2019 Economic Outlook

Garrett County Chamber of Commerce
January 15, 2019

Andy Bauer
Vice President and Regional Executive
Overview

• National Outlook
  • Entering 2019 after a very strong ’18 – overall growth expected to slow to a rate closer to trend
  • Consumer spending, labor market very strong
  • Solid business investment & commercial real estate
  • Residential sector continues to face challenges
  • Uncertainty huge – could material impact the outlook

• Maryland
  • Rebound last year after weak start; expecting solid growth in 2019
  • However, key metrics lag the US. Long-term very positive.

• Garrett County
  • Modest growth—income and employment—in recent years
  • Labor market continues to improve – lower unemployment, lower unemployment rate
  • However, level of employment little changed; declining labor force
Real Gross Domestic Product

Note: Projection is the median, central tendency, and range from the December 2018 Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

Source: Bureau of Economic Analysis via Haver Analytics & Federal Reserve Board
Nonfarm Payroll Employment

Quarterly average of monthly changes, thousands of persons

Notes: White bar on the right is based on an incomplete quarter.

Source: Bureau of Labor Statistics via Haver Analytics
Unemployment Rate

Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the December 2018 meeting. Red dots indicate median projections.

Source: Bureau of Labor Statistics & Board of Governors via Haver Analytics
Average Hourly Earnings

12 Month % Change of 3-Month Moving Average

Monthly % Change
- Dec: 0.4%
- Nov: 0.2%
- Oct: 0.2%
- Sep: 0.3%
- Aug: 0.4%

Source: Bureau of Labor Statistics via Haver Analytics
Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the December 2018 meeting. Red dots indicate median projections.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics
Core Personal Consumption Expenditure Price Index

Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the December 2018 meeting. Red dots indicate median projections. Core PCE Price Index excludes expenditures on gasoline and food services.

Source: Bureau of Economic Analysis & Board of Governors via Haver Analytics
Garrett County
Modest income growth in recent years

Source: Bureau of Economic Analysis/Haver Analytics
Modest & uneven job growth

Payroll Employment Growth
percent change, year/year

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

Maryland
Nov2018 = 1.4%

Garrett County
Jun2018 = 0.6%

US
Oct2018 = 1.7%

Source: Bureau of Labor Statistics/Haver Analytics
Level of employment little changed in recent years and very near 2008 levels

Source: Bureau of Labor Statistics/Haver Analytics
Number of unemployed down considerably; but number of employed less than prior to recession

Garrett County Labor Force
in thousands, 12-month moving average

Labor force down roughly 2% over past 12 months

Unemployed (lhs)
Nov2018 = 0.8

Employed (rhs)
Nov2018 = 14.6

Source: Bureau of Labor Statistics/Haver Analytics
Labor market continues to tighten

Unemployment Rate

*12-month moving average

Source: Bureau of Labor Statistics/Haver Analytics
Labor market continues to tighten

Source: Bureau of Labor Statistics
New business formation stalled

Source: Bureau of Labor Statistics/Haver Analytics
## Establishments & Employment Detail

### Garrett County Establishments & Employment

(change from Q2-2017 to Q2-2018)

<table>
<thead>
<tr>
<th>Establishments</th>
<th>Employment*</th>
<th>Total Quarterly Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>1.9</td>
</tr>
<tr>
<td>Service-providing</td>
<td>14</td>
<td>2.3</td>
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<tr>
<td>Goods-producing</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td>Natural resources and mining</td>
<td>-1</td>
<td>-2.9</td>
</tr>
<tr>
<td>Construction</td>
<td>-1</td>
<td>-0.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>9.1</td>
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<tr>
<td>Trade, transportation, and utilities</td>
<td>-3</td>
<td>-1.4</td>
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<tr>
<td>Information</td>
<td>-1</td>
<td>-10.0</td>
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<tr>
<td>Financial activities</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>6</td>
<td>5.6</td>
</tr>
<tr>
<td>Education and health services</td>
<td>6</td>
<td>8.2</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>7</td>
<td>7.1</td>
</tr>
<tr>
<td>Other services</td>
<td>-2</td>
<td>-3.6</td>
</tr>
</tbody>
</table>

*June

**Source:** Bureau of Labor Statistics
Summary

• National Outlook
  • Entering 2019 after a very strong ’18 – overall growth expected to slow to a rate closer to trend
  • Consumer spending, labor market very strong
  • Uncertainty huge – could material impact the outlook

• Maryland
  • Rebound last year after weak start; expecting solid growth in 2019
  • However, key metrics lag the US
  • Long-term very positive

• Garrett County
  • Expectations for continued modest growth due to:
    • Weaker trends in labor force & business formation
    • Labor market tight
    • Residential sector – challenging year in 2018. 2019 likely to be a year with modest improvement
Appendix
### Garrett County Establishments & Employment

( Q2-2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Quarterly Establishments</th>
<th>June Employment</th>
<th>Total Quarterly Wages</th>
<th>Average Weekly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>857</td>
<td>10,435</td>
<td>$82,495,743</td>
<td>$631</td>
</tr>
<tr>
<td>Service-providing</td>
<td>623</td>
<td>8,105</td>
<td>$58,069,491</td>
<td>$574</td>
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<tr>
<td>Goods-producing</td>
<td>234</td>
<td>2,330</td>
<td>$24,426,252</td>
<td>$826</td>
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<tr>
<td>Natural resources and mining</td>
<td>34</td>
<td>339</td>
<td>$4,942,109</td>
<td>$1,140</td>
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<tr>
<td>Construction</td>
<td>152</td>
<td>981</td>
<td>$10,358,908</td>
<td>$848</td>
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<tr>
<td>Manufacturing</td>
<td>48</td>
<td>1,010</td>
<td>$9,125,235</td>
<td>$701</td>
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<tr>
<td>Trade, transportation, and utilities</td>
<td>210</td>
<td>2,643</td>
<td>$19,267,155</td>
<td>$576</td>
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<tr>
<td>Information</td>
<td>9</td>
<td>147</td>
<td>$1,233,583</td>
<td>$568</td>
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<tr>
<td>Financial activities</td>
<td>53</td>
<td>573</td>
<td>$4,098,968</td>
<td>$588</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>113</td>
<td>885</td>
<td>$8,844,144</td>
<td>$805</td>
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<tr>
<td>Education and health services</td>
<td>79</td>
<td>1,747</td>
<td>$15,265,976</td>
<td>$669</td>
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<tr>
<td>Leisure and hospitality</td>
<td>106</td>
<td>1,824</td>
<td>$7,031,385</td>
<td>$333</td>
</tr>
<tr>
<td>Other services</td>
<td>53</td>
<td>286</td>
<td>$2,328,280</td>
<td>$623</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Establishment/Employment Composition

Garrett County Employment
(Percent of total, Q2-2018)

- Trade, transportation, and utilities: 25.6%
- Manufacturing: 10.0%
- Construction: 9.3%
- Natural resources and mining: 3.3%
- Other services: 2.9%
- Leisure and hospitality: 16.1%
- Education and health services: 9.2%
- Professional and business services: 13.2%
- Financial activities: 8.4%
- Information: 1.7%
- (Wholesale: 15%, Retail: 69%, Transportation/Warehousing: 15%)

Garrett County Establishments
(Percent of total, Q2-2018)

- Trade, transportation, and utilities: 24.5%
- Manufacturing: 5.6%
- Construction: 17.7%
- Natural resources and mining: 4.0%
- Other services: 6.2%
- Leisure and hospitality: 12.4%
- Education and health services: 9.2%
- Professional and business services: 13.2%
- Financial activities: 6.2%
- Information: 1.1%
- (Wholesale: 16%)

Source: U.S. Bureau of Labor Statistics (QCEW)
Garrett County Employment
(percent of total, Q2-2018)

- Trade, transportation, and utilities, 23.4
- Construction, 12.6
- Manufacturing, 11.1
- Education and health services, 18.5
- Professional and business services, 10.7
- Financial activities, 5.0
- Information, 1.5
- Natural resources and mining, 6.0
- Other services, leisure and hospitality, 8.5

(Wholesale: 16%
Retail 59%,
Transportation/Warehousing 22%)

Source: U.S. Bureau of Labor Statistics (QCEW)
Monetary Policy
Summary of Economic Projections: Federal Funds Rate

Note: Each dot in the chart represents the value of an FOMC participant’s judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made for the September 2018 meeting.
Eurodollar Futures

Source: CME Group via Bloomberg
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.