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Local economy robust, UNCC forecaster says

John Connaughton foresees nearly 24,000 new jobs in 2008. People who move here help fuel growth.

By Kerry Hall

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A day after a meltdown on Wall Street, UNC Charlotte economist John Connaughton told local business leaders he remained optimistic about the state's economic well-being, calling Charlotte's economy "robust."

That's primarily because the region's housing market never got overheated like those in other parts of the country. In addition, Connaughton said, people continue to relocate to North Carolina, which creates more demand for products and services. He is one of the few economists who forecasts economic trends for the state and Charlotte region.

Nationally, the economy's worst may be behind us, he said during his quarterly economic forecast, delivered in uptown Tuesday. But, he said, don't expect things to improve anytime soon.

Americans have been struggling with rising foreclosures, falling home values and higher oil and food prices. The financial markets, meanwhile, have been faltering, and once-prestigious investment banks, insurers and consumer banks are faltering.

Connaughton said he thinks the economy may have hit – or be close to hitting – bottom.

In North Carolina, the economy is expected to grow by 1.7 percent this year, weaker than the 2.4 percent seen last year, he said. The state should add about 23,920 jobs, or 0.6 percent of its employment, in 2008.

Service-oriented companies, such as accounting and law firms, are expected to grow the most at 5 percent, followed by the government. Weaker sectors include retail trade, projected to grow by 0.1 percent, and finance, insurance and real estate, expected to increase by 0.5 percent.

The state's economy should grow faster in 2009, spurred by a net addition of about 51,200 new jobs – many being created in the services, finance and wholesale trade sectors, he projects.

Another economist who studies the region, Mark Vitner with Wachovia Corp., said in an interview that he projects similar employment numbers. But he worries about the state's near-term vitality.

He said new industrial projects in the works could create jobs 18 months from now. But he's worried that, as credit markets tighten, firms may struggle to find the capital needed to finish their plans. He also thinks the current troubles among the nation's investment banks could result in less hiring locally for financial and legal services.

Connaughton thinks there's a 60 percent chance economists will say the country is in a recession. Any recovery will look different than those in the past, he said. He doesn't see a strong rebound as has happened after earlier downturns. Instead, he said, the economy will chug along sluggishly for a year to 18 months, with soft economic conditions "likely to linger on longer than we'd like."

One bright spot is the strengthening dollar, which makes imports cheaper. This has helped push oil prices down, he said, and reduced the chance of inflation. Each 50-cent-per-gallon increase in gas prices costs N.C. consumers \$3.7 billion annually, he estimates.

The U.S. budget deficit, in contrast, which is hovering around \$450 billion, "is really kind of scary," and could further hurt financial companies and the credit markets, he said.

"Things are a lot worse today than they were a year ago, no question about that," he said, noting consumer confidence is down by half, and the country has lost more than 600,000 jobs versus gaining more than 774,000.

But "it's not as bad as historical recessions have been," he said.



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