A little optimism about the state economy

The North Carolina economy continues to limp along. We’re growing, though so slowly that unemployment rates are falling at a snail’s pace. Sometimes it’s hard to believe that the Great Recession ended nearly two years ago.

In March, North Carolina payrolls were still 6.6 percent below the pre-recession level. Since the recession ended, payroll employment has bumped along the bottom. There were increases in mid-2010, but they were due to temporary Census work and soon disappeared.

And yet this spring may have brought us more than tree pollen. There are hints of economic rebirth. The number of initial claims for unemployment insurance has fallen steadily, both nationally and in North Carolina. As layoffs have dropped, hiring is picking up a bit, at least in the private sector.

There are 46,000 more jobs in North Carolina than at the low point in early 2010, and two-thirds of that increase occurred in February and March of this year. National payrolls grew by more than 500,000 jobs in those two months, but in percentage terms the state’s jobs picture has brightened even faster this spring.

Whether these are finally the signs of a renewed strength or just another blip, the state economy will eventually recover fully. But will the answer be provided by a recent study by the Wells Fargo Economics Group, which compares states’ potential for employment growth in the coming years.

The Wells Fargo study identifies this potential by decomposing industry growth rates. If a state has shown employment growth in an industry beyond what’s explained by national trends and the industry as a whole, it’s said to have a degree of competitive advantage in that industry. Those advantages that existed prior to the recession are still in place to fuel the eventual recovery.

Of the 25 industries examined (actually industry groups; for example, manufacturing is broken into two groups, durables and nondurables), North Carolina tied with Georgia for second place, with a competitive advantage in 21 industries. Only Florida had more, but the authors predict that its growth prospect will be hampered by its weak housing market, which among other things limits workers’ ability to relocate in a changing economy.

Of greater interest are how the study terms high-growth industries, those that experienced high employment growth prior to the recession and also account for a higher-than-average share of total employment. So while mining grew dramatically in the decade prior to the recession, it employs relatively few people (especially in North Carolina). For these purposes it’s not treated as a high-growth industry.

Of the industries that met the criteria, North Carolina has a strong competitive advantage in three of them: professional and technical services, accommodation and food services, and health care and social assistance. More specifically, the report speaks highly of the state’s strengths in life sciences, electronics and energy.

North Carolina also has a significant competitive advantage in finance and insurance, as well as various lower-growth industries such as nondurable manufacturing.

If there is a cautionary note in the Wells Fargo study’s description of North Carolina’s prospects, it’s the fact that the key industries and initiatives it highlights are centered in the Raleigh and Charlotte metro areas. There’s no mention of the Triad in the list of the state’s economic strengths.

But the Triad has strengths, and some of them (most notably biotechnology) evolved precisely because of our proximity to our higher-growth neighbors. That may continue to be one of the keys to the Triad’s economic future.

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