

# ECONOMIC OUTLOOK: 2025

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# REVIEW OF THE COVID RECESSION & RECOVERY

COVID HIT IN EARLY 2020 – SEVERE RECESSION

SHARP RECOVERY BEGAN IN MAY 2020

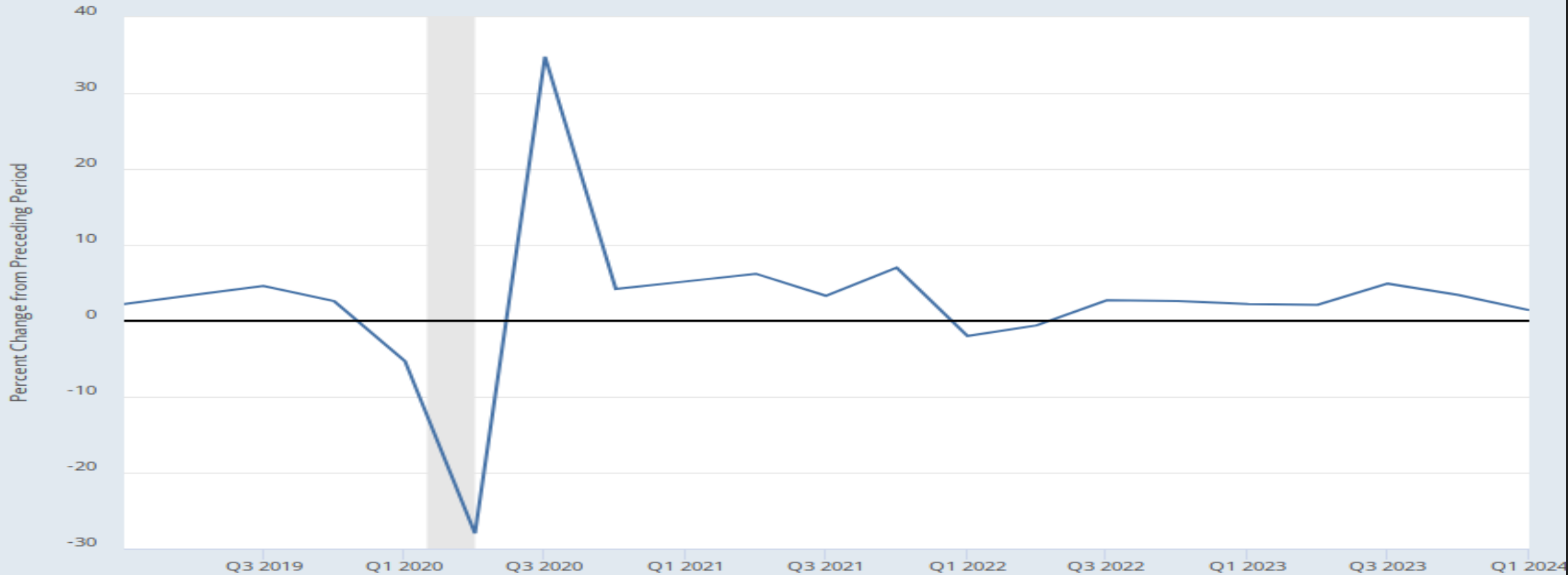
BUT THREE NEW CHALLENGES:

- \* LABOR SHORTAGES
- \* SUPPLY CHAIN DISRUPTIONS
- \* RISING PRICE INFLATION RATE

# QUARTERLY REAL GDP GROWTH RATE, 2019-24

FRED

— Real Gross Domestic Product



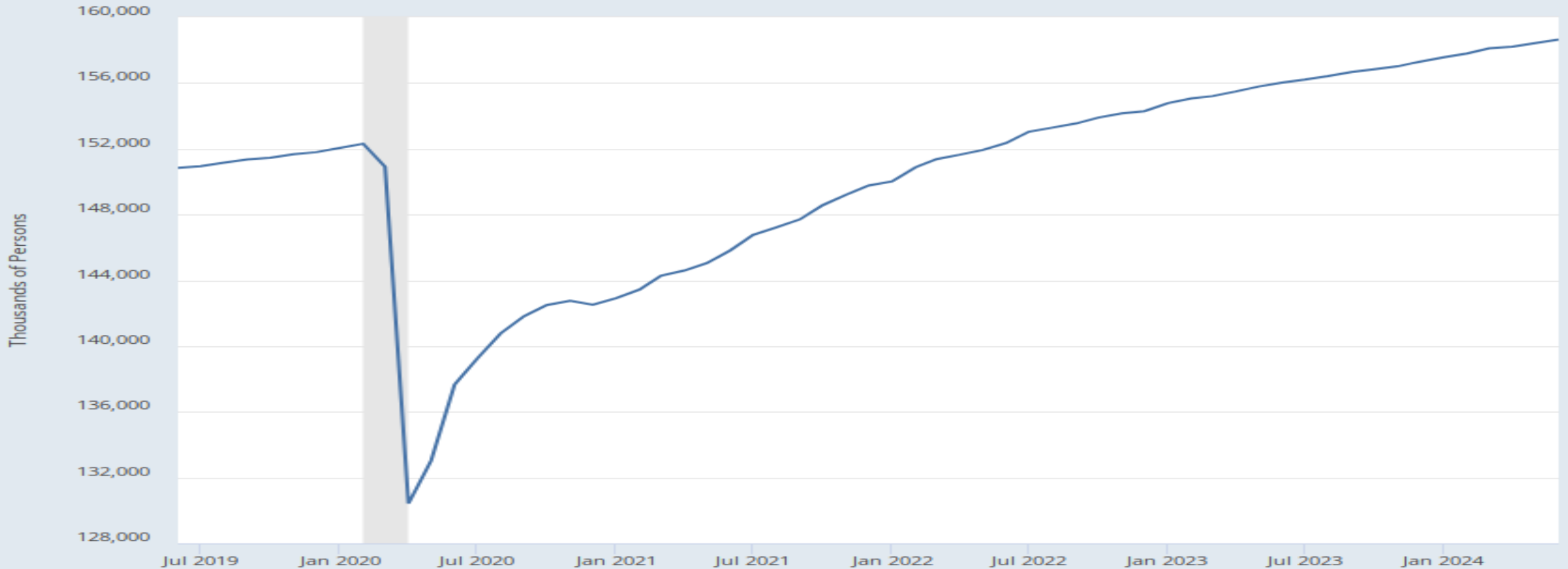
Source: U.S. Bureau of Economic Analysis

[myf.fred/g/1qxPr](https://myf.fred.stlouisfed.org/g/1qxPr)

# EMPLOYMENT TRENDS, 2019-2024

FRED

— All Employees, Total Nonfarm



Source: U.S. Bureau of Labor Statistics

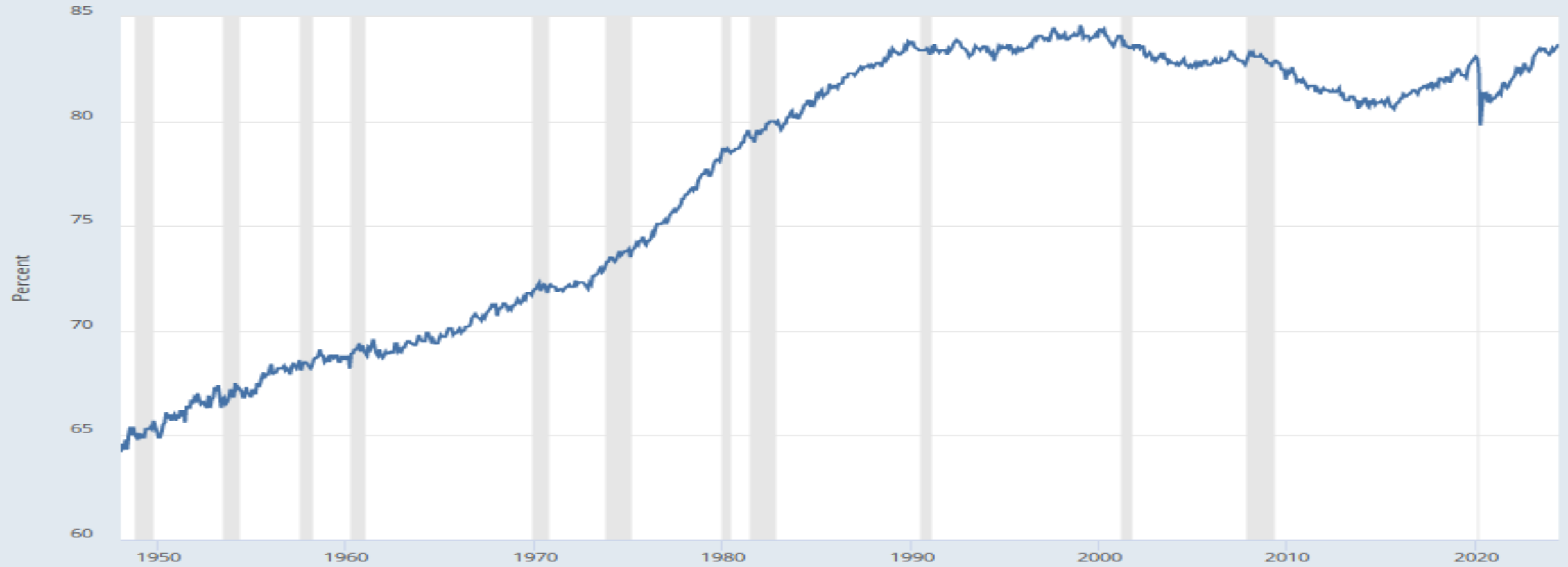
[myf.fred/g/1qxPI](https://myf.fred/staff/g/1qxPI)

# UNEMPLOYMENT RATE



# AGE 25-54 LABOR FORCE PARTICIPATION RATE, 1950-24

**FRED**  — Labor Force Participation Rate - 25-54 Yrs.

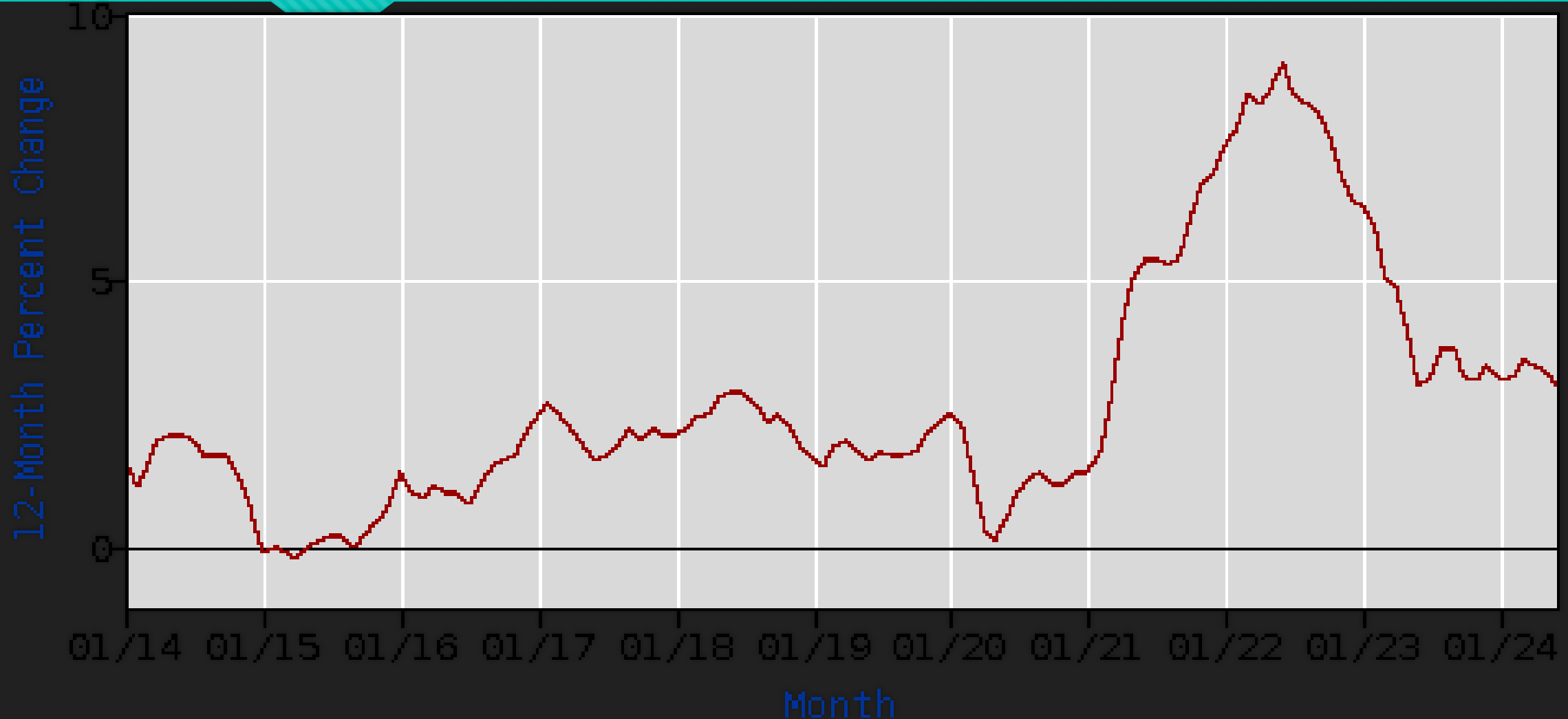


Source: U.S. Bureau of Labor Statistics

[myf.red/g/1qaom](https://myf.red/g/1qaom)

# MAJOR LINGERING PROBLEM IS INFLATION

(year-over-year annual rate)



# CAUSE OF INFLATION JUMP: TOO MUCH DEMAND AND TOO LITTLE SUPPLY

ON DEMAND SIDE:

\$6 TRILLION OF STIMULUS

ON SUPPLY SIDE:

SUPPLY CHAIN SHUTDOWNS





# WILL PRICES FALL TO PRE-PANDEMIC LEVELS?

SOME WILL; MOST WON'T

"DEFLATION" HAPPENS IN BAD TIMES

FOR THE AVERAGE PRICE TO FALL, WAGES MUST FALL

SOLUTION IS FOR EARNINGS TO INCREASE FASTER THAN PRICES



# WINNERS AND LOSERS IN HOUSEHOLD ECONOMICS

AVERAGE PRICES HAVE RISEN 2% MORE THAN WORKER EARNINGS  
SINCE 2021

BUT STOCK MARKET (S&P 500) IS UP 48% SINCE 2021

AND "SAME-HOME" PRICES ARE UP 38% SINCE 2021

# FED FIGHTS COVID, THEN INFLATION - RATES



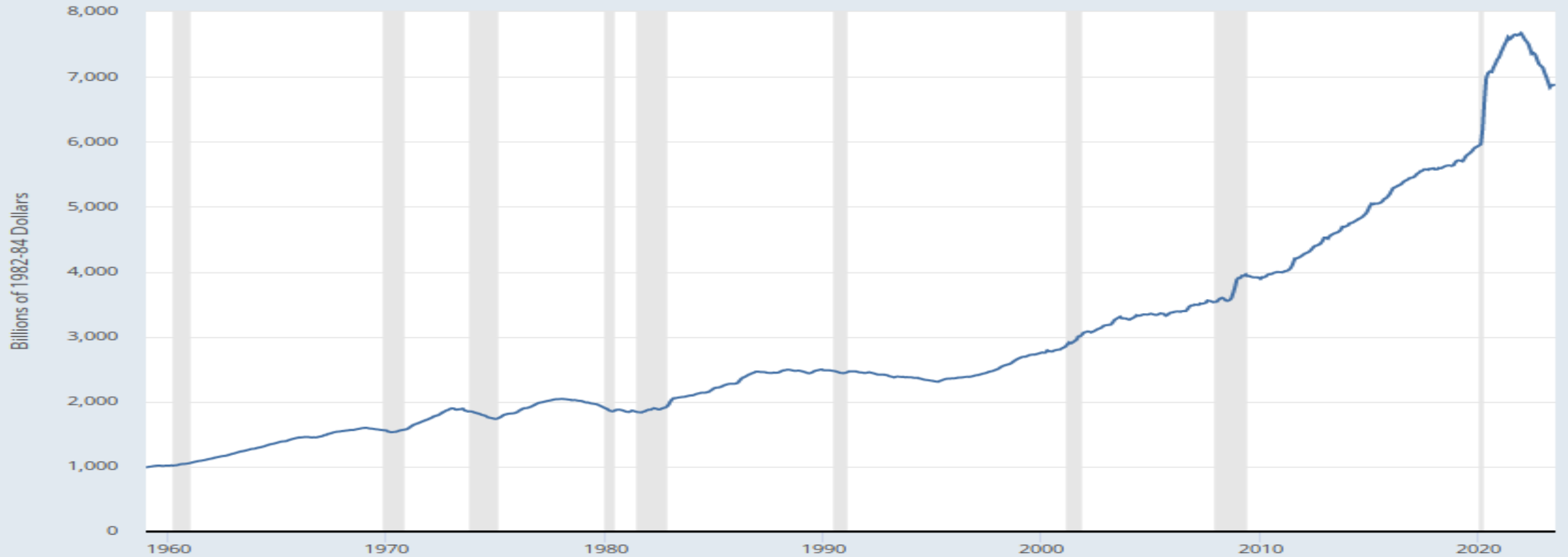
Source: Board of Governors of the Federal Reserve System (US)

[myf.red/g/1xXot](https://myf.red/g/1xXot)

# FED FIGHTS COVID, THEN INFLATION - MONEY

FRED

— Real M2 Money Stock



Source: Federal Reserve Bank of St. Louis

[myf.red/g/184hc](https://myf.red/g/184hc)

# NOW FED IS CHANGING POLICY AGAIN

SOFT LANDING APPEARS TO HAVE BEEN ACHIEVED

SIGNS OF SLOWER GROWTH, BUT NO RECESSION

FED'S RECENT BIG ANNOUNCEMENTS: 0.5% CUT  
FOLLOWED BY 0.25% RATE CUT



# BUT NOT ALL INTEREST RATES HAVE FALLEN

EXAMPLE: 10- YEAR TREASURY  
NOTE RATE

FEARS OF RISING US DEBT AND

IMPLICATIONS FOR BORROWING



# FORECAST

FED WILL SLOWLY LOWER THEIR KEY INEREST RATE THROUGH 2025

CONSUMER PURCHASING POWER WILL RETURN IN 2025

ECONOMY WILL GROW IN THE 1.5% TO 2.5% ANNUAL RANGE

JOBLESS RATE WILL STAY IN THE 3.5% TO 4.5% RANGE



# FORECAST, CONTINUED

ANNUAL INFLATION RATE WILL SETTLE AT 2.0% TO 2.25%

SHORT TERM WORRIES: CONSUMER DEBT, COMMERCIAL REAL ESTATE

LONG TERM WORRIES: SOCIAL SECURITY, DEBT, AI AND LABOR MARKET





**BUT NEW ADMINISTRATION'S POLICIES COULD ALTER THESE FORECASTS**

## **1. NEW TAX CUTS**

STIMULATE GROWTH OR

INCREASE DEBT?



## 2. DE-REGULATION

INCREASE BUSINESS PRODUCTIVITY

OR

MOVE AWAY FROM COLLECTIVE  
GOALS?



# 3. INCREASE FOSSIL FUEL PRODUCTION

LOWER ENERGY COSTS

OR

SACRIFICE CLIMATE GOALS?



# 4. REDUCE IMMIGRATION

IMPROVE NATIONAL SECURITY  
OR

REDUCE LABOR SUPPLY AND SLOW  
THE ECONOMY ?



# 5. IMPOSE TARIFFS

STIMULATE DOMESTIC PRODUCTION

OR

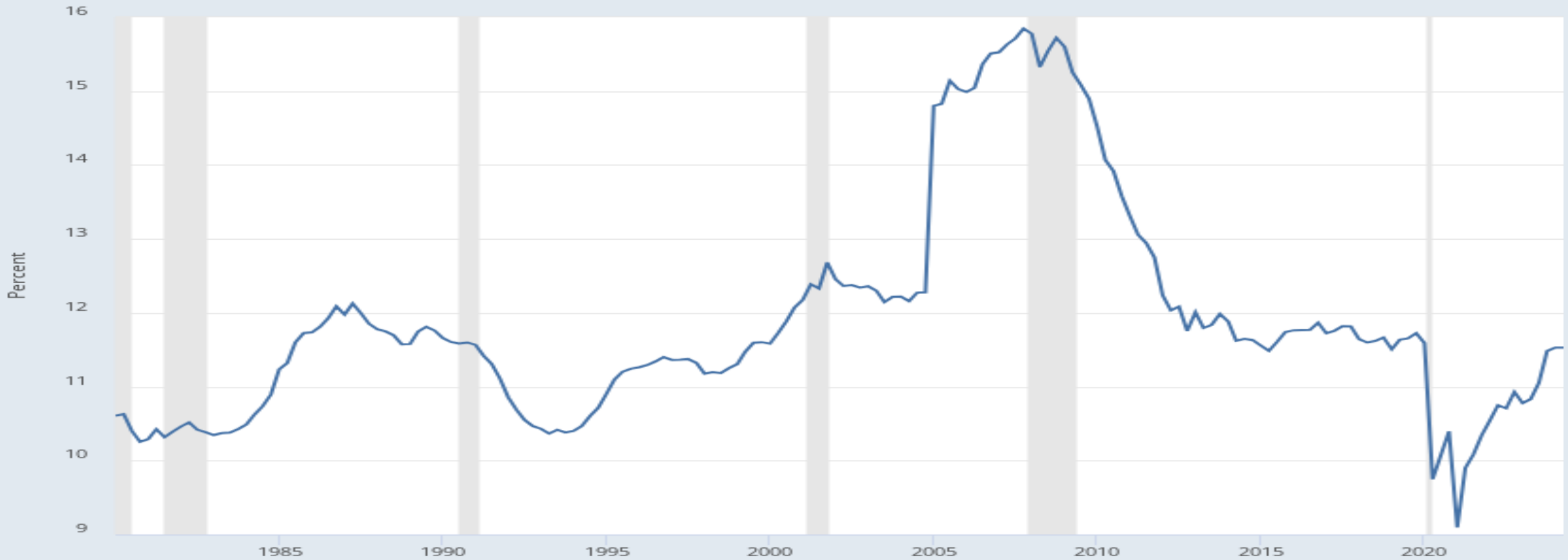
INCREASE CONSUMER COSTS?



# HOUSEHOLD DEBT PAYMENTS AS % OF DISPOSABLE INCOME

FRED

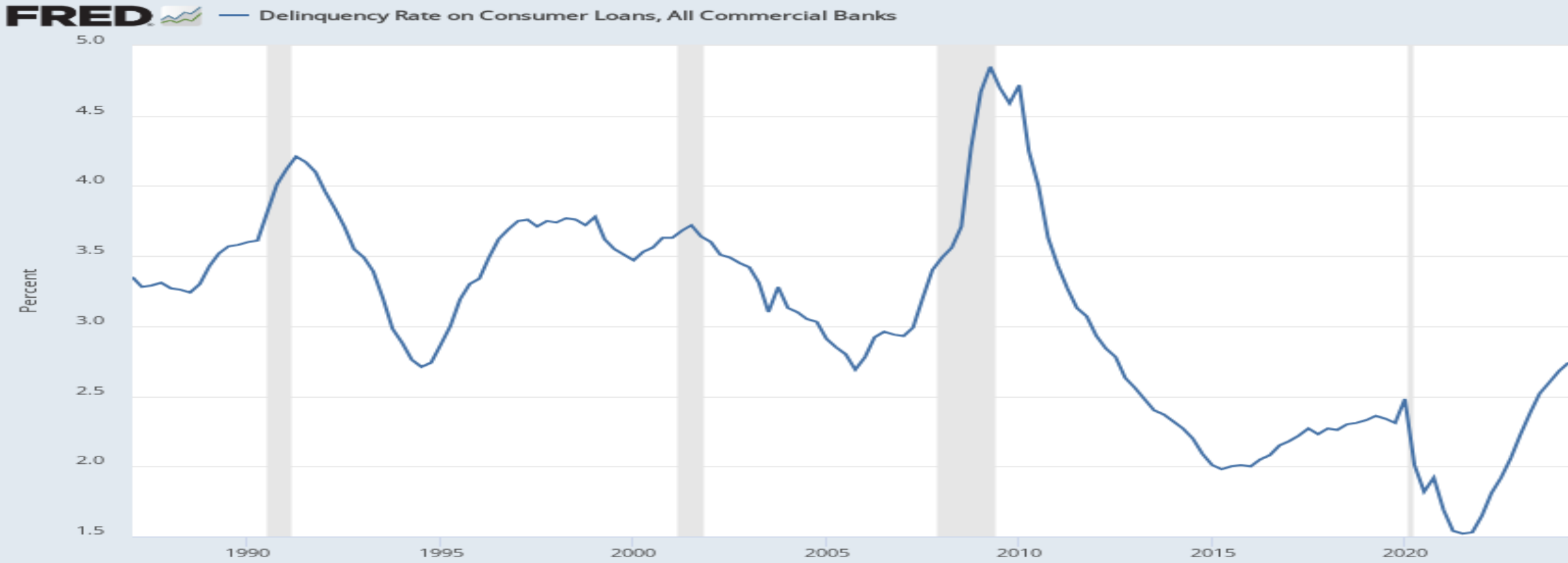
— Household Debt Service Payments as a Percent of Disposable Personal Income



Source: Board of Governors of the Federal Reserve System (US)

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# HOUSEHOLD DEBT DELINQUENCIES ARE UP

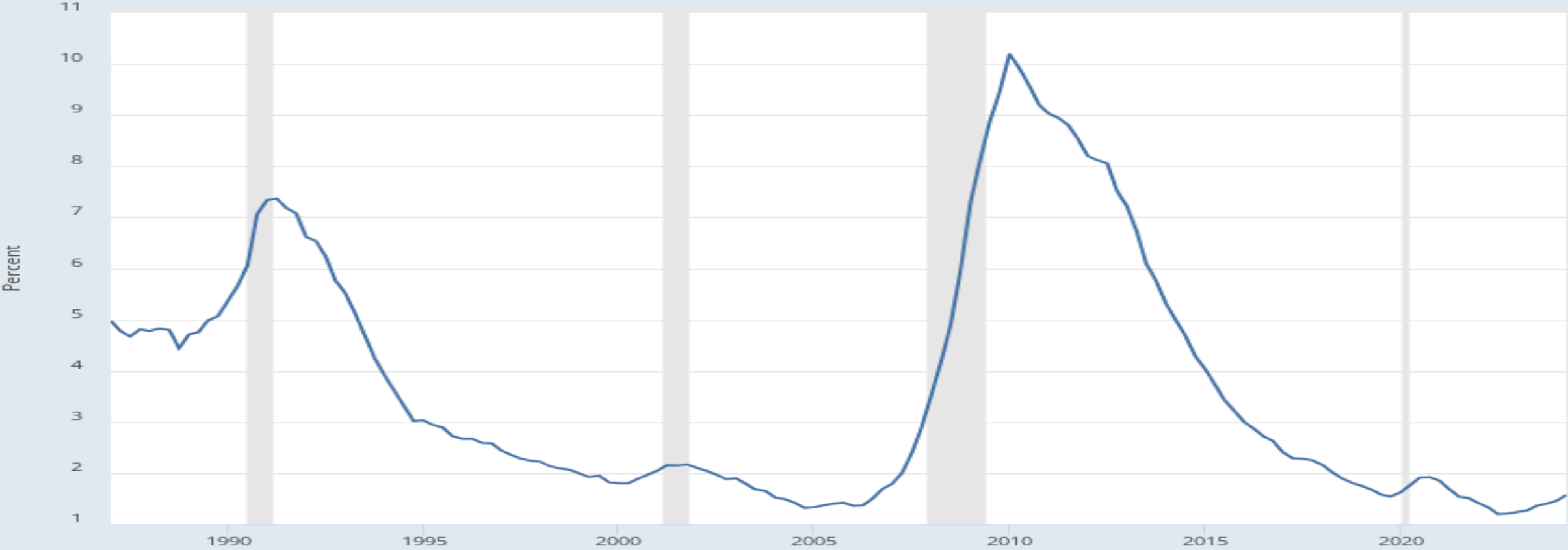


Source: Board of Governors of the Federal Reserve System (US)

# COMMERCIAL REAL ESTATE DELINQUENCIES ARE UP



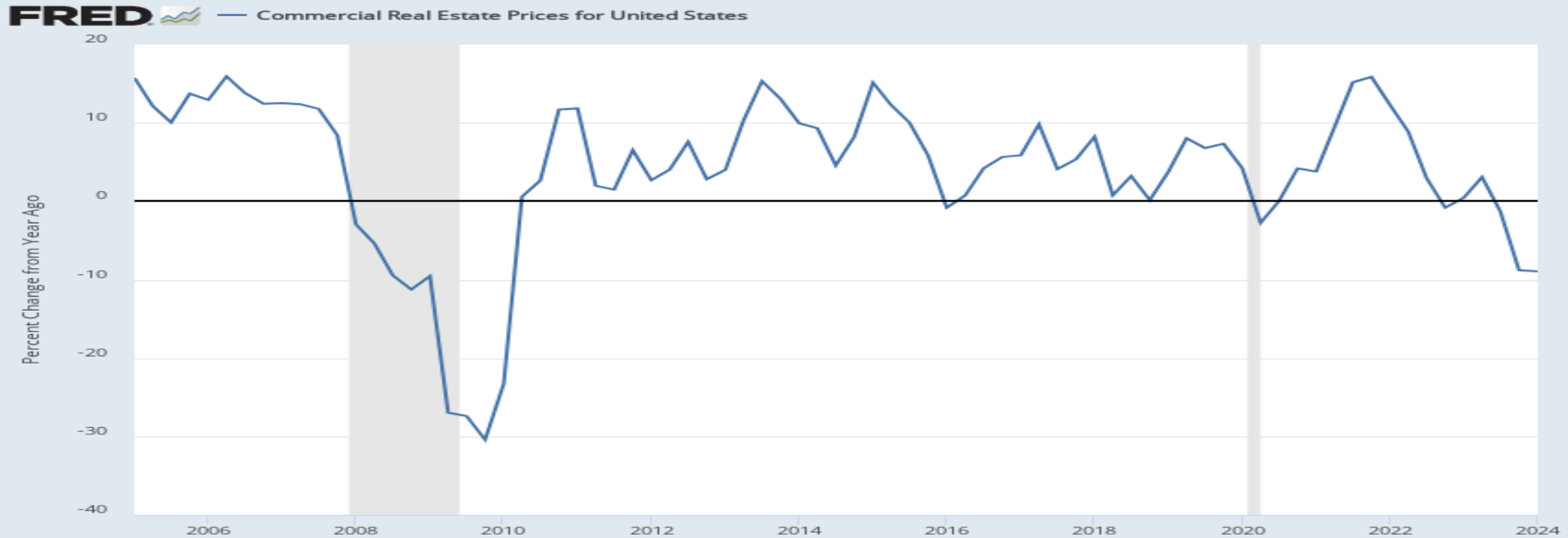
— Delinquency Rate on Loans Secured by Real Estate, All Commercial Banks



Source: Board of Governors of the Federal Reserve System (US)



# COMMERCIAL REAL ESTATE PRICES ARE DOWN



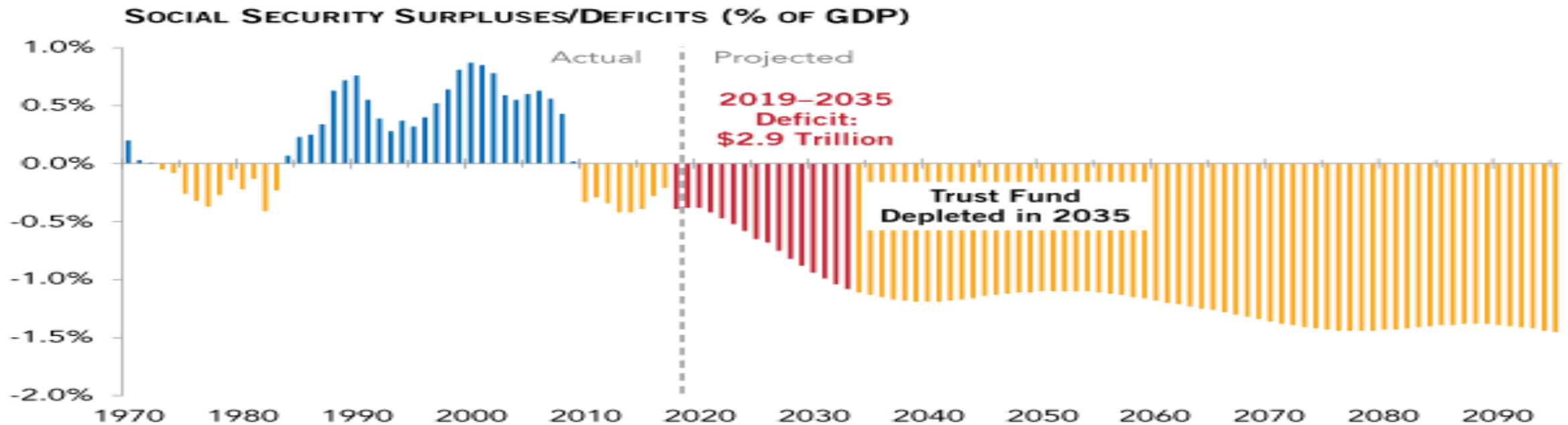
Source: International Monetary Fund

[myf.fred/g/1sbwF](https://myf.fred.stlouisfed.org/g/1sbwF)

# BIG ISSUES – SOCIAL SECURITY



**Social Security will run a cumulative cash deficit of \$2.9 trillion between now and 2035**



SOURCE: Social Security Administration, *The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, April 2019. Compiled by PGPF.

NOTE: Surplus/deficit numbers exclude interest income. The total deficit of \$2.9 trillion is the present value of the cash deficits between 2019 and 2035. The Old-Age & Survivors Insurance trust fund is projected to be depleted in 2034 and lead to a 23 percent cut in benefits that year; the Disability Insurance trust fund is projected to be depleted in 2052 at which time benefits would be reduced by nine percent.

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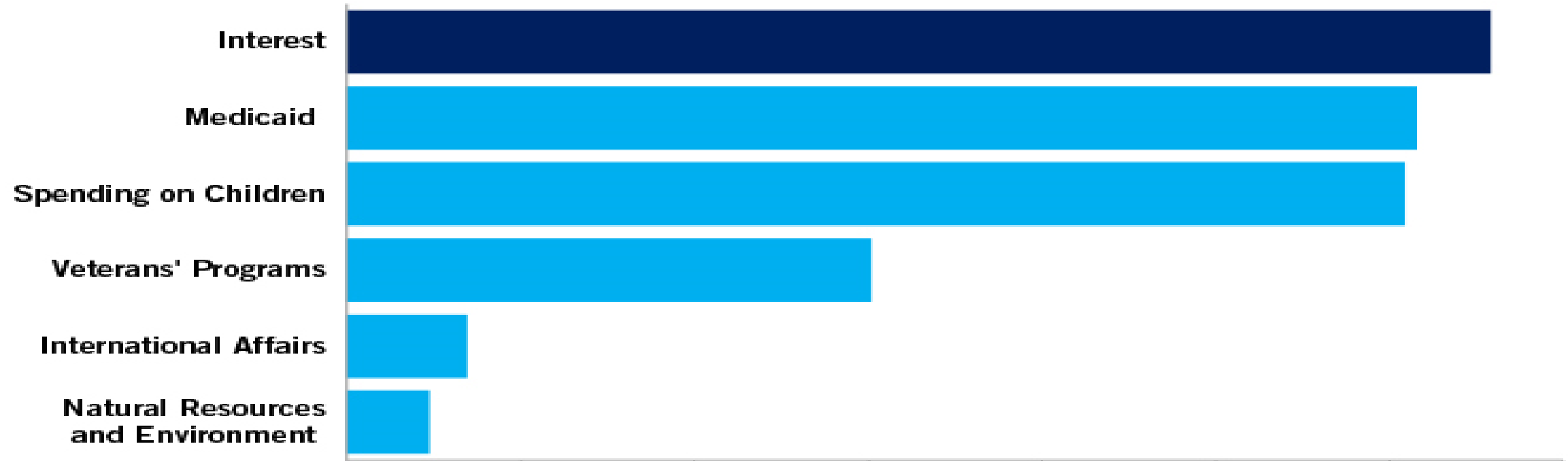
PGPF.ORG

# BIG ISSUE: NATIONAL DEBT



## Spending on interest exceeded a number of other budget categories

Fiscal Year 2023 (Billions of Dollars)



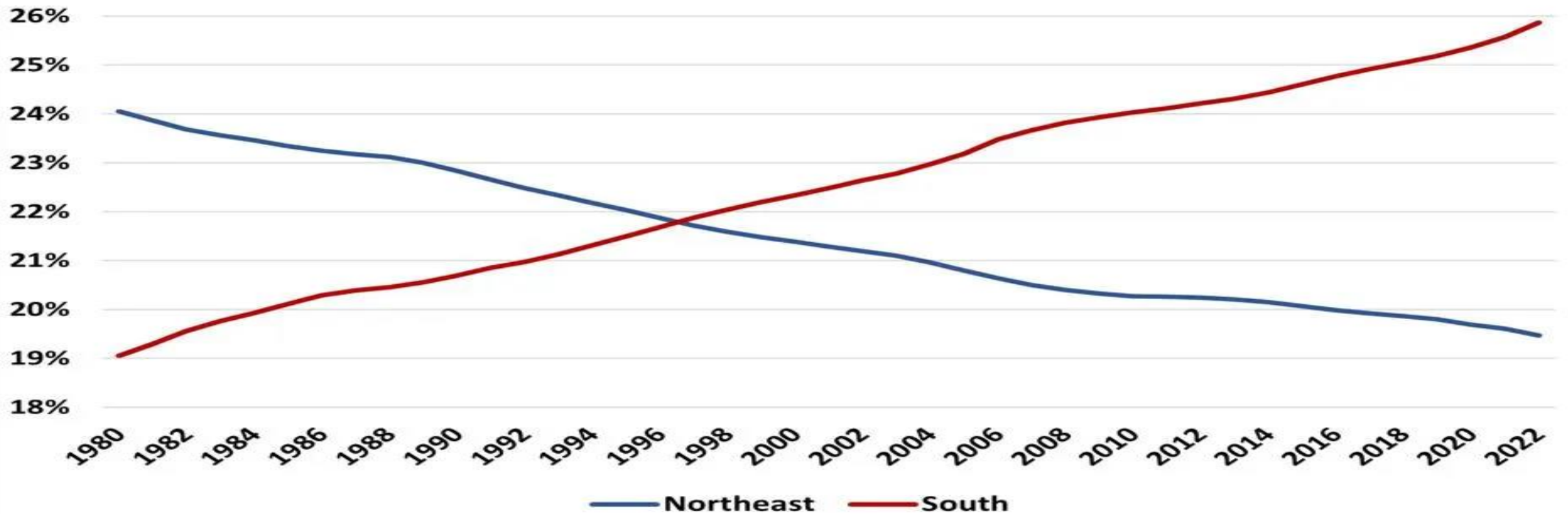
# BIG ISSUE: AI AND LABOR MARKET CHANGE

DISPLACEMENT OF COGNITIVE WORK  
JOBS DELETED AND CREATED  
NEEDED RE-TRAINING FOR MILLIONS  
OVERALL OF HIGHER EDUCATION



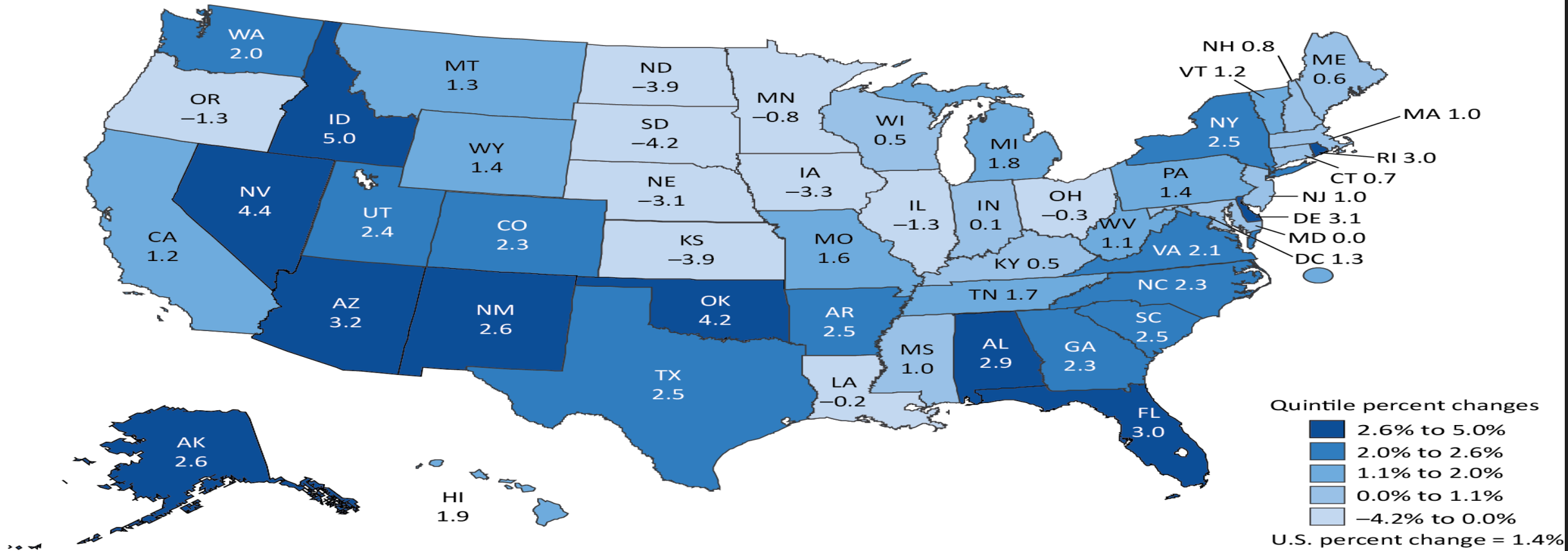
# REGIONAL ANALYSIS: RISE OF THE SOUTH

**Percent of U.S. Population  
1980 - 2022**



# GDP GROWTH RATE BY STATE

Real GDP: Percent Change at Annual Rate, 2023:Q4–2024:Q1





## STATES' RANKINGS ON NET IN-MIGRATION, 2020-23

NC: #3

SC: # 5



# TOP PERFORMING CITIES (MILKIN INST)

1. AUSTIN

2. RALEIGH

3. BOISE

4. SALT LAKE

5. PROVO

6. NASHVILLE

7. FAYETTEVILLE, ARK

8. DALLAS

9. OLYMPIA, WASH.

10. CHARLOTTE

11. CHARLESTON, SC



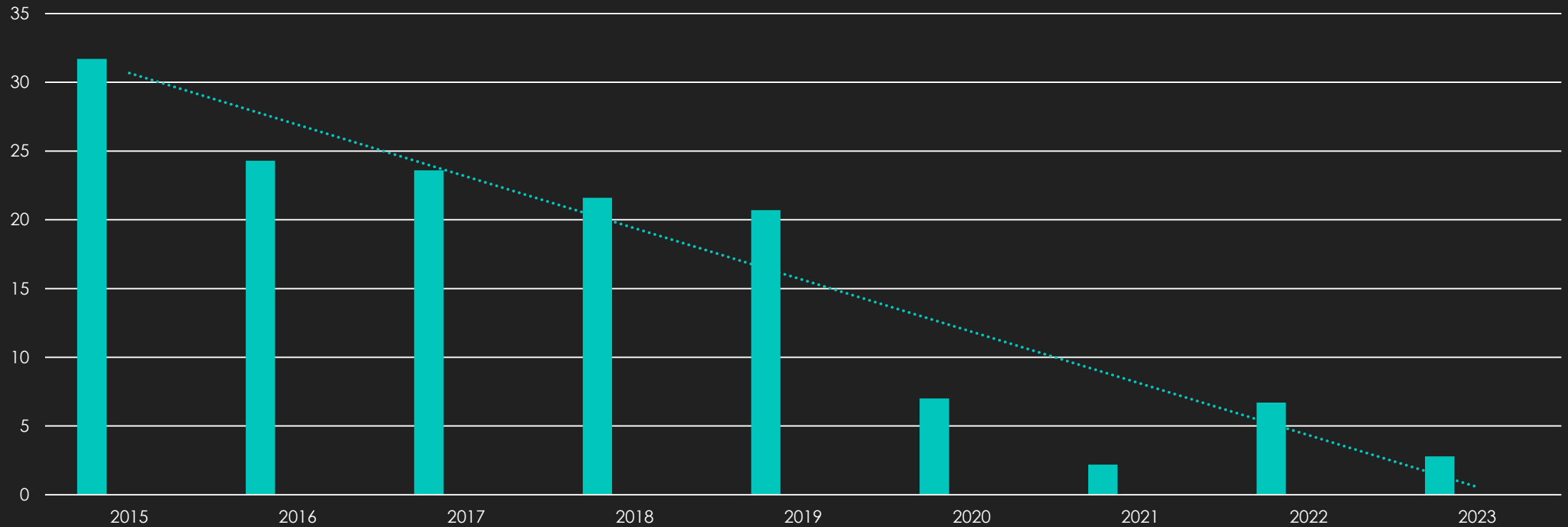
# NORTH CAROLINA LEADING ECONOMIC INDEX PREDICTS CONTINUED GROWTH

NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS

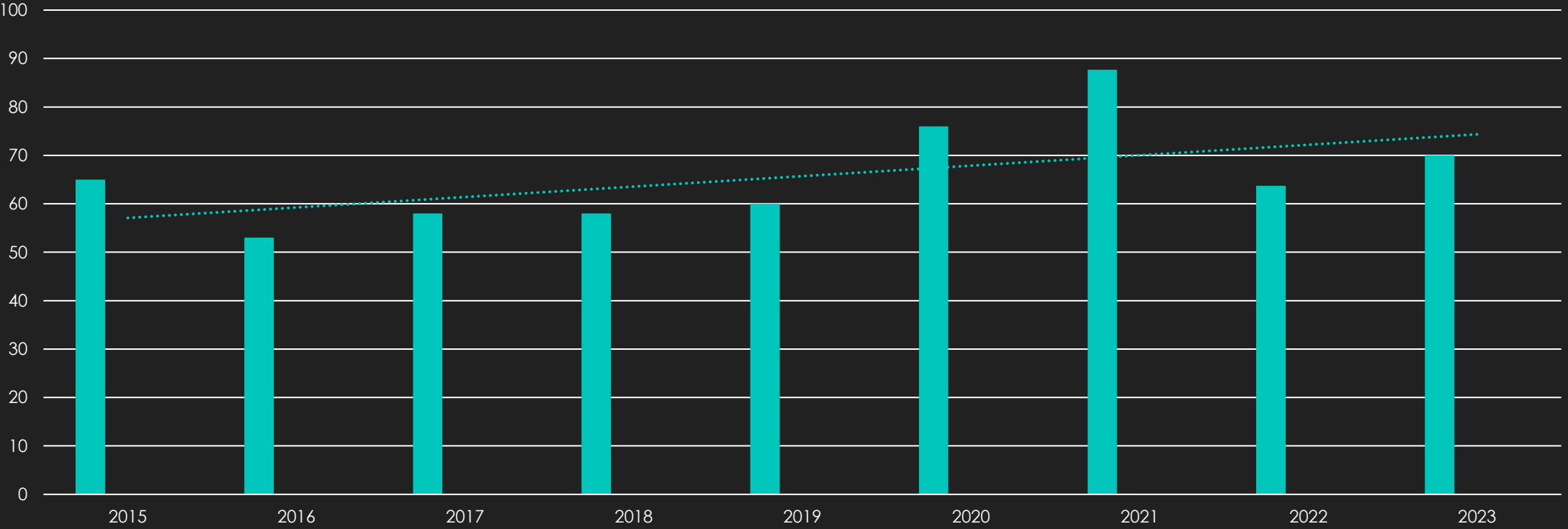


Source: calculations by Dr. Michael Walden

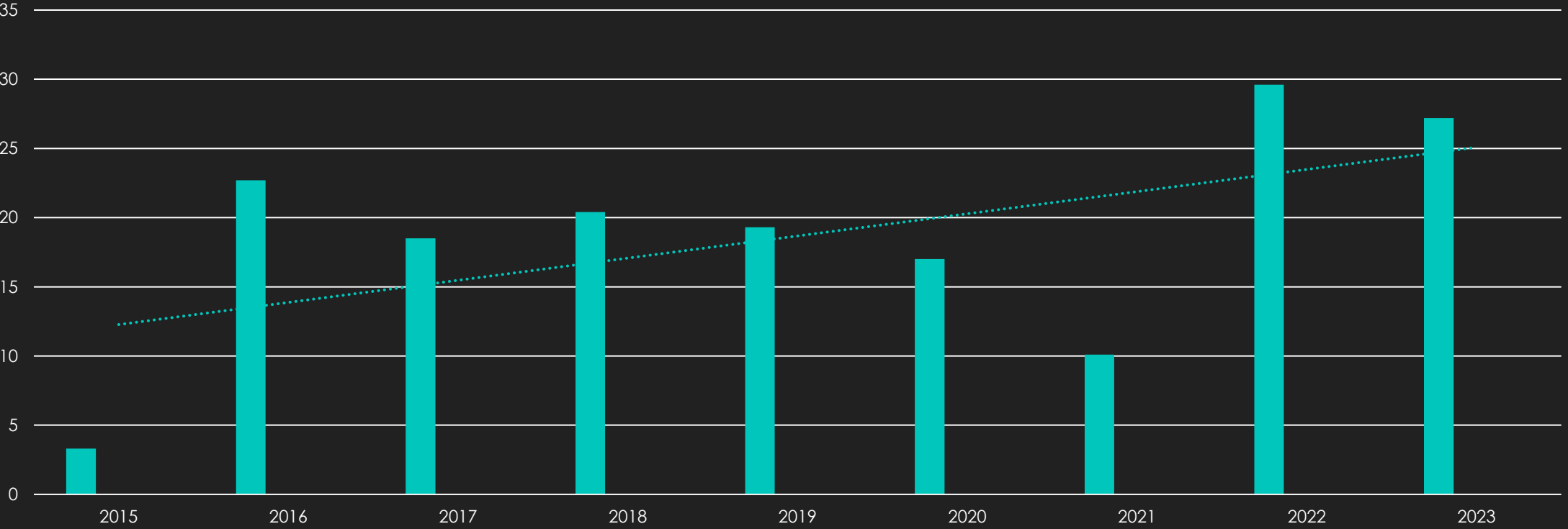
# NORTH CAROLINA'S BIRTH RATE IS FALLING



# CONTRIBUTION OF MIGRATION FROM OTHER STATES IS UP



# CONTRIBUTION OF FOREIGN IMMIGRATIONS IS STRONGLY UP



# ECONOMIC GROWTH IN NC IS SPREADING

IN LAST FOUR YEARS, MAJOR TECH AND PHARMA  
ANNOUNCEMENTS FOR:

JOHNSTON CO.

CHATHAM CO.

ROCKY MOUNT-WILSON-GREENVILLE

HICKORY

POSSIBILITY OF “REMOTE WORK COMMUNITIES”?

# CONCLUSION

ECONOMIES NEVER RUN PERFECTLY

ALWAYS CHALLENGES & OPPORTUNITIES

PUBLIC POLICY MAKERS HAVE LIMITED IMPACT ON  
THE ECONOMY'S DIRECTION

# MY RECENT BOOKS – SOMETHING FOR EVERYONE !

