



## NORTH CAROLINA ECONOMIC OVERVIEW: AUGUST 2010

National and state data continue to paint a decidedly mixed picture of North Carolina's progress toward a full economic recovery. Most indicators still remain well below their pre-recessionary levels, but both state and national trends indicate that economic growth is occurring, albeit very slowly. Businesses have been slow to step up hiring and confidence in the economy has declined, leading consumers to reduce spending. The housing market has weakened further with the end of the homebuyer tax credit that had propped up sales earlier in the year.

However, despite expectations of slow growth for the remainder of 2010 and first parts of 2011, many economists believe the recovery remains on track, increasing hopes that the economy can avoid falling back into a "double-dip" recession.

KEY N.C. INDICATORS AT A GLANCE	
↓	<b>Unemployment rate</b> <b>9.8%</b> <i>Down 0.2 percentage points from June, but decline the result of shrinking labor force</i>
↓	<b>Total non-farm employment</b> <b>-0.8%</b> <i>29,800 jobs lost since June</i>
↑	<b>Properties with foreclosure filings</b> <b>+10.3%</b> <i>4,889 new filings in July; 4,431 in June</i>

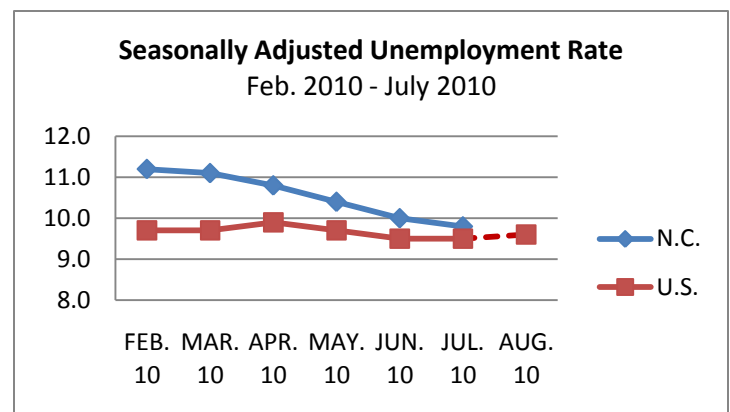
### NC's unemployment rate decreased to 9.8%, but the decline a result of workers leaving labor force

The number of employed workers decreased by 19,442 between June and July while the number of unemployed workers declined by more than 16,000, resulting in a 0.8% decrease in the size of the labor force (-35,612). 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 almost 30,000 and unemployment is down by more than 55,000, but the size of the labor force is significantly smaller.

North Carolina Seasonally Adjusted Labor Force Statistics								
	Jun-10 <i>(revised)</i>	Jul-10 <i>(preliminary)</i>	Previous Month (7/10 compared to 6/10)		Last Year - Same Month (7/10 compared to 7/09)		Start of Recession (7/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,545,756	4,510,144	(35,612)	-0.8%	(25,267)	-0.6%	(41,756)	-0.9%
Employed	4,089,199	4,069,757	(19,442)	-0.5%	29,854	0.7%	(258,641)	-6.0%
Unemployed	456,557	440,387	(16,170)	-3.5%	(55,121)	-11.1%	216,885	97.0%

N.C. Employment Security Commission, Labor Force Statistics

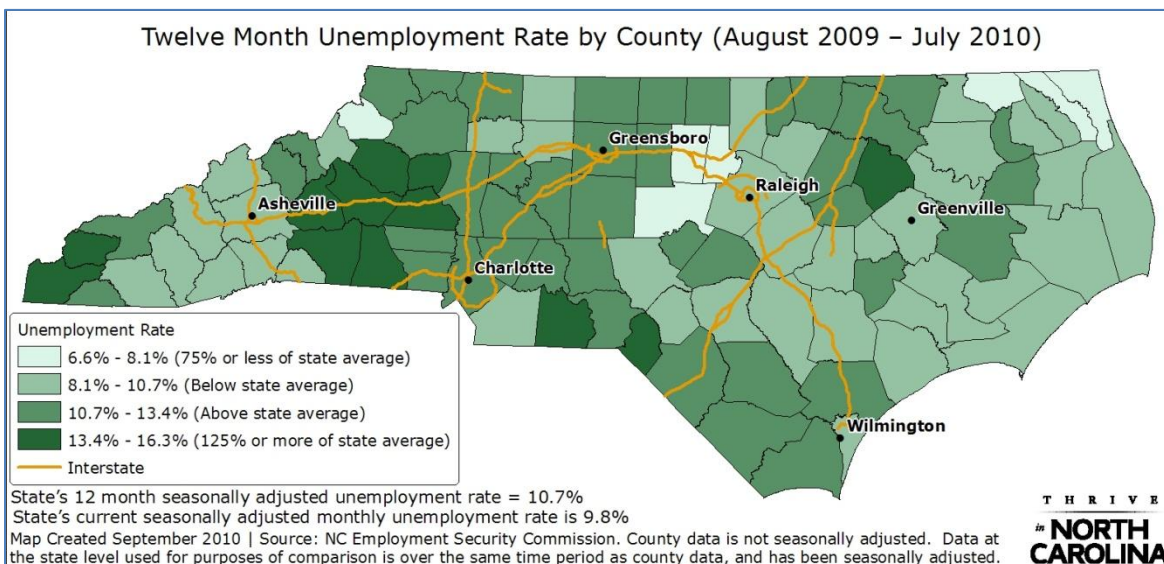
North Carolina's seasonally adjusted unemployment rate in July was 9.8%, down 0.2 percentage points from June. The decrease in the unemployment rate is due to discouraged workers dropping out of the labor force, not employment gains. The state's unemployment rate is 1.1 percentage point lower than it was in July 2009, but 4.9 percentage points higher than it was at the start of the recession. In July, the national unemployment rate was 9.5% and recently released U.S. data has the national unemployment rate for August also at 9.5%.



A leading indicator of future unemployment rates are initial unemployment benefit claims. New initial claimants totaled 56,952 in July, an increase of 4,517 from June. The top five occupations of those claiming unemployment for the first time are: 1) Laborers and Freight, Stock, and Material Movers (hand); 2) Production Workers, All Other; 3) Cashiers; 4) Truck Drivers, Heavy and Tractor-Trailer; 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

### Unemployment rates in decline statewide and for most counties

Compared to last two months, the same three counties had monthly non-seasonally adjusted unemployment rates above 14.0%: Scotland County (16.2%), Rutherford (14.6%) and Edgecombe (14.5%). While Currituck (4.5%) was the only county with a rate below 6.0%; the Northeast Partnership ED Region contains the three counties with the lowest unemployment rates. In addition to Currituck, there is Hyde (6.0%) and Dare (6.3%) counties. While the low rate in these coastal counties can be partially attributed to seasonal fluctuations, Currituck and Hyde Counties rank in the top eleven when taking a twelve month average, indicating seasonal fluctuations is likely not sole cause for their comparatively low unemployment rate this month.



When seasonal fluctuations are controlled for by examining a twelve month average unemployment rate, Orange County (6.6%) has the lowest rate. Aside from Orange, Currituck (6.9%) and Gates (7.4%) are the only counties with rates below 7.5%. Scotland, Edgecombe, and Rutherford had 12-month rates exceeding 15.5%. The median 12-month county unemployment rate was 11.1%.

### Total non-farm employment decreased significantly; Government sector experienced significant job loss

Preliminary data suggest:

- North Carolina lost 29,800 nonfarm payroll jobs between June and July. The Government sector fell by 27,300, reflecting the departure temporary Census 2010 workers from federal government payrolls. Construction, Professional & Business Services, Education & Health Services, Leisure & Hospitality, and Other Services also lost employment during the month.
- Over the past year (since July 2009), the state has experienced an increase in employment of 6,000 jobs. The Government, Professional & Business Services, and Education & Health Services sectors all experienced significant gains. Construction and Manufacturing have experienced the largest employment decline.

- Since the start of the recession, the state has lost 274,200 non-farm jobs. Manufacturing, Construction, and Trade, Transportation & Utilities have all lost more than 65,000 jobs.

North Carolina Nonfarm Employment Trends by Supersector								
Sector	Jun-10 (revised)	Jul-10 (preliminary)	Previous Month (7/10 compared to 6/10)		Last Year - Same Month (7/10 compared to 7/09)		Start of Recession (7/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	6,200	6,200	0	0.0%	200	3.3%	(700)	-10.1%
Construction	172,800	170,000	(2,800)	-1.6%	(18,300)	-9.7%	(81,700)	-32.5%
Manufacturing	432,800	433,400	600	0.1%	(7,900)	-1.8%	(99,000)	-18.6%
Trade, Transportation, & Utilities	710,000	712,800	2,800	0.4%	(3,700)	-0.5%	(67,300)	-8.6%
Information	69,900	70,400	500	0.7%	900	1.3%	(1,800)	-2.5%
Financial Activities	197,600	198,200	600	0.3%	(2,100)	-1.0%	(14,000)	-6.6%
Professional & Business Services	477,900	476,600	(1,300)	-0.3%	19,700	4.3%	(30,000)	-5.9%
Education & Health Services	549,700	549,600	(100)	0.0%	8,400	1.6%	16,800	3.2%
Leisure & Hospitality	394,700	393,000	(1,700)	-0.4%	600	0.2%	(12,100)	-3.0%
Other Services	161,600	160,500	(1,100)	-0.7%	(5,800)	-3.5%	(15,000)	-8.5%
Government	751,900	724,600	(27,300)	-3.6%	14,000	2.0%	30,600	4.4%
<b>Total Nonfarm Employment</b>	<b>3,925,100</b>	<b>3,895,300</b>	<b>(29,800)</b>	<b>-0.8%</b>	<b>6,000</b>	<b>0.2%</b>	<b>(274,200)</b>	<b>-6.6%</b>

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

### Workers affected by closings and layoffs increased; exceeded the 4-month and 12-month averages

The number of combined announced closings and layoffs<sup>1</sup> increased significantly between June and July. The number of workers affected by these closings and layoffs also increased and were higher than the 4-month and the 12-month averages.

Announced Business Closings and Layoffs in North Carolina				
	Jun-10 (revised)	Jul-10 (preliminary)	4 Month Average (Beg. of 4/10 - End of 7/10)	12 Month Average (Beg. of 8/09 - End of 7/10)
Announced Closings & Layoffs	98	113	79	91
Approximate # of Workers Affected	2,249	2,848	2,033	2,080

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

### Announced Capital Investment in the 2<sup>nd</sup> Quarter Exceeded \$2 billion and Announced Jobs Exceeded 7,500

The Department of Commerce tracks announced and planned jobs and investment across the state on a quarterly basis. The second quarter of 2010 showed significantly more announced jobs than the previous quarter, but less than the same time last year. When compared to the previous quarter (first quarter 2010), there was significantly more planned investment.

Announced Jobs and Capital Investment in North Carolina			
	Previous Quarter 1st Qtr. 2010	Latest Quarter 2nd Qtr. 2010	Previous Year 2nd Qtr. 2009
Announced or Planned Jobs	5,400	7,500	13,000
Announced or Planned Investment	\$570,000,000	\$2,406,000,000	\$2,852,000,000

The North Carolina Community Investment Report (CIR) Database

Note: The values above represent announced or planned jobs and investment and are measured from when the jobs and/or investment were announced. Real values may prove to be higher or lower and may occur over multiple years.

<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 increased; home sales and building permits declined

Data from the North Carolina Association of Realtors reveal a 10.3% increase in foreclosures between June and July and a 42.6% increase from this time last year. In North Carolina there are approximately 31,000 foreclosure homes. One in every 859 housing units received a foreclosure filing in July, compared to one in every 397 nationally. Mecklenburg County had the most foreclosure filings in July, followed by Guilford, Wake and Forsyth. Existing home sales decreased from last month and last year by 29% and 19% respectively. New housing units authorized by building permits, an indicator of future construction, were down 4% from last month, but up 20% from a year ago.

North Carolina Housing Market Statistics							
	Jun-10 <i>(revised)</i>	Jul-10 <i>(preliminary)</i>	Previous Month (7/10 compared to 6/10)		Last Year - Same Month (7/10 compared to 7/09)		12 Month Average (Beg. of 8/09 - End of 7/10)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	4,431	4,889	458	10.3%	1,461	42.6%	3,815
Existing Homes - Units Sold	9,505	6,772	(2,733)	-28.8%	(1,588)	-19.0%	7,183
Housing Units Auth. by Bldg. Permit	3,323	3,191	(132)	-4.0%	531	20.0%	3,015

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

## NATIONAL ECONOMIC UPDATE: AUGUST 2010

### Labor Force:

- Nonfarm payroll employment changed little (-54,000) in August, and the unemployment rate was unchanged at 9.6 percent, the U.S. Bureau of Labor Statistics reported. Government employment fell, as 114,000 temporary workers hired for the decennial census completed their work. Private-sector payroll employment continued to trend up modestly (+67,000).

### Gross Domestic Product:

- Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 1.6 percent in the second quarter of 2010, (that is, from the first quarter to the second quarter of 2010), according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 3.7 percent over fourth quarter 2009 values.
- The increase in real GDP in the second quarter primarily reflected positive contributions from nonresidential fixed investment, personal consumption expenditures, exports, federal government spending, private inventory investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, also increased.

### Manufacturer's Shipments, Inventories and Orders:

- New orders for manufactured goods in July, up following two consecutive monthly decreases, increased \$0.6 billion or 0.1 percent to \$409.5 billion according to the U.S. Census Bureau.
- Shipments are also up following two consecutive monthly decreases, increasing \$4.4 billion or 1.1 percent to \$417.1 billion.
- Inventories, up six of the last seven months, increased \$5.1 billion or 1.0 percent to \$526.0 billion.

### Personal Income & Consumer Spending:

- Personal income increased \$30.0 billion, or 0.2 percent, and disposable personal income (DPI) increased \$17.6 billion, or 0.2 percent, in July, according to the Bureau of Economic Analysis. Personal consumption expenditures (PCE) increased \$44.1 billion, or 0.4 percent.
- Real disposable income decreased 0.1 percent in July, in contrast to an increase of 0.1 percent in June. Real PCE increased 0.2 percent, compared with an increase of 0.1 percent.

### Housing:

- Sales of new single-family houses in July were at a seasonally adjusted annual rate of 276,000, according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 12.4 percent below the revised June rate of 315,000 and is 32.4 percent below the July 2009 estimate of 408,000.
- Housing starts in July 2010 were 546,000, up 1.7% from the prior month, but down 7.0% from the prior year. Building permits were 565,000, down 3.1% from June and down 3.7% from July 2009.

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