

Employment Growth Slowed in South Carolina in June, Unemployment Continued to Rise

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South Carolina's labor markets softened in June as employment growth stalled, and the unemployment rate continued to increase. Moreover, 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.

Payroll employment in June was up by just 100 in South Carolina, and May's increase was revised down to 5,600 from a gain originally reported to be 6,000 jobs. Following healthy increases in January and February, employers in the state have shed roughly 1,600 jobs in the subsequent four months. The June weakness was mostly concentrated in the private sector, although the government didn't create any jobs. South Carolina's job losses were paced by a loss of 1,500 in "other services." The leisure and hospitality sector ran a close second, as firms in this segment shed 1,400 workers. The private education and health care services sector and the construction industry also lost jobs, although the combined losses amounted to about 500 jobs. On a more positive note, trade, transportation, and utilities companies hired an additional 2,000 workers in June, the biggest increase in employment this industry saw in more than a year. And, importantly, the professional and business services sector added more than 1,000 jobs during the month, on top of the 4,300 increase the prior month. This segment was slow to turn around during the recovery in South Carolina, but it finally seems to be gaining some traction. Meanwhile, factories appeared to be re-gaining their footing. Manufacturing employment increased in June for the first time in four months and the 900 jobs that were added almost offset those that were lost during the prior three months.

On balance, South Carolina's metropolitan statistical areas (MSAs) appeared to be holding up nicely. The weakest month-to-month performance was turned in by the Myrtle Beach MSA, where payroll employment fell by more than 2,500 in July. The job losses here were no doubt partly due to the decline in leisure and hospitality jobs seen statewide. Outside of Myrtle Beach, however, each of the state's other MSAs saw gains totaling 5,800, led by Charleston's roughly 2,800 net new jobs. A quick glance at the metro area math suggests that many of the job losses are taking place in nonmetropolitan areas—an unfortunate continuing trend.

The weakening demand for labor in recent months pushed South Carolina's seasonally adjusted unemployment rate higher, as it increased for the second straight month in June after declining steadily for nine months in a row. In June, the state's unemployment rate stood at 9.4 percent, which is 0.6 percentage point higher than April's rate. The deterioration 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.

