

*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.*

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

**Barry DuVal**  
**President & CEO**  
**Virginia Chamber**



**January 27, 2020**

## **4<sup>th</sup> Quarter Economic Update – Cloudy with a North Wind**

---

### **IN SUM**

**Virginia's employment growth continued to under-perform the national norm in the 4<sup>th</sup> quarter:**

- Virginia is still under-performing the national average with respect to year-over-year growth in Total Nonfarm employment.
- However, in the 4<sup>th</sup> quarter the state made progress at closing that gap – rising from 0.5% year-over-year growth in September compared to 1.5% at the national level, to 1.1% in December compared to 1.4% at the national level.
- Nonetheless there are still signs of lingering weakness. Only six of Virginia's 14 major industry sectors – Mining and Logging, Leisure and Hospitality, Financial Activities, Education and Health Services, Transportation and Warehousing, and Manufacturing – experienced year-over-year employment growth in September that was at or above the national norm.
- In addition, where nationally only 0.8% of Total Nonfarm employment was in major industry sectors that experienced year-over-year declines in employment in December 2019, in Virginia such at-risk industry sectors comprised 37.6% of Total Nonfarm employment.

### Wage growth in Virginia also under-performed the national norm in the 4<sup>th</sup> quarter:

- Where growth in Private Sector Average Hourly Earnings in Virginia generally outpaced the national average from mid-2018 to mid-2019, in August 2019 we began to slip below the national average and the gap has continued to grow. In December, year-over-year growth in Private Sector Average Hourly Earnings was 0.7% in Virginia as compared to 2.9% nationally.
- Where Virginia has under-performed employment growth at the national level for some time, until recently we were over-performing wage growth at the national level. That over-performance in wage growth served as a counter-balance to the under-performance in employment growth and kept consumer spending strong. Without it, we may begin to see downward pressure on consumer spending.

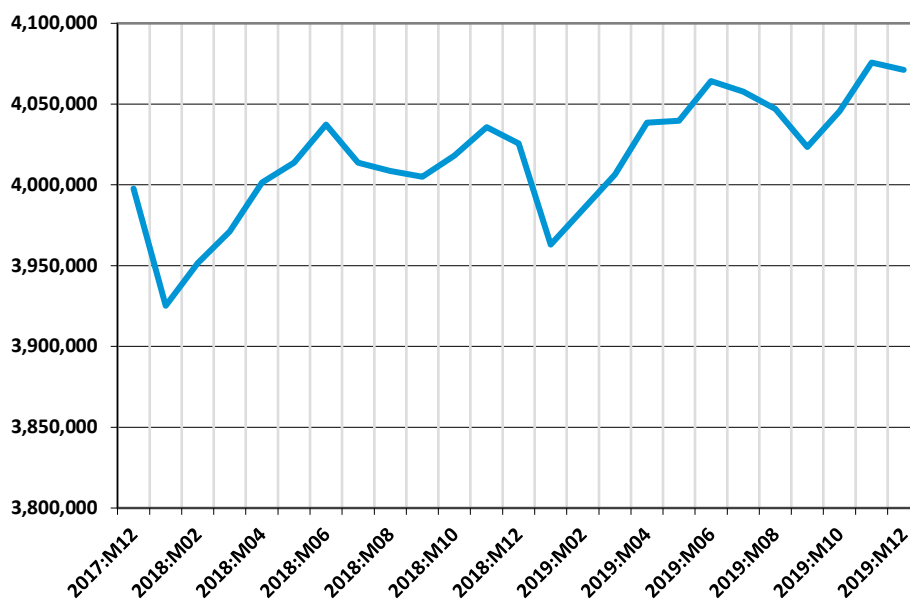
### Unemployment rates remain at half-century lows:

- At 2.5% statewide in Virginia in December 2019, and 3.4% nationally, seasonally unadjusted unemployment rates remain at historic lows.
- Labor force participation, the proportion of the 16 and over population that is either employed or looking for work, continues to drift upward and increased from 64.7% in December 2018 to 66.2% in December 2019, and remains significantly above the national average.

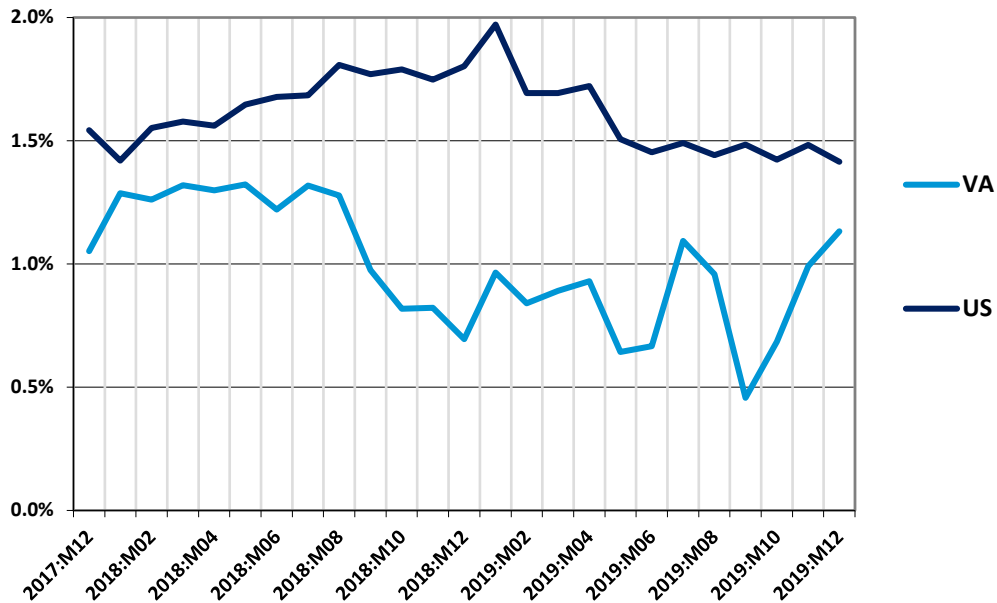
## WHERE WE ARE

Total Nonfarm employment in Virginia increased by 73,640 jobs, or 1.8%, between December 2017 and December 2019.

Total Statewide Nonfarm Employment: December 2017 to December 2019

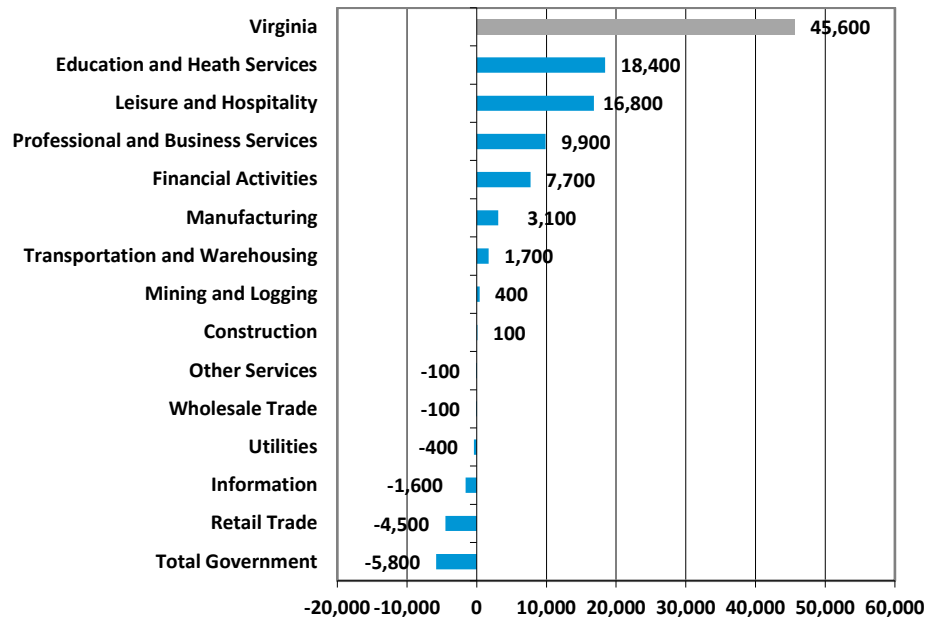


### Year-over-Year Percentage Change in Total Nonfarm Employment: December 2017 to December 2019

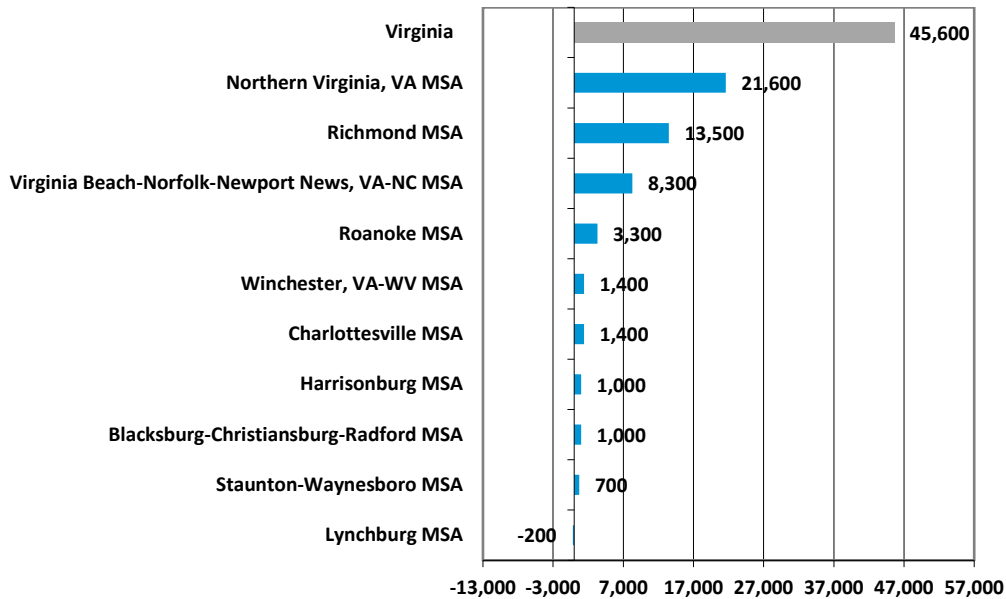


Between December 2018 and December 2019, statewide growth in Total Nonfarm employment was led by increases in the Education and Health Services (up 18,400 jobs), Leisure and Hospitality (up 16,800 jobs), and Professional and Business Services (up 9,900 jobs) sectors. From a regional perspective, the largest job gains occurred in the Northern Virginia (up 21,600 jobs), Richmond (up 13,500 jobs), and Virginia Beach-Norfolk-Newport News (up 8,300 jobs) MSAs.

### December 2018 to December 2019 Change in Total Nonfarm Employment by Sector



## December 2018 to December 2019 Change in Total Nonfarm Employment by MSA

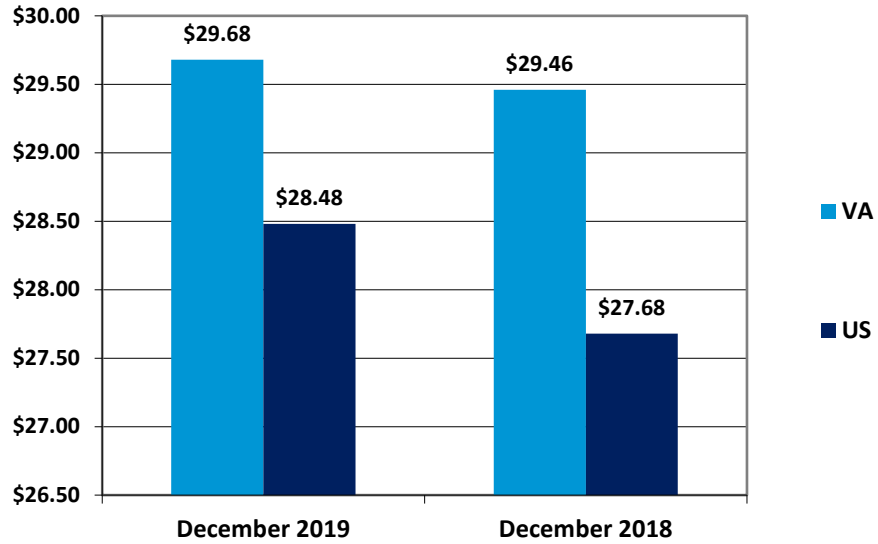


Virginia's 1.1% year-over-year growth in statewide Total Nonfarm employment in December 2019 was below the 1.4% increase posted at the national level. Six of Virginia's 14 major industry sectors experienced year-over-year growth that was at or above the national norm over the period. Those were: Mining and Logging (up 5.1% statewide vs. down 2.9% nationally); Leisure and Hospitality (up 4.2% statewide vs. up 2.5% nationally); Financial Activities (up 3.8% statewide vs. up 1.4% nationally); Education and Health Services (up 3.4% statewide vs. up 2.7% nationally); Transportation and Warehousing (up 1.3% statewide vs. up 1.2% nationally); and Manufacturing (up 1.3% statewide vs. up 0.4% nationally).

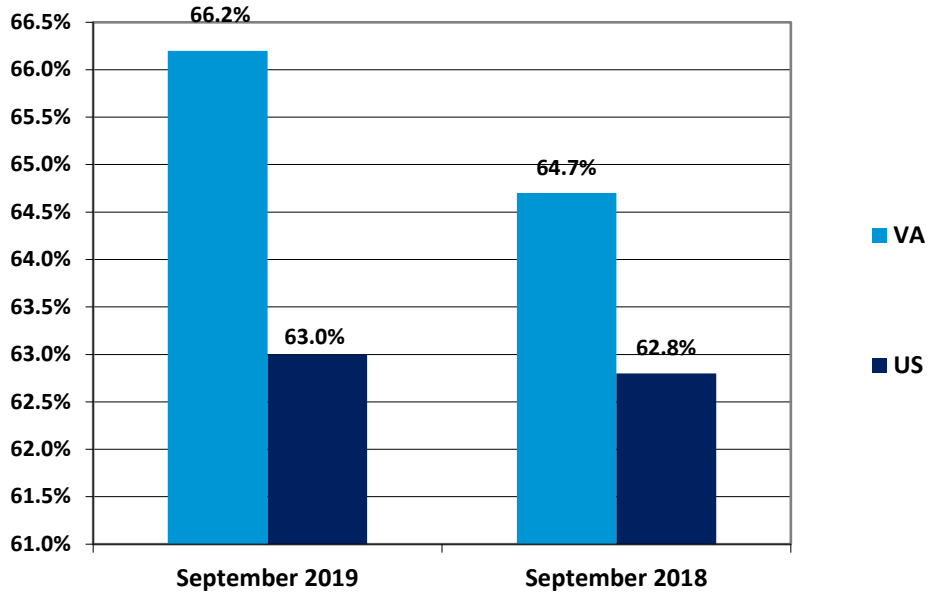
On the other side of the ledger, Virginia's: Utilities (down 3.7% statewide vs. down 0.4% nationally); Information (down 2.5% statewide vs. up 0.6% nationally); Retail Trade (down 1.1% statewide vs. up 0.1% nationally); Total Government (down 0.8 percent statewide vs. up 0.7 percent nationally); Wholesale Trade (down 0.1% statewide vs. up 1.1% nationally); Other Services (even 0.0% statewide vs. up 1.3% nationally); Construction (up 0.1% statewide vs. up 2.0% nationally); and Professional and Business Services (up 1.3% statewide vs. up 1.9% nationally) sectors all under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$29.46 to \$29.68 between December 2018 and December 2019, a nominal year-over-year increase of 0.7%, which was below the 2.9% 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 64.7% in December 2018 to 66.2% in December 2019. While at the national level, the labor force participation rate increased from 62.8% in December 2018 to 63.0% in December 2019.

Private Sector Avg. Hourly Earnings: December 2018 to December 2019

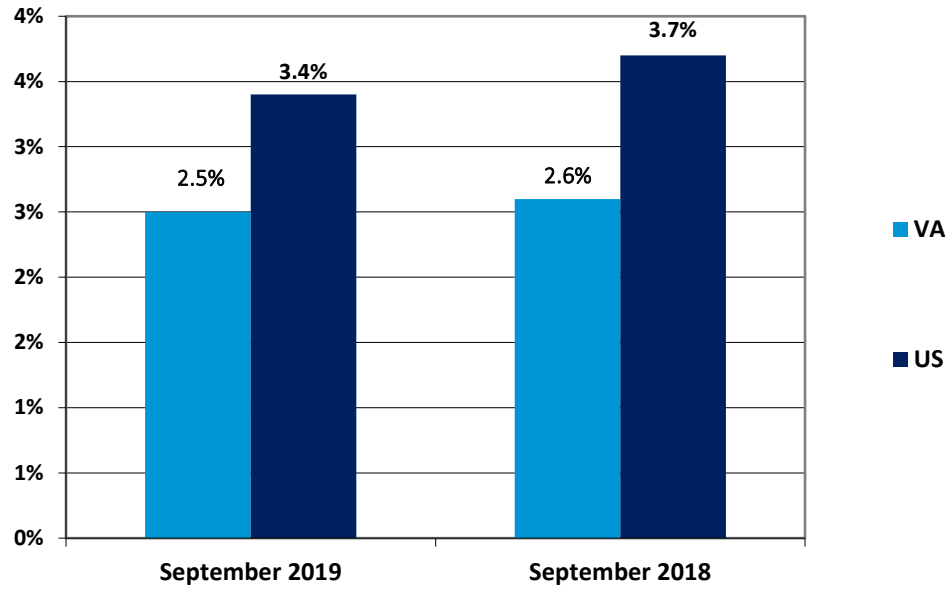


Labor Force Participation Rate: December 2018 to December 2019

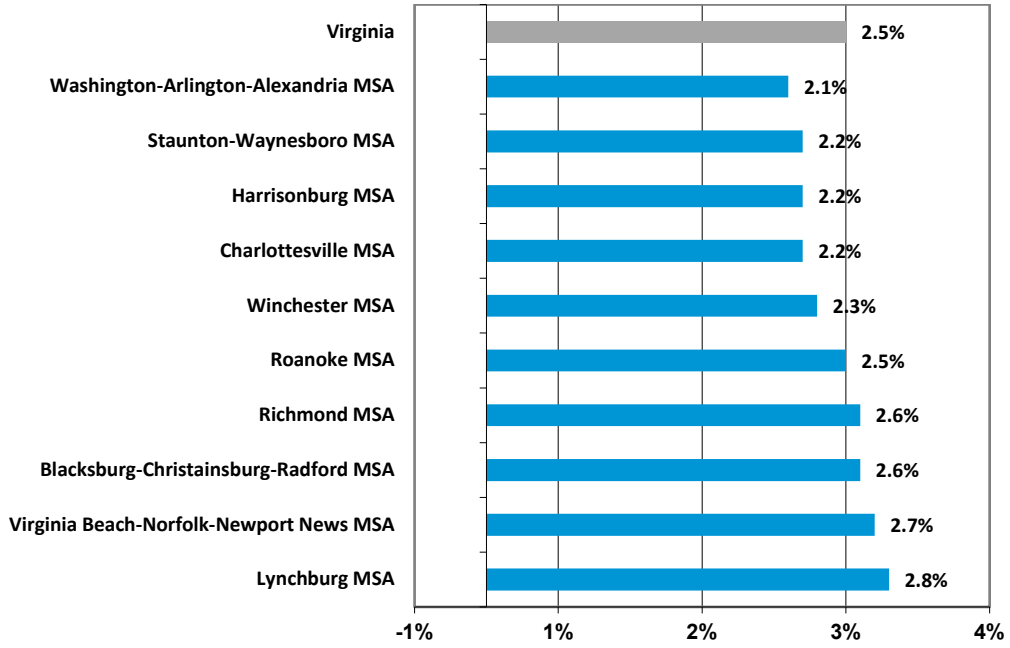


Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 2.5% in December 2019, below the national unemployment rate of 3.4% for that month, and an improvement over the state's 2.6% unemployment rate a year before. From a regional perspective, in November 2019 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 2.8% in Lynchburg to a low of 2.1% in Northern Virginia.

Seasonally Unadjusted Unemployment Rate: December 2018 to December 2019



Seasonally Unadjusted Unemployment Rate: November 2019 by MSA



## WHAT TO LOOK FOR

### 1) Employment

Virginia is still under-performing the national average with respect to year-over-year growth in Total Nonfarm employment. However, in the 4<sup>th</sup> quarter of 2019 the state made progress at closing that gap – rising from 0.5% year-over-year growth in September compared to 1.5% at the national level, to 1.1% in December compared to 1.4% at the national level.

Nonetheless, Virginia's economy still shows signs of lingering weakness. Only six of Virginia's 14 major industry sectors experienced year-over-year employment growth in December that was at or above the national norm: Mining and Logging, Leisure and Hospitality, Financial Activities, Education and Health Services, Transportation and Warehousing, and Manufacturing. While eight major industry sectors under-performed the national norm: Utilities, Information, Retail Trade, Total Government, Wholesale Trade, Other Services, Construction, and Professional and Business Services. The latter is of particular importance because Professional and Business Services accounts for almost one out of every five jobs in Virginia.

In addition, where nationally only 0.8% of Total Nonfarm employment was in industry sectors that experienced declining employment between December 2018 and December 2019, in Virginia 37.6% of Total Nonfarm employment was in industry sectors that experienced declining employment between December 2018 and December 2019.

### 2) Wages

News on the wage front was also less than good. Where growth in Private Sector Average Hourly Earnings in Virginia generally outpaced the national average from mid-2018 to mid-2019, in August 2019 we began to slip below the national average. That downward trend has continued and the gap between the state and national trend has increased. In December, year-over-year growth in Private Sector Average Hourly Earnings was 0.7% in Virginia as compared to 2.9% nationally.

This is a worrisome trend because where Virginia has under-performed employment growth at the national level for some time, until recently we were over-performing wage growth at the national level. That over-performance in wage growth served as a counter-balance to the under-performance in employment growth and kept consumer spending strong. Without it, we may begin to see downward pressure on consumer spending.

### 3) Unemployment

At 2.5% statewide in Virginia, and 3.4% nationally, seasonally unadjusted unemployment rates remain at half-century lows.

## 4) 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 2018 to December 2019, rising from 64.7% to 66.2% and remains significantly above the national average.

## ANNOUNCEMENTS

### 1) New and Expanding

Virginia Economic Development Partnership announcements of new or expanding businesses in the 4<sup>th</sup> quarter 2019:

- [Statewide](#): 4,743 jobs and more than \$1.6 billion in direct investment.
- [Bluefield MSA](#): 6 jobs and \$0.3 million in direct investment.
- [Charlottesville MSA](#): 6 jobs and \$0.6 million in direct investment.
- [Danville MSA](#): 845 jobs and \$99.6 million in direct investment.
- [Lynchburg MSA](#): 60 jobs.
- [Martinsville MSA](#): 30 jobs and \$5.0 million in direct investment.
- [Richmond MSA](#): 1,609 jobs and \$315.7 million in direct investment.
- [Virginia Beach-Norfolk-Newport News MSA](#): 766 jobs and \$19.8 million in direct investment.
- [Northern Virginia MSA](#): 879 jobs and \$991.6 million in direct investment.
- [Winchester MSA](#): 277 jobs and \$160.0 million in direct investment.

### 2) Reductions and Closures:

Virginia Economic Development Partnership announcements of reductions and closures in the 4<sup>th</sup> quarter 2019:

- [Statewide](#): 1,341 jobs.
- [Blacksburg-Christiansburg-Radford MSA](#): 700 jobs.
- [Lynchburg MSA](#): 220 jobs.
- [Richmond MSA](#): 42 jobs.
- [Virginia Beach-Norfolk-Newport News MSA](#): 39 jobs.
- [Northern Virginia MSA](#): 317 jobs.
- [Winchester MSA](#): 23 jobs.

#### Data sources:

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



## About Mangum Economics, LLC

---

Mangum Economics, 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 ASSESSMENTS 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.

### The Project Team

A. Fletcher Mangum, Ph.D.  
*Founder and CEO*

David Zorn, Ph.D.  
*Economist*

Martina Arel, M.B.A.  
*Researcher and Economic Development Specialist*