



THIS WEEK'S PROGRAM

December 14, 2021

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Mark Vitner
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John Connaughton
Professor of Financial Economics

Mark Vitner, MD, Senior Economist, Wells Fargo and John Connaughton, Professor of Financial Economics

By Elly Clary

Two respected local economists see multiple reasons for economic optimism but worry about inflation and its consequences.

John Connaughton of UNC Charlotte and Mark Vitner of Wells Fargo, speaking to Rotarians, agreed on many of the economy's positives as well as their deep concern about prices.

"Inflation is unlikely to slow down soon," said Connaughton, director of the UNC Charlotte Economic Forecast. "There's nothing we can do about it. The momentum is there. We cranked out \$7 trillion in new deficit spending during this pandemic."

Vitner chimed in. "My word to describe inflation is 'pernicious'," said the

managing director and senior economist for Wells Fargo's Corporate and Investment Bank. "Inflation has become a problem for the next financial crisis," he added. He doesn't see that crisis happening in the next couple of years, but is sure it will come.

"When I say inflation is a big problem, there's nothing temporary about it," he warned.

An inflation-related silver lining for North Carolina and the Charlotte area, Vitner said, is a strategy many use to maintain their standard of living. People are moving from high-cost states such as New York, New Jersey and California, to lower-cost regions, including the sun belt and mountain west.

They're "buying these big ol' houses in Union County because they want as big a house as they can get," he said.

Connaughton found other reasons for near-term optimism. North Carolina forged a relatively strong recovery from the brief, Covid-induced recession. He believes concerns about business failures are overblown because state stats show total establishments have increased consistently.

"Even in hospitality and leisure services, we had a dip but today we have more hospitality and leisure establishments than before (the pandemic) began," he said.

"Basically, we've worked our way through this recession," Connaughton said. "It's over." He predicts the state's Gross Domestic Product growth will return to the 2.5 to 3.5 percent pre-pandemic rate.

Vitner believes the nation is emerging from supply chain disruption. Reversing an earlier trend, "we're now producing more goods and services than we are consuming," he said.

Actions the Federal Reserve might take are high on Connaughton's list of unknowns. "We have no idea what the Fed is going to do in terms of tapering their bond buying," he said, adding the same is true for its interest rate policy.

Other questions are the effects of the Omicron variant of Covid along with vaccine dissemination. Consumer confidence and job growth are uncertainties, too, he said.

Vitner voiced trepidation about the potential size of President Biden's proposed Build Back Better spending. "I'm concerned (Congress) is going to pass even a slimmed-down version," he said.

*A recording of the program is available here: <https://vimeo.com/657128418>
The program introduction begins at 19:25 minutes.