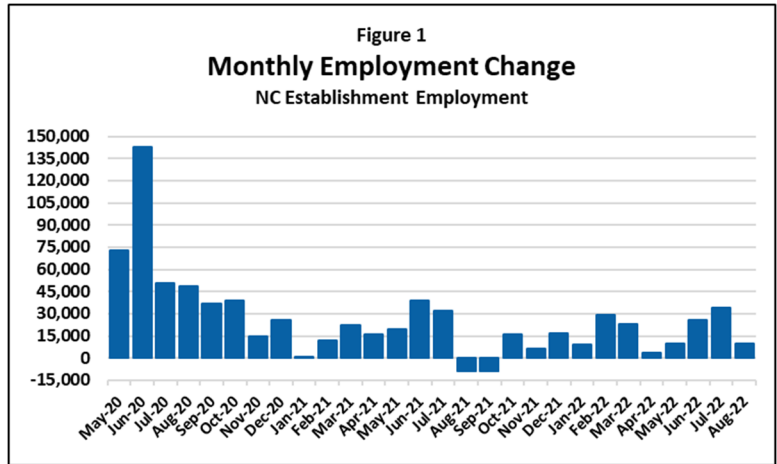


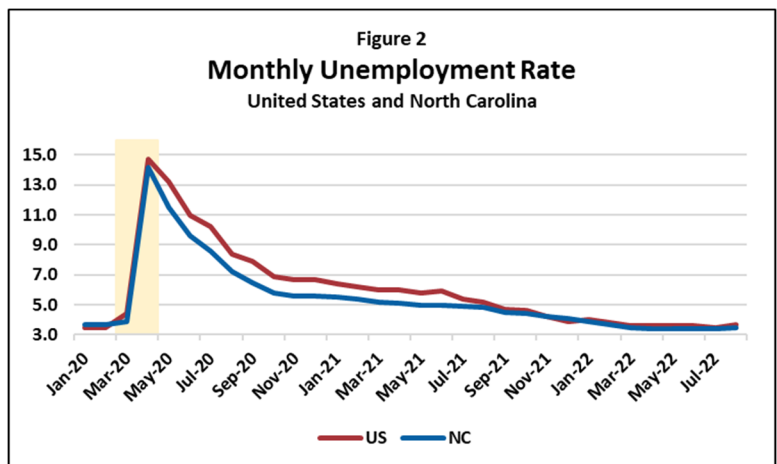
### Growing, but Signs of Slowing

From July 2022 to August 2022, establishment employment in North Carolina climbed by 10,100<sup>1</sup>. The August total constituted the eleventh increase in a row but was significantly below the previous two-month average growth (25,900 for June 2022 and 33,900 for July 2022). August is also below the 16,800 average growth since October 2021, when the North Carolina employment count began its consistent ascent beyond the pre-Covid high. The monthly trend in NC establishment employment since the March-April 2020 Covid-induced recession is found in **Figure 1**.



Similarly, the nation’s establishment employment increased by only 315,000 in August, down from the 526,000 increase observed in July 2022. The nation is now 0.16 percent (240,000 jobs) above its February 2020 pre-pandemic high. North Carolina, which recovered the number of jobs lost from the recession last October, sits 3.92 percent above its pre-Covid high (4,620,400 in February 2020).

A second sign of slowing economic growth in August 2022 is found in the upward drift of the state and national unemployment rates. The national rate for August climbed to 3.7 percent from 3.5 percent in July and the North Carolina rate rose 0.1 percent to 3.5 percent. Both rates were down considerably over the peak rate found in March 2020 - 14.7 percent in the US and 14.2 percent in North Carolina (See **Figure 2**). This was only the third upturn in the national rate during the twenty-seven months since the March-April 2020 Covid-induced recession peak rates. The August 2022 upturn in the North Carolina rate was the first during this cycle.



<sup>1</sup> 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.

The annual and monthly changes in the unemployment rate and the other labor force measures are presented in **Table 1**<sup>2</sup>. The data suggest that the statewide economy is much stronger today than was a year ago. It gained 198,133 new workers over the year (16,500 per month), 57,547 persons dropped from the unemployment rolls (down 4,800 per month), the unemployment rate fell 1.3 percentage points (3.5 percent from 4.8 percent), and Labor Force Participation Rate climbed from 59.8 percent in August 2021 to 60.6 percent in August 2022. On the other hand, the month-to-month changes, as demonstrated by the slight increase in the unemployment rate, suggest that economic growth might be slowing.

**Table 1**  
**North Carolina's Labor Force**  
August 2022

	Labor Force	Employed	Unemployed	Unemployment Rate(%)	Labor Force Participation Rate(%)
<b>Aug-2022</b>	5,124,358	4,944,797	179,561	3.5%	60.6%
<b>Jul-2022</b>	5,115,079	4,943,422	171,657	3.4%	60.6%
<b>Aug-2021</b>	4,983,772	4,746,664	237,108	4.8%	59.8%
<b>Monthly Change</b>	9,279	1,375	7,904	0.1%	0.0%
	0.18%	0.03%	4.60%		
<b>Annual Change</b>	140,586	198,133	-57,547	-1.3%	0.8%
	2.8%	4.2%	-24.3%		

The suggestion of slowing, although only for this month, takes a little deeper review of the data. First, while labor force employment has grown consistently in the 28 months since the end of the recession, the August increase in the number of employed workers (1,375) is low and exceeds only one month (December 2021). However, during that month the number of unemployed declined. This month the unemployment rate not only climbed but exceeded the increase in employment by a factor of 6. The climb in the number of unemployed over the month is not unique during the cycle's recovery and expansion phase. It happened two other times (December 2020 and June 2022), but during these prior months the number of employed exceeded unemployment by a factor of 9 - opposite of what happened in August 2022.

**Table 2**  
**Real GDP (millions of chained 2012 dollars)**  
Quarterly and Annual Percent Changes

	Quarterly Change*		Monthly Change	
	US	NC	US	NC
2020q1	-4.6%	0.8%	-1.6%	2.1%
2020q2	-29.9%	-8.4%	-28.9%	-6.9%
2020q3	35.3%	-2.0%	37.7%	-0.1%
2020q4	3.9%	-1.5%	4.4%	0.2%
2021q1	6.3%	1.2%	9.0%	2.7%
2021q2	7.0%	12.5%	5.4%	13.4%
2021q3	2.7%	5.0%	2.9%	5.4%
2021q4	7.0%	5.7%	10.1%	6.8%
2022q1	-1.6%	3.7%	1.6%	5.0%
2022q2	-0.6%	1.8%	-0.7%	3.4%

\* Expressed at an Annual Rate

A third concern about the economy is found in the Gross Domestic Product (GDP) data<sup>3</sup> that is presented in **Table 2**. While the nation is not in a recession, Real GDP has fallen for two consecutive quarters in the nation (down 1.6 percent in 2022q1 and 0.6 percent in 2022q2). Recently released data for North Carolina show that the state also declined in 2022q2 (by 0.7 percent) after climbing

<sup>2</sup> 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.

<sup>3</sup> Real gross domestic product is the inflation adjusted value of the goods and services produced by labor and property located in the United States. In North Carolina, GDP is often called the Gross State Product. Irrespective of the name, these measures are important because they give information about the size of the economy and how an economy is performing – less any increases due to inflation. The growth rate these measures are used as an indicator of the general health of the economy.

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

	Aug-22	Aug-21	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,801.3	4,625.7	175.6	3.8%	103.9%
Mining & Logging	5.5	5.6	-0.1	-1.8%	94.8%
Construction	246.7	238.5	8.2	3.4%	105.3%
Manufacturing Durable Goods	259.4	251.3	8.1	3.2%	100.8%
Manufacturing Nondurable Goods	218.6	212.2	6.4	3.0%	100.8%
Wholesale Trade	198.4	191.3	7.1	3.7%	105.5%
Retail Trade	511.7	507.3	4.4	0.9%	101.9%
Transportation, Warehousing, & Utilities	196.6	189.4	7.2	3.8%	118.6%
Information	84.9	78.8	6.1	7.7%	111.1%
Finance & Insurance	219.7	212.3	7.4	3.5%	112.7%
Real Estate & Rental Leasing	67.2	63.3	3.9	6.2%	106.8%
Professional, Scientific, & Technical Services	316.6	293.6	23.0	7.8%	117.4%
Management of Companies	77.1	76.9	0.2	0.3%	90.5%
Administrative & Waste Management	338.0	311.5	26.5	8.5%	112.7%
Educational Services	101.2	97.5	3.7	3.8%	103.6%
Health Care & Social Services	555.8	536.8	19.0	3.5%	104.6%
Arts, Entertainment, & Recreation	69.7	63.5	6.2	9.8%	92.1%
Accommodation & Food Services	435.6	405.1	30.5	7.5%	98.0%
Other Services	169.1	162.2	6.9	4.3%	100.2%
Federal Government	76.2	76.5	-0.3	-0.4%	101.6%
State Government	199.1	206.7	-7.6	-3.7%	96.6%
Local Government	454.2	445.4	8.8	2.0%	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.

modestly in 2022q1 (1.6 percent). On the other hand, the nation and state have expanded over the past year (1.8 percent in the US and by 3.4 percent in North Carolina). If output as defined by Real GDP continues to fall, businesses will likely slow hiring or possibly start laying off workers - which means the nation or state might fall into a recession. However, we are not there yet.

Establishment employment for August in North Carolina expanded by 3.8 percent over the past year. Eighteen of the twenty-one employment sectors in North Carolina grew during this time, while three saw their employment decline. This is an improvement over July when 17 sectors realized a climb in during the previous twelve months. Six sectors—the same six sectors that were below their pre-pandemic high in July—remain below this goal. A full accounting of sectoral performance for the past year and their respective post-recession recovery levels are provided in **Table 3**.

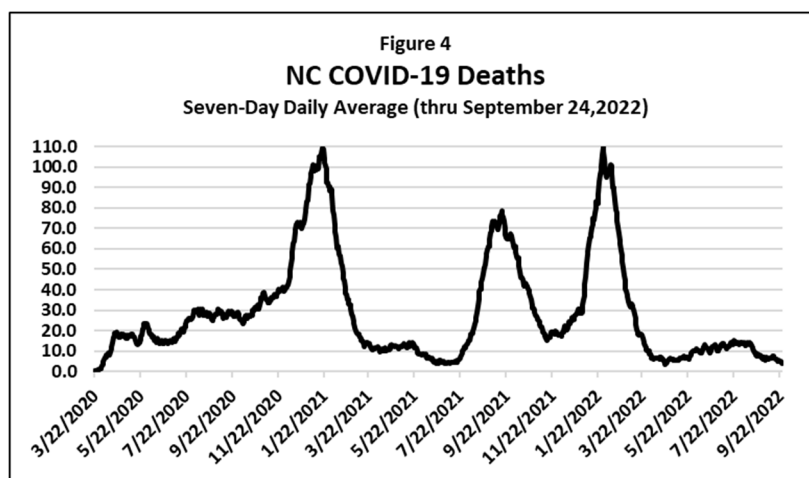
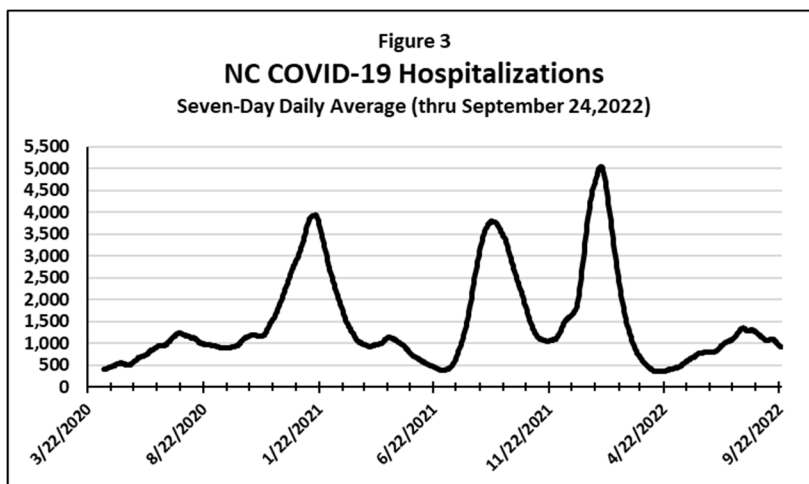
The eighteen sectors that grew their respective establishment employment totals from July 2021 to July 2022 collectively contributed 183,600 jobs (4.1 percent growth). These industries were led by



*Accommodation & Food Services*, which grew by 30,500 workers (7.5 percent growth). Only three other industries saw growth exceed 9,000: *Administrative & Waste Management* (up 26,500 or 8.5 percent); *Professional, Scientific, & Technical Services* (up 23,000 or 7.8 percent); and *Health Care & Social Services* (up 19,000 or 3.5 percent). Four of the six industries that are yet to recover from the pandemic grew over the past year. This included *Accommodation & Food Services*, which remained 2.0 percent below its February 2020 recovery target.

The three sectors that lost employment over the past year saw a total decline of 8,000 workers (down 2.8 percent). Most of the loss was in *State Government* employment, where the August 2022 employment was down 7,600 (or 3.7 percent) from its August 2021 total. The other two sectors that lost employment in the past twelve months are *Federal Government* (down 300 or 0.4 percent) and *Mining & Logging* (down 100 or 1.8 percent). *Federal Government* is the only sector of the three that has an employment count that is larger than its respective February 2020 total.

Records (as of September 24, 2022) show that 26,524 persons have died in North Carolina since March 2020 due to one of the Covid variants. Cases, Hospitalizations, and Deaths associated with the disease continue to impact the state. After dropping to a low point in mid-March 2020 of less than 200 cases per day (seven-day average), cases again started to rise. The seven-day average peaked at over 5,000 in late March before once again starting to decline. These trends can also be seen in the graphs for hospitalizations (**Figure 3**) and deaths (**Figure 4**). Importantly, while the coronavirus disease continues to impact communities and businesses, the deaths are becoming rarer. The recent data shows that fewer than an average of five persons a day are dying from this sickness - well below the 100+ seen twice since the advent of the disease.



While Covid persists as a headwind for economic growth, other factors have a larger impact on North Carolina and the nation. The primary obstacle is inflation, which continues to remain persistently high. Inflation not only hurts the everyday consumer, but its high level is causing the Federal Reserve to raise interest rates to cool the increase in prices. Unfortunately, the Fed’s activity will

likely push the nation into a recession during the coming year. In the event of a recession, the North Carolina economy will not be immune. The unemployment rate would continue to rise, hiring would slow, and the Gross State Product would fall. The negative impact on employment growth will be tied to the length of the recession - which most experts believe would be mild and short-lived.

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