



# State of the Region Regional Economic Overview and Forecast

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## TODAY'S OUTLINE

- Measuring and Comparing Economic Health
- Identifying and Measuring Economic Structure
- The Current Economy & Outlook

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## Angelou Metrics

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- Growth in Total Business Establishments
- Population of Young People
- Per Capita Income
- Education Attainment
- Community College/University Enrollment
- Wages by Target Industry
- Employment/Unemployment

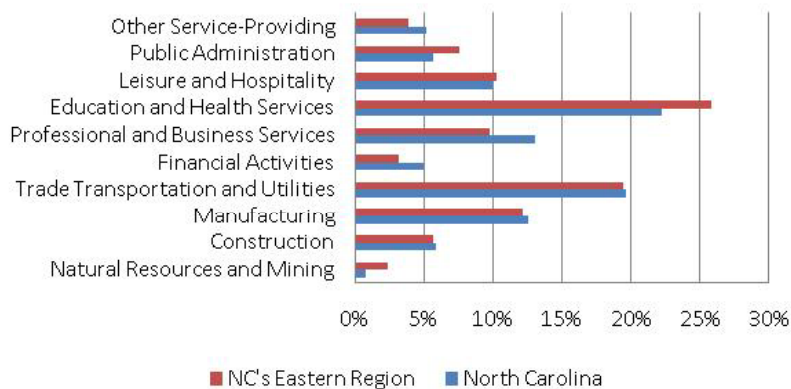
## Measuring and Comparing Economic Health

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- ANNUAL County Rankings of Economic Progress
  - Ability to create jobs
  - Ability to earn an adequate income
  - Ability to keep the local labor force employed
  - Ability to attract income from other regions
  - Ability to reduce poverty

## Identifying and Measuring Economic Structure

### Employment Share



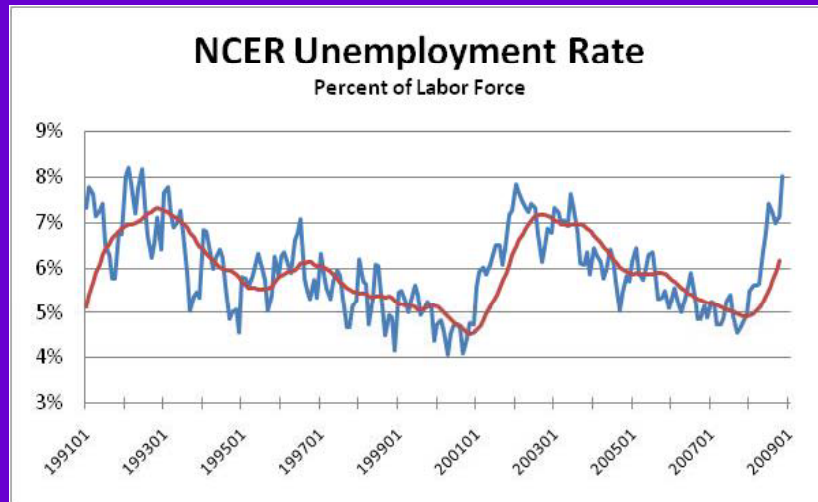
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## The Current Economy & Outlook

- Depends upon economic health and structure
  - Locally
  - Regionally
  - Statewide
  - Nationally
- Depends upon decisions we make
- Depends upon the US Economy

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# The Current Economy & Outlook



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# National Data

## Equity Markets

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## Perspective

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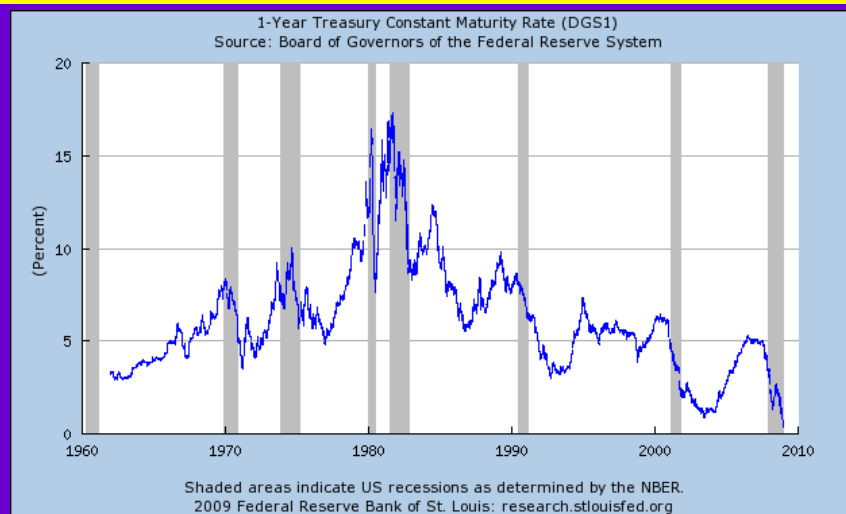
- Major indices are down 35% +/- from year ago
  - Not as significant as 72-73 or 00-02 (particularly the NASDAQ).
  - Not as significant as October 87. 23% in one day and 35% in a couple of weeks.
- In 2008, foreign markets generally down further.

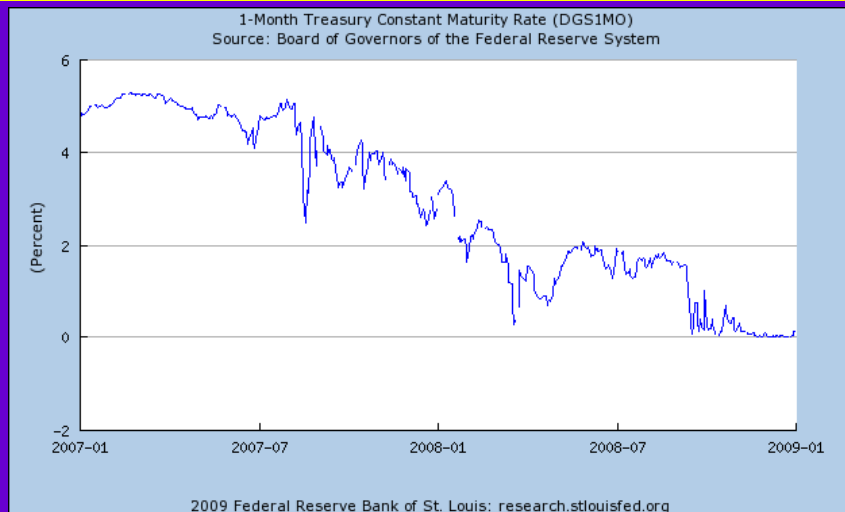
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# National Data

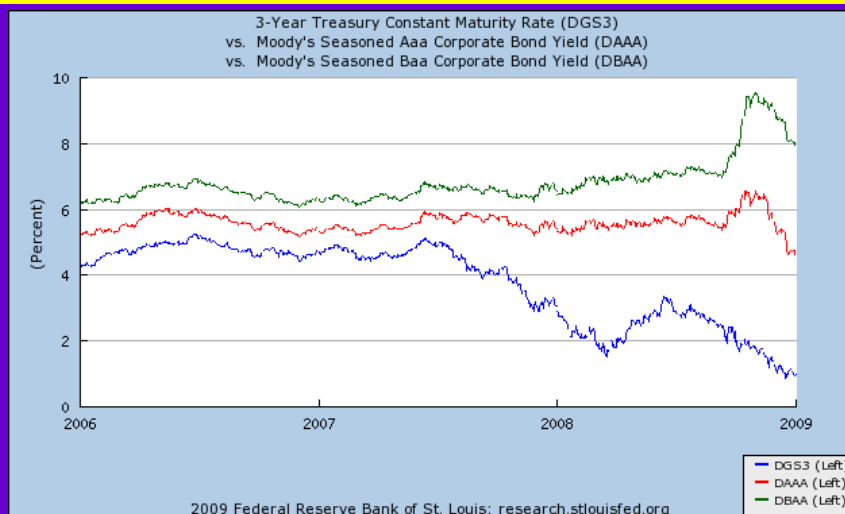
## Credit Markets

- Events of last 18 months have contributed to extreme caution (bordering on paranoia)
- Flight to quality
- Credit markets freezing up
- Claim the innocent as well as the guilty





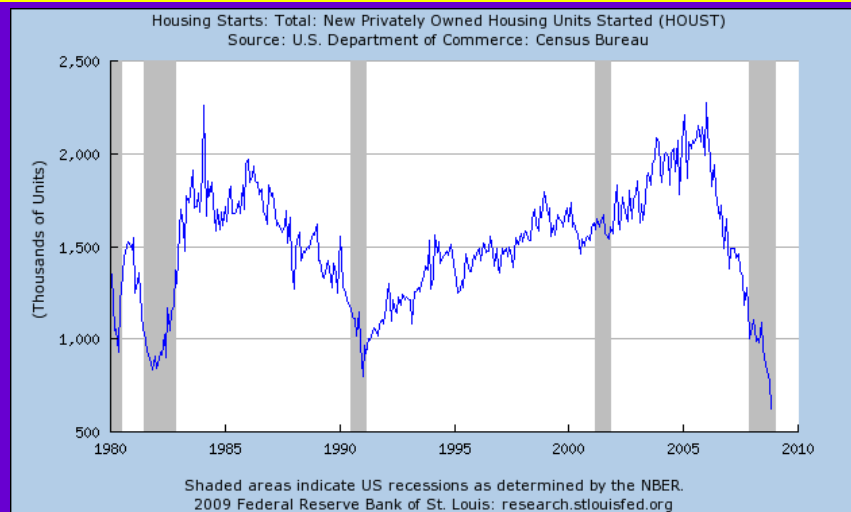
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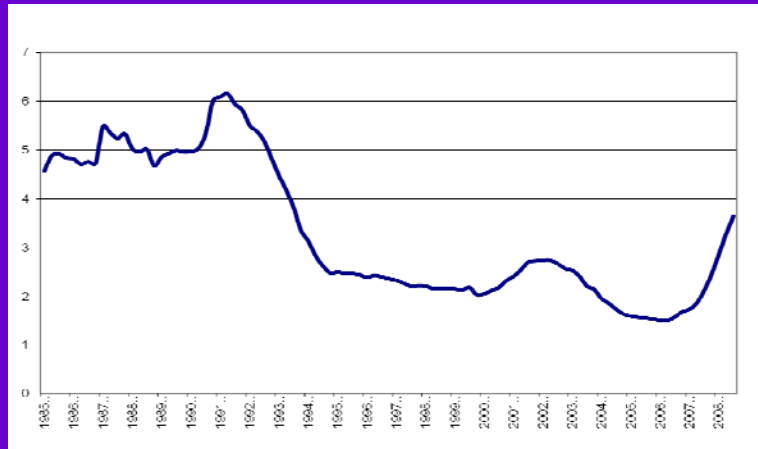
# Housing

# Housing Starts





## Delinquency Rates

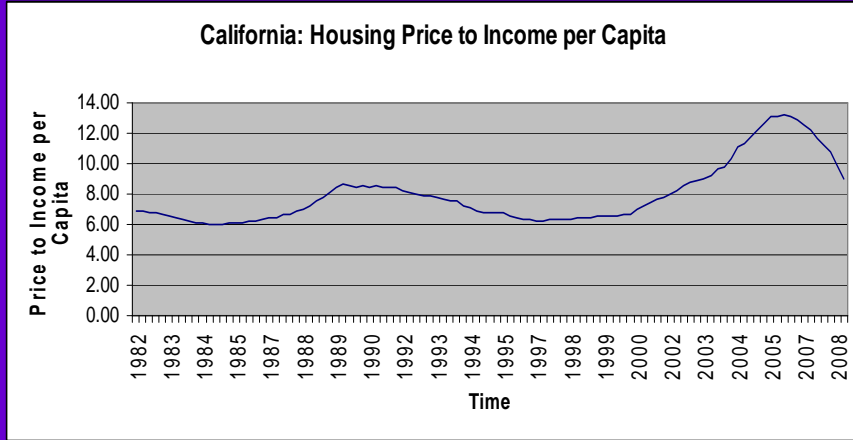


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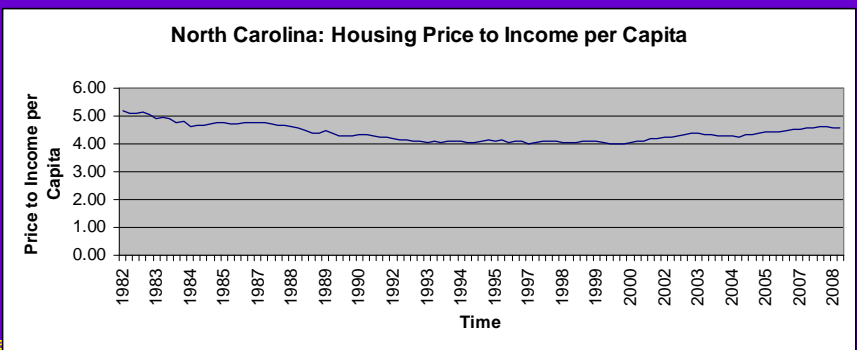
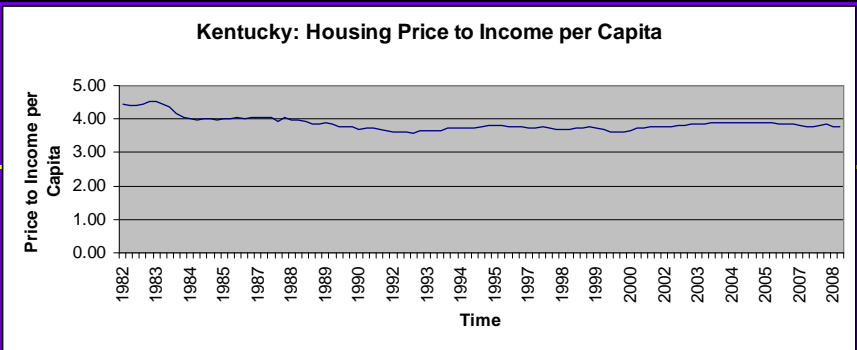
## Housing Markets

- Sales slowdown everywhere
- Price drops not widespread
  - House prices down 30%+ in California, Nevada, Florida, Arizona
  - Small/modest drops in about 12 states
  - Very small price change in about 34 states, including NC
    - Some localized pain (NC coast)

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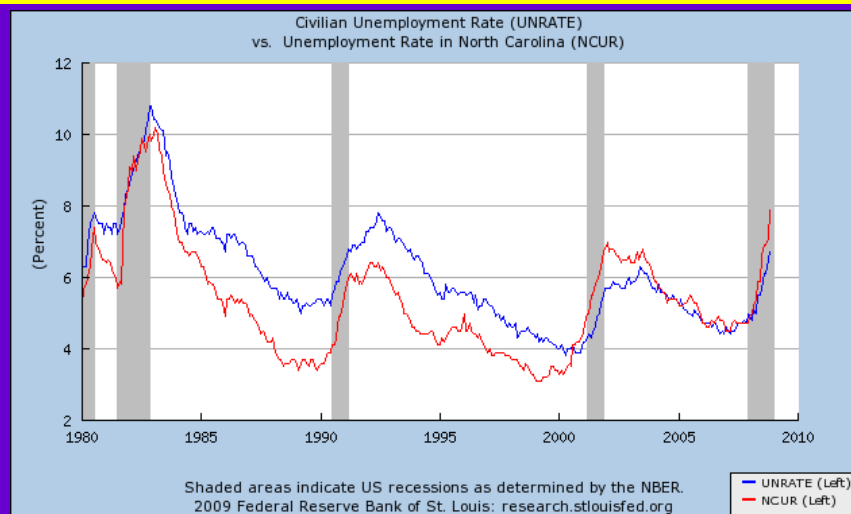


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# Employment

## Unemployment Rate US and NC since 1980



## Perspective

- In December, we lost 500K jobs !!!!!
  - 143 million people are employed
  - 500K is net: 4.8 million people lost their job and 4.3 million people were hired
- The US unemployment rate is 7.2% !!!!!
  - That's less than in 1949 (7.9%), 1958 (7.5%), 1975 (9%), 1982 (10.8%), and 1992 (7.8%).
  - Rate was over 7% from May 80 to Nov 86

## Local Data



## Employment Components (3 month averages)

	Unemp Rate	One Year Change			Five Year Change		
		CLF	Empl	Unemp Rate	CLF	Empl	Unemp Rate
NC	7.1%	+1.0%	(1.8%)	+2.6%	+7.5%	+6.3%	+1.0%
East	7.4%	+1.4%	(1.5%)	+2.7%	+7.1%	+5.7%	+1.2%
SE	7.4%	+1.3%	(1.4%)	+2.5%	+10.0%	+8.7%	+1.1%
Pitt	7.4%	+1.0%	(1.8%)	+2.7%	+10.5%	9.1%	+1.2%

CLF=Civilian Labor Force. Empl=Employment. Unemp Rate=Unemployment Rate Change. Three Month Averages

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# The Crystal Ball

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## National

- Recession lasts until late 2009+
  - Q408 down 4-5% annualized, Q109 down 3-4%
  - Total 5% GDP decrease
  - Recovery anemic
- Unemployment 9%+
  - More bad news RE jobs for 9 mo. Denominator effect.
- Housing is drag on economy
  - Overhang (evidence of some bottoming), foreclosures
- Energy prices remain modest
  - OPEC may take action to mitigate
  - As economy recovers, back up
- Downward trend in interest rates (may be about done)
  - As economy recovers, back up

## National

- **BIG unknowns are:**
  - Impact of upcoming stimulus package
  - Length/depth of
    - Credit crunch / housing market
    - Consumer spending slowdown
- Low probability event (10%)
  - Sustained deflation
- Very low probability event (5%)
  - Depression

## NC/Regional Outlook

- Depends upon US economy
- NC economy should be around national average (now “more like” US)
- NC unemployment bit above national average

## NC's Eastern Region

- NCER will be bit worse than state
  - Unemployment higher than state
    - Some counties better (ex. Craven/Carteret)
    - Historic relationships will widen slightly
  - Recession bit wider and deeper
  - Housing pricing not as bad, foreclosure effect is a question mark.

- Mitigating (not insulating) factors:
  - Net population inflow
    - What if it stops? Can they sell their house elsewhere?
    - Seeing signs of this now
  - Diversity of employment categories
  - Housing not hit as hard (not huge amount of excess to burn off)
  - Solid employment floor from UHS, ECU and military.
    - Not growing as much next 1.5 years

## NC's Eastern Region

- Local issues:
  - Increased military presence (a bright point)
  - Summer 2009 tourist season (don't get your hopes up)
- Long term:
  - Retirement/Health Care/Education are very positive
  - Improved transportation/infrastructure (including electronic) KEY issue to long-term growth
  - Regional Economic Development Regions will play key role in long-term success
  - Regional and local cooperation will be essential



## The Local and Regional Outlook

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- Depends upon statewide, regional, and local leadership
- “Anyone who thinks [the recovery will] happen overnight or without pain is delusional.”
- “Anyone who thinks this is a bottomless pit is crazy too.”

- Nobody becomes rich in America being a pessimist.
- Don't hyperventilate
- Keep things in perspective
- Turn off the screaming heads on TV