

## ECONOMIC OUTLOOK: FASTER GROWTH AHEAD? Dr. Michael L. Walden



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## THE BIG NATIONAL ECONOMIC STORIES



ELECTION OF DONALD TRUMP AND  
MEANING FOR ECONOMIC POLICIES

TRADE WARS COMING?

WILL FEDERAL RESERVE APPLY THE  
BRAKE?

THE DEMOGRAPHIC AND  
TECHNOLOGY CHALLENGES

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## FIRST GOAL OF TRUMP ADMINISTRATION: INCREASE ANNUAL ECONOMIC GROWTH RATE

WANTS TO DOUBLE ANNUAL GROWTH RATE:  
2% TO 4%

### POLICIES TO ACCOMPLISH

- \* TAX REDUCTIONS
- \* INFRASTRUCTURE PROJECTS
- \* INCREASED MILITARY SPENDING
- \* REDUCED REGULATIONS
- \* INCREASED ENERGY PRODUCTION
- \* REDUCED TRADE DEFICIT

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## TAX REDUCTION PLAN



BIG: \$6 TRILLION OVER 10 YRS.

DEDUCTIONS/CREDITS?

LIKELY INCREASE FEDERAL  
BORROWING

CORPORATE RATE IS KEY

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## INFRASTRUCTURE PROGRAM



\$1 TRILLION OVER 10 YRS.

HOW FAST COULD START?  
REGULATIONS/STUDIES

NOT LABOR INTENSIVE

HOW FINANCE?

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## INCREASED MILITARY SPENDING



HOW MUCH?

IMPACT ON BORROWING?

SPLIT BETWEEN EQUIPMENT  
AND PERSONNEL

COULD HELP PARTS OF NORTH  
CAROLINA

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## REDUCED REGULATIONS



VAGUE ON DETAILS, BUT  
LIKELY START WITH ENERGY

STUDIES SHOW REGULATIONS  
CAN IMPEDE GROWTH

BUT ALSO HAVE BENEFITS

SLOW PROCESS

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## INCREASE ENERGY PRODUCTION



HAS ALREADY BEEN  
OCCURRING

PRICE STILL DETERMINES  
IF PROFITABLE

NC COULD BE IMPACTED BY  
OFF-SHORE DRILLING

ENVIRONMENTAL IMPACTS

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## REDUCE TRADE DEFICIT AND SHIFT PRODUCTION TO THE U.S.



RENEGOTIATE TREATIES,  
LAWSUITS, TARIFFS

WORRY OF A "TRADE WAR"  
THAT IMPACT US EXPORTS

COMPLICATIONS WITH  
SUPPLY CHAINS

LABOR USAGE HAS SHRUNK

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## OTHER LONGER-RUN ISSUES IMPACTING THE ECONOMY



THE AFFORDABLE CARE ACT

MINIMUM WAGE

EDUCATION

NATIONAL DEBT

SOCIAL SECURITY/MEDICARE

REVISION OF DODD-FRANK

GLOBAL WARMING

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## OR, DOES ANY OF IT MATTER?




ARGUMENT THAT OUR **AGING SOCIETY** AND **LOWER BIRTH RATE** ARE THE MAJOR REASONS FOR SLOWER ECONOMIC GROWTH

WORRIES OF **"TECHNOLOGICAL UNEMPLOYMENT"**

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## SOME NUMBERS



	<u>2016</u>	<u>2017</u>	<u>2018</u>
GDP	1.6%	2.2%	2.4%
Payroll jobs	1.7%	2.0%	2.1%
Real wage growth	2.3%	2.6%	2.8%

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## TRUMP STIMULUS WILL LIKELY LEAD TO HIGHER INFLATION AND INTEREST RATES



	<u>2016</u>	<u>2017</u>	<u>2018</u>
Inflation rate	1.7%	2.1%	2.2%
Short interest rate	0.5%	1.3%	1.7%
Long Interest rate	3.0%	3.3%	3.4%

Short rate: 3 month treasury bill  
Long rate: 30 year treasury note

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## PRESIDENT TRUMP AND THE FEDERAL RESERVE



PRESIDENT HAS CRITICIZED  
FED FOR LOW INTEREST  
RATE POLICY

FED LIKELY WILL INCREASE  
ITS SHORT TERM RATES

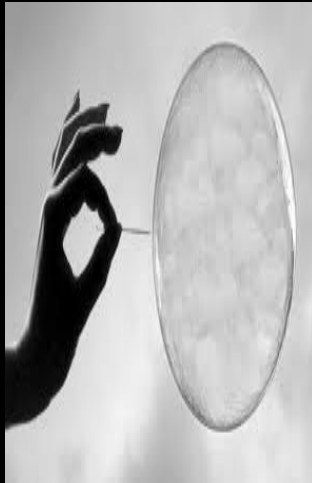
CHAIR YELLEN SERVES UNTIL  
EARLY 2018

CURRENTLY TWO VACANCIES  
ON THE BOARD

COULD HALT STOCK GAINS

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## ARE THERE ECONOMIC EXCESSES (BUBBLES) READY TO POP AND CAUSE A RECESSION?



STOCK MARKET?

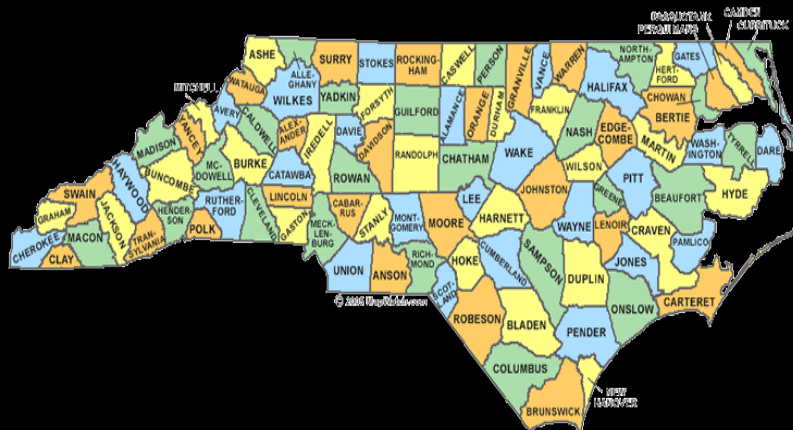
HOUSING MARKET?

DEBT?

MONEY (DOLLAR)?

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## THE NORTH CAROLINA ECONOMY



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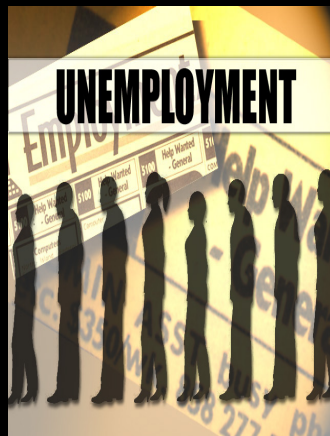


## BETTER NUMBERS THAN THE NATION IN 2016

	<u>NC</u>	<u>US</u>
GDP	2.3%	1.6%
PAYROLL JOBS	2.0%	1.7%
REAL WAGE GROWTH	5.1%	2.3%

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## NC WILL ADD 90,000 JOBS IN 2017, BUT OFFICIAL JOBLESS RATE WILL FALL SLIGHTLY BECAUSE:



230,000 "official"  
unemployed in NC

another 200,000  
"unofficial" unemployed  
in NC

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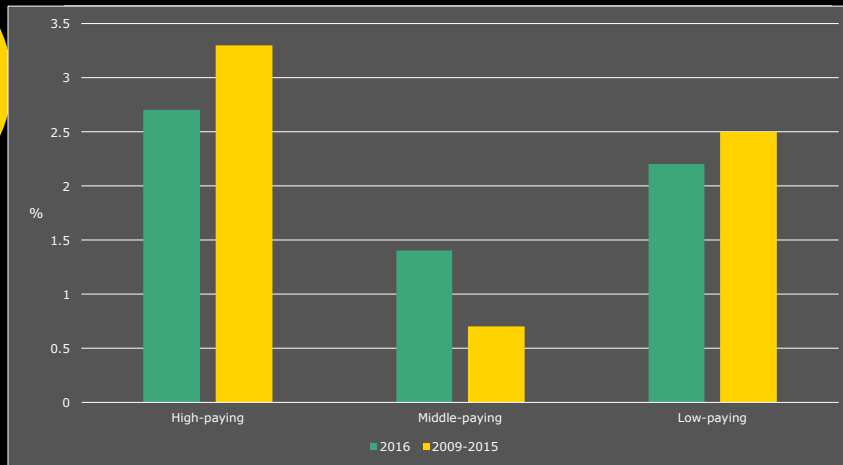
## WE WILL CONTINUE TO STRUGGLE WITH OUR TWO DIVIDES



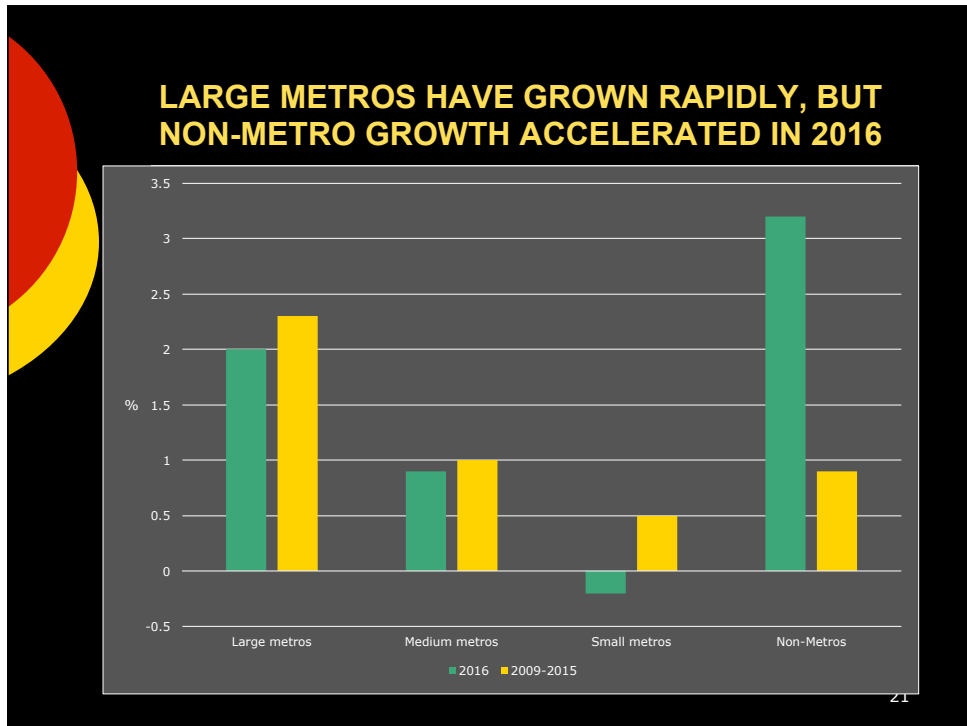
BETWEEN HOUSEHOLDS  
BETWEEN REGIONS

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## FASTEST GROWTH CONTINUES FOR HIGH-PAYING AND LOW-PAYING OCCUPATIONS



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## AGING



### % Over Age 65

2010: 13%

2050: 21%

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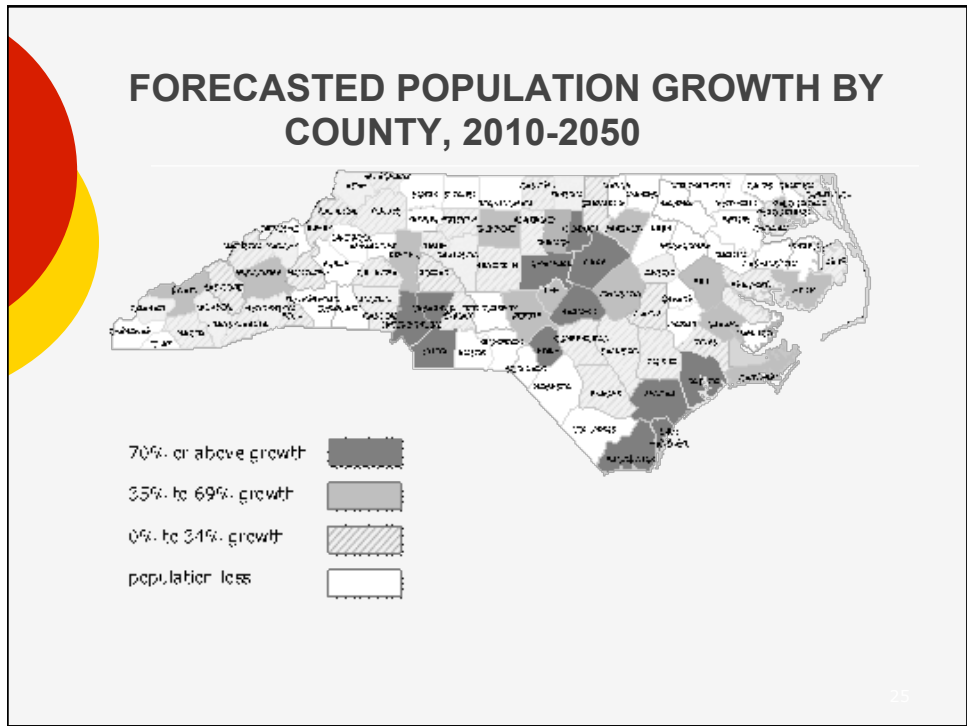
## TECHNOLOGY IS RE-SHAPING THE WORKPLACE



**HALF** OF TODAY'S OCCUPATIONS COULD BE DOWNSIZED DUE TO TECHNOLOGY

NEED FOR **RE-SKILLING**

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### KEY TO A PROSPEROUS FUTURE WILL CONTINUE TO BE EDUCATION, BUT.....

- WILL HAVE TO BE LIFELONG
- ALLOWING RAPID RETRAINING
- WILL HAVE TO BE MORE EFFICIENT AND COST-EFFECTIVE
- AND MORE ADAPTABLE TO THE CHANGING JOB MARKET

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