



## **NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD**

### **2014 ANNUAL REPORT ON ECONOMIC DEVELOPMENT FOR THE STATE OF NORTH CAROLINA**

The North Carolina Economic Development Board oversees state economic development research and planning and makes policy recommendations to the Secretary of Commerce, the Governor and the General Assembly.

The Economic Development Board is required by G.S. 143B-434.01 to provide the General Assembly with an annual update on the implementation progress of the statewide strategic economic development plan ("the Plan") and overview of the state's economic performance. This report overviews the Plan's background, provides a progress update, and outlines key economic indicators.

#### **BACKGROUND ON THE DEVELOPMENT OF THE 2014-2024 STATEWIDE ECONOMIC DEVELOPMENT STRATEGIC PLAN**

In July of 2013, Governor McCrory charged the newly-reorganized Economic Development Board with developing a comprehensive 10-year strategic growth plan for statewide economic development efforts.

To formulate this new strategic plan, the Board created eight committees to discuss issues in their designated policy focus areas and make recommendations to the full Board for final action. Each committee was aided by staff from the Department of Commerce and by advisors from other state agencies, universities, private companies and non-profit organizations. The Board also received input from local economic development professionals, business leaders and citizens who participated in several Listening Tour events held across the state. The Board organized the committees to focus on eight major areas of economic development in North Carolina:

1. Targeted Growth Clusters and Branding;
2. Business Climate;
3. Innovation and Entrepreneurship;
4. Talent and Retiree Attraction;
5. Education and Workforce Development;
6. Rural Prosperity;
7. Community Development; and
8. Structure and Metrics.

The 2014-2014 North Carolina Jobs Plan, approved by the Economic Development Board at the January 2014 meeting, recommends a proactive, targeted and data-driven approach toward economic development that also emphasizes collaboration, partner engagement and accountability metrics.

The Board, in conjunction with the Department of Commerce, is in the process of developing an action matrix and implementation plan that highlights responsibilities, resource needs, and priorities for the strategic plan recommendations. The Board will work to implement the plan, along with staff and advisors, through advocacy and accountability reviews with the state's economic development agencies.

## DATA AND ANALYSIS ON KEY ECONOMIC INDICATORS

[G.S. 143B-434.01\(k\)](#) calls for analysis of the eight data points listed below. Technical tools developed by Commerce, such as AccessNC, enable readers to readily retrieve similar information, region specific and statewide. 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:

- [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, industry employment and wage measures, business closings and permanent layoffs, unemployment insurance benefits paid accompanied by trust fund activities, and quarterly updates on employer cost for employee compensation. The report also includes comparative data on the 1990/2001 recessions.
- [Monthly reports](#) provide a snapshot of the State's economy by highlighting current economic conditions in North Carolina as well as national trends.
- [The State of the N.C. Workforce 2011-2020 Report](#) provides an in-depth analysis of the supply of available workers and the workforce demand in the state. The Report evaluates the impact of the Great Recession on North Carolina's labor force and revisits ongoing structural economic trends identified before the recession.
- [AccessNC](#) is a web-based tool that enables users to retrieve community demographic reports, labor market and education data on communities in North Carolina.
- [Demand Driven Data Delivery System](#) (D4) makes available a plethora of employment and business data, all of which can be categorized by region.
- [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.

## NET JOB CHANGE

Net job change is the difference in employment level between two points in time. As noted in [March's edition of NC Today](#), as of February 2014, North Carolina's seasonally adjusted Total Nonfarm employment had increased 46,400 over the year.

Eight major industrial sectors experienced seasonally adjusted job growth over the year. Professional & Business Services increased by 19,000 jobs, due to gains in Admin & Support & Waste Management & Remediation Services (14,200); Professional, Scientific & Technical Services (3,700); and Management of Companies & Enterprises (1,100). Trade, Transportation & Utilities added 11,600 with gains in Wholesale Trade (5,400), Retail Trade (4,500), and Transportation & Utilities (1,700). Construction gained 5,400. Education & Health Services increased 5,300 with gains in Educational Services (5,100) and Health Care & Social Assistance (200). Other Services rose 3,000. Financial Activities grew by 2,800 with a gain in Finance & Insurance (2,900) and a loss in Real Estate & Rental & Leasing (100). Leisure & Hospitality Services added 2,100 due to an increase in Accommodation & Food Services (2,600) and a drop in Arts, Entertainment & Recreation (500). Information gained 700. In the remaining three major industrial sectors, Government decreased by 2,900 jobs, with losses in State Government (1,400), Federal Government (1,200), and Local Government (300). Manufacturing had an overall loss of 600 jobs over the year due to a decline in Durable Goods (1,000) and an increase in Nondurable Goods (400). Mining & Logging showed no change over the year.

## REALIZED CAPITAL INVESTMENT

The [Community Investment Report \(CIR\)](#) is a tool that gathers key data on economic development project announcements across the state. While the CIR is the most comprehensive database currently available, it does not capture every announced project, job, and investment in North Carolina. In addition, the CIR only gathers data on announced economic development projects and does not track whether those announced projects were realized.

In 2013, a total of 438 unique Economic or Infrastructure Development Project announcements were submitted to the CIR database. These project announcements accounted for approximately \$4.5 billion dollars in capital investment and 26,953 projected new jobs in the State of North Carolina. The largest manufacturing capital investment announcement in North Carolina during 2013 was made by Gildan Yarns (\$258M in Bladen, Davie, and Rowan counties), while the largest manufacturing job creation announcement was made by Wright Foods (505 jobs in Montgomery County). The largest non-manufacturing project was MetLife, which announced plans to create over 2,600 jobs and invest \$125M in Mecklenburg and Wake counties.

Over half of the projects announced (56%) in 2013 were expansions and the remainder were new projects. Over the year, projects submitted to the CIR database included announcements for companies headquartered in 18 different countries. The countries with the highest number of projects were Germany (13), followed by Japan (9) and China (7). Approximately half of the projects announced in these top three countries were manufacturing projects.

The [Economic Development Grant Report](#) (\$ 143B-437.07), is another source for understanding private investment as a result of Commerce-administered incentive programs.

#### **MANUFACTURING CHANGES**

Since the beginning of the 2007 national recession (December 2007), North Carolina has lost 95,400 manufacturing jobs<sup>1</sup>. Since the end of the recession in June 2009, North Carolina's manufacturing industries experienced a decline of 4,400 jobs. Non-seasonally adjusted Manufacturing employment showed no change over the past year (February 2013 to February 2014.)

The following sectors in Manufacturing showed over-the-year job **increases** (not seasonally adjusted): Wood Product, 900; Furniture & Related Product, 800; Food, 700; Transportation Equipment, 700; Chemical, 600; Plastics & Rubber Products, 400; and Printing & Related Support Activities, 200. **Losses** were reported in the remaining sectors: Computer & Electronic Product, 900; Textile Mills, 800; Textile Product Mills, 600; Apparel, 400; Beverage & Tobacco Product, 300; Electrical Equipment, Appliance & Component, 300; and Machinery, 100. (See [March's NC Today](#) for additional analysis).

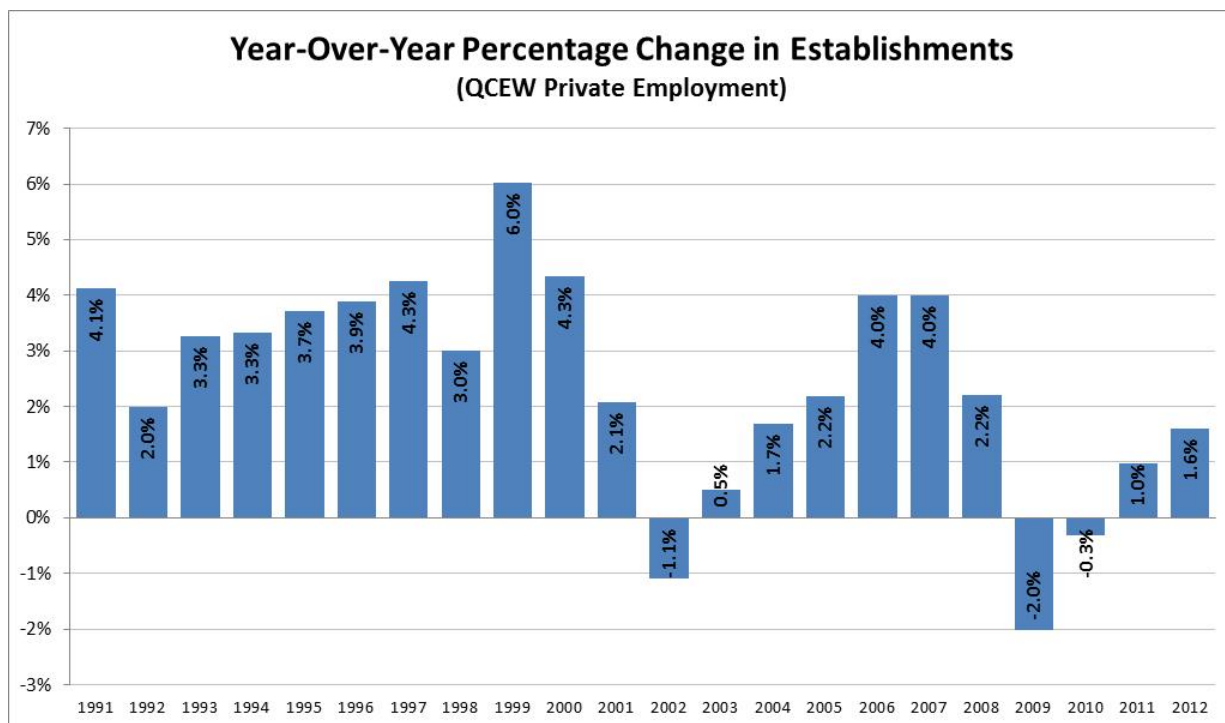
#### **NET FIRM CHANGE INDICATOR**

A firm is a company that may have one or multiple work sites or establishments. In 2012, the [Information Technology and Innovation Foundation \(ITIF\)](#)'s ranking of states with the fastest growing firms ranked Virginia and Massachusetts first and second in the nation, respectively. North Carolina ranked 16th in the nation, with 1.1 firms per 10,000 firms showing up on the Inc. 500 and Technology Fast 500 lists. The national average was 1.7 firms per 10,000.

The number of establishments in North Carolina grew from 244,000 to 251,000 from 2010 to 2012, an increase of 2.6 percent. 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. The average year-over-year change in establishments since 1991 is 2.4 percent, and North Carolina appears to be approaching that level based on the increases experienced since 2010.

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<sup>1</sup> Source: Department of Commerce, Current Employment Statistics.



Source: NC Department of Commerce, Quarterly Census of Employment and Wages

The Census Bureau's Statistics of U.S. Businesses (SUSB) provides annual or static data including number of firms, number of establishments, employment, and annual payroll for most U.S. business establishments. The most recently available data is from 2011. 2009-2010 employment change (dynamic data) is also available, including the number of establishments and corresponding employment change for births, deaths, expansions, and contractions.

According to the Census, North Carolina had 165,895 firms, 215,113 establishments, and employment of 3,284,592 in 2011<sup>2</sup>. In 2009, the state initially had 199,157 establishments and an employment of 3,353,283. During 2009 to 2010, there was a net change of -2,247 in establishments and -95,192 in employment; establishment births were 19,581 with an employment change of 148,360 while there were 21,828 establishment deaths and a -153,424 change in employment. There were 45,341 establishment expansions with an employment change of 254,317, and there were 58,334 establishment contractions with an employment change of -344,445.

#### STATUS AND PERFORMANCE ON 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). In the years before the recession the State experienced significant economic growth. In 2004, North Carolina's Real GDP was \$335.8 billion. Real GDP grew to \$378.8 billion in 2007 before declining to \$372.2 billion in 2009. The state's economy has since recovered to pre-recessionary levels, totaling \$392.9 billion in 2012. Despite the decrease from 2007 to 2009 the State's Real GDP grew by 3.7 percent from 2007 to 2012, greater than the U.S. average of 2.5 percent.

From 2011 to 2012 North Carolina's major sectors have done well recovering from the recession.

<sup>2</sup> Source: Census Bureau's Statistics of U.S. Businesses (SUSB)

## Real State GDP by Industrial Sector

2011 – 2012 (in Millions of chained 2005 dollars)

Industry	2011	2012	Change	% Change
All industry total	\$ 382,655	\$ 392,905	\$ 10,250	2.7%
Private services-providing industries	\$ 237,628	\$ 245,525	\$ 7,897	3.3%
Financial activities	\$ 82,273	\$ 85,362	\$ 3,089	3.8%
Manufacturing	\$ 77,204	\$ 79,304	\$ 2,100	2.7%
Trade	\$ 40,754	\$ 42,527	\$ 1,773	4.4%
Information	\$ 13,107	\$ 14,209	\$ 1,102	8.4%
Leisure and hospitality	\$ 12,075	\$ 12,507	\$ 432	3.6%
Transportation and warehousing	\$ 8,477	\$ 8,431	\$ (46)	-0.5%
Utilities	\$ 5,639	\$ 5,949	\$ 310	5.5%
Agriculture, forestry, fishing, and hunting	\$ 2,669	\$ 2,707	\$ 38	1.4%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Services have provided the majority of new income for the state, led by Financial Activities. Manufacturing has also improved behind gains in Durable Goods (e.g. cars, appliances, etc.). More information on State and National GDP can be found on the BEA Website: <http://bea.gov/regional/index.htm>

### RURAL BUSINESS DEVELOPMENT

As designated by the North Carolina Rural Center, 85 counties in North Carolina are classified as rural, while the remaining 15 are classified as urban. As the following table shows, annual 2013 third quarter employment grew slower in rural counties than in urban counties. Rural counties also experienced bigger employment losses than urban counties relative to 2008. A similar story is true of business establishments in rural counties, where establishment losses were proportionally larger than those in urban counties over the one- and five-year periods analyzed.

Private Employment and Establishments in Rural and Urban Counties						
	Employment			Business Establishments		
	Employment in 2013 Q3	% Change Since 2012 Q3	% Change Since 2008 Q3	Establishments in 2013 Q3	% Change Since 2012 Q3	% Change Since 2008 Q3
Rural Counties	1,161,692	0.98%	-6.11%	95,067	-1.98%	-5.85%
Urban Counties	2,079,650	2.65%	-0.07%	136,493	-1.19%	-1.82%
<b>Total</b>	<b>3,241,342</b>	<b>2.05%</b>	<b>-2.32%</b>	<b>231,560</b>	<b>-1.51%</b>	<b>-3.52%</b>

Source : Quarterly Census Employment and Wages (QCEW)

### STATUS OF MINORITY OWNED BUSINESSES

The most recent data assessing statewide minority-owned business was made available by the Census Bureau's 2007 Survey of Business Owners (SBO), which is accomplished every five years.<sup>3</sup> Detailed findings are published on a rolling basis as statewide analyses are accomplished. In July 2010, North Carolina-specific information was released, indicating that over 130,000 firms are considered minority-owned; associated receipts amount to over \$16 million.<sup>4</sup> Between 2002 and 2007, minority firms grew nearly three times faster than all North Carolina firms. Minority-owned firm receipts grew two times faster than all statewide firms.

<sup>3</sup> Phase I of the 2012 Survey of Business Owners began in September 2013, and Phase II will begin June 2014. Release dates are scheduled beginning in June 2015.

<sup>4</sup> <http://www.census.gov/econ/sbo/>

The N.C. Institute for Minority Economic Development also publishes relevant research, available at: <http://www.ncimed.com/>

**DEVELOPMENT CAPABILITY**

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: <http://www.nccommerce.com/research-publications/incentive-reports/2013-county-tier-designations>