



Monthly Economic Update

May 2021

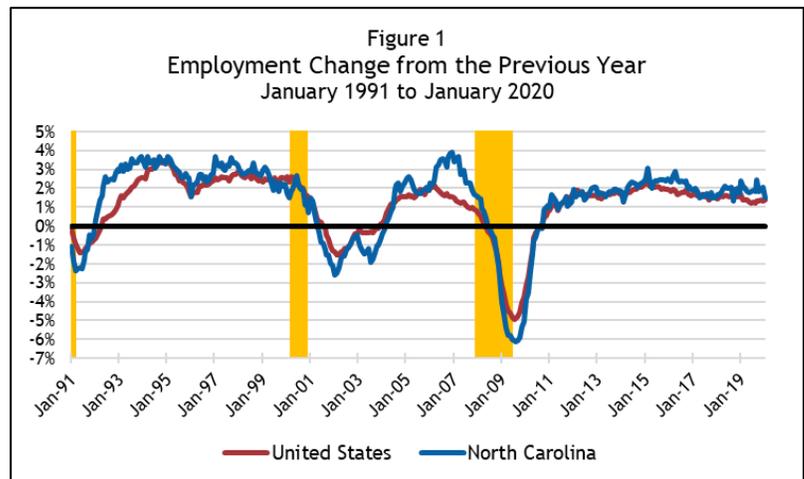
Jobs in the Recovering Economy: North Carolina and the Nation

The 2021 economy in North Carolina has been growing. Over the first five months of the year establishment employment has expanded by 24,000 jobs and the unemployment rate (at 5.0 percent) is significantly below the national average of 6.1 percent. If the pace of employment growth continues at the four-month average, the State would see 72,000 new workers by the end of the year and the unemployment rate should continue to fall.

In a normal year, the numbers above would describe a healthy economy. However, the description is misleading when one considers the negative economic impact that resulted from the COVID-19 pandemic. North Carolina's April 2021 establishment employment total remains 166,800 jobs below the count realized before the pandemic (4,626,600 in February 2020). Over the same period the unemployment rate is 1.4 percent higher than its pre-pandemic counterpart.

The focus of this narrative is to explore how the North Carolina economy performed during the pandemic. We will assess how the state's performance compares to the nation; what sectors were hardest hit; and how far the economy needs to go to reach full employment recovery.

The North Carolina economy had typically grown in a fashion that largely mirrored like that of the nation, as one can see in Figure 1. During expansionary periods, the state's job-count generally grew faster. During recessions, as defined by the gray bars, North Carolina's employment generally contracted slightly more. In total, by December 2019 the state had grown by 1.5 million jobs since January 1990 - a 48.4 percent increase in employment versus a 39.7 percent for the nation.



Total establishment employment peaked during February 2020 in North Carolina and the nation. Over the next two months, the nation lost 22,362,000 jobs (down 14.6 percent) while North Carolina's job count fell by 575,200 (down 12.4 percent). For both economies, these were employment contractions that greatly exceeded the downturn found in the 2008-2009 Great Recession. Moreover, the recovery in jobs over the past year is far from complete, as noted in Figure 2. In April 2021, North Carolina

still has 166,800 fewer jobs that it had in February 2020 (down 3.6 percent), while the US counts 8,215,000 fewer persons in its workforce (down 5.4 percent).

The different mix of jobs between NC and the nation, or the mix within North Carolina, typically explains the differing severity of employment changes. During the COVID-19 outbreak, the relative severity of the pandemic and the responses to the pandemic likely also contributed to employment changes.

Within NC, the economic responses to the pandemic differed across industries. As mentioned above and as seen in Table 1, the state remains 166,800 jobs below the pre-pandemic total. However, the size of the change is not consistent across industries. Four of the eleven major sectors currently have employment totals that surpass their respective pre-pandemic standard: Trade, transportation, and utilities (plus 7,600); Professional and business services (plus 3,100); Information (plus 1,000); and, Construction (plus 800).

On the other hand, four sectors have performed relatively worse than April's 3.6 percent statewide employment decline: Leisure and hospitality services (down 15.5 percent or 80,900 jobs); Other services (down 7.4 percent or 12,500 workers); Government (down 4.6 percent or 41,600 employees); and Education and health services (down 5.1 percent or 32,000 individuals). Manufacturing is also down significantly from its February

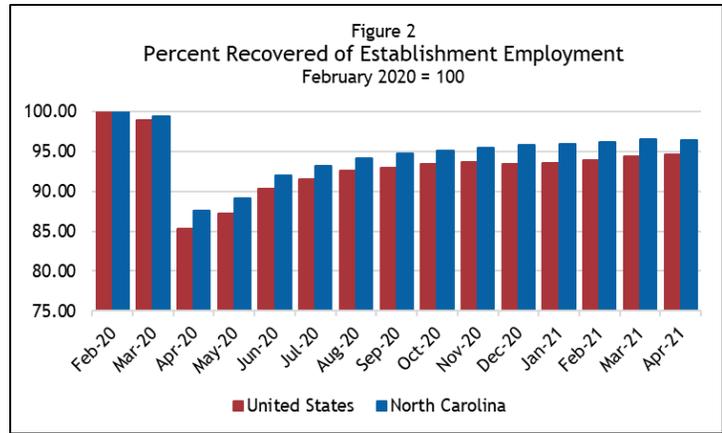


Table 1
North Carolina Establishment Employment
Employment is in Thousands

	Apr-21	Feb-20	Change	Percent Change
NC Total Establishment Employment	4,459.8	4,626.6	-166.8	-3.6%
Mining & Logging	5.6	5.8	-0.2	-3.4%
Construction	236.6	235.8	0.8	0.3%
Manufacturing	462.9	474.9	-12.0	-2.5%
Durable goods	247.5	257.4	-9.9	-3.8%
Non Durable Goods	215.4	217.5	-2.1	-1.0%
Trade, transportation, and utilities	864.0	856.4	7.6	0.9%
Wholesale Trade	182.4	188.2	-5.8	-3.1%
Retail trade	499.8	502.3	-2.5	-0.5%
Transportation, Warehouse, and Utilities	181.8	165.9	15.9	9.6%
Information	77.2	76.2	1.0	1.3%
Financial activities	257.8	257.9	-0.1	0.0%
Finance and insurance	197.5	195.3	2.2	1.1%
Real Estate and Rental Leasing	60.3	62.6	-2.3	-3.7%
Professional and business services	660.4	657.3	3.1	0.5%
Professional, Scientific and Technical	277.7	269.0	8.7	3.2%
Management of Companies	82.1	85.2	-3.1	-3.6%
Administrative & Waste Management	300.6	303.1	-2.5	-0.8%
Education and health services	600.2	632.2	-32.0	-5.1%
Educational services	85.9	98.9	-13.0	-13.1%
Health Care and Social Services	514.3	533.3	-19.0	-3.6%
Leisure and hospitality services	441.5	522.4	-80.9	-15.5%
Arts, Entertainment and Recreation	60.9	77.2	-16.3	-21.1%
Accommodation & food services	380.6	445.2	-64.6	-14.5%
Other services	157.0	169.5	-12.5	-7.4%
Government	696.6	738.2	-41.6	-5.6%
Federal Government	75.8	75.0	0.8	1.1%
State government	187.7	206.3	-18.6	-9.0%
Local government	433.1	456.9	-23.8	-5.2%

February 2020 was the peak of the recent business cycle and the month before the pandemic began adversely affecting the economy..



2020 count (by 12,000), even though its 2.5 percent drop is marginally better than the all-industry standard.

Table 2 provides a sector-by-sector comparison of employment recovery between North Carolina and the nation. Leisure and hospitality services is the worst hit sector in the nation and North Carolina. We mentioned earlier that four sectors are underperforming the all-industry average in North Carolina. In the nation five sectors are more negative than the overall US average (94.61). Six sectors in North Carolina are performing relatively better than its all-industry standard. Interestingly, one of these lagging national sectors, Information, has surpassed its February 2020 total in North Carolina. In comparison, no national industrial sector has surpassed its February 2020 count.

Table 2
Recovered Establishment Employment
(Percent of the February 2020 Total)

	US	NC	NC to US
Total Establishment Employment	94.61	96.39	1.78
Mining & Logging	89.13	96.55	7.42
Construction	97.44	100.34	2.90
Manufacturing	95.98	97.47	1.50
Trade, Transportation, and Utilities	97.21	100.89	3.67
Information	92.21	101.31	9.10
Financial Activities	99.29	99.96	0.67
Professional and Business Services	96.52	100.47	3.96
Education and Health Services	95.24	94.94	(0.30)
Leisure and Hospitality Services	83.16	84.51	1.35
Other Services	94.07	92.63	(1.45)
Government	94.55	94.36	(0.19)

In summary, the negative economic effects of the pandemic, while subsiding in many ways, are still far from over. National forecasters are regularly becoming more optimistic in their projections of the US economy. If these projections materialize and people continue to get vaccinated, the employment growth in North Carolina should increase over the coming months. Only then can we put the pandemic in the rear view mirror.

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