ECONOMIC OUTLOOK: SHIFTING TO A HIGHER GEAR?

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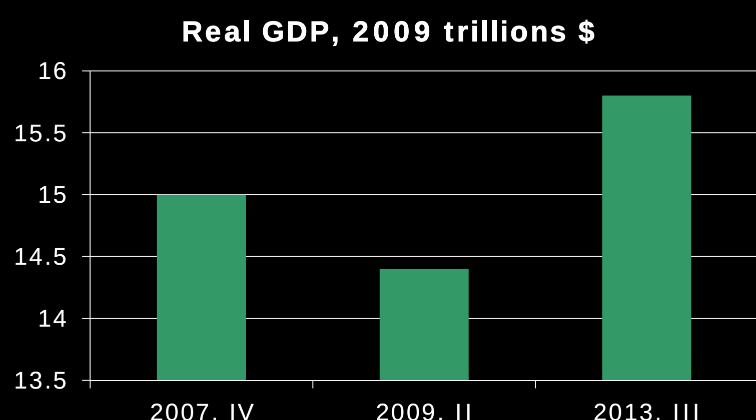
AGGREGATE PRODUCTION HAS TOTALLY RECOVERED



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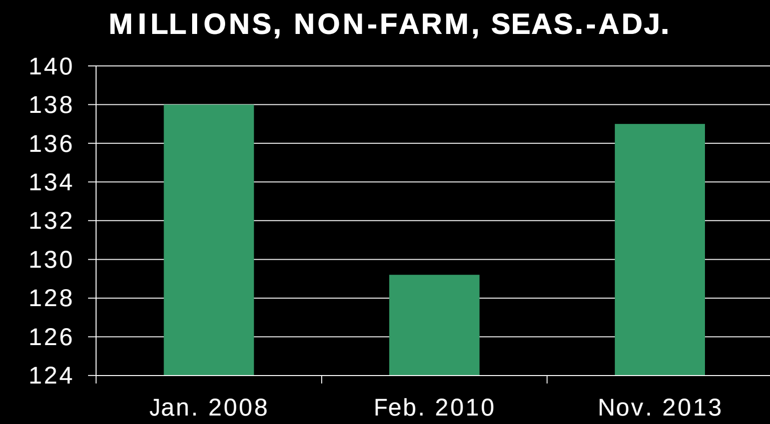
THE JOB MARKET IS ALSO COMING BACK



3

BUT JOB MARKET ISSUES LINGER

DROP IN LABOR FORCE

RISE IN DISABILITY #s

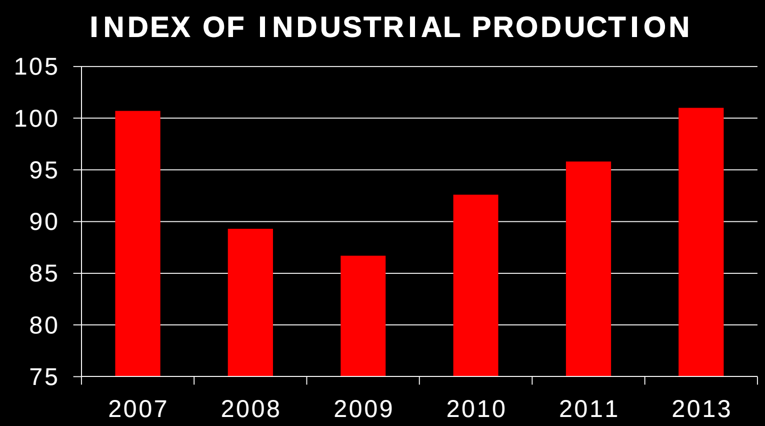
INCENTIVE TO WORK

LONG TERM UNEMPLOYED

PART-TIME WORK

4

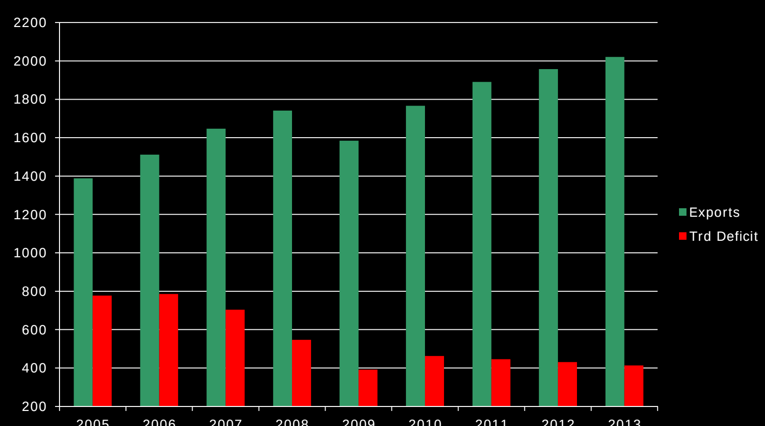
MANUFACTURING HAS BEEN A BIG PLUS



5

….. AS HAVE EXPORTS

billions of real 2009 $



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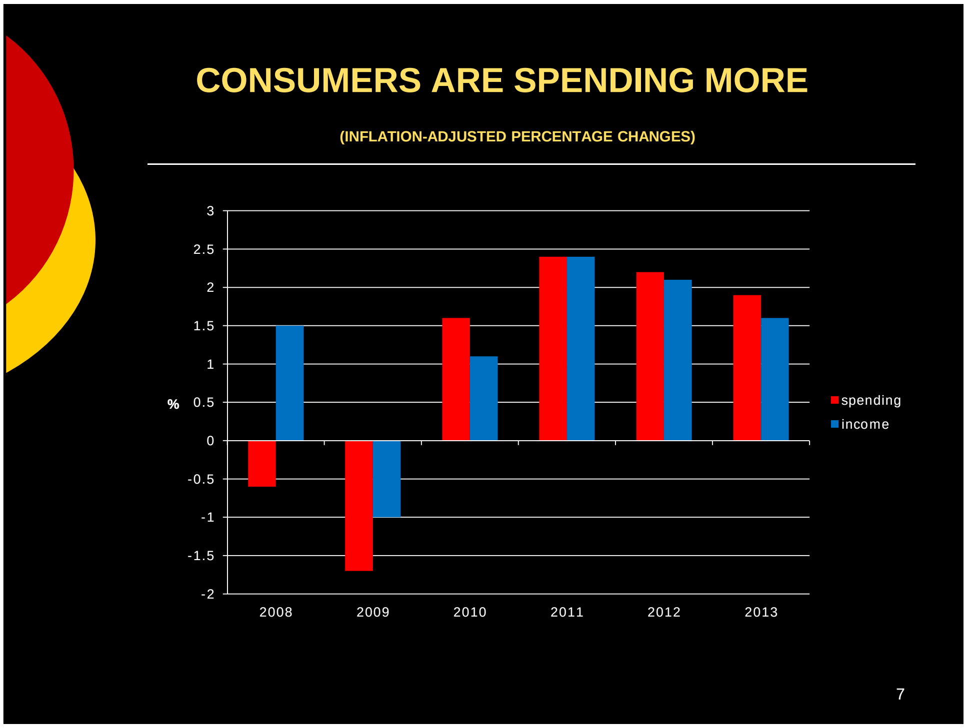
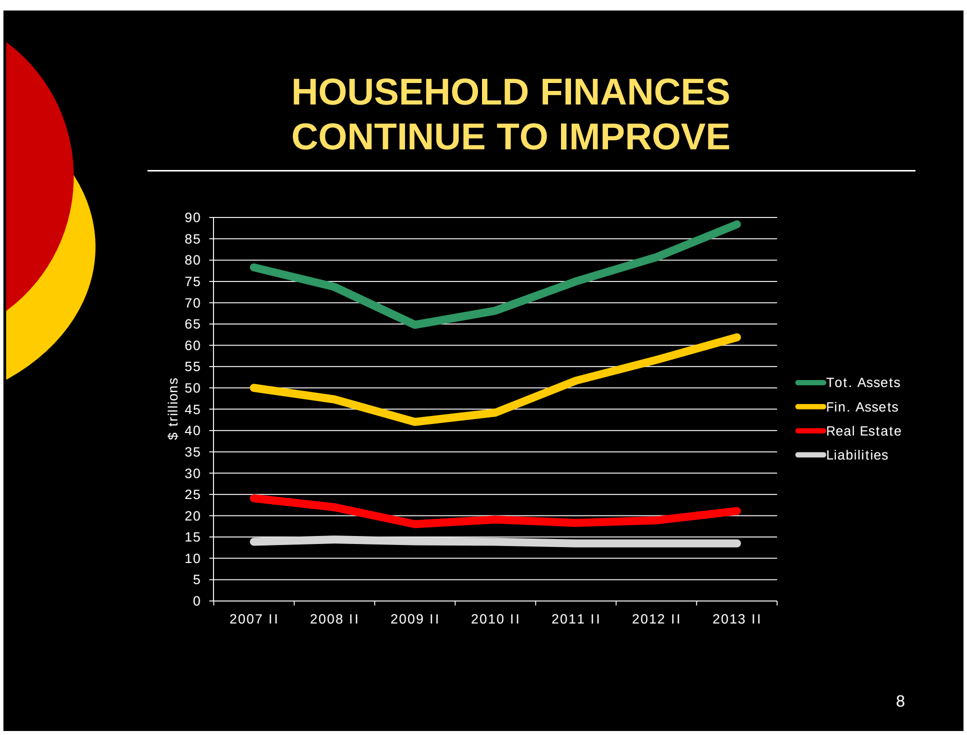
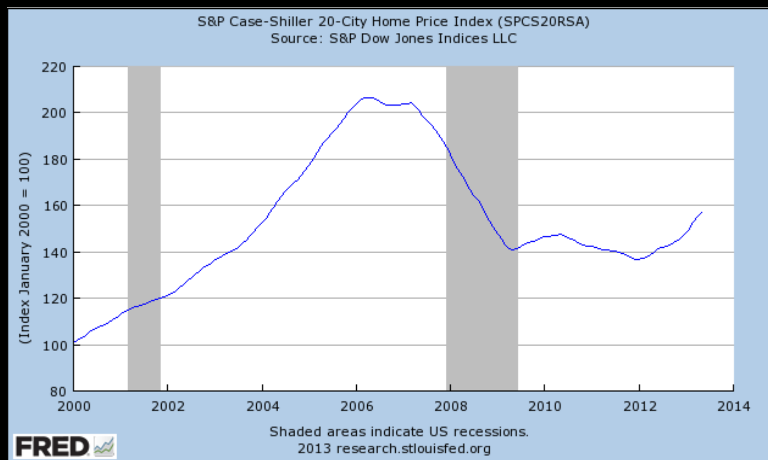

CONSUMERS ARE SPENDING MORE
(INFLATION-ADJUSTED PERCENTAGE CHANGES)
%
3
2.5
2
1.5
1
0.5
0
-0.5
-1
-1.5
-2
2008
2009
2010
2011
2012
2013
spending
income
7


HOUSEHOLD FINANCES CONTINUE TO IMPROVE
$ trillions
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
2007 II
2008 II
2009 II
2010 II
2011 II
2012 II
2013 II
Tot. Assets
Fin. Assets
Real Estate
Liabilities
8

HOME PRICES ARE NOW RISING



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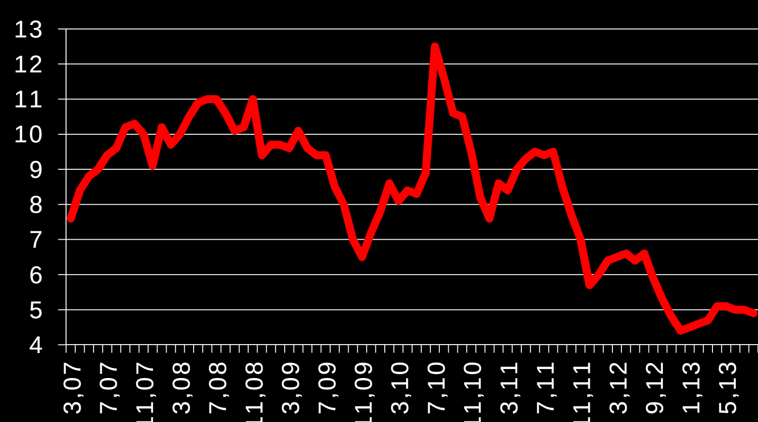
HOME INVENTORIES ARE LOW

(MONTHS TO SELL EXISTING INVENTORY)



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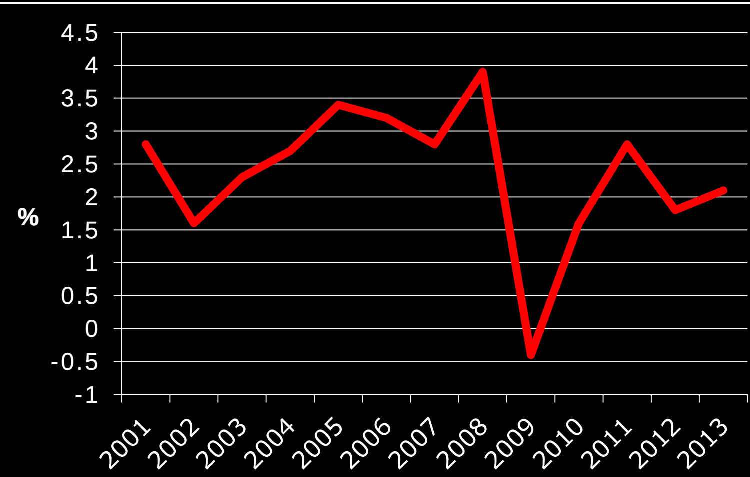
TOTAL INFLATION HAS BEEN TAME

(CPI, total, annual % chg.)



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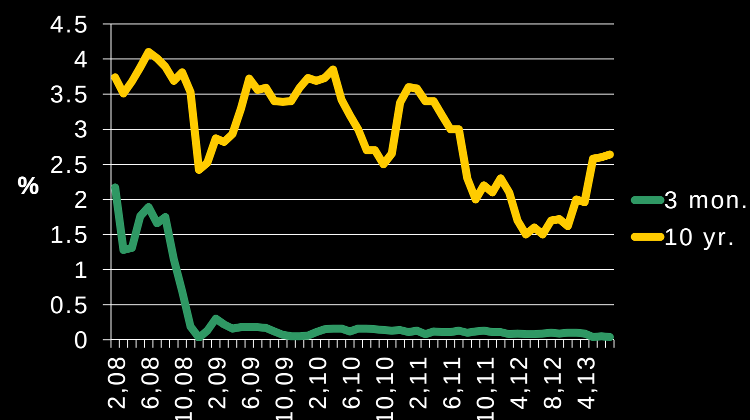
LONG INTEREST RATES HAVE TAKEN A JUMP

(YIELDS ON TREASURY SECURITIES)



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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

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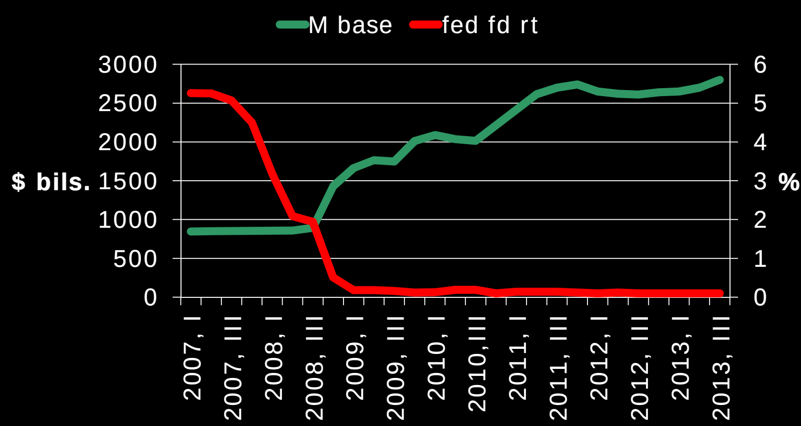
GOVERNMENT POLICY

14

THE FED CONTINUES TO BE ACCOMMODATIVE



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THE NEW FED CHAIRWOMEN- DR. JANET YELLEN

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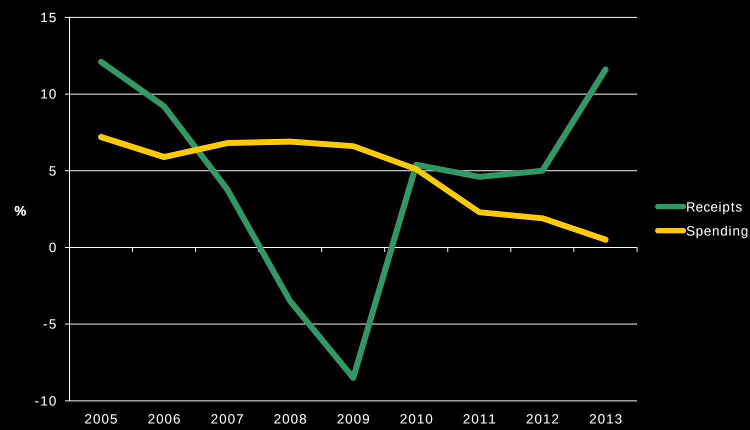
FISCAL POLICY HAS "TIGHTENED"

(% of GDP)



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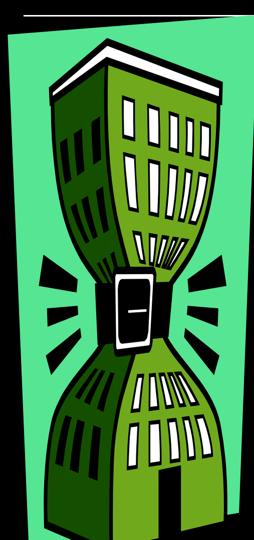
THE CONTINUING FISCAL DEBATE



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

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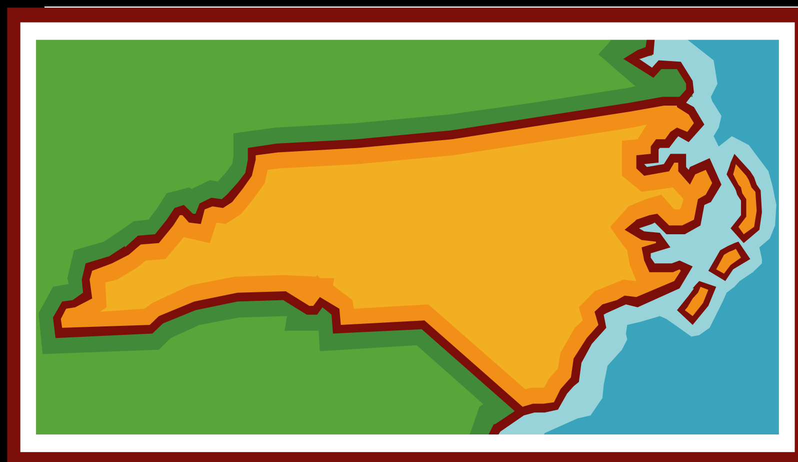
NORTH CAROLINA ECONOMY



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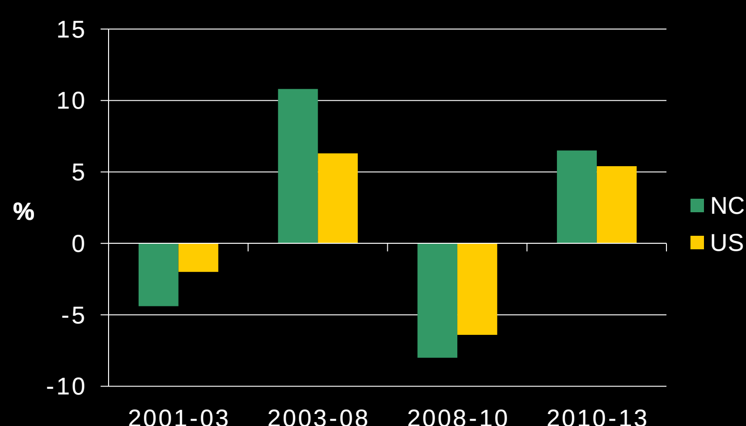
N.C. IS OUT-PERFORMING THE NATION

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



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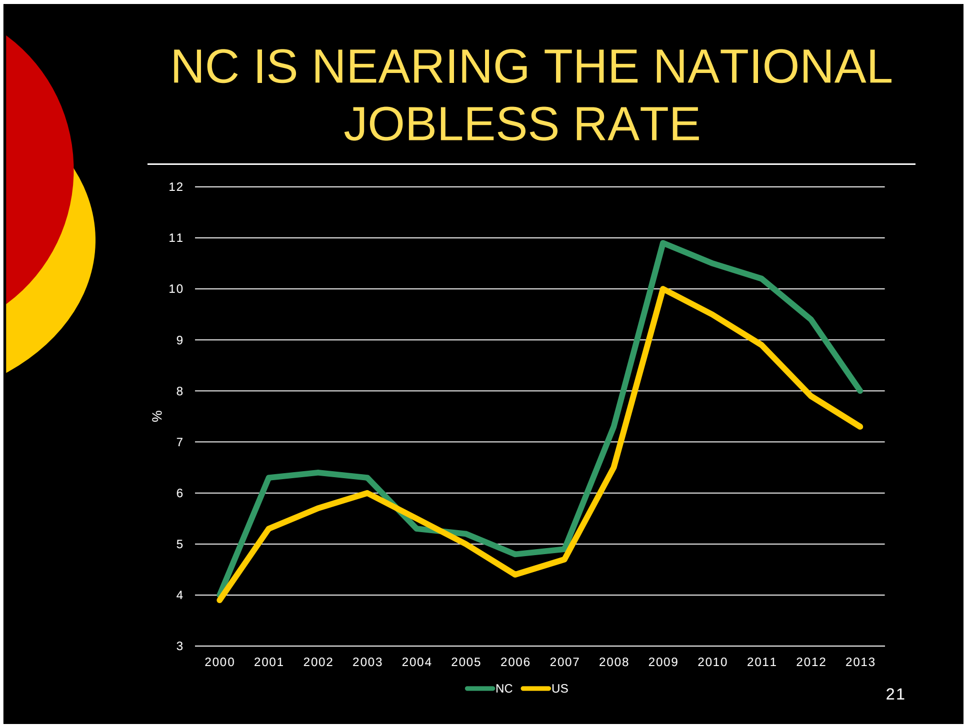
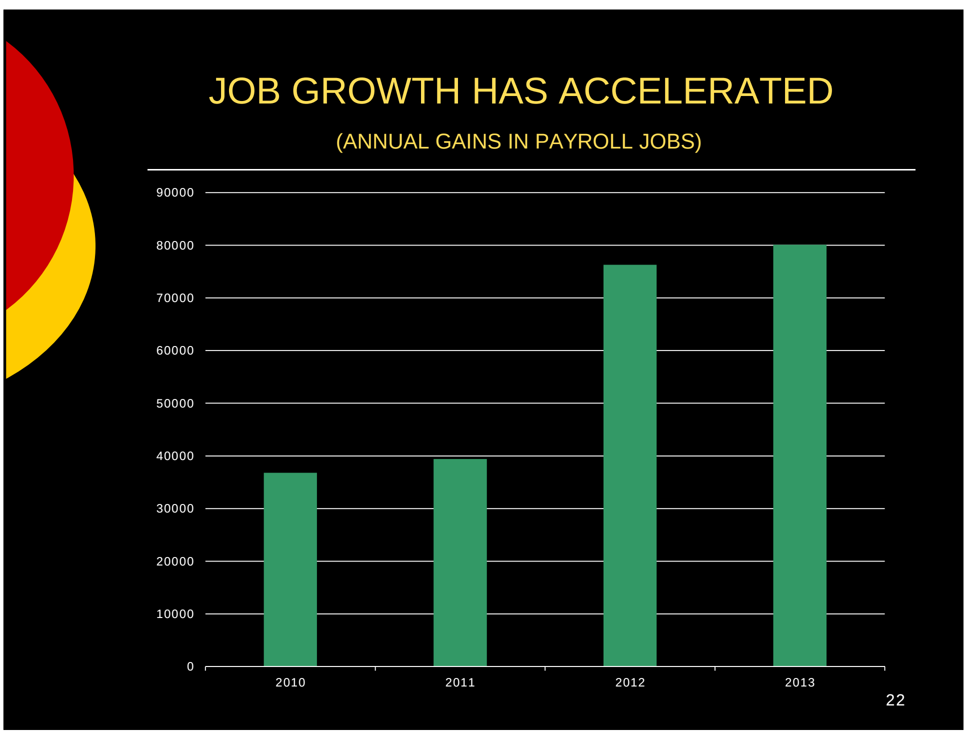
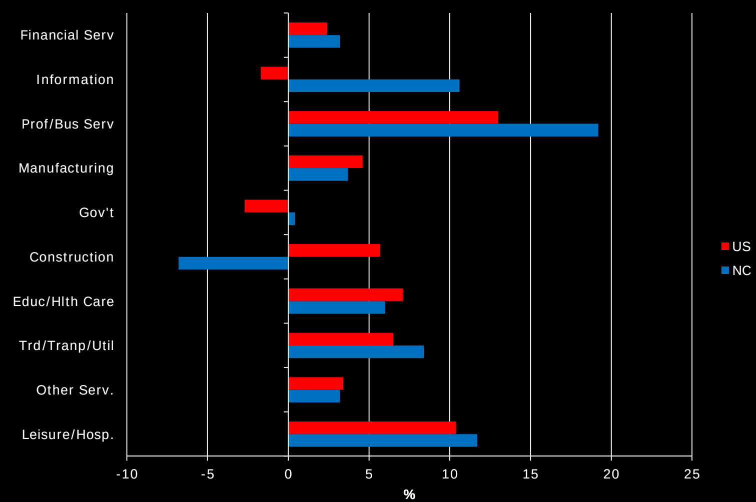

NC IS NEARING THE NATIONAL JOBLESS RATE
%
12
11
10
9
8
7
6
5
4
3
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013
NC
US
21


JOB GROWTH HAS ACCELERATED
(ANNUAL GAINS IN PAYROLL JOBS)
90000
80000
70000
60000
50000
40000
30000
20000
10000
0
2010
2011
2012
2013
22

INFORMATION, GENERAL BUSINESS, AND ENTERTAINMENT LEAD IN GROWTH



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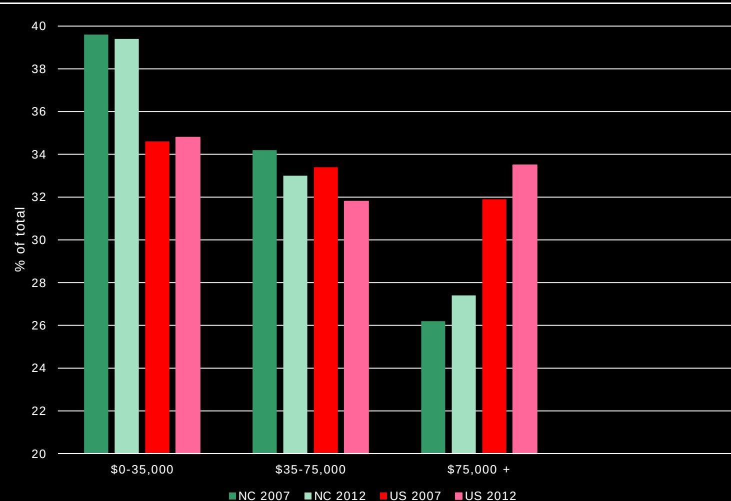
NORTH CAROLINA AND THE NATION ARE LOSING MIDDLE-PAYING JOBS



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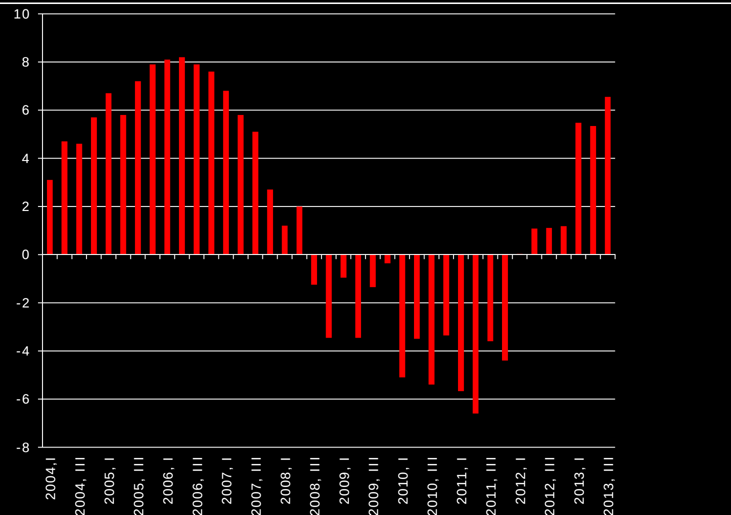
THE HOUSING MARKET HAS REBOUNDED IN THE STATE



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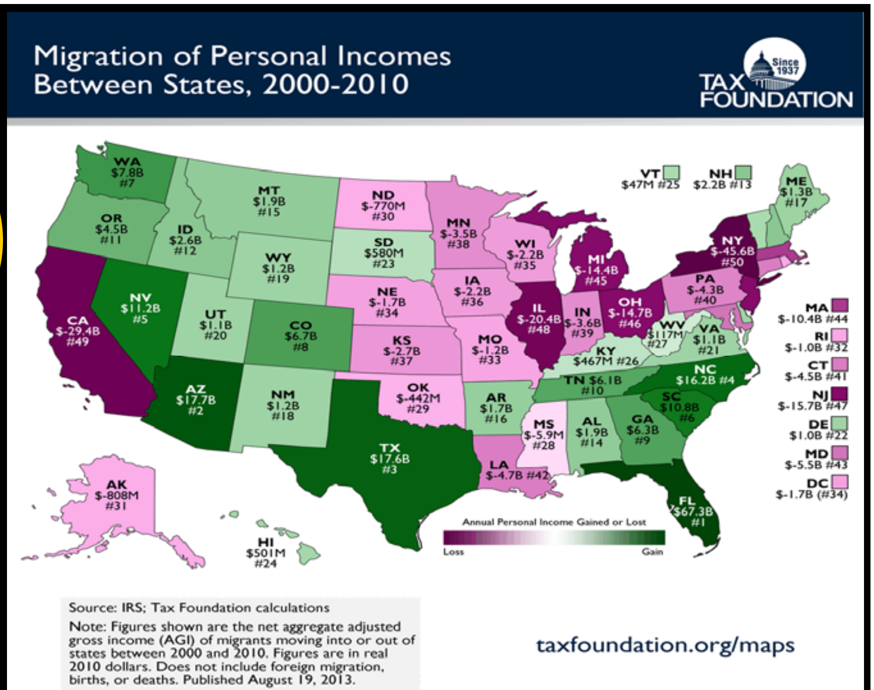
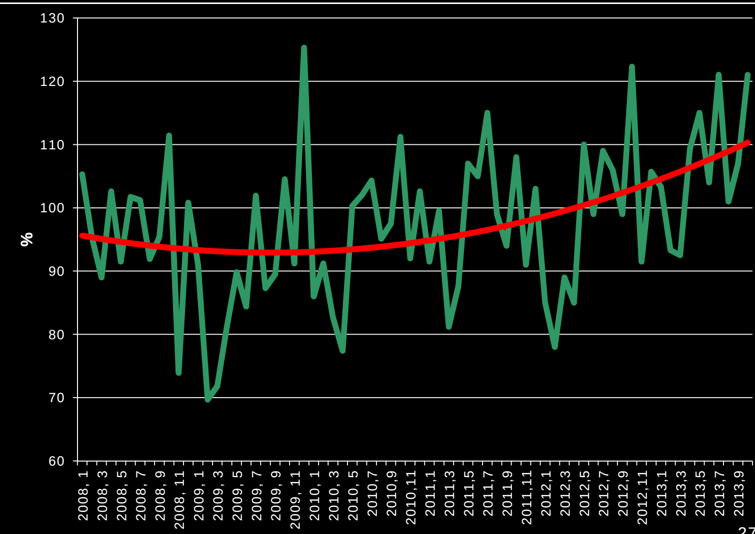


STATE TAX REVENUES HAVE BEEN TRENDING HIGHER



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Area NC Job Gains Since Bottom of Recession

Charlotte	11.5%
Triangle	8.6%
Asheville	6.9%
North Carolina	6.4%
Burlington	6.1%
United States	5.6%
Rural NC	4.7%
Greenville	4.2%
Wilmington	3.9%
Triad	3.8%
Jacksonville	2.9%
Hickory	1.6%
Fayetteville	1.5%
Goldsbor0	1.4%
Rocky Mount	-3.3%

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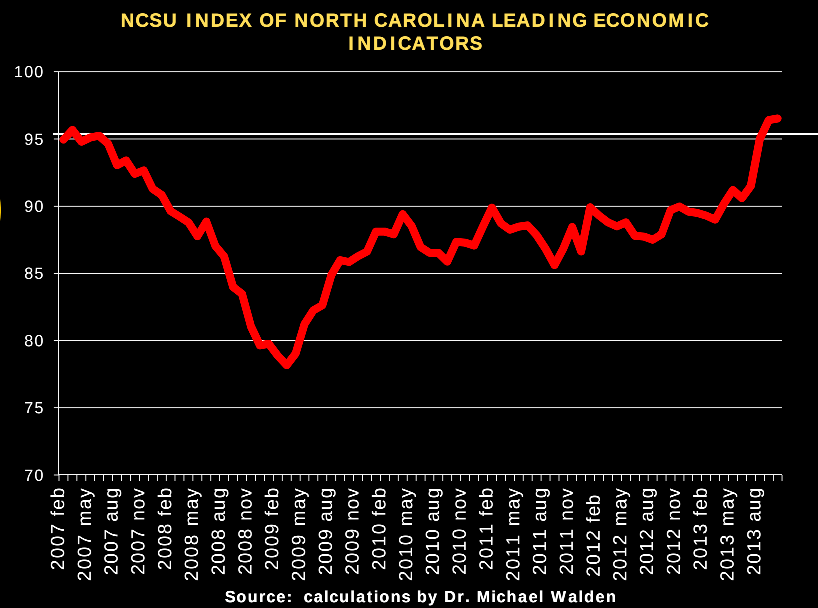

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NORTH CAROLINA GROWTH PROSPECTS

- 100,000 NET NEW PAYROLL JOBS
- JOBLESS RATE AT END OF 2014 BETWEEN 6.5% & 7.0%
- 70% OF JOB CREATION IN CHARLOTTE, TRIANGLE, & TRIAD
- COMPETITIVE COSTS, AMENITIES, DYNAMICS OF URBAN AREAS

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NORTH CAROLINA CHALLENGES

EDUCATION ATTAINMENT

$ FOR ROADS – WHERE?

MANFACTURING SHIFT FROM LABOR TO CAPITAL

URBAN – RURAL DIVIDE

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