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HAMPTON ROADS LABOR MARKET UPDATE

May Unemployment Rate Decreases to 3.1% as Employment Rises by 1.4%

Norfolk, VA, June 27, 2018 – Recently released non-seasonally adjusted data from the Bureau of Labor Statistics (BLS) show the unemployment rate for the Hampton Roads region fell to 3.1% in May 2018, down from 4.0% in May 2017. The falling unemployment rate coupled with employment and labor force growth show signs of a strengthening labor market in Hampton Roads.

There are two sources of data on the health of the labor market in Hampton Roads. The Local Area Unemployment Statistics (LAUS) program surveys individuals about their employment status. Data on employment, unemployment, and the size of the labor force are obtained from the LAUS. The Current Employment Statistics (CES) program surveys businesses on payroll employment, that is, the number of jobs. Both sources of data provide a picture of the overall labor market.

In May 2018, a decline in the number of individuals reporting that they were unemployed was primarily responsible for the year-on-year decline in the unemployment rate. The number of unemployed workers fell from 34,227 in May 2017 to 26,776 in May 2018, a decline of 21.8%. The number of individuals reporting that they were employed continued to increase, from 817,444 in May 2017 to 829,198 in May 2018, an increase of 11,754 individuals or 1.4%. The positive news about employment is coupled with a small increase of 0.5% in the civilian labor force from 851,671 workers in May 2017 to 855,974 workers in May 2018.

Along with the declining number of unemployed and rising number of employed individuals, the number of jobs in Hampton Roads also ticked upward in May 2018. Total non-seasonally adjusted nonfarm employee payrolls (jobs) in Hampton Roads increased from 782,600 in May 2017 to 787,700 in May 2018. The increase in non-farm payrolls represents an increase of 5,100 jobs or a yearly increase of 0.7% in total nonfarm payrolls from May 2017 to May 2018.

The decline in the number of unemployed in May is welcome news as it represents 17th month of decline in the unemployment rate and the 16th month of decline in the number of individuals reporting that they were unemployed.

The Tax Cuts and Jobs Act of 2017 and increased federal spending could lead to solid overall economic growth in the 2nd half of 2018. Recent plans by the United States Navy to bolster shipbuilding and maintenance are welcome news. Coupled with gains in manufacturing confidence, we expect that Hampton Roads will continue to grow robustly through the remainder of 2018.

An additional piece of good news is that Congress is moving swiftly on defense appropriations bills. Given that the House and Senate are already considering drafts of defense appropriations, there is a strong likelihood that a defense appropriations bill will be passed before the beginning of the new fiscal year on October 1st. Avoiding delays in appropriations or an outright shutdown is instrumental in providing manufacturers and service providers in Hampton Roads with a sense of stability.

In the near-term, we are increasingly concerned about the ongoing disputes between the U.S. and its trading partners, notably the EU, Mexico, Canada and China. What started as a dispute between the US and China over intellectual property and steel and aluminum tariffs has expanded to other trading partners and goods. While we initially viewed the tariff announcements as a negotiating strategy, the increasing rhetoric and announcement of additional tariffs adds to the growing sense of pessimism. Anecdotal evidence is continuing to mount that the tariffs are costing American jobs and incentivizing manufactures to shift production overseas.

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The Dragas 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 eighteen years, the Dragas Center and its predecessors have produced the State of the Region Report and economic forecasts for the region. If you would like more information about this topic, please contact Dr. Timothy M. Komarek at 757 683 4534 or email at tkomarek@odu.edu. You may also contact Dr. Robert McNab at 757 683 3152 or email at rmcnab@odu.edu.