

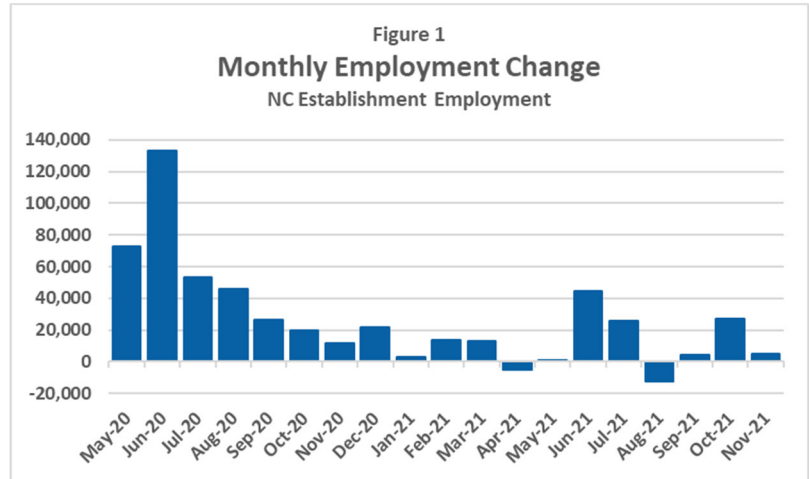


Monthly Economic Update

December 2021

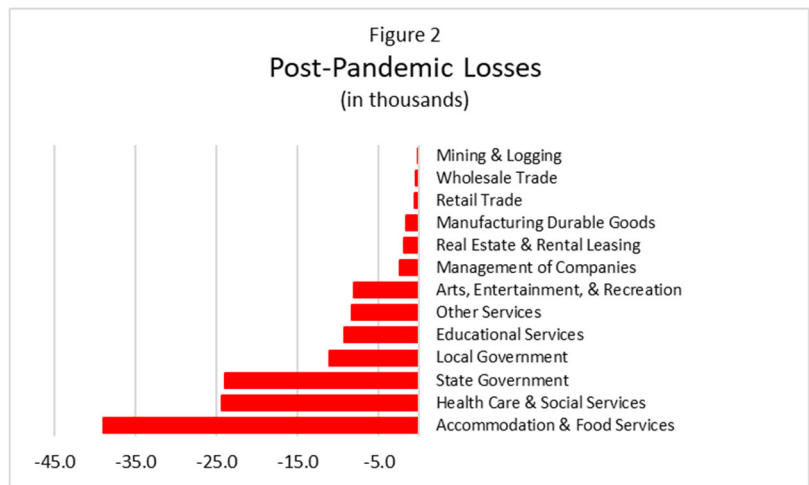
The Recovery Continues, but COVID Reemerges...Again

North Carolina’s total establishment employment climbed to 4,555,600 in November¹. This was 5,100 employees above the downwardly revised October 2021 total of 4,550,500. This relatively modest November increase in establishment employment jobs continues the uneven recovery that North Carolina has endured since the massive dislocation of economic activity caused by the COVID shutdown (when jobs declined 12.4 percent or 575,200 between February 2020 and April 2020). For 2021, the state has averaged an increase of approximately 10,900 jobs per month. If this pace holds in December, North Carolina will realize 130,700 new establishment jobs in calendar year 2021, which would be close to a 3.0 percent increase over 2020. Since the turn of the century, only 2006 has realized stronger growth (154,000 increase equating to a 3.9 percent increase).



The November establishment employment estimate leaves the state 71,000 jobs (1.5 percent) short of its February 2020 pre-pandemic high. At the same time, the nation is 2.6 percent below its pre-pandemic baseline. This rate equates to 3.9 million jobs nationwide.

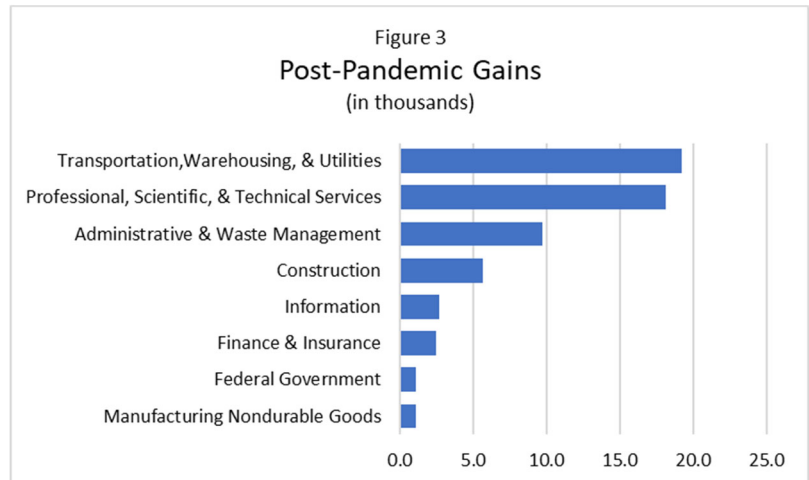
The 19-month recovery also has been uneven across industries. In fact, currently 13 of the 21 industry sectors that we regularly follow are below their respective February 2020 job count. These industries, sorted by the number of lost jobs, are shown in Figure 2.



Three sectors account for 67 percent (87,400 jobs) of the losses. These sectors include *Accommodation & Food Services* (39,000 jobs); *Health Care &*

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.

Social Services (24,400 jobs); and *State Government* (24,000 jobs). The next four sectors hold 28 percent (36,800 jobs) of the losses. These sectors are comprised of *Local Government* (11,100 jobs); *Educational Services* (9,300 jobs); *Other Services* (8,300 jobs); and *Arts, Entertainment, & Recreation* (8,100 jobs). The remaining 6 sectors account for only 5 percent of the losses. Plus, *Retail Trade* and *Mining & Logging* have appeared in the positive ledger during previous months.



It is important to point out that the loss-rankings change when we compare percentage losses. *State Government* is the number one sector, down 11.6 percent. *Arts, Entertainment, & Recreation* is second, remaining 10.5 percent below its pre-pandemic high. Next is *Education Services*, down 9.4 percent. The industry which has lost the largest number of jobs, *Accommodation & Food Services*, comes in 4th and is down 8.8 percent.

On the positive side, eight industry sectors are above their pre-pandemic count. The top two in absolute terms are also at the top of the list in terms of percentage gain. *Transportation, Warehousing, & Utilities* leads the way, as it is up by 11.6 percent and 19,200 jobs. Next is *Professional, Scientific, & Technical Services*. It is up 6.7 percent and 18,100 jobs.

Table 1 provides an overview of the entire industry detail and where the state and each of its industry stand as on November 2021. These totals were used to prepare the previous two charts.

The US unemployment rate dropped 0.4 percent over the month, from 4.6 percent to 4.2 percent. The North Carolina rate only dropped

Table 1
North Carolina Establishment Employment
Employment is in Thousands

	Nov-21	Feb-20	Change since February 2020	Percent Recovered*
Total Establishment Employment	4,555.6	4,626.6	-71.0	98.5%
Mining & Logging	5.7	5.8	-0.1	98.3%
Construction	241.5	235.8	5.7	102.4%
Manufacturing Durable Goods	255.8	257.4	-1.6	99.4%
Manufacturing Nondurable Goods	218.6	217.5	1.1	100.5%
Wholesale Trade	187.8	188.2	-0.4	99.8%
Retail Trade	501.8	502.3	-0.5	99.9%
Transportation, Warehousing, & Utilities	185.1	165.9	19.2	111.6%
Information	78.9	76.2	2.7	103.5%
Finance & Insurance	197.8	195.3	2.5	101.3%
Real Estate & Rental Leasing	60.7	62.6	-1.9	97.0%
Professional, Scientific, & Technical Services	287.1	269.0	18.1	106.7%
Management of Companies	82.8	85.2	-2.4	97.2%
Administrative & Waste Management	312.8	303.1	9.7	103.2%
Educational Services	89.6	98.9	-9.3	90.6%
Health Care & Social Services	508.9	533.3	-24.4	95.4%
Arts, Entertainment, & Recreation	69.1	77.2	-8.1	89.5%
Accommodation & Food Services	406.2	445.2	-39.0	91.2%
Other Services	161.2	169.5	-8.3	95.1%
Federal Government	76.1	75.0	1.1	101.5%
State Government	182.3	206.3	-24.0	88.4%
Local Government	445.8	456.9	-11.1	97.6%

* 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.



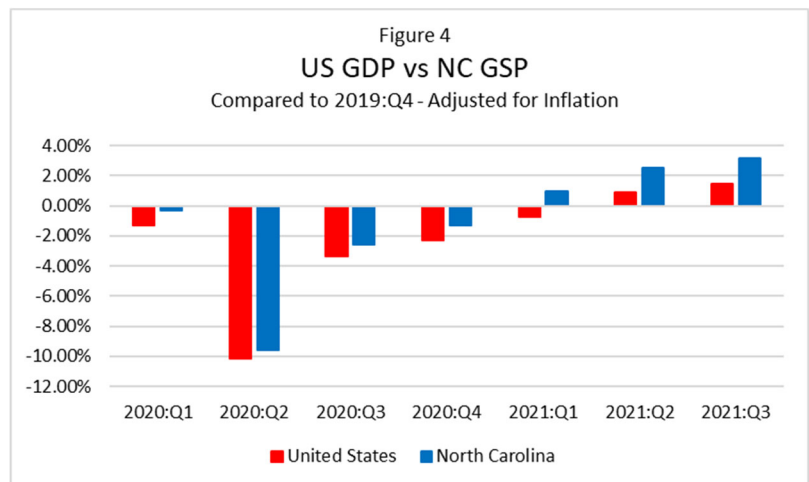
0.2 percent from October - from 4.1 percent to 3.9 percent. However, this is the first time since early 2020 that the rate fell below 4.0 percent. Plus, as has been seen through every month of the pandemic, less one (May 2020 when the NC rate was 13.5 percent), the state rate has been below its national counterpart.

The labor force numbers, including the unemployment rate, are showing that the state has largely returned to their pre-pandemic levels². While the resident employment totals are 78,100 (1.5 percent), below the pre-pandemic count, the November total loss is considerably lower than the 866,700 drop seen in April 2020. Similarly, there are 14,700 more unemployed than was seen in February 2020. This total is much lower than the 464,000 unemployed North Carolinas found in May 2020.

We focus on the labor force and employment in this newsletter as its statistics generally focus on the individual and our collective ability to prosper in society using our respective skills. However, it is not the only measure of our economy and our collective well-being. Two other important measures are our Gross State Product (GSP) and our State Personal Income (PI).

GSP and PI are both quarterly measures, so their availability are not as timely as the monthly indicators found within the labor force and employment data. GSP is the state counterpart to the United States Gross Domestic Product (USGDP), in that it measures how much is produced in the economy. The PI total for North Carolina is the income of all North Carolinian’s received from wages, proprietors’ income (i.e., proprietors’ profits), dividends, interest, rents, and government benefits.

Figure 4 shows the effect on output for the nation and for North Carolina. The pattern is like what we find with employment. On the other hand, while we are waiting for employment to recover to its the pre-pandemic level, North Carolina’s GSP surpassed this total in the first quarter of 2021. The US surpassed its pre-pandemic level in 2021Q2. Not only did North Carolina’s recovery occur prior to the nation, but the negative impact on overall output was generally less severe.



Personal Income has three major components: *Earnings income* (largely the wages and salaries from the production of goods and services); *Dividends, Interest and Rent* (i.e., passive income); and *Personal Current Transfer Receipts* (such as Social Security, pensions, and Medicare payments). In 2018 and 2019 the shares of these three components were stable. *Earnings Income* accounted for

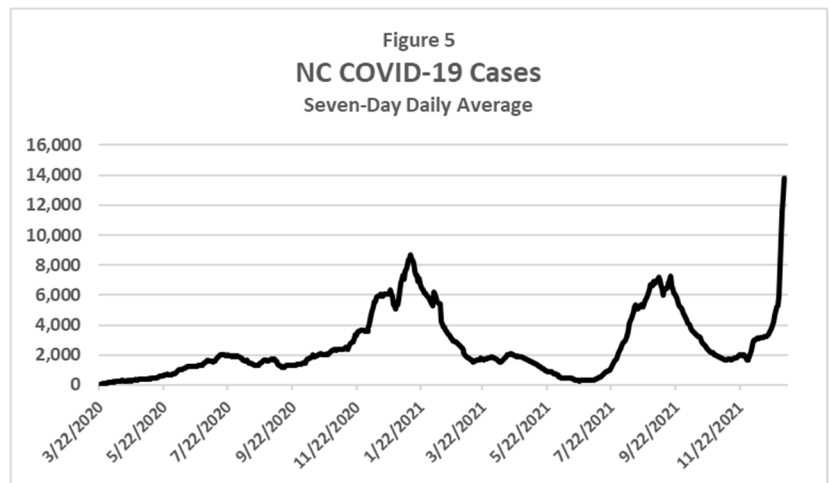
² The labor force totals come from a household survey which estimates the number of employed and unemployed workers. A person is only counted once and is based upon where they reside. The unemployed worker must be actively seeking a job to be included in the overall count.

approximately 62 percent of personal income, *Dividends Interest and Rent* accounted for just under 19 percent, and *Transfer Receipts* accounted for just over 19 percent.

A comparison of the GSP and PI data show that Earnings Income is the component that largely moves in unison to GSP - although the movements are not exact. Given this relationship, it comes as no surprise that there was a large drop in earnings income from 2020Q1 to 2020Q2. During this same period, transfer payments increased dramatically with the passing of the CARES Act³, which provided payments of up to \$1,200 per eligible adult and \$500 for a qualifying child. This intervention by the government, along with other stimulus like enhanced unemployment payments, helped keep personal income afloat. Plus, many argue that the payments helped the nation avoid a deeper and prolonged recession.

One might make the argument that the continued intervention by the federal government has been too much. On the other hand, one can make the argument that subsequent intervention to the CARES Act has helped keep the economy expanding and was better targeted toward those individuals that most needed help. Since most of the individual stimulus payments ended in the third quarter of 2021, it will be important to see how GSP and PI will be impacted.

In summary, North Carolina continues to recover from its 2020 economic downturn. While GSP and PI have grown beyond their respective pre-pandemic levels, employment has yet to catch up and the unemployment rate remains above a full employment rate. Also, a deeper look at the PI data shows that North Carolinians receive only 84.75 cents for every dollar of the national average - something that has declined over time (89.27 cents in



2010Q1) and can only be overcome with adequate and effective investments in our state's infrastructure and citizens. Further, we (in North Carolina and as a nation) need get as many people as possible to get vaccinated so that we can curb COVID's negative influence on the health of our economy, our health infrastructure, and our citizens. Given the record number of new cases that we are finding at the beginning of 2022 (where we have now surpassed our previous COVID infection peaks), we still have work to do to meet this goal.

James W. Kleckley, PhD
Senior Economic Advisor
January 3, 2022

³ Coronavirus Aid, Relief, and Economic Security Act.