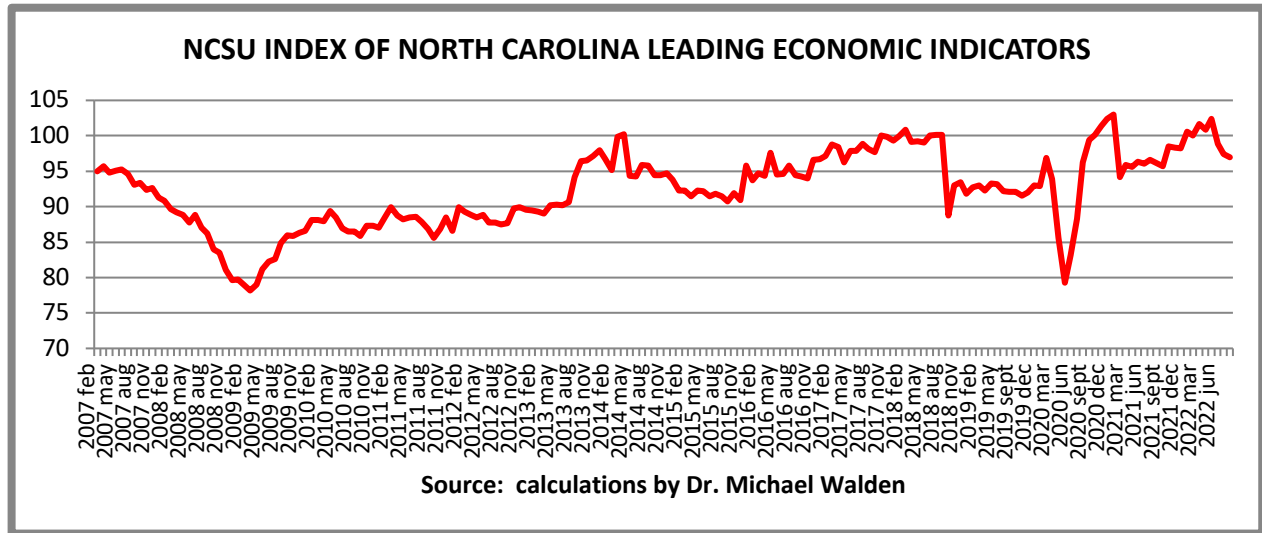


## NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS

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The *NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS* (the “Index”), a forecast of the state economy’s direction four to six months ahead, continued its downward trend in July, although the reduction was a modest -0.4% from June. Three of the Index’s components



-the national index, initial jobless claims, and building permits – deteriorated. Both manufacturing hours worked and weekly compensation rose. The decline in the national index and in building permits had the strongest impact on reducing the Index. The take-away message is the North Carolina economy is slowing, and will likely continue to slow. The big question is whether the result will still be growth – but just more modest growth – or will the outcome be an absolute decline in growth – that is, a recession. The Federal Reserve’s recent commitment to continue raising interest rates ups the odds of the latter – a recession. Caution and preparation for an economic downturn is the best advice for facing this uncertainty.

### Chg. from prev. month    Chg. from prev. year

<b>INDEX</b>	-0.4%	0.8%
<b>ECRI-WLI</b>	-3.6%	-6.5%
<b>Claims</b>	0.1%	-39.5%
<b>Permits</b>	-7.1%	-14.0%
<b>Hours</b>	0.5%	3.0%
<b>Earnings</b>	4.2%	4.8%

**About the Index:** The Index is composed of five components: the Economic Cycle Research Institute (ECRI)’s Weekly Leading Index (<http://www.businesscycle.com/resources/>), North Carolina initial claims for unemployment benefits, North Carolina building permits, average weekly hours of work of all North Carolina employees in manufacturing, and average weekly earnings of all North Carolina employees in manufacturing. All data are seasonally-adjusted and modified for differences in prices levels where appropriate. Data are from the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and ECRI, whose permission to use their Weekly Leading Index is greatly appreciated. All calculations are done by Dr. Michael Walden, and comments can be sent to michael\_walden@ncsu.edu.