



Monthly Economic Update

June 2022

Slowing Growth in Establishment Employment

In May 2022, North Carolina’s establishment employment¹ climbed by 7,000 workers over the month to settle at 4,728,200. Despite May being the eighth month in a row of increasing employment, the past two months have shown less growth than February and March. The April 2022 preliminary employment estimate was revised downward by 7,900 making April’s growth the weakest month of the past eight (climbing by only 3,400 during the month). Even though the establishment employment increase in May more than doubled the April increase, the latest monthly growth total is the third smallest during the same eight-month period. **Figure 1** shows the pattern of growth following the March-April 2020 recession and highlights the relative weakness in the past two months.

While the State’s total establishment employment grew by only 7,000 workers over the month, 13 sectors gained significant employment. These growing sectors, led by a 2,900 worker increase in *Manufacturing Durable Goods*, gained a combined 15,200 workers. Contributing to the total establishment employment’s underwhelming growth for the month of May were six sectors that lost a

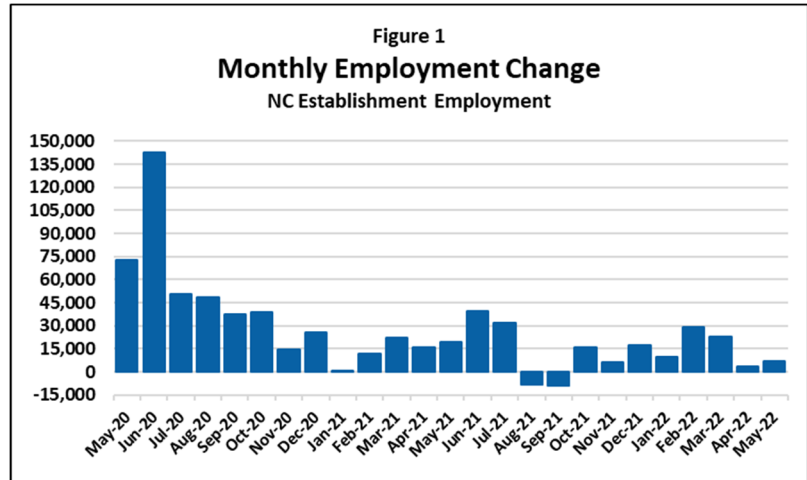


Table 1
North Carolina Establishment Employment
Monthly Changes
Employment is in Thousands

	May-22	Apr-22	Monthly Change	Monthly Percent Change
Total Establishment Employment	4,728.2	4,721.2	7.0	0.1%
Mining & Logging	5.5	5.5	0.0	0.0%
Construction	240.6	239.4	1.2	0.5%
Manufacturing Durable Goods	259.6	256.7	2.9	1.1%
Manufacturing Nondurable Goods	216.9	216.1	0.8	0.4%
Wholesale Trade	198.1	196.9	1.2	0.6%
Retail Trade	507.0	512.8	-5.8	-1.1%
Transportation, Warehousing, & Utilities	194.1	193.8	0.3	0.2%
Information	81.5	81.4	0.1	0.1%
Finance & Insurance	218.5	216.8	1.7	0.8%
Real Estate & Rental Leasing	67.4	66.9	0.5	0.7%
Professional, Scientific, & Technical Services	306.3	307.3	-1.0	-0.3%
Management of Companies	75.2	75.3	-0.1	-0.1%
Administrative & Waste Management	332.1	329.8	2.3	0.7%
Educational Services	100.8	100.4	0.4	0.4%
Health Care & Social Services	543.0	542.1	0.9	0.2%
Arts, Entertainment, & Recreation	72.1	70.2	1.9	2.7%
Accommodation & Food Services	424.1	424.3	-0.2	0.0%
Other Services	168.1	167.1	1.0	0.6%
Federal Government	76.0	76.0	0.0	0.0%
State Government	200.8	201.2	-0.4	-0.2%
Local Government	440.5	441.2	-0.7	-0.2%

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.

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

	May-22	May-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,728.2	4,562.9	165.3	3.6%	102.3%
Mining & Logging	5.5	5.7	-0.2	-3.5%	94.8%
Construction	240.6	238.4	2.2	0.9%	102.7%
Manufacturing Durable Goods	259.6	248.9	10.7	4.3%	100.9%
Manufacturing Nondurable Goods	216.9	212.0	4.9	2.3%	100.0%
Wholesale Trade	198.1	188.4	9.7	5.1%	105.3%
Retail Trade	507.0	510.3	-3.3	-0.6%	101.0%
Transportation, Warehousing, & Utilities	194.1	190.9	3.2	1.7%	117.1%
Information	81.5	76.1	5.4	7.1%	106.7%
Finance & Insurance	218.5	208.5	10.0	4.8%	112.1%
Real Estate & Rental Leasing	67.4	62.9	4.5	7.2%	107.2%
Professional, Scientific, & Technical Services	306.3	287.3	19.0	6.6%	113.6%
Management of Companies	75.2	76.8	-1.6	-2.1%	88.3%
Administrative & Waste Management	332.1	306.2	25.9	8.5%	110.7%
Educational Services	100.8	95.3	5.5	5.8%	103.2%
Health Care & Social Services	543.0	535.3	7.7	1.4%	102.1%
Arts, Entertainment, & Recreation	72.1	60.5	11.6	19.2%	95.2%
Accommodation & Food Services	424.1	392.2	31.9	8.1%	95.4%
Other Services	168.1	160.6	7.5	4.7%	99.6%
Federal Government	76.0	76.4	-0.4	-0.5%	101.3%
State Government	200.8	200.7	0.1	0.0%	97.4%
Local Government	440.5	429.5	11.0	2.6%	95.4%

* 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.

total of 8,200 employees. Most of the loss was in *Retail Trade*, which dropped by 5,800 workers. Two sectors, *Mining & Logging* and *Federal Government*, were unchanged from April 2022 to May 2022. All monthly sectorial changes are provided in **Table 1**.

Table 2 focuses on the performance of North Carolina’s establishment employment for the state and its 21 sectors over the past year. Additionally, the table shows how each sector has performed relative to the state since the recovery began in May 2020.

Over the past year, North Carolina’s establishment employment grew by 3.6 percent (165,300 workers). Seventeen sectors gained a combined 170,800 workers and four sectors lost a combined 5,500 employees over this period. Mirroring the past month’s trend, *Retail Trade* experienced the largest sectoral employment loss over the past year. The sector’s loss of 3,300 workers represented 60 percent of all losses. Despite the drop, *Retail Trade* has surpassed its pre-COVID employment numbers. Likewise, *Federal Government* lost employment over the past year but remains above its

pre-COVID count. The other two sectors with losses over the past year that have not returned to their pre-recessionary highs are *Management of Companies* and *Mining & Logging*.

Seven of the seventeen growing sectors each increased by over 10,000 workers during the past year. The combined total gain for these seven industries accounted for over 70 percent of all employment gains. This past year’s growing sectors were led by *Accommodation & Food Services* which added 31,900 workers. The other sectors that expanded over 10,000 workers included *Administrative & Waste Management* (25,900); *Professional, Scientific, & Technical Services* (19,000); *Arts, Entertainment, & Recreation* (11,600); *Local Government* (11,000); *Manufacturing Durable Goods* (10,700); and *Finance & Insurance* (10,000). Three of these seven leaders in May-to-May employment growth have yet to recover their respective recessionary losses: *Accommodation & Food Services* (down 4.6 percent); *Local Government* (down 4.6 percent); and *Arts, Entertainment, & Recreation* (down 4.8 percent).

The state employment total is 2.3 percent higher than was found in February 2020, but seven sectors have yet to recover their pre-COVID count. Fourteen have matched or surpassed this goal. Nine of the fourteen have exceeded the statewide 2.3 percent pace of growth, four have surpassed their pre-Covid count but have grown more slowly than the state, and one (*Manufacturing Nondurable Goods*) has a May 2022 employment count that is identical to its February 2020 total.

It should be noted that the North Carolina economic recovery in employment continues to outperform the nation’s recovery effort. While the state is now in an expansionary stage for total employment, the United States has yet to completely recover from pandemic employment losses. The nation’s May 2022 establishment employment level was 822,000 jobs (0.5 percent) below the February 2020 pre-COVID high.

North Carolina’s labor force data² showed improvement over the month and over the past year (see **Table 3**). While the unemployment rate for May 2022 remained unchanged from April 2022 (3.4 percent), its level remains the lowest in over 20 years (since March 2000). The May 2022 rate is also lower than the May 2021 rate (5.0 percent) and significantly below the 14.2 percent April 2020 recessionary peak. The other indicators in this table also changed in a positive direction. The number of employed increased while the number of unemployed fell moderately. The resulting overall increase in the labor force pushed the Labor Force

Table 3
North Carolina's Labor Force
May 2022

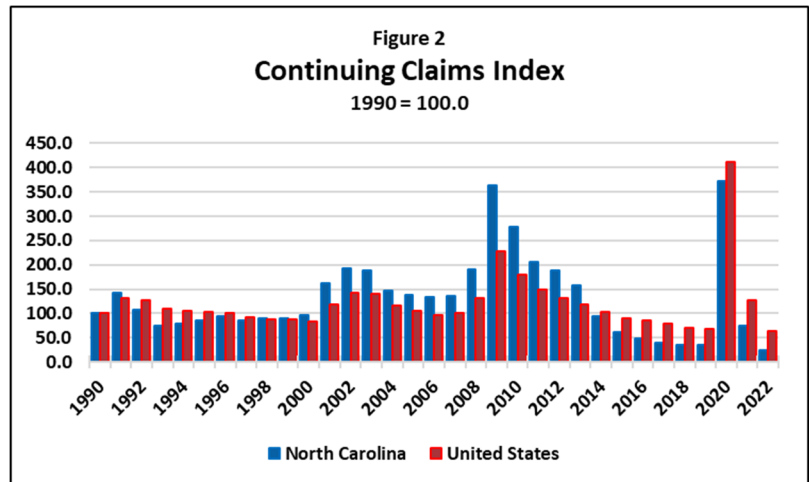
	Labor Force	Employed	Unemployed	Unemployment Rate(%)	Labor Force Participation Rate(%)
May-2022	5,087,550	4,916,580	170,970	3.4%	60.4%
Apr-2022	5,056,492	4,883,161	173,331	3.4%	60.1%
May-2021	4,945,544	4,698,253	247,291	5.0%	59.6%
Monthly Change	31,058	33,419	-2,361	0.0%	0.3%
	0.61%	0.68%	-1.36%		
Annual Change	142,006	218,327	-76,321	-1.6%	0.8%
	2.9%	4.6%	-30.9%		

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.

Participation Rate (LFPR)³ to 60.4 percent, which is the highest rate since the 2020 recession. Still, the LFPR remains below the February 2020 rate of 61.3 percent - suggesting that there are potential employees that remain on the sidelines.

The unemployment claims data suggests a strong North Carolina economy. Initial claims, which averaged 30,500 per week in 2020 and 6,600 per week in 2021, are currently averaging under 3,000 new applications per week in the first half of 2022 (through June 25). If this average holds for the year, it would be the lowest average weekly total since 1990 and just below the 3,100-3,400 range that the state realized in the three years prior to the pandemic (2017 to 2019).

Figure 2, which depicts the annual movement of Continuing Claims for the state and nation via an index, also suggests a healthy North Carolina economy with relatively few continuing claims. It must be noted, that except for 2020 when claims were severe but relatively short-lived, there is a relatively large gap between the state and national indices since 2014. This gap can be partially attributed to the change in North Carolina's



Employment Security Law, when the state reduced benefits to eligible claimants and constrained the benefit-eligible population in North Carolina relative to the national standard found in most other states.

The final Real Gross Domestic Product (GDP) reading for the first quarter of 2022 was released on June 29 for the nation. It showed that the nation's economy contracted by a revised 1.6 percent annual rate. This was the first quarterly drop since the COVID-induced recession of 2020. The one-quarter contraction was heavily influenced by a widening trade deficit. Most experts believe that growth will resume in the second quarter, but the high inflation rate is dampening consumer confidence and constraining economic growth. Plus, many economists see a steadily increasing chance of a national recession in the coming twelve months.

The variants of the COVID-19 virus continue to impact North Carolina. Several COVID-related indicators are regularly monitored so that the state is positioned to anticipate and minimize future COVID-induced disruptions in the economy. For example, while case counts vary across the state and most measures show a relatively low negative impact from the virus, daily hospital utilization has drifted upward since the April 2022 pandemic low (**Figure 3**). The most positive note is that average

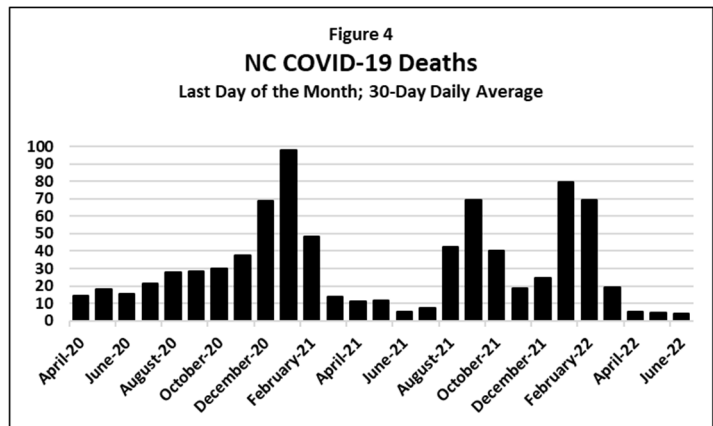
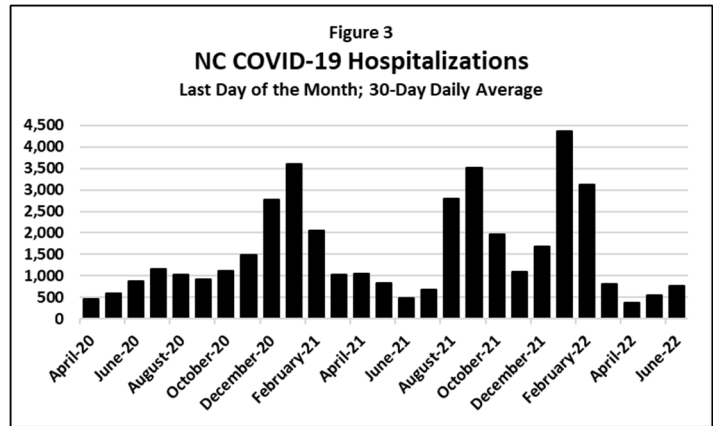
³ The Labor Force Participation Rate is the percentage of the eligible working-age population that is either working or actively looking for work.

daily deaths during June 2022⁴ are at the lowest level since the monthly count became available in April 2020 (Figure 4).

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⁴ The 30-day June snapshot was taken on June 25, 2022.