

# North Carolina's Labor Market Data Were Mixed in July, But Private Job Growth Was Strong

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

Labor market indicators for North Carolina were generally mixed in July, but the underlying employment data were encouraging. Private sector payrolls swelled even as the state's unemployment rate rose. However, the results from our Carolinas Survey of Business Activity for July were disappointing, as more respondents reported that business activity had slowed and labor demand had softened.

North Carolina's total payroll employment (seasonally adjusted) increased by 1,800 in July – its second monthly increase in a row. However, the relatively small gain in total payrolls belies a much bigger improvement in the private sector. Private sector firms added 16,600 net new jobs to payrolls and the gains were very widespread. Leisure and hospitality employment jumped by 5,900 in July, which reversed all of the losses that the industry had experienced in the first half of the year. In fact, employment in leisure and hospitality stood at its highest level since March 2008. Manufacturing also showed an impressive increase in July, rising by 3,400 jobs. Private education and health services jobs bounced back last month from a rare decline in June. The professional and business services and the other services categories also increased notably during July. The remaining major private sector industries saw more modest gains.

The big drag on North Carolina's payroll employment during July was the public sector, especially local governments. After trending upward between July 2011 and June 2012, local government employment dropped by 14,500 last month, accounting for all of the public sector job losses. State and federal government employment was largely unchanged. Over the year, private sector payrolls were up 42,500 in North Carolina, while government employment was off by 6,600 jobs.

Looking across North Carolina, the data varied widely. Eight of the state's 14 metropolitan statistical areas (MSAs) showed month-to-month increases in employment, with the largest occurring in the Triangle area (the combination of the Raleigh and Durham MSAs). The Greensboro-High Point MSA was not far behind, with an increase in employment of 2,700 in July. Asheville, Burlington, Greenville, Jacksonville, and Rocky Mount experienced more modest increases. By contrast, the Charlotte MSA lost about 3,000 jobs during July and total employment in the area is off by 5,400 since April. The Winston-Salem MSA also experienced substantial jobs losses in July.

North Carolina's unemployment rate, which is based on a different survey than the payroll employment estimates, increased for the first time in a year. After coming in at 9.4 percent for three straight months, the state's seasonally adjusted unemployment rate increased 0.2 percentage point in July to 9.6 percent. The ranks of the unemployed swelled by a little more than 5,300 workers, even as labor force participation in the Tar Heel state continued to move lower – a trend which started in March. Our Carolinas business activity index dropped into negative territory in July for the first time since last fall. Moreover, the deterioration in current general business conditions was accompanied by continued softness in current labor demand indicators.

