



## **Unexpected growth in 2014 signals 2015 momentum for N.C. economy**

CHARLOTTE, N.C. – Dec. 9, 2014 – The North Carolina economy grew at a rate much stronger than expected during the second half of 2014 signaling significant potential growth in 2015, UNC Charlotte economist John Connaughton reported today in his quarterly forecast for the state.

According to Connaughton, much of the economic growth in 2014 can be credited to a spike in N.C. Gross State Product (GSP) during the third quarter. N.C. Gross State Product (GSP) is expected to record an annualized real growth rate of 3.3 percent in the third quarter, a 1.4 percent increase over the originally reported 1.7 percent in September 2014.

Connaughton, the Babson Capital Professor of Financial Economics in the Belk College of Business at UNC Charlotte, attributed the unexpected growth in the second half of 2014 to two diverse factors.

“First, the Federal Reserve is continuing to keep interest rates low. With no sign of inflation, the Federal Reserve will have little pressure to increase rates during 2014.”

“The second contributing factor is the dramatic decline in oil prices over the past several months. After a recent peak at the end of June to \$103, oil prices have consistently declined to less than \$70 today. As a result, gasoline prices have dropped by \$0.75 since June. The decline of gas prices puts an additional \$150 billion of discretionary income into consumers’ pocketbooks annually.”

Connaughton cautioned that positive economic increases in 2015 could be offset by a slowing global economy and the potential for gas prices to stabilize.

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**

According to Connaughton, N.C. Gross State Product (GSP) is expected to reach a level of \$484,021.90 million in 2014, a real (inflation-adjusted) increase of 1.8 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 1.4 percent. During the second quarter, GSP is expected to increase at an annualized real rate of 3.4 percent. In the third quarter, GSP is expected to record an annualized real growth rate of 3.3 percent. In the fourth quarter of 2014, GSP is expected to grow at an annualized real rate of 2.1 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 7.8 percent;
- Construction, with a projected real increase of 5.0 percent;
- Transportation, Warehousing and Utilities (TWU), with a projected real increase of 5.0 percent; and
- Hospitality and Leisure Services, with a projected real increase of 3.9 percent.

### **2014 Employment Outlook**

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,202,800 persons in December 2014, an increase of 2.4 percent over the employment level in December 2013. The state is expected to gain 98,600 net jobs during the year.

Twelve 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 5.9 percent, Business and Professional Services at 5.6 percent, and Information at 5.5 percent.

The North Carolina seasonally adjusted unemployment rate began 2014 at 6.7 percent, while the United States rate was 6.6 percent. By October, the North Carolina rate had fallen to 6.3 percent, while the United States rate had fallen to 5.8 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 2.6 percent during 2015. For 2015, first quarter GSP is expected to increase at an annualized real rate of 2.5 percent. During the second quarter, GSP is expected to increase at an annualized real rate of 2.9 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 2.3 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 6.8 percent;
- Other Services, with a projected real increase of 6.4 percent;
- Hospitality and Leisure Services, with a projected real increase of 3.8 percent; and
- Transportation, Warehousing, and Utilities (TWU), with a projected real increase of 3.7 percent.

## **2015 Employment Forecast**

Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,278,200 persons in December 2015, an increase of 1.8 percent over the employment level in December 2014. The state is expected to gain 75,400 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 September, 2014 forecast, visit the UNC Charlotte YouTube Channel for [Outlook for 2015](#), [Job Growth](#), and [Consumer Confidence](#).

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

Connaughton will release his next Forecast report on March 11, 2015.

## **About Babson Capital Management LLC**

Babson Capital Management LLC (Babson) is a leading global asset management firm with over \$206 billion in assets under management as of September 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](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, 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](http://belkcollege.uncc.edu).

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