



NORTH CAROLINA ECONOMIC OVERVIEW: January 2013

KEY INDICATORS AT A GLANCE	
	NC Unemployment Rate increased to 9.2% from 9.1%
	NC Total Nonfarm Employment increased 7,900 jobs
	NC Manufacturing Weekly Hours increased 0.5 hours
	NC Help Wanted Online increased by 1,400 online job openings
	NCSU Index of Leading Indicators increased 0.3%
	US Consumer Confidence Index fell to 65.1 from 71.5

In December, the North Carolina economy continued to slowly improve as it headed into 2013. The [unemployment rate](#) increased 0.1 of a percentage point in December to 9.2 percent while the national rate remained at 7.8 percent. [Total nonfarm employment](#) gained 7,900 jobs in December, mainly in the Education and Health Services industry, which added 5,900 jobs over the month, and 6.3 percent since the start of the recession. The [average manufacturing workweek](#) increased to 41.2 hours from 40.7 hours in November exceeding more than 41 hours for the first time since April 2012.

In December, [online advertised vacancies](#) in North Carolina rose by 1,400 (seasonally adjusted) and 24,700 (or 21%) from December 2011. December's monthly level of labor demand in North Carolina exceeded the prerecession high in 2007. The state's November 2012 labor supply/demand rate stood at 3.08 (indicating there are little more than three unemployed persons for every job advertised online). This is one point higher than the prerecession level but comparable to neighboring states. Demand for Registered Nurses, First Line Supervisors (for both retail and food preparation) and Retail Sales occupations together accounted for nearly one-quarter of the total increase. Vacancies for Registered Nurses rose 48 percent, making them the largest occupation in demand.

North Carolina [personal income](#) grew by 0.4 percent in the third quarter 2012; slightly slower than the national rate of 0.5 percent. The largest contributions to earnings growth came from professional services, management and healthcare. North Carolina manufacturing added \$302 million in earnings in the third quarter 2012 and was 27 percent of total state earnings. Echoing a national trend, financial services was a large drag on growth, declining by \$369 million for the quarter. Similar rates of decline were felt in financial states like New York and New Jersey.

There was a slight dip in North Carolina housing activity in November, but it continued to greatly outpace 2011. The number of North Carolina [residential building permits](#) was nearly 43 percent higher than November 2011. November [existing home sales](#) in North Carolina jumped by 30 percent when compared to November 2011. [Existing home sales price](#) levels plateaued in the fall but are 5.4 percent higher over the year. The average North Carolina existing home sale price was \$202,933 in November.

In November, North Carolina ranked 15th in the nation in the value of its exports and 5th among the 12 states in the Southeast region. North Carolina's exports in November totaled \$2.4 billion, up 6 percent over the same period last year. The increase was due to the rising outbound shipments of transportation equipment, machinery, and agricultural products. Machinery was the state's largest export, followed closely by chemical products — both accounted for 30 percent of the state's overall exports in November. However, chemical exports fell 11 percent from the same period last year, mainly due to the decrease in demand of basic chemicals in Japan.

Canada remains the state's largest export destination with November exports totaling \$568.8 million, distantly followed by Mexico and China. Compared to the same period last year, exports to Canada and Mexico rose 2 percent and 28 percent, respectively, while exports to China declined 22 percent as China's economic growth continued to slow.

Statewide, the [hotel/motel occupancy](#) rate increased in November 2012 to 53.5, which was 1.6 percent higher than November 2011. These rates are the highest levels of November occupancy since 2007. November [room rates](#) rose nearly three percent from 2011, and 4.6 percent year-to-date through November. The Southeast Region posted the highest demand growth in the state during November, gaining 8.0 percent from 2011. [Room revenues](#) in the Southeast Region grew 9.0 percent in November. The Charlotte, Triad, and Western Regions also showed strong growth in lodging revenues during the month as compared to 2011.

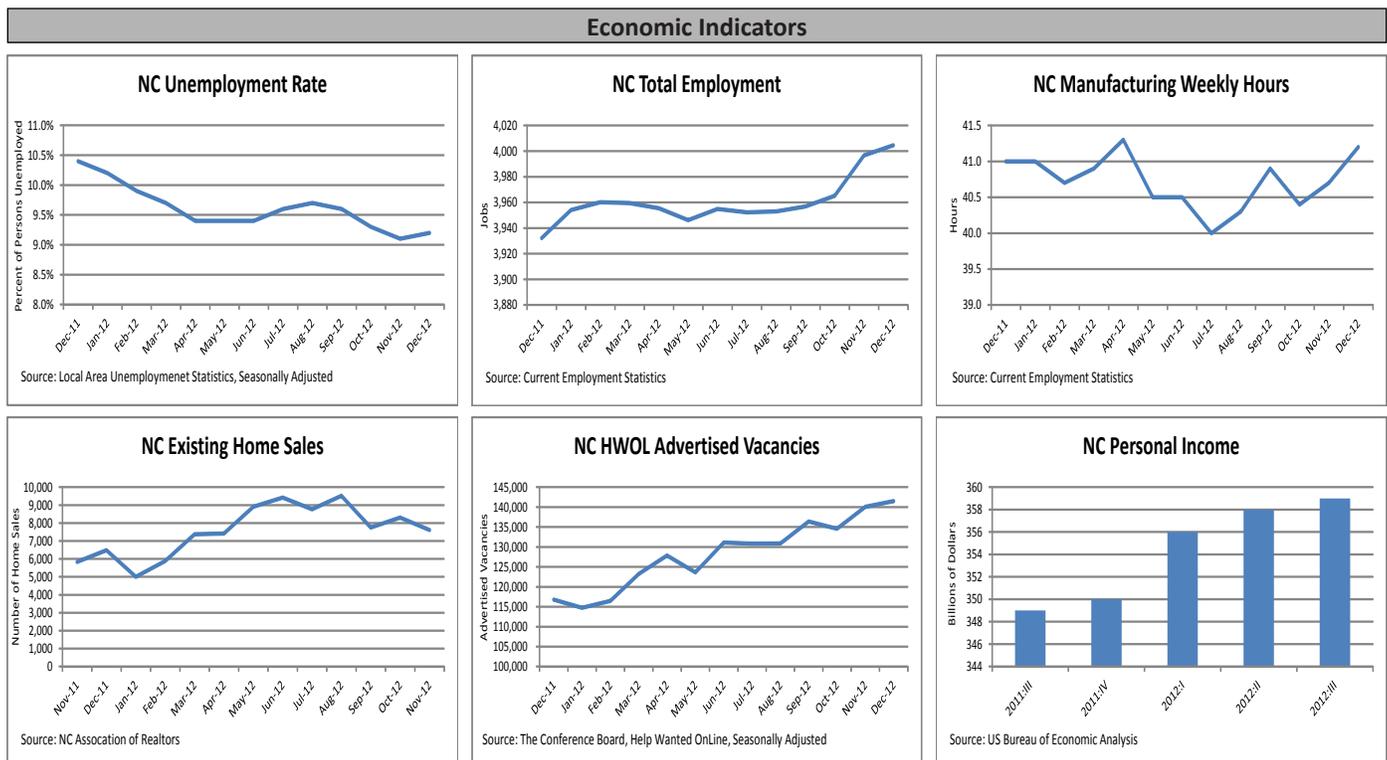
[The NCSU Index of North Carolina Leading Economic Indicators](#) (the “Index”), a forecast of the economy’s direction four to six months ahead, continued its late-year improvement by rising 0.3 percent in November. The Index is now at its highest level in almost five years. Among the individual components, improvements were registered for initial jobless claims, manufacturing hours, and manufacturing earnings, while the national index and building permits retreated. Based on the Index’s trend in the last two months (October and November), an acceleration of North Carolina’s economic growth rate may be developing for early 2013.

The NCSU Index of North Carolina Leading Economic Indicators was developed by Dr. Michael Walden at NC State University. Dr. Walden has a PhD in economics and more than 30 years of experience studying North Carolina’s economy. Special thanks to Dr. Walden for allowing the reproduction of the Index (December 2012, volume 3, number 12) in this publication.

The National Economy

The fiscal cliff legislation that passed on New Year’s Day may reduce the possibility of a recession this year, but does not eliminate continuing political uncertainty. According to the Congressional Budget Office’s [fiscal cliff legislation](#) report, relative to what would have occurred under the laws previously in effect, the legislation will increase budget deficits in coming years. However, relative to what would have occurred if most tax and spending policies that were in effect in 2012 were continued, this legislation will reduce budget deficits. Regardless, the looming debt ceiling and budget-cutting sequestrations may add political uncertainty heading into spring.

This uncertainty weighed on business optimism and consumer confidence in December before the deal was passed. [Small business optimism](#) crept up 0.5 percent over November’s historically low report. The 88.0 point reading was still the second lowest since March 2010 and was partially caused by owners who still expect business conditions to worsen in the next six months. An important indicator of future capital investment and hiring, [CEO confidence](#) increased in the fourth quarter to 46 from 42 in the third quarter. Despite the uncertainty, 23 percent of business leaders expected economic conditions to improve in the next six months, up from 14 percent in the third quarter. [E-commerce](#) spending totaled \$42.3 billion online during the entire November-December holiday shopping season, marking a 14-percent increase from 2011. While the holiday season started off with strong growth, a decline in [consumer confidence](#) gave way to softer than expected buying during the critical shopping weeks in early to mid-December, from which growth rates never fully recovered. December [retail sales](#) totaled \$416 billion, 4.7 percent above December 2011. As spending increased, it appears consumer borrowing did also. In November, [consumer credit](#) increased at a seasonally adjusted annual rate of 7.0 percent. Revolving credit increased at an annual rate of just 1.0 percent, while nonrevolving credit increased at an annual rate of 9.5 percent.



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