

North Carolina's Employment Decreased in March but Unemployment Fell Again

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

North Carolina's payroll employment dipped in March after rising substantially in January and February. Yet the unemployment rate edged lower, partly a result of workers leaving the labor force. On a more positive note, our Carolinas Survey of Business Activity responses suggested that business activity continued to accelerate in April and firms were still adding workers.

North Carolina lost about 1,300 jobs in March, on a seasonally adjusted basis. This modest decline comes on the heels of big increases in January and February, which were the strongest back-to-back gains since early 2010. Interestingly, when looking at North Carolina's metropolitan statistical areas (MSAs), March's job losses are difficult to spot. Of the state's 14 MSAs, employment declined in only three (Greenville, Rocky Mount, and Burlington), with the combined losses amounting to 1,700 jobs. Meanwhile, employment was up in 10 of the 14 MSAs, with the Raleigh area alone adding more than 3,000 net new jobs. A back-of-the-envelope calculation suggests that most of the job losses during March took place outside metropolitan areas.

Looking at industry breakouts, a large portion of the job losses were attributed to the public sector, which shed 1,000 workers. State and local governments reversed course in March and downsized after adding to their headcounts the prior two months. In the private sector, the losses were concentrated in construction (which was down 2,900 jobs), professional and business services, and education and health services. Other sectors boosted hiring. Financial activities firms added to their payrolls for the third straight month, with March's 1,600 new jobs bringing the three month total to roughly 4,000 jobs. Leisure and hospitality also added a significant number of new workers (1,300), while the trade, transportation, and utilities, manufacturing, and information industries posted more modest gains.

Over the year, North Carolina generated about 43,000 net new jobs, the vast majority of which were in the private sector. The state's 1.1 percent gain trails the national increase of about 1.5 percent and leaves North Carolina roughly 225,000 jobs shy of its pre-recession peak level of employment. But it is improvement nonetheless. Despite the weakness in March, education and health services firms created more jobs than any other industry segment over the year – about 12,100 jobs or a 2.2 percent increase. Trade, transportation, and utilities ran a close second, followed by professional and business services, and leisure and hospitality. Not surprisingly, the depressed construction industry was the only one that had fewer workers than last March.

North Carolina's seasonally adjusted unemployment rate edged down to 9.7 percent in March, as household employment rose and labor force participation fell. While the state's unemployment rate was 0.7 percentage point lower than last March, it is still well above its pre-recession nadir and higher than the national average. Our Carolinas business activity index increased for the sixth month in a row during April and reached its highest level since May 2010. The labor demand indicators continued to suggest that firms were adding to their staff in April. In addition, the expectations measures in our survey remained solid, indicating that respondents expect business to continue improving in the coming six months.

