

Robeson County: Current Economic Picture

By

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On April 8, 2004 the Department of Commerce announced the monthly wholesale trade for the month of February 2004. The picture seems rather promising. The wholesale trades increased by 1.3 percent from the January 2004 levels and 9.1 percent from the February 2003 levels.

In February 2004, inventory to sales ratio, a measure of whether merchants are piling up inventories or not, was 1.17. A year ago, February 2003, the ratio was 1.23. These figures indicate that merchants are selling more than they are buying. Figure 1 plots these data from January 1995 to February 2004.

U.S. Department of Commerce also reported that, following a decrease of 0.9 percent in January 2004, new orders of manufactured goods for the month of February 2004 increased by 0.3 percent.

During February 2004 total construction spending decreased by 0.1 percent from the January 2004 estimates. However the expenditure on construction is still up by 5.1 percent from the February 2003 estimates.

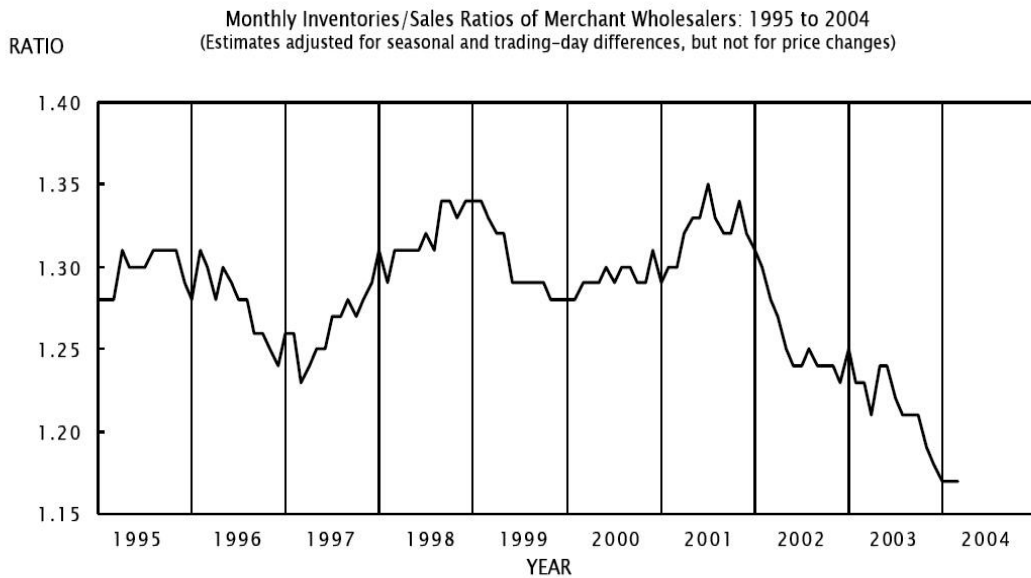
The unemployment rate in Robeson County during January 2004 was 9.2% (Source: www.economagic.com). This is lower than the November 2003 estimate of 9.5 percent. We expect the unemployment rate to go down further by the beginning of summer 2004. Our estimates lead us to believe that the unemployment rate will be around 9.07 percent.

A topic that everyone is talking about is the so-called “outsourcing” of the U.S. jobs. It is argued that US firms are taking even the “high-tech” jobs overseas in search of higher profits, which is hurting the American workers. The response by the firms is that it not only increases profit margins, this action also provides goods and services to the American consumers at cheaper prices.

The critics respond by saying that what good cheaper goods and services will do if the Americans cannot buy them due to unemployment and hence lower income. Since Robeson County has one of the highest unemployment rates to begin with firms leaving the area does not help the situation. The question is what steps should be taken so that firms stay in the area.

One rather simplistic answer is to impose barriers in such a way firms are “forced” to stay in the US. However, as numerous studies have shown that this solution is not only ephemeral, the barriers end up hurting even more. The other route that an economy may take is to increase the worker productivity, the amount of output that a worker produces in a given time period, so that it is profitable for the firms to stay in the region. The latter route, although hard to follow, has proven to be a permanent fix to the problem.

Figure 1



Source: U.S. Department of Commerce