



Monthly Economic Report

January 31, 2010

December 2009 - January 2010 Report

In This Issue

- U.S. Overview
- Duke Energy Carolinas Service Territory
- Announced Business Closings/Layoffs and Relocation/Expansion News in Duke Energy Service Territory

Economic and News Links

<http://money.cnn.com/>

The Wall Street Journal

www.economy.com

<http://www.bea.gov/newsreleases/national/pi/pinewsrelease.htm>

<http://www.sces.org/index.html>

<http://www.economy.com/>

<http://www.charlottechamber.com/>

<http://www.bizjournals.com/>

<http://www.scbizmag.com/>

Announced Business

Closings:

<http://www.ncesc.com/>

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National Economy Outlook - Slow climb up

The national economy continued to recover slowly in December thanks to the stimulus package and rising exports. Retail sales increased last month compared to Dec'08. Existing home sales were also a bright spot - they exceeded Dec'08 sales; moreover, total 2009 home sales were above total 2008 sales. It was first annual home sales gain since 2005. Preliminary 4th quarter U.S. GDP jumped 5.7% surpassing all expectations.

On the downside, the financial industry was still under stress keeping credit flows tight. Foreclosures in 2009 outpaced those in 2008 continuing to depress home values. Although builder confidence rose, judged by the increased building permits towards the end of 2009, construction was slow, comparatively speaking. Finally the number of unemployed Americans remained painfully high. Although the volume of mass layoffs declined in the second part of 2009, hiring has been very sluggish. Overall, the economic revival is on its way, but it is expected to be slow in near future. Policy actions will have a great impact on the length of the recovery.

December 2009 highlights:

Production:

- **Industrial Production** increased 0.6% m/m, but was 2% down y/y.
- Manufacturing was 0.1% down, the output of mines rose 0.2% m/m.
- **New orders for manufactured durable goods** rose 0.3% m/m;
- **New orders for manufactured durable goods for all 2009** declined 20.2% compared to 2008.

Housing:

- **Foreclosure filings** in 2009 exceeded the 2008 level by 21%.
- **New single-family home sales** declined 7.6% m/m and 8.6% y/y.
- **New home sales in 2009** dropped 22.9% compared to 2008.
- **Existing home sales** rose 15.0% over Dec'08 value to 5.45 mill units.
- Distressed homes sales tallied for 32% of all sales in Dec and 36% for 2009.
- Home buyers shares: 43% 1st timers, 42% repeat buyers, 15% investors.
- **The median existing homes sales price** inched up 1.4% y/y to \$177,500.
- For all 2009 vs. 2008 **median home price** dropped 12.4% to \$173,500.
- **Total existing-home sales** in 2009 exceeded 2008 sales by 4.9%.
- **Building permits** increased 10.9% m/m and 15.8% y/y.
- **Housing starts** declined 4.0% m/m, but increased 0.2% y/y.

Employment:

- **The unemployment rate** remained at 10.0% in December.

- It was 7.4% in December 2008.
- 85,000 jobs lost month-over-month.
- **Construction** industry lost the most jobs.
- **Temporary Help Services** had the most employment gains.

Retail Sales:

- **Retail and food services sales** declined 0.3% m/m to \$353.0 bill.
- They've exceeded the last year's level by 5.4%.
- **Retail trade sales** were 5.9% above Dec'08.
- **Gas stations sales** jumped 33.6% y/y.
- **Total 2009 retail sales** declined 6.2% compared to 2008.

Duke Energy Carolinas Service Territory



The Carolinas' economies continued to trail behind the U.S. in December. Both states were still struggling with falling state revenues. **Unemployment rates** rose further to 11.2% in NC and 12.6% in SC staying above the national rate of 10%. Leisure & Hospitality and Professional & Business Services suffered large employment losses in December. Commercial and industrial vacancy rates edged higher. The housing market in 2009 was weaker than in 2008: home sales declined, and home prices continued to drop. On a positive note, **North Carolina's foreclosures** in '09 declined 16% compared to '08, totaling to 28,384 in 2009. One in every 145 households in NC received at least one foreclosure notice in 2009.

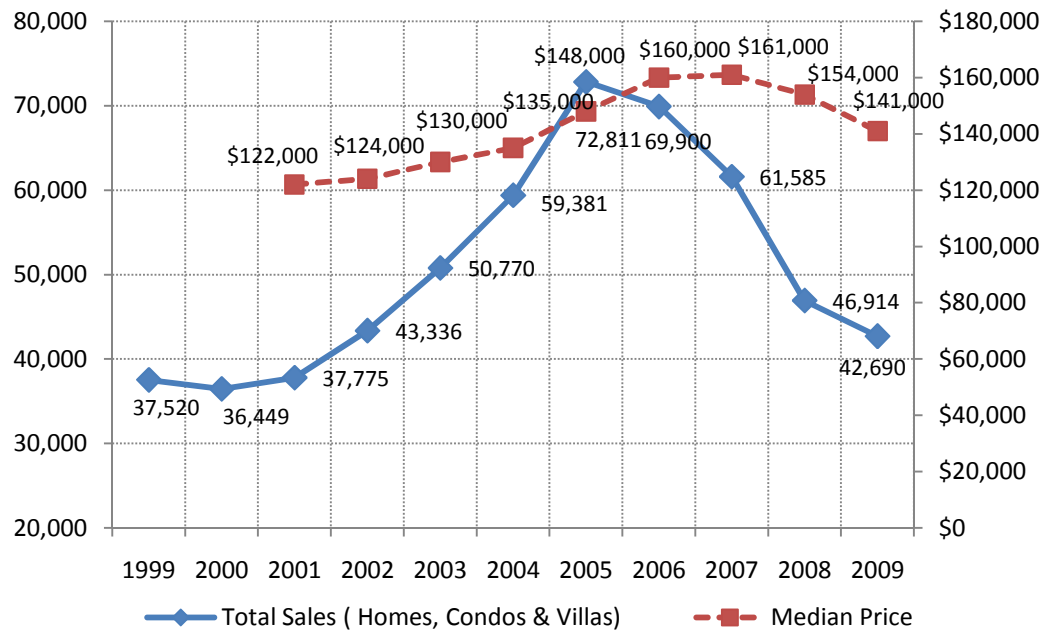
Charlotte area recession is moderating. Being a magnet for financial sector jobs for the last two decades until last year, the city is going through a transition period to diversify its economy. The jobless rate jumped to 12.1% in December from 11.9% in November. **Charlotte-Gastonia-Concord area foreclosures** in 2009 rose 9.5% compared to 2008, totaling to 10,732, which translates into one in every 66 households receiving at least one foreclosure notice. In the near-term the city will continue to grapple with the effects of the national downturn; in the long-term, however, Charlotte is expected to reposition itself as a strong business center.

Greensboro's recession is easing also. **Existing-home sales** in the area grew 17.3% to 740 in the 4th Q 2009 compared to 4thQ 2008. The average home price rose 2.5% to \$181,656. Total 2009 home sales in Greensboro declined 15% to 2,472 compared to 2008; the average home price dropped 5.2% to \$176,127. **The jobless rate** rose to 11.4% in December from 11.2% in November.

South Carolina's foreclosures increased significantly compared to 2008. One in every 80 households in SC received at least one foreclosure notice in 2009. Home prices improved slightly towards the end of last year, however, for the entire 2009, they declined compared to 2008. Slight improvements in the auto industry led to a brighter outlook for **Greenville, SC** economy. The jobless rate was slightly

above the national, but below those in Charlotte, Greensboro and Spartanburg. Moody's Economy.com raised their short-term forecast for the city as being in recovery. The pickup in auto production in the area is attracting related businesses to the city.

Annual Home Sales and Median Prices in South Carolina¹:



Employment:

- **NC unemployment rate** rose to 11.2% in Dec from 10.8% in Nov.
- It stood at 8.1% a year ago.
- On a y/y basis, in manufacturing:
 - **Food manufacturing** had the largest employment gains.
 - **Furniture & related product** had the largest net job losses.
- **SC unemployment rate** jumped to 12.6% in Dec. from 12.3% in Nov.
- It was 8.8% in December 2008.
- **Dec. jobless rates** were 12.7% in **Spartanburg** and 10.7% in **Greenville**.

Jobs lost/added in December 2009 vs. November 2009.

Category	December 2009			November 2009		
	N.C.	S.C.	U.S.	N.C.	S.C.	U.S.
Manufacturing	-900	-800	-27,000	-3,900	600	-41,000
Construction	-1,200	100	-53,000	800	-1,700	-27,000
Nat. Resor & Mining	-100	100	n/a	0	0	n/a
Trade, Transp. & Utilities	-800	1,300	n/a	-1,000	1,100	0
Profess. & Bus Svcs	1,900	-4,000	50,000	-800	2,600	86,000
Leisure & Hospit.	-2,600	-5,200	-25,000	-4,800	-6,600	0
Information	600	300	n/a	-300	100	-17,000
Government	800	-1,100	-21,000	-300	1,900	7,000
Educ & Health Svcs	300	200	35,000	1,900	1,400	40,000
Financial Activities	200	-300	n/a	-100	200	0
Other Svcs	-600	n/a	n/a	-300	n/a	n/a
Retail Trade	n/a	700	0	n/a	1,100	-15,000
Unempl. Rate, %	11.2	12.6	10.0	10.8	12.3	10.0

Duke Energy Service Territory Indicatorsⁱⁱ:

Construction: Single-family home building permits

- **Building permits** jumped 31.9% in December m/m and 11.1% y/y.
- **2009 building permits** dropped 42.7% compared to 2008.

Housingⁱⁱⁱ:

Home Sales in major MSAs in the DE Service Territory:

MSA/Region	State	Home Sales in Dec, y/y % change	Median Home Prices in Dec, y/y % change	2009 vs. 2008 Home Sales, % change	2009 vs. 2008 Median Home Prices, % change
Charlotte*	NC	13.0	6.0	-18.0	-9.0
Triad*	NC	7.0	3.0	-14.0	-8.0
Greenville	SC	0.8	0.7	-14.4	-7.9
Spartanburg	SC	3.9	-1.8	-13.4	-3.6
Rock Hill, Lancaster, York & Chester	SC	31.8	2.0	-17.6	-6.4

(* Charlotte and Triad home sales include existing-homes only).

Overall, the Carolinas' economies will continue to lag behind the U.S in near term.


Announced Business Closings and Layoffs:

Layoffs to be effective in NC in February 2010:

- **West Carolina Freightliner** in Hickory will close their facility due to relocation and eliminate **55 jobs**.
- **Diversco Integrated Services**, janitorial services in Winston-Salem, will close amid the lost contract (Dell) and lay off **55 workers**.
- **Odom Correctional Institute**, prison in Jackson will let go **50 employees** due to custody downgrade.

Announced Relocations and Expansions:

- **Celgard LLC**, a wholly-owned subsidiary of Polypore International, Inc. (NYSE: PPO), one of the largest suppliers to the lithium battery industry, will invest \$91 mill in expanded and new infrastructure in Mecklenburg and Cabarrus Counties and create **289 jobs** in the next 5 years.
- **Husqvarna**, a Swedish outdoor equipment manufacturer, will invest \$2.75 mill for its new North American headquarters in Charlotte and create **160 jobs**.
- **Convergys Corp.** is going to add **120 jobs** to its call center in Hickory, NC in the next few months.

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- **Chick-fil-a** will open two restaurants in Burlington and Winston-Salem this summer. Chick-fil-a restaurants usually employ **55-65 workers**.
 - **Suminoe Textile of America Corp.** plans to expand in Gaffney, SC, invest \$6.5 mill and create **50 jobs**.
 - **Belk**, a department store chain, will add **39 positions** to its corporate functions in Charlotte.

ⁱ Based on the SC Realtors.

ⁱⁱ From Moody's Economy.com database

ⁱⁱⁱ Based on the NC and SC Realtors.