

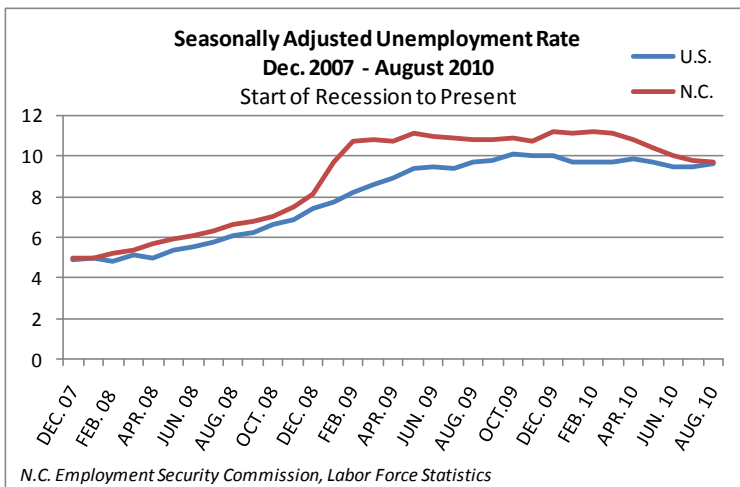


NORTH CAROLINA ECONOMIC OVERVIEW: AUGUST 2010

Little has changed to the overall economy at the national or state level in the past month. Most indicators remain well below pre-recessionary levels, but both state and national trends indicate economic growth is occurring, albeit very slowly. And, in North Carolina the housing market remains weakened. Businesses have been slow to hire and confidence in the economy has declined, leading consumers to reduce spending. National polls of the general public as well as economists indicate pessimism regarding economic recovery¹. Despite this and expectations of slow growth through the first parts of 2011, many economists believe the recovery remains on track. In North Carolina, recent data shows the state outpacing the nation regarding job and income growth.

KEY N.C. INDICATORS AT A GLANCE	
↓	<p>Unemployment rate 9.7%</p> <p><i>Down 0.1 percentage points from July, but decline the result of shrinking labor force</i></p>
↑	<p>Total non-farm employment +0.5%</p> <p><i>18,600 jobs gained since July</i></p>
↓	<p>Housing market remains weakened</p> <p><i>Foreclosure data, existing home sales and building permits are in worse condition than last year and no better than last month</i></p>

NC's unemployment rate decreased to 9.7%, but the decline is a result of workers leaving labor force



For the fourth straight month, the labor force has decreased from the previous month. Thus, while the unemployment rate continues to decrease, the decrease is a product of the labor force shrinking rather than the creation of new jobs. In fact, the number of people employed has actually decreased month-over-month for the last three months. The number of employed workers decreased by 14,743 between July and August while the number of unemployed workers declined by nearly 5,000, resulting in a 0.4% decrease in the size of the labor force (-19,740). This trend is likely the result of discouraged workers dropping out of

the labor. Compared to the same month last year employment is up by over 22,000 and unemployment is down by more than 51,000, but the size of the labor force is significantly smaller.

North Carolina Seasonally Adjusted Labor Force Statistics								
	Jul-10 <i>(revised)</i>	Aug-10 <i>(preliminary)</i>	Previous Month (8/10 compared to 7/10)		Last Year - Same Month (8/10 compared to 8/09)		Start of Recession (8/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,512,288	4,492,548	(19,740)	-0.4%	(28,962)	-0.6%	(59,352)	-0.9%
Employed	4,069,658	4,054,915	(14,743)	-0.4%	22,314	0.7%	(273,483)	-6.0%
Unemployed	442,630	437,633	(4,997)	-1.1%	(51,276)	-10.7%	214,131	98.0%

N.C. Employment Security Commission, Labor Force Statistics

¹ Survey Research Center at High Point University, Public Opinion Poll (10/11/2010 - National Association of Business Economics – Poll of 46 Economists (10/11/2010 - <http://www.wral.com/business/story/8433001/>)

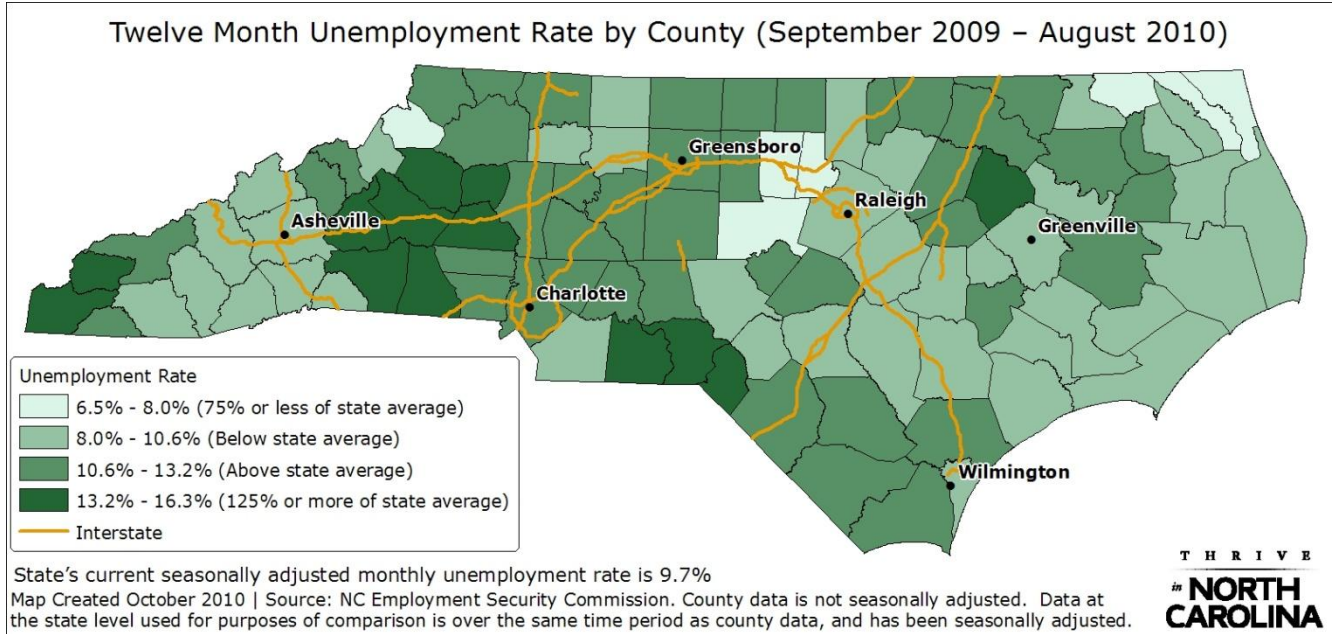
North Carolina's seasonally adjusted unemployment rate in August was 9.7%, down 0.1 percentage point from July. The decrease in the unemployment rate is due to discouraged workers dropping out of the labor force, not employment gains. The state's unemployment rate is 1.1 percentage point lower than it was in August 2009, but 4.8 percentage points higher than it was at the start of the recession. In August, the national unemployment rate was 9.6% and recently released U.S. data has the national unemployment rate for September also at 9.6%.

A leading indicator of future unemployment rates are initial unemployment benefit claims. New initial claimants totaled 52,831 in August, a decrease of 4,121 from July. The top five occupations of those claiming unemployment for the first time account for ten percent of the total claimants. They are: 1) Laborers and Freight, Stock, and Material Movers (hand); 2) Cashiers; 3) Truck Drivers, Heavy and Tractor-Trailer; 4) Production Workers, All Other; 5) Helpers of Production Workers. More than half (55%) of the workers in the top twenty occupations fall into three major occupational categories: Construction and Extraction, Production and Transportation & Material Moving.

The unemployment rate is decreasing in 90 of 100 counties

Unemployment rates continue to trend downward for nearly every North Carolina County. Only 10 of 100 counties experienced month-over-month increases in the unemployment rate. In addition, the year-over-year decline is also substantial, with only eight counties experiencing higher unemployment rates this month than last year at this time.

Compared to last three months, the same three counties had monthly non-seasonally adjusted unemployment rates above 14.0%: Scotland County (15.7%), Rutherford (14.6%) and Edgecombe (14.5%). Currituck County (4.1%) was the only county with a rate below 6.0%. Currituck is followed by Dare and Hyde 6.2% - all three counties are located in the Northeast Partnership ED Region.



When seasonal fluctuations are controlled for by examining a twelve month average unemployment rate, Orange County (6.5%) has the lowest rate. Aside from Orange, Currituck (6.8%) and Gates (7.3%) are the only counties with rates below 7.5%. Whether examining the current monthly unemployment rate or the 12 month average, Scotland (16.3%), Edgecombe (15.9%), and Rutherford (15.7%) have the three highest rates.

Total non-farm employment increased; the government sector experienced the most significant job gain

Preliminary data suggest:

- North Carolina gained 18,600 nonfarm payroll jobs between July and August. The Government sector accounted for nearly 75% of the net job gain (13,800). This contradicts the trend at the national level, although national data is one month ahead of state data.
- The sector that lost the largest amount of jobs is the leisure and hospitality sector (job loss of 1,000).
- Over the past year (since August 2009), the state has experienced an increase in employment of 36,700 jobs. The Government, Professional & Business Services, and Education & Health Services sectors all experienced significant gains. Construction and Other Services have experienced the largest employment decline.
- Since the start of the recession, the state has lost 257,000 non-farm jobs. The Manufacturing and Construction Sectors have lost over 75,000 jobs and over 18% of their industry employment.

North Carolina Nonfarm Employment Trends by Supersector								
Sector	JuL-10 (revised)	Aug-10 (preliminary)	Previous Month (8/10 compared to 7/10)		Last Year - Same Month (8/10 compared to 8/09)		Start of Recession (8/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	6,200	5,800	(400)	-6.5%	(100)	-1.7%	(1,100)	-15.9%
Construction	171,300	171,900	600	0.4%	(13,600)	-7.3%	(79,800)	-31.7%
Manufacturing	435,200	436,300	1,100	0.3%	(700)	-0.2%	(96,100)	-18.1%
Trade, Transportation, & Utilities	712,000	713,400	1,400	0.2%	(500)	-0.1%	(66,700)	-8.6%
Information	70,700	71,700	1,000	1.4%	2,600	3.8%	(500)	-0.7%
Financial Activities	198,700	199,000	300	0.2%	(500)	-0.3%	(13,200)	-6.2%
Professional & Business Services	477,000	478,400	1,400	0.3%	23,200	5.1%	(28,200)	-5.6%
Education & Health Services	547,800	548,300	500	0.1%	6,900	1.3%	15,500	2.9%
Leisure & Hospitality	390,100	389,100	(1,000)	-0.3%	(2,000)	-0.5%	(16,000)	-3.9%
Other Services	160,600	160,500	(100)	-0.1%	(6,700)	-4.0%	(15,000)	-8.5%
Government	724,300	738,100	13,800	1.9%	28,100	4.0%	44,100	6.4%
Total Nonfarm Employment	3,893,900	3,912,500	18,600	0.5%	36,700	0.9%	(257,000)	-6.2%

U.S. Bureau of Labor Statistics, Economy at a Glance Data, Nonfarm Wage and Salary Employment

Workers affected by closings & layoffs increased, but monthly data is below four & twelve month averages

The number of workers affected by announced closings and layoffs² increased between August and September, while the number of announcements decreased. Monthly levels for August and September were below the 4-month and 12-month averages.

Announced Business Closings and Layoffs in North Carolina				
	Aug-10 (revised)	Sep-10 (preliminary)	4 Month Average (Beg. of 6/10 - End of 9/10)	12 Month Average (Beg. of 10/09 - End of 9/10)
Announced Closings & Layoffs	75	45	83	88
Approximate # of Workers Affected	652	848	1,649	1,881

N.C. Employment Security Commission, Announced Business Closings and Permanent Layoffs Data

Foreclosures held constant from last month while home sales and building permits declined

Data from the North Carolina Association of Realtors reveal a 0.9% increase in foreclosures between July and August, yet a more significant 12.2% increase from this time last year. Existing home sales decreased from last month and last year by 3.5% and 15.7% respectively. New housing units authorized by building permits, an indicator of future construction, were down 4.5% from last month and 8.4% from a year ago.

² These data are derived from a statewide survey of newspaper accounts of closings and layoffs and from information supplied to the Employment Security Commission of North Carolina by the employing units experiencing the closings/layoffs. These data are not all inclusive and do not meet the Labor Market Information Division standard for accuracy.

North Carolina Housing Market Statistics							
	Jul-10 <i>(revised)</i>	Aug-10 <i>(preliminary)</i>	Previous Month (8/10 compared to 7/10)		Last Year - Same Month (8/10 compared to 8/09)		12 Month Average (Beg. of 9/09 - End of 8/10)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	4,889	4,844	(45)	-0.9%	527	12.2%	3,859
Existing Homes - Units Sold	6,772	6,533	(239)	-3.5%	(1,213)	-15.7%	7,082
Housing Units Auth. by Bldg. Permit	3,191	3,046	(145)	-4.5%	(279)	-8.4%	2,992

RealtyTrac; N.C. Association of Realtors, Existing Homes Sales Data; U.S. Census, Table 2-New Privately Owned Housing Units Authorized

The dollar value of goods exported increased from the previous quarter and this point last year

- In the 2nd quarter of 2010 the total value of exports from the state was \$6.3 billion, while the U.S. exported more than \$314.6 billion.
- The value of state exports increased 2.4% over the previous quarter & 7.8% over the 2nd quarter of 2009.
- Canada has long been North Carolina's largest export destination, represented 21% of the state's total exports to world, followed by China (10.4%), Japan (7.2%) and Mexico (7.1%).
- Chemical products are the state's top export, with Canada and Japan the top destinations. However, chemical exports declined 18.3% from the 1st quarter and 43.5% from the same period last year.
- Other key export goods for the 2nd quarter include machinery equipment and computer products with increases of 10.9% and 3.2%, respectively, compared to the 1st quarter of 2010.
- Through the first seven months of 2010, North Carolina ranked 16th in the nation in value of exports.
- The state's largest export sector by dollar value, chemicals, declined while overall export value increased indicating a strengthening overall of exports.

NATIONAL ECONOMIC UPDATE: SEPTEMBER 2010

Economy still appears to face a long, difficult recovery due in large part to slow employment growth

Overall Nonfarm Employment Is Down - Private Sector Employment Up & Government Employment Down

- Nonfarm payroll employment (public + private) edged down (-95,000) in September. However, private-sector employment continued to trend up modestly (+64,000).
- Healthcare employment increased by 24,000 and has increased an average of 21,000 per month in 2010. Professional & Business Services experienced an increase (+14,000) but most of the growth occurred in Employment Services and Temporary Help Services. Manufacturing employment experienced a slight decline in September and has remained relatively flat since May after adding 134,000 jobs in the first five months of the year.
- The decline in overall employment was caused by Government employment declining by 159,000, reflecting the loss of temporary Census jobs and job losses in local government.

Unemployment rate remains within ½% point of 10.0%; and has for the past 14 months

- The unemployment rate for the entire labor force is 9.6%, adult men (9.8%), adult women (8.0%), teenagers (26.0%), whites (8.7%), blacks (16.1%), and Hispanics (12.4%) showed little or no change over the previous month.

Long-Term Unemployed Remains High But Is Unchanged From Previous Month

- The number of long-term unemployed (those jobless for 27 weeks and over) is at 6.1 million people.
- 41.7% of Americans considered unemployed were categorized as long-term unemployed.

Increase in Discouraged Workers & Involuntary Part-Time Workers

- The labor market remains very tight. The most comprehensive alternative unemployment rate measure — which includes people who want to work but are discouraged from looking and people working part time because they can't find full-time jobs — jumped to 17.1% in September.
- The number of persons employed *part time for economic reasons* (referred to as *involuntary part-time workers*) rose by 612,000 to 9.5 million. Over the past 2 months, the number of such workers has increased by 943,000. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.
- Roughly 2.5 million persons were *marginally attached to the labor force* in September, up from 2.2 million a year earlier. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months.
- Among the marginally attached, there were 1.2 million *discouraged workers* in September, an increase of 503,000 from a year earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them.

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