

# Employment Declined in North Carolina During December; Unemployment Edged Down

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Labor market conditions in North Carolina continued to be erratic as 2011 came to an end. Payroll employment declined in the state after increasing the previous month, while the unemployment rate was little changed. The disappointing progress on the employment front was consistent with what has been observed in results from our Carolinas Survey of Business Activity, where respondents remained wary of adding workers even as general business conditions picked up into the New Year.

North Carolina's nonfarm employment fell by 4,400 in December—after adjusting for seasonal variations—following an increase of nearly 8,000 in November. This retrenchment was particularly notable because private sector employment fell while the government sector added jobs, a reversal of recent trends. Moreover, outside of a few new jobs in manufacturing and leisure and hospitality, the declines were widespread across private-sector industries. Perhaps most noteworthy was a loss of nearly 4,000 jobs in professional and business services. The professional and business services sector has been a mainstay of job creation in the state (and nationally) since the recovery got underway more than two years ago. Trade, transportation, and utilities employment was also down materially, as retail trade gave back some of the prior month's gain. While government sector employment increased by 1,500 over the month (with an increase of roughly 2,800 on the local level offsetting a decrease in state government employment), the public sector is in no shape to make sustained contributions to job growth in the near future. Regionally, the Durham-Chapel Hill area led the increases in December, while Charlotte and the Hickory-Lenoir-Morgantown areas led the declines.

Over the past 12 months, North Carolina's labor market has managed to create roughly 19,000 net new jobs in spite of ongoing weakness in the government sector. Private employment increased by 29,000 while public sector employment was off by 10,000 jobs. The biggest private-sector gains over the year were concentrated in leisure and hospitality (11,400), retail trade (9,100), and education and health services (7,100). Professional and business service employment growth has fallen back in the pack. The Triad (Greensboro-High Point-Burlington) and Triangle (Raleigh-Durham) regions saw the most significant increases, with more modest gains in Charlotte and Greenville. By contrast, Wilmington (-3,500) and Hickory-Lenoir-Morgantown (-2,700) saw the most significant losses.

North Carolina's seasonally adjusted unemployment rate edged down to 9.9 percent in December, despite the loss of payroll jobs. While better than November, December's unemployment rate is largely unchanged from 12 months earlier, which is in itself disappointing. Our own Carolinas Survey of Business Activity suggested that the economy firmed in January for the third month in a row, but respondents remained reluctant to add new workers. The survey's labor demand metrics (number of workers and hours worked) remained negative early in 2012, which indicates that a greater share of respondents reported a decrease in payrolls than those who reported an increase.

