

# NC Economy Watch

July 2023

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# The labor market is cooling off...

## ...but it's still hot, hot, hot

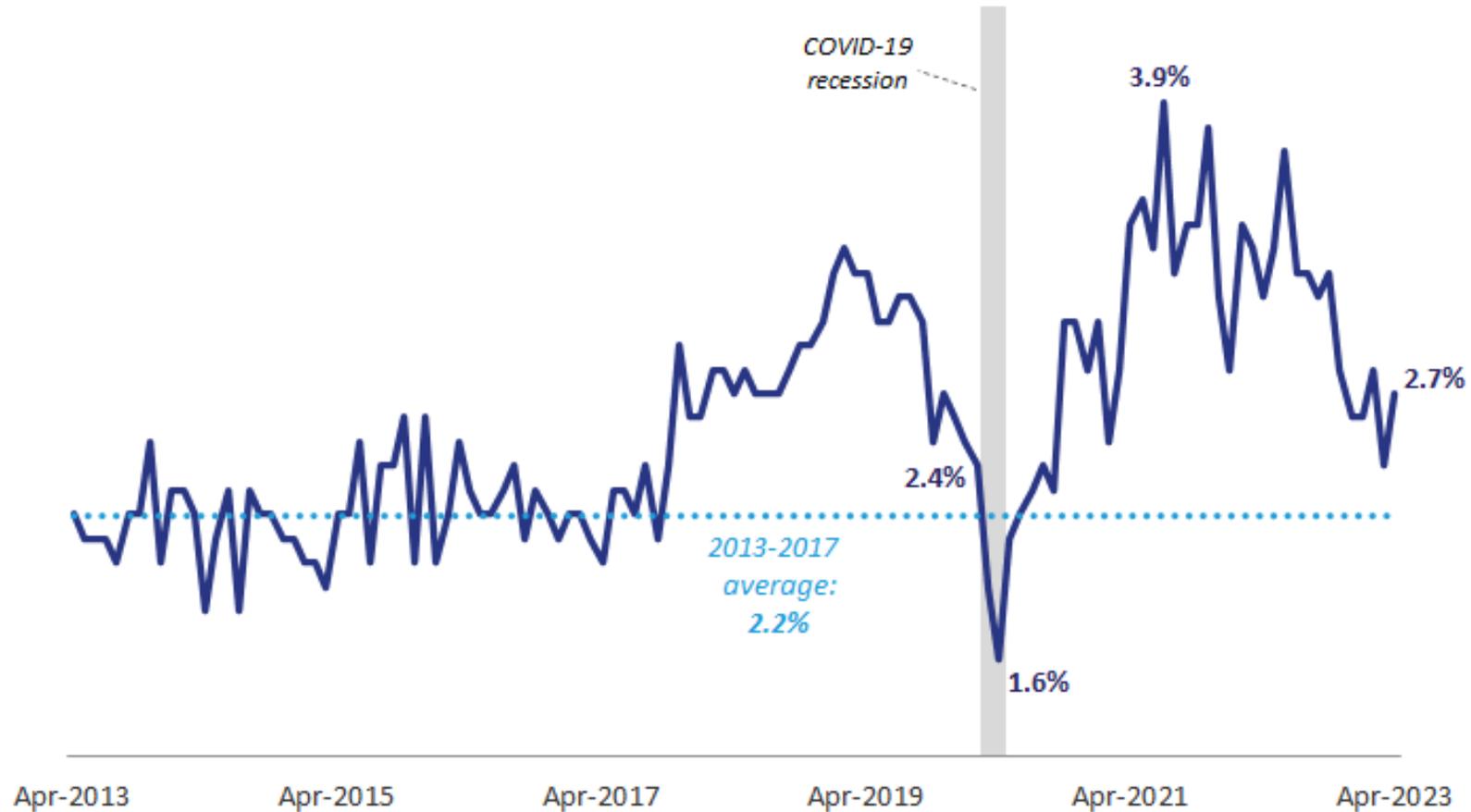
The forces that fueled the red-hot pandemic-era economy are running out of steam:

- **Federal gov't payments** fell from \$4 trillion in first year of pandemic to \$3 trillion this past year
  - Less money in consumers' pockets
- The Federal Reserve's benchmark **interest rate** rose from 0% in March 2020 to 5% in May 2023
  - More difficult to borrow money
- **Price inflation** rose from ~2%/year in 2019 to 9%/year in June 2022 (now: 3%/year)
  - More expensive to purchase goods and services

As a result, consumer demand has **softened**, and North Carolina's labor market has **cooled** somewhat—but it remains surprisingly **resilient**...

## "Great Resignation" Is Fading As Quits Rate Approaches Historical Norm

Voluntary job separations as a % of overall employment in North Carolina

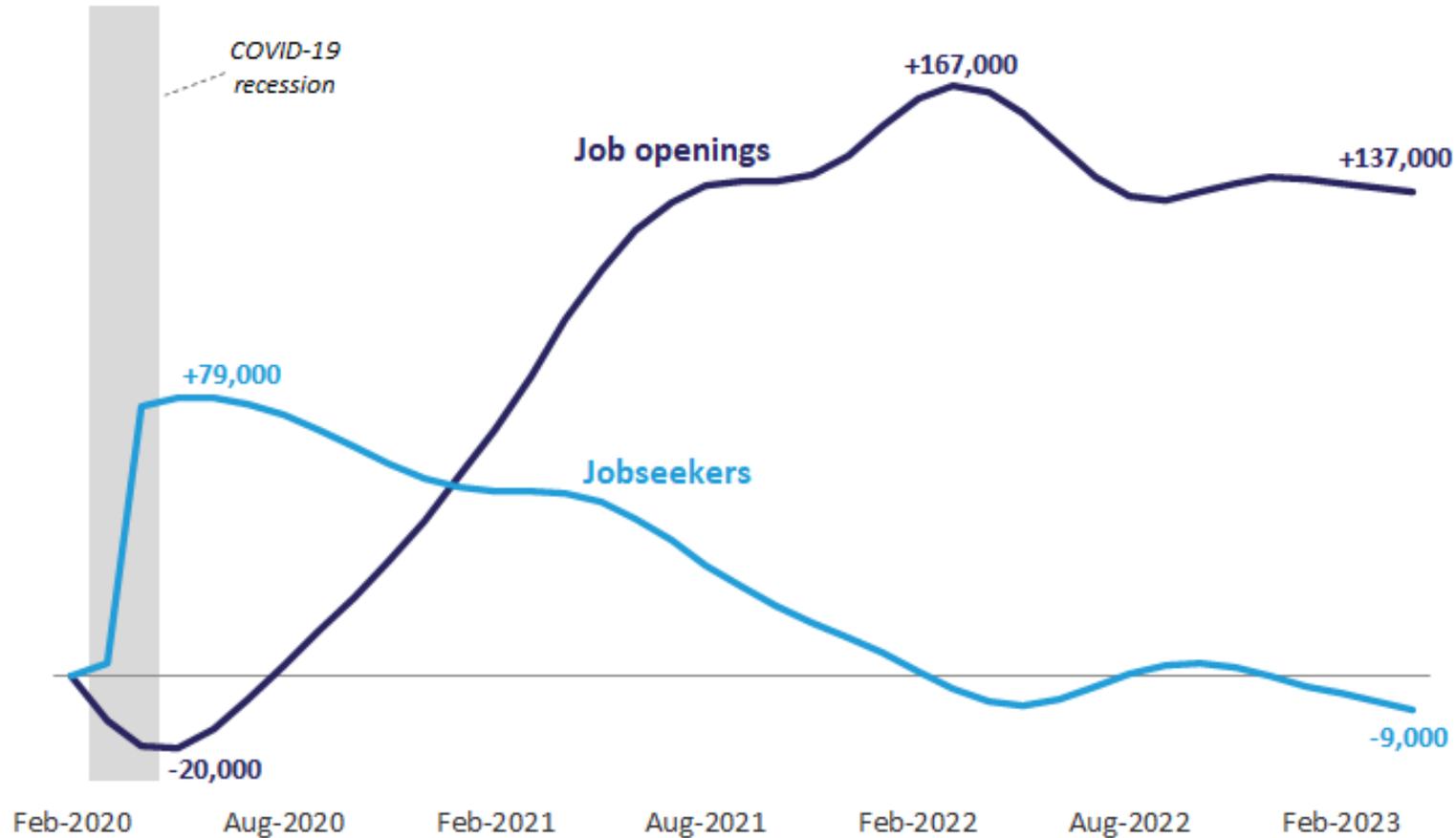


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Source: US Bureau of Labor Statistics (Job Openings and Labor Turnover Survey)

## Out of Balance: Still Too Many Job Openings and Not Enough Jobseekers

# job openings and # jobseekers in North Carolina (change since Feb 2020)

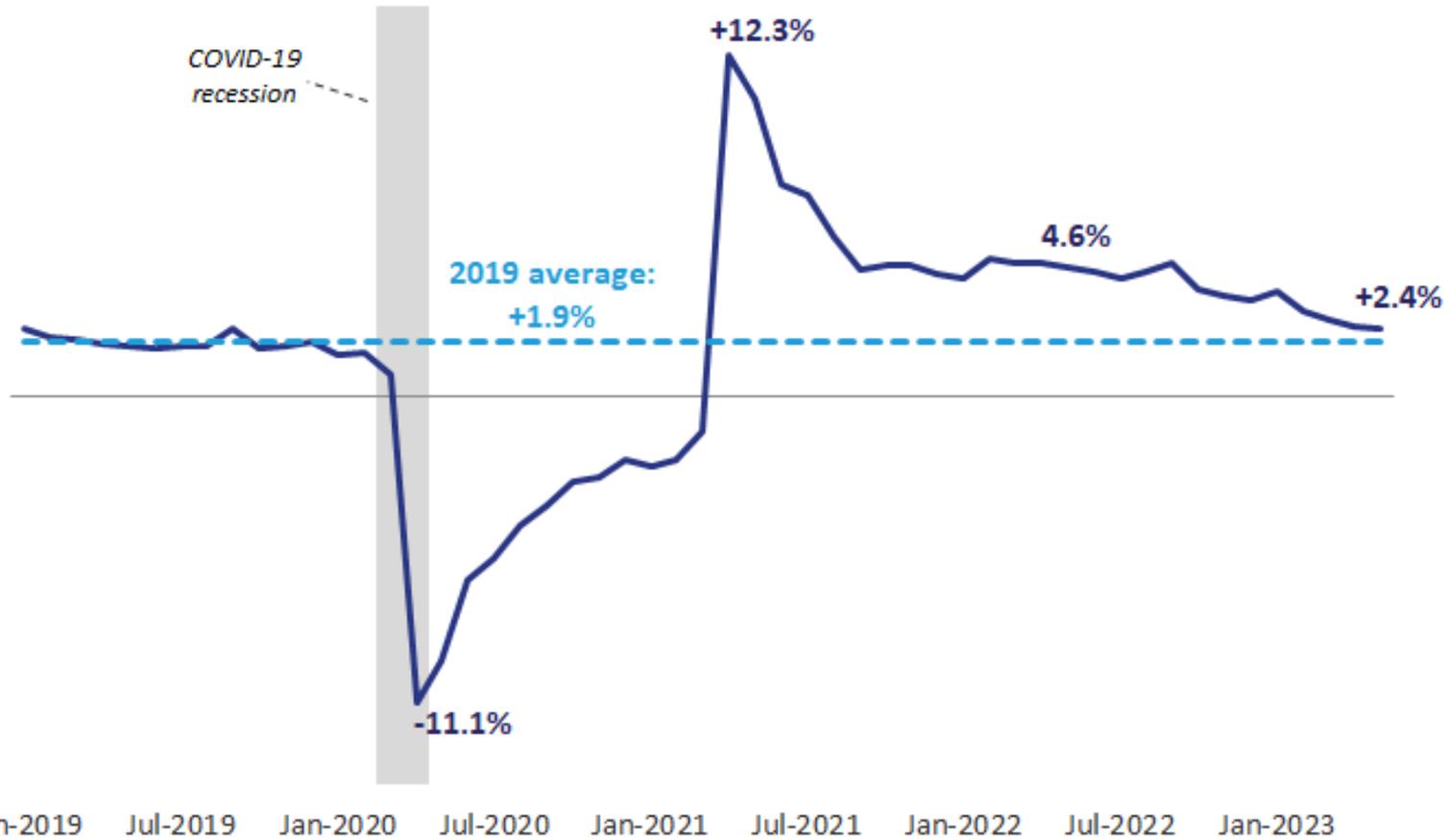


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Source: analysis of data from the US Bureau of Labor Statistics

## The North Carolina Economy Is Slowing, but Still Growing

Over-the-year total nonfarm job growth rates in North Carolina (Jan 2019 - May 2023)



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Source: US Bureau of Labor Statistics (Current Employment Statistics)

# Labor market is cooling, but what about prices?

We still have too much **demand** and too little **supply** in the economy

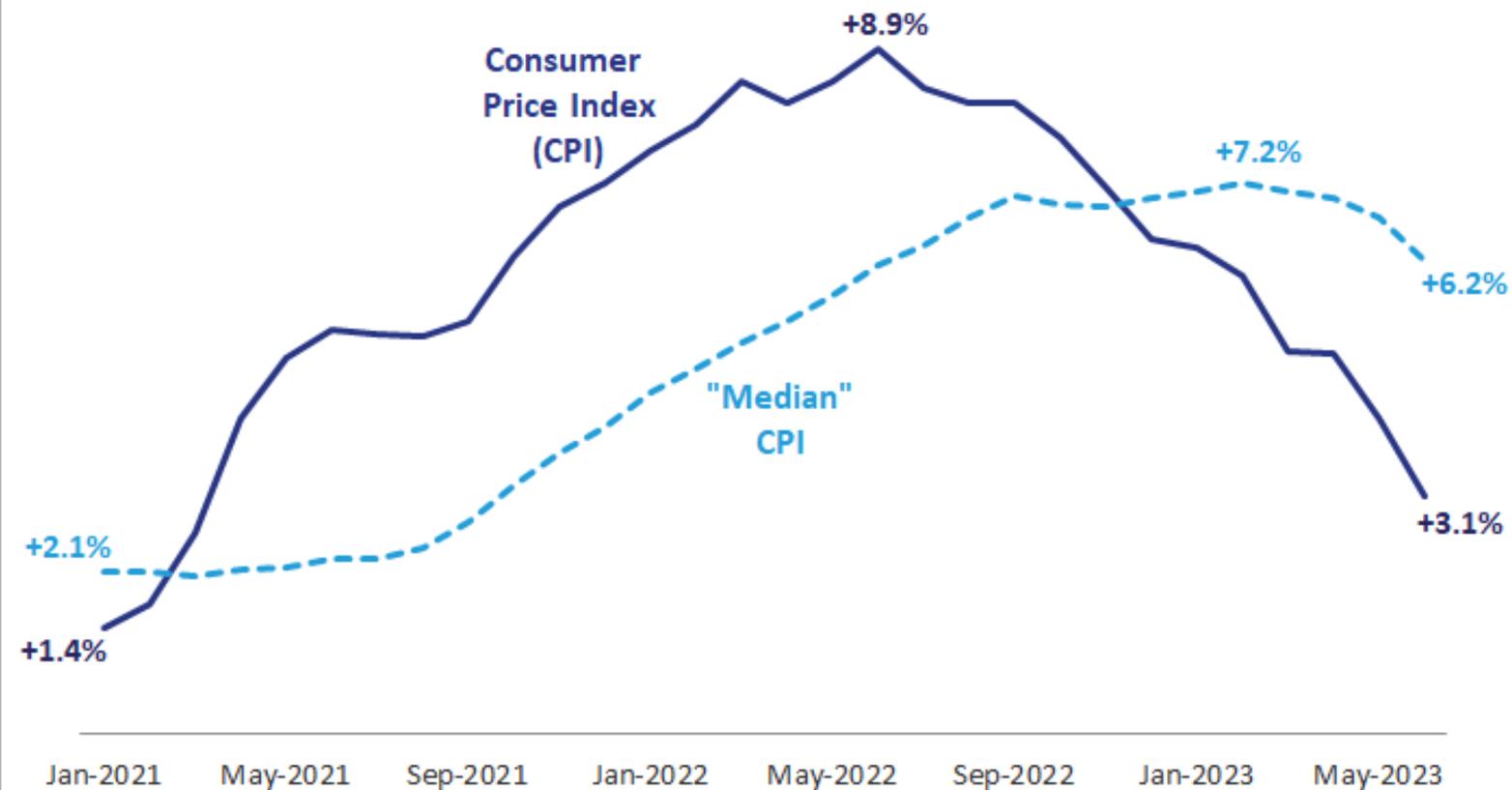
- Too many job openings, not enough workers
- Too much demand for goods and services, not enough productive capacity
- Too much demand + too little supply = **higher prices**

The **Federal Reserve** is raising interest rates to bring supply and demand into balance and get inflation under control

Economy has **slowed**, and so has price growth, but inflation is showing troubling signs of **persistence**...

## Price Growth Is Slowing, but Underlying Inflation Is Still Running Hot

Nationwide over-the-year price growth (Jan 2021 - Jun 2023)



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Source: US Bureau of Labor Statistics; Federal Reserve Bank of Cleveland

# The outlook

## Are we heading for a “soft landing”?

History suggests it’s difficult to stop inflation without hard crash into a **recession**

- E.g., early 1980s: double-digit inflation, double-digit interest rates, and deep recession

Is it possible to avoid a recession and, instead, coast into a “**soft landing**”?

- Soft landings are unusual, but given how weird the pandemic-era economy has been, it’s possible we could stick the landing this time around

The 2022/2023 economic slowdown has been “soft”, but has inflation “landed”?

- Overall, price growth is slowing—that’s a good thing for consumers
- However, underlying measures suggest **price growth might persist** in the months to come

# Resources of interest

## June 2023 NC Economy Watch

*The Tight Labor Market and the Not-So-Great Resignation*

<https://www.commerce.nc.gov/news/the-lead-feed/june-2023-nc-economy-watch-tight-labor-market-and-not-so-great-resignation>

## July 2023 NC Economy Watch

*Is Our Economy Heading for a Soft Landing?*

<https://www.commerce.nc.gov/news/the-lead-feed/july-2023-nc-economy-watch>

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# “Thank you!”

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