MID-YEAR ECONOMIC OUTLOOK

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WHERE IS THE ECONOMY NOW?

2ND LONGEST GROWTH PERIOD
ACCELERATING GROWTH
TIGHT LABOR MARKETS
RISING INTEREST RATES AND RISING INFLATION
WHY THE IMPROVEMENT?

DE-REGULATION
MARKETS LIKED TAX CUTS
IMPROVED FOREIGN MARKETS
CHEAP ENERGY

BUT HOW LONG WILL IMPROVEMENT LAST?

BENEFITS OF TAX CUTS BAKED IN
ENERGY COSTS NOW HIGHER
UNCERTAINTY ABOUT CONTROL OF CONGRESS
3% GROWTH THIS YEAR; REVERT TO 2% IN FUTURE?

TRADE DEALS OR TRADE WARS?

* NAFTA
* CHINA
* TARIFFS

INTERRUPTION OF TRADE CONSIDERED A NEGATIVE FOR THE ECONOMY
PUBLIC DEBT IS BACK AS AN ISSUE

WE SLEEPWALKED THROUGH RECENT DEBT HIKES AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

INTEREST ON DEBT AS % OF BUDGET COULD DOUBLE FROM 7% TO 14% IN 2028

STRUCTURAL CHALLENGES

SLOW PRODUCTIVITY

AGING POPULATION/SLOW LABOR FORCE GROWTH

"INVISIBLE" UNEMPLOYMENT

HOLLOWING-OUT OF LABOR MARKET

URBAN/RURAL DIVIDE

TECHNOLOGY AND UNEMPLOYMENT

WHEN'S THE NEXT RECESSION?

NO CURRENT IMBALANCES

CONSUMER DEBT PAYMENT % IS STILL LOW

HOWEVER, WATCH AUTO LOANS AND CREDIT CARDS

WATCH FOR INVERTED YIELD CURVE

NEXT RECESSION: 2020
OUTLOOK
CONTINUED GROWTH FOR IMMEDIATE FUTURE
SEEING THE "COSTS OF GROWTH"
LOOK FOR TRUMP "WAR OF WORDS" AGAINST THE FED
IN THE "LATE INNINGS" OF THE EXPANSION

FACTORS FOR INVESTORS TO CONSIDER
IF AN "ACTIVE" INVESTOR:
STOCK MARKET RUN MAY BE COMING TO AN END
COMMODITIES AS INSURANCE AGAINST HIGHER INFLATION
SHORT TERM MONEY YIELDS ARE RISING
BE CAREFUL WITH LONG BONDS

FACTORS FOR INVESTORS TO CONSIDER
IF A "PASSIVE" INVESTOR:
NOTHING DIFFERENT
CONTINUE TO BUY AND HOLD
CONTINUE TO BE DIVERSIFIED
REALLOCATE AS AGE REBALANCE ANNUALLY
STATE ECONOMY IS IMPROVING

BOTH GDP AND JOB GROWTH RATES HAVE BEEN EXCEEDING THE NATION’S

OUTLOOK IS FOR CONTINUED GROWTH

Source: calculations by Dr. Michael Walden

NCU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS
AND, SOME GOOD NEWS ON THE ECONOMIC GEOGRAPHIC DIVIDE

IN THE LAST YEAR, THE COUNTIES WITH THE LARGEST DROP IN THEIR JOBLESS RATE WERE RURAL COUNTIES

STILL, KEY ISSUES FOR NORTH CAROLINA IN UPCOMING DECADES

K-12: MAKING GAINS
COLLEGE: COST, IMPROVING OUTCOMES
WORKFORCE: RE-TRAINING
ROADS: FUNDING
HEALTH CARE: COST, ACCESS
DEMOGRAPHICS: AGING

PARTING COMMENT ON JOAN CRAWFORD AND BETTE DAVIS
QUESTIONS? BUT QUIETLY!