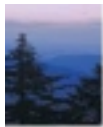


Northwest North Carolina Comprehensive Economic Development Strategy



Looking toward the future

Northwest North Carolina CEDS

Economic and Demographic Assessment

Stokes County

May 2003

Stokes County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Stokes *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.

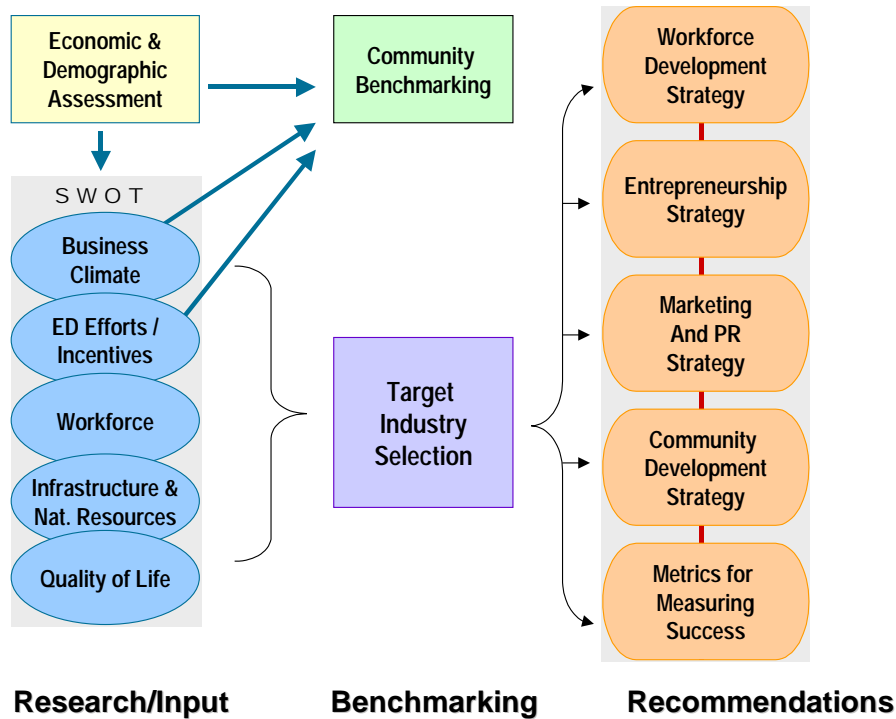
Angelos Angelou, Principal
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Sean Garretson, Project Manager
Travis Warziniack, Research Manager

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

INTRODUCTION

Stokes County experienced a 20 percent increase in population in the 1990s, leading to a population of approximately 47,000 in 2002. King experienced more rapid growth than the county of 47 percent in the 1990s. The population of Stokes County is expected to increase to approximately 60,000 in 2020.

Much of the new population over the next 20 years in Stokes County will be of a different ethnic composition than Stokes currently has. During the past two decades, Whites comprised 92 percent of the population of the county. Black (5%) and Hispanic (2%) populations will increase, following the national trend of increased ethnic diversity.

The population will also continue to age. Stokes County's median age was 37 in 2000. This is expected to increase to 40 by 2010.

Stokes experienced a dramatic increase in educational attainment during the 1990s. Although still trailing the national averages, Stokes county residents have gone from only 10 percent attaining some college in 1990 to 17 percent in 2000; but low levels of educational attainment for 4-year College Degrees still exists.

Stokes County has experienced a significant decrease in manufacturing employment due to layoffs in the tobacco and textile industries (ie., R.J. Reynolds, Cross Creek Apparel, Hastings Company, and Kobe Copper). This drop in employment has been countered with increases in employment in the services sector (comprised mostly of jobs in the health and social services sector), but at a loss for worker average salaries. The agriculture industry is also suffering badly. Farmland comprises 38 percent of all land in Stokes County, and falling commodity prices (particularly in tobacco) have put many farmers out of business. As a result, the unemployment rate rose to 6.7 percent in 2002, but is less than expected due to the high number of residents who commute to Forsyth for work.

Tourism and retail trade is a bright spot in the Stokes economy, with positive annual growth during the last decade. The continuing decline of Stokes' traditional industries must force county leadership to explore new opportunities for balanced job-based growth long-term.

Stokes County at a Glance

Population, 2002	46,268
Net New Population, 90-00	7,488
% Change, 90-00	20.1%
% of Adults with a Bachelor's Degree or higher	9.3%
% of Private Sector Workforce in Manufacturing	22.5%
Median Household Income	\$38,808
Median Home Value	\$94,700
Private Sector Jobs	5,618
Total Private Sector Payroll	\$118.6 mil
Avg. Private Sector Salary	\$21,100
Avg. Manufacturing Salary	\$26,600
Avg. Professional Industry Salary	\$19,385

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

DEMOGRAPHICS

Population Growth

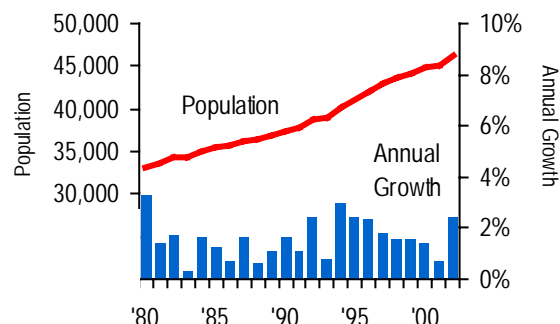
Stokes County's population grew at a rapid 20 percent during the 1990s.

- The peak of this growth was in 1994, when the population increased nearly 3 percent in a single year.
- King was the fastest growing municipality in the county. During the 1990s, King's population increased a phenomenal 47 percent.
- The county growth was below that of the Greensboro-Winston-Salem-High Point MSA, which grew 33 percent during the same period.
- The State Demographics Office estimates the 2002 population to be 46,300. Projections for 2010 and 2020 place the population at 51,800 and 58,600 people, respectively.

In the 1980s, births were the largest source of new people in the county. It was only during the rapid growth periods of the mid-1990s that in-migration rose above births.

- Roughly a third of those people moving into Stokes County come from neighboring Forsyth County. This reflects a regional trend of urbanites moving out of larger cities into suburbs and rural communities.
- For this reason, much of Stokes County's growth has been dependent on the job base of Winston-Salem.
- Migration into the county has drastically decreased with the slowing of the regional economy. Births now account for an increasing share of new population.

Population Growth, 1980-2002



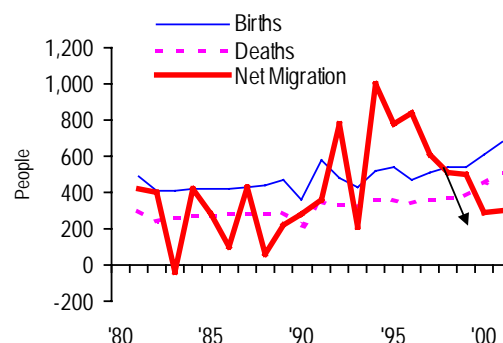
Source: US Census Bureau

Population Breakdown

	Population, 2000	% Growth 1990-2000
Stokes County	44,711	20.1%
King	5,952	46.6%
Danbury	108	-8.5%

Source: U.S. Census

Components of Population Change



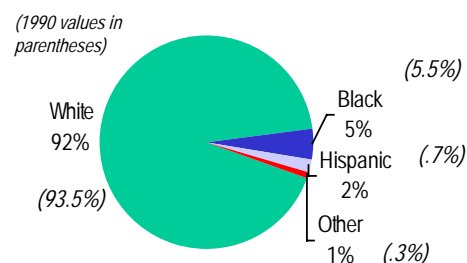
Source: U.S. Census Bureau

Ethnic Composition

The residents of Stokes County are much more homogenous than many of their neighboring counties.

- In 2000, Whites comprised approximately 92 percent of the population. This is only a percentage point lower than reported in 1990.
- Hispanics, which make up 12.5 percent of the nation’s population, are relatively absent in Stokes County.
- Much of the regional Hispanic growth has been from migrant workers choosing to settle in the area after the growing season.
- The Department of Health and Human Services estimates that there are 2,800 migrant workers and family members working within Stokes County.
- Already taking place in the surrounding counties, the Hispanic community is expected to become an important part of Stokes County’s future growth.

Racial Composition, 2000



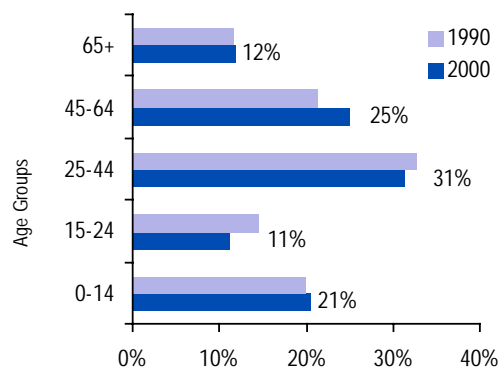
Source: U.S. Census Bureau

Age Breakdown

Stokes County, like most of the surrounding region, is losing its young adult population.

- The median age of Stokes County residents is 37; this is two years older than both the national and North Carolina median age of 35.
- The median age is biased downwards due to the large amount of children in the community.
- The general county population is expected to age quickly, reaching a median age of 40 by the year 2010.

Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

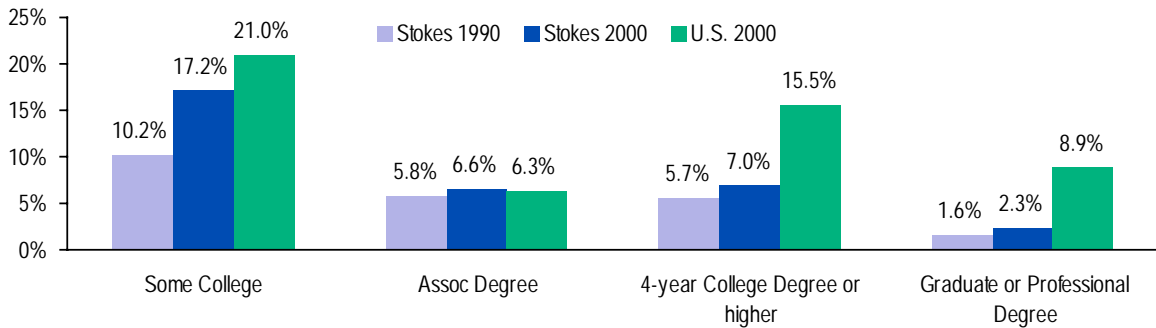
Education

While still trailing national averages, the education level of Stokes County has improved dramatically.

- Community colleges are an important part of local education and workforce training. Stokes County, despite the gap in all other areas of educational attainment, is slightly ahead of the national average in percentage of the population with an Associates degree.
- The largest gain came in the amount of residents with Some College, a remarkable 7 percentage point increase.
- The percentage of Stokes County residents with a 4-year college degree is still less than half that of the national average.

Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

Commuting Patterns

Stokes County is a large source of labor for Winston-Salem.

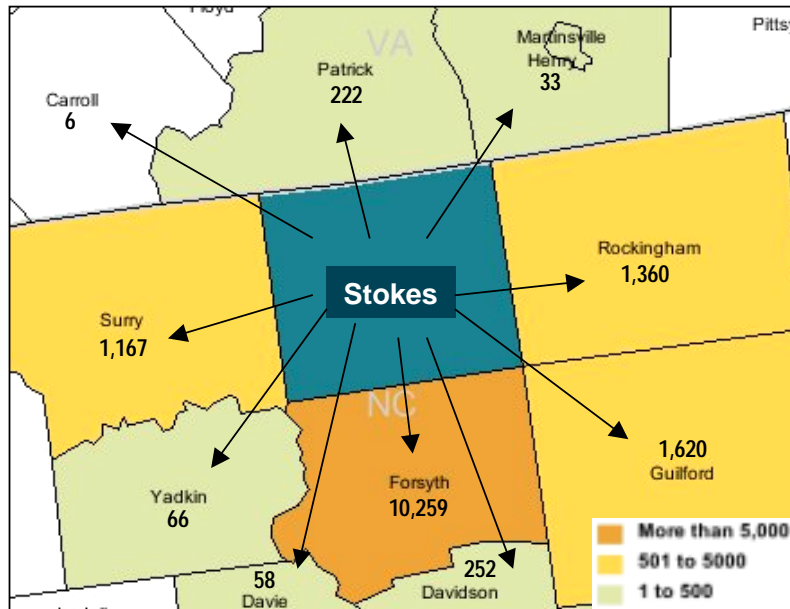
- In 2000, 71 percent of Stokes County's resident workers commuted outside of the county.
- Over 10,000 of these people travel into Forsyth County for work.
- 1,600 people commute into Guilford County every day for work.
- Much of the Stokes County's population is located in the southern part along Highway 52 with good access into Forsyth County.
- Despite the population growth seen by King, these trends are not significantly different from 1990.

Commuting Patterns, 1990 vs. 2000

People	1990	2000
Working in Stokes	7,721	9,118
Live & work in Stokes	5,578	6,330
Live elsewhere & work in Stokes	2,143	2,788
% workforce commuting in	28%	31%
Live in Stokes & work elsewhere	13,144	15,379
% resident workers commuting out	70%	71%

Source: US Census Bureau

Persons Commuting out of Stokes County for Work, 2000



Source: U.S. Census

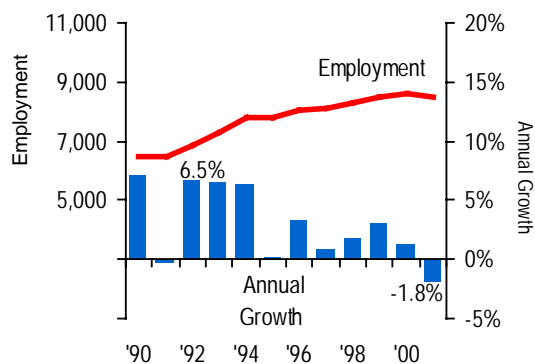
ECONOMIC TRENDS

Employment & Wages

Stokes County saw strong growth in employment during the 1990s.

- Between 1990 and 2001, Stokes County saw a net gain of 2,000 Wage and Salary jobs.
- Most of the gains were in the early 1990s, when 6 percent growth rates were common.
- Growth in the late 1990s was much more moderate, and 2001 actually had a net loss of jobs.
- Stokes currently has about 1 jobs for every 5 residents (1:5). Well diversified economies enjoy a 1:2 ratio of jobs per residents.

Wage & Salary Employment, 1990 - 2001

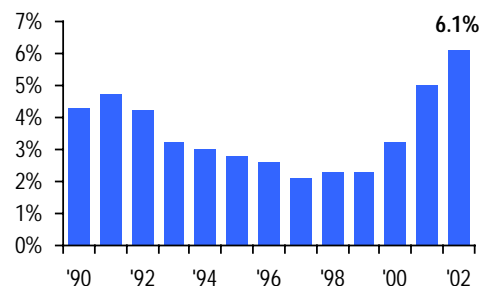


Source: Employment Security Commission of NC

Historically low levels of unemployment have risen due to plant closings and layoffs throughout the county and region.

- Unemployment in the mid-1990s dipped as low as 2.10 percent in 1997.
- And while such low levels are not maintainable, the closing of large employers has caused unemployment to accelerate countywide.
- Between February of 1998 and April 2001 R.J. Reynolds, Cross Creek Apparel, and The Hastings Company closed their shops in Stokes County, displacing a total of 480 workers. In September 2001 Kobe Copper Products laid-off another 110 people.
- Cutbacks in neighboring Forsyth have boosted unemployment for Stokes' commuting workforce.

Unemployment Rate, 1990-2002



Source: Employment Security Commission of NC

Wages

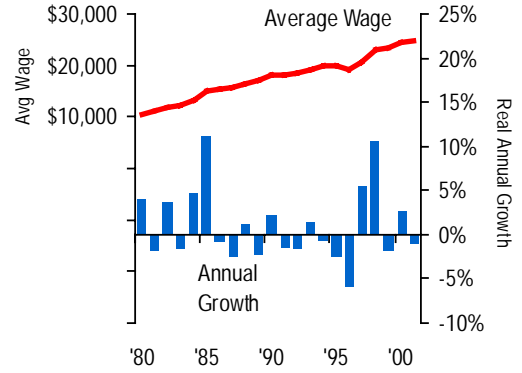
The average wage in Stokes County has never followed a consistent path. Strong gains in some years have served to offset the modest losses experienced in others.

- With much of the job growth occurring in industries paying the lowest wages (services and retail trade), the average wage actually fell by a percentage point in 2001.

During the same period, inflation adjusted growth in per capita income mostly remained above 2 percent.

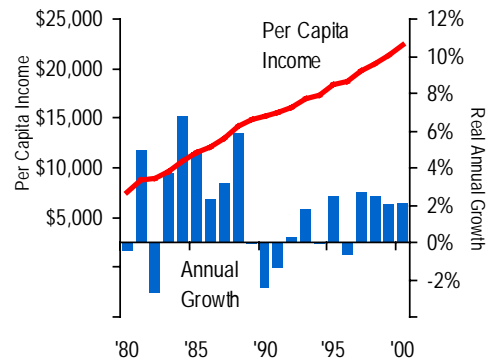
- Per capita incomes are relatively more stable than average wage due to the ability of other household members to enter the work force.

Average Wage, 1980 - 2001



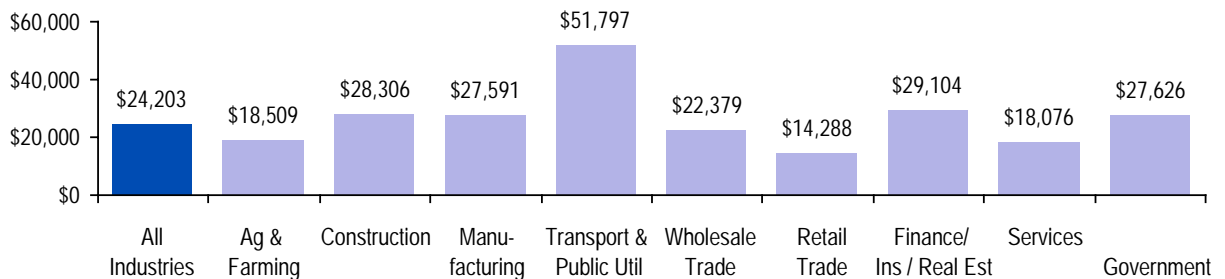
Source: Bureau of Economic Analysis; AngelouEconomics

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000



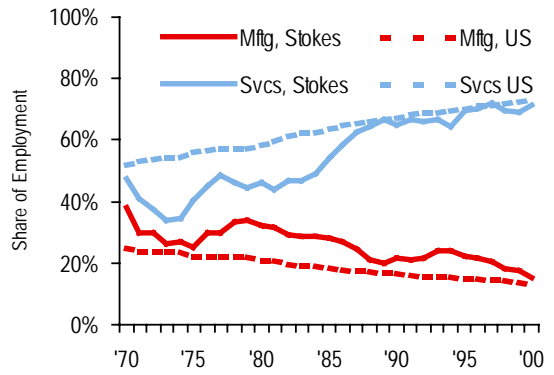
Source: Employment Security Commission of North Carolina

STOKES COUNTY

The industrial make-up of Stokes County has become more similar to that of the nation.

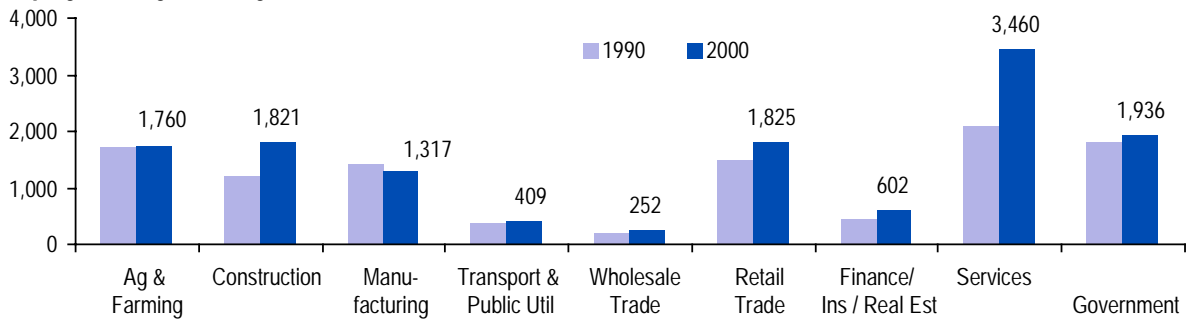
- In a region heavily influenced by manufacturing and agriculture, service-related industries (services, FIRE, retail and wholesale trade) play an ever-expanding role in Stokes County.
- While manufacturing lost a net of 100 jobs during the 1990s, service-related industries added 2,000 new jobs.
- The single largest gain was made in the actual service industry, of which health and social services make up most of the employment.
- This trend will continue as the regional health sector continues to grow.
- Another indicator of increased economic activity is the large increase in construction employment.

Industry Shift, 1970 - 1999



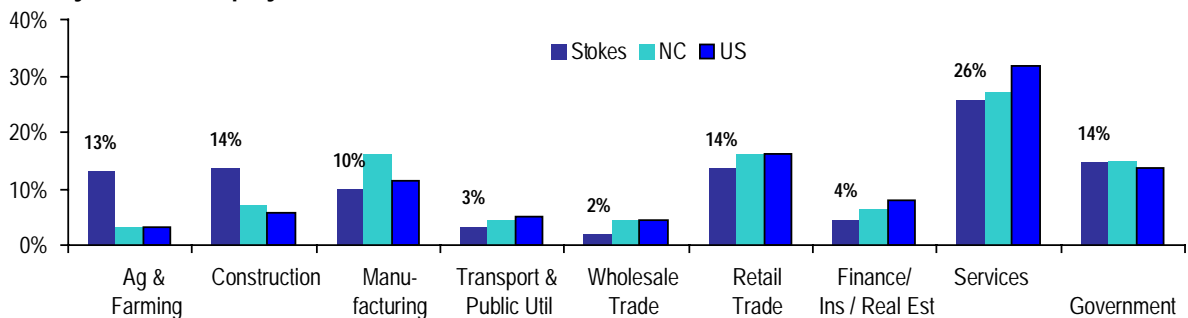
Source: U.S. Bureau of Labor Statistics; AngelouEconomics

Employment by Industry



Source: Bureau of Economic Analysis; AngelouEconomics

Industry Share of Employment, 2000



Source: Bureau of Economic Analysis; AngelouEconomics

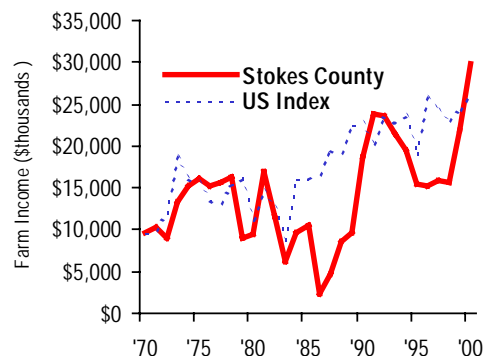
INDUSTRY SPOTLIGHTS

Agriculture

Farming has always been an important part of Stokes County.

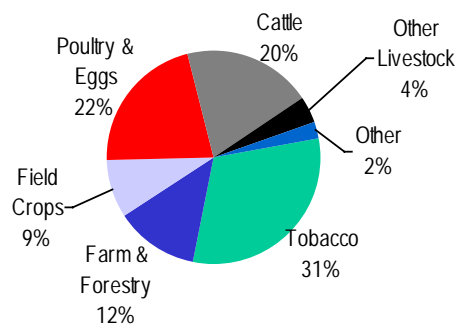
- While the number of farms continues to rapidly decrease, the decline in actual acres farmed has been slow. Much of the smaller farms have been transferred to large commercial farms, averaging 119 acres in size.
- 110,003 acres, or 38 percent of all land in Stokes County, is farmland.
- Of this, 3,400 acres are devoted to tobacco, the largest source of farm income in the county. In the past, much of the tobacco processing was also done in the county.
- With declines in the tobacco industry, the effects on Stokes County extend beyond decreases in farm incomes, which fell \$6.5 million from 1998 to 2000.
- Farm incomes in poultry and eggs, however, have been rapidly increasing. Poultry and poultry products in the county are extremely vertically integrated.
- Incomes from all poultry products increased nearly \$6 million from 1998 to 2000.

Farm Incomes, 1970 - 2001



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

Farm Income by Commodity, 2000



Source: NC Cooperative Extension

Outlook for U.S. Tobacco Industry

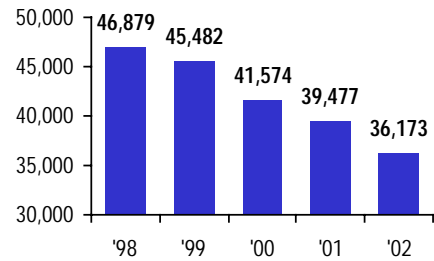
Falling domestic consumption, mounting legal burdens, and increased international competition have weakened the U.S. tobacco industry. Tobacco companies have significantly increased prices to pay for the industry's settlement with governments, which has accelerated the decline in domestic consumption.

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

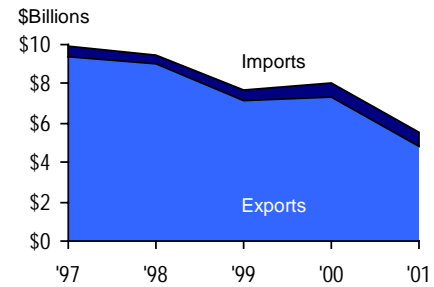
SIC Codes 0132 & 21



Source: Bureau of Labor Statistics

Tobacco Trade - US

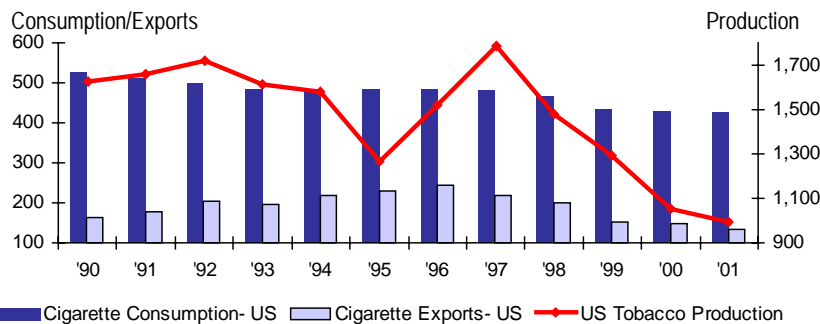
NAICS Codes 3122 & 31221



Source: International Trade Administration

Tobacco Market- US

Millions of Pounds



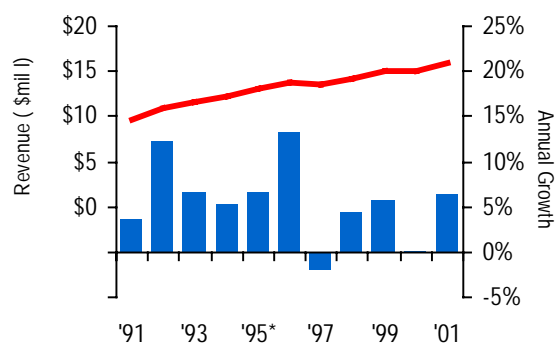
Source: Economic Research Service-USDA

Tourism

Tourism in Stokes County has been growing steadily over the past 10 years.

- According to the North Carolina Department of Commerce, tourism brought in \$16 million in direct revenue to Stokes County in 2001.
- As an industry, tourism is still relatively small. It employs roughly 150 people, 100 less than in wholesale trade.
- The small numbers arise from the fact that most tourist activities within the county are outdoors related, and thus highly seasonal and requiring few employees.
- The largest attraction in the county is Hanging Rock State Park, which drew 391,000 visitors in 2002. 16 percent of these visitors arrived from out-of-state; 62 percent were from outside of the county.

Revenue from Tourism, 1991 - 2001



Source: NC Dept of Commerce
*1995 estimated

Stokes County lies in the Heartland Region of North Carolina.

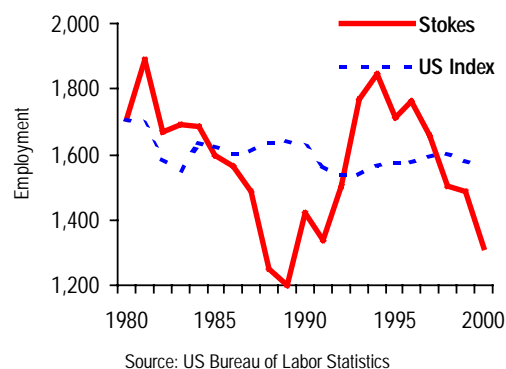
- The majority of visitors to the region are middle-aged families. The average visitor head of household is 45 years old. 64 percent are married, and roughly a third still have children living at home.

General manufacturing

Manufacturing employment in Stokes County has fluctuated wildly over the past 20 years.

- These fluctuations demonstrate the importance of large employers in the manufacturing history of Stokes County.
- Vintage Yarns, Nomus Interiors, and UNIFI all built large facilities in the county in the early 1990s, putting an end to 10 years of decline in manufacturing employment.
- This marked the beginning of an expansion period that brought employment levels back to 1980 values.
- In 1994, 1,800 people were employed in manufacturing, 440 in textiles.
- Traditional manufacturing nationwide declined in the late 1990s, and several large employers began to leave the county.
- By 2000, manufacturing employment had fallen to 1,300 and textile employment had fallen to 110. Lumber and wood products, which employed 150 people, was the largest sector of manufacturing employment.

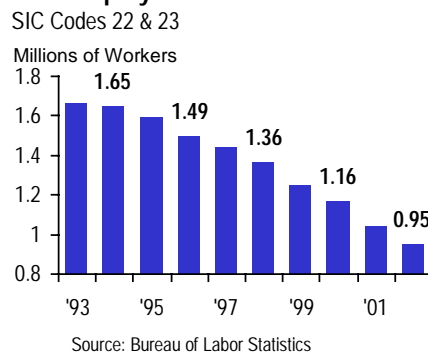
Manufacturing Employment, 1980-2000



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.

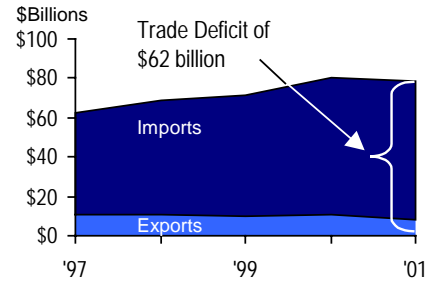
Textile Employment - US



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

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.

Retail Sales, 1997 - 2002



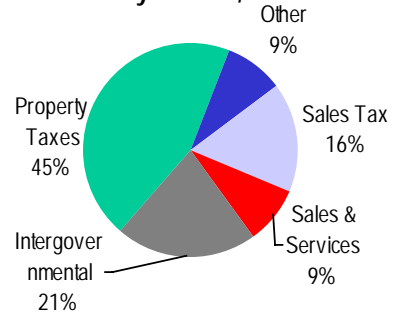
Source: NC State Treasurer, NC Dept of Revenue

Tax Revenue

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

- Retail sales in Stokes County have risen 10 percent since 1997, showing strong promise for future revenues.
- Retail sales, however, are highly volatile and susceptible to economic conditions. Sales tax revenue is largely unpredictable and offers less control than property taxes.
- Sales taxes in Stokes County also bring in much less revenue than property taxes. Property taxes amounted to \$15.4 million in revenues, compared to \$5.7 brought in through sales taxes.

Tax Revenue by Source, 2002



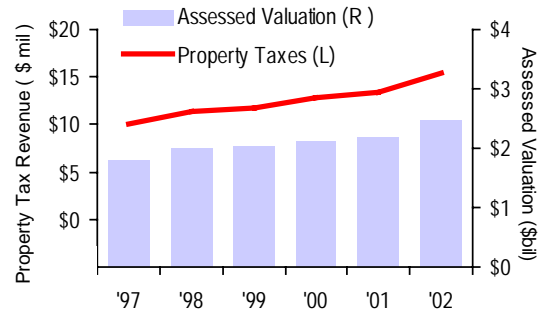
Source: NC Dept of State Treasurer

STOKES COUNTY

Property taxes are the largest source of county revenue, making up 45 percent of all revenues.

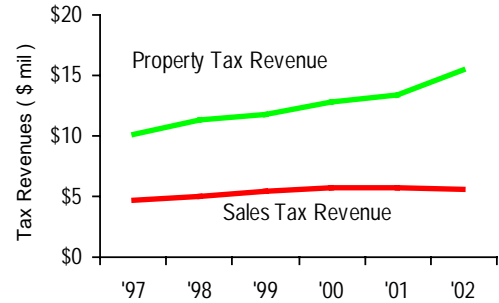
- Declining tax revenues led to a one-time increase in county property tax rates 2000. The rates increased from 57 to 62 cents per \$100 valuation.
- Revenues further increased following a countywide reassessment in 2001, finally leading a net gain in per capita tax revenue in 2002.

Revenue from Property Tax, 1997 - 2002



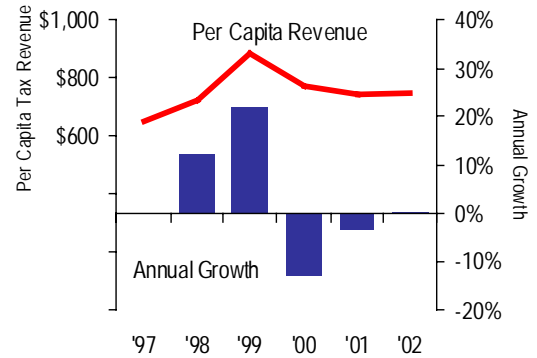
Source: NC State Treasurer, NC Dept of Revenue

Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Stokes 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.