

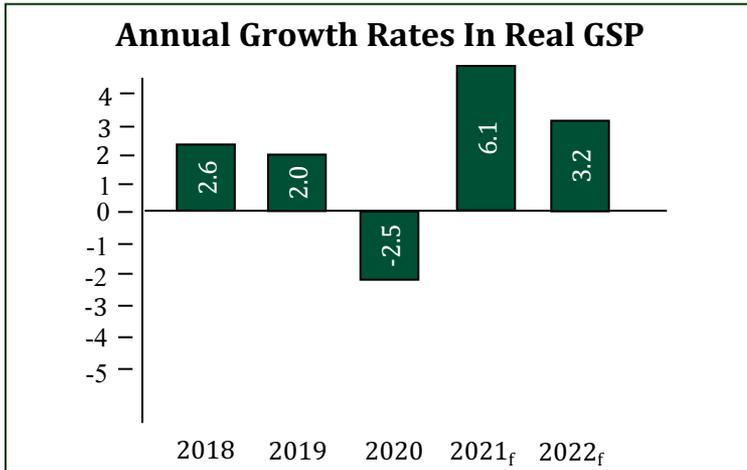


NORTH CAROLINA
ECONOMIC FORECAST



THIRD QUARTER REPORT
September 15, 2021

FORECAST HIGHLIGHTS



- For 2021, NORTH CAROLINA real GSP is forecast to increase by 6.1 percent over the 2020 level.

- All 15 of the state's 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 17.5 percent, hospitality and leisure services with a real increase of 15.7 percent, durable goods manufacturing with a real increase of 11.7 percent, information with a real increase of 9.3 percent, and business and professional services with a real increase of 8.5 percent.

- For 2021, NORTH CAROLINA establishments are expected to add 211,800 net jobs during the year, an increase of 4.8 percent.

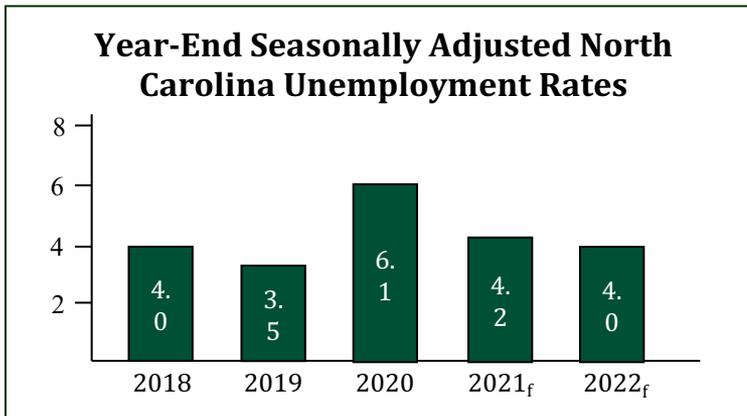
- For 2022, NORTH CAROLINA real GSP is forecast to increase by 3.2 percent over the 2021 level.

- All 15 of the state's economic sectors are expected to experience output increases during 2022. The sectors with the strongest expected growth rates are hospitality and leisure services with a real increase of 8.0 percent; educational and health services with a real increase of 4.3 percent; transportation, warehousing, and utilities (TWU) with a real increase of 4.3 percent; information with a real increase of 4.1 percent; construction with a real increase of 3.4 percent; and other services with a real increase of 3.4 percent.

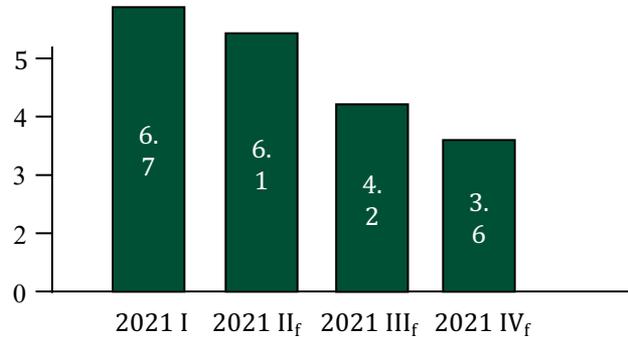
- For 2022, NORTH CAROLINA establishments are forecast to add 126,800 net jobs, an increase of 2.7 percent.

- The North Carolina unemployment rate peaked at 13.5 percent in April and May 2020 and by July 2021, the state's unemployment rate had fallen to 4.4 percent. By December the state's unemployment rate is expected to drop to 4.2 percent

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).



Quarterly Growth Rates in Forecasted Real GSP



2021 Highlights

	2021*	Percent Change
Current Dollars		
Total Gross Product	618,226.4	9.1
Constant (2012 Dollars)		
Total Gross Product	530,546.3	6.1
Agricultural	6,016.7	17.5
Mining	667.4	5.0
Construction	18,314.2	6.7
Manufacturing	94,947.0	6.8
Durable Goods	45,611.9	11.8
Nondurable Goods	49,335.1	2.5
TWU	19,624.6	2.8
Wholesale Trade	31,929.1	6.7
Retail Trade	31,022.7	7.8
Information	24,621.9	9.3
FIRE	97,831.2	5.1
B & P	73,260.4	8.5
E & H	42,295.2	5.6
H & L	15,199.5	15.7
Other Services	9,037.4	1.1
Government	65,779.1	0.9

* Millions of dollars

2021 GSP

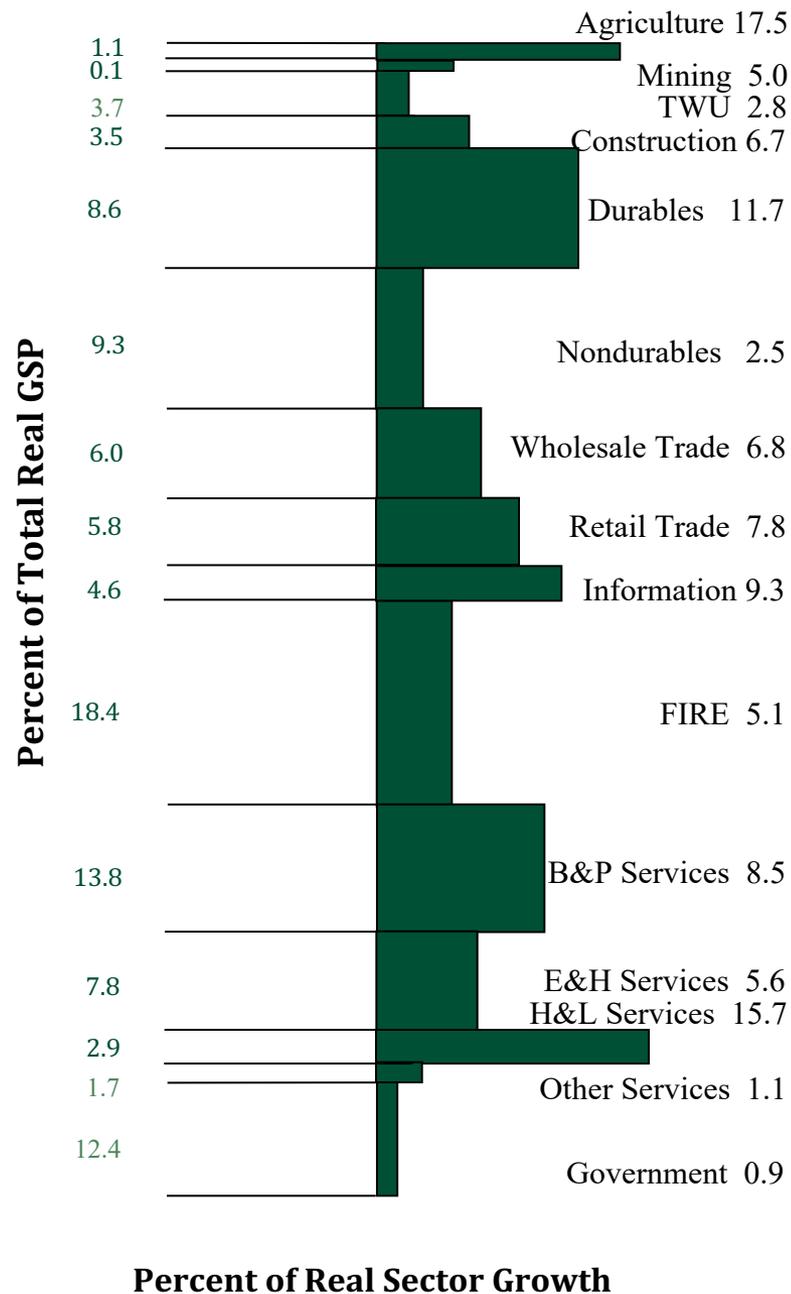
Gross State Product (GSP) is forecast to reach a level of \$618,407.4 million in 2021. Real (inflation-adjusted) GSP is expected to increase by 9.1 percent over the 2020 level. This growth in 2021 will represent the first full year of growth since Covid-19.

For 2021, first quarter GSP is increased by an annualized real rate of 6.7 percent. During the second quarter, GSP is expected to increase by an annualized real rate of 6.1 percent. In the third quarter, GSP is expected to increase by an annualized real rate of 4.2 percent. In the fourth quarter of 2021, GSP is expected to increase by an annualized real rate of 3.6 percent.

2021 starts off strong after an unexpected weak fourth quarter of 2020. Consensus estimates going into the fourth quarter of 2020 were 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 4.3 percent growth rate in the U.S. and a 5.0 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, which will have an overriding impact on future economic activity. A recent spike in Covid cases due to the spread of the Delta variant is a concern for the third and fourth quarters of 2021.

The good news is that during the first quarter of 2021 growth recorded a strong showing as the winter spike subsided. The second quarter of 2021 should also benefit from the increase in vaccination levels and a continued decline in U.S. cases. However, the recent Delta variant spike in August and September suggest that third and fourth quarter growth is likely to suffer as restrictions are put back in place. Going forward, Covid related restrictions are likely to be less drastic than those put in place during 2020, so the effect on the economy will not be serious, but will slow growth in the second half of 2021.

2021 Total Real GSP Growth 6.1%



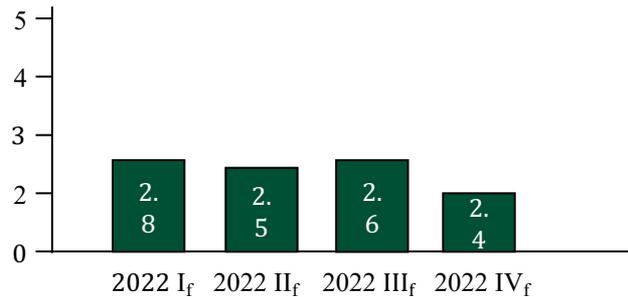
2021 GSP SECTOR ANALYSIS

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 6.1 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.

All 15 of the state's 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 17.5 percent, hospitality and leisure services with a real increase of 15.7 percent, durable goods manufacturing with a real increase of 11.7 percent, information with a real increase of 9.3 percent, business and professional services with a real increase of 8.5 percent, retail trade with real increases of 7.8 percent, wholesale trade with a real increase of 6.8 percent and construction with a real increase of 6.7 percent.

Seven other sectors are expected to experience growth rates, however, at levels below the overall 6.1 percent GSP real growth rate. These sectors are educational and health services with a real increase of 5.6 percent; finance, insurance, and real estate (FIRE) with a real increase of 5.1 percent; mining with a real increase of 5.0 percent; transportation, warehousing, and utilities (TWU) with a real increase of 2.8 percent; nondurable goods manufacturing with a real increase of 2.5 percent; other services with a real increase of 1.1 percent; and government with a real increase of 0.9 percent.

Quarterly Growth Rates in Forecasted Real GSP



2022 Highlights

	2022*	Percent Change
Current Dollars		
Total Gross Product	663,601.9	7.3
Constant (2012 Dollars)		
Total Gross Product	547,612.0	3.2
Agricultural	6,195.8	3.0
Mining	680.8	2.0
Construction	18,937.9	3.4
Manufacturing	97,329.1	2.5
Durable Goods	46,831.0	2.7
Nondurable Goods	50,498.1	2.4
TWU	20,476.3	4.3
Wholesale Trade	32,811.9	2.8
Retail Trade	31,961.1	3.0
Information	25,640.6	4.1
FIRE	100,853.0	3.1
B & P	75,586.2	3.2
E & H	44,120.3	4.3
H & L	16,418.1	8.0
Services	9,341.9	3.4
Government	67,258.4	2.3

* Millions of dollars

2022 GSP

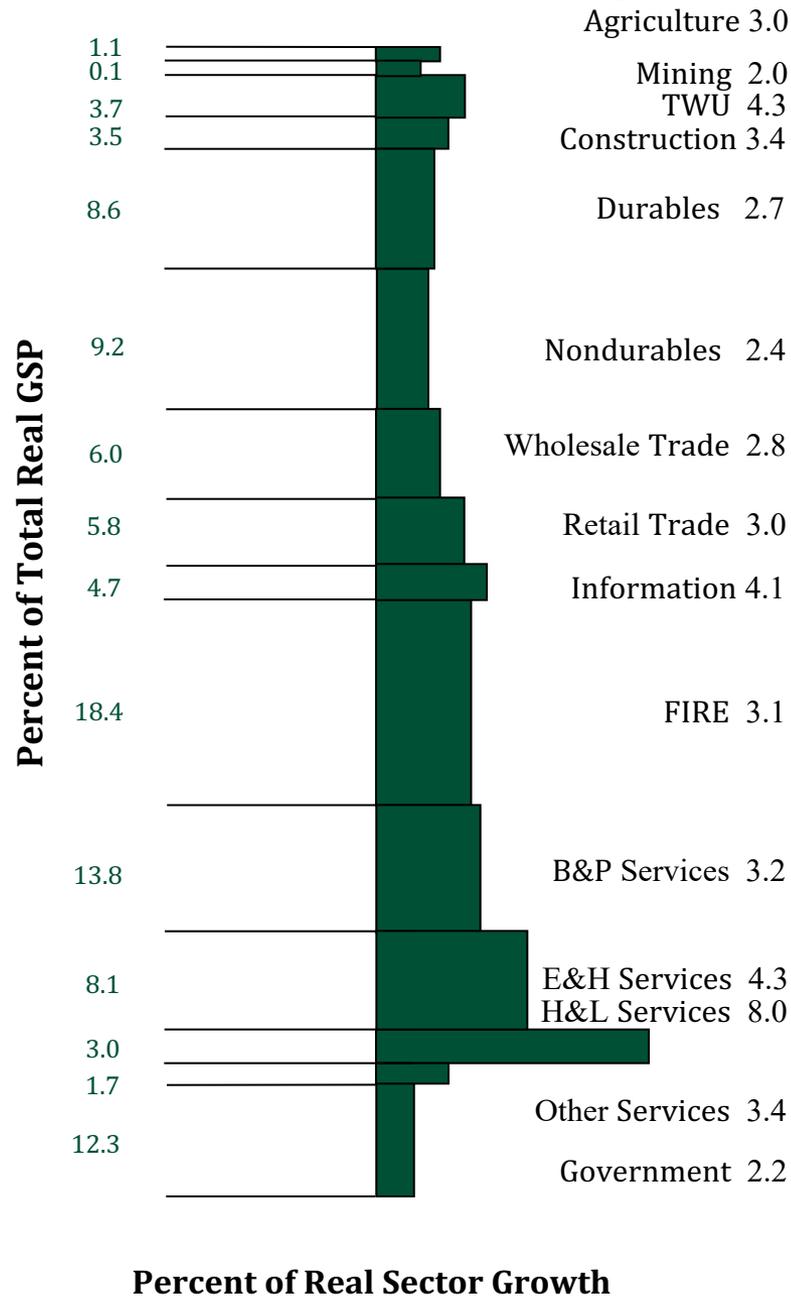
Gross State Product (GSP) is forecast to reach a level of \$663,601.9 million in 2022. Real (inflation-adjusted) GSP is expected to increase by 3.2 percent over the 2021 level. This growth in 2022 will represent the second full year of growth since Covid-19.

For 2022, first quarter GSP is expected to increase by an annualized real rate of 2.8 percent. During the second quarter, GSP is expected to increase by an annualized real rate of 2.5 percent. In the third quarter, GSP is expected to increase by an annualized real rate of 2.6 percent. In the fourth quarter of 2022, GSP is expected to increase by an annualized real rate of 2.4 percent.

For 2022 North Carolina economic growth will begin to return to the pre-Covid levels of GDP growth around 2.5 percent. From the third quarter of 2020 through most of 2021 GDP growth was driven by the return to pre-Covid levels. After the strong third quarter recovery in 2020, the next five quarters (through the fourth quarter of 2021) are expected to average 5.1 percent growth as the economy returns to the pre-Covid GDP levels. By the fourth quarter of 2021 North Carolina real GDP is expected to be 3.1 percent greater than the fourth quarter 2019 pre-Covid level. In a sense, factoring out the rocky ride during 2020, the North Carolina real GDP averaged 1.5 percent growth during the 2020 through 2021 period. This is not much lower than the North Carolina real GDP growth during the 2010 through 2019 period.

The real impact of the Covid recession has been on employment. As of July 2021 the state's level of establishment employment is still almost 50,000 lower than the February 2019 high water mark of 4,626,800 jobs. However the jobs recovery is not evenly distributed among the state's economic sectors. The hospitality and leisure sector establishment employment level is 155,000 jobs lower than the February 2019 level. In essence the hospitality and leisure sectors accounts for all of the overall lower North Carolina jobs level that still exists through July 2021.

2022 Total Real GSP Growth 3.2%



2022 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 2022 is forecast to increase by 3.2 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 2022. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

All 15 of the state's economic sectors are expected to experience output increases during 2022. The sectors with the strongest expected growth rates are hospitality and leisure services with a real increase of 8.0 percent; educational and health services with a real increase of 4.3 percent; transportation, warehousing, and utilities (TWU) with a real increase of 4.3 percent; information with a real increase of 4.1 percent; construction with a real increase of 3.4 percent; and other services with a real increase of 3.4 percent.

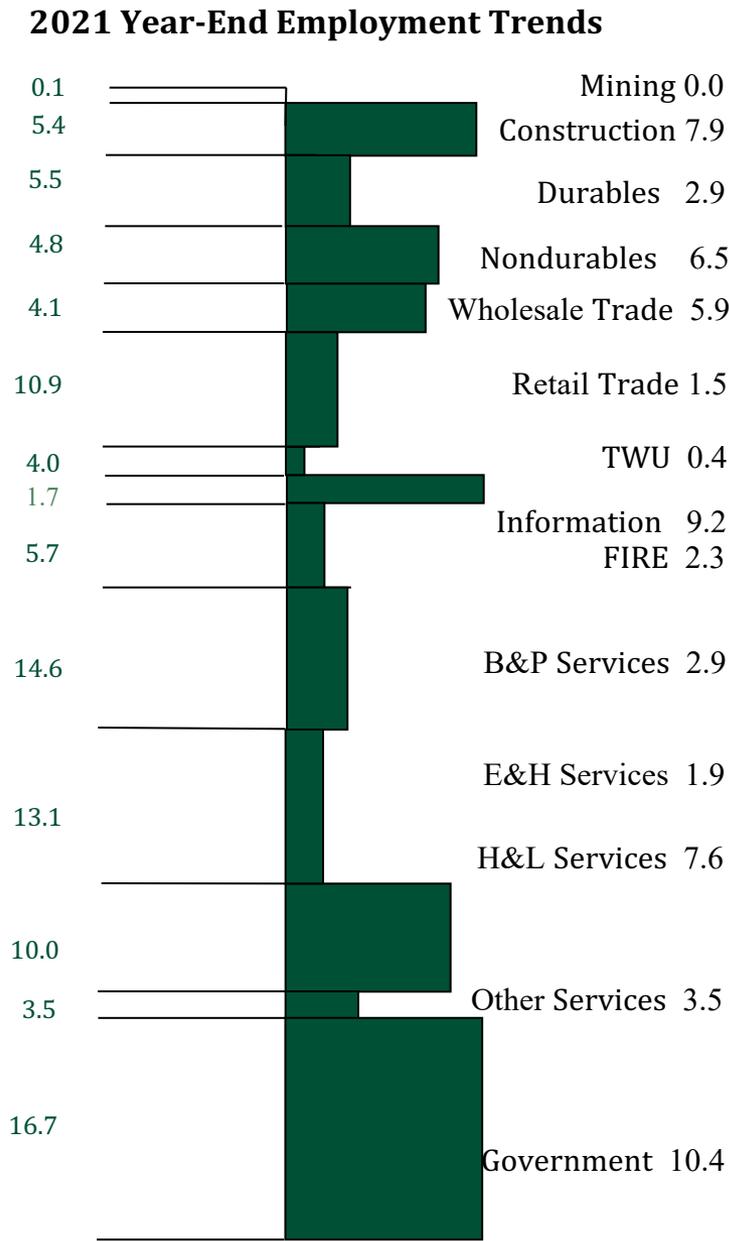
Nine other sectors are expected to experience growth rates at or below the overall state growth rate of 3.2 percent. These sectors are business and professional services with a real increase of 3.2 percent; finance, insurance, and real estate (FIRE) with a real increase of 3.1 percent; retail trade with real increases of 3.0 percent; agriculture with a real growth rate of 3.0 percent; wholesale trade with a real increase of 2.8 percent; durable goods manufacturing with a real increase of 2.7 percent; nondurable goods manufacturing with a real increase of 2.4 percent; mining with a real increase of 2.0 percent; and government with a real increase of 2.2 percent.

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 4,647,600 persons by December 2021, an increase of 4.8 percent over the employment level in December 2020. The state is expected to add 211,800 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 government at 10.4 percent, and information at 9.2 percent, and information at 9.2 percent.

Percent of Total Employment



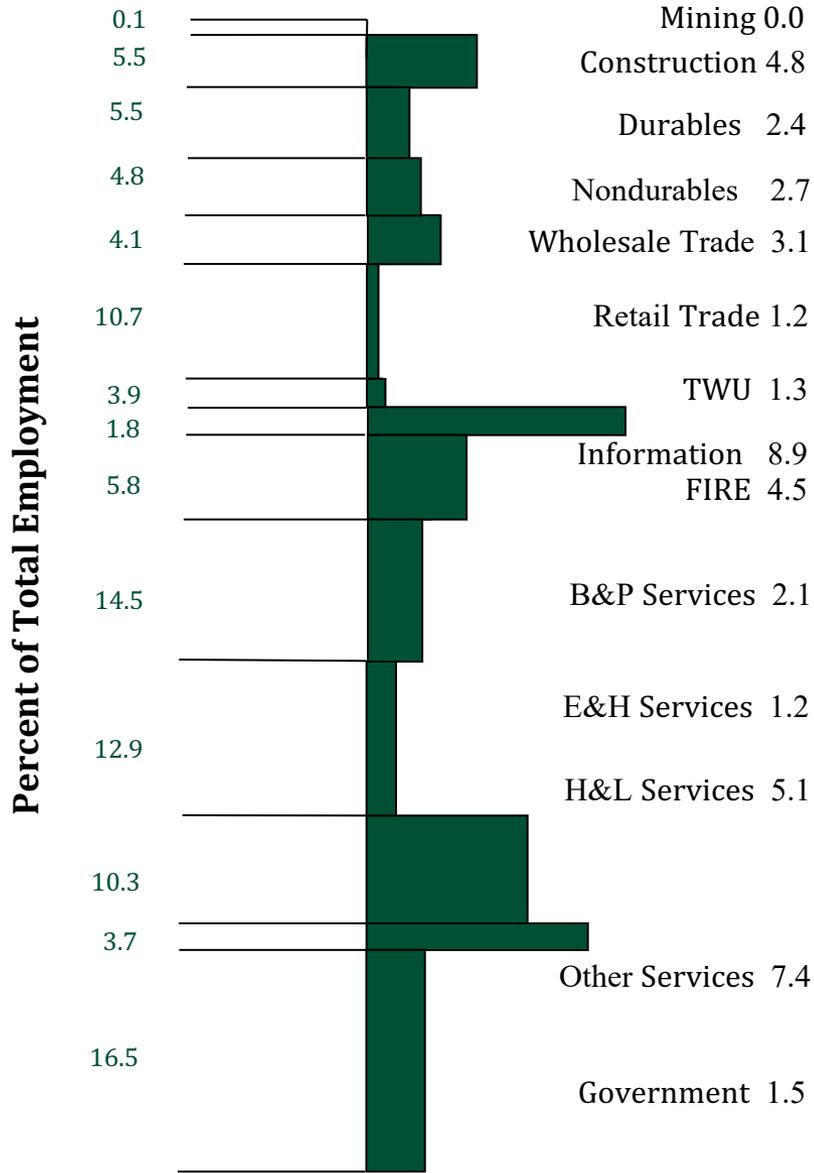
Percent of Sector Employment Growth

2021 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,647.6	4.8
Mining	5.6	0.0
Construction	249.0	7.9
Manufacturing	478.4	4.5
Durable Goods	255.1	2.9
Nondurable Goods	223.3	6.5
Wholesale Trade	190.7	5.9
Retail Trade	504.4	1.5
TWU	184.7	0.4
Information	81.0	9.2
FIRE	264.8	2.3
B&P Services	676.4	2.9
E&H Services	609.1	1.9
H&L Services	466.7	7.6
Other Services	162.3	3.5
Government	774.5	10.4

*thousands of persons

2022 Year-End Employment Trends



Percent of Sector Employment Growth

2022 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 4,774,400 persons by December 2022, an increase of 2.7 percent over the employment level in December 2021. The state is expected to add 126,800 net jobs in 2022.

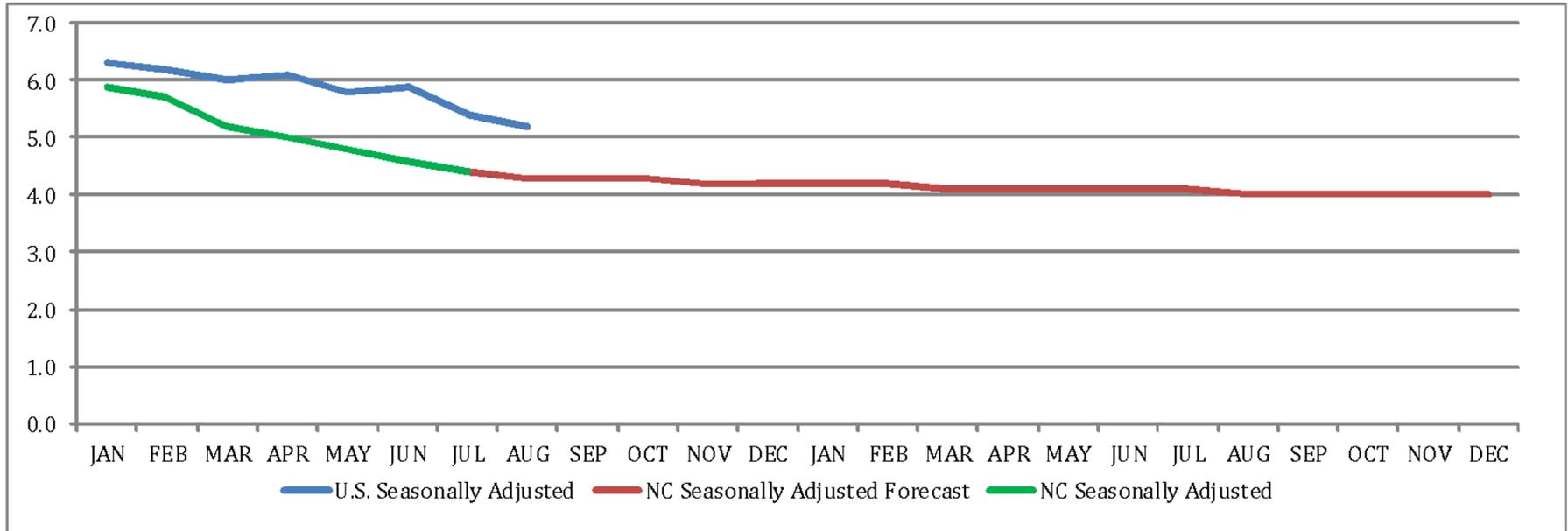
All 14 of the state's nonagricultural sectors of the economy are expected to experience employment increases during 2022. The sectors with the expected strongest employment increases in 2022 are information at 8.9 percent, and other services at 7.4 percent.

2022 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	4,774.4	2.7
Mining	5.6	0.0
Construction	261.0	4.8
Manufacturing	490.4	2.5
Durable Goods	261.1	2.4
Nondurable Goods	229.3	2.7
Wholesale Trade	196.7	3.1
Retail Trade	510.4	1.2
TWU	187.1	1.3
Information	88.2	8.9
FIRE	276.8	4.5
B&P Services	690.4	2.1
E&H Services	616.3	1.2
H&L Services	490.7	5.1
Other Services	174.3	7.4
Government	786.5	1.5

*thousands of persons

2021-2022 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 2021 and 2022. The solid blue line represents the United States seasonally adjusted historic unemployment rate. The seasonally adjusted unemployment rate for 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 2021 with unemployment rates of 6.3 percent and 5.9 percent respectively. Both the U.S. and North Carolina unemployment rates have fallen consistently to 5.2 percent in August (U.S.) and 4.4 percent in July (N.C.). The North Carolina rate should decline through the rest of 2021 and reach 5.2 percent by December 2021. The North Carolina rate is expected to continue to decline through 2022 and end the year at 4.0 percent.

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 August 31, 2021.

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