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Carolinas Economies to Grow Faster than the National Economy Again in 2025

The Carolinas economies fared well in 2024 despite a slump in manufacturing, high interest rates, and inflation. Their economies are expected to have slowed materially in the fourth quarter of last year after the devastation of Hurricane Helene, the worst in North Carolina's history. Even after that hit, the Carolinas economies are expected to have grown by 3.8% last year, notably above the national growth rate. Supported by strong population growth, residential investment, and rebuilding from the hurricane, the Carolinas economies are forecasted to grow by 3.1% in 2025, again above Comerica's forecast of 2.7% for the national economy.

Slow hiring of high-paid finance, professional services and tech workers weighed on the labor market last year, moderating employment growth and raising the unemployment rate between early 2024 and early 2025. Employment growth is expected to pick up as the year progresses and the unemployment rate is anticipated to average 3.8% in 2025, just a tenth higher than last year. Moderate employment growth and the higher unemployment rate are expected to weigh on total personal income growth, which is set to modestly outpace inflation.

As with the rest of the country, sharp increases in house prices and high mortgage rates strained housing affordability and weighed on housing sales and construction activity in the Carolinas last year. 2025 should be better—residential construction is expected to rise by 3.5%. Supported by population growth and hurricane rebuilding, single-family construction is expected to add around 4,000 units to Carolinas' housing supply this year. Tight lending standards, elevated vacancy rates, and high loan rates are weighing on multifamily building. Even so, multi-family construction is projected to rise as affordability strains price many households out of the purchase market. Demand for housing exceeded supply in the Carolinas last year, fueling sharp price gains. Driven by higher supply and moderate growth of employment and incomes, house price increases are set to moderate this year, but remain solid in historical comparison.

Carolinas Economic Outlook											
	1Q'24a	2Q'24a	3Q'24a	4Q'24f	1Q'25f	2Q'25f	3Q'25f	4Q'25f	2023a	2024f	2025f
State Output											
Real GDP (Chained 2017 Billions \$)	923	931	940	944	951	959	967	975	900	934	963
Percent Change Annualized	3.3	3.8	3.6	1.8	3.2	3.5	3.4	3.1	3.0	3.8	3.1
Labor and Demographics											
Payroll Jobs (Millions)	7.3	7.4	7.4	7.4	7.5	7.5	7.5	7.6	7.2	7.4	7.5
Percent Change Annualized	2.1	2.9	1.8	1.1	1.7	1.8	1.8	1.8	2.7	2.0	1.7
Unemployment Rate (Percent)	3.4	3.5	3.9	4.0	4.0	3.9	3.7	3.6	3.3	3.7	3.8
Population (Millions)	16.3	16.3	16.4	16.4	16.5	16.6	16.6	16.7	16.2	16.4	16.6
Percent Change Annualized	0.7	0.7	1.3	1.3	1.3	1.3	1.4	1.4	1.3	0.9	1.3
Personal Income											
Total Personal Income (Nominal Billions \$)	1,027	1,039	1,048	1,057	1,068	1,079	1,093	1,109	978	1,043	1,087
Percent Change Annualized	11.3	4.9	3.5	3.5	4.1	4.2	5.1	6.2	6.5	6.6	4.2
Housing											
Housing Starts (Thousands, Annual Rate)	138.8	135.9	130.9	133.6	135.7	138.2	141.1	143.2	134.1	134.8	139.6
Percent Change Annualized	1.1	-7.9	-14.1	8.4	6.5	7.7	8.7	6.1	2.5	0.5	3.5
Single-Family Housing Starts (1,000s Units, Annual Rate)	116.0	112.1	103.6	110.3	111.9	113.6	115.4	117.0	105.1	110.5	114.5
Multi-Family Housing Starts (1,000s Units, Annual Rate)	22.7	23.9	27.2	23.3	23.8	24.6	25.7	26.2	29.0	24.3	25.1
House Price Index, FHFA (1991 Q1=100, SA)	425	429	431	436	439	444	447	447	408	430	444
Year/Year Percent Change	7.2	6.8	4.5	3.8	3.3	3.4	3.6	2.5	7.6	5.6	3.2

a = actual p=provisional f = forecast

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