

THE UNC CHARLOTTE ECONOMIC FORECAST

FIRST QUARTER REPORT
March 5, 2021

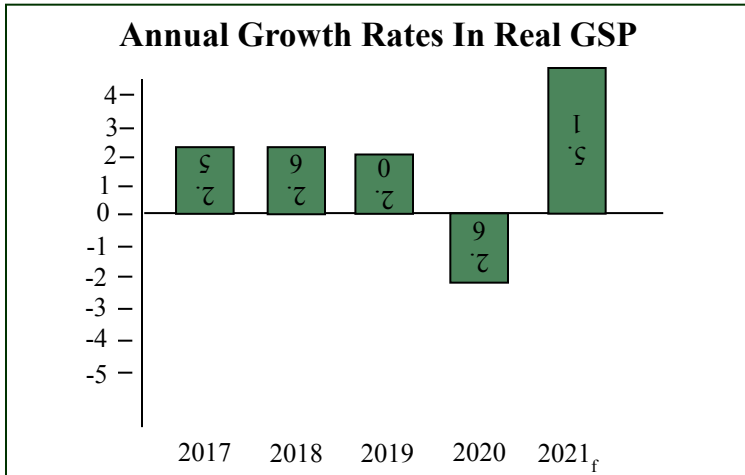


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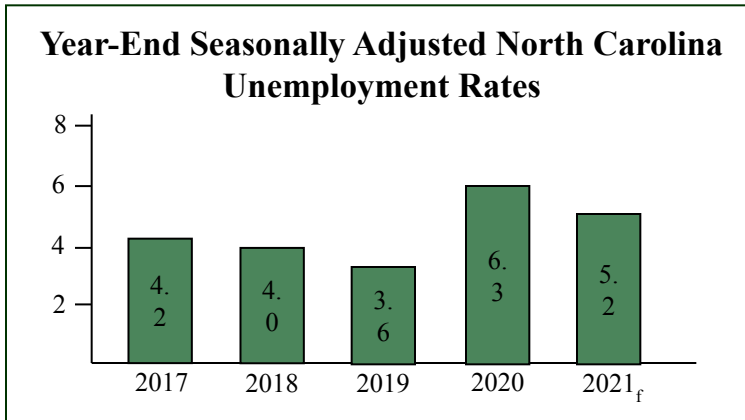
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FORECAST HIGHLIGHTS



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 GSP is expected to decrease by 2.6 percent over the 2019 level.
- Twelve of the state's 15 economic sectors are forecast to experience output decreases during 2020. The sectors with the largest expected declines are hospitality and leisure services with a projected real decrease of 27.6 percent, other services with a projected real decrease of 10.1 percent, agriculture with a projected real decrease of 8.2 percent, durable goods manufacturing with a projected real decrease of 6.4 percent, and education and health services with a projected real decrease of 5.7 percent.
- For 2020, NORTH CAROLINA establishments are expected to lose 190,700 net jobs during the year, a decrease of 4.2 percent.
- For 2021, NORTH CAROLINA real GSP is forecast to increase by 5.1 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 hospitality and leisure services with a real increase of 15.2 percent, agriculture with a real growth rate of 9.2 percent, educational and health services with a real increase of 7.2 percent, retail trade with real increases of 6.7 percent, and durable goods manufacturing with a real increase of 6.0 percent.
- For 2021, NORTH CAROLINA establishments are forecast to add 199,300 net jobs, an increase of 4.5 percent.
- The North Carolina unemployment rate peaked at 12.9 percent in April and by December of 2020, the state's unemployment rate had fallen to 6.3 percent.

2020 GSP

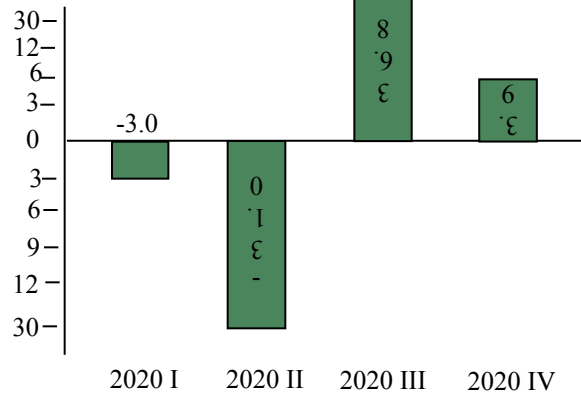
Gross State Product (GSP) is expected to reach a level of \$566,494.2 million in 2020. Real (inflation-adjusted) GSP is expected to decrease by 2.6 percent over the 2019 level. The Covid-19 shutdown in early 2020 ended the 10-plus year economic expansion that the North Carolina economy had experienced 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 31.0 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 is expected to increase by an annualized real rate of 3.9 percent.

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 will be at 98.6 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 by the second quarter of 2021. Unfortunately, the unemployment rate will take another 6 to 12 months before it again approaches 4.0 percent. By December of 2021 it is likely the North Carolina’s unemployment rate will still be above 5.0 percent.

Quarterly Growth Rates In Real GSP

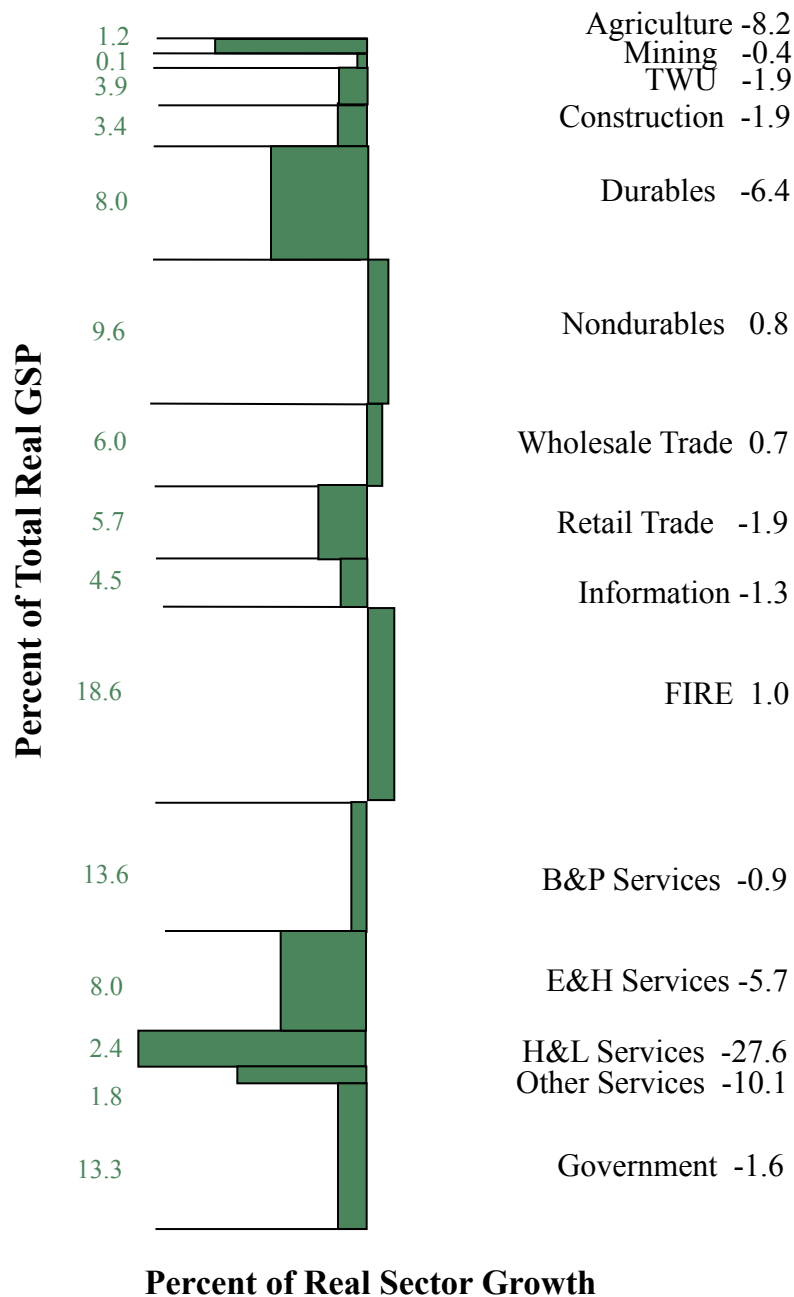


2020 Highlights

	2020 *	Percent Change
Current Dollars		
Total Gross Product	566,494.2	-1.0
Constant (2012 Dollars)		
Total Gross Product	499,882.1	-2.6
Agricultural	5,023.3	-8.2
Mining	630.5	-0.4
Construction	17,055.0	-1.9
Manufacturing	89,110.9	-2.6
Durable Goods	40,724.3	-6.4
Nondurable Goods	48,386.6	0.8
TWU	19,118.3	-1.9
Wholesale Trade	29,857.4	0.7
Retail Trade	28,871.2	-1.9
Information	22,523.4	-1.3
FIRE	93,103.9	1.0
B & P	67,321.5	-0.9
E & H	39,977.0	-5.7
H & L	13,118.5	-27.6
Services	8,933.8	-10.1
Government	65,236.4	-1.6

* millions of dollars

2020 Total Real GSP Growth -2.6%



2020 GSP SECTOR ANALYSIS

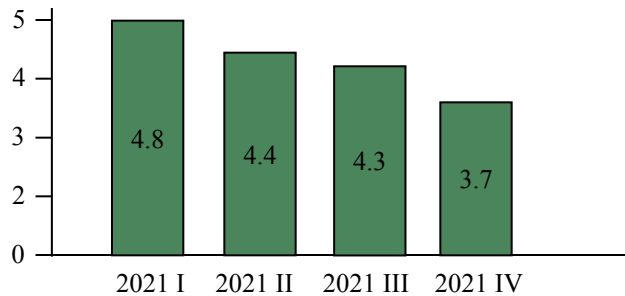
The chart to the left presents the projected contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation-adjusted) growth rate for 2020 is forecast to decrease by 2.6 percent. Projected real growth rates for each sector (displayed in black type) are 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 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 are forecast to experience output decreases during 2020. The sectors with the largest expected declines are hospitality and leisure services with a projected real decrease of 27.6 percent, other services with a projected real decrease of 10.1 percent, agriculture with a projected real decrease of 8.2 percent, durable goods manufacturing with a projected real decrease of 6.4 percent, and education and health services with a projected real decrease of 5.7 percent.

Seven other sectors are expected to experience GDP declines, but at levels less than the overall 2.6 percent GSP real decline. These sectors are construction with a projected real decrease of 1.9 percent; transportation, warehousing, and utilities (TWU) with a projected real decrease of 1.9 percent; retail trade with a projected real decrease of 1.9 percent; government with a projected real decrease of 1.6 percent; information with a projected real decrease of 1.3 percent; business and professional services with a projected real decrease of 0.9 percent; and mining with a projected real decrease of 0.4 percent.

Only three sectors: finance, insurance, and real estate (FIRE); nondurable goods manufacturing; and wholesale trade are expected to experience growth in 2020.

Quarterly Growth Rates in Forecasted Real GSP



2021 Highlights

	2021*	Percent Change
Current Dollars		
Total Gross Product	601,384.7	6.2
Constant (2012 Dollars)		
Total Gross Product	525,293.6	5.1
Agricultural	5,484.7	9.2
Mining	614.8	-2.5
Construction	17,672.6	3.6
Manufacturing	93,832.6	5.3
Durable Goods	43,155.0	6.0
Nondurable Goods	50,677.6	4.7
TWU	19,704.0	3.1
Wholesale Trade	31,514.5	5.6
Retail Trade	30,808.0	6.7
Information	23,852.6	5.9
FIRE	97,024.4	4.2
B & P	70,531.2	4.8
E & H	42,869.3	7.2
H & L	15,113.0	15.2
Services	9,393.7	5.1
Government	66,878.2	2.5

* Millions of dollars

2021 GSP

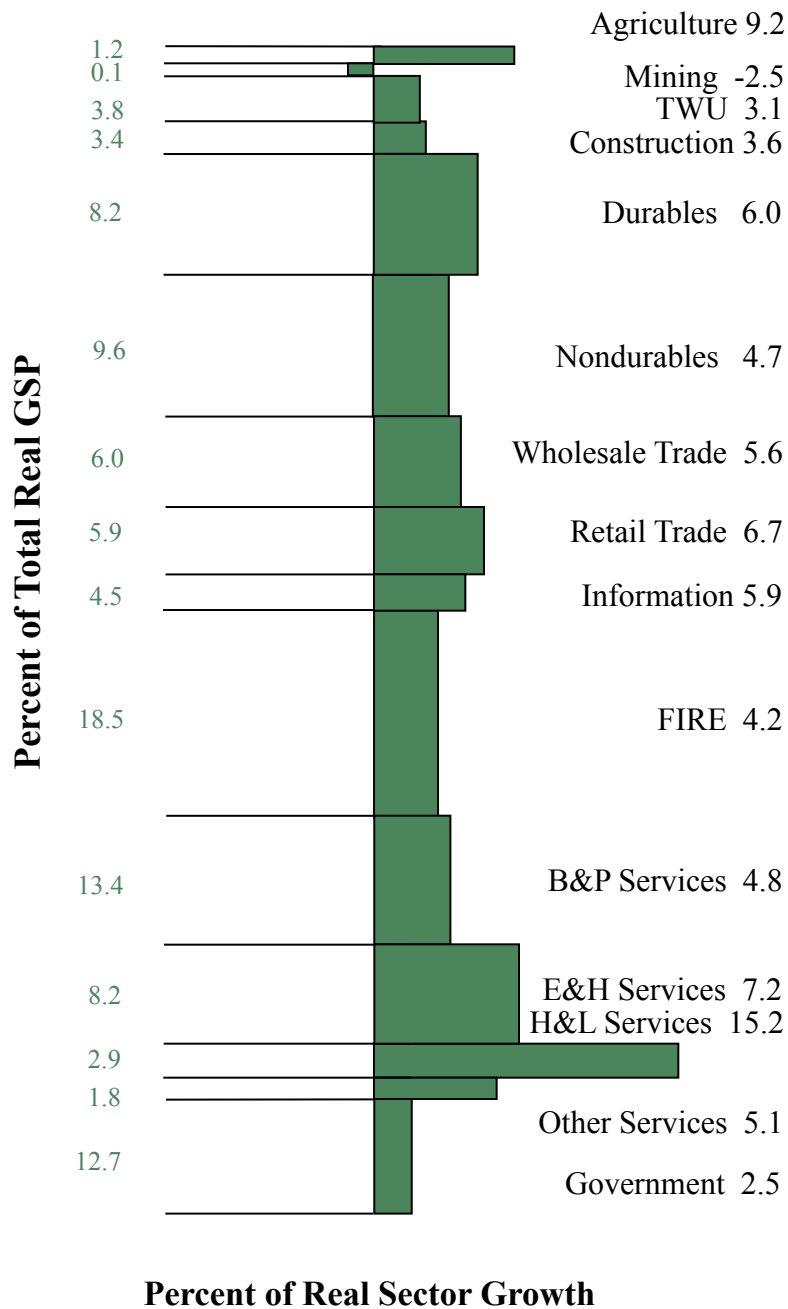
Gross State Product (GSP) is forecast to reach a level of \$601,384.7 million in 2021. Real (inflation-adjusted) GSP is expected to increase by 5.1 percent over the 2020 level. This growth in 2021 will represent the first year of growth since Covid-19.

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 3.7 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 grow 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 4.0 percent growth rate in the U.S. and an expected 3.9 percent rate in North Carolina. This experience provides 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 seems to be subsiding. As vaccination rates rise and the weather starts 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 second quarter of 2021. However, 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 5.1%



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 5.1 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 hospitality and leisure services with a real increase of 15.2 percent, agriculture with a real growth rate of 9.2 percent, educational and health services with a real increase of 7.2 percent, retail trade with real increases of 6.7 percent, durable goods manufacturing with a real increase of 6.0 percent, information with a real increase of 5.9 percent, wholesale trade with a real increase of 5.6 percent, and other services with a real increase of 5.1 percent.

Six other sectors are expected to experience growth rates, however, at levels below the overall 5.1 percent GSP real growth rate. These sectors are business and professional services with a real increase of 4.8 percent; nondurable goods manufacturing with a real increase of 4.7 percent; finance, insurance, and real estate (FIRE) with a real increase of 4.2 percent; construction with a real increase of 3.6 percent; transportation, warehousing, and utilities (TWU) with a real increase of 3.1 percent; and government with a real increase of 2.5 percent.

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

2020 Year-End Employment Trends



Percent of Sector Employment Growth

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 4,403,200 persons in December 2020, a decrease of 4.2 percent over the employment level in December 2019. The state lost 190,700 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 20.8 percent, durable goods manufacturing at 7.2 percent, and information at 5.3 percent.

2020 Employment Highlights

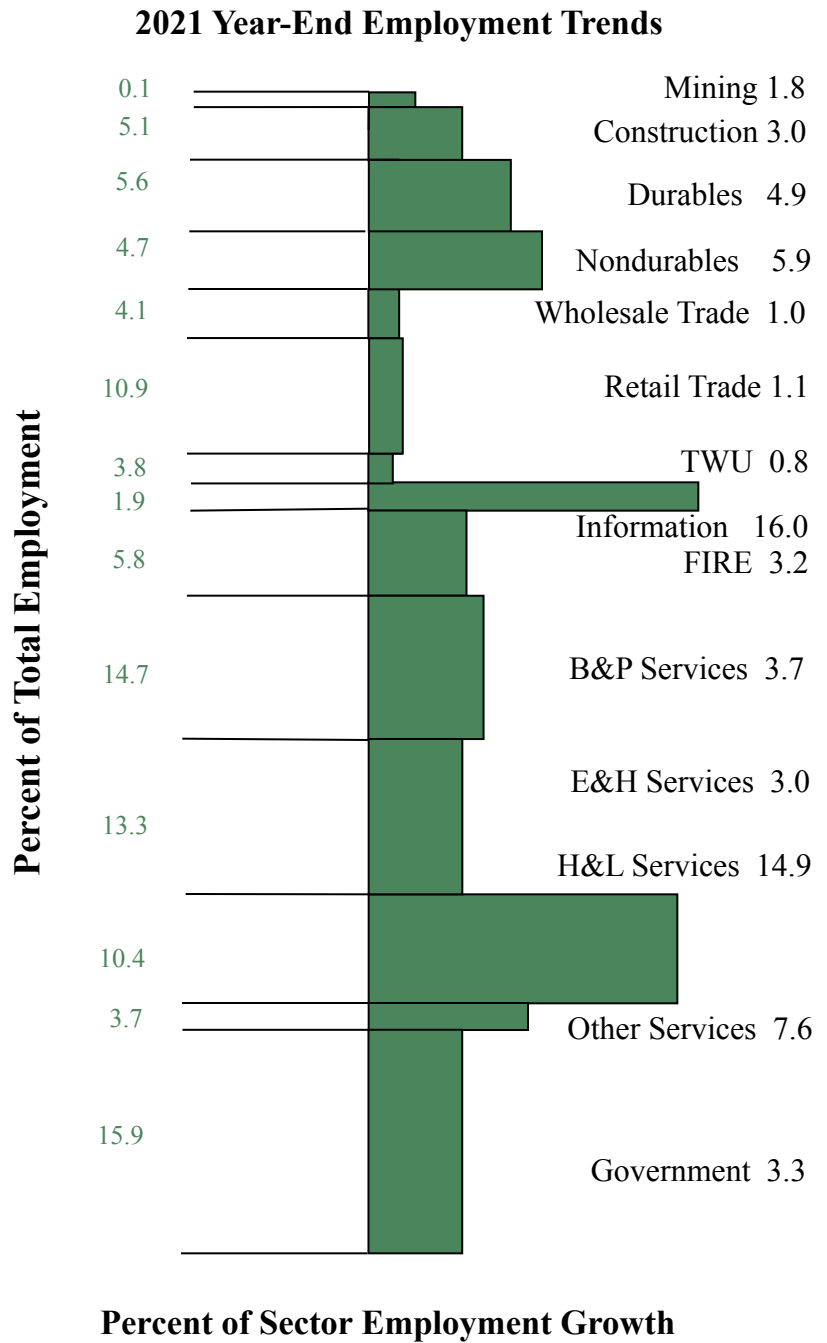
	Year-End*	Percent Change
Total Establishment		
Employment	4,403.2	-4.2
Mining	5.5	-1.8
Construction	226.8	-2.0
Manufacturing	447.5	-6.6
Durable Goods	243.5	-7.2
Nondurable Goods	204.0	-5.9
Wholesale Trade	188.0	-0.5
Retail Trade	498.0	-0.4
TWU	171.7	5.7
Information	73.8	-5.3
FIRE	260.6	0.4
B&P Services	654.6	1.6
E&H Services	592.7	-4.8
H&L Services	418.3	-20.8
Other Services	158.5	-2.5
Government	707.2	-3.8

*thousands of persons

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 4,602,500 persons by December 2021, an increase of 4.5 percent over the employment level in December 2020. The state is expected to add 199,300 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 information at 16.0 percent, and hospitality and leisure services at 14.9 percent.

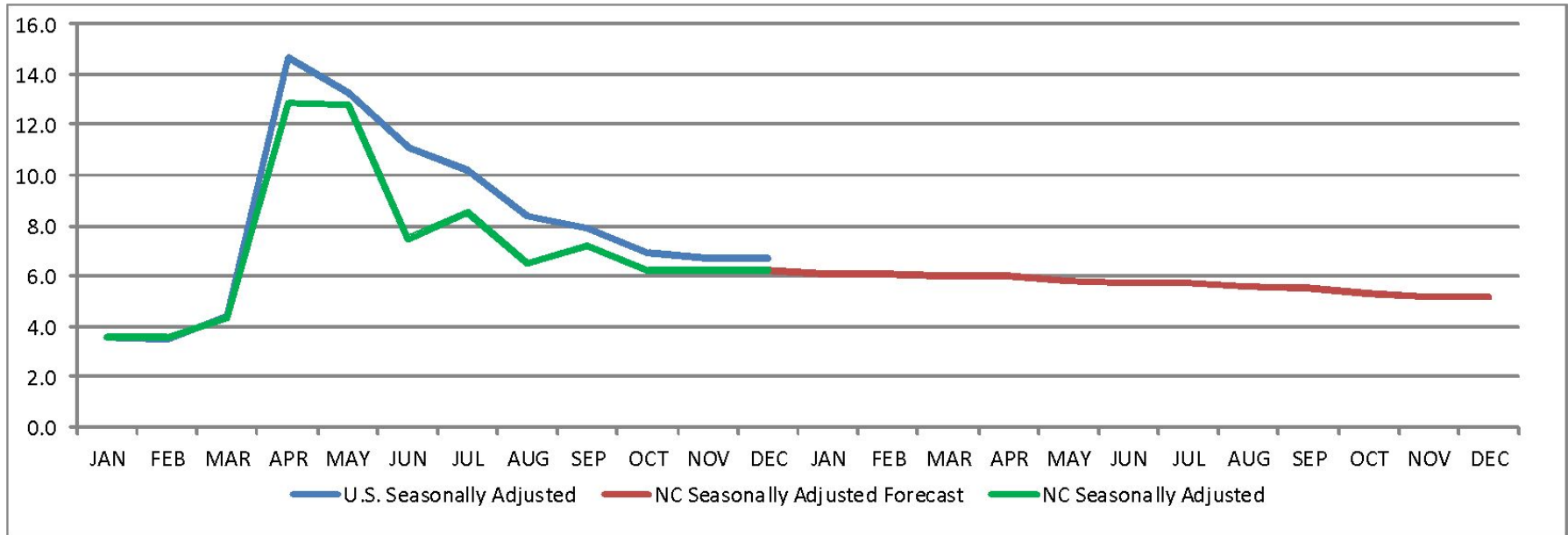


2021 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,602.5	4.5
Mining	5.6	1.8
Construction	233.6	3.0
Manufacturing	471.5	5.4
Durable Goods	255.5	4.9
Nondurable Goods	216.0	5.9
Wholesale Trade	189.9	1.0
Retail Trade	503.5	1.1
TWU	173.0	0.8
Information	85.6	16.0
FIRE	268.9	3.2
B&P Services	678.6	3.7
E&H Services	610.7	3.0
H&L Services	480.3	14.9
Other Services	170.5	7.6
Government	730.8	3.3

*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 started 2020 with an unemployment rate of 3.6 percent, which fell to 3.5 percent in February. North Carolina started the year with a 3.6 percent rate of unemployment. Both the U.S. and North Carolina unemployment rates jumped dramatically in April to 14.7 and 12.9 percent respectively. Since then, both the U.S. and North Carolina rates have fallen dramatically to 6.7 percent and 6.3 percent by December. The North Carolina rate should decline through the rest of the year and reach 5.2 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 February 19, 2021.



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