



Sluggish Growth Expected for N.C. Economy in 2015

CHARLOTTE, N.C. – Sept. 9, 2014 – Economic growth in North Carolina is expected to grow at a sluggish pace in 2015 with no significant growth expected for the remainder of 2014, UNC Charlotte economist John Connaughton reported today in his quarterly forecast for the state.

According to Connaughton, N.C. Gross State Product (GSP) is expected to reach a level of \$482,911.70 million in 2014, a real (inflation-adjusted) increase of 1.5 percent over the 2013 level. This growth forecast in 2014 would follow two years of modest GSP increase in North Carolina.

For 2015, Connaughton expects the state economy to increase by an inflation-adjusted rate of 2.1 percent.

Connaughton, the Babson Capital Professor of Financial Economics in the Belk College of Business at UNC Charlotte, attributed the slowing economic pace to several continued factors.

“First, the Federal Reserve is continuing to taper its quantitative easing program. Since September of 2012, the Federal Reserve has been purchasing \$85 billion in mortgage backed securities and US Treasury bonds per month. Beginning in January of this year, the Federal Reserve began to taper its purchases and is now buying only \$25 billion a month.”

“The second contributing factor is the aging of the labor force. Baby boomers are reaching retirement age and their retirement effectively reduces the overall size of the labor force. Upon retirement, baby boomers also decrease their level of spending, thus reducing potential GDP and lowering economic growth.”

“Finally, the Eurozone economy is again slowing. Overall, Eurozone GDP was flat in the second quarter and the forecast for the remainder of 2014 does not indicate any significant growth.”

Connaughton 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.

2014 Overview and Sector Outlook

For 2014, first quarter GSP increased by an annualized real rate of 0.4 percent. During the second quarter, GSP is expected to increase at an annualized real rate of 2.0 percent. In the third quarter, GSP is expected to record an annualized real growth rate of 1.7 percent. In the fourth quarter of 2014, GSP is expected to grow at an annualized real rate of 2.3 percent.

Thirteen of the state's 15 economic sectors are forecast to experience output increases during 2014. The sectors with the strongest expected growth are:

- Transportation, Warehousing and Utilities (TWU), with a projected real increase of 5.7 percent;
- Business and Professional Services, with a projected real increase of 5.6 percent;
- Hospitality and Leisure Services with a projected real increase of 3.7 percent;
- Information, with a projected real increase of 3.1 percent; and
- Retail Trade with a projected real increase of 3.0 percent.

2014 Employment Outlook

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,183,500 persons in December 2014, an increase of 1.9 percent over the employment level in December 2013. The state is expected to gain 79,300 net jobs during the year.

Eleven of the state's 14 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 7.1 percent, Information at 5.1 percent, and Business and Professional Services at 5.0 percent.

The North Carolina seasonally adjusted unemployment rate began 2014 at 6.7 percent, while the United States rate was 6.6 percent. By July the North Carolina rate had fallen to 6.5 percent, while the United States rate had fallen to 6.2 percent. 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 6.2 percent.

2015 Economic Forecast

Connaughton forecasts the state economy to increase by an inflation-adjusted rate of 2.1 percent during 2015. For 2015, 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 2.2 percent. In the third quarter, GSP is expected to record an annualized real growth rate of 2.1 percent. In the fourth quarter of 2015, GSP is expected to also grow at an annualized real rate of 2.2 percent.

All 15 of the state's economic sectors are forecast to experience output increases during 2015. The sectors with the strongest expected growth are:

- Mining, with a projected real increase of 9.3 percent;
- Other Services with a projected real increase of 4.7 percent;
- Transportation, Warehousing, and Utilities (TWU) with a projected real increase of 3.6 percent;
- Hospitality and Leisure Services with a projected real increase of 3.4 percent;
- Construction, with a projected real increase of 3.2 percent; and
- Information with a projected real increase of 3.0 percent.

2015 Employment Forecast

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,253,200 persons in December 2015, an increase of 1.7 percent over the employment level in December 2014. The state is expected to gain 69,700 net jobs during the year.

Thirteen of the state's 14 nonagricultural sectors of the economy are expected to experience employment increases during 2015. The sectors with the strongest employment increases in 2015 are TWU at 3.6 percent, Construction at 3.5 percent, and Durable Goods Manufacturing at 3.3 percent.

The full Forecast report is available at <http://www.belkcollege.uncc.edu/forecast>.

For a synopsis of the June, 2014 forecast, visit the UNC Charlotte YouTube Channel for [Aging of the Labor Force](#) and [Factors that May Slow Growth](#).

The Belk College of Business will be live tweeting from the September Forecast at <https://twitter.com/belkcollege> #NCEconomy.

Connaughton will release his next Forecast report in December 2014.

About Babson Capital Management LLC

Babson Capital Management LLC (Babson) is a leading global asset management firm with over \$205 billion in assets under management as of June 30, 2014. Through proprietary research, analysis and a focus on investment fundamentals, the firm and its global affiliates develop products and strategies that leverage its broad expertise in global fixed income, structured products, middle market finance, commercial real estate, alternatives and equities. A member of the MassMutual Financial Group, Babson maintains a strong global footprint with operations on four continents and clients in over 20 countries. Learn more at 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](#) and on [Facebook](#).

###

Media Contacts

Belk College of Business: Kirsten Khire, 704-687-7601, kkhire@uncc.edu

UNC Charlotte Public Relations: Buffie Stephens, 704-687-5830, BuffieStephens@uncc.edu