

NC Economy Watch

January 2024

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The goods-producing economy

Manufacturing and **construction** trends can help signal **turning points** in the business cycle:

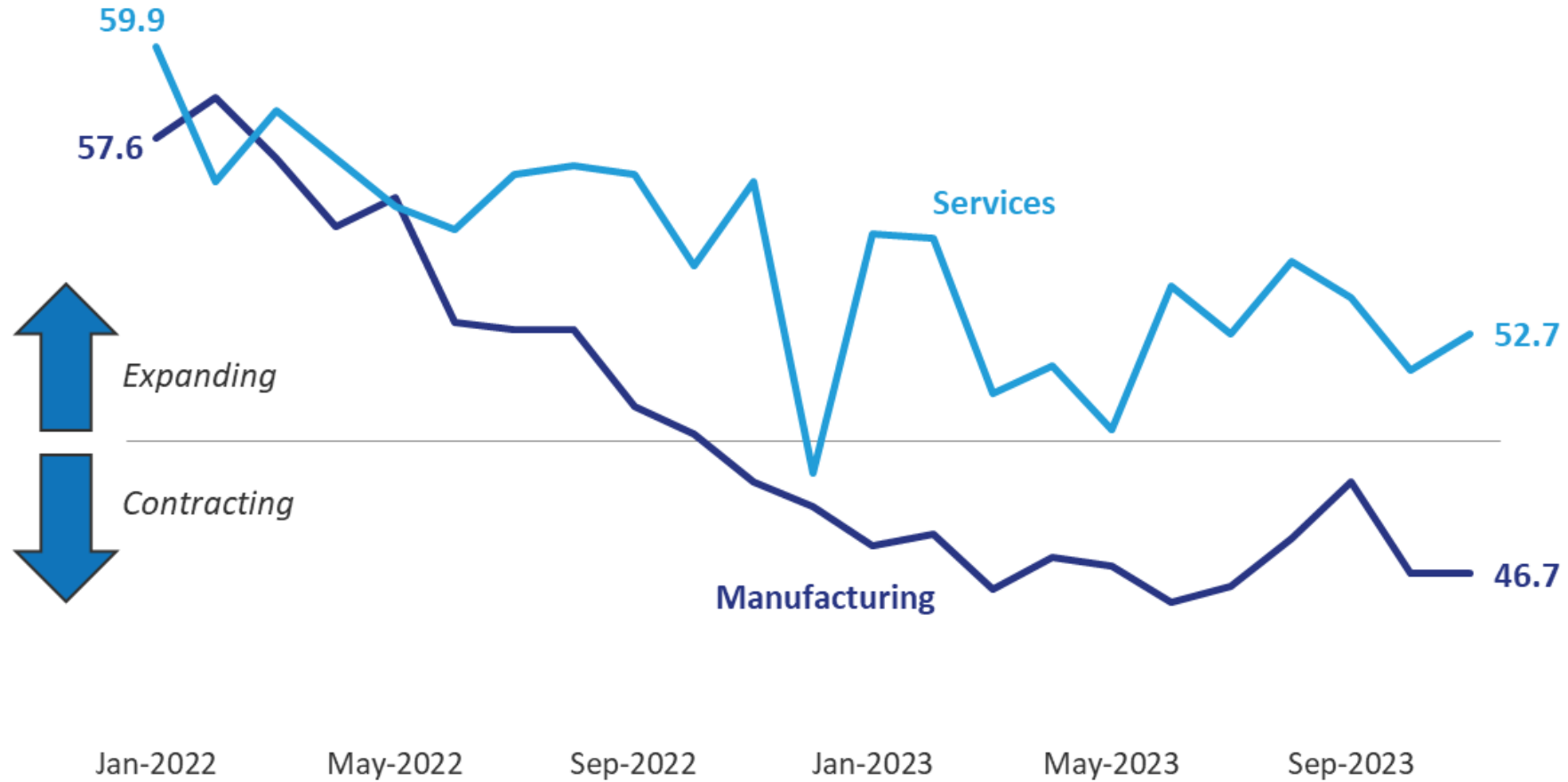
- Every recession in the past 40 years (except COVID) has been preceded by a decline or flattening in construction employment.
- Every recession in the past 40 years (except COVID) has featured large and permanent declines in manufacturing employment.

Manufacturing employment in North Carolina **declined** throughout much of 2023 amid high-profile **plant closures**.

Manufacturing is currently experiencing a **nationwide downturn**, but a more comprehensive look at the data reveals a more nuanced picture...

Manufacturing Sector Has Been in Decline Since Nov 2022

US Purchasing Managers' Index (Jan 2022 - Nov 2023)



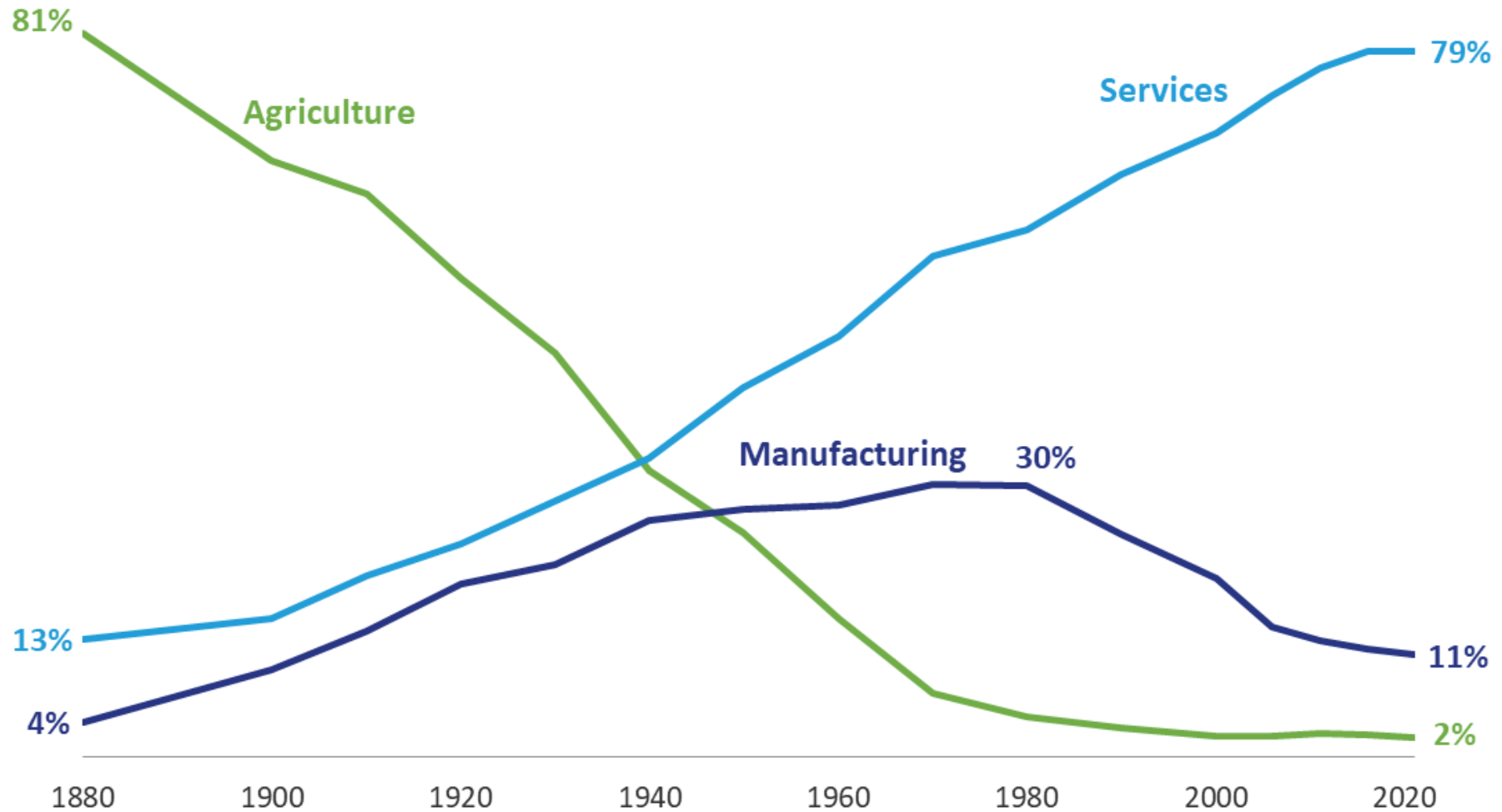
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Source: Institute for Supply Management

Note: index values above 50 indicate expansion, and values below 50 indicate contraction

North Carolina Has Shifted Over Time to a Service-Based Economy

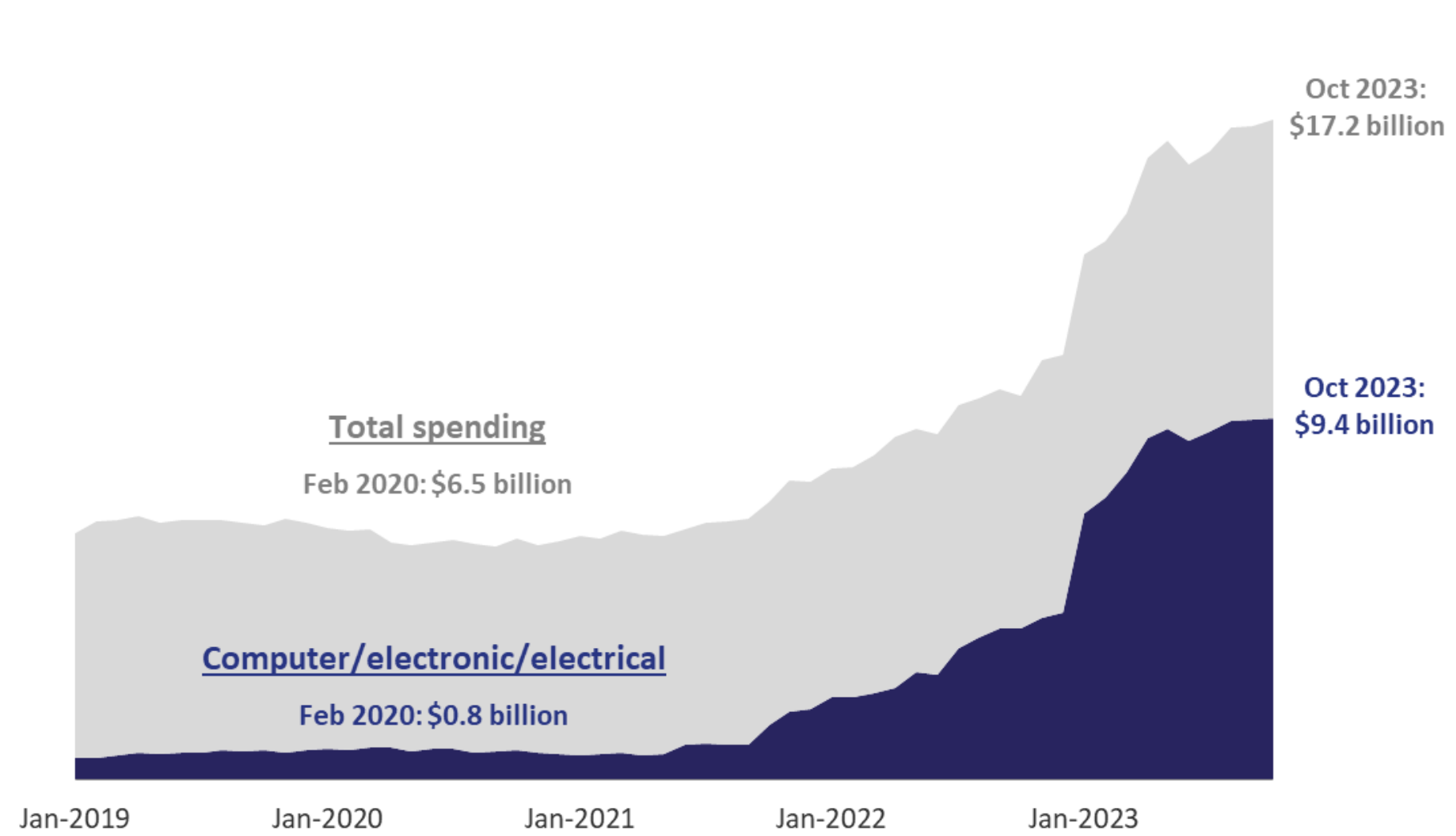
% share of employed workers in North Carolina by industry sector (1880 - 2021)



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Source: US Census Bureau, via University of Minnesota (IPUMS-USA)

Microchips and Electrification Have Driven an Investment Boom

Nationwide construction spending on manufacturing facilities, by type (Jan 2019 - Oct 2023)



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Source: US Census Bureau (Value of Construction Put in Place Survey)

How have higher interest rates impacted our construction sector?

Construction employment in North Carolina **declined** throughout much of 2023.

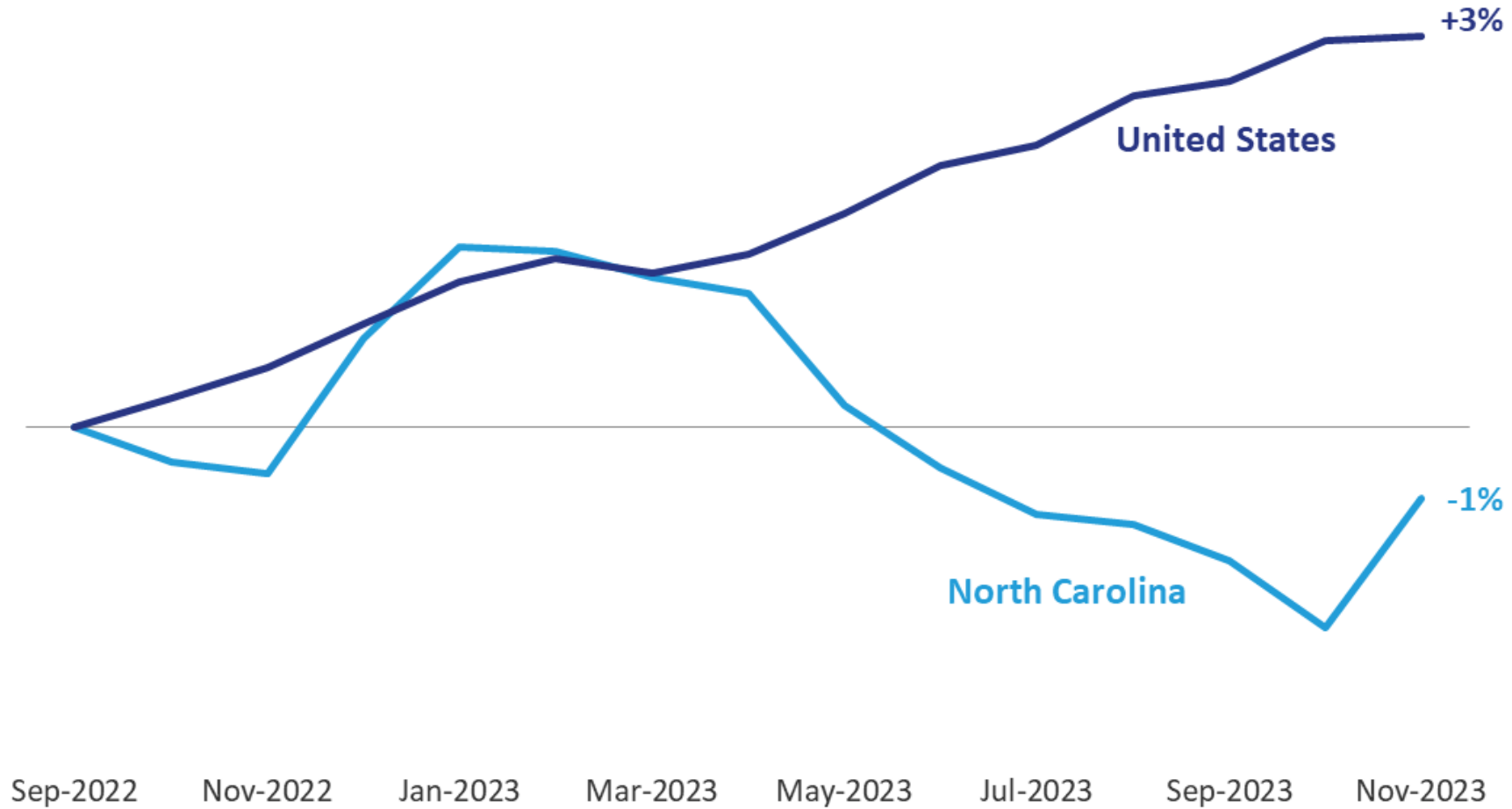
Does this mean we're headed for a recession? **Not necessarily.**

State-level employment estimates are **preliminary** and can be subject to **large revisions.**

We need to consult a wider range of indicators to get **the rest of the story...**

Preliminary Data Shows Construction Decline in NC, Growth in US

Construction employment in North Carolina vs. United States (% change since Sep 2022)

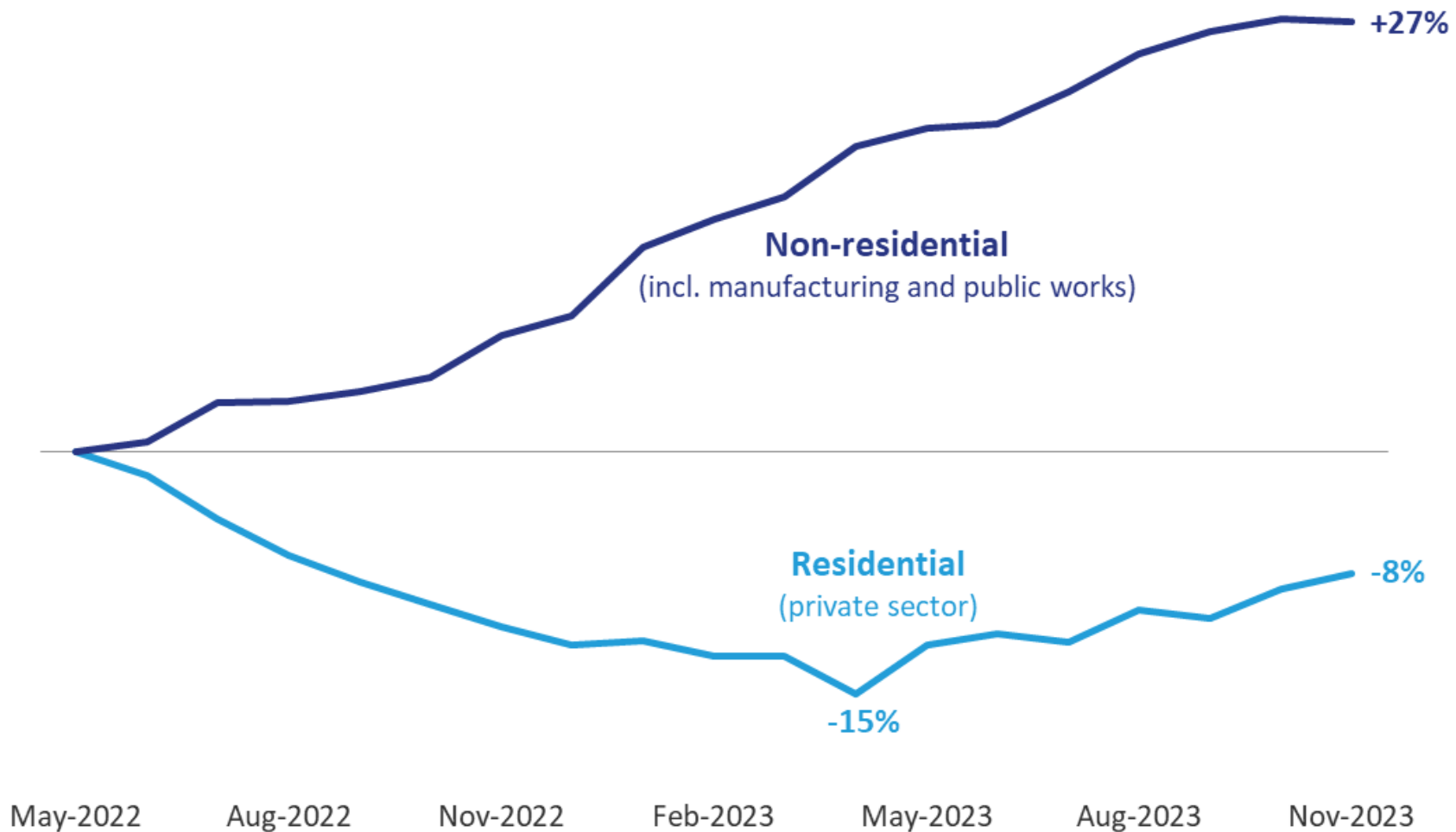


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Source: US Bureau of Labor Statistics (Current Employment Statistics)

We're Building Fewer Homes but More Factories and Infrastructure

Nationwide construction spending (% change since May 2022)



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

Source: US Census Bureau (Value of Construction Put in Place Survey)

What does all this mean for our broader economy?

Manufacturing has had a rough time the past 40+ years, but there are signs of a **potential renaissance** in the years to come.

Construction is **still growing**, despite high interest rates, a residential slowdown, and preliminary evidence of a decline in North Carolina.

Our economy will likely face **challenges in 2024**, but for now, there's no evidence (yet) that manufacturing or construction are pulling us into a recession.

Resources of interest

December 2023 NC Economy Watch

Putting the Recent Manufacturing Slowdown in Context

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

January 2024 NC Economy Watch

Higher Interest Rates Are No Match for a Growing Construction Sector

<https://www.commerce.nc.gov/news/the-lead-feed/january-2024-nc-economy-watch>

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“Thank you!”

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