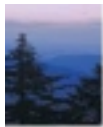


Northwest North Carolina Comprehensive Economic Development Strategy



Looking toward the future

Northwest North Carolina CEDS

Economic and Demographic Assessment

Davie County

May 2003

Davie County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Davie County *Economic & Demographic Assessment* as part of the Northwest North Carolina Comprehensive Economic Development Strategy (CEDS). This report is one of several analytical documents that will examine the 8-county region during a 10-month process to identify the area's assets and prepare the region for future growth. All analysis and strategies will be done on a county-by-county basis in order to consider the unique challenges and opportunities present in each individual county. Following the completion of the county plans, a region wide plan will be formed from each county's goals to support the existing regional economic development efforts already underway.

All reports will be available online at www.northwestnc.com as they are completed. We encourage you to review them thoroughly and provide us with your comments and insight. Thank you for your input.

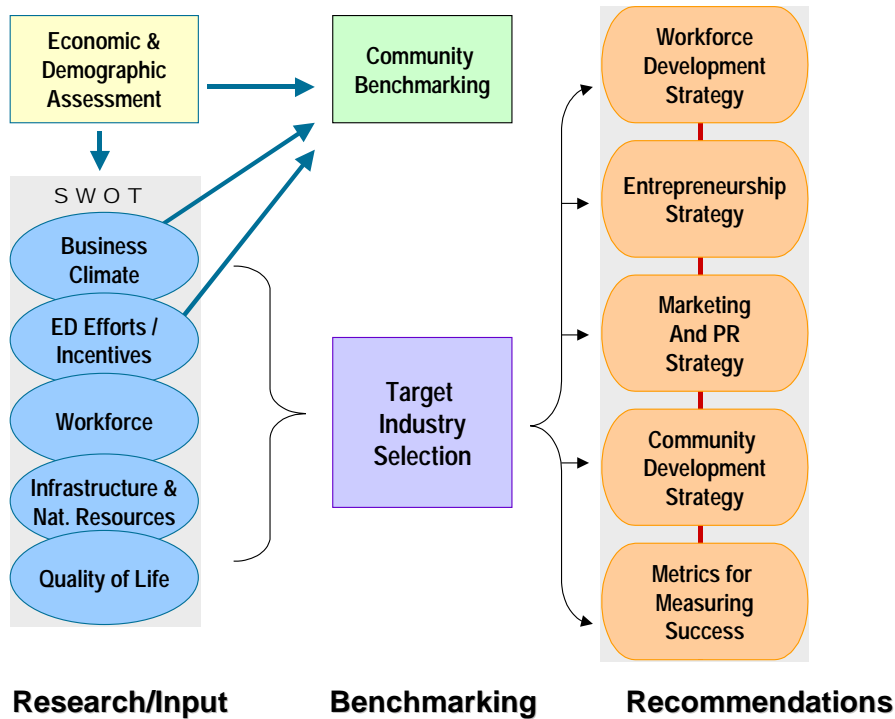
Angelos Angelou, Principal
Amy Holloway, Vice President for Economic Development
Chris Engle, Vice President and Senior Analyst
Sean Garretson, Project Manager
Travis Warziniack, Research Manager

AngelouEconomics

The CEDS Process

The following chart illustrates how the *Economic & Demographic Assessment* will lead to further stages in the analytical planning process:

Project Process Diagram



Report Overview

The *Economic & Demographic Assessment* looks at several key areas that provide a scan of Davie County's current economic condition. The data presented in this report will describe trends that are either well established in the county or just underway. We seek to show in numbers many conditions that are likely to be already observed by most of the county's citizens, as well as provide new information that will impact the county's future. As with all data, we seek to evaluate their significance in the eyes of expanding or relocating businesses – the county's current and future "customer" base.

Data presented in this report includes:

Population: Population growth is often used as a top line observation on a community's vitality and competitive success. Companies typically desire to be in growing communities, or communities that have the lifestyle amenities that will allow them to relocate their best employees. Corporate site selectors, particularly those in technology industries, desire a population that is both ethnically diverse and receptive to newcomers (including younger workers).

Worker Education: Site selectors usually look for a great educational system that includes high graduation rates, good performance by local K-12 system, and an established college or university. A high-quality and responsive community college system is often viewed as a critical partner in the training of a company's workforce (particularly with manufacturers). How the education system is funded can be a sensitive issue for some, as few companies desire to be perceived as straining an under funded system by bringing new workers (and their children) to an area without adequate tax revenue.

Income/Wages: Income and wage growth shows a strong and successful economy, but low to average wages are desired so that employers can afford workers in their skill set. Parity between wage levels and skill sets is examined to determine worker productivity and competitiveness.

Industries: Corporations are usually sensitive to the industrial makeup of a region, and often avoid communities where they might be perceived as a conflicting use (such as heavy industry avoiding high end housing areas). Today, companies want to be part of a diverse and functional "family" of industries. Companies also look for similar industries or a supplier base that will both serve its business model and provide a source of trained and experienced workers.

Retail trade: A strong retail presence is needed but should not be the largest employer in the region. Companies typically view retail as an amenity for its workers, but prefer some level of buffer from high retail density due to traffic and housing encroachment concerns.

Tax revenue: Low, competitive tax rates are essential to attracting business, particularly the property tax rate. Communities with lagging tax revenue growth may be perceived as risk for future tax rate increases. A diversity of employers to support tax revenues is desired so that large tax increases will not be forthcoming when one business is removed from the picture.

Much of the data presented in this report will be revisited and built on in future reports such as the *SWOT Analysis*. A benchmarking report will be done later in the project to evaluate Davie County's competitive strengths relative to its peers.

INTRODUCTION

Davie County is a high growth county within the Winston-Salem region and enjoys a healthy rate of in-migration of high-income, educated professionals. The county's population grew 25 percent in the 1990s, with much of this growth in the eastern part of the county. All indications suggest that population growth will accelerate further.

A new influence in the county is the growing population of Hispanics. The share of Hispanics in Davie County has risen from less than 0.5 percent in 1990 to 4 percent in 2000. Many of these Hispanics are migrant workers who have chosen to stay permanently in the region, and many have even taken jobs at Davie manufacturers.

A decline in the younger population is a new trend, and one that has been seen in many rural counties in northwest North Carolina. Young families tend to leave the county for career opportunities elsewhere, and much of the new population seen in the eastern part of the county is established, older professional couples. All of these changes in demographics will require that local governments adapt their delivery of services to meet the shifting needs of their citizens.

Davie County residents have made significant advances in educational attainment over the years. More than 19 percent of residents now have some college education, compared to 21 percent nationally. Another 19 percent of Davie residents have completed 4-year or advanced degrees (versus 25 percent nationally).

Davie County has successfully attracted skilled professionals, but has yet to attract jobs for this workforce. Currently, 54 percent of Davie residents commute outside the county for employment, an increase of 10 percentage points in the last decade. As such, the county is highly dependent on the success of neighboring Forsyth, giving the county some cushion against the effect of local layoffs. County unemployment is rising, but is still the lowest in the region (5.4 percent). The manufacturing jobs that have been lost in the county have been offset by increases in FIRE industries (Finance, Insurance, and Real Estate).

New market potential is emerging for the county's viticulture industry. Although still in its infancy, the Yadkin Valley wine industry will greatly impact local industries such as tourism and services. The continuing decline of Davie's traditional industries must force county leadership to explore new opportunities for balanced growth long-term.

Davie County at a Glance

Population, 2002	36,200
Net New Population, 90-00	6,976
% Change, 90-00	25.0%
% of Adults with a Bachelor's Degree or higher	17.6%
% of Private Sector Workforce in Manufacturing	36.2%
Median Household Income	\$40,174
Median Home Value	\$116,200
Private Sector Jobs	8,954
Total Private Sector Payroll	\$217 million
Avg. Private Sector Salary	\$24,244
Avg. Manufacturing Salary	\$30,300
Avg. Professional Industry Salary	\$20,119

Sources: 2000 Census (Demographics), 2001 County Business Patterns (Jobs/Salaries), Employment Security Commission of NC

DEMOGRAPHICS

Population Growth

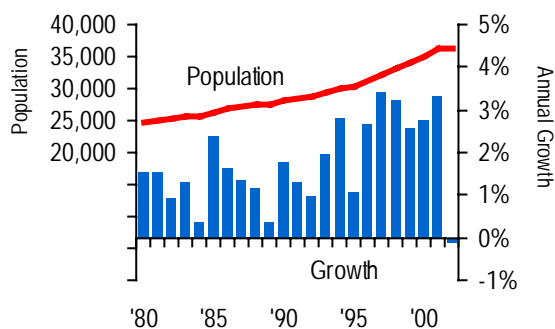
Davie County's population has been growing rapidly due to recent developments in the eastern part of the county.

- The town of Bermuda Run, unincorporated in 1990, is now home to more than 1,400 people. This gated community has brought a number of affluent residents into Davie County.
- Availability of utilities has kept much of the growth centered near incorporated areas of the county. Mocksville grew by 23 percent during the 1990s, mostly in the latter part of the decade.
- If growth rates seen in the late-1990s had occurred throughout the decade, countywide population would have increased 34 percent.
- This is comparable to the Greensboro-Winston-Salem-High Point MSA growth rate of 33 percent during the same period.
- The State Demographics Office estimates the 2002 population to be 36,200. Projections for 2010 and 2020 place the population at 42,000 and 49,000 people respectively.

A majority of this growth comes from high-income individuals moving out of urban settings and into more rural communities.

- The largest group moving into Davie County comes from neighboring Forsyth County.
- Since people moving into the county are older than average, the county birth rate has not followed the migration's sharp increase.

Population Growth, 1980-2002

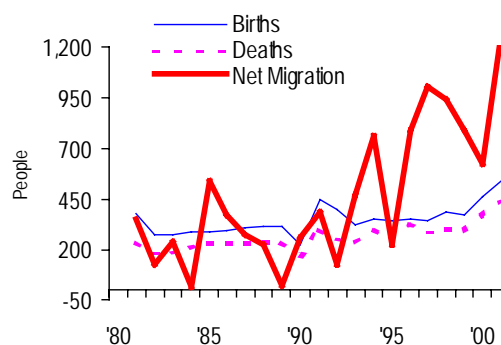


Source: US Census Bureau

Population Breakdown

	Population, 2000	% Growth 1990-2000
Davie County	34,835	25.0%
Bermuda Run	1,431	n/a
Cooloomee	905	-6.8%
Mocksville	4,178	23.2%

Components of Population Change



Source: U.S. Census Bureau

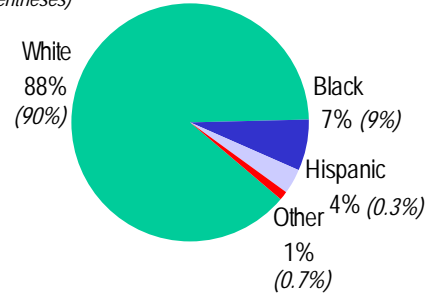
Racial Composition

Davie County is becoming more ethnically diverse.

- Compared to surrounding communities, Davie has been fairly diverse due to its proximity to urban centers.
- 15 percent of Davie County's foreign born residents originate from Europe, a much higher percentage than either Forsyth County or the entire MSA.
- Much of the regional Hispanic growth has been due to a hiring increase in Hispanic workers at local manufacturers.
- The relatively small portion of the county devoted to crop farming has kept the number of migrant workers low within the county. The Department of Health and Human Services estimates that there are only 274 migrant workers and family members working within Davie County. Just north in Yadkin County, for example, there are an estimated 2,000 migrant workers and family members, though total population counts are roughly equal.

Racial Composition, 2000

(1990 values in parentheses)



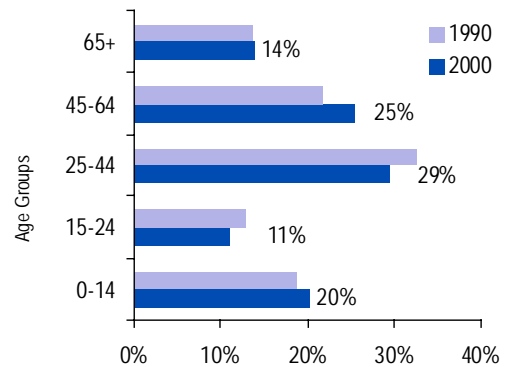
Source: U.S. Census Bureau

Age Breakdown

The growth in the eastern portion of the county has been driven by an older demographic.

- Much of the migration into the county has been from people 45 years of age and older. This is generally a more stable and wealthy age group, as is certainly the case in Bermuda Run. As this group begins to retire, the need for services throughout the county will change.
- The median age of Davie County residents is 38, three years older than both the national and North Carolina median age of 35. The median age is expected to reach 40 by 2015.

Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

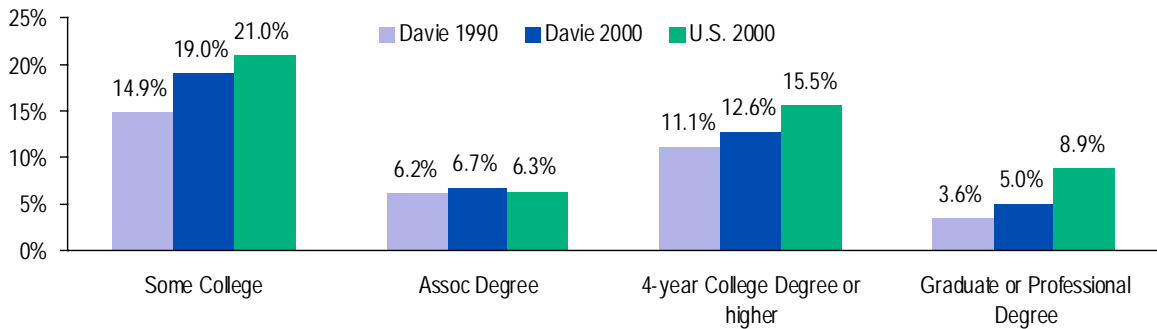
Education

Educational attainment in Davie County has increased rapidly and is now nearing national averages.

- Davie County has traditionally led its neighbors, though lagged the nation, in percentage of residents with a college education.
- Large gains were made in the 1990s in the percentage of people with some college, to bring the level to within 2 percentage points of the national average.
- The percentage of residents holding degrees remains high and continues to increase.
- **Davie County should prepare for an influx of professionals into the community.**

Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

Commuting Patterns

A majority of Davie County residents leave the county for work.

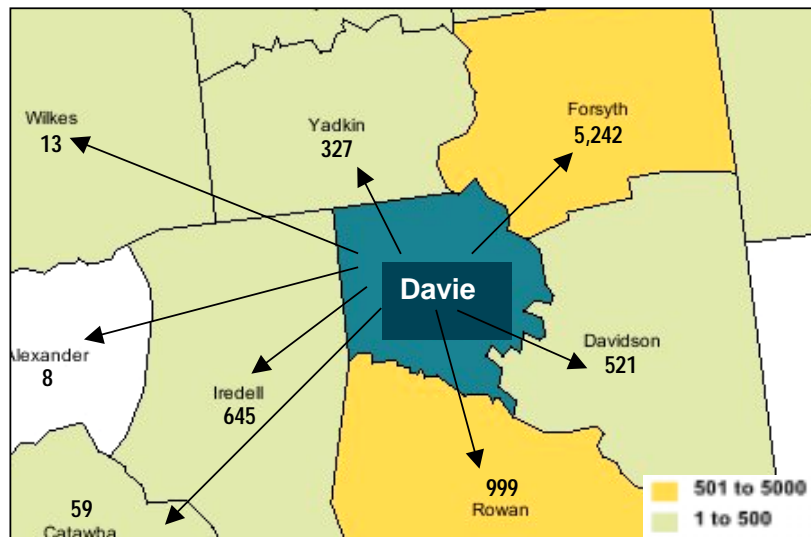
- Davie County residents have traditionally traveled into Winston-Salem for work. This trend has increased with the decline of manufacturing and a surge of professionals living within the county. 30 percent of Davie County resident workers have professional or management jobs.
- Of the 9,000 people commuting out for work, 5,000 of these travel into Forsyth County.
- Despite the county's growing population, few new jobs have been created. According to the Census, Davie's current job base is nearly identical to 1990. Clearly, this puts a strain on county budgets.

Commuting Patterns, 1990 vs. 2000

People	1990	2000
Working in Davie	10,610	10,692
Live & work in Davie	8,214	7,710
Live elsewhere & work in Davie	2,396	2,982
% workforce commuting in	23%	28%
Live in Davie & work elsewhere	6,265	8,924
% resident workers commuting out	43%	54%

Source: US Census Bureau

Persons Commuting out of Davie County for Work, 2000



Source: U.S. Census

ECONOMIC TRENDS

Employment & Wages

The availability of jobs in Davie County has been suffering recently, and is largely affected by the vitality of a few major employers in the county.

- Ingersoll-Rand Co. has been in the community since 1966 and employs approximately 550 people.
- Expansions by existing companies and their location of manufacturers into the county led to steady employment increases in the early 1990s.

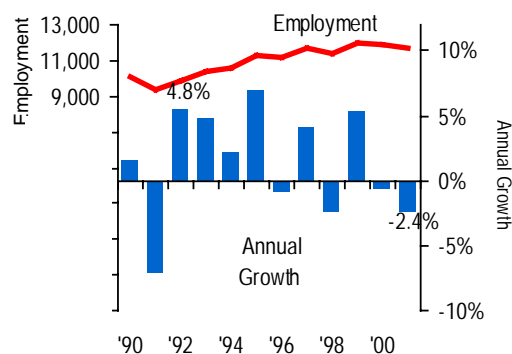
However, traditional manufacturing in the region has been in decline and pains associated with relying on few large employers are felt throughout Davie County.

- Lexington Furniture, one of the manufacturers to locate into the county during the early 1990s recently closed its doors, affecting over 350 people.

Due to the high number of people commuting into Forsyth County for work, economic conditions across the county line are having a strong effect on Davie County's unemployment rate.

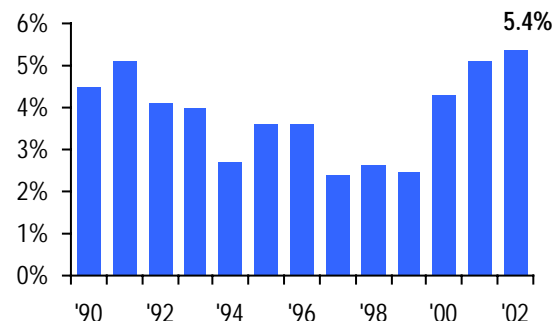
- Layoffs and closings throughout Northwest North Carolina have caused unemployment in the county to double since 1999. Prior to that, the unemployment rate hovered around a remarkably low 2.5 percent.

Wage & Salary Employment, 1990 - 2001



Source: Employment Security Commission of NC

Unemployment Rate, 1990-2002



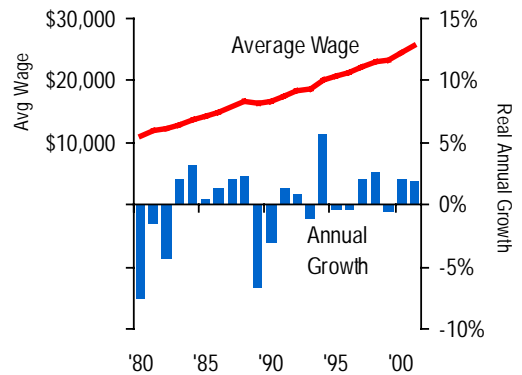
Source: Employment Security Commission of NC

DAVIE COUNTY

Real average wages in Davie County continue to rise.

- Most of the job losses in the county have been in the relatively high-paying manufacturing sector.
- However, there has been a proportionate amount of increases in other industries over the last few years, including FIRE, which has the highest paying wages in the county.

Average Wage, 1980 - 2001

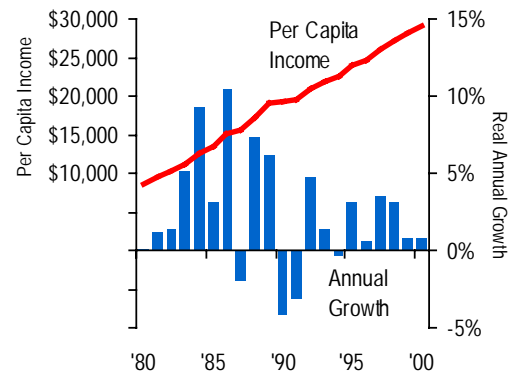


Source: Bureau of Economic Analysis; AngelouEconomics

Growth in per capita income for Davie County residents has been slowing since the mid-1980s.

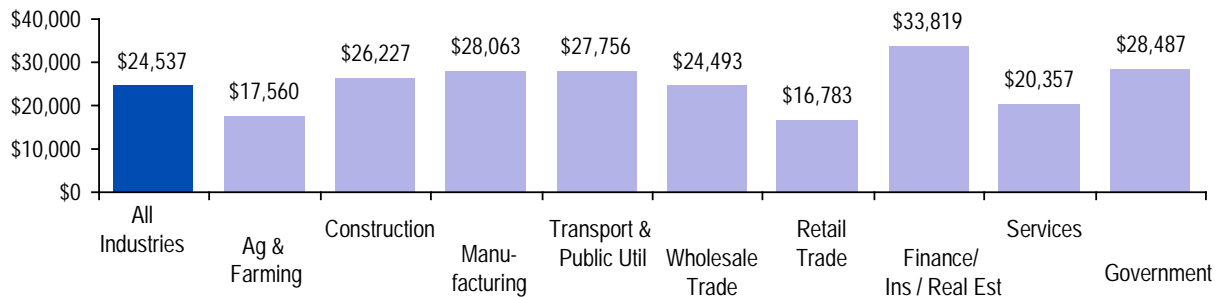
- Growth rates were below 1 percent in both 1999 and 2000.
- Recent declines in income result from not only the lost jobs throughout the region, but also increasing shares of children and retired people in the population.

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000

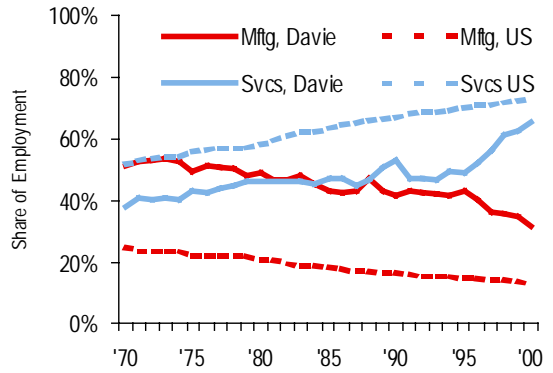


Source: Employment Security Commission of North Carolina

The industrial profile of Davie County is vastly different than it was 10 years ago.

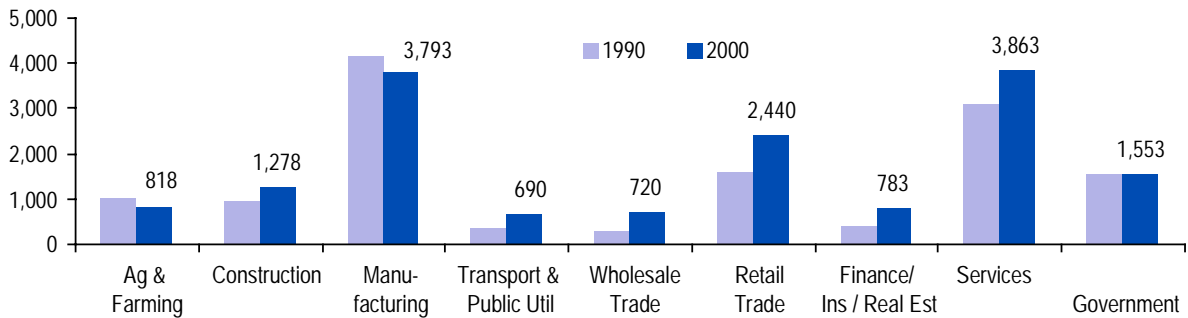
- 1985 marked the first year manufacturing employed more people than service-related industries (Services, FIRE, Retail, and Wholesale Trade).
- During the following 10 years, shares of total employment stayed relatively flat between the two. In the mid-1990s, manufacturing employment began to decline and employment in the service-related industries grew.
- 1995 was the height of manufacturing employment, during which the industry employed 4,900 people. By 2000, the industry had lost a net 1,000 jobs. During the same period, service-related industries gained 1,700 jobs.

Industry Shift, 1970 - 1999



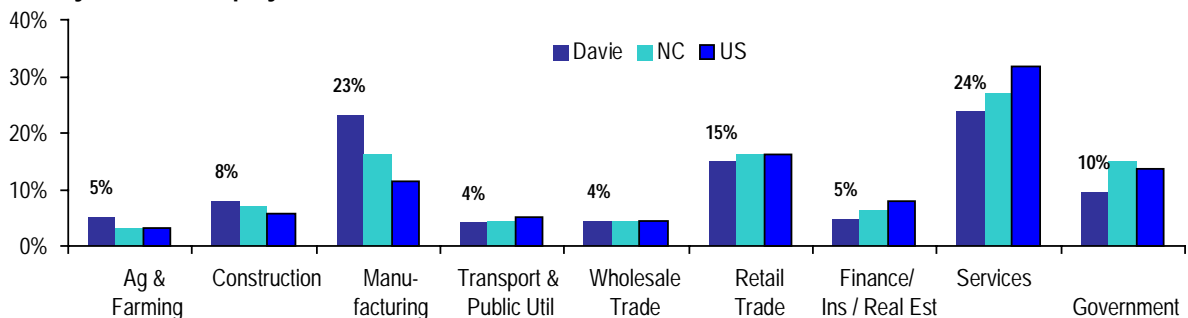
Source: U.S. Bureau of Labor Statistics; AngelouEconomics

Employment by Industry



Source: Bureau of Economic Analysis; AngelouEconomics

Industry Share of Employment, 2000



Source: Bureau of Economic Analysis; AngelouEconomics

INDUSTRY SPOTLIGHTS

Agriculture

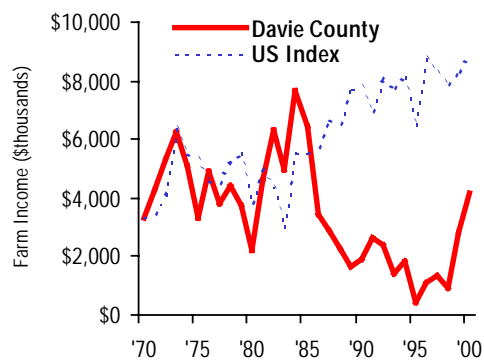
Farm Incomes in Davie County have been highly volatile.

- Tobacco farming in the county has suffered huge losses. In 1998, tobacco brought in \$1.8 million to county farmers; by 2000 this figure was cut in half.
- Income from milk also declined by \$880,000 during this time. Poultry & eggs has been leading all other commodities in gains, increasing from \$1.3 million to \$3.4 million during these 3 years.

In recent years, Vinifera grapes have been promoted in the region as a cash crop replacement for tobacco.

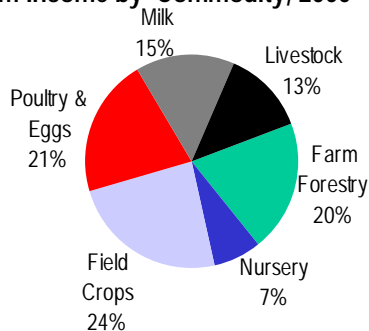
- The Yadkin Valley has recently received national attention and was named an American Viticulture Area by the U.S. Bureau of Alcohol, Tobacco, and Firearms.
- The wine industry has served to unite agriculture with the regional tourism industry, spurring such economic development efforts as the Yadkin Valley Wine Trail..

Farm Incomes, 1970 - 2001



Source: U.S. Bureau of Economic Analysis; AngelouEconomics

Farm Income by Commodity, 2000



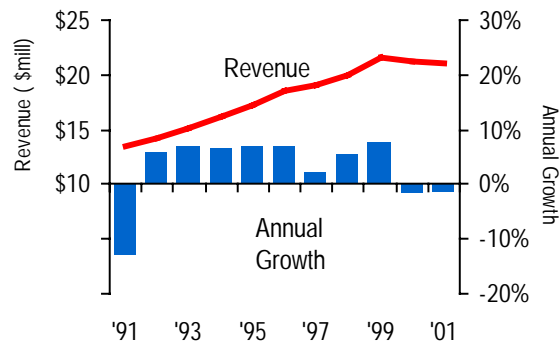
Source: NC Cooperative Extension

Tourism

Tourism in Davie County is largely undeveloped.

- According to the North Carolina Department of Commerce, revenues from tourism had been steadily increasing leading up to 1999 when it reached \$21.6 million; annual revenue growth rates were averaging 6 percent.
- However, tourism region-wide fell sharply in 2000, leading to two years of falling revenues in Davie County.

Revenue from Tourism, 1991 - 2001



Source: NC Dept of Commerce

With relatively few visitor activities within Davie County, the area does not attract many extended stay vacationers.

- Most of the attractions within the county are also highly seasonal, causing tourism impacts within the county to be small.

Davie County lies in the Heartland Region of North Carolina.

- The majority of visitors to the region are middle-aged families. The average visitor head of household is 45 years old. 64 percent are married, and roughly a third still have children living at home.

General Manufacturing

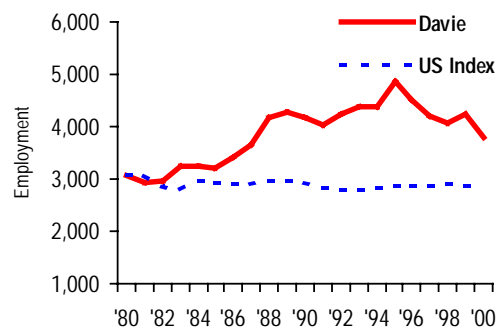
Davie County has traditionally been the home of very large manufacturers.

- Within manufacturing, textiles (mostly apparel) and furniture account for most of the county's employment.
- These sectors accounted for 74 percent of total manufacturing in 1995 and 67 percent in 2000.

Despite the recent layoffs and closings, manufacturing within Davie County grew substantially from 1985 to 1995, bucking national trends.

- With such a heavy concentration in textiles and furniture, however, this trend is not likely to continue.

Manufacturing Employment, 1980-2000

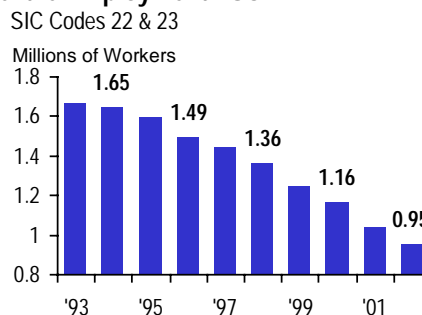


Source: US Bureau of Labor Statistics

Outlook for the Textile Industry

The U.S. textile industry is in the midst of a crisis. While the industry has been under pressure from international competitors for some time, the Asian financial crisis of 1997 has severely weakened American producers' pricing power. As Asian currencies devalued in 1997 and 1998, products manufactured in those countries became less expensive to American and European markets. Today, six years later, Asian currencies are still trading 40 percent lower than in 1996 and the average price of Asian textile products is one third lower.

Textile Employment - US

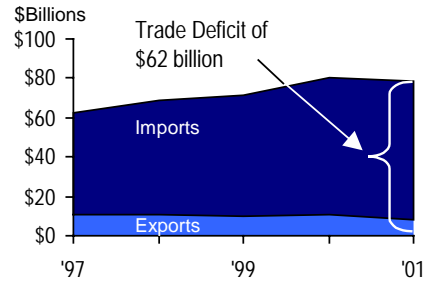


Source: Bureau of Labor Statistics

As a result of this pricing pressure, the U.S. textile industry has responded with investments in labor-saving technology and severe cutbacks in employment. Industry employment, measured by SIC codes 22 & 23, has fallen by over 700,000 in the last decade, and America's textile trade deficit increased by over 50 percent as the American market was flooded with cheap imports. The situation is likely to worsen. New multilateral and bilateral trade agreements are further lowering barriers to trade and will expose the domestic industry to additional competitors.

Textile Trade - US

NAICS Codes 314 & 315



Source: International Trade Administration

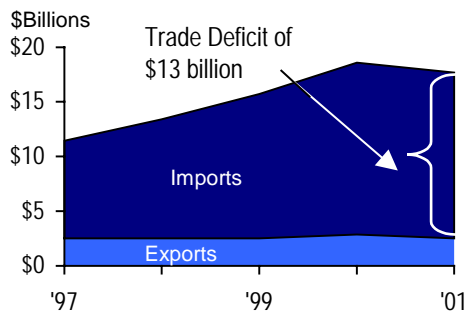
Outlook for U.S. Furniture Manufacturers

Furniture Production

The domestic furniture industry has come under pressure from overseas producers in recent years. Even after accounting for high shipping costs, overseas producers still have significant advantages over American producers due to low wage rates and raw material costs. To compete, many American manufacturers are closing domestic factories and moving production overseas.

Furniture Trade - US

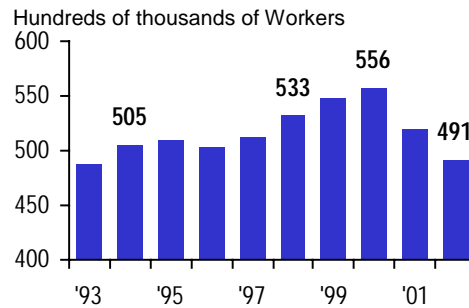
NAICS Codes 337



Source: International Trade Administration

Furniture Manufacturing Employment - US

SIC Codes 25



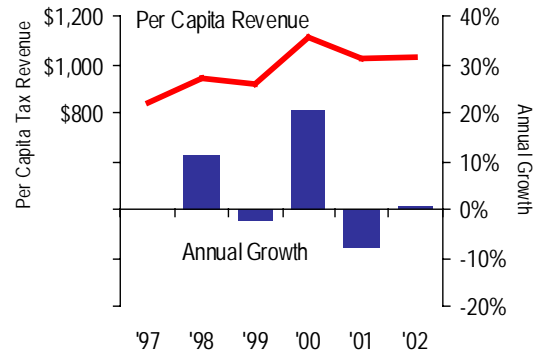
Source: Bureau of Labor Statistics

FISCAL TRENDS

The economic downturn has hit the entire state of North Carolina hard. The State and County governments are struggling to balance budgets often at the expense of providing services. During the past two fiscal years, the State has either reduced or denied reimbursements from the inventory and intangibles taxes.

In response to this reduction in State funds, counties have been permitted a half-cent local-option sales tax, which every county in North Carolina adopted.

Davie County Per Capita Tax Revenue



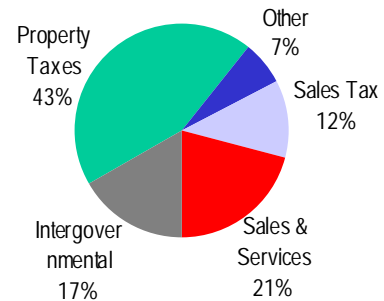
Source: NC State Treasurer; AngelouEconomics

Tax Revenue

With the passing of the local-option sales tax, retail sales will become increasingly important.

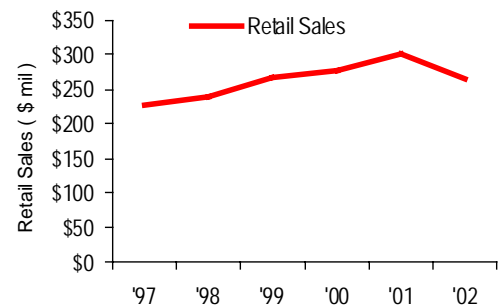
- Retail sales, however, are highly volatile and susceptible to economic conditions. Sales tax revenue is largely unpredictable and offers less control than property taxes.
- After growing for 5 continuous years, retail sales in Davie County fell 12 percent in 2002.

Tax Revenue by Source, 2002



Source: NC Dept of State Treasurer

Retail Sales, 1997 - 2002

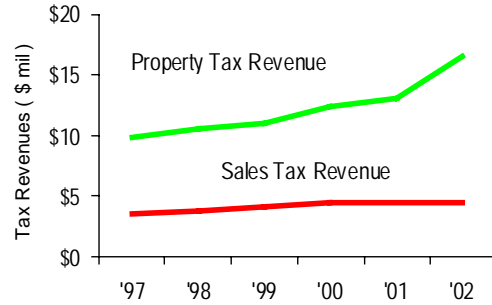


Source: NC State Treasurer, NC Dept of Revenue

Property taxes are the largest source of county revenue, making up 43 percent of all revenues.

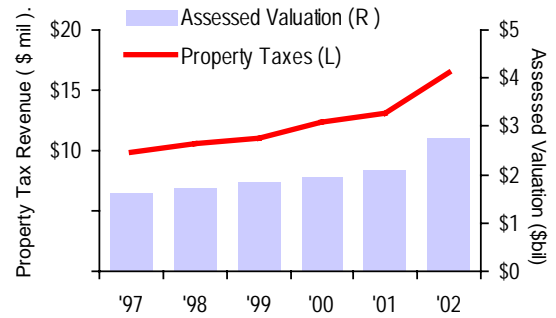
- During a complete reassessment in 2001, property values increased 33 percent. This allowed property tax rates to be lowered by 4 cents per \$100 valuation.

Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

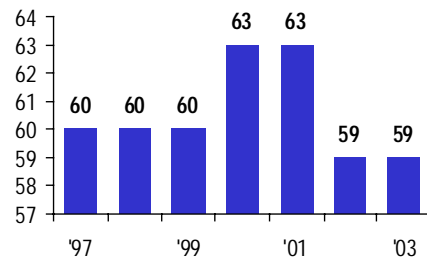
Revenue from Property Tax, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Property Tax Rates

Cents per \$100 Valuation



Source: NC Dept of Revenue

NEXT STEPS

The national and regional economic downturn has hit the entire state of North Carolina. Many of the counties that are part of the Northwest North Carolina CEDS Project have been severely impacted by NAFTA, lower trade tariffs, and the national transition from a manufacturing economy to a service economy.

A majority of the cities in the 8-county region are what some refer to as traditional “company towns” – where large companies, such as R.J. Reynolds, would historically provide parks, golf courses, and leadership to the community. The downsizing of the traditional manufacturing base has literally created a void in corporate leadership as well as a decline in funding for community improvements.

This *Economic and Demographic Assessment* is the first step for the counties and consulting team in understanding the total impact that the changing economy is having on the region. Our next step will be to provide a **SWOT** report for each county – providing an overview of the key **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats from an economic development perspective. This SWOT report, combined with the *Economic and Demographic Assessment* will form the basis from which the consulting team will develop key strategies to support economic growth and transition the counties from traditional industries of yesterday to sustainable economies of tomorrow.