

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 **2024**?
- What are your **expectations** for the year to come?

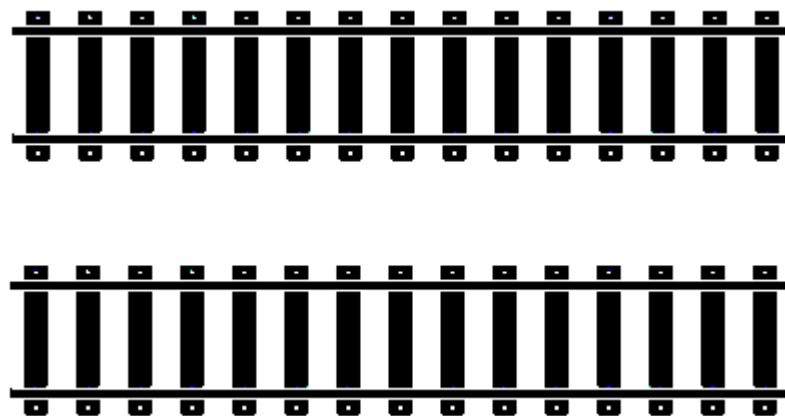


Today's agenda

Stuck in Neutral



The Two-Track Economy



The Future of Work

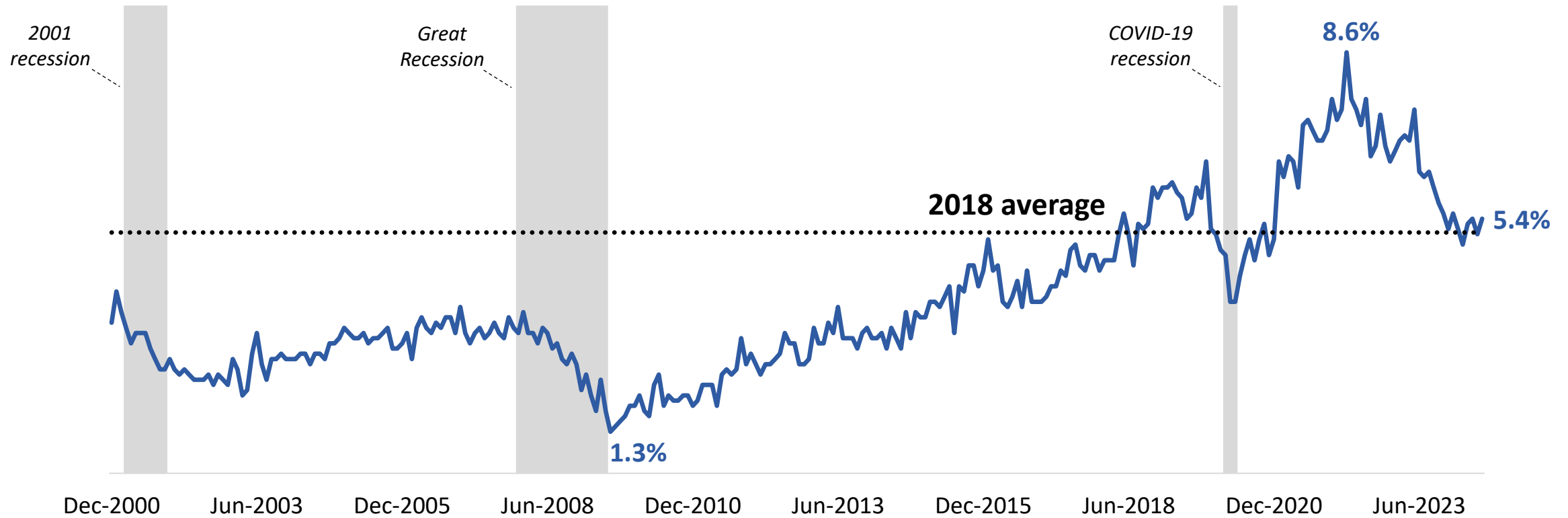


Stuck in Neutral

Fewer job openings...

Job openings as % of total nonfarm employment in North Carolina

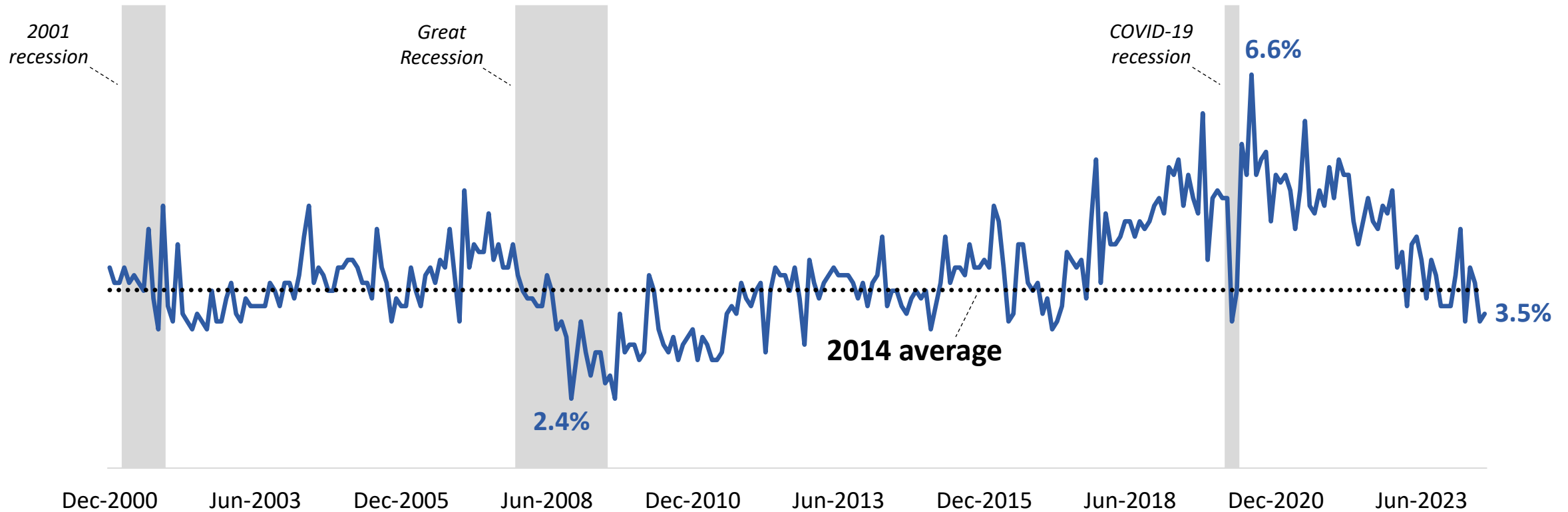
Dec 2000 - Jul 2024



Stuck in Neutral ...and fewer hires...

Hires as % of total nonfarm employment in North Carolina

Dec 2000 - Jul 2024

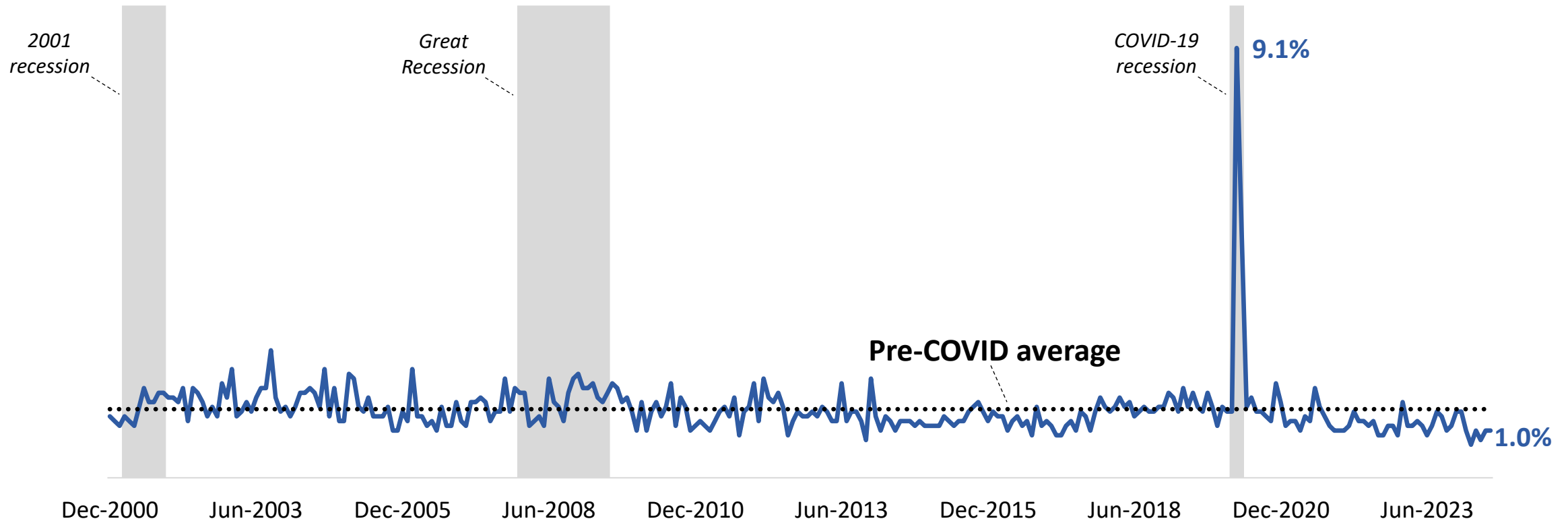


Stuck in Neutral

...but, also, fewer layoffs(?!)

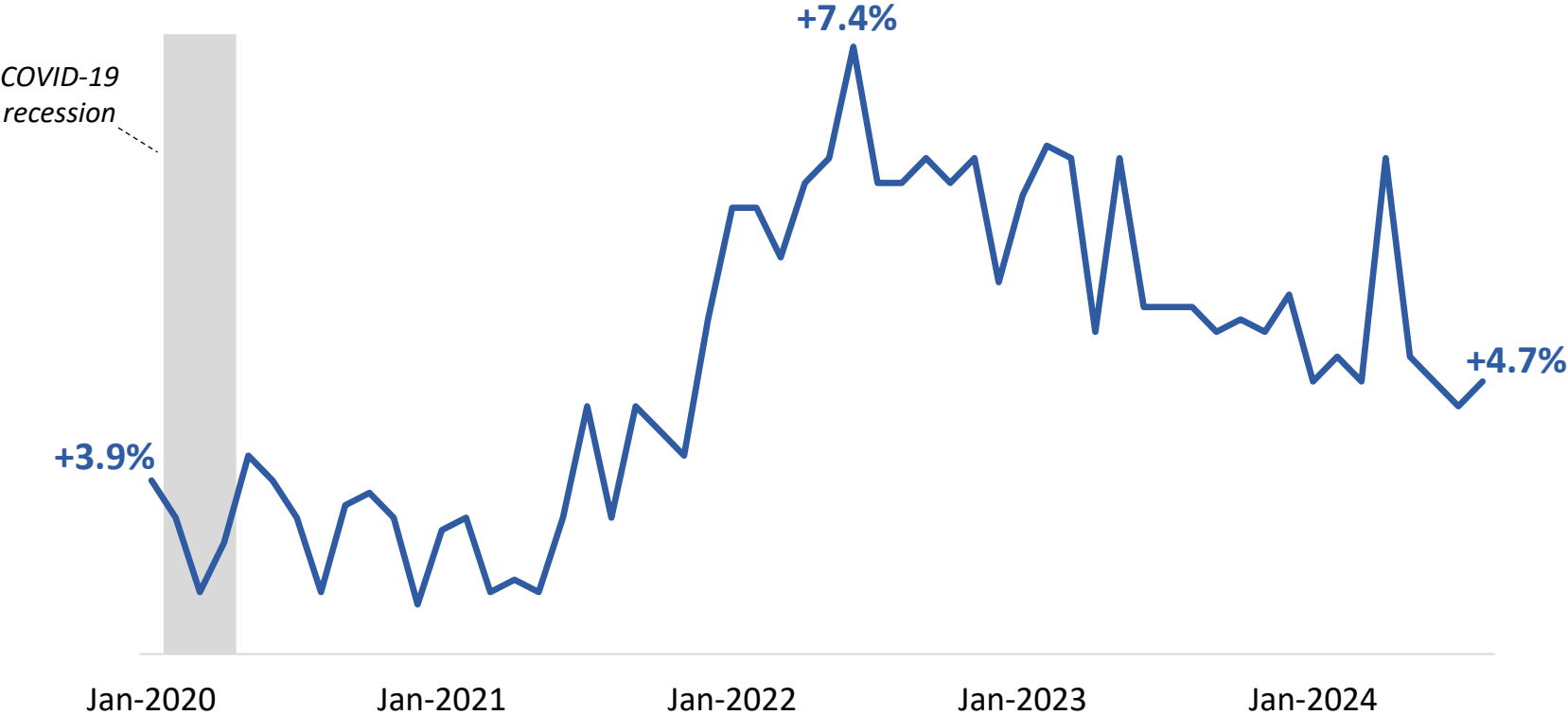
Layoffs and discharges as % of total nonfarm employment in North Carolina

Dec 2000 - Jul 2024



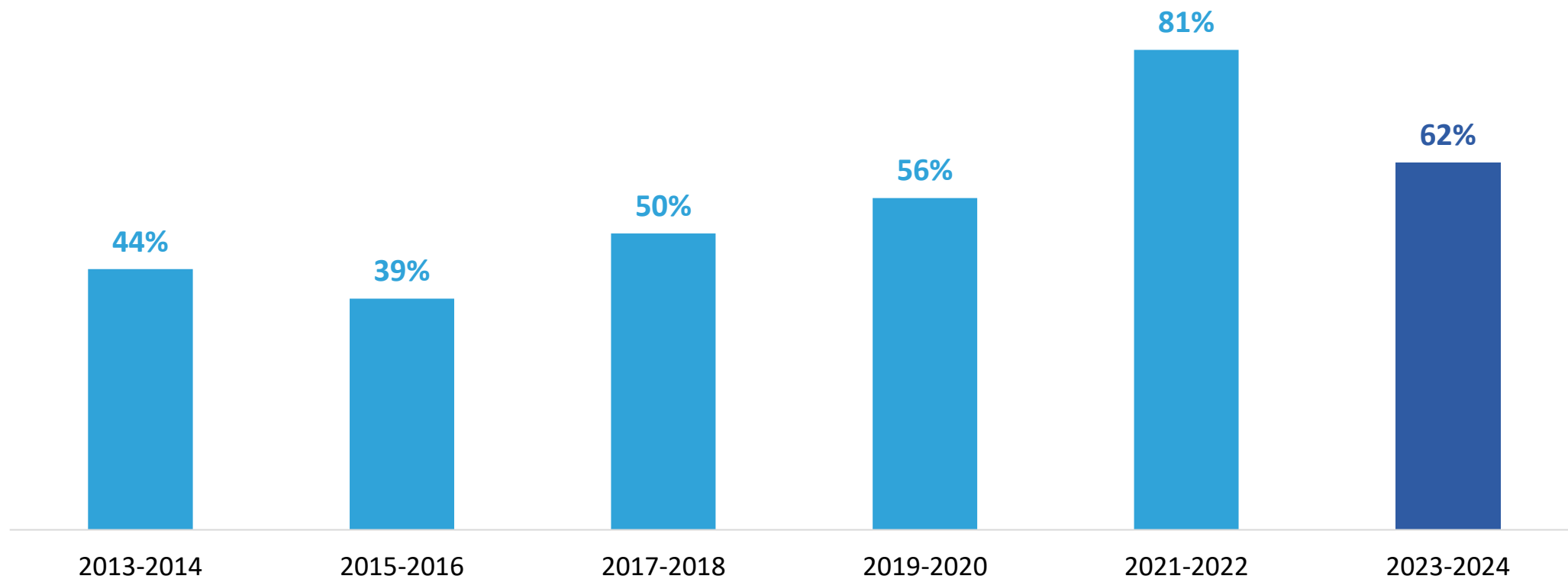
A cooling labor market means slower wage growth for workers...

Median hourly wage growth in the United States
Over-the-year change (Jan 2020 - Aug 2024)



...but, also, fewer hiring difficulties for employers

% of hiring employers in North Carolina reporting hiring difficulty
2013 - 2024

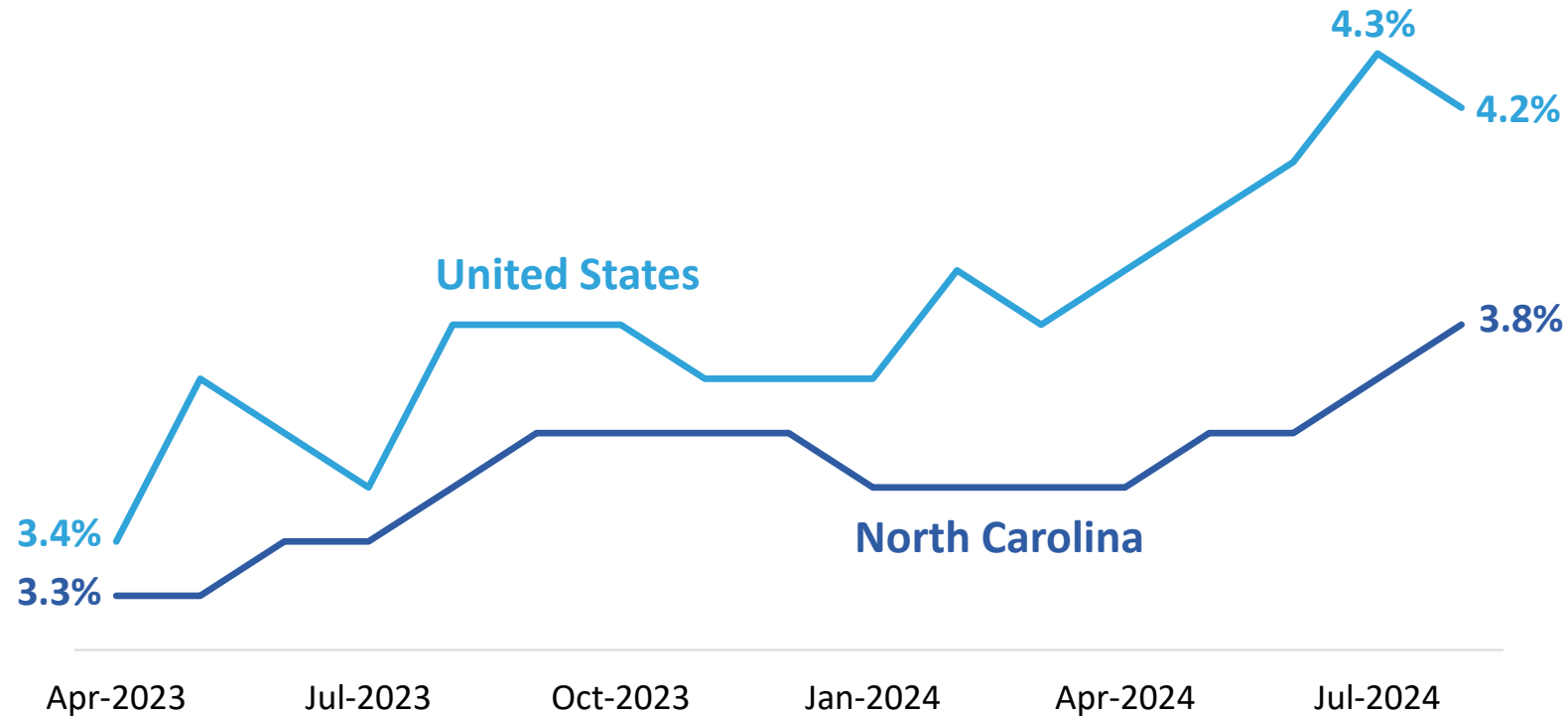


Slower hiring → higher unemployment

Is there worse to come?

Unemployment rate in North Carolina and the United States

Apr 2023 – Aug 2024

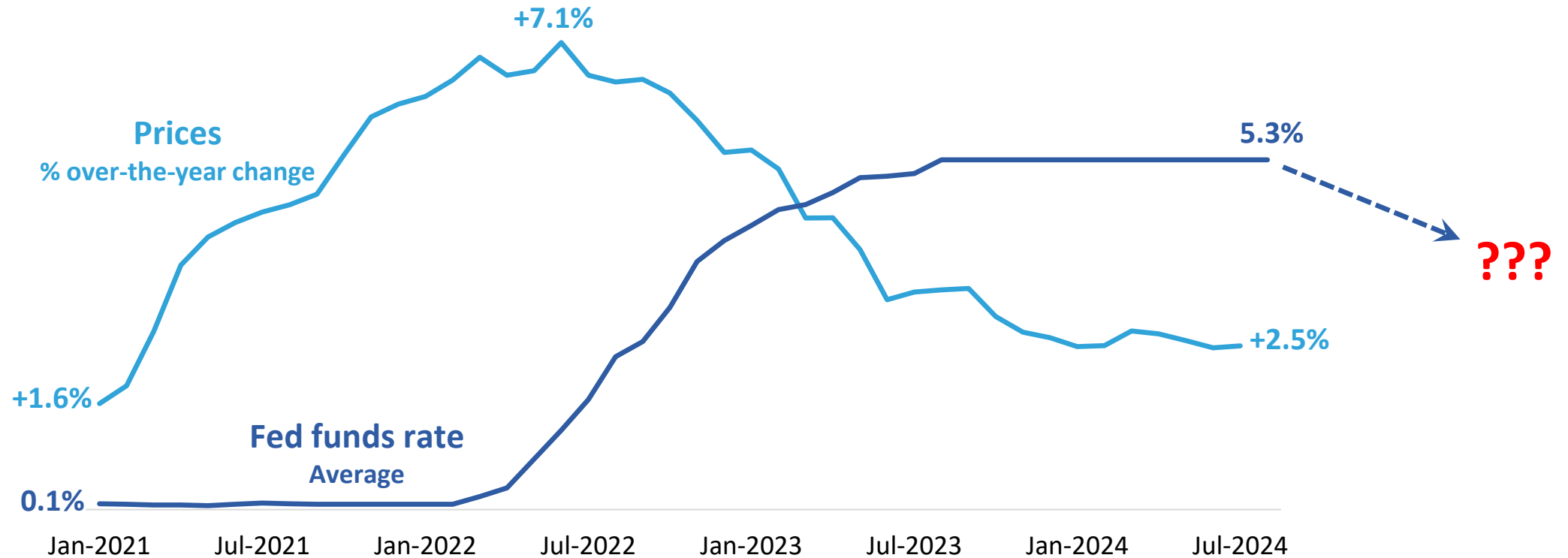


Higher unemployment + slower inflation

Fed will cut rates, but how much?

Price inflation and interest rates in the United States

Jan 2021 - Aug 2024



Stuck in Neutral Summary

Despite two years of warnings, the economy is still **not in a recession**

However, the **labor market** has experienced a notable **slowdown**, with employers cutting back on their hiring plans

That said, although there are fewer job opportunities, **layoffs** remain relatively **uncommon**

Stuck in Neutral

“What does it mean for me?”

Good news: layoffs are low, meaning **fewer dislocated workers** requiring assistance

Good news: labor market has cooled, meaning **fewer employers need help** filling open positions

Bad news: fewer job opportunities, meaning **jobseekers may require additional services** (e.g., reskilling) to help them find work in growing sectors

Whether or not we eventually have a **recession**, for many jobseekers, it can feel like a recession is already here

Feedback / Questions



The Two-Track Economy

Who's up, and who's down?

Not all households or businesses benefit from a growing economy. Some tend to do better than others.

Right now, the economy is operating on “**two tracks**”. For example:

- Hiring freezes are bad for **jobseekers**, but a lack of layoffs is good for **incumbent workers**
- A cooling labor market is bad for **workers**, but good for **employers**
- Slowing wage growth is bad for **wage-earners**, but soaring asset values are good for **investors**
- High interest rates are bad for **borrowers**, but good for **savers**

These disparities cut across race, age, and class categories

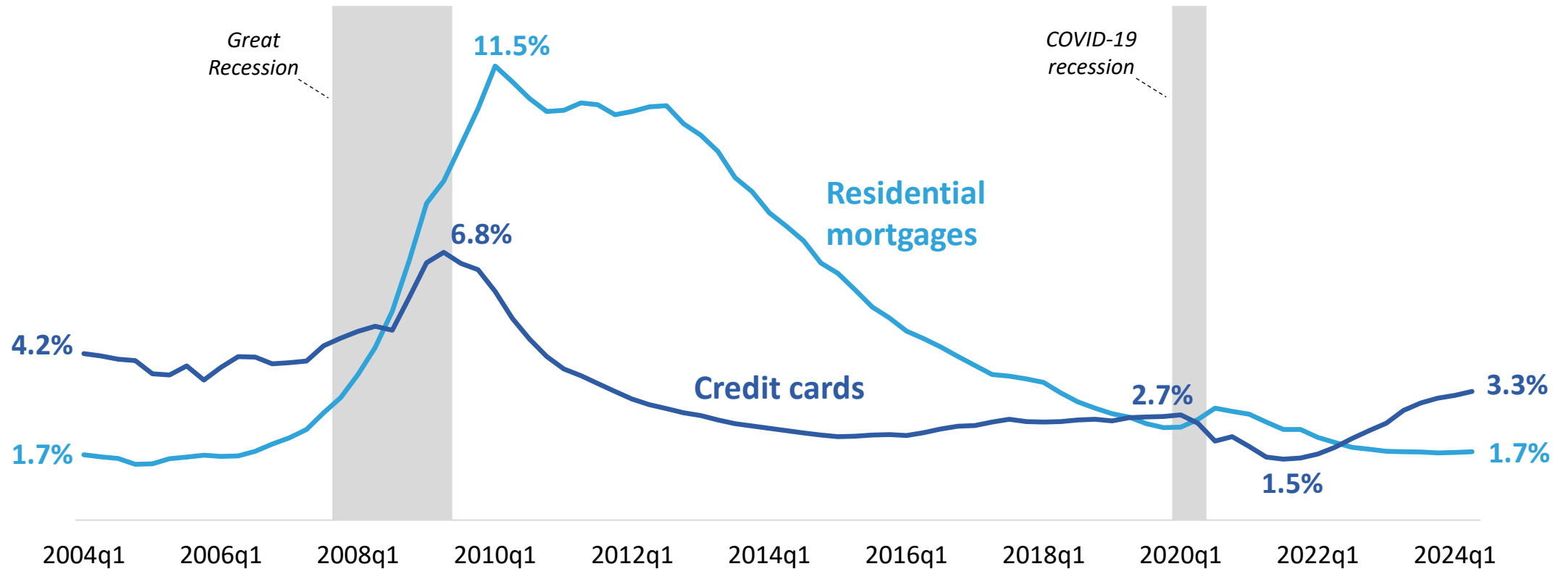
- Different from traditional notions of “inequality”

The Two-Track Economy

Credit card vs. home loans

Delinquency rate on loans in the United States

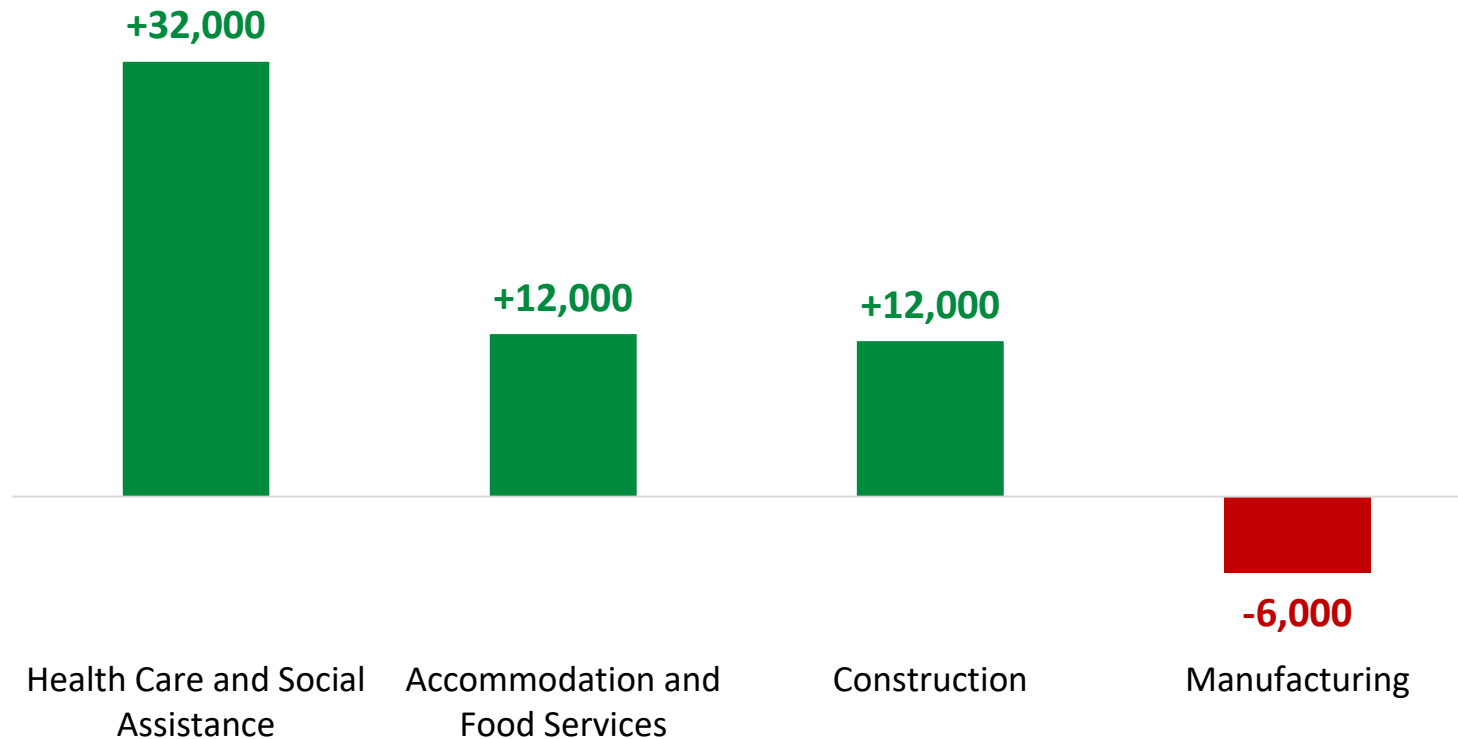
2004q1 – 2024q2



The Two-Track Economy

Manufacturing vs. other sectors

Over-the-year employment growth in North Carolina
By selected sector (2024q1 vs. 2023q1)



The Two-Track Economy

Mfg: growing vs. declining subsectors

Over-the-year Manufacturing employment growth in North Carolina
By selected subsector (2024q1 vs. 2023q1)

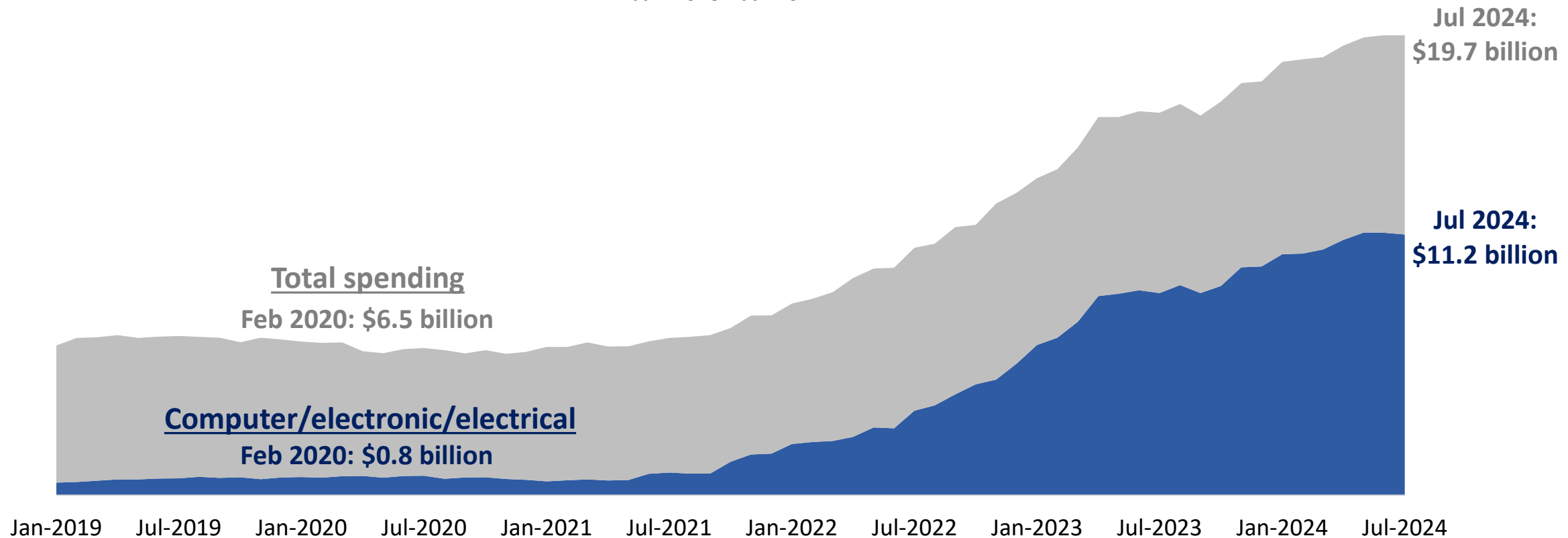


The Two-Track Economy

Mfg: slow hiring, massive investment

Construction spending on manufacturing facilities in the United States

Jan 2019 - Jul 2024



The Two-Track Economy

Summary

Whether the **economy** is “good” or “bad” **depends on your perspective**

Is the **labor market** “good”? Depends on whether you’re a jobseeker, an incumbent worker, or an employer

Are **consumers** in “good” shape? Depends on their individual financial situation

Is the state of **manufacturing** “good”? Depends on which type of manufacturing

The Two-Track Economy

“What does it mean for me?”

The economy is not a monolith. A growing economy is much better than a recession, but even when the economy is growing, not everyone benefits.

North Carolina has over **5,000,000 workers** and **160,000 businesses**, each with their own unique strengths and weaknesses

Macroeconomic trends are important, but you need to **zoom in** and dig deeper to better understand the needs of individual workers and businesses

Feedback / Questions





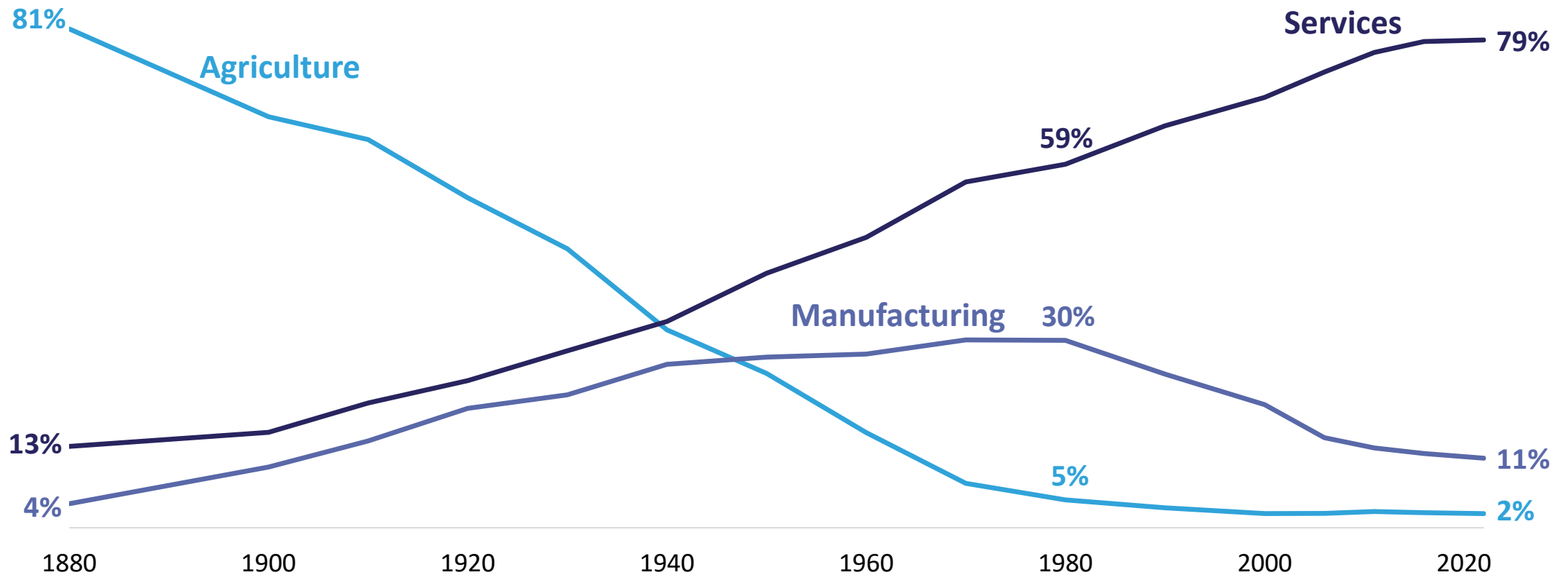
WARNING

I've been wrong before
and I promise
I'll be wrong again

Hard to predict: innovation

History of NC is defined by economic shifts

% share of employed workers in North Carolina
By broad industry sector (1880 – 2022)



Poll (select one): How many businesses are using AI?



- 5% of businesses
- 22% of businesses
- 38% of businesses
- 72% of businesses

How many businesses are using AI?

It depends who you ask...

5%

US Census Bureau

Business Trends and Outlook Survey (nationwide)

22%

Duke/Richmond/Atlanta Fed

CFO Survey (nationwide)

???

38%

Dallas Fed

Business Outlook Survey (Texas only)

72%

McKinsey & Company

McKinsey Global Survey (international)

Hard to predict: innovation

Sectors exposed to traditional automation...

Industries with highest estimated exposure to automation

1. Postal service
2. Couriers and messengers
3. Warehousing and storage
4. Forestry and logging
5. Truck transportation
6. Wood product manufacturing
7. Waste management and remediation service
8. Textile mills
9. Food manufacturing
10. Apparel manufacturing

Hard to predict: innovation

...are different from those exposed to newer AI

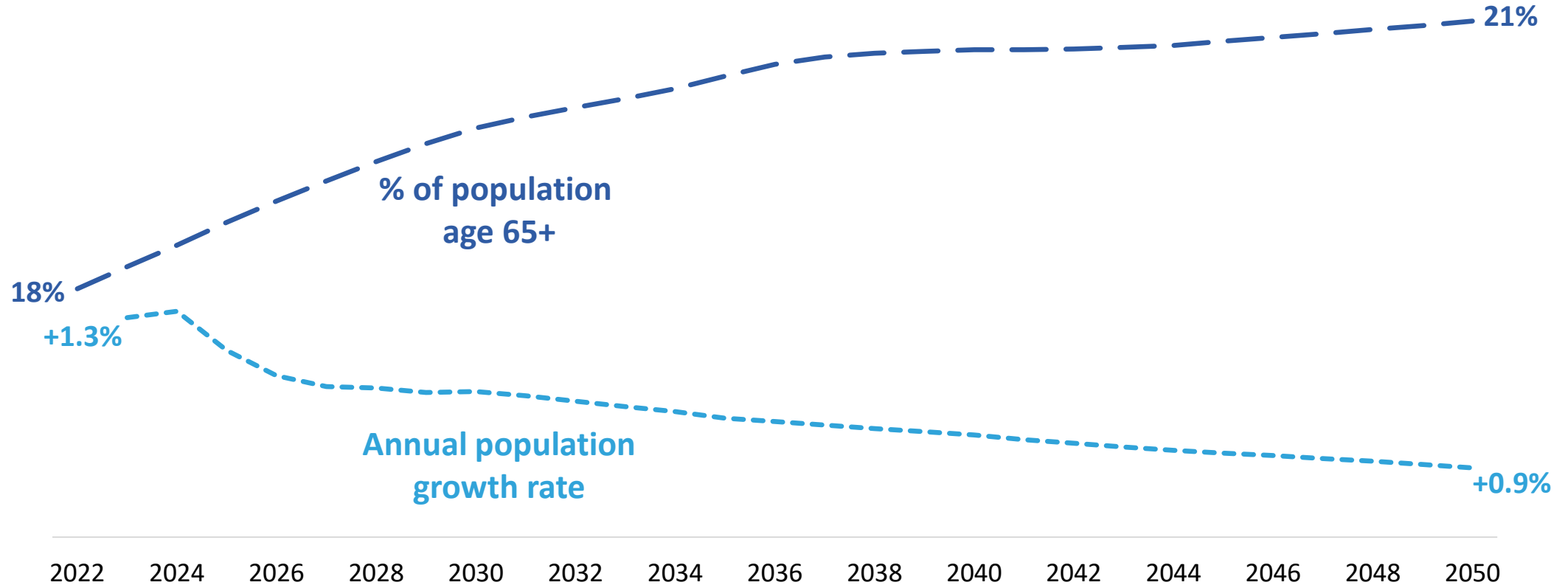
Industries with highest estimated exposure to artificial intelligence

1. Securities, commodity contracts, and other financial investments and related activities
2. Accounting, tax preparation, bookkeeping, and payroll services
3. Insurance and employee benefit funds
4. Legal services
5. Agencies, brokerages, and other insurance related activities
6. Nondepository credit intermediation
7. Other investment pools and funds
8. Insurance carriers
9. Software publishers
10. Lessors of nonfinancial intangible assets (except copyrighted works)

Sure thing: demographics

Aging population and slowing growth

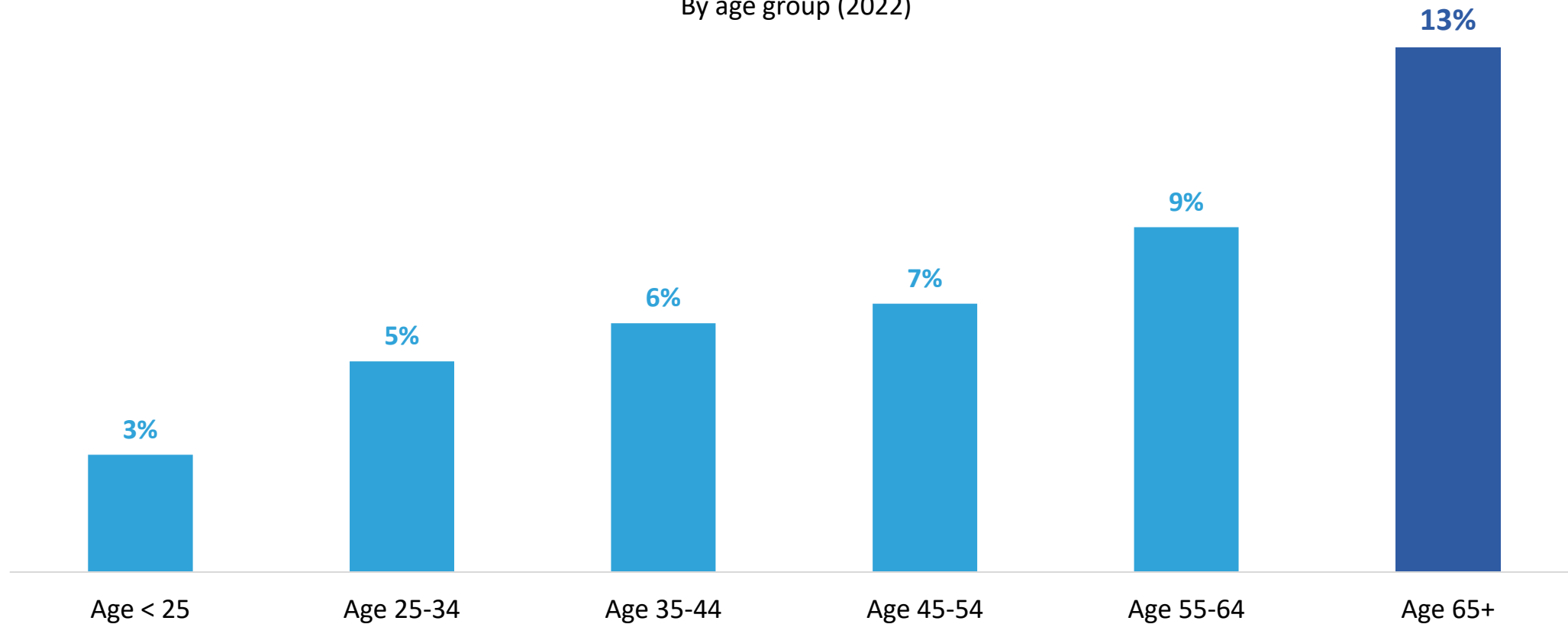
North Carolina population projection
2022 - 2050



Sure thing: demographics

Older population → more healthcare spending

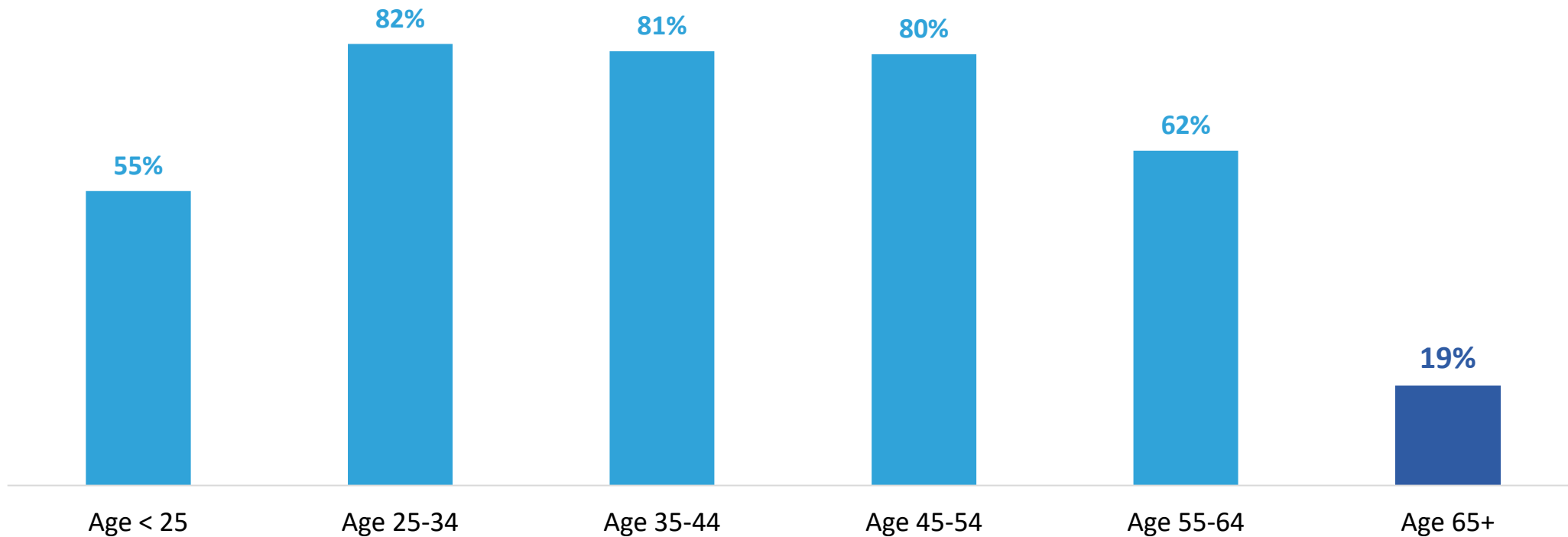
Healthcare as % of total consumer spending in the United States
By age group (2022)



Sure thing: demographics

Older population = lower labor force participation

Labor force participation rate in North Carolina
By age group (2019-2023 average)



The Future of Work

Summary

Difficult to predict: Innovation and technological change

- Blue-collar job destruction? (mechanization, digitization)
- White-collar job destruction? (artificial intelligence, large language models)
- “The End of Work”? (probably not)

Sure thing: “Demographics is destiny”

- Older population → increased demand for healthcare services
- Slow population growth and older population → potential labor shortages

The Future of Work

“What does it mean for me?”

An **aging population** and slowing population growth means that businesses could face **hiring difficulties** when the economy is expanding, with particularly high demand in the **healthcare** sector

However, trends in **innovation** and technological change are less clear. The impact of automation and AI on labor demand is **hard to predict**.

We may experience several **economic shifts** within our lifetimes. Workers should embrace **lifelong learning** to adapt to ever-changing skill demands.

Feedback / Questions



Resources of interest

NC Economy Watch

- Monthly blog articles on the North Carolina economy, posted to the [LEAD Feed](#) blog

LMI Tuesday

- Twice-monthly webinars on labor market data, tools, and insights
- Featuring “NC Economy Watch” every two months (next economic update: late November)
- Contact Jamie Vaughn or visit the LEAD table to learn more

Social media

- [LinkedIn](#)
- X (formerly Twitter): [@LeadNC](#)
- Monthly newsletters: contact LEAD@commerce.nc.gov or visit the LEAD table to subscribe

“Thank you!”

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