

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



April 23, 2019

1st Quarter Economic Update – Cloudy with Intermittent Rain

IN SUM

At both the national and state level, employment growth decelerated in the 1st quarter 2019:

- Nationally, year-over-year growth in Total Nonfarm employment peaked at 2.0% in January 2019 and has since decelerated to 1.7%.
- In Virginia, year-over-year growth in Total Nonfarm Employment began to decelerate in September 2018, bottomed out at 0.7% in December 2018, and has since rebounded slightly to 1.0% in January 2019, 0.8% in February 2019, and 0.9% in March 2019. These growth rates reflect substantial revisions that the Bureau of Labor Statistics has made to its 2018 employment estimates for Virginia since our 4th quarter 2018 snapshot.
- Year-over-year employment growth in six of Virginia's 14 major industry sectors (Construction, Education and Health Services, Financial Activities, Professional and Business Services, Retail Trade, and Wholesale Trade) is continuing to decelerate and that is driving them further below the national growth trend.
- However, year-over-year growth in Virginia's Manufacturing and Total Government sectors accelerated above the national norm in the 1st quarter 2019 (although growth in Total Government appears to be largely an artifact of data reclassification by the Bureau of Labor

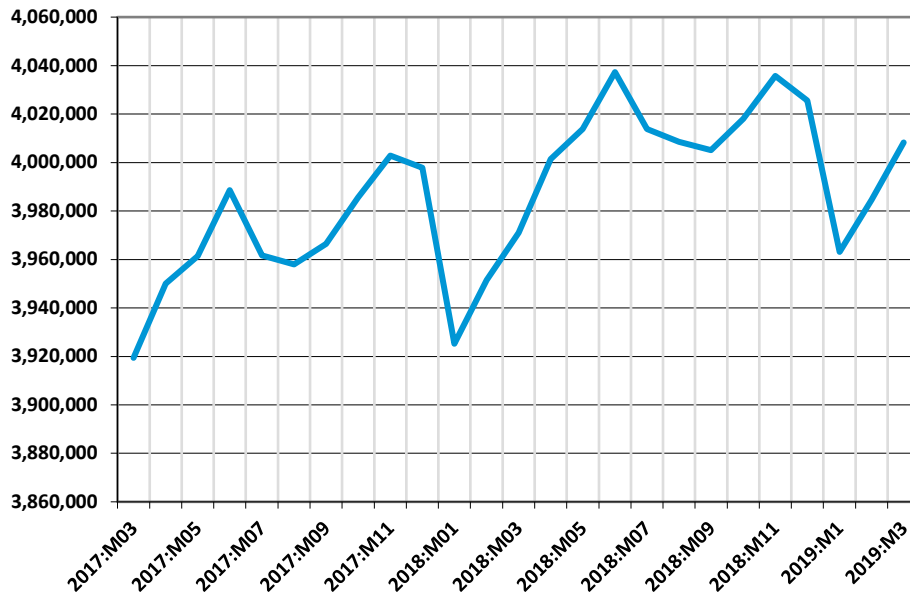
Statistics), and year-over-year growth in the state's Transportation and Warehousing, and Leisure and Hospitality sectors caught up with the national growth norm.

- Year-over-year growth in private sector average hourly earnings in Virginia peaked at 6.2% in December. That growth declined slightly in the 1st quarter, but remains strong, coming in at 3.9% in March 2019 as compared to 3.2% at the national level.
- At 3.0% statewide in Virginia, and 3.9% nationally, unemployment rates remain at historic lows.

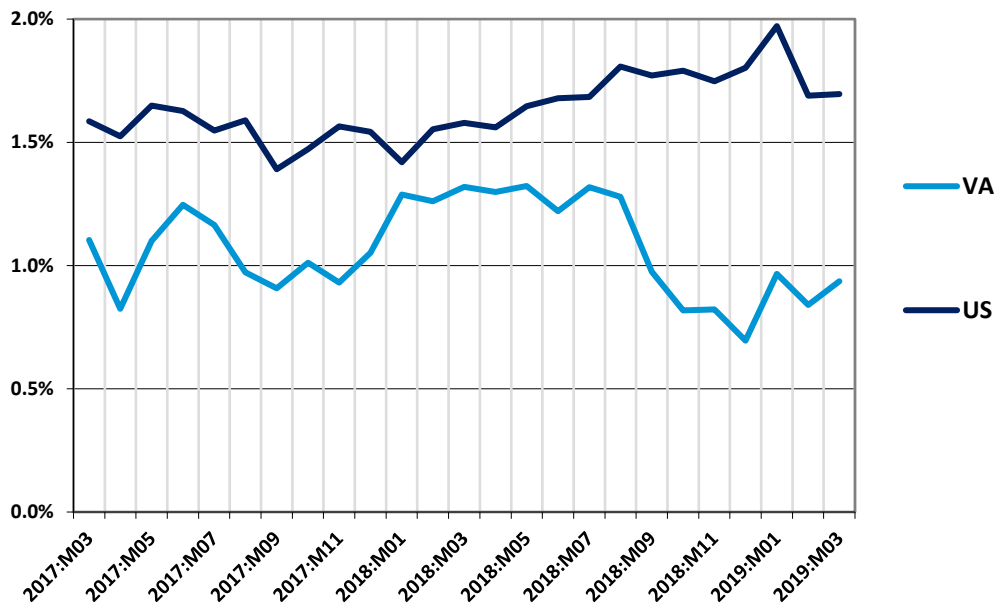
WHERE WE ARE

Total Nonfarm employment in Virginia increased by 88,900 jobs, or 2.3%, between March 2017 and March 2019.

Total Statewide Nonfarm Employment: March 2017 to March 2019

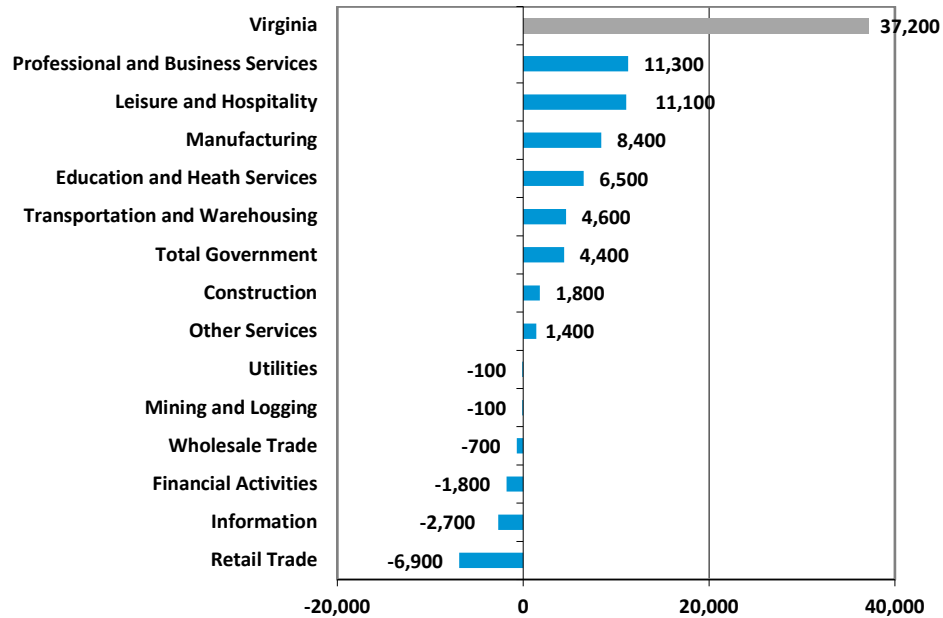


Year-over-Year Percentage Change in Total Nonfarm Employment: March 2017 to March 2019

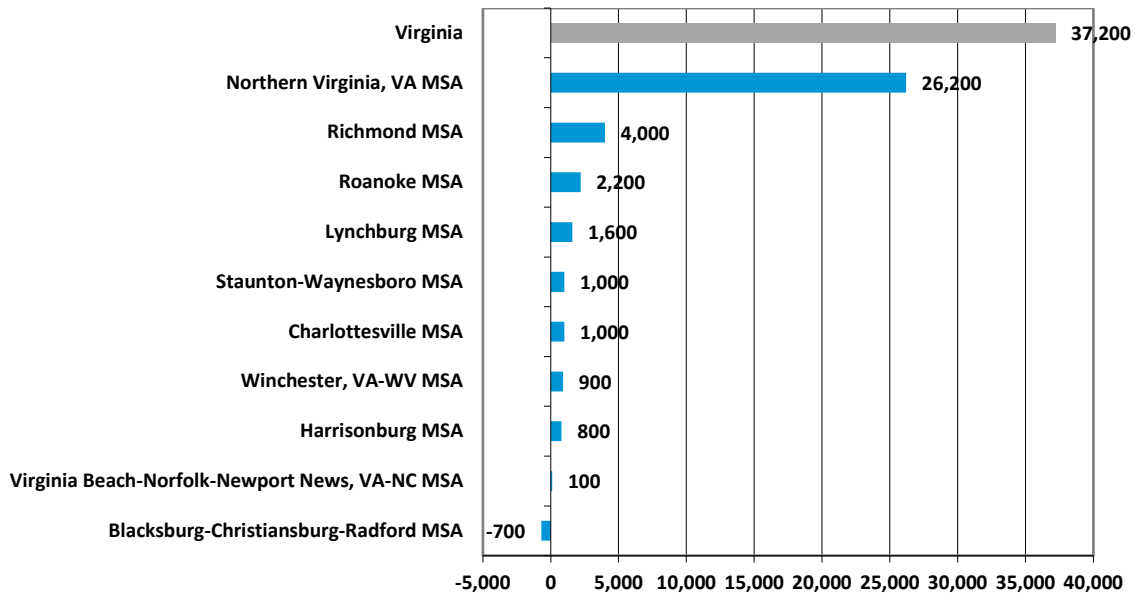


Between March 2018 and March 2019, statewide growth in Total Nonfarm employment was led by increases in the Professional and Business Services (up 11,300 jobs), Leisure and Hospitality (up 11,100 jobs), and Manufacturing (up 8,400 jobs) sectors. From a regional perspective, the largest job gains occurred in the Northern Virginia (up 26,200 jobs), Richmond (up 4,000 jobs), and Roanoke (up 2,200 jobs) MSAs.

March 2018 to March 2019 Change in Total Nonfarm Employment by Sector



March 2018 to March 2019 Change in Total Nonfarm Employment by MSA

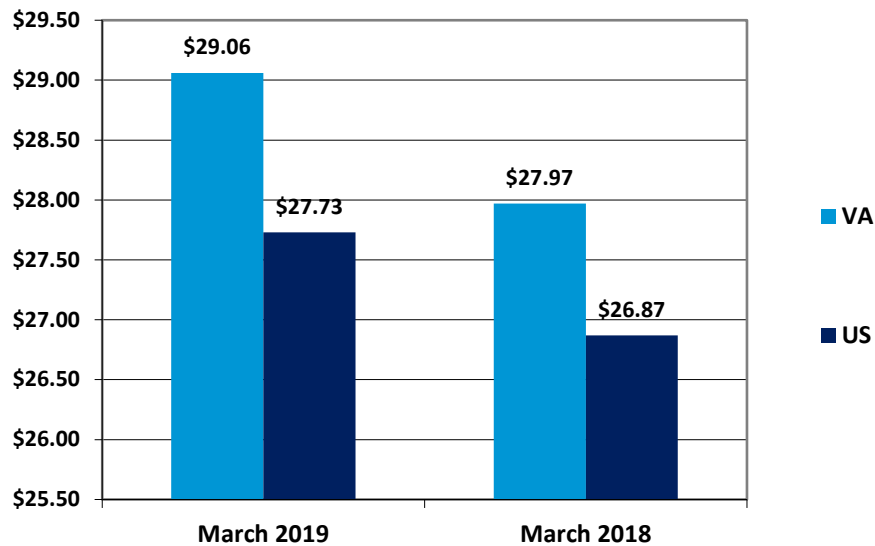


Virginia’s 0.9% year-over-year growth in statewide Total Nonfarm employment in March 2019 was below the 1.7% increase posted at the national level. Moreover, only four of Virginia’s 14 major industry sectors experienced year-over-year growth that was at or above the national norm. Those were: Transportation and Warehousing (up 3.8% statewide vs. up 3.2% nationally); Manufacturing (up 3.5% statewide vs. up 1.7% nationally); Leisure and Hospitality (up 2.8% statewide vs. up 2.7% nationally); and Total Government (down 2.3% statewide vs. up 0.4% nationally).

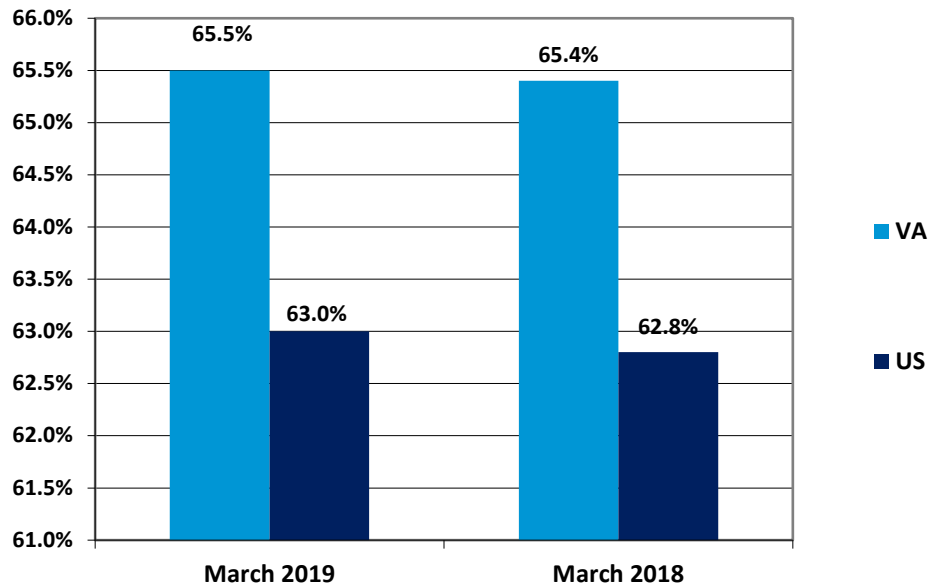
On the other side of the ledger, Virginia’s: Information (down 4.0% statewide vs. down 0.1% nationally); Retail Trade (down 1.7% statewide vs. down 0.3% nationally); Mining and Logging (down 1.3% statewide vs. up 6.0% nationally); Utilities (down 0.9% statewide vs. down 0.1% nationally); Financial Activities (down 0.9% statewide vs. up 1.2% nationally); Wholesale Trade (down 0.6% statewide vs. up 1.4% nationally); Other Services (up 0.7% statewide vs. up 1.6% nationally); Construction (up 0.9% statewide vs. up 3.4% nationally); Education and Health Services (up 1.2% statewide vs. up 2.3% nationally); and Professional and Business Services (up 1.5% statewide vs. up 2.6% nationally) sectors all under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia rose from \$27.97 to \$29.06 between March 2018 and March 2019, a nominal year-over-year increase of 3.9%, which was above the 3.2% 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 65.4% in March 2018 to 65.5% in March 2019. While at the national level, the labor force participation rate increased from 62.8% in March 2018 to 63.0% in March 2019.

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

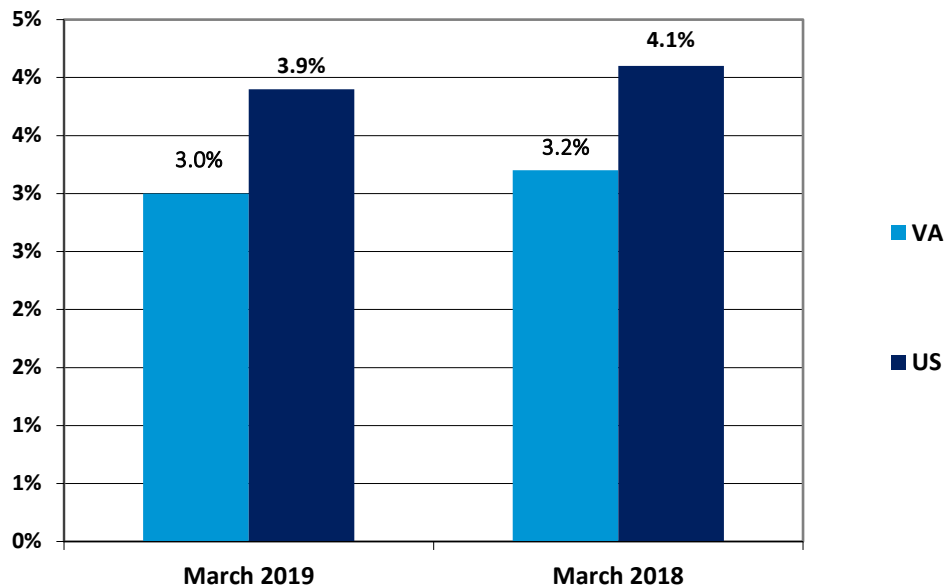


Labor Force Participation Rate: March 2018 to March 2019

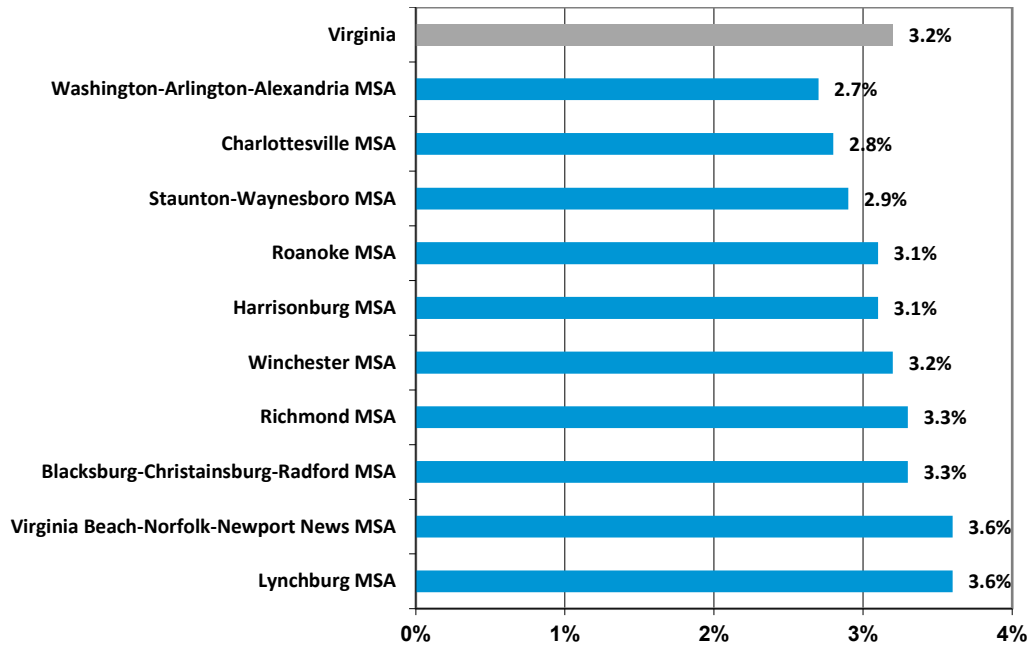


Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 3.0% in March 2019, below the national unemployment rate of 3.9% for that month, and an improvement over the state's 3.2% unemployment rate a year before. From a regional perspective, in February 2019 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 3.6% in Lynchburg and Virginia Beach-Norfolk-Newport News to a low of 2.7% in Northern Virginia.

Seasonally Unadjusted Unemployment Rate: March 2018 to March 2019



Seasonally Unadjusted Unemployment Rate: February 2019 by MSA



WHAT TO LOOK FOR

1) Employment

The advantage to using Current Employment Survey (CES) data from Bureau of Labor Statistics to measure employment, as opposed to the more comprehensive Quarterly Census of Employment and Wages (QCEW), is that it is much more current – where the QCEW data are typically six months old when they come out, the CES data are only one month old. The disadvantage is that CES is a survey based on a sample of businesses, where QCEW is an actual census of almost all businesses. As a result, the CES data are often subsequently revised and sometimes by a lot.

Regrettably, that is precisely what happened to the Virginia employment data for 2018 since our 4th Quarter 2018 snapshot was issued on January 22 of this year. The employment numbers for the first four months of 2018 were revised upward and the numbers for the last eight months were revised downward, with the largest revisions occurring at the very beginning and very end of the year. This had the effect of flattening out the employment trend and estimated employment growth for 2018 in Virginia from what had been reported by the Bureau of Labor Statistics three months earlier.

That is the main reason why this 1st Quarter 2019 snapshot is much less encouraging than the earlier 4th Quarter 2018 snapshot. And it is also a reminder that all economic data should be taken with a grain of salt, because all data are an approximation of reality and all have unique strengths and weaknesses based on how they are collected.

On the bright side, even though six of Virginia's 14 major industry sectors experienced year-over-year declines in employment between March 2018 and March 2019, with the notable exception of Retail Trade, most of those six are relatively small employment sectors. In total, all six account for 20% of statewide Total Nonfarm employment, which means that 80% of statewide Total Nonfarm employment is in major industry sectors that are experiencing year-over-year increases in employment.

Moreover, of the eight industry sectors that experienced year-over-year employment increases between March 2018 and March 2019, two accelerated to rise above the national growth trend (Manufacturing and Total Government), while two more caught up with the national growth trend after lagging it for some time (Transportation and Warehousing, and Leisure and Hospitality). In combination, these four sectors account for approximately 38% of Total Nonfarm employment in the state.

While on the not so bright side, six of Virginia's 14 major industry sectors (Construction, Education and Health Services, Financial Activities, Professional and Business Services, Retail Trade, and Wholesale Trade) are continuing to experience decelerating employment growth and that is driving them further below the national growth trend.

2) Wages

News on the wage front was good. Year-over-year growth in private sector average hourly earnings in Virginia accelerated above the national average in June 2018 and peaked at 6.2% in December. Those growth rates have since declined slightly but remain strong, coming in at 3.9% in March 2019 as compared to 3.2% 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 March of 2018 to March of 2019, rising from 65.4% to 65.5% and remains significantly above the national average.

4) Unemployment

At 3.0% statewide in Virginia, and 3.9% nationally, seasonally unadjusted unemployment rates remain at historic lows.

ANNOUNCEMENTS

1) New and Expanding

Virginia Economic Development Partnership announcements of new or expanding businesses in the 1st quarter 2019:

- [Statewide](#): 2,792 jobs and nearly \$286.9 million in direct investment.
- [Blacksburg-Christiansburg-Radford MSA](#): 24 jobs and \$0.2 million in direct investment.
- [Charlottesville MSA](#): 30 jobs.
- [Lynchburg MSA](#): 10 jobs and \$0.1 million in direct investment.
- [Richmond MSA](#): 979 jobs and \$64.2 million in direct investment.
- [Roanoke MSA](#): 110 jobs and \$31.7 million in direct investment.
- [Virginia Beach-Norfolk-Newport News MSA](#): 283 jobs and \$41.0 million in direct investment.
- [Northern Virginia MSA](#): 820 jobs and \$16.7 million in direct investment.

2) Reductions and Closures:

Virginia Economic Development Partnership announcements of reductions and closures in the 1st quarter 2019:

- [Statewide](#): 718 jobs.
- [Danville MSA](#): 13 jobs
- [Lynchburg MSA](#): 404 jobs
- [Richmond MSA](#): 54 jobs
- [Northern Virginia MSA](#): 155 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:

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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.

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