



Monthly Economic Update

July 2023

Growth Continues and Recession Probability Falls

NC Employment and Labor Force

Establishment employment¹ in North Carolina reached a record high of 4,909,800 jobs in June 2023. The May-to-June climb of 4,900 marked the second slowest of the year (3,100 jobs were gained between February and March). Still, jobs have climbed by an average monthly count of 9,200 over the past year and by an average of 9,550 in the first six months of 2023. The monthly changes since the end of the March-April 2020 COVID-induced recession, which sum to 283,900 jobs (6.1 above the pre-COVID high), are provided in **Figure 1**.

If the pace of growth for the first half of 2023 continues at the current rate, North Carolina would realize 114,600 additional payroll jobs this year. This pace of growth, which would equal 2.36 percent at the end of the year, would be the smallest December-to-December pace since the recession plagued 2020 (4.36 percent in 2021 and 3.44 percent in 2022). Still, the rate would be higher than 9 of the 10 years that followed the 2008-2009 recession, when average December-to-December growth averaged 1.82 percent. Only 2015 was greater (2.5 percent).

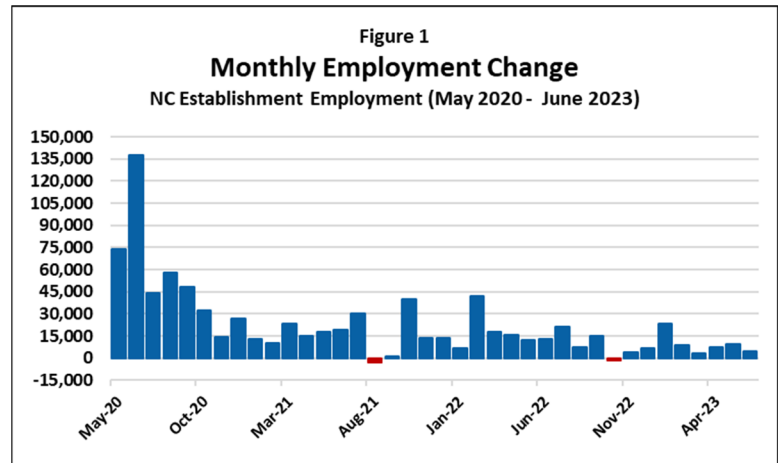


Table 1
North Carolina's Labor Force
June 2023

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
Jun-2023	5,220,496	5,047,816	172,680	3.3%	60.7%
May-2023	5,208,972	5,033,234	175,738	3.4%	60.6%
Jun-2022	5,172,158	4,986,858	185,300	3.6%	61.1%
Feb-2020	5,015,309	4,824,639	190,670	3.8%	61.2%

Monthly Change					
Absolute	11,524	14,582	-3,058	-0.1%	0.1%
Percent*	2.7%	3.5%	-19.0%		

Annual Change					
Absolute	48,338	60,958	-12,620	-0.3%	-0.4%
Percent	0.9%	1.2%	-6.8%		

Change from February 2020 (prior to Covid Recession)					
Absolute	205,187	223,177	-17,990	-0.5%	-0.5%
Percent	4.1%	4.6%	-9.4%		

* 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.

The labor force data² also suggest that the economy is strong, as shown in **Table 1**. The number of unemployed for June 2023 is lower over the month (down 3,058 from May), over the past year (down 12,620 since June 2022), and since the month preceding the 2020 recession (down 17,990 since February 2020). The number of working North Carolinians is also up for each of the same periods: by 14,582 over the month, by 60,958 over the year, and by 223,177 since February 2020.

NC and the Nation

Like in North Carolina, the nation’s establishment employment growth is slowing in 2023 relative to 2021 (where employment growth was up 5.1 percent) and 2022 (up 3.2 percent). Still, its current pace (estimated to be 2.16 percent) would surpass 9 of the 10 year-to-year December changes immediately prior to the recession-plagued 2020. Only the 2013-2014 growth rate was higher (at 2.18 percent).

Table 2 provides a June 2023 comparison between the state and nation, where are both continuing to thrive. The establishment employment shows that the nation and state grew over the past month and year in similar fashions. In terms of overall expansion in this business cycle, North Carolina is up by 6.1 percent, whereas the nation is up by 2.5 percent. The June 2023 North Carolina unemployment rate (3.3 percent) is the lowest the state has seen since mid-1999 and is lower than the national rate (3.6 percent). The national rate, while near historical lows, is 0.1 percent higher than the country realized prior to the 2020 COVID-induced recession.

	Jun-2023	Monthly Change	Annual Change	Recovery Change
North Carolina				
Establishment Employment	4,909,800	1.2%	2.3%	6.1%
Unemployment Rate	3.3%	-0.1%	-0.3%	-0.5%
United States				
Establishment Employment	156,204,000	1.6%	2.5%	2.5%
Unemployment Rate	3.6%	-0.1%	-0.1%	0.1%

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

NC Establishment Employment by Industry

Table 3 measures how each industry in North Carolina has performed over the current business cycle in relation to its respective February 2020 employment level. It also reviews the sector-by-sector changes in statewide establishment employment over the past year.

According to the June 2023 data, there are only four industries that have employment levels below their pre-COVID count. *State & Local Government* dominate the losses, together representing 93 percent of the employment drop. *Local Government* employment is down by 16,300 (3.52 percent) over this current cycle, while *State Government* employment is down by 10,200 (4.88 percent). The

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.

Table 3
North Carolina Establishment Employment
Annual Changes and Overall Recovery
 Employment is in Thousands

	Jun-23	Jun-22	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,909.8	4,799.4	110.4	2.3%	106.1%
Mining & Logging	5.6	5.5	0.1	1.8%	96.6%
Construction	247.8	247.0	0.8	0.3%	105.5%
Manufacturing Durable Goods	257.9	255.3	2.6	1.0%	100.3%
Manufacturing Nondurable Goods	221.4	218.2	3.2	1.5%	101.9%
Wholesale Trade	206.6	202.2	4.4	2.2%	109.9%
Retail Trade	525.9	519.8	6.1	1.2%	104.9%
Transportation, Warehousing, & Utilities	197.9	198.1	-0.2	-0.1%	118.9%
Information	84.4	81.8	2.6	3.2%	110.5%
Finance & Insurance	228.6	224.8	3.8	1.7%	117.1%
Real Estate & Rental Leasing	68.0	68.4	-0.4	-0.6%	108.3%
Professional, Scientific, & Technical Services	337.5	318.4	19.1	6.0%	125.0%
Management of Companies	83.6	81.3	2.3	2.8%	98.0%
Administrative & Waste Management	338.9	337.1	1.8	0.5%	113.3%
Educational Services	107.5	100.8	6.7	6.6%	110.4%
Health Care & Social Services	571.5	551.7	19.8	3.6%	107.5%
Arts, Entertainment, & Recreation	79.5	71.8	7.7	10.7%	105.0%
Accommodation & Food Services	449.3	429.5	19.8	4.6%	100.5%
Other Services	174.2	167.8	6.4	3.8%	103.8%
Federal Government	78.8	75.7	3.1	4.1%	105.1%
State Government	198.7	198.9	-0.2	-0.1%	95.1%
Local Government	446.2	445.3	0.9	0.2%	96.5%

* 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.

two industries that are closest to full recovery are *Mining & Logging* (down 200, or 3.45 percent) and *Management of Companies* (down 1,700, or 1.99 percent).

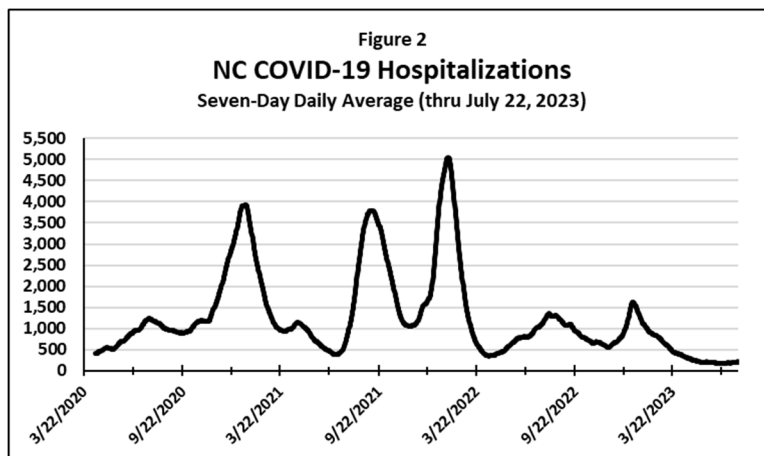
At the other end of the spectrum are the seventeen industries that have added a total of 312,300 jobs since February 2020. Five of these industries account for over 30,000 jobs and for 68 percent of the total gain. These industries include *Transportation, Warehousing, & Utilities* (up 31,500 or 18.93 percent); *Finance & Insurance* (up 33,400 or 17.11 percent); *Administrative & Waste Management* (up 39,700 or 13.27 percent); *Health Care & Social Services* (up 40,000 or 7.53 percent); and *Professional, Scientific, & Technical Services* (up 67,500 or 25.00 percent).

Over the past year, three sectors lost employment, but the losses were small. *Real Estate & Rental Leasing* lost 400 workers (down 0.6 percent), while *State Government* and *Transportation, Warehousing, & Utilities* each recorded 200 worker declines. In percentage terms, the latter two sectors were down 0.1 percent.

The remaining eighteen sectors gained employment over the past year. The gains ranged from 100 workers in *Mining & Logging* (up 1.8 percent) to over 19,000 jobs in three sectors: *Professional, Scientific, & Technical Services* (up 19,100 or 6.0 percent); *Health Care & Social Services* (up 19,800 or 3.6 percent); and *Accommodation & Food Services* (up 19,800 or 4.6 percent).

COVID and the Economy

According to a recent article in MarketWatch³, excess-death data demonstrate that the COVID pandemic is officially over in the United States. As an example, fewer Americans died in March 2023 than one would expect in a normal year. This contrasts with periods during the pandemic when actual deaths were more than 40 percent higher than the normal expectation. Still, these numbers do not mean that the virus has disappeared. The current economic impact can be seen in North Carolina via the number of COVID-related hospitalizations. While hospitalizations remain close to the recent historical seven-day low of 161 patients (June 26, 2023), during the past month hospitalizations have been drifting upwards. While this drift is hard to visualize in **Figure 2** due to the previous large peaks, the latest average sits at 210 cases as of July 22, 2023.



The Economic Outlook

The fears of a recession have cooled in the past month as the national outlook has brightened with the recent release of several economic indicators. This report has already discussed the growth in employment and the near-historic low unemployment rate. The recently released report on the Gross Domestic Product showed growth at a 2.4 percent annual rate in the second quarter, which was up from the 2.0 percent recorded during the first three months of 2023. This rise took place in the face of persistently high inflation and continually rising interest rates (i.e., the range in the Federal Funds rate was raised to 5.25-5.50 on July 26). Inflation remains above the Fed's two percent target but is falling, giving hope that the end of Fed tightening is here or near. In summary, the accelerating national economy, the falling pace of inflation, and the expected peak in interest rates help provide hope that a recession can be avoided.

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July 28, 2023

³ MarketWatch is a subsidiary of Dow Jones & Company. The article can be found at

<https://www.marketwatch.com/story/covid-pandemic-is-officially-over-in-the-u-s-data-on-excess-deaths-show-96331698>