

# “The National and State Economies”

## Blue Ridge Electric Membership Corporation

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April, 2010

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NCBANKERS  
NORTH CAROLINA BANKERS ASSOCIATION

# Characteristics of The Recession

- Recession started in December, 2007 - deepest since 1930s
- Post WWII average decline in GDP is 1.9%
- This recession decline in GDP about 3.9%
- For 2008 the decline in GDP was the largest since 1938

## U.S. Economy – Good News/Bad News

- Consumer confidence had been rising but plunged in February, then rose in March – remains well below level of 2001
- The drop in salaries and wages for last 3 quarters, the steepest in 60 years due to deep job cuts – the drop in interest and dividend payments even worse
- Household wealth down \$12 trillion since 2007, up \$2 trillion last year
- Stock Market up at least 20% in 2009



## U.S. Economy – Good News/Bad News

- Consumers are deleveraging
- Household debt fell 1.7% last year – biggest drop since series began in 1945
- Debt levels still high

# Employment

- Economy lost over 8.4 million jobs in recession – biggest drop since the 40s
- Unemployment rate in March was 9.7% up from 4.9% in January, 2008 -
- Added 162,000 jobs in March, most since October, 2007
- 5.6% is average unemployment rate for last 20 years

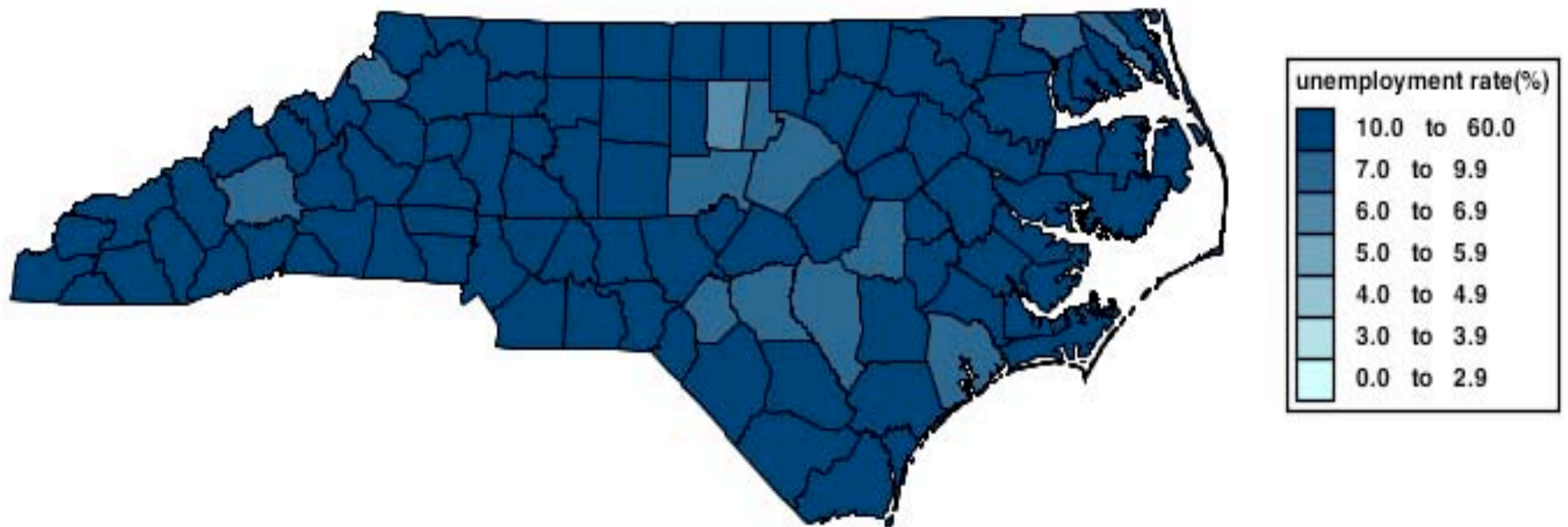
# Employment

- The ranks of the long-term unemployed is swelling
- Labor mobility is falling
- It took 23 and 39 months respectively after the 1991 and 2001 recessions to get back lost jobs

# N.C. Employment

- Unemployment rate rose from 4.9% in January 2008 to 11.2% by February 2010
- NC has 9<sup>th</sup> highest rate in the nation
- Construction, Manufacturing, Financial Services, had big losses over last 12 months

Unemployment rates by county, not seasonally adjusted, North Carolina February 2010



# Unemployment Rates

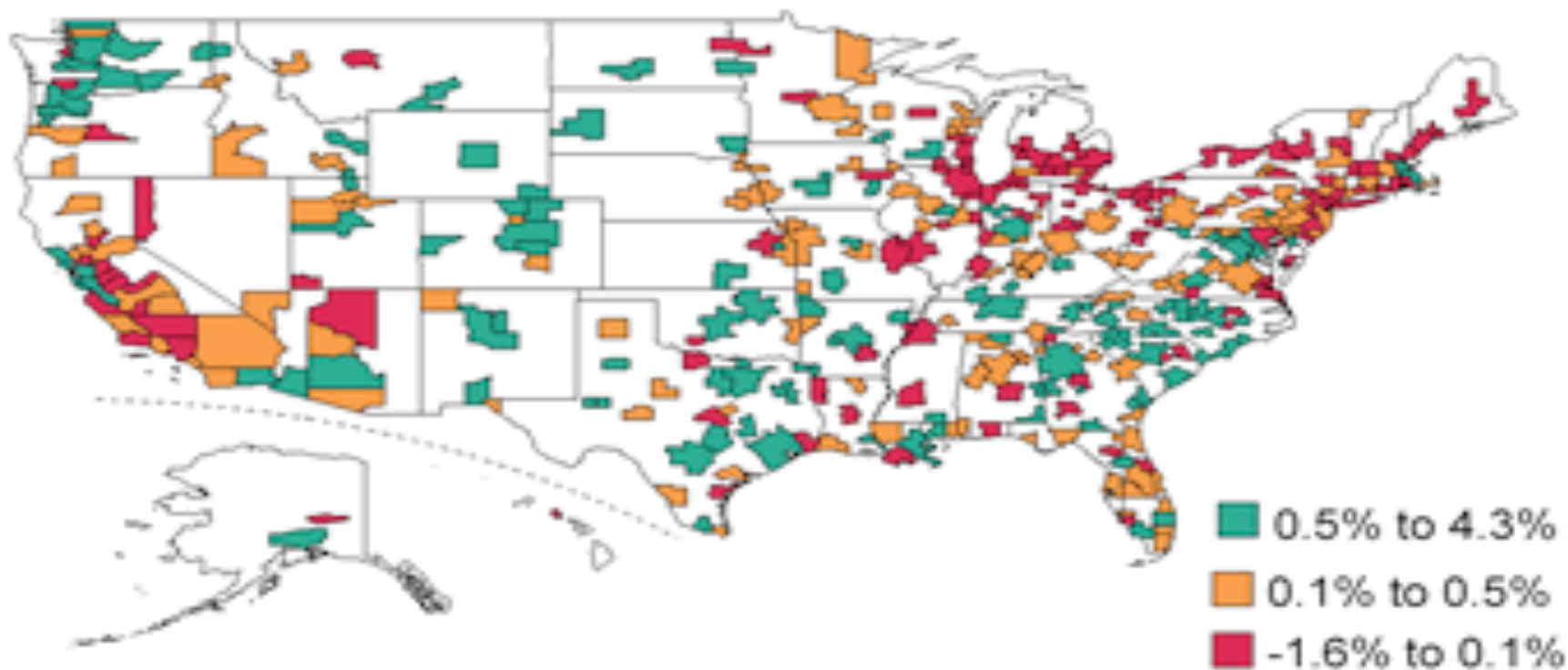
- For February 2010
- Unemployment rate increased in 58 counties
- Ashe county rate is 16.2%
- Alleghany county rate is 15.3%

# Housing

- Tax credit for buyers is helping, ends April 30th
- New home sales for February equaled 308,000 annualized – the lowest rate in history
- Existing home sales down in February for 3<sup>rd</sup> consecutive month – inventory rising for 1<sup>st</sup> time since 2008
- 13% of mortgages either delinquent or in foreclosure – foreclosures still increasing

# Americans Stayed Put as the Economy Tanked

Net migration, % total population



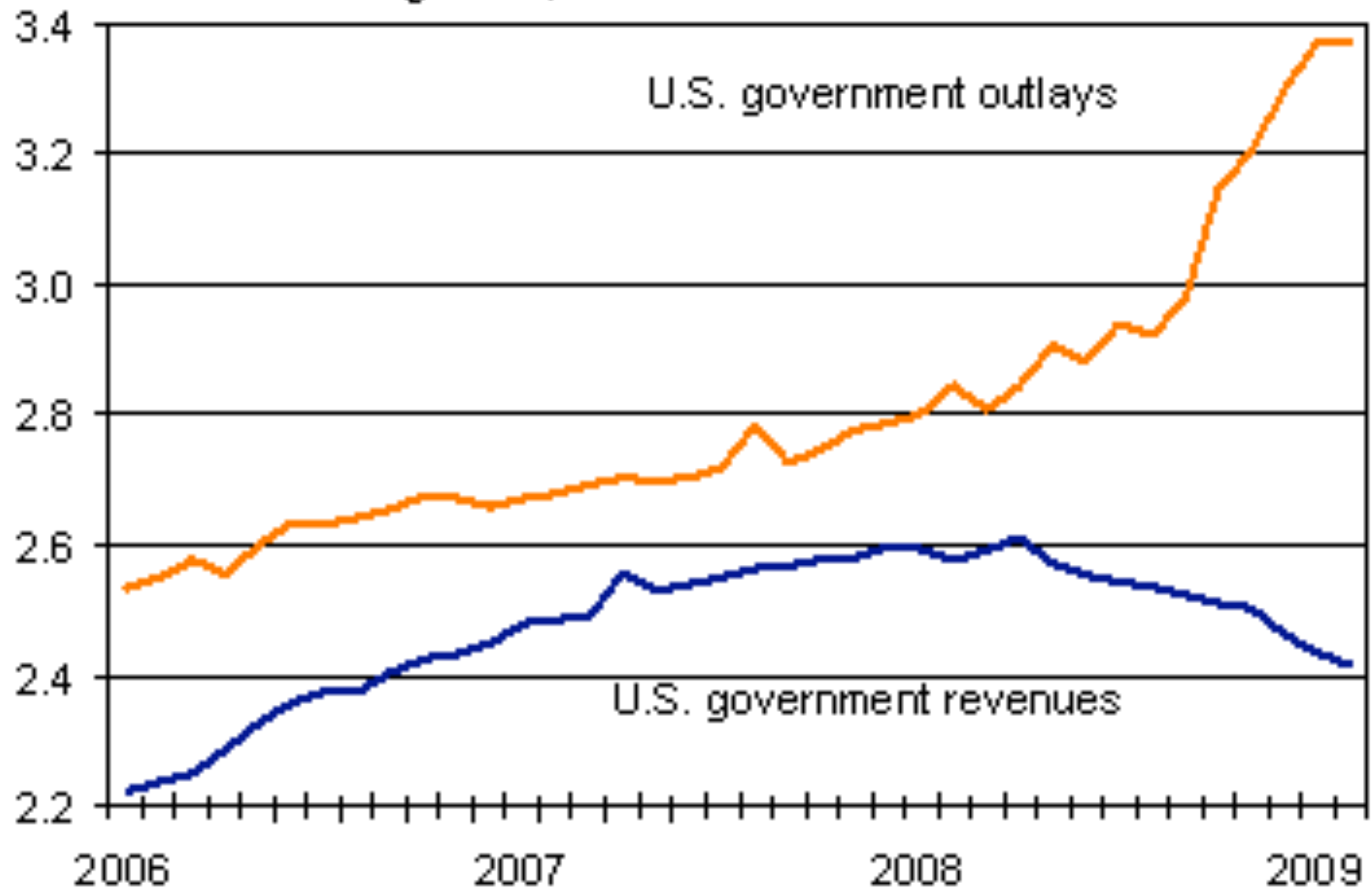
Source: Census Bureau

# U.S. Budget

- Government spending exploding – 25.4% of GDP this year – post WWII record
- Average for last 40 years is 20.7%
- Deficit of \$1.6 trillion this year
- Interest on debt is \$209 billion this year
- Federal education budget is \$157 billion

# Spending up, revenues down; the deficit is growing

*12 month moving sum, \$ trillions*



# Stimulus Package

- For stimulus to work (\$787b):
  - There needs to be a multiplier effect
- About \$300b of stimulus money has been spent (mostly on Medicaid and tax changes)
- Congress gave the Energy depart. \$37billion in stimulus money– they have spent \$2.1b
- Temporary Jobs

# The Future

- GDP grew about 3.0% in second half of last year – jobless recovery
- Growth in GDP will only be 3.0% this year
- U.S. and NC unemployment rates at top
- N.C. unemployment rate will recover very slowly as state spending decreases
- Next shoe to drop – The Public Sector