

Economic Snapshots: Gross Domestic Product by State

Key Findings

North Carolina experienced above-average growth in Real GDP in 2012. However, overall economic growth has been low, despite outperforming the nation and competitor states. Increasing real GDP has also failed to lift Per Capita Real GDP, potentially highlighting some of the labor force issues discussed in the Employment & Labor Force indicator. There are potential growth industries for the state, particularly in Durable Goods Manufacturing, that may help improve economic growth going forward.

- Between 2007 and 2012, North Carolina's real gross domestic product (GDP) grew by 3.7 percent, compared to 2.5 percent for the U.S. Massachusetts and Virginia were the only two comparison states that experienced faster real GDP growth.
- Between 2007 and 2012, North Carolina's per capita real GDP declined by 3.0 percent, compared to a decline of 1.6 percent for the U.S.
- In 2012, North Carolina's per capita real GDP was \$40,289, slightly below \$42,784 for the nation.
- Historically, North Carolina's Manufacturing sector has relied more on Nondurable Goods manufacturing, but Durable Goods manufacturing appears to be closing the gap as part of a long-term trend.
- From 2011 to 2012, Durable Goods manufacturing was the leading contributor to the state's GDP growth, followed by Finance and Insurance, and Real Estate and Rental and Leasing.

Indicator Overview

Gross domestic product (GDP) is an important broad measure of an area's economic size and performance over time, and measuring the growth of the state economy is an integral part of business and government planning. GDP by state is the value of all goods and services produced by labor and capital located in a state, minus its input costs — commonly referred to as value added.¹ This indicator helps to measure North Carolina's prosperity and productivity as the national economy continues to evolve.

To measure the state's growth over time, analysts use real GDP. Real GDP is adjusted for increases in prices over time (inflation), whereas nominal GDP does not have any adjustment. Real GDP increased in 49 states and the District of Columbia in 2012, according to the Bureau of Economic Analysis (BEA).² Nationwide, real GDP grew 2.5 percent in 2012 after a 1.6 percent increase in 2011. Durable Goods manufacturing, Finance and Insurance, and Wholesale Trade were the leading contributors to economic growth nationwide.

How Does North Carolina Perform?

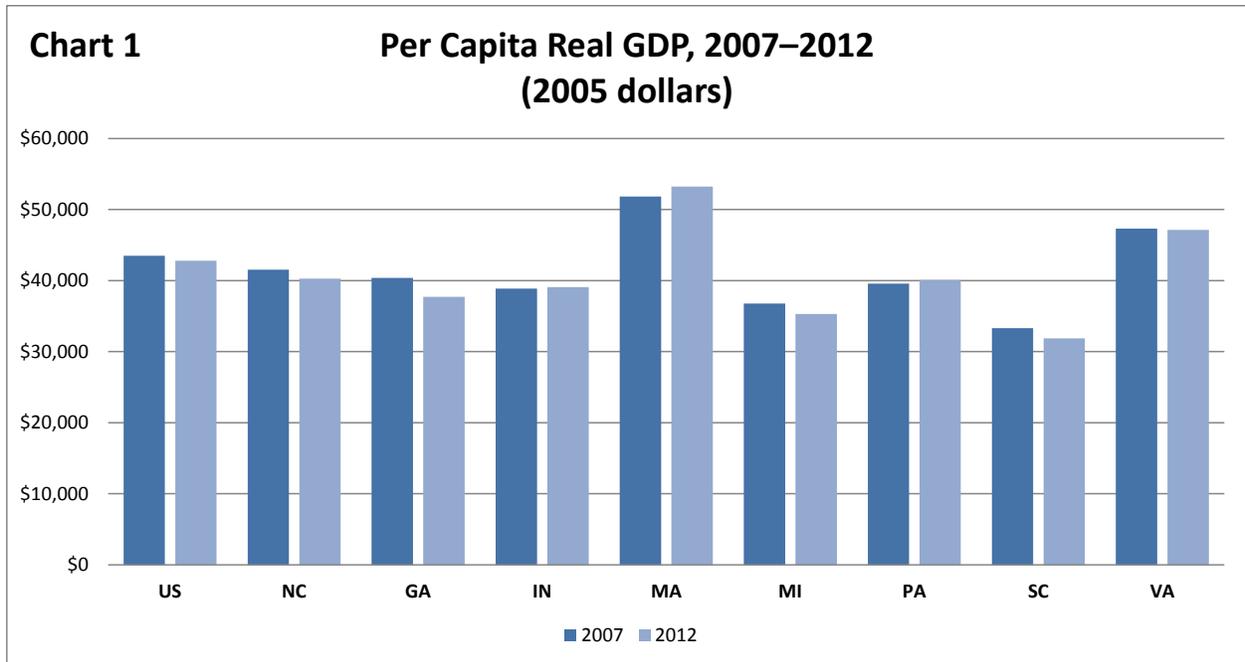
North Carolina's economy grew faster than the national economy in 2012. The BEA estimates that North Carolina's real GDP was \$393 billion in 2012, an increase of 2.7 percent over 2011.³ This was faster than the national growth rate of 2.5 percent and that of 39 other states and the District of Columbia. However, North Carolina struggled to grow during the weak economy of recent years even as it outperformed many comparison states. The state grew at an annual rate of 0.7 percent from 2007 to 2012. In 2007, before the brunt of the recession, real GDP was \$378.8 billion. Real GDP declined during the recession years of 2008 and 2009, but has grown every year since.

¹ Real GDP by State, BEA

[http://www.bea.gov/regional/definitions/nextpage.cfm?key=Gross%20domestic%20product%20by%20state%20\(millions%20of%20current%20dollars\)](http://www.bea.gov/regional/definitions/nextpage.cfm?key=Gross%20domestic%20product%20by%20state%20(millions%20of%20current%20dollars))

² http://bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm

³ Real state gross domestic product data was obtained from the U.S. Bureau of Economic Analysis (BEA) Regional Economic Accounts Gross Domestic Product by State tables. (<https://bea.gov/regional/index.htm>)

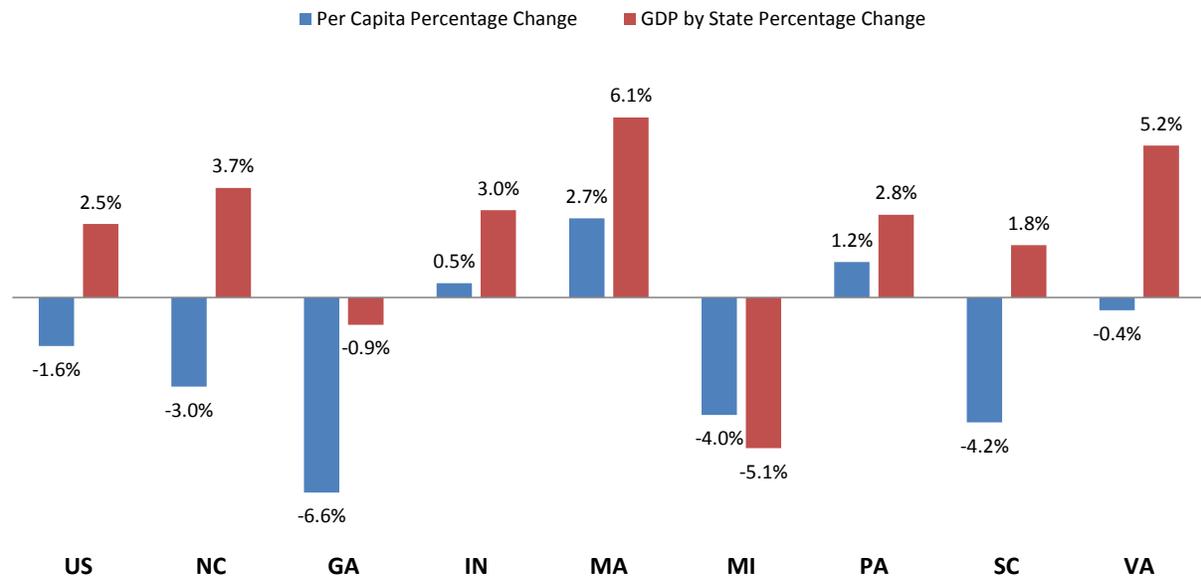


Source: Bureau of Economic Analysis

Per capita real GDP, displayed in Chart 1, is useful when comparing the relative prosperity and productivity of states. It takes the gross domestic product (GDP) expressed in constant dollars and divides it by the number of people in the state. In 2012, North Carolina’s per capita real GDP was \$40,289, down from \$41,546 in 2007. The state’s per capita real GDP in 2012 was slightly less than that of the nation (\$42,784) and significantly less than Massachusetts (\$53,221) and Virginia (\$47,125). From 2007 to 2012, North Carolina’s per capita real GDP growth rate fell 3.0 percent, while U.S. per capita real GDP decreased 1.6 percent. North Carolina’s 3.0 percent decrease was fifth best among comparison states. Indiana, Pennsylvania, and Massachusetts all posted positive growth rates.

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Chart 2 Percent Change in Real GDP and Per Capita Real GDP 2007–2012



Source: Bureau of Economic Analysis

Looking at Chart 2, per capita real GDP has trended up for most comparison states since 2007, with the exceptions of Michigan and Georgia. Among comparison states, North Carolina shows the largest difference between real GDP growth and per capita GDP growth since 2007.

Table 1 Top 10 Industries Contribution to North Carolina's Real GDP, 2007–2012

Sector	2007 % of State GDP	2012 % of State GDP	Change
Manufacturing	21.7%	20.2%	-1.5%
Government	12.8%	13.5%	0.6%
Finance and Insurance	10.6%	11.1%	0.5%
Real Estate and Rental and Leasing	9.6%	10.6%	1.0%
Health Care and Social Assistance	6.2%	6.3%	0.1%
Retail Trade	5.9%	5.9%	-0.1%
Professional, Scientific, and Technical Services	5.0%	5.3%	0.4%
Wholesale trade	5.5%	5.0%	-0.5%
Information	3.2%	3.6%	0.4%
Construction	4.4%	3.2%	-1.1%

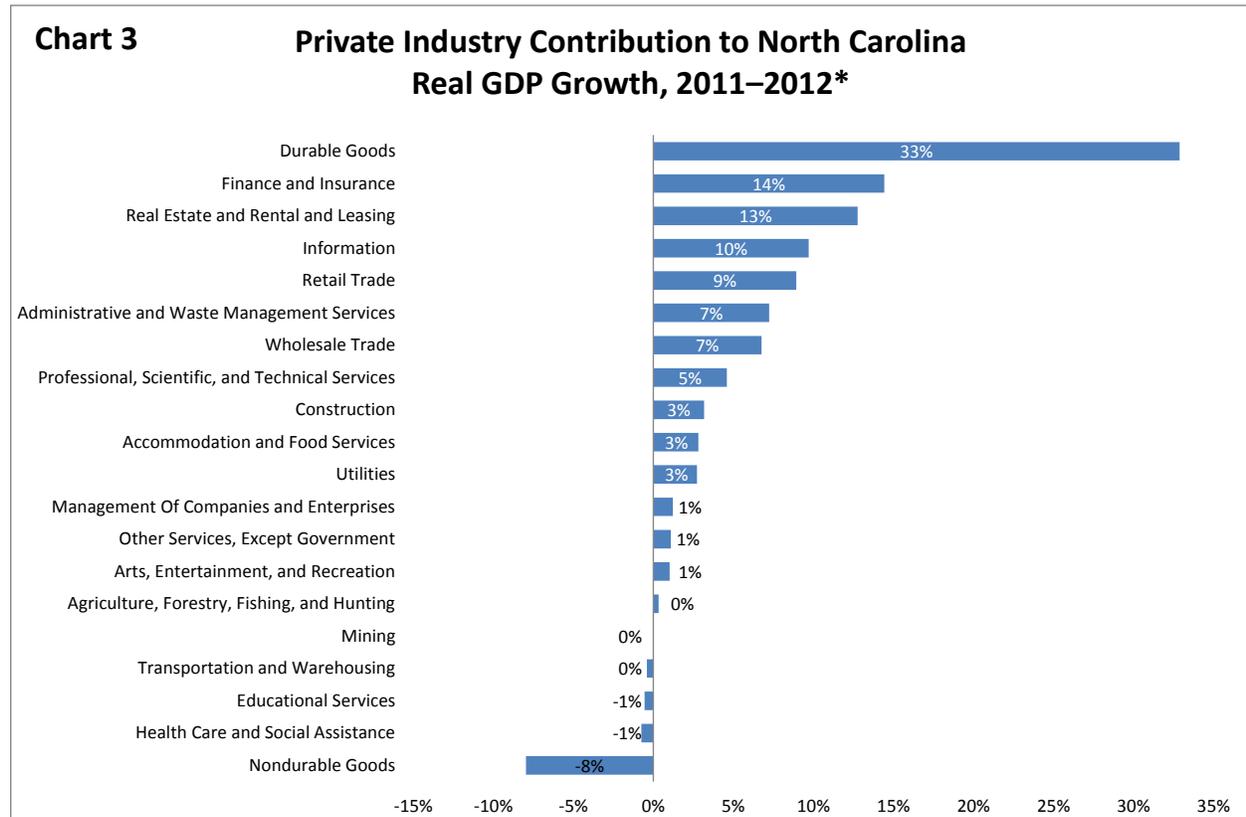
Source: Bureau of Economic Analysis

Regarding specific sectors, Manufacturing in North Carolina was the largest contributor to the state's economy over the course of the recession. It accounted for 20.2 percent of the total state GDP, down from 21.7 percent in 2007, but up from 20.1 percent in 2010. Among comparison states, North Carolina had the largest manufacturing sector (in terms of real GDP) in 2012.

The Government sector was also a major contributor to state GDP at 13.5 percent in 2012, up from 12.8 percent in 2007. Because of the deep recession in the housing market, Construction contracted to 3.2 percent of state GDP in 2012 from 4.7 percent in 2007. However, Real Estate (including rental and leasing) grew to 10.6 percent in 2012

from 9.6 percent in 2007 — the largest percentage-point increase in its contribution to state GDP during this period.

Looking at the most recent year for which data is available, from 2011 to 2012, private industry accounted for more than 86 percent of North Carolina’s real GDP growth. Chart 4 shows how private industries have contributed to growth in state GDP from 2011 to 2012. The Durable Goods Manufacturing⁴ sector contributed 33 percent to North Carolina’s real GDP growth from 2011 to 2012.



*Percentages based on private industry real GDP
 Source: Bureau of Economic Analysis

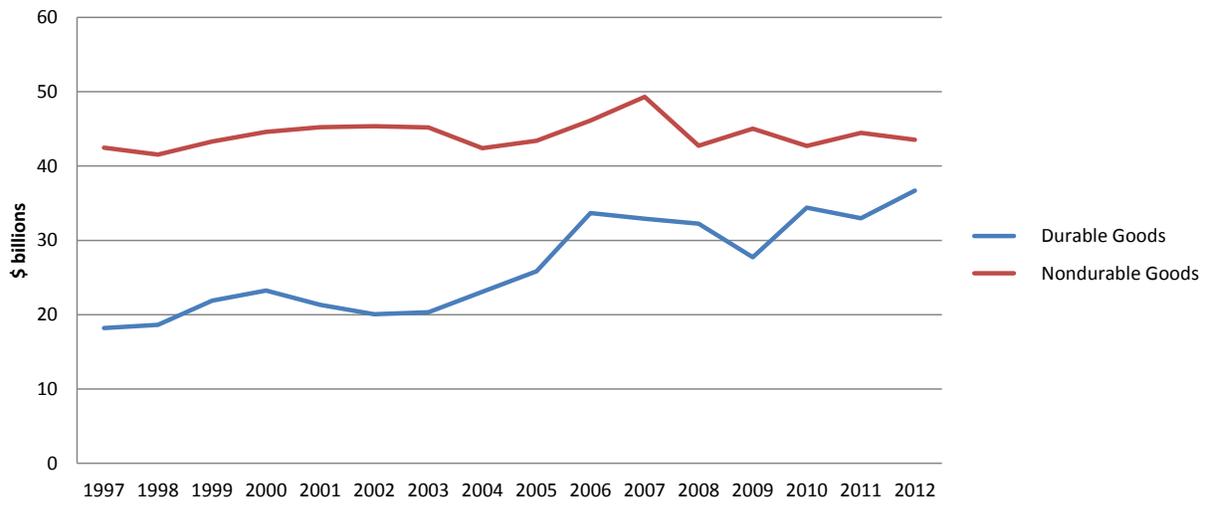
Conversely, Nondurable Goods manufacturing negatively contributed to GDP growth over the same time frame. Nondurable Goods are goods that do not last for a long time and that are bought regularly. In North Carolina, Food, Beverage and Tobacco Product and Chemical manufacturing have historically been the largest contributors to Nondurable Goods. Although North Carolina produced 18.6 percent more Nondurable Goods than Durable Goods in 2012, the gap appears to be narrowing as part of a longer term trend in the state [Chart 5].

⁴ Durable Goods are long-lasting, more expensive items that have a longer lifetime and are purchased less frequently than Nondurables.

<http://bea.gov/regional/definitions/nextpage.cfm?key=Durable%20goods%20manufacturing>

Chart 4

**Durable and Nondurable Goods Manufacturing
Contribution to North Carolina Real GDP, 1997–2012**



Source: Bureau of Economic Analysis

Sources Guide

[GDP Statistics](#): Regional Economic Accounts Gross Domestic Product by State, Bureau of Economic Analysis (BEA)