National and Regional Economic Outlook

Montgomery County Chamber of Commerce
September 5, 2019

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Vice President and Economist
What is the Story?

- U.S. economic growth by the numbers looks solid
  - GDP is growing as anticipated
  - Labor markets are tight
- Sentiment is broadly less positive than most of the numbers and manufacturing seems to be softening. Residential and business fixed investment growth were soft in the second quarter.
- The Virginia economy is growing, but employment growth continues to trail that of the southern part of the District and the U.S.
- Economic realities are not uniform across the nation or the Commonwealth and ensuring that all Virginians (and Americans) have equal opportunity to participate in the economy is critical to success.
National Economy
U.S. Real Gross Domestic Product

% Change, SAAR

Q2: 2019
US: 2.0%

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics
Total Employment Growth

Average Monthly Change, Thous.

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment Rate

July 2019
US: 3.7%

Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics
Average Hourly Earnings

Source: Bureau of Labor Statistics/Haver Analytics
Non-residential Fixed Investment

% Change, SAAR

Q2:2019
-0.6%

Source: Bureau of Economic Analysis via Haver Analytics
Residential Fixed Investment

% Change, SAAR

Q2:2019
-2.9%

Source: Bureau of Labor Statistics/Haver Analytics
University of Michigan Consumer Expectations

Source: University of Michigan via Haver Analytics
National Federation of Independent Business

Index, 1986=100

Source: NFIB via Haver Analytics
Duke/CFO Survey

Index, 100 = Most Optimistic

Source: Duke/CFO via Haver Analytics
PCE Inflation

July 2019
PCE Inflation: 1.4
PCE Less Food & Energy: 1.6

Source: Bureau of Economics Analysis, Federal Reserve Board of Governors/Haver Analytics
Federal Funds Rate

Source: Federal Reserve Board and FRBNY via Haver Analytics
The dot plot for the Fed Funds Rate

Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

Source: Federal Reserve Board, June 2019 Summary of Economic Projections
Regional Economy
Manufacturing Index

Richmond Manufacturing Survey and ISM Manufacturing Survey

Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics
Payroll Employment

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

July 2019

- Natural Resources & Mining: U.S. 0.5, Virginia 0.2
- Construction: U.S. 5.1, Virginia 5.1
- Manufacturing: U.S. 8.6, Virginia 6.1
- Trade, Transportation & Utilities: U.S. 18.4, Virginia 16.2
- Information: U.S. 1.9, Virginia 1.6
- Financial Activities: U.S. 5.8, Virginia 5.2
- Education & Health Services: U.S. 15.8, Virginia 13.5
- Leisure & Hospitality: U.S. 11.6, Virginia 11.0
- Other Services: U.S. 4.0, Virginia 5.1
- Government: U.S. 14.1, Virginia 17.0

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Unemployment Rate

Source: Bureau of Labor Statistics/Haver Analytics

July 2019
US: 3.7%
VA: 2.9%
Employment to Population Ratio by County
(Of Population Aged 16 and Over)

- 25.3 - 40.9
- 41.0 - 49.9
- 50.0 - 56.3
- 56.4 - 63.0
- 63.1 - 74.3

Source: ACS 2017 5-Year Estimates
Why Does the Fed Care?

1) Are we leaving untapped opportunities?

2) We have a mandate to understand the region

3) Through the CRA, we have a mandate to understand conditions facing low-to-moderate income communities
Population growth is slower (or even negative!)

Source: U.S Census Bureau

[Graph showing YoY Population Change for Rural (U.S), Urban (U.S), Rural (VA), and Urban (VA) from 2011 to 2017]
Job growth is slower too…

Source: Bureau of Labor Statistics
Education matters to earnings...

Median Earnings

- **Graduate or Professional Degree**: $80,946
  - **United States**: $71,097
  - **Virginia**: $52,484

- **Bachelor's Degree**: $58,191
  - **United States**: $52,484
  - **Virginia**: $42,165

- **Some College or Associate's Degree**: $37,428
  - **United States**: $36,190
  - **Virginia**: $32,780

- **High School or Equivalent**: $31,165
  - **United States**: $30,624
  - **Virginia**: $27,482

- **Less than High School**: $24,777
  - **United States**: $23,031
  - **Virginia**: $20,761

Source: 2017 American Community Survey
### Education matters to labor market attachment...

<table>
<thead>
<tr>
<th></th>
<th>Virginia</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td><strong>Percent</strong></td>
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<tr>
<td>Bachelor's Degree or Higher</td>
<td>2.2%</td>
<td>2.6%</td>
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<tr>
<td>Some College or Associate's Degree</td>
<td>3.8%</td>
<td>4.3%</td>
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<tr>
<td>High School Graduate or Equivalent</td>
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<tr>
<td>Less than High School Graduate</td>
<td>8.0%</td>
<td>6.8%</td>
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<tr>
<td><strong>Labor Force Participation Rate</strong></td>
<td><strong>Percent</strong></td>
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<td>Bachelor's Degree or Higher</td>
<td>87.8%</td>
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<tr>
<td>Less than High School Graduate</td>
<td>60.8%</td>
<td>60.2%</td>
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</tbody>
</table>

*Source: 2017 American Community Survey*
Virginians are become more educated...

### Educational Attainment from 1970 to 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Less Than High School</th>
<th>High School</th>
<th>Some College</th>
<th>College</th>
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</thead>
<tbody>
<tr>
<td>1970</td>
<td>12.3%</td>
<td>19.1%</td>
<td>24.5%</td>
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<tr>
<td>1980</td>
<td>10.3%</td>
<td>14.9%</td>
<td>24.0%</td>
<td>26.0%</td>
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<tr>
<td>1990</td>
<td>25.2%</td>
<td>28.4%</td>
<td>26.7%</td>
<td>26.0%</td>
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<tr>
<td>2000</td>
<td>52.2%</td>
<td>37.6%</td>
<td>24.8%</td>
<td>18.5%</td>
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<tr>
<td>2010</td>
<td>10.3%</td>
<td>26.3%</td>
<td>26.0%</td>
<td>13.9%</td>
</tr>
<tr>
<td>2017</td>
<td>38.7%</td>
<td>26.0%</td>
<td>24.2%</td>
<td>10.3%</td>
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<td>16.2%</td>
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<td>1980</td>
<td>10.6%</td>
<td>15.7%</td>
<td>24.9%</td>
<td>28.9%</td>
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<tr>
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<td>31.1%</td>
<td>34.6%</td>
<td>27.4%</td>
<td>27.1%</td>
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<tr>
<td>2000</td>
<td>47.7%</td>
<td>33.5%</td>
<td>28.6%</td>
<td>14.4%</td>
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<tr>
<td>2010</td>
<td>14.4%</td>
<td>28.5%</td>
<td>28.5%</td>
<td>12.0%</td>
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</tbody>
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Source: 2017 American Community Survey
...but educational attainment is not distributed evenly

Percent with Bachelor's by County
(Of Population Ages 25-64)

Source: U.S Census Bureau

Source: 2017 ACS 5-Year Estimates
Some students may lack preparation for college

• Many students who enroll don’t graduate
  – Bachelor’s degree completion rates of enrollees: 50%
  – First generation enrollees complete at about half that rate

• Children from lower income families do not receive the same level of early education

• Students may also be worried about the difficulty of paying for college, taking on student loans, and the uncertainty of their earnings after college

• What role can community colleges play? Community college is a low-cost way for students to learn about how prepared they are for a 4-year college and improve that preparation
What are some other themes?

• **Connection to jobs**
  – Another role for community colleges
  – What about place-based policies?

• **Isolation from outside networks**
  – Informational or institutional gaps in access
  – Closing of anchor institutions (e.g., hospitals)
  – Access to colleges, banks, health care, etc.

• **Other explanatory variables?**
  – Disability insurance
  – Opioids?
For example...

Opioid Prescribing Rate by County, 2017
(Prescriptions per 100 Residents)

- 151 - 396
- 101 - 150
- 76 - 100
- 51 - 75
- 1 - 50
- County-level data not available

Source: Centers for Disease Control and Prevention, National Center for Health Statistics, "U.S. County Prescribing Rates, 2017."
Drug Overdose Mortality Rate by County, 2016 (Individuals per 100,000)

- 30.0 or more
- 20.0 to 29.9
- 10.0 to 19.9
- Less than 10.0

Source: Centers for Disease Control and Prevention, National Center for Health Statistics, "Drug Poisoning Mortality in the United States, 1999 to 2016."
Summary

• Recent economic data indicates continued growth in the U.S. economy. Labor markets are tight and consumer spending is solid.

• However, recent data on housing investment and business fixed investment indicate softness and sentiment continues to be less positive than it was through most of 2018.

• The Virginia economy continues to grow, but more slowly than that of the U.S.

• Economic opportunity is not distributed evenly across the Commonwealth and understanding what underlies those differences will enable us to develop a strategy to maximize our potential as an economy.
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.