

THE UNC CHARLOTTE ECONOMIC FORECAST

SECOND QUARTER REPORT
May 26, 2021

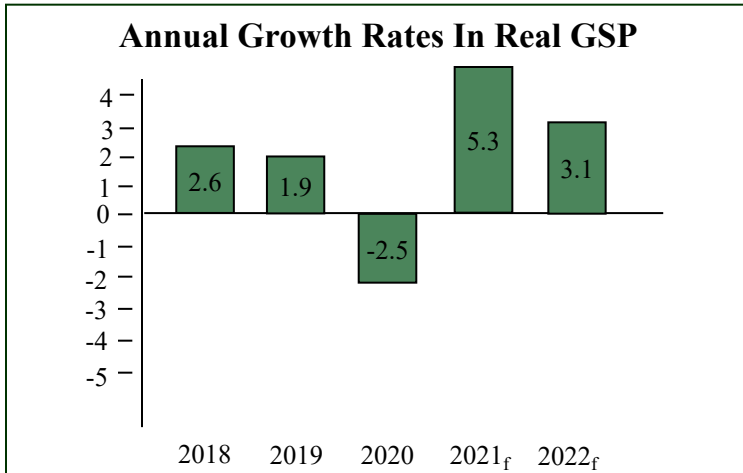


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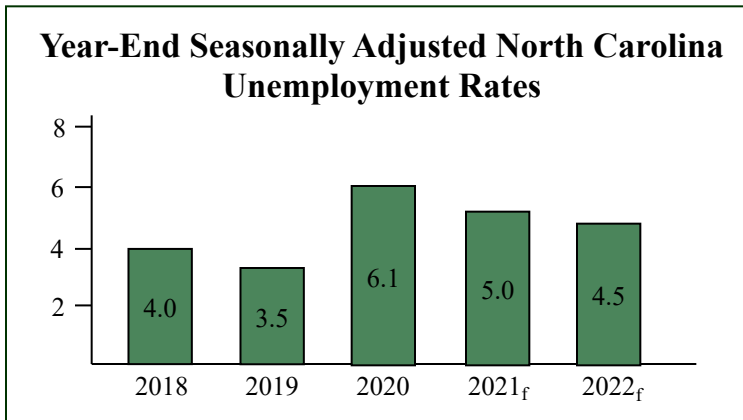
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FORECAST HIGHLIGHTS



GSP/Gross State Product is a yardstick that measures the total output of a state's economy for a given year. It is analogous to the U.S. Gross Domestic Product (GDP).



- For 2020, NORTH CAROLINA real GDP decreased by 2.5 percent over the 2019 level.

- Twelve of the state's 15 economic sectors experienced output decreases during 2020. The sectors with the largest declines were hospitality and leisure services with a real decrease of 27.5 percent, other services with a real decrease of 10.1 percent, durable goods manufacturing with a real decrease of 6.2 percent, education and health services with a real decrease of 5.5 percent, and agriculture with a real decrease of 4.8 percent.

- For 2020, NORTH CAROLINA establishments lost 175,300 net jobs during the year, a decrease of 3.8 percent.

- For 2021, NORTH CAROLINA real GDP is forecast to increase by 5.3 percent over the 2020 level.

- Fourteen of the state's 15 economic sectors are expected to experience output increases during 2021. The sectors with the strongest expected growth rates are agriculture with a real growth rate of 19.6 percent, hospitality and leisure services with a real increase of 15.5 percent, educational and health services with a real increase of 7.8 percent, durable goods manufacturing with a real increase of 6.6 percent, wholesale trade with a real increase of 6.1 percent, information with a real increase of 5.9 percent, business and professional services with a real increase of 5.8 percent, retail trade with real increases of 5.7 percent, and construction with a real increase of 5.5 percent.

- For 2021, NORTH CAROLINA establishments are forecast to add 199,700 net jobs, an increase of 4.5 percent.

- The North Carolina unemployment rate peaked at 13.5 percent in April and May and by March of 2021, the state's unemployment rate had fallen to 5.2 percent.

2020 GSP

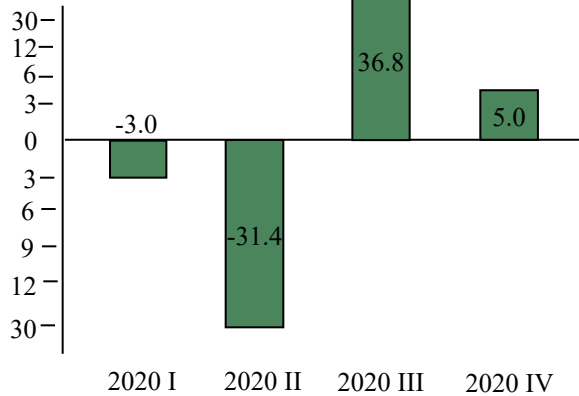
Gross State Product (GSP) reached a level of \$566,743.2 million in 2020. Real (inflation-adjusted) GSP decreased by 2.5 percent over the 2019 level. The Covid-19 shutdown in early 2020 ended the ten plus year economic expansion that the North Carolina economy had experienced since 2010.

For 2020, first quarter GSP decreased by an annualized real rate of 3.0 percent as the Covid-19 response slowly kicked in. During the second quarter, GSP decreased by an annualized real rate of 31.4 percent, during which the U.S. economy was essentially shutdown by government action. In the third quarter, GSP increased by an annualized real rate of 36.8 percent as recovery began. In the fourth quarter of 2020, GSP increased by an annualized real rate of 5.0 percent.

2020 will go down as the most volatile economic period in U.S. history. The North Carolina economy, like the U.S. economy, experienced its biggest decline in GDP since the Great Depression of the 1930s. The decline was caused not by an economic disequilibrium, but by a designed action by the government to shutdown normal economic interaction to save lives in response to an unprecedented pandemic. The third quarter recovery of an annualized 36.8 percent, while impressive, did not recover the lost GDP experienced during the first and second quarters of 2020. In fact, by the end of 2020, real North Carolina GDP was 98.8 percent of the real GDP level recorded in the fourth quarter of 2019 before Covid hit.

Going forward, the number one question is how long before the economy gets back to its 2019 level and will the unemployment rate again approach “full employment”. For GDP, the expectation is that North Carolina real GDP will surpass the fourth quarter 2019 level of real GDP in the first quarter of 2021. Unfortunately, the unemployment rate will take another 12 to 18 months before it again approaches 4.0 percent. By December of 2021 it is likely the North Carolina’s unemployment rate will be right at 5.0 percent.

Quarterly Growth Rates In Real GSP

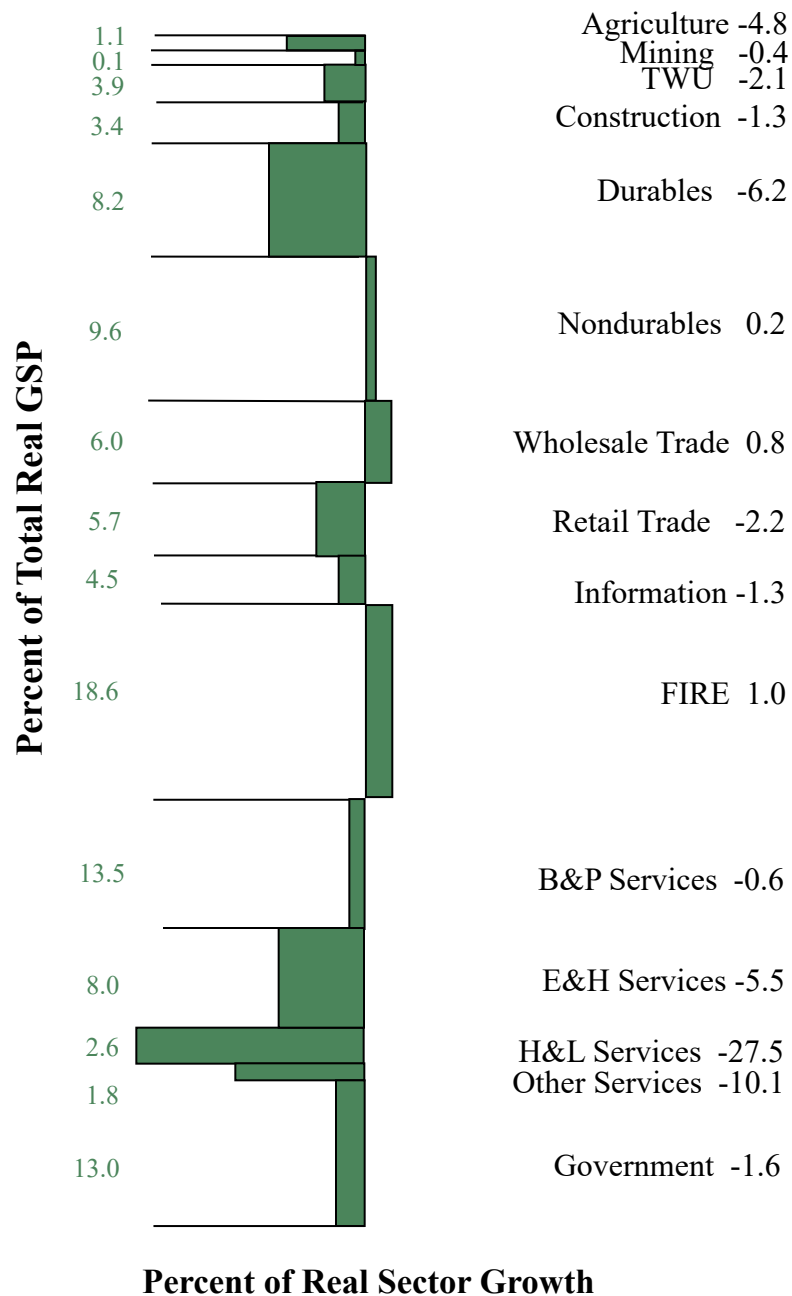


2020 Highlights

	2020 *	Percent Change
Current Dollars		
Total Gross Product	566,743.2	-0.9
Constant (2012 Dollars)		
Total Gross Product	500,204.4	-2.5
Agricultural	5205.8	-4.8
Mining	635.6	-0.4
Construction	17,160	-1.3
Manufacturing	88,935.1	-2.8
Durable Goods	40,811.6	-6.2
Nondurable Goods	48,123.5	0.2
TWU	19,085.4	-2.1
Wholesale Trade	29,906.4	0.8
Retail Trade	28,783.4	-2.2
Information	22,524.3	-1.3
FIRE	93,082.2	1.0
B & P	67,548.2	-0.6
E & H	40,046.1	-5.5
H & L	13,139.8	-27.5
Services	8,935.9	-10.1
Government	65,215.9	-1.6

* millions of dollars

2020 Total Real GSP Growth -2.5%



2020 GSP SECTOR ANALYSIS

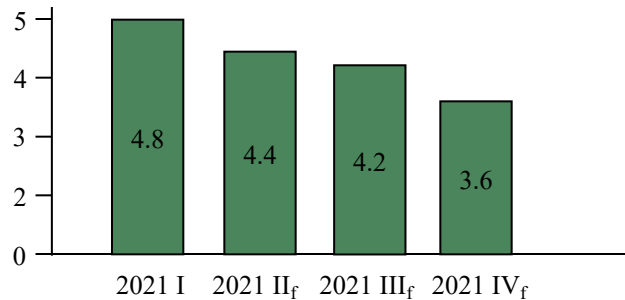
The chart to the left presents the contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation-adjusted) growth rate for 2020 decreased by 2.5 percent. Real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. Percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the weighted importance of each sector's growth during 2020. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

Twelve of the state's 15 economic sectors experienced output decreases during 2020. The sectors with the largest declines were hospitality and leisure services with a real decrease of 27.5 percent, other services with a real decrease of 10.1 percent, durable goods manufacturing with a real decrease of 6.2 percent, education and health services with a real decrease of 5.5 percent, and agriculture with a real decrease of 4.8 percent.

Seven other sectors experienced GDP declines, but at levels less than the overall 2.5 percent GSP real decline. These sectors were retail trade with a real decrease of 2.2 percent; transportation, warehousing, and utilities (TWU) with a real decrease of 2.1 percent; government with a real decrease of 1.6 percent; information with a real decrease of 1.3 percent; construction with a real decrease of 1.3 percent; business and professional services with a real decrease of 0.6 percent; and mining with a real decrease of 0.4 percent.

Three sectors experience GDP growth during 2020. finance, insurance, and real estate (FIRE) increased by 1.0 percent; wholesale trade increased by 0.8 percent; and nondurable goods manufacturing increased by 0.2 percent.

Quarterly Growth Rates in Forecasted Real GSP



2021 Highlights

	2021*	Percent Change
Current Dollars		
Total Gross Product	602,407.4	6.3
Constant (2012 Dollars)		
Total Gross Product	526,596.6	5.3
Agricultural	6,224.8	19.6
Mining	635.0	-0.1
Construction	18,102.0	5.5
Manufacturing	93,109.4	4.7
Durable Goods	43,511.4	6.6
Nondurable Goods	49,598.0	3.1
TWU	19,569.3	2.5
Wholesale Trade	31,716.0	6.1
Retail Trade	30,418.9	5.7
Information	23,864.4	5.9
FIRE	96,953.4	4.2
B & P	71,458.9	5.8
E & H	43,172.4	7.8
H & L	15,181.5	15.5
Services	9,397.0	5.2
Government	66,793.7	2.4

* Millions of dollars

2021 GSP

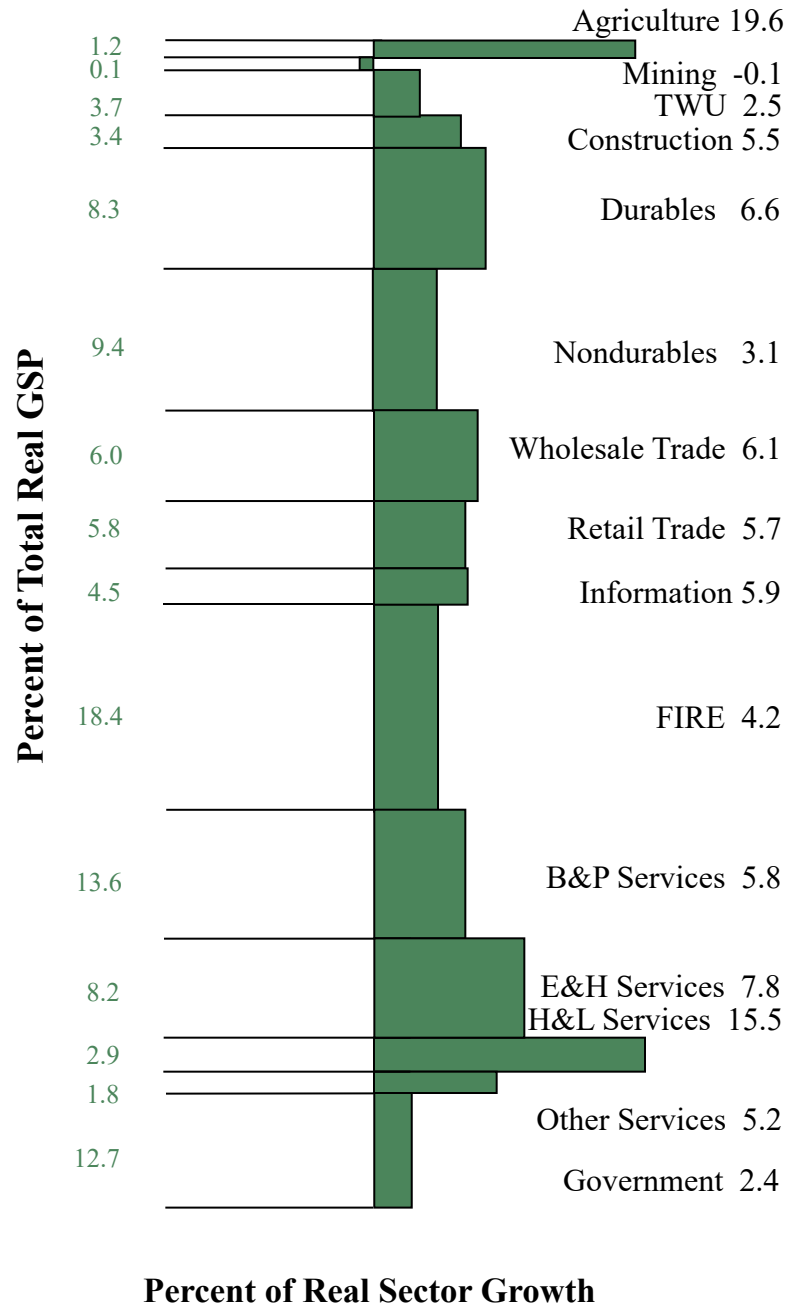
Gross State Product (GSP) is forecast to reach a level of \$602,407.4 million in 2021. Real (inflation-adjusted) GSP is expected to increase by 5.3 percent over the 2020 level. This growth in 2021 will represent the first full year of growth since Covid-19.

For 2021, first quarter GSP is expected to increase by an annualized real rate of 4.8 percent. During the second quarter, GSP is expected to increase by an annualized real rate of 4.4 percent. In the third quarter, GSP is expected to increase by an annualized real rate of 4.3 percent. In the fourth quarter of 2021, GSP is expected to increase by an annualized real rate of 3.6 percent.

2021 starts off after an unexpected weak fourth quarter of 2020. Consensus estimates going into the fourth quarter of 2020 was that real GDP would growth between 6 and 8 percent. However, what was unexpected was another severe spike in cases during the last two months of the quarter. This resulted in fourth quarter real GDP dropping down to a 4.3 percent growth rate in the U.S. and a 5.0 percent rate in North Carolina. This experience provide a cautionary note for economists looking forward. While we like to think that driving components of the economy will dictate future growth, we have to realize that the Covid virus will do what it will do and have an overriding impact on future economic activity.

Going forward, the good news is that during the first quarter of 2021, the fourth quarter Covid virus spike has subsided and vaccination levels continue to rise. As the weather begins to warm, it is likely that for a while the Covid virus will not be the driving force in the economy. North Carolina real GDP should recover to pre-pandemic levels by the first quarter of 2021. However, the employment level and the unemployment rate will take much longer to recover. North Carolina nonagricultural employment should get back to pre-pandemic levels by December of 2021. However, the state's unemployment rate will not get back to full employment (4.0 percent) until late 2022.

2021 Total Real GSP Growth 5.3%



2021 GSP SECTOR ANALYSIS

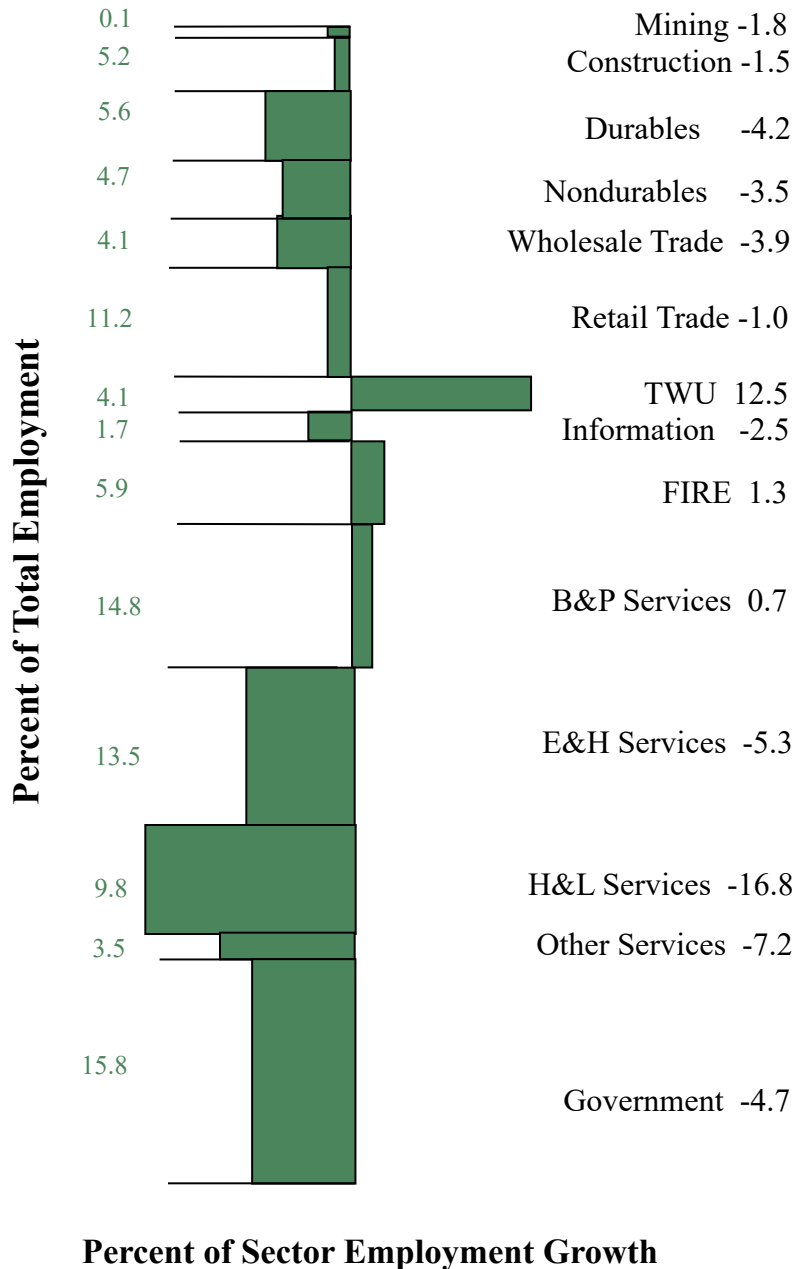
The chart to the left presents the projected contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation-adjusted) growth rate for 2021 is forecast to increase by 5.3 percent. Projected real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. Projected percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the expected weighted importance of each sector's growth during 2021. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

Fourteen of the state's 15 economic sectors are expected to experience output increases during 2021. The sectors with the strongest expected growth rates are agriculture with a real growth rate of 19.6 percent, hospitality and leisure services with a real increase of 15.5 percent, educational and health services with a real increase of 7.8 percent, durable goods manufacturing with a real increase of 6.6 percent, wholesale trade with a real increase of 6.1 percent, information with a real increase of 5.9 percent, business and professional services with a real increase of 5.8 percent, retail trade with real increases of 5.7 percent, and construction with a real increase of 5.5 percent.

Five other sectors are expected to experience growth rates, however, at levels below the overall 5.3 percent GSP real growth rate. These sectors are other services with a real increase of 5.2 percent; finance, insurance, and real estate (FIRE) with a real increase of 4.2 percent; nondurable goods manufacturing with a real increase of 3.1 percent; transportation, warehousing, and utilities (TWU) with a real increase of 2.5 percent; and government with a real increase of 2.4 percent.

Only the mining sector is expected to experience a decline during 2021.

2020 Year-End Employment Trends



2020 EMPLOYMENT SECTOR ANALYSIS

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). Seasonally adjusted nonagricultural employment in North Carolina reached 4,435,800 persons in December 2020, a decrease of 3.8 percent over the employment level in December 2019. The state lost 175,300 net jobs during the year.

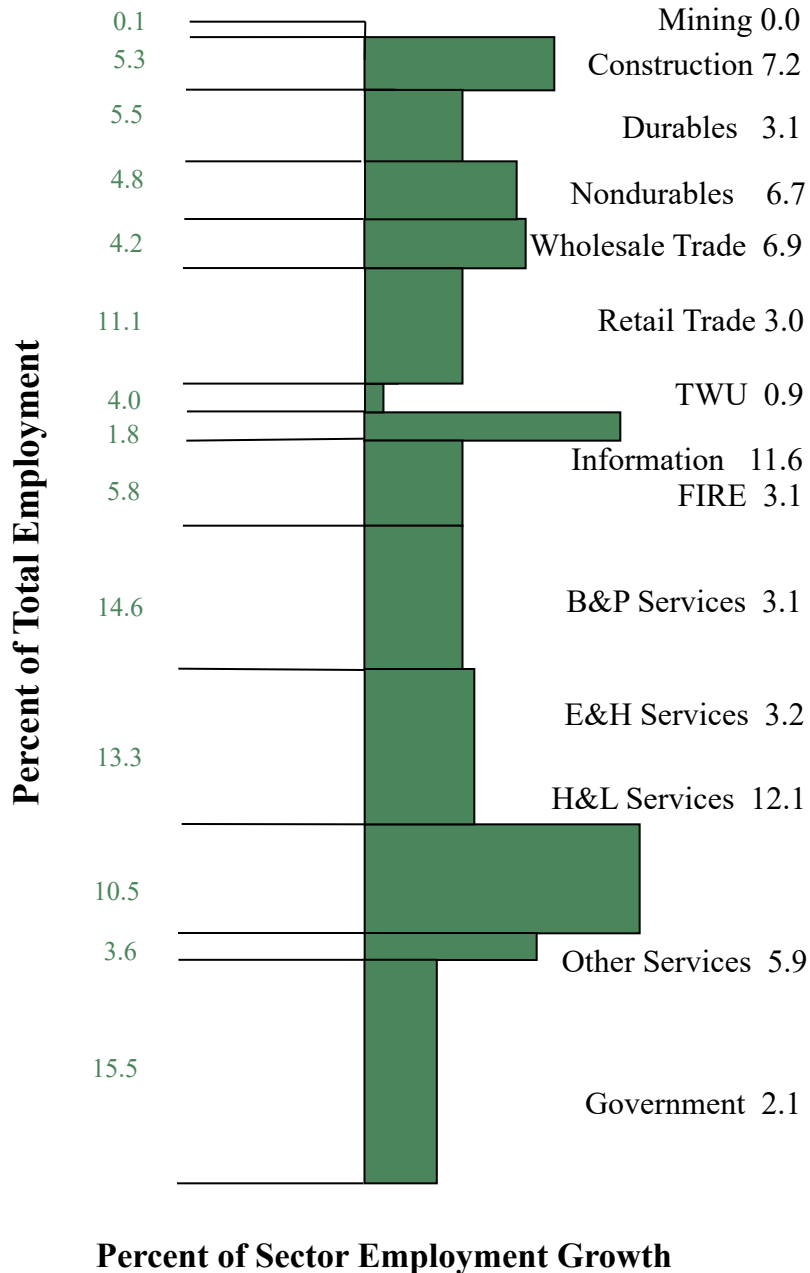
Eleven of the state's 14 nonagricultural sectors of the economy experienced employment decreases during 2020. The sectors with the largest employment decreases in 2020 were hospitality and leisure services at 16.8 percent, other services at 7.2 percent, and education and health services at 5.3 percent.

2020 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,435.8	-3.8
Mining	5.6	-1.8
Construction	230.7	-1.5
Manufacturing	457.7	-3.9
Durable Goods	248.0	-4.2
Nondurable Goods	209.7	-3.5
Wholesale Trade	180.1	-3.9
Retail Trade	497.1	-1.0
TWU	184.0	12.5
Information	74.2	-2.5
FIRE	258.9	1.3
B&P Services	657.3	0.7
E&H Services	597.8	-5.3
H&L Services	433.9	-16.8
Other Services	156.8	-7.2
Government	701.7	-4.7

*thousands of persons

2021 Year-End Employment Trends



2021 EMPLOYMENT SECTOR ANALYSIS

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). North Carolina employment is expected to reach 4,635,500 persons by December 2021, an increase of 4.5 percent over the employment level in December 2020. The state is expected to add 199,700 net jobs in 2021.

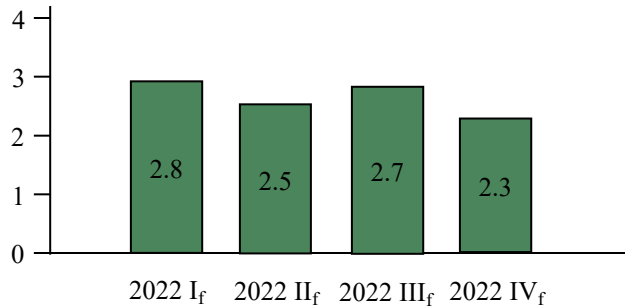
All 14 of the state's nonagricultural sectors of the economy are expected to experience employment increases during 2021. The sectors with the expected strongest employment increases in 2021 are hospitality and leisure services at 12.1 percent, and information at 11.6 percent.

2021 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,635.5	4.5
Mining	5.6	0.0
Construction	247.2	7.2
Manufacturing	479.3	4.7
Durable Goods	255.6	3.1
Nondurable Goods	223.7	6.7
Wholesale Trade	192.5	6.9
Retail Trade	512.1	3.0
TWU	185.6	0.9
Information	82.8	11.6
FIRE	267.0	3.1
B&P Services	677.6	3.1
E&H Services	617.2	3.2
H&L Services	486.2	12.1
Other Services	166.0	5.9
Government	716.4	2.1

*thousands of persons

2022 Quarterly Growth Rates in Forecasted Real GSP



2022 OUTLOOK

Gross State Product (GSP) is expected to reach a level of \$627,417.3 million in 2022. Real (inflation adjusted) GSP is expected to increase by 3.1 percent over the 2021 level. This growth in 2022 would follow 5.3 percent growth in 2021 and result in second year of economic growth for the North Carolina economy since the pandemic recession in 2020. The North Carolina economy is expected to add 126,800 jobs in 2022, reducing the unemployment rate to around 4.5 percent by December 2022.

2022 GSP Highlights

	2022 *	Percent Change
Current Dollars		
Total Gross Product	627,417.3	4.2
Constant (2012 Dollars)		
Total Gross Product	542,917.9	3.1
Agricultural	6,397.4	2.8
Mining	647.7	2.0
Construction	18,707.1	3.3
Manufacturing	95,300.4	2.4
Durable Goods	44,542.6	2.4
Nondurable Goods	50,757.7	2.3
TWU	20,411.8	4.3
Wholesale Trade	32,568.5	2.7
Retail Trade	31,290.7	2.9
Information	24,804.4	3.9
FIRE	99,814.3	3.0
B & P	73,648.0	3.1
E & H	45,027.8	4.3
H & L	16,369.0	7.8
Services	9,706.0	3.3
Government	68,224.1	2.1

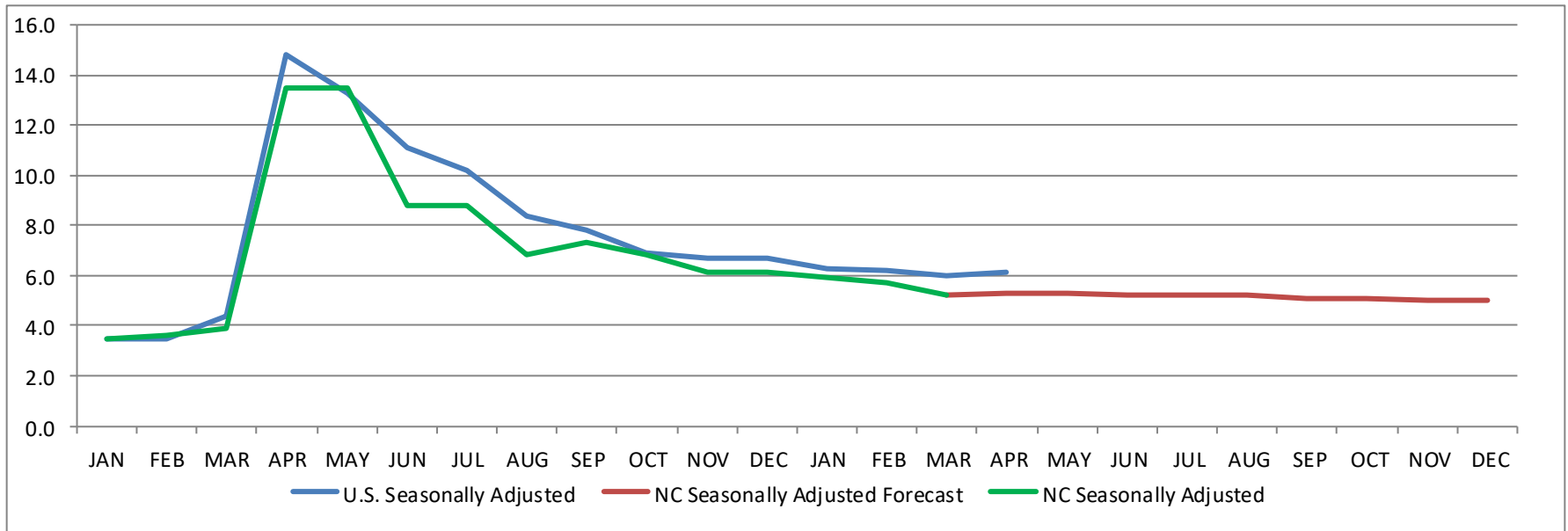
* millions of dollars

2022 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,762.3	2.7
Mining	5.6	0.0
Construction	259.2	4.9
Manufacturing	491.3	2.5
Durable Goods	261.6	2.4
Nondurable Goods	229.7	2.7
Wholesale Trade	198.5	3.1
Retail Trade	518.1	1.2
TWU	188.0	1.3
Information	90.0	8.7
FIRE	279.0	4.5
B&P Services	691.6	2.1
E&H Services	624.4	1.2
H&L Services	510.2	4.9
Other Services	178.0	7.2
Government	728.4	1.7

*thousands of persons

2020-2021 NORTH CAROLINA UNEMPLOYMENT RATE



FORECAST reports historical seasonally adjusted monthly unemployment rates for North Carolina and the United States and forecasts the seasonally adjusted monthly unemployment rate for North Carolina. The seasonal adjustment accounts for variations in labor market conditions that cause regular fluctuations in the unemployment level each month.

The graph at the top of this page provides a summary of the monthly unemployment rates for 2020 and 2021. The solid blue line represents the United States seasonally adjusted historic unemployment rate. The seasonally adjusted unemployment rate for the North Carolina is represented by the solid green line. The North Carolina seasonally adjusted unemployment rate forecast is represented by the solid red line. The seasonally adjusted rates for the United States and North Carolina can be compared directly and provide more reliable estimates than the unadjusted rates.

The United States and North Carolina started 2020 with an unemployment rate of 3.5. Both the U.S. and North Carolina unemployment rates jumped dramatically in April to 14.8 and 13.5 percent respectively. Since then, both the U.S. and North Carolina rates have fallen dramatically to 6.0 percent and 5.2 percent by March of 2021. The North Carolina rate should decline through the rest of the year and reach 5.0 percent by December of 2021.



The data used in this report comes from the websites for the U.S. Department of Commerce's Bureau of Economic Analysis (www.bea.gov) and the North Carolina Employment Security Commission (www.ncesc.com) as of April 30, 2021.



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