

# Center for Business and Economic Research

## Dixon Hughes Goodman Triad Business

(July 2015)

*The Dixon Hughes Goodman Triad Business Index is developed and maintained by:*

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### Executive Summary

The **Dixon Hughes Goodman Triad Business Index** was up 0.1% in May. The index has gained 1.6% over the past 12 months but at a 0.7% annualized rate over the past three months. In comparison, business activity in North Carolina has grown 2.5% over the past year and was up 0.2% this month.

At the national level, the **Conference Board's Leading Economic Index** gained 0.7% in May and is up 5.7% over the past 12 months. **The ISM Purchasing Managers Index** was slightly higher at 52.8, which indicates activity in the manufacturing sector is expanding at a faster pace than in April. However, the index was at 55.6 in May 2014.

The seasonally adjusted **rate of unemployment** in the Triad was 5.7% in May, up by a tenth of a point since April, but 0.7 percentage points below the level recorded 12 months ago. The national unemployment rate was 5.5%, also up 0.1 points from last month but 0.8 percentage points lower than in May of last year.

Total nonagricultural wage and salary **employment in the Piedmont Triad** rose 0.2% this month and is up 1.6% over the past 12 months. For the nation as a whole, employment gained 0.3% in May. Over the past 12 months, national employment has increased 2.3%.

Area retail sales totaled \$1,290.1 million in May. Corrected for inflation and seasonal variation, retail spending was up 0.2% in May and up 6.2% from May of last year. Employment in retail trade was up 0.3% in May and has gained 2.7% over the past 12 months.

Housing statistics suggest that the pace of **housing market activity** is continuing to recover. The number of existing, single-family homes sold in the Triad was up 1.4% in May, and is 1.9% above the number sold 12 months ago.

The price of the average home sold rose was unchanged from last month. The average quality-adjusted price of an existing home in the Triad was \$195,085. The average was up 7.0% from 12 months ago.

Within the **commercial real estate** sector, the vacancy rate in the office market has fallen slightly in the last few month, though it remains substantially above the national average. In the apartment and retail markets, rents continue to move up, indicating improving conditions there.

**Passenger boardings** at the Piedmont Triad International Airport were off 0.1% as compared to April, and have dropped 0.8% year over year. Cargo shipments were down 0.5% this month and are off 6.6% over the past 12 months.

## Tracking the Triad Economy

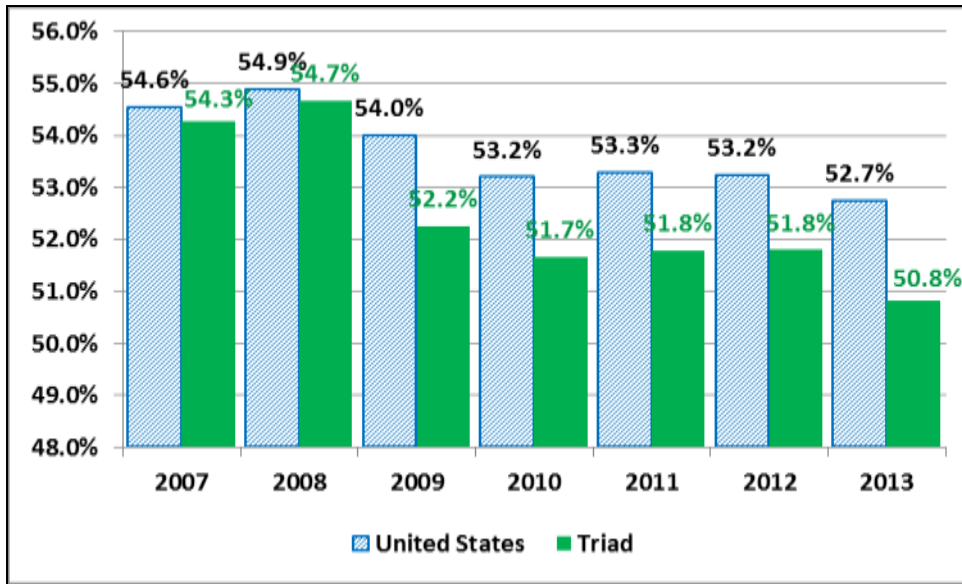
Globalization, technical change, and immigration have been tough on the American working class. Real wages in non-farm businesses have risen just 1.0% annually since 1970. And since the start of the Great Recession in 2007, real wages have stagnated, growing just 0.3% per year. Competition in the labor market and high unemployment have enabled businesses to capture most of gains from productivity increases, thus shrinking the share of total production going to labor. In 1970, the share of total value added (or GDP) received by labor peaked at 58.1%. Since then, labor's share has fallen to 52.7%, about the same level it was in 1948.

The Triad has traditionally been a region of low-cost labor, with a state right-to-work law and a small percentage of unionized workers. As a result, the share of total value added received by workers in the Triad has been smaller than in the nation at large. In 2007, for example, triad workers received 54.3% of total value added in the region as total compensation, while workers were paid 54.6% of total value added nationally.

Since the Great Recession began in 2007, worker compensation as a share of national GDP has fallen from 54.6% in 2007 to 52.7% in 2013. In the Triad, decline has been even more severe with labor's share dropping from 54.3% in 2007 to 50.8% in 2013.

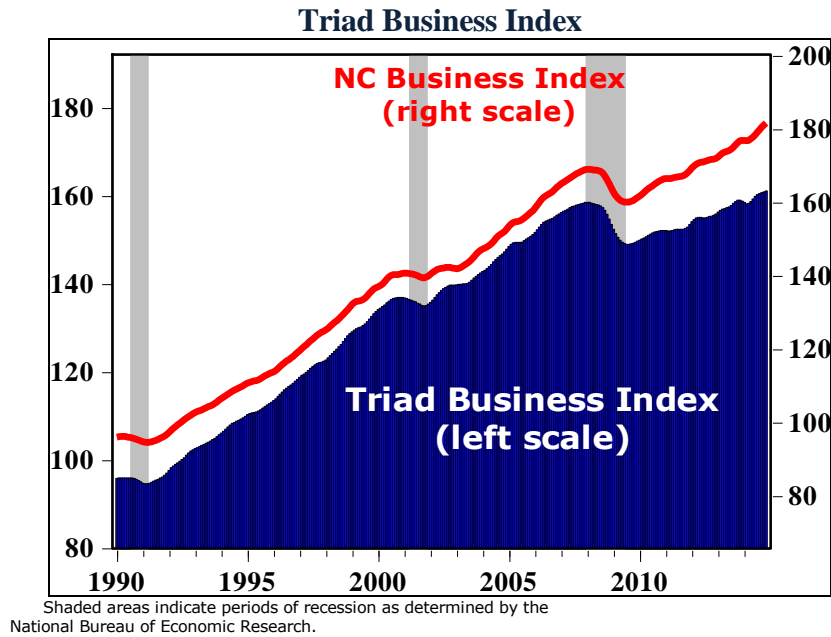
As the economy recovers and labor markets continue to strengthen, firms both in the Triad and the nation as a whole will be forced to pay their employees a modestly greater slice of the value that they create. This will likely be enough to squeeze margins and foster further investment in labor-saving machinery.

**Worker Compensation as a Percent of Value Added**

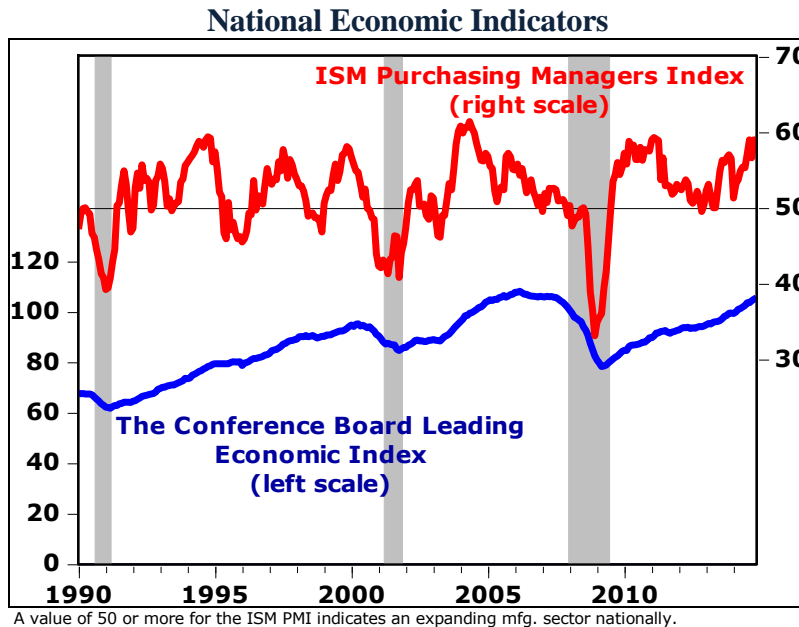


Source: Bureau of Economic Analysis

The level of economic activity in the Piedmont Triad as measured by the Dixon Hughes Goodman Triad Business Index (1992 = 100) was up 0.1% in May.<sup>1</sup> Over the past 12 months, the index has gained 1.6%, though it has risen at a 0.7% annualized rate over the past 3 months. In comparison, business activity in North Carolina was up 2.5% over the past 12 months and was higher by 0.1% in May.

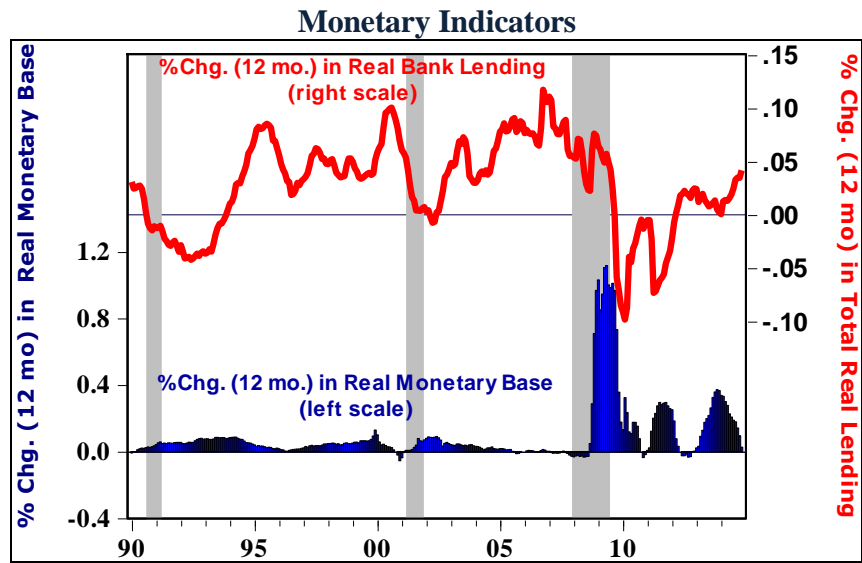


The Conference Board's Leading Economic Index (LEI) rose 0.7% in May and has gained 5.7% over the past year. The LEI is signaling continuing moderate growth over the next 6 months. The ISM Purchasing Managers Index moved slightly higher in May and indicates that the manufacturing sector is growing.

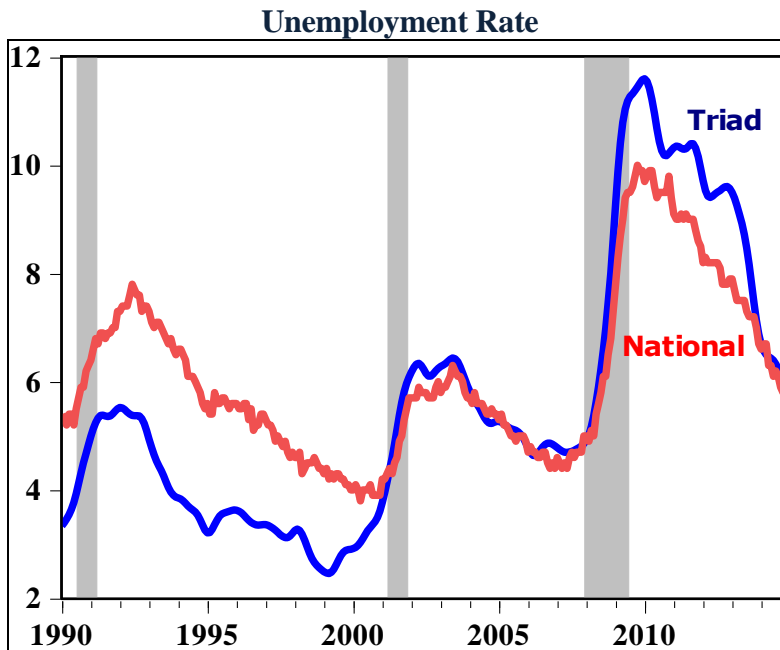


<sup>1</sup>The Triad is defined as an eight-county area that is composed of Alamance, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, and Yadkin.

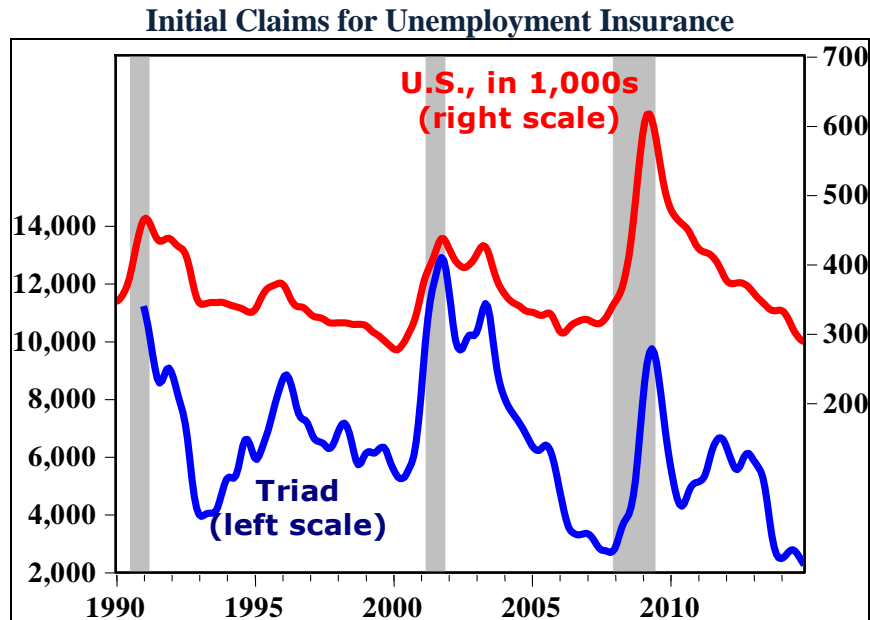
The Federal Reserve decreased the monetary base in May as the policy of quantitative easing moves further into the rear-view mirror. The real monetary base rose just 0.7% over the past 12 months. In contrast, total bank lending (business, consumer, and real estate) adjusted for inflation was up 3.8% since May of last year, with business lending growing the most.



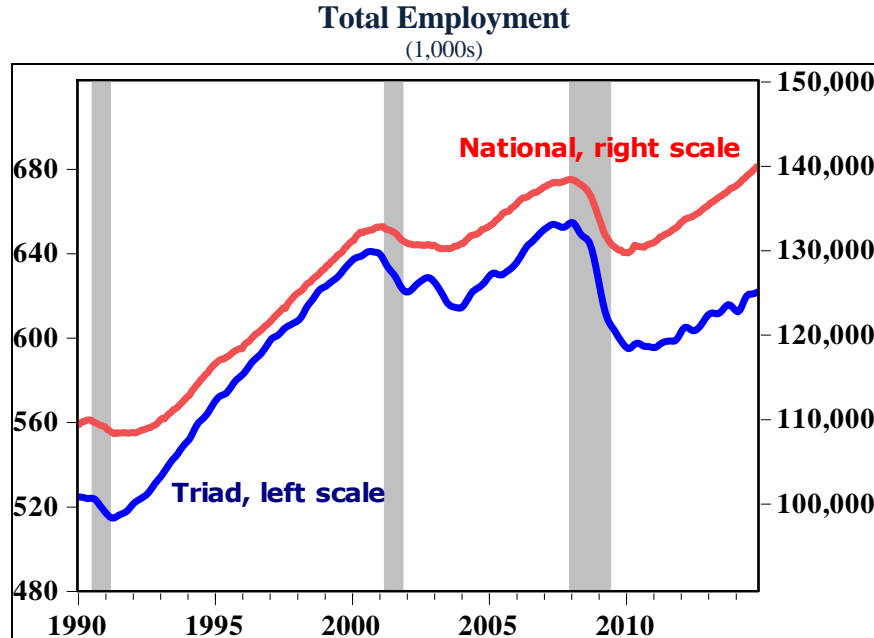
The national unemployment rate was 5.5%, up 0.1 percentage points from last month but down 0.8 percentage points from May of 2014. The seasonally adjusted rate of unemployment in the Triad was 5.7% in May, also up 0.1 percentage points since April, but 0.7 percentage points below the level recorded 12 months ago.



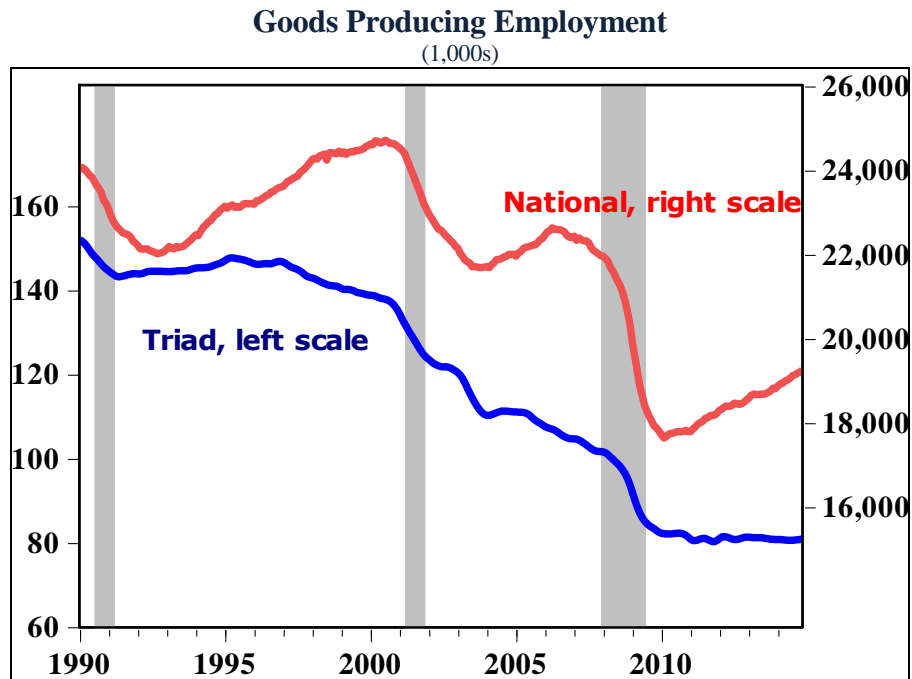
Initial claims for unemployment insurance are a leading indicator of the unemployment rate, and its decline continued in the Triad. Claims in the Triad were down 1.7% in May and 17.2% over the past 12 months. In May, in seasonally adjusted terms, there were 1,967 new unemployment claims, or 0.3% of those employed in the Triad. Nationally, claims were down 3.1% in May and have fallen 11.4% over the past 12 months.



Total nonagricultural wage and salary employment (employer survey) in the Piedmont Triad was up 0.2% in May. Over the past 12 months, employment has gained 1.6%. For the nation as a whole, employment rose 0.3% this month. Over the past 12 months, national employment has increased 2.3%.

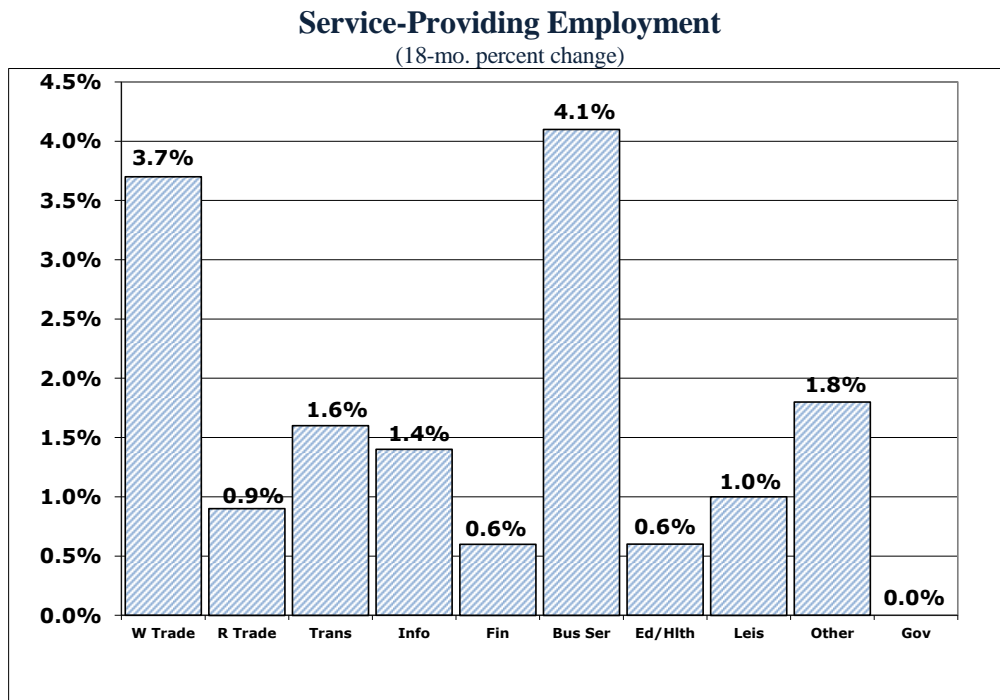


Goods-producing employment in the Triad gained 0.1% in May. At the national level, goods-producing employment was effectively unchanged. Over the past 12 months, the number of goods-producing jobs in the Triad has risen 1.1%, while goods-producing employment nationally has gained 2.1%. Employment in Triad manufacturing fell 0.1% this month and is down 1.5% over the past 12 months.



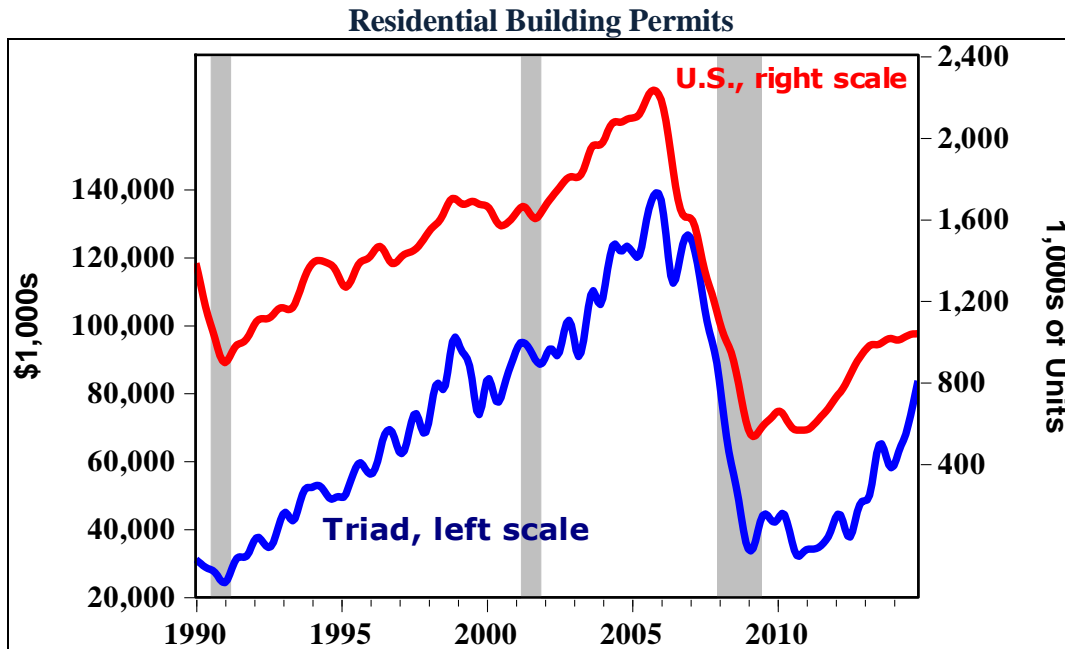
The number of persons in the Triad employed in the service-providing sector was higher by 0.2% in May. Higher employment was recorded in financial services, education and health care, and other services.

Over the past 12 months, the number of jobs in the service-providing sector has risen 1.7%, while service-providing employment nationally has gained 2.4%. Over the last 18 months, employment was higher in wholesale and retail trade, transportation, information, business and professional services, education and health care, leisure, and other service. Government employment was unchanged.

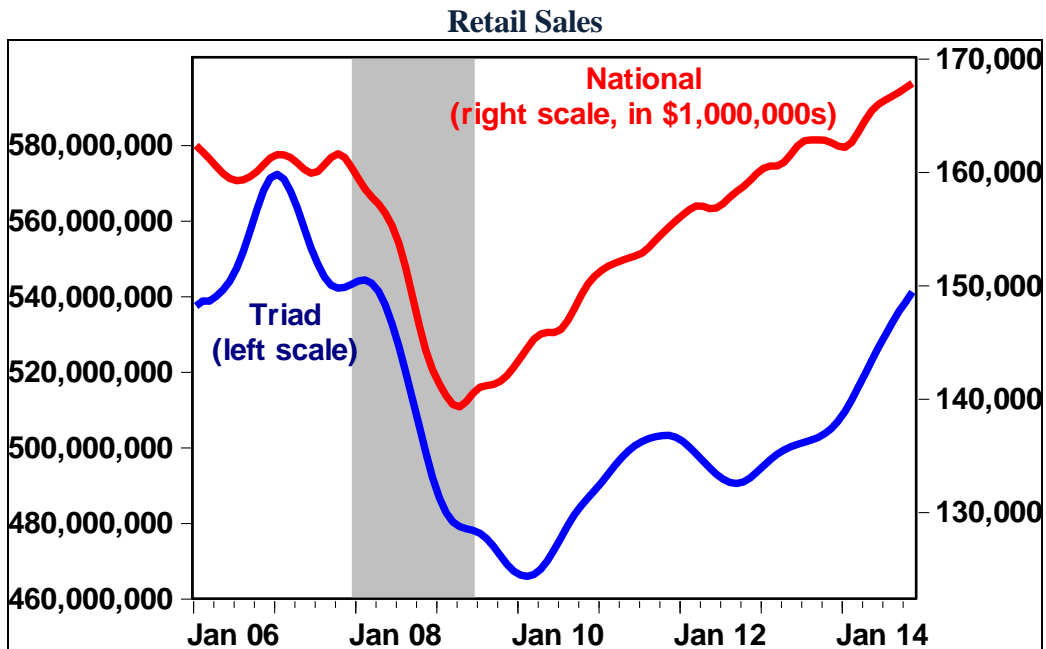


Residential building permits in the Triad, which reflect planned construction, rose 0.8% in May. Over the past 12 months, the pace of planned residential building has risen 13.1%. At the national level, permits were up 9.6% in May and up 22.9% over the past 12 months.

Construction employment in the Triad was up 1.0% in May, but down 0.5% over the past year.



Retail sales in the Triad totaled \$1,290.1 million in May. Corrected for inflation and seasonal variation, retail spending was up 0.2% from April and was up 6.2% compared to May of last year. Employment in retail was up 0.3% in May and up 2.7% over the past 12 months.

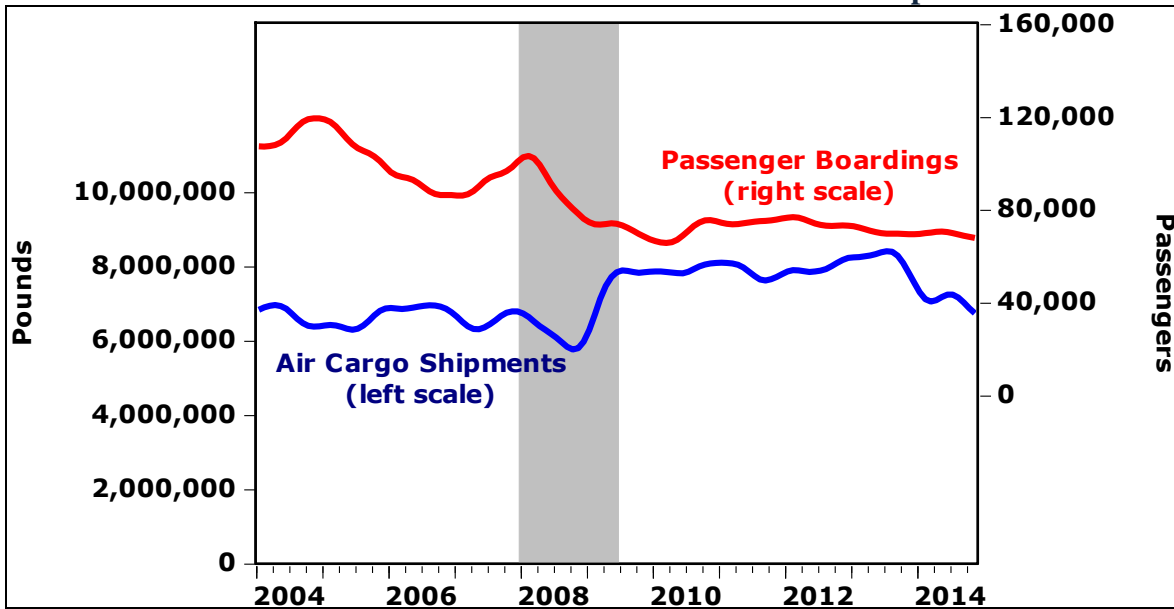


Hotel data provided by the Greensboro Convention and Visitors Bureau show area hotel revenues were up 4.2% in May as compared to their level of a year ago. The average occupancy rate for area hotels was 57.6% in May, up from 56.4% in May of last year. Employment in the leisure services was up 1.5% over the past 12 months.



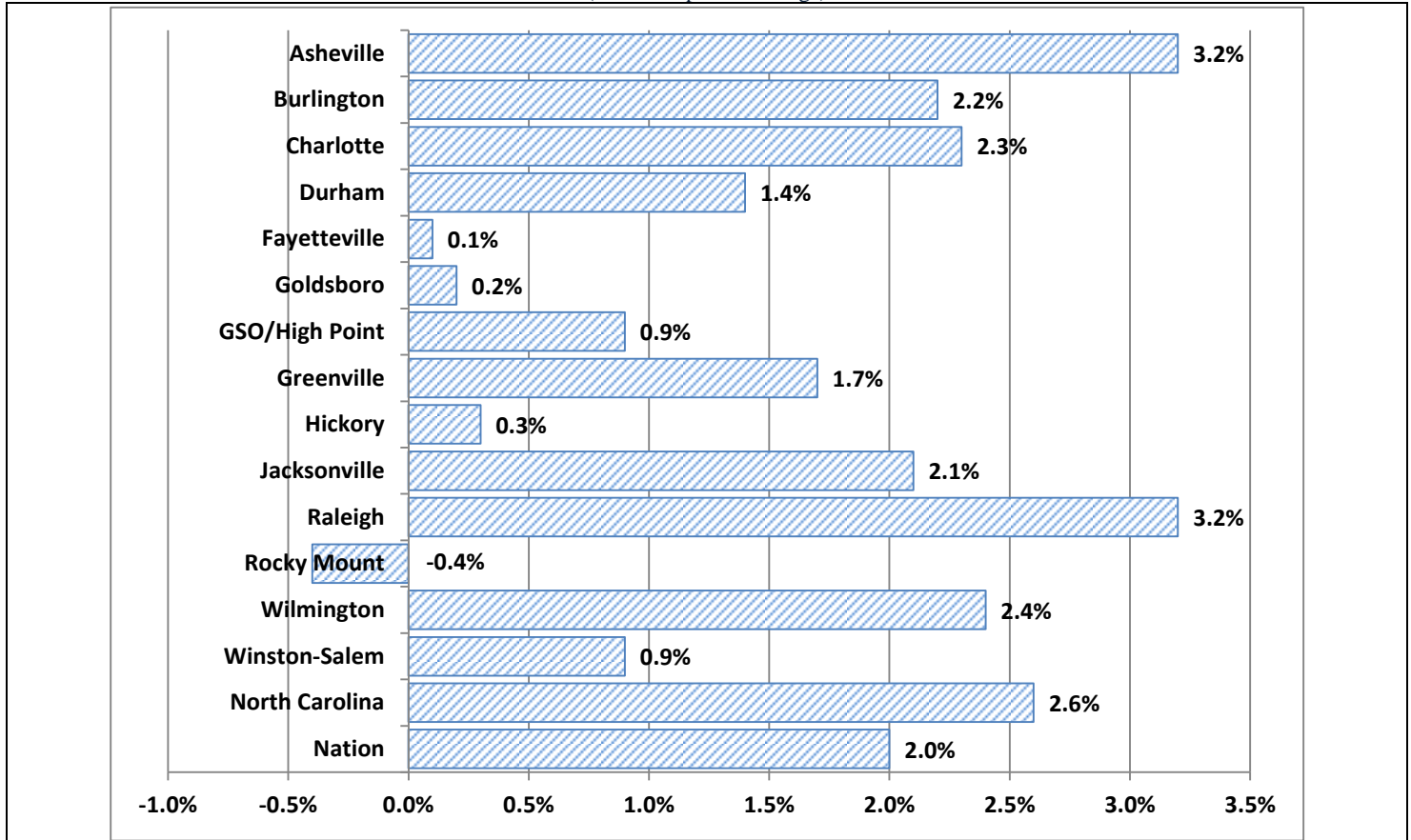
Passenger boardings at the Piedmont Triad International Airport were down 0.1% this month and down 0.8% compared to May of last year. Cargo shipments were down 0.5% in May but were lower by 6.6% compared to May of last year.

**Air Traffic at the Piedmont-Triad International Airport**



Total employment across the state was up 0.2% in May. Over the past 12 months, employment in North Carolina has risen 2.6%, outpacing the gain recorded for the country as a whole. Employment was higher in 11 of the state's 14 metropolitan areas over the year. The strongest employment gains over the last 12 months were in Burlington (4.4%), Greensboro/High Point (3.5%), and Raleigh (3.0%). Employment declined in Rocky Mount (-0.4%) and Goldsboro (-0.2%) and was unchanged in Fayetteville. In the Triad, employment was higher by 3.5% in Greensboro/High Point, 2.5% in Winston-Salem, and 4.4% in Burlington.

**MSA Employment Growth**  
(18-month percent change)

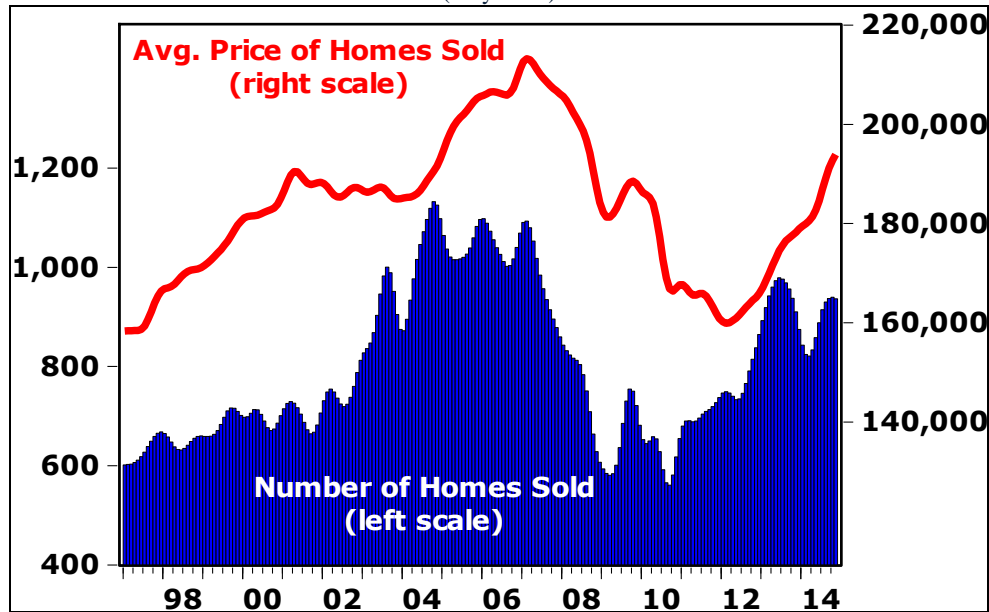


The unemployment rate in North Carolina was 5.7%, up 0.2 percentage points from April but 0.6 percentage points below the level recorded 12 months ago. The seasonally adjusted unemployment rate was lower this month in all of state's 14 metropolitan areas. Among metro areas, the highest rate of unemployment was in Rocky Mount (8.9%), while the lowest rate was in Asheville and Raleigh (4.3%).

Housing statistics for the Triad indicate that the pace of housing market activity continued to improve in May. The number of existing, single-family homes sold in the Triad totaled 954 in May, after adjustment for seasonal variation. The number sold was up 1.4% compared to the level of sales recorded in April, and it was 1.9% above the number sold during May one year ago.

### Number and Prices of Existing Homes Sold

(May 2015)



The price of the average home sold this month was up slightly this month, 0.6% as compared to April. The average quality-adjusted price of an existing home in the Triad was \$196,189. The average this month was up 5.3% from the average recorded 12 months ago. The average time on the market for homes sold was 103.2 days, down 0.5% from May of last year, but the ratio of selling to listing price was higher at 95.3%, indicating some decline in the level of discounting in the market. The inventory/sales ratio was 6.3 months in May, down from 6.8 months in April. The inventory/sales ratio was higher for higher-priced homes.

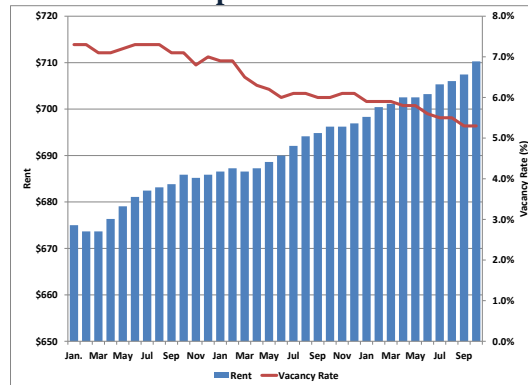
The number of real estate foreclosures in the Triad fell 2.8% in May and is down 11.5% over the past year. There were 456 reported foreclosures in the Triad in May.

Commercial real estate data in this section are provided by *ReisReports*. Reis data indicate conditions in the Triad apartment sector improved in May. Average rent in the apartment market rose 0.2% this month and has risen 3.4% over the past year. The average vacancy rate was unchanged at 5.7% (compared to 4.2% nationally), and the average rate is down from 3.4% 12 months ago.

Conditions in the office market remained poor. In May, average rent was unchanged, and the average vacancy rate was 22.5%, (among the 10 highest metro areas in the country). The rate in May was up from the 21.6% rate recorded 12 months ago.

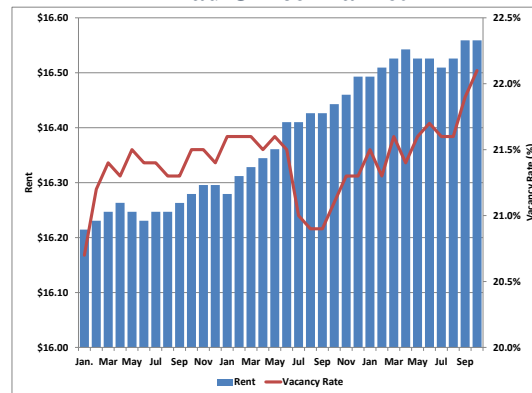
Retail market conditions firmed somewhat during the month. Rents fell 0.1% but are up 2.1% year over year. Retail vacancies, however, averaged 11.7% in May (compared to 10.9% nationwide). The average retail vacancy rate was 0.6 percentage points lower than a month earlier and was down from 12.7% 12 months ago.

### Triad Apartment Market



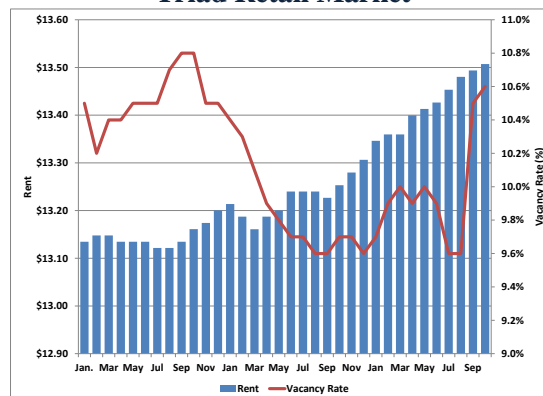
Source: *ReisReports*, see <https://www.reisreports.com/>

### Triad Office Market



Source: *ReisReports*, see <https://www.reisreports.com/>

### Triad Retail Market



Source: *ReisReports*, see <https://www.reisreports.com/>

**Table 1: Triad Economic Indicators**

Indicators	May 2015	Apr. 2015	Mar. 2014	May 2014	% Chg Month Ago	% Chg Year Ago
<b>Piedmont-Triad Bus. Index</b>	<b>161.8</b>	<b>161.6</b>	<b>161.5</b>	<b>159.3</b>	<b>0.1%</b>	<b>1.6%</b>
NC Business Index	183.3	183.0	182.6	178.9	0.2%	2.5%
Unemployment Rate	5.7	5.6	5.7	6.4	0.1	-0.7
Initial Claims for Unemployment Ins.	1,967	2,002	2,094	2,377	-1.7%	-17.2%
Total Employment (1,000s)	627.8	626.5	625.2	617.7	0.2%	1.6%
Goods-producing	103.3	103.2	103.3	102.2	0.1%	1.1%
Construction	20.0	19.8	19.9	20.1	1.0%	-0.5%
Manufacturing	83.3	83.4	83.4	82.1	-0.1%	1.5%
Service-providing	524.5	523.3	521.9	515.5	0.2%	1.7%
Wholesale Trade	27.3	27.2	27.1	26.7	0.4%	2.2%
Retail Trade	69.0	68.8	68.6	67.2	0.3%	2.7%
Transportation	22.4	22.5	22.3	21.9	-0.4%	2.3%
Information	6.4	6.4	6.3	6.1	0.0%	4.9%
Financial	30.5	30.3	30.4	30.0	0.7%	1.7%
Prof. & Business	90.4	90.6	90.3	87.9	-0.2%	2.8%
Education & Health	112.3	111.7	111.4	110.0	0.5%	2.1%
Leisure	60.2	60.1	60.3	59.3	0.2%	1.5%
Other	22.4	22.2	22.2	21.7	0.9%	3.2%
Government	83.3	83.4	83	82.5	-0.1%	1.0%
Retail Sales (\$ millions)	\$1,290.1	\$1,288.1	\$1,287.4	\$1,214.6	0.2%	6.2%
Hotel Revenues (NSA)	\$15,287,731	\$21,400,755	\$19,411,855	\$14,676,797	-28.6%	4.2%
Hotel Occupancy Rate Avg. (%) (NSA)	57.6	64.6	65.0	56.4	-10.8%	2.1%
Residential Building Permits (\$1,000s)	\$86,113	\$85,397	\$85,732	\$76,142	0.8%	13.1%
Avg. Existing Home Price	\$196,189	\$195,004	\$194,873	\$186,355	0.6%	5.3%
No. of Existing Homes Sold	954	941	947	936	1.4%	1.9%
Real Estate Foreclosures	456	469	462	515	-2.8%	-11.5%
Air Passenger Boardings	67,581	67,633	67,991	68,131	-0.1%	-0.8%
Air Cargo Shipments (1,000s of lbs)	6,566	6,602	6,677	7,028	-0.5%	-6.6%
<b>NATIONAL INDICATORS:</b>						
Unemployment Rate	5.5	5.4	5.5	6.3	0.1	-0.8
Total Employment (1,000s)	141,842	141,365	141,178	138,621	0.3%	2.3%
Goods-producing	19,560	19,556	19,540	19,156	0.0%	2.1%
Service-providing	122,282	121,809	121,638	119,465	0.4%	2.4%
Retail Sales (\$ millions)	\$393,440	\$388,156	\$390,979	\$391,519	1.4%	0.5%
Res. Bldg. Permits (units in 1,000s)	1,250	1,140	1,038	1,017	9.6%	22.9%
Consumer Price Index (CPI-U)	237.0	236.0	235.7	237.0	0.4%	0.0%
The Conf. Board Leading Eco. Index	106.1	105.4	104.7	100.4	0.7%	5.7%
Initial Claims for Unemployment Ins.	275,000	283,800	285,300	310,300	-3.1%	-11.4%
ISM Purchasing Managers Index	52.8	51.5	51.5	55.6	2.5%	-5.0%

Unless otherwise indicated, all data are statistically adjusted to eliminate statistical aberrations unrelated to trend and cycle. Monetary figures (except for housing prices) are deflated by the CPI-U to reflect inflation-adjusted 2015 dollars.

Figures are compiled by Dr. Andrew Brod, Bryan School of Business & Economics, UNCG, email: [acbrod@uncg.edu](mailto:acbrod@uncg.edu).

**Table 2: North Carolina Metro Indicators**  
(May 2015)

AREA INDICATORS:	THIS MONTH	LAST MONTH	YEAR AGO	Percent Change	
				LAST MONTH	YEAR AGO
<b>Asheville</b>					
Total Employment (1,000s)	181.6	180.7	176.4	0.5%	2.9%
Unemployment Rate (%)	4.3	4.4	5.1	-0.1%	-0.8%
<b>Burlington</b>					
Total Employment (1,000s)	61.2	60.8	58.6	0.7%	4.4%
Unemployment Rate (%)	5.7	5.6	6.6	0.1%	-0.9%
<b>Charlotte</b>					
Total Employment (1,000s)	915.7	913.1	894.3	0.3%	2.4%
Unemployment Rate (%)	5.4	5.5	6.5	-0.1%	-1.1%
<b>Durham</b>					
Total Employment (1,000s)	295.2	294.4	290.8	0.3%	1.5%
Unemployment Rate (%)	4.4	4.3	5.1	0.1%	-0.7%
<b>Fayetteville</b>					
Total Employment (1,000s)	127.5	127.9	127.5	-0.3%	0.0%
Unemployment Rate (%)	6.8	6.8	8.0	0.0%	-1.2%
<b>Goldsboro</b>					
Total Employment (1,000s)	42.0	42.3	42.1	-0.7%	-0.2%
Unemployment Rate (%)	6.3	6.2	6.8	0.1%	-0.5%
<b>Greensboro/High Point</b>					
Total Employment (1,000s)	360.3	359.5	348.2	0.2%	3.5%
Unemployment Rate (%)	5.7	5.8	6.9	-0.1%	-1.2%
<b>Greenville</b>					
Total Employment (1,000s)	83.2	83.2	82.5	0.0%	0.8%
Unemployment Rate (%)	5.9	6.0	6.8	-0.1%	-0.9%
<b>Hickory</b>					
Total Employment (1,000s)	146.5	145.4	145.2	0.8%	0.9%
Unemployment Rate (%)	6.1	6.3	7.1	-0.2%	-1.0%
<b>Jacksonville</b>					
Total Employment (1,000s)	49.8	50.3	49.3	-1.0%	1.0%
Unemployment Rate (%)	6.2	6.2	7.0	0.0%	-0.8%
<b>Raleigh</b>					
Total Employment (1,000s)	573.7	571.2	556.9	0.4%	3.0%
Unemployment Rate (%)	4.3	4.4	5.5	-0.1%	-1.2%
<b>Rocky Mount</b>					
Total Employment (1,000s)	56.8	56.4	57.0	0.7%	-0.4%
Unemployment Rate (%)	8.9	8.8	9.9	0.1%	-1.0%
<b>Wilmington</b>					
Total Employment (1,000s)	149.2	148.6	145.1	0.4%	2.8%
Unemployment Rate (%)	5.3	5.5	6.7	-0.2%	-1.4%
<b>Winston-Salem</b>					
Total Employment (1,000s)	253.8	253.3	247.6	0.2%	2.5%
Unemployment Rate (%)	5.1	5.2	6.3	-0.1%	-1.2%
<b>North Carolina</b>					
Total Employment (1,000s)	4,243.2	4,232.8	4,134.4	0.2%	2.6%
Unemployment Rate (%)	5.7	5.5	6.3	0.2%	-0.6%

**Table 3: Triad Business Index Historical Values**

Year	Mo.	Triad Index	% Chg	Total Employment	Goods-Prod. Employment	Unemp. Rate
2015	5	161.8	0.1%	627.8	103.3	5.7
2015	4	161.6	0.1%	626.5	103.2	5.6
2015	3	161.5	0.0%	625.2	103.3	5.7
2015	2	161.5	0.1%	624.2	103.2	5.8
2015	1	161.4	0.1%	623.2	103.1	5.8
2014	12	161.3	0.1%	622.0	102.9	5.7
2014	11	161.1	0.1%	621.6	102.8	5.9
2014	10	160.9	0.1%	621.1	102.6	6.0
2014	9	160.7	0.1%	620.7	102.4	6.1
2014	8	160.5	0.1%	620.5	102.3	6.2
2014	7	160.3	0.3%	620.5	102.2	6.3
2014	6	159.9	0.4%	619.7	102.1	6.4
2014	5	159.3	0.4%	617.7	102.2	6.4
2014	4	158.7	0.3%	615.1	102.4	6.5
2014	3	158.3	0.1%	612.9	102.5	6.5
2014	2	158.2	-0.2%	612.1	102.6	6.6
2014	1	158.5	-0.2%	612.7	102.7	6.7
2013	12	158.8	-0.1%	614.1	102.8	6.9
2013	11	159.0	0.0%	615.2	103.0	7.1
2013	10	159.0	0.2%	615.5	103.1	7.5
2013	9	158.7	0.3%	615.0	103.1	7.8
2013	8	158.3	0.3%	613.7	103.2	8.2
2013	7	157.8	0.2%	612.4	103.3	8.5
2013	6	157.5	0.1%	611.4	103.3	8.7
2013	5	157.3	0.1%	611.1	103.3	8.9
2013	4	157.1	0.1%	611.4	103.3	9.1
2013	3	157.0	0.2%	611.6	103.2	9.3
2013	2	156.7	0.3%	611.4	103.1	9.4
2013	1	156.3	0.3%	610.5	103.1	9.5
2012	12	155.9	0.4%	609.1	102.9	9.6
2012	11	155.6	0.3%	607.4	102.7	9.6
2012	10	155.4	0.3%	605.9	102.5	9.6
2012	9	155.3	0.1%	604.6	102.3	9.6
2012	8	155.1	0.1%	603.6	102.2	9.5
2012	7	155.0	0.0%	603.1	102.3	9.5
2012	6	155.0	-0.1%	603.3	102.5	9.5
2012	5	155.1	0.0%	603.9	102.8	9.4
2012	4	155.1	0.1%	604.7	103.3	9.4
2012	3	155.0	0.3%	604.8	103.7	9.4
2012	2	154.6	0.3%	603.9	103.8	9.5
2012	1	154.1	0.4%	601.9	103.5	9.7