

What Will Happen to the Economy in 2017?

By Dr. Mike Walden, North Carolina Cooperative Extension: I often begin my economic outlook presentations with the following joke: Professional economists are frequently called upon to make forecasts about economic factors like job growth, consumer spending, interest rates and inflation, and economists are very capable of making these forecasts - as long as they are for the past.

Although meant to get chuckles, the joke actually has a strong component of reality. Our economy is very complex with millions of interactions and interrelationships. And while economists' models can identify these linkages, and maybe even measure and calibrate them, the conclusions are not ironclad because the relationships can change over time. Plus, economists' track record of predicting big movements in the direction of the economy - such as the Great Depression of the 1930s and the Great Recession of the late 2000s - is simply not very good.

So, I always try to lower the expectations of my audiences hoping they won't be disappointed if I'm wrong. What I think economists are best at is identifying general trends and raising questions about the economic future.

Therefore, with all these caveats, here are my economic predictions for 2017. First, and perhaps most important, I think 2017 will be a growth year in the economy. By that I mean production, sales, jobs and incomes will increase. However - it should be clearly noted - I mean these factors will gain in total, but not necessarily for every person, household, business or geographic area. Rarely do we see the economy moving in the same direction for everyone and everywhere.

What about some numbers on these improvements? Nationally, employers will add about 2.7 million jobs, a 1.9 percent gain over 2016. In North Carolina 90,000 jobs will be added, 2 percent more than in 2016. Aggregate production (termed gross domestic product by economists) will be up 2.5 percent in the nation and 2.7 percent in North Carolina. Both improvements will be better than in 2016.

What about the much watched unemployment rate? In 2017, this measure actually won't be the best indicator to track because the improving job market will motivate some of the approximately 200,000 jobless individuals in North Carolina who have given up on working and are not officially counted as unemployed to start looking again. When they do - and until they find work - they will add to the unemployment rolls. Hence, in both the nation and in North Carolina, the most quoted unemployment rate will only fall from 4.9 percent to 4.6 percent.

Finally, in 2016, wage rates began to rise for workers, increasing over 2 percent (after inflation) in the nation and 4 percent in North Carolina. I expect this trend to continue - and perhaps improve - in 2017 for workers in the nation and our state. The reason for the good news - a tighter labor market, meaning employers have to compete more rigorously both for new workers and to keep existing workers.

What's the reason for this relative optimism for the economy in 2017? A big reason is an anticipated fiscal stimulus plan from the new Trump administration. Proposals for multi-trillion-dollar tax cuts and spending increases are likely from the new President. Even if they are trimmed back by Congress, it's widely expected the stimulus plan would boost the economy, particularly in the second half of the year.

However, one downside of the stimulus program will be an increase in federal borrowing. This, together with other reasons, is why economists expect the price of credit to be higher in 2017. So financing the purchase of a home, a vehicle or other big-ticket items will cost borrowers more in the upcoming year. But the upside of higher interest rates is that savers will earn more on relatively safe investments like CDs, money market funds and government bonds.

With interest rates higher money will turn over faster, and this could lead to faster price inflation in the economy. The all-items inflation rate in 2016 came in under 2 percent. This rate could be nearer to 2.3 percent in 2017. However, a higher international value of the dollar - which some economists expect in 2017 - would decrease the price of imports and moderate any increase in the inflation rate.

Speaking of trade, U.S. trade policy in 2017 is probably the biggest economic unknown of the year. During the campaign President-elect Trump talked about reducing the trade deficit by reducing imports from other countries and moving jobs and production from other countries to the U.S. If this could occur with no adverse side-effects it could be a big boost to U.S. economic growth.

The issue is how this could be done in a way that did not result in retaliation from foreign countries. An estimated \$2.3 trillion of income and 11 million jobs in the U.S. are supported by U.S. exports to foreign buyers. For North Carolina, the values are \$37 billion of income and 415,000 jobs. These economic impacts would be at risk in a "trade war" where countries all around the world focus on making imports from other countries more expensive.

Still, the consensus right now is that 2017 is looking like a reasonably good economic year. It won't set records for improvement, and it won't see all the economic issues we face eliminated, but overall it will be steps forward. You decide if this constitutes progress!

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COMMUNITY Christmas Blessing...



(sponsored by Poisson Poisson Bower)

A Community Event

Harvest Ministries Outreach Center
(BEHIND PIZZA HUT IN WADESBORO, NC)

Sunday December 18th 2016
10:30am-3:00pm



EVENT BEGINS AFTER AREA CHURCH SERVICES

We will be giving away hundreds of TOYS, PRIZES, BICYCLES, AND MUCH MORE
WE HAVE PARTNERED WITH ANSON COUNTY TOYS FOR TOTS THIS YEAR TO REACH MORE CHILDREN AND FAMILIES!!!

FREE

FREE

EVENT

EVENT

ONE LUCKY PERSON WILL LEAVE WITH A NEW TELEVISION, \$200.00 IN CASH OR A "SPECIAL PRIZE"

FREE CHRISTMAS GOODIE BAGS FOR EVERY FAMILY

A BUS WILL BE RUNNING FOR A FREE RIDE OR TO DONATE GIFTS CALL

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TOYS FOR TOTS RAFFLE WILL BE HELD THIS DAY!!



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- One of America's 100 Best Hospitals Coronary Intervention™ - 2016
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- Recipient of the Cardiac Care Excellence Award™ - 2016
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- Recipient of the Vascular Surgery Excellence Award™ (2010 - 2016)
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