



North Carolina

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Economic Analysis Report

The *North Carolina Economic Analysis Report* was prepared by the Labor Market Information Division of the North Carolina Employment Security Commission, as directed by the Employment and Training Act's (ETA) PY 2008 Workforce Information grants to states, for the purpose of informing governmental officials, economic developers, state and local Workforce Information Boards, WIRED region officials and other partners, including community colleges and other state training institutions, of the state's economic conditions. The data presented reflects an analysis beginning with the 2001 recessionary period and ending with ETA's 2008 program year (July 1, 2007 through June 30, 2008). Because of the continual downward spiral of the nation's and the state's economies in the latter months of 2008, the most current data available prior to publication and distribution of the report were also included.

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At a Glance

- North Carolina's historians will record the first 10 years of the 21st century as the state's industrial evolution from Goods Producing to Service Providing.
- During this period, North Carolina's economic infrastructure has certainly been tested, beginning with the 2001 national recession followed by a period of redirection and rebuilding, and ending with the national financial crisis of 2008.
- The recession of 2001 severely damaged manufacturing in North Carolina. Traditional industry mainstays, such as the manufacturing of Textiles, Furniture and Apparel, were hard hit as more and more companies relocated to areas of cheaper labor outside the states. These relocations displaced thousands of workers whose only skills were in Manufacturing.
- These same industries (in particular Textiles) had provided the opposite economic outlook in the early 1900s, as their relocation from northern states to the cheaper labor in the South offered jobs to men, as well as women, regardless of educational attainment.
- Compared to the previous decade, Bureau of Labor Statistic's (BLS) statisticians reported 125,105 people across the state of North Carolina were unemployed in April 1999, with an unemployment rate of 3.1 percent. The lowest number to be unemployed since the 2001 recession was in March 2007, when 201,624 people were jobless and the rate was 4.5 percent.
- Since the beginning of the 2001 national recession, North Carolina has lost almost 30 percent of jobs in Manufacturing. However, Nonfarm employment has added more than 200,000 jobs (mainly Service Providing) over the same time period.
- Combining the lead of visionary governmental officials with planners and educators, North Carolina's industry infrastructure stands out as being very balanced. Bioscience labs are replacing Goods Producing factories. Service Providing jobs prosper as the population grows and ages. Educational opportunities abound as enrollment increases in all levels of academia and training. Displaced workers are enrolled in skill development, assuring a sufficient labor force for a variety of job needs. These efforts put forth by all North Carolinians have helped the state's economy adapt.
- The regional BLS Commissioner in Atlanta, Janet Rankin, recently summed up North Carolina's positive job growth in these words: "North Carolina has a balanced industrial mix, allowing the state, as a whole, to continue growing, even when one or more industries are in trouble. Maintaining a strong economy requires a diverse industry mix and workforce, and the ability to adapt the available education to keep up with changing market needs."

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Population

- With a population of 9,061,032, North Carolina ranked 10th in the nation in 2007.

- North Carolina's population increased by 850,000 people (10.5%) between 2001 and 2007. Percentagewise, this was twice the national growth. Between April 2000 and July 1, 2007, North Carolina ranked ninth in growth at 12.6 percent.

- Among the larger states, Georgia's population grew by 13.3 percent; Texas, 12 percent; and Florida, 11.6 percent during the six-year time span.

- Between 2006 and 2007, North Carolina's population growth rate increased 2 percent; nationally, the rate increased 1 percent. North Carolina's percent of growth over the period ranked sixth in the nation.

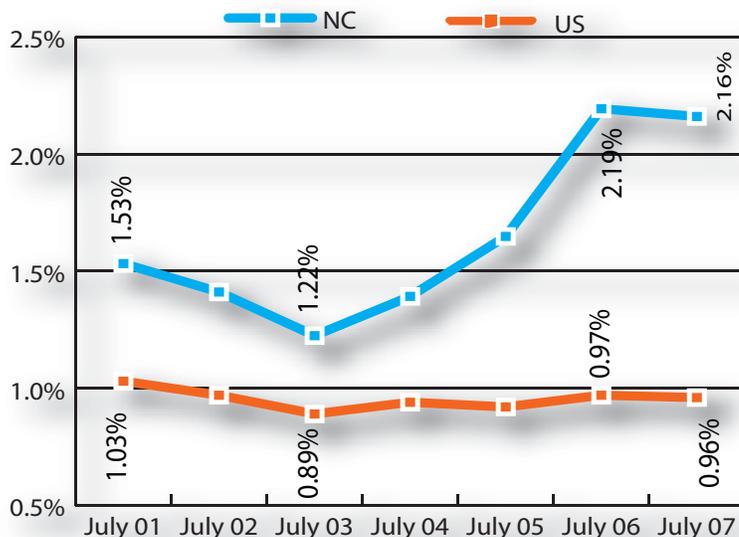
- Among the U.S. Census Bureau's estimates for the 25 U.S. counties with the largest numeric increases, July 1, 2006 through July 1, 2007, North Carolina's Wake County boasted seventh with a growth of 38,841. Mecklenburg County was 10th with a growth of 31,739.

10 Largest States, 2001 Compared to 2007 Population Growth, Ranked By Size

Rank	State	July 2007	July 2001	% Change
	United States	301,621,157	285,112,030	5.8%
1	California	36,553,215	34,525,902	5.9%
2	Texas	23,904,380	21,340,494	12.0%
3	New York	19,297,729	19,076,610	1.2%
4	Florida	18,251,243	16,348,628	11.6%
5	Illinois	12,852,548	12,516,683	2.7%
6	Pennsylvania	12,432,792	12,287,542	1.2%
7	Ohio	11,466,917	11,392,869	0.6%
8	Michigan	10,071,822	10,006,963	0.6%
9	Georgia	9,544,750	8,422,127	13.3%
10	North Carolina	9,061,032	8,203,565	10.5%

Source: U.S. Census Bureau

North Carolina/United States, Annual Population Percent Growth July 2001-July 2007



Source: U.S. Census Bureau

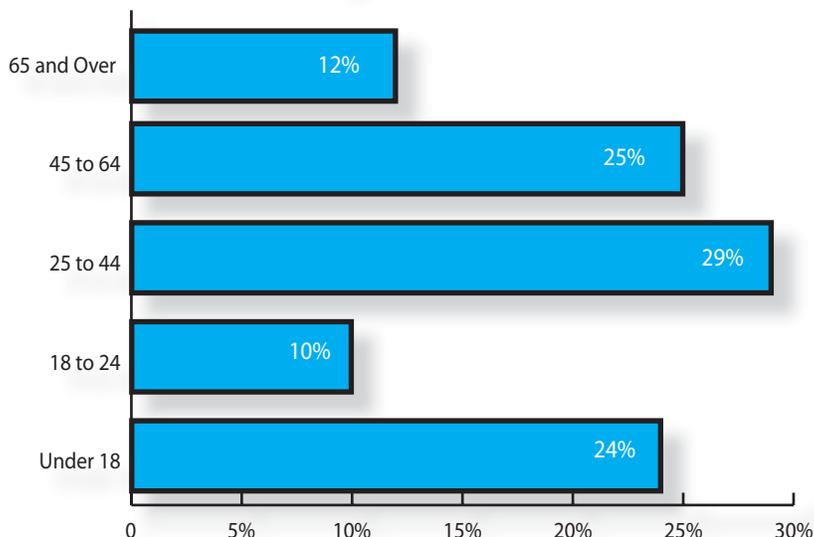
- The U.S. Census also reported estimates for the fastest-growing U.S. counties with 10,000 or more population between the same time period. North Carolina's Union County was seventh in the nation with a growth of 7.2 percent; Brunswick County was 17th with 5.5 percent growth. Other counties were Cabarrus (29th at 5%), Wake (33rd at 4.9%), Johnston (58th at 4.3%), Pender (71st at 4.1%), Mecklenburg (82nd at 3.8%), and Iredell (90th at 3.6%).

- Births almost doubled deaths during this one-year period, and the net migration rate was 1.6 percent — the highest since 1994/95 when the rate was 1.7 percent.

- The population average annual percent growth for the past 10 years in North Carolina has been 1.7 percent.

- Of the 8.9 million North Carolina residents in 2006, 51 percent were female, 49 percent male.

Age Distribution Of People In North Carolina April 2006

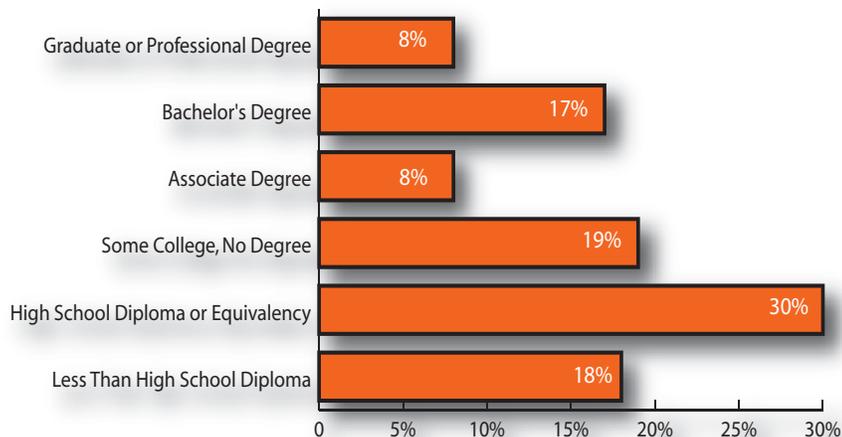


Source: American Community Survey, 2006

- In 2006, 82 percent of the people in North Carolina, 25 years of age or older, had graduated from high school.
- Twenty-five percent had a bachelor's degree or higher.
- Total school enrollment was 2.3 million.
- College or graduate school enrollment was 596,000.
- Education pays, according to the median earnings in 2006. On average, someone with a bachelor's degree earned nearly double that of a high school graduate.

- The median age was 36.6 years; nationally the median age was 36.4 years.
- Approximately 24 percent were under 18, while 12 percent were 65 years and older.
- Ninety-three percent of the state's population were native-born Americans, of which 60 percent were born in North Carolina.
- Of those reporting one race alone, 71 percent were white, 22 percent Black or African American, 1 percent American Indian and Alaska Native, 2 percent Asian, less than 0.5 percent Native Hawaiian and Other Pacific Islander, while 4 percent were Some Other race.
- Seven percent of the people in North Carolina in 2006 was Hispanic.

Educational Attainment Of North Carolina Residents Age 25 and Over, 2006



Source: American Community Survey, 2006

Median Earnings in Past 12 Months 25 Years and Over by Educational Attainment, 2007

<i>Educational Attainment</i>	<i>Total Wages</i>	<i>Male</i>	<i>Female</i>
Population 25-Years and Over With Earnings	30,783	35,680	25,650
Less Than High School	18,750	21,934	13,813
High School Graduate (Includes Equivalency)	25,437	30,550	20,292
Some College or Associate Degree	30,601	37,054	25,157
Bachelor's Degree	42,705	53,622	36,842
Graduate or Professional Degree	54,634	72,146	46,288

Source: American Community Survey, 2007

- The poverty rate for those 25-years-and-over with less than a high school diploma was 26 percent, dropping to 4 percent and less for those with a bachelor's degree or higher.

Per Capita Personal Income

- Of the most populous states in the United States during 2007, North Carolina ranked ninth when considering Per Capita Income (\$33,636). Georgia ranked 10th with \$33,457.
- Connecticut had the highest Per Capita Income in 2007 at \$54,117. The lowest was in Mississippi with about one-half of that amount, \$28,845.
- The national average was \$38,611.
- In 2007, North Carolina's Per Capita Personal Income (PCPI) was \$33,636, ranking 36th in the United States. This amount reflected an increase of 4.3 percent from 2006. In 2001, North Carolina ranked 31st in the nation at \$27,475.

Per Capita Income 2006-2007, In Most Populous States

State	Per Capita Income			Rank In U.S.
	2007 ^P	2006 ^R	% Chnge	
United States	38,611	36,714	5.2	
California	41,571	39,626	4.9	7
Texas	37,187	35,166	5.7	21
New York	47,385	44,027	7.6	4
Florida	38,444	36,720	4.7	20
Illinois	40,322	38,409	5.0	16
Pennsylvania	38,788	36,825	5.3	19
Ohio	34,874	33,320	4.7	28
Michigan	35,086	33,788	3.8	26
Georgia	33,457	32,095	4.2	38
North Carolina	33,636	32,247	4.3	36

Note: ^P Preliminary, ^R Revised

Source: U.S Bureau of Economic Analysis and Census Bureau

Per Capita Personal Income South Region[^] 2006-2007

State	Per Capita Personal Income		Rank in U.S.	
	2006 ^R	2007 ^P	2006 ^R	2007 ^P
United States	36,714	38,611	N/A	N/A
Alabama	30,894	32,404	41	42
Arkansas	28,473	30,060	48	48
Delaware	39,131	40,608	11	12
District of Columbia	57,746	61,092	N/A	N/A
Florida	36,720	38,444	20	20
Georgia	32,095	33,457	36	38
Kentucky	29,729	31,111	46	46
Louisiana	31,821	34,756	40	31
Maryland	43,788	46,021	5	5
Mississippi	27,028	28,845	50	50
North Carolina	32,247	33,636	34	36
Oklahoma	32,391	34,153	32	33
South Carolina	29,767	31,013	45	47
Tennessee	32,172	33,280	35	39
Texas	35,166	37,187	21	21
Virginia	39,540	41,347	9	9
West Virginia	28,206	29,537	49	49

Source: Bureau of Economic Analysis (BEA); ^R Revised; ^P Preliminary

Note: Most recent data available for comparison purposes.

[^]South Region includes: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

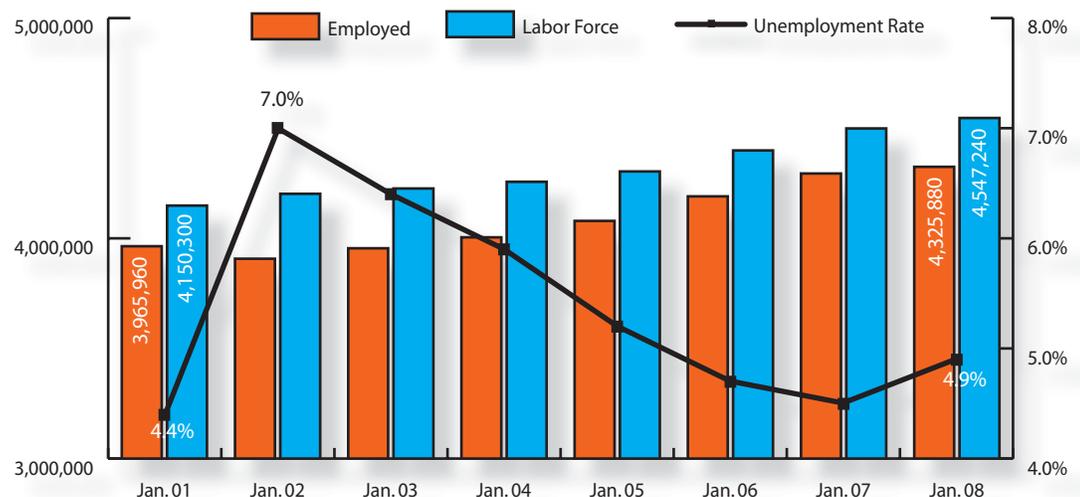
- In 2001, the state's PCPI was 90 percent of the national average, falling to 87 percent in 2007.
- North Carolina's Total Personal Income (TPI) ranked 13th in the nation in 2007, same as in 2001. The 2007 TPI reflected an increase of 6.8 percent from 2006, compared to the national increase of 6 percent.
- TPI in the Southeast Region of the United States grew 2.2 percent (national, 1.8%) between the first and second quarter of 2008. Almost all of the increase (1.4%) was as a result of the cash rebates the taxpayers received from the federal government in the spring.
- TPI net earnings grew 0.8 percent nationally in the second quarter 2008, up from 0.7 percent growth in the first quarter.
- Property Income also grew 0.2 percent nationally during the second quarter 2008 after dropping 0.1 percent in the first quarter.
- Transfer receipts (including the economic stimulus payments) grew 8.3 percent, up from 2.3 percent growth in the first quarter of 2008.

Labor Force Factors

- North Carolina's economy turned the new century mark following six years of high employment and low unemployment rates. Economists began to question whether full employment was experienced when the unemployment rate was at 3 percent rather than the traditional 5 percent.
- As the first year of the new century progressed, good times continued. Few, if any, had a suspicion that one of the biggest changes in North Carolina's industry infrastructure was about to happen.
- North Carolina's unemployment rate in March 2001 had increased to 5 percent from a low of 3.3 percent in 2000. By January 2002, the rate had reached a high of 7 percent, and then hovered in the 6-percent range during 2003. During this period, North Carolina's rural and urban workforce was fractured as manufacturing industries relocated to cheaper labor areas outside the United States.
- By December 2005, jobs became more abundant as the service providing sectors of the state's industrial base expanded. The unemployment rate had dropped to 5 percent.
- Mirroring the population growth in North Carolina since the beginning of the decade, the number of working-age people, either employed or seeking employment, created an increase in the Civilian Labor Force numbers by 9.6 percent between 2001 and January 2008, with 5.6 percent of that growth occurring since 2005.
- Employment followed a similar pattern, growing by 9.1 percent since 2001, again with 6 percent of that growth occurring since 2005.
- Unemployment rates hit a high in January 2002 (7%), reflecting the economic situation in North Carolina and the nation following the 2001 recession.
- By 2007, the majority of the unemployed had settled into jobs, resulting in an unemployment rate of 4.5 percent in January.

- However, by January 2008, the unemployed numbers began to swell, again reflecting a nationwide economic decline. With an increase in the price of oil and a crisis in the financial markets — in particular, the home mortgage arena — the unemployment rate had risen to a preliminary 7 percent in North Carolina by September (6.1% nationwide).

North Carolina Employed, Civilian Labor Force
And Unemployment Rate Comparison
January 2001-January 2008
(Seasonally Adjusted)



Source: LMID, Local Area Unemployment Statistics (LAUS)

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- Adding to the expansion of the service providing industries, goods producing jobs also slowly increased in selected areas in 2006. This steady growth in employment, plus the number of those looking for jobs resulted in the Civilian Labor Force numbers averaging 4.5 million, while the unemployment rate hovered in the 4-percent range in 2007.
- Slowly, by May 2008, the economic conditions nationwide and in North Carolina began to show signs of trouble in areas of the economy other than Manufacturing. Problems were surfacing in Construction and the housing markets. Employment began a downward trend, as the unemployed numbers continued an increase that had slowly edged up each month since the beginning of the year.
- Interestingly, the North Carolina labor force reached its all-time high in July 2008 (4,603,062) as a result of new entries into the labor force. This group added heavily (33,638) to the unemployment numbers and slightly increased (9,711) the number employed. This resulted in an unemployment rate of 6.6 percent.
- By fall 2008, as the national financial and housing market crisis escalated, unemployment in North Carolina grew and employment struggled to contain workers. As a result, the unemployment rate rose to 6.9 percent, initiating Extended Benefits for the long-time unemployed in August, then increasing to 7 percent by September.

- By early October, Congress passed a national relief package designed to assist the financial markets and stimulate the economy. Time will indicate the success of their efforts.

Largest States' Local Area Statistics January 2001 to January 2008 (Seasonally Adjusted)

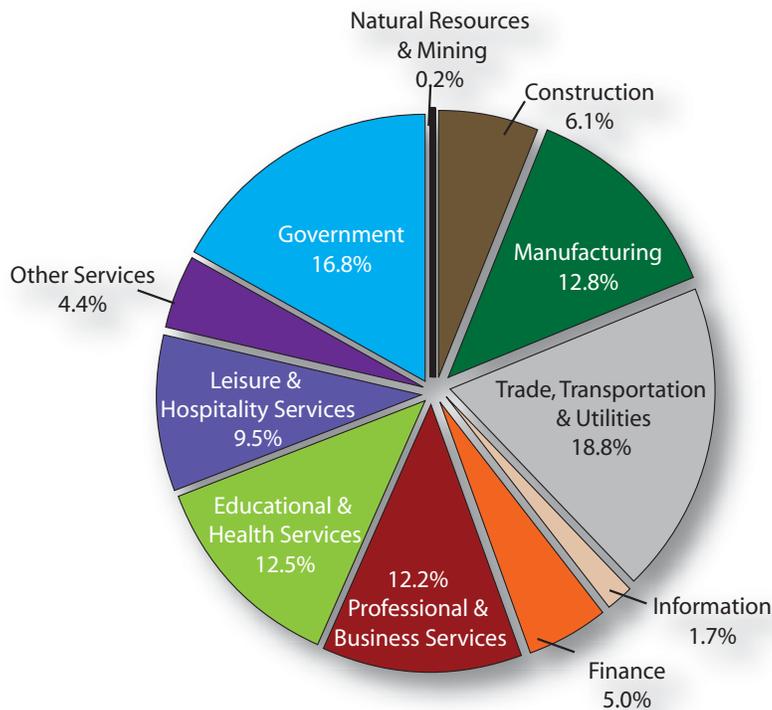
State	Civilian Labor Force			Unemployment Rate		
	Jan. 2001	Jan. 2008	Percent Change	Jan. 2001	Jan. 2008	Sept. 2008 ^P
California	17,249,900	18,297,800	6.1%	4.5%	5.9%	7.7%
Texas	10,493,500	11,613,900	10.7%	3.8%	4.3%	5.1%
New York	8,972,300	9,600,300	7.0%	4.2%	5.0%	5.8%
Florida	7,674,900	9,263,800	20.7%	3.8%	4.6%	6.6%
Illinois	6,377,900	6,787,900	6.4%	4.8%	5.6%	6.9%
Pennsylvania	6,067,500	6,361,000	4.8%	4.3%	4.8%	5.7%
Ohio	5,910,200	5,976,700	1.1%	4.1%	5.5%	7.2%
Michigan	5,238,800	5,003,300	-4.5%	4.5%	7.1%	8.7%
Georgia	4,210,900	4,864,800	15.5%	3.5%	4.9%	6.5%
North Carolina	4,007,900	4,546,200	13.4%	4.2%	4.9%	7.0%

Source: Bureau of Labor Statistics (BLS) ^P Preliminary

- Having survived the 2001 recession, the largest states, by population counts, charted a path of economic recovery through 2008.
- However, slowdowns within the Automobile Manufacturing industry in Michigan had created layoffs. These job losses were reflected in Michigan's January 2008 unemployment rate (7.1%), the highest state rate in the nation. As of September 2008, this rate had jumped to 8.7 percent.
- Rising fuel costs and financial problems, caused by over-priced home values and over-financed home mortgages, also had an effect on the economies of other states that had enjoyed low unemployment, such as Georgia and Florida.
- North Carolina's unemployed percentage (7%) by September 2008 outpaced the nation's (6.1%) by 0.9 of a percentage point.

Nonfarm Industry Employment

North Carolina Employment By Major Industry January 2008 (Seasonally Adjusted)



Source: LMID, Current Employment Statistics (CES)

- In North Carolina, the decade 2000-2010 will be remembered as the period that the state's industrial infrastructure was uprooted. Making use of new and expanded trade laws between selected countries, major manufacturing companies relocated, thus leaving many dislocated workers behind with the necessity of learning new skills.
- Even with the loss of manufacturing jobs, Total Nonfarm employment in North Carolina increased 6.2 percent between January 2001 and January 2008.
- Following the 2001 recession, Manufacturing employment shrank from 18.8 percent of North Carolina's industry mix to 12.8 percent beginning 2008.
- Recovering from the 2001 economic recession, the Service Providing sector's growth outpaced the Manufacturing losses.
- As the population grew and needs arose, Educational & Health Services added 33.8 percent more jobs by January 2008; Leisure & Hospitality, 22.2 percent; and Professional & Business Services, 20.4 percent.
- The job growth in Professional & Business Services reflected a growth in Employment Services, in particular, Temporary Help Services.

North Carolina Industry Employment Comparison January 2001-January 2008 (Seasonally Adjusted)

Industry Sector	January 2001	January 2008	Numeric Change	Percent Change
Total Nonfarm	3,943.8	4,189.7	245.9	6.2
Construction	231.5	256.6	25.1	10.8
Manufacturing	743.4	534.2	-209.2	-28.1
Trade, Transportation & Utilities	758.3	786.5	28.2	3.7
Information	77.5	73.0	-4.5	-5.8
Financial	187.3	210.7	23.4	12.5
Professional & Business Services	425.1	511.9	86.8	20.4
Educational & Health Services	390.8	523.0	132.2	33.8
Leisure & Hospitality	326.9	399.6	72.7	22.2
Other Services	164.6	185.0	20.4	12.4
Government	630.2	702.2	72.0	11.4

Source: Bureau of Labor Statistics (BLS)

- Beginning January 2008, North Carolina and the nation once again began experiencing economic strains, but this time in a different arena — the financial market, resulting in part from defaults on home mortgages. This, in turn, affected a spectrum of industries, including Construction. A steady decline in Nonfarm employment developed over the following months, although there have been, to date, no major decreases in any industry sector with the exception of Manufacturing.
- As of September 2008, Manufacturing in North Carolina has continued to shed employment (3.8 %) since the beginning of the year, mainly in Textiles, Furniture and Apparel.
- Educational & Health Services, on the other hand, continues to show a steady growth — 2.8 percent since January. Educational Services includes Private Colleges, Universities and Professional Schools. Health Care & Social Assistance Services has seen growth in most areas, also in particular, Ambulatory Health Care Services, Hospitals, Nursing & Residential Care Facilities and especially, Social Assistance.
- Other growth industries during this period are located in Leisure & Hospitality Services, including the Arts, Entertainment & Recreation, Accommodation, and Food Services & Drinking Places.
- To date this year, Professional & Business Services has lost 2.4 percent of the workforce in this major sector, while Information (down 1.5%) and Trade, Transportation & Utilities (down 1.4%) also are feeling the negative effects of the national financial markets.
- Of note, however, in North Carolina, most jobs in Financial Activities remain relatively solid to date, gaining a small 0.2 percent so far this year.
- As national and global financial problems continue to affect the economy in 2008, banks are adopting tighter reins on money lending in hopes of remaining solvent. Meanwhile, some businesses struggle to exist, awaiting answers to troubling economic problems.

North Carolina Industry Employment, Statewide January 2008-September 2008 (Seasonally Adjusted)

<i>NAICS Industry</i>	<i>Jan.</i>	<i>Feb.</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.^P</i>
Total Nonfarm	4,189.7	4,189.0	4,183.1	4,176.5	4,171.5	4,174.4	4,160.2	4,168.2	4,160.8
Natural Resources & Mining	7.0	7.0	7.1	7.1	7.0	6.9	7.0	6.9	6.9
Construction	256.6	257.5	258.9	258.4	258.6	255.3	253.2	254.5	254.2
Manufacturing	534.2	532.2	527.8	525.3	523.9	520.9	518.5	517.4	513.9
Trade, Transportation & Utilities	786.5	785.1	785.8	782.1	778.9	779.1	776.6	776.2	775.8
Information	73.0	73.0	72.8	72.6	72.5	72.3	72.1	71.8	71.9
Financial Activities	210.7	210.6	210.9	209.7	210.8	211.5	211.9	211.7	211.2
Professional & Business Services	511.9	509.4	503.0	503.3	504.3	503.5	503.0	500.1	499.5
Educational & Health Services	523.0	525.0	527.3	528.9	530.7	533.5	534.3	536.0	537.6
Leisure & Hospitality Services	399.6	400.9	399.8	399.7	401.2	401.9	401.7	403.2	403.4
Other Services	185.0	185.8	185.9	185.8	185.4	185.2	183.5	182.4	182.3
Government	702.2	702.5	703.8	703.6	698.2	704.3	698.4	708.0	704.1

Source: Current Employment Statistics (CES), Labor Market Information Division (LMI); P Preliminary

States With The Largest Nonfarm Employment January 2001–January 2008

(Seasonally Adjusted)

State	January 2001	January 2008	Percent Change
California	14,722.8	15,141.7	2.8
Texas	9,541.7	10,485.5	9.9
New York	8,696.0	8,785.6	1.0
Florida	7,141.4	8,047.9	12.7
Illinois	6,045.4	6,008.8	-0.6
Pennsylvania	5,715.9	5,811.7	1.7
Ohio	5,606.1	5,432.2	-3.1
Michigan	4,606.9	4,232.9	-8.1
North Carolina	3,943.9	4,189.7	6.2
Georgia	3,984.8	4,180.4	4.9
New Jersey	3,995.0	4,074.0	2.0
Virginia	3,529.0	3,767.2	6.7

Source: Bureau of Labor Statistics (BLS)

- Among the states with the largest Nonfarm employment, North Carolina ranked 11th in January 2001 with 3,943,900 jobs.

- By January 2008, job counts placed North Carolina ninth in the nation with 4,189,700 employment — a 6.2 percent growth.

- Florida (12.7%), Texas (9.9%) and Virginia (6.7%) were the only states in the nation that exceeded North Carolina's job growth during the seven-year period.

- Although North Carolina experienced large Manufacturing losses during the 2001 recession, a diversified industry and labor-supply infrastructure absorbed the losses by encouraging new research and product development, as well as providing service-oriented jobs to complement the growing population.

- North Carolina, between January 2001 and January 2008, lost 29 percent of not seasonally adjusted Manufacturing employment. Hardest hit were Apparel (63%); Textiles (60%); Electrical Equipment & Appliances (41%); Furniture (37%) and Computer & Electronic Product (32%).

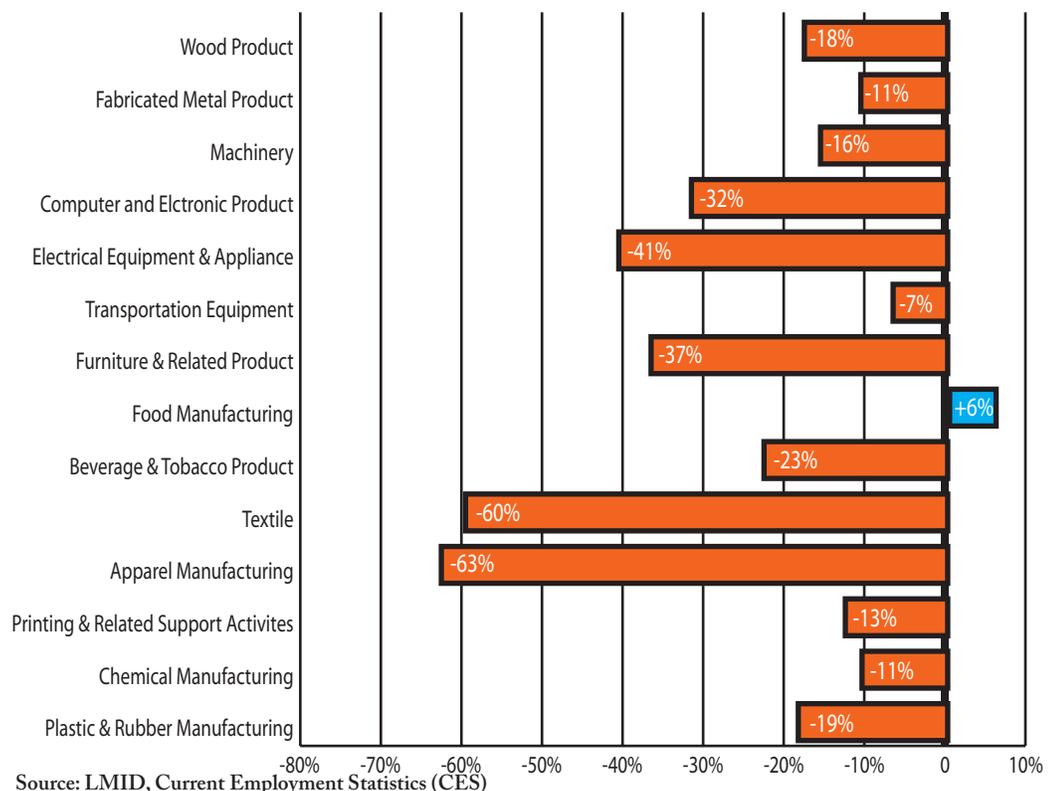
- A big loser, the Textile industry was paying on average \$631 weekly beginning 2008. The total Manufacturing average wage was \$928.

- The only manufacturing industry to gain employment during the period was Food Processing (5.7%). This industry began 2008 paying an average weekly wage of \$594 and employing approximately 53,600 (10% of the total manufacturing employment).

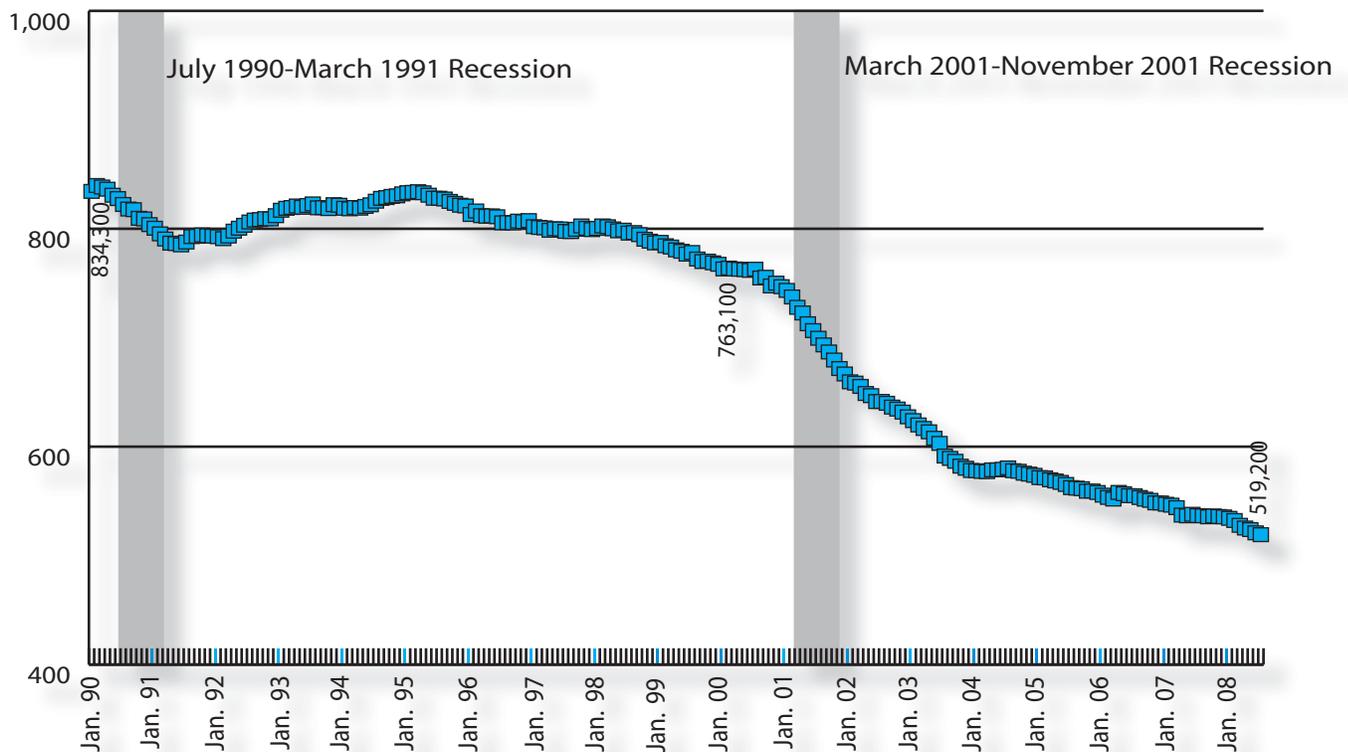
Employment Change in North Carolina's Manufacturing Industries

January 2001 Compared to January 2008

(Not Seasonally Adjusted)



Manufacturing Employment Change in North Carolina January 1990 Compared to January 2008 (Seasonally Adjusted)



Source: Bureau of Labor Statistics (BLS) Note: August 2008 data are preliminary, while all other 2008 data are revised and previous years' data are benchmarked to year 2006.

- Although some higher paying manufacturing industries lost employment over the seven-year period, the losses were not substantial. For instance, Computer & Electronic Product, with an average weekly wage of \$1,753 beginning 2008, had lost 32 percent of the industry's jobs since 2001, but still contains approximately 8 percent of the Manufacturing employment and is slowly showing positive growth. This industry group is also an "added value" within the North Carolina Gross Domestic Product.
- Another industry, Chemical Manufacturing (\$1,418 average weekly wage) downsized by 11 percent, but still had 41,100 employment, or 8 percent of total Manufacturing employment in 2008.
- Although North Carolina's historic manufacturing industries, such as Textiles, Furniture & Apparel, have lost many production jobs because of competitive labor costs, good news is projected for the manufacturing opportunities that remain, such as those in the research arena.

States With Largest Employment In Manufacturing January 2001 Compared to January 2008

(Seasonally Adjusted)

State	January 2001	January 2008	Percent Change
Virginia	355.8	274.3	-22.91
New Jersey	417.4	309.7	-25.80
Florida	458.9	377.4	-17.76
Georgia	531.4	427.1	-19.63
North Carolina	743.4	534.2	-28.14
New York	741.1	544.5	-26.53
Michigan	853.2	597.0	-30.03
Pennsylvania	857.3	649.1	-24.29
Illinois	851.6	677.0	-20.50
Ohio	998.6	766.4	-23.25
Texas	1,063.1	932.2	-12.31
California	1,865.9	1,450.1	-22.28

Source: Bureau of Labor Statistics (BLS)

- All states have felt the economic impact of the loss of jobs in manufacturing, but some have been hurt more than others.

- Michigan, whose January 2008 unemployment rate ranks high in the nation (7.1%), has lost 30 percent of the state's manufacturing jobs over the seven-year period. Layoffs were mainly located in the Automobile Manufacturing industry.

- Today, North Carolina still leads the nation in textile employment. With the mass relocation of Textile industries to areas with cheaper labor during and following the 2001 recession, North Carolina mirrored Michigan's unemployment numbers, losing 28 percent (seasonally adjusted) of this industry's jobs since January 2001.

- As a result of the industry relocations, mainly in Textiles, North Carolina also leads the nation with participants in the Trade Readjustment Act (TRA/TAA) program, receiving monetary benefits as well as specialized skill training through accredited educational institutions and local Workforce Board approved training programs.

- The first decade of 2000 certainly reflects North Carolina's Service Providing industry growth.

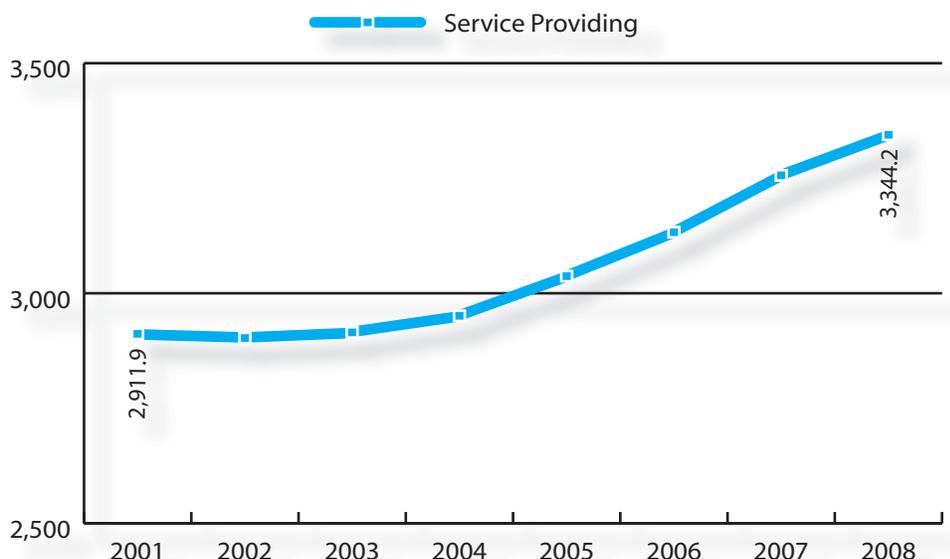
- Although this growth slowed slightly during the 2001 recessionary period, each year since has seen significant increases. Overall, Service Providing industries' employment increased 15 percent during the seven years.

- However, the other source of North Carolina's employment, Goods Producing industries (Natural Resources & Mining, Construction and Manufacturing), by 2008 had lost about one-fifth of the industries' January 2001 employment.

- Service Providing industries, beginning 2001, had three jobs for every one job in Goods Producing. By 2008, the ratio had increased to more than four to one.

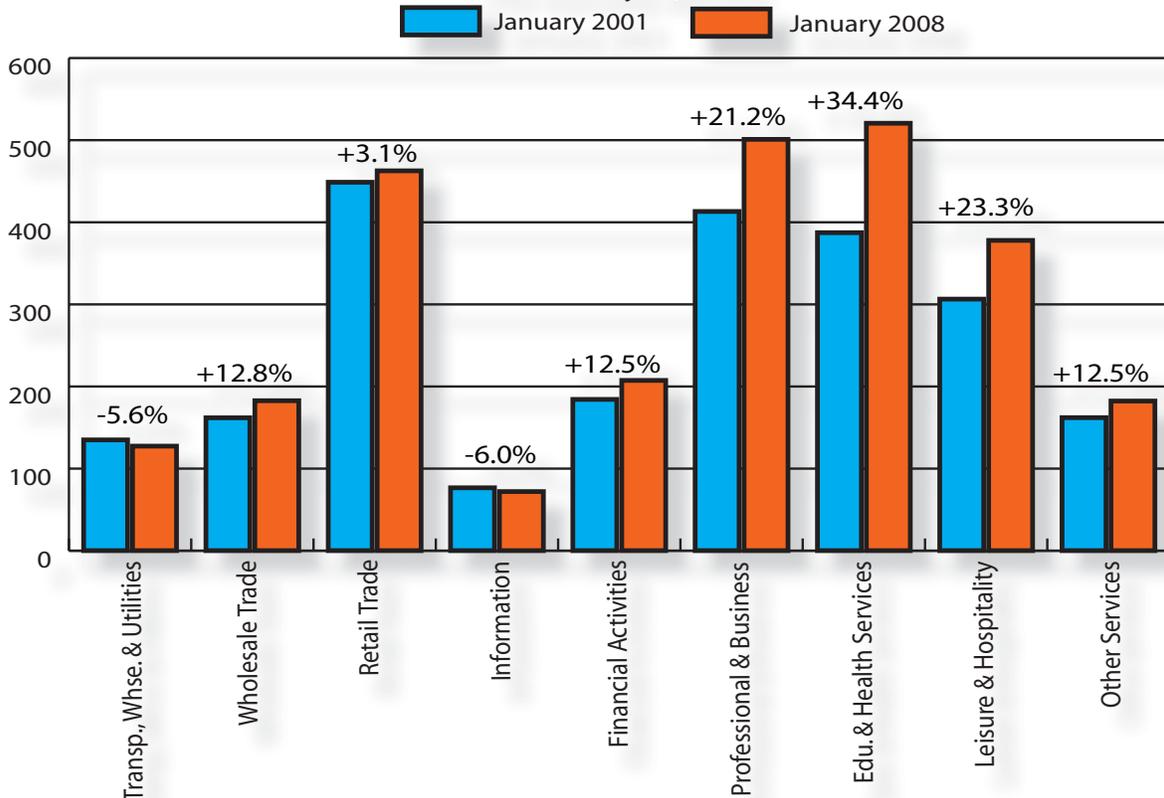
Total Service Providing Employment In North Carolina January 2001-January 2008

(Not Seasonally Adjusted)



Employment Change in North Carolina's Private Service Providing Industries January 2001 Compared to January 2008

(Not Seasonally Adjusted)



Source: LMID, Current Employment Statistics (CES)

- Educational & Health industries have outpaced all other Service Providing industries in growth since 2001.
- Within this major industry sector, Educational Services added 34 percent more jobs.
- Within the Health Services, Ambulatory Health Care Services increased 44 percent; Nursing & Residential Care Facilities, 25 percent; and, Hospitals, 19 percent.
- Reflecting a sign of the time, Leisure & Hospitality Services employment increased 23 percent in an effort to meet consumer demands. Food Services & Drinking Places added 27 percent more jobs, as the trend to eat out became a norm for those on the go.
- Also, before the increase in gasoline and diesel fuel in 2008, employment in Accommodation & Food Services increased 24 percent from January 2001.
- Another trend became popular within the Professional & Business Services sector. Employment Services' (temp agencies) employment grew 31 percent, as this form of employment was the choice of many employees, as well as employers.
- However, consumer confidence slowed Retail Sales to a mere 3 percent as the year 2008 began. (The Conference Board reported that the September Consumer Confidence Index was 59.8, about half of what it was a year ago and near the lowest [54.6 index] reported in October 1992.)

Industry Projections, 2006-2016

- Metropolitan areas are likely to continue to be the focus of growth.
- Rural areas will increasingly rely on technology and infrastructure in order to remain competitive.
- The projected outlook for North Carolina's statewide industries 10 years out is positive, with a few exceptions, such as Natural Resources & Mining and Manufacturing.
- As the North Carolina population grows and the older generation continues to outlive past generations, school systems and elderly care facilities must increase their employment to provide the services needed. Educational & Health Care Services employment is expected to grow 29 percent by 2016.

• Employment Services (containing Temp Services), the largest industry group within Professional & Business Services, has increased approximately 5 percent, employment-wise, between 2007 and 2008. Between 2006 and 2016, the Professional & Business Services employment overall is projected to also grow 29 percent.

• Retail and Wholesale Trade employment seems to keep up with population growth and consumer spending. These trends seem to fluctuate; however, positive growth is predicted. Transportation & Utility employment trends currently lean toward downsizing. But, over the 10-year period, Trade, Transportation & Utilities, as a whole, is predicted to increase 11 percent.

North Carolina Industry Projections 2006-2016

<i>State</i>	<i>2006</i>	<i>2016</i>	<i>Change</i>
Educational & Health Services	836,637	1,076,628	239,991
Professional & Business Services	473,879	609,571	135,692
Trade, Transportation & Utilities	777,597	865,710	88,113
Leisure & Hospitality	372,112	459,186	87,074
Construction	243,283	305,992	62,709
Financial Activities	200,688	235,976	35,288
Government (Except Edu. & Health)	267,900	301,291	33,391
Other Services (Except Government)	164,738	196,419	31,681
Information	72,854	76,933	4,079
Natural Resources & Mining	29,837	23,854	-5,983
Manufacturing	553,185	489,636	-63,549

Source: LMID, Projections Program

- Although the economy in 2008 reflected the effects of home-mortgage strains, Construction employment will continue to grow to meet the housing needs of the growing population in the state.
- Entertainment in the 2000s has become a mainstay. With a 23-percent projected employment growth by 2016 in Leisure & Hospitality industries, these numbers could increase with improvements and advancements in alternative fuel systems.
- Manufacturing growth in North Carolina is not a total negative. The industry does have a positive side. Transportation Equipment (15%); Computer & Electronic Product (4%); Primary Metal (4%); Chemical (3%); and Food (3%) are projected to show increased employment over the 10-year period.

North Carolina Projected Annual Industry Decline 2006-2016

North Carolina Projected Annual Industry Growth 2006-2016

<i>Industries With Declining Employment</i>	<i>Annual Loss</i>
Furniture & Related Product Manufacturing	2,156
Textile Mills	2,129
Apparel Manufacturing	1,139
Telecommunications	356
Electrical Equipment, Appliance & Component Mfg	356
Beverage & Tobacco Product Manufacturing	342
Utilities	217
Miscellaneous Store Retailers	206
Printing & Related Support Activities	201
Paper Manufacturing	160

Source: Projections Department, Labor Market Information Division (LMI)

<i>Industries With Growing Employment</i>	<i>Annual Openings</i>
Ambulatory Health Care Services	7,660
Administrative & Support Services	7,514
Educational Services	7,447
Food Services & Drinking Places	6,755
Professional, Scientific & Technical Services	5,236
Specialty Trade Contractors	4,060
Hospitals	3,379
Nursing & Residential Care Facilities	2,290
General Merchandise Stores	1,530
Amusement, Gambling & Rec. Industries	997

Source: Projections Department, Labor Market Information Division

Bioscience Industry Base

- In October 1984, the North Carolina Legislature established the North Carolina Biotechnology Center as the world's first government-sponsored organization dedicated to developing the biotechnology industry. Since 1984, the Biotechnology Center has invested more than \$200 million in state monies to develop biotechnology statewide. More information about the North Carolina Biotechnology Center may be found at <http://www.ncbiotech.org>.
- According to the North Carolina Biotechnology Center, "North Carolina has a strong base of Pharmaceutical Manufacturing and Biomanufacturing. With the recent commitment of \$64.5 million by the Golden LEAF and industry to build a statewide workforce training network in Biomanufacturing, the state assured companies already based in North Carolina and those that might come to the state that a supply of well-trained workers will be available."
- In 2007, North Carolina announced a Strategic Plan for Biofuels Leadership. In 2008, the North Carolina Board of Science and Technology announced that it would support the strategy through a \$1 million Green Business Fund that will make grants to start-up businesses in biofuels, as well as in green buildings.
- Ernst & Young, as quoted on the Center's web site, states that North Carolina has become the nation's third-leading state for biotechnology with 55,000 people working at about 450 bioscience companies.
- The largest biotech development in the state's history and one of the largest nationwide was announced by David Murdock, Dole Food Company owner. The plans include a 350-acre research campus in Kannapolis on a previous textile location, creating approximately 5,000 technology jobs with 30,000 supporting jobs, bringing in investments of \$1.5 million over the next 15 years. This project involves partnerships with the University of North Carolina and Community College systems, as well as Duke University, and hopes to attract 100 biotechnology companies.
- On Oct. 20, 2008, David Murdock announced that beverage maker, PepsiCo, will build a 4,000 square-foot lab on the campus. PepsiCo owns brands such as Frito Lay and Quaker Oats. Sixteen other businesses, as well as the educational partners mentioned above, have committed to the project. Murdock was in Kannapolis to open the 311,000 square-foot Core Lab, which offers \$100 million worth of specialty equipment and lab space for rent to tenants.

Growth in North Carolina's Bioscience Industry Base 2001-2006

<i>Industry Subsector</i>	<i>North Carolina</i>		<i>United States</i>	
	<i>2006</i>	<i>2001-2006 Change</i>	<i>2006</i>	<i>2001-2006 Change</i>
Agricultural Feedstock & Chemicals				
Establishments	60	1.3%	2,183	3.8%
Employment	4,635	3.0%	105,846	-6.1%
Location Quotient	1.50		N/A	
Drugs & Pharmaceuticals				
Establishments	72	-10.0%	2,654	1.9%
Employment	19,409	3.4%	317,149	4.0%
Location Quotient	2.10		N/A	
Medical Devices & Equipment				
Establishments	404	8.2%	15,215	0.3%
Employment	9,165	14.0%	422,993	-0.9%
Location Quotient	0.74		N/A	
Research, Testing & Medical Laboratories				
Establishments	602	27.9%	22,857	32.7%
Employment	16,005	56.9%	449,991	17.8%
Location Quotient	1.22		N/A	

Source: Technology, Talent and Capital: State Bioscience Initiatives 2008

Employee Compensation

- The BLS' June 2008 release, Employer Costs for Employee Compensation, states employers in the South census region paid employees an average of \$17.17 per hour worked in wages and salaries during the second quarter of 2008. Another \$6.73 was paid in benefits.
- The combined package of wages, salaries and benefits cost the employer in the South an average \$23.89 per hour worked. Nationally, the average cost was \$26.78.
- Legally Required Benefits cost the employer \$1.93, while Paid Leave costs \$1.49 per hour worked.
- Insurance, alone, consumes 7.4 percent of total compensation. Of this amount, Health Insurance costs almost 7 percent.
- In all, Total Benefits averaged 28 percent of the employee's total compensation.

Employer Costs Per Hour For Employee Compensation South Region[^] June 2008

<i>Compensation Component</i>	<i>June 2008</i>	
	<i>Cost</i>	<i>Percent</i>
Total Compensation	\$23.89	100%
Wages and Salaries	\$17.17	71.8%
Total Benefits	\$6.73	28.2%
Paid Leave	\$1.49	6.2%
Vacation	\$0.77	3.2%
Holiday	\$0.50	2.1%
Sick	\$0.18	0.8%
Personal	\$0.04	0.2%
Supplemental Pay	\$0.70	2.9%
Overtime & Premium	\$0.25	1.0%
Shift Differentials	\$0.06	0.3%
Nonproduction Bonuses	\$0.39	1.6%
Insurance	\$1.77	7.4%
Life	\$0.05	0.2%
Health	\$1.64	6.9%
Short-Term Disability	\$0.05	0.2%
Long-Term Disability	\$0.04	0.2%
Retirement and Savings	\$0.84	3.5%
Defined Benefits	\$0.32	1.3%
Defined Contribution	\$0.52	2.2%
Legally Required Benefits	\$1.93	8.1%
Social Security ³	\$1.15	4.8%
Medicare	\$0.28	1.2%
Federal Unemployment Insurance	\$0.03	0.1%
State Unemployment Insurance	\$0.09	0.4%
Workers' Compensation	\$0.38	1.6%

Source: Bureau of Labor Statistics, Employer Cost For Employee Compensation.

Note: May not sum due to rounding. Not adjusted for inflation. Most recent data available.

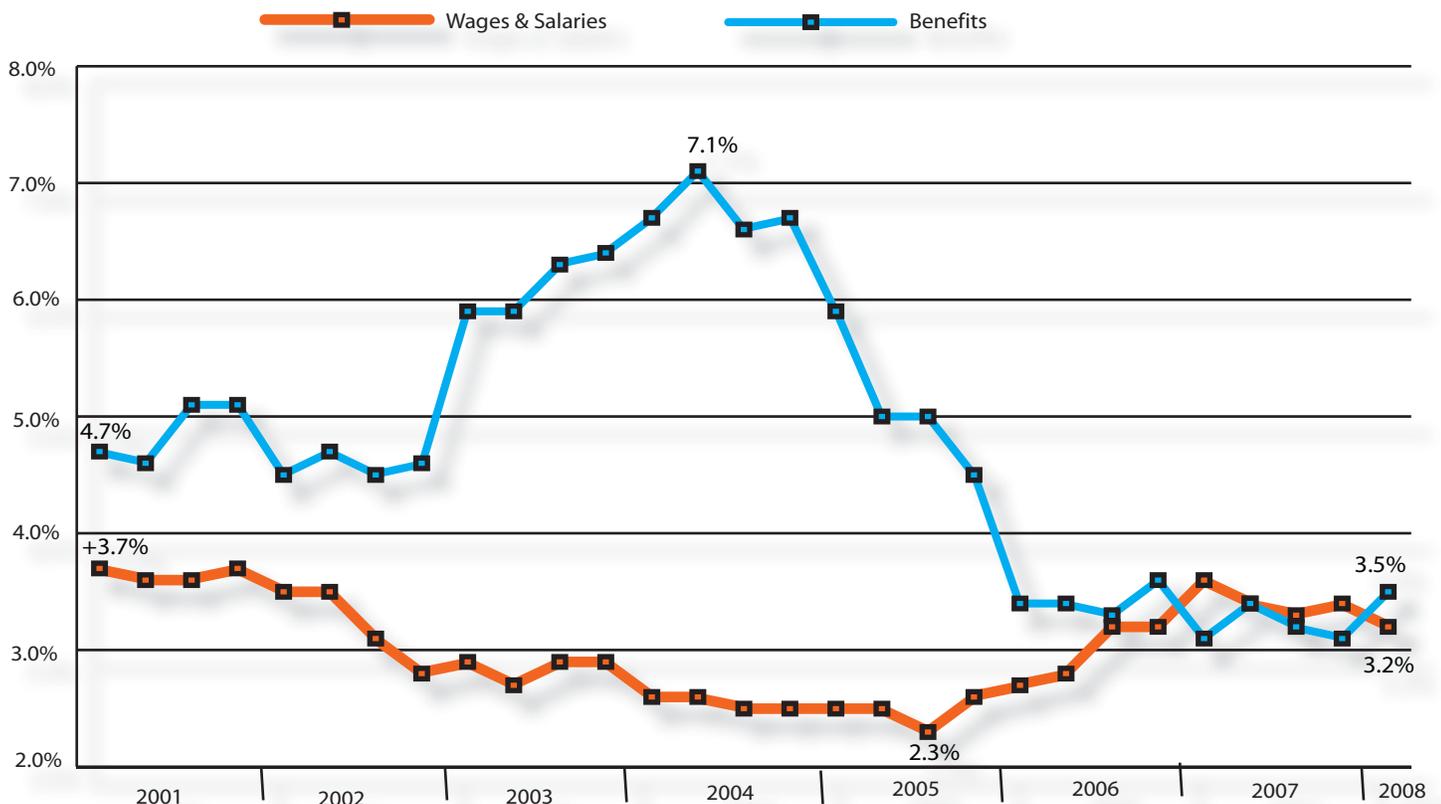
[^]South Region includes: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

³Comprises the Old-Age, Survivors' and Disability Insurance (OASDI) program.

Employment Cost Index

- The Employment Cost Index (ECI), a product of the National Compensation Survey, measures quarterly changes in compensation costs for civilian workers (Nonfarm private industry and state and local government workers).
- As of June 2008, the not seasonally adjusted ECI for total compensation for private industry workers in the South Atlantic region was 109.1 (December 2005=100). The same index was 106.0 in June 2007. Total compensation includes wages and salaries and employer costs for employee benefits.
- Between 2001 and 2008, Wages and Salaries percent change decreased during the recessionary and rebuilding period, but showed more change after 2006. Benefits, however, showed a trend of big changes through mid-2004, dropping considerably through 2006 and remaining fairly constant since.

Employment Cost Index For Civilian Workers
Nationwide
March 2001-March 2008



Source: Bureau of Labor Statistics (BLS)

Gross Domestic Product, 1st Qtr. 2001–2nd Qtr. 2008

- Forty years ago, U.S. Sen. Robert F. Kennedy remarked about the Gross Domestic Product (GDP) by saying that “the GDP measures everything...except that which makes life worthwhile.”
- More recently, Katherine Abraham, a former Bureau of Labor Statistics Commissioner and now a University of Maryland economist, stated about the report, “If you want to know what is going to happen next in the business cycle, the GDP, as it exists today, is enough. But if you are trying to figure out where we are headed as a society, then this sort of data (time-use survey) is a must.”
- Regarding this economic report, the Bureau of Economic Analysis stated that the Sept. 26, 2008 revised National Real GDP showed growth during 2007, with the exception of the 4th quarter when the percent change dropped from a growth of 4.8 percent during the 3rd quarter to a negative 0.2 percent. However, the first two quarters of 2008 have shown positive growth (0.9% 1st quarter and 2.8% for the 2nd quarter).

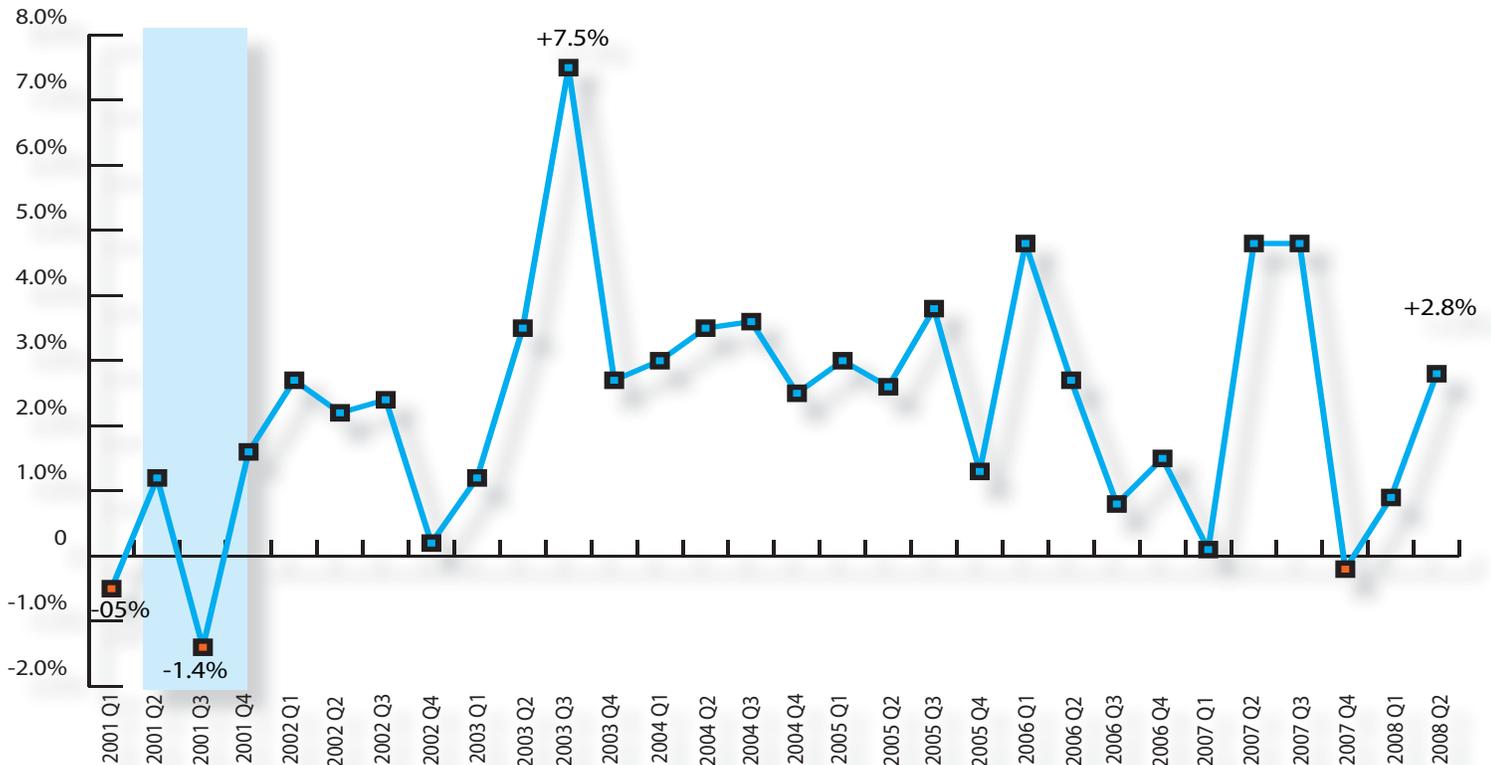
National Real Gross Domestic Product Quarterly Percent Change 2007–2008

(Seasonally Adjusted at Annual Rates)

	2007	2007	2007	2007	2008	2008
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Gross Domestic Product	0.1	4.8	4.8	-0.2	0.9	2.8
Personal Consumption Expenditures	3.9	2.0	2.0	1.0	0.9	1.2
Durable Goods	9.2	5.0	2.3	0.4	-4.3	-2.8
Nondurable Goods	3.5	1.9	1.2	0.3	-0.4	3.9
Services	3.1	1.4	2.4	1.4	2.4	0.7
Gross Private Domestic Investment	-9.6	6.2	3.5	-11.9	-5.8	-11.5
Fixed Investment	-3.4	3.0	-0.9	-6.2	-5.6	-1.7
Nonresidential	3.4	10.3	8.7	3.4	2.4	2.5
Structures	11.2	18.3	20.5	8.5	8.6	18.5
Equipment & Software	0.0	6.9	3.6	1.0	-0.6	-5.0
Residential	-16.2	-11.5	-20.6	-27.0	-25.1	-13.3
Exports	0.6	8.8	23.0	4.4	5.1	12.3
Goods	2.1	6.9	21.8	5.1	4.5	16.3
Services	-2.7	13.3	25.9	2.7	6.4	3.8
Imports	7.7	-3.7	3.0	-2.3	-0.8	-7.3
Goods	8.4	-4.0	2.4	-2.6	-2.0	-7.1
Services	4.2	-2.0	6.3	-0.9	5.5	-8.0
Government Consumption Expenditures & Gross Investment	0.9	3.9	3.8	0.8	1.9	3.9
Federal	-3.6	6.7	7.2	-0.5	5.8	6.6
National Defense	-5.9	8.5	10.2	-0.9	7.3	7.3
Nondefense	1.2	3.1	1.2	0.4	2.9	5.0
State & Local	3.6	2.4	1.9	1.6	-0.3	2.5

Source: Bureau of Economic Analysis (BEA)

North Carolina Percent Change In Real Gross Domestic Product
1st Quarter 2001-2nd Quarter 2008
(Chained Dollars)



Source: Bureau of Economic Analysis (BEA) Note: The recession period documented in the above graph represents the dates March 2001-November 2001.

- When considering the first two quarters of 2008, Durable Goods (Manufacturing of Transportation Equipment, etc.) reported decreases of 4.3 percent and 2.8 percent, respectively. Nondurables fell in the first quarter (0.4%), but rebounded in the second quarter (3.9%).
- Gross Private Domestic Investment fell in both quarters (5.8% and 12%). One positive area within the grouping was Nonresidential Structures, rising 18.5 percent. Residential, however, was a different story, showing a decline that started in the 1st quarter of 2006 and escalated in 4th quarter 2007 and 1st quarter 2008 (-27% and -25.1%). The 2nd quarter of 2008 showed a brighter report (-13.3%), although still in the negative.
- Exports of Goods and Services have continued to show positive growth over the period. Imports (Goods and Services) reflected negative change through the 2nd quarter of 2008.
- Government Consumption Expenditures and Gross Investments have continued with a positive growth since 4th quarter 2005.

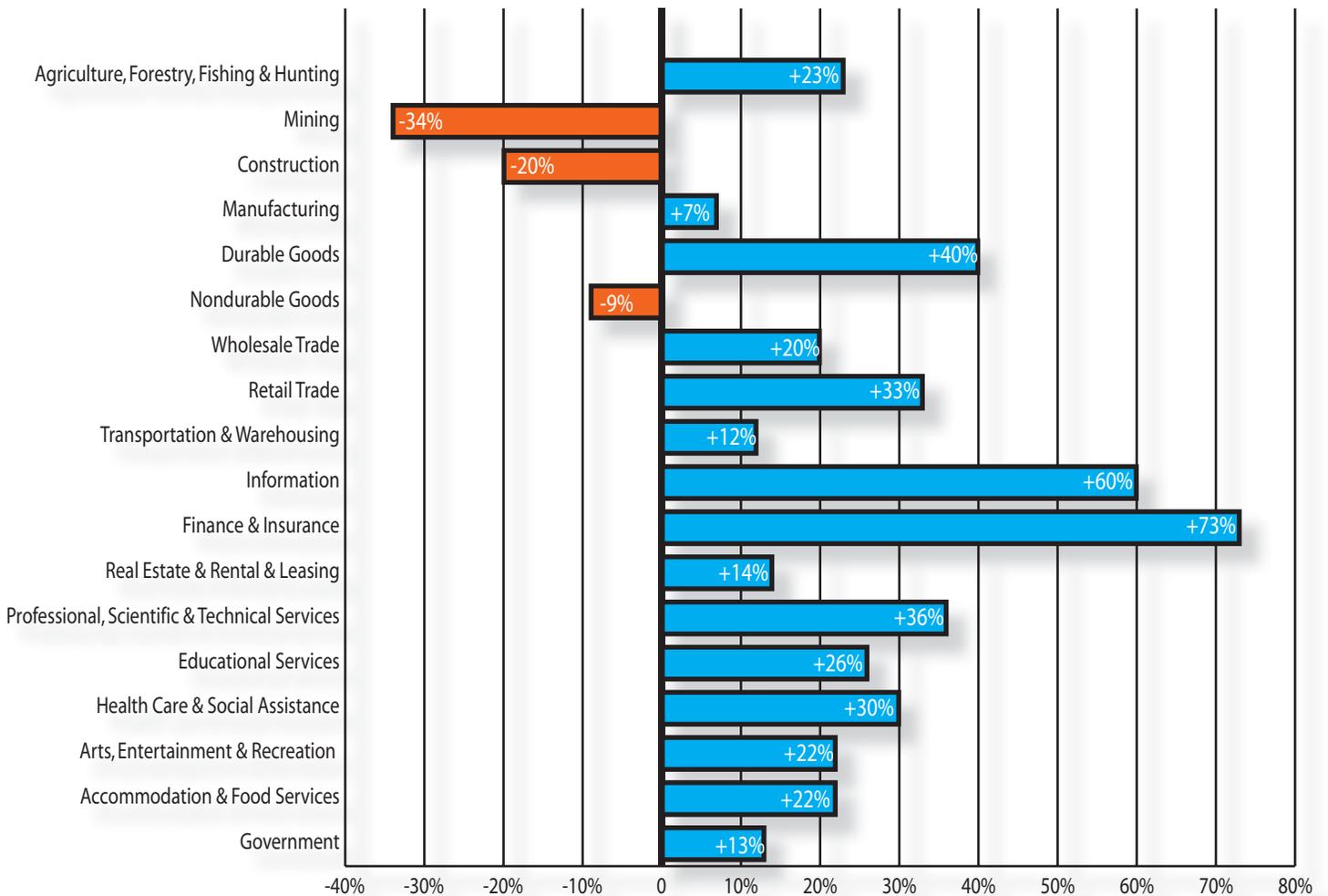
Top 10 States Ranked by Percent Change, 2006-2007 Real Gross Domestic Product

		<i>2006-2007</i>
<i>Rank</i>	<i>State</i>	<i>Percent Change</i>
1	Utah	5.3%
2	New York	4.4%
3	Washington	4.3%
4	Texas	4.1%
5	Oklahoma	4.0%
6	Montana	3.5%
7	Oregon	3.2%
8	North Dakota	3.0%
9	Hawaii	3.0%
10	Kansas	2.8%
19	North Carolina	2.2%
	United States	2.0%

Source: Bureau of Economic Analysis (BEA)

- Among the states with the largest GDP, monetarily, California represented 13.2 percent of the United States' total GDP value in the advanced estimates for 2007. Texas and New York followed at 8.3 percent and 8 percent, respectively.
- North Carolina's GDP value equates to 2.9 percent of the United States' total. Georgia has the same percentage.
- Nationally, real economic growth slowed from 3.1 percent in 2006 to 2 percent in 2007, one percentage point below the average growth of 3 percent for 2002-2006.
- The BEA states that the deceleration in growth in 2007 was most pronounced in Arizona, California, Florida and Nevada, each of which had experienced faster real growth than the nation since 2003.
- California's decline in 2007 was credited to Construction and Finance & Insurance, which combined took away more than one percentage point from the real GDP growth.
- North Carolina's change (2.2%) between 2006 and 2007 was in the 'next highest quintile.' The United States was 2 percent.
- Utah had the fastest economic growth in 2007 (5.3%), led by Durable Goods Manufacturing, Retail Trade and Real Estate, Rental & Leasing.
- New York, the only eastern state among the 10 fastest-growing states, increased 4.4 percent over the period. Finance & Insurance, along with Real Estate, Rental & Leasing accounted for 53 percent of the growth.
- Although Manufacturing has lost jobs since 2001 in North Carolina, the GDP value increased 7 percent, mainly within the Durable Goods products, such as the manufacture of Wood Product, Fabricated Metal, Machinery, Computer & Electronic Product and Transportation Equipment.
- In North Carolina, Finance & Insurance had the largest percentage increase (73%) during the period, as banking and financial institutions flourished in the Piedmont area.
- The product value of the Information industry, including Information & Data Processing; Motion Pictures & Sound Recording; Publishing; and Broadcast & Telecommunications increased a healthy 60 percent.
- Growth within Professional, Scientific & Technical Services was substantial at 36 percent. Activities within this group include Legal Services; Accounting & Bookkeeping; Payroll Services; Architectural Services; Engineering Services; and Specialized Design Services including Computer System Design and Related Services; Advertising Agencies; Veterinary Services; Human Resource Consulting Services; Public Relations Agencies such as Lobbying; and others.

Real Gross Domestic Product Growth In North Carolina by Industry 2001 Compared to 2007 (Chained Dollars)



Source: Bureau of Economic Analysis (BEA)

- Health Care & Social Assistance grew 30 percent. Included within this group are Medical Doctors, Dentists, Optometrists, etc., working in hospitals, outpatient care centers, medical laboratories, mental health facilities and elderly care centers. Child care centers are also included with this grouping.
- Retail Trade product activity increased 33 percent over the period, while Wholesale Trade grew by 20 percent.
- Educational Services grew by 26 percent to meet the needs of a growing population.
- Product value losses, however, occurred in Construction, down 20 percent, and Mining, down 34 percent.

Economic Analysis

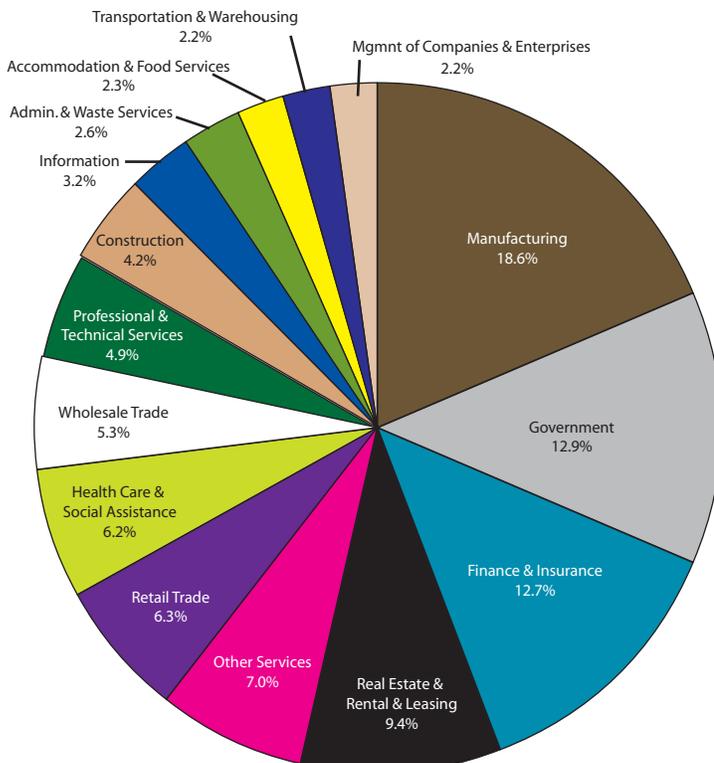
- As previously stated, Manufacturing lost jobs, but not product value between 2001 and 2007.
- Exceptional value increases were seen in the manufacturing of Computer & Electronic Product.
- Other large increases were also seen in the manufacture of Transportation Equipment, such as Motor Vehicle Body Trailer & Parts — 93 percent.
- Further Manufacturing product increases were in Machinery, Fabricated Metal, Paper, Printing, and Wood.
- Value decreases were recorded in the manufacture of Textiles; Electrical Equipment & Appliance; Food; Nonmetallic Mineral Product; Furniture; Apparel; Chemicals; and Plastic & Rubber.
- With the current growth within the Biosciences, the value of Chemical Manufacturing may begin to show positive product growth in the future in North Carolina.

North Carolina Gross Domestic Product Growth/Loss In Manufacturing Industries 2001 Compared to 2006 (In Millions, Chained Dollars)

Manufacturing Industry	2001	2006	Percent
Wood Product	1,522	1,731	14.0%
Fabricated Metal Product	2,860	3,540	24.0%
Machinery	2,835	3,752	32.0%
Computer & Electronic Product	4,281	15,293	25.0%
Electrical Equipment & Appliance	3,613	2,611	-28.0%
Furniture & Related Product	2,599	2,248	-14.0%
Food Manufacturing	17,952	17,703	-1.4%
Textile & Textile Product Mill	3,917	2,872	-2.7%
Apparel	1,855	1,696	-9.0%
Printing & Related Support Activities	935	1,041	11.0%
Chemical	12,247	11,294	-8.0%
Plastic & Rubber	2,767	2,742	-1.0%
Motor Vehicle, Body, Trailer & Parts	1,819	3,508	93.0%

Source: Bureau of Economic Analysis (BEA)

Gross Domestic Product in North Carolina By Selected Major Industry As a Percent of the State Total, 2007^P (Chained Dollars)

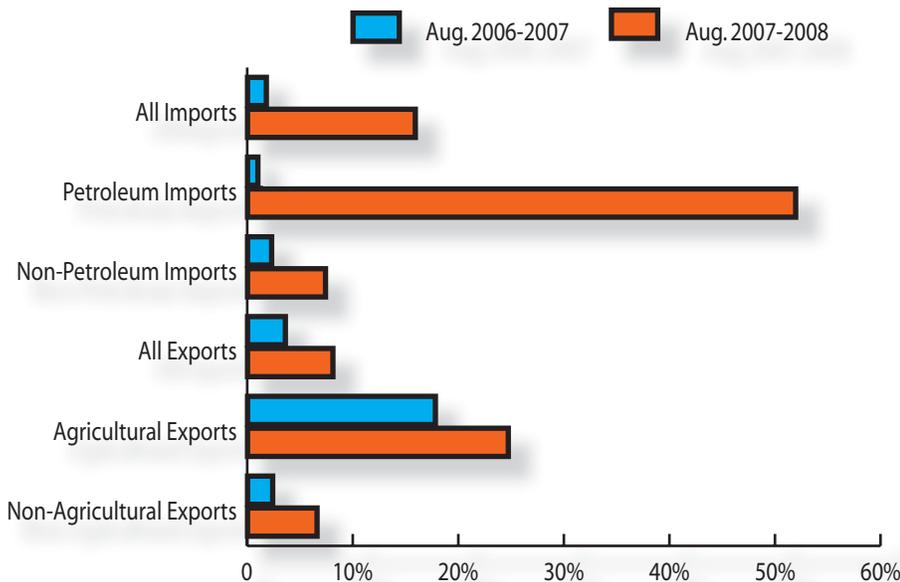


Source: Bureau of Economic Analysis (BEA) ^P Preliminary

- Manufacturing's GDP during 2007 led other products and services as a percent of the total GDP in North Carolina at 18.6 percent. As a comparison, Manufacturing was the fourth largest group in relation to jobs in North Carolina, but was only 13.3 percent of total jobs.
- Government, at 12.9 percent, follows as a GDP leader. Public school teachers and workers are included in this group.
- Finance & Insurance in 2007 was 12.7 percent, while Real Estate, Rental & Leasing was 9.4 percent of the total. Not reflected in these numbers are the 2008 economic strains felt by these industry groups.
- Retail Trade when summed with Wholesale Trade, and Transportation & Warehousing provide the second-largest product value, although these summed industries were the largest when considering the state's total jobs.
- Professional & Technical Services comprised 4.9 percent of the total, while Construction, although lesser in value since 2001, was 4.2 percent. Construction also would feel the strains of the economic situation in 2008 in North Carolina and the nation.

Export/Import

Percent Changes in National Import/Export Indexes By End Use Category *(Not Seasonally Adjusted)*



Source: U.S. Department of Commerce

- National import prices rose 16 percent between 2007 and 2008. However, the first decrease for 2008 was in August, falling 3.7 percent. This was the largest one-month decline since the monthly index was published in December 1988.
- The August import decrease was led by a 12.8 percent decline in petroleum prices — the largest monthly drop since April 2003.
- Export prices were also down 1.7 percent in August 2008 — the first monthly decline since October 2006.
- Augusts' export decline was led by a 9.6 percent drop in agricultural prices.
- Export prices, however, rose 8.2 percent from August 2007-August 2008.

- Import air passenger fares and air freight costs increased since August 2007 by 15.8 percent and 21.5 percent, respectively, although both shared negative numbers between July and August 2008.
- “The weak dollar has helped drive oil prices to historic highs and curbed overseas vacations, but it also has boosted exports, with almost \$40 billion in goods heading from North Carolina and South Carolina to other countries last year, U.S. Department of Commerce data show. That’s an increase of almost 64 percent in the past five years,” states Jefferson George, a reporter for the *Charlotte Observer*.
- According to the U.S. Department of Commerce, exports from the Carolinas increased approximately 15 percent in 2007.
- Canada is the main destination for the exports from the Carolinas, with a dollar value of \$5.6 billion in 2007. Japan is second with \$1.8 billion.

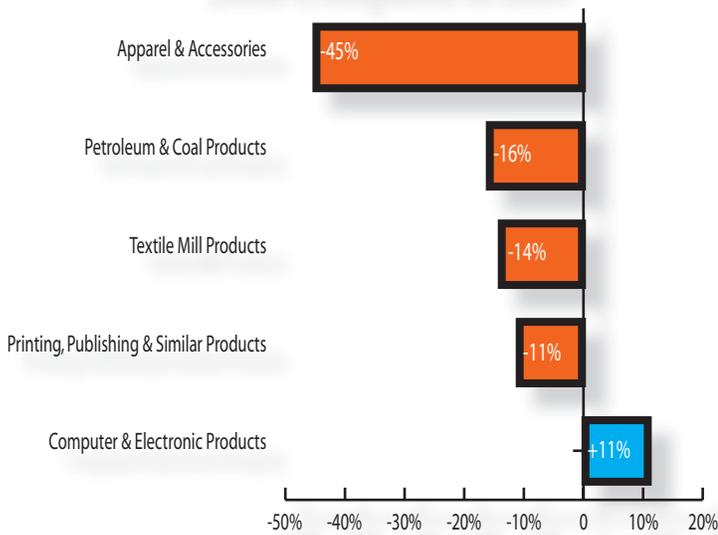
Percent Changes in National Import and Export Price Indexes By End Use Category August 2006-August 2008 *(Not Seasonally Adjusted)*

	<i>All Imports</i>	<i>Petroleum Imports</i>	<i>Non Petroleum Imports</i>	<i>All Exports</i>	<i>Agriculture Exports</i>	<i>Nonagriculture Exports</i>
Aug. 2006 to 2007	1.9	1.1	2.4	3.7	17.9	2.5
Aug. 2007 to 2008	16.0	52.0	7.5	8.2	24.8	6.7

Source: Bureau of Labor Statistics (BLS)

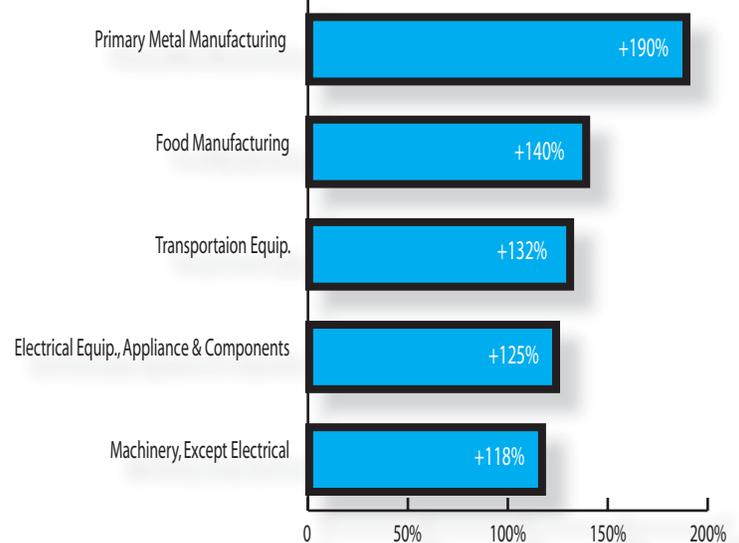
- China, now the third-largest destination for exported goods, has increased importing goods from North Carolina yearly.
- Exported North Carolina products to other countries range from synthetic wine corks to manufactured chemical and primary metal products.
- Mexico and France are the fourth and fifth largest North Carolina export recipients, \$1.7 billion and \$971 million, respectively.
- Some North Carolina industries, however, have experienced a decrease in export value since the turn of the century, such as Textiles and Apparel.

**North Carolina Exports-Least Growth
2002 Compared to 2007**



Source: U.S. Department of Commerce

**North Carolina Exports-Most Growth
2002 Compared to 2007**



Source: U.S. Department of Commerce

National Producer Price Index

- The Bureau of Labor Statistics' Producer Price Index (PPI) measures the average change over time in prices received by domestic producers of goods and services, whereas, the Consumer Price Index (CPI) measures price change from the purchaser's perspective.
- The primary use of the PPI is to deflate revenue streams in order to measure real growth in output, while the CPI is used to adjust income and expenditures streams for changes in the cost of living.
- Tracking the average change in prices over time, domestically produced commodities show that the PPI index had increased since the beginning of 2008 until the month of August when Finished Goods (-0.9%), Intermediate Goods (-1.0%), and Crude Goods (-11.9%) all showed decreases in value.

**National Percent Change, Producer Price Index
September 2008
Selected Stage of Processing Indexes
(Seasonally Adjusted)**

Month	Total Percent Change	Finished Goods				Intermediate Goods	Crude Goods
		Foods	Energy	Except Foods & Energy	Change in Finished Goods from 12-Months Ago		
2007							
Sept.....	0.5	1.1	1.2	0.1	4.4	0.0	0.9
Oct.....	0.5	1.3	1.1	0.1	6.1	0.6	4.0
Nov.....	2.6	-0.2	11.7	0.3	7.3	2.9	6.8
Dec.....	-0.5	1.3	-3.5	0.1	6.2	0.2	1.8
2008							
Jan.....	1.2	1.7	2.2	0.6	7.4	1.2	2.9
Feb.....	0.3	-0.6	1.0	0.4	6.5	0.9	3.9
March.....	0.9	1.4	2.5	0.1	6.7	2.4	6.7
April.....	0.3	0.0	-0.1	0.5	6.4	1.0	4.7
May ⁽¹⁾	1.4	0.7	4.8	0.3	7.2	2.6	6.6
June ⁽¹⁾	1.8	1.5	6.0	0.2	9.2	2.1	3.7
July.....	1.2	0.3	3.1	0.7	9.8	2.7	4.2
Aug.....	-0.9	0.3	-4.6	0.2	9.6	-1.0	-11.9
Sept.....	-0.4	0.2	-2.9	0.4	8.7	-1.2	-7.9

Source: Bureau of Labor Statistics (BLS)

* Indexes on a December 1997=100 base

⁽¹⁾ Some of the figures shown above and elsewhere in this release may differ from those previously reported because data for May and June 2008 have been revised to reflect the availability of late reports and corrections by respondents.

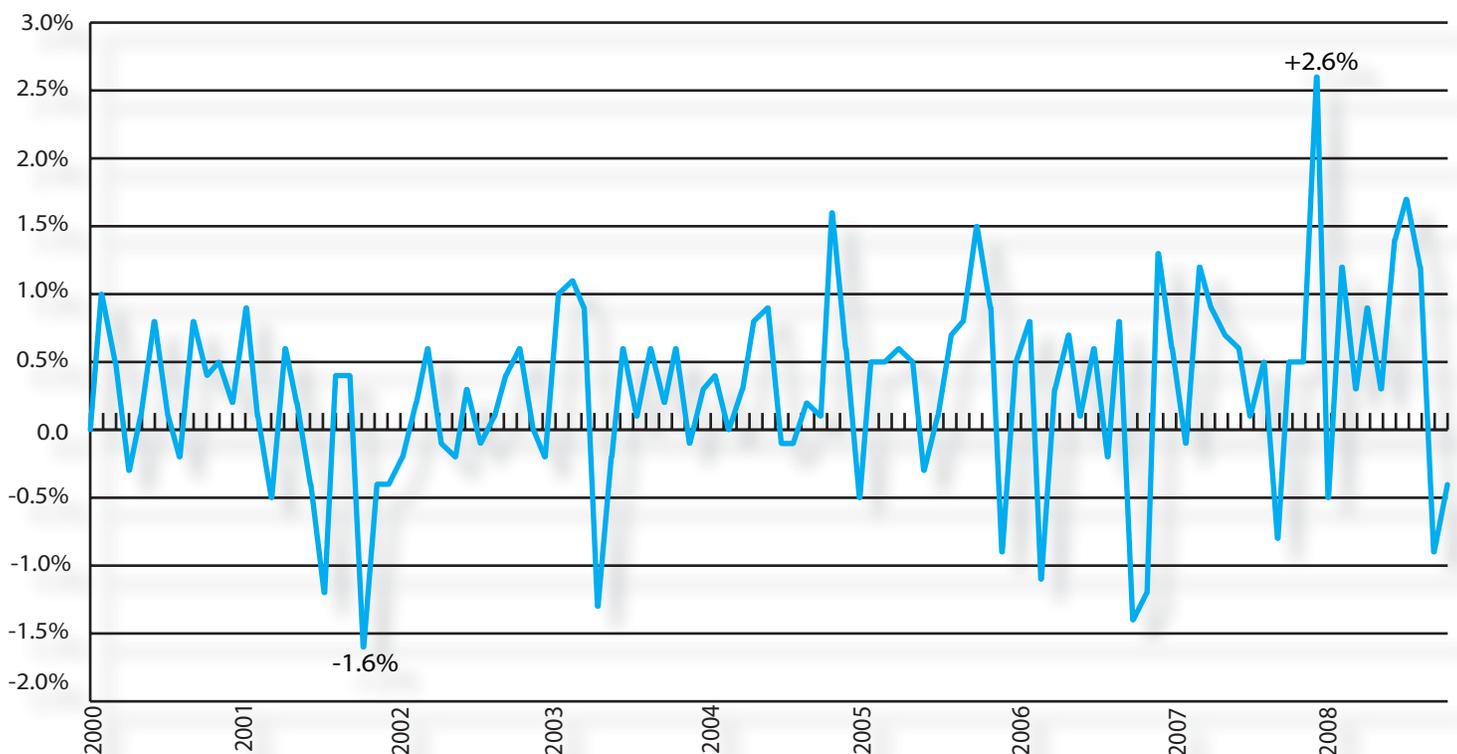
- Over the year, Finished Goods' value had increased 8.7 percent; Intermediate Goods, 15.4 percent; and Crude Goods, 26 percent.
- Finished Goods continued to decrease in September (0.4%) after having grown 8.7 percent over the 12-month period; comparatively, the prices for Finished Goods decreased 1.8 percent between 2001 and 2002.
- Between August and September 2008, increases were seen in Finished Goods' Foods (0.2 %) and Except Foods & Energy (0.4%). Both also increased in value over the year.
- Energy declined 2.9 percent in September, following a 4.6 percent decrease in August, 3.1 percent advance in July, 5.4 percent in June and 5.3 percent in May. Included in this grouping was liquefied petroleum gas, industrial natural gas, home heating oil, diesel fuel, gas and kerosene.
- Within the Finished Goods except Foods and Energy, the increase in the index accelerated to 0.4 percent from 0.2 percent in August. Values increased in prices for pharmaceutical preparations; civilian aircraft; industrial trucks and tractors; and light motor trucks and passenger cars, while pet food, heavy motor trucks, and medical, surgical and personal aid devices fell in September.

Economic Analysis

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- Conversely, the index for residential electric power and finished lubricants went down in September after advancing in August.
- Intermediate Goods decreased 1.2 percent over the month, following a 1 percent decrease in August. Excluding Foods and Energy, prices for Intermediate Goods moved down 0.3 percent in September after climbing 1.7 percent in August.
- Crude Goods fell 1.1 percent in Food after dropping 5.2 percent in August; 11.7 percent in Energy after a previous 19.4 drop; and 9.4 percent in Goods except Food or Energy. Over the year, the unadjusted price increase was 26 percent, mainly reflecting the rise in energy costs over the period
- Finished Goods are commodities that are ready for sale. Examples are eggs, fresh vegetables, bakery products, meats, automobiles, household furniture, appliances, apparel, home heating oil, heavy motor trucks, tractors and machine tools.
- Intermediate Goods are material and component inputs to Manufacturing and Construction, as well as supplies for all types of businesses. Examples are flour, cotton yarn, sheet metal products, lumber, diesel fuel purchased by business firms as inputs for their operations, belts and belting, paper boxes, and fertilizers.
- Crude Materials are unprocessed goods and raw materials. Examples are grain, livestock, raw cotton, crude petroleum, coal, hides and skins, iron and steel scraps.

Producer Price Index, Finished Goods
Percent Change
January 2000-September 2008
(Seasonally Adjusted)



Source: Bureau of Labor Statistics (BLS)

Consumer Price Index

- Seasonally adjusted, the September Consumer Price Index for all Urban Consumers (CPI-U) increased at a percentage rate of 4.9 over the year. This rate includes food and energy. In the South region, the percentage change over the year was 5.4 percent, not seasonally adjusted.
- Showing no signs of slowing down, the CPI-U has risen at a 4.5 percent annualized rate during the first nine months of 2008.
- As the major factor for the soaring price increases, the Energy Index has risen at a 16.6 percent annualized rate thus far in 2008, following a 17.4 percent increase in 2007.
- Breaking down the Energy Index, petroleum-based energy recorded a 19.1 percent annualized growth through September 2008, after having previously recorded a 29.4 percent increase in 2007.
- Another item, Energy Services (gas and electricity), within the energy index, has risen at a 12.4 percent annualized rate since the first of the year, after having increased 3.4 percent in 2007.
- The Food Index annualized rate has been 7.5 percent in 2008 after an increase of 4.9 percent in 2007. This increase reflects higher prices in all of the major grocery store food groups, except dairy and related products. Cereal & bakery products, in addition to fruits and vegetables, rose the fastest, rising at 14.2 percent and 12.1 percent so far this year.

South Region Consumer Price Index U.S. City Average September 2008 (Not Seasonally Adjusted)

Item	U.S. City Average			South Region		
	Sept. 2008	Percent Change From		Sept. 2008	Percent Change From	
		1 month ago	1 year ago		1 month ago	1 year ago
All Items	218.783	-0.1	4.9	212.650	0.1	5.4
Food & Beverages	217.672	0.6	6.0	215.049	0.5	5.9
Housing	218.184	-0.4	3.5	202.951	-0.1	4.2
Apparel	121.168	4.1	1.4	131.481	2.9	1.3
Transportation	203.861	-1.4	10.5	204.357	-0.4	11.6
Medical Care	365.036	0.2	3.2	348.105	0.0	3.5
Recreation ⁽¹⁾	114.032	0.2	2.4	114.782	0.2	2.4
Education & Communication ⁽¹⁾	125.505	0.7	3.5	121.500	0.6	2.9
Other Goods & Services	348.166	0.3	4.0	335.877	0.7	3.6
U.S. City Average All Items (1967=100)	655.376					
South Region All Items (December 1977=100)				344.947		

Source: U.S. Bureau of Labor Statistics (BLS)

⁽¹⁾ December 1997=100

1982-1984=100 unless otherwise noted.

- Excluding Food and Energy, the CPI-U has advanced at a 2.4 percent annualized rate this year, following a 2.4 percent increase in 2007.
- Seasonally adjusted index percent changes over the month were: All Items (0.0%); Food (0.6%); Housing (-0.1%); Transportation (-0.6%); Medical Care (0.3%); Energy (-1.9%); and All Items Less Food and Energy (0.1%).
- Unadjusted index percent change over-the-year breakouts are as follows: All Items (4.9%); Food & Beverages (6%); Housing (3.5%); Apparel (1.4%); Transportation (10.5%); Medical Care (3.2%); Education and Communication (3.5%); Energy (23.1%); and All Items less Food and Energy (2.5%).
- Two index items for over-the-year comparisons between the CPI-U and the South region: Housing (CPI-U, a 3.5% increase compared to 4.2% in the South Region); and Transportation (CPI-U, a 10.5 % increase compared to 11.6% in the South region).

Productivity Costs

- The Bureau of Labor Statistics produces a quarterly report on productivity costs as measured by output per hour of all working persons. Data for each state are not produced.
- These productivity measures describe the relationship between output and the labor involved in its production. The data also reflect the efforts of many influences including changes in technology; capital investment; level of output; utilization of capacity; energy and materials; the organization of production; managerial skill; and, the characteristics and effort of the workforce.

National Productivity and Costs Second Quarter 2008 (Seasonally Adjusted)

<i>Sector</i>	<i>Productivity</i>	<i>Output</i>	<i>Hours</i>	<i>Hourly Compensation</i>	<i>Real Hourly Compensation</i>	<i>Unit Labor Costs</i>
<i>Percent Change from Preceding Quarter</i>						
Business	4.3	3.2	-1.0	4.0	-1.0	-0.4
Nonfarm Business	4.3	3.4	-0.8	3.7	-1.3	-0.5
Manufacturing	-2.2	-3.7	-1.5	3.9	-1.1	6.2
Durable	-4.5	-5.9	-1.5	4.1	-0.8	9.0
Nondurable	0.2	-1.3	-1.6	3.3	-1.6	3.1
<i>Percent Change from Same Quarter a Year Ago</i>						
Business	3.2	2.2	-1.0	3.9	-0.4	0.7
Nonfarm Business	3.4	2.2	-1.1	4.0	-0.2	0.6
Manufacturing	2.4	-0.2	-2.5	3.8	-0.4	1.4
Durable	2.4	0.1	-2.3	3.4	-0.8	1.0
Nondurable	2.5	-0.6	-3.0	4.5	0.2	1.9

Source: Bureau of Labor Statistics (BLS)

- Most recent data on productivity and costs were published for the second quarter of 2008, which reported that the seasonally adjusted annual rates of productivity change since the last quarter were 4.3 percent in the Business Sector and a negative 2.2 percent in Manufacturing, mostly in Durable Goods (-4.5%), while Nondurable Goods showed a slight increase of 0.2 percent.
- Output and hours in Manufacturing, which includes about 12 percent of U.S. Business Sector employment, decreased by 3.7 percent and 1.5 percent over the quarter. However, unit labor costs increased 6.2 percent because of a 3.9 percent jump in the hourly compensation.
- Over the quarter and over the year, hourly compensation in Manufacturing increased almost 4 percent, but when inflation was considered, the value of real hourly compensation declined.
- Labor productivity in the Business Sector increased 3.2 percent over the four quarters as output increased 2.2 percent, hours decreased 1 percent and hourly compensation increased 3.9 percent (-0.4% in real hourly compensation), resulting in an increase of 0.7 percent in unit labor costs.
- Over the year, productivity in manufacturing increased 2.4 percent as output decreased 0.2 percent and hours worked dropped 2.5 percent, resulting in a 1.4 percent increase in unit labor costs.

Occupational Projections 2006–2016¹

- The population in North Carolina is expected to grow over the next 10 years.
- Occupational opportunities result from the relationships between the population, labor force and the demand for goods and services. Continued growth will mean more consumers of goods and services, spurring demand for workers in a wide range of occupations and industries.
- By 2016, the largest generation in the workforce, the baby boomer generation, will be nearing or entering retirement. An aging population increases the demand for health services.
- The long-term shift from Goods Producing to Service Providing employment is expected to continue.
- As more women enter the labor force, demand for childcare services is expected to grow.
- Rising student enrollments at all levels of education will create demand for educational services.
- Employment Services employment ranks high with the most new job opportunities and is expected to have a growth rate that is faster than average for other industries. This is due to the need for seasonal and temporary workers and for highly specialized human resource services.

¹ Source: North Carolina Occupational Projections 2006-2016 LMI Division; BLS Occupational Outlook Handbook, 2008-2009 Edition
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- Employment growth will also be strong in the arena of technical skills, as businesses will increasingly rely on information technology for system and network security maintenance.
- Reflecting increases in population, dual income families, and the convenience of many new food establishments, accommodation and food service jobs will be abundant.
- Demand for truck transportation and storage-related jobs will increase as manufacturers concentrate their work activities to the production of their product and contract out their product transportation and storage functions.
- Retail jobs are expected to grow, but at a lower rate than previous years as automation replaces sales clerks and purchasing over the Internet continues to be popular. However, this type of replacement requires packers and handlers to meet the new demands.
- Also, as the population grows, the demand for services increases, whether it is hair stylists or real estate agents.
- Finance & Insurance jobs are expected to increase, reflecting the increased number of baby boomers in their peak savings-years, the growth of tax-favorable retirement plans and the globalization of the securities markets.
- State and local government jobs will increase as the shift of responsibilities from the federal government continues.
- Expansion of Service Providing industries is expected to continue, creating a demand for many diverse occupations.
- Professional & Business Service-related occupations will be one of the leaders in adding jobs. Most of the growth will be in computer and mathematical occupations, healthcare practitioners and technical occupations, and, education, training and library occupations.
- Employment in service occupations is also a major category for occupational job growth. This group includes occupations in food preparation and serving, healthcare support, and, personal care and services.
- Workers in management, business and financial occupations are included as growth opportunities. Accountants, auditors, financial analysts, personal finance advisors, along with social and community service managers, will lead this group.
- At a lesser rate, occupations in construction and extraction are expected to grow.
- Auto service technicians and mechanics, general maintenance and repair workers, and motor vehicle operators will find openings throughout the state.
- Office and administrative support occupations, such as preparing and filing documents, dealing with the public, and distributing information are expected to add new jobs with customer service representatives adding the most.
- Agricultural workers, including farm workers and laborer jobs, will decline during the period. Forest, conservation and logging workers are included in this grouping.

- Production occupations employed mainly in manufacturing are expected to decline. Some will be created, mostly in food processing and wood working.
- High growth rates among the fastest-growing occupations reflect projected rapid growth in the Health Care & Social Assistance industries and Professional, Scientific & Technical Services.
- Occupations in Educational Services, from teachers to aides, constantly remain among the high-growth group.
- Among all occupations in the economy, healthcare occupations are expected to contain most of the fastest growing.
- Home health aides, personal and home care aides, and computer software application engineers are among the fastest growing and the largest numerical increases in employment.
- Declining occupational employment stems from declining industry employment, technological advances such as self check-outs in grocery stores, changes in business practices, and other factors.
- On-the-job training (at different levels) is the most significant level of postsecondary education or training for approximately three out of four of the fastest growing occupations by total job openings in North Carolina, 2006–2016.
- Previous work experience is required for four of the fastest growing occupations in North Carolina by job openings. Two of these occupations require management and supervisory skills.
- Registered Nurse, listed among the top 25 occupations by job growth in North Carolina, requires an associate degree and pays, on average, \$54,123 annually.
- Elementary School Teachers are listed as an occupation in demand in North Carolina. Beginning teachers require a bachelor's degree and can expect an annual average wage of \$38,767 in the North Carolina school system.
- Job openings are created by both employment growth and replacement needs. Replacement needs arise from workers leaving, transferring, retiring or for other reasons. Therefore, even occupations projected to experience slower than average growth or decline in employment may still offer many job openings.
- Current economic conditions may force a short-term restructuring of economic institutions. Those industries likely to be impacted include state and local governments, financial services, construction, manufacturing and health care.
- Economic uncertainty may influence individual retirement plans, slowing the need for replacements — at least temporarily.
- While the unemployment rate has increased and general economic conditions have worsened, preliminary estimates indicate that the state's economy has not experienced as severe a downturn as the national economy.

Education Pays

- Of the top 25 fastest-growing occupations by total job openings (new and replacement) in North Carolina from 2006-2016, the majority basically require on-the-job training. The 25 by educational attainment and average wage are:

**Top 25 Fastest-Growing Occupations
By Total Job Openings
2006-2016
(Seasonally Adjusted)**

<i>Training</i>	<i>Average Annual Wage</i>
Short-Term On-The-Job Training	
Retail Salespersons	\$19,521
Waiters/Waitresses	\$14,799
Cashiers	\$16,252
Combined Food Preparers	\$14,882
Home Health Aides	\$19,089
Laborers & Freight, Stock & Material Movers, Hand	\$20,883
Office Clerks, General	\$23,167
Janitors & Cleaners	\$19,130
Food Preparation Workers	\$16,285
Personal Home Care Aides	\$17,969
Receptionists & Information Clerks	\$22,904
Teacher Assistants	\$18,853
Moderate-Term On-The-Job Training	
Customer Service Representatives	\$28,734
Bookkeeping, Accounting Clerks	\$15.88
Team Assemblers	\$24,196
Truck Drivers, Heavy & Tractor Trailers	\$35,805
Secretaries, Except Legal	\$27,054
Long-Term On-The-Job Training	
Cooks, Restaurant	\$19,736
Work Experience Required	
First-Line Supervisors/Managers, Retail Sales	\$31,156
Executive Secretaries, Except Legal	\$34,879
Sales Representatives	\$45,332
First-Line Supervisors/Managers, Construction	\$46,655
Associate Degree	
Registered Nurses	\$54,123
Bachelor's Degree	
Elementary School Teachers	\$38,767

Source: Projections Department, Occupational Employment Statistics (OES), Labor Market Information Division (LMI)
 Note: Wages provided represent the median annual wage, which is the midpoint between the highest paid 50 percent and lowest 50 percent of workers in that occupation.

- The top 25 fastest growing occupations in North Carolina by annualized growth rate 2006-2016 certainly illustrate that education pays. These are:

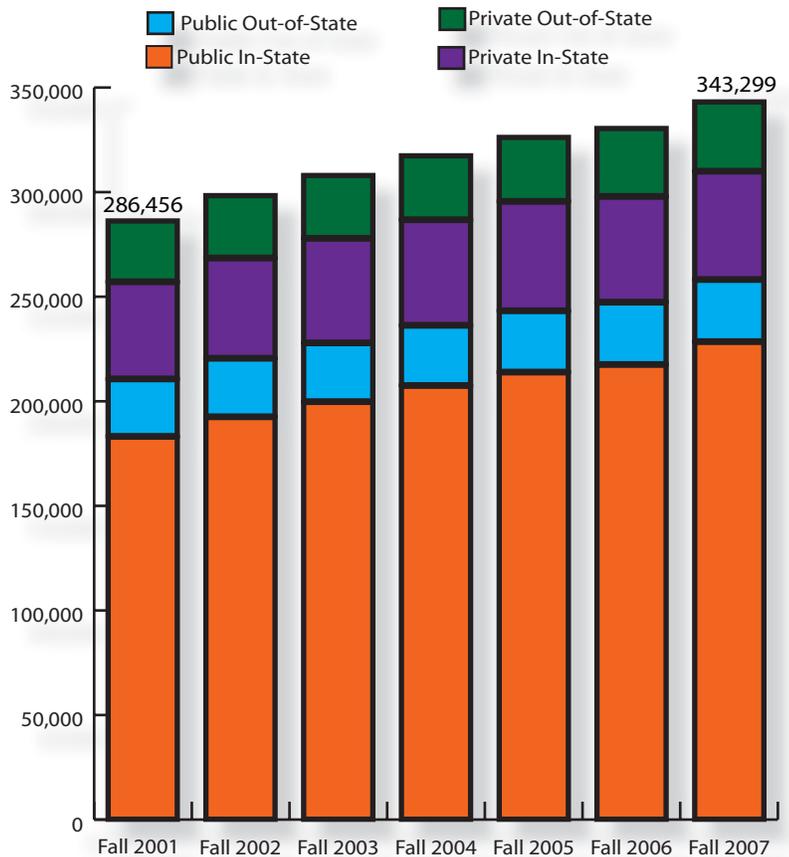
**Top 25 Fastest-Growing Occupations
By Annualized Growth Rate
2006-2016
(Seasonally Adjusted)**

<i>Training</i>	<i>NC Median Wage</i>
On-The-Job Training	
Personal & Home Health Care Aides	\$17,969
Social & Human Services	\$25,527
Medical Assistants	\$26,676
Pharmacy Technicians	\$23,937
Psychiatric Aides	\$24,000
Home Health Aides	\$19,089
Post-Secondary	
Skin Care Specialists	\$24,633
Manicurists & Pedicurists	\$24,823
Associate Degree	
Physical Therapist Assistants	\$45,406
Veterinary Technologists	\$25,856
Paralegals & Legal Assistants	\$35,515
Dental Hygienists	\$60,625
Bachelor's Degree	
Network Systems & Data Communications	\$64,219
Substance Abuse & Behavioral Disorders	\$36,288
Computer Software Engineer	\$84,519
Medical & Public Health Social Worker	\$40,525
Social & Community Service Managers	\$49,692
Biomedical Engineers	\$73,570
Master's Degree	
Mental Health Counselors	\$37,356
Mental Health & Substance Abuse Counselors	\$38,394
Marriage & Family Therapists	\$48,689
Physician Assistants	\$78,029
Physical Therapists	\$69,983
Doctoral Degree	
Medical Scientists, Except Epidemiologists	\$72,933
First Professional Degree	
Veterinarians	\$77,393

Source: Projections Department, Occupational Employment Statistics (OES), Labor Market Information Division (LMI)
 Note: Wages provided represent the median annual wage, which is the midpoint between the highest paid 50 percent and lowest 50 percent of workers in that occupation.

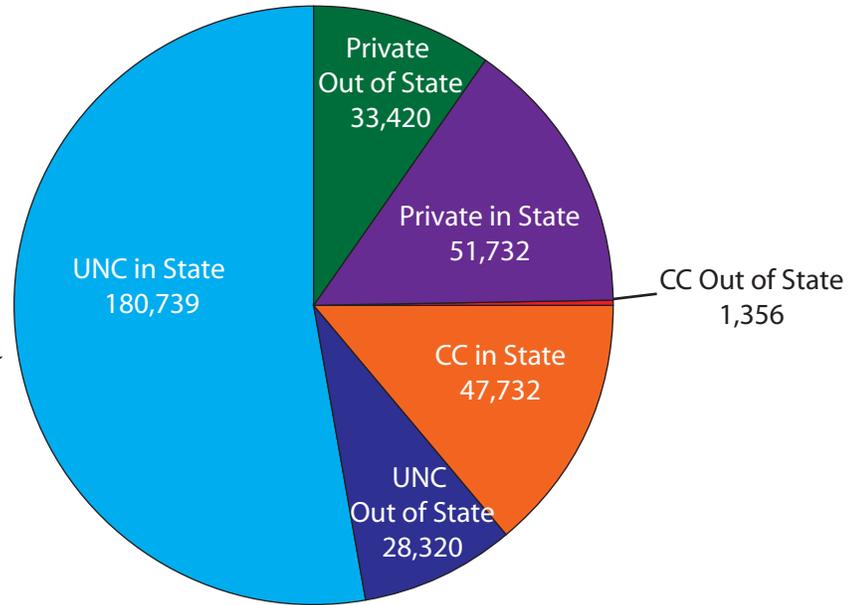
- The University of North Carolina, chartered in 1789, was the first public university in the United States and the only one to graduate students in a field of study during the 18th century.
- Today, North Carolina offers educational training across the state through 16 public institutions under the university system that grant baccalaureate degrees; 36 private senior colleges and universities; one private junior college; five private Bible colleges; and 58 community colleges.
- North Carolina also is home to the NC School of Science and Mathematics, the nation's first public residential high school for gifted students.

**Student Enrollment in North Carolina
Colleges and Universities by Residence Status
Fall 2001-Fall 2007**

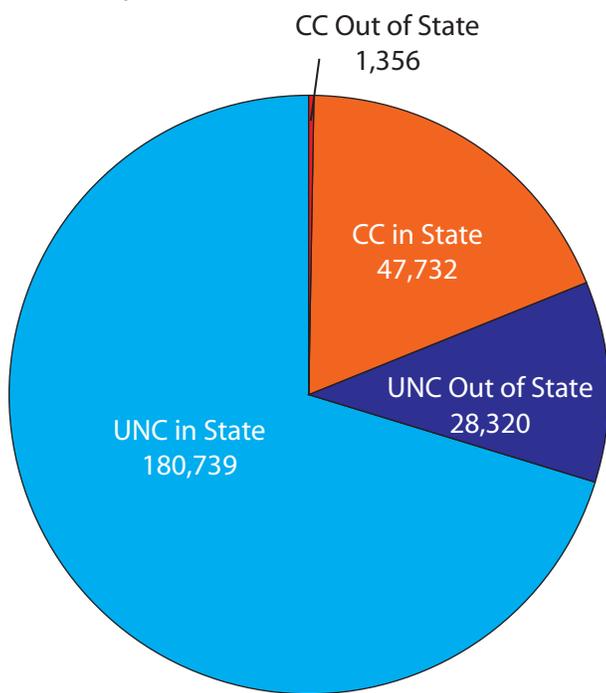


Source: Statistical Abstract of Higher Education 07-08, Research Report 1-08 (July 2008)
The University of North Carolina, Chapel Hill, North Carolina.

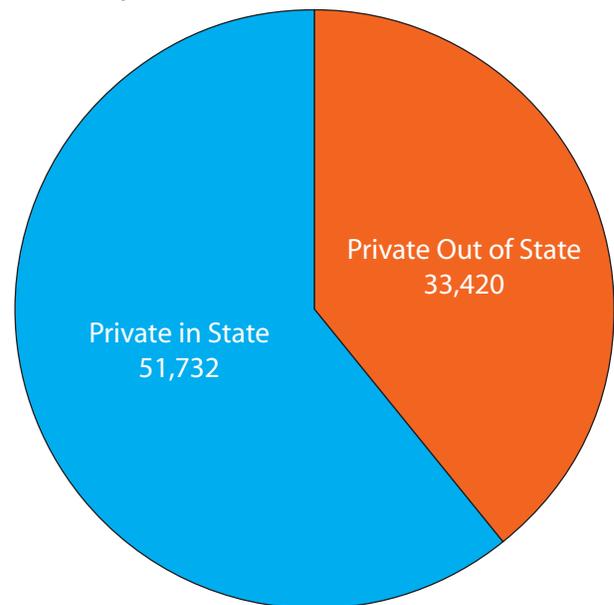
Student Enrollment in North Carolina Colleges and Universities By Residence Status, Fall 2007[^]



Student Enrollment in North Carolina Public Colleges and Universities By Residence Status, Fall 2007[^]



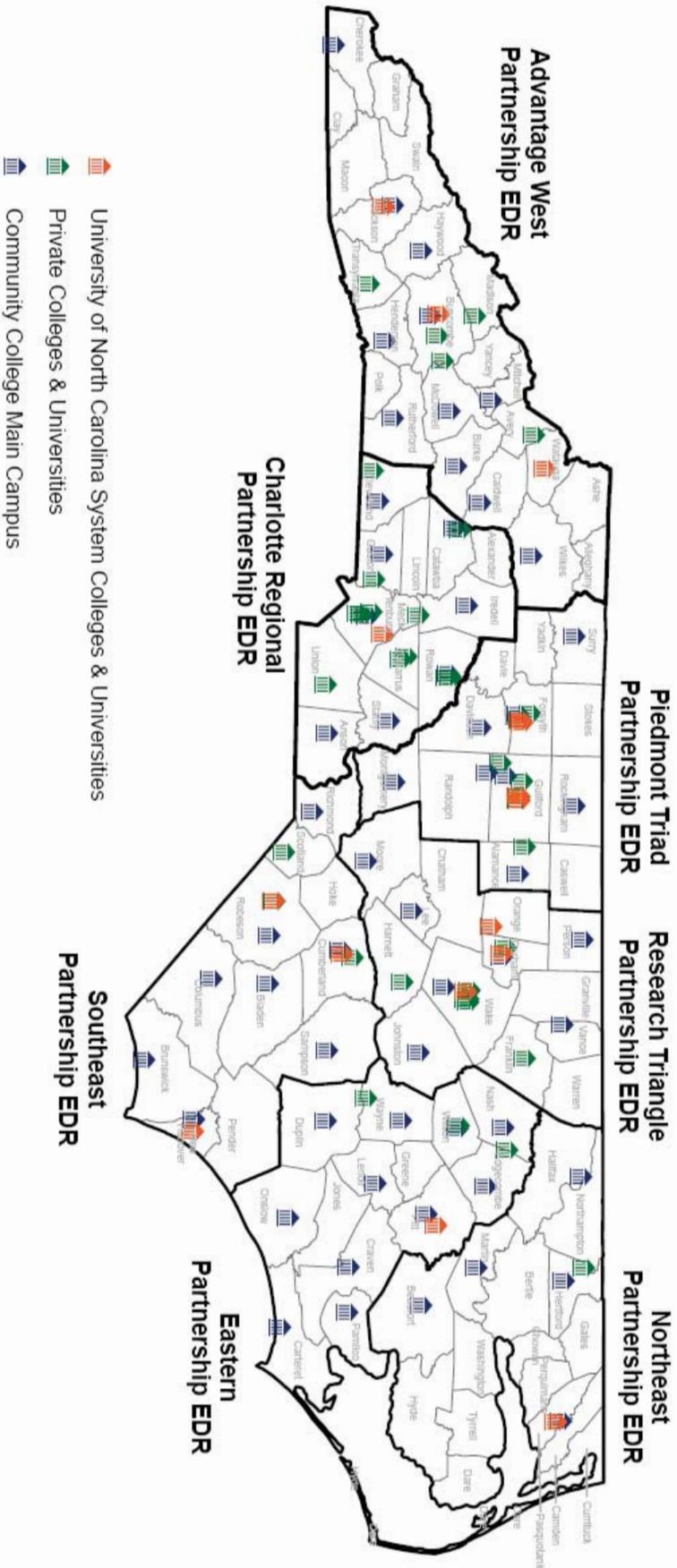
Student Enrollment in North Carolina Private Colleges and Universities By Residence Status, Fall 2007[^]



Source: UNC-GA ProgAssess/Abs.AG009.U/7-9-08

Note: UNC figures include military center. Private institutions include Bible colleges. Community Colleges include only associate degree students (AA, AFA, AS).

North Carolina's Post-Secondary Institutions



Map prepared by the Labor Market Information Division of the Employment Security Commission of North Carolina 03_2007

In Summary

- Residents of states bordering the Atlantic Ocean have learned to plan for hurricanes and the damage these strong winds bring during the summer and early fall months each year. Seemingly, just as cyclical, economic recessions are occurring each decade, as the nation has endured such a pattern for the last 40 years.
- Each economic recession has made its own imprint on the industrial structure of each individual state, creating varied challenges to the labor force and each state's economic well-being, as a whole.
- The recession during the 2000–2010 decade came in March 2001 and lasted through November 2001, totally altering the way North Carolina does business. Goods Producing jobs disappeared, but Service Providing employment grew, offering jobs requiring skills that many previous production employees had to learn, some with less pay.
- Economic recovery was slow across the nation and especially in hard-hit North Carolina. Never reaching the low unemployment numbers of the 2000s, North Carolina experienced a growth period that resulted in an employment increase of more than 300,000 people between 2003 and 2007. Unemployment numbers had dropped by 22 percent and the unemployment rate was in the 4.0+ percentage range.
- With the beginning of 2008, the economic situation in North Carolina and the nation started a downward spiral. By September, the Bureau of Labor Statistics reported preliminary labor force data showing an increase of approximately 97,000 people unemployed with an unemployment rate at 7 percent in North Carolina. Nationally, the rate was 6.1 percent.

Nationally:

- Financial markets were now suffering from an overspent housing market, coupled with an oil cost increase relating to that in the '70s. The Commerce Department reported that by the end of the third quarter 2008, the U.S. economy had contracted at a 0.3 percent annualized rate, following a 2.8 percent growth the second quarter, as consumer spending declined at the fastest rate in 28 years. Also, Greg Robb in *MarketWatch*, Oct. 31, 2008 reported, "Consumer confidence has fallen to the lowest level in decades given the decline in jobs, the stock market and the credit squeeze."
- The Case-Shiller home price index, published in *Standard & Poor's*, Oct. 28, 2008 edition, reported that home prices surged in 2003 through 2006, climbing 52 percent. Homeowners have lost half of their gains since beginning 2000. The report showed the Charlotte-area homes down 2.8 percent.
- Personal Income in all states increased an average of 0.2 percent after a 0.4 percent rise in August.
- Productivity Costs in Manufacturing nationally increased 6.1 percent as productivity decreased 1.0 percent between 2nd and 3rd quarter 2008. Business, however, had a Unit Labor Cost of 3.4 percent, as productivity increased 1.3 percent.
- The Bureau of Economic Analysis reported Nov. 13, 2008 that the U.S. monthly goods and services deficit decreased in September 2008 from \$59.1 billion (in August 2008) to \$56.5 billion.

Clearly, economic conditions in North Carolina during the first nine months of 2008 are a reflection of the nation and the world markets, as a whole. This report highlights the past eight years of economic change in both the nation and North Carolina. As the nation struggles through the second recession of this decade, much hope is being placed on government to create improvements and move positively toward putting the economy back on track. Time will tell, and the history relating to the cause and cure will then be recorded.



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