



## NORTH CAROLINA ECONOMIC OVERVIEW: FEBRUARY 2011

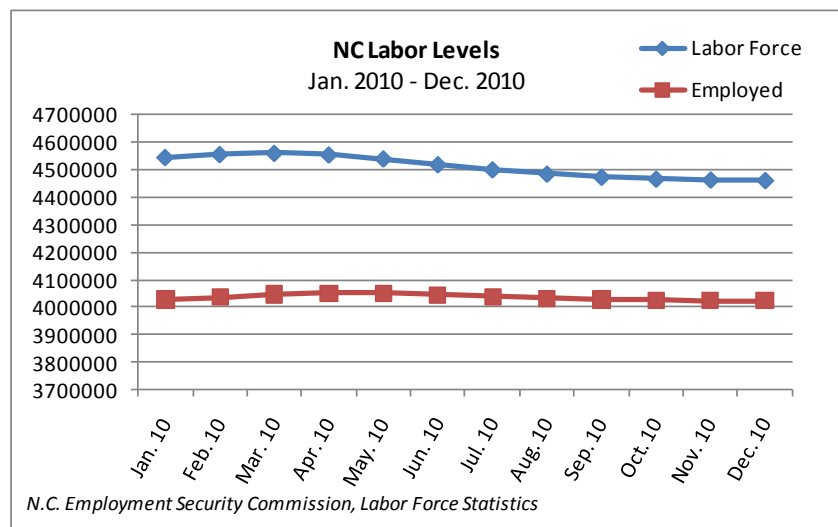
This edition of the economic overview differs from the standard format. Many data sources, such as county employment data, are released later than usual and not available at publication. In addition to providing the latest data, this analysis provides a yearly summary for 2011.

Looking at North Carolina over the course of 2010, common measures for employment are flat from January 2010 to December 2010. The Nation followed a similar pattern with employment remaining stable over the course of the year. As 2011 progresses we will look for signs of recovery in employment, especially in sectors strongly affected by the recession, such as construction and manufacturing. This analysis considers other measures of economic activity, such as retail sales and exports. This provides a more complete view of the condition of the state's economy.

KEY N.C. INDICATORS AT A GLANCE	
↓	<b>Unemployment rate 2010</b> <b>9.8%</b> <i>Rate decreased from January 2010 to December 2010 with a continued decline in labor force</i>
↑	<b>Total non-farm employment is up</b> <b>0.1%</b> <i>4,400 jobs gained from January to December 2010</i>
↓	<b>Properties with foreclosure filings increased 1.2%</b> <i>3,005 new filings in December 2010; 3,040 in January 2011</i>

### Employment increased in early 2010, but dipped in the summer before recovering at the end of the year

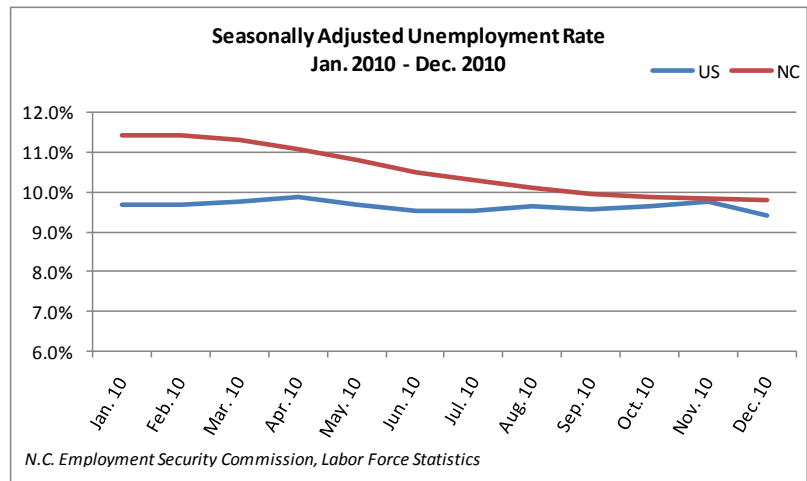
The employment numbers were promising in early 2010 as the labor force grew. The loss of census jobs going into the summer depressed employment slightly, but employment recovered over the fall and winter holidays as businesses saw increased demand for goods. For the year the labor force shrank by around 84 thousand workers and lost over 2,800 jobs. Most of the job loss occurred between May and October. The economy gained over 24 thousand jobs from January to April before losing positions for the rest of the year.



North Carolina Seasonally Adjusted Labor Force Statistics						
	Jan-10	Dec-10	Year Change		Start of Recession	
			Change	% Change	Change	% Change
Labor Force	4,546,492	4,461,716	(84,776)	-1.9%	(98,681)	-2.2%
Employed	4,027,276	4,024,468	(2,808)	-0.1%	(309,690)	-7.1%
Unemployed	519,216	437,248	(81,968)	-15.8%	211,009	93.3%

N.C. Employment Security Commission, Labor Force Statistics

In North Carolina the unemployment rate was at its highest point in January at 11.4 percent. The rate decreased continuously throughout the year, finishing at 9.8 percent in December. The US unemployment rate was lower over the course of the year than North Carolina, starting at 9.7 percent in January of 2010 and ending at 9.4 percent in December. Still, the 1.6 percentage point drop in the unemployment rate for North Carolina over the course of 2010 was 8 times larger than the US decline over the same period.



### Closing and Layoffs decreased in January; half as many workers affected

The number of workers affected by announced closings and layoffs<sup>1</sup> as well as the number of announcements decreased between December and January. Monthly levels of announced closings and layoffs for January were below the 4 and 12 month averages. The preliminary number for approximate number of workers affected is also below the 4 and 12 month averages.

Announced Business Closings and Layoffs in North Carolina				
	Dec-10 <i>(revised)</i>	Jan-11 <i>(Preliminary)</i>	4 Month Average (Beg. of 10/10 - End of 1/11)	12 Month Average (Beg. of 2/10 - End of 1/11)
Announced Closings & Layoffs	101	59	78	100
Approximate # of Workers Affected	2,800	1,293	1,935	2,064

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

<sup>1</sup>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.

### Foreclosures are up slightly and existing home sales are down from December 2010

Data from the NC Association of Realtors reveal a 1.2 percent increase in foreclosures between December and January and a 3.9 percent decrease from January 2010. Existing home sales declined from last month by 27 percent, but were 8.2 percent higher than this time last year. New housing units authorized by building permits, an indicator of future construction, were up 3.4 percent from last month and down 35.8 percent from January 2010.

North Carolina Housing Market Statistics							
	Dec-10 <i>(revised)</i>	Jan-11 <i>(Preliminary)</i>	Previous Month (1/11 compared to 12/10)		Last Year - Same Month (1/11 compared to 1/10)		12 Month Average (Beg. of 12/09 - End of 12/10)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	3,005	3,040	35	1.2%	(124)	-3.9%	4,027
Existing Homes - Units Sold	6,507	4,750	(1,757)	-27.0%	360	8.2%	6,720
Housing Units Auth. by Bldg. Permit	1,561	1,614	53	3.4%	(899)	-35.8%	2,712

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

## Exports continued to be an important part of North Carolina's economy in 2010

Despite the global recession and its impact on North Carolina's economy, exports continue to be one of the state's key drivers for economic growth. In 2010, North Carolina's exports grew in nearly every sector and export value surpassed the 2009 level.

**Export value** – North Carolina is currently the 17<sup>th</sup> largest state in the nation in value of exports.

- The total value of North Carolina's goods exported in 2010 was \$24.8 billion, a 14 percent increase over the previous year. U.S. exports rose 21 percent to \$1.28 trillion.
- The state's exports in 2010 have nearly returned to peak levels that were reached in 2008 (\$25.1 billion).

**Exported Goods** – Most sectors grew but the largest sector did not.

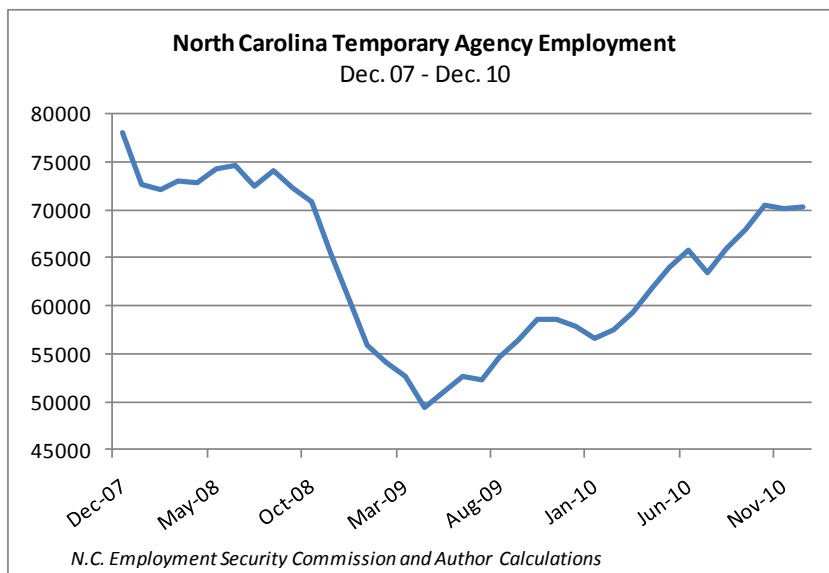
- Chemical exports were down 14 percent. Even so, Chemicals remained the state's leading export good at approximately one-fifth of the state's overall exports.
- Machinery (except Electrical) exports grew 51 percent from 2009 and is the 2<sup>nd</sup> largest exports in the state.

**Export Destination** – Exports to major trading partners experienced double digit growth rates.

- Canada is North Carolina's top export market with North Carolina companies exporting \$5.4 billion worth of goods, up 19.9 percent from 2009.
- China and Mexico are the second and third export markets with increases at 25 & 30 percent, respectively.

## Rising temporary hiring in North Carolina is a possible sign of future permanent job growth

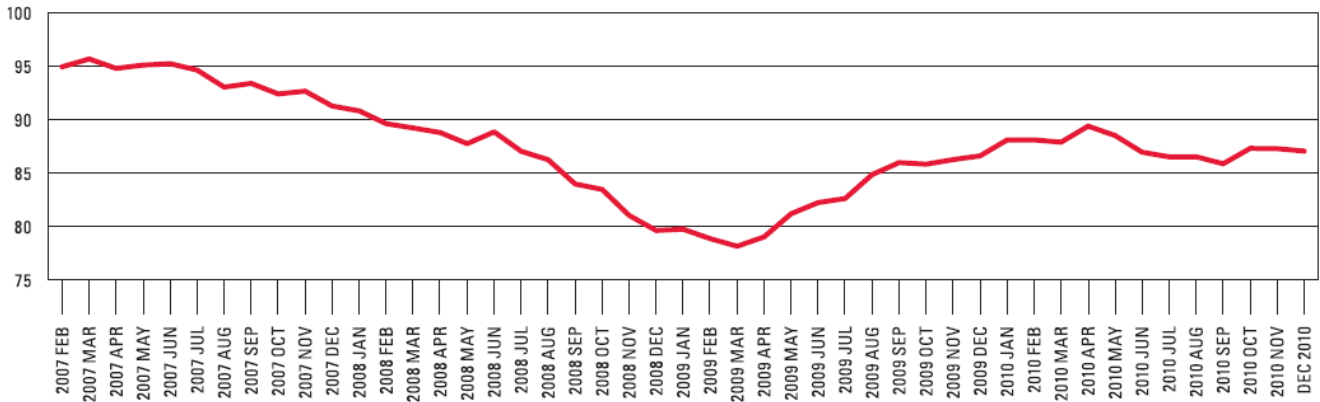
Before employers hire full time workers they often hire temporary workers for needed positions. This allows employers to increase production while navigating an uncertain economic environment by not committing to permanent hiring. Examining industry employment for temporary hiring agencies provides a sense of temporary hiring in North Carolina. Temporary agency employment is available until June 2010, and we use other state and federal labor data to project temporary hiring through December 2010. The graph to the right shows temporary hiring has steadily increased since April 2009. This strong upward trend is a possible indication companies are interested in increasing employment and waiting on sustained demand before converting temporary workers into permanent full-time positions.



## Leading Index shows little change since Spring 2010

**The NC State University Index of North Carolina Leading Economic Indicators** (the "Index"), a forecast of the economy's direction four to six months ahead, declined slightly in December from its level in November. Among the Index's individual components, the national leading index rose, while North Carolina initial claims for unemployment benefits jumped and building permits dropped. Hours and earnings in the State's manufacturing sector did not change. Since last spring, the Index has moved in a narrow band, suggesting very little change in the future pace of economic activity. The significant drop in building permits, both in the

current month as well as over the last year, indicates the housing market continues to be the major headwind blocking faster economic growth in the state.



**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](http://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](http://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](mailto: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 (January 2011, volume 2, number 1) in this publication.

## NATIONAL ECONOMIC UPDATE

Although the recession has officially ended a return to prerecession levels of activity has not been reached. Further, certain hard hit sectors, such as real estate, still face economic difficulties. However, the most recent data suggests consumers are beginning to spend more and National GDP is on the rise.

### Jobs

- There were 3.1 million job openings on the last business day of December, reported by the Bureau of Labor Statistics.
- Since the most recent series trough in July 2009, the level of job openings has risen by 0.7 million, or 31 percent. This trough immediately followed the end of the recession in June 2009 (as designated by the National Bureau of Economic Research).

### National GDP

- Real gross domestic product increased at an annual rate of 2.8 percent in the fourth quarter of 2010, according to the "second" estimate released by the Bureau of Economic Analysis.
- The increase in real GDP in the fourth quarter primarily reflected positive contributions from personal consumption expenditures, exports, and nonresidential fixed investment.

### Manufacturer's Shipments, Inventories and Orders

- New orders for manufactured durable goods in January increased \$6.2 billion or 3.1 percent to \$201.0 billion, according to the U.S. Census Bureau. This increase followed three consecutive monthly decreases including a 0.4 percent December decrease.
- Shipments of manufactured durable goods in January, up four of the last five months, increased \$0.7 billion or 0.3 percent to \$202.8 billion.
- Inventories of manufactured durable goods in January, up thirteen consecutive months, increased \$2.2 billion or 0.7 percent to \$324.7 billion from December.

### Personal Income & Consumer Spending

- Personal Income increased \$133.2 billion, or 1.0 percent, and disposable personal income increased \$78.3 billion or 0.7 percent in January, according to the Bureau of Economic Analysis. Personal consumption expenditures increased \$23.7 billion, or 0.2 percent. Real disposable income increased 0.4 percent in January, compared with an increase of 0.1 percent in December.
- Real Personal Consumption Expenditures decreased 0.1 percent in January, in contrast to an increase of 0.3 percent in December.

### Housing

- Sales of new single-family houses in January 2011 were at a seasonally adjusted annual rate of 284,000, according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 12.6 percent below the revised December rate of 325,000 and is 18.6 percent below the January 2010 estimate of 349,000.
- Single-family housing starts in January were at a rate of 413,000; this is below the revised December figure of 417,000.

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