



April 1, 2021

Dear Governor Cooper, Senator Berger and Speaker Moore,

At the time of the last update to the NC General Assembly, the Department was poised to deliver new strategic thinking regarding a comprehensive economic development strategy for the state. Through extensive research and regional stakeholder sessions, a series of strategies and tactics were close to completion. However, the work of the Department took a sharp turn as resources were dedicated to working to respond to the pandemic and its impact on the economy.

The Department implemented several new programs in support of small businesses, workforce, rural communities, data and new job creation.

### **Small Business Support**

To support small businesses, the Commerce Finance Center administered two CARES Act-funded grant programs for North Carolina businesses and non-profit organizations: the Job Retention Grant (JRG) program and the Mortgage, Utility and Rent Relief (MURR) program. In 2020, the Center processed 3,909 total applications for these funds and paid out nearly \$80 million to 1,791 approved grantees.

The Office of Science, Technology & Innovation was awarded \$1.5 million in CARES Act funding to 29 innovative small businesses through the One North Carolina Small Business Program, which provides matching grants to North Carolina businesses that have been awarded a highly competitive federal Phase I Small Business Innovation Research (SBIR) Program or Small Business Technology Transfer (STTR) grant.

In addition, the Department was the lead agency for the Business and Workforce Recovery Support Function (RSF) as outlined in the state's Disaster Recovery Framework. As part of this role, the Department coordinated a series of periodic check-ins with partner organizations to ensure communication and collaboration on disaster relief for North Carolina small businesses. Partners included the Golden LEAF, the NC Rural Center, the Small Business Technology Development Center, the Community College Small Business Center Network, the U.S. Small Business Administration, the Economic Development Partnership of North Carolina's (EDPNC) Business Link North Carolina (BLNC), Existing Industry and International Trade teams, and the N.C. Department of Administration's Historically Underutilized Business Office

### **Workforce Support**

The Division of Employment Security has faced an overwhelming and unprecedented demand for services during the COVID-19 pandemic. Between March 15 and the end of 2020, 1.3 million North Carolinians filed nearly 3 million claims for unemployment assistance, and DES issued more than \$9 billion in state and federal benefits.

In 2020, seven different unemployment assistance programs were administered by DES, including the regular state unemployment insurance program and three federal CARES Act programs. All six programs were implemented after March 2020.

The Division of Employment Security acted immediately to upgrade and improve its processes, technology, and customer service after the surge in unemployment claims related to COVID-19.

The Division of Workforce Solutions transitioned in-person workforce development services to a virtual environment, including offering one-on-one reemployment services to out-of-work North Carolinians in virtual formats for the first time ever, launching an Amazon cloud-based phone call management system to route jobseeker and business calls, and adding a "Live Chat" function to NCWorks.gov to immediately connect customers with NCWorks Career Center staff.

DWS and local partners rapidly responded to 374 notices filed in compliance to the Worker Adjustment and Retraining Notification (WARN) Act and provided transitional assistance to 34,450 employees impacted by either a layoff or facility closure. The 374 establishments represented in the WARN notices marked the highest count per year this century, followed by 201 in 2001 and 146 in 2009.

The Division also sought ways to help dislocated workers transition to new employment through a Pharma Expedited Training Solutions program. In collaboration with Thermo Fisher Scientific, the NC Biotechnology Center and Pitt Community College, the program provides two and a half days of training to workers displaced or unemployed by COVID-19, then matching trainees with open positions in the life sciences industry.

### **Rural Community Support**

The Rural Planning team hosted virtual COVID-19 Listening Sessions for Local Governments in all 100 North Carolina counties to assess the economic and societal disruptions brought about by the COVID-19 health crisis. The Planning team gathered data from each session and published the results in our *State of NC Communities During the Pandemic Report*.

These sessions also led to the establishment of a new partnership – Leverage NC – with the Main Street and Rural Planning Center and the NC League of Municipalities, the State Historic Preservation Office, and the NC Downtown Development Office. Leverage NC provides a centralized, easy-to-access library of professional development resources for local governments. It offers a broad portfolio of training and educational resources designed to increase economic development capacity and help address the most immediate issues that communities face.

In addition, the Community Development Block Grant (CDBG) team designed and implemented the CDBG-Coronavirus grant program that awarded \$28 Million of CARES Act funding to 38 local governments. These grants support projects that help communities respond to and recover from the impacts of COVID-19.

### **Data Support**

The Department's Labor and Economic Analysis Division has developed several new data tools and dashboards including:

- [NC Key Economic Indicator Dashboard](#) – various indicators to track and monitor NC economy with comparison to southeastern states
- [Workforce Service Delivery Outcome Dashboard](#) - a set of measures for individuals participating in WIOA employment and training services through NCWorks Career Centers
- [Monthly UI Claims Data Dashboard](#) - monthly UI claim data by industry, geographic, and demographic info
- [Weekly UI Claims Data Dashboard](#) - detailed and timely weekly UI data by UI program
- [UI Claimant Map Dashboard](#) - info on number of active claimants within the local NCWorks career center service areas to support the center's planning and operation

### **New Job Creation**

Despite the pandemic, 2020 was a banner year for North Carolina economic development, with 147 projects announced (compared to 154 in 2019), 20,026 jobs announced (compared to 21,675 in 2019), and a record \$6.3 billion in announced capital investment, a 43.2% increase over 2019. Project announcements included Centene Corp., whose new campus in Charlotte will employ 3,237 – making it the largest single jobs announcement in the state's history.

North Carolina also won national accolades from Site Selection as “Top State Business Climate” and from Business Facilities as “2020 State of the Year.” The publications base these awards on surveys of real estate executives and corporate location advisers.

While the economy is beginning to recover and the vaccine provides hope that the virus will eventually be under control, significant challenges remain to the state’s economy. In addition, the economy after the pandemic, will likely have some distinct differences that the one that existed before. For example, the ongoing role of remote work and the impact on commercial office space; the role of essential workers and the wage, transportation and housing challenges they face; and the importance of broadband access to all aspects of business, education and healthcare throughout the state are all examples of some of the unknowable short- and long-term impacts of the pandemic.

As the Department looks to set a strategy for the future, I look forward to collaborating with other state agencies, educational institutions, businesses and other economic development partners to craft a set of strategies and tactics that continues to cultivate an economy that provides opportunity for all North Carolinians.

Sincerely,

A handwritten signature in cursive script that reads "Machel Baker Sanders".

Machelle Baker Sanders  
Secretary



## 2021 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 TOOLS FOR ECONOMIC ANALYSIS

[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.
- [NCcareers.org](#) is an online resource for students, parents, educators, job seekers and career counselors looking for high quality job and career information. Within NCcareers.org, users can identify their skills/interests; explore occupations and local job/employer needs; identify education and training opportunities and prepare to enter/re-enter the job market.
- [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.
- [NCWorks 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.

## ANALYSIS OF KEY ECONOMIC INDICATORS

### 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. 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 2020, North Carolina's economic development community reported 195 economic development projects across the state. Reported projects contributed a total of 22,193 announced jobs and \$7.02 billion in announced investment. The state's largest manufacturing capital investment project in 2020 was undertaken by Pratt & Whitney (\$650 million in Buncombe County). The state's largest manufacturing job creation project was also Pratt & Whitney (800 jobs in Buncombe County). The largest non-manufacturing capital investment project was Centene Corporation (\$1.03 billion in Mecklenburg County) and the largest non-manufacturing job creation announcements was also Centene Corporation (3,237 jobs in Mecklenburg County).

Consistent with past years, there were more manufacturing projects in 2020 than any other project type. Manufacturing projects accounted for 46 percent of total announced jobs and 68 percent of total announced investment.

In 2020, 34 Foreign Direct Investment (FDI) projects from 15 different countries announced 3,225 announced jobs and more than \$1.58 Billion in investment in North Carolina. Companies from China announced the most jobs (526). Companies from Switzerland announced the most investment (\$503 million).

### NET JOB CHANGE

Net job change is the difference in employment level between two points in time. According to the Current Employment Statistics (CES) program, North Carolina's seasonally adjusted total nonfarm employment decreased by 190,900 (-4.1%) from January 2020 to January 2021.

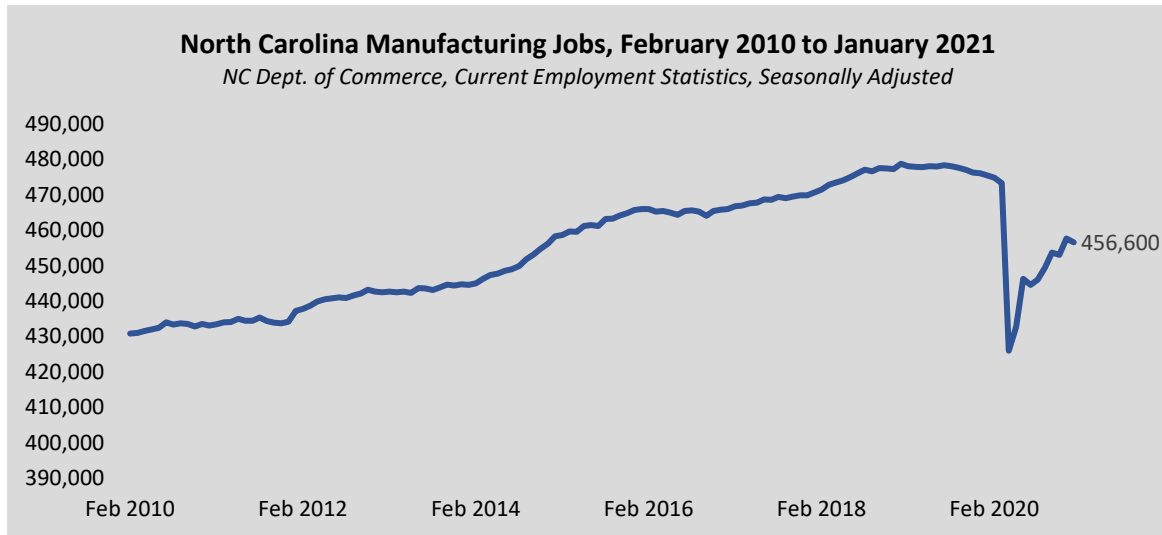
Most major industry sectors reported seasonally adjusted job losses over the year, with Leisure and Hospitality (-16.7%), Other Services (-7.2%), and Education and Health Services (-6.1%) experiencing the largest percentage declines. Government (-5.1%) and Manufacturing (-4.0%) also experienced large declines. Industries showing slight net growth over the year include Trade, Transportation and Utilities (0.4%), Professional and Business Services (0.4%), and Financial Activities (0.4%).

<b>Net Job Change by Industry</b> <i>NC Dept. of Commerce, Current Employment Statistics, Seasonally Adjusted</i>				
Industry	January 2020	January 2021*	Change	% Change
<b>Trade, Transportation, and Utilities</b>	858,200	861,600	3,400	0.4%
Wholesale Trade	188,400	177,800	-10,600	-5.6%
Retail trade	502,100	501,000	-1,100	-0.2%
Transportation, Warehousing, and Utilities	167,700	182,800	15,100	9.0%
<b>Government</b>	737,600	700,100	-37,500	-5.1%
Federal	74,900	75,000	100	0.1%
State Government	206,500	190,400	-16,100	-7.8%
Local Government	456,200	434,700	-21,500	-4.7%
<b>Professional and Business Services</b>	655,000	657,400	2,400	0.4%
Professional, Scientific, and Technical	268,500	273,700	5,200	1.9%
Management of Companies and Enterprises	85,100	83,200	-1,900	-2.2%
Administrative and Waste Services	301,400	300,500	-900	-0.3%
<b>Education and Health Services</b>	633,300	594,900	-38,400	-6.1%
Educational Services	99,700	83,600	-16,100	-16.1%
Health Care and Social Assistance	533,600	511,300	-22,300	-4.2%
<b>Leisure and Hospitality</b>	521,800	434,600	-87,200	-16.7%
Arts, Entertainment, and Recreation	76,500	57,700	-18,800	-24.6%
Accommodation and Food Services	445,300	376,900	-68,400	-15.4%
<b>Manufacturing</b>	475,500	456,600	-18,900	-4.0%
Durable Goods	258,000	243,600	-14,400	-5.6%
Nondurable Goods	217,500	213,000	-4,500	-2.1%
<b>Financial Activities</b>	256,500	257,500	1,000	0.4%
Finance and Insurance	194,200	197,900	3,700	1.9%
Real Estate and Rental and Leasing	62,300	59,600	-2,700	-4.3%
<b>Construction</b>	234,700	231,900	-2,800	-1.2%
<b>Other Services</b>	169,100	157,000	-12,100	-7.2%
<b>Information</b>	76,100	75,400	-700	-0.9%
<b>Mining and Logging</b>	5,700	5,600	-100	-1.8%
<b>TOTAL (Nonfarm)</b>	4,623,500	4,432,600	-190,900	-4.1%
<b>TOTAL (Private)</b>	3,885,900	3,732,500	-153,400	-3.9%

\*January 2021 data are preliminary and subject to revision.

## MANUFACTURING CHANGES

Since the beginning of the 2007 national recession (Dec. 2007), North Carolina has lost a net 76,500 Manufacturing jobs. Although the recession officially ended in June 2009, the state's Manufacturing jobs bottomed out in February 2010. From February 2010 through 2019, Manufacturing jobs increased steadily in the state, before plummeting in April 2020. Since then, Manufacturing has regained 30,600 jobs.



Over the past year (January 2020 to January 2021), not seasonally adjusted Manufacturing jobs decreased by 17,100 (-3.6%). Most Manufacturing industries had net decreases over the year with the exception of Chemical (2.1%) and Food Manufacturing (0.0%).

<b>Manufacturing Jobs by Industry</b> <i>NC Dept. of Commerce, Current Employment Statistics, Not Seasonally Adjusted</i>				
Industry	January 2020	January 2021*	Change	% Change
<b>Manufacturing</b>	473,400	456,300	-17,100	-3.6%
Food	58,600	58,600	0	0.0%
Chemical	42,500	43,400	900	2.1%
Fabricated Metal Product	37,600	36,600	-1,000	-2.7%
Machinery	36,200	33,900	-2,300	-6.4%
Transportation Equipment	35,800	32,700	-3,100	-8.7%
Furniture and Related Product	35,100	32,000	-3,100	-8.8%
Plastics and Rubber Products	34,500	34,000	-500	-1.4%
Computer and Electronic Product	33,000	31,300	-1,700	-5.2%
Textile Mills	25,900	24,300	-1,600	-6.2%
Electrical Equipment, Appliance, and Component	22,600	20,600	-2,000	-8.8%
Wood Product	18,500	17,700	-800	-4.3%
Beverage and Tobacco Product	12,200	11,900	-300	-2.5%
Printing and Related Support Activities	11,500	10,600	-900	-7.8%
Apparel	6,400	5,400	-1,000	-15.6%
Textile Product Mills	5,800	5,300	-500	-8.6%

\*January 2021 data are preliminary and subject to revision.



## FIRM AND ESTABLISHMENT CHANGES

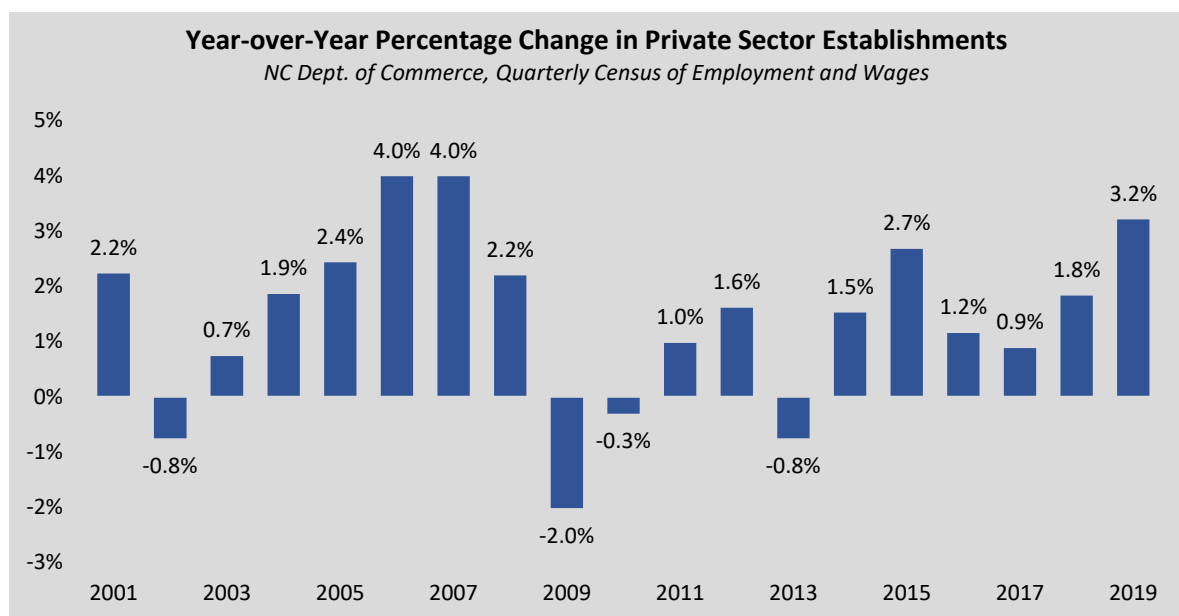
A **firm** is a business organization consisting of one or more **establishments** under common ownership or control. The most recently available data from the Census Bureau's Business Dynamic Statistics (BDS) show that there were 159,343 firms in North Carolina in 2018 (a 1.4% increase over 2017). While BDS does not produce data on firm-births, the data shows that North Carolina experienced about 12,000 firm deaths between 2017 and 2018.

BDS also provides dynamic establishment change data, including numbers of establishment births and deaths. These data show that North Carolina experienced 19,586 establishment births between 2017 and 2018, which works out to an establishment birth rate  $[= 100 * (\text{establishment births} / \text{total establishments})]$  of 9.239. This is the state's second-lowest establishment birth rate since 1978 (first year in the dataset). In general, the data show a gradually declining establishment birth rate from 1978 to the present. North Carolina's establishment birth rate is slightly higher than the nation's rate of 9.145, which has also been generally declining over recent decades.

North Carolina also experienced 16,949 establishment deaths between 2017 and 2018, which works out to an establishment death rate  $[= 100 * (\text{establishment deaths} / \text{total establishments})]$  of 7.995. In general, the state's establishment death rate has also been declining since 1978, though not as quickly as the birth rate. North Carolina's establishment death rate is slightly lower than the nation's rate of 8.469, which has also been in decline over recent decades.

From 2017 to 2018, establishment births were associated with the creation of 153,843 jobs, while establishment deaths were associated with the loss of 132,058 jobs.

A more recent source for establishment data is the Quarterly Census of Employment and Wages (QCEW). According to QCEW, private sector establishments in North Carolina grew 3.2 percent from 2018 to 2019. Still more recent quarterly QCEW data show that growth in the state's private business establishments slowed during the worst of the pandemic but did not turn negative. Specifically, establishments grew 0.5 percent in the second quarter of 2020 and 0.2 percent in the third quarter.

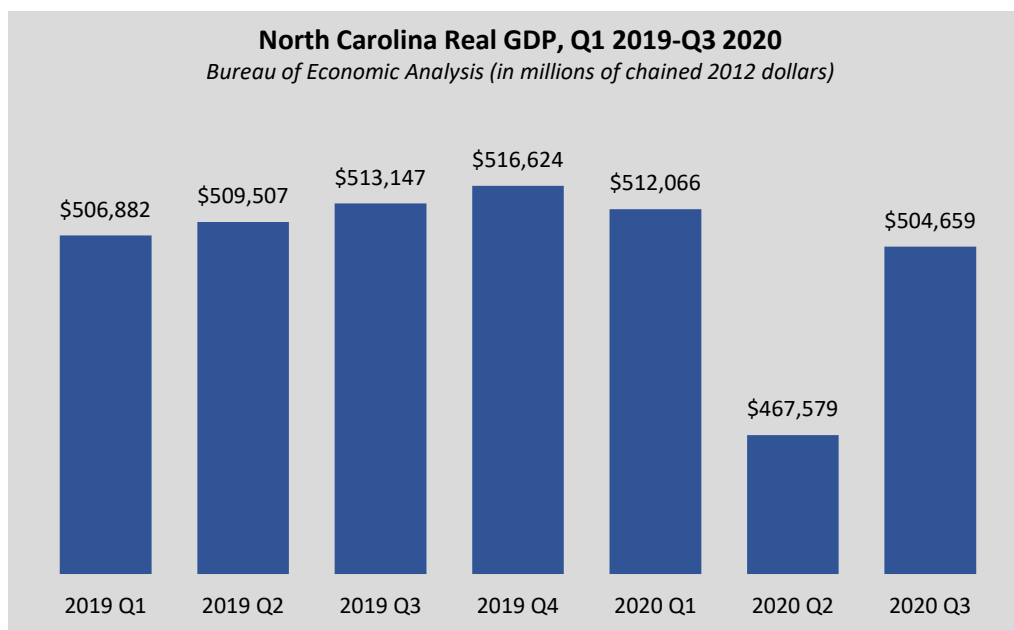




## STATUS AND PERFORMANCE OF KEY SECTORS

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. According to the Bureau of Economic Analysis, since the Great Recession, North Carolina's real GDP (in chained 2012 dollars) increased from \$447 billion in 2009 to \$512 billion in 2019 (the last full year available), an increase of 19.7 percent. During this same period, the nation's real GDP grew by 25.5 percent.

Quarterly data shows North Carolina's GDP increased throughout 2019, followed by a slight decline in the first quarter of 2020. A large decline occurred during the second quarter of 2020, followed by a partial recovery during the third quarter.



A comparison of the third quarter of 2020 to the previous year shows the impacts of the pandemic, with total GDP 1.7 percent lower. Industries with large percentage declines included Accommodation and Food Services (-23%) and Arts, Entertainment, and Recreation (-41.6%). Large contributing sectors to GDP such as Manufacturing (-1.1%), Real Estate (-0.5%), Professional Services (-2.4%) and Health Care (-3.5%) shrank, while Finance and Insurance (6.3%) and Wholesale Trade (3.7%) showed substantial increases. The state's private service-providers shrank by 1.9 percent over the year and goods-production was down by 1.1 percent. Within Manufacturing, durable goods (e.g. cars, appliances, etc.) production fell by 3.5 percent, while nondurables (e.g. chemicals, food, etc.) grew slightly by 0.7 percent.

<b>North Carolina Real GDP by Industrial Sector, Q3 2019-Q3 2020</b> <i>Bureau of Economic Analysis (in millions of chained 2012 dollars)</i>				
Description	2019 Q3	2020 Q3	Change	% Change
<b>All industry total</b>	\$513,147	\$504,659	-\$8,488	-1.7%
<b>Private industries</b>	\$446,910	\$439,539	-\$7,371	-1.6%
Manufacturing	\$92,274	\$91,216	-\$1,057	-1.1%
Real estate and rental and leasing	\$57,146	\$56,833	-\$312	-0.5%
Finance and insurance	\$34,861	\$37,052	\$2,191	6.3%
Professional, scientific, and technical services	\$37,250	\$36,345	-\$905	-2.4%
Health care and social assistance	\$35,845	\$34,577	-\$1,268	-3.5%
Wholesale trade	\$29,392	\$30,487	\$1,095	3.7%
Retail trade	\$29,589	\$29,479	-\$109	-0.4%
Information	\$22,905	\$22,731	-\$174	-0.8%
Construction	\$17,271	\$17,200	-\$71	-0.4%
Admin & support and waste mgmt. & remediation	\$16,961	\$16,455	-\$506	-3.0%
Management of companies and enterprises	\$14,318	\$14,803	\$485	3.4%
Transportation and warehousing	\$12,029	\$11,323	-\$706	-5.9%
Accommodation and food services	\$14,096	\$10,855	-\$3,241	-23.0%
Other services (except government)	\$9,984	\$9,015	-\$969	-9.7%
Utilities	\$7,500	\$7,887	\$387	5.2%
Educational services	\$6,720	\$6,143	-\$577	-8.6%
Agriculture, forestry, fishing and hunting	\$5,358	\$5,319	-\$40	-0.7%
Arts, entertainment, and recreation	\$4,243	\$2,477	-\$1,766	-41.6%
Mining, quarrying, and oil and gas extraction	\$656	\$605	-\$51	-7.8%

## RURAL BUSINESS DEVELOPMENT

The following table provides North Carolina's most recent county-level Quarterly Census of Employment and Wages (QCEW) data on employment and business establishments, aggregated by counties' urban/rural status.<sup>1</sup> Like most places in the U.S., urban county job growth has outpaced rural county job growth over recent years in our state. But the coronavirus pandemic has had somewhat different impacts on the labor markets of rural and urban economies. Compared to the third quarter of 2019, urban counties suffered greater job losses by the third quarter of 2020, though both rural and urban counties experienced significant job losses over this period.

On the other hand, the number of business establishments did not fall over this period in either rural or urban counties, though business establishments in rural counties grew more slowly. Looking back five

<sup>1</sup> For the purposes of this report, urban counties are designated as those with at least 70 percent 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>.

years to 2015, rural counties have experienced much slower job and business establishment growth than their urban counterparts.

Private Employment and Establishments in Rural and Urban Counties						
NC Dept. of Commerce, Quarterly Census of Employment and Wages						
	Jobs				Establishments	
	2020 Q3	Change since 2019 Q3	Change since 2015 Q3		2020 Q3	Change since 2019 Q3
Rural Counties	1,151,948	-5.0%	-1.2%		96,326	3.1%
Urban Counties	2,321,957	-6.0%	3.3%		172,873	5.4%
<b>North Carolina</b>	<b>3,604,287</b>	<b>-5.6%</b>	<b>2.7%</b>		<b>289,968</b>	<b>3.7%</b>

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

## STATUS OF MINORITY-OWNED BUSINESSES

The timeliest data for assessing minority-owned businesses in North Carolina is available through the Census Bureau's Annual Business Survey (ABS), which is published annually and covers *employer* firms—those firms with paid employees. According to ABS, 12.8 percent (21,507) of North Carolina's employer firms were minority-owned in 2018 and an additional 1.0 percent of employer firms were equally minority/nonminority-owned. Minority-owned firms employed 6.4 percent (236,573) of employees in the state in that year. As a comparison, 18.3 percent of US employer firms were minority-owned and an additional 1.5 percent were equally minority/nonminority-owned.

A separate Census product called the Nonemployer Statistics by Demographics series (NES-D) includes demographic information about *nonemployer* firms—those firms without paid employees. According to this source, 26.5 percent (200,000) nonemployer firms were minority-owned in 2017. At the national level, 32.3 percent of nonemployer firms were minority-owned in 2017.

## 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>