

Employment Dropped in North Carolina as the Region's Economy Remained Soft

By Rick Kaglic, Regional Economist (Richard.kaglic@rich.frb.org)

Labor market conditions in North Carolina deteriorated during September. Payroll employment declined and the unemployment rate increased during the month, according to the state's Division of Employment Security. Our Carolinas Survey of Business Activity suggested that economic activity was weak in the region during September and October and that hiring had waned from earlier in the year.

Seasonally adjusted payroll employment in North Carolina plunged by more than 22,000 in September as losses in the private sector were exacerbated by an unusually large decline in government jobs. Perhaps the most noteworthy, and unwelcome, element of the employment report was the broad-based nature of the declines in the private sector, which likely reflects a general slowdown in economic growth rather than isolated weakness in one or two segments. Private sector employment fell by 8,500 in September after increasing in six of the seven prior months. Losses were led by a decline of roughly 3,000 in the financial services sector, a loss that matches the largest month-to-month decrease in the past decade. Big declines were also seen in health and education services; and trade, transportation, and utilities. Even the professional and business services sector, which has been a relatively reliable contributor to job growth during the recovery, experienced a significant loss during the month. The decline of 13,700 government jobs was, in part, payback for the atypical gain noted in our last report. The state's data showed that total employment was down over the month in nine of the 15 MSAs that it provides estimates for, with the biggest declines in the Greensboro-High Point area (-1,800). Asheville, Burlington, and Fayetteville saw employment fall by more than 1,000 in September.

Compared to last September, North Carolina's payrolls were up by 4,800 jobs. The 0.1 percent increase lagged the national rate of 1.1 percent. Private sector employment increased by 26,200 jobs while government employment decreased by 21,400. The gains in the private sector were fairly widespread, but the biggest came in professional and business services (nearly 11,700 new jobs). Manufacturing, which saw job losses of more than 100,000 during the recession, added 2,000 net new positions over the year. The only noteworthy industry declines over the year were reported in the depressed construction industry as well as in information and other services. Regionally, job gains over the year were driven by increases in the Winston-Salem metropolitan area as well as in the Raleigh, Fayetteville, and Charlotte metros. The manufacturing-intensive areas around Hickory and Rocky Mount continued to struggle and saw significant job losses over the year.

The state's unemployment rate, at 10.5 percent in September, stood half a percentage point higher than a year earlier as the increase in workforce participation outpaced job growth. Our Carolinas Survey of Business Activity continued to suggest weak economic growth in the August-October timeframe. In fact, the current conditions index has been in negative territory (the demarcation between expansion and contraction) for two of the past three months. Moreover, the index's labor demand components suggested less hiring among responding firms.

