

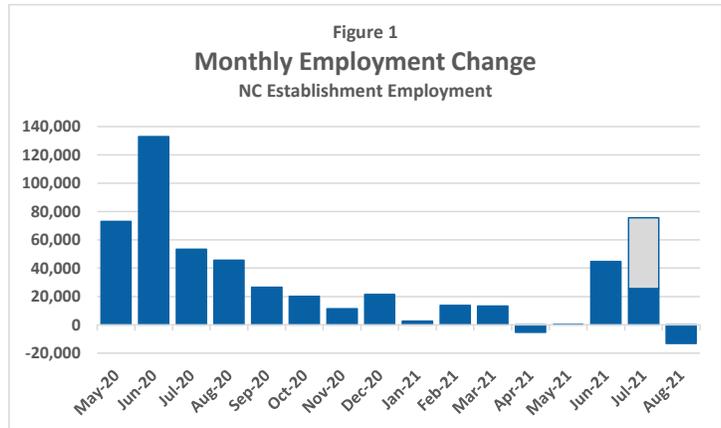


# Monthly Economic Update

## September 2021

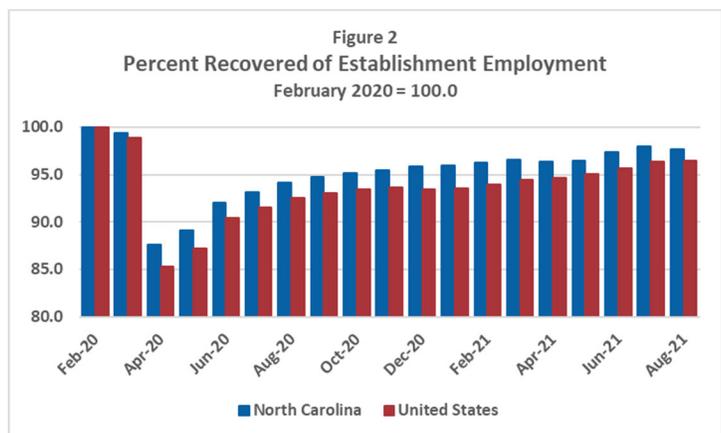
### Revised Employment Estimate and Slowing Recovery

North Carolina’s preliminary estimate of establishment employment, which is the count of employees based upon where they work, fell by 13,200 from July 2021 to August 2021. The drop comes in addition to a 49,900 person downward revision to July’s preliminary estimate. Figure 1 details this substantial revision. The preliminary July 2021 estimated monthly change was 75,600, while the revised July estimate is 25,700. The gray portion of the column denotes the magnitude of the downward revision to the data.



We noted last month that over 70 percent of the growth in the initial estimates were in local government education (i.e., teachers and other school employees). This is the sector that was heavily revised downward. It is not unusual for data to be revised. However, the size the revision is large. These things happen and show why it is important to review trends and not jump to too many conclusions over one month of estimated information.

The August preliminary estimate is the second month since the pandemic recovery began in May 2020 where the employment count declined. The other was April 2021, when the workforce dropped by 5,300. Perhaps the August estimate will be revised upwards next month. Regardless, the hope is that the negative effects of the pandemic will slow and that the pre-pandemic job count will be realized sooner than later.



North Carolina’s recovery continues to outpace the national average. To date, the state employment level is 97.6 percent of the pre-pandemic count recorded in February 2020. The nation’s count is 96.5 percent of its respective February 2020 total. These percentages equate to 108,900 remaining lost jobs in North Carolina and 5.33 million missing jobs in the United States. Figure 2 summarizes the drop in the number of jobs and the subsequent partial recovery since February 2020.

Table 1  
**North Carolina Establishment Employment**  
 Employment is in Thousands

	Aug-21	Jul-21	Monthly Change	Monthly Percent Change	Annualized Monthly Percent Change	Percent Recovered*
Total Establishment Employment	4,517.7	4,530.9	-13.2	-0.3%	-3.4%	97.6%
Mining & Logging	5.7	5.7	0.0	0.0%	0.0%	98.3%
Construction	240.3	240.7	-0.4	-0.2%	-2.0%	101.9%
Manufacturing Durable Goods	250.4	250.7	-0.3	-0.1%	-1.4%	97.3%
Manufacturing Nondurable Goods	218.8	218.5	0.3	0.1%	1.7%	100.6%
Wholesale Trade	186.3	186.7	-0.4	-0.2%	-2.5%	99.0%
Retail Trade	494.4	499.0	-4.6	-0.9%	-10.5%	98.4%
Transportation, Warehousing, & Utilities	183.9	183.7	0.2	0.1%	1.3%	110.8%
Information	78.4	77.9	0.5	0.6%	8.0%	102.9%
Finance & Insurance	201.6	200.4	1.2	0.6%	7.4%	103.2%
Real Estate & Rental Leasing	59.6	59.9	-0.3	-0.5%	-5.8%	95.2%
Professional, Scientific, & Technical Services	286.7	287.9	-1.2	-0.4%	-4.9%	106.6%
Management of Companies	81.6	81.6	0.0	0.0%	0.0%	95.8%
Administrative & Waste Management	302.0	300.9	1.1	0.4%	4.5%	99.6%
Educational Services	91.3	91.3	0.0	0.0%	0.0%	92.3%
Health Care & Social Services	507.5	507.7	-0.2	0.0%	-0.5%	95.2%
Arts, Entertainment, & Recreation	67.6	67.1	0.5	0.7%	9.3%	87.6%
Accommodation & Food Services	393.8	396.6	-2.8	-0.7%	-8.2%	88.5%
Other Services	157.4	157.5	-0.1	-0.1%	-0.8%	92.9%
Federal Government	75.4	75.5	-0.1	-0.1%	-1.6%	100.5%
State Government	185.3	185.4	-0.1	-0.1%	-0.6%	89.8%
Local Government	449.7	456.2	-6.5	-1.4%	-15.8%	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.

It is important to remember that 575,200 jobs were lost in North Carolina during March and April 2020. From May 2020 to December 2020, the economy grew 384,400 jobs (approximately 48,000 per month). In the eight months of 2021, North Carolina has added 81,900 jobs, or just over 10,200 per month.

The sector-by-sector change in establishment employment is presented in Table 1. Twelve of the sectors lost jobs over the month, three saw no change in their numbers, and six realized employment gains.

Double digit monthly annualized percent losses were found in *Local Government* (-15.8 percent) and in *Retail Trade* (-10.8 percent). At the other extreme, three sectors realized monthly annualized losses of less than one percent: *Other Services* (-0.8 percent); *State Government* (-0.6 percent); and *Health Care & Social Services* (-0.5 percent). Five of the sectors saw jobs contract more significantly

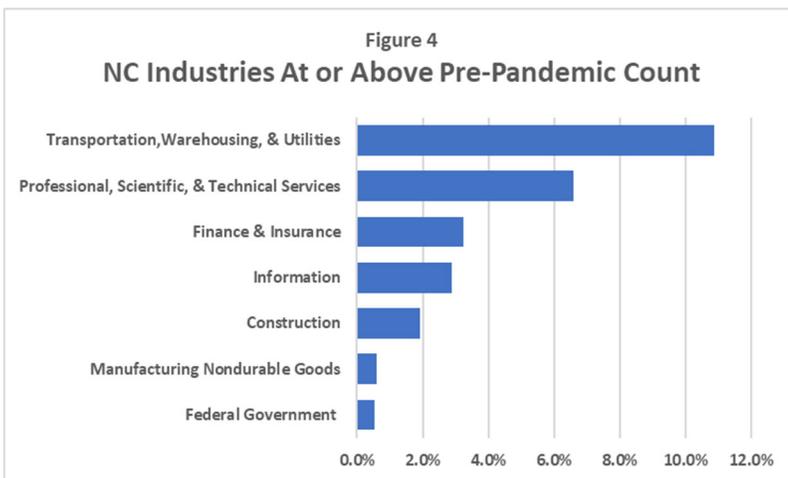
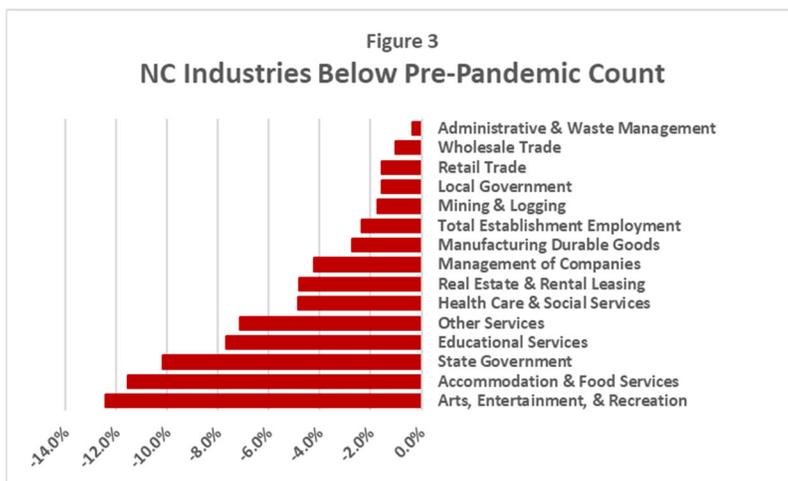
(on a percentage basis) than the state. The remaining seven sectors that lost jobs, although shedding workers, lost relatively fewer jobs than the state on a percentage basis.

Six sectors gained jobs over the month. *Information and Arts, Entertainment, & Recreation* both gained approximately 500 new employees and had annualized monthly gains at or above 8 percent. *Manufacturing Nondurable Goods* and *Transportation, Warehousing, & Utilities* gained a combined total of 500 new workers. *Administrative & Waste Management* and *Finance & Insurance* each gained more than 1,000 new employees.

The recovery still has a way to go, as shown earlier by North Carolina’s recovery percentage of 97.6 percent. Fourteen sectors currently lag their February 2020 count. Three of these sectors have recovered less than 90 percent of the pre-pandemic employment totals: *Arts, Entertainment, & Recreation*; *Accommodation & Food Services*; and *State Government*. Two sectors - *Local Government* and *Mining & Logging* - were above the February 2020 baseline last month but are negative in August. The nine remaining sectors of the economy gained jobs. The percent gaining industries were led by *Transportation, Warehousing, & Utilities* (10.8 percent) and *Professional, Scientific, & Technical Services* (6.6 percent).

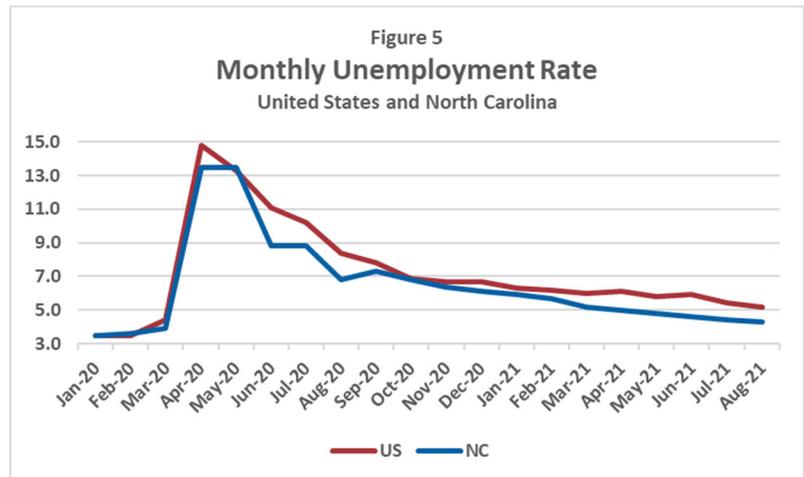
The relative percent gains and losses only tell a portion of the story, as they do not necessarily reflect the magnitude of the changes. For example, Figure 3 pictures the relative percent change in statewide employment and in its declining 14 sectors. Collectively these 14 sectors are 159,300 jobs below their respective pre-pandemic count. Four of these sectors comprise nearly 70 percent of this total: *Accommodation & Food Services* (down 51,400); *Health Care & Social Services* (down 25,800); *State Government* (down 21,000); and *Other Services* (down 12,100).

The seven industries presented in Figure 4 have gained a total of 50,400 workers over their pre-pandemic count. As mentioned earlier, this figure shows that the largest percentage gains were in *Transportation, Warehousing, & Utilities* (TWU) and in *Professional, Scientific, & Technical Services* (PSTS). In terms of magnitude, these two industries also hold nearly 71 percent of the sectoral



increases. TWU has gained 18,000 jobs over the period while PSTS has climbed by 17,700.

The state and national unemployment rates continue to drift downwards (Figure 5). Over the month, the North Carolina unemployment rate dropped from 4.4 percent to 4.3 percent. In August 2020 the rate was 6.8 percent in North Carolina. The August 2021 rate for the nation was 5.2 percent and was below its July rate of 5.4 percent. A year ago, the national rate was 8.4 percent.



The labor force count, which is based upon where the individual resides, is the total number of workers plus those individuals that are actively looking for work. The size of the August 2021 labor force in North Carolina is 93,500 (1.8 percent) below its pre-pandemic level. The resident employment count is down 126,700 working North Carolinians, while the number of residents looking for jobs is up 33,100.

Most economic forecasters expect the economy to grow over the coming months. For example, the September 2021 NABE Economic Outlook<sup>1</sup> calls for a 5.7 percent average annual change in the Real Gross Domestic Product (RGDP) for 2021. RGDP then drops to 4.2 percent in 2022. This is good news for North Carolina, as the state's largest driver of growth is a healthy and expanding national economy. The growth expectation is not without headwinds, however. For example, the NABE forecasters adjusted their inflation expectations upwards.

Pandemic-related topics also dominate the risk assessments. Close to two-thirds of panelists (63 percent) view vaccine-resistant variants of COVID as having the biggest downside risk. This dominant view is followed by 9 percent of respondents who are concerned about the slow vaccine uptick. Forty-four percent of the same panelists view a faster vaccine rollout as the key to returning more quickly to normal.

In a nutshell, these business economists believe that the crucial force driving the economy is the effectiveness of the war against COVID-19. If we win, the economy in the US and North Carolina should continue to improve. If we lose—and the virus and its mutations continue to spread—the economic recovery could stall.

September 30, 2021  
James W. Kleckley, PhD  
Senior Economic Advisor

<sup>1</sup> National Association for Business Economics (NABE), [https://www.nabe.com/NABE/Surveys/Outlook\\_Surveys/September-2021-Outlook-Survey-Summary.aspx](https://www.nabe.com/NABE/Surveys/Outlook_Surveys/September-2021-Outlook-Survey-Summary.aspx)