



NORTH CAROLINA ECONOMIC OVERVIEW: MAY 2011

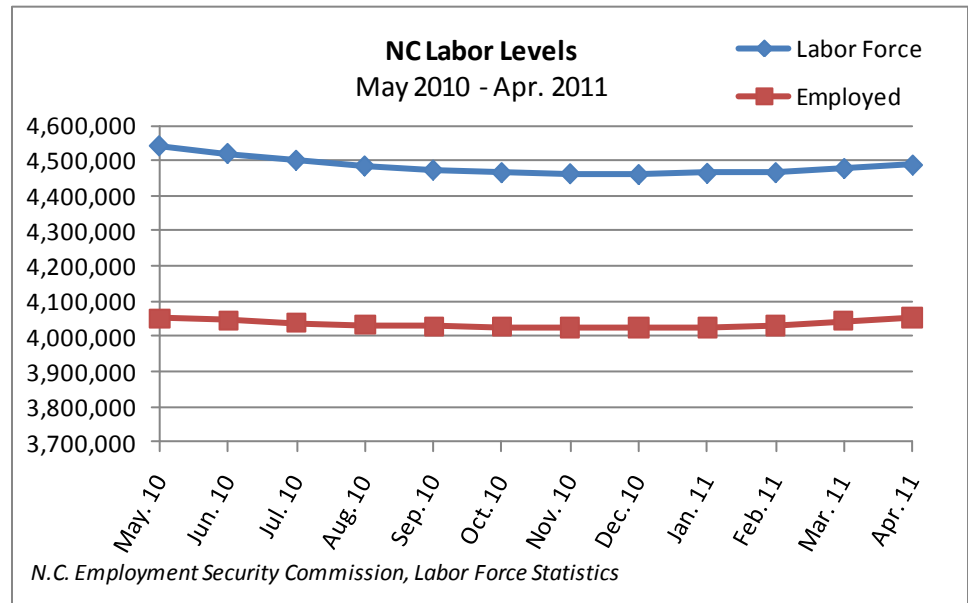
North Carolina continues to recover from the recession while national growth has started to slow. The state added 2,900 nonfarm jobs in April with the statewide unemployment rate holding steady at 9.7 percent.

National indicators show the U.S. is displaying economic growth, but at a slower than expected pace. Real GDP growth was 1.8 percent in the 1st quarter of 2011 and many analysts expect similar growth for the 2nd quarter. Consumer confidence has dipped slightly as well. According to the Bureau of Labor Statistics Job Openings and Labor Turnover survey (JOLTS) there were 3 million job openings and nearly 4 million hires in April, compared to 3.7 million total separations.

KEY N.C. INDICATORS AT A GLANCE	
↓	Unemployment rate 9.7% <i>Rate is unchanged from March</i>
↑	Total non-farm employment increased 0.1% <i>2,900 jobs gained since March</i>
↑	Properties with foreclosure filings increased 13.9% <i>2,784 new filings in April; 2,444 in March</i>

Unemployment falls in April, the 3rd consecutive month of decline

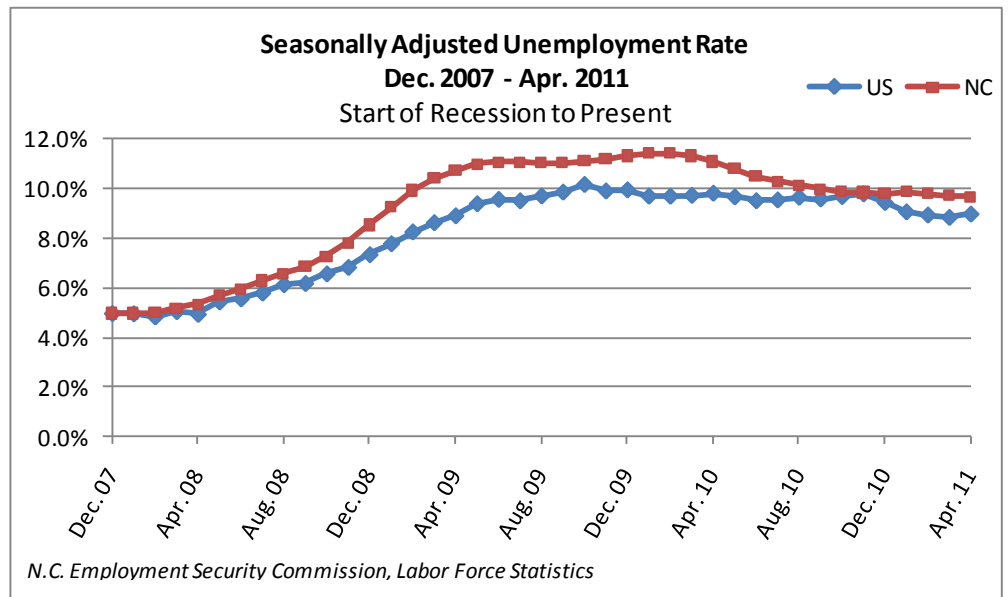
The number of employed workers increased in North Carolina in April, the 4th consecutive month of growth for the state. The growth in employment corresponded with a decline in unemployed workers. For the month, North Carolina saw a 10,700 worker increase in employment and a 1,200 worker decrease in unemployment, increasing the size of the labor force by nearly 9,500 workers. The number of unemployed workers has declined, from month to month, for 13 of the last 14 months dating back to May of 2010.



	North Carolina Seasonally Adjusted Labor Force Statistics							
	Mar-11 <i>(revised)</i>	Apr-11 <i>(preliminary)</i>	Previous Month (4/11 compared to 3/11)		Last Year - Same Month (4/11 compared to 4/10)		Start of Recession (4/11 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,478,418	4,487,916	9,498	0.2%	(67,963)	-1.5%	(72,481)	-1.6%
Employed	4,043,231	4,053,947	10,716	0.3%	2,508	0.1%	(280,211)	-6.5%
Unemployed	435,187	433,969	(1,218)	-0.3%	(70,471)	-14.0%	207,730	91.8%

N.C. Employment Security Commission, Labor Force Statistics

While employment increased in North Carolina from March to April, the size of the change wasn't great enough to lower the unemployment rate. The unemployment rate for April remained at 9.7 percent on a seasonally adjusted basis. U.S. employment decreased by 190 thousand workers from March to April, leading to an unemployment rate increase of 0.2 percentage points, from 8.8 percent to 9.0 percent. The number of unemployed workers in the labor force increased by 205 thousand in the same period. To be included in the labor force a person would have to be employed or have sought employment sometime in the last 4 weeks.



Initial Unemployment Benefit Claimants							
	Mar-11	Apr-11	Previous Month (4/11 compared to 3/11)		Last Year - Same Month (4/11 compared to 4/10)		12 Month Average (Beg. of 5/10 - End of 4/11)
			Change	% Change	Change	% Change	
North Carolina	55,175	50,973	(4,202)	-7.6%	(1,352)	-2.7%	57,975

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

Initial unemployment benefit claims are a leading indicator of future unemployment rates. New initial claimants totaled 50,973 in April a decrease of 4,202 from March. Initial claims have been below levels from last year in every month of 2011.

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) Helpers of Production Workers; 4) Cashiers; and 5) All other production workers. Over two-thirds (64%) of the workers in the top twenty occupations fall into three major occupational categories: Construction and Extraction Occupations, Production, and Transportation & Material Moving.

Closings and Layoffs rise for the first time in 2011

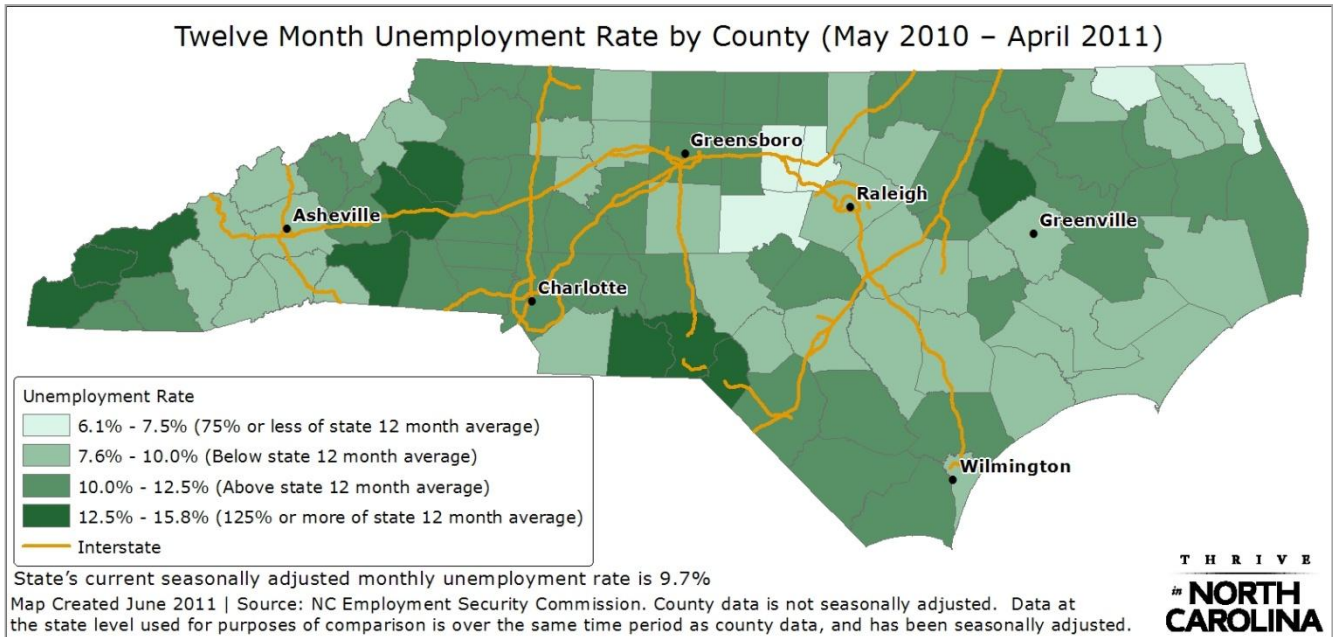
The number of closings and layoffs increased in April compared to March. The number of workers affected by announced closings and layoffs¹ increased as well. The increase in closings and layoffs, including workers affected, was higher than the 4 month average, but remained lower than the 12 month average.

Announced Business Closings and Layoffs in North Carolina				
	Mar-11 (revised)	Apr-11 (Preliminary)	4 Month Average (Beg. of 1/11 - End of 4/11)	12 Month Average (Beg. of 5/10 - End of 4/11)
Announced Closings & Layoffs	41	63	52	88
Approximate # of Workers Affected	1,062	1,187	1,050	1,932

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

¹ 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.

When seasonal fluctuations are controlled for by examining a twelve month average unemployment rate Orange County (6.12%) has the lowest rate. In addition to Orange County, Currituck (6.18%), Chatham (6.72%), Gates (7.17%), and Durham (7.45%) are the only counties with rates below 7.50 percent. Scotland County has the highest 12 month unemployment rate average at 15.81 percent, followed by Graham (15.07%), Edgecombe (14.61%), Rutherford (14.30%), and Cherokee (13.16%) counties. When looking at month-over-month unemployment rate changes, 73 counties had a lower unemployment rate this month than last month.



Total nonfarm jobs in 2011 are higher than the same month last year and for every previous month of 2011

Preliminary data suggest:

- **Since last month** (March 2011) the economy added 2,900 jobs.
 - No individual Supersector gained or lost more than 2,700 jobs.
 - Trade, Transportation, and Utilities had the largest job growth (2,700 jobs), but Leisure and Hospitality had the largest percent growth (0.6 percent).
- **Over the past twelve months** Government has seen the largest employment decline (14,800).
 - Construction employment has fallen more than 5 percent from last year at this time.
 - Professional and Business Services employment has increased by more than 5 percent from last year at this time.
- **Since the start of the recession**
 - Education and Health Services is the only sector to have gained employment.

Sector	Mar-11 (revised)	Apr-11 (preliminary)	Previous Month (4/11 compared to 3/11)		Last Year - Same Month (4/11 compared to 4/10)		Start of Recession (4/11 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	5,800	5,700	(100)	-1.7%	0	0.0%	(1,200)	-17.4%
Construction	171,300	169,800	(1,500)	-0.9%	(9,700)	-5.4%	(82,400)	-32.7%
Manufacturing	435,200	436,000	800	0.2%	4,100	0.9%	(97,000)	-18.2%
Trade, Transportation, & Utilities	719,800	722,500	2,700	0.4%	9,500	1.3%	(57,900)	-7.4%
Information	67,900	67,500	(400)	-0.6%	(400)	-0.6%	(4,700)	-6.5%
Financial Activities	202,600	202,800	200	0.1%	4,600	2.3%	(9,100)	-4.3%
Professional & Business Services	500,500	502,700	2,200	0.4%	24,400	5.1%	(3,300)	-0.7%
Education & Health Services	539,400	538,600	(800)	-0.1%	(3,000)	-0.6%	5,100	1.0%
Leisure & Hospitality	395,700	398,000	2,300	0.6%	8,100	2.1%	(7,400)	-1.8%
Other Services	156,700	156,500	(200)	-0.1%	1,300	0.8%	(19,000)	-10.8%
Government	695,100	692,800	(2,300)	-0.3%	(14,800)	-2.1%	(2,000)	-0.3%
Total Nonfarm Employment	3,890,000	3,892,900	2,900	0.1%	24,100	0.6%	(278,900)	-6.7%

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

Exports have continued to grow since the 3rd quarter of 2009

North Carolina exports² in the 1st quarter of 2011 posted the second-highest quarterly increase since 2nd quarter 2008. All major export sectors saw growth except chemicals and computers & electronic products. Exports to many key markets also experienced growth; however, exports to Japan fell 25 percent due largely to Japan's falling demand of North Carolina's chemical products in March. For the first three months of 2011, North Carolina's export value ranked 16th among the 50 states and was the 5th largest among the 12 states in the Southeast region³.

Export Value – Goods exports posted the 2nd highest quarterly value since recession.

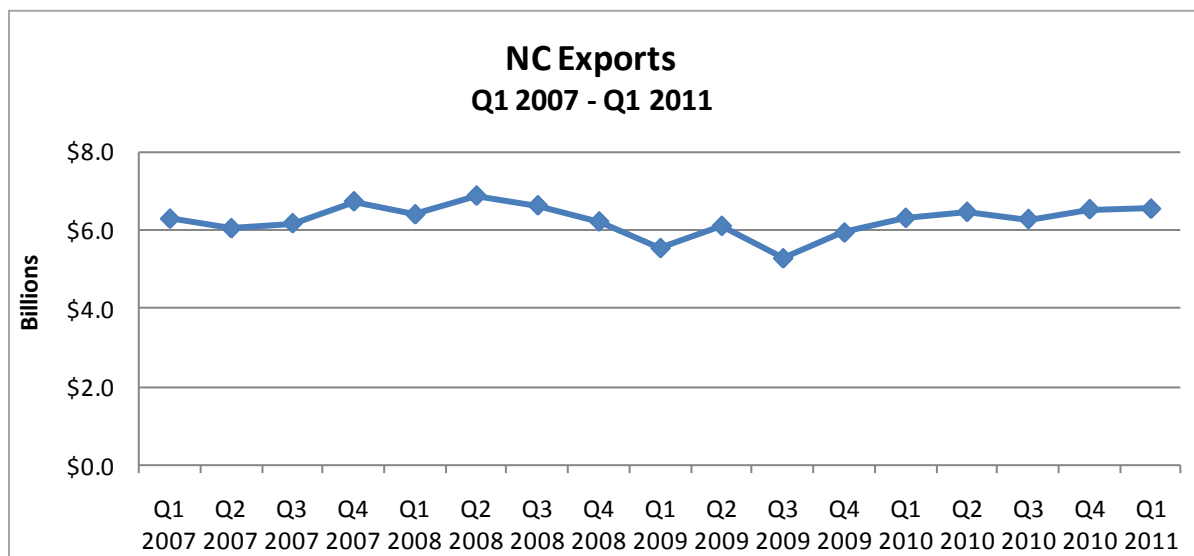
- North Carolina's merchandise exports grew 7 percent from 1st quarter 2010 to \$6.5 billion, the 2nd largest quarterly export figure since the recent global recession.
- Export gain was led primarily by stronger global demand of North Carolina's machinery⁴, and textiles & fabrics; these two sectors contributed more than 90 percent the State's overall export increase in this quarter.

Export Sector – Chemicals remain top exports but machinery experienced the highest dollar increase.

- Chemical exports declined 19 percent but still topped all export sectors with more than \$1.1 billion in sales. Canada, Mexico and Germany were the top three buyers of the State's chemical products.
- Machinery exports experienced the highest dollar increase (\$241.9 million), followed by textile and fabrics (\$136.3 million) and agricultural products (\$98.5 million).

Export Destination – Exports to our largest trading partners grew.

- Exports to North Carolina's largest market, Canada, rose 4 percent from the same quarter last year and represented almost one-quarter of the State's overall exports in this quarter.
- China and Mexico were the second and third largest export markets. Exports from North Carolina to China grew 29 percent and had the biggest dollar increase (\$144.7 million) among other export destinations. The increase was fueled by China's rising demand of the state's machinery (up 237 percent or \$92.9 million).



Source: Wisetrade, May 2010. Export value is presented in current dollars.

² The export update excludes service exports as data for service exports is not available at the state level. Also not included in the update are the State's imports since state import data is tracked on an annual basis. In 2010, North Carolina imports totaled \$42.5 billion, up 13% from 2009. Chemicals (\$10.1 billion), computer and electronic products (\$6.3 billion), and apparel and accessories (\$5.7 billion) were the top three imports.

³ Regional divisions are developed by the Bureau of Economic Analysis. Southeast region includes the following 12 states: VA, WV, NC, SC, GA, FL, AL, MI, LA, TN, and KY.

⁴ Machinery exports do not include electrical machinery which is categorized under electrical equipment, appliance and component manufacturing.

Foreclosure filings increased from March; existing homes sold increase as well

Data from the NC Association of Realtors show a 1.8 percent increase in existing home sales between March and April. Housing authorizations fell slightly, 4.0 percent lower than last month and 18.3 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 higher in April than the month before and 28.7 percent lower than the same month a year ago.

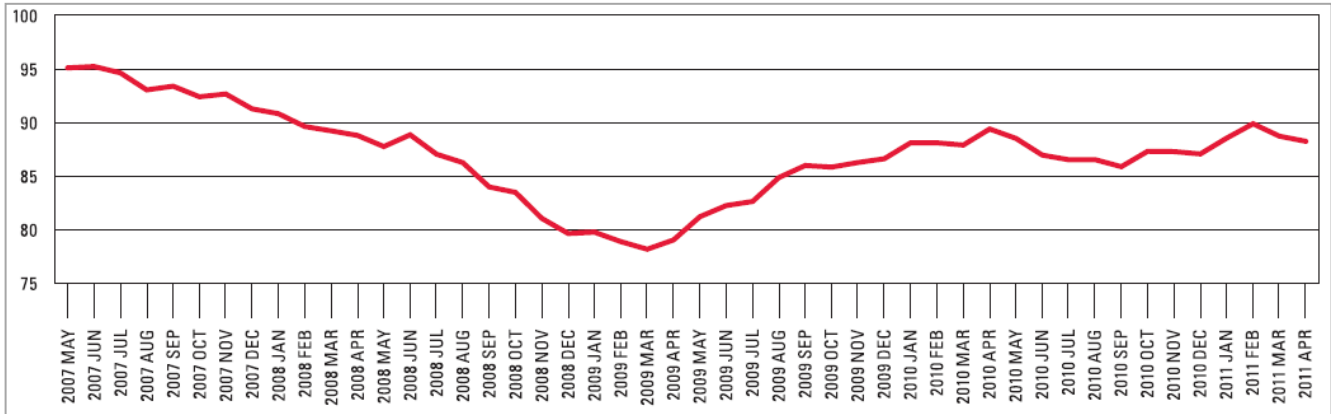
North Carolina Housing Market Statistics							
	Mar-11 <i>(revised)</i>	Apr-11 <i>(Preliminary)</i>	Previous Month (4/11 compared to 3/11)		Last Year - Same Month (4/11 compared to 4/10)		12 Month Average (Beg. of 5/10 - End of 4/11)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	2,444	2,784	340	13.9%	(1,118)	-28.7%	3,837
Existing Homes - Units Sold	6,801	6,926	125	1.8%	(1,482)	-17.6%	6,586
Housing Units Auth. by Bldg. Permit	2,226	2,136	(90)	-4.0%	(479)	-18.3%	1,968

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, edged downward by 0.5 percent in May from its reading in April. Two of the Index's five components improved while three declined. The national index (ECRI-WLI) rose 0.2 percent while initial claims for unemployment benefits dropped by 5.5 percent. However, building permits were off 11.5 percent and both hours worked and earnings in manufacturing fell.

The Index has now slumped for two consecutive months, but it is well above its recessionary lows. The Index's message is that economic growth will continue in the coming months, but at a more moderate pace. Strong "lift" in the economy likely won't occur until the housing market shows more improvement.



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 (May 2011, volume 2, number 5) in this publication.

NATIONAL ECONOMIC UPDATE

National economic indicators point to a minimal change with many indicators, including Real GDP, pointing to slight growth. Real GDP growth in the 1st quarter was slow at 1.8 percent and is expected to remain slow into the 2nd quarter of 2011. The Federal Reserve has maintained its goals of increasing the money supply and promoting business spending, purchasing more than \$600 billion in Treasury notes and bonds since October in order to inject more money into the economy.

National Gross Domestic Product (GDP)

- In the first quarter of 2011, real GDP increased at an annual rate of 1.8 percent, according to the "second" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2010, real GDP increased 3.1 percent.
- Reduced government spending, production cuts in automotive and electronics industries, and a struggling housing market have contributed to slow GDP growth.

Manufacturer's Shipments, Inventories and Orders

- New orders for manufactured durable goods in April decreased \$7.1 billion or 3.6 percent to \$189.9 billion, according to the U.S. Census Bureau.
- Shipments of manufactured durable goods in April, down following four consecutive monthly increases, decreased \$2.0 billion or 1.0 percent to \$194.9 billion. This followed a 3.1 percent March increase.

Personal Income & Consumer Spending

- Real disposable income decreased less than 0.1 percent in April, compared with an increase of less than 0.1 percent in March, according to the Bureau of Economic Analysis.
- Personal income increased \$46.1 billion, or 0.4 percent, in April.
- Real PCE increased 0.1 percent in April, the same increase as in March.

Housing

- Sales of new single-family houses in April 2011 were at a seasonally adjusted annual rate of 323,000, with a median sales price of \$217,000 according to estimates released jointly by the U.S. Census Bureau. This is 23.1 percent below the April 2010 sales estimate of 420,000 single-family houses.
- Single-family housing starts, an indicator of current economic activity, were at a seasonally adjusted rate of 394,000 in April; this is a 5 percent decrease from the revised March figure of 415,000.
- Single-family authorizations (building permits), an indicator of future economic activity, were at a seasonally adjusted rate of 385,000 in April; this is 1.8 percent below the revised March figure of 392,000.

Consumer Confidence

- National consumer confidence fell in May by 5.2 points, down to 60.8, according to The Conference Board's Consumer Confidence Index. This is down from a three-year high of 70.4 in February 2011.

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