Delayed Recession Might Make '09 Interesting for N.C.

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Article:

I t's official. Earlier this month the National Bureau of Economic Research (NBER), the non-government think tank that is the authoritative voice on the U.S. business cycle, announced that the economy had been in recession for a year.

Before the financial crisis put things in frightening focus this fall, it appeared that the recession might be a shallow one. Production measures like gross domestic product were essentially flat through June 2008.

But when gauged by employment measures, a different picture of the economy emerged. Payroll employment fell steadily throughout 2008, including a harrowing drop of 533,000 jobs in November. Throughout 2006 and 2007 the unemployment rate hovered between 4.4 percent and 4.7 percent, but starting in late 2008 the rate moved upward until it reached 6.7 percent in November. In making its determination, the NBER placed great weight on these employment indicators.

So the defining feature of this recession is falling employment. On that basis, let's look at how the recession is progressing in North Carolina relative to the national economy.

National employment (seasonally adjusted) peaked in December 2007 and has fallen 1.4 percent through November of this year. North Carolina's peak occurred a month later, in January 2008, and through November state employment fell 2 percent.

That's marginally better than our experience during the 2001 recession. By the end of that recession, national employment had fallen 1.2 percent from its peak, and it fell a total of 2 percent before the job market started recovering. North Carolina employment dropped more sharply, falling 2.4 percent by the end of the recession and a total of 4.6 percent before employment finally started increasing again. And it took 10 months longer in North Carolina than nationwide for employment to rise back to its pre-recession peak.

But the curious thing about the current recession is that until the November data came out, it looked like North Carolina was doing relatively well. In a couple of months this year, payroll employment actually rose slightly, and our cumulative decline was less than the national figure.

But November was a really bad month. State payrolls fell 1.1 percent in that month alone, which is huge, and much larger than the national percent decline. The number of unemployed people in the state shot up 11 percent in one month and the unemployment rate jumped to 7.9 percent. We haven't seen a monthly unemployment rate that high in 25 years.

It appears that the recession is hitting North Carolina a bit later than the national economy. The already hard-hit manufacturing sector helps explain this as the most vulnerable manufacturing jobs are no longer around to be lost. The data bear this out: Manufacturing employment has fallen less in 2008 than during the 2001 recession.

The recession's delay is even more pronounced in the Triad region, where employment increased for most of this year. According to seasonally adjusted figures compiled by my colleague, Don Jud, Triad employment didn't peak until August and fell only 0.2 percent through October (we're still waiting for the November data). Since the beginning of the national recession, employment in the Triad is actually up 0.8 percent. During the 2001 recession, Triad employment fell 3.2 percent.

Will the delayed onset of the recession in North Carolina and the Triad mean a shorter downturn here? Or will our recovery from the recession be delayed as well? Stay tuned for 2009: It could be a wild ride.