

## "Sunny Days" Projected For NC Economy

By Administrator

Friday, 17 August 2018 09:38 - Last Updated Friday, 17 August 2018 09:44

---

By Dr. Michael Walden

William Neal Reynolds Distinguished Professor

North Carolina State University

The national economy is always a key driver of state economies. Although there are many questions and issues related to the national economy – trade negotiations, the Federal Reserve’s interest rate policies, international tensions, and the future composition of the Congress – most economists do see continued economic growth for the remainder of 2018 and in to 2019. The consensus seems to be a recession – if it occurs – will not arrive until 2020.

I forecast North Carolina real GDP will increase by 3.2% in 2018 and by 3.4% in 2019. Payroll job growth will be 1.7% in both 2018 and 2019, resulting in approximately 75,000 net new jobs in each of the years.

Predicting the most-used unemployment rate – the “headline rate” - is difficult. The rate will drop as more jobs are added and nothing else changes. But if some individuals who had left the labor force because they could not find work – and therefore are not officially counted as unemployed – resume looking for work as labor market conditions improve, the jobless rate can remain the same, or even rise, as jobs increase.

The “headline” unemployment rate is challenging to predict because it is based on more than simply job growth. Also important are the number of new individuals moving to the state, the number of people choosing to be in the labor force, and the number who actively seek work. Still, with labor market conditions expected to improve for both the rest of 2018 as well as 2019, I anticipate a year-end “headline” jobless rate in North Carolina of 4.1% at the end of 2018 and 3.8% at the end of 2019.

Asheville, Durham, and Raleigh are predicted to have the lowest end-of-year jobless rates in 2019, at between 3% and 3.5%. Fayetteville, Rocky Mount, and Greenville will have the highest rates.

With economic growth continuing over the next 18 months, the economic geographic divide

## **"Sunny Days" Projected For NC Economy**

By Administrator

Friday, 17 August 2018 09:38 - Last Updated Friday, 17 August 2018 09:44

---

should continue to lessen somewhat, as firms search for more economic opportunities and labor availability outside of the large metropolitan regions. The status of the economic occupational divide will depend importantly on advances in technology. There have been significant gains in middle-paying construction and manufacturing jobs in recent years. Much of this is tied to rebounds in economic activity in those sectors. But both job categories – especially manufacturing – are susceptible to technology substituting for labor. This potential will largely determine the workforce trends in middle-paying occupations.

In terms of the signs to follow for an on-coming recession, it's always advisable to look for emerging "excesses" in the economy that are prone for reversing. Currently it appears the sectors to watch are equity investments (the stock markets), where many indicators suggest inflated values, and business borrowing, where higher-risk loans have been increasing. Signs of trouble in either of these areas may be the best forecast of a broad economic downturn.

But for now, there appear to be sunny days in the near future for the economy, both nationally and in North Carolina.

### **TEN NORTH CAROLINA ECONOMIC HEADLINES FOR 2018 AND 2019**

1. The broadest measure of economic output – real Gross State Product – increased faster in North Carolina than in the nation in 2017 and is on track to do the same in 2018.

2. From the first quarter of 2017 to the first quarter of 2018, the top five expanding economic sectors in North Carolina were durable manufacturing, education services, nondurable manufacturing, information, and clerical services.

3. The growth rate in residential building permits in North Carolina in 2018 is on track to be lower than the growth rate in 2017.

4. Payroll employment growth in North Carolina is expected to exceed national payroll employment growth in 2018.

## "Sunny Days" Projected For NC Economy

By Administrator

Friday, 17 August 2018 09:38 - Last Updated Friday, 17 August 2018 09:44

---

5. The broadest measure of unemployment – the “U6” rate which includes discouraged workers and part-time workers wanting full-time work – was lower in North Carolina than the national rate in 2017 and continues to be lower than the national rate in 2018.

6. Average wage rates adjusted for inflation have been stagnant in both North Carolina and the nation in 2017 and 2018. However, since 2014 North Carolina’s average wage rate has moved closer to the national average rate.

7. The economic occupational divide narrowed in North Carolina in 2017 and thus far in 2018 as a result of much stronger growth in middle-paying jobs in both years.

8. Similarly, the economic geographic divide improved in 2017 and in the first half of 2018 as more robust job growth occurred in small metros and rural areas.

9. North Carolina real Gross State Product is forecasted to increase 3.2% in 2018 and 3.4% in 2019.

10. The end-of-the-year “headline” unemployment rate in the state is projected to be 4.1% in 2018 and 3.8% in 2019, with 75,000 payroll jobs added in each of the years.