

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*



April 25, 2018

First Quarter Economic Update – Partly Cloudy with Unseasonably Cool Temperatures in Some Areas

In Sum

Nationally, 2018 is off to a great start: manufacturer and small business optimism is at historic levels, industrial capacity utilization is at a three-year high, the Conference Board's Leading Economic Index posted successive gains in January, February, and March, and annual GDP growth for 2018 is now projected to reach levels not seen since 2005. But, except for a brief period from mid-2015 to mid-2016, Virginia's growth in Total Nonfarm employment, although positive, continues to under-perform the national average.

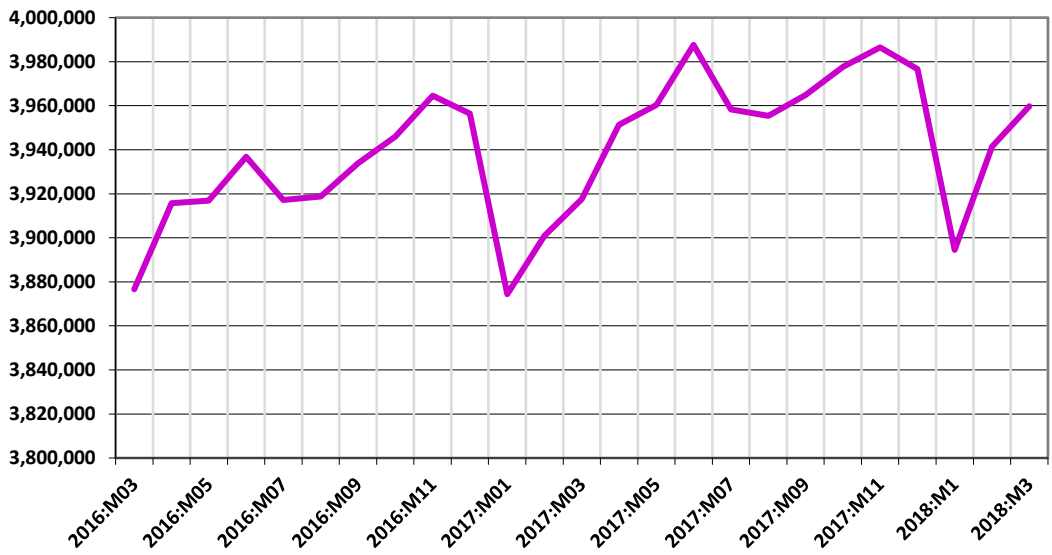
Virginia saw some hopeful signs in the first quarter of 2018 as the state's Construction, Manufacturing, and Transportation and Warehousing sectors all experienced accelerating year-over-year employment growth that drove them above the national trend for those sectors. This was particularly good news for the state's Construction sector which was especially hard-hit in the recession and has been slow to recover.

But several key sectors continue to exert a drag on the state's employment growth by under-performing the national trend. This is particularly true of Professional and Business Services, Leisure and Hospitality, Wholesale

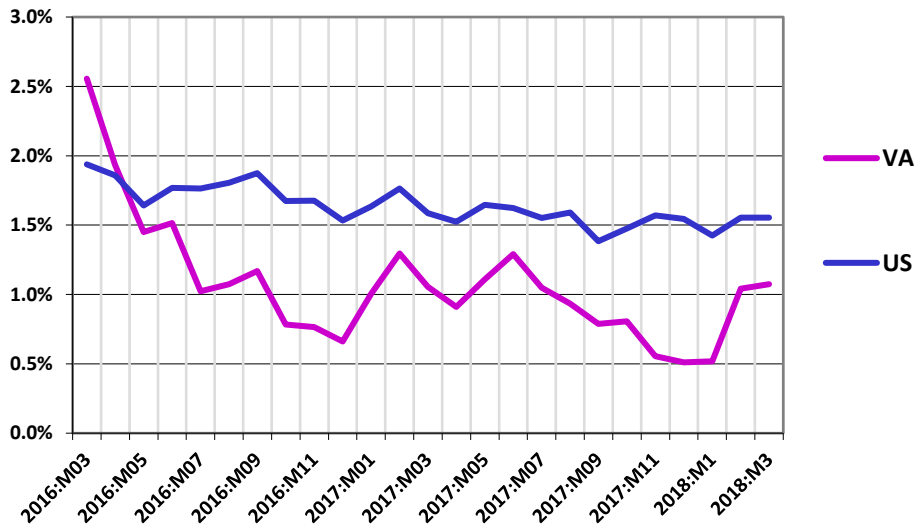
Trade, and Retail Trade where the gap between Virginia’s employment growth performance and the national norm continues to widen.

Where We Are

Total Nonfarm Employment in Virginia increased by 83,000 jobs, or 2.1%, between March 2016 and March 2018.



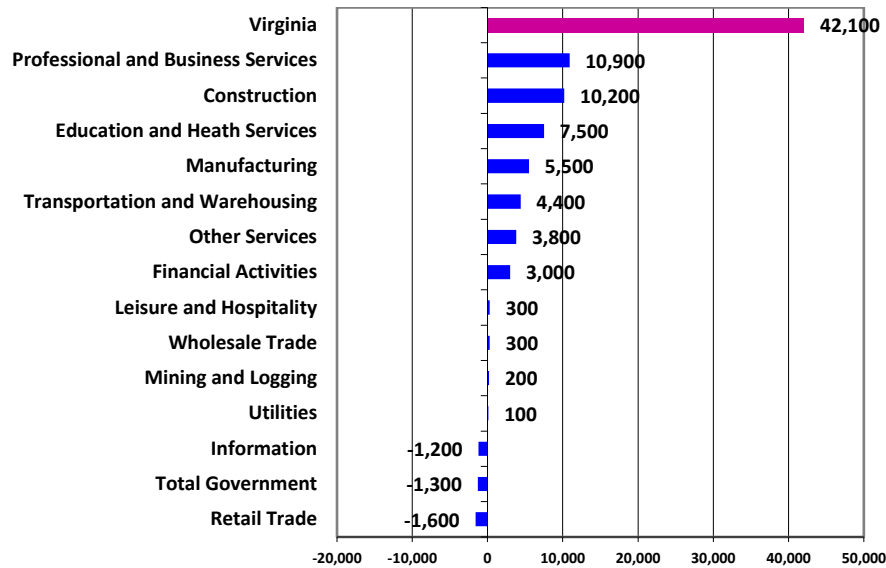
Total Statewide Nonfarm Employment: March 2016 to March 2018



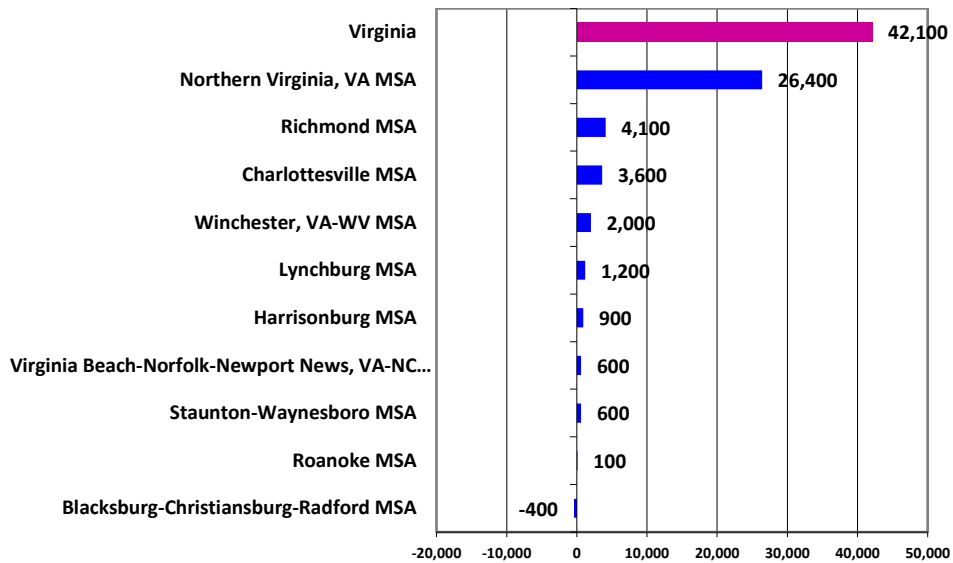
Year-over-Year Percentage Change in Total Nonfarm Employment: March 2016 to March 2018

Between March 2017 and March 2018, statewide growth in Total Nonfarm Employment was led by increases in the Professional and Business Services (up 10,900 jobs), Construction (up 10,200 jobs), and Education and Health Services (up 7,500 jobs), sectors. From a regional perspective, the largest job gains

occurred in the Northern Virginia (up 26,400 jobs), Richmond (up 4,100 jobs), and Charlottesville (up 3,600 jobs) MSAs.



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



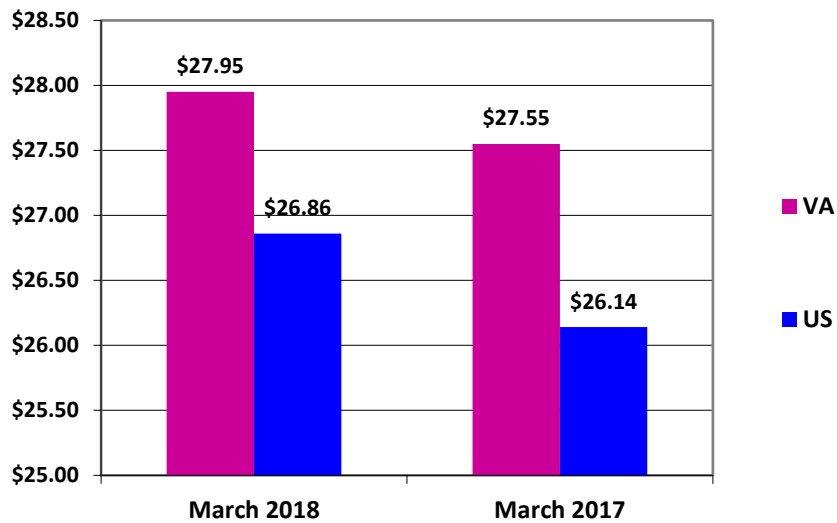
March 2017 to March 2018 Increase in Total Nonfarm Employment by MSA

Virginia’s 1.1% year-over-year growth in statewide Total Nonfarm Employment in March 2018 was below the 1.6% increase posted at the national level. However, six of Virginia’s fourteen major industry sectors still out-performed the national norm over the period. Those were: Construction (up 5.4% statewide vs. up 3.7% nationally); Transportation and Warehousing (up 3.7% statewide vs. up 3.0% nationally); Manufacturing (up 2.4% statewide vs. up 1.9% nationally); Other Services (up 1.9% statewide vs. 1.5%

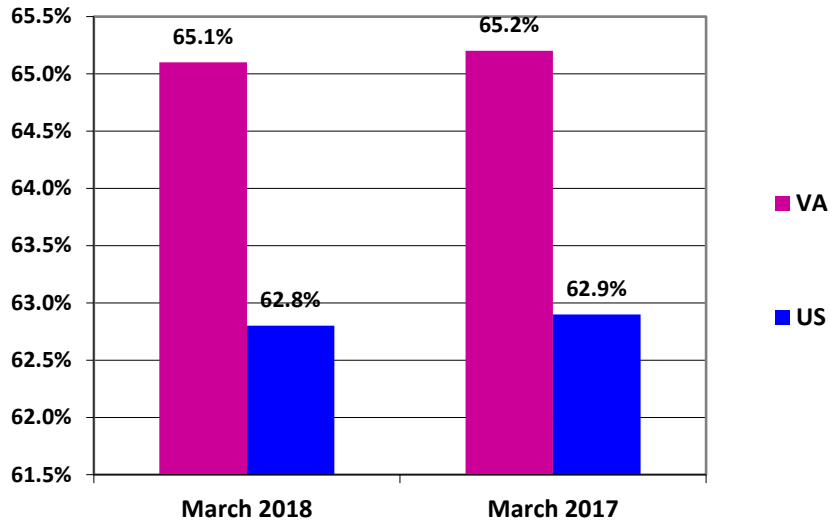
nationally); Utilities (up 0.9% statewide vs. 0.6% nationally); and Information (down 1.8% statewide vs. down 1.9% nationally).

On the other side of the ledger, Virginia's Mining and Logging (up 2.5% statewide vs. up 9.4% nationally); Financial Activities (up 1.5% statewide vs. up 1.6% nationally); Professional and Business Services (up 1.5% statewide vs. up 2.5% nationally); Education and Health Services up (1.4% statewide vs. up 1.9% nationally); Wholesale Trade (up 0.3% statewide vs. up 1.5% nationally); Leisure and Hospitality (up 0.1% statewide vs. up 1.9% nationally); Total Government (down 0.2% statewide vs. level at 0.0% nationally); and Retail Trade (down 0.4% statewide vs. up 0.4% nationally) sectors under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$27.55 to \$27.95 between March 2017 and March 2018, a nominal year-over-year increase of 1.5%, which was below the 2.8% 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, declined slightly from 65.2% in March 2017 to 65.1% in March 2018. While at the national level, the labor force participation rate declined slightly from 62.9% in March 2017 to 62.8% in March 2018.

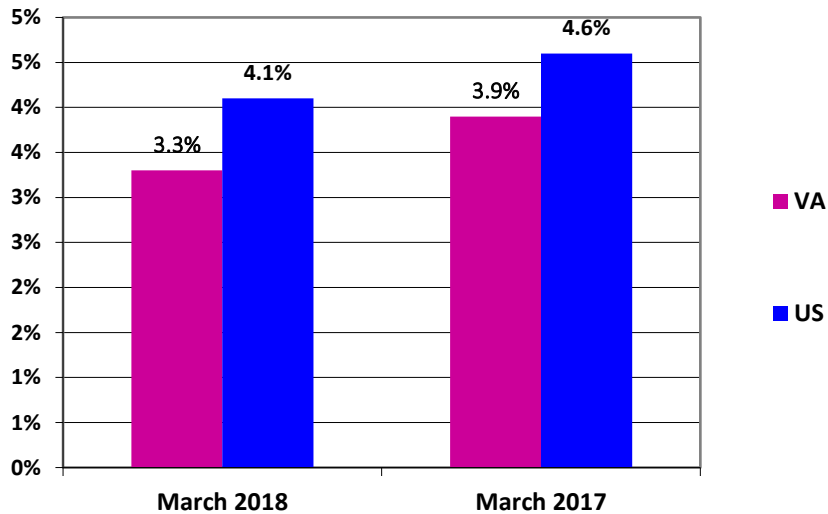


Private Sector Avg. Hourly Earnings: March 2017 to March 2018

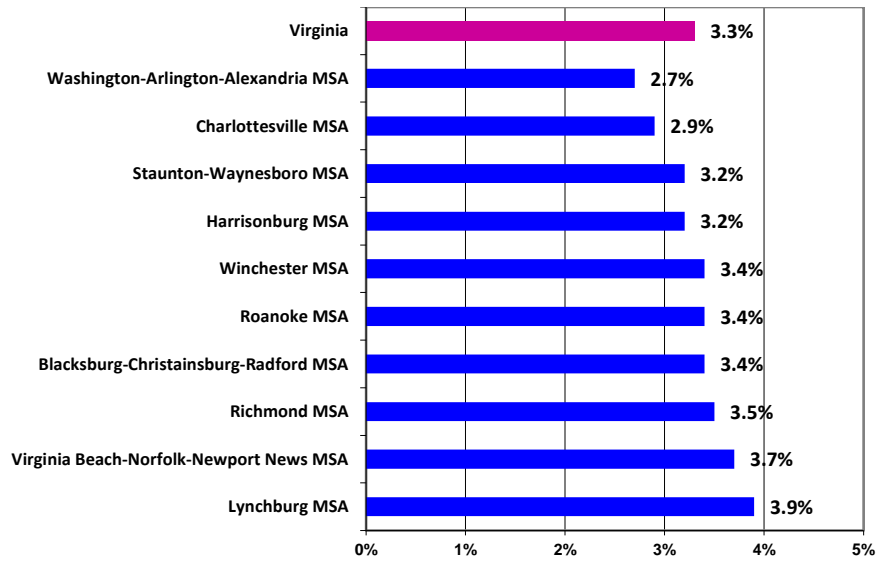


Labor Force Participation Rate: March 2017 to March 2018

Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 3.3% in March 2018, below the national unemployment rate of 4.1% for that month, and an improvement over the state's 3.9% unemployment rate a year before. From a regional perspective, in February 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 3.9% in Lynchburg to a low of 2.7% in Northern Virginia.



Seasonally Unadjusted Unemployment Rate: December 2016 to December 2017



Seasonally Unadjusted Unemployment Rate: February 2018 by MSA

What to Look For

1. **Employment:** Nationally, 2018 is off to a great start: manufacturer and small business optimism is at historic levels, industrial capacity utilization is at a three-year high, the Conference Board's Leading Economic Index posted successive gains in January, February, and March, and annual GDP growth for 2018 is now projected to reach levels not seen since 2005. But, Virginia is still lagging behind the national trend. Except for a brief period from mid-2015 to mid-2016, Virginia's growth in Total Nonfarm employment, although positive, has under-performed the national average since early 2011.

Virginia saw some hopeful signs in the first quarter of 2018 however: the state's Construction, Manufacturing, and Transportation and Warehousing sectors all experienced accelerating year-over-year employment growth that drove them above the national trend for those sectors. This was particularly good news for the state's Construction sector which was especially hard-hit in the recession and has been slow to recover.

But several key sectors continue to exert a drag on the state's employment growth by under-performing the national norm. Year-over-year employment growth in:

- Professional and Business Services, Virginia's most important sector because of its size and high wages, has generally under-performed the national norm since mid-2016 and since late-2017 that gap has been widening.
- Leisure and Hospitality, the backbone of the state's tourism industry, has been under-performing the national norm since mid-2016 that gap is also widening.
- Wholesale Trade decelerated sharply below the national norm in late-2017 and that gap has also widened.
- Retail Trade has under-performed the national norm since mid-2016 and dropped into negative territory in mid-2017.

Had these and other sectors performed at the national average, Virginia's year-over-year employment gain would have increased from 42,100 to 65,600 in March and our overall employment growth would have been 1.7%, slightly above the national average. Moreover, this under-performance also impacts the state's economic risk profile. For example, where 30% of Virginia's overall employment is in major industry sectors that experienced year-over-year declines in employment in March 2018, at the national level the comparable figure is only 2%.

2. **Wages:** News on the wage front was mixed. Although Private Sector Average Hourly Earnings in Virginia exceeded the national average in March 2018 (\$27.95 in Virginia vs. \$26.86 nationally), average hourly earnings have been growing more slowly in Virginia than the national average since May 2017 and the gap between the two is increasing. As of March the year-over-year increase in Private Sector Average Hourly Earnings was 1.5% in Virginia vs. 2.8% nationwide.
3. **Labor Force Participation:** Labor force participation, the proportion of the 16 and over population that is either employed or looking for work, fell precipitously during the recession both in Virginia and nationally. In Virginia, that decline bottomed out in mid-2016 and labor force participation began to rise, only to flatten out in 2017. Overall, Virginia's labor force grew by 30,632 additional workers between March 2017 and March 2018.
4. **Unemployment:** In March 2018, Virginia's seasonally unadjusted unemployment rate was 3.3%, below the national rate of 4.1%, and down from 3.9% the year before.

Announcements

1. New and Expanding: Virginia Economic Development Partnership announcements of new or expanding businesses in the 1st quarter 2018:

- Statewide: 2,979 jobs and \$617.9 million in direct investment.
- Blacksburg-Christiansburg-Radford MSA: 143 jobs and \$6.6 million in direct investment.
- Charlottesville MSA: 10 jobs and \$4.9 million in direct investment.
- Danville MSA: 155 jobs and \$13.8 million in direct investment.
- Harrisonburg MSA: 5 jobs and \$0.5 million in direct investment.
- Kingsport-Bristol-Bristol MSA: \$0.2 million in direct investment.
- Lynchburg MSA: 66 jobs and \$21.8 million in direct investment.
- Richmond MSA: 346 jobs and \$49.9 million in direct investment.
- Roanoke MSA: 120 jobs and \$10.3 million in direct investment.
- Virginia Beach-Norfolk-Newport News MSA: 510 jobs and \$112.0 million in direct investment.
- Northern Virginia MSA: 1,194 jobs and \$238.2 million in direct investment.

2. Reductions and Closures: Virginia Economic Development Partnership announcements of reductions and closures in the 1st quarter 2018:

- Statewide: 428 jobs.
- Danville MSA: 300 jobs.
- Richmond MSA: 59 jobs.
- Virginia Beach-Norfolk-Newport News MSA: 69 jobs.

Data sources:

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