REGIONAL PERSPECTIVES

North Carolina Economic Outlook
**Economic Forecast**

**OUTPUT AND EMPLOYMENT**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ billions (fourth quarter)</td>
<td>$14,996</td>
<td>$14,575</td>
<td>$14,540</td>
<td>$14,942</td>
<td>$15,242</td>
<td>$15,540</td>
<td>$15,942</td>
<td>$16,501</td>
<td>$17,120</td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>1.9%</td>
<td>-2.8%</td>
<td>-0.2%</td>
<td>2.8%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.6%</td>
<td>3.5%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Nonfarm employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>0.9%</td>
<td>-2.0%</td>
<td>-4.1%</td>
<td>0.6%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Average monthly change</td>
<td>101,667</td>
<td>-229,361</td>
<td>-468,000</td>
<td>64,528</td>
<td>165,889</td>
<td>184,250</td>
<td>184,250</td>
<td>184,250</td>
<td>184,250</td>
</tr>
<tr>
<td><strong>North Carolina</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ billions (fourth quarter)</td>
<td>$378</td>
<td>$376</td>
<td>$375</td>
<td>$381</td>
<td>$386</td>
<td>$397</td>
<td>$409</td>
<td>$422</td>
<td>$438</td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>1.5%</td>
<td>-0.7%</td>
<td>-0.1%</td>
<td>1.6%</td>
<td>1.3%</td>
<td>2.8%</td>
<td>3.0%</td>
<td>3.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Nonfarm employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job count (fourth quarter)</td>
<td>4,161,533</td>
<td>4,072,000</td>
<td>3,854,000</td>
<td>3,892,933</td>
<td>3,937,867</td>
<td>4,013,633</td>
<td>4,099,967</td>
<td>4,150,295</td>
<td>4,211,391</td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>1.7%</td>
<td>-2.2%</td>
<td>-5.4%</td>
<td>1.0%</td>
<td>1.2%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>1.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Average monthly change</td>
<td>5,775</td>
<td>-7,461</td>
<td>-18,167</td>
<td>3,244</td>
<td>3,744</td>
<td>6,314</td>
<td>7,194</td>
<td>4,194</td>
<td>5,091</td>
</tr>
</tbody>
</table>

**WHAT THE TABLE SHOWS:**

- North Carolina’s GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state’s GDP share.
- North Carolina’s recession wasn’t as severe as the national recession but the job market contracted sharply nonetheless.
- North Carolina’s recovery has matched the national recovery pace.

**KEY MESSAGES:**

- North Carolina’s economy is forecast to pick up speed.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce; US Department of Labor.
The Economy's Structure

WHAT THE CHART SHOWS:

- The figure compares the relative importance of selected industries to the state's economy with the national footprint of each industry (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- Finance and manufacturing businesses account for a greater share of North Carolina's economy than the national norm.

KEY MESSAGES:

- North Carolina’s new manufacturing base now is an asset.

**Bankruptcies**

**WHAT THE CHART SHOWS:**
- The figure illustrates trends in bankruptcy filings by businesses and persons relative to the number of filings in 2007 Q4, prior to the recession.
- Bankruptcy filings are back down to normal levels.

**KEY MESSAGES:**
- Indicators of financial stress are a useful coincident indication of economic distress.
- Easing of financial strains points to an improving business climate.

Source: Administrative Office of the U.S. Courts; Updated through March 2014.
The Richmond Federal Reserve Bank survey of local businesses is mixed. The index readings represent the net difference in the percent expecting improving conditions and those expecting worsening conditions. The survey points to continued expansion but perhaps at a more moderate pace.

The business outlook remains favorable in North Carolina.

Note: Survey data unavailable prior to 1994.

Sources: Federal Reserve Bank of Richmond; US Department of Commerce. Updated through November 2013 (surveys) and 2013 Q3 (GDP).
Initial Jobless Claims

WHAT THE CHART SHOWS:

- The figure tracks layoffs in North Carolina and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs in July 2013 when the state altered its funding policies for its extended unemployment insurance program.

KEY MESSAGES:

- The state's recovery is gaining momentum, judging by signals from falling layoffs.

Source: US Department of Labor. Updated through May 17, 2014 (state) and May 24, 2014 (US).
Economic Growth

WHAT THE CHART SHOWS:

- Real GDP growth in North Carolina (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- The state's economy is mirroring the national trend.

KEY MESSAGES:

- The economy is expected to speed up.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.
Economic Output

WHAT THE CHART SHOWS:
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- North Carolina mirrors the national economy in terms of GDP performance.

KEY MESSAGES:
- The state’s economy is growing again.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.
Employment Growth

WHAT THE CHART SHOWS:

- North Carolina’s job growth, compared with the nation’s.
- Employment trends have been more volatile than the national economy.
- Job growth is solid.

KEY MESSAGES:

- Employment prospects appear favorable.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
Employment

WHAT THE CHART SHOWS:

- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- North Carolina lagged the nation until mid-decade, in terms of employment growth, but led the nation after that.
- North Carolina has recovered or replaced most of the jobs lost in the recession.

KEY MESSAGES:

- The state’s job market is trending up and is expected to parallel the national economic drift in coming years.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
Intrastate Employment

WHAT THE CHART SHOWS:

- Employment trends in local communities across the state.
- The lines are the cumulative percent change in employment since 2000 Q4, the peak of the previous business expansion.
- Economic conditions in most communities appears to be strengthening, from the perspective of job market trends.

KEY MESSAGES:

- The recovery is lifting a widening swath of the state’s communities.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
Unemployment

WHAT THE CHART SHOWS:

- Trends in North Carolina’s unemployment rate, compared with the national average.
- The region’s rise in unemployment eclipsed the national unemployment rate during the recession, but has fallen back significantly.
- Unemployment is falling steadily, faster than the national unemployment rate.

KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region.
- The falling unemployment rate implies North Carolina’s economy is recovering, growing faster than its underlying trend.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
Relative House Prices

WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.

- House prices on average are about where they were before the housing debacle relative to the national average.

KEY MESSAGES:

- The realignment of housing prices is more the result of corrections elsewhere than a rise in North Carolina's markets.

Source: FHFA. Updated through 2014 Q1.
Real Estate Markets

WHAT THE CHART SHOWS:

- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- House prices are stabilizing.

KEY MESSAGE:

- North Carolina’s real estate markets are likely to appreciate at a more normal pace going forward.

Source: FHFA. Updated through 2014 Q1.
New Home Building

WHAT THE CHART SHOWS:
- The pace of new home building (housing starts) in North Carolina, compared with the national trends.
- New home building is recovering.

KEY MESSAGES:
- Housing activity is expected to continue to recover in 2014.

Source: Census Department. Updated through March 2014 (state) and April 2014 (US).
Office Markets

WHAT THE CHART SHOWS:
- Office market conditions in Charlotte.
- Vacancy rates in Charlotte are falling quickly.

KEY MESSAGES:
- Commercial real estate markets lag economic trends and likely will recover only slowly.
