April 1, 2026

Dear Governor Stein, Senator Berger, and Speaker Hall,

As Secretary of the North Carolina Department of Commerce, it is my responsibility to provide an annual update on the state's economic performance based on the statistics outlined in G.S. 143B-434.01(k), as well as an update on progress on the goals in the state's strategic economic development plan, the *First in Talent* Plan. Overall, North Carolina's economy has demonstrated steady growth, supported by continued job creation, business investment, and resilience across key industries. A summary of the economic indicators is enclosed.

The *First in Talent* Plan is organized around three goals to prepare North Carolina's workforce, businesses, and communities for success. In the Department's 2025 report, we noted significant progress in nearly 90 percent of the 44 tactics identified by the Plan to support the three goals.

In 2025, Commerce centered the Plan's focus on resiliency and preparedness around long-term recovery efforts in western North Carolina following the impacts of Hurricane Helene. Additionally, the North Carolina Economic Development Activity Report (NC EDAR) reported commitments of 35,000 new jobs and more than $37 billion in capital investment from economic development activity, both new records for the state.

The Department of Commerce initiated development of a new statewide economic development strategic plan in 2025, convening the NC Strategic Economic Development Plan Steering Committee to help guide the updated plan. Nine listening sessions were held across the state, and the Department gathered and evaluated data to ground and benchmark plan development. The updated plan builds on the foundational goals established by the First in Talent Plan while broadening the state's focus to include targeted strategies that strengthen access to critical infrastructure and foster innovation. Together, these efforts position North Carolina to compete and lead in high-wage industries and the future economy.

An overview of several ongoing efforts that build on the *First in Talent* Plan's original goals are below.

2025 First in Talent Update:

Goal 1: Prepare North Carolina's workforce for career and entrepreneurial success.

North Carolina's labor market alignment was 84% in the most recently available data, meaning that more than eight of every ten graduates from state post-secondary institutions had skills and credentials that aligned with job openings.

Last year, the Governor's Council on Workforce and Apprenticeships established the goal to double the number of registered apprentices and increase participation in work-based learning to further increase labor market alignment and prepare more North Carolinians for quality jobs.

Goal 2: Prepare North Carolina's businesses for success by growing and attracting a talented workforce.

In response to Hurricane Helene, the Department administered the US Department of Labor Dislocated Worker Grant to support workforce resilience during significant labor disruption caused by the disaster. The grant supported individuals that were temporarily or permanently laid off because of the hurricane and connected them to job opportunities that supported disaster recovery, while connecting them to employment and training services. As of December 2025, more than 338 individuals participated in the program.

The Small Business Infrastructure Grant Program (SmBIZ), operated by the NC Department of Commerce's Rural Economic Development Division, utilized state funds appropriated by the NC General Assembly in the Disaster Recovery Act of 2025 to offer grants to local governments designed to help small businesses recover from Hurricane Helene. Funds may be used to repair critical infrastructure including water, sewer, gas, telecommunications, high-speed broadband, electrical utility, sidewalk and curbs, and other damaged infrastructure that small businesses rely on to operate. To date, the SmBIZ program has awarded nearly $30 million to support small business recovery.

Goal 3: Prepare communities across North Carolina to be more competitive in growing and attracting a talented workforce and businesses.

Commerce's Division of Community Revitalization (DCR) launched Renew NC, a comprehensive recovery program funded by a $1.4 billion grant CDBG-DR from U.S. Department of Housing & Urban Development (HUD). Renew NC launched a single-family housing program to provide rehabilitation and reconstruction to homeowners who suffered damage from Hurricane Helene. The program launch was the fastest for any state with a major disaster in over a decade. Subsequent programs include multi-family housing, infrastructure recovery, and commercial district recovery. These programs will support western NC communities to recover more quickly, retain and attract a talented workforce.

In 2025, Commerce's Rural Economic Development Division's programs and partnerships provided funding to rural communities to support infrastructure improvements ($14.5 million), neighborhood revitalization ($40.6 million), building reuse of vacant or underutilized properties ($8.6 million), and rural downtown economic development ($46.3 million) to make business districts more attractive to prospective investors.

North Carolina has made significant strides in achieving the goals of the *First in Talent* Plan, yielding positive economic outcomes. Economic indicators for the state demonstrate steady economic progress. Macroeconomic trends will present new challenges and opportunities, requiring renewed planning and execution to continue our positive momentum.

Sincerely,

Lee Lilley

2026 Annual Evaluation of North Carolina Economic Performance

Pursuant to G.S. 143B-434.01, the Department of Commerce annually reports on the state's Comprehensive Strategic Economic Development Plan and evaluates North Carolina's economic performance. This report evaluates key economic indicators as outlined by statute.

DATA TOOLS FOR ECONOMIC ANALYSIS

G.S. 143B-434.01(k) calls for analysis of the eight data points listed below. Technical tools developed by the agency, such as the Demand Driven Data Delivery System (D4), enable users to readily retrieve similar information at a city, county, region, and statewide level. In addition, Commerce produces numerous publications that provide more detailed analysis than is required by statute and have a wider readership than this report. These resources include:

- Analytics.nccommerce.com is the main repository for the Labor and Economic Division's (LEAD) data, dashboards and publications, including labor supply and demand, industry and occupational projections, regional labor market overviews and other visualizations.
- Demand Driven Data Delivery System (D4) is North Carolina's official labor market data source and contains the most current and historical labor market information available at statewide, regional, and local levels.
- NC Today is a monthly review of labor market conditions in North Carolina on various aspects of the economy. Topics include employment and unemployment statistics, unemployment insurance benefit claims, retail sales, residential building permits, manufacturing hours worked, and other economic indicators.
- Area Profiles are economic and demographic overviews available by county, workforce board area, and prosperity zone. In addition to labor market information, these profiles include data on populations including demographics, educational attainment, and commuting patterns.
- NCcareers.org is an online resource for students, parents, educators, job seekers and career counselors looking for high quality job and career information. Within NCcareers.org, users can identify their skills/interests; explore occupations and local job/employer needs; identify education and training opportunities and prepare to enter/re-enter the job market.
- NCWorks Online is a one-stop online resource for job seekers and employers in North Carolina. Job seekers can search for jobs, create resumes, and find education and training. Employers can find candidates, post jobs, and search labor market information.
- The Governor's Recovery Office for Western North Carolina (GROW NC) and NC Commerce's Division of Community Revitalization support ongoing state recovery efforts to address the impacts of Hurricane Helene in western North Carolina in late 2024, which caused significant damage to communities, businesses, and infrastructure across the region.

ANALYSIS OF KEY ECONOMIC INDICATORS

REALIZED CAPITAL INVESTMENT

The North Carolina Economic Development Activity Report (NC EDAR) is a comprehensive list of announced commercial investment through relocations, expansions, or new facilities within traded sectors. Projects listed include those supported by the Economic Development Partnership of North Carolina as well as projects led solely by partners in local communities. This report does not include investments made in retail, recreation, hospitality, infrastructure, utilities, or the public sector. Confidential jobs and investment are not included in this report.

In 2025, North Carolina's economic development community reported 164 economic development projects across the state. Reported projects contributed a total of 35,182 announced jobs and about $27.18 billion in announced investment. The state's largest manufacturing capital investment project in 2025 was undertaken by JetZero ($4.7 billion in Guilford County). The state's largest manufacturing job creation project was also JetZero (14,564 jobs in Guilford County). The largest non-manufacturing capital investment project was Amazon ($10 billion in Richmond County) and the largest non-manufacturing job creation announcement was Scout Motors (1,200 jobs in Mecklenburg County).

Consistent with past years, there were more manufacturing projects in 2025 than any other project type. Manufacturing projects accounted for over 77 percent of total announced jobs and 49 percent of total announced investment.

In 2025, 45 Foreign Direct Investment (FDI) projects from 16 different countries announced 4,704 announced jobs and $4.36 billion in investment in North Carolina. China represented the most announced jobs (1,344) and Canada represented the most investment ($1.14 billion).

NET JOB CHANGE

Net job change is the difference in employment level between two points in time. According to the Current Employment Statistics (CES) program, North Carolina's seasonally adjusted total nonfarm employment reached 5,125,000 in December 2025, growing 1.6 percent from the year before. Total private employment increased by 1.8 percent, while Government employment shrunk by 0.2 percent.

Most industry sectors reported seasonally adjusted job increases over the year, led by Construction (5.3%), Financial Activities (2.9%), Education and Health Services (2.7%), Other Services (2.5%), Professional and Business Services (2.4%) and Leisure and Hospitality (2.4%). Industries with declines in jobs include Manufacturing (-1.6%) and Information (-0.8%).

Net Job Change by Industry

NC Dept. of Commerce, Current Employment Statistics, Seasonally Adjusted

Industry	December 2024	December 2025*	Change	% Change
Trade, Transportation, and Utilities	932,900	940,200	7,300	0.8%
Wholesale Trade	207,400	210,500	3,100	1.5%
Retail trade	523,000	528,100	5,100	1.0%
Transportation, Warehousing, and Utilities	202,500	201,600	-900	-0.4%
Government	777,400	779,300	1,900	0.2%
Federal	82,800	78,100	-4,700	-5.7%
State Government	222,800	224,400	1,600	0.7%
Local Government	471,800	476,800	5,000	1.1%
Professional and Business Services	748,300	766,500	18,200	2.4%
Professional, Scientific, and Technical	338,600	353,700	15,100	4.5%
Management of Companies and Enterprises	83,100	84,000	900	1.1%
Administrative and Waste Services	326,600	328,800	2,200	0.7%
Education and Health Services	708,500	727,900	19,400	2.7%
Educational Services	114,000	116,100	2,100	1.8%
Health Care and Social Assistance	594,500	611,800	17,300	2.9%
Leisure and Hospitality	545,500	558,600	13,100	2.4%
Arts, Entertainment, and Recreation	83,800	90,100	6,300	7.5%
Accommodation and Food Services	461,700	468,500	6,800	1.5%
Manufacturing	460,500	453,300	-7,200	-1.6%
Durable Goods	242,300	236,700	-5,600	-2.3%
Nondurable Goods	218,200	216,600	-1,600	-0.7%
Financial Activities	308,700	317,800	9,100	2.9%
Finance and Insurance	237,300	245,500	8,200	3.5%
Real Estate and Rental and Leasing	71,400	72,300	900	1.3%
Construction	273,900	288,300	14,400	5.3%
Other Services	197,500	202,400	4,900	2.5%
Information	85,100	84,400	-700	-0.8%
Mining and Logging	6,000	6,300	300	5.0%
TOTAL (Nonfarm)	5,044,300	5,125,000	80,700	1.6%
TOTAL (Private)	4,266,900	4,345,700	78,800	1.8%

*December 2025 data are preliminary and subject to revision.

MANUFACTURING CHANGES

Although the "Great Recession" officially ended in June 2009, the state's Manufacturing jobs bottomed out in February 2010. From February 2010 through 2019, Manufacturing jobs increased steadily in the state, before plummeting in April 2020 due to the onset of the pandemic. Since then, Manufacturing jobs nearly recovered to 2019 levels before declining over the past three years. In December 2025 there were 23,100 (-4.8%) fewer Manufacturing jobs than in December 2019.

Over the past year (December 2024 to December 2025), not seasonally adjusted Manufacturing jobs decreased by 8,000 (-1.7%). Most Manufacturing industries had net decreases in jobs over the year, led by Apparel (-7.1%), Computer and Electronics (-4.9%), Machinery (-3.2%), Furniture & Related Products (-3.2%), Plastics and Rubber (-3.1%) and Fabricated Metal Products (-2.6%). Beverage & Tobacco Products (1.4%) and Food Manufacturing (0.2%) were the only industries adding jobs year over year.

Manufacturing Jobs by Industry

NC Dept. of Commerce, Current Employment Statistics, Not Seasonally Adjusted

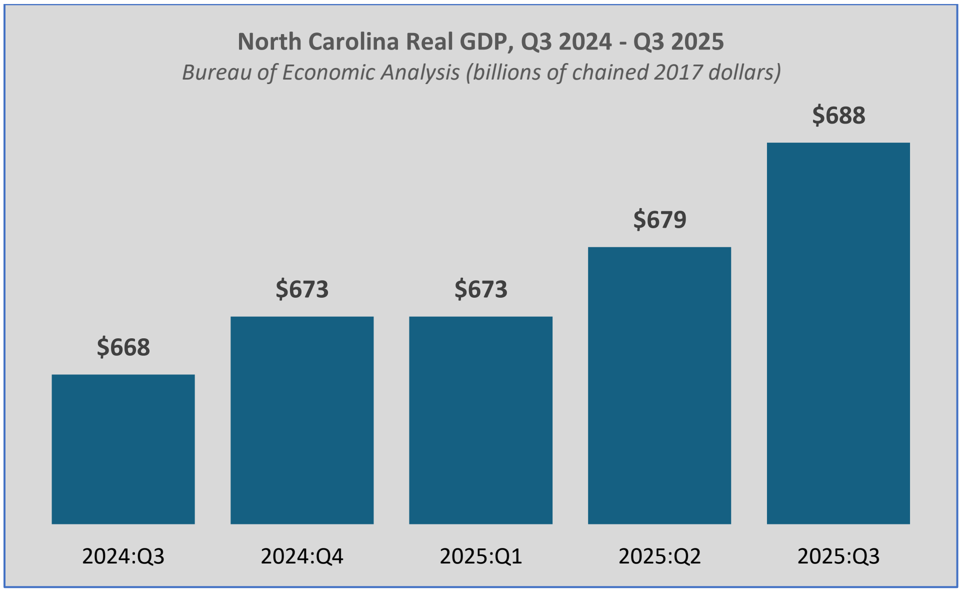
Industry	December 2024	December 2025*	Change	% Change
Manufacturing	460,500	452,500	-8,000	-1.7%
Food	62,700	62,800	100	0.2%
Chemicals	47,400	47,200	-200	-0.4%
Fabricated Metal Products	38,200	37,200	-1,000	-2.6%
Machinery	37,300	36,100	-1,200	-3.2%
Plastics & Rubber Products	35,600	34,500	-1,100	-3.1%
Transportation Equipment	34,200	33,700	-500	-1.5%

Furniture & Related Products	28,100	27,200	-900	-3.2%
Computer & Electronic Products	26,500	25,200	-1,300	-4.9%
Textile Mills	21,300	20,900	-400	-1.9%
Electrical Equipment & Appliances	22,200	21,800	-400	-1.8%
Wood Products	18,100	17,800	-300	-1.7%
Beverage & Tobacco Product Manufacturing	14,200	14,400	200	1.4%
Printing & Related Support Activities	10,600	10,400	-200	-1.9%
Textile Product Mills	5,100	5,100	0	0.0%
Apparel	4,200	3,900	-300	-7.1%

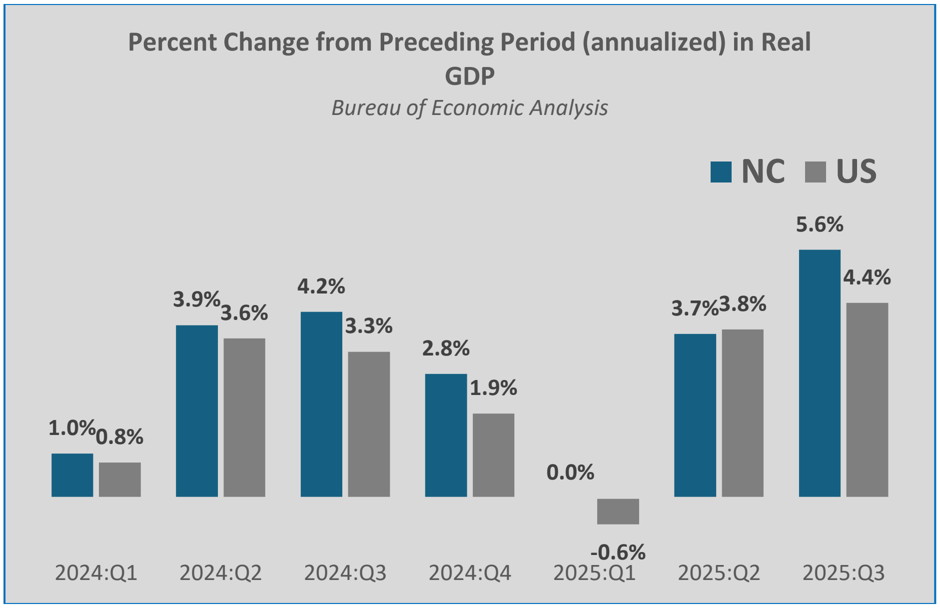
*December 2025 data are preliminary and subject to revision.

STATUS AND PERFORMANCE OF KEY SECTORS

One of the most common ways to measure a state's overall economic performance or strength is to look at gross domestic product (state GDP), the total market value of all goods and services produced in the state. According to the most recent data from the Bureau of Economic Analysis, North Carolina's 3rd Quarter 2025 GDP was over $905 billion (or $688 billion in 2017 dollars - a figure BEA uses to compare GDP over time adjusting for inflation). Over the past four quarters, North Carolina's real GDP grew by 3.0 percent, a faster pace than the nation's growth of 2.3 percent.



North Carolina has outperformed the US in most recent quarters with the exception of a near-tie in the 2nd quarter of 2025. North Carolina's real GDP growth was flat (0.0%) in the 1st quarter of 2025 while the US level fell slightly (-0.6%).



Over the past four quarters, North Carolina's real GDP grew by 3.0 percent overall. Within this total, Private industries' GDP increased by 3.4 percent, while Government GDP grew by 0.2 percent. The largest private industry contribution to state GDP came from Real Estate, making up 12.7 percent of GDP in the 3rd quarter of 2025, followed by Manufacturing (12.4%), Professional, Scientific, and Technical Services (9.2%), Finance and Insurance (8.9%) and Health Care and Social Assistance (7.3%).

The largest percentage increases in real GDP occurred in Agriculture (8.9%), Professional, Scientific, and Technical Services (8.3%), Information (7.8%), Mining (6.1%) and Wholesale Trade (5.6%). Industries with declines in real GDP included Accommodation and Food services (-1.7%), Retail Trade (-1.4%), and Other services (-0.5%). Government increased in real GDP by 0.2 percent, with increases in State and local government GDP (1.3%) slightly outweighing declines in Federal Civilian (-2.2%) and Military (-1.8%) real GDP.

The state's goods-production grew by 2.3 percent over the year while private service-providers' contribution grew by 3.8 percent. Within Manufacturing, durable goods (e.g. cars, appliances, etc.) production grew by 4.7 percent while nondurables (e.g. chemicals, food, etc.) shrunk by 1.3 percent.

North Carolina Real GDP by Industrial Sector, Q3 2024-Q3 2025 *Bureau of Economic Analysis (in millions of chained 2017 dollars)*				
Description	**2024 Q3**	**2025 Q3**	**Change**	**% Change**
All industry total	$667,951	$688,091	$20,140	3.0%
Private industries	$591,005	$611,011	$20,006	3.4%
Real estate and rental and leasing	$84,690	$87,549	$2,859	3.4%
Manufacturing	$84,059	$84,988	$929	1.1%
Professional, scientific, and technical services	$58,725	$63,622	$4,897	8.3%
Finance and insurance	$58,366	$61,543	$3,178	5.4%
Health care and social assistance	$47,783	$50,027	$2,244	4.7%
Retail trade	$44,002	$43,375	-$627	-1.4%
Information	$36,561	$39,412	$2,851	7.8%
Wholesale trade	$33,284	$35,134	$1,850	5.6%
Construction	$27,470	$28,749	$1,280	4.7%
Admin & support and waste mgmt. & remediation	$24,753	$25,104	$351	1.4%
Management of companies and enterprises	$17,880	$18,174	$295	1.6%
Accommodation and food services	$17,137	$16,846	-$291	-1.7%
Transportation and warehousing	$16,146	$16,473	$327	2.0%
Other services (except government)	$12,087	$12,021	-$66	-0.5%
Utilities	$11,251	$11,254	$4	0.0%
Educational services	$8,840	$9,010	$170	1.9%
Arts, entertainment, and recreation	$5,883	$6,005	$122	2.1%
Agriculture, forestry, fishing and hunting	$5,332	$5,808	$476	8.9%
Mining, quarrying, and oil and gas extraction	$957	$1,016	$59	6.1%
Government and government enterprises	$77,077	$77,246	$168	0.2%
Federal civilian	$12,525	$12,249	-$276	-2.2%
Military	$11,828	$11,621	-$208	-1.8%
State and local	$52,747	$53,418	$671	1.3%

FIRM AND ESTABLISHMENT CHANGES

When characterizing business entities, a distinction is often made between ***firms*** and ***establishments***. An establishment is a single physical location where one predominant activity occurs, while a firm is a business organization consisting of one or more establishments under common ownership or control. The most recently available data from the Census Bureau's Business Dynamic Statistics (BDS) show that there were 175,992 firms in North Carolina in 2023 (a 1.9% increase over 2022). While BDS does not produce data on firm-births, the data shows that North Carolina experienced about 15,671 firm deaths in 2023.

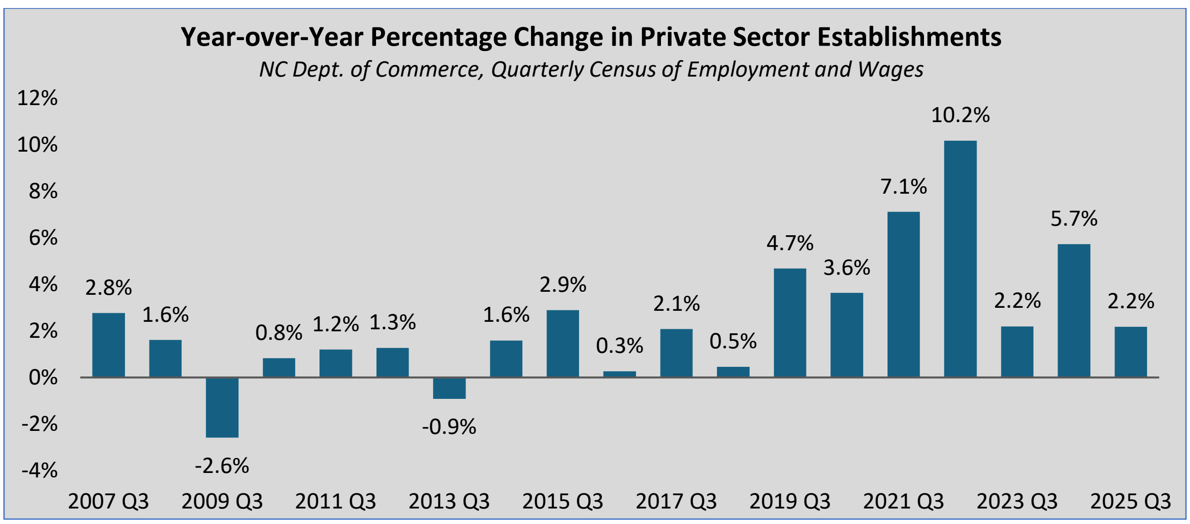
BDS also provides dynamic establishment change data, including numbers of establishment births and deaths. These data show that North Carolina experienced 24,761 establishment births in 2023. This works out to an establishment birth rate of 10.7 [= (establishment births / total establishments) * 100]. In general, the data show a gradually declining establishment birth rate from the late 1970s to the late 2000's, then relative stability from 2010 through 2020.

However, during the three most recent years (2021, 2022, and 2023), the state has experienced its highest establishment birth rates since 2007. North Carolina's establishment birth rate was roughly equal to the nation's in 2023, which has generally followed similar trends over recent decades.

North Carolina also experienced 20,975 establishment deaths in 2023, which works out to an establishment death rate of 9.1 [= (establishment deaths / total establishments) *100]. In general, the state's establishment death rate has also been declining since 1978, though not as quickly or consistently as the birth rate. North Carolina's establishment death rate is lower than the nation's rate of 9.4, which has also been in decline over recent decades.

For North Carolina in 2023, establishment births were associated with the creation of 169,585 jobs (30% of total job creation), while establishment deaths were associated with the loss of 136,204 jobs (31% of total job losses).

A more recent source for establishment data is the Quarterly Census of Employment and Wages (QCEW). According to QCEW, private sector establishments in North Carolina grew 2.2 percent from 2024 Q3 to 2025 Q3.



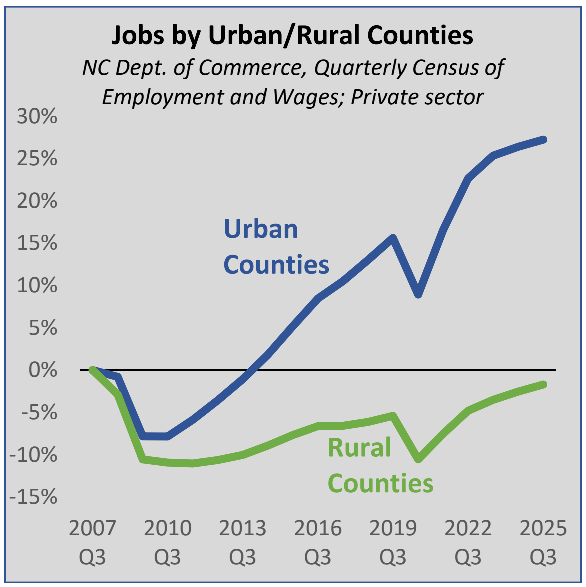
RURAL BUSINESS DEVELOPMENT

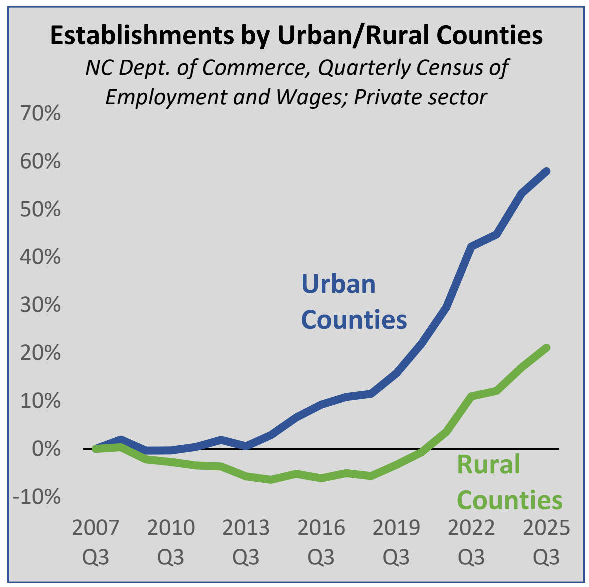
The following table provides North Carolina's most recent county-level Quarterly Census of Employment and Wages (QCEW) data on employment and business establishments, aggregated by counties' urban/rural status.[1] Like most places in the U.S., urban county job growth has outpaced rural county job growth over recent years in our state. And recovery from the Covid-19

[1] Counties with population density over 250 people per square mile, according to the 2020 U.S. Census, are considered urban. Under this definition, urban counties are Alamance, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Durham, Forsyth, Gaston, Guilford, Henderson, Iredell, Johnston, Lincoln, Mecklenburg, New Hanover, Onslow, Orange, Pitt, Rowan, Union, and Wake.

pandemic has proceeded differently in the labor markets of rural and urban economies. A slightly higher portion of urban jobs were lost during the pandemic recession, but urban private sector job growth outpaced growth in rural job markets from 2020 Q3 to 2025 Q3. That changed in the most recent data, however. During the most recent two years, North Carolina's rural job growth has been slightly stronger than that of the urban counties. Still, since 2020 Q3, urban county jobs have grown 16.8 percent (435,000 jobs), while rural county jobs grew 9.9 percent (88,000 jobs).

On the other hand, the number of private business establishments has been stable or rising since the onset of the pandemic in both rural and urban counties (though establishments in rural counties have grown more slowly). From 2020 Q3 to 2025 Q3, North Carolina's urban county private establishments grew 29.6 percent (57,000 establishments), while rural county private establishments grew 22.0 percent (17,000 establishments).





Unfortunately, rural job markets have still not recovered to job levels before the Great Recession. While rural counties had 1.7 percent fewer jobs (16,930) in the third quarter of 2025 than in 2007, the number of jobs in rural counties is 3.9 percent (36,795 jobs) higher than pre-pandemic levels.

STATUS OF MINORITY-OWNED BUSINESSES

The timeliest data for assessing minority-owned businesses in North Carolina is available through the Census Bureau's Annual Business Survey (ABS), which is published annually and covers employer firms—those firms with paid employees. According to ABS, 17.0 percent (30,788) of North Carolina's employer firms were minority-owned in 2023 (the most current year for which data has been released). Minority-owned firms employed 6.2 percent (243,243) of employees in the state in that year. As a comparison, 23.6 percent of US employer firms were minority-owned and employed 8.6 percent of total employees in that same year. Despite the under-representation of minority-owned businesses in the state, the number of Black-owned and Hispanic-owned businesses in the state grew by 61.5% and 66.7% respectively between 2017 and 2023. In comparison, the growth in White-owned businesses was a more modest 6.1% over the same period.

A separate Census product called the Nonemployer Statistics by Demographics series (NES-D) includes demographic information about nonemployer firms—those firms without paid employees. According to NES-D, 34.1 percent (314,000) of the state's nonemployer firms were minority-owned in 2023 (the most current year for which data has been released). At the national level, 39.1 percent of nonemployer firms were minority-owned in 2023.

DEVELOPMENT CAPACITY

The N.C. Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns each a Tier designation. The 40 most distressed counties are designated as Tier 1, the next 40 as Tier 2, and the 20 least distressed as Tier 3. This Tier system is incorporated into various state programs to encourage economic activity in the less prosperous areas of the state.

For more information about the Tier system, please refer to:
https://www.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers