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

NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS

Source: calculations by Dr. Michael Walden
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!