Overview

• Overview of the Federal Reserve
• National Economic Trends
  • Gross Domestic Output
  • Labor Markets
  • Housing
  • Inflation
  • Monetary Policy
• State Economic Trends
  • Labor Market
  • Industry Trends
  • Metropolitan Areas
Brief Overview of the Federal Reserve
The Fed’s mission, functions, and you

**Mission:** To foster a stable banking system and a healthy, growing economy.

**Core Functions**
- Monetary Policy
- Bank Supervision and Regulation
- Payment Services

**The Fed and You**

- The money you save and borrow
- The prices you pay
- The payments you make
- The bank you use
- The economy you work in
Inequality in and across Cities

By Jessie Romero and Felipe Schwartzman

Inequality in the United States has an important spatial component. More-skilled workers tend to live in larger cities where they earn higher wages. Less-skilled workers make lower wages and do not experience similar gains even when they live in those cities. This dynamic implies that larger cities are also more unequal. These relationships appear to have become more pronounced as inequality has increased. The evidence points to externalities among high-skilled workers as a significant contributor to those patterns.
Resources from the Richmond Fed – Economic Education
SNAPSHOT
A MONTHLY UPDATE OF THE FIFTH DISTRICT ECONOMY

January 2017

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

October 23, 2018

Fifth District manufacturing activity expanded moderately in October, according to the results from the most recent survey by the Federal Reserve Bank of Richmond. The composite index fell from 29 in September to 15 in October, as indexes for shipments and new orders dropped, while the third component, employment, rose. However, survey respondents were optimistic, expecting to see positive growth across most measures in the coming months.

While the employment index rose in October, the indexes for wages and workweek dropped but remained positive, indicating continued but weaker growth. Firms were unable to find workers with skills they needed, as the skills index dropped to an all-time low of ~22. Respondents expect this struggle to continue in the next six months.

Both prices paid and prices received grew at an accelerated rate in October. Growth of prices paid continued to outpace growth of prices received and hit its highest rate since May 2011. Firms expect price growth to continue in the near future.
The National Economy
Economic growth expected to moderate over time

U.S. Real Gross Domestic Product

Q3: 2018
US: 3.4%

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics, December 2018 Summary of Economic Projections
Business investment growing, though only modestly

% Change, SAAR

Q3:2018 2.5%

Source: Bureau of Economic Analysis/Haver Analytics
But recent monthly data is reasonably strong

November 2018:
New Orders: $69.3 billion
Shipments: $69.0 billion

Source: Census Bureau/Haver Analytics
Employment growth has enjoyed a sustained period of gains.

Average Monthly Change, Thous.

Source: Bureau of Labor Statistics/Haver Analytics
Solid job growth joined by declining unemployment rate

Wage growth is finally accelerating in a tight labor market

Source: Bureau of Labor Statistics/Haver Analytics
Consumer spending has grown steadily

![Graph showing Real Personal Consumption Expenditures (RPCE) and Real Personal Income (RPI) from 2008 to 2019. The graph highlights a YoY % Chg scale ranging from -10 to 10.]

**November 2018**
- RPCE: 3.0%
- RPI: 2.7%
Construction of single-family homes remains subdued

Source: U.S. Census Bureau/Haver Analytics
Growth in home prices has maintained a steady pace

YoY% Change

-20
-15
-10
-5
0
5
10
15

Total Sales

Non-Distressed Sales

November 2018
Total: 5.1%
Non-Distressed: 4.7%

Source: CoreLogic Information Solutions, Inc.
Measures of inflation consistent with the Fed’s target

Personal Consumption Expenditure (PCE) Index

YoY % Change

PCE Inflation: 1.8
PCE Less Food & Energy: 1.9

November 2018

Source: Bureau of Economics Analysis, Federal Reserve Board of Governors/Haver Analytics
Monetary Policy – another move at last FOMC meeting

Source: Board of Governors via Haver Analytics, as of 12/21/18
Note: Each dot in the chart represents the value of an FOMC participant’s judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made for the December 2018 meeting.

Source: Board of Governors
The State Economy
North Carolina’s employment growing faster than the U.S.

November 2018
US: 1.7%
NC: 2.3%

Source: Bureau of Labor Statistics via Haver Analytics
North Carolina’s industry composition differs from the U.S.

### Employment Share (Percent) for November 2018

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>North Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Construction</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>10.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Information</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>5.7</td>
<td>14.2</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>14.2</td>
<td>14.3</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>13.6</td>
<td>15.9</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>10.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Other Services</td>
<td>3.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Government</td>
<td>15.1</td>
<td>16.6</td>
</tr>
</tbody>
</table>

**Source:** Bureau of Labor Statistics/Haver Analytics
Broad-based employment growth across NC industry sectors

Source: Bureau of Labor Statistics/Haver Analytics
Many NC metro areas growing faster than national average

**November 2018**

<table>
<thead>
<tr>
<th>City</th>
<th>YoY % Chg (NSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh-Cary</td>
<td>2.8</td>
</tr>
<tr>
<td>Hickory</td>
<td>2.7</td>
</tr>
<tr>
<td>Winston-Salem</td>
<td>2.3</td>
</tr>
<tr>
<td>Charlotte</td>
<td>2.3</td>
</tr>
<tr>
<td>North Carolina</td>
<td>2.2</td>
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<tr>
<td>Burlington</td>
<td>2.1</td>
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<tr>
<td>Durham</td>
<td>2.0</td>
</tr>
<tr>
<td>Greensboro</td>
<td>1.9</td>
</tr>
<tr>
<td>Fayetteville</td>
<td>1.8</td>
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<tr>
<td>U.S.</td>
<td>1.6</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>1.4</td>
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<tr>
<td>Greenville</td>
<td>0.5</td>
</tr>
<tr>
<td>Wilmington</td>
<td>0.5</td>
</tr>
<tr>
<td>Goldsboro</td>
<td>0.2</td>
</tr>
<tr>
<td>Asheville</td>
<td>-0.3</td>
</tr>
<tr>
<td>Rocky Mount</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment rate remains low in North Carolina

November 2018
US: 3.7%
NC: 3.6%

Source: Bureau of Labor Statistics/Haver Analytics
Housing market has softened with recent declines in permits

Source: U.S. Census Bureau/Haver Analytics

(Note data release delayed due to government shutdown)
But home price growth remains steady

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>North Carolina</th>
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<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
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<tr>
<td>2009</td>
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<td>2018</td>
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<tr>
<td>2019</td>
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</tbody>
</table>

October 2018
US: 5.4%
NC: 5.2%
Summary

• Economic growth in the U.S. continues to be solid, with tightening labor markets and some employers reporting difficulty finding and attracting skilled workers.

• Consumer spending has held up, while business investment has moderated somewhat.

• Housing markets have moderated, and construction activity is not back to where it was in the 1990s; inventories of new homes remain low.

• North Carolina’s job growth has outpaced that of the U.S., and continues to remain strong; with this growth reflected in most metro areas of the state.
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.