



Monthly Economic Update

February 2023

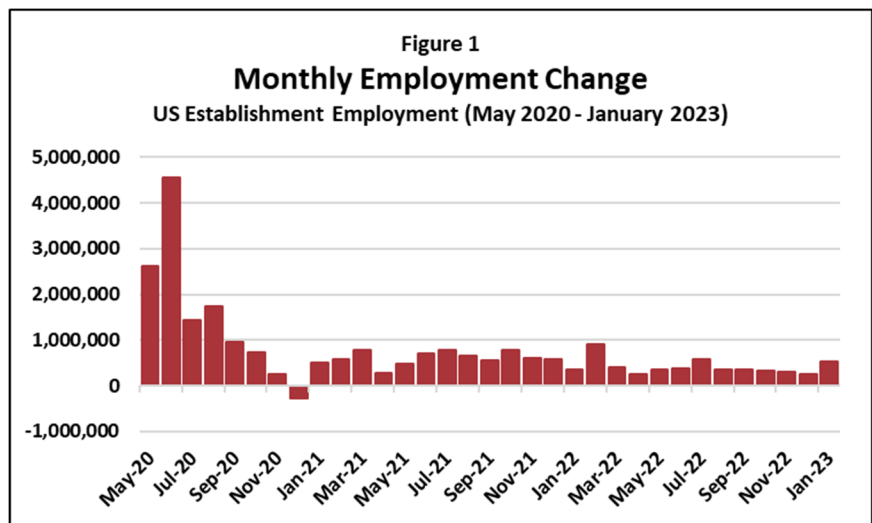
Revisions to Economic Data Showing Stronger US Growth

The North Carolina labor force and establishment employment data for January 2023 will not be released until March 13, 2023. Therefore, this Monthly Economic Update will have a different emphasis. NCPRO’s next Update will return to providing our regular analysis on the health of the statewide economy - with its monthly review of the state’s employment and labor force data. Additionally, the next issue will focus on how the historical data (likely) changed over the past year.

Any change in the data is due to the annual revision, or benchmarking, of the survey data that we regularly access. The monthly establishment data and the labor force data are adjusted once a year to previously unavailable data - such as the employment records from the Quarterly Census of Employment and Wages (QCEW)¹. The revisions for the nation are published in February of each year, while the updated data for the states are provided in March.

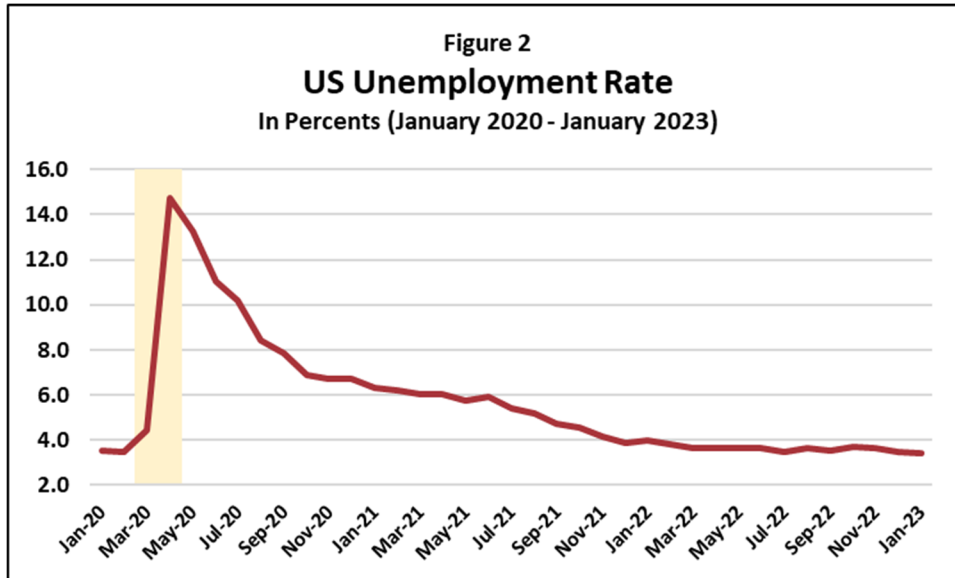
The previous issue of the NCPRO Monthly Economic Update (January 2023) provided a comparison between the employment recovery for North Carolina and the nation through the end of 2022. The preliminary data showed that the establishment employment² growth in North Carolina exceeded the pace seen on the national level throughout the recovery and expansion following the Covid-induced recession of 2020. In December 2022, North Carolina stood 4.9 percent beyond its pre-Covid high while the nation was only 0.8 percent beyond its respective total.

The revisions of the national data increased December year-to-year establishment employment by 502,000 in 2021 and by 813,000 in 2022. Consequently, the nation’s recovery in December 2022 was revised upward from 0.8 percent to 1.4 percent. While continuing to grow more slowly than the North Carolina economy, the revisions to the US data suggest that the nation surpassed its pre-Covid high in June 2022, two



¹ The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering more than 95 percent of U.S. jobs. The data is published approximately five months past the end of the quarter.

² 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.



months earlier than previously believed. Further, the new data submits that the expansion accelerated in January 2023. US establishment employment expanded by 517,000 jobs to 155,073,000 employees during this year’s first month. This was the largest monthly increase since July 2022 (568,000 workers) and well-above the August-to-December average (315,200 workers). The new January total is now 1.8 percent above the February 2020 pre-recession high. The month-by-month change in the revised data is presented in **Figure 1**.

The nation’s labor force³ showed strong momentum in January 2023. The unemployment rate (**Figure 2**) fell for the third consecutive month - from 3.7 percent in October 2022 to a historically low 3.4 percent in January. The January rate, signaling that the labor market remains tight, is below the 3.5 percent rate of January and February 2020 - the two months immediately preceding the March-April 2020 Covid-induced recession (shaded area).

Other major labor force measures also were positive. Resident employment climbed for the second month in a row (717,000 in December 2022 and 894,000 in January 2023). The number of unemployed persons dropped for the third month in a row, and the Labor Force Participation Rate⁴ climbed to 62.4 percent - tying a post-Covid high.

Still, the health of the national economy going forward remains uncertain. For example, in a (February 28, 2023) press release The Conference Board stated that US Consumer Confidence declined in February for the second consecutive month - even though there is a favorable view of the present situation⁵. On the other hand, business economists are divided on the matter. The February

³ The labor force totals come from a monthly household survey that estimates the number of employed and unemployed workers. A person is counted once, and the count is based upon where they reside. The unemployed worker must be actively seeking a job to be included in the overall count.

⁴ The labor force participation rate (LFPR) is an estimate the percent of the eligible workforce who are employed or actively looking for work.

⁵ <https://www.conference-board.org/topics/consumer-confidence>

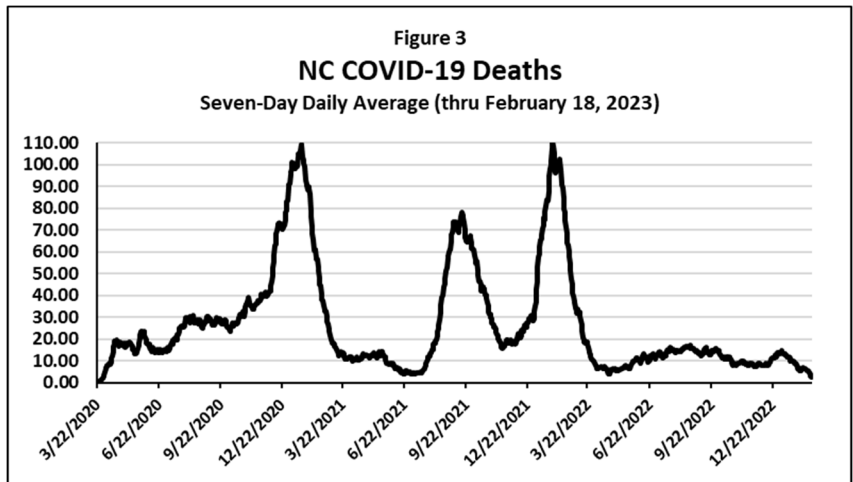
2023 National Association for Business Economics (NABE) Outlook Survey⁶ highlighted significant differences in the participant’s economic outlook. According to NABE, “Estimates of inflation-adjusted gross domestic product, inflation, labor market indicators, and interest rates are all widely diffused, likely reflecting a variety of opinions on the fate of the economy – ranging from recession to soft landing to robust growth.” Some of these notable differences are provided in **Table 1**.

Table 1
Selected Annual Forecast Differences for 2023
February 2023 NABE Outlook Survey

	Median	Five Lowest	Five Highest
Real Gross Domestic Product, % change, Q4/Q4	0.3	-1.3	1.9
Consumer Price Index, % change, Q4/Q4	3.0	2.2	4.9
Civilian Unemployment Rate, % annual average	3.9	3.3	4.9
Federal Funds Target, % year-end	4.875	4.125	5.375

Headwinds for the economy in 2023 suggested by the Survey include Congress’s inability to lift the debt ceiling, the impact to global inflation due to China’s reopening, and the relative aggressiveness of the Federal Reserve in its effort to control inflation. The probability of a recession remains a concern for these business economists, as 58 percent of Survey panelists believe that the likelihood of recession occurring over the next 12 months is greater than 50 percent.

Finally, the impact of the Covid virus continues to wane. Cases and hospitalizations in the most recent wave have continued to fall since their respective peaks in early January. Most importantly, deaths (averaging 2.57 per day as of February 18) are the lowest since early in the Covid crisis (March 2020). **Figure 3** shows the trend in North Carolina’s Covid deaths since late-March 2020.



James W. Kleckley, PhD
Senior Economic Advisor

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⁶ National Association for Business Economics (NABE) February 2023 Outlook Survey, https://nabe.com/NABE/Surveys/Outlook_Surveys/February_2023_Outlook_Survey_Summary.aspx