



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277
Charles Dougherty, Economist
charles.dougherty@wellsfargo.com • (704) 410-6542
Nicole Cervi, Economic Analyst
nicole.cervi@wellsfargo.com • (704) 410-3059

North Carolina Sees Solid Job Gains in November

North Carolina employers added 16,500 jobs in November, with most major industry categories posting solid gains. The unemployment rate remained unchanged at 6.2%, less than half its April peak of 12.9%.

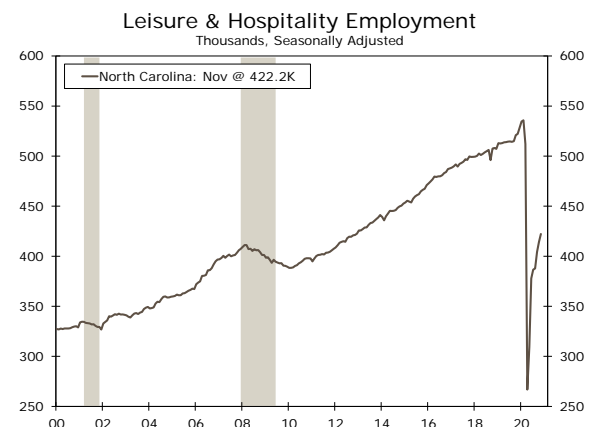
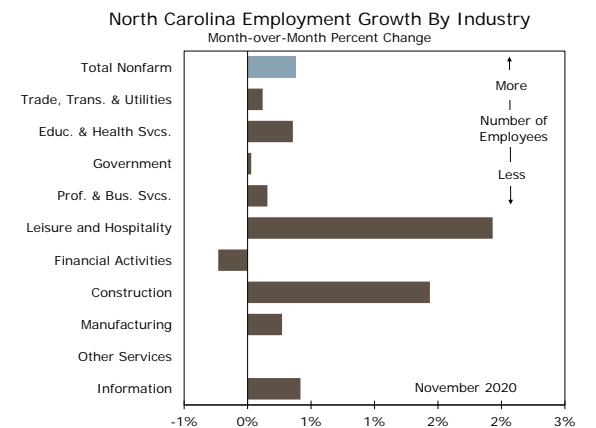
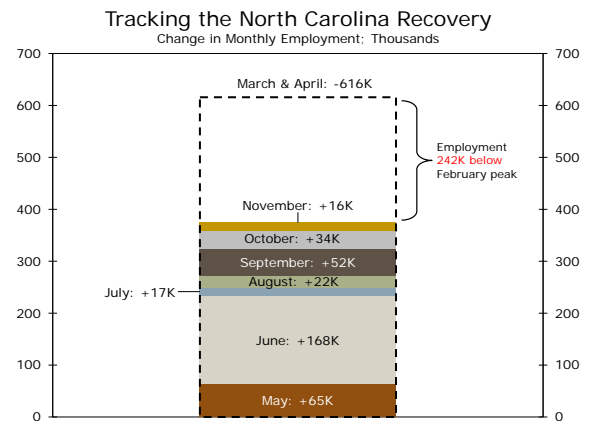
North Carolina Is Well on Its Way to Recovery

Although hiring has continued to moderate as COVID cases surged, we see the makings of a solid recovery taking hold in North Carolina. The latest data show hiring decelerated in November, with just 16,500 jobs added across the state. In a normal year, 16,500 new jobs would mark a solid monthly gain, but 2020 was anything but normal. After peaking in February, nonfarm payrolls plummeted in March and April, resulting in the loss of 616,000 jobs. Hiring rebounded once the lockdowns were lifted, but the pace of rehiring moderated over the summer and will likely slow even further in coming months as consumers pull back from economic activities that require a high degree of personal contact. For the year, we now expect North Carolina post a net loss of 240,000 jobs.

The rebound in employment has been led by the industries that were hit the hardest during the lockdowns—leisure & hospitality, retail trade, administrative services and other personal services, such as hair salons, fitness centers and dry cleaners. Combined, these four industries accounted for nearly two-thirds of the state’s total job losses between the February peak and April low in nonfarm employment. Hiring bounced back as the state’s economy re-opened, with retailing and administrative services replacing roughly 85% of their job losses and employment in other personal services rebounding to nearly 90% of its previous peak. Job losses at restaurants, hotels and entertainment venues have recovered much less, however, and remain more than 40% below their pre-pandemic level.

Financial services, professional services and the technology sector have held up better. Layoffs were far less severe, as a large proportion of workers in these industries can work remotely. Financial services employment fell just 3.2% during the lockdown, and has since rebounded 3.0%, nearly back to its pre-pandemic level. Employment in professional and technical services fell 5.5% during the lockdown, but has since rebounded 6.3%, and is higher today than prior to the pandemic. North Carolina’s blue collar areas—construction, manufacturing and trucking & warehousing—have also held up reasonably well and have shown a bit of strength recently.

The resurgence in COVID infections will cause economic growth to slow in coming months, which means 2021 will likely get off to a slow start. Conditions should improve as the year progresses and more of the population receives the COVID vaccine. High-contact activities, such as restaurant dining and leisure travel will revive this coming spring and summer, which should lift overall job growth. The slow start to 2021 and gradual ramp up in high-contact areas of the economy means job growth will be stronger in 2022 than it is 2021. Both years will see solid gains, however, and when combined with gains in manufacturing, construction and the tech sector should lift North Carolina’s real GDP 4.3% in 2021 and 4.0% in 2022.



North Carolina Economic Outlook

| | Actual | | | Forecast | | |
|---|---------|---------|---------|----------|---------|---------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Real Gross Domestic Product by State, \$ Millions | 489,027 | 501,955 | 511,540 | 496,980 | 518,500 | 539,000 |
| Annual Rate | 2.4% | 2.6% | 1.9% | -2.8% | 4.3% | 4.0% |
| Nominal Personal Income, \$ Millions | 455,997 | 479,792 | 500,974 | 532,560 | 559,950 | 585,000 |
| Percent Change | 4.9% | 5.2% | 4.4% | 6.3% | 5.1% | 4.5% |
| Median Household Income, Year-End \$ | 51,674 | 54,336 | 61,159 | 65,225 | 63,725 | 63,965 |
| Percent Change | 1.5% | 5.2% | 12.6% | 6.6% | -2.3% | 0.4% |
| Population, Thousands | 10,268 | 10,382 | 10,488 | 10,590 | 10,720 | 10,845 |
| Change in Thousands | 113 | 113 | 106 | 102 | 130 | 125 |
| Percent Change | 1.1% | 1.1% | 1.0% | 1.0% | 1.2% | 1.2% |
| Nonfarm Employment, Thousands | 4,407 | 4,488 | 4,574 | 4,334 | 4,460 | 4,620 |
| Change in Thousands | 72 | 82 | 86 | -240 | 126 | 160 |
| Percent Change | 1.7% | 1.9% | 1.9% | -5.3% | 2.9% | 3.6% |
| Unemployment Rate, Annual Average | 4.5% | 4.0% | 3.9% | 7.2% | 5.6% | 5.0% |
| Total Housing Permits | 65,009 | 68,375 | 68,674 | 72,000 | 74,000 | 75,000 |
| Single-Family Permits | 46,500 | 48,071 | 49,237 | 55,000 | 58,500 | 59,000 |
| Multi-Family Permits | 18,509 | 20,304 | 19,437 | 17,000 | 15,500 | 16,000 |
| FHFA Home Price Index, Percent Change | 5.6% | 6.6% | 5.8% | 5.4% | 5.9% | 5.8% |

Forecast as of: December 18, 2020

Source: National Association of Realtors, Federal Housing Finance Authority, U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

Wells Fargo Securities Economics Group

| | | | |
|----------------------|--------------------------|----------------|-------------------------------------|
| Jay H. Bryson, Ph.D. | Chief Economist | (704) 410-3274 | jay.bryson@wellsfargo.com |
| Mark Vitner | Senior Economist | (704) 410-3277 | mark.vitner@wellsfargo.com |
| Sam Bullard | Senior Economist | (704) 410-3280 | sam.bullard@wellsfargo.com |
| Nick Bennenbroek | International Economist | (212) 214-5636 | nicholas.bennenbroek@wellsfargo.com |
| Tim Quinlan | Senior Economist | (704) 410-3283 | tim.quinlan@wellsfargo.com |
| Azhar Iqbal | Econometrician | (212) 214-2029 | azhar.iqbal@wellsfargo.com |
| Sarah House | Senior Economist | (704) 410-3282 | sarah.house@wellsfargo.com |
| Charlie Dougherty | Economist | (704) 410-6542 | charles.dougherty@wellsfargo.com |
| Michael Pugliese | Economist | (212) 214-5058 | michael.d.pugliese@wellsfargo.com |
| Brendan McKenna | International Economist | (212) 214-5637 | brendan.mckenna@wellsfargo.com |
| Shannon Seery | Economist | (704) 410-1681 | shannon.seery@wellsfargo.com |
| Jen Licis | Economic Analyst | (704) 410-1309 | jennifer.licis@wellsfargo.com |
| Hop Mathews | Economic Analyst | (704) 383-5312 | hop.mathews@wellsfargo.com |
| Nicole Cervi | Economic Analyst | (704) 410-3059 | nicole.cervi@wellsfargo.com |
| Sara Cotsakis | Economic Analyst | (704) 410-1437 | sara.cotsakis@wellsfargo.com |
| Coren Burton | Administrative Assistant | (704) 410-6010 | coren.burton@wellsfargo.com |

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE