



Feeling Stronger Every Day - Recent NC Economic Performance

By Ted Abernathy

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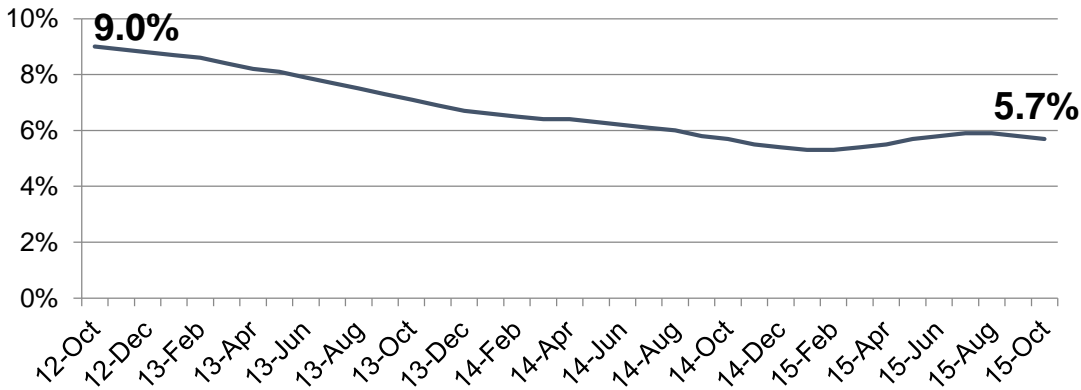
Fast Facts

- > NC recent annual job growth is at 2.2%, outpacing the national average.
- > The fastest job growth is in Construction, Financial Services, and Professional and Business Services.
- > Manufacturing growth in North Carolina is twice as fast as the national average.
- > Both North Carolina's business rankings and economic performance get high marks in 2015.

North Carolina's economy continues to heal from the job losses and economic turmoil of the great recession. In March of 2010, North Carolina's unemployment peaked at 11.3 percent. Three years ago the rate remained stubbornly high at 9 percent but has improved steadily over the past 36 months to currently stand at 5.7 percent.

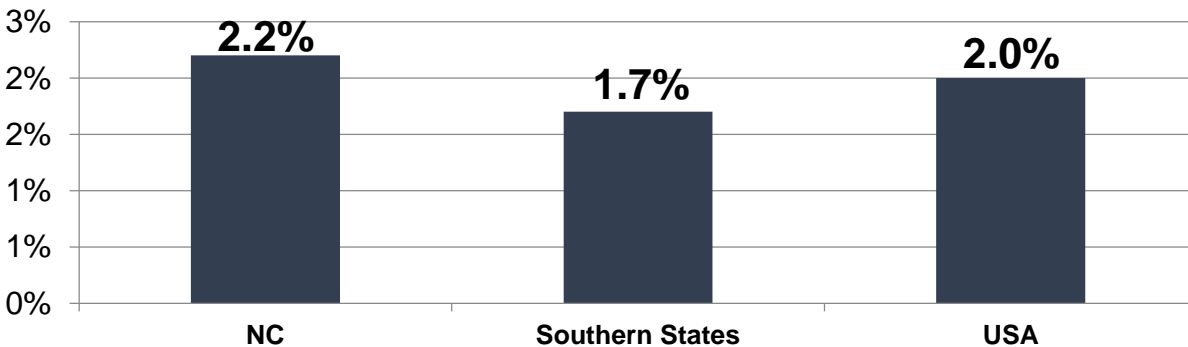
In the last year we have seen another sign of economic improvement. Throughout 2015, the state's unemployment rate hovered between 5.9 percent and 5.3 percent as the number of people in the labor force rose by more than 135,000 and the number employed rose by over 113,000. More people working should ripple through the state economy with increased income and retail sales. Home building and economic output should also continue to rebound.

North Carolina Unemployment Rate October 2012-October 2015



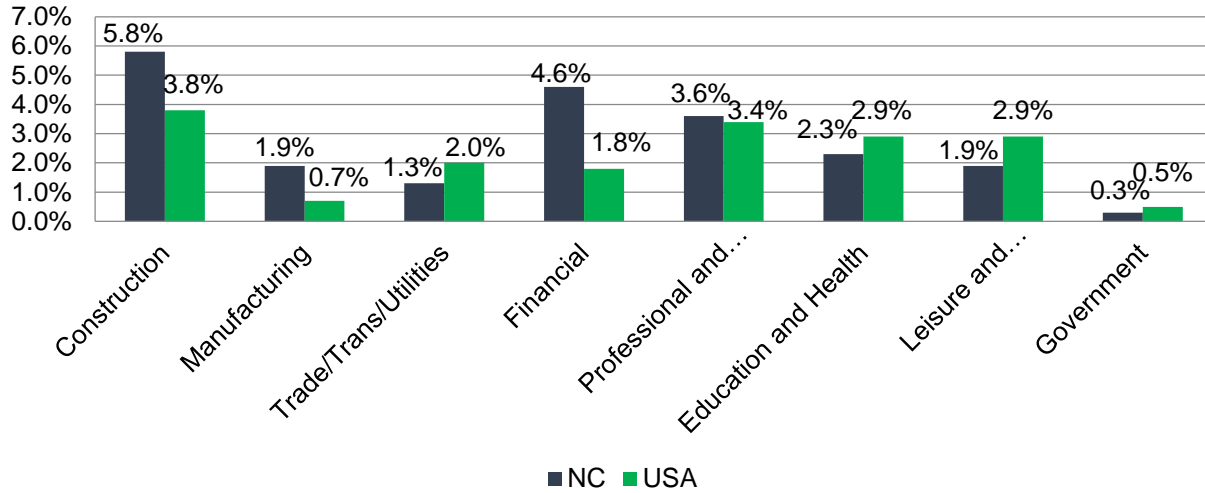
The Bureau of Labor Statistics publishes monthly employment (jobs) information that is the count of jobs by place of work. Estimates are currently estimated from 2014 benchmark levels. Estimates subsequent to the current benchmarks are preliminary and are revised when new information becomes available. This is the most current information available as it is released three weeks after the end of the month. The most current data shows North Carolina job growth outpacing both the national average and the southern state's average over the past year.

Percentage Employment (Jobs) Change October 2014- October 2015



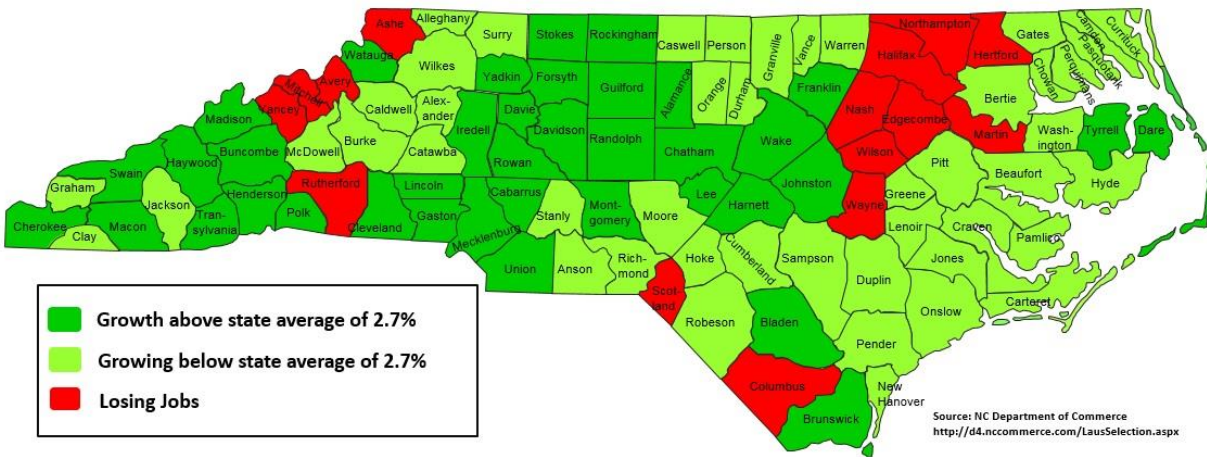
North Carolina's job growth varied greatly within sectors. In several sectors, Construction, Manufacturing and Financial Services, the state's economy performed significantly better than the national economy. In Trade, Transportation and Utilities, Education and Health, and Leisure and Hospitality, North Carolina employment grew at a slower rate.

Employment Growth By Sector October 2014- October 2015



In the past year employment growth has also spread throughout many parts of North Carolina. As the map below shows, 85 of North Carolina's 100 counties experienced growth between September of 2014 and September of 2015.

CHANGE IN AVERAGE NUMBER OF EMPLOYED PEOPLE September 2014 to September 2015 North Carolina state average 2.7%



A future edition of this article will look more closely at the distribution of jobs and growth across the states' urban and rural areas.

The North Carolina Chamber Foundation continues to focus on the long-term economic foundation of the state. *North Carolina Vision 2030*, developed by our state's top business leaders, is a forward-thinking, initiative-driven plan that provides focused economic development strategies to create good jobs for North Carolinians and to grow the economy. One of the plan's pillars focuses on business climate. Over the past two years, the tax climate for businesses has seen dramatic improvement.

The Tax Foundation's newly released *2016 State Business Tax Climate Index* reads, "After the most dramatic improvement in the Index's history - from 44th to 15th in one year - North Carolina has continued to improve its tax structure, with additional elements of the historic 2013 phasing in. As a result of these changes, North Carolina improved an additional eleven places on its corporate component rank, moving from 18th to 7th, with further improvements to its rank likely in the coming years as the state completes the phase-in of 2013 reforms."

2016 State Business Tax Climate Index Rankings - The Tax Foundation

Overall Rank	
North Carolina	15th
Virginia	30th
South Carolina	36th
Tennessee	16th
Georgia	39th

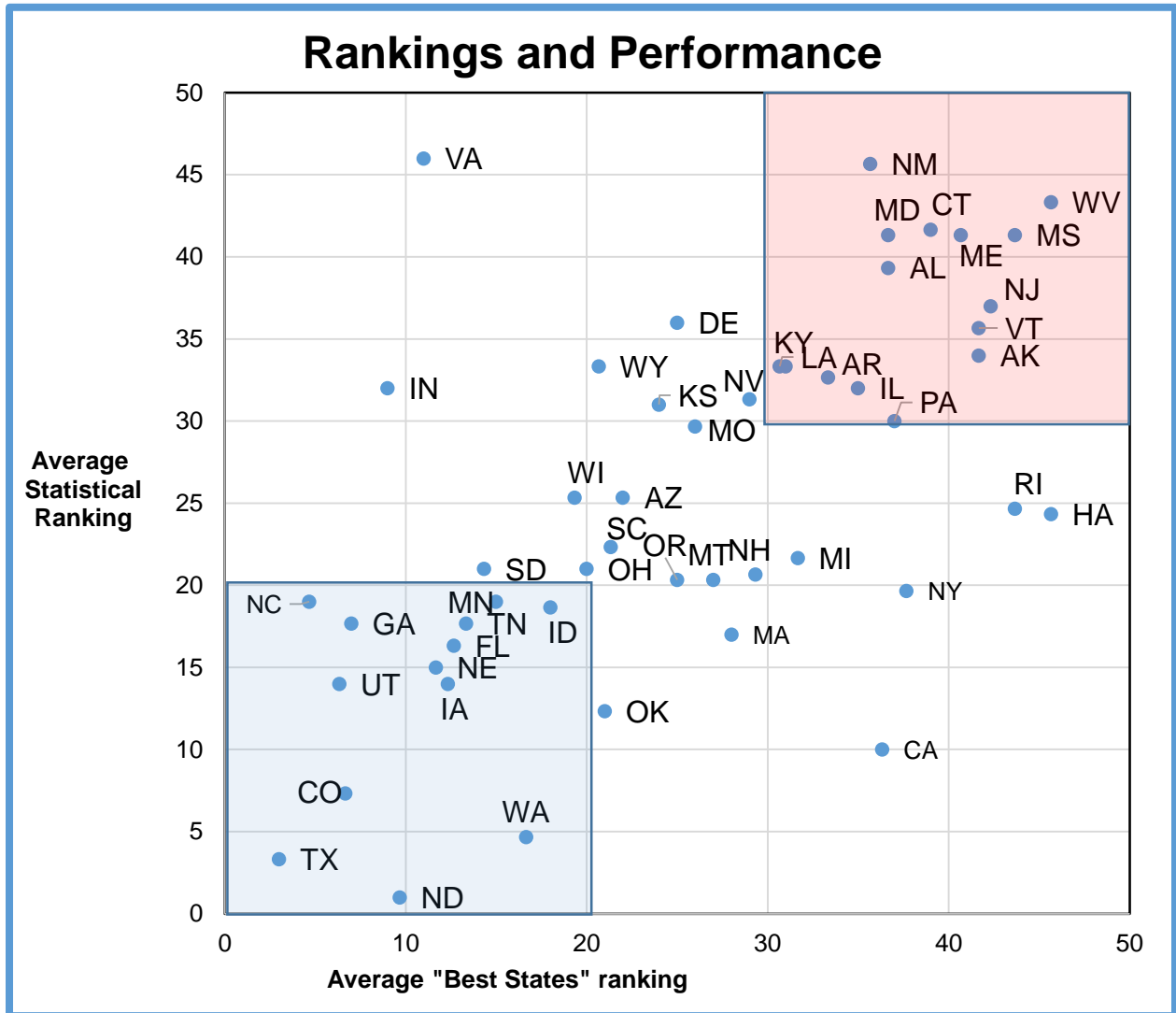
Another recent report, *Location Matters*, prepared by KPMG and the Tax Foundation looked more closely at the overall costs of doing business for a variety of types of businesses. Income taxes, property taxes, sales tax and unemployment insurance were combined to measure tax burdens to create a Tax Climate ranking from #1-Best to #50-Worst. North Carolina ranks in the top ten states for three types of businesses and in the top 20 for every category. For comparison, South Carolina ranks no better than 20th for any type of business and is in the worst 10 for several types.

Tax Climate Rankings (Best #1 to Worst #50)

	North Carolina	South Carolina
Corporate Headquarters	5th	30th
R&D Facility	16th	36th
Retail Store	5th	36th
Capital-intensive Manufacturing	17th	42th
Labor-intensive Manufacturing	19th	20th
Call Center	12th	41st
Distribution Center	8th	49th

Other widely-read rankings this year position North Carolina as a top state for business. *Forbes' Best States for Business*, *CNBC's Top States for Business* and *Chief Executive's Best States for Business* rank all 50 states on a variety of factors. Each publication ranks North Carolina among the ten best states. Some people are skeptical

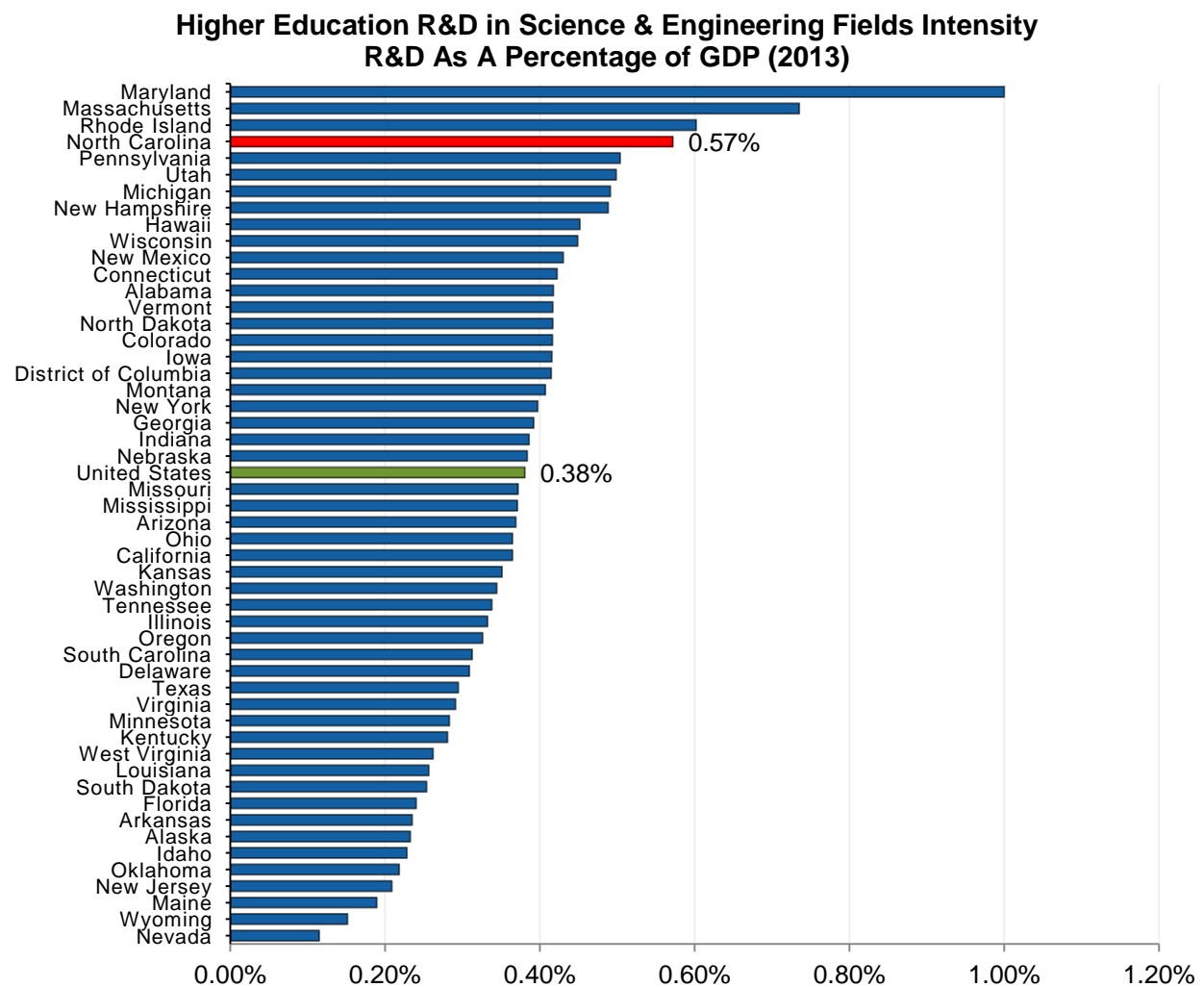
of these types of rankings. The question is how do state ranks on these multi-metric indexes align with actual economic performance? The chart below plots each state's combined ranking for the three studies against the most recent annual economic performance rankings for a combination of state job growth, wage growth and growth in state GDP.



The chart shows that most state's "good for business" ranking is closely associated with their economic performance. North Carolina's top 20 economic performance ranking is still slightly below its "best states" ranking, but the state is in a group of 13 states ranked in the top 20 for both reputation and performance (inside the blue shaded area). Outliers on the chart are Virginia which usually ranks high for business but whose recent economic performance has been hurt by federal government spending reductions; and California which overcomes some of its negative business climate with other strengths in venture capital, proximity to fast-growing Asian markets and strong port infrastructure. Another group of 15 states (in the pink shaded area) rank in the bottom 20 for both economic performance and "best states" rankings.

Most economic measurements show past performance, but it is also imperative to measure indicators that position the state for the future. Another key pillar in *North Carolina Vision 2030* focuses on entrepreneurship and innovation.

"Innovation drives growth. This is one of the most consistent findings in macroeconomics," began a recent U.S. Chamber of Commerce report. The same report uses a series of metrics to rank states. North Carolina ranked 10th in high-tech performance, and also 10th in innovation and entrepreneurship. The state continues to have strong research universities with significant research and development in fields that will help seed the industries of the future. North Carolina is among the top 5 states in the concentration of higher education research in science and engineering.



As our state looks to the future, building an innovation infrastructure that includes attraction and support for research and development; resident risk capital, a welcoming entrepreneurial business climate and abundant STEM talent will be the key to maintaining a top-10 national ranking.

The last few years have seen North Carolina's economy improve significantly, but there is still work to do so that we can sustain those gains, spread them across the state and prepare for a rapidly changing economy. All projections show North Carolina continuing to experience rapid population growth over the next few decades. A future article in this series will look at our infrastructure capacity to absorb that growth.

Ted Abernathy is managing partner of Economic Leadership LLC, an economic consultancy that helps organizations achieve success through competitiveness and collaboration. His 34-year career includes work for cities, counties, regions and the private sector. Ted currently serves as the economic development advisor to the Southern Governors Association.