

# Economic Outlook Conference 2010

## The Military and Southeastern North Carolina



*October 5, 2010*

# Economic Outlook Conference 2010

## The Military and Southeastern North Carolina

Welcome

Larry Clark, Dean  
Cameron School of Business  
UNC Wilmington



# Economic Outlook Conference 2010

## The Military and Southeastern North Carolina

Welcome

Rosemary DePaolo

Chancellor

UNC Wilmington



# Economic Outlook Conference 2010

## The Military and Southeastern North Carolina



Welcome



Tom Dodson

Senior Vice President

Bank of America

# Economic Outlook Conference 2010

## The Military and Southeastern North Carolina



Welcome

John Hinrichs

Realtors Commercial Alliance  
of Southeastern North Carolina



# THE NATIONAL OUTLOOK

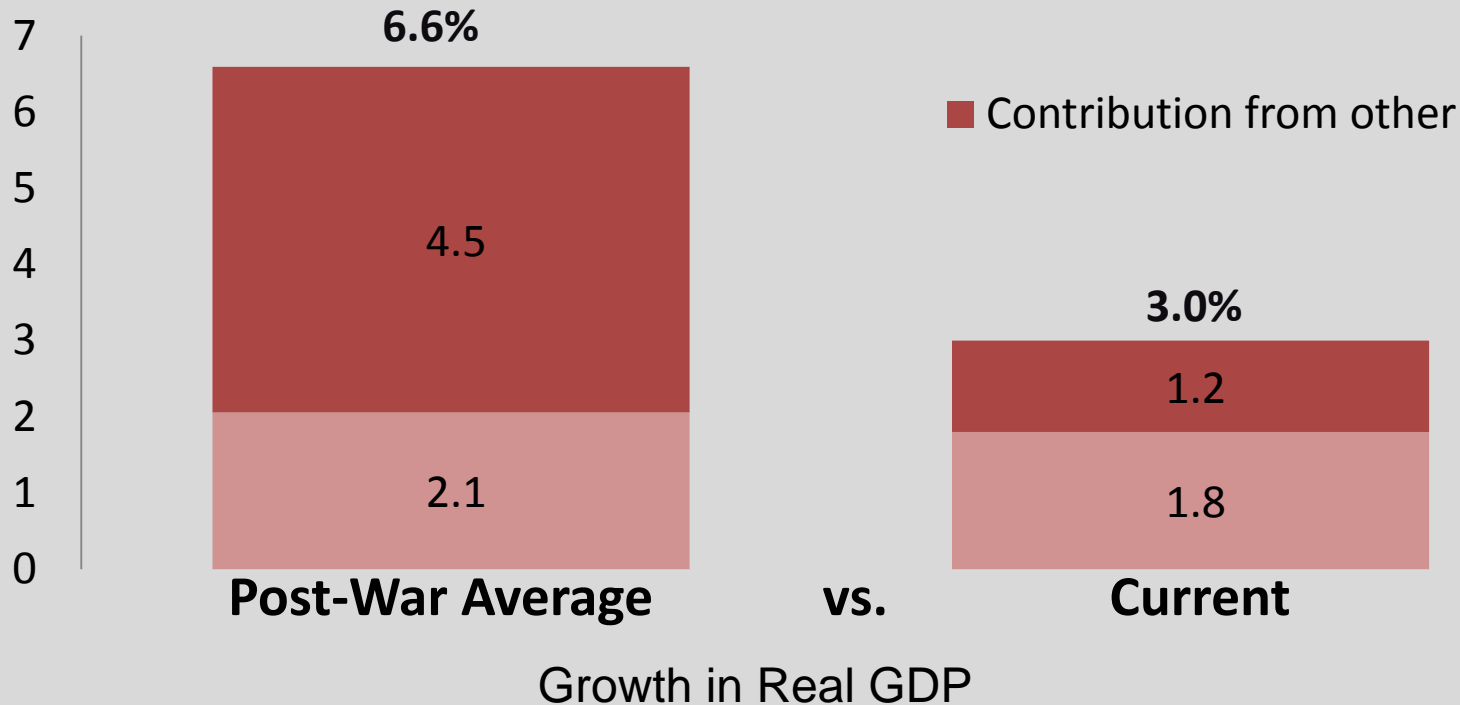


Thomas D. Simpson, Ph.D.  
Executive in Residence  
Department of Economics & Finance  
Cameron School of Business  
UNC Wilmington

# The Recovery

- The recovery from the worst postwar recession began in the third quarter of last year.
- It has been very anemic by postwar standards, in contrast to other sharp downturns

# The Recovery (cont.)

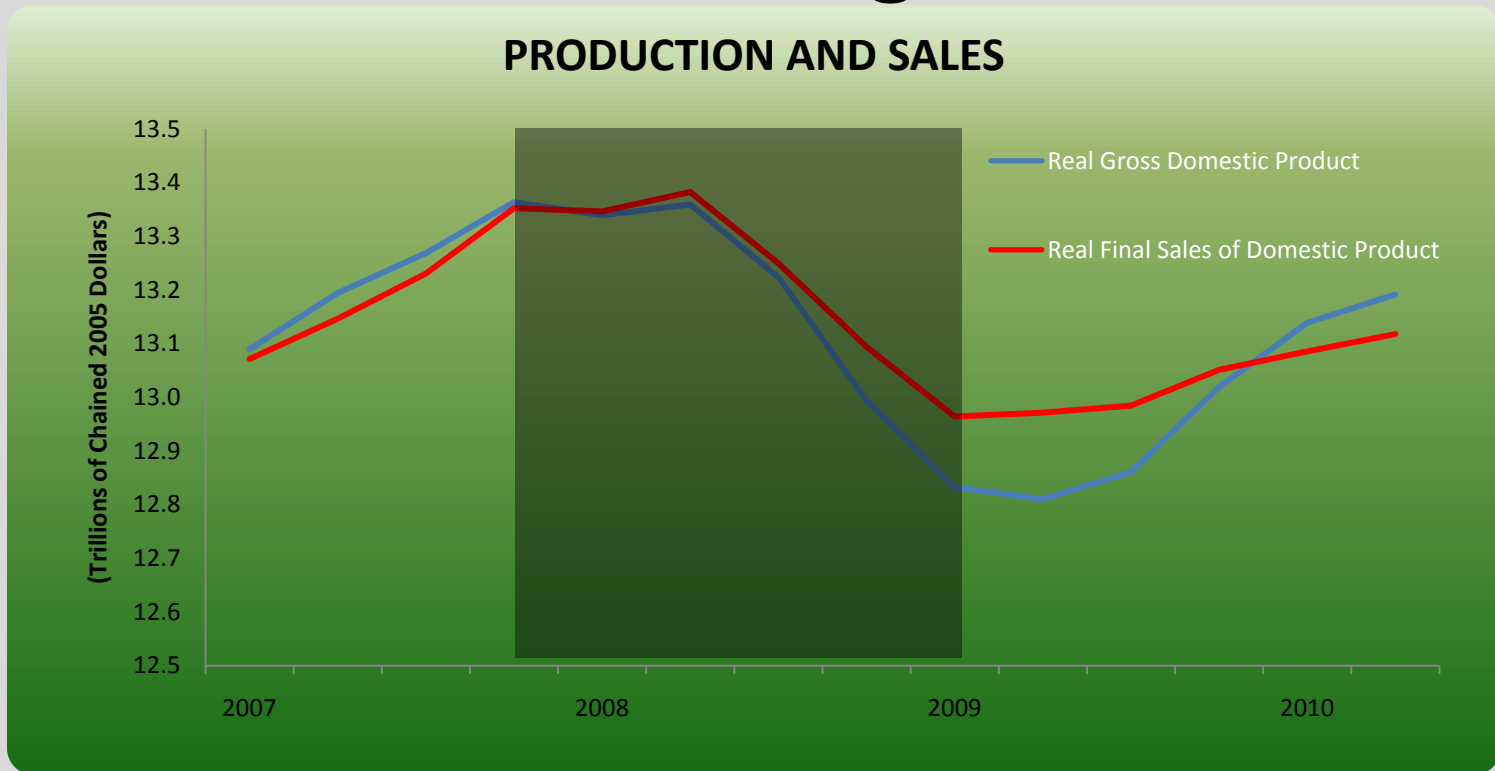


- Inventory investment has made a fairly typical contribution to the first-year expansion in output, but consumption and housing have been significant laggards

# Some Chilling Arithmetic

- To avoid a rise in the unemployment rate, output needs to grow above a 2-1/2 percent rate.
- Payrolls need to grow about 120 thousand per month
- In 2010, output has grown at only a 2-3/4 percent pace and private employment growth has averaged only 95 thousand per month

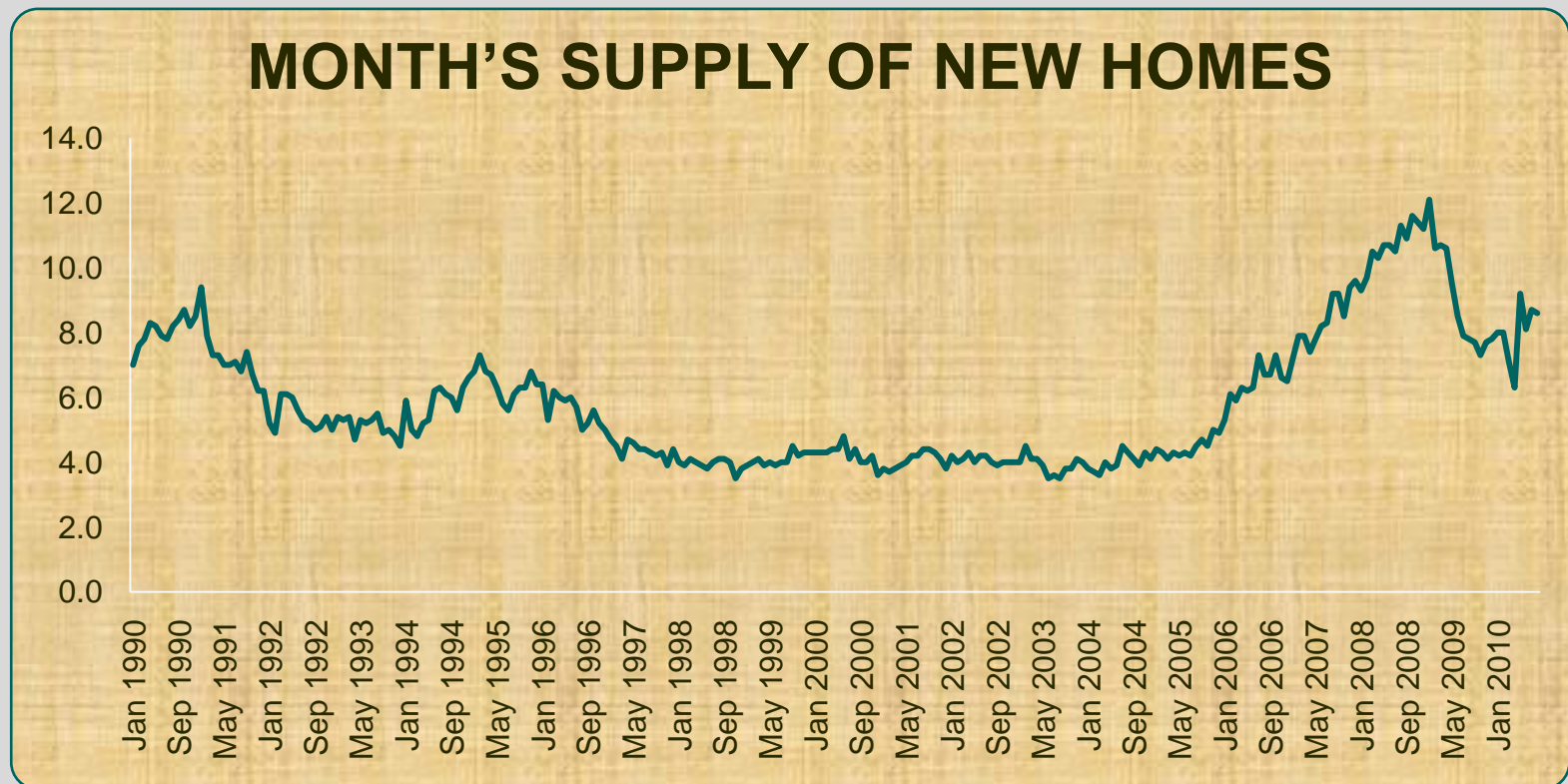
# The Inventory Contribution Will Be Fading



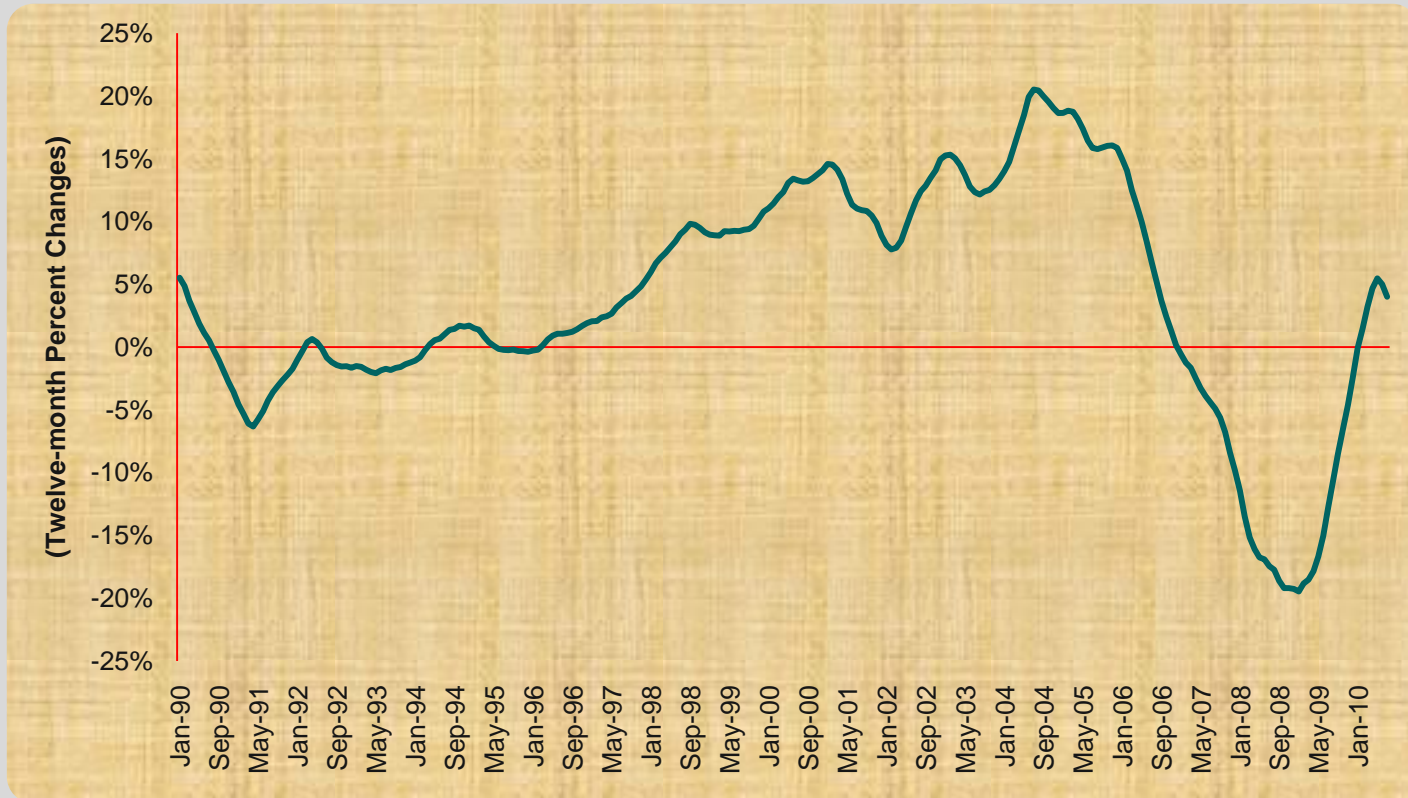
- Production has caught up with sales and firms have done some rebuilding of inventories
- But little scope for further large inventory contributions going forward

# Residential

The large overhang of unsold residential properties suggests little prospect for an upswing in residential construction



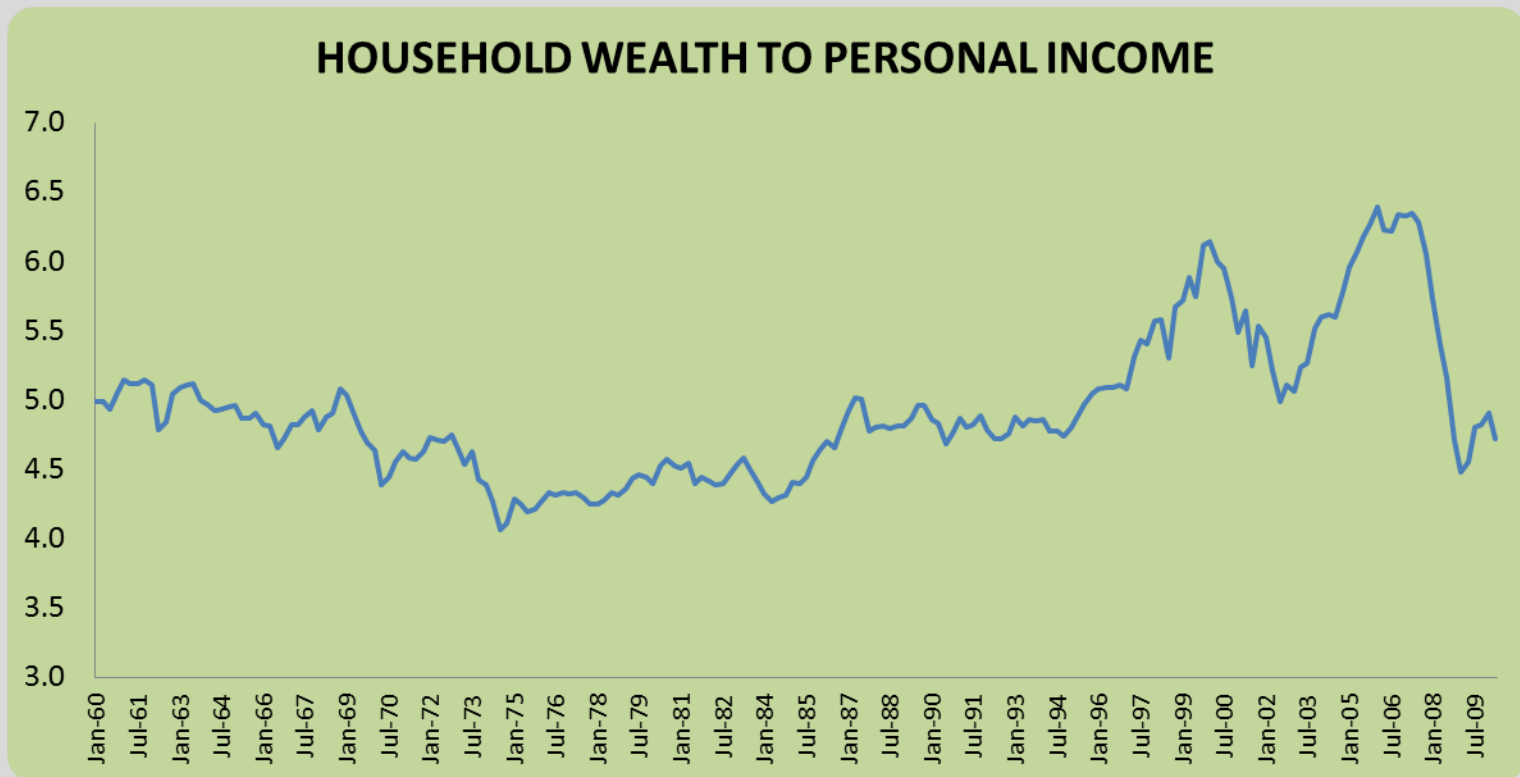
# Home Price Growth



The small recovery in home prices is vulnerable to a setback from the weak market, which would have various adverse consequences

# Prospects for Household Spending

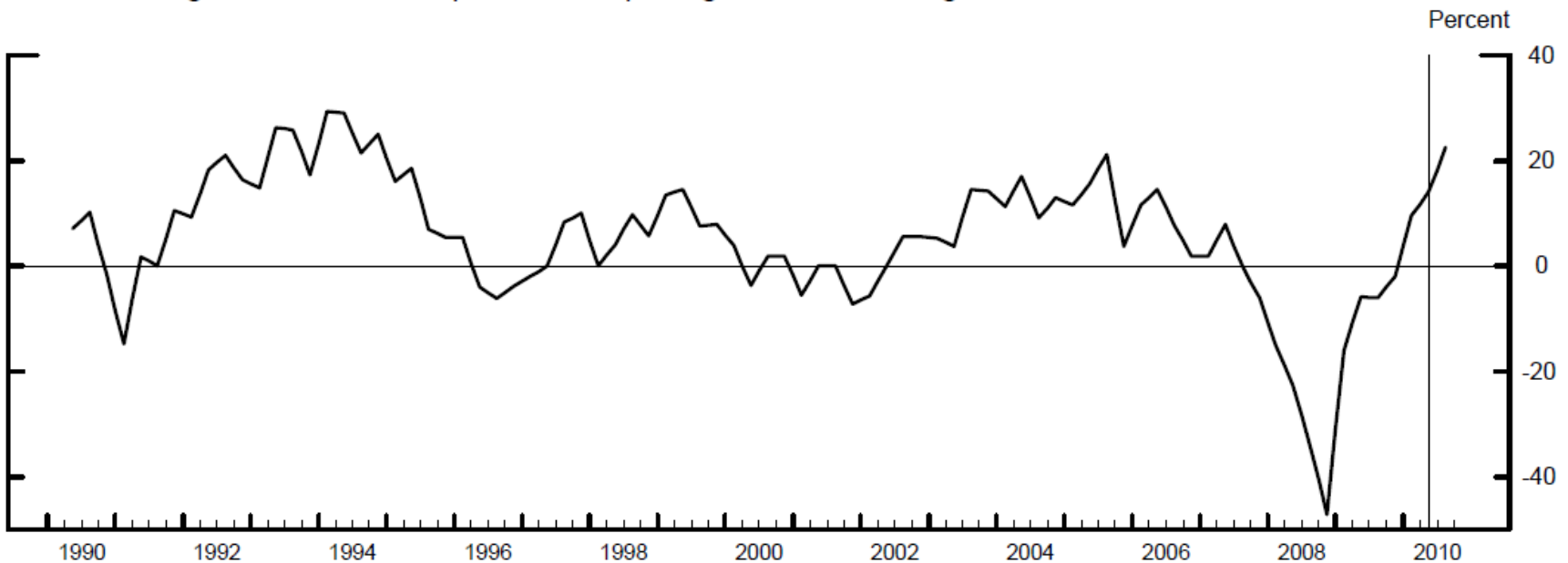
- The earlier plunge in home and stock prices inflicted a heavy toll on household wealth and held down consumption.
- Drag is easing as wealth recovers.



# Prospects for Household Spending

- Adding to earlier weakness of household spending was the severe credit crunch.
- Recently, lenders have become more willing.

Net Percentage of Domestic Respondents Reporting Increased Willingness to Make Consumer Installment Loans



# Some Pickup in Consumption Likely

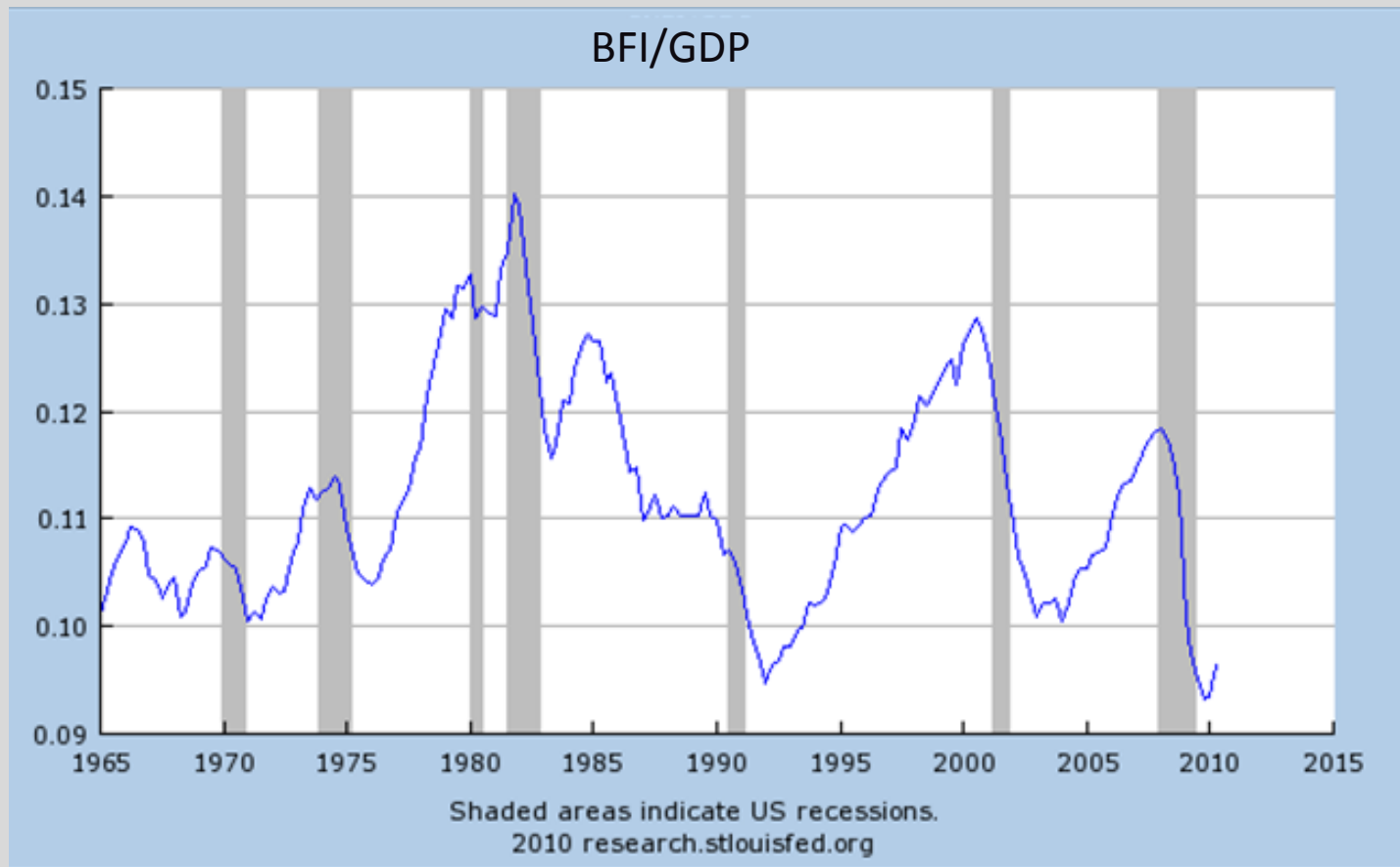
- The improvement in wealth positions and resumption of willingness to lend suggests some pickup in consumption spending is in the offing
- Slight acceleration has been evident this year

Growth in Real Consumption Outlays in 2010

Q1	Q2	Q3e
1.9%	2.0%	2.1%

# Business Spending

BFI as a share of GDP has sunk to a historically low level

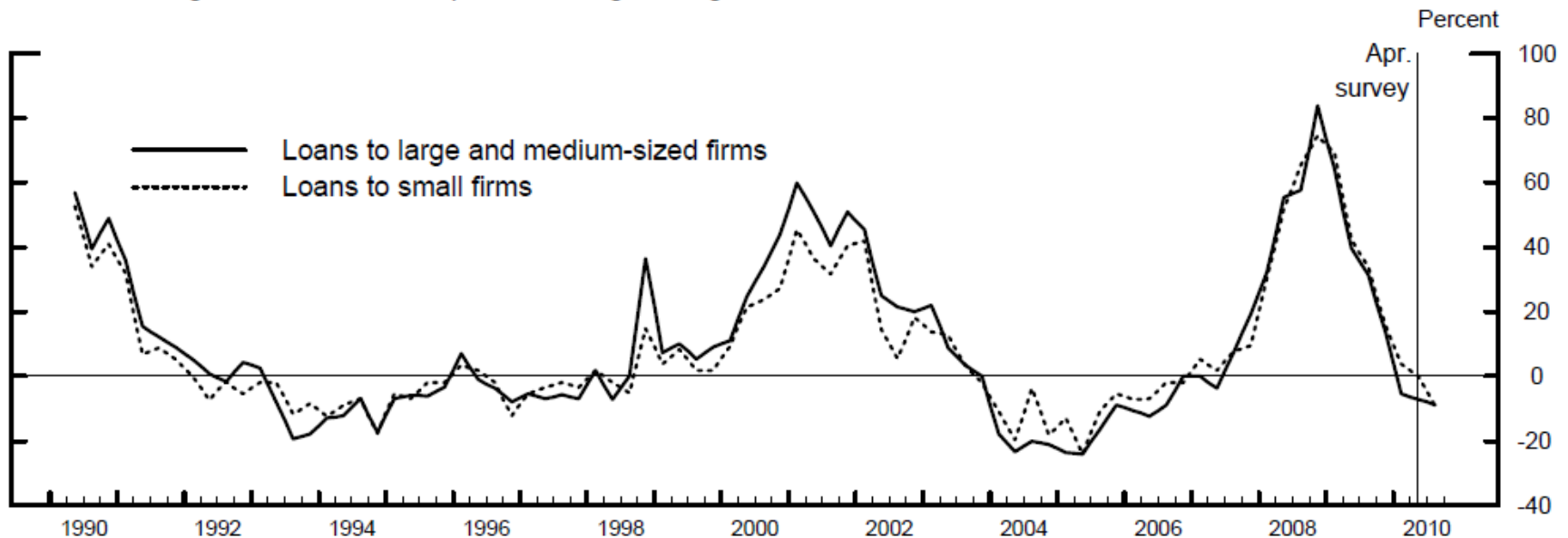


# Business Spending (Cont.)

- The financial crisis, severe recession, and exceptional uncertainty prompted businesses to hunker down
- Also led to extraordinary cutbacks in employment

# Improving Financing Conditions for Businesses

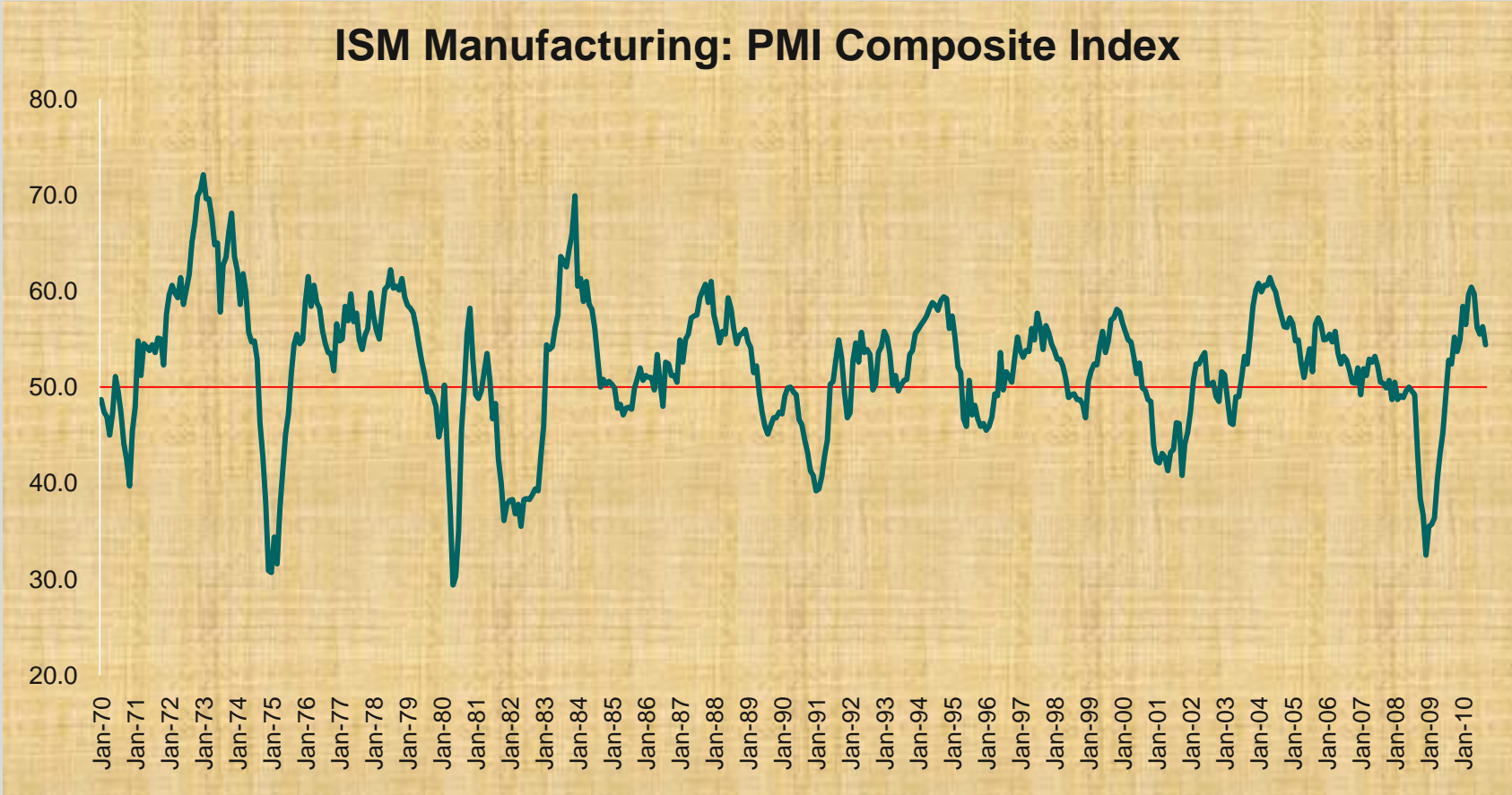
Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



# Corporate Bond Spreads Have Stayed Lower



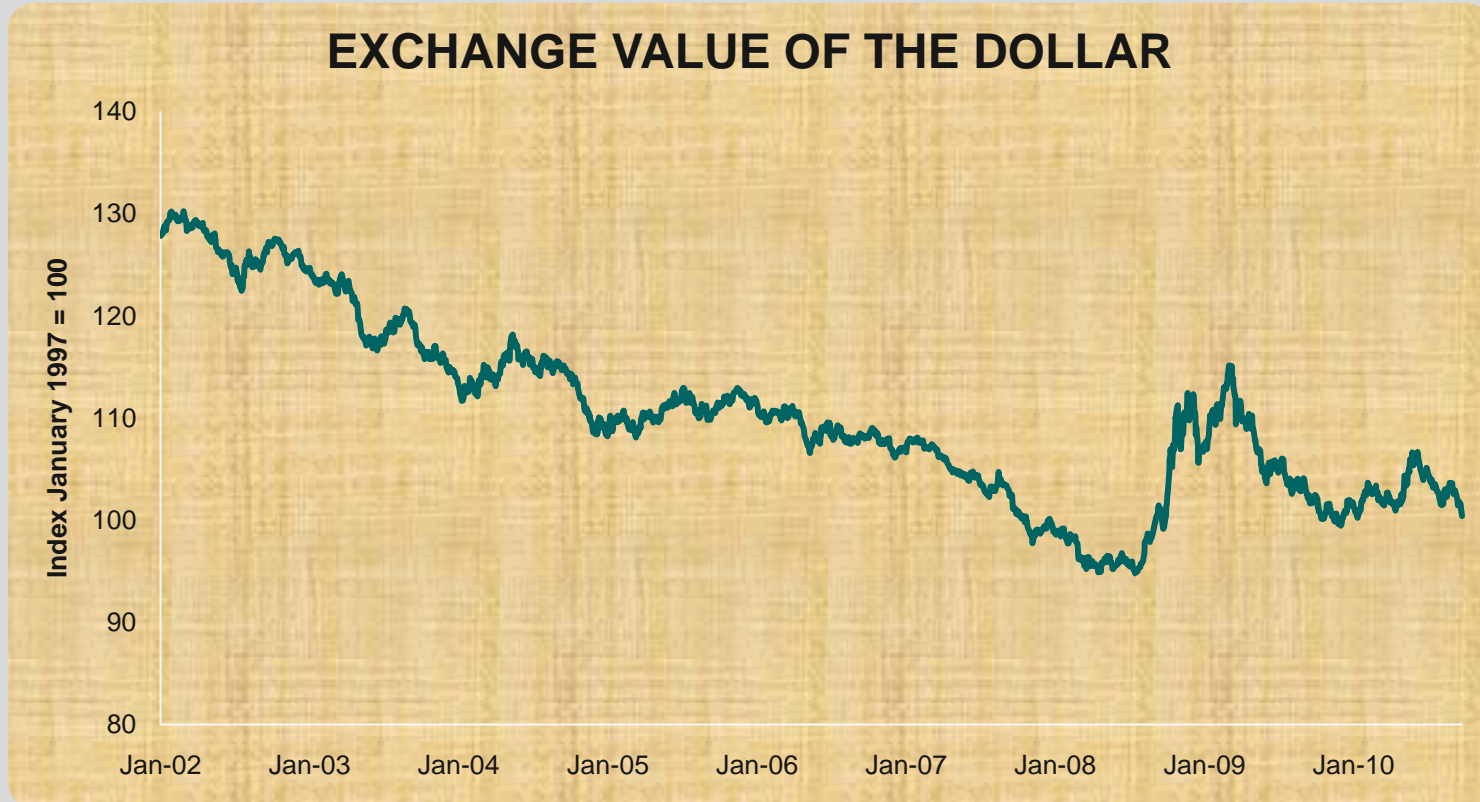
# Business Sentiment Improved



# More on Business Spending

- Though economic and financial conditions have improved, business investment still constrained by cloud of uncertainty regarding public policy
- Nonetheless, investment should be helping to boost growth
- Businesses also likely to be easing their pronounced reluctance to hire

# External Sector



The dollar has resumed its downward slide—related to the massive external imbalance facing the United States.

# Real Net Exports of Goods & Services

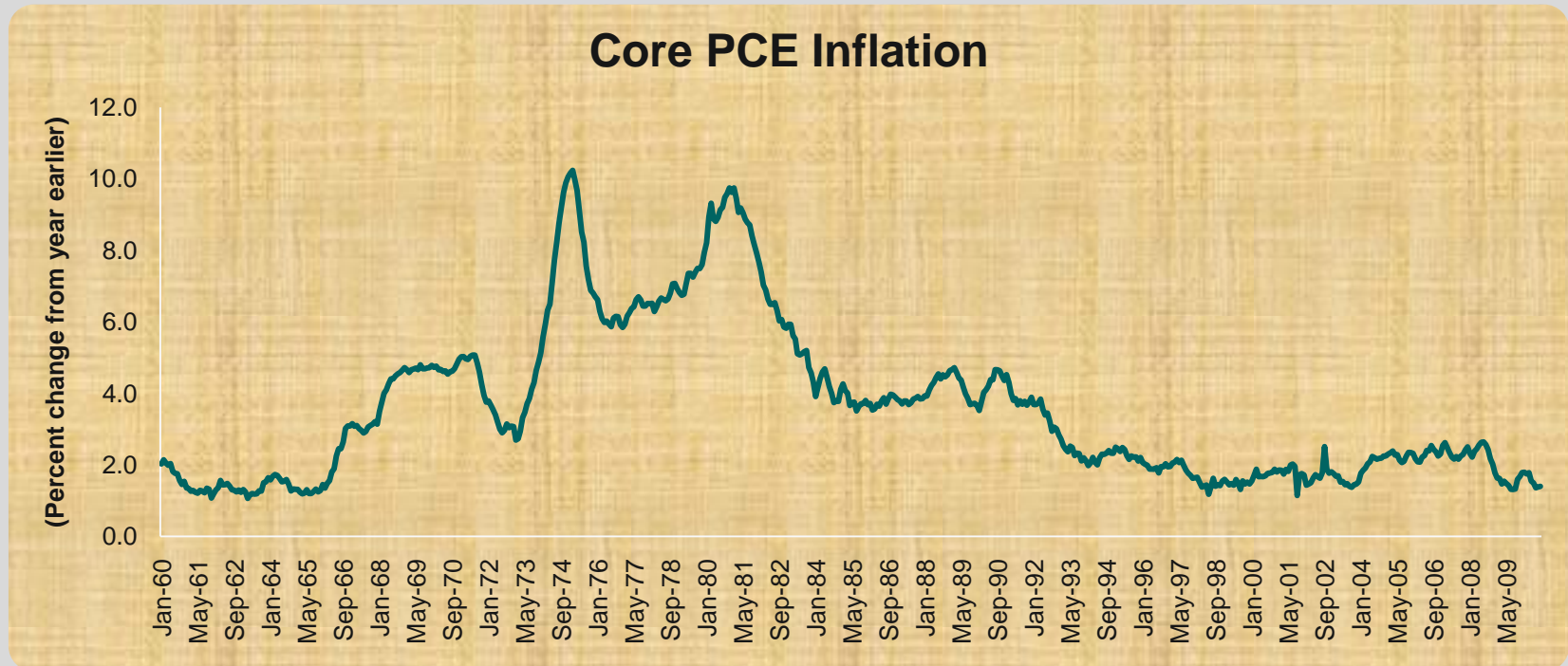


As the dollar weakens and foreign growth is brisker, net exports will again provide a lift to U.S. growth.

# The Outlook for Output and Employment

- Output growth is expected to strengthen some over the quarters ahead
- However, the expansion will remain sluggish by postwar standards
- The unemployment rate will be slow to diminish
- More clarity regarding public policy should be a plus for the economy

# The Outlook for Inflation



- With slack being absorbed only gradually, the inflation rate will stay low
- Indeed, further declines could be forthcoming, which has become a policy concern

# Inflation Expectations Subdued

- Adding to disinflationary pressures, inflation expectations, as judged from the Treasury market, have diminished.



# The Local Economic Outlook

**William W. Hall, Jr.**

**Professor of Economics**

**Senior Economist**

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

**Cameron School of Business**

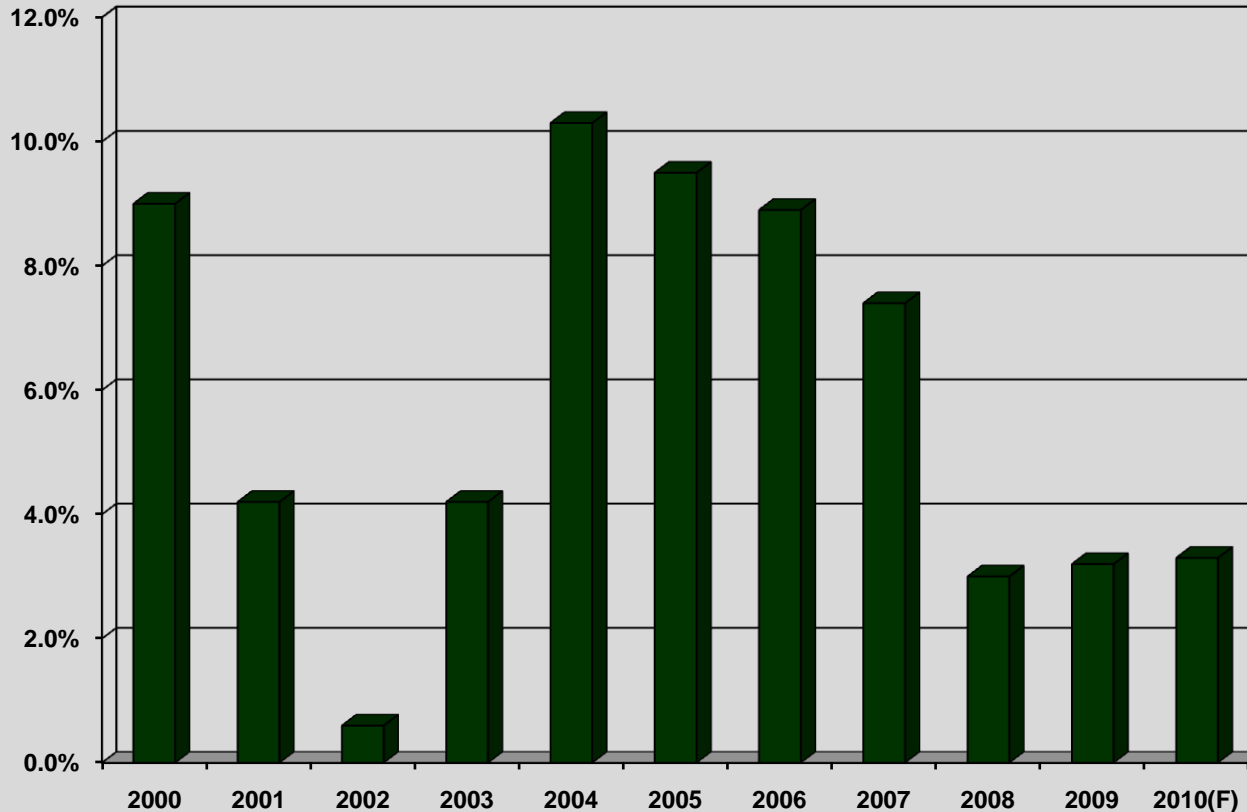
**University of North Carolina Wilmington**

**hall@uncw.edu**



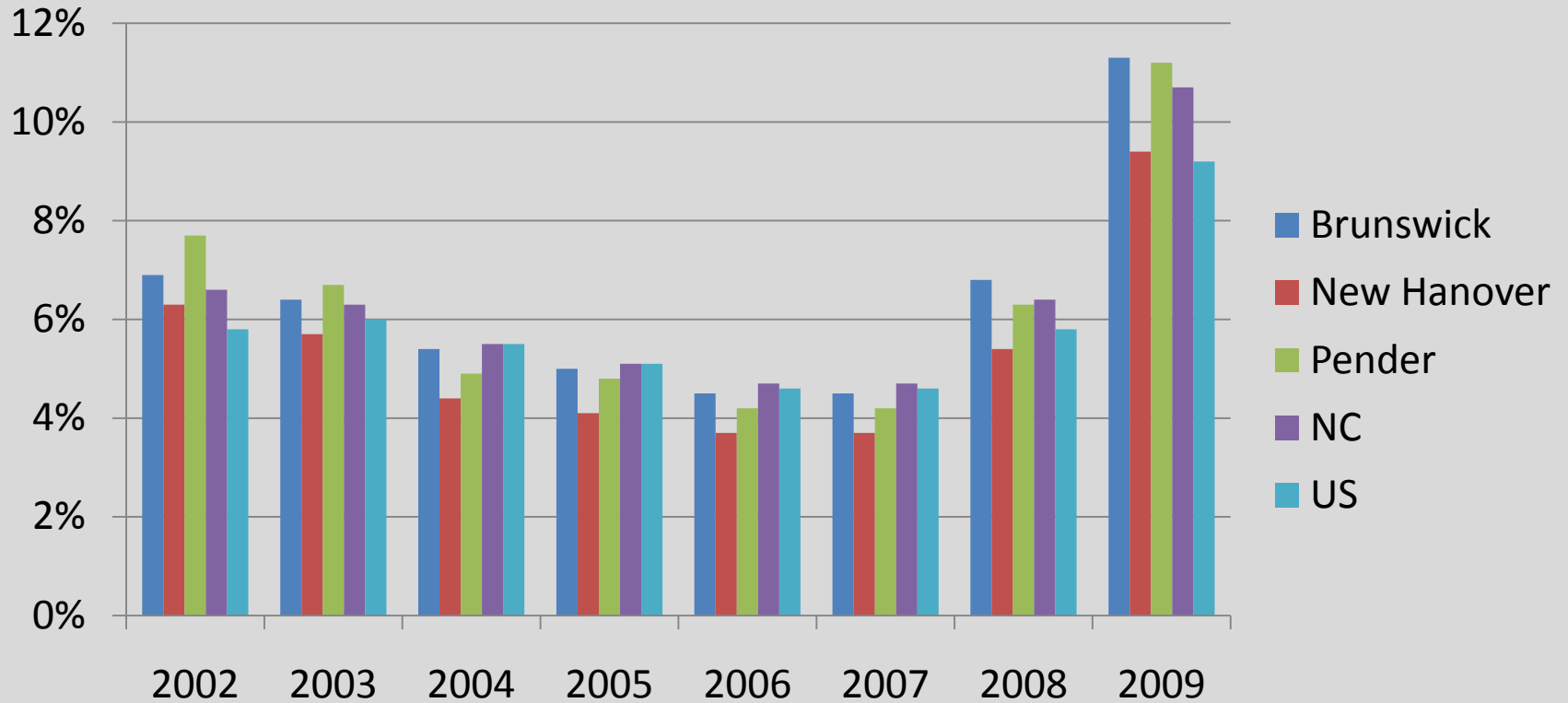
# Personal Income Growth in the Wilmington MSA

(Brunswick, New Hanover, and Pender Counties)



Source: U.S. Department of Commerce; Ravija Badarinathi and William W. Hall, Jr., for the Swain Center for Business and Economic Services, Cameron School of Business, UNC Wilmington.

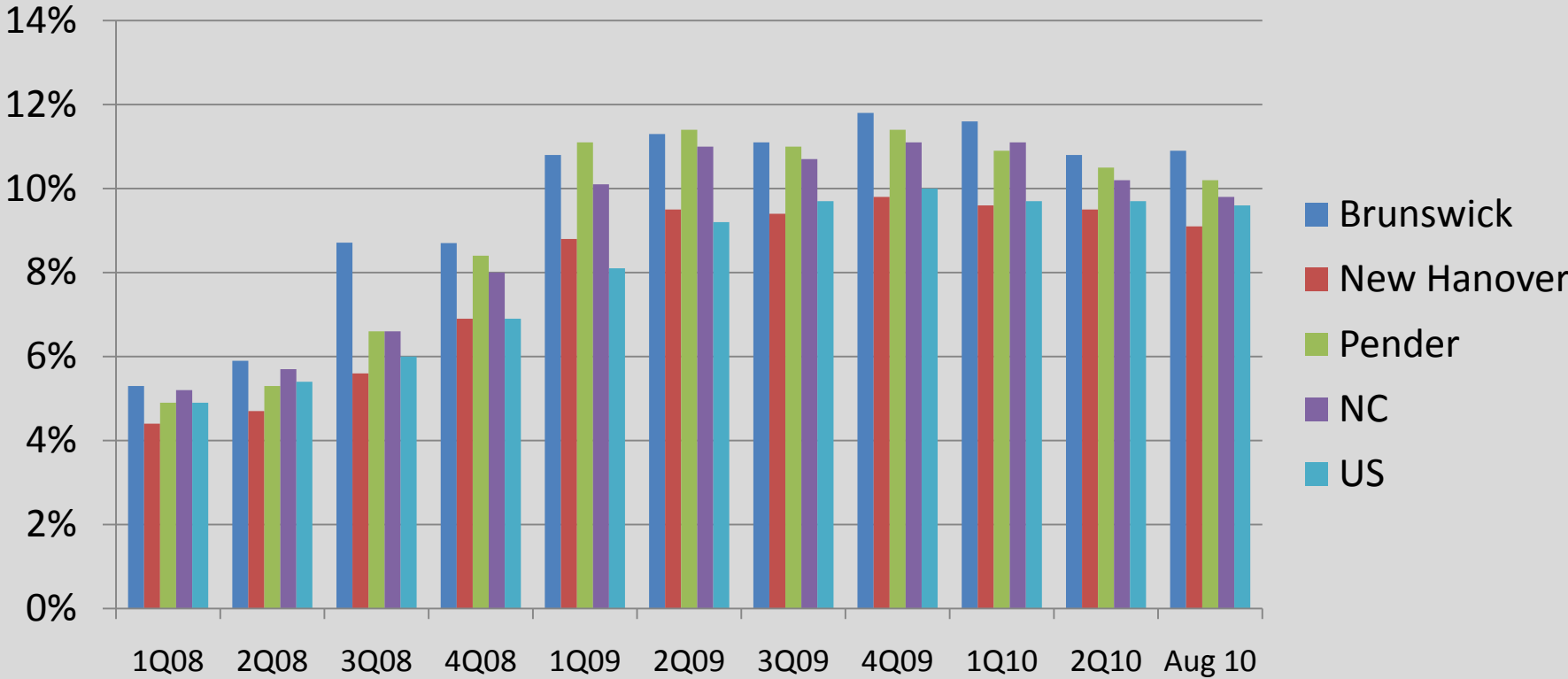
# Unemployment Rates



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



# Unemployment Rates

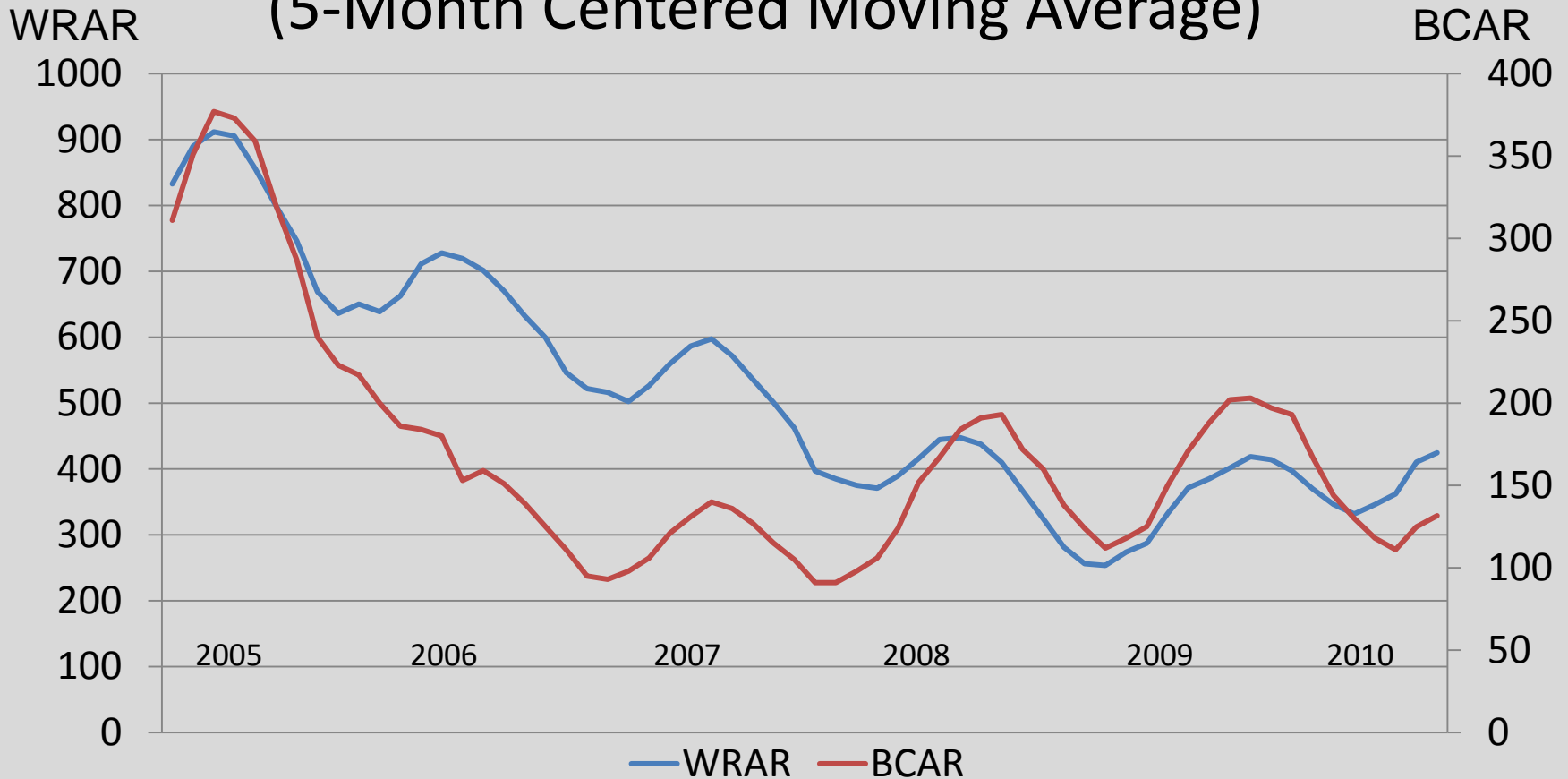


Source: Employment Security Commission of NC; Bureau of Labor Statistics, Statistics, US Department of Labor.



# Sales of Existing Single-Family Structures

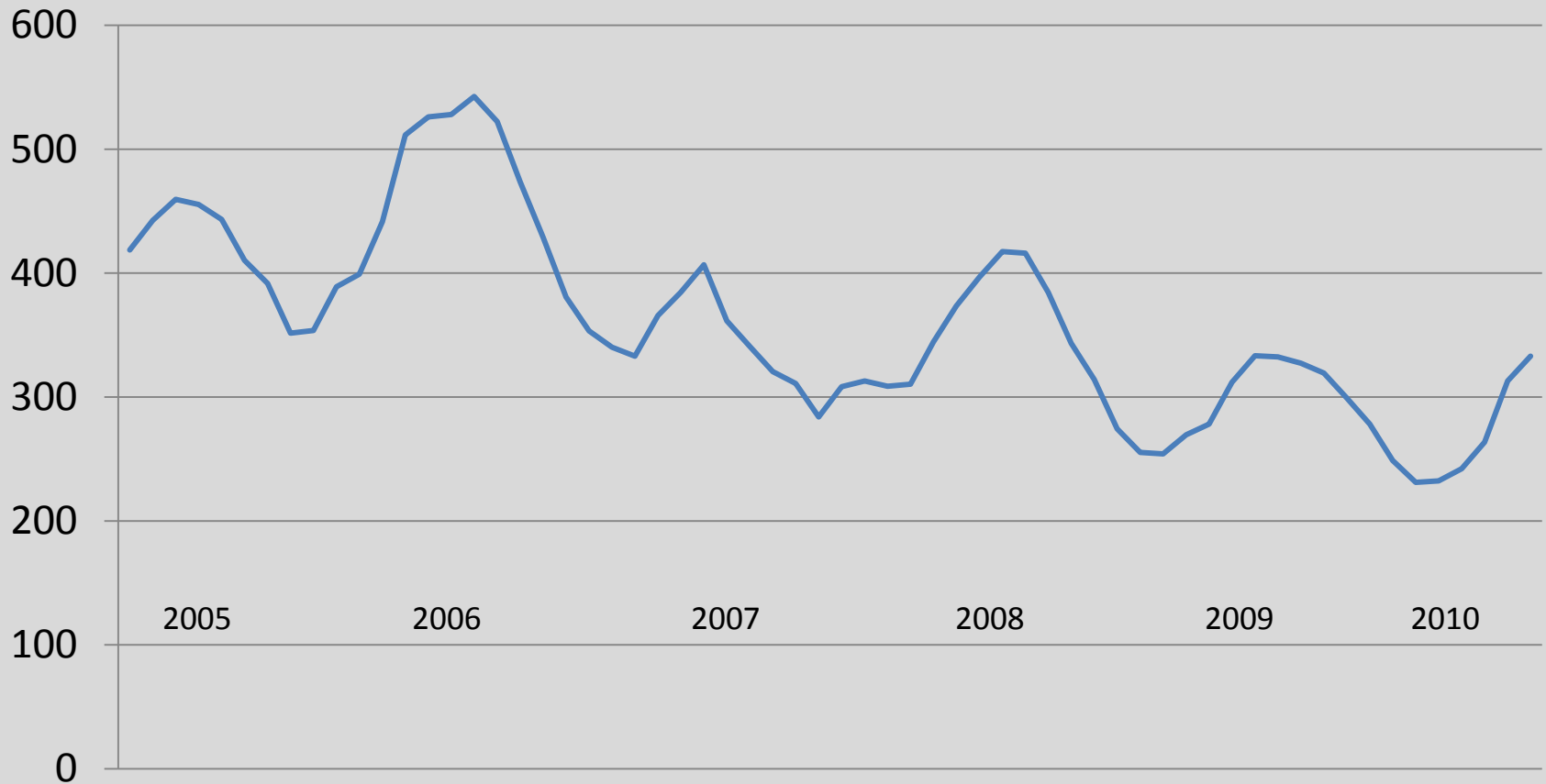
(5-Month Centered Moving Average)



Source: NC Association of Realtors.



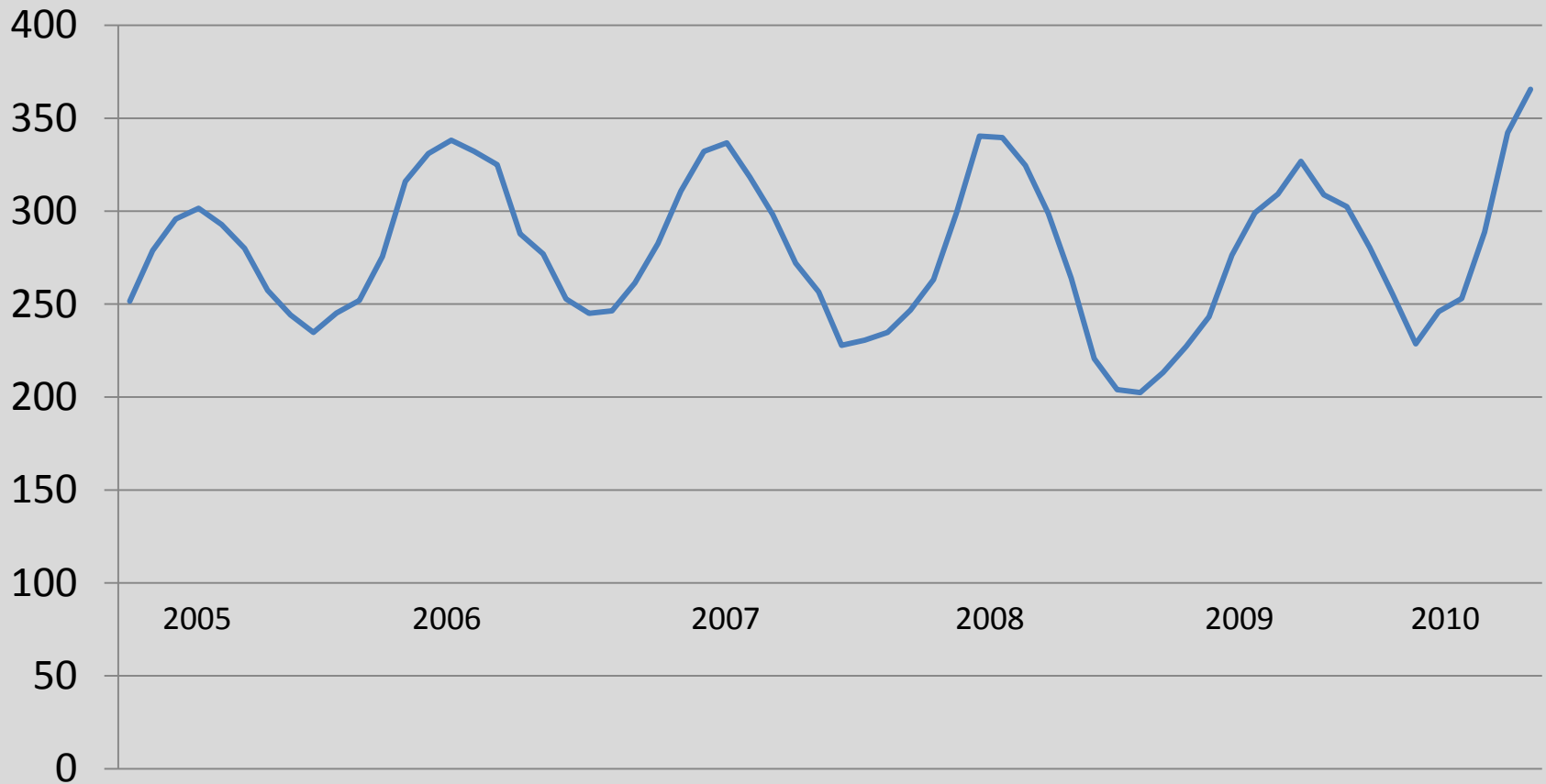
# Sales of Existing Single-Family Homes by Fayetteville Association of Realtors (5-Month Centered Moving Average)



Source: NC Association of Realtors.



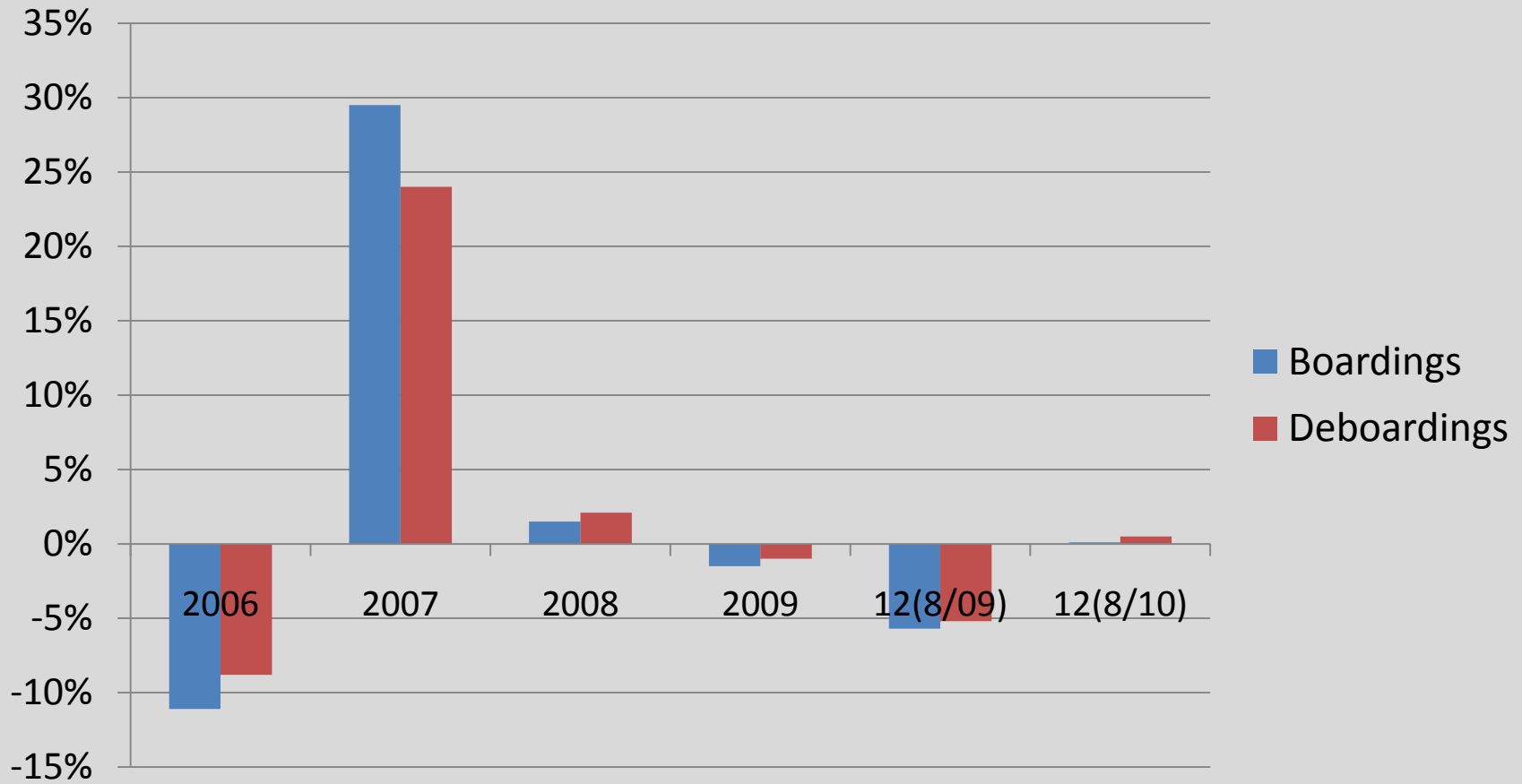
# Sales of Existing Single-Family Homes by Jacksonville Association of Realtors (5-Month Centered Moving Average)



Source: NC Association of Realtors.

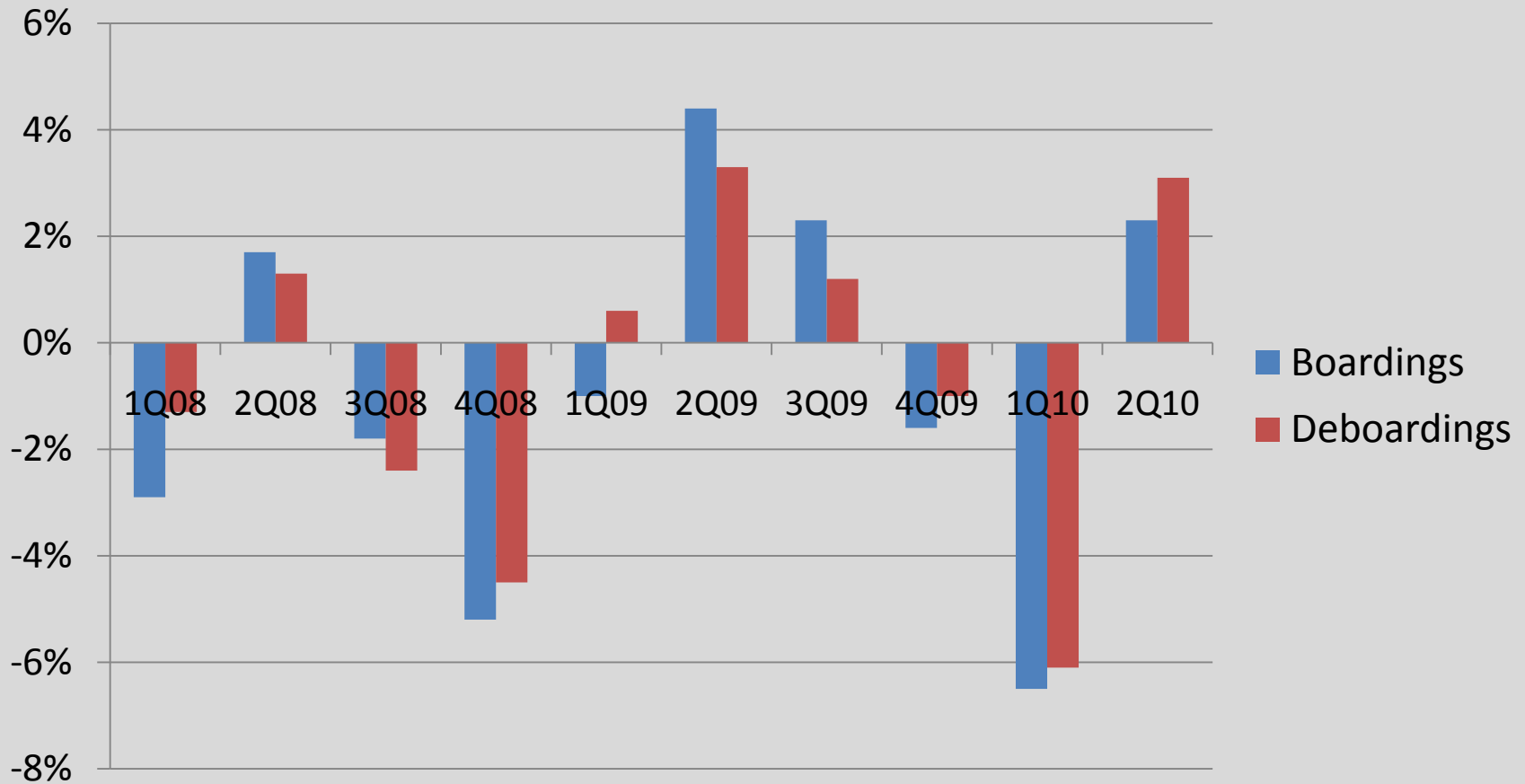


# Wilmington International Airport Air Passenger Traffic Growth Rates



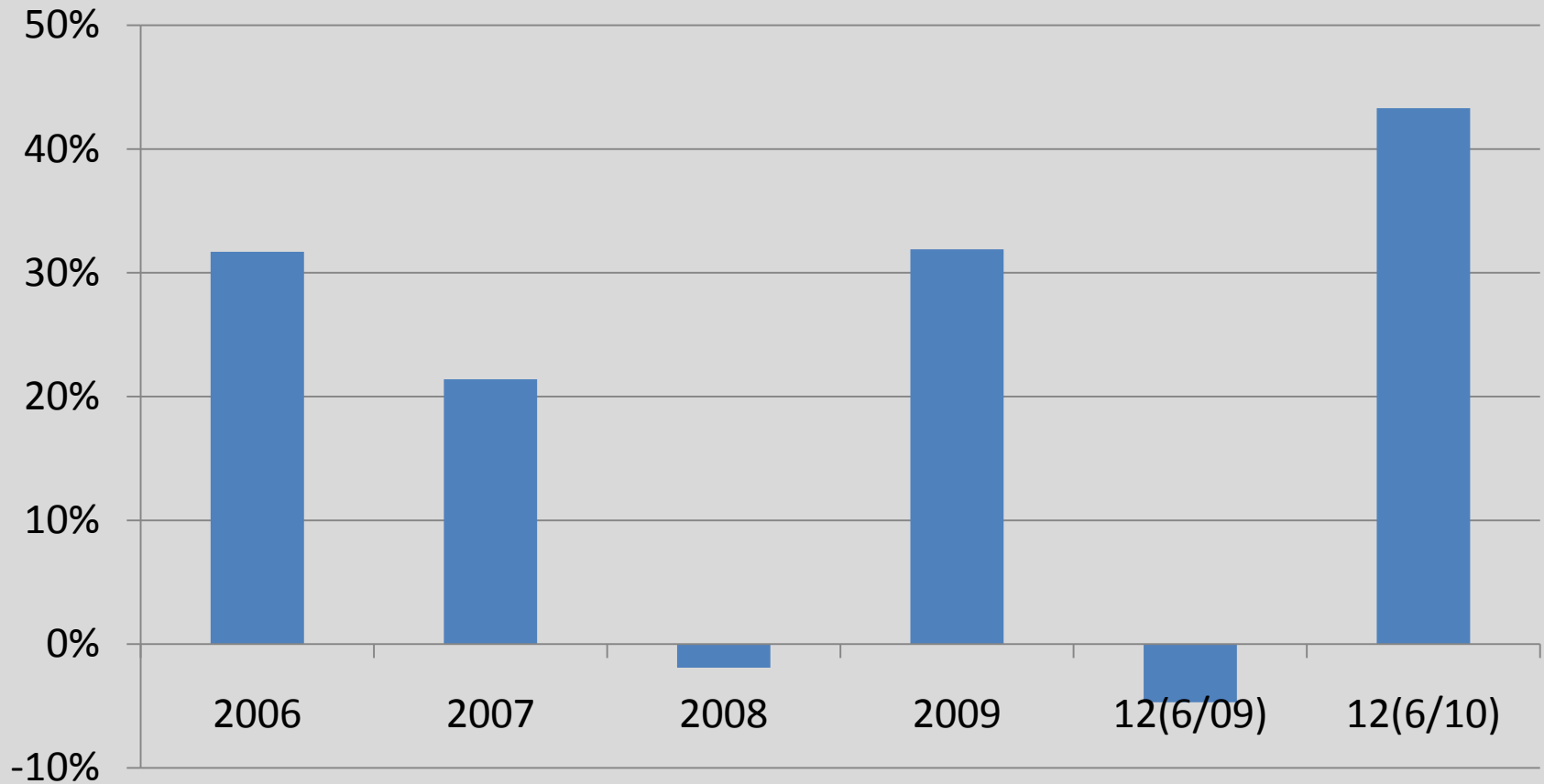
Source: Wilmington International Airport.

# Wilmington International Airport Air Passenger Traffic Growth Rates



Source: Wilmington International Airport.

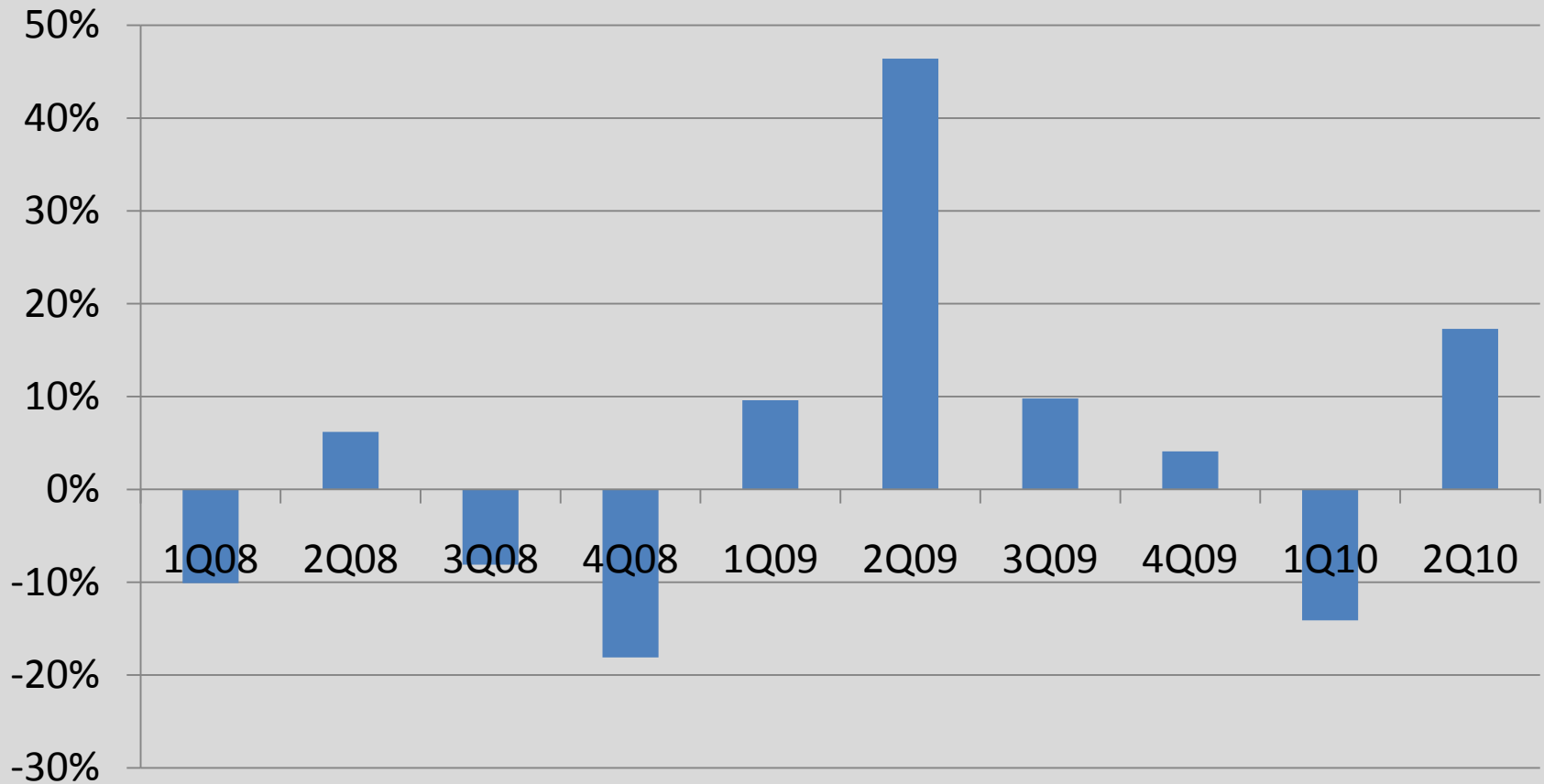
# Port of Wilmington Container Tonnage Growth Rates



Source: North Carolina State Ports Authority.



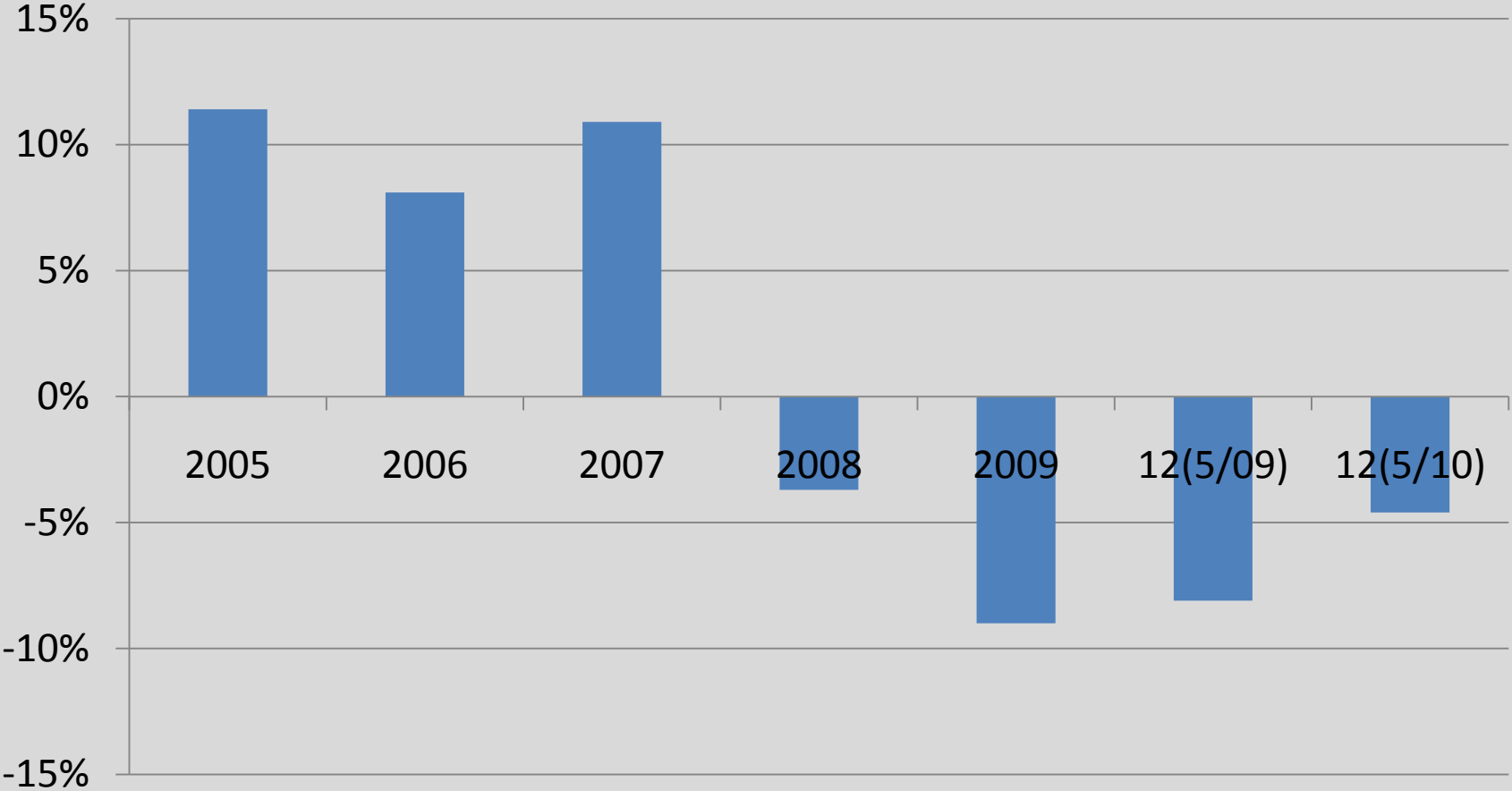
# Port of Wilmington Container Tonnage Growth Rates



Source: North Carolina State Ports Authority.



# New Hanover County Room Occupancy Tax Collections Growth Rates (NSA)

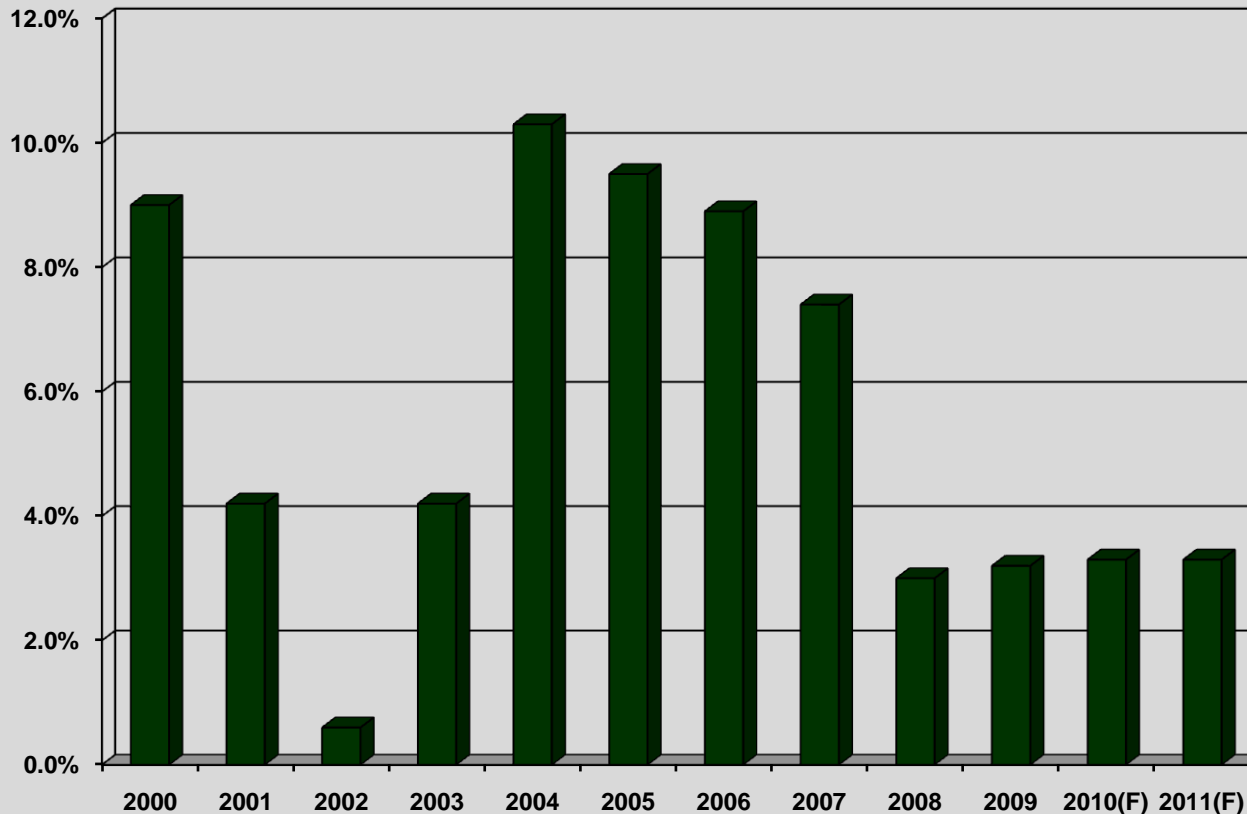


Source: New Hanover County Tax Office.



# Personal Income Growth in the Wilmington MSA

(Brunswick, New Hanover, and Pender Counties)



Source: U.S. Department of Commerce; Ravija Badarinathi and William W. Hall, Jr., for the Swain Center for Business and Economic Services, Cameron School of Business, UNC Wilmington.

# Committed ARRA Stimulus Funds

## June 2010

Brunswick		New Hanover		Pender	
Area	\$	Area	\$	Area	\$
<u>Highway/ Bridge Cons</u>	\$24,103,727	<u>Unemploy Insurance</u>	\$26,120,105	<u>Unemploy Insurance</u>	\$6,980,432
<u>Clean Water</u>	\$15,028,165	Education Stab	\$13,631,739	<u>Safety Net</u>	\$3,735,169
<u>Unemploy Insurance</u>	\$13,417,526	<u>Safety Net</u>	\$12,791,857	<u>Clean Water</u>	\$3,083,792
<u>Safety Net</u>	\$9,395,918	<u>Local School Districts</u>	\$10,516,795	<u>Local School Districts</u>	\$2,707,179
<u>Local School Districts</u>	\$5,361,687	<u>Clean Water</u>	\$8,692,520	<u>Public Safety Stab</u>	\$2,366,186
Education Stab	\$3,420,904	<u>Highway/Bridge Cons</u>	\$6,650,180	Federal Awards	\$838,000
Federal Awards	\$3,140,000	Research/ Dev	\$3,643,486	Weatherization	\$646,075
Community Services	\$1,504,004	Housing /Community Development	\$3,291,817	<u>Highway/Bridge Cons</u>	\$500,000
Weatherization	\$1,132,409	<u>Public Safety Stab</u>	\$3,163,918	Human Services	\$369,889
<u>Public Safety Stab</u>	\$1,085,307	Justice/Public Safety	\$2,640,592	Community Services	\$304,004
Total	\$79,390,950	Total	\$100,861,428	Total	\$13,990,068

Source: <http://www.ncrecovery.gov>



# Special Thanks



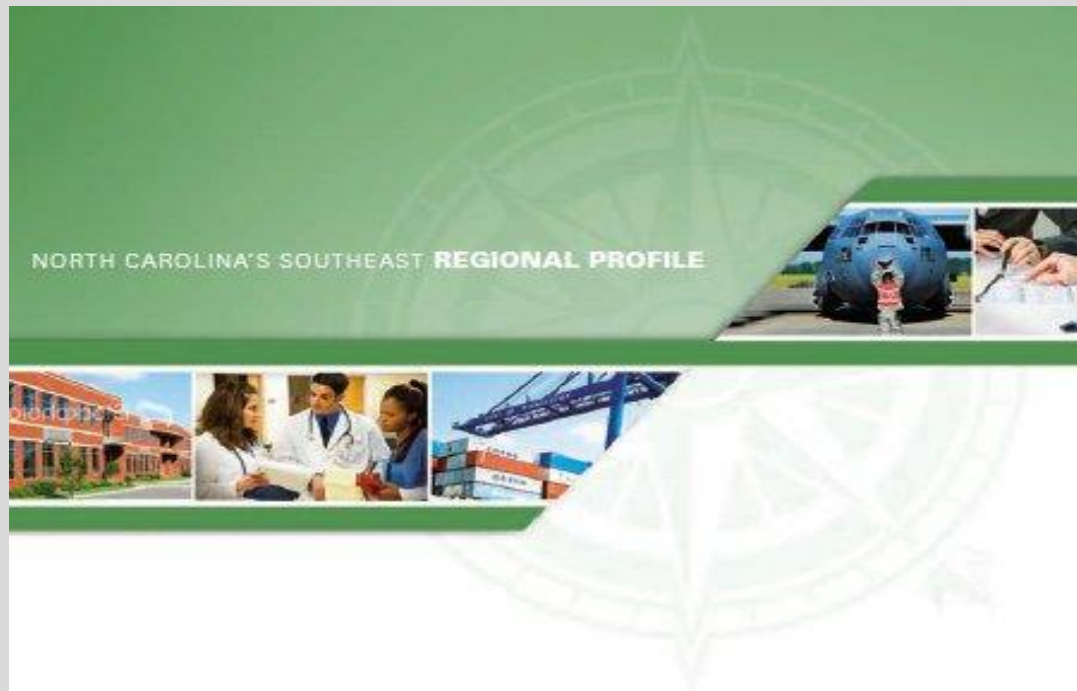
# Quarterly Barometer

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



# North Carolina's Southeast

<http://www.ncse.org/2010-profile/TableofContent.html>



# Economic Question and Answer Session

William W. (Woody) Hall, Ph.D.  
Senior Economist  
Center for Business and Economics Services  
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Thomas D. Simpson, Ph.D.  
Executive in Residence  
Department of Economics & Finance  
Cameron School of Business  
UNC Wilmington



Economic Outlook Conference 2010

**- KEYNOTE SPEAKER -**

Major General Robert C. Dickerson, USMC  
(Ret.)



# Military Needs and Opportunity Panel

*Moderator*

**Larry Clark**

Dean

UNCW Cameron

School of Business

*Panelists*

**Scott Dorney**

Executive Director of the North Carolina Military  
Business Center

**Richard McGraw**

Richard McGraw, Former Senior Department of  
Defense Official

**Don Porter**

Colonel, US Army (Ret), currently Executive Director  
of the Raeford/Hoke County Economic  
Development Commission

# Economic Outlook Conference 2010

Networking Break

Conference Resumes at 10:25am

*with Commercial and Residential*

*Real Estate Panel*

Rest Rooms Located in the Lobby Area

# Real Estate Panel

## - Commercial and Residential -

*Moderator*

**Patrice Willets**

Coastal Properties

*Panelists*

**Teresa Huffmon**

Broker, Coldwell Banker Commercial

**Chris Livengood**

Vice President of Sales, Intracoastal Realty

**Ralph Huff**

Founder, H & H Homes Inc. of Fayetteville, NC

# Joint Economic Growth Economic Growth Summit

- Mark Your Calendars -

**March 15, 2011**

*In Partnership with  
Coastal Carolina University*



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