

Economic Growth in the Carolinas Was Weak in July, South Carolina Gained Jobs

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

Labor market conditions in July were mixed in South Carolina. Payroll employment increased, but the unemployment rate edged up for the fourth straight month, leaving it only slightly below year-earlier levels. Our own Carolinas Business Activity Index declined notably from earlier in the year, suggesting a loss of economic momentum as national economic strains weighed on business activity in the region.

South Carolina's payroll employment expanded by roughly 1,400 (seasonally adjusted) in July, according to the state—the second monthly increase in a row following two straight monthly declines. The gains occurred even as public sector employment fell by 1,400 jobs. Education and health services, which had been sluggish of late, led the way in July with nearly 3,000 new jobs during the month. Manufacturing employment increased by 1,300, the tenth straight month of gains. Employment in trade, transportation and utilities also rose by roughly 1,300, while information industries were flat. Construction firms staunchly resisted the flow of job losses in July, although the industry remains deeply depressed. Leading the monthly job losses, leisure and hospitality firms shed a net 1,700 jobs in July, giving back the previous month's gains. Government continued to downsize as well with payroll employment down 1,300 over the month. Most of the public sector losses occurred at the local level where cutbacks appeared to be accelerating. Financial services firms shed about 1,000 workers on net in July while employment in the important professional and business services sector, a primary contributor to payroll employment gains over the course of this recovery, was off by 400 jobs.

Since last July, South Carolina's employment increased by 24,600 jobs. While far from pre-recession peaks, the 1.4 percent increase bests the national average of 1.0 percent growth. Manufacturing employment continued to rise, increasing by 10,700 over the year. Still, manufacturing employment is well below 2001 levels. The resumption of the summer tourism season has helped boost leisure and hospitality employment by 9,600 over the year. Trade, transportation and utilities firms created approximately 7,700 new jobs. The professional and business services sector contributed 7,400 net new jobs over the year, despite the recent slowdown in the sector. Education and health services added 5,900 positions. Information and financial services industries have created no jobs over the past year while construction continued to shed workers (-1,400 from a year earlier). The major soft spot in South Carolina's labor market is still government. Total government employment was off 13,400 with most of those losses (9,000) in local government with smaller declines at the federal and state levels.

Despite the increases in payroll employment, South Carolina's seasonally adjusted unemployment rate increased to 10.9 percent in July from 10.5 percent in June, and is now just one-tenth of a percentage point below a year earlier. In part, the increase in unemployment can be attributed to an increase in labor force participation. Our Carolinas Business Activity Index was soft in July and fell into negative territory in August for the first time since October 2010. The employment demand indicators remained positive, however, suggesting more (albeit modest) hiring ahead.

