



NORTH CAROLINA ECONOMIC OVERVIEW: APRIL 2011

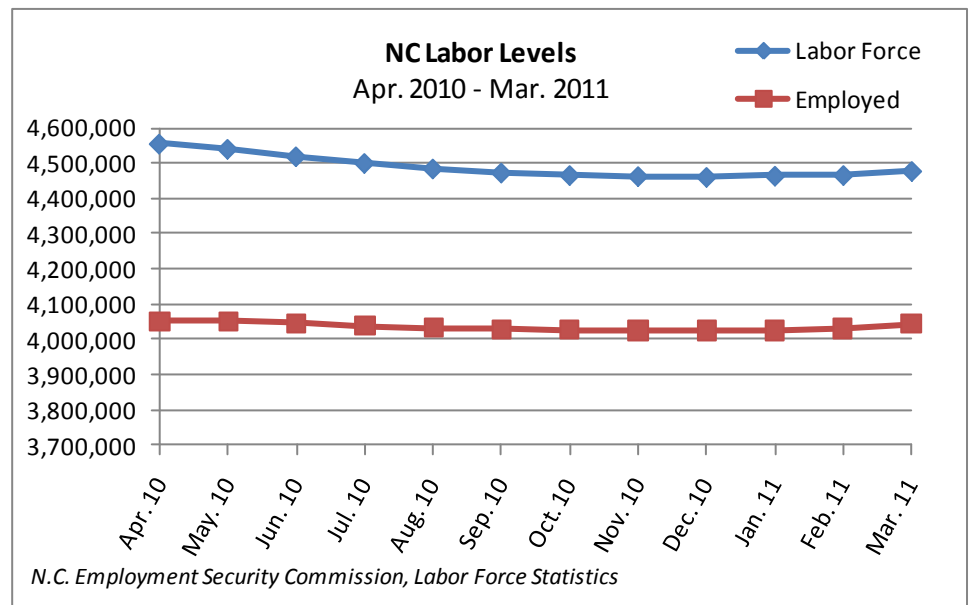
The economy in North Carolina continues to slowly recover from the recession. The State unemployment rate in March was 0.1 percentage points lower than the rate in February. The economy added nearly 14,000 nonfarm jobs as well, showing steady progress is being made toward returning to pre-recessionary employment levels.

National signs are also positive. The unemployment rate continues to fall, retail sales have increased since last month, and housing starts are higher than they were at this time last year. It remains to be seen what effect summer gas prices will have on consumer spending and the economy, and GDP growth will give more indications of the Nation's economic health as the year progresses.

KEY N.C. INDICATORS AT A GLANCE	
↓	Unemployment rate 9.7% <i>Rate decreased slightly(0.1%) from February</i>
↑	Total non-farm employment increased 0.4% <i>13,900 jobs gained since February</i>
↓	Properties with foreclosure filings decreased 20.7% <i>2,444 new filings in March; 3,081 in February</i>

Employment picks up in March, 3rd consecutive month of growth for 2011

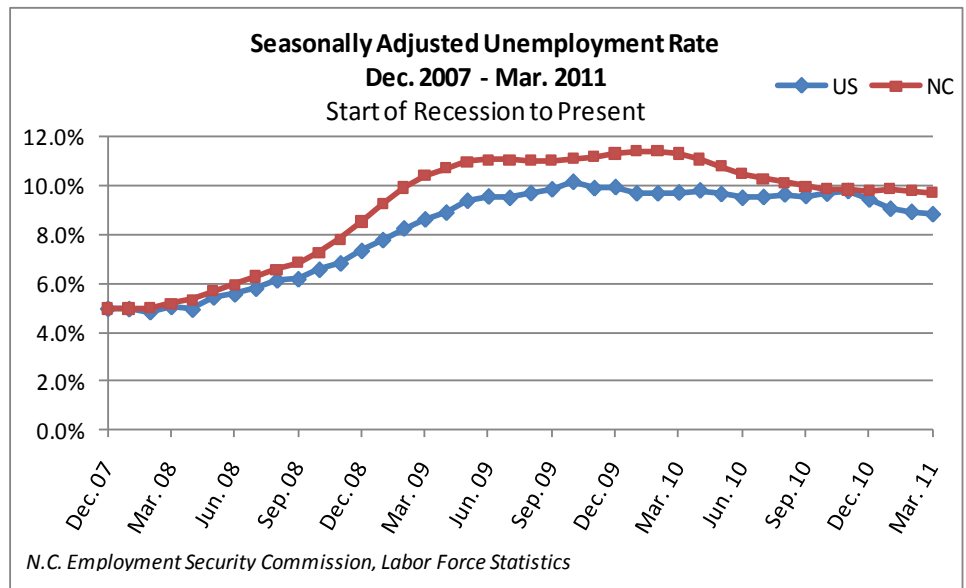
In North Carolina, employment fell every month for the last 9 months of 2010. This declining trend ended at the beginning of 2011, however, and the economy has added jobs every month this year. From February to March, North Carolina employment increased by more than 13,000 workers. The number of unemployed workers has decreased by nearly 2,000 over the same period. The 0.3 percent increase in the labor force since last month is the second highest percentage month to month increase since the start of the recession, a good sign for the economy starting out in 2011.



	North Carolina Seasonally Adjusted Labor Force Statistics							
	Feb-11 <i>(revised)</i>	Mar-11 <i>(preliminary)</i>	Previous Month (3/11 compared to 2/11)		Last Year - Same Month (3/11 compared to 3/10)		Start of Recession (3/11 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,466,980	4,478,433	11,453	0.3%	(83,397)	-1.8%	(81,964)	-1.8%
Employed	4,030,035	4,043,437	13,402	0.3%	(3,038)	-0.1%	(290,721)	-6.7%
Unemployed	436,945	434,996	(1,949)	-0.4%	(80,359)	-15.6%	208,757	92.3%

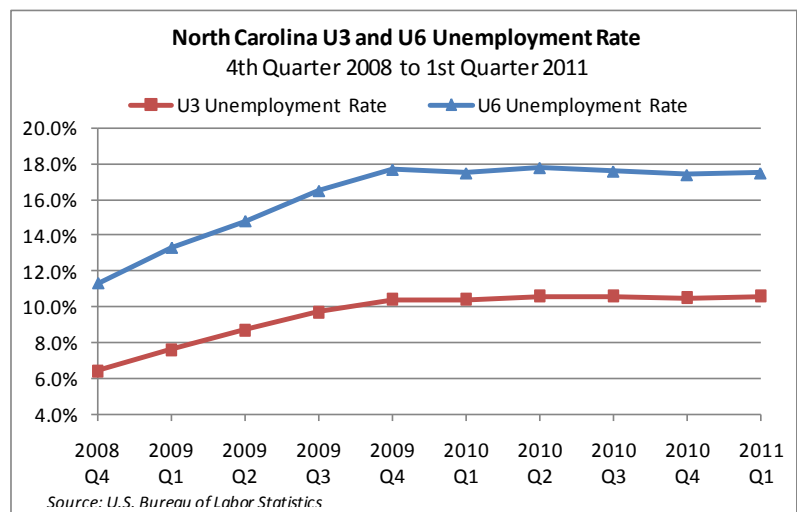
N.C. Employment Security Commission, Labor Force Statistics

The trend of three consecutive months of employment growth in 2011 for North Carolina has corresponded with three months of unemployment rate decline for the State. The unemployment rate for North Carolina was 9.9 percent in January and has fallen every month since to its current rate of 9.7 percent. This is the lowest unemployment rate since January 2009 and reflects the improving economic outlook for the North Carolina. The national unemployment rate also declined this month from 8.9 percent in February to 8.8 percent in March.



Alternative unemployment measures are unchanged since the end of 2009

Each quarter the Bureau of Labor Statistics (BLS) releases alternative measures of unemployment. U6 unemployment is reported by the BLS on a quarterly basis. The reported rate is an average of the previous four quarters. U3 is the “regular” unemployment rate used in unemployment analysis¹. U3 unemployment counts people that are unemployed and have sought employment sometime in the last 4 weeks. In addition to including the people counted in the U3 measure, the U6 rate also counts discouraged workers and people working part-time for economic reasons. Discouraged workers are people currently unemployed but who have sought work during the last 12 months. Part-time for economic reasons includes workers that work less than 35 hours a week and would like to work full time but can’t find a full-time position. Since the U6 unemployment rate covers a broader category of potential workers that are unemployed than the “standard” U3 unemployment rate, the rate is higher.



The current U6 rate is 17.5 percent, up from 11.3% in the fourth quarter of 2008 (first time U6 was tracked on a quarterly basis) and more than double the calendar year 2007 rate of 8.5 percent. The graph above shows the U3 and U6 unemployment rates since the 4th quarter of 2008. Both U3 and U6 peaked in the 4th quarter of 2009, but the gap between U3 and U6 rates increased from 2008 to 2011. The gap was less than 5 percentage points in the 4th quarter of 2008, but grew to slightly less than 7 percentage points in 1st quarter of 2011. The larger gap indicates the number of discouraged and part-time workers increased faster than general unemployment from 2008 to 2011. As the economy rebounds from the recession, potential workers included

¹ Although U3 has the same definition as the monthly unemployment releases, states make adjustments to monthly unemployment to improve accuracy. Therefore, quarterly U3 averages don’t correspond exactly to quarterly unemployment averages from individual state monthly data releases.

in the U6 rate but not in the U3 rate are likely to again begin seeking work. This phenomenon may reduce the gap between the two measures to pre-recessionary levels.

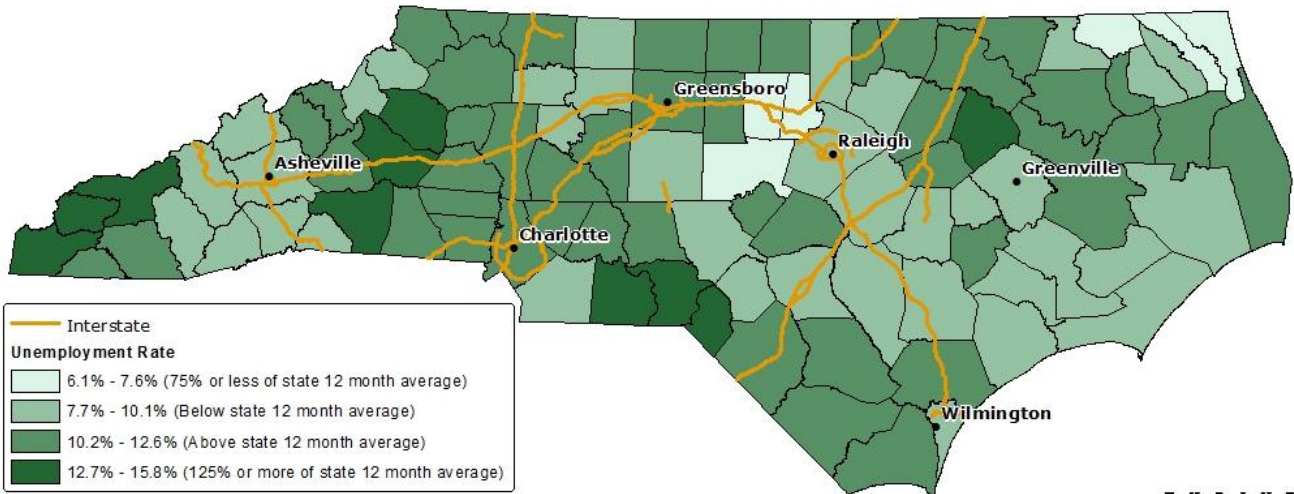
A leading indicator of future unemployment rates are initial unemployment benefit claims. New initial claimants totaled 55,175 in March an increase of 4,334 from February. The top five occupations of those claiming unemployment for the first time are: 1) Laborers and Freight, Stock, and Material Movers (hand); 2) Truck Drivers Heavy and Tractor-Trailer; 3) Production Workers, All Other; 4) Cashiers; and 5) Helpers of Production Workers. Nearly two-thirds (61%) of the workers in the top twenty occupations fall into three major occupational categories: Construction and Extraction Occupations, Production, and Transportation & Material Moving.

Initial Unemployment Benefit Claimants							
	Feb-11	Mar-11	Previous Month (3/11 compared to 2/11)		Last Year - Same Month (3/11 compared to 3/10)		12 Month Average (Beg. of 4/10 - End of 3/11)
			Change	% Change	Change	% Change	
North Carolina	50,841	55,175	4,334	8.5%	(13,659)	-19.8%	58,088

N.C. Employment Security Commission; Labor Market Information Division

When seasonal fluctuations are controlled for by examining a twelve month average unemployment rate Orange County (6.13%) has the lowest rate. In addition to Orange County, Currituck (6.21%), Chatham (6.78%), Gates (7.19%), and Durham (7.47%) are the only counties with rates below 7.5 percent. Scotland County has the highest 12 month unemployment rate average at 15.82 percent, followed by Graham (15.03%), Edgecombe (14.64%), Rutherford (14.42%), and Cherokee (13.23%) counties. Overall, 99 counties had a lower 12 month unemployment average this month than last month².

Twelve Month Unemployment Rate by County (April 2010 – March 2011)



State's current seasonally adjusted monthly unemployment rate is 9.7%

Map Created April 2011 | Source: NC Employment Security Commission. County data is not seasonally adjusted. Data at the state level used for purposes of comparison is over the same time period as county data, and has been seasonally adjusted.



²Greene County is the only county with a twelve month unemployment rate increase. It increased ½ a percentage point.

Total nonfarm jobs increase for the 4th consecutive month, only 1 sector loses more than 1,000 jobs

Preliminary data suggest:

- **Since last month** (February 2010) the economy added nearly 14,000 jobs.
 - Out of the 11 sectors in our economy, eight added jobs over the previous month.
 - Professional and Business Services had the largest job growth, adding 6,000 positions.
- **Over the past twelve months** only 4 sectors have lost employment.
 - Government has the largest decline over this period, shedding 9,100 jobs in the last year.
 - Professional and Business Services have the largest increase, adding 25,300 jobs in the last year.
- **Since the start of the recession**
 - The economy has added jobs for 4 consecutive months, the longest streak since the start of the recession.

North Carolina Nonfarm Employment Trends by Supersector									
Sector	Feb-11 (revised)	Mar-11 (preliminary)	Previous Month (3/11 compared to 2/11)		Last Year - Same Month (3/11 compared to 3/10)		Start of Recession (3/11 compared to 12/07)		
			Change	% Change	Change	% Change	Change	% Change	
Mining & Logging	5,600	5,800	200	3.6%	200	3.6%	(1,100)	-15.9%	
Construction	170,700	172,300	1,600	0.9%	(6,200)	-3.5%	(79,900)	-31.7%	
Manufacturing	436,000	435,400	(600)	-0.1%	4,600	1.1%	(97,600)	-18.3%	
Trade, Transportation, & Utilities	718,200	720,400	2,200	0.3%	8,500	1.2%	(60,000)	-7.7%	
Information	68,200	67,900	(300)	-0.4%	(200)	-0.3%	(4,300)	-6.0%	
Financial Activities	201,600	203,300	1,700	0.8%	4,400	2.2%	(8,600)	-4.1%	
Professional & Business Services	494,700	500,700	6,000	1.2%	25,300	5.3%	(5,300)	-1.0%	
Education & Health Services	538,400	540,100	1,700	0.3%	(2,300)	-0.4%	6,600	1.2%	
Leisure & Hospitality	394,200	396,000	1,800	0.5%	8,900	2.3%	(9,400)	-2.3%	
Other Services	159,000	157,400	(1,600)	-1.0%	2,400	1.5%	(18,100)	-10.3%	
Government	694,200	695,400	1,200	0.2%	(9,100)	-1.3%	600	0.1%	
Total Nonfarm Employment	3,880,800	3,894,700	13,900	0.4%	36,500	0.9%	(277,100)	-6.6%	

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

Closings and Layoffs continue to fall in 2011, number of workers affected increased from last month

The number of closings and layoffs fell for the fourth consecutive month in March. The number of workers affected by announced closings and layoffs¹ increased between February and March, however. Despite the increase in affected workers, the monthly levels of announced closings and layoffs for February and March were below the 4 and 12 month averages.

Announced Business Closings and Layoffs in North Carolina				
	Feb-11 (revised)	Mar-11 (Preliminary)	4 Month Average (Beg. of 12/10 - End of 3/11)	12 Month Average (Beg. of 4/10 - End of 3/11)
Announced Closings & Layoffs	43	41	61	89
Approximate # of Workers Affected	658	1,062	1,453	1,936

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

¹These 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.

Foreclosure filings decrease from February; existing homes sold and building permits increase

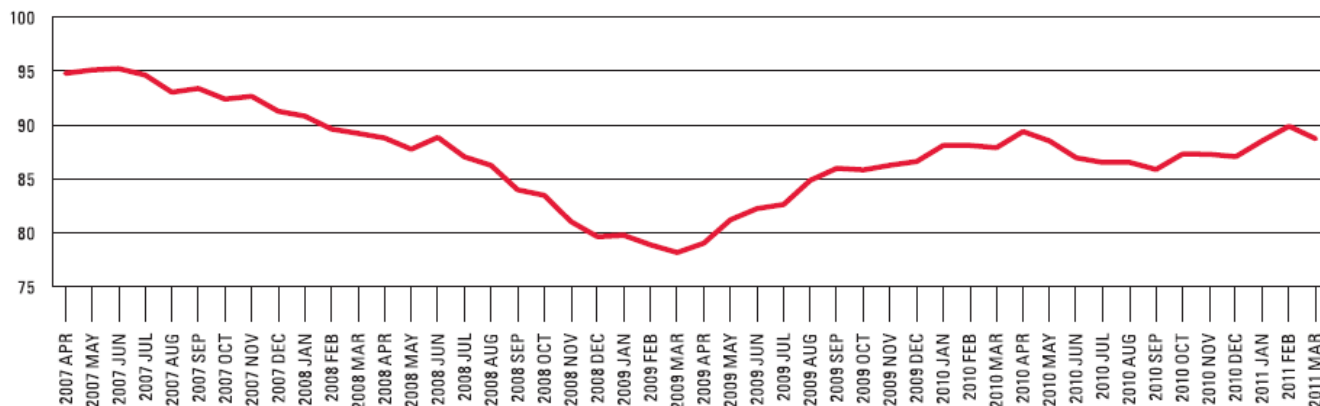
Data from the NC Association of Realtors show a 41.4 percent increase in existing home sales between February and March. Housing authorizations are also up, 26.1 percent higher than last month but 32.3 percent lower than the same month last year. An increase in existing home sales is a good sign for a housing market clearing out excess inventory. Foreclosure filings were lower in March than the month before and are lower than the same month a year ago.

North Carolina Housing Market Statistics							
	Feb-11 <i>(revised)</i>	Mar-11 <i>(Preliminary)</i>	Previous Month (3/11 compared to 2/11)		Last Year - Same Month (3/11 compared to 3/10)		12 Month Average (Beg. of 4/10 - End of 3/11)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	3,081	2,444	(637)	-20.7%	(1,109)	-31.2%	3,930
Existing Homes - Units Sold	4,810	6,801	1,991	41.4%	(269)	-3.8%	6,710
Housing Units Auth. by Bldg. Permit	1,765	2,226	461	26.1%	(1,061)	-32.3%	2,008

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

Despite a decline from last month the Index predicts an expanding economy

The NC State University Index of North Carolina Leading Economic Indicators (the "Index"), a forecast of the economy's direction four to six month ahead, slipped in March from its level in February. Among the Index's five components, only manufacturing hours improved. Initial claims for unemployment jumped 6% and building permits dropped almost 14%. Still, the index is at its second highest level in a year and stands well above the low points of the recession. The direction of the Index in recent months is consistent with an expanding economy in North Carolina in the immediate future. Factors to watch will be the impact of continuing high gas prices and any shift in policy by the Federal Reserve away from promoting growth to containing inflation.



About the index and the author:

Language used in describing the index was taken directly from Dr. Walden's publication. The publication and archived additions can be found at www.ag-econ.ncsu.edu/faculty/walden/walden.htm.

The Index is comprised of five components: a national level leading Index (www.businesscycle.com/resources), initial claims for unemployment benefits in NC, building permits in NC, average weekly hours of work of all NC employees in manufacturing, and average weekly earnings of all NC employees in manufacturing. All data are seasonally-adjusted and modified for differences in prices levels where appropriate. Data are from the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and ECRI.

The index was developed by Dr. Michael Walden (michael_walden@ncsu.edu) at NC State. Dr. Walden has a PhD in economics and over thirty years of experience studying the North Carolina economy. Special thanks to Dr. Walden for allowing the reproduction of the index (April 2011, volume 2, number 4) in this publication.

NATIONAL ECONOMIC UPDATE

Real GDP growth in the 1st quarter was slow and is expected to remain so into the 2nd quarter of 2011 due largely to higher gasoline prices. Business fixed investment has also slowed as global instability, specifically unrest in the Middle East, has continued. Japan's earthquake/tsunami/nuclear tragedy has caused some disruptions in the supply chains for autos and electronics, but the impact on global economic growth is widely expected to be short-term. In the U.S., the Federal Reserve remains weary of inflation, but continues to promote lending and investment in hopes of raising interest rates in early 2012.

National Gross Domestic Product (GDP)

- Real GDP increased at an annual rate of 1.8 percent in the first quarter of 2011 (this is the annualized increase from the fourth quarter to the first quarter) according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 3.1 percent.
- The increase in real GDP in the 1st quarter primarily reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, exports, and nonresidential fixed investment that were partly offset by negative contributions from federal government spending and state and local government spending.

Manufacturer's Shipments, Inventories and Orders

- New orders for manufactured durable goods in March increased \$5.9 billion or 2.9 percent to \$209.5 billion, according to the U.S. Census Bureau.
- Shipments of manufactured durable goods in March, up five consecutive months, increased \$4.4 billion or 2.1 percent to \$208.1 billion. This followed a 0.6 percent February increase.

Personal Income & Consumer Spending

- Real disposable income increased 0.1 percent in March, compared with an increase of less than 0.1 percent in February, according to the Bureau of Economic Analysis.
- Personal income increased \$67.0 billion, or 0.5 percent, in March.
- Real PCE increased 0.2 percent in March, compared with an increase of 0.5 percent in February.

Housing

- Sales of new single-family houses in March 2011 were at a seasonally adjusted annual rate of 300,000, with a median sales price of \$213,800 according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 21.9 percent below the March 2010 estimate of 384,000.
- Single-family housing starts, an indicator of current economic activity, were at a rate of 422,000 in March; this is 7.7 percent above the revised February figure of 392,000.
- Single-family authorizations (building permits), an indicator of future economic activity, were at a rate of 405,000 in March; this is 5.7 percent above the revised February figure of 383,000.

Retail Sales

- Total sales for January 2011 through March 2011 were up 8.1 percent from the same period a year ago.

If you would like to be added to the distribution list please contact:

Jared Wiener, Director of Economic Analysis, PRSP (jwiener@ncommerce.com, 715-4199)

Michael Haley, Policy Director, PRSP (mhaley@ncommerce.com, 715-6373)

Report Author: Derek Ramirez – Economist

Additional Report Contributors: Kristin Bunn – Economist, Anna Lea – Market Research Analyst

Previous Monthly Overviews are available on Commerce's website by [clicking here](#) or at the link below:

<http://www.ncommerce.com/en/AboutDOC/PublicationsReports/EconomicDevelopmentReports/MonthlyOverview.htm>