



DRAGAS CENTER FOR ECONOMIC ANALYSIS AND POLICY

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HAMPTON ROADS LABOR MARKET UPDATE

June Unemployment Rate Decreases to 3.5% as Employment Rises by 1.6%

Norfolk, VA, August 1, 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 3.5% in June 2018, down from 4.3% in June 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 provides data on the number of people employed, unemployed, and the size of the labor force by surveying individuals about their employment status. 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 June 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 36,617 in June 2017 to 30,646 in June 2018, a decline of 5,971 workers (16.3%). The number of individuals reporting that they were employed continued to increase, from 823,075 in June 2017 to 836,462 in June 2018, an increase of 13,387 individuals or 1.6%. The positive news about employment is coupled with a small increase of 0.9% in the civilian labor force from 859,692 workers in June 2017 to 867,108 workers in June 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 June 2018. Total non-seasonally adjusted nonfarm employee payrolls (jobs) in Hampton Roads increased from 791,700 in June 2017 to 796,00 in June 2018. The increase in non-farm payrolls represents an increase of 4,300 jobs or a year-over-year increase of 0.5% in total nonfarm payrolls from June 2017 to June 2018.

The decline in the number of unemployed in June is welcome news as it represents 18th month of decline in the unemployment rate and the 17th month of decline in the number of individuals reporting that they were unemployed.

Recent estimates released by the Bureau of Economic Analysis provided further credence of a sustained recovery in the Virginian economy. Virginia Gross Domestic Product (GDP) grew at a 2.4% annualized rate in the first quarter of 2018, which outperformed the national economy. This is just the second time since 2010 that the Virginia economy grew by more than the US as a whole, and is the 4th consecutive quarter of real GDP growth for the Commonwealth above 2 percent.

We expect the Virginian and Hampton Roads economies will continue to improve throughout 2018 and into 2019 as increases in federal discretionary spending, especially with respect to the Department of Defense, will undoubtedly spur economic growth. Both the House and Senate have passed versions of the National Defense Authorization Act that in the end should increase defense spending by \$16 billion for the upcoming fiscal year 2019. There is a strong likelihood that a defense appropriations bill will be signed into law before the end of the summer, which would provide confidence and a sense of stability to manufacturers and service providers in Hampton Roads.

We are increasingly concerned about the rapid rise in the federal government's operating deficit and the accumulation of public debt. While there is substantial disagreement when such a downturn might occur, there is an emerging consensus that the federal government's fiscal position is dramatically worse than prior to the Great Recession. A downturn in federal revenues and increase in expenditure demands due to an economic downturn may inhibit the ability of the federal government to respond in the future. We are encouraged by the Commonwealth using most of its recent \$552 million revenue surplus to sure up its revenue stabilization fund in anticipation of the next economic downturn.

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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.