

# MID-YEAR ECONOMIC OUTLOOK



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# WHERE IS THE ECONOMY NOW?

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2<sup>ND</sup> 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



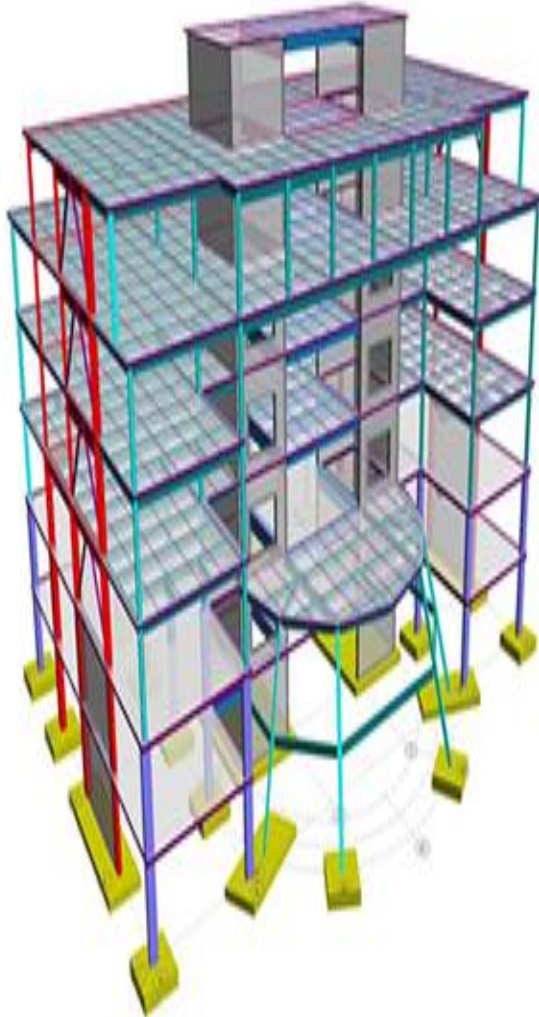
WE SLEEPWALKED THROUGH RECENT DEBT HIKES AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

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

# STRUCTURAL CHALLENGES

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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?

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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

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IF A "PASSIVE" INVESTOR:

NOTHING DIFFERENT

CONTINUE TO BUY AND HOLD

CONTINUE TO BE DIVERSIFIED

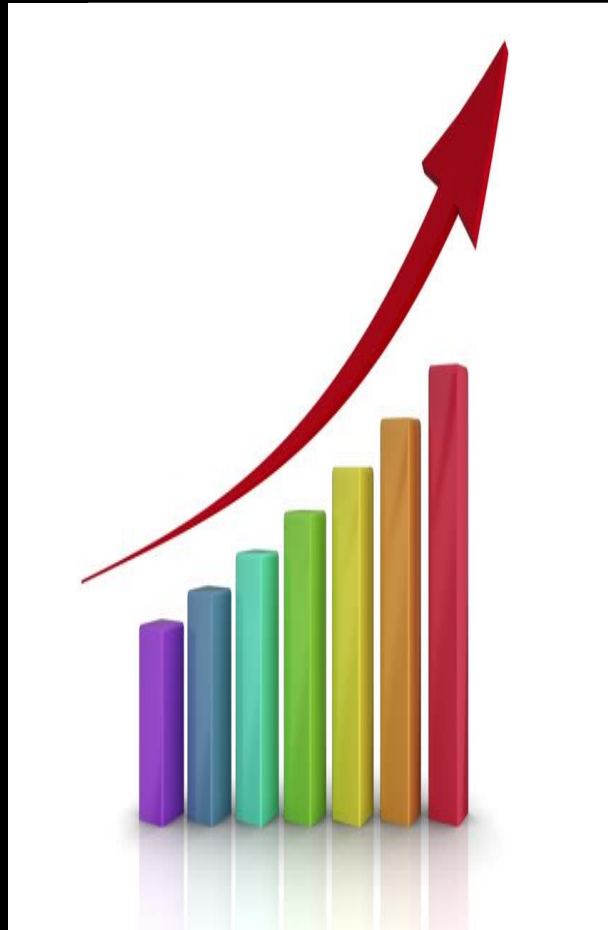
REALLOCATE AS AGE

REBALANCE ANNUALLY

# NORTH CAROLINA



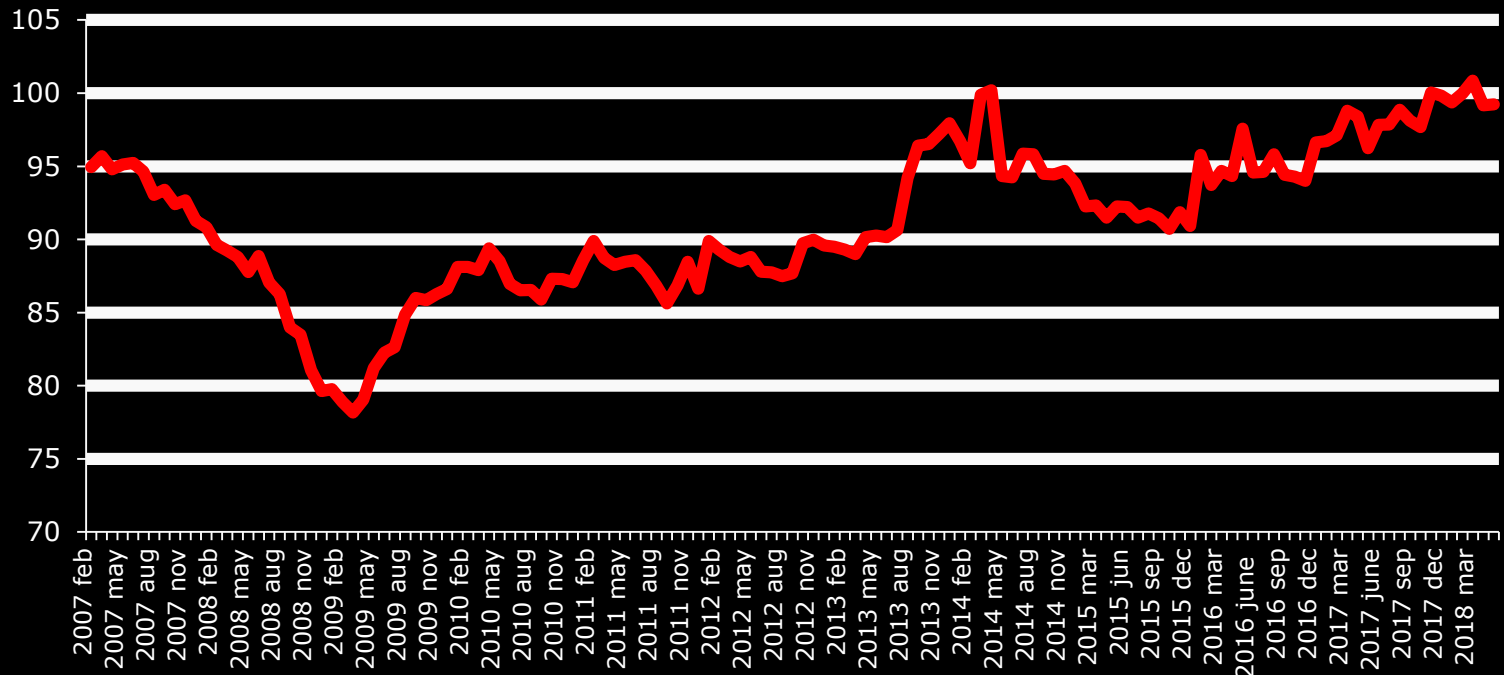
# STATE ECONOMY IS IMPROVING



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

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**QUESTIONS? BUT QUIETLY!**

