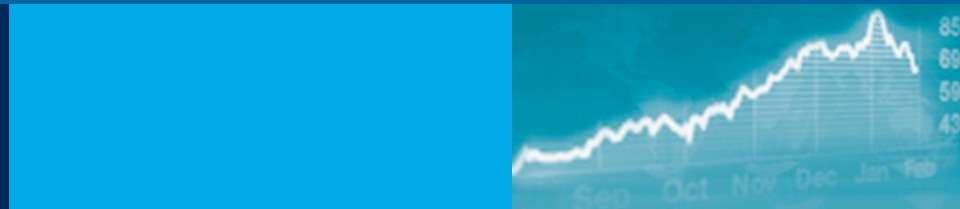




The Economy in 2024 and the Future of Work

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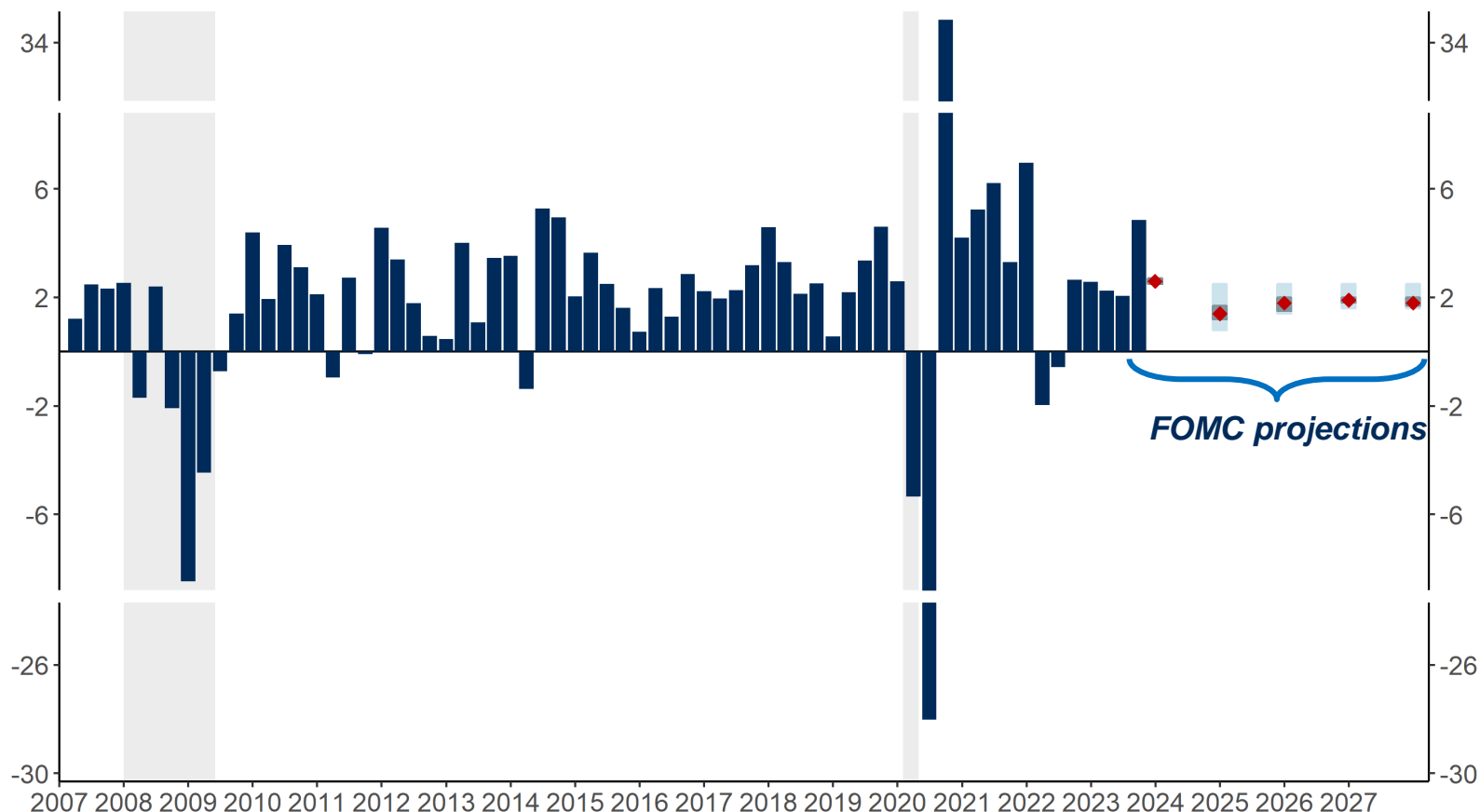
Where are we now?

- 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



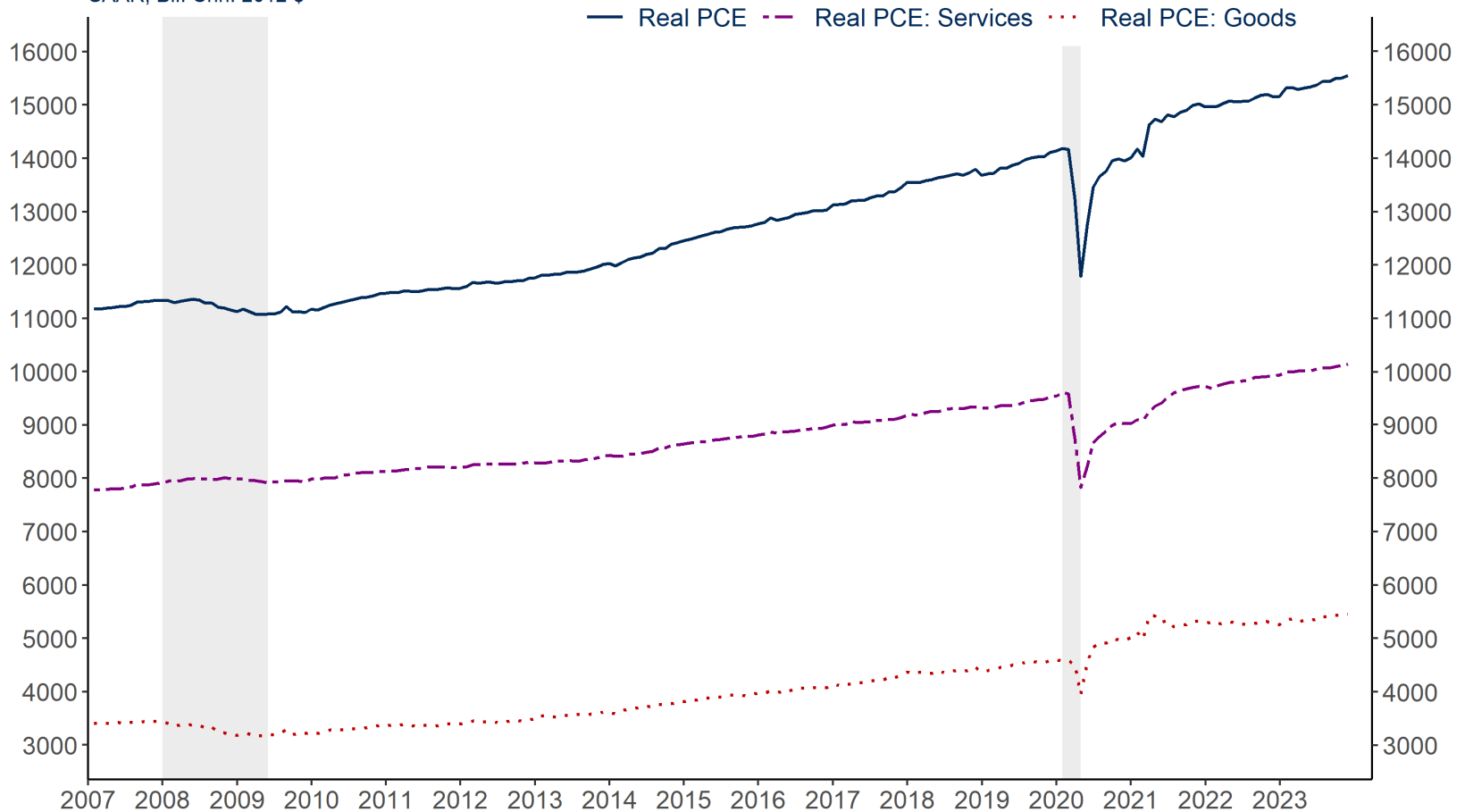
Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

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



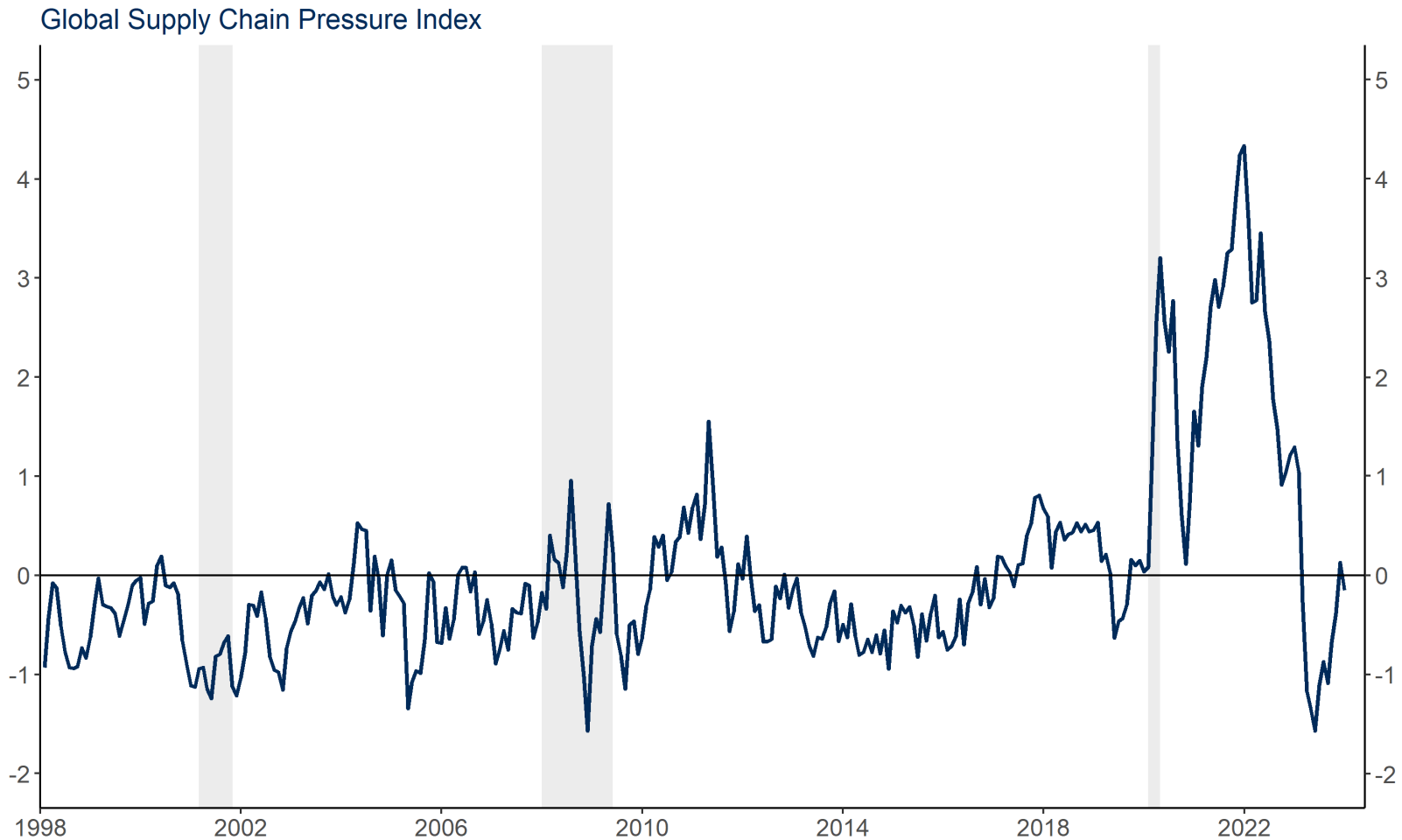
Real Personal Consumption Expenditures

SAAR, Bil. Chn. 2012 \$



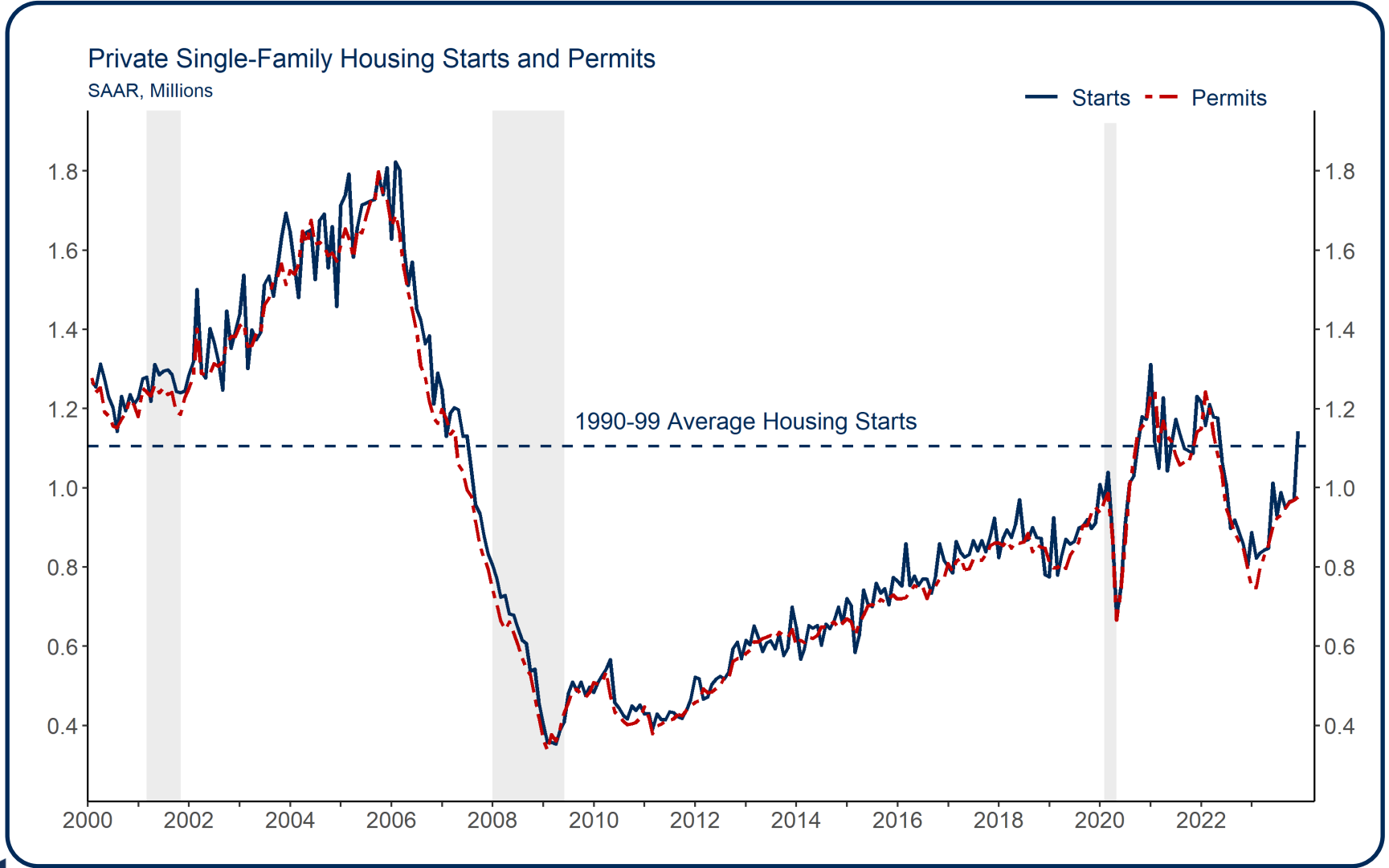
Source: Bureau of Economic Analysis

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



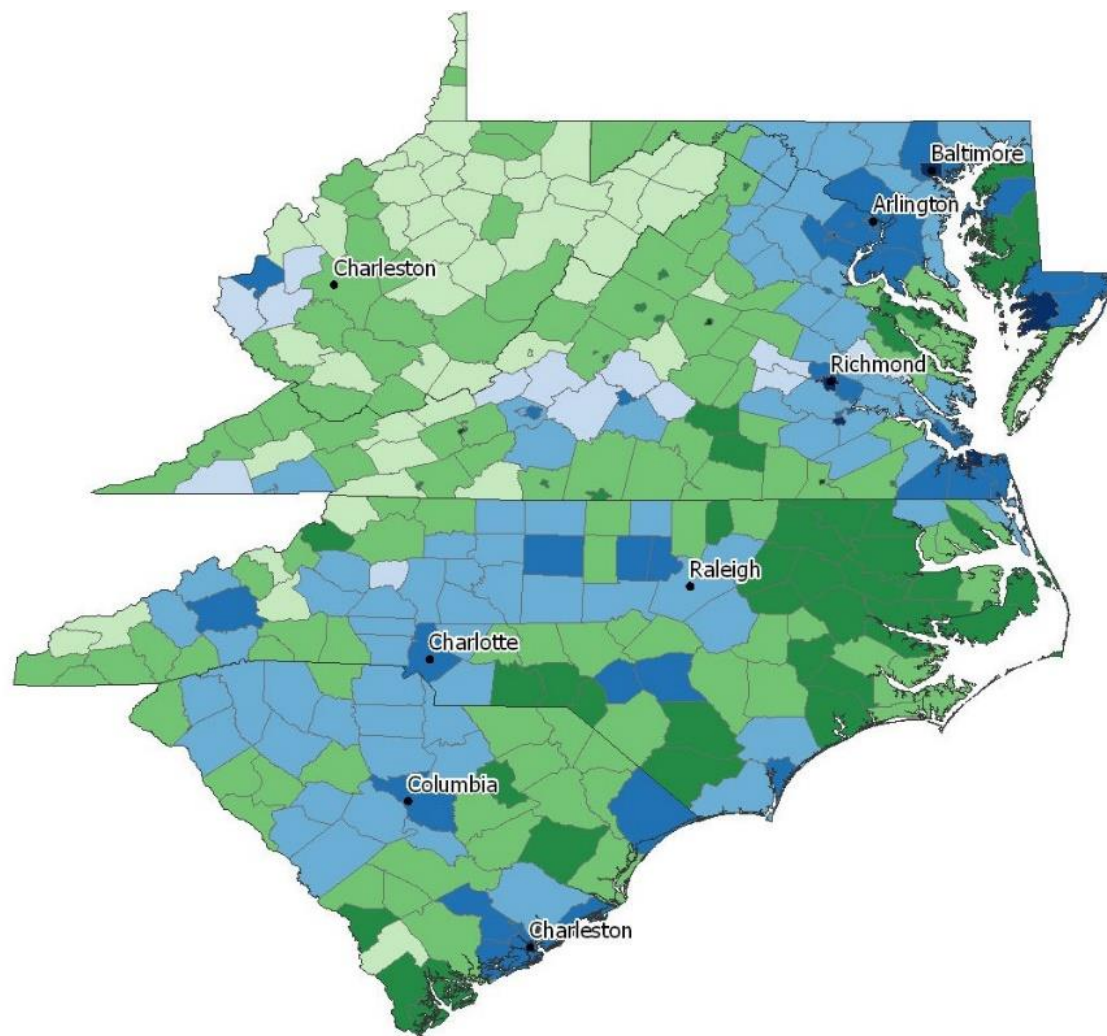
Source: Federal Reserve Bank of New York

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

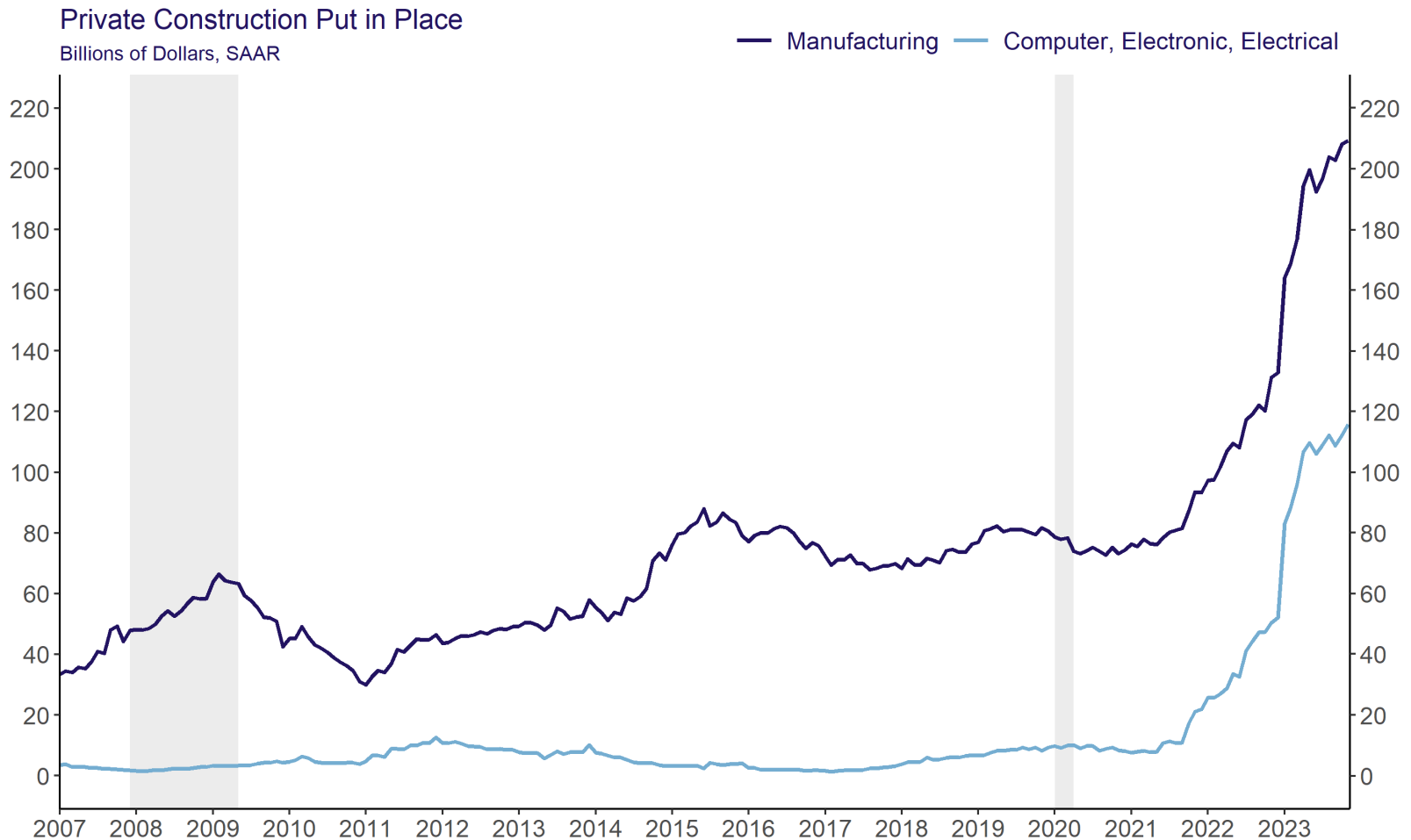
- Less than 19 percent
- 19 - 28 percent
- 28 - 37 percent
- Greater than 37 percent

Rural

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

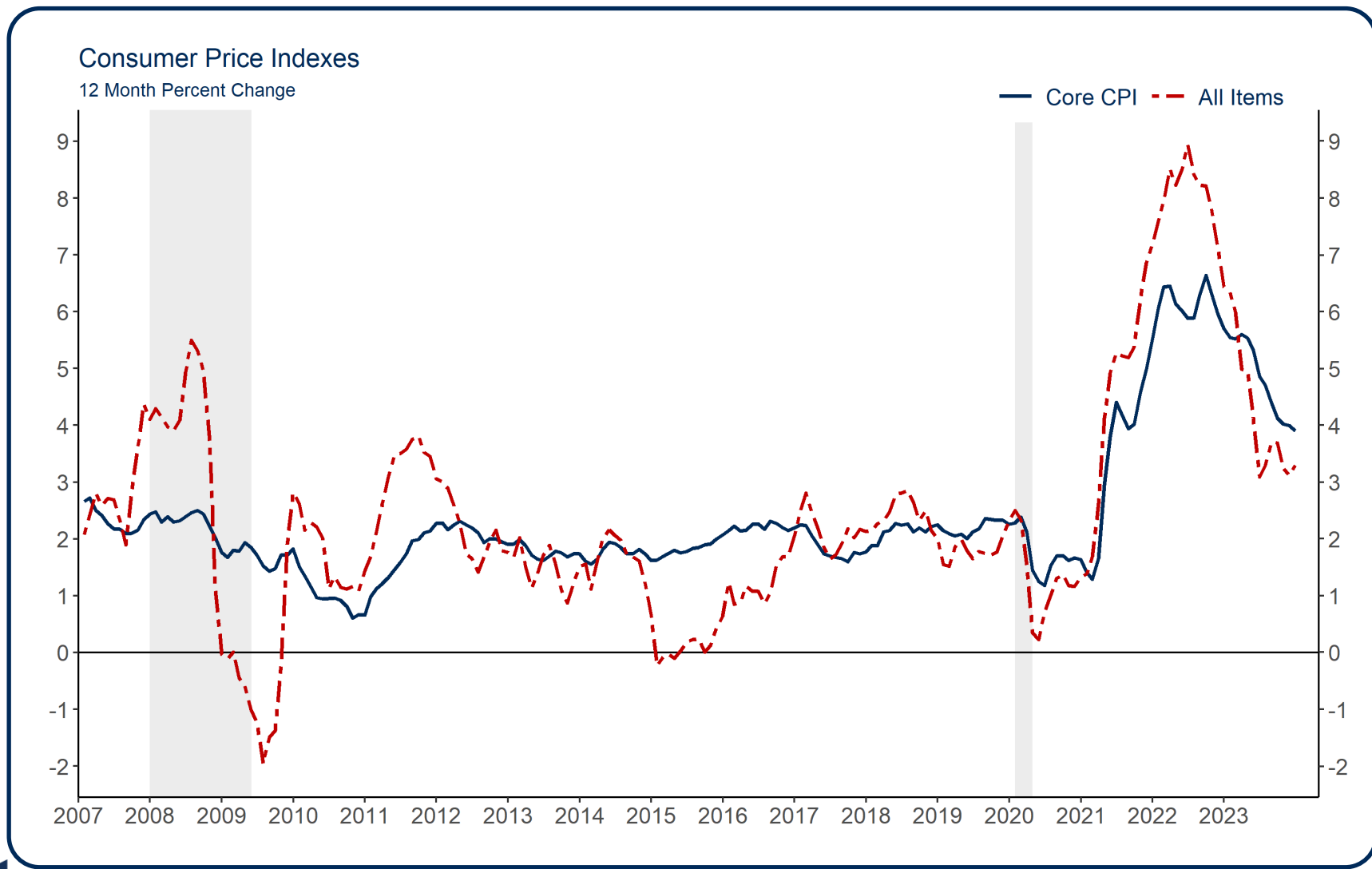
Source: Census Bureau and Department of Agriculture

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



Source: Census Bureau/Haver Analytics

CPI increased slightly in the most recent data release, but core prices are moving in the right direction

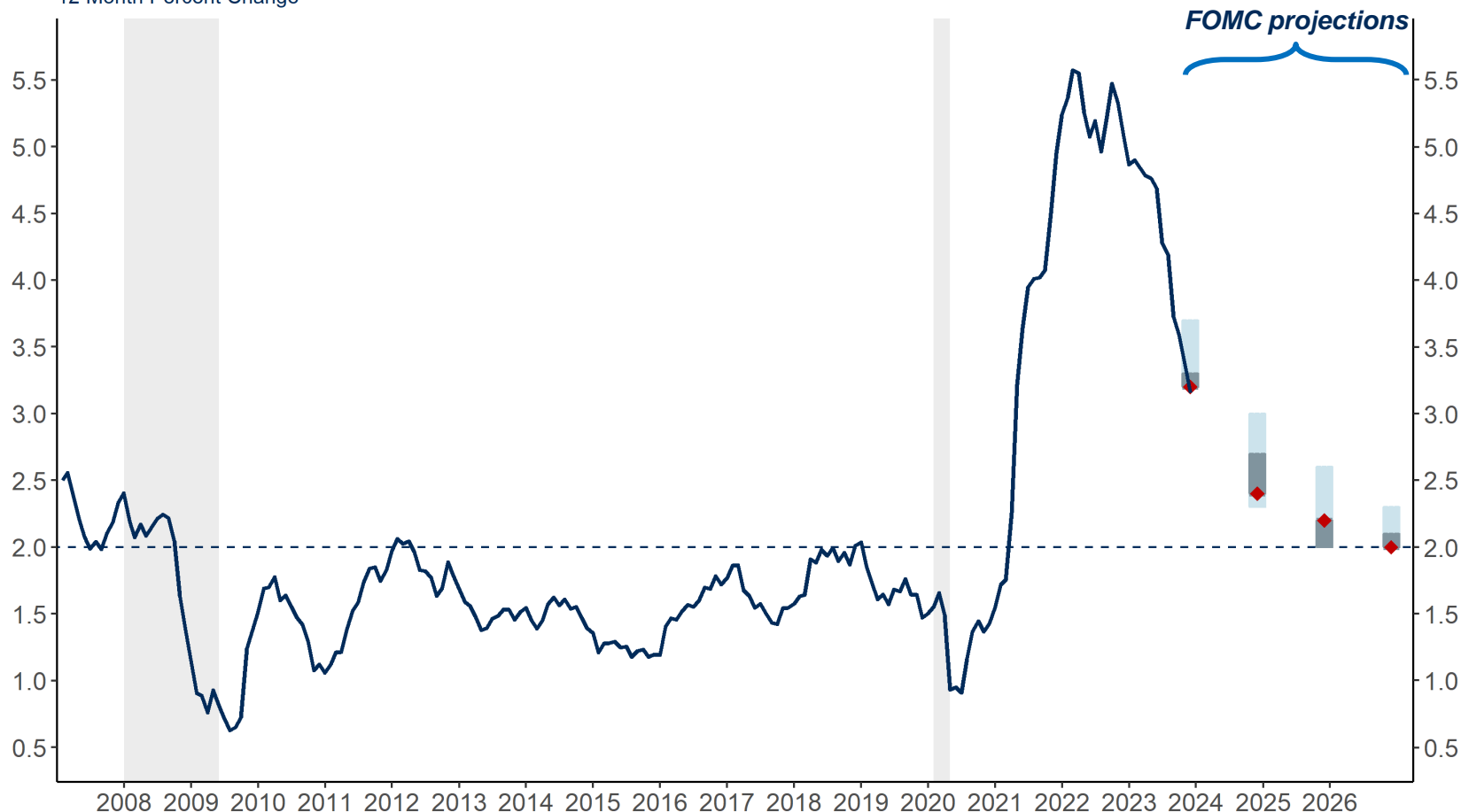


Source: Bureau of Labor Statistics via Haver Analytics

Core PCE, the Fed's primary measure of inflation, remains elevated well above the 2 percent target

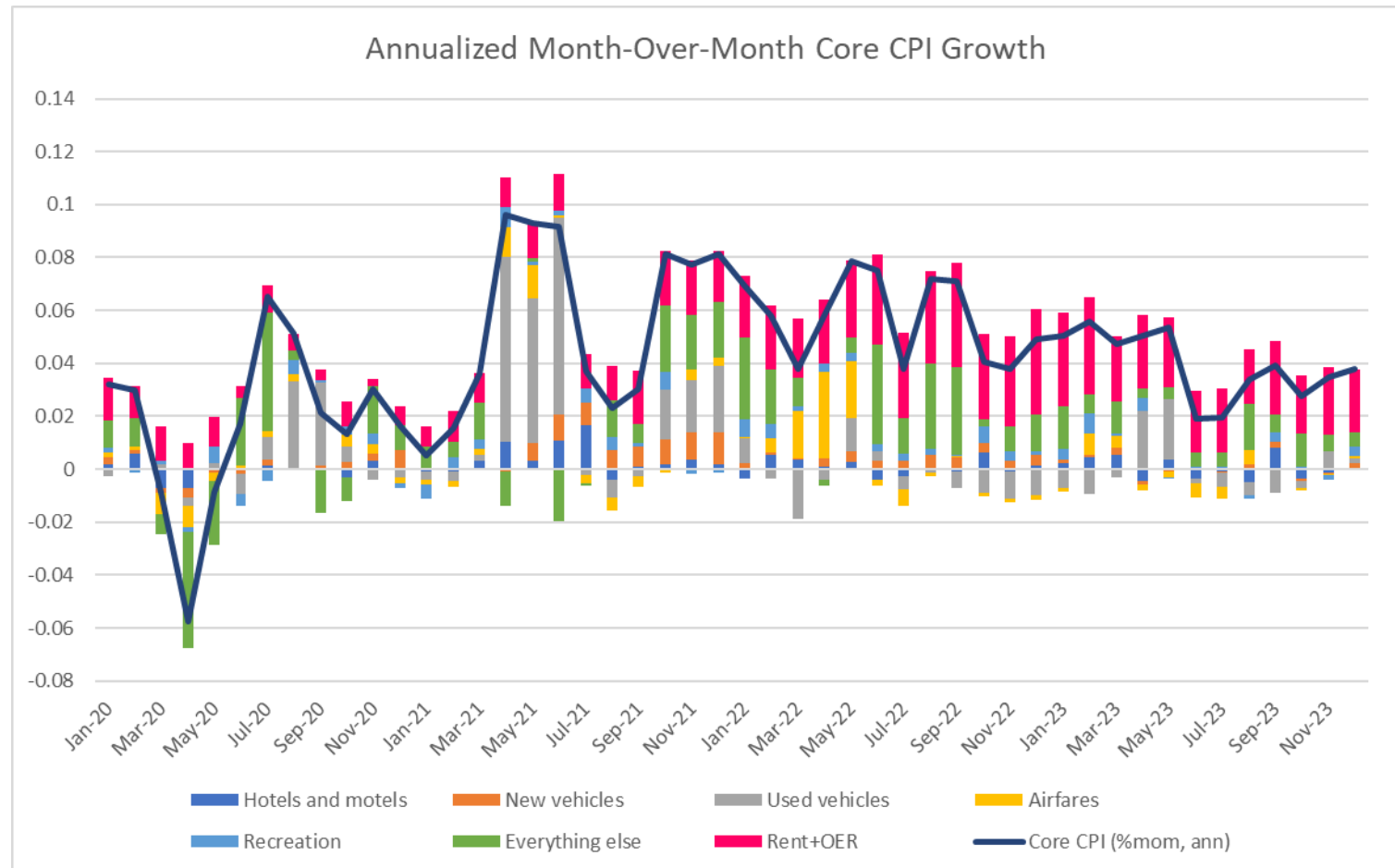
Core Personal Consumption Expenditures Price Index

12 Month Percent Change



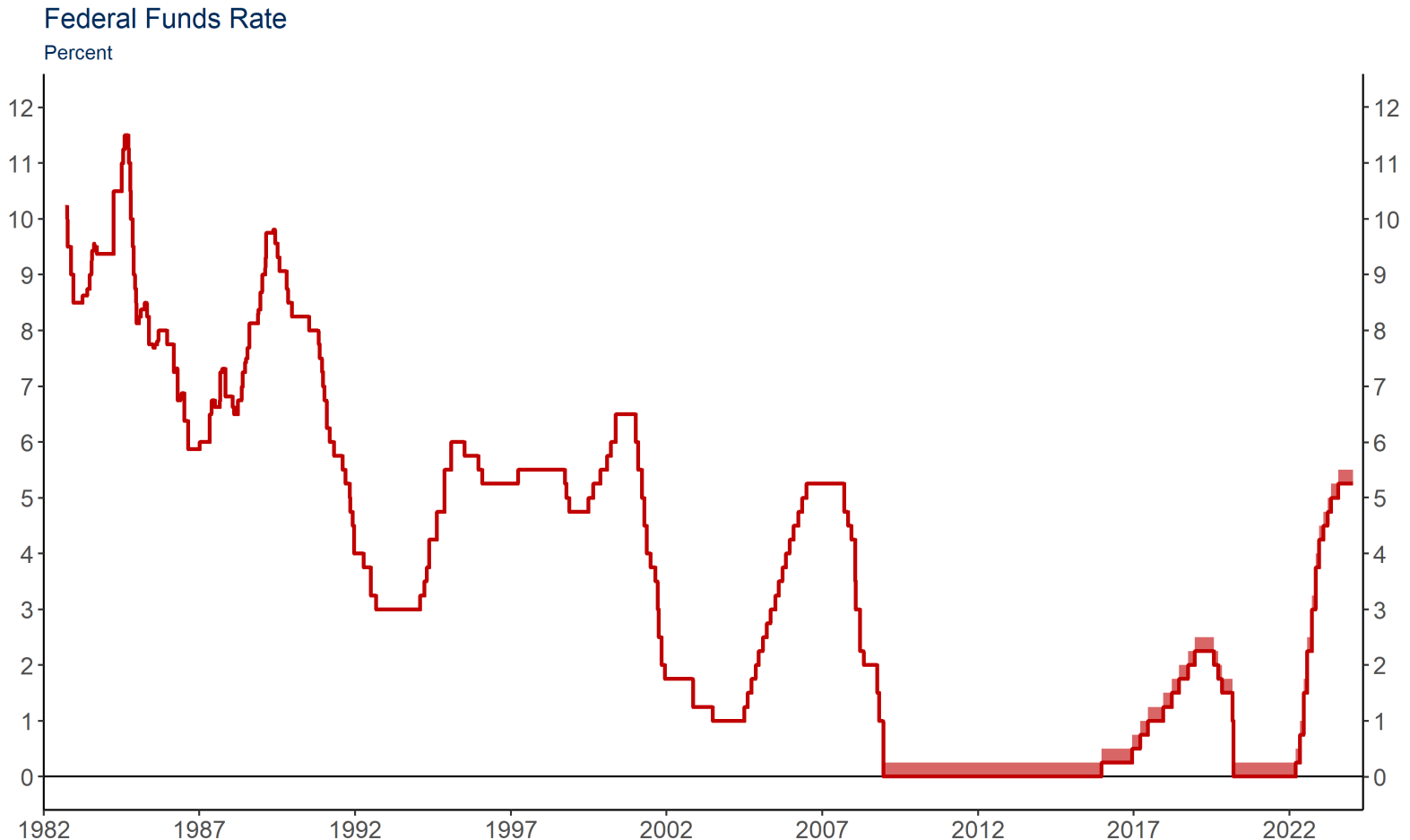
Source: Bureau of Labor Statistics via Haver Analytics

Shelter continues to account for much of current CPI growth



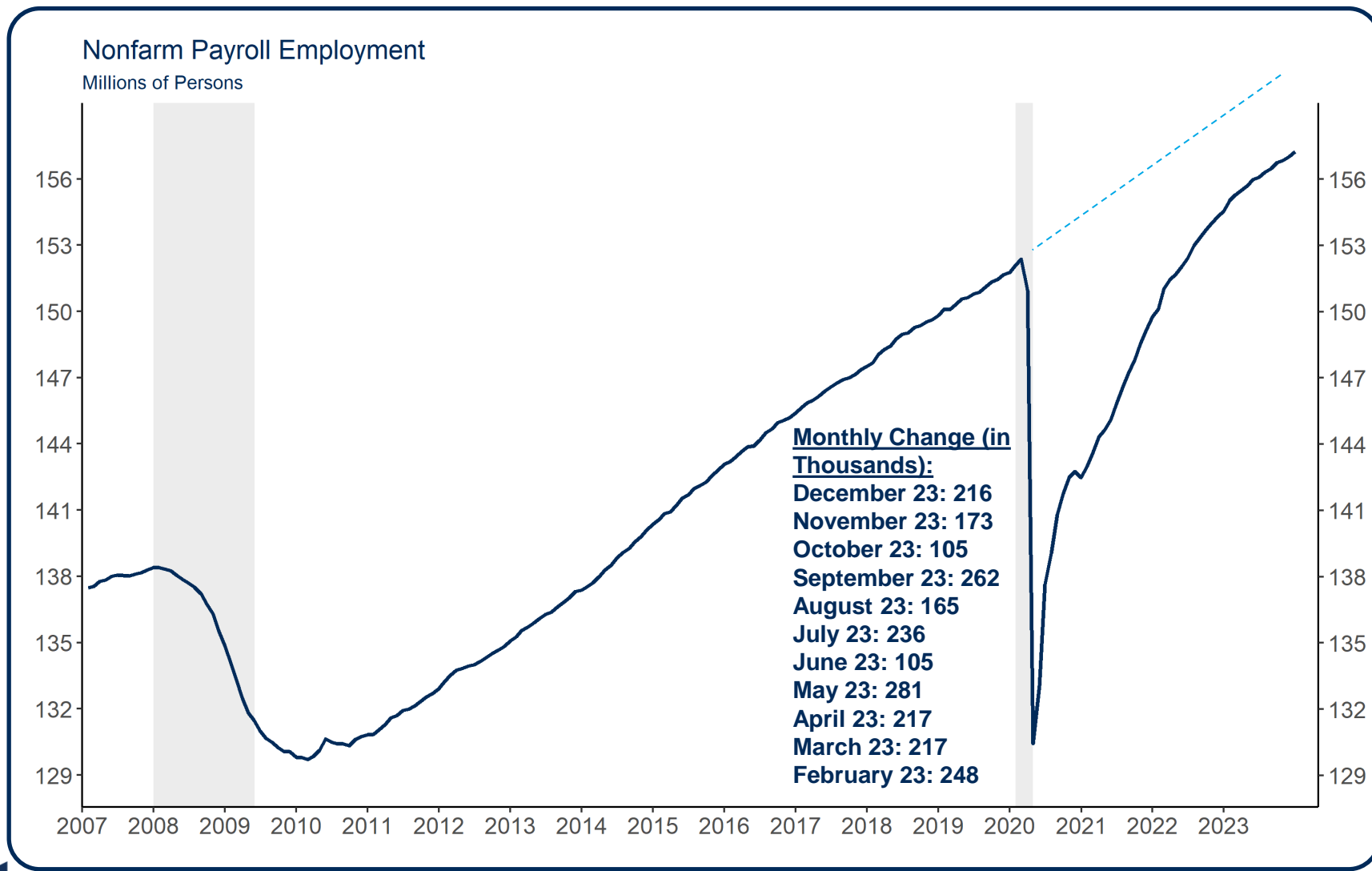
Source: Bureau of Labor Statistics via Haver Analytics

Have rates peaked? Historical context is important



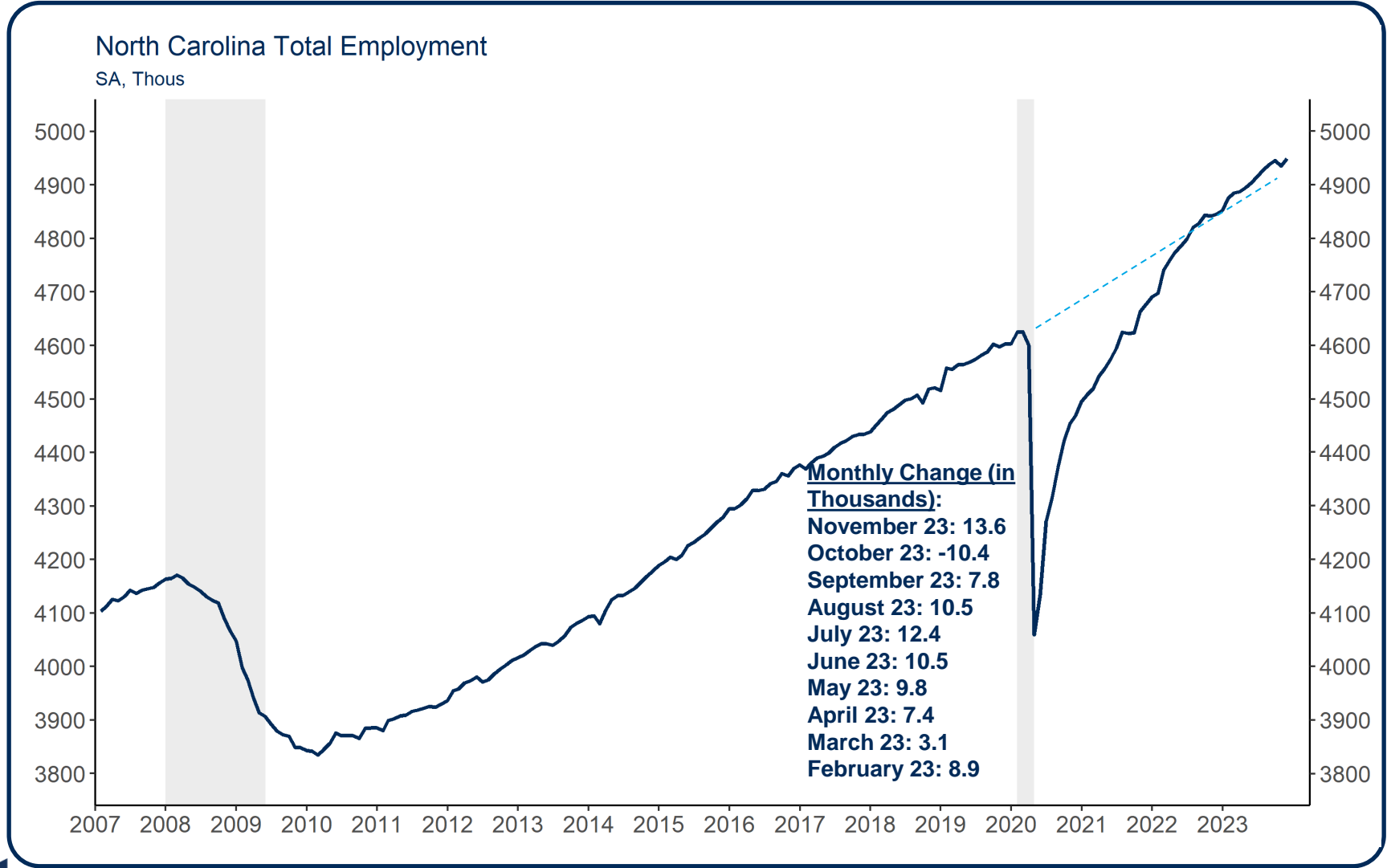
Source: Federal Reserve Board

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.

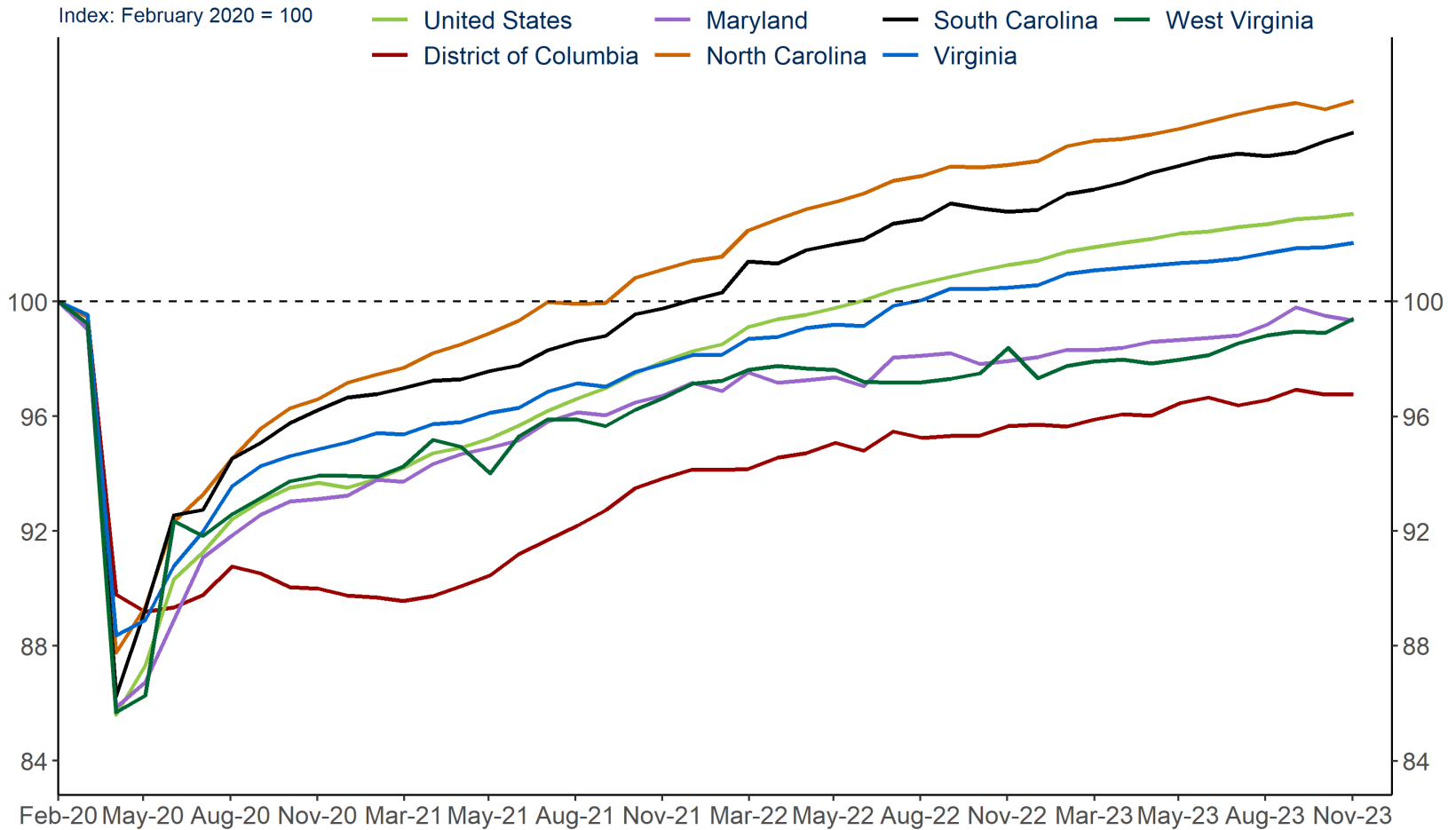


Source: Bureau of Labor Statistics via Haver Analytics

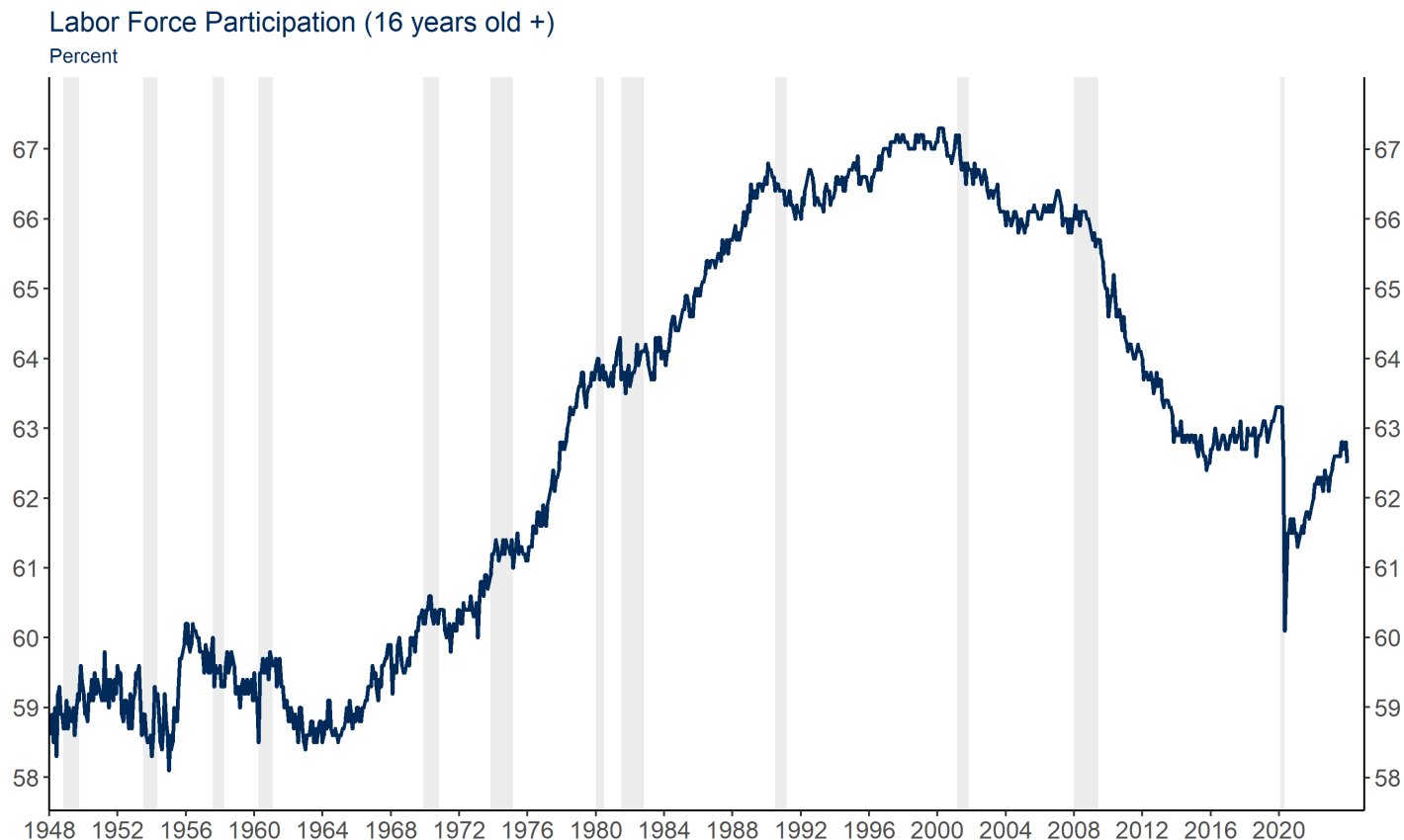
The Carolinas are clearly leading the employment recovery in the Fifth District

Total Payroll Employment Index

Index: February 2020 = 100



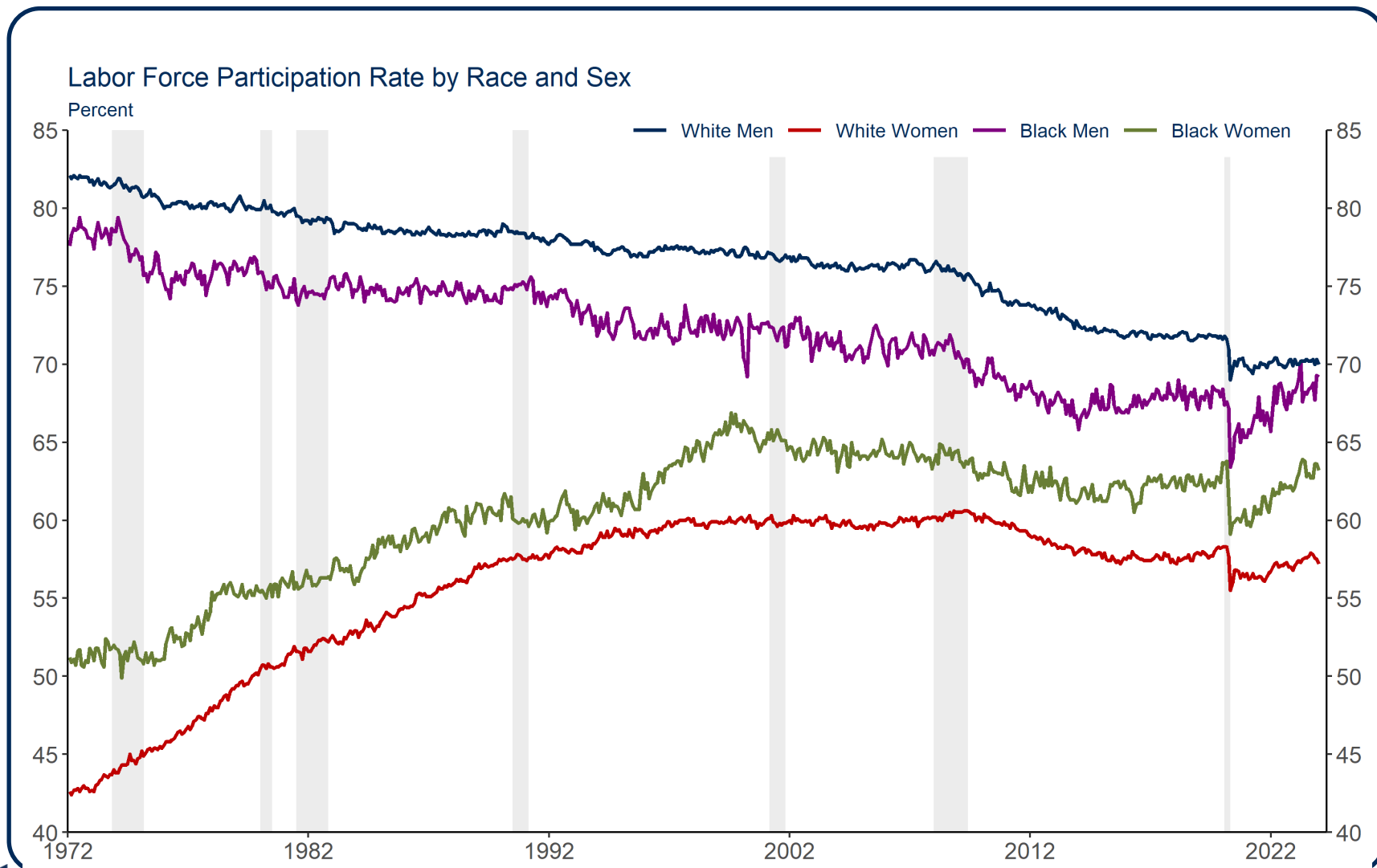
Labor force participation hasn't recovered to pre-COVID levels, and is expected to fall over the next decade



- New Bureau of Labor Statistics projections estimate LFPR will fall to 60.4 percent by 2032.

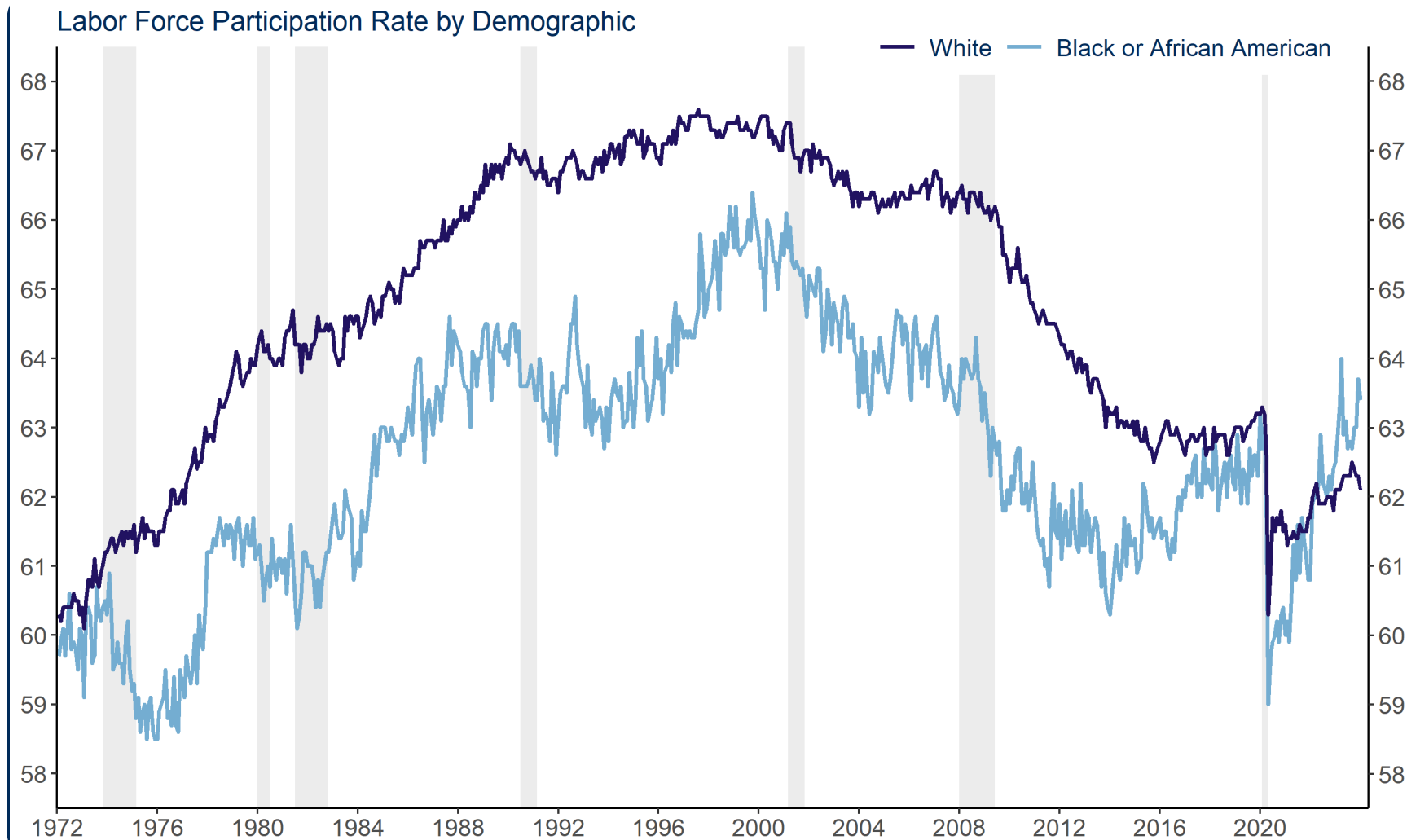
Source: Bureau of Labor Statistics/Haver Analytics

There are interesting patterns in LFPR by race and gender...



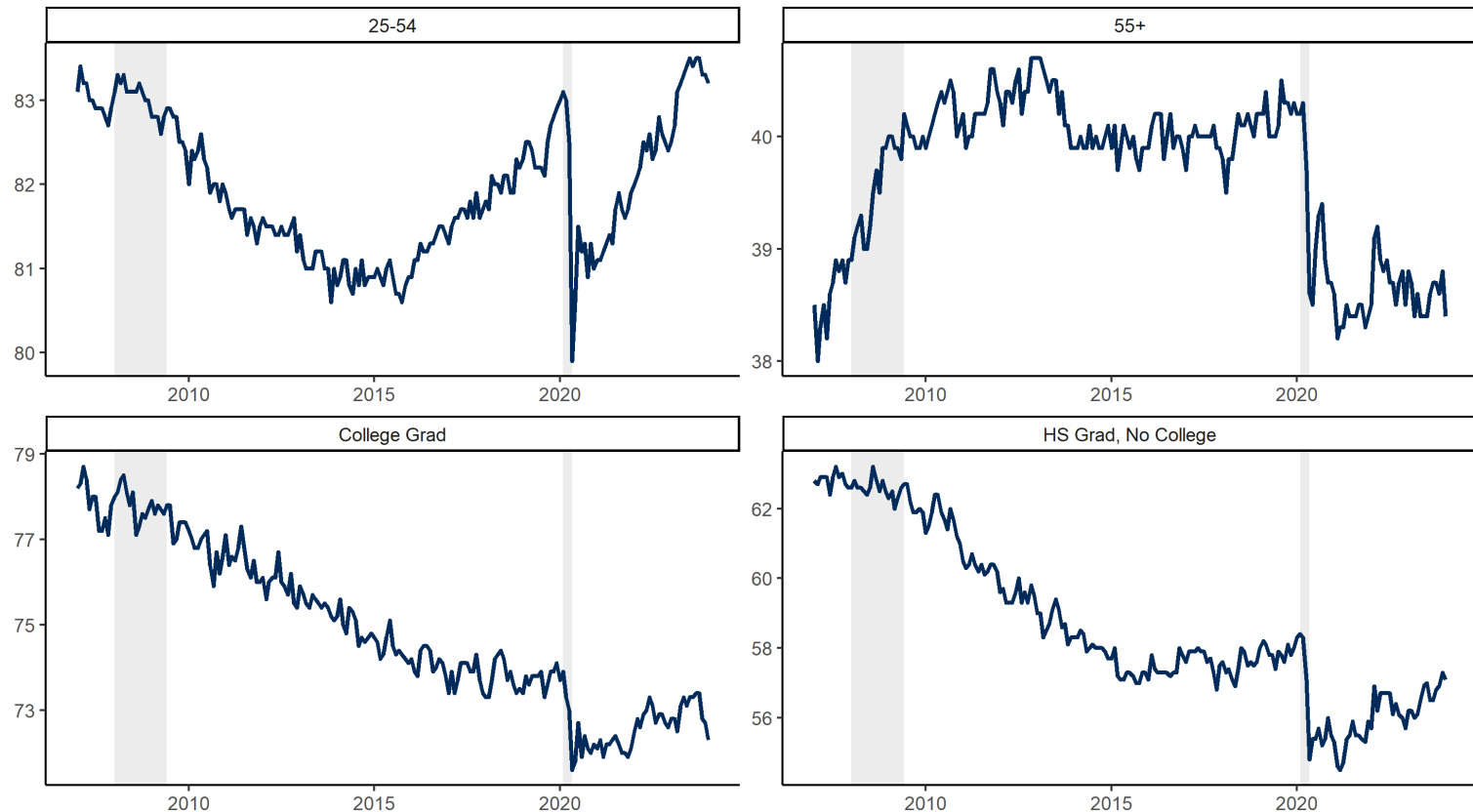
Source: 1970 Decennial Census, 2020 ACS 5-Year Estimates

...and the result is a pretty dramatic shift in labor force participation by race



So, who has left the labor force? Labor force participation rates by age and education

Labor Force Participation Rate
Percent, SA

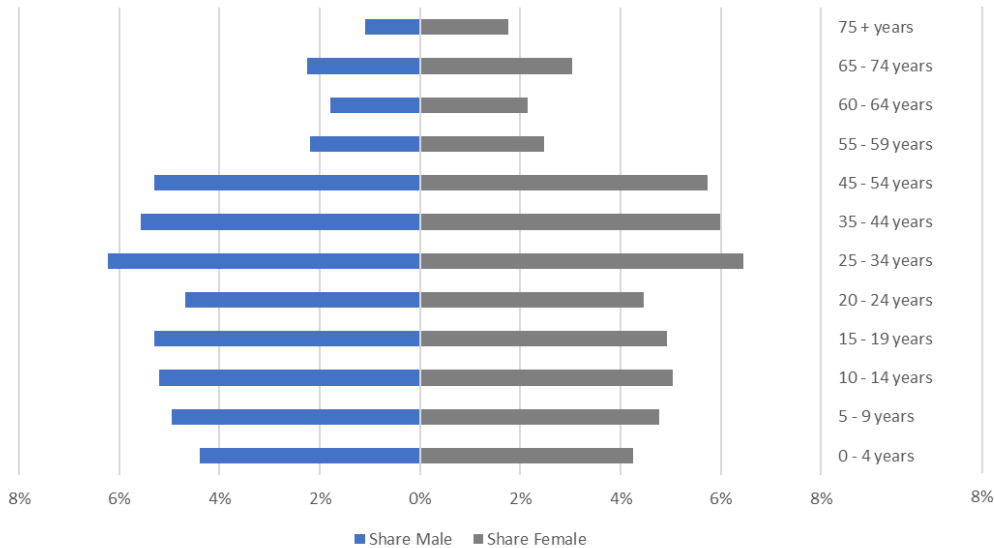


Source: Bureau of Labor Statistics

The 50 year 'baby bust' is catching up with us...

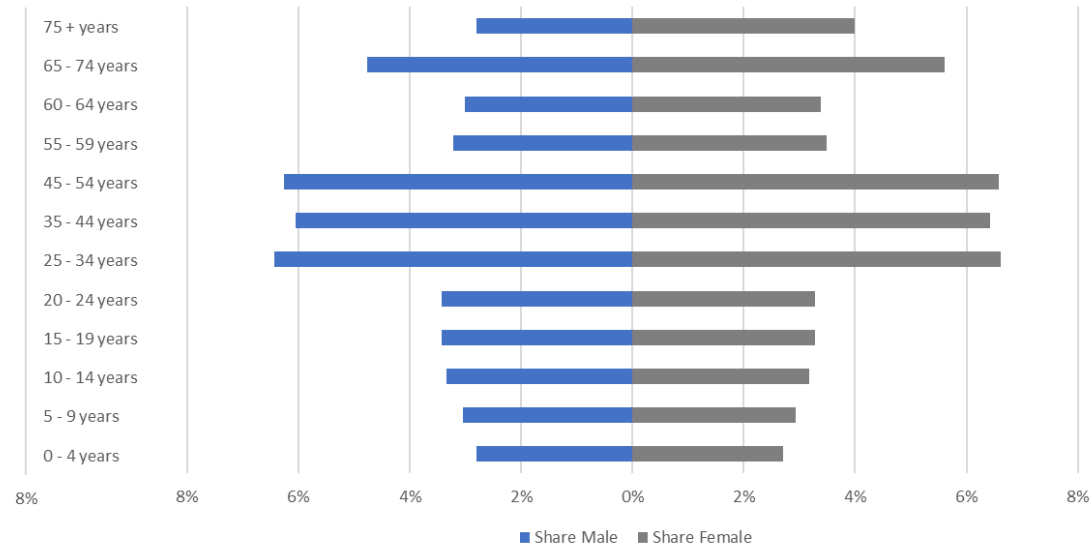
Median Age in 1970: 26.5

NC Population 1970



Median Age in 2020: 39.4

NC Population 2020

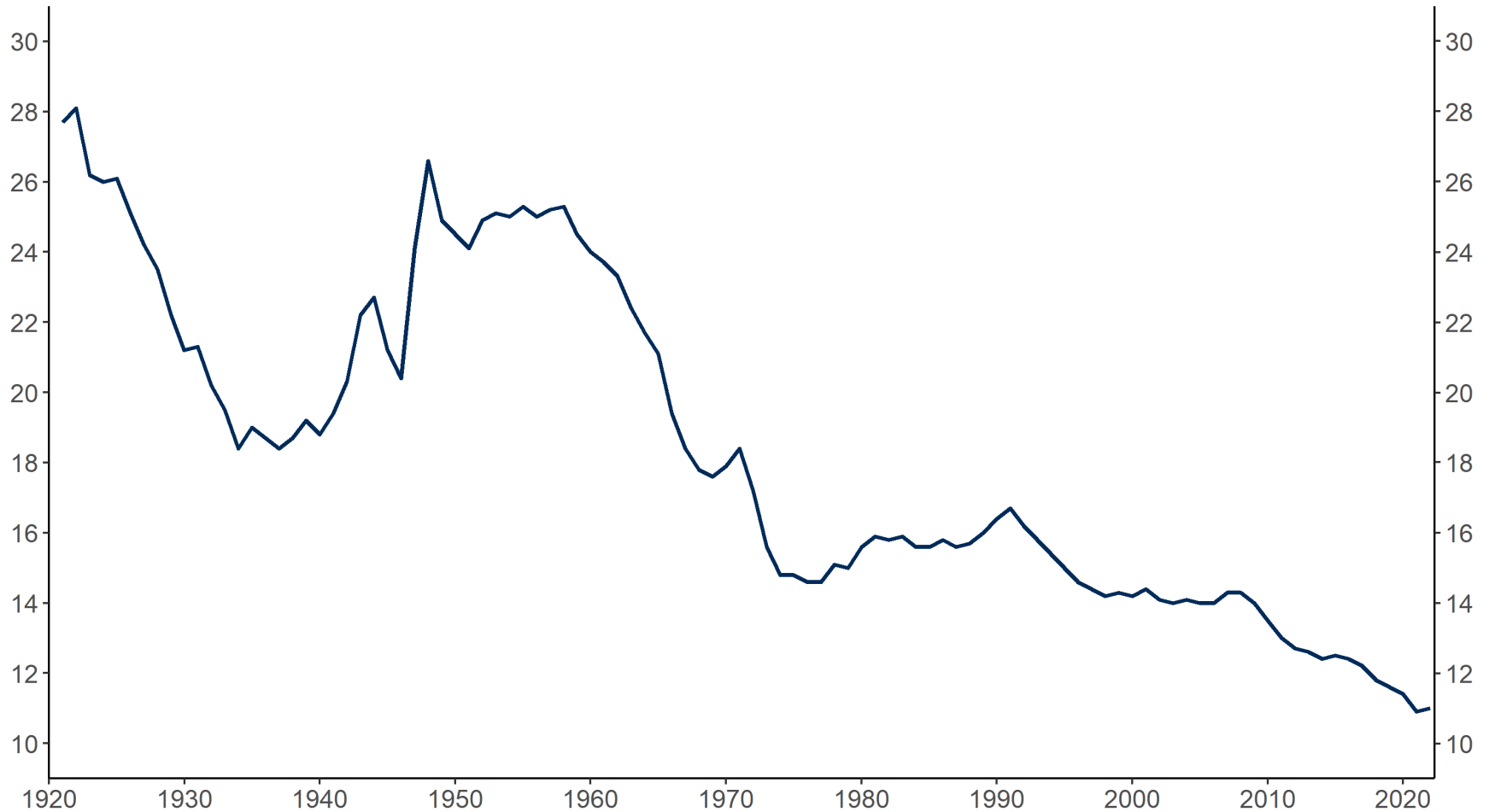


Source: 1970 & 2020 Decennial Census

...and fertility rates continue to decline

United States Birth Rate

Births/1000 Population



Source: National Center for Health Statistics / Haver Analytics

Attitudes/norms around work

- The Millennial generation has represented the majority of workers since around 2014. Millennials are typically children of Baby Boomers and are currently between 27 and 42 years old.
- There had been a serious decline in prime-age male labor force participation prior to COVID.

1980: 94%

2019: 89%

}

This represents 3 million missing workers

- The data show that younger men have increasingly preferred part-time work over full-time work, and more than ever are simply not working at all.
 - This change began with the Great Recession, when many were forced into part-time work. The trend never reversed.
 - Work by Aguiar et al. shows that work hours for men ages 21 to 30 declined 12 percent between 2000 and 2015. In addition, 15 percent of the men in this age group did not work a single week in 2014.
 - They estimate that 75 percent of the increase in leisure hours from reduced work were spent playing video and computer games.

Attitudes/norms around work

- The choices around work effort in the Millennial age group (and beyond) are likely related to Baby Boomer wealth. Some in this generation don't have to work as much because their parents are providing financial support.
- Many young adults live at home with their parents and have been slow to 'grow up.' The data are pretty shocking.
 - While 94 percent of Baby Boomers had a first job before age 20, that dropped to 87 percent for Millennials. (5 million worker difference)
 - In 2014, for the first time since 1870, adults ages 18 to 34 were more likely to be living at home than they were to be living with a spouse.
 - In 2023, 18.8 percent of men and 11.4 percent of women 25 to 34 years old lived at home with their parents (in 2000 these rates were 12.4 and 7.6 percent). A Census study in 2017 found that 25 percent of adults aged 25 to 34 that live with their parents neither attend school or work.
 - Age of first marriage and birth of first child are now over age 30 for men and over age 27 for women.

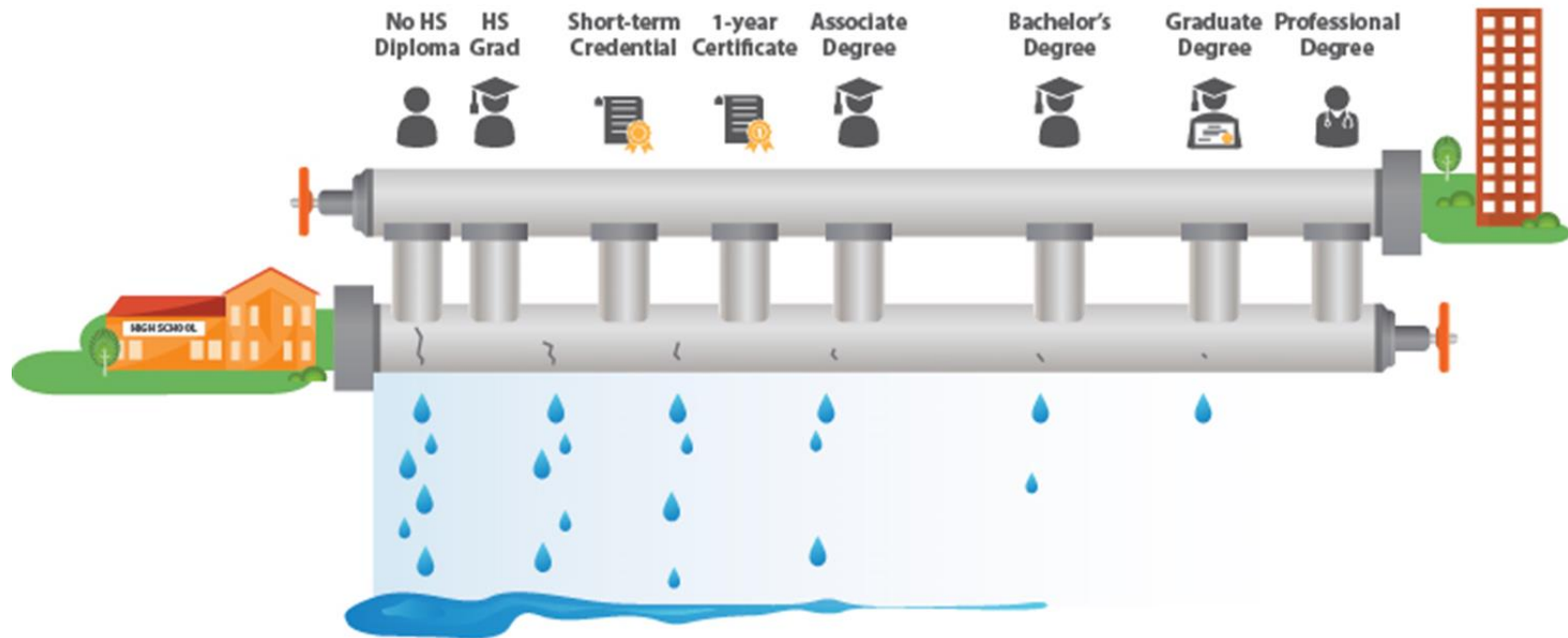
There are approximately 5 million Americans who report that they want to work, but they are not working or actively looking for a job. Who are they?



Source: Bureau of Labor Statistics

Addressing the leaks in the education to workforce pipeline will be key

The Education to Work Pipeline



Source: Federal Reserve Bank of Richmond

Potential Solutions

- What might make a difference in the availability of workers? What could get people back into the labor force?
 - Flexibility:
 - Flexibility in terms of location, hours worked, etc. can help workers with young children or those with other care responsibilities.
 - Promote Leaders in this Space with Lived Experience:
 - Many of these issues are incredibly complicated and personal. Individuals may respond much better to those with lived experience.
 - Policy Initiatives to Improve Outcomes:
 - This could include anything from **immigration policy**, to enhanced child tax credits, to subsidized childcare, to an expansion of the Pell Grant.
 - Changes in Recruiting Philosophies:
 - As the working population shrinks (as a percent of total population), employers will have to evaluate how and who they recruit.
 - Encouraging Youth to Develop into High Demand Fields:
 - Some fields (nursing, computer science, accounting, data analytics) are in higher demand than ever. Encouraging students to study these fields, and providing attractive training programs, could improve employment outcomes.

Where does workforce go from here?

- Due to demographic shifts, labor supply will continue to be tight for the foreseeable future
- Workers are indicating that they strongly desire additional flexibility; flexibility doesn't just mean remote work
- Younger workers have different expectations; this is likely due both to generational differences and the impact of the pandemic
- Educational opportunities and policies need to adjust to the demands of potential students (e.g. shorter terms, clearer ROIs)
- Companies will need to examine hiring policies and employee benefits in reaction to the new job market
- There will be more pressure on employers via unions and other employee advocacy groups
- Innovation will need to increase to meet these demands; this provides companies and employees with exciting opportunities
- AI will play a significant role as well. It will replace some jobs and make other employees much more efficient. The overall impacts remain unknown.

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 already 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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