

# Private Sector Jobs Fell in South Carolina in July and the Unemployment Rate Rose Again

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South Carolina's labor market picture was muddled in July, as employment gains in the public sector were largely offset by losses in the private sector. Meanwhile, the state's unemployment rate continued to rise. Results from our Carolinas Survey of Business Activity in July were disappointing, as more respondents reported that business activity slowed and labor demand softened.

On a seasonally adjusted basis, payroll employment increased in South Carolina by roughly 3,800 in July, but that result probably overstates the strength in labor demand – especially that emanating from the private sector. Private firms actually shed 8,700 payroll positions last month and the job losses were far reaching, as seven of the 10 major industries saw declines during the month.

The trade, transportation, and utilities sector – the private sector's largest employment segment – saw the biggest decline between June and July, with nearly 3,400 jobs lost. Within trade, transportation, and utilities, the retail trade segment accounted for a large portion of total losses. One major underpinning of support for South Carolina since the recovery got underway had been manufacturing. But the sector shed 2,200 jobs last month, leaving factory employment basically unchanged from the beginning of the year. This recent weakness has allowed the professional and business services sector to supplant manufacturing as the top job generating industry in South Carolina over the past 12 months. However, the professional and business services segment, which has been a major contributor to the state's overall job growth in recent months, also saw a big drop in employment (2,100). Even though the state's residential real estate market appeared to be picking up somewhat in recent months, construction employment was still off by nearly 1,100 jobs in July. Leisure and hospitality lost 800 jobs last month, this sector's sixth straight monthly decline. Prior to the recent downward trend, this industry had been adding jobs steadily through January and appeared to be on pace to surpass its pre-recession highs. Only three private industry sectors added jobs in South Carolina during July – education and health services, information, and the "other services" category. However, none of these sectors added more than 700 net new jobs. The increase in total jobs was due entirely to a surge in local government employment of 13,600. This flood of local government jobs, however, may be just an illusion. A very similar increase showed up in the local government estimates last July, only to disappear by August.

After dropping to 8.8 percent in April, South Carolina's seasonally adjusted unemployment rate increased in July for the third straight month. At 9.6 percent, the unemployment rate stood at its highest rate since December of last year, when unemployment was on a clear downward trajectory. And the increase in the ranks of the unemployed came at the same time that labor force participation continued to decline. In fact, the number of workers participating in South Carolina's labor market fell to its lowest level since January 2010. Meanwhile, our Carolinas business activity index dropped into negative territory in July for the first time since last fall. The deterioration in current general business conditions was accompanied by continued softness in current labor demand indicators.

