

Economics Group

Special Commentary

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North Carolina Battles Back from COVID Shutdowns

North Carolina has slowly re-opened, as COVID-19 infections steadily trend higher

Fed Chair Jerome Powell recently reemphasized the hard truth that the path of COVID-19 and efforts to contain it would largely determine the timing and pace of the economic recovery. We track the relationship between rising infections and economic engagement, utilizing a series of high frequency data. The resurgence in COVID-19 began around Memorial Day and triggered a pullback in activities requiring large numbers of people to interact, such as dining out, various forms of entertainment, air travel and in person work and shopping. The most recent data, however, show COVID’s summer resurgence may be topping out. Many states have seen the number of new cases decline in recent weeks and the back-slide in economic engagement has slowed or begun to reverse.

North Carolina has generally been more cautious about re-opening than its neighboring states. Restaurants opened about two to three weeks later than in South Carolina and Georgia, while retail stores and bars opened a few weeks after that. North Carolina’s reticence to re-open, however, did not appear to disrupt the rise in COVID-19 cases. North Carolina never flattened the curve during the earlier stage of pandemic, and confirmed cases have steadily trended higher since the onset of the virus. Still, the absolute level of cases and deaths largely tracked the nation and never reached the alarming levels its neighbors. North Carolina has about 11,000 confirmed cases per million residents, compared to more than 15,000 cases per million residents in both Georgia and South Carolina, 14,000 cases per million in Tennessee and 20,000 cases per million in Florida. North Carolina’s experience is in line with Virginia, which has also been slower to re-open.

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With a slower re-opening, North Carolina’s economy has been slower to recover. After losing 616,000 jobs in March and April, employers added back 239,000 jobs in May and June. The bulk of job losses and gains have been at restaurants and bars, as they closed indoor dining and gradually re-opened in May and June. North Carolina’s hospitality sector lost 269,000 jobs March and April, but regained 112,000 in May and June. Employment also partially swung back at medical and dental practices, retailers and providers of household & personal services. The recent pullback in economic engagement, evident in the high-frequency data, looks more like a pause rather than a reversal. The state’s recovery remains on track, albeit at a more modest pace.

Figure 1

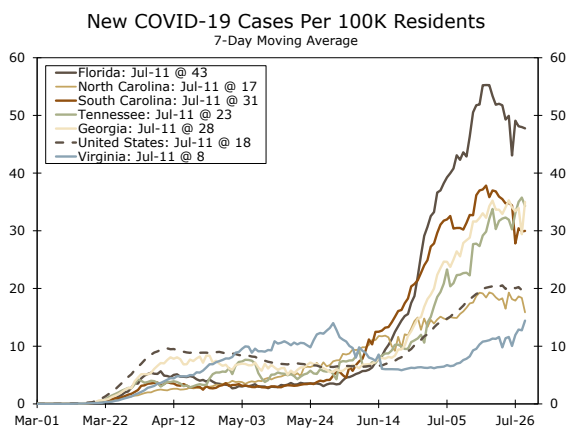
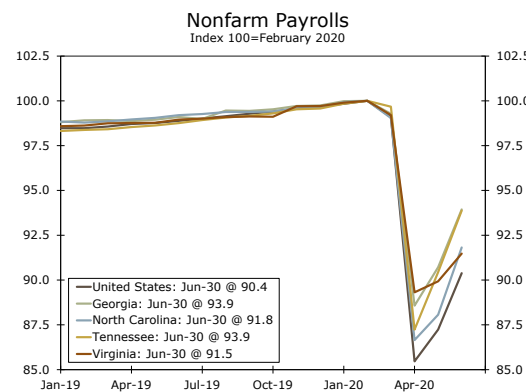


Figure 2



Source: Bloomberg LP, U.S. Department of Labor and Wells Fargo Securities

Together we’ll go far



While new COVID-19 infections have steadily risen, economic activity has held up fairly well in North Carolina, particularly in Charlotte and Raleigh.

Mecklenburg County has been a notable hot spot for COVID-19 in North Carolina. Mecklenburg is home to Charlotte, and has seen just under 20,000 confirmed cases on a cumulative basis. By contrast, Wake County, which is home to Raleigh and just edged past Mecklenburg to become North Carolina’s most populous county this past year by 1,400 residents, has a total of 10,400 cases. Mecklenburg’s high case count is likely owed to its denser population. More of Mecklenburg’s residents live in an urban environment, while Wake’s population is spread out amongst a larger geographic area that includes more rural areas. Charlotte is the largest metro area in the state, with 2.6 million residents, relative to Raleigh’s 1.4 million. Charlotte is also a major financial center, second only to New York. Close ties to New York, along with one of the nation’s busiest hub airports, may also have served as pathways for the infection to take hold there.

While new COVID-19 infections have steadily risen, economic activity has held up fairly well in North Carolina, particularly in Charlotte and Raleigh. Both cities continue to see a significant influx of new industry, capital investment and new residents. Charlotte recently landed one of the state’s largest economic development deals ever, when Centene Corporation, a Fortune 500 company, announced they would develop an East Coast headquarters in University Research Park. Construction of the firm’s one-million square foot campus is expected to begin in August and employ 3,237 workers when it is fully staffed, with an average annual salary in excess of \$100,000. The announcement follows a string of other large expansions in the area, most of which chose Charlotte because of its deep pool of tech workers and continuing stream of young, college educated, tech-savvy workers from other parts of the country.

Raleigh also boasts a deep pool of tech talent and continues to reel in major economic development deals. Raleigh-based Bandwidth, which provides communications software for critical purposes, such as 911 services, recently announced a \$100 million expansion that will include a new corporate headquarters building and the creation 1,165 high-paying jobs. The finishing touches are also being put on one of Raleigh’s other big economic development coups, with the new headquarters building for Advance Auto Parts nearing completion in the City’s North Hills area.

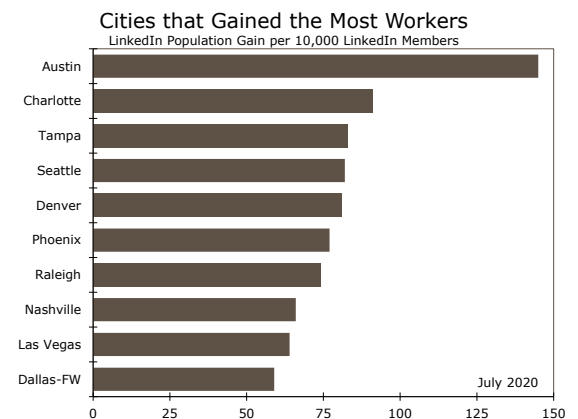
Charlotte and Raleigh’s continued success is encouraging given the extent of the damage COVID-19 has wrought on the U.S. economy. One of the likely outcomes of this pandemic is that businesses and individuals are likely to migrate away from densely populated high-cost areas in the Northeast and West to rapidly emerging metros in the South and Southwest. Those relocating are likely to weigh cost of living, quality of life and state and local governments’ ability to foster economic growth. North Carolina has long boasted a AAA credit rating as well as Charlotte, Raleigh and Mecklenburg and Wake counties maintain AAA credit ratings as well. Local governments here also have a long history of working together with businesses, labor and community groups to foster an inclusive business environment. Moreover, economic development is not limited to the state’s two largest economies. Durham, which includes the bulk of Research Triangle Park is another economic juggernaut and growth is rebounding in Greensboro, Winston-Salem, Asheville, Hickory and Wilmington as well.

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Figure 3

2020 STEM Job Growth Index Ranking	
4th annual STEM Job Growth Index (“STEMdex”) RCLCO with CapRidge Partners	
1.	Charlotte, NC
2.	Austin, TX
3.	Denver, CO
4.	Seattle, WA
5.	Raleigh, NC
6.	Atlanta, GA
7.	Orlando, FL
8.	San Francisco, CA
9.	Portland, OR
10.	Phoenix, AZ

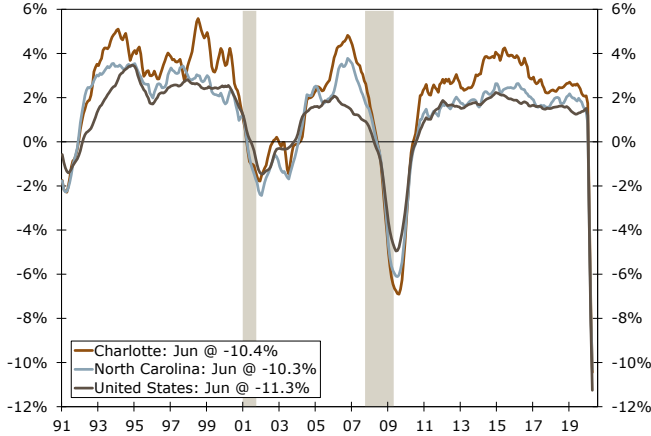
Figure 4



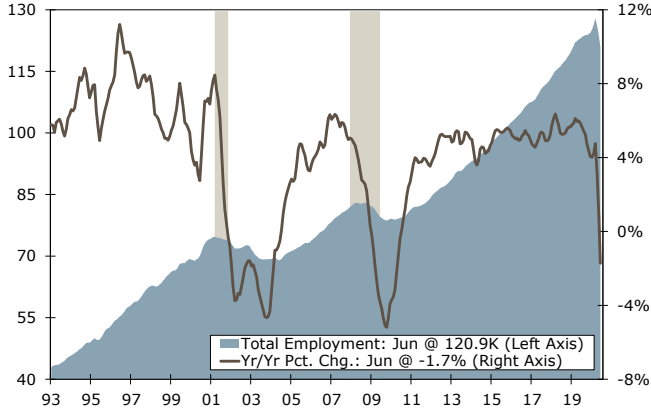
Source: RCLCO, U.S. Department of Labor and Wells Fargo Securities

North Carolina Labor Market Conditions

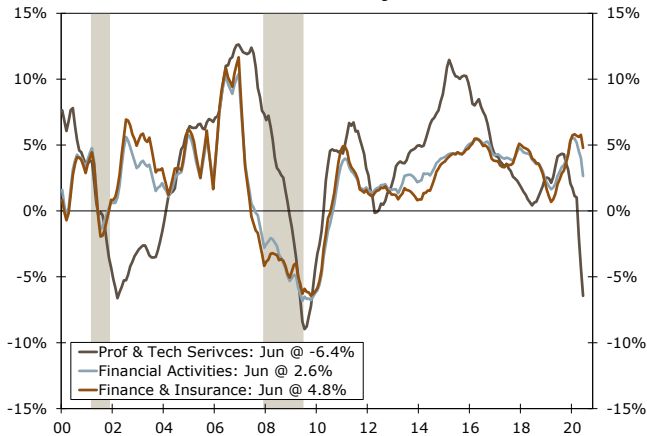
Nonfarm Employment Growth
 Year-over-Year Percent Change of 3-MMA



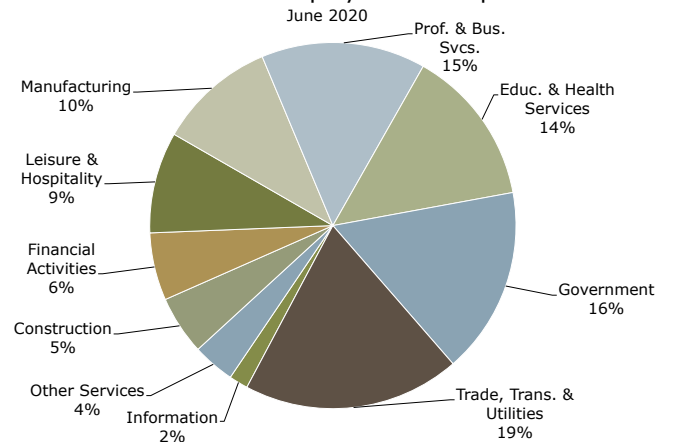
Raleigh-Durham Tech-Related Employment
 Sum of Prof. & Tech Services and Information



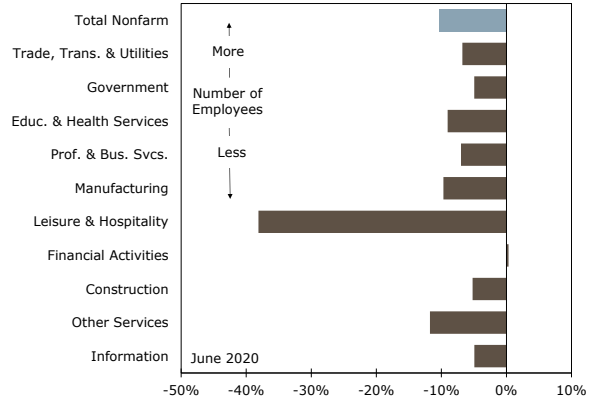
Charlotte MSA Employment Growth
 Year-over-Year Percent Change of a 3-MMA



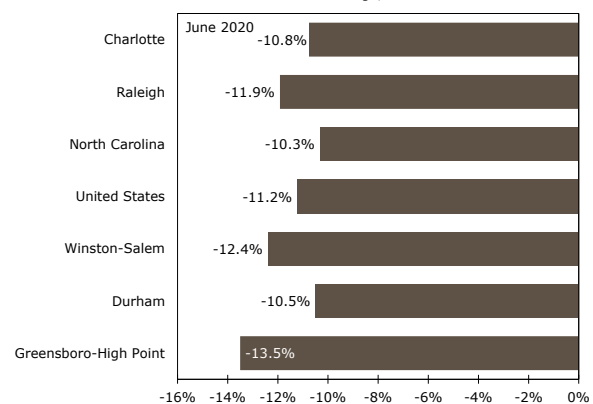
North Carolina Employment Composition



North Carolina Employment Growth By Industry
 Year-over-Year Percent Change of 3-MMA

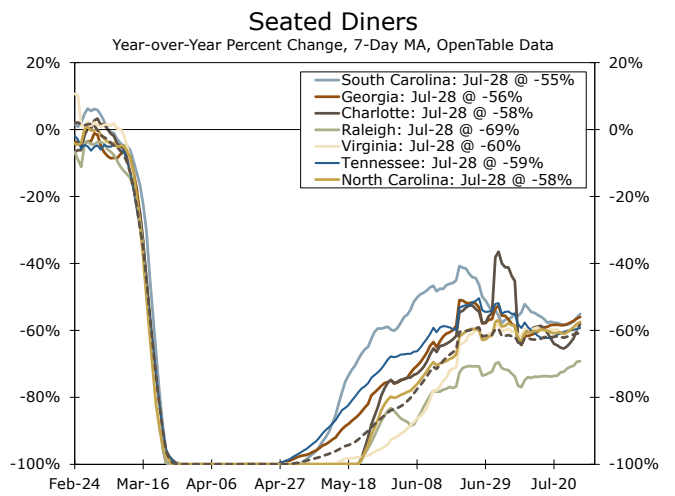
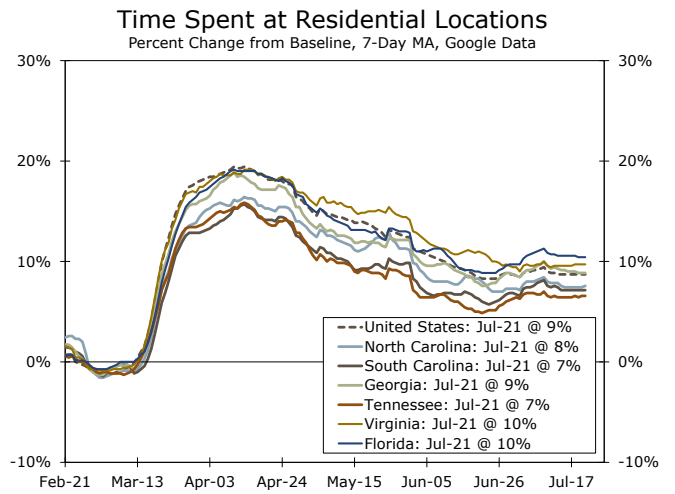
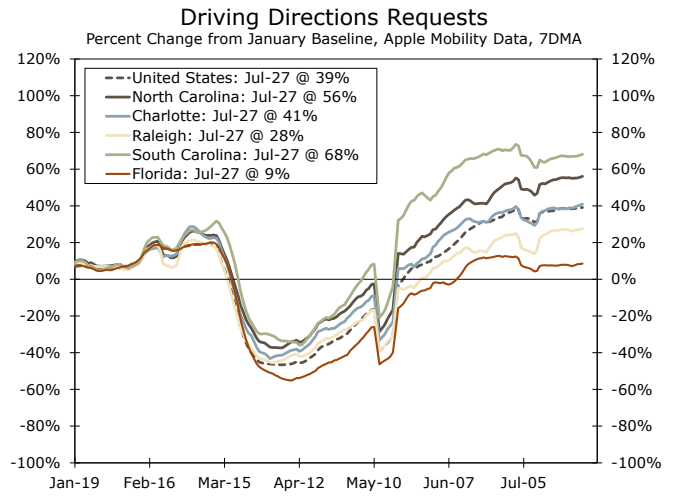
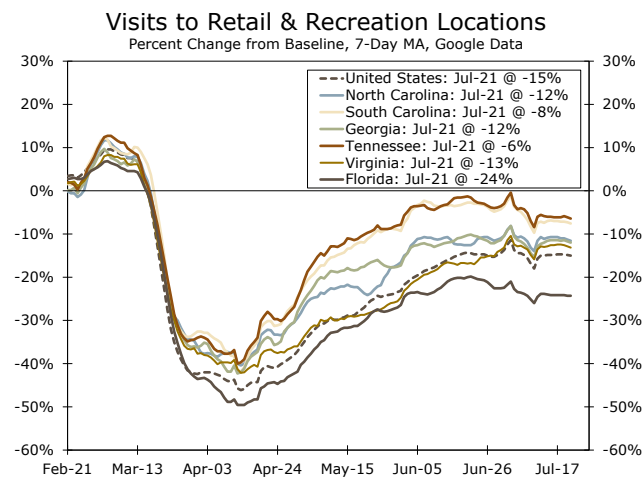
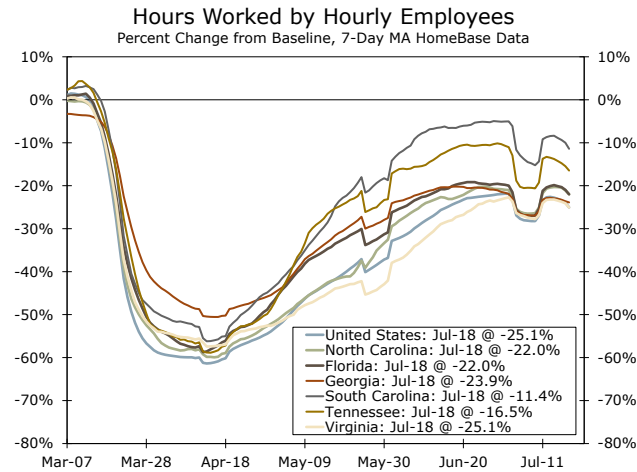
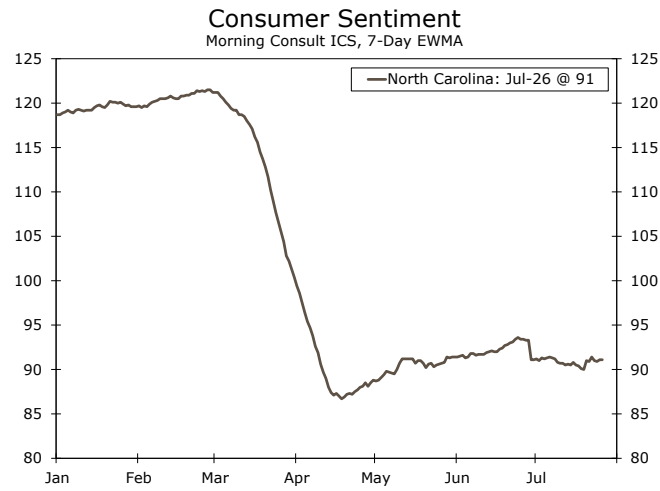


Employment Growth by MSA
 Year-over-Year Percent Change, 3-MMA



Source: U.S. Department of Labor and Wells Fargo Securities

North Carolina High-Frequency Data



Source: Apple, Google, HomeBase, Morning Consult, OpenTable and Wells Fargo Securities

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