

ECONOMIC OUTLOOK CONFERENCE

trading
places
east meets west



October 11, 2011



Larry Clark, Dean
Cameron School of Business





Cathy Barlow

Provost





Tom Dodson
Senior Vice President
Bank of America



ECONOMIC OUTLOOK CONFERENCE

trading
places
east meets west



Amy Spicuzza
Realtors Commercial Alliance
of Southeastern North Carolina



THE NATIONAL OUTLOOK

Leaving the Doldrums?

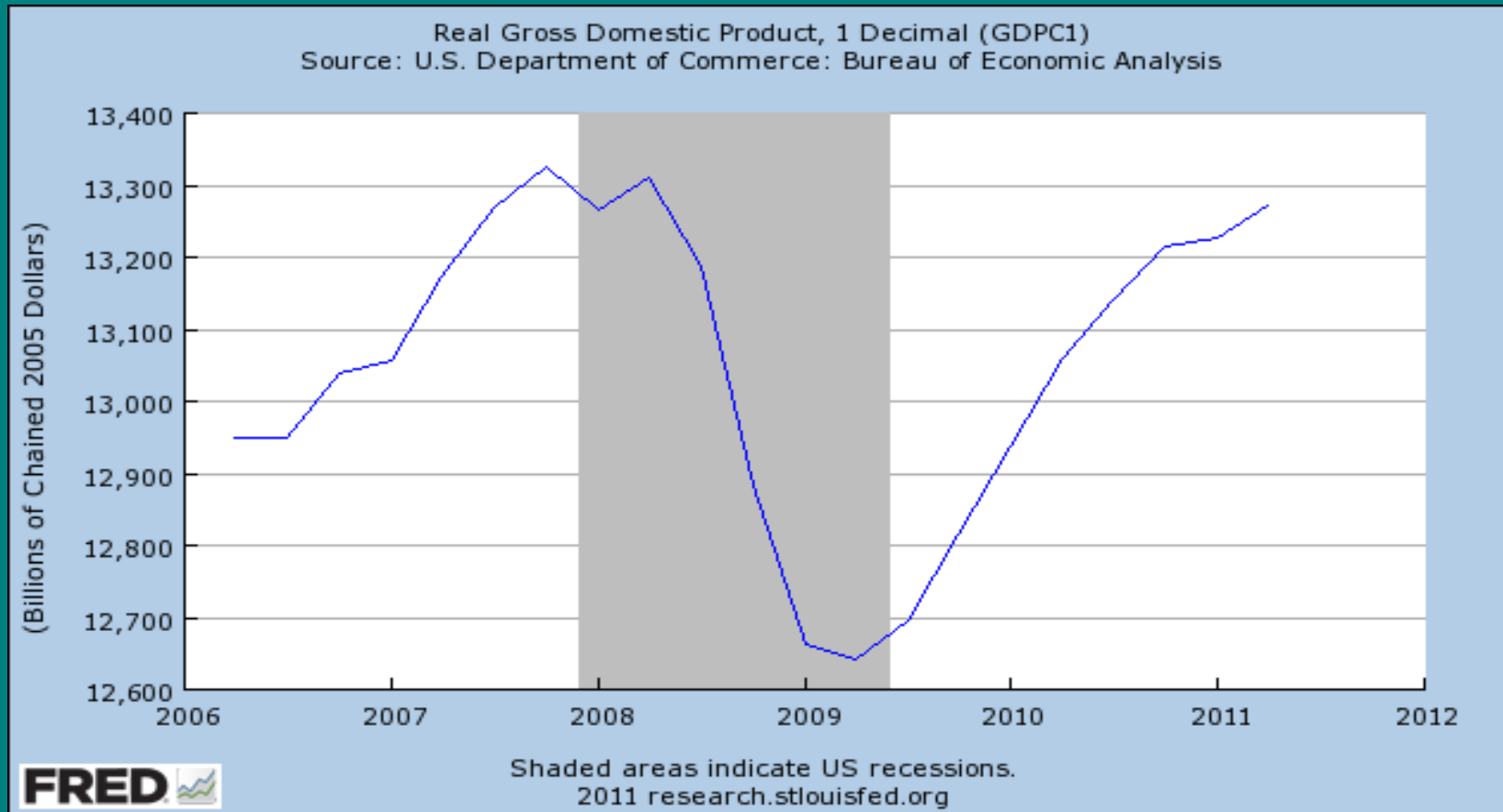


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October 11, 2011



Disappointing recovery

- The recovery that started in mid-2009 is the weakest

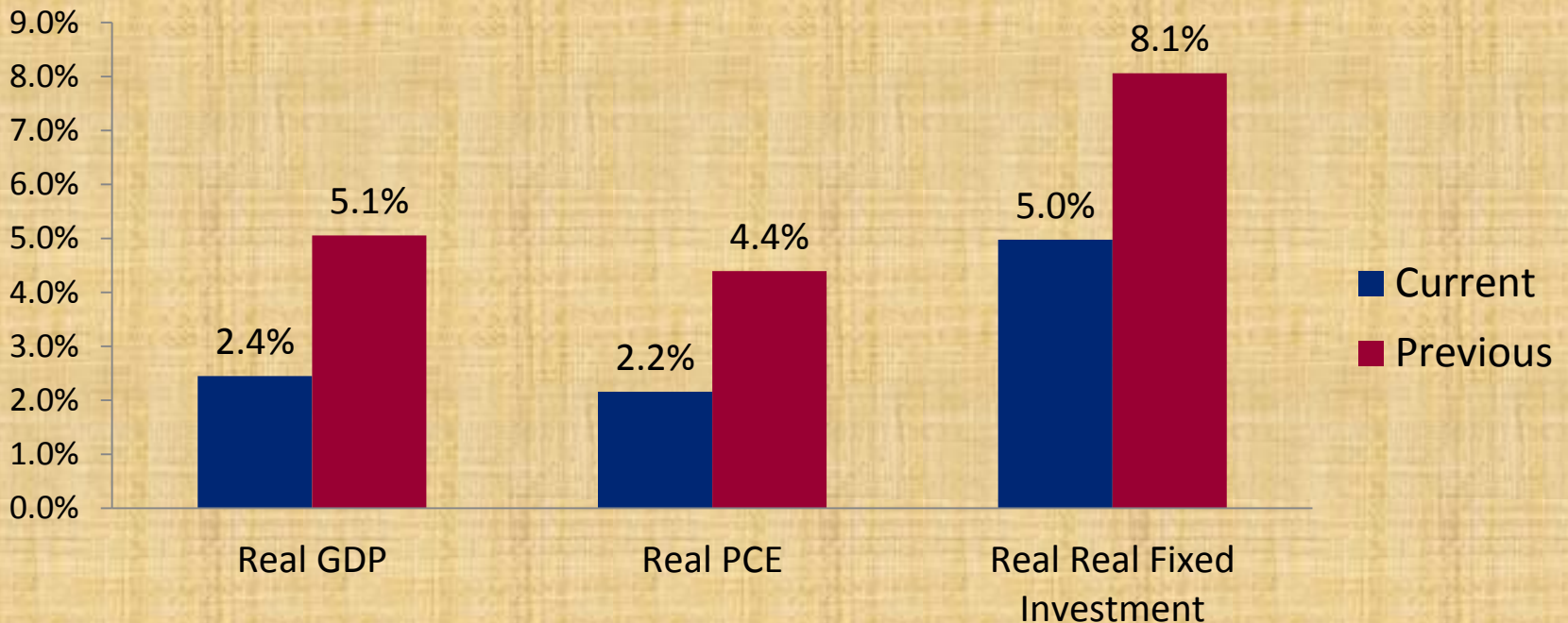


- Indeed, the level of output has yet to reach its previous peak, despite massive fiscal and monetary stimulus

Lagging sectors

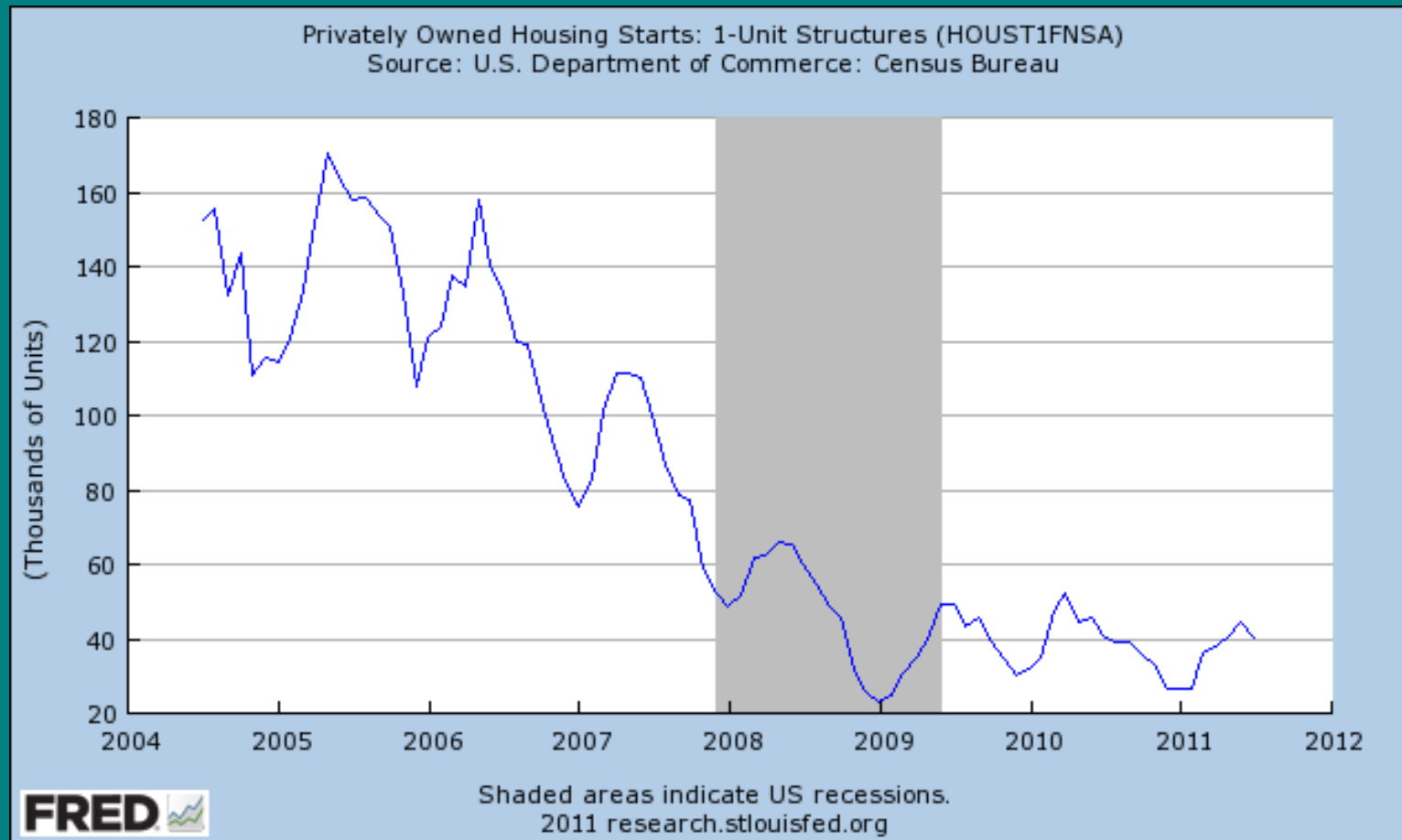
- Growth has been only half that of a typical recovery
- PCE has been especially anemic, but investment has also been subdued

Current Versus Previous Recoveries



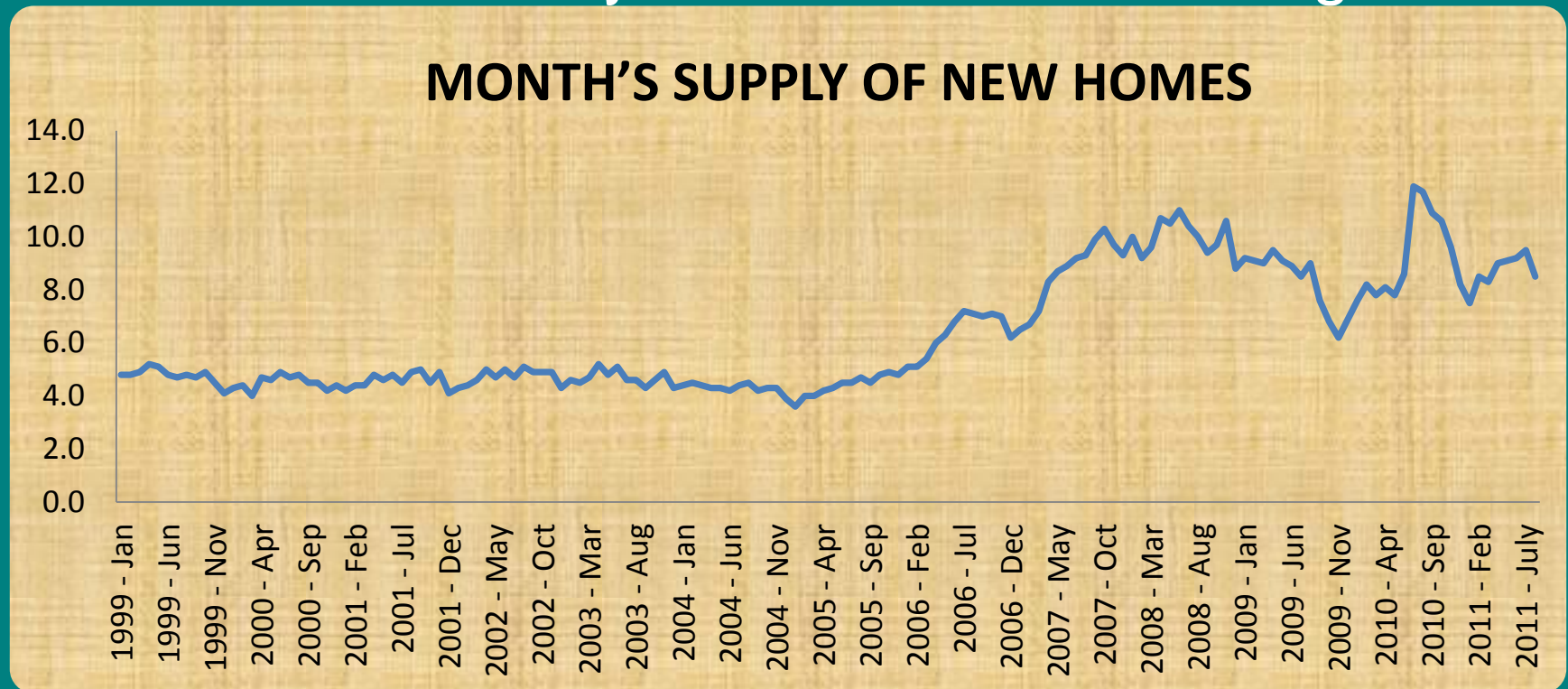
Housing's hurdles

- Housing remains depressed—starts are only a fourth of their previous peak



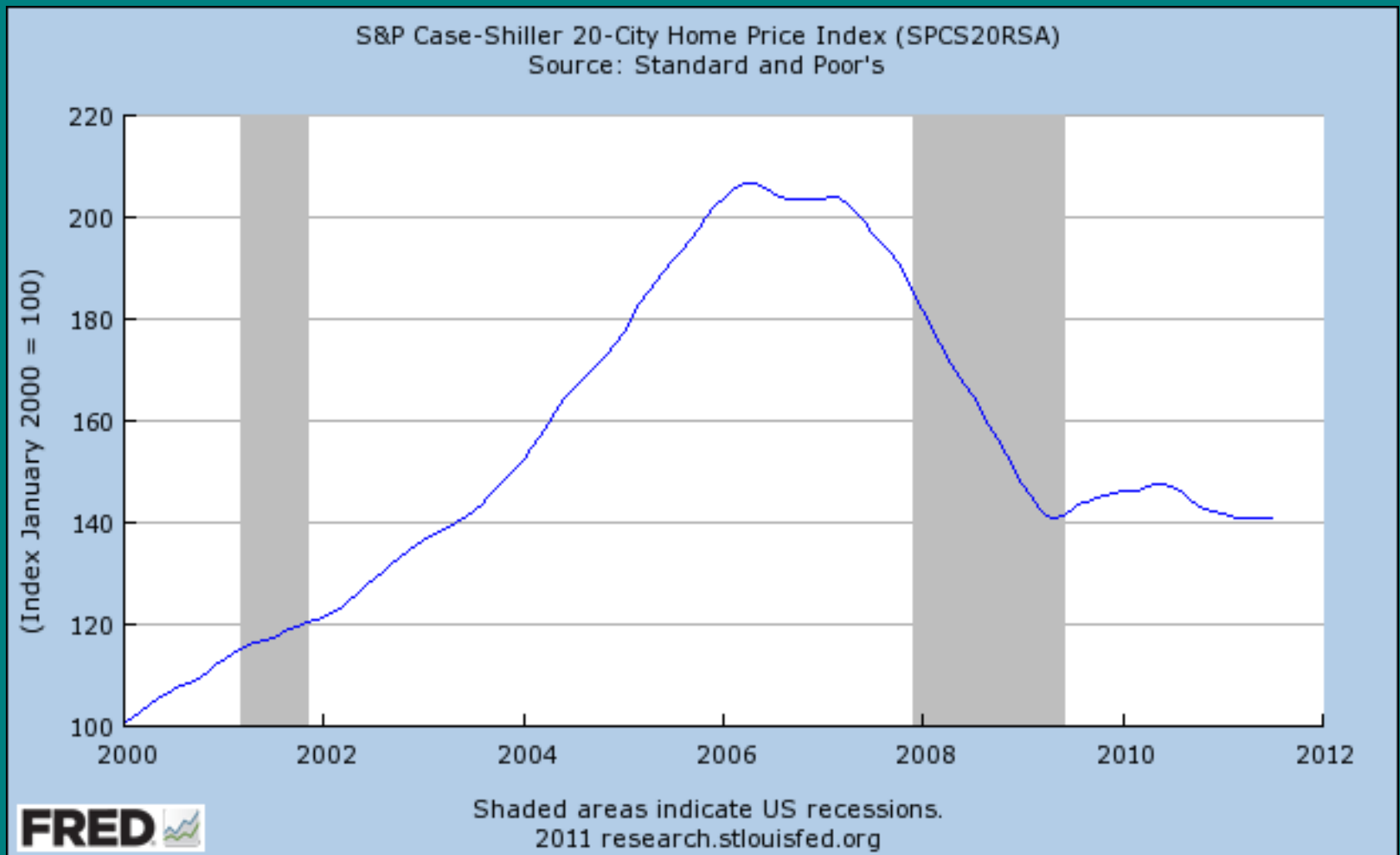
Overhang of unsold homes weighs on the market

- The listed inventory of unsold homes is huge



- But this understates the extent of the overhang because of the massive shadow inventory

Excess supply maintains downward pressure on prices



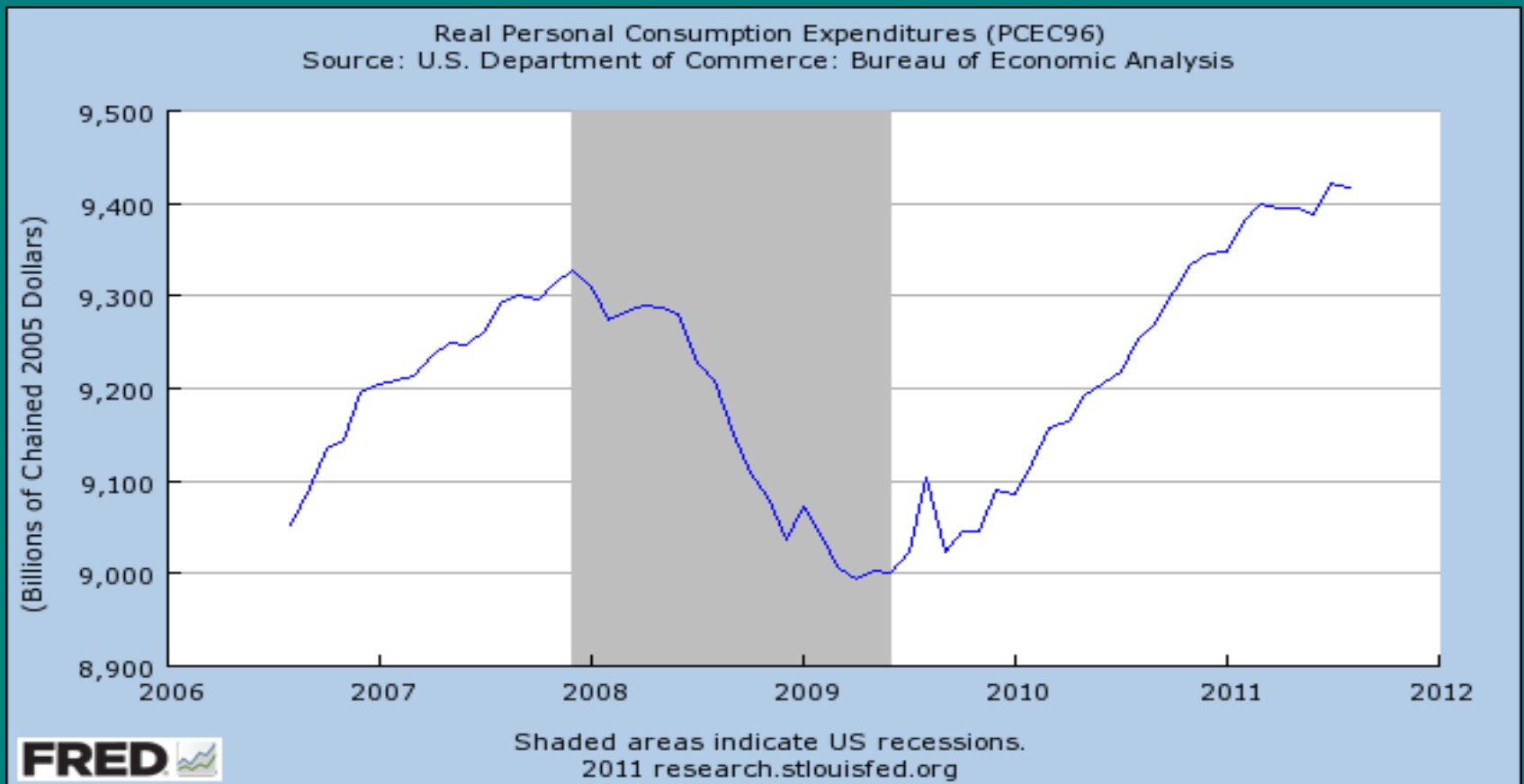
Household headwinds

- Weakness in home prices, along with the stock market sell off, is a drag on wealth



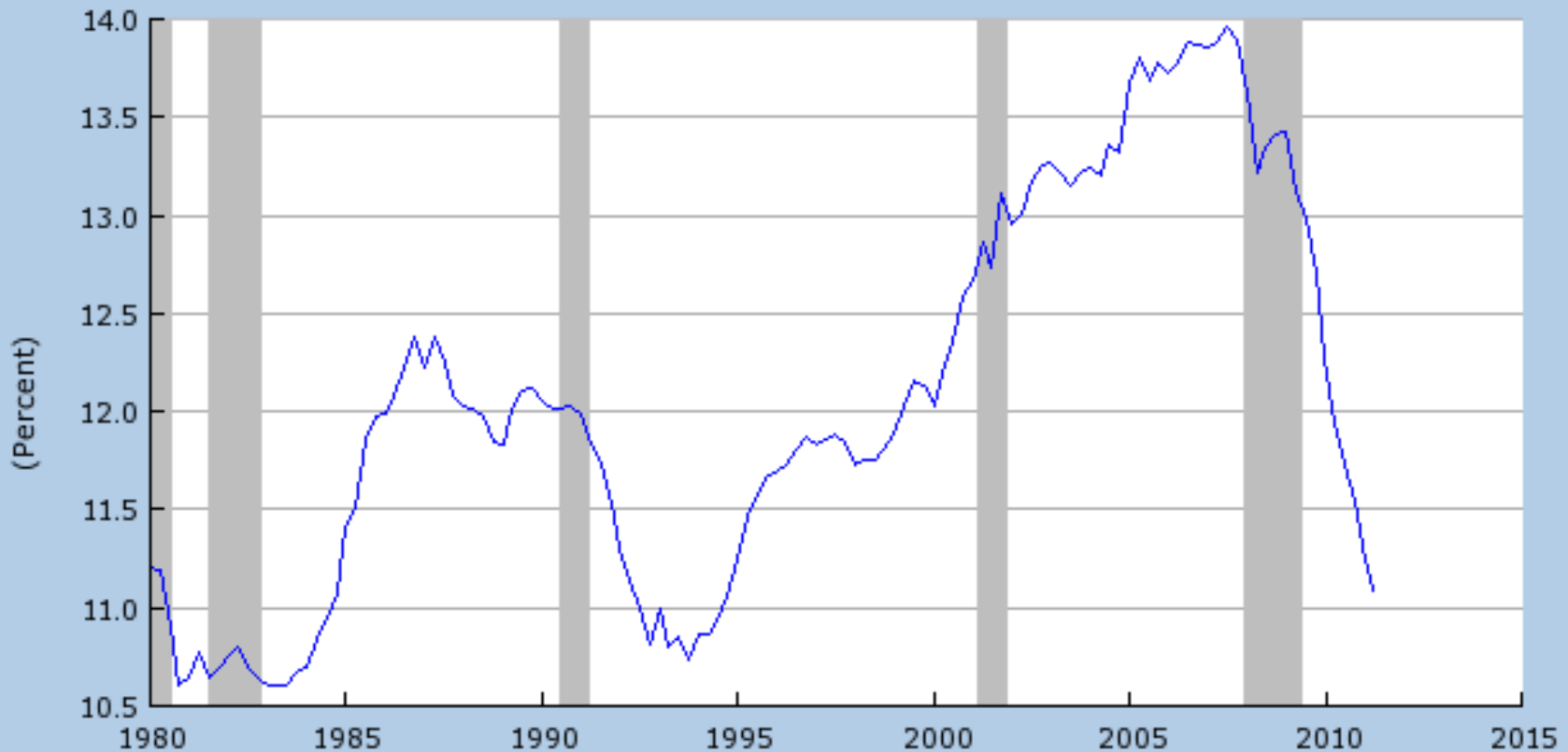
Consumption leveling out

- Losses in wealth, stagnant labor market, and subdued consumer confidence are holding down consumption outlays



Household debt service is no longer a serious restraint

Household Debt Service Payments as a Percent of Disposable Personal Income (TDSP)
Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.
2011 research.stlouisfed.org

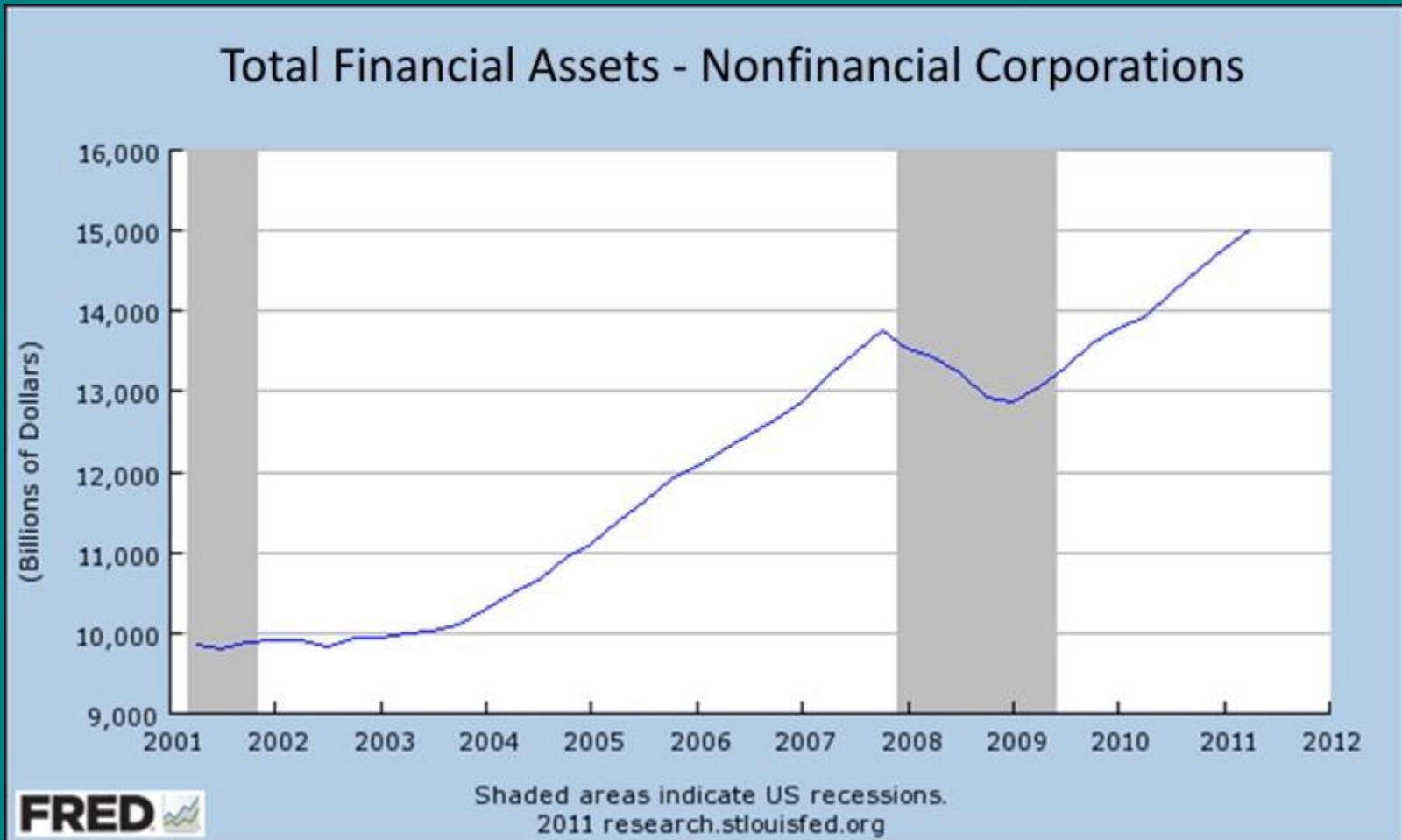
Business caution

- Businesses are cautious about investment

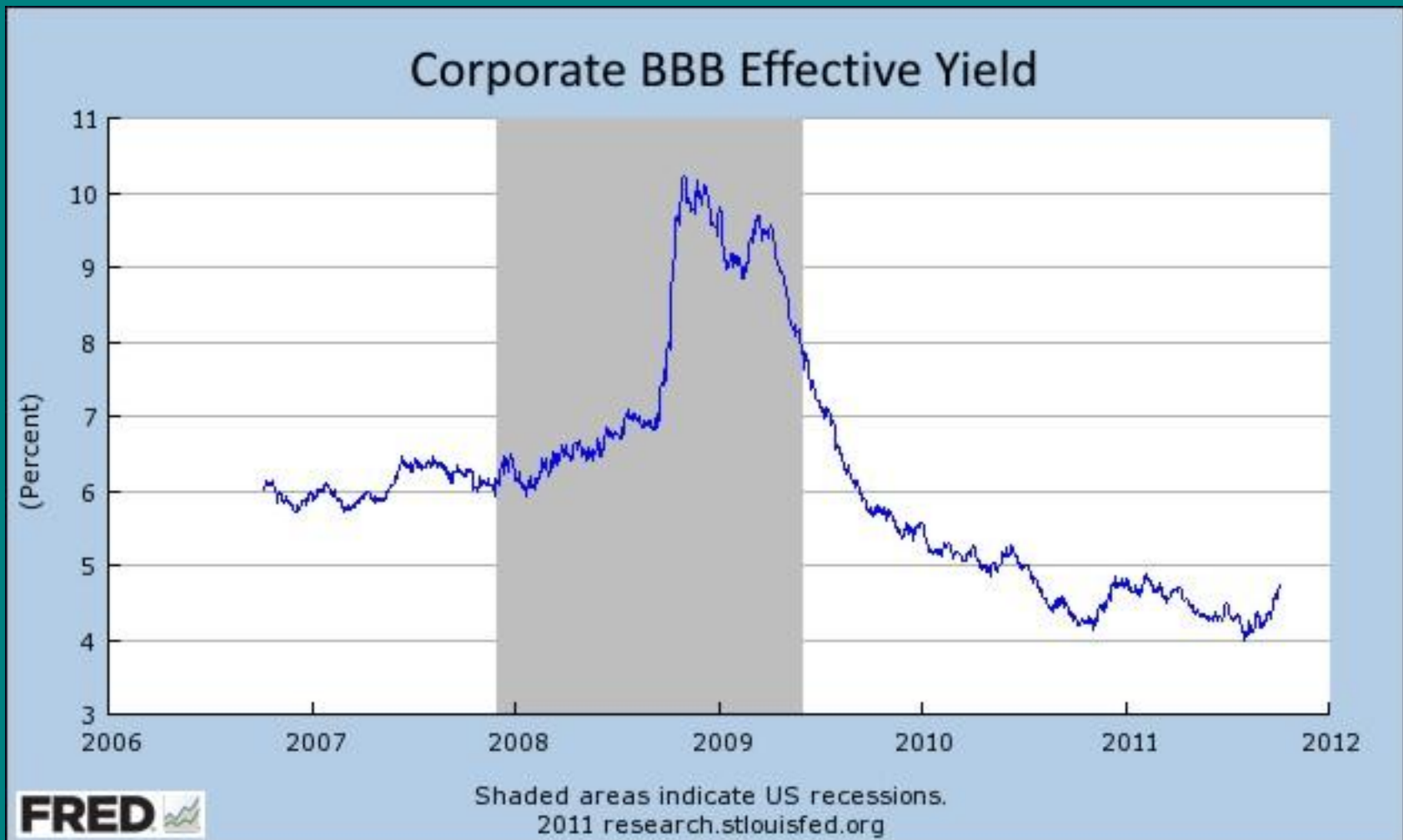


Large businesses

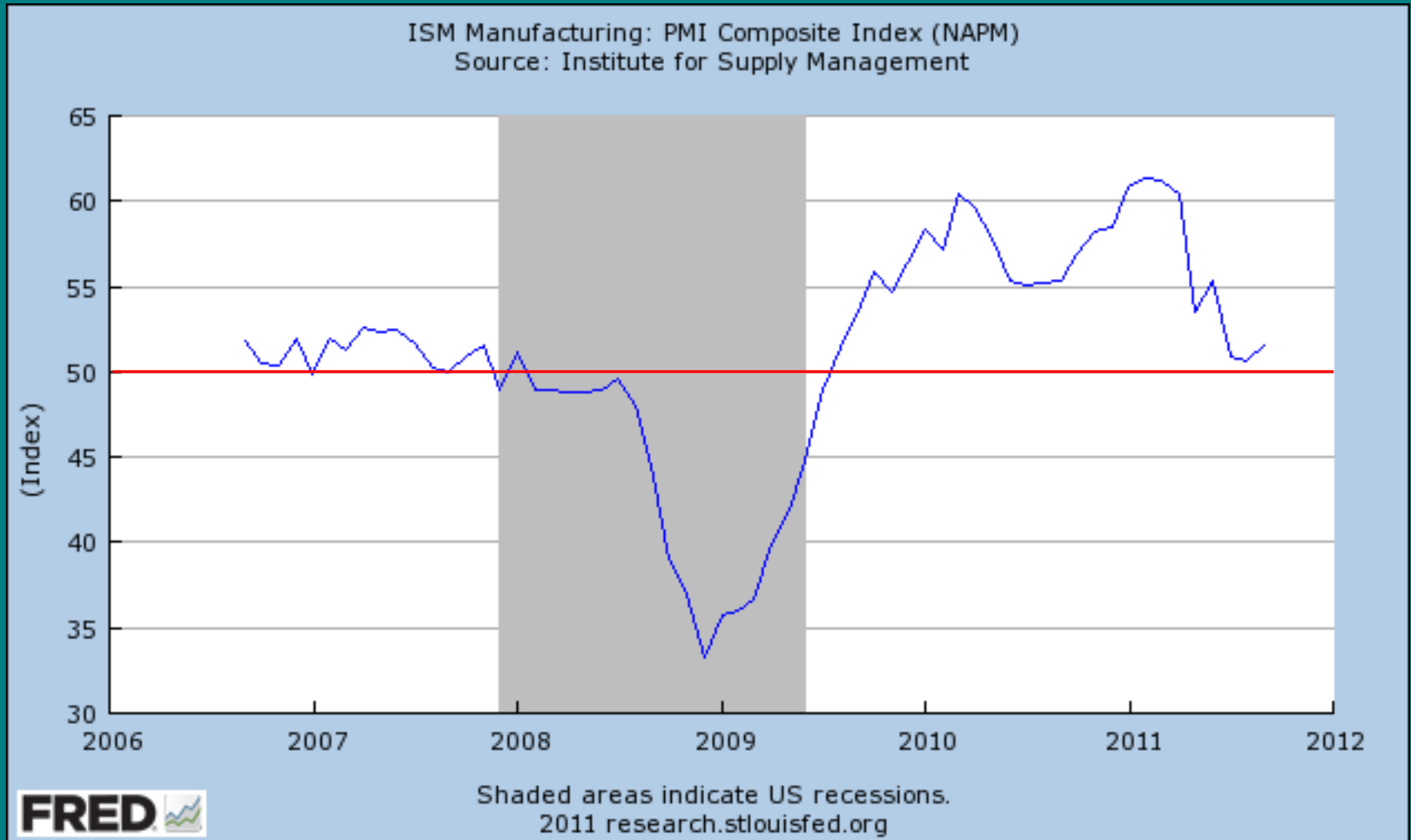
- Are holding back despite sitting on tons of cash



And have good access to financing

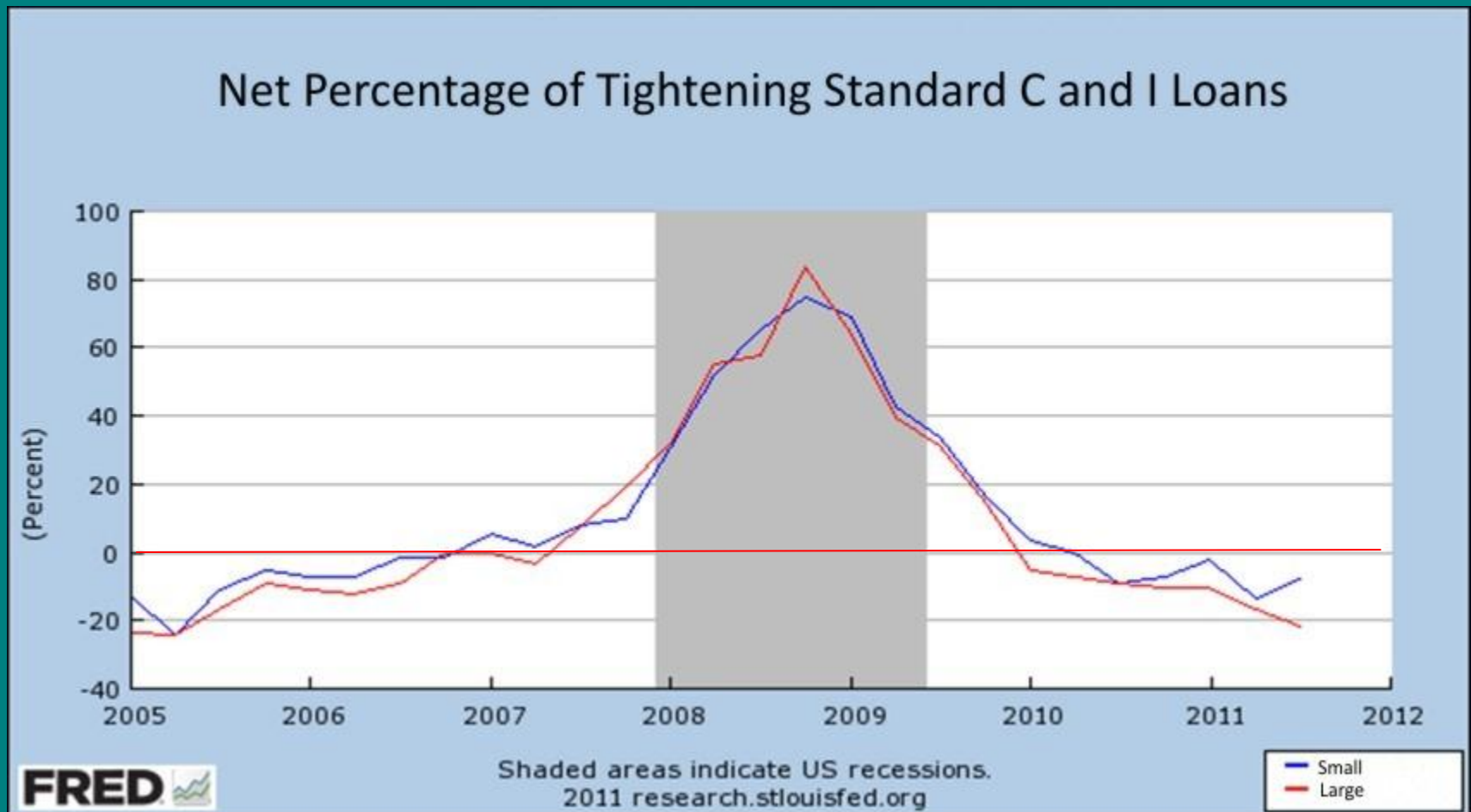


But they are not very upbeat



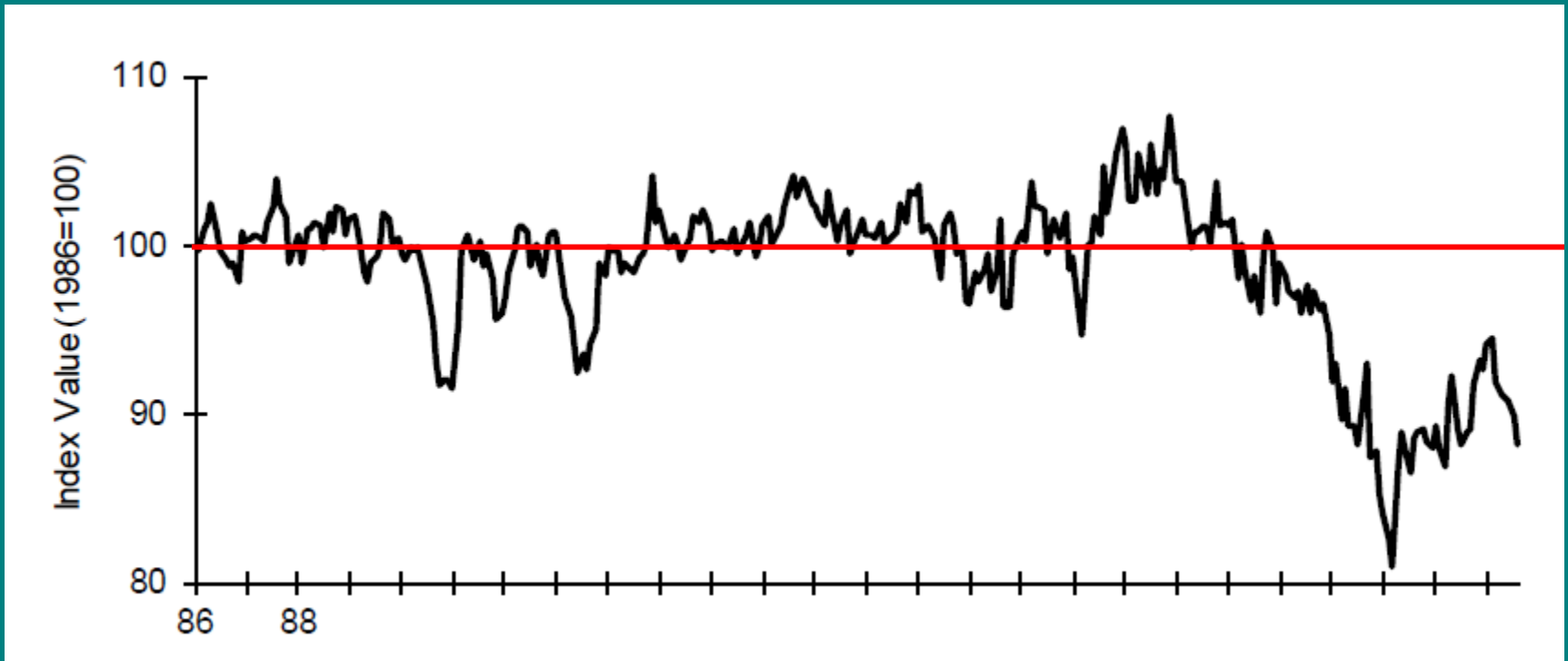
Smaller businesses not faring as well

- Banks have been less accommodative



Small business sentiment is in the tank

Optimism Index



Skittishness about the outlook is hanging over markets

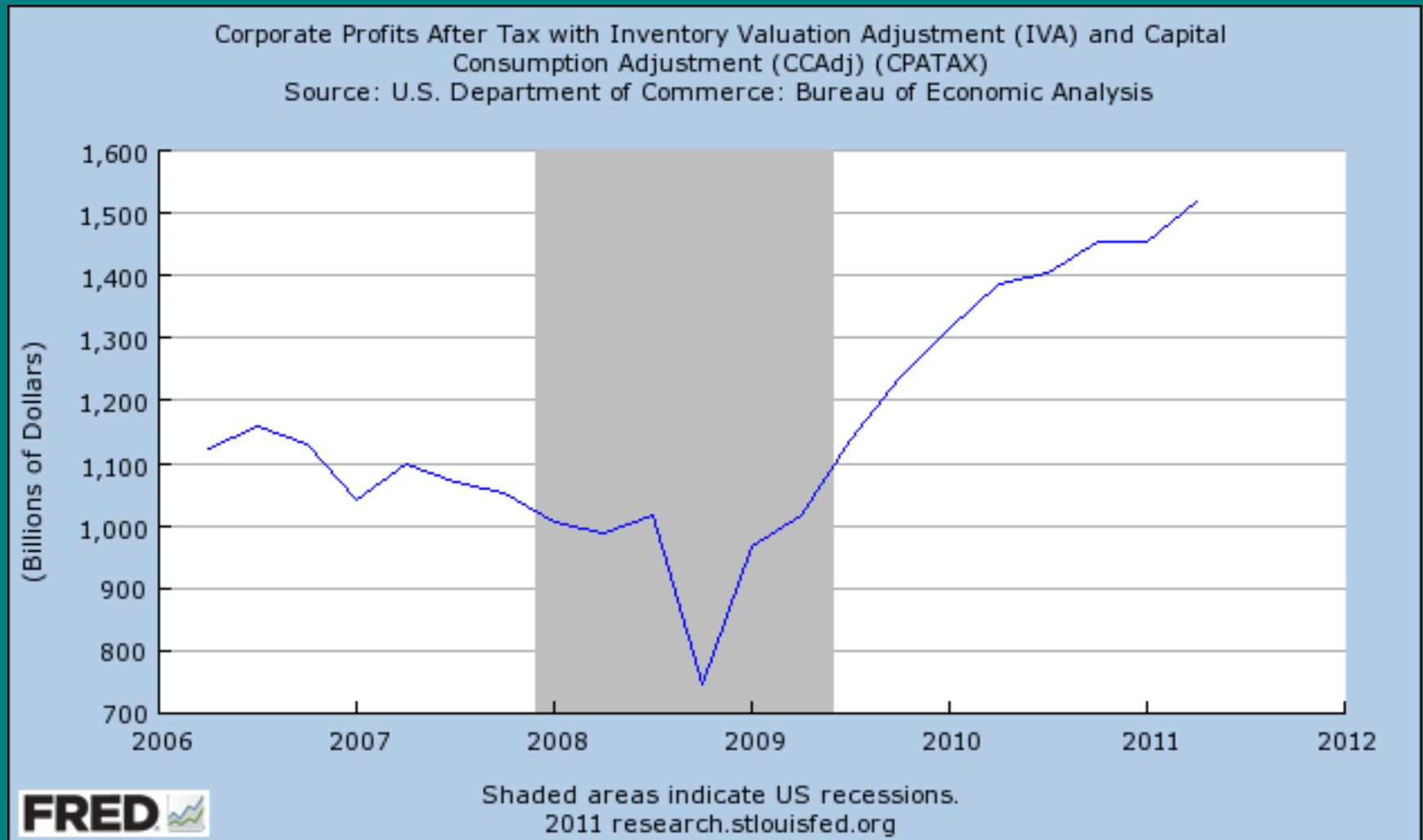
- Volatility has jumped with concerns about economic growth and Europe



And depressing share prices



Even as corporate profits have been strong



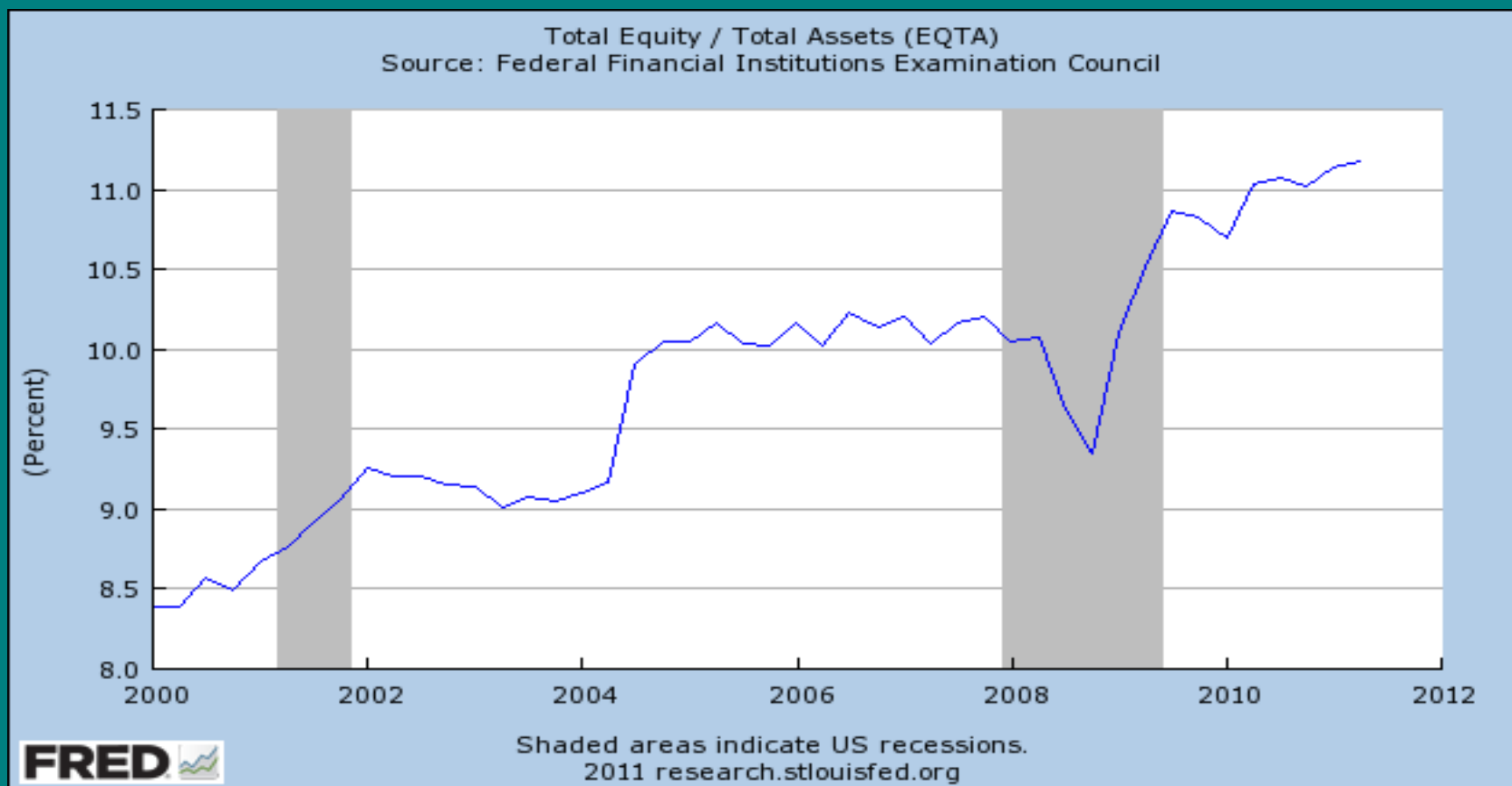
Turmoil in Europe again interrupted dollar's slide

- This and moderation of growth abroad is delaying the contribution from external sector

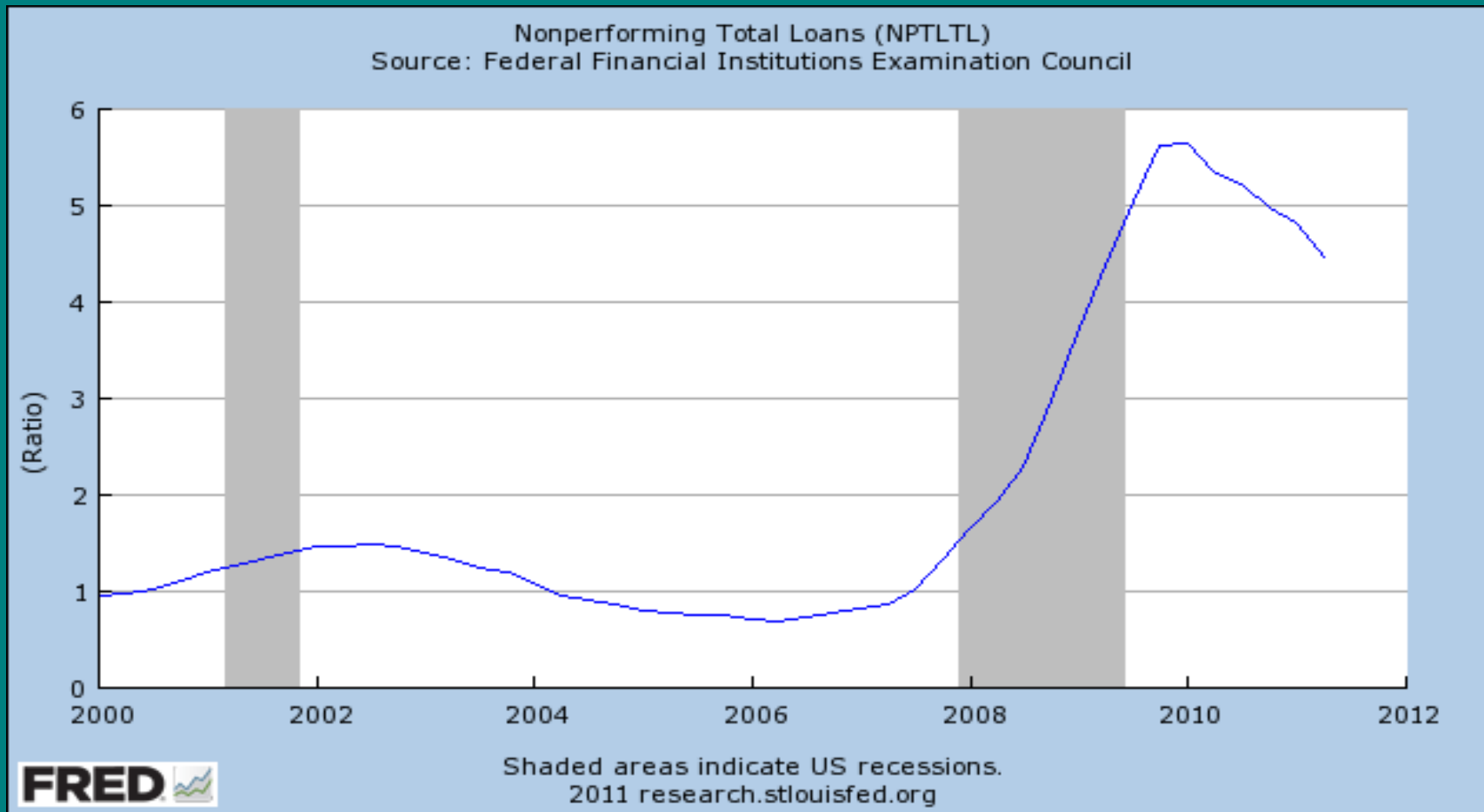


Turmoil in Europe should not seriously damage U.S. banks

- U.S. banks have recovered from the 2008 crisis and are well capitalized



Banks are working down problem loans



- And have limited exposure to Europe

Putting it all together

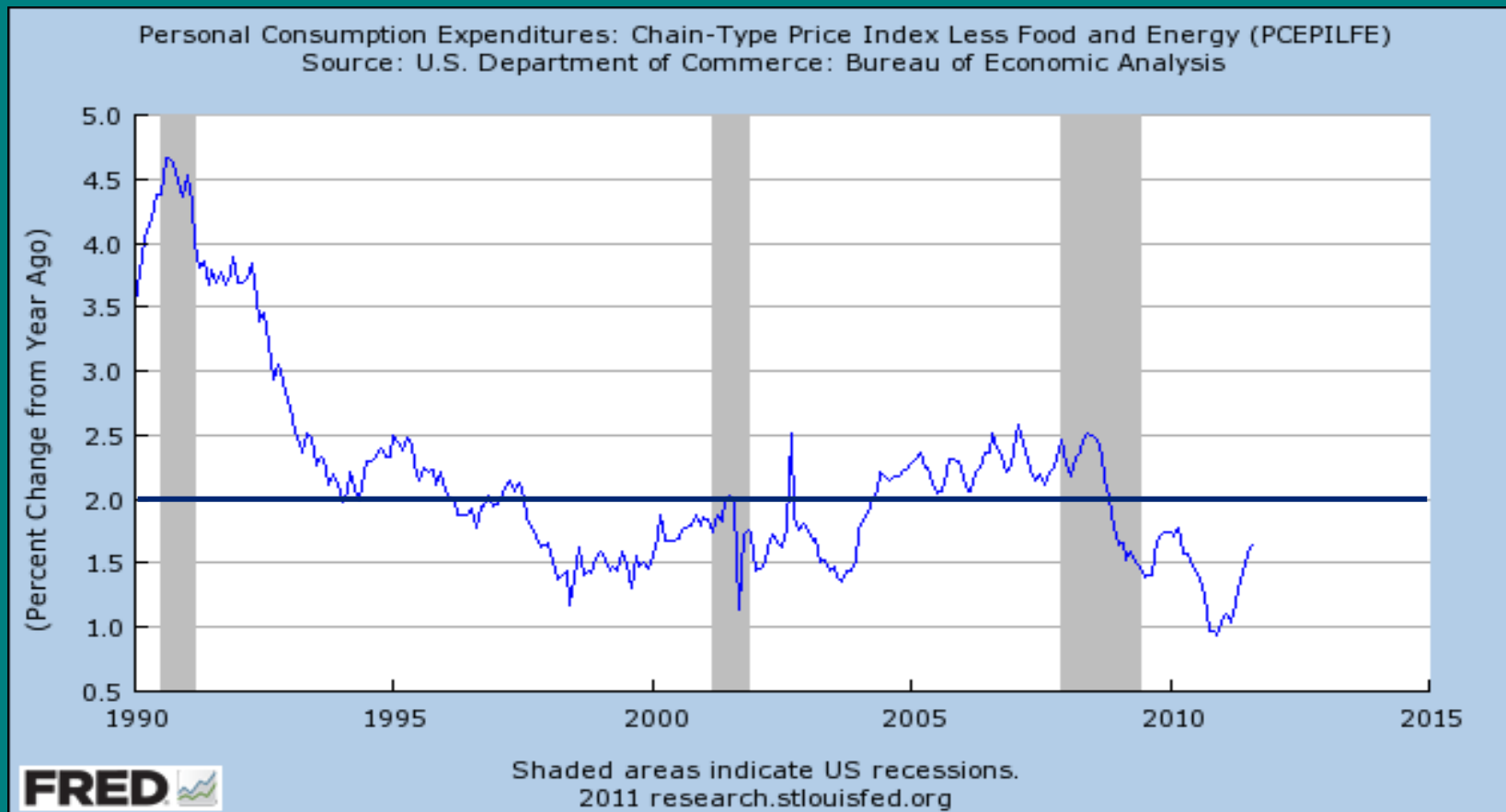
- Growth will firm a bit, but barely exceed the 2-1/2 percent rate needed to prevent unemployment from rising
- Replacement and pent-up demands will contribute
- But housing upturn is not imminent
- Risks are to the downside

Policy on the sidelines

- Fed has little left in its arsenal
- Fiscal policy seriously constrained by federal debt and political gridlock

Inflation will be under control

- The substantial slack in the economy and tame inflation expectations will hold inflation low, even as the dollar weakens



State and Local Economic Conditions

8th Annual Economic Outlook Conference

October 11, 2011

William W. (Woody) Hall, Jr.

Senior Economist

H. David and Diane Swain Center for Business and Economic
Services

Cameron School of Business

UNC Wilmington

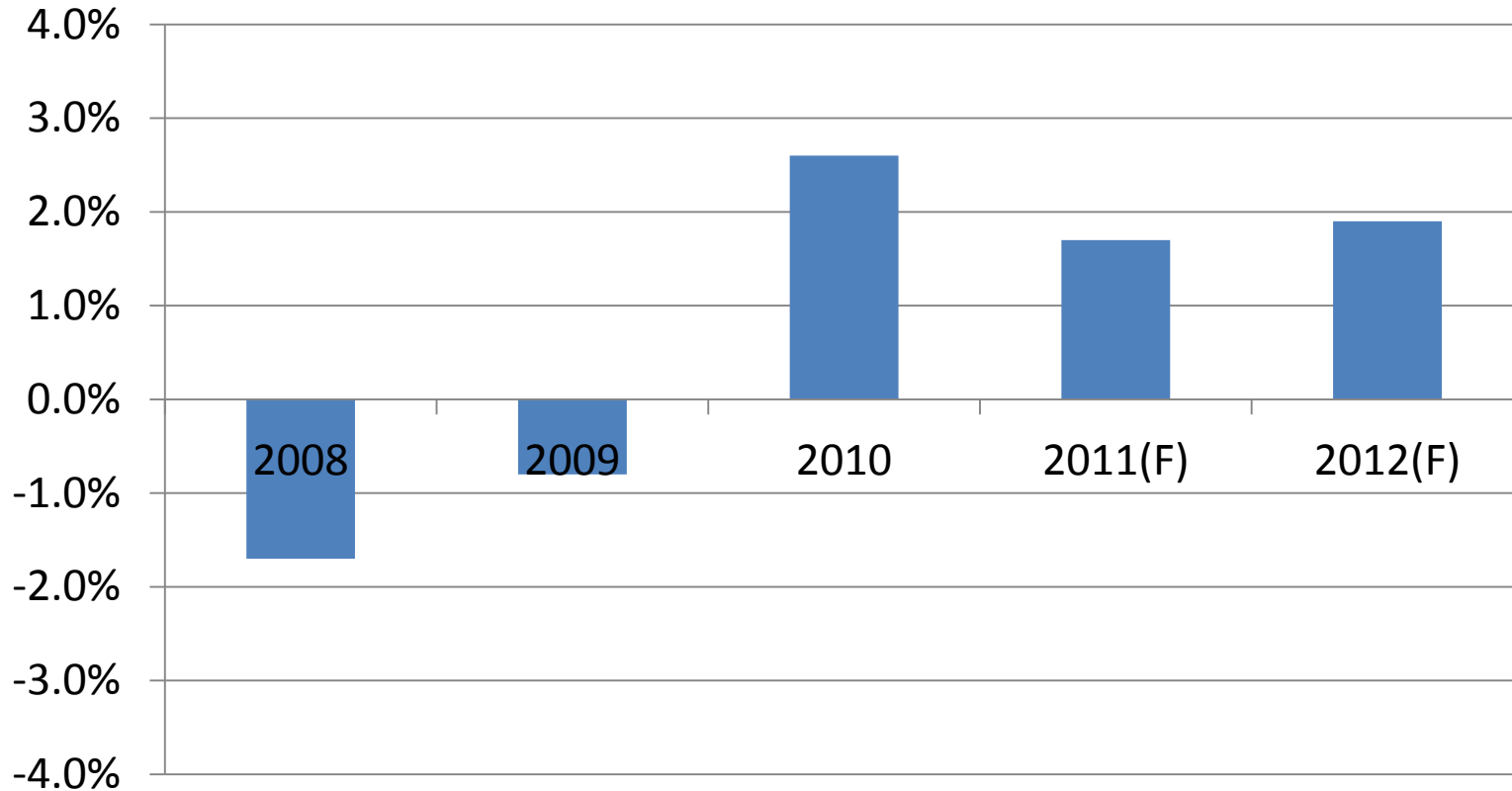
hall@uncw.edu



Web Site for Slides

- <http://www.uncw.edu/swaincenter>

North Carolina Economic Growth

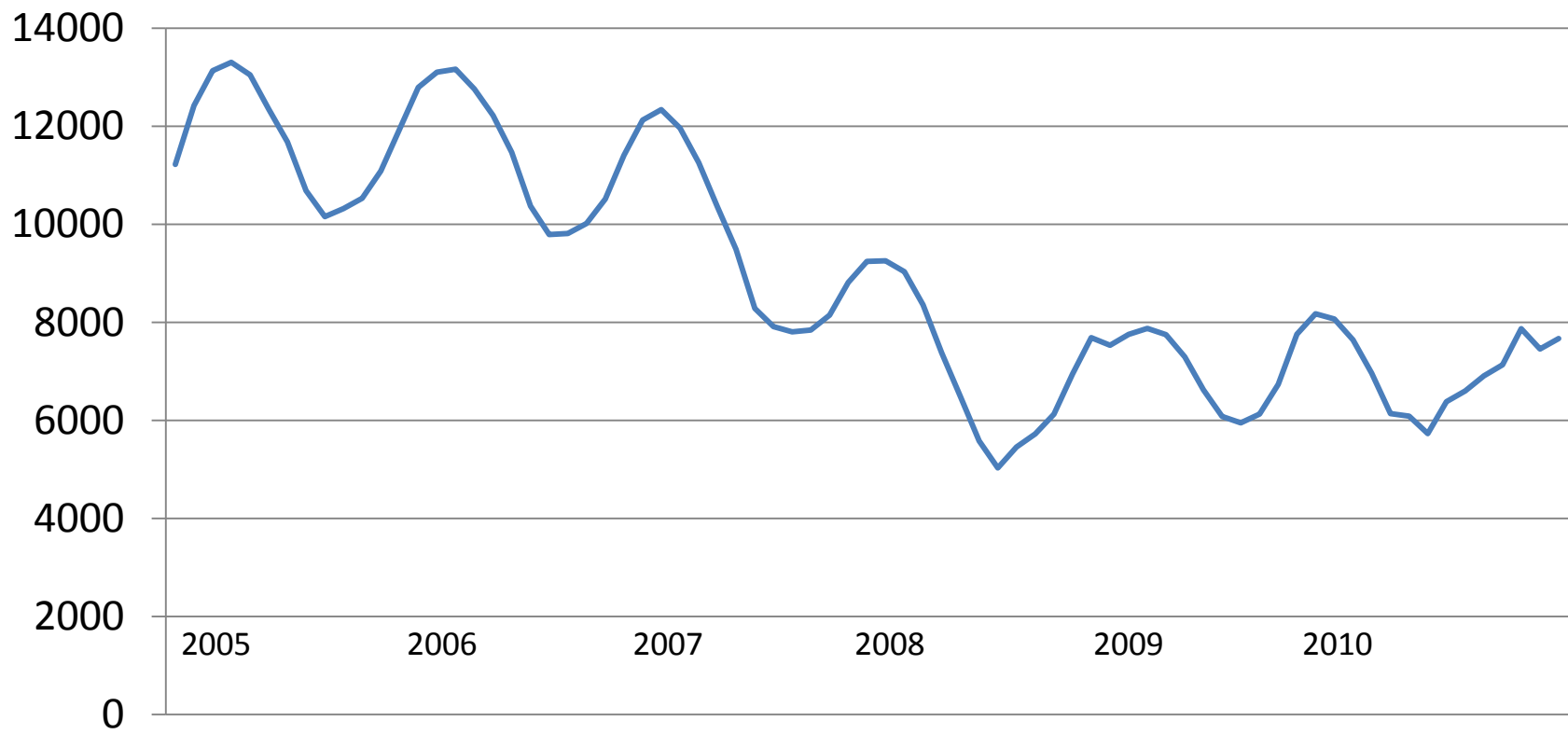


Source: Babson Capital/UNC Charlotte Economic Forecast, Belk College of Business, UNC Charlotte, September 7, 2011.



NC Sales of Existing Single-Family Homes

(5-Month Centered Moving Average)



Source: NC Association of Realtors.



Population Change

	2000	2010	% Change 2000-2010
Brunswick County ¹	73,143	107,431	46.9
New Hanover County ²	160,307	202,667	26.4
Wilmington ³	75,838	106,476	40.4
Pender County	41,082	52,217	27.1
Wilmington MSA	274,532	362,315	32.0
North Carolina	8,049,313	9,535,483	18.5

1 2nd fastest growing county in the state

2 9th largest county in the state

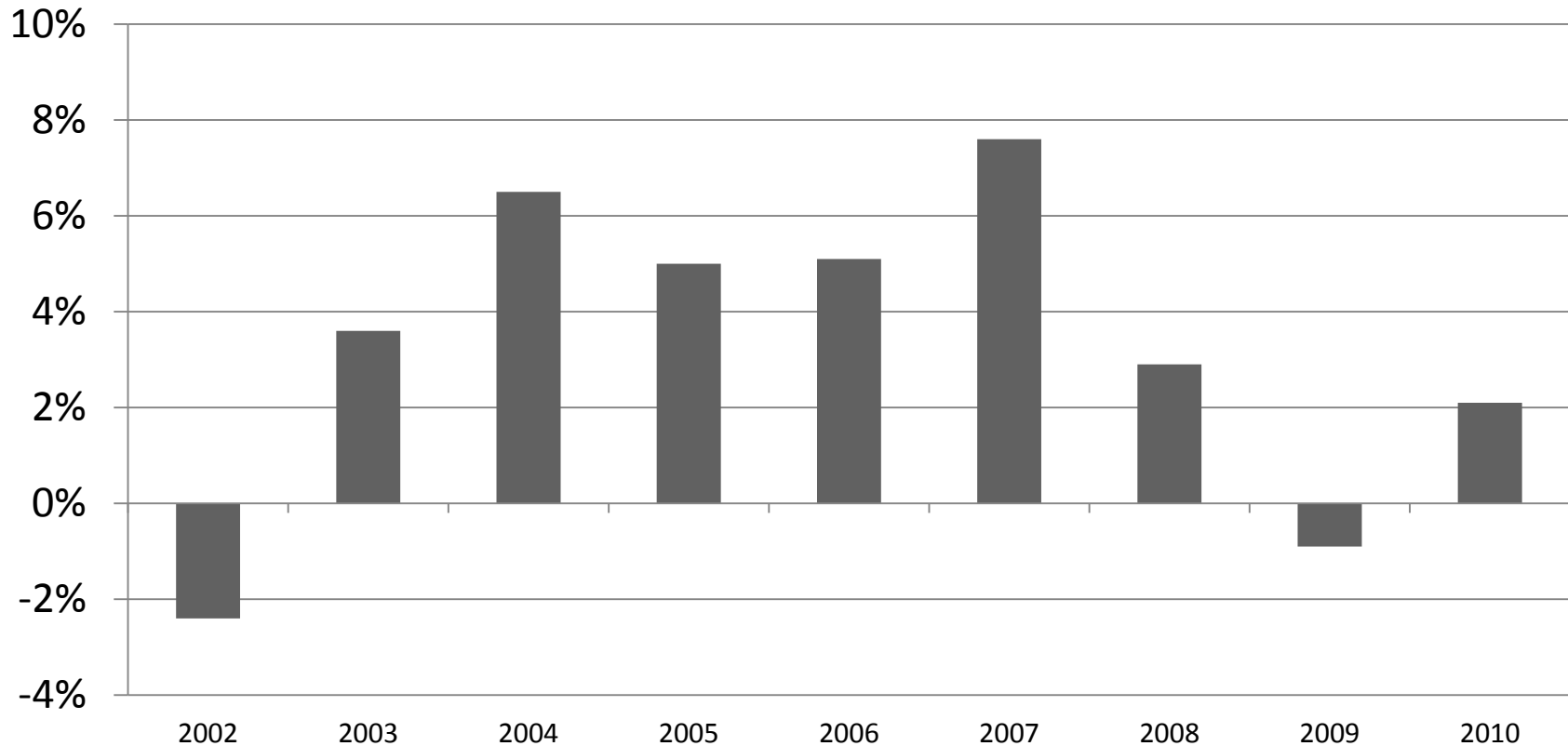
3 8th largest city in the state

Source: Bureau of the Census, US Department of Commerce.



Wilmington MSA Gross Domestic Product (GDP) Growth

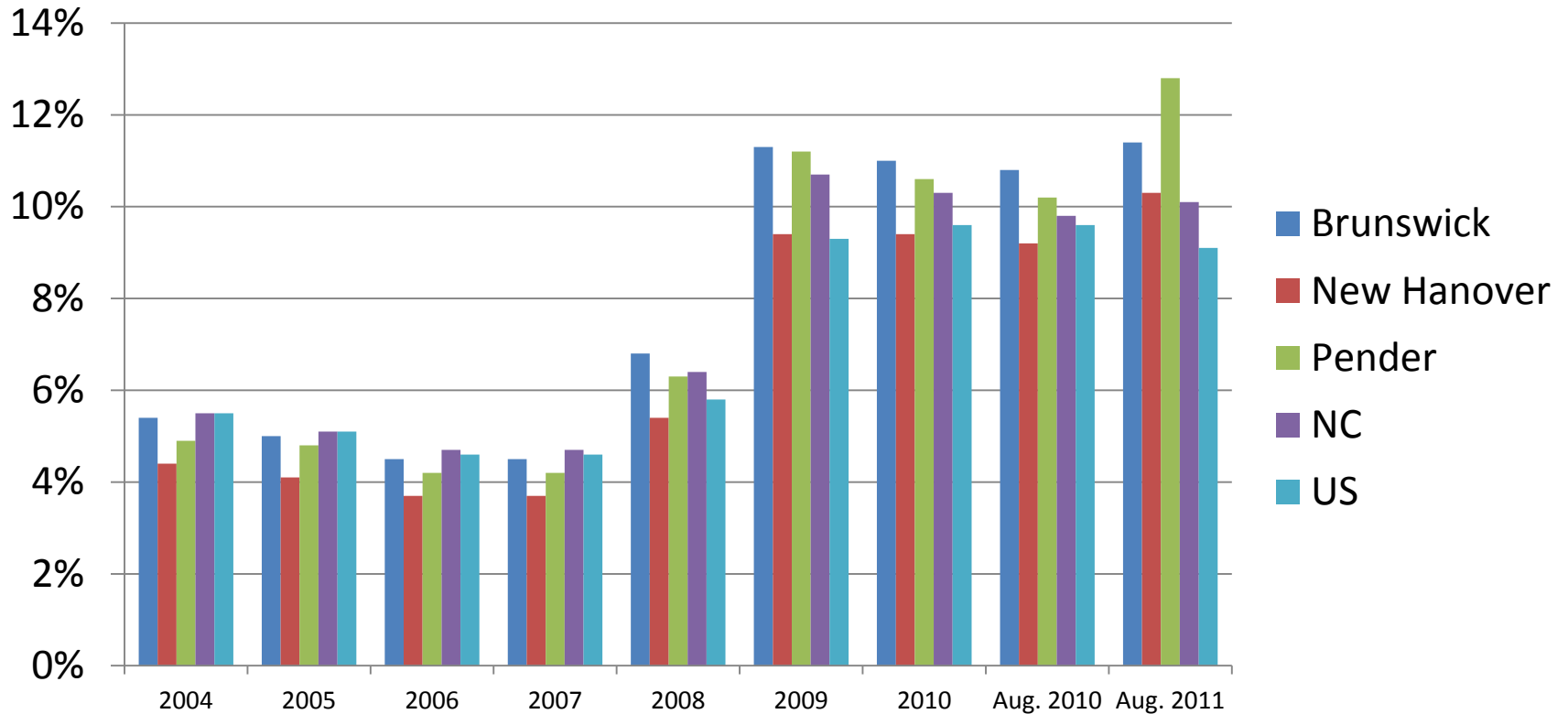
(Brunswick, New Hanover, and Pender Counties)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.



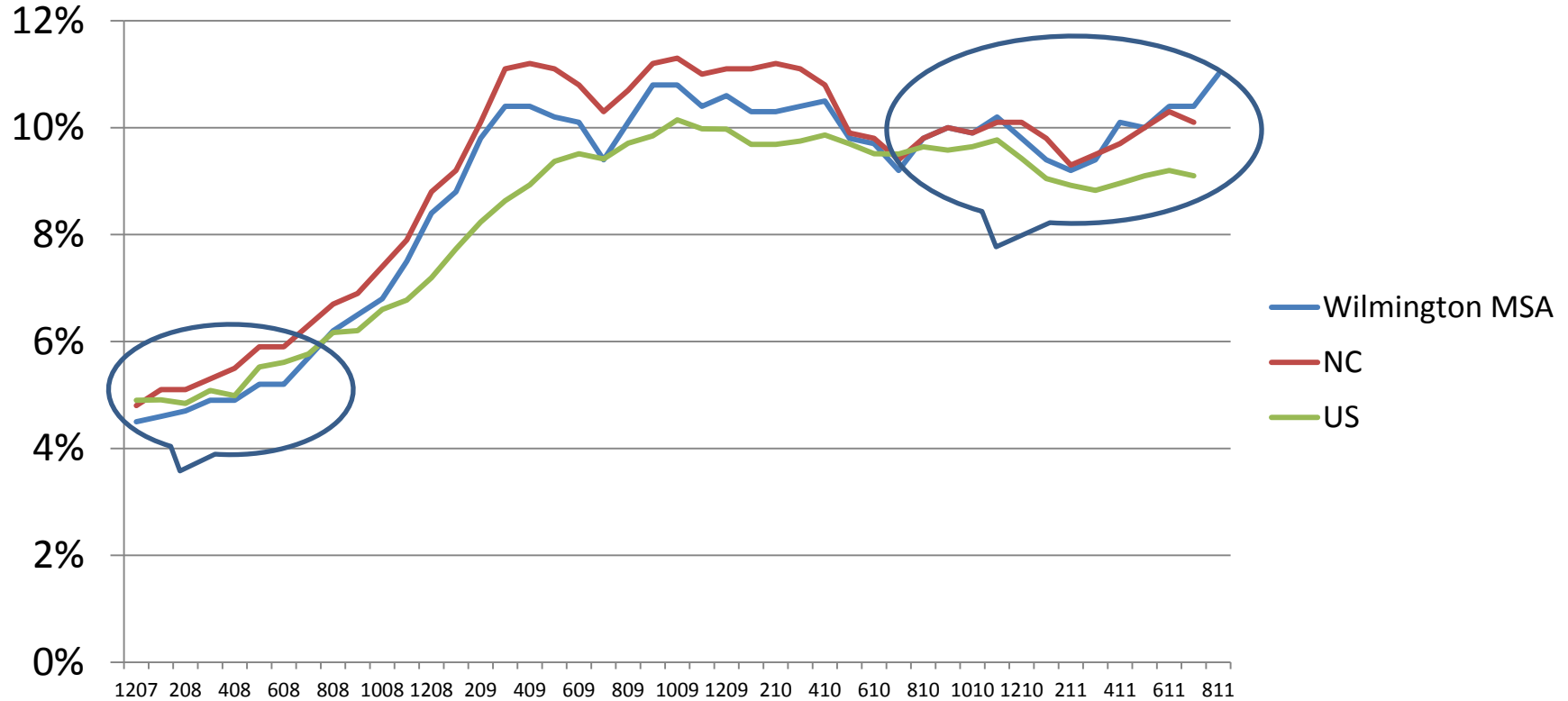
Unemployment Rates



Source: NC Employment Security Commission; Bureau of Labor Statistics, US Department of Labor.



Unemployment Rates (Seasonally Adjusted)



Source: NC Employment Security Commission; Bureau of Labor Statistics, US Department of Labor.



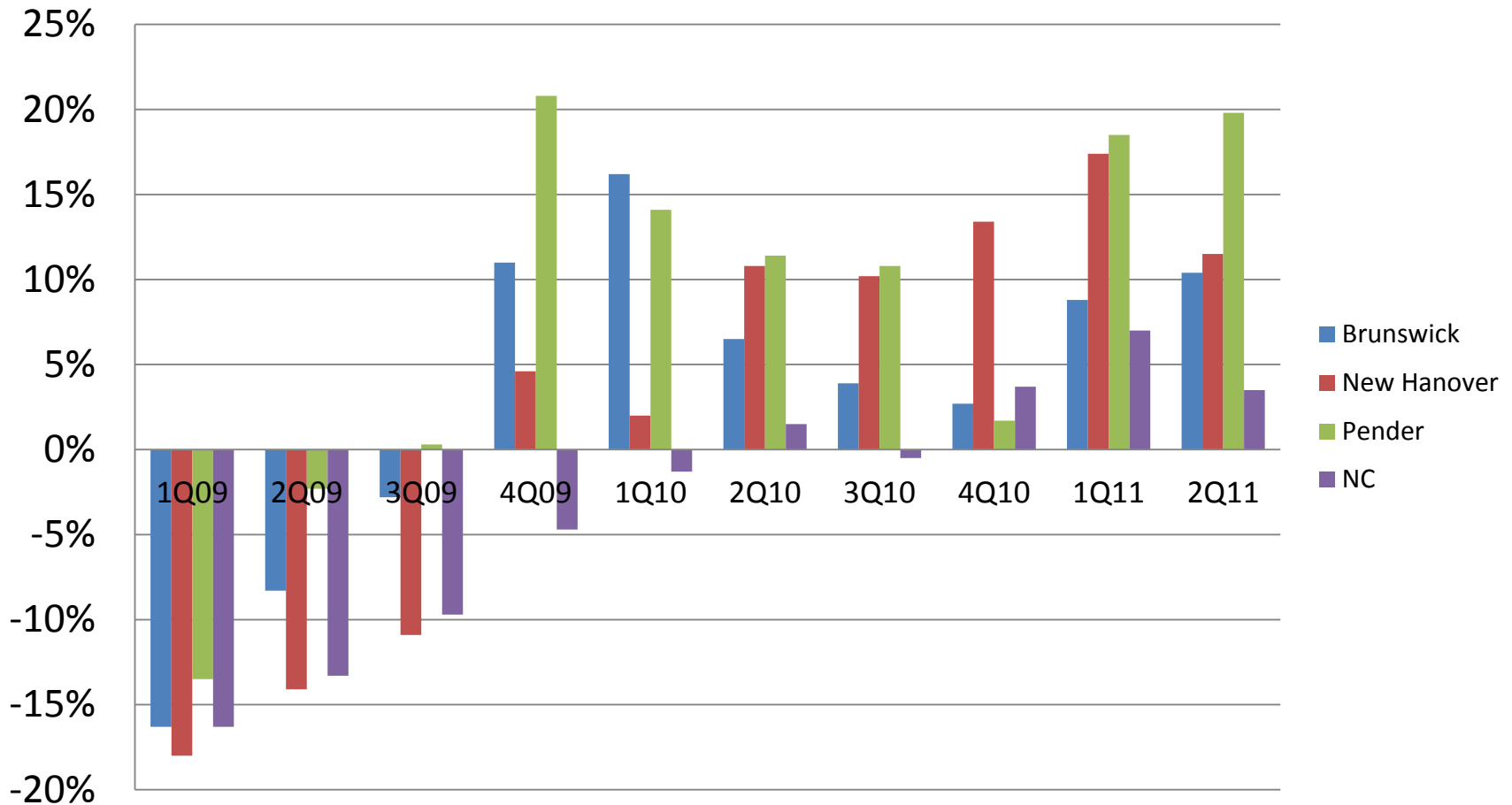
Retail Sales Growth Rates



Source: NC Department of Revenue.



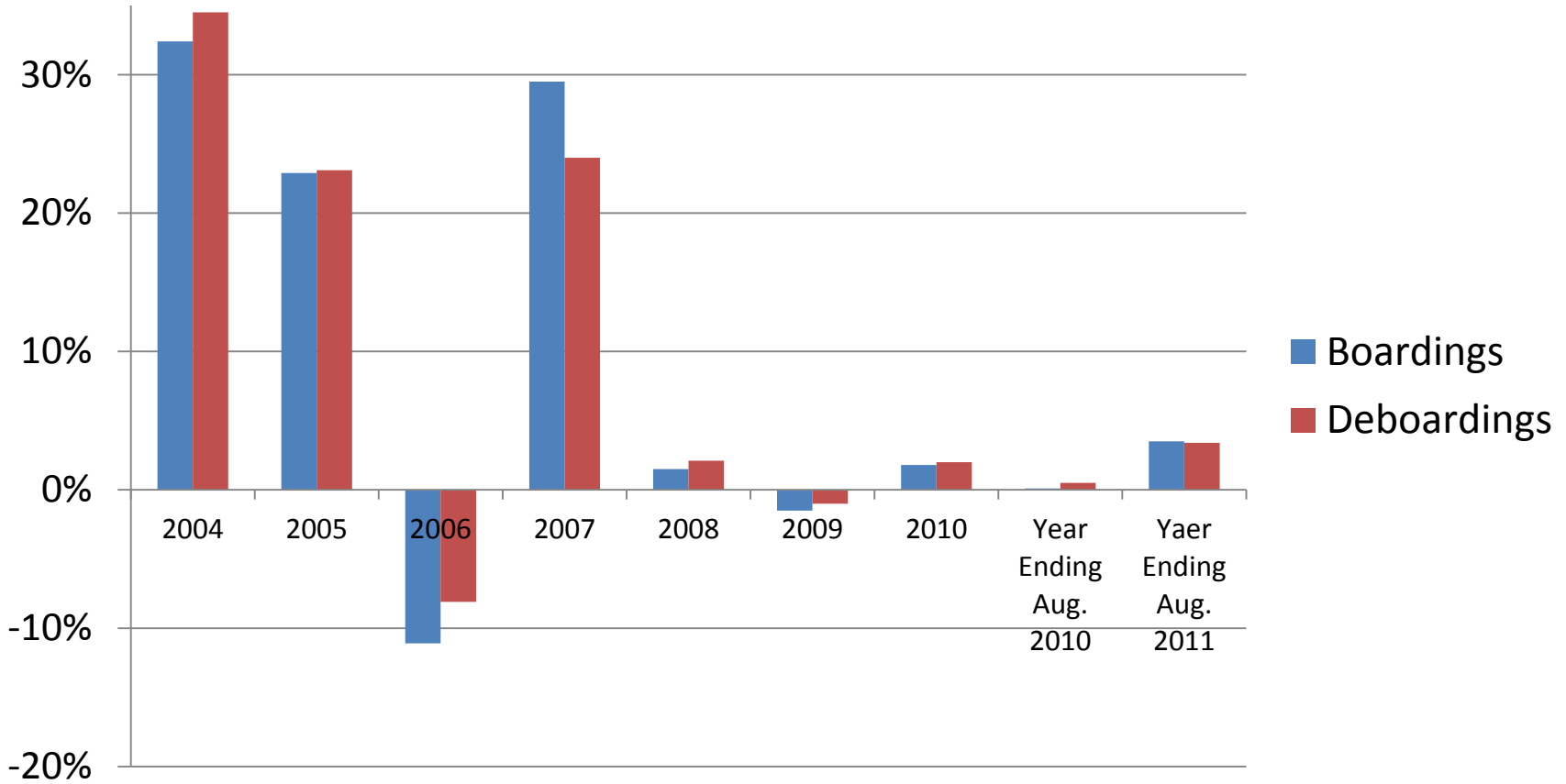
Retail Sales Growth Rates (Compared to Previous Year)



Source: NC Department of Revenue.



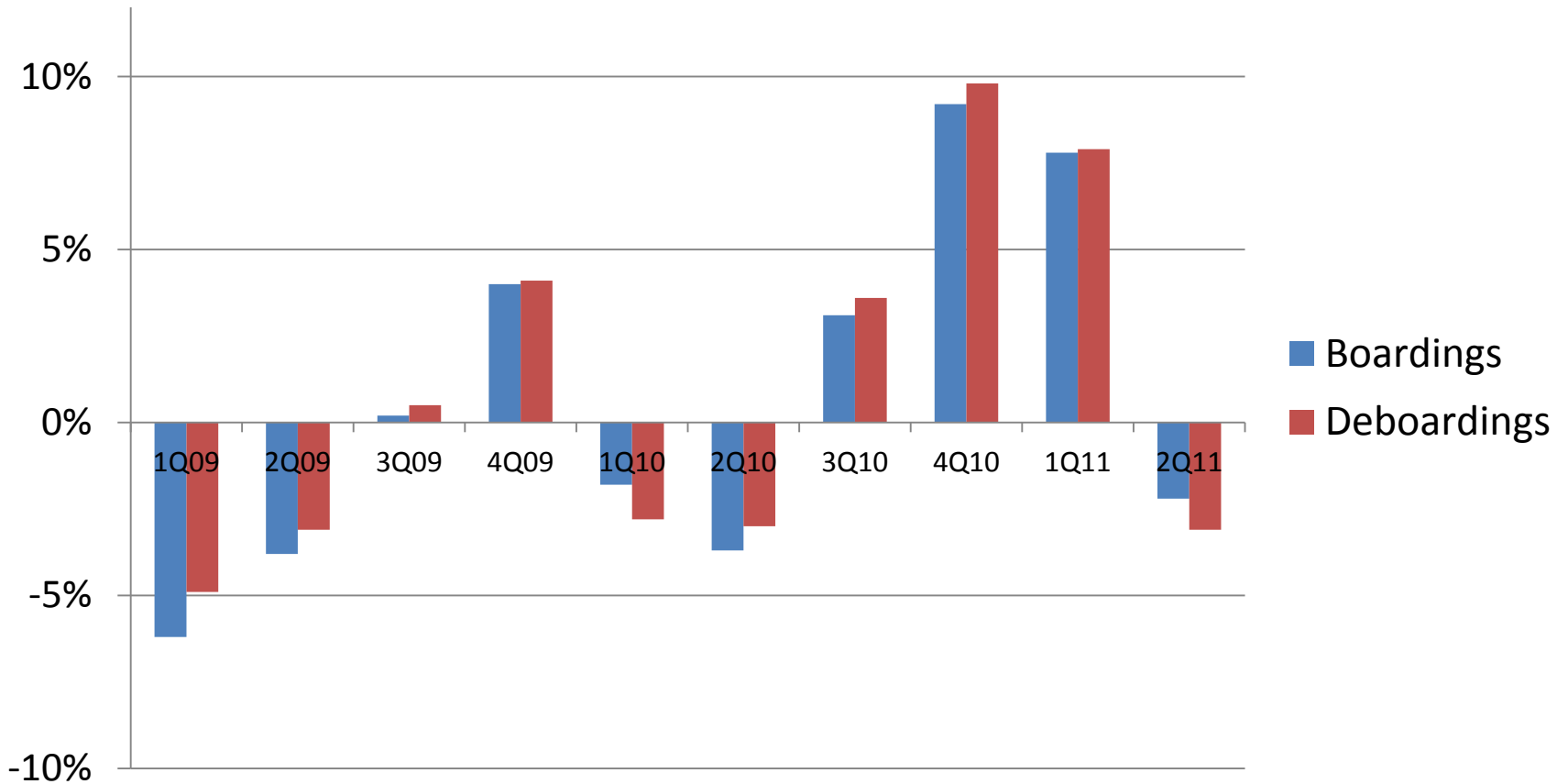
Wilmington International Airport (ILM) Air Passenger Traffic Growth Rates



Source: Wilmington International Airport.



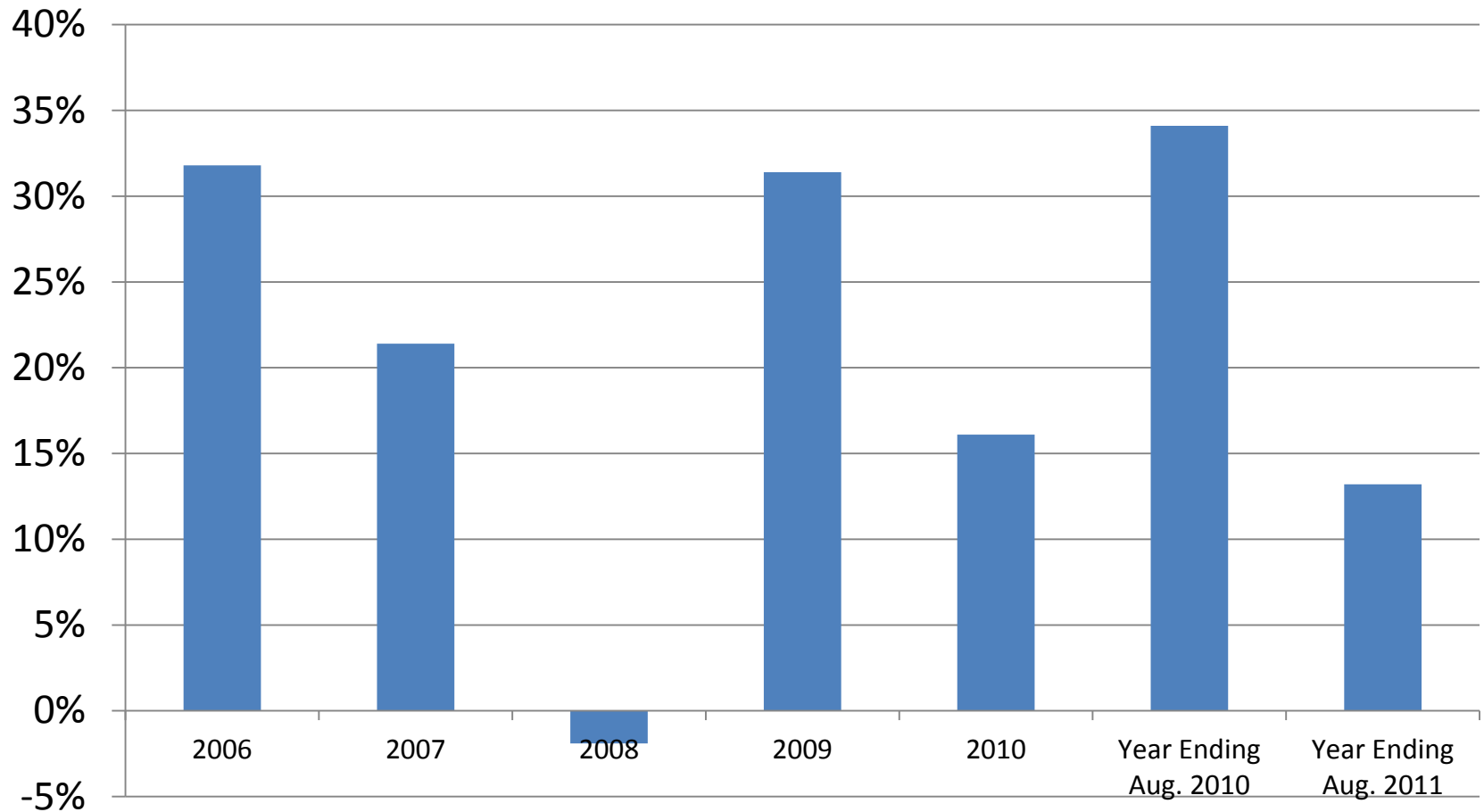
ILM Air Passenger Traffic Growth Rates (Compared to Previous Year)



Source: Wilmington International Airport.



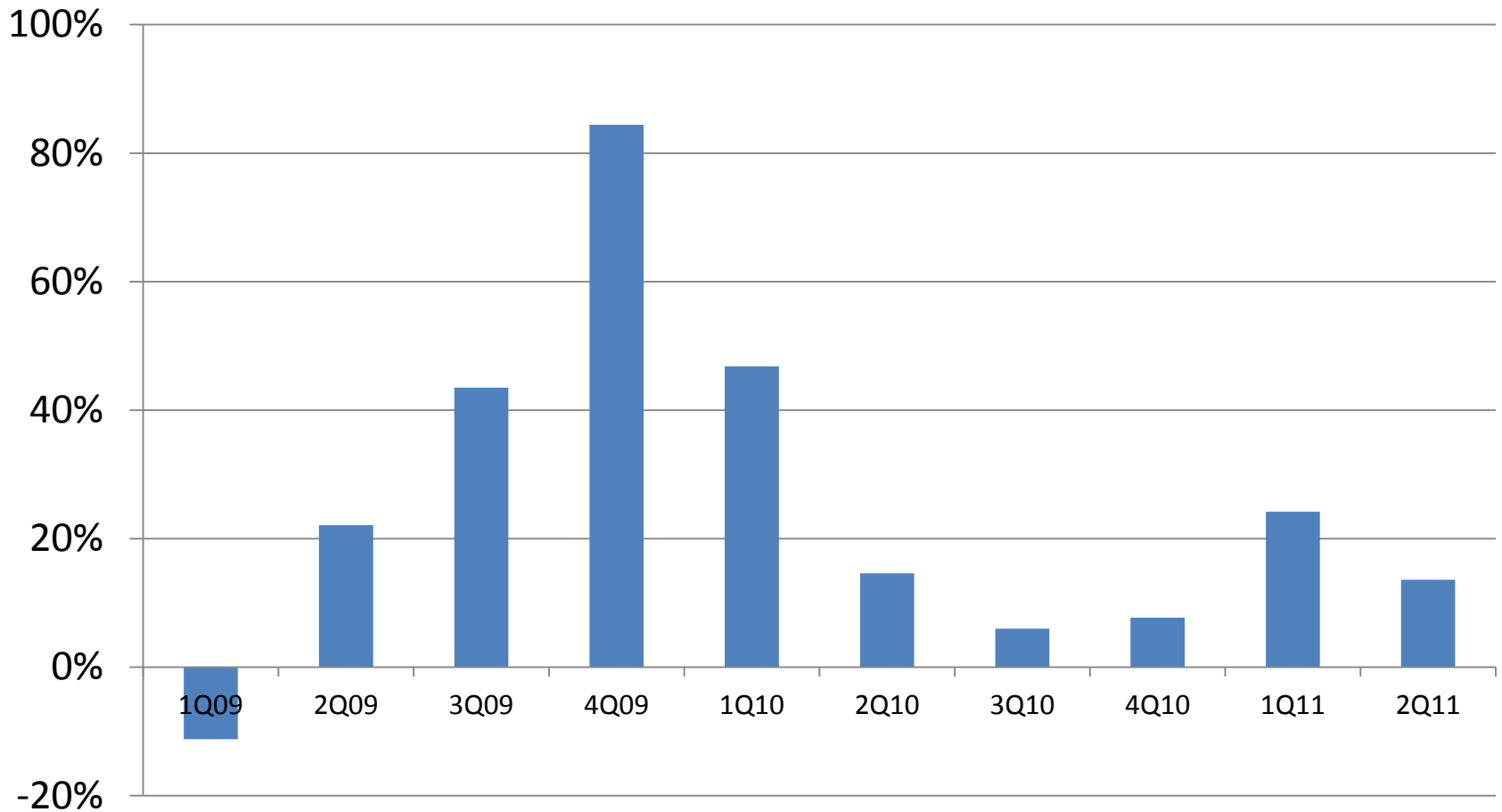
Port of Wilmington Container Tonnage Growth Rates



Source: North Carolina State Ports Authority.



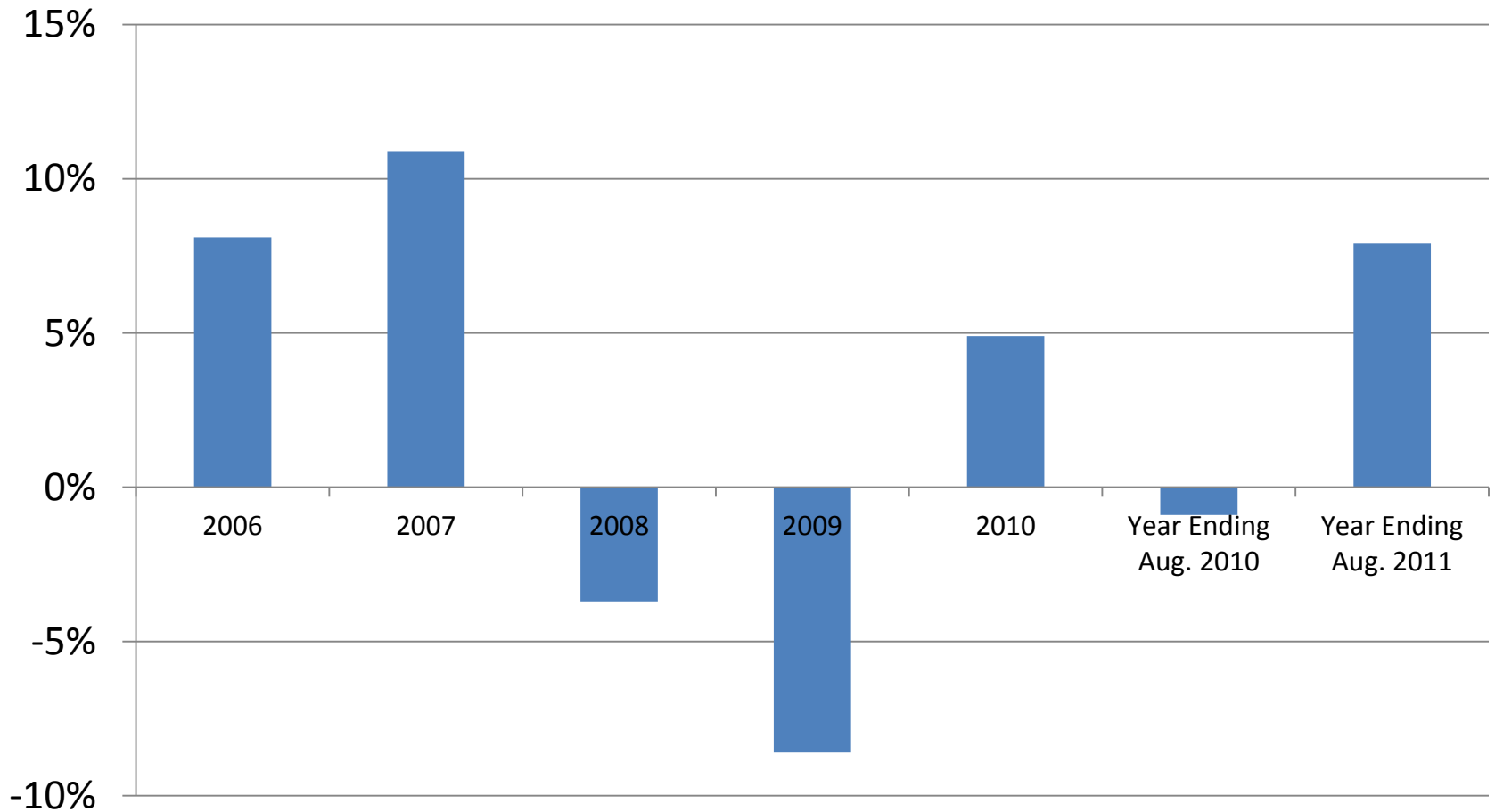
Port of Wilmington Container Tonnage Growth Rates (Compared to Previous Year)



Source: North Carolina State Ports Authority.



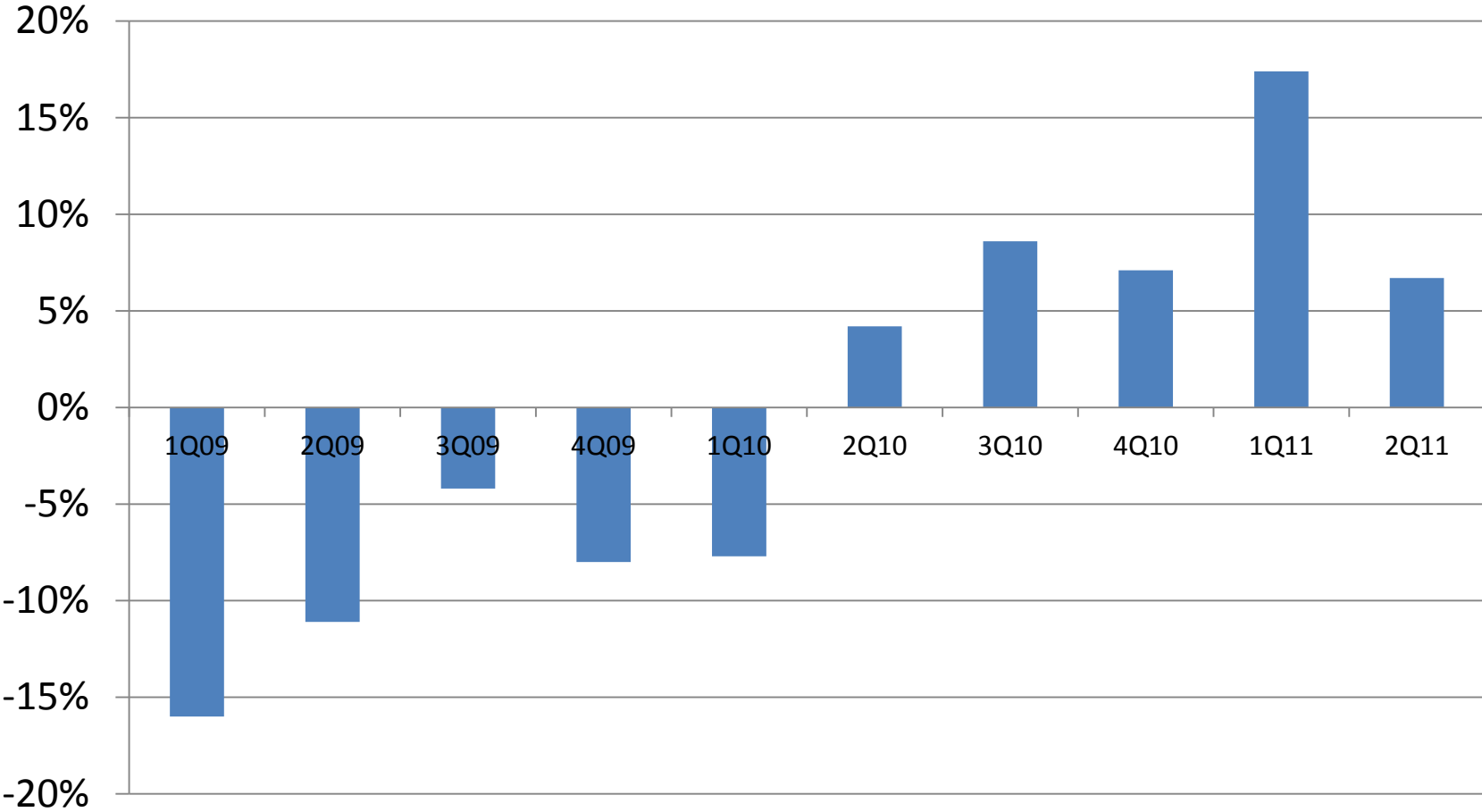
New Hanover County Room Occupancy Tax Collection Growth Rates



Source: New Hanover County Finance Department.



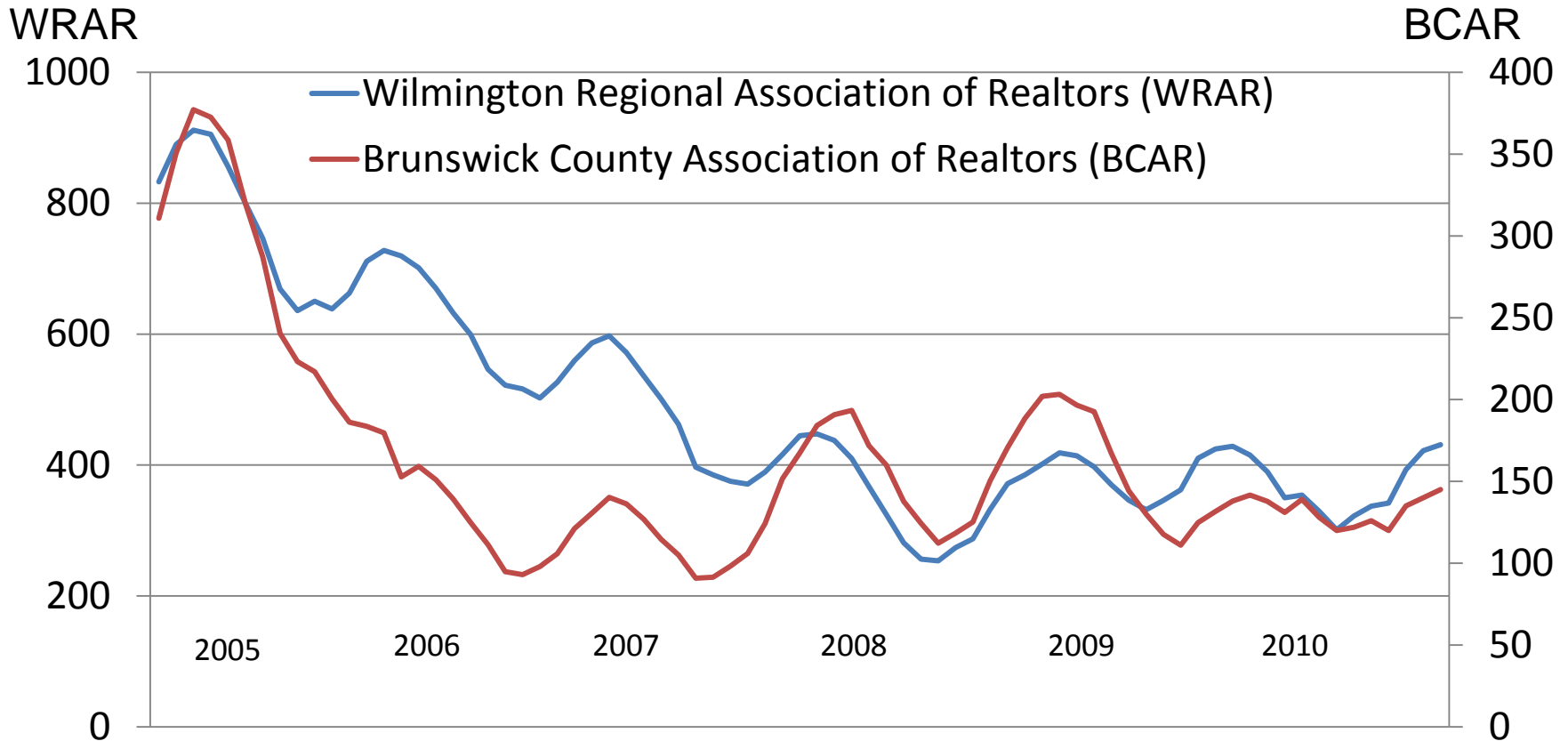
New Hanover County Room Occupancy Tax Collection Growth Rates (Compared to Previous Year)



Source: New Hanover County Finance Department.



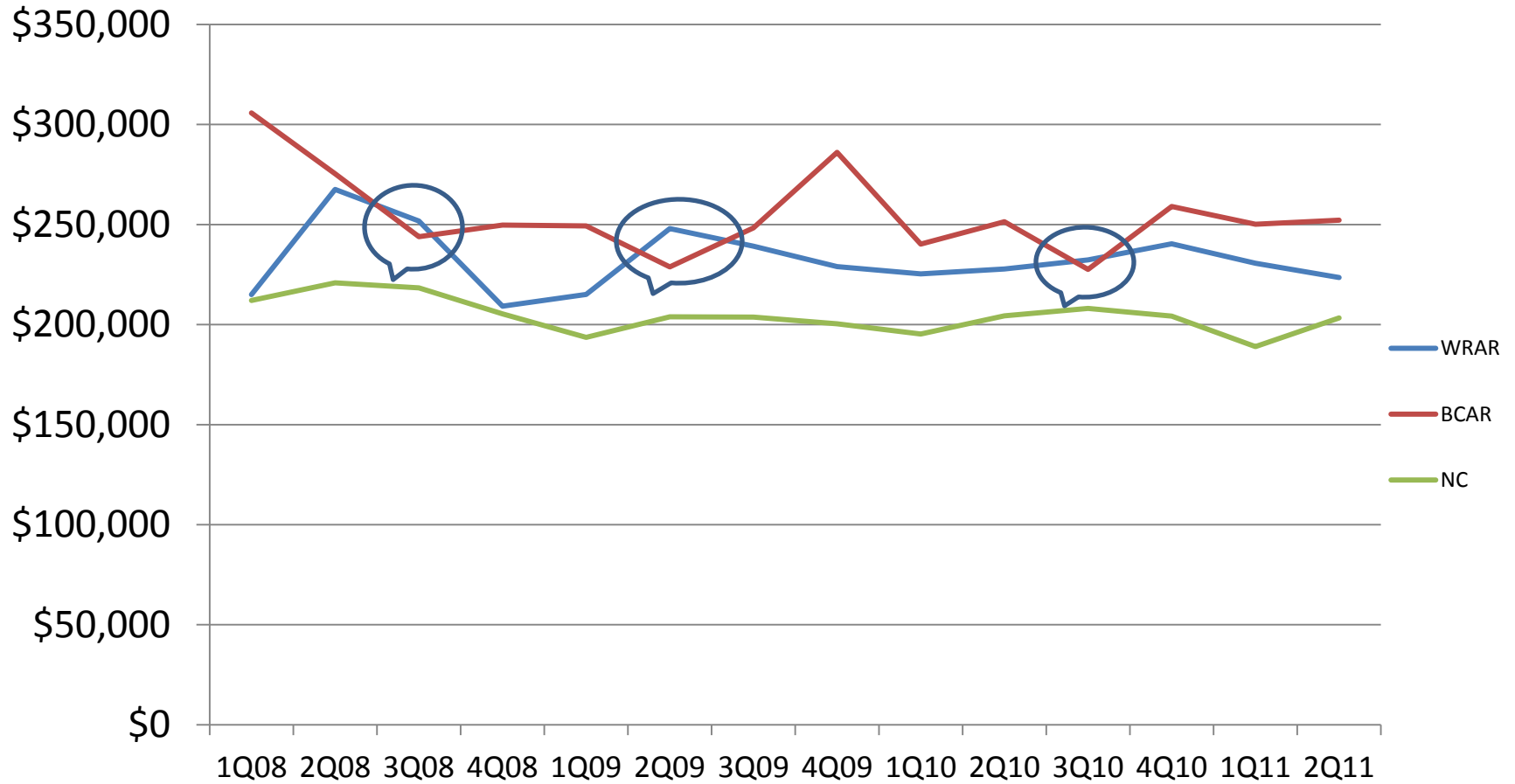
Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.



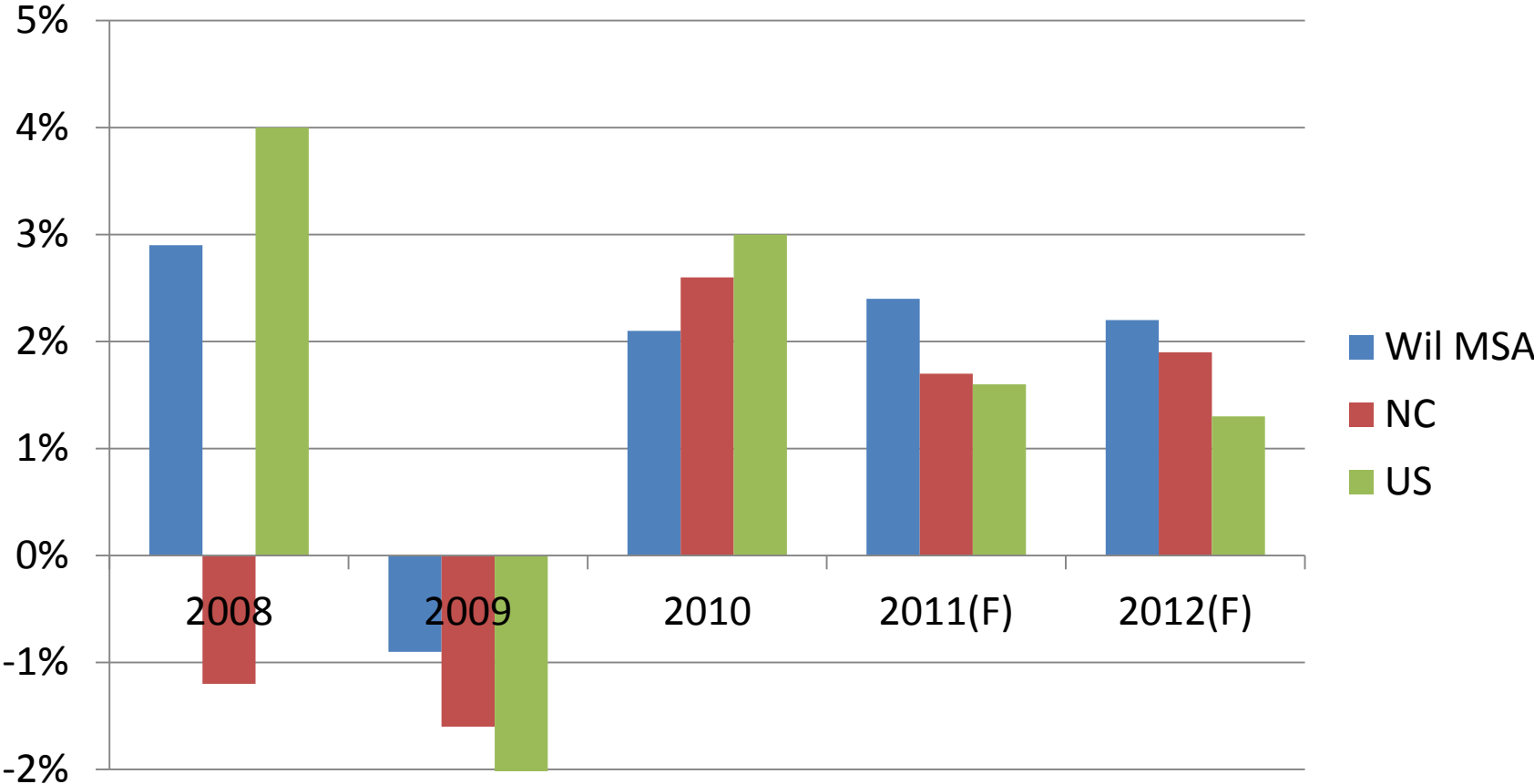
Average Quarterly Single-Family Sales Price



Source: NC Association of Realtors.



GDP Growth Rate Comparisons



Source: Bureau of Economic Analysis, U.S. Department of Commerce; Weekly Economic & Financial Commentary, Economics Group, Wells Fargo Securities, September 23, 2011; Babson Capital/UNC Charlotte Economic Forecast, Belk College of Business, UNC Charlotte, September 7, 2011; Swain Center for Business and Economic Services, Cameron School of Business, UNC Wilmington.



Wilmington MSA Business Short-Term Outlook (Selected Sectors)

Sector	NAICS Code	Outlook
Health Care and Social Assistance	62	Positive
Retail Trade	44	Positive
Accommodations and Food Services	72	Positive
Educational Services	61	Slightly Positive
Construction	23	Neutral/Slightly Negative
Manufacturing	31	Neutral/Slightly Positive
Professional, Scientific, and Technical Services	54	Positive
Administrative and Support and Waste Management and Remediation Services	56	Neutral
Wholesale Trade	42	Slightly Positive
Finance and Insurance	52	Positive
Transportation and Warehousing	48	Slightly Positive



Source: Fall 2011 ECN 428 Class – A. D. Beame, A. A. Bennis, M.R. D’Orazio, H. M. Garrell, J. L. Jones, S. D. McPherson, R. A. Poirier, W. A. Stuart, S. K. Utterson, R. M. Vauldrin, and N. M. Wallace.

Quarterly Barometer

<http://www.csb.uncw.edu/cbes/newsletter/index.htm>



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SERVICES

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Economic Barometer



Volume III, Issue III

June 2011

Headwinds Facing the Economy: Temporary or Lasting?

Slow growth of real GDP over the first half of 2011 has been only sufficient to keep the huge amount of slack from increasing. Indeed, sluggish growth since the Great Recession ended in mid-2009 has brought the level of output to just a shade above the previous cyclical peak in late 2007. Looking over the past two years, inventory rebuilding has made its typical cyclical contribution to the recovery, but that contribution has come to an end. In contrast, household spending—especially on housing—and other business investment have been laggards, and there are reasons to believe that they will continue to be subdued in the period ahead.

Housing Remains in the Ditch



The slump in housing construction has shown few signs of coming to an end. The chart above illustrates that housing starts have stayed around their frictional recession lows, which is less than a fourth of the level of starts before the downturn. Still-large inventories of unsold existing properties imply that it is going to take some time before any upturn in housing demand will absorb this overhang of existing homes and be translated into demand for new construction.



Economic Question and Answer Session

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Keynote Speaker
Lieutenant Governor Walter Dalton

Global Trade Panel

Moderator

Walter Kemmsies

Economist

Moffatt & Nichol

Panelists

Danny McComas

President

MCO Transport

Gary Winstead

CEO

LoadMatch Logistics

Steve Yost

President

North Carolina's Southeast



Networking Break

Conference Resumes at 10:45am

with Commercial and Residential

Real Estate Panel

Rest Rooms Located in the Lobby Area

Real Estate Panel

- Commercial and Residential -

Moderator

David Swain

President

Swain & Associates

Panelists

Carlton Fisher

Principal Broker

Coastal Realty

Hector Ingram

Appraiser

Ingram & Company

Debbie Mitchell

Broker

Intracoastal Realty

Joint Economic Growth Economic Growth Summit

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March 15, 2011

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