

North Carolina's Labor Markets Softened in August as the Private Sector Lost Jobs

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Identifying trends in North Carolina's labor market data has become increasingly challenging in recent months. August's results were similar to July's in that the top-line data masked the turmoil beneath the surface. Total payrolls swelled in the state and the unemployment rate edged lower. However, the private sector shed nearly 7,300 jobs. Our Carolinas Survey of Business Activity provided some hope that the region's economy may be improving soon, however, as the main index jumped into positive territory during September.

Payroll employment increased by 1,100 in North Carolina during August after seasonal adjustments, despite a big decline in private sector jobs. Indeed, firms in the private sector trimmed their payrolls by nearly 7,300 from a month earlier. Much of the weakness in the private sector could be pinned on the goods-producing sectors. Construction employment fell by 3,400 in August, which represents the second largest month-to-month decline in that industry over the past 40 months. Factory employment was also off considerably from July's levels, by about 2,300. The loss of manufacturing jobs was clearly an unwelcome development for a segment of North Carolina's economy that had seen a relatively healthy recovery of jobs since the Great Recession. However, the pain in August was not limited to the goods-producing segments of the economy. Within the service-providing sectors, employment in the trade, transportation, and utilities segment was off by 2,500, while levels in the leisure and hospitality and the financial activities industries moved lower by roughly 1,000 each. Offsetting some of the losses on the private-sector side were modest gains in "other" services (1,300), professional and business services (800), and private education and health services (600). In contrast to the private sector, government employment jumped by 8,400 jobs in August after having trended down more-or-less steadily over the prior five months. The big increase was mostly a function of local government gains, although the state government also added back about 1,700 workers. Government data, and particularly local government data, can be quite volatile in the August-September timeframe, as even the seasonally adjusted data can be thrown off by the timing of the school year.

North Carolina's seasonally adjusted unemployment rate edged up to 9.7 percent in August from 9.6 percent a month earlier. State estimates show that more workers were participating in the labor force in August, which contributed to the slight increase in the ranks of the unemployed. Still, unemployment in North Carolina was down from 10.7 percent in August 2011.

Results from our Carolinas Survey of Business Activity in September provided some encouragement that conditions may improve soon. The current general business conditions index swung to positive territory last month from negative territory in August. It was the first time in five months that the general business conditions index increased, and the first positive reading since June. However, while respondents to the survey were more upbeat about their own business prospects, they apparently remained reluctant to add labor. Both labor demand metrics (current number of workers and average weekly hours) were at levels consistent with virtually no growth. That said, if business conditions continue to improve, more jobs will likely follow.

