

Economics Group

Special Commentary

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277
Michael T. Wolf, Economist
michael.t.wolf@wellsfargo.com • (704) 410-3286
Mackenzie Miller, Economic Analyst
mackenzie.miller@wellsfargo.com • (704) 410-3358

North Carolina Economic Outlook: April 2014

Executive Summary

After suffering larger jobs losses during the recession and enduring a more problematic battle with long-term unemployment, North Carolina's economic recovery finally got moving during the second half of 2013. Labor market conditions improved dramatically, with overall job growth outpacing the nation and all major industry groups posting year-over-year employment gains on a three-month moving average basis. One driving force behind this turnaround is that several persistently weak spots around the state have finally turned around. Construction payrolls swung from being a huge drag on overall growth to making a solid contribution, reflecting gains in both residential and commercial building. Employment in manufacturing and government has also improved. In addition, the state's stubbornly high unemployment rate finally began to decline in a major way, plunging 2.2 percentage points over the past year to just 6.4 percent in February.

One driving force behind this turnaround is that several persistently weak spots around the state have finally turned around.

The strongest job growth on a percentage basis has come from North Carolina's rapidly growing professional and business services sector. This industry subgroup includes professional, scientific and technical services, which is a collection of generally high-paying industries and captures much of the growth in the state's high-tech sector. Much of this growth is centered near Research Triangle Park (RTP) and Charlotte, but other areas, including Asheville and Wilmington, have also registered solid gains in recent years. Growth in this critical industry has moderated slightly in many other parts of the state but still serves as a key driver for hiring in other sectors, including administrative and business services, where employment is up a sizable 6.9 percent from a year ago on a three-month moving average basis. Consumer-driven industries, such as retail trade, leisure and hospitality and education and health services also benefit, as brighter job prospects lift income growth and boost consumer confidence.

Figure 1

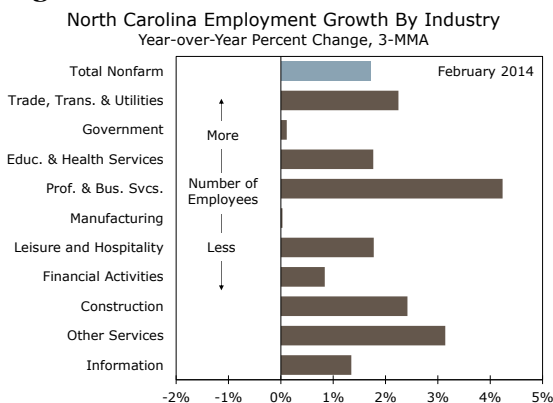
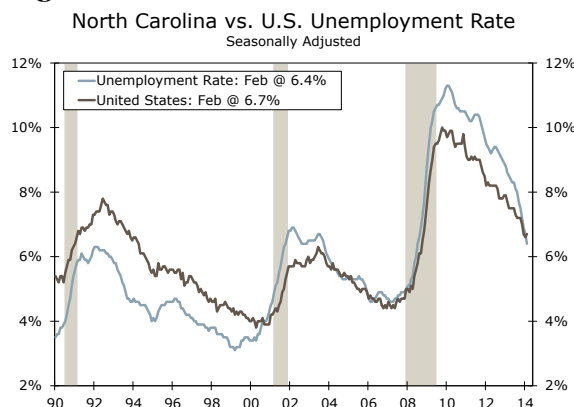


Figure 2



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

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With economic activity firming, hiring in transportation, warehousing and wholesale trade, which have long been important industries in North Carolina, posted sizable gains this past year. The gains reflect an upturn in freight shipments as well as ongoing expansions of physical infrastructure, including port facilities, railroads, highways and airports. One recent example is a new intermodal facility opened by Norfolk Southern late last year between two runways at the Charlotte-Douglas International Airport. The new facility replaces a smaller intermodal yard near downtown Charlotte and will likely spur additional growth of warehouses, distributions centers and light manufacturing around the airport. Port facilities have also been expanded along the coast, which should allow for more bulk cargo shipments and benefit a number of manufacturers located throughout the state.

Rising Share of Growth Accrues to Raleigh and Charlotte

North Carolina is rapidly urbanizing. Much of the state’s recent job growth has been centered in the state’s largest three metro areas—Charlotte, Raleigh and Durham. These three metro areas have accounted for a growing share of growth with each economic expansion, even after accounting for their larger population. Many of the state’s fastest growing industries are concentrated in these metro areas. During the 1990s expansion, which ended in February 2001, these three metro areas accounted for 49.1 percent of the state’s employment gains, while only accounting for about 37.7 percent of all workers in the state. The subsequent expansion period saw Charlotte, Raleigh and Durham’s contribution rise to 56.8 percent of all employment gains, while their total employment accounted for 40.2 percent of the state’s total. Finally, during the current recovery, Charlotte, Raleigh and Durham have accounted for 69.8 percent of all new jobs, while the total employment share of these metro areas has edged up to 42.3 percent.

Many of the state’s fastest growing industries are concentrated in these metro areas.

Figure 3

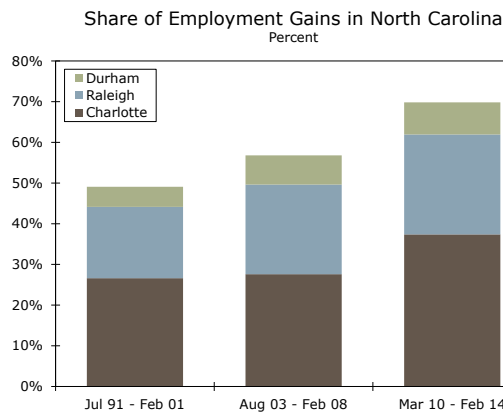
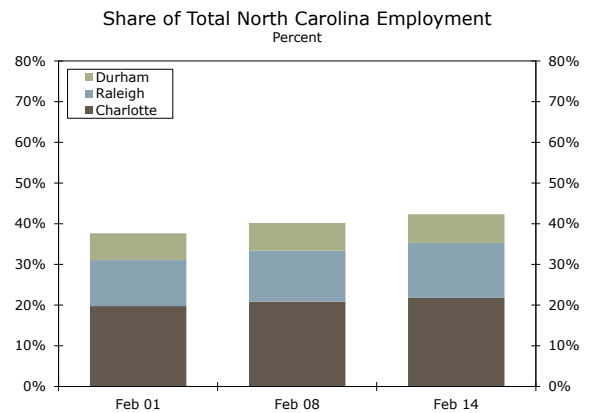


Figure 4



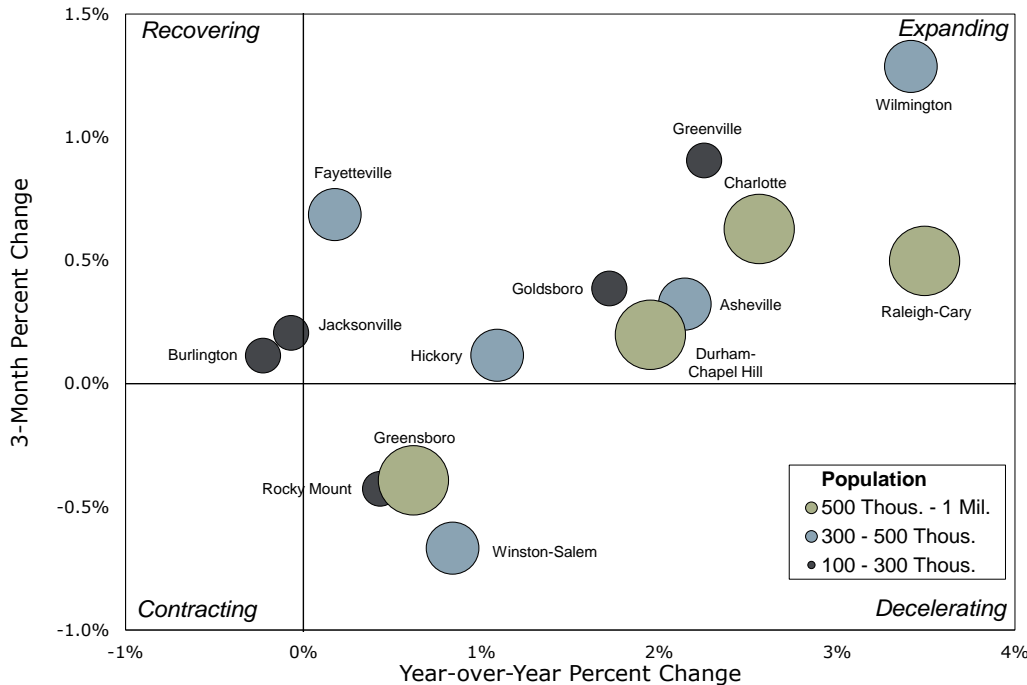
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Most of North Carolina’s Metro Areas Improved in 2013

While Raleigh and Charlotte have accounted for a larger share of the state’s job growth, all nine of the state’s largest metro areas saw employment conditions improve over the past year. Of those nine metro areas, four are growing at a more than 2 percent rate and two others are above 3 percent year over year. Wilmington, Raleigh and Asheville have posted some of the strongest gains of late, with Charlotte and Durham continuing to push past their prerecession peaks. While professional and business services have been a major driver of Charlotte’s and Raleigh’s economies, they have also posted very strong gains in Wilmington and Greensboro. Of the smaller metro areas, growth has been accelerating in Greenville and Goldsboro, thanks to a strengthening in private services. Burlington and Rocky Mount continue to struggle, however, and declines among goods producers have slowed growth in Jacksonville to a virtual standstill.

Figure 5

North Carolina Employment Growth: February 2014
 3-Month Moving Averages



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The Winds of Change Reach Manufacturing and Western North Carolina

The travails of North Carolina’s historically important manufacturing sector have been much discussed. North Carolina’s textile, apparel and furniture industries have struggled mightily against the onslaught of competition unleashed by NAFTA and the rise of China. Manufacturing employment posted year-over-year declines every month from August 1998 to 2010. Conditions have improved more recently, however, as the state’s factory sector has begun a slow but steady turnaround. Several major new plants have been built or were announced in recent years, with a larger portion of investment coming from overseas. We expect this trend will gain momentum as the global economy strengthens. Although we remain optimistic about the prospects for the state’s factory sector, we believe that all of the talk about re-shoring needs to be kept in perspective. Many of the plants setting up shop in North Carolina are fairly capital intensive, which means they are unlikely to reverse a large portion of the employment decline endured over the past few decades. Moreover, the skillset demanded by new, incoming industry tends to be higher than that of the industry that left, which creates challenges for displaced workers and communities.

More than 40 new manufacturing facilities were announced in North Carolina during 2013 and that momentum has carried over into 2014. Notable new projects include GE Aviation, which broke ground on a new 170,000-square-foot factory near Asheville that will be the first to produce jet engine components made from advanced ceramic matrix composite materials. Other major deals include a significant investment by Gildan Activewear, which is investing \$250 million to expand two existing yarn spinning facilities in Rowan County and build a new yarn plant in neighboring Davie County. The automotive sector also continues to expand in the state. KSM Castings, a German-based manufacturer of aluminum-cast parts, is opening a new factory in Shelby and plans to ultimately create 190 new jobs.

Several major new plants have been built or were announced in recent years.

Better days appear to be ahead for the region's factory sector.

Western North Carolina¹ has seen a considerable amount of activity this past year. Excluding Asheville, the western part of the state has an outsized manufacturing industry that currently employs 18.4 percent of all workers. By contrast, 11.1 percent of workers are employed in manufacturing in the state as a whole and less than 9 percent are employed in the industry throughout the United States. The outsized role that the factory sector plays, and the loss of traditionally important furniture and textile jobs, made the region particularly vulnerable during the Great Recession, which came at a time when the labor market had not yet fully recovered from prior recessions and the onslaught of competition from abroad. In September 2013, total employment was still 18.1 percent lower than its peak seen in June 2000 and is 11.3 percent from levels seen before the Great Recession set in.

Better days appear to be ahead for the region's factory sector. Major announcements this past year include expansions by Trelleborg Coated Systems, which is expanding its advanced polymer plants in Rutherfordton and Ruth; Key Gas Components, which is expanding in Marion and Continental Automotive Systems, which is adding 88,000 square feet of space and 40 employees to its Henderson County factory. In addition, several bioscience firms announced expansions in Caldwell County last year, including Adhezion Biomedical, Greer Laboratories and Exela Pharma Sciences, which purchased Broyhill Furniture Industries' highly visible headquarters on U.S. 321 and is spending more than \$8.5 million to renovate the facility, also creating 40 new jobs.

Figure 6

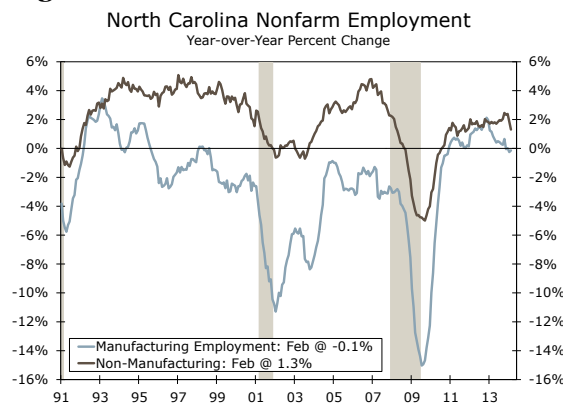
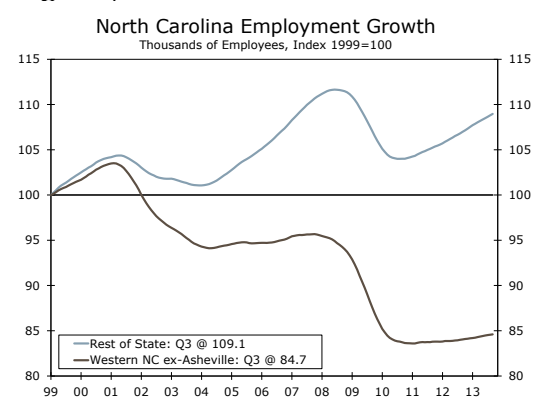


Figure 7



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Growth is not uniform across western North Carolina. Polk, Swain and Mitchell counties all posted year-over-year employment gains north of 4 percent, while Alleghany, Yancey and Graham counties saw year-ago losses in excess of 2 percent. As manufacturing's stature has been diminished, new industries have taken its place. Google, Facebook and Apple are just three of the large companies that have built data centers in the western part of the state. These facilities require low-cost, reliable energy and a cool environment, which often requires an abundance of water to keep temperatures down. The loss of furniture and textile plants in the region left the region with excess water plant capacity and an abundance of power generation capacity. State and local economic development agencies have also targeted the recruitment of data centers to the region. Other tech-related companies, such as Commscope and Corning Cable Systems, design and manufacture fiber optic cable and other network infrastructure products in the Hickory area. The industry has a long history in the state dating back to the days of Superior Cable Company, which opened its fiber optic cable plant in Catawba County in 1953. The industry has become even more capital intensive, however, which has diminished the employment impact on the region.

¹ This area is the western portion of North Carolina that includes Alleghany, Wilkes, Caldwell, Burke and Rutherford counties as its eastern border. We also excluded the counties that encompass the Asheville metro area.

The future of North Carolina's manufacturing industry lies in products, such as chemicals and polymers, aviation equipment and electronics and industrial machinery, which are more capital intensive and require a more highly-skilled workforce. Chemical production has picked up in the state, with exports jumping 4.2 percent in 2013 and employment in the industry also 1.4 percent higher than a year ago. North Carolina is home to a number of pharmaceutical companies, including Baxter, GlaxoSmithKline, Merck and Novo Nordisk, all of which have manufacturing facilities in the state. Although employment growth in computer and electronic product manufacturing has slipped, exports of those goods grew 7.0 percent in 2013, which bodes well for future business investment and more hiring in the industry. Lenovo has continued to expand its footprint in the state, purchasing the IBM personal computer unit and recently agreeing to acquire the firm's mainframe computing division. Lenovo also opened a new PC manufacturing plant near Greensboro this past year, which employs 115 workers. Producers of industrial machinery added 2,100 workers over the past three years, even though foreign demand for industrial machines manufactured in the state has fallen off recently.

The industry has become even more capital intensive, however, which has diminished the employment impact on the region.

Commercial Real Estate Is Poised for Better Days

Office and retail development is finally showing signs of turning around. This past year saw a notable increase in sales of office and retail properties. Demand has been steadily improving and vacancy rates have slid to the point that several projects are now being proposed and a few developments have begun to move forward. Heavy and civil engineering has been a notable bright spot over the past few years and activity should remain strong this year, as several large projects continue to move down the pipeline. Some notable recent projects include NTE Energy's natural gas-fired plant, which is expected to add about 300 workers once construction begins next year. Work is also continuing on Charlotte's streetcar line, which will connect downtown to nearby residential areas. Charlotte is also extending its existing light rail line, with a nine-mile, \$1 billion addition to the north that will connect downtown Charlotte and the University area. Other projects in the works around the state include six solar power plant projects, expansions to the Cary/Apex Water Treatment Facility, and preliminary design and engineering work for a new light rail system in the Raleigh area.

Office markets in Charlotte and Raleigh saw activity increase significantly this past year. MetLife leased nearly 400,000 square feet of space for its new U.S. retail headquarters in the Ballantyne area, and AIG recently signed on for 32,000 square feet of space in downtown Charlotte, where it will establish a new technology center and create 170 jobs over the next three years. The increase in office leasing has led to some new office development, including plans for new buildings in SouthPark, the Ballantyne area and downtown Charlotte, where two office towers have been proposed. Actual building activity remains constrained, however, as significant leases need to be signed before larger office projects actually break ground.

Office markets in Charlotte and Raleigh saw activity increase significantly this past year.

Growth in the technology sector, particularly cloud computing, software development and biosciences, is the driving influence behind much of the activity in the Triangle's real estate market. Office vacancy rates in the Raleigh area have tumbled 0.6 percentage points in the past year, as 405,000 square feet of office space was absorbed. Major leases this past year include Biologics, which agreed to lease all 75,000 square feet of space in a new Highwoods Properties building in Cary. The new building is close to where Highwoods is developing two buildings totaling 427,000 square feet of space for MetLife, which will house the firm's global technology and operations hub. ABB also recently agreed to lease 94,000 square feet of space in Alliance Center 1, which is a 145,000-square-foot building being developed on N.C. State's Centennial Campus. The Centennial Campus will also host a new research consortium that includes 18 area companies and five universities announced by President Obama earlier this year. The research institute will focus on the next generation of high performance energy-efficient semiconductors.

Increased economic activity has helped fuel demand for apartments in Raleigh and Charlotte. Both markets have seen a wave of new projects come to the market over the past couple of years.

Much of the growth has occurred in just a handful of submarkets, such as North Raleigh and South Cary and in Charlotte's South End. More recently, concerns about potential overbuilding, delays in receiving necessary approvals and the recent harsh winter weather have cut into new construction. After surging in 2012, permits for buildings with five or more units have been trending lower. The falloff has been particularly notable in Raleigh where those permits are 35.1 percent lower than a year ago, using a trailing 12-month moving average. That slide, however, may prove temporary, as a number of projects remain in the pipeline. Moreover, apartment construction has continued to ramp up in Durham, where permits for buildings with five or more units are up an astonishing 85.9 percent on the same basis year to year, albeit from an extremely low base.

Some of the recent decline in multifamily permits may be due to a subtle change in the fundamentals.

Some of the recent decline in multifamily permits may be due to a subtle change in the fundamentals. Over the past three quarters, apartment completions have narrowly outpaced net absorption in Charlotte, allowing apartment inventory to build slightly. Demand for apartments remains strong, however, and construction has been largely rising to meet that demand. The same is true for Raleigh, where supply is outpacing demand even more so than in Charlotte, lifting the vacancy rate 0.2 percentage points since the first quarter of 2013.

Figure 8

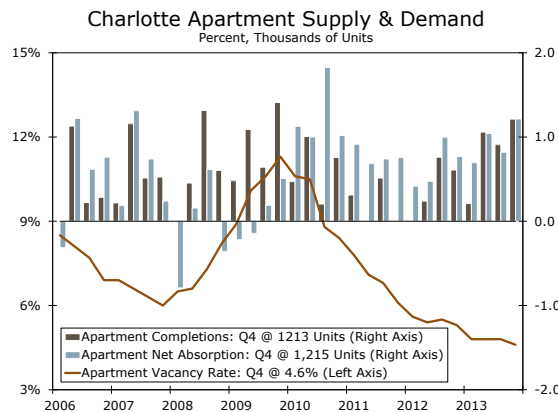
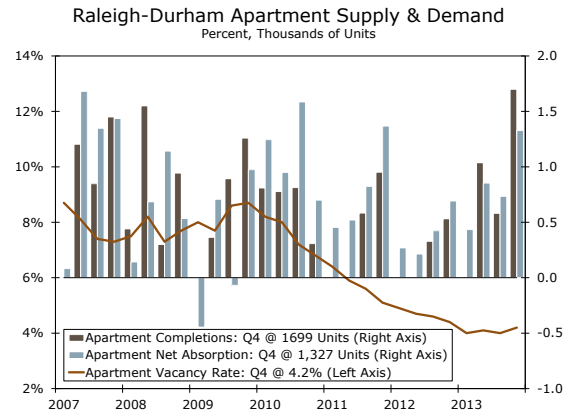


Figure 9



Source: REIS and Wells Fargo Securities, LLC

Single-Family Housing Market Recovery Remains Intact

North Carolina's housing market continues to gain momentum, as improving job and income prospects boost household formation and encourage increased in-migration. Sales of existing homes increased 20.4 percent in 2013. At 8.0 percent year-over-year growth, home prices are rising less rapidly than they are nationwide but they did not fall as far either. Home prices are now a mere 5.2 percent away from their pre-recession level compared to 16.9 percent nationally. Relatively low home prices are one of North Carolina's key selling points and are one of the reasons so many businesses and households relocate to the state.

Despite the steady improvement in the existing home market, new home construction remains constrained. Permits for new single-family homes have risen just 13.5 percent over the past year and are up just 47.6 percent from their post-recession lows. While builders have been cautious about getting ahead of demand, a larger problem has been the lack of available lots and a dearth of new land development. Inventories of new homes remain relatively tight, particularly in the Charlotte and Raleigh areas, where job growth and population gains have been the strongest. Building activity should ramp up in 2014 but will likely remain well below the pace seen in previous recoveries.

Figure 10

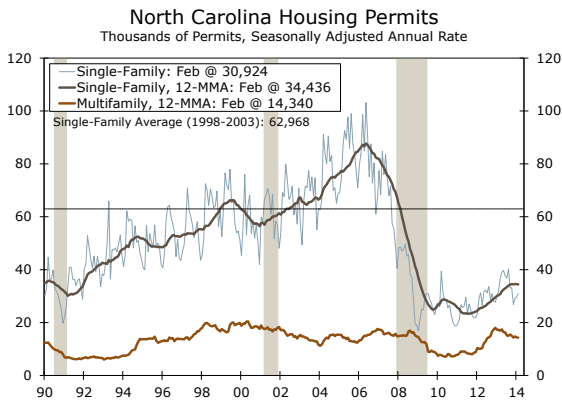
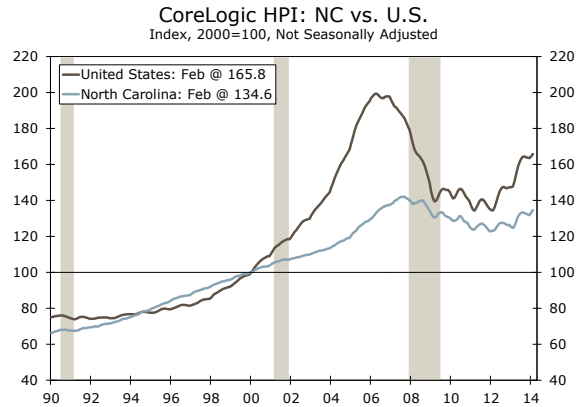


Figure 11



Source: U.S. Department of Commerce, CoreLogic and Wells Fargo Securities, LLC

Summary and Outlook

North Carolina’s economic recovery finally came together in 2013. More businesses are moving forward with expansions, which has boosted capital spending and hiring around the state. Employment conditions improved significantly, with nonfarm employment climbing 1.8 percent and the state’s unemployment rate tumbling 2.0 percentage points. Economic conditions continued to improve during the first part of 2014, and in February, the state’s unemployment rate fell below the nation’s for the first time in nearly eight years.

While the quickening pace of the recovery is most evident in Charlotte and Raleigh, all of the state’s larger metropolitan areas, as well as many rural areas, saw economic conditions improve in 2013 and the coming year should see even stronger gains. North Carolina remains a prime choice for relocations and expansion, finishing in seventh place in the latest Site Selection Governor’s Cup competition, which ranks states according to the number of new and expanded businesses during the past year. North Carolina attracted 42 new factories, 98 manufacturing expansions and 83 other major facilities, including offices and distributions centers.

Several old mainstays of the Tar Heel State economy appear to have caught their second wind and are expanding again. There were several positive announcements in the furniture and textile industries during the past year, and, while the industry is unlikely to reverse the decades’ long slide in employment, conditions have clearly taken a turn for the better. Activity is also picking up in the aviation sector, with expansions at stalwarts like GE, B/E Aerospace, Spirit AeroSystems and HondaJet leading the way. Relocations also provided a huge boost to the state’s important financial services sector. MetLife announced a huge relocation, which added 1,300 jobs in both Charlotte and Raleigh, as that firm established retail and technology hubs, respectively, in these two areas. Growth in the state’s technology sector also improved this past year, with most of the gain showing up in the Research Triangle region. The strongest gains are coming in cloud computing applications, software development and biosciences. Even though the Triangle is the hub of much of this activity, gains are evident across most metropolitan areas.

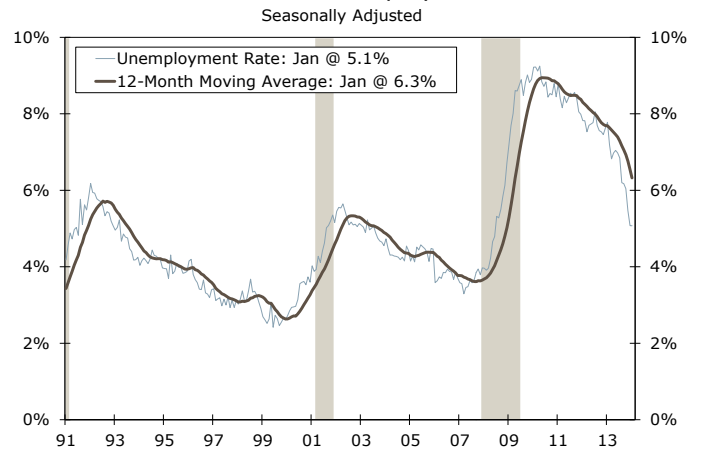
Several old mainstays of the Tar Heel state economy appear to have caught their second wind and are expanding again.

North Carolina’s economy should gain further momentum in 2014. Overall job growth should easily top this past year’s 1.8 percent gain, which produced 73,100 new jobs. Gains in residential and commercial construction and at least some incremental improvement in government payrolls will augment continued strong growth in professional and technical services. The state’s leisure and hospitality sector should also see another strong year, with this winter’s snow storms aiding the state’s ski resorts and the upturn in general business activity bolstering business and leisure travel.

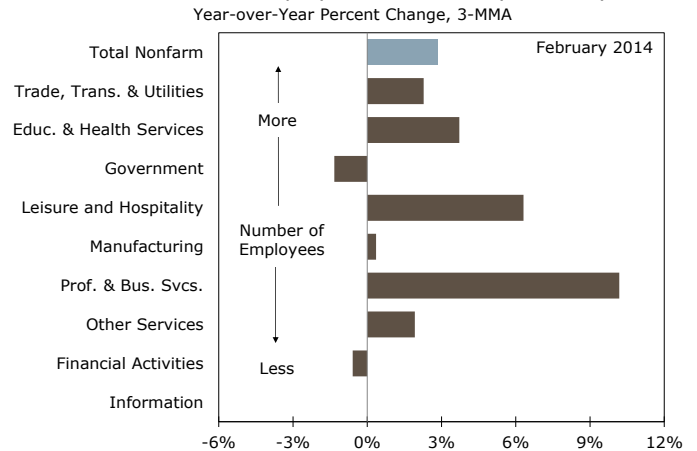
Asheville

- Asheville's economy continues to benefit from its diversifying economic base, with payrolls picking up across most major industries. With hiring gaining strength, the unemployment rate has tumbled to 5.1 percent, far below the state and national averages. The public sector and financial services remain soft, however.
- Tourism remains an important mainstay for the region, which relies heavily on dollars spent at its restaurants and hotels. Hotel revenues rose 12.3 percent in 2013, as occupancy and prices trended higher. Total airport passengers rose 7 percent for the year. Leisure and hospitality payrolls have risen 5.8 percent over the past year and are now well above their prerecession peak. Retailers are also making sizable additions to their payrolls. The region's craft brewery industry continues to expand and is rapidly becoming a driver of tourism in its own right.
- Targeted training programs at community colleges have helped draw additional investment to the area. GE Aviation is investing \$126 million to expand its facilities in Asheville to produce jet engine components. Kearfott Corp., which makes navigation systems for drones and military equipment, is also expanding. Although the industry should see continued gains as these proposed expansions and others move forward, manufacturing employment will rise only modestly.
- The housing bust in Asheville was a relatively strong one, but prices have increased 11.9 percent from a year ago, considerably higher than the state average. As the broader economy has improved, so too has demand for second homes in the metro area. In addition, the supply of homes remains healthy, with relatively few foreclosures and delinquencies. Residential construction continues to trend upward, though gains have moderated recently.
- Asheville can expect steady gains as broader economic improvements fuel demand for the area's tourist activities. Asheville is also enjoying a great deal of success at attracting relatively high-skill and high-paying industry, which should keep incomes growing and insulate the economy from swings in the leisure and hospitality industry.

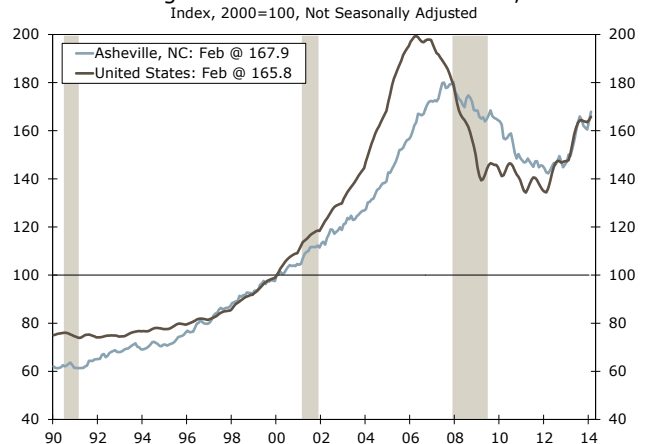
Asheville MSA Unemployment Rate



Asheville MSA Employment Growth By Industry



CoreLogic Home Price Index: Asheville, NC

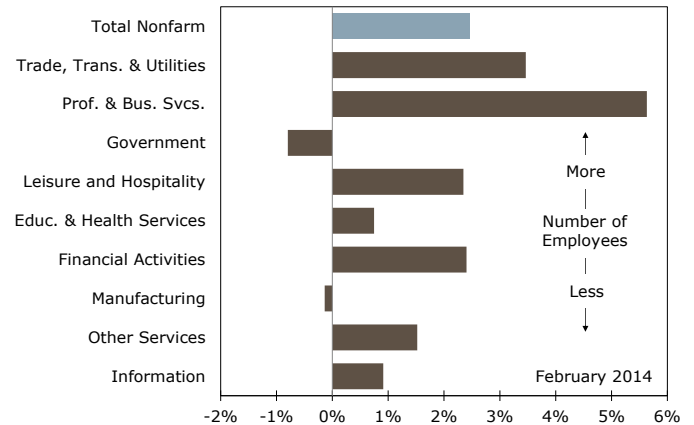


Source: U.S. Dept. of Labor, CoreLogic and Wells Fargo Securities, LLC

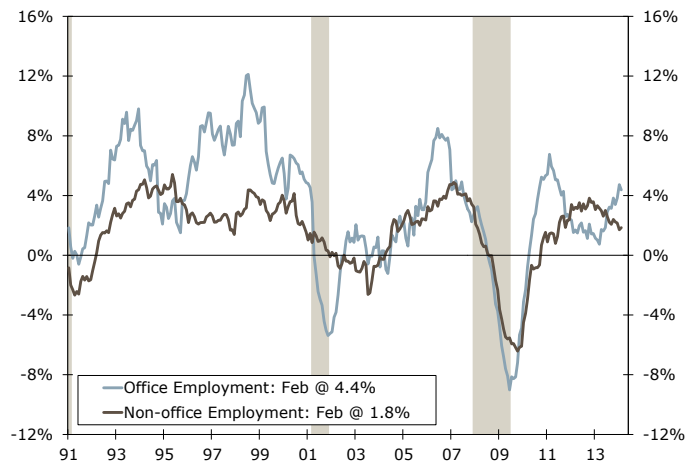
Charlotte

- Charlotte is a welcome bright spot in the Tar Heel State, with job growth far outpacing the state and nation. Nonfarm payrolls have more than recovered their recession losses. The strongest gains have been seen in professional and business services and leisure and hospitality. Transportation and utilities is another key driver. Government continues to be a drag on the metro area's economy and gains in the factory sector have been modest so far.
- Professional and business services firms added 7,900 jobs in the past year. Growth has been strong in both the higher-paying professional and technical services and the lower-paying support functions. The gains reflect growth in engineering and consulting professions, which are fueled by Charlotte's large financial services and energy and power sectors. Growth in professional and business services has also helped fuel gains in the leisure and hospitality sector, with rising room demand at hotels and increased business at restaurants.
- Charlotte still has its weak spots. Government payrolls are slightly lower than they were a year ago. Manufacturer payrolls are also struggling to maintain growth. Norfolk Southern's new intermodal facility at the airport should help by attracting warehouses and light manufacturing to the area. Transportation and utilities employment rose 5.5 percent over the past year and has surged past its prerecession peak.
- The housing market has improved markedly. Home prices are up 9.9 percent over the past year and have surpassed their previous peak. Demand surged in 2013, with existing home sales rising 35.6 percent from a year earlier. The market's fundamentals have also improved, with fewer underwater mortgages, foreclosures and delinquencies. Single-family home building has made solid gains, while multifamily construction has reached its prerecession pace.
- The outlook for Charlotte remains bright. The region's relatively low costs of living and world class international airport continue to attract scores of firms to the area and have helped push population growth to a pace nearly three times the national average. The recovery in financial services should also gain strength this year.

Charlotte MSA Employment Growth By Industry
 Year-over-Year Percent Change, 3-MMA

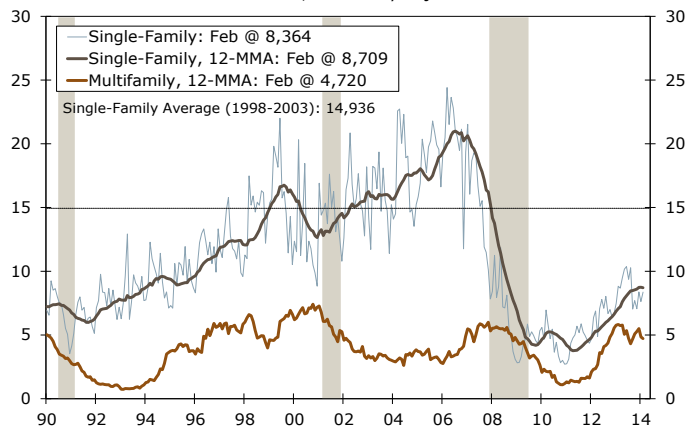


Charlotte MSA Nonfarm Employment
 Year-over-Year Percent Change



Charlotte MSA Housing Permits

Thousands of Permits, Seasonally Adjusted Annual Rate

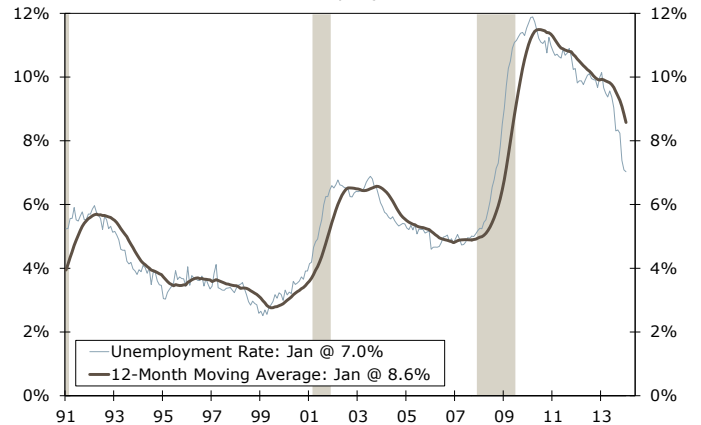


Source: U.S. Dept. of Labor, U.S. Dept. of Commerce and Wells Fargo Securities, LLC

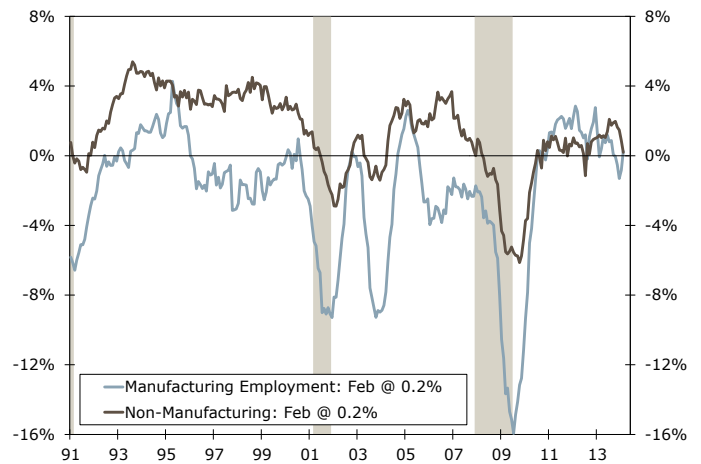
Greensboro

- Greensboro has struggled throughout the recovery. Nonfarm employment remains 7.1 percent below its prerecession peak, as compared to just 2.2 percent statewide. The metro area is still heavily dependent on manufacturing, which has struggled. Financial activities employment is also trending lower as SunTrust Bank closed its operations in downtown Greensboro. Professional and business services are posting solid gains, with employment up 5.6 percent over the past year.
- About 15 percent of Greensboro's workforce is employed in manufacturing. Unfortunately, the factory sector has struggled and manufacturing employment is down 0.2 percent year over year. Furniture manufacturers comprise a major portion of the region's manufacturing base and there have been some promising signs. Ashley Furniture is expanding its plant in Davie County and United Furniture announced an expansion in Lexington. In addition, Stanley Furniture relocated its headquarters to High Point.
- Although professional and business services have made sizable gains, the underlying details are less promising. All of the workers added to this broad industry category over the past year have been in the relatively low-paying administrative and support positions.
- Home prices are up 3.6 percent from over the past year and are currently 10.9 percent below their prerecession peak. Sales growth has waned recently but was still 25.5 percent higher in 2013. Furthermore, delinquencies and foreclosures continue to trend lower and the share of homeowners who owe more than their home is worth has bested the state and national average. Residential construction has been very slow to bounce back, however, with multifamily permits remaining near record lows and the single-family market seeing only tepid gains.
- Greensboro's recovery should gain momentum as hiring picks up across a broader assortment of industries. The region's furniture industry should make further strides, as the housing market strengthens and the industry consolidates in High Point. Growth in the region's promising technology and aerospace industries should also quicken.

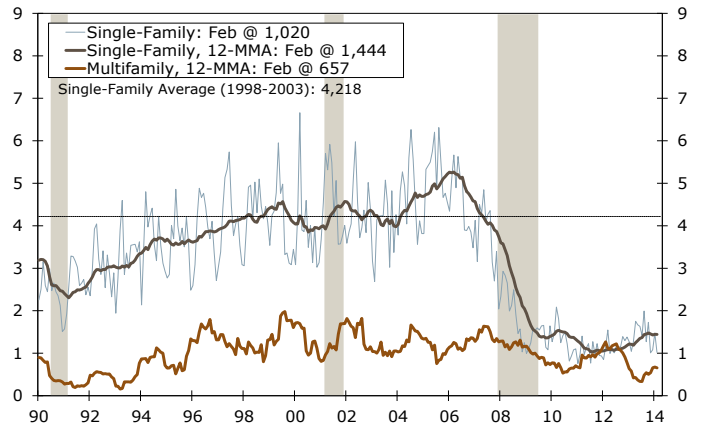
Greensboro MSA Unemployment Rate
 Seasonally Adjusted



Greensboro MSA Nonfarm Employment
 Year-over-Year Percent Change



Greensboro MSA Housing Permits
 Thousands of Permits, Seasonally Adjusted Annual Rate

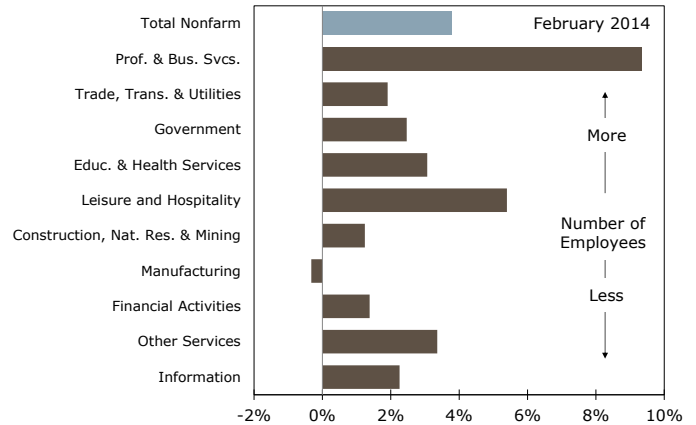


Source: U.S. Dept. of Labor, U.S. Dept. of Commerce and Wells Fargo Securities, LLC

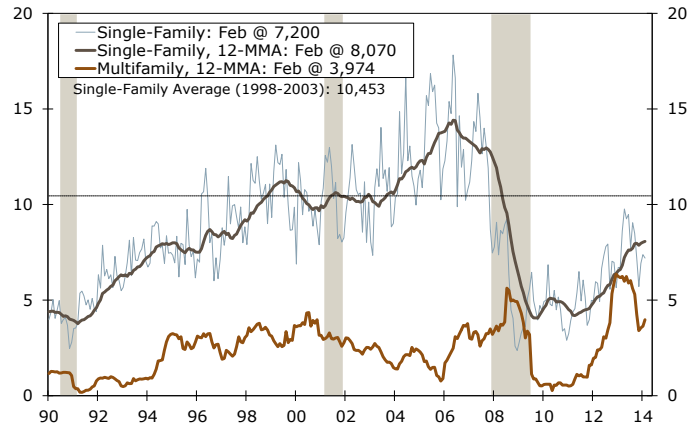
Raleigh

- Raleigh is still posting strong gains, thanks to a preponderance of high-tech employers. Nonfarm payrolls have surged 3.5 percent from a year ago, pushing employment to record highs. The unemployment rate has fallen to 5.3 percent. Growth has been broad based, but the tech sector is clearly leading the way.
- Although much attention has been paid to layoffs at IBM and Lenovo's purchase of Big Blue's server business, the tech industry is alive and well in Raleigh. Professional, scientific and technical services employment, which includes many of the occupations that make up the information technology and life sciences industries, is up 9.9 percent from a year ago. Payrolls at information firms, which include data processing and software publishing, are up 2.2 percent from a year ago. Nearby Research Triangle Park is also expanding, with a recent purchase of 100 acres along the I-40 corridor providing room to accommodate future growth.
- As home to the state's capital and N.C. State University, Raleigh has a built-in, stable employment base. State government payrolls are now a hefty 4.0 percent higher than a year ago. Local governments have posted more modest gains recently and federal payrolls continue to move lower.
- Residential construction has struggled recently. Single-family permits are growing at a slower rate than what was seen earlier in the recovery. After surging in 2012, multifamily permits are now declining. The multifamily market seemed to have gained too much momentum earlier, and a surge in new apartments will hit the market this year. Home prices are 7.5 percent higher than a year ago and remain only 3.4 percent from their prerecession peak.
- Raleigh should continue to see strong employment gains during the coming year. The metro area's highly-educated work force and proximity to major research universities will continue to attract businesses to the area, particularly in the technology and biosciences fields. While apartment building may be cooling off, single-family construction should gain momentum this year. Office and industrial development will also improve.

Raleigh MSA Employment Growth By Industry
 Year-over-Year Percent Change, 3-MMA

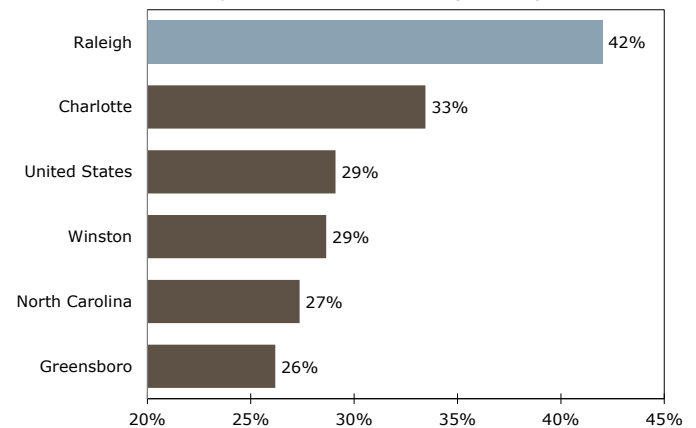


Raleigh MSA Housing Permits
 Thousands of Permits, Seasonally Adjusted Annual Rate



Educational Attainment

Percent of Population with a Bachelor's Degree or Higher, 2012

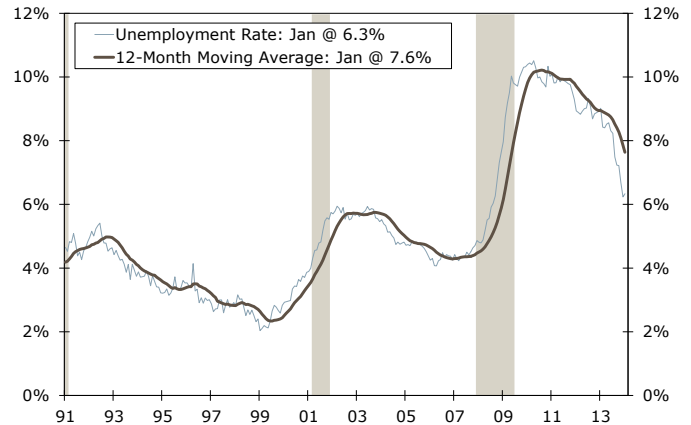


Source: U.S. Dept. of Labor, U.S. Dept. of Commerce and Wells Fargo Securities, LLC

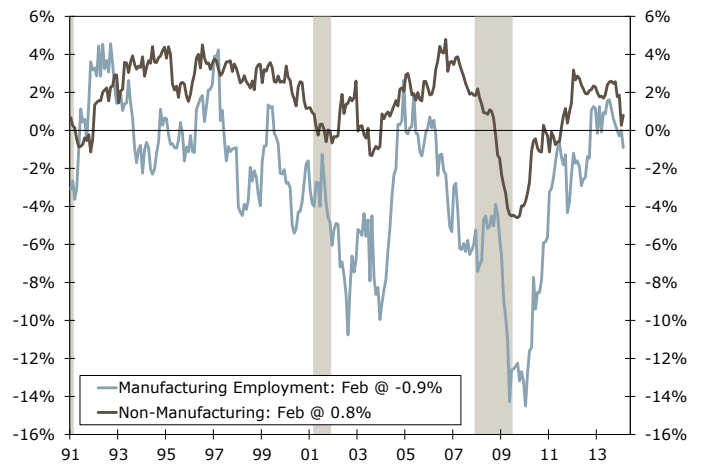
Winston Salem

- Winston Salem has been slow to recover. Nonfarm payrolls are down 0.1 percent from a year ago and remain 4.0 percent below their prerecession peak, considerably further than the state and nation. Retail trade, manufacturing and financial activities have all struggled. Other industries are performing much better, however. Leisure and hospitality payrolls have reached new heights, and the relatively small public sector is also posting gains.
- At well over 20 percent, education and health services employment accounts for a much larger share of employment in Winston Salem than it does elsewhere. Fortunately, employment in this critical industry continues to post solid gains. Winston Salem is home to Baptist Medical Center, which is ranked among the top hospitals in the state, and Wake Forest University, which provides a relatively stable employment and consumer base.
- Manufacturing has seen perennial declines. The industry should get a boost once Herbalife's manufacturing facility begins operating at the former Dell plant. Other goods producers have fared better. B/E Aerospace continues to expand its manufacturing and engineering operations and, with airplane orders surging, appears to have a good deal of growth ahead of it. Transportation and utilities employment is up 3.9 percent year over year.
- With a less severe housing bust in the metro area, home prices are now only 5.8 percent from their prerecession peak, far better than the 16.9 percent differential seen in the United States as a whole. Housing demand has remained strong, with sales up 22.4 percent in 2013. Despite the strength in existing sales, home prices are up only 3.1 percent over the past year. Single-family permits have been painfully low for years and are only now starting to pick up slightly.
- Growth in Winston Salem should continue to move ahead at a modest pace. The region's manufacturing sector appears to be gaining momentum and construction activity is strengthening after a long lull. We expect overall job growth to strengthen during the coming year and look for at least modest gains across most major industries.

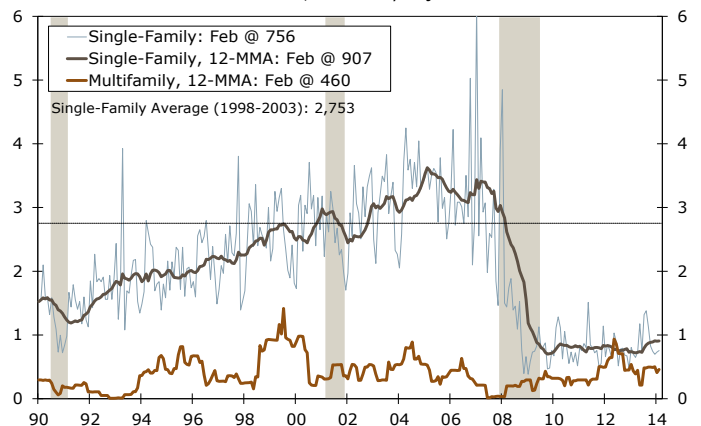
Winston-Salem MSA Unemployment Rate
 Seasonally Adjusted



Winston-Salem MSA Nonfarm Employment
 Year-over-Year Percent Change



Winston-Salem MSA Housing Permits
 Thousands of Permits, Seasonally Adjusted Annual Rate



Source: U.S. Dept. of Labor, U.S. Dept. of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Sarah Watt House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael T. Wolf	Economist	(704) 410-3286	michael.t.wolf@wellsfargo.com
Zachary Griffiths	Economic Analyst	(704) 410-3284	zachary.griffiths@wellsfargo.com
Mackenzie Miller	Economic Analyst	(704) 410-3358	mackenzie.miller@wellsfargo.com
Blaire Zachary	Economic Analyst	(704) 410-3359	blaire.a.zachary@wellsfargo.com
Peg Gavin	Executive Assistant	(704) 410-3279	peg.gavin@wellsfargo.com
Cyndi Burris	Senior Admin. Assistant	(704) 410-3272	cyndi.burris@wellsfargo.com

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