

Below, you'll find the most recent Virginia quarterly economic update, prepared by economist Fletcher Mangum for the Virginia Chamber Foundation. We hope you find this information useful for your business and planning purposes.

The Virginia Chamber Foundation has also recently launched the Virginia Economic Dashboard. It's an online tool we use to:

- *Compare Virginia's performance with our peer states*
- *Drill down to progress at the local level*
- *Track many of these metrics over time*

You can explore the Virginia Economic Dashboard on our website at www.vachamber.com by clicking on "Foundation" then "Dashboard."

Thank you for your continued support of the Virginia Chamber of Commerce and the Virginia Chamber Foundation.

*Barry DuVal
President & CEO
Virginia Chamber*



January 24, 2017

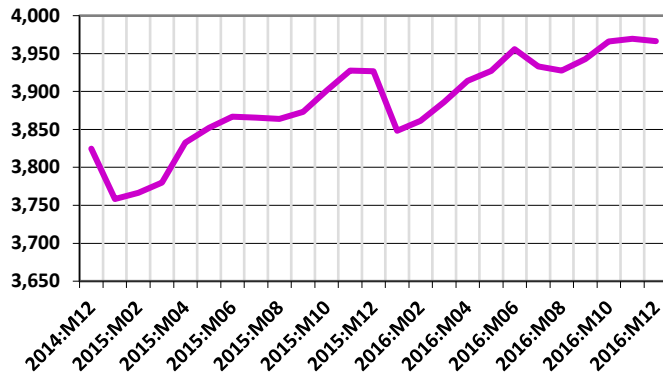
Fourth Quarter Economic Update – Continued Cooling Trend

In Sum

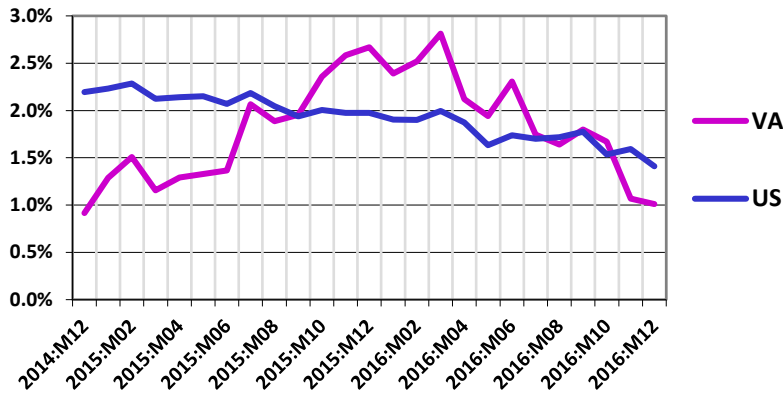
The 4th quarter of 2016 saw a continued deceleration in employment growth in Virginia. Where year-over-year growth in Total Nonfarm Employment was 2.7% in December 2015, by December 2016 that figure had fallen to 1.0%. Moreover, in the last two months of 2016 Virginia's year-over-year growth in Total Nonfarm Employment once again dropped below the national average. News on the wage front was brighter, as Virginia's year-over-year growth in average hourly wages exceeded the national average in the 4th quarter and throughout most of 2016. Finally, in December 2016, for the first time in several years, Virginia experienced a year-over-year increase in labor force participation, with the rate rising to 64.8% from 64.7% a year earlier.

Where We Are

Total Nonfarm Employment in Virginia increased by 39,700 jobs, or 1.0%, between December 2015 and December 2016.

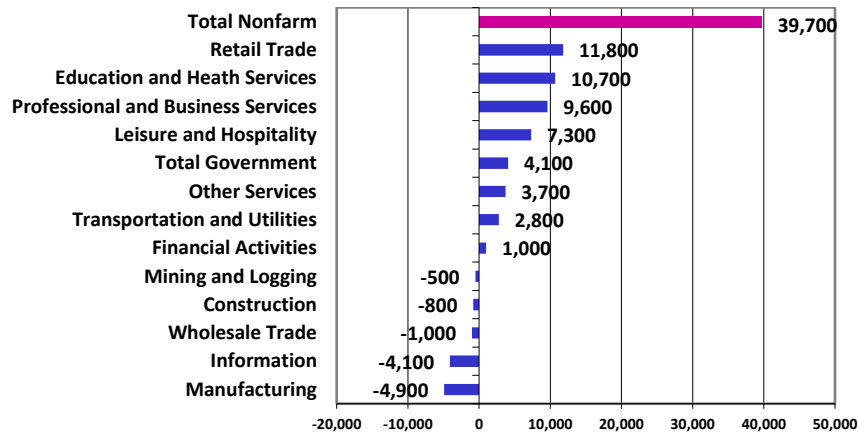


Total Statewide Nonfarm Employment: December 2014 to December 2016

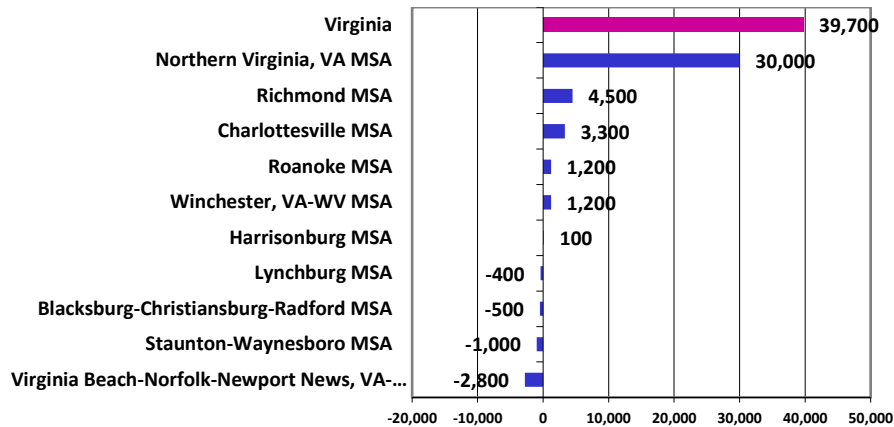


Year-over-Year Percentage Change in Total Nonfarm Employment: December 2014 to December 2016

Statewide growth in Total Nonfarm Employment was led by increases in the Retail Trade (up 11,800 jobs), Education and Health Services (up 10,700 jobs), and Professional and Business Services (up 9,600 jobs) sectors. From a regional perspective, the largest job gains occurred in the Northern Virginia (up 30,000 jobs), Richmond (up 4,500 jobs), and Charlottesville (up 3,300 jobs) MSAs.



December 2015 to December 2016 Increase in Total Nonfarm Employment by Sector

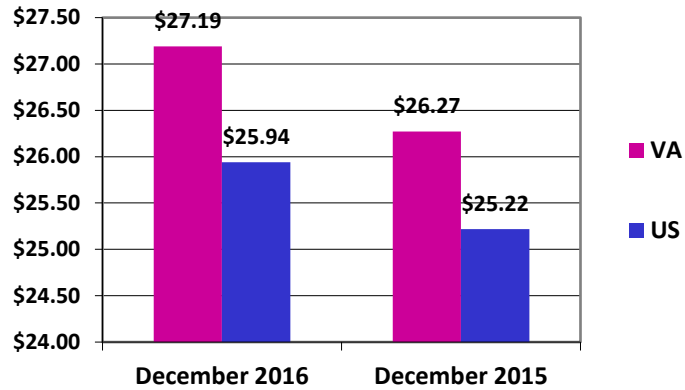


December 2015 to December 2016 Increase in Total Nonfarm Employment by MSA

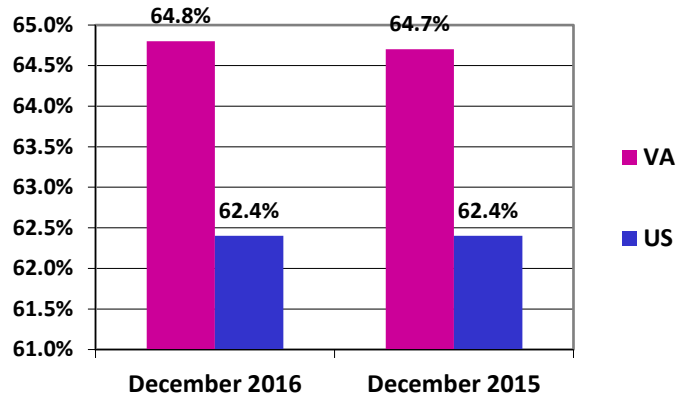
Virginia's 1.0% growth in statewide Total Nonfarm Employment between December 2015 and December 2016 was below the 1.4% increase posted at the national level. Moreover, only four of Virginia's thirteen major industry sectors out-performed the national norm over the period. Those were: Retail Trade (up 2.7% statewide vs. up 1.3% nationally); Transportation, Warehousing, and Utilities (up 2.1% statewide vs. up 0.9% nationally); Other Services (up 1.8% statewide vs. up 1.0% nationally); and Mining and Logging (down 5.8% statewide vs. down 10.3% nationally).

On the other side of the ledger, Virginia's Information (down 5.9% statewide vs. 0.0% nationally); Construction (down 0.4% statewide vs. up 1.5% nationally); Wholesale Trade (down 0.9% statewide vs. up 0.9% nationally); Manufacturing (down 2.1% statewide vs. down 0.4% nationally); Finance, Insurance, and Real Estate (up 0.5% statewide vs. up 1.9% nationally); Professional and Business Services (up 1.3% statewide vs. up 2.7% nationally); Education and Health Services (up 2.0% statewide vs. up 2.4% nationally); and Total Government (up 0.6% statewide vs. up 0.7% nationally) sectors under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$26.27 to \$27.19 between December 2015 and December 2016, a nominal increase of 3.5% and above the 2.9% nominal increase posted at the national level. Virginia's labor force participation rate, the proportion of the civilian population that is either employed or looking for work, posted its first year-over-year increase since March of 2014, rising from 64.7% in December 2015 to 64.8% in December 2016. This is in contrast to the national data, where the labor force participation rate remained constant at 62.4% over this period.

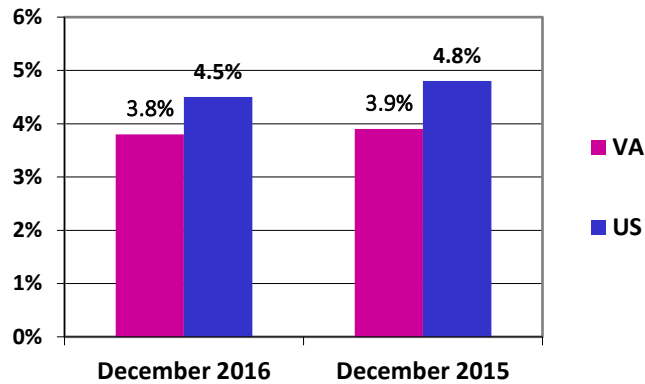


Private Sector Avg. Hourly Earnings: December 2016 vs. December 2015

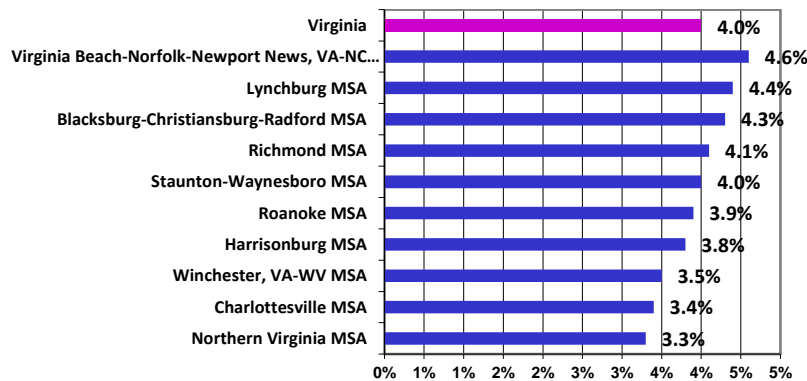


Labor Force Participation Rate: December 2016 vs. December 2015

Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 3.8% in December 2016, below the national unemployment rate of 4.5% for that month, and an improvement over the state's 3.9% unemployment rate a year before. From a regional perspective, in November 2016 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 4.6% in Virginia Beach-Norfolk-Newport News to a low of 3.3% in Northern Virginia.



Seasonally Unadjusted Unemployment Rate: December 2016 vs. December 2015



Seasonally Unadjusted Unemployment Rate: November 2016 by MSA

What to Look For

1. **Employment:** The 4th quarter of 2016 saw a continued deceleration in employment growth in Virginia. Where year-over-year growth in Total Nonfarm Employment was 2.7% in December 2015, by December 2016 that figure had fallen to 1.0%. Moreover, in the last two months of 2016 Virginia’s year-over-year growth in Total Nonfarm Employment dropped below the national average for two consecutive periods for the first time since August 2015.

At a sector level, the news was similar. Of Virginia’s thirteen major industry sectors, only Retail Trade and Total Government experienced year-over-year employment growth in December 2016 that was higher than what they experienced in December 2015. As a result, whereas only 7.8% of Virginia’s employment was in major industry sectors that had experienced year-over-year declines in employment at the end of the 3rd quarter in September 2016, as of the end of the 4th quarter in December 2016 that risk level had increased to 15.1%.

Finally, it is important to note that Virginia’s all-important Professional and Business Services sector – which is one of the state’s highest paying industry sectors and accounts for nearly one-fifth of total statewide employment – fell from a 4.8% year-over-year increase in employment in December 2015 to a 1.3% year-over-year increase in December 2016.

2. **Wages:** News on the wage front was brighter than on the employment front. Throughout most 2016, Virginia's year-over-year growth in average hourly wages exceeded the national average. As of December 2016, the state's year-over-year growth in average hourly wages was 3.5%, above the national average of 2.9% that month, and above the 3.1% growth Virginia had experienced a year earlier in December 2015.
3. **Labor Force Participation:** Low labor force participation, the proportion of the 16 and over population that is either employed or looking for work, continues to be one of the worst scars left by the 2007 recession. Labor force participation rates in Virginia and nationally fell precipitously during the recession and generally continued to trend downward through 2015. At the national level, that trend reversed in early 2016 as labor force participation rates began to very slowly rise again, although they continued to decline in Virginia. However, in December 2016, for the first time in several years, Virginia experienced a year-over-year increase in labor force participation, with the rate rising from 64.7% in December 2015 to 64.8% in December 2016. Although one data point does not make a trend, the possible reversal of the state's ongoing decline in labor force participation is nonetheless good news.
4. **Unemployment:** In December 2016, Virginia's seasonally unadjusted unemployment rate dropped to 3.8%, down from 3.9% the year before. That decline was driven entirely by a decrease in the number of individuals who were unemployed (down 4,029) and an increase in the number of individuals who were employed (up 42,620).

Announcements

1. **New and Expanding:** Virginia Economic Development Partnership announcements of new or expanding businesses in the 4th quarter 2016:
 - Statewide: 2,140 jobs and \$726.7 million in direct investment.
 - Big Stone Gap MSA: 14 jobs and \$0.3 million in direct investment.
 - Blacksburg-Christiansburg-Radford MSA: 13 jobs and \$9.1 million in direct investment.
 - Charlottesville MSA: 50 jobs and \$10.3 million in direct investment.
 - Danville MSA: 4 jobs and \$36.6 million in investment.
 - Martinsville MSA: 50 jobs and \$3.0 million in direct investment.
 - Richmond MSA: 936 jobs and \$98.2 million in direct investment.
 - Roanoke MSA: 38 jobs and \$1.5 million in direct investment.
 - Virginia Beach-Norfolk-Newport News MSA: 521 jobs and \$67.0 million in direct investment.
 - Northern Virginia MSA: 337 jobs and \$212.3 million in direct investment.
 - Winchester MSA: 55 jobs and \$32.0 million in direct investment.
2. **Reductions and Closures:** Virginia Economic Development Partnership announcements of reductions and closures in the 4th quarter 2016:
 - Statewide: 822 jobs.

- Blacksburg-Christiansburg-Radford MSA: 500 jobs.
- Richmond MSA: 70 jobs.
- Roanoke MSA: 121 jobs.
- Northern Virginia MSA: 131 jobs.

Data sources:

- U.S. Bureau of Economic Analysis
- U.S. Bureau of Labor Statistics
- Virginia Economic Development Partnership
- Virginia Employment Commission

Analysis Provided By

