

Welcome to the 2017
Economic Outlook Breakfast
presented by



BMW of Asheville

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**The Ultimate
Driving Machine®**

The Economic Situation Can We Escape the Slow Lane?



February 22, 2017

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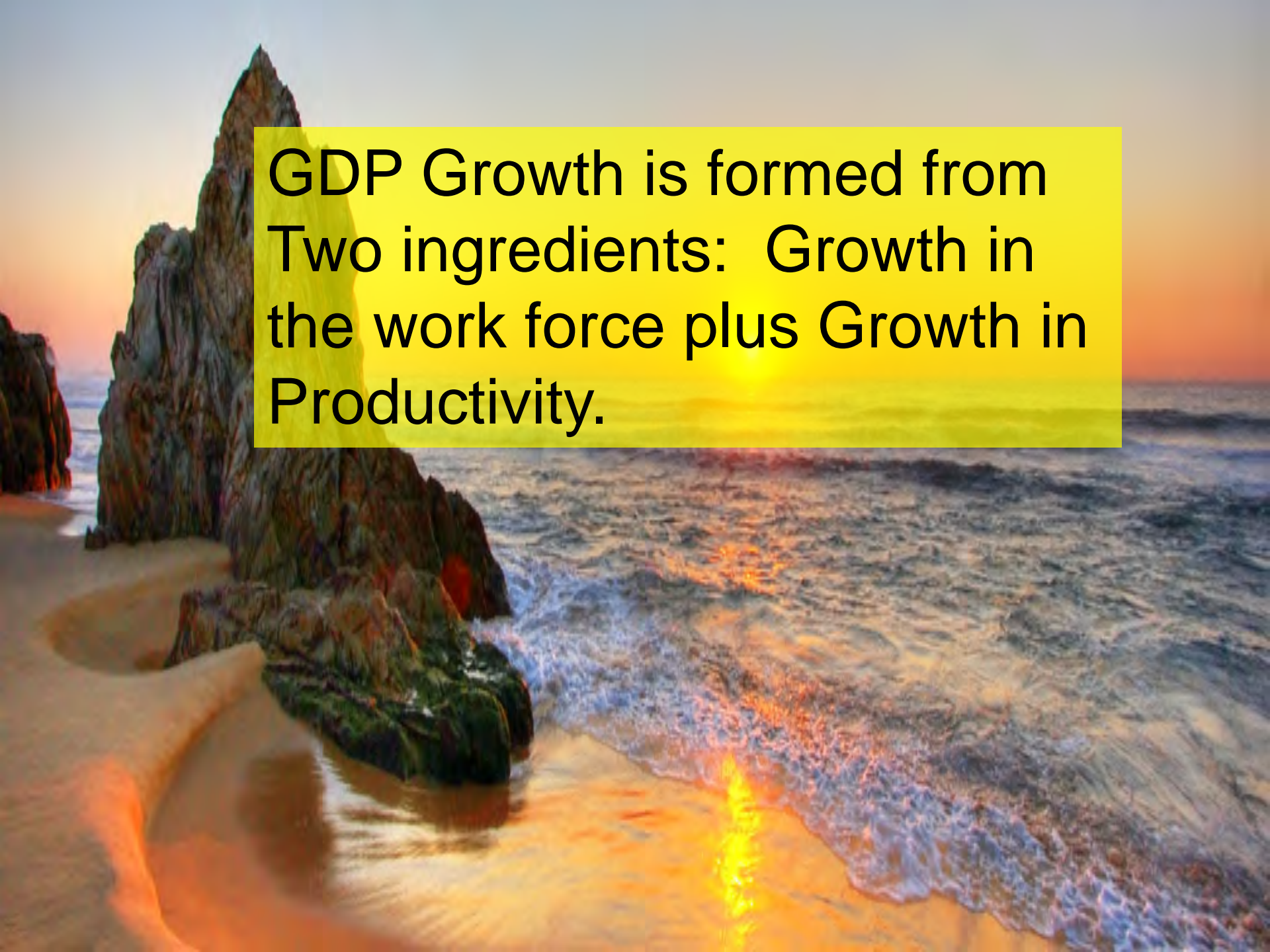
2017 and Beyond

Can we escape the 2-lane, 2% growth economy?



Speeding up will depend on finding more “bicycle riders.”

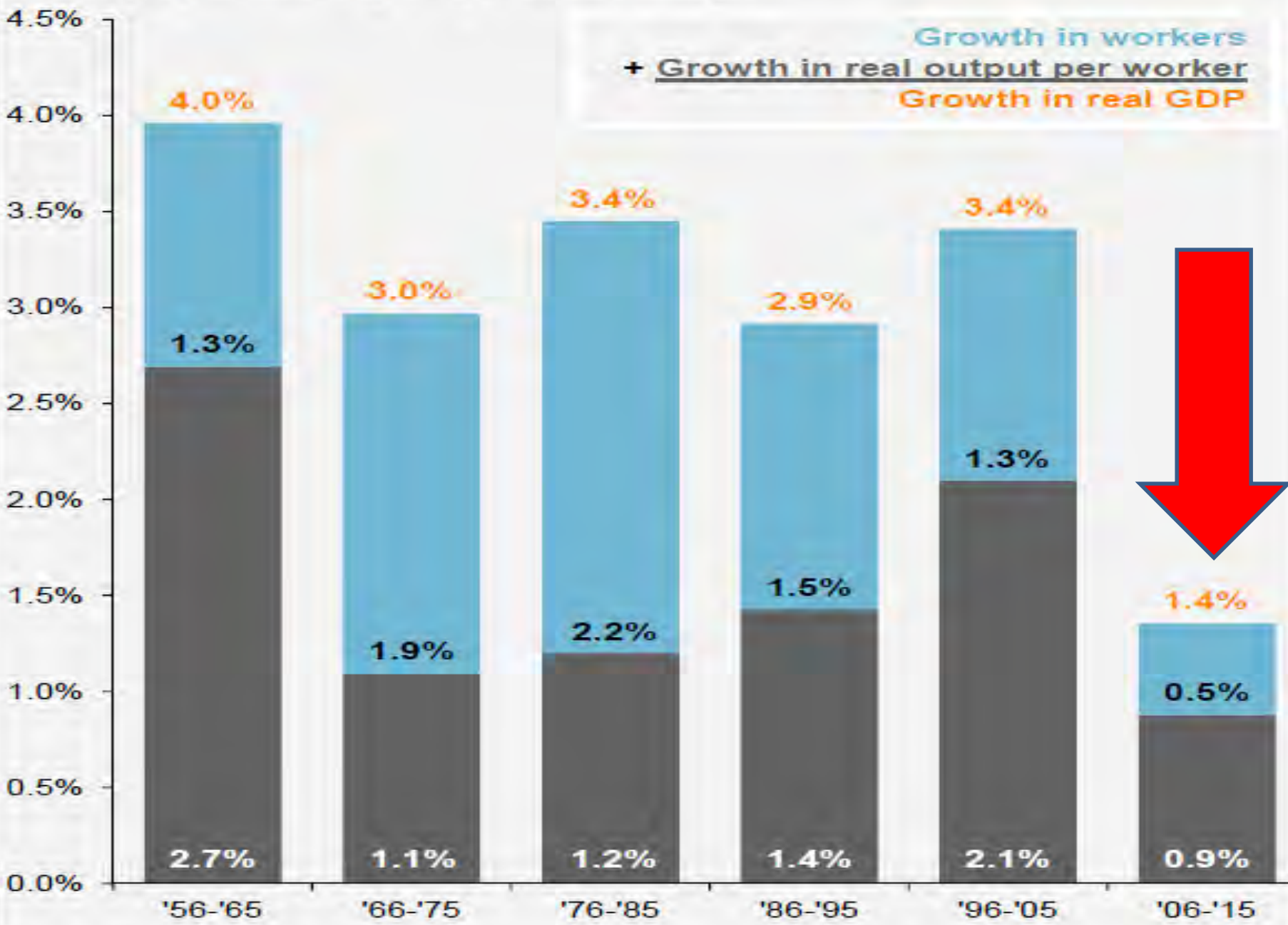




GDP Growth is formed from
Two ingredients: Growth in
the work force plus Growth in
Productivity.

Drivers of GDP growth

Average year-over-year percent change



“To get the economy back on track, President Trump has outlined a bold plan to create 25 million new American jobs in the next decade and return to 4 percent annual economic growth.”

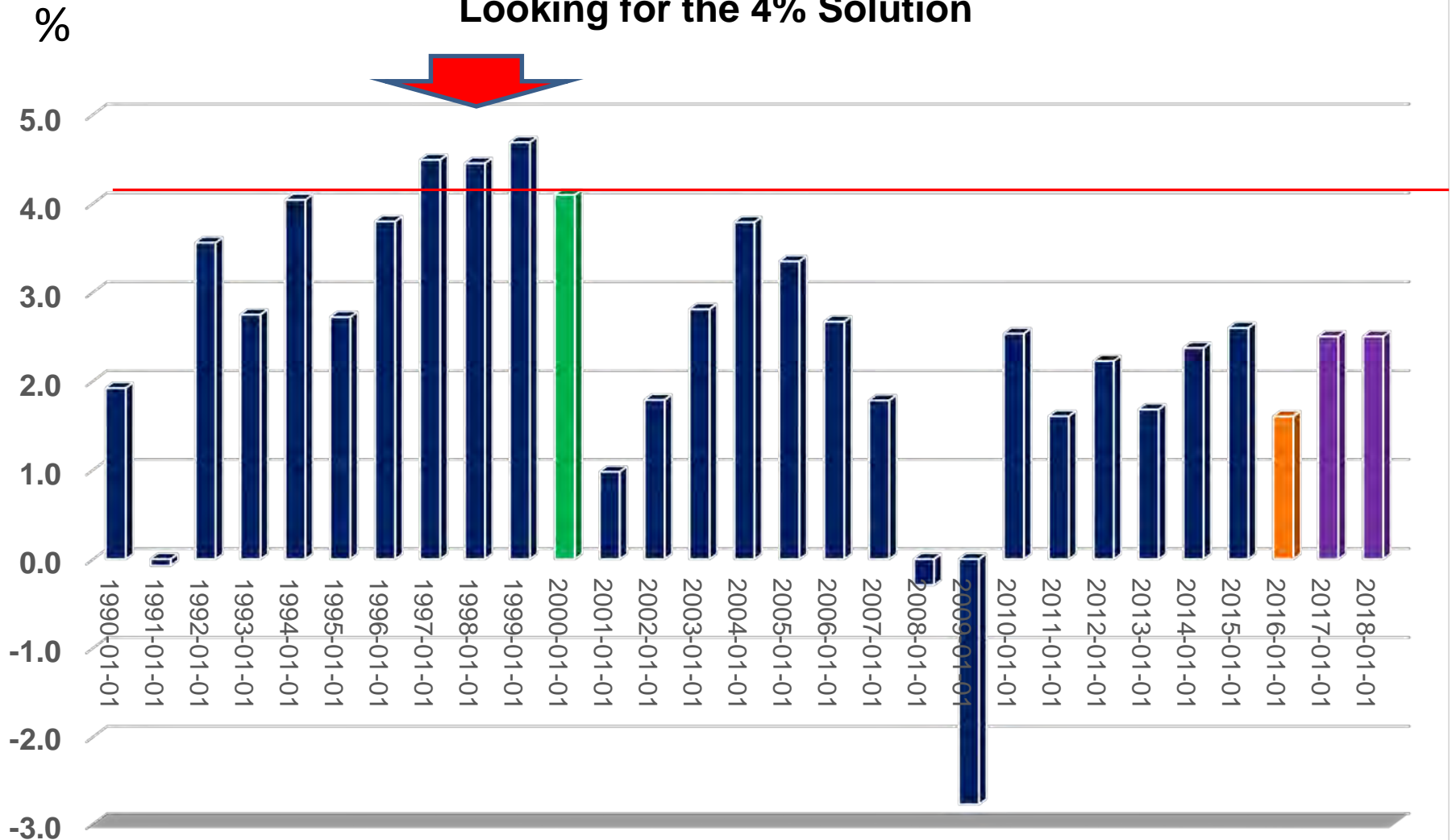
<https://www.whitehouse.gov/bringing-back-jobs-and-growth>



Real GDP Growth Compounded Annual Rate 1990 - 2016

2017-2018 est.

Looking for the 4% Solution





What's holding us back?

No, it's not kudzu!

It's

- **Regulatory entanglement.**
- **Shrinking workforce.**
- **Low capital investment.**
- **Weak growth in trade.**
- **Political uncertainty.**





Trump Potential **Pluses** and Minuses

- Cut capital gains and corporate income taxes.
- Revise Affordable Care Act.
- Revise Dodd-Frank.
- Reverse some environmental regulation.
- Renegotiate NAFTA.
- Get tough with China.
- Impose border taxes.

What's ahead for 2017?

- **Slow growth or recession?**
- **Or prelude to 3% growth?**

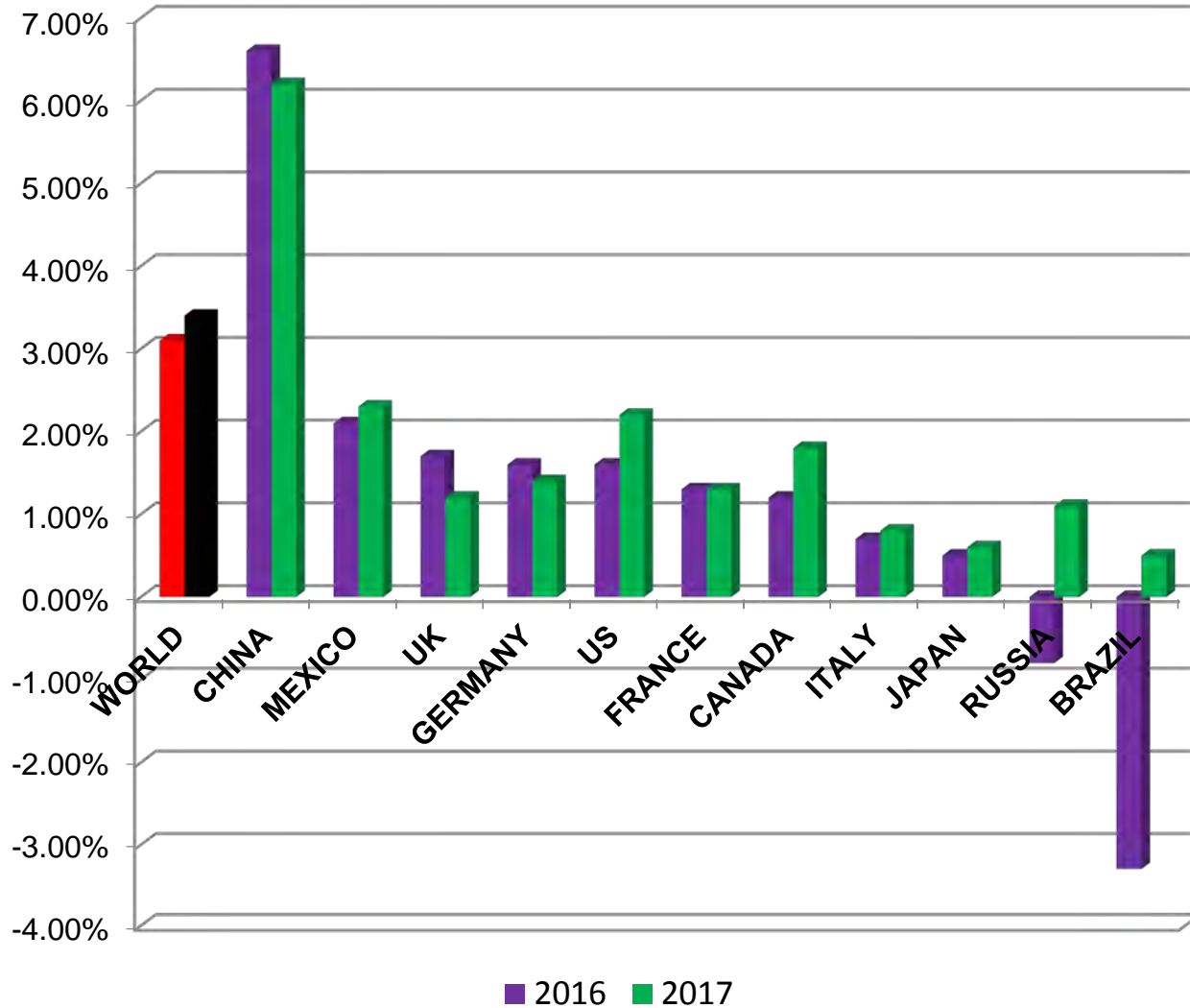
Global Economic Policy Uncertainty Index*, January 1997 to November 2016



* Global EPU Calculated as the GDP-weighted average of monthly EPU index values for U.S., Canada, Brazil, Chile, U.K., Germany, Italy, Spain, France, Netherlands, Russia, India, China, South Korea, Japan, Ireland, and Australia

Source: Economic Policy Uncertainty (2016)

IMF GDP FORECASTS 2016-2017



Here's the picture that I see for the U.S. for 2017:

- **2017 GDP growth will be in the range 2.2% - 2.5%.**
- **Inflation will rise a bit. Look for 2.0% – 2.5%.**
- **Interest rates will nudge up. 10-yr. bond: 2.50%-3.00%.
Mortgage rate: 4.00%- 4.50%.**
- **Housing will be strong; autos down.**
- **The pace of manufacturing activity will accelerate from hardly moving to slow, led by machinery.**

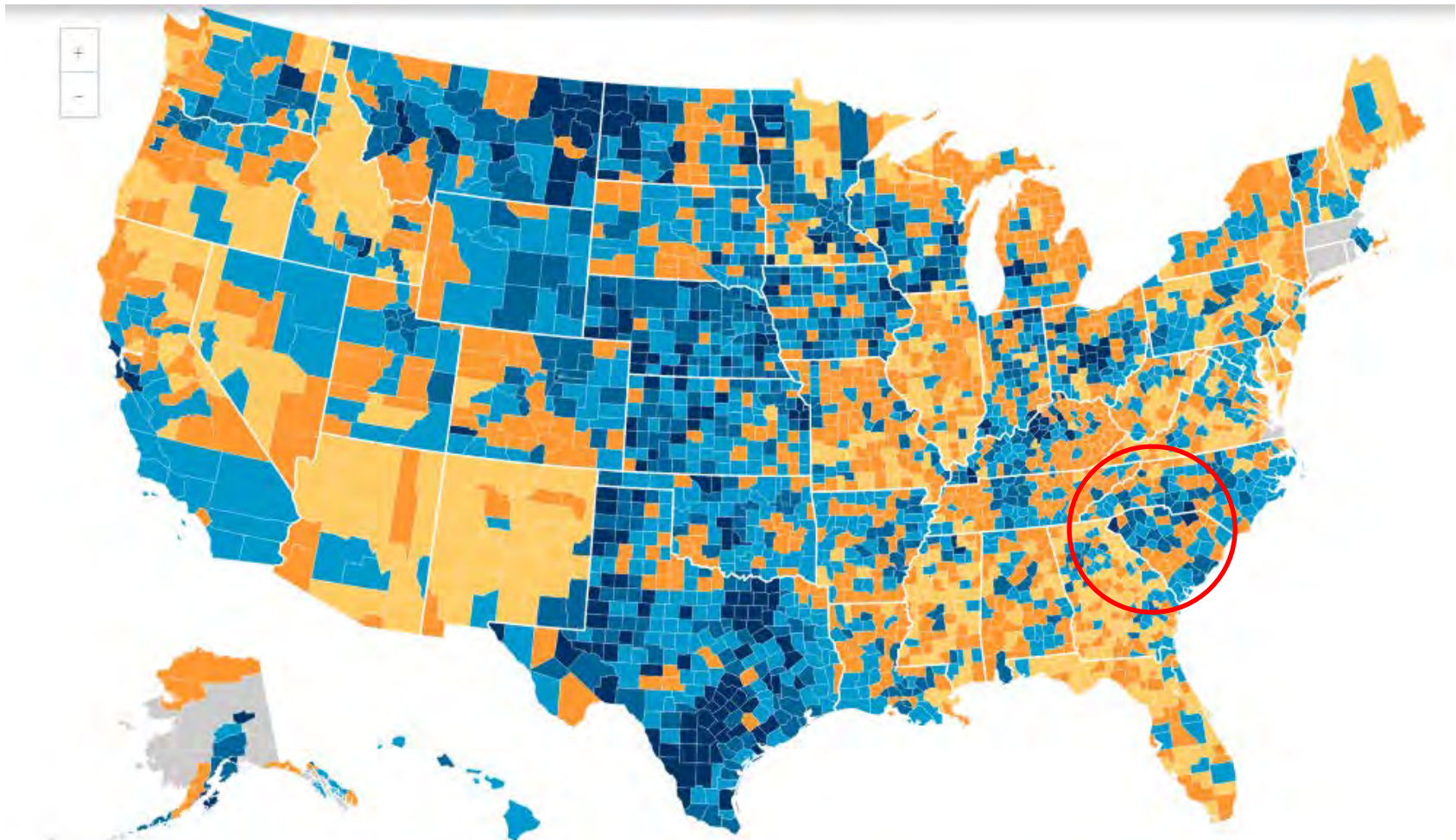
Remember, what happens beyond 2017 is in the hands of the new Washington team. With acceptance of positive agenda elements, look for GDP growth approaching 3% in late 2018 and 2019.

A satellite night view of the United States, showing the dense network of city lights and highways across the continent. The lights are concentrated in the eastern half and along the West Coast, with some smaller clusters in the central and mountain regions. The background is a deep blue, representing the night sky and the dark landmasses.

The Geographic Imprint

LOOKING FOR GOOD NEWS

Nationwide, 214 counties, or 7% of 3,069, had recovered in 2014 to prerecession levels on four indicators: total employment, unemployment rate, size of economy, and median home values.



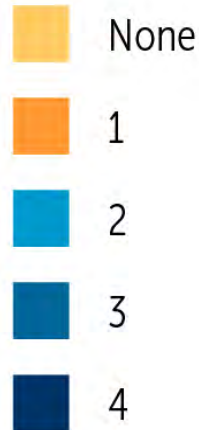
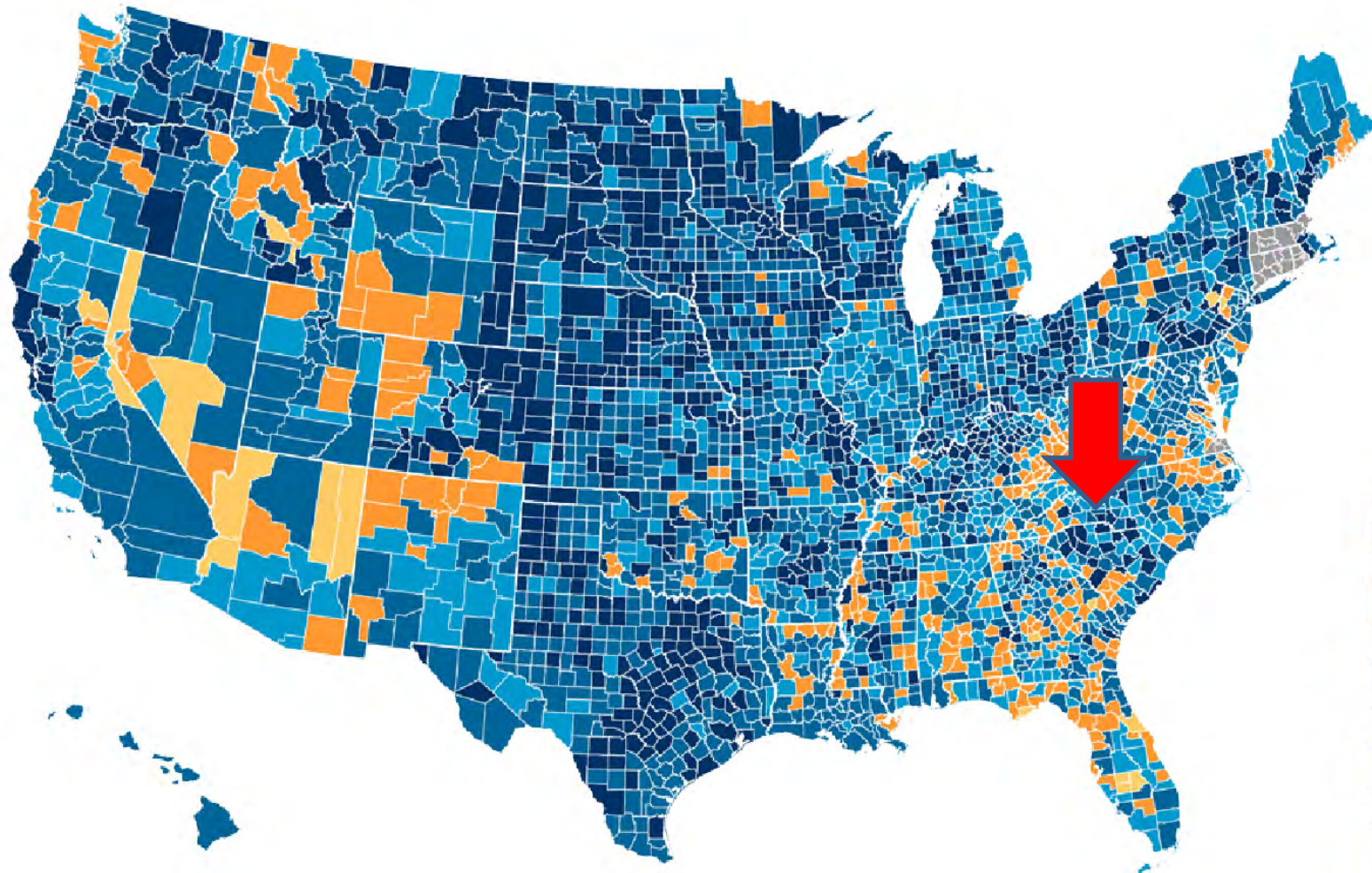
Source: NACo Analysis of Moody's Analytics data

County recovery as of 2014 relative to 1/2008.
Employment, unemployment rate, GDP, median housing value.

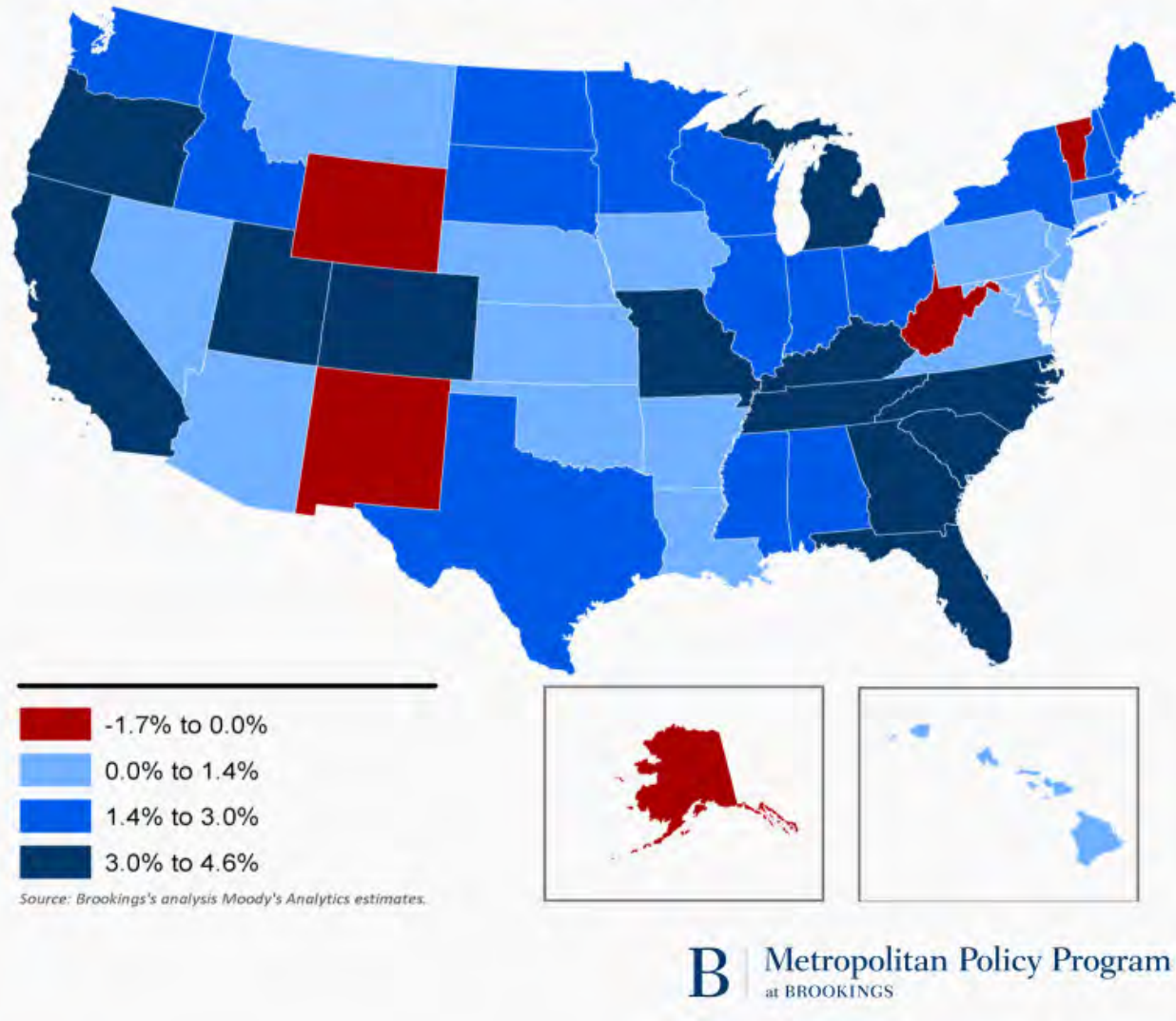


*county data is unavailable if the county is colored grey

462 more counties had fully recovered by 2016
Henderson County had recovered for 2: GDP
growth & housing prices.



Advanced industries employment percent growth, 2013–2015



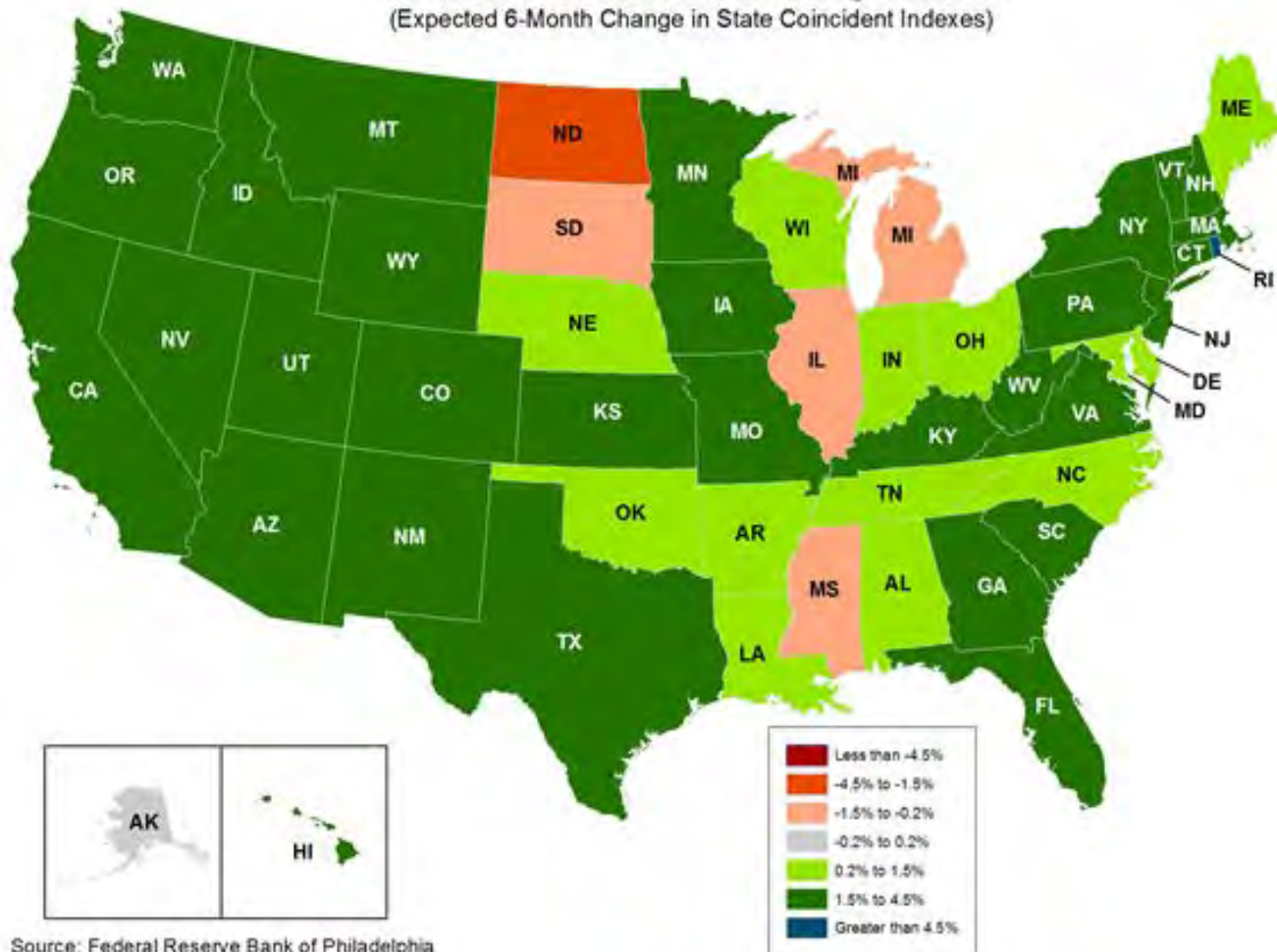
50 R&D and STEM intensive industries

America's advanced industries: New trends

[Mark Muro](#), [Siddharth Kulkarni](#), and [David M. Hart](#) August 4, 2016

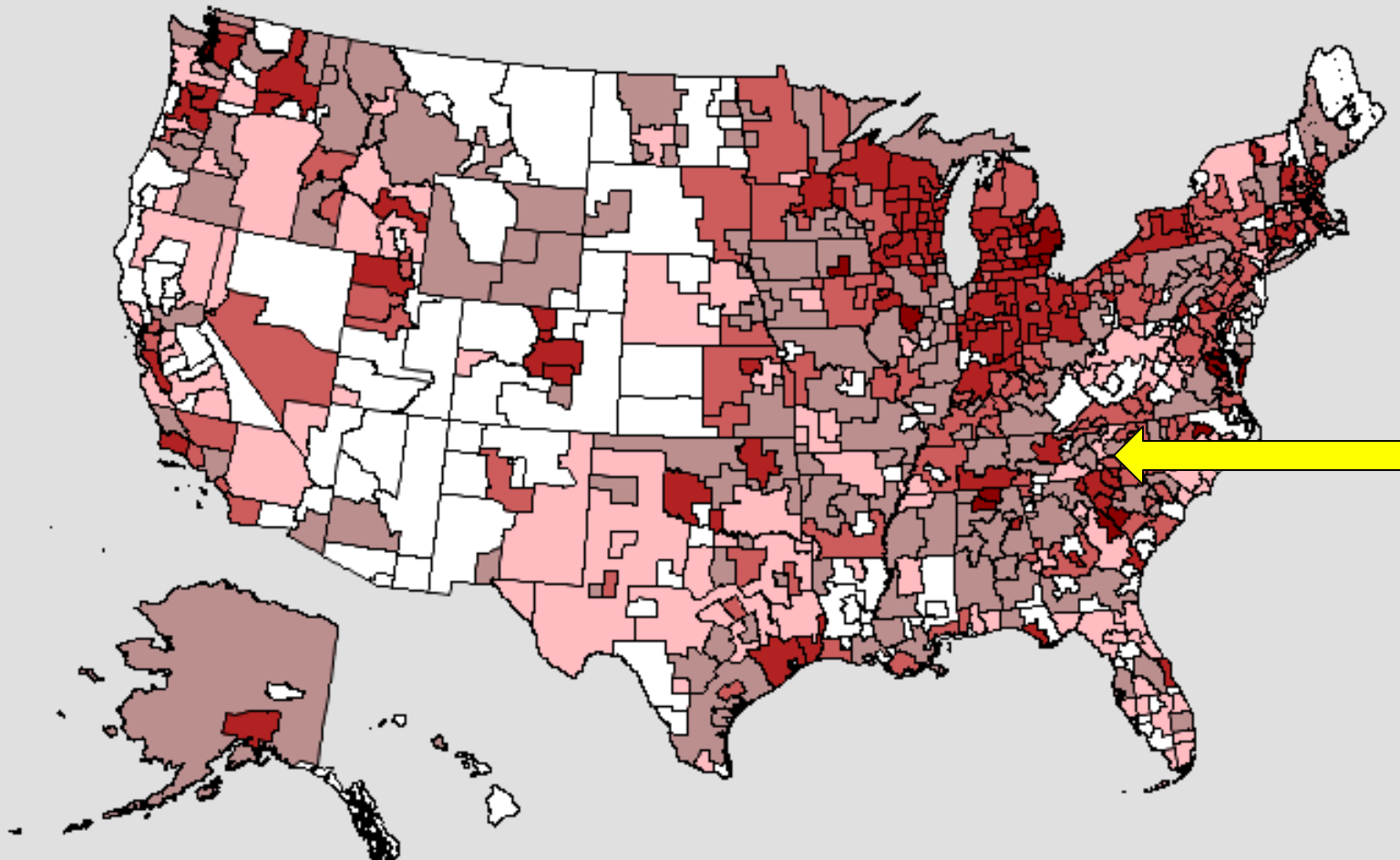
December 2016 State Leading Indexes

(Expected 6-Month Change in State Coincident Indexes)

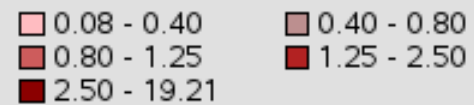


Source: Federal Reserve Bank of Philadelphia

Location quotient of mechanical engineers, by area, May 2015

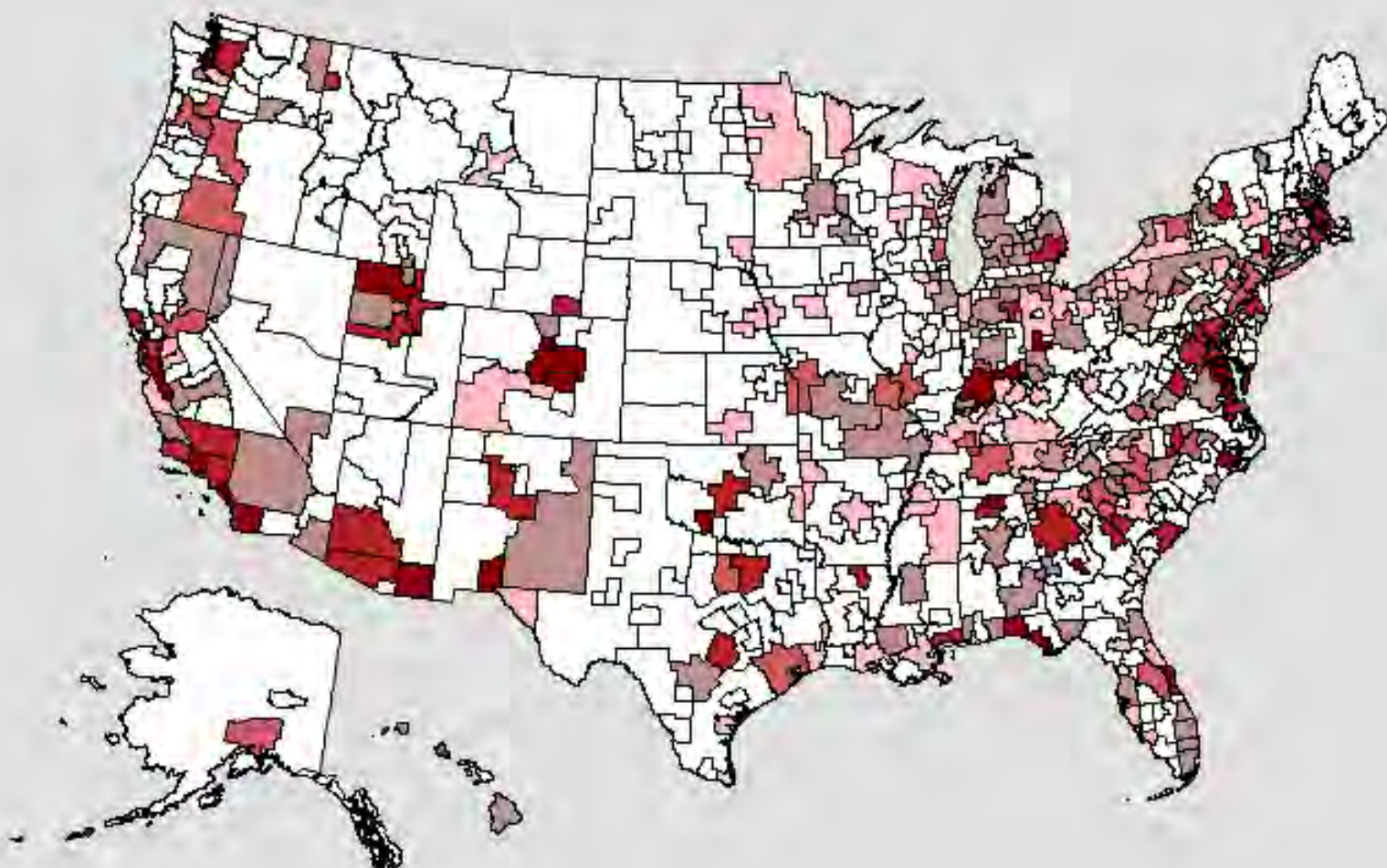


Location quotient



Blank areas indicate data not available.

Location quotient of electronics engineers, except computer, by area, May 2015



Location quotient

| | |
|--------------|-------------|
| 0.12 - 0.40 | 0.40 - 0.80 |
| 0.80 - 1.25 | 1.25 - 2.50 |
| 2.50 - 22.00 | |

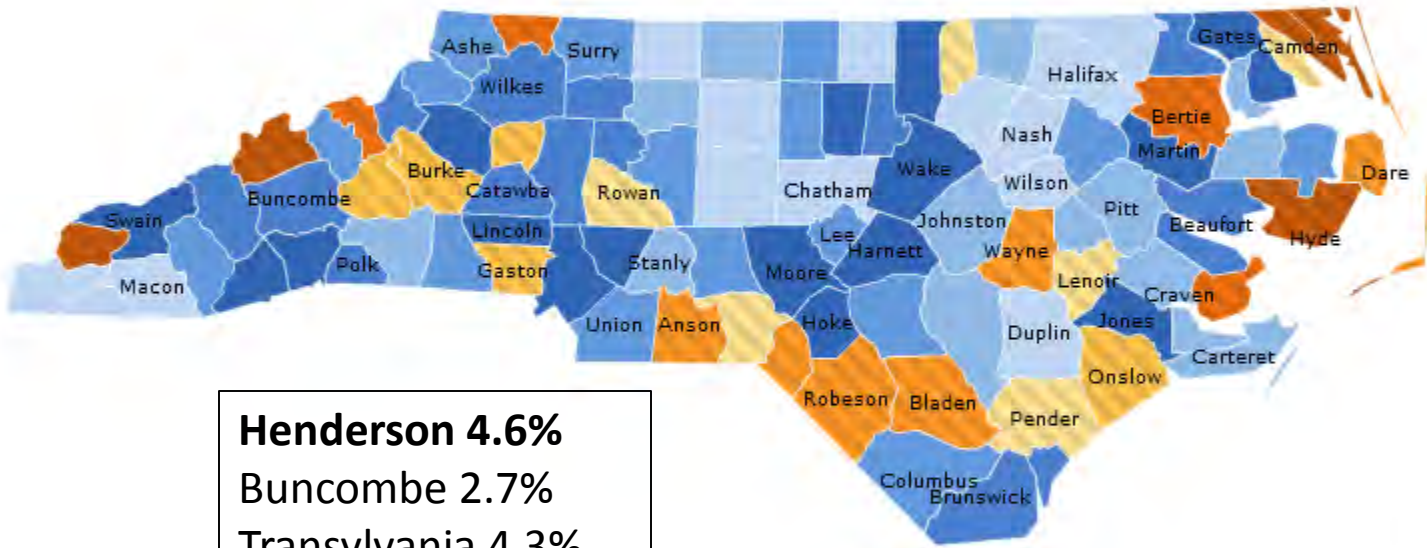
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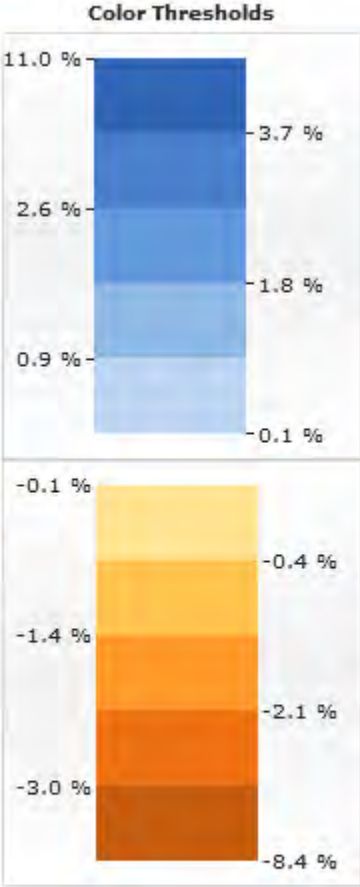
Let's Get a Little Closer to Home

© 2014 David Oppenheimer

12 month percent change in employment, Total, all industries , Total Covered Jun 2015-Jun 2016 (p)

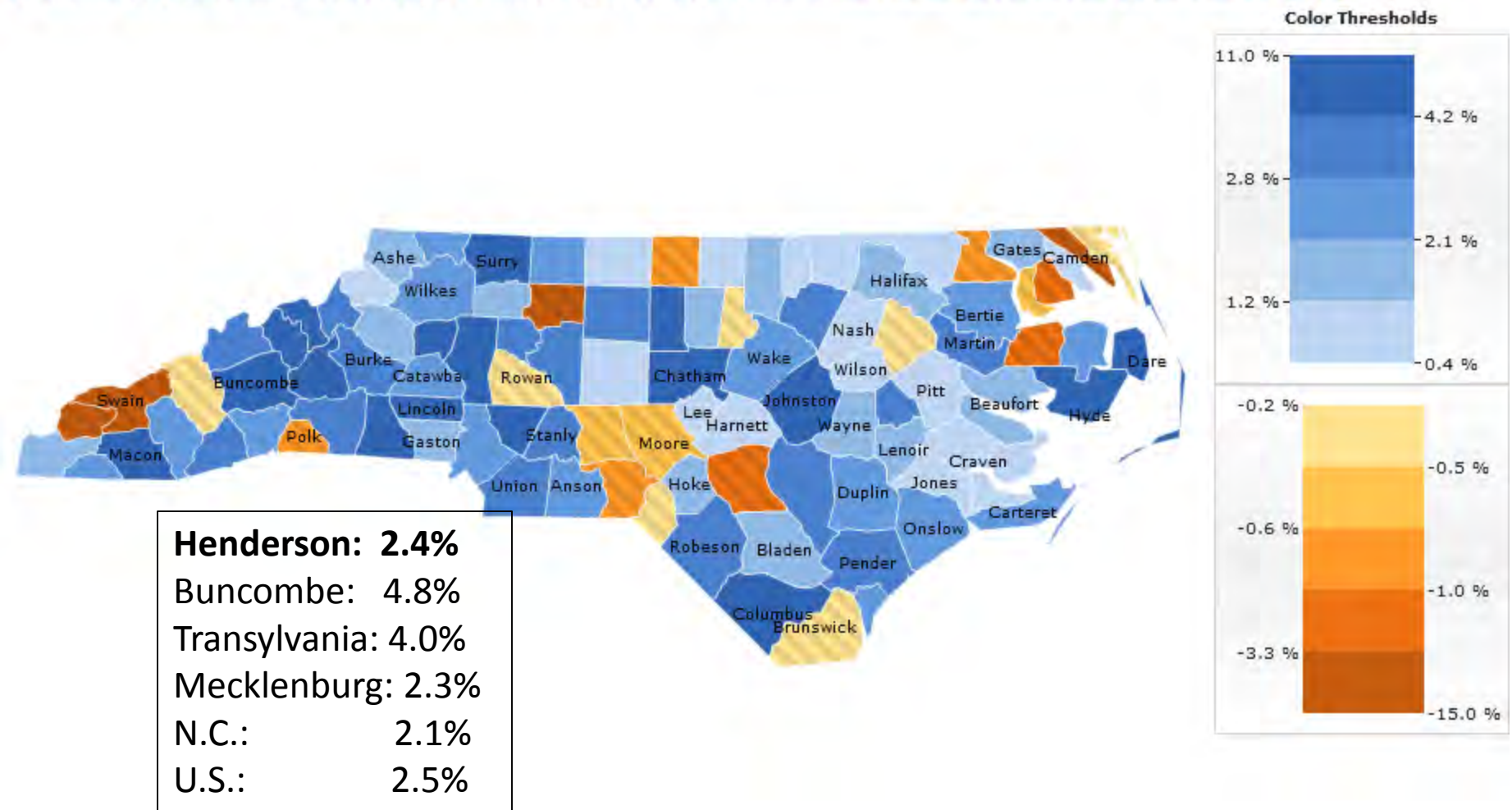


Henderson 4.6%
 Buncombe 2.7%
 Transylvania 4.3%
 Mecklenburg 3.9%
 N.C. 2.5%
 U.S. 1.7%



Source: U.S. Bureau of Labor Statistics (www.bls.gov)

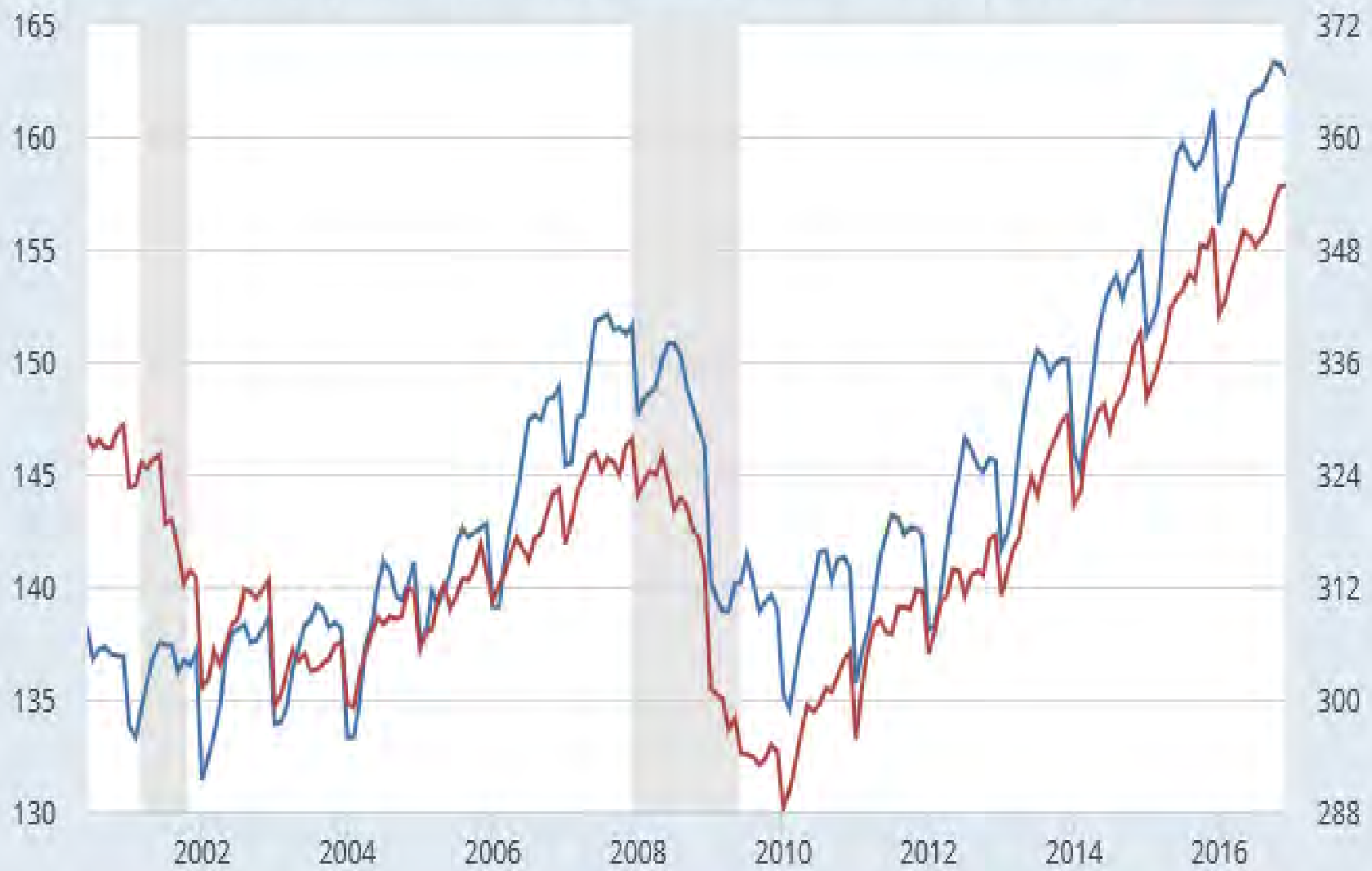
12 month percent change in average weekly wage, Total, all industries , Total Covered Jun 2015-Jun 2016 (p)



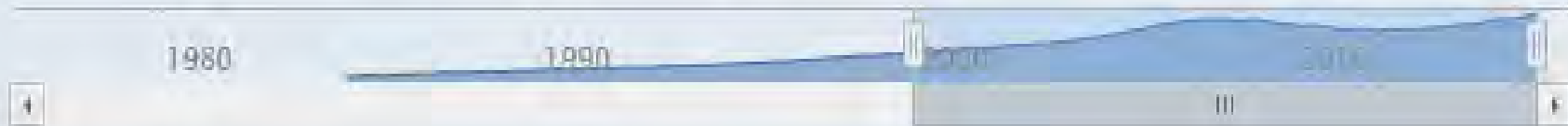
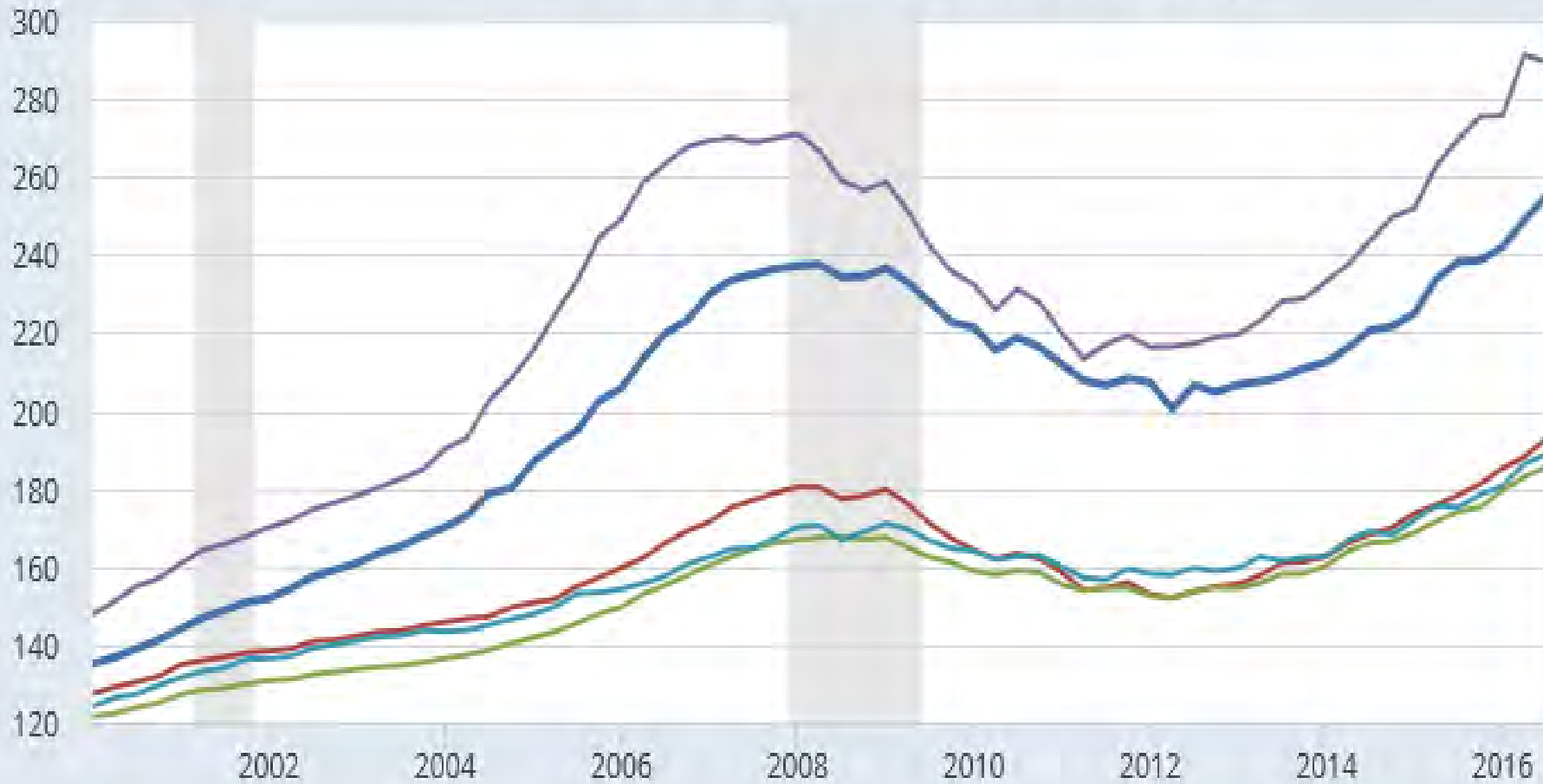
Source: U.S. Bureau of Labor Statistics (www.bls.gov)

— All Employees: Total Private in Asheville, NC (MSA) (left)

— All Employees: Total Private in Greenville-Anderson-Mauldin, SC (MSA) (right)



- All-Transactions House Price Index for Asheville, NC (MSA)
- All-Transactions House Price Index for Charlotte-Concord-Gastonia, NC-SC (MSA)
- All-Transactions House Price Index for Raleigh, NC (MSA)
- All-Transactions House Price Index for Charleston-North Charleston, SC (MSA)
- All-Transactions House Price Index for Greenville-Anderson-Mauldin, SC (MSA)

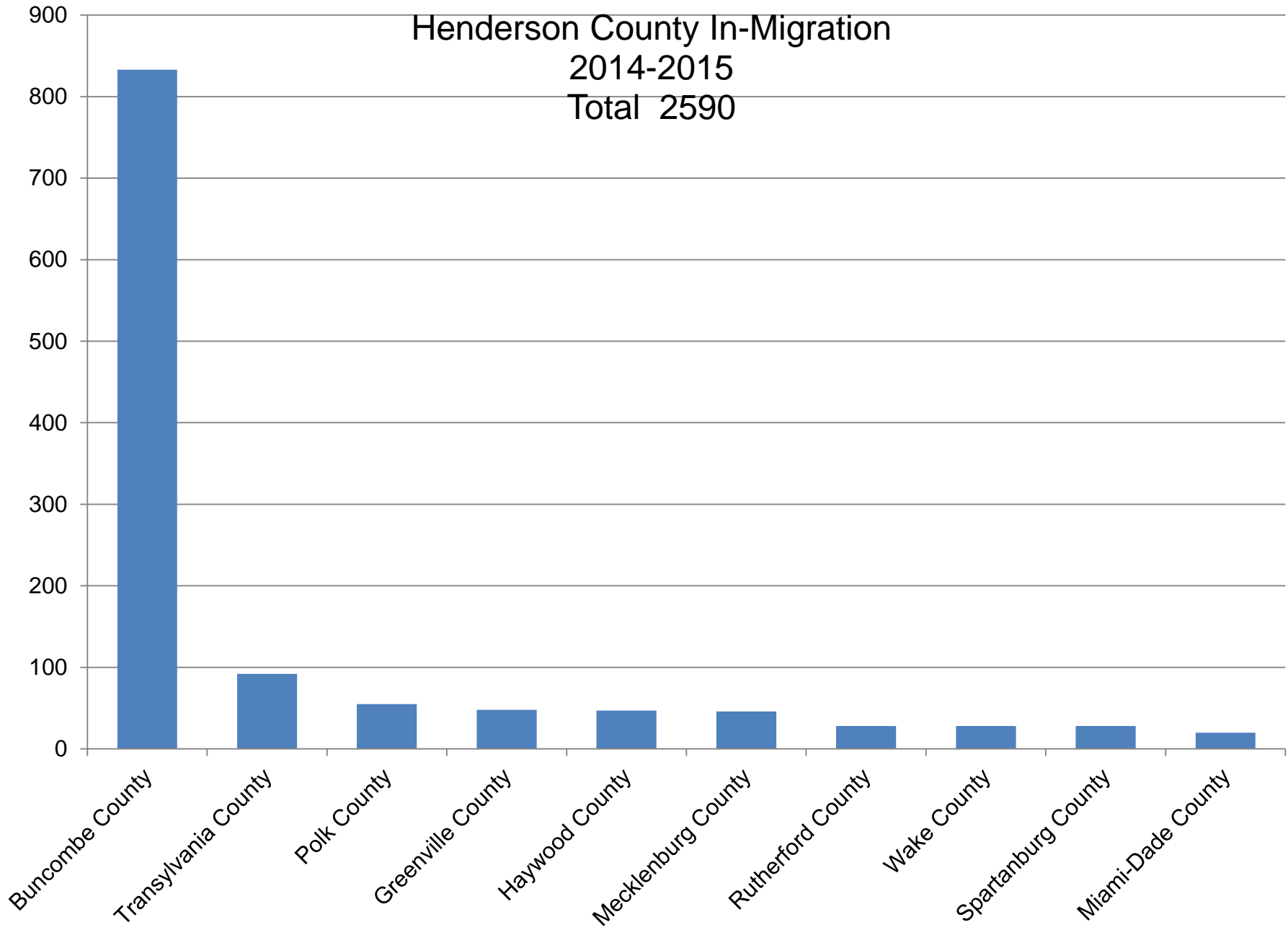


What about wheeling to Hendersonville?

Pa—
Should we head Southeast??

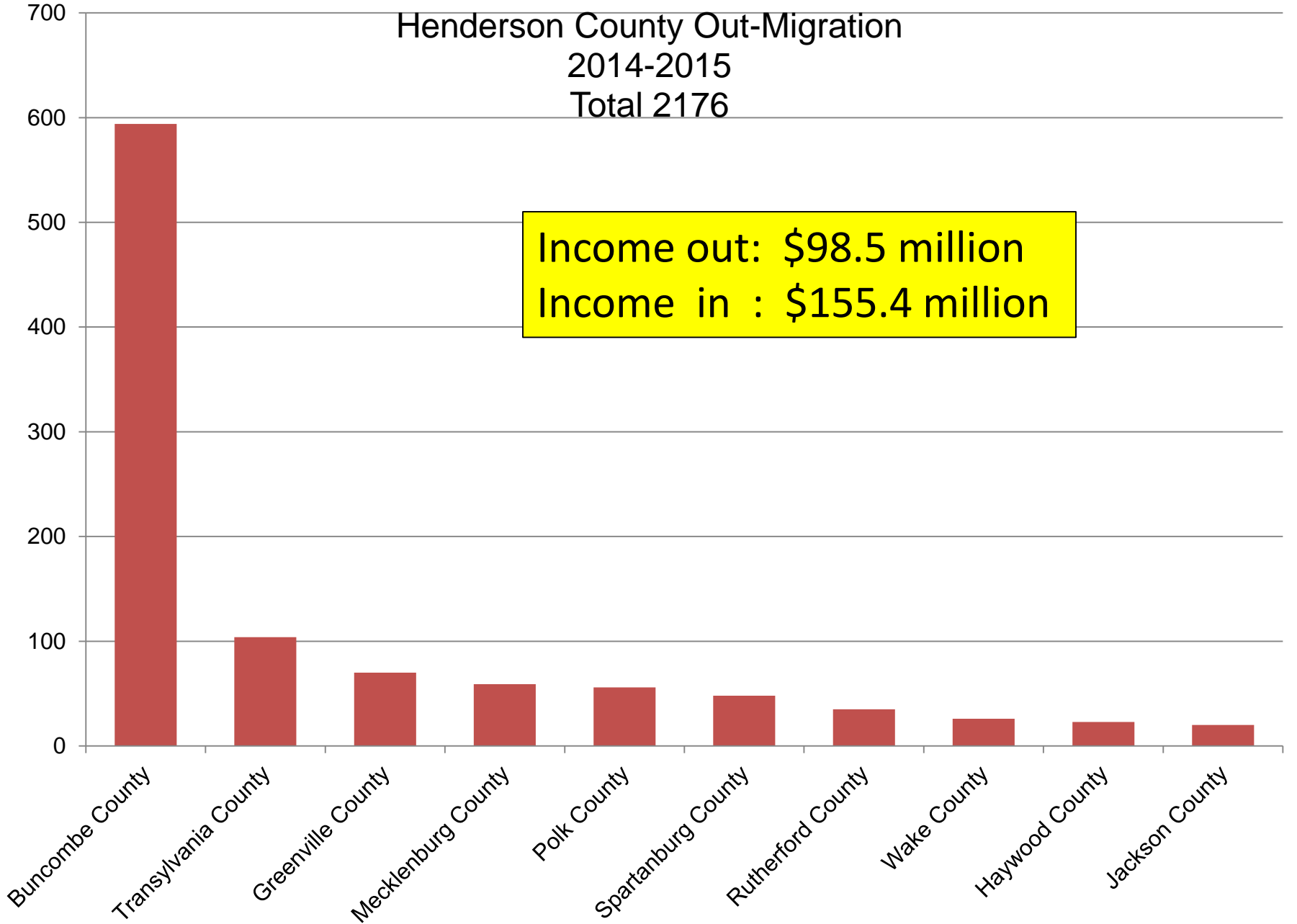


Henderson County In-Migration 2014-2015 Total 2590

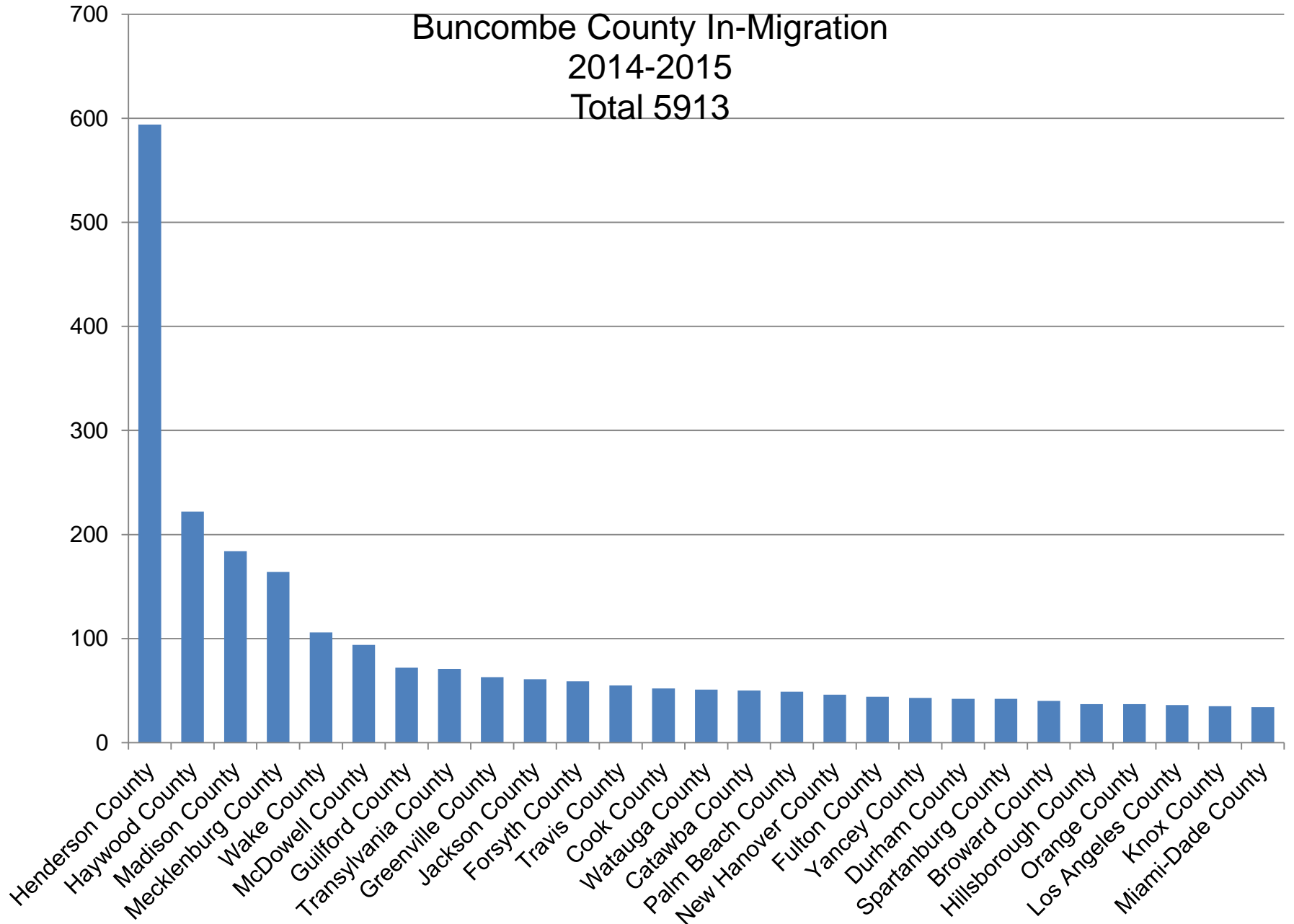


Henderson County Out-Migration
2014-2015
Total 2176

Income out: \$98.5 million
Income in : \$155.4 million

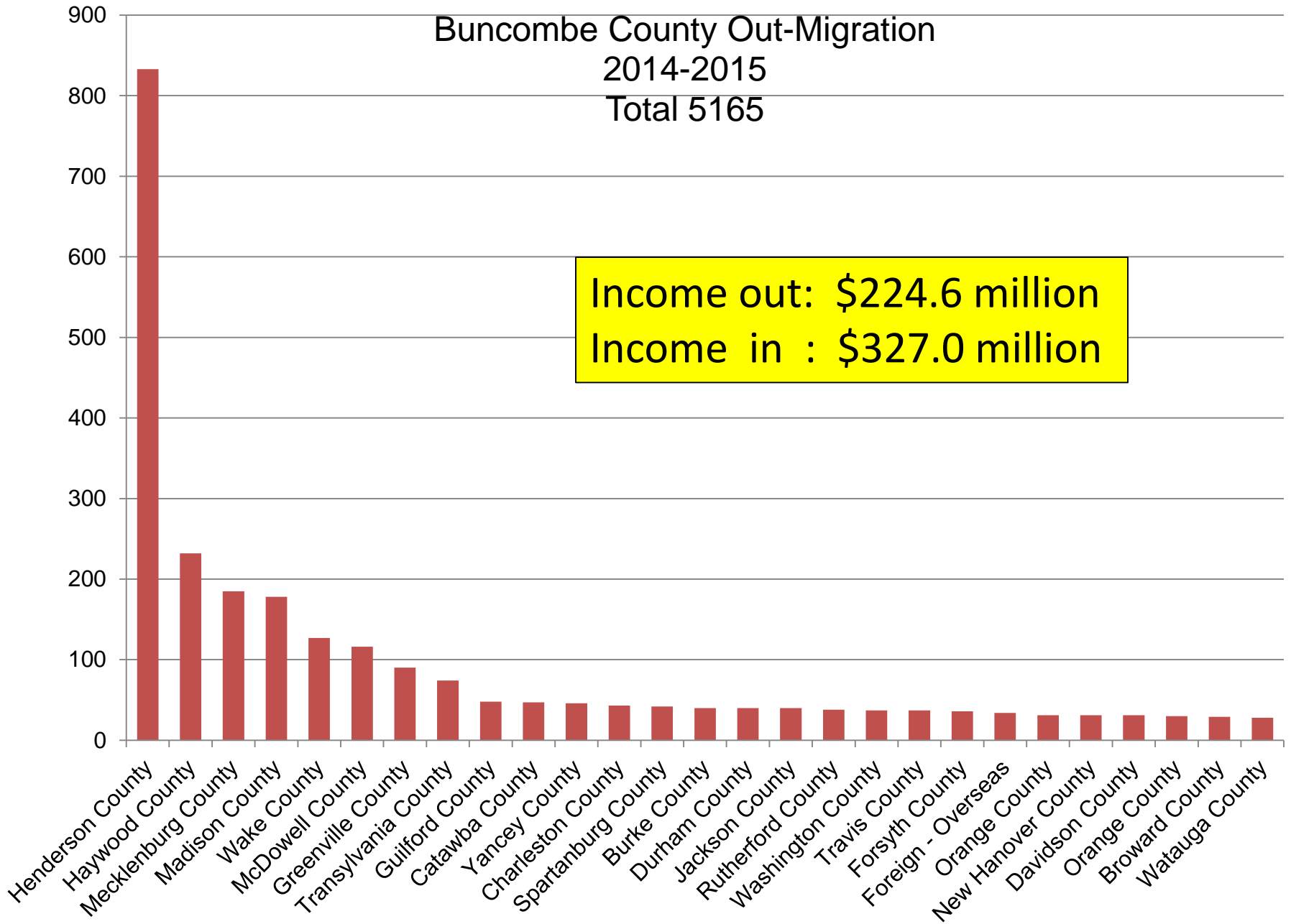


Buncombe County In-Migration
2014-2015
Total 5913



Buncombe County Out-Migration 2014-2015 Total 5165

Income out: \$224.6 million
Income in : \$327.0 million





**NOW
HIRING**

APPLY TODAY

**HELP
WANTED**

