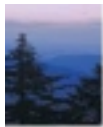


# Northwest North Carolina Comprehensive Economic Development Strategy



*Looking toward the future*

Northwest North Carolina CEDS

---

## Economic and Demographic Assessment

### Forsyth County

May 2003

## Forsyth County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Forsyth 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](http://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.

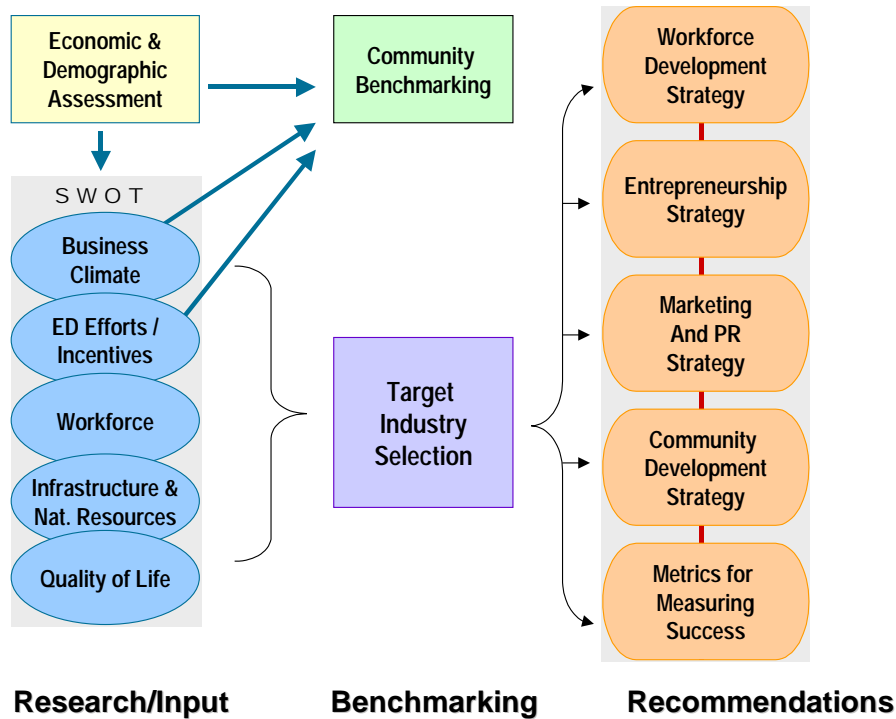
Angelos Angelou, Principal  
Amy Holloway, Vice President for Economic Development  
Chris Engle, Vice President and Senior Analyst  
Sean Garretson, Project Manager  
Travis Warziniack, Research Manager

**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 Forsyth 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 Forsyth County's competitive strengths relative to its peers.

## INTRODUCTION

Forsyth County had approximately 315,000 residents in 2002, with over 60 percent of the county population residing within Winston-Salem’s city limits. The County’s population has grown moderately throughout the last decade, though some of the smaller municipalities were among the fastest growing in the state.

The demographics of Forsyth County continue to change in ethnic make-up and age. The county is now home to a growing Hispanic community. Making up less than one percent of the population in 1990, Hispanics now account for 6 percent of Forsyth County residents. The county is also losing some of its younger workforce. The percentage of 25-44 year olds fell while the percentage of people in the older age groups increased.

### Forsyth County at a Glance

Population, 2002	<b>314,700</b>
Net New Population, 90-00	40,189
% Change, 90-00	15.1%
% of Adults with a Bachelor's Degree or higher	28.7%
% of Private Sector Workforce in Manufacturing	13.4%
Median Household Income	\$42,000
Median Home Value	\$114,000
Private Sector Jobs	177,800
Total Private Sector Payroll	\$5.8 billion
Avg. Private Sector Salary	\$32,500
Avg. Manufacturing Salary	\$36,800
Avg. Professional Industry Salary	\$55,564

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

Forsyth County is largely the economic engine for the surrounding rural counties. High commuter numbers into the county demonstrate this fact. More than 10,000 people commute in from both Davidson and Stokes Counties. These commute patterns also show that people are choosing to live out in the rural counties and work in Forsyth.

Over the last decade the structure of this regional engine has been changing. Textiles and tobacco, while still major employers, have begun to decline. New growth in health services and biomedical have spread throughout the county and will likely shape the future of the larger region. County leadership must continue to aggressively explore new target industry opportunities that will achieve balance and diversity for the county long-term.

## DEMOGRAPHICS

### Population Growth

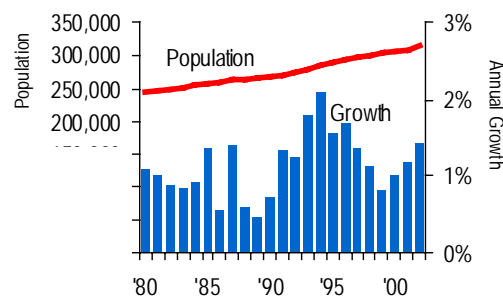
Forsyth County has seen moderate population growth over the past 20 years.

- Forsyth County is now home to an estimated 315,000 people, adding nearly 40,000 people in the '90s.
- Walkertown, Clemmons, and Lewisville were three of the fastest growing municipalities in the state.
- The Greensboro-Winston-Salem-High Point MSA grew 33 percent during the same period.
- The State Demographics Office projects the county population to grow to 347,000 by 2010 and 390,000 by 2020.

Historically, Forsyth's in-migration has been tied to economic performance and fell dramatically in the late 1990s.

- During the early 1990s, with an increase in employment opportunities within the county, over half of the population growth was attributed to migration, over 2,000 new people each year on average.
- In the late 1990s, natural growth (births minus deaths) accounted for a larger percentage of population growth.
- Forsyth County is losing some residents to its more rural neighbors. Those moving out of the county are generally wealthier than those moving in. The median income of those moving out is \$1,500 higher than that of those moving into the county.

Population Growth, 1980-2002

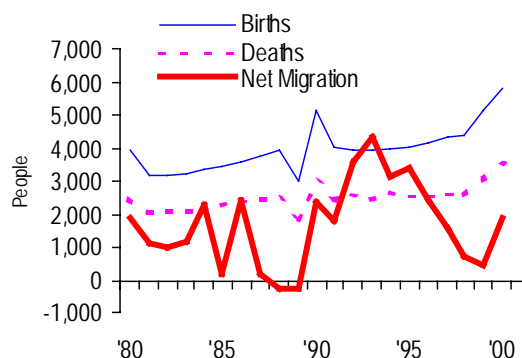


Source: US Census Bureau

### Population Breakdown

	Population, 2000	% Growth 1990-2000
Forsyth	306,067	15.12%
Kernersville	17,126	58.05%
Walkertown	4,009	234.08%
Winston-Salem	185,776	29.47%
Clemmons	13,827	129.68%
Lewisville	8,826	175.30%
Bethania	354	n/a
Tobaccoville	2,209	n/a
Rural Hall	2,464	49.15%

### Components of Population Change



Source: U.S. Census Bureau

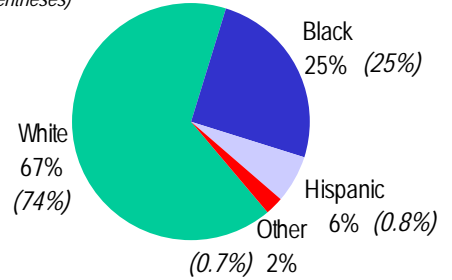
### Ethnic Composition

Though the population of Forsyth County is largely White, there is a significant Black population and a growing number of Hispanics in the community.

- In 2000, whites comprised approximately 67 percent of the population. This is down from 74 percent in 1990.
- The Hispanic population is now over 18,000 people, up from 1,900 in 1990.
- While still below the national average of 12.5 percent, Hispanics now make up 6 percent of the county.
- Many of the Hispanics living in the community are part of a regional trend of migrant workers choosing to stay in the area.
- Because of this, as many as 3,000 of Forsyth County’s Hispanics are foreign born. This is a much lower percentage than Forsyth’s more agriculture-dependent neighbors.
- The U.S. Department of Health and Human Services estimates that there are over 1,200 migrant workers and their families in the county. This is less than half the number found in rural Stokes County to the north.

### Racial Composition, 2000

(1990 values in parentheses)



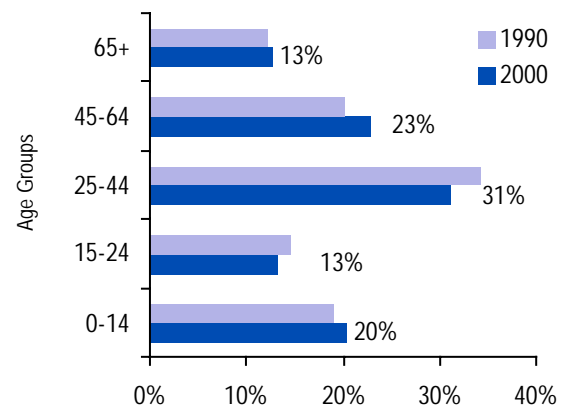
Source: U.S. Census Bureau

### Age Breakdown

Forsyth County’s population is well represented in all age groups, but has seen a decline in the number of citizens in the critical 25-44 age group.

- The median age of Forsyth County residents is 36; this is one year older than both the national and North Carolina median age of 35.
- The median age is projected to remain in the 36 to 37 range through 2015.
- People between the ages of 25 and 44, a critical demographic for economic growth,

### Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

makes up 31 percent of Forsyth County residents, down from 34 percent in 1990.

- The percentage of persons aged 65 and older has essentially stayed the same, at 12 percent.

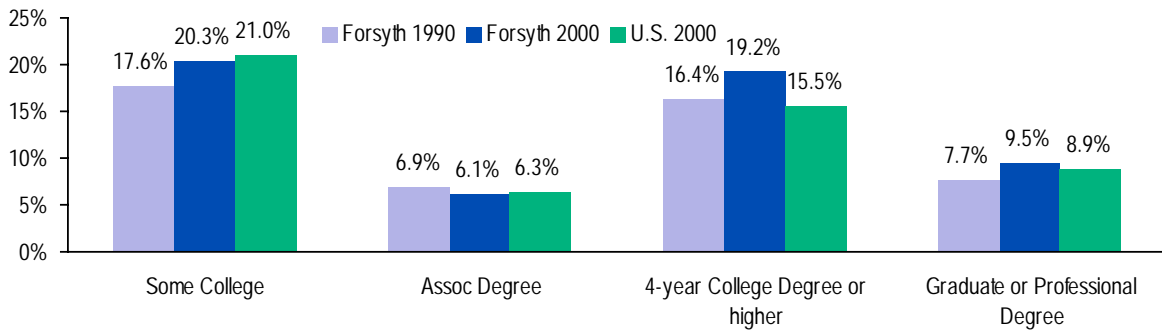
### Education

Forsyth County has excellent educational attainment ratings.

- The county outpaces the national average in the percentage of the population with a Bachelors degree or higher, 19.2 percent versus 15.5 percent for the U.S.
- The percentage of adults with some college has increased nearly 3 percentage points since 1990.

### Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

### Commuting Patterns

A size number of workers commute into Forsyth from the surrounding counties.

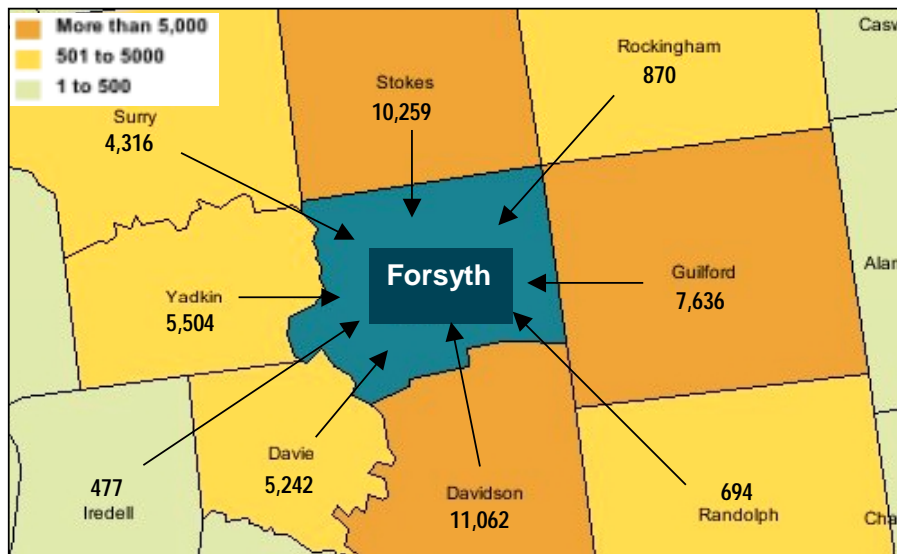
- The largest group of commuters lives in Davidson County and Stokes County. Over 10,000 people commute into Forsyth from each of these counties everyday.
- More and more people are choosing to live in the rural counties and commute in for their jobs, as seen by the declining net migration numbers.
- Those commuting in to the county are able to find professional jobs lacking in many of the surrounding communities.

### Commuting Patterns, 1990 vs. 2000

People	1990	2000
<b>Working in Forsyth</b>	<b>154,709</b>	<b>170,211</b>
Live & work in Forsyth	113,654	119,233
Live elsewhere & work in Forsyth	41,055	50,978
% workforce commuting in	27%	30%
<b>Live in Forsyth &amp; work elsewhere</b>	<b>20,337</b>	<b>28,605</b>
% resident workers commuting out	15%	19%

Source: US Census Bureau

Persons Commuting into Forsyth County for Work, 2000



Source: U.S. Census

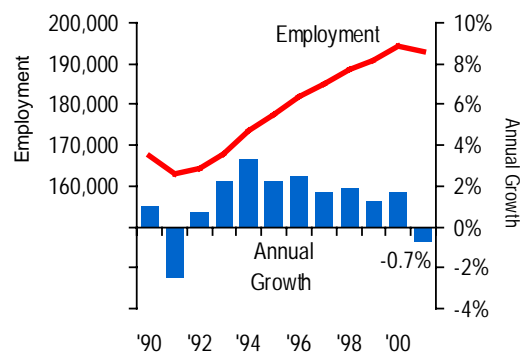
## ECONOMIC TRENDS

### Employment & Wages

Forsyth County's employment has mirrored the national picture, rising rapidly throughout the 1990s and struggling through 2001 and 2002.

- Wage and Salary Employment fell slightly in 2001 as the county lost 1,700 jobs.
- Even after the current economic downturn, Forsyth County has added over 25,000 jobs since 1990.

Wage & Salary Employment, 1990 - 2001

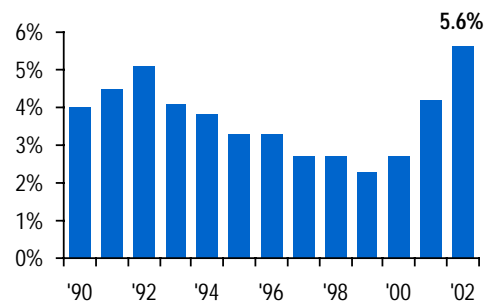


Source: Employment Security Commission of NC

As a result of falling employment levels, unemployment has been rising quickly.

- The yearly unemployment average has been steadily rising, reaching 5.6 percent in 2002.
- These figures are exacerbated by the continued population growth in Forsyth County. It may be that unemployed workers from throughout western North Carolina relocate to Forsyth looking for work. The county needs to create new jobs just to maintain its unemployment rate.
- Urban centers such as Forsyth are now tasked with creating jobs for its current population as well as those people relocating from more distressed areas.

Unemployment Rate, 1990-2002



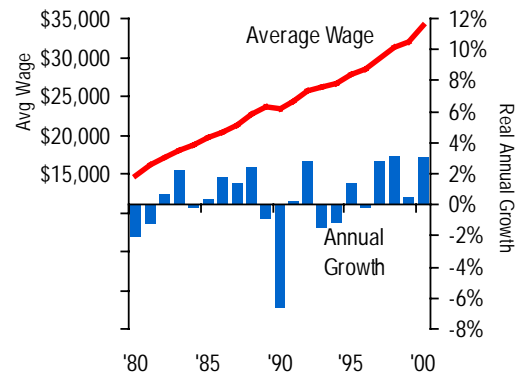
Source: Employment Security Commission of NC

FORSYTH COUNTY

While the average wage has risen consistently over the last two decades, it has barely outpaced inflation.

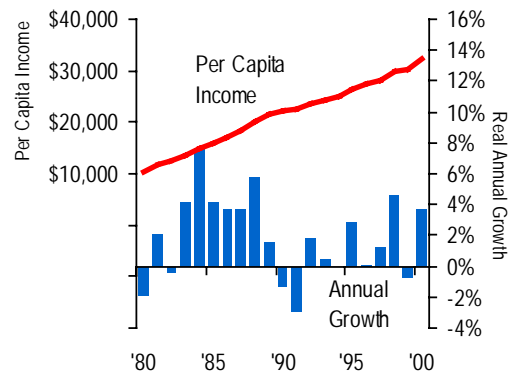
- Real per capita income has outperformed wages, increasing significantly over the past 20 years, even after adjusting for inflation.
- Forsyth County made rapid gains in per capita income during the 1980s.
- As wage growth slowed fell in the early 1990s, growth in per capita income followed suit, but rarely becoming negative.
- While all industries pay above average for the region, construction, manufacturing, and FIRE jobs pay considerably above average wages.

Average Wage, 1980 - 2000



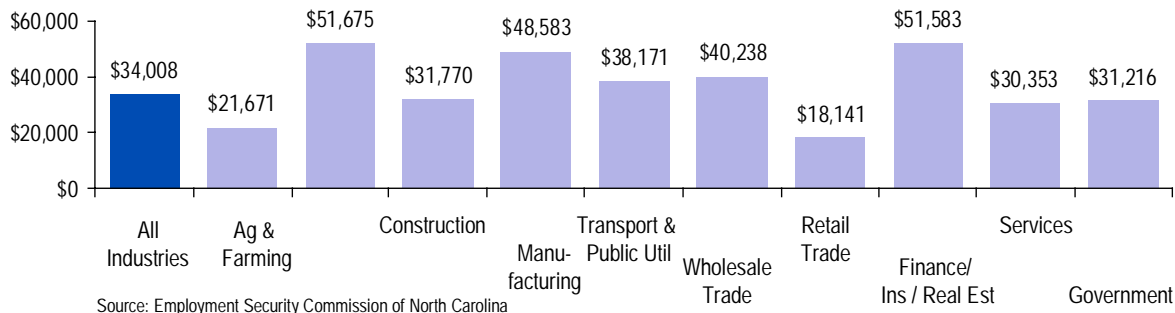
Source: Bureau of Economic Analysis; AngelouEconomics

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000

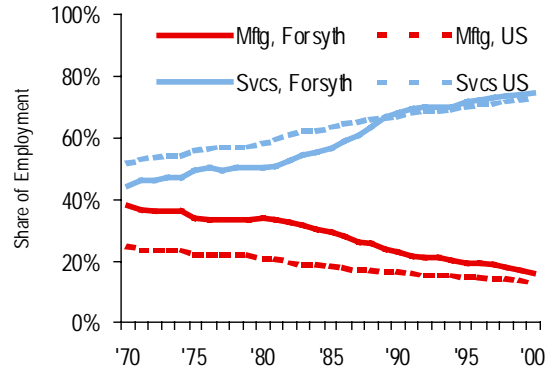


Source: Employment Security Commission of North Carolina

The industrial make-up of Forsyth County is now very similar to nation.

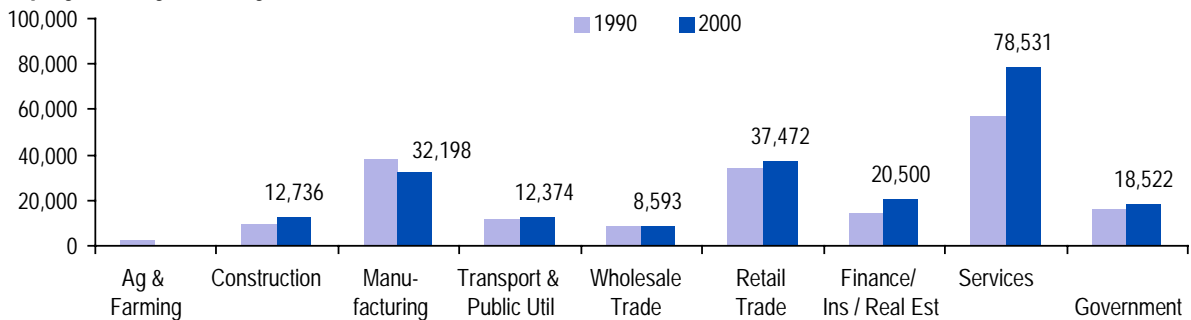
- Throughout the 1990s, manufacturing lost 5,600 jobs; the service sector, on the other hand, gained 21,200 jobs. Much of this has been due the growth in health services, which employed 23,000 people in 2002.
- This industry shift has paralleled the national economy as many manufacturing jobs are moved to lower wage environments.
- Agriculture & farming and manufacturing were the only sectors in Forsyth County to lose jobs in the 90s.

Industry Shift, 1970 - 2000



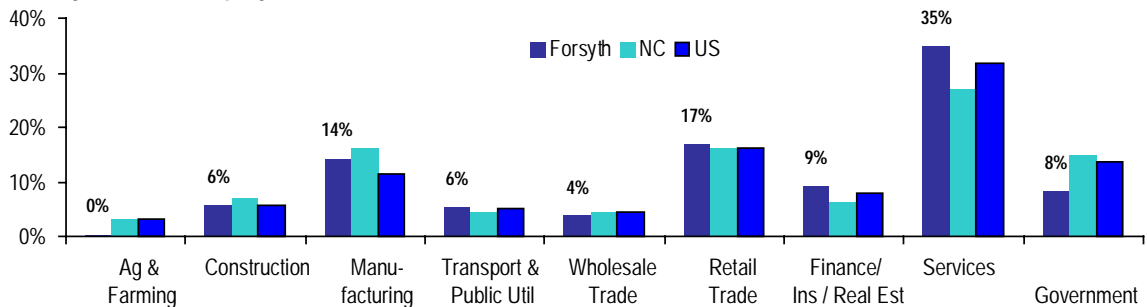
Source: U.S. Bureau of Labor Statistics; AngelouEconomics

Employment by Industry



Source: Bureau of Economic Analysis; AngelouEconomics

Industry Share of Employment, 2000



Source: Bureau of Economic Analysis; AngelouEconomics

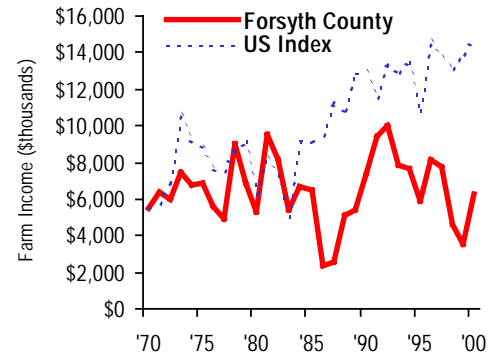
## INDUSTRY SPOTLIGHTS

### Agriculture

Forsyth County agriculture industry plays a small role in the economy.

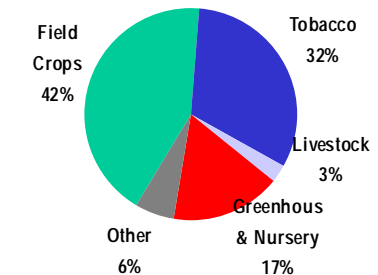
- Not only is the largest farm commodity tobacco, but the county is also home to R.J. Reynolds Tobacco Company, which manufactures much of its cigarettes in the area.
- Due to its heavy dependence on tobacco, farm incomes in Forsyth County were outperformed by farm incomes throughout the rest of the U.S.
- Forsyth County's urban setting does not lend itself to large tracts of farmland, and agriculture employs fewer people than any other industry in the county.

Farm Incomes, 1970 - 2001



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

Farm Income by Commodity, 2000



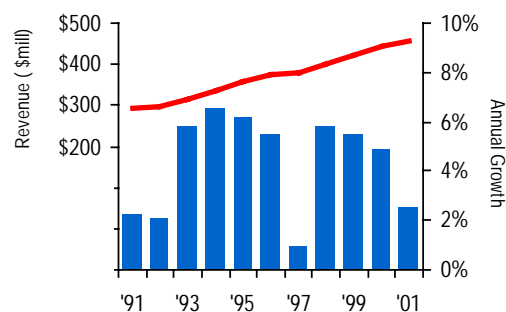
Source: NC Cooperative Extension

## Tourism

Tourism has been an important and growing part of the Forsyth County economy.

- According to the North Carolina Department of Commerce, tourism brought in over \$455 million in direct revenue to Forsyth County in 2001.
- While growth slowed a bit in 2001, these revenues put Forsyth County 6<sup>th</sup> among all North Carolina counties in tourism dollars.
- As an industry, tourism employs over 6,000 people in the county, mostly in restaurants and hotels. These tend to be low-wage positions, averaging \$16,700 in 2001.

Revenue from Tourism, 1991 - 2001



Source: NC Dept of Commerce

FORSYTH COUNTY

**General manufacturing**

Manufacturing has a long history in Forsyth County, but employment in this industry has been rapidly falling.

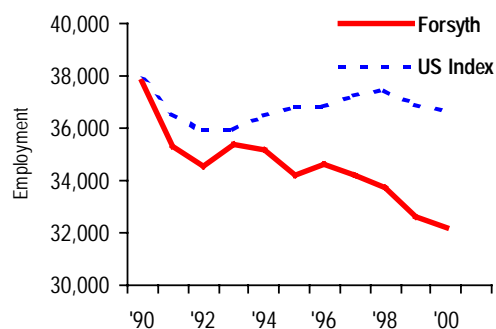
- The industry lost 2,200 jobs between 1995 and 2000.
- In 1995, tobacco and textiles accounted for 51 percent of total manufacturing employment. By 2000, these sectors only accounted for 46 percent of employment.
- Not only is the industry dominated by two sectors, it is largely dominated by two companies. R.J. Reynolds, Sara Lee, and their related companies employ most of the manufacturing workers in the county.
- These two industries have suffered layoffs in recent years: 1,500 tobacco and textile workers have lost their jobs since 1997.

*Outlook for the U.S. 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% lower than in 1996 and the average price of Asian textile products is one third lower.

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

**Manufacturing Employment, 1990-2000**

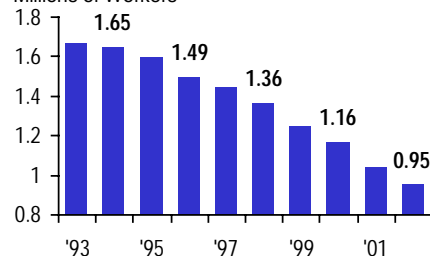


Source: US Bureau of Labor Statistics

**Textile Employment - US**

SIC Codes 22 & 23

Millions of Workers

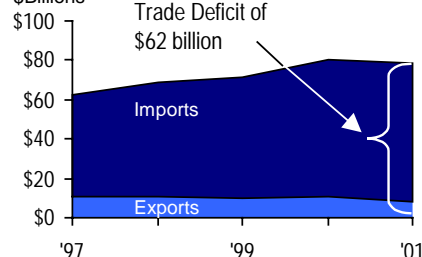


Source: Bureau of Labor Statistics

**Textile Trade - US**

NAICS Codes 314 & 315

\$Billions



Source: International Trade Administration

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.

*Outlook for U.S. Tobacco Industry*

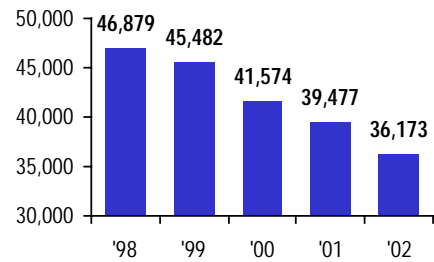
Falling domestic consumption, mounting legal burdens, and increased international competition have weakened the U.S. tobacco industry. Tobacco companies have significantly increased prices to pay for the industry's settlement with governments, which has accelerated the decline in domestic consumption.

During the 1980s and early 1990s, tobacco companies offset the decline in U.S. consumption with increased exports, but those have fallen considerably over the last few years as the dollar has strengthened, making their product more expensive overseas. All of these factors have led to a 20 percent reduction in the industry's workforce and a 30 percent decline in raw tobacco output in just the last 5 years.

The long-term outlook for the domestic tobacco industry is not expected to improve.

**Tobacco Employment - US**

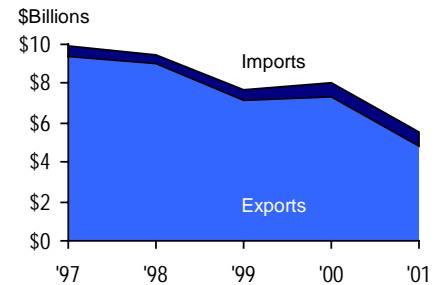
SIC Codes 0132 & 21



Source: Bureau of Labor Statistics

**Tobacco Trade - US**

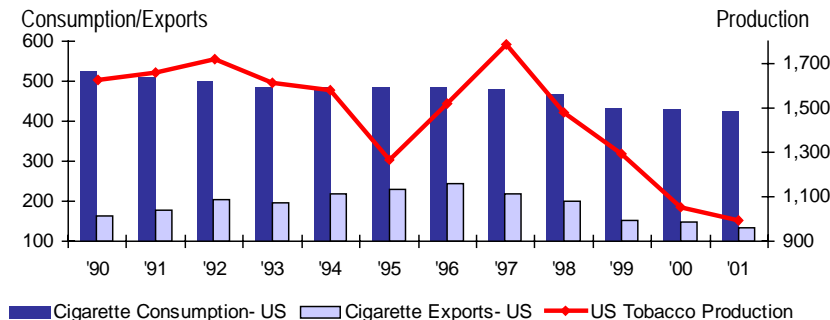
NAICS Codes 3122 & 31221



Source: International Trade Administration

**Tobacco Market- US**

Millions of Pounds



Source: Economic Research Service-USDA

## Healthcare and Biotechnology

Forsyth County has a vibrant and growing healthcare industry with multiple research hospitals, a well-regarded post-secondary education system, and many private healthcare and biotech research firms.

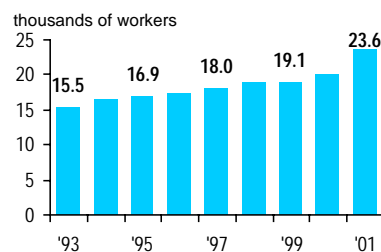
- The healthcare industry currently employs 24,000 in Forsyth County.
- Forsyth County's healthcare industry has mirrored the national picture, growing considerably in recent years – approximately 50 percent in the last 10 years.
- 14 colleges in the Forsyth area offer more than 40 degree programs related to healthcare and biotechnology, ranging from two-year nursing degrees to a biomedical engineering program at Wake Forest.
- New technology startups such as Targacept are leading the region toward new growth opportunities in biotechnology.

### *Outlook for the U.S. Biotechnology Industry*

As the U.S. population ages, the demand for health services has increased rapidly. A new biotechnology sector has emerged to develop new medicines and techniques to serve this growing and affluent population. Biotechnology employment more than doubled in the last 10 years and is expected to grow at least that fast in the next decade.

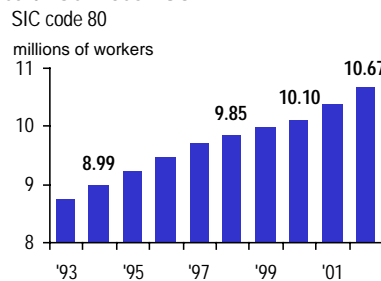
Forsyth County is well poised for continued expansion of its biotechnology and healthcare sectors.

Healthcare – Forsyth County



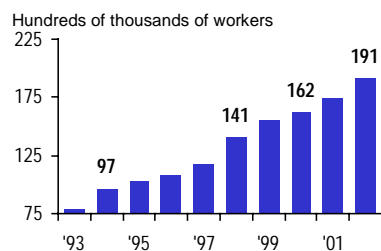
Source: NC Employment Security Commission  
 \*2001 reflects a slight revision in industry definition due to NAICS, causing an artificial spike in the data

Health Services - US



Source: Bureau of Labor Statistics

Biotechnology - US



Source: Ernst and Young; BIO

## 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. For Forsyth County, this amounted to a revenue reduction of \$7.5 million in the 2002-2003 budget year.

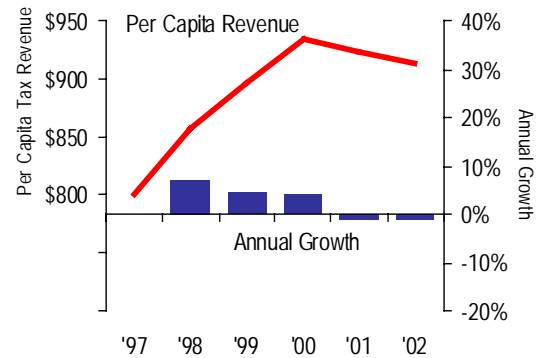
In response to this reduction in State funds, counties have been permitted a half-cent local-option sales tax, which every county in North Carolina adopted.

### Retail Sales

The new local-option sales tax relies on retail sales within the county, which were flat in 2002.

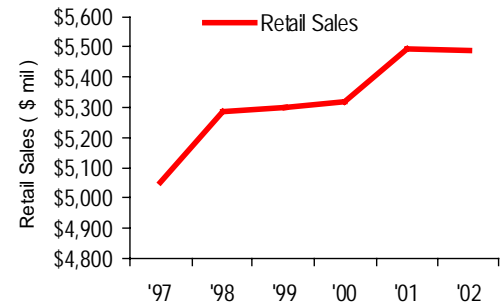
- In general, retail sales are unpredictable making sales tax a less dependable source of government revenue.
- They also make up a fairly small portion of total revenues; sales tax brought in 13 percent of all Forsyth County revenues in 2002.

Forsyth County Per Capita Tax Revenue



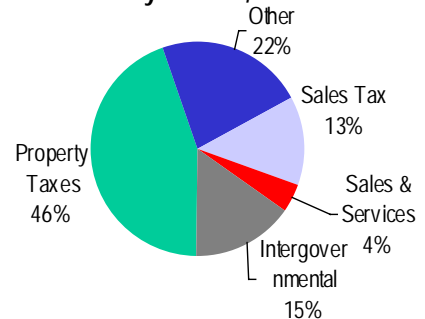
Source: NC State Treasurer; AngelouEconomics

Retail Sales, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Tax Revenue by Source, 2002



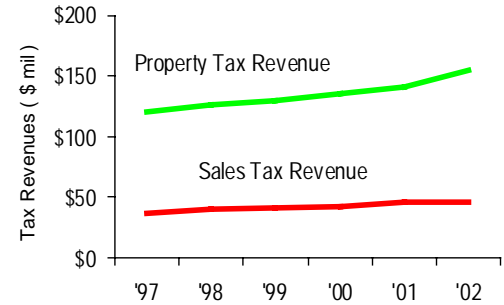
Source: NC Dept of State Treasurer

FORSYTH COUNTY

Property taxes bring in much more money to the county.

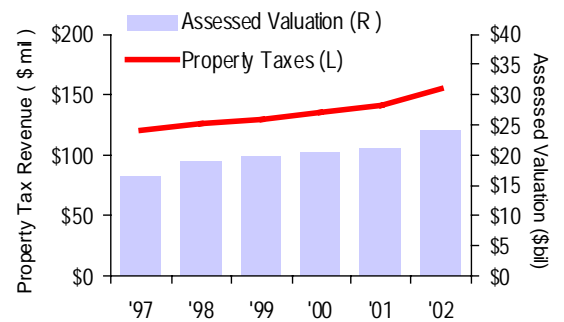
- 46 percent of all revenues come from property taxes.
- Due to steady increases in assessed valuation, tax revenues have continued to climb.
- Countywide reassessments in 1997 and 2001 allowed tax rates to be lowered in the following years.
- However, due to recent budget problems, rates are now higher than they were in 1998.
- With increases in both assessed valuation and rates, property owners are faced with a much higher tax bill.

Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

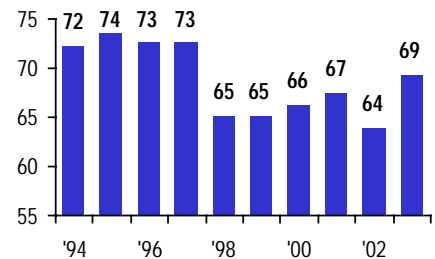
Revenue from Property Tax, 1997 - 2002



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 **Strengths**, **Weaknesses**, **Opportunities**, and **Threats** 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.