



Monthly Economic Update

August 2023

Economic Growth Continues

NC Employment and Labor Force

North Carolina’s establishment employment¹ climbed by 13,000 jobs over the past month to a July count of 4,928,400. Considering the upward revision in the June data (5,600), July marked the fourth month in a row where the increase surpassed the previous monthly change. Average monthly growth in North Carolina during 2023 currently sits at a healthy 10,850 - higher than each year from 2020 to 2019. However, only two months (January and July) have exceeded this average count. **Figure 1** pictures the changes found in the current 39-month business cycle - where monthly growth, weighted by the months immediately following the recession, has averaged nearly 15,000 new employees.

The Labor Force² measures also suggest a healthy and growing economy, as found in **Table 1**. While the 3.3 percent July unemployment rate remained unchanged over the month, the rate is below the year-ago measure and is lower than the rate found prior to the pandemic. Additionally, the resident employment count climbed over the month (by 12,229 persons), over the year (by 81,640), and since the month preceding the COVID-

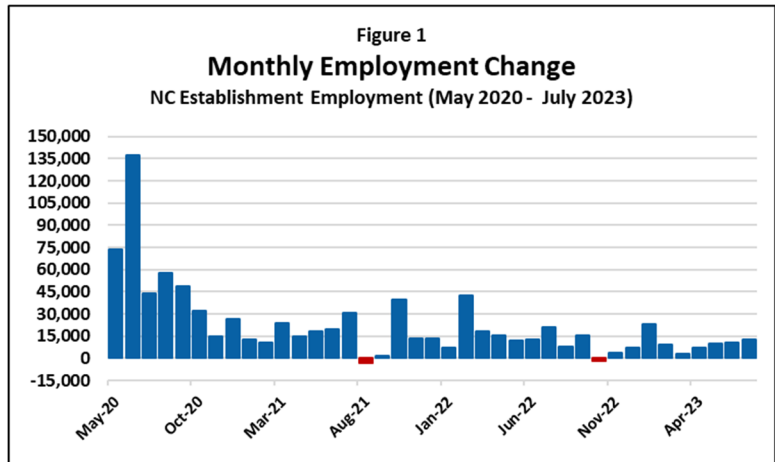


Table 1
North Carolina's Labor Force
July 2023

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
Jul-2023	5,231,626	5,060,181	171,445	3.3%	60.7%
Jun-2023	5,220,556	5,047,952	172,604	3.3%	60.7%
Jul-2022	5,172,083	4,978,541	193,542	3.7%	61.1%
Feb-2020	5,015,309	4,824,639	190,670	3.8%	61.2%

Monthly Change					
Absolute	11,070	12,229	-1,159	0.0%	0.0%
Percent*	2.6%	2.9%	-7.8%		

Annual Change					
Absolute	59,543	81,640	-22,097	-0.4%	-0.4%
Percent	1.2%	1.6%	-11.4%		

Change from February 2020 (prior to Covid-Induced Recession)					
Absolute	216,317	235,542	-19,225	-0.5%	-0.5%
Percent	4.3%	4.9%	-10.1%		

* Annualized Percent Change

¹ The establishment employment count comes from a monthly survey of businesses and estimates the number of employees based on where they work. If a person has two jobs, each job would be included in the total.

² The labor force data come from a monthly household survey that estimates the number of employed and unemployed workers. An eligible worker is counted once, and the count is based on where they reside. The unemployed worker must also be actively seeking a job to be included in the overall count.

induced recession (by 235,542). Similarly, the number of unemployed fell during each of these periods (by 1,159 over the month, 22,097 over the year, and 19,225 since February 2020. The Labor Force Participation Rate³ remains below the year-ago rate and below the rate recorded prior to the COVID-induced recession - suggesting that there are employable North Carolinians remaining on the sidelines.

NC and the Nation

The North Carolina economy continues to outperform the nation when comparing the employment and labor force measures (Table 2). While July establishment employment totals for both remain at all-time highs, the state grew more quickly over the month (3.2 percent to 1.4 percent for the nation). North Carolina also has experienced a more robust recovery following the Covid-induced recession: a 6.5 percent climb in total establishment employment for the state to a 2.6 percent climb for the United States). The unemployment rate in North Carolina, at 3.3 percent, is lower than the nation's (3.5 percent). Consistent with the larger pace of establishment employment growth, North Carolina's unemployment rate is lower than its pre-recession level while the national rate currently sits at its pre-COVID level (3.5 percent).

Table 2
**Establishment Employment and the Labor Force
North Carolina and the United States**

	Jul-2023	Monthly Change	Annual Change	Recovery Change
North Carolina				
Establishment Employment	4,928,400	3.2%	2.2%	6.5%
Unemployment Rate	3.3%	0.0%	-0.4%	-0.5%
United States				
Establishment Employment	156,342,000	1.4%	2.2%	2.6%
Unemployment Rate	3.5%	-0.1%	0.0%	0.0%

Note: The employment monthly change is annualized. The Recovery Change is the change since February 2020

NC Establishment Employment by Industry

Table 3 shows how that industrial sector has performed since February 2020, the peak month of the previous business cycle. It also shows how each industry's employment changed during the past year.

As described earlier in Table 2, establishment employment in North Carolina has climbed by 6.5 percent from February 2020, the month prior to the Covid-induced recession. Four of the twenty-one industries have yet to recover from the 2020 downturn: *State Government* (down 5.2 percent or 10,800 workers); *Mining and Logging* (down 3.4 percent or 200 workers); *Management of Companies* (down 2.2 percent or 1,900 workers); and *Local Government* (down 1.9 percent or 8,800 workers).

The remaining 17 sectors in North Carolina have surpassed their pre-Covid employment level. Seven of the industries have expanded at a lower rate than the state (at a range of 0.3 percent to 6.2 percent), while the remaining 10 have grown more quickly (6.7 percent to 25.7 percent).

³ The Labor Force Participation Rate is the percentage of the noninstitutional population that is either working or actively looking for work.

Table 3
North Carolina Establishment Employment
Annual Changes and Overall Recovery

Employment is in Thousands

	Jul-23	Jul-22	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,928.4	4,820.4	108.0	2.2%	106.5%
Mining & Logging	5.6	5.5	0.1	1.8%	96.6%
Construction	249.3	247.6	1.7	0.7%	106.2%
Manufacturing Durable Goods	258.1	255.2	2.9	1.1%	100.3%
Manufacturing Nondurable Goods	221.3	219.2	2.1	1.0%	101.8%
Wholesale Trade	205.6	203.9	1.7	0.8%	109.4%
Retail Trade	525.5	521.1	4.4	0.8%	104.8%
Transportation, Warehousing, & Utilities	199.2	198.2	1.0	0.5%	119.7%
Information	83.0	82.7	0.3	0.4%	108.6%
Finance & Insurance	231.6	225.6	6.0	2.7%	118.6%
Real Estate & Rental Leasing	67.8	68.8	-1.0	-1.5%	108.0%
Professional, Scientific, & Technical Services	339.4	320.2	19.2	6.0%	125.7%
Management of Companies	83.4	82.5	0.9	1.1%	97.8%
Administrative & Waste Management	335.7	339.3	-3.6	-1.1%	112.2%
Educational Services	106.1	100.0	6.1	6.1%	108.9%
Health Care & Social Services	576.4	554.4	22.0	4.0%	108.4%
Arts, Entertainment, & Recreation	80.8	72.5	8.3	11.4%	106.7%
Accommodation & Food Services	454.0	431.4	22.6	5.2%	101.5%
Other Services	174.6	168.4	6.2	3.7%	104.1%
Federal Government	79.2	76.0	3.2	4.2%	105.6%
State Government	198.1	198.5	-0.4	-0.2%	94.8%
Local Government	453.7	449.4	4.3	1.0%	98.1%

* Percent Recovered in relation to February 2020. This month was the peak of the recent business cycle and the month before the March 2020-April 2020 pandemic recession began.

Professional, Scientific and Technical Services was the leader in growth and percent growth (69,400 additional workers and 25.7 percent). Four of the others have added more than 30,000 employees: *Health Care and Social Services* (44,900 workers); *Administrative & Waste Management* (36,500 workers); *Finance and insurance* (36,400 workers); and *Transportation, Warehousing, and Utilities* (32,800 workers). Of these sectors, only *Health Care and Social Services* has expanded by less than 10.0 percent.

Over the past year, three sectors lost a combined 5,000 workers. Even though *Administrative & Waste Management* is a top performer since the pandemic, it lost 3,600 jobs since July 2022. *Real Estate & Rental Leasing* was down by 1,000 workers and *State Government* lost 400 positions. The

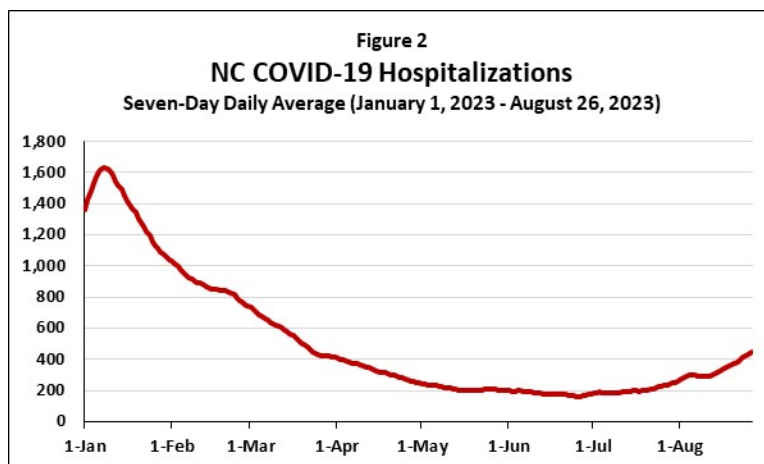
remaining 18 sectors collectively gained 113,000 workers. The three leading job creators created 63,800 jobs over the past year (56.5 percent of the growth). These industry leaders were *Professional, Scientific, & Technical Services* (up 19,200); *Health Care & Social Services* (up 22,000); and *Accommodation & Food Services* (up 22,600).

COVID and the Economy

The Raleigh News & Observer (N&O) reported that the Centers for Disease Control and Prevention has warned of a late summer wave in the COVID virus⁴. The N&O article also stated that wastewater surveillance had showed higher levels of the COVID virus and that Triangle hospitals are reporting more admissions.

The statewide hospitalizations are reacting in a similar fashion, as seen in **Figure 2**. While the seven day hospitalizations are much lower than the number recorded for January, the numbers are clearly climbing. The patient count has more than doubled since the 2023 low in late June.

It is certainly hoped that the virus will remain beneath the levels found earlier this year (1,628 in January 2023) and well below the historic high (5,049 in January 2021), but the risk of increasing hospitalizations remains. In fact, as CNN described earlier this month, health officials across the United States are bracing for a rise in three respiratory illnesses this fall (COVID, the flu, and respiratory syncytial virus (RSV)), and they are making plans to urge everyone who is eligible to get vaccinated.⁵ Hopefully, hospitalizations can be minimized through vaccinations and a careful population - thereby minimizing the costs of healthcare and any potential negative impact upon the economy.



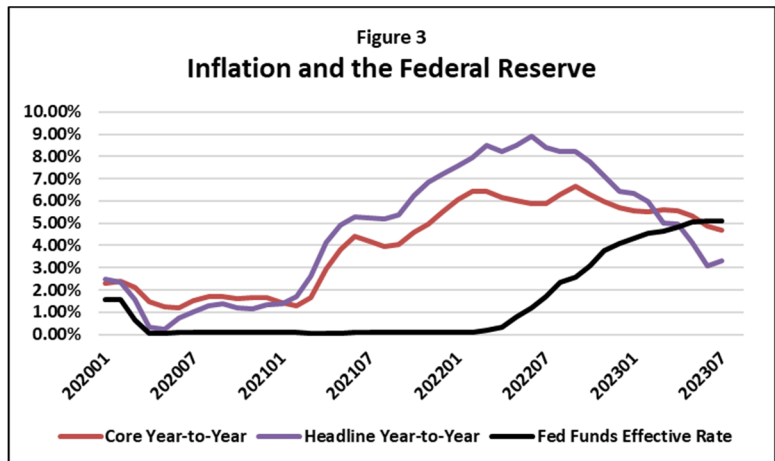
The Economic Outlook

The national economy remains strong, with an expanding employment base and a low unemployment rate. As the year has progressed, more economists have steadily believed that the nation can avoid a recession or that any downturn would be mild. Still, there are headwinds.

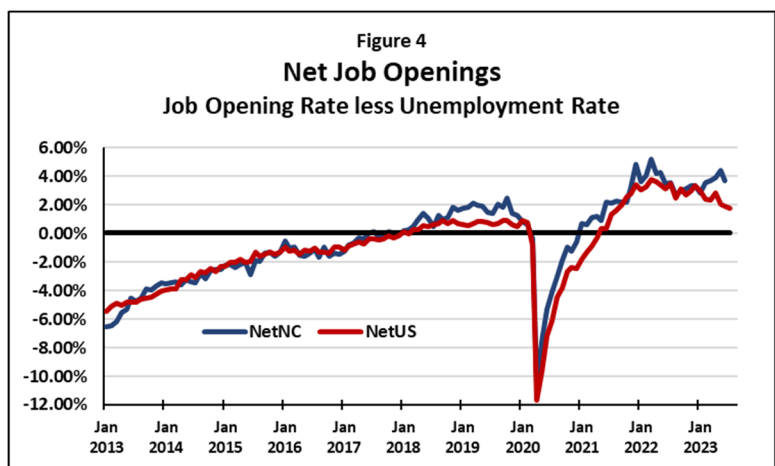
⁴ "Is North Carolina having a surge in COVID-19 cases? Everything you need to know.," by Teddy Rosenbluth, The News & Observer, August 05, 2023. <https://www.newsobserver.com/news/coronavirus/article277893553.html>

⁵ "States gear up for this fall's triple threat of respiratory viruses: Covid-19, flu and RSV," by Jacqueline Howard, CNN, August 10, 2023 <https://www.cnn.com/2023/08/10/health/fall-viruses-covid-rsv-flu/index.html>

The first headwind is inflation, which remains above the Federal Reserve’s 2.0 percent target. However, inflation rates have been falling since mid-to-late 2022⁶ (see **Figure 3**). A large part of the reason for the fall is the more restrictive monetary policy, as also shown in **Figure 3** by a steadily increasing Federal Funds Effective Rate (11 increases have been implemented since March 16, 2022). The slight reversal in the rate of core inflation during July causes some concern but is expected to periodically occur. If inflation does not fall toward the 2.0 percent target at a pace that is acceptable to policy makers, more interest rate increases are likely. But higher interest rates generally slow economic activity by making the cost of borrowing more expensive.



The tight labor market is also a headwind, and the tightness is demonstrated in **Figure 4** for the nation and North Carolina.



In January 2018, a trend began where job openings were consistently greater than the number of employed for both the nation and state. This created a generally favorable relationship for job seekers and steadily climbed until the COVID crisis. During COVID many businesses shut down or curtailed activities - making the number of unemployed much larger than the number of available jobs⁷. For ten months in North Carolina and for fourteen months in the nation, this trend existed. By May 2021, each measure once again returned to a condition where a count of openings exceeded the number of unemployed. At their respective peak, the number of openings for each unemployed worker was 2.54 in North Carolina and 2.01 for the nation. This condition is generally considered inflationary. While an unemployed person does not necessarily have the skills for each job, the general condition means that the market is skewed in the favor of the worker - who can possibly move to a new job for higher wages or perhaps demand a raise to stay in their current job. Notice, however, that the measure for the United States

⁶ The year-to-year inflation rate peaked at 8.93 percent in June 2022 for the headline number and at 6.64 percent in September 2022 for the Core rate.

⁷ In April 2020, which is during the recession and the is the lowest point in the graph, there was one opening for every five workers in the nation and one opening for every four workers in North Carolina.

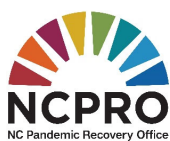
in the graph has been falling at a slow, but steady pace since last year. This trend is viewed favorably by the Federal Reserve, as it reduces inflationary pressures in the national economy.

There are certainly other headwinds that exist, such as slow growth overseas (in both China and Europe), the risk that energy prices will once again skyrocket, and the chance that the nation will default if a federal budget deal is not reached. Still, both the nation and state are currently economically healthy and growing. Hopefully, national policymakers can do their part to keep this momentum moving forward.

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August 30, 2023



Monthly Economic Update, August 2023

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