

NC Economy Watch

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“Empty Shelves”

Circa March 2020



“Too Hot”

Lessons in Supply and Demand

The COVID-19 pandemic created many supply-demand imbalances

- Too much **consumer demand**, not enough **productive capacity**
- Too many **job openings**, not enough **jobseekers** to fill them
- Supply-demand imbalances → long wait times, empty shelves, rising prices/wages

What happens when supply-demand approach a **sustainable balance**?

- Fewer consumer product and labor shortages
- Slower price inflation
- Steady economic growth and lower risk of a recession

Toward a Healthier Balance

A Supply-Side Boom

In 2023, we experienced a “supply-side boom”

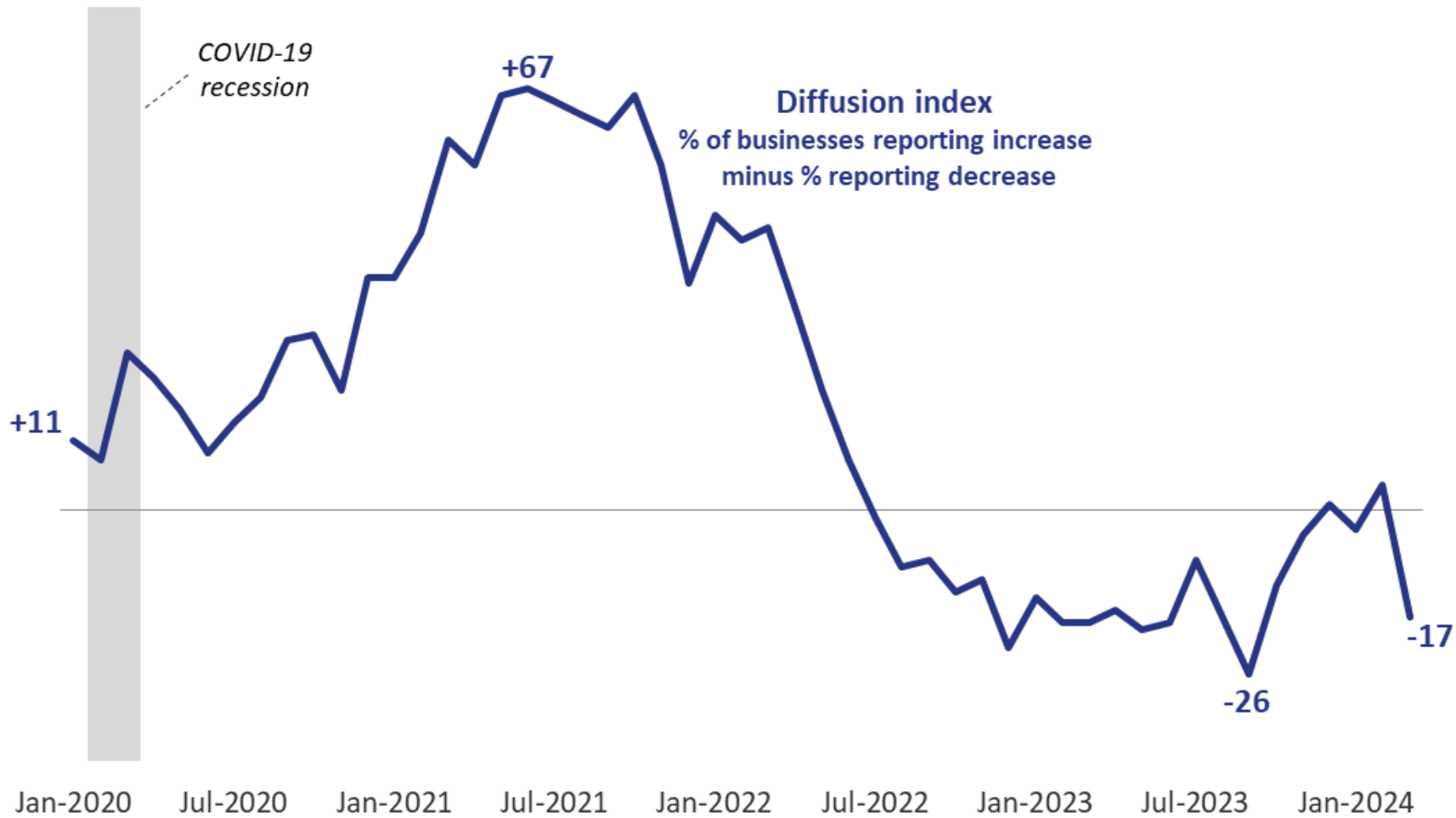
- Normalizing **supply chain** conditions and a growing **labor force**
- Both conditions spurred faster-than-expected **economic growth**

Improving supply chains → manufacturer lead times steadily decreased

Accelerating immigration → labor force and employment growth

Supply Chain Conditions in Our Region Are Normalizing

Manufacturing vendor lead time in Richmond Fed region (Jan 2020 - Mar 2024)



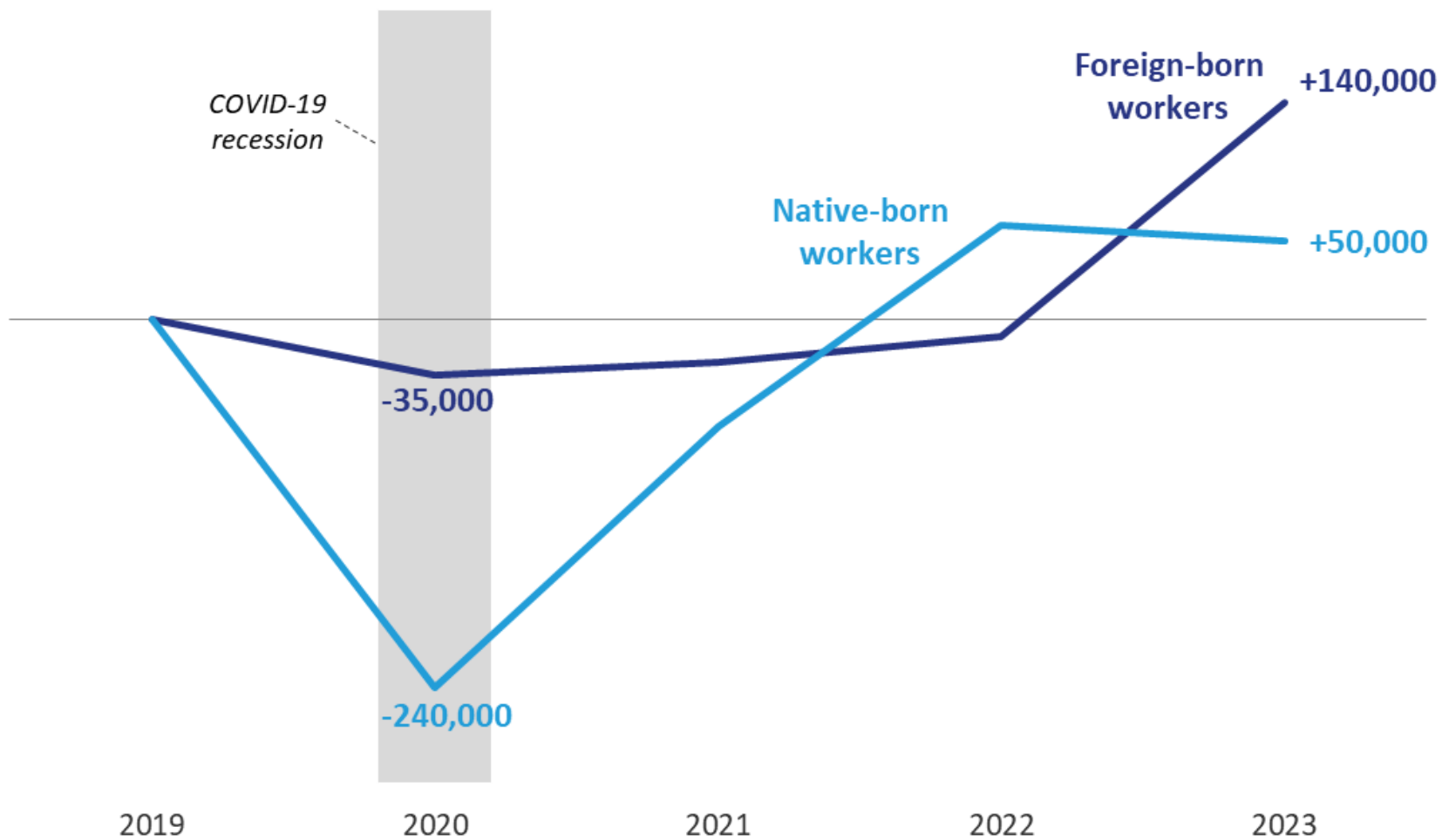
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Source: Federal Reserve Bank of Richmond (Survey of Manufacturing Activity)

Note: readings above zero indicate increasing vendor lead time; readings below zero indicate decreasing vendor lead time

Immigration is Driving North Carolina's Employment Growth

Employed workers in North Carolina, foreign- vs. native-born (# change since 2019)



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Source: analysis of data from the US Census Bureau (Current Population Survey)

Note: estimates are rounded to the nearest 5,000

Toward a Healthier Balance

A Demand-Side Cooldown

Consumer demand for goods and services has moderated since early in the pandemic recovery, when the economy reopening was in full swing

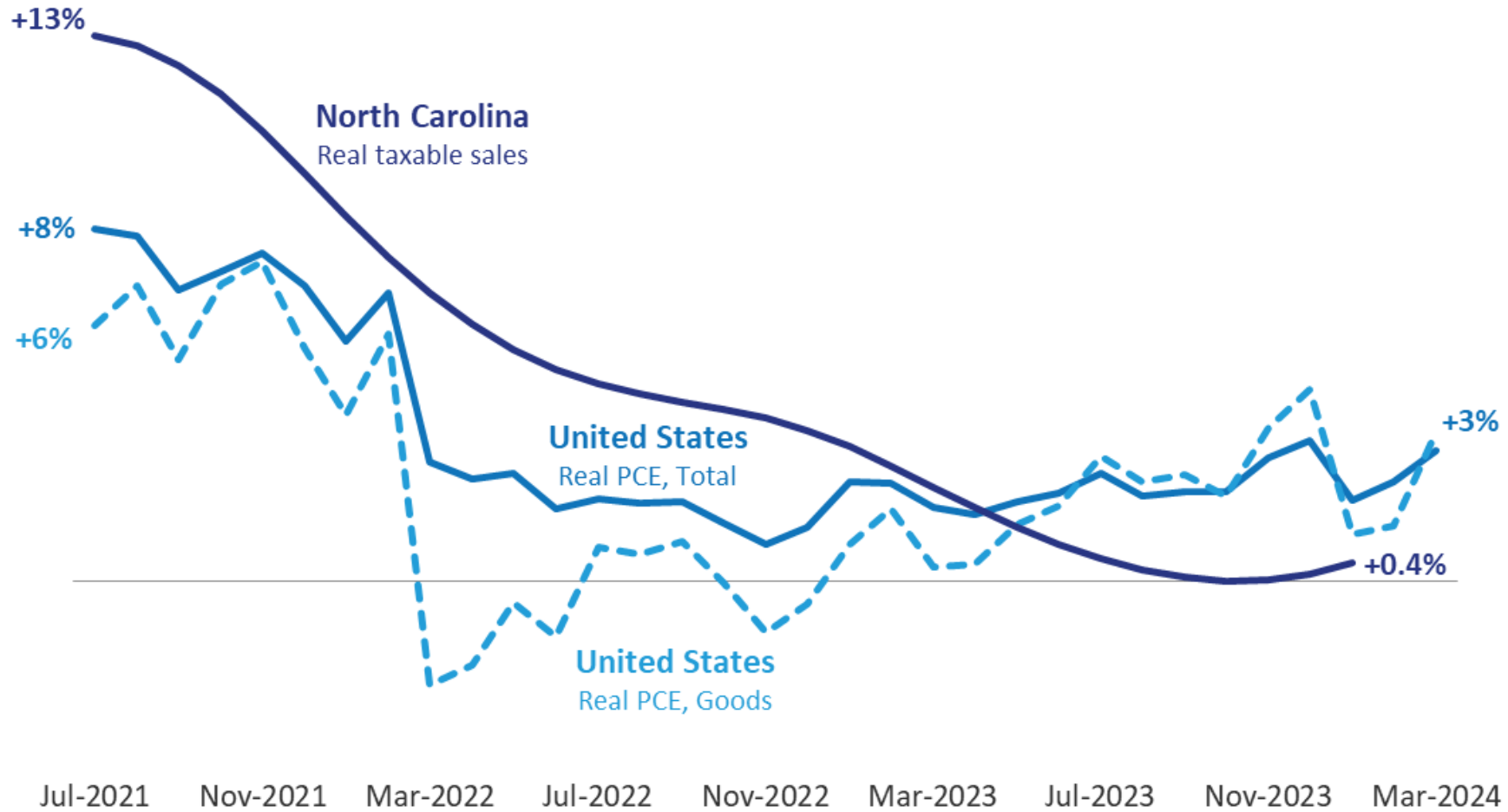
Employer demand for workers has also moderated, with job openings in North Carolina declining to near pre-pandemic levels

What does this mean for **jobseekers**?

- Job availability remains **historically high**, but fewer opportunities compared to a few years ago

Consumer Spending Has Slowed in North Carolina and Nationwide

Over-the-year growth in real personal consumption expenditures (PCE) and taxable sales



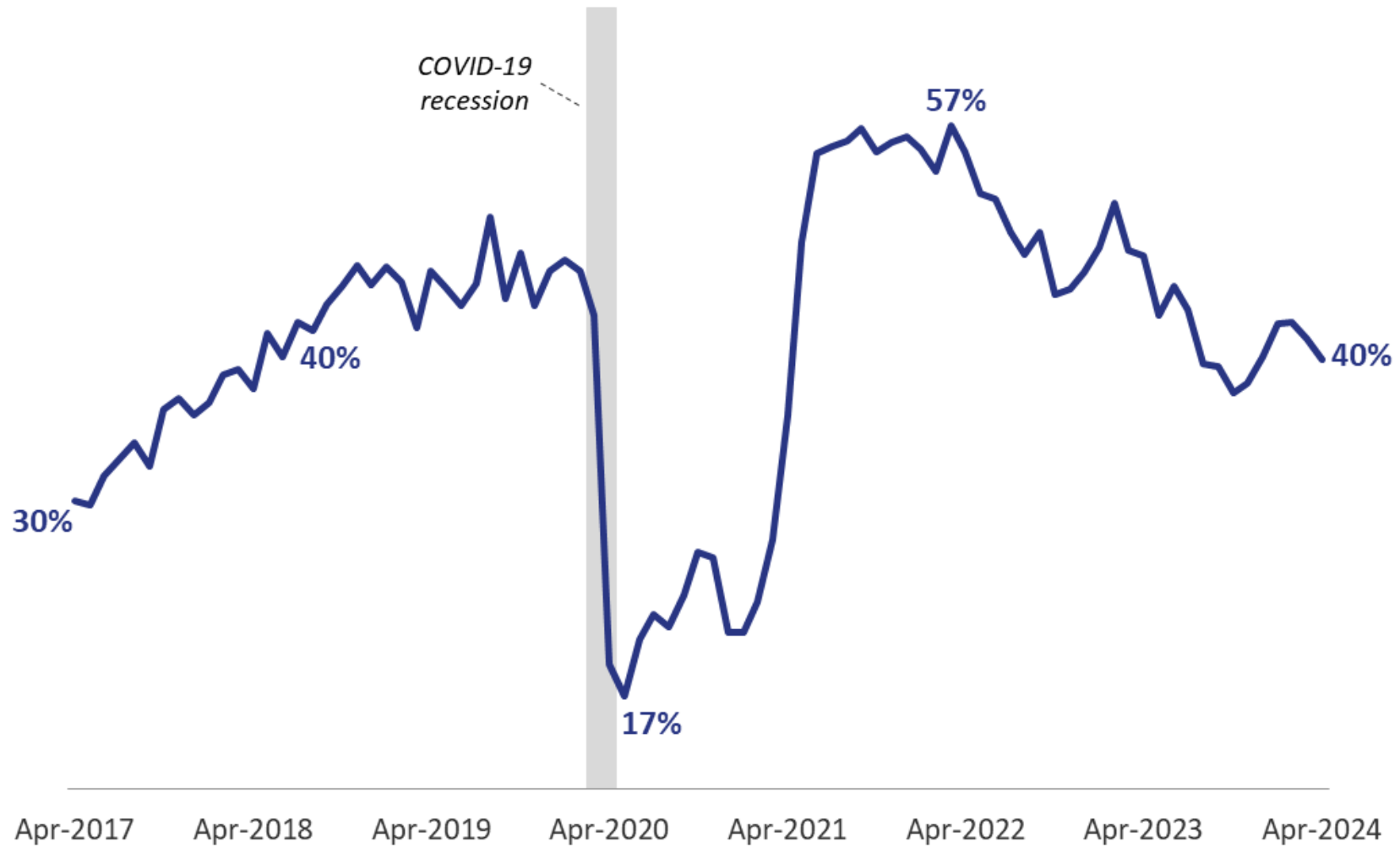
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Source: US Bureau of Economic Analysis; NC Department of Revenue

Note: taxable sales data are seasonally adjusted and smoothed by LEAD and adjusted for inflation using the PCE price index

Perceived Job Availability Has Declined To Pre-Pandemic Level

% of individuals nationwide reporting "jobs are plentiful"



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

Source: Conference Board (Consumer Confidence Survey)

A Delicate Balancing Act

A **well-functioning** economy requires a delicate balance between supply and demand

We've come a long way since the COVID-19 pandemic initially knocked the economy out of balance. Recently, we've seen:

- Softening **employer** demand for workers and **consumer** demand for goods/services
- Loosening supply chain conditions

Not out of the woods yet: **prices** are still rising, and **interest rates** continue to weigh on consumers/businesses

Resources of interest

April 2024 NC Economy Watch

The Supply-Side Boom

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

May 2024 NC Economy Watch

The Demand-Side Cooldown

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

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“Thank you!”

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