

Employment Edged Up in North Carolina as the Region's Economy Firmed in November

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Labor market conditions remained soft in North Carolina during October as few private sector jobs were created, and unemployment remained well above the national average. In addition, results from our own Carolinas Survey of Business Activity survey suggested that weak labor market conditions in the region persisted into November.

Payroll employment in North Carolina (seasonally adjusted) increased by 5,500 in October. The gain was driven mostly by a jump in government sector employment. State government employment rose by 2,800 net new workers last month after increasing 2,300 in September. The state has been adding back workers since June after a long series of monthly declines. By contrast, local government employment was also up, but has seen wide month-to-month swings in employment for several months now. Private sector payrolls increased by just 700 in the state. While the important professional and business services and education and health services sectors added roughly 3,500 jobs each in October, those increases were mostly offset by weakness in the goods-producing industries. Both manufacturing (-1,700) and construction (-1,800) shed jobs during the month. On the service-providing side, trade, transportation and utilities also experienced a large decline over the month. Most of the new jobs in October were created around the Raleigh-Durham, Greensboro, and Greenville metropolitan areas. Asheville saw the largest decline over the month, although employment was down in the Charlotte, Hickory-Lenoir-Morganton, and Wilmington MSAs as well.

Since October 2010, payroll employment in North Carolina was up by about 11,300. Still, more than two years into the economic recovery, the state has managed to recapture only slightly more than 20,000 of the nearly 330,000 jobs that were lost due to the recession. Despite recent weakness, the private sector has been the primary source of job creation over the year, adding 21,300 net new jobs. Professional and business services firms accounted for about 9,400 of those jobs, while leisure and hospitality; trade, transportation and utilities; and health and education services also added significant numbers of new workers. On the goods-producing side, manufacturing employment increased by nearly 1,100, although levels are well below those prior to the recession. But construction firms, saddled with weak demand, continued to shed workers. The majority of new jobs over the year were created in the Charlotte, Raleigh, Winston-Salem, and Greensboro metro areas, while Wilmington and Hickory-Lenoir-Morganton areas saw considerable declines. Although official data were not available for nonmetropolitan areas, back-of-the-envelope calculations suggest that labor markets remained very weak there.

The state's unemployment rate edged down to 10.4 percent in October, but was still half a percentage point higher than a year earlier. Growth in the labor force has outpaced job creation by roughly a three-to-one margin over the year. Turning to our Carolinas Survey of Business Activity, the important labor demand indicators (number of workers and average hours) continued to decline in November, suggesting less hiring among responding firms. This softening occurred despite a rise in the headline current conditions index, which pointed to a pick-up in business activity.

