



NORTH CAROLINA ECONOMIC OVERVIEW: FEBRUARY 2012

North Carolina's unemployment rate decreased again this month behind continued employment gains. Nonfarm employment saw the highest month-to-month percent gain since October 2010. Housing authorizations and existing home sales were up this month compared to the same month last year while foreclosure filing fell by 16 percent over the same period. Hotel occupancy, which reflects tourism activity in the State, increased in January compared to January of last year by 2.8 percent.

National employment data for January displayed an uptick alongside a decrease in unemployed workers allowing the unemployment rate to fall to 8.3 percent. US Real GDP grew 3.0 percent according to the "third" estimate for the 4th quarter of 2011, compared to the 3rd quarter of 2011.

KEY INDICATORS AT A GLANCE	
↓	N.C. Unemployment Rate decreased 0.2% <i>10.4% in December to 10.2% in January</i>
↑	U.S. Unemployment Rate decreased 0.2% <i>From 8.5% in December to 8.3% in January</i>
↑	<u>NC Hotel occupancy</u> increased 2.8% <i>From January 2011 to January 2012</i>

Employment levels increase for the 5th consecutive month

The number of employed workers in North Carolina in January was higher than December levels according to the latest data. The increase in employment is the fifth consecutive month of growth for the State. Another method of measuring employment growth is to compare the current month to the same month last year. Comparing January 2012 to January 2011 employment has increased 1.5 percent. The State has experienced year-over-year growth in employment every month since October 2010. Looking specifically at the first 6 months of the year, North Carolina



employment remains below pre-recessionary levels. Since 2010, however, we've made gains every month. Unemployment, which decreased monthly from September to December in 2011, continued to fall in January. The number of unemployed workers in the State fell 1.6 percent from December to January.

North Carolina Seasonally Adjusted Labor Force Statistics								
	Dec-11 <i>(revised)</i>	Jan-12 <i>(preliminary)</i>	Previous Month (1/12 compared to 12/12)		Last Year - Same Month (1/12 compared to 1/11)		Start of Recession (1/12 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,677,236	4,683,481	6,245	0.1%	51,248	1.1%	123,084	2.7%
Employed	4,192,992	4,207,205	14,213	0.3%	61,984	1.5%	(126,953)	-2.9%
Unemployed	484,244	476,276	(7,968)	-1.6%	(10,736)	-2.2%	250,037	110.5%

N.C. Department of Commerce, Division of Employment Security, Labor Force Statistics

The decrease in unemployed workers in the labor force combined with higher employment pushed the unemployment rate for the State down this month, from 10.4 percent in December to 10.2 percent in January on a seasonally adjusted basis. The decline in the unemployment rates started in September 2011. The U.S. unemployment rate fell from December to January as well, following an increase in employment and decrease in unemployment. The recently released February unemployment rate for the U.S. is 8.3 percent, unchanged since January.

Seasonally Adjusted Unemployment Rates								
	Dec-11 <i>(revised)</i>	Jan-12 <i>(preliminary)</i>	Previous Month (1/12 compared to 12/12)		Last Year - Same Month (1/12 compared to 1/11)		Start of Recession (1/12 compared to 12/07)	
			% Point Change		% Point Change		% Point Change	
North Carolina	10.4%	10.2%	-0.2%		-0.3%		5.2%	
United States	8.5%	8.3%	-0.2%		-0.8%		3.3%	

N.C. Department of Commerce, Division of Employment Security, Labor Force Statistics

Regular Initial Claims for Unemployment Insurance increased in January compared to December. Claims in January totaled 86,204, up 17,808 from December's total of 68,396. Regular Initial Claims were down 18,503 compared to January 2011. For more information on UI claims for North Carolina and its localities see the February 2012 edition of the NC Today¹, which can be found [here](#).

North Carolina Nonfarm Employment increases for the third time in the last four months

Preliminary data² suggest:

- **Since last month** (December 2011) the economy experienced a net gain of 17 thousand jobs.
 - Only 2 Supersectors, Leisure & Hospitality and Construction, saw employment declines compared to last month.
 - The rise in total nonfarm employment was the largest month-to-month growth since October 2010.
- **Over the past twelve months** employment has risen by over 50 thousand jobs.
 - Only the Government and Mining & Logging sectors experienced a decline over the period.
 - The 1 percent increase in year-over-year Manufacturing employment is the largest percent increase since May 1995.
- **Since the start of the recession**
 - Three Supersectors have seen growth, including Education & Health Services with over 18 thousand more jobs.
 - Four Supersectors have experienced a employment decline greater than 10 percent.

North Carolina Seasonally Adjusted Nonfarm Employment Trends by Supersector								
Sector	Dec-11 <i>(revised)</i>	Jan-12 <i>(preliminary)</i>	Previous Month (1/12 compared to 12/11)		Last Year - Same Month (1/12 compared to 1/11)		Start of Recession (1/12 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	5,500	5,500	0	0.0%	(100)	-1.8%	(1,400)	-20.3%
Construction	177,700	176,700	(1,000)	-0.6%	5,900	3.5%	(75,600)	-30.0%
Manufacturing	434,000	437,100	3,100	0.7%	4,400	1.0%	(95,700)	-18.0%
Trade, Transportation, & Utilities	727,500	733,700	6,200	0.9%	13,600	1.9%	(46,900)	-6.0%
Information	67,700	68,400	700	1.0%	100	0.1%	(3,800)	-5.3%
Financial Activities	201,000	203,800	2,800	1.4%	100	0.0%	(12,200)	-5.6%
Professional & Business Services	510,800	514,700	3,900	0.8%	13,900	2.8%	8,500	1.7%
Education & Health Services	550,300	551,200	900	0.2%	8,200	1.5%	18,200	3.4%
Leisure & Hospitality	402,500	401,300	(1,200)	-0.3%	7,900	2.0%	(4,600)	-1.1%
Other Services	157,300	157,300	0	0.0%	1,400	0.9%	(18,800)	-10.7%
Government	697,900	699,500	1,600	0.2%	(4,800)	-0.7%	4,800	0.7%
Total Nonfarm Employment	3,932,200	3,949,200	17,000	0.4%	50,600	1.3%	(227,500)	-5.4%

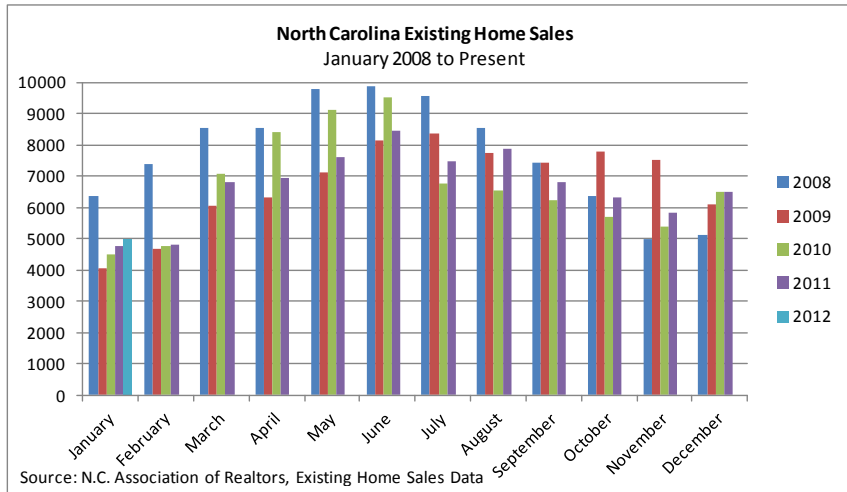
U.S. Bureau of Labor Statistics, Economy at a Glance Data, Nonfarm Wage and Salary Employment

¹ See page 18 of the NC Today for more detailed information on UI Claims information in North Carolina; Division of Employment Services, NC Commerce.

² The Bureau of Labor Statistics releases a preliminary estimate of sector employment on a monthly basis. These values are revised with a rolling 3 month lag.

Housing indicators continue to improve at the start of the year

Housing data for North Carolina improved in January 2012 compared to January 2011. Existing home sales were higher in January compared to last year, although sales levels continue to be below 2008 levels. As the chart to the right indicates, year-over-year comparisons are a more important indicator of vitality for housing numbers due to heavy seasonal variations. Housing authorizations, an indicator of future economic activity, were 20 percent higher in January 2012 than January 2011. Foreclosure activity is down this month on a year-over-year basis, falling 16 percent from the levels seen a year ago.

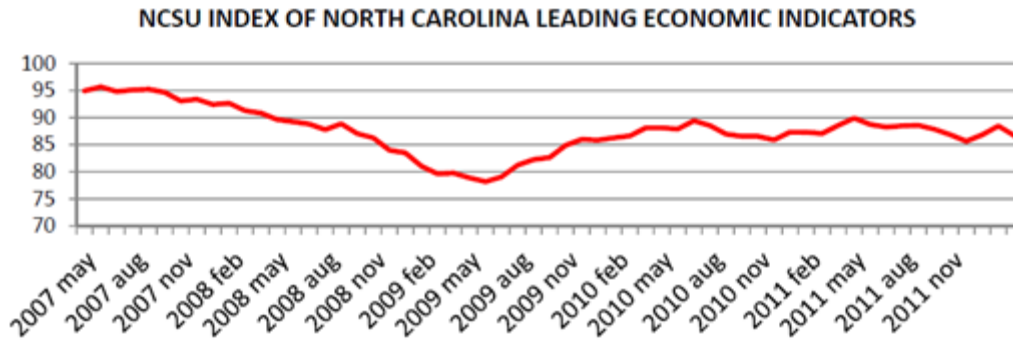


North Carolina Housing Market Statistics							
	Dec-11 <i>(revised)</i>	Jan-12 <i>(Preliminary)</i>	Previous Month (1/12 compared to 12/11)		Last Year - Same Month (1/12 compared to 1/11)		12 Month Average (Beg. of 2/11 - End of 1/12)
			Change	% Change	Change	% Change	
Properties with Foreclosure Filings	2,736	2,541	(195)	-7.1%	(499)	-16.4%	2,690
Existing Homes - Units Sold	6,489	5,000	(1,489)	-22.9%	250	5.3%	6,699
Housing Units Auth. by Bldg. Permit	1,811	1,942	131	7.2%	328	20.3%	2,040

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

Index falls to lowest level of 2011 behind declines in building permits and manufacturing hours and earnings

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, rose in January to its highest level in a year. All components of the Index improved except for a modest increase in new unemployment claims. The strongest gain was in building permits, which have been volatile in recent months. The Index has now trended upward since last fall, suggesting that the State economy may be poised for acceleration in growth in early 2012. As at the national level, a key will be sustained improvement in the housing market in terms of better sales and a floor on prices.



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 (February 2012, volume 3, number 2) in this publication. The complete online version of the index may be found [here](#).

NATIONAL ECONOMIC UPDATE

Recent economic data continue to suggest moderate economic growth in the near term. The positive outlook has improved projections for the gross domestic product. The housing market is bottoming out as nondistressed house prices are stabilizing. Federal Reserve officials do not expect to raise short-term interest rates until late 2014, although they are divided on when to raise them and how fast. European troubles continue, although the European Central Bank's liquidity efforts appear to have headed off a broader banking crisis.

National Gross Domestic Product (GDP)

- In the fourth quarter of 2011 real GDP, the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 3.0 percent, according to the "third" estimate released by the Bureau of Economic Analysis.
- The increase in real GDP in the fourth quarter reflected positive contributions from private inventory investment, personal consumption expenditures (PCE), exports, residential fixed investment, and nonresidential fixed investment that were partly offset by negative contributions from federal government spending and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.

Manufacturer's Shipments, Inventories and Orders

- New orders for manufactured durable goods in January, down following three consecutive monthly decreases, decreased \$8.0 billion or 3.7 percent to \$206.9 billion. This followed a 3.3 percent December increase.
- Shipments of manufactured durable goods in January, up two consecutive months, increased \$0.8 billion or 0.4 percent to \$208.0 billion. This followed a 2.0 percent December increase.

Personal Income & Consumer Spending

- Real disposable income decreased 0.1 percent in January, in contrast to an increase of 0.3 percent in December, according to the Bureau of Economic Analysis.
- Personal income increased \$37.4 billion, or 0.3 percent, and disposable personal income (DPI) increased \$14.1 billion, or 0.1 percent, in January.
- Personal consumption expenditures (PCE) increased \$23.2 billion, or 0.2 percent, in January.

Housing

- Single-family housing starts in January were at a rate of 507,000. The January rate for units in buildings with five units or more was 181,000.
- Single-family authorizations in January were at a rate of 450,000. Authorizations of units in buildings with five units or more were at a rate of 212,000 in January.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U), a cost of living measure for urban residents, was unchanged in December on a seasonally adjusted basis, the Bureau of Labor Statistics reported. Over the last year, the all items index increased 3.0 percent before seasonal adjustment.

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