A Championship Caliber Year Ahead?

• Economic growth appears to be accelerating
  • Consumer spending stronger in second half of 2014
  • Solid improvement in the labor market in 2014; finished the year strong
  • Business investment up solidly in third quarter 2014 and prior four quarters
  • Housing recovery remains sluggish
A Championship Caliber Year Ahead?

- Uncertainty still an impediment to stronger growth
  - Regulatory uncertainty, fiscal policy, slow growth abroad
A Championship Caliber Year Ahead?

• Championship years aren’t what they used to be
  • Slower growth in the labor force and productivity
Bench is Getting Thin

Labor Force Participation Rate

percent

Source: Bureau of Labor Statistics/Haver Analytics
Economy Needs More Trips Down the Floor …

Nonfarm Business Productivity
in percent

Source: Bureau of Economic Analysis/Haver Analytics
… as a Result, Shooting Percentages are Lower
No Game in 2013

Gross Domestic Product: All Industries

percent change

No GDP growth in MD or VA in 2013

Source: Bureau of Economic Analysis/Haver Analytics
New Players Not Getting into the Game

Source: Bureau of Labor Statistics/Haver Analytics

Establishments in thousands

- MD (lhs)
  - Q2-2014 = 167
- US (rhs)
  - Q2-2014 = 9,361
Slowly Adding to the Roster

Payroll Employment Growth
percent change, year/year

-5 -4 -3 -2 -1 0 1 2 3 4 5

05 06 07 08 09 10 11 12 13 14 15

- Maryland
- Baltimore-Towson MSA
- US

Jan2015 = 1.5%
Jan2015 = 1.6%
Feb2015 = 2.4%

Source: Bureau of Labor Statistics/Haver Analytics
Slowly Adding to the Roster

Baltimore Industry Growth

January 2015

Source: Bureau of Labor Statistics/Haver Analytics
Slowly Adding to the Roster

Baltimore Industry Growth

Source: Bureau of Labor Statistics/Haver Analytics
Slowly Adding to the Roster

Baltimore Industry Growth

January 2015

Source: Bureau of Labor Statistics/Haver Analytics
Slowly Adding to the Roster

Baltimore Industry Growth

January 2015

Source: Bureau of Labor Statistics/Haver Analytics
Slowly Adding to the Roster

Baltimore Industry Growth

January 2015

- Total
- Natural Resources & Construction
- Manufacturing
- Trade, Transportation & Utilities
- Information
- Financial Activities
- Professional & Business Services
- Education & Health Services
- Leisure & Hospitality
- Other Services
- Government

Source: Bureau of Labor Statistics/Haver Analytics
Many Players Want to Get Into the Game

Unemployment Rate

- MD: Jan2015 = 5.5%
- Baltimore MSA: Dec2014 = 5.8%
- US: Feb2015 = 5.5%

Source: Bureau of Labor Statistics/Haver Analytics
Shrinking Budgets Hit Programs …

Federal Contract Spending
(2010 = 100)

- DC: -22% ($4.7 bn)
- VA: -32% ($19.0 bn)
- MD: -15% ($4.1 bn)
- Baltimore MSA: -12% ($1.3 bn)

Source: USASpending.gov/Federal Data Procurement System
... Hurting Prospects for Coaches and Players

Maryland Payroll Employment Growth

percent change, year/year

05 06 07 08 09 10 11 12 13 14 15

Computer System Design
Management
Temp

Jan2015 = 1.2%
Jan2015 = -1.6%
Jan2015 = 3.0%

Source: Bureau of Labor Statistics/Haver Analytics
Hurting Prospects for Coaches and Players

Baltimore-Towson MSA Payroll Employment Growth
percent change, year/year

Computer System Design
Jan2015 = 0.9%

Temp
Jan2015 = 5.7%

Source: Bureau of Labor Statistics/Haver Analytics
Inside Game Improving Very Slowly

Home Sales
thousands, SAAR

Source: National Association of Realtors/ Maryland Association of Realtors/Haver Analytics
Inside Game Improving Very Slowly

Housing Permits
units, 3-month moving average

- Maryland (lhs) Jan2015 = 1,413
- Baltimore MSA (lhs) Jan2015 = 563
- US (rhs) Jan2015 = 87,684

Source: Census Bureau/Haver Analytics
Big Guys Leading the Scoring …

Maryland Housing Permits

Source: Census Bureau/Haver Analytics

Single Family (lhs) Jan2015 = 881
Multi-Family (rhs) Jan2015 = 480
... But Scoring is Down

Home Prices
percent change, year/year

-20 -16 -12 -8 -4 0 4 8 12 16 20 24

05 06 07 08 09 10 11 12 13 14

MD
Jan2015 = -0.3%

Baltimore MSA
Jan2015 = -1.2%

US
Jan2015 = 5.7%

Source: Core Logic/Haver Analytics
Moving From 64-Team to 32-Team Bracket

Household Formation
net change, thousands

Source: Census Bureau/Haver Analytics
Millennials Holding Ball and Not Shooting

Owner-Occupied Households
net change, thousands

Source: Census Bureau/Haver Analytics
The Final Four Three

• Not an exciting time but a steady time
  • Slower growth in the labor force and productivity suggests moderate growth in the economy
The Final Four Three

• Not an exciting time but a steady time
  • Slower growth in the labor force and productivity suggests moderate growth in the economy

• Maryland economy to begin to catch up in 2015
  • Stronger job growth and decline in unemployment rate
  • Pace of housing market recovery to pick up modestly
The Final Four Three

• Not an exciting time but a steady time
  • Slower growth in the labor force and productivity suggests moderate growth in the economy

• Maryland economy to begin to catch up in 2015
  • Stronger job growth and decline in unemployment rate
  • Pace of housing market recovery to pick up modestly

• Baltimore region to continue to outperform
  • Job growth to match or exceed U.S. average growth
  • Information technology, health, and transportation sectors to lead growth
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.