

NC Economy Watch

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The labor market is loosening... ...but it's still very tight!

For the past several years, North Carolina has had a **tight labor market**

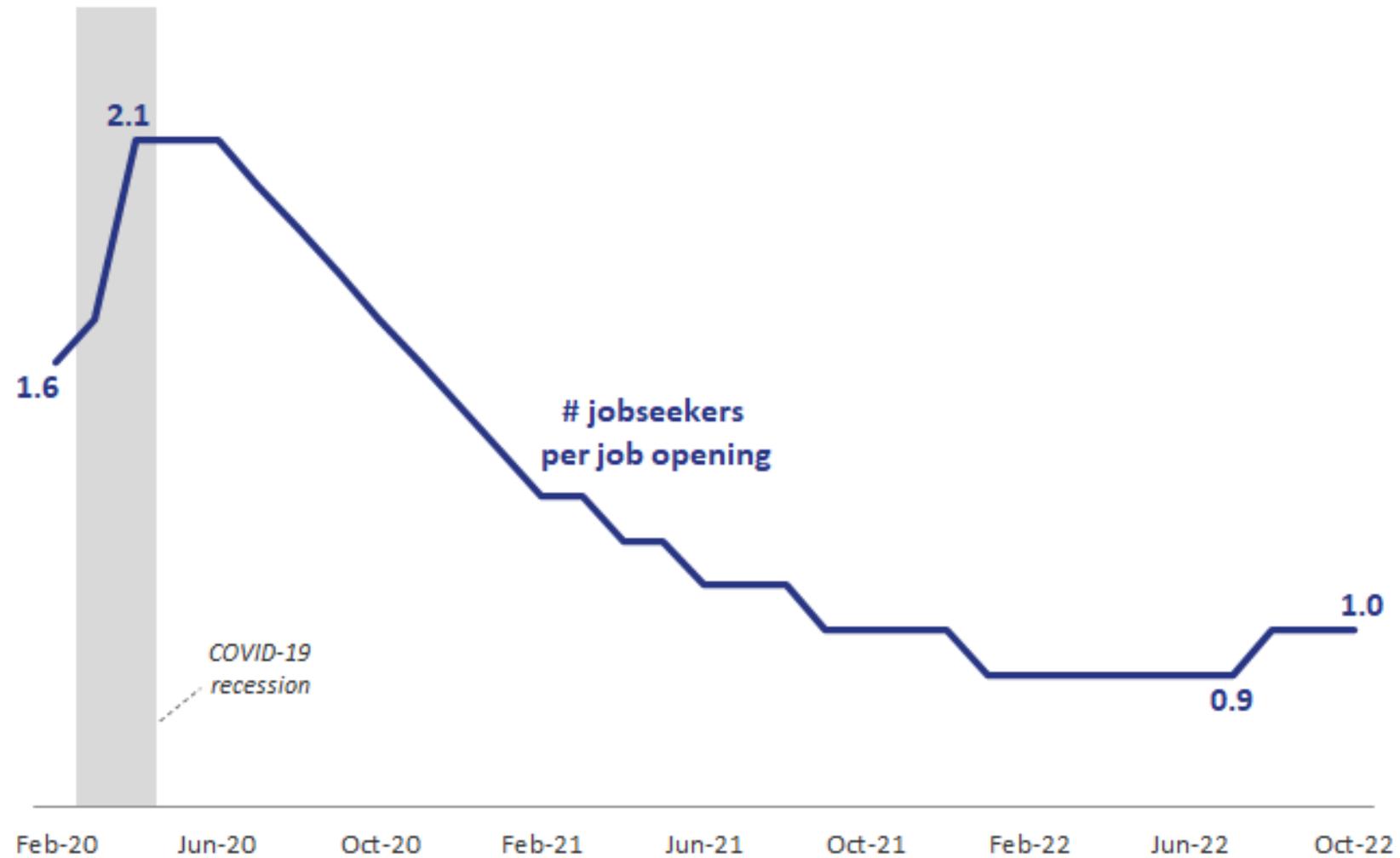
- Relatively few jobseekers per job opening
- Good for jobseekers: more opportunities, easier to find a job
- Bad for employers: fewer candidates, harder to fill open positions
- Bad for customers: difficult to obtain goods and services; upward pressure on prices

Labor market conditions are starting to **loosen** as the economy slows

- High price inflation → Fed raises interest rates → economy cools down
- # job openings is decreasing and # jobseekers is rising...
- ...but conditions remain historically tight!

The Labor Market Is Loosening, but It's Still Very Tight

Labor market conditions in North Carolina (Feb 2020 - Oct 2022)



NC Department of Commerce, Labor & Economic Analysis Division (LEAD)

Source: analysis of data from the US Bureau of Labor Statistics

Note: Shaded areas indicate periods of recession

Employers in the Carolinas Are Still Struggling To Find Qualified Talent

Diffusion index: positive = improving; negative = getting worse (Feb 2020 - Dec 2022)



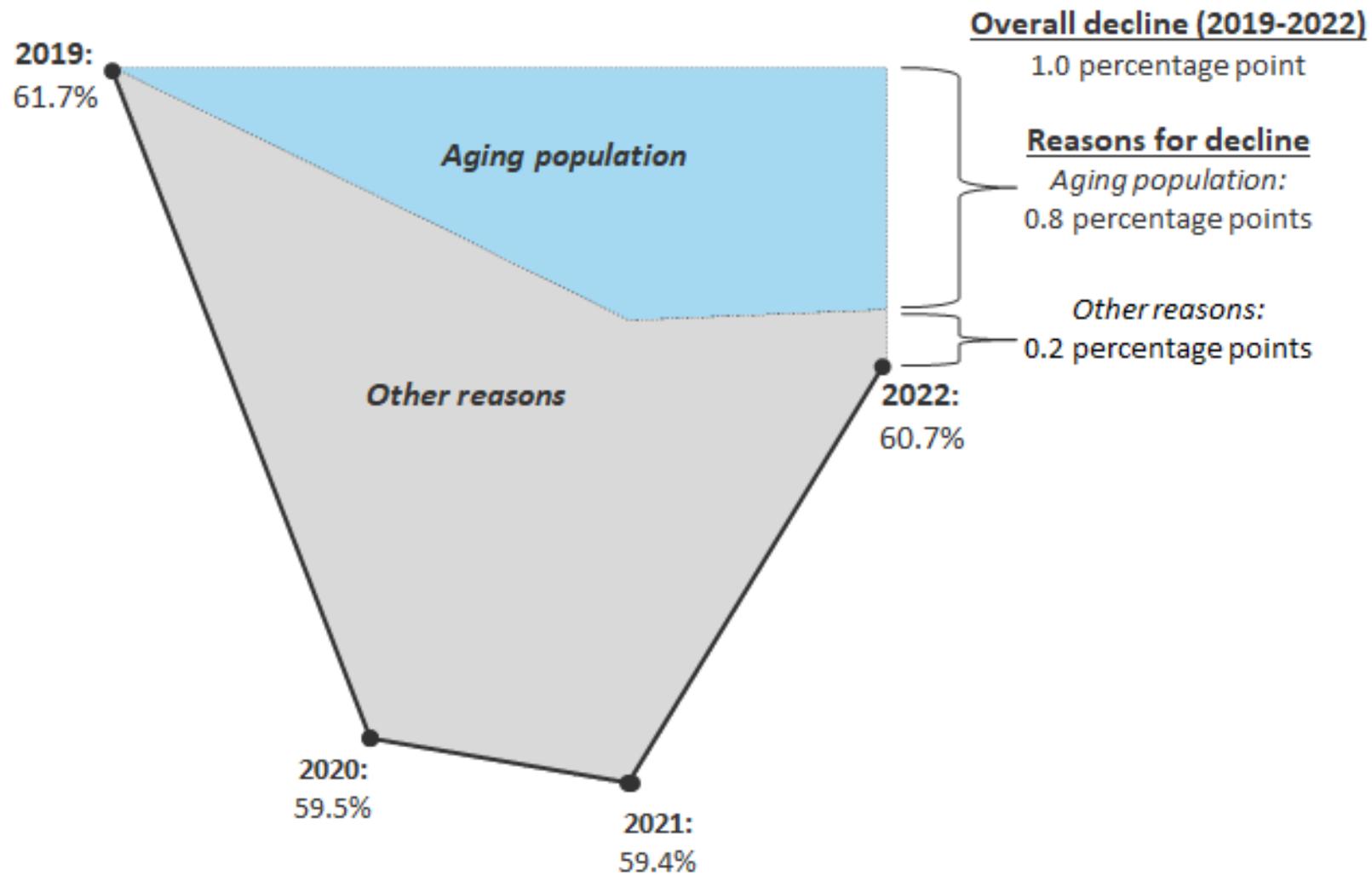
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Source: Carolinas Survey of Business Activity (Richmond Fed)

Note: Shaded areas indicate periods of recession

An Aging Population Leads To Lower Labor Force Participation

Labor force participation rate in North Carolina (annual average)



NC Department of Commerce, Labor & Economic Analysis Division (LEAD)

Source: analysis of data from the US Census Bureau (Current Population Survey)

The outlook

Are tight labor markets here to stay?

The labor market is expected to **loosen further** in the months ahead

- Slowing economic growth (and possibly a recession)
- Fewer job openings, slower hiring
- More layoffs, higher unemployment rate

However, **demographic trends** suggest labor shortages may reoccur

- Our population is getting older. Older people are more likely to retire.
- Our 2019-to-2022 decline in labor force participation was driven by population aging.
- Barring a major shift in technological or demographic trends, labor shortages may become a routine feature of life during future periods of economic growth.

Resources of interest

January 2023 NC Economy Watch:

The Labor Market Is Loosening, but It's Still Very Tight

- <https://www.commerce.nc.gov/blog/2023/01/13/january-2023-nc-economy-watch-labor-market-loosening-its-still-very-tight>

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“Thank you!”

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