

Growth Continues in North Carolina

The monthly changes in North Carolina’s establishment employment¹ demonstrate that the statewide economy is continuing to expand, although the pace of economic growth is slowing. Following an annual 2.4 percent decline in employment during 2020 because of the Covid crisis, this economic measure rebounded by 3.6 percent (163,200 jobs) in 2021. During 2022, the preliminary establishment estimates show that employment grew by 190,300 (up 4.1 percent) or 15,900 per month. However, employment growth deaccelerated during three final months of 2022. These end-of-year employment changes were below the 2022 monthly average and declining in size (13,700 in October, 8,200 in November, and 5,400 in December). **Figure 1** shows the monthly trend in this indicator since the beginning of the recovery following the Covid-induced recession.

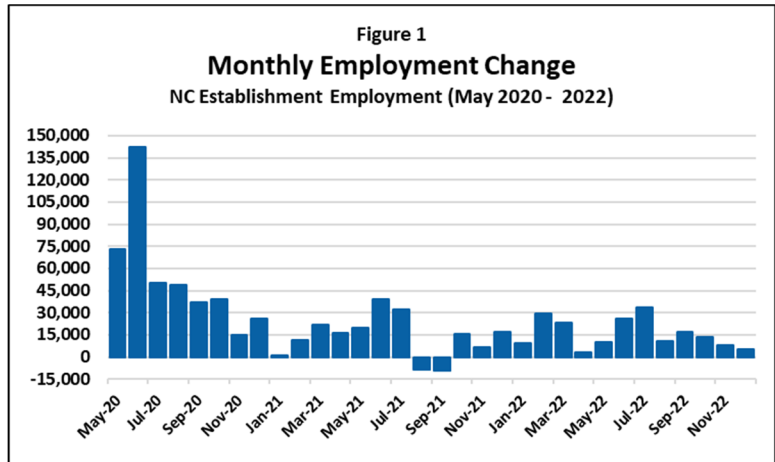
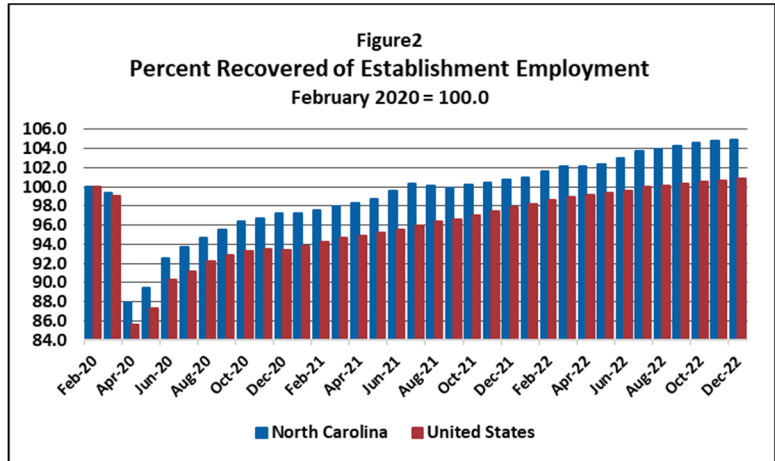


Figure 2 provides a comparison of the employment recovery for North Carolina and the nation. The chart shows how the employment growth in North Carolina exceeded the pace seen on the national level throughout the period. During December 2022, the establishment job count in North Carolina rests at 4.9 percent above its pre-Covid count, while at the same time the national count was up only 0.8 percent. Further, the nation took until August 2022 to regain its pre-recession employment total, while the state first surpassed this recovery goal in July 2021.



¹ The establishment employment count comes from a 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.

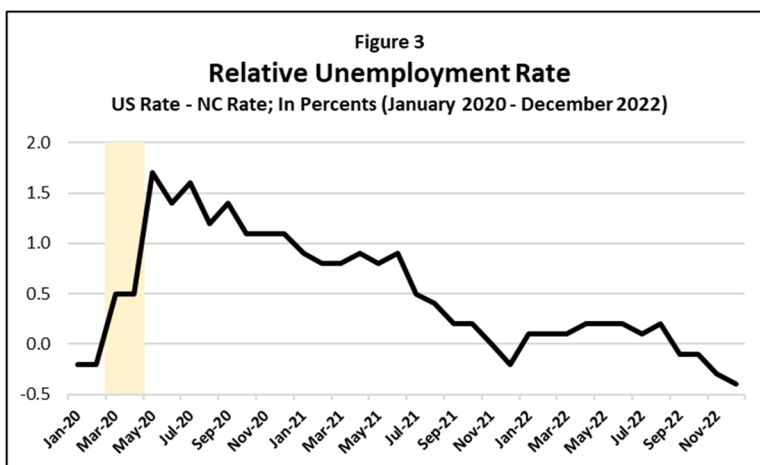
The 5,400 employment change in December included nine industries that expanded by a total of 12,200 workers; two sectors that remained unchanged; and ten industries that lost a total of 6,800 employees. The largest monthly gains were in *Accommodation & Food Services* (up 3,600) and *Wholesale Trade* (up 2,800). The largest losses were recorded in *Retail Trade* (down 3,000) and *Manufacturing Nondurable Goods* (down 1,400).

One component of the labor force data² tells a slightly different story regarding North Carolina’s relative health compared to the nation. The North Carolina unemployment rate, at 3.9 percent for December 2022, was unchanged from the November rate and is higher than the United States average. Additionally, the national unemployment rate dropped in December from 3.6 percent to 3.5 percent.

Over the month resident employment in North Carolina declined by 2,447 while the number of unemployed persons climbed by 486. December marked the fourth month in which resident employment fell and the fifth month in which the number of unemployed increased. On the positive side, the respective changes were smaller than the recent trends. During the past four months resident employment declined by an average of 5,387, while during the past five months the number of unemployed persons had increased by an average of 5,857 North Carolina residents.

The national trend in the labor force was more positive than what was seen in North Carolina. The number of resident employees climbed by 717,000 between November and December while the number of unemployed declined by 278,000. The unemployment rate change, falling from 3.6 percent in November to 3.5 percent in December, was the second consecutive drop and matched the lowest rate found in 2022 - which was previously achieved in both July and September.

Figure 3 shows the evolution of the relationship between North Carolina’s unemployment rate and the national unemployment rate through the Covid crisis and subsequent recovery. Before the pandemic-induced recession the United States rate was 3.5 percent and the North Carolina rate was 3.7 percent (in both January and February 2020). During the recession (tinted horizontal bar), the national unemployment rate climbed to 4.4 percent in March and to its peak of 14.2 percent in April. Similar, but smaller increases were found in North Carolina (3.9 percent in March 2020 and 14.2 percent in April). In May 2020, the US rate fell to 13.2 percent and the statewide rate dropped to 11.5 percent.



² The labor force totals come from a 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.

The relative difference in the May rates (1.7 percent higher in the nation) constitutes the peak relative difference found in **Figure 3**.

Since the peak, the gap between the unemployment rates has gradually declined. In December 2021, the national unemployment rate was lower than the statewide rate for the first time since February 2020. The gap quickly returned to minus 0.2, as seen in January and February 2020, but the respective rates were higher than the pre-Covid levels (3.9 percent for the nation and 4.1 percent in North Carolina). For most of 2022 (January through August), the North Carolina rate was again lower than its national counterpart. However, since September the statewide rate has been higher. In December, the gap was 0.4 percent, as the United States rate was 3.5 percent and the North Carolina rate was 3.9 percent.

While the lower unemployment rate for the nation might imply that the national economy is healthier than the North Carolina economy, other components of the labor force (**Table 1**) suggest the opposite - particularly resident employment. Reflecting what was seen in the establishment employment data, North Carolina's Resident Employment is 1.9 percent above its pre-Covid count, while the United States Resident Employment is only 0.2 percent above its full recovery total.

Table 2 provides a detailed view of the robust growth in

Table 1
Changes in Labor Force Measures Since February 2020
December 2022

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
North Carolina					
Dec-2022	5,124,221	4,923,281	200,940	3.9%	60.3%
Change from Feb-2020	103,892	90,581	13,311	0.2%	-1.0%
Percent Change from Feb-2020	2.1%	1.9%	7.1%		
United States					
Dec-2022	164,966,000	159,244,000	5,722,000	3.5%	62.3%
Change from Feb-2020	383,000	378,000	5,000	0.0%	-1.1%
Percent Change from Feb-2020	0.2%	0.2%	0.1%		

Table 2
North Carolina Establishment Employment
Annual Changes and Overall Recovery
Employment is in Thousands

	Dec-22	Dec-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,846.4	4,656.1	190.3	4.1%	104.9%
Mining & Logging	5.4	5.5	-0.1	-1.8%	93.1%
Construction	250.0	239.0	11.0	4.6%	106.7%
Manufacturing Durable Goods	258.1	255.2	2.9	1.1%	100.3%
Manufacturing Nondurable Goods	216.8	210.7	6.1	2.9%	100.0%
Wholesale Trade	203.2	192.3	10.9	5.7%	108.0%
Retail Trade	509.2	513.5	-4.3	-0.8%	101.4%
Transportation, Warehousing, & Utilities	194.9	194.7	0.2	0.1%	117.6%
Information	82.7	79.8	2.9	3.6%	108.2%
Finance & Insurance	221.5	210.9	10.6	5.0%	113.6%
Real Estate & Rental Leasing	67.0	64.0	3.0	4.7%	106.5%
Professional, Scientific, & Technical Services	322.0	298.3	23.7	7.9%	119.4%
Management of Companies	77.0	75.6	1.4	1.9%	90.4%
Administrative & Waste Management	339.1	317.1	22.0	6.9%	113.1%
Educational Services	102.7	98.0	4.7	4.8%	105.1%
Health Care & Social Services	561.6	536.5	25.1	4.7%	105.6%
Arts, Entertainment, & Recreation	78.5	67.9	10.6	15.6%	103.7%
Accommodation & Food Services	450.7	415.2	35.5	8.6%	101.4%
Other Services	175.0	165.9	9.1	5.5%	103.7%
Federal Government	77.0	76.4	0.6	0.8%	102.7%
State Government	196.3	199.9	-3.6	-1.8%	95.2%
Local Government	457.7	439.7	18.0	4.1%	99.1%

* 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.

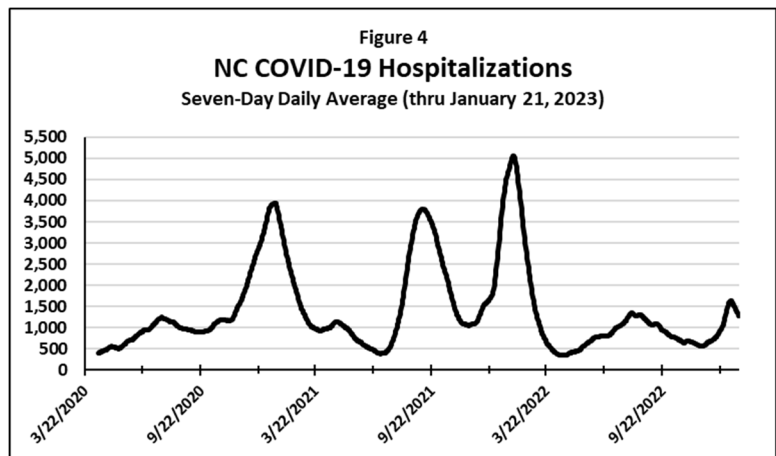


establishment employment that was previously described (190,300 or 4.1 percent). The table also shows that seventeen sectors have recovered the employment lost during the recession (Percent Recovered greater than 100 percent) and four industries currently lag their pre-Covid total (Percent Recovered less than 100 percent).

Although the overall growth in the state was strong throughout 2022, three sectors lost employment. These included *Retail Trade* (down 4,300 or 0.8 percent); *State Government* (down 3,600 or 1.8 percent); and *Mining and Logging* (down 100 or 1.8 percent). Four industries gained over 20,000 employees. These sectors included *Accommodation & Food Services* (up 35,500 or 8.6 percent); *Health Care & Social Services* (up 25,100 or 4.7 percent); *Professional, Scientific, & Technical Services* (up 23,700 or 7.9 percent); and *Administrative & Waste Management* (up 22,000 or 6.9 percent).

Two of the sectors that lost employment over the past year have yet to recover the jobs that were lost because of the Covid-induced recession. *Mining & Logging* remains 6.9 percent below its pre-Covid count and *State Government* is 4.8 percent below its respective total. The two sectors that have not recovered but gained employment during the past year are *Management of Companies* and *Local Government*. *Management of Companies* gained 1,400 workers but remains 9.6 percent below its February 2020 total. *Local Government* gained 18,000 workers in 2022 but remains 0.9 percent below its recovery goal. Notably, the 18,000 gain in *Local Government* was the fifth largest found in any sector.

The Covid virus continues to negatively impact the North Carolina economy. As can be seen in **Figure 4**, hospitalizations due to the virus peaked at a seven-day average of 1,600 per day in early January. This relatively short-lived negative trend seems to be reversing. Notably, the current average of nearly 1,300 hospitalizations per day is significantly below the nearly 4,400 daily patients that North Carolina averaged in January 2021. As MarketWatch recently quoted the World Health Organization Director-General³, “We remain hopeful that in the coming year, the world will transition to a new phase in which we reduce hospitalizations and deaths to the lowest possible level, and health systems can manage COVID-19 in an integrated and sustainable way. “



Barring a new virus variant that impacts a large part of the population, the vaccines and individual habits should mitigate the potential negative economic impacts associated with the virus. Still, there is an anticipated slowdown in economic activity that remains on the horizon. The major

³ Coronavirus Update: “Pandemic is still a global health emergency, but it may be reaching a point where higher immunity levels mean fewer deaths”, Ciara Linnane, MarketWatch, January 30, 2023.

headwind centers on the rising interest rates that are targeted at slowing the economy to dampen inflation.

Despite rising interest rates, the nation's inflation-adjusted Gross Domestic Product (RGDP) ended the year on a high note. After declining during the first two quarters of the year, RGDP realized an average of 3.1 percent annualized growth over the last half of 2022 (3.24 percent in 2022q3 and 2.89 percent in 2022q4). This was certainly solid growth, given that the RGDP averaged only 2.3 percent growth during the 128-month economic expansion (July 2009 to February 2020) that was halted by the Covid crisis. Most forecasters expect the national economy to slow during the first half of the year due to the rising interest rates. However, if the job market remains strong and consumer spending can continue to expand, the forecasted recession might be avoided and the national and statewide economies should continue to grow.

James W. Kleckley, PhD
Senior Economic Advisor

Susanna Z. Miesel, MPP
Policy Analyst

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