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**N.C. Economy to Grow for Seventh Straight Year, UNC Charlotte
Economist Forecasts**

CHARLOTTE, N.C. (March 11, 2008) – The North Carolina economy is expected to grow by 2.6 percent during 2007, UNC Charlotte John Connaughton reported in his North Carolina Economic Forecast for the second quarter of 2008.

The growth forecast for 2007 is weaker than the growth rate of 4.3 percent the state experienced during 2006.

Overall, the North Carolina economy is expected to show growth during all four quarters of 2007. During the first quarter, Gross State Product (GSP) increased by an annualized real growth rate of 2.5 percent. During the second quarter, GSP growth slowed down to an annualized real growth rate of 1.0 percent. In the third quarter, GSP growth increased by an annualized rate of 2.0 percent. In the fourth quarter, for which official figures are not yet available, North Carolina GSP growth is expected to continue to increase, recording an annualized real growth rate of 2.8 percent.

“Both rising energy prices and sub-prime credit problems have affected consumer behavior,” said Connaughton, a professor of economics in the Belk College of Business. “Rising gasoline prices are taking income out of consumer’s pockets and slowing purchases in other sectors, and the sub-prime credit scare are negatively affecting consumer’s confidence to purchase big-ticket items.

“These two factors together have slowed the North Carolina economy during 2007 and are likely to continue slowing the economy into 2008,” Connaughton added.

2007 Growth By Sector

The sectors with the strongest expected growth forecasts are

- Mining with a projected real growth rate of 7.2 percent ;
- Government, 5.9 percent;
- Services, 5.4 percent; and
- Wholesale Trade, 4.7 percent.

Five other sectors are expected to experience growth during 2007 but at rates less than the overall state growth rate of 2.6 percent. These sectors are:

- Agriculture, with a projected real growth rate of 2.3 percent;
- Finance, Insurance, and Real Estate (FIRE), 1.9 percent;
- Retail Trade, 1.9 percent;
- Construction, 1.7 percent; and
- Transportation, Warehousing, Utilities, and Information (TWUI), 0.8 percent.

2007 Employment

For 2007, the North Carolina economy added 68,200 net jobs, an increase of 1.7 percent over the employment level in December 2006.

Six of the state's ten nonagricultural sectors of the economy experienced positive employment growth during 2007. The sectors that displayed the strongest employment growth rates in 2007 were

- Services at 3.6 percent,
- Construction at 3.1 percent, and
- FIRE at 3.0 percent.

2008 Economic Forecast

For 2008, Connaughton expects the North Carolina to continue its seventh year of economic expansion. Real (inflation adjusted) GSP is expected to increase by 2.5 percent over the 2007 level.

For 2008, first quarter GSP is expected to increase by an annualized real growth rate of 2.3 percent. During the second quarter, GSP is expected to increase by an annualized real rate of 3.0 percent. In the third quarter, GSP growth is expected to drop off and record an annualized real growth rate of 2.5 percent. In the fourth quarter of 2008, GSP growth is expected to pick up, and reach an annualized real rate of 2.8 percent.

2008 Growth By Sector

Eight of the state's eleven economic sectors are forecast to experience growth during 2008. The sectors with the strongest expected growth forecasts are:

- Services with a projected real growth rate of 5.6 percent;
- Retail Trade, 4.4 percent;
- Wholesale Trade, 3.9 percent;

- Transportation, Warehousing, Utilities, and Information (TWUI), 3.4 percent;
- Mining, 2.9 percent; and
- Agriculture with a projected real growth rate of 2.5 percent.

Three sectors, durable goods manufacturing, nondurable goods manufacturing, and construction are expected to experience an output decline during 2008

2008 Employment Outlook

For 2008, North Carolina establishments are forecast to add 49,600 net jobs, and increase of 1.2 percent over the 2007 level.

Six of the state's ten nonagricultural sectors of the economy are expected to experience positive employment growth during 2008. The sectors that are expected to display the strongest employment growth rates are:

- Services at 3.4 percent,
- FIRE at 2.6 percent, and
- Wholesale Trade and Retail Trade, both at 1.9 percent.
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“Rising energy prices and the sub-prime related credit crunch have consumers on the rocks,” Connaughton commented. “Consumer spending represents 70 percent of U.S. Gross Domestic Product (GDP); so if consumers are nervous, the economy is in trouble. Since July of 2007, consumer confidence has fallen dramatically. The February number was 75.0. Many economists believe this is the recipe for a recession. However, it is still too early to call.”

The unemployment rate for December of 2007 was 5.0 percent, the same as the United State rate. The North Carolina rate is expected to be stable during the early part of 2008.

The UNC Charlotte Carolina Economic Forecast is published quarterly by the University of North Carolina at Charlotte. The next report will be released in June 2008.