

ECONOMIC OUTLOOK: HOW LONG WILL IT TAKE TO RECOVER FROM THE “MANDATED RECESSION?”

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THE ECONOMY WAS VERY GOOD PRIOR TO THE VIRUS

1. RECORD LENGTH OF ECONOMIC GROWTH
2. GROWTH RATE (REAL GDP) OF 2%
3. RISING REAL WAGES
4. 50-YEAR LOW UNEMPLOYMENT
5. LOW INFLATION
6. GAINS AT THE LOWER PART OF THE ECONOMIC LADDER

THE “MANDATED” RECESSION

“TYPICAL” RECESSION STARTS BY SOME “EXCESS” IN THE ECONOMY
EXAMPLE: 2007-09 RECESSION: EXCESS IN LENDING FOR
HOMEBUYING

THIS RECESSION BEGUN BY NEED TO LIMIT SOCIAL INTERACTION IN
ORDER TO CONTAIN AND CONTROL THE VIRUS

HOW BAD OF A RECESSION?

RECESSION BEGAN IN FEBRUARY
EXPECTED TO BE DEEP BUT SHORT
BETWEEN 25% AND 33% OF THE ECONOMY HAS BEEN CLOSED
2ND QUARTER THE WORST – QUARTERLY REAL GDP DOWN 20-30%
JOBLESS RATE IN DOUBLE DIGITS

BUT IMPACTS HAVE VARIED BY ECONOMIC SECTOR

(% CHANGE OF TOTAL JOBS, FEBRUARY TO APRIL, 2020)

BIGGEST JOB LOSERS:

HOSPITALITY AND LEISURE (50%)

PERSONAL SERVICES (20%)

MANUFACTURING (10%)

SMALLEST JOB LOSERS:

FINANCIAL SERVICES AND GOVERNMENT (3%)

CONSTRUCTION (6%)

IMPACTS HAVE ALSO VARIED BY REGION

(% OF TOTAL JOB CHANGES, FEBRUARY TO APRIL, 2020)

IN NORTH CAROLINA

BIGGEST JOB LOSERS: ASHEVILLE, WILMINGTON

BURLINGTON, HICKORY

SMALLEST JOB LOSERS: RURAL NORTH CAROLINA

NEW BERN

DURHAM-CHAPEL HILL

HAS THE ECONOMIC RECOVERY BEGUN?

JOB GAINS IN NATION IN MAY AND JUNE
GAINS IN NORTH CAROLINA IN MAY (JUNE COMING)
RE-OPENING OF THE ECONOMY
FEDERAL FINANCIAL HELP

HOUSING HAS HAD A STRONG BOUNCE-BACK

SALES, CONSTRUCTION, AND PRICES ALL RE-INFORCED SINCE MAY

BENEFIT OF LOW INTEREST RATES

ALSO BENEFITED FROM FEDERAL SUPPORT OF HOUSEHOLDS

WITH MORE REMOTE WORKING, RE-EVALUATION OF DWELLINGS

THE FEDERAL RESCUE

FEDERAL GOVERNMENT MOVED FAST TO ASSIST THE ECONOMY

“FISCAL POLICY”: \$3 TRILLION OF ASSISTANCE TO HOUSEHOLDS AND BUSINESSES

“MONETARY POLICY”: LOWER INTEREST RATES
\$4 TRILLION LENDING PROGRAM

MAYBE MORE TO COME, INCLUDING DIRECT AID TO STATE & LOCAL GOVERNMENTS (NC GENERAL FUND REVENUES EXPECTED TO BE DOWN 6.6% THIS FISCAL YEAR AND 10% NEXT FISCAL YEAR)

LONG-RUN COST OF THE FEDERAL RESCUE: FISCAL POLICY

ALL NEW SPENDING IS ADDED TO THE NATIONAL DEBT

FORTUNATELY, INTEREST RATES ARE NEAR ZERO

BORROWING GROWTH FROM THE FUTURE

BUT ALTERNATIVE IS LOSING A LARGE PART OF THE ECONOMY

LONG-RUN COST OF THE FEDERAL RESCUE: MONETARY POLICY

FEDERAL RESERVE CREATES RESOURCES BY PRINTING MONEY

“COST” CAN BE HIGHER INFLATION

AVOIDED IF “SUPPLY” KEEPS UP WITH “DEMAND” DURING THE
RECOVERY

BALANCING HEALTH AND WEALTH

BALANCING HEALTH AND THE ECONOMY

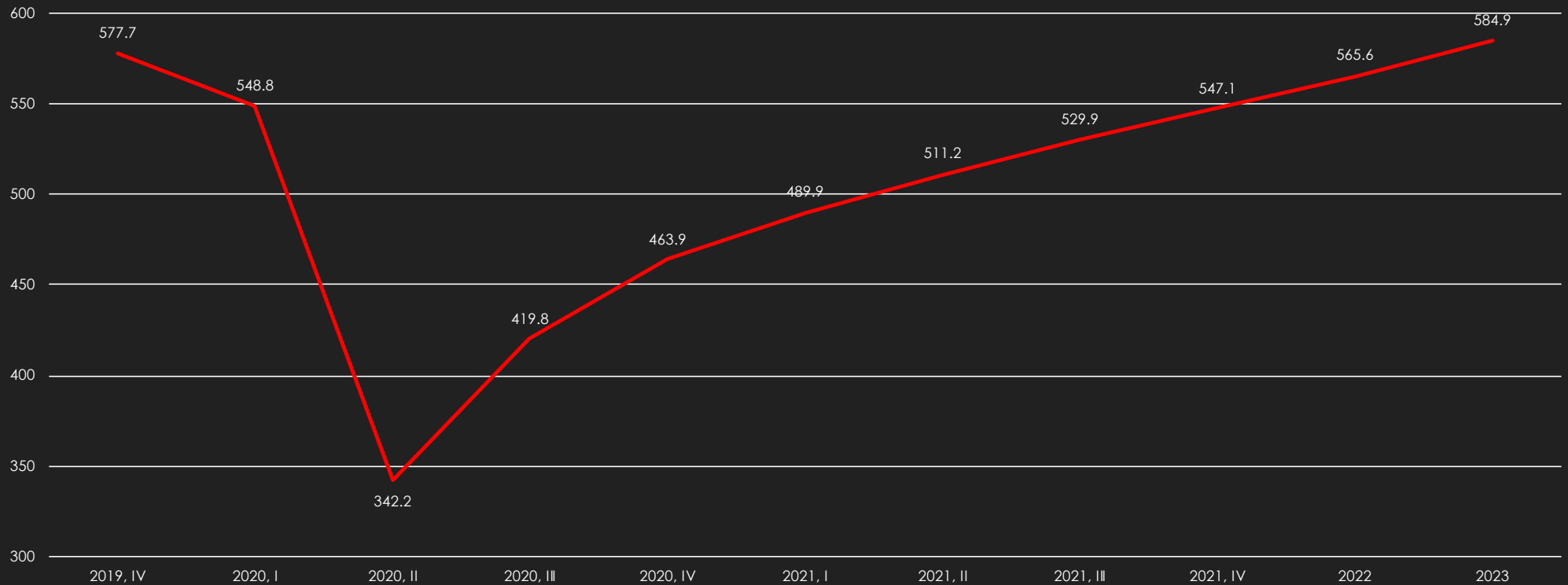
COST OF CONTAINING THE VIRUS HAS BEEN SHRINKING THE ECONOMY

BENEFIT OF CURTAILING THE ECONOMY HAS BEEN SAVED LIVES

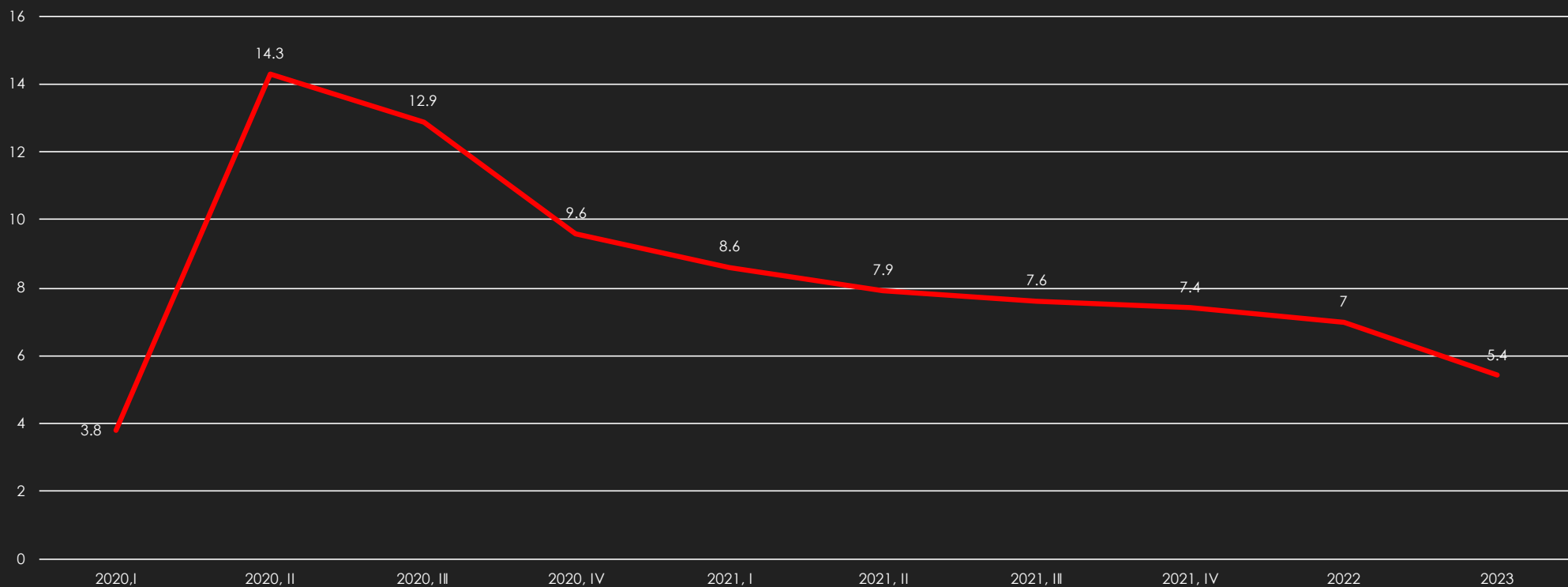
RECENT RESEARCH ESTIMATE THE ECONOMIC BENEFIT OF THE
SHUTDOWN AT \$8 TRILLION IN SAVED EARNINGS FROM REDUCED DEATHS

BUT COST THE ECONOMY ALMOST \$500 BILLION PER MONTH

FORECASTED PATH OF NORTH CAROLINA'S REAL GDP



FORECASTED PATH OF NORTH CAROLINA'S UNEMPLOYMENT RATE



POTENTIAL CHANGES IN THE POST-VIRUS WORLD

“TELE” IN EVERYTHING: WORK, SCHOOL, MEDICAL
GLOBALIZATION RE-VISITED
SUPPLY-CHAIN RE-VISITED
LIVING IN DENSE CITIES RE-VISITED

CONCLUSION

THE CORONAVIRUS PANDEMIC HAS CREATED PERMANENT PERSONAL AND ECONOMIC LOSSES ON THE WORLD

ALL THE MORE DIFFICULT BECAUSE IT HAS BEEN OVER 60 YEARS SINCE A SIMILAR OUTBREAK OCCURRED

LESSON: VIRUS PANDEMICS CAN STILL OCCUR - \$ SPENT IN PREDICTION AND PREVENTION HAVE A VERY HIGH RATE OF RETURN