



NORTH CAROLINA BANKING: A POWERFUL ECONOMIC FORCE



*The economic impact of the
North Carolina banking system in 2025*

Economic Impacts of North Carolina Banking System on the State Economy

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Executive Summary

The purpose of this report is to measure the total economic contribution of North Carolina’s Banking System on the state-level economy. This analysis is based on 2025 data on total annual compensation and benefits paid to the over 65,000 banking sector employees across its 86 FDIC-insured banks, institutional operations spending across various economic sectors, for example, equipment and utilities, and state-level spending associated with household and commercial loans. To examine the total economic impacts associated with the direct injection of lending associated with the presence of the North Carolina banking system, a state-specific input-output model has been developed to assess and measure secondary spending flows and associated multipliers for each represented economic sector.

Our estimate is that the North Carolina banking system represents a total economic impact for the state economy of \$110 billion that otherwise would not be present absent the North Carolina banking system. This further translates into 459,700 jobs and \$33 billion in labor income directly benefiting North Carolina households.

I. Introduction

Banks generate a significant economic contribution to their local communities. Banks also provide stable jobs and important compensation to individuals and households across North Carolina. At the aggregate level, the banking system in North Carolina employs over 65,000 workers, paying \$10.3 billion in employees' compensation and benefits in 2025. North Carolina banks also stimulate local economies through spending on business operations, for example, in the form of supplies, maintenance, legal services fees, marketing, utilities, and subcontracts. In addition, the North Carolina banking system lends billions of dollars to North Carolina residents through, for example, mortgages, small business loans, construction and development loans, and agricultural production loans. This lending, made possible by the presence of the banking system, facilitates household and business spending on new capital purchases (real estate, equipment, machinery, etc.), raw materials, supplies, and utilities, etc., further stimulating economic activity at the state.

The purpose of this report is to examine the economic contribution of the North Carolina banking system – consisting of 86 different FDIC-insured banks – located across the state. This comprehensive banking system has a significant economic presence in the region. Income-induced spending, business operations, and loan-funded expenditures made possibly by the presence of North Carolina banks constitute a direct economic impact to the state. Direct expenditures of the banking system enter the state economy and circulate through economic linkages in the state economy to produce further indirect and induced impacts through the state. The overall economic impacts arising from the North Carolina banking system are the sum of the direct, indirect, and induced effects.

II. Methodology

The banking system across North Carolina continuously provides injections of money in the form of professional, administrative, and sub-contract salaries, operational expenditures, and household and commercial loans facilitating state-level expenditures. The essential element of an input-output model is that the model captures all economic linkages in the regional or state-level economy and in the process is able to quantify a final, or total, effect of an injection of a dollar into the economy. The process works by means of a multiplier which aggregates the effects of the dollar circulating through the various sectors that comprise the economy.

The economic effects of injections of money consist of the direct impacts of the local spending and the subsequent secondary impacts as the dollars circulate through local businesses and are, in turn, spent again. The initial injections of money and subsequent spending would not occur in the region without the North Carolina banking system's activities. The total impact is the net effect of spending, direct and subsequent secondary, with consideration for a degree of leakage, i.e., spending that does not remain in the local state economy and has no further impact on the state economy.

The multiplier process is a key component of the input-output model and provides conceptual insights into the relationship between direct and indirect effects. The initial expenditures associated with the North Carolina banking system, the injections of money, have a ripple effect through the state economy as successive rounds of spending magnify its impact. This is the principle of the multiplier.

III. Data

For purposes of this economic impact analysis, the primary source of data for the 86 FDIC-insured banking institutions with close to 2,000 branches conducting business activities in North Carolina was the FFIEC 031/041/051 reporting form (commonly known as the Call Report). The Call Report represents federally required quarterly consolidated reports of condition and income for all FDIC-insured individual depository institutions (IDIs).

Call Reports are filed by FDIC-insured banks at the individual depository institution (IDI) level, regardless of what state(s) the bank institution is operating. To disaggregate the IDI level data for purposes of this analysis, this report uses the Summary of Deposit (SOD) reporting. The SOD is a federally required annual survey of branch office deposits as of June 30 for all FDIC-insured institutions. For purposes of this analysis, we use the ratio of deposits held within active North Carolina branches to the IDI's total domestic deposits as a proxy to disaggregate the IDI-level Call Report data.

The IDI-level Call Report data connected with the branch-level reporting available within the SOD represents the primary data sources for identifying business activity of the North Carolina banking system.

Spending flows by the North Carolina banking industry

Three types of spending flows were identified for purposes of this analysis: employees' compensation, operational expenditures, and lending activities.

Employees' compensation

Data on employee compensation and benefits is provided by the banking industry within the Call Report. Income generated by employees working in banking institutions creates induced discretionary spending across all economic sectors. Employee compensation and benefits data, captured by required federal reporting, are adjusted downward by subtracting the personal taxes paid and the value of benefits. In the analysis, we remove the cost associated with benefits by using an industry average disaggregation value obtained from the American Bankers Association (ABA) Compensation and Benefits survey conducted annually. Employee income-related induced spending enters the model as changes in aggregate demand. The disaggregation of these expenditures across economic sectors is a function of the household spending vector. In 2025, \$10.3 billion in annual compensation and benefits was paid to 65,000 employees.

Operational expenditures

Institutional operation expenditures represent typical business spending, such as expenditures on premises and fixed assets, costs of data processing services, legal services (e.g., appraisers, attorneys), office supplies, advertising and marketing expenses, utilities. These expenditures represent direct inputs into the model stratified across respective sector multipliers by spending category accordingly. In 2025, the direct injection of operational expenditures by banks with an active branch network in NC totaled \$19.7 billion.

Lending activities

Annual loan data disaggregated by loan type are available within the Call Reports. For purposes of this analysis, four loan types were incorporated: agricultural production loans, small dollar business loans, commercial real estate (CRE) loans, and construction and development of family residential loans. Loan data, captured by required federal reporting, are adjusted downward by subtracting estimated average interest payments as well as an estimated amount of refinancing activity as these do not result in economic productivity.

Lending activity represents a direct input into the model stratified across respective sector multipliers. For example, small dollar business loans are allocated across respective sector multipliers using the North Carolina 2025 Small Business Profile as provided by the U.S. Small Business Administration. The construction and

development of family residential loans are allocated across respective sector multipliers using the National Association of Home Builders cost of constructing a home survey. The CRE loans are allocated across respective sector multipliers using ABA analysis derived from quarterly earning disclosures of publicly traded banks.

In 2025, the direct injection of cash into the local economy through agricultural production lending activities of banks with an active branch network in NC totaled \$100 million; through small dollar business lending activities, \$9.6 billion; through CRE lending activities, \$5.2 billion; and through construction and development of family residential lending activities, \$2.2 billion.

Regional multipliers

Our analysis was conducted using the Bureau of Economic Analysis's (BEA's) Regional Input-Output Modeling System (RIMS II) multipliers. The BEA's RIMS II model was first provided in the early 1970s as a tool to help economists analyze the potential impacts of economic activities on regional economies. The tool is used by investors, planners, and elected officials to objectively assess the potential economic impact of various projects.

RIMS II is a regional economic model using regional input-output multipliers to provide a measure of the effects of local demand shocks on total gross output, value added, earnings, and employment on all industries and on individual industries in the local economy. The model is based on a set of national input-output accounts showing goods and services produced by each industry and the use of these goods and services by industries and final users. The RIMS II model adjusts national relationships to account for regional supply conditions producing multipliers used in economic impact studies to estimate the total impact of an event, or project, on a region.

RIMS II multipliers assume fixed purchase patterns, for example, industries do not change the relative mix of inputs used to produce output, and industry homogeneity, that is, the assumption that all businesses in an industry use the same production process. In addition, there is consideration of supply constraints reflected in the multipliers, for example, there are no assumed price adjustments in response to supply constraints due to a shift in demand. Notably, there is also no time dimension relevant to the multipliers, that is, the length of time it takes for the total impact of an initial change in economic activity to be completely realized is unclear because time is not explicitly included in input-output models. The actual adjustment period varies and is dependent on the initial change in economic activity and the industry structure that is unique to each region.

The BEA does not endorse any resulting estimates and/or conclusions about the economic impacts discussed within this analysis.

IV. Total Economic Impacts

The model produces four related measures of economic impact: gross output, value added, earnings, and employment.

Output is the sum of value added and intermediate inputs. Output is a duplicative total in that the value of goods and services is counted multiple times when these goods and services are further processed in production.

Value added excludes intermediate inputs resulting in a measure comparable to regional measure of gross domestic product (GDP). Value added includes earnings, as well as taxes on production and imports, and of gross operating surplus, which is a profit-like measure.

Earnings consist of wages and salaries and of proprietors' income (i.e., the net earnings of sole proprietors and partnerships). Personal contributions to social insurance, such as Social Security and Medicare, and employee

pension plans are excluded as the model needs only to account for the portion of personal income available to spend.

Employment is the number of full- and part-time jobs.

In addition, the model produces direct and indirect impacts as well as induced impacts.

Direct impacts relate to the first round of inputs purchased by the North Carolina banking industry for purposes of this analysis. The indirect impact relates to subsequent rounds of inputs purchased by supporting industry, for purposes of this analysis, for example, purchases made by data processing services or legal services in support of the North Carolina banking system. The sum of direct and indirect impact is often referred to as the interindustry effect.

Induced impacts relate to the spending of workers whose earnings are affected by the North Carolina banking system, for purposes of this analysis. This impact is often referred to as the household-spending effect.

Economic impact of the North Carolina banking system

The aggregate economic impacts attributable to the North Carolina banking system are captured in Table 1 below. According to conclusions derived using BEA's RIMS II multipliers, the North Carolina banking system contributed an estimated \$110 billion in gross output to the state in 2025. This estimate includes \$77 billion in direct and indirect impacts, i.e., the interindustry effect.

The value-added portion of the gross output is an estimated \$71 billion, including an estimated interindustry effect of \$52 billion.

The North Carolina banking system creates an estimated 459,700 full- and part-time employment positions, resulting in estimated earnings of \$33 billion for North Carolina households. This estimate includes the estimated \$6.3 billion in earnings paid to current employees of the North Carolina banking system.

These estimates represent a level of economic activity that would not occur absent the North Carolina banking system.

Table 1: Total Economic Impacts

	Output (\$000)	Earnings (\$000)	Jobs	Value added (\$000)
Direct & Indirect Impacts	77,272,156	23,887,103	262,980	51,522,581
Induced Impacts	32,711,152	9,531,772	196,739	19,506,032
Total Impacts:	109,985,308	33,418,874	459,719	71,028,613

V. Concluding Remarks and Discussion

The North Carolina banking system provides a comprehensive network across North Carolina providing access to safe and secure financial services for all North Carolina households, see Figure 1.

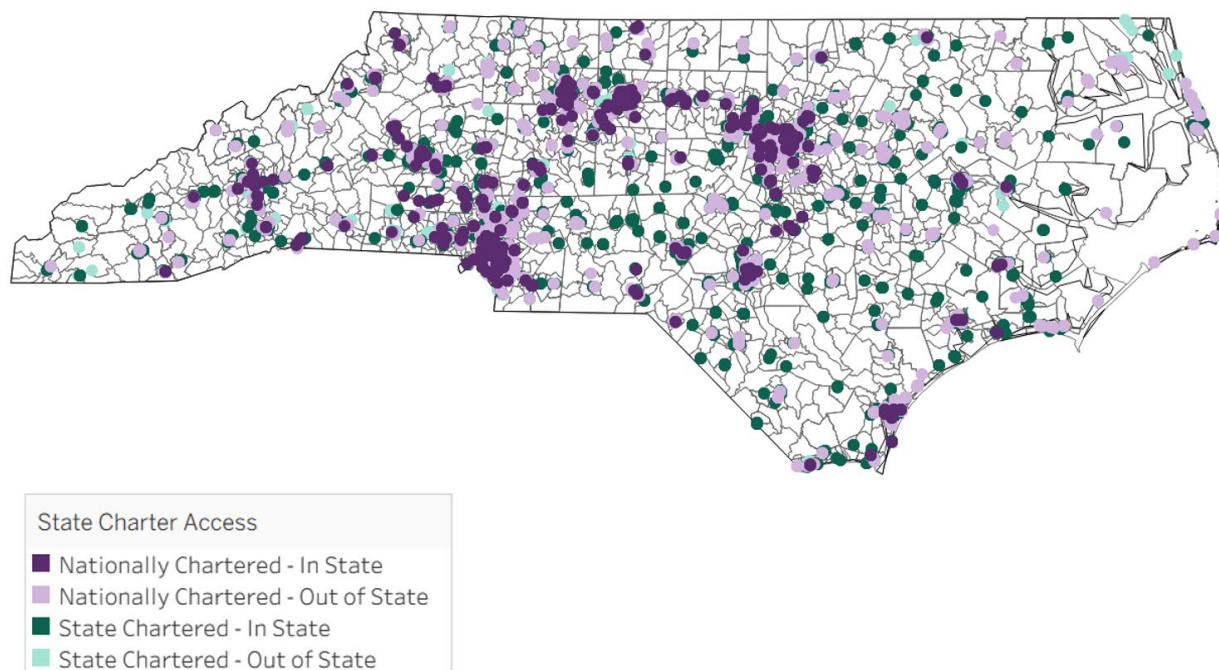
In addition to providing a consistent employment opportunity at a local level, the banking system represents a significant economic presence in the state. Salaries and benefits paid to employees generates spending on goods and services across the state's economic sectors. Annual business operational spending on, for example,

supplies, utilities, and legal services, by the state's banking system further supports local economic activity across economic sectors. And the loans the state's banking system originates, for example, new residential construction and small dollar loans to businesses, further stimulate the state's local economy.

When these expenditures circulate through the state economy the multiplier effects add secondary economic impacts for a total economic impact of \$109 billion in gross output across North Carolina. This level of economic contribution generates 459,700 jobs and \$33 billion in labor income.

These figures represent a well-grounded estimate. Our objective is to present a measure based on sound economic analyses and trusted source data directly from the banking industry. Notably, this type of study cannot capture the non-market effects of the presence of a banking system in North Carolina, for example, bank charitable contributions and employee volunteer hours are not part of the analysis but such expenditures and allocation of time will provide further economic benefits.

Figure 1: Bank branch network across North Carolina



Source: FDIC, Census, ABA analysis

VI. References

For more information on the Bureau of Economic Analysis's Regional Input-Output Modeling System visit www.bea.gov

For more information on the Call Report (FFIEC 031/041/015) visit www.ffiec.gov