A TALE OF TWO ECONOMIES IN 2024

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REVIEW OF THE COVID RECESSION

RESULTED FROM NATIONWIDE SHUT-DOWN POLICIES
14% UNEMPLOYMENT
ECONOMY (GDP) DROPPED 33% ON ANNUALIZED BASIS
GOOD NEWS – SHORT LIVED – REBOUND BEGAN IN MAY 2020

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GOOD NEWS – ECONOMY HAS RECOVERED

MOST MAJOR MEASURES ARE NEAR OR BEYOND PRE-COVID LEVELS

* TOTAL JOBS ABOVE PRE-PANDEMIC LEVEL
* UNEMPLOYMENT RATE UNDER 4%
* LABOR FORCE PARTICIPATION RATE INCREASING
* ECONOMY HAS BEEN GROWING

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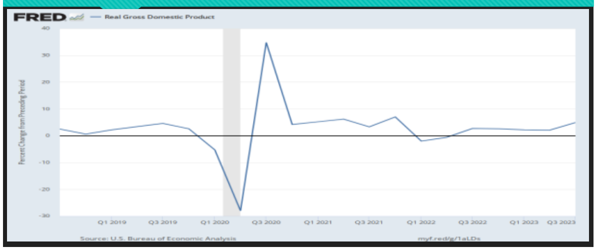
QUARTERLY REAL GDP GROWTH RATE, 2018-23



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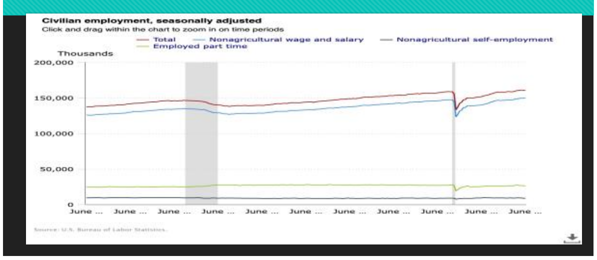
EMPLOYMENT TRENDS, 2003-2023



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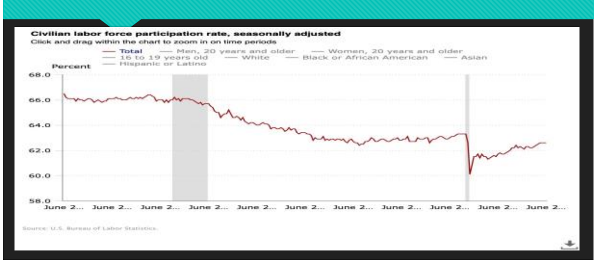
LABOR FORCE PARTICIPATION RATE, 2003-23



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POLLING QUESTION #1

COMPARED TO THE PRE-PANDEMIC ECONOMY IN 2019:

A. All economic measures are worse than pre-pandemic
B. Most economic measures are better than pre-pandemic
C. It is too early to compare economic measures

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CHALLENGES DURING THE RECOVERY

LABOR SHORTAGES - FEAR OF PERSONAL INTERACTION
- SUBSTANTIAL GOVERNMENT SUPPORT
- WORKERS "UPSKILLED" AND TOOK BETTER JOBS
- LABOR FORCE PARTICIPATION TO TREND DOWNWARD
- 55 AND OVER GROUP IS STILL BELOW PRE-PANDEIMC

RISING INFLATION RATE
- SUPPLY CHAIN PROBLEMS
- MASSIVE FEDERAL SPENDING

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WHY ARE PEOPLE UNHAPPY? WORKER "REAL"EARNINGS

* REAL EARNINGS: EARNINGS ADJUSTED FOR INFLATION (PURCHASING POWER)
* DOWN 9% FROM SPRING 2020 TO SPRING 2022
* UP 1.7% IN LATEST YEAR
* IMPLIES WILL TAKE 4 MORE YEARS TO TOTALLY RECOVER

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GOOD NEWS: INFLATION HAS MODERATED

2.4% IN 2019, 9% IN 2022, NOW 3% TO 4% (all year-over-year)

BUT NOTE: MEANS AVERAGE RATE OF PRICE INCREASES HAVE SLOWED; NOT THAT PRICES ARE FALLING

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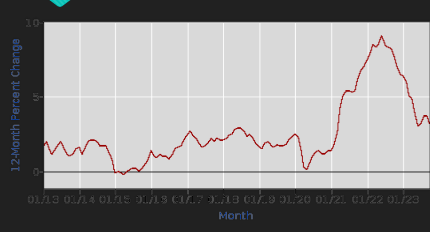
YEAR-OVER-YEAR CPI % CHANGE



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POLLING QUESTION #2

WHEN IT IS REPORTED THAT THE INFLATION RATE HAS "IMPROVED," THIS SHOULD BE INTERPRETED AS MEANING:

A. MOST PRICES ARE BACK TO 2019 LEVELS
B. MOST PRICES ARE LOWER THAN 2019 LEVELS
C. PRICES ARE STILL RISING, BUT NOT AS FAST

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THE FEDERAL RESERVE TO THE RESCUE?

- MOVING THE PUNCH BOWL
- CONTROL OVER INTEREST RATES AND MONEY SUPPLY
- DURING COVID, PUSHED INTEREST RATES TO RECORD LOWS AND MONEY TO RECORD HIGHS TO ENCOURAGE SPENDING
- NOW, FED HAS PUSHED INTEREST RATES UP AND REUCED MONEY SUPPLY TO SLOW SPENDING AND TAKE PRESSURE OFF PRICES

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FEDERAL FUNDS RATE, 1955-2023

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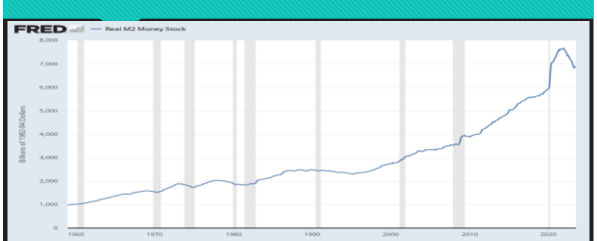
FED IS ALSO REDUCING THE MONEY SUPPLY

(M2 MONEY SUPPLY ADJUSTED FOR INFLATION)



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WHAT'S THE WORRY?

THAT FED'S EFFORTS WILL CAUSE A RECESSION

RECESSION IS A "BROAD BASED DECLINE IN ECONOMIC ACTIVITY FOR A SUSTAINED PERIOD OF TIME"

RECESSIONS ARE COMMON WHEN FED RAISES INTEREST RATES

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CONSUMER SPENDING CARRIES THE ECONOMY

SUPPORTED BY COVID STIMULUS PROGRAMS AND "PENT-UP DEMAND" AFTER THE PANDEMIC; CONSUMER SPENDING HAS BEEN SURPRISINGLY STRONG

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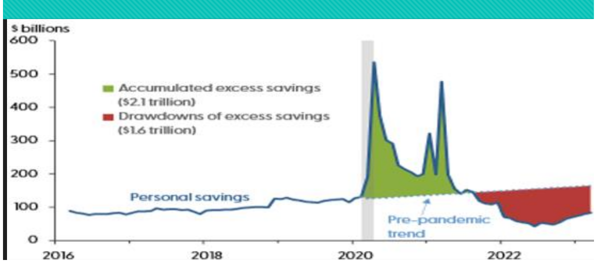
BUT NOW COVID SAVINGS ARE GONE, AND BOTH CREDIT CARD DEBT AND INTEREST RATES ARE UP



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CONSUMER SPENDING IS SLOWING

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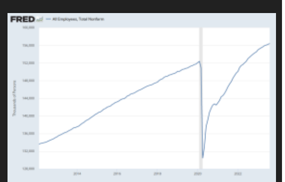
JOB GROWTH IS ALSO SLOWING

- AVERAGE MONTHLY NET JOB GAIN
- 2ND HALF, 2020: 1,346,000
- 2021: 667,000
- 2022: 369,000
- 2023 , JAN-OCT: 200,600



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FEDERAL RESERVE IS TRYING TO ACHIEVE A "SOFT LANDING" MEANING REDUCE INFLAITON RATE WITHOUT A RECESSION

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SOFT LANDINGS HAVE BEEN RARE

THERE HAVE BEEN
12 RECESSIONS
SINCE WORLD WAR II

THERE HAS BEEN ONLY
1 SOFT LANDING
SINCE WORLD WAR II

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2024 WILL BE A YEAR OF TWO ECONOMIES

FIRST HALF
FED KEEPS INTEREST RATES HIGH
ECONOMY SLOWS MORE
GROWTH MAY BE NEGATIVE
JOBLESS RATE RISES TO 5%

SECOND HALF
FED REDUCES INTEREST RATES
GROWTH REVIVES
GROWTH RATE RETURNS TO 2%
JOBLESS RATE DROPS TO 3.5%

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WILL WE HAVE A RECESSION IN EARLY 2024?

THE “CALL” IS MADE BY AN ORGANIZATION NAMED THE "NATIONAL BUREAU OF ECONOMIC RESEARCH"

THEIR DEFINITION:
“A SIGNIFICANT DECLINE IN ECONOMIC ACTIVITY THAT IS BROAD BASED AND LASTS FOR A SIGNIFICANT PERIOD OF TIME

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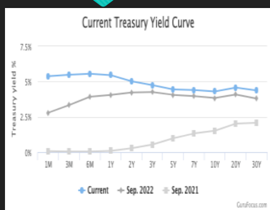
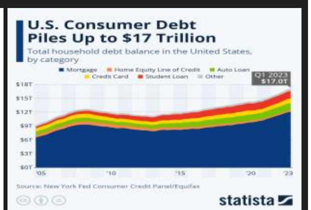
TRENDS IN INTEREST RATES AND DEBT COULD POINT TO A "REAL RECESSION"





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WHAT SECTORS WILL BE MOST IMPACTED FROM A SLOWDOWN OR A RECESSION?

COMMERICAL REAL ESTATE
FINANCIAL SERVICES
MANUFCTURING
RESIDENTIAL REAL ESTATE

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POLLLING QUESTION #3

THE FEDERAL RESERVE'S CURRENT OBJECTIVE OF A "SOFT LANDING" MEANS:

A. INFLATION WILL MODERAGE WITHOUT CAUSING A RECESSION
B. INFLATION WILL MODERATE BUT UNEMPLOYMENT WILL STILL SPIKE
C. A RECESSION WILL OCCUR BUT A DEPRESSION WILL BE AVOIDED

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HOW WILL NORTH CAROLINA AND THE TRIANGLE DO? LOOK AT PREVIOUS RECESSIONS

% JOB CHANGE

	2008-2010 RECESSION	2000 RECESSION
US	-3.5%	-3.1%
NC	-5.6%	-3.9%
RALEIGH METRO	-2.5%	-1.0%
DURHAM METRO	-2.0%	-0.3%

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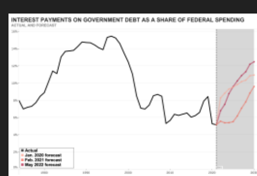
BIG ISSUE #1: NATIONAL DEBT

PUTS UPWARD PRESSURE ON INTEREST RATES

CROWDS OUT PRIVATE BORROWING

ONE APPROACH: DIVIDE FEDERAL SPENDING INTO A "CURRENT BUDGET" AND "CAPITAL BUDGET"



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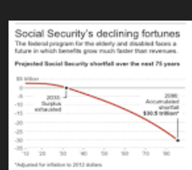
BIG ISSUE #2: SOCIAL SECURITY

ESTIMATED THAT BY 2033 WILL ONLY BE ABLE TO PAY 75% OF WHAT PROMISED

GETS WORSE AS TIME PROGRESSES

LOOK FOR A COMMISSION IN EARLY 2030'S TO ADDRESS THE PROBLEM



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FORTHCOMING BOOK:
"THE 60 MINUTE INVESTMENT GUIDE"

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