DRAGAS CENTER FOR ECONOMIC ANALYSIS AND POLICY

*Contact* Dr. Timothy M. Komarek
*Telephone* 757 683 4534
*Email* tkomarek@odu.edu
*Website* http://www.ceapodu.com

FOR IMMEDIATE RELEASE
May 30, 2018

# HAMPTON ROADS LABOR MARKET UPDATE

## April Unemployment Rate Decreases to 3.1% as Employment Rises by 0.63%

Norfolk, VA, May 30, 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 April 2018, down from 3.8% in April 2017. The good news about employment is offset by the stagnation of the size of the labor force and a small decline in payroll employment (jobs).

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, jobs. Both sources of data provide a picture of the overall labor market.

In April 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 32,741 in April 2017 to 26,189 in April 2018, a decline of 20%. The number of individuals reporting that they were employed continued to increase, from 817,869 in April 2017 to 822,991 in April 2018, an increase of 5,122 individuals or 0.63%. The positive news about employment, however, is coupled with a small decrease of 0.17% in the civilian labor force from 850,610 workers in April 2017 to 849,180 workers in April 2018.

Despite the declining number of unemployed and rising number of employed individuals, the number of jobs in Hampton Roads ticked downward in April 2018. Total non-seasonally adjusted nonfarm employee payrolls (jobs) in Hampton Roads decreased from 781,300 in April 2017 to 780,000 in April 2018. The decrease in non-farm payrolls represents a decrease of 1,300 jobs or a yearly decrease of 0.17% in total nonfarm payrolls from April 2017 to April 2018.

The decline in the number of unemployed in April is welcome news as it represents 16$^{th}$ month of decline in the unemployment rate, and 15$^{th}$ month of decline in the number of unemployed. However, the decline in jobs suggests that increased employment is not coming from establishment job creation.

We continue to examine the puzzle of increasing employment and declining payroll employment and attribute some of the cause to the rise of the gig economy.

Newly released estimates from the Commerce Department suggest that U.S. economy grew at a slightly softer rate in the first quarter of 2018 than previously expected. The revised estimate of U.S. Gross Domestic Product growth was trimmed from a 2.3% to 2.2% annual rate for the 1st quarter 2018. Despite the slight downward revision in GDP growth, the usual economic benchmarks show a solid U.S. economy. For example, labor markets in metropolitan areas continued to show signs of strength with lower jobless rates in April for 305 of 388 metropolitan areas and higher nonfarm payrolls in 312 metropolitan areas over the year.

Many corporations have also seen an increase in their after-tax profits due to the Tax Cuts and Jobs Act of 2017. It remains to be seen what businesses will do with their tax savings, whether it will result in increased dividends or stock buy backs, which help the stock market, or flow towards investment and employees. In general, we expect to see continued overall economic growth in the 2nd half of 2018 because of the Tax Cuts and Jobs Act of 2017 and increased federal spending.

However, recent reports from the Federal Reserve and United Way suggest that the economic recovery is increasingly the tale of haves and have nots. The reports show that many Americans are not financially stable, where 40% do not have enough savings to cover a $400 emergency and almost a quarter of adults aren't able to cover all of their bills each month. The percentage of auto loans that were delinquent by 90-days or more also rose from 3.8% in the fourth quarter of 2017 to 4.3% in the first quarter of 2018. Needless to say, the headline measures of economic growth give us reasons to be optimistic, yet the gains do not appear to be equally shared across the economy.

We are also concerned about the ongoing dispute between the U.S. and China regarding intellectual property and 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. Finally, 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 continue to monitor these developments but remain optimistic about growth in the United States, Virginia, and Hampton Roads in 2018.

# # #

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.