

# NORTH CAROLINA ANNUAL ECONOMIC REPORT

A Year in Review  
2016



ROY COOPER  
*Governor*

ANTHONY M. COPELAND  
*Secretary*

JACQUELINE KEENER  
*Assistant Secretary of Policy, Research & Strategy*

June 30, 2017

The North Carolina Annual Economic Report, published by the NC Department of Commerce's Labor and Economic Division, provides a snapshot of North Carolina's most recent annual labor market data, along with some historical context. This report is intended to provide information and analyses of value to policy makers and practitioners and is not a statement of official state policy.

This publication fulfills the state's annual obligation to produce a Statewide Economic Analysis Report based on funding our workforce development system receives from the federal Department of Labor's Employment and Training Administration (Workforce Labor Market Information Grants to States).

It is our intent that this report will help support workforce planning and the process of making policy decisions for workforce development, education, economic development and business engagement. Furthermore, we have included topics relevant to the Workforce Innovation and Opportunity Act (WIOA) Requirements for Unified and Combined State Plans.

Should you have questions or need additional information, please contact Jackie Keener at 919-707-1523, or by email at [jacqueline.keener@nccommerce.com](mailto:jacqueline.keener@nccommerce.com).

Sincerely,

Jackie Keener  
Assistant Secretary of Policy, Research, Strategy, & Information Technology

# Table of Contents

<b>Page 2</b>	Key Findings
<b>Page 3</b>	Overview of the North Carolina Economy
<b>Page 4</b>	Population
<b>Page 5</b>	Labor Force
<b>Page 6</b>	Unemployment
<b>Page 8</b>	Wages
<b>Page 10</b>	Employment by Industry
<b>Page 12</b>	Gross Domestic Product
<b>Page 13</b>	Projected Employment
<b>Page 14</b>	Changing Skill Requirements of Occupations
<b>Page 16</b>	Appendix: County Labor Market Conditions

## Key Findings:

- NC's 2016 population growth rate (1.1%) is down from its 2.4% peak prior to the Recession, but has consistently remained higher than the U.S. over that time.
- Mecklenburg and Wake Counties accounted for 41% of the state's net 2016 population increase.
- In 2016, the 15% of NC's total population was 65 or older – projected to be 21% by 2034.
- Labor force growth in North Carolina (8%) has outpaced the U.S. (4%) since 2007 - ranking 6<sup>th</sup> among the 50 states for labor force growth rate since the recession.
- North Carolina's average annual unemployment rate fell by 0.7 percentage points (to 5.1%) in 2016 versus a national decline of 0.4 (to 4.9%); however, the state's rate remains above the nation's.
- North Carolina's average wage for all industries was \$47,260 in 2016, up 0.4% from 2015 after adjusting for inflation. The U.S. was \$53,611 in 2016, rising 0.2% from 2015.
- North Carolina's average wage has held at around 88% of the U.S. average since 2000.
- North Carolina added 99,000 net new jobs over the past year to reach an annual average of over 4.26 million jobs, an increase of 2.4%. The U.S. grew by 1.7% during this time.
- Service-Providing industries contributed 85% of the net new jobs.
- Since 2006, North Carolina's metropolitan areas (+9%) and Service-Providing (+14%) industries have increased jobs, while non-metro (-5%) and Goods-Producing (-16%) industries remain below their pre-recession levels.
- NC's largest sector by employment is Health Care and Social Assistance at over 600,000 jobs, followed by Retail Trade at over 500,000 jobs. Manufacturing is third at about 465,000 jobs.
- North Carolina had the 10<sup>th</sup> largest economy by GDP in the U.S. in 2016 at nearly \$518 billion, increasing 1.6% from 2015 – higher than the U.S. rate (1.5%) but lower than NC's 2015 rate (2.7%).
- North Carolina is projected to add more than 550,000 jobs by 2024, with Service-Providing industries projected to contribute nearly 90% of all net new jobs created. Most projected total job openings are expected to come from replacements rather than new growth.
- Jobs requiring post-secondary or college experience are projected to grow more quickly (15%) than those that only require a high school diploma (11%) and will make up over 35% of all jobs in 2024.
- Jobs in occupations paying over \$75,000 are projected to grow faster than those under \$30,000; but, the number of net new low-paying jobs are still projected to outnumber high-paying ones by 3 to 1.

# Overview of the North Carolina Economy

North Carolina has the 9<sup>th</sup> largest state population, encompasses an area of almost 54,000 square miles ranging from the Blue Ridge Mountains to the Atlantic Ocean, and had a GDP of \$518 billion in 2016, making it about the size of the country of Sweden's economy.<sup>1</sup> Over the previous century, it has transformed from an agricultural state with a manufacturing base in tobacco, textiles, and furniture to an advanced economy with strengths in finance, biotechnology, and advanced manufacturing and the knowledge economy more broadly. Throughout this transformation, the North Carolina economy has in many ways become more like the U.S. economy, while maintaining some key distinctions.

North Carolina has benefitted from Sunbelt migration over the past several decades, particularly during the 1990's and 2000's, which helped develop large metro areas in Charlotte, Raleigh, and the Piedmont Triad, as well as the smaller but fast growing metros of Asheville and Wilmington. This process involved adding people from other parts of the U.S. as well as through international immigration. Still, North Carolina has the second highest rural population in the U.S. and 34 percent of the state's residents live in rural areas.<sup>2</sup> However, the rural population has not benefitted to the same extent from the transformation of the state and its economy. Out-of-county commuting has increased, with only 12 counties having more than 50 percent of their workers living and working in the same county as of 2014 (the latest data available), down from 47 counties in 2002.<sup>3</sup>

Like the U.S. and other developed nations, North Carolina's population faces certain larger structural challenges including a slowing population growth rate, an aging workforce, and issues of inequality and regional disparities. Like the U.S., the state has become less homogenous, with prosperous urban areas (characterized by knowledge-intensive service industries) and less prosperous rural areas still reflective of manufacturing's legacies. In addition, North Carolina is also experiencing larger changes to the economy due to technological advancements, global trade and interdependence, and the slowing of economic growth, new firm formation and productivity. As we seek to understand recent changes in North Carolina's economic performance, it is important to highlight areas in which the state is reflective of general trends as well as areas in which it diverges from these trends.

Furthermore, North Carolina's economy, while expanding, must be viewed in the context of the Great Recession and the slow recovery which followed, which accelerated existing structural changes already underway. Following a peak in late 2007, North Carolina's number of jobs fell by 400,000 (almost 10 percent) and it took seven years to return to pre-recession levels.<sup>4</sup> In 2016, the state had only 5 percent more jobs than during its 2007 peak.<sup>5</sup> Recent changes in the North Carolina economy must be understood in the context of the long shadow of this transformative event.

---

<sup>1</sup> U.S. Census Bureau, *Bureau of Economic Analysis, International Monetary Fund*.

<sup>2</sup> U.S. Census Bureau, *2010 Census*.

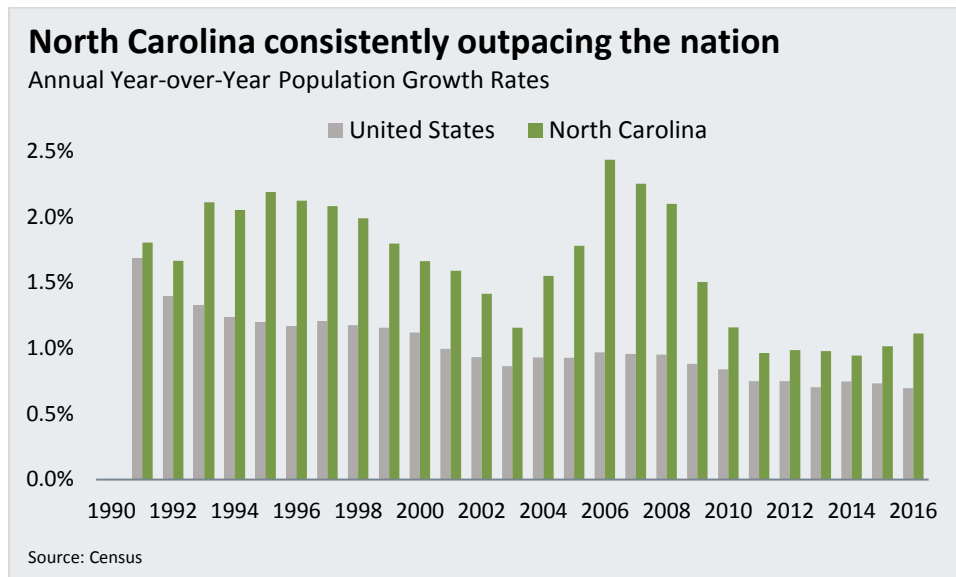
<sup>3</sup> U.S. Census Bureau. 2016. *OnTheMap Application. Longitudinal-Employer Household Dynamics Program.* <http://onthemap.ces.census.gov/>

<sup>4</sup> *Quarterly Census of Employment and Wages, North Carolina Department of Commerce.*

<sup>5</sup> *Ibid.*

# Population

Since 2010, the state's population growth has continued to outpace the nation, having grown 6 percent compared the nation's 4 percent.<sup>6</sup> Between 2015 and 2016, North Carolina's population grew by 1.1 percent, adding 112,000 people. The state grew faster than the nation (0.7%) and at a similar rate to the South as a region (1.1%).



Looking back at the past several years, the state's population growth rate has been consistently higher than the U.S. North Carolina's growth rate peaked at 2.4 percent prior to the Recession, followed by a slowing growth rate which leveled out at about 1 percent from 2011 to 2014. The past two years have seen an uptick in growth, diverging from the mostly flat U.S. rate.

From 2015 to 2016, the combined populations of Mecklenburg and Wake Counties grew by over 46,000 people, accounting for about 42 percent of the state's net population increase. The Charlotte, Raleigh, and Durham Metropolitan Statistical Areas (MSAs) accounted for 72 percent of the state's total growth between 2010 and 2016.<sup>7</sup> Nevertheless, many North Carolinians still live in rural areas. As of 2010, 34 percent of the state's residents live in rural Census tracts, giving North Carolina the second largest statewide rural population in the country.<sup>8</sup>

The composition of the state's population growth has been changing over time. In 2016, net migration accounted for nearly three of every four new residents to the state, while natural growth declined to the lowest level since 1970.

The aging of the state's population as well as lower fertility rates have contributed to this gradual decline in natural increase. In 2010, 13 percent of the state's population was 65 or older. In 2016, the 65+ age

<sup>6</sup> Population data in this section from U.S. Census Bureau population estimates.

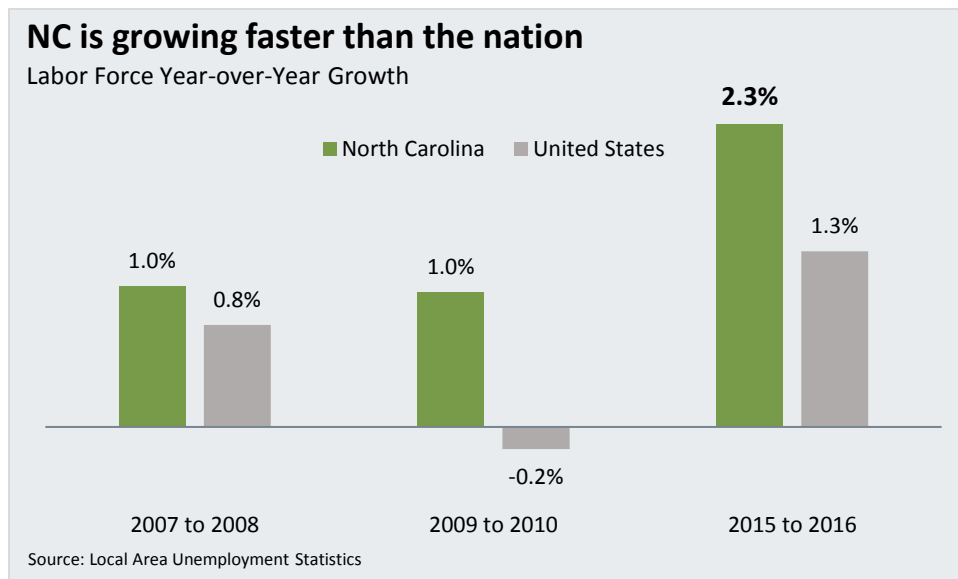
<sup>7</sup> Carolina Demography analysis of U.S. Census Bureau population estimates.

<sup>8</sup> U.S. Census Bureau, 2010 Census.

group had increased to 15 percent of the total population, matching the U.S. proportion. This age group is projected to reach 21 percent of the state’s population by 2034.<sup>9</sup>

## Labor Force

The labor force, as defined by the Bureau of Labor Statistics, is the civilian, non-institutionalized population aged 16 or above that is either employed or actively seeking employment. From 2007 through 2016, labor force growth in North Carolina (8%) has outpaced the U.S. (4%), reaching nearly 4.9 million people.<sup>10</sup> North Carolina ranked 6<sup>th</sup> out of the 50 states for labor force growth rate since the recession.



North Carolina, like the nation, has an aging population, which has pulled down the labor force participation rate.<sup>11</sup> In addition to this longer-term structural trend, changes in the business cycle such as recessions as well as increased higher education enrollment can lower the labor force participation rate. [Previous research by LEAD](#) has estimated that about half the decline in the state’s rate is attributable to an aging population. North Carolina’s labor force participation rate fell by 3.8 percent from 2007 to 2016, during which the U.S. fell by 3.2 percent. While North Carolina’s rate has been lower than the U.S. since 2007, the state’s rate increased by 0.8 percent from 2014 to 2016 and is now 1 percent below the U.S. rate.

## Unemployed

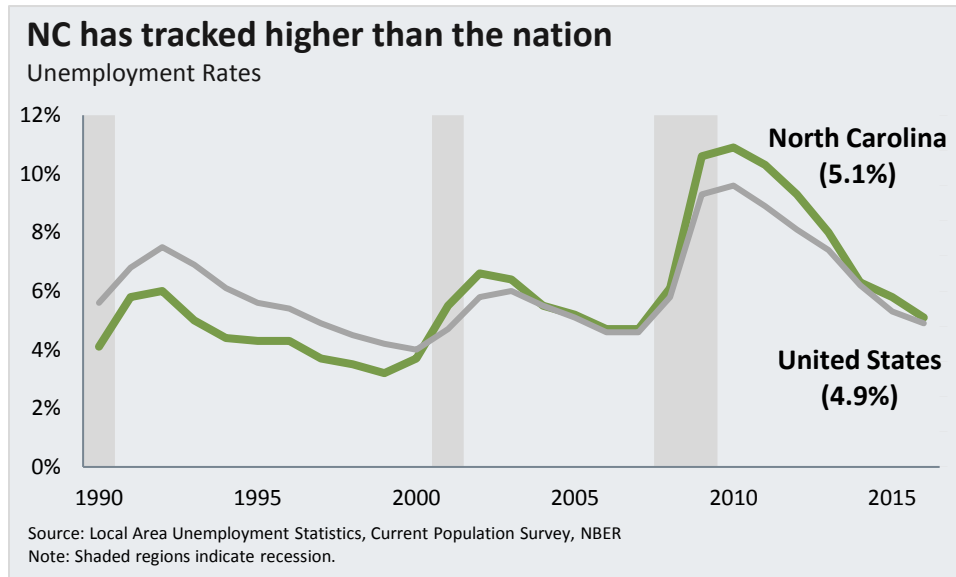
Historically, North Carolina’s unemployment rate has trended below the U.S. level. However, since the turn of the century, North Carolina’s rate has exceeded that of the nation, particularly during the two most recent recessions. North Carolina's unemployment rate reached 10.9 percent in 2010, far surpassing

<sup>9</sup> North Carolina Office of State Budget and Management

<sup>10</sup> All labor force data from Local Area Unemployment Statistics, North Carolina Department of Commerce and Current Population Survey, Bureau of Labor Statistics.

<sup>11</sup> The percent of the civilian, non-institutionalized population aged 16+ in the labor force.

the previous high recorded during the early 1980s.<sup>12</sup> The state also saw a record number of Unemployment Insurance (UI) claimants in 2009. Job losses during the recession were concentrated in the Goods-Producing sectors and non-metro counties of our state. In 2016, the number of jobs in these sectors and regions remained 16 percent and 5 percent below 2006 levels, respectively.



Since 2013 the state’s unemployment rate has more closely tracked the U.S. rate, although remaining at a slightly elevated level. In 2016, North Carolina had an annual unemployment rate of 5.1 percent versus the national rate of 4.9 percent. Between 2015 and 2016, North Carolina’s rate fell by 0.7 percent versus a national decline of 0.4 percent. Within the state, large differences in unemployment rates exist between urban and rural counties, between metropolitan and non-metropolitan areas, and among metropolitan areas as well.<sup>13</sup>

The population of long-term unemployed are of interest to the workforce development system and policymakers. The share of unemployed without work 27 or more weeks reached 49 percent in 2010, nearly double the highs seen in the early 1980s, and remained historically high through 2016. Research carried out by LEAD has shown that long-term unemployment was a widespread phenomenon that affected workers in all industries, demographic groups, and regions of North Carolina, despite the concentrated impact that the recession had on sectors of the state's economy. The long-term unemployed tended to be older than the short-term unemployed, although other differences in composition between the two groups were generally small. Workers from Goods-Producing sectors were as prevalent among the short-term unemployed as among the long-term. The aggregate increase in long-term unemployment in North Carolina can be explained by prolonged jobless durations within all demographic groups, rather than by a compositional shift in the unemployed population.

LEAD has also conducted research on various types of [labor market mismatches](#) including occupational and geographic mismatch as well as [labor supply and demand](#), which details potential challenges within the state’s labor market.

<sup>12</sup> All unemployment data from Local Area Unemployment Statistics, North Carolina Department of Commerce and Current Population Survey, Bureau of Labor Statistics.

<sup>13</sup> See appendix for 2016 labor force, employed, unemployed, and unemployment rates by county.

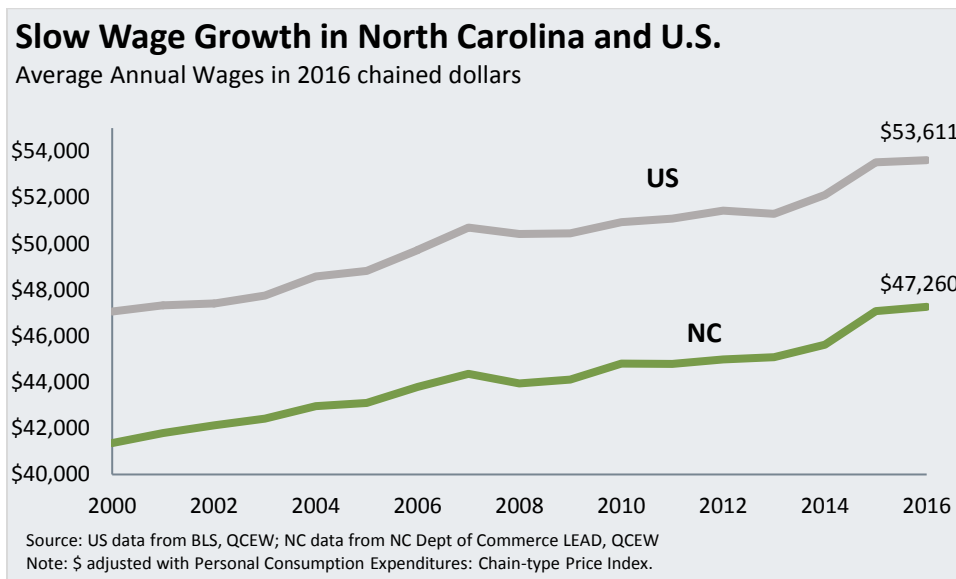


# Wages

North Carolina’s average wage for all industries was \$47,260 in 2016, rising 0.4 percent from 2015 after adjusting for inflation.<sup>14</sup> The U.S. average wage was \$53,611 in 2016, rising 0.2 percent from 2015.



North Carolina has closely tracked the U.S. in wage growth—the state grew by 5.5 percent in real terms since 2010 while the U.S. grew by 5.3 percent.



As shown above, North Carolina’s average wage has remained at around 88 percent of the U.S. average since 2000. Per the Bureau of Economic Analysis, North Carolina’s regional price parity was 91.2 percent

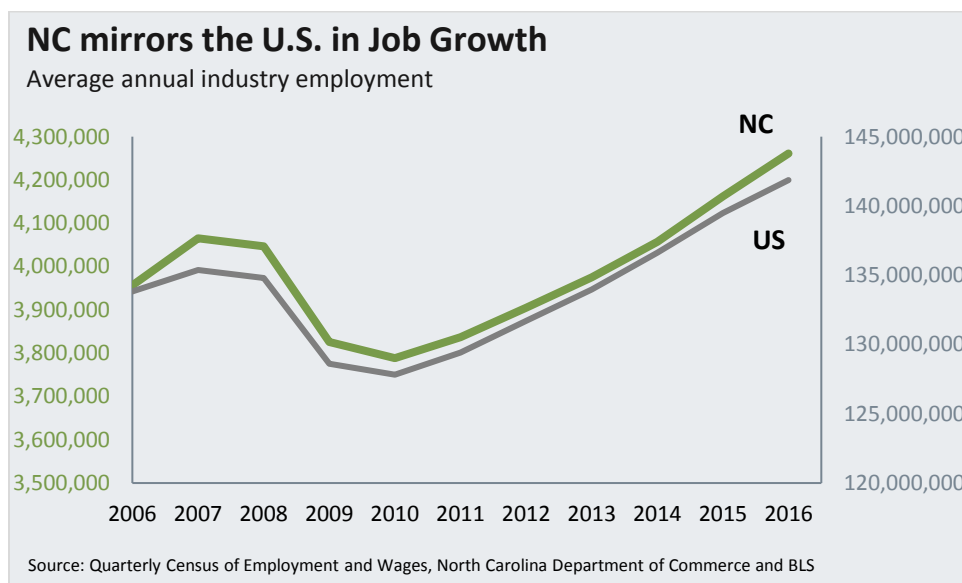
<sup>14</sup> All wage data from Quarterly Census of Employment and Wages, North Carolina Department of Commerce and Bureau of Labor Statistics.

of the U.S., meaning North Carolina's average wage was still about 3 percentage points below the U.S. after adjusting for differences in regional prices.

Because industry average wage is only calculated as the *mean* wage, it is also useful to look to another source which calculates a *median* wage. Estimates from the Occupational Employment Statistics program show North Carolina had a median annual wage of \$33,920 in 2016. Therefore, half of North Carolina's jobs paid less than \$33,920 per year in 2016. The U.S. median annual wage was \$37,045 in 2016.

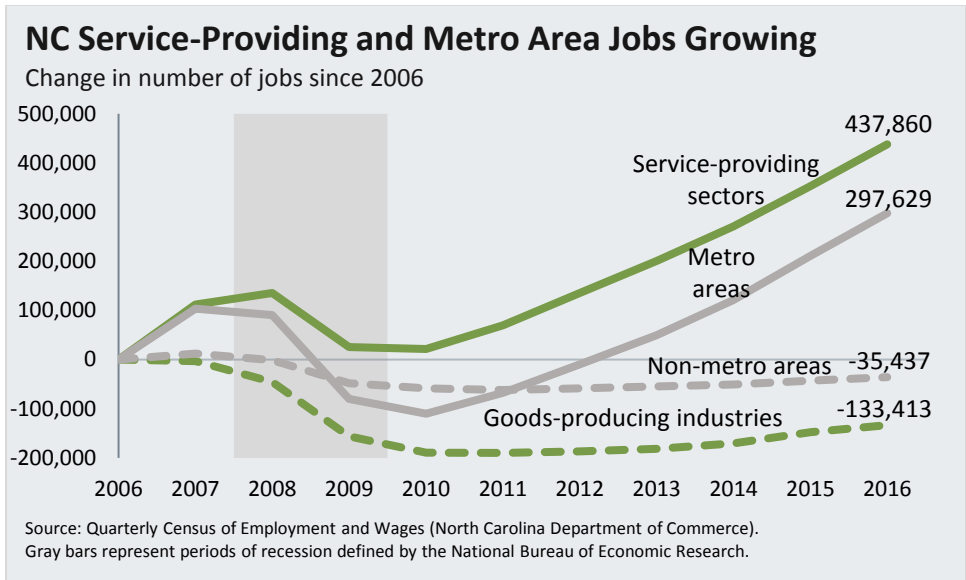
## Employment by Industry

Since 2007, both North Carolina and the U.S. have experienced 4.8 percent growth in the number of jobs.<sup>15</sup>

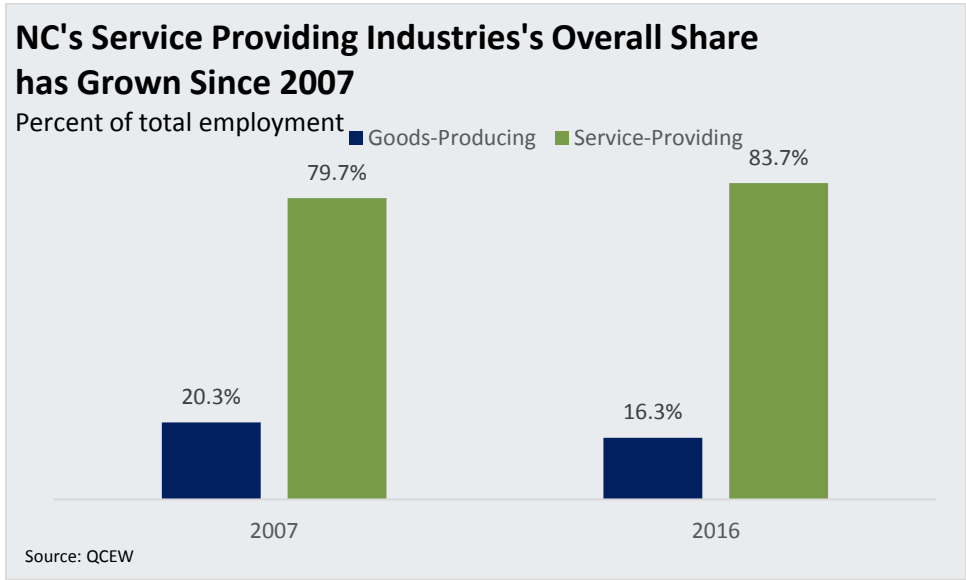


However, this growth followed large job losses due to the recession and the recovery has varied by industry as well as by geography. Overall, metropolitan areas of the state and Service-Providing industries have grown, while non-metro and Goods-Producing industries have not recovered to their pre-recession levels.

<sup>15</sup> All industry data from Quarterly Census of Employment and Wages, North Carolina Department of Commerce and Bureau of Labor Statistics.



North Carolina’s economy, like the U.S., has been transitioning from a Goods-Producing to a Service-Providing economy over the past several decades. The largest sector by employment is Health Care and Social Assistance at over 600,000 jobs, followed by Retail Trade at over 500,000 jobs. Manufacturing is third at about 465,000 jobs, showing its ongoing importance to the state. Accommodation and Food Services (412,000 jobs) and Educational Services (372,000 jobs) round out the top 5 industries.



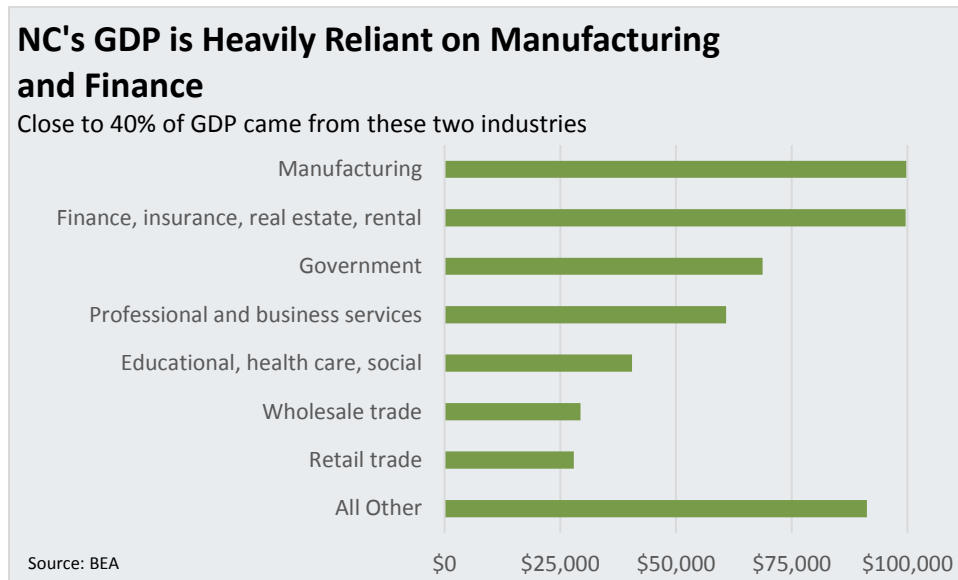
Between 2015 to 2016, North Carolina added about 99,000 net new jobs to the state to reach an annual average employment of over 4.26 million jobs, an increase of 2.4 percent. The U.S. grew by 1.7 percent during this time. Goods-Producing industries only added 14,000 jobs while Service-Providing industries added close to 85,000.

Of the top 5 industries, Health Care and Social Assistance added 12,000 jobs (2.0%), Retail added 11,000 jobs (2.3%), Manufacturing added 3,500 (0.8%), Accommodation and Food Services added 15,500 jobs (3.9%) and Educational Services added less than 1,500 jobs (0.4%). Construction employment increased

by 11,000 jobs following gains over the past two years (5.7% from 14-15 and 6.0% 15-16) Manufacturing gained less year-over-year, adding 3,493 between 2015-16 versus 12,384 jobs between 2014-15.

## Gross Domestic Product (GDP)

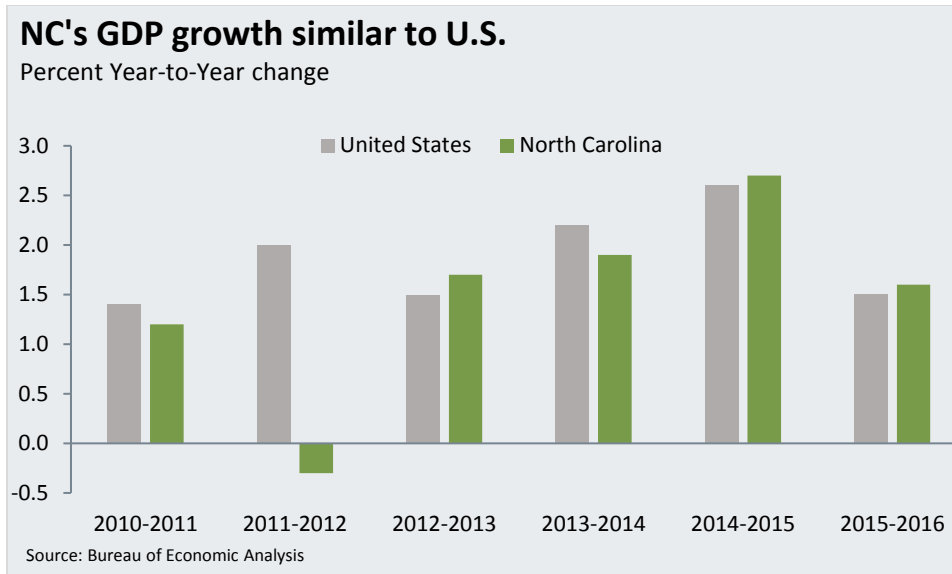
North Carolina had the 10<sup>th</sup> largest economy by GDP in the U.S. in 2016 at nearly \$518 billion.<sup>16</sup> The two largest contributors to the state economy are the Manufacturing and Finance industry sectors, followed by Government.



North Carolina's GDP increased 1.6 percent over the past year versus 1.5 percent in U.S. growth. This was a slowdown from the previous year-over-year change of 2.7 percent for North Carolina and 2.6 percent for the U.S. Over the past five years North Carolina's real GDP grew slower than the country.

Agriculture saw the largest percent increase (8.7%) to GDP, while Professional & Business Services saw the largest level increase (\$2.339 billion) Within Manufacturing, Nondurable goods manufacturing declined (-4.4%) while Durable goods increased slightly (0.1%).

<sup>16</sup> All GDP data from Bureau of Economic Analysis.



## Projected Employment

North Carolina is projected to add more than 550,000 jobs by 2024, with the Service-Providing sector projected to contribute nearly 90 percent of all net new jobs created.<sup>17</sup> Health Care and Social Assistance, the state's largest industry by employment, is projected to add 135,000 jobs. Construction is projected to be one of the fastest growing industries in the state, growing 20.6 percent and adding nearly 37,000 jobs. Projections for the Manufacturing industry show a very modest increase of 0.7 percent, adding 2,900 jobs. A majority of projected job openings are expected to come from replacement needs rather than new growth. 86 percent of all classified occupations are expected to grow; only 14 percent are projected to lose employment. Jobs with low educational requirements (occupations requiring no post-secondary or college experience) are projected to produce the most job openings (mostly due to replacements); however, they are also projected to have the slowest rate of growth. Occupations requiring a Master's Degree or higher are projected to experience the greatest percentage increase in employment.

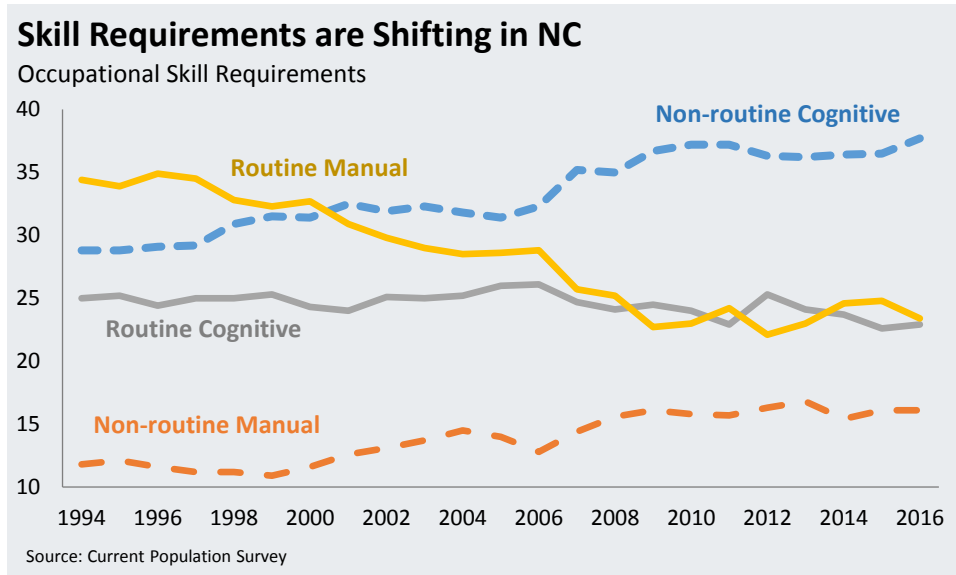
Jobs in occupations that paid over \$75,000 are projected to grow faster than those that paid under \$30,000; however, the increased number of net new jobs from today's low-paying occupations are projected to outnumber the increase in high-paying ones by a ratio of nearly 3 to 1, since there are far more jobs at the bottom end of the pay scale.

## Changing Skill Requirements of Occupations

One way to capture the changing nature of jobs is to divide existing occupations into whether they involve primarily manual or cognitive activities, and whether those activities are primarily routine or non-routine. Since the mid-1990s, nonroutine jobs have been growing as a portion of total jobs, while the share of routine jobs has fallen. In particular, non-routine cognitive jobs (sometimes thought of as

<sup>17</sup> All projection data from *Employment and Occupational Projections*, North Carolina Department of Commerce.

“knowledge jobs”) have increased from 29% of jobs in 1994 to 38% in 2016, while routine manual jobs (“blue collar jobs”) have fallen from 34% to 23%.<sup>18</sup>



Based on employment projections through 2024, non-routine jobs are expected to continue their growth as a portion of the job market.

<sup>18</sup> Occupational data from Current Population Survey and North Carolina Department of Commerce calculations.  
 North Carolina Department of Commerce | Labor and Economic Analysis Division  
 4329 Mail Service Center | Raleigh, NC 27699-4329  
 919 707 1500 T

## Appendix: 2016 Annual County Labor Market Conditions

Source: Local Area Unemployment Statistics, North Carolina Department of Commerce

County	Labor Force	Employed	Unemployed	Unemployment Rate
Alamance	78,973	75,236	3,737	4.7%
Alexander	17,910	17,143	767	4.3%
Alleghany	4,461	4,213	248	5.6%
Anson	10,777	10,156	621	5.8%
Ashe	12,559	11,953	606	4.8%
Avery	7,650	7,264	386	5.0%
Beaufort	20,429	19,267	1,162	5.7%
Bertie	8,537	7,969	568	6.7%
Bladen	14,723	13,703	1,020	6.9%
Brunswick	49,758	46,600	3,158	6.3%
Buncombe	134,843	129,660	5,183	3.8%
Burke	40,123	38,173	1,950	4.9%
Cabarrus	101,069	96,492	4,577	4.5%
Caldwell	36,070	34,200	1,870	5.2%
Camden	4,636	4,393	243	5.2%
Carteret	31,737	30,100	1,637	5.2%
Caswell	9,729	9,199	530	5.4%
Catawba	76,722	73,082	3,640	4.7%
Chatham	34,224	32,773	1,451	4.2%
Cherokee	11,134	10,506	628	5.6%
Chowan	5,648	5,288	360	6.4%
Clay	4,073	3,855	218	5.4%
Cleveland	46,944	44,372	2,572	5.5%
Columbus	22,778	21,320	1,458	6.4%
Craven	41,857	39,659	2,198	5.3%
Cumberland	127,861	119,766	8,095	6.3%
Currituck	12,941	12,273	668	5.2%
Dare	20,069	18,716	1,353	6.7%
Davidson	79,790	75,937	3,853	4.8%
Davie	20,154	19,243	911	4.5%
Duplin	26,718	25,288	1,430	5.4%
Durham	160,846	153,616	7,230	4.5%
Edgecombe	22,849	20,882	1,967	8.6%
Forsyth	182,356	173,486	8,870	4.9%
Franklin	29,641	28,115	1,526	5.1%
Gaston	106,346	100,745	5,601	5.3%
Gates	5,193	4,925	268	5.2%

County	Labor Force	Employed	Unemployed	Unemployment Rate
Graham	3,092	2,819	273	8.8%
Granville	29,357	28,086	1,271	4.3%
Greene	9,573	9,072	501	5.2%
Guilford	258,800	245,306	13,494	5.2%
Halifax	20,806	19,151	1,655	8.0%
Harnett	51,533	48,579	2,954	5.7%
Haywood	28,534	27,235	1,299	4.6%
Henderson	52,357	50,135	2,222	4.2%
Hertford	9,388	8,775	613	6.5%
Hoke	19,973	18,671	1,302	6.5%
Hyde	2,137	1,936	201	9.4%
Iredell	84,995	80,955	4,040	4.8%
Jackson	18,839	17,827	1,012	5.4%
Johnston	91,112	86,893	4,219	4.6%
Jones	4,603	4,361	242	5.3%
Lee	26,239	24,698	1,541	5.9%
Lenoir	27,855	26,208	1,647	5.9%
Lincoln	41,962	40,011	1,951	4.6%
Macon	15,281	14,460	821	5.4%
Madison	9,757	9,281	476	4.9%
Martin	9,889	9,222	667	6.7%
McDowell	21,161	20,148	1,013	4.8%
Mecklenburg	585,312	557,897	27,415	4.7%
Mitchell	6,225	5,843	382	6.1%
Montgomery	11,790	11,179	611	5.2%
Moore	39,463	37,485	1,978	5.0%
Nash	44,072	41,173	2,899	6.6%
New Hanover	116,676	111,212	5,464	4.7%
Northampton	7,925	7,349	576	7.3%
Onslow	63,729	60,231	3,498	5.5%
Orange	75,443	72,225	3,218	4.3%
Pamlico	5,404	5,118	286	5.3%
Pasquotank	17,468	16,366	1,102	6.3%
Pender	26,687	25,278	1,409	5.3%
Perquimans	5,165	4,834	331	6.4%
Person	18,193	17,199	994	5.5%
Pitt	88,381	83,496	4,885	5.5%
Polk	8,881	8,468	413	4.7%
Randolph	67,156	63,870	3,286	4.9%
Richmond	16,883	15,705	1,178	7.0%
Robeson	50,767	46,749	4,018	7.9%



County	Labor Force	Employed	Unemployed	Unemployment Rate
Rockingham	41,359	39,034	2,325	5.6%
Rowan	65,327	61,737	3,590	5.5%
Rutherford	24,946	23,278	1,668	6.7%
Sampson	29,801	28,180	1,621	5.4%
Scotland	11,693	10,620	1,073	9.2%
Stanly	29,427	28,059	1,368	4.6%
Stokes	22,110	21,054	1,056	4.8%
Surry	33,771	32,153	1,618	4.8%
Swain	7,224	6,785	439	6.1%
Transylvania	14,009	13,327	682	4.9%
Tyrrell	1,519	1,391	128	8.4%
Union	116,393	111,340	5,053	4.3%
Vance	18,079	16,779	1,300	7.2%
Wake	558,950	535,269	23,681	4.2%
Warren	7,240	6,713	527	7.3%
Washington	4,921	4,556	365	7.4%
Watauga	27,991	26,745	1,246	4.5%
Wayne	53,697	50,569	3,128	5.8%
Wilkes	30,285	28,833	1,452	4.8%
Wilson	36,717	33,743	2,974	8.1%
Yadkin	17,727	16,950	777	4.4%
Yancey	7,535	7,146	389	5.2%
<b>North Carolina</b>	<b>4,875,701</b>	<b>4,629,329</b>	<b>246,372</b>	<b>5.1%</b>