



April 1, 2023

Dear Governor Cooper, Senator Berger, and Speaker Moore,

As the Secretary of the North Carolina Department of Commerce, it is my responsibility to develop the state's comprehensive strategic economic development plan every four years and to evaluate the state's economic performance annually. A summary of progress made to date on the *First in Talent* strategic economic development plan and the 2023 Annual Evaluation of North Carolina's Economic Performance and is enclosed for your review.

The [First in Talent](#) plan outlines new strategies to enable more North Carolinians to enter the workforce, to help businesses recruit and retain their talent, and to build communities with the infrastructure needed to foster economic growth across the state. Last year, the Department identified twenty-four high priority tactics that were most likely to advance the First in Talent mission and improve outcomes for the state's workforce, businesses, and communities. All twenty-four high priority strategies are in progress or complete.

In the second year since the plan's release, the Department partnered with state agencies, colleges and universities, non-government organizations, and the business community to successfully initiate or complete activities related to thirty-two of the forty-four tactics in the plan. Over the next two years, the Department will continue to lead new activities, convene stakeholders, and advocate for policies to advance the goals in the *First in Talent* plan. The *First in Talent* plan was released in FY21-22 and is in effect until FY24-25.

The 2023 Annual Evaluation of North Carolina's Economic Performance summarizes the state's economic progress in eight key economic indicators. The indicators show that North Carolina's economy is strong, with record-breaking capital investment and job creation in 2022, steady unemployment rates, and job growth in industries like information, leisure and hospitality, and education and health services. The Department's Labor and Economic Analysis Division's [analytics site](#) includes economic data and user-friendly dashboards to support the enclosed analysis, including current labor market information, unemployment insurance claim data, industry and occupation projections, and workforce service delivery data.

The *First in Talent* plan sets the state's economic development strategy to expand the labor pool and more closely align economic and workforce development, but it can only be accomplished through continued investments made by the General Assembly, partnership from public and private entities, and a shared vision for an economy that works for all North Carolinians.

Sincerely,

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

Secretary Machelle Baker Sanders
North Carolina Department of Commerce



2023 First in Talent Annual Update

North Carolina's strong and diverse workforce, business friendly environment, and shovel-ready sites are being noticed on a national stage. Last year, North Carolina continued to win accolades as an outstanding business location. *Business Facilities* magazine named North Carolina its *2022 State of the Year* and the *Best Business Climate* in the nation for the second year in a row. Publications like *Site Selection* magazine cited the [First in Talent](#) plan as a differentiating factor in North Carolina's success.

The *First in Talent* plan is organized around three goals to prepare North Carolina's workforce, businesses, and communities for success. Last year, the Department identified 24 high priority tactics that were most likely to advance the First in Talent mission and improve outcomes for the state's workforce, businesses, and communities. All twenty-four high priority strategies are in progress or complete.

Partners across North Carolina contributed to the successful deployment of new tactics to expand North Carolina's labor pool, increase the awareness of industry valued credentials, and generate regional growth, sustainability, and increased industry and workforce connectivity.

In July 2022, the Commerce Department hired its first Business Relationship Manager, responsible for partnering with companies to design projects with clear outcomes in the *First in Talent* priority areas of work-based learning, diversity hiring, the utilization of women-and minority-owned businesses, and sustainability. The Business Relationship manager will report on the number of new projects initiated annually.

The list below highlights some of the new initiatives that are complete or underway that are aligned with tactics in the plan that were identified as a high priority to improve outcomes for North Carolina's **workforce, businesses, and communities.**

Goal 1- Prepare North Carolina's **workforce** for career and entrepreneurial success.

- North Carolina Agricultural & Technical State University (NC A&T) was awarded a \$23.7 million Good Jobs Challenge grant award to train over 3,000 workers for careers in clean energy. NC A&T's **STEPS4GROWTH** program will connect students from 16 economically distressed counties to education and training opportunities in clean energy, leveraging over 40 employer partnerships. (Tactics 2.1, 2.2, 2.3)
- **The NC Workforce Credentials Council** published a list of non-degree industry-valued credentials on NCCareers.org, developed in partnership with education and industry representatives. The Council advocated for legislation to offer no-cost pathways to earning the credentials. (Tactics 3.1, 3.2, 3.3, 3.4)
- **The Division of Workforce Solutions awarded 20 special grants to 11 local workforce development boards**, totaling \$8.45 million, sourced from American Rescue Plan Act (ARPA) funds. Boards will use the grants to help jobseekers and small businesses with training and other services in response to a tight labor market. Grants included four NCWorks Reentry Support

Grants, five NCWorks Substance Use Disorder Recovery Grants, and 11 NCWorks Small Business Work-Based Learning Grants. (Tactic 4.1)

- North Carolina State University's **2023 Emerging Issues Forum, *Talent First Economics***, examined ways to help workers overcome barriers, find employment, and stay in the workforce. The NCWorks Commission and Division of Workforce Solutions played a leading role in program development. (Tactic 4.1, 4.2, 4.3)

Goal 2- Prepare North Carolina's **businesses** for success by growing and attracting a talented workforce.

- **The Department of Commerce partnered with Family Forward NC** to train business counselors from the Economic Development Partnership of NC, the Small Business Technology Development Center, the North Carolina Community College Small Business Centers, the Office for Historically Underutilized Businesses, and the Division of Workforce Solutions and businesses services representatives from local workforce boards on strategies they can use to help businesses offer family-friendly policies to better recruit and retain talent. The trainings were attended by approximately 200 business counselors. (Tactic 5.2)
- **NC Commerce and NC DHHS launched the Caregiving Workforce Strategic Leadership Council** to address workforce shortages in direct care workers, nurses, and other caregiving positions. The Council will address driving factors like wages, work conditions, and the desire for increase work-life balance. (Tactic 5.3)
- **The State Small Business Credit Initiative (SSBCI)** is administered by the NC Rural Center on behalf of the state and the NC Department of Commerce. The SSBCI leverages \$120 million in federal fundings to provide support and recovery funding to small businesses and women-and minority-owned businesses. (Tactic 7.1)
- **The Department of Commerce increased the percentage of Commerce-controlled contracts awarded to Historically Underutilized Businesses (HUB) vendors** from 1% in 2021 to 10% in 2022. (Tactic 7.3)

Goal 3- Prepare **communities** across North Carolina to be more competitive in growing and attracting a talented workforce and businesses.

- In FY21-22 Commerce's **Rural Economic Development Division (REDD)** was awarded \$50 million for the division's rural grant program. Of the funds provided, \$25 million will be used for neighborhood revitalization grants and \$25 million will be used for grants for community development grants. REDD's **Community Economic Recovery and Resiliency (CERRI)** program will support 16 additional communities with economic resiliency planning and small business support this year. (Tactics 12.2 and 13.2)
- On behalf of the Governor, Commerce prepared **North Carolina's Governor-Designated Hub Zone** petition to add 37 new covered areas to the US SBA's HUBZone program list. Small businesses in covered areas receive preferential access to bid on federal contracts. (Tactic 13.5)
- Effective in July 2023, several **local workforce boards elected to realign their local workforce board areas to better support economic development and labor needs**. Effected counties include Alamance, Davidson, Montgomery, Moore, Orange and Randolph counties. The realignment process is ongoing and local workforce boards may elect to consider realignment at any time. (Tactic 14.1)



2023 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 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:

- [Analytics.nccommerce.com](#) is the main repository for the Labor and Economic Division's (LEAD) data, dashboards and publications, including labor supply and demand, industry and occupational projections, regional labor market overviews and other visualizations.
- [Demand Driven Data Delivery System](#) (D4) is North Carolina's official labor market data source and contains the most current and historical labor market information available at the statewide, regional, and local levels.
- [NC Today](#) is a monthly review of labor market conditions in North Carolina 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.
- [Area Profiles](#) are economic and demographic overviews available by county, workforce board area, and prosperity zone. In addition to labor market information, these profiles include data on populations including demographics, educational attainment, and commuting patterns.
- [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.
- [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 2022, North Carolina's economic development community reported 198 economic development projects across the state. Reported projects contributed a total of 28,055 announced jobs and more than \$19.59 billion in announced investment. The state's largest manufacturing capital investment project in 2022 was undertaken by Wolfspeed (\$5 billion in Chatham County). The state's largest manufacturing job creation project was Vinfast (7,500 jobs in Chatham County). The largest non-manufacturing capital investment project was Microsoft (\$1 billion in Catawba County) and the largest non-manufacturing job creation announcement was Macy's, Inc (2,800 jobs in Rowan County).

Consistent with past years, there were more manufacturing projects in 2022 than any other project type. Manufacturing projects accounted for 76 percent of total announced jobs and 86 percent of total announced investment.

In 2022, 49 Foreign Direct Investment (FDI) projects from 21 different countries announced 11,124 announced jobs and more than \$8.4 billion in investment in North Carolina. Because of the size of the VinFast deal, Vietnam represented the most announced jobs (7,500) and investment (\$4 billion).

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 increased by 169,700 (3.6%) from January 2022 to January 2023. Total private employment increased by 4.1 percent, while Government employment grew by 1.0 percent.

Most industry sectors reported seasonally adjusted job increases over the year, with Information (10.2%), Leisure and Hospitality (8.8%), Education and Health Services (8.0%), Other Services (5.8%), Construction (5.3%), Financial Activities (3.9%), Professional and Business Services (3.8%), and Manufacturing (2.1%) experiencing the largest percentage gains. The only industries with fewer jobs from a year prior were Mining and Logging (-1.8%) and Transportation and Warehousing and Utilities (-1.4%).

Net Job Change by Industry

NC Dept. of Commerce, Current Employment Statistics, Seasonally Adjusted

Industry	January 2022	January 2023*	Change	% Change
Trade, Transportation, and Utilities	906,700	922,800	16,100	1.8%
Wholesale Trade	196,400	207,800	11,400	5.8%
Retail trade	511,600	519,000	7,400	1.4%
Transportation, Warehousing, and Utilities	198,700	196,000	-2,700	-1.4%
Government	712,500	719,900	7,400	1.0%
Federal	76,100	76,800	700	0.9%
State Government	194,900	197,700	2,800	1.4%
Local Government	441,500	445,400	3,900	0.9%
Professional and Business Services	714,400	741,300	26,900	3.8%
Professional, Scientific, and Technical	306,300	330,300	24,000	7.8%
Management of Companies and Enterprises	81,200	83,800	2,600	3.2%
Administrative and Waste Services	326,900	327,200	300	0.1%
Education and Health Services	637,700	663,200	25,500	4.0%
Educational Services	98,200	104,100	5,900	6.0%
Health Care and Social Assistance	539,500	559,100	19,600	3.6%
Leisure and Hospitality	482,500	525,000	42,500	8.8%
Arts, Entertainment, and Recreation	68,700	71,800	3,100	4.5%
Accommodation and Food Services	413,800	453,200	39,400	9.5%
Manufacturing	466,900	476,800	9,900	2.1%
Durable Goods	252,700	255,100	2,400	0.9%
Nondurable Goods	214,200	221,700	7,500	3.5%
Financial Activities	285,900	297,100	11,200	3.9%
Finance and Insurance	219,700	227,800	8,100	3.7%
Real Estate and Rental and Leasing	66,200	69,300	3,100	4.7%
Construction	243,100	255,900	12,800	5.3%
Other Services	164,800	174,300	9,500	5.8%
Information	78,100	86,100	8,000	10.2%
Mining and Logging	5,500	5,400	-100	-1.8%
TOTAL (Nonfarm)	4,698,100	4,867,800	169,700	3.6%
TOTAL (Private)	3,985,600	4,147,900	162,300	4.1%

*January 2023 data are preliminary and subject to revision.

MANUFACTURING CHANGES

Although the “Great 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 jobs have returned to 2019 levels.



Over the past year (January 2022 to January 2023), not seasonally adjusted Manufacturing jobs increased by 10,600 (2.3%). Most Manufacturing industries had net increases over the year with the exception of Textile Product Mills (-3.7%), Furniture and Related Products (-2.3%), Textile Mills (-2.1%) and Printing and Related Support Activities (-0.9%). Apparel employment was flat.

Manufacturing Jobs by Industry				
<i>NC Dept. of Commerce, Current Employment Statistics, Not Seasonally Adjusted</i>				
Industry	January 2022	January 2023*	Change	% Change
Manufacturing	464,800	475,400	10,600	2.3%
Food	54,800	57,400	2,600	4.7%
Chemical	44,000	45,400	1,400	3.2%
Fabricated Metal Product	37,200	38,300	1,100	3.0%
Machinery	37,000	38,300	1,300	3.5%
Plastics & Rubber Products	35,800	36,900	1,100	3.1%
Furniture & Related Products	35,200	34,400	-800	-2.3%
Transportation Equipment	35,100	35,600	500	1.4%
Computer & Electronic Products	28,400	28,800	400	1.4%
Textile Mills	24,300	23,800	-500	-2.1%
Electrical Equipment & Appliances	21,800	22,200	400	1.8%
Wood Products	18,500	18,900	400	2.2%
Beverage & Tobacco Product Manufacturing	13,400	14,800	1,400	10.4%
Printing & Related Support Activities	11,300	11,200	-100	-0.9%
Textile Product Mills	5,400	5,200	-200	-3.7%
Apparel	5,100	5,100	0	0.0%

*January 2023 data are preliminary and subject to revision.

FIRM AND ESTABLISHMENT CHANGES

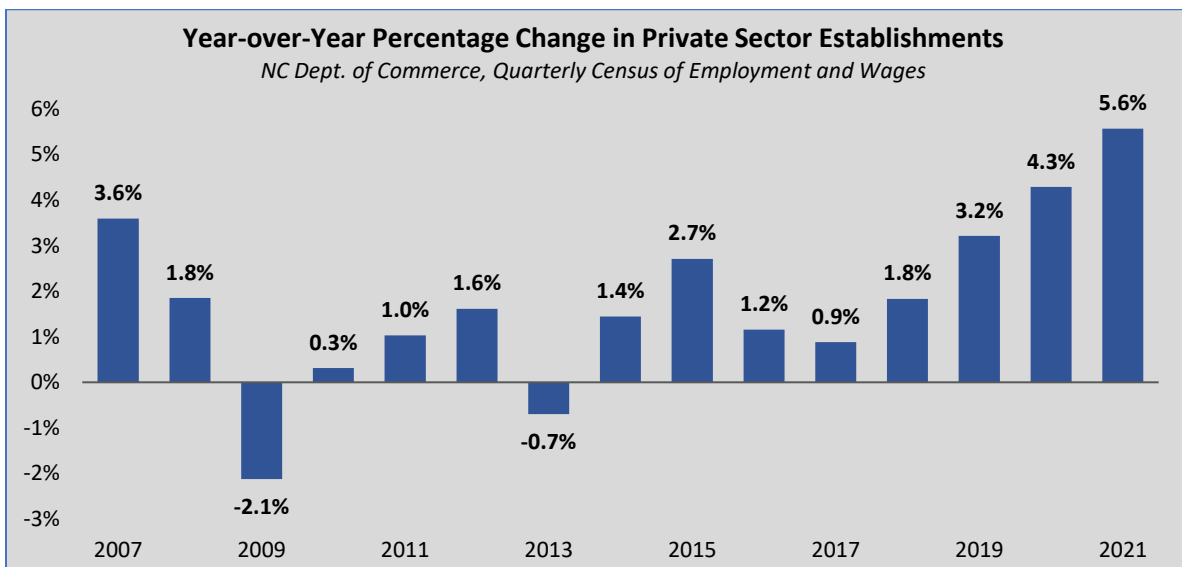
A **firm** is a business organization consisting of one or more **establishments** under common ownership or control. The most recently available data from the Census Bureau’s Business Dynamic Statistics (BDS) show that there were 162,412 firms in North Carolina in 2020 (a 0.5% increase over 2019). While BDS does not produce data on firm-births, the data shows that North Carolina experienced about 13,506 firm deaths between 2019 and 2020.

BDS also provides dynamic establishment change data, including numbers of establishment births and deaths. These data show that North Carolina experienced 19,829 establishment births between 2019 and 2020. This works out to an establishment birth rate of 9.147 [= (establishment births / total establishments) * 100], the state’s third-lowest establishment birth rate since 1978 (first year in the dataset). In general, the data show a gradually declining establishment birth rate from the late 1970s to the present. North Carolina fell below the nation’s establishment birth rate of 9.340 in 2020, which has also been generally declining over recent decades.

North Carolina also experienced 18,991 establishment deaths between 2019 and 2020, which works out to an establishment death rate of 8.761 [= (establishment deaths / total establishments) * 100]. In general, the state’s establishment death rate has also been declining since 1978, though not as quickly or consistently as the birth rate. North Carolina’s establishment death rate is slightly lower than the nation’s rate of 9.422, which has also been in decline over recent decades.

From 2019 to 2020, establishment births were associated with the creation of 146,768 jobs (33% of total job creation), while establishment deaths were associated with the loss of 144,139 jobs (33% of total job losses).

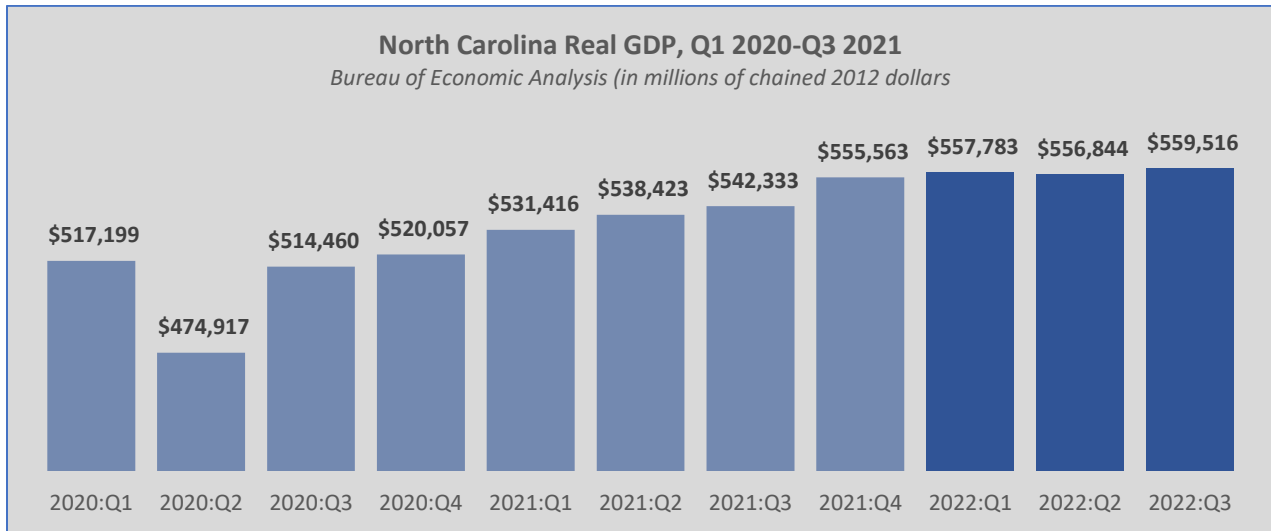
A more recent source for establishment data is the Quarterly Census of Employment and Wages (QCEW). According to QCEW, private sector establishments in North Carolina grew 5.6 percent from 2020 to 2021. Quarterly QCEW data show that private business establishment growth slowed during the worst of the COVID-19 pandemic but did not turn negative. Following the second quarter of 2020, establishment growth quickly recovered to strong levels and has remained strong in recent quarters.



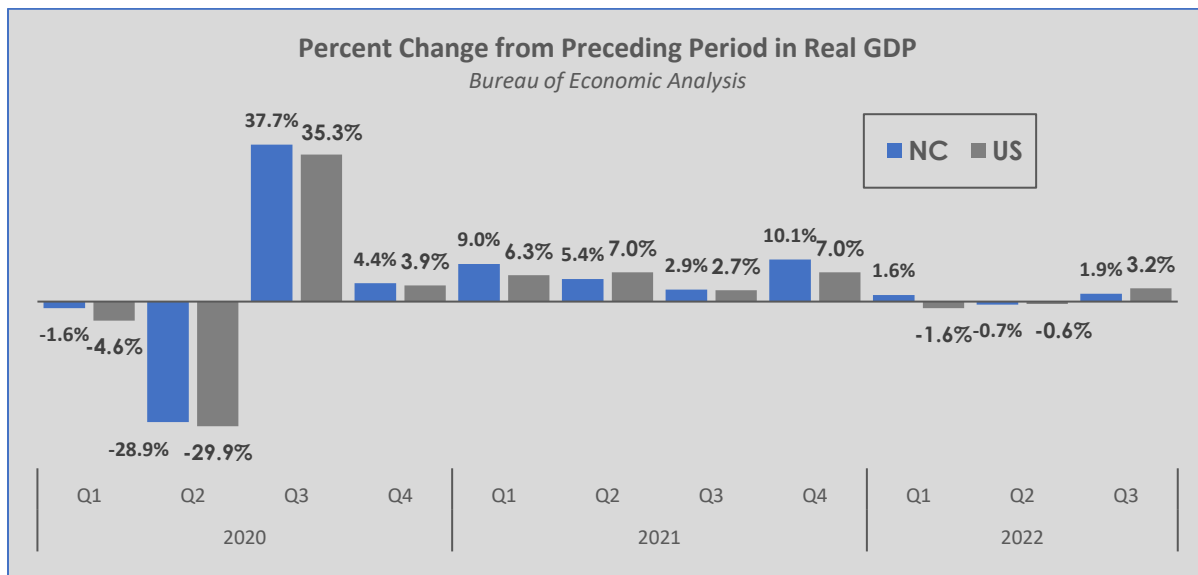
STATUS AND PERFORMANCE OF KEY SECTORS

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, from the first quarter of 2020 to the third quarter of 2023, North Carolina’s real GDP (in chained 2012 dollars) increased from \$517 billion to nearly \$560 billion, an increase of 8.2 percent. During this same period, the nation’s real GDP grew by 5.6 percent.

Following a large decline during the second quarter of 2020 due to the onset of the pandemic, the state’s [real gross state product](#) increased at a rapid pace during the remainder of 2020 and 2021 before leveling off over the first three quarters of 2022 at nearly \$736 billion (or \$560 billion in 2012 dollars).



North Carolina’s economic performance has largely mirrored that of the US, with substantial quarter-to-quarter increases in real GDP over the course of 2021 followed by slower or slightly negative growth over the past several quarters.



Over the past four quarters, private industry GSP was largely flat while the Government contribution increased substantially in the first quarter of 2022 due to state and local spending. The largest industry contribution to GSP came from Manufacturing, making up 15 percent of GSP in the 3rd quarter of 2022, followed by Real Estate (11%), Professional, Scientific, and Technical Services (9%), Finance and Insurance (7%) and Health Care and Social Assistance (7%).

Real GSP decreased in several of the largest sectors, including Manufacturing (-2.6%) and Finance and Insurance (-5.6%), while Real Estate (3.6%), Professional, Scientific, and Technical Services (11.1%) and Health Care and Social Assistance (6.2%) increased in value.

The state's private service-providers grew by 5.3 percent over the year while goods-production fell by 2.7 percent. Within Manufacturing, durable goods (e.g., cars, appliances, etc.) production fell by 1.9 percent by and nondurables (e.g., chemicals, food, etc.) fell by 3.0 percent.

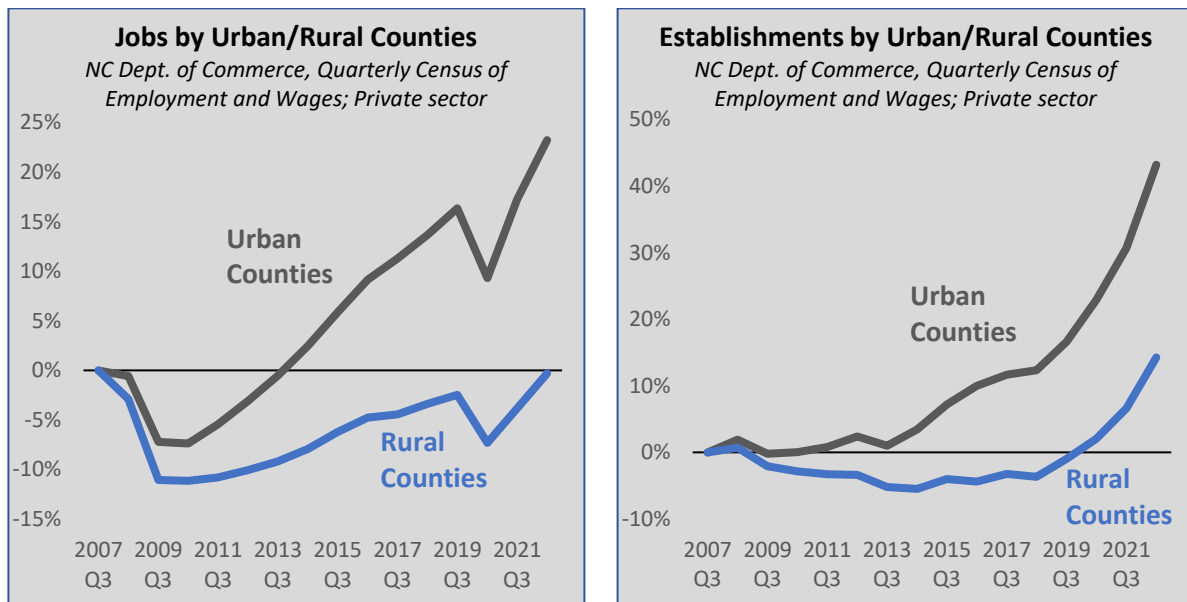
North Carolina Real GDP by Industrial Sector, Q3 2021-Q3 2022				
<i>Bureau of Economic Analysis (in millions of chained 2012 dollars)</i>				
Description	2021 Q3	2022 Q3	Change	% Change
All industry total	\$542,333	\$559,516	\$17,183	3.2%
Private industries	\$477,799	\$490,494	\$12,695	2.7%
Manufacturing	\$87,332	\$85,077	-\$2,255	-2.6%
Real estate and rental and leasing	\$59,741	\$61,882	\$2,141	3.6%
Professional, scientific, and technical services	\$44,420	\$49,347	\$4,927	11.1%
Finance and insurance	\$43,107	\$40,678	-\$2,429	-5.6%
Health care and social assistance	\$38,199	\$40,571	\$2,372	6.2%
Wholesale trade	\$32,637	\$33,306	\$669	2.1%
Retail trade	\$29,632	\$30,630	\$998	3.4%
Information	\$28,245	\$32,199	\$3,953	14.0%
Construction	\$19,433	\$17,098	-\$2,335	-12.0%
Admin & support and waste mgmt. & remediation	\$18,965	\$21,337	\$2,372	12.5%
Management of companies and enterprises	\$15,489	\$17,295	\$1,806	11.7%
Accommodation and food services	\$14,646	\$15,614	\$967	6.6%
Transportation and warehousing	\$12,046	\$12,496	\$450	3.7%
Other services (except government)	\$10,303	\$10,588	\$285	2.8%
Utilities	\$8,392	\$8,277	-\$114	-1.4%
Educational services	\$6,356	\$6,886	\$530	8.3%
Agriculture, forestry, fishing and hunting	\$5,686	\$6,899	\$1,213	21.3%
Arts, entertainment, and recreation	\$3,865	\$4,393	\$529	13.7%
Mining, quarrying, and oil and gas extraction	\$1,084	\$1,383	\$298	27.5%
Government and government enterprises	\$64,805	\$69,234	\$4,429	6.8%
Federal civilian	\$10,403	\$10,314	-\$89	-0.9%
Military	\$10,742	\$10,372	-\$370	-3.4%
State and local	\$43,693	\$48,429	\$4,736	10.8%

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.¹ 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. Urban counties suffered more severe job losses in 2020, but more rapid jobs growth in 2021 and 2022. From 2021 Q3 to 2022 Q3, North Carolina's urban counties added 127,032 jobs (5.1% growth), while rural counties added 43,532 jobs (3.6% growth).

On the other hand, the number of private business establishments has risen through the pandemic in both rural and urban counties (though business establishments in rural counties have grown more slowly). From 2021 Q3 to 2022 Q3, North Carolina's urban counties added 17,549 establishments (9.5% growth), while rural counties added 7,216 establishments (7.2% growth).

In 2019, prior to the COVID-19 pandemic, rural counties still had not recovered all their job losses from the Great Recession. While most of the jobs lost during the pandemic have returned to our rural counties, these local job markets still had 0.3 percent fewer jobs in the third quarter of 2022 than in 2007.



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, 14.1 percent (24,220) of North Carolina's employer firms were minority-owned in 2020. Minority-owned firms employed 5.3 percent (202,971) of

¹ 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://www2.census.gov/geo/docs/reference/ua/PctUrbanRural_County.xls.

employees in the state in that year. As a comparison, 19.9 percent of US employer firms were minority-owned and employed 7.6 percent of total employees.

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 NES-D, 27.0 percent (213,000) of the state’s nonemployer firms were minority-owned in 2018. At the national level, 32.7 percent of nonemployer firms were minority-owned in 2018.

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.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers>