ECONOMIC OUTLOOK 2022:

RECOVERY FROM THE PANDEMIC

(IN MORE THAN ONE WAY !)

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THE ”BIG” QUESTIONS FOR 2022

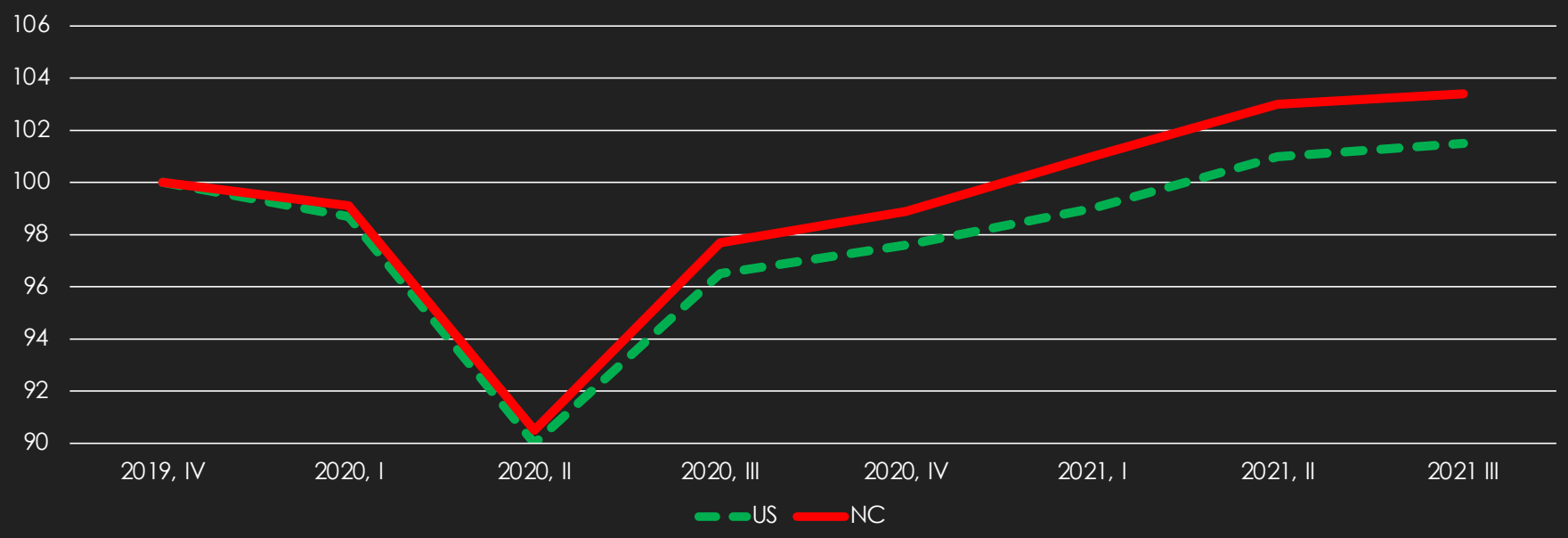
1. WILL THE ECONOMY CONTINUE TO IMPROVE?

2. HOW WILL WE “PAY FOR” FEDERAL SPENDING DURING THE PANDEMIC?

3. HOW WILL THE ECONOMY ADJUST AFTER THE PANDEMIC?

DOWNS AND UPS OF THE US AND NC ECONOMIES

(QUARTERLY GDP AS PERCENT OF 2019 IV GDP)



LEADING AND LAGGING SECTORS IN THE NC ECONOMY
(% OF 2019 IV GDP)

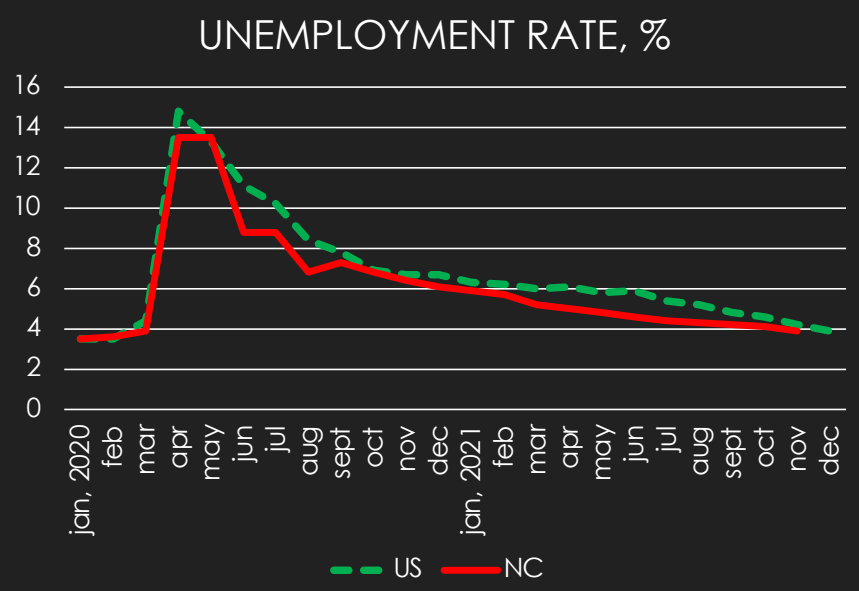
Information	119%
Professional Services	114%
Administrative Services	114%
Finance	109%
Wholesale Trade	105%
Manufacturing	104%
Health Care	102%
Restaurants & Hotels	102%
Construction	100%
Government	99%
Agriculture	98%
Retail Trade	98%
Education	96%
Transp. & Warehousing	94%
Personal Services	94%
Education	89%

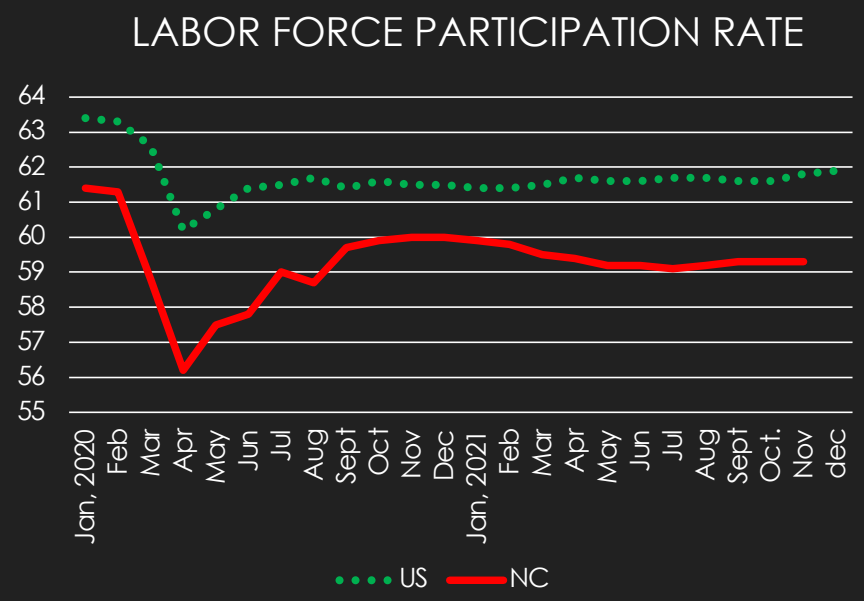
RECOVERY HAS ALSO VARIED WITHIN NORTH CAROLINA

EMPLOYMENT IN NOVEMBER 2021 AS % OF EMPLOYMENT IN FEBRURAY 2020

GREENVILLE	102%
DURHAM/CH	100%
HICKORY	100%
JACKSONVILLE	100%
RALEIGH-CARY	100%
WILMINGTON	100%
BURLINGTON	99%
NORTH CAROLINA	98%
CHARLOTTE	98%
WINSTON-SALEM	98%
FAYETTEVILLE	97%
GOLDSBORO	97%
NEW BERN	97%
ROCKY MOUNT	97%
ASHEVILLE	95%
GREENSBORO/HP	95%

TW0 PICTURES OF THE LABOR MARKET





THE "SURPRISE"SHORTAGE OF LABOR

REASONS WHY FEWER PEOPLE HAVE BEEN LOOKING FOR WORK:

- CONTINUED WORRY OVER COVID
- UNCERTAINTY ABOUT SCHOOL SCHEDULES
- REDUCED AVAILABILITY OF CHILD CARE
- CASH FROM STIMULUS CHECKS, CHILD PAYMENTS, ADDITIONAL JOBLESS BENEFITS, EXPANDED FOOD STAMPS, EXPANDED "OBAMACARE"
- MORE RETIREMENTS

ALSO, A RE-ALLOCATION OF WORKERS IS OCCURRING

MANY WORKERS USED THE TIME AND FINANCIAL SUPPORT DURING THE PANDEMIC TO IMPROVE THEIR SKILLS

BUSINESS RESPONSES TO LABOR SUPPLY ISSUES

1. ATTRACT LABOR WITH HIGHER PAY AND/OR BENEFITS
2. SUBSTITUTE TECHNOLOGYAND AUTOMATION FOR WORKERS
3. IMPROVE WORKER PRODUCTIVITY

LABOR AVAILABILITY

SHOULD IMPROVE AS SUPPLEMENTAL UNEMPLOYMENT PAYMENTS ENDED

THE UP-SKILLING OF MANY WORKERS WILL PRESENT ON-GOING ISSUES FOR SOME INDUSTRIES

THERE ARE LONG-RUN SOLUTIONS, BUT TAKES TIME

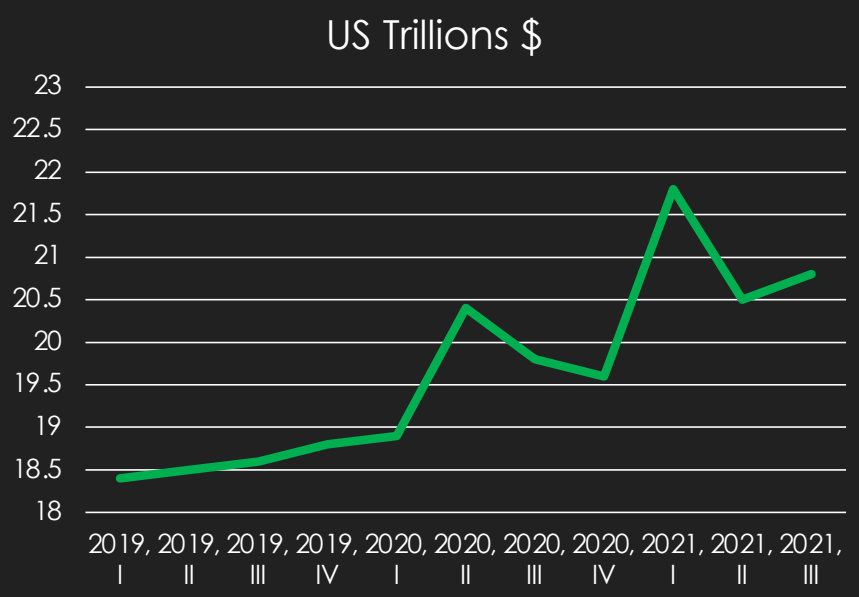
UNPRECEDENTED FEDERAL ASSISTANCE

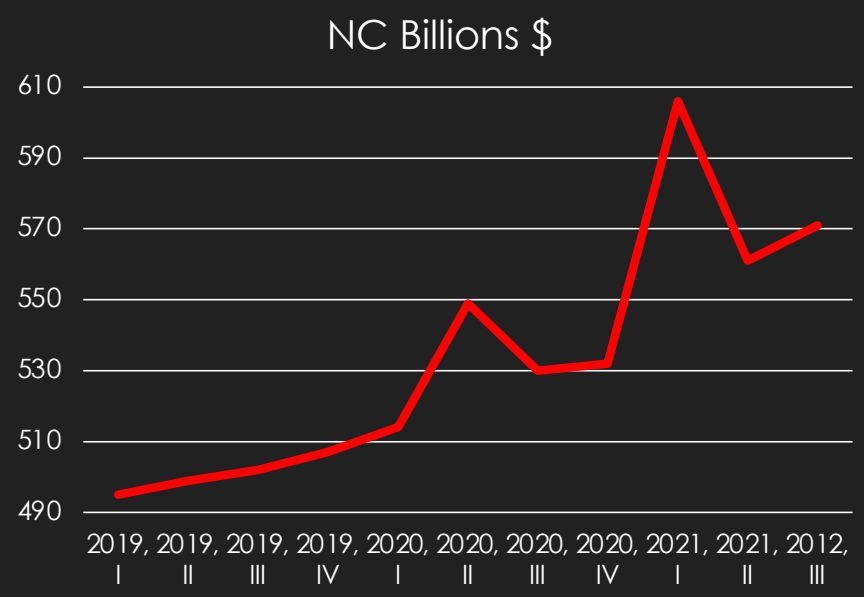
$5.5 TRILLION

25% of GDP

$80 BILLION to NC

FEDERAL AID SUPPORTED PERSONAL INCOME





WAS TOO MUCH FINANCIAL AID PROVIDED?

FIRST PANDEMIC OF THIS SIZE IN A CENTURY – UNKNOWNS, UNCERTAINITIES

ERR ON THE SIZE OF TOO MUCH HELP

FUNDS USED TO MAINTAIN HOUSEHOLDS, BUSINESSES, INSTITUTIONS

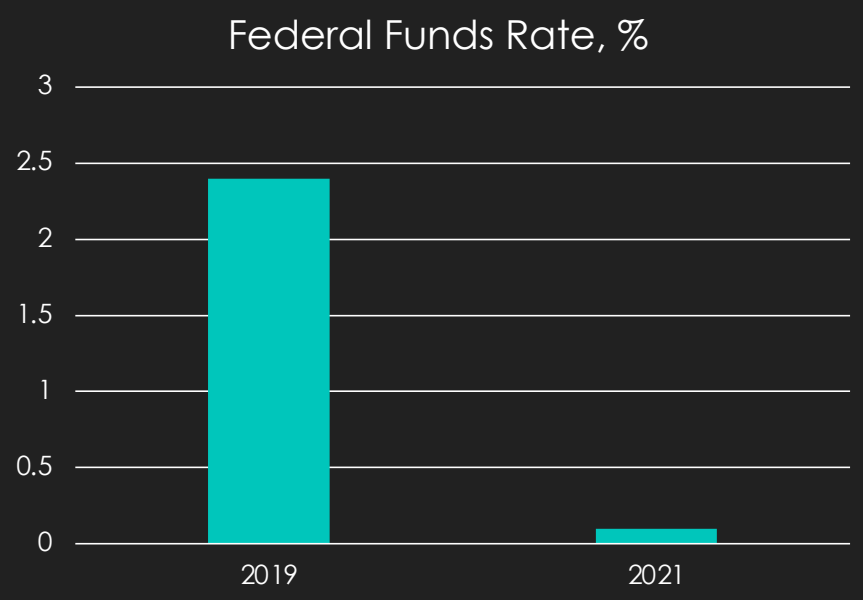
WANTED ECONOMY TO SURVIVE

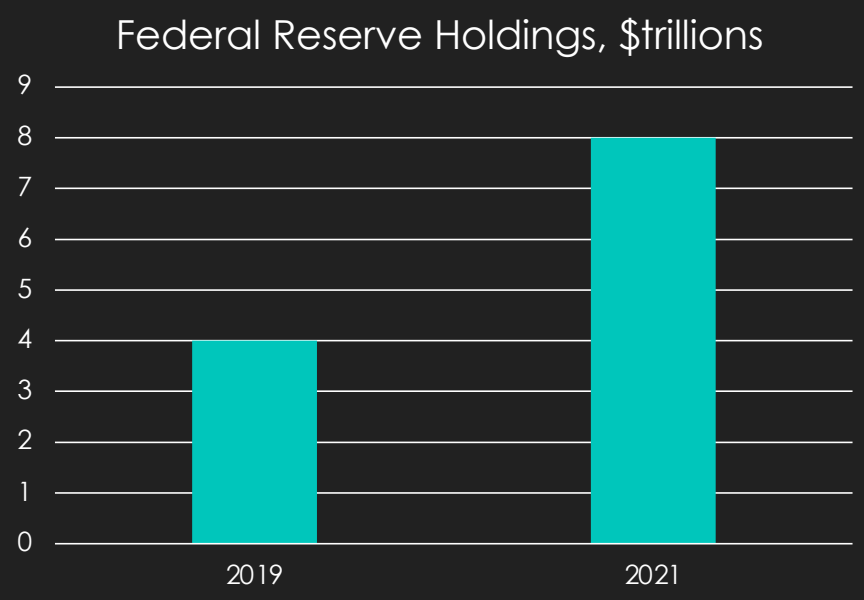
BALANCING THE CURRENT AGAINST THE FUTURE

OPPORTUNITY COST OF WHAT ELSE COULD DO WITH FUTURE FUNDS

LOSSES IF LET ECONOMY COLLAPSE DURING THE PANDEMIC

FEDERAL RESERVE ALSO STEPPED UP – FINANCED GOVERNMENT BORROWING, KEPT INTEREST RATES LOW



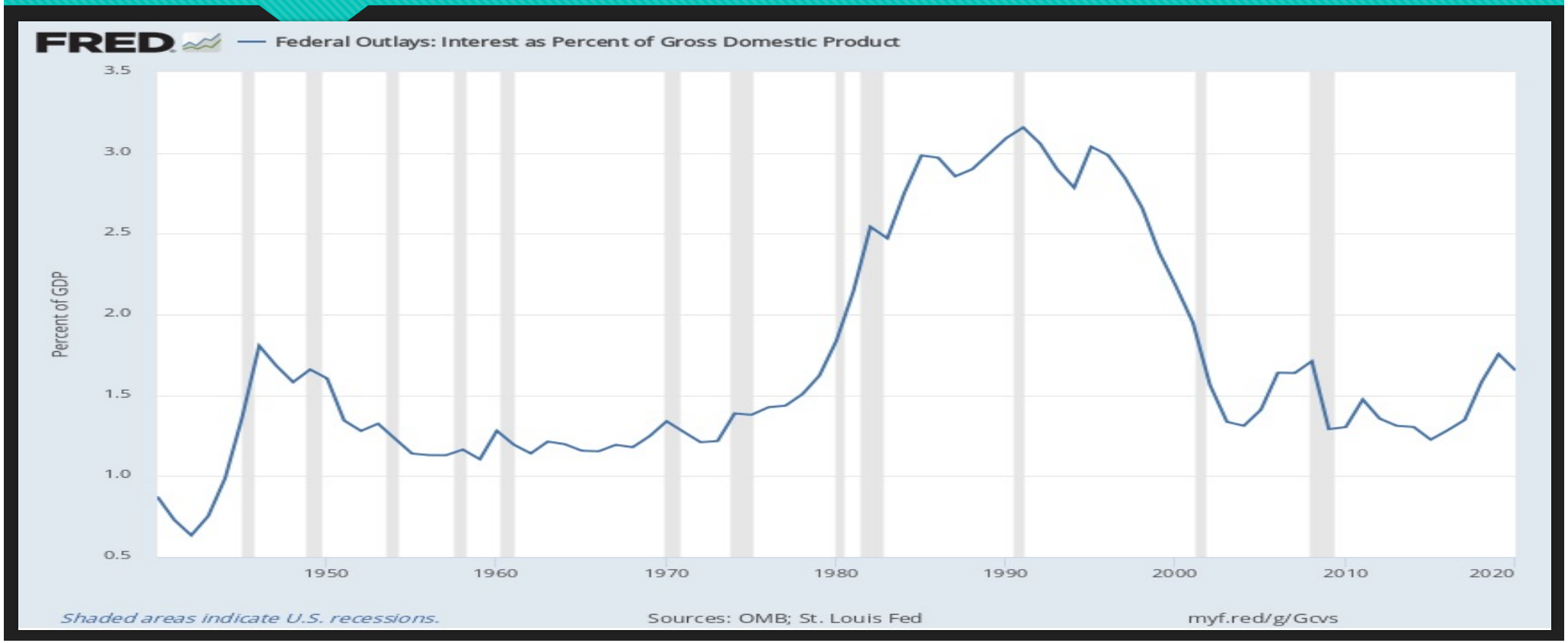


THE ”FED” SUPPORTS ITS EFFORTS BY CREATING $

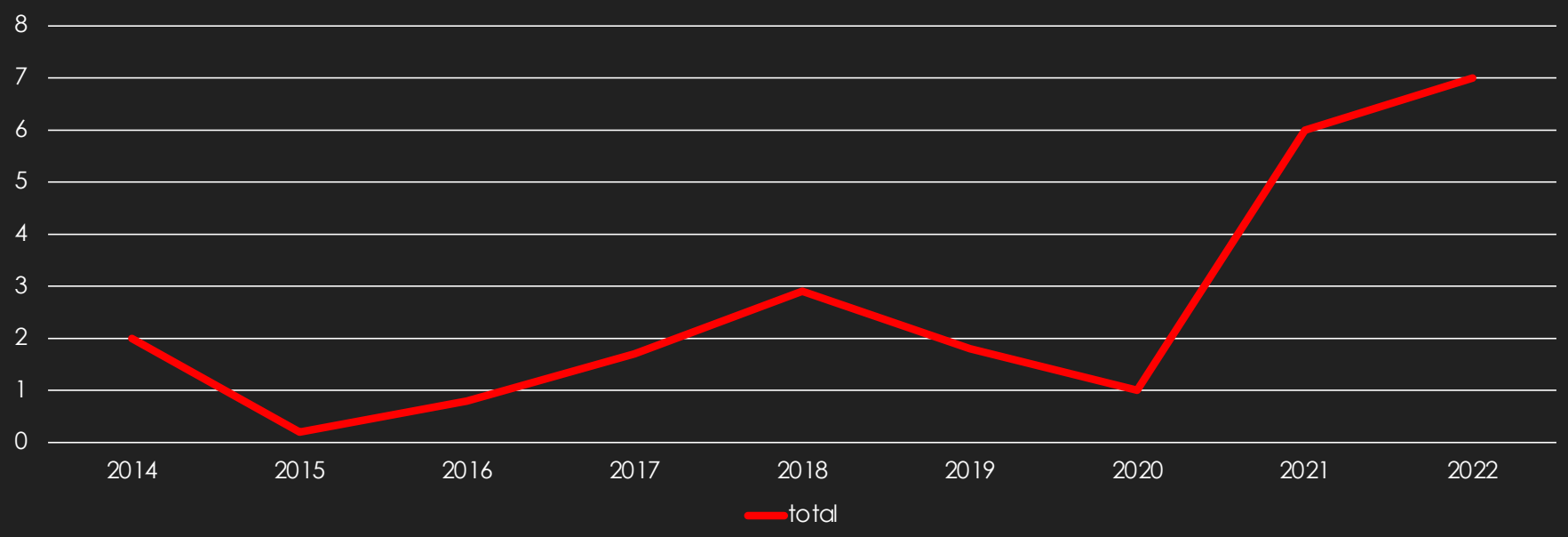
MONEY SUPPLY UP 85% SINCE BEGINNING OF PANDEMIC

ISSUE 1: CAPACITY TO CARRY FEDERAL DEBT

(federal debt interest payments as a percent of GDP)



ISSUE 2: INFLATION (% change)



TWO VIEWS ON INFLATION

DEMAND PULL: ECONOMY IS FLUSH WITH CASH AND "PENT-UP" DEMAND

HIGHER INFLATION RATE (4% to 5%) THROUGH 2022.

HIGHER INFLATION IS THE "PRICE" OF THE ENORMOUS FEDERAL HELP.

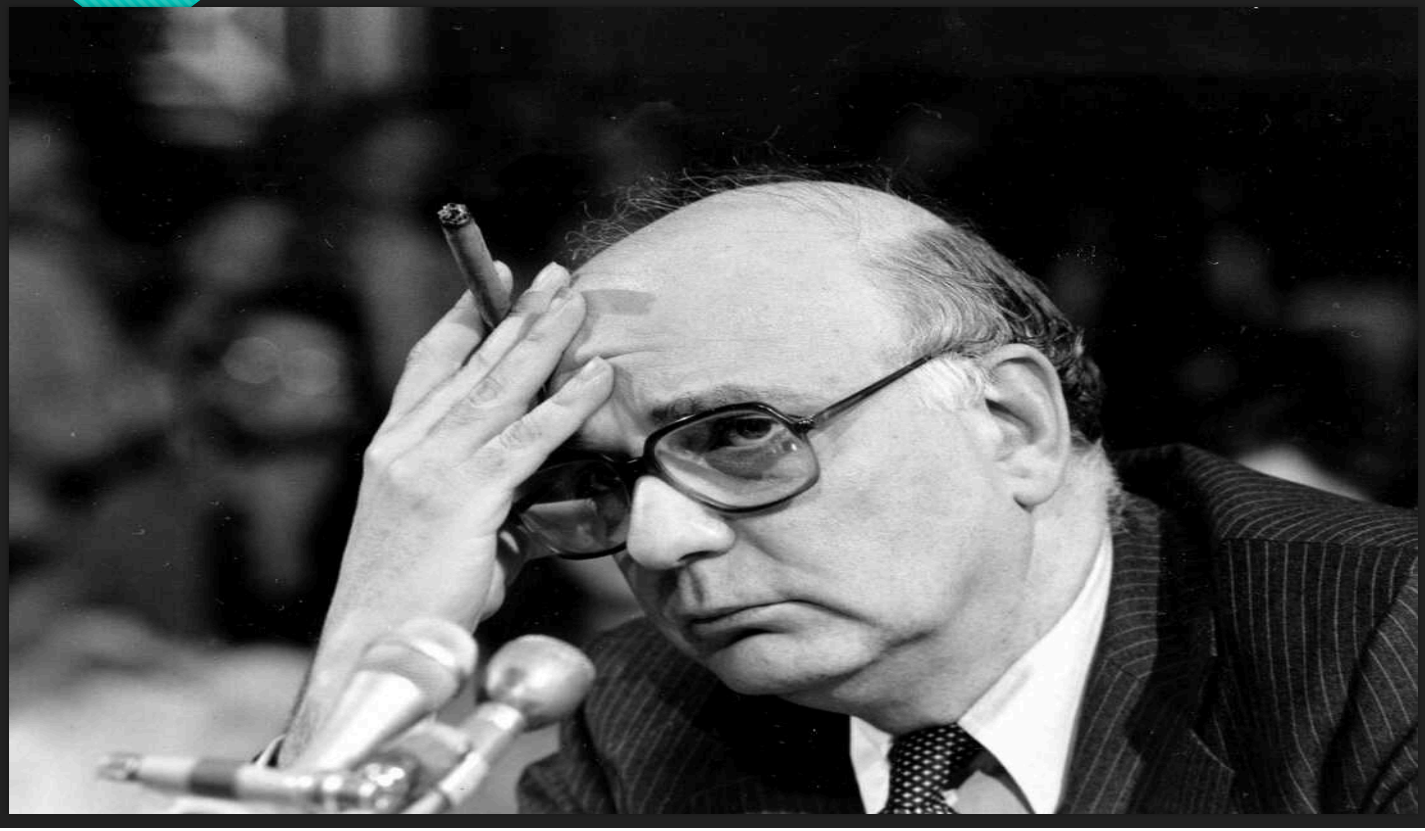
SUPPLY PUSH: FASTER INFLATION IS RELATED TO DISRUPTIONS IN THE PRODUCTION OF PRODUCTS AND SERVICES AS THE ECONOMY RECOVERS FROM THE PANDEMIC.

THE DISRUPTONS ARE TEMPORARY.

CHALLENGE FOR THE FEDERAL RESERVE

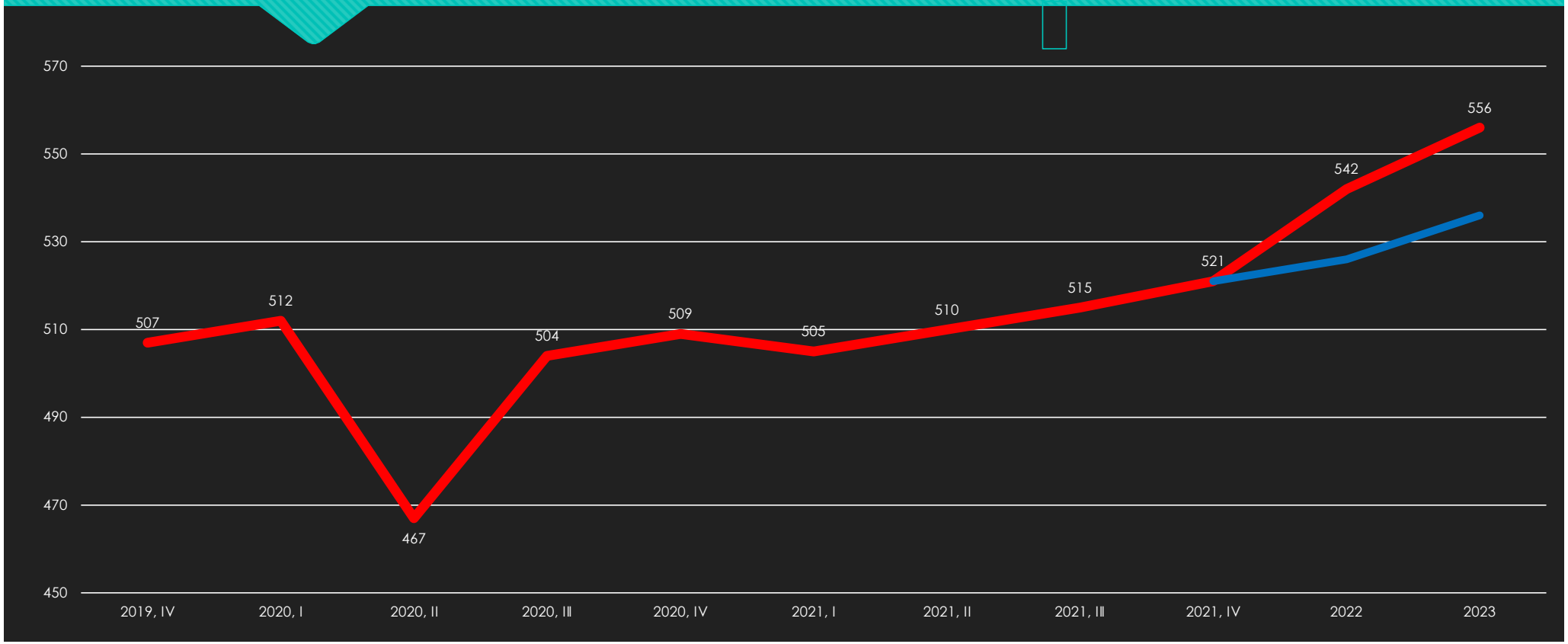
REDUCING STIMULUS – MEANING INCREASDING INTEREST RATES AND DECREASING MONEY GROWTH –WITHOUT HINDERING ECONOMIC GROWTH

WE FACED THE SAME SITUATION IN THE LATE 1970s
THE FED UNDER PAUL VOLCKER TOOK HARSH ACTION



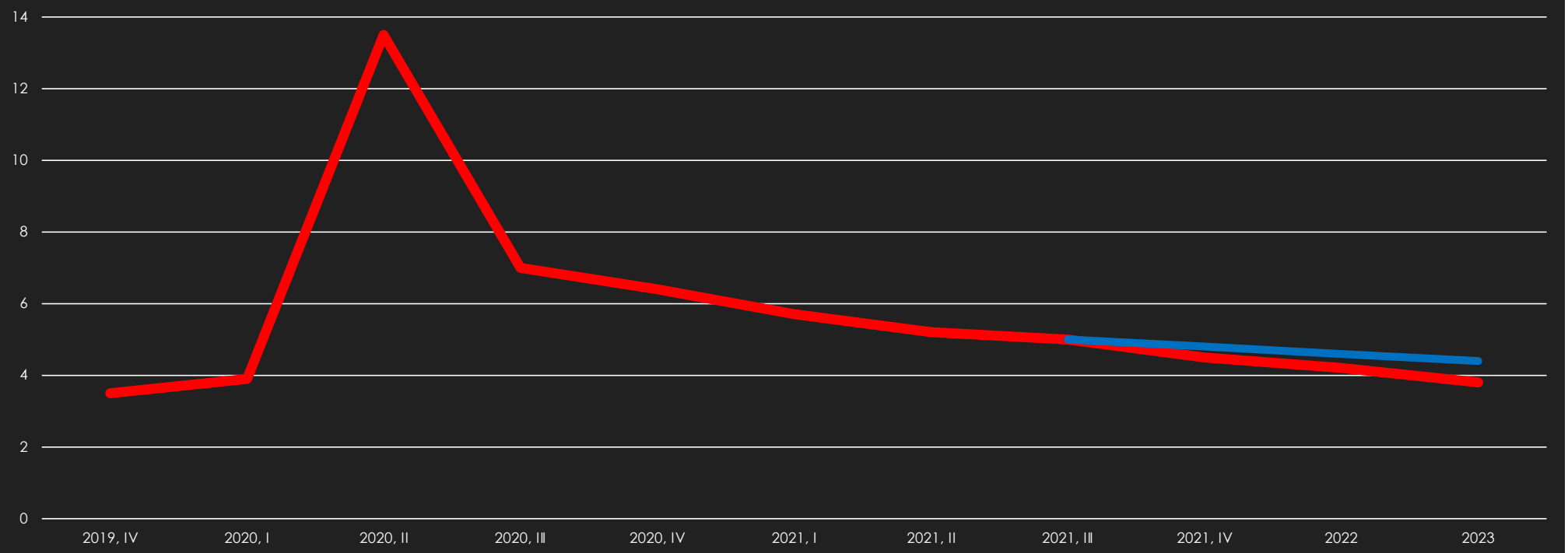
FORECASTED PATH OF NORTH CAROLINA'S REAL GDP

(red: without new variants; blue: with new variants)



NORTH CAROLINA'S FORECASTED PATH OF THE UNEMPLOYMENT RATE

(red: without new variants; blue: with new variants)



HOW WILL THE ECONOMY ADJUST AFTER THE PANDEMIC?

MORE LABOR MARKET DISRUPTON

BIGGEST ISSUE OF POST-PANDEMIC ECONOMY

SHIFT FROM PRODUCTION TO DELIVERY, SERVICES

MORE JOBS IN TECHNOLOGY

POST-HIGH SCHOOL TRAINING, APPRENTICESHIPS, ON-THE-JOB TRAINING, COLLABORATIONS

BE PRO-ACTIVE

BIG IMPLICATIONS FOR EDUCATION

SOME LEVEL OF DISTANCE LEARNING IS HERE TO STAY AT ALL LEVELS OF EDUCATION

SHOULD GET BETTER

EDUCATION RE-MADE

INTERNET EXPANSION

HIGH SPEED INTERNET NOW A NECESSITY

CONTINUED EXPANSION OF CABLE PROVISION

BUT NEW PROVISION – LOW ORBITING SATELLITES

FULL INTERNET BY 2030?

TELE-WORKING

8% PRE-VIRUS

60% AT PANDEMIC PEAK

20% - 30% LONG-RUN LEVEL

WATCH HOW INTERNET IS PROVIDED

WORK – HOME BALANCE

IMPLICATIONS FOR CONTROL OF THE SKIES

DRONE DELIVERY OF PRODUCTS; INTERNET DELIVERY OF SERVICES

AVOIDS FACE TO FACE CONTACT

NEXT: 4D HOME MANUFACTURING

RECONSIDERATION OF RESIDENTIAL LOCATION

"DISTANCE IS DEAD"

PROXIMITY TO WORK, SCHOOLS, SHOPPING NO LONGER NEEDED

"NEW FARM LIFESTYLE" ON CHEAPER LAND

INTERNET FROM THE SKY?

WHERE IS HOME ?

IMPLICATIONS FOR NORTH CAROLINA

NORTH CAROLINA HAD A STRONG ECONOMY IN 2021
– RECORD JOB GROWTH; BIGGER GAIN IN PRODUCTION THAN THE NATION; $10 BILLION ANNOUNCED INVESTMENTS

CONTINUED GROWTH –PERHAPS ACCELERATED – 13 MILLION POPULATION IN 2030 RATHER THAN 12 MILLION

NORTH CAROLINA CONSIDERED A "SAFE STATE"

LOOK FOR SUBURBS TO HAVE FASTEST GROWTH

NEXT GAME-CHANGER – UNIVERSALLY AVAILABLE HIGH SPEED INTERNET –

KEY TAKE-AWAYS FOR BOARDS

- WATCH THE FEDERAL RESERVE IN 2022 – WILL BE THE “KEY” PLAYER
- THE LABOR MARKET WILL CONTINUE TO BE “DISRUPTED”: RE-EXAMINE POLICIES
- SATISFYING YOUR WORKFORCE REGARDING REMOTE VS. IN-PERSON WORK WILL BE CRITICAL
- RE-SHORING EFFORTS WILL GAIN STEAM
- SUPPLY CHAIN WILL GET FIXED – BUT WILL BE A DIFFERENT SUPPLY CHAIN

SOON AVAILABLE IN FEBRUARY

RELAUNCH: RENEWING FAMILIES AND REVIVING THE AMERICAN DREAM IN THE NEW INDEPENDENT LIFESTYLE

MICHAEL L. WALDEN

LAUNCHING SOON!

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