

ECONOMIC OUTLOOK: HOW FAR WILL THE RECORD EXTEND?



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1

1

ECONOMIC HEADLINES

GROWTH GOES IN TO 11TH YEAR

DEATH OF THE PHILLIPS CURVE

TRADE TENSIONS

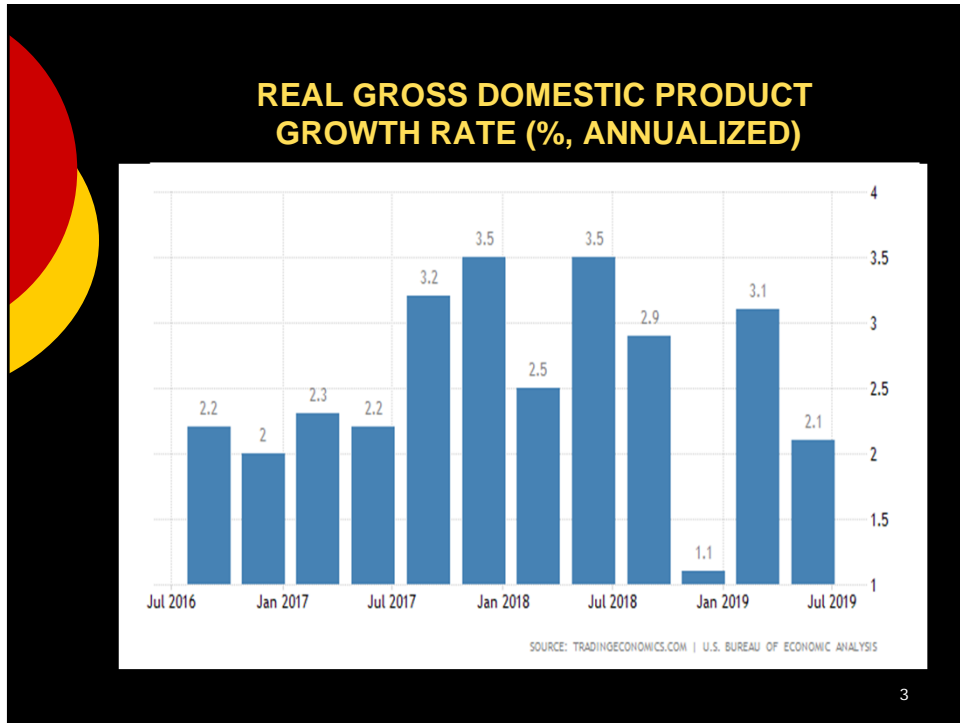
FED CUTS RATES DURING AN
EXPANSION

CHANCE OF A RECESSION

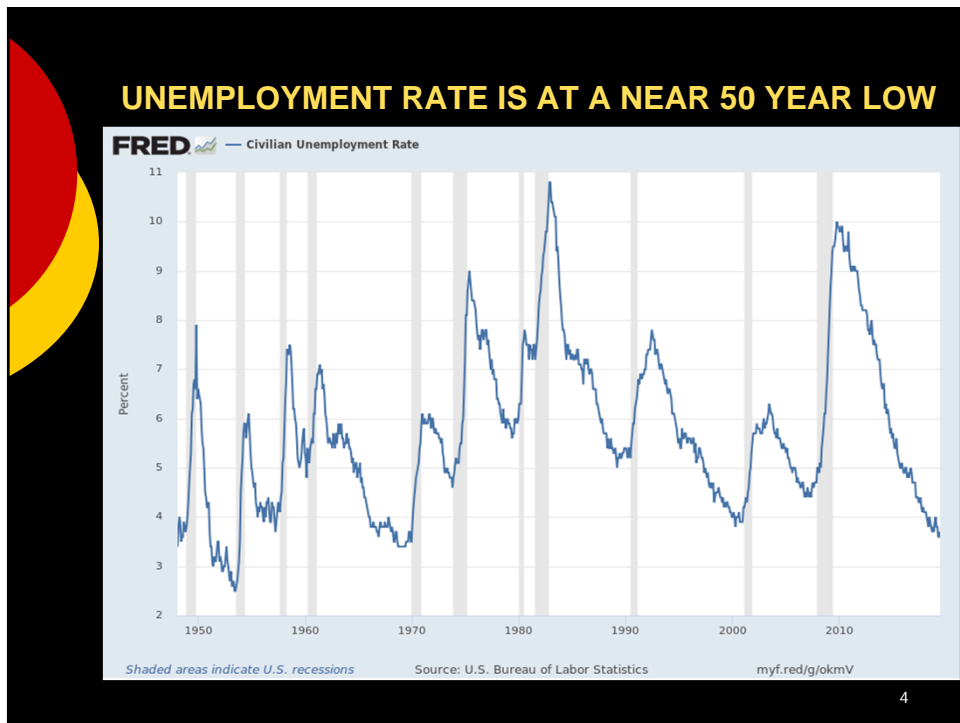


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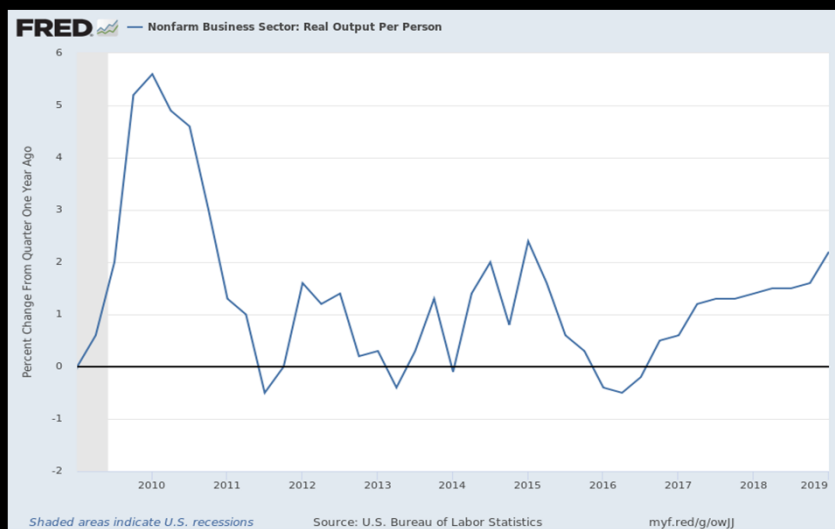
BUT LABOR FORCE PARTICIPATION STILL HAS ROOM TO IMPROVE



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LABOR PRODUCTIVITY HAS PICKED UP



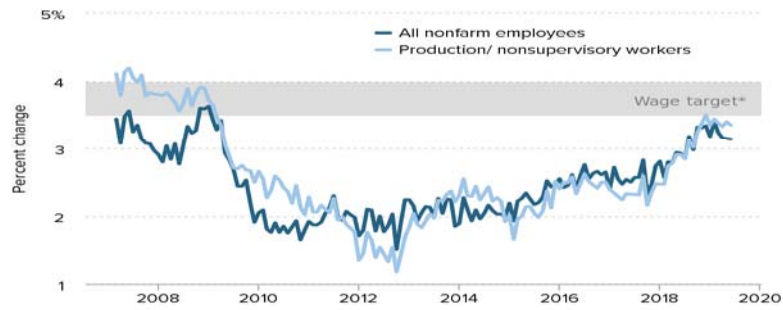
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6

AND WAGE GROWTH HAS BEEN IMPROVING

Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007–2019



* Nominal wage growth consistent with the Federal Reserve Board's 2 percent inflation target, 1.5 percent productivity growth, and a stable labor share of income

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

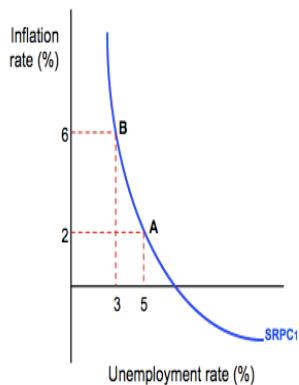
Economic Policy Institute

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7

WHY DOES THE PHILLIPS CURVE APPEAR TO BE DEAD?

Short-run Phillips curve:



GLOBALIZATION

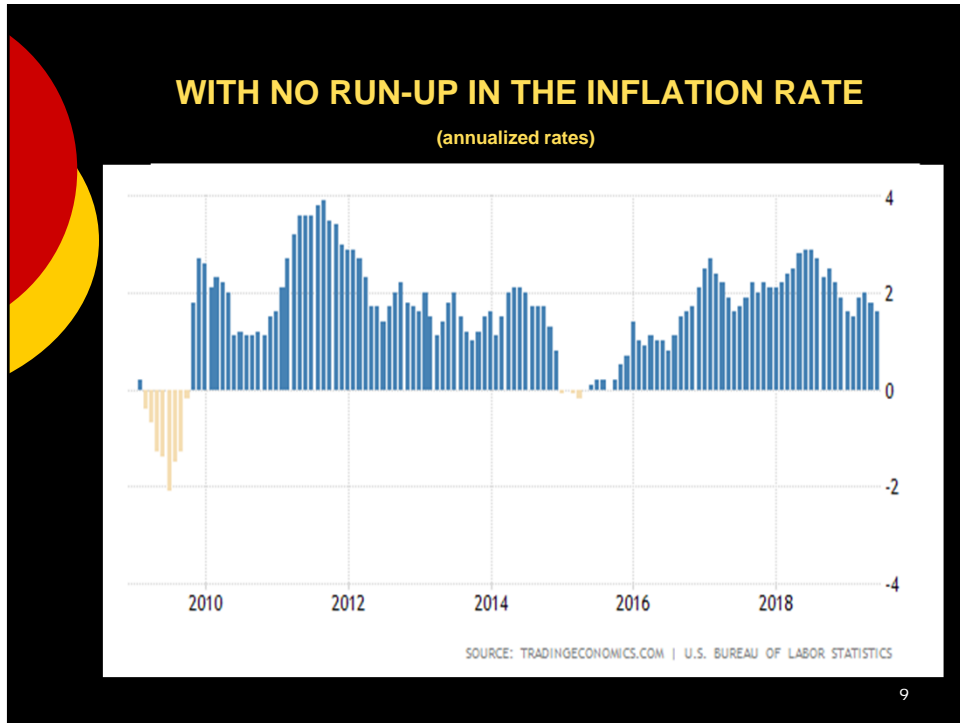
LOGISTICS

WEAK UNIONS

AUTOMATION

8

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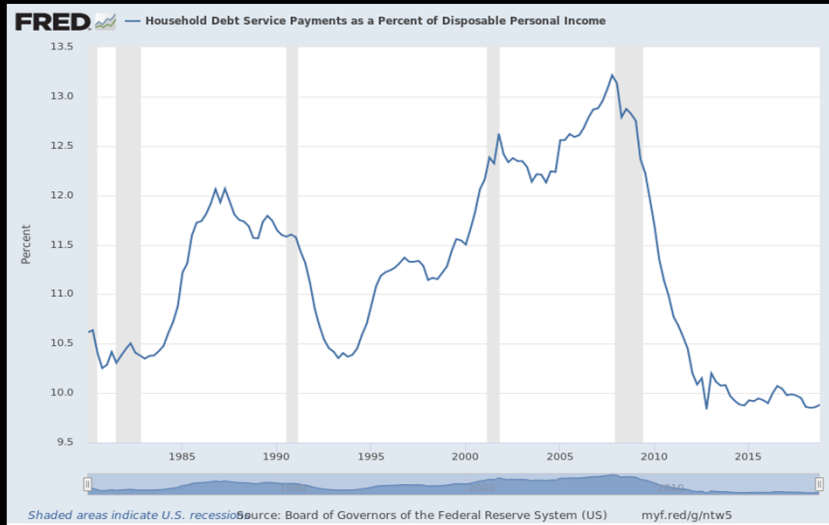


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HOUSEHOLDS ARE ABLE TO CARRY THEIR DEBT



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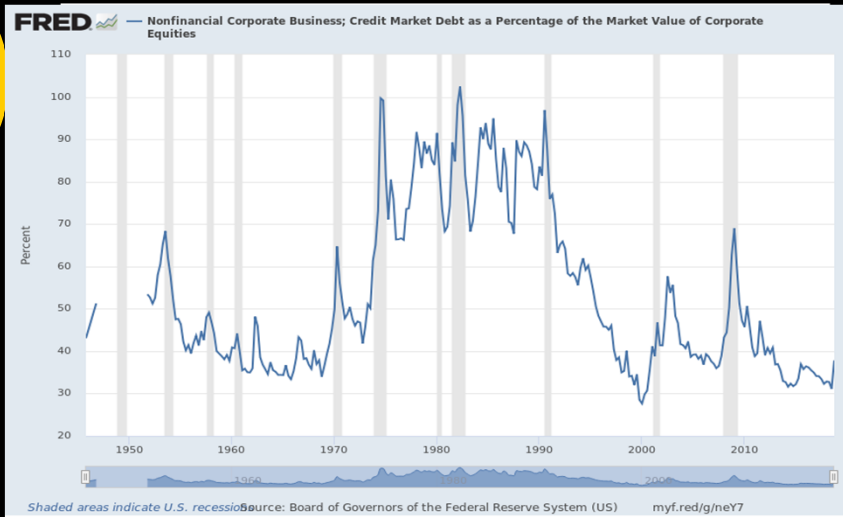
HOUSEHOLD DEBT DELINQUENCY RATES ARE IN GOOD SHAPE



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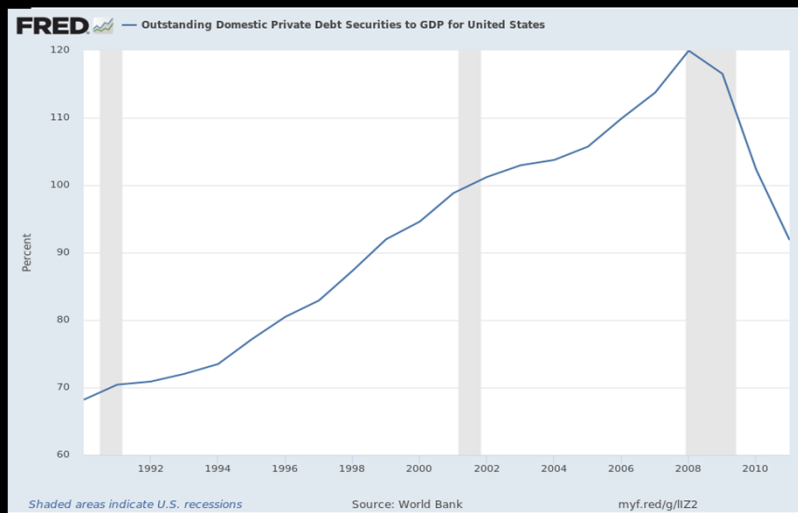
RELATIVE BUSINESS DEBT IS ALSO HISTORICALLY LOW



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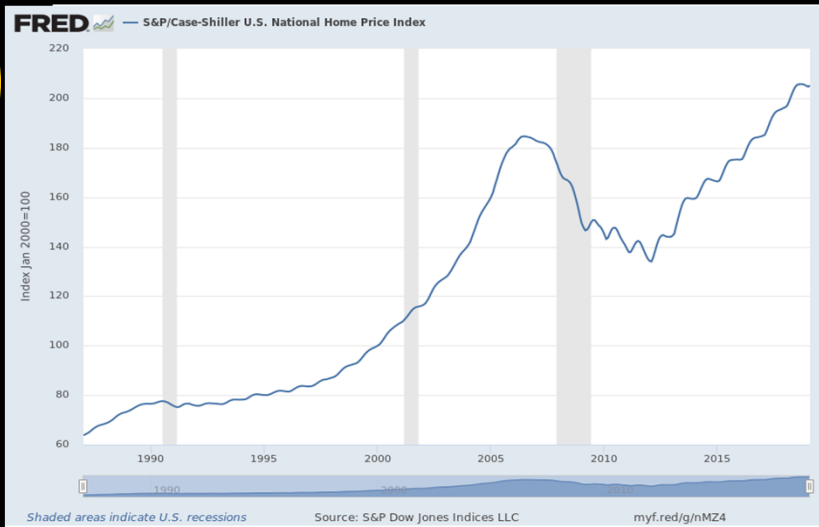
RATIO OF PRIVATE DEBT TO GDP HAS ACTUALLY FALLEN – A GOOD SIGN



14

14

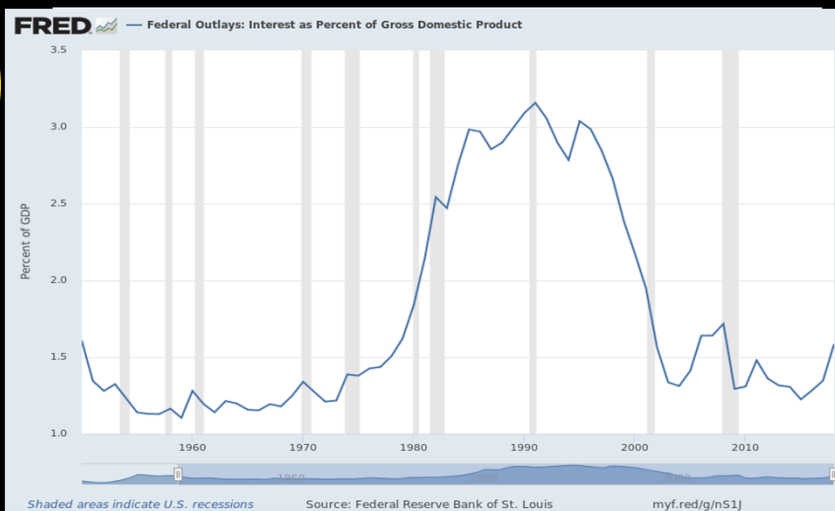
ALTHOUGH HOME PRICES HAVE RISEN, THE GAINS ARE BASED ON LACK OF SUPPLY



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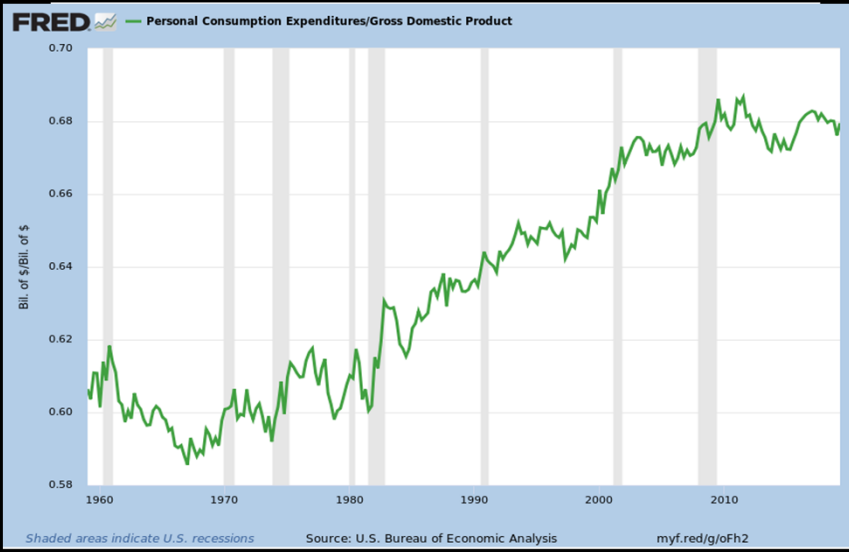
BUT SERVICING THE NATIONAL DEBT IS TAKING A BIGGER SHARE OF THE ECONOMY



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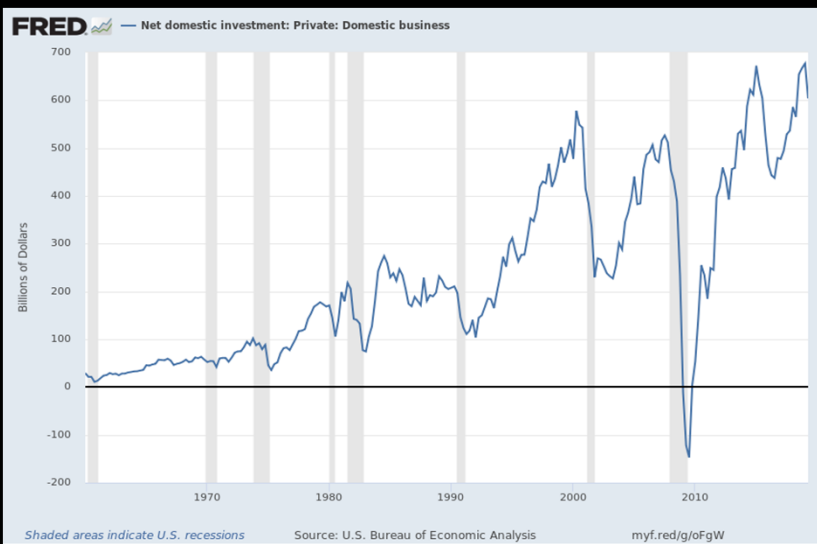
16

ALSO, RELATIVE SIZE OF CONSUMER SPENDING HAS MODERATED

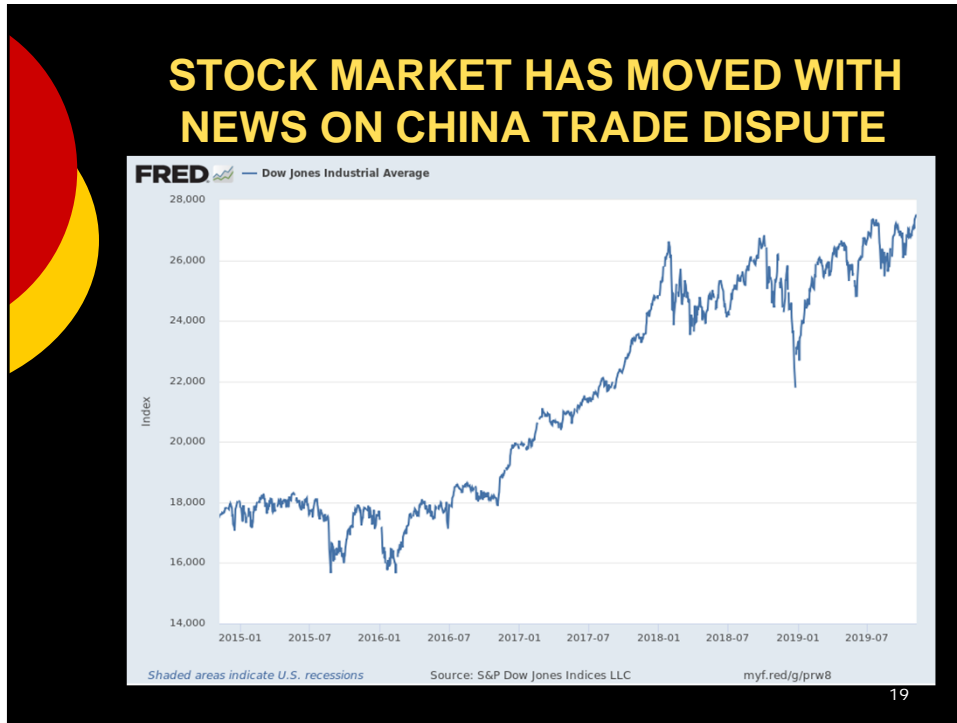


17

BUSINESS INVESTMENT HAS RECENTLY FALLEN



18



19

IF A RECESSION DOES OCCUR

RECESSION

ORIGIN WILL BE ON BUSINESS SIDE

LOWER EARNINGS AND MARGINS – LEADING TO CUTBACKS AND DECLINING VALUES

20

20

TRADE WARS



* NEW NAFTA: USMCA,
BUT PENDING

- * EU TALKS
- * S. KOREA TREATY
- * JAPAN TALKS

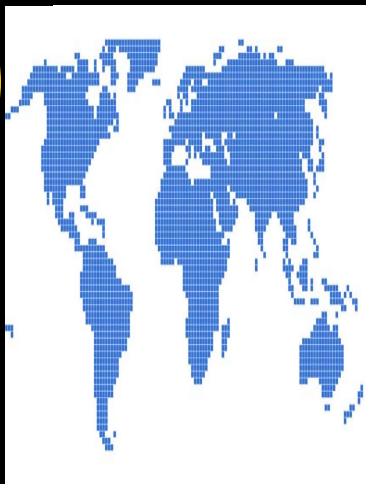
REMAINING BIG
CHALLENGE – CHINA

MAY HAVE ALREADY
REDUCED GDP GROWTH
BY 0.6% POINTS

21

21

POSSIBILITY OF FOREIGN RECESSIONS



ECONOMIC GROWTH IS
SLOWING IN EUROPE TO 0% -
BREXIT

JAPAN'S GROWTH RATE IS
UNDER 1%


CHINA'S GROWTH RATE IS 6%,
BUT LOWEST IN 25 YEARS

HOWEVER, TRADE IS A MINOR
PART OF THE US ECONOMY

22

22

THE FEDERAL RESERVE BLINKED AND REVERSED THE “PUNCH BOWL POLICY”

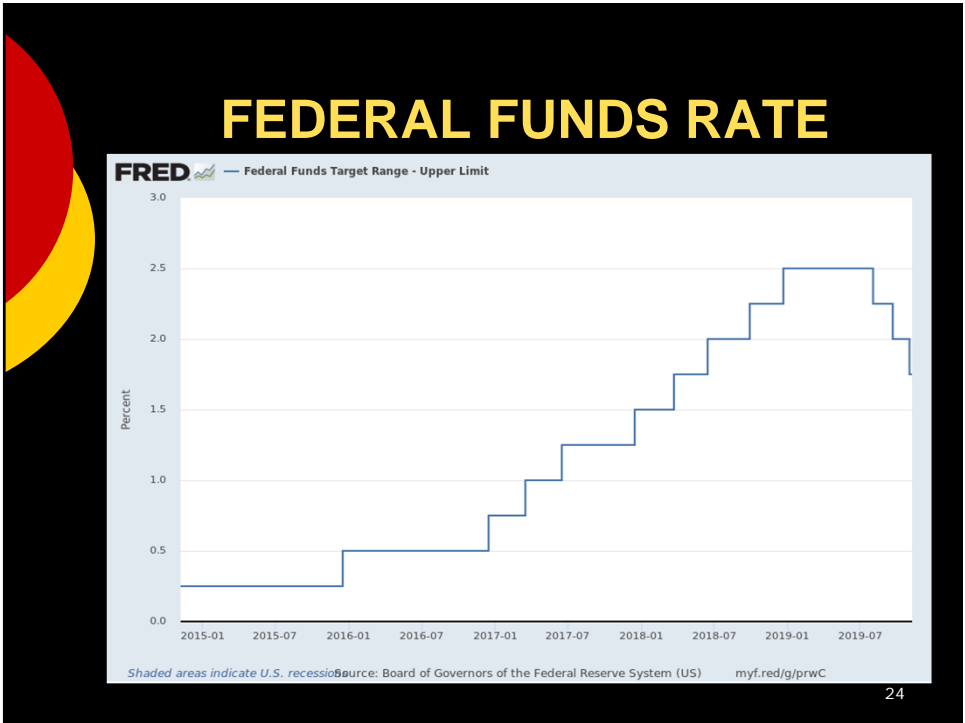


STANDARD POLICY: GO COUNTER TO TRENDS IN THE ECONOMY IN ORDER TO PROMOTE STEADY GROWTH

RECOVERY- RAISE RATES
(REMOVE PUNCH BOWL)
RECESSION – CUT RATES
(RETURN PUNCH BOWL)

23

23



24

WHAT IS THE FED'S POLICY, & WHY?



OVER-TIGHTENED, SO CORRECTING NOW?

NO WORRIES ABOUT INFLATION

BUT TOOLS FOR NEXT RECESSION?

25

25

YIELD CURVE HAS BECOME MORE NORMALIZED (10 YEAR T-YIELD MINUS 2 YEAR T-YIELD)



26

26

OTHER CHANGES

1. EMERGENCE OF U.S. AS AN OIL PRODUCER
2. IMPLICATIONS OF AGING POPULATION, FALLING BIRTH RATE, AND IMMIGRATION ON LABOR SUPPLY
3. TECHNOLOGY, JOBS, AND RE-TRAINING
4. THE FUTURE OF TRANSPORTATION – MODES AND FINANCING

27

27

NORTH CAROLINA



28

28



GROWTH ALSO CONTINUES

- MOST RECENT DATA – ADDING JOBS AT FASTER RATE THAN NATION
- SLOWDOWN IN **MANUFACTURING** AND TRADE ISSUES FOR **FARMERS** HAVE HURT

29

29



SOME OTHER GOOD NEWS

NON-METRO COUNTIES ARE SHARING IN
JOB GROWTH

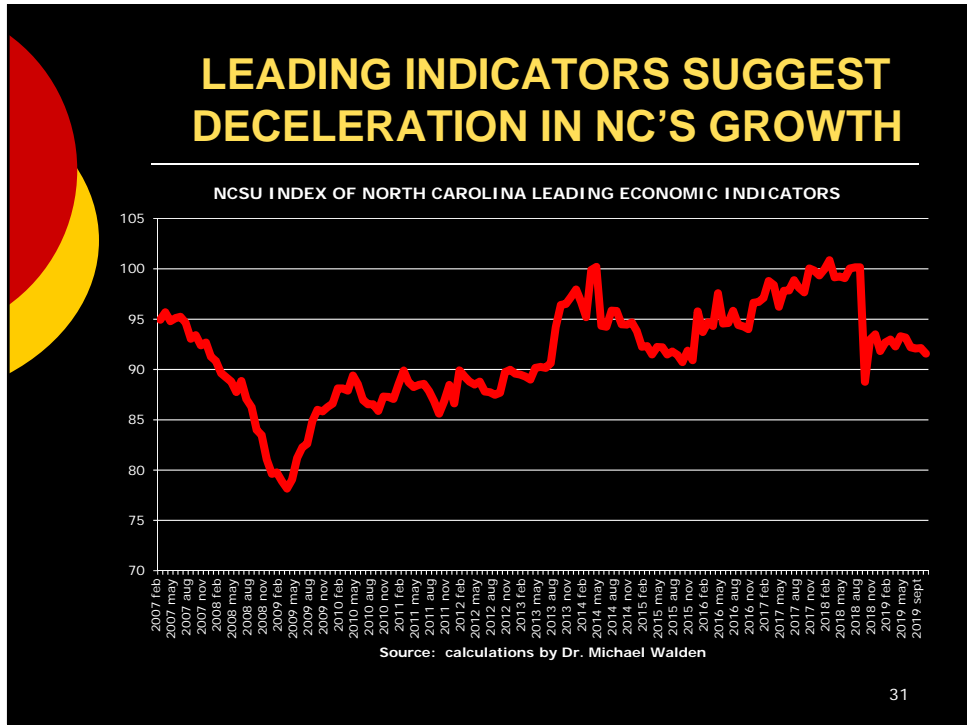
TECH SECTOR BOOMING

MIDDLE-PAYING JOBS GROWING

FEWER COUNTIES DEPOPULATING

30

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31



32

WHAT I SEE COMING

1. NO RECESSION (CONSENSUS IS NOW ONE-THIRD CHANCE)
2. "SMALL" CHINA TRADE DEAL MADE
3. FED HAS "PAUSED" IN RATE CUTS
4. CONTINUED SUPER-LOW INFLATION
5. DUE TO SLOW LABOR FORCE GROWTH, 2% ANNUAL GROWTH IS NEAR NORMAL

33

33



34

34



FINANCING ISSUES

- MOVEMENT AWAY FROM GAS AND GAS TAX
- PREDICTIONS OF LOWER VEHICLE OWNERSHIP
- OPTIONS: MILEAGE TAX, TOLLS, TAXING PROPERTY BENEFITING FROM TRANSIT IMPROVEMENTS

35

35



MOBILITY MODE ISSUES

ECLIPSE OF THE PRIVATE AUTO?

WHAT KIND OF MASS TRANSIT?

- BUS, RAIL, RIDE-SHARE

IMPACT OF WORKING AT HOME

OTHER: PORTS – AIR AND WATER

36

36

THANKS – QUESTIONS?



37

37