North Carolina Losses 571,700 Jobs in April

Nonfarm employment plummeted in April, as businesses shut down across much of the state in an effort to slow the growth of COVID-19. The unemployment rate spiked to 12.2%, slightly below the U.S. rate.

Shutdowns Wipe Out More Than Seven Years of Job Growth

North Carolina employers shed 571,700 jobs in April, with losses concentrated in the leisure & hospitality sector, which lost 249,800 jobs. The category, which includes restaurants, bars and hotels, saw employment drop by nearly one-half during the month and accounted for 44% of all job losses in the state. Employment also fell sharply in retail trade, which lost 47,800 jobs, while health care & social assistance providers eliminated 67,000 jobs. In total, nonfarm employment fell by a stunning 12.5%. It took 89 months to add 571,000 jobs coming out of the Great Recession, and just one month of COVID-19 to wipe that many out. The level of nonfarm employment was set back to where it was in 2012.

North Carolina’s unemployment rate shot up to 12.2%, which is slightly below the 14.7% national rate. North Carolina’s unemployment rate likely rose less than the nation’s because the hard-hit leisure & hospitality sector does not make up as large a share of North Carolina’s economy as it does in other states. For example, Nevada, where leisure & hospitality accounts for an outsized share of economic activity, saw its unemployment rate spike 24 percentage points in the past months to 28.2%, the highest in the nation. North Carolina’s labor force participation rate fell to 56.3%, the lowest on record.

During the nine weeks through May 16, a total of 937,000 initial jobless claims were filed in North Carolina. Between the start of shutdowns and the April survey week, there were 650,000 claims filed, which translated into the net job loss of 571,700. Since then, 287,000 additional claims have been filed. The bulk of those job losses will likely show up in the May employment report. By June, we expect employment to start rising again, although most of the improvement may not show up for another month or two. North Carolina is an interesting case because it is re-opening more slowly than most of its neighbors. Tennessee, South Carolina and Georgia were three of the earliest states to re-open in the nation. North Carolina is scheduled to start Phase Two today, May 22, allowing restaurants, salons, barbershops, churches and pools to open with restrictions. Bars, nightclubs and indoor entertainment venues will remain closed. The state initiated Phase One on May 8.

Neighboring South Carolina is seeing employment losses closely mirror North Carolina, with 272,700 jobs lost in April, a 12.4% drop. The leisure & hospitality sector accounted for the largest number of job losses, and retail trade and health care also posted large declines. South Carolina’s unemployment rate rose 8.8 percentage points to 12.1%.

Looking ahead, North Carolina has a long and arduous recovery. The slower re-opening means that job losses in the leisure & hospitality sector will linger for a little longer. However, we are approaching the peak tourism season, and a large share of tourists arrive by car, which should be less impacted than air travel. Charlotte is also slated to host the GOP Convention in August.

Source: U.S. Department of Labor, OpenTable and Wells Fargo Securities