U.S. and Virginia Economic Update

Virginia Association of Economists Annual Meeting
April 5, 2018

Ann Macheras
Group Vice President
Overview

• National Economic Trends
  • Gross Domestic Output
  • Labor Markets
  • Inflation

• Virginia Economic Trends
  • Business Activity – Manufacturing and Services
  • Labor Market
  • Industry Trends
  • Metropolitan Areas
National Economic Trends
U.S. Real Gross Domestic Product

% Change, SAAR

Q4: 2017
US: 2.9%

Note: Projected GDP is the range from the March 2018 Summary of Economic 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 and Federal Reserve Board
Employment Growth

Average Monthly Change, Thous.

Source: Bureau of Labor Statistics/Haver Analytics

Monthly Change
February: 313
January: 239
December: 175
February 2018
US: 4.1%

Note: Projected unemployment rates are the range from the March 2018 Summary of Economic Projections. Projections of the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated.
Labor Force Participation

Percent of Population

- Total Civilian Labor Force
- Age 16-24

Source: Bureau of Labor Statistics/Haver Analytics
Consumer Price Index

YoY % Change

February 2018
All Items: 2.2
Core CPI: 1.8

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Economic Trends
Surveys of Business Activity: Manufacturing

<table>
<thead>
<tr>
<th>Month</th>
<th>Richmond</th>
<th>Empire State</th>
<th>Philadelphia</th>
<th>ISM</th>
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</thead>
<tbody>
<tr>
<td>March</td>
<td>15</td>
<td>22.5</td>
<td>22.3</td>
<td>59.3</td>
</tr>
<tr>
<td>February</td>
<td>28</td>
<td>13.1</td>
<td>25.8</td>
<td>60.8</td>
</tr>
<tr>
<td>January</td>
<td>14</td>
<td>17.7</td>
<td>22.2</td>
<td>59.1</td>
</tr>
</tbody>
</table>

Source: The Federal Reserve Banks of Richmond, New York, and Philadelphia; and Institute of Supply Managers
State Employment Growth

Map showing state employment growth with color coding indicating the percentage change from 2017 to 2018.

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Payroll Employment

February 2018
US: 1.6%
VA: 0.9%

Source: Bureau of Labor Statistics/Haver Analytics
MSA Payroll Employment Growth in Virginia
Percent Change in Employment from a Year Ago

February 2018

- Charlottesville: 3.2%
- Winchester: 3.0%
- Northern Virginia: 2.0%
- US: 1.6%
- Lynchburg: 1.2%
- Virginia: 0.9%
- Harrisonburg: 0.9%
- Richmond: 0.7%
- Virginia Beach: 0.0%
- Roanoke: -0.4%
- Blacksburg: -0.7%

Source: Bureau of Labor Statistics/Haver Analytics
Contribution to Employment Growth by Area

Contribution to Total Employment Growth
(percent change from year ago)

Northern Virginia
Richmond MSA
Virginia Beach MSA (VA portion)
Other Metro/Micro (VA portion)
Non-metro

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Industry Structure

Natural Resources & Mining
- U.S.: 0.5
- Virginia: 0.2

Construction
- U.S.: 4.7
- Virginia: 4.9

Manufacturing
- U.S.: 5.9
- Virginia: 8.5

Trade, Transportation & Utilities
- U.S.: 16.8
- Virginia: 18.8

Information
- U.S.: 1.9
- Virginia: 1.7

Financial Activities
- U.S.: 5.8
- Virginia: 5.2

Professional & Business Services
- U.S.: 14.0
- Virginia: 13.4

Education & Health Services
- U.S.: 15.8
- Virginia: 13.4

Leisure & Hospitality
- U.S.: 10.9
- Virginia: 10.2

Other Services
- U.S.: 3.9
- Virginia: 5.1

Government
- U.S.: 15.2
- Virginia: 18.1

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Industry Growth

February 2018

- Total
- Natural Resources & Mining
- 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
Contribution to Employment Growth by Industry

Feb 2018

Source: Bureau of Labor Statistics/Haver Analytics
Contribution to Employment Growth by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Dec 2015</th>
<th>Feb 2018</th>
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</thead>
<tbody>
<tr>
<td>Mining &amp; Logging</td>
<td>0.06</td>
<td>0.13</td>
</tr>
<tr>
<td>Construction</td>
<td>0.09</td>
<td>0.15</td>
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<tr>
<td>Manufacturing</td>
<td>0.55</td>
<td>0.36</td>
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<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>0.60</td>
<td>0.06</td>
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<tr>
<td>Information</td>
<td>0.78</td>
<td>0.16</td>
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<tr>
<td>Professional &amp; business services</td>
<td>0.10</td>
<td>0.22</td>
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<tr>
<td>Education &amp; health services</td>
<td>0.35</td>
<td>0.04</td>
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<tr>
<td>Leisure &amp; hospitality</td>
<td>0.06</td>
<td>0.22</td>
</tr>
<tr>
<td>Other services</td>
<td>0.06</td>
<td></td>
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<tr>
<td>Government</td>
<td>-0.02</td>
<td>-0.01</td>
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</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Contribution to Employment Growth by Industry

![Contribution to Virginia Employment Growth](chart)

Source: Bureau of Labor Statistics/Haver Analytics
February 2018
US: 4.1%
VA: 3.5%

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment Rate – VA Metro Areas

Unemployment Trends

Source: Bureau of Labor Statistics/Haver Analytics
Summary

- Economic conditions nationally continue on moderate growth path
- Hiring activity and other labor market indicators are consistent with modest growth
- Pace of Virginia’s employment growth has been lagging that of the U.S.:
  - The large metro areas that have driven growth in the past are not contributing as strongly now
  - Industry sectors that traditionally generate the most jobs, not growing as robustly – PBS, EHS and other sectors
- Virginia’s unemployment rate remains low, but the gap relative to the U.S. has closed some
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.