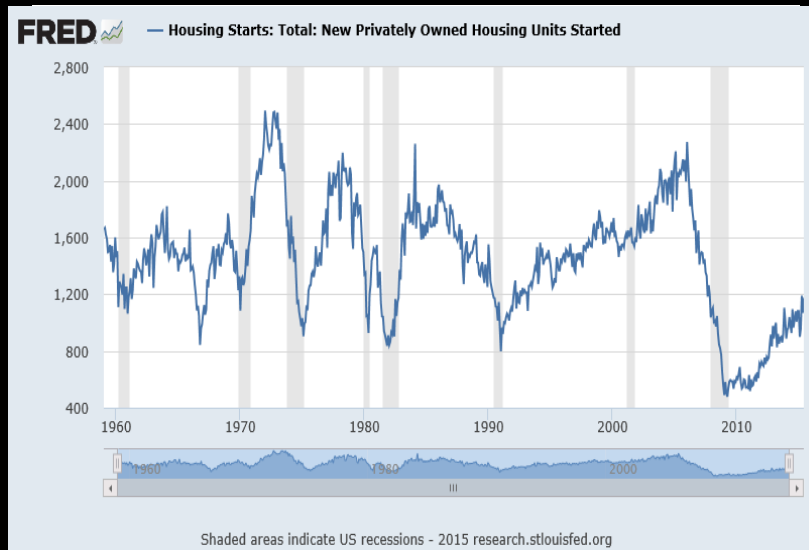


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JOBLESS RATE TRENDS IN RECENT RECOVERIES



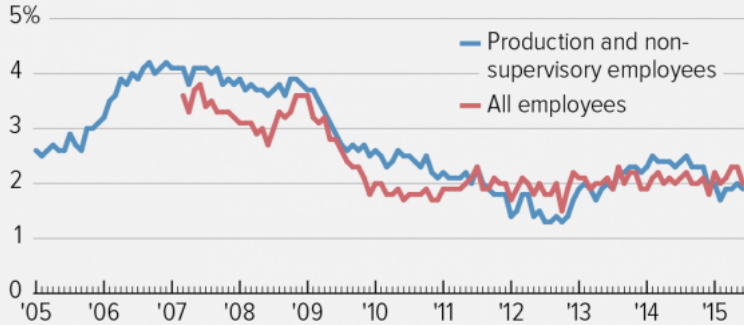
HOUSING CONSTRUCTION IS ALSO BELOW RATE OF EARLIER RECOVERIES



WHY THE SLOW RECOVERY? 1. WAGE GAINS HAVE BEEN SLOW

Average Hourly Earnings: Private Sector

Change in average hourly earnings from one year earlier



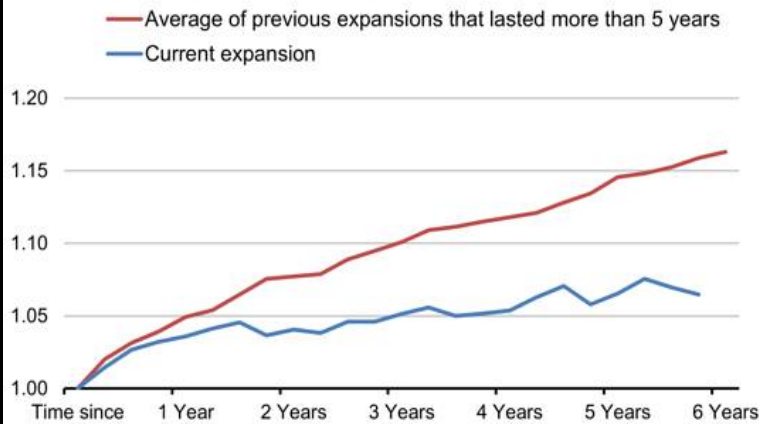
Source: CBPP calculations from Bureau of Labor Statistics Data

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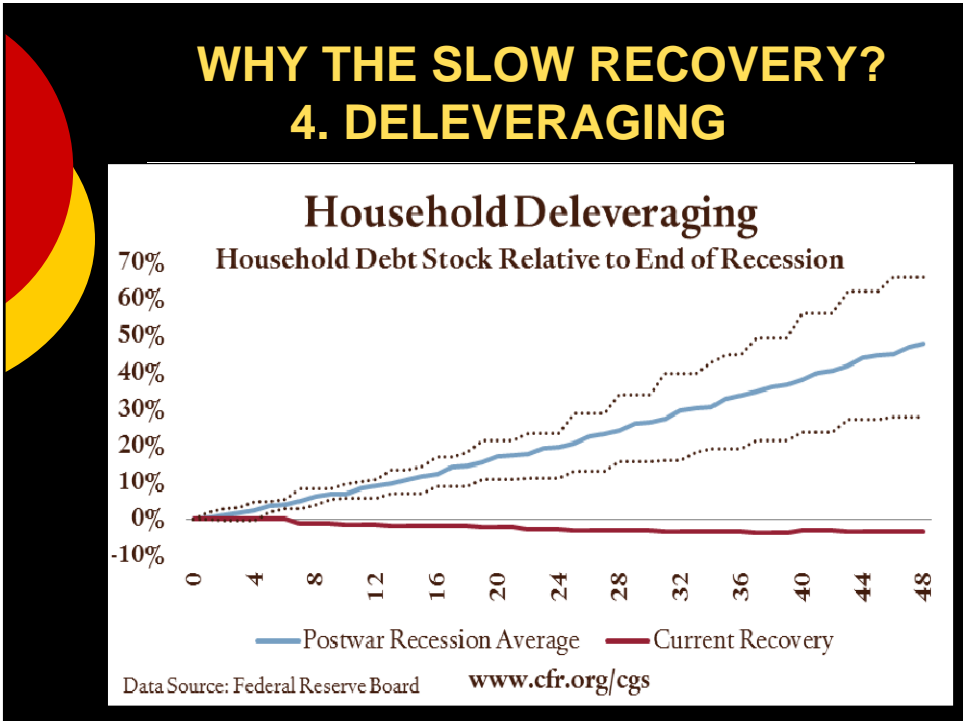
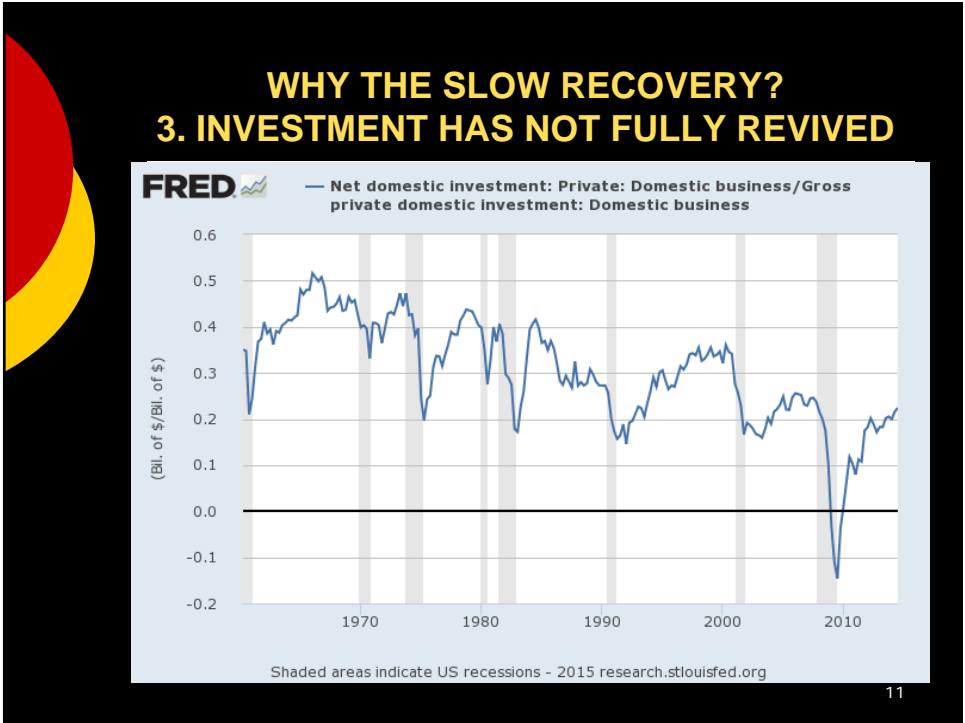
WHY THE SLOW RECOVERY? 2. PLODDING PACE OF PRODUCTIVITY

Productivity's Plodding Pace

Nonfarm productivity. Index: 1.00=trough of business cycle



Source: Labor Department | WSJ.com

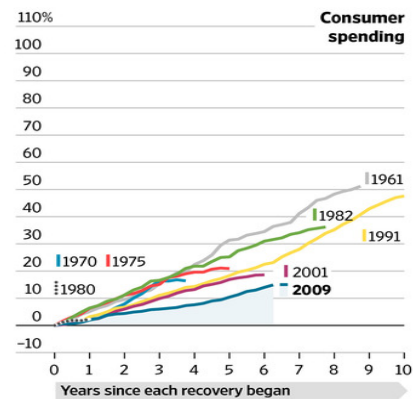
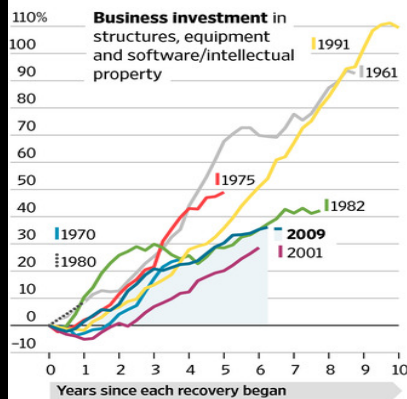


5. BUSINESS AND CONSUMER SPENDING HAVE BOTH BEEN SLOW

Business Investment Cools

Pent-up demand fueled businesses' capital expenditures early in the expansion, but that spending has leveled off, creating an obstacle to present and future growth.

Change since each recovery began, adjusted for inflation

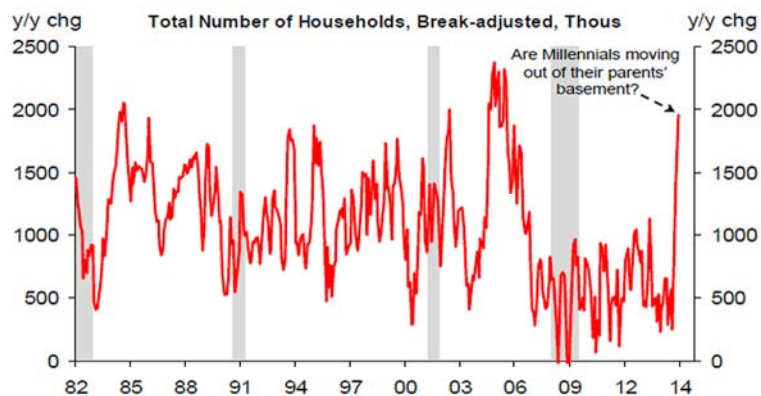


Note: All figures adjusted for seasonality
Source: Commerce Department

Andrew Van Dam and Eric Morath/THE WALL STREET JOURNAL

WHY THE SLOW RECOVERY? 6. SLOW HOUSEHOLD FORMATION

Household formation has increased dramatically in recent months

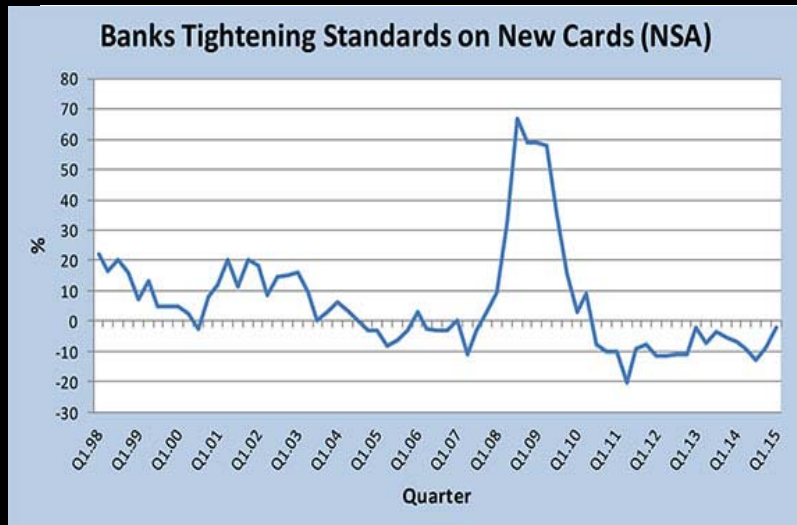


Source: Census, Haver Analytics, DB Global Markets Research
Deutsche Bank Research

January 2015

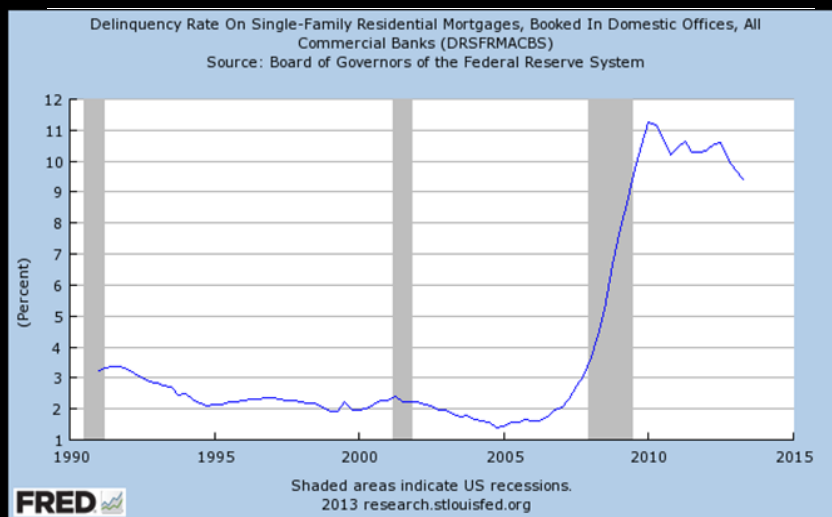
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WHY THE SLOW RECOVERY? 7. CREDIT IS STILL RELATIVELY TIGHT



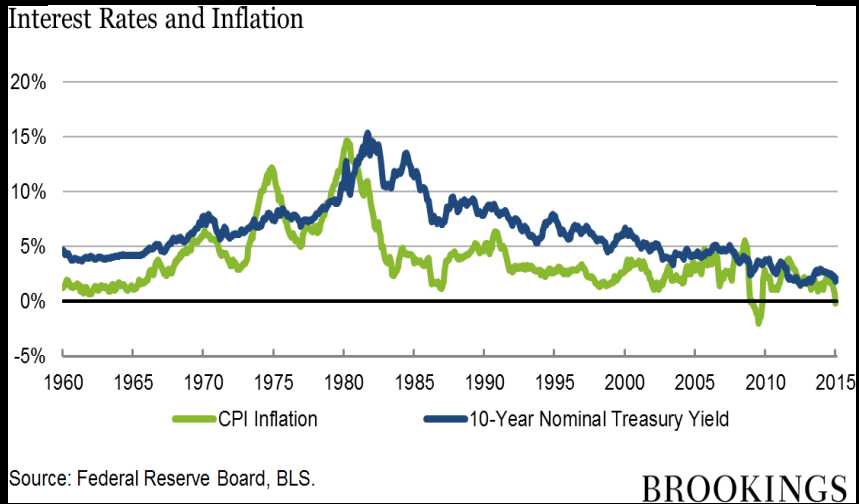
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IN PART BECAUSE MANY HOUSEHOLDS STILL HAVE CREDIT ISSUES



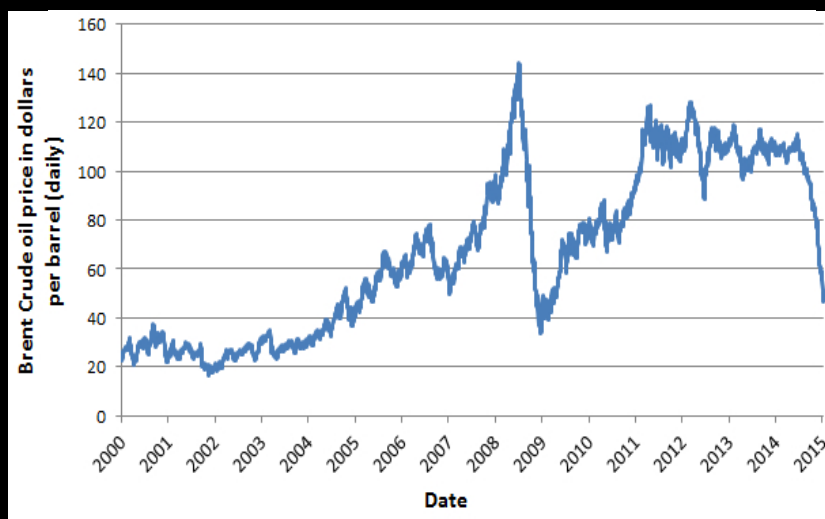
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EVEN THOUGH INTEREST RATES AND INFLATION HAVE BEEN LOW



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AND OIL PRICES HAVE BEEN FAVORABLE



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U.S. FORECASTS

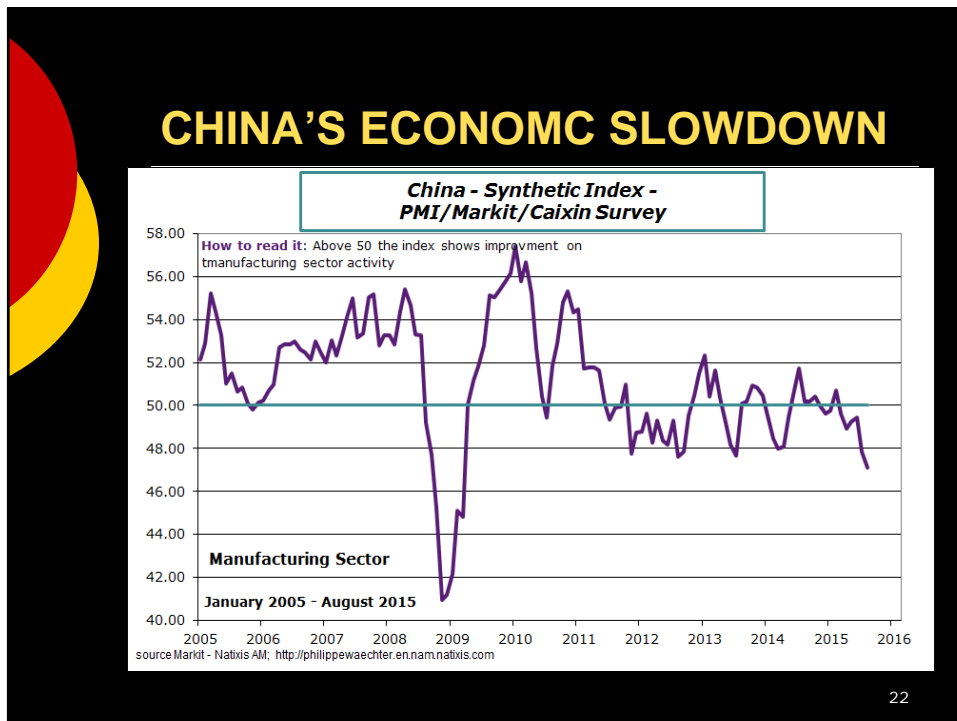
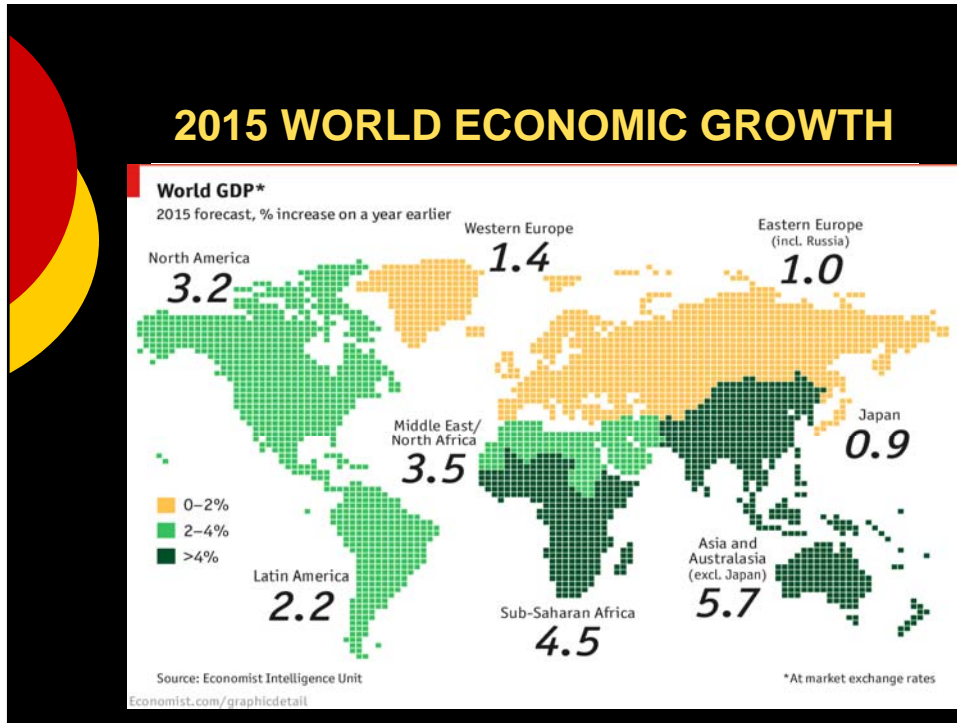
EXPECT HOUSEHOLD FORMATION
AND BORROWING TO ACCELERATE:
GDP ANNUAL GROWTH OF **2.5-3.0%**
2.5-3 MILLION ANNUAL NEW JOBS
SLIGHT UPTICK IN INTEREST RATES
AND INFLATION
3 YEARS AWAY FROM A PAUSE ("R")

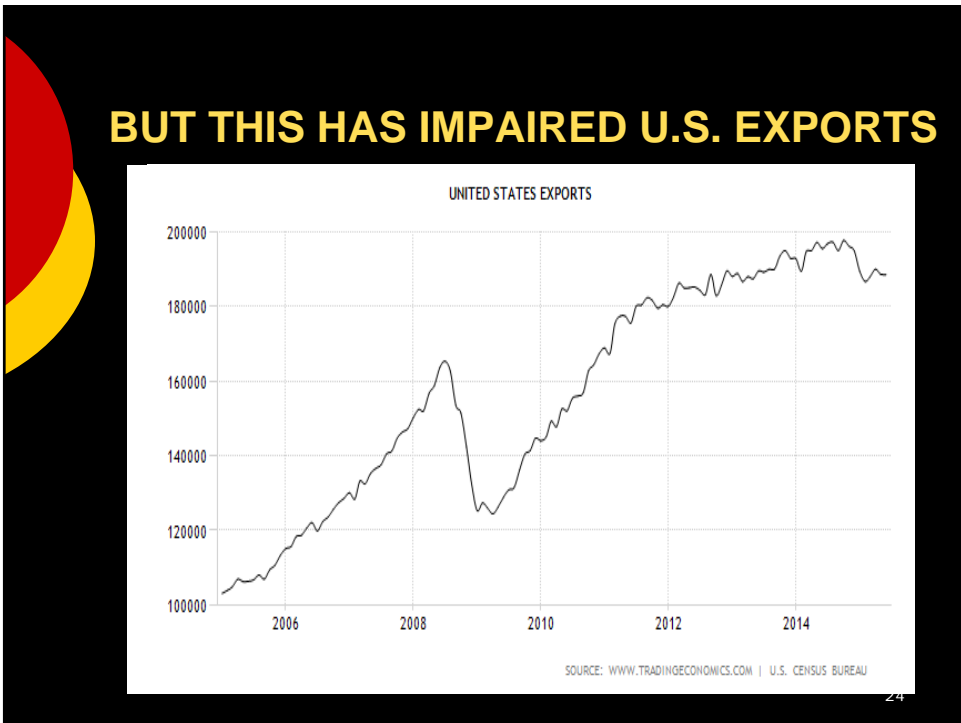
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THE INTERNATIONAL ECONOMY

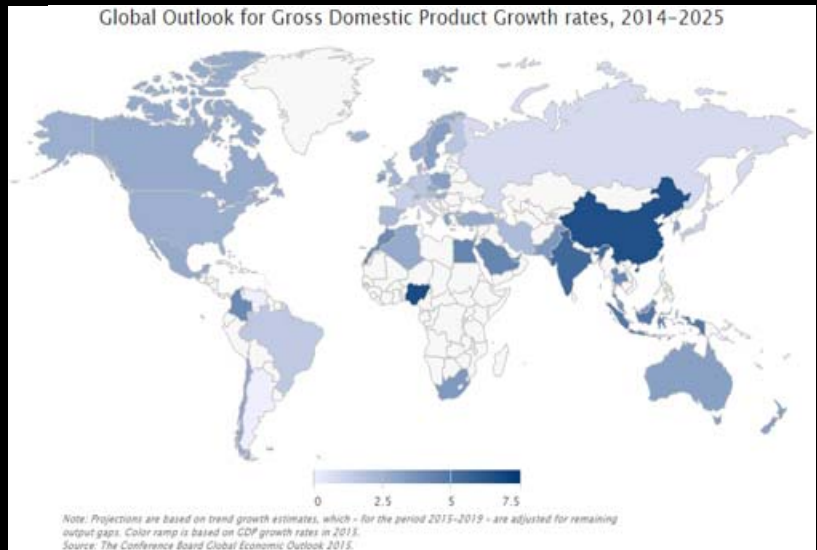


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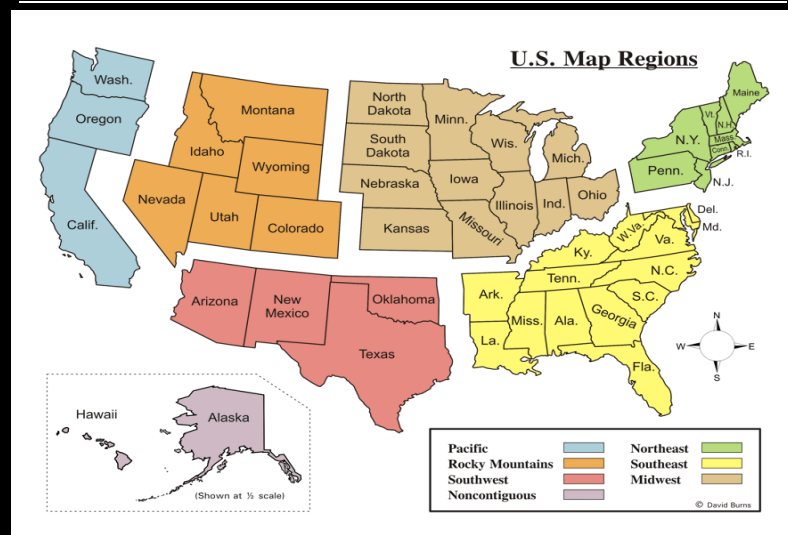


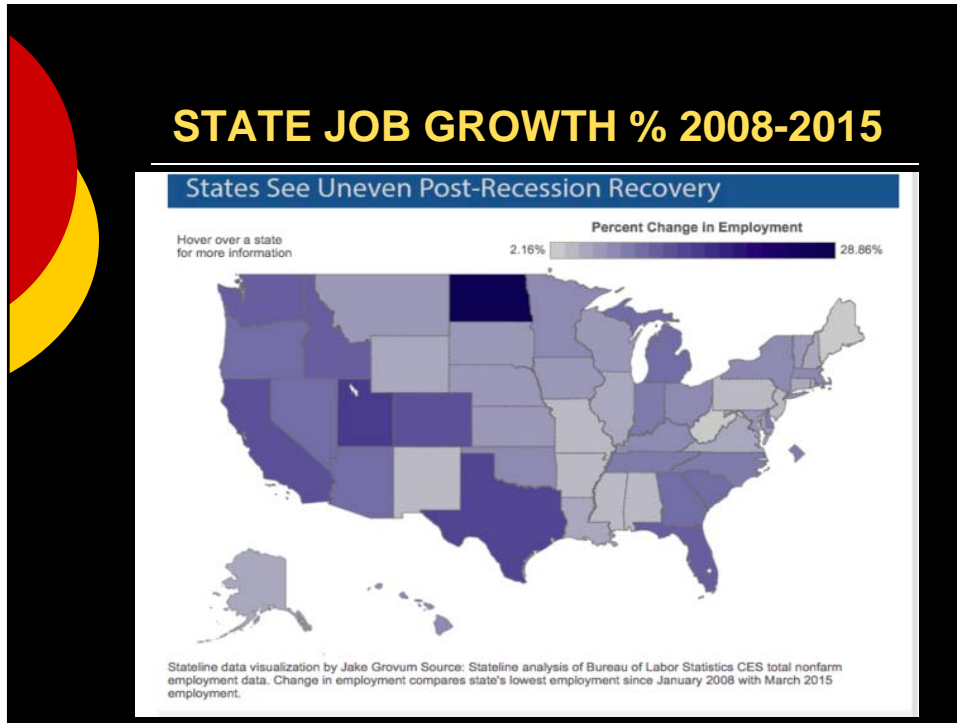


LONG-RUN WORLD ECONOMIC GROWTH FORECASTS



U.S. REGIONAL PERFORMANCE



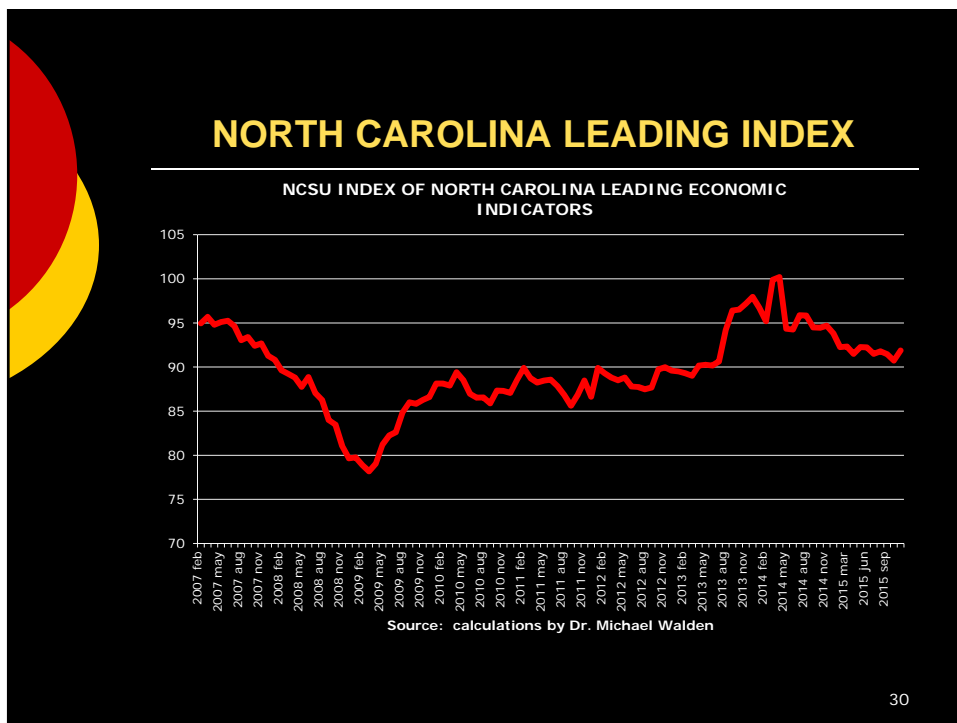
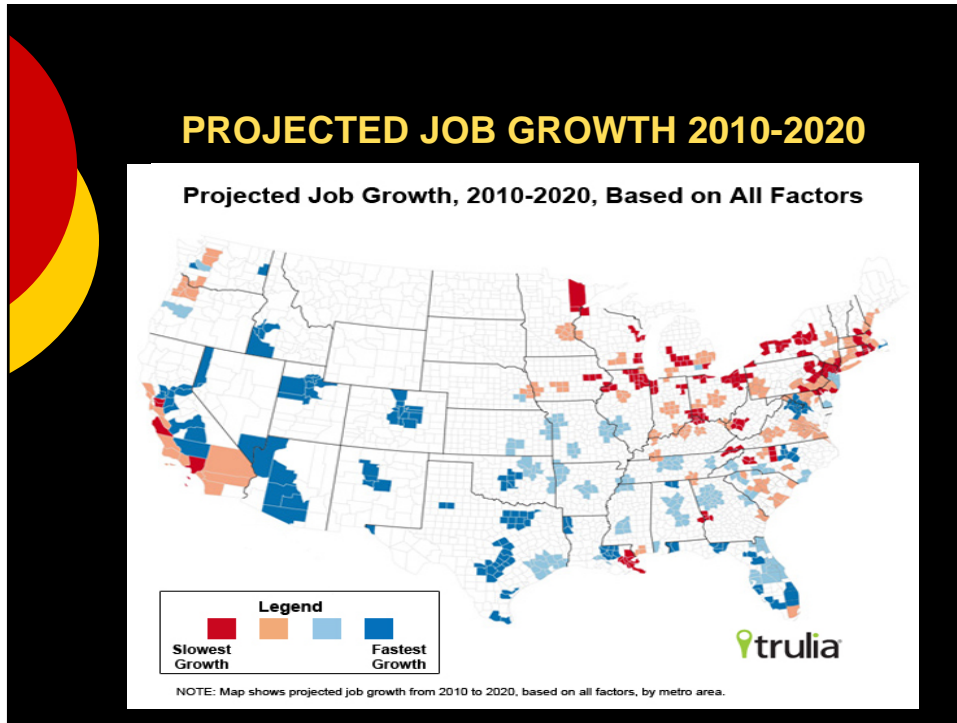


WHY IS NC'S JOBLESS RATE STILL HIGHER THAN THE US RATE?

OCTOBER: 5.7% vs. 5.0%

	US	NC
HH Job Growth	1.2%	2.8%
Payroll Job Growth	2.0%	2.2%
Labor Force Growth	0.5%	2.9%

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LONG-RUN FACTORS IMPACTING THE ECONOMY



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1. AGING



<u>% Over Age 65</u>	
2010:	13%
2050:	21%

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2. TECHNOLOGICAL UNEMPLOYMENT



HALF OF TODAY'S OCCUPATIONS COULD BE DOWNSIZED DUE TO TECHNOLOGY

NEED FOR RE-SKILLING

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3. DATA AND EFFICIENCY



GREATER AVAILABILITY OF DATA AND DATA ANALYSIS WILL SPARK MAJOR GAINS IN RESOURCE EFFICIENCY AND IN SERVICES LIKE HEALTH CARE AND EDUCATION

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4. CHANGES IN MANUFACTURING



MORE TECHNOLOGY –
REDUCES VALUE OF
LOWER COST
FOREIGN LABOR

3D PRODUCTION –
SHIFT PRODUCTION
TO HOMES?

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5. VIRTUALIZATION



COULD CHANGE:

- * RESIDENTIAL PATTERNS
- * RETAILING
- * TOURISM

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6. LESS OWNING, MORE RENTING?



PEOPLE STOP
OWNING VEHICLES;

USE APPS TO
SUMMON
DRIVERLESS
VEHICLES WHEN
NEEDED

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BIG QUESTION

**ECONOMIC
OPPORTUNITY**

WHAT WILL THESE
CHANGES DO TO
THE STANDARD OF
LIVING AND
INCOME
DISTRIBUTION?

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THE FUTURE WILL BE:



UNPREDICTABLE,
CHALLENGING,
BUT EXCITING !!

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THANK YOU!



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