



# Monthly Economic Update

March 2023

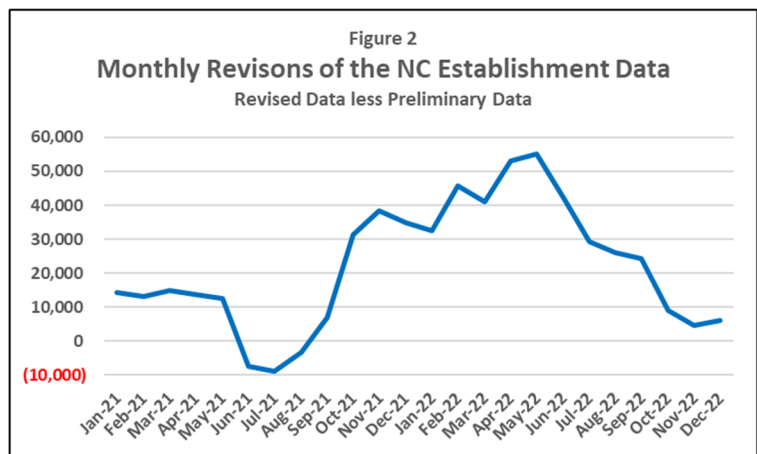
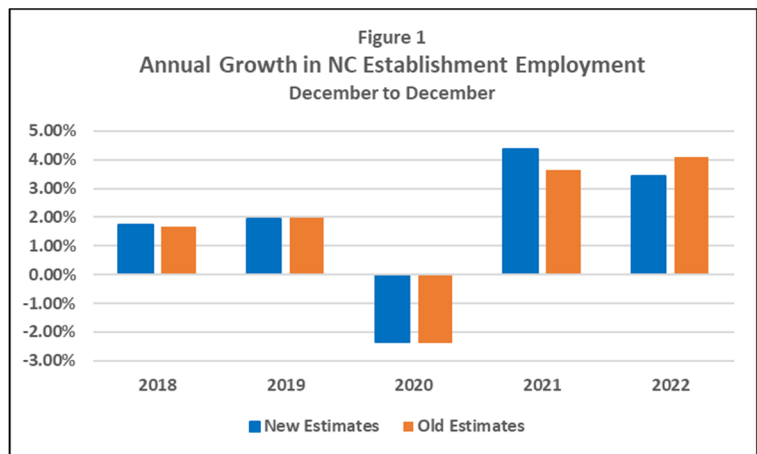
## Positive Revisions to NC Data and Continuing Growth

Establishment employment<sup>1</sup> growth in North Carolina is continuing to expand into the new year. The total count of jobs in February 2023 stands at 4,884,600. This count is up by 8,900 over the month, by 32,100 since the end of 2022, and by 258,700 since February 2020 the high-employment mark prior to the of the Covid crisis.

Since the last NCPRO Monthly Economic Update, the establishment data was revised back to January 2018. The revised data showed that there were 6,100 more jobs in December 2022, so at first glance one would be led to believe that the changes were small. However, a closer review of the data shows that the timing of the employment recovery and expansion had changed.

First, the most recent strength of the annual growth flipped between 2021 and 2022. The previous data suggested that establishment employment grew by 3.6 percent in 2021 and by 4.1 percent in 2022. The new data shows 4.4 percent growth in 2021 and 3.4 percent growth in 2022. **Figure 1** highlights this reversal in growth. Further, it shows that there were only minor changes in the 2018, 2019, and 2020 December updates (0.5 percent or less in each year).

**Figure 2** highlights the monthly revisions in 2021 and 2022. First, while the year-end total for 2021 increased by 34,900 over the previous estimate, there were three months during 2021 where estimated employment fell: June (by 7,400); July (by 8,900); and August (by 3,400). There were positive revisions to each month in 2022.



<sup>1</sup> 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 largest change in 2022 was in May (up by 55,100 over the previous estimate), while the smallest changes were in the final three months of the year: October (up 9,000); November (up 4,500); and December (up 6,100).

The Labor Force<sup>2</sup> data also was revised from 2018 to 2022. In general, the total labor force was smaller from January 2018 to August 2021, but was larger for the remainder of 2021 and all of 2022. The factors driving the large changes were found in the revisions to resident employment. Smaller changes were found in the number of unemployed and there was less consistency in the direction of the unemployment revisions. The resulting changes in the unemployment rate were mostly small for 2022. The rate was unchanged in two months, revised upwards in five months, and was relatively lower in five months - such as the year-end December 2022 rate that was 3.8 percent (down from 3.9 percent with the previous estimate).

Table 1 provides a snapshot of the latest labor force data in North Carolina. The February 2022 unemployment rate, at 3.6 percent, is up from one year ago (by 0.2 percent) but is down by 0.2 percent over the month. The major factor producing this change is the number of unemployed. This count dropped by 2.9 percent over the month and was up 6.2 percent over the year - both while the respective increases in resident employment were relatively small (by less than 0.5 percent in both comparisons).

Table 2 shows the relative strength of the (three year) recovery and expansion in North Carolina and the United States - as told by the labor force data. For the nation, resident employment is 0.3 percent higher (495,000 workers) than was found February 2020. At the same time, unemployment was up slightly (14,000 persons or 0.2 percent). The result was an unemployment rate that matched the pre-Covid level (of 3.8 percent in

**Table 1**  
**North Carolina's Labor Force**  
February 2023

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
<b>Feb-2023</b>	5,169,011	4,980,817	188,194	3.6%	60.4%
<b>Jan-2023</b>	5,166,668	4,972,875	193,793	3.8%	60.4%
<b>Feb-2022</b>	5,145,038	4,967,832	177,206	3.4%	61.1%

Monthly Change					
Absolute	2,343	7,942	-5,599	-0.2%	0.0%
Percent	0.05%	0.16%	-2.89%		

Annual Change					
Absolute	23,973	12,985	10,988	0.2%	-0.7%
Percent	0.47%	0.26%	6.20%		

**Table 2**  
**Changes in Labor Force Measures Since February 2020**  
February 2022

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
<b>North Carolina</b>					
Feb-2023	5,169,011	4,980,817	188,194	3.6%	60.4%
Change from Feb-2020	153,702	156,178	-2,476	-0.2%	-0.8%
Percent Change from Feb-2020	3.1%	3.2%	-1.3%		
<b>United States</b>					
Feb-2023	164,966,000	159,244,000	5,722,000	3.5%	62.3%
Change from Feb-2020	1,374,000	495,000	14,000	0.0%	-1.0%
Percent Change from Feb-2020	0.8%	0.3%	0.2%		

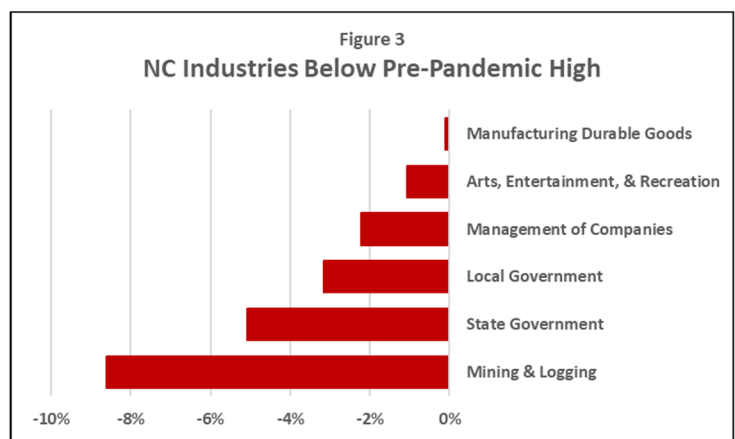
<sup>2</sup> The labor force totals come from a monthly household survey that estimates the number of employed and unemployed workers. A person is counted once, and the count is based upon where they reside. The unemployed worker must be actively seeking a job to be included in the overall count.



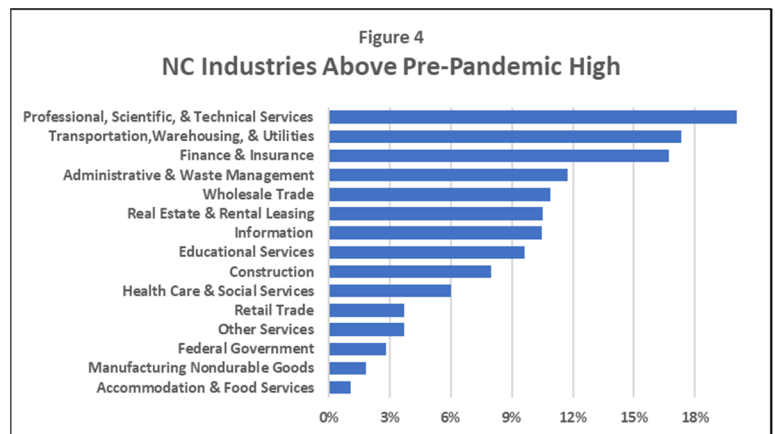
February 2020). The labor force participation rate (LFPR)<sup>3</sup> is down by 1.0 percent, suggesting that there remains a reluctance for some to return to active employment.

The North Carolina measures in **Table 2** suggest that its economy has outperformed that of the nation since the recession: Employment is 3.2 percent higher; unemployment is 1.3 percent lower; and the unemployment rate (currently at 3.6 percent) is down by 0.2 percent from its pre-Covid counterpart. As found in the nation, the LFPR remains lower than before the recession, but the gap in North Carolina is smaller - suggesting that relatively more of the new jobs were filled by persons reentering the labor force.

The February data shows that there are six industries in North Carolina that have not regained the employment lost due to the Covid crisis. These six sectors are pictured in **Figure 3** and are sorted by relative percentage loss, including: *Mining & Logging* (down -8.62%); *State Government* (down -5.07%); *Local Government* (down -3.16%); *Management of Companies* (down -2.23%); *Arts, Entertainment, & Recreation* (down -1.06%); and *Manufacturing Durable Goods* (down -0.12%). A review of the number of jobs lost shows that 87.8 percent of the loss is found in North Carolina’s two government sectors: *Local Government* (down 14,600) and *State Government* (down 10,600).



During February, there exist 15 sectors in the state that are above their respective pre-pandemic high (**Figure 4**). Five of these sectors exceed their February 2020 count by 1.1 percent to 3.7 percent; three are between 6.0 percent and 9.7 percent; and the remaining seven have climbed by more than 10.5 percent. *Professional, Scientific, & Technical Services* is the growth leader, having climbed by 22.1 percent over the period.



The 15 growing sectors gained a collective total of 287,400 jobs. Eight of these industries have expanded by more than 18,000 jobs and collectively account for 85.7 percent of the total growth. These industries include *Construction* (up 18,700 or 7.96%); *Retail Trade* (up 18,700 or 3.73%); *Wholesale Trade* (up 20,500 or 10.90%);

<sup>3</sup> The labor force participation rate (LFPR) is an estimate the percent of the eligible workforce who are employed or actively looking for work.

*Transportation, Warehousing, & Utilities* (up 28,800 or 17.31%); *Health Care & Social Services* (up 32,000 or 6.02%); *Finance & Insurance* (up 32,600 or 16.70%); *Administrative & Waste Management* (up 35,200 or 11.76%); and *Professional, Scientific, & Technical Services* (up 59,700 or 22.11%).

Over the past year, the state has gained 125,900 establishment employment jobs (up 2.6 percent). Seventeen of the sectors gained jobs over the February 2021 to February 2022 horizon, while four sectors lost employment. The most recent annual gains (losses) do not parallel what was found over the three-year horizon. **Table 3** provides a summary for the annual changes in total employment and by sector. It also presents “Percent Recovered”, which shows employment totals in relation to its February 2020 count.

As mentioned, four sectors lost employment. However, two of these sectors have exceeded their pre-pandemic count. These industries are *Retail Trade* (down 400 jobs or 0.1 percent) and *Transportation, Warehousing, & Utilities* (down 6,300 jobs or 3.1 percent). The other two industries that lost employment are *Mining & Logging* (down 200 or 3.6 percent) and *State Government* (down 2,300 or 1.1 percent).

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

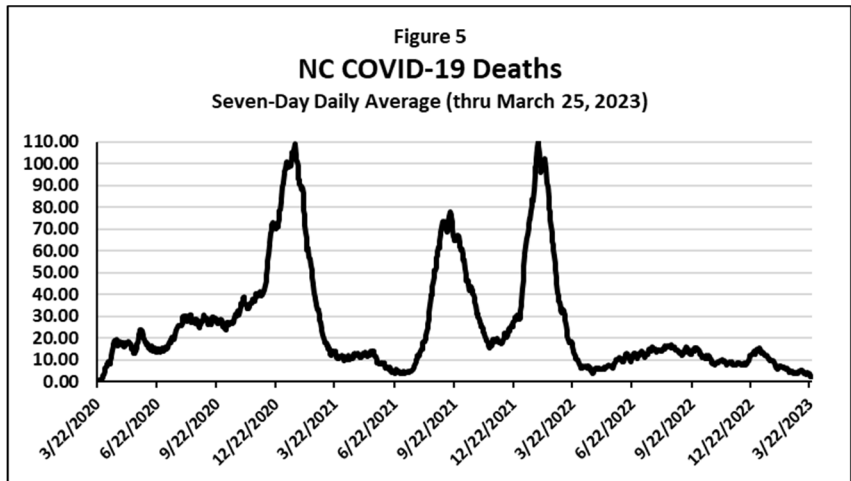
	Feb-23	Feb-22	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,884.6	4,758.7	125.9	2.6%	105.6%
Mining & Logging	5.3	5.5	-0.2	-3.6%	91.4%
Construction	253.5	244.9	8.6	3.5%	108.0%
Manufacturing Durable Goods	256.9	254.6	2.3	0.9%	99.9%
Manufacturing Nondurable Goods	221.3	217.8	3.5	1.6%	101.8%
Wholesale Trade	208.5	198.7	9.8	4.9%	110.9%
Retail Trade	520.2	520.6	-0.4	-0.1%	103.7%
Transportation, Warehousing, & Utilities	195.2	201.5	-6.3	-3.1%	117.3%
Information	84.4	79.6	4.8	6.0%	110.5%
Finance & Insurance	227.8	221.3	6.5	2.9%	116.7%
Real Estate & Rental Leasing	69.4	67.2	2.2	3.3%	110.5%
Professional, Scientific, & Technical Services	329.7	311.2	18.5	5.9%	122.1%
Management of Companies	83.4	82.3	1.1	1.3%	97.8%
Administrative & Waste Management	334.4	331.2	3.2	1.0%	111.8%
Educational Services	106.8	99.4	7.4	7.4%	109.7%
Health Care & Social Services	563.5	545.4	18.1	3.3%	106.0%
Arts, Entertainment, & Recreation	74.9	70.4	4.5	6.4%	98.9%
Accommodation & Food Services	452.1	422.3	29.8	7.1%	101.1%
Other Services	174.0	166.1	7.9	4.8%	103.7%
Federal Government	77.1	75.9	1.2	1.6%	102.8%
State Government	198.3	200.6	-2.3	-1.1%	94.9%
Local Government	447.9	442.2	5.7	1.3%	96.8%

\* 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.



The industry gainers over the past year are led by three sectors which account for approximately two-thirds of the increase. The largest gain in absolute and percentage terms over the past year was *Accommodation & Food Services* (up 29,800 or 7.1 percent). *Professional, Scientific, & Technical Services*, the leader in growth since the recession, was up 18,500 (5.9 percent) over the past year. The only other gain over 10,000 was found in *Health Care & Social Services*. This sector, which is the largest of the 21 defined in **Table 3**, gained 18,100 (up 3.3 percent).

The negative effects associated with the Covid virus continue to fall according to the latest numbers (March 25, 2023). The seven-day average number of cases, which most recently peaked at 2,498 in early January 2023, are now at 399. Hospitalizations, which are shown in **Figure 5** and where the most recent peak of 1,628 was also in early January this year, most recently stood at 431. Covid-related deaths, which have been as high as a seven-day average of 26, currently average less than 3 per day.



While a recurrence of the Covid crisis is not a likely threat to the economy, there remain headwinds on the horizon that could push the United States into recession - thereby negatively impacting North Carolina. Inflation remains a concern, meaning that interest rates could continue to climb. In fact, the Federal Reserve recently enacted the 9<sup>th</sup> increase in the past year on March 22, 2023. This new 4.8 percent midrange rate is the highest imposed since late 2007.

In addition to inflation, a potential national banking crisis materialized during March. While the bank problems were largely contained to a couple mis-managed institutions, the past rate hikes were a precipitating factor in their respective failures. Most banks are better managed, and the government and banking industry came together to avert other immediate failures. Still, the bank crisis is likely to make borrowing more difficult. On the other hand, at least in the short run, the crisis will likely slow inflation.

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 March 29, 2023