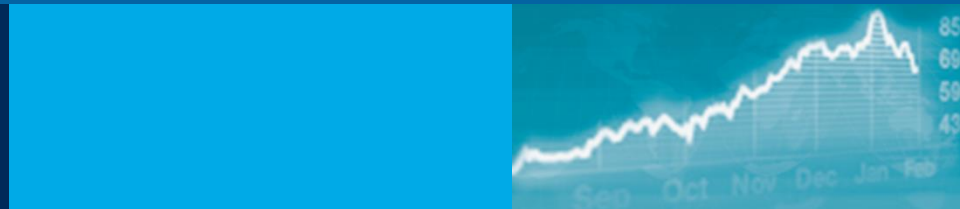




National and Regional Economic Update

NCEDA
February 6, 2025



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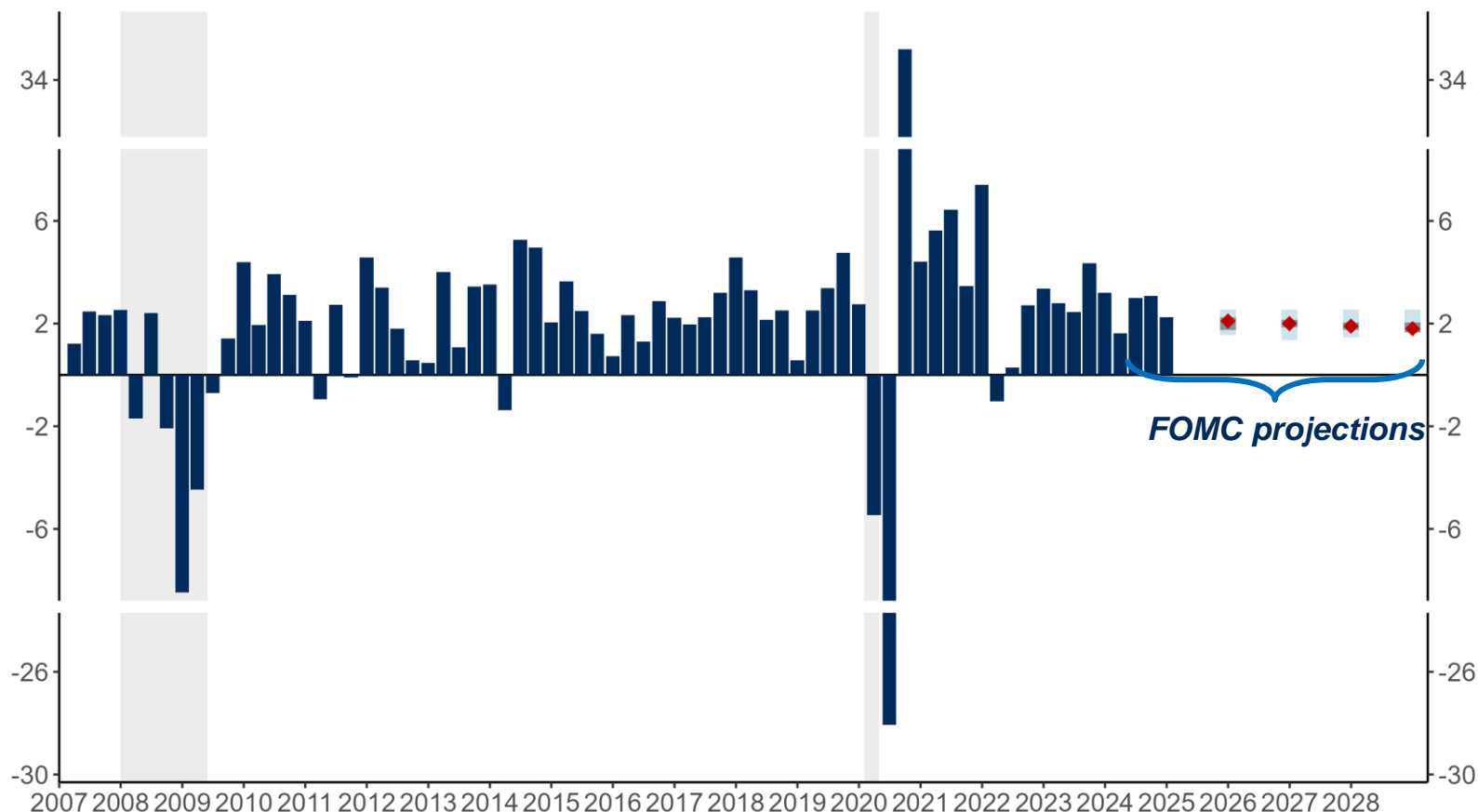
Where are we now?

- 2024 was another year of strong economic growth. The economy looks strong going into 2025, but there is considerable uncertainty currently
 - May forecasts expect economic growth in 2025 to be even stronger than 2024
- Economic indicators show slowing in some cases but continued growth in others
 - Fears of recession seem low currently, but people are worried
 - Consumer spending (even in real terms) has remained robust
 - The pace of job growth has been impressive nationally, but some states are faring better than others
- Some metro areas, including Wilmington, Charlotte and Raleigh, are outperforming larger metros and more rural spaces
 - Much of this is industry and geography based
- Inflation remains above the 2 percent average target
 - Inflation has declined considerably, but the rate of decline has slowed
 - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target

Economic growth has remained strong throughout the past three years, even in the midst of considerable inflation

Real Gross Domestic Product

Percent change from previous quarter at annual rate



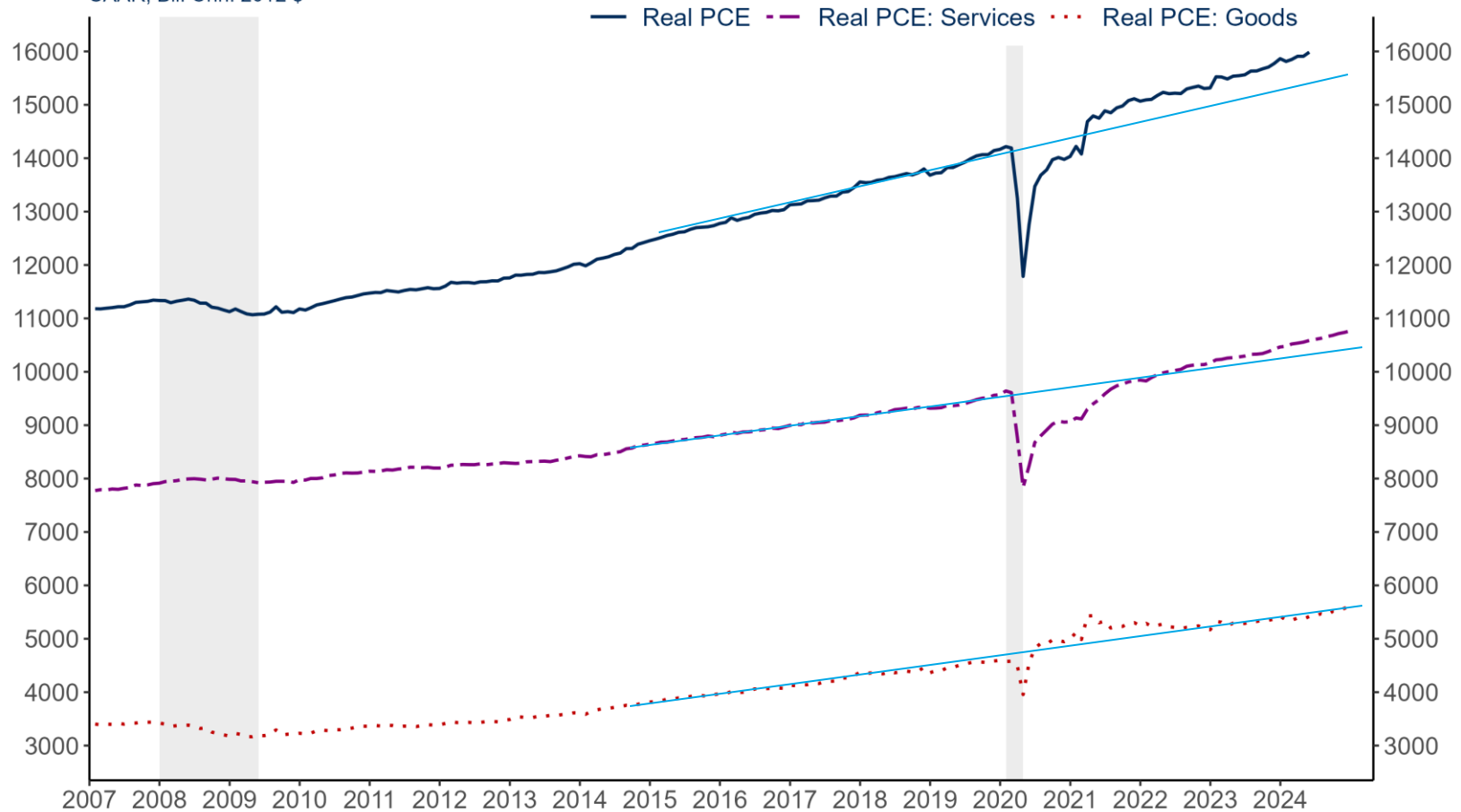
FOMC projections

Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

Real consumption spending has remained strong, and it exceeds pre-COVID trends

Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$

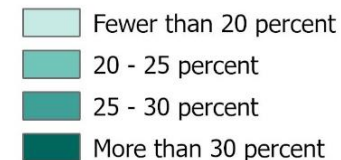


Source: Bureau of Economic Analysis

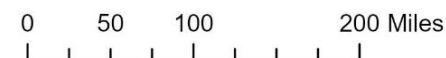
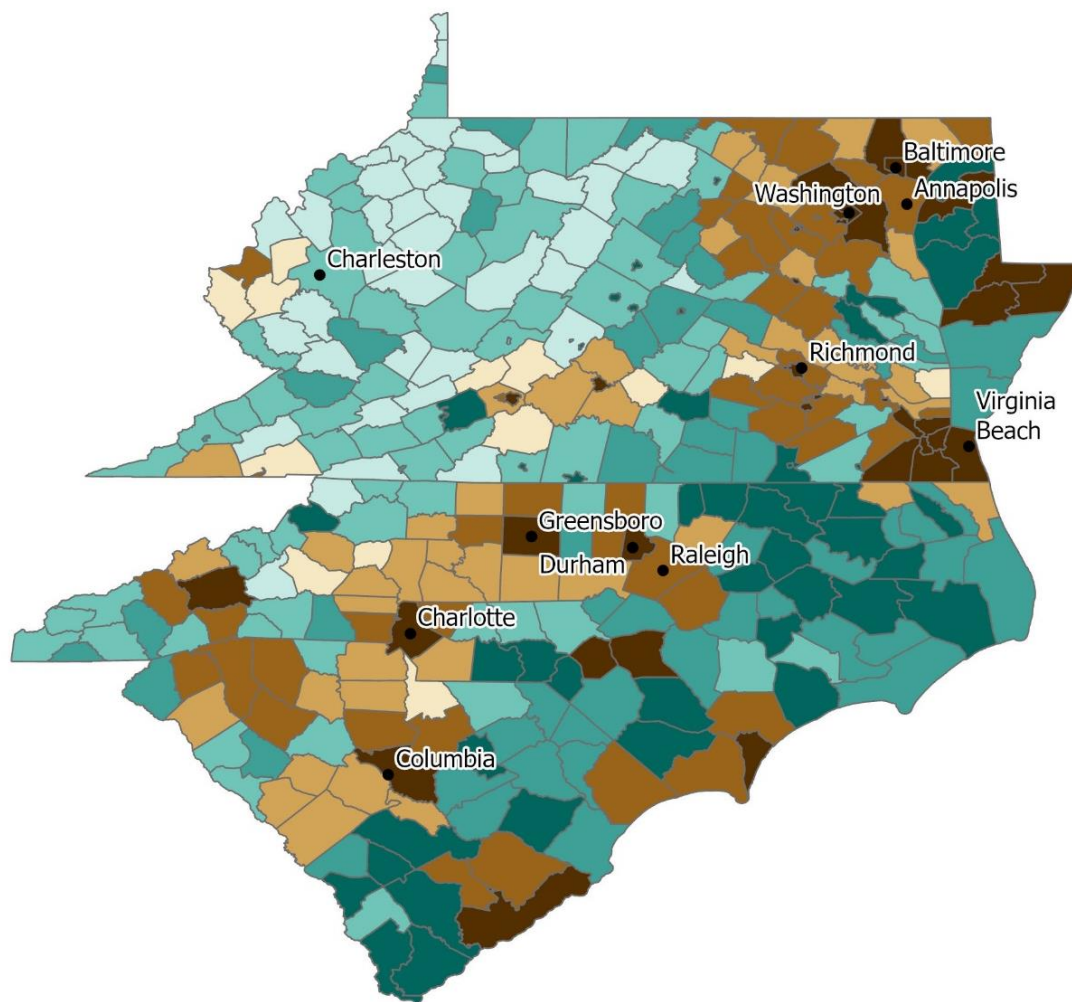
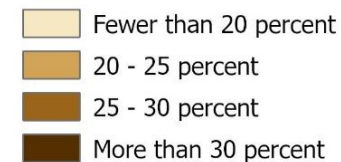
There isn't a region we visit that isn't struggling with housing

Share of housing cost burdened households

Rural



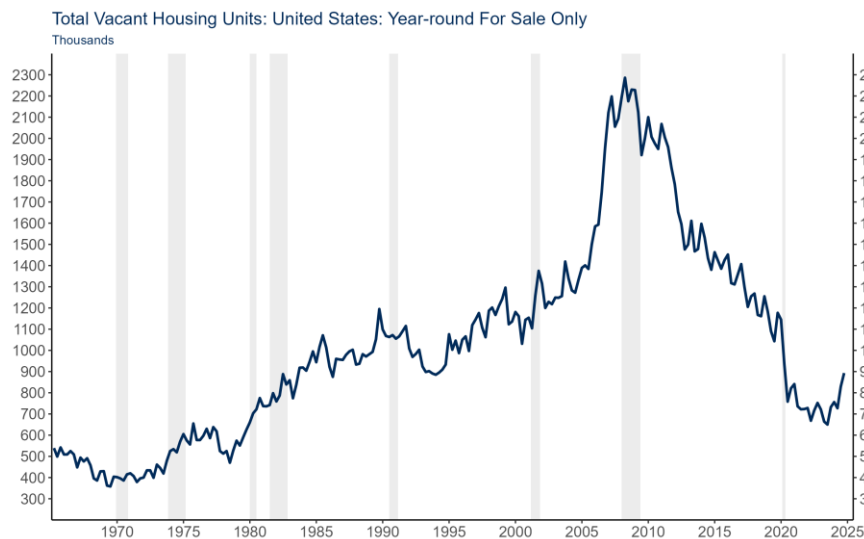
Urban



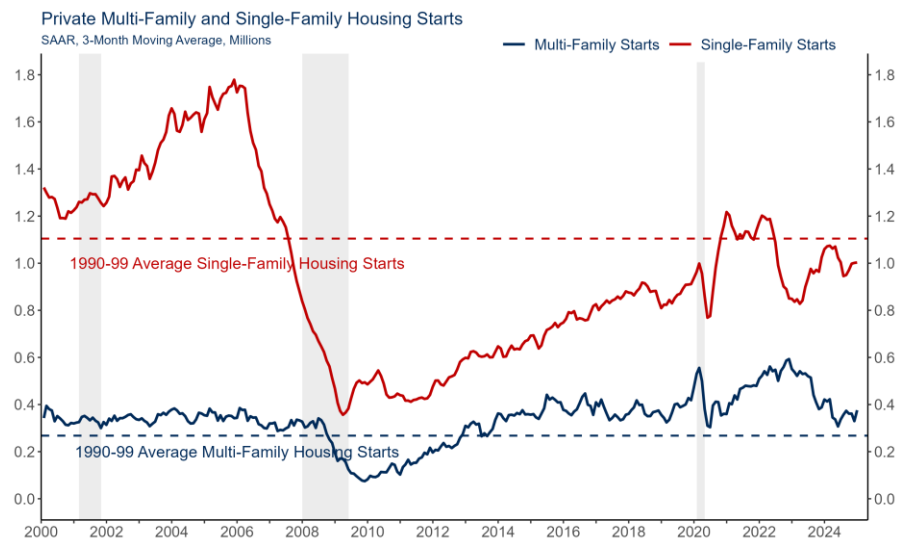
Source: U.S. Census Bureau 2018-2022 American Community Survey (ACS) 5-year estimates

House price inflation is fundamentally about low supply

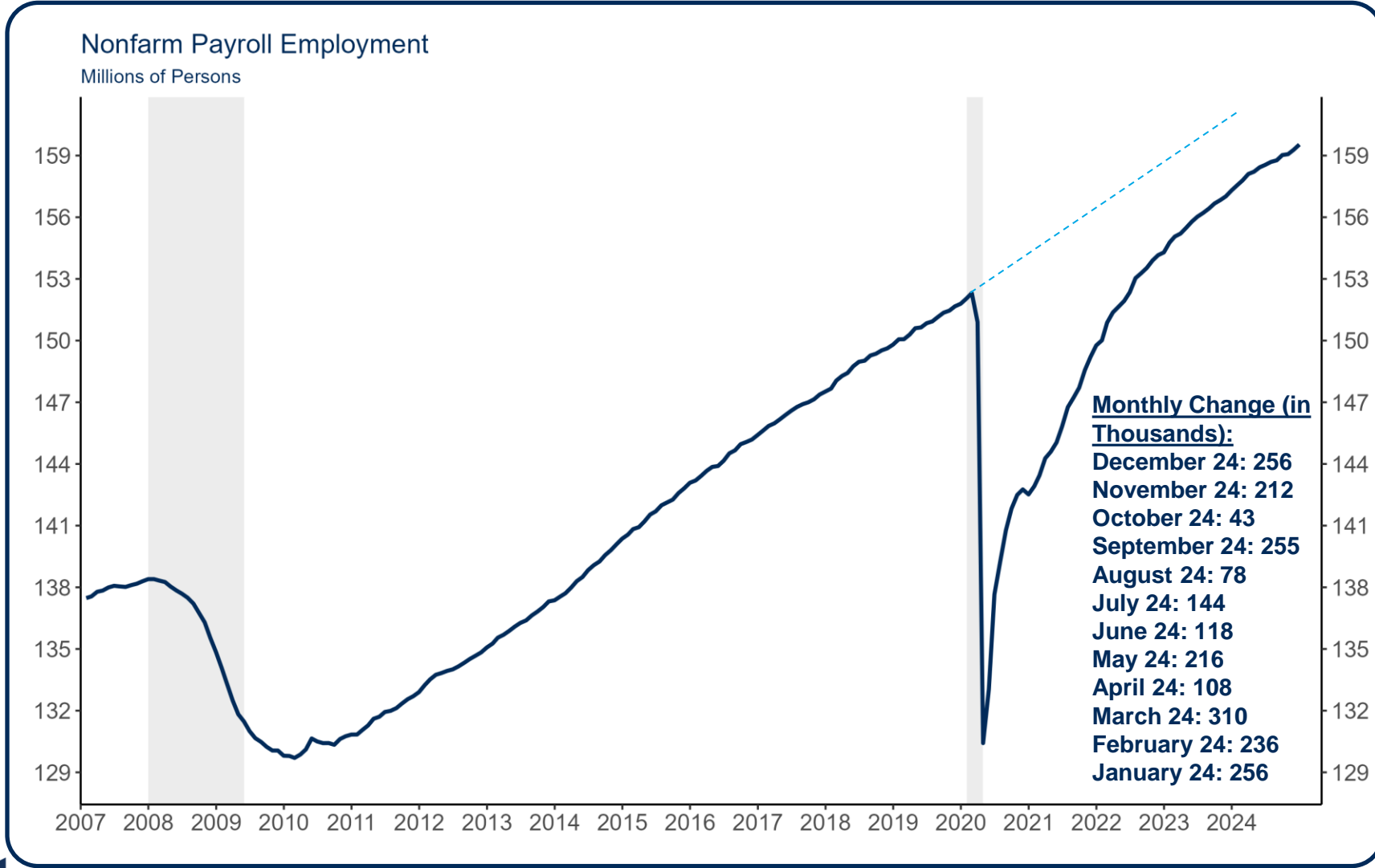
Total vacant housing units



Housing starts (single and multifamily)

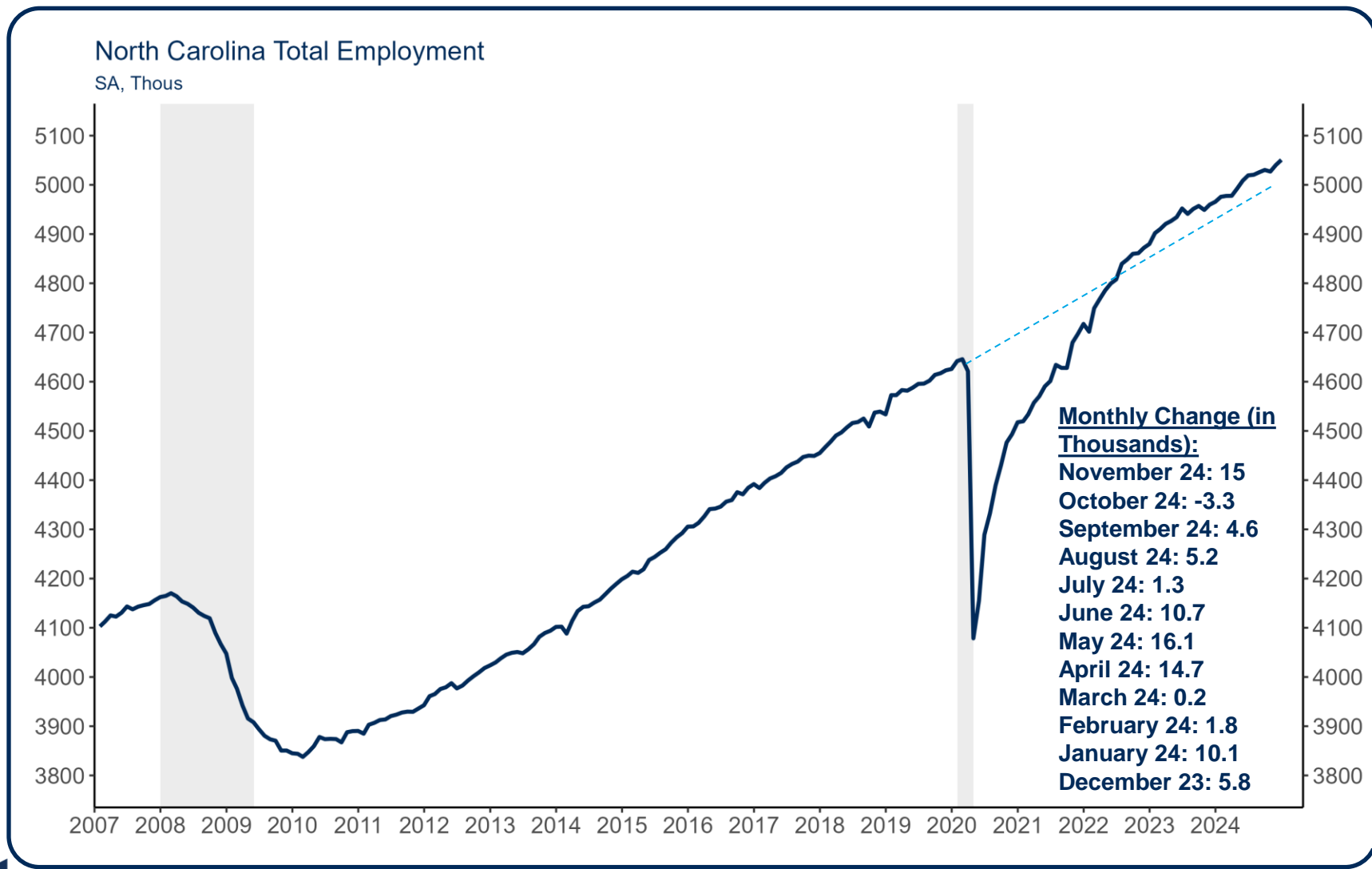


We are well above pre-COVID levels of employment nationally, but we still haven't returned to the pre-COVID trajectory



Source: Bureau of Labor Statistics/Haver Analytics

But that's not the case in North Carolina!



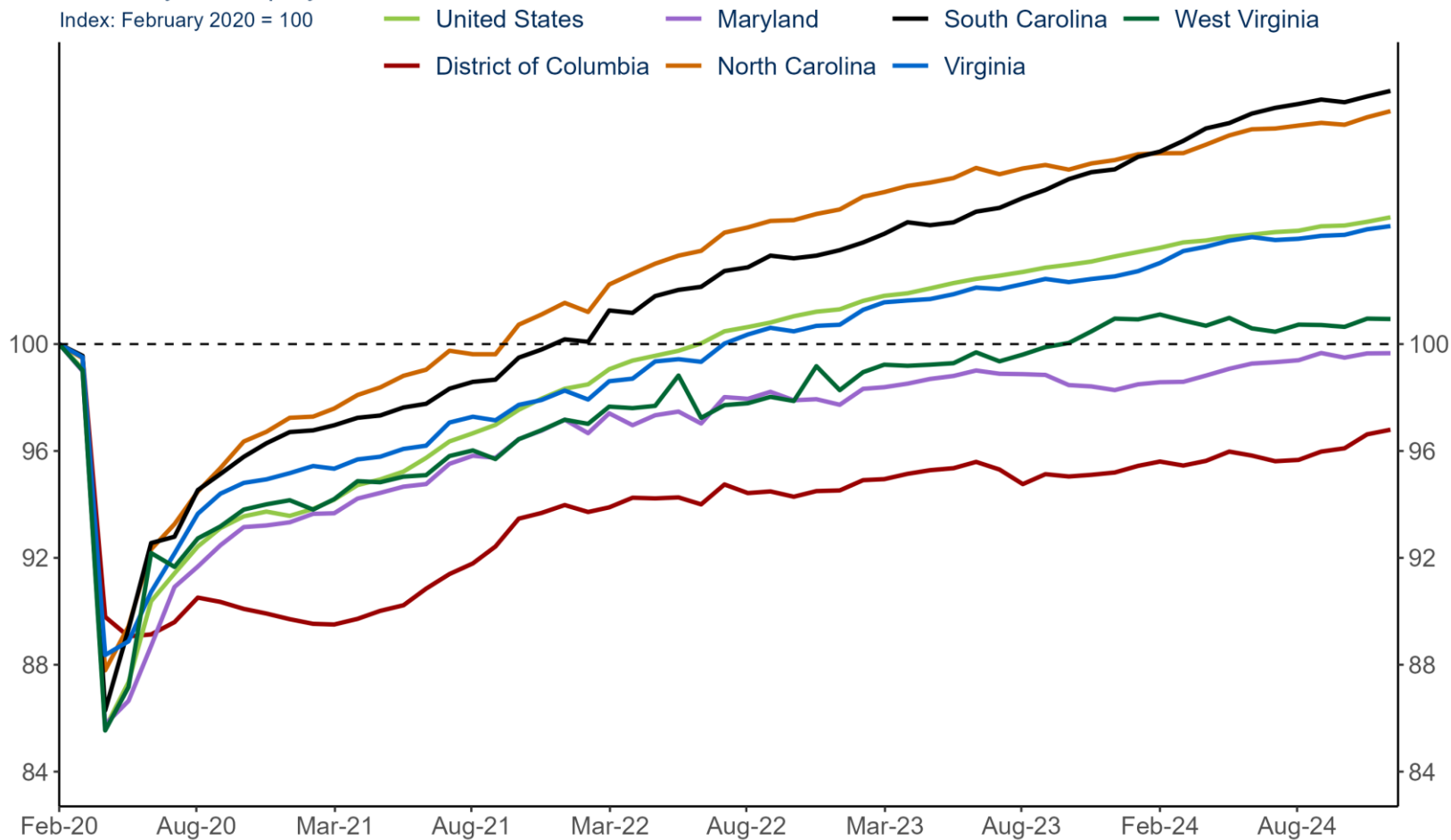
Source: Bureau of Labor Statistics via Haver Analytics

The Carolinas are dominated the post-COVID recovery in the Fifth District

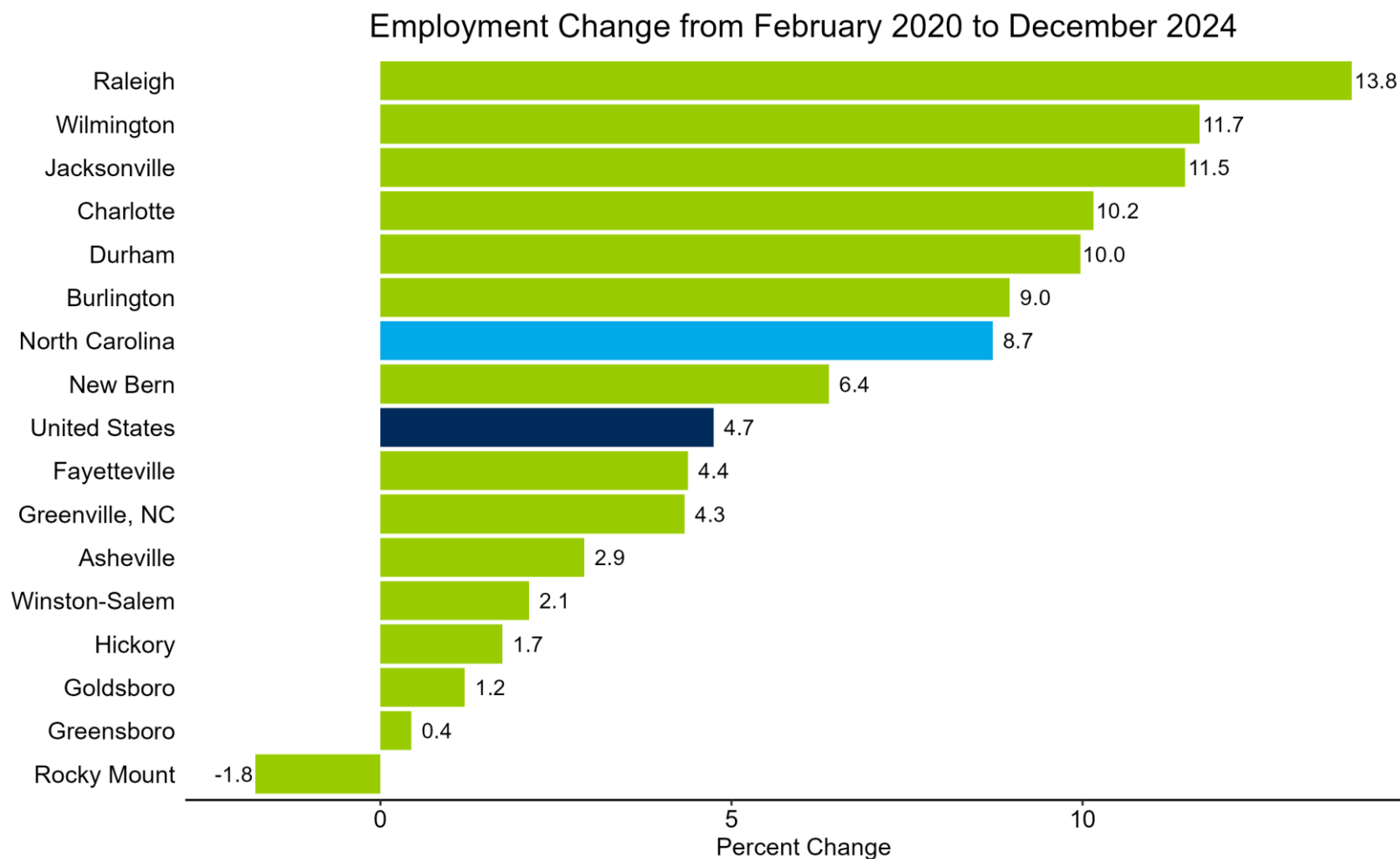


Total Payroll Employment Index

Index: February 2020 = 100



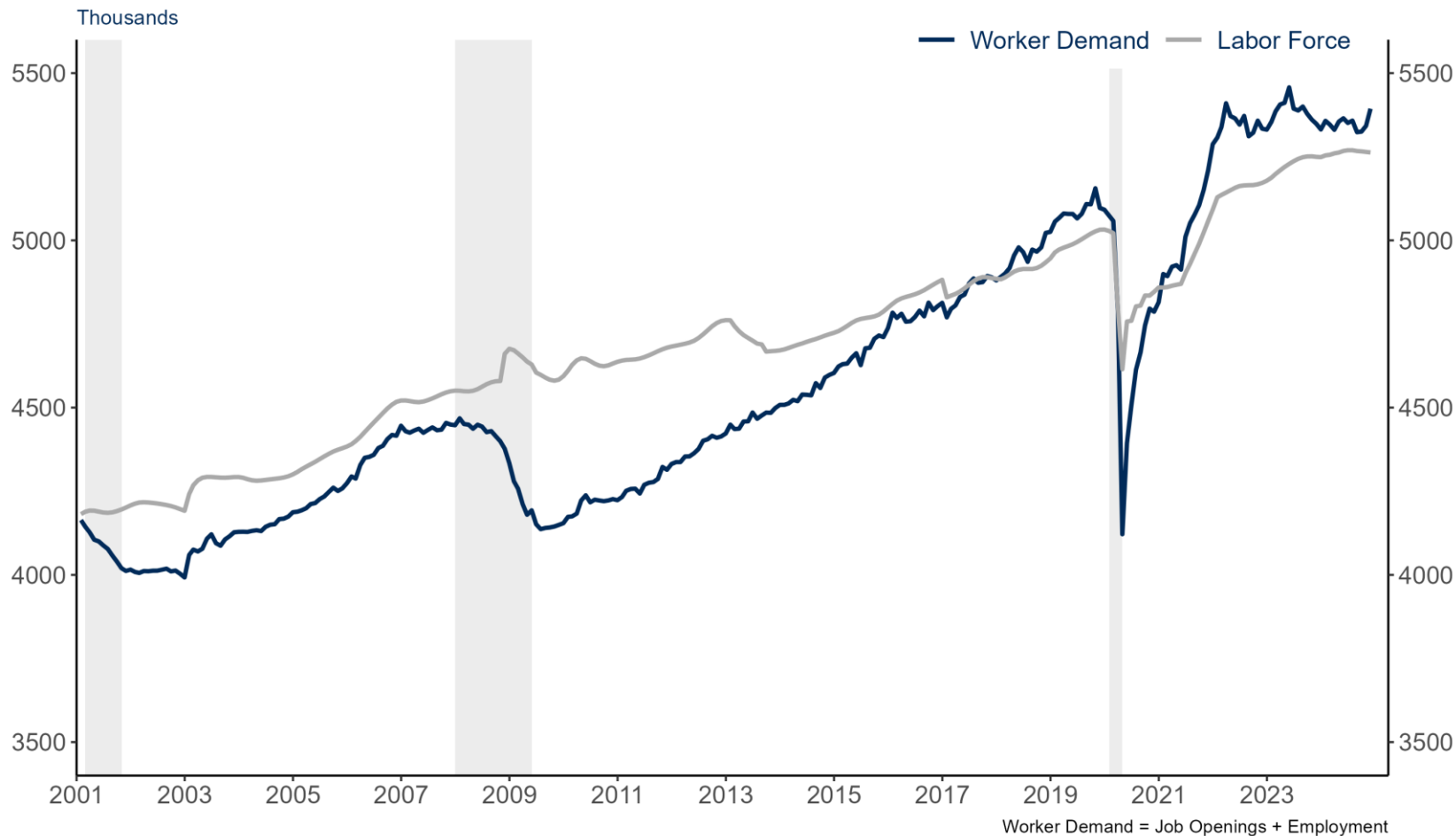
Nearly all NC MSAs are well-above pre-COVID employment levels, and some have grown impressively



Source: Bureau of Labor Statistics/Haver Analytics

The short story...labor is tight and is likely to get tighter

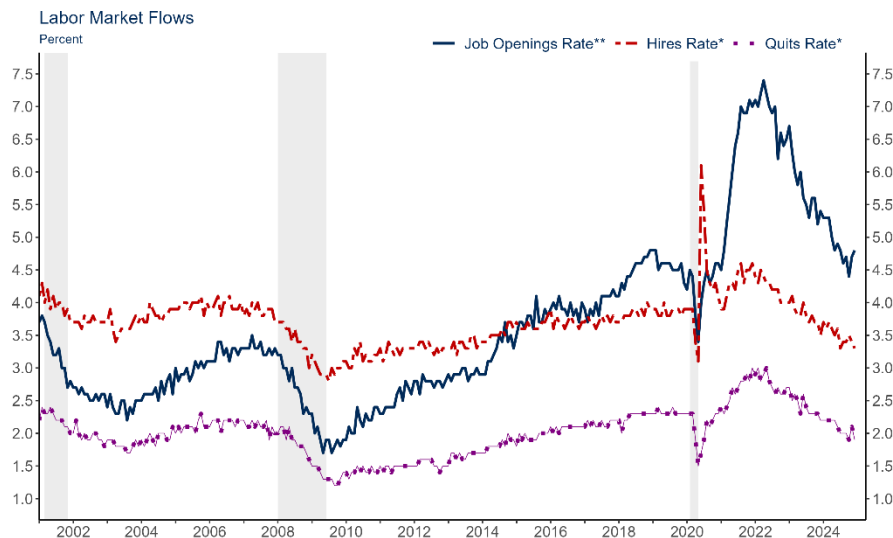
Worker Demand and Labor Force -- North Carolina



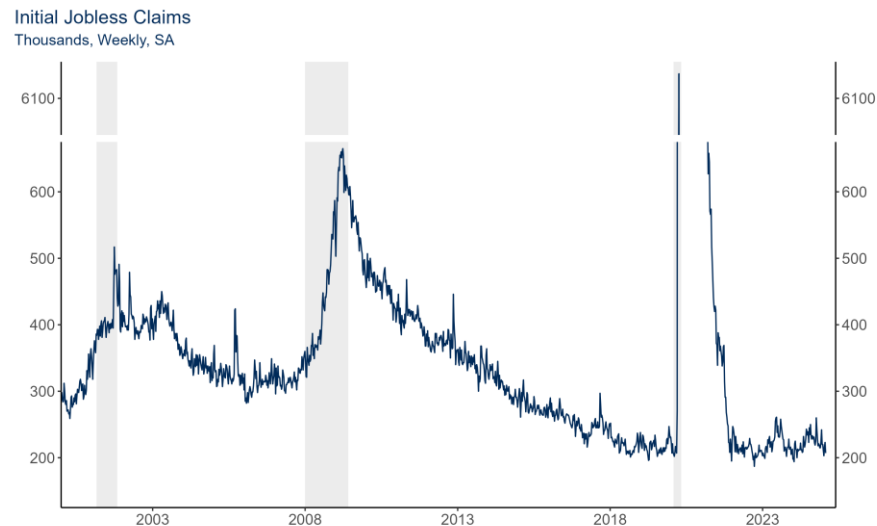
Source: Bureau of Labor Statistics, JOLTS, CES, LAUS / Haver Analytics

Labor markets are normalizing – low hiring and low firing – but will this continue?

Labor Market Flows



New Claims for Unemployment Insurance



Source: JOLTS/Haver Analytics

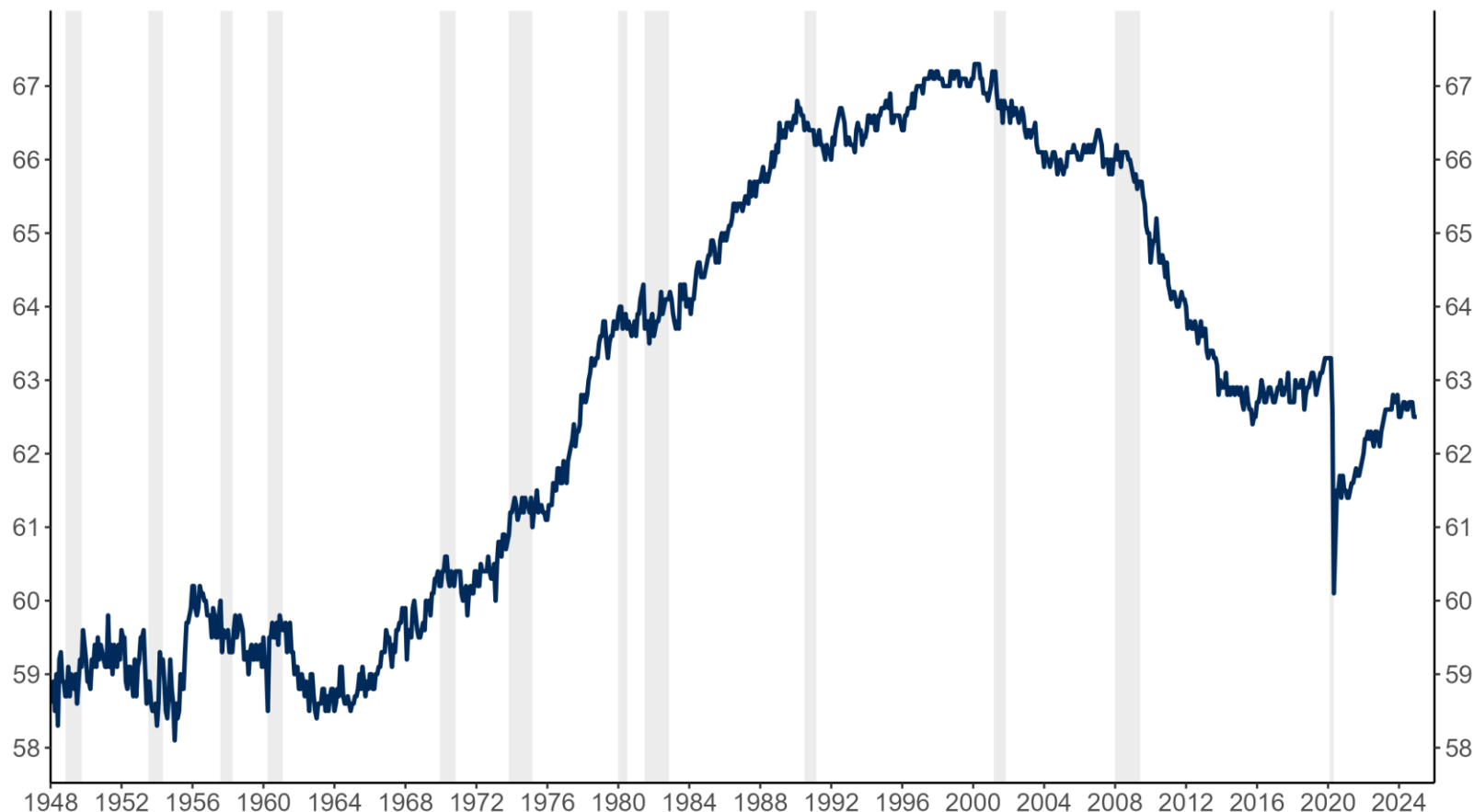
Note: *Percent of total employment. **Percent of total employment plus job openings.

Labor force participation has not fully recovered, and new BLS projections foresee additional declines to 60.4% in 2032



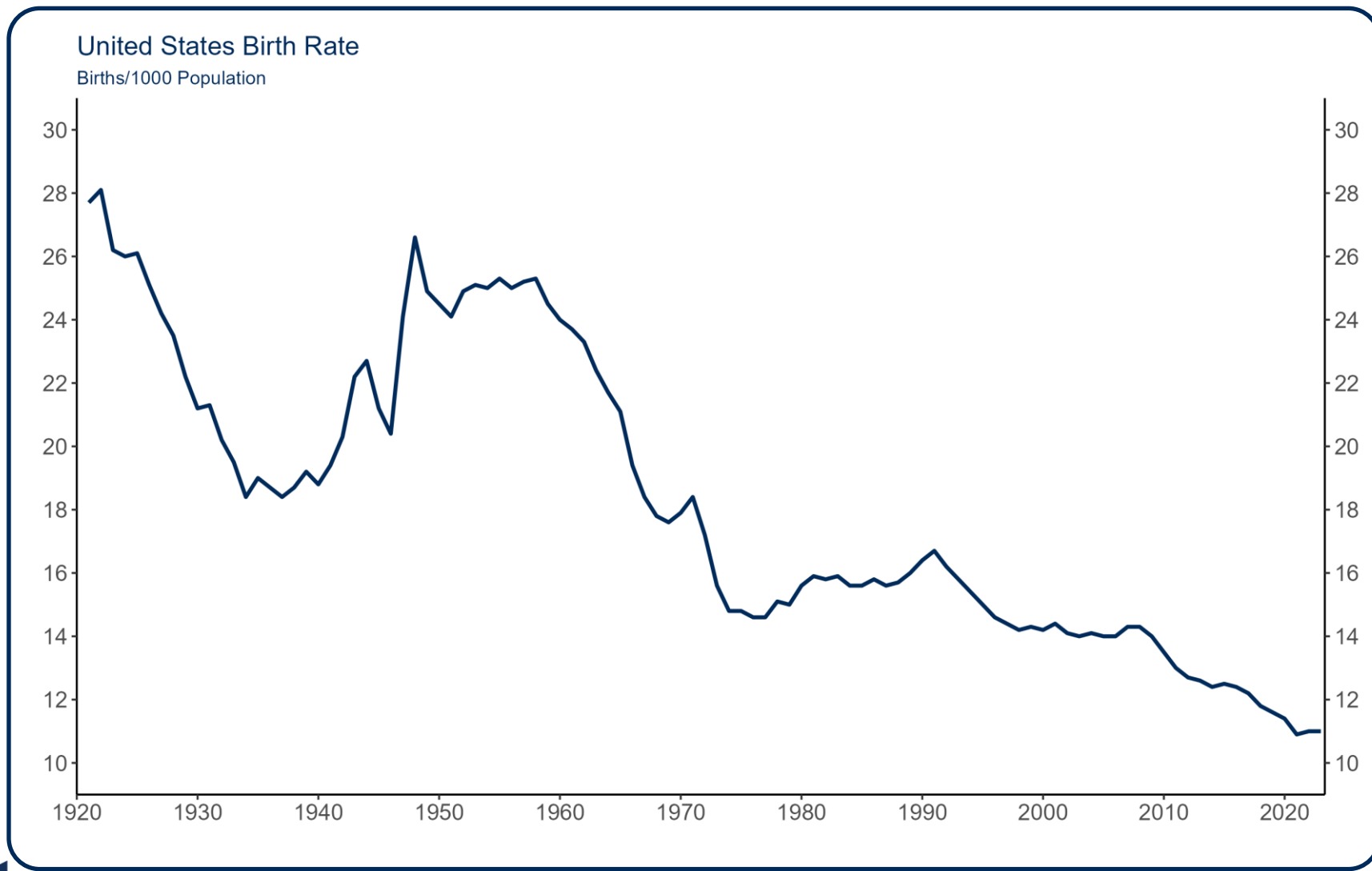
Labor Force Participation (16 years old +)

Percent



Source: Bureau of Labor Statistics/Haver Analytics

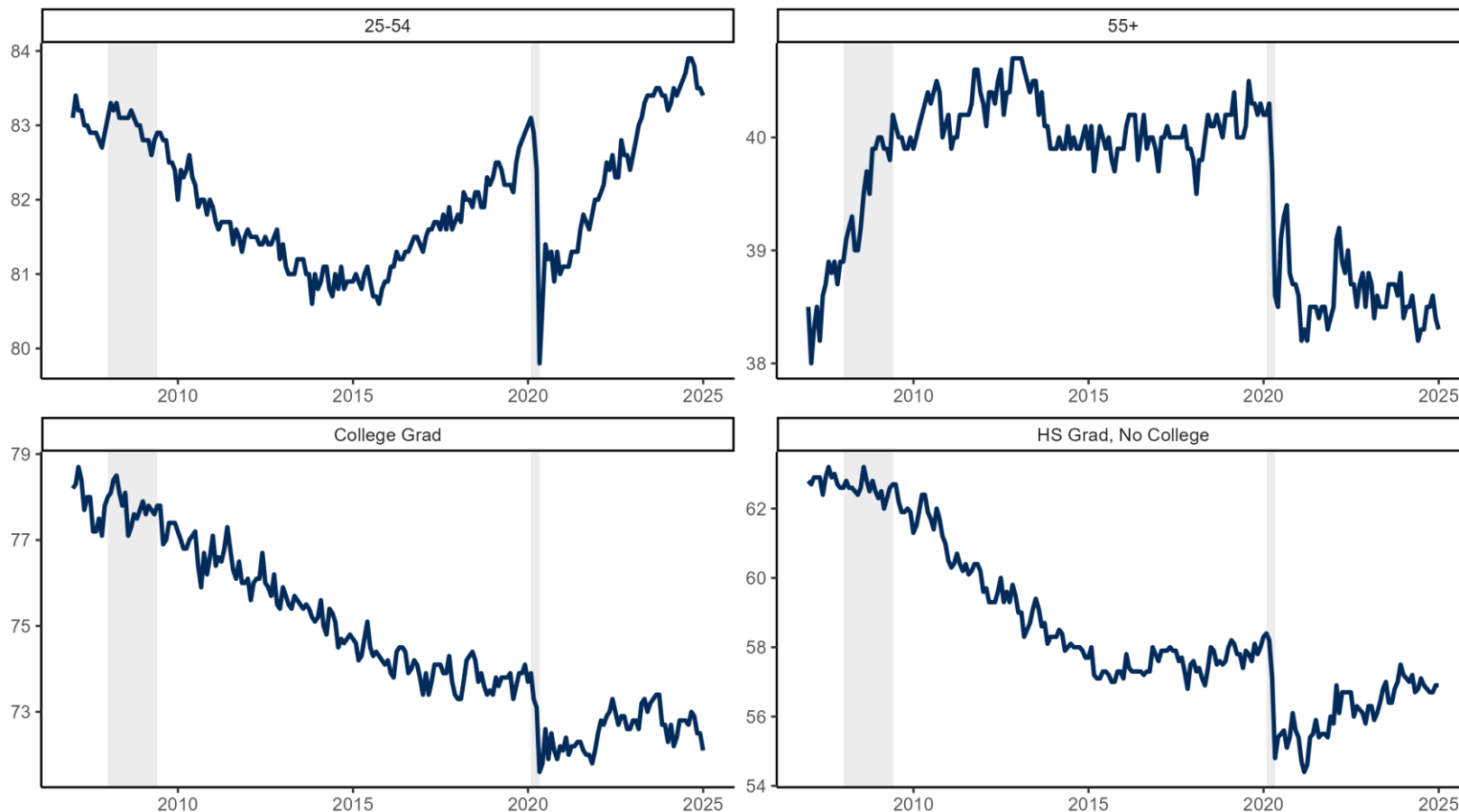
Much of this is a fertility rate story, but that's not the only trend



Source: National Center for Health Statistics / Haver Analytics

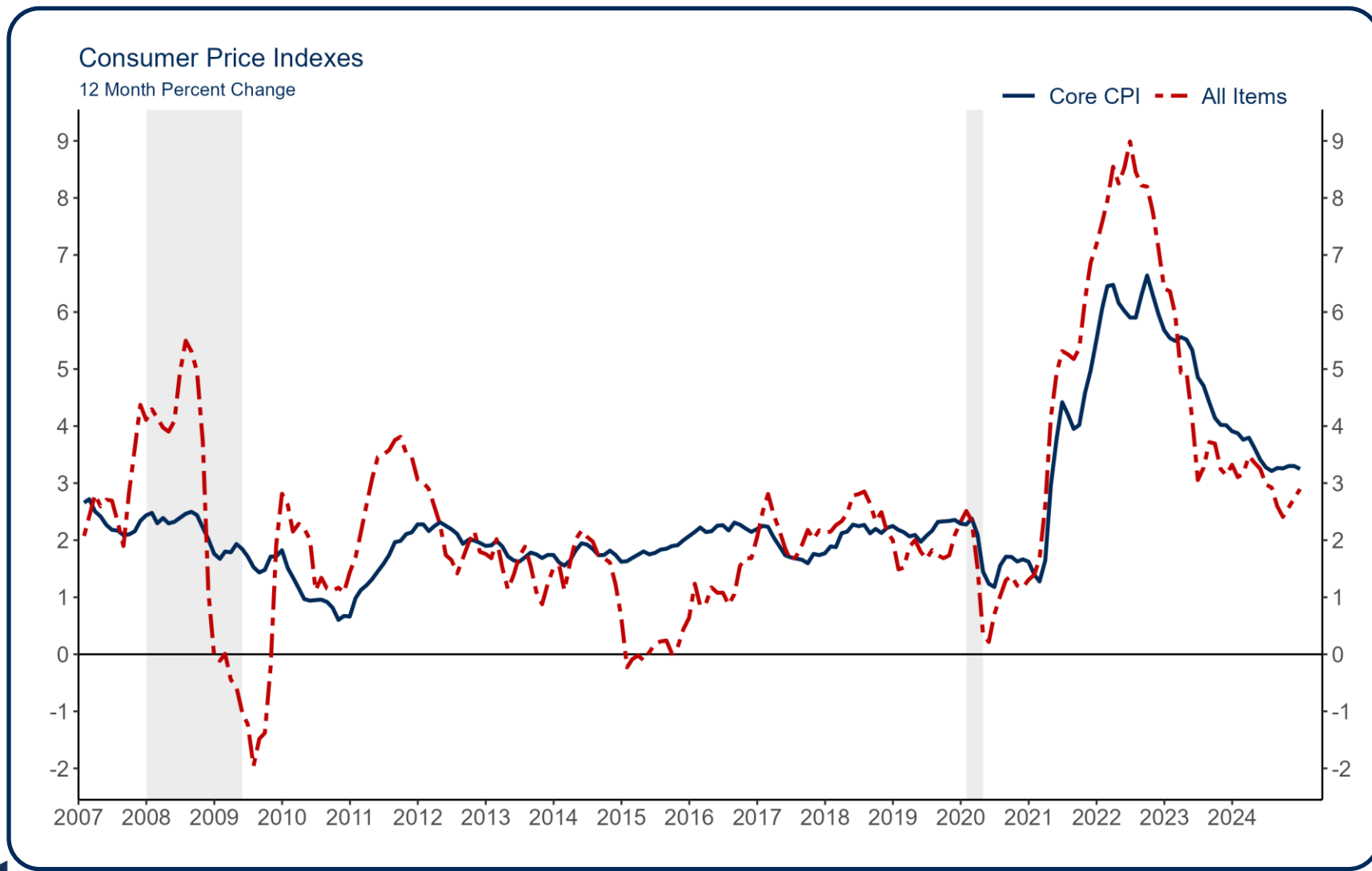
So, who has left the labor force? Labor force participation rates by age and education

Labor Force Participation Rate
Percent, SA



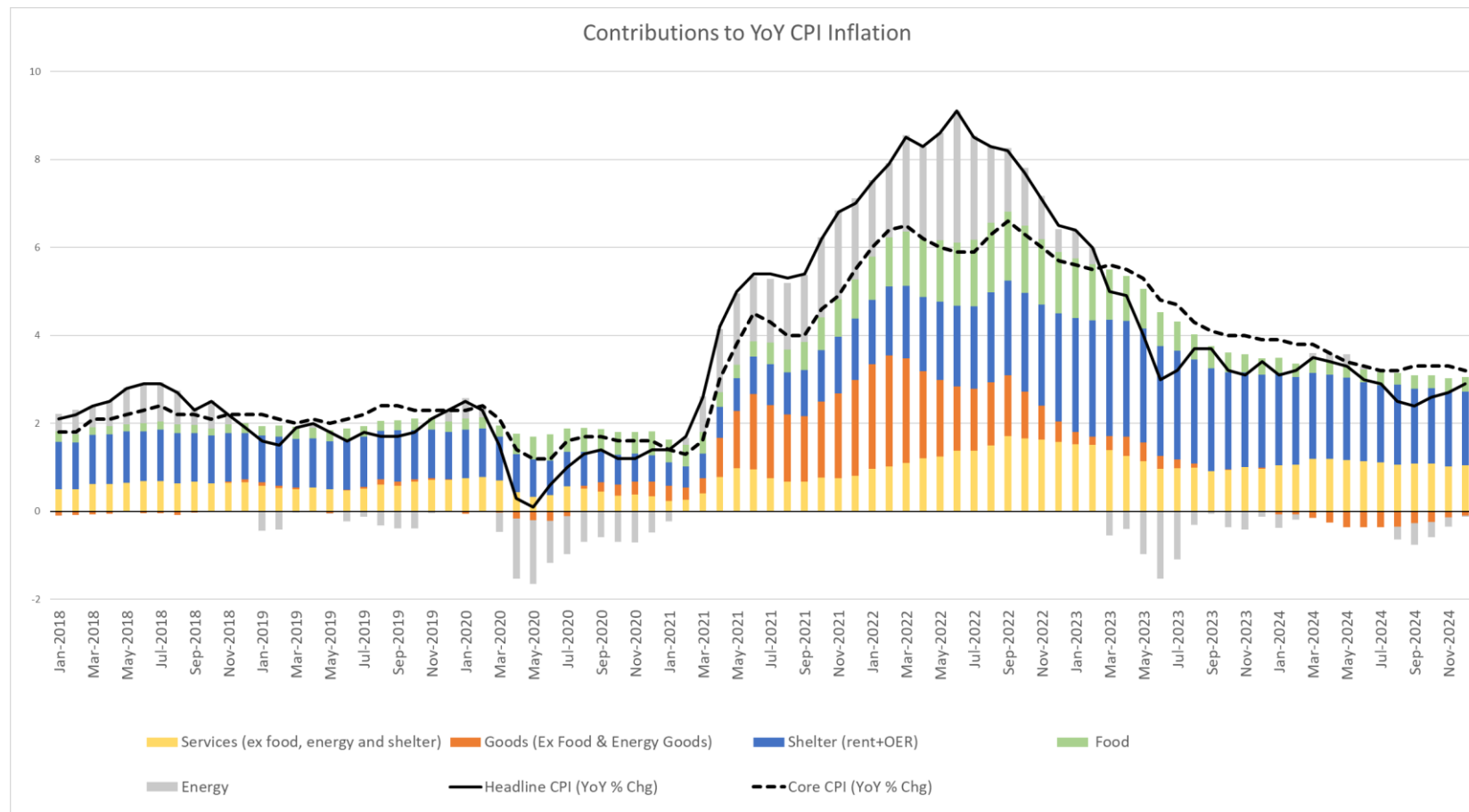
Source: Bureau of Labor Statistics

Inflation has normalized rapidly over the past two years, but it remains stubbornly above the Fed's 2 percent target



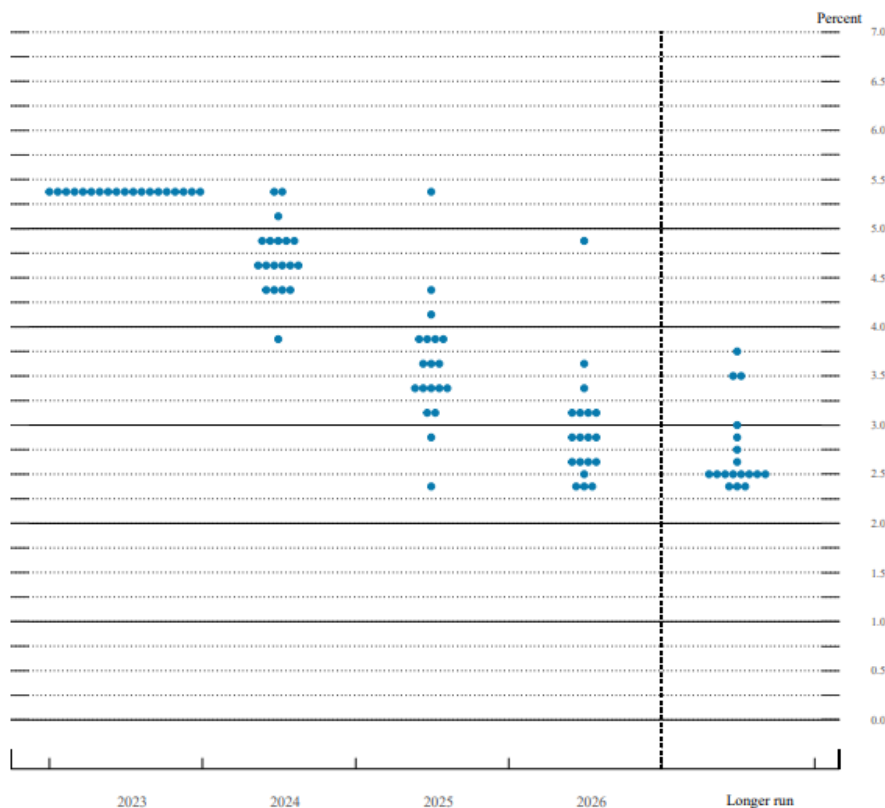
Source: Bureau of Labor Statistics via Haver Analytics

There is some concern that inflation could increase again

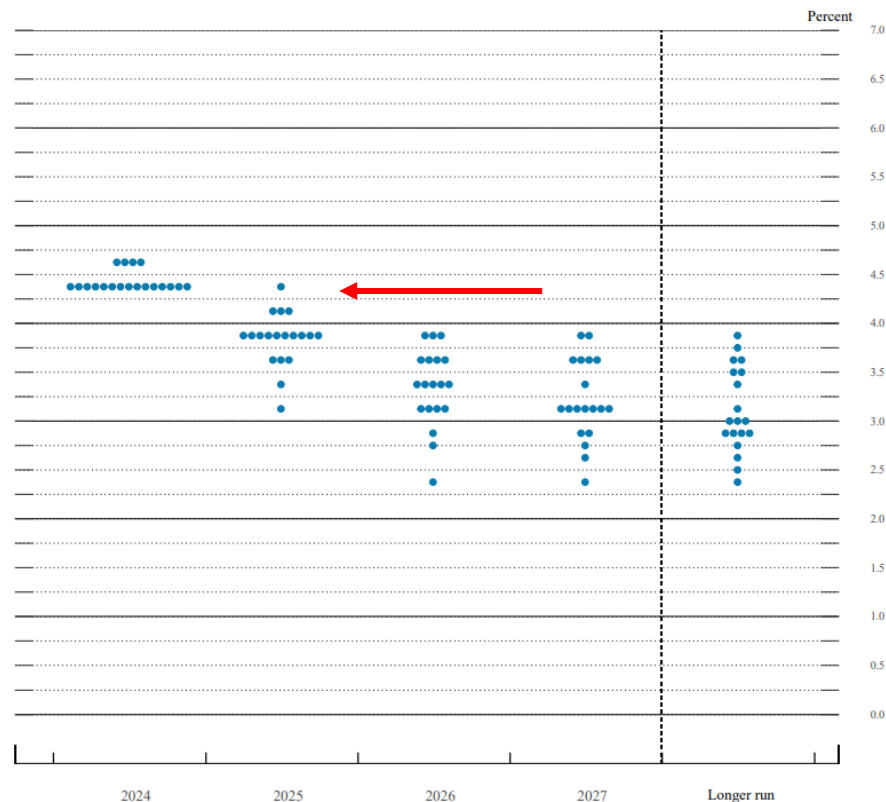


Source: Bureau of Labor Statistics via Haver Analytics

Changes in FOMC near term interest rate projections: December 2023 vs December 2024



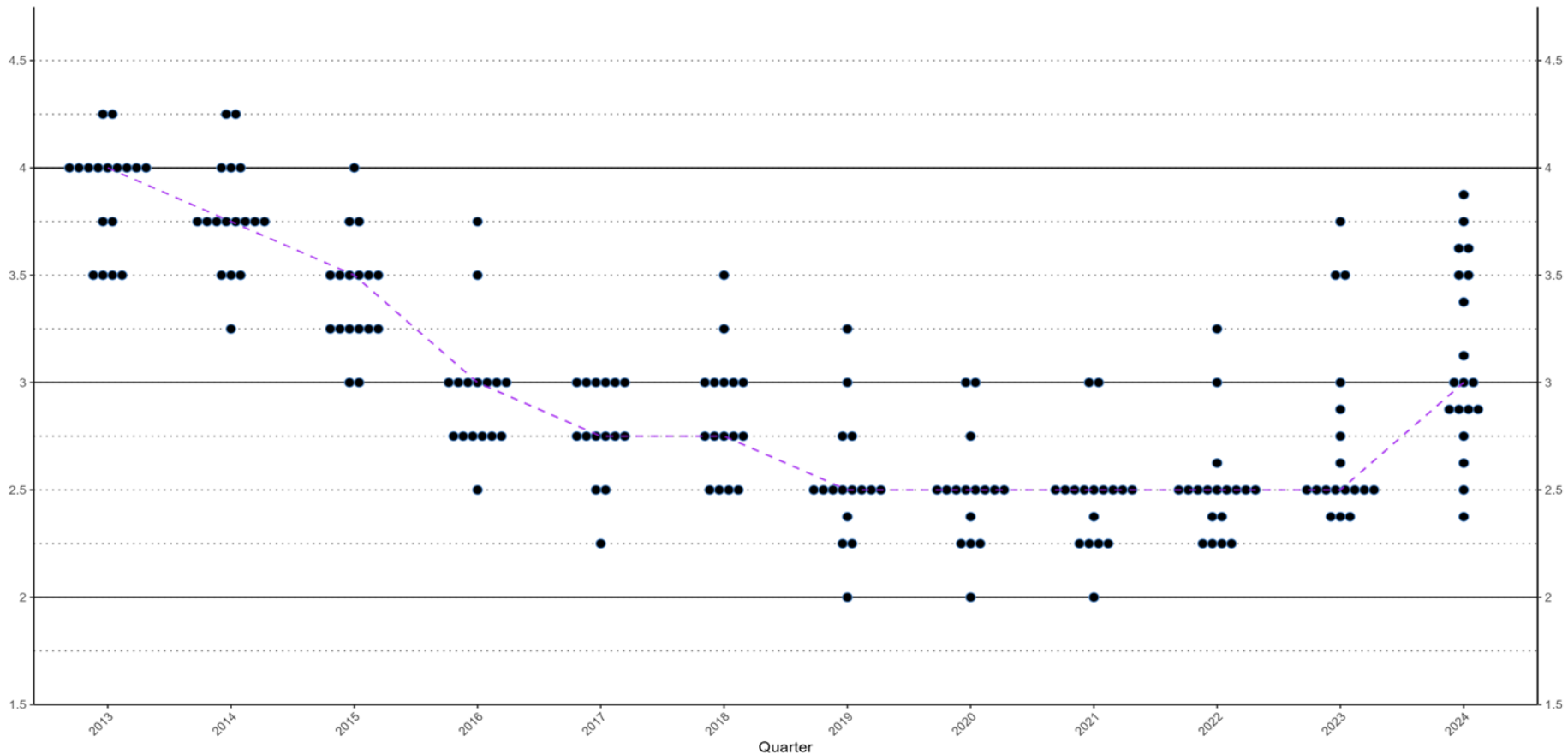
December 2023



December 2024

Long-run federal funds projections have indeed been creeping up, but not to previously unseen levels

Long-Run Fed Funds Rate Projections in December SEP



Where does the economy go from here?

- Growth in the post-COVID era has remained strong. However, there are significant potential speedbumps ahead
 - Uncertainty of all kinds
 - But especially fiscal and executive branch policy uncertainty
 - Geo-political issues
 - Inflation that significantly exceeds current policymakers' expectations
- Jerome Powell, Tom Barkin and other FOMC members have made clear that they currently see more risk to inflation remaining above 2 percent than they see to employment deteriorating.
 - Are current rates restrictive enough to bring inflation back to 2 percent?
 - Is a 'soft landing' really possible?
 - When will additional rate cuts come?
- There will continue to be winners and losers as we move forward
 - The Carolinas as a whole are very well poised to be 'winners'; some rural parts of the states will face continued challenges

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Questions/Comments?

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