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HAMPTON ROADS LABOR MARKET UPDATE

March Unemployment Rate Decreases to 3.6% as Employment Rises by 0.8%

Norfolk, VA, May 2, 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 3.6% in March 2018. This represents a decrease of 0.6% from the unemployment rate of 4.2% observed in March 2017 and continues the trend of an improving labor market in Hampton Roads.

The unemployment rate may fall due to decline in the number of unemployed individuals, an increase in the size of labor force, or a combination of the two. In March 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 35,862 in March 2017 to 30,652 in March 2018, a decline of 14.5%. The number of individuals reporting that they were employed continued to increase, from 811,850 in March 2017 to 818,166 in March 2018, an increase of 6,316 individuals or 0.8%. The falling number of unemployed was coupled with an increase in the civilian labor force from 847,712 workers in March 2017 to 848,818 workers in March 2018, an increase of 0.1%.

Job creation in Hampton Roads also ticked upward in March 2018 with total non-seasonally adjusted nonfarm employee payrolls in Hampton Roads increasing from 772,900 in March 2017 to 773,500 in March 2018. The jobs data is another measure of the performance of the labor market as the jobs data is from the Current Employment Statistics (CES) survey businesses while the labor force data is from a survey of individuals through the Local Area Unemployment Statistics (LAUS) program. The increase in non-farm payrolls represents an increase of 600 jobs or a yearly increase of 0.1% in total nonfarm payrolls from March 2017 to March 2018.

The improvement in labor market conditions in March 2018 is a welcome news. All the labor market indicators showed signs of improvement in March 2017. This represents the 26th month of increased employment, 15th month of decline in the unemployment rate, 14th month of decline in the number of unemployed, and second consecutive month of an increased labor force.

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. Our next revision to the Hampton Roads forecast will be presented at the Peninsula Economic Forecast breakfast on May 15th, 2018.

Overall, the economic fundamentals of the U.S. economy remain solid. Almost 80% of U.S. metropolitan areas (302 out of 388) had decreases in their unemployment rate in March 2018. Nonfarm payrolls were up in 308 of 388 metropolitan

areas. Most labor markets have continued to improve in 2018 and reports of employers offering bonuses and wage increases continue to increase. Job openings per unemployed worker have fallen from approximately 6 in 2010 to about 1 in 2018, another signal of a strong labor market. The personal-consumption expenditures price index was up 2% in March 2018 from the previous year, matching the Federal Reserve's inflation target. Inflation expectations have increased over the previous month, reflected in the increasing yield of 10-year U.S. Treasuries. We continue to expect increased economic activity in the 2nd half of 2018 because of the Tax Cuts and Jobs Act of 2017 and increased federal spending.

While we believe the Federal Reserve will continue its current interest rate benchmark path of two more interest rate increases in 2018, we recognize that the ongoing fiscal stimulus may spark increases in wages and prices above the Federal Reserve's target. We are also concerned about the ongoing dispute between the U.S. and China regarding intellectual property and international trade. We have yet to see significant movement in international currencies that would reflect increasing concern of a trade war. Bond yields, while having increased in 2018, have also not signaled increasing pessimism about international trade. We remain hopeful that the United States and its trading partners can come to amicable agreements regarding international trade as increasing tariffs could undermine economic growth in the United States.

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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.