



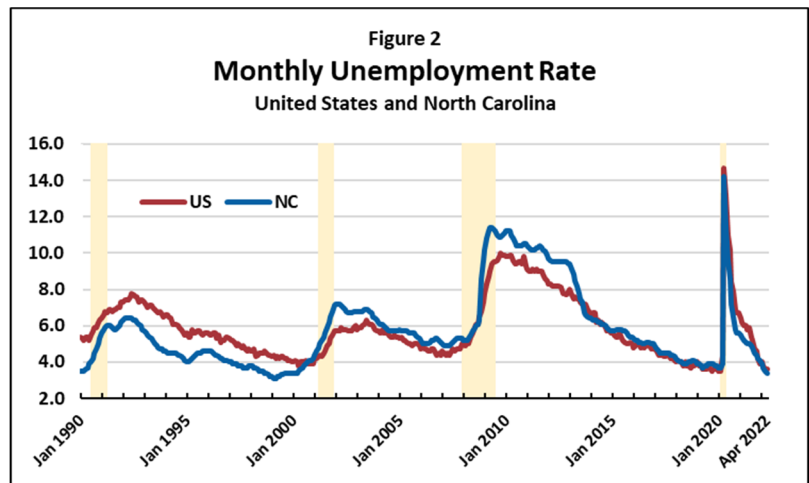
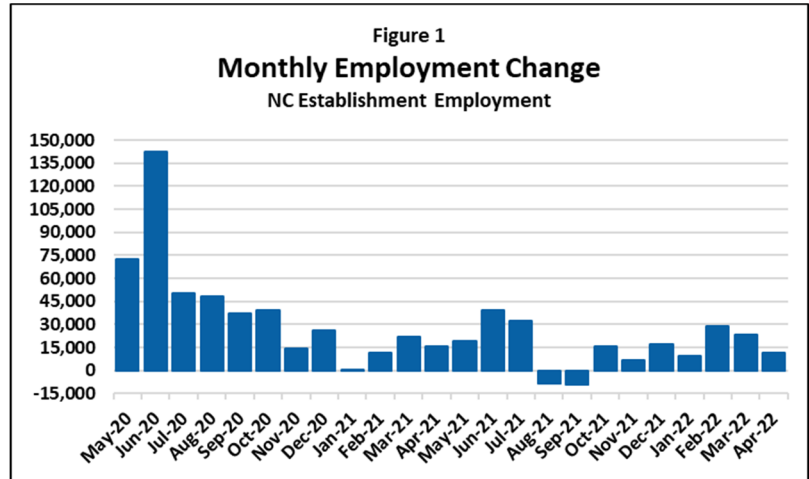
Monthly Economic Update

May 2022

North Carolina Continues to Grow, but Headwinds Exist

North Carolina's establishment employment climbed by 11,300 workers over the month to a count of 4,429,100 for April 2022.¹ This was the twenty-second monthly increase following the March-April 2022 Covid-induced recession and marked the seventh consecutive month of positive employment growth. The April increase is below the monthly average for the seven month period (just over 16,000 per month) and below the 26,000 average total realized during the previous two months (February and March 2022). Figure 1 provides the monthly changes in North Carolina since the current recovery and expansion began in May 2020.

The labor force numbers also suggest a healthy and growing North Carolina². Resident employment climbed by 30,300 over the month while the number of unemployed persons dropped by 3,900. These changes pushed the unemployment rate down to 3.4 percent, the lowest since March 2000 (see Figure 2). The labor force participation rate, which is the percentage of the working-age population with a job or looking for one, climbed over 60 percent for the first time in over two years. Still, at 60.1 percent this economic indicator is below its pre-Covid rate (61.3 percent in February 2020).

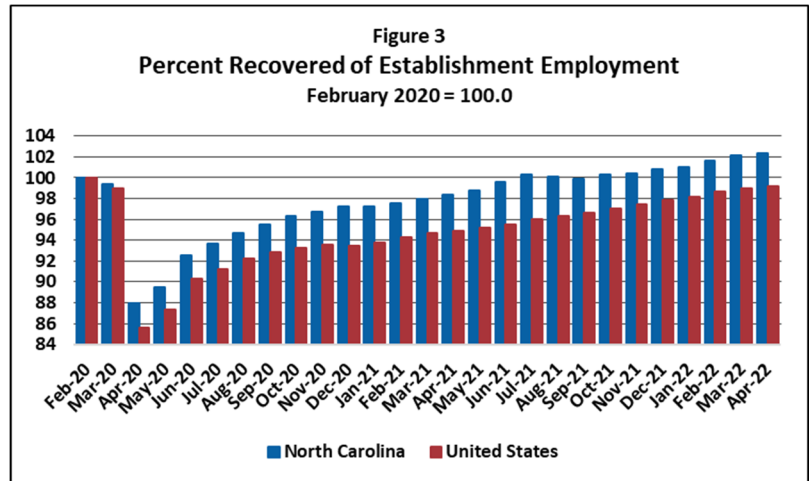


¹ The establishment employment count comes from a survey of businesses and estimates the number of employees based upon where they work. If a person has two jobs, each job would be included in the total.

² The labor force totals come from a household survey which 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.

Figure 2 also provides a long term view of the unemployment rate for North Carolina in relation to its national counterpart. At times, the statewide rate was lower than the national rate, as seen in the 1990s. At other times the reverse held true, such as the current period following the pandemic slowdown. The monthly rates were nearly identical between late 2013 and the 2020 recession. For the month of April 2022, the US unemployment rate (at 3.6 percent) was slightly higher than the one for North Carolina (3.4 percent).

The relatively higher US rate in April and for most months (24 of the 26) since the 2020 pandemic-induced recession began is consistent with what we see in the establishment employment data. As can be seen in Figure 3, North Carolina’s employment was not hit as hard as the rest of the nation, and the state recovered its lost employment during late 2021. The nation has yet to fully recover, as job totals for April 2022 remain 1.19 million (0.78 percent) below the national pre-covid peak.



Over the past year, establishment employment in North Carolina grew by 185,600 jobs (4.1 percent). This is an average of 15,500 jobs per month and puts the state total count 2.35 percent above the February 2020 level. The trend in the increase is presented above in Figure 3 and the sector totals are presented in Table 1 on the next page.

Thirteen sectors have surpassed their respective February 2020 total and are in an economic expansion. This is one more industry than was seen in March, as *Manufacturing Durable Goods* exceeded this hurdle in April. Four sectors have surpassed the pre-pandemic high by more than 10 percent. These industries include *Transportation, Warehousing, & Utilities* (16.9 percent); *Professional, Scientific, & Technical Services* (15.0 percent); *Finance & Insurance* (11.5 percent); and *Administrative & Waste Management* (10.1 percent).

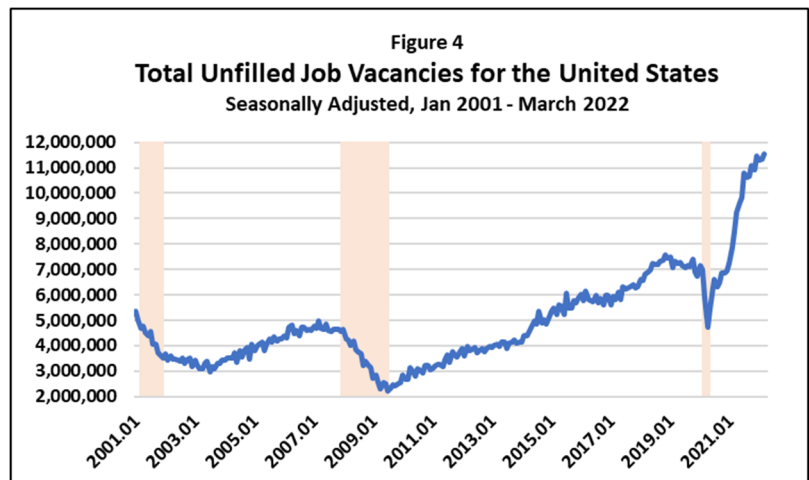
Seventeen of the twenty-one sectors grew over the past year. This is one fewer than was found in March. *Construction* employment, which was 6,500 above the previous year total in March 2022 but lost 5,900 workers over the month, was two hundred below its previous year total in April 2022. On the positive side, four of the seventeen sectors have each added over 10,000 workers. These include *Accommodation & Food Services* (up 42,900 or 11.2 percent); *Administrative & Waste Management* (up 26,400 or 8.7 percent); *Professional, Scientific, & Technical Services* (up 25,800 or 9.1 percent); and *Local Government* (up 10,200 or 2.4 percent). Two of these sectors, *Accommodation & Food Services* and *Local Government*, have yet to recover the employment that they lost during the pandemic-induced downturn.

Table 1
North Carolina Establishment Employment
 Employment is in Thousands

	Apr-22	Apr-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,729.1	4,543.5	185.6	4.1%	102.4%
Mining & Logging	5.5	5.7	-0.2	-3.5%	94.8%
Construction	238.3	238.5	-0.2	-0.1%	101.7%
Manufacturing Durable Goods	256.4	247.7	8.7	3.5%	99.6%
Manufacturing Nondurable Goods	217.3	212.9	4.4	2.1%	100.2%
Wholesale Trade	196.3	187.7	8.6	4.6%	104.4%
Retail Trade	516.4	510.3	6.1	1.2%	102.8%
Transportation, Warehousing, & Utilities	193.9	190.2	3.7	1.9%	116.9%
Information	81.4	75.7	5.7	7.5%	106.5%
Finance & Insurance	217.4	207.9	9.5	4.6%	111.5%
Real Estate & Rental Leasing	67.4	62.7	4.7	7.5%	107.2%
Professional, Scientific, & Technical Services	310.0	284.2	25.8	9.1%	115.0%
Management of Companies	75.3	76.9	-1.6	-2.1%	88.4%
Administrative & Waste Management	330.2	303.8	26.4	8.7%	110.1%
Educational Services	100.4	93.9	6.5	6.9%	102.8%
Health Care & Social Services	541.9	534.2	7.7	1.4%	101.9%
Arts, Entertainment, & Recreation	69.2	59.7	9.5	15.9%	91.4%
Accommodation & Food Services	426.6	383.7	42.9	11.2%	96.0%
Other Services	166.9	160.2	6.7	4.2%	98.9%
Federal Government	76.1	76.6	-0.5	-0.7%	101.5%
State Government	201.3	200.3	1.0	0.5%	97.6%
Local Government	440.9	430.7	10.2	2.4%	95.5%

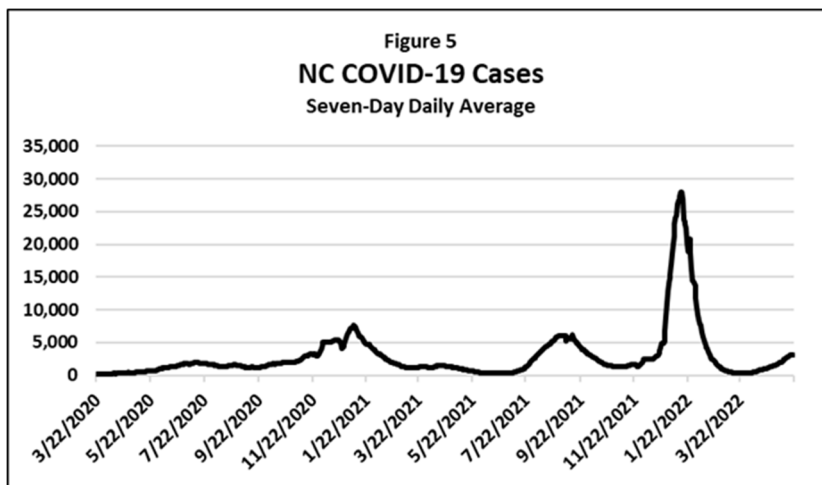
* Percent Recovered in relation to February 2020. This month was the peak of the recent business cycle and the month before the March 2020-April 2020 pandemic recession began.

The latest data on national Total Unfilled Job Vacancies from the Federal Reserve demonstrate the continued difficulty that employers have in filling positions (see Figure 4). After the sharp decline in vacancies during the March-April 2020 recession, unfilled vacancies quickly escalated to record levels and then continued upon an upwards trajectory. The rise in vacancies is the result of both supply and demand influences in the labor market. The booming economy and the rollback of many coronavirus restrictions have helped make business optimistic about the future and their thoughts of expansion (i.e., increasing labor demand). At the same time workers are slow to return to the labor force for a variety of reasons from ongoing health concerns to their search for better salaries and opportunities (i.e., slowing the growth in labor supply).



Headwinds remain on the horizon regarding growth and inflation. The recently released NABE Outlook (May 2022)³ showed that the panelists continued to boost their expectations for inflation and reduce their forecast for economic growth for both 2022 and 2023. The current 2022 estimate for the Consumer Price Index (CPI) calls for a 7.0 percent annual average for inflation. The annual average for this year’s economic growth, as measured by the Real Gross Domestic Product (GDP), has fallen from a 3.9 percent projection in December 2021 to a forecast of 2.6 percent in May 2022. Inflation for 2023 is forecasted to fall to 3.1 percent, while 2023 economic growth is expected to remain about the same as 2022. The major downside risks that could make matters worse include monetary policy missteps, the war in Ukraine producing a global slowdown in growth, and the on-going supply chain bottlenecks.

Finally, we must note that Covid cases are once again on the rise in North Carolina (Figure 5). While the cases remain well below the January 2022 peak, the new infections are slowly approaching the levels of the first two peaks. Although the death rate remains low, hospitalizations are rising slightly. This rising case rate, along with requirements of people returning to their offices, is increasing the hesitancy of many to return to the labor force - thereby producing another headwind for economic recovery and expansion in North Carolina and the nation.



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³ NABE Outlook Survey, May 2022, https://nabe.com/NABE/Surveys/Outlook_Surveys/May-2022-Outlook-Survey-Summary.aspx

