



# Monthly Economic Update

## October 2022

### Mixed Signals Today and Uncertainty on the Horizon

North Carolina’s establishment employment<sup>1</sup> climbed by 18,200 in September 2022 to a seasonally adjusted count of 4,819,500 workers. This was the fifth-largest increase in 2022 and was nearly double the 10,100 employment rise seen in August. As the labor force increased, the unemployment rate also climbed to 3.6 percent, up from 3.5 percent in August 2022 and up from the historically low 3.4 percent that was recorded in April, May, and June of this year.

The United States establishment employment count climbed by 274,000 workers in September to 153,018,000. In contrast to North Carolina, the nation’s pace of employment deaccelerated from a 325,000 August increase. In addition, the national unemployment rate did not climb but dropped from 3.7 percent in August 2022 to 3.5 percent in September 2022. September marked only the second time since the end of the March-April 2020 Covid-induced recession that the North Carolina unemployment rate was higher than the nation’s rate.<sup>2</sup>

**Table 1** provides an overview of the monthly and annual changes to the state’s labor force<sup>3</sup>. The year-to-year comparison shows a much healthier North Carolina economy across the board - a 3.8 percent climb in employment, an 18.8 percent drop in the number of unemployed, a fall in the unemployment rate, and an increase in labor force participation. Despite these positive changes, the monthly fluctuations are less optimistic.

|                       | Labor Force | Employed  | Unemployed | Unemployment Rate(%) | Labor Force Participation Rate(%) |
|-----------------------|-------------|-----------|------------|----------------------|-----------------------------------|
| <b>Sep-2022</b>       | 5,128,288   | 4,944,068 | 184,220    | 3.6%                 | 60.6%                             |
| <b>Aug-2022</b>       | 5,124,349   | 4,944,828 | 179,521    | 3.5%                 | 60.6%                             |
| <b>Sep-2021</b>       | 4,990,202   | 4,763,469 | 226,733    | 4.5%                 | 59.8%                             |
| <b>Monthly Change</b> | 3,939       | -760      | 4,699      | 0.1%                 | 0.0%                              |
| <b>Annual Change</b>  | 138,086     | 180,599   | -42,513    | -0.9%                | 0.8%                              |
|                       | 2.8%        | 3.8%      | -18.8%     |                      |                                   |

The fall in the number of employed North Carolinians, although relatively small at 760 persons, was the first drop in this indicator since the recession (a 629,000 drop in April 2020). The number of

<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.

<sup>2</sup> The first time was in December 2021, when the US unemployment rate was 3.9 percent, and the North Carolina Unemployment rate was 4.1 percent.

<sup>3</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.

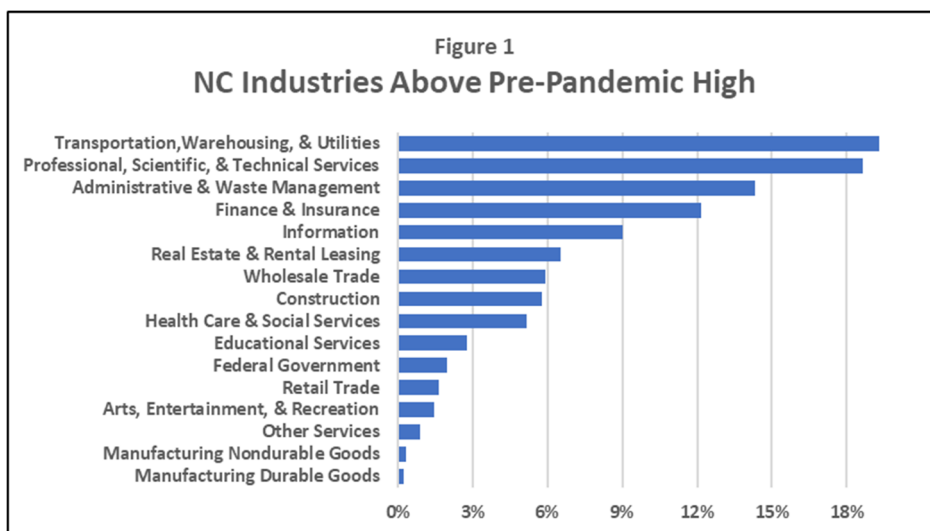
unemployed workers has climbed in three of the past four months, the unemployment rate climbed for the second month in a row, and the labor force participation rate remained unchanged.

Overall, since the end of the recession in April 2020, establishment employment in North Carolina increased by 757,600 workers (or 18.6 percent) and employment now stands 4.3 percent above the pre-Covid high that was recorded in February 2020. In comparison, the nation grew by 17.2 percent from April 2020 to September 2022 and stands only 0.34 percent above its pre-Covid high.

One of the more interesting and positive changes found in the establishment employment data this month is the movement of *Arts, Entertainment, & Recreation* to the recovered category. Previously it had been consistently near the bottom in its recapture of pre-Covid employment compared to other sectors. The September 2022 preliminary estimates suggests that it grew by 16.4 percent (10,800 workers) over the past year. Much of the growth was recorded in this latest reporting period (between August and September) when the sector expanded by 4,800.

Still, five sectors in North Carolina have not achieved full recovery. These industries include *Management of Companies* (down 8,400 employees or -9.86 percent); *Mining & Logging* (down 300 or -5.17 percent); *State Government* (down 8,500 or -4.12 percent); *Local Government* (down 10,800 or -2.34 percent); and *Accommodation & Food Services* (down 1,200 or -0.27 percent). *Accommodation & Food Services* and *Arts, Entertainment, & Recreation* were the two sectors that suffered the largest relative losses during the pandemic. Given that *Accommodation & Food Services* has been steadily growing over the past few months, it is likely that it will soon join *Arts, Entertainment, & Recreation* in the recovered category.

**Figure 1** shows the sixteen industries that have recovered from the recession employment losses and are now in the expansionary state of the business cycle. The industries that stand less than one percent above their respective February 2020 headcount include *Manufacturing Durable Goods* (up 600 employees or 0.23 percent); *Manufacturing Nondurable Goods* (up 700 or 0.32 percent); and *Other Services* (up 1,500 or 0.89 percent). On the most positive end, four industries have expanded by more than 12 percent. These sectors include *Finance & Insurance* (up 23,700 or 12.15 percent); *Administrative & Waste Management* (up 43,000 or 14.34 percent); *Professional, Scientific, &*



**Table 2**  
**North Carolina Establishment Employment**  
**Annual Changes and Overall Recovery**  
 Employment is in Thousands

|  | Sep-22  | Sep-21  | Absolute Change | Percent Change | Percent Recovered* |
|--|---------|---------|-----------------|----------------|--------------------|
| Total Establishment Employment                 | 4,819.5 | 4,616.7 | 202.8           | 4.4%           | 104.3%             |
| Mining & Logging                               | 5.5     | 5.5     | 0.0             | 0.0%           | 94.8%              |
| Construction                                   | 247.8   | 238.2   | 9.6             | 4.0%           | 105.8%             |
| Manufacturing Durable Goods                    | 258.0   | 252.2   | 5.8             | 2.3%           | 100.2%             |
| Manufacturing Nondurable Goods                 | 217.6   | 211.8   | 5.8             | 2.7%           | 100.3%             |
| Wholesale Trade                                | 199.2   | 191.6   | 7.6             | 4.0%           | 105.9%             |
| Retail Trade                                   | 510.3   | 508.6   | 1.7             | 0.3%           | 101.6%             |
| Transportation, Warehousing, & Utilities       | 197.8   | 190.1   | 7.7             | 4.1%           | 119.3%             |
| Information                                    | 83.3    | 78.8    | 4.5             | 5.7%           | 109.0%             |
| Finance & Insurance                            | 218.7   | 213.3   | 5.4             | 2.5%           | 112.2%             |
| Real Estate & Rental Leasing                   | 67.0    | 63.4    | 3.6             | 5.7%           | 106.5%             |
| Professional, Scientific, & Technical Services | 319.8   | 294.5   | 25.3            | 8.6%           | 118.6%             |
| Management of Companies                        | 76.8    | 74.7    | 2.1             | 2.8%           | 90.1%              |
| Administrative & Waste Management              | 342.9   | 312.4   | 30.5            | 9.8%           | 114.3%             |
| Educational Services                           | 100.4   | 95.4    | 5.0             | 5.2%           | 102.8%             |
| Health Care & Social Services                  | 559.1   | 536.3   | 22.8            | 4.3%           | 105.2%             |
| Arts, Entertainment, & Recreation              | 76.8    | 66.0    | 10.8            | 16.4%          | 101.5%             |
| Accommodation & Food Services                  | 443.2   | 400.5   | 42.7            | 10.7%          | 99.7%              |
| Other Services                                 | 170.2   | 162.2   | 8.0             | 4.9%           | 100.9%             |
| Federal Government                             | 76.5    | 76.5    | 0.0             | 0.0%           | 102.0%             |
| State Government                               | 197.7   | 201.4   | -3.7            | -1.8%          | 95.9%              |
| Local Government                               | 450.9   | 443.3   | 7.6             | 1.7%           | 97.7%              |

\* 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.

*Technical Services* (up 50,200 or 18.62 percent); and *Transportation, Warehousing, & Utilities* (up 32,000 or 19.30 percent). It should be noted that *Health Care & Social Services* (up 27,500 since February 2020) contributed more employees than *Finance & Insurance*, but due to its large size, the relative growth was only 5.2 percent.

**Table 2** provides the industry detail for North Carolina’s establishment employment growth during the past year. It also shows the extent of recovery by industry.

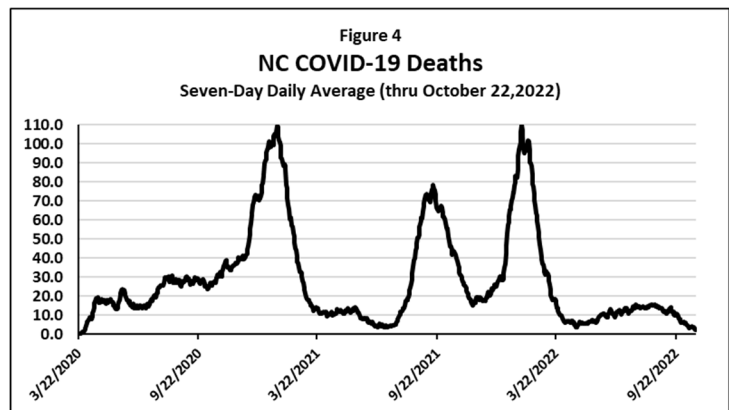
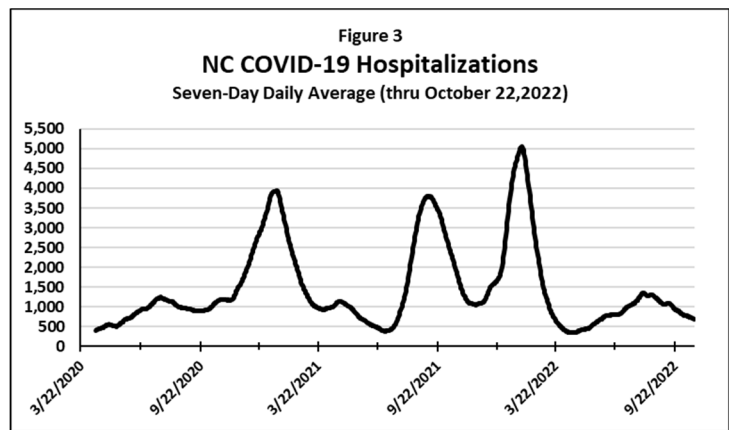
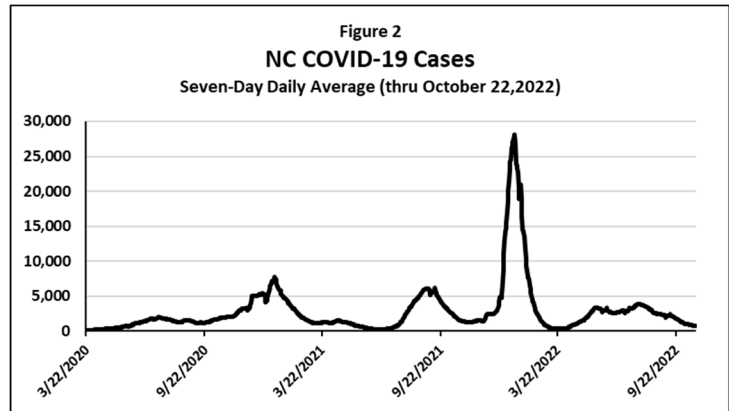
North Carolina’s establishment employment expanded by 202,800 jobs (up 4.4 percent) over the past year. Eighteen of the major sectors expanded over the period, two remained unchanged, while one declined. The lone decliner was *State Government*. It lost 3,700 employees or 1.8 percent of its workforce.



Even though the sector has yet to recover all employment lost because of the pandemic, the largest increase over the past year was found in *Accommodation & Food Services*. Its employment rose by 42,700 (a 10.7 percent increase). Four other sectors gained over 20,000 jobs during the past year. These included *Administrative & Waste Management* (up 30,500 or 9.8 percent); Professional, Scientific, & Technical Services (up 25,300 or 8.6 percent); and *Health Care & Social Services* (up 22,800 or 4.3 percent). The next largest employment increase, and the only other sector gaining more than 10,000 employees, was the aforementioned sector of *Arts, Entertainment, & Recreation*. Its 16.4 percent climb (by 10,800 workers) was the largest percentage year-to-year gain seen in **Table 2**.

Covid continues to present a real problem to the population. However, the instances and negative effects of the virus are diminishing in North Carolina as seen in the recent trends in Cases, Hospitalizations, and Deaths (**Tables 2, 3, and 4**). The seven-day average of Cases stands at 739. This number is well below the early 2022 peak (28,057 on January 15), moderately below the summer peak (3,845 on July 27), but above the 2022 minimum (314 on March 28). The seven-day average of Hospitalizations, currently at 676, follows a similar trend. The October 22 average remains nearly double the 2022 minimum (348 on April 15) but is well below the 2022 maximum (5,049 on January 29) and underneath the late-summer peak (1,349 on August 5). The total number of Deaths provides the most positive news. While no death is acceptable, the most recent seven-day average (at 2.3) is the lowest of 2022 and the lowest since April 2000, when the virus began its rampage through the population.

While a new negative impact from a reoccurrence of Covid has diminished, there are certainly other obstacles that are negatively impacting economic growth - such as inflation, rising interest rates, a sluggish housing market, businesses pulling back production, and a cooling of labor demand (although the labor market remains tight). We can already see some of the slowing in



the recently released Gross Domestic Product (GDP)<sup>4</sup>. While the timing of a downturn is uncertain, most economists still believe that a recession is on the horizon.

The third quarter estimate for the nation’s inflation-adjusted GDP is pictured in **Table 3**. The table provides the annualized change from the second quarter (Quarter to Quarter) and the change from the third quarter of 2021 (Year to Year). The 2.6 percent rate in the Quarter to Quarter change is the first positive change since 2021q4. While the previous negative rates did not mean that the nation had fallen into a recession, the collective rates do suggest the uncertainties and peculiarities associated with the Covid-induced recession and the nation’s subsequent recovery - which is beginning to slow

There are several items in the GDP report worth noting. First, consumption slowed to 1.4 percent over the quarter. This is down from 2022q2 (2.0 percent) and only slightly above 2022q1 (1.3 percent). This means

that personal consumption expenditures are slowing substantially relative to the 2020-2021 periods following the recession. Second, residential investment decreased by 26.4 percent in 2022q3 and 17.8 percent in 2022q2. These drops are largely caused by the increase in interest rates - and we know that the Federal Reserve will once again increase the Federal Funds rate in its November meeting (likely by 75 basis points, or 0.75 percent).

On the positive side, there was a boost in the net exports<sup>5</sup> largely due to a slowing in imports. However, with a relatively stronger dollar and slowing economies abroad, imports are likely to climb over the next few quarters, and export growth should moderate or possibly begin to fall. This means that in the near-term net exports will likely drag economic growth down. The implicit price deflators, which represent the Income & Product Accounts measure of inflation, fell over the quarter. The GDP deflator fell from 9.1 percent to 4.1 percent, while the PCE deflator fell from 7.3 percent to 4.2 percent). While these rates remain too high, they do signal a showing of inflation.

**Table 3**  
**Change in Real Gross Domestic Product**  
**2022 Third Quarter**  
Percents are at Annualized Rates

|   | Quarter to<br>Quarter | Year to<br>Year |
|---|-----------------------|-----------------|
| <b>Real GDP</b>                         | 2.57%                 | 1.77%           |
| <b>Consumption</b>                      | 1.41%                 | 1.98%           |
| <b>Investment</b>                       | -8.45%                | 2.26%           |
| <b>Fixed</b>                            | -4.94%                | -1.24%          |
| <b>Nonresidential</b>                   | 3.74%                 | 3.16%           |
| <b>Residential</b>                      | -26.38%               | -12.74%         |
| <b>Change in Inventories (absolute)</b> | 61.94                 | 110.49          |
| <b>Net Exports</b>                      | -37.10%               | 0.51%           |
| <b>Exports</b>                          | 14.44%                | 11.31%          |
| <b>Imports</b>                          | -6.93%                | 7.51%           |
| <b>Govt Purchases</b>                   | 2.42%                 | -0.62%          |
| <b>Implicit Price Deflators</b>         |                       |                 |
| Gross domestic product                  | 4.06%                 | 7.07%           |
| Personal consumption expenditures       | 4.18%                 | 6.28%           |

<sup>4</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. The measure is important because it gives information about the size of the economy and how an economy is performing – less any increases due to inflation. The growth rate in this measure and its components are used as an indicators of the economy’s general health.

<sup>5</sup> Net exports became less negative, going from -1.035 trillion dollars to -0.901 trillion dollars. While the percent change is negative, the result increases the value of overall GDP.

Most measures still suggest that the national economy will continue to slow and likely fall into a recession in the next year, although the possibility of a soft landing exists - when the economy slows to a snail's pace but avoids a recession. Since North Carolina's main driver of economic health is the nation, whatever direction or speed the national economy moves, the North Carolina economy will likely follow.

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