

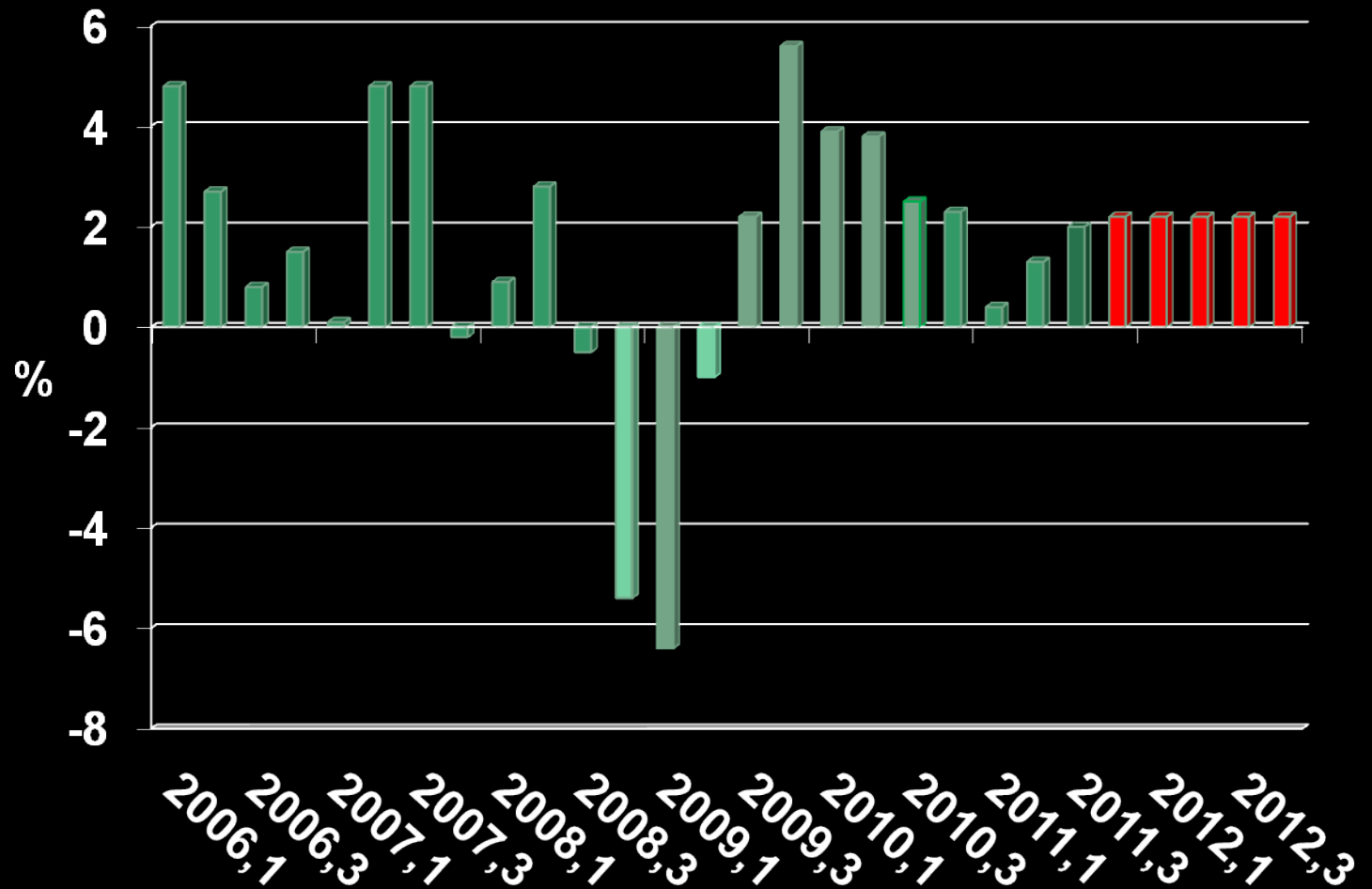
ECONOMIC OUTLOOK: FORWARD OR BACKWARD?



Dr. Michael Walden
Reynolds Distinguished
Professor
North Carolina State
University

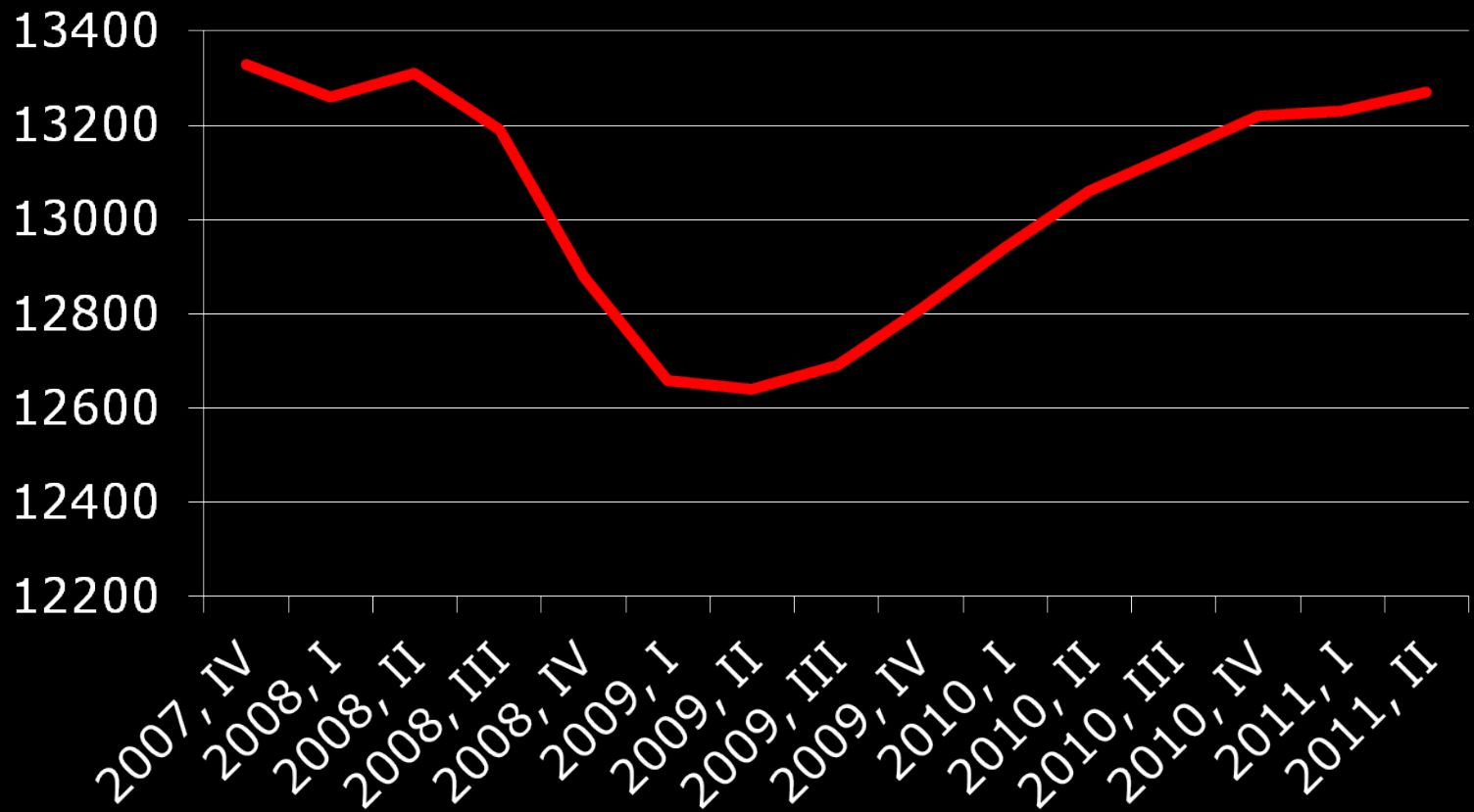
Nation's Economic Report Card: Real GDP

(annualized % change in real GDP)



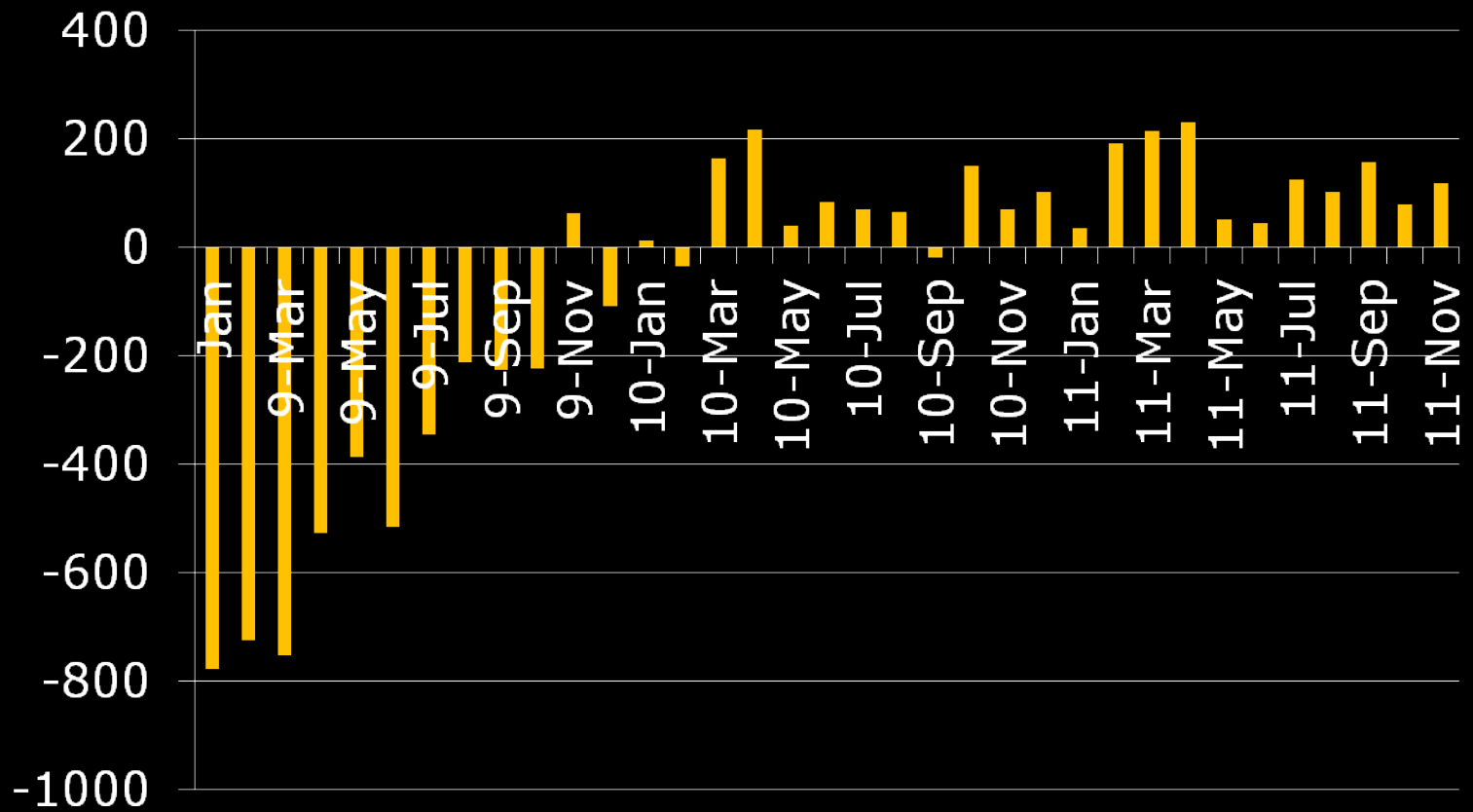
MEANING OF “END OF RECESSION”

Real GDP, 2005 \$ millions

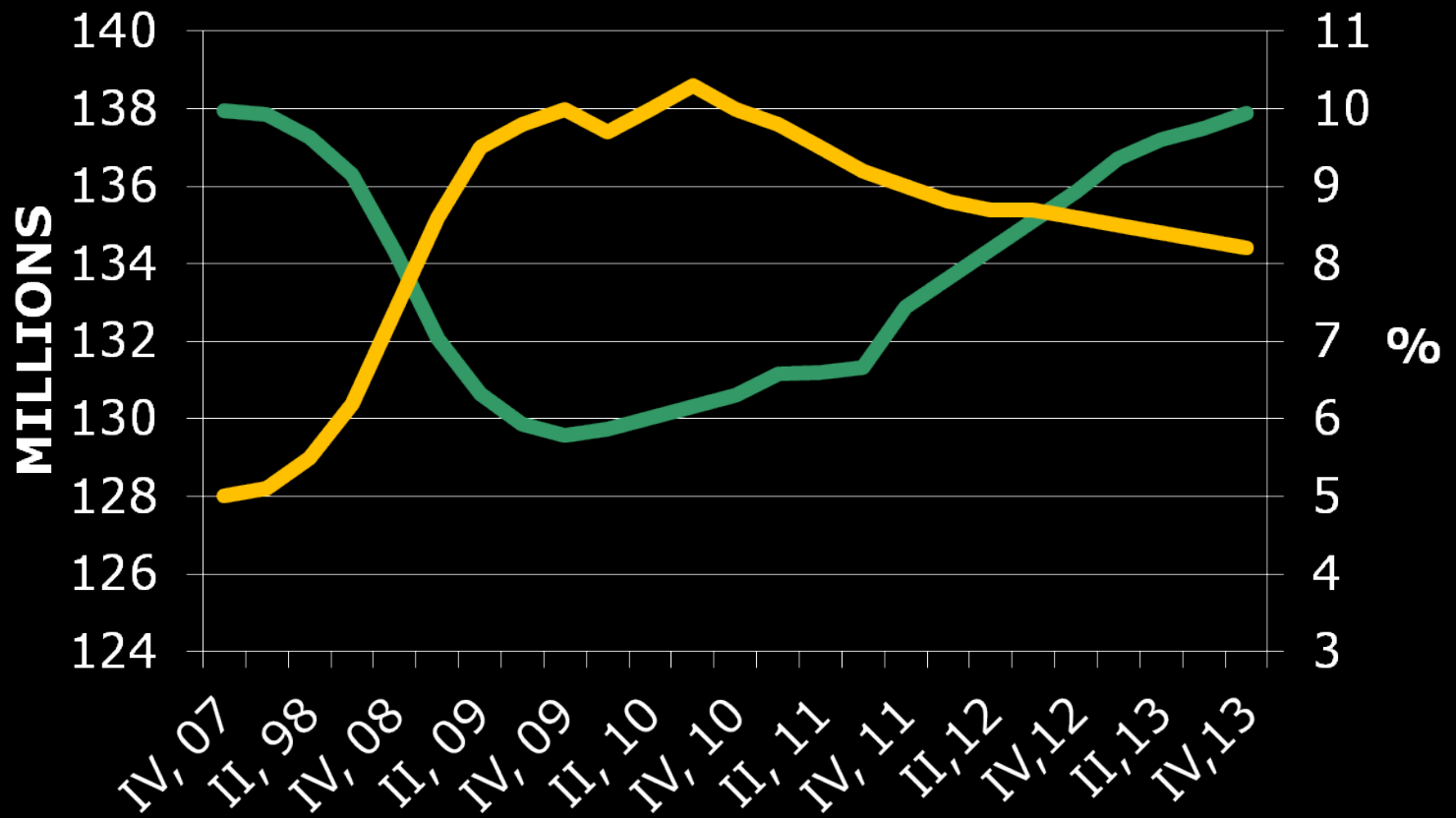


Job Losses Have Stopped, But Small Gains

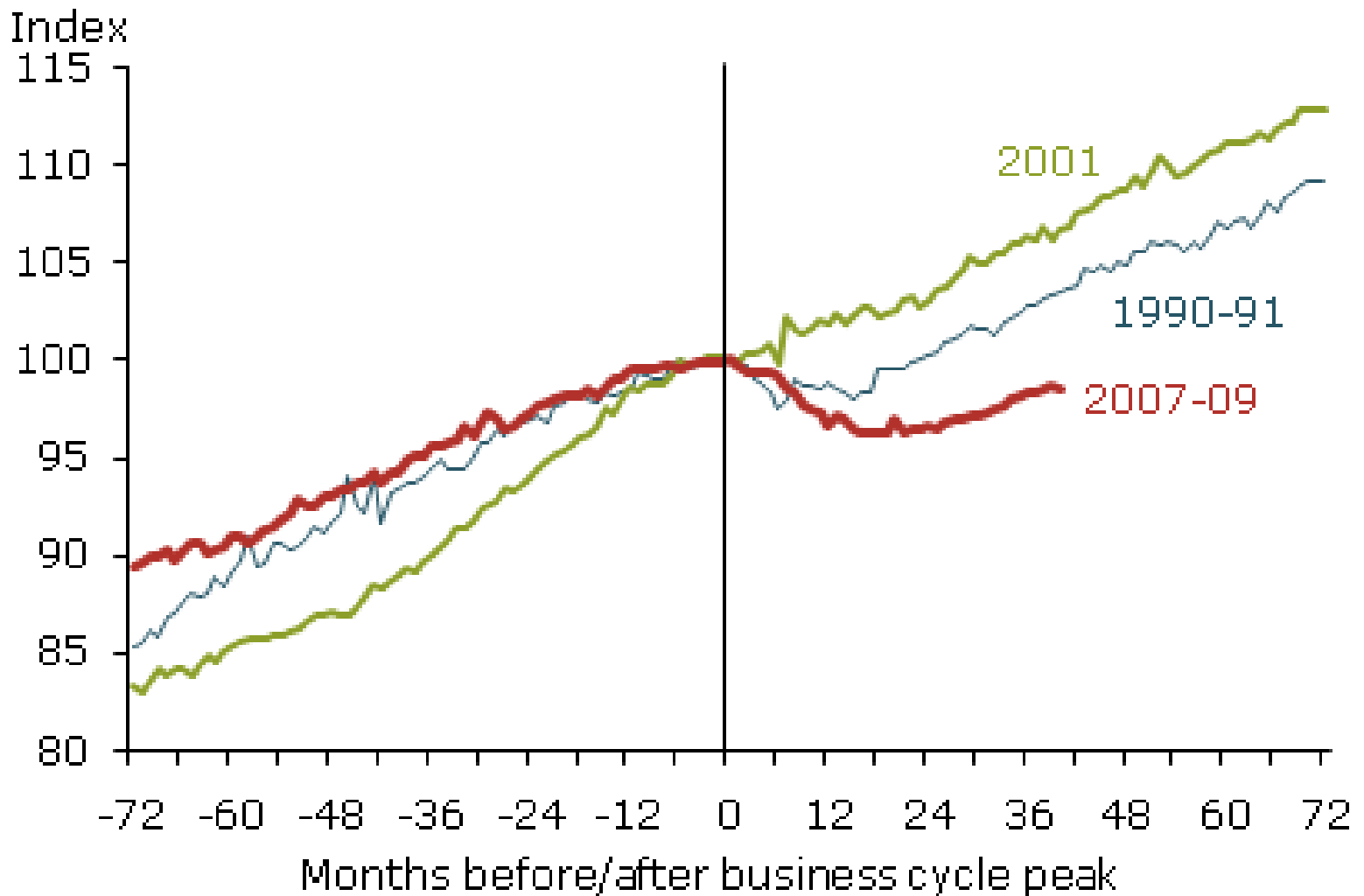
(thousands of jobs)



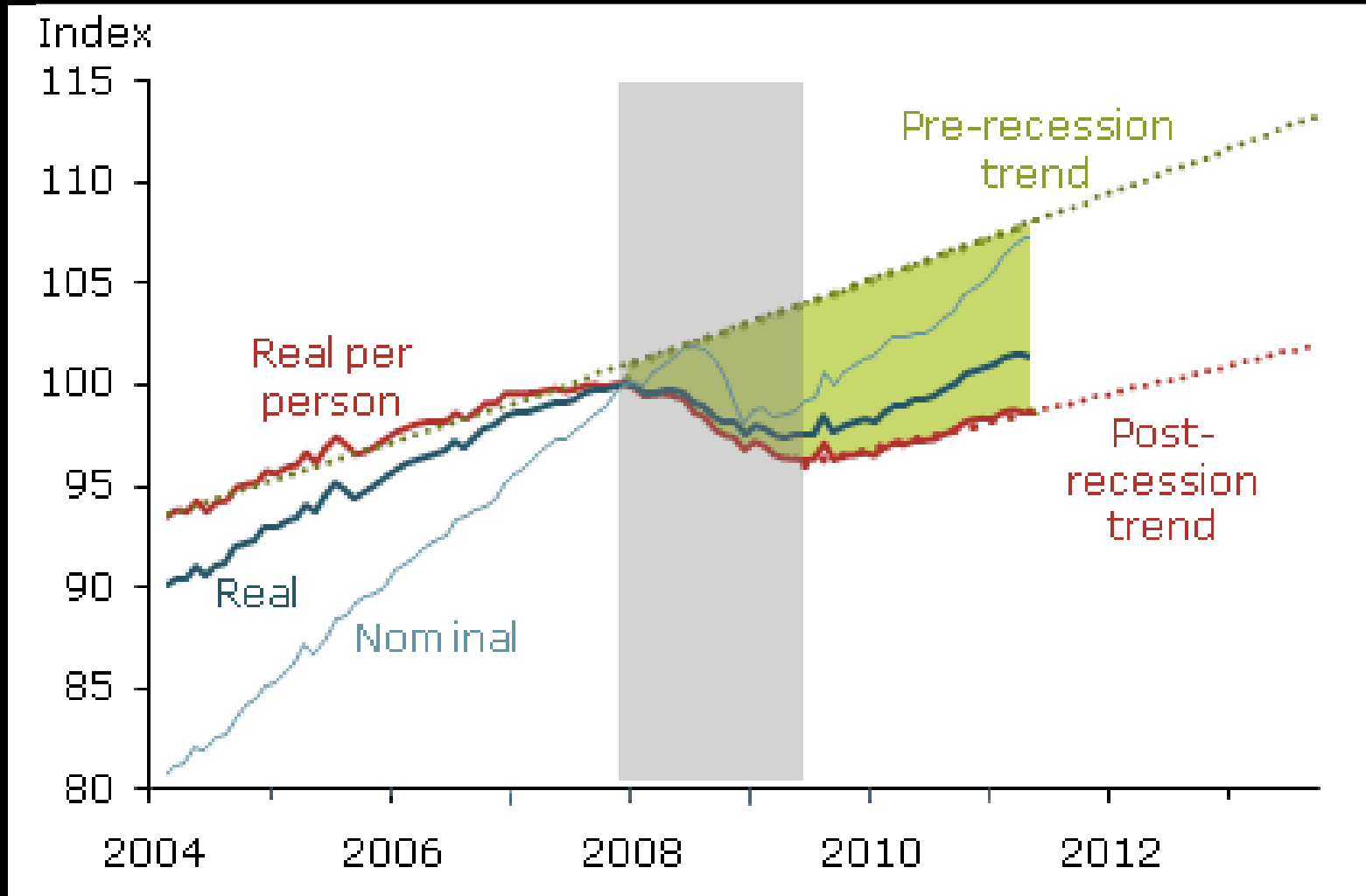
BUT THE JOB RECOVERY WILL BE SLOW (NONFARM EMP AND UNEMP RATE)



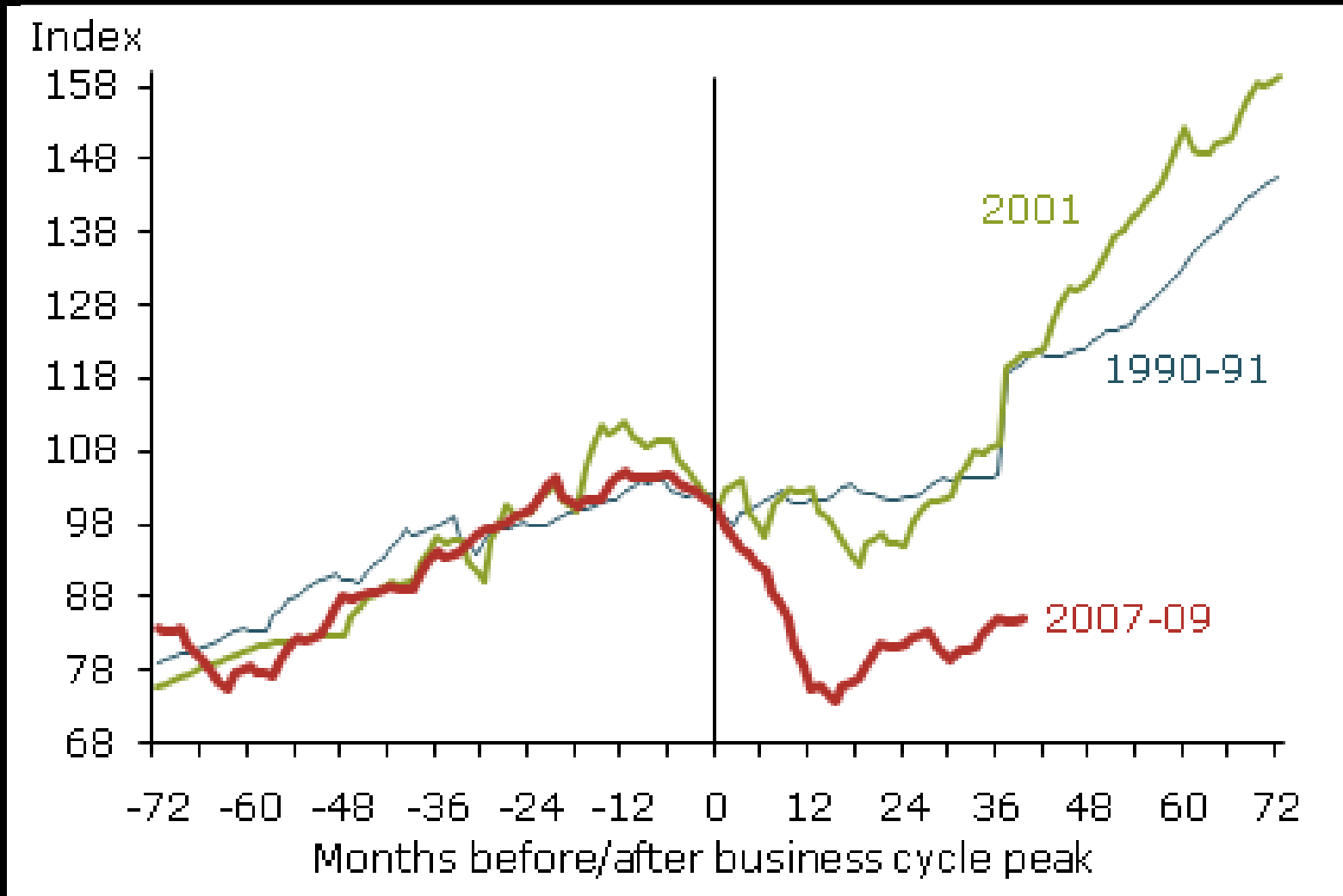
CONSUMER SPENDING HAS LAGGED RECENT RECOVERIES



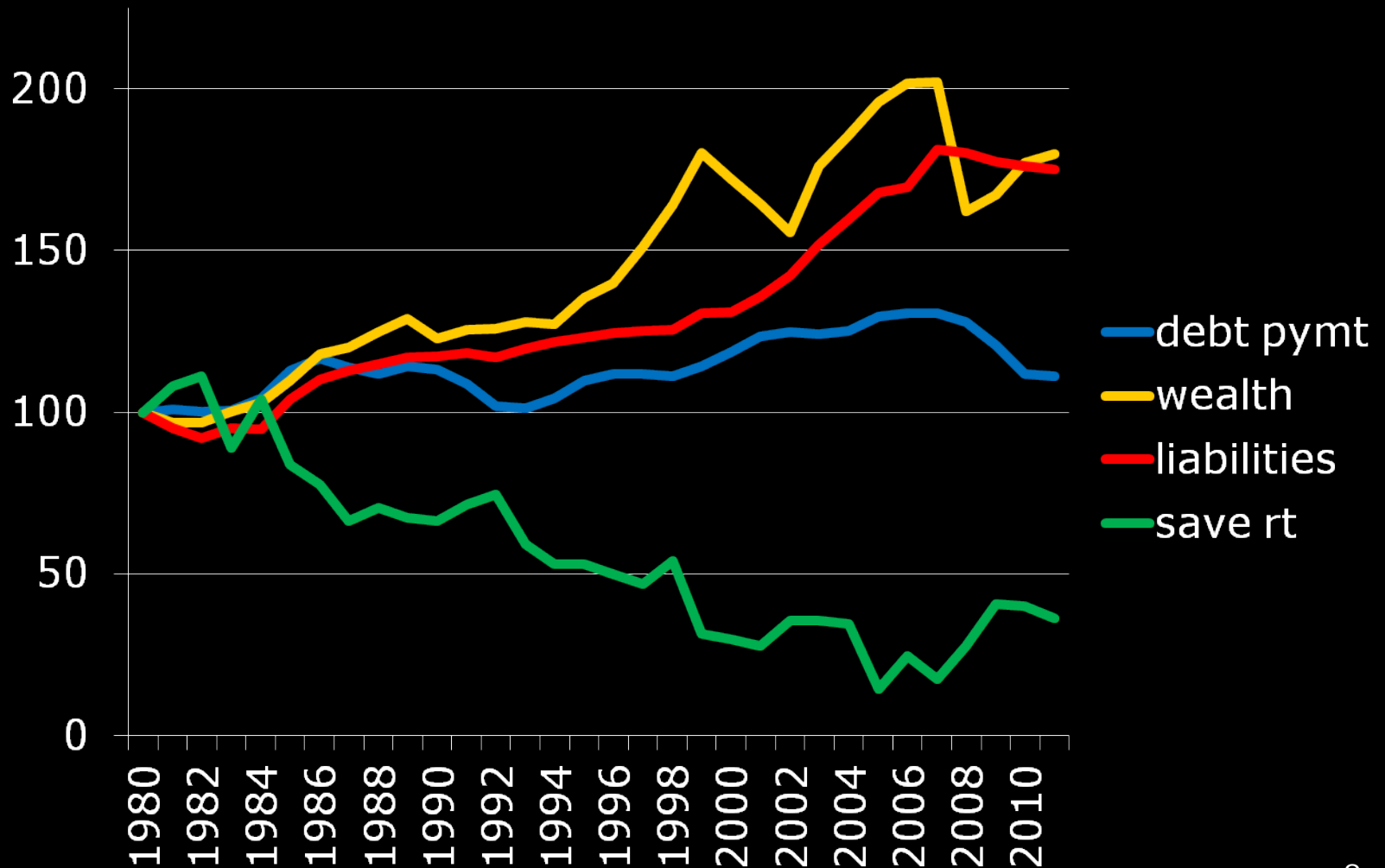
THE ECONOMY IS ADJUSTING TO A LOWER TREND IN CONSUMER SPENDING



THE RECOVERY IN HOUSEHOLD WEALTH HAS ALSO LAGGED



CONSUMER FINANCIAL BEHAVIOR HAS DRAMATICALLY CHANGED (INDICES)

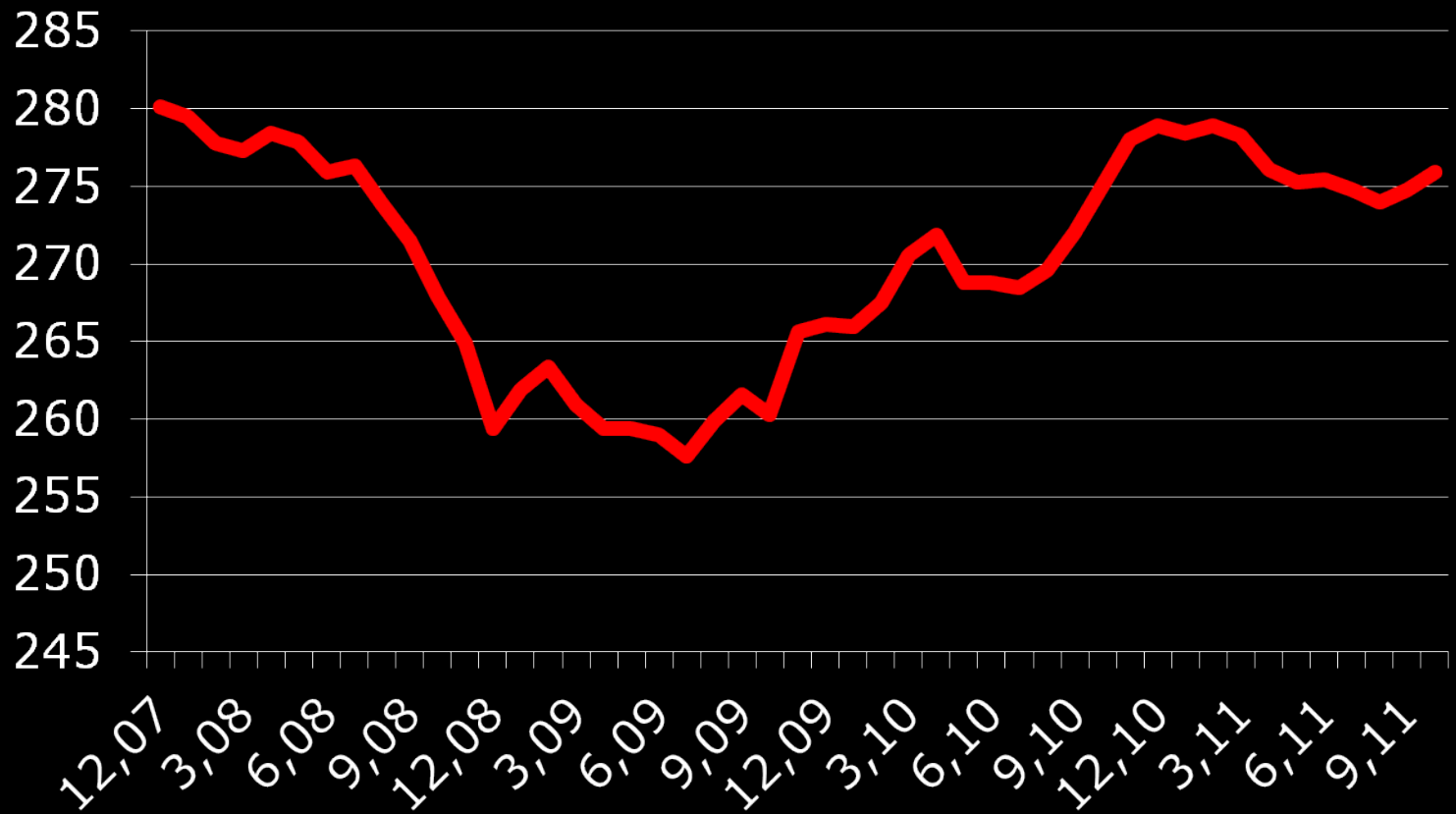


KEY HOUSEHOLD FINANCIAL RATIOS



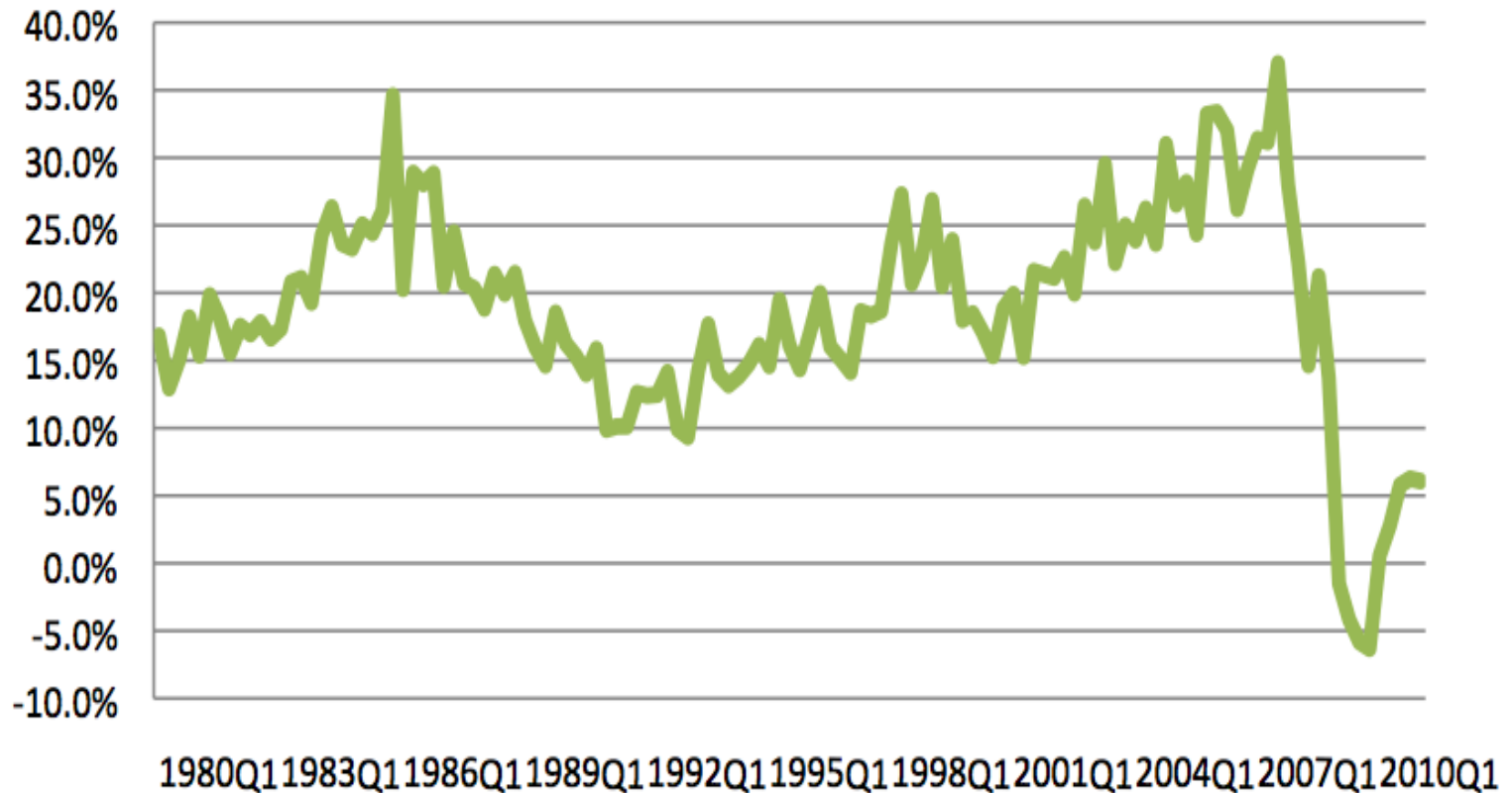
BUT CONSUMER SPENDING AT RETAIL STORES HAS STRUGGLED LATELY

(billions of 2005 \$, seasonally-adjusted, excl. vehicles & parts)



LENDING HAS IMPROVED – BUT SLOWLY

Credit Growth as a % of GDP

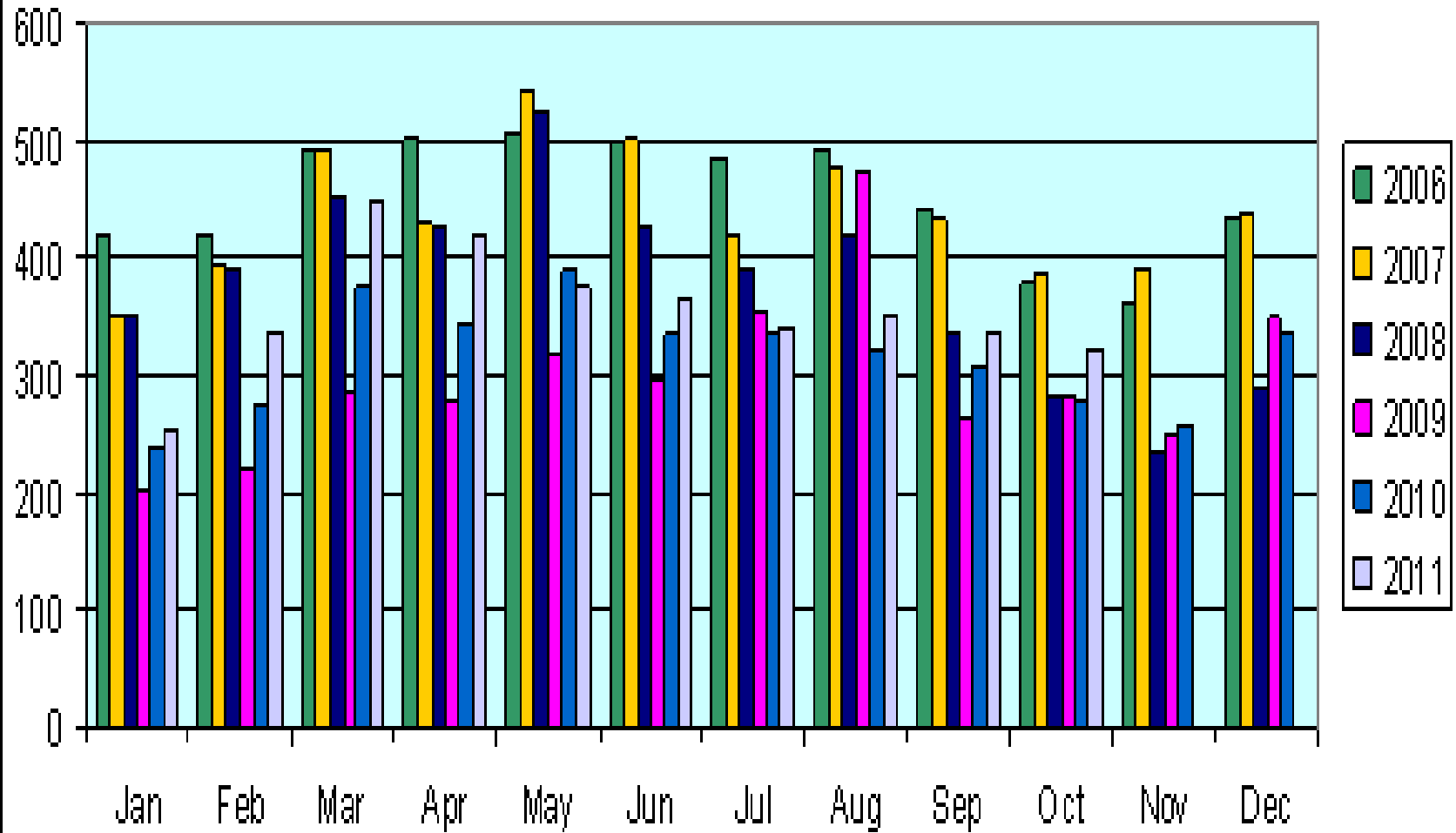




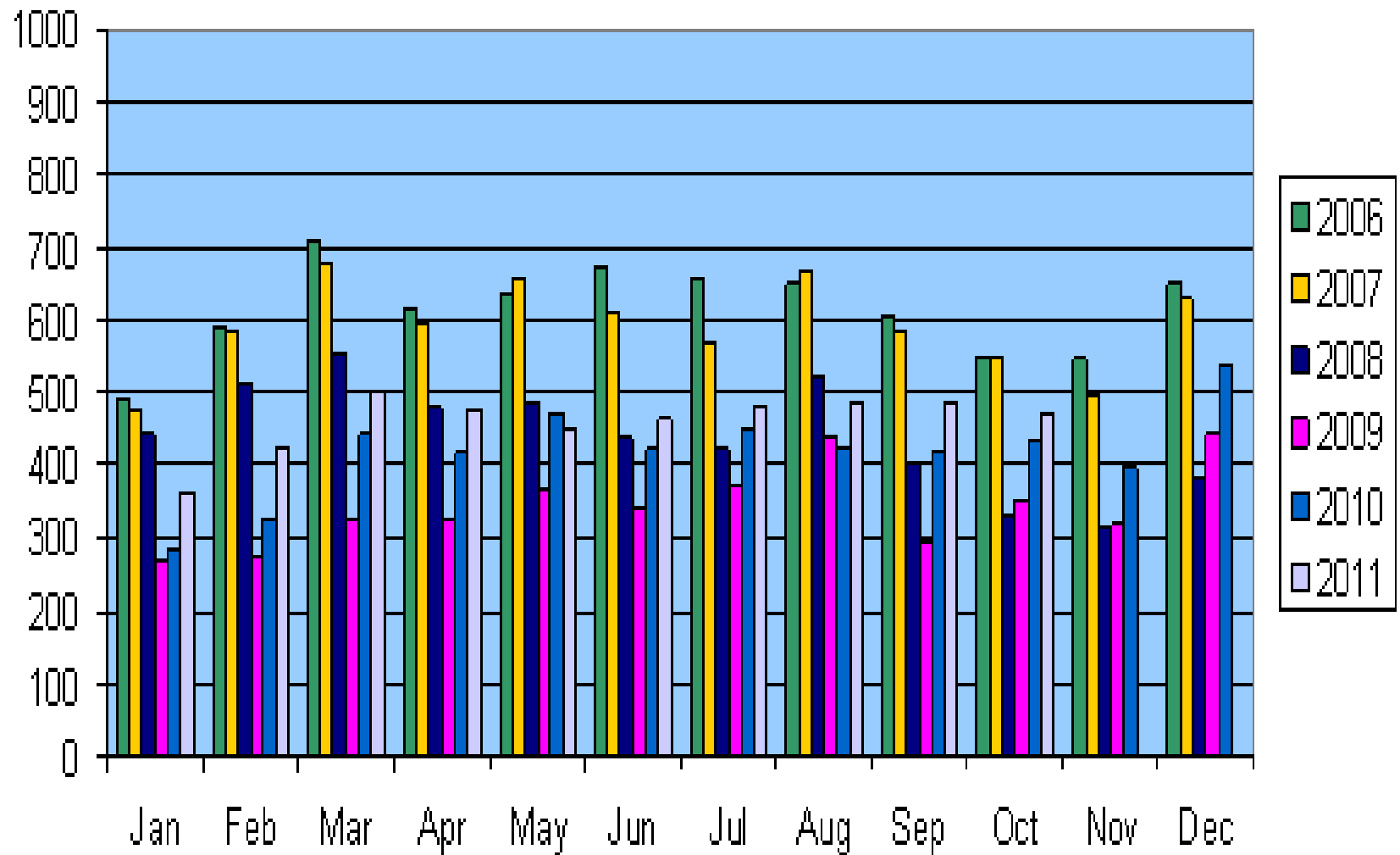
WHY IS LENDING SLOW?

1. SLOW CONSUMER SPENDING –
BUSINESSES HAVE SCALED BACK
2. TIGHTER LENDING STANDARDS
(DODD-FRANK)
3. FED PAYS INTEREST ON “EXCESS
RESERVES” KEPT IN BANK VAULTS

U.S. domestic car sales (thousands of units)



U.S. domestic light truck sales (thousands of units)

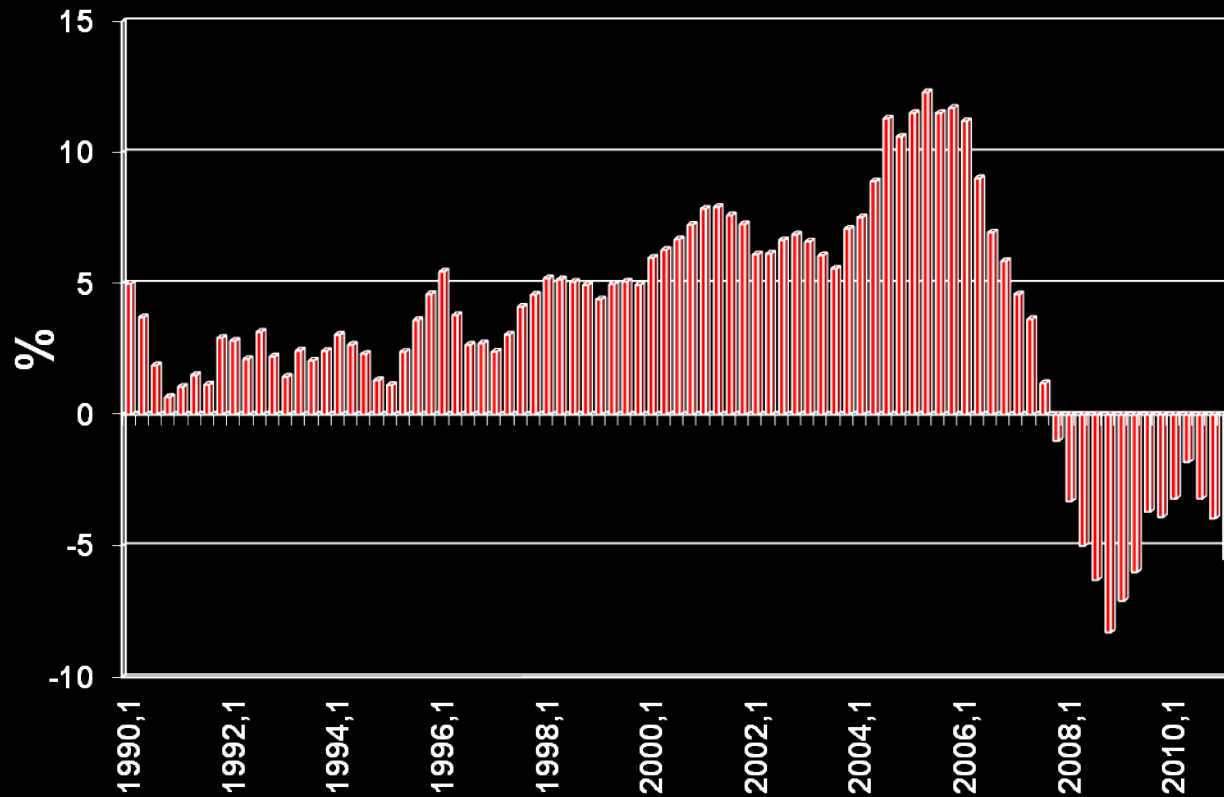


CORPORATE PROFITABILITY HAS ALSO IMPROVED

(PRE-TAX, % OF GDP)

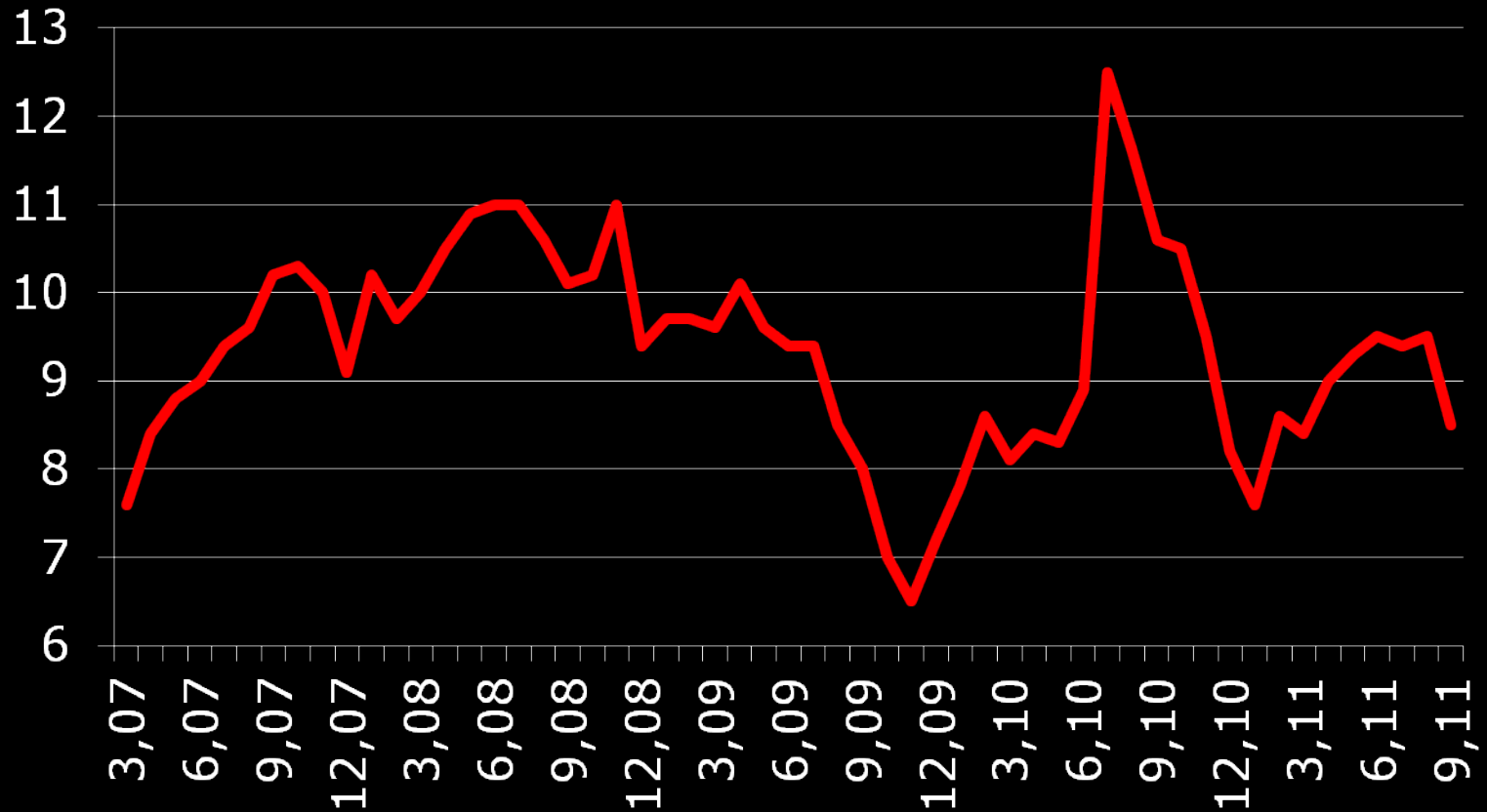


HOUSING PRICES ARE STILL UNDER STRESS (ANNUALIZED % CHANGE)

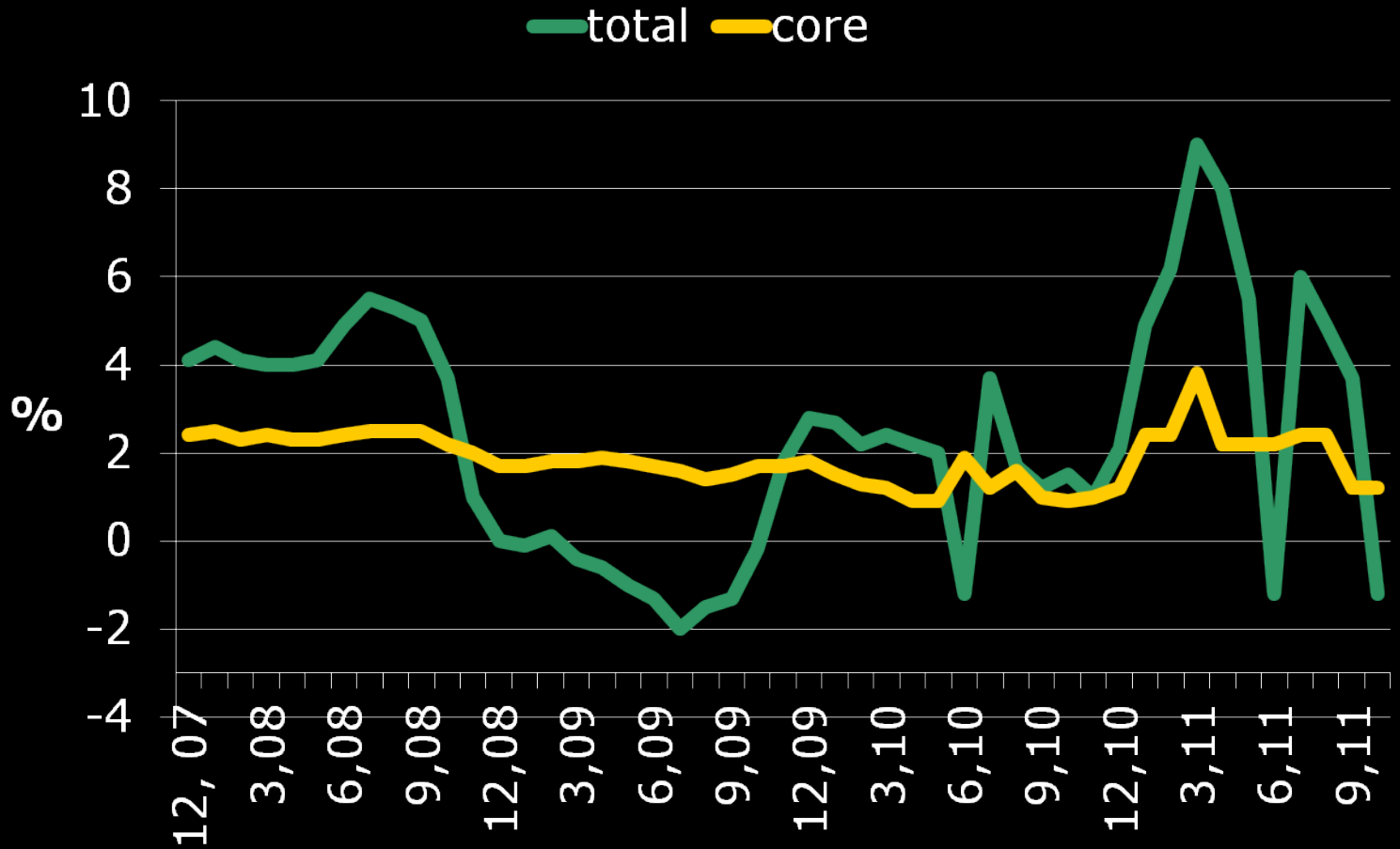


HOME INVENTORIES ARE STILL HIGH

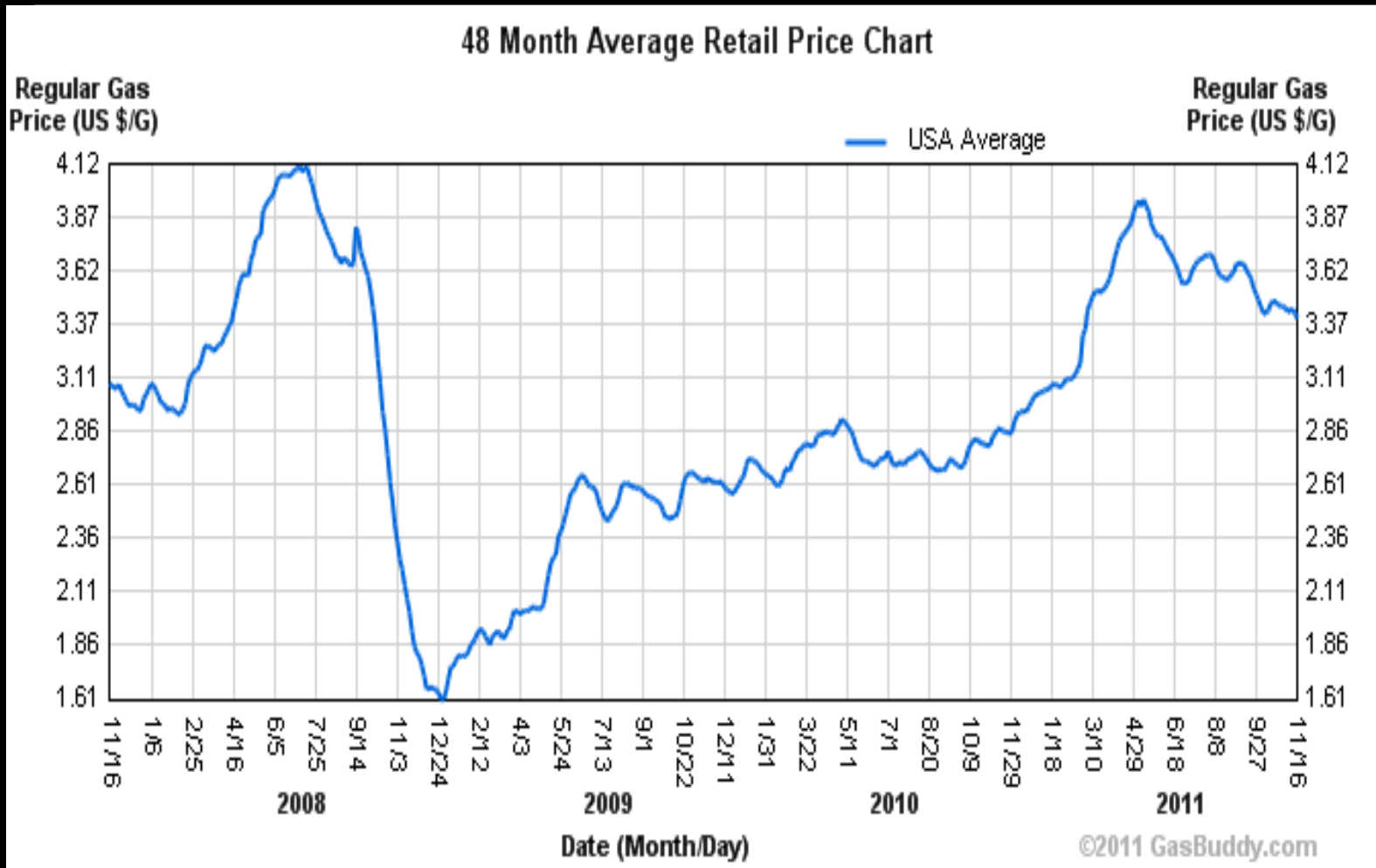
(MONTHS OF SUPPLY – UNITS)



TOTAL INFLATION HAS BEEN VOLATILE (CPI, total and core)

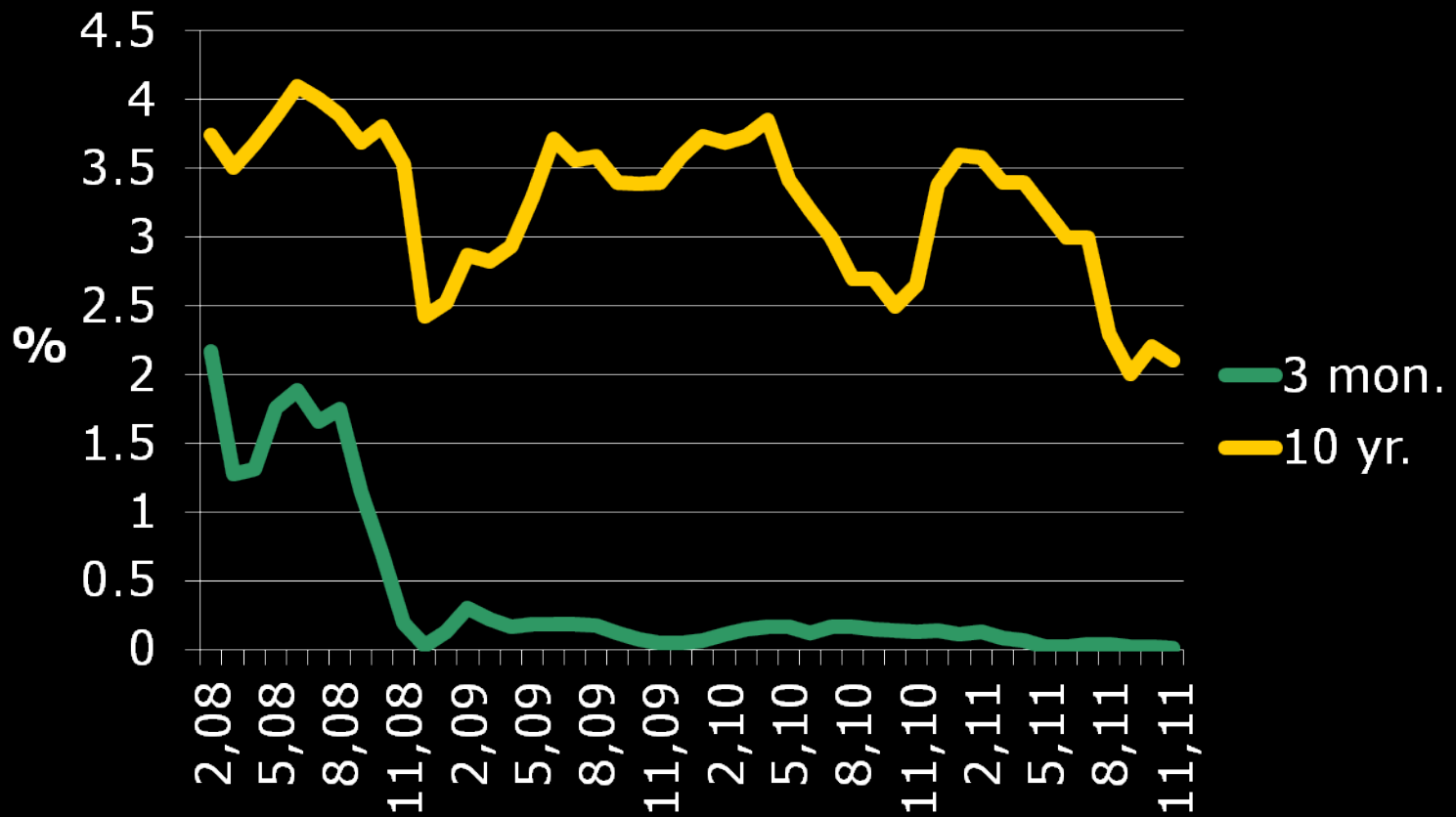


GAS PRICE TRENDS



WHAT ARE INTEREST RATES SAYING?

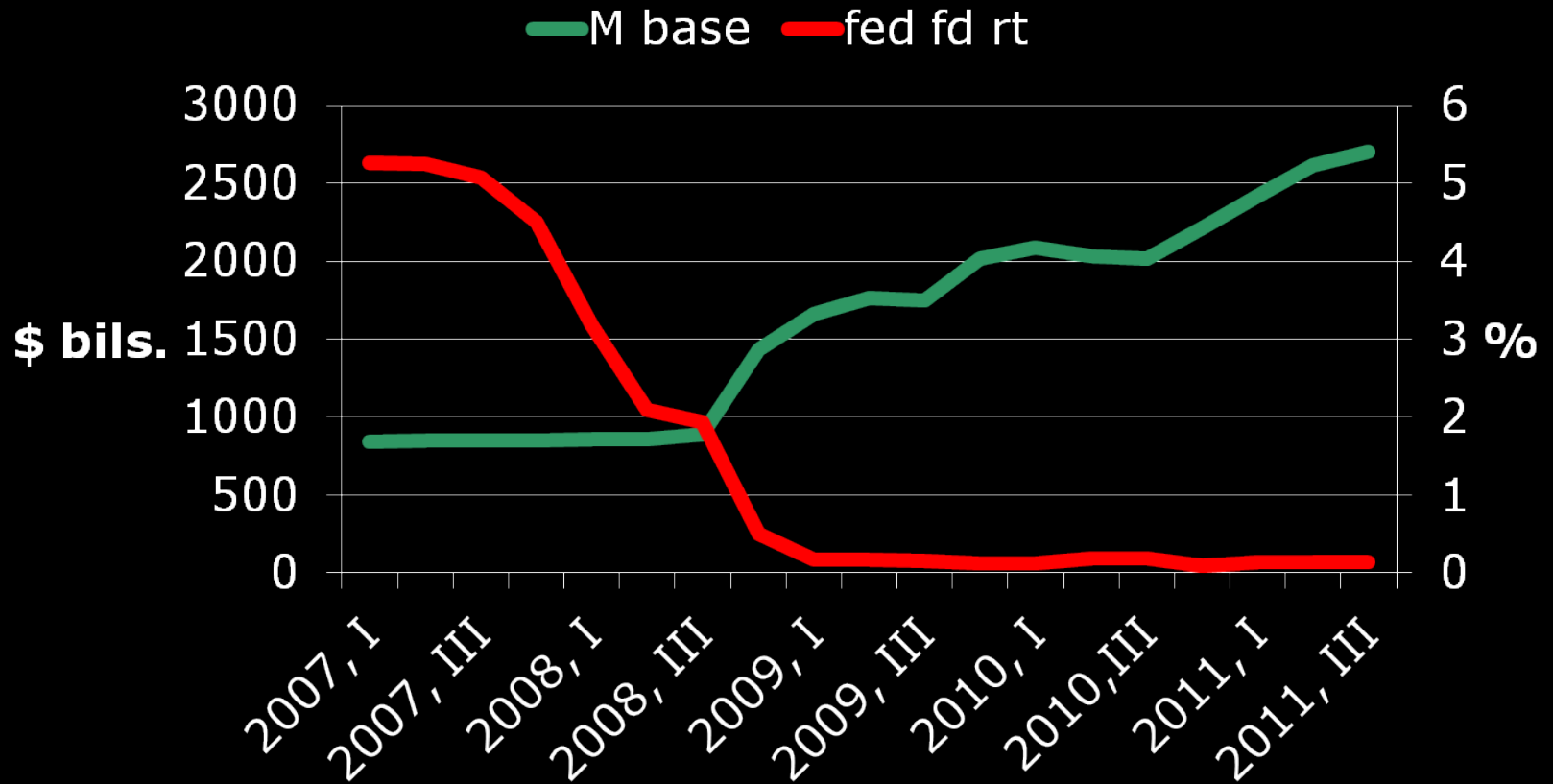
(YIELDS ON TREASURY SECURITIES)



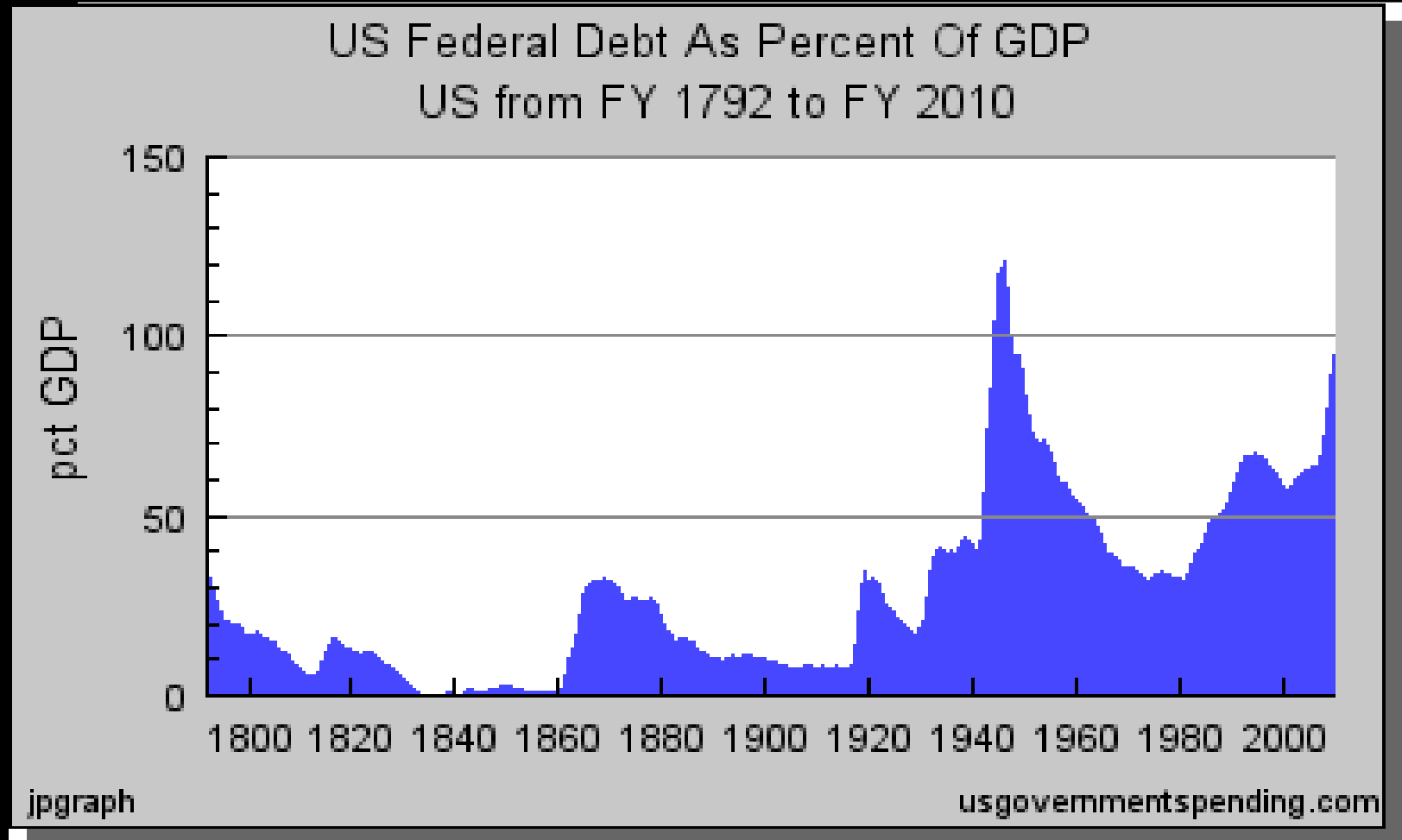
GOVERNMENT POLICY



The Fed's Monetary Policy



ON FISCAL POLICY



GOING FORWARD – DISAGREEMENT AMONG POLICY-MAKERS AND ECONOMISTS



KEYNESIANS – MORE GOV'T SPENDING

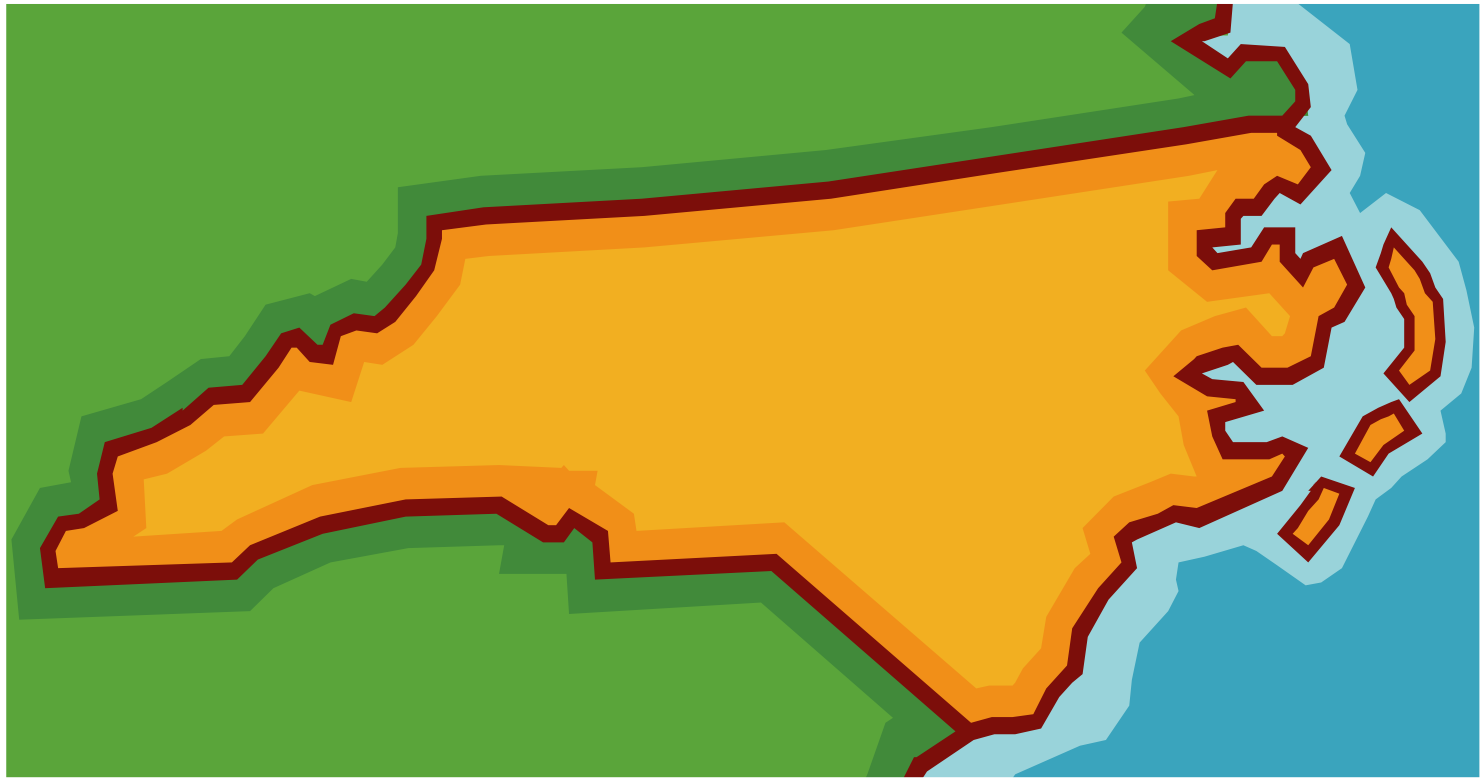
MONETARISTS – MORE MONEY

SUPPLY-SIDERS – LOWER TAXES AND
REGULATIONS

FISHERIANS – LESS DEBT/MORE
INFLATION

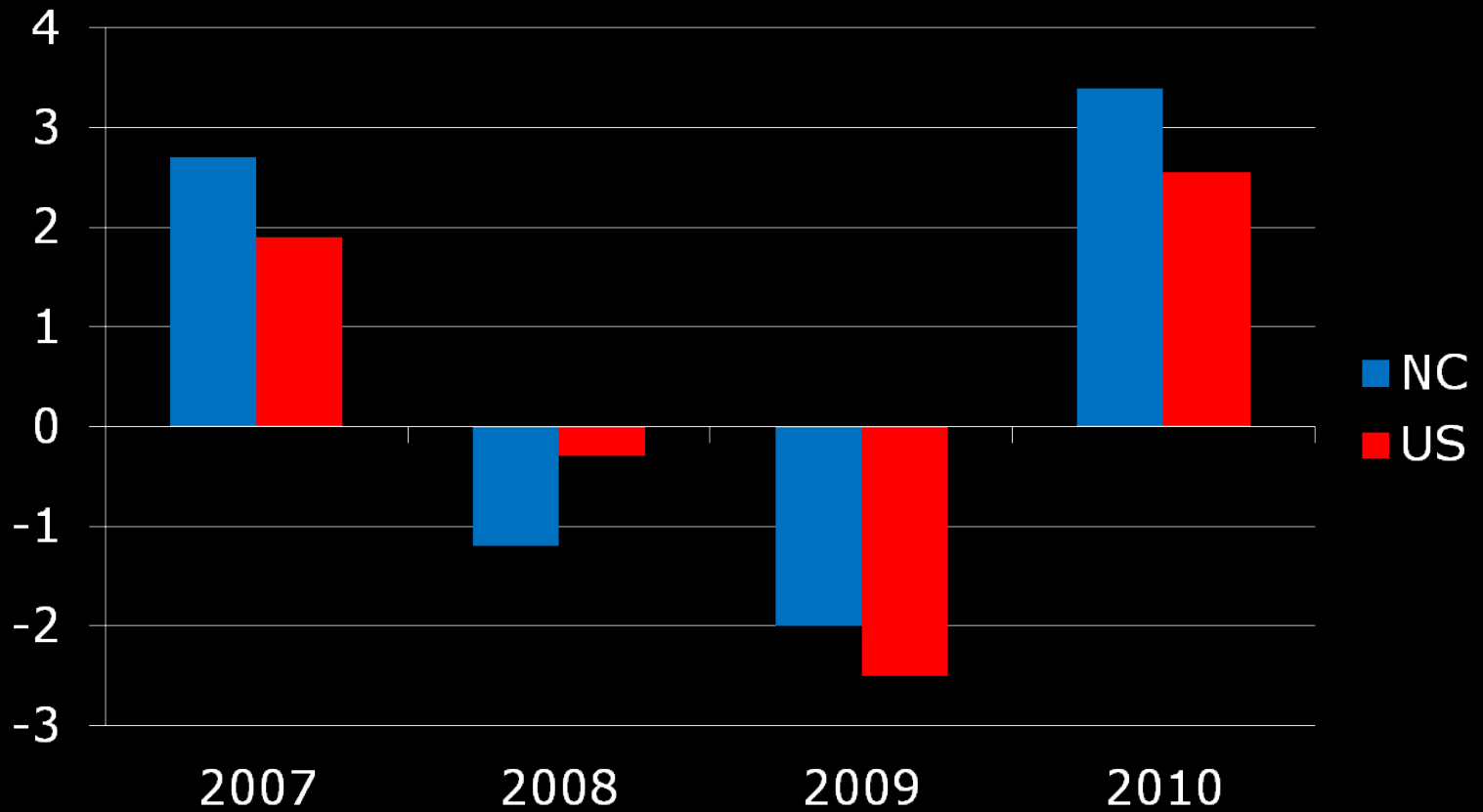
HAYEKIANS – DO NOTHING

NORTH CAROLINA ECONOMY

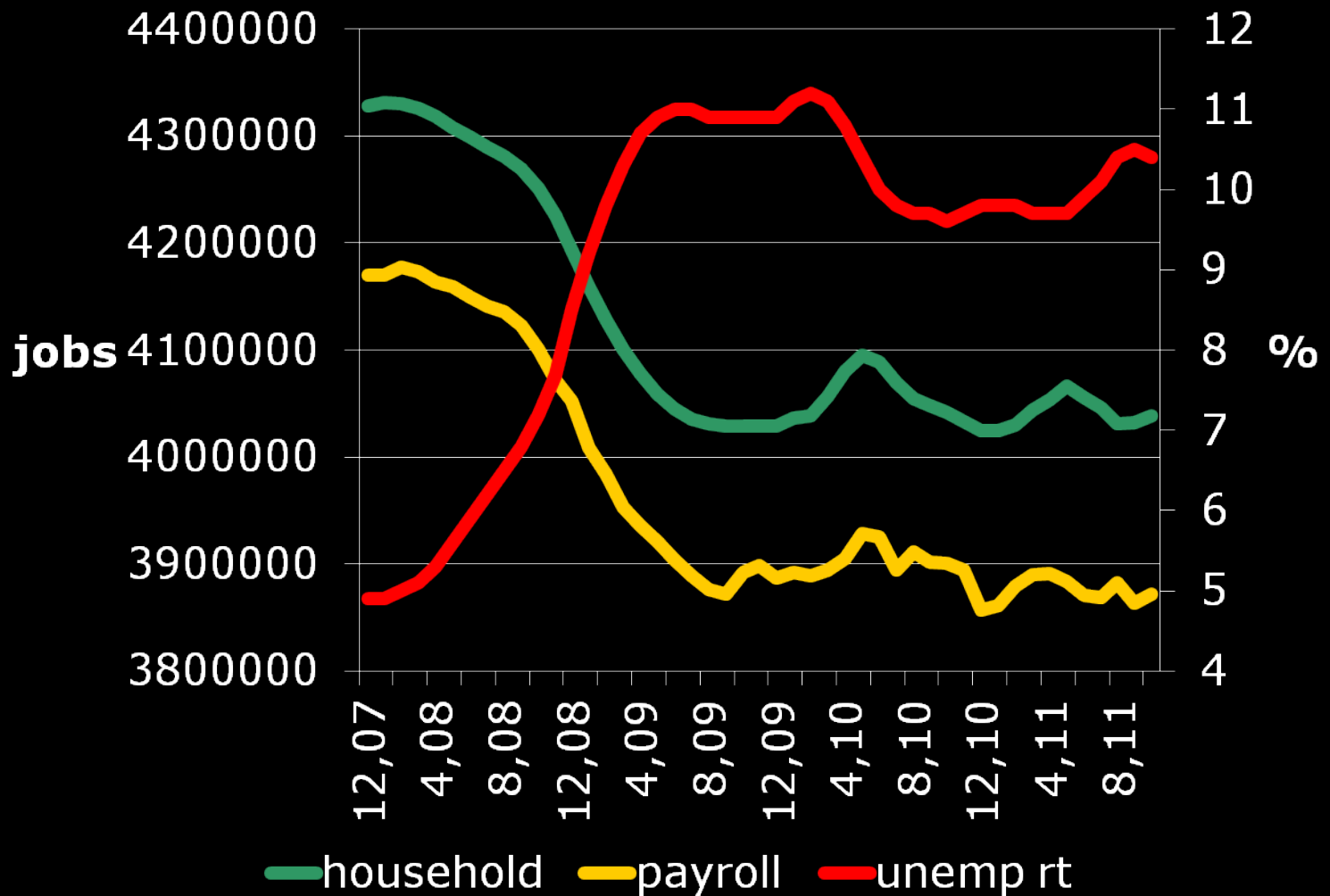


N.C. vs. U.S. Real GDP

(annual % change)

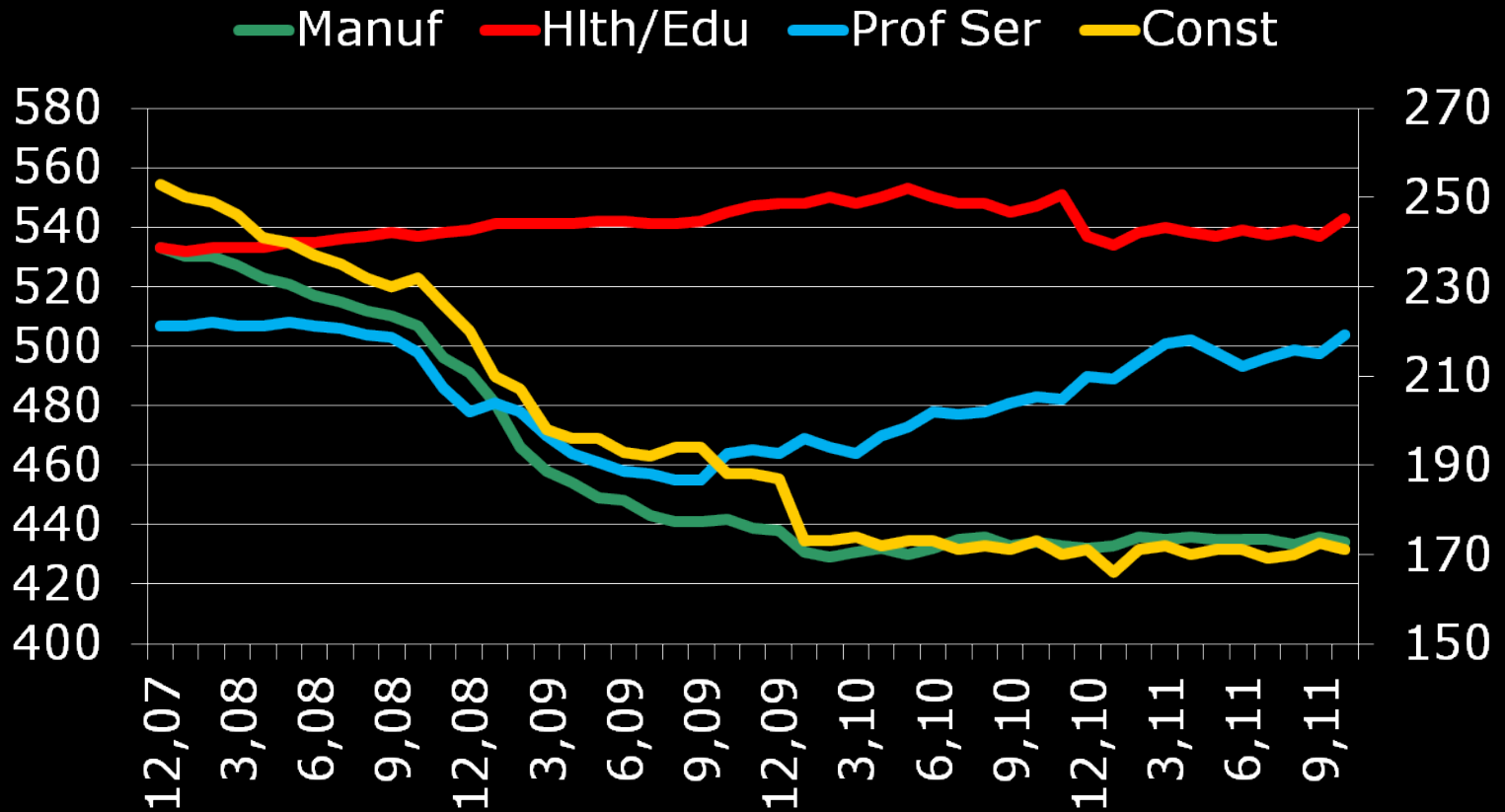


A "STUCK" NC JOB MARKET



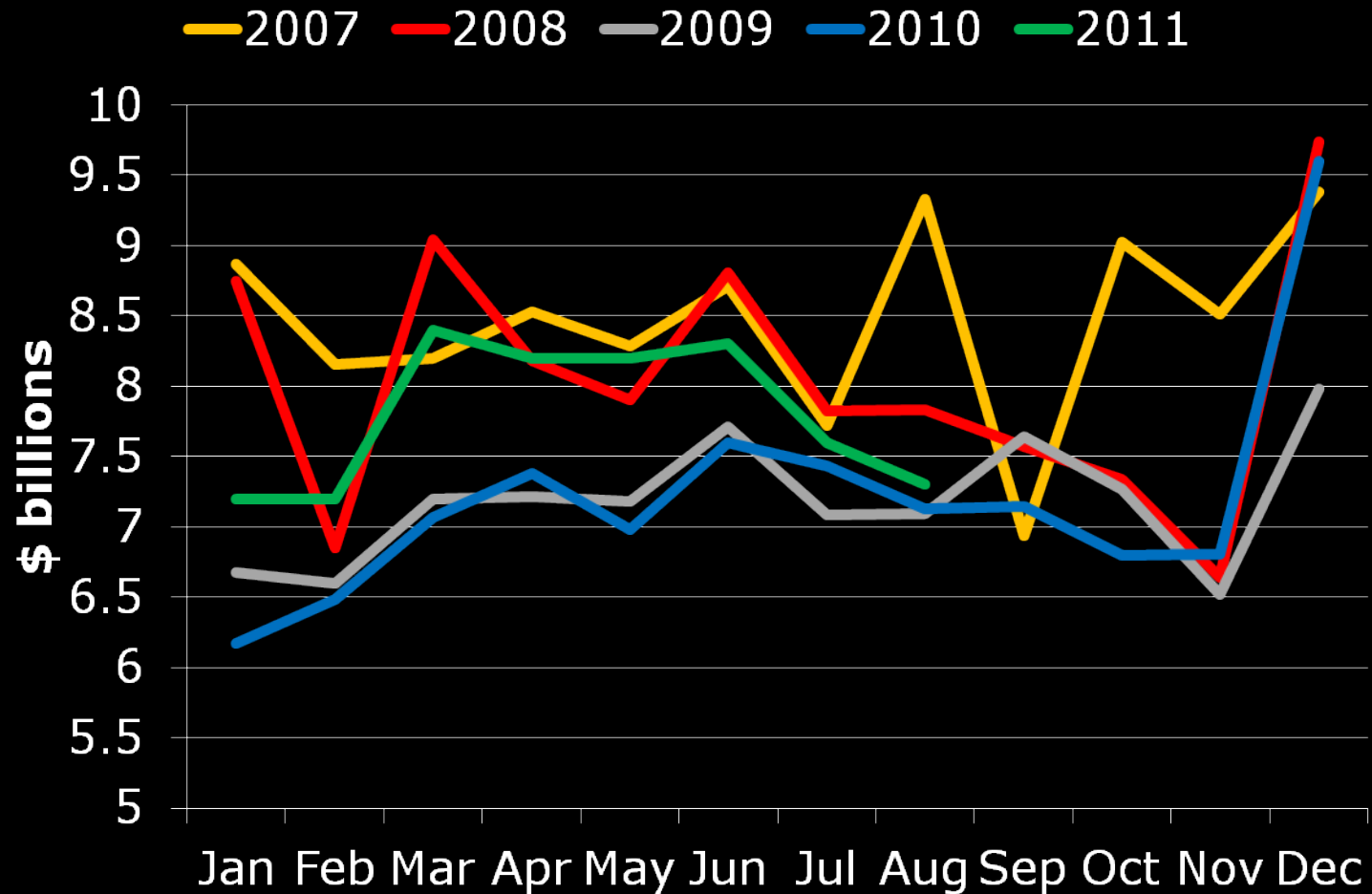
JOB CHANGES BY MAJOR SECTOR, NC

(thousands, manuf, hlth/edu,, prof ser on left; const on right)

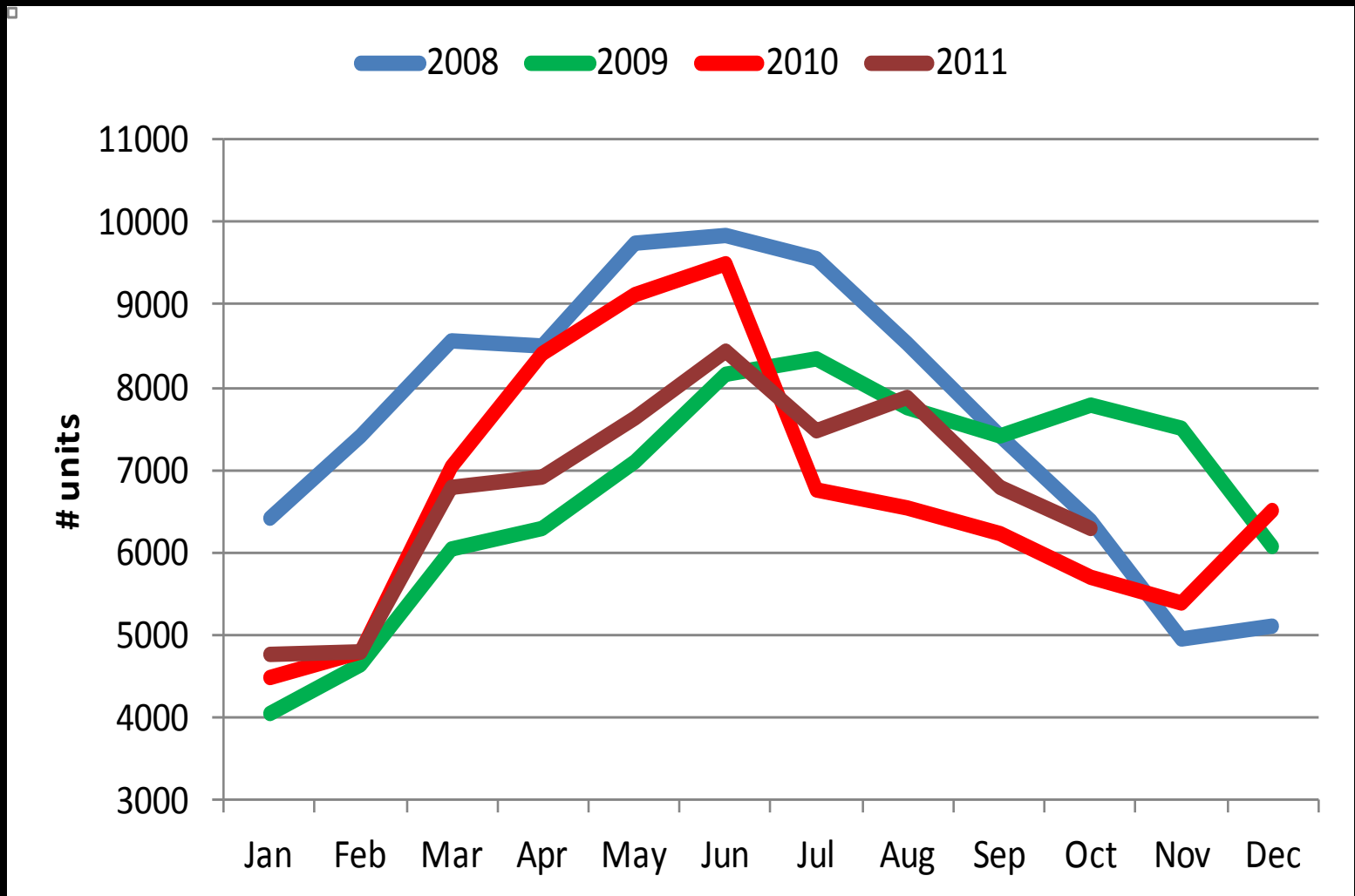


NORTH CAROLINA RETAIL SALES

2005 \$

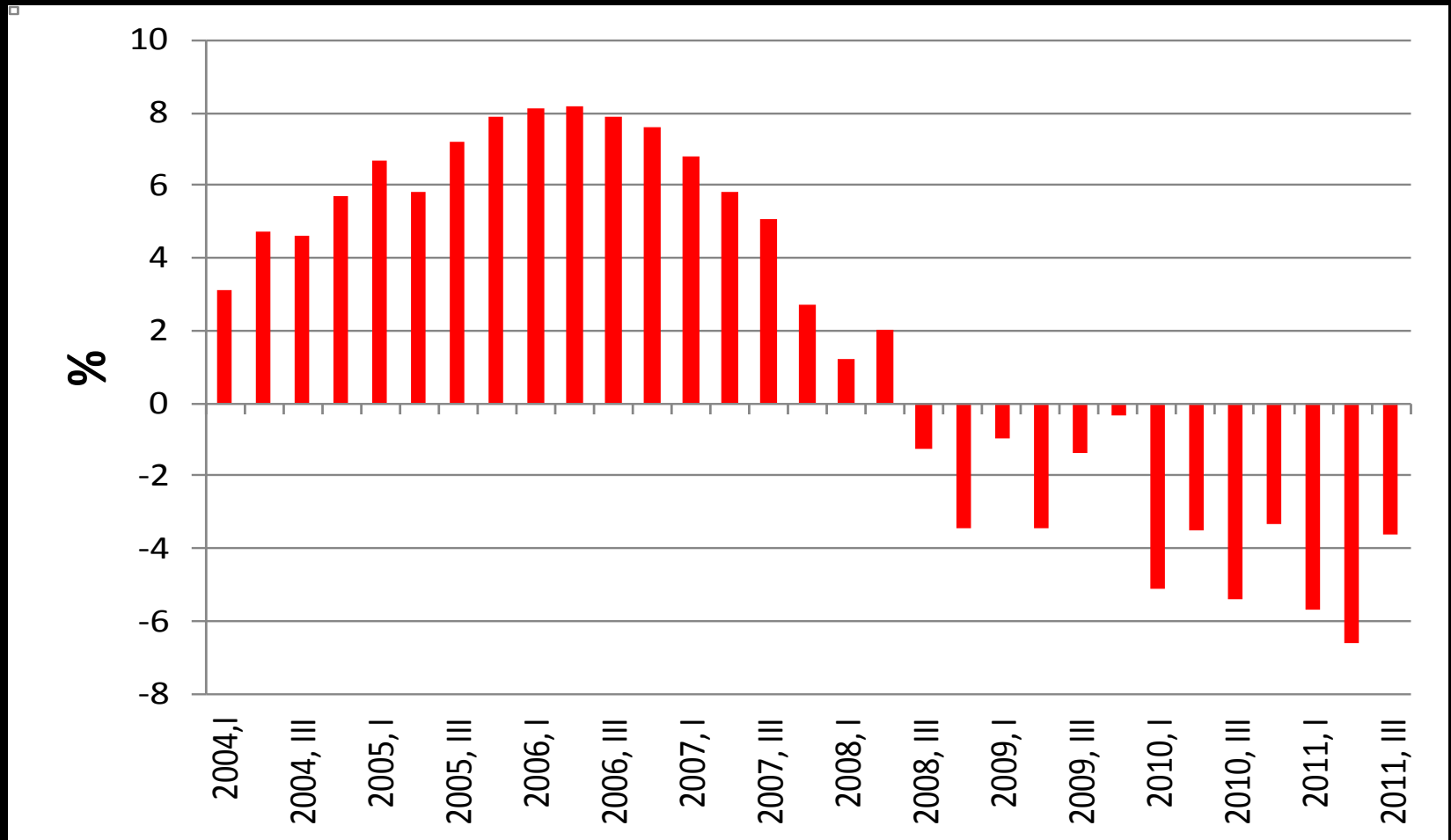


NORTH CAROLINA EXISTING HOME SALES



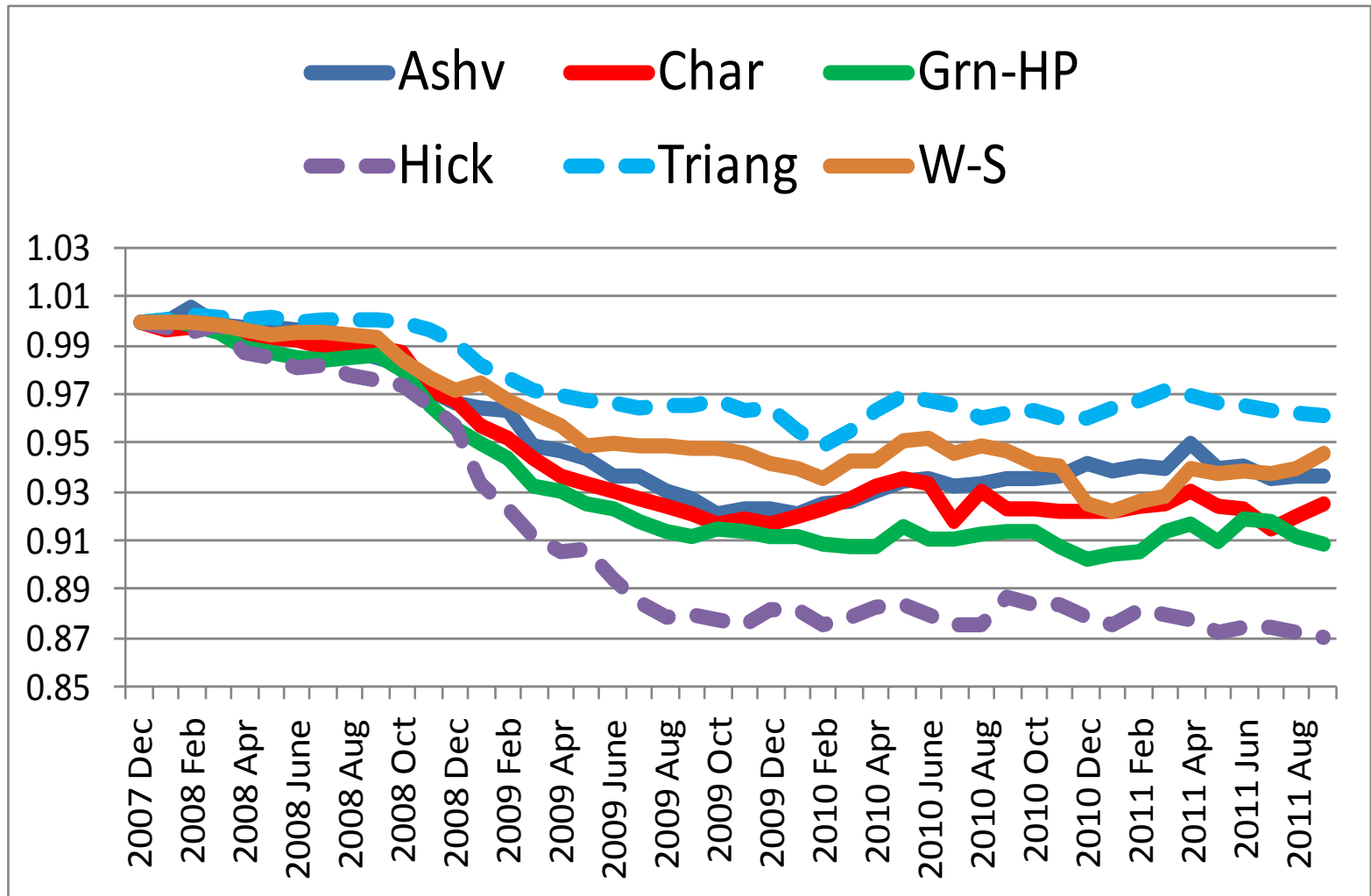
NORTH CAROLINA HOME PRICE APPRECIATION RATE

(SEASONALLY ADJUSTED, ANNUALIZED, QUARTERLY DATA)



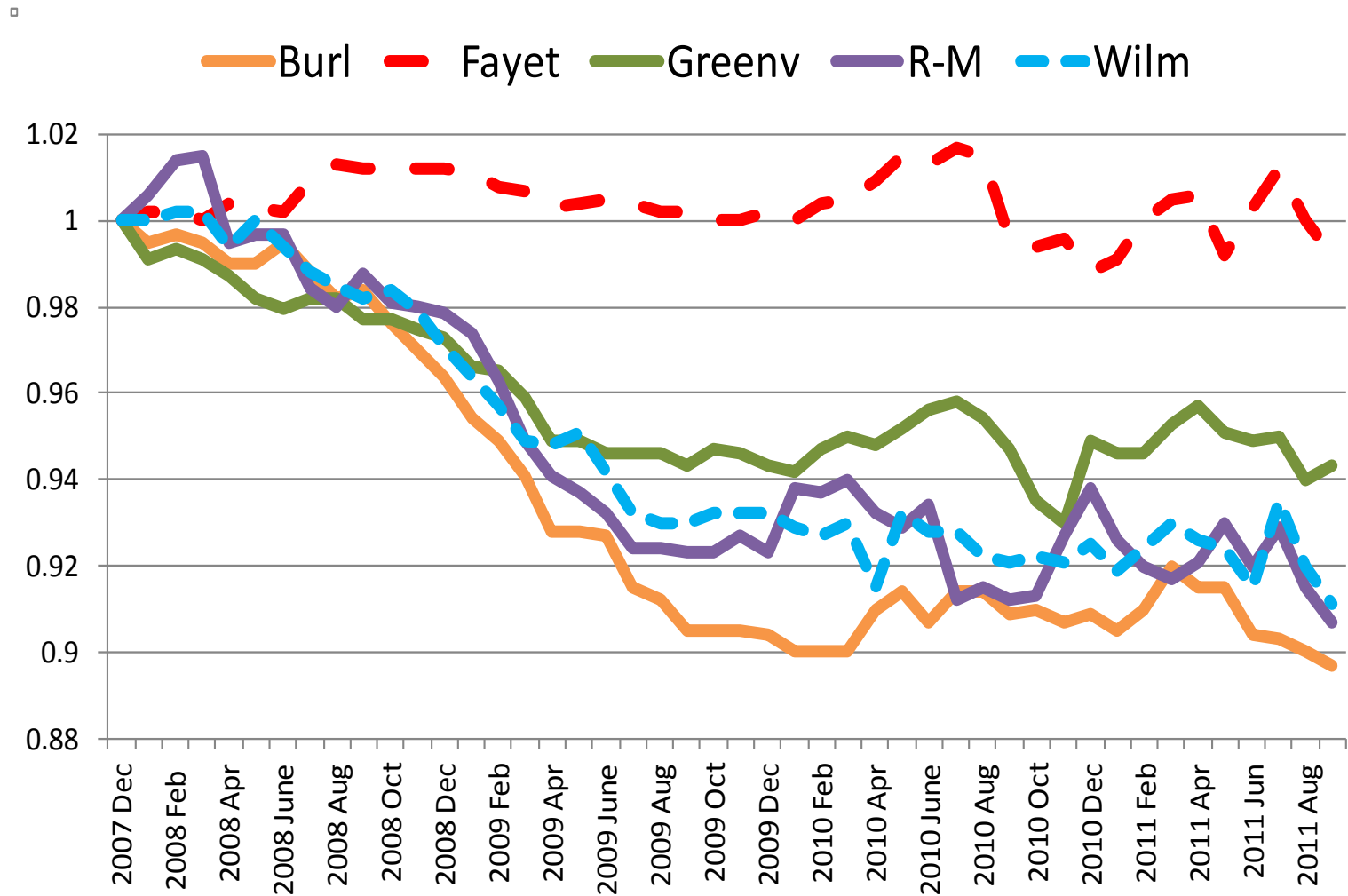
NC Big Metro Job Market Trends

(Index, December 2007 = 100)



NC Small Metro Job Market Trends

(Index, December 2007 = 100)

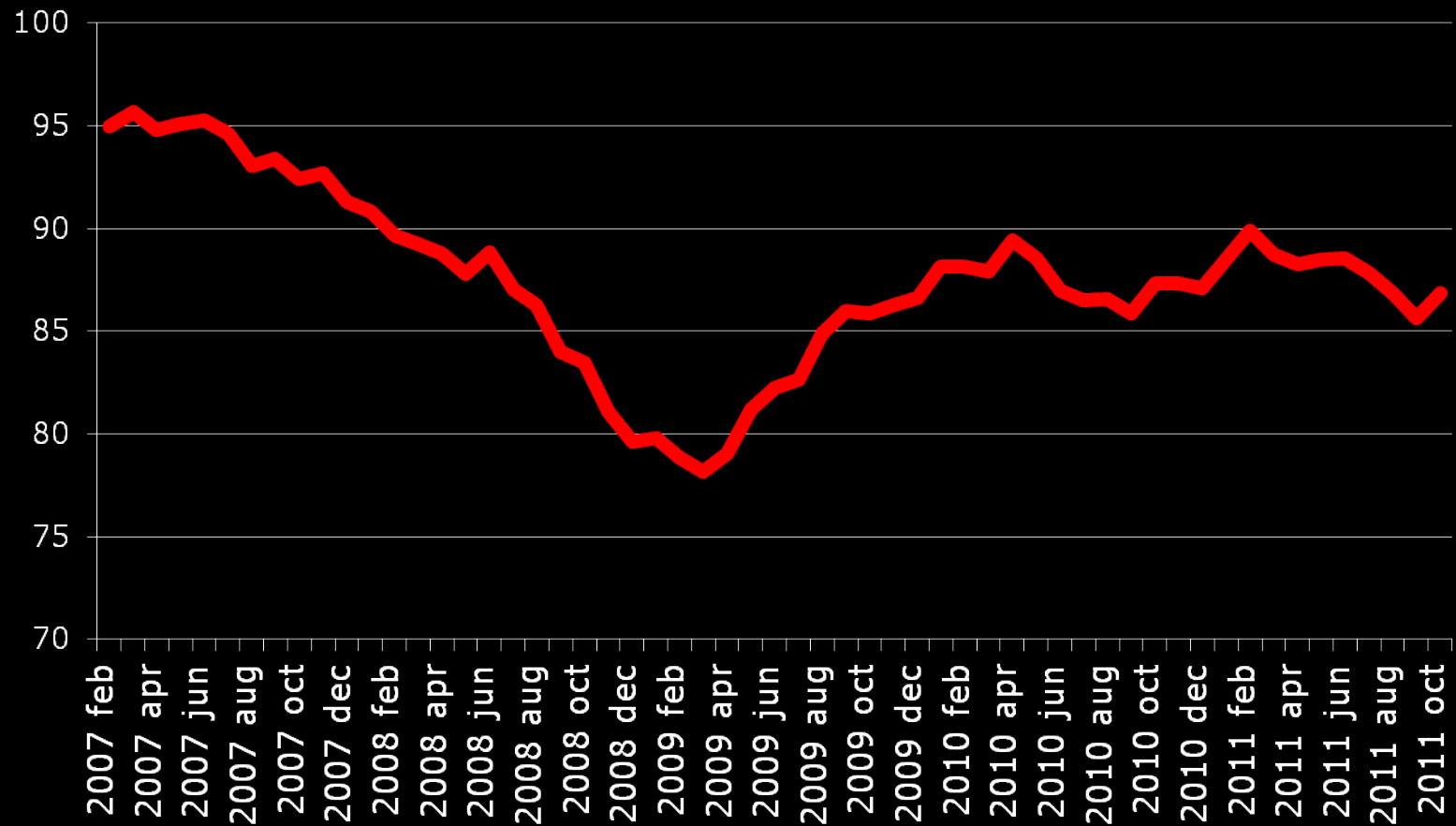


JOB GAINS (%) IN METRO AREAS SINCE BOTTOM OF JOB RECESSION (Feb. 2010)

| | |
|---------------|-------|
| Raleigh-Cary | 2.5% |
| Winston-Salem | 2.1% |
| U.S. | 1.8% |
| Fayetteville | 1.6% |
| Burlington | 1.6% |
| Greensboro | 1.4% |
| Charlotte | 1.1% |
| Asheville | 0.7% |
| Rocky Mount | 0.7% |
| State | 0.6% |
| Greenville | 0.3% |
| Hickory | -1.4% |
| Wilmington | -1.7% |
| Goldsboro | -2.1% |



NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

NC UNEMPLOYMENT RATE FORECAST

END OF 2012:

9.5% TO 9.7%



PREPARING N.C. FOR THE FUTURE

MORE TECH TRAINING IN HIGH SCHOOL

MOVING STUDENTS THROUGH COLLEGE FASTER

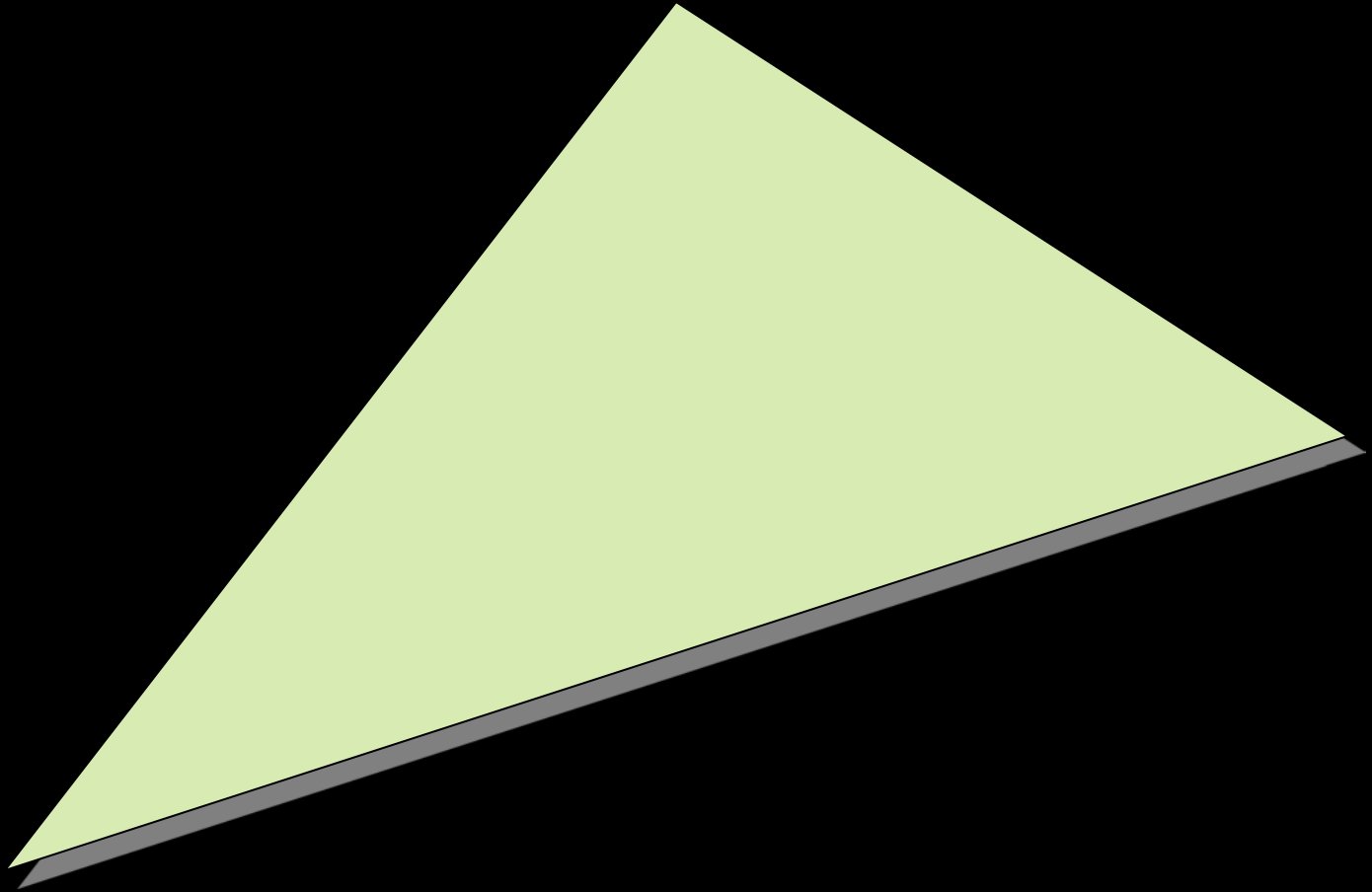
MORE \$ FOR ROADS

REVAMPING MEDICIAD

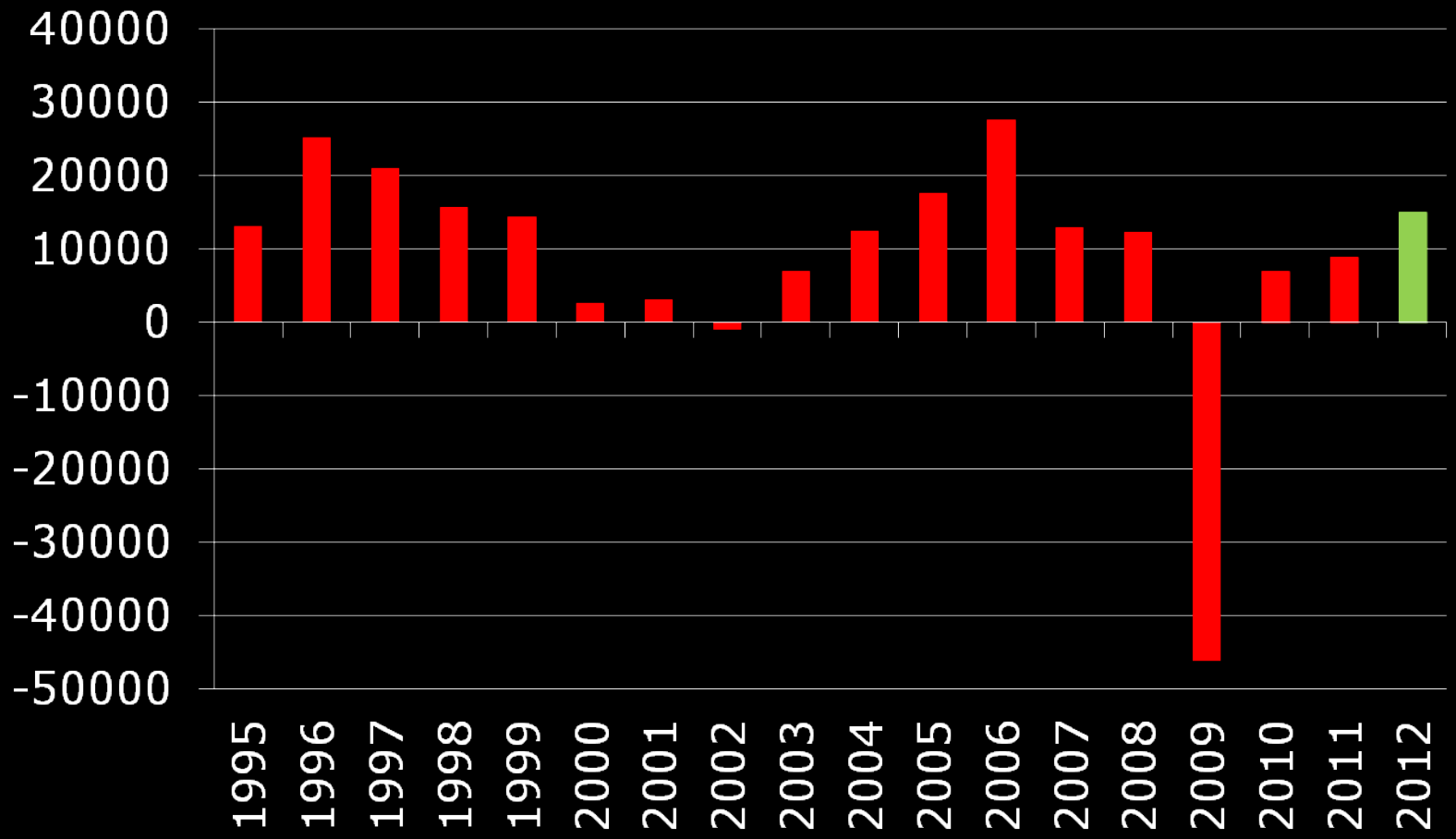
TAX REFORM



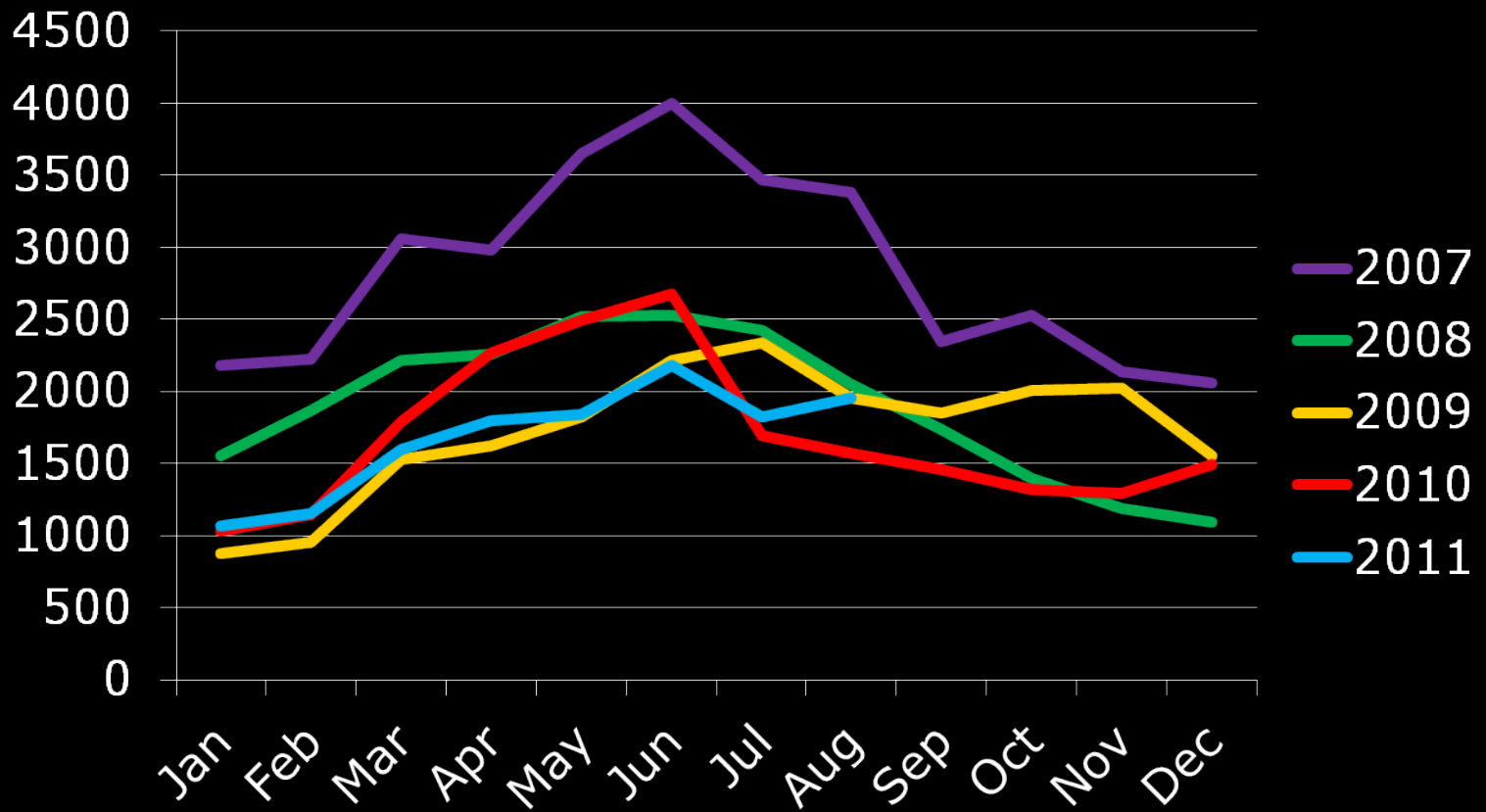
TRIANGLE ECONOMY



TRIANGLE JOB MARKET



TRENDS IN TRIANGLE HOME SALES



OFHEO HOME PRICE CHANGES, 2ND QUARTER 2010 TO 2ND QUARTER 2011



U.S. -5.93%

N.C. -6.63%

Raleigh-Cary -3.14%

Durham-C.H. -2.38%