



## **Continued Growth Expected for N.C. Economy in 2014**

CHARLOTTE, N.C. – March 11, 2014 – The North Carolina economy can expect continued growth in 2014, UNC Charlotte economist John Connaughton reported today in his quarterly forecast for the state .

In addition to confirming several key indicators of economic strength, including steady consumer confidence and rising housing prices, Connaughton pointed to a decrease in the North Carolina unemployment rate as a sign of economic recovery in North Carolina. Despite sluggish job growth in December and January, Connaughton anticipates the North Carolina unemployment rate will continue to fall throughout 2014, reaching 6.0 percent by December 2014.

Though the North Carolina labor market should see strong employment increases in the construction and manufacturing sectors in 2014, a large number of those jobs will be permanently displaced as the business and professional and health and education service sectors create the largest job demand in the North Carolina economy, according to Connaughton.

Connaughton, the Babson Capital professor of financial economics in the Belk College of Business, presented his quarterly forecast to members of the Charlotte business community and the media at a luncheon held at UNC Charlotte's Center City campus. The Forecast is funded by Babson Capital Management LLC.

### **2013 in Review**

For 2013, first quarter GSP declined slightly by an annualized real rate of 0.1 percent. During the second quarter, GSP growth increased substantially to an annualized real rate of 3.6 percent. In the third quarter, GSP recorded an annualized real growth rate of 2.3 percent. In the fourth quarter of 2013, GSP is expected to grow at an annualized real rate of 4.1 percent. Fourteen of the state's fifteen economic sectors are forecast to experience output increases during 2013. The sectors with the strongest expected growth are:

- Agriculture with a projected real increase of 22.7 percent;
- Educational and Health Services with a projected real increase of 4.9 percent;
- Transportation, Warehousing, and Utilities (TWU) with a projected real increase of 4.3 percent;
- Business and Professional Services with a projected real increase of 4.1 percent;
- Wholesale Trade with a projected real increase of 3.6 percent;
- Other Services with a projected real increase of 2.9 percent; and
- Finance, Insurance, and Real Estate with a projected real increase of 2.9 percent.

### **2013 Employment in Review**

Seasonally adjusted nonagricultural employment in North Carolina reached 4,096,800 persons in December 2013, an increase of 1.6 percent over the employment level in December 2012. The state gained 64,500 net jobs during the year.

Eleven of the state's fourteen nonagricultural sectors of the economy experienced employment increases during 2013. The sectors with the strongest employment increases in 2013 are information at 7.6 percent, business and professional services at 4.1 percent, and TWU at 3.8 percent.

The North Carolina seasonally adjusted unemployment rate began 2013 at 9.5 percent, almost two percentage points higher than the United States rate. By December, the North Carolina rate had fallen to 6.9 percent, while the United States rate had fallen to 6.7 percent.

### **2014 Economic Forecast**

To confirm the January forecast numbers, the North Carolina economy is expected to increase by an inflation-adjusted rate of 3.0 percent during 2014. For 2014, first quarter GSP is expected to increase at an annualized real rate of 2.1 percent. During the second quarter, GSP is expected to increase at an annualized real rate of 3.5 percent. In the third quarter, GSP is expected to record an annualized real growth rate of 2.9 percent. In the fourth quarter of 2014, GSP is expected to grow at an annualized real rate of 2.8 percent.

All fifteen of the state's economic sectors are forecast to experience output increases during 2014. The sectors with the strongest expected growth are:

- Agriculture with a projected real increase of 11.9 percent;
- Construction with a projected real increase of 4.2 percent;
- Other Services with a projected real increase of 4.1 percent;
- Government with a projected real increase of 3.8 percent;
- Wholesale Trade with a projected real growth rate of 3.6 percent;
- Transportation, Warehousing, and Utilities (TWU) with a projected real increase of 3.4 percent; and
- Finance, Insurance, and Real Estate with a projected real increase of 3.3 percent.

### **2014 Employment Forecast**

Both the U.S. and North Carolina unemployment rates are expected to continue the same downward trend throughout 2014, and by December the North Carolina unemployment rate is expected to be around 6.0 percent. Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,157,000 persons in December 2014, an increase of 1.5 percent over the employment level in December 2013. The state is expected to gain 60,200 net jobs during the year.

Twelve of the state's fourteen nonagricultural sectors of the economy are expected to experience employment increases during 2014. The sectors with the strongest employment increases in 2014 are construction at 3.7 percent, wholesale trade at 3.2 percent, and TWU at 3.3 percent.

Connaughton said, "Several recent factors suggest that 2014 will represent a growth year for the North Carolina economy"

- For the first time in years the U.S. Congress has passed a budget. This effectively puts a closure on sequestration and allows for government agencies to cut spending, without furloughing employees.
- Consumers are returning to the economy. The February 2014 consumer confidence index stood at 78.1, stringing together six months of good performance.
- For the first time in five years we are seeing sustained increases in housing prices. The Case-Shiller Home Price Index increased by 13.4 percent from December of 2012 to December 2013, for the 20 City Composite.
- Because of the improvement in the economy during 2013, the projected budget deficit for the 2013 fiscal year is down to \$680 billion, or 4.1 percent of GDP. This compares to the 2012 fiscal year budget deficit of \$1.1 trillion, which was the fourth consecutive year of budget deficits in excess of one trillion dollars.

“All of these factors point to a healthy recovery year for the North Carolina economy in 2014.”

The full Forecast report is available at <http://belkcollege.uncc.edu/forecast>. Connaughton will release his next Forecast report on June 3, 2014.

### **About Babson Capital Management LLC**

Babson Capital Management and its subsidiaries serve institutional investors around the globe and have over \$192 billion in assets under management as of December 31, 2013. Through proprietary research, analysis and a focus on investment fundamentals, the firm develops products and strategies that leverage its broad expertise in global fixed income, equities, alternatives, structured products, debt financing for corporations and debt and equity financing for commercial real estate. Based in Boston and Springfield, Mass., and Charlotte, N.C., the firm maintains a strong global footprint with offices in New York, Hartford, Chicago, Los Angeles, London, Hong Kong, Tokyo, Sydney and Melbourne. The firm’s subsidiaries include Babson Capital Finance, Cornerstone Real Estate Advisers and Wood Creek Capital Management. Babson Capital is a member of the MassMutual Financial Group. Learn more at [www.babsoncapital.com](http://www.babsoncapital.com)

### **About the Belk College of Business**

Accredited by AACSB International, the Belk College of Business at UNC Charlotte offers outstanding business education programs at the undergraduate, graduate and doctoral levels, including a nationally-ranked part-time MBA program based at UNC Charlotte Center City. The Belk College is committed to building strong partnerships in the Greater Charlotte region and beyond as a vital part of our mission as North Carolina’s urban research business school. Find the Belk College of Business on the web at <http://belkcollege.uncc.edu> and on Facebook at <http://facebook.com/BelkCollegeOfBusiness>.

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