ECONOMIC OUTLOOK: ROLLING OR STROLLING?

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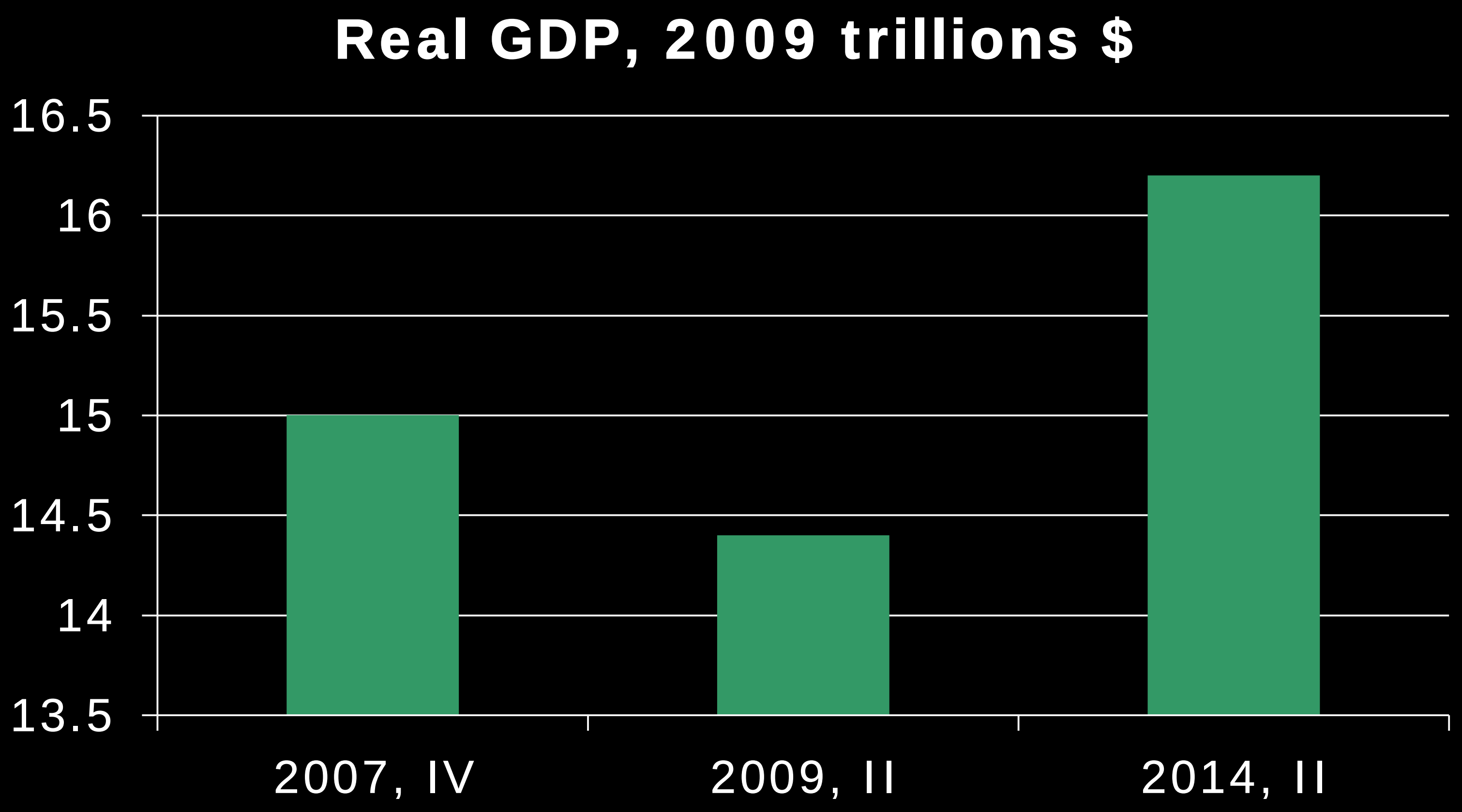
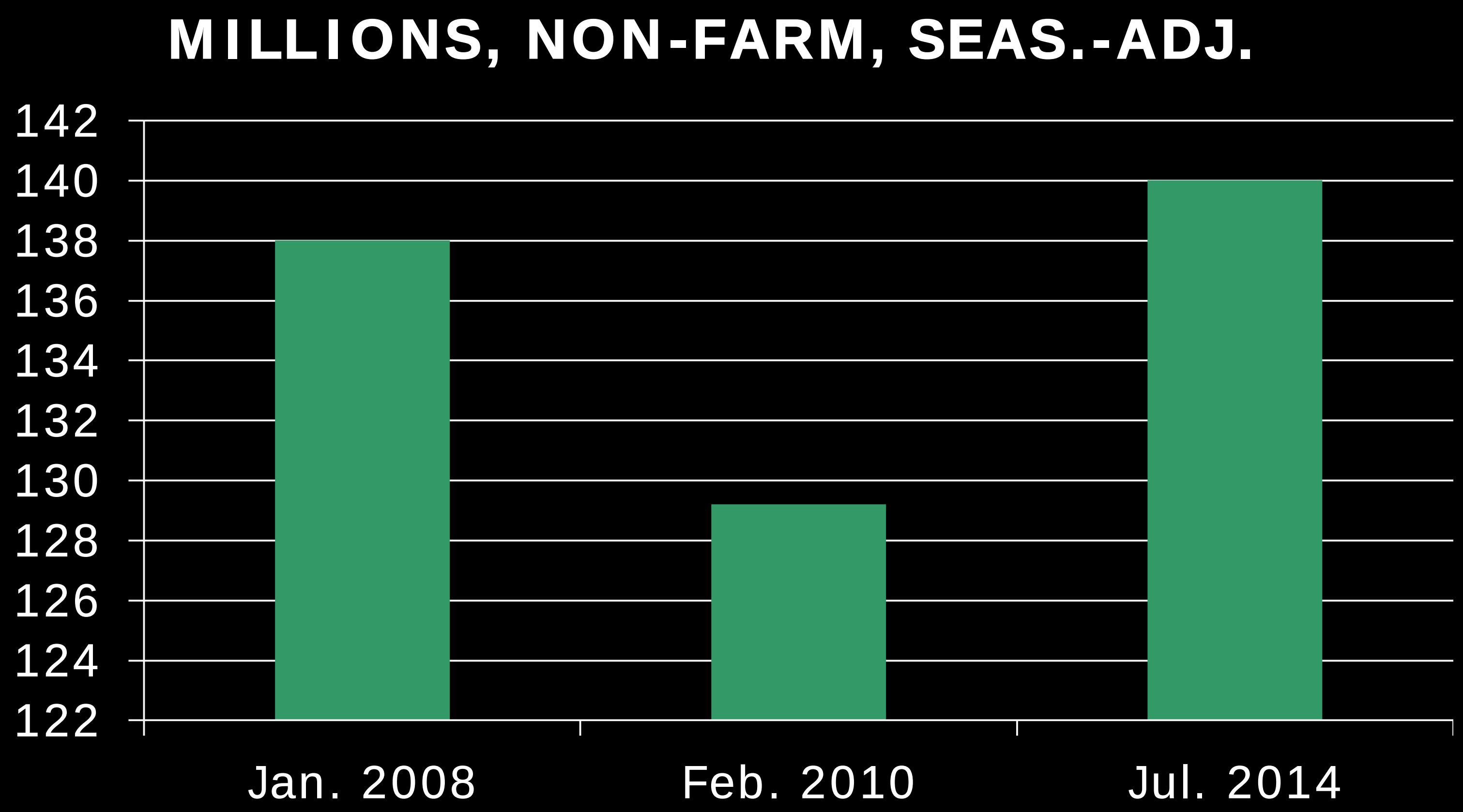
AGGREGATE PRODUCTION HAS TOTALLY RECOVERED



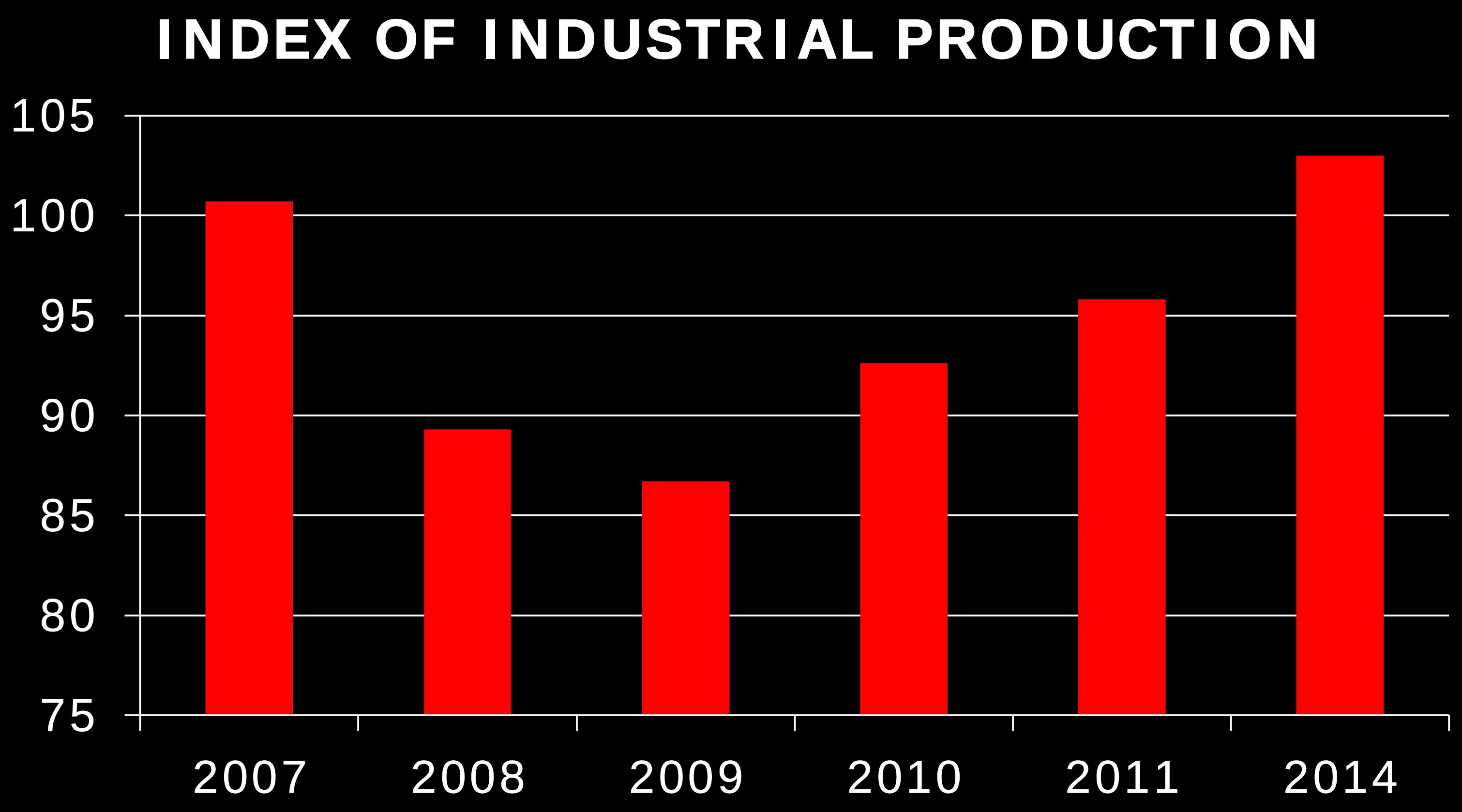
THE JOB MARKET HAS ALSO COME BACK



BUT JOB MARKET ISSUES LINGER

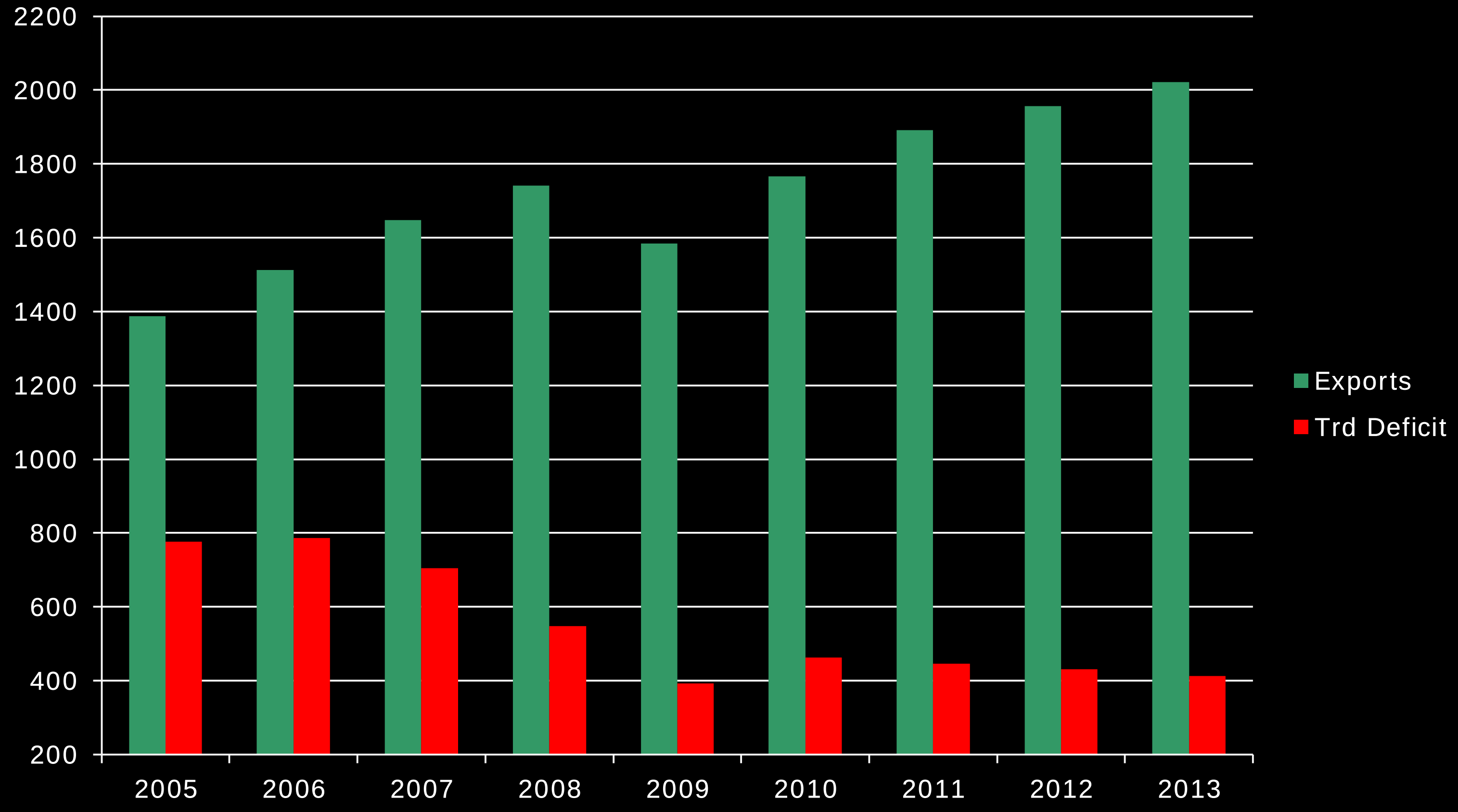
- DROP IN LABOR FORCE
- LONG TERM UNEMPLOYED
- REAL WAGE LOSSES
- MINIMUM WAGE
- IMPACT OF TECHNOLOGY
- INCOME INEQUALITY

MANUFACTURING HAS BEEN A BIG PLUS



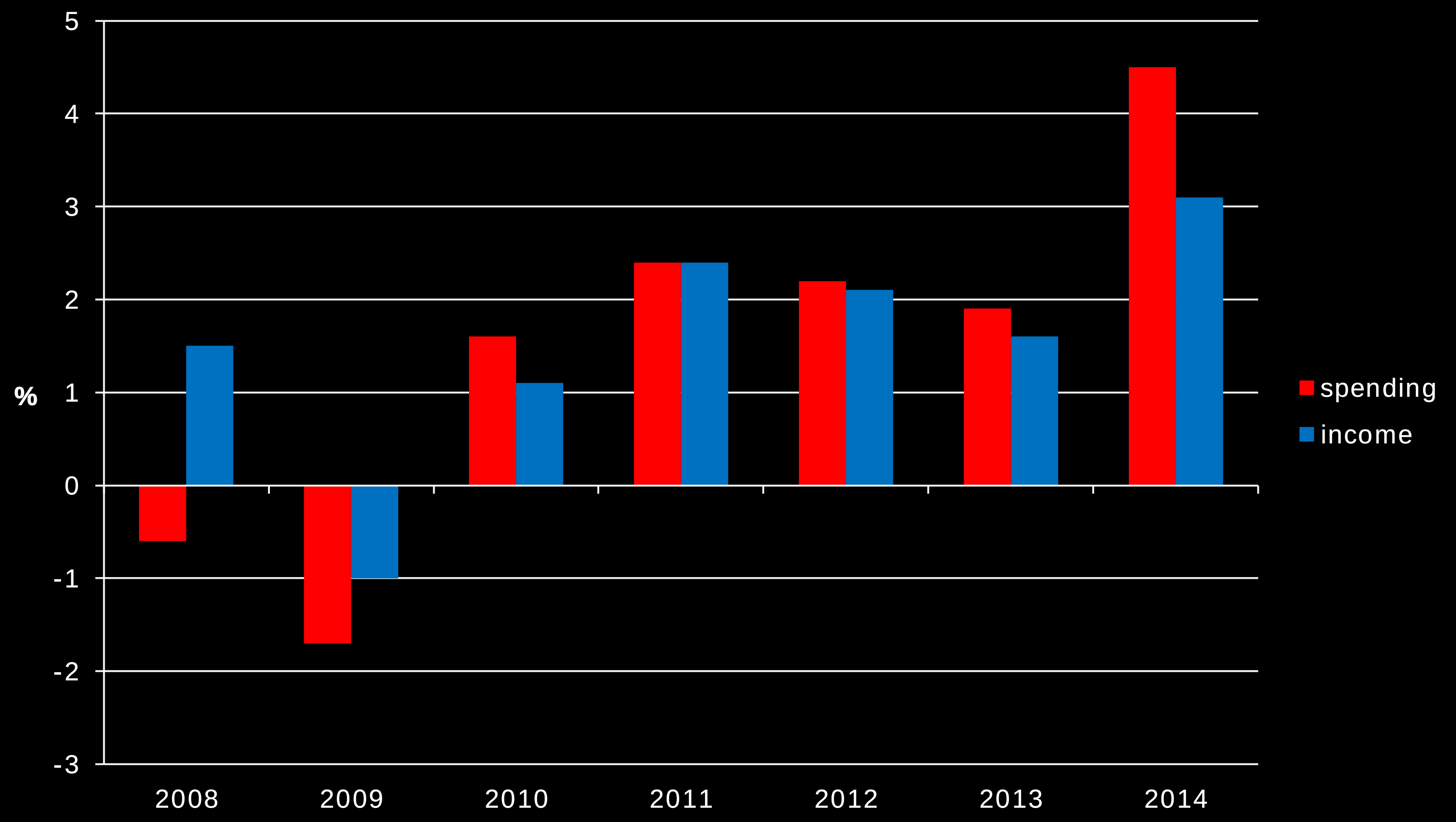
….. AS HAVE EXPORTS

billions of real 2009 $

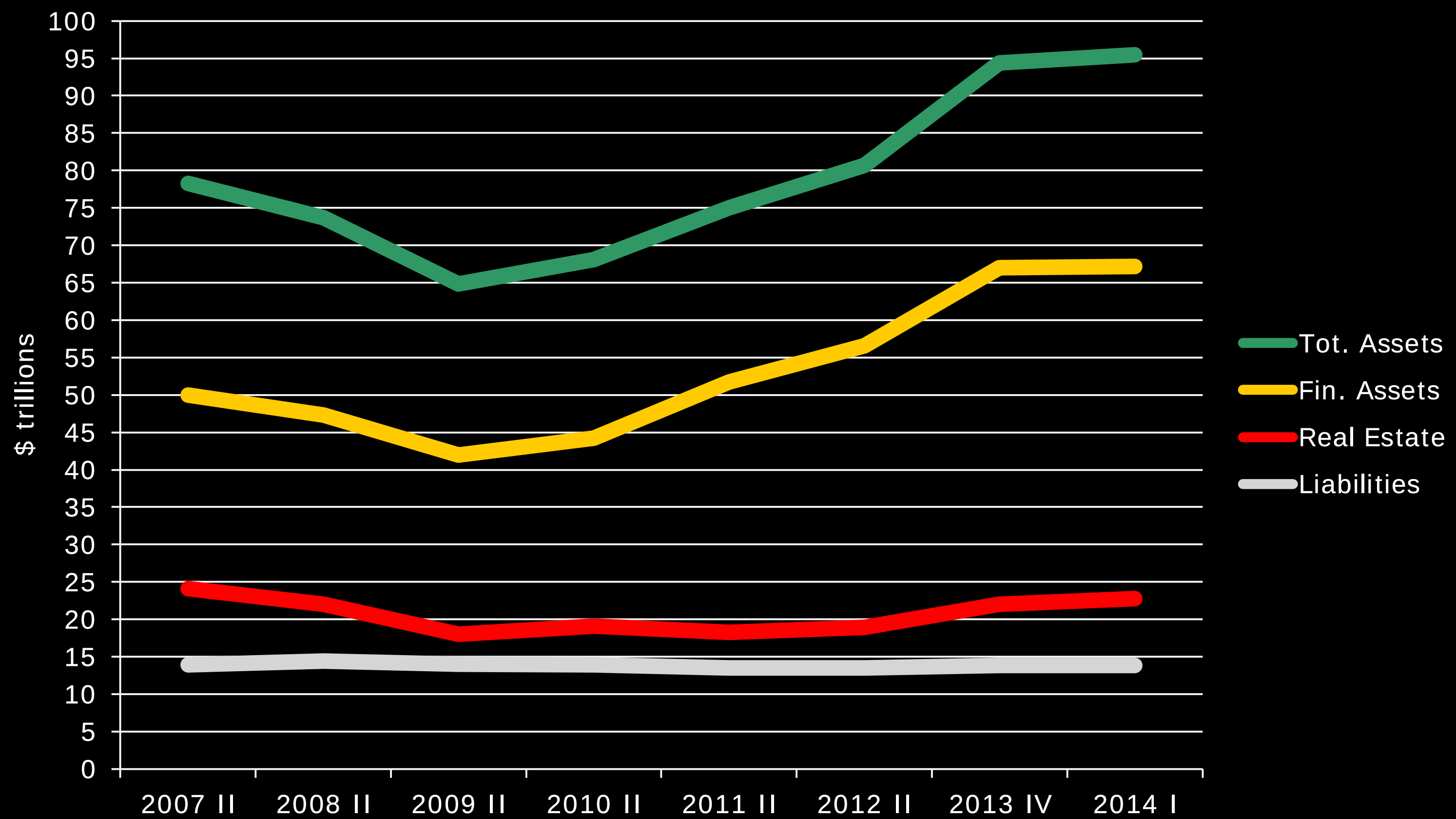


CONSUMERS ARE SPENDING MORE

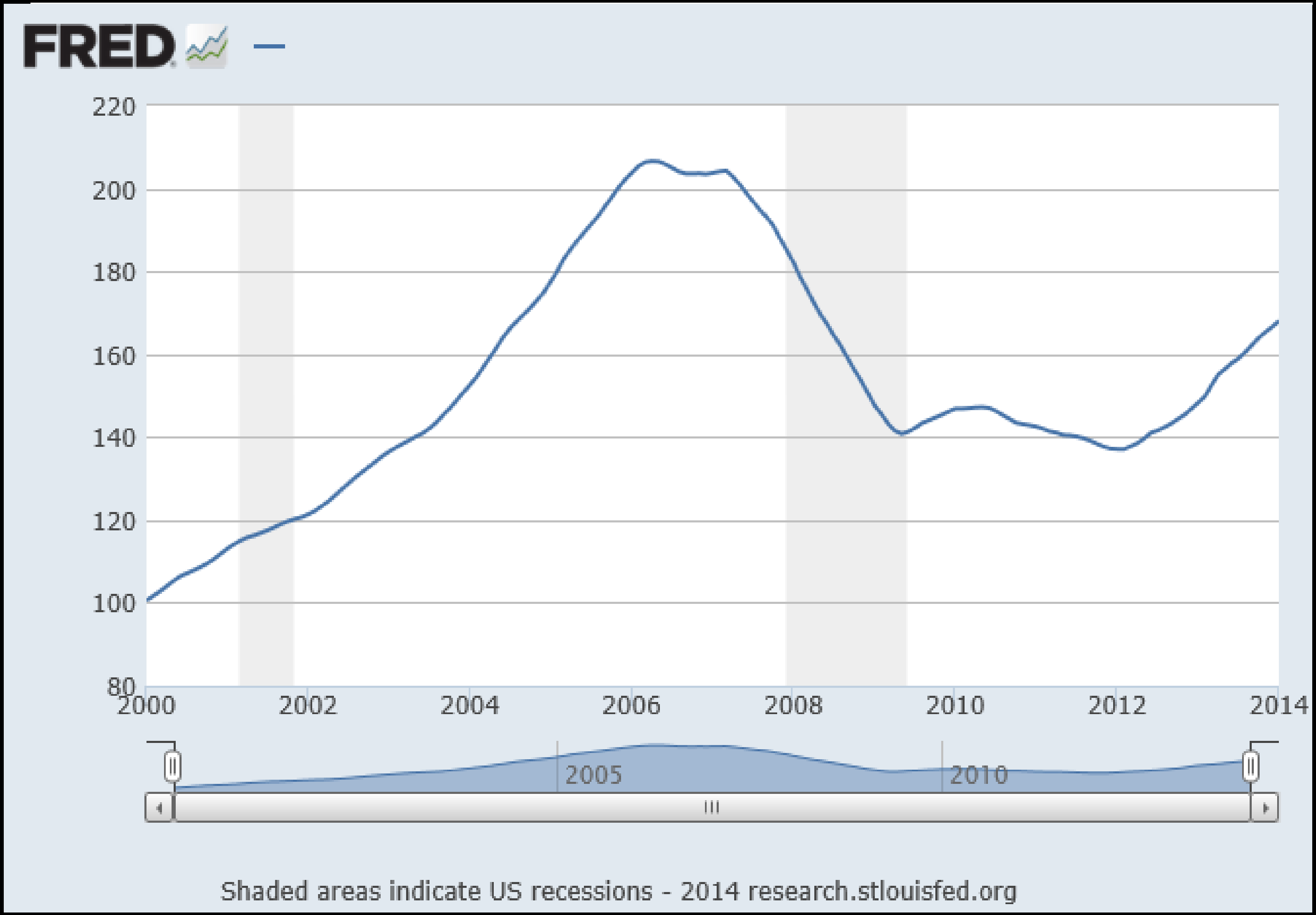
(ANNUALIZED INFLATION-ADJUSTED PERCENTAGE CHANGES)



HOUSEHOLD FINANCES CONTINUE TO IMPROVE



HOME PRICES ARE NOW RISING



HOME INVENTORIES ARE LOW

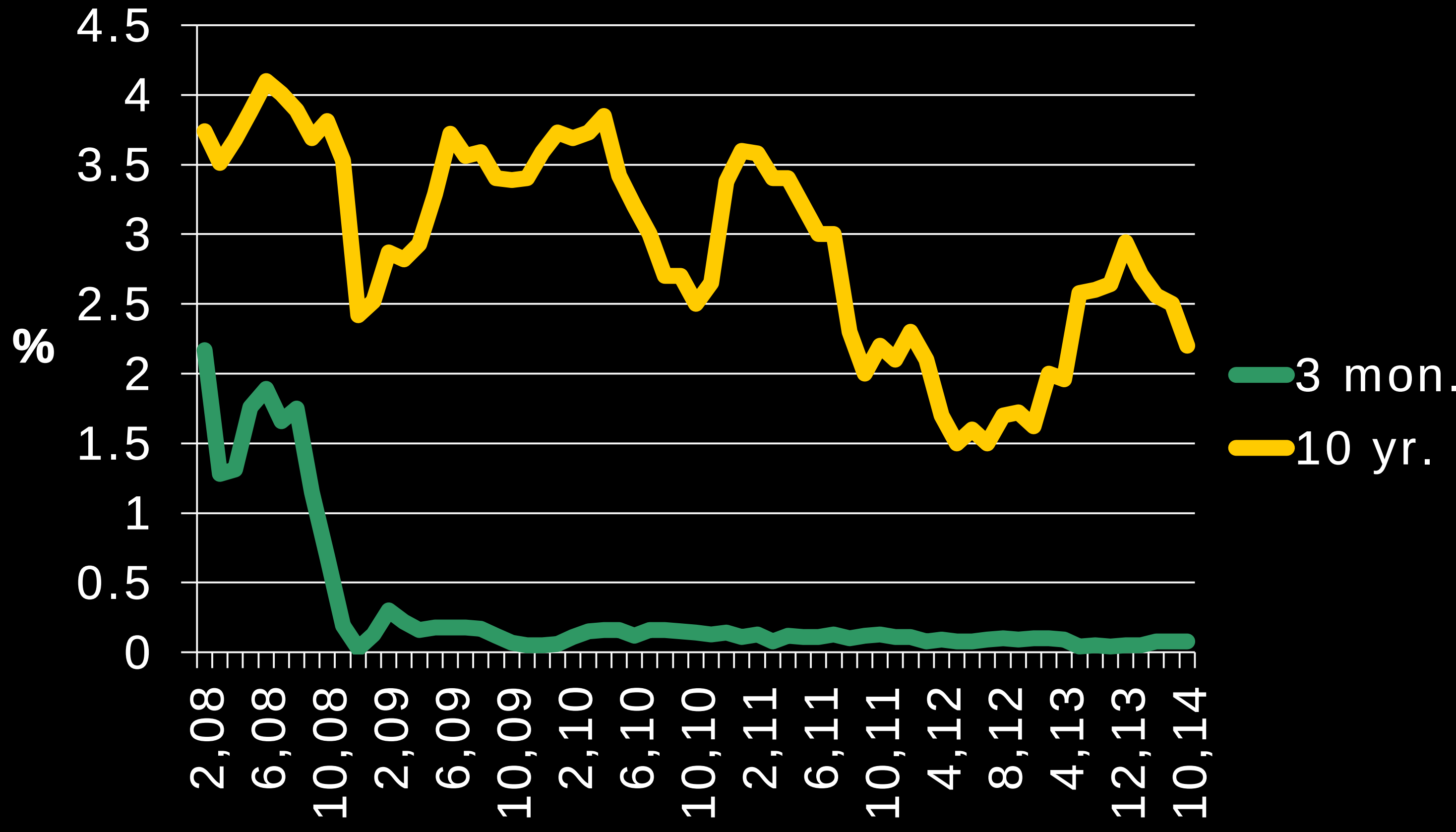
(MONTHS TO SELL EXISTING INVENTORY)

IS INFLATION CREEPING HIGHER?

(CPI, total, annual % chg.)

UP OR DOWN FOR LONG RATES?

(YIELDS ON TREASURY SECURITIES)



WORLD WORRIES

EBOLA

EUROPEAN STAGNATION

STRONGER DOLLAR

MIDDLE EAST

NATIONAL FORECASTS

225,000 – 250,000 JOBS CREATED PER MONTH

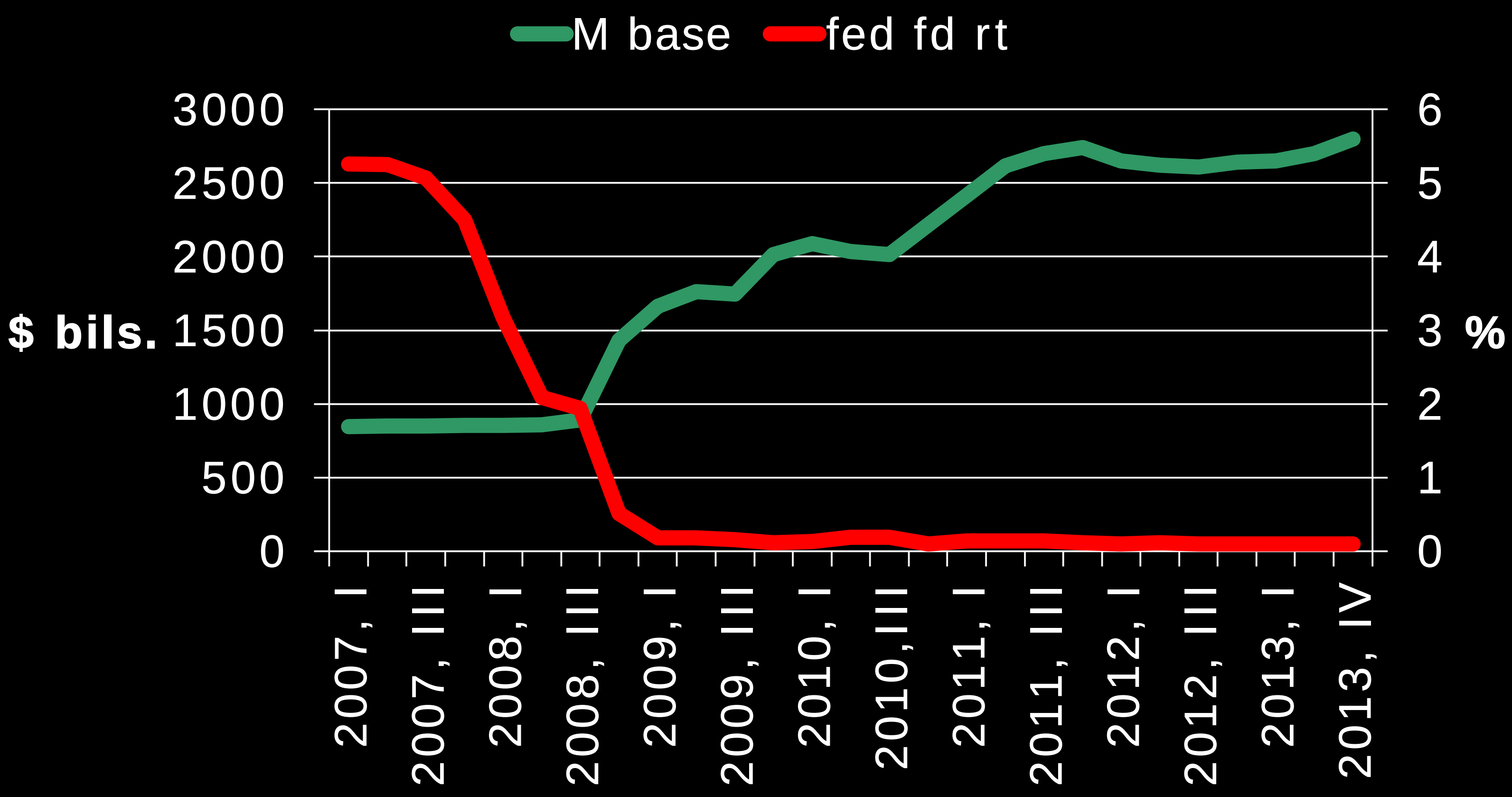
2.5% TO 2.75% GDP GROWTH RT

UNEMPLOYMENT RATE BETWEEN 6.0% AND 6.5% BY YEAR'S END

LONG RUN: STAGNATION
or
INNOVATION?

GOVERNMENT POLICY

THE FED WAS VERY AGGRESSIVE IN FIGHTING THE RECESSION



WHERE WILL YELLEN TAKE THE FED, AND HOW FAST?

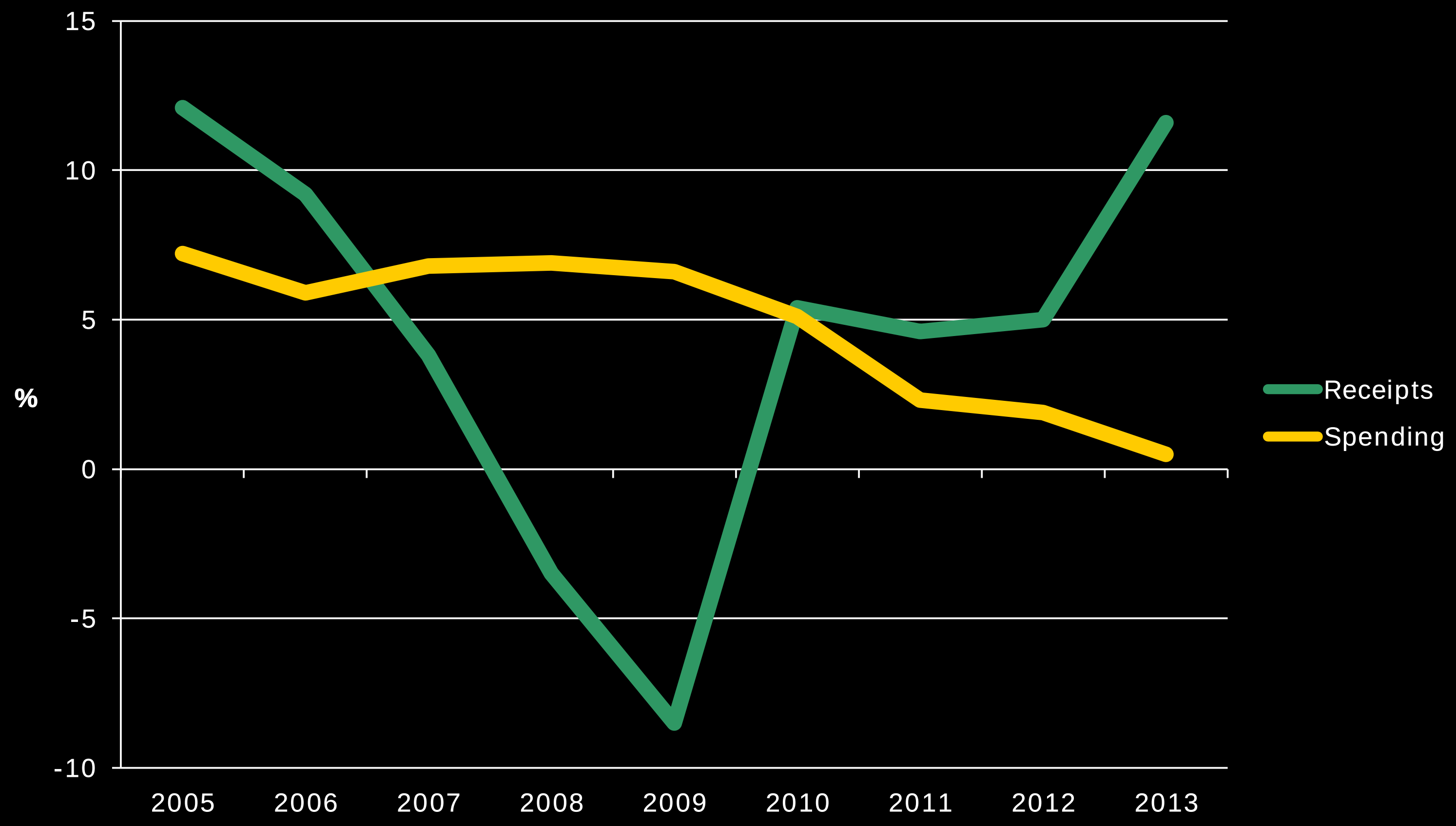
ALREADY HAS "TAPERED" MONTHLY MORTGAGE PURCHASES

WHEN WILL INTEREST RATES BE INCREASED?

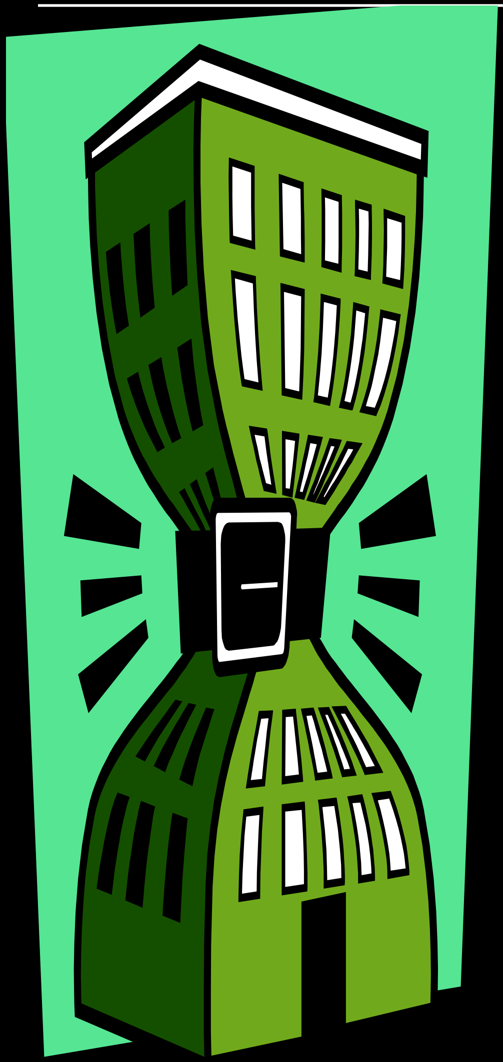
NO "RULES" ON WHEN TO MAKE CHANGES

FISCAL POLICY HAS "TIGHTENED"

(% of GDP)



THE CONTINUING FISCAL DEBATE



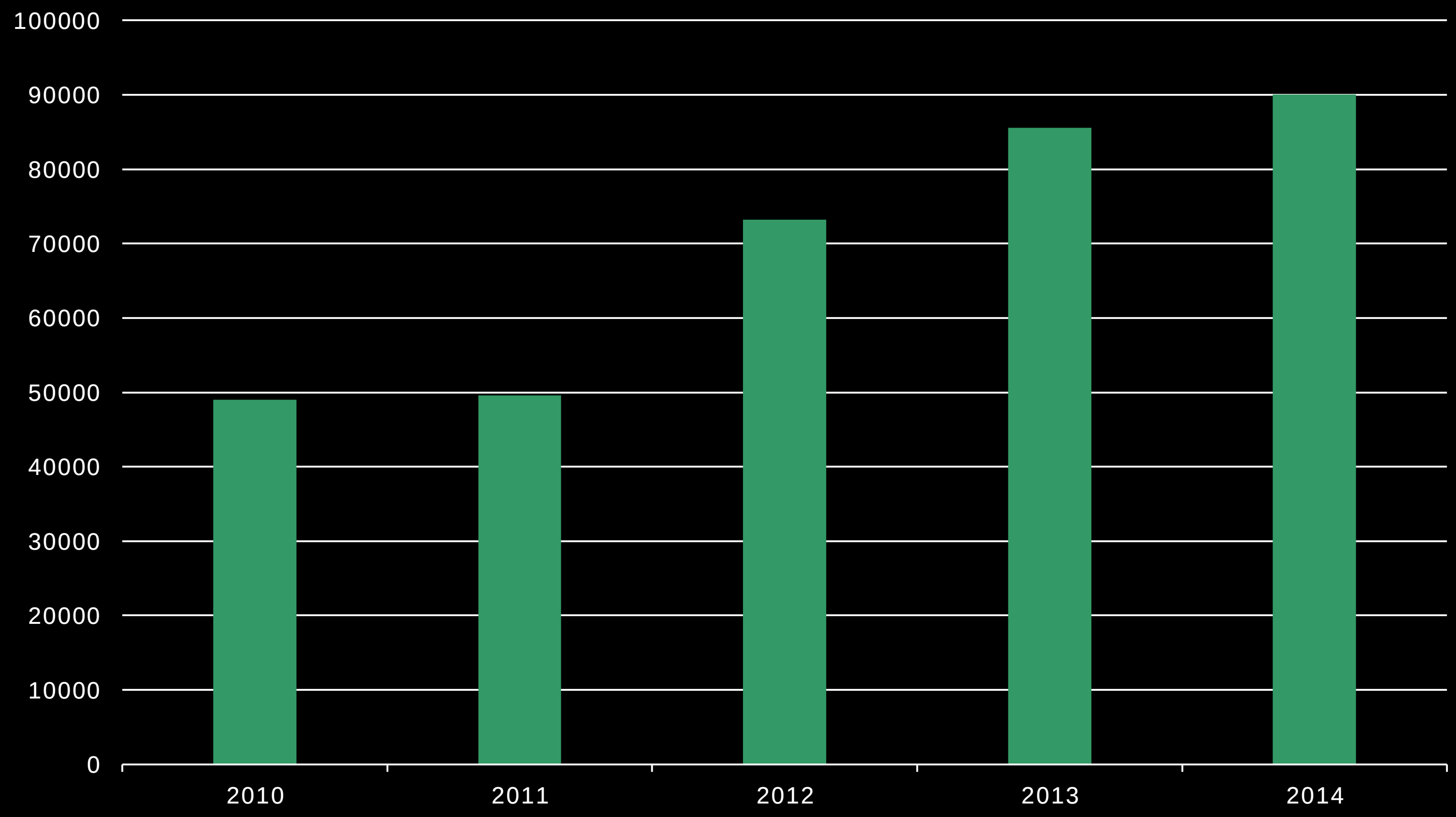
- DEMOGRAPHIC PRESSURES ON SPENDING
- TRANSFERS TAKING THE PLACE OF INVESTMENTS
- COMPLEX TAX CODE
- LONG-RUN FISCAL PLAN NEEDED

NORTH CAROLINA ECONOMY

TRENDS IN NC AND US GDP

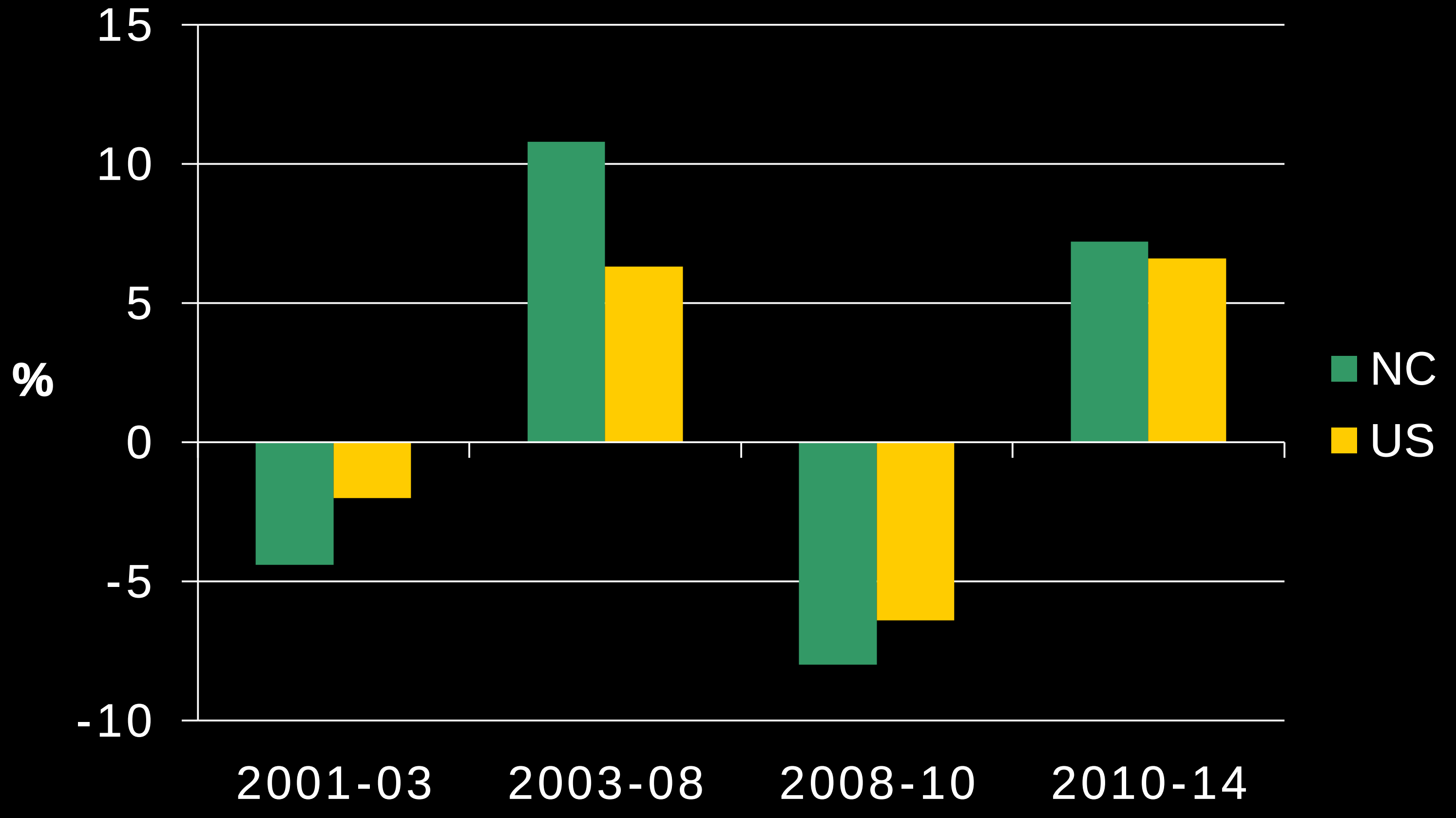
(2007 = 100)

NC PAYROLL JOB GROWTH



N.C. JOB GROWTH HAS KEPT PACE

(% CHANGE IN SEAS. ADJ. NON-FARM EMPLOYMENT)

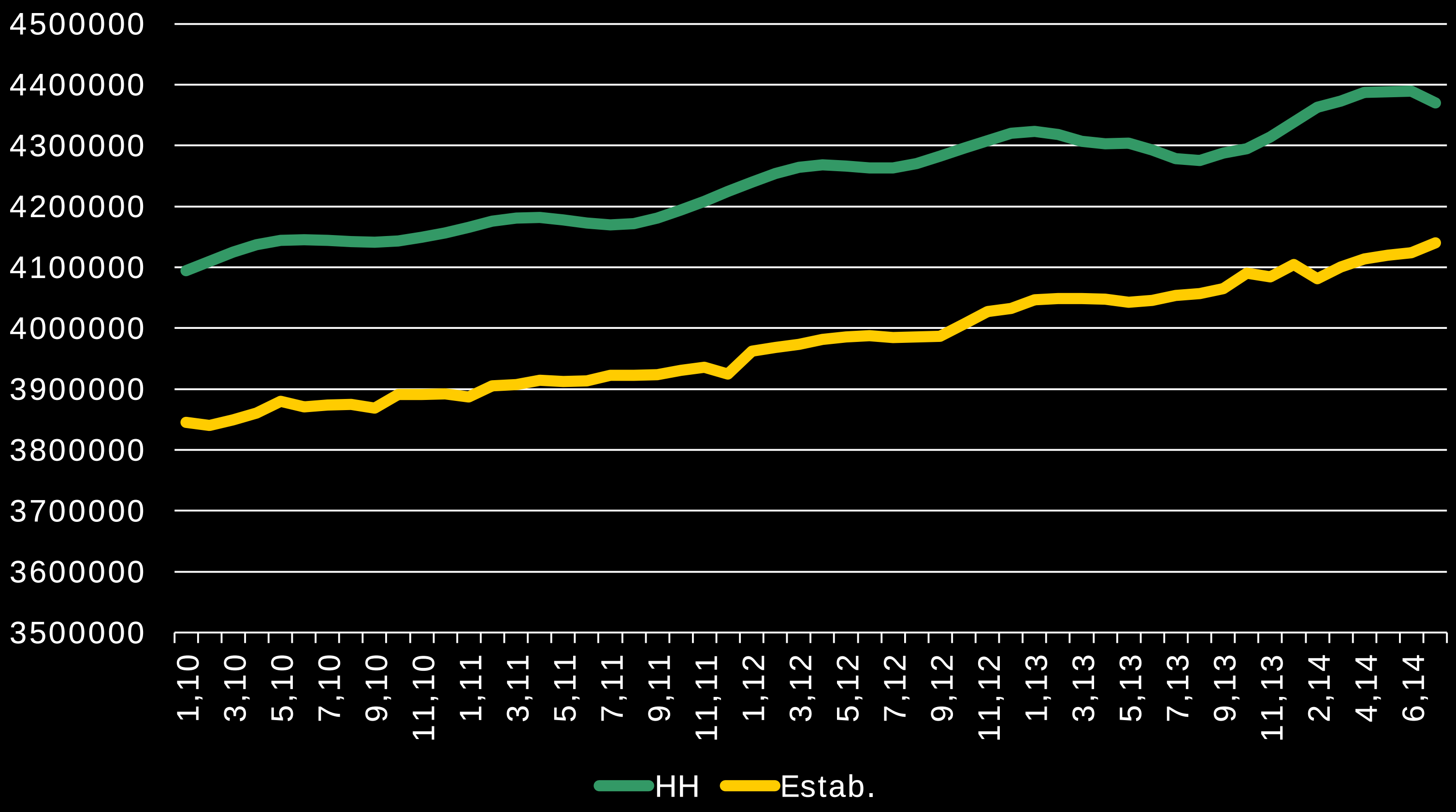


TWO MONTHLY JOB SURVEYS

HOUSEHOLD SURVEY	ESTABLISHMENT SURVEY
FEDERAL GOV'T	*FEDERAL GOV'T*
CONTACTS HH'S	*CONTACTS FIRMS*
SMALL SAMPLE	*LARGER SAMPLE*
EMPLOYED OR NOT	*COUNTS JOBS*
HOUSEHOLD IN STATE	*JOB IN STATE*
INFO ABOUT JOB SEARCH	*WAGES, HRS, INDUSTRY*

ESTIMATED NORTH CAROLINA EMPLOYMENT

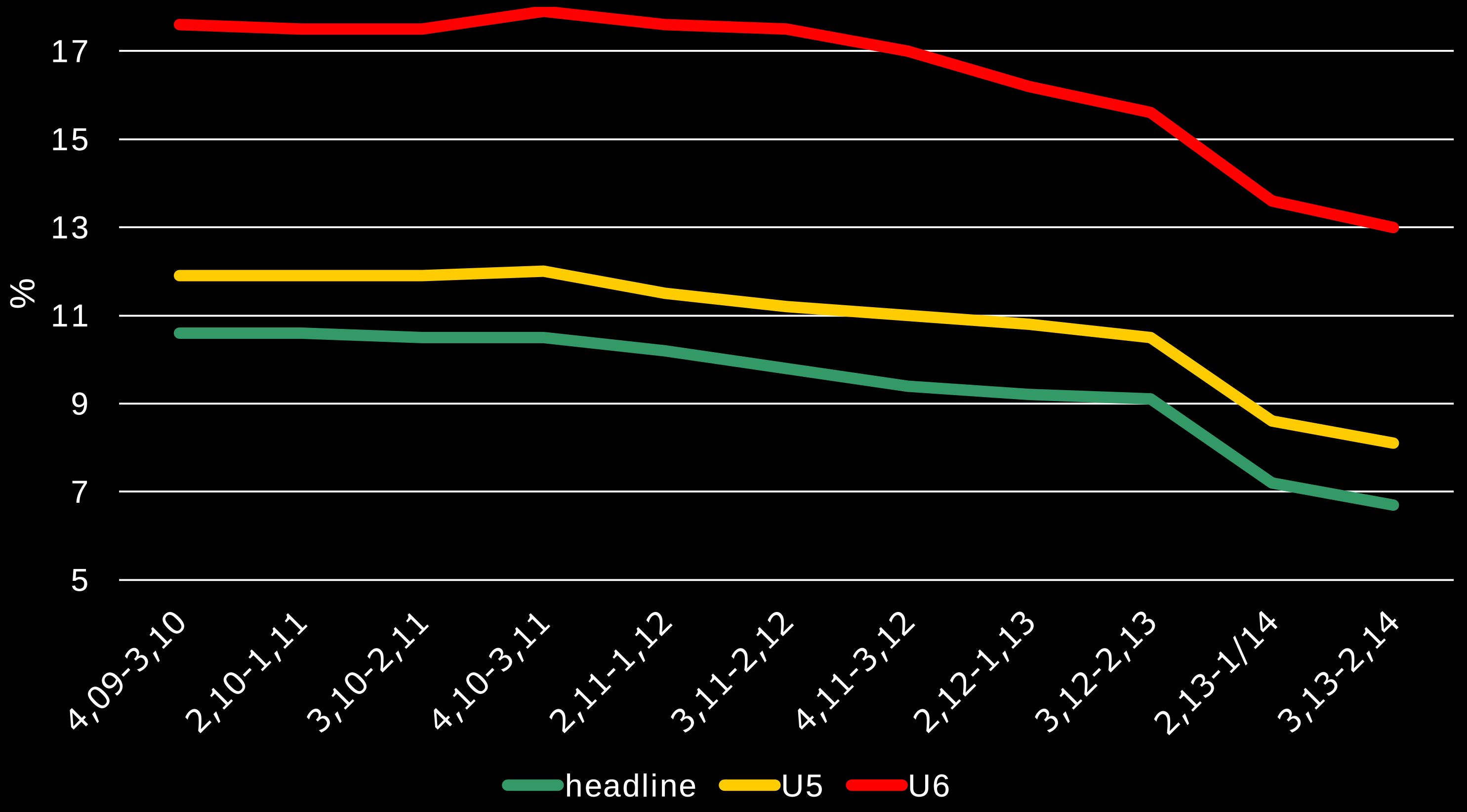
HOUSEHOLD AND ESTABLISHMENT SURVEYS, SEASONALLY-ADJUSTED



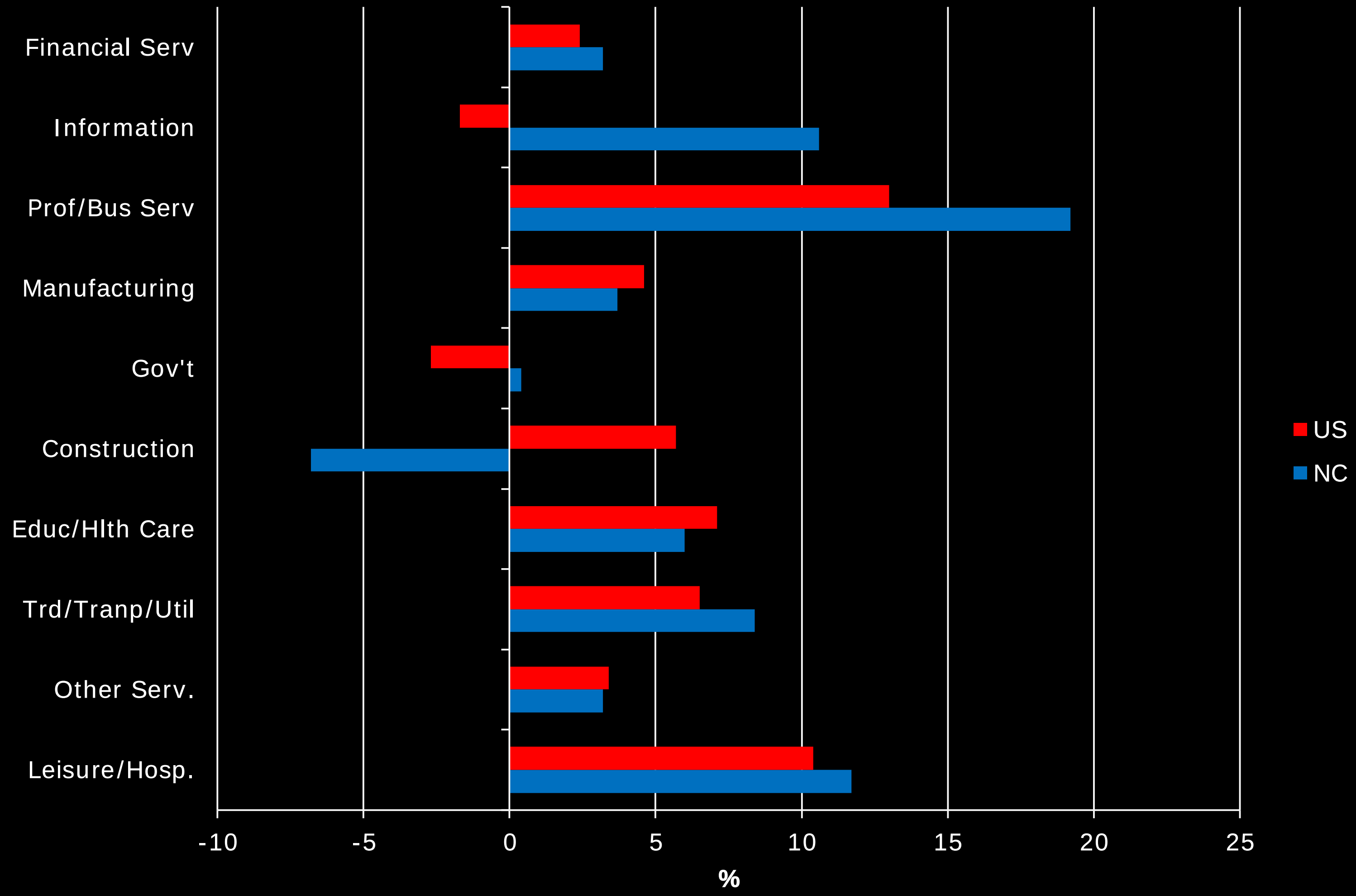
TRENDS IN NATIONAL AND NORTH CAROLINA “HEADLINE” UNEMPLOYMENT RATE

ALTERNATIVE MEASURES OF THE NORTH CAROLINA UNEMPLOYMENT RATE

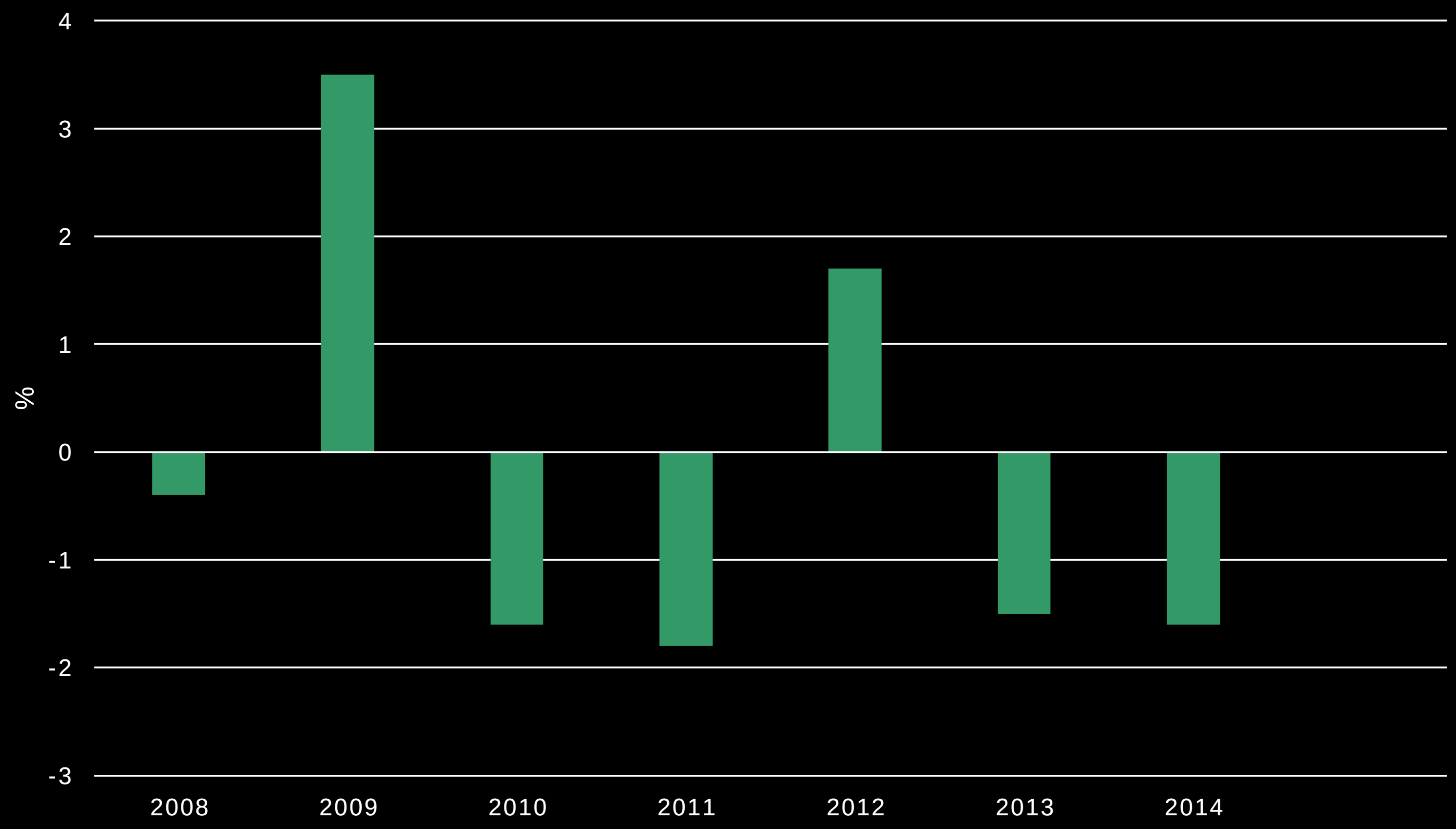
2007: HEADLINE, 4.5%; U5, 5.6%; U6, 8.5%



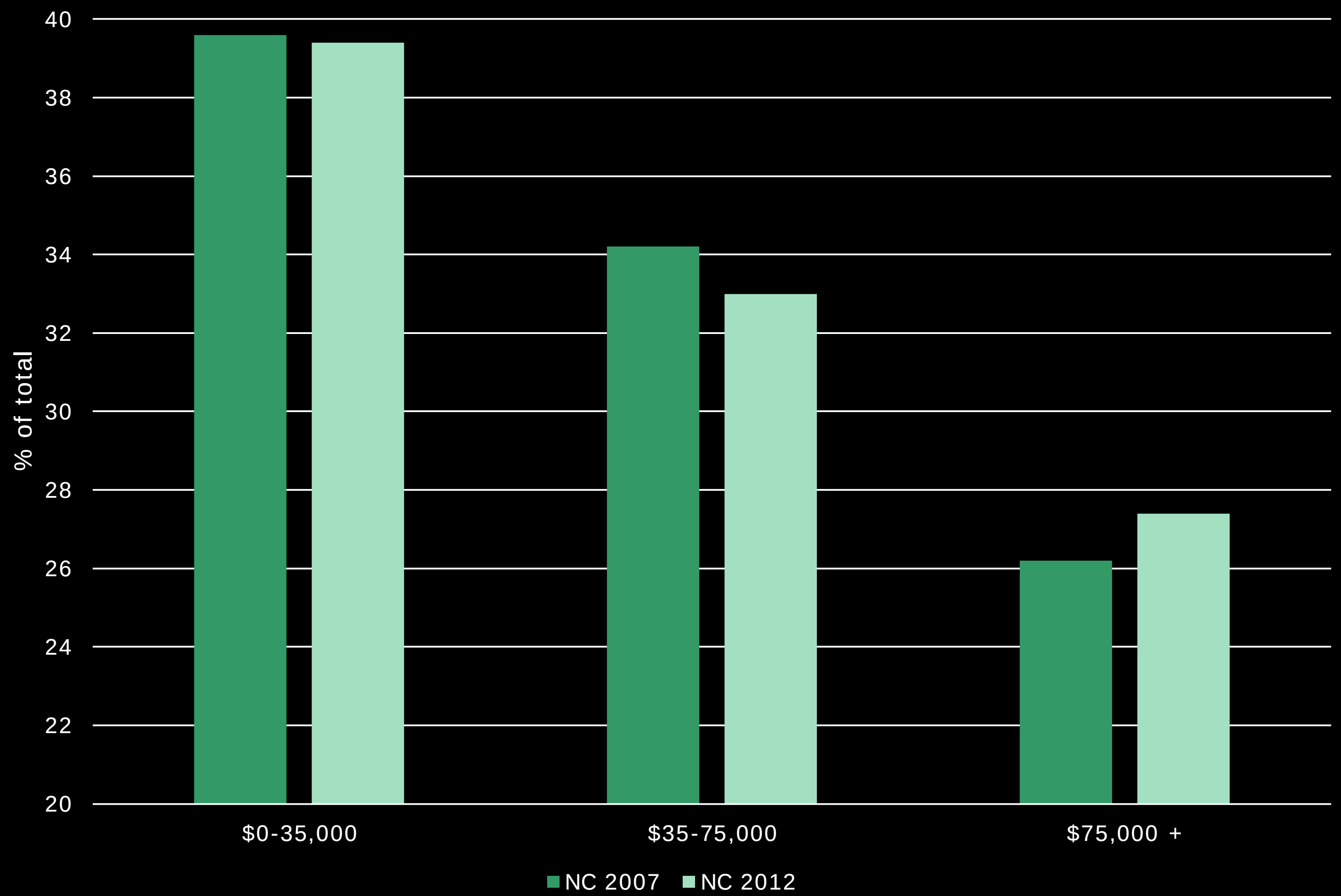
INFORMATION, GENERAL BUSINESS, AND ENTERTAINMENT LEAD IN GROWTH



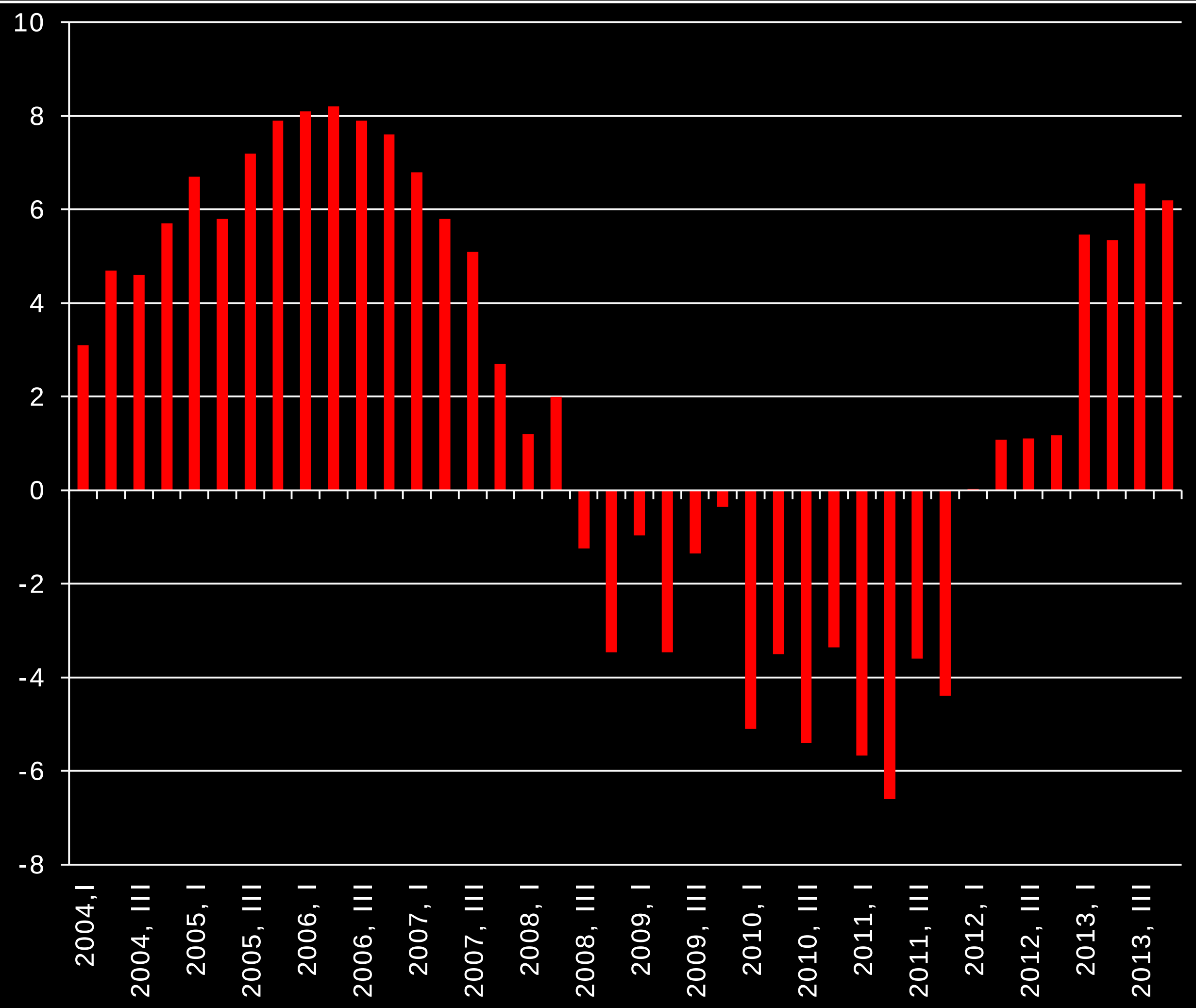
ANNUAL CHANGE IN REAL HOURLY EARNINGS FOR NC PRIVATE SECTOR WORKERS (%)



NORTH CAROLINA AND THE NATION ARE LOSING MIDDLE-PAYING JOBS

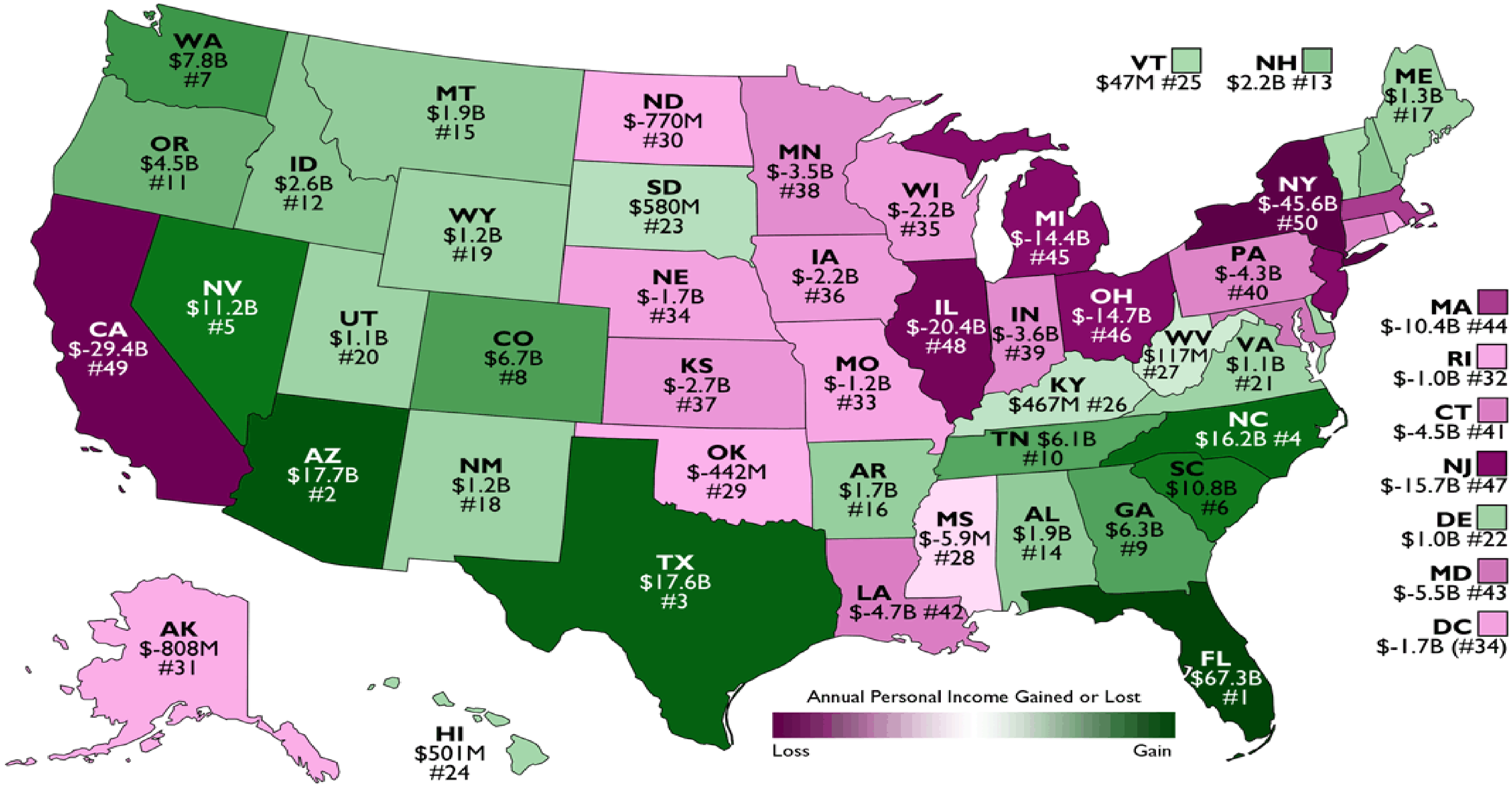


THE HOUSING MARKET HAS REBOUNDED IN THE STATE



Migration of Personal Incomes Between States, 2000-2010

Since 1937 TAX FOUNDATION



Source: IRS; Tax Foundation calculations

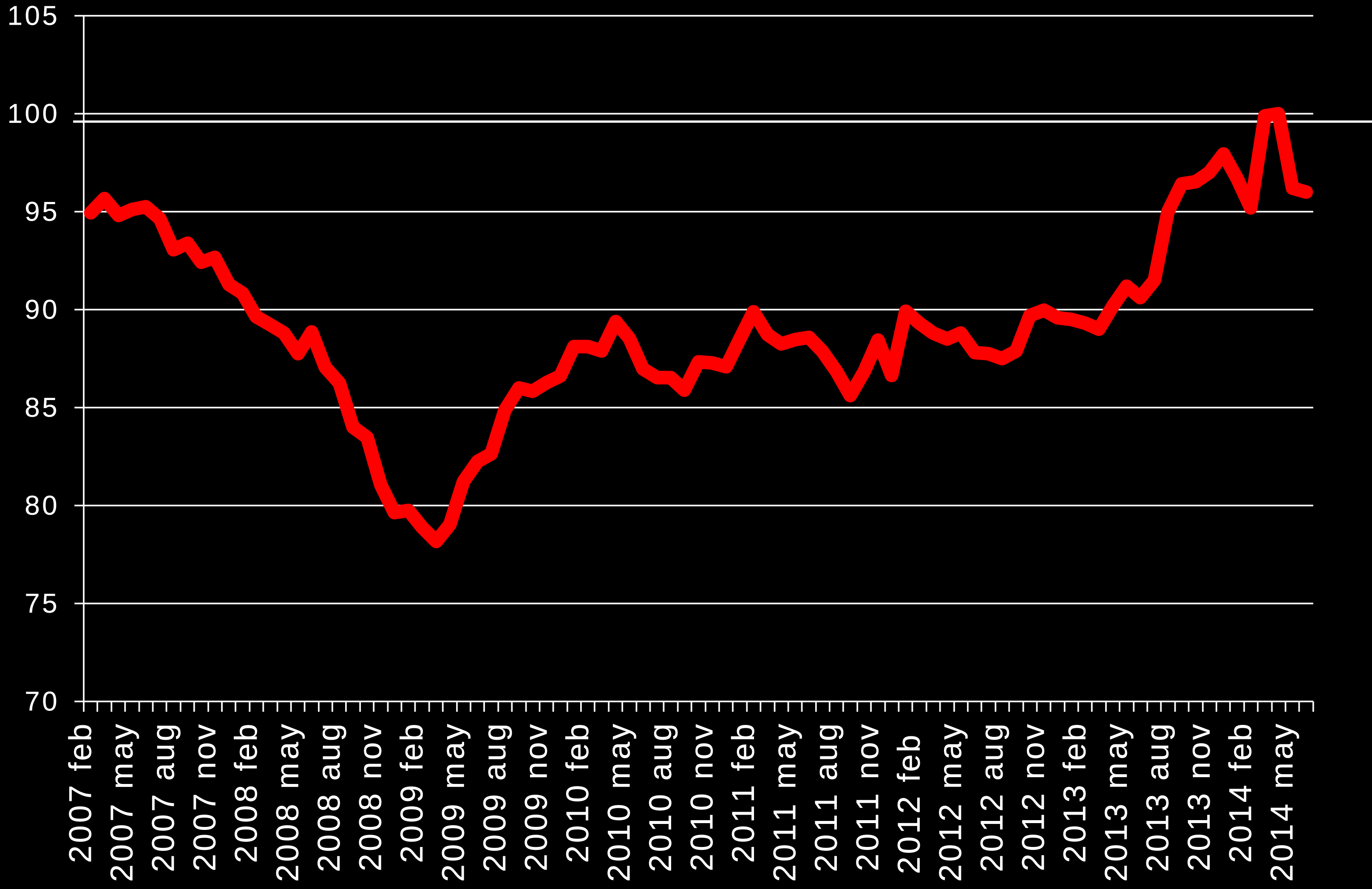
Note: Figures shown are the net aggregate adjusted gross income (AGI) of migrants moving into or out of states between 2000 and 2010. Figures are in real 2010 dollars. Does not include foreign migration, births, or deaths. Published August 19, 2013.

taxfoundation.org/maps

Area NC Job Gains Since Bottom of Recession

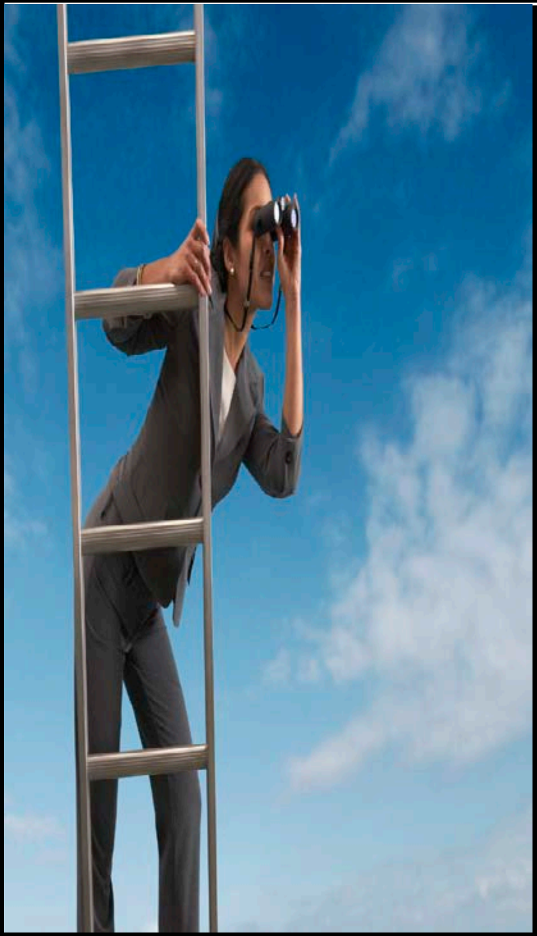
Raleigh/Cary	12.6%
Charlotte	11.3%
Durham/CH	7.4%
North Carolina	6.8%
Asheville	6.8%
Wilmington	5.7%
Burlington	5.4%
Rural NC	4.4%
Winston-Salem	4.2%
Greenville	4.1%
Greensboro/HP	3.7%
Goldsboro	2.4%
Hickory	2.3%
Jacksonville	1.2%
Fayetteville	0.8%
Rocky Mount	-2.5%

NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

NORTH CAROLINA GROWTH PROSPECTS



- 90,000 TO 100,000 NET NEW PAYROLL JOBS
- JOBLESS RATE AT END OF 2014 BETWEEN 6.0% & 6.5%
- 70% OF JOB CREATION IN CHARLOTTE, TRIANGLE, & TRIAD
- COMPETITIVE COSTS, AMENITIES, DYNAMICS OF URBAN AREAS

NORTH CAROLINA CHALLENGES

EDUCATIONAL ATTAINMENT

$ FOR ROADS – WHERE?

MANFACTURING SHIFT FROM LABOR TO CAPITAL

URBAN – RURAL DIVIDE