



# National and Regional Economic Update

**CREW**  
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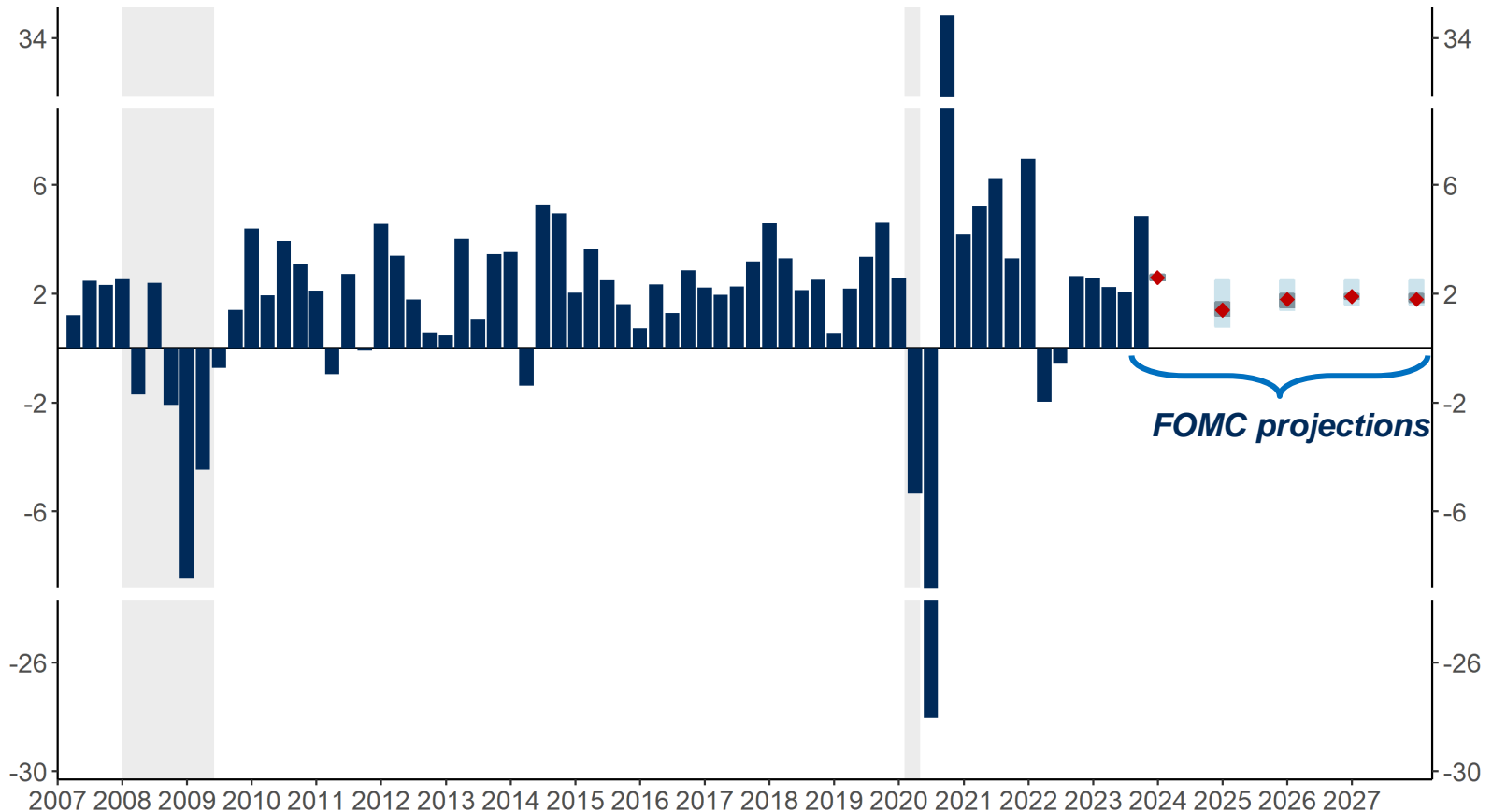
# Where are we now?

- 2021 was a year of strong economic growth and recovery; 2022 proved to be much bumpier but ended stronger than expected; growth in 2023 far exceeded all expectations; growth in 2024 looks promising, but uncertain.
  - Some sectors continue to be hit harder than others
- Economic indicators show slowing in some cases but continued growth in others
  - Fears of recession seem to have lessened
  - Consumer spending (even in real terms) has remained robust
  - The pace of job growth has been impressive nationally, but some states are faring better than others
- Some metro areas, including Charlotte and Raleigh are outperforming larger metros and more rural spaces
  - Much of this is industry and geography based
- Inflation remains above the 2 percent average target
  - Inflation reports are moving in the right direction, especially at the end of 2023
  - The FOMC has been clear that they are committed to reducing inflation to the Fed's stated target

GDP growth came in at 2.2 percent in Q1 and 2.1 percent in Q2. Second estimates for Q3 came in at 5.2 percent.

### Real Gross Domestic Product

Percent change from previous quarter at annual rate

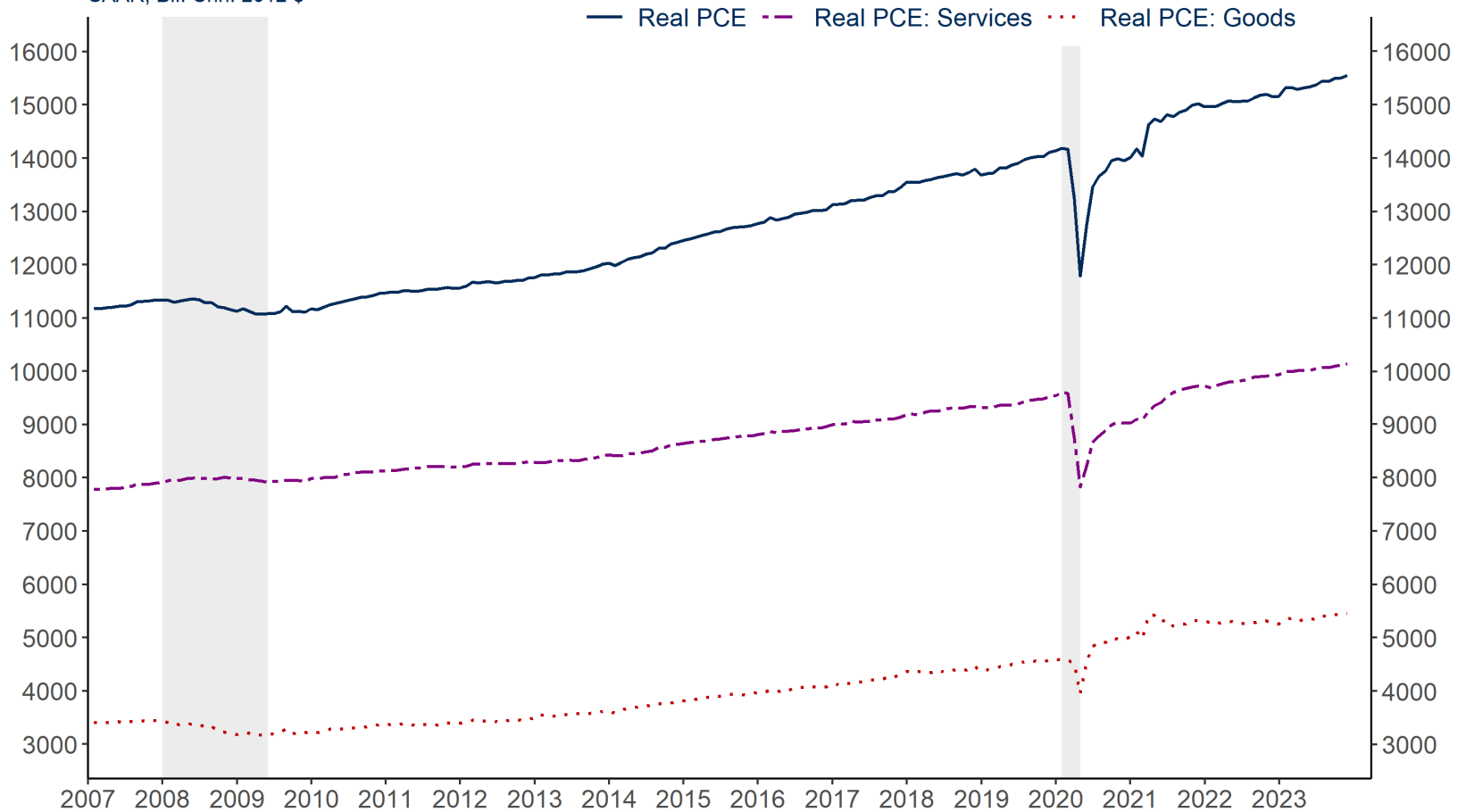


Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

# Real consumption spending has remained strong, even in the midst of considerable inflation

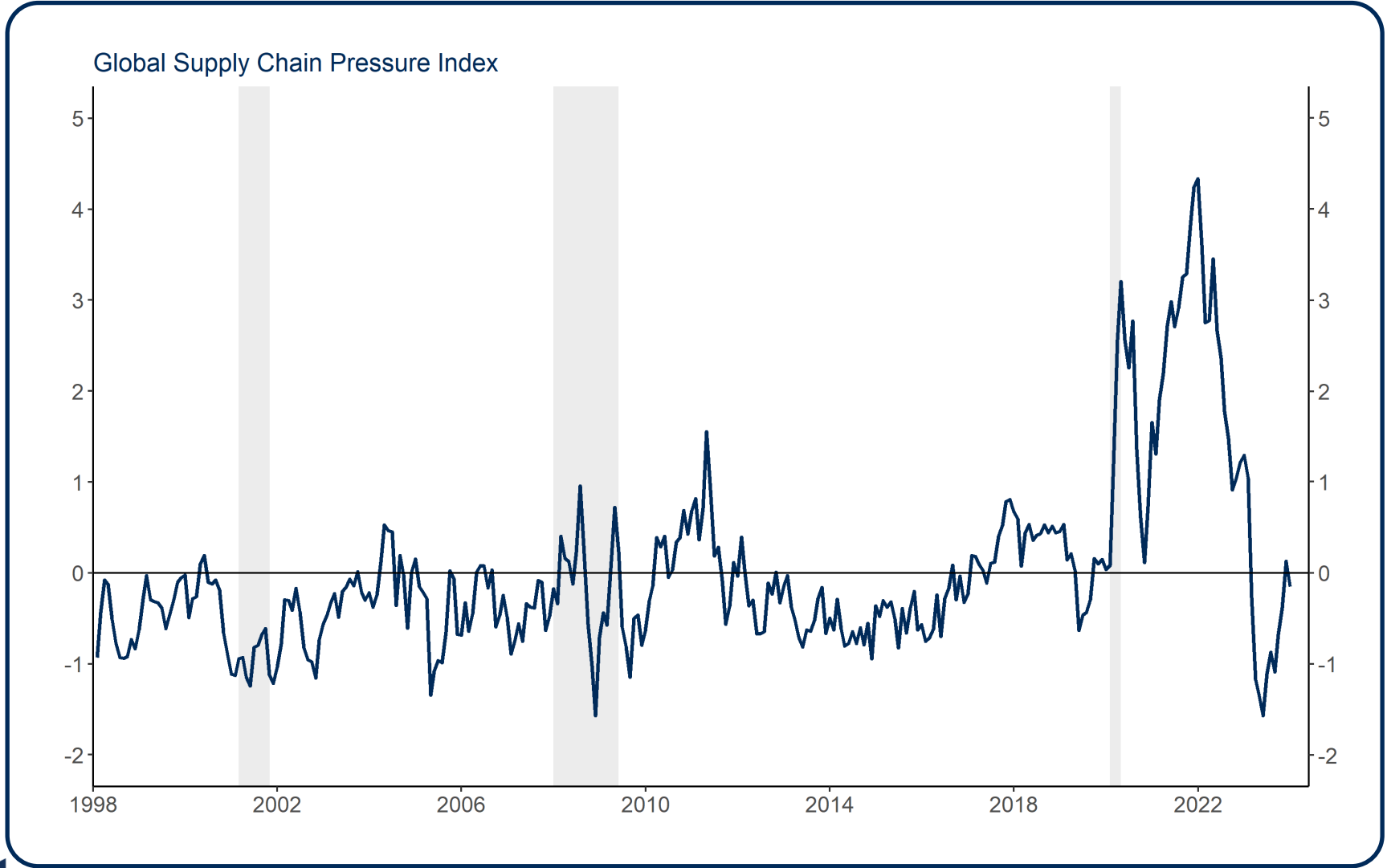
## Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



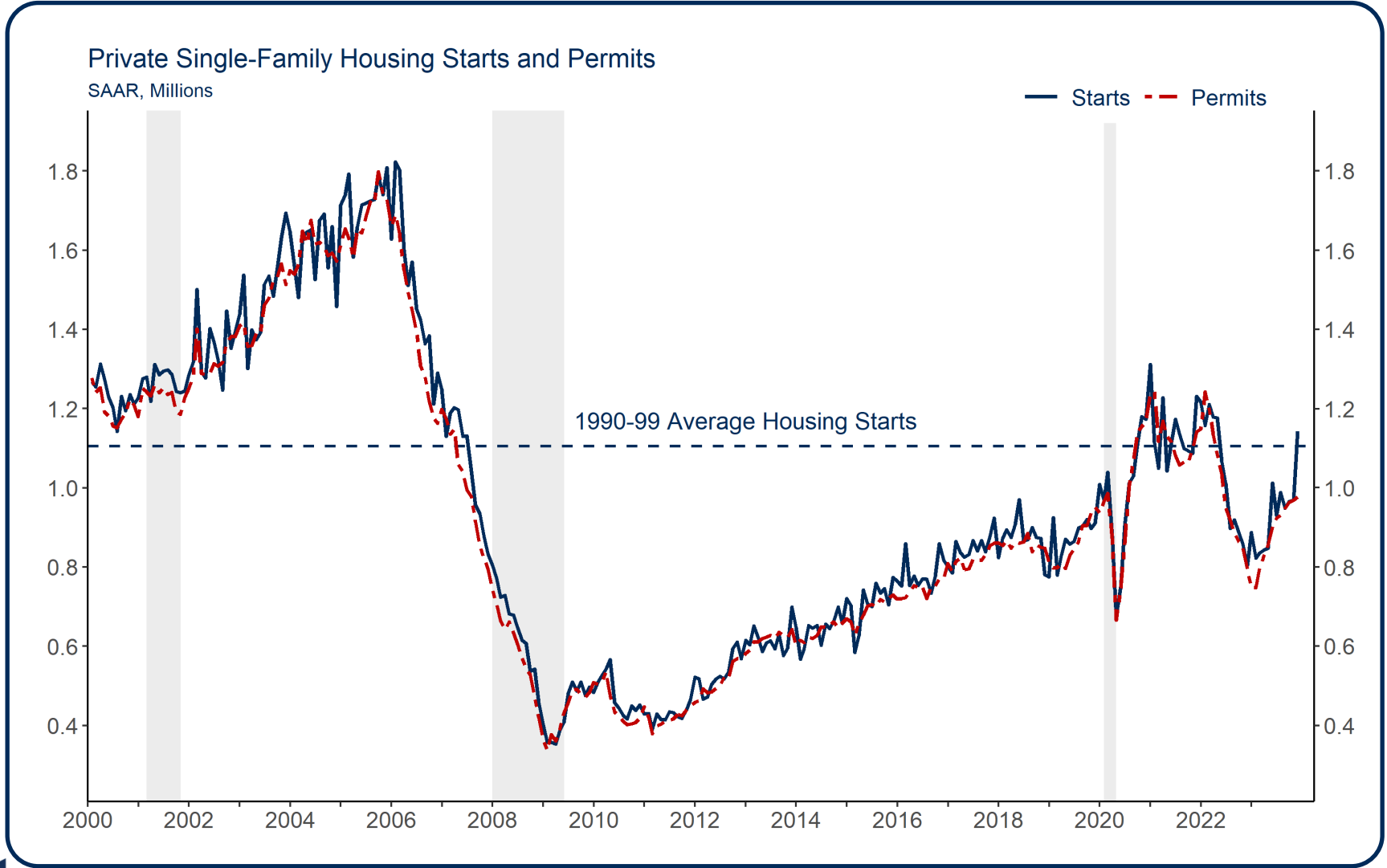
Source: Bureau of Economic Analysis

# Global supply chain issues have calmed back to below pre-COVID levels, but some isolated shortages remain



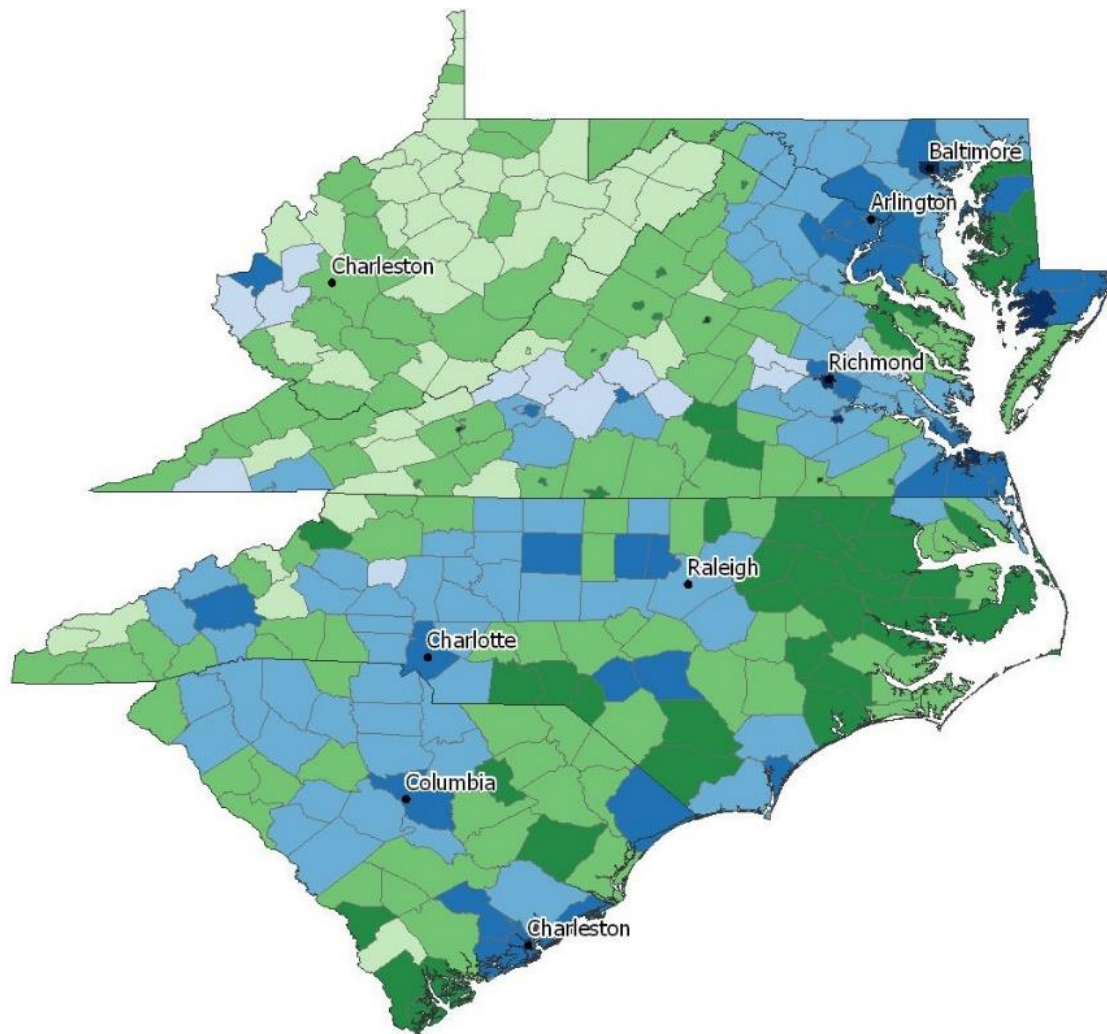
Source: Federal Reserve Bank of New York

# Housing starts and permits have increased the past few months, but remain down from 2021...



Source: Census Bureau/Haver Analytics

...and there isn't a region we visit that isn't struggling with housing



### Share of housing cost burdened households

#### Urban

- Less than 19 percent
- 19 - 28 percent
- 28 - 37 percent
- Greater than 37 percent

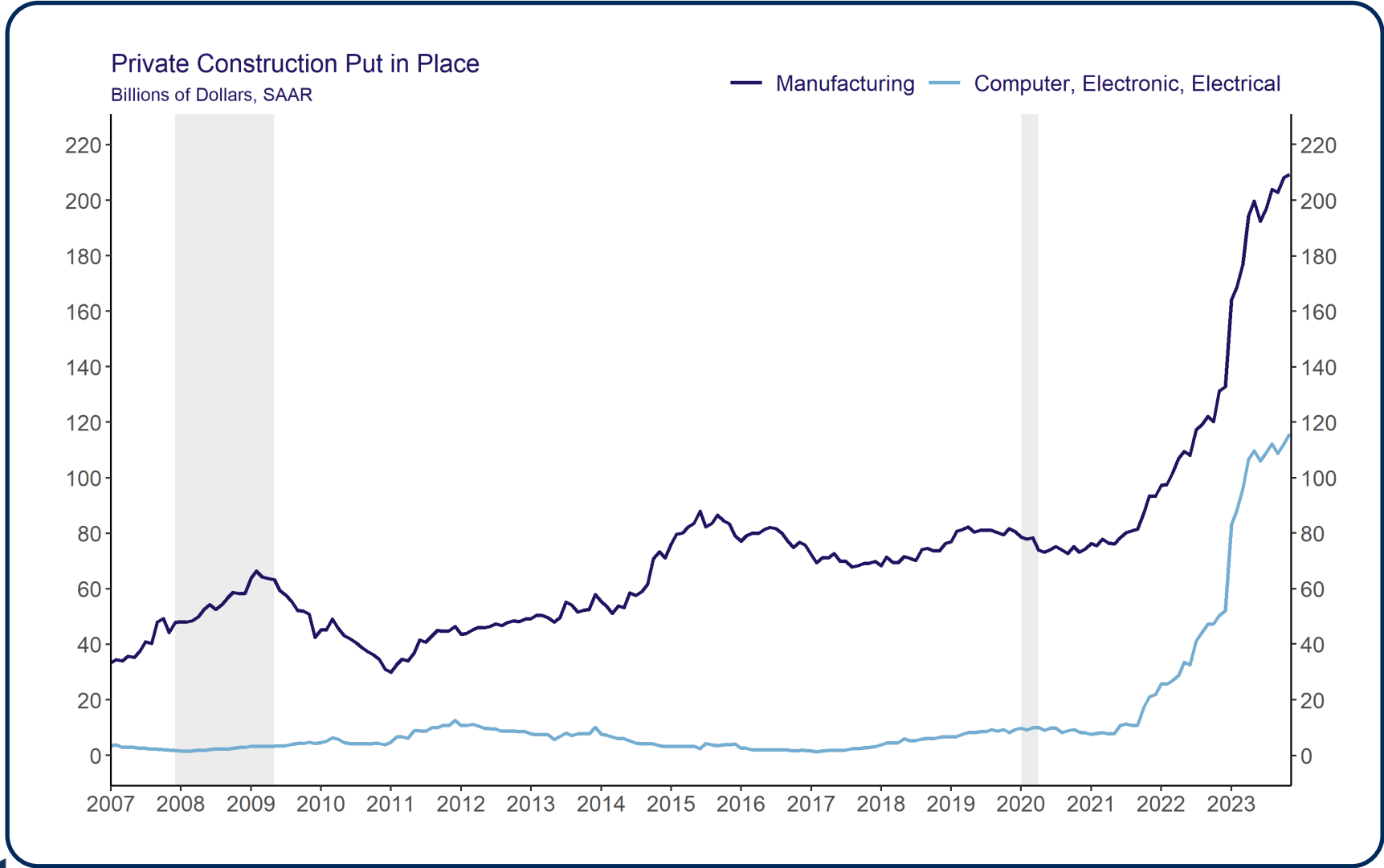
#### Rural

- Less than 19 percent
- 19 - 28 percent
- 28 - 37 percent
- Greater than 37 percent

Source: Census Bureau and Department of Agriculture

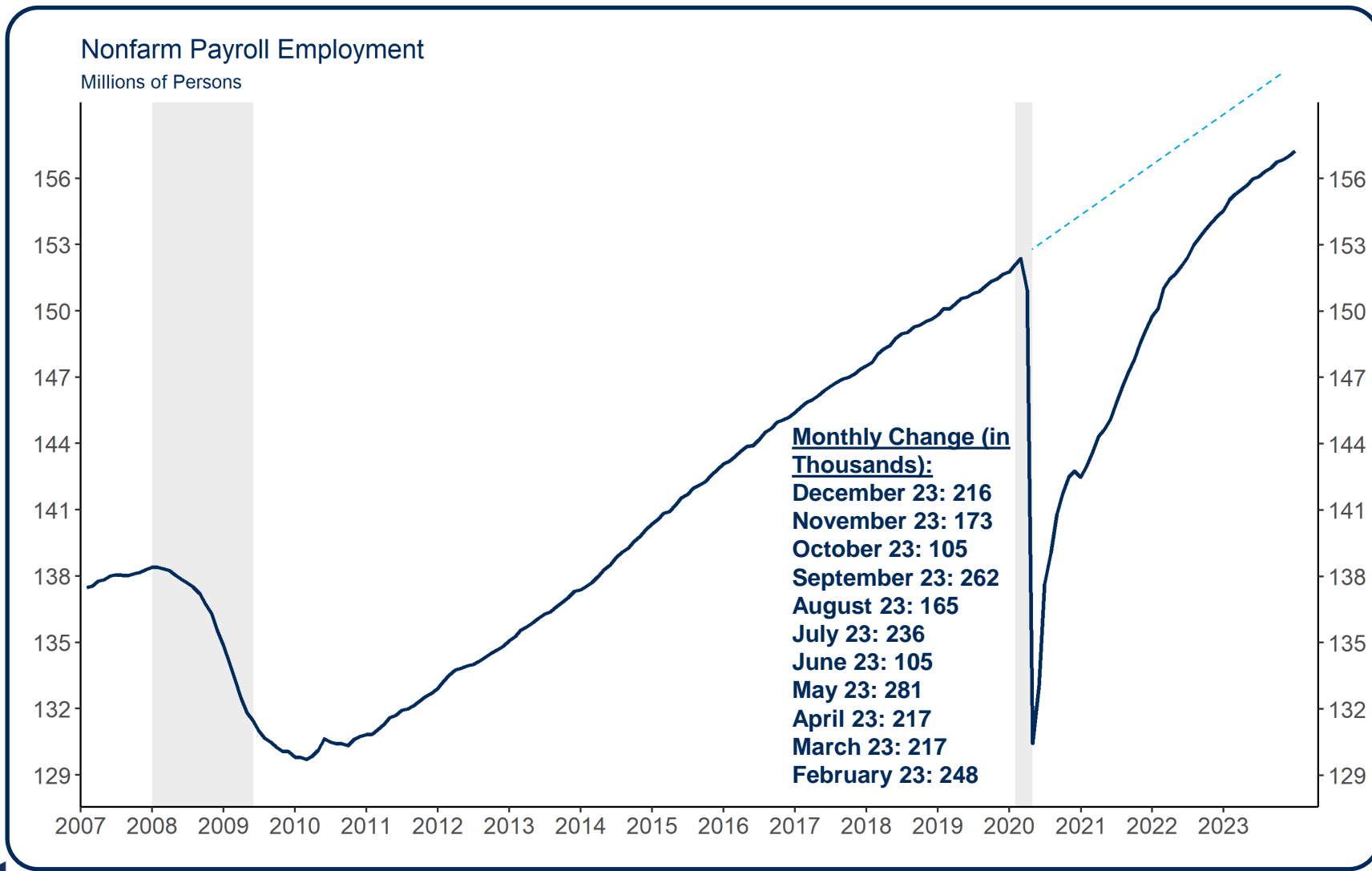


# Construction spending in manufacturing has seen sharp increases, driven by emerging industries



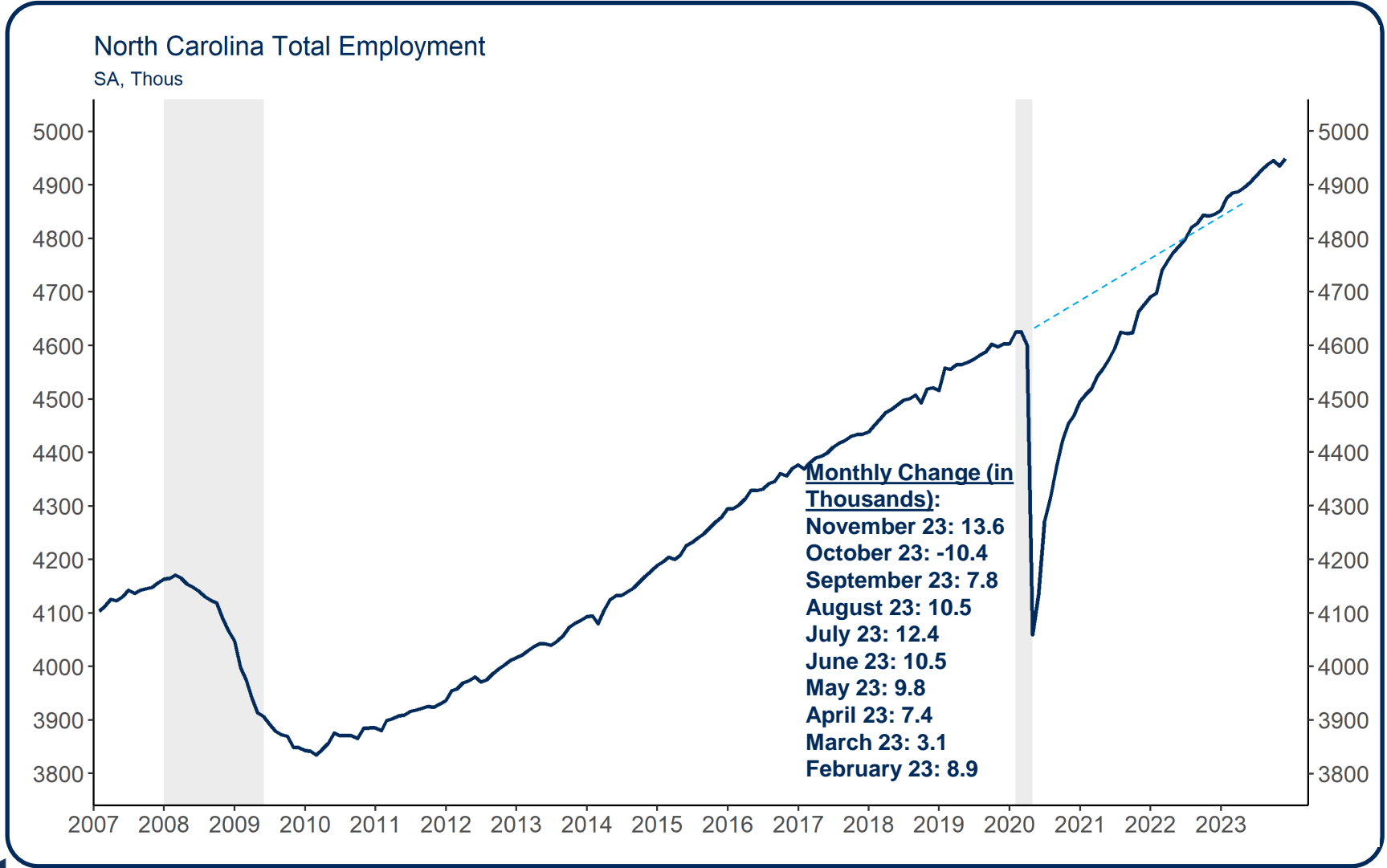
Source: Census Bureau/Haver Analytics

# We are well above pre-COVID levels of employment nationally, but we haven't returned to the pre-COVID trajectory



Source: Bureau of Labor Statistics/Haver Analytics

# Some states, like North Carolina, are beyond even pre-COVID trajectories.



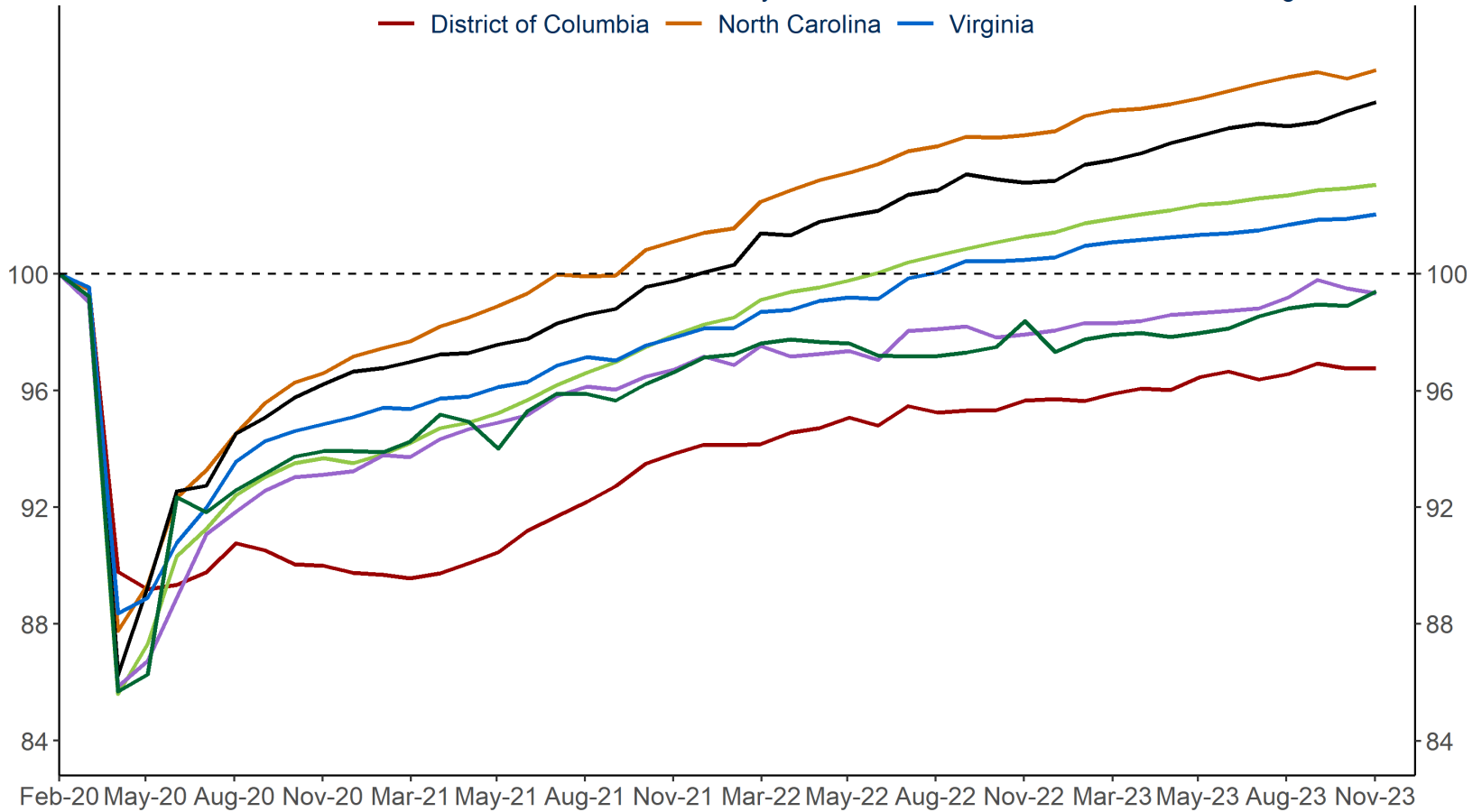
Source: Bureau of Labor Statistics via Haver Analytics

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

Total Payroll Employment Index

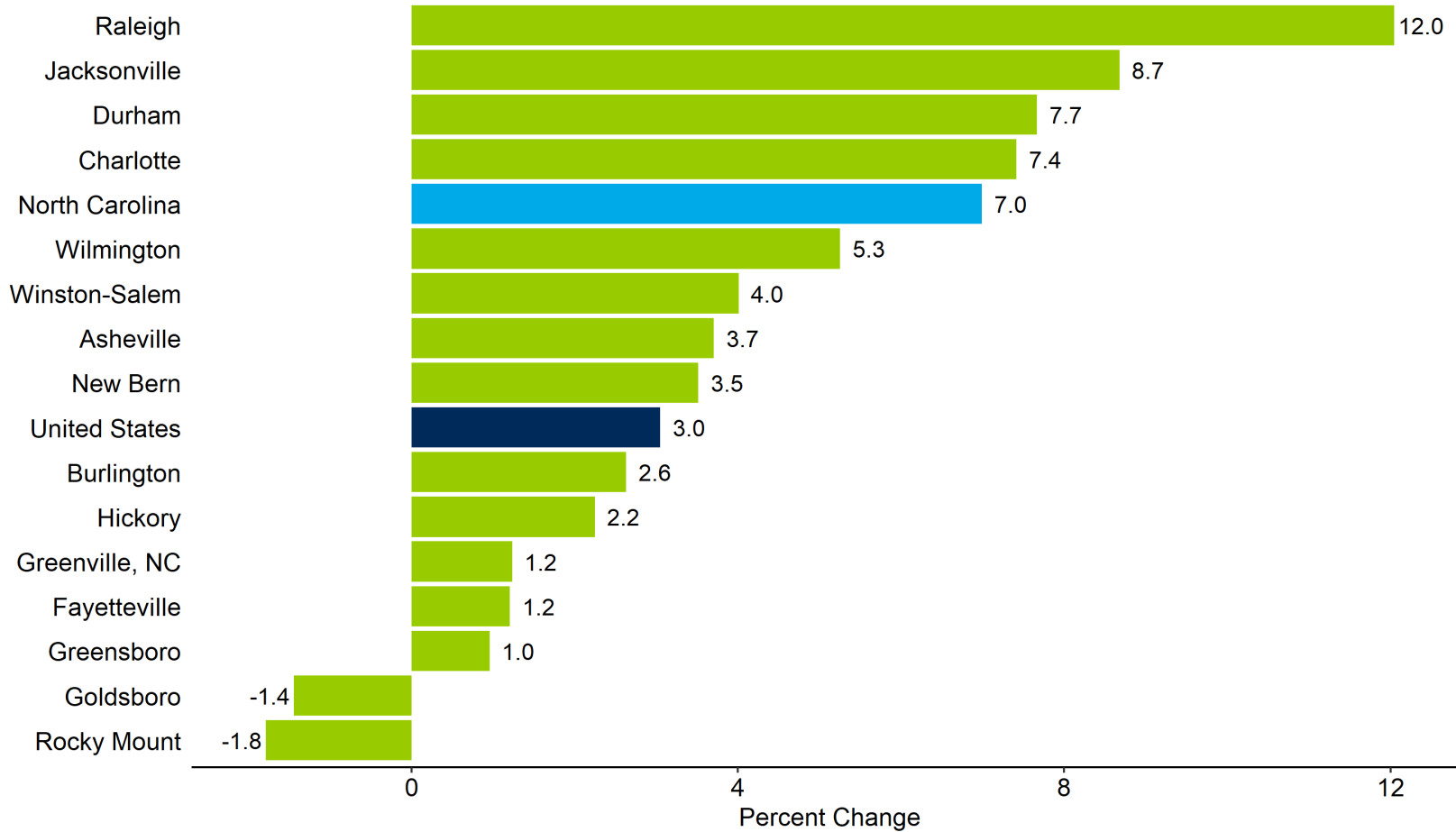
Index: February 2020 = 100

- United States
- Maryland
- South Carolina
- West Virginia
- District of Columbia
- North Carolina
- Virginia



# While some NC MSAs are far above pre-COVID employment, a couple still lag behind

Employment Change from February 2020 to November 2023

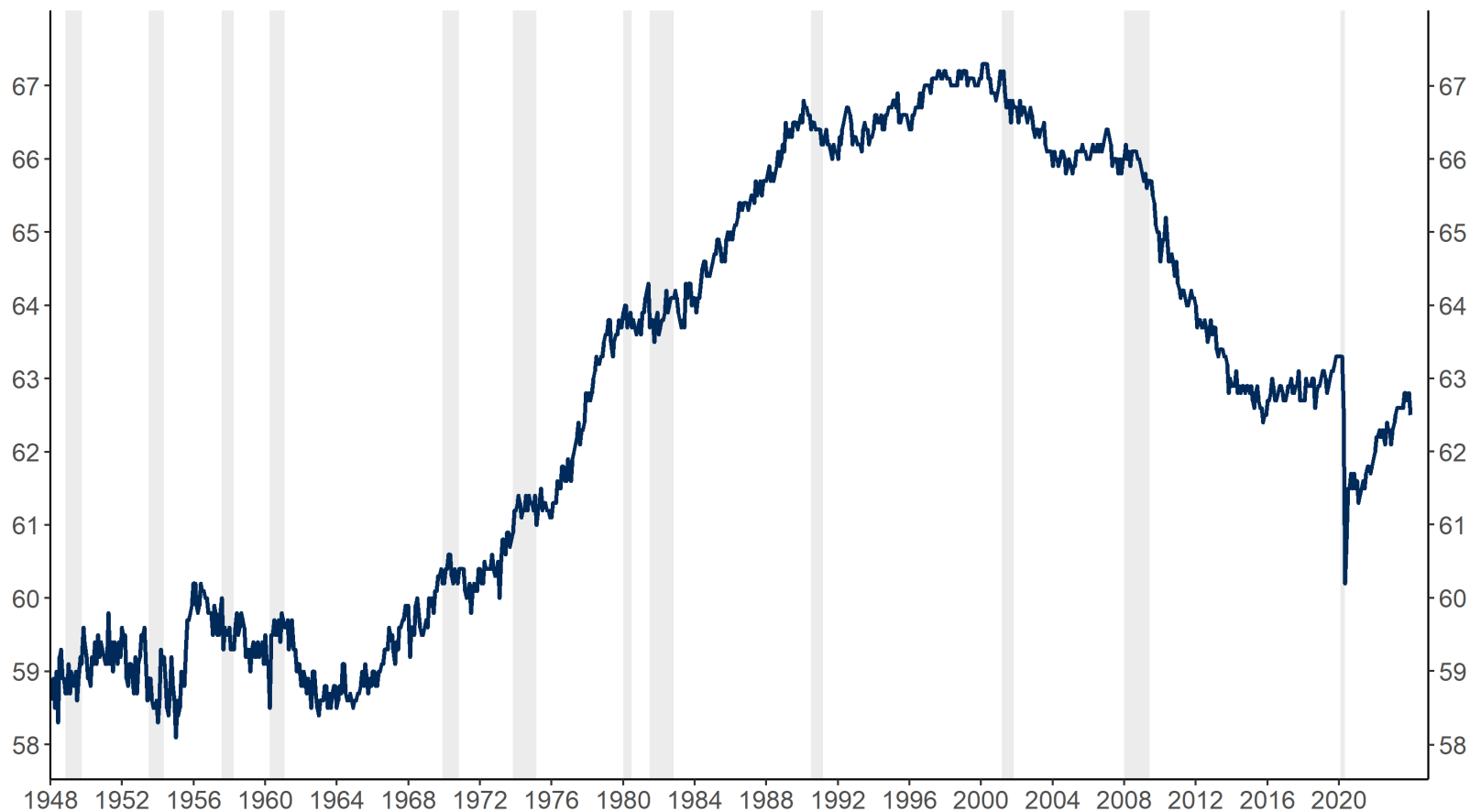


Source: Bureau of Labor Statistics/Haver Analytics

# Labor force participation has not fully recovered, and new BLS projections foresee additional declines to 60.4% in 2032

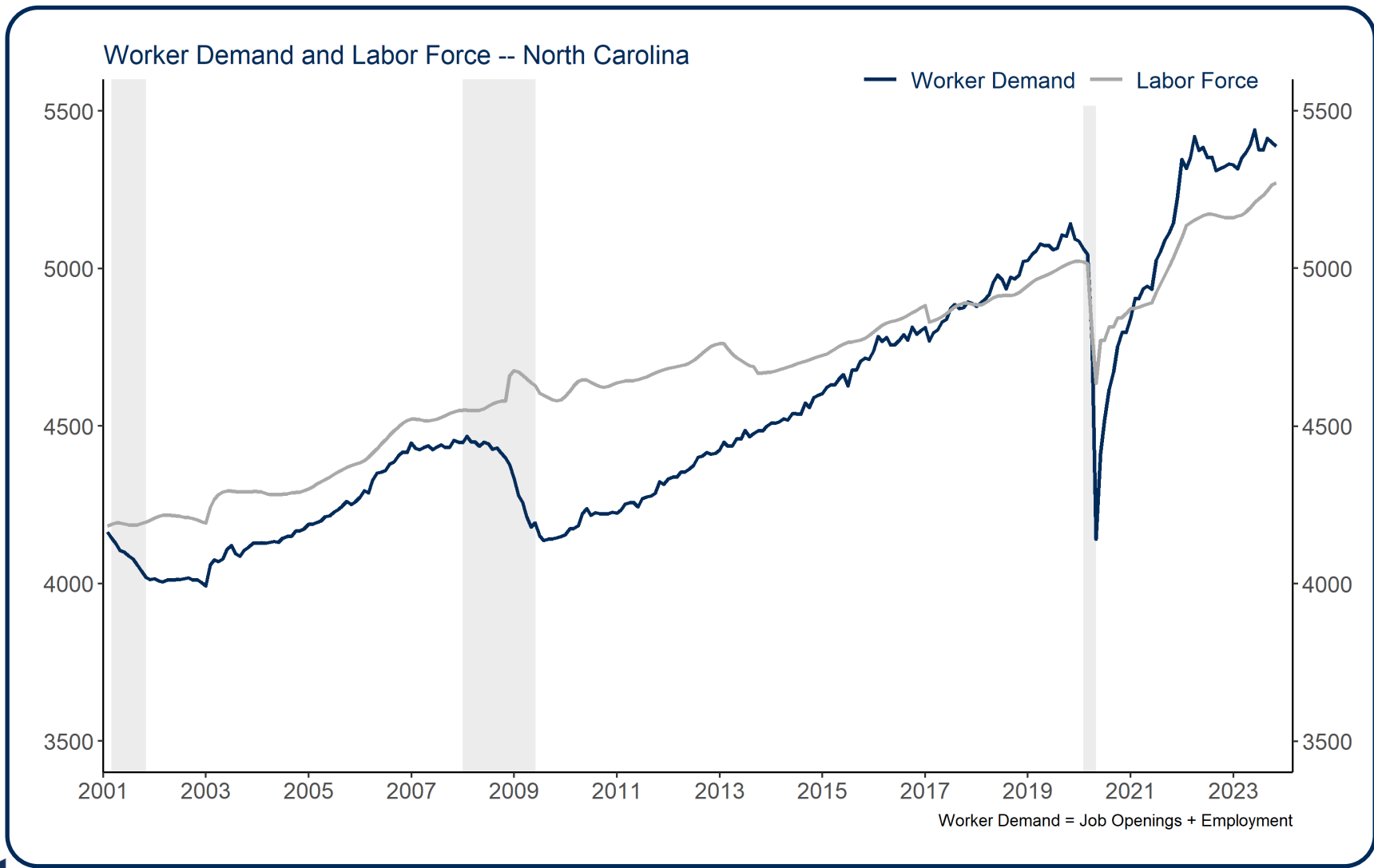
Labor Force Participation (16 years old +)

Percent



Source: Bureau of Labor Statistics/Haver Analytics

# The short story...labor is tight and is likely to get tighter



Source: Bureau of Labor Statistics, JOLTS, CES, LAUS / Haver Analytics

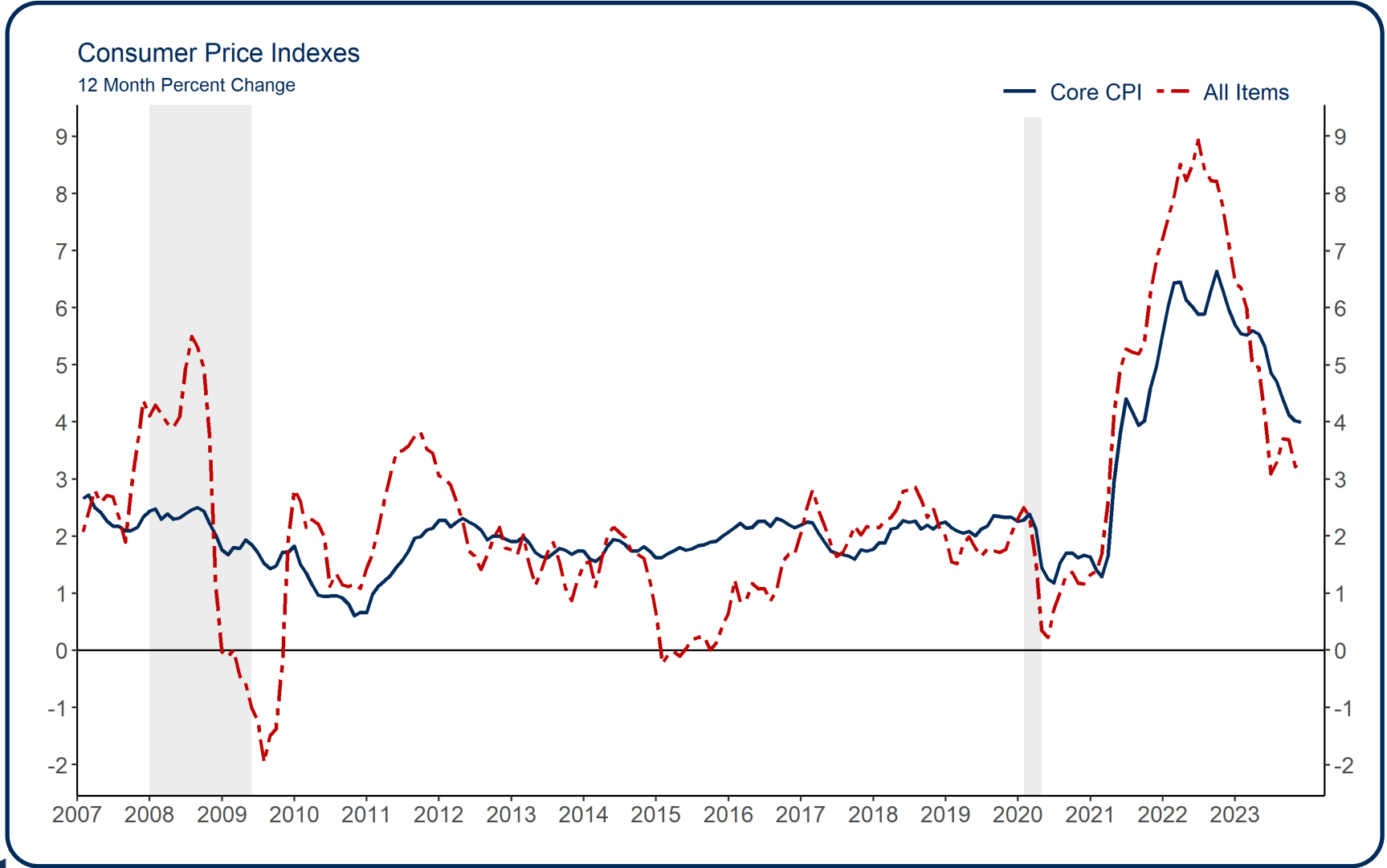
There are approximately 5 million Americans who report that they want to work, but they are not working or actively looking for a job. Who are they?



Source: Bureau of Labor Statistics

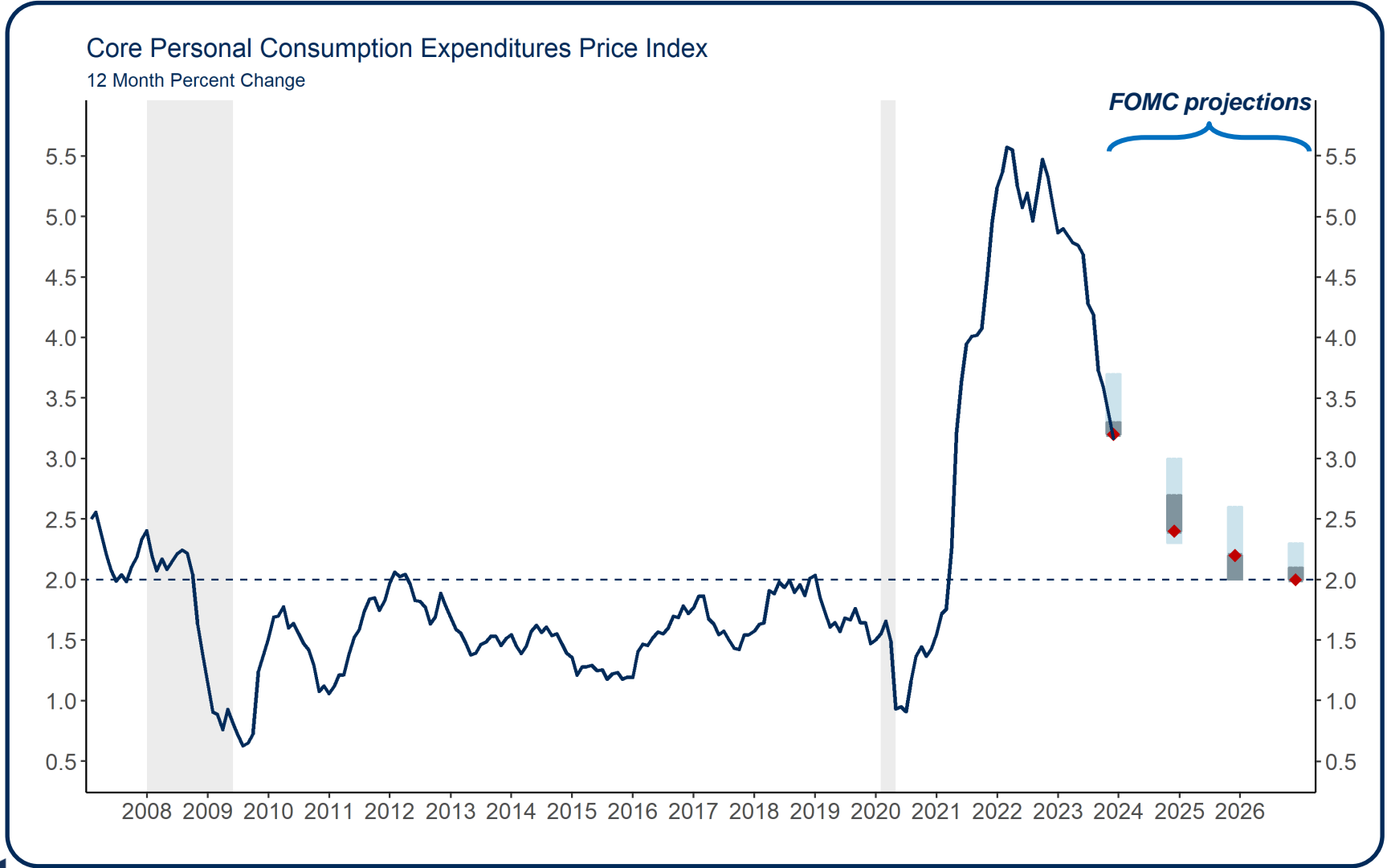


# The past three months have brought rather sharp declines in core CPI



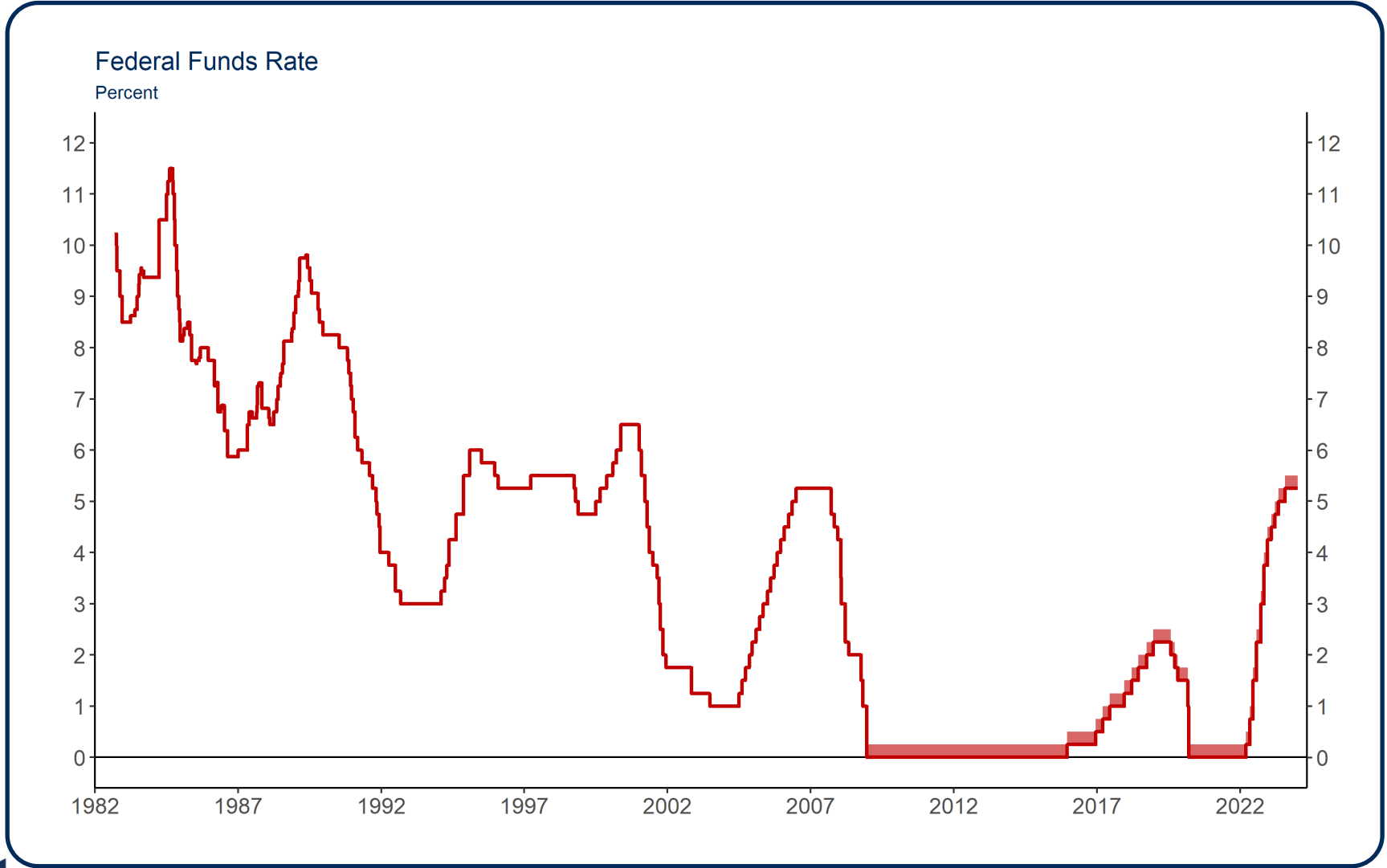
Source: Bureau of Labor Statistics via Haver Analytics

# Core PCE, the Fed's primary measure of inflation, remains elevated above the 2 percent target, but appears to be normalizing quickly



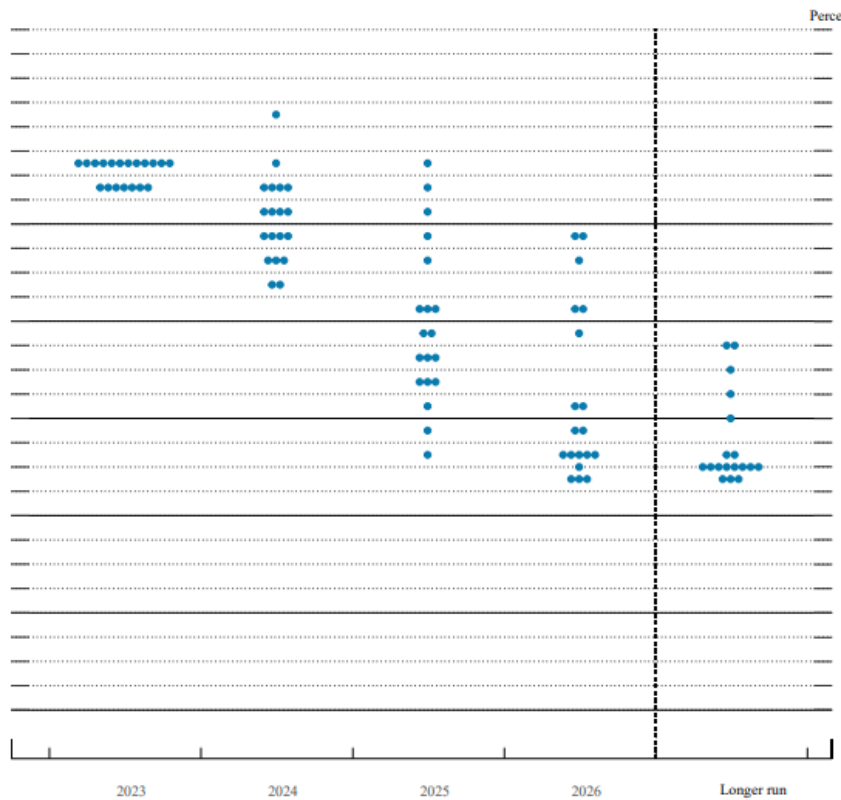
Source: Bureau of Labor Statistics via Haver Analytics

# Markets appear to believe that interest rates have reached the terminal rate

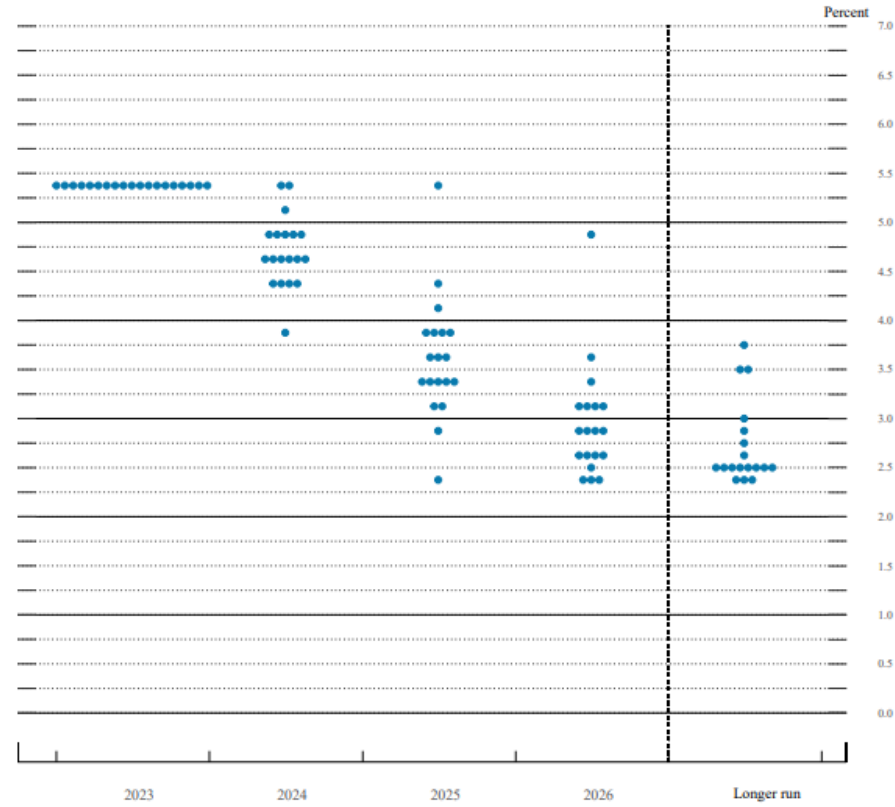


Source: Federal Reserve Board

# Changes in FOMC near term interest rate projections: September 2023 vs December 2023



September 2023



December 2023

# Where does the economy go from here?

- Growth for 2023 outpaced expectations. It is hard to know exactly what to expect in 2024, but we are off to a relatively strong start based on holiday spending figures. There are significant potential speedbumps ahead
  - Potential government shutdown
  - Geo-political issues
  - 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
  - Expiration of pandemic-era benefits (and restart of student loan payments)
- The FOMC has raised rates considerably and some industries are being impacted directly. What about broader economic impacts? Consumption?
  - Are rates now high enough to bring inflation back to the 2 percent target?
  - Is the 'soft landing' really possible?
- There will continue to be winners and losers as we move forward
  - The Carolinas as a whole are very well poised to be 'winners'; rural parts of the states will face continued challenges

*Questions/Comments?*

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