



Monthly Economic Update

March 2022

Revised Data and Moving Forward in 2022

The preliminary establishment employment data showed a healthy North Carolina economy in February 2022¹. The January to February increase of 22,400 jobs marked the fifth month in a row during which the establishment employment expanded. Further, last month's release of the annual benchmark revisions showed that the employment recovery progressed more rapidly than was previously believed. The new data suggests that the employment total first surpassed its pre-pandemic threshold in July 2021. During August and September 2021, total employment declined and pushed this measure slightly below the February 2020 threshold.

However, growth in October 2021

once again pushed employment above the February 2020 pre-pandemic high. October was also the month that began the current five-month growth streak.

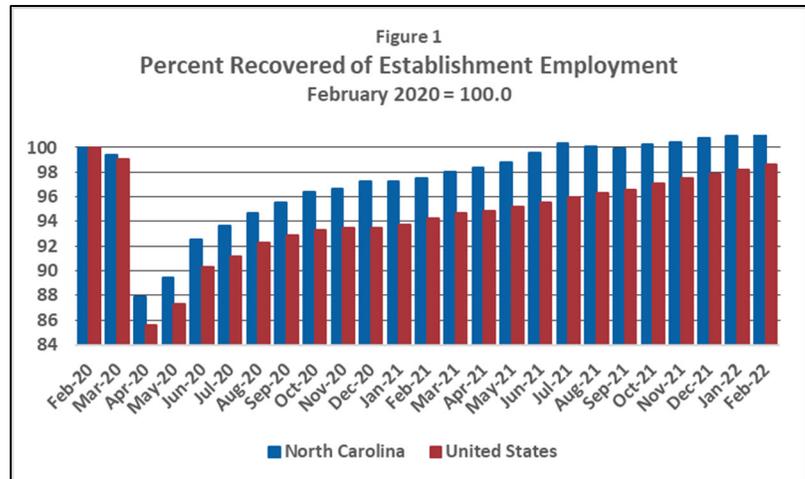


Figure 1 shows the progression of the establishment employment recovery in North Carolina and the nation relative to their respective pre-pandemic highs. Despite the pandemic's significant impact on North Carolinians, the revised data for the state and nation continued to indicate that the initial negative impact from the Covid-induced March-April 2020 recession was less severe in North Carolina than the rest of the country. North Carolina's establishment job count in April 2020 was 558.5 thousand jobs below its pre-Covid high (down 12.1 percent). The nation's establishment employment had dropped by 14.4 percent (21.991 million jobs) during the same period.

As mentioned above, the statewide economy first recovered in July 2021. This was 15 months since the end of the recession. In contrast, North Carolina's recovery from the 2008-2009 recession took 82 months. On the other hand, the nation recovered from the previous recession more quickly than the state. But, and as one can see in Figure 1, the number of establishment jobs in the nation continues to lag its pre-Covid high.

Figure 2 shows how unusual the past two years have been. From 2011 to 2019 establishment employment expanded (from December to December) by an average annual rate of 1.90 percent in North Carolina and by 1.67 percent in the nation. From December 2019 to December 2020, the total

¹ The establishment employment count comes from a survey of businesses and estimates the number of employees based upon where they work. If a person has two jobs, each job would be included in the total.

for the nation fell by 6.1 percent while the state declined by 2.4 percent. The change in 2021 was a 4.7 percent increase for the nation and a 3.6 percent rise for North Carolina. Despite rapid inflation, high oil prices, and the expected rise in interest rates, the nation and North Carolina economies should continue to expand in 2022. However, the rate of expansion expected this year will likely moderate from the 2020-2021 pace.

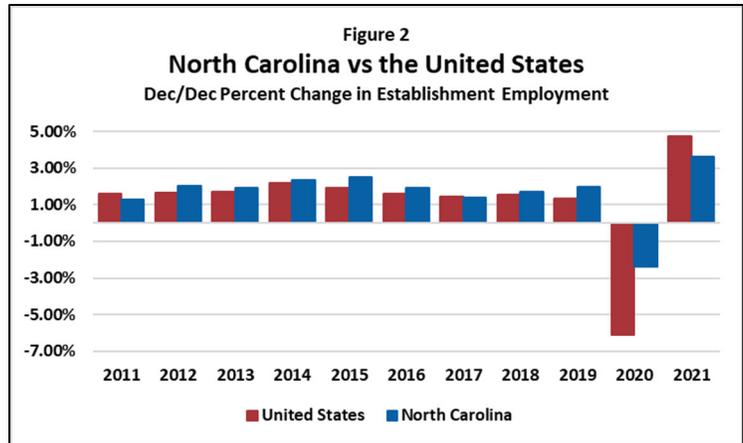


Table 1
North Carolina Establishment Employment
Employment is in Thousands

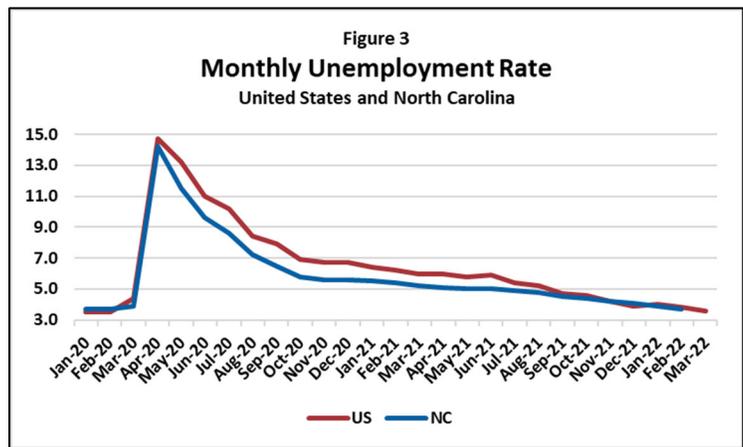
	Feb-22	Feb-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,688.0	4,505.4	182.6	4.1%	101.5%
Mining & Logging	5.5	5.6	-0.1	-1.8%	94.8%
Construction	240.1	235.9	4.2	1.8%	102.5%
Manufacturing Durable Goods	254.2	246.9	7.3	3.0%	98.8%
Manufacturing Nondurable Goods	214.0	213.2	0.8	0.4%	98.7%
Wholesale Trade	194.2	186.2	8.0	4.3%	103.2%
Retail Trade	517.7	511.1	6.6	1.3%	103.1%
Transportation, Warehousing, & Utilities	195.0	189.8	5.2	2.7%	117.6%
Information	79.7	74.5	5.2	7.0%	104.3%
Finance & Insurance	213.6	205.5	8.1	3.9%	109.5%
Real Estate & Rental Leasing	65.6	61.8	3.8	6.1%	104.3%
Professional, Scientific, & Technical Services	304.8	278.0	26.8	9.6%	113.1%
Management of Companies	75.8	77.3	-1.5	-1.9%	89.0%
Administrative & Waste Management	322.6	304.8	17.8	5.8%	107.6%
Educational Services	97.9	93.4	4.5	4.8%	100.2%
Health Care & Social Services	538.9	533.4	5.5	1.0%	101.4%
Arts, Entertainment, & Recreation	68.3	56.9	11.4	20.0%	90.2%
Accommodation & Food Services	422.4	377.4	45.0	11.9%	95.0%
Other Services	164.1	158.7	5.4	3.4%	97.3%
Federal Government	76.1	76.2	-0.1	-0.1%	101.5%
State Government	199.9	194.4	5.5	2.8%	96.9%
Local Government	437.6	424.4	13.2	3.1%	94.8%

* 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.

Still, North Carolina’s year-to-year change in February 2022 is higher than was found in December 2021. As can be seen in Table 1, the state has expanded by 4.1 percent from February 2021 to February 2022. This is an average of 15,200 jobs per month. Only three sectors have lost employment over the past year: *Management of Companies*; *Mining & Logging*; and *Federal Government*. The remaining 18 sectors have gained employment. Ten of these sectors have grown more slowly than the state, while 8 have expanded more quickly. Two sectors have grown at a double digit clip: *Accommodation & Food Services* by 11.9 percent and *Arts, Entertainment, & Recreation* by 20.0 percent.

In terms of absolute numbers, *Accommodation & Food Services* expanded by 45,000 positions and accounted for nearly one quarter of all the job gains. Four other sectors gained over 10,000 jobs: *Professional, Scientific, & Technical Services* (up 26,800); *Administrative & Waste Management* (up 17,800); *Local Government* (up 13,200); and *Arts, Entertainment, & Recreation* (up 11,400).

Although the state has surpassed its pre-pandemic employment total, this characteristic is not held across all sectors, as can be seen by numbers below 100 percent in the last column of Table 1. Nine sectors have yet to fully recover their pre-pandemic employment levels. The largest laggards are *Management of Companies* (down 11.0 percent) and *Arts, Entertainment, & Recreation* (down 9.8 percent). On the other hand, twelve sectors currently exceed their February 2020 total count. The growth leaders include *Administrative & Waste Management* (up 6.6 percent); *Finance & Insurance* (up 9.5 percent); *Professional, Scientific, & Technical Services* (up 13.1 percent); and *Transportation, Warehousing, & Utilities* (up 17.6 percent).



The labor force data for North Carolina also shows a healthy economy². The unemployment rate stood at 3.7 percent in February 2022. The level is identical to the rate found in January and February 2020, prior to the pandemic. It is well below the pandemic high of 14.2 percent (April 2020), moderately below the rate recorded in February 2021 (5.4 percent), and slightly below the rate found in January 2022 (3.9 percent).

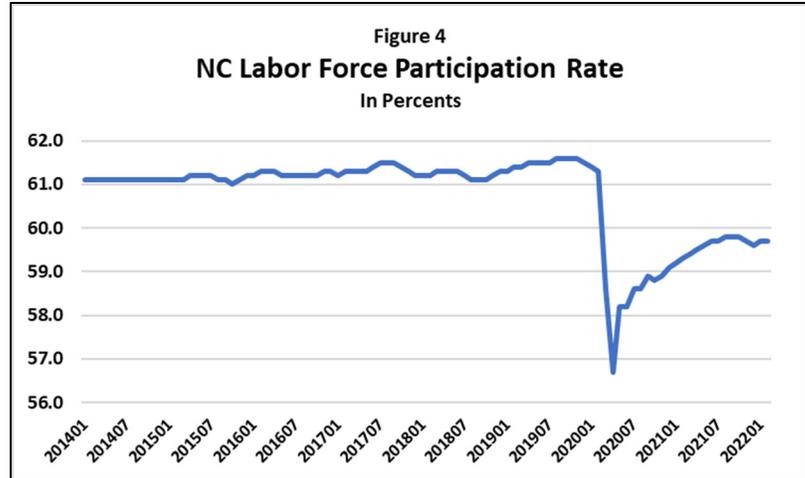
The unemployment rate for the nation also fell by 0.2 percent in February to 3.8 percent. Recently published data show that the national rate dropped by 0.2 percent once again between February and March³. Interestingly, if a 0.1 percent drop materializes in the North Carolina March data, which is

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

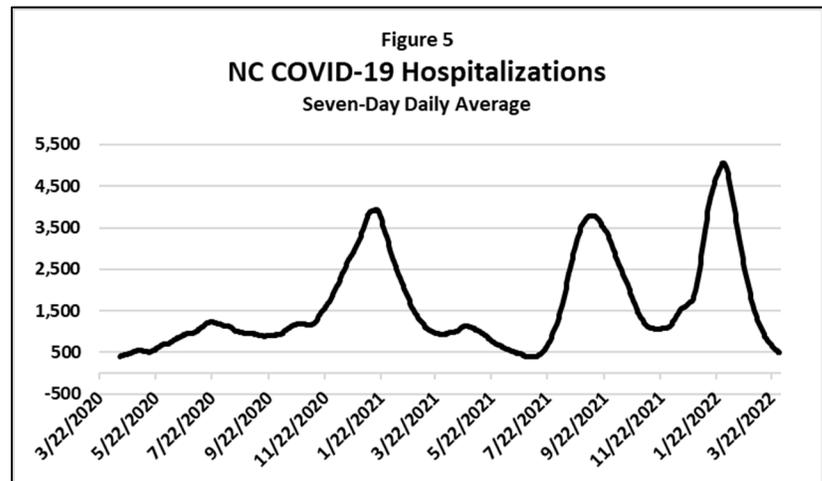
³ The availability of the national data precedes the state data by several weeks.

likely to happen since the state rate typically moves in the same direction as the nation, it will produce the lowest unemployment rate that the North Carolina has seen since early 2000. A comparison of the two rates since the beginning of 2020 is presented in Figure 3.

There is one shortcoming associated with the current labor force data - the drop in the labor force participation rate (LFPR). The LFPR, which is a gauge for the available supply of labor, is an estimate of the number of people in the working age population (Aged 15-64) who are employed or actively seeking employment in relation to the total non-institutionalized, civilian (non-military) working-age population. This ratio, which had held steady in North Carolina between 2014 and 2020, dropped from about 61.5 percent in late 2019 to a low of 56.7 percent in April 2020. The drop was due to the pandemic, as many workers dropped out of the labor force (for reasons such as taking care of kids or avoiding the disease). As one can see in Figure 4, the rate has yet to recover. If many of these individuals can be enticed to return to actively seek employment (i.e., getting the rate back to 61 percent or more), the supply of workers will increase and many of today’s vacant positions should be more easily filled.



Finally, we are slowly seeing good news regarding the negative consequence of the Covid virus in North Carolina. Cases and hospitalizations have been dropping. For example, Figure 5 shows that hospitalizations are at their lowest level since July 2021. If this trend continues and another outbreak can be avoided, the statewide economic outlook can continue to be strong - despite the global headwinds, such as high gas prices, inflation, and the uncertainty associated with the invasion of Ukraine.



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 April 1, 2022

