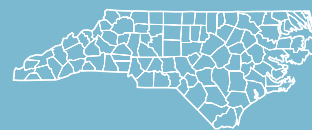


# Regional Profiles



## Economic Profile - North Carolina

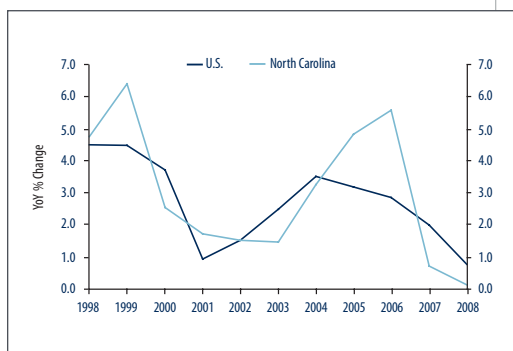
**Economic growth in North Carolina was nearly flat in 2008. Though population growth remained strong, nearly every other indicator weakened over the year. Labor markets contracted for the first time in five years, unemployment rates spiked, and per capita income growth slowed. Real estate conditions were also dour as housing markets continued to soften.**

### Economic Contribution

Real output growth in North Carolina slowed to 0.1 percent in 2008 after a 0.7 percent increase in 2007 and 5.5 percent in 2006. Economic growth in 2008 was noticeably below the national 0.7 percent mark. Nominally, gross state product reached \$400.2 billion in 2008 and accounted for 2.8 percent of national output. Within the Fifth District, North Carolina accounted for 29.3 percent of total output.

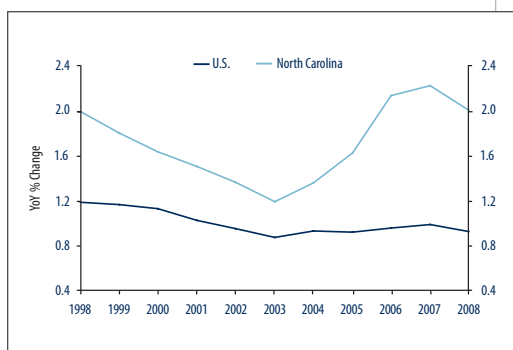
In 2006 – the most recent year data is available – most major metropolitan areas in North Carolina were still growing at a robust pace. The Raleigh and Durham MSAs led North Carolina’s metropolitan areas, with 7.1 percent and 7.0 percent real growth, respectively, both rebounding sharply from previous lows of flat growth in 2002 for Raleigh, and a 0.6 percent pullback in 2004 for Durham. The Rocky Mount MSA was the only metro area with declining output in 2006; its economy contracted 4.9 percent over the year.

Figure 1: Real GDP



SOURCE: Bureau of Economic Analysis/Haver Analytics

Figure 2: Population



SOURCE: U.S. Census Bureau/Haver Analytics

### Population

North Carolina’s population continued to increase at a healthy clip (2.0 percent) in 2008, surpassing national population growth (0.9 percent) for the 27th successive year.

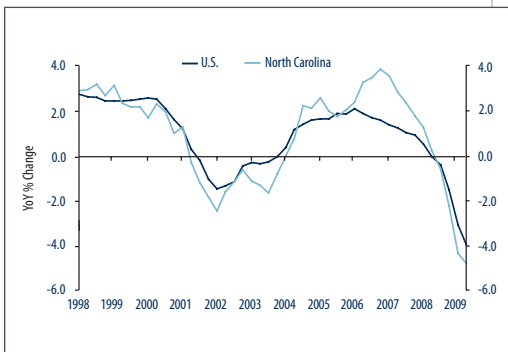
Although the number of residents expanded in the vast majority of counties in North Carolina, the state’s population growth was particularly spurred by Wake County, which added 36,381 residents (4.4 percent) to its population, and Mecklenburg County, which added 26,714 residents (3.1 percent). Only 16 of the 101 counties in North Carolina recorded declining populations in 2008 with Tyrell County and Northampton County posting the biggest losses of 1.4 percent and 1.3 percent, respectively.

### Labor Market Conditions

After four years of steady growth that expanded North Carolina’s payroll employment a total of 8.1 percent, the state shed 15,000 jobs (0.4 percent) in 2008. Job losses were concentrated in the goods-producing sector where employment contracted 5.4 percent, while payrolls grew 0.8 percent in the service-providing sector. Within the goods sector, construction and manufacturing both saw notable reductions in 2008 as the construction industry lost 18,400 jobs and manufacturers cut 24,100 jobs. The year marked the 13th

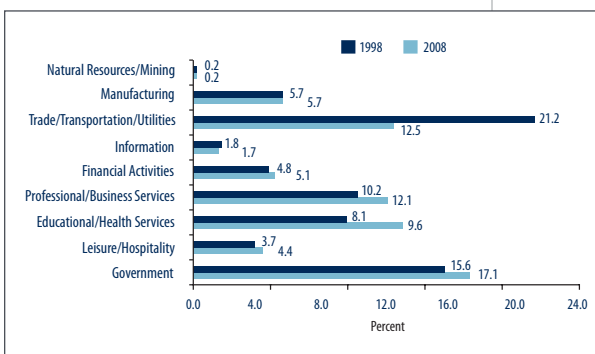
## ECONOMIC PROFILE

**Figure 3: Payroll Employment**



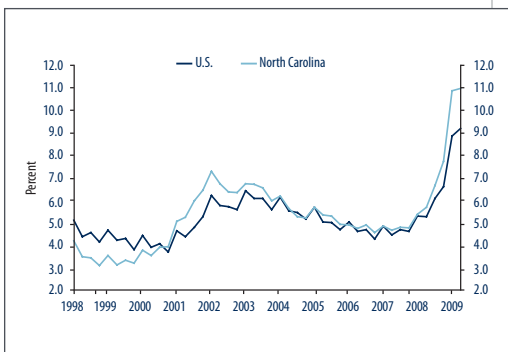
SOURCE: Bureau of Labor Statistics/Haver Analytics

**Figure 4: Employment Share by Industry**



SOURCE: Bureau of Labor Statistics/Haver Analytics

**Figure 5: Unemployment Rate**



SOURCE: Bureau of Labor Statistics/Haver Analytics

**Figure 6: Per Capita Income**

Highest Per Capita Income			Lowest Per Capita Income		
Country	Per Capita Income (\$)	YoY% Change	Country	Per Capita Income (\$)	YoY% Change
Mecklenburg	45,483	2.4	Warren	21,770	4.7
Orange	43,844	6.5	Yancey	22,797	2.3
Chatham	41,901	6.0	Robeson	22,943	6.5
Wake	41,714	4.5	Cherokee	23,216	3.7
Polk	38,715	6.9	Greene	23,442	2.0

SOURCE: Bureau of Economic Analysis/Haver Analytics

consecutive year of declines in manufacturing employment. As of June, the goods-producing sector had lost an additional 68,100 jobs in 2009 with construction firms cutting 23,000 jobs and manufacturing firms shedding 45,000 jobs. Within the service sector, only two industries – information and trade, transportation, and utilities – trimmed jobs in 2008. All other service industries posted at least modest gains over the year. As seen nationally, North Carolina's government sector and education and health services industry both remained strong in 2008, posting the largest gains of 2.9 percent (19,700 jobs) and 2.5 percent (12,800 jobs), respectively. By June 2009, the service sector had added 37,900 jobs from the end of 2008, a 1.1 percent increase.

Employment growth remained uneven across the state's metro areas in 2008 as payrolls were trimmed in the Greensboro MSA (1.4 percent), the Hickory MSA (2.6 percent), and the Rocky Mount MSA (2.3 percent). Firms in the Durham metro area, on the other hand, added 5,000 jobs (1.7 percent) to the local economy over the year. However, in the first six months of 2009, Durham was unable to continue its growth and shed 3.0 percent of its payroll, while contraction continued in the Greensboro (4.0 percent), Hickory (5.7 percent), and Rocky Mount (3.7 percent) MSAs.

### Household Conditions

The unemployment rate in North Carolina climbed to 6.3 percent in 2008 from 4.7 percent in 2006 and 2007. By June 2009, the rate had leapt to 11.2 percent, a level North Carolina has not seen since 1983. Between January 2008 and June 2009, the number of unemployed North Carolina residents rose from 274,600 to 502,300.

At the metro level, the two MSAs with the steepest unemployment increase in 2008 – the Hickory MSA and the Rocky Mount MSA – both began the year with unemployment rates above the state's mark. The Hickory MSA saw its unemployment rate spike from 6.6 percent in January 2008 to 15.4 percent in June 2009. Similarly, the unemployment rate in the Rocky Mount MSA leapt from a 6.9 percent to 14.4 percent over the same period. Meanwhile, the Durham, Jacksonville, and Raleigh MSAs all had relatively low unemployment rates of 9.1 percent or below in June 2009.

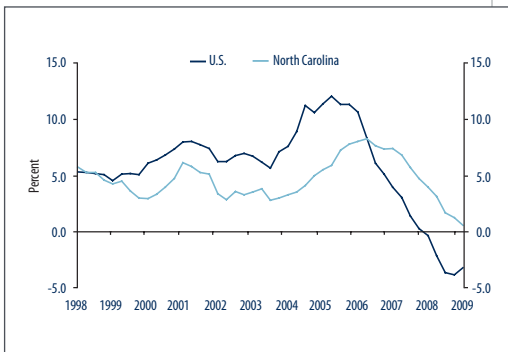
In 2008, North Carolina's per capita income rose to \$34,439 – 13.4 percent below the national average of \$39,751. The 2.1 percent annual increase – a five-year low for the Tarheel state – was also below the 2.9 percent mark set by the nation. Among its metro areas, the Charlotte, Durham, and Raleigh MSAs had the wealthiest populations with an average per capita income of \$39,149, while the Goldsboro, Burlington, Rocky Mount, and Hickory MSAs had an average per capita income of \$29,320. Total personal income rose to \$317.6 billion in 2008, a 0.8 percent real increase from the previous year. Real income growth in North Carolina slightly exceeded the national increase of 0.5 percent.

### Real Estate Conditions

Real estate conditions weakened in 2008 as the number of total new building permits authorized in North Carolina plummeted 33.8 percent – the state's largest annual decline since the series began in 1981. Similarly, housing starts were down 32.5 percent in 2008, which was the steepest decline since the series

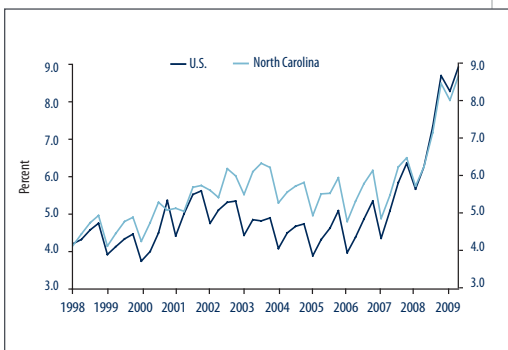
## ECONOMIC PROFILE

**Figure 7: House Price Index**



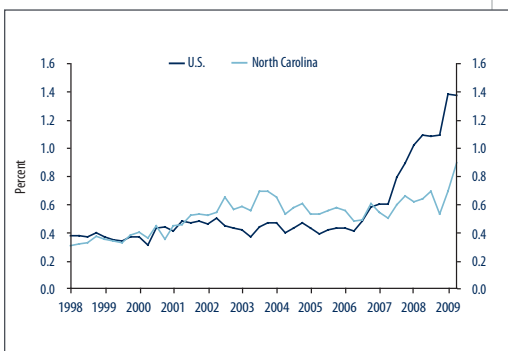
SOURCE: Federal Housing Finance Agency/HAVAR Analytics

**Figure 8: Mortgage Delinquencies**



SOURCE: Mortgage Bankers Association/HAVAR Analytics

**Figure 9: Foreclosures Started**



SOURCE: Mortgage Bankers Association/HAVAR Analytics

began in 1971. Both indicators were consistent with the national pullback of 35.5 percent in building permits and 33.2 percent in housing starts. Permits and housing starts continued to decline into 2009, with June levels down 36.7 percent and 50.6 percent, respectively, on a year-over-year basis.

Also tepid in 2008 were existing home sales, which declined 27.6 percent in North Carolina, the largest one-year drop since 1989. Home sales for the year fell to 156,300 units – the lowest level in North Carolina since 2003.

House prices in North Carolina, as measured by the Federal Housing Finance Agency, outperformed national prices in 2008 for the second consecutive year. Although house price appreciation in the state fell to 2.6 percent – its lowest rise in 15 years – it was nearly 5 percentage points higher than the 2.5 percent depreciation in house prices across the United States. At the metro level, appreciation rates in North Carolina moderated in 2008 as growth in MSAs such as Asheville and Jacksonville cooled to 2.6 percent and 1.2 percent, respectively, after posting double-digit increases for three successive years. Of all North Carolina's metro areas, only the Wilmington MSA reported a decline in house prices in 2008 as prices fell 0.9 percent. The depreciation in Wilmington came just two years after a record 18.8 percent appreciation rate in 2006.

Mortgage delinquencies in North Carolina continued to rise for a fifth consecutive year in 2008, setting a series high of 8.4 percent. For the first time since 2000, however, the North Carolina rate was surpassed by the U.S. delinquency rate (8.6 percent). Nonetheless, both prime and subprime delinquencies in the state rose considerably in 2008 as prime mortgage delinquencies climbed 1.5 percentage points higher to 5.1 percent and subprime mortgage delinquencies rose 5.9 percentage points to 25.1 percent.

North Carolina's foreclosure rate rose 0.2 percentage point to 2.3 percent in 2008, matching the record set in 2003. The prime mortgage foreclosure rate also matched its 2003 peak as it rose 0.1 percentage point to 1.2 percent in 2008. The subprime foreclosure rate, however, set a new high as it climbed 0.9 percentage point to 9.8 percent over the year ■

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