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# Regional Report: Diverse Industries Reflect Economic Gains in the South-Atlantic

**A region that gets its pro-business message across, the South Atlantic's growth in manufacturing, Information technology, and life sciences has moved beyond big cities to its smaller metro areas as well.**

Mark Crawford (Directory 2016)

One of the best-performing regional economies in the U.S. in 2015 has been the South Atlantic. This region has experienced overall improvement in manufacturing, construction, technology, healthcare, and tourism. Infrastructure upgrades have also brought businesses to the region — e.g., Port of Charleston expansions are attracting distribution and logistics investment in South Carolina. As a result, commercial/industrial construction is on the rise. These economic gains are moving beyond big cities into smaller metro areas, creating manufacturing and tech-services growth and reducing unemployment rates.

Employment growth in the South Atlantic has outpaced the U.S. average for the past two years and is about 2 to 3 percent for most states in 2015. The exception is West Virginia, where employment growth is essentially flat, thanks to reduced coal and mining activity; this is, however, somewhat countered by activity in the productive Utica and Marcellus oil shale fields. Reduced federal spending — especially for defense contracts — is also having negative impacts on some regional economies.

**A Diverse Mix**

The South Atlantic economy reflects a diverse mix of traditional and knowledge-based industries, anchored by an historic manufacturing base that produces a wide range of goods, ranging from steel beams to semiconductors. Natural resources-based industries such as agriculture, timber, and energy are still strong. High-tech sectors — including aerospace, life sciences, biotechnology, pharmaceuticals, computers and information technology, electronics, and advanced manufacturing — continue to grow and diversify the regional economy.

The South Atlantic States have done a good job of leveraging their assets to win significant business investment. For example, in fiscal year 2014–2015, Florida announced over 200 projects totaling $2.7 billion, which will create or retain more than 33,000 jobs. For the same FY, Georgia announced a total investment of $4.75 billion by 329 companies, creating about 27,000 new jobs — many of them in the software and technology, aerospace, and food processing sectors.

These states are also continuing to pass legislation that reduces the cost of doing business. For example, North Carolina has strengthened its grant programs, making the state more competitive with others in the region. In Florida, the state legislature increased the total value of the R&D tax credit from $9 million to $23 million. The program is also no longer first-come, first-served — all applications will now be received and reviewed. If more than $23 million in credits are requested, credits will be distributed on a pro-rated basis.

**Robust Manufacturing**

The key driver of the South Atlantic's economy is manufacturing. Manufacturers are attracted to the region because of the overall low corporate tax rates, skilled workforce, competitive wages, and right-to-work status. Transportation infrastructure is another key factor — manufacturers can get their products from here to the marketplace quickly via highway, rail, air, and port.

Automotive is one of the most important manufacturing industries in the South Atlantic. South Carolina, with more than 250 automotive-related companies and suppliers, continues to attract automotive investment. For example, Volvo Cars plans to invest $500 million in its first American manufacturing facility in Berkeley County, creating 4,000 new jobs.

In Georgia, the automotive sector has experienced a 149 percent increase in investment and 11 percent increase in jobs during FY 2014. Atlanta is becoming a leading city for auto technology, with the GM Innovation Center and Panasonic Automotive Innovation Center. Mercedes-Benz USA recently announced it would relocate its headquarters from New Jersey to Atlanta, creating 800 jobs and investing approximately $74 million.

Some of the South's most robust aerospace clusters are in Virginia and Florida. Florida ranked first in the U.S. for aviation manufacturing attractiveness according to PricewaterhouseCoopers. More than 2,000 aerospace and aviation companies have operations in Florida, including Embraer, Northrop Grumman, Boeing, and Lockheed Martin. In September 2015 Blue Origin — a space transportation company founded by Jeff Bezos, CEO of Amazon.com — announced it would locate its $200 million orbital launch vehicle facility in Florida.

Aerospace has also been a key industry in Virginia, where aerospace projects over the last decade represent a total capital investment of about $1.8 billion and about 7,300 new jobs. More than 265 aerospace firms operate in Virginia, including Boeing, General Dynamics, Lockheed Martin, and Ball Corporation. Rolls-Royce's Crosspointe facility in Prince George County is a center of excellence for the manufacture of jet engine components and research collaboration.

West Virginia has one of the highest concentrations of chemical manufacturers and polymer producers in the world — more than 150 chemical and polymer manufacturing companies employ about 12,800 workers throughout the state. Nearly 25 percent of the state's $4.8 billion in international exports is comprised of chemicals and polymers. West Virginia is also home to the Mid-Atlantic Technology, Research, and Innovation Center (MATRIC), a center of excellence for research and innovation for chemistry and chemical products.

South Carolina also has a well-developed chemicals and plastics industry. Major manufacturers and processors include Fujifilm, 3M, DuPont, and DAK Americas, whose South Carolina polyethylene terephthalate (PET) polymer manufacturing plant is one of the largest in the U.S. Sealed Air's Cryovac has multiple facilities in South Carolina, including a package design and development center and global production facility for medical containers and delivery systems. Recent investment announcements by other companies include Auriga Polymers ($35 million expansion, Spartanburg County) and Poly-America ($100 million facility, Chester County).

**Information Technology**

Georgia is a leader in software and information technology development — companies headquartered in the state saw a 110 percent increase in job growth and increased investment by 374 percent. Virginia is also showing rapid growth, especially in Internet technology, software development, fiber optics, and advanced communications. Microsoft Corporation recently announced it would invest $402 million to expand its data center site in Mecklenburg County — its fourth major expansion in five years.

The Raleigh/Durham area in North Carolina continues to expand its IT reputation. "With a corporate roster including SAS, the world's largest privately held software company, and Allscripts, a leading healthcare IT firm, Raleigh/Durham is emerging as a hotbed for software development," states John Boyd, principal with The Boyd Company, a location consulting firm based in Princeton, N.J. "The area's critical mass of technical talent is now attracting companies in leading-edge areas of cloud computing and cybersecurity."

West Virginia has developed a reputation for advanced identification technology, including biometrics. Research facilities include the U.S. Coast Guard's Information Technology Center of Excellence, the FBI's fingerprint identification center, and NASA's Independent Verification and

Validation Facility. The Center for Identification Technology Research at West Virginia University focuses on biometric identification technology. The university also offers one of the few biometrics degree programs in the country.

**Life Sciences**

Life sciences is a broad field that includes laboratory testing, pharmaceuticals, biotechnology, and medical devices and equipment. Considerable R&D is accomplished through collaborations with private-sector companies, research universities, government agencies, and renowned research institutes. Examples include the Centers for Disease Control and Prevention in Atlanta and the Hussman Institute for Human Genomics in Miami. In North Carolina, Research Triangle Park and the North Carolina Biotechnology Center have helped the state build a global reputation for research and development. This is reflected by diabetes drug manufacturer Novo Nordisk's recent decision to build a $1.2 billion manufacturing facility in Johnston County.

Georgia is home to more than 400 life science companies and numerous industry partnerships. An indication of the state's commitment to collaboration is the new $14 million Georgia BioScience Training Center in Newton County. Owned by the state of Georgia and operated by Georgia QuickStart, the state's workforce development program, the center will be used to train employees in the life sciences industry.

One of the world's leading Alzheimer's disease research facilities is located at West Virginia University in Morgantown. Researchers at the Blanchette Rockefeller Neurosciences Institute have discovered how certain genes interfere with cellular function and communication in the brains of Alzheimer's patients. It is hoped these results will lead to new ways to prevent and treat the disease, including developing drugs that can enhance molecular signaling in the brain.

**Open for Business**

Having the technical know-how, expertise, workforce, incentives, infrastructure, and government support is one thing — getting the message out is something else. The South Atlantic States have been very proactive in committing the necessary resources and in delivering their economic messages outside state borders at trade shows and on trade missions. For example, Virginia Governor Terry McAuliffe was one of the first governors to visit and reach out to the new Cuba.

One metric of a state's economic development success is how much foreign investment it generates. In September 2015, for the third time in the last four years, IBM-Plant Location International (IBM-PLI) ranked South Carolina first in attracting jobs through foreign investment.

"With more than 1,200 international establishments currently operating within our borders, South Carolina is enjoying tremendous success in foreign investment," says South Carolina Secretary of Commerce Bobby Hitt. "Moving forward, the recruitment of international companies will remain a critical component of our economic development strategy as we seek to cultivate a dynamic, globally connected economy." — Mark Crawford