



Connaughton Forecasts Sixth Consecutive Year of Growth in 2015 for N.C. Economy

CHARLOTTE, N.C. – March 11, 2015 – The North Carolina economy is expected to experience its sixth consecutive year of economic growth in 2015, UNC Charlotte economist John Connaughton reported today in his quarterly forecast for the state.

N.C. Gross State Product (GSP) is forecasted to record an annualized real growth rate of 3.0 over the 2014 level. The 3.0 percent growth expected in 2015 will mark the first year since 2006 that the state’s economy grew by at least 3.0 percent.

Connaughton, the Babson Capital Professor of Financial Economics signaled that, “While this is an impressive string of growth, the size of the state’s economic growth is somewhat lacking. Average GSP growth during the six year period would only be 2.0 percent. Since 2000, both the U.S. and North Carolina economies have been unable to achieve an average 3.0 percent GDP growth rate that had been fairly consistent during the second half of the 20th century.”

“Offsetting the positive effect of low interest rates and low gasoline prices is the fact that baby boomers are reaching retirement age. As this generation retires, they reduce their level of spending and reduce the absolute size of the labor force, thus reducing potential GDP and lowering economic growth.”

Connaughton also cautioned that the Federal Reserve is facing a crucial economic decision of whether or not to raise interest rates.

“While raising interest rates would hold off potential inflation, the recent strength of the dollar poses a considerable risk to the Federal Reserve. Raising interest rates would further increase the value of the dollar, but would effectively reduce exports to Europe and could potentially push the economy into another downturn.”

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 in Review

According to Connaughton, N.C. Gross State Product (GSP) is expected to reach a level of \$481,907.30 million in 2014, a real (inflation-adjusted) increase of 1.7 percent over the 2013 level. This growth forecast in 2014 would follow two years of modest GSP increase in North Carolina.

For 2014, first quarter GSP increased by an annualized real rate of 1.5 percent. During the second quarter, GSP increased at an annualized real rate of 2.4 percent. In the third quarter, GSP increased an annualized real growth rate of 3.1 percent. In the fourth quarter of 2014, GSP is expected to grow at an annualized real rate of 3.4 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:

- Business and Professional Services, with a projected real increase of 6.3 percent;
- Construction, with a projected real increase of 7.6 percent;
- Hospitality and Leisure Services, with a projected real increase of 3.9 percent; and
- Transportation, Warehousing and Utilities (TWU), with a projected real increase of 5.1 percent.

2014 Employment in Review

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,218,700 persons in December 2014, an increase of 2.8 percent over the employment level in December 2013. The state is expected to gain 114, 500 net jobs during the year.

Twelve of the state's 14 nonagricultural sectors of the economy experienced employment increases during 2014. The sectors with the strongest employment increases in 2014 were Construction at 7.2 percent, Business and Professional Services at 7.1 percent, and Information at 7.1 percent.

The North Carolina seasonally adjusted unemployment rate began 2014 at 6.7 percent, while the United States rate was 6.6 percent. By December, the North Carolina rate had fallen to 5.5 percent, while the United States rate had fallen to 5.6 percent. Both the U.S. and North Carolina unemployment rates are expected to continue the same downward trend throughout 2015, and by December the North Carolina unemployment rate is expected to be around 4.8 percent.

2015 Economic Forecast

Connaughton forecasts the state economy to increase by an inflation-adjusted rate of 3.0 percent during 2015. For 2015, first quarter GSP is expected to increase at an annualized real rate of 2.4 percent. During the second quarter, GSP is expected to increase at an annualized real rate of 2.5 percent. In the third quarter, GSP is expected to record an annualized real growth rate of 2.8 percent. In the fourth quarter of 2015, GSP is expected to also grow at an annualized real rate of 2.7 percent.

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

- Business and Professional Services, with a projected real increase of 4.4 percent;
- Construction, with a projected real increase of 5.5 percent;

- Finance, Insurance, and Real Estate with a projected real increase of 4.2 percent;
- Hospitality and Leisure Services, with a projected real increase of 4.2 percent;
- Mining, with a projected real increase of 4.2 percent; and
- Other Services, with a projected real increase of 4.4 percent.

2015 Employment Forecast

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,295,000 persons in December 2015, an increase of 1.8 percent over the employment level in December 2014. The state is expected to gain 76,300 net jobs during the year.

Eleven 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 Construction at 6.1 percent, TWU at 3.8 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 December, 2014 forecast, visit the UNC Charlotte YouTube Channel.

The Belk College of Business will be live tweeting from the March Forecast at [#NCEconomy](https://twitter.com/belkcollege).

Connaughton will release his next Forecast report on June 3, 2015.

About Babson Capital Management LLC

Babson Capital Management LLC is a leading global asset management firm with over \$212 billion in assets under management as of December 31, 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.

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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, doctoral and executive levels, including nationally-ranked MBA and Mathematical Finance programs 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 online at belkcollege.uncc.edu.

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