

# US, NC & Greenville Economic Perspective

## Greenville-Pitt County Chamber of Commerce

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# FRANK & ERNEST

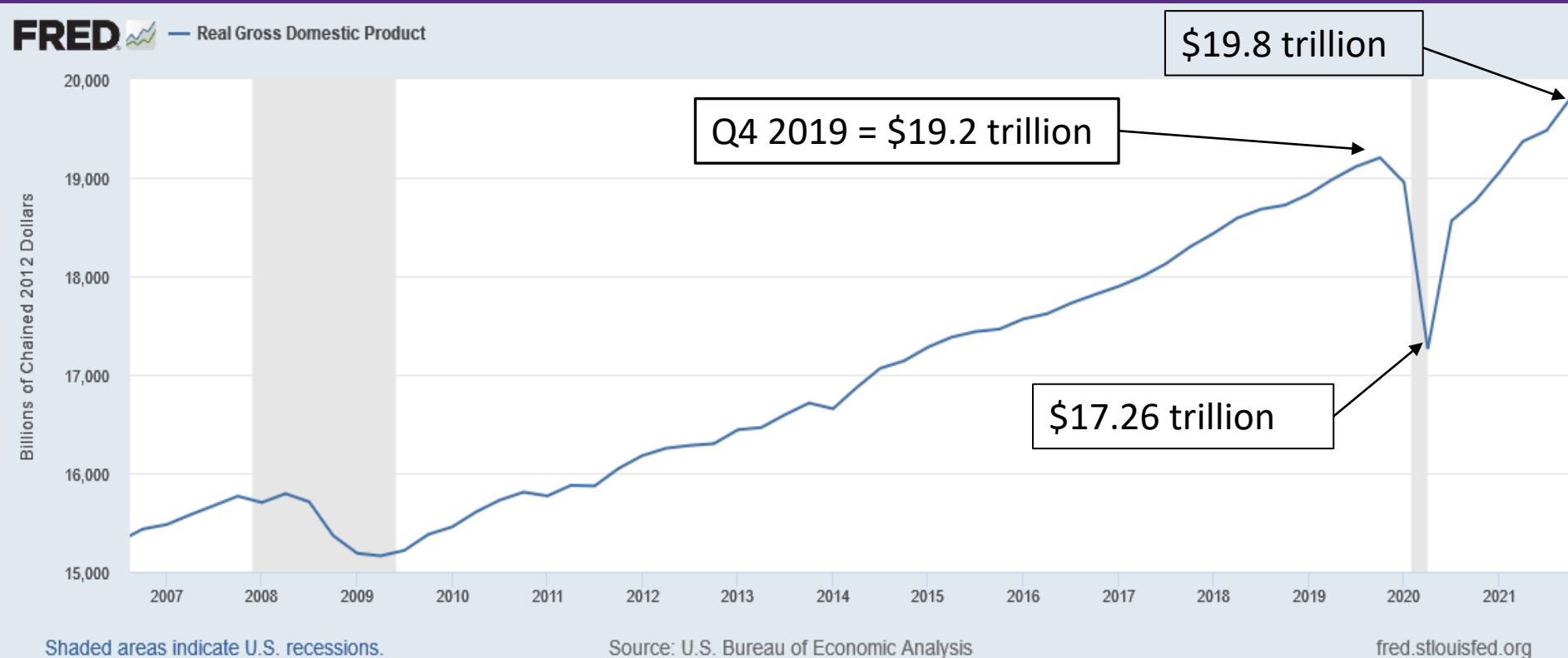


# Today's Big Picture

- US is doing well (GDP and empl) with some concern about inflation (we will drill into empl/infl)
- NC, GV also doing well
- These are AVERAGES; your mileage may vary
  - Trend is most often more important than the #.
- Equilibrium shifted quickly and economy is searching for new equilibrium.
  - Normal, then covid, shortages, hoarding (still), change in mfg and in our actions. The new balance and expectations are not yet determined.
- Recency bias.
- Never let a good crisis go to waste.

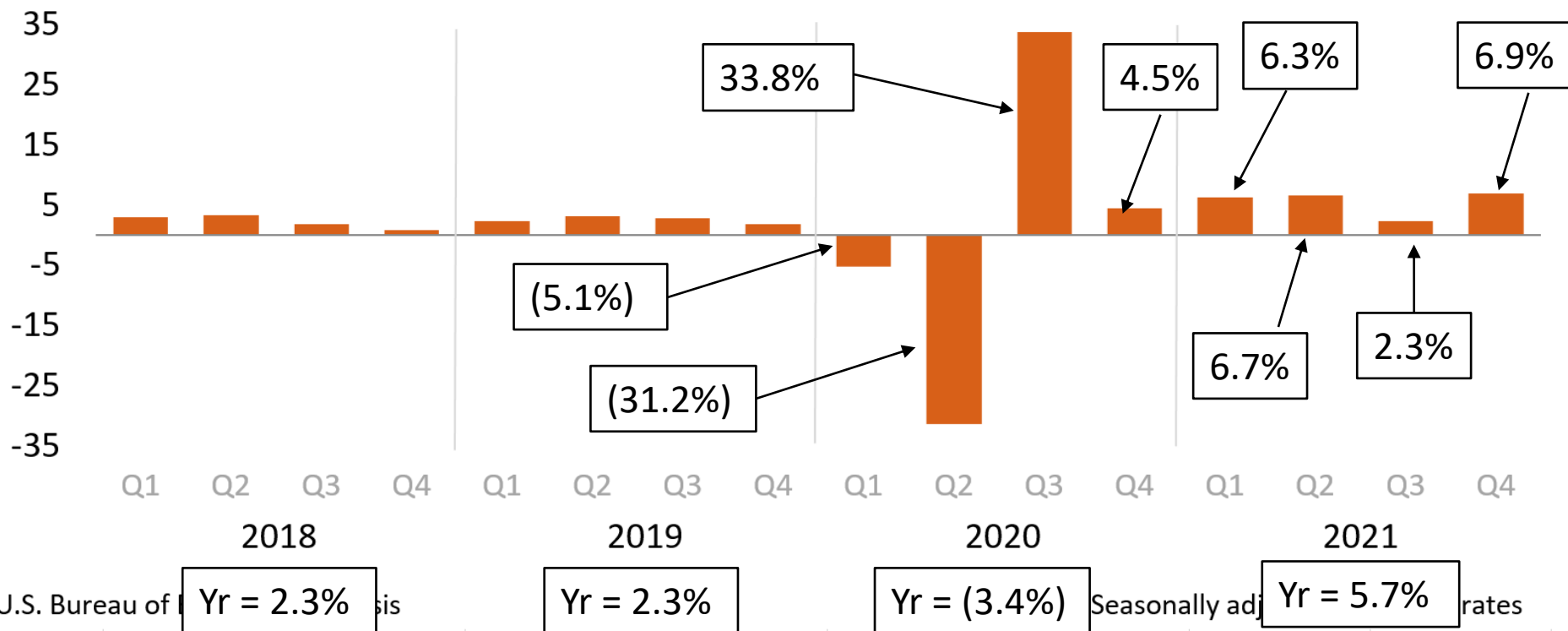
# United States

# Real GDP

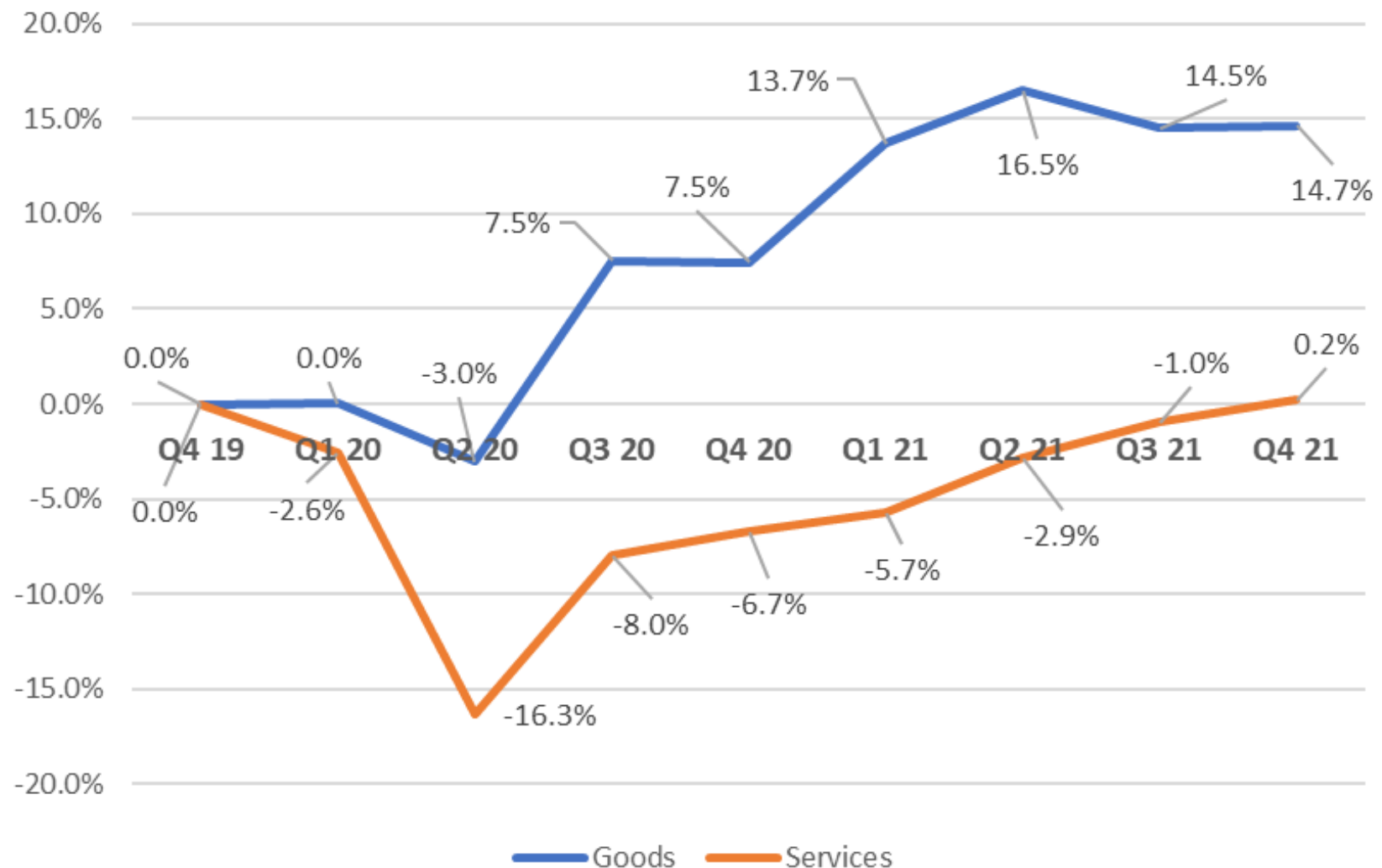


# Real GDP by Quarter

Real GDP: Percent change from preceding quarter



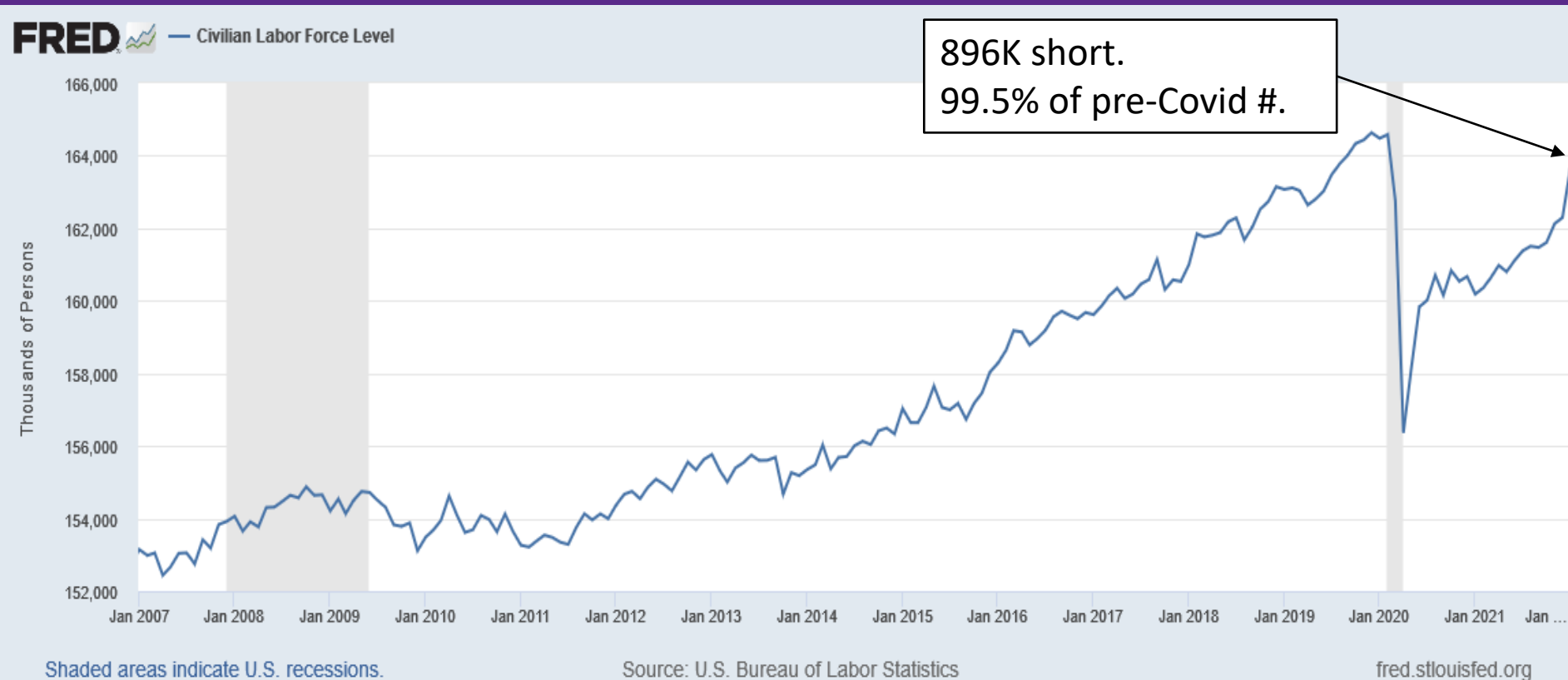
# Cumulative Change in Goods and Services GDP since Covid



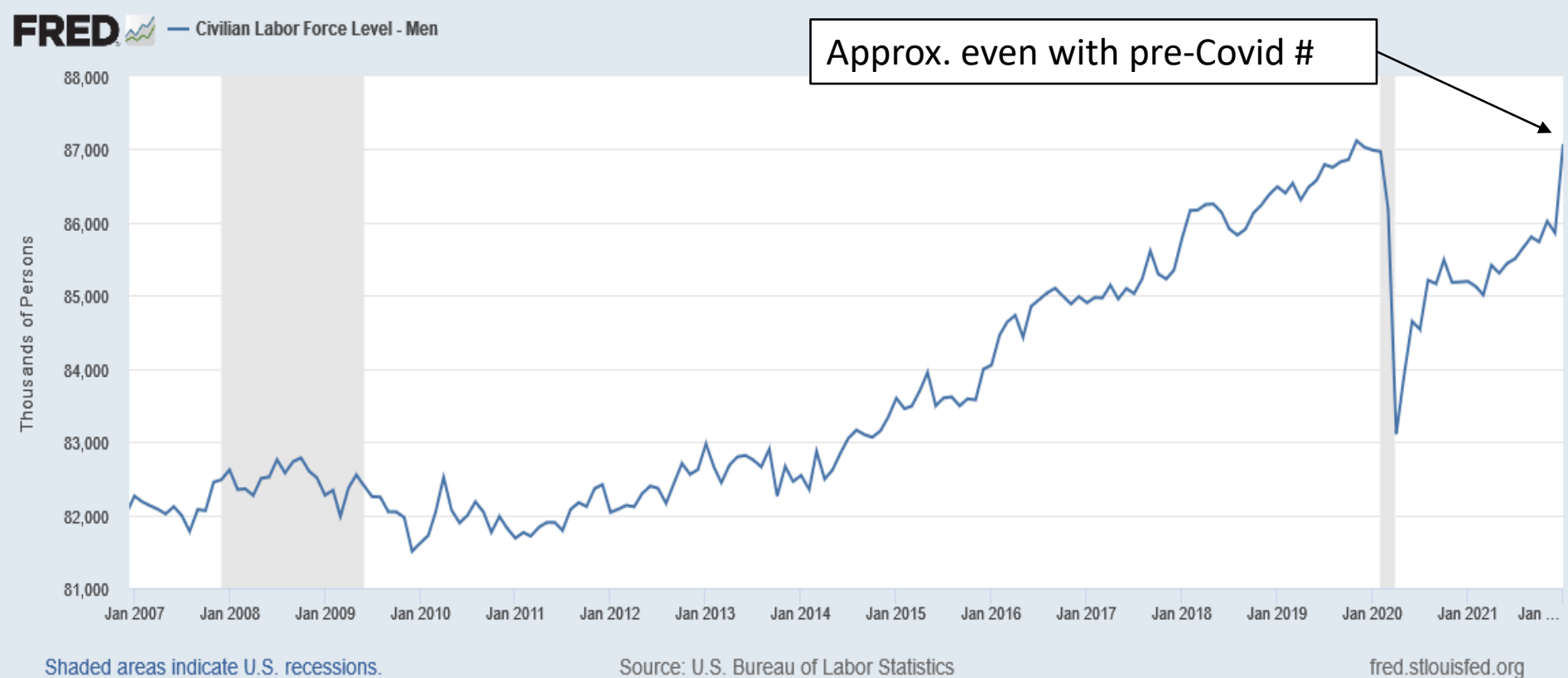
# Employment



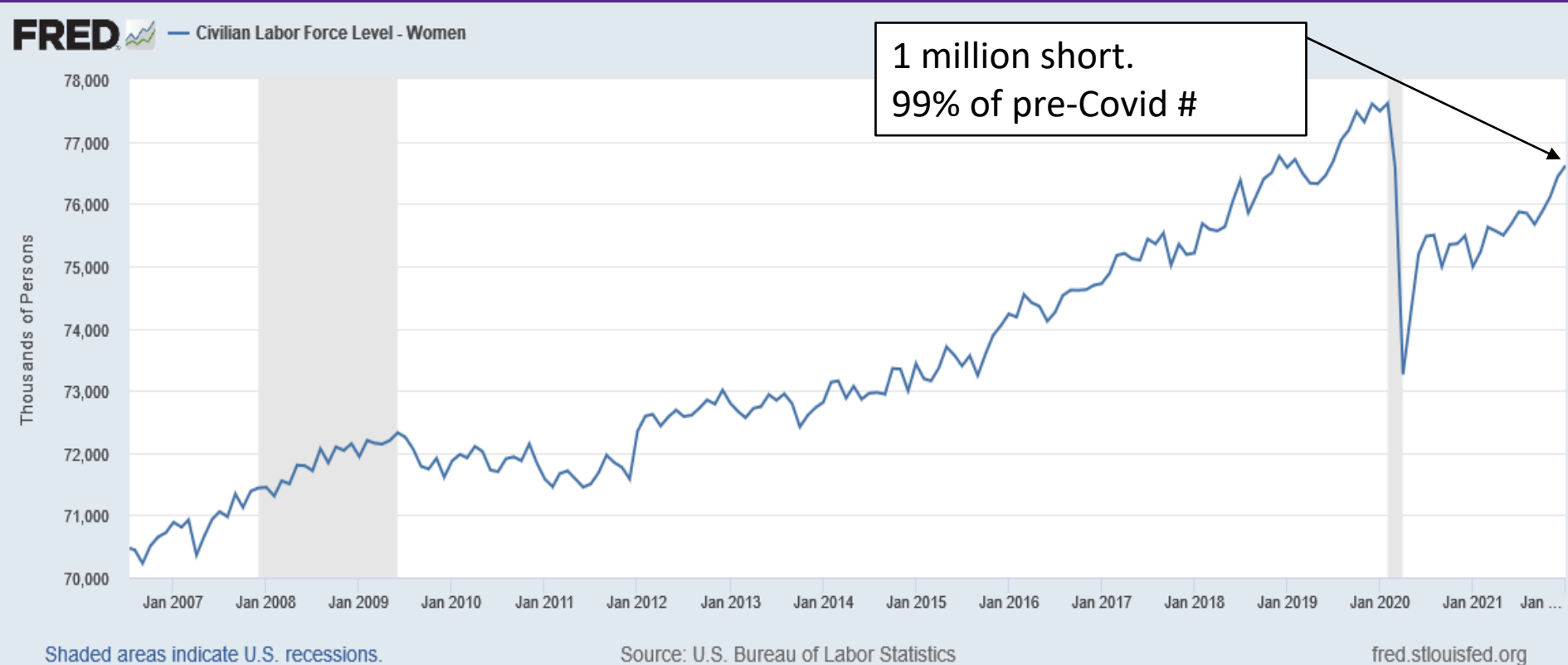
# Labor Force (empl.+looking)



# Labor Force - Men

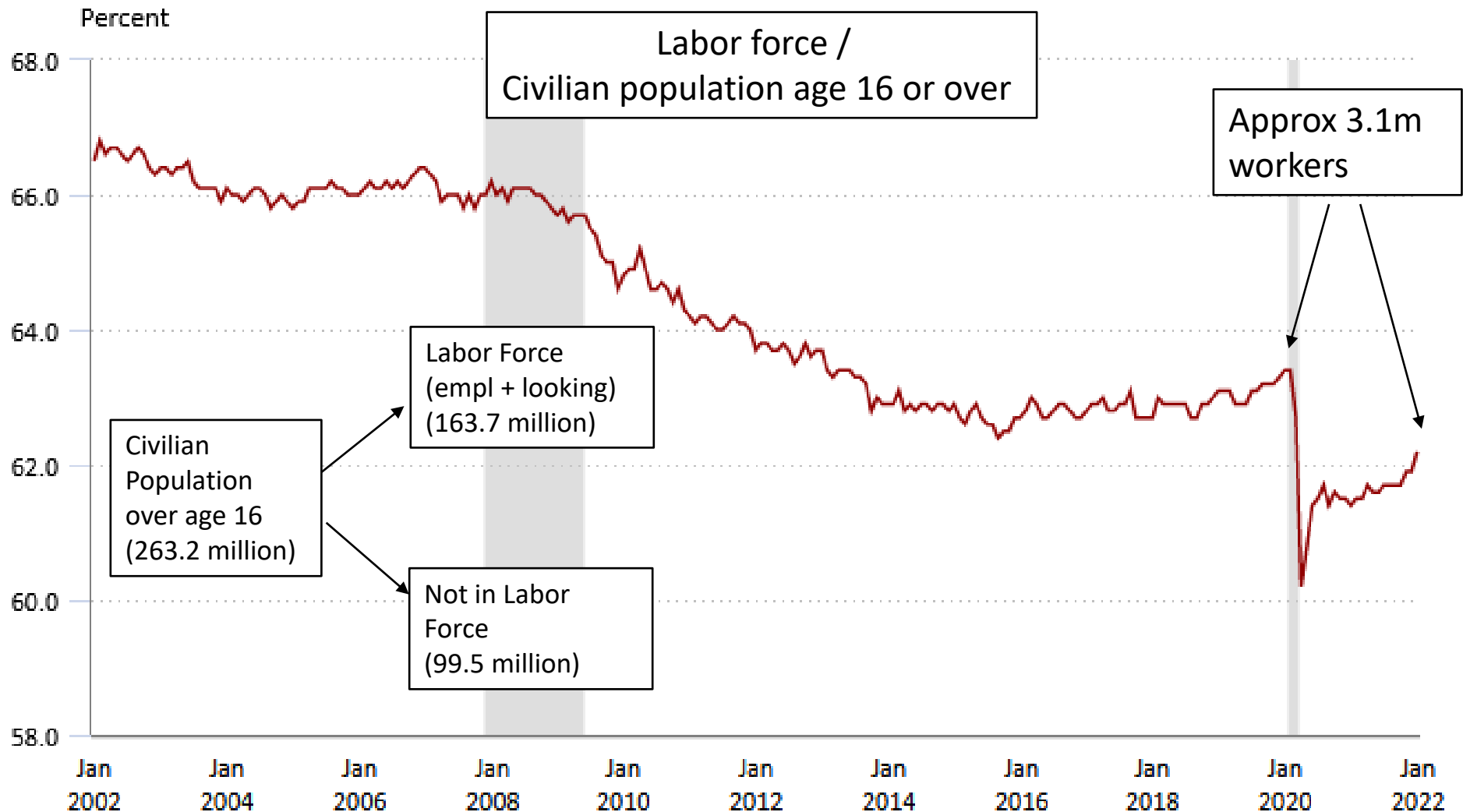


# Labor Force - Women

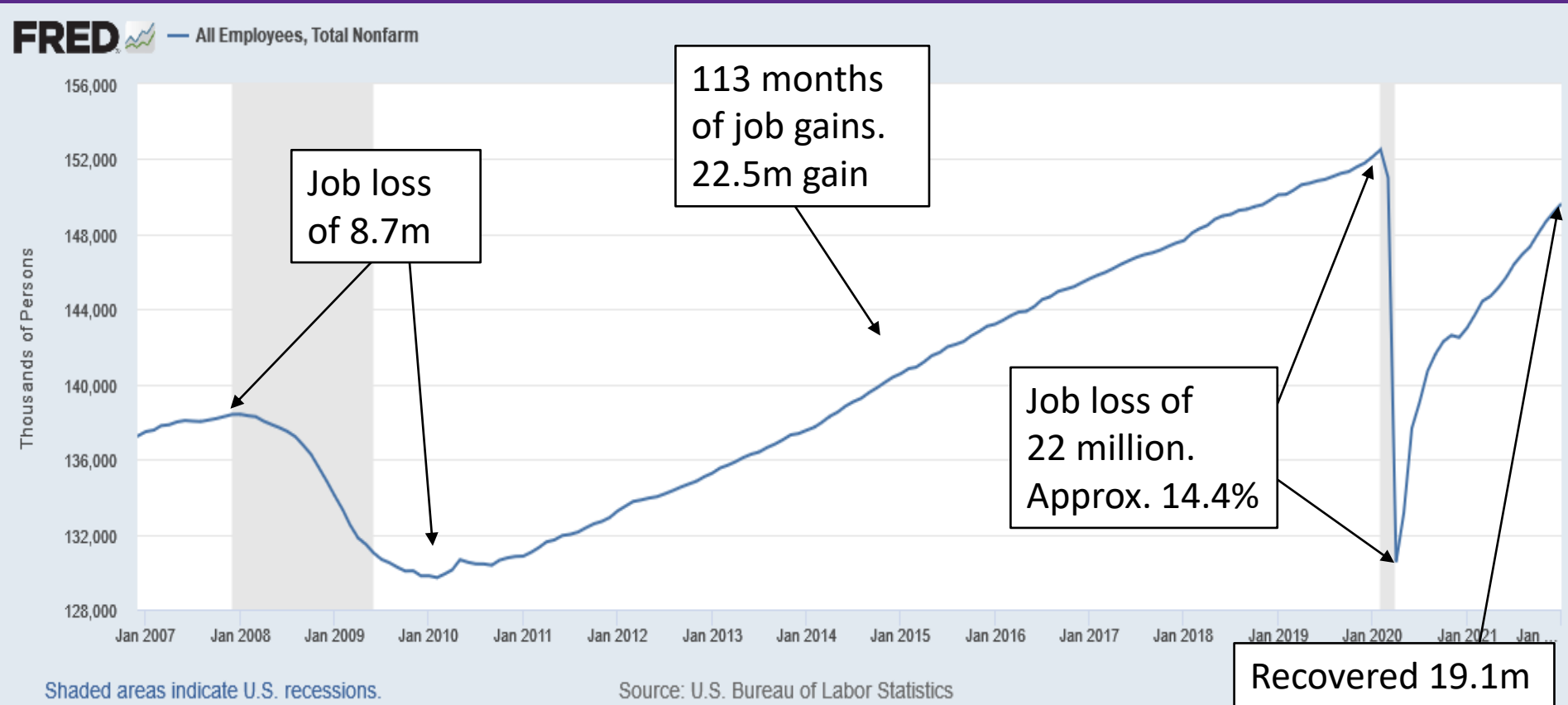


# Labor Force Participation Rate

Overall, has been falling since mid-1990's, male rate falling since 1950's



# Total Employment

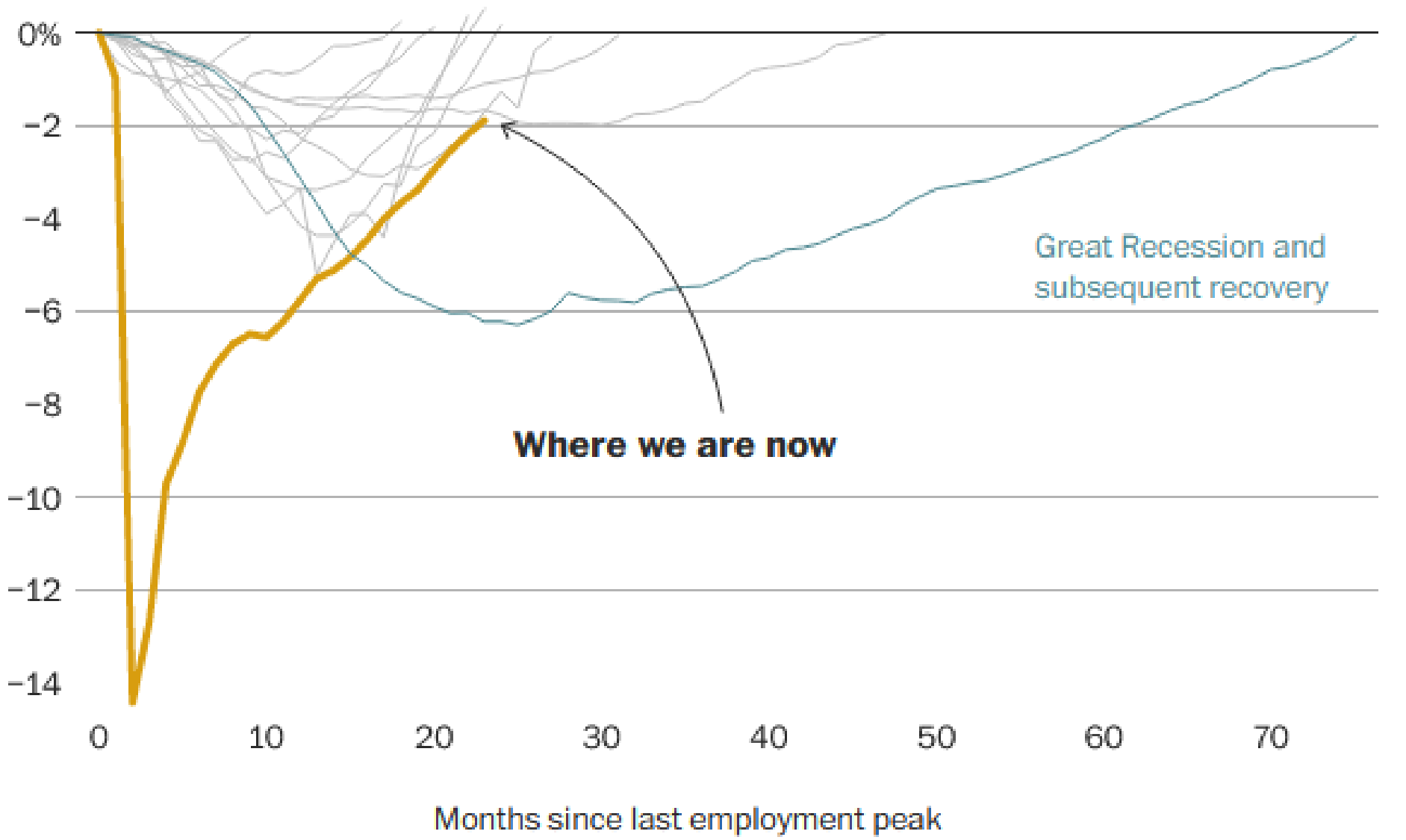


# Monthly G/L in 2021

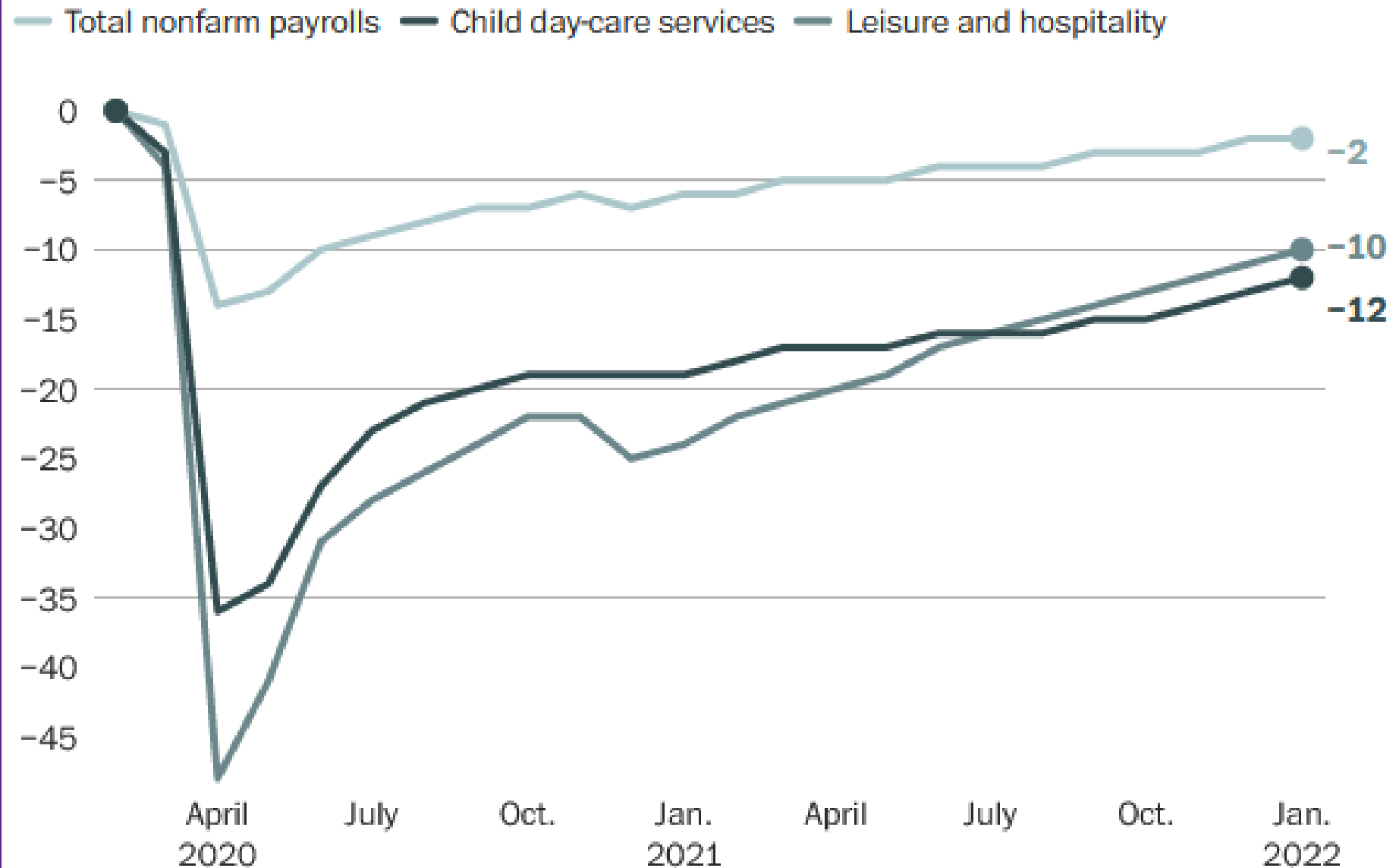


Total 2021 Job Gain = 6,665,000

Percent change in employment since the most recent peak.

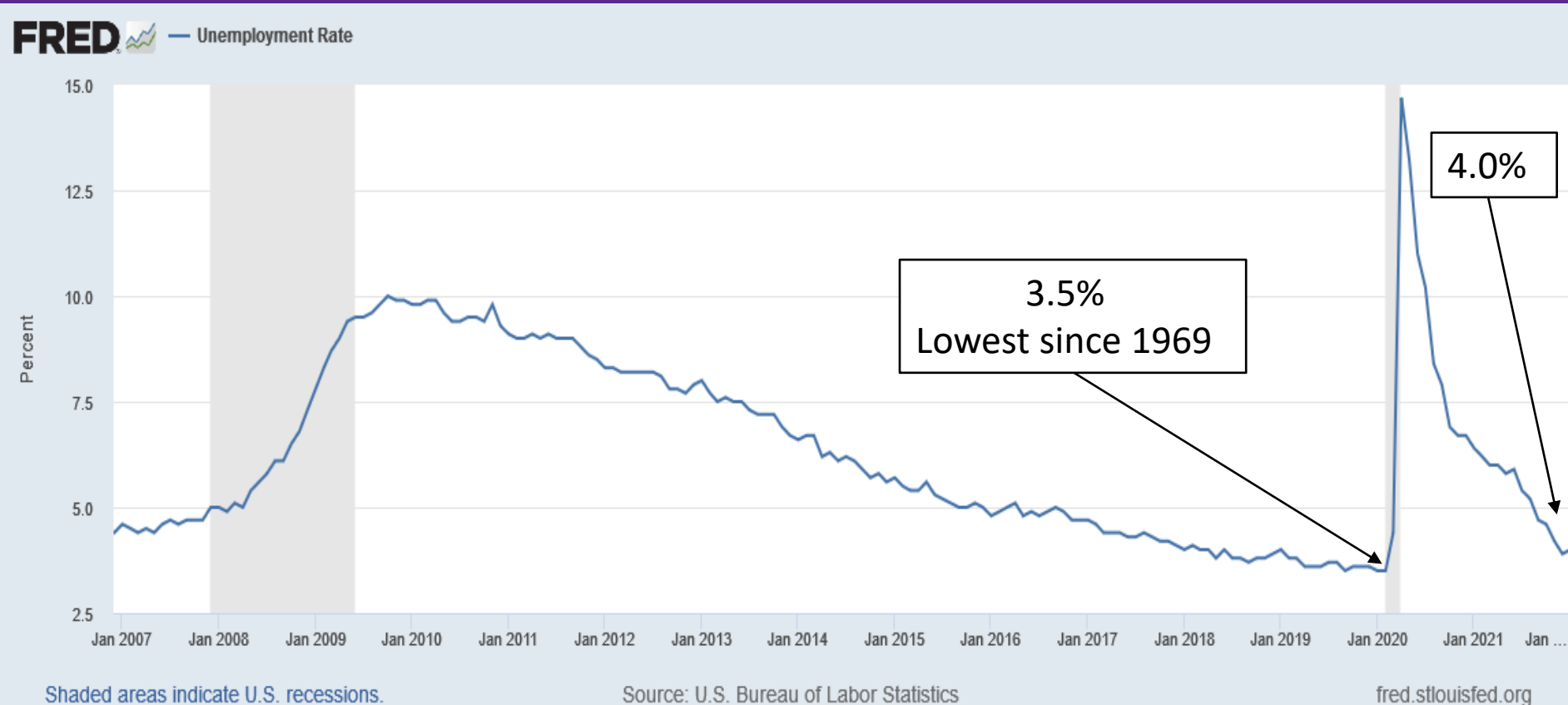


# Percent change in employment relative to Feb. 2020, select industries



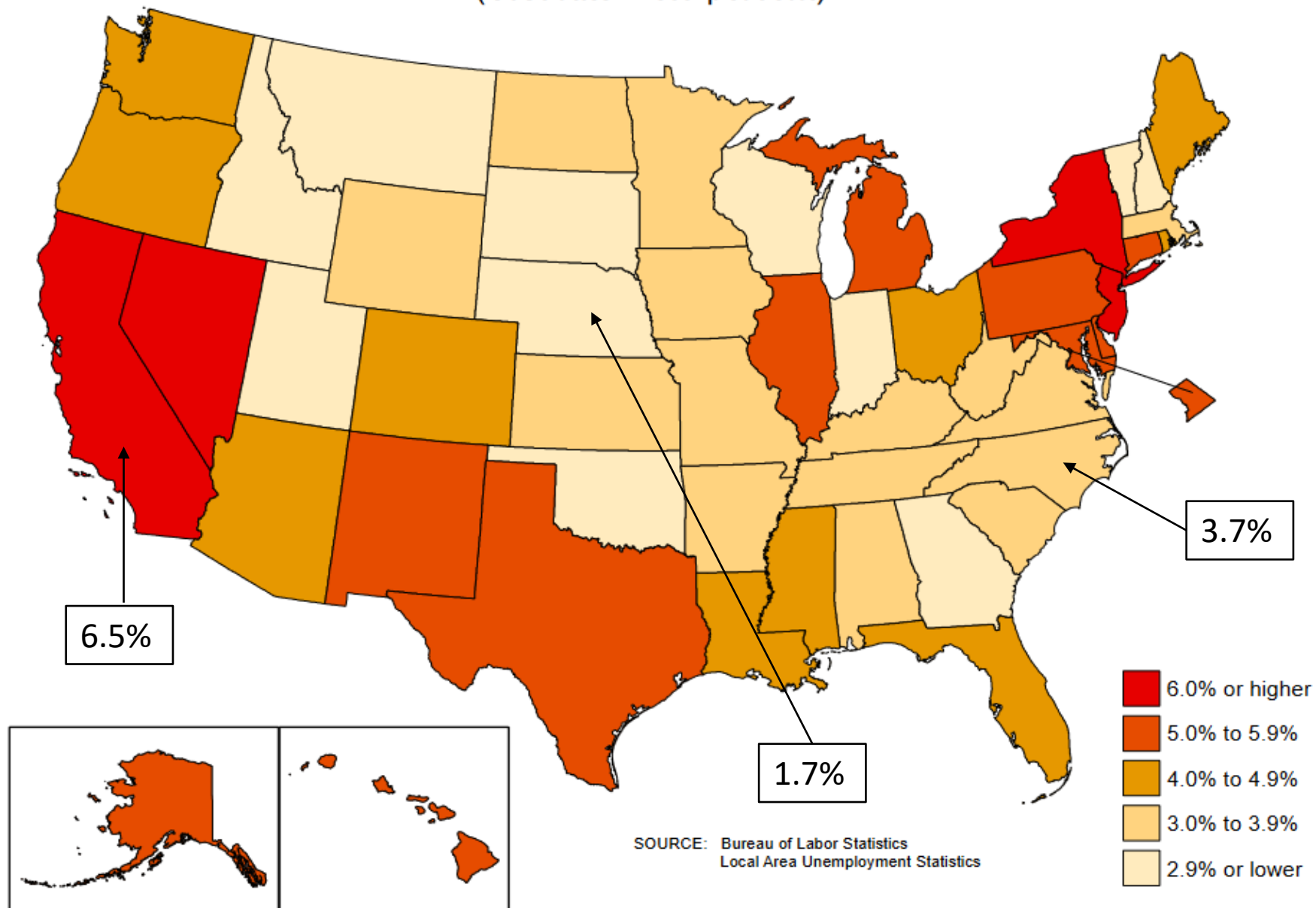


# US Unemployment Rate (Jan)



## Unemployment rates by state, seasonally adjusted, December 2021

(U.S. rate = 3.9 percent)



# Where is the Workforce?

- Historic highs for open jobs. Can't hire enough people. Why?
  - Change in risk perception of jobs. Jobs are not the "same" as before.
  - # Normal retirements > # new job entrants (and entrant jobs hit harder by Covid).
  - Covid-induced acceleration in retirements. 1m
  - Lack of child-care options.
  - Higher unemployment payments (no longer).
  - Location of working and living often changed. Dislocation yet to work out.
  - The future of work is different.

# The Economy and Inflation

A Novel Economic Concept:

Supply and Demand

**WE HAVE MET  
THE ENEMY  
AND HE IS US.**



# Normal Times

- The economy is a complex, intricate, finely tuned, efficient system.
  - Sales, inputs can be well estimated. Changes are gradual and are around the edges. Parties understand roles. Consumption and production are established and predictable.
  - Self-correcting.
  - Not much slack.

# Covid

- Quickly, violently, and substantially upset the economic system.
  - Some industries collapsed (hotels, rest., airlines); others went through the roof (Netflix, Peloton).
  - Production changed overnight. Food, Beer, ppr.
  - Hoarding (still today). Quickly changed consumption and production patterns.
  - Physical goods demand up. A lot. Mix changed too. Couch.
  - Movement of goods could not keep up. Physical constraints (ships, ports, land, trucks) can't be fixed quickly.



# Covid

- Job demand violently shifted. Some jobs disappeared; others were only slightly affected; others changed risk profile.
  - Airlines/hotels vs factory vs white collar
- Most jobs changed
  - Remote work, but only for some jobs.
- The speed could not be accommodated.
- We are still working out what the future of work will look like.

# Inflation

# Inflation Basics

- Supply and demand. (PC, semicon., couches)
- For inflation to continue to rise, it needs to KEEP going up, and go up faster.
  - Specific items are more or less likely to do so.
  - Prices don't continue to go to the moon. (oil, used cars)
  - The cure for high prices is high prices.
- Inflation direction changes behavior

# CPI – Last 13 Months

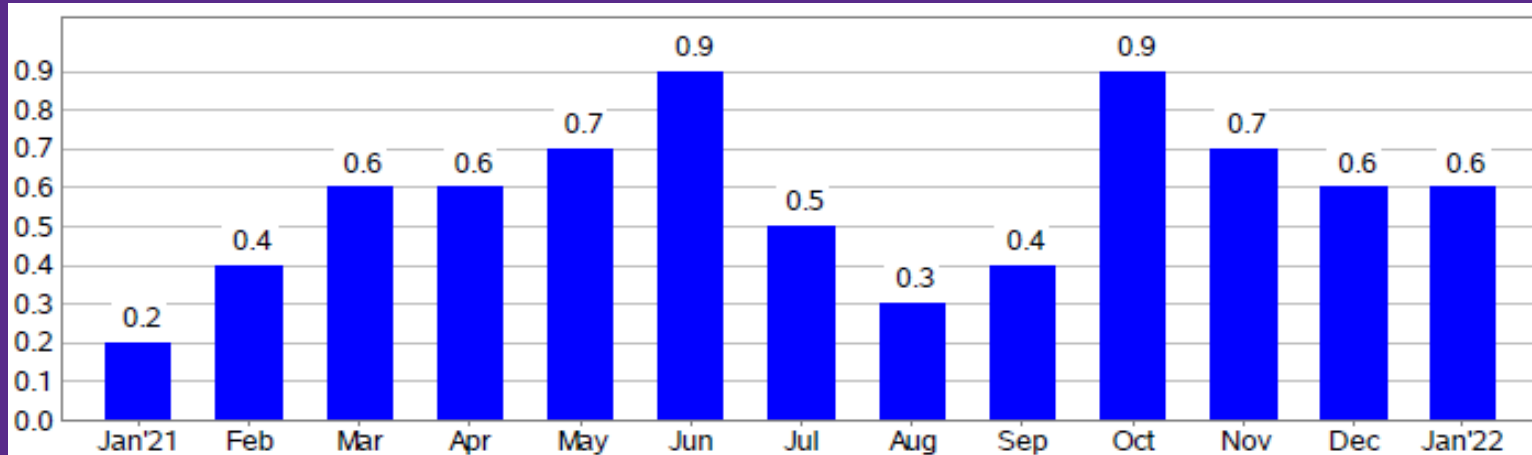
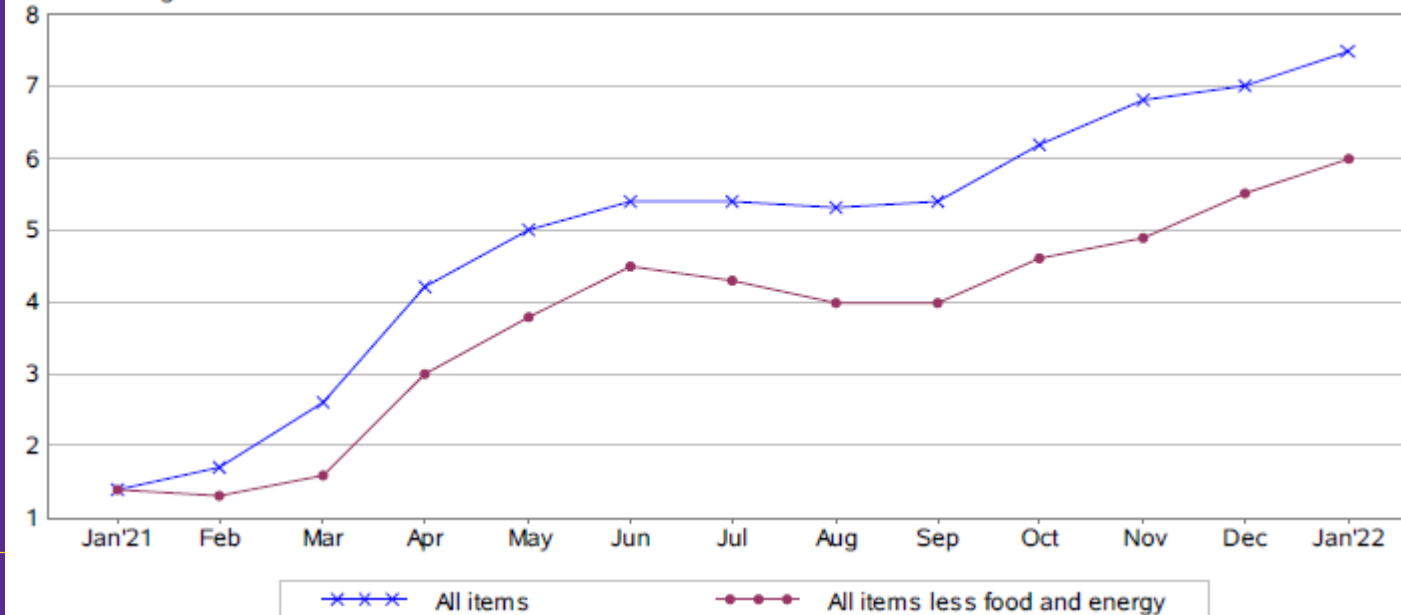


Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Jan. 2021 - Jan. 2022

Percent change

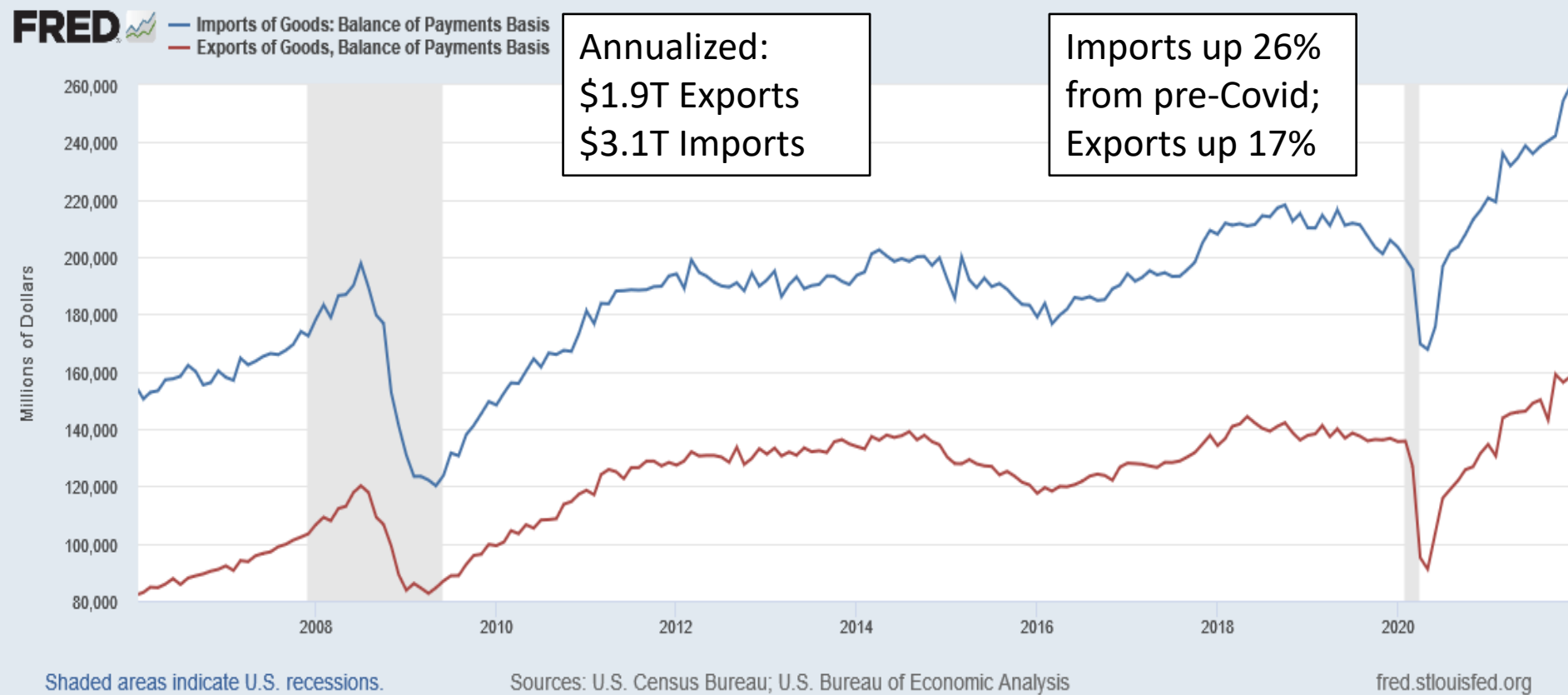


# Goods and Services

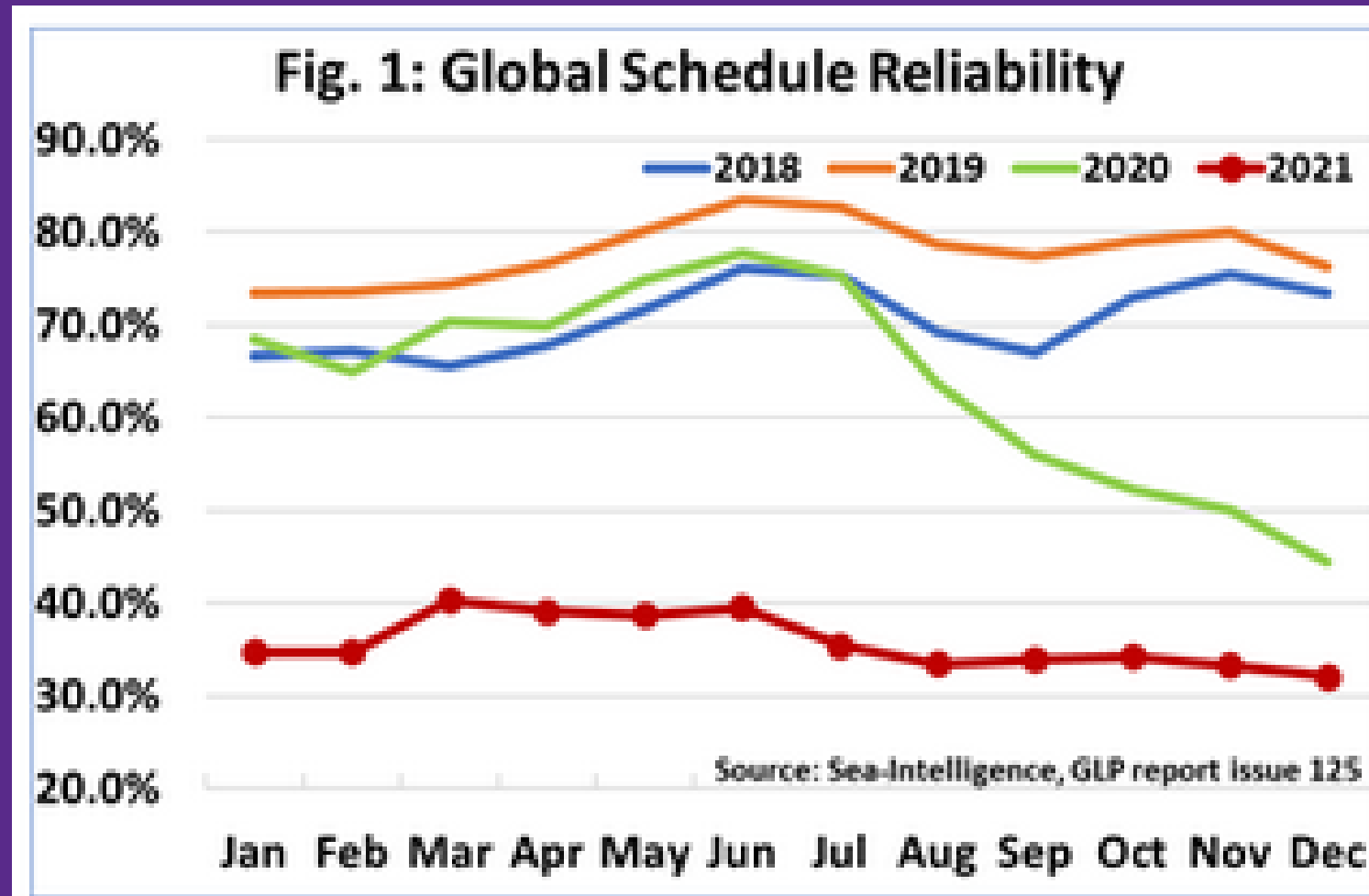
Category	% of CPI	% Increase 1/21 to 1/22
Services	61%	4.6%
Goods:		
Durable (>3 yrs)	13%	18.4%
Non-durable	26%	9.8%

- Durable: cars, furniture, appliances, electronics, machines
- Non-durable: food, beverages, clothing, energy

# Imports & Exports of Goods



# 2020 2<sup>nd</sup> Half: Traffic Jam

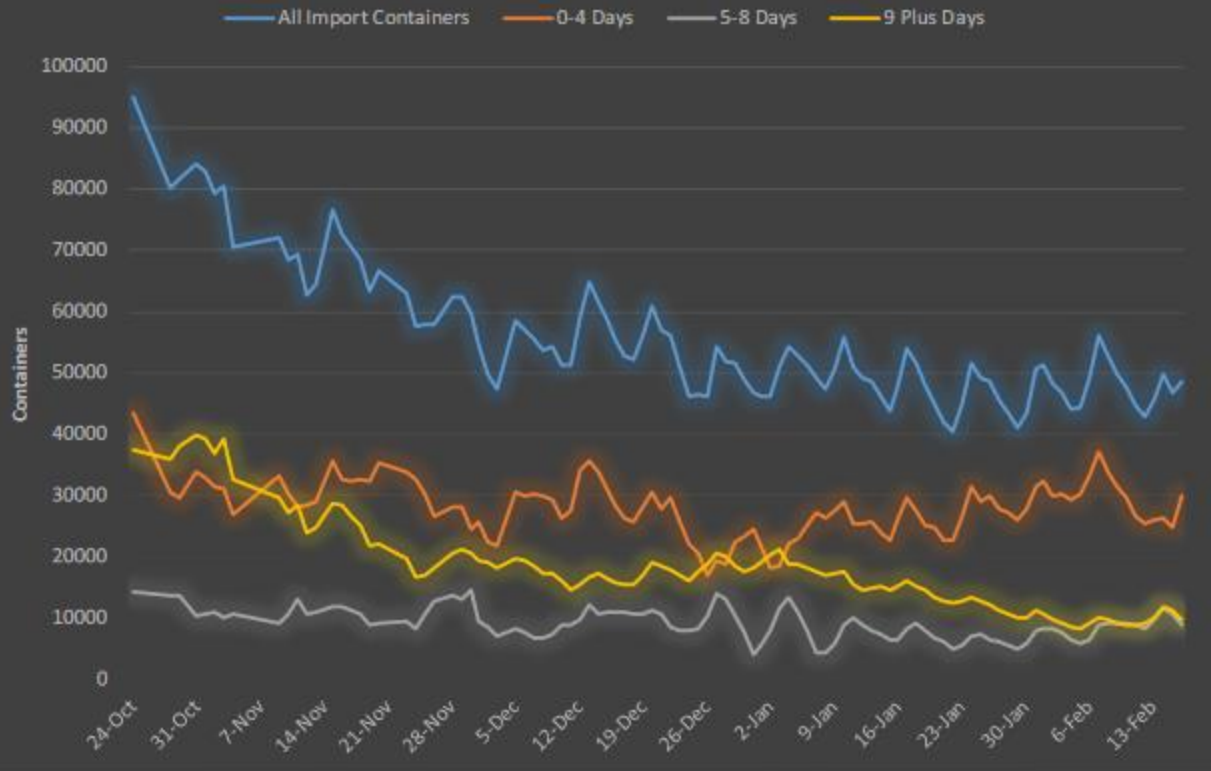


# LA Ports

Figure 29. Daily Number of Container Ships at Anchor off Los Angeles/Long Beach Coast

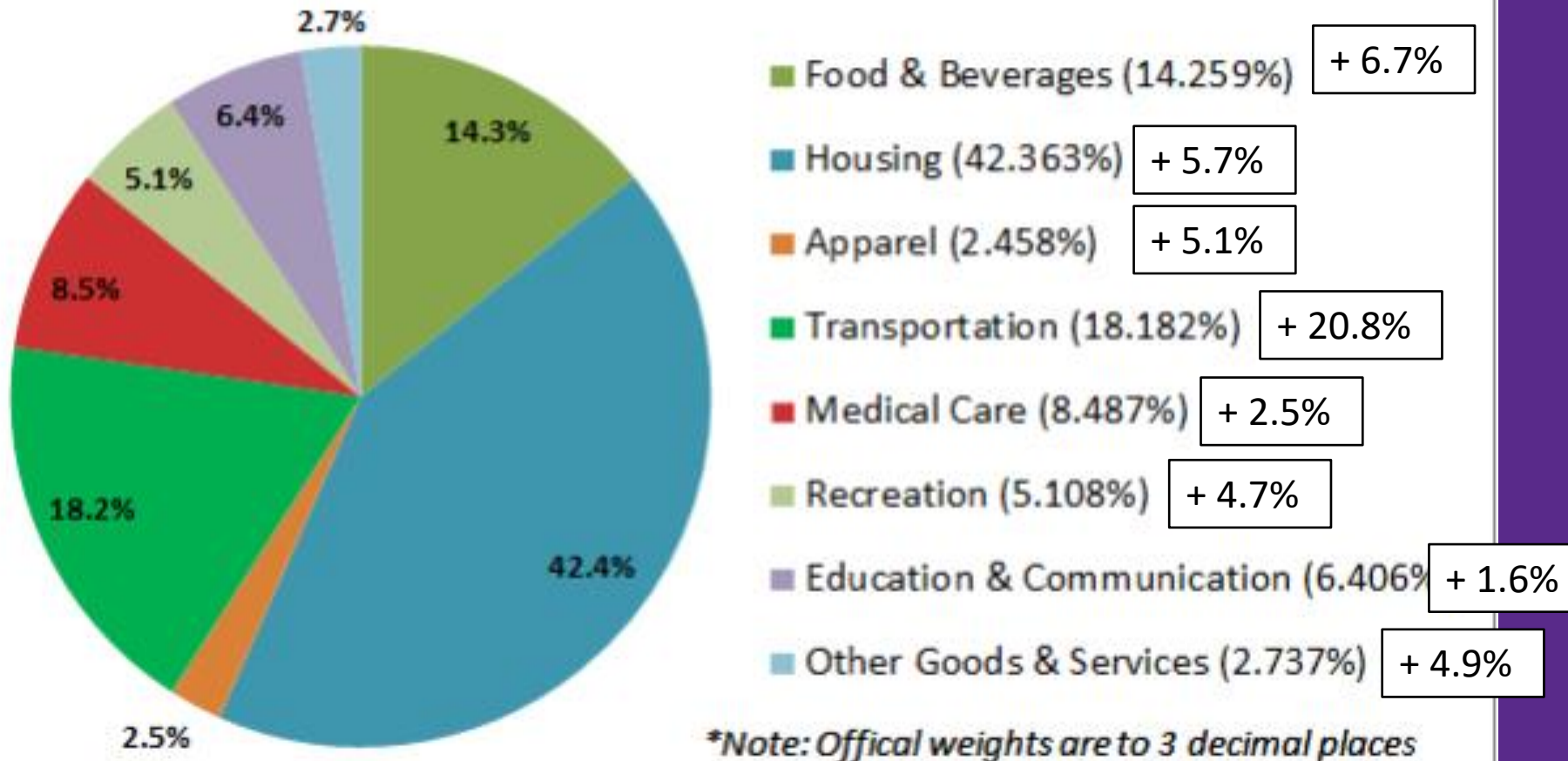


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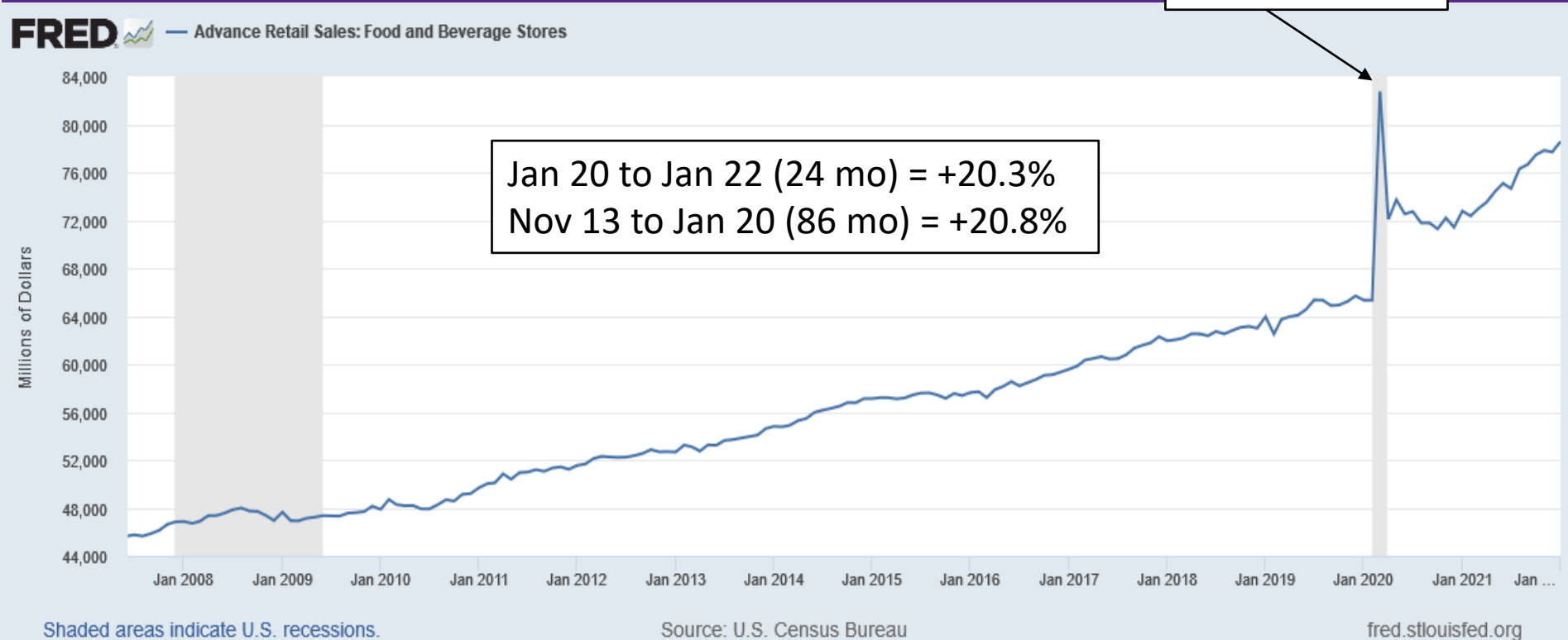
# Consumer Price Index Components\*



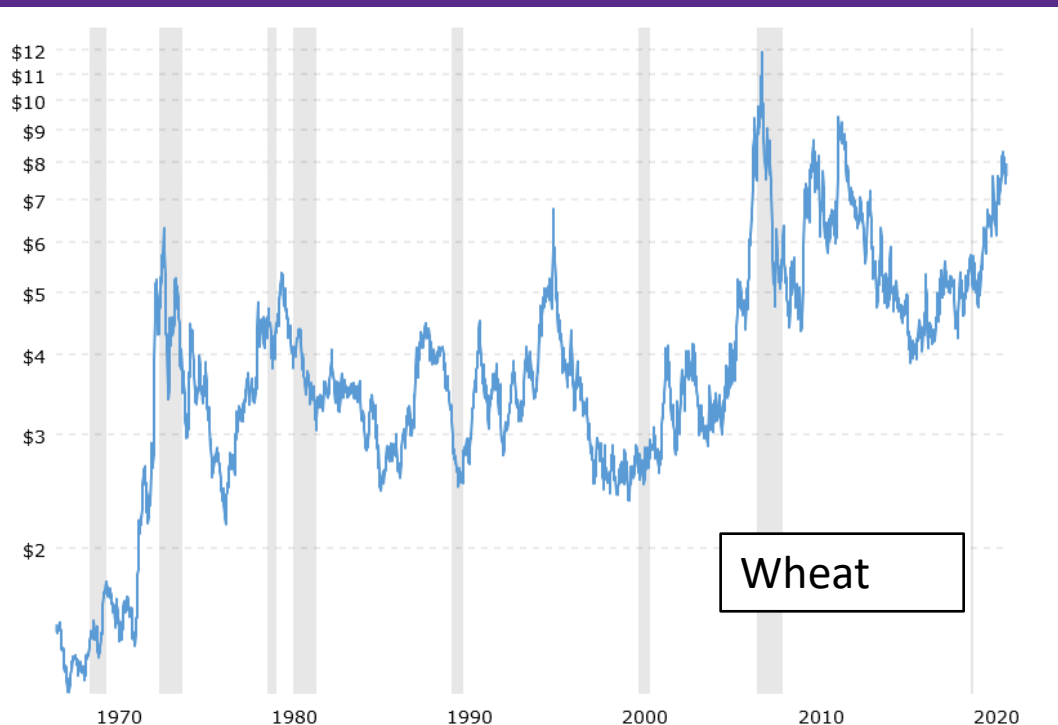
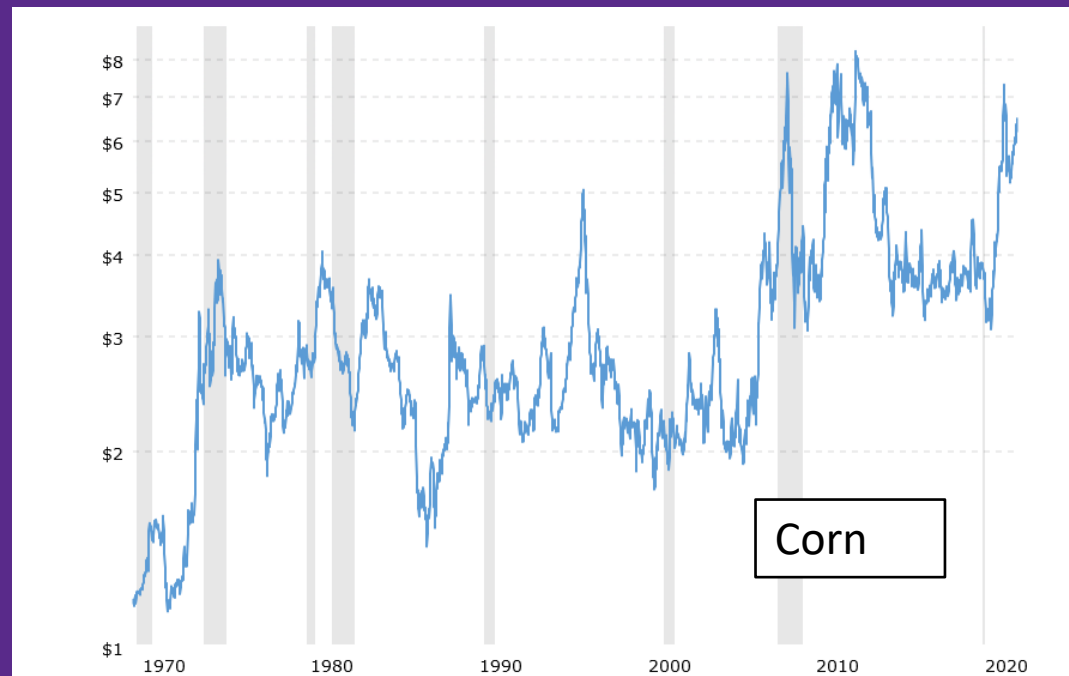
Number in box is % increase last 12 months (thru Jan 22)

# Food & Beverage Store Sales

What hording  
looks like

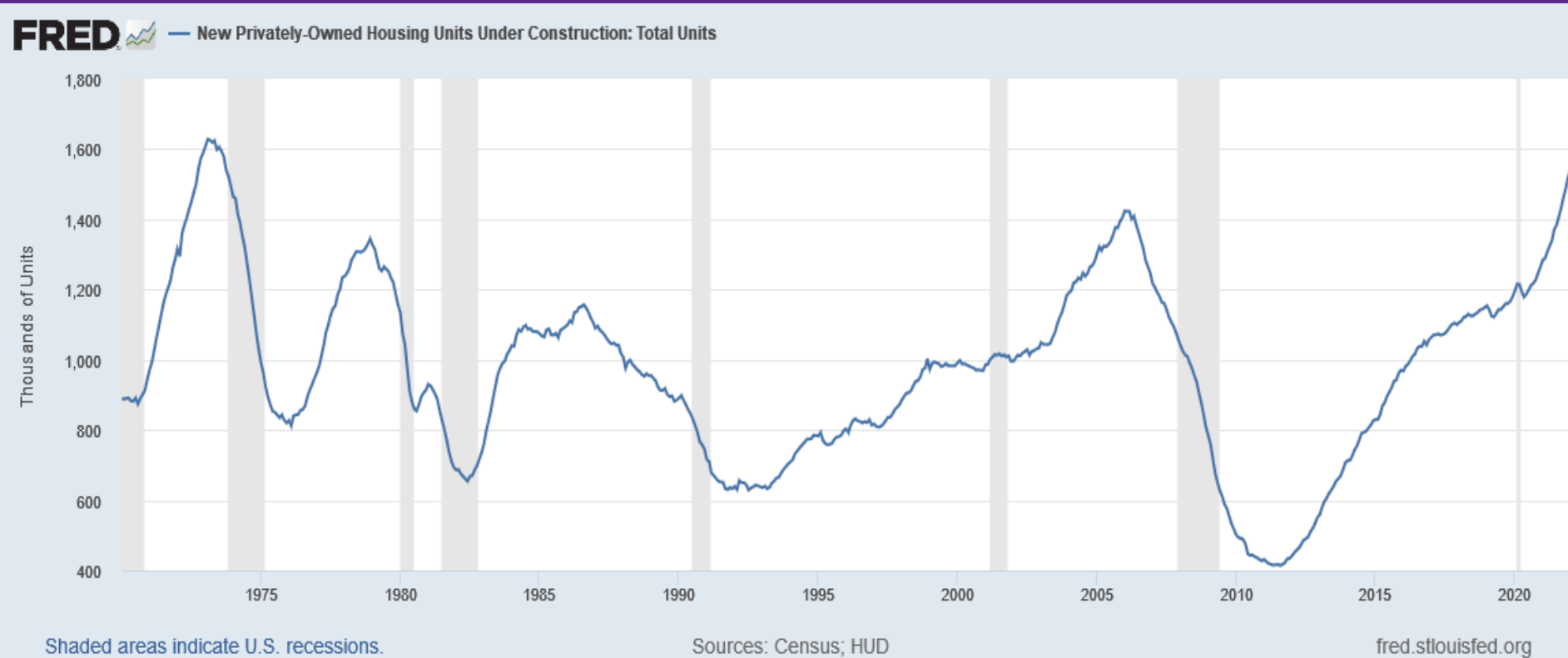


50+ years of  
corn and  
wheat prices  
(not inflation  
adjusted)

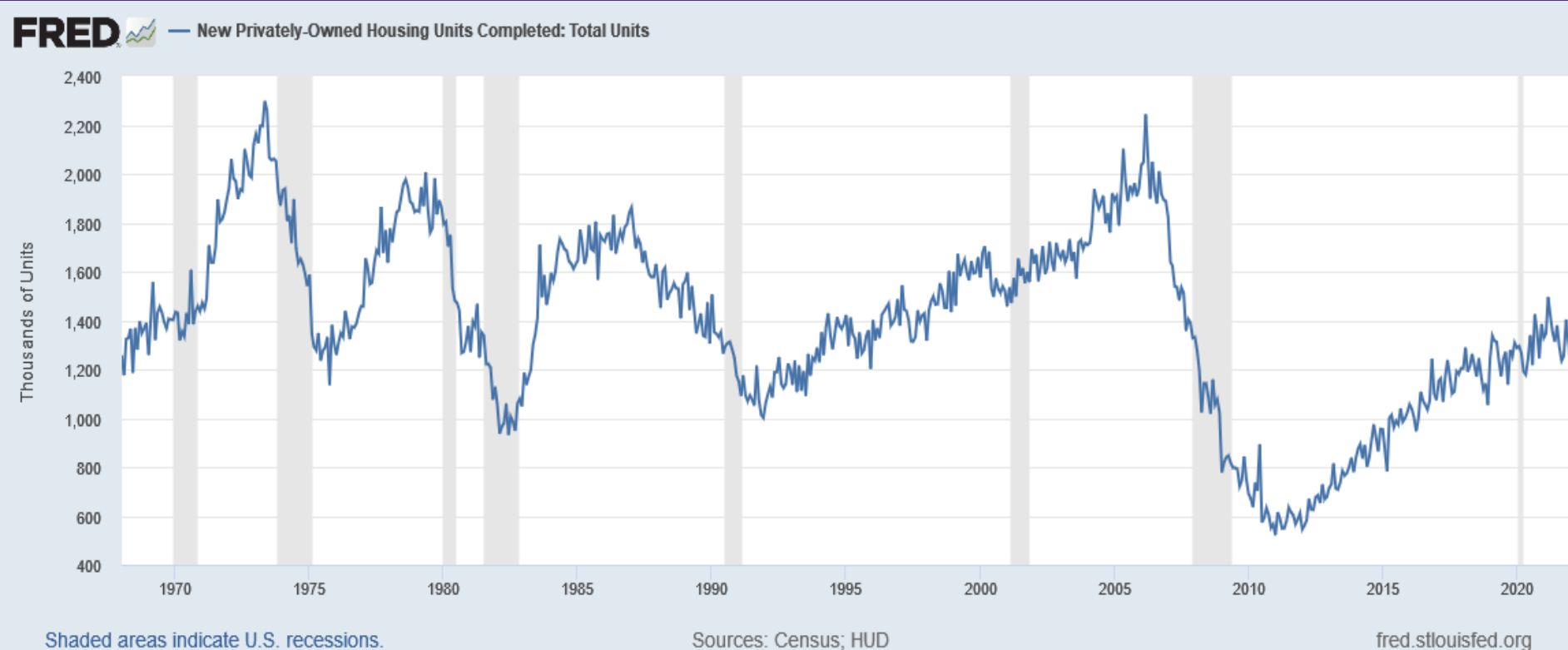


Visual representation  
of “cyclical”  
Price of annual crops  
does not stay high, or  
low, for very long.

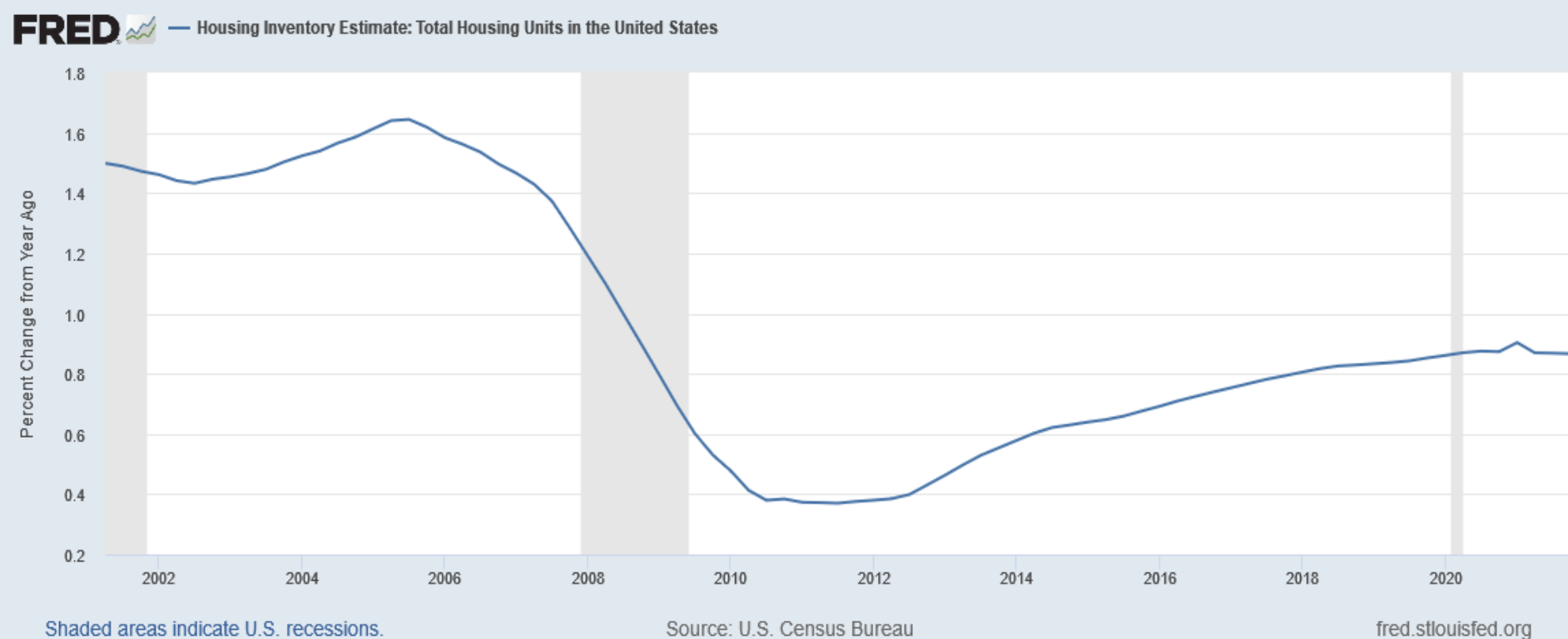
# Housing Under Construction



# Completed Housing Units



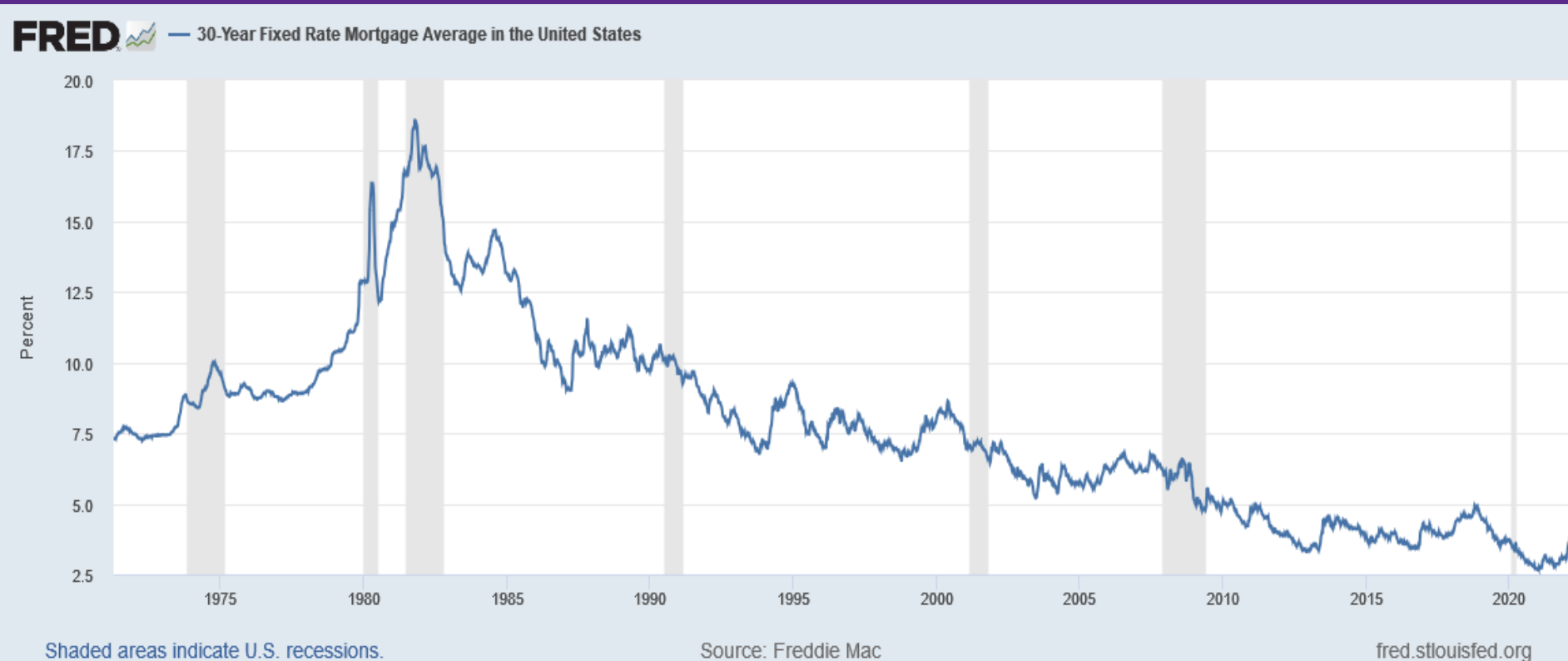
# Housing Inventory – % chg



# 30 year Mortgage Rates



# 30 year Mortgage Rates

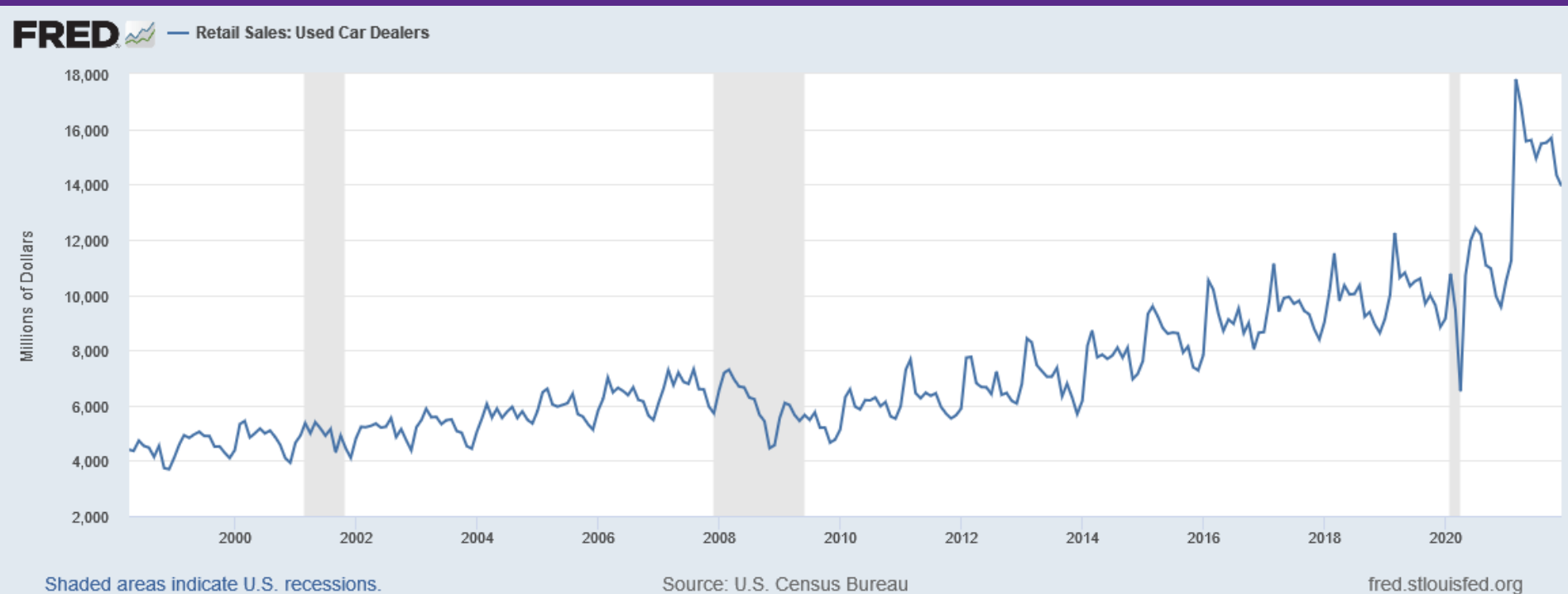




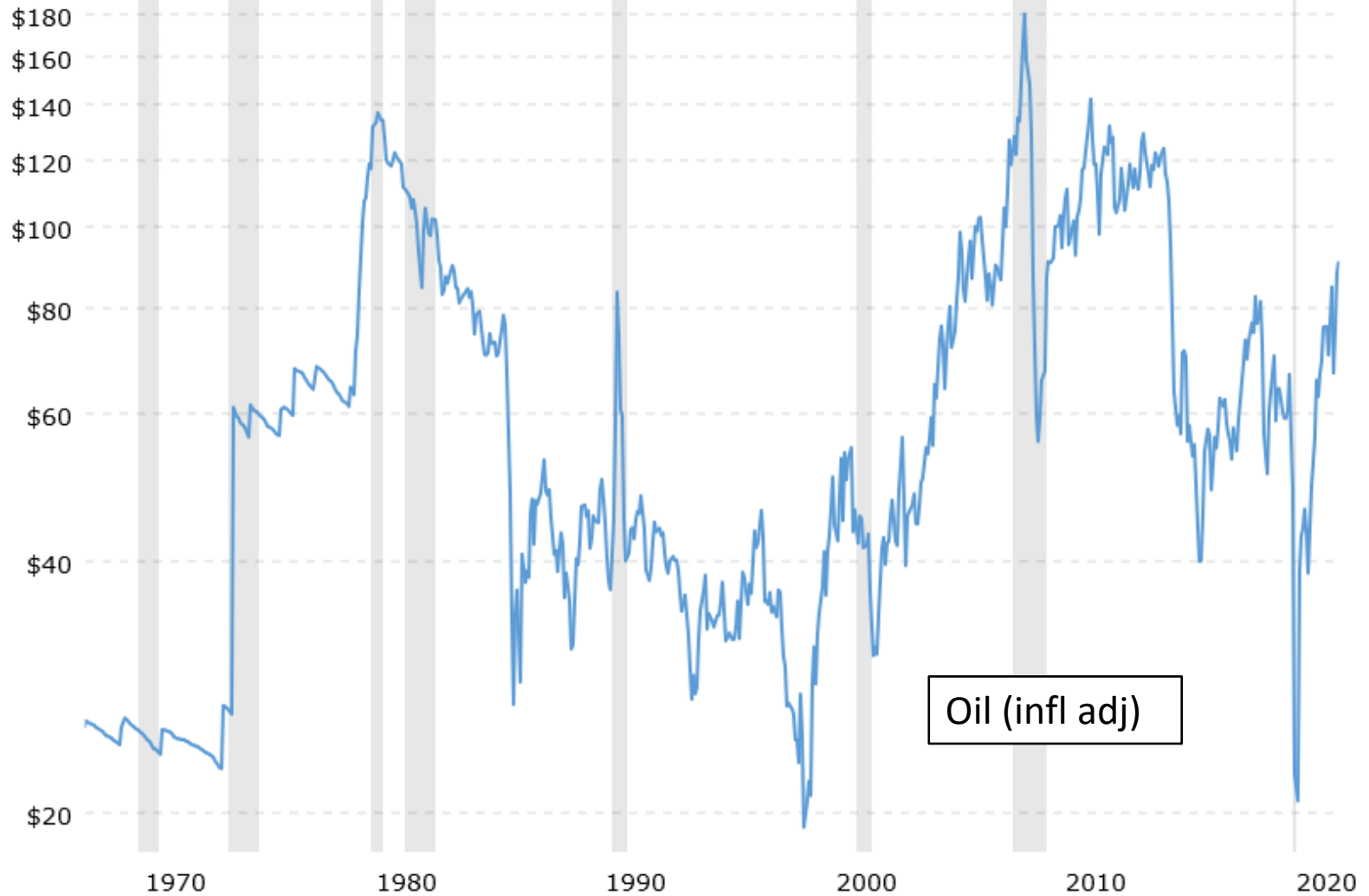
# Cars+Light Trucks: units,annual



# Used Cars \$ Monthly



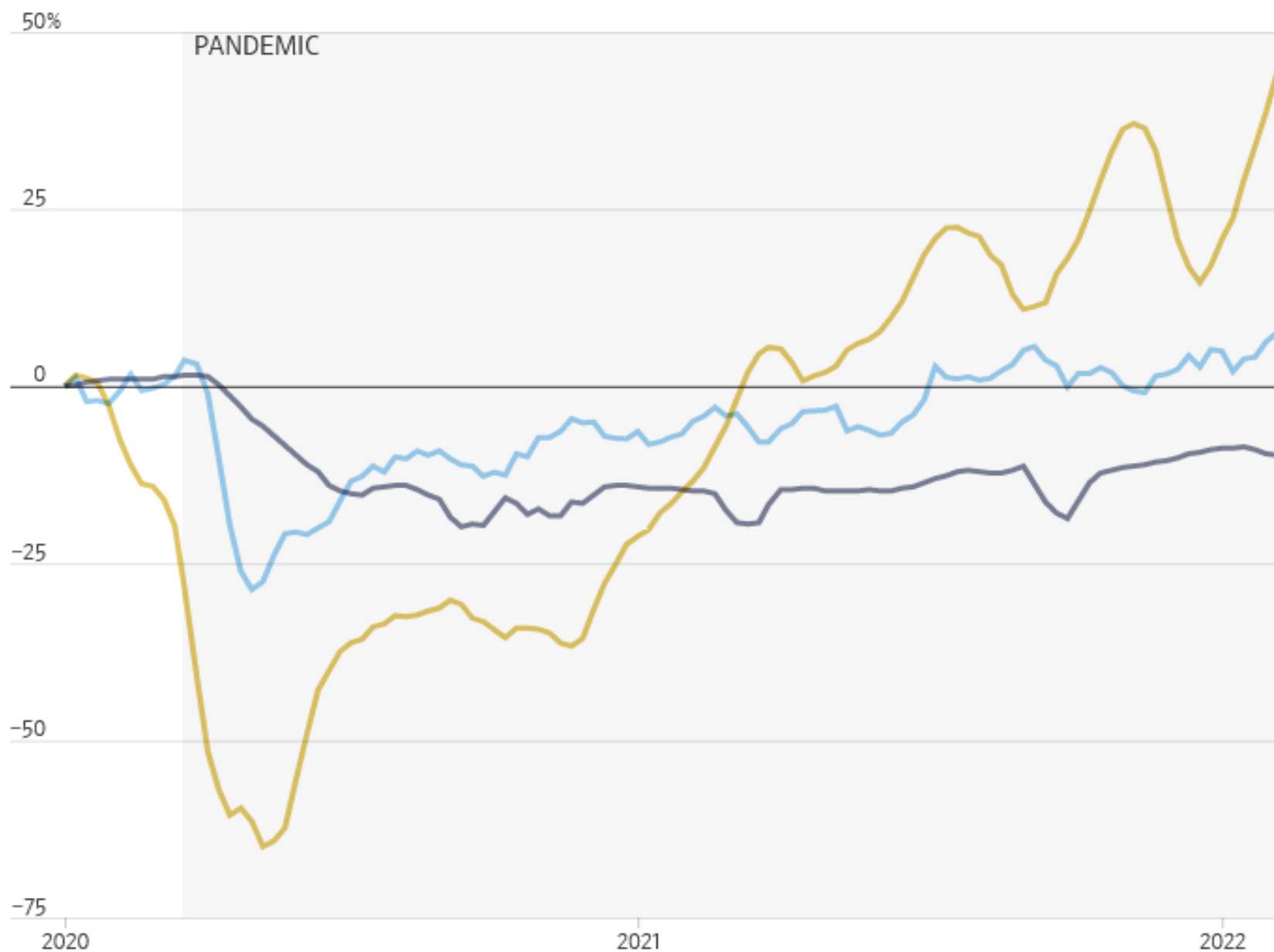




## Crude-oil supply, demand and price

Percentage change from year-end 2019 levels

■ Supply ■ Demand ■ Price



# So, what does this all mean?

- Many inflation components will continue to increase, but not at current pace.
- Supply constraints are showing signs of easing and improving. Slow process.
- Goods demand is likely to moderate.
- However,
  - Services demand will likely have upward pressure.
  - Concerned with Producer Price increases that are not fully baked into CPI yet.
- Overall, I expect inflation to moderate but remain around 5% at year end. 2023 likely to be lower.
- Risks: Covid, Ukraine, oil, psychology, Fed

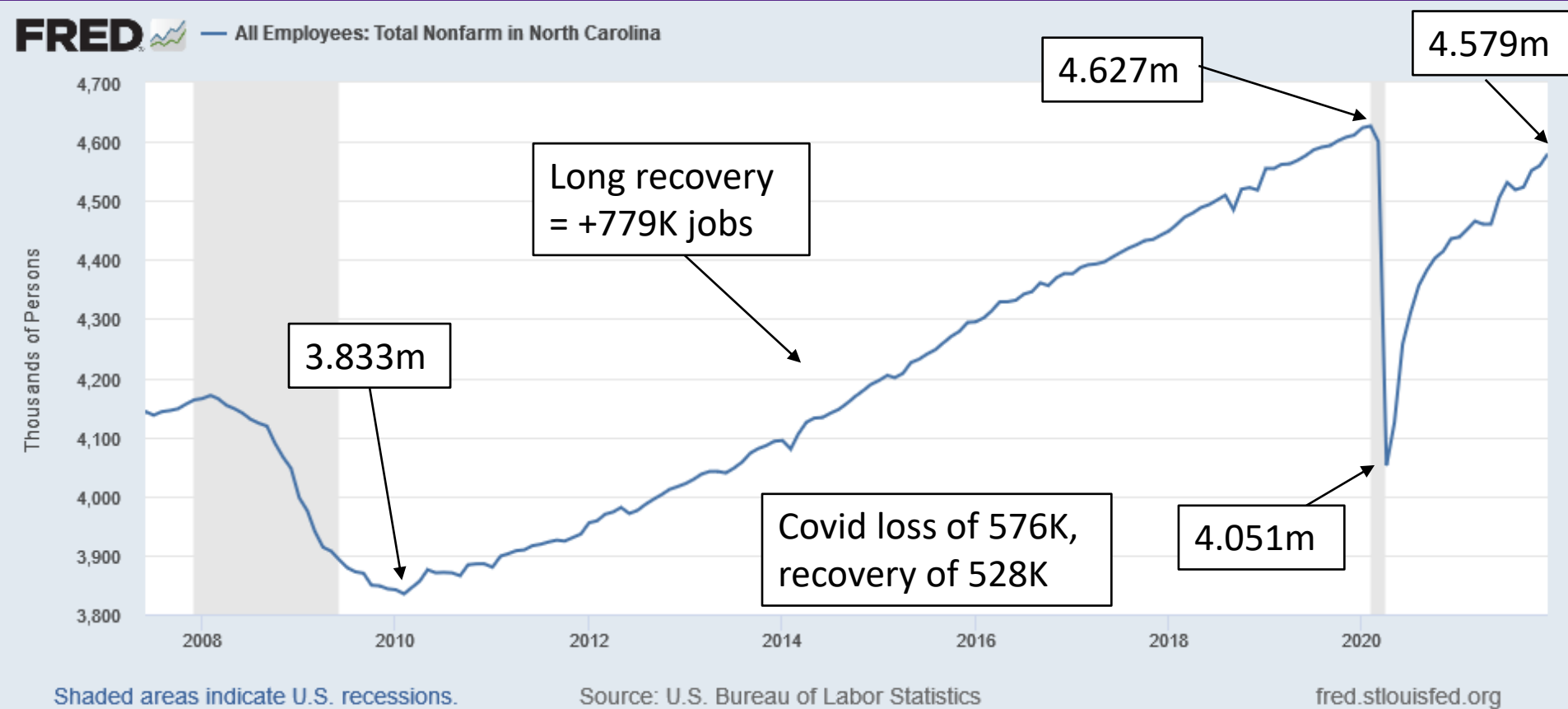
# North Carolina

# NC Civilian Labor Force (Dec)

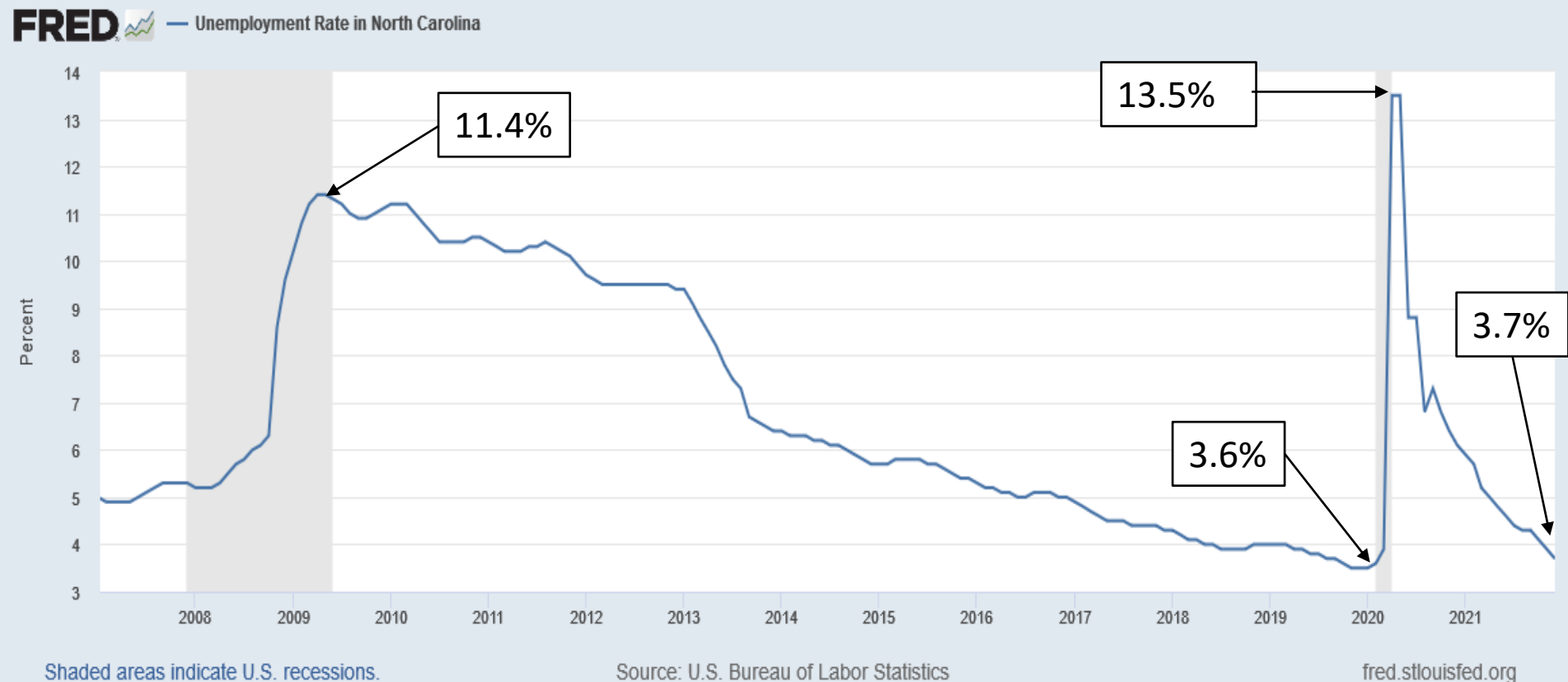




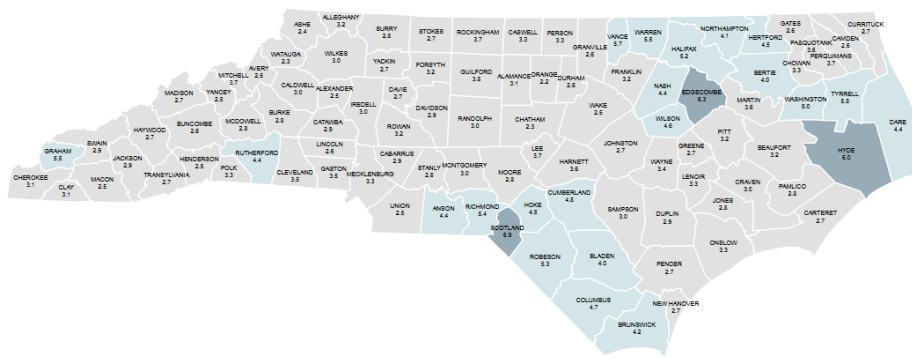
# Total Employment – NC Dec21



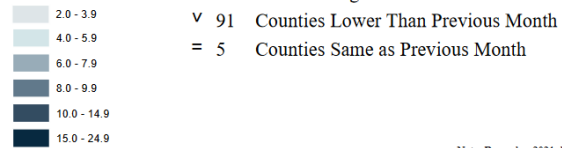
# NC Unemployment Rate (Dec)



## North Carolina Unemployment Rates by County December 2021



### December 2021

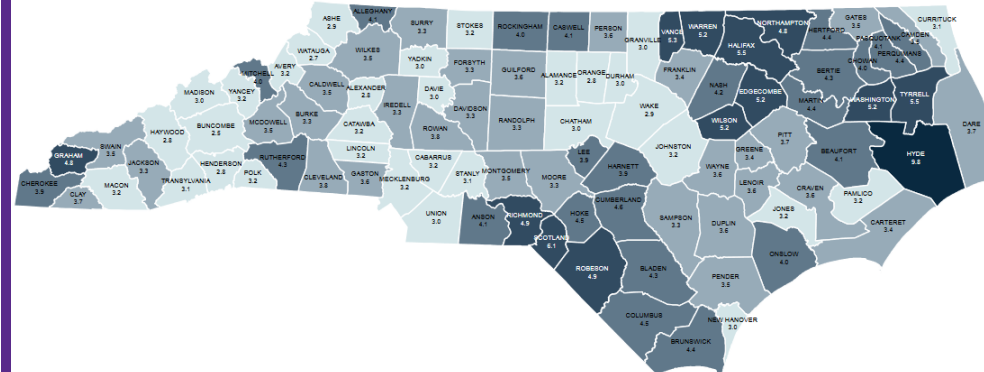


- ^ 4 Counties Higher Than Previous Month
- v 91 Counties Lower Than Previous Month
- = 5 Counties Same as Previous Month

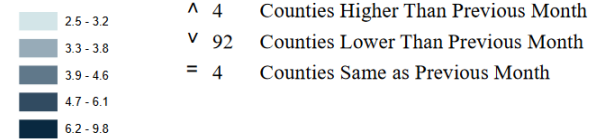
North Carolina Rate 3.2%  
Not Seasonally Adjusted

Note: December 2021 data are preliminary.  
Prepared by the Labor & Economic Analysis, North Carolina Department of Commerce 1\_2022

## North Carolina Unemployment Rates by County November 2019



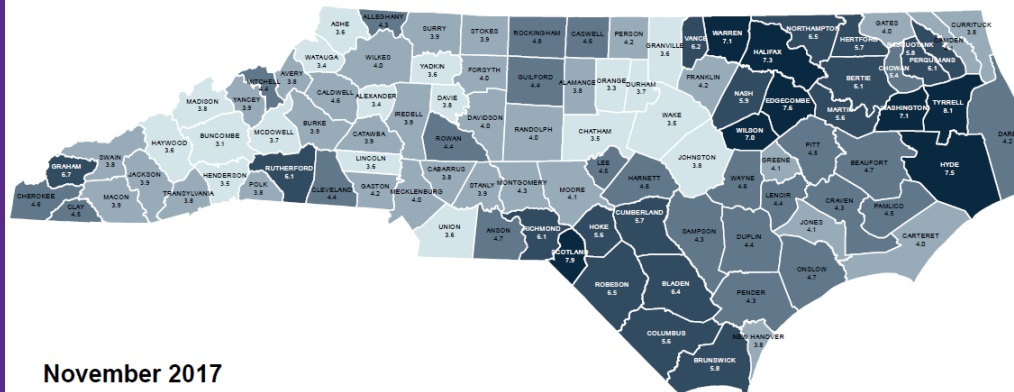
### November 2019



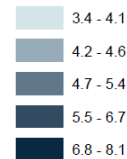
- ^ 4 Counties Higher Than Previous Month
- v 92 Counties Lower Than Previous Month
- = 4 Counties Same as Previous Month

North Carolina Rate 3.4%  
Not Seasonally Adjusted

## North Carolina Unemployment Rates by County November 2017



### November 2017

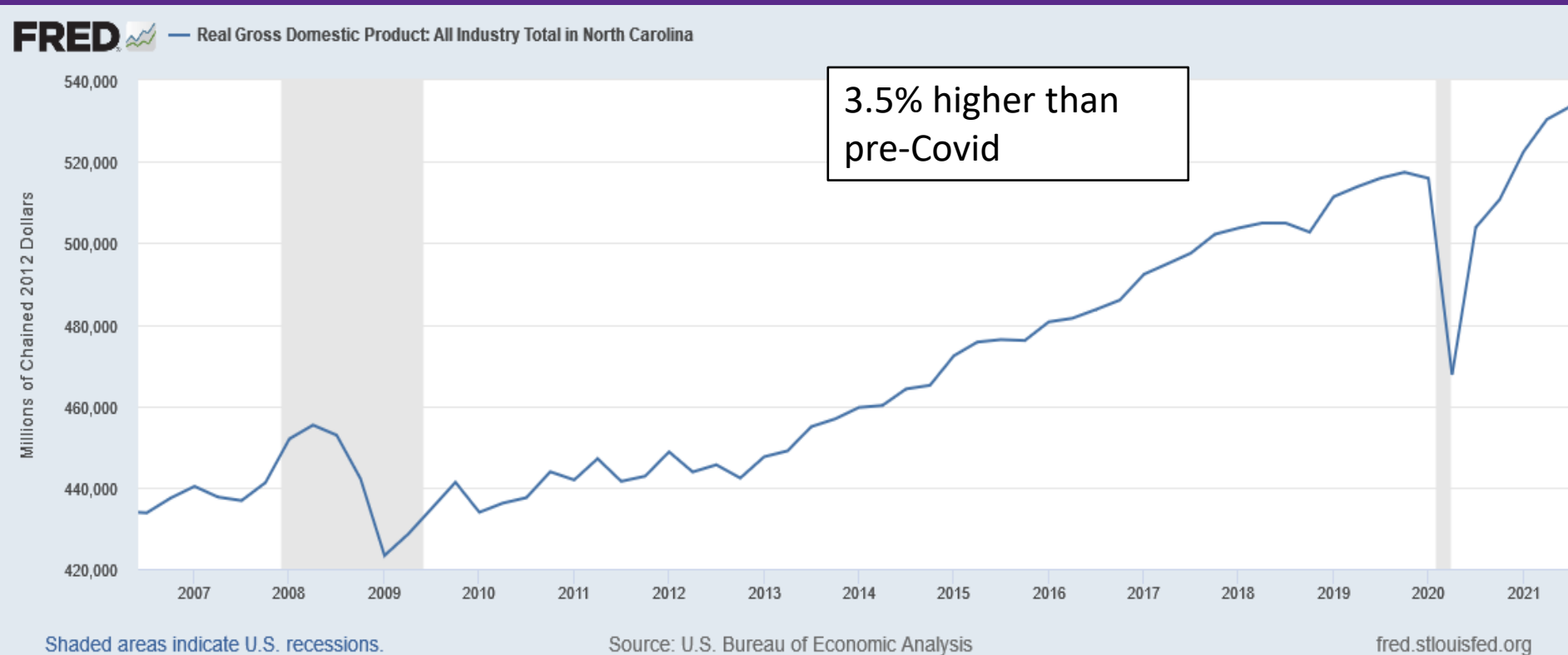


- ^ 99 Counties Higher Than Previous Month
- v 1 Counties Lower Than Previous Month
- = 0 Counties Same as Previous Month

North Carolina Rate 4.5%  
Not Seasonally Adjusted



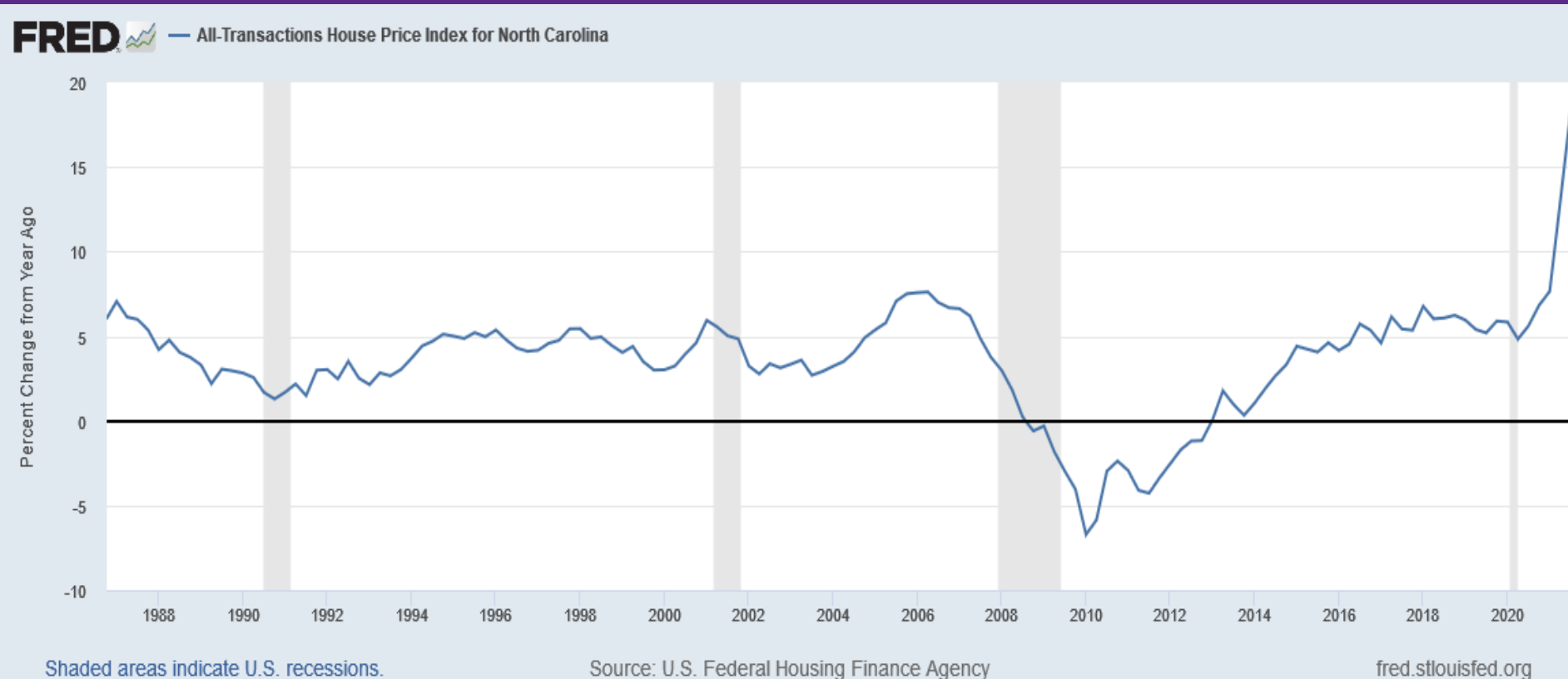
# NC Real GDP (to 3<sup>rd</sup> Q 21)



# NC Taxable Sales + Purch.

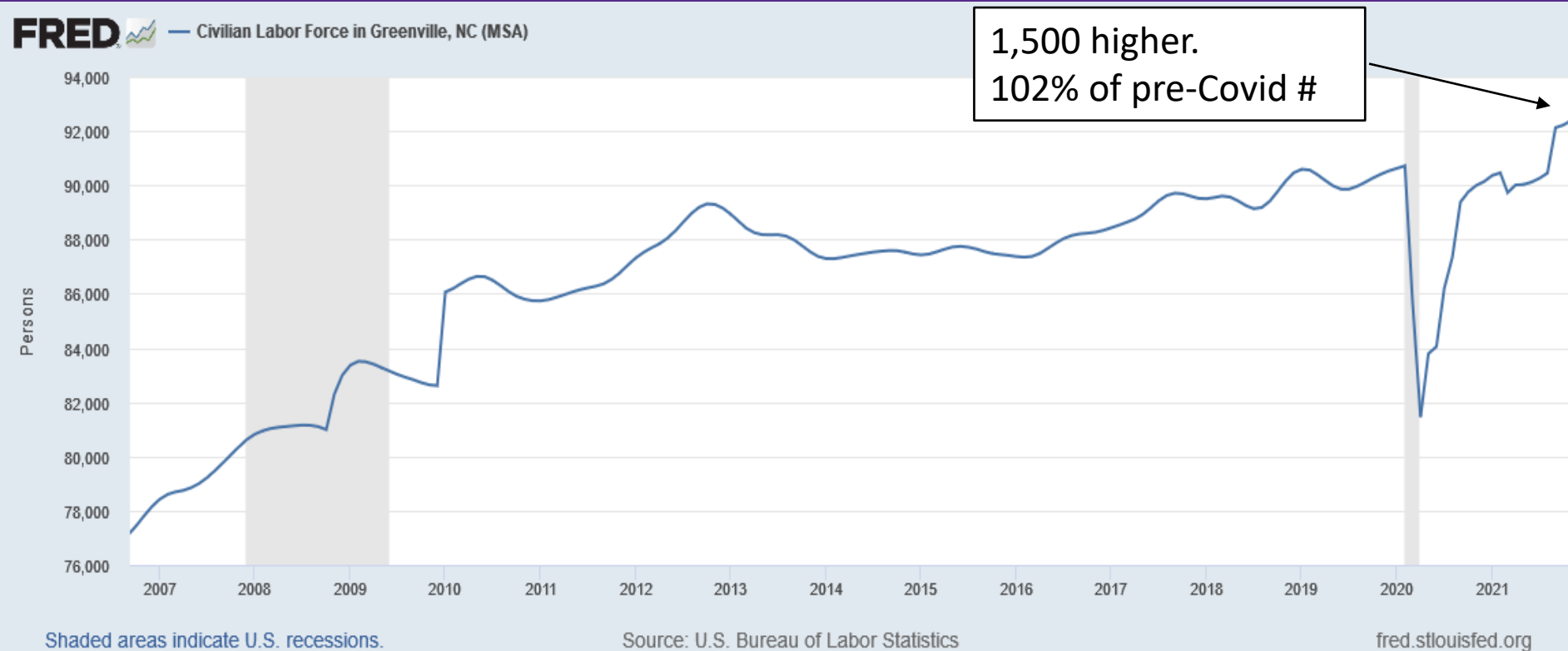
Month of:	Taxable Sales	% incr, yr-over-yr
December 2021	\$17.589 Billion	+21.0%
December 2020	\$14.535 Billion	+ 8.3%
December 2019	\$13.418 Billion	

# NC House Price Index (pct change from prior year)



# Greenville MSA

# Civilian Labor Force—GV Dec21



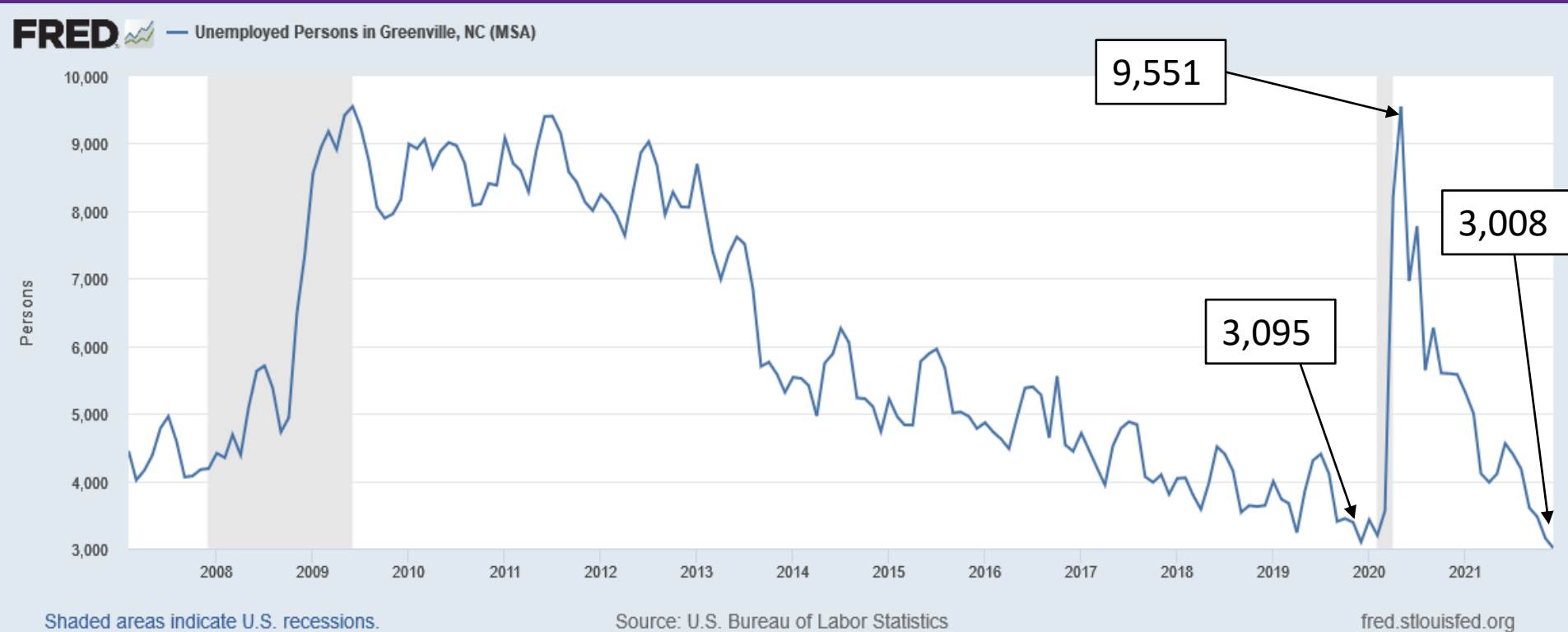


# Employed in GV MSA-Dec21



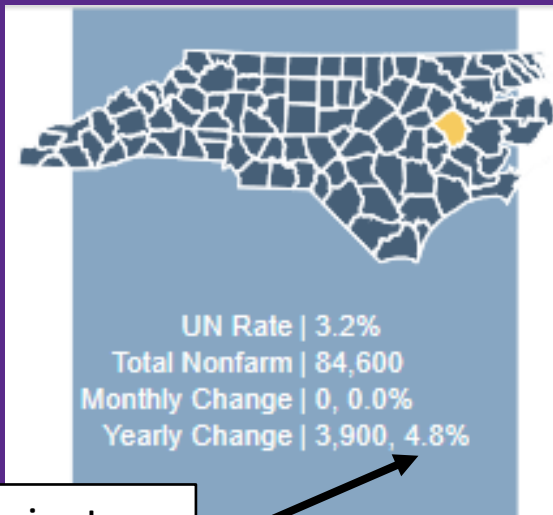
# # Unemployed in GV MSA

(pre-QVC and DENSO closures)



# Unemployment Rate in GV





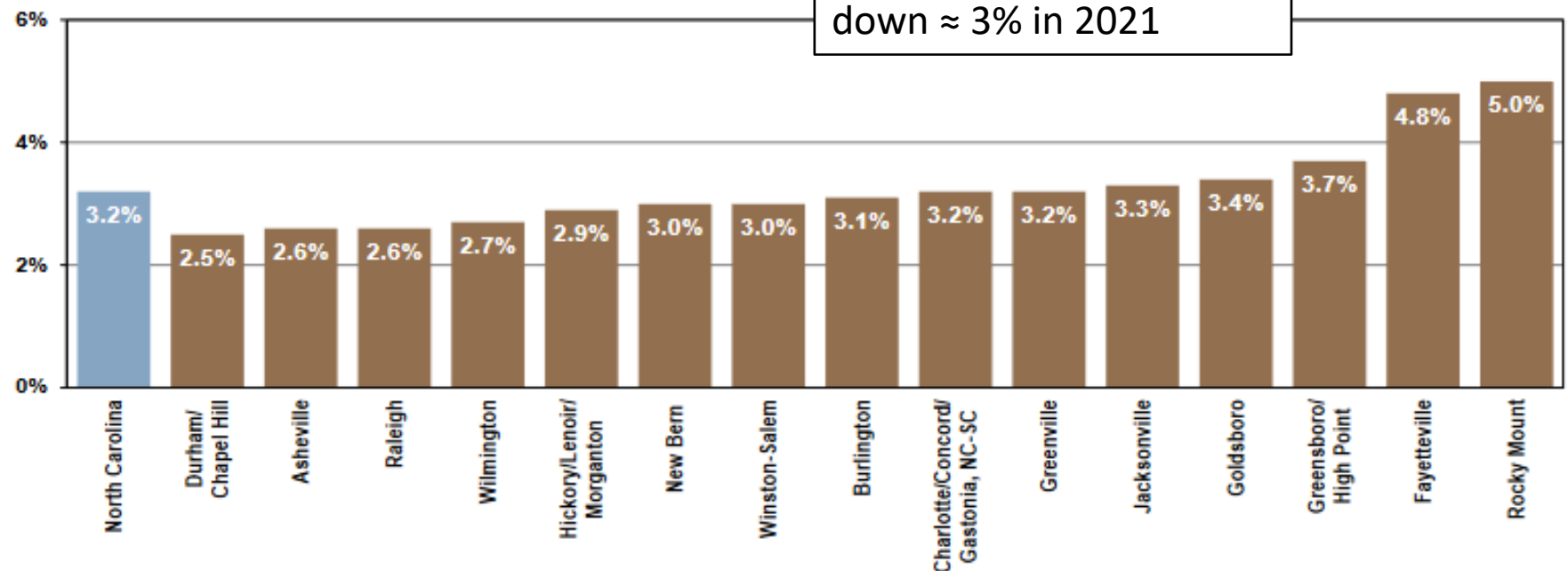
### Over-the-Year Employment Change

Industry	Change	
Mining, Logging & Construction	100	3.2%
Manufacturing	100	1.5%
Trade, Transportation & Utilities	400	3.2%
Information	0	0.0%
Financial Activities	-100	-4.0%
Professional & Business Services	800	10.7%
Education & Health Services	500	5.4%
Leisure & Hospitality	700	8.6%
Other Services	100	4.5%
Government	1,300	4.6%

Only Wilmington  
was better

### Metropolitan Statistical Areas' Unemployment Rates

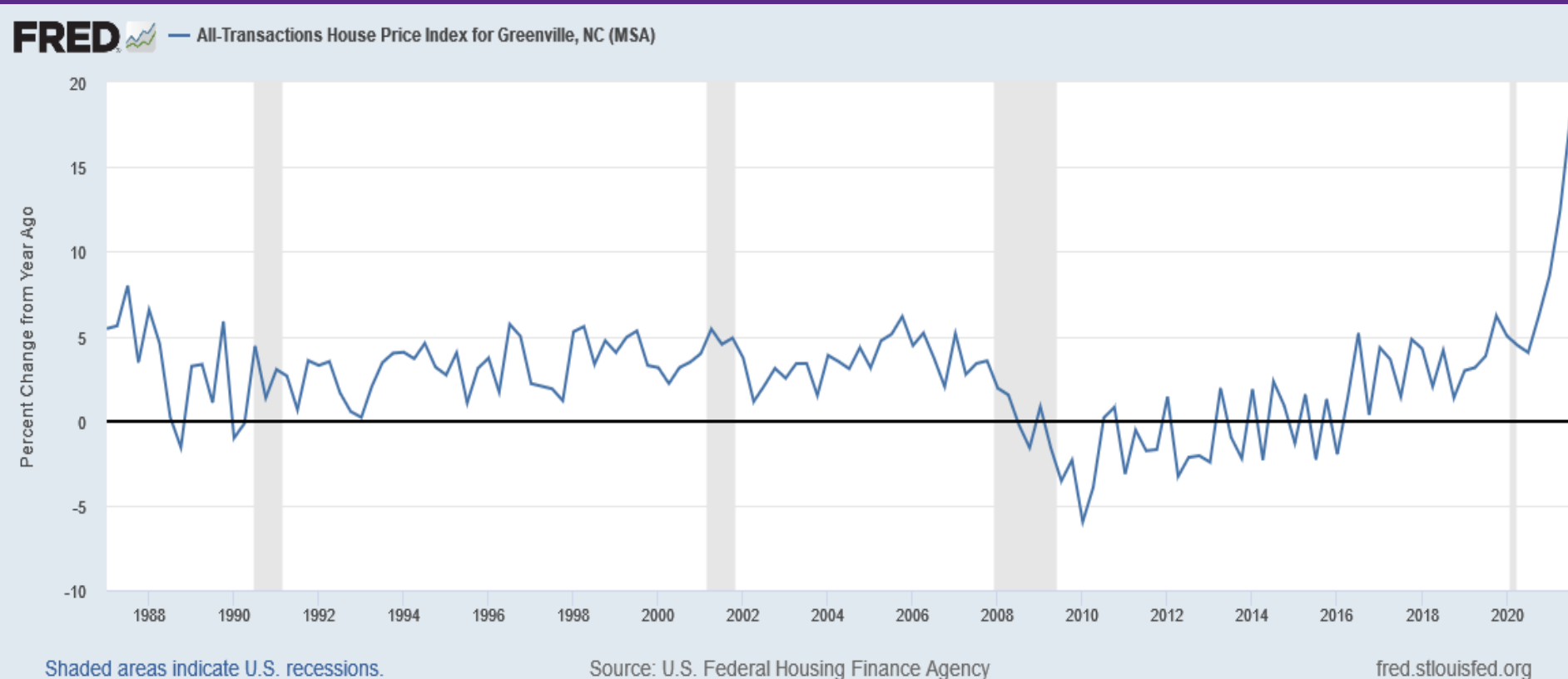
December 2021\*  
 (Not Seasonally Adjusted)



# Pitt Cty Taxable Sales+Purch.

Month of:	Taxable Sales	% incr, yr-over-yr
December 2021	\$279.2 million	+20.7%
December 2020	\$231.3 million	+ 3.0%
December 2019	\$224.6 million	

# Greenville House Price Index (pct change from prior year)



# Looking Forward

# US Forecast for 2022

- 2022 GDP 2-3%(+). 2023 GDP 2-3%(-).
- Unemployment rate 4-4.5% YE 2022
  - Assumes gradual increase in labor participation rate.
  - Total employment # will get back to pre-Covid level in 2022 Q2 or Q3.
- Inflation elevated through most of year and at 5% (+) by year end.
- Interest rates will rise by 1-2% depending on term, but still remain low.



# 2022 NC/GV Forecast

- NC and GV economic activity will mirror US
- At EOY, NC unemployment rate will be within 0.2-0.4 of US rate. GV will be similar versus NC rate.
- GV continues to be a bright light compared to others in the east.

# Risks to 2022 Economy

- COVID. It will surprise us again.
- Pandemic-induced supply shortages continue much beyond August.
- Dance between Fed increasing rates and economic growth. Increased risk of recession in 2023 (a recession would dampen inflation).

# Takeaways for You

- Increase the “we” and reduce the “me”
- “When prosperity comes, do not use all of it” – Confucius
- Tune out the rhetoric from Washington and Raleigh. Both sides.
- Take a deep breath; don’t hyperventilate; turn off the screaming heads on TV