



National and Regional Economic Update

CREW
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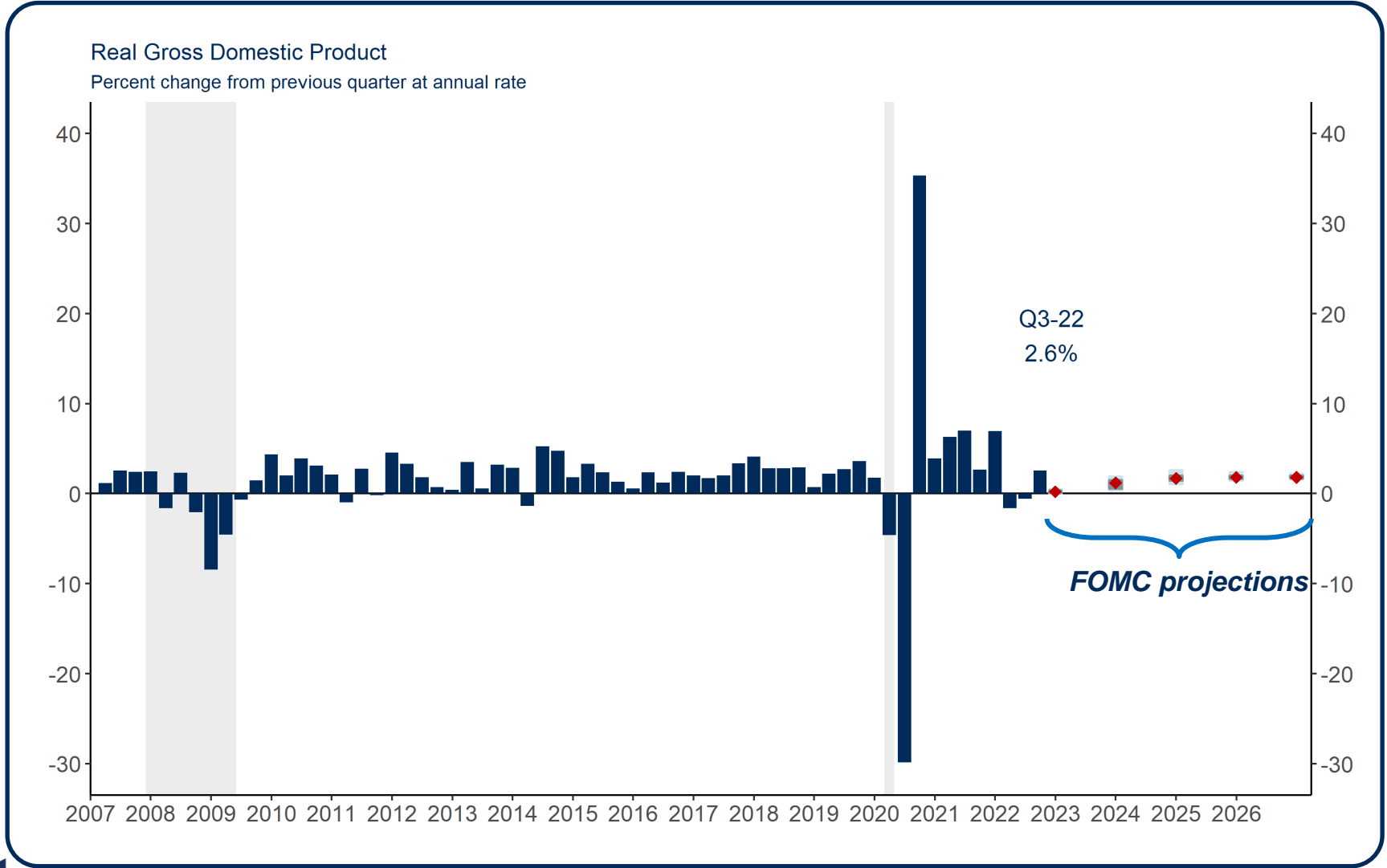


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Where are we now?

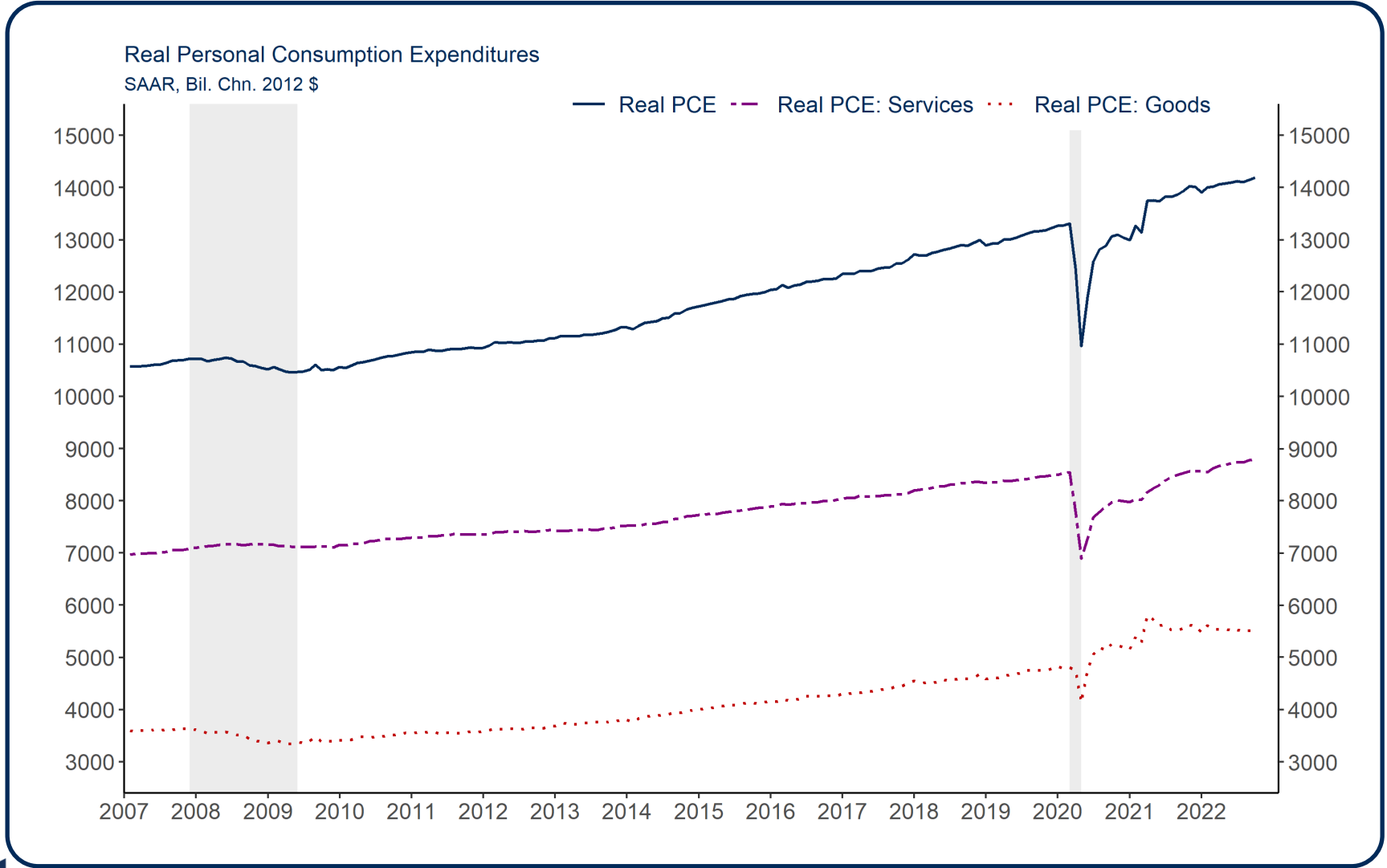
- 2021 was a year of strong economic growth and recovery; 2022 has proven to be much bumpier
 - Some sectors continue to be hit harder than others
- GDP growth was negative for Q1 and Q2 but ended up in positive territory for Q3
 - Fears of recession abound, but keep reminding people that an official recession has not been announced
 - The pace of job growth has remained impressive considering the softening of consumption and GDP
 - The quits rate has been near all time highs and job postings well exceed the number of available workers who are looking for jobs
- Inflation remains well above the 2 percent average target
 - Continued labor shortages and supply chain issues have introduced continued upward pressure on prices, and the last CPI report was worse than expected
 - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target and rate hikes continue

GDP growth was strong in 2021 but 2022 has been bumpier thus far



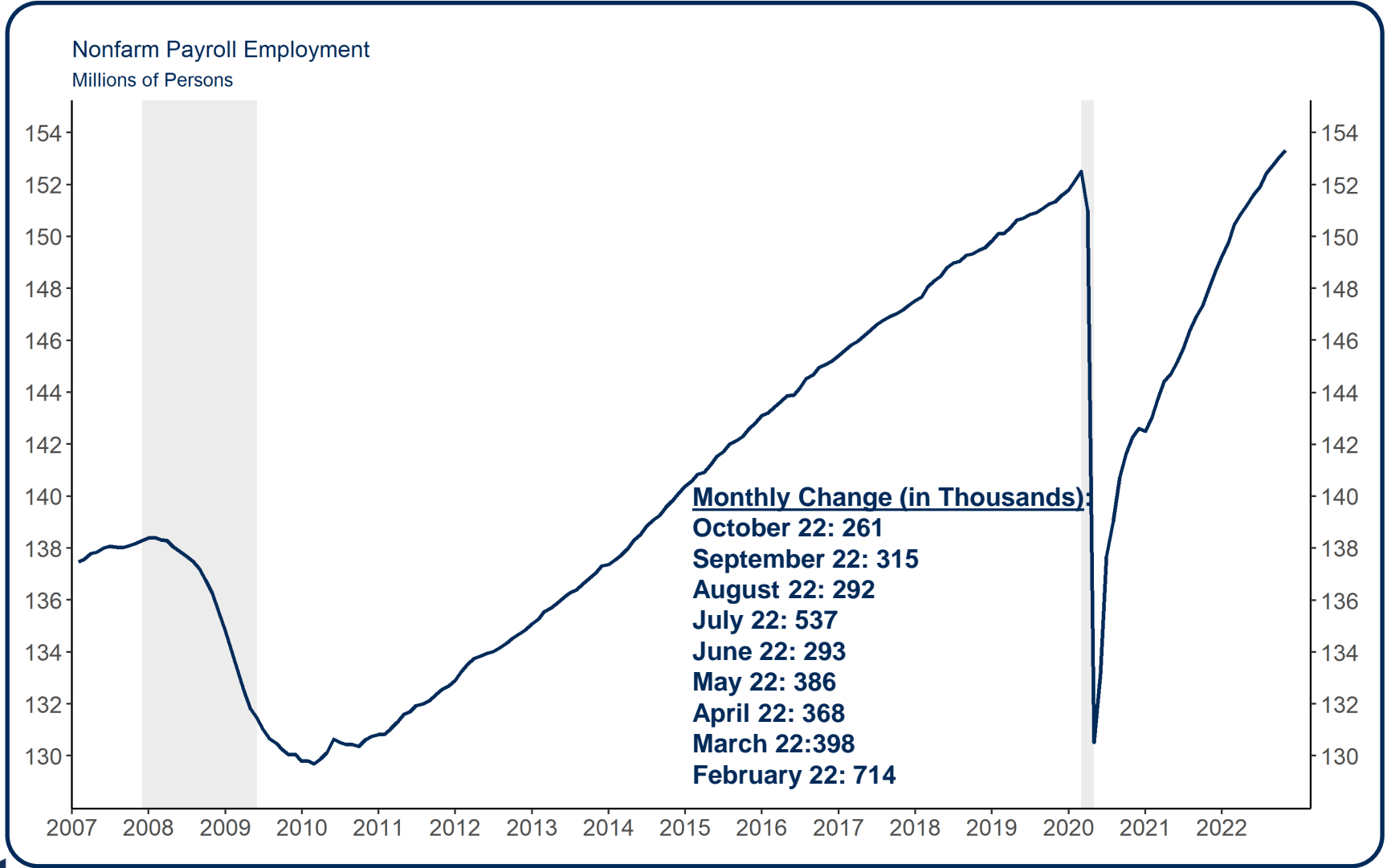
Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

We continue to see a shift in spending on goods towards spending on services



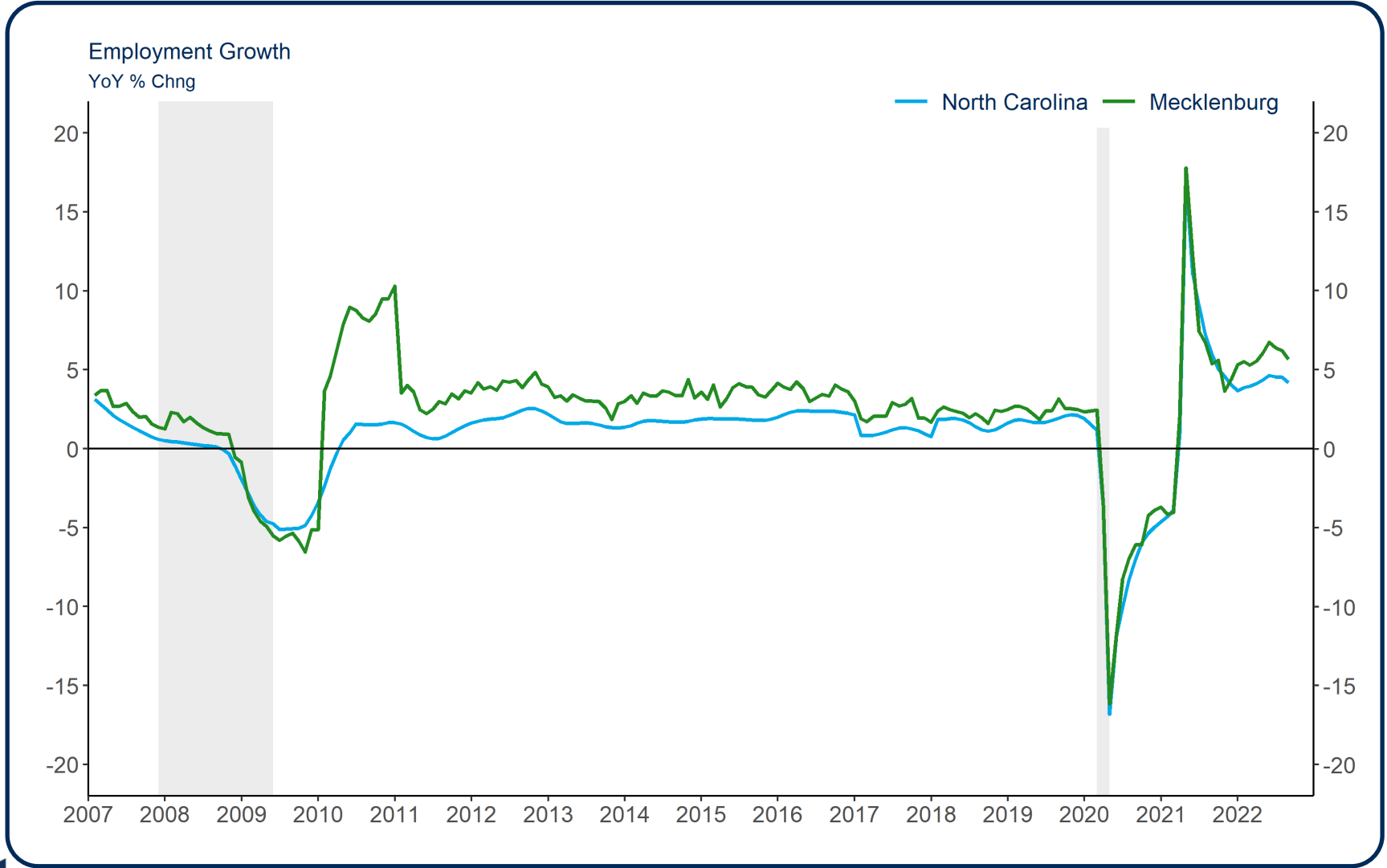
Source: Bureau of Economic Analysis

We are now above pre-COVID levels of employment nationally

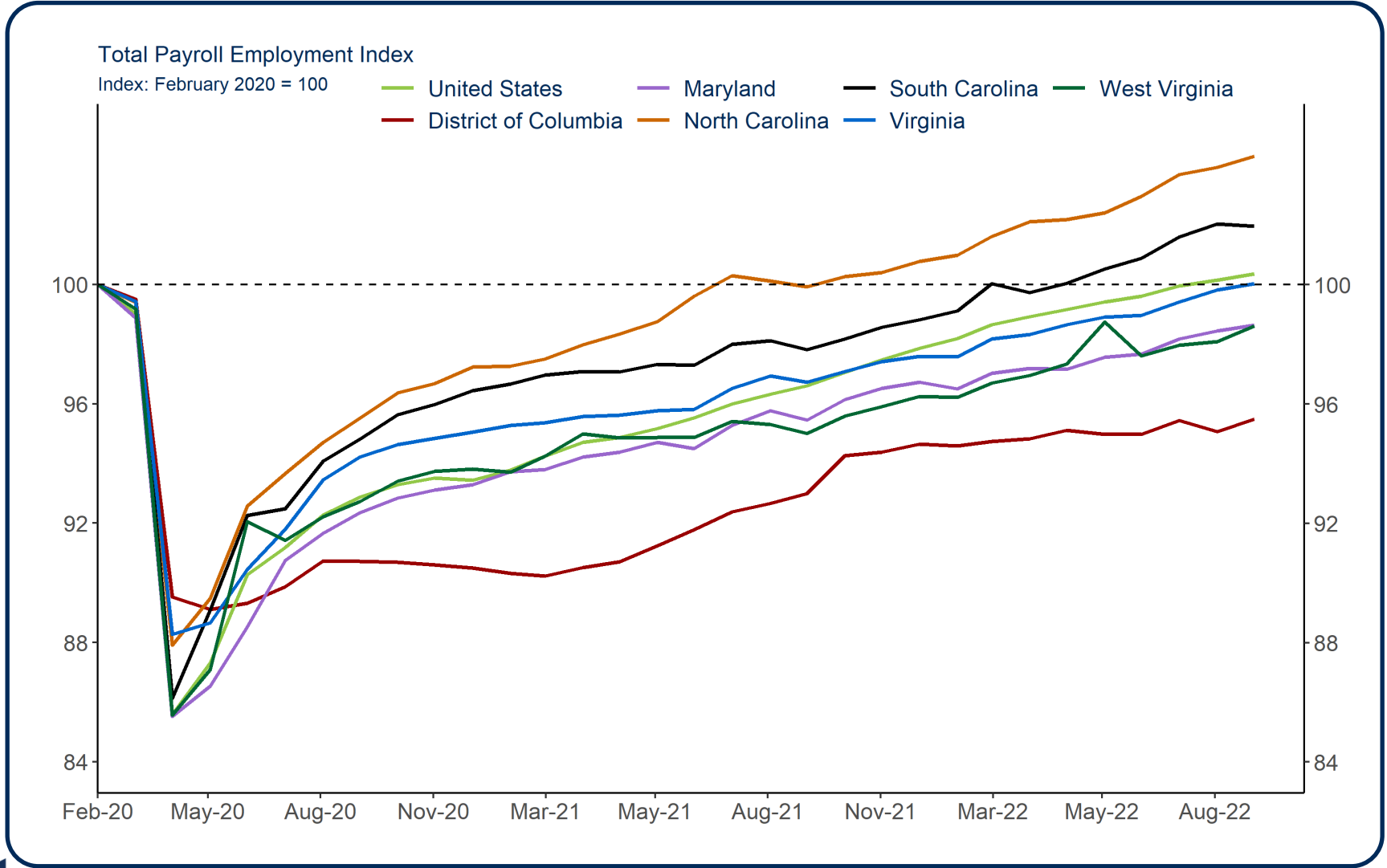


Source: Bureau of Labor Statistics/Haver Analytics

The Charlotte labor market has been especially tight



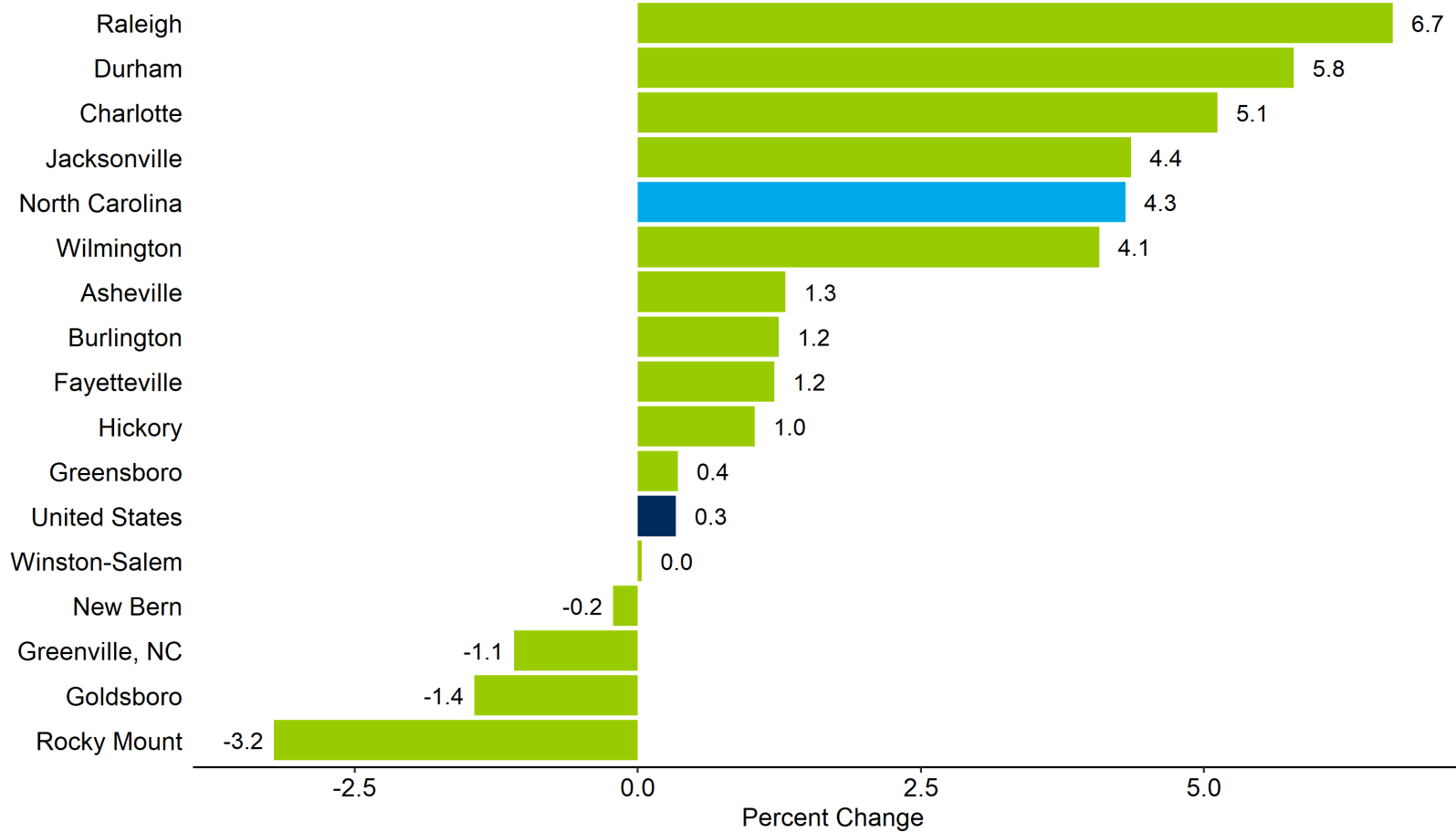
The Carolinas are clearly leading the employment recovery in the Fifth District



Source: Bureau of Labor Statistics/Haver Analytics

While most NC MSAs are now above pre-COVID employment, a few still lag behind

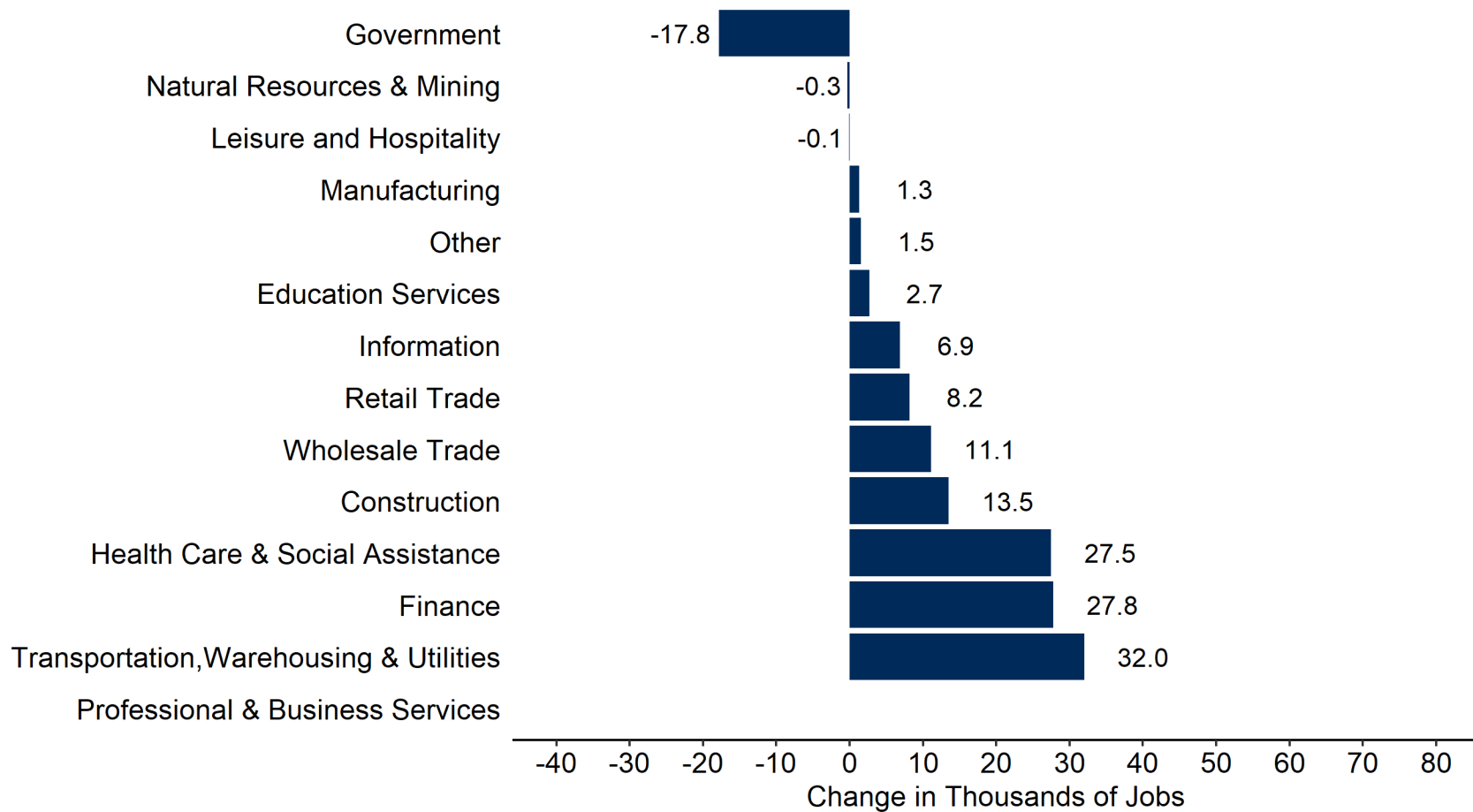
Employment Change from February 20 to September 22



Source: Bureau of Labor Statistics/Haver Analytics

Most NC industries have fully recovered, but two lag behind

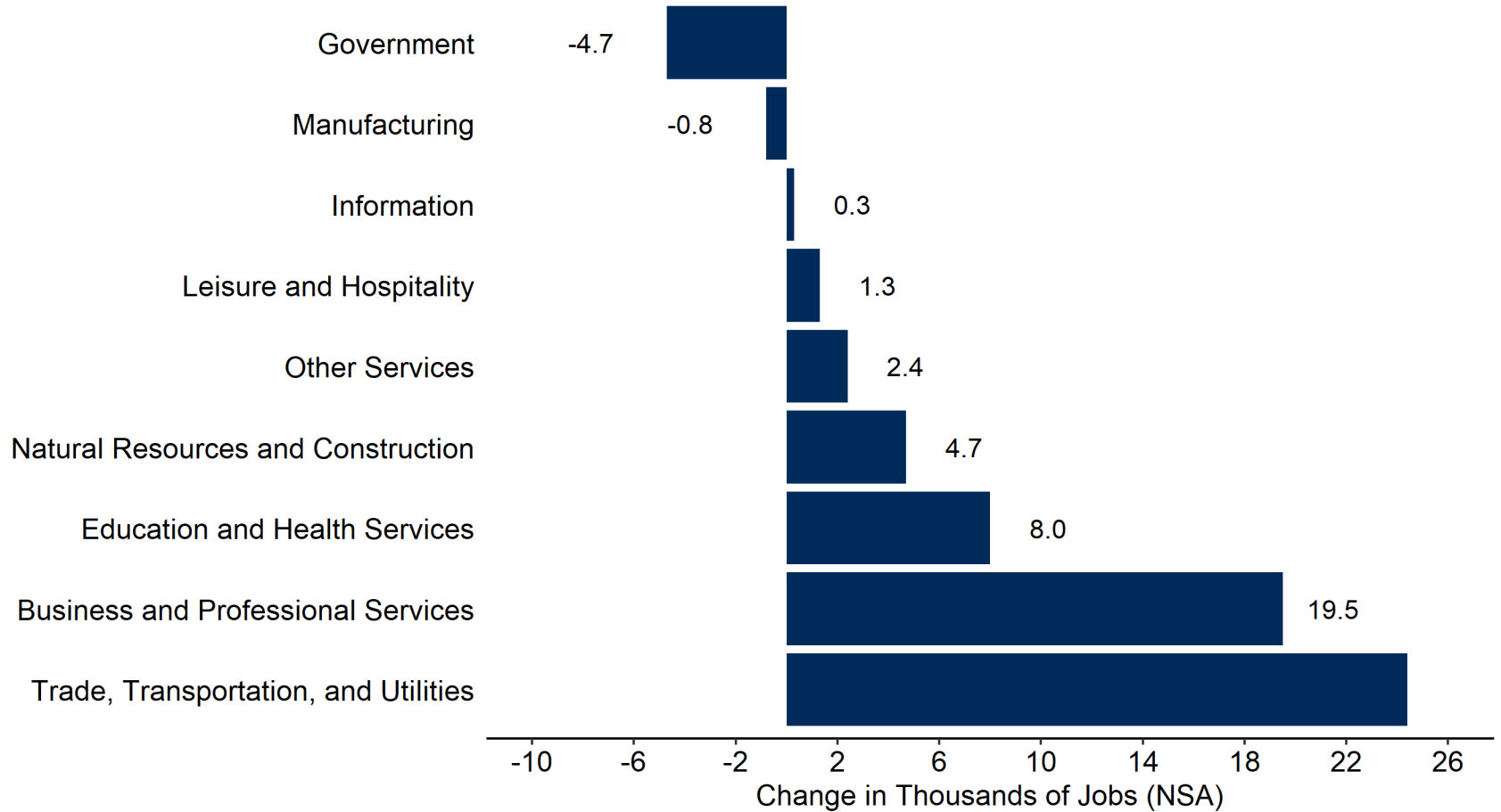
North Carolina Employment Change from February 20 to September 22



Source: Bureau of Labor Statistics/Haver Analytics

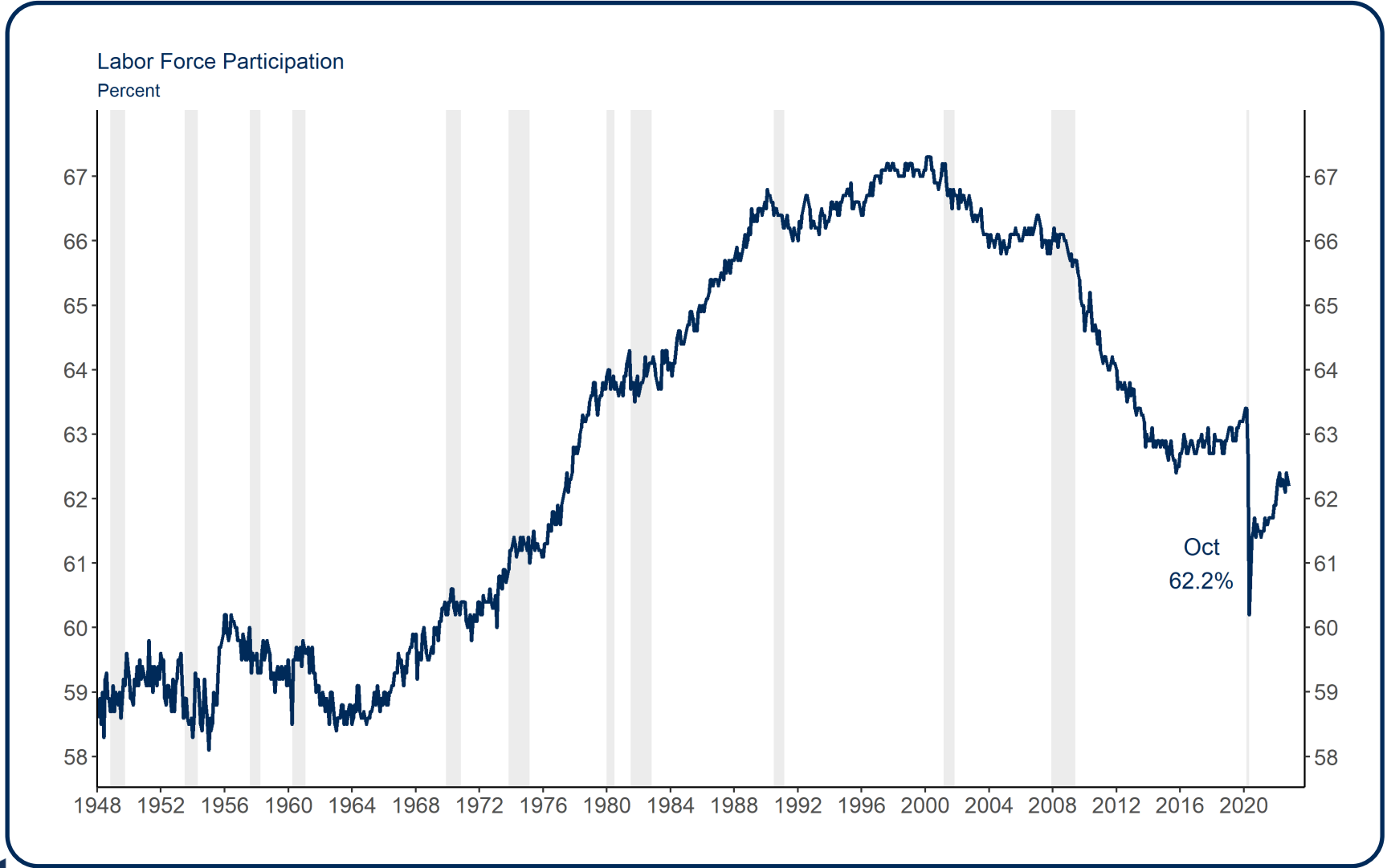
In the Charlotte region, only Government remains below pre-COVID levels

Charlotte MSA Employment Change from February 20 to September 22



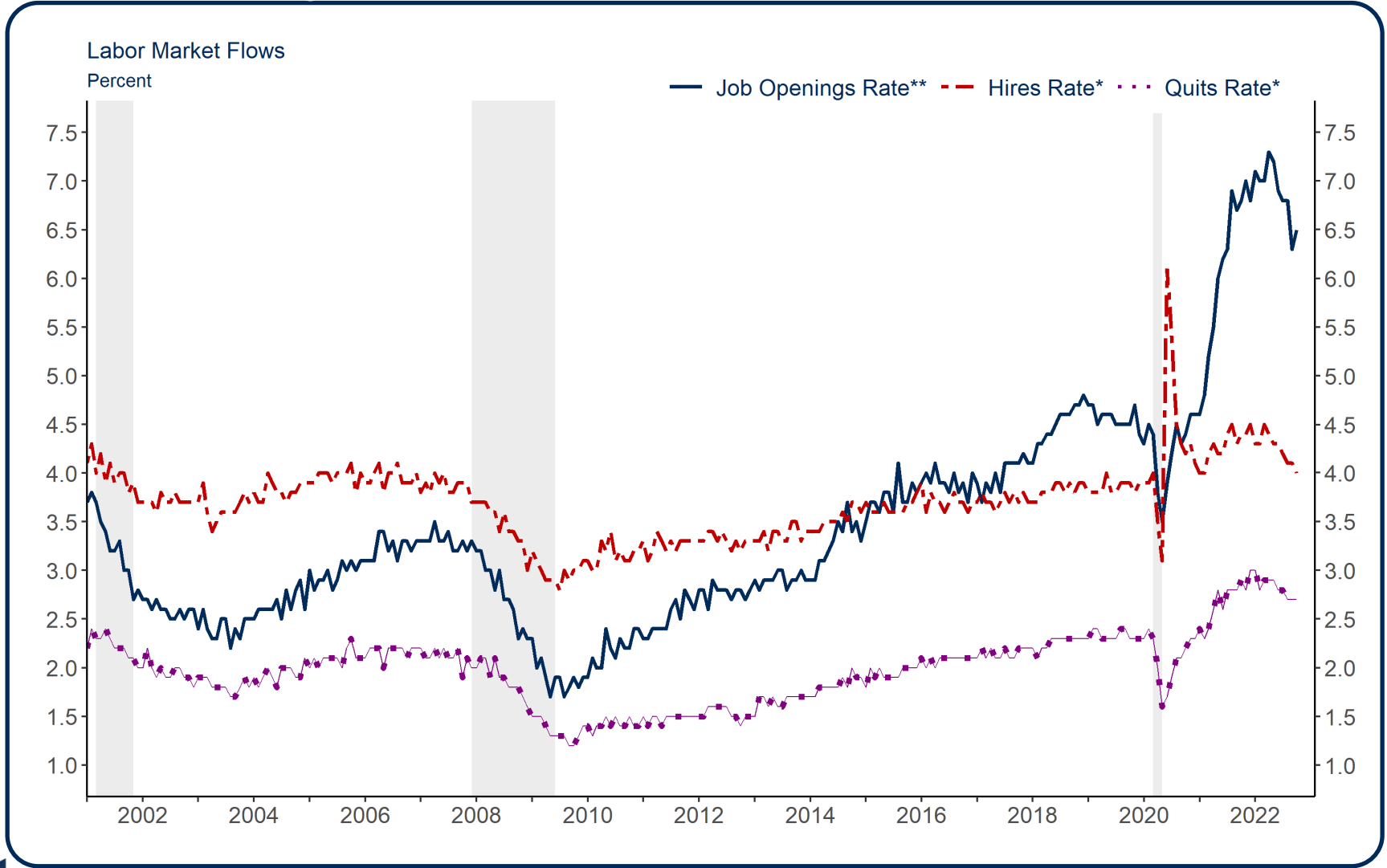
Source: Bureau of Labor Statistics/Haver Analytics

The recovery looks a less impressive when considering labor force participation (LFP)



Source: Bureau of Labor Statistics/Haver Analytics

Job openings and quits remain elevated, although each has been falling in recent months

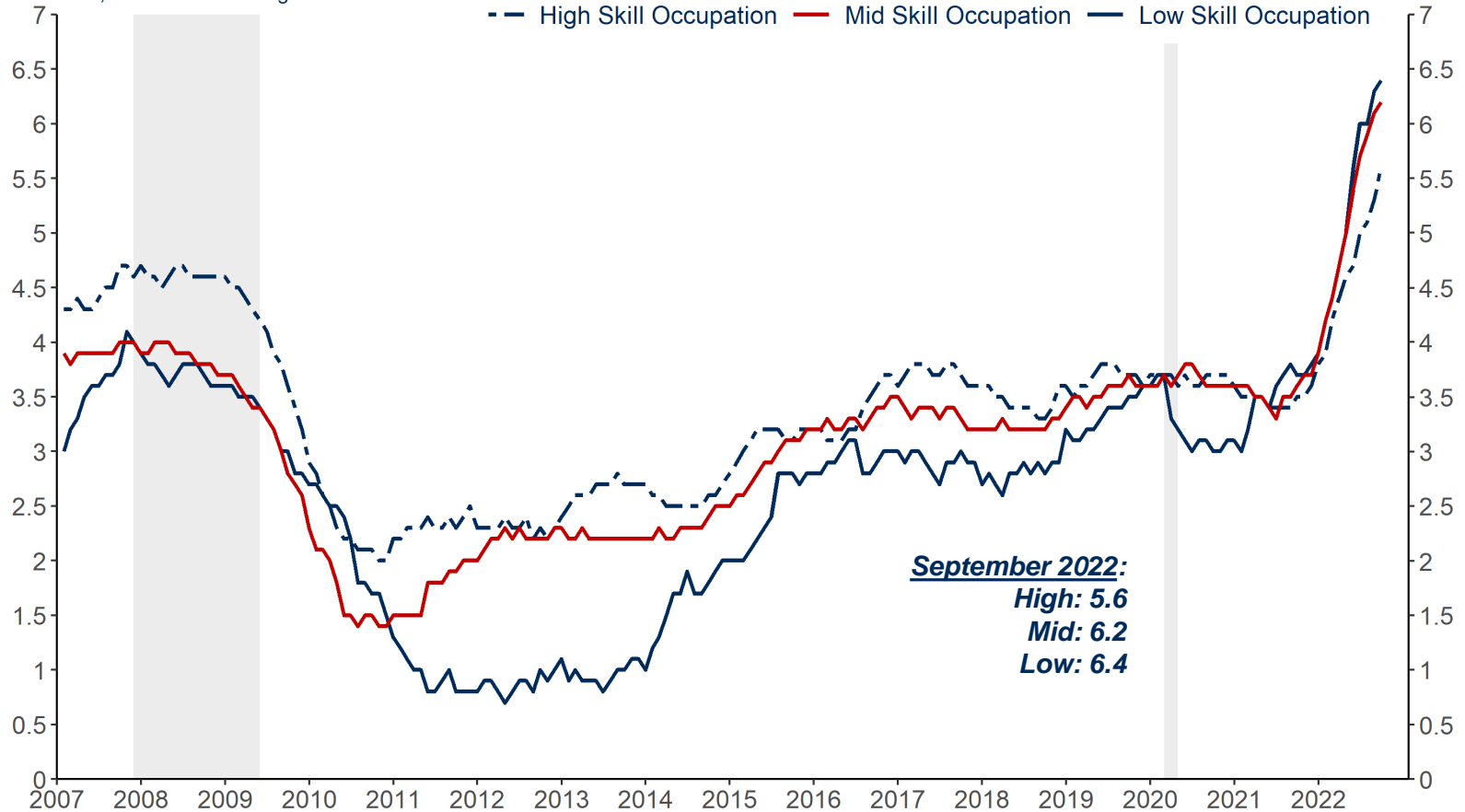


Source: Bureau of Labor Statistics/Haver Analytics

The result...wages are rising, and low skill wages are increasing faster than high skill occupations

Federal Reserve Bank of Atlanta Wage Growth Tracker by Skill Level

NSA, 12-Month % Change



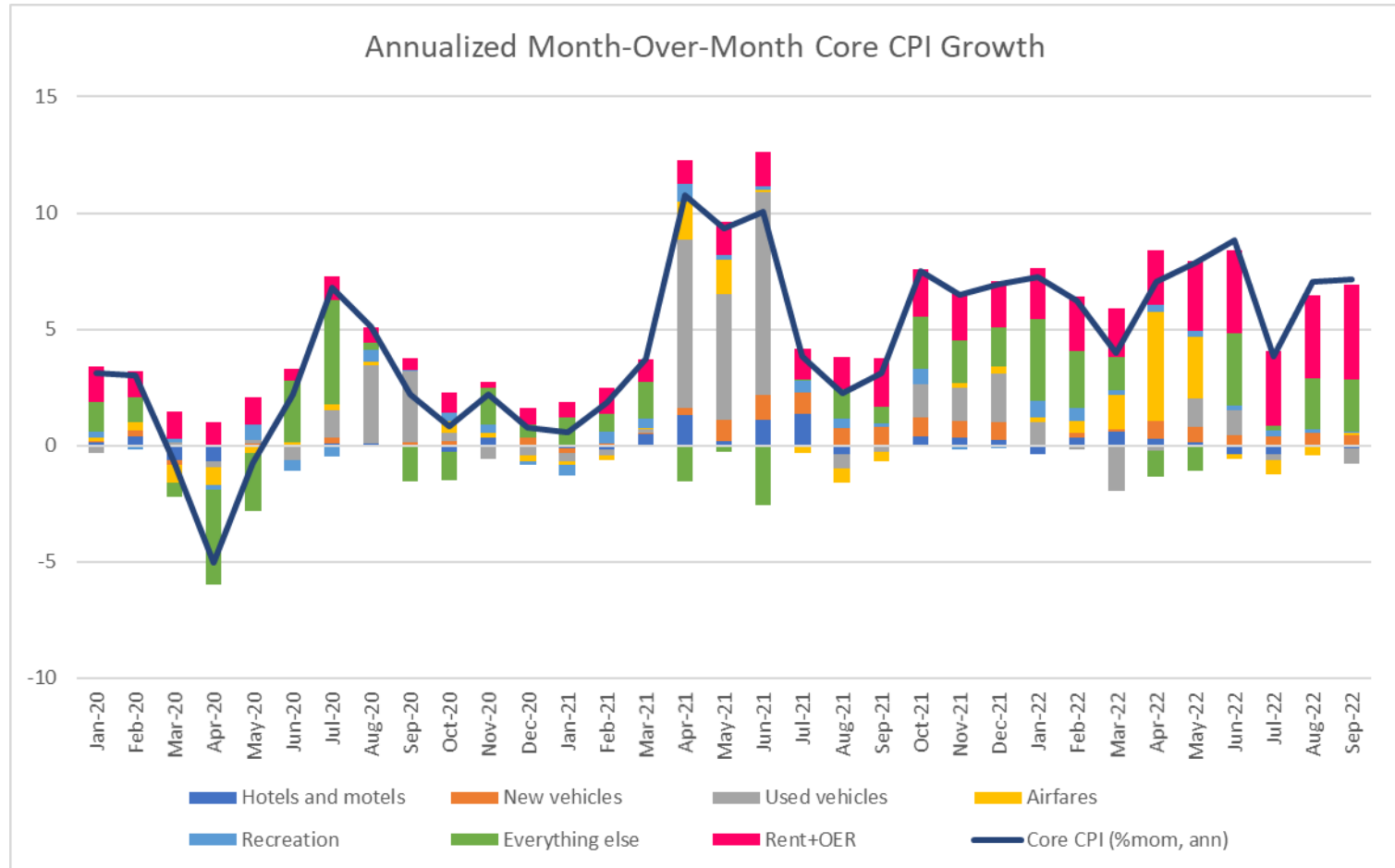
Source: FRB Atlanta via Haver Analytics

Consumer inflation is well-above the Fed target and the September report was disappointing



Source: Bureau of Labor Statistics via Haver Analytics

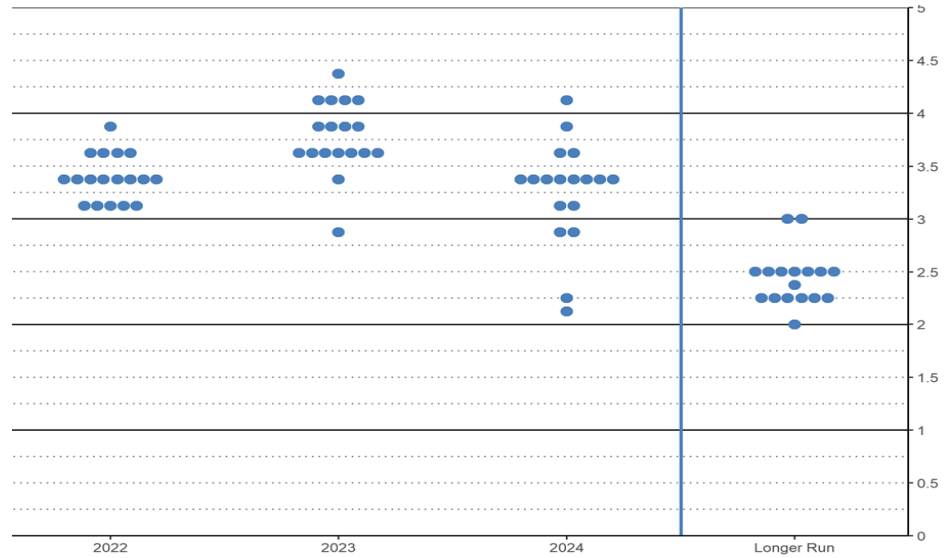
Inflation remains broad-based and rents are playing a more significant role in recent months



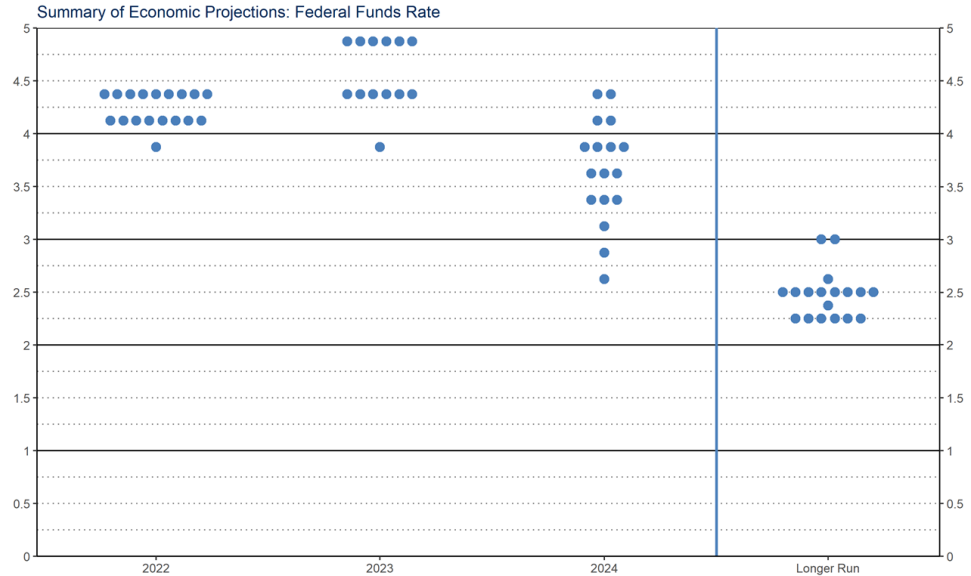
Source: Bureau of Labor Statistics via Haver Analytics

Changes in FOMC near term interest rate projections: June 2022 vs September 2022

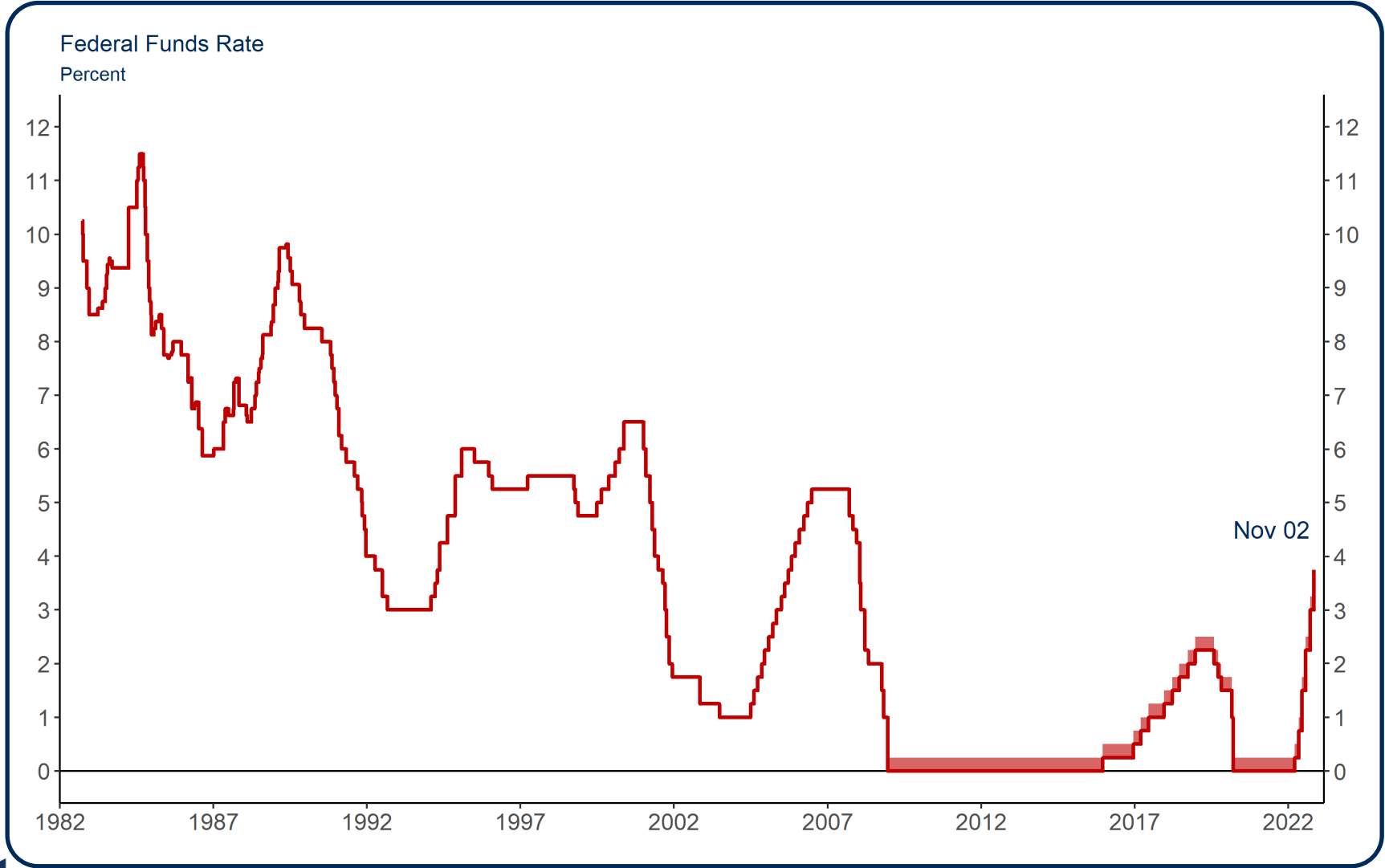
June 2022



September 2022



Historical context is important



Source: Federal Reserve Board

Where do we go from here?

- Most estimates for Q4 growth indicate that overall growth in 2022 is likely to be flat. There are significant potential speedbumps ahead.
 - Geo-political issues, especially the situation in Ukraine
 - Inflation that significantly exceeds current policymakers' expectations
 - Anything that makes supply chain issues even worse
 - A COVID variant that evades vaccines and is more severe
- What happens to employment in the coming weeks? Do we see real softening of labor demand?
- The FOMC has already raised rates considerably and seems poised to be as aggressive as is needed to return inflation to close to the 2 percent average target.
 - How high will rates need to go in order to recede inflation?
 - It remains unclear whether or not the Fed will be able to achieve a “soft” or “softish” landing.

Questions/Comments?

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