

# 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  
2<sup>ND</sup> 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

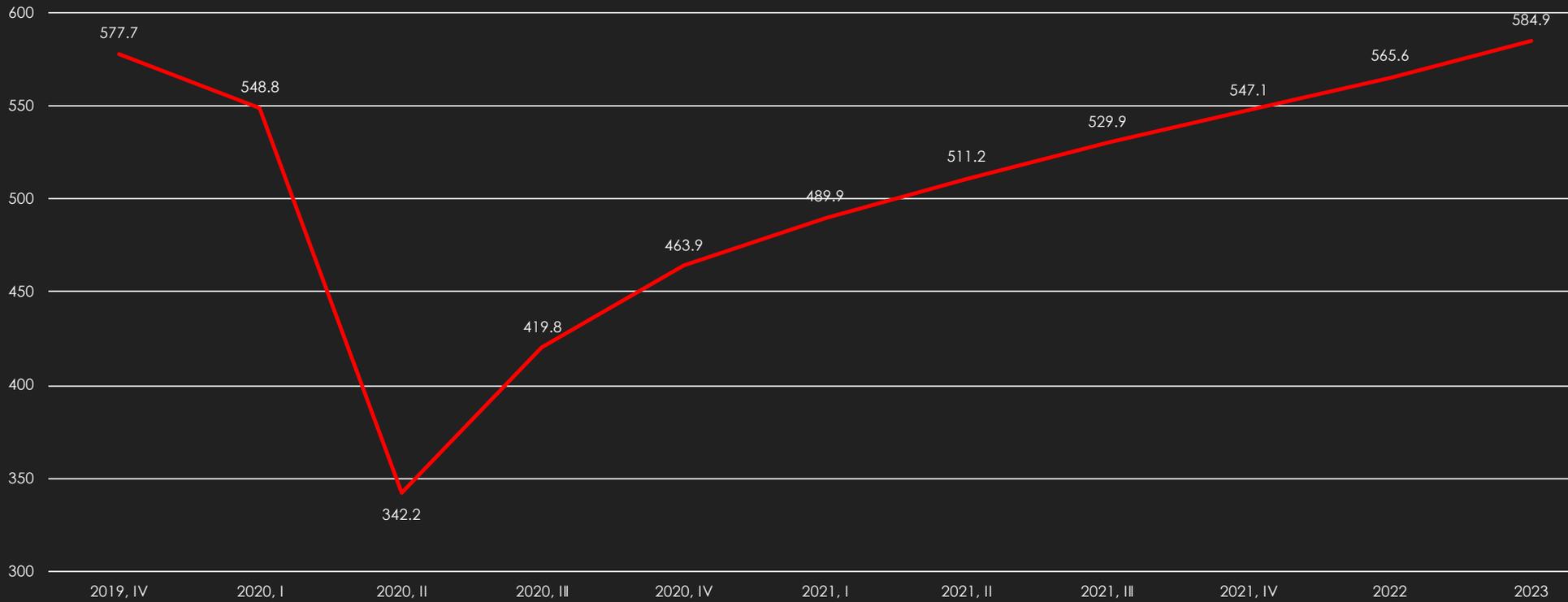
COST OF CONTAINING THE VIRUS HAS BEEN SHRINKING THE ECONOMY

BENEFIT OF CURTAILING THE ECONOMY HAS BEEN SAVED LIVES

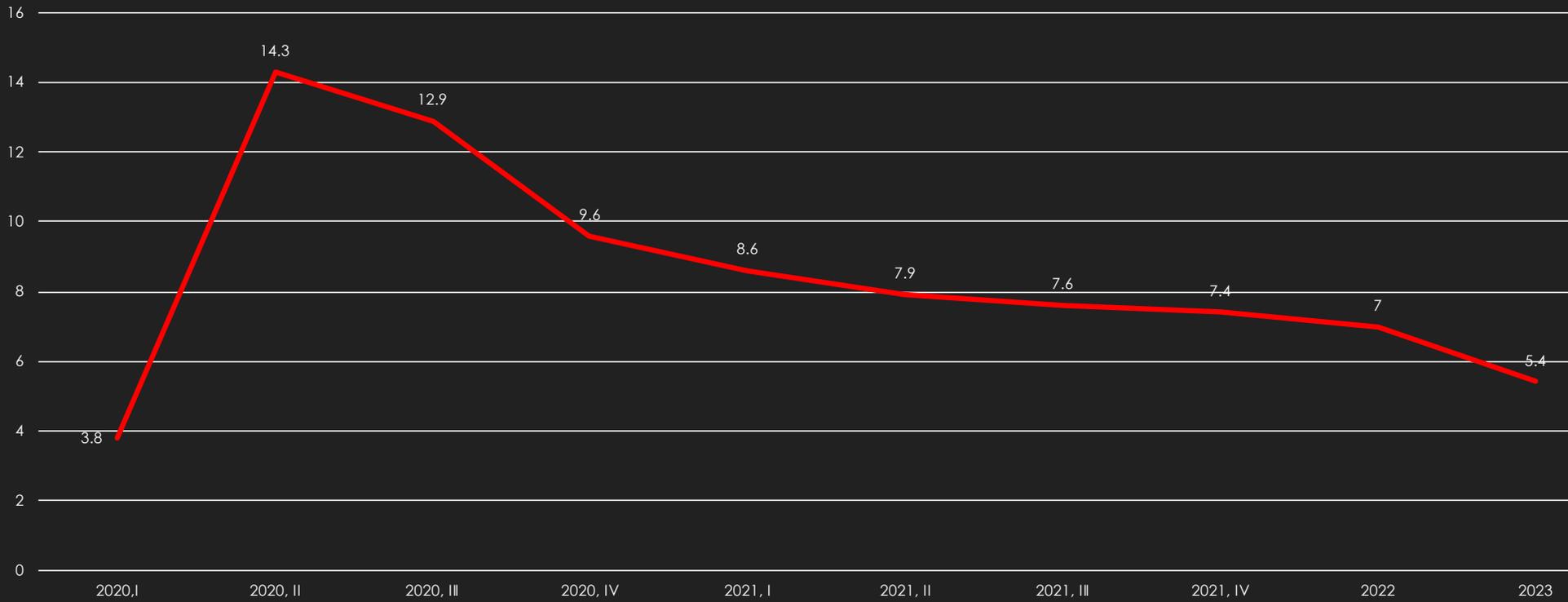
RECENT RESEARCH ESTIMATE THE ECONOMIC BENEFIT OF THE  
SHUTDOWN AT \$8 TRILLION IN SAVED EARNINGS FROM REDUCED DEATHS

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