Virginia’s Economic Landscape

Roanoke College
November 27, 2018

Ann Battle Macheras
Group Vice President
Overview

- Overview of the Federal Reserve
- National Economic Trends
  - Gross Domestic Output
  - Labor Markets
  - Housing
  - Inflation
- Regional Economic Trends
  - Labor Market
  - Industry Trends
  - Metropolitan Areas
  - Regional Differences
Brief Overview of the Federal Reserve
A Central Bank with a decentralized structure

Federal Reserve System

Board of Governors (Washington, D.C.)
* A government agency

12 Regional Reserve Banks
* Private nonprofit

Federal Open Market Committee (FOMC)
* 7 governors + 5 RB presidents
Federal Reserve Bank Districts

[Map of the United States with Federal Reserve Banks marked in various colors, and Board of Governors and Federal Open Market Committee (FOMC) marked.]
The Fed’s mission, functions, and you

**Mission:** To foster a stable banking system and a healthy, growing economy.

**Core Functions**

- Monetary Policy
- Bank Supervision and Regulation
- Payment Services
Inequality in and across Cities

By Jessie Romero and Felipe Schwartzman

Inequality in the United States has an important spatial component. More-skilled workers tend to live in larger cities where they earn higher wages. Less-skilled workers make lower wages and do not experience similar gains even when they live in those cities. This dynamic implies that larger cities are also more unequal. These relationships appear to have become more pronounced as inequality has increased. The evidence points to externalities among high-skilled workers as a significant contributor to those patterns.
Resources from the Richmond Fed – Economic Education

Student Loans
Are yours afloat?

Inside:
- Beacons to guide student loan repayment
- Steering clear of student loan default

Invest in What’s Next: Life After High School
SNAPSHOT
A MONTHLY UPDATE OF THE FIFTH DISTRICT ECONOMY

January 2017

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity
October 23, 2018

Fifth District manufacturing activity expanded moderately in October, according to the results from the most recent survey by the Federal Reserve Bank of Richmond. The composite index fell from 29 in September to 15 in October, as indexes for shipments and new orders dropped, while the third component, employment, rose. However, survey respondents were optimistic, expecting to see positive growth across most measures in the coming months.

While the employment index rose in October, the indexes for wages and workweek dropped but remained positive, indicating continued but weaker growth. Firms were unable to find workers with skills they needed, as the skills index dropped to an all-time low of −22. Respondents expect this struggle to continue in the next six months.

Both prices paid and prices received grew at an accelerated rate in October. Growth of prices paid continued to outpace growth of prices received and hit its highest rate since May 2011. Firms expect price growth to continue in the near future.

Price Trends

Manufacturing Activity

Wages

Monthly

3-month moving average
The National Economy
Economic growth expected to moderate over time

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics, September 2018 Summary of Economic Projections
Employment growth has enjoyed a sustained period of gains.

Monthly Change
October: 250
September: 118
August: 286

Source: Bureau of Labor Statistics/Haver Analytics
Solid job growth joined by declining unemployment rate

Wage growth is finally accelerating in a tight labor market

Source: Bureau of Labor Statistics/Haver Analytics
Construction of single-family homes remains subdued

Source: U.S. Census Bureau/Haver Analytics
Growth in home prices has maintained a steady pace

Source: CoreLogic Information Solutions, Inc.
Measures of inflation consistent with the Fed’s target

Personal Consumption Expenditure (PCE) Index

YoY % Change

Source: Bureau of Economics Analysis, Federal Reserve Board of Governors/Haver Analytics
Monetary Policy – no change at last FOMC meeting

Source: Board of Governors via Haver Analytics
The Regional Economy
Virginia’s employment growth has “caught up” to U.S.

Source: Bureau of Labor Statistics via Haver Analytics
Virginia’s industry composition differs from the U.S.

![Bar chart showing employment share by industry for Virginia and the U.S. in 2018.](chart)

- **Natural Resources & Mining**: Virginia (0.2%) vs. U.S. (0.5%)
- **Construction**: Virginia (5.1%) vs. U.S. (5.0%)
- **Manufacturing**: Virginia (6.0%) vs. U.S. (8.5%)
- **Trade, Transportation & Utilities**: Virginia (16.7%) vs. U.S. (18.5%)
- **Information**: Virginia (1.6%) vs. U.S. (1.8%)
- **Financial Activities**: Virginia (5.2%) vs. U.S. (5.7%)
- **Professional & Business Services**: Virginia (14.2%) vs. U.S. (15.9%)
- **Education & Health Services**: Virginia (10.9%) vs. U.S. (13.7%)
- **Leisure & Hospitality**: Virginia (10.2%) vs. U.S. (10.9%)
- **Other Services**: Virginia (3.9%) vs. U.S. (5.1%)
- **Government**: Virginia (5.1%) vs. U.S. (15.1%)

**Source:** Bureau of Labor Statistics/Haver Analytics
Broad-based employment growth across VA industry sectors

October 2018

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S. YoY % Chg (SA)</th>
<th>Virginia YoY % Chg (SA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.7</td>
<td>1.8</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td></td>
<td>3.7</td>
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<tr>
<td>Construction</td>
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<td>Manufacturing</td>
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<tr>
<td>Government</td>
<td>-2.6</td>
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</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Modest employment growth in largest metro areas

Source: Bureau of Labor Statistics/Haver Analytics
Employment growth accelerating for Roanoke MSA

October 2018
US: 1.7%
VA: 1.8%
Roanoke: 2.3%

Source: Bureau of Labor Statistics/Haver Analytics
Most industry sectors growing solidly in Roanoke

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Roanoke YoY % Chg (NSA)</th>
<th>Virginia YoY % Chg (NSA)</th>
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<tbody>
<tr>
<td>Total</td>
<td>2.4</td>
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<tr>
<td>Natural Resources &amp; Construction</td>
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<td>Financial Activities</td>
<td>1.2</td>
<td>2.8</td>
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<td>2.1</td>
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<tr>
<td>Government</td>
<td>-3.0</td>
<td>2.1</td>
</tr>
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</table>

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment rate continues to fall in Virginia

October 2018
US: 3.7%
VA: 2.9%

Source: Bureau of Labor Statistics/Haver Analytics
And Roanoke’s unemployment rate is even lower

Source: Bureau of Labor Statistics/Haver Analytics
Counties vary from more urban to more rural

Source: National Center for Health Statistics 2013 Urban-Rural Classification Scheme for Counties
Unemployment rates vary across the state

Source: Bureau of Labor Statistics, annual average 2017
… and labor force participation rates vary widely

Source: U.S. Census Bureau, ACS, 5-year estimate, 2016
Summary

- Economic growth in the U.S. continues to be solid, with tightening labor markets and some employers reporting difficulty finding and attracting skilled workers.
- Housing markets have moderated, and construction activity is not back to where it was in the 1990s; inventories of new homes remain low.
- The trend in Virginia’s labor market is similar to the nation, and although growth had been trailing that of the U.S. for most of the last few years, the gap has now closed.
- Roanoke’s labor market is also strong, with job growth accelerating and a low unemployment rate.
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.