

North Carolina's Labor Market Data Improved Markedly in June

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Labor market conditions in North Carolina improved markedly in June from May's weak results. Payroll employment jumped and unemployment held steady. However, a note of caution was provided by our Carolinas Survey of Business Activity, which showed that the region's economic expansion was moderating as it headed into the heat of summer.

According to the state's Employment Security Commission, payroll employment in North Carolina jumped by 16,900 in June on a seasonally adjusted basis—the largest month-to-month increase since January. In addition, the state revised May's estimates to show a net loss of only 9,300 jobs, rather than a loss of 16,500 as initially reported. Adding to the good news in June, the employment gains were widespread across the public and the private sectors. Government employment increased by 5,200 month-to-month and stood at its highest level in 19 months. Still, most of the increase in employment occurred in the private sector. Private firms added nearly 12,000 new positions to their payrolls in June, most of these in service-providing industries. The largest gain was evident in professional and business services, where firms added 6,400 net new jobs. Private education and health services combined to boost the state's payrolls by about 3,200, while financial services firms added approximately 600 workers. The goods-producing sectors also produced jobs in June. Factories added back 1,500 positions, while construction firms boosted their headcount by 1,400 workers.

Since June 2011, employers in North Carolina augmented their payrolls with roughly 37,000 new jobs. After shedding large numbers of workers during the downturn, the government sector saw employment rise by 13,000 since last year, accounting for more than one-third of the new jobs in the state. In the private sector, education and health care services created the most net new jobs (12,100) followed by the trade, transportation, and utilities industry (9,400) and the professional and business services segment (7,200). Manufacturing employment increased by 3,200 over the year, but construction was still down by 4,600 jobs. Leisure and hospitality was the only other major industry to show a net job loss since last June (-2,500).

In June, North Carolina's seasonally adjusted unemployment rate was unchanged for the second month in a row at 9.4 percent. While still elevated, the state's average unemployment rate in the second quarter was roughly a half percentage point lower than the first quarter average. The lower unemployment rate was attributable to both an increase in the number of employed workers and a decline of about 22,000 in the estimated number of labor force participants. More jobs plus fewer workers equals lower unemployment. The improved picture portrayed in the state's employment and unemployment data comes at a time when the region's broader economic expansion appeared to be slowing. Our headline Carolinas Business Activity Index (which reflects respondents' attitudes about current general economic conditions) declined in June. It was the second straight retreat, following six monthly increases in a row. However, the index was still positive in June and the labor demand indicators (number of workers and average hours) generally remained firm during the month.

