



Monthly Economic Update

June 2023

North Carolina's Economic Growth Continues

NC Employment and Labor Force

North Carolina's Establishment Employment¹ climbed by 6,400 over the month to a May 2023 total of 4,901,500. In addition, the April figure was revised to 4,895,100 - up by 7,400 over March rather than the previously reported rise of 3,600. According to these updated estimates, the state has added 9,800 per month in 2023, which is a slight improvement over the 9,600 average monthly increase found during the past twelve months. **Figure 1** presents the monthly changes since the recovery from the Covid-induced recession began in May 2020. The average monthly gain during the 37-month recovery and expansion has been 22,750 workers², and the current total establishment employment count sits 6.0 percent above its pre-Covid level.

The Labor Force³ data also show that the state was clearly expanding (**Table 1**) in May 2023. At 3.4 percent, the unemployment rate remained steady over the month and was also identical to its May 2022 counterpart. Over the month, Resident Employment increased by a healthy (annualized) 5.0 percent and was up over the year-ago level.

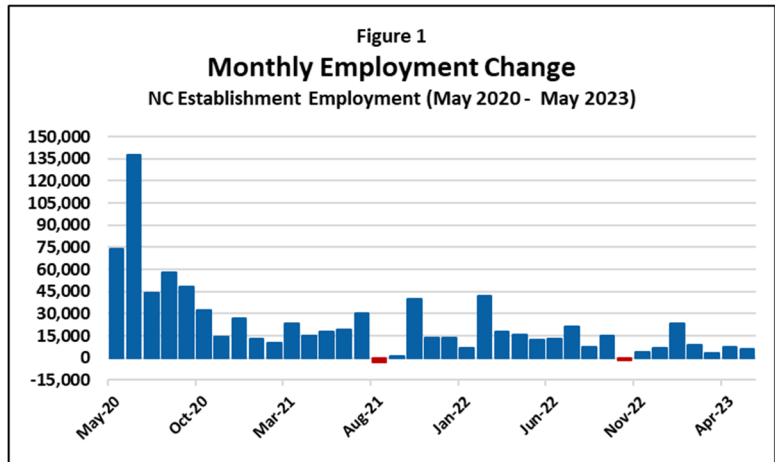


Table 1
North Carolina's Labor Force
May 2023

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
May-2023	5,208,894	5,033,140	175,754	3.4%	60.6%
Apr-2023	5,191,619	5,012,789	178,830	3.4%	60.5%
May-2022	5,167,941	4,990,450	177,491	3.4%	61.2%

Monthly Change					
Absolute	17,275	20,351	-3,076	0.0%	0.1%
Percent*	4.1%	5.0%	-18.8%		

Annual Change					
Absolute	40,953	42,690	-1,737	0.0%	-0.6%
Percent	0.8%	0.9%	-1.0%		

* 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 Note that month-to-month employment fell two times during this period: by 3,000 in August 2021 and by 1,600 in October 2022.

³ The labor force totals 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 upon where they reside. The unemployed worker also must be actively seeking a job to be included in the overall count.

Fewer people were also unemployed over the preceding month and over the past year. The Labor Force Participation Rate⁴ increased somewhat over the course of the month, but this measure of participation remained below the rate found during May 2022.

North Carolina and the Nation

The unemployment rates in **Table 2** represent the most significant difference between the state and nation during May 2023. The North Carolina unemployment rate remained constant at 3.4 percent, while the national rate rose by 0.3 percent during the past month to 3.7 percent of the labor force. The data from the establishment survey, on the other hand, revealed that the country increased more quickly over the past year (2.7 percent to 2.4 percent in the state) and over the past month (2.6 percent to 1.6 percent in North Carolina). Since the employment recovery began in May 2020 North Carolina has performed better than the nation in terms of the overall recovery and the subsequent expansion (6.0 percent in North Carolina over the February 2020 count to 2.5 percent nationally).

	May-2023	Monthly Change	Annual Change	Recovery Change
North Carolina				
Establishment Employment	4,901,500	1.6%	2.4%	6.0%
Unemployment Rate	3.4%	0.0%	0.0%	-0.4%
United States				
Establishment Employment	156,105,000	2.6%	2.7%	2.5%
Unemployment Rate	3.7%	0.3%	0.1%	0.2%

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

Establishment Employment Detail

The industry breakdown of the 115,000 establishment employment growth in North Carolina over the previous year is shown in **Table 3**. Additionally, the table displays how each industry has fared since the March-April 2020 Covid slump.

Four industries in North Carolina experienced job losses over the past year: *Transportation, Warehousing, & Utilities* (down 2,300 or 1.2 percent), *Administrative & Waste Management* (down 300 or 0.1 percent), *State Government* (down 200 or 0.1 percent), and *Mining & Logging* (down 100 or 1.8 percent). In two of these sectors - *Mining & Logging* and *State Government* - the jobs that were lost during the 2020 recession have yet to be replaced.

During the past 12 months, employment increased in the remaining 17 sectors. Two industries were leaders in relative (percentage) terms: *Educational Services* (up 7.9 percent or 7,900 workers) and *Arts, Entertainment, & Recreation* (up 7.8 percent or 5,600 workers). There were three industries that gained more than 18,000 workers in the past year and together accounted for 53 percent

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



(62,500 workers) of North Carolina’s establishment employment growth. *Professional, Scientific, & Technical Services* increased by 18,800 workers (5.9 percent); *Health Care & Social Services* climbed 19,200 (3.5 percent); and *Accommodation & Food Services* increased by 24,500 (5.7 percent).

The employment that was lost because of the Covid-induced recession has not yet been made up in four of the 21 industries (Table 3). We have already indicated that two of them, *Mining & Logging* and *State Government*, saw job losses in the previous 12 months. *Local Government* and *Management of Companies* also have yet to recover but added jobs during this period. The two government sectors account for most job losses from the pandemic. While *State Government* is still

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

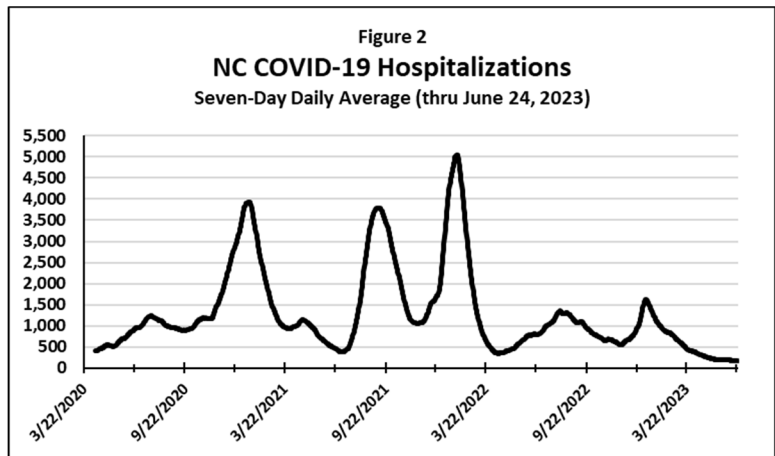
	May-23	May-22	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,901.5	4,786.5	115.0	2.4%	106.0%
Mining & Logging	5.5	5.6	-0.1	-1.8%	94.8%
Construction	250.5	246.2	4.3	1.7%	106.7%
Manufacturing Durable Goods	258.1	255.6	2.5	1.0%	100.3%
Manufacturing Nondurable Goods	219.3	218.0	1.3	0.6%	100.9%
Wholesale Trade	209.9	201.4	8.5	4.2%	111.6%
Retail Trade	524.8	519.0	5.8	1.1%	104.6%
Transportation, Warehousing, & Utilities	195.9	198.2	-2.3	-1.2%	117.7%
Information	84.2	81.1	3.1	3.8%	110.2%
Finance & Insurance	226.3	223.9	2.4	1.1%	115.9%
Real Estate & Rental Leasing	69.1	68.1	1.0	1.5%	110.0%
Professional, Scientific, & Technical Services	334.9	316.1	18.8	5.9%	124.0%
Management of Companies	83.5	82.0	1.5	1.8%	97.9%
Administrative & Waste Management	336.0	336.3	-0.3	-0.1%	112.3%
Educational Services	108.3	100.4	7.9	7.9%	111.2%
Health Care & Social Services	568.7	549.5	19.2	3.5%	107.0%
Arts, Entertainment, & Recreation	77.5	71.9	5.6	7.8%	102.4%
Accommodation & Food Services	451.8	427.3	24.5	5.7%	101.0%
Other Services	173.4	167.4	6.0	3.6%	103.3%
Federal Government	78.7	75.8	2.9	3.8%	104.9%
State Government	198.6	198.8	-0.2	-0.1%	95.1%
Local Government	446.5	443.9	2.6	0.6%	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.

10,300 jobs short of its February 2020 objective, *Local Government* is 16,000 jobs behind. Losses in *Mining & Logging* (down 300) and *Management of Companies* (down 1,800) are far less severe.

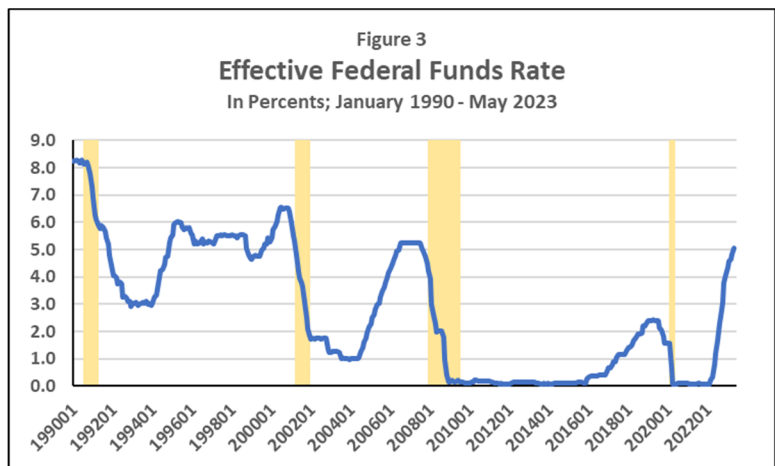
The Economy and Covid

The Covid virus continues to have a diminishing impact upon the economy. For example, North Carolina Covid-19 Hospitalizations have been on a continuous downtrend since the recent peak found in early January 2023 (see **Figure 2**). The current (June 24, 2023) seven-day average, at 166, is the lowest since the initial stages of the pandemic in 2020.



The Economic Outlook

On March 16, 2020, to minimize the impact of an expected recession, the Federal Funds Rate was lowered to its minimum range (0.00 to 0.25 percent), where it stayed for two years. On March 16, 2022, the Federal Reserve reversed policy to fight inflation and raised rates by 25 basis points to a range of 0.25 to 0.50 percent. This latter change was the first of 10 increases that were instituted at successive meetings. June 2023 marked the first meeting since the increases began where the Fed took no action, so the rate remained at the 5.00-5.25 percent range that was established in May 2023. **Figure 3** shows how the Effective Federal Funds Rate⁵ has changed since 1990 and that it nearly matches the level found prior to the great recession of 2008-2010. Still, it remains well below the 8.3 percent level found during 1990.



Even though the Federal Reserve did not raise the Federal Funds rate at its meeting in June, one or two rate increases by the Fed are anticipated by year's end. These steps are typically thought to be necessary if inflation does not continue to decline over the upcoming months. However, future rate increases are probably avoidable if inflation declines faster than anticipated. Lower inflation would also reduce the risk of a possible recession that would adversely impact the nation and North Carolina.

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⁵ The Effective Federal Funds Rate is the interest rate that banks pay for overnight borrowing in the federal funds market. It typically sits near the midpoint of the Federal Reserve's announced range.