

South Carolina's Labor Markets Improved in August, Despite Decline in Payroll Employment

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South Carolina's labor market picture was mixed again in August, but the underlying data were somewhat encouraging. The state's private sector added jobs during the month, even though big losses in government employment dragged total employment down. And the state's unemployment rate declined for the first time since beginning an upward climb in April. Also, our Carolinas Survey of Business Activity provided some hope that the region's economy may be improving soon, as the main index jumped into positive territory during September.

Payroll employment in South Carolina fell by 6,000 in August (after adjusting for normal seasonal fluctuations). The bulk of the job losses occurred in the public sector, where estimates can be quite volatile around this time of year despite the state's best efforts to seasonally adjust the data. In last month's report, we warned that an unusually large gain in local government employment in the state during July was likely to be corrected in August. And it was. Nearly all of the job losses in the public sector in August occurred at the local level. Private sector employment jumped by 1,800 in South Carolina, and the gains were fairly broad based. Most of the gains were generated in private service-providing industries, such as financial services (1,100), education and health services (800), leisure and hospitality services (800), and information services (700). On the goods-producing side, construction-related firms added about 900 workers. Job losses were evident in just two sectors, but they are important ones – manufacturing and professional and business services. Factory employment fell by roughly 700 jobs in August. After leading the state's labor market out of the recession, manufacturing employment has lost considerable momentum of late. Employment has declined in five of the past six months, leaving factory employment at its lowest level since November 2011. Professional and business services employment dropped by 2,300 in August. This industry, along with manufacturing, has been a primary driver of South Carolina's total job gains over the more than three-year-old recovery.

South Carolina's seasonally adjusted unemployment rate decreased to 9.6 percent in August from 9.7 percent a month earlier. It was the first decline in the state's unemployment rate in four months. The improvement in the unemployment rate was deceptive, however, as the decrease in unemployment was not so much a result of meaningful job growth, but rather due to a noticeable reduction in the number of workforce participants. Labor force participation was down roughly 12,400 from July and off by approximately 27,600 since last August.

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 in September 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.

