Winston-Salem area economy trails state’s other urban centers

Richard Craver/Winston-Salem Journal | Posted: Saturday, February 2, 2013 6:02 pm

A slow path to economic recovery could be leaving the Winston-Salem metropolitan statistical area farther in the rearview mirror of its metro peers as 2013 unfolds.

The good news is the combined economies in Davie, Forsyth, Stokes and Yadkin counties are moving forward on several projects – Ashley Furniture Industries Inc., Caterpillar Inc., Deere-Hitachi Construction Machinery Corp., Herbalife Ltd. and Inmar Inc. – representing combined about 2,100 new jobs over the next two years.

Facebook Question of the Day: Why do you think Winston-Salem has not had as much economic growth as Greensboro?

The MSA’s jobless rate was at 8.8 percent in December, down from 9.5 percent a year earlier.

Community hospitals are slated to open their doors this year to outpatient and physician services in Advance and Clemmons.

However, recent economic data have provided more evidence that the state’s two largest metro economies – the Triangle and Charlotte -- are putting more distance between themselves and the Triad.

Perhaps more disconcerting are signs that the Greensboro-High Point MSA economy has moved around the Winston-Salem MSA and is beginning to pull ahead for the first time since 2005, when the Triad was split as an MSA for geographic and economic reasons by the U.S. Office of Management and Budget.

To use a highway speed analogy, economists say the Winston-Salem MSA’s economy is going forward at 10 mph, while the Greensboro-High Point MSA is going 30 mph, Raleigh-Cary 55 mph and Charlotte 70 mph.

Michael Walden, an economic professor at N.C. State University, said the economic recovery and long-term transition have been stronger in Greensboro than in Winston-Salem. “Greensboro has the advantage of being closer to the fast-growing Charlotte and Triangle economies,” Walden said.

So much so that a statewide economic triangle – “a sweet spot” according to Walden – is emerging with the Triangle in the east, Greensboro in the center and Charlotte in the west.

It is similar – in imagery – to how Winston-Salem is not on the main tracks for the state’s passenger rail system – close enough to hitch a ride but with no entrance and exit stops.

Those three metros “have the highways, the airports, the universities, and so there’s a dynamic that's working with these three areas,” Walden said.

“Winston-Salem may join the party later, but right now, the action is in the greater triangle of Raleigh-
Durham, Charlotte and Greensboro.”

Losing statistical ground

For most of the past eight years, the Winston-Salem MSA has performed slightly to moderately better than its neighbors to the east in job creation, unemployment rate and economic-development projects.

But recently, the Greensboro-High Point MSA has gained more traction in the slippery economy.

Perhaps the clearest example is the non-seasonally adjusted employment data of the four major metros from December 2007 – when the Great Recession began – to December 2012.

All of the metros experienced significant job losses from December 2007 to December 2009 – Winston-Salem down 6 percent, Greensboro-High Point down 9 percent, Charlotte down 8 percent and Raleigh-Cary down 5 percent.

Since then, Winston-Salem had a net gain of 700 jobs (0.3 percent growth), Greensboro-High Point added 12,100 jobs (3 percent), Charlotte 54,400 jobs (6 percent) and Raleigh-Cary 28,300 jobs (5 percent).

Just in the last year, Greensboro-High Point gained 5,600 jobs and the Winston-Salem MSA gained 100 – last among the state’s 14 metro areas.

The past 12-month performance “paints a pretty clear picture of the Triad’s ongoing struggle to adapt to long-term restructuring in the global economy,” said Allen Freyer, public policy analyst for the N.C. Budget & Tax Center.

“The economic transition we’re seeing is clearly producing lower wages for the metro’s workers, and that is leading the Winston-Salem MSA’s economy to lag behind the rest of the state’s large metros,” Freyer said.

More examples of falling behind:

* Four of the top five Triad economic-development projects announced in 2012 are in the Greensboro-High Point MSA, including the largest – 1,700 new back-office jobs that Winston-Salem-based BB&T Corp. is placing in the former American Express call center near Piedmont Triad International Airport.

* The Winston-Salem MSA fell further back in the Milken Institute’s high-tech economic rankings, losing 10 spots to 174th in the 2012 listing, while the Greensboro-High Point MSA climbed 28 spots to 127th.

* In July 2011, a study prepared for the U.S. Conference of Mayors estimated it would take the Winston-Salem MSA until the second quarter of 2015 to reach its pre-recession employment level of 227,577 from the first quarter of 2008. At 208,300 jobs in December 2012, and with its current job-growth pace, the MSA appears unlikely to reach that goal.

Freyer said 75 percent of the Triad’s employment remains concentrated in industries that are declining,
“which explains a lot about why Winston-Salem continues to lag behind the rest of the state in job growth.”

“But also note that 13 percent of the region’s employment is in industries that are poised for growth. This is encouraging for long-term growth potential.”

**Trying to keep momentum**

This is year is the 100th anniversary of the forging of Winston’s textile and tobacco manufacturing with Salem’s heritage when the towns merged, enabling Winston-Salem to once serve as the state’s largest metro economy.

Mayor Allen Joines is confident the Winston-Salem MSA is riding a sustainable level of momentum, particularly from the 2012 job announcements. He said the area will benefit immensely if the city and Wake Forest University can attract an Internet service provider willing to provide ultra high-speed Internet at a lower cost by mid-2014.

“We have consistent job growth monthly, and I look at long-term trends more than monthly snapshots,” Joines said.

Still, the health-care sector – the dominant economic engine for the MSA – had Wake Forest Baptist Medical Center and Novant Health Inc. announce in 2012 the elimination of a combined 1,100 job positions, including 625 held by employees.

Joines has said on several occasions the MSA “gives a false picture of the economic status of Winston-Salem. Judged independently from the rural counties that make up the rest of the MSA, Winston Salem is doing well.”

However, according to the December jobless rates released by the N.C. Commerce Department, Forsyth has the second highest rate of the four counties, at 8.8 percent – Davie was at 8.2 percent, Stokes at 8.4 percent and Yadkin at 8.9 percent.

Joines made a similar comment when discussing the MSA’s high ranking in a March 2011 food-hardship study. The MSA was ranked third in the country in the number of people who say they don’t have enough money to feed themselves and their families.

“Three rural counties are impacting the data,” he said. “We were lumped in with the rural areas, but unfortunately, the Winston-Salem name is on there. Looked at by itself, Winston-Salem would not be in that category.”

Terry Bralley, president of the Davie Economic Development Commission, said combining urban, suburban and rural counties into an MSA makes it challenging to weigh each county’s economic contribution.

“Davie County and its towns are engaged heavily in economic development and job creation, and our statistics show that we have been successful,” Bralley said.
Davie is flush with six major economic development projects over the past 18 months, topped by Ashley’s commitment in April to an $80 million, 550-job distribution and manufacturing operation. About 80 jobs have been created thus far.

There is expectation of commercial development on outparcels of the replacement Davie hospital campus, as well as making nearby off-campus lots more attractive.

“We hope our successes will help uplift the surrounding area’s opportunities,” Bralley said. “Forsyth County and Winston-Salem are extremely important to our efforts, and I consider them to be great allies.”

Economic trough

That the Winston-Salem MSA is taking longer to recover economically is not surprising given it has likely felt more economic pain in key industries since late 2007 than its metro peers, said Armen Bedroussian, a senior economist at the Milken Institute.

“Winston-Salem took a bigger high-tech hit, particularly compared with Greensboro-High Point, because of the closing of the Dell Inc. plant,” Bedroussian said. “In this moment in time, it is in an economic trough.”

The Dell plant, which opened in October 2005, had 1,400 people working there at its production peak, counting vendor and contract workers.

However, Dell closed the plant in November 2010.

“We still believe Winston-Salem has positive momentum with the landing of a Caterpillar plant and the innovative research at the research park and within Wake Forest University,” Bedroussian said.

John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company, said Greensboro and Winston-Salem benefit similarly from their geographic and economic distances from Charlotte and the Triangle.

“The Triad communities have always been that third leg of commerce and economic activity for the state,” Boyd said. “The Triad area has done quite well for itself in attracting new projects from outside the region and from within during the past couple of years – a period of slow recovery and relative dearth of corporate relocation projects.”

Mekael Teshome, an economist with PNC Financial Services Group, said North Carolina clearly remains on a “two-track recovery” for 2013 and 2014 that has the Triangle and Charlotte separating from the rest of the state.

Teshome said the Triangle could reach its pre-recession job-market levels before the end of 2013, while it will take Charlotte until 2014. The rest of the state, including Winston-Salem, may need until 2015 to reach that level.

He cautioned it will not be “a one-for-one job recovery. It just means the overall job vacancy level will return to pre-Great Recession levels,” Teshome said.
Zagros Madjd-Sadjadi, chairman of the Department of Economics and Finance at Winston-Salem State University, said the Triad tends to recover more slowly because it tends to have less volatility in the bad times as well.

“It takes time to replace those traditional manufacturing jobs with new-economy industries that are slow growing in terms of jobs to begin with,” Madjd-Sadjadi said.

“At times, you’ve got to expect Greensboro-High Point to do better and Winston-Salem to do better. It tends to balance out. Greensboro has the logistical advantage of the airport, and Winston-Salem has the advantage of a more developed research park.

“We certainly see commuter patterns of residents working in the other county. What we need to see is the Triad communities cooperating more on economic initiatives so that the region as a whole benefits.”

rcraver@wsjournal.com

(336) 727-7376