

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 22, 2019

4th Quarter Economic Update – Continued Warm with Gusting Winds

IN SUM

After slogging through the most anemic recovery since the Great Depression, the 4th quarter capped the string of good news we have experienced throughout 2018:

- Nationally, year-over-year growth in Total Nonfarm employment continued to accelerate in the 4th quarter, although at a slower pace.
- In Virginia, our year-over-year growth in Total Nonfarm Employment, which had underperformed the national norm throughout most of the recovery from 2011 through 2017, accelerated to close the gap and briefly over-take the national trend.
- Year-over-year growth in Virginia's Education and Health Services, Leisure and Hospitality, Manufacturing, and Wholesale Trade sectors accelerated above the national norm in 2018 and those gaps continued to widen throughout the year.
- Year-over-year growth in Virginia's Construction, Financial Activities, and Transportation and Warehousing sectors also accelerated above the national norm but have recently started to slide back toward the national trend.

- Most importantly, year-over-year employment growth in Virginia's Professional and Business Services, the backbone of state's economy, accelerated to close the gap and finally over-take the national trend in the second half of 2018.
- At 2.6% statewide in Virginia, unemployment rates have fallen to levels not seen since the 1960s.

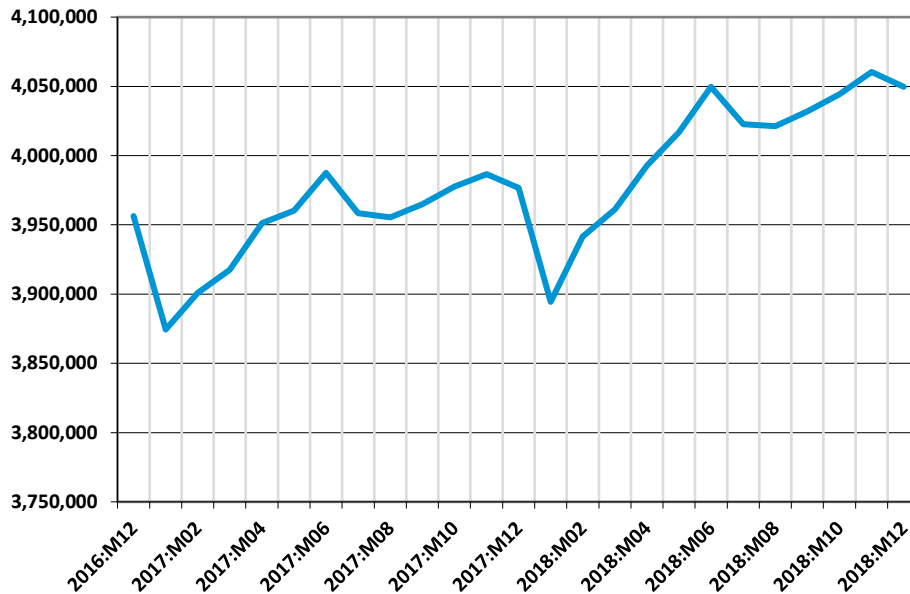
However, there are clouds on the horizon:

- The International Monetary Fund just cut its world economic growth forecast for 2019 to 3.5%, down from its 3.7% forecast in October and 3.9% forecast in July. Most of that retrenchment was driven by recent poor economic performance in Europe, exacerbated by the fact that growth in the Chinese economy has fallen to its slowest pace in nearly three decades.
- Most economic forecasters anticipate that U.S. GDP growth will decelerate from the 3.0% to 3.1% we experienced in 2018, to 2.4% to 2.5% in 2019.
- And finally, the ongoing partial federal government shutdown will almost certainly have an adverse impact on Virginia's economy during the 1st quarter of 2019.

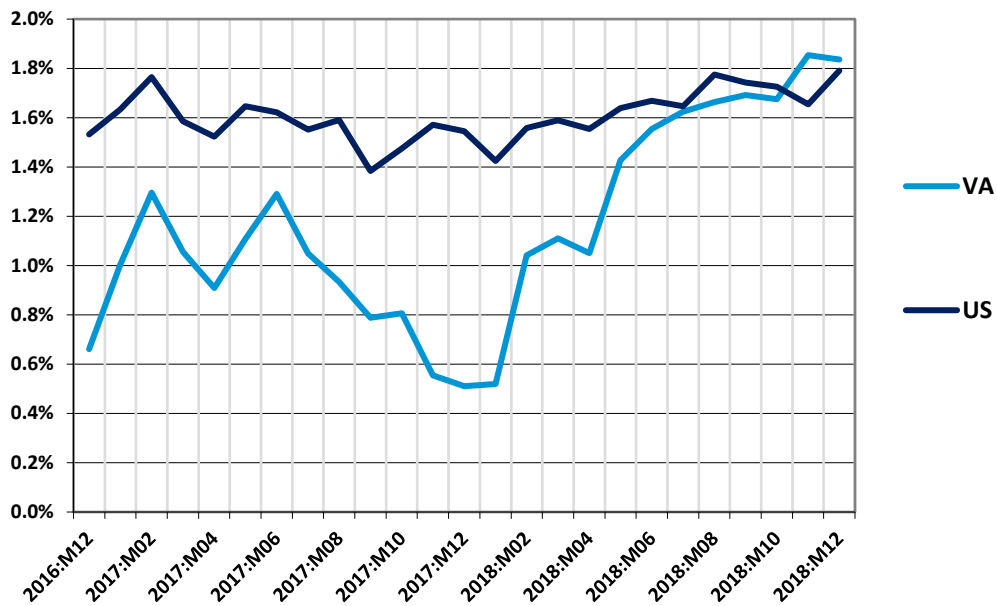
WHERE WE ARE

Total Nonfarm employment in Virginia increased by 93,200 jobs, or 2.4%, between December 2016 and December 2018.

Total Statewide Nonfarm Employment: December 2016 to December 2018

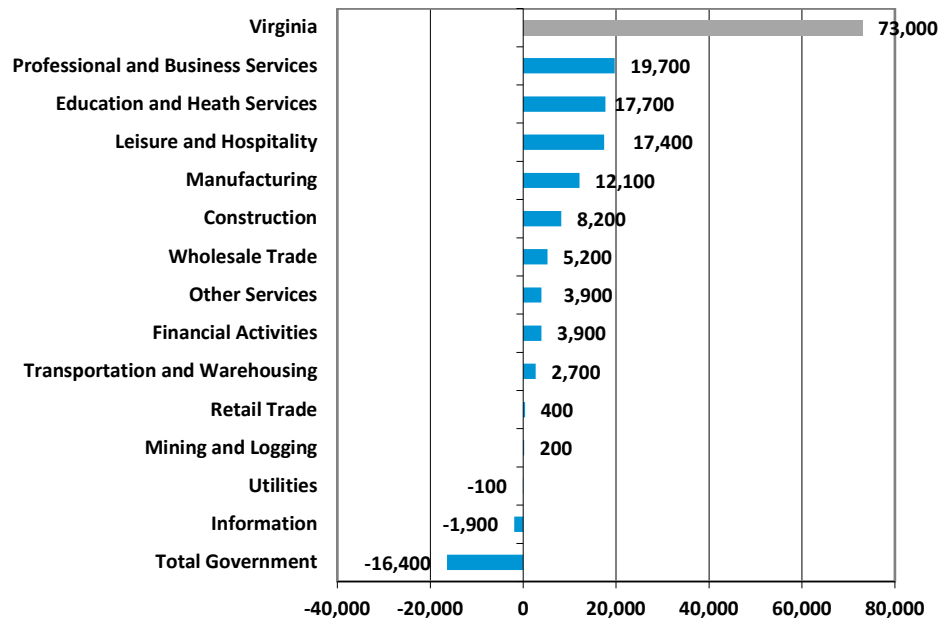


Year-over-Year Percentage Change in Total Nonfarm Employment: December 2016 to December 2018

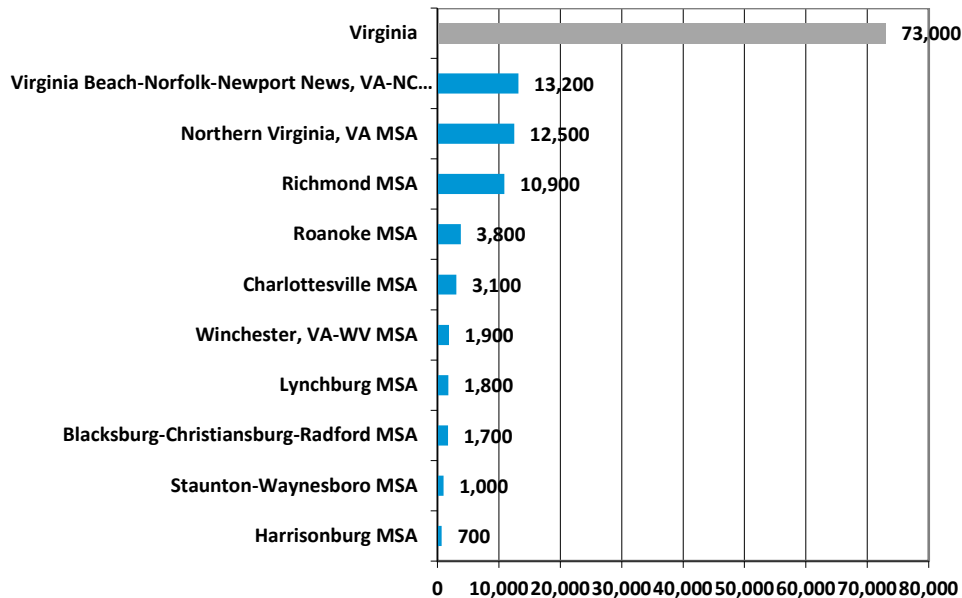


Between December 2017 and December 2018, statewide growth in Total Nonfarm employment was led by increases in the Professional and Business Services (up 19,700 jobs), Education and Health Services (up 17,700 jobs), and Leisure and Hospitality (up 17,400 jobs) sectors. From a regional perspective, the largest job gains occurred in the Virginia Beach-Norfolk-Newport News (up 13,200 jobs), Northern Virginia (up 12,500 jobs), and Richmond (up 10,900 jobs) MSAs.

December 2017 to December 2018 Increase in Total Nonfarm Employment by Sector



December 2017 to December 2018 Increase in Total Nonfarm Employment by MSA

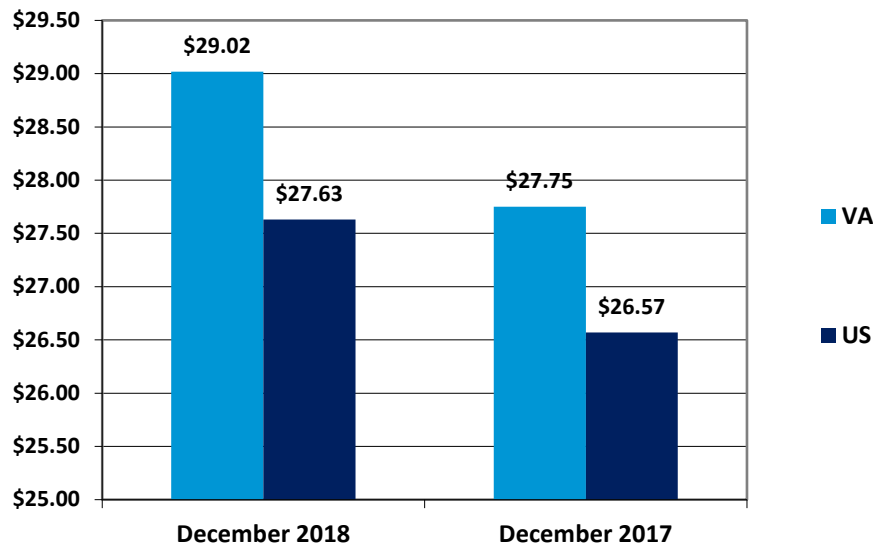


Virginia's 1.8% year-over-year growth in statewide Total Nonfarm employment in December 2018 was equal to the 1.8% increase posted at the national level. Seven of Virginia's 14 major industry sectors experienced year-over-year growth that was at or above the national norm. Those were: Manufacturing (up 5.1% statewide vs. up 2.3% nationally); Wholesale Trade (up 4.6% statewide vs. up 1.5% nationally); Leisure and Hospitality (up 4.5% statewide vs. up 2.0% nationally); Construction (up 4.2% statewide vs. up 4.1% nationally); Education and Health Services (up 3.3% statewide vs. up 2.2% nationally); Financial Activities (up 1.9% statewide vs. up 1.3% nationally); and Other Services (up 1.9% statewide vs. up 1.2% nationally).

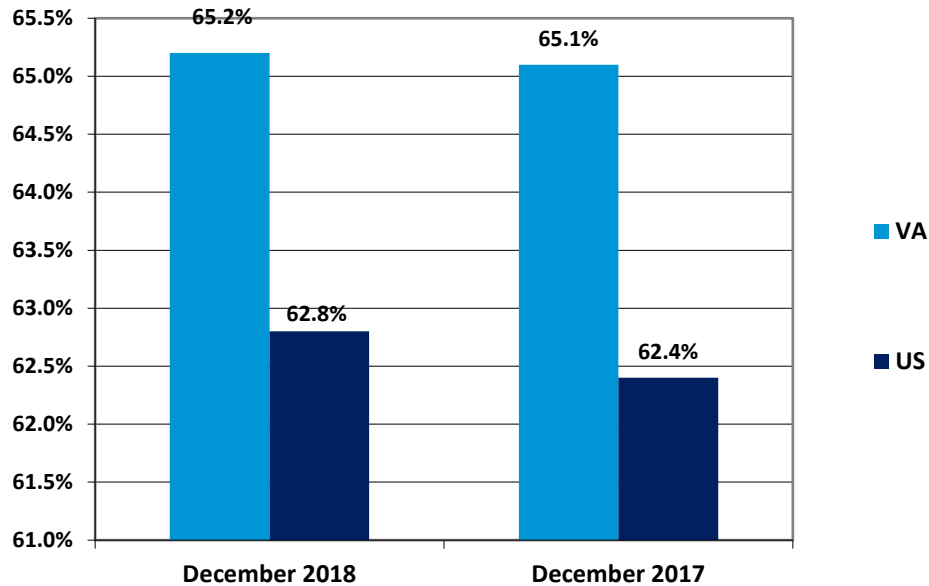
On the other side of the ledger, Virginia's Information (down 2.8% statewide vs. down 0.8% nationally); Total Government (down 2.3% statewide vs. up 0.4% nationally); Utilities (down 0.9% statewide vs. 0.0% nationally); Retail Trade (up 0.1% statewide vs. up 0.5% nationally); Transportation and Warehousing (up 2.1% statewide vs. up 3.7% nationally); Mining and Logging (up 2.4% statewide vs. up 8.4% nationally); and Professional and Business Services (up 2.7% statewide vs. up 2.8% nationally) sectors under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$27.75 to \$29.02 between December 2017 and December 2018, a nominal year-over-year increase of 4.6%, which was above the 4.0% nominal increase posted at the national level. Virginia's labor force participation rate, the proportion of the civilian population above the age of 16 that is either employed or looking for work, increased from 65.1% in December 2017 to 65.2% in December 2018. While at the national level, the labor force participation rate increased from 62.4% in December 2017 to 62.8% in September 2018.

Private Sector Avg. Hourly Earnings: December 2017 to December 2018

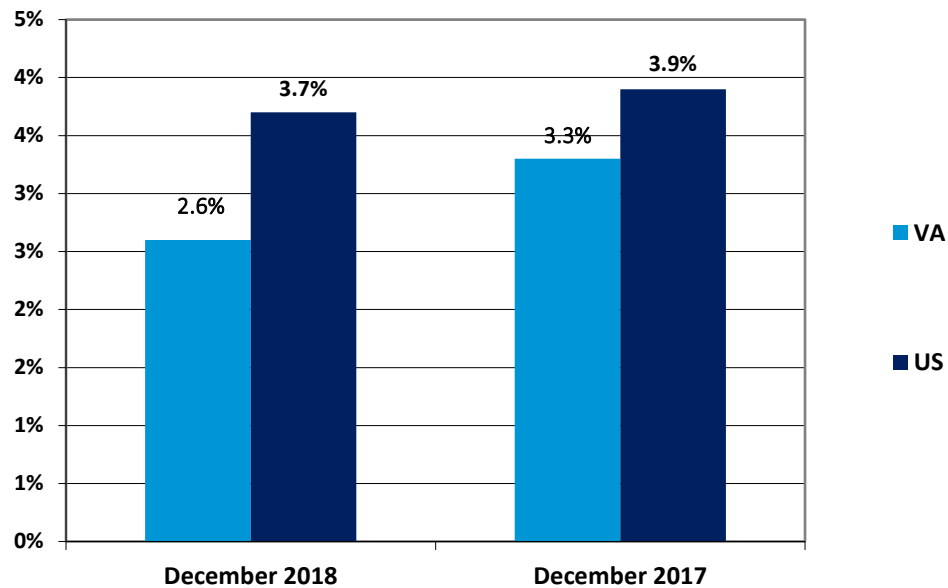


Labor Force Participation Rate: December 2017 to December 2018

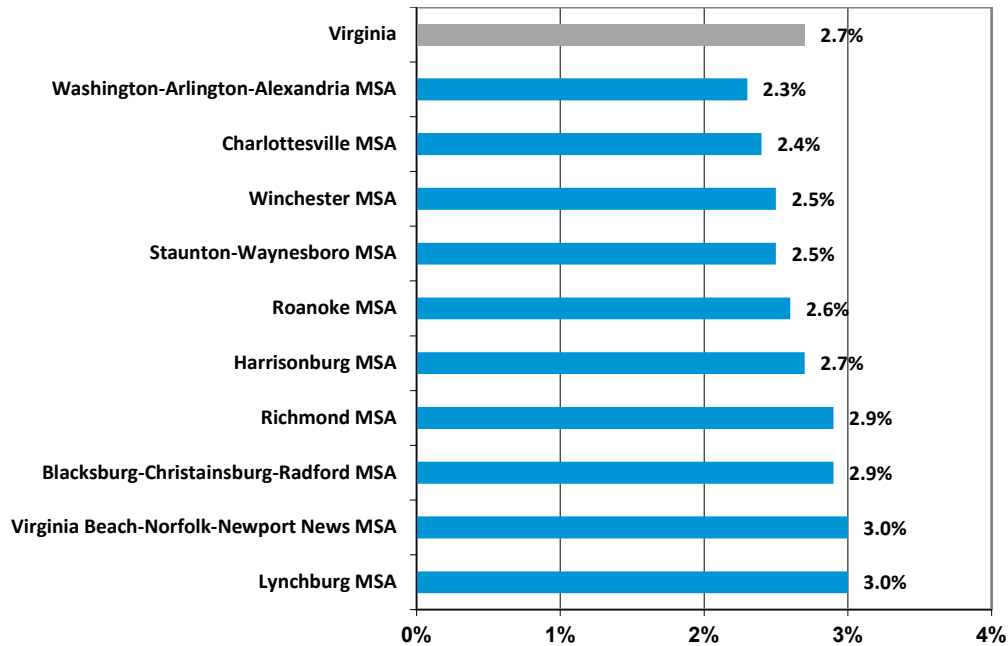


Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 2.6% in December 2018, below the national unemployment rate of 3.7% for that month, and an improvement over the state's 3.3% unemployment rate a year before. From a regional perspective, in November 2018 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 3.0% in Lynchburg and Virginia Beach-Norfolk-Newport News to a low of 2.3% in Northern Virginia.

Seasonally Unadjusted Unemployment Rate: December 2017 to December 2018



Seasonally Unadjusted Unemployment Rate: November 2018 by MSA



WHAT TO LOOK FOR

1) Employment

After slogging through the most anemic recovery since the Great Depression, the 4th quarter capped the string of good news we have experienced throughout 2018. Nationally, year-over-year growth in Total Nonfarm employment continued to accelerate in the 4th quarter, although at a slower pace. In Virginia, our year-over-year growth in Total Nonfarm Employment, which had under-performed the national norm throughout most of the recovery from 2011 through 2017, accelerated to close the gap and briefly over-take the national trend.

Moreover, year-over-year employment growth in Virginia's Education and Health Services, Leisure and Hospitality, Manufacturing, and Wholesale Trade sectors accelerated above the national norm in 2018 and those gaps continued to widen throughout the year, while year-over-year employment growth in the Construction, Financial Activities, and Transportation and Warehousing sectors also accelerated above the national norm but have recently started to slide back toward the national trend. Most importantly, year-over-year employment growth in Professional and Business Services, the backbone of Virginia's economy, accelerated to close the gap and finally over-take the national trend in the second half of 2018.

However, there are clouds on the horizon. The International Monetary Fund just cut its world economic growth forecast for 2019 to 3.5%, down from its 3.7% forecast in October and 3.9% forecast in July. Most of that retrenchment was driven by recent poor economic performance in Europe, exacerbated by the fact that growth in the Chinese economy has fallen to its slowest pace

in nearly three decades. In addition, most economic forecasters anticipate that U.S. GDP growth will decelerate from the 3.0% to 3.1% we experienced in 2018, to 2.4% to 2.5% in 2019, which would still be above the 2.1% we averaged during the 2010 to 2016 recovery. And finally, the ongoing partial federal government shutdown will almost certainly have an adverse impact on Virginia's economy during the 1st quarter of 2019.

2) Wages

News on the wage front was also good. Year-over-year growth in private sector average hourly earnings in Virginia accelerated above the national average in June 2018 and has continued to climb, hitting 4.6% in December as compared to 4.0% at the national level.

3) Labor Force Participation

Labor force participation, the proportion of the 16 and over population that is either employed or looking for work, increased slightly from December of 2017 to December of 2018, rising from 65.1% to 65.2% and remains significantly above the national average.

4) Unemployment

At 2.6% statewide in Virginia, and 3.7% nationally, seasonally unadjusted unemployment rates have fallen to levels not seen since the 1960s.

ANNOUNCEMENTS

1) New and Expanding

Virginia Economic Development Partnership announcements of new or expanding businesses in the 4th quarter 2018:

- Statewide: 28,515 jobs and nearly \$2.9 billion in direct investment.
- Blacksburg-Christiansburg-Radford MSA: 590 jobs and \$3.5 million in direct investment.
- Bluefield MSA: 75 jobs and \$1.8 million in direct investment.
- Danville MSA: 674 jobs and \$64.8 million in direct investment.
- Kingsport-Bristol-Bristol MSA: 100 jobs and \$0.2 million in direct investment.
- Richmond MSA: 190 jobs and \$11.0 billion in direct investment.
- Roanoke MSA: 100 jobs and \$18.2 million in direct investment.
- Staunton-Waynesboro MSA: 60 jobs and \$20.0 million in direct investment.
- Virginia Beach-Norfolk-Newport News MSA: 488 jobs and \$111.9 million in direct investment.
- Northern Virginia MSA: 25,974 jobs and \$2,539.5 million in direct investment.

2) Reductions and Closures:

Virginia Economic Development Partnership announcements of reductions and closures in the 3rd quarter 2018:

- [Statewide](#): 1,297 jobs.
- [Staunton-Waynesboro MSA](#): 1,148 jobs
- [Northern Virginia MSA](#): 149 jobs.

Data sources:

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

About Mangum Economic Consulting, LLC

Mangum Economic Consulting, LLC is a Richmond, Virginia based firm that specializes in producing objective economic, quantitative, and qualitative analysis in support of strategic decision making. Examples of typical studies include:

POLICY ANALYSIS

Identify the intended and, more importantly, unintended consequences of proposed legislation and other policy initiatives.

ECONOMIC IMPACT ASSESMENTS AND RETURN ON INVESTMENT ANALYSES

Measure the economic contribution that business, education, or other enterprises make to their localities.

WORKFORCE INFORMATION

Project the demand for, and supply of, qualified workers.

CLUSTER ANALYSIS

Use occupation and industry clusters to illuminate regional workforce and industry strengths and identify connections between the two.

ENVIRONMENTAL SCANNING

Assess the economic, demographic, and other factors likely to affect your enterprise in the future.

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