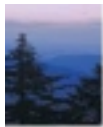


Northwest North Carolina Comprehensive Economic Development Strategy



Looking toward the future

Northwest North Carolina CEDS

Economic and Demographic Assessment

Rockingham County

May 2003

Rockingham County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Rockingham *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.

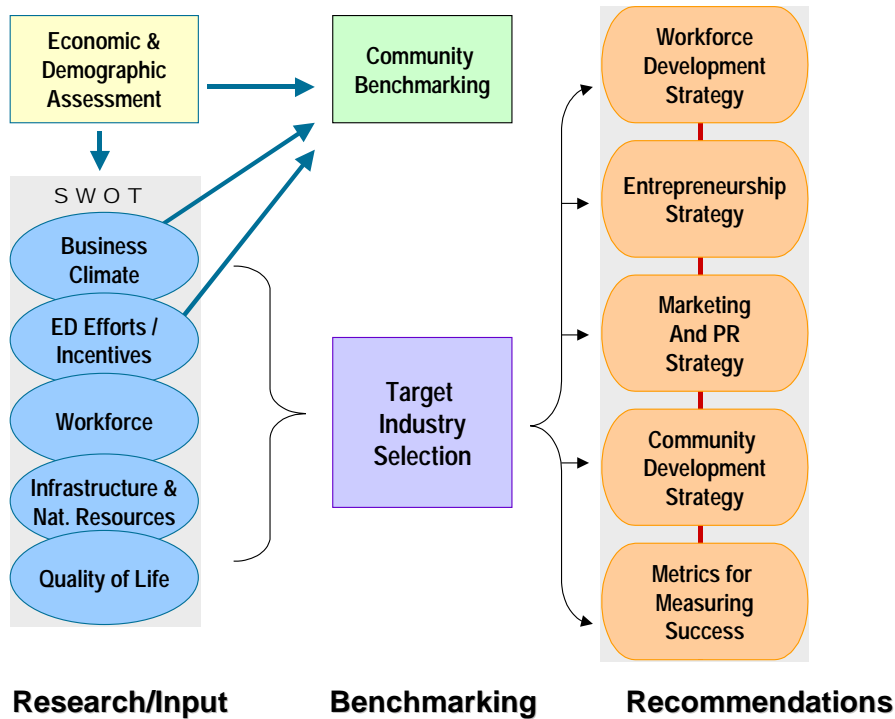
Angelos Angelou, Principal
Amy Holloway, Vice President for Economic Development
Chris Engle, Vice President and Senior Analyst
Sean Garretson, Project Manager
Travis Warziniack, Research Manager

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 Rockingham 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 Rockingham County's competitive strengths relative to its peers.

INTRODUCTION

Rockingham County's population increased slightly from 86,000 in 1990 to 92,000 in 2000. At 7 percent, this is one of the slower growth rates in Northwest North Carolina.

Rockingham County's population is ethnically diverse, with approximately 19 percent of the population being Black and 3 percent of the population Hispanic. This diversity is expected to increase.

Rockingham County's median age is above that of North Carolina's, but comparable to that of many of the surrounding counties. However, population trends indicate that the median will continue to grow, reaching 42 by 2015. Statistics show that the county is losing people in the middle age groups, namely people from 15 to 44 years of age. The largest population increases are among the 45-64 age group.

Rockingham County at a Glance

Population, 2002	93,000
Net New Population, 90-00	5,864
% Change, 90-00	6.8%
% of Adults with a Bachelor's Degree or higher	10.8%
% of Private Sector Workforce in Manufacturing	41.9%
Median Household Income	\$33,700
Median Home Value	\$81,400
Private Sector Jobs	27,700
Total Private Sector Payroll	\$702.5 million
Avg. Private Sector Salary	\$25,300
Avg. Manufacturing Salary	\$30,400
Avg. Professional Industry Salary	\$25,169

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

Rockingham has been hit harder than other counties in northwest North Carolina by the transition from an old economy, based on traditional manufacturing and farming, to a new service-oriented economy. High paying manufacturing jobs are being replaced with service jobs paying much less and offering fewer benefits. However, health services in Rockingham County are also growing. To the extent that this segment is able to develop, the average wage can be expected to continue to increase.

Educational attainment will be a critical issue for Rockingham during this transition. The county made significant strides in the percentage of residents with a college background. As of yet, the percentage actually attaining Bachelor's degrees still lags the national average quite considerably.

Rockingham County has a tremendous amount of tourism assets that have just begun to be utilized. Tourism revenue has increased from approximately \$30 million in 1991 to \$49 million in 2001. County leadership must now explore new opportunities for balanced economic growth long-term.

DEMOGRAPHICS

Population Growth

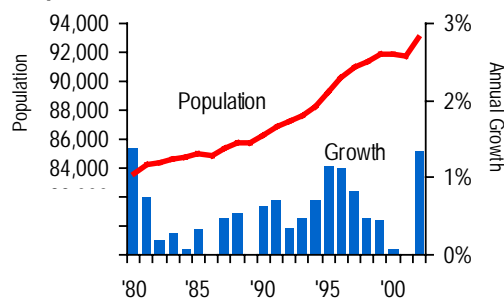
Despite slow growth during the 1990s, Rockingham County remains the most populous rural county in Northwest North Carolina.

- During the 1990s, the Greensboro-Winston-Salem-High Point MSA grew 33 percent.
- Rockingham, during the same period, added 5,800 people, a 7 percent growth rate. Current estimates put county population above 93,000.
- Assuming population growth continues as it has in the past, the State Demographics Office projects county population to reach 97,000 in 2010 and 101,500 by 2020.
- Reidsville saw strong growth; most other municipalities, however, had negative growth during the 1990s.

With the MSA growing so rapidly, Rockingham County should be in a position to capture some of that growth.

- Through most of the 80s, more people moved out of the county than moved in. In-migration increased in the 90s and peaked in 1996, when a net 850 moved into the county.
- The largest group of people moving into the county is coming from Guilford County, as urbanites choose more rural settings. However, most of the flow out of Guilford County traditionally heads south into Davidson and Randolph Counties.
- With negative net migration, births alone cannot maintain the population base. The population of Rockingham County will shrink, something that has not happened since 1989.

Population Growth, 1980-2002

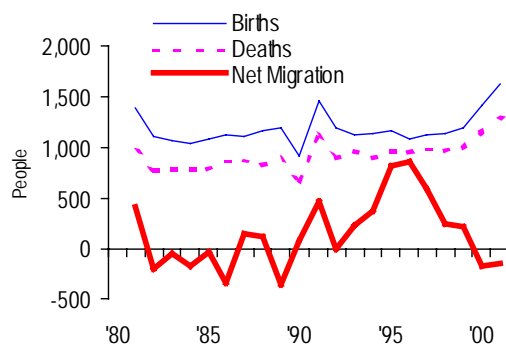


Source: US Census Bureau

Population Breakdown

	Population, 2000	% Growth 1990-2000
Rockingham	91,928	6.81%
Eden	15,908	4.40%
Stoneville	1,002	-9.65%
Mayodan	2,417	-1.59%
Madison	2,262	-5.20%
Wentworth	2,779	n/a
Reidsville	14,485	18.90%

Components of Population Change



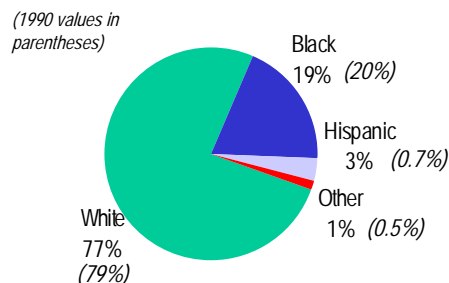
Source: U.S. Census Bureau

Racial Composition

Not only is Rockingham County more populous than surrounding rural counties, it is also more racially diverse.

- Rockingham County has a strong Black population, something that cannot be found in other rural counties in Northwest North Carolina.
- Despite its small share of total population, Rockingham County has a large Hispanic population. 2,400 Hispanics moved into the county between 1990 and 2000, and the U.S. Department of Health and Human Services estimates another 3,000 people (mostly Hispanic) live in the county with families of migrant and seasonal workers.
- **Diversity is a strength Rockingham County will be able to capitalize on in the future.**

Racial Composition, 2000



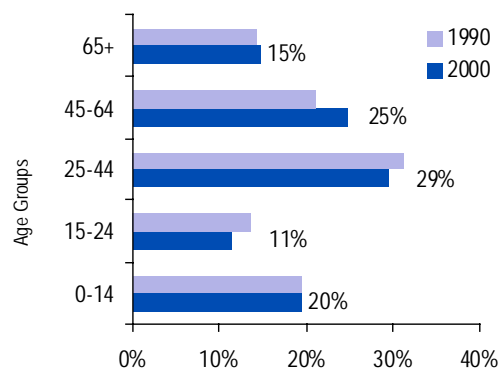
Source: U.S. Census Bureau

Age Breakdown

Rockingham County is losing its younger residents and the county's median age is rising.

- The median age of Rockingham County residents is 38.5, three and a half years older than both the national and North Carolina median age of 35. It is also 5 years older than the median age of minorities within the county.
- The median age is expected to slowly rise, reaching as high as 42 years old by 2015.
- During the 1990s, Rockingham County lost a large number of its residents between the ages of 15 and 44. The younger population often drives economic growth and must be fostered in the community.
- The largest percentage gain was in the number of people 45-64 years of age. This is generally a higher income stable group; however,

Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

countywide service needs will change as more people in this age group begin to retire.

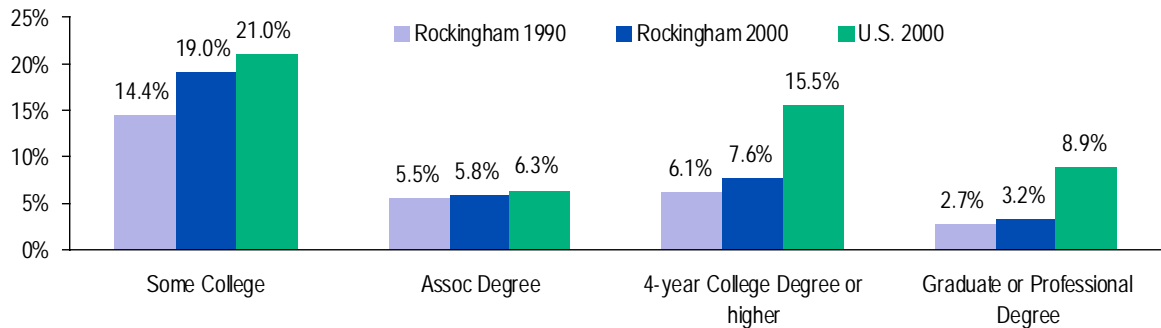
Education

Due to the availability of trade jobs in the past, few Rockingham County residents have sought out advanced education.

- The percentage of the population with some college and Associate’s degrees are near the national averages. These statistics reflect the importance of community colleges as a primary source of workforce training in the region.
- While gains have been made, attainment of higher degrees within the county is still lacking.
- As the importance of education is emphasized, these levels will continue to improve.

Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

Commuting Patterns

People commuting out of their county of residence has become a growing regional trend. About one in four people travel to another county for work. Thus, economic development is not only about attracting jobs into the area, but also providing an attractive place for people to live.

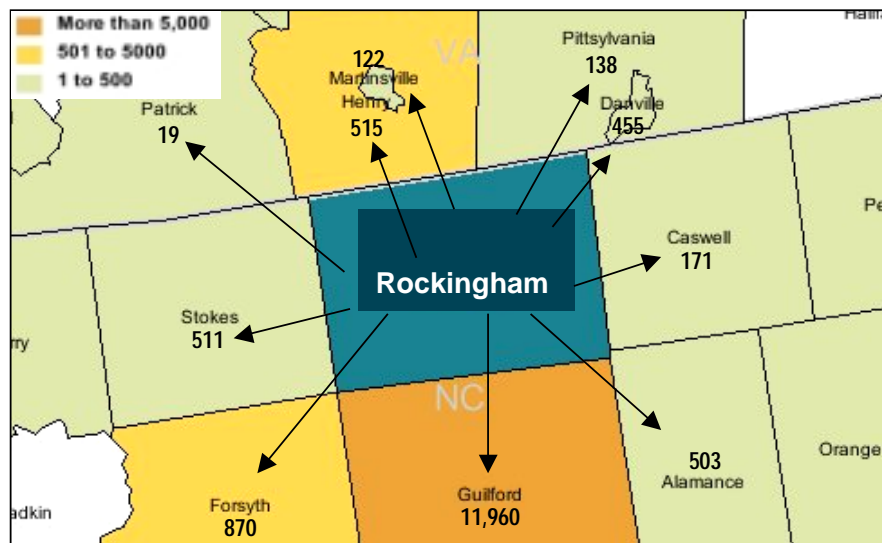
Commuting Patterns, 1990 vs. 2000

People	1990	2000
Working in Rockingham	36,080	33,935
Live & work in Rockingham	29,751	25,523
Live elsewhere & work in Rockingham	6,329	8,412
% workforce commuting in	18%	25%
Live in Rockingham & work elsewhere	12,089	16,115
% resident workers commuting out	29%	39%

Source: US Census Bureau

- In 2000, 39 percent of Rockingham resident workers traveled outside of the county for jobs.
- Many people choose to live in Rockingham County but work in Guilford County. Approximately 12,000 people, or three-fourths of county commuters, work in Guilford.
- A high number of residents commute across the state line to neighboring Danville and Martinsville.
- According to the Census, fewer people work in Rockingham today than in 1990. People living outside of Rockingham County fill a growing percentage of the jobs within the county.

Persons Commuting out of Rockingham County for Work, 2000



Source: U.S. Census

ECONOMIC TRENDS

Employment & Wages

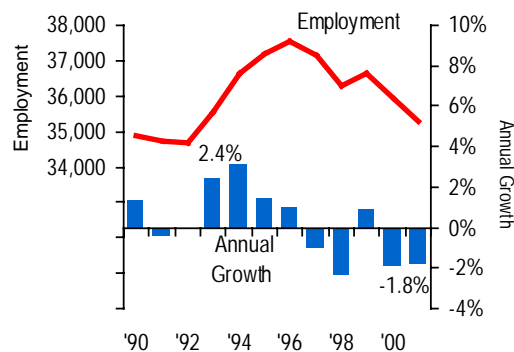
Several large manufacturers dominate the employment base in Rockingham County.

- With many plants employing several hundred people, openings and closings cause huge swings in countywide employment.
- Employment climbed in the mid-1990s with plant expansions and the addition of several large employers, including Ball Corp and BTR Sealing Systems.
- The late-1990s show the effect of large employers' layoffs.

Tough economic conditions beginning in the late-1990s forced many plant closings and layoffs, causing unemployment to rise.

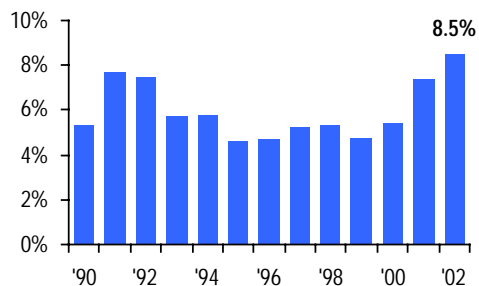
- Since 1995, plant closings led to the elimination of 4,000 jobs. Another 1,000 people were laid-off due to downsizing.
- 3,000 of these jobs were in the textiles industry.
- Many of these displaced workers have had trouble finding new jobs. Difficulties arise not only due to the current economic downturn, but also because of the non-transferability of textile manufacturing skills to "new economy" requirements.

Wage & Salary Employment, 1990 - 2001



Source: Employment Security Commission of NC

Unemployment Rate, 1990-2002



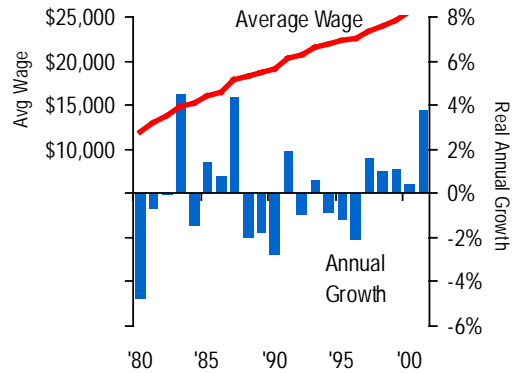
Source: Employment Security Commission of NC

ROCKINGHAM COUNTY

Wages in Rockingham County have changed with the employment composition of the workforce.

- The replacement of relatively high-paying manufacturing jobs with low-wage retail and sales jobs caused the county's inflation adjusted average wage to fall in the mid-1990s.
- On average, health services pays better than the rest of the service industry and continues to account for a larger employment share.
- The strength of this sector, combined with a net loss of retail jobs in the last five years, has kept annual wage growth positive.

Average Wage, 1980 - 2001

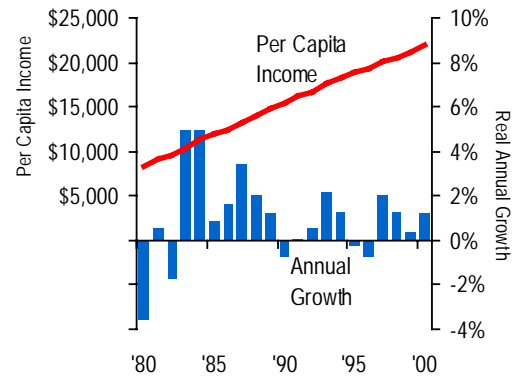


Source: Bureau of Economic Analysis; AngelouEconomics

Real per capita income increased for most of the past 20 years. Declining wages are often offset by the growth of dual income households; however, these tend to be in lower-wage occupations.

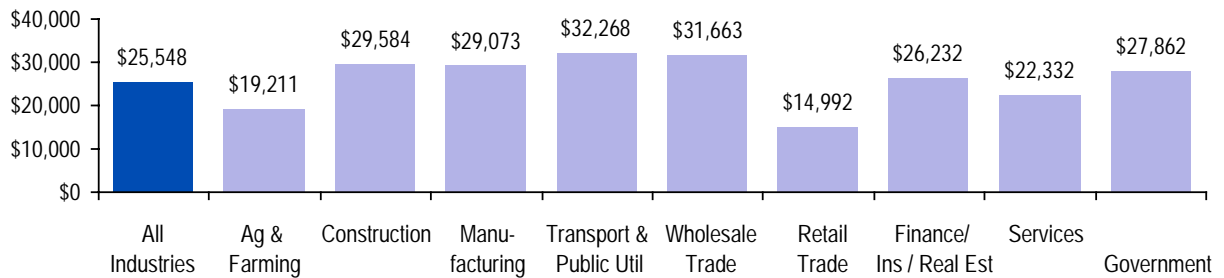
- Historically, it has taken several years of declining wages for per capita income to fall in Rockingham County.

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000

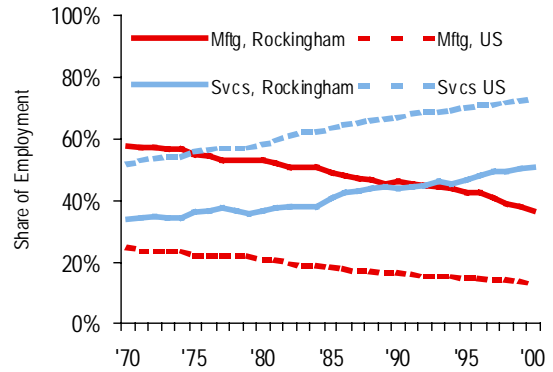


Source: Employment Security Commission of North Carolina

The industrial make-up of Rockingham County is continuing its long period of transition.

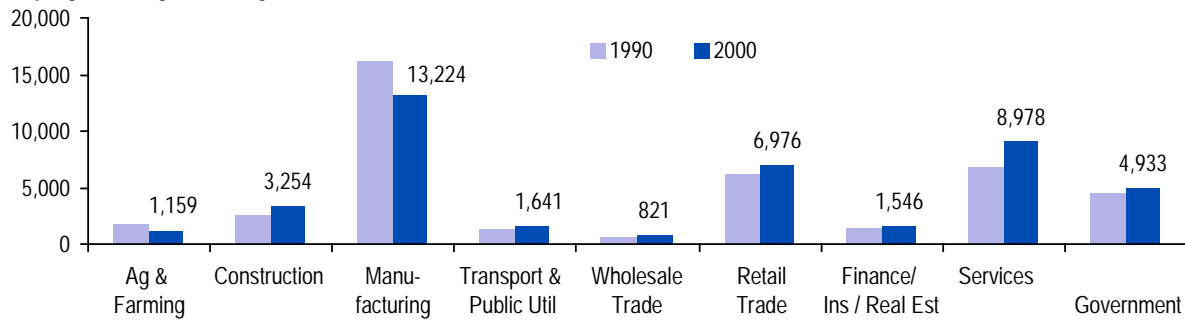
- Service industries (Wholesale and Retail Trade, FIRE, and Services) have been increasing their share of county employment while the share devoted to manufacturing has been shrinking. This shift is due to both a loss of manufacturing jobs and a gain in service positions.
- Rockingham County's large manufacturing sector has been declining at essentially the same rate as manufacturing throughout the U.S. Likewise, the rate of increase in service-related industries has mirrored that of the U.S.
- In 2000, manufacturing accounted for 37 percent of all employment within the county; service-related industries accounted for 51 percent of total employment.

Industry Shift, 1970 - 1999



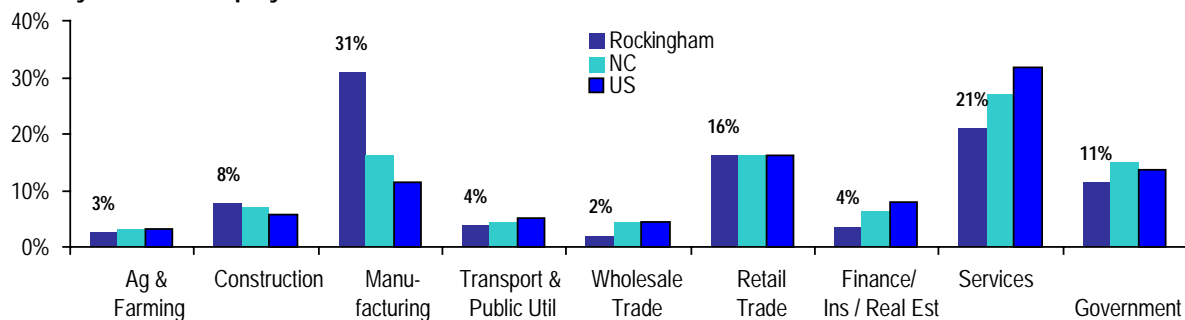
Source: U.S. Bureau of Labor Statistics; AngelouEconomics

Employment by Industry



Source: Bureau of Economic Analysis; AngelouEconomics

Industry Share of Employment, 2000



Source: Bureau of Economic Analysis; AngelouEconomics

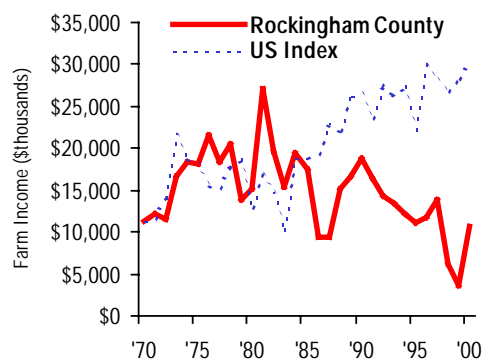
INDUSTRY SPOTLIGHTS

Agriculture

Farm incomes in Rockingham County have decreased substantially since 1980.

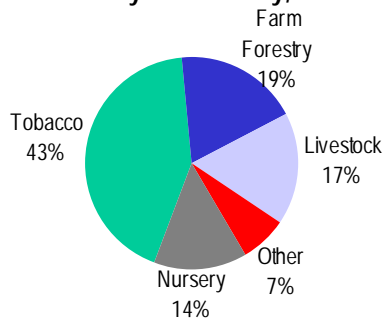
- While farm employment nationally has declined, farm incomes have risen. Modern farms are larger and more capital intensive, bringing in higher revenues.
- A strong exception to this rule is tobacco, which makes up 43 percent of Rockingham County farm incomes. It is not only the farmers in the county that feel the effect of this decline. Tobacco companies have also been an important source of manufacturing jobs in Rockingham.
- In 1998, farm receipts from tobacco were \$23.6 million; by 2000 they had fallen to \$15.8 million.
- The fastest growing farm commodity in the county is greenhouse & nursery plants. In 2000, farm receipts came in over \$5 million, up from \$3.7 million in 1998. In fact, greenhouse & nursery plants were the only crop commodity in the state to increase incomes over each of the last three years.

Farm Incomes, 1970 - 2000



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

Farm Income by Commodity, 2000



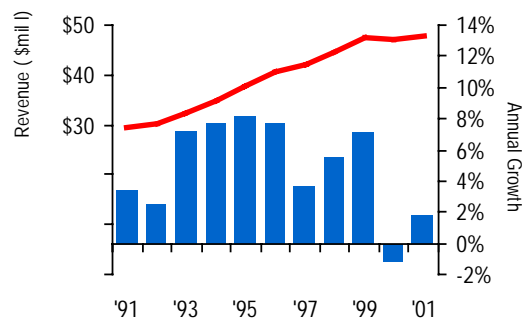
Source: NC Cooperative Extension

Tourism

There has been a countywide push to develop Rockingham County as a tourist destination.

- Revenues from tourism climbed steadily until 2000. Annual revenue growth went from 7 percent in 1999 to negative 1 percent in 2000.
- Estimates from the North Carolina Department of Commerce state that tourism as an industry employed more than 620 people in 2001, with average salaries of \$16,000.
- Much of the tourism marketing is centered on the lakes and rivers throughout the county. Thus, by nature, tourism tends to be highly seasonal.

Revenue from Tourism, 1991 - 2001



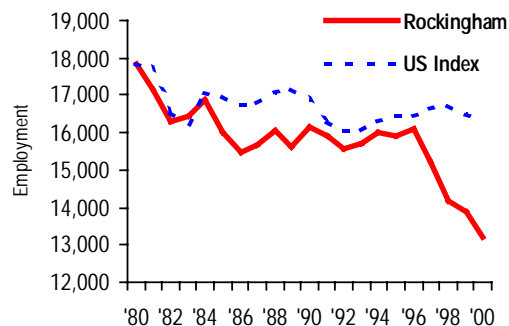
Source: NC Dept of Commerce

General manufacturing

Large traditional manufacturers dominate Rockingham County's employment base.

- The largest private employer in the county, Unifi, Inc., employs over 2,300 people at its Madison plant.
- Unifi is just one of the many textile companies representing most of Rockingham County manufacturing. In 2001, 60 percent of all manufacturing employees in the county worked in textiles. In 1995, textiles employment was as much as 70 percent of all manufacturing employment.
- While manufacturing throughout the country is in a period of decline, Rockingham's dependence on traditional manufacturing, specifically textiles and tobacco, has led to declines more severe than the national trends.
- The two largest plant closings in the past five years were both in textiles, and both in Mayodan. In 1998, Unifi consolidated its operations, closing its Mayodan plant and laying off 350 people. A year later, Pluma closed its Mayodan plant, displacing over 450 people. The same plant laid off 100 people the year before.

Manufacturing Employment, 1990-2000

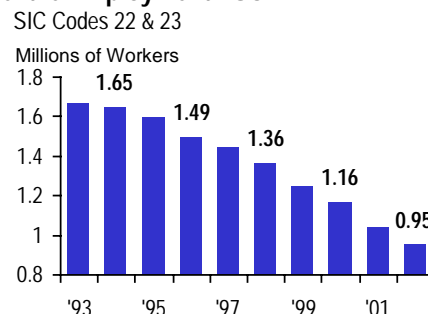


Source: US Bureau of Labor Statistics

Outlook for the Textile Industry

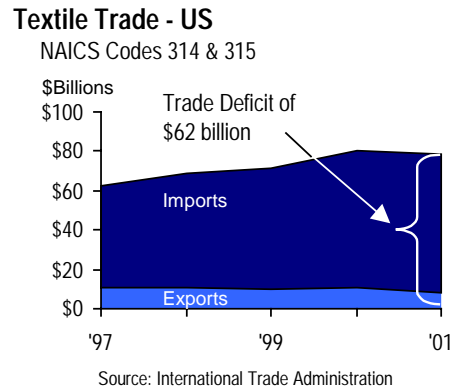
The U.S. textile industry is in the midst of a crisis. While the industry has been under pressure from international competitors for some time, the Asian financial crisis of 1997 has severely weakened American producers' pricing power. As Asian currencies devalued in 1997 and 1998, products manufactured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



FISCAL TRENDS

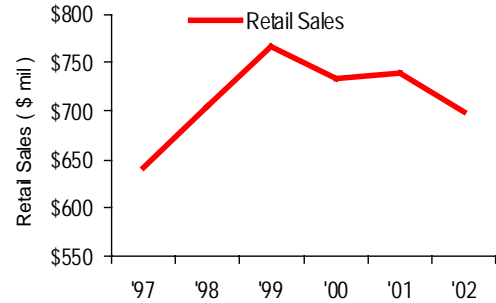
The economic downturn has hit the entire state of North Carolina hard. State and County governments are struggling to balance budgets often at the expense of providing services. Falling retail sales and a lack of reinvestment by industry has kept tax receipts low.

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 are permitted a half-cent local-option sales tax, which every county in North Carolina adopted.

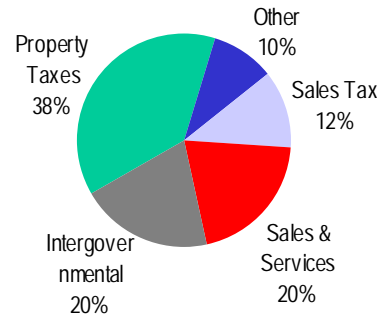
The new local-option sales tax relies on retail sales within the county, which have been falling since 1999. This has led to a decline in sales taxes already collected by the county.

Retail Sales, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Tax Revenue by Source, 2002



Source: NC Dept of State Treasurer

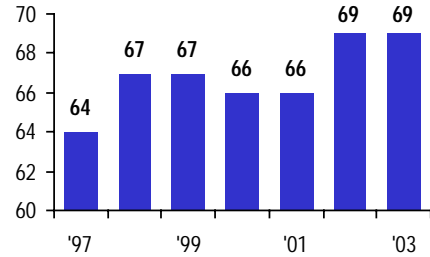
ROCKINGHAM COUNTY

Property taxes are the largest source of revenue in Rockingham County, making up 38 percent of all revenues.

- For this reason, property tax rates have been a primary tool for controlling the budget.
- After lowering rates in 2000, they were raised two years later to meet budget demands. A countywide reassessment in early 2003 increased the average assessed value by 30 percent, providing a potential \$1.3 million more in property taxes should rates remain constant.
- Cutting taxes will most likely mean a reduction in county services, as growth in per capita tax revenue has been declining for the last three years, eventually becoming negative in 2002.

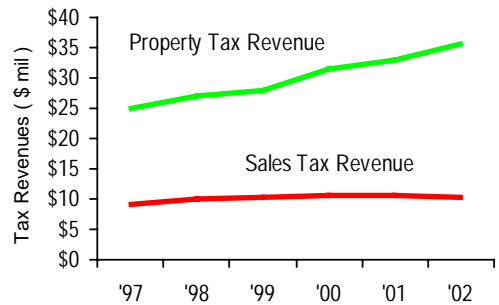
Property Tax Rates

Cents per \$100 Valuation



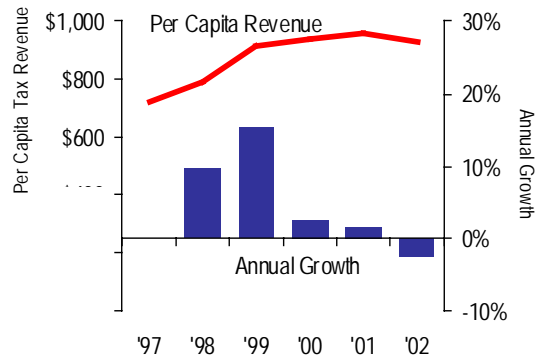
Source: NC Dept of Revenue

Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Rockingham County Per Capita Tax Revenue



Source: NC State Treasurer; AngelouEconomics

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.