



# Economic Outlook

## *Dulles Area Association of Realtors*

March 6, 2020



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***Vice President and Regional Executive***



*The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.*

# What is the story? (Pre-virus...)

## On the one hand....

- U.S. economic growth by the numbers looks solid
  - GDP is growing as anticipated—buoyed by consumer spending and residential investment
  - Labor markets are tight
  - Sentiment had steadied (at least before COVID-19)

## On the other hand....

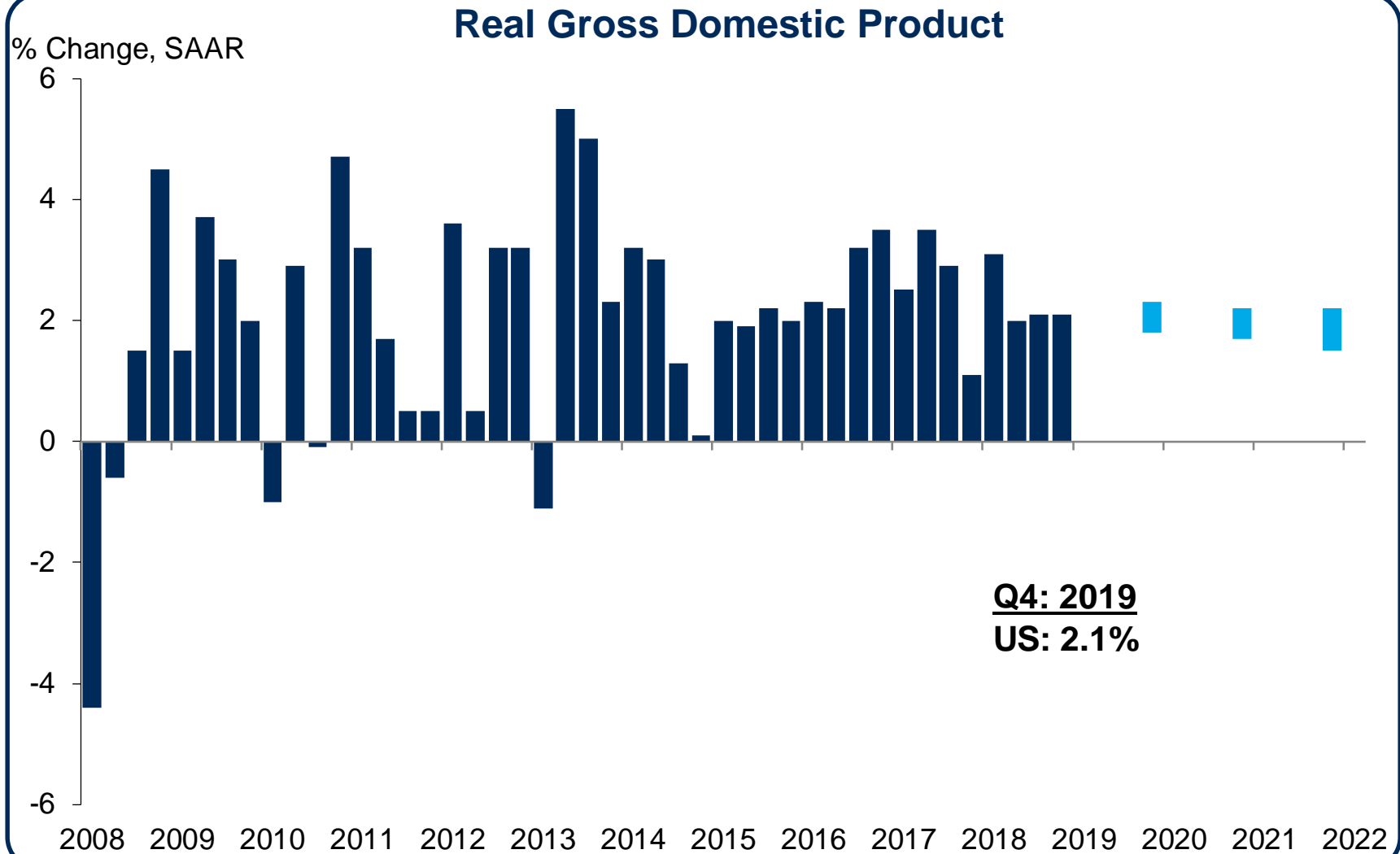
- Business investment remains soft
- Manufacturing weak, but rebounding

## And

- The Virginia economy is growing, but continues to trail that of the U.S. (and neighbors to the south)

# National Economy

# The economy is chugging along

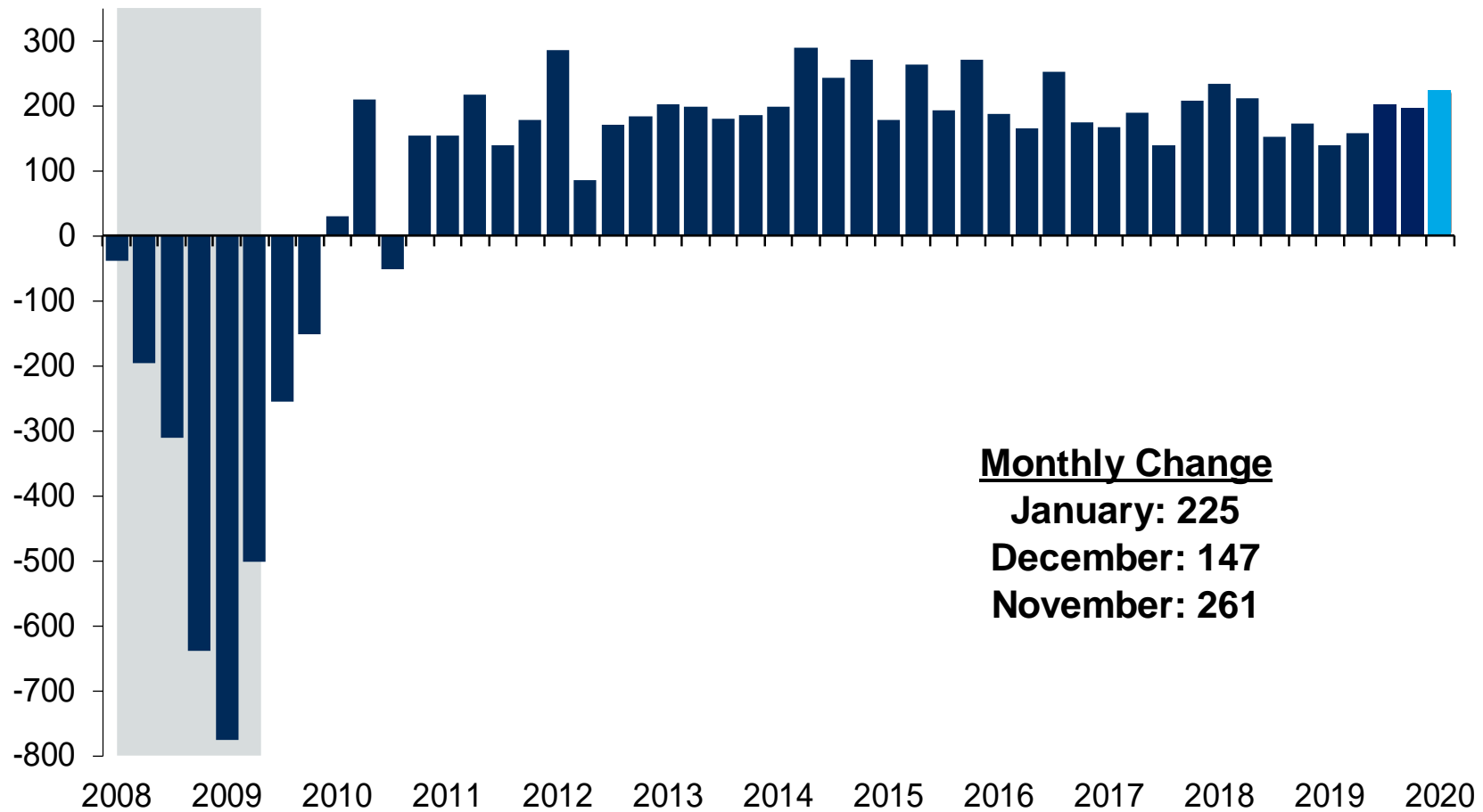


Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics

# Economy adding jobs consistently

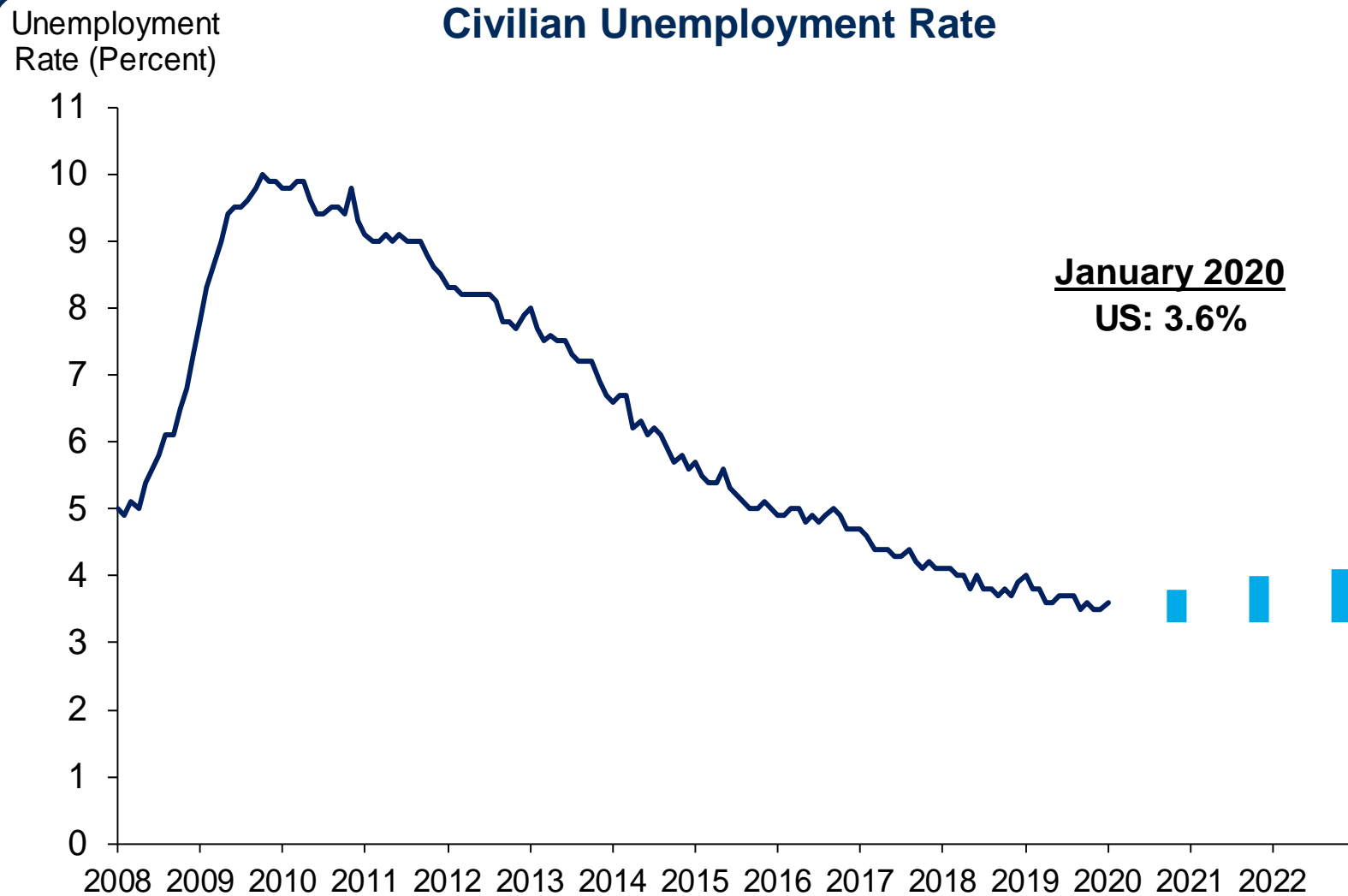
Average Monthly Change, Thous.

## Total Nonfarm Employment



Source: Bureau of Labor Statistics/Haver Analytics

# So not surprisingly, unemployment falling

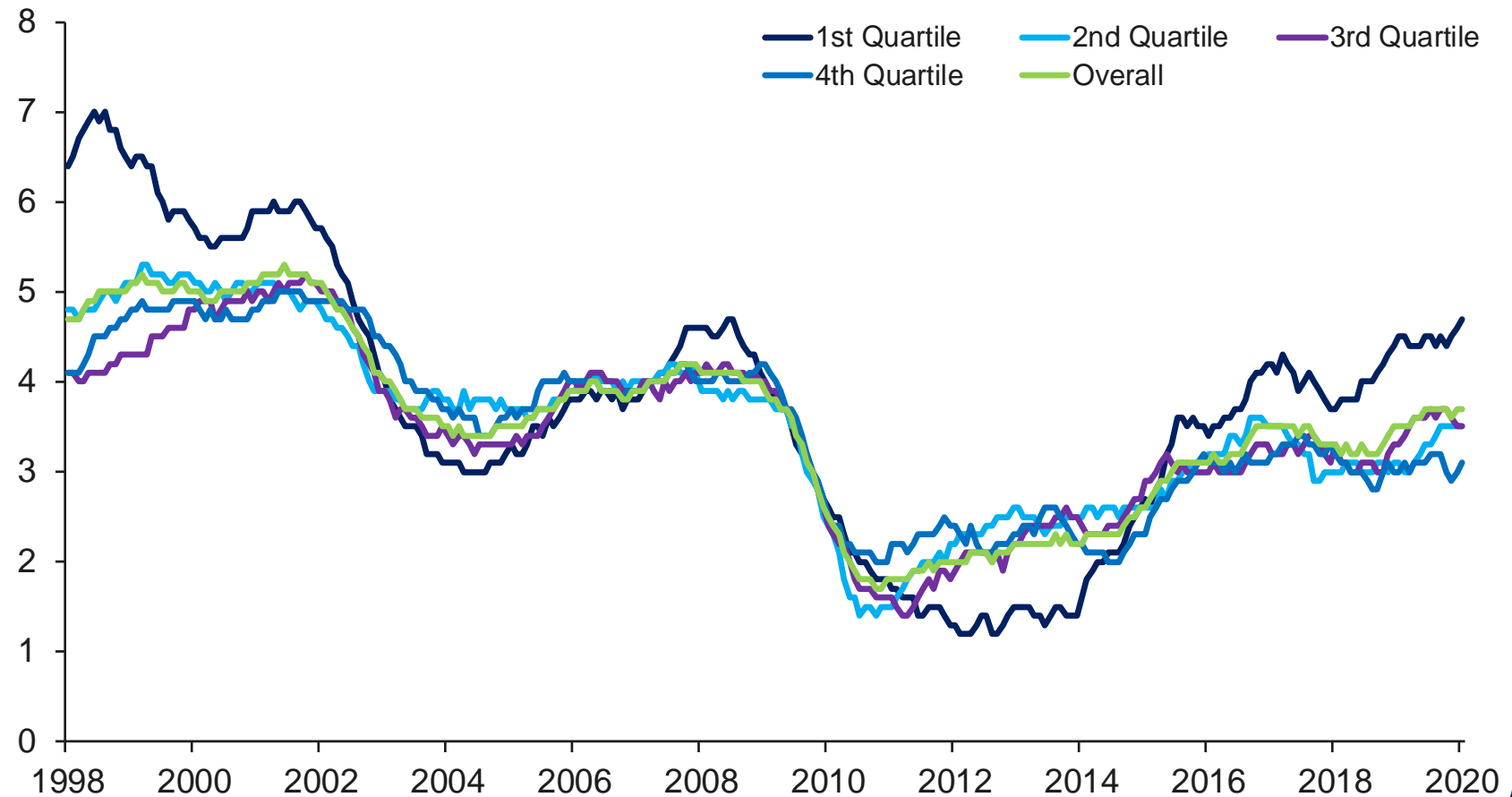


Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics

# Wages rising... but not same for everyone

Wage Growth Tracker by Wage Level

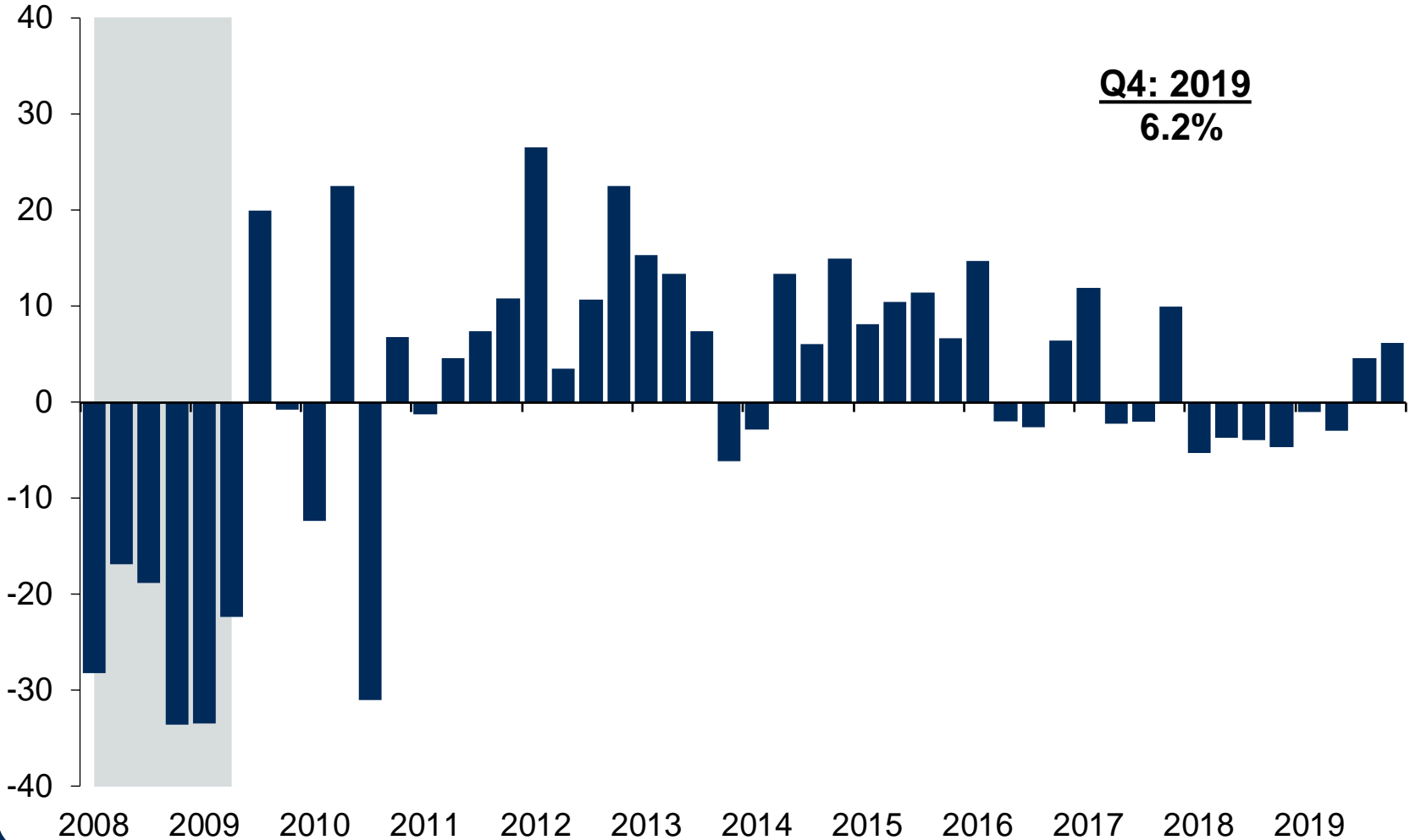
12-month Moving Average



Source: Federal Reserve Bank of Atlanta / Haver Analytics

# Residential investment finally rebounded

% Change, SAAR



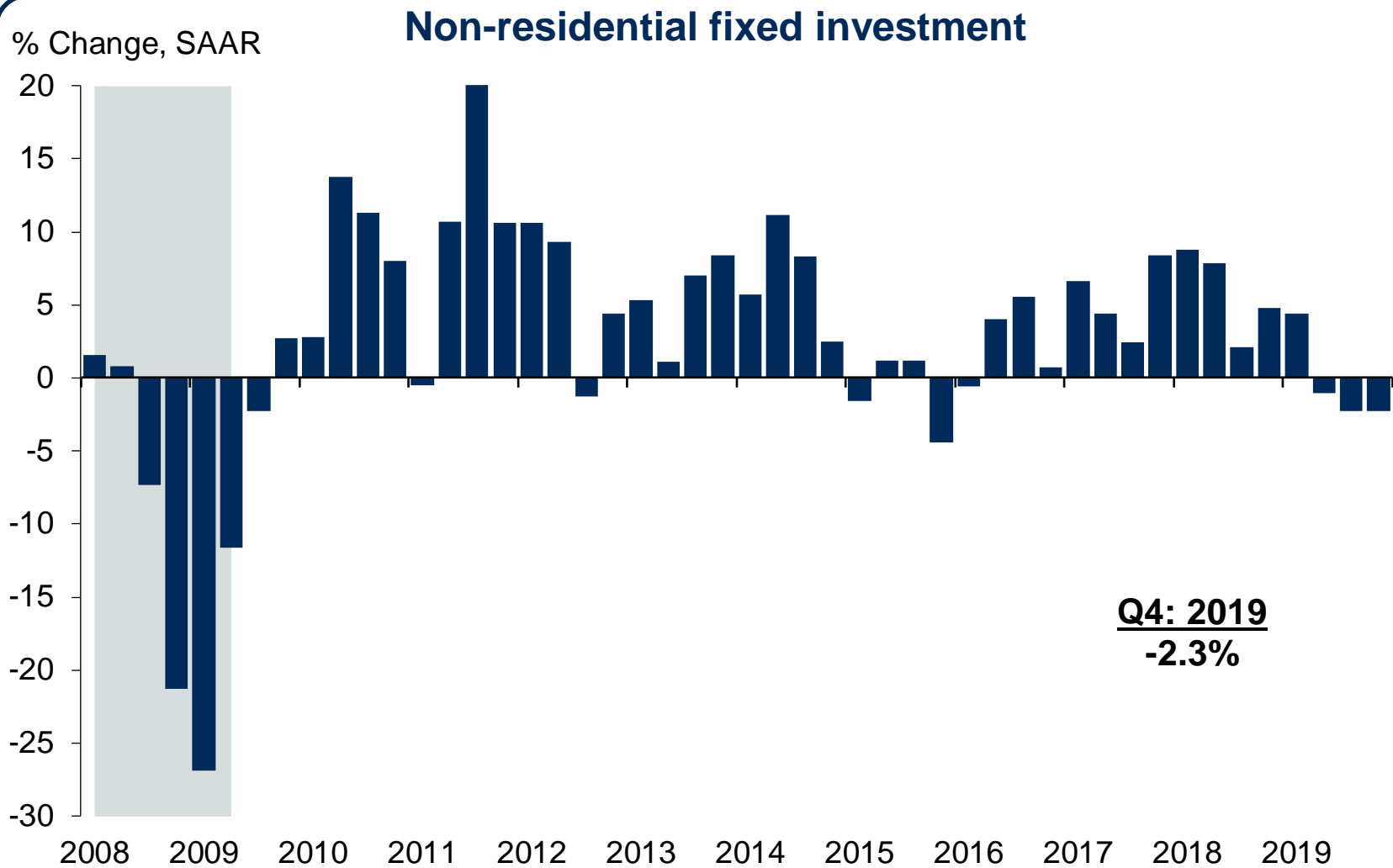
Source: Bureau of Labor Statistics/Haver Analytics

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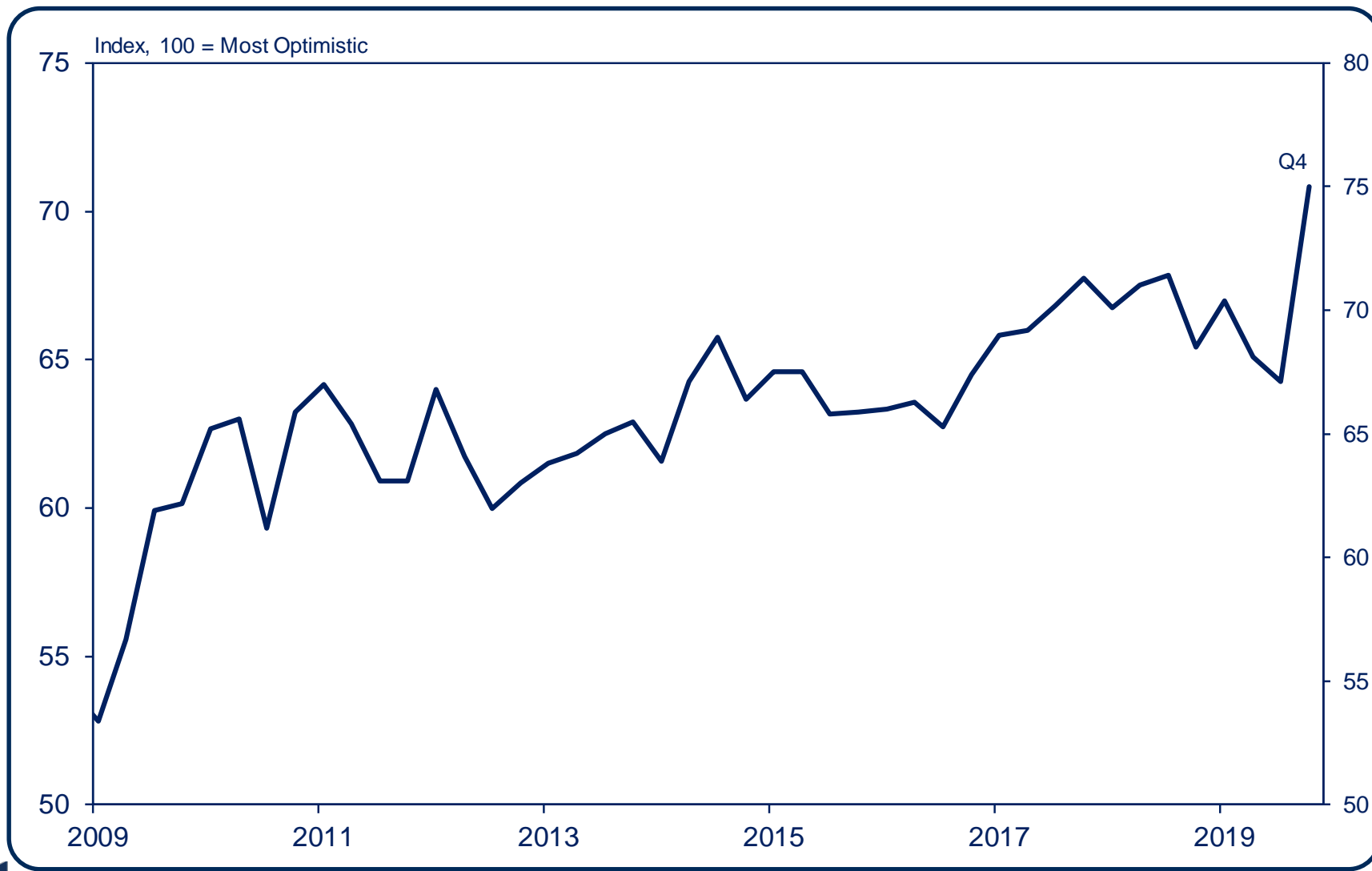


# But business investment has been soft



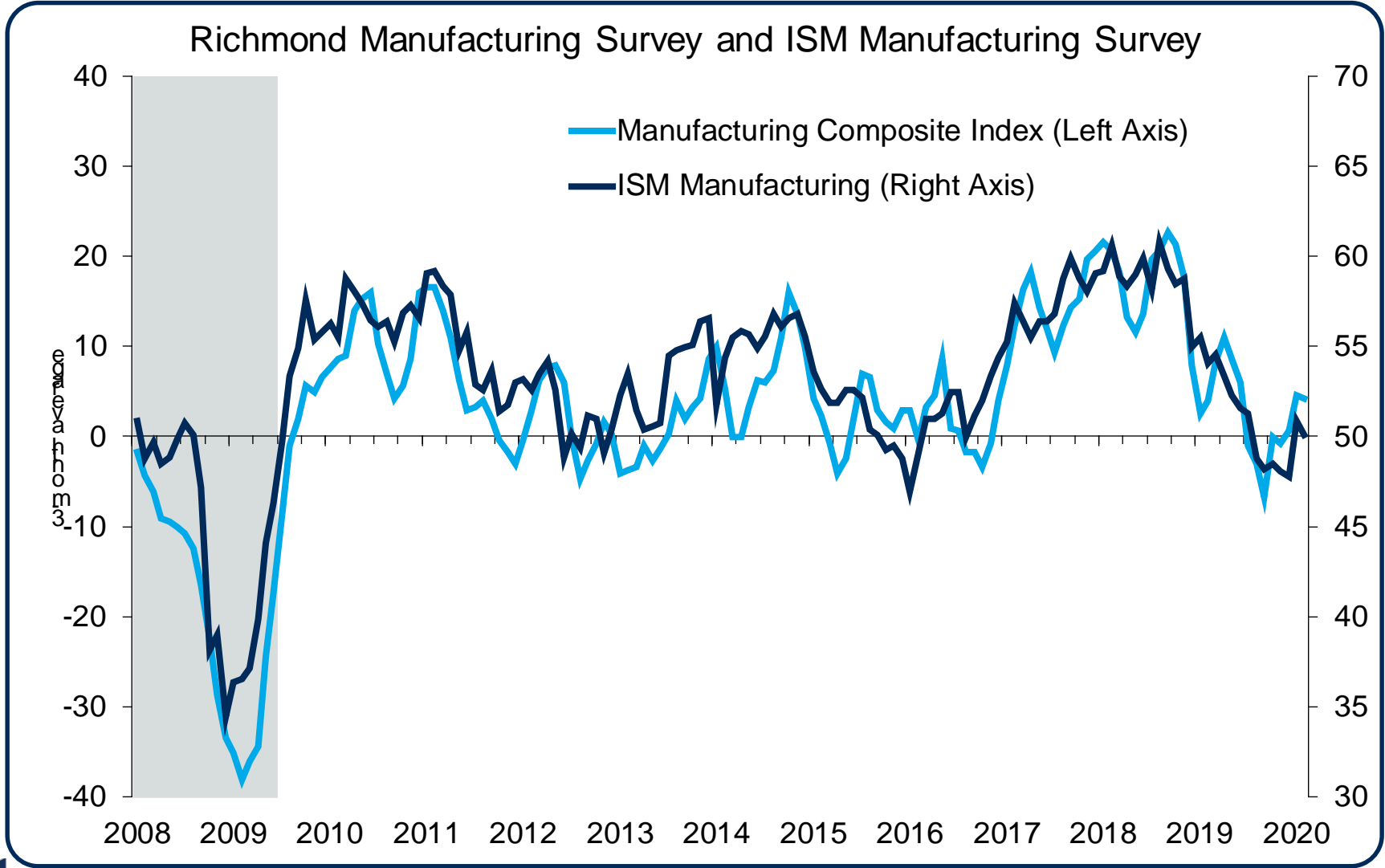
Source: Bureau of Economic Analysis via Haver Analytics

# Duke/CFO Survey



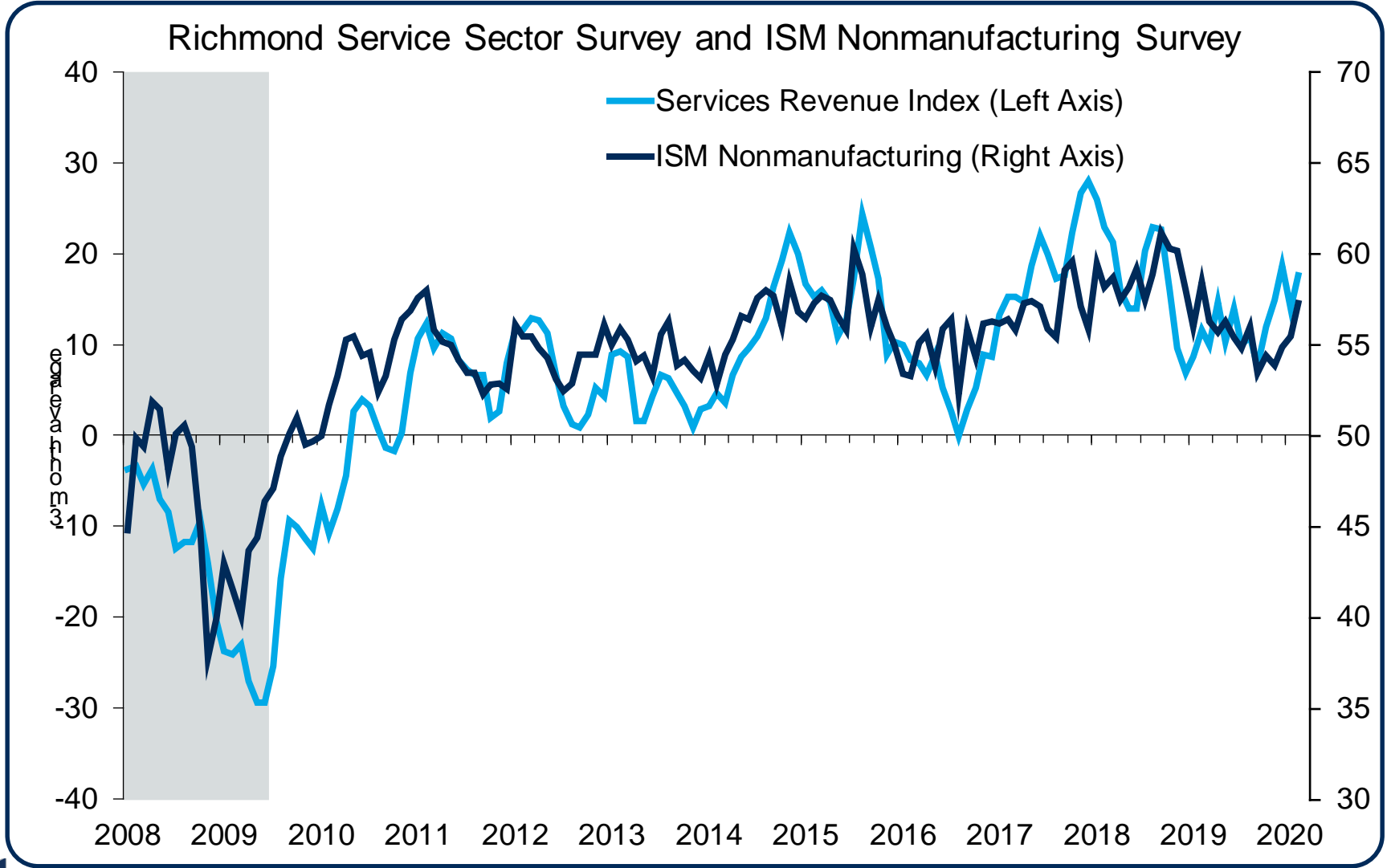
Source: Duke/CFO via Haver Analytics

# Manufacturing has been softening



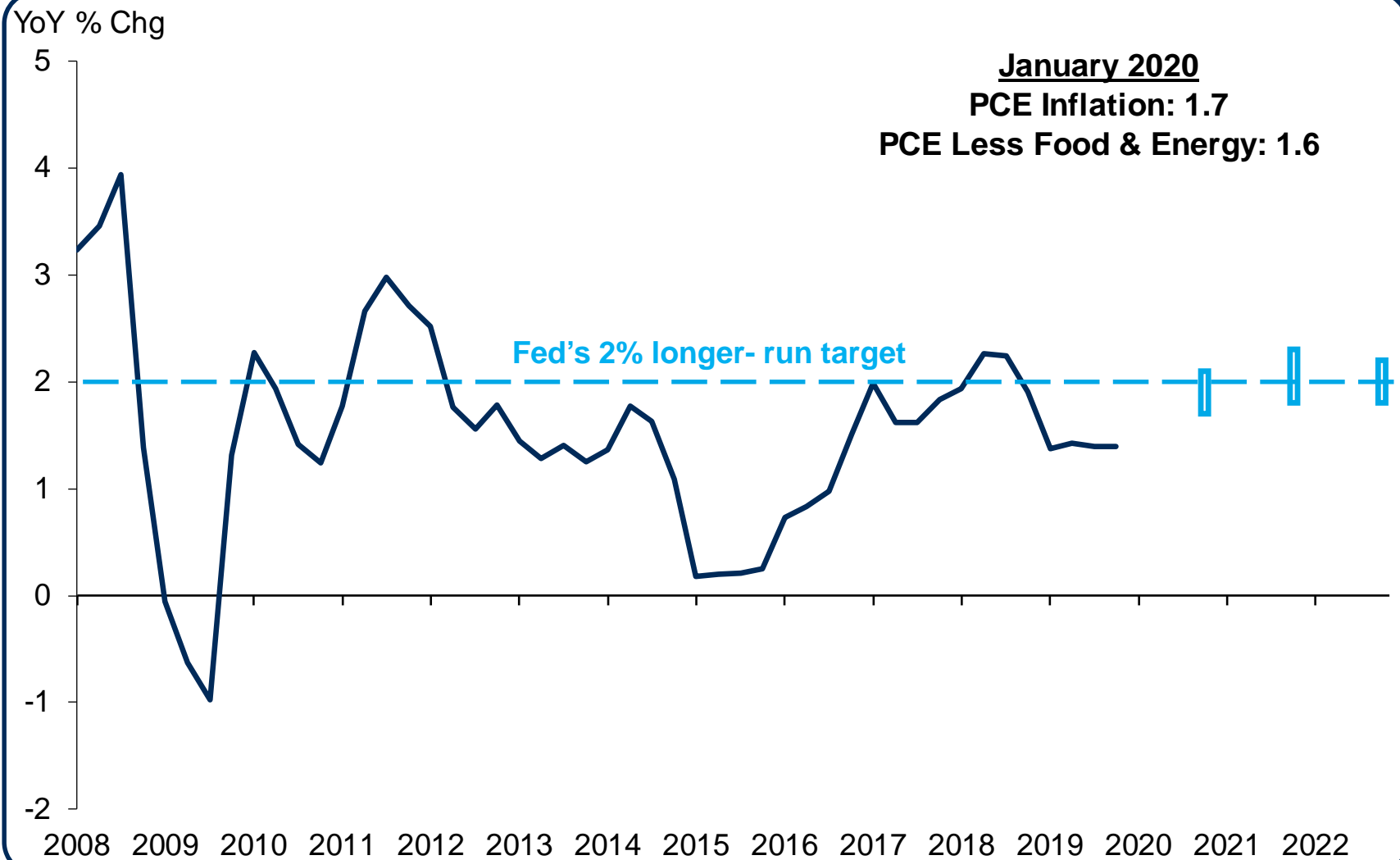
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

# And our service sector index remains solid



Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

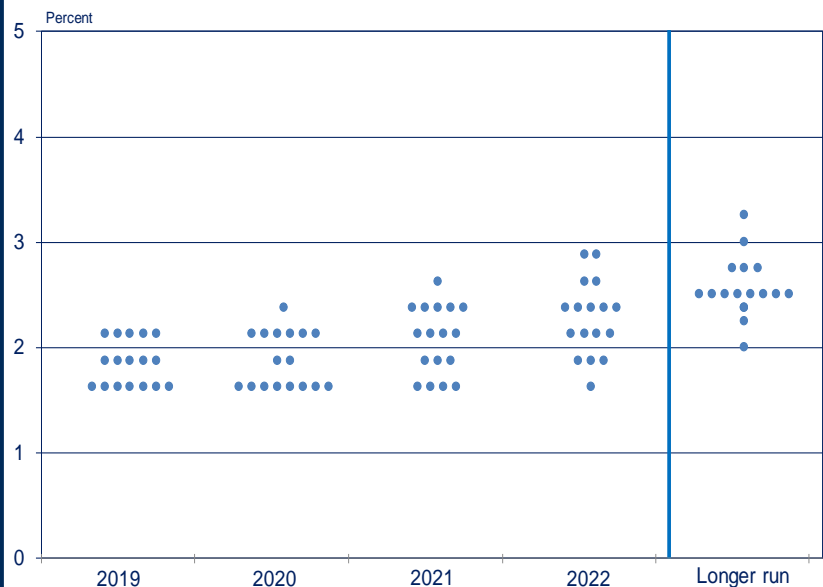
# Inflation remains below target



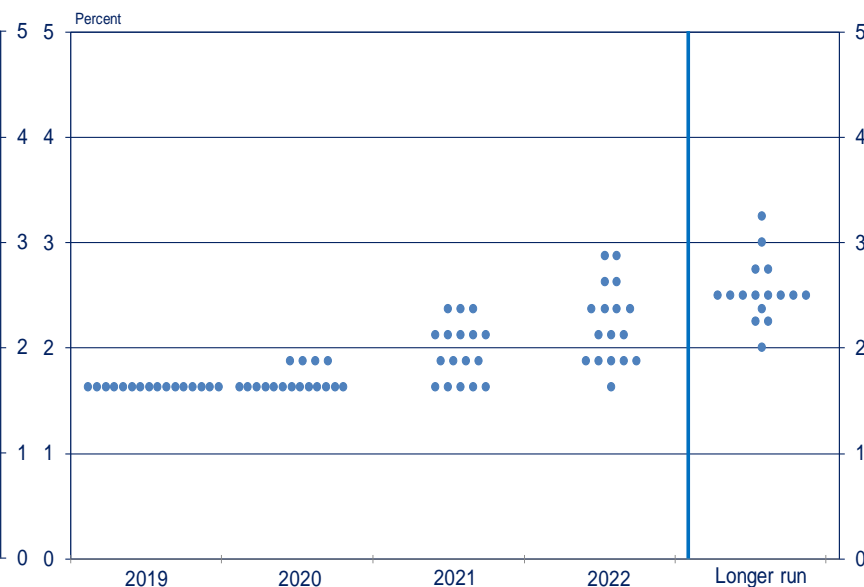
# Pre-Virus: Looked like a boring 2020

FOMC participants' assessments of appropriate monetary policy: midpoint of target range or target level for the federal funds rate

## September 2019



## December 2019



Source: Minutes of the Federal Open Market Committee, December 10-11, 2019

# COVID-19: Economic effects

## Direct impact

- Temporary reduction in labor (“supply shock”)
- Drop in demand for nondurables (e.g. travel, tourism)
- All leading to large, still unclear supply chain disruptions

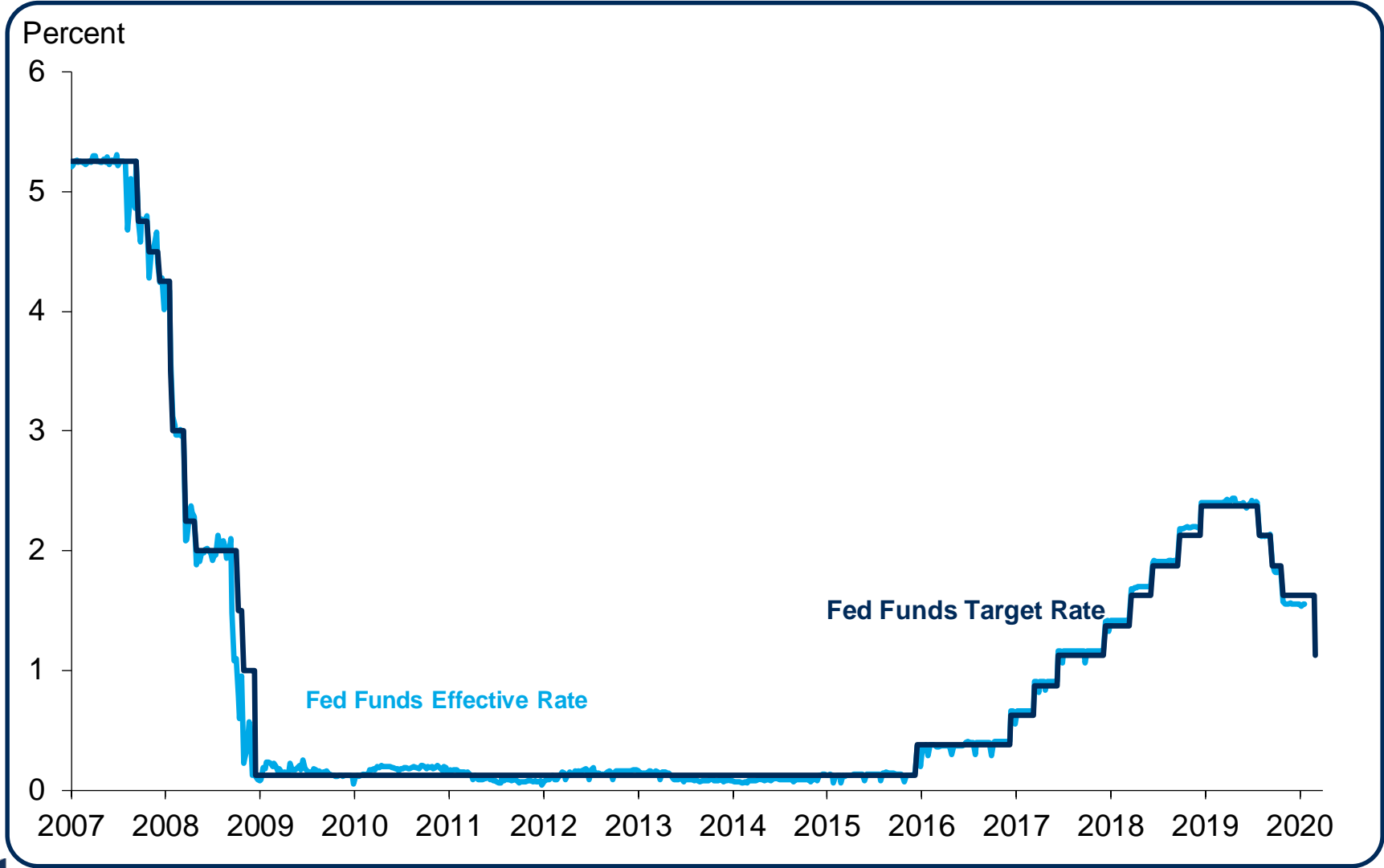
## Indirect impact

- Diversifying supply chains? (longer term)

## Estimates of prior pandemics (Avian Flu, SARS) suggest significant impacts to GDP

- But tradeoffs: quarantines, economic shutdowns are costly too

# March 3: Fed's emergency rate cut





# Please join our business surveys!

*Each month we ask for feedback from business executives located in our District. Respondents provide information on current business activity and expected changes for the next six months.*

*These data paint a picture of industry trends and help the Federal Reserve Bank of Richmond to be better informed about business conditions in our District. (Washington, D.C., Maryland, W.Virginia, Virginia, N. Carolina, and S.Carolina)*

*Your business is an integral part of our Fifth District community and we hope you will contribute.*

*If you would like to sign up please contact:*

[Roisin.McCord@rich.frb.org](mailto:Roisin.McCord@rich.frb.org)

**804-697-8702**

*View our survey data and reports online:*

[https://www.richmondfed.org/research/regional\\_economy/surveys\\_of\\_business\\_conditions](https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions)



# Questions?

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*... and thank you!*

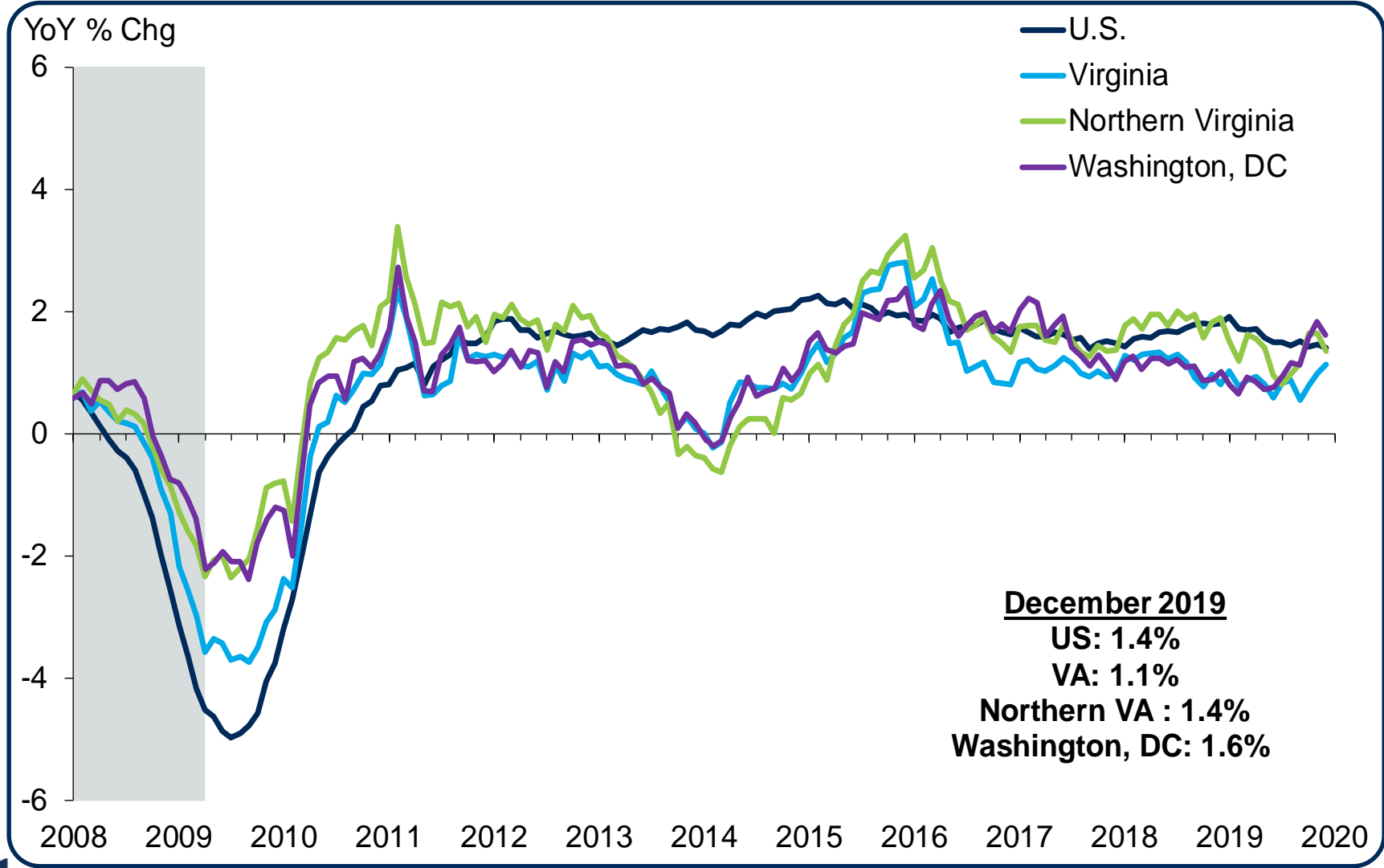
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# Regional Economy

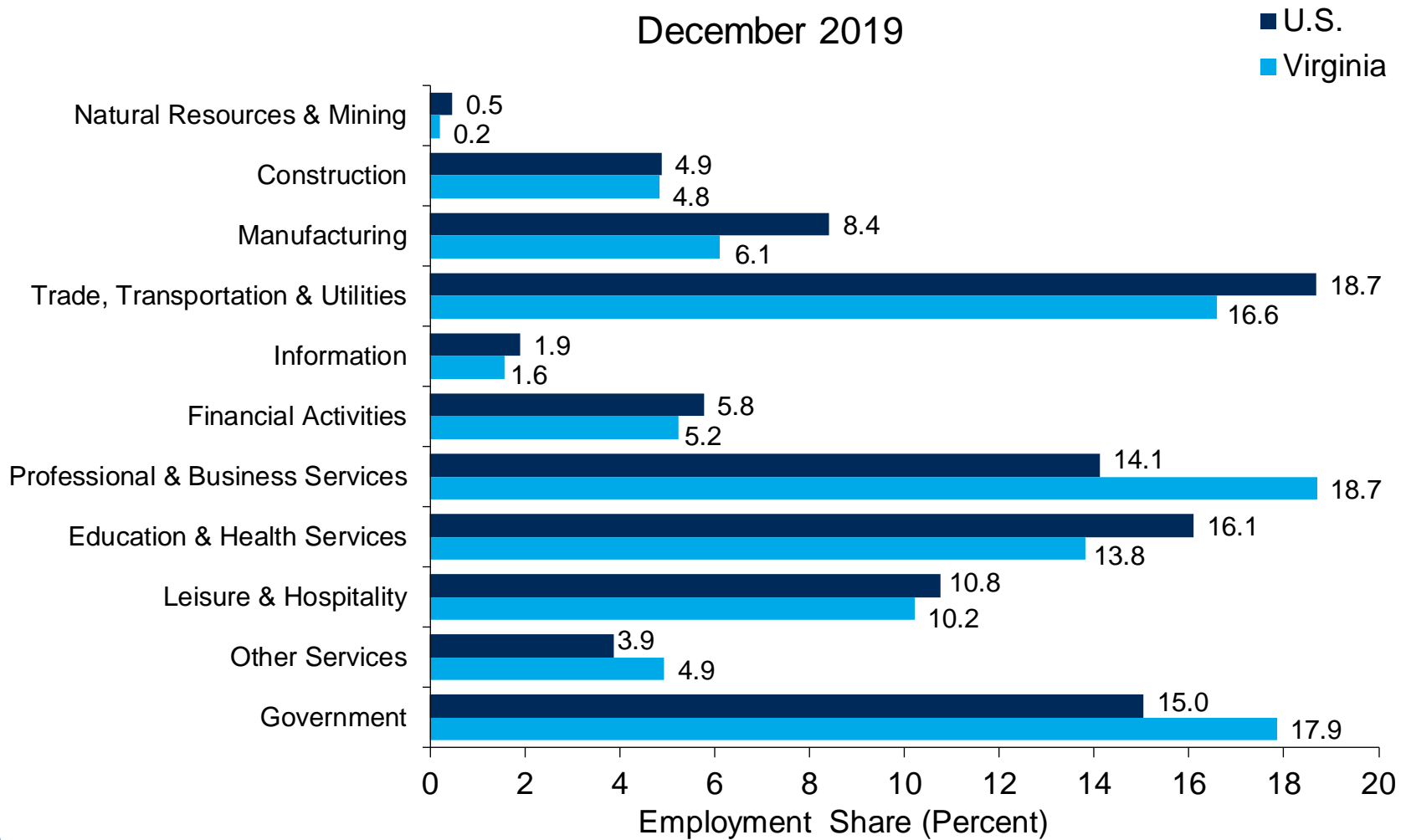
# Virginia job growth trails U.S.



Source: Bureau of Labor Statistics/Haver Analytics

# What drives Virginia's economy?

December 2019

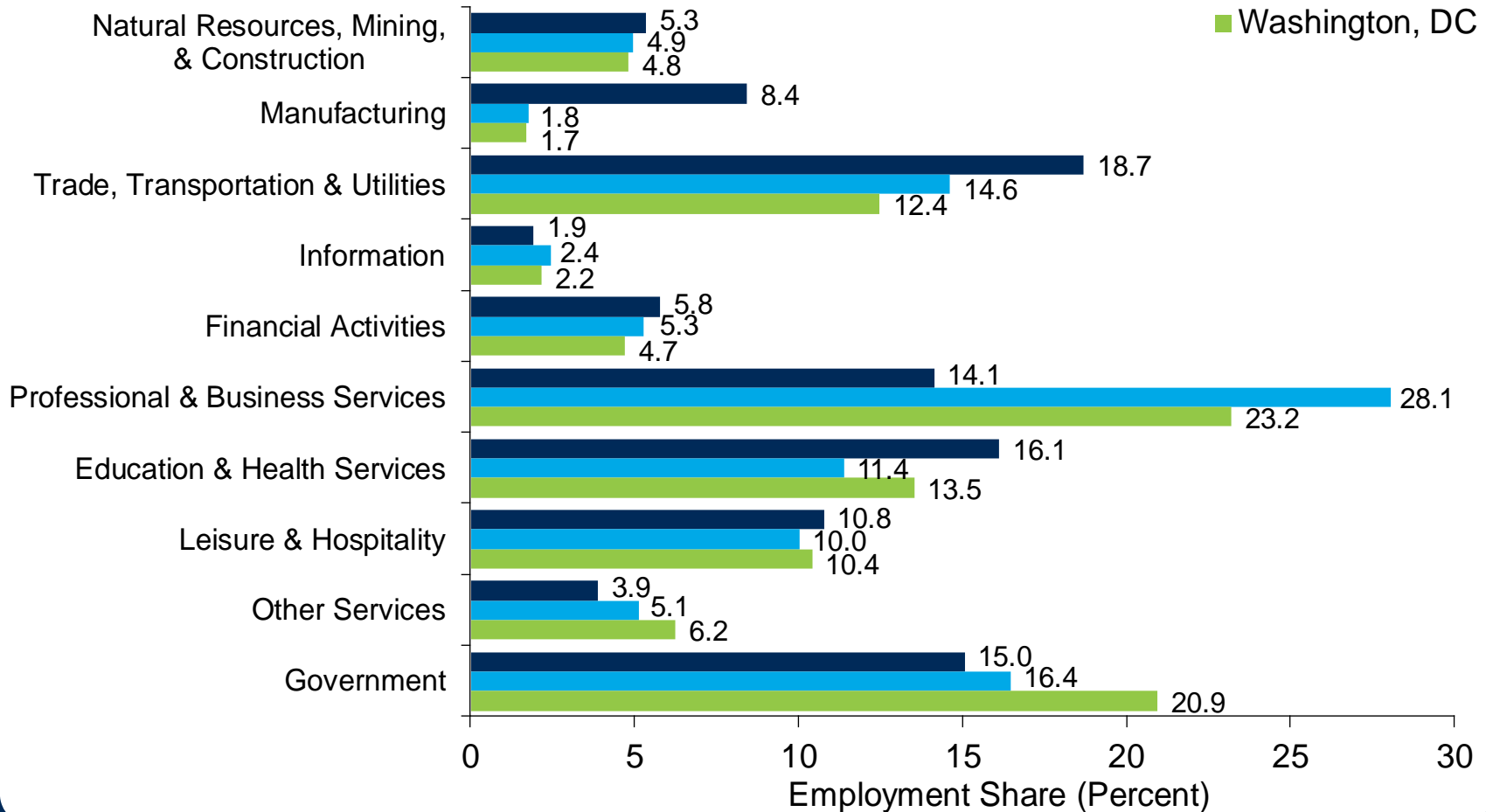


Source: Bureau of Labor Statistics/Haver Analytics

# US, NOVA, DC Structure

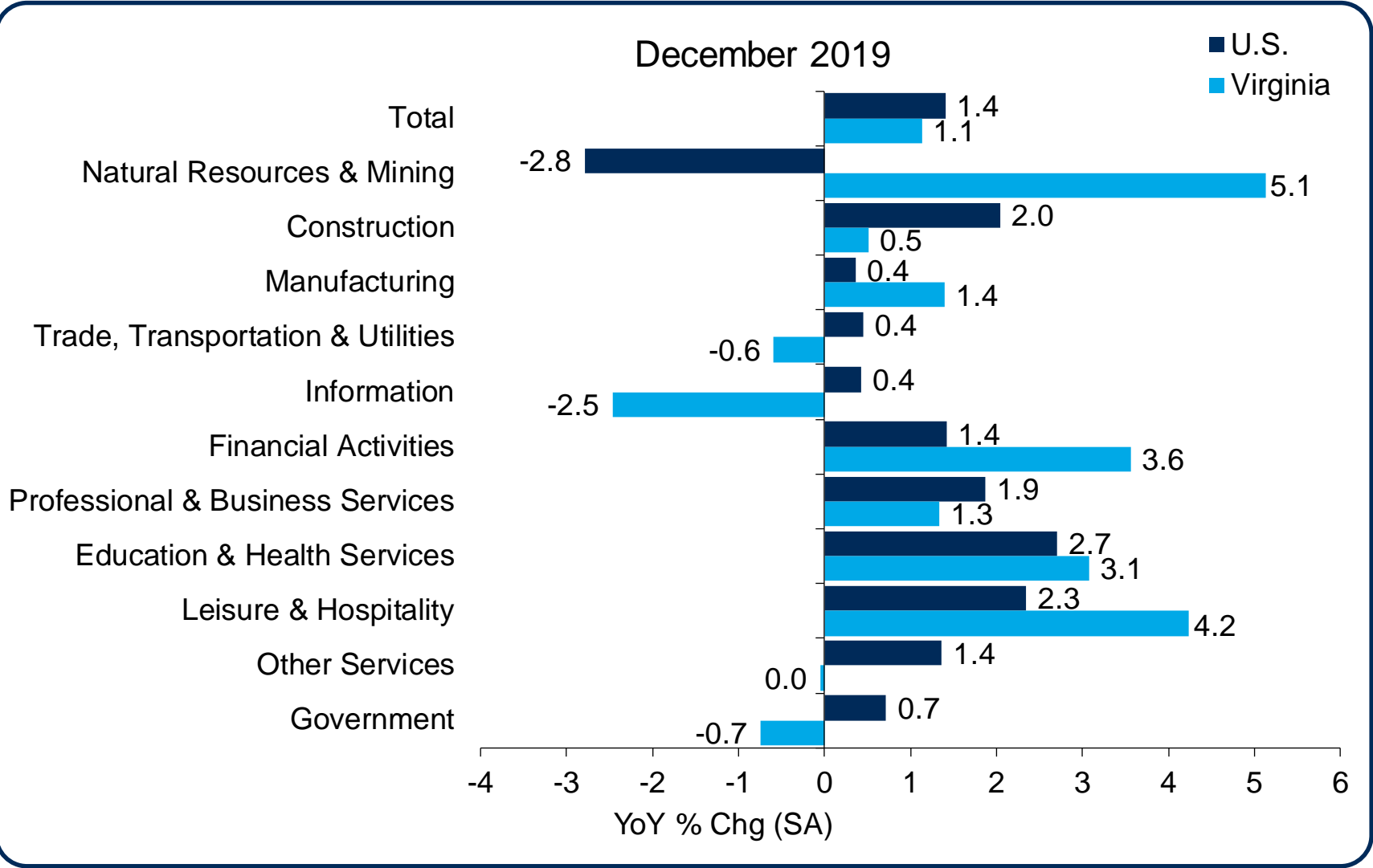
December 2019

- U.S.
- Northern Virginia
- Washington, DC



Source: Bureau of Labor Statistics/Haver Analytics

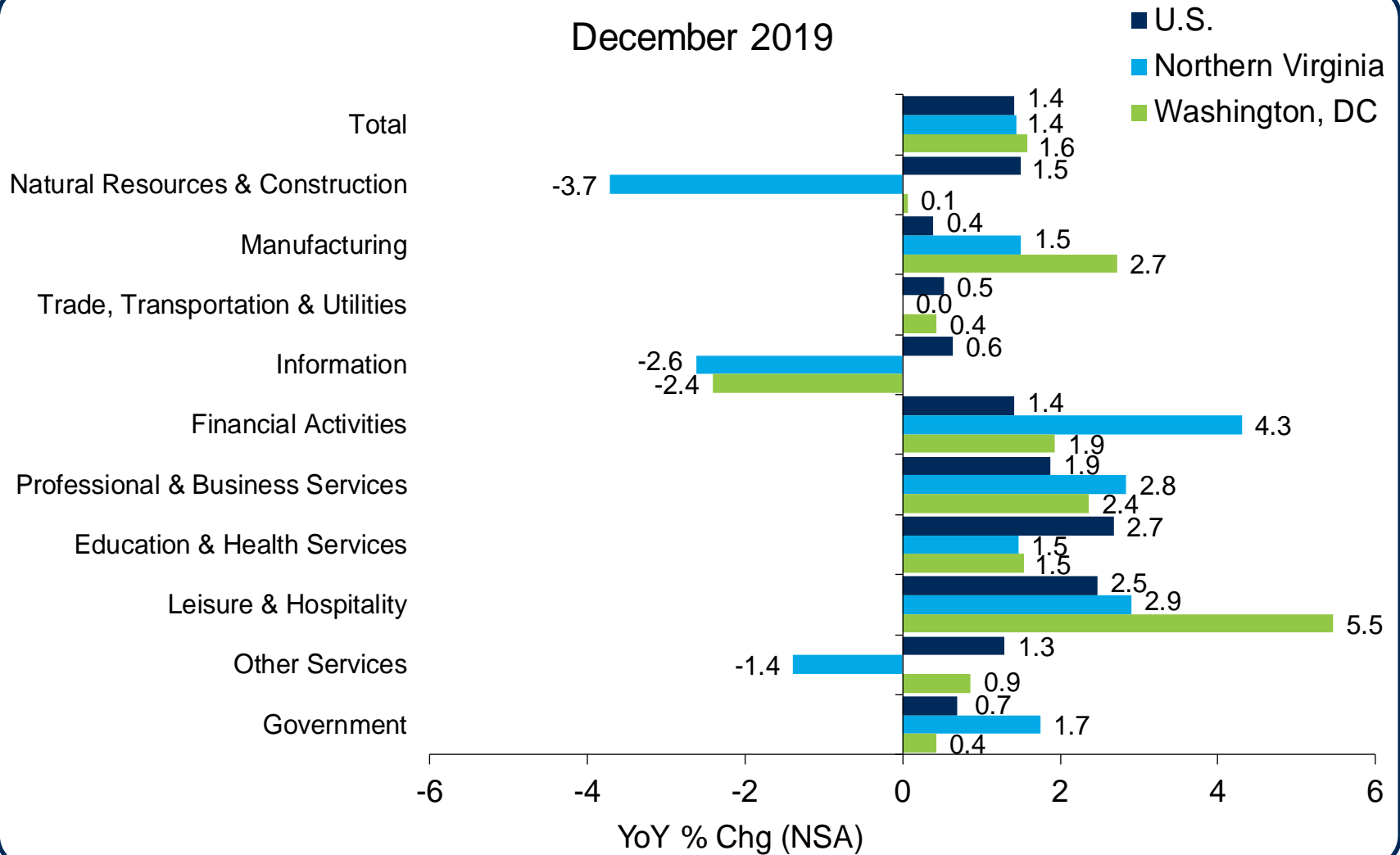
# And how is each sector growing?



Source: Bureau of Labor Statistics/Haver Analytics

# US, NOVA, DC Growth

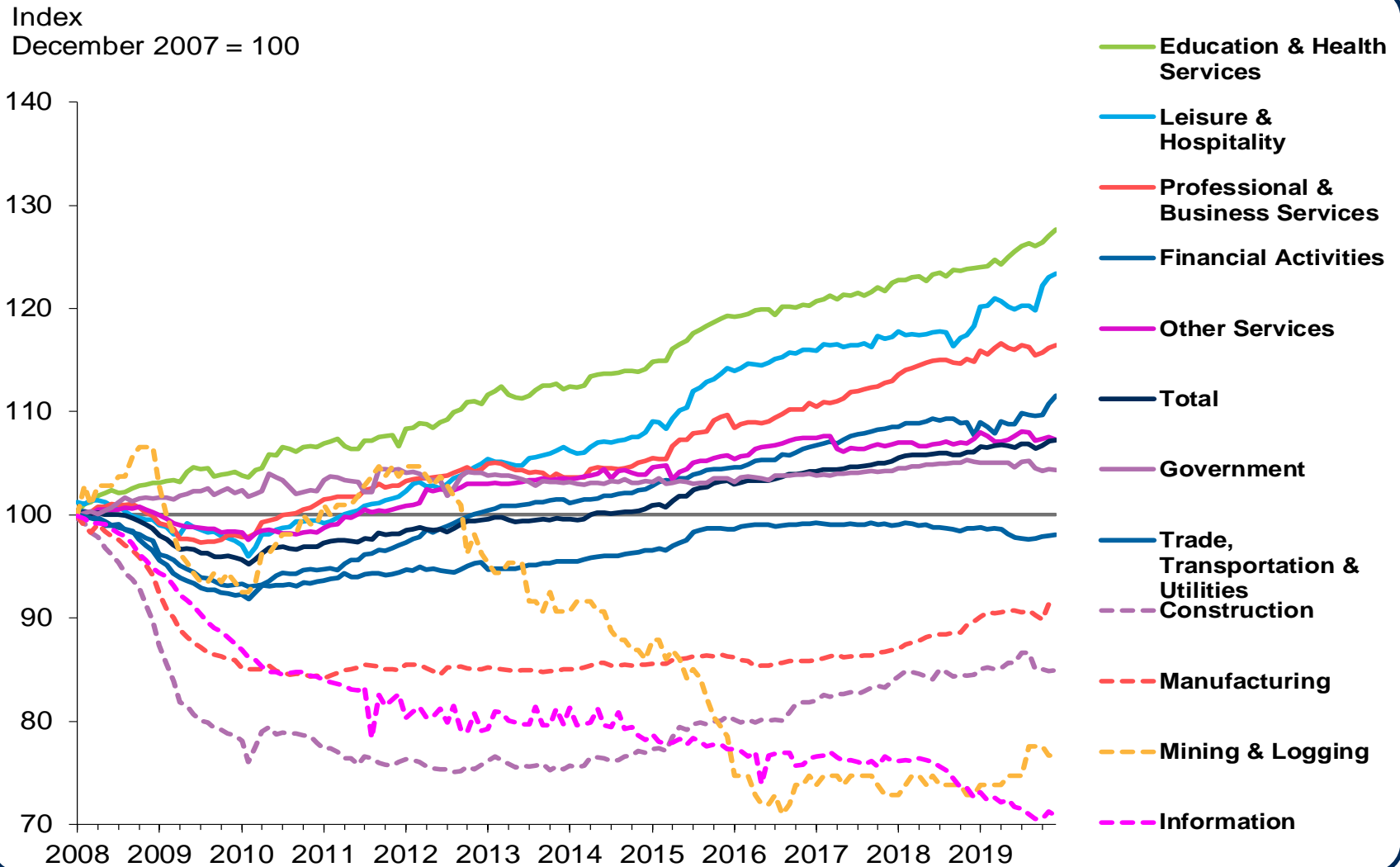
December 2019



Source: Bureau of Labor Statistics/Haver Analytics

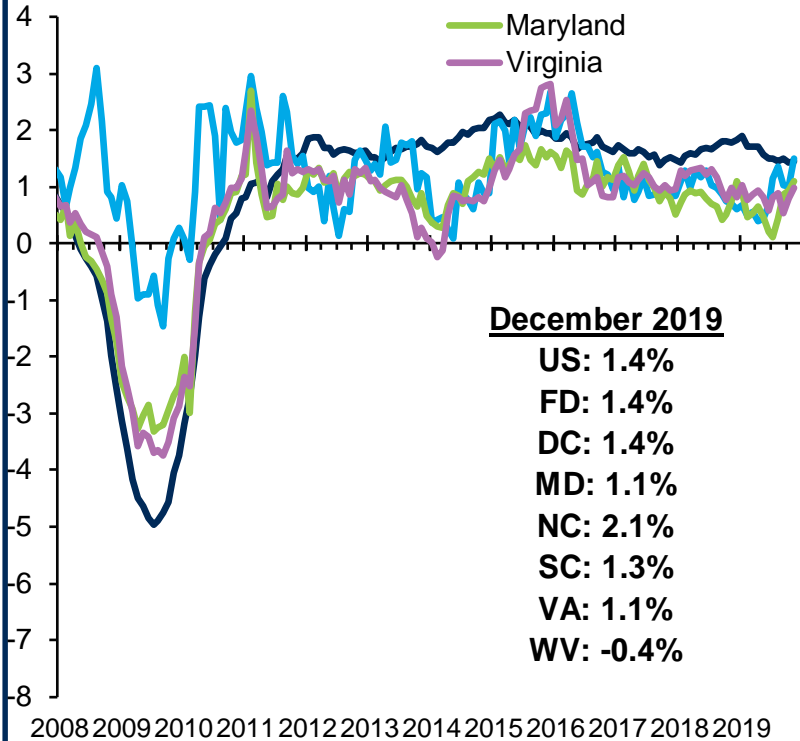


# In Virginia, services drive growth

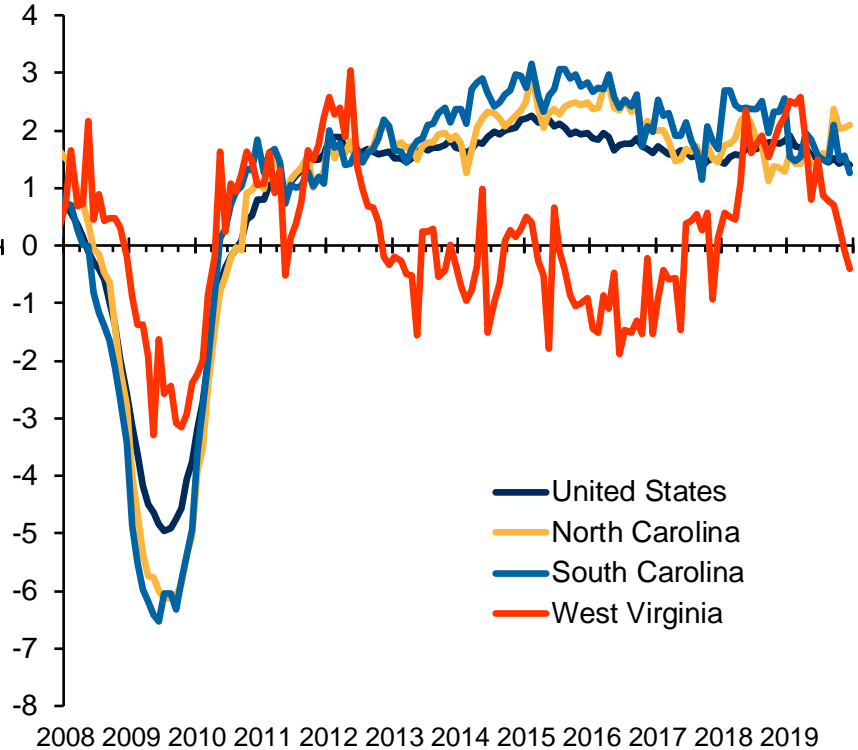


# Aggregates mask a LOT of variation

**Total Employment Growth**  
SA, YoY % Change

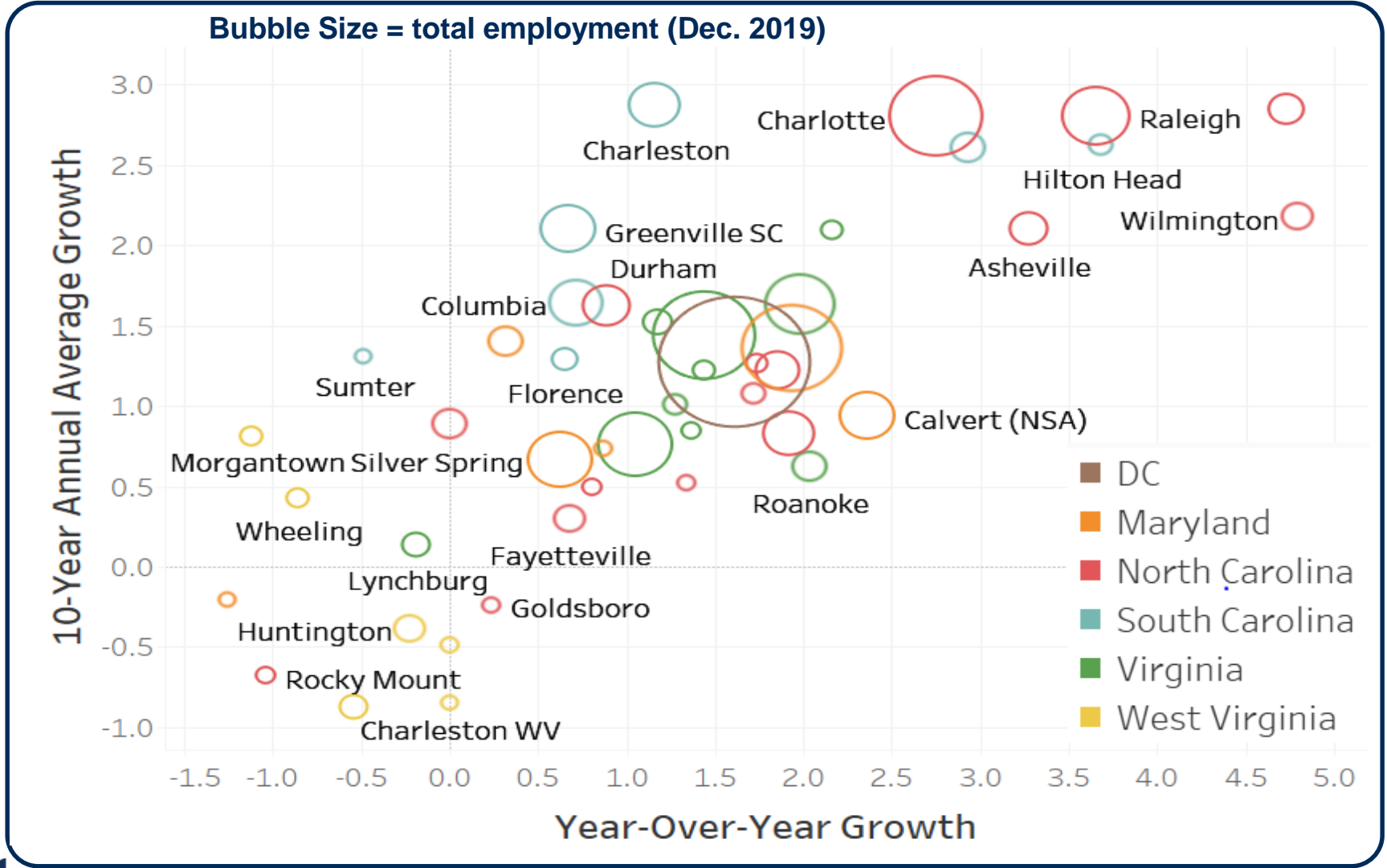


**Total Employment Growth**  
SA, YoY % Change



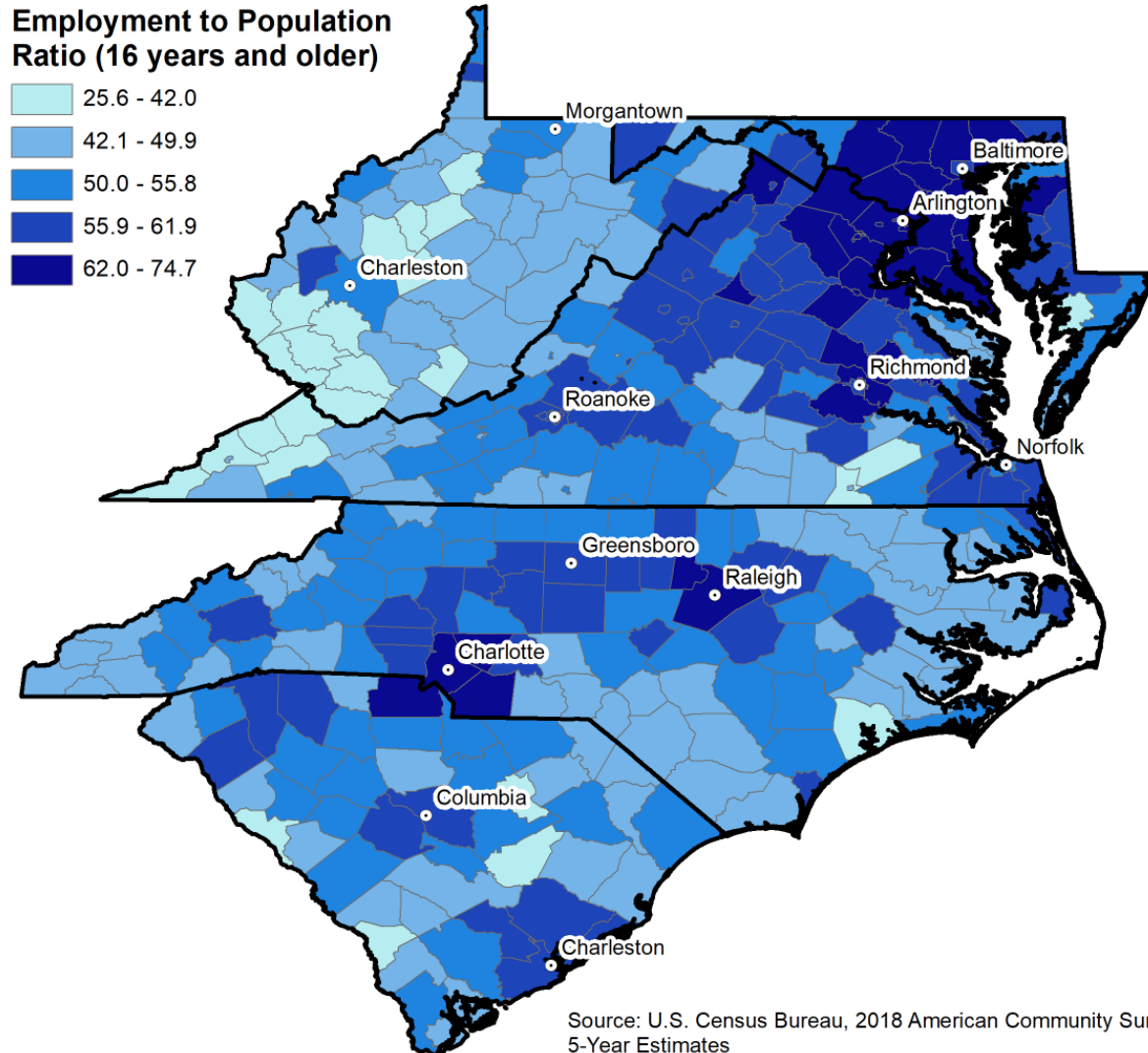
Source: Bureau of Labor Statistics/Haver Analytics

# Where is the momentum?



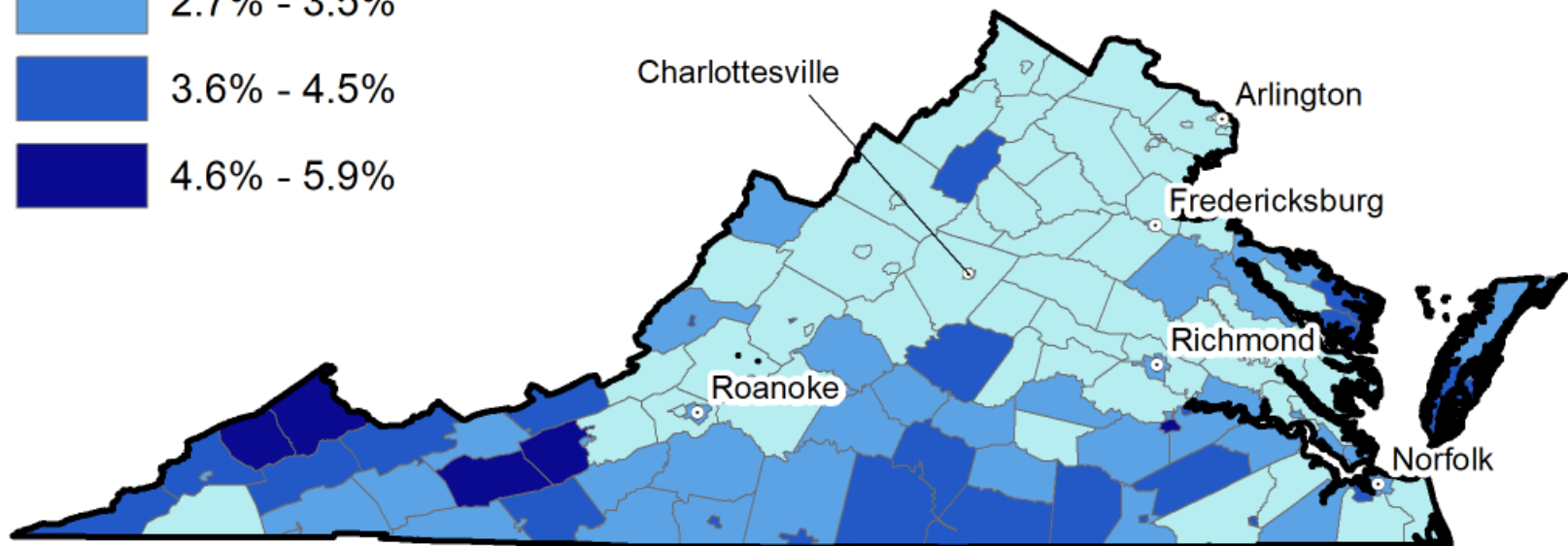
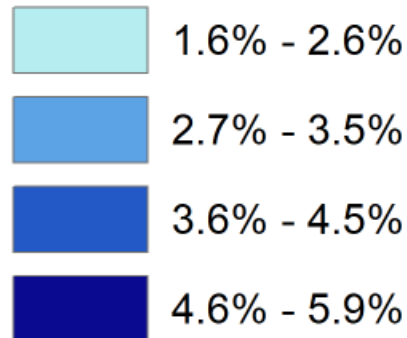
Source: Bureau of Labor Statistics/Haver Analytics

# And things especially vary within states



# And if you look only at who wants to work

## Unemployment Rate



Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, December 2019.

Source: Bureau of Labor Statistics/Haver Analytics

# But wait, why does the Fed care?

## 1. Employment mandate

- Are we leaving gains on the table?
- A tight labor market tends to help people on the fringes – “never waste a tight labor market”

## 2. Community development mandate

## 3. Community engagement on this topic is a strategic focus of the Richmond Fed

# Why is small town growth slower?

## EDUCATION

*No matter how you cut it, education matters*

## CONNECTION

*How are people connected to jobs? What are the policy options?*

## ISOLATION

*How are people in rural areas isolated from health care, banks, internet access, etc.?  
What is the role of networks?*

## PARTICIPATION

*What takes people out of the labor force?*