

Year Decide: Will the economy improve in 2016?

By Dr. Mike Walden, North Carolina Cooperative Extension: This is the time of year when economists shine – or at least they try to. The early weeks of a new year are always the period when I receive the largest number of speaking requests. Even if people know my colleagues and I have cloudy – some say foggy with hot air (!) – crystal balls, they still want to know what we’re thinking about the future. I often tell my audiences to take what I forecast and then expect the opposite to happen. I usually get a mixed reaction of laughs and a nodding of heads.

So with that confident prelude, let me present my economic outlook for 2016. To set the stage, let’s first look back at 2015. In examining the statistics describing 2015’s economy, the conclusion I reach is “good, but not great.” Production in the national economy increased, jobs were added, pay went up and unemployment fell. But while the gains were slightly better than in recent years, they were sub-par by historical standards.

Here are two examples. When all the numbers are in, it appears the total production of the U.S economy (termed GDP, or “gross domestic product”) will have increased 2.2 percent in 2015. While positive, this rate of growth is substantially below the 3.2 percent annual GDP growth rate averaged since World War II. The same conclusion is reached for job growth. Payroll jobs increased 1.9 percent in 2015. Again, although a plus, this is less than the 2.3 percent average annual growth rate experienced from 1960 to 2000.

The big question is why – why has economic growth apparently slowed? One reason is demographics. We’re an aging society – meaning workers are retiring and moving out of the labor force – and the birth rate is falling. Translation: The labor force is growing more slowly. And although technology today is doing more workplace tasks, we still need people and workers to grow the economy.

Of course, there are big debates about other factors – such as a lack of infrastructure development, the complex tax system and regulations – potentially slowing economic growth. Economists (and presidential candidates) hotly debate these factors’ impacts.

Consumers have been spending more since the recession, yet they are being cautious. Household debt is rising but at a slow pace. The personal savings rate is now over 5 percent – in contrast, it was close to zero before the recession. Super low interest rates have also kept household debt payments as a percent of their disposable income at a 30-year low.

Thanks, in part, to plunging oil prices in 2015, the inflation rate was at its lowest level in six years and its second-lowest level in 60 years! Interest rates were also held their bargain basement levels during the year.

So 2015 had a number of positive features – low inflation, low interest rates, job growth and production growth – but the biggest disappointment was the improvements weren’t better. So will we do better in 2016?

My answer is – yes, but modestly so. Production, job and income growth will all gain in 2016, and the gains will be slightly better than in 2015. Why? I think the most important push will be from the labor force. With steady job gains now occurring, people who have dropped out of the labor force are beginning to return. And with a more robust hiring market, many – although not all – will get jobs, and the added employment will boost economic growth.

To give you a sense of what I see, I project the national unemployment rate will fall from 5 percent to 4.7 percent by the end of 2016. I also see the broadest measure of growth (the GDP growth rate) rising from 2.2 percent in 2015 to 2.5 percent in 2016. I also foresee stronger gains in wages and salaries during the year.

The biggest change in 2016 will be in the direction of interest rates. The Federal Reserve has now shifted policy and will be pushing short-term interest rates higher during the year. This will help savers but mean borrowers will pay a little more. There also won’t be a repeat in the plunge in oil prices in 2016, so inflation will not be as low as in 2015. Still, inflation will be tolerable at between 2 percent and 2.25 percent.

Will this somewhat upbeat national economic forecast be repeated for North Carolina? Yes, it will – and then some. Traditionally, North Carolina has followed a pattern of suffering more during recessions but improving faster once the economy has turned around. I expect we’ll see this in 2016, with production (GDP) growth being 40 percent faster than in the nation and payroll job growth being 25 percent faster.

As is usually the case, however, these economic gains won’t be spread evenly across our state. Long-run forces are pushing North Carolina to be more urbanized, meaning economic opportunities will continue to be greater in metropolitan areas than in rural and small town regions.

Altogether, I think 2016 could be the best year – economically speaking – since the Great Recession ended. Still, along with better economic opportunities will continue our numerous economic challenges. Maybe a great holiday present for the end of 2016 will be to have seen those challenges reduced. You decide, and happy New Year!

Walden is a William Neal Reynolds Distinguished Professor and extension economist in the Department of Agricultural and Resource Economics at North Carolina State University. He teaches and writes on personal finance, economic outlook and public policy.

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Be a Partner with Dolly! Support the 2016 Barn Blast!



This is a release from the Anson County Partnership for Children: You can help Dolly Parton share the magic of books with young children in Anson County! The Anson County Partnership for Children currently provides Dolly Parton’s Imagination Library to

approximately 1,400 children birth to age 5 in Anson County. The Partnership’s goal is to register all 1,500 children in this age group in Anson County each year. All the funds raised at the 10th annual Barn Blast will be used for the Partnership’s programs for Anson County’s young children including Dolly Parton’s Imagination Library.

In 1995, Dolly Parton launched her Imagination Library to benefit the children of her home county in East Tennessee. Dolly’s vision was to foster a love of reading among her county’s preschool children and their families by giving them a specially selected book each month. By mailing high quality, age-appropriate books directly to their homes, she wanted families to be excited about books and to feel the magic that books can create. She also wanted to ensure that every child would have books, regardless of their family’s income.

In 2000, Dolly Parton announced that she would make the Imagination Library available to any community willing to partner with her to support it locally. The program has gone from just a few dozen books to over 60 million books mailed to children in the United States, Canada and the United Kingdom! Currently over 1,600 local communities provide the Imagination Library to 750,000 children each month.

In 2006, the Anson County Partnership for Children made the decision to fund the Imagination Library for all children birth to age 5 in Anson County and created the Barn Blast fundraiser in 2007 to fund the program. Since 2006, 3,344 children in Anson County have participated in this program and a total of 104,130 books have been mailed to Anson County families. Research has shown that Dolly Parton’s Imagination Library drastically improves early childhood literacy skills and results in improved reading scores in school for children enrolled in the program.

“This program is one of the most important ways I know to improve the educational opportunities for children in your community,” says Dolly Parton. “I hope you’ll agree to become a champion of the Imagination Library. You will be amazed at the impact this simple gift can have on the lives of children and their families.”

You can help young children in Anson County have books in their homes by supporting the 2016 Barn Blast on Friday, January 29 at SPCC’s Lockhart-Taylor Center in Wadesboro. This fundraising event features dinner, dancing, drinks, silent auctions, live auction and lots of western themed fun. Reserved tables for 8 are available for \$400 and individual tickets are \$60 each. Business sponsorships, donations in any amount and auction item donations are welcome and needed to make the 2016 Barn Blast a success.

Dolly says, “This program is one of the most important ways I know to improve the educational opportunities for children in your community. I hope you’ll agree to become a champion of the Imagination Library in your community. You will be amazed at the impact this simple gift can have on the lives of children and their families.”

Be a partner with Dolly! Help provide books for Anson County’s young children by supporting the 2016 Barn Blast! For tickets or information about the Barn Blast, please call or come by the Anson County Partnership for Children, 117 South Greene Street in Wadesboro, 704-694-4036, www.ansonchildren.org.

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