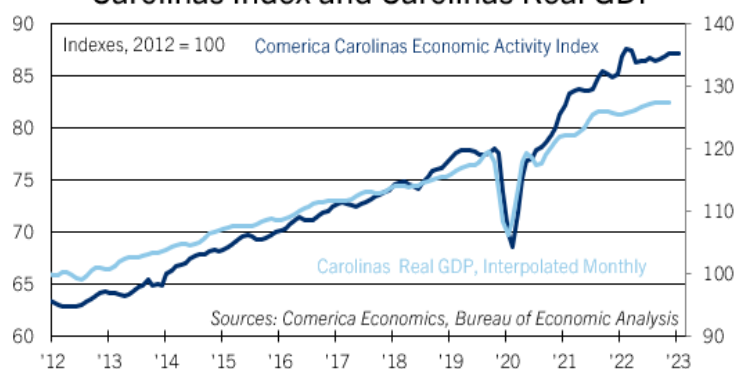


■ Bill Adams ■ Waran Bhahirethan

Carolinas Economic Snapshot, May 2023

	May-23	Apr-23	Mar-23	Feb-23	Jan-23
Comerica Carolinas Index					
3-month % change, annual rate	1.4	2.8	3.3	0.5	0.9
Year-over-year % change	0.2	2.5	2.7	1.9	1.4
Real GDP (Quarterly)			Mar-23		Dec-22
Quarterly change, annual rate	--	--	1.0	--	2.8
Year-over-year % change	--	--	1.3	--	1.5
Unemployment Rate, %	May-23	Apr-23	Mar-23	Feb-23	Jan-23
Percent	3.3	3.3	3.4	3.5	3.6

Carolinas Index and Carolinas Real GDP



Carolinas Grew Slowly in May 2023

The Comerica Carolinas Economic Activity Index rose by 1.4% in three-month annualized terms in May 2023 and was up a modest 0.2% from a year earlier, the slowest year-ago growth since October 2020. Four of the index's nine components rose in May, while five declined.

The Carolinas' labor market is strong, with employment rising by 15,700 in May. The labor market has improved notably from late last year, with the unemployment rate falling to 3.3% May from 3.7% in November 2022 and holding well below the national rate. Additionally, continuing claims for unemployment insurance rose very modestly through May.

Housing starts soared by 21.0% in May, but were down by about a tenth in the first five months of 2023 from the same period last year. House prices rose for the fifth consecutive month and have fully recovered back to their peak last July. Rising population, employment growth, and limited

housing supply bode for further price appreciation in the rest of 2023 despite high interest rates. The tourism sector eased further in May, with the seasonally-adjusted hotel occupancy rates declining for the fourth consecutive month to four percentage points below January's level. Air passenger volumes, adjusted for seasonality, fell again in May and have declined in three of the first five months of the year. Seasonally and inflation-adjusted sales and use tax revenues, a proxy for consumer spending, pulled back sharply by 2.0% in May and were down 7% from a year earlier. The pullback isn't surprising as sales and use tax revenues were up strongly in the first four months of the year.

The Carolinas' economy grew 3.0% in 2022, well above the national economy's 2.1% expansion. The Carolinas' economy lost considerable momentum in the first quarter and was up 1.0%, lagging the national economy's growth rate of 2.0%. Looking forward, the Carolinas' strong labor market and continued population growth will help it weather a cooler national economy. However, economic growth will be slower this year than in 2022 due to headwinds from high inflation, high interest rates, and spillovers from weaker national and global economies.

The Comerica Carolinas Economic Activity Index is a monthly composite indicator of economic activity in North and South Carolina. The Index provides a wholistic advance view of the state of the Carolinas' economies, using economic data that are available about one quarter earlier than real GDP is released. The Index is comprised of nine components: Nonfarm payroll employment, continuing claims for unemployment insurance, housing starts, house prices, industrial electricity sales, foreign trade, hotel occupancy, enplanements, and sales and use tax revenue. All data are aggregated values for both states, seasonally adjusted, and converted from nominal terms to constant dollar values as appropriate. To filter out month-to-month volatility in the Index's components, the Index is calculated from the three-month moving averages of its components. Values of a minority of components are projected from their releases in the prior month due to the timing of data releases.

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