What is the Story?

On the one hand….

• U.S. economic growth by the numbers looks solid
  – GDP is growing as anticipated—buoyed by consumer spending and residential investment
  – Labor markets are tight
  – Sentiment indices have steadied

On the other hand….

• Business investment remains soft
• Reports of lingering uncertainty

And

• The Virginia economy is growing, but continues to trail that of the U.S. (and neighbors to the south)
National Economic Trends
U.S. Gross Domestic Product: A decade of fairly steady GDP growth continues

% Change, SAAR

Q4: 2019
US: 2.1%

Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics
Employment: The economy continues to add jobs

Source: Bureau of Labor Statistics/Haver Analytics
The unemployment rate continues at historic lows

Unemployment Rate (Percent)

January 2020
US: 3.6%

Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics
University of Michigan Consumer Expectations

Index, Q1 1966=100

Source: University of Michigan via Haver Analytics
National Federation of Independent Business

Source: NFIB via Haver Analytics
Duke/CFO Survey

Index, 100 = Most Optimistic

Source: Duke/CFO via Haver Analytics
Regional Economic Trends
Our Fifth District manufacturing index has seen some rebound…

Richmond Manufacturing Survey and ISM Manufacturing Survey

Source: The Federal Reserve Bank of Richmond/Institute of Supply Management
…and our service sector index remains solid

Richmond Service Sector Survey and ISM Nonmanufacturing Survey

- Services Revenue Index (Left Axis)
- ISM Nonmanufacturing (Right Axis)

Source: The Federal Reserve Bank of Richmond/Institute of Supply Management
Payroll Employment

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Industry Structure

December 2019

- Natural Resources & Mining: U.S. 0.5, Virginia 0.2
- Construction: U.S. 4.8, Virginia 4.9
- Manufacturing: U.S. 8.4, Virginia 6.1
- Trade, Transportation & Utilities: U.S. 18.7, Virginia 16.6
- Information: U.S. 1.9, Virginia 1.6
- Financial Activities: U.S. 5.7, Virginia 5.2
- Professional & Business Services: U.S. 14.2, Virginia 13.8
- Education & Health Services: U.S. 16.1, Virginia 16.1
- Leisure & Hospitality: U.S. 10.8, Virginia 10.2
- Other Services: U.S. 3.9, Virginia 4.9
- Government: U.S. 15.0, Virginia 17.9

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Industry Growth

Source: Bureau of Labor Statistics/Haver Analytics
MSA Employment Growth

<table>
<thead>
<tr>
<th>Location</th>
<th>YoY% Change (SA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winchester</td>
<td>2.2</td>
</tr>
<tr>
<td>Roanoke</td>
<td>2.1</td>
</tr>
<tr>
<td>Richmond</td>
<td>1.8</td>
</tr>
<tr>
<td>Harrisonburg</td>
<td>1.5</td>
</tr>
<tr>
<td>Charlottesville</td>
<td>1.4</td>
</tr>
<tr>
<td>U.S</td>
<td>1.4</td>
</tr>
<tr>
<td>Northern Virginia</td>
<td>1.3</td>
</tr>
<tr>
<td>Blacksburg</td>
<td>1.3</td>
</tr>
<tr>
<td>Virginia</td>
<td>1.1</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>1.1</td>
</tr>
<tr>
<td>Lynchburg</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Virginia MSA Total Employment

Bubble size: Total Employment - December 2019

0.0 0.5 1.0 1.5 2.0 2.5
10-year Average Annual % Change
0.0 0.5 1.0 1.5 2.0 2.5
YoY % Change

Charlottesville
Northern Virginia
Richmond
Winchester
Harrisonburg
Staunton
Virginia Beach
Roanoke
Blacksburg

Source: Bureau of Labor Statistics/Haver Analytics
Virginia Unemployment Rate

Source: Bureau of Labor Statistics/Haver Analytics

US: 3.5%
VA: 2.6%

December 2019
Unemployment in Virginia Counties

Unemployment Rate
(16 years and older)

- 0.6 - 3.5
- 3.6 - 5.2
- 5.3 - 7.2
- 7.3 - 11.3
- 11.4 - 23.3

Source: U.S. Census Bureau, 2018 American Community Survey 5-Year Estimates

Source: U.S Census Bureau
Employment to Population

Employment to Population Ratio (16 years and older)

- 33.5 - 41.5
- 41.6 - 50.0
- 50.1 - 55.8
- 55.9 - 61.8
- 61.9 - 74.7

Source: U.S. Census Bureau, 2018 American Community Survey 5-Year Estimates

Source: U.S. Census Bureau
Population growth is slower (or even negative!)

Source: U.S Census Bureau
Job growth is slower too…

Source: Bureau of Labor Statistics
Summary

• The national picture continues to look good with growth in GDP, tight labor markets, rebound in residential investment, and steadying of consumer sentiment.

• However, business investment remains weak, sentiment among manufacturers is still less upbeat than that of service providers, and uncertainty remains on the horizon.

• The Virginia economy continues to grow, but more slowly than that of the U.S.

• Economic opportunity is not distributed evenly across the Commonwealth or the country. Understanding what underlies those differences will enable us to develop a strategy to maximize our potential as an economy, which is a critical function of the Federal Reserve System.
Each month we ask for feedback from business executives located in our District. Respondents provide information on current business activity and expected changes for the next six months.

These data paint a picture of industry trends and help the Federal Reserve Bank of Richmond to be better informed about business conditions in our District. (Washington, D.C., Maryland, W.Virginia, Virginia, N. Carolina, and S.Carolina)

Your business is an integral part of our Fifth District community and we hope you will contribute.

If you would like to sign up please contact:
Roisin.McCord@rich.frb.org
804-697-8702

View our survey data and reports online:
https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions
Questions?

The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.