

*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](http://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*



**July 26, 2018**

## **2<sup>nd</sup> Quarter Economic Update – Mostly Sunny**

### **In Sum**

The 2<sup>nd</sup> quarter of 2018 brought more good news. Nationally, year-over-year growth in Total Nonfarm Employment continued to accelerate, reversing the decelerating growth trend we had been experiencing since 2015. More generally:

- In the week ending July 14<sup>th</sup> jobless claims fell to levels not seen since 1969.
- Manufacturing output increased 0.8% month-over-month in June, extending a solid run of growth for that industry.
- Retail sales increased 0.5% month-over-month in June, after increasing by 1.3% in May.
- Looking forward, the Conference Board's Leading Economic Indicator increased 0.5 points in June, projecting continued solid growth in the U.S. economy.

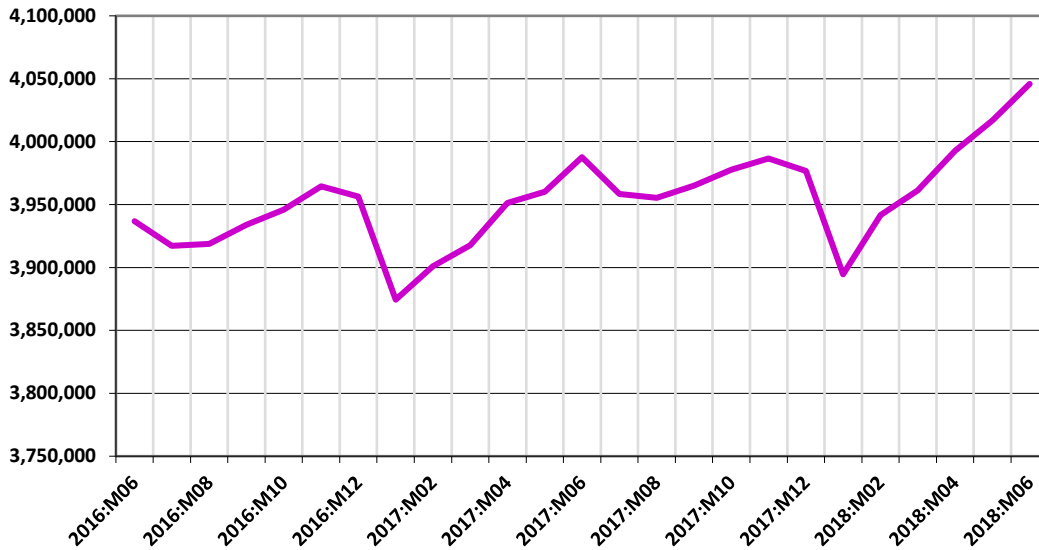
Virginia also had its share of good news:

- Year-over-year growth in Total Nonfarm Employment accelerated to almost close the gap with the national trend in June.
- The Transportation and Warehousing sector has out-performed the national norm throughout 2018 and that gap is widening.
- The Construction and Manufacturing sectors have generally out-performed the national trend in 2018, although both hit a bump in June.
- The Education and Health, Financial Activities, Leisure and Hospitality, and Wholesale Trade sectors have all experienced recent accelerations in employment growth that have pushed them above the national trend.
- However, Virginia's Professional and Business Services and Total Government sectors, two sectors that collectively account for over a third of statewide employment, unfortunately continue to under-perform the national trend and that is placing a drag on Virginia's economy.
- In a reverse of the phenomena we saw during the "recovery," where the unemployment rate fell because people gave up looking for work and left labor force. In June, Virginia's unemployment rate increased slightly because people came off the sidelines, rejoined the labor force, and were once again looking for work.

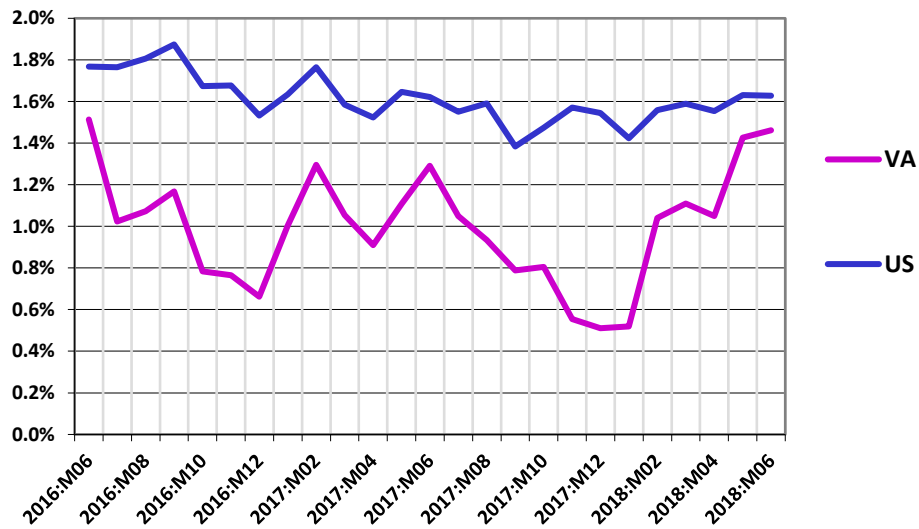
But overall, the 2<sup>nd</sup> quarter of 2018 was a good quarter for Virginia. Where 30% of the state's overall employment was in major industry sectors that experienced year-over-year declines in employment at the close of the 1<sup>st</sup> quarter in March, the comparable figure for the close of the 2<sup>nd</sup> quarter in June was only 19%.

## Where We Are

Total Nonfarm Employment in Virginia increased by 109,100 jobs, or 2.8%, between June 2016 and June 2018.

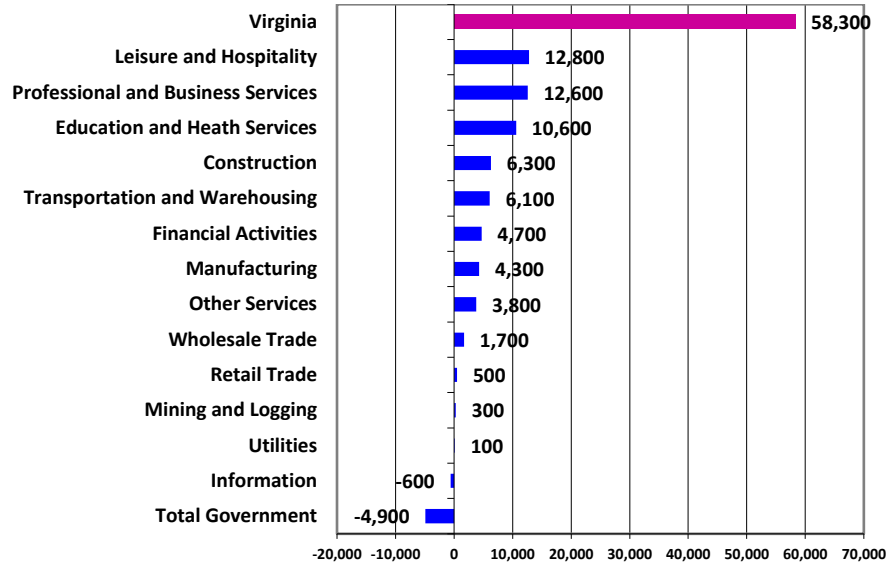


Total Statewide Nonfarm Employment: June 2016 to June 2018

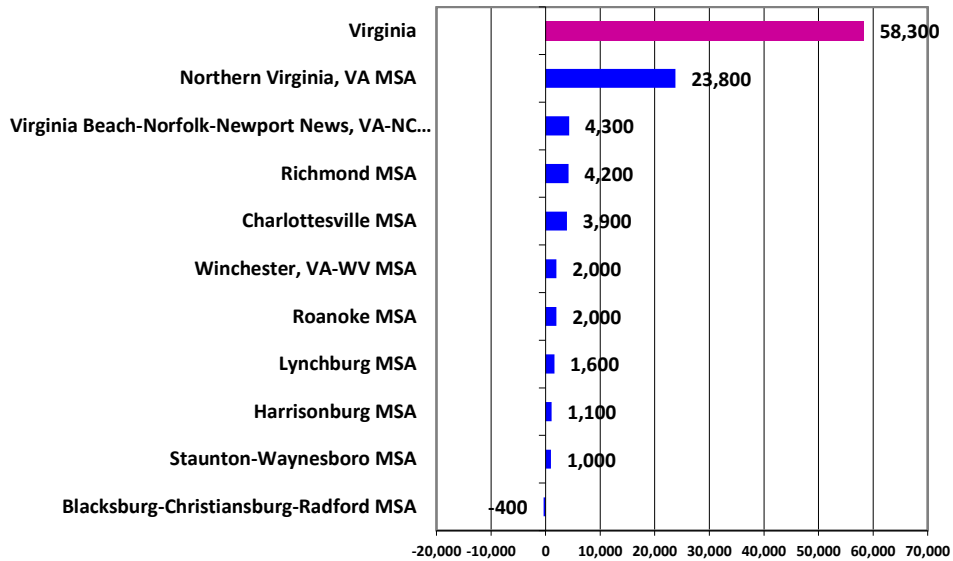


Year-over-Year Percentage Change in Total Nonfarm Employment: June 2016 to June 2018

Between June 2017 and June 2018, statewide growth in Total Nonfarm Employment was led by increases in the Leisure and Hospitality (up 12,800 jobs), Professional and Business Services (up 12,600 jobs), and Education and Health Services (up 10,600 jobs) sectors. From a regional perspective, the largest job gains occurred in the Northern Virginia (up 23,800 jobs), Virginia Beach-Norfolk-Newport News (up 4,300 jobs), and Richmond (up 4,200 jobs) MSAs.



**June 2017 to June 2018 Increase in Total Nonfarm Employment by Sector**



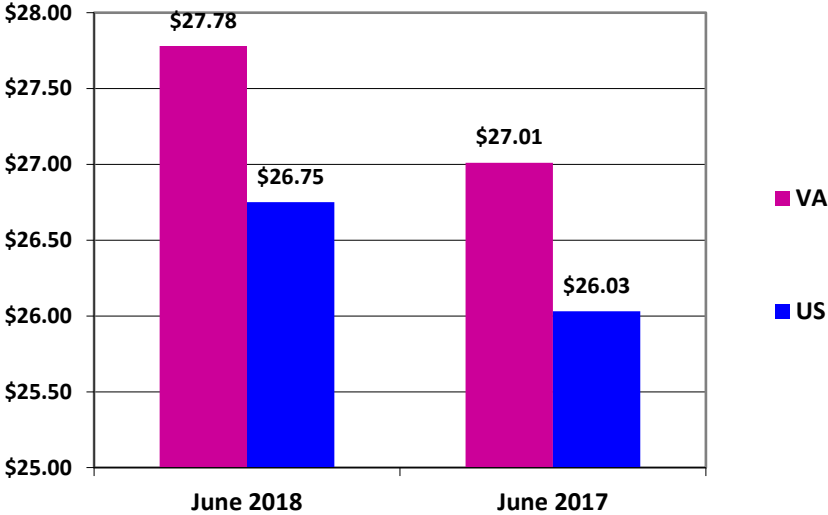
**June 2017 to June 2018 Increase in Total Nonfarm Employment by MSA**

Virginia’s 1.5% year-over-year growth in statewide Total Nonfarm Employment in July 2018 was below the 1.6% increase posted at the national level. However, seven of Virginia’s fourteen major industry sectors still

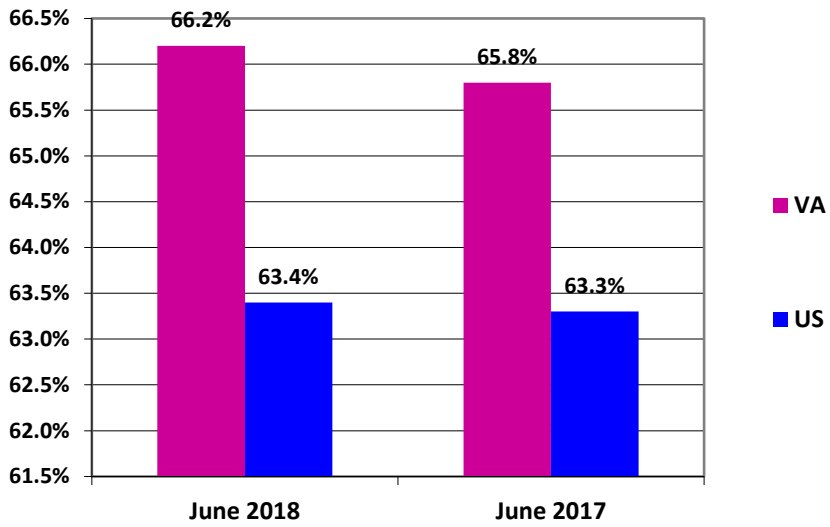
out-performed the national norm over the period. Those were: Transportation and Warehousing (up 5.1% statewide vs. up 3.2% nationally); Leisure and Hospitality (up 3.3% statewide vs. up 1.7% nationally); Financial Activities (up 2.3% statewide vs. up 1.5% nationally); Education and Health Services (up 2.0% statewide vs. up 1.9% nationally); Wholesale Trade (up 1.5% statewide vs. up 1.0% nationally); Utilities (up 0.9% statewide vs. down 0.2% nationally); and Information (down 0.9% statewide vs. down 1.0% nationally).

On the other side of the ledger, Virginia’s Mining and Logging (up 3.8% statewide vs. up 8.9% nationally); Construction (up 3.4% statewide vs. up 4.3% nationally); Manufacturing (up 1.8% statewide vs. up 2.3% nationally); Professional and Business Services (up 1.8% statewide vs. up 2.7% nationally); Retail Trade (up 0.1% statewide vs. up 0.5% nationally); and Total Government (down 0.7% statewide vs. level at 0.0% nationally) sectors under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$27.01 to \$27.78 between June 2017 and June 2018, a nominal year-over-year increase of 2.9%, which was above 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, increased from 65.8% in June 2017 to 66.2% in June 2018. While at the national level, the labor force participation rate increased from 63.3% in June 2017 to 63.4% in June 2018.

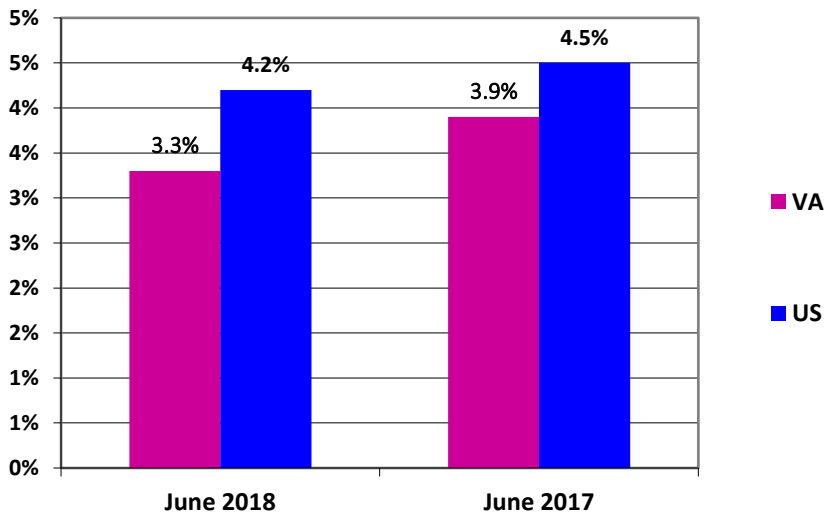


Private Sector Avg. Hourly Earnings: June 2017 to June 2018

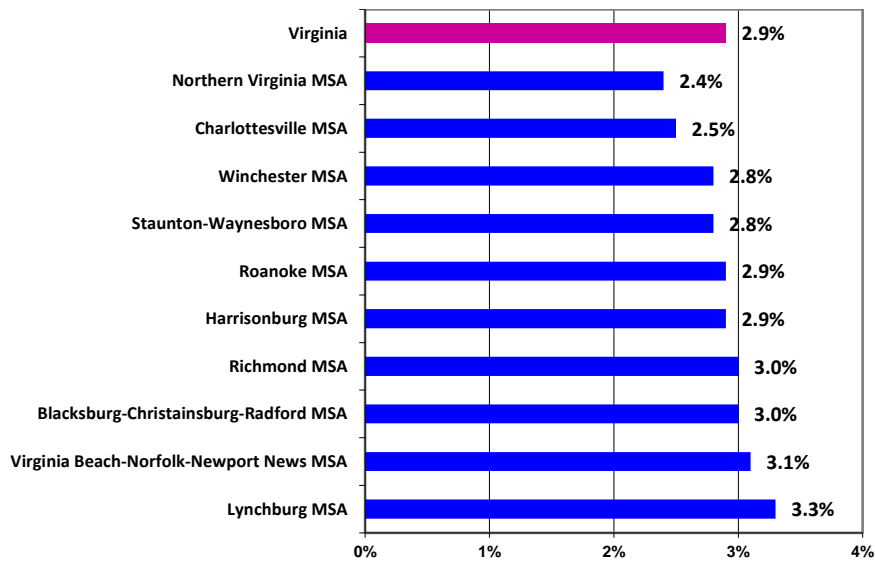


**Labor Force Participation Rate: June 2017 to June 2018**

Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 3.3% in June 2018, below the national unemployment rate of 4.2% for that month, and an improvement over the state’s 3.9% unemployment rate a year before. From a regional perspective, in May 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 3.3% in Lynchburg to a low of 2.4% in Northern Virginia.



**Seasonally Unadjusted Unemployment Rate: June 2017 to June 2018**



Seasonally Unadjusted Unemployment Rate: May 2018 by MSA

## What to Look For

1. **Employment:** The 2<sup>nd</sup> quarter of 2018 added to the good news from the 1<sup>st</sup> quarter. Nationally, year-over-year growth in Total Nonfarm Employment continued to accelerate, reversing the decelerating growth trend we had been experiencing since 2015. More generally, in the week ending July 14<sup>th</sup> jobless claims fell to levels not seen since 1969. Manufacturing output increased 0.8% month-over-month in June, extending a solid run of growth for that industry. Retail sales increased 0.5% month-over-month in June, after increasing by 1.3% in May. And looking forward, the Conference Board's Leading Economic Indicator increased 0.5 points in June, projecting continued solid growth in the U.S. economy.

Virginia also had its share of good news. Year-over-year growth in Total Nonfarm Employment accelerated to almost close the gap with the national trend. Virginia's Transportation and Warehousing sector has significantly out-performed the national norm throughout 2018 and that gap is widening. The state's Construction and Manufacturing sectors have generally out-performed the national trend in 2018, although both hit a bump in June. While the state's Education and Health, Financial Activities, Leisure and Hospitality, and Wholesale Trade sectors have all experienced recent accelerations in employment growth that have pushed them above the national trend.

However, Virginia's Professional and Business Services and Total Government sectors, two sectors that collectively account for over a third of statewide employment, continue to under-perform the national trend and that is placing a drag on Virginia's economy.

But overall, the 2<sup>nd</sup> quarter of 2018 was a good quarter for Virginia. Where 30% of the state's overall employment was in major industry sectors that experienced year-over-year declines in employment at the close of the 1<sup>st</sup> quarter in March, the comparable figure for the close of the 2<sup>nd</sup> quarter in June was only 19%.

2. **Wages:** News on the wage front was also good. Year-over-year growth in private sector average hourly earnings in Virginia exceeded the national average in June 2018 for the first time since March 2017 (2.9% in Virginia vs. 2.8% nationally).
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. Nationally, that trend began to reverse in early 2016, and in Virginia in the latter half of 2016. Since then, national and statewide labor force participation rates have generally been trending slowly upward. So far in 2018, the average year-over-year increase in labor force participation each month has been 0.2%, while at the national level the average has been 0.0%.
4. **Unemployment:** During the recession and even the "recovery" that followed, the unemployment rate often fell, not because of an increase in employment, but because of an increase in the number of people who had given up and quit looking for work. In June 2018 we experienced the reverse of that phenomena. Virginia's seasonally unadjusted unemployment rate increased from 2.9% in May to 3.3% in June, not because there was a decrease in employment, but because of an increase in the number of people who had come off the sidelines, rejoined the labor force, and were once again looking for work.

## Announcements

1. **New and Expanding:** Virginia Economic Development Partnership announcements of new or expanding businesses in the 2<sup>nd</sup> quarter 2018:
  - Statewide: 5,239 jobs and \$242.6 million in direct investment.
  - Big Stone Gap MSA: 40 jobs.
  - Blacksburg-Christiansburg-Radford MSA: 10 jobs.
  - Charlottesville MSA: 159 jobs and \$0.5 million in direct investment.
  - Kingsport-Bristol-Bristol MSA: 85 jobs and \$12.8 million in direct investment.
  - Lynchburg MSA: 148 jobs and \$8.1 million in direct investment.
  - Martinsville MSA: 3 jobs and \$0.5 million in direct investment.
  - Richmond MSA: 475 jobs and \$14.6 million in direct investment.
  - Roanoke MSA: 50 jobs and \$20.0 million in direct investment.
  - Staunton-Waynesboro MSA: 54 jobs and \$1.5 million in direct investment.
  - Virginia Beach-Norfolk-Newport News MSA: 2,859 jobs and \$107.3 million in direct investment.
  - Northern Virginia MSA: 1,368 jobs and \$70.0 million in direct investment.



**2. Reductions and Closures:** Virginia Economic Development Partnership announcements of reductions and closures in the 2<sup>nd</sup> quarter 2018:

- Statewide: 474 jobs.
- Kingsport-Bristol-Bristol MSA: 10 jobs
- Richmond MSA: 412 jobs.

Data sources:

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