

Economics Group

Special Commentary

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North Carolina's Triad, High Country & Mountain West

North Carolina's Traditional Industrial Economies Are Set to Capture More Growth

The Piedmont Triad and North Carolina's western region have largely been overlooked during North Carolina's economic boom over the past two decades. Charlotte and Raleigh have garnered much of the attention. Those two metro areas consistently rank among the nation's fastest growing major metros and have accounted for the bulk of the state's growth since the turn of the century, even though the Triad and North Carolina's western region are home to many of the industries long synonymous with the state's economy, most notably furniture, textiles, tobacco and motorsports.

The reliance on traditional manufacturing is a big reason why the Triad, which includes Greensboro, Winston-Salem, High Point and Burlington, has lagged behind the state's larger metro areas. The North American Free Trade Agreement and China's emergence into the global trading system led to a massive consolidation within the furniture and textile industries, while the tobacco industry shrank in response to changing consumer preferences. The region has recoiled under this disruption, as factories closed. Manufacturing employment, which totaled 160,000 in the Triad in 2000, has fallen to 85,000 jobs, or just 13% of the workforce.

The devastation of manufacturing payrolls extends well beyond the Triad and is evident throughout much of North Carolina's western region. The decline in manufacturing payrolls is only part of the story, however. The region has also grown much more diverse and attracted scores of new firms encompassing everything from advanced manufacturing and aerospace to the gear needed for the roll out of 5G telecommunications and rural broadband. Many of the region's traditional industries have also shown new life and are well positioned to benefit from reshoring. In addition, healthcare and logistics have grown more important and many downtown areas have been reinvigorated in hopes of holding on to more of the region's supply of young, skilled workers.

The transformation of North Carolina's Triad and western regions has largely remained under the radar, even though it is taking place across a vast swath of the state. North Carolina stretches over 500 miles from west to east—a longer distance than any other state east of the Mississippi. The area from the western edge of the Triad in Alamance County stretches across roughly half the state and includes the birthplace of the nation's cigarette industry, the key hubs of the nation's furniture and textile industries, and provided the inspiration and early infrastructure for stock car racing.

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Figure 1

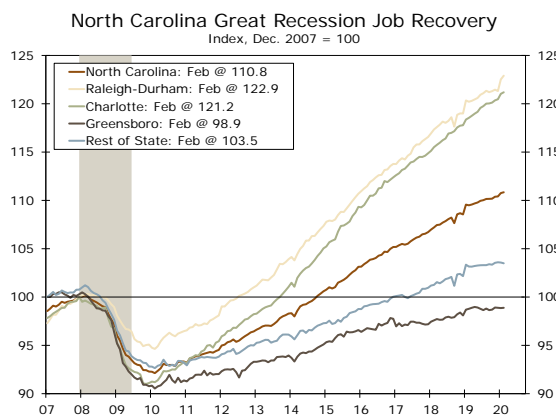
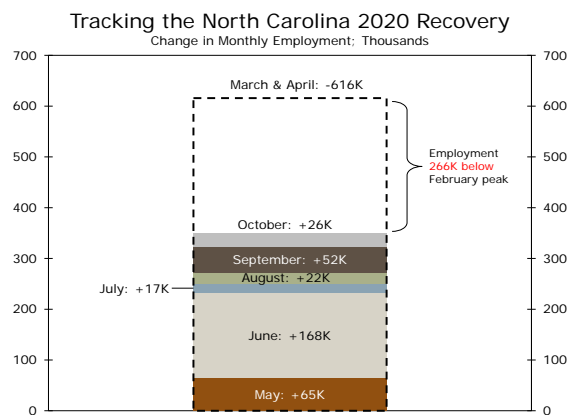


Figure 2



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

Manufacturing’s Struggles Weigh Heavily on Many North Carolina Communities

Manufacturing remains vitally important to the Piedmont Triad, accounting for roughly 13% of employment and supporting the region’s large logistics sector. While widely identified by its three principal cities—Greensboro, Winston-Salem and High Point—the Triad is much broader. Stretching across several counties, the Triad includes Burlington, Thomasville, Asheboro, Lexington and Reidsville, all of which have a rich manufacturing history. All of these communities share a common bond to the region’s three historically dominant industries—furniture, textiles and tobacco. This link served well during the heyday of manufacturing but has been somewhat of a burden more recently, as the economy has become more globalized and technologically driven.

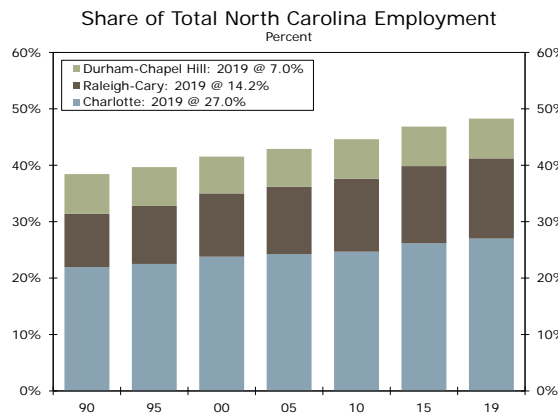
Raleigh and Charlotte have pivoted their economies much more quickly than the Triad. This became abundantly clear this past decade, when the Triangle and Charlotte accounted for 75% of the state’s job growth during the long expansion that ended with the onset of the pandemic. The Triad also lost some key economic pillars. VF Corporation split off its jeans business and relocated its corporate headquarters and rapidly growing outdoors and athletic wear operations to Denver. Greensboro also lost the corporate headquarters of International Textile Group—the company formed from the remnants of Burlington Industries and Cone Mills. The firm changed its name to Elevate Textiles and relocated to Charlotte.

Winston-Salem lost one its largest corporate headquarters to Charlotte, when Truist—the merged company from BB&T and SunTrust—relocated to Charlotte. Charlotte also picked up many of the senior management positions from Krispy Kreme, even though the headquarters is still listed as Winston-Salem. More recently, Wake Forest Baptist Health and Wake Forest School of Medicine announced a combination with Charlotte-based Atrium. The partnership will bring a medical school to Charlotte. These moves, along with others, have raised questions as to whether the Triad was becoming a satellite of Charlotte, with slimmed down manufacturing operations remaining but higher-end headquarters and other professional jobs clustering in Charlotte.

This split between manufacturing operations and corporate headquarters and other professional service jobs is evident across North Carolina’s Mountain West. Corning Optical Communications, long headquartered in Hickory, is a case in point. The fiber optic maker recently relocated to a new building on Charlotte’s Northwest side and employs 750 workers there. North Wilkesboro, located about 50 miles west of Winston-Salem, saw the headquarters of one of its best known companies, Lowe’s, move 60 miles down the Interstate to Mooresville, a Charlotte suburb. The home improvement chain has grown tremendously since relocating and is currently constructing a 23-story office tower in Charlotte’s South End to house its global technology hub. Mooresville is a familiar location for many long-time North Wilkesboro residents. Stock car racing, which traces its roots back to the days when moonshiners would try to outrun one another and law enforcement in Wilkes County, has largely settled into the Mooresville area. The NASCAR Hall of Fame is located in Charlotte and the North Wilkesboro Speedway, which was one of the first to host NASCAR races, has long since closed as races have moved to much larger venues.

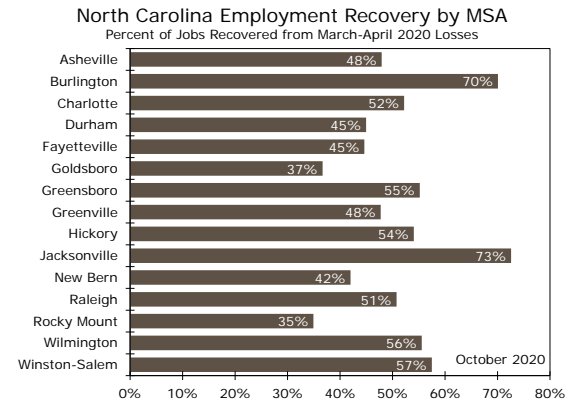
Raleigh and Charlotte have pivoted their economies much more quickly than the Triad.

Figure 3



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

Figure 4



The Legacy of Manufacturing Includes a Rich Pipeline of Innovation

While the loss of many of the region’s largest corporate citizens has wreaked havoc on a number of communities, it has also spurred a number of long-needed changes that are enhancing the quality of life for many areas and increasing the region’s economic competitiveness. Several areas have embarked on ambitious efforts to reinvigorate their downtown areas, in hopes of attracting and holding onto more young, skilled workers. Minor league baseball has played a major role, with downtown ballparks built in Greensboro, Winston-Salem and more recently High Point. The facilities have often been surrounded by apartments, restaurants and microbreweries, which has breathed new life into these communities and made them more viable for other investments. Others, such as Hickory, are investing in trails, greenways and enhanced streetscapes.

Several areas have embarked on ambitious efforts to reinvigorate their downtown areas.

Asheville, and communities farther to the west, are a little further along with their redevelopment efforts. The region’s large tourism base had supported more ambitious efforts to bring restaurants, bars, microbreweries and other entertainment venues into downtown Asheville and has also helped reinvigorate surrounding communities such as Hendersonville, Black Mountain, Brevard, Waynesville and Canton. The dependence on tourism, however, has meant that COVID lockdowns have taken a heavy toll on employment. Still, the region has pulled off something truly unique in that it has developed a hip, quirky downtown area. Downtown Asheville attracts scores of young people but has also been able to build upon the small-town, more laid-back charm available in its surrounding communities. Efforts have also been made to better capitalize on its solid base of higher education facilities—UNC Asheville, Western Carolina University, Asheville-Buncombe Technical Community College and Brevard College—and nearby amenities like the French Broad River, the Blue Ridge Parkway and Harrah’s Cherokee Casino, located 50 miles west of Asheville.

Quality of life enhancements are one of the intangibles helping Asheville attract new industry. The region recently scored a huge coup when Pratt & Whitney announced plans to invest \$650 million to build a one-million-square foot manufacturing facility to produce a new high-tech turbine airfoil. The project is expected to create 800 jobs when it is fully up in running. Pratt & Whitney’s new facility builds on existing industry, including a large GE plant that produces high-tech ceramic fan blades for jet engines. The Pratt & Whitney project is also spurring construction of a new 20,000-square foot training facility for A-B Tech near the plant in Biltmore Farms.

While the commercial aviation sector has struggled of late amid the drop in passenger traffic, the industry is growing in North Carolina. Production of commercial and military aircraft is shifting to the Southeast, as companies are trying to consolidate production facilities, streamline supply chains and reduce labor cost. Boeing makes the 787 Dreamliner in Charleston and Lockheed Martin makes fighter jets in Greenville, SC. Airbus has an assembly plant in Mobile, Alabama and there are a host of aerospace companies operating in Florida, including Northrop Grumman, Lockheed Martin, Bombardier and Embraer. Gulfstream has the bulk of its operations in Savannah. HondaJet has its headquarters in Greensboro and assembles business jets at its plant at the Piedmont Triad International Airport. Collins Aerospace also operates a large facility in Winston-Salem.

The commercial aviation sector is growing in North Carolina.

Figure 5

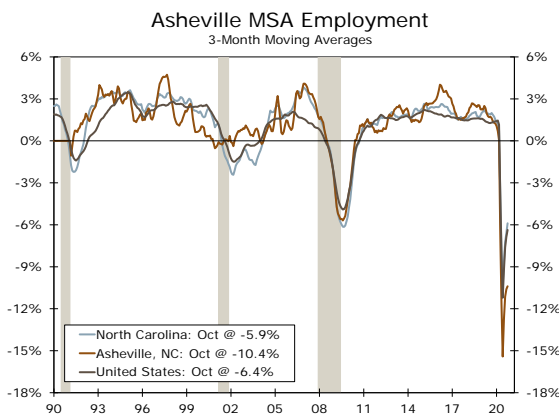
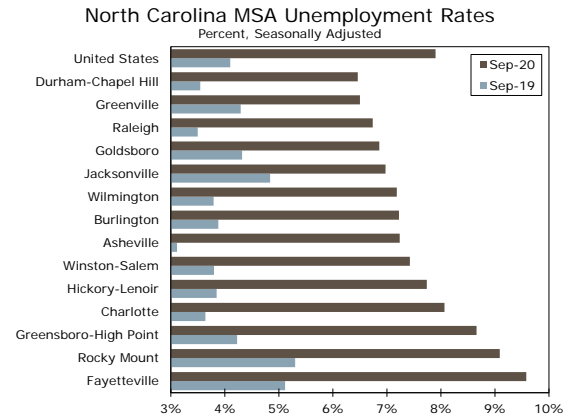


Figure 6



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

COVID has provided a boost to Hickory's major manufacturing sectors.

The Triad And Mountain West Are Positioned Well for the Post-COVID Era

Other aspects of advanced manufacturing are also gaining traction. The Hickory area, which has the largest concentration of manufacturing jobs of any mid-sized metro area in the country, has long been a center for the production of furniture, textiles and fiber optic cable. COVID has actually provided a boost to these three sectors. The shift to remote work and remote learning has increased demand for bandwidth, lifting demand for fiber cable and other communications gear produced in the area and is also fueling growth at the numerous data centers operating in the Hickory area, including Apple's massive facility in Maiden and Google's facility in Lenoir. The emergence of 5G promises to extend these gains well into the future. With more people spending time at home, furniture is also making a bit of a comeback and the region continues to attract new industry, such as MaxPax, a contract manufacturer that recently opened a plant in Hickory and should ultimately create 300 jobs. Production of personal protection equipment (PPE) is giving the textile industry a boost. Trucking and warehousing are other bright spots. Merchant Distributors announced a \$120 million expansion of its distribution center in Hickory and Crate & Barrel recently announced plans to invest \$38.5 million to build a 250,000-square foot distribution center in Newton.

Winston-Salem appears well positioned for the post-COVID era. While there have been concerns about the lack of major corporate relocations, Winston-Salem has been quietly investing in its future. We have long felt Winston-Salem's economy would be driven more by home-grown industries rather than a transformative relocation. The development of the Innovation Quarter has been years in the making and this infrastructure is now set to bear some significant fruit. The partnership between Wake Forest Baptist Health, Wake Forest Medical School and Charlotte-based Atrium Health will inject significant new investment into the region's healthcare sector. Atrium has committed to investing \$3.4 billion in the Winston-Salem area over the next 10 years, \$2.8 billion of which would be in new facilities. Plans are to build a new patient care tower at Wake Forest Baptist Health, which will include a new emergency room, operating rooms and intensive-care unit. Atrium also plans to establish a new eye care institute in the southern portion of the Innovation District. We expect more investment from Atrium and others, as healthcare moves past the pandemic, with increased focus on telemedicine, disease management, and data-driven innovation.

The Triad and North Carolina's Mountain West region appear well positioned for the post-COVID era.

The Triad and North Carolina's Mountain West region appear well positioned for the post-COVID era. We expect to see the rollout of vaccines reach critical mass across the country by late spring, allowing for a gradual return to some sort of new normal in the second half of 2021. Before we get there, the region will have to deal with a troubling resurgence in COVID infections, which is causing consumers and businesses to pull back on economic engagement. People are again retreating to the safety of their homes, venturing to the office less often and dining out and shopping in-person less. We expect December and January to mark the low point from this shift in behavior but the recovery should remain intact. The region should benefit from a number of trends likely to remain in place well into the recovery, including a greater push toward reshoring production, the movement of businesses and households to affordable mid-sized metro areas, and heightened interest in locating distribution facilities near new and upgraded highway infrastructure.

Figure 7

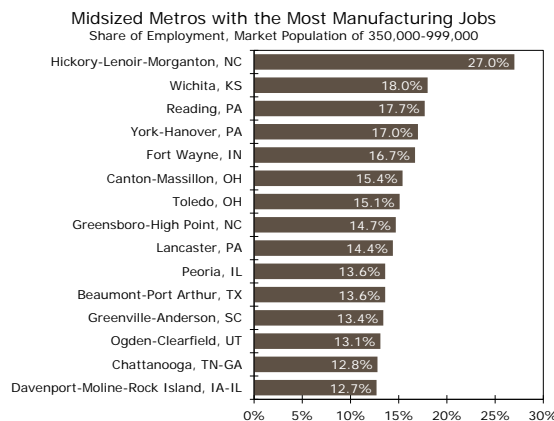
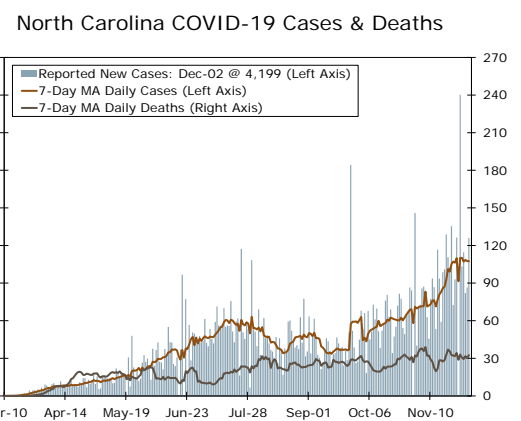
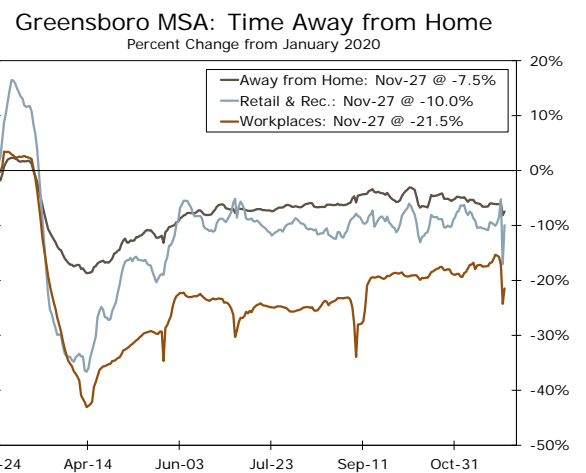
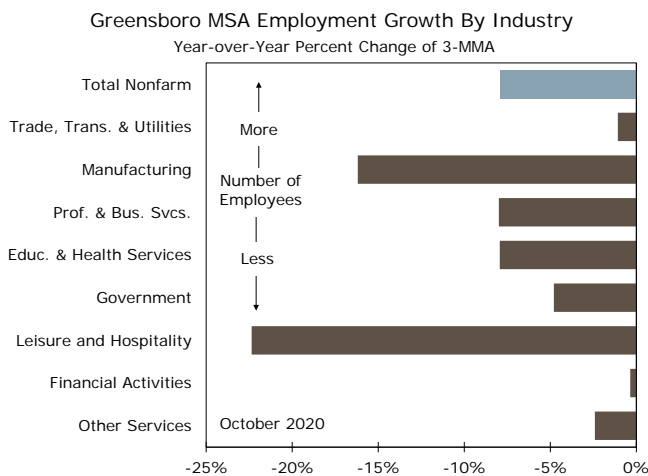
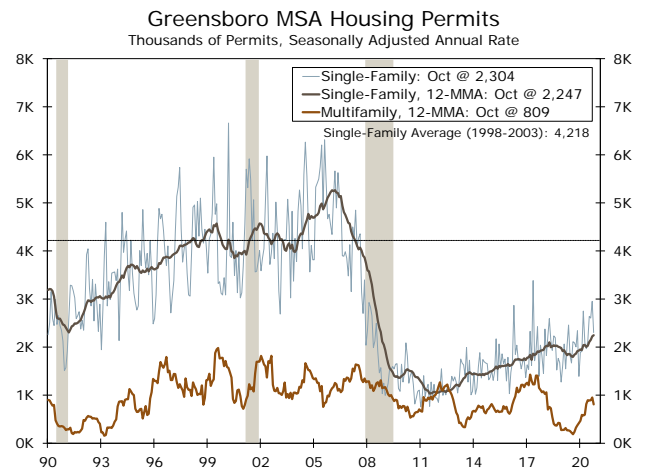
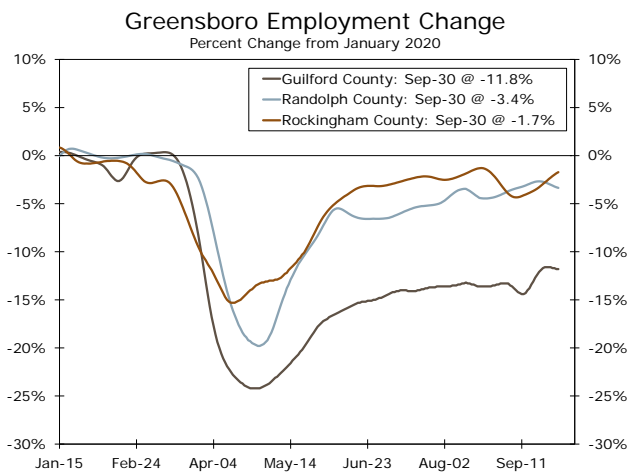
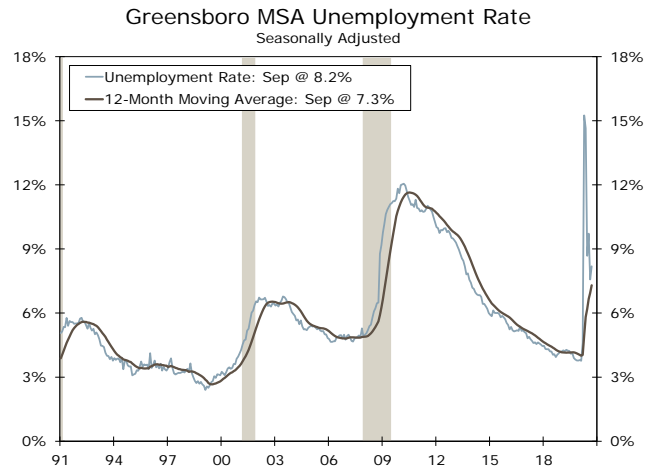
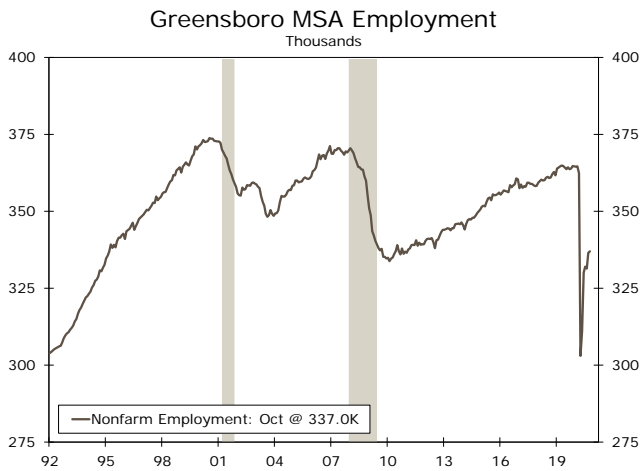


Figure 8



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

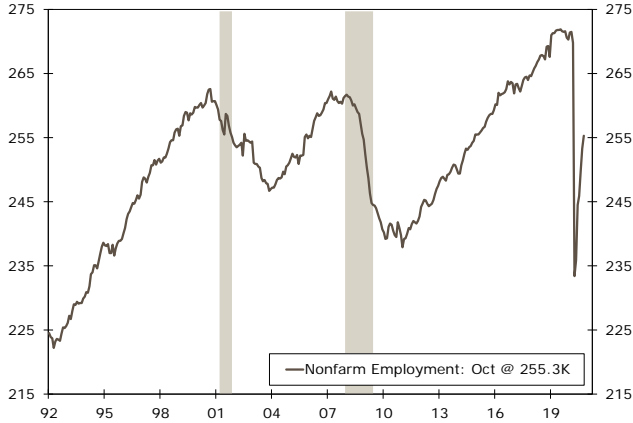
Greensboro-High Point Indicators



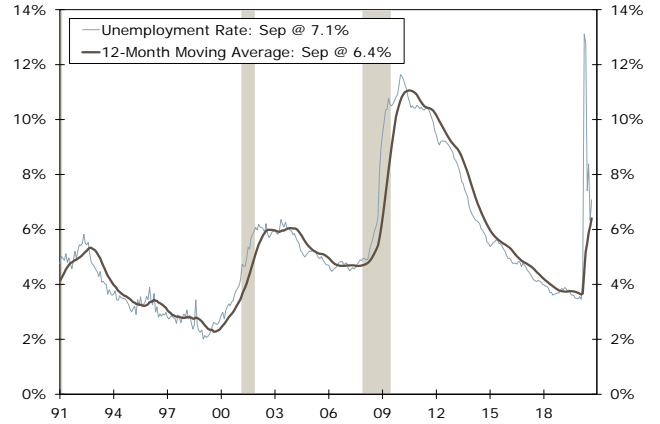
Source: U.S. Dept. of Labor, U.S. Dept. of Commerce, Opportunity Insights and Wells Fargo Securities

Winston-Salem Economic Indicators

Winston-Salem MSA Nonfarm Employment
Thousands, Seasonally Adjusted

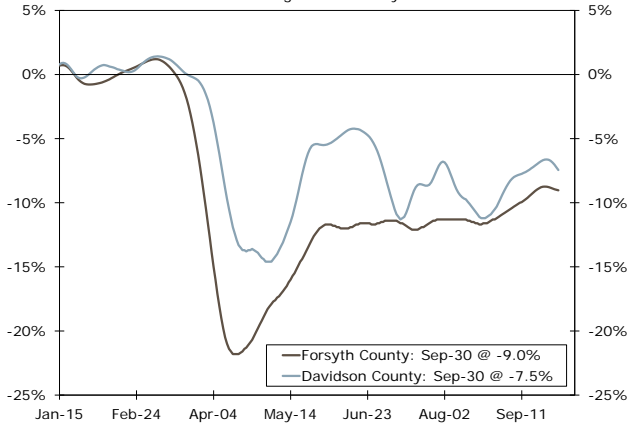


Winston-Salem MSA Unemployment Rate
Seasonally Adjusted



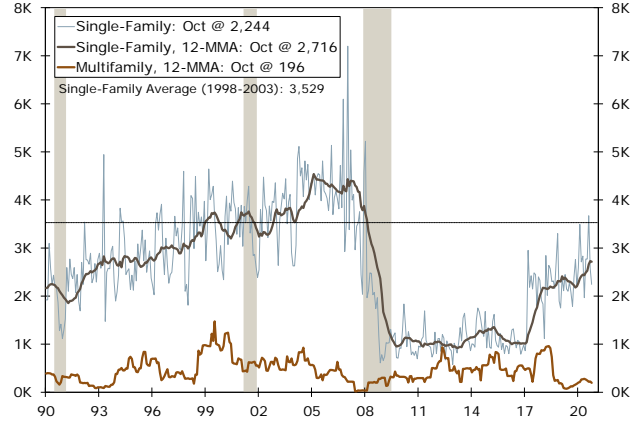
Winston-Salem Employment Change

Percent Change from January 2020



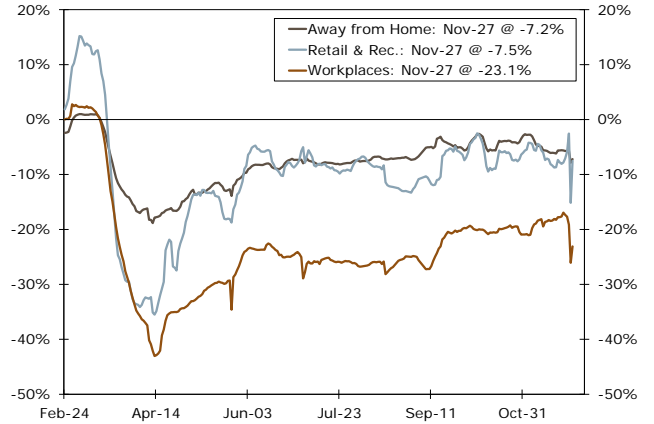
Winston-Salem MSA Housing Permits

Thousands of Permits, Seasonally Adjusted Annual Rate



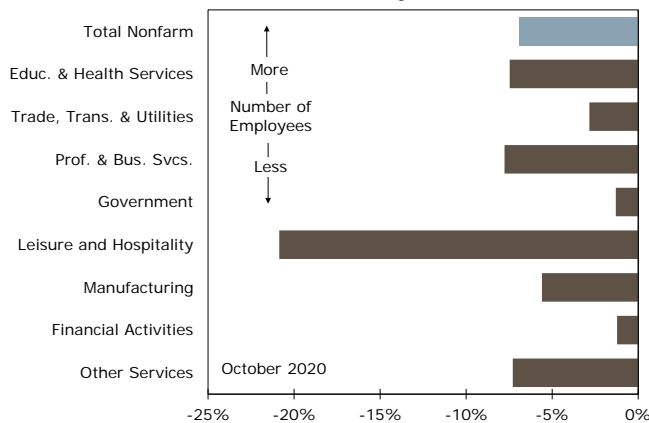
Winston-Salem MSA: Time Away from Home

Percent Change from January 2020



Winston-Salem MSA Employment Growth By Industry

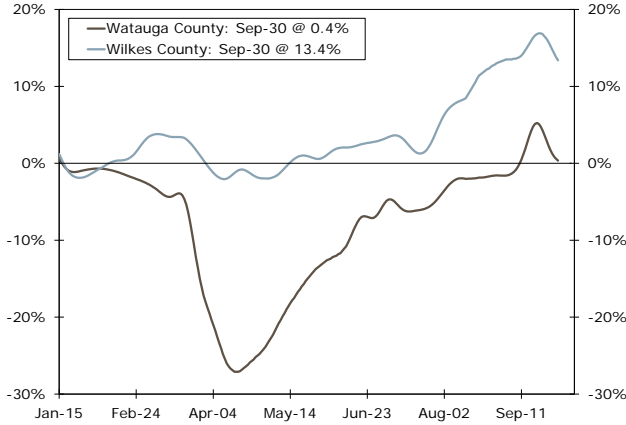
Year-over-Year Percent Change of 3-MMA



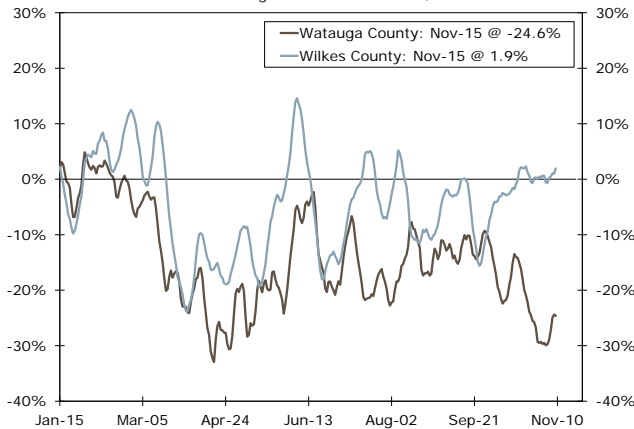
Source: U.S. Dept. of Labor, U.S. Dept. of Commerce, Opportunity Insights and Wells Fargo Securities

Boone-North Wilkesboro Indicators

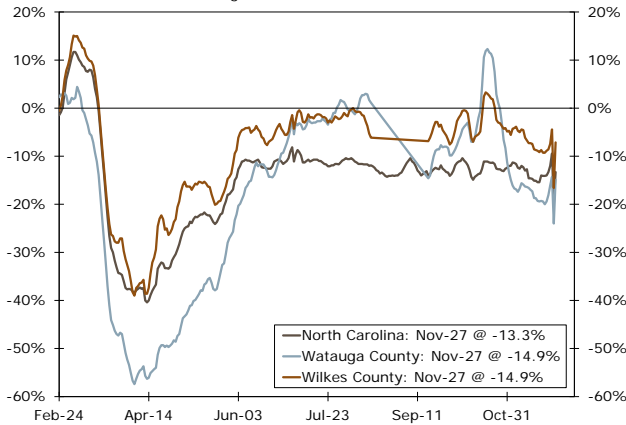
Boone-North Wilkesboro Employment Change
 Percent Change from January 2020



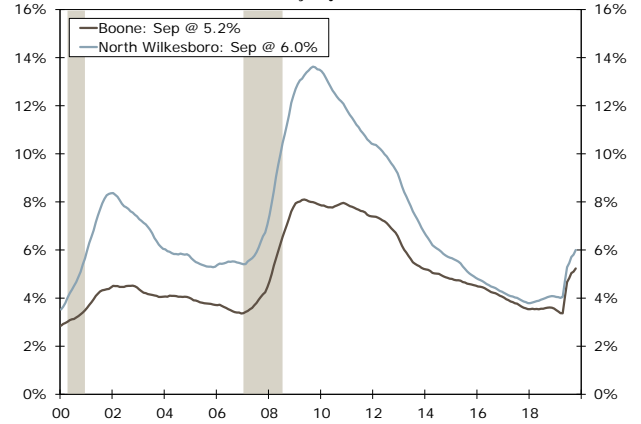
Change in Consumer Spending
 Percent Change from Jan. 4-31 Level, 7DMA



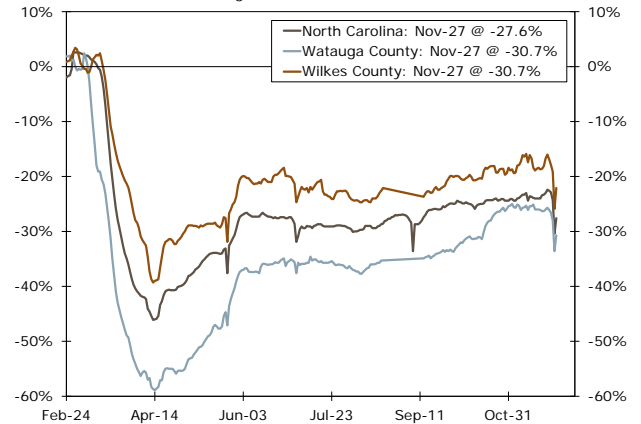
Time Spent at Retail & Recreation Locations
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline



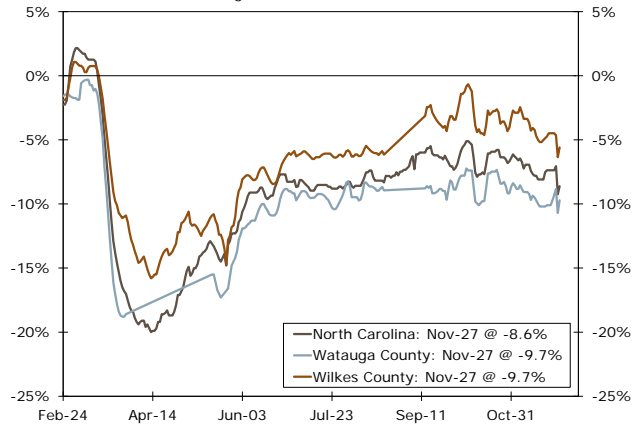
Unemployment Rates
 Not Seasonally Adjusted, 12MMA



Time Spent at Workplaces
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline

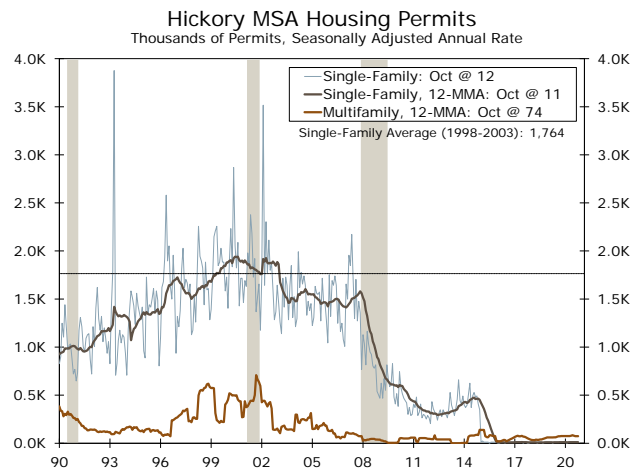
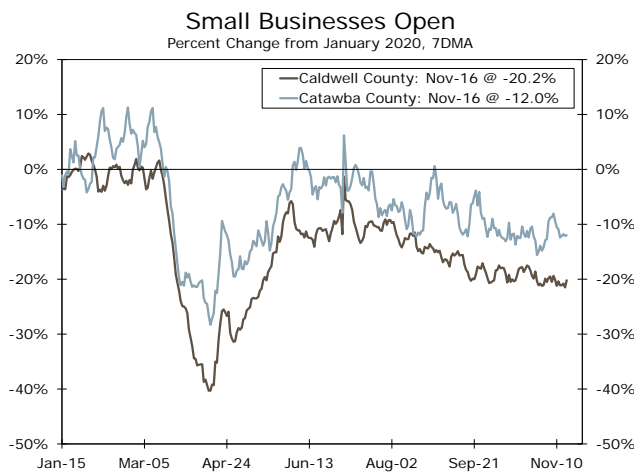
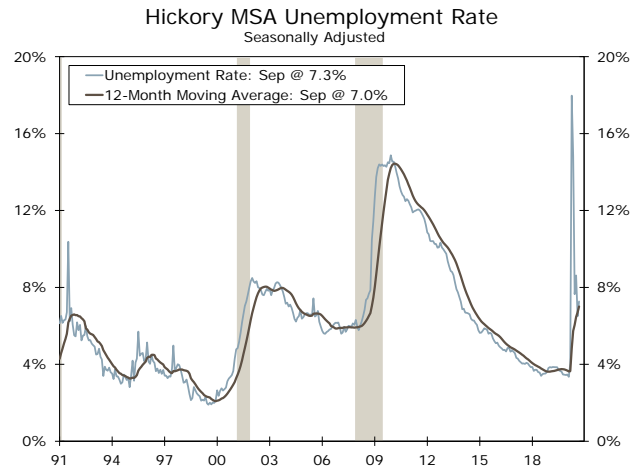
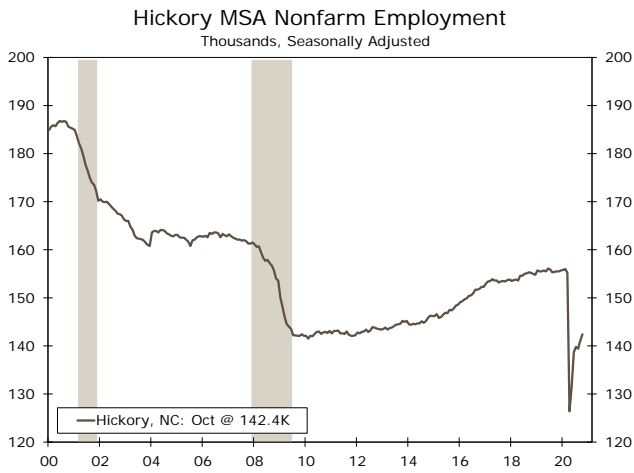


Time Spent Away from Home
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline

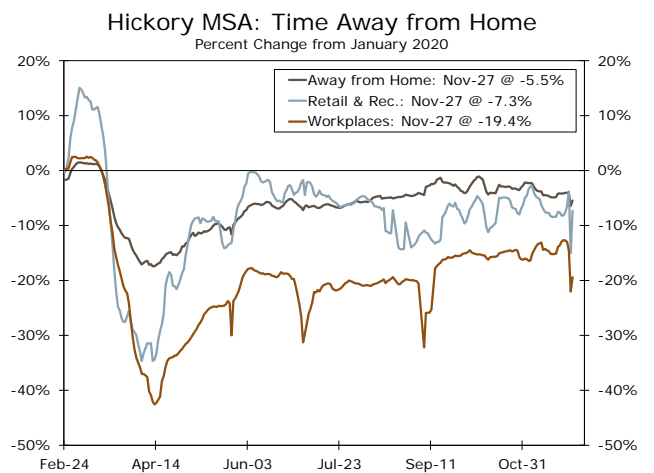
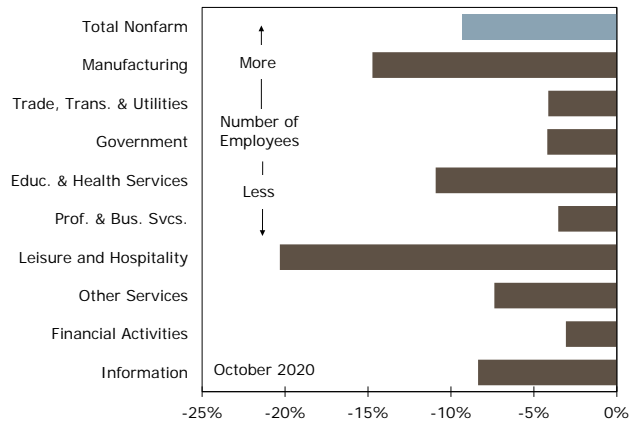


Source: U.S. Department of Labor, Opportunity Insights and Wells Fargo Securities

Hickory-Morganton-Lenoir Indicators



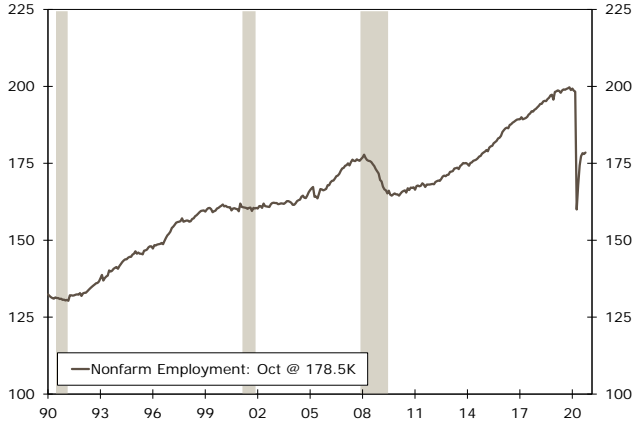
Hickory MSA Employment Growth By Industry
Year-over-Year Percent Change, 3-MMA



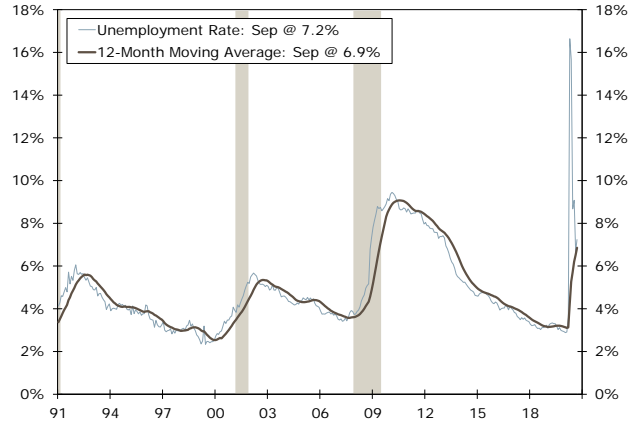
Source: U.S. Dept. of Labor, U.S. Dept. of Commerce, Opportunity Insights and Wells Fargo Securities

Asheville-Hendersonville-Brevard CSA

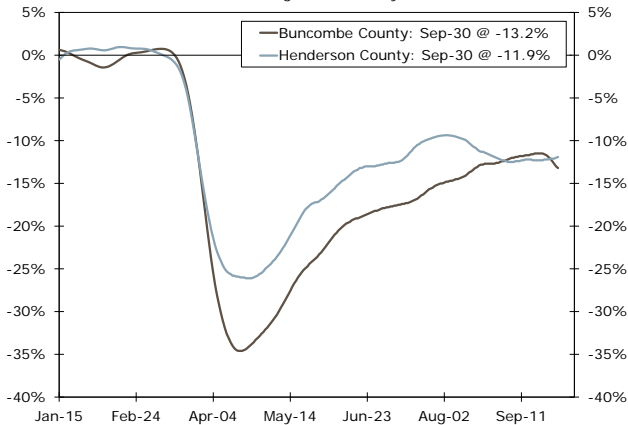
Asheville MSA Nonfarm Employment
Seasonally Adjusted, Thousands



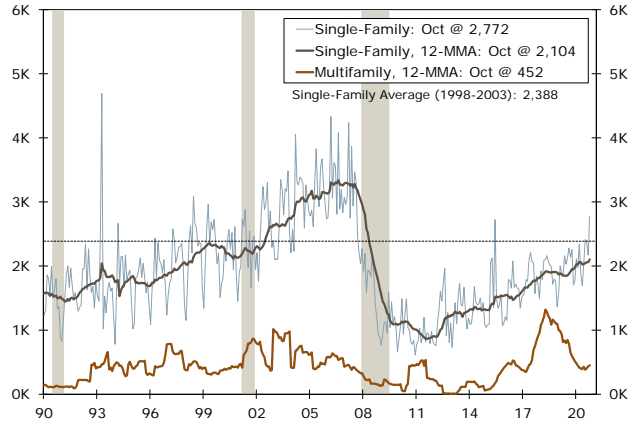
Asheville MSA Unemployment Rate
Seasonally Adjusted



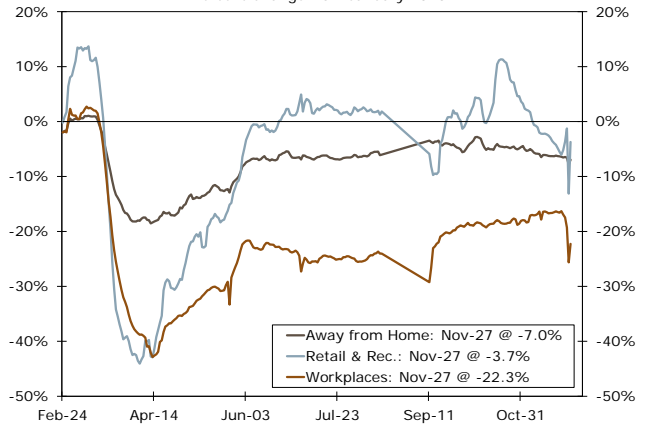
Asheville Employment Change
Percent Change from January 2020



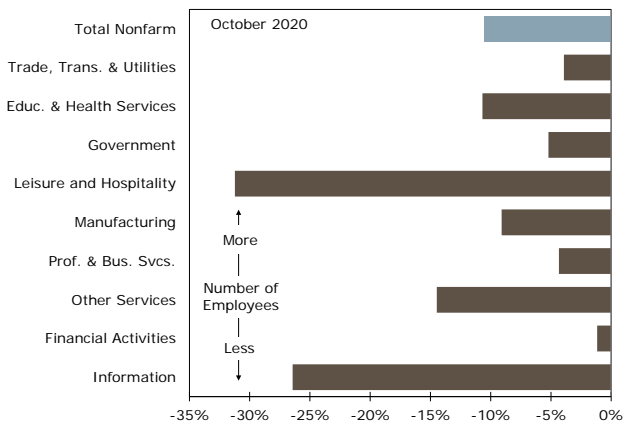
Asheville MSA Housing Permits
Thousands of Permits, Seasonally Adjusted Annual Rate



Asheville CSA: Time Away from Home
Percent Change from January 2020



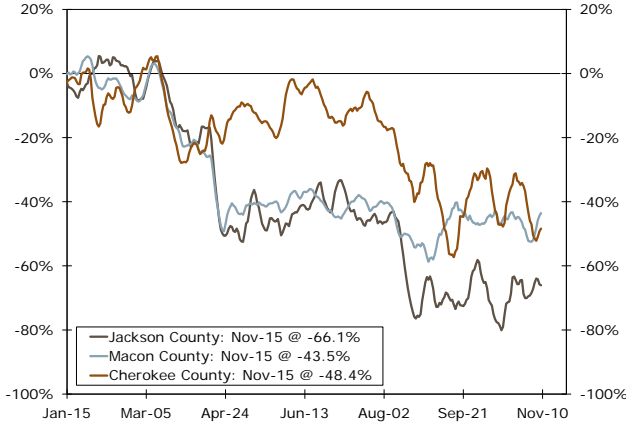
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Year-over-Year Percent Change of 3-MMA



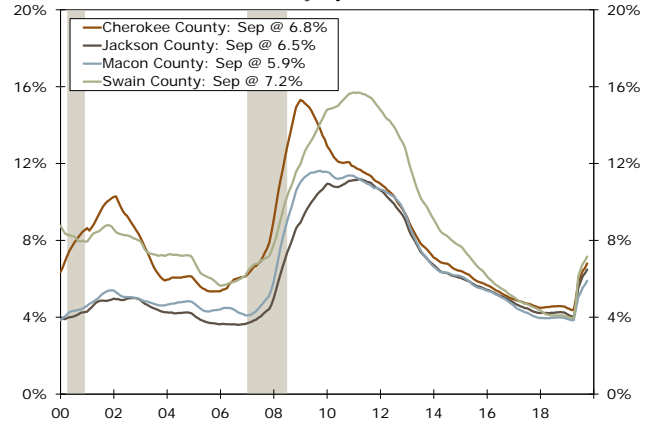
Source: U.S. Dept. of Labor, U.S. Dept. of Commerce, Opportunity Insights and Wells Fargo Securities

Western North Carolina Indicators

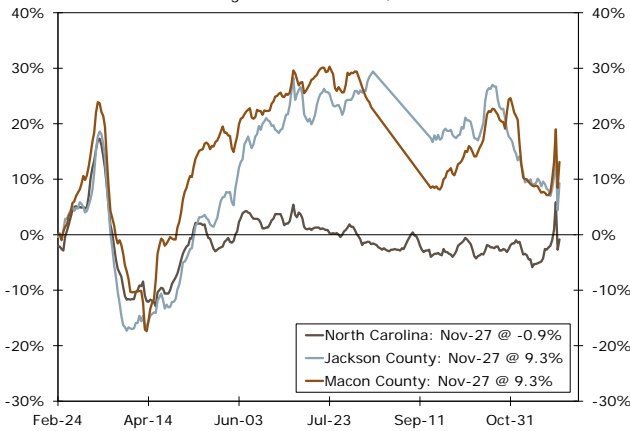
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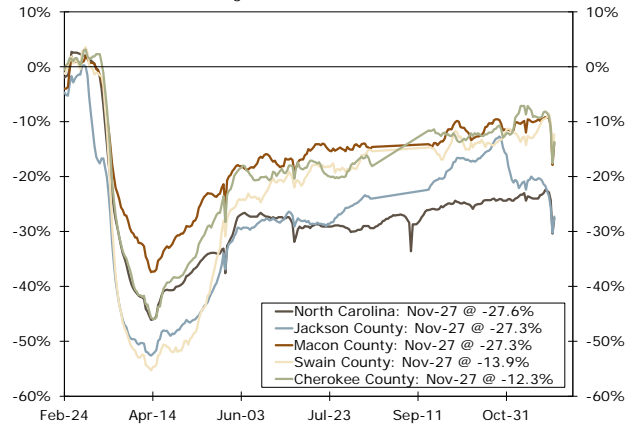
Unemployment Rates
 Not Seasonally Adjusted, 12MMA



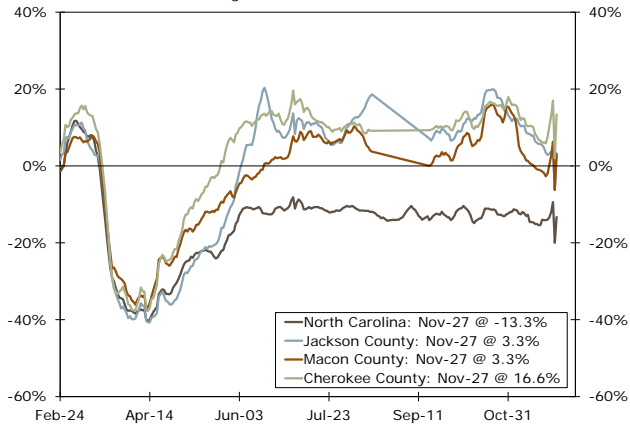
Time Spent at Grocery & Pharmacy Locations
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline



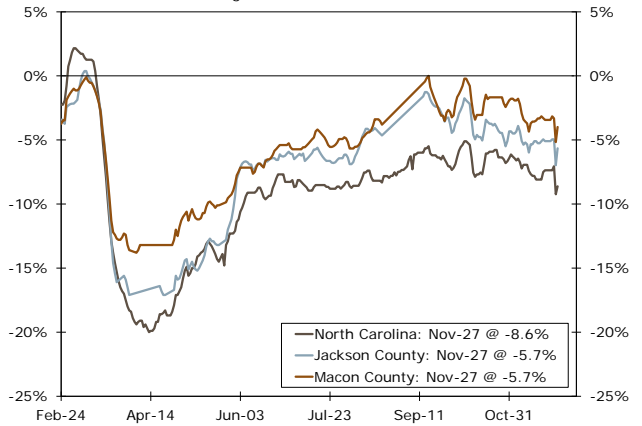
Time Spent at Workplaces
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline



Time Spent at Retail & Recreation Locations
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline



Time Spent Away from Home
 Percent Change from Jan. 3-Feb. 9, 2020 Baseline



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

Wells Fargo Securities Economics Group

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