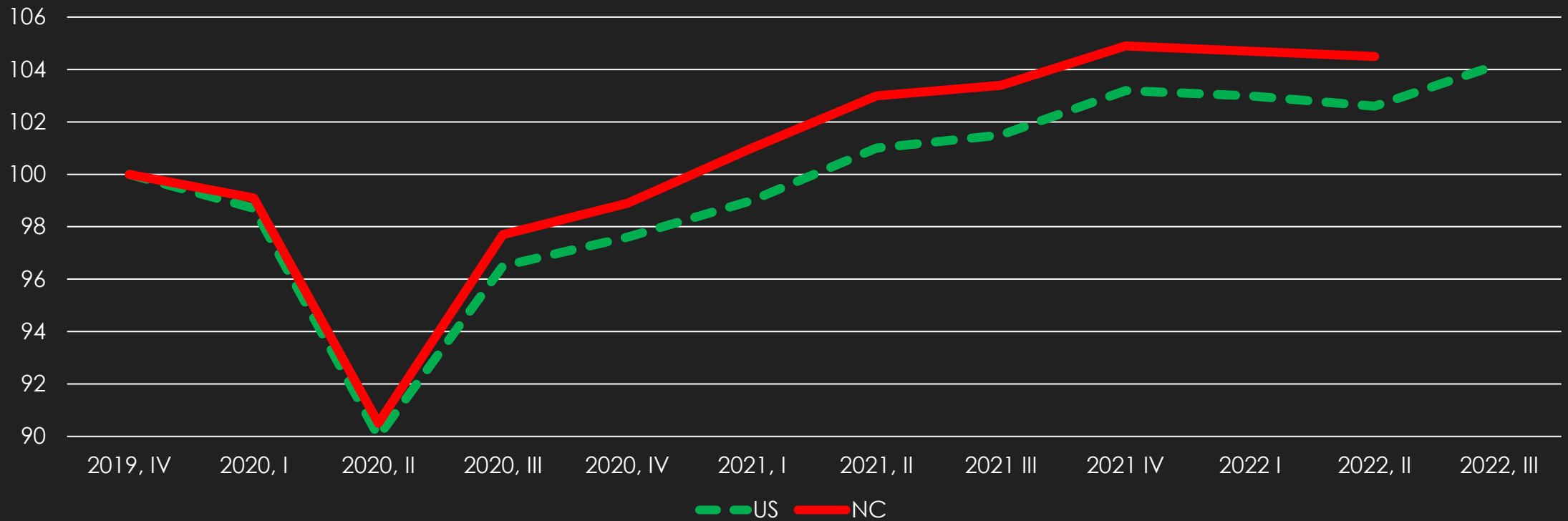


**PANDEMIC, RECESSION, RECOVERY,
INFLATION, ANOTHER RECESSION:
WHEN WILL NORMALCY RETURN?**

Dr. Michael L. Walden, Reynolds Distinguished Professor Emeritus
North Carolina State University

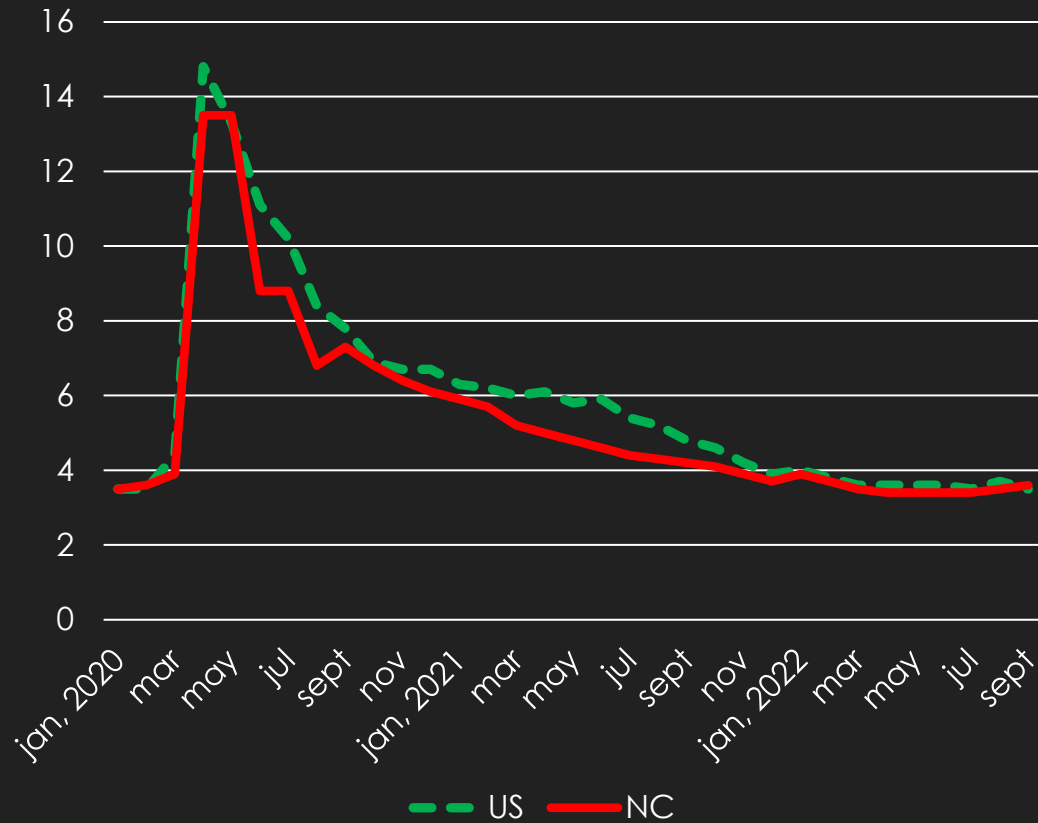
THE ECONOMIC RECOVERY FROM THE PANDMIC STALLS

(QUARTERLY GDP AS PERCENT OF 2019 IV GDP)

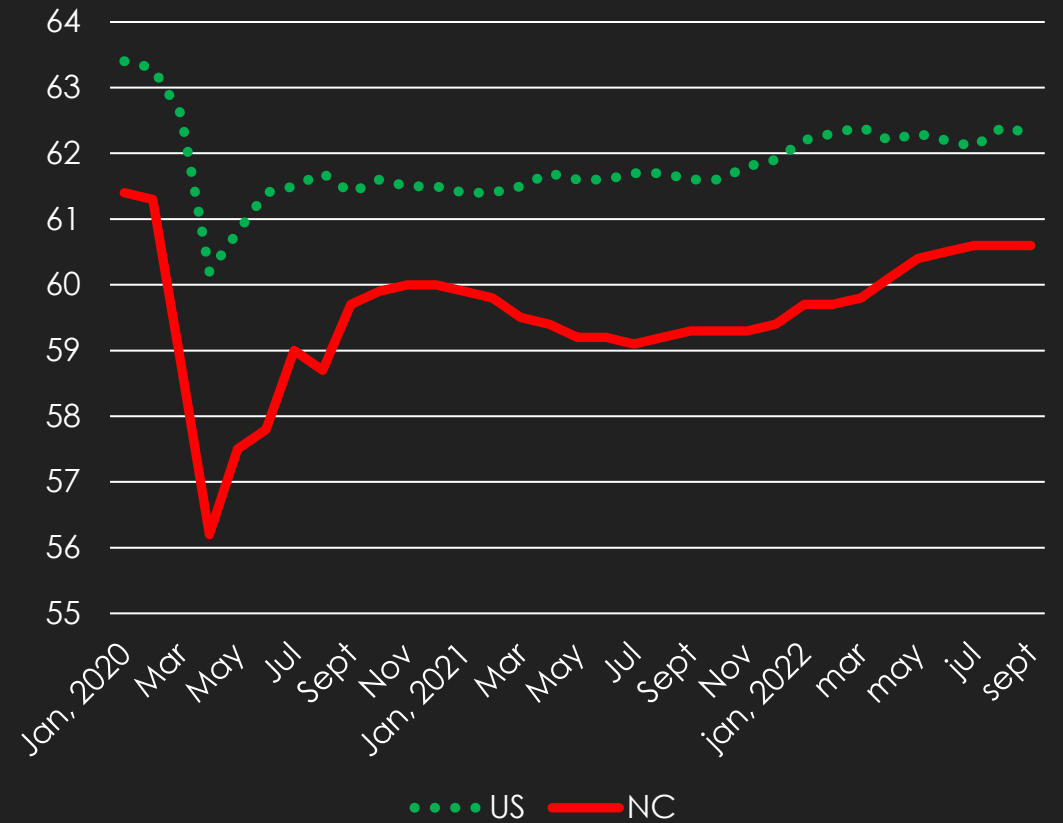


TWO PICTURES OF THE LABOR MARKET

UNEMPLOYMENT RATE, %



LABOR FORCE PARTICIPATION RATE



THE “SURPRISE” SHORTAGE OF LABOR

REASONS WHY FEWER PEOPLE HAVE BEEN LOOKING FOR WORK:

- CONTINUED WORRY OVER COVID
- UNCERTAINTY ABOUT SCHOOL SCHEDULES
- REDUCED AVAILABILITY OF CHILD CARE
- CASH FROM STIMULUS CHECKS, CHILD PAYMENTS, ADDITIONAL JOBLESS BENEFITS, EXPANDED FOOD STAMPS, EXPANDED “OBAMACARE”
- **MORE RETIREMENTS**

ALSO, A RE-ALLOCATION OF WORKERS IS OCCURRING

MANY WORKERS USED THE TIME AND FINANCIAL SUPPORT DURING THE PANDEMIC TO IMPROVE THEIR SKILLS



BUSINESS RESPONSES TO LABOR SUPPLY ISSUES

1. ATTRACT LABOR WITH HIGHER PAY AND/OR BENEFITS
2. SUBSTITUTE TECHNOLOGY AND AUTOMATION FOR WORKERS
3. IMPROVE WORKER PRODUCTIVITY

UNPRECEDENTED FEDERAL ASSISTANCE

\$5.5 TRILLION

25% of GDP

\$80 BILLION to NC



WAS TOO MUCH FINANCIAL AID PROVIDED?

FIRST PANDEMIC OF THIS SIZE IN A CENTURY – UNKNOWN, UNCERTAINTIES

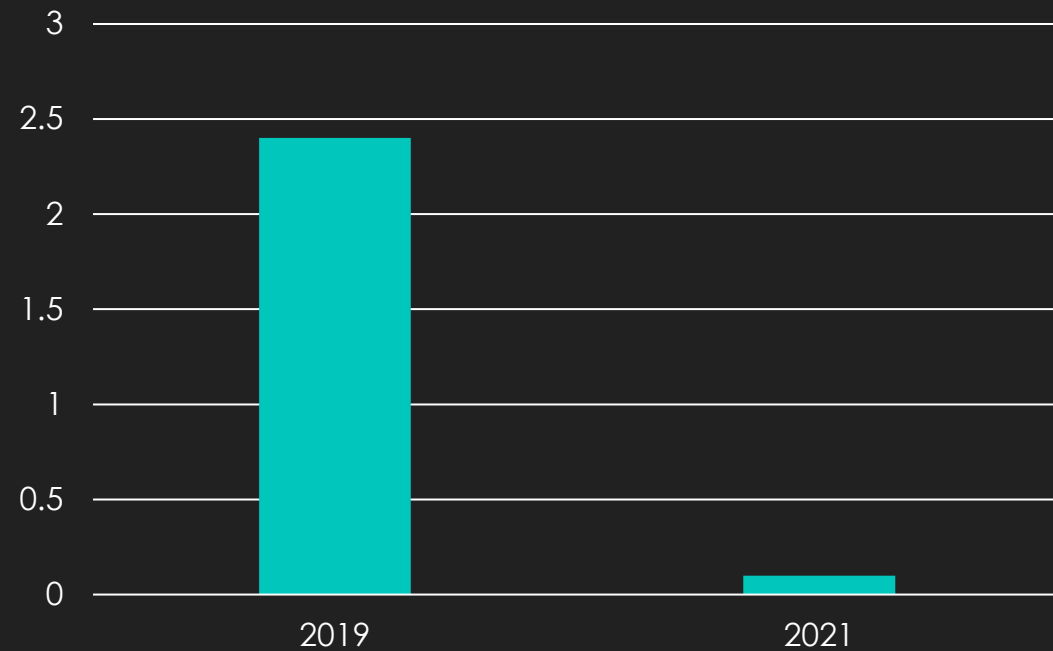
ERR ON THE SIZE OF TOO MUCH HELP

FUNDS USED TO MAINTAIN HOUSEHOLDS, BUSINESSES, INSTITUTIONS

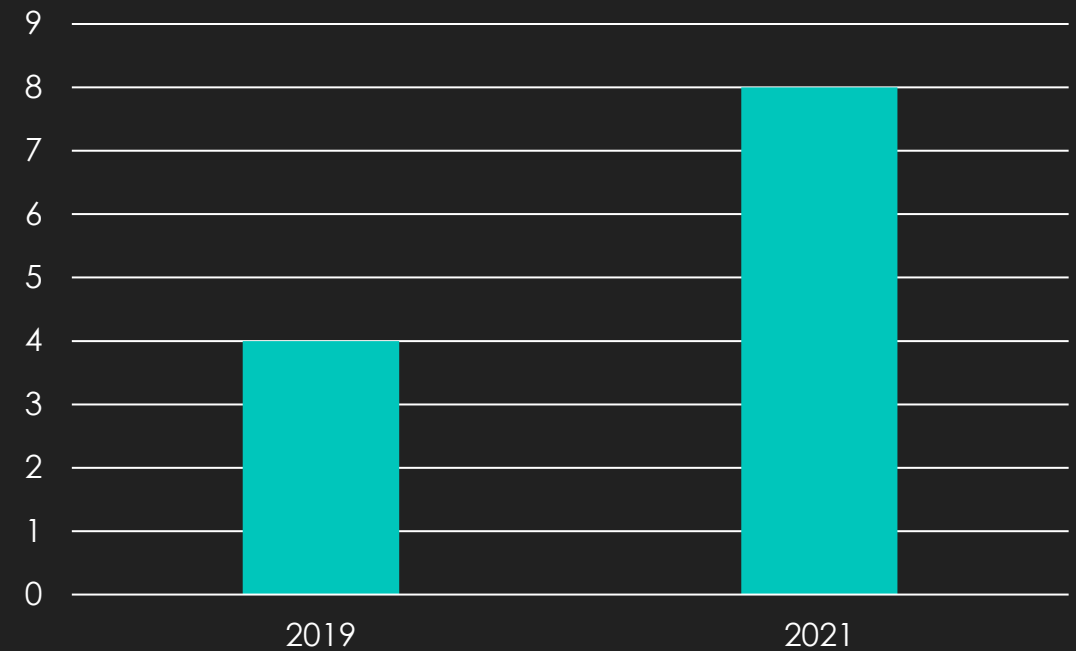
WANTED ECONOMY TO SURVIVE

FEDERAL RESERVE ALSO STEPPED UP – FINANCED GOVERNMENT BORROWING, KEPT INTEREST RATES LOW

Federal Funds Rate, %



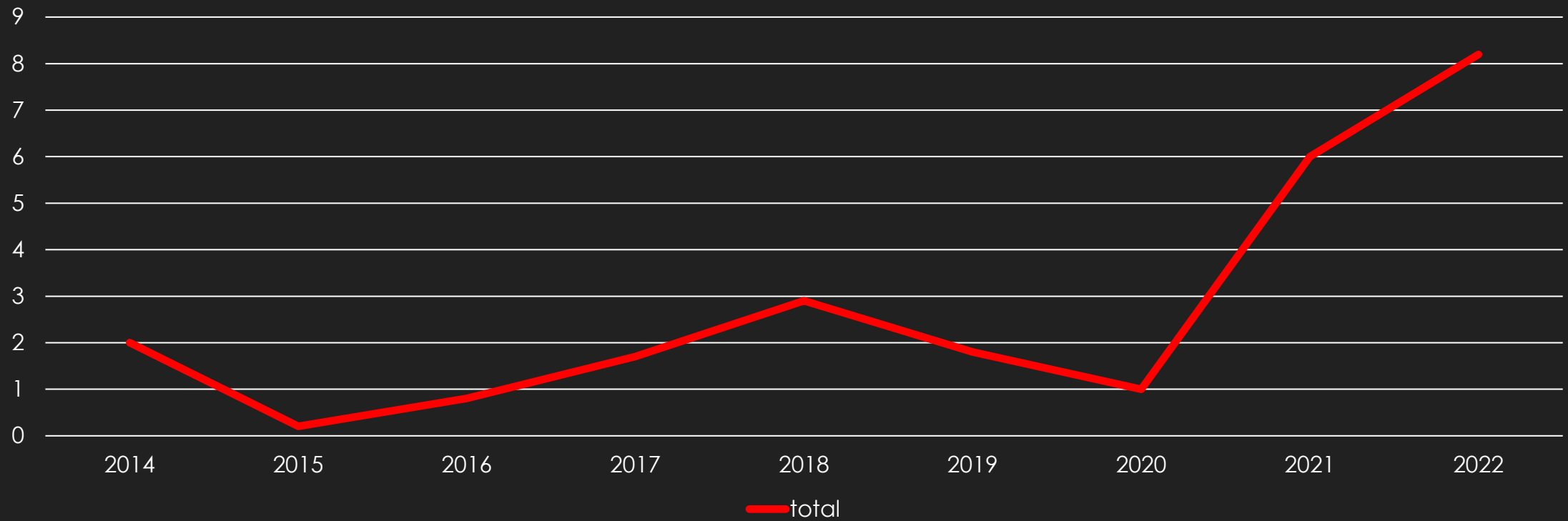
Federal Reserve Holdings, \$trillions



THE "FED" SUPPORTS ITS EFFORTS BY CREATING \$

MONEY SUPPLY UP 35% SINCE BEGINNING OF PANDEMIC

THE TAKE-OFF OF INFLATION (% change)



TWO FACTORS BEHIND HIGHER INFLATION

DEMAND PULL: ECONOMY IS FLUSH WITH CASH AND "PENT-UP" DEMAND
HIGHER INFLATION RATE (4% to 5%) THROUGH 2022.
HIGHER INFLATION IS THE "PRICE" OF THE ENORMOUS FEDERAL HELP.

SUPPLY PUSH: FASTER INFLATION IS RELATED TO DISRUPTIONS IN THE PRODUCTION OF
PRODUCTS AND SERVICES AS THE ECONOMY RECOVERS FROM THE PANDEMIC.
THE DISRUPTIONS ARE TEMPORARY.

CHALLENGE FOR THE FEDERAL RESERVE

REDUCING STIMULUS –
MEANING INCREASING
INTEREST RATES AND
DECREASING MONEY
GROWTH – WITHOUT
CAUSING A RECESSION



**WE FACED THE SAME SITUATION IN THE LATE 1970s
THE FED UNDER PAUL VOLCKER TOOK HARSH ACTION**



HOW HIGH COULD INTEREST RATES GO?

SOME ECONOMISTS SAY FED'S KEY INTEREST RATE MUST BE PUSHED
HIGHER THAN THE INFLATION RATE

ARE WE LOOKING AT 10% INTEREST RATES ???????

PROBLEM WITH THE INFLATION/RECESSION SCENARIO

INFLATION-ADJUSTED EARNINGS CAN FALL – DOWN 5% THIS YEAR

WHEN COMBINED WITH A RECESSION, CAN TAKE YEARS FOR
STANDARD OF LIVING TO RECOVER

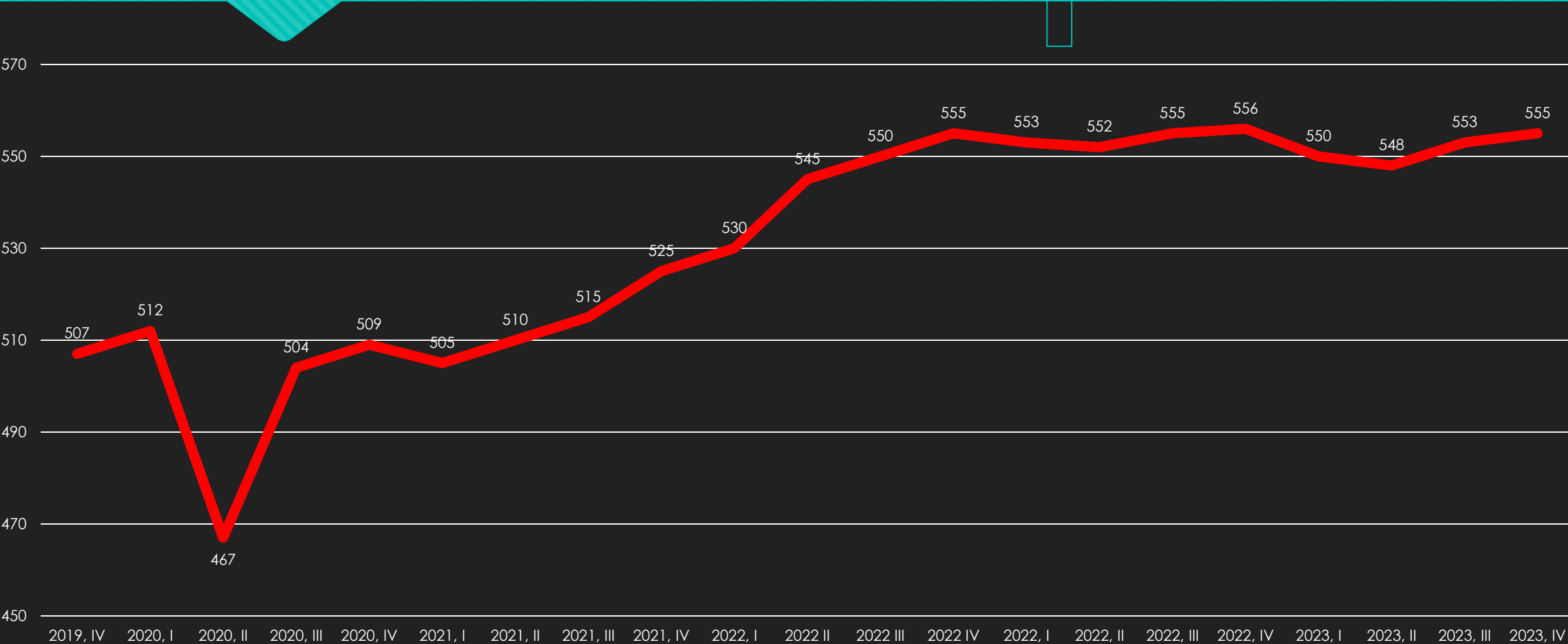
WHAT MIGHT HELP THIS TIME IS THE ON-GOING LABOR SHORTAGE

INDEED, COULD WE HAVE A RECESSION WITHOUT JOB LOSSES?

COMPANIES CUT LABOR COSTS BY TAKING OFF
JOB OPENINGS

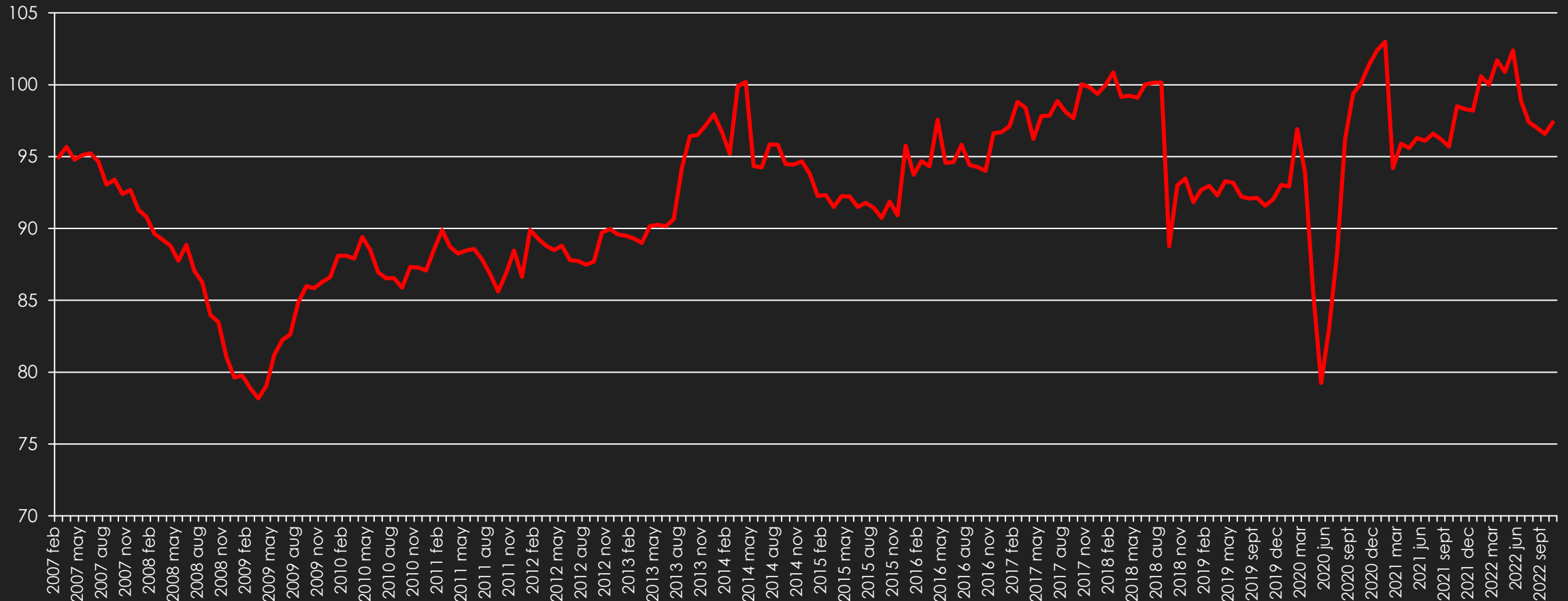
WORRIED ABOUT LOSING WORKERS PERMANENTLY

FORECASTED PATH OF NORTH CAROLINA'S REAL GDP



NORTH CAROLINA IS SLOWING

NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

BUT, NC CONTINUES TO REMAKE ITS ECONOMY

A “NEW ENERGY” CORRIDOR BETWEEN TRIANGLE AND TRIAD

VINFAST

WOLFSPEED

TOYOTA BATTERY FACTORY

WE ARE ALREADY MOVING TO THE POST-PANDEMIC ECONOMY



ELEMENTS OF THE NEW ECONOMY

MORE REMOTE WORK

DRONE DELIVERY

TELE-MEDICINE

REMOTE SCHOOLING

UNIVERSAL HIGH SPEED INTERNET

BOOM IN RURAL AND SMALL TOWN LIVING

NOW AVAILABLE

*RELAUNCH: RENEWING FAMILIES AND
REVIVING THE AMERICAN DREAM IN
THE NEW INDEPENDENT LIFESTYLE*

MICHAEL L. WALDEN



**LAUNCHING
SOON!**

[READ MORE](#)