

“The Economic Outlook”

Presented to

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Boone Area and Blowing Rock

Chambers of Commerce

Boone, NC

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NCBANKERS

NORTH CAROLINA BANKERS ASSOCIATION

The U.S. Economy

- GDP growth last year was about 2%
- Not in a recession – NBER
- Since WWII, the US has had 12 recessions – the average duration has been 10 months

The U.S. Economy

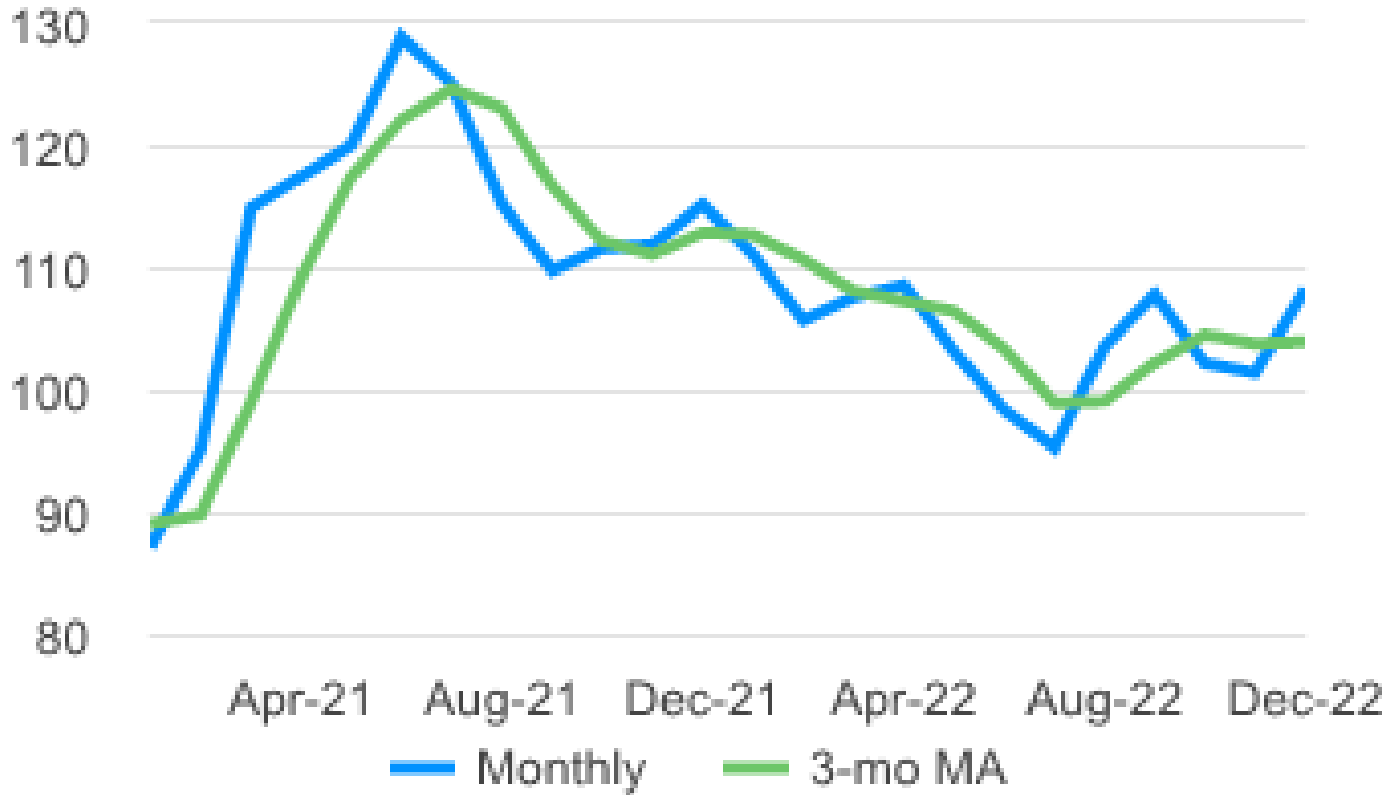
- Housing is already in recession, manufacturing is headed there, the service sector is holding up very well
- The ISM manufacturing index dropped under 50 for November and December
- The US will “reshore” 350,000 factory jobs this year
- Consumer confidence remains strong and is driven by employment opportunities

ISM Purchasing Managers Index

> 50 is expansionary



Consumer Confidence Index 1985=100



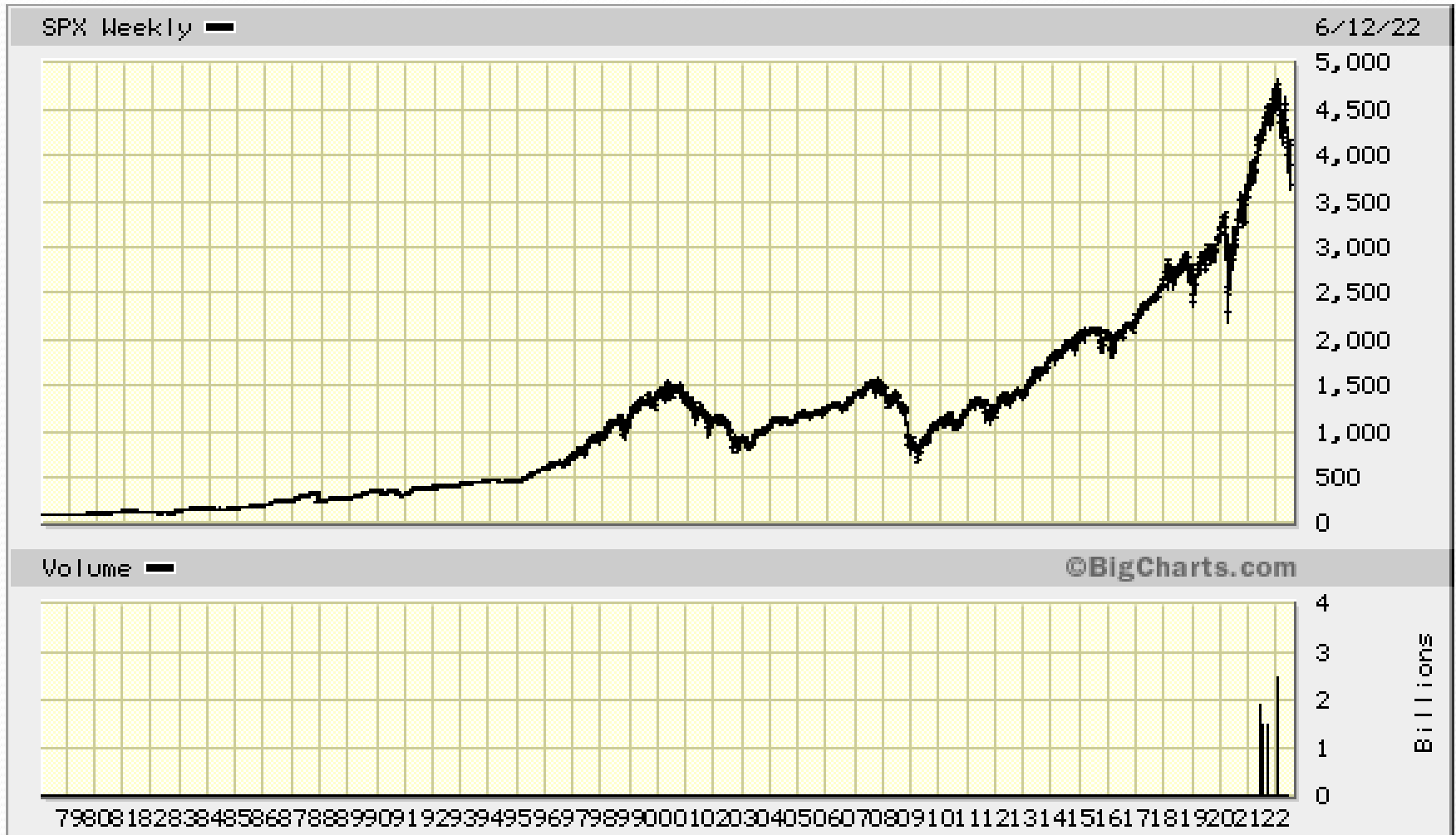
U.S. Economy

- Average annual hourly earnings growth has declined from about 7⁰% last summer to nearly 4.5⁰% in December
- Low wage earners got the biggest bump
- Minimum wage

U.S. Economy ☹️ ☹️

- The S&P 500 Stock Index declined about 20% last year while the NASDAQ Index declined over 30%
- Go see a movie
- Midterm elections

S&P 500 Stock Index



Real Estate ☹️ ☹️

- Inventory of unsold homes is finally increasing
- 5 million housing units short
- Cost of building materials have increased over 35% since the start of the pandemic
- Housing starts fell nearly every month last year and were down 25% through November
- The decline in housing starts was the first since 2009

Real Estate ☹️ ☹️

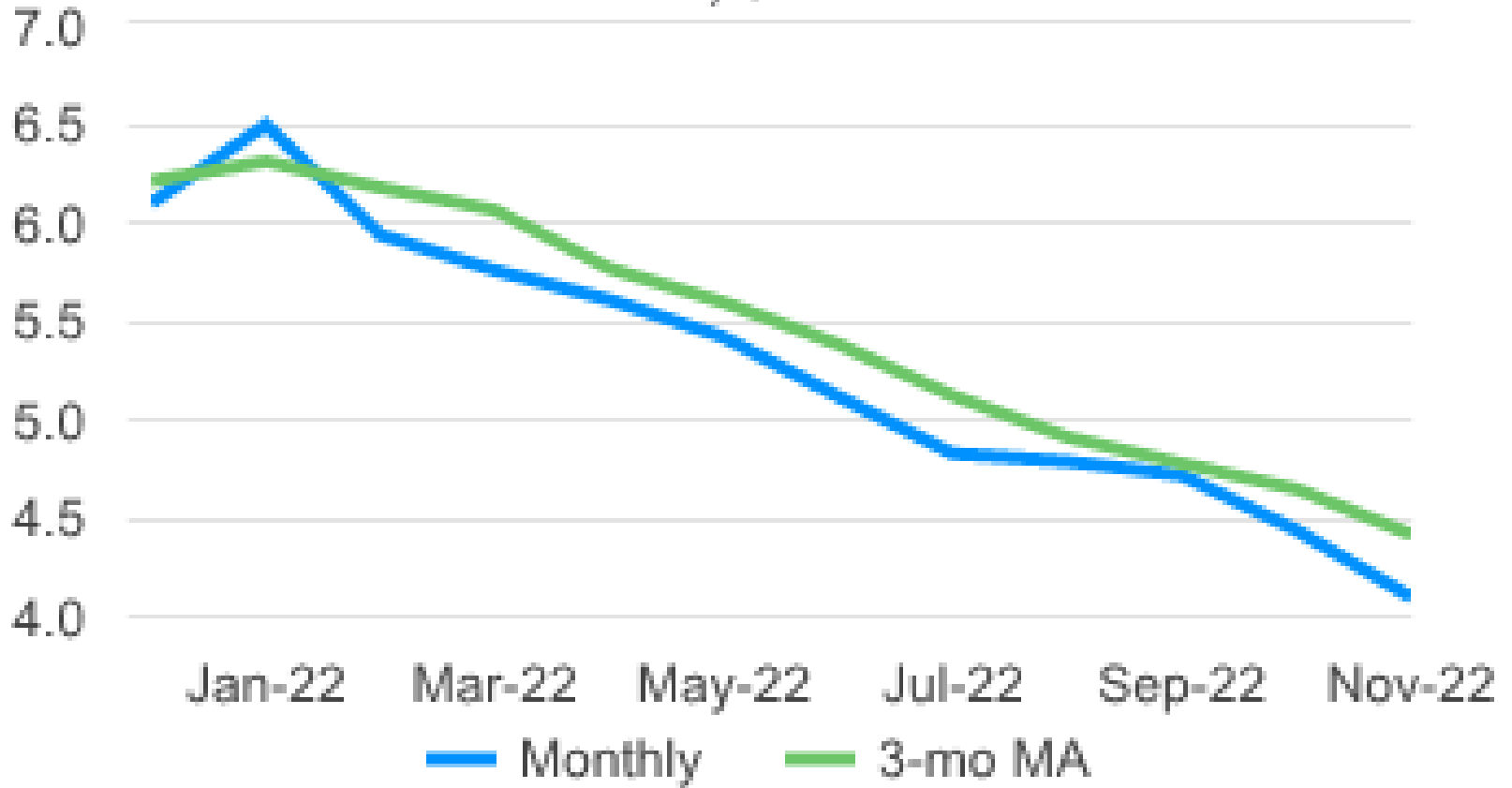
- Multi family starts actually increased in 2022
- The NAHB housing market confidence index fell every month in 2022
- Existing home sales have fallen 35.4% from November 2021

Real Estate

- After rising from 3% to over 7% mortgage rate have declined to about 6.5%
- The Case-Shiller housing price index declined in August for the first time since 2012 and then kept falling

Existing Home Sales

Mil, SAAR



U.S. Employment

- The unemployment dropped to 3.5% in December
- There are about 10.5 million unfilled jobs
- The labor force participation rate, which had been falling, actually rose in December
- Boomers/Childcare/Drug Use

The FED / Inflation

- The rate of increase in food prices and rental rates remains stubbornly high
- Gas/brake pedal

NC Economic Situation

- The unemployment rate was 3.8% in November
- Our unemployment rate is generally less than the national rate
- Population grew almost 904,000 between 2010 and 2020 or by 9.5%
- Immigration, not babies
- Population growth very uneven – rural vs. urban

North Carolina

- NC #1 for Business
- Low taxes / Educational system / Pension plan / Rainy day fund
- Mega business deals
- Work force shortages

Watauga County

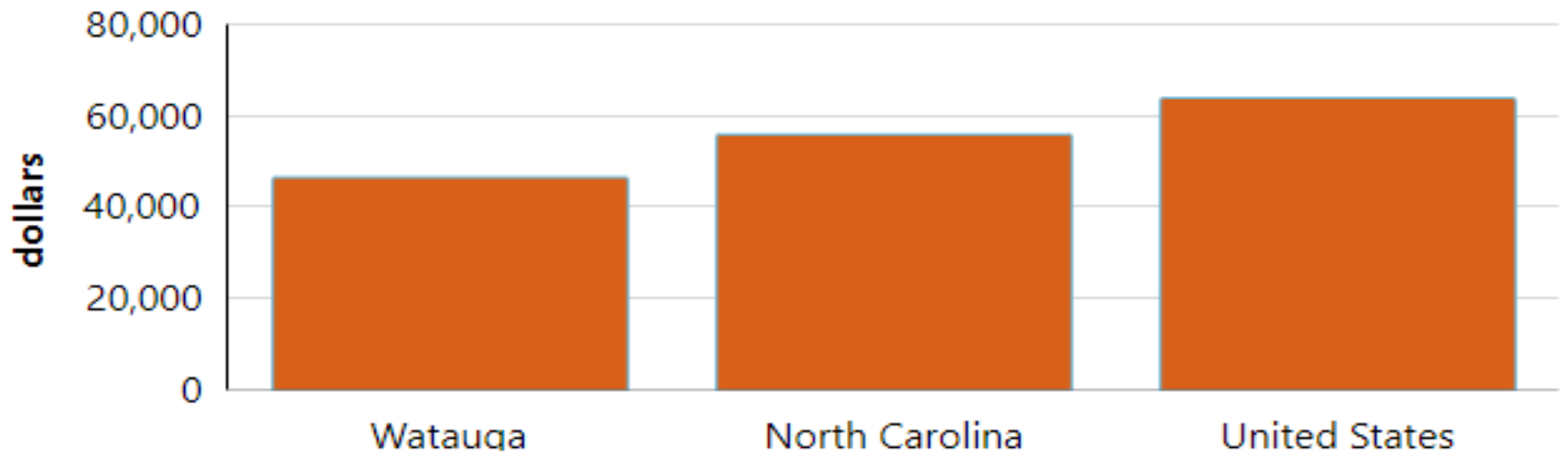
- The unemployment rate in November was 3.2%
- Only 6 counties has a lower unemployment rate
- Population increased 3,007 between 2010 and 2020, or by 5.9%
- The NC Department of Commerce economic distress rank for Watauga County is 76 (#1 = most distressed)

Watauga County

- Virtually any indicator for the county is strong such as:
 - Unemployment Rate
 - Real Estate Sales
 - Sales Tax
 - Occupancy Tax

Per Capita Income

Per Capita Personal Income, 2021



Median Household Income

	2010	2020
Unites States	\$49,276	\$68,010
North Carolina	\$43,830	\$60,430
Watauga County	\$38,923	\$54,004

- NC gaining on US slightly
- Watauga Co. gaining slightly on NC
- Watauga Co. is 65th highest out of 100

Economic Outlook

- GDP growth will be about 0-1% this year
- Inflation will decline to about 4% by year end
- Expect the FED to raise rates an additional 50-75 basis points

Economic Outlook

- Existing and new home sales will be flat to slightly down this year
- Home prices will be flat for the year
- Mild recession for the US at the end of this year or beginning of 2024
- NC and Watauga Co. will fair better