



ROY COOPER  
*Governor*

ANTHONY M. COPELAND  
*Secretary*

March 31, 2020

Dear Governor Cooper, Senator Berger and Speaker Moore,

Over the past several weeks we have experienced unprecedented challenges to our workforce and to our economy. While there seem to be new developments daily, the work of the Department of Commerce continues.

As required by statute the Department prepares the attached Annual Evaluation for the NC General Assembly each April. This document provides some helpful data as on the current status of the NC economy. In addition, it is the Secretary's responsibility to prepare a comprehensive strategic economic development plan with annual updates to this plan.

In previous years, I have provided an update of the Jobs Plan developed in 2013, but this year, the Department determined it was time to develop a new comprehensive plan. For the 2020 plan, the Department worked with a team from the University of North Carolina at Chapel Hill's School of Government and Department of City and Regional Planning.

On the Department's behalf, the UNC team conducted regional stakeholder sessions across the state and facilitated interviews and surveys of many others. In all, nearly 300 people provided important input to this plan. This complemented the team's data-driven approach, incorporating extensive research of economic and demographic data and trends.

The Department is finalizing the carefully crafted strategies and tactics to provide a roadmap for the state and will present those to the NC General Assembly in the coming weeks.

We appreciate the support we have received and look forward to continuing to partner with the members of the NC General Assembly on these and other efforts to strengthen the state's economy.

Sincerely,

A handwritten signature in blue ink, reading "Anthony M. Copeland".

Anthony M. Copeland



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## 2020 Annual Evaluation of North Carolina Economic Performance

Pursuant to [G.S. 143B-434.01](#), the Department of Commerce annually reports on the state's Comprehensive Strategic Economic Development Plan and evaluates North Carolina's economic performance. This report evaluates key economic indicators as outlined by statute.

### DATA AND ANALYSIS OF KEY ECONOMIC INDICATORS

[G.S. 143B-434.01\(k\)](#) calls for analysis of the eight data points listed below. Technical tools developed by the Agency, such as AccessNC and the Demand Driven Data Delivery System (D4), enable users to readily retrieve similar information at a city, county, region, and statewide level. In addition, Commerce produces numerous publications that provide more detailed analysis than is required by statute and have a wider readership than this report. These resources include:

- [Demand Driven Data Delivery System](#) (D4) makes available a plethora of employment and business data, all of which can be categorized by region.
- [AccessNC](#) is a web-based tool that enables users to retrieve labor market, demographic, education, and other economic data on various geographies in North Carolina.
- [NC Today](#) is a monthly review of labor market conditions in North Carolina with comparative data from the United States as a whole, and from selected Southern states on various aspects of the economy. Topics include employment and unemployment statistics, unemployment insurance benefit claims, retail sales, residential building permits, manufacturing hours worked, and other economic indicators.
- [Labor Market Publications](#) by the Labor and Economic Analysis Division provide insights into the state's economy by highlighting current economic conditions in North Carolina as well as national trends.
- [NC Works Online](#) is a one-stop online resource for job seekers and employers in North Carolina. Job seekers can search for jobs, create resumes, and find education and training. Employers can find candidates, post jobs, and search labor market information.

## REALIZED CAPITAL INVESTMENT

The NC Community Investment Report (CIR) is a tool that collects and analyzes project-level data from across North Carolina to measure economic development activity.[1] CIR relies on partners across the state to report projects, and does not necessarily capture every announced job or dollar invested in the state.

In 2019, North Carolina's economic development community reported 215 economic development projects across the state. Reported projects contributed a total of 23,107 announced jobs and \$4.75 billion in announced investment. The state's largest manufacturing capital investment project in 2019 was undertaken by Merck & Co. (\$650 million in Durham County). The state's largest manufacturing job creation project was Mountaire Farms (580 jobs in Chatham County). The largest non-manufacturing capital investment project was Lowes Inc. (\$153 million in Mecklenburg County) and the largest non-manufacturing job creation announcements was also Lowes Inc. (1,612 jobs in Mecklenburg County).

Consistent with past years, there were more manufacturing projects in 2019 than any other project type. Manufacturing projects accounted for 47% of total announced jobs and 66% of total announced investment. In 2019, 39 Foreign Direct Investment (FDI) projects from 14 different countries announced 2,937 announced jobs and more than \$817 million in investment in North Carolina. Companies from India announced both the most jobs (828) and the most investment (\$198 million).

## NET JOB CHANGE

Net job change is the difference in employment level between two points in time. As the following table shows, North Carolina's seasonally adjusted total nonfarm employment increased by 50,100 (1.1%) from January 2019 to January 2020<sup>1</sup>. Seven major industry sectors reported seasonally adjusted job growth over the year.

Industry	January 2019	January 2020 <sup>1</sup>	Change	% Change
<b>Trade, Transportation and Utilities</b>	846,200	854,300	8,100	1.0%
Wholesale Trade	186,600	190,800	4,200	2.3%
Retail Trade	502,200	500,200	-2,000	-0.4%
Transportation, Warehouse, and Utilities	157,400	163,300	5,900	3.7%
<b>Government</b>	730,100	735,600	5,500	0.8%
Federal Government	73,200	75,100	1,900	2.6%
State Government	205,300	206,900	1,600	0.8%
Local Government	451,600	453,600	2,000	0.4%
<b>Professional and Business Services</b>	649,400	645,200	-4,200	-0.6%
Professional, Scientific and Technical	259,600	265,800	6,200	2.4%
Management of Companies	85,300	85,200	-100	-0.1%
Administrative and Waste Management	304,500	294,200	-10,300	-3.4%
<b>Educational and Health Services</b>	623,100	625,400	2,300	0.4%
Educational Services	97,200	98,500	1,300	1.3%
Health Care and Social Assistance	525,900	526,900	1,000	0.2%
<b>Leisure and Hospitality Services</b>	512,900	535,200	22,300	4.3%
Arts, Entertainment and Recreation	73,600	82,200	8,600	11.7%
Accommodation and Food Services	439,300	453,000	13,700	3.1%
<b>Manufacturing</b>	478,600	477,800	-800	-0.2%
Durable Goods	261,100	262,100	1,000	0.4%
Non Durable Goods	217,500	215,700	-1,800	-0.8%
<b>Financial Activities</b>	247,100	257,400	10,300	4.2%
Finance and Insurance	185,200	194,000	8,800	4.8%
Real Estate and Rental Leasing	61,900	63,400	1,500	2.4%
<b>Construction</b>	231,800	230,400	-1,400	-0.6%
<b>Other Services</b>	158,100	163,100	5,000	3.2%
<b>Information</b>	75,700	78,900	3,200	4.2%
<b>Mining and Logging</b>	5,800	5,600	-200	-3.4%
<b>TOTAL (Nonfarm)</b>	4,558,800	4,608,900	50,100	1.1%
<b>TOTAL (Private)</b>	3,828,700	3,873,300	44,600	1.2%

Source: North Carolina Department of Commerce, Current Employment Statistics

<sup>1</sup> North Carolina Department of Commerce, Current Employment Statistics. <http://d4.nccommerce.com/CesSelection.aspx>. January 2019 estimates are preliminary and subject to revision.

## MANUFACTURING CHANGES

Since the beginning of the 2007 national recession (Dec. 2007), North Carolina has lost a net 60,300 Manufacturing jobs. Although the recession officially ended in June 2009, the state's Manufacturing jobs bottomed out in February of 2010. Since then, Manufacturing experienced an increase of 47,800 jobs. Over the past year (January 2019 to January 2020<sup>1</sup>), not seasonally adjusted Manufacturing jobs decreased by 500 positions. Food remains North Carolina's leading industry group in Manufacturing jobs at 58,200. Chemical Manufacturing follows with 42,000 jobs.

Industry	January 2019	January 2020 <sup>1</sup>	Change	% Change
<b>Manufacturing</b>	476,000	475,500	-500	-0.1%
Food	57,300	58,200	900	1.6%
Chemical	41,700	42,000	300	0.7%
Fabricated Metal Product	38,500	38,900	400	1.0%
Transportation Equipment	37,400	37,900	500	1.3%
Machinery	35,900	36,700	800	2.2%
Plastics and Rubber Products	35,300	35,100	-200	-0.6%
Furniture and Related Product	35,800	35,000	-800	-2.2%
Computer and Electronic Product	32,800	33,400	600	1.8%
Textile Mills	27,000	25,800	-1,200	-4.4%
Electrical Equipment, Appliance, & Component	22,700	22,400	-300	-1.3%
Wood Product	18,600	18,600	0	0.0%
Beverage and Tobacco Product	11,900	12,000	100	0.8%
Printing and Related Support Activities	11,100	10,800	-300	-2.7%
Apparel	6,900	6,400	-500	-7.2%
Textile Product Mills	6,300	6,100	-200	-3.2%

*Source: North Carolina Department of Commerce, Current Employment Statistics*

## FIRM AND ESTABLISHMENT CHANGES

A **firm** is defined as a business organization consisting of one or more **establishments** under common ownership or control. The most recently available data from the Census Bureau's Statistics of U.S. Businesses (SUSB) show that there were 177,764 firms in North Carolina in 2017 (a 2.0% increase over 2016).<sup>2</sup>

SUSB does not produce data on firm-level dynamics, but does provide dynamic establishment change data, including the number of establishment births, deaths, expansions, and contractions.

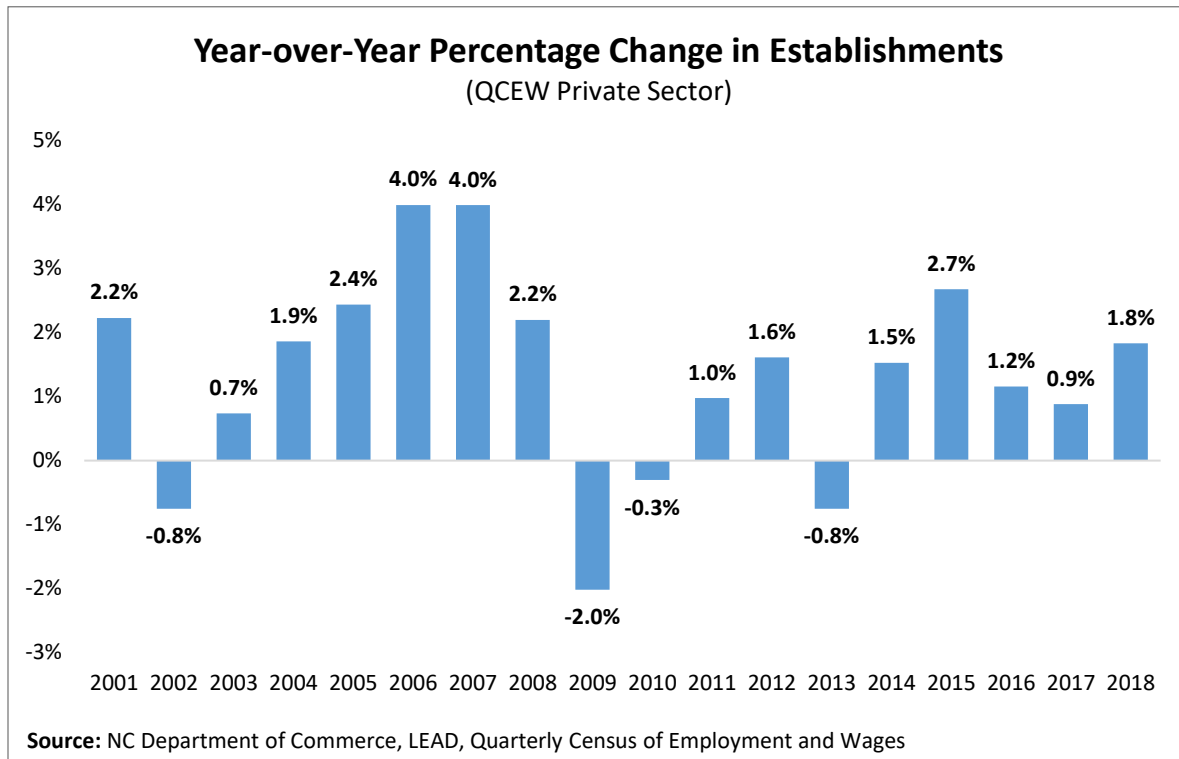
According to the most recently available data, North Carolina experienced the following establishment changes between 2015 and 2016:

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<sup>2</sup> U.S. Census Bureau, Statistics of U.S. Businesses, <http://www.census.gov/programs-surveys/susb.html>

- 20,439 establishment births
- 16,223 establishment deaths
- 58,246 establishment expansions
- 46,274 establishment contractions

A more recent source for establishment data is the Quarterly Census of Employment and Wages (QCEW). According to QCEW, the number of private sector establishments in North Carolina reached its post-recession low in 2010, when there were 244,440 establishments across the state.<sup>3</sup> By 2018, the number of establishments in North Carolina had grown to 269,657, an 10.3% increase relative to 2010. Establishment growth is generally a helpful indicator of business opportunities and macroeconomic conditions in the economy. The number of establishments tends to decline during recessionary periods, as indicated by the graph below.



## STATUS AND PERFORMANCE OF KEY SECTORS

One of the most common ways to measure a state's overall economic performance or strength is to look at state gross domestic product (state GDP), the total market value of all goods and services produced in the state. In the years before the recession, the state experienced significant economic growth and, in 2008, North Carolina's real GDP (in 2012 dollars) reached \$447 billion.<sup>4</sup> From 2009 to 2018 (the last full year available), North Carolina's real GDP grew 16.4%, while the nation's real GDP has grown 22.5%.

<sup>3</sup> NC Department of Commerce, QCEW, <https://d4.nccommerce.com/QCEWSelection.aspx>

<sup>4</sup> Bureau of Economic Analysis, available at <http://bea.gov/regional/index.htm>

Looking at the most recently quarterly data available, real state GDP grew by 2.1% From Q3 2018 to Q3 2019 as North Carolina continued its slow but steady economic expansion.

### North Carolina Real GDP by Industrial Sector, Q3 2018-Q3 2019

(in millions of chained, 2012 dollars)

Industry	2018: Q3	2019: Q3	Change	% Change
<b>All Industry Total</b>	\$499,047	\$509,608	\$10,560	2.12%
<b>Private Industries:</b>	\$435,636	\$445,676	\$10,039	2.30%
Finance, insurance, real estate, rental, and leasing	\$90,275	\$92,245	\$1,970	2.18%
Manufacturing	\$91,238	\$90,430	-\$808	-0.89%
Professional and business services	\$64,884	\$69,045	\$4,162	6.41%
Educational services, health care, and social assistance	\$41,365	\$42,367	\$1,002	2.42%
Wholesale trade	\$30,377	\$31,157	\$780	2.57%
Retail trade	\$27,992	\$29,780	\$1,788	6.39%
Information	\$21,925	\$21,965	\$40	0.18%
Arts, entertainment, recreation, accommodation, and food services	\$17,727	\$17,961	\$234	1.32%
Construction	\$16,740	\$17,009	\$268	1.60%
Transportation and warehousing	\$11,332	\$11,210	-\$122	-1.08%
Other services (except government and government enterprises)	\$9,552	\$9,869	\$317	3.32%
Utilities	\$7,929	\$7,959	\$30	0.38%
Agriculture, forestry, fishing, and hunting	\$4,729	\$5,478	\$750	15.85%
Mining, quarrying, and oil and gas extraction	\$629	\$734	\$105	16.61%

**Source:** Bureau of Economic Analysis, Quarterly Gross Domestic Product by State

The state's private service-providers grew by 3.2% over the year, while goods-production was basically flat with growth of 0.3%. Finance, insurance, and real estate (FIRE) grew by 2.2% and is the largest contributor to GDP, slightly larger than Manufacturing, which fell by 0.9% over the year. Within Manufacturing, durable goods (e.g. cars, appliances, etc.) production grew by 1.8%, while nondurables (e.g. chemicals, food, etc.) shrank by 3.1%. Other large industries with significant growth were Professional and Business Services, Education and Health Care, Wholesale as well as Retail. Transportation and Warehousing fell by 1.1% over the year.

## RURAL BUSINESS DEVELOPMENT

The following table displays changes in employment and business establishments between North Carolina's urban and rural counties.<sup>5</sup> From the third quarter of 2018 through the third quarter of 2019, jobs grew more slowly in rural counties than in urban counties. In addition, rural counties' business establishments grew more slowly. Looking back five years to 2014, rural counties have experienced much slower job and business establishment growth than their urban counterparts.

<sup>5</sup> For the purposes of this report, urban counties are designated as those with at least 70% of their populations living in urban areas, according to the 2010 U.S. Census. Under this definition urban counties include Alamance, Buncombe, Cabarrus, Craven, Cumberland, Dare, Durham, Forsyth, Gaston, Guilford, Mecklenburg, New Hanover, Onslow, Orange, Pitt, Union, and Wake. Available at <https://www.census.gov/geo/reference/ua/urban-rural-2010.html>.

## Private Employment and Establishments in Rural and Urban Counties

	Jobs				Establishments		
	2019 Q3	Change since 2018 Q3	Change since 2014 Q3		2019 Q3	Change since 2018 Q3	Change since 2014 Q3
Rural Counties	1,212,124	1.0%	6.0%		93,463	2.8%	4.8%
Urban Counties	2,471,382	2.4%	13.5%		163,988	3.8%	12.7%
<b>North Carolina</b>	<b>3,817,070</b>	<b>2.2%</b>	<b>11.9%</b>		<b>279,741</b>	<b>4.7%</b>	<b>10.7%</b>

**Note:** Rural and Urban County numbers do not sum to North Carolina totals because some business establishments are not assigned a county location.

**Source:** NC Department of Commerce, QCEW

## STATUS OF MINORITY-OWNED BUSINESSES

The timeliest data for assessing minority-owned business changes in North Carolina is available through the Census Bureau's Annual Survey of Entrepreneurs (ASE), which is published annually, but does not include the self-employed.<sup>6</sup> According to the ASE, 13% (20,826) of North Carolina's firms were minority-owned in 2016. These firms employed about 5% of all paid workers in the state. From 2015 to 2016, the number of minority-owned firms grew 6.6%, while the overall number of North Carolina firms grew by 2.5%.

More comprehensive data is available through the Census Bureau's 2012 Survey of Business Owners and Self-Employed Persons (SBO).<sup>7</sup> In 2012, 23% (over 183,000) of firms in North Carolina were considered minority-owned; associated receipts amounted to over \$20.7 million. Between 2007 and 2012, minority-owned firms grew 39%, significantly faster than all North Carolina firms (1%). Minority-owned firm receipts also grew significantly faster (29%) than all statewide firms (4%).

## DEVELOPMENT CAPACITY

The N.C. Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns each a Tier designation. The 40 most distressed counties are designated as Tier 1, the next 40 as Tier 2, and the 20 least distressed as Tier 3. This Tier system is incorporated into various state programs to encourage economic activity in the less prosperous areas of the state.

For more information about the Tier system, please refer to:

<https://www.nccommerce.com/grants-incentives/county-distress-rankings-tiers>

<sup>6</sup> Census Bureau, 2015 Annual Survey of Entrepreneurs (ASE), <https://www.census.gov/programs-surveys/ase.html>

<sup>7</sup> Census Bureau, 2012 Survey of Business Owners and Self-Employed Persons (SBO), <https://www.census.gov/programs-surveys/sbo.html>