

# An Economic Update

## What does 2023 hold?

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# Outline

## U.S. economy

Spending is helping keep the employment losses contained

## Let's zoom into the local areas

## Thoughts on the labor market?

## Other metros?

Housing correction

## A quick recap in case you lose interest

- The labor market has immense resilience even with a couple of sectors -Technology and real estate- showing weakness.
- Inflation has been sticky and the Federal reserve is intent on bringing it down. The most recent readings have been promising.
- Credit delinquencies remain very low but are inching up. Excess savings remain elevated but current savings rates are very low and will translate to spending adjustments.
- At the local level, employment is holding up but there are early signs of a market reset. Housing prices have started to come down but remain elevated relative to the pre-pandemic period.
- The higher interest rates are going to affect not just housing demand and supply but also migration in and out of the area.

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# Tech layoffs are getting considerable attention

## Layoffs.fyi

528 tech companies w/ layoffs · 153598 employees laid off · In 2023 ▾

 The Washington Post

### Meta plans to layoff thousands, after Zuckerberg said no more job cuts

The Facebook parent company plans to push some leaders into lower-level roles, flattening layers of management at the social media giant.

7 mins ago



 The Mercury News

### Silicon Valley tech layoffs: Why so many jobs were slashed, and who's hiring amid fierce competition?

A growing barrage of technology industry layoffs means slim pickings for job-seeking software engineers and other tech workers amid a...

3 days ago



 The Washington Post

### Algorithms may increasingly help in making layoff decisions

As layoffs rave the tech industry, algorithms once used to help hire could now be helping to lay people off.

2 days ago



 Firstpost

### Tech Layoffs reach China: TikTok-owner ByteDance planning to layoff thousands in coming months





## Weirdness plagues the job market

# Covid's 'legacy of weirdness': Layoffs spread, but some employers can't hire fast enough

PUBLISHED MON, FEB 20 2023·9:00 AM EST | UPDATED TUE, FEB 21 2023·4:37 PM EST

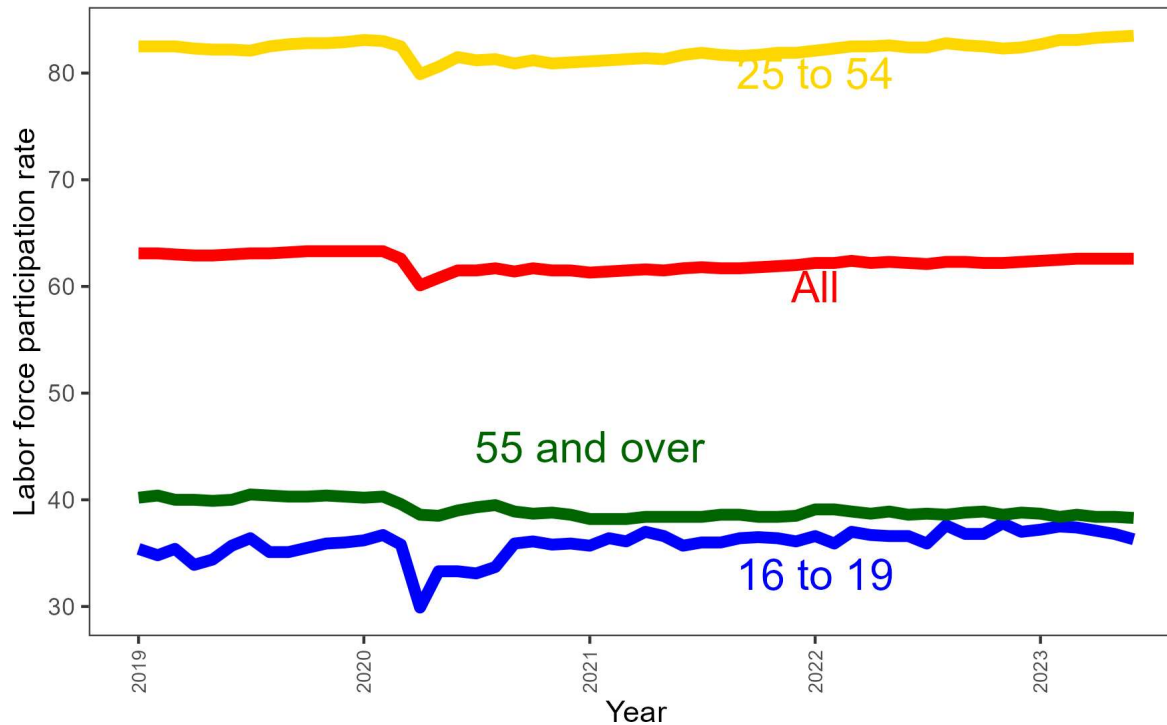
Hiring, Wage Gains Eased in December, Pointing to a Cooling Labor Market in 2023

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## Walmart gives soft outlook for the year after posting strong holiday quarter

# On the labor force participation

Labor force participation rate by age group



Overall LF participation rate is now only 0.7% below pre-pandemic levels. The decline seems to be driven by the 55 and over group

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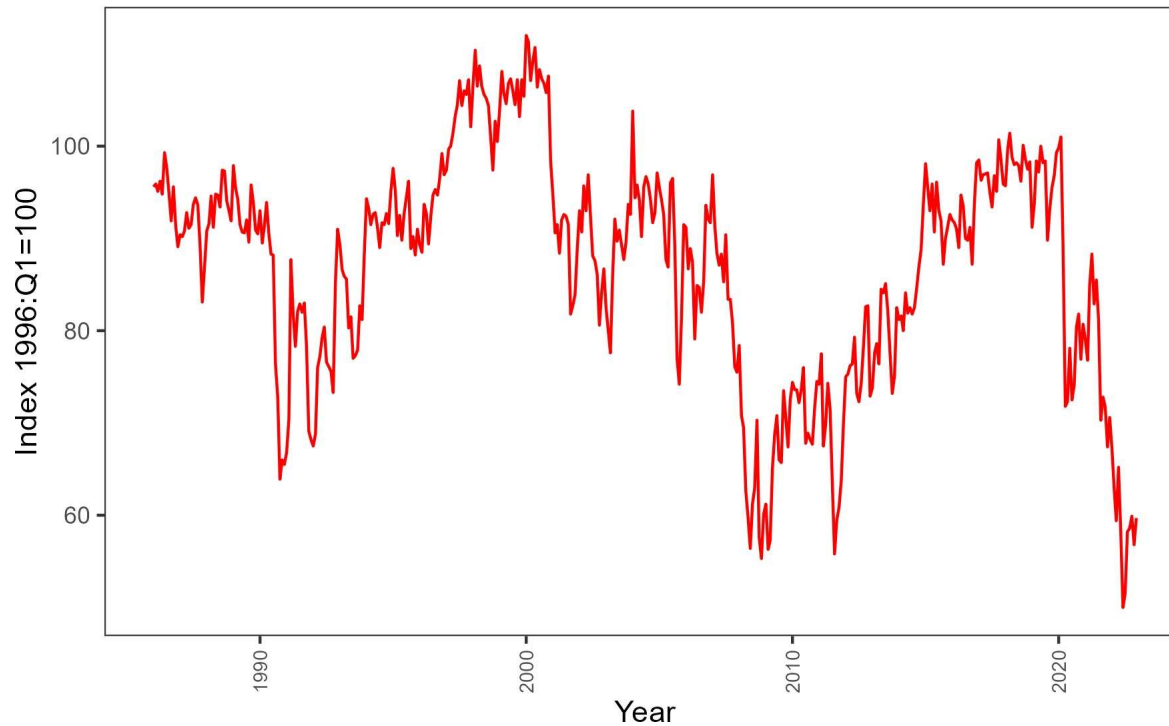
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# Sentiment has, surprisingly, improved but is still well below pre-pandemic levels

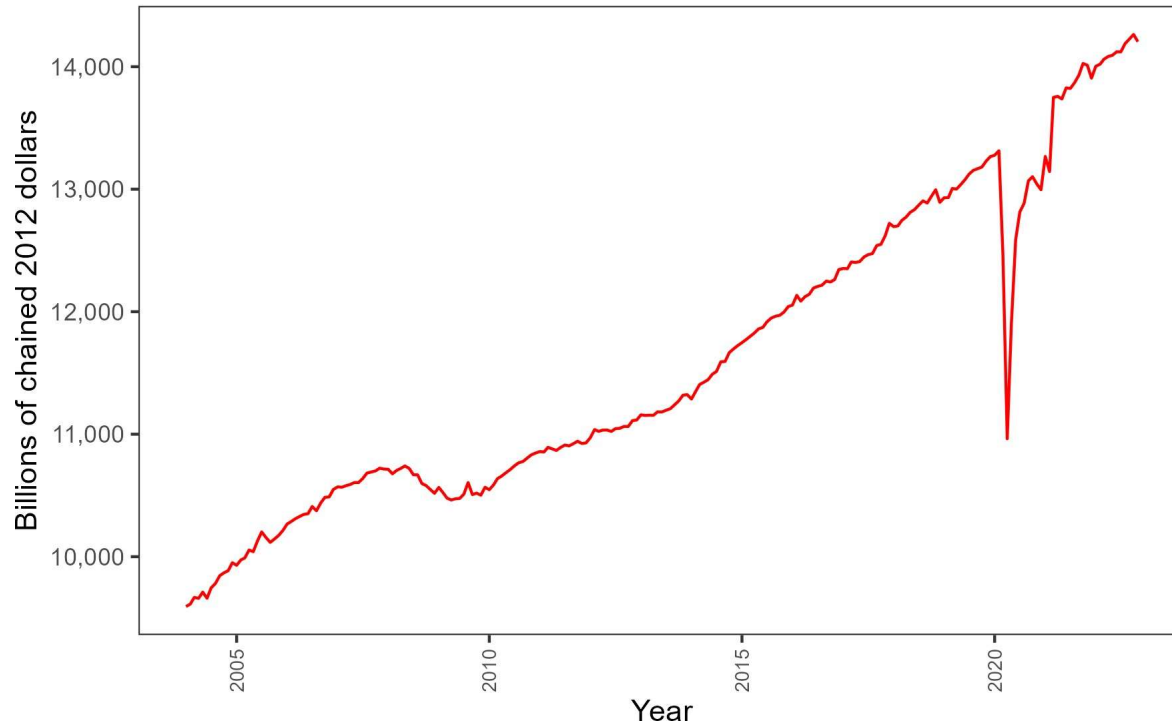
University of Michigan: Consumer Sentiment



Slight improvement in the latest reading

# Spending is still strong

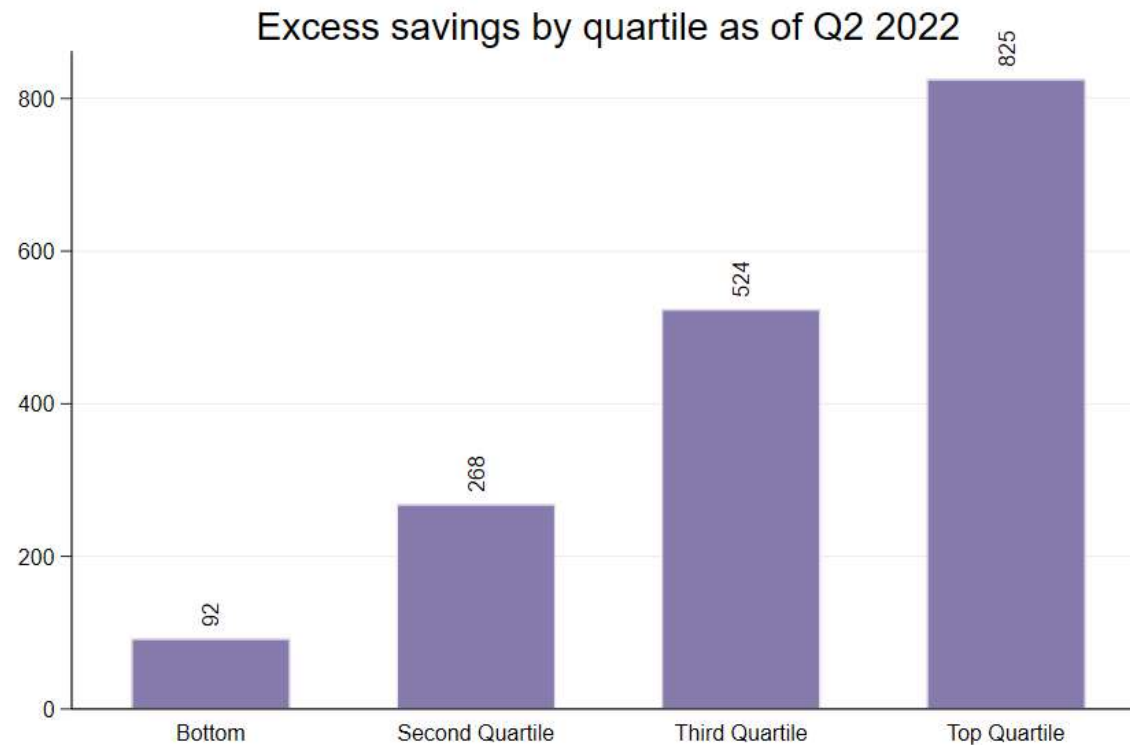
Real Personal Consumption Expenditures



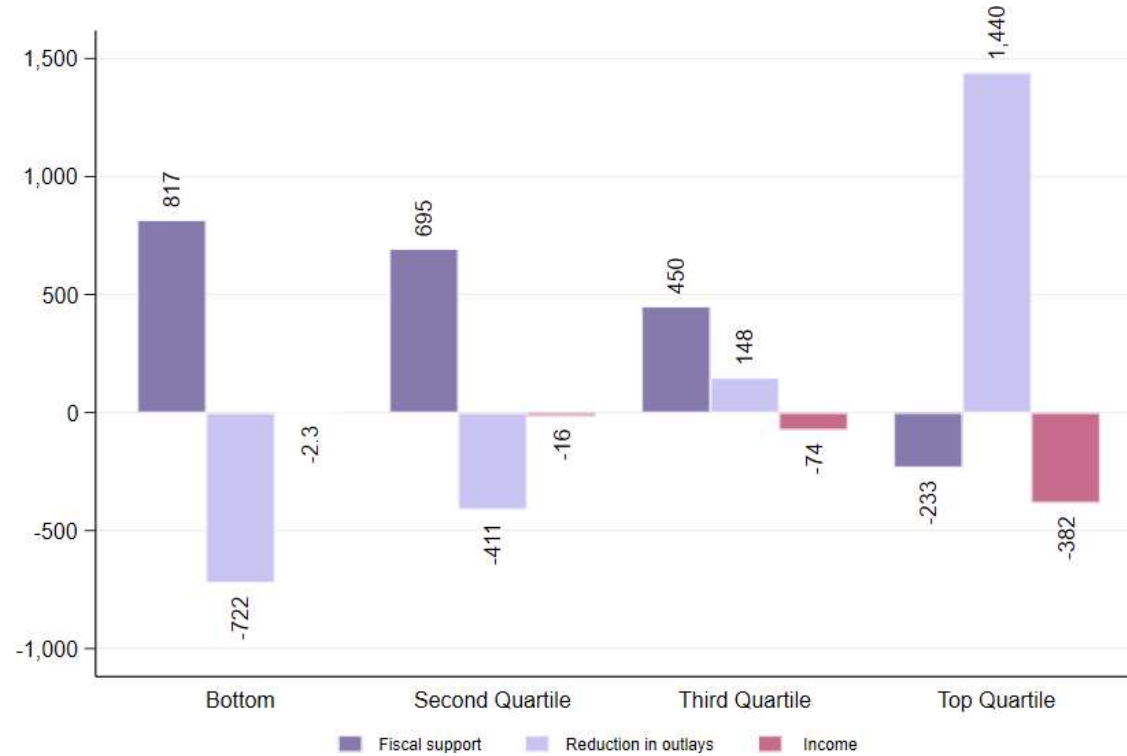
Spending is still strong but has slowed

# Overall excess savings as of the second quarter of 2022

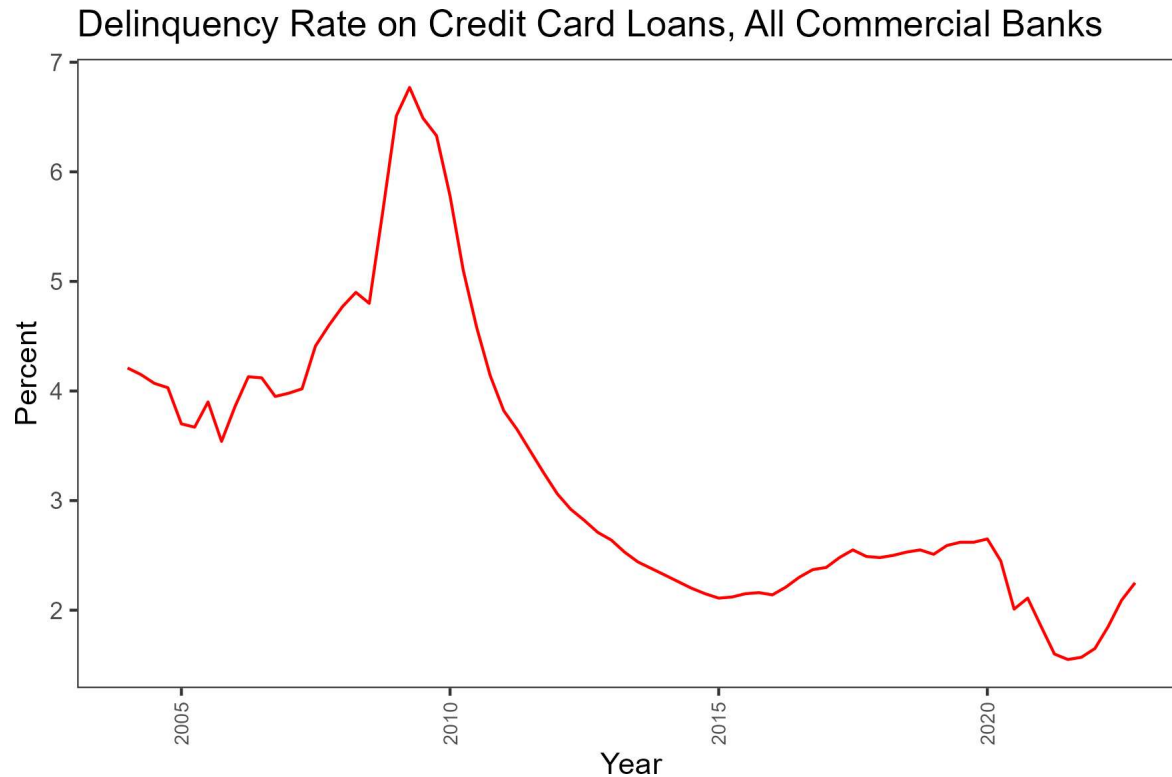
Households in the bottom half of the income distribution still held roughly \$350 billion in excess savings of about \$5,500 per household on average. To put this amount in perspective, households in the bottom half of the distribution held in 2019 roughly \$8,000 in transaction accounts and \$4,000 in credit card debt on average



# Excess savings by quartile



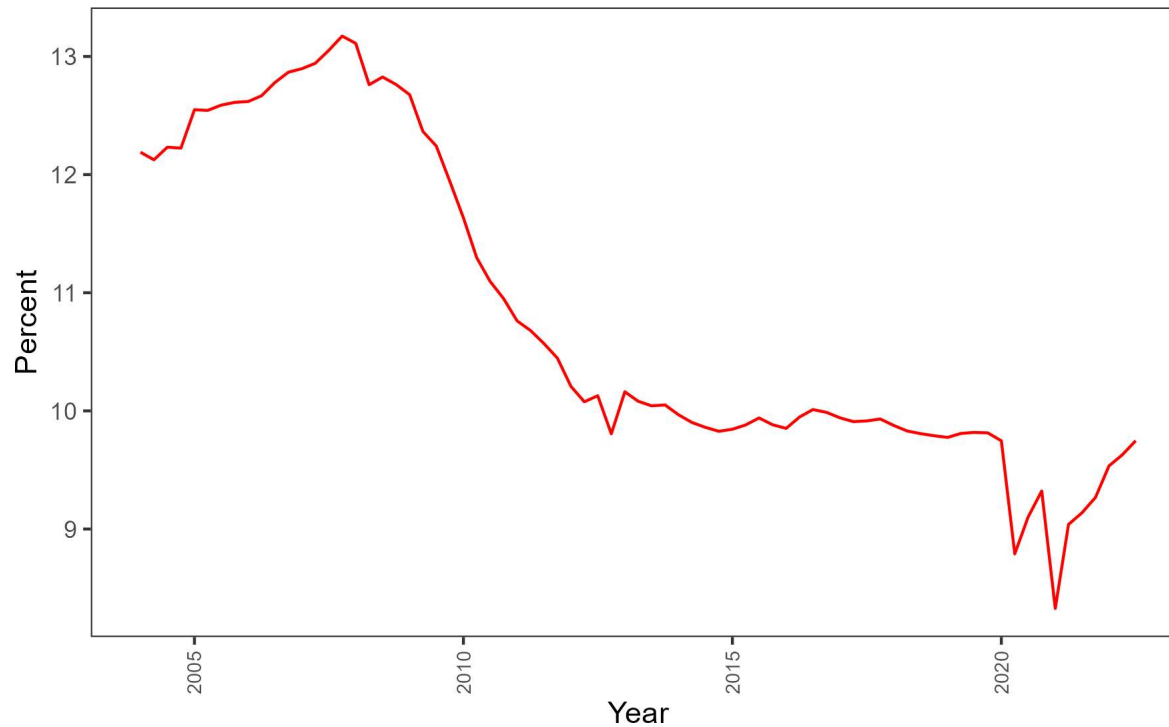
## On delinquencies



In the fourth quarter, the credit card delinquency rate was 2.25% which is 0.26 percentage points below the same quarter in 2019.

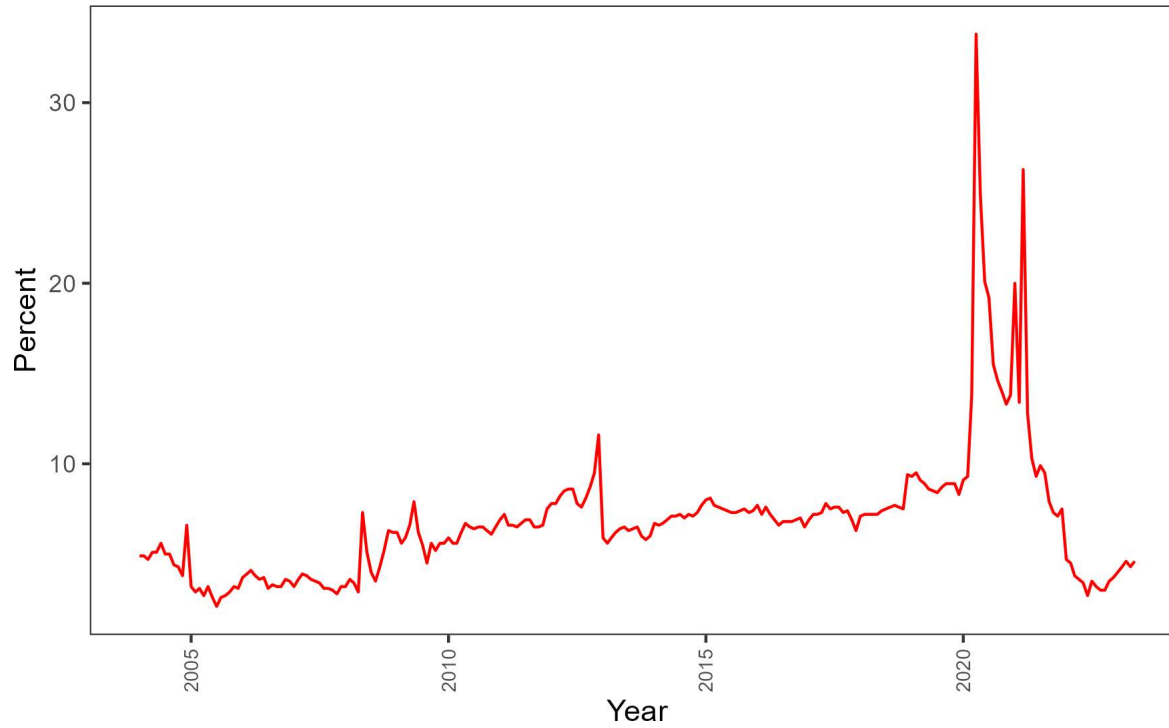


# Household Debt Service Payments as a Percent of Disposable Personal Income



Debt payments as a share of disposable income are now close to pre-pandemic levels

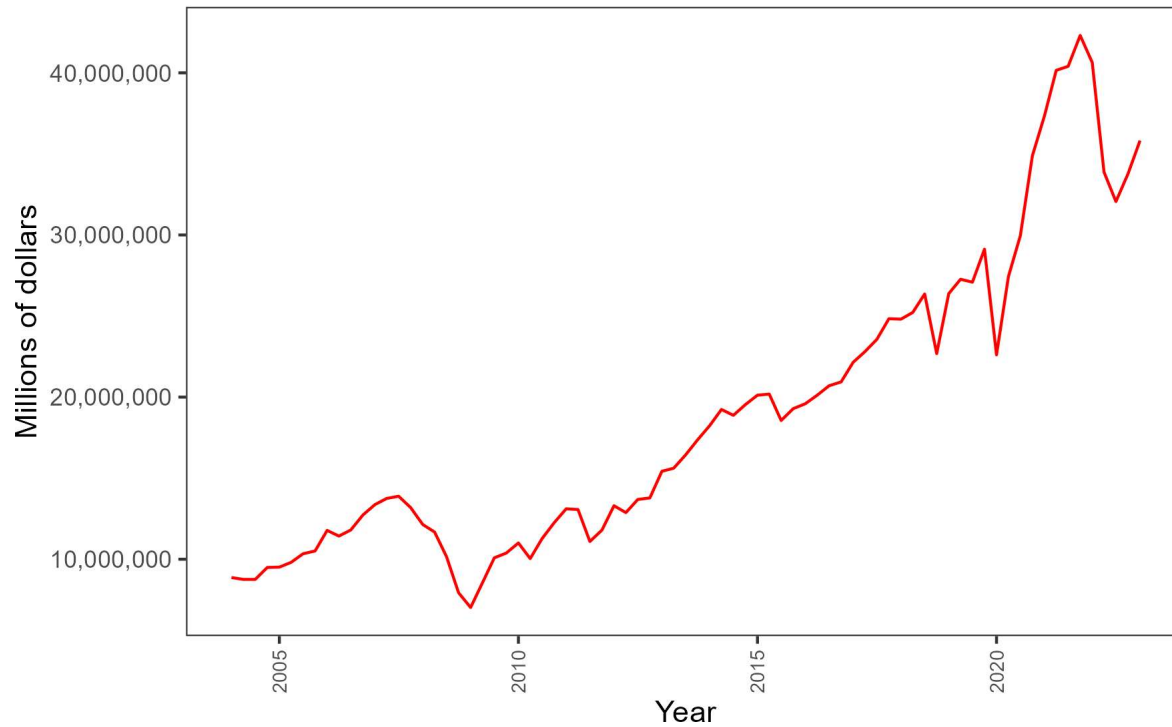
# Savings rates



We are not saving much anymore.

# Wealth destruction

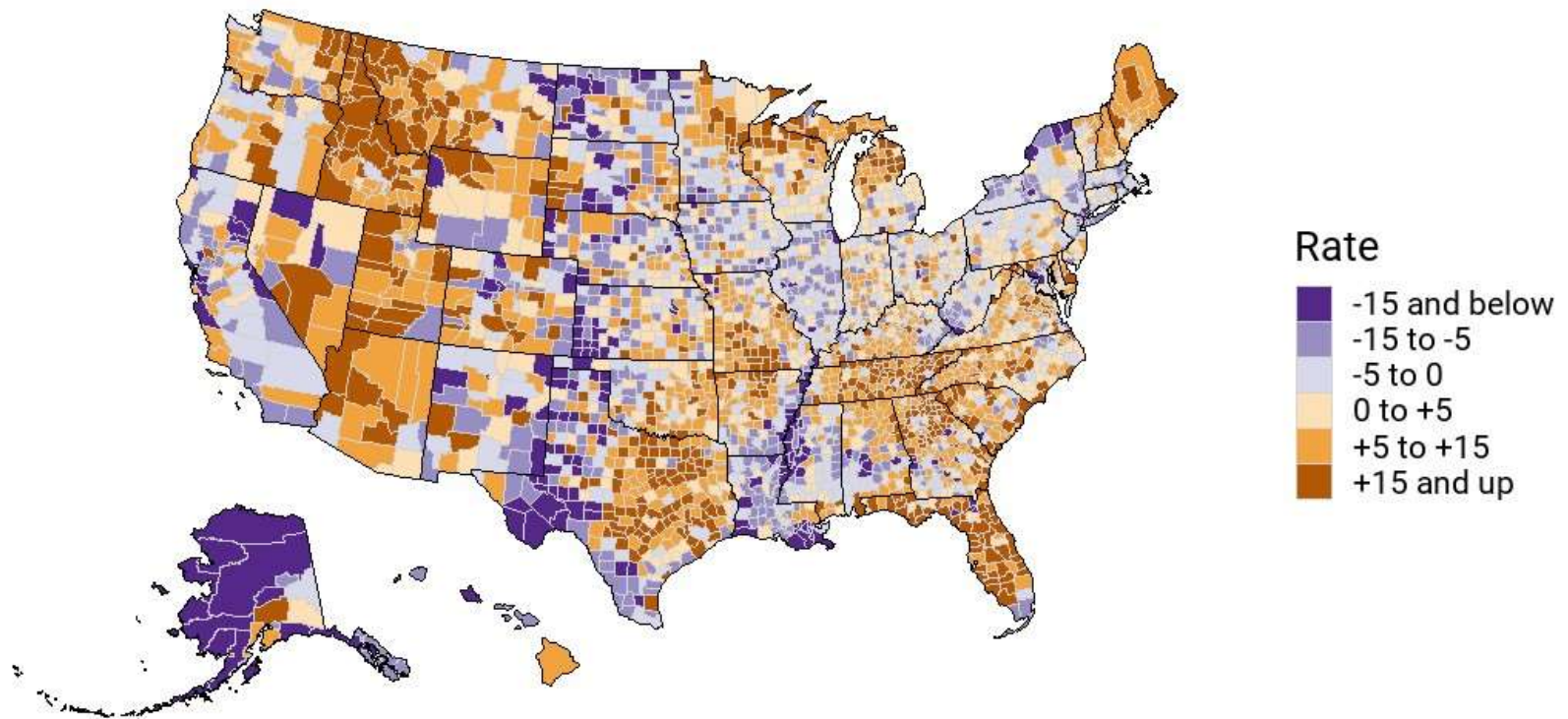
Households; Corporate Equities; Asset, Market Value Levels



In the second quarter, households experienced a 9 trillion dollar fall in their equity holdings. The third quarter experienced a slight rebound.

# Net domestic migration per 1000 residents by county, 2021-2022

US Census Bureau 2022 Population Estimates



## How does NC stack up?

- Population in North Carolina increased by 259,559 between 2020 and 2022. Almost 96% of that increase was due to migration.
- 75% of the counties in the state added population between 2020 and 2022.
- New Hanover, Pender, and Brunswick county accounted for only 4% of the state's population in 2020 but more than 11.5% of the growth between 2020 and 2022.
- Between 2020 and 2022, Brunswick county added 14,907 individuals, Pender 5,095, and New Hanover county 8,614.

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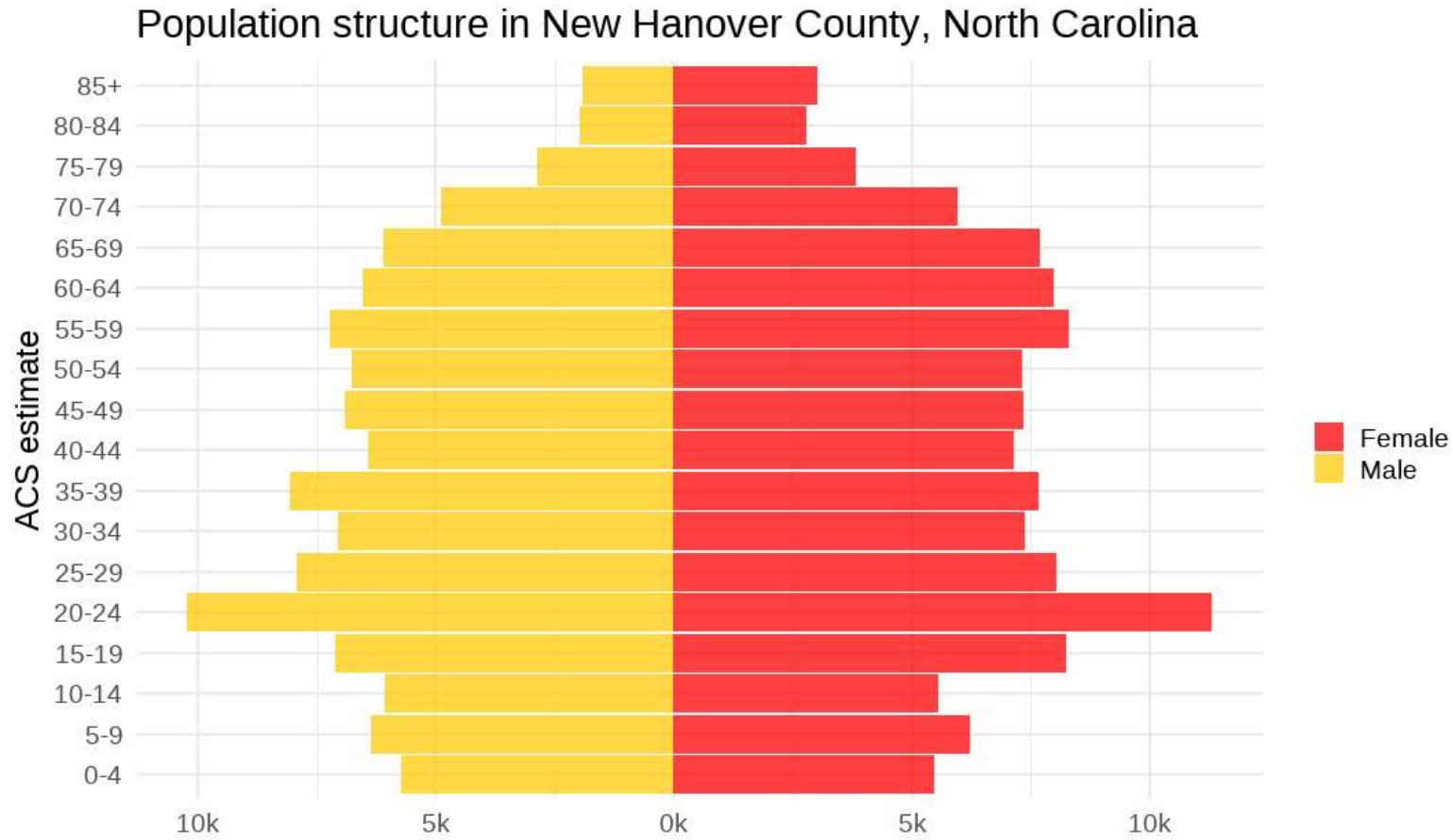
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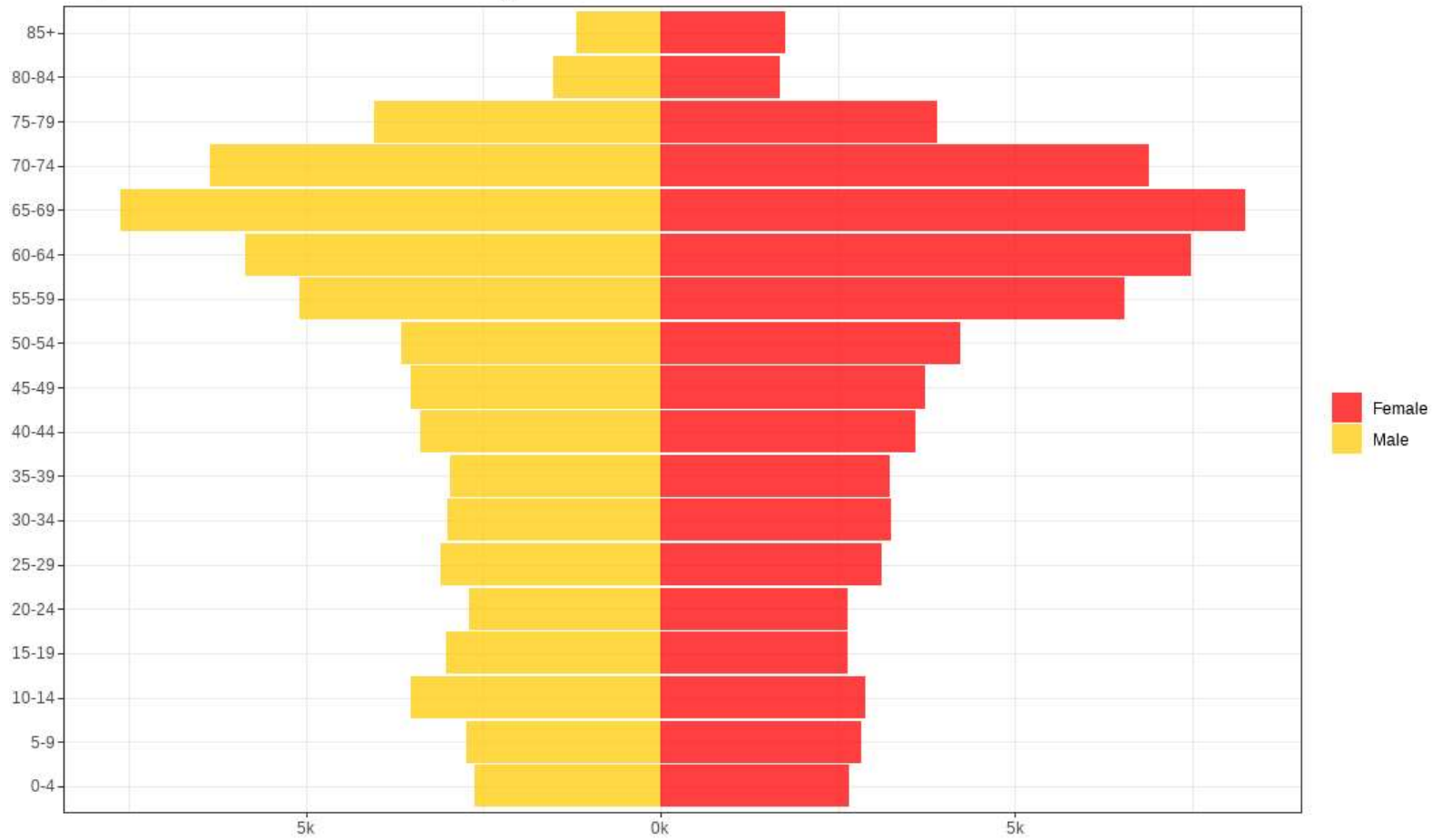




Data source: 2016-2020 ACS & tidycensus R package

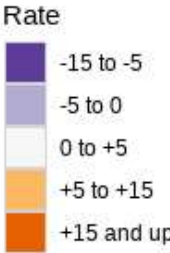
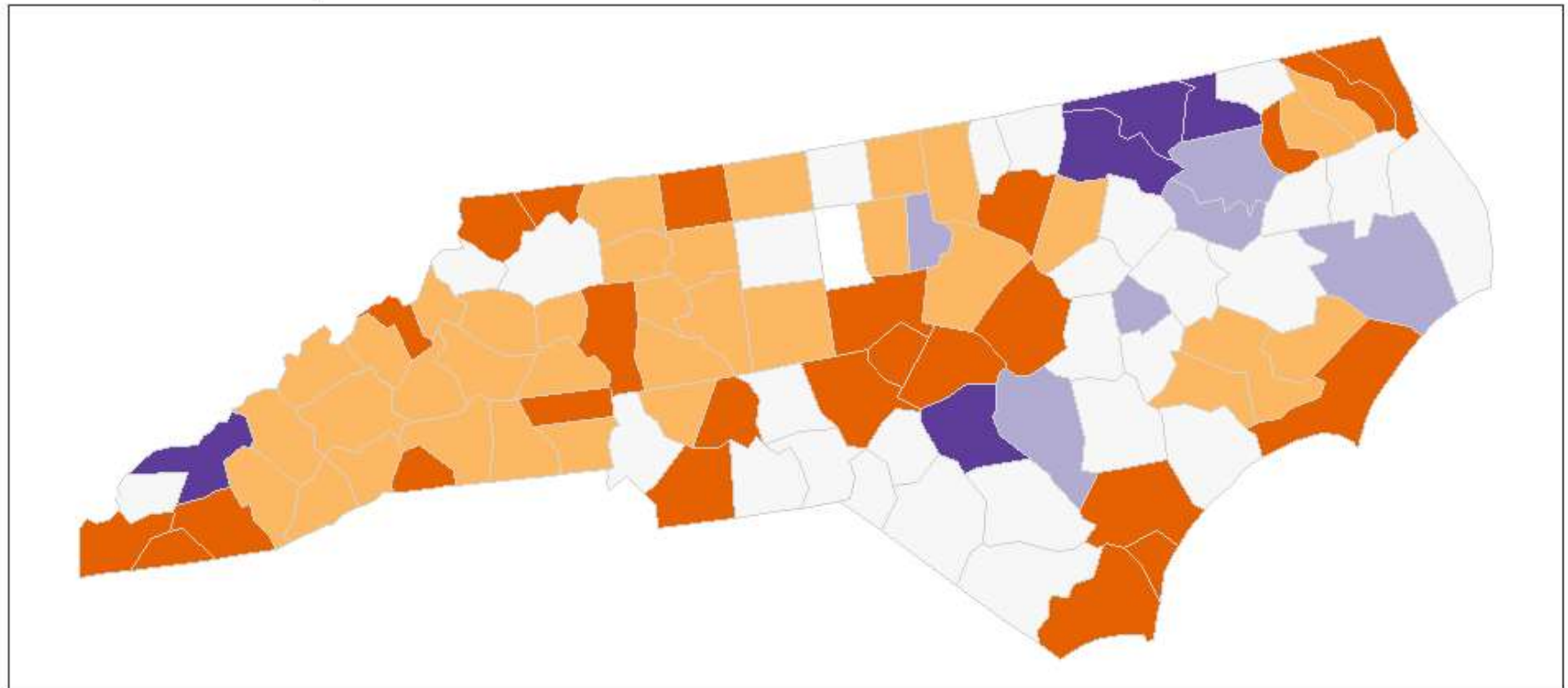
# Brunswick county

Population structure in Brunswick County, North Carolina



### Net domestic migration per 1000 residents by county, 2021-2022

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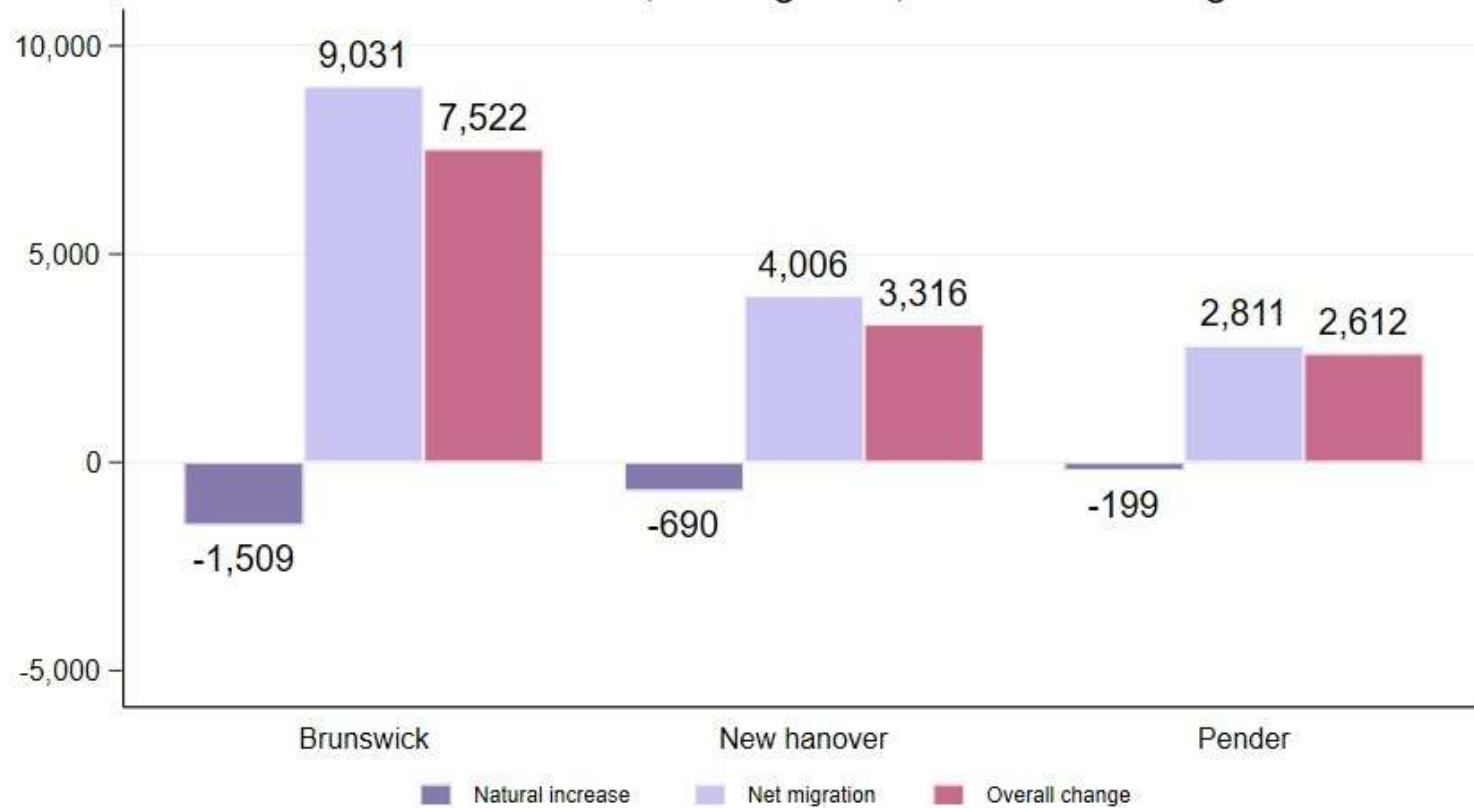


Data acquired with the R tidycensus package

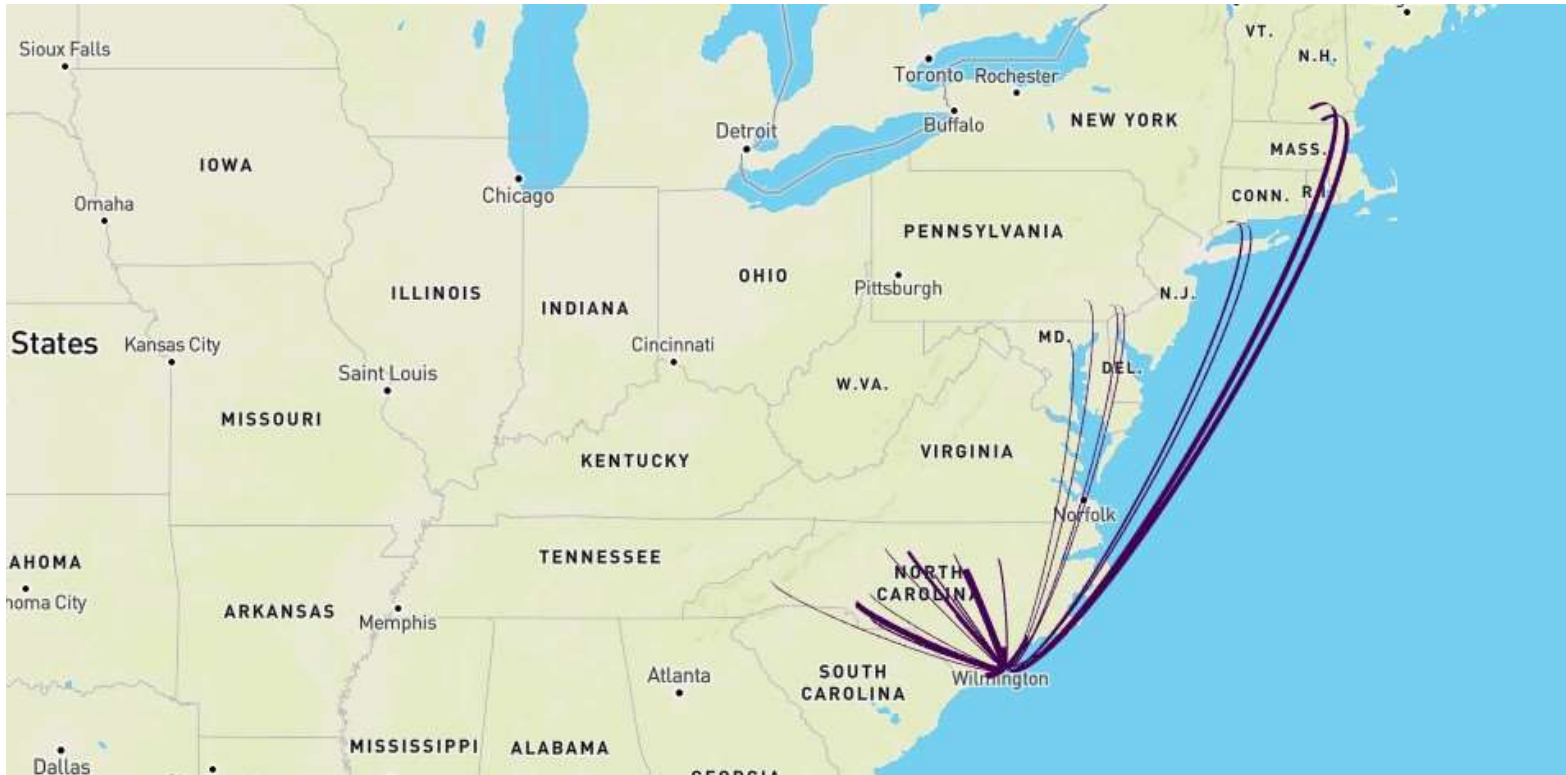
# Population growth

## Population change between 2020 and 2021

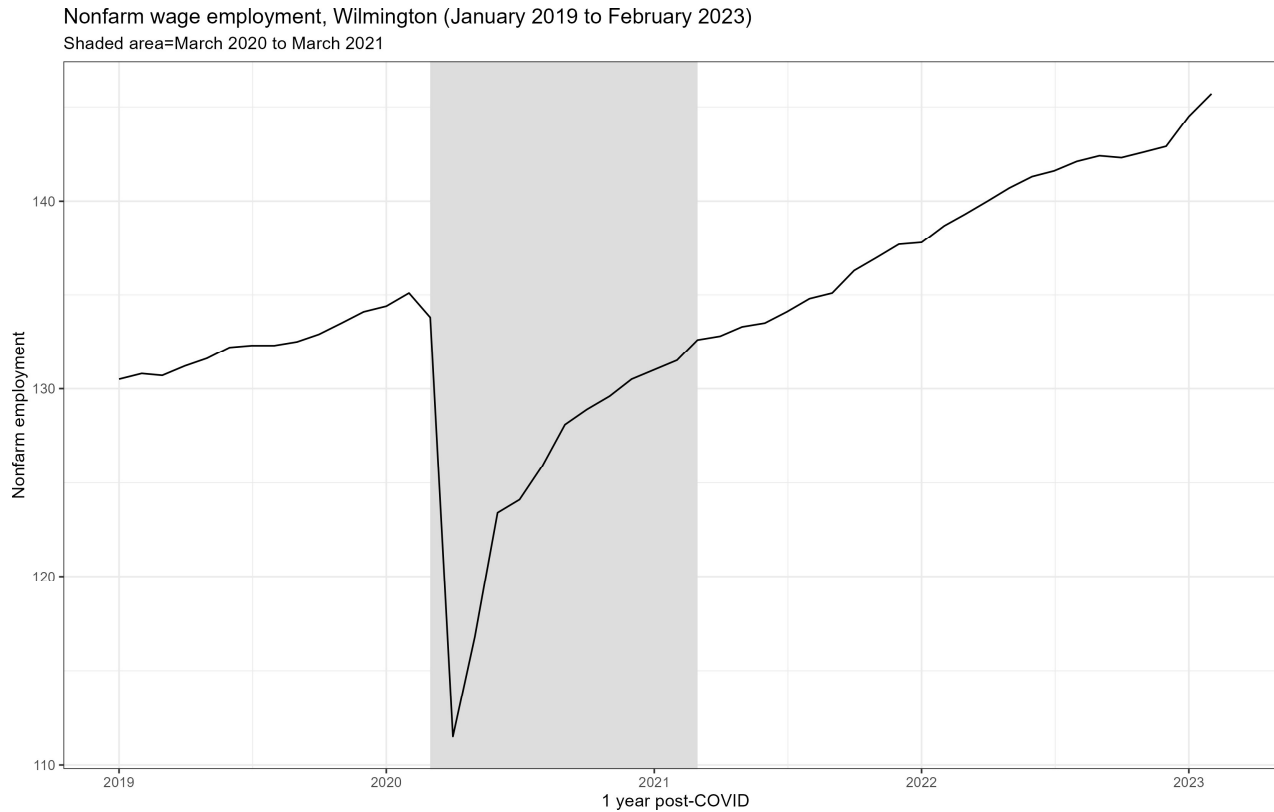
Natural increase, net migration, and overall change



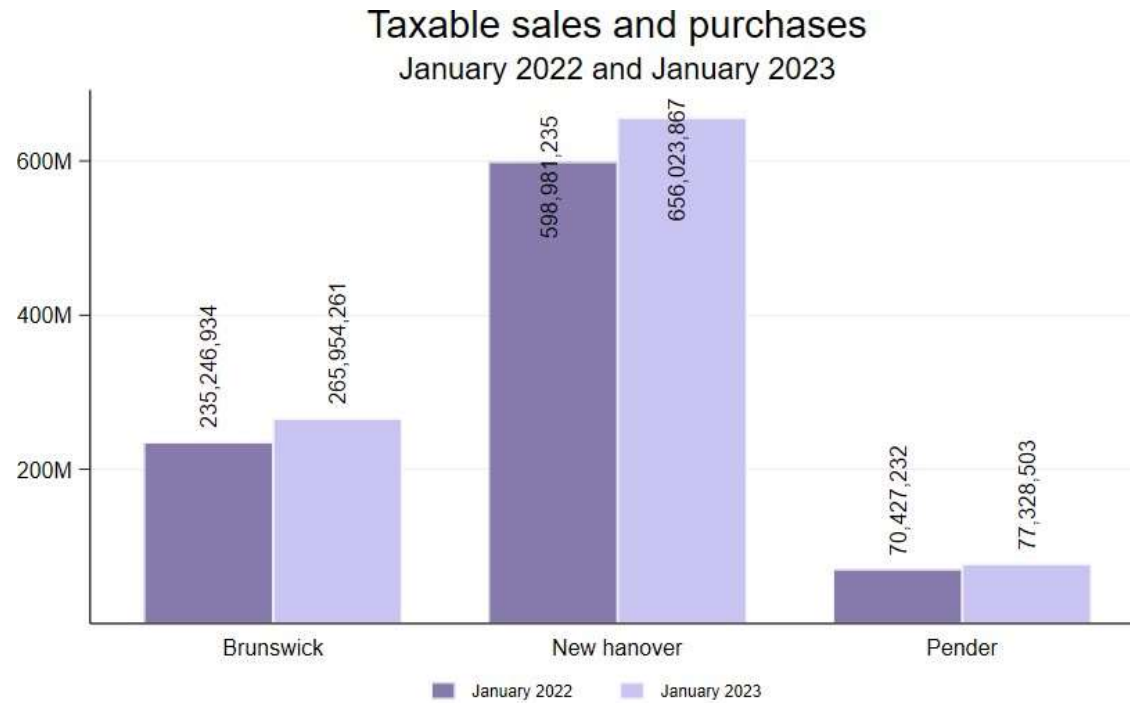
# Where is all this growth coming from?



As of April 2023, there were almost 15,000 more jobs than in the same month in 2019.



# People are continuing to spend locally too



Data are compiled from reports and remittances made by taxpayers, and are classified according to sales and use tax registrations.



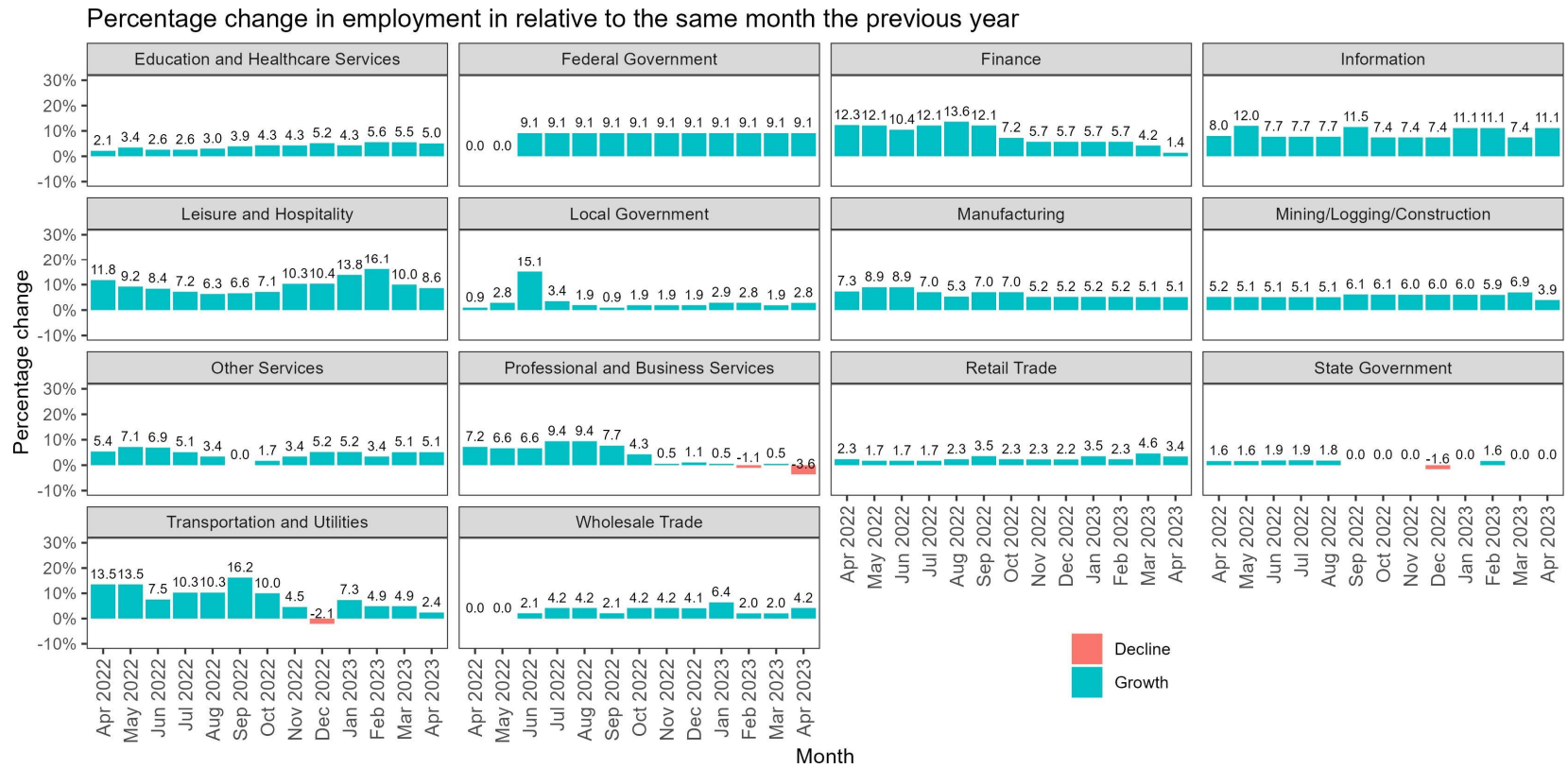
## This growth has not gone unnoticed

Wilmington's inclusion in the list of most dynamic metropolitan areas is a reflection of the presence of natural amenities, a vibrant university, the rise of remote work, and an active and growing entrepreneurial environment.





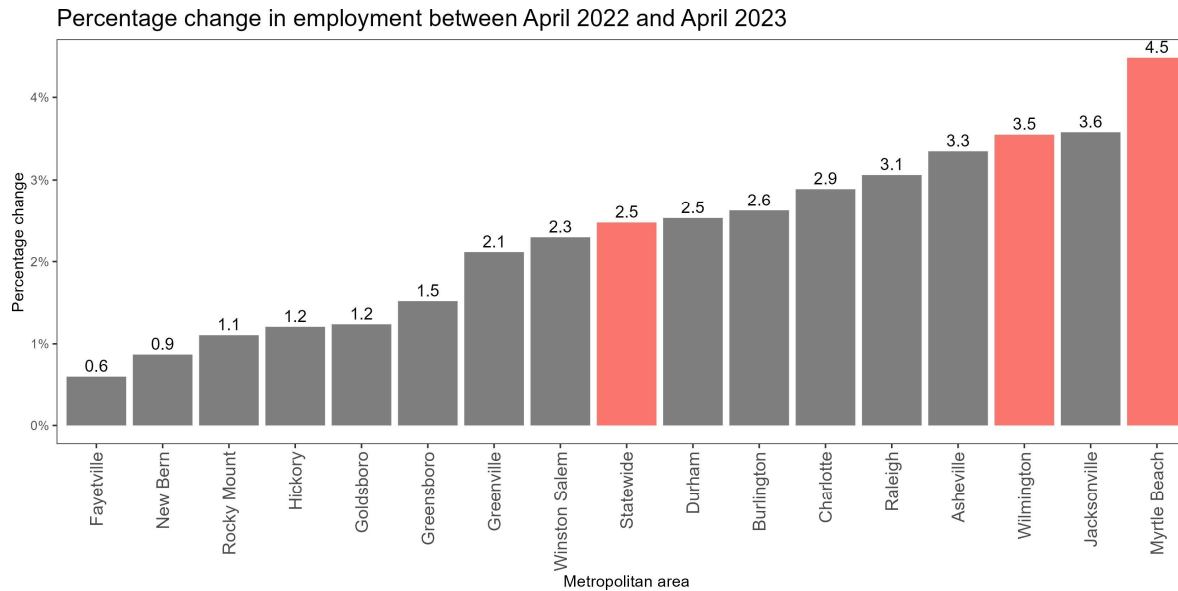
# Gains across sectors but a slowdown is slowly brewing





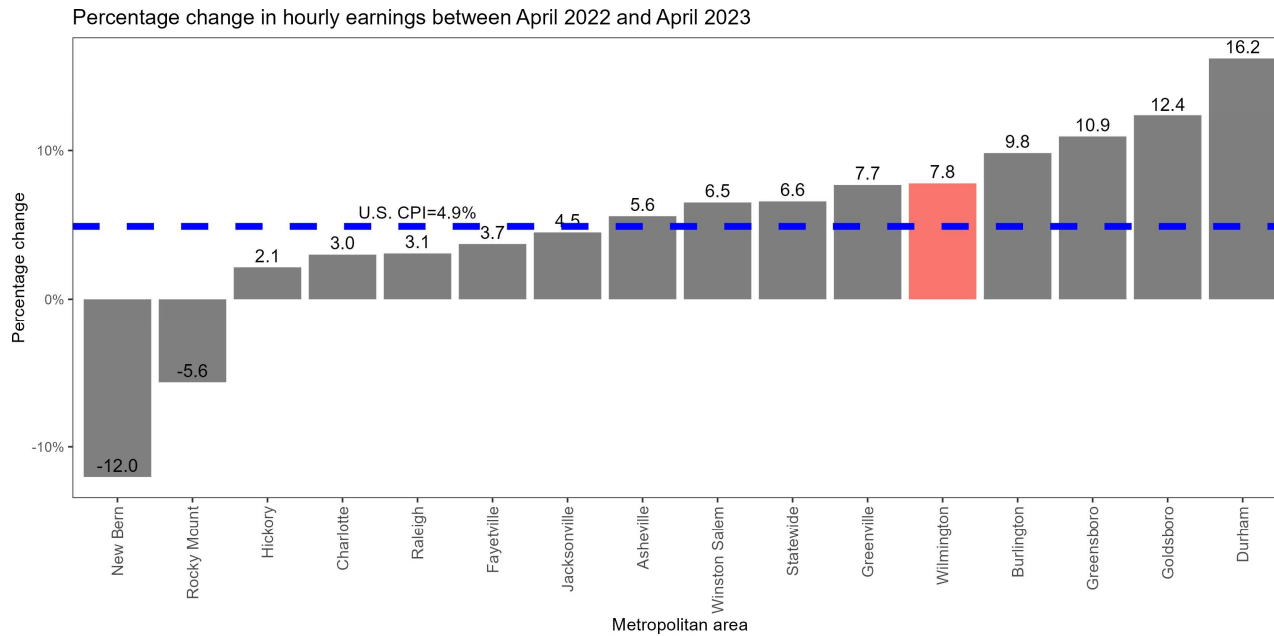
## Employment at the metro level

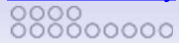
All the Metropolitan areas in North Carolina had more jobs in April 2023 than they did in April 2022



# Significant variation in earnings growth across sectors

Purchasing power is determined by location and sector of employment

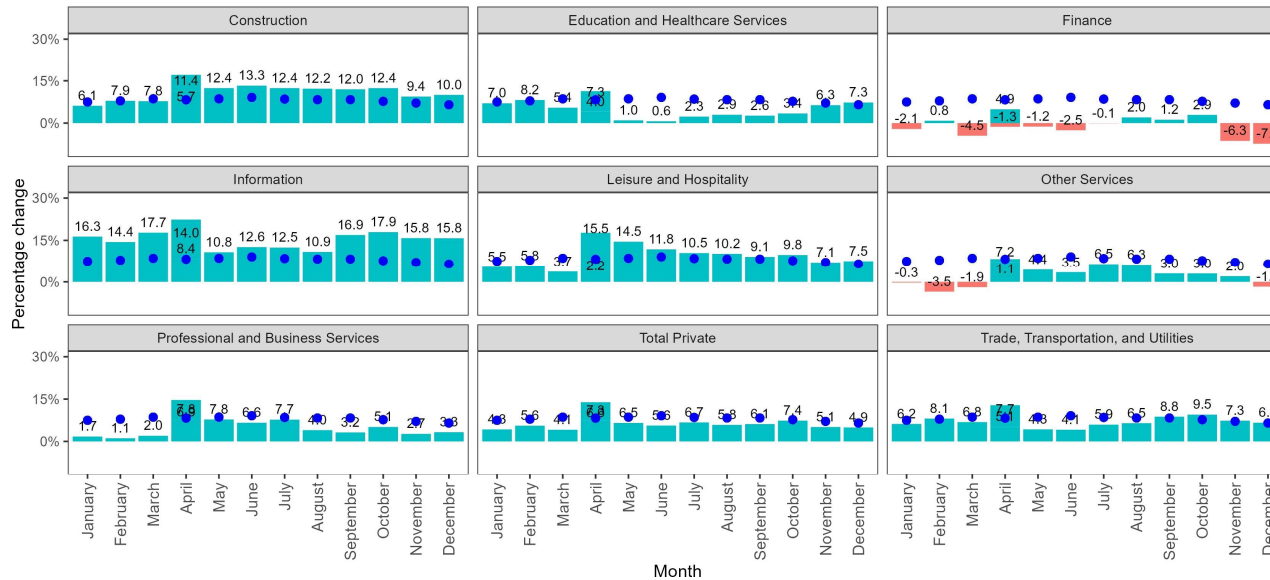




# Significant variation in earnings growth across sectors

## Purchasing power is largely determined by sector of employment

Percentage change in hourly earnings in 2023 relative to the same month in 2022 and U.S. CPI



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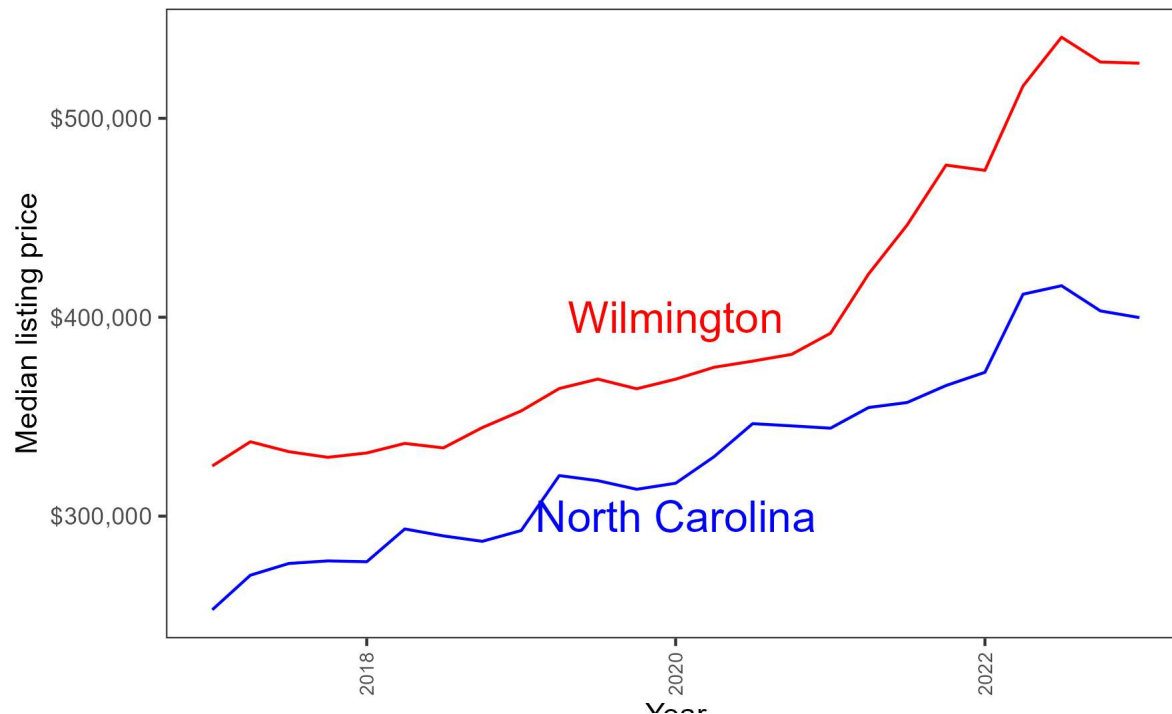
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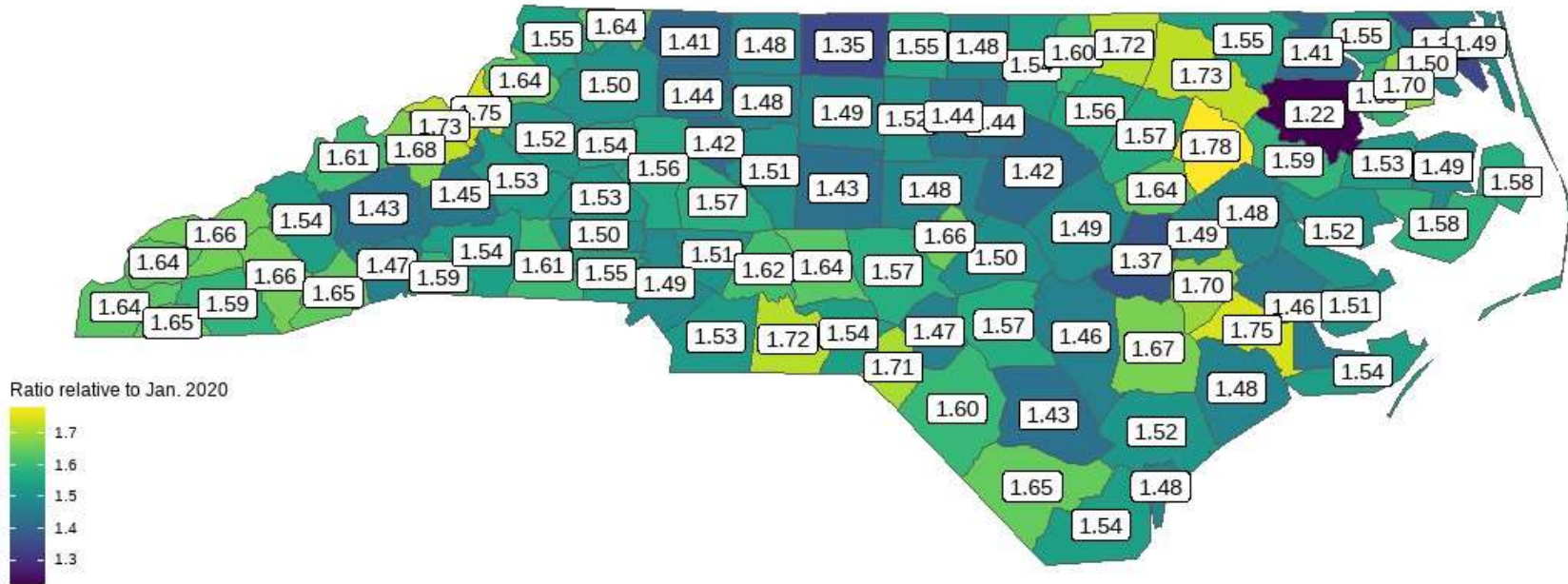
Housing correction

# Higher interest rates are making an impact on prices

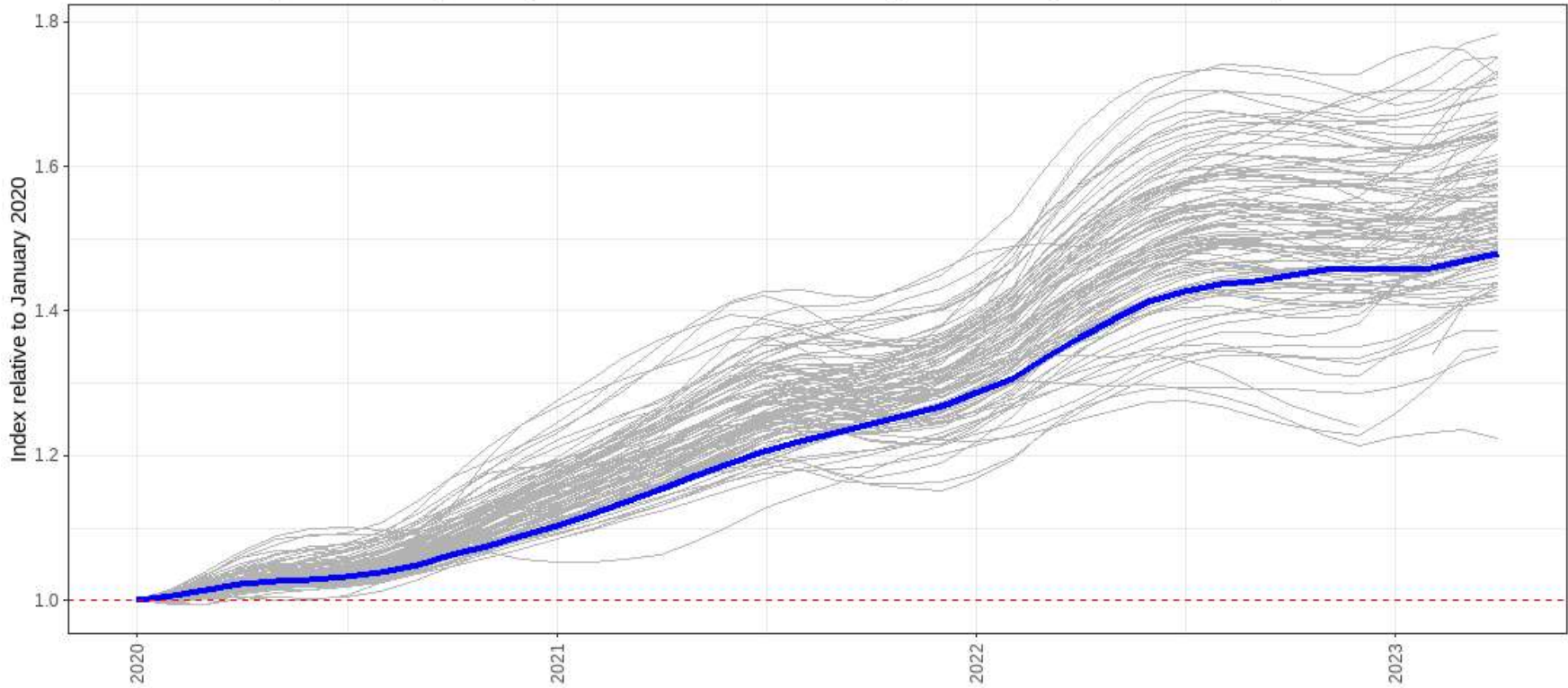
Ferreira et al. (2010) find that mortgage rate lock-in reduces migration. In their study, every \$1000 by which a homeowner's annual mortgage payment would increase if they were to obtain a new mortgage at prevailing rates reduces migration by about 10 percent. Similarly, Berger et al. (2018) show that the probability of moving is lower when the mortgage rate is above the prevailing rate.



As of April 2023, Zillow single family housing index relative to January 2020.



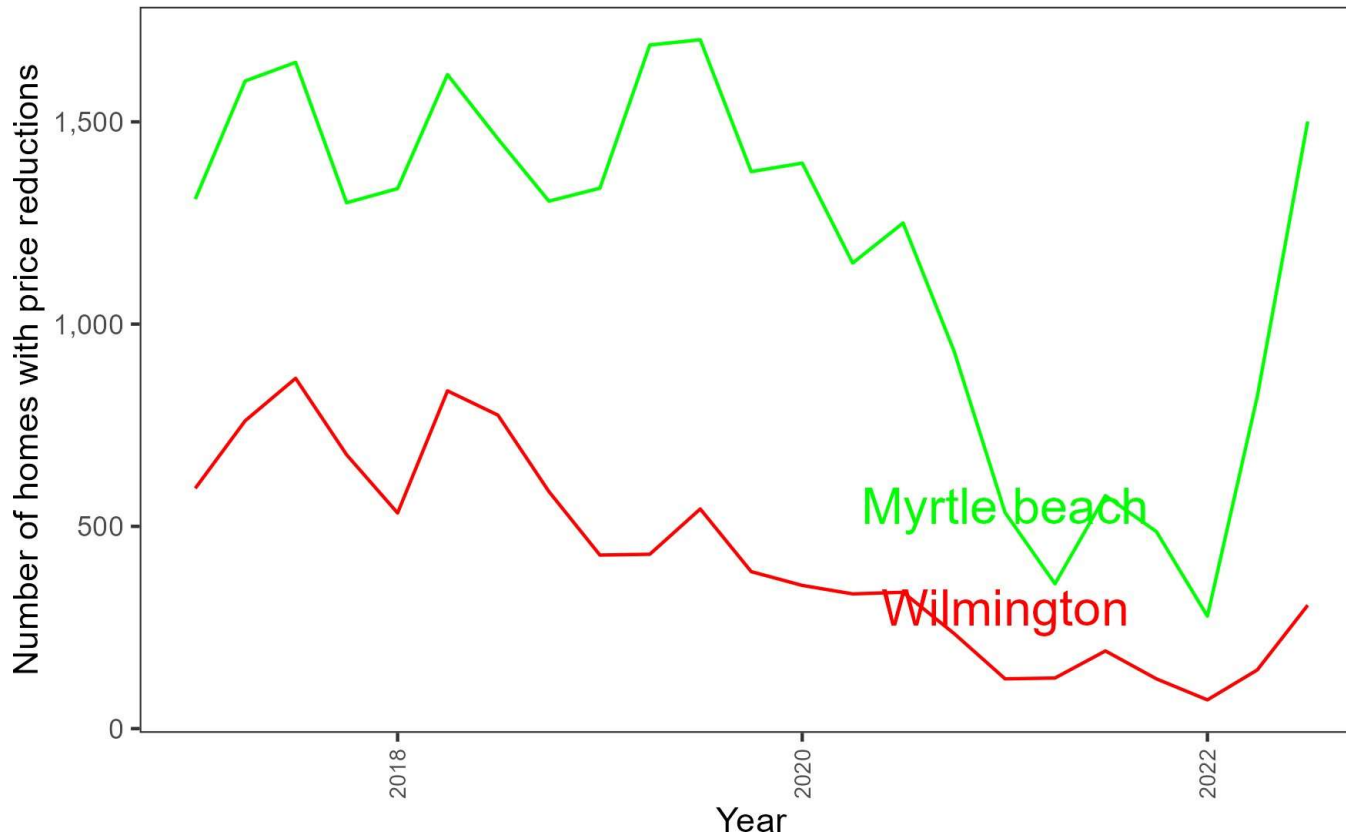
As of April 2023, the zillow housing index for single family homes in New Hanover county was 48% higher than in January 2020.



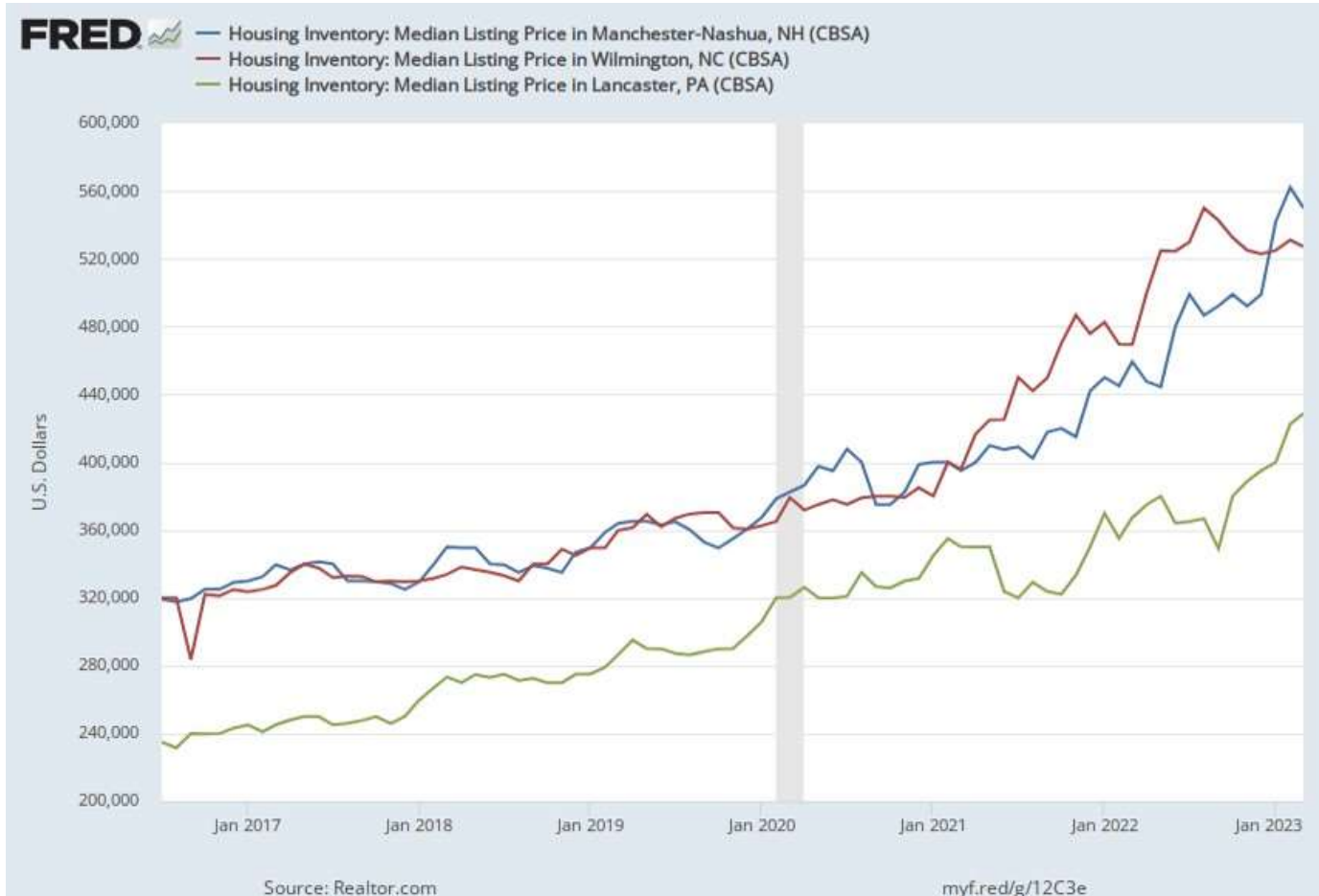


# Price reductions are becoming more common

Price reduced count



# Is the affordability gap disappearing?



## 2023 will look different than both 2021 and 2022

- The federal reserve's attempts to quell inflation are beginning to cool the economy.
- Consumers balance sheets continue to deteriorate and will eventually translate to spending adjustment.
- At the local level, we are yet to see real signs of a slowdown but we are unlikely to experience 2020-2022 growth rates.
- This slowdown, based on all the evidence we currently have, will be shallow and relatively short.
- The higher interest rates are going to influence migration rates going forward.

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