



# Monthly Economic Update

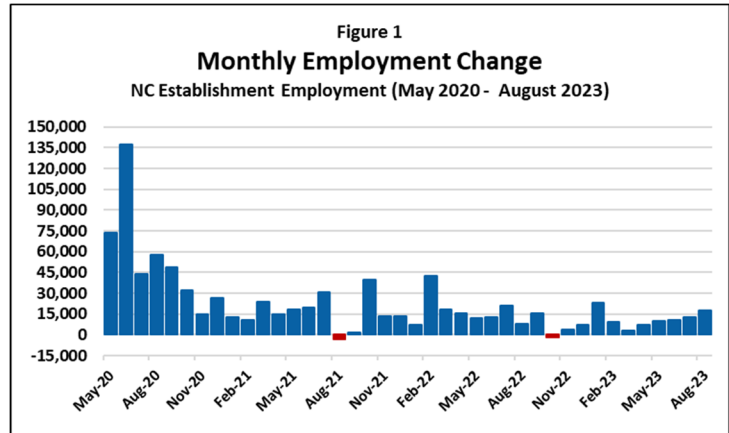
## September 2023

### North Carolina's Economic Growth Accelerates

#### NC Employment and Labor Force

Establishment Employment<sup>1</sup> in North Carolina climbed by 17,500 workers over the month to 4,945,300 in August 2023. The climb marked the tenth consecutive monthly rise and the fifth consecutive month where the increase was larger than the previous month. The August change is higher than the average found in North Carolina during 2023 (11,600) and the average recorded in the past year (9,800 since August 2022). **Figure 1** provides the monthly employment changes following the end of the 2020 COVID-induced recession.

The Labor Force<sup>2</sup> measures are largely positive. The 3.3 percent unemployment rate, while unchanged, remained at near-historic levels for the third consecutive month. Employment grew for the tenth straight month and the Labor Force Participation Rate (LFPR)<sup>3</sup> climbed by 0.1 percent. On the negative side, the LFPR remains below the year-ago level and below the rate found prior to the COVID crisis. Second, the number of unemployed climbed in North Carolina for the first time since September 2022. However, this climb could be associated with people returning to the labor force and actively looking for



**Table 1**  
**North Carolina's Labor Force**  
August 2023

	Labor Force	Resident Employment	Resident Unemployment	Unemployment Rate(%)	Labor Force Participation Rate(%)
<b>Aug-2023</b>	5,246,559	5,072,983	173,576	3.3%	60.8%
<b>Jul-2023</b>	5,231,586	5,060,193	171,393	3.3%	60.7%
<b>Aug-2022</b>	5,169,698	4,969,344	200,354	3.9%	60.9%
<b>Feb-2020</b>	5,015,309	4,824,639	190,670	3.8%	61.2%

Monthly Change					
Absolute	14,973	12,790	2,183	0.0%	0.1%
Percent*	3.5%	3.1%	16.4%		

Annual Change					
Absolute	76,861	103,639	-26,778	-0.6%	-0.1%
Percent	1.5%	2.1%	-13.4%		

Change from February 2020 (prior to Covid-Induced Recession)					
Absolute	231,250	248,344	-17,094	-0.5%	-0.4%
Percent	4.6%	5.1%	-9.0%		

\* Annualized Percent Change

<sup>1</sup> The establishment employment count comes from a monthly 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.

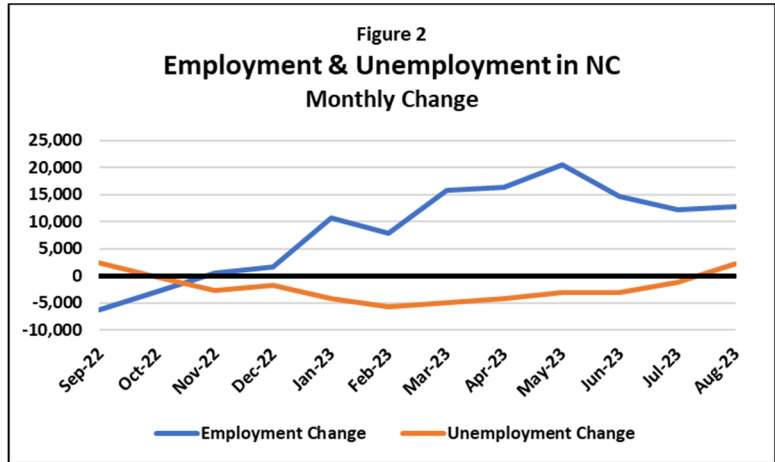
<sup>2</sup> The labor force data come from a monthly household survey that estimates the number of employed and unemployed workers. An eligible worker is counted once, and the count is based on where they reside. The unemployed worker must also be actively seeking a job to be included in the overall count.

<sup>3</sup> The Labor Force Participation Rate is the percentage of the noninstitutional population that is either working or actively looking for work.

employment. **Figure 2** shows the variation in employment and unemployment during the past twelve months.

### NC and the Nation

The nation continues to grow, but the growth seems to be slowing - especially in relation to North Carolina increases (see **Table 2**). In August, the State’s establishment employment climbed by an annualized rate of 4.3 percent over July, by 2.4 percent annual rate during the past year, and by 6.9 percent since February 2020. The comparable rates for the nation were 1.4 percent over the month, 2.0 percent over the year, and 2.7 percent since February 2020. While the North Carolina unemployment rate remained unchanged in August, the US rate climbed by 0.3 percent over the month to 3.8 percent. The nation’s rate also is higher than the one found last year and the one prior to the COVID-induced recession of 2020.



**Table 2**  
**Establishment Employment and the Labor Force**  
**North Carolina and the United States**

	Aug-2023	Monthly Change	Annual Change	Recovery Change
<b>North Carolina</b>				
Establishment Employment	4,945,300	4.3%	2.4%	6.9%
Unemployment Rate	3.3%	0.0%	-0.6%	-0.5%
<b>United States</b>				
Establishment Employment	156,419,000	1.4%	2.0%	2.7%
Unemployment Rate	3.8%	0.3%	0.1%	0.3%

*Note: The employment monthly change is annualized. The Recovery Change is the change since February 2020*

### NC Establishment Employment by Industry

**Table 3** provides a review of the performance of North Carolina’s major industries following the recession and the pace of growth (or decline) during the past year.

For the past three months there have been four sectors that had establishment employment levels below those found in February 2020. This month these sectors were joined by two more - *Manufacturing Nondurable Goods* and *Manufacturing Durable Goods*. The sector with the largest absolute loss compared to before the recession remains *State Government* (down 10,700 workers). *Local Government*, while 98.6 percent recovered, remains down by 6,400 workers.



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

	Aug-23	Aug-22	Absolute Change	Percent Change	Percent Recovered*
Total Establishment Employment	4,945.3	4,828.0	117.3	2.4%	106.9%
Mining & Logging	5.5	5.6	-0.1	-1.8%	94.8%
Construction	249.0	249.1	-0.1	0.0%	106.0%
Manufacturing Durable Goods	256.8	254.9	1.9	0.7%	99.8%
Manufacturing Nondurable Goods	215.6	219.6	-4.0	-1.8%	99.2%
Wholesale Trade	206.9	204.8	2.1	1.0%	110.1%
Retail Trade	529.6	522.0	7.6	1.5%	105.6%
Transportation, Warehousing, & Utilities	201.5	198.0	3.5	1.8%	121.1%
Information	85.0	83.2	1.8	2.2%	111.3%
Finance & Insurance	230.0	226.4	3.6	1.6%	117.8%
Real Estate & Rental Leasing	68.6	69.1	-0.5	-0.7%	109.2%
Professional, Scientific, & Technical Services	339.6	322.7	16.9	5.2%	125.8%
Management of Companies	83.2	82.4	0.8	1.0%	97.5%
Administrative & Waste Management	339.6	340.1	-0.5	-0.1%	113.5%
Educational Services	106.5	100.8	5.7	5.7%	109.3%
Health Care & Social Services	580.9	556.9	24.0	4.3%	109.3%
Arts, Entertainment, & Recreation	83.2	72.5	10.7	14.8%	109.9%
Accommodation & Food Services	455.0	433.1	21.9	5.1%	101.7%
Other Services	174.6	168.9	5.7	3.4%	104.1%
Federal Government	79.9	76.0	3.9	5.1%	106.5%
State Government	198.2	198.5	-0.3	-0.2%	94.9%
Local Government	456.1	443.4	12.7	2.9%	98.6%

\* 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.

During the period of recovery and expansion there are four sectors that have grown more than 10 percent since the recession. Included are *Administrative & Waste Management* (up 12.2 percent); *Finance & Insurance* (up 18.6 percent); *Transportation, Warehousing, & Utilities* (up 19.7 percent); and *Professional, Scientific, & Technical Services* (up 25.7 percent). *Professional, Scientific, & Technical Services* also leads in the number of jobs created (up 69,600). North Carolina's largest employment sector, *Health Care & Social Services*, has produced the second largest number of net new jobs since February 2020 (up 49,400).

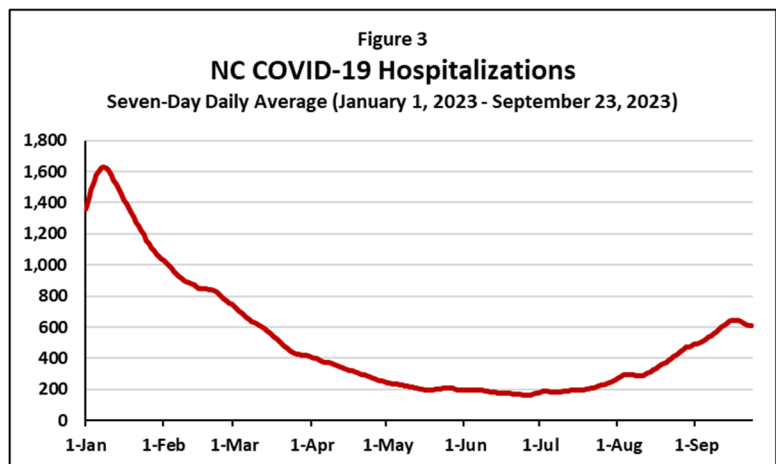
Six sectors lost 5,500 establishment jobs over the past year - three had recovered from the downturn while three have employment levels below the February 2020 count. Five of these

industries lost 500 jobs or less. *Manufacturing Durable Goods* lost more jobs (down 4,000) than the other industries put together.

Fifteen industries gained a collective 122,800 jobs since August 2022. Five sectors accounted for 70.2 percent of this growth. *Health Care & Social Services* was the leader (up 24,000). It was followed by *Accommodation & Food Services* (up 21,900), *Professional, Scientific, & Technical Services* (up 16,900), *Local Government* (up 12,700), and *Arts, Entertainment, & Recreation* (up 10,700).

## COVID and the Economy

Figure 3 provides a look at the steady climb in North Carolina hospitalizations that are associated with the COVID virus. The current seven-day average of 610 is 3.8 times higher than the 2023 low (161 on June 26, 2023) and well below the peak early in the year (1,628 on January 8, 2023). Although the climb has stalled with the most recent data, the population needs to be careful and aware of the growing risk of sickness if the COVID numbers continue to rise. Plus, the negative effects of the Respiratory Syncytial Virus (RSV) have increased, and we have moved to the time of year where there is an elevated risk of the flu.



## The Economic Outlook

The US economy has been steadily expanding, but headwinds remain. Inflation stands at the top of the list. While the pace of inflation is falling, it remains above the Federal Reserve target of 2.0 percent. The persistently higher rate, which is down from the recent highs, rules out any immediate drop in interest rates. In fact, many believe that the Fed will have another hike before the end of the year.

There are other negative shocks on the horizon, as pointed out in a recent note in Wall Street Journal Real Time Economics<sup>4</sup>. The problems that they noted include “a broader auto workers strike, a lengthy government shutdown, the resumption of student loan payments, and rising oil prices.” The article concluded that each by itself would not be too severe, but

<sup>4</sup> Wall Street Journal Real Time Economics, Dow Jones & Company, September 25, 2023.

together the impact could be more damaging. Luckily, the government shutdown was averted over the weekend - although the possibility could reappear in the coming weeks.

Finally, the economic consensus suggests that the Gross Domestic Product should have continued to expand during the third quarter of 2023. Most economists also believe that the risk of a recession during the next twelve months has fallen. It is hoped that these economists are correct and the national economy will continue to grow. If so, given the most recent history, the North Carolina economy would benefit and should likely continue to expand more rapidly than the nation.

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