

# Economic Update

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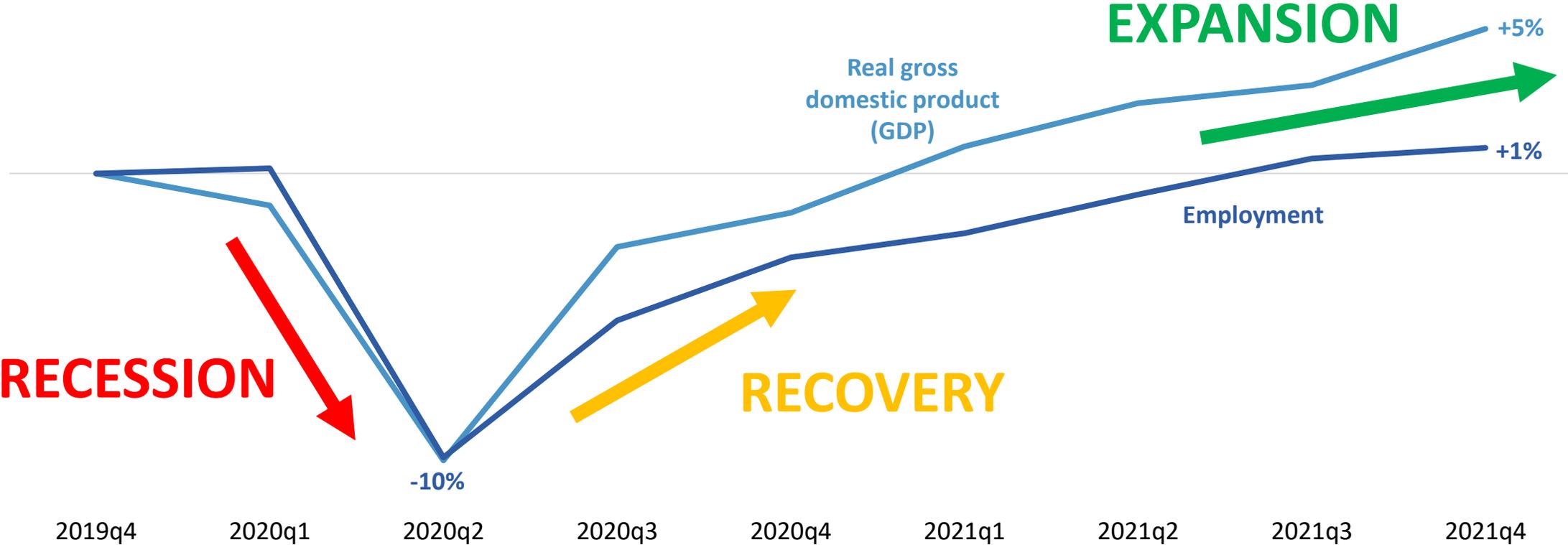
Labor & Economic Analysis Division (LEAD)

**April 5, 2022**

# The business cycle

## The economy is now “expanding”

Real GDP and employment in North Carolina  
% change since 2019q4



**RECEPTION**

**RECOVERY**

**EXPANSION**

2019q4

2020q1

2020q2

2020q3

2020q4

2021q1

2021q2

2021q3

2021q4

-10%

+5%

+1%

Real gross domestic product (GDP)

Employment

# “A jobseeker’s market” Tightest labor market on record

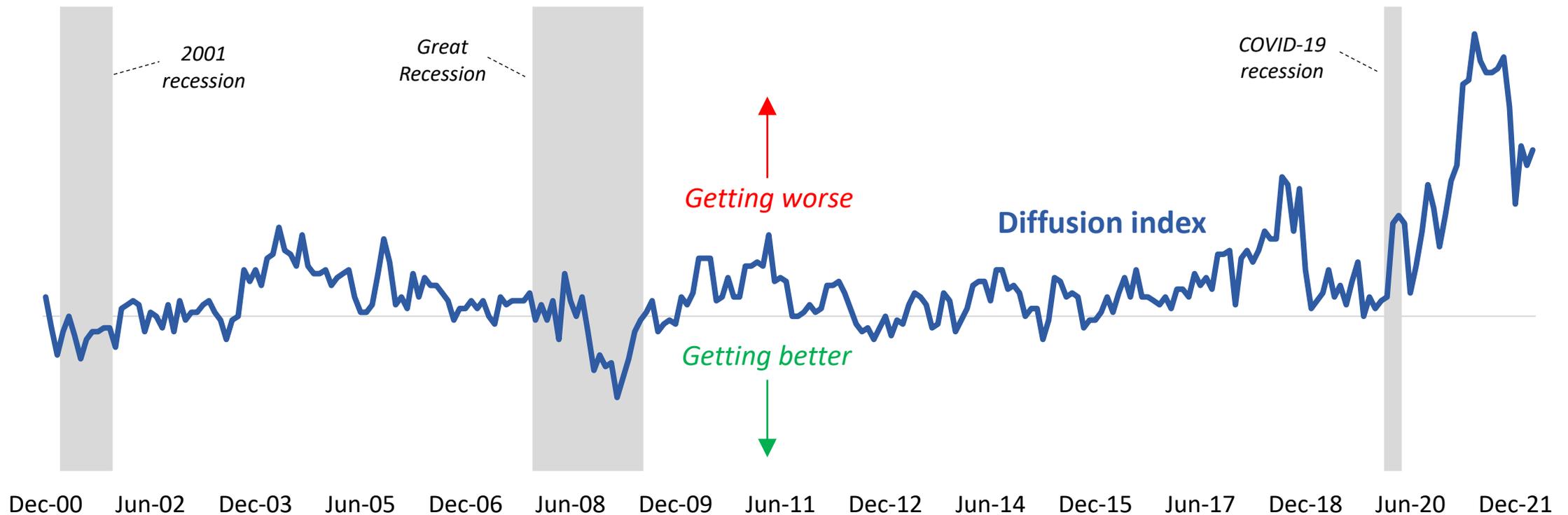
Labor market slack in North Carolina



# Supply chain mayhem

## Manufacturers are waiting longer for supplies

Manufacturing vendor lead time in 5<sup>th</sup> Federal Reserve District (Richmond)



# It's too hot

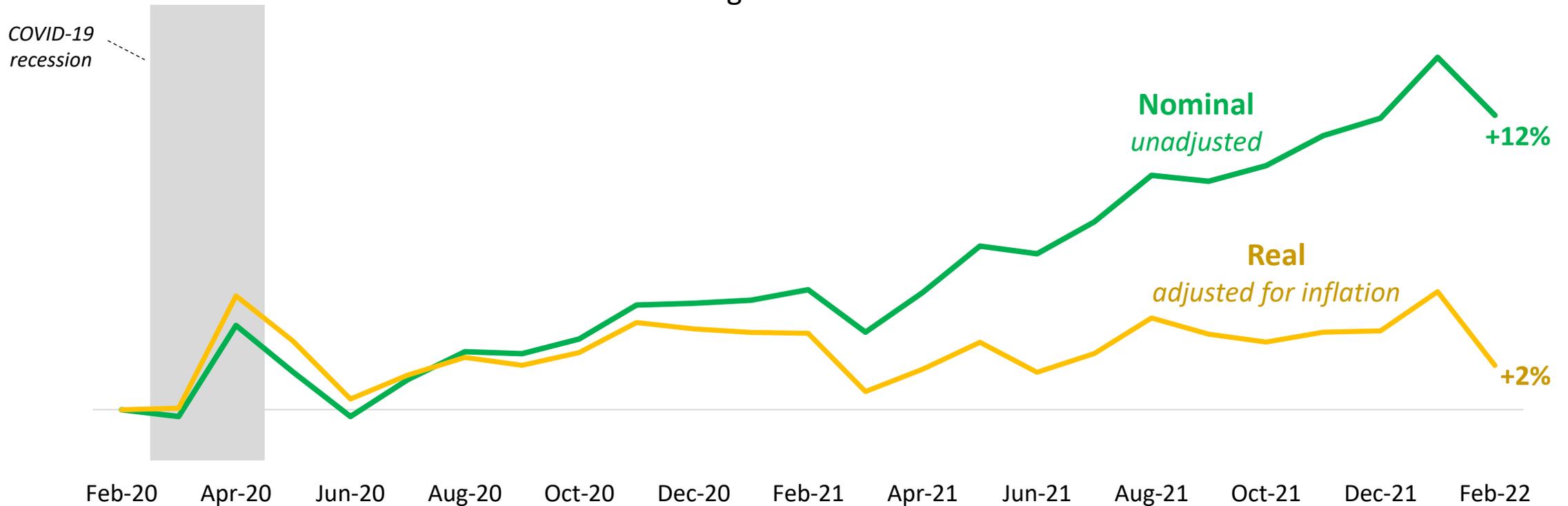
## Price inflation highest in 40+ years

Consumer price increases in the United States



# Tight labor market → wage gains ...but inflation takes it away

Average hourly wage (private sector) in North Carolina  
% change since Feb 2020





# What's up with the Fed?

The economy has **too much demand** and **not enough supply**, leading to **inflation**

The Federal Reserve (“**Fed**”) is responsible for stabilizing prices

The Fed is planning to increase their benchmark interest rate, meaning:

- More expensive to borrow money
- **Lower demand**
- Less consumption
- Less investment
- Fewer job openings
- Lower wage growth
- (Hopefully) **less inflation**

# Final thoughts

The economy has **recovered** from the COVID-19 recession

The economy isn't just hot – it's **overheating** 

Trend to watch in 2022-2023: can the Fed engineer a “**soft landing**” for the economy?

- **Good** scenario (“soft landing”): lower inflation, stable unemployment rate
- **Bad** scenario (“stagflation”): continued high inflation, higher unemployment rate
- **Ugly** scenario: another economic recession

# “Thank you!”

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