

# What's Happening in Our Economy and What it Means for You



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# We want YOUR feedback!



- Questions for the presenter
- How have the **workers** and **businesses** you serve fared during **2022**?
- What are your **expectations** for the year to come?



# Today's agenda

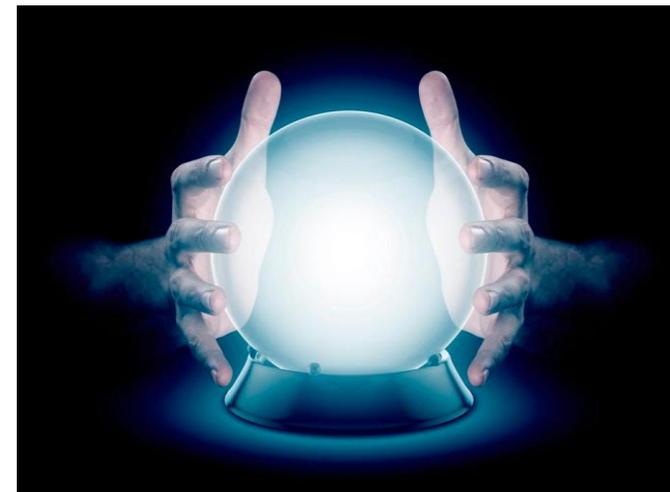
## The COVID-19 Economy



## Recession Watch

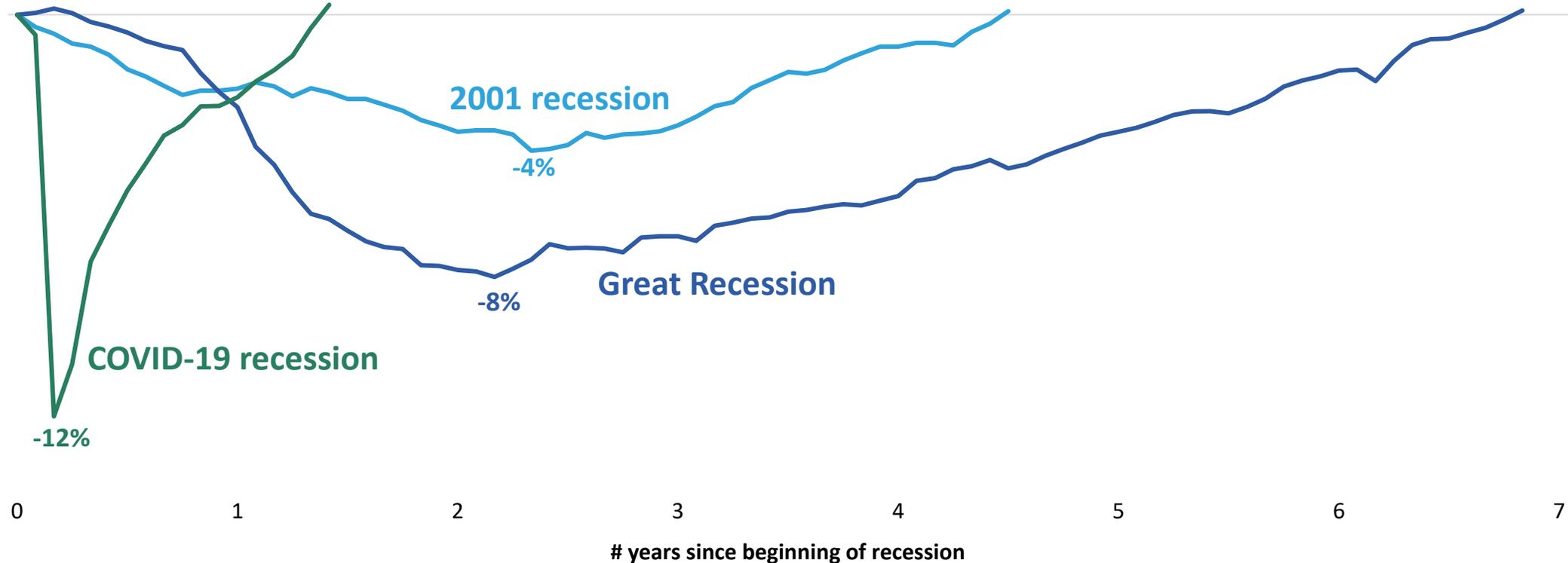


## The Future of Work



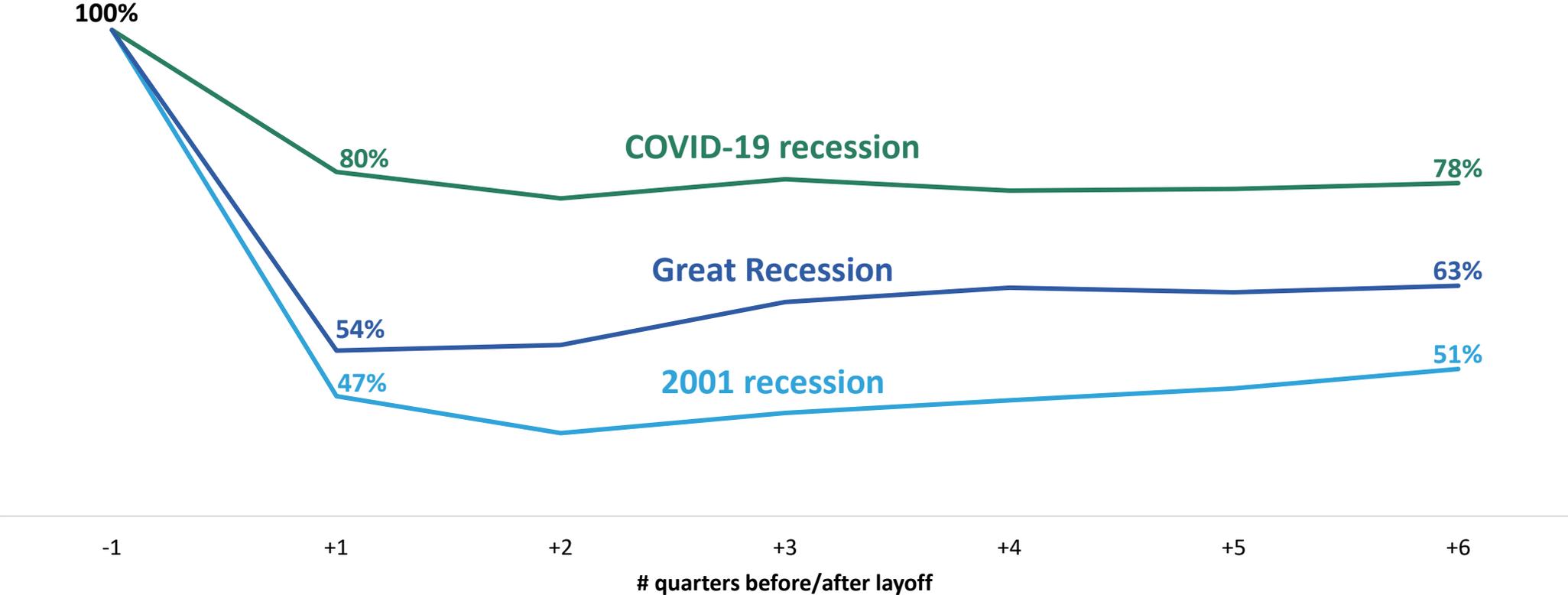
# COVID-19: short recession, fast recovery

Total nonfarm employment in North Carolina  
% change since beginning of recession



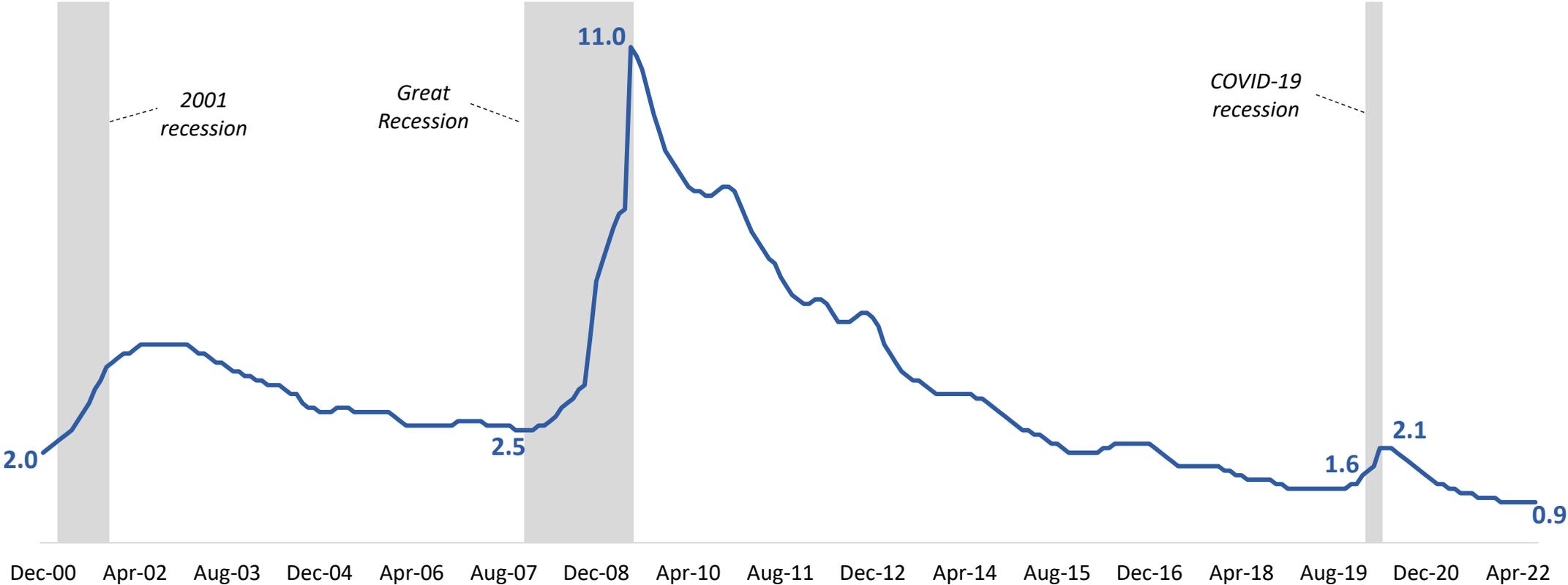
# Most who lost work during COVID-19 recession were quickly re-employed

Employment rate of North Carolina workers laid off during past three recessions



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

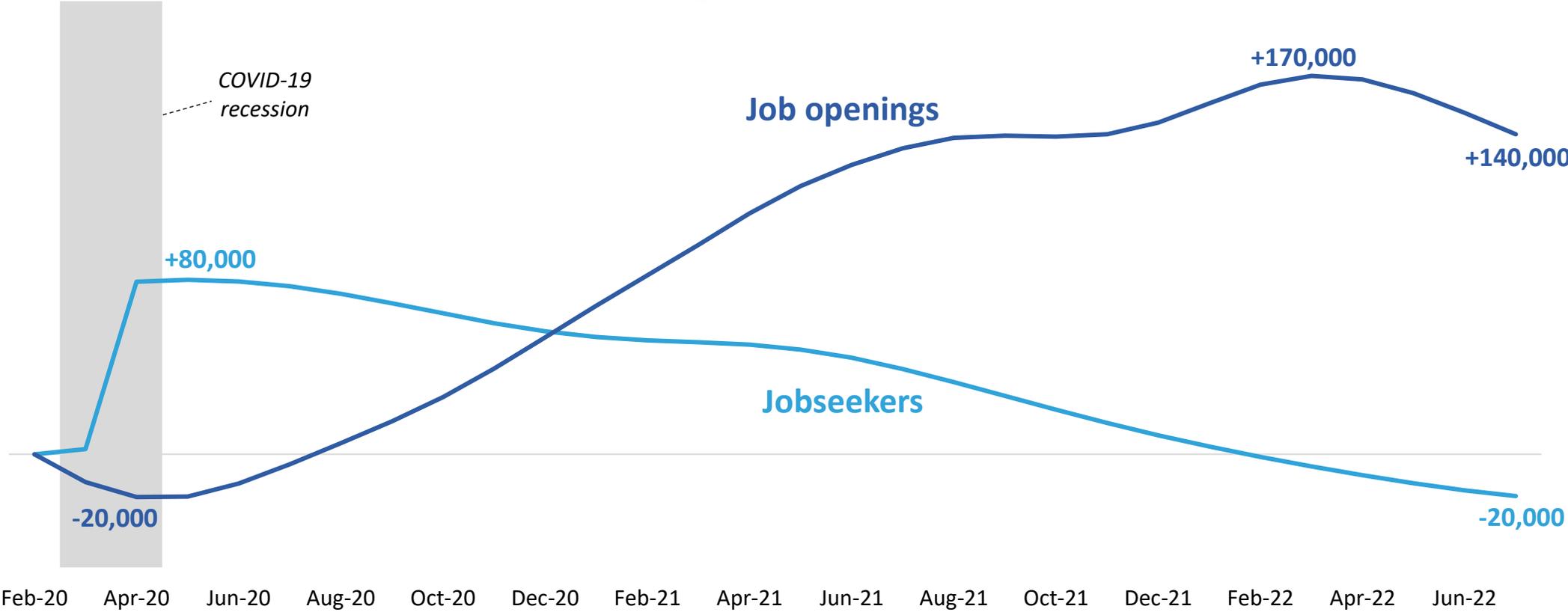
# jobseekers per job opening in North Carolina  
Dec 2000 – Jul 2022



# Too much demand for workers and not enough supply

### # job openings and jobseekers in North Carolina

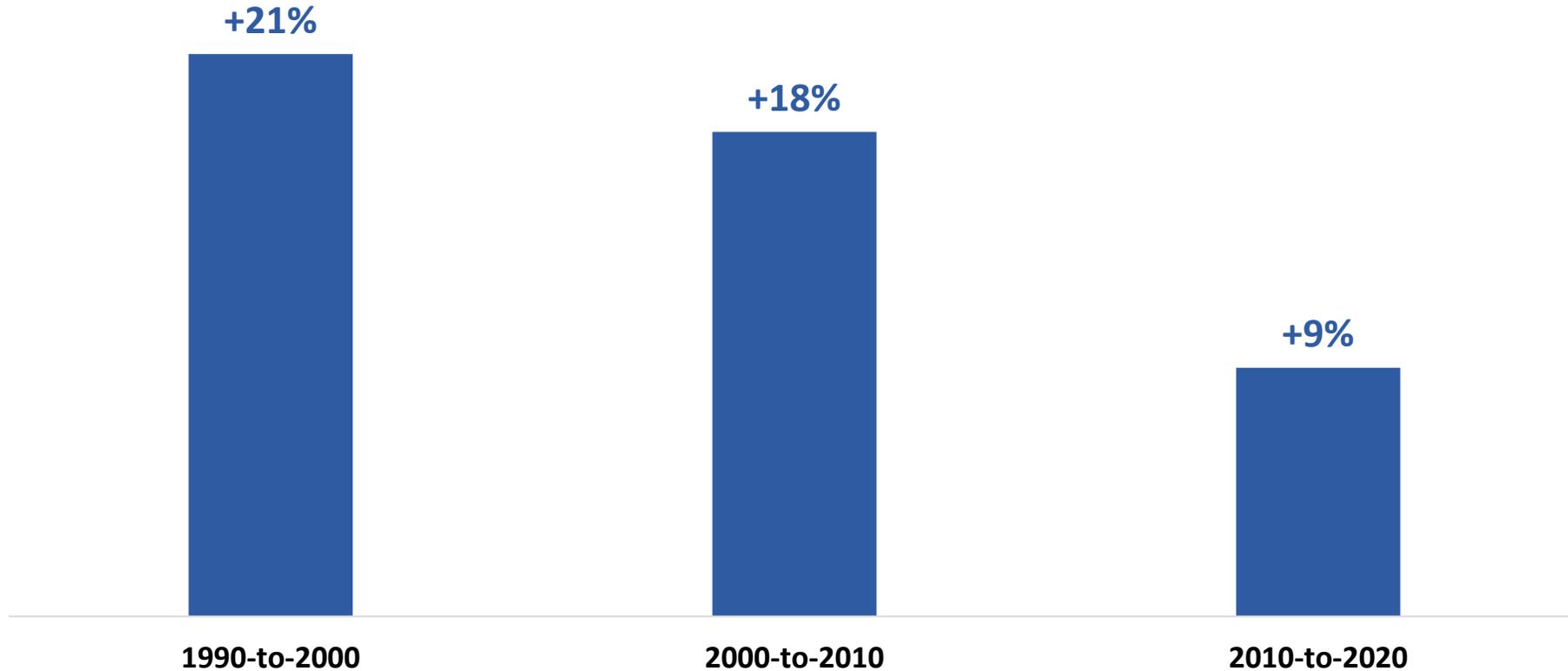
Change since Feb 2020



# Where are the workers?

## Slower population growth = fewer workers

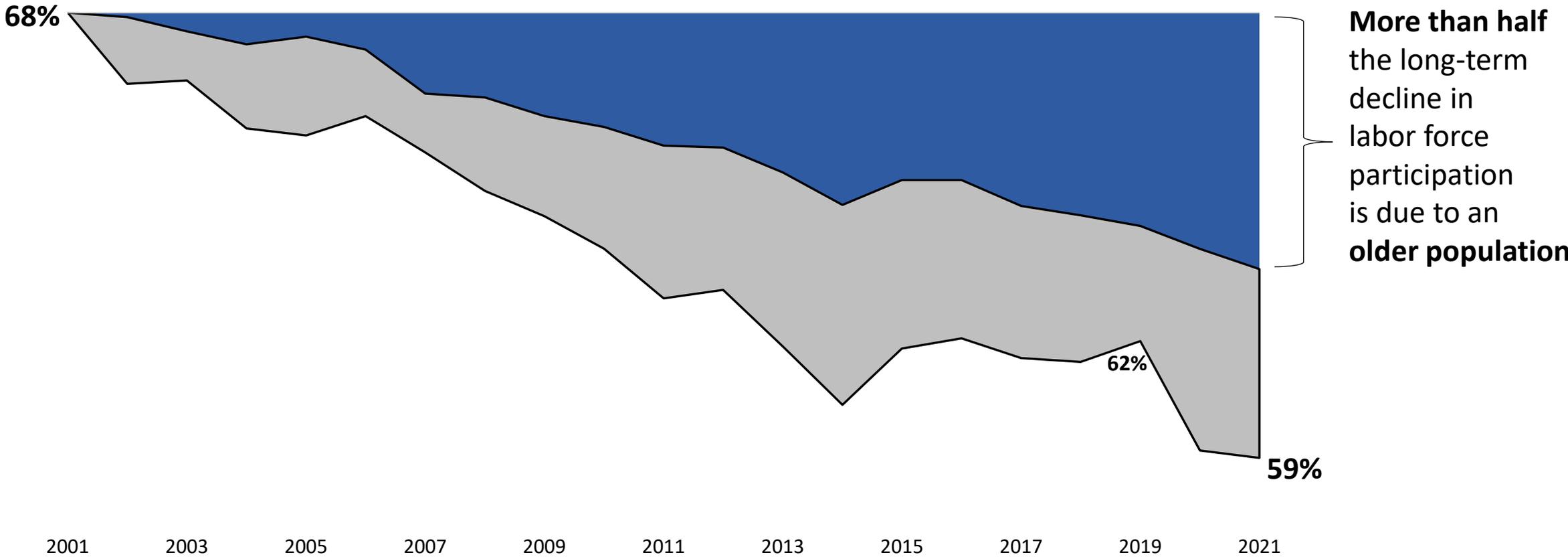
Population growth in North Carolina



# Where are the workers?

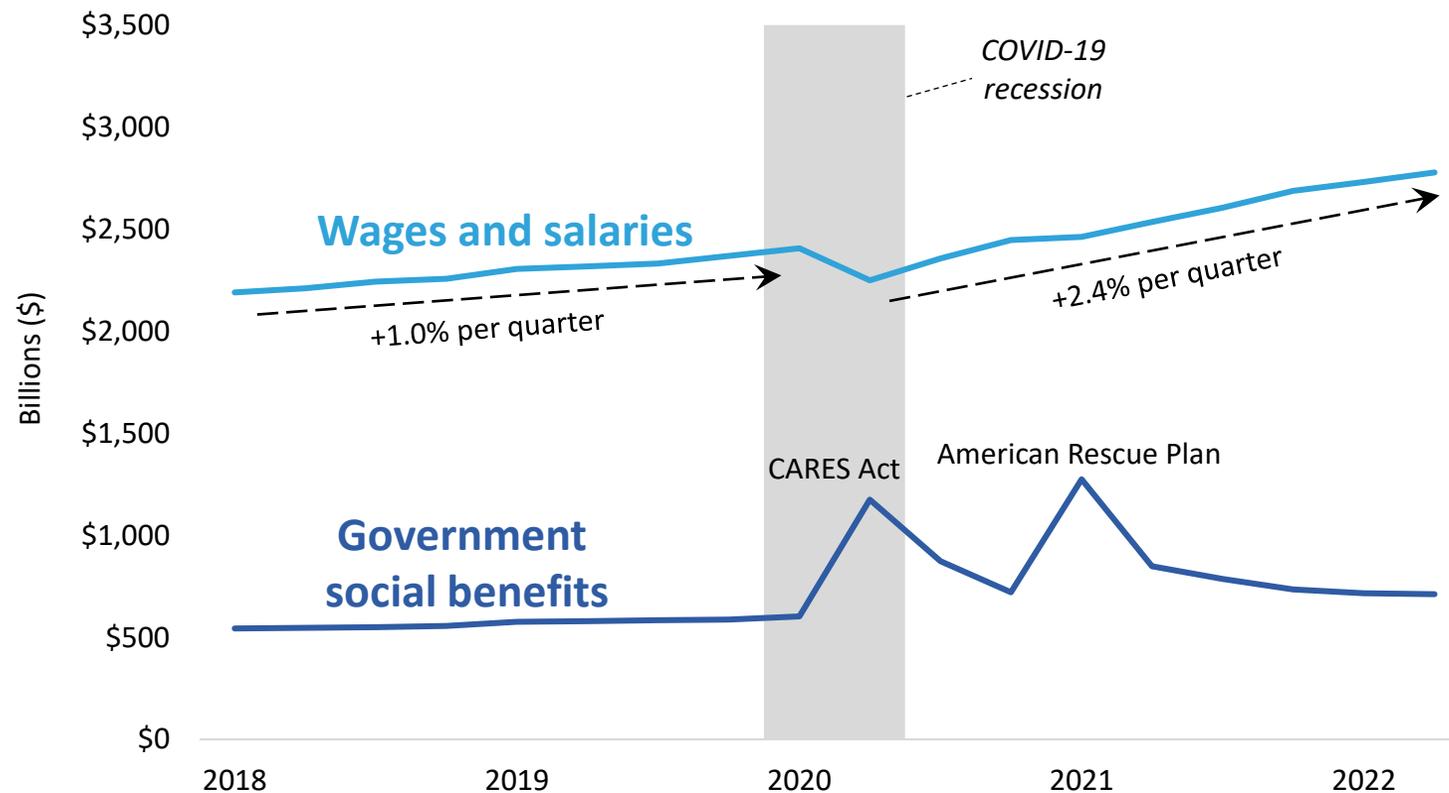
## Older population = lower labor force participation

Labor force participation rate in North Carolina



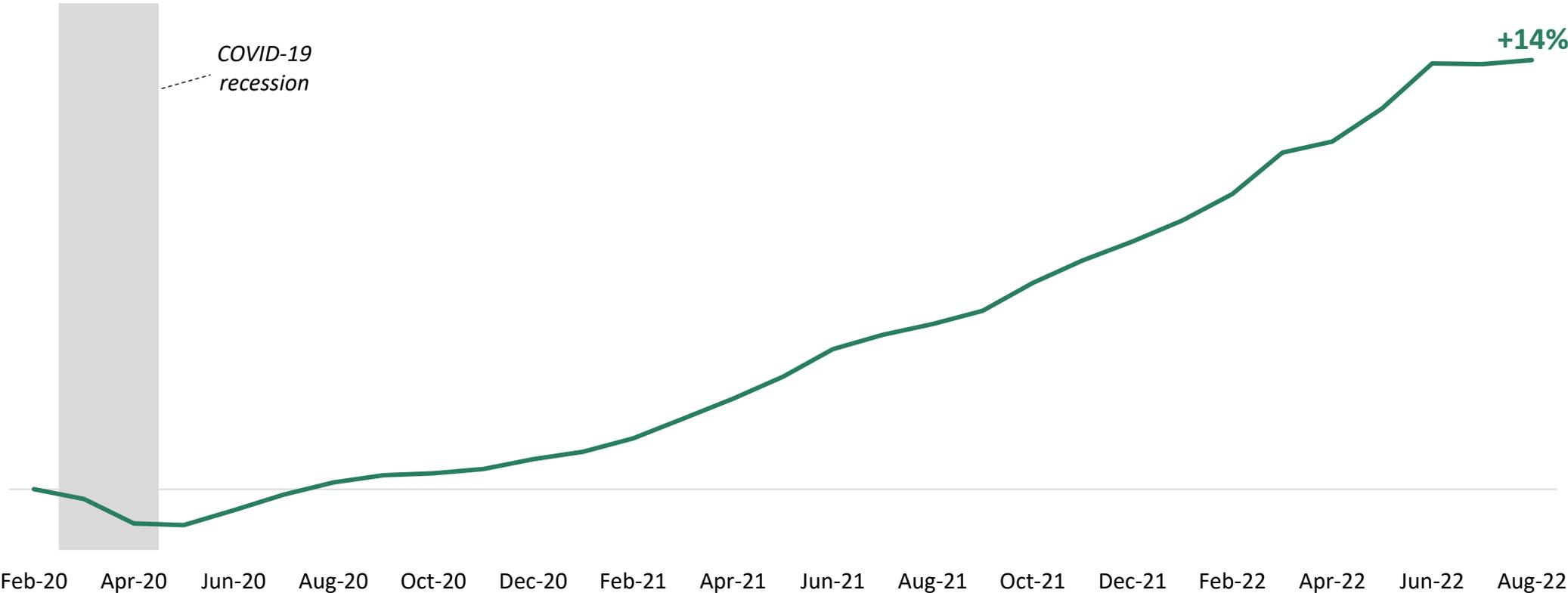
# Wage gains and government stimulus have fueled red-hot consumer demand

### Quarterly personal income in the United States, by component



# Too much demand and not enough supply leads to price inflation

Consumer prices in the United States  
% change since Feb 2020

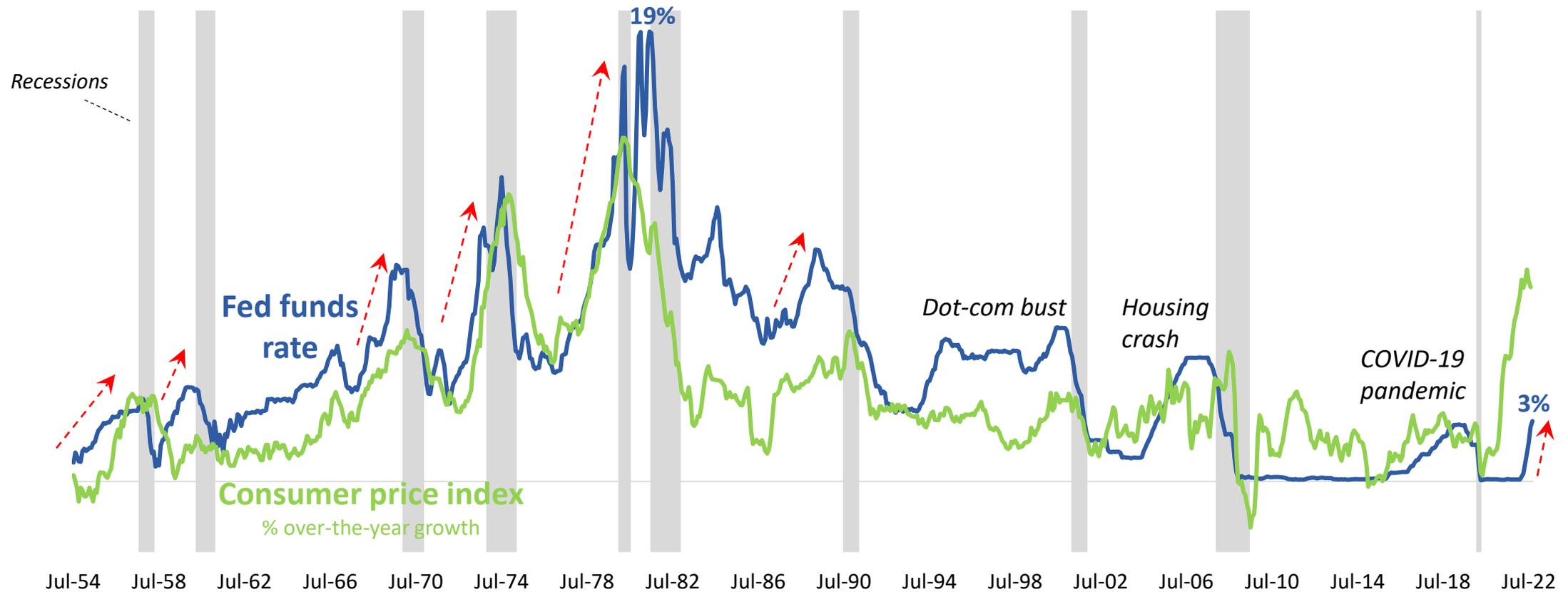


"Economic expansions don't die of old age.  
They are murdered by the Federal Reserve."

*Ancient economic proverb*

# Here we go again...

## Rising interest rates → recession??



# The COVID-19 economy

## Summary

### Recovery from COVID-19 recession was **stronger than expected**

- Explosive income growth and robust consumer demand
- Record-high demand for labor and tight labor market
- Fast employment growth and rapid re-employment of laid-off workers

### Unfortunately, we've fallen victim to our own success

- **Too much demand** and **not enough supply**
- Too many job openings, not enough jobseekers
- High inflation sets the stage for interest rate increases and another recession

# The COVID-19 economy

## “What does it mean for me?”

Demand is important, but **supply matters** too

- Government stimulus generates demand, but not supply
- Economic development creates jobs, but not workers
- “You cannot demand that which cannot be supplied”

**Workforce development** is essential for maintaining **supply** of qualified labor

- Workers need help identifying opportunities and securing needed skills
- Employers need help identifying job candidates and accessing job matching services

COVID-19 recession was short. **Next recession** might be **longer** and **more severe**

- Next one might look like previous recessions: permanent layoffs, long-term joblessness

# Feedback / Questions



# Poll (select one):

## When will our economy enter a recession?



- We're in a recession **right now**
- By the end of **2022**
- Sometime in **2023**
- Sometime in **2024**
- **2025 or later**





**Too hot  
(Inflation)**

**Too cold  
(Recession)**

**Just right  
(Neutral)**

WALT DISNEY PRESENTS



# Goldilocks

AND THE  
**THREE BEARS**

# Too hot

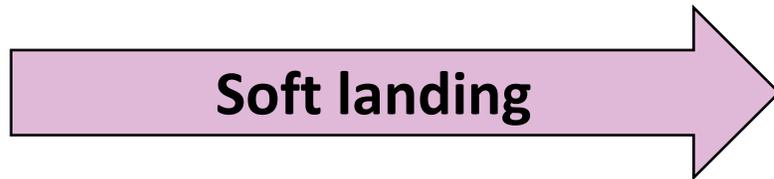
Tight labor market  
Unsustainable wage gains  
High price inflation

# Just right

Balanced labor market  
Sustainable wage gains  
Low price inflation

# Too cold

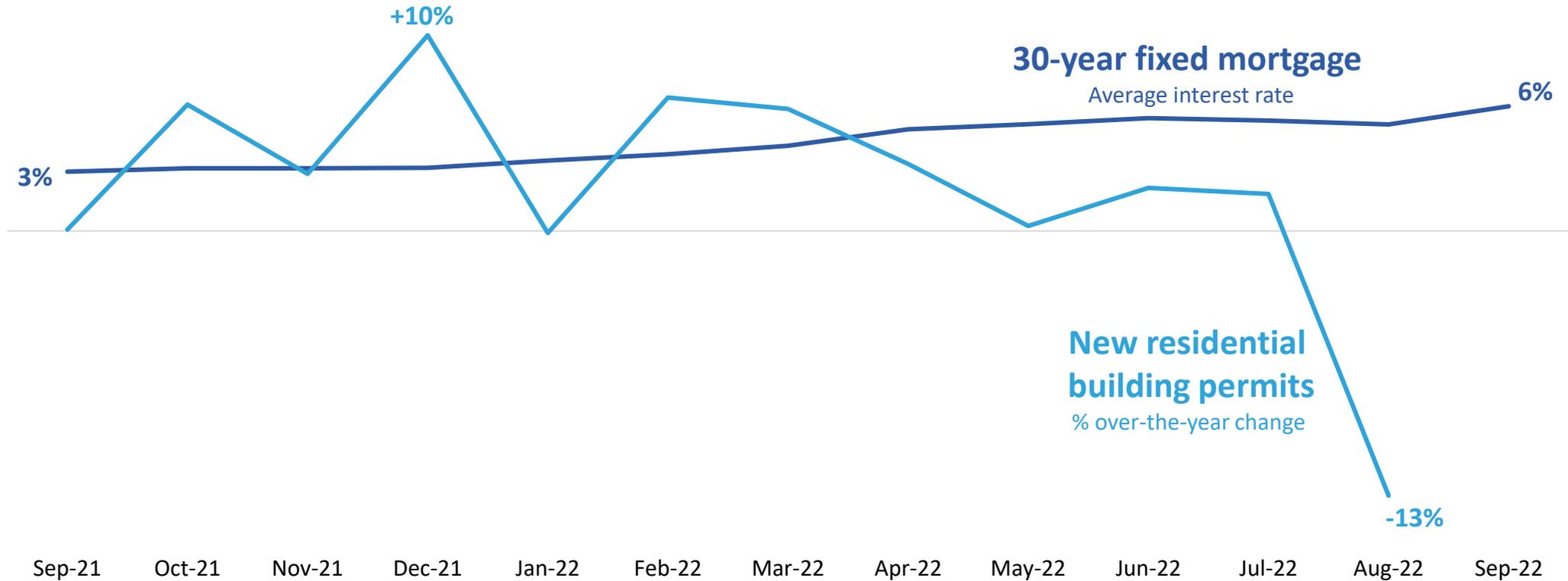
Slack labor market  
Mass layoffs  
Recession



# Recession Watch

## Higher interest rates → housing slowdown

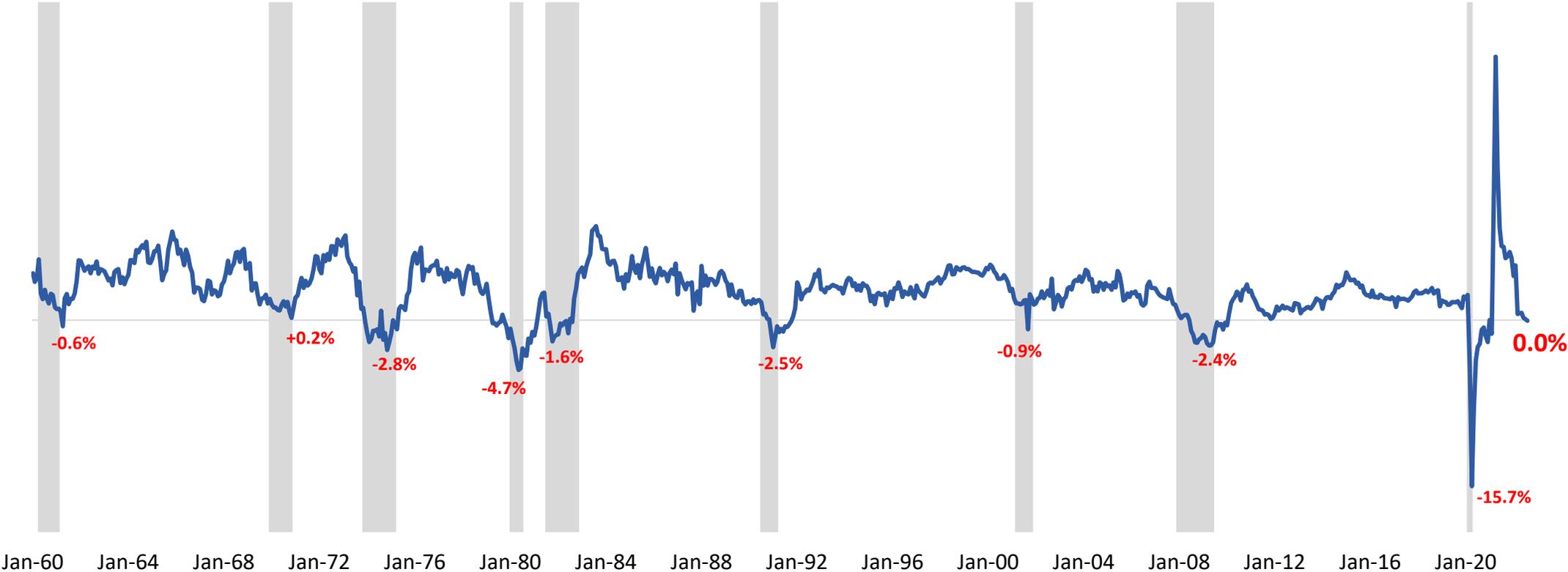
Housing market indicators in the United States  
(Sep 2021 – Sep 2022)



# Recession Watch

## Spending growth has flatlined

Real consumer spending in the United States  
% change over-the-year

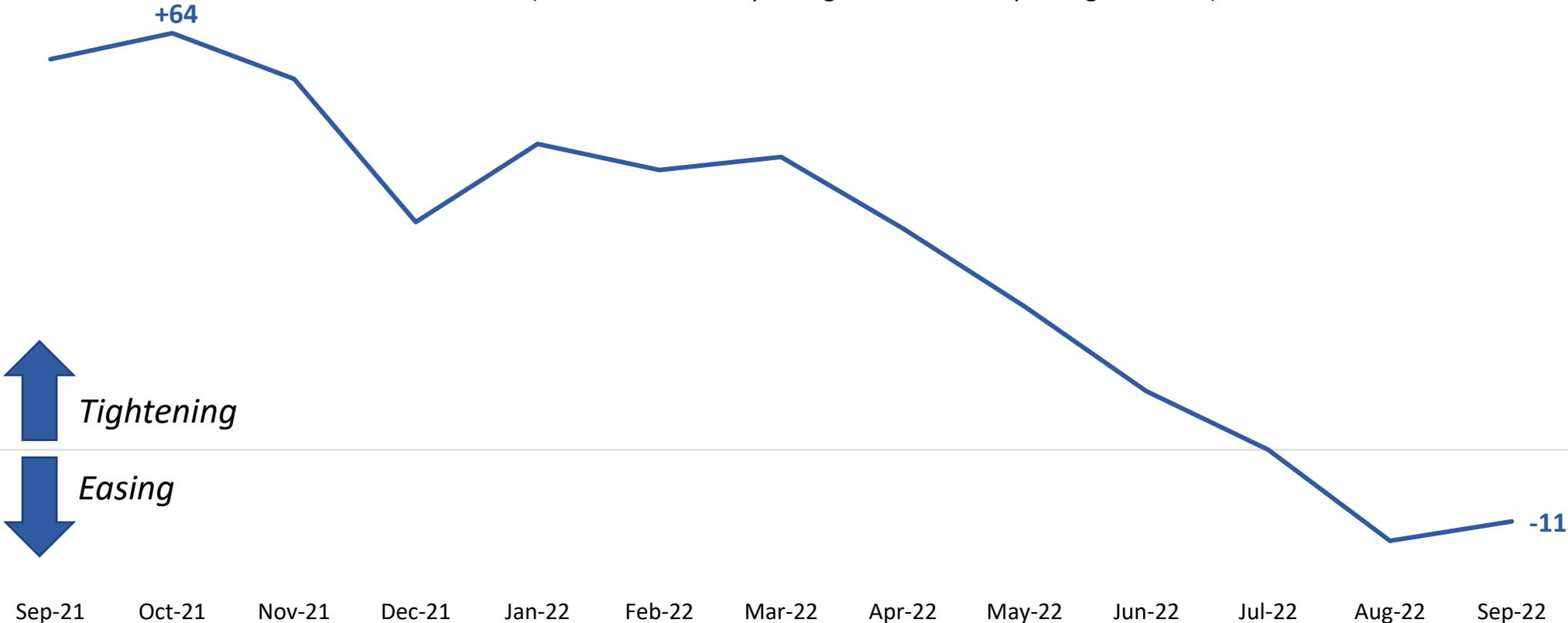


# Recession Watch

## Supply chains are finally easing

### Manufacturing vendor lead time in Richmond Fed region

Diffusion index (% of businesses reporting increase - % reporting decrease)



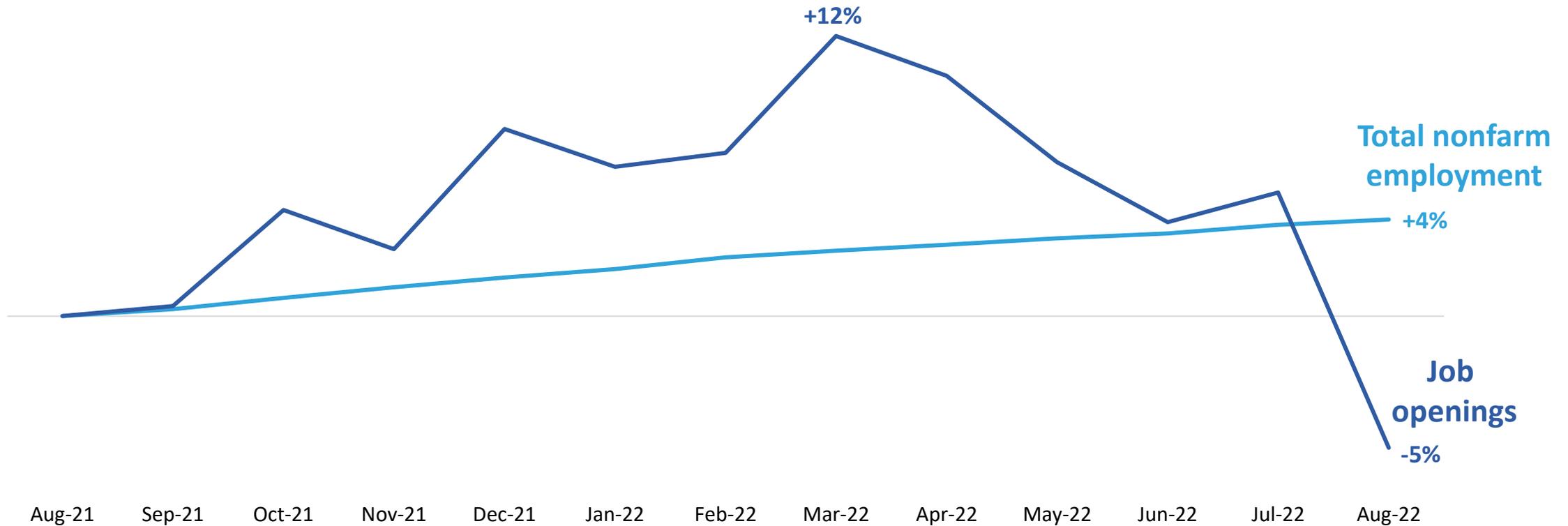
↑ Tightening  
↓ Easing

# Recession Watch

## Employers are still hiring, but demand is falling

Labor market indicators in the United States

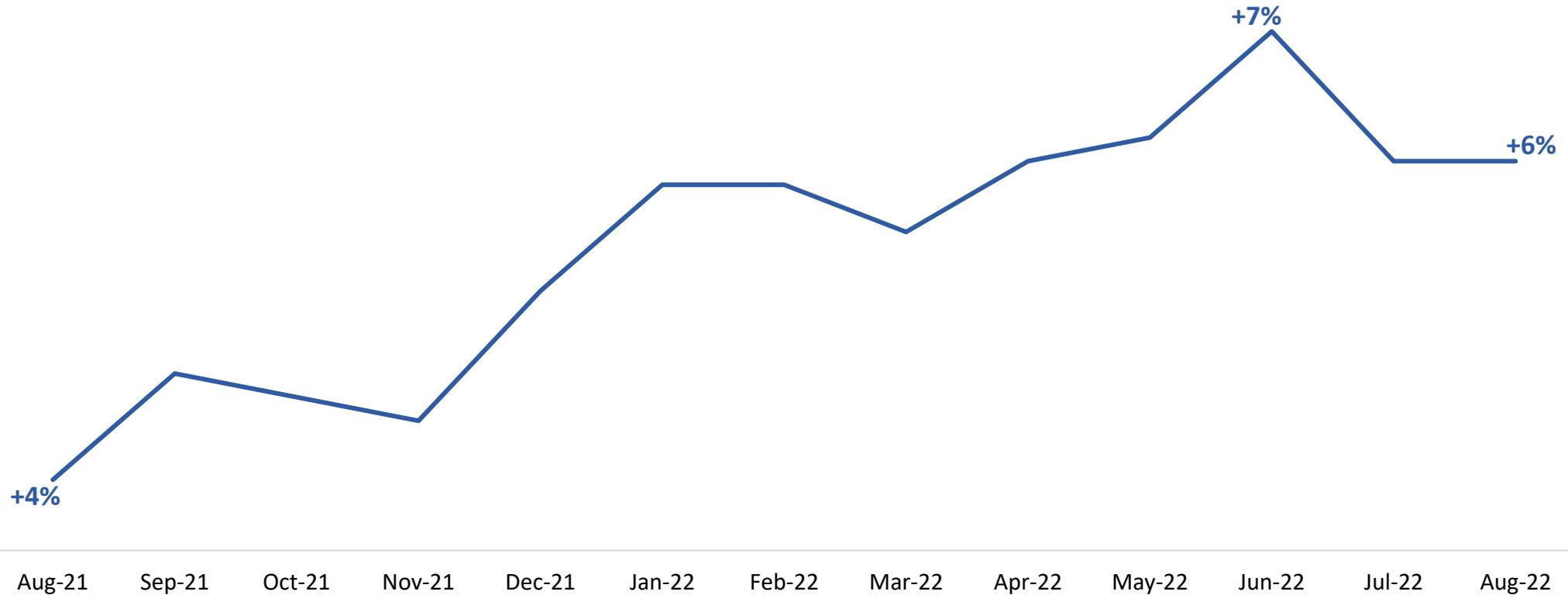
% change since Aug 2021



# Recession Watch

## Wage gains are beginning to slow

**Median hourly wage in the United States**  
% over-the-year, individual-level wage growth

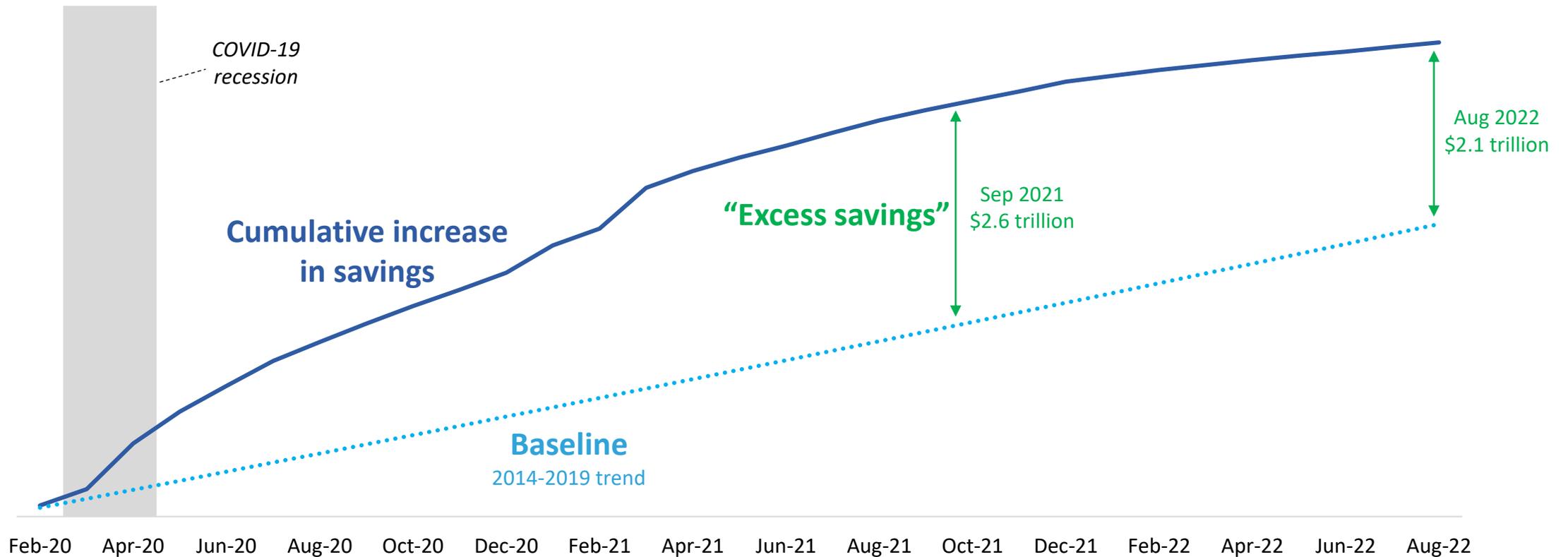


# Recession Watch

## Many consumers still have “pent-up demand”

### Personal savings in the United States

Cumulative increase since Feb 2020



# Recession Watch

## Summary

The U.S. economy is **still growing**, but it's showing signs of **cooling**

- Employers are still hiring, but consumer spending growth has slowed
- The economy is approaching a more sustainable balance of supply and demand

A “**soft landing**” remains possible, but a “**hard landing**” is more likely

- Easing supply chain and labor market conditions might reduce inflationary pressure
- “Pent-up demand” may help prevent a deeper economic downturn
- However, despite some improvements, inflation continues to rage
- History suggests we're in for more interest rate hikes—and possibly a recession

# Recession Watch

## “What does it mean for me?”

A recession is **likely**, but **not guaranteed**, and its timing is **unknowable**

Focus on what we do know and what we can control:

- For now, employers are **still hiring** and labor markets remain **tight**
  - Employers need help finding workers; jobseekers need help accessing opportunities
- Whether next month, next year, or next decade, **recessions** are **inevitable**
  - We need a workforce system that is **resilient** to the ups-and-downs of the economy

# Feedback / Questions



*Economic recessions*

*Changing consumer tastes*

*Armed conflicts*

*Pandemics*

*Technological change*

*Natural disasters*

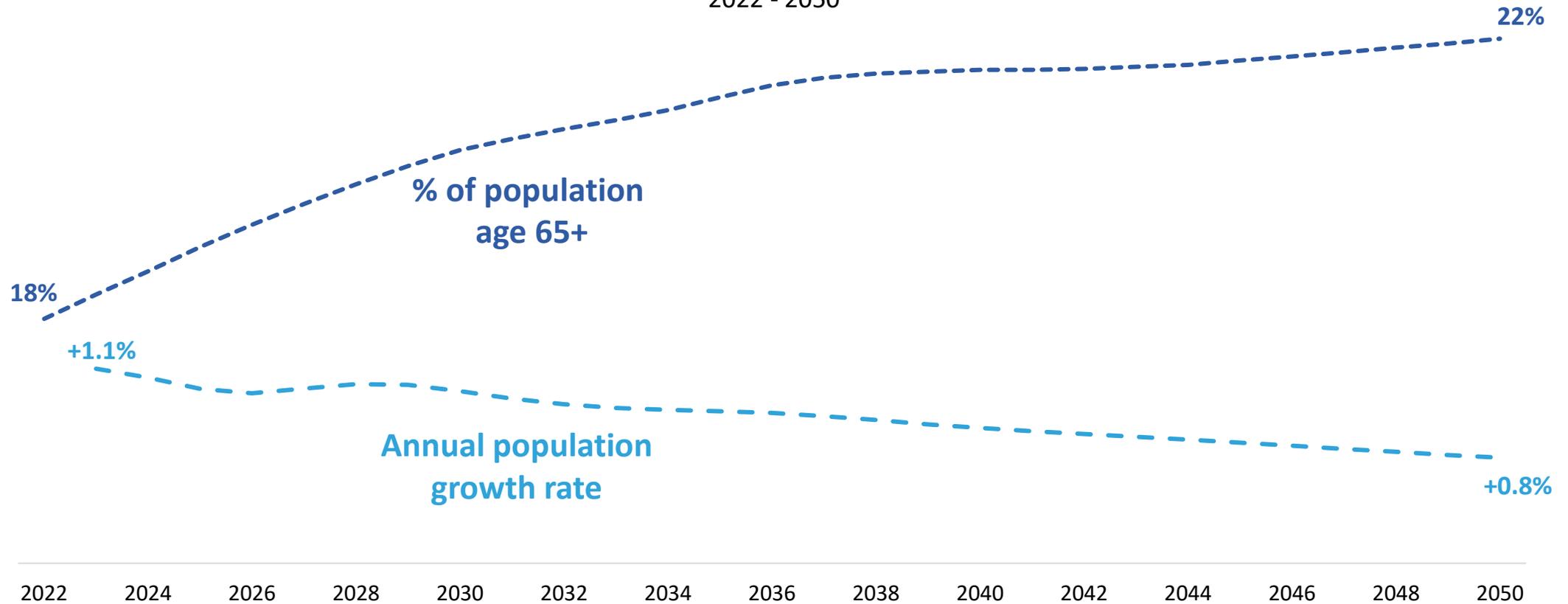
*Automation*



# The Future of Work

## Aging population and slowing growth

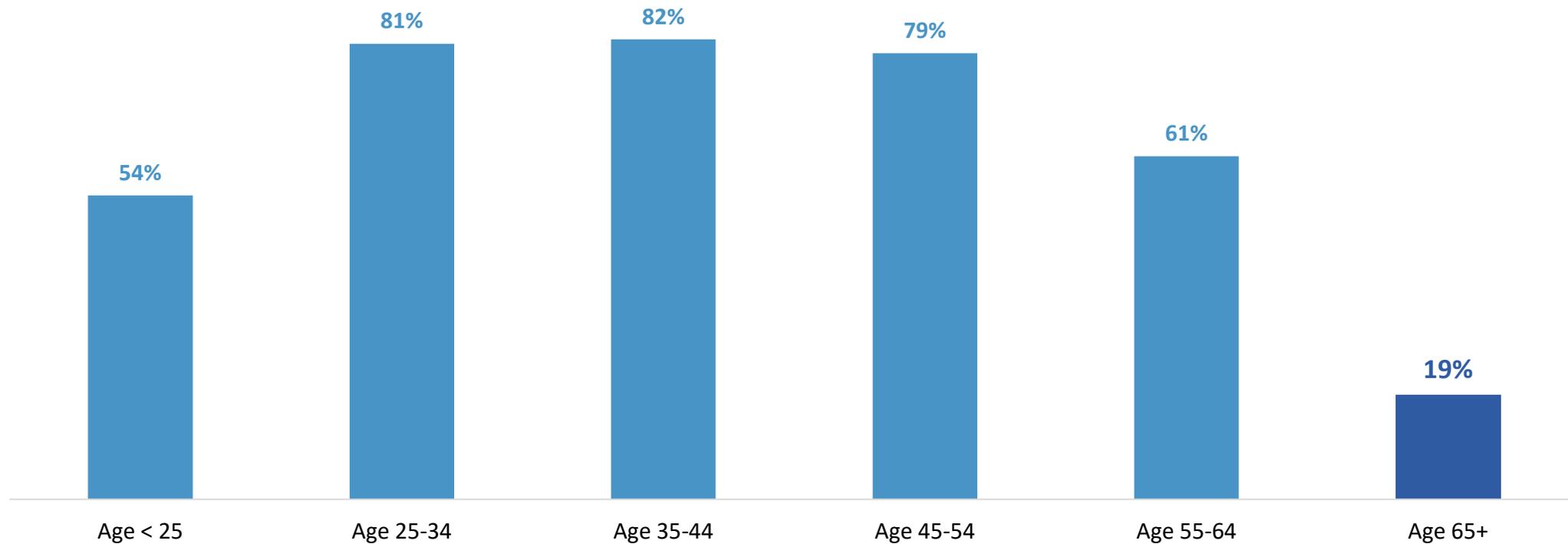
North Carolina population projection  
2022 - 2050



# The Future of Work

## Older population = lower labor force participation

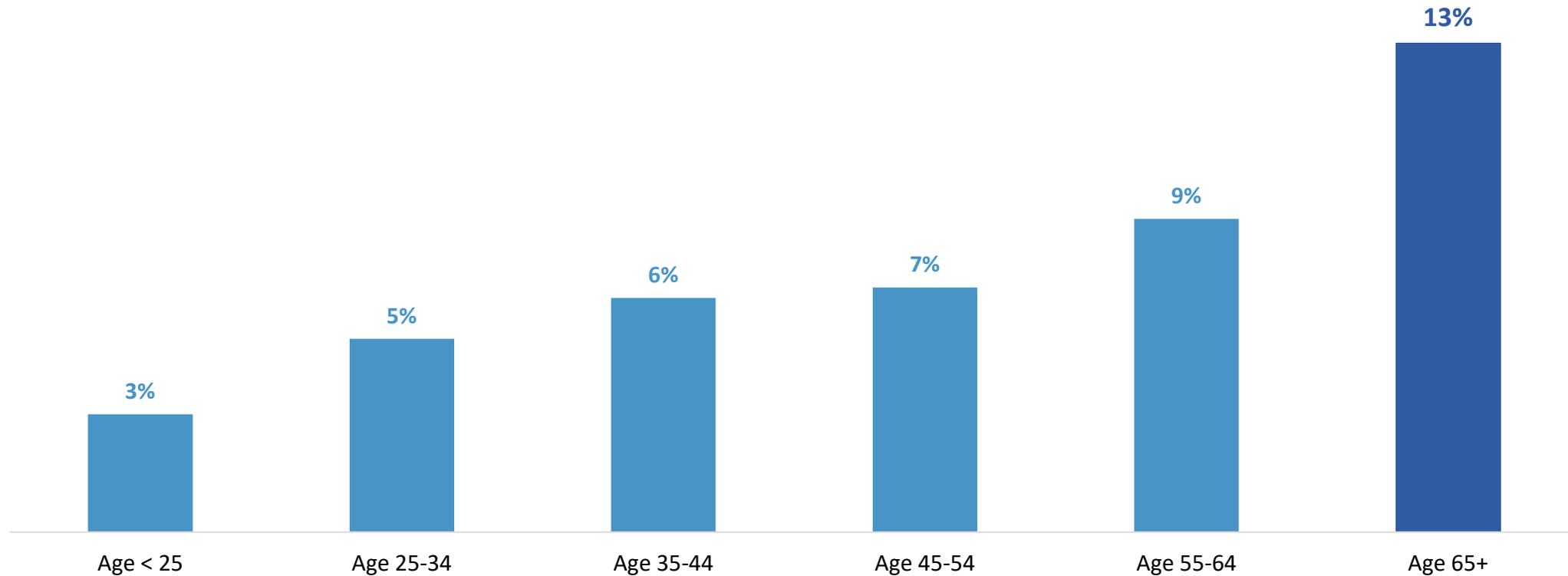
Labor force participation rate in North Carolina  
By age group (2017-2021 average)



# The Future of Work

## Older population → more healthcare spending

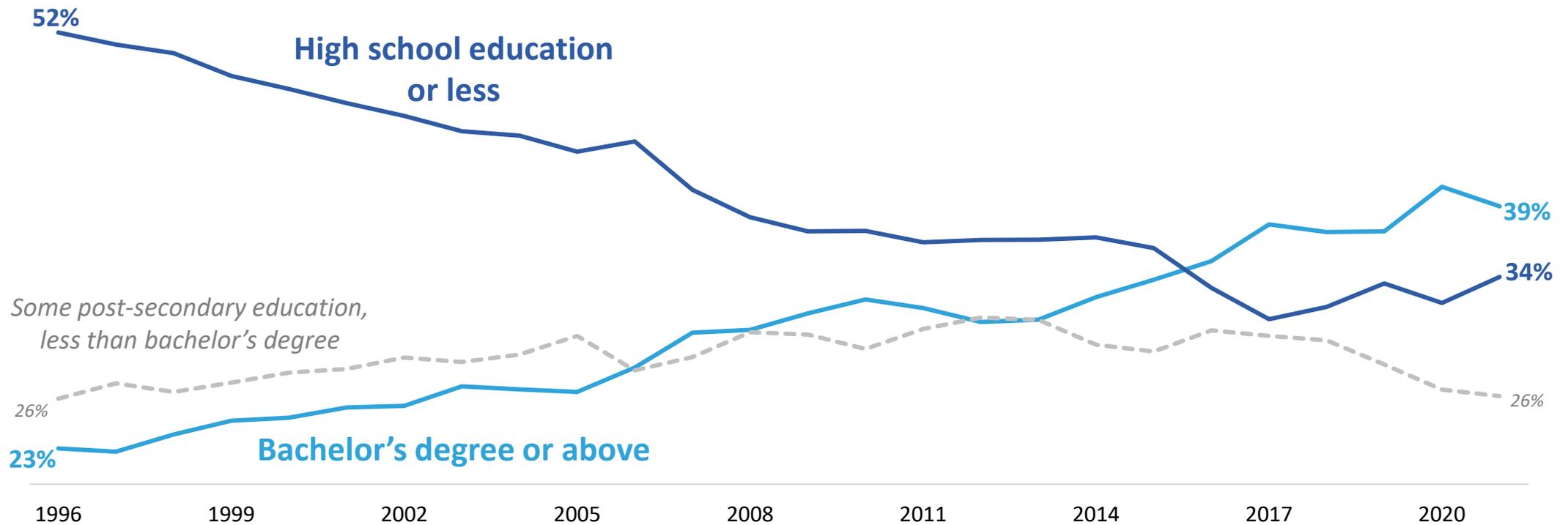
Healthcare as % of total consumer spending in the United States  
By age group (2021)



# The Future of Work

## Older population → fewer low-educated workers

% share of employed workers in North Carolina by level of educational attainment  
1996 - 2021

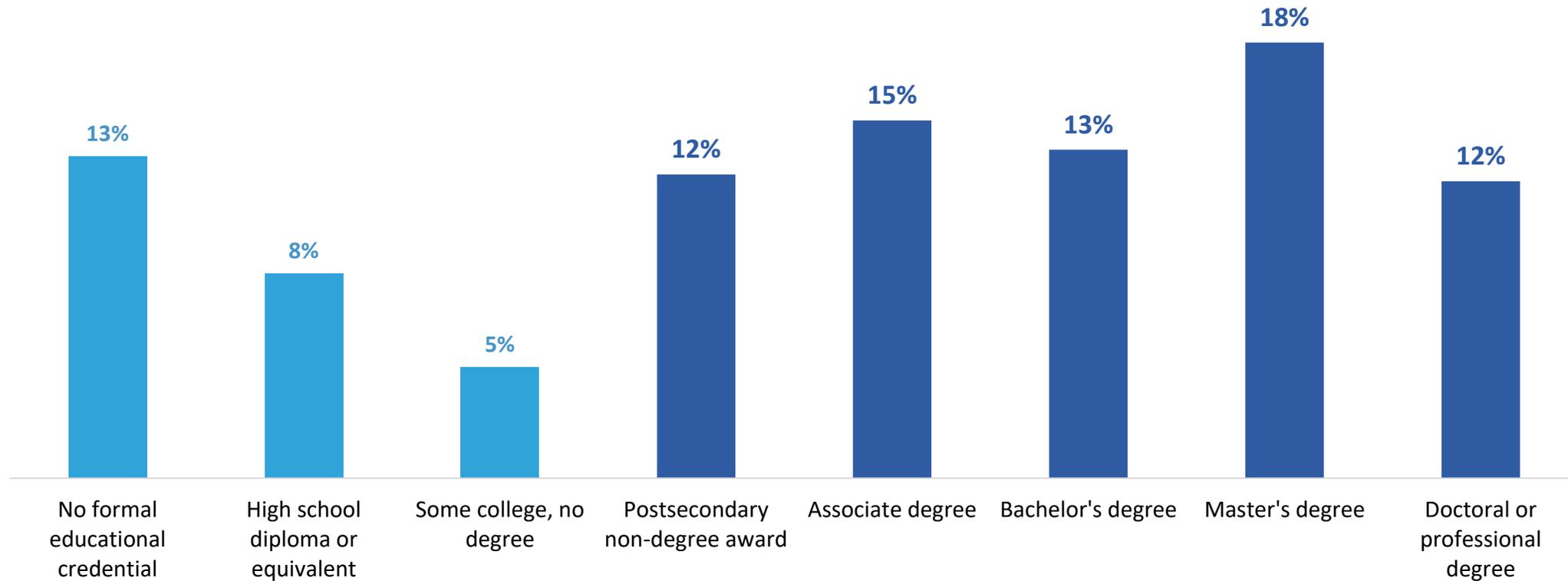


# The Future of Work

## Education requirements are projected to grow...

### Projected employment growth in North Carolina

By occupational education requirement (2020 – 2030)

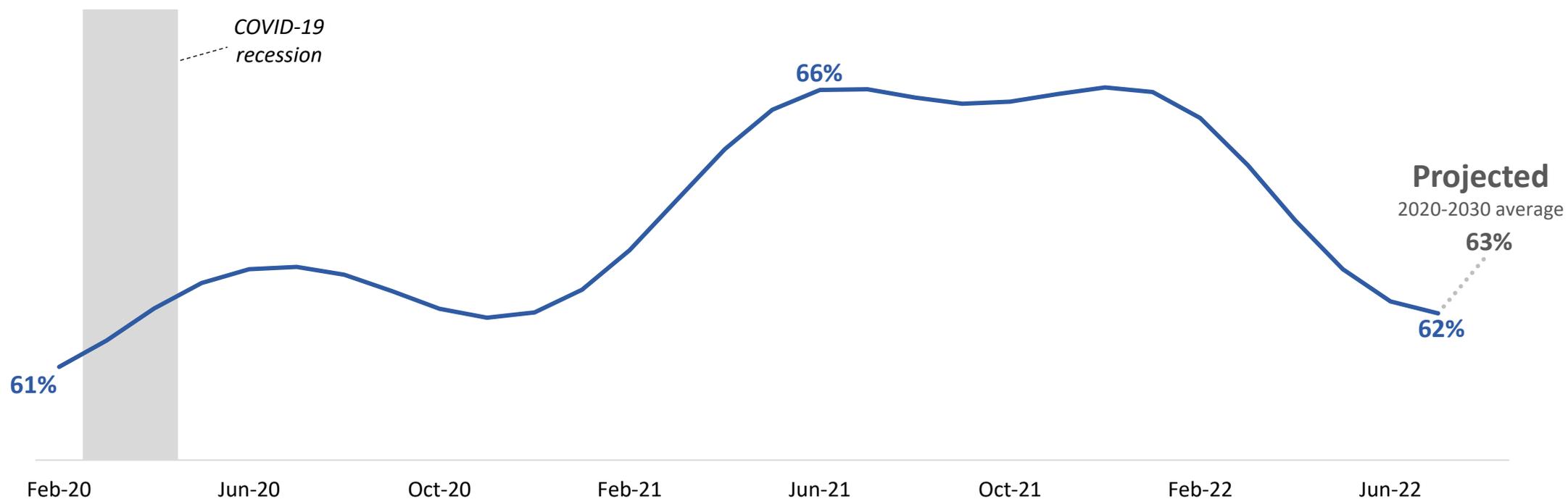


# The Future of Work

## ...but demand for less-educated workers will remain

### % share of North Carolina job openings requiring high school education or less

Current (Feb 2020– Jul 2022) and projected (2020-2030)



# The Future of Work

## Summary

### Difficult to predict:

- Economic recessions
- Changing consumer tastes, technology, automation
- Wars, pandemics, natural disasters

### Sure thing: “Demographics is destiny”

- Slow population growth and older population → continued labor shortages
- Older population → increased demand for healthcare services
- Older population → reduced supply of non-college educated workforce

# The Future of Work

## “What does it mean for me?”

Businesses are likely to face **hiring difficulties** when the economy is growing

Labor shortages are likely to affect jobs at **all education levels**

Barriers to entry and workforce needs will differ by education level:

- **High**-education jobs: pathways to bachelor’s degree attainment (and more)
- **Middle**-education jobs: post-secondary credentials and skills training
- **Low**-education jobs: supportive services and job matching

# Feedback / Questions



# Resources of interest

## [NCcareers.org](https://www.nccareers.org)

- Identify interests
- Explore occupations
- Plan career
- Pursue education & training
- Search for jobs

## Social media

- LEAD Feed blog: <https://www.commerce.nc.gov/news/the-lead-feed>
- Twitter: <https://twitter.com/LeadNC>

# “Thank you!”

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