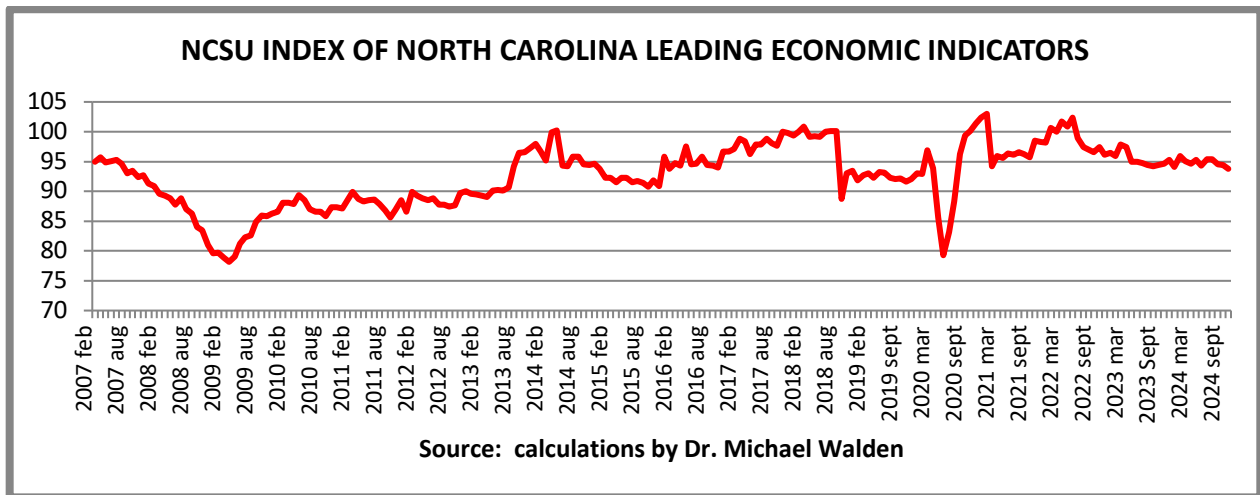


NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS

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The *NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS* (the “Index”), an indicator of the direction of the State economy in the upcoming months, contracted by 0.6% in September, the latest month with available data. This is the third consecutive month the Index has retreated. Leading the pullback were drops in building permits, manufacturing hours, and manufacturing earnings. The US leading index also fell. On the positive side, initial claims for unemployment were



lower in the month. It is important to remember that all data are adjusted for typical seasonal variations. Of course, with three consecutive declines in the Index, the important question is asked of whether the Index is signaling a recession in North Carolina’s immediate future. The answer is “no” for two reasons. The declining path of the Index has been very, very modest, and not comparable to its drop prior to the two most recent recessions. Also, the current level of the Index is still similar to previous growth periods. The best interpretation is the Index is forecasting continued growth in the North Carolina conomy, but at a relatively slower pace. Slower growth still means growth, and not a recession.

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

NC Index	-0.6%	-1.0%
US Index	-0.5%	-4.7%
Claims	-1.0%	3.0%
Permits	-4.6%	-17.2%
Hours	-0.2%	1.3%
Earnings	-1.1%	2.6%

About the Index: The Index is composed of five components: the national leading index from the Conference Board, 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.