



CENTER FOR ECONOMIC ANALYSIS AND POLICY

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HAMPTON ROADS LABOR MARKET UPDATE

Unemployment Rate Decreases to 4.0% as Labor Force Declines by 0.71% in October 2017

Norfolk, VA, December 4, 2017 – Recently released non-seasonally adjusted data from the Bureau of Labor Statistics show the unemployment rate for the Hampton Roads region fell to 4.0% in October 2017. This represents a decrease of 0.5% from the unemployment rate of 4.5% observed in October 2016.

While a decline in the unemployment rate is typically viewed as a positive signal of economic activity however, in this case, it is not without its caveats. The number of unemployed workers decreased from 37,417 in October 2016 to 33,181 in October 2017, a change of 4,236 workers. However, the overall size of the civilian labor force in the Hampton Roads region declined by 5,898 workers, or 0.71%, in October 2017 when compared to October 2016. The overall size of the civilian labor force fell from 836,247 workers in October 2016 to 830,349 workers in October 2017. Thus, the falling number of unemployed workers drove the unemployment rate decline, despite the fact that the overall size of the labor force was also decreasing. The decrease in the size of the labor force suggests potential weakness in the labor market; however, it is too soon to tell if this is simply a one-month anomaly or part of a longer trend. This is the first month of labor force decline after sixteen consecutive months of labor force expansion.

Data on the number of jobs also released earlier by the Bureau of Labor Statistics continue to highlight the struggle to create jobs in Hampton Roads. Total non-seasonally adjusted nonfarm employee payrolls, or the number of jobs, in Hampton Roads in October 2017 were estimated to be 768,800 compared to 777,900 in October 2016. This represents a decrease of 9,100 jobs or a yearly decline of 1.20% in total nonfarm payrolls from October 2016 to October 2017. This represents the fourth consecutive month of year-on-year decline in the number of jobs for Hampton Roads.

While we continue to forecast 1.4% real GDP growth for 2017, we are moving from optimistic to neutral regarding the prospects for economic growth in Hampton Roads in 2018.

Increasing political uncertainty at the federal level may harm prospects for economic growth in 2018. While the House and Senate have passed defense appropriations bills that would significantly lift federal defense spending in Fiscal Year 2018, Congress must act to modify the spending caps imposed by the Budget Control Act of 2011 for this boost in spending to materialize. It appears highly likely that Congress will now pass another Continuing Resolution as there is insufficient time to reconcile and pass competing appropriations bills. If Congress can address these spending issues by the end of 2017, we would expect increased defense spending in Hampton Roads in the 2nd and 3rd quarters of 2018.

There are, however, significant caveats to this potential good news. Congress is currently debating two draft tax bills, each of which are estimated to significantly increase the federal deficit by at least \$1 trillion over the next ten years. Given the already large federal deficit and federal debt, any increase in the deficit and debt is likely to further constrain the ability of the federal government to respond to economic shocks. Given the economy is near full-employment, a stimulus at this time may spark inflation and rises in interest rates. Furthermore, a key part of the draft tax bills focus on lowering the corporate income tax rate. It remains a matter of contentious debate on how much of the tax cut will benefit workers versus owners of firms. Given the ongoing uncertainty regarding these and other important measures, including the Children's Health Insurance Program and the debt ceiling, we are concerned that political uncertainty will reduce the prospects for growth in 2018.

Area	Labor Force	Year on Year Change	Unemployed	Year on Year Change	Unemployment Rate	Year on Year Change
Chesapeake	115,992	-0.58%	4,339	-10.46%	3.70%	-0.50%
Hampton	63,863	-0.77%	3,088	-11.72%	4.80%	-0.60%
Newport News	88,532	-0.56%	3,942	-9.32%	4.50%	-0.40%
Norfolk	109,987	-0.68%	4,867	-11.49%	4.40%	-0.60%
Portsmouth	44,059	-0.59%	2,290	-7.88%	5.20%	-0.40%
Suffolk	42,092	-0.72%	1,668	-13.71%	4.00%	-0.60%
Virginia Beach	227,953	-0.72%	8,026	-12.13%	3.50%	-0.50%
Williamsburg	6,597	-1.05%	331	-13.80%	5.00%	-0.80%

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The Center for Economic Analysis and Policy in the Strome College of Business at Old Dominion University undertakes a wide range of economic, demographic, transportation and defense-oriented studies. For sixteen years, the Center and its predecessors have produced the highly regarded State of the Region Report for Hampton Roads and economic forecasts for the region. If you would like more information about this topic, please contact Dr. Robert M. McNab at 757 683 3153 or email at rmcnab@odu.edu.