

“The Economic Outlook”  
Presented to  
The 8<sup>th</sup> Annual Economic Forecast Forum  
Boone Area and Blowing Rock  
Chambers of Commerce  
Boone, NC

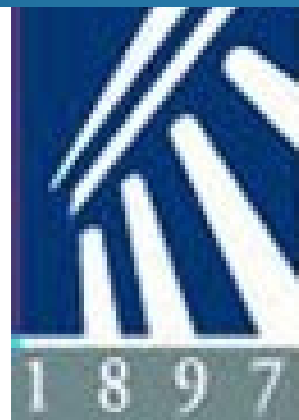
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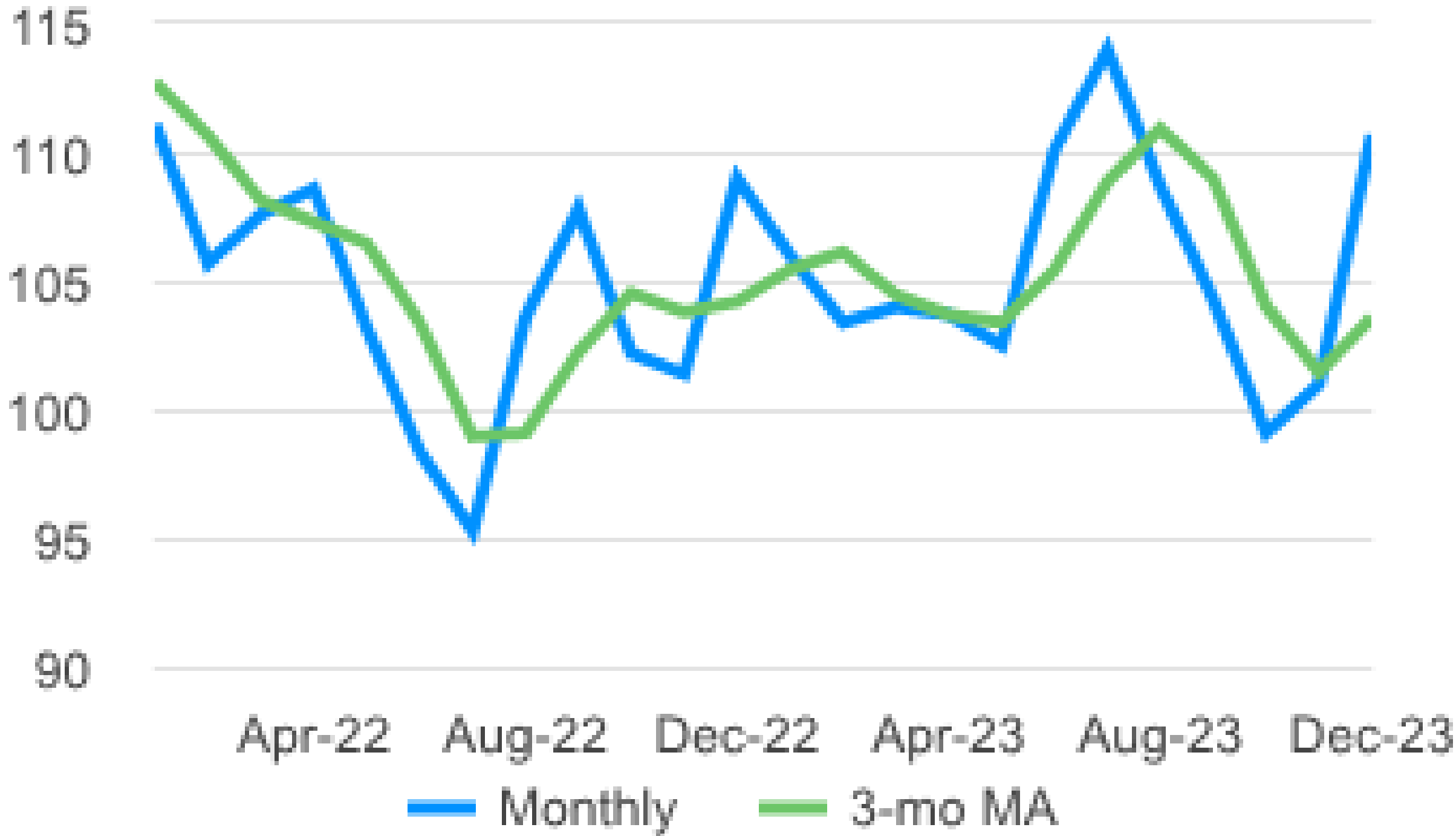


NCBANKERS  
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# The U.S. Economy

- Third quarter annualized GDP growth rate a whopping 4.9%
- Not in a recession – NBER
- Since WWII, the US has had 12 recessions – the average duration has been 10 months
- Consumer confidence remains relatively high

# Consumer Confidence Index 1985=100



# The U.S. Economy

- Housing and manufacturing contracted in 2022 and 2023 but may have already hit bottom
- The service sector is carrying the economy
- The ISM service sector index was above 50 all of last year
- The ISM manufacturing index remained under 50 all of last year

# ISM Purchasing Managers Index

> 50 is expansionary



# ISM Nonmanufacturing Index

> 50 is expansionary





# U.S. Economy

- Real average hourly earnings have increased for 9 consecutive months
- Social Security Benefits increased 8.7% last year and will increase 3.2% this year

# U.S. Economy

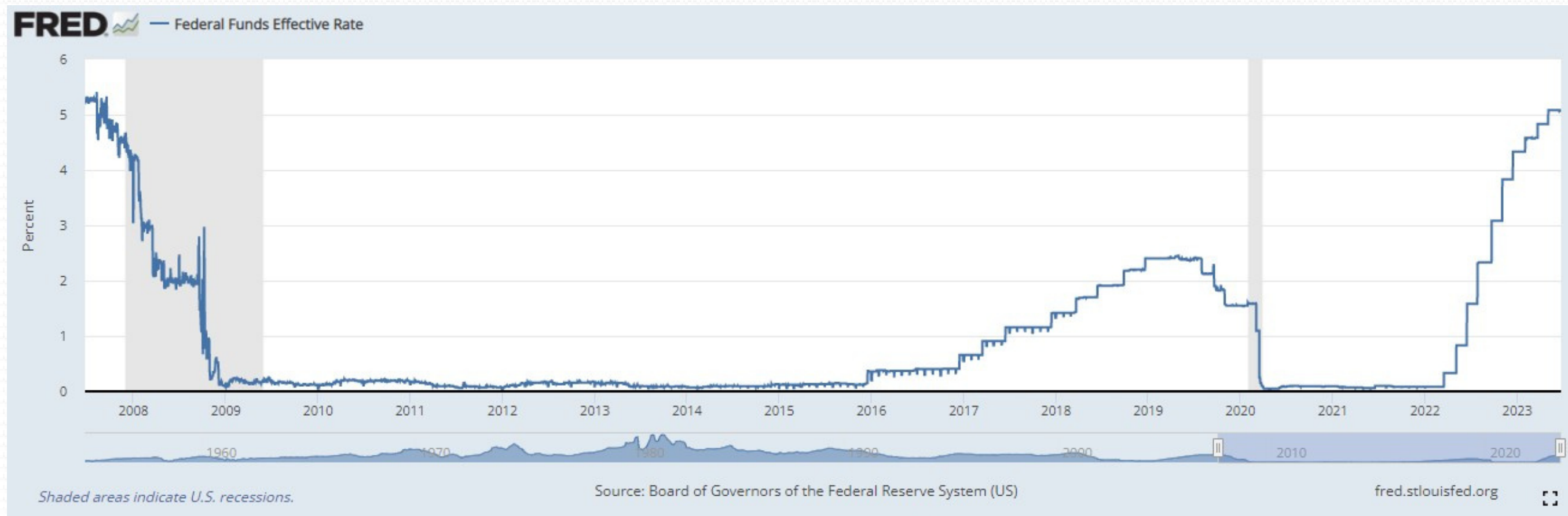
- Consumer spending remains robust
- Credit card balances are now (November 2023) 154 billion dollars higher than a year earlier
- Credit card and small commercial loan delinquency rates are rising and above the pre-pandemic level



# U.S. Economy

- Midterm elections
- Stock market up in 2023
  - DJIA up 14%
  - S&P 500 up 24%
  - NASDAQ up 43%
- Cash is back

# Federal Funds Rate

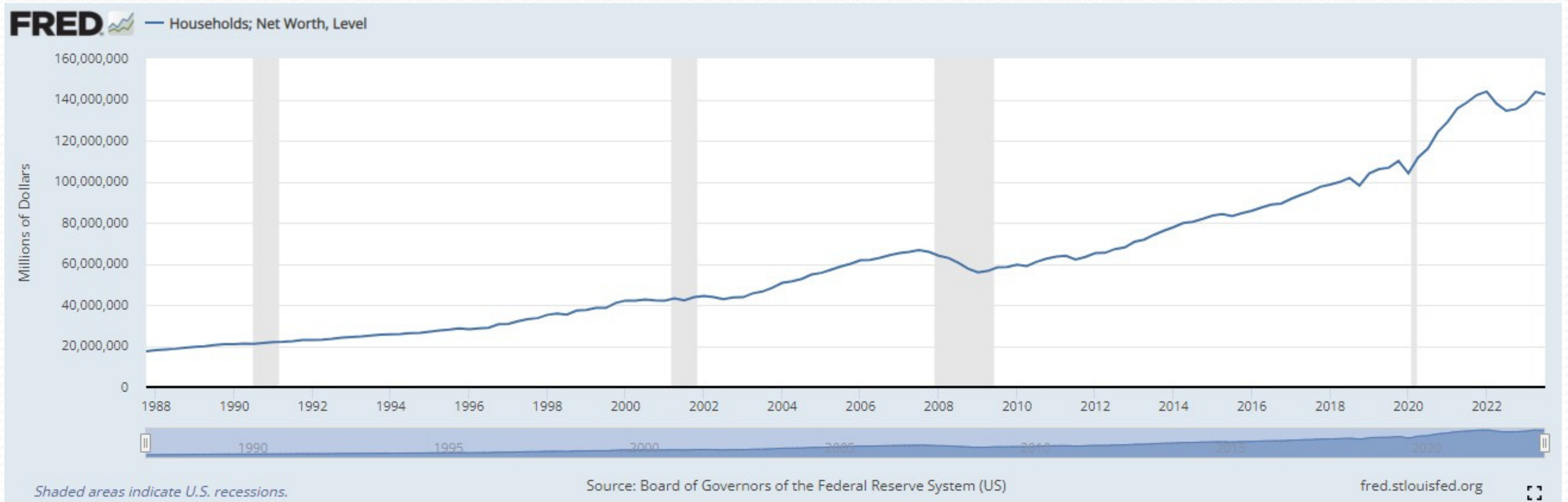




# U.S. Economy

- Put money in housing and/or the stock market
- Blackstone
- Homes owned “outright” increased from 34% in 2013 to 40% in 2022 – the highest level in history

# Household Net Worth



# The FED / Inflation

- The rate of inflation (CPI) has dropped from about 9% to about 3.5%
- Prices have increased more since the pandemic than they did in the 10 years prior
- What do people care more about?
  - The level of prices
  - The rate of price increases

# The FED / Inflation

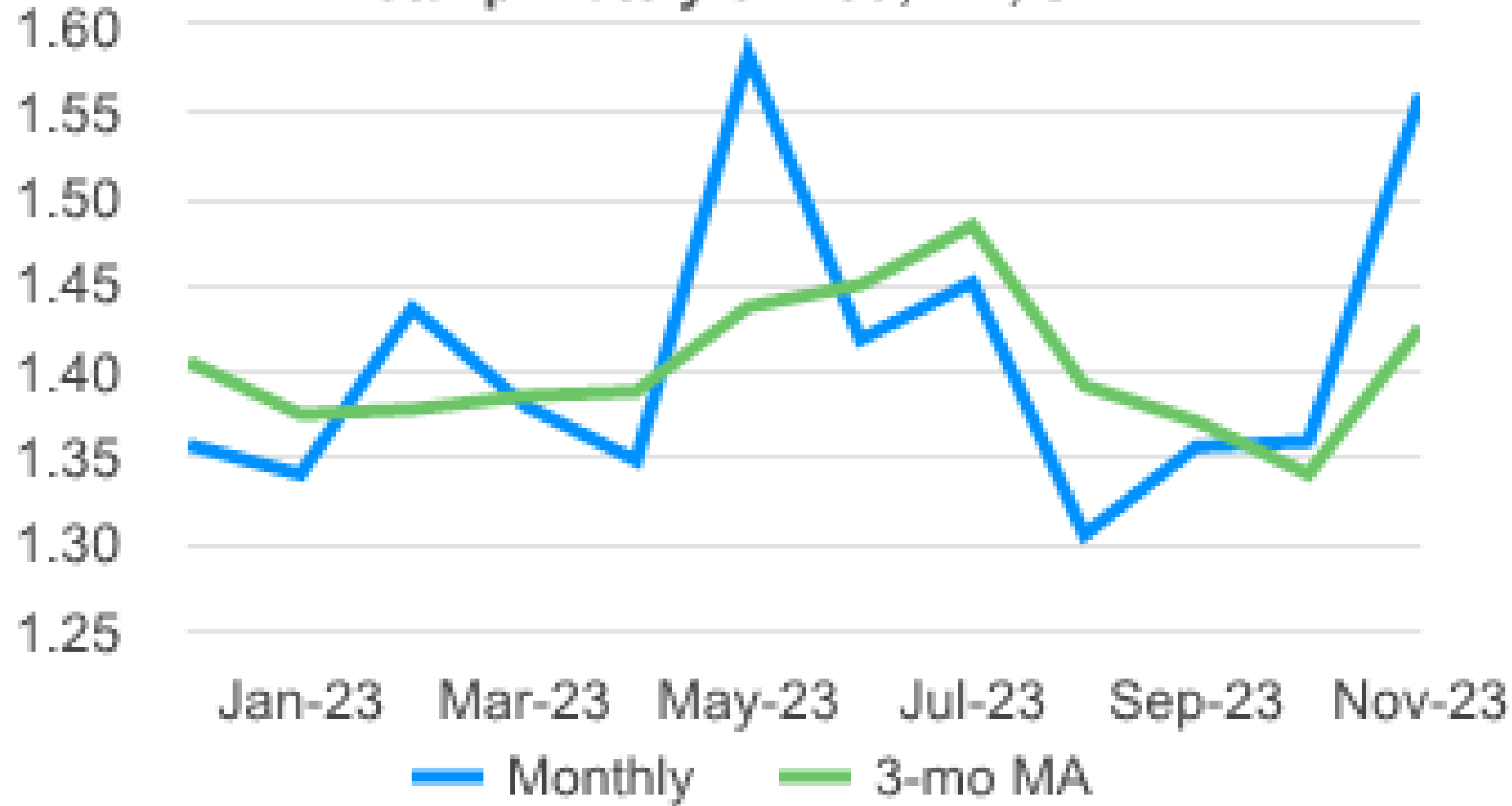
- What is wrong with a 3% rate of inflation!?
- The lags of monetary policy have lengthened!?
- ERC and infrastructure spending

# Real Estate 😞 😞

- The NAHB Index was mostly under 50 for the last 18 months
- Housing starts the lowest since 2009
- Housing starts lower than in the 80's & 90's
- 5 million housing units short

# Housing Starts

Total privately owned, mil, SAAR



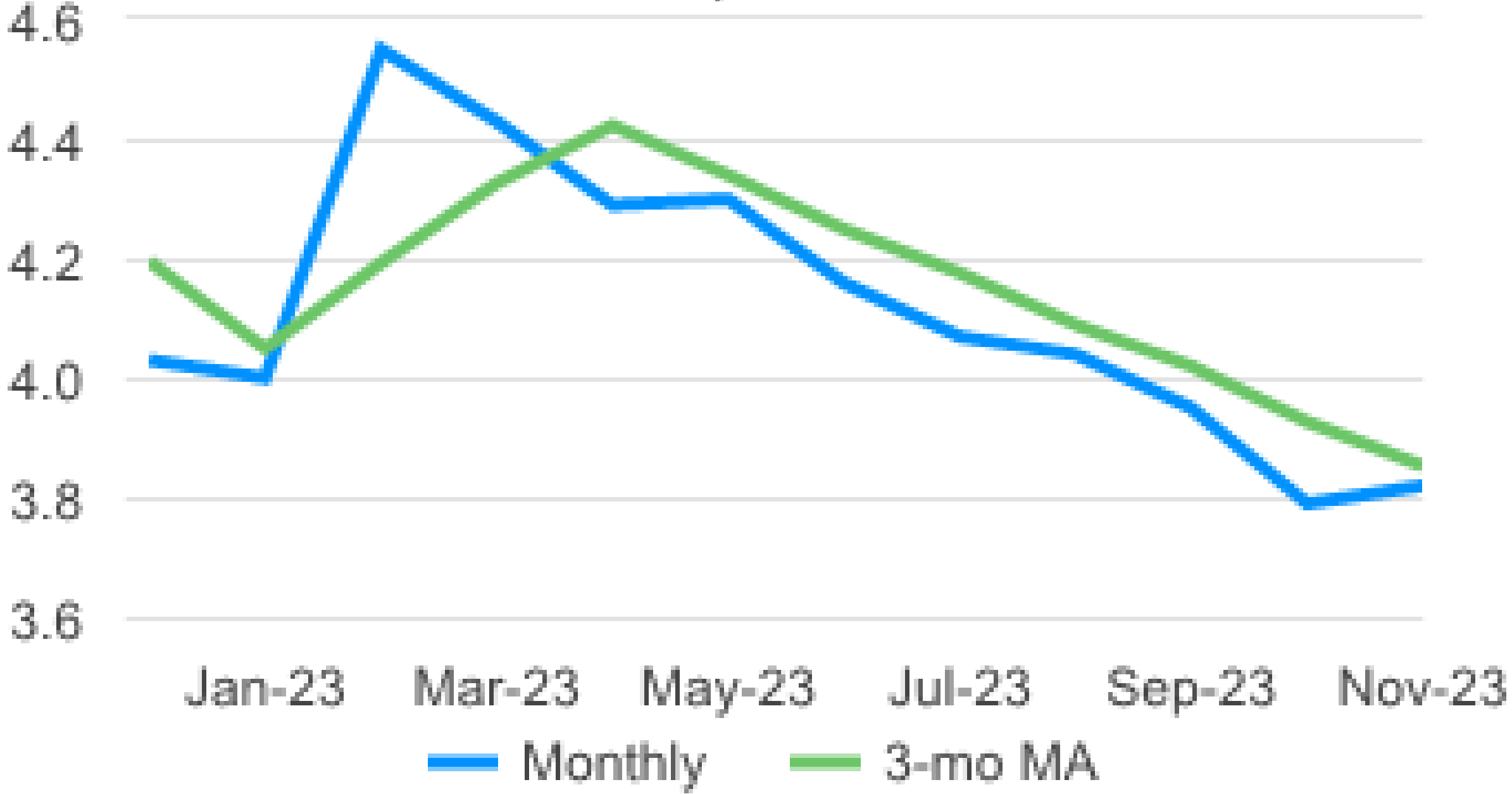


# Real Estate 😞 😞

- Home prices (Case-Shiller) increased for the last 9 months, breaking again the record high rate in June 2022
- Existing home sales started dropping last spring and have now fallen to an annual rate of about 3.9 million units
- Owners and buyers are either “locked-in” or “locked-out”

# Existing Home Sales

Mil, SAAR



# Real Estate

- New homes are typically 10 percent of housing inventory – that number is now 30 percent
- Nationally, affordability is the worst in 40 years
- If the mortgage rate falls pent-up demand will lead to further price increases??!!

# U.S. Employment

- The unemployment rate was 3.7% in December
- The labor force increased 2% in 2023, the largest increase in 20 years
- There are about 9 – 10 million unfilled jobs
- B of A / \$23 minimum wage

# NC Economic Situation

- The unemployment rate was 3.5% in November
- Population grew almost 904,000 between 2010 and 2020 or by 9.5%
- Population growth very uneven – rural vs. urban

# North Carolina

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

# Watauga County

- Unemployment rate was 2.8% in November
- Only 2 counties in the state have a lower unemployment rate
- Occupancy taxes, sales taxes, real estate sales in dollars are the envy of most other counties
- Population increased about 6 percent over the last decade

# Watauga Ranked

Category	Economic Distress Rank (#1 = most distressed)
Tier (out of 3)	2
Overall Distress Rank	78
Adjusted Property Tax Base per Capita FY 2023-2024	91
Population Growth (July 2019 – July 2022)	47
Median Household Income	58
Unemployment (Oct 2022 – Sept 2023)	87

(Updated November 29, 2023)



# Economic Outlook

- GDP growth was about 2.5% last year and will be about 1- 1.5% this year
- Inflation will decline to about 2.5-3% by year end
- FF Rate cuts second half 2024
- Existing and new home sales and prices will be flat to slightly up this year



# Economic Outlook

- The probability of a “soft-landing” has increased
- NC and Watauga county will not be in recession this year