



**DRAGAS CENTER FOR
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HAMPTON ROADS LABOR MARKET UPDATE

Unemployment Rate Decreases to 3.7% as Job Creation Increases by 0.2%

Norfolk, VA, April 6, 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 3.7% in February 2018. The unemployment rate may fall due to decline in the number of unemployed individuals, an increase in the labor force, or a combination of the two.

In February 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 39,182 in February 2017 to 30,807 in February 2018. This represents a decrease of 1.0% from the unemployment rate of 4.7% observed in February 2017. The falling number of unemployed was coupled with an increase in the civilian labor force from 841,042 workers in February 2017 to 842,961 workers in February 2018. This amounted to an increase in the size of the labor force by 0.23%.

Job creation in Hampton Roads also ticked upward in February 2018, with total non-seasonally adjusted nonfarm employee payrolls in Hampton Roads increasing from 768,000 in February 2017 to 769,600 in February 2018. The jobs data is another measure of the performance of the labor market as the jobs data is from a survey of businesses while the labor force data is from a survey of individuals. The increase in non-farm payrolls represents an increase of 1,600 jobs or a yearly increase of 0.2% in total nonfarm payrolls from February 2017 to February 2018.

The improvement in labor market conditions in February 2018 is a welcome news. All three labor market indicators showed signs of improvement from February 2017 and, if this emerged as a trend, would be a strong signal of improving economic conditions in Hampton Roads. We caution that the labor market data were significantly revised in March 2018 and will be revised again in late April 2018 and thus the picture of the Hampton Road's labor market has yet to fully emerge.

Our current forecast for real Gross Domestic Product growth in Hampton Roads in 2018 is currently 2.19%, a significant increase from our initial forecast of 1.19% in January 2018.

Overall, the economic fundamentals of the U.S. economy remain solid. Over 80% of U.S. metropolitan areas (319 out of 388) had decreases in their unemployment rate in February 2018. The moderation of wage and price growth in February 2018 boosted confidence that the Federal Reserve will continue its current approach and will not yet aggressively raise interest rate benchmarks. February 2018 also saw a slight uptick in overall labor market participation, crucial for sustaining economic growth in the medium-term. We expect disposable income to continue to increase in response to the Tax Cuts and Jobs Act of 2017; however, it is not clear whether the tax cuts have yet spurred additional economic growth.

We continue to be concerned about the increasing size of the federal deficit and the emerging possibility of a trade war between the U.S. and China. Following the imposition of increased levies on steel and aluminum, the President directed the U.S. Trade Representative to develop an additional \$50 billion in tariffs on over 1,300 Chinese products. China then responded with a retaliatory tariff proposal of \$50 billion on U.S. products, some of which are shipped through the Port of Virginia. The President has now responded by directing the U.S. Trade Representative to determine whether an additional \$100 billion in tariffs should be levied on Chinese imports. While bond and currency markets continue to bet on a negotiated settlement, the increasing rhetoric may reach an inflection point and become actual policy. A trade war would undoubtedly increase prices, increase unemployment, slow economic growth, and possibly tip the Hampton Roads and U.S. economies into recession.

Area	Labor Force	Year over Year Change	Unemployed	Year over Year Change	Unemployment Rate	Year over Year Change in Rate
Chesapeake	118,630	2.10%	3,899	-17.40%	3.30%	-0.80%
Hampton	64,250	0%	2,921	-17.80%	4.50%	-1.00%
Newport News	89,472	0.50%	3,732	-17.60%	4.20%	-0.90%
Norfolk	110,851	0.40%	4,517	-17.20%	4.10%	-0.80%
Portsmouth	44,145	-0.30%	2,062	-18.50%	4.70%	-1.00%
Suffolk	43,110	2.20%	1,536	-17.70%	3.60%	-0.80%
Virginia Beach	231,153	1.10%	7,174	-16.30%	3.10%	-0.70%
Williamsburg	6,778	1.70%	319	-18.0%	4.70%	-1.10%

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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. Robert M. McNab at 757 683 3153 or email at rmcnab@odu.edu.