Recessions are commonly thought to be declines in output and employment—some regard them to be two consecutive quarters of real GDP declines. The National Bureau of Economic Research (NBER) is regarded as the official arbiter of business cycle dating. They apply complicated and judgmental methods to a wide variety of production and spending indicators. They are said to be looking for the “3 Ds”: the depth of the contraction its duration and its diffusion (pervasiveness of the weakness). Based on these considerations, the NBER has determined that the current recession began in December 2007. A growing number of analysts concluded that the trough was reached this summer, and the recovery has begun. Even so, it is the longest, and likely most severe, recession since World War II. Like other severe downturns in our history, this one owes to major disruptions in the financial sector.
What Makes Us Think that We Have Started to Turn Up?

The big negatives pulling down aggregate output have faded—residential housing construction (now, only a fourth of its peak level) inventory liquidation and business spending on equipment and software. Also, consumption spending, which registered an extraordinary drop last year, has begun to climb—owing partly to fiscal stimulus. Moreover, the competitive position of U.S. goods is being improved by recent weakness of the dollar.

Still Some Headwinds

Problems in the commercial real estate sector continue to mount, and the overhang of commercial properties is depressing construction of income properties. Moreover, banks and other lenders have become more restrictive providers of credit by continuing to tighten underwriting standards and terms.
The recovery is likely to be sluggish, at least for a while, and may not feel as though conditions are actually improving. It will, over the next few quarters, be among the most anemic of the postwar period. The expansion in output is unlikely to prevent the unemployment rate from rising further over the coming months. Unemployment should start to turn down by mid-2010. Meanwhile, slack in the economy can be expected to pull inflation lower in the foreseeable future. Lurking on the horizon, though, are massive amounts of liquidity that will need to be absorbed by the Federal Reserve once the expansion gains traction — if a flair-up of inflation is to be avoided.
Over the period 2002-08, the local economy grew at an annual compound rate of 4.8 percent. Area economic growth has declined since 2004. There was virtually no growth in the local economy during 2008. The local economy is forecast to grow one percent over 2009 and four percent over 2010.

“The decline was especially large during the fourth quarter of 2008.”

With the exception of the third quarter of 2008, area retail sales fell dramatically over the year. The decline was especially large during the fourth quarter of 2008 and continued into first quarter of 2009. Sales rebounded during the second quarter of 2009. Compared to the year ending June 2008, area retail sales are down 8-12 percent throughout the area and are down more than 109 percent statewide.

Southeastern North Carolina Economic Growth

Retail Sales Growth Rates

Source: N.C. Department of Revenue
After peaking in mid 2005, average monthly sales of existing single-family structures in Brunswick County (BCAR) had decreased 75 percent by year-end 2007. They rebounded through the third quarter of 2008, then fell through the first quarter of 2009, only to rebound again during the second quarter 2009. After peaking in the second quarter of 2007, average prices had fallen more than 55 percent by the second quarter of 2009. After peaking in mid 2005, Wilmington area sales (WRAR) had decreased more than 70 percent by the first quarter of 2009. They rebounded during the second quarter of 2009. After peaking in the second quarter of 2007, average prices had fallen 20 percent by the first quarter of 2009.

Area county unemployment rates reached 25-year highs during the second quarter of 2009. August 2009 seasonally adjusted unemployment rates ranged from 3.7 to 5.1 percentage points above comparable August 2008 rates. The North Carolina rate was 3.9 percentage points higher, and the national rate was 3.5 percentage points higher.

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

Unemployment Rates

2007, average prices had fallen more than 55 percent by the second quarter of 2009. After peaking in the second quarter of 2005, Wilmington area sales (WRAR) had decreased more than 70 percent by the first quarter of 2009. They rebounded during the second quarter of 2009. After peaking in the second quarter of 2007, average prices had fallen 20 percent by the first quarter of 2009.

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The H. David and Diane Swain Center for Business and Economic Services at UNC Wilmington is the business research and outreach division for the Cameron School of Business. Center staff collect and analyze local, state, and national economic data that impact our region and its growth. The H. David and Diane Swain Center for Business and Economic Services also provides professional and executive educational opportunities for organizations and professionals with major emphasis on business training, entrepreneurship and real estate.

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