Monthly Economic Update

November 2022

Still Growing, but not as Quickly

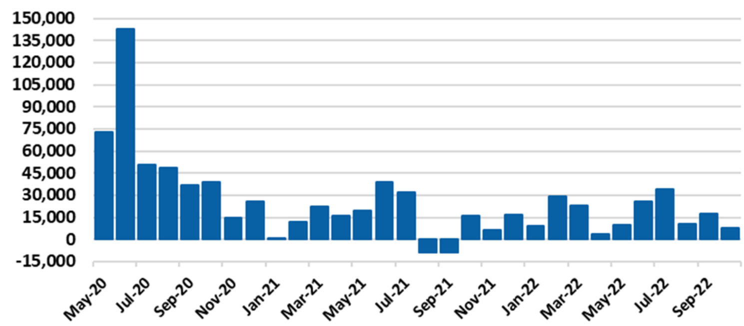
Establishment employment[1] in North Carolina increased by 7,900 jobs between September and October 2022. This was the 28th increase in the past 30 months and marked the 13th consecutive month with expanding employment.

Figure 1 provides a picture of the 30 monthly changes since May 2020, when the economy began its rebound from the March-April 2020 pandemic-induced recession. October 2021 was the first month of growth in the most recent 13-month period and simultaneously marked the month when North Carolina's employment permanently advanced beyond its pre-recession high (4,620,400 in February 2020).

Figure 1

Monthly Employment Change

NC Establishment Employment (May 2020 - October 2022)



North Carolina has averaged 16,200 new workers per month since October 2021. The largest increase during this period was in July 2022, when the total grew by 33,900. As mentioned earlier, during this latest reporting period jobs grew by only 7,900. Fewer jobs were created in only two months during this growth cycle: April 2022 (3,400 jobs) and November 2021 (6,500 jobs).

Table 1

North Carolina's Labor Force

October 2022

	Labor Force	Employed	Unemployed	Unemployment Rate(%)	Labor Force Participation Rate(%)
Oct-2022	5,127,734	4,933,609	194,125	3.8%	60.5%
Sep-2022	5,128,100	4,943,919	184,181	3.6%	60.6%
Oct-2021	4,997,228	4,779,257	217,971	4.4%	59.8%
Monthly Change	-366	-10,310	9,944	0.2%	-0.1%
	-0.01%	-0.21%	5.40%		
Annual Change	130,506	154,352	-23,846	-0.6%	0.7%
	2.6%	3.2%	-10.9%		

The data in **Table 1** demonstrate weakness in North Carolina's labor force.[2] North Carolina employment dropped by 10,310 in October 2022. This marked the second month in a row that employment fell, but the fall was much greater than the drop in September (down 900). September and October 2022 are the only two months that employment has fallen since the recovery cycle began in May 2020. The rise in the number of unemployed during October (9,944) marked the third consecutive month

[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.

[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.

Table 2

North Carolina Establishment Employment
Annual Changes and Overall Recovery

Employment is in Thousands

	Oct-22	Oct-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,827.4	4,632.5	194.9	4.2%	104.5%
Mining & Logging	5.5	5.5	0.0	0.0%	94.8%
Construction	249.3	237.5	11.8	5.0%	106.4%
Manufacturing Durable Goods	259.3	252.7	6.6	2.6%	100.7%
Manufacturing Nondurable Goods	217.9	211.8	6.1	2.9%	100.5%
Wholesale Trade	200.5	192.3	8.2	4.3%	106.6%
Retail Trade	510.0	511.2	-1.2	-0.2%	101.6%
Transportation,Warehousing, & Utilities	198.3	191.7	6.6	3.4%	119.6%
Information	82.8	79.7	3.1	3.9%	108.4%
Finance & Insurance	220.2	212.0	8.2	3.9%	112.9%
Real Estate & Rental Leasing	64.7	63.5	1.2	1.9%	102.9%
Professional, Scientific, & Technical Services	321.5	295.2	26.3	8.9%	119.3%
Management of Companies	77.9	75.8	2.1	2.8%	91.4%
Administrative & Waste Management	346.0	313.7	32.3	10.3%	115.4%
Educational Services	100.0	95.7	4.3	4.5%	102.4%
Health Care & Social Services	562.3	534.8	27.5	5.1%	105.8%
Arts, Entertainment, & Recreation	70.5	66.7	3.8	5.7%	93.1%
Accommodation & Food Services	439.2	410.8	28.4	6.9%	98.8%
Other Services	172.9	164.1	8.8	5.4%	102.5%
Federal Government	76.6	76.2	0.4	0.5%	102.1%
State Government	197.6	201.9	-4.3	-2.1%	95.8%
Local Government	454.4	439.7	14.7	3.3%	98.4%

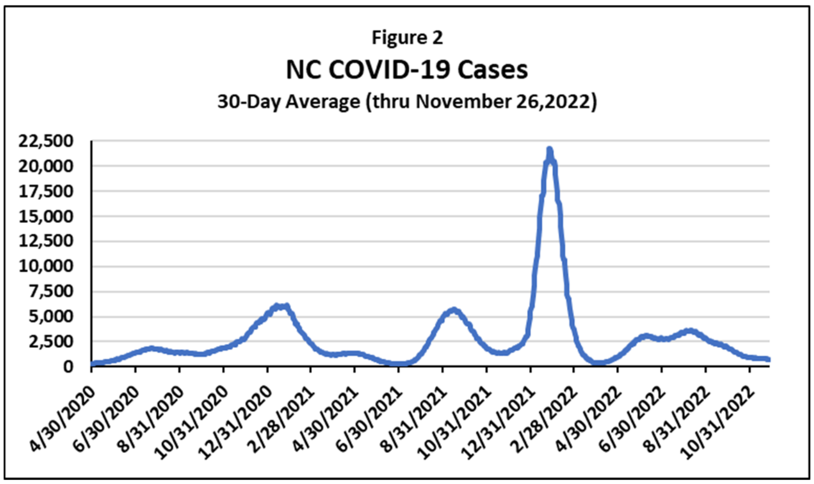
* Percent Recovered in relation to February 2020. This month was the peak of the recent business cycle and the month before the March 2020-April 2020 pandemic recession began.

that the unemployment rolls increased. The changes in employment and unemployment caused the unemployment rate to climb by 0.2 percent to 3.8 percent of the labor force. The climbs in the number of unemployed and in the unemployment rate were both the largest since the March-April 2020 recession. Still, the unemployment rate is 0.6 percent below the year-ago rate (4.4 percent in October 2021) and well under the recessionary peak (14.2 percent in April 2020).

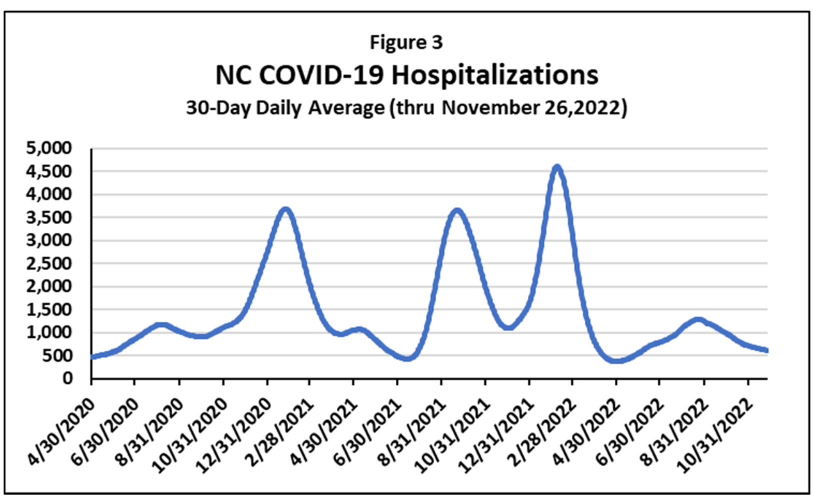
Table 2 provides an overview of the sectoral distribution of establishment employment growth during the past year. The table also identifies the progress of each industry as it relates to its employment recovery following the Covid-induced recession, in the column Percent Recovered. This column shows that six industries in North Carolina realize current employment below their respective February 2020 pre-pandemic high (i.e., less than 100 percent).

The industries that are below the pre-pandemic high in October 2022 include *Management of Companies* (91.4 percent recovered or down 8.6 percent or 7,300 workers); *Arts, Entertainment, & Recreation* (down 6.9 percent or 5,200 workers); *Mining & Logging* (down 5.2 percent or 300 workers); *State Government* (down 4.2 percent or 8,600 workers); *Local Government* (down 1.6 percent or 7,300 workers); and *Accommodation & Food Services* (down 1.2 percent or 5,200 workers). Moreover, the October numbers showed a major reversal for *Arts, Entertainment, & Recreation* (*AER*). September's preliminary estimates suggested a complete recovery in the number of lost jobs. However, the new estimates show *AER*'s continuing struggle to bring jobs back to pre-Covid totals.

Over the past year nineteen sectors have maintained or increased employment. Seventy percent of the increase is found in six industries that gained more than 11,000 workers. These growth leaders include *Administrative & Waste Management* (up 32,300 or 10.3 percent); *Accommodation & Food Services* (up 28,400 or 6.9 percent); *Health Care & Social Services* (up 27,500 or 5.1 percent); *Professional, Scientific, & Technical Services* (up 26,300 or 8.9 percent); *Local Government* (up 14,700 or 3.3 percent); and *Construction* (up 11,800 or 5.0 percent).



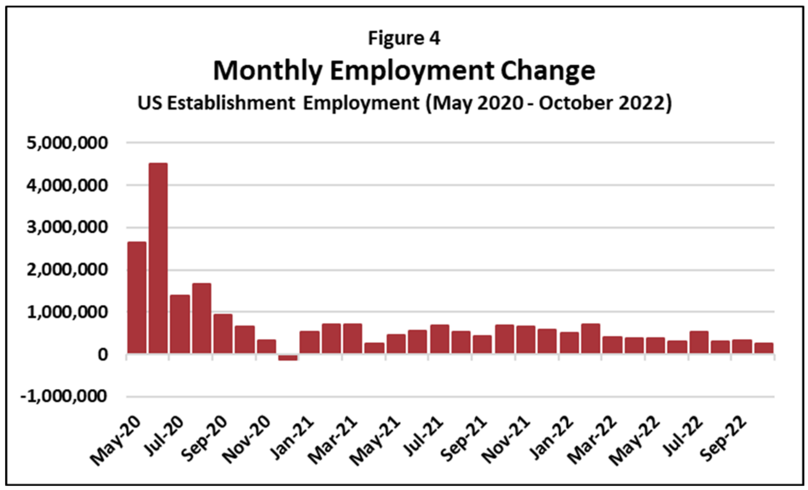
Two sectors lost employment between October 2021 and October 2022. *State Government* was down by 4,300. This was a drop of 2.1 percent to an October 2022 total of 197,800. *Retail Trade*, which has 510,000 employees, was down by 1,200 jobs over the period. The drop was only 0.2 percent.

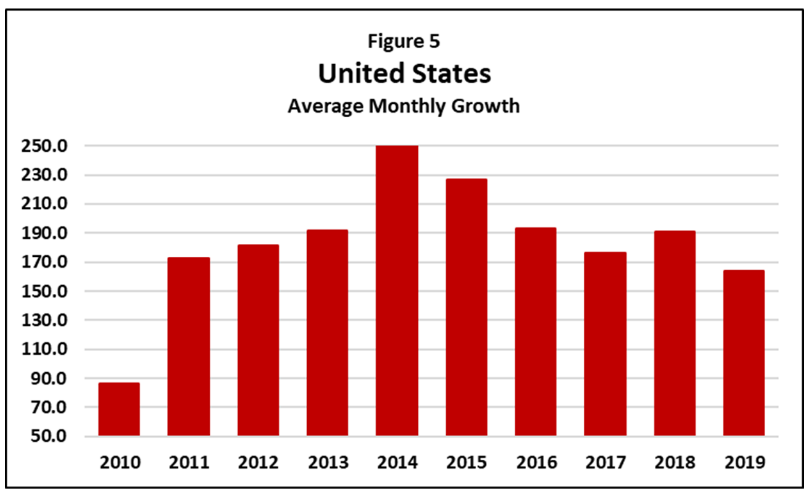


Covid 19 continues to impact North Carolina although the numbers continue to improve (see **Figure 2** and **Figure 3**). As of November 26, the thirty-day case average was 739, down 239 from the same day in October, but approximately double the minimum found in 2022 (359 average on April 3, 2022). Hospitalizations, which averaged 614 on November 26, are also below their previous month's total (down 125 since October 26). The latest total remains above its 2022 minimum (373 on May 1, 2022). Deaths, which averaged 3.97 persons over the latest thirty-day period, are the lowest 30-day average for the year – showing the ability of the healthcare system to minimize the incidences of death for Covid victims.

While the threat of Covid is having a diminishing impact on the economy, it remains a concern. Fortunately, the new vaccines minimize the possibilities that cases or hospitalizations will return anywhere near the record levels shown in the graphs.

The national economy continues to expand, but many economists continue to believe that signs still point to a recession in the coming year. For example, the latest Business Conditions Survey from the National Association for Business Economics (NABE) indicate that 52 percent of their panelists expect that the United States will enter a recession in the next twelve months[3]. However, a recession is not guaranteed. If a recession materializes, however, the North Carolina economy will not be immune to its negative impacts.





We are seeing weakness in some of the national economic measures. The labor force employment dropped by 328,000 during October 2022 while at the same time the unemployment rolls expanded by 306,000. These changes constituted the first time in the recovery cycle (since May 2020) that employment has fallen while unemployment has risen. The result was a 0.2 percent climb in the unemployment rate to 3.7 percent. Establishment employment, which is pictured in **Figure 4**, climbed at its slowest pace in twenty-two months (since January 2021 when employment fell by 115,000).

The October 2022 increase in establishment employment, at 261,000 workers, needs to be put into perspective. While it is relatively weak for this recovery, it is strong by historical standards.

Following the December 2007 - June 2009 recession, the economy grew for 128 consecutive months until the Covid-induced recession began. According to the National Bureau of

[3] October 2022 NABE Business Conditions Survey, National Association for Business Economics, October 24, 2022.

Economic Research, this was the longest expansion in US history[4]. However, during the ten years between the two recessions employment growth averaged only 183,300 per month during those years – well below the October 2022 count. In fact, from 2010 to 2019 no single yearly monthly average exceeded the October total (see **Figure 5**) of 261,000.

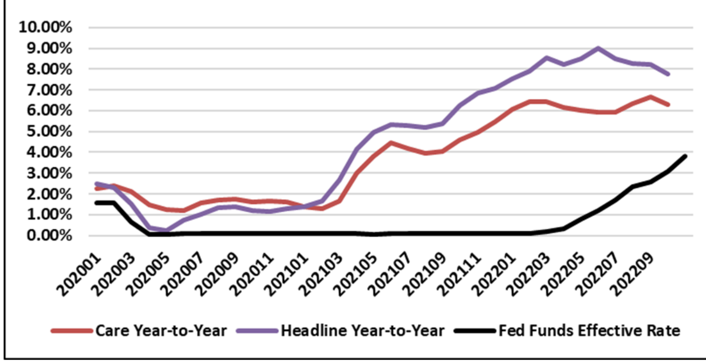
The largest headwind continues to be inflation. Not only is inflation persistently high, but it also remains uncertain that the Federal Reserve (Fed) will be able to contain the rising prices without throwing the economy into a new recession.

The most closely watched tool that the Fed uses to control inflation is the federal funds rate. It is the interest rate that banks and other depository institutions charge each other for overnight loans. Changes to the federal funds rate directly impact the interest rates that banks charge for business and consumer loans. Higher interest rates generally slow the economy and the pace of inflation.

Figure 6 shows that inflation, as defined by the Consumer Price Index, was generally at or below the Fed's inflation target (2.0 percent) when the pandemic began. A variety of issues – including supply chain constraints and increasing oil prices – caused inflation to accelerate over the past year. Initially, the Fed believed that inflation was short-term. It took until March 2022 for the Fed to finally intervene with higher rates. It has raised the target range six times in 2022 – from 0.00-0.25 percent to the current range of 3.75-4.00 percent. Before the end of 2022, there will likely be an additional increase in the target range (probably to 4.25-4.50).

Figure 6

Inflation and the Federal Reserve



The Federal Reserve sets the interest rates at which banks borrow and lend funds. This affects the entire economy – from credit cards to what the county pays for its debt. Higher interest rates, as we have been seeing recently, negatively affect debtors and generally slow the economy, but the effect is not immediate. There is typically a lag before the higher interest rates slow inflation. The key over the coming months is whether the Fed can thread the needle – by increasing interest rates to a point where inflation subsides but the economies of the nation and North Carolina do not fall into a recession.

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[4] US Business Cycle Expansions and Contractions, National Bureau of Economic Research, https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions