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In N.C., business failures have set record

By Adam Bell

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Observer file photo

A record number of N.C. businesses told the state last year they were dissolving, new data from the Secretary of State's office shows.

A total of 12,448 corporations, nonprofits, limited liability companies and other groups called it quits, an increase of 50 percent over the prior year.

At the same time, the number of companies created in the Carolinas last year declined for the first time since 2001. Last year's total in North Carolina came to 59,916, a 12 percent decline from 2007; South Carolina had an 11 percent decrease, with totals last year for new companies at 33,367.

And the prospects for businesses look even bleaker this year, said UNC Charlotte economist John Connaughton. That's a result of the credit crisis created after the government allowed certain banks to fail last fall, he said.

In previous years, if companies were struggling but thought they could ride out their problems, they would seek a bridge loan or take on an equity partner. No more.

"No bank is going to be lending money unless you prove you don't need it," Connaughton said.

Charlotte attorney Cyrus Johnson has helped establish hundreds of companies, and said this is the first time he has

seen credit not be available for solid businesses that wanted to grow.

He's had many discussions with clients about laying off workers or shutting down. Real estate firms have been hit the hardest, he said.

"Companies I helped start 20 years ago have decided to close in the past six months," Johnson said. "It's personally painful."

The record rate of companies shutting down, coupled with a slowdown in new business creations, adds to the troubles in the job market, Connaughton said. Just look at the Carolinas' unemployment rate for December, which hit 8.7 percent for North Carolina and 9.5 percent in South Carolina.

For both states, those were the highest rates since 1983.

Johnson thinks some of the people who were laid off eventually will create their own companies. But it could take more than a year for job prospects in general to improve, Connaughton said.

All different types of businesses dissolved last year, from Under the Grape, a Charlotte wine shop and bar, to Matthews Pottery Co., which started in the 1920s.

"It's a shame that did go," local historian Paula Lester said. "People who have been here a long time say they miss Matthews Pottery."

Also closing was the Charlotte Business Roundtable, which began in 1994. The nonprofit group met monthly 10 times a year to discuss the economy and other topics of local interest.

Its former president, James Love, said dwindling membership and a lack of people to help lead the group forced it to fold last year.

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