

State of the Economy

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National Economic Education Delegation

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- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States

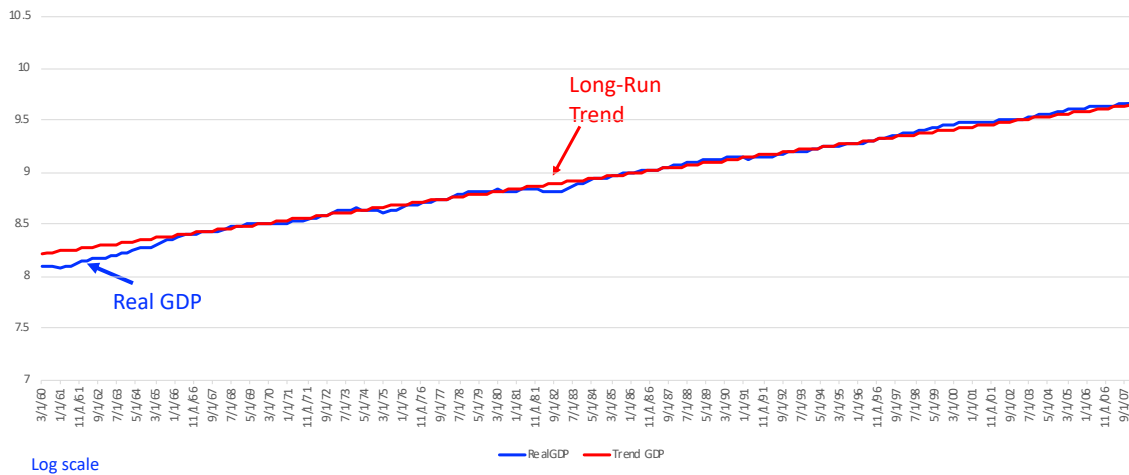
- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession

The State of the Economy

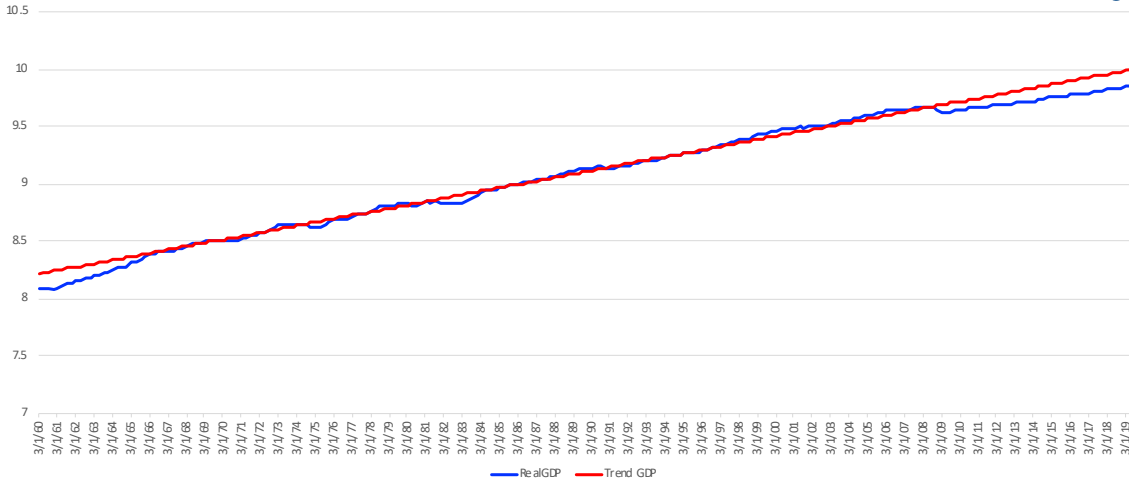
- For much of 2018, observers described US economy as a *“Goldilocks Economy”*
 - Real GDP growth near 3.0%
 - Low unemployment (3.6%) and job creation (roughly 200k jobs added per month)
 - Low inflation (around 2.0%)
- By the end of 2018 and into 2019, the US economy shown some signs of slowing and there is some worry about potential *“bears”* on the horizon
 - Slowing industrial production
 - Tariffs, Trade Policy and International Trade
 - Slowing world economy.
- Like any story, we begin with a set-up and review progress since the end of *Great Recession*

Real GDP: 1960 -2007



Bureau of Economic Analysis (BEA): Real GDP Growth 1960-2007

Real GDP Growth: 1960-current

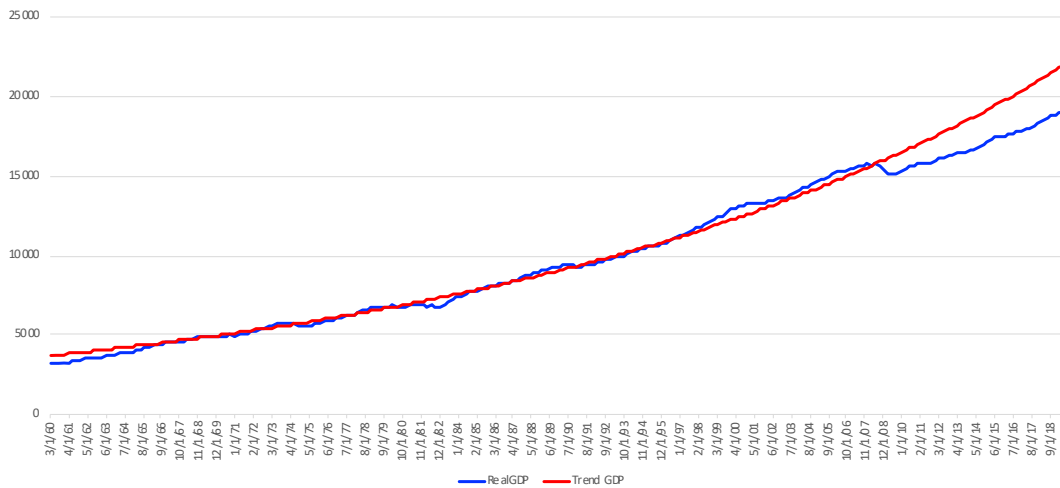


Log scale

BEA: Real GDP Growth 1960-current

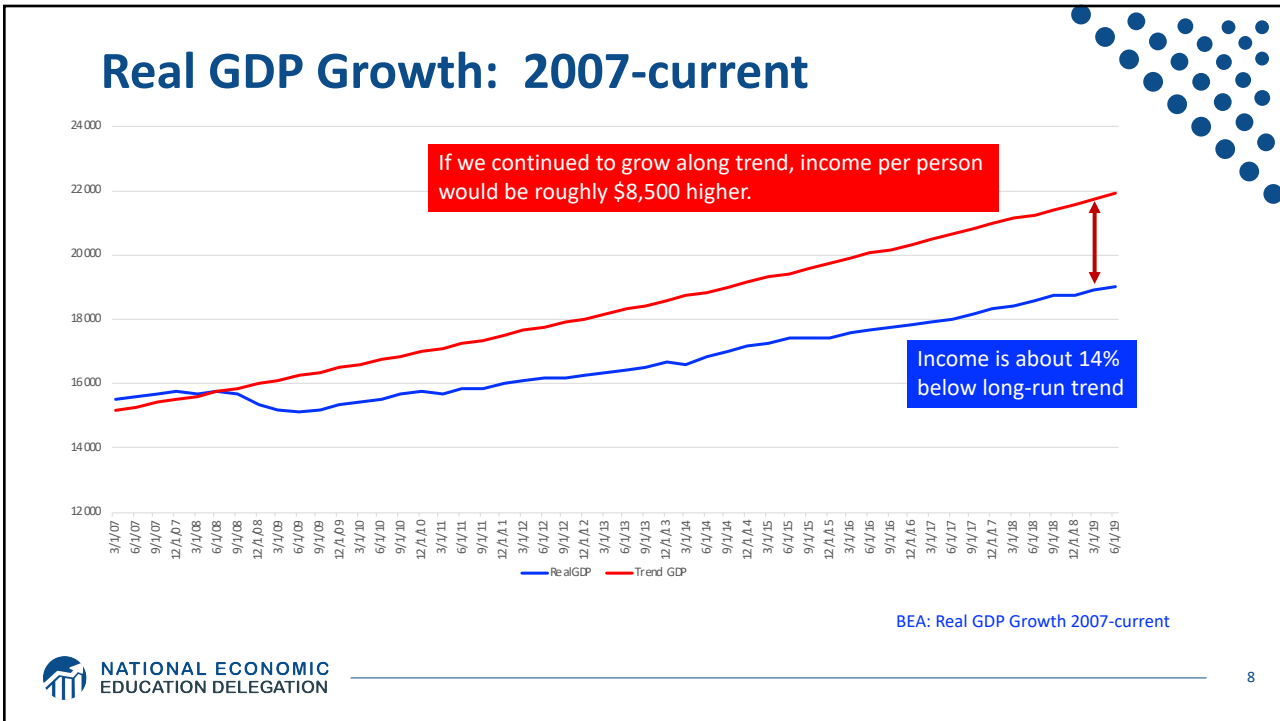
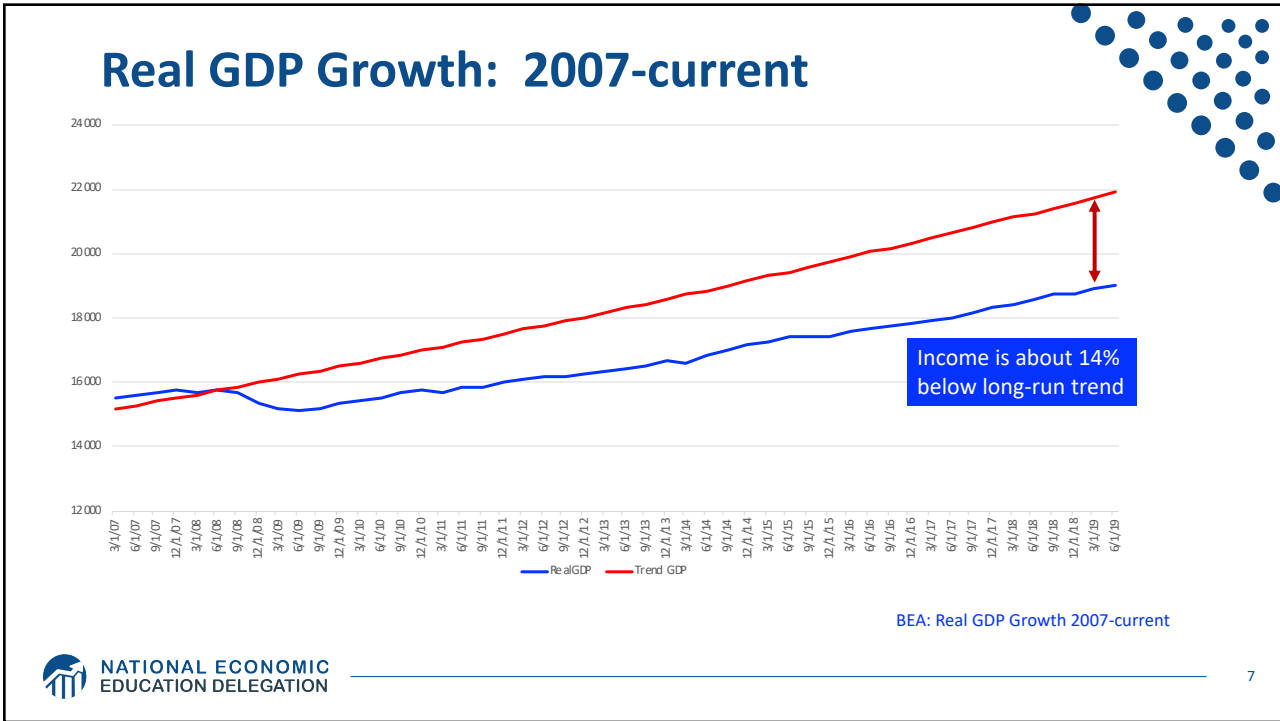


Real GDP Growth: 1960-current



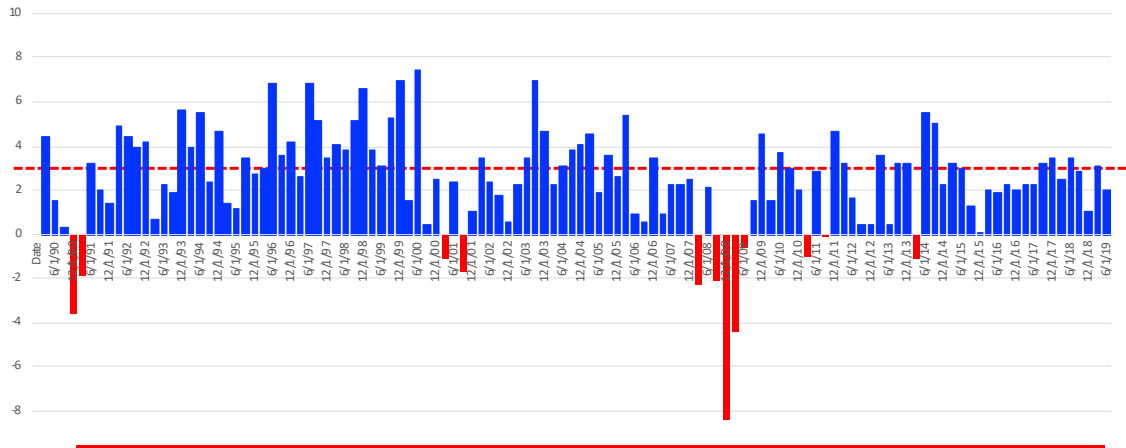
BEA: Real GDP Growth 1960-current





Quarterly Real GDP Growth

(1990-2019)



Since 2000, there have only been 26 quarters where GDP growth has exceeded 3% -- (33% of the time)
 Since 2009, there have only been 14 quarters where GDP growth exceeded 3% -- (35% of the time)

What Is “Accounting” for the Slower Growth?

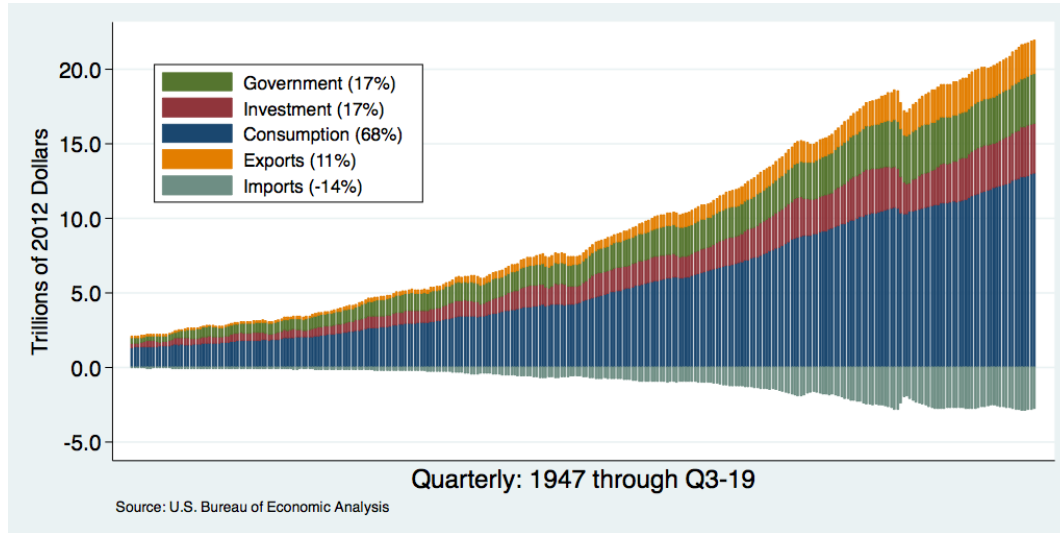
- **Expenditures Relationship to GDP growth.**

- GDP is the sum of four categories of spending:
 - Consumption (**C**)
 - Investment (**I**)
 - Government spending (**G**)
 - Net Exports: Exports – Imports (**NX**)

- **Productivity and Inputs as Drivers for GDP Growth.**

- Employment
- Productivity

Composition of Real GDP



Composition of GDP

- **Slow growth in any of these categories will slow overall GDP growth.**
- **How does each component account for changes in GDP growth pre- vs. post-recession?**
- **What explains current trends in each component?**

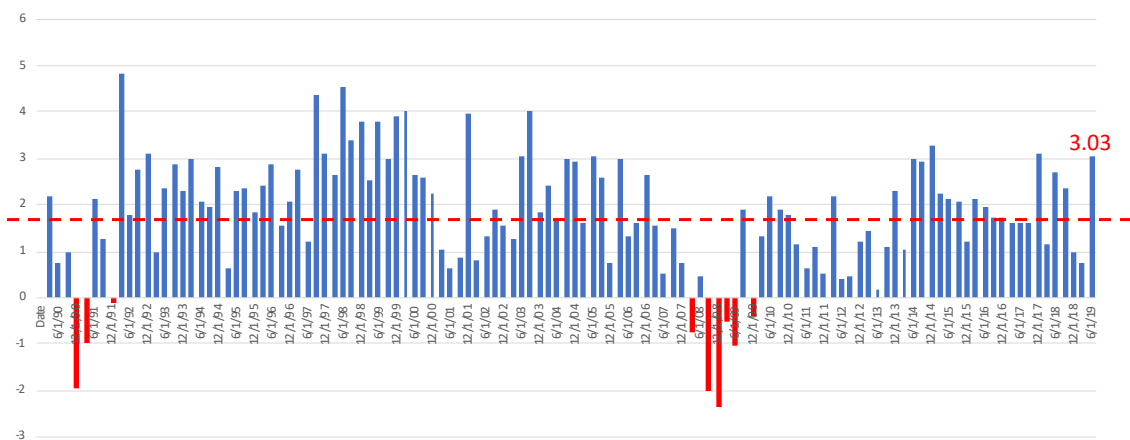


Understanding Contributions to GDP Growth

- **GDP Growth is a combination of the growth in its components:**
 - Consumption, Investment, Government, and Net Exports
 - It's a weighted average of these components

- **For example: Consumption**
 - If consumption accounts for **2/3** of the economy,
 - If consumption grew by **3%**,
 - It implies that consumption growth accounts for **2 percentage points** of GDP growth; that is, $2\% = \left(\frac{2}{3}\right) * 3\%$.

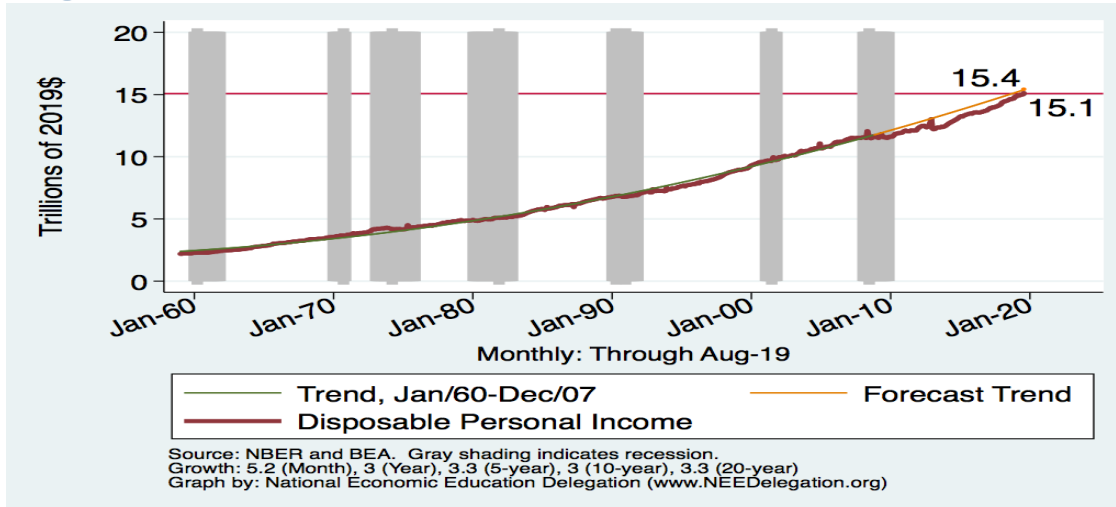
Contribution to GDP Growth: Consumption



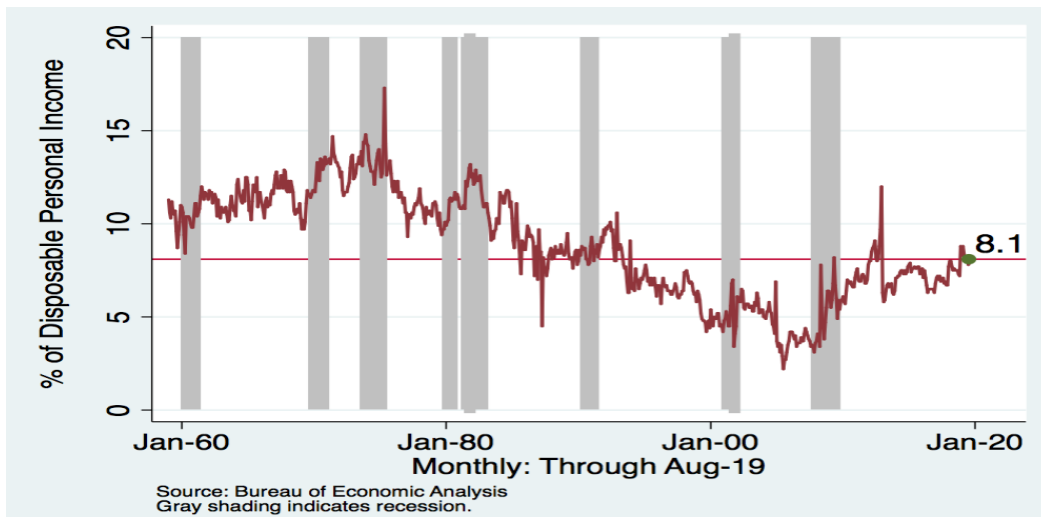
From 1990-2007: Average Contribution from Consumption was 2.18%

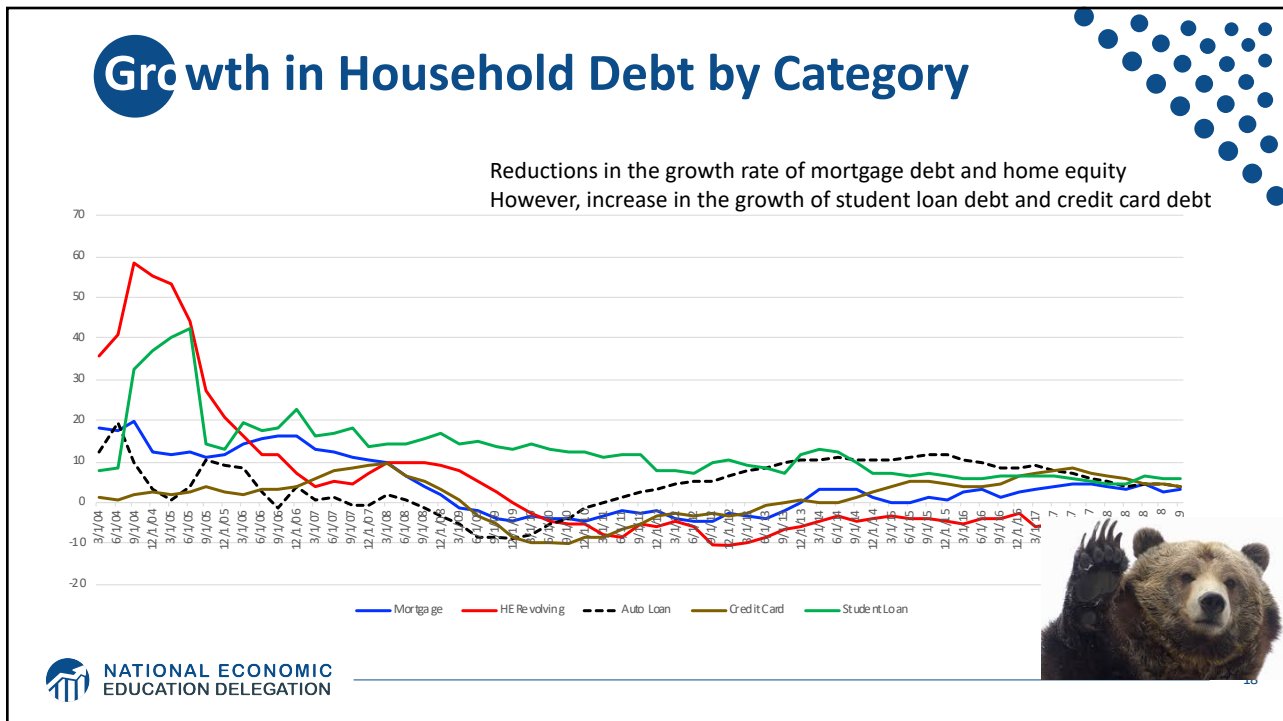
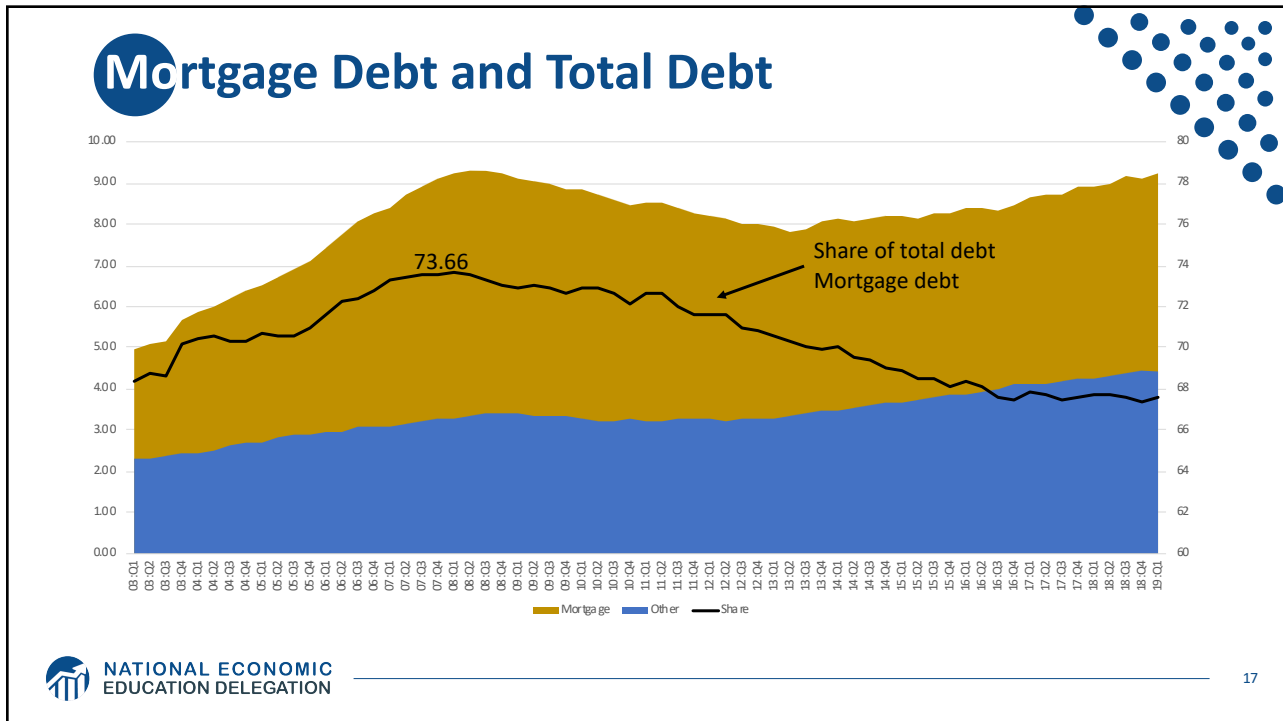
Since 2010, Average Contribution from Consumption is 1.68%

Real Disposable Personal Income

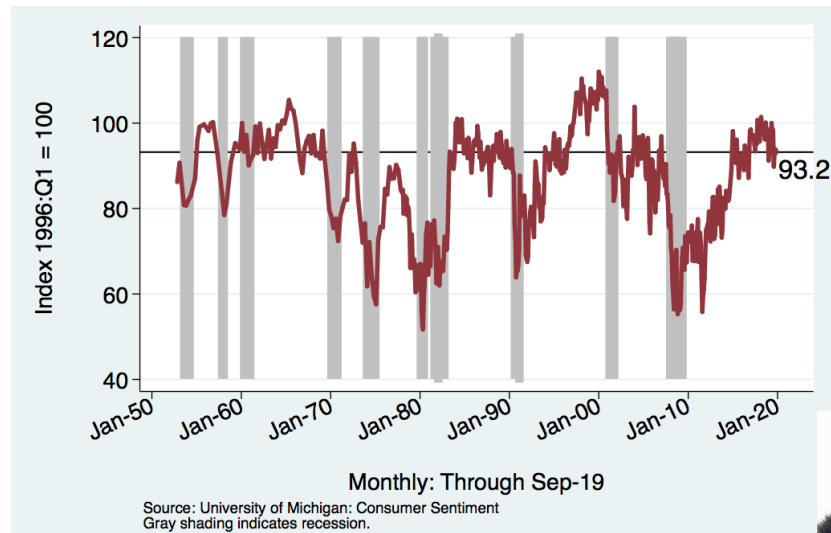


Personal Savings





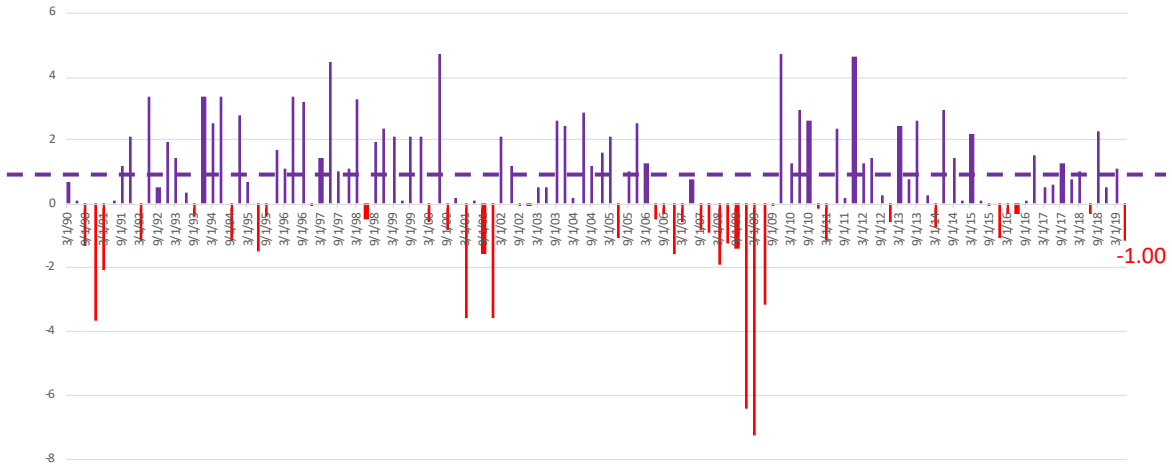
Consumer Confidence: Slipping?



Investment Expenditures

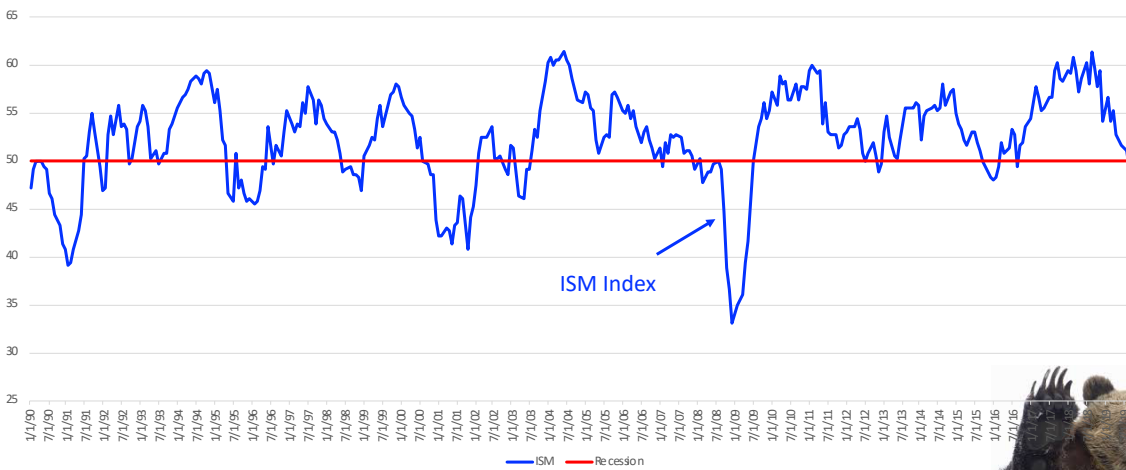
- **Investment expenditures are composed of residential and non-residential spending.**
- **Residential spending refers to purchases of new homes.**
- **Non-residential spending refers to capital purchases and new inventory accumulation.**
 - Tools, machinery, new factories, commercial real estate.

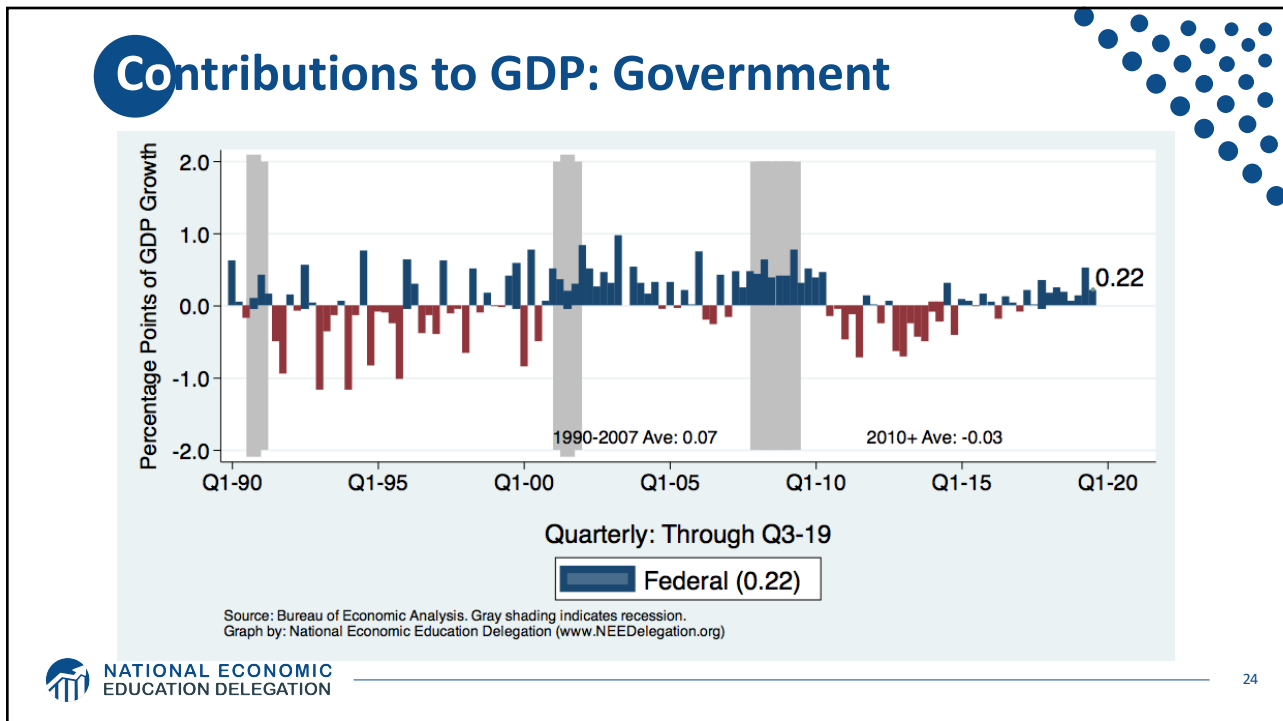
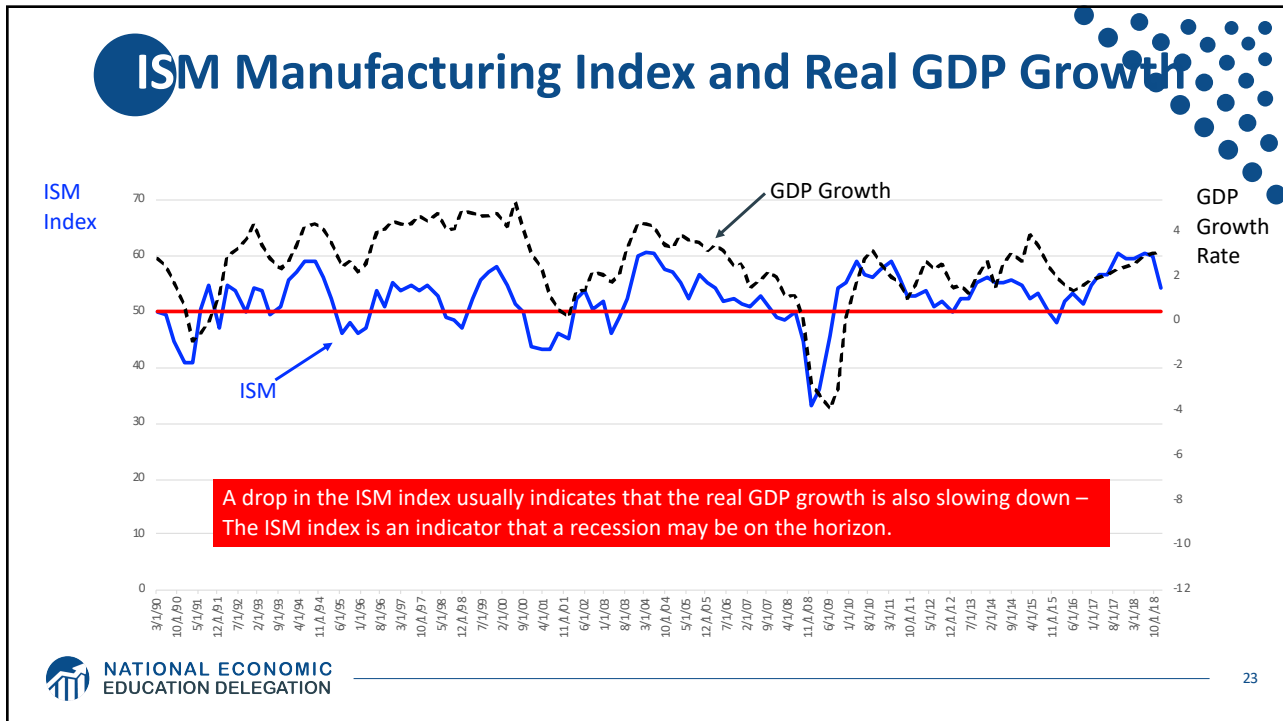
Investment Expenditures



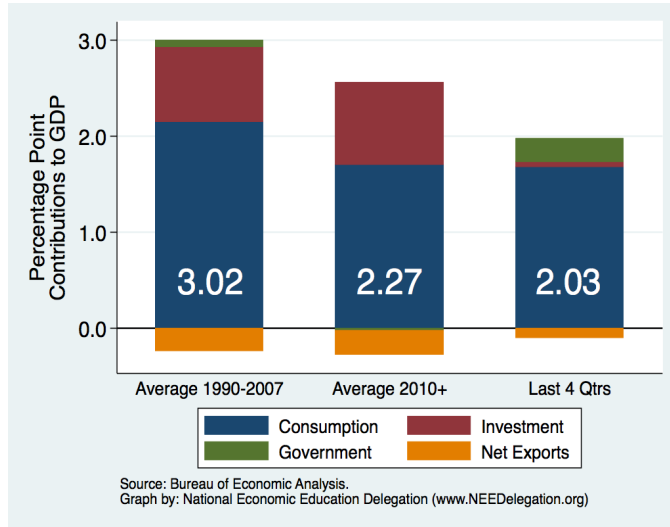
Investment's Average contribution to GDP growth is 0.80

ISM Manufacturing Index

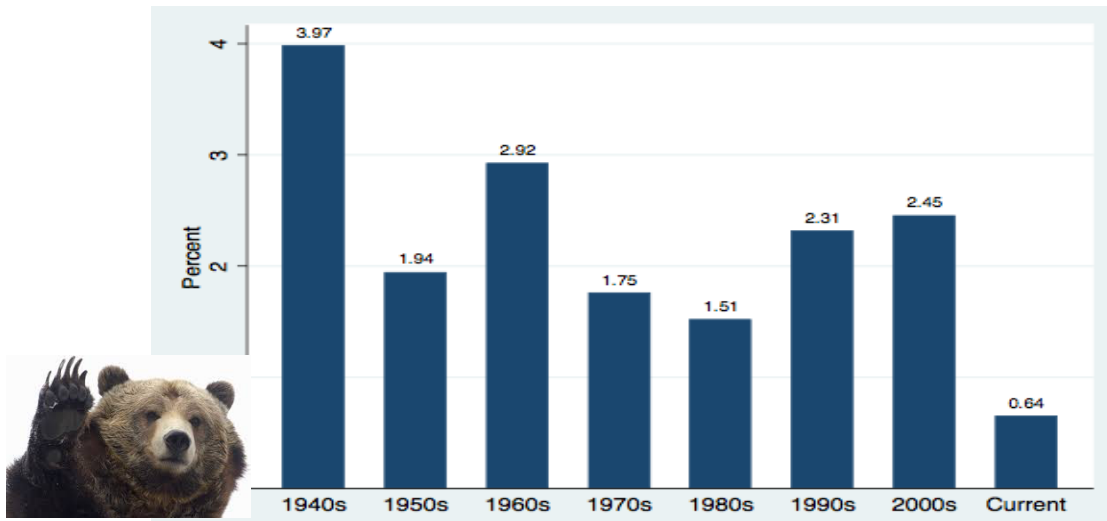




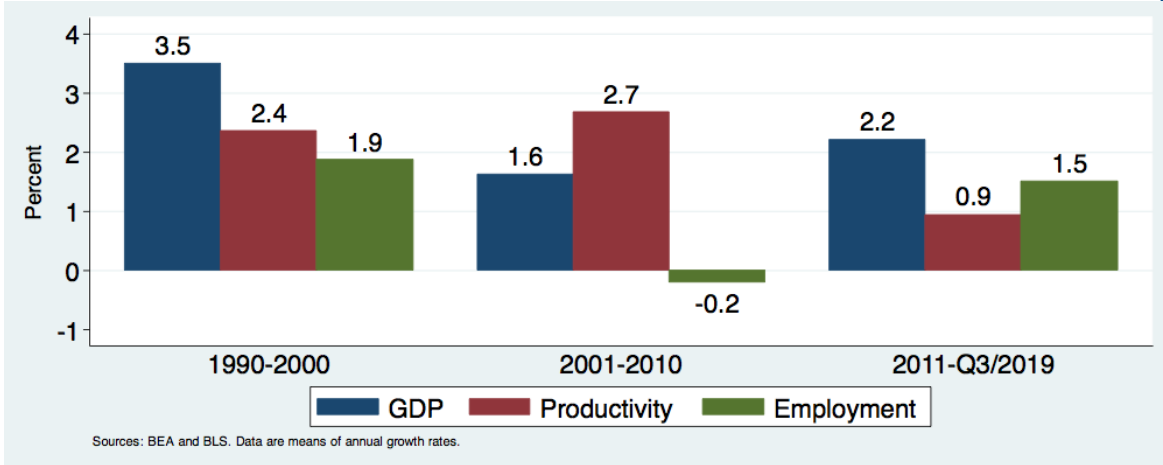
Expenditure Summary



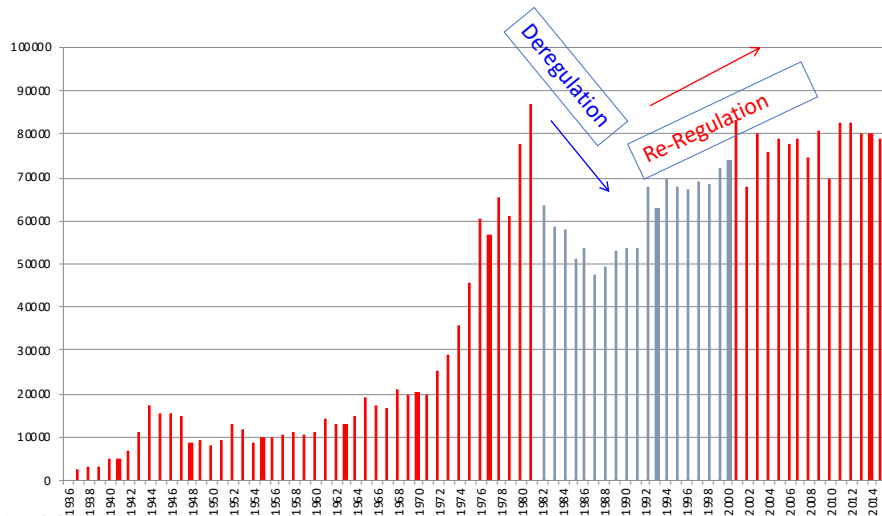
History of Productivity Growth



GDP Growth, Productivity, and Employment



Regulation(Pages in the Federal Register)

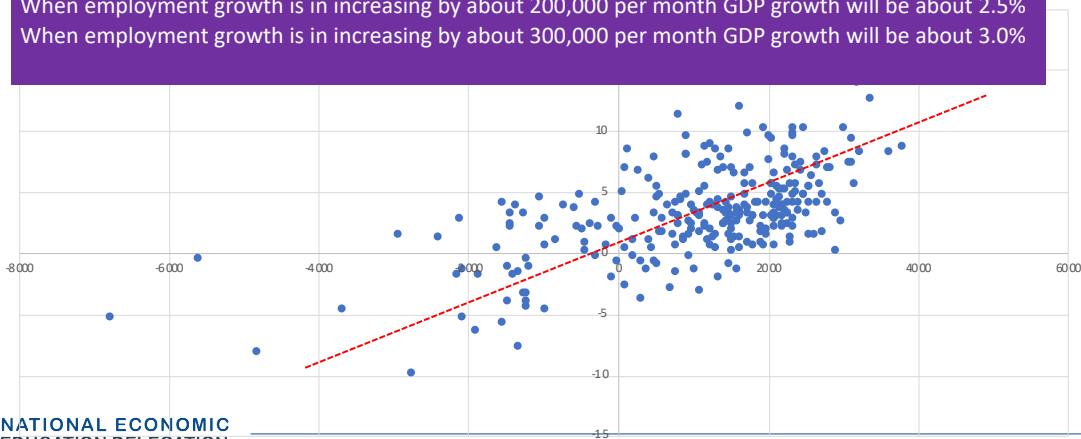


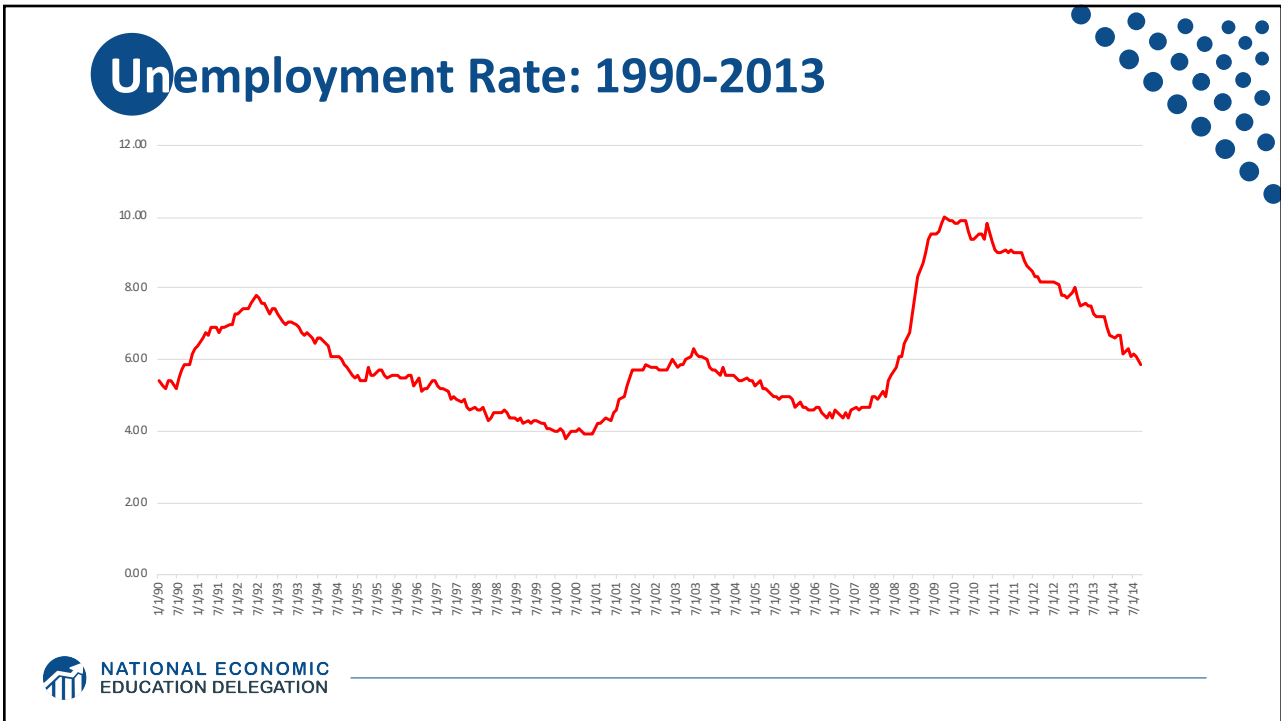
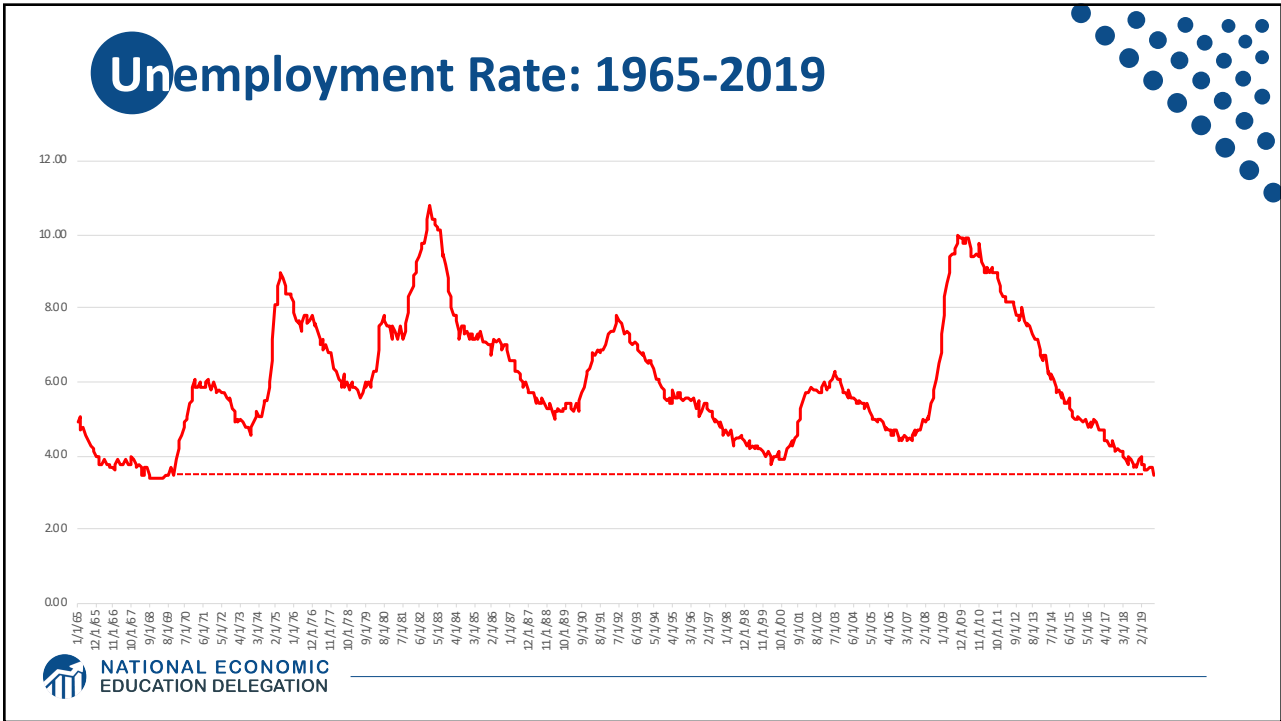
Labor Market Conditions

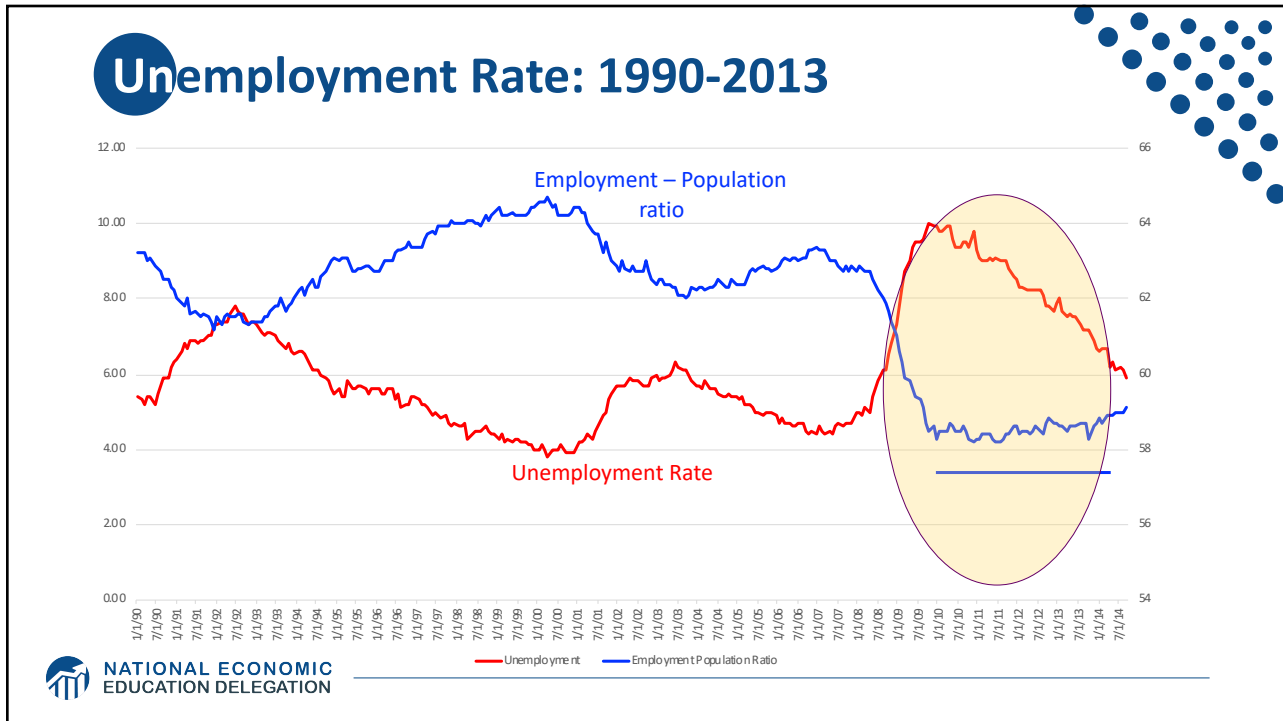
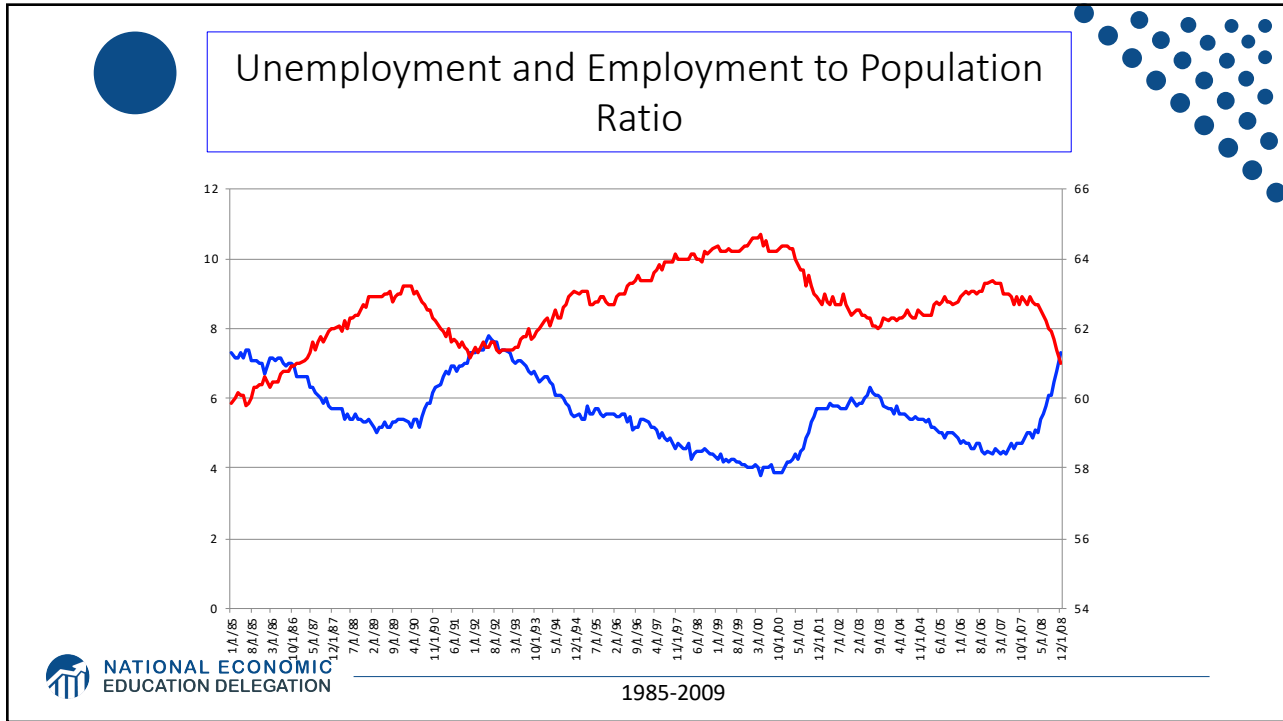
- Unemployment rate is low – 3.6%
- Monthly employment gains have average about 175,000 over the last six months.
- Recent Labor Market Concerns:
 - Lower employment to population ratio
 - Slow wage growth

GDP Growth and Employment Changes

Back of the envelope calculation:
 When employment growth is increasing by about 200,000 per month GDP growth will be about 2.5%
 When employment growth is increasing by about 300,000 per month GDP growth will be about 3.0%

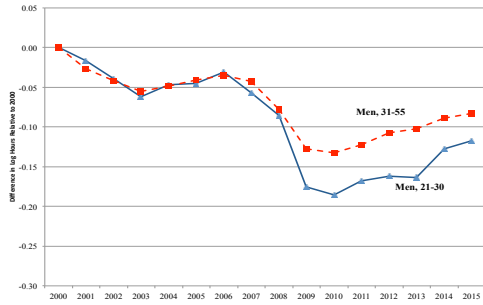




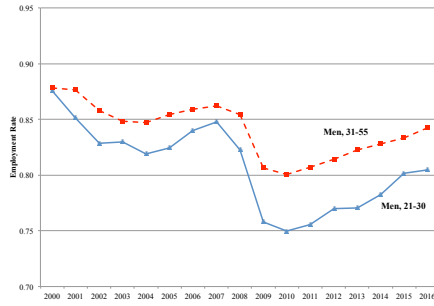


Employment Trends

Figure 1: Market Hours
(a) Log Annual Hours (Index)



(b) Employment Rates



Employment Trends

Figure 2: Fraction of Men With Zero Weeks Worked Over Prior Year by Age, March CP:

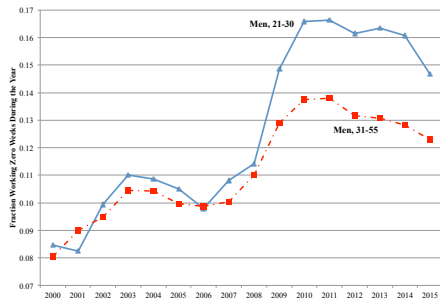
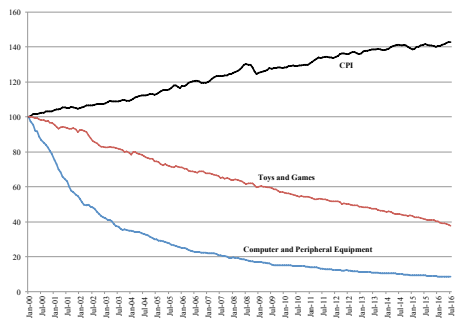
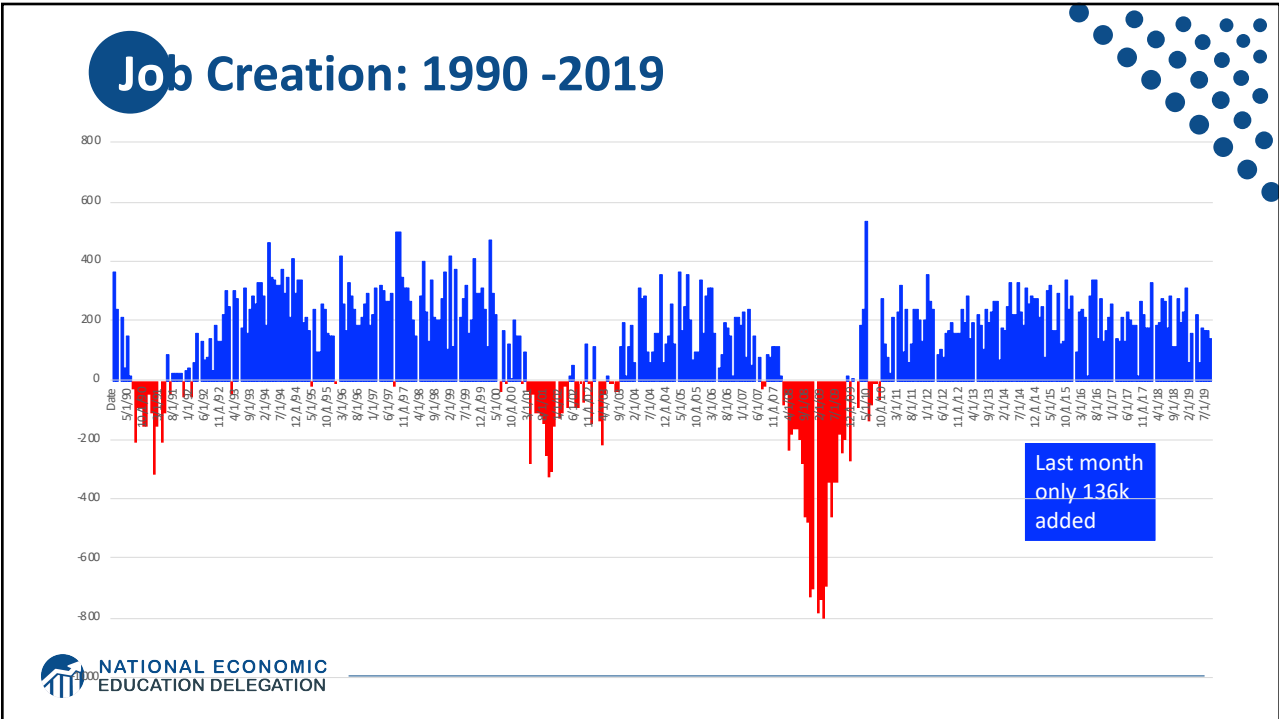
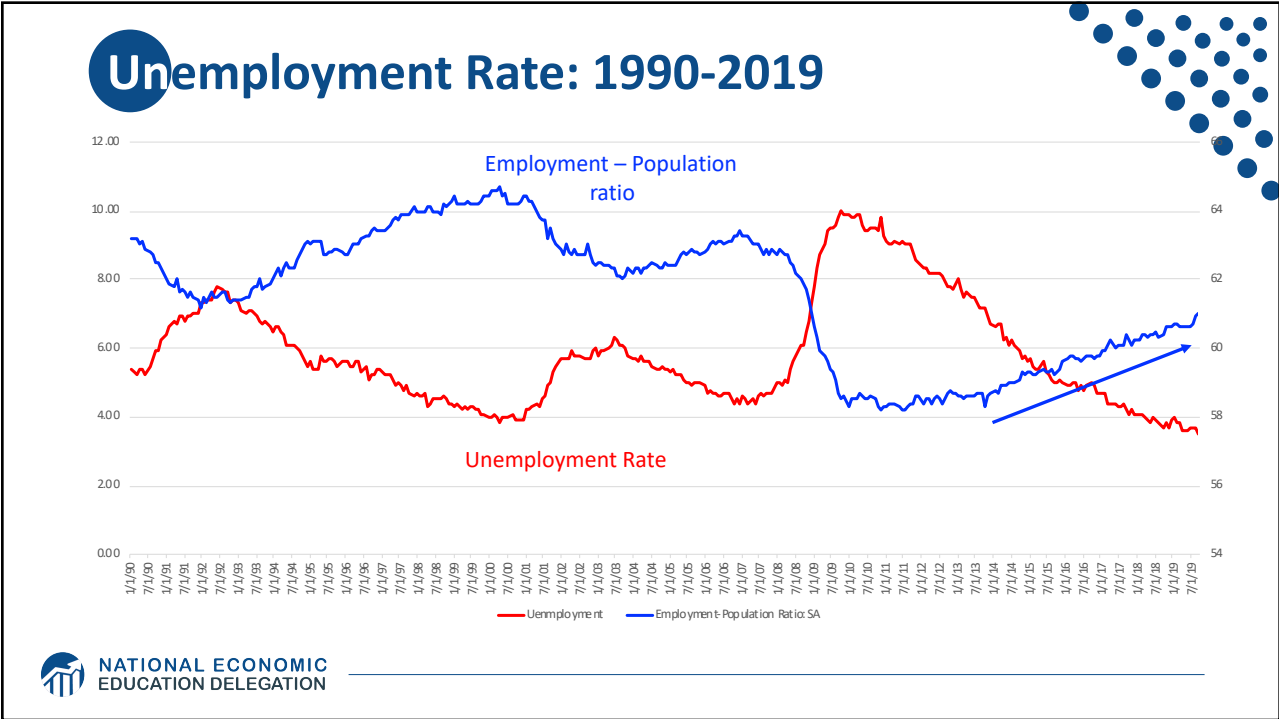
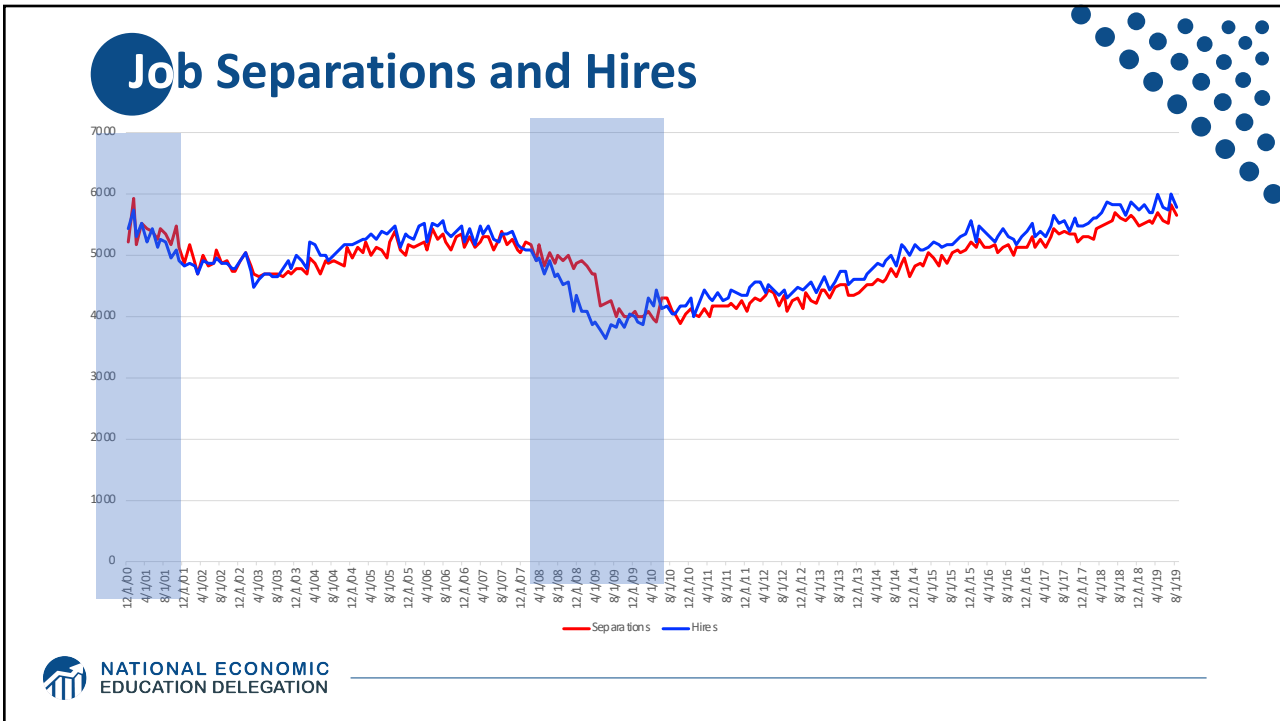
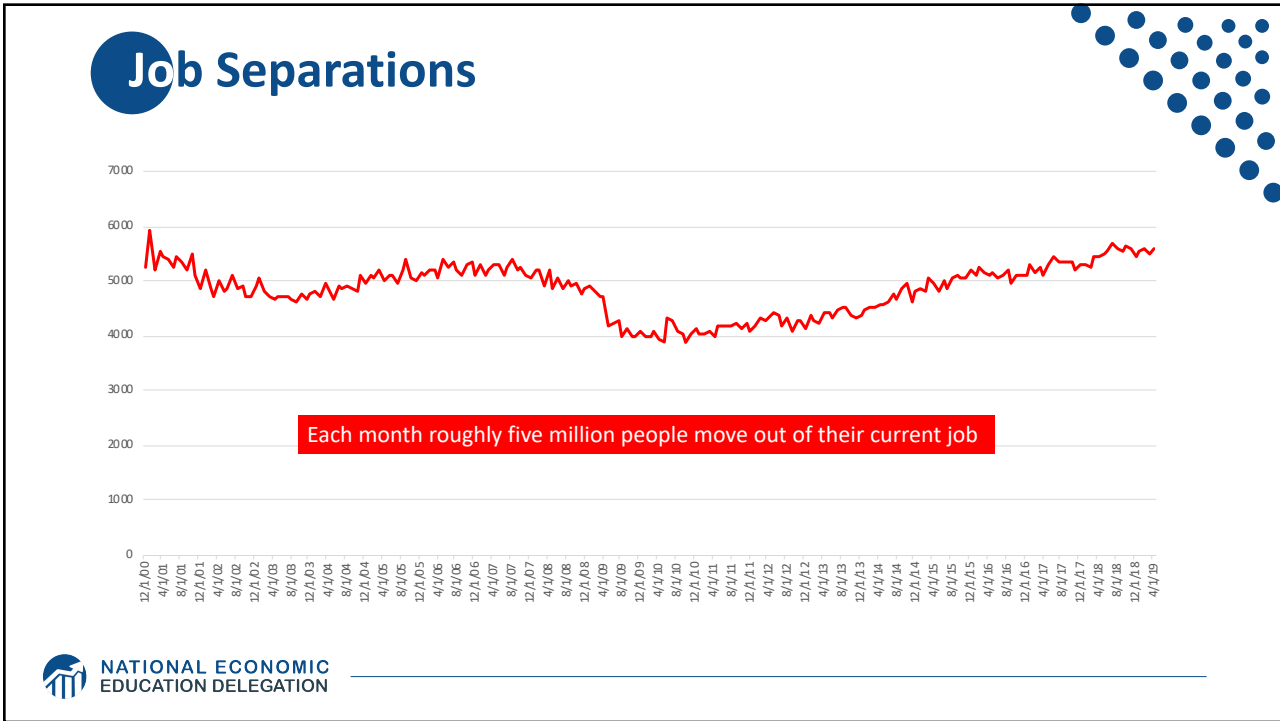


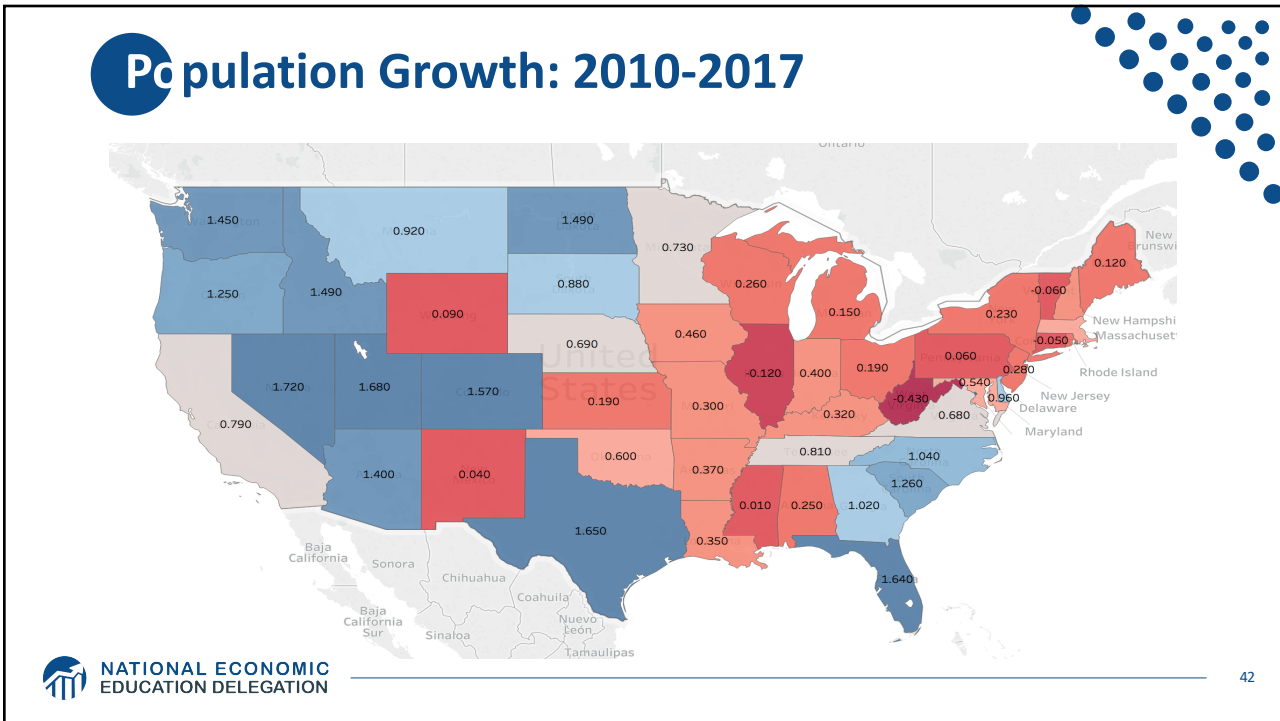
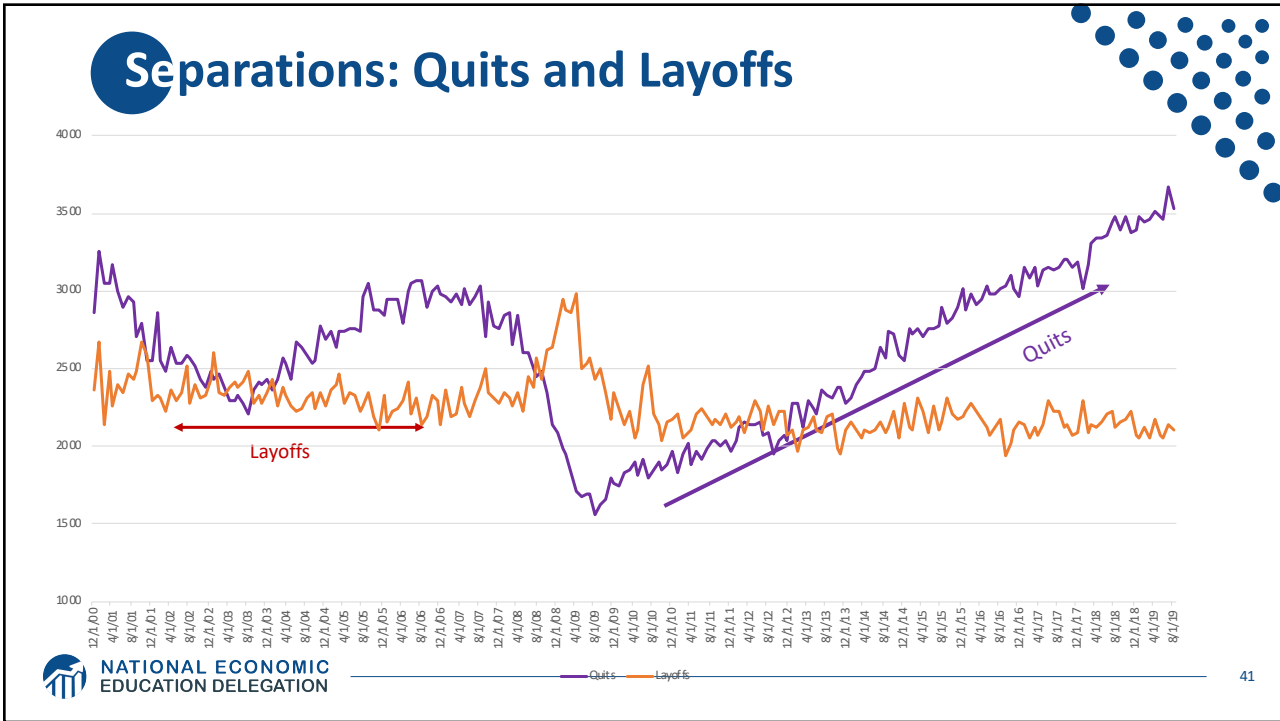
Figure 8: Prices



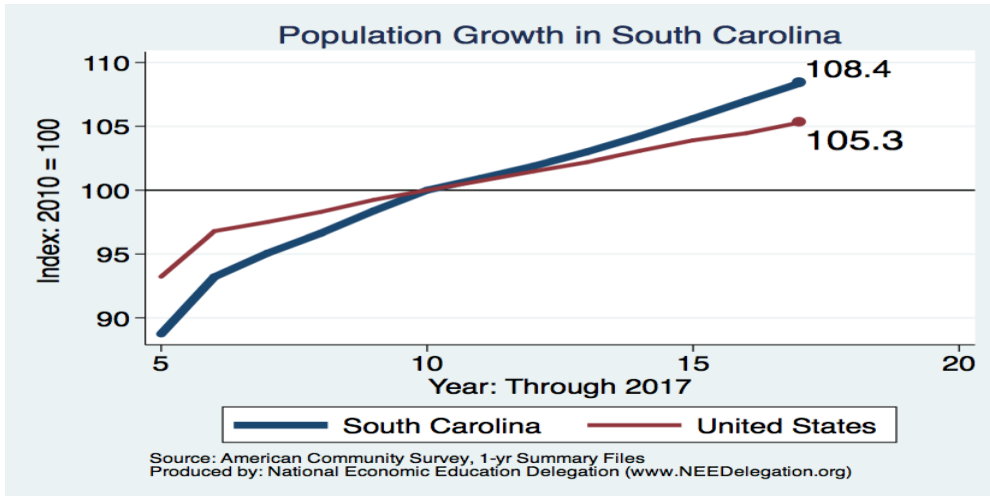
Note: Price series from BLS.



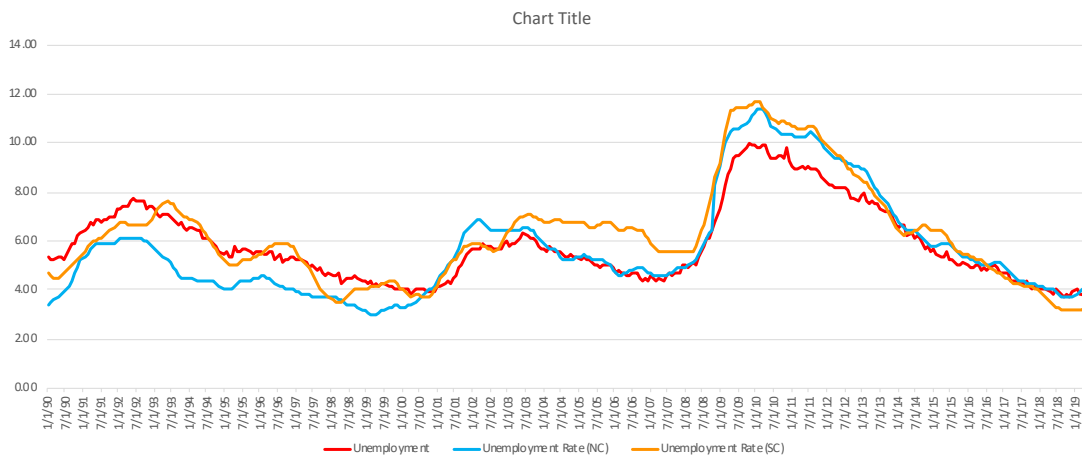




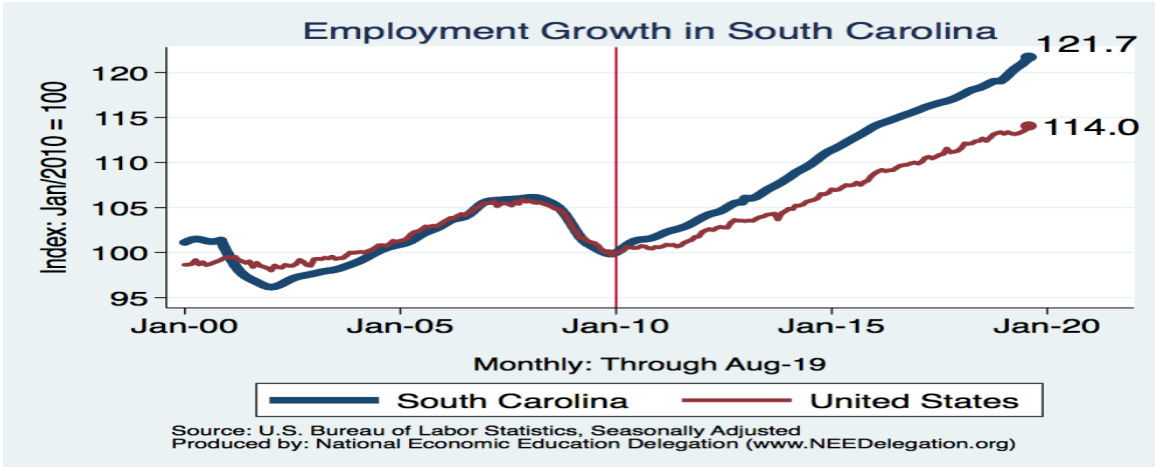
Population Growth: South Carolina and US



Unemployment Rate: US, NC and SC



Employment Growth: South Carolina and US



Employment by Industry

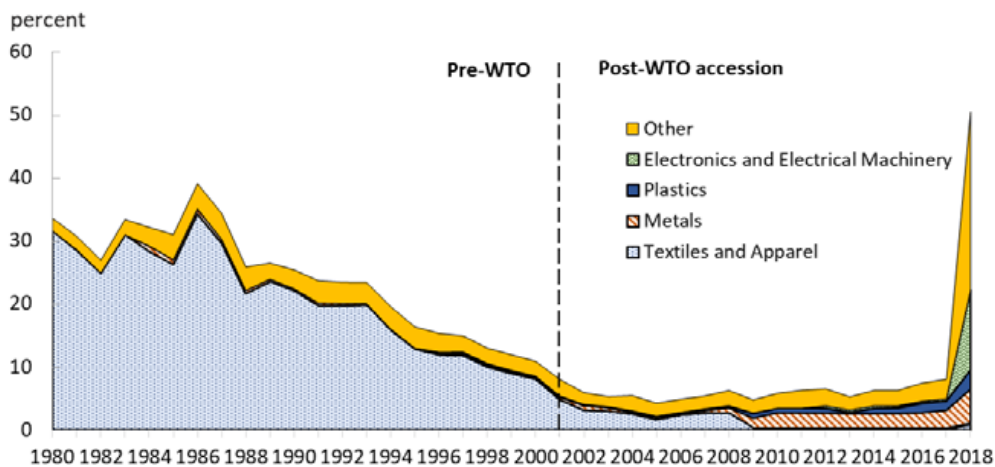
Industry	Share 2010	Employ. 2010	Employ. 2019	Average Annual Growth
Mining and Logging	0	4	4.7	1.81
Construction	0.05	83.3	101.3	2.69
Manufacturing	0.11	207.3	256.8	2.41
Trade & Transportation	0.19	346.9	413.8	1.98
Information	0.02	25.6	27.3	0.72
Finance	0.05	91.5	104.6	1.50
Education and Health	0.14	210.5	258.1	2.29
Leisure and Hospitality	0.1	209.8	267.0	2.72
Professional and Business Service	0.12	220.4	292.7	3.20
Government	0.19	350.2	375.1	0.77

Assessing the Impact of Tariffs

- Six “waves” of tariffs in 2018-2019
- January 2018: Solar Panels and Washing Machines (\$10 billion)
- Steel and Aluminum Tariffs with country exemptions (\$18 billion)
- Steel and Aluminum Tariffs (\$22 billion)
- China 1 (\$34 billion)
- China 2 (\$16 billion)
- China 3 (\$200 billion)

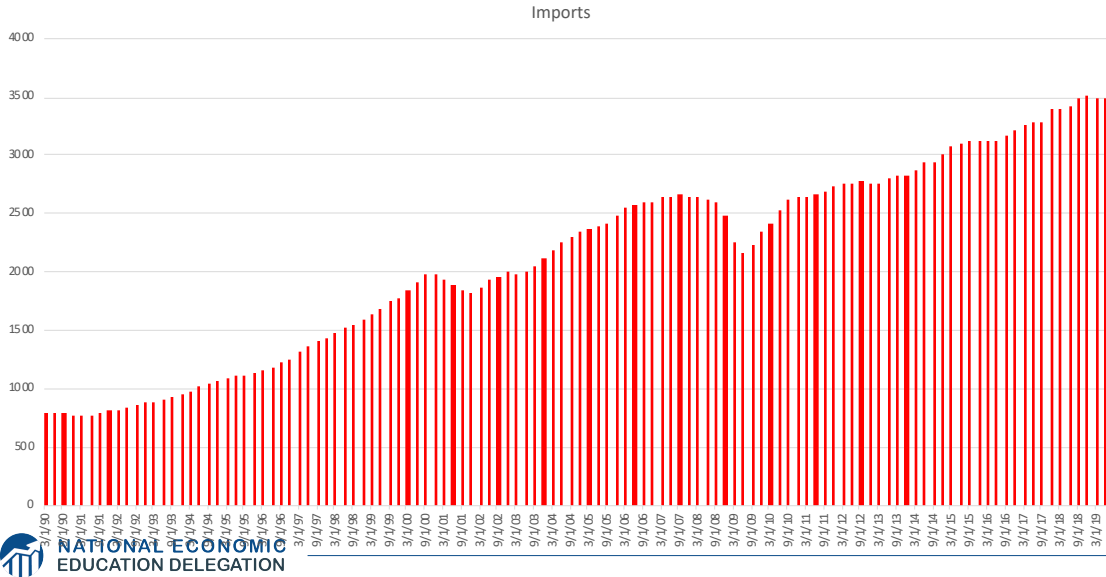


US China Trade: “Special” Trade Protection

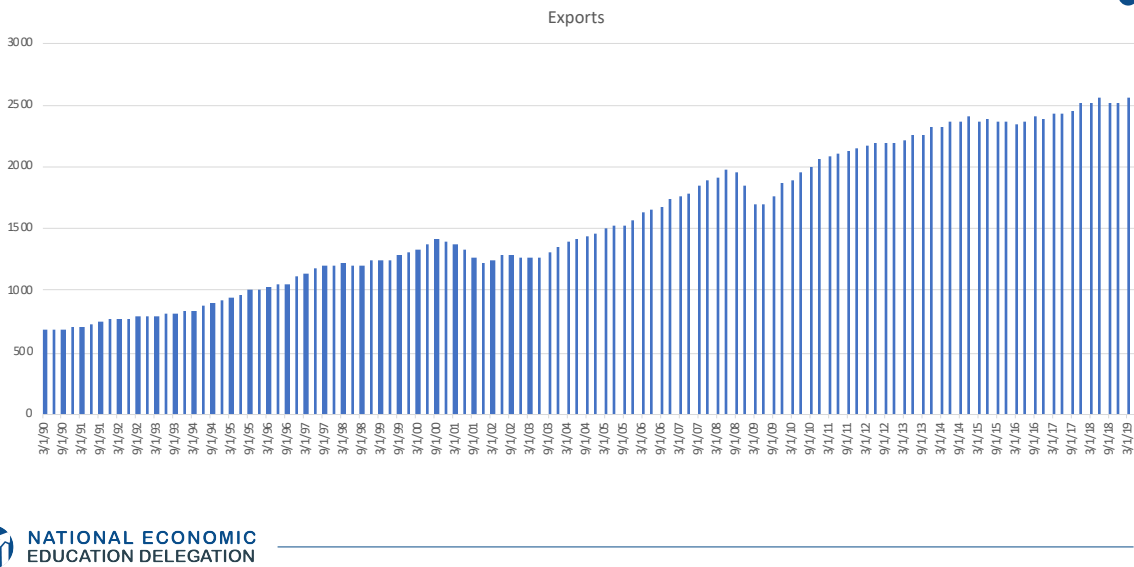


Source: Peterson Institute for International Studies

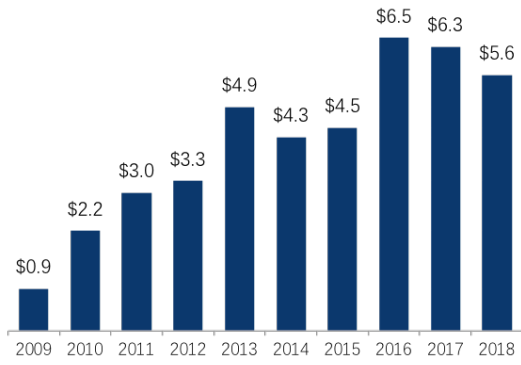
Exports and Imports: United States Imports



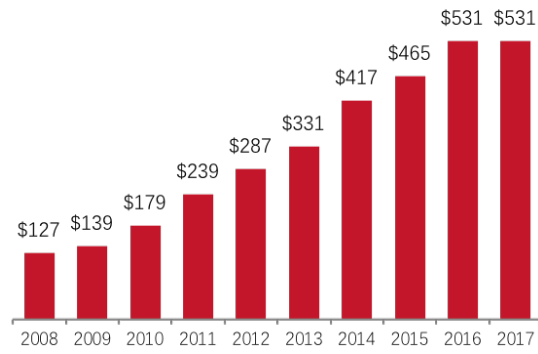
Exports and Imports: United States Exports



Exports and Imports: South Carolina



Goods Exports to China



Service Exports to China