Economic Forecast: Growth Continues

CHARLOTTE, N.C. – May 30, 2019 - The economy of the United States and North Carolina continues to grow at a slow rate, on the brink of becoming the longest economic expansion since 1854. If the economy of the United States and North Carolina continues to grow, by July it will achieve the longest economic expansion, UNC Charlotte professor and economist John Connaughton said.

During the quarterly Barings/UNC Charlotte Economic Forecast, Connaughton presented the economic report for 2018 and a forecast for the next 18 months. The country is in the second-longest economic expansion since 1854. This economic expansion has been underway for 119 months, as of May 2019. The longest economic expansion on record is 120 months, recorded in the 1991 to 2001 expansion.

How has North Carolina fared economically compared to other states? Connaughton says the data shows, “We are growing, but we are not doing what we used to do. We have recovered, but we haven’t grown above the average of the U.S. If you are in the major cities of North Carolina, the economy appears to be in good shape. Everywhere else in the state, it has been a different story economically as recovery continues.”

Connaughton adds that it will be important to watch key factors of the N.C. economy over the next 18 months and beyond. “Historically, North Carolina has done a better job in the past of recruiting industry compared to other states, but recently that has not been the case. This economic development directly affects the economy,” he noted.

Connaughton said, “The increase in the U.S. GDP growth experienced during the second and third quarters of 2018 is very likely temporary and is expected to fall back to a more modest rate of growth in 2019. In fact, fourth quarter U.S. GDP increased by a modest 2.2 percent. The mid-year 2018 increase resulted from the fiscal policy tax rate decreases and an initial response to the rollback of government regulations on business. However, by 2019 the overriding longer term forces of stagnate labor force growth and modest productivity growth will dictate slower potential GDP and GSP growth rates.”

Nationally, Connaughton said the potential trade war with China is important to monitor, especially the effects on the economy. “Any time there is a tariff like this, some impact will be felt by consumers. However, some impact will also be felt by suppliers, who will face reduced profits,” he said.

Connaughton said the biggest impact will be increased prices on consumer goods sold by mass retailers. “Consumers will see higher prices on low-cost items made in
China, like toasters or tires and others,” he said. “In the short term, there’s going to be some pain for consumers, but there will be a resolution at some point.”

Connaughton said that consumer confidence remains strong. “Despite what is likely to be the short-lived spike in GSP growth during 2018, the longer-term outlook, at a more modest rate of growth, is fairly optimistic. In April, the Consumer Confidence Index was at 129.2, up from the March index of 124.2. With the national unemployment rate consistently below 4.0 percent, more job openings than job seekers, modest interest rates (in a historical context), and continued consumer optimism, it will take a considerable negative event to slow the economy during 2019 or into 2020,” he added.

Connaughton shared the key economic indicators for North Carolina for 2019. Gross State Product (GSP) is expected to reach a level of $589,808.2 million in 2019. Real (inflation-adjusted) GSP is expected to increase by 2.5 percent over the 2018 level. “Positive economic growth in 2019 would represent the 10th consecutive year of economic growth for the North Carolina economy since this expansion began in 2010,” Connaughton said.

Connaughton presented his quarterly forecast to members of the Charlotte business community and the media at a luncheon held at UNC Charlotte Center City. The Forecast is sponsored by Barings.

The full report is available at belkcollege.uncc.edu/forecast. A new forecast video will be posted this evening. Connaughton will release the next Barings/UNC Charlotte Economic Forecast report on Sept. 12.

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*As of March 31, 2019

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