The NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS (the “Index”), a forecast of the state economy’s direction four to six months ahead, pulled back slightly in August from its reading in July. Among the individual components, only building permits improved, rising nearly 6% during the month. The national index showed no change, initial jobless claims jumped 10%, and both manufacturing hours and manufacturing earnings dropped. The Index’s retreat is not surprising given its strong rise in July, and the Index has still trended upward for the year. As employment gains moderate, economic growth will be more dependent on improvements in wages. An upcoming challenge for forecasters will be the economic impact of Hurricanes Harvey and Irma. The immediate aftermath of the hurricanes will likely depress economic growth for one to two quarters and then boost growth when rebuilding starts.

### Chg. from prev. month | Chg. from prev. year
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INDEX | -0.8% | 3.9%
ECRI-WLI | 0.0% | 4.4%
Claims | 10.1% | -16.9%
Permits | 6.4% | 25.5%
Hours | -0.7% | -0.8%
Earnings | -1.7% | 1.2%

**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.

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