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HAMPTON ROADS LABOR MARKET UPDATE

July Unemployment Rate Decreases to 3.3% as Employment Rises by 1.7%

Norfolk, VA, August 29, 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 3.3% in July 2018, down from 4.3% in July 2017. The falling unemployment rate coupled with employment and labor force growth show continued 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 July 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 37,344 in July 2017 to 28,434 in July 2018, a decline of 8,910 workers (23.9%). The number of individuals reporting that they were employed continued to increase, from 829,938 in July 2017 to 844,327 in July 2018, an increase of 14,389 individuals or 1.7%. The positive news about employment is coupled with a small increase of 0.6% in the civilian labor force from 867,282 workers in July 2017 to 872,761 workers in July 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 July 2018. Total non-seasonally adjusted nonfarm employee payrolls (jobs) in Hampton Roads increased from 787,100 in July 2017 to 795,200 in July 2018. The increase in non-farm payrolls represents an increase of 8,100 jobs or a year-over-year increase of 1.0% in total nonfarm payrolls from July 2017 to July 2018.

The decline in the number of unemployed in July is welcome news as it represents 19th month of decline in the unemployment rate and the 18th month of decline in the number of individuals reporting that they were unemployed.

Recently released data by the Bureau of Economic Analysis show that the Virginia economy (Virginia Gross Domestic Product) grew at a 2.4% annualized rate in the first quarter of 2018, outpacing the national economy. We expect the Virginian and Hampton Roads economies will continue this positive momentum throughout 2018 and into 2019. In particular, Hampton Roads should experience an injection of federal discretionary spending from the Department of Defense. 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. Furthermore, we continue to expect increased economic activity in the 2nd half of 2018 because of the Tax Cuts and Jobs Act of 2017.

Nonetheless, 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 a portion 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.