

NC Economy Watch

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Did COVID-19 leave a lasting mark on the economy?

Short-term economic impact of coronavirus pandemic was **massive**

- Entire sectors shut down; businesses shuttered; hundreds of thousands out of work in NC
- “Weird”: deepest downturn, shortest recession, and biggest bounce-back in modern history

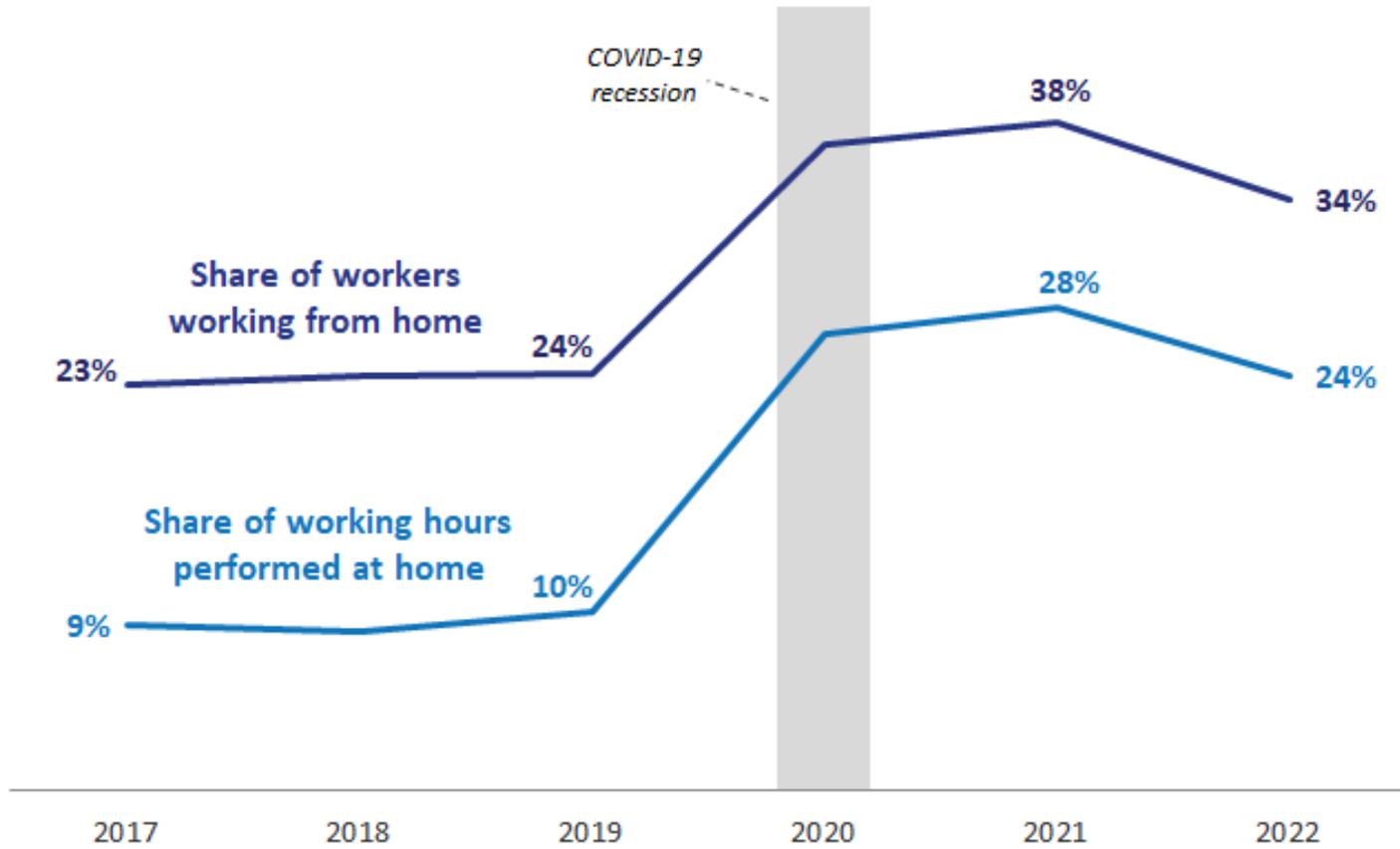
Did the pandemic have a **lasting impact**? Are we experiencing a “**New Normal**”?

Two (possibly related) features of the COVID-19 economy are still with us:

- Higher rates of **working from home**; and
- Higher rates of new business startups / **entrepreneurship**

The New Normal: The Rise of Remote Work

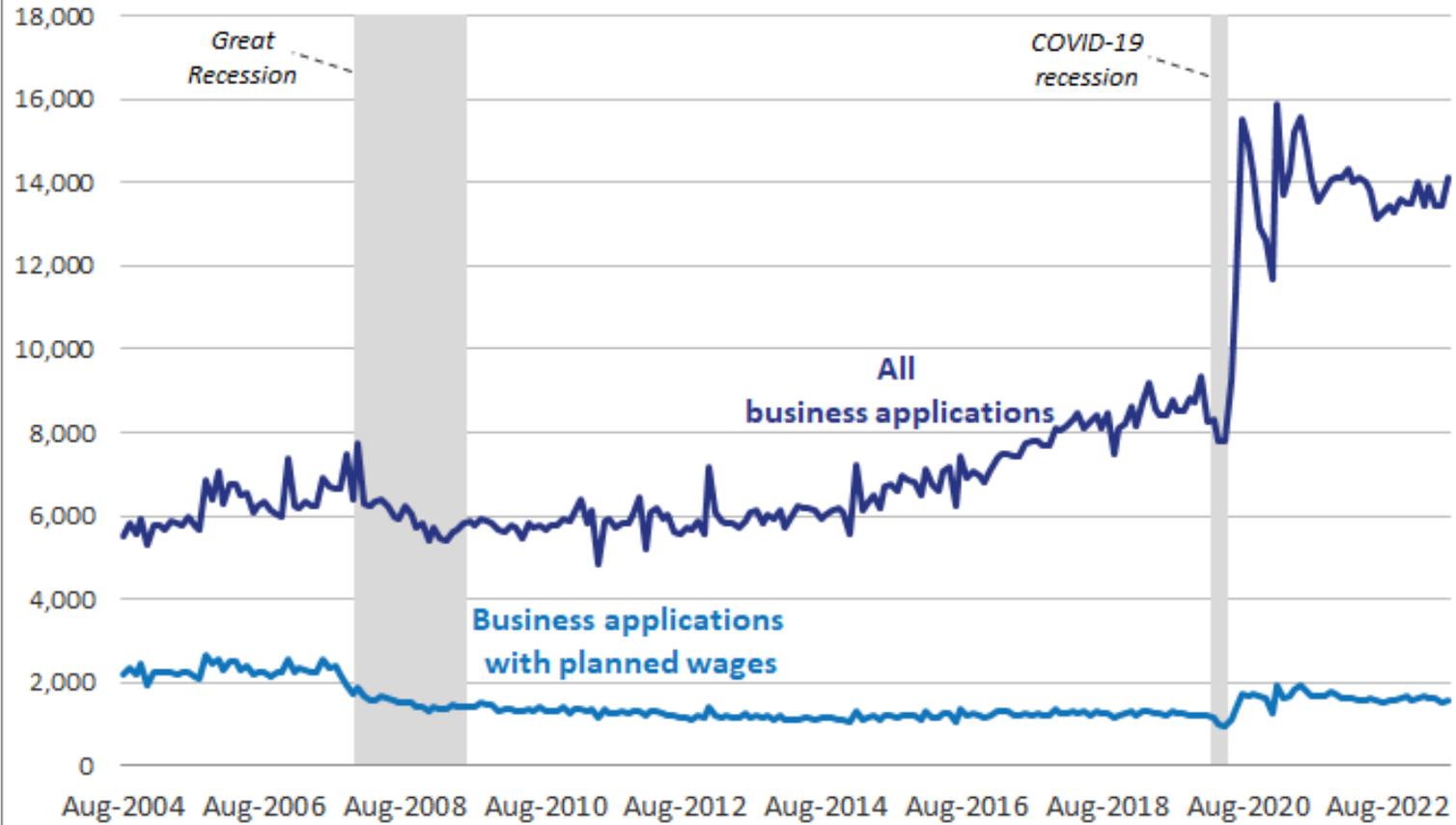
Work-from-home trends in the United States



NC Department of Commerce, Labor & Economic Analysis Division (LEAD)
Source: US Bureau of Labor Statistics (American Time Use Survey)

The New Normal: A Resurgence of Entrepreneurship

Monthly business applications in North Carolina (Aug 2004 - Jun 2023)



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Source: US Census Bureau (Business Formation Statistics)

Are we in a “New Normal”? ...or “Same As It Ever Was”?

Rise of remote work and resurgence of entrepreneurship have potential implications for broader economy:

- Working from home → less commuting to office → less demand for **office space**
- More startups could result in more **innovation** and productivity growth

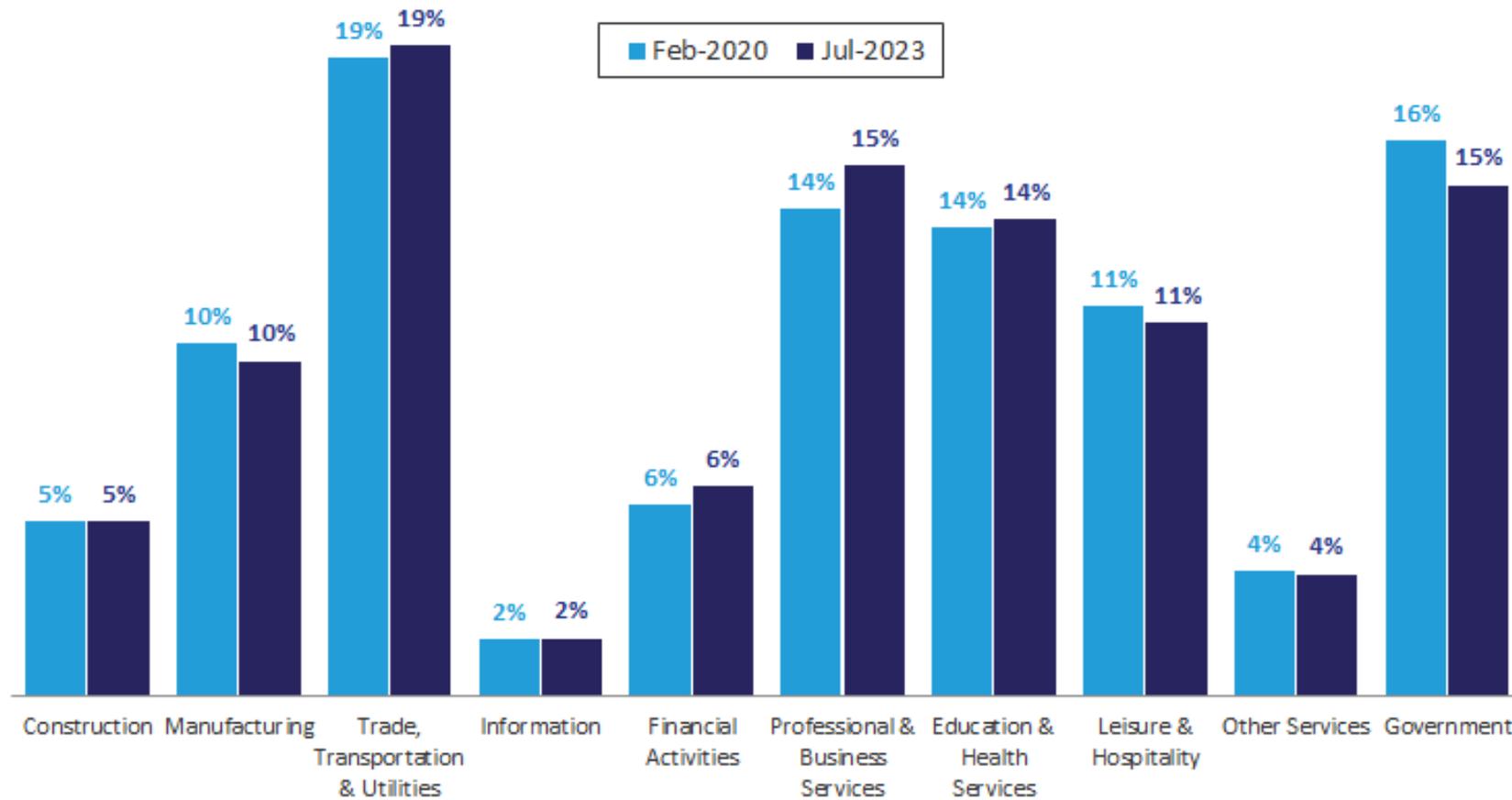
But these trends **might not last** forever...

... and, for the things that the pandemic changed, in many ways, the “new normal” resembles the “**old normal**”:

- Industry composition (the sectors where people work)
- Tightening labor market
- Growth of e-commerce

Same Old Normal: COVID-19 Had Little Impact on Industry Composition

Employment by sector as % of total nonfarm employment in North Carolina

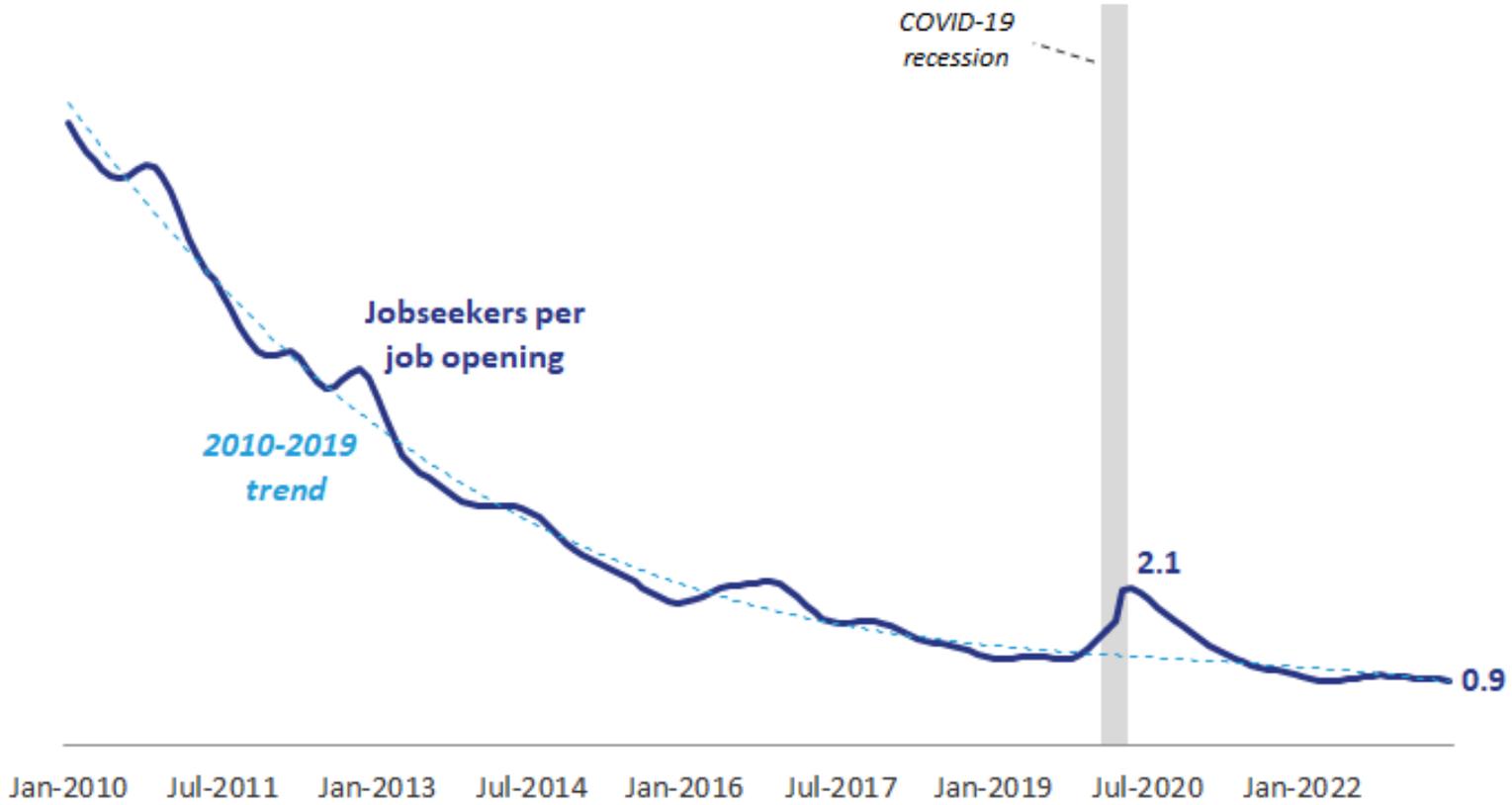


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Source: US Bureau of Labor Statistics (Current Employment Statistics)

Labor Market Tightening Is Consistent With Pre-COVID Trend

jobseekers per job opening in North Carolina (Jan 2010 - Jun 2023)



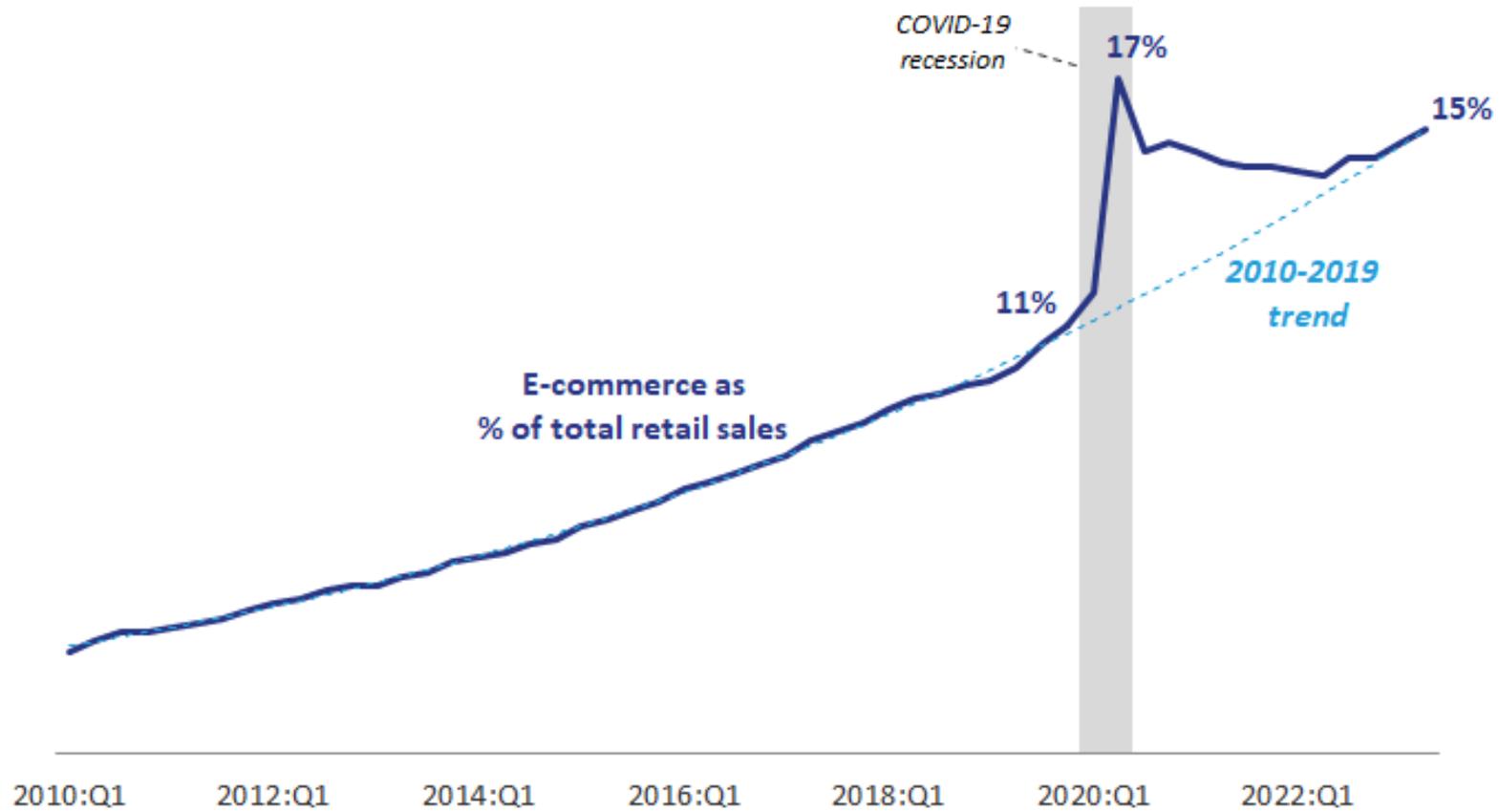
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Source: analysis of data from US Bureau of Labor Statistics

Note: 2010-2019 trend is modeled using a third-degree polynomial (cubic) specification

The Rise of E-Commerce is Nothing New

Nationwide e-commerce as % of total retail sales (2010:Q1-2023:Q2)



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

Source: US Census Bureau

Note: 2010-2019 trend is modeled using a third-degree polynomial (cubic) specification

The outlook

The only constant in life is change

COVID-19 left an imprint on certain aspects of our economy, but in many respects, the economy of **2023** remains much like the economy of **2019**.

That doesn't mean there's smooth sailing ahead. We live in **uncertain times**, and the future is likely to bring both expected and unexpected changes:

- Higher **prices** and higher **interest rates**
- Long-term growth in **e-commerce** → impact on retail, transportation, and warehousing
- **Aging population** = labor shortages and higher demand for healthcare
- Technological change? Artificial intelligence? **Automation?**
- Armed conflicts? Natural disasters? **More pandemics??**



Resources of interest

August 2023 NC Economy Watch

Has COVID-19 Led to a “New Normal” for Our Economy?

<https://www.commerce.nc.gov/news/the-lead-feed/august-2023-nc-economy-watch-has-covid-19-led-new-normal-our-economy>

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Meet the New Normal, Same as the Old Normal

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

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“Thank you!”

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