# NATIONAL & REGIONAL ECONOMIC OUTLOOK

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Federal Reserve Bank of Richmond
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MACUMA
Metropolitan Area Credit Union Management Association

# The National Picture

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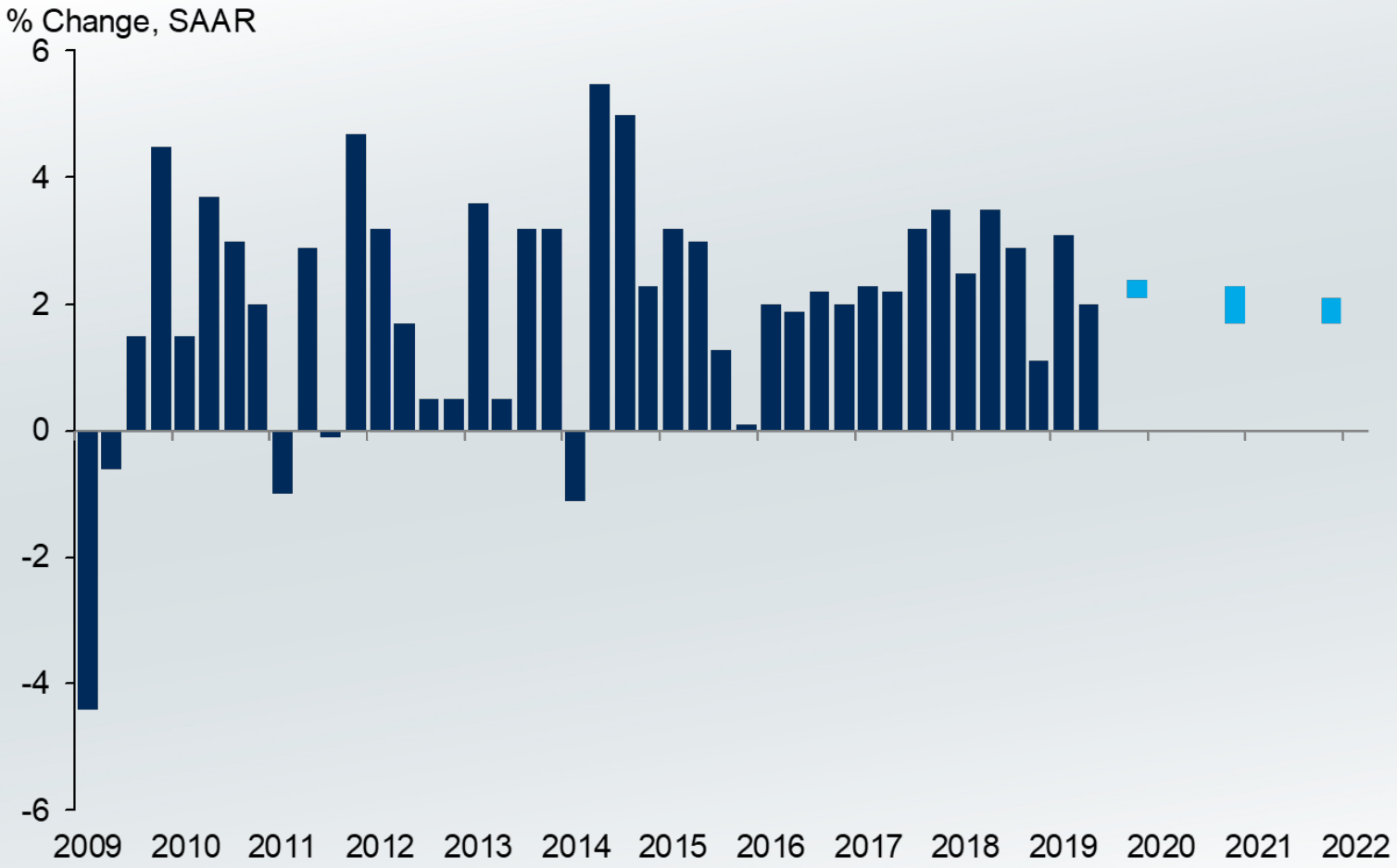
# U.S. Real GDP Growth




Source: Bureau of Economic Analysis; Haver Analytics

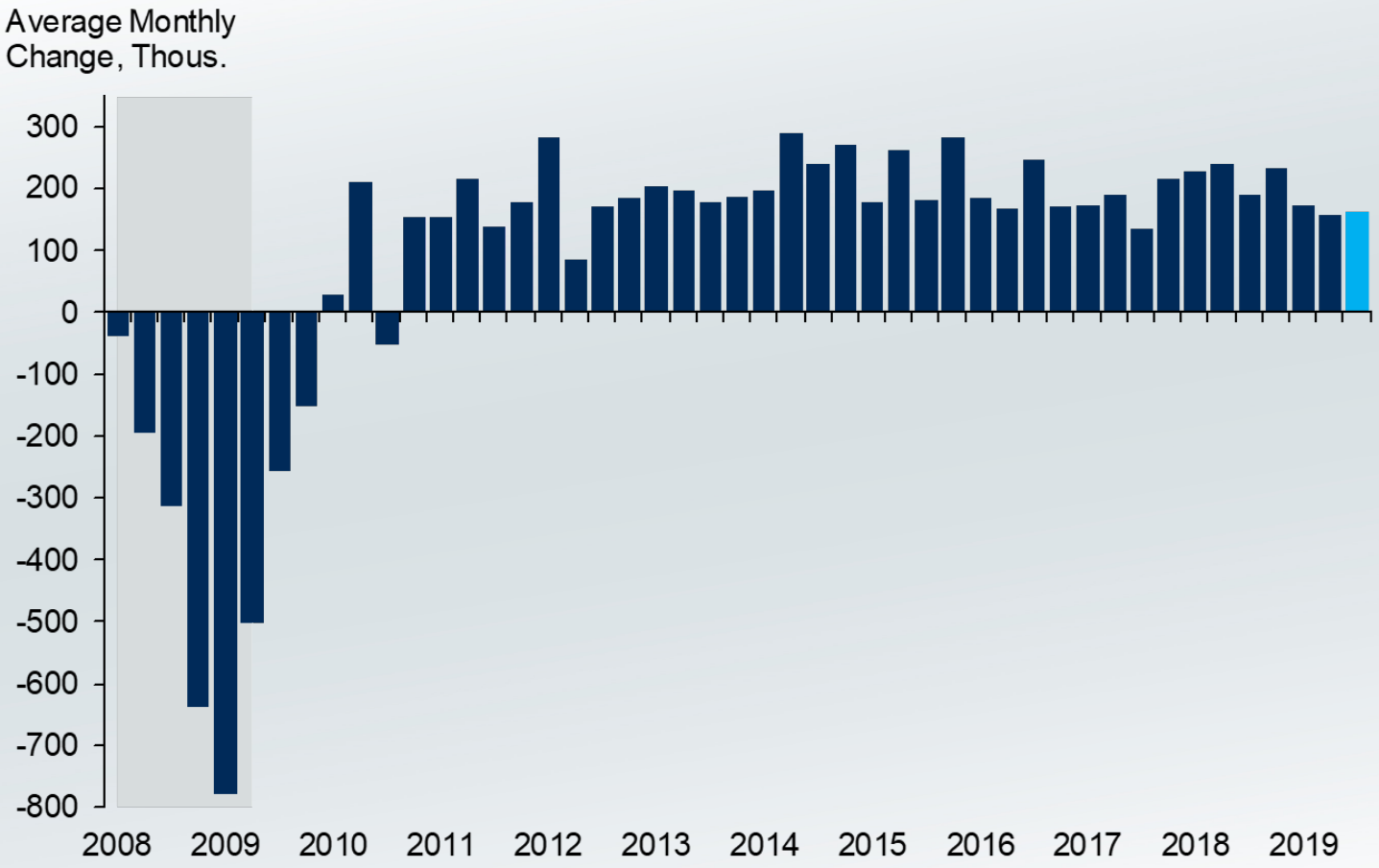
- Real Gross Domestic Product (GDP) growth is solid
- 2nd quarter of 2019 was slower than the 1st quarter, but in line with expectations
- Overall growth in 2018 was about 3%, but expectations are for 2% growth in the future
- FOMC projections (light blue) are in the range of 2-2.2% for 2019

# National Unemployment Rate

Source: Bureau of Labor Statistics; Haver Analytics

- We are experiencing historically low unemployment rates
- July unemployment rate was down to 3.7%
- FOMC projections (light blue) are in the range of 3.6-3.7% for 2019
- The labor market is tight and many firms report having trouble finding workers

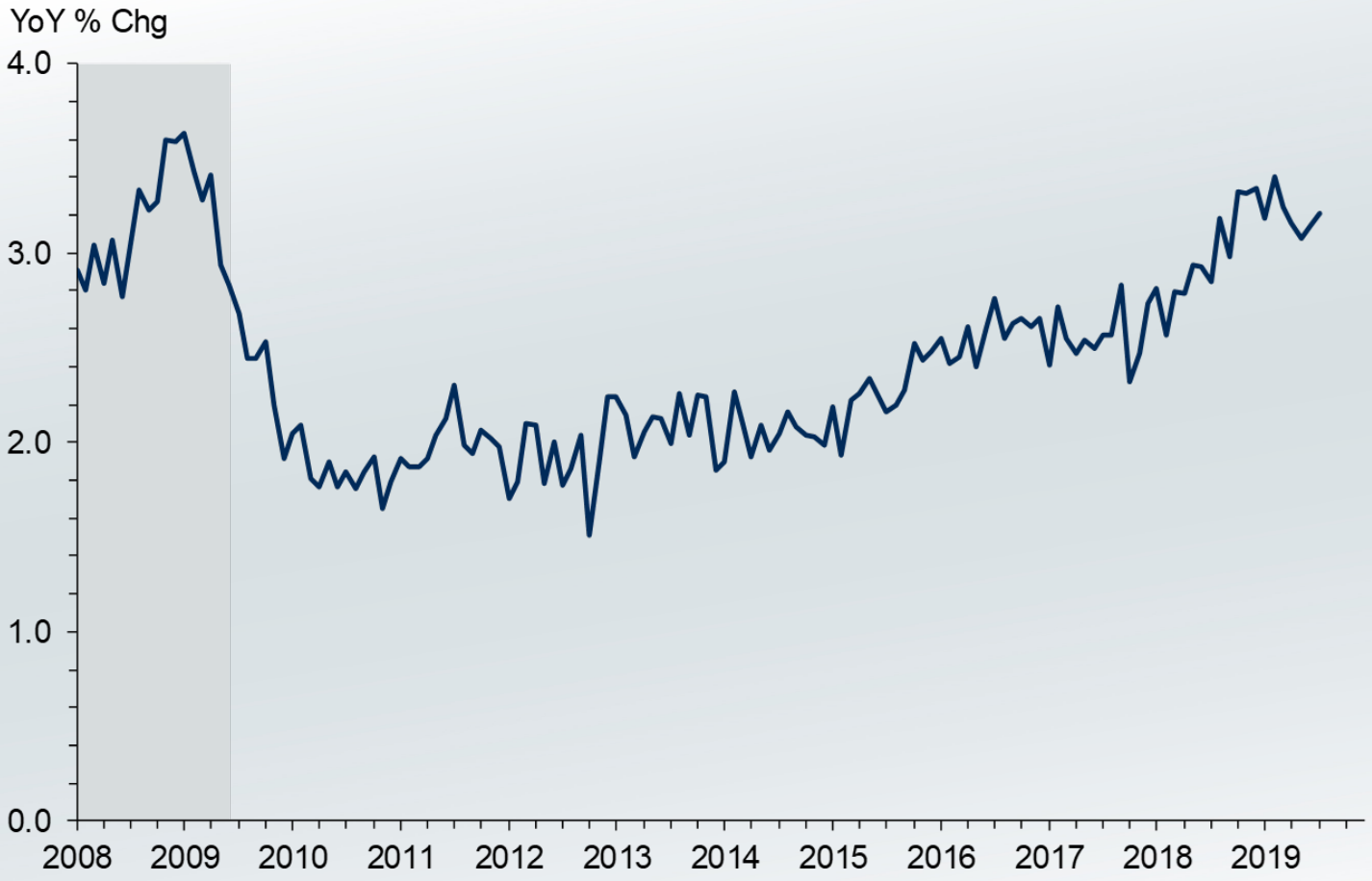
# Employment Growth




Source: Bureau of Economic Analysis; Haver Analytics

- As unemployment declines, job growth remains solidly positive
- In July, 164,000 jobs were added and we have seen an average of about 165,000 jobs per month this year
- 2019 appears to be slower than 2018 (220,000 jobs per month), but still more than enough to keep up with population growth

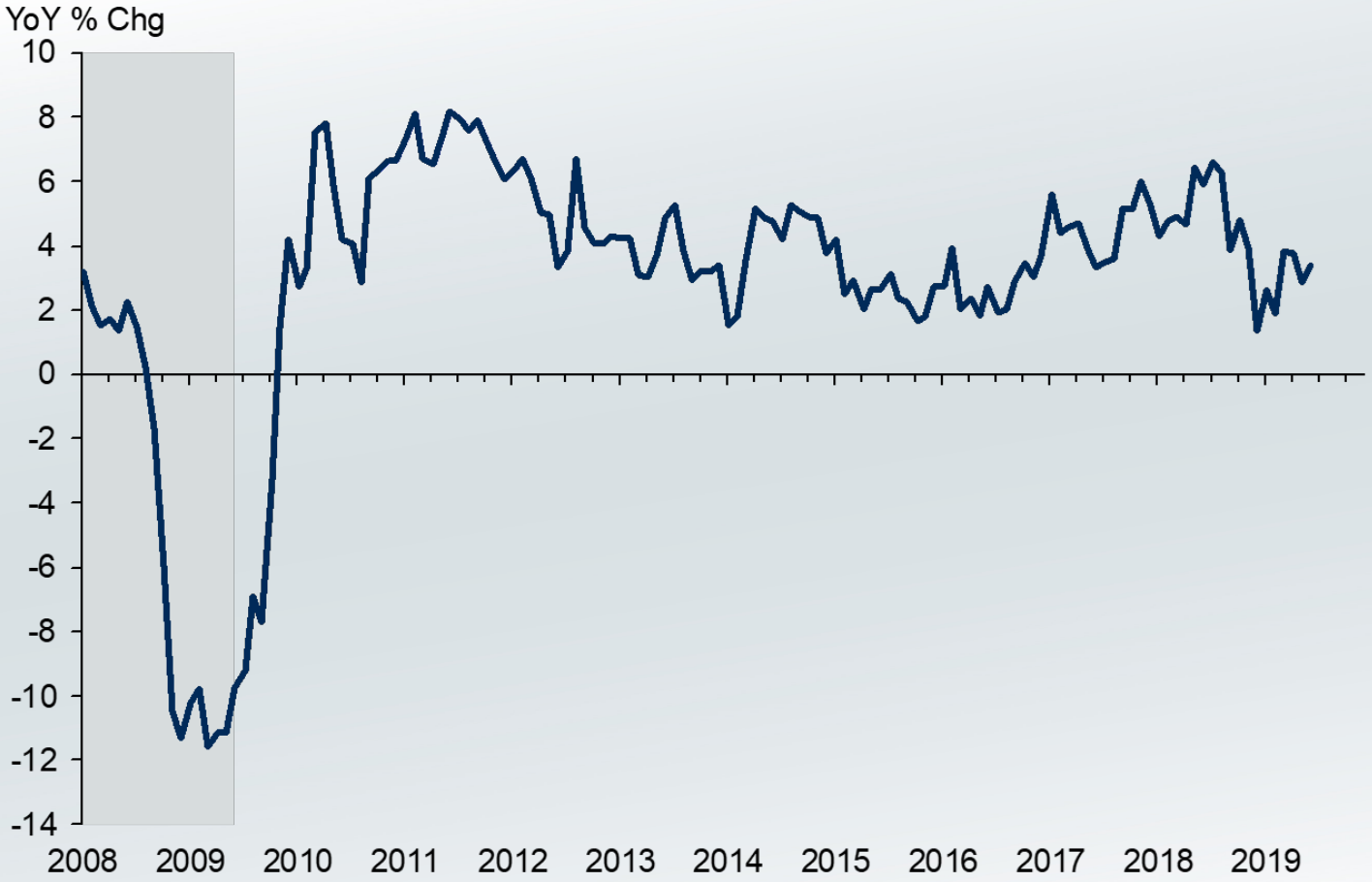
# Average Hourly Earnings




Source: Bureau of Labor Statistics; Haver Analytics

- Tight labor market is reflected in growth in earnings
- July average hourly earnings growth was up 3.2% year-over-year
- Some indications that higher wages are also drawing potential workers off the sidelines and into the labor force

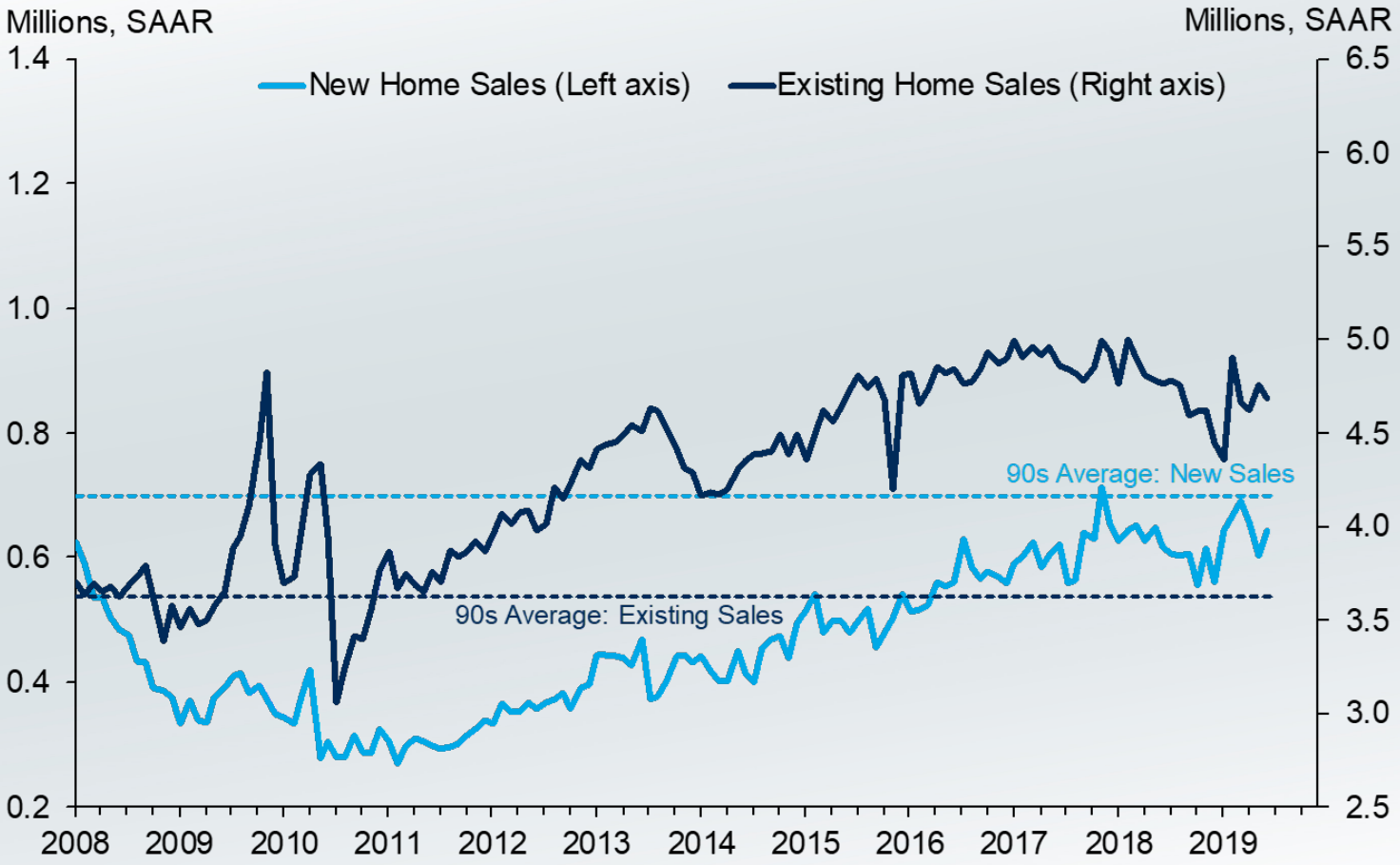
# Retail Sales




- Consumers appear confident and are spending
- Retail sales were about 4.1% year over year in August

Source: Census Bureau; Haver Analytics

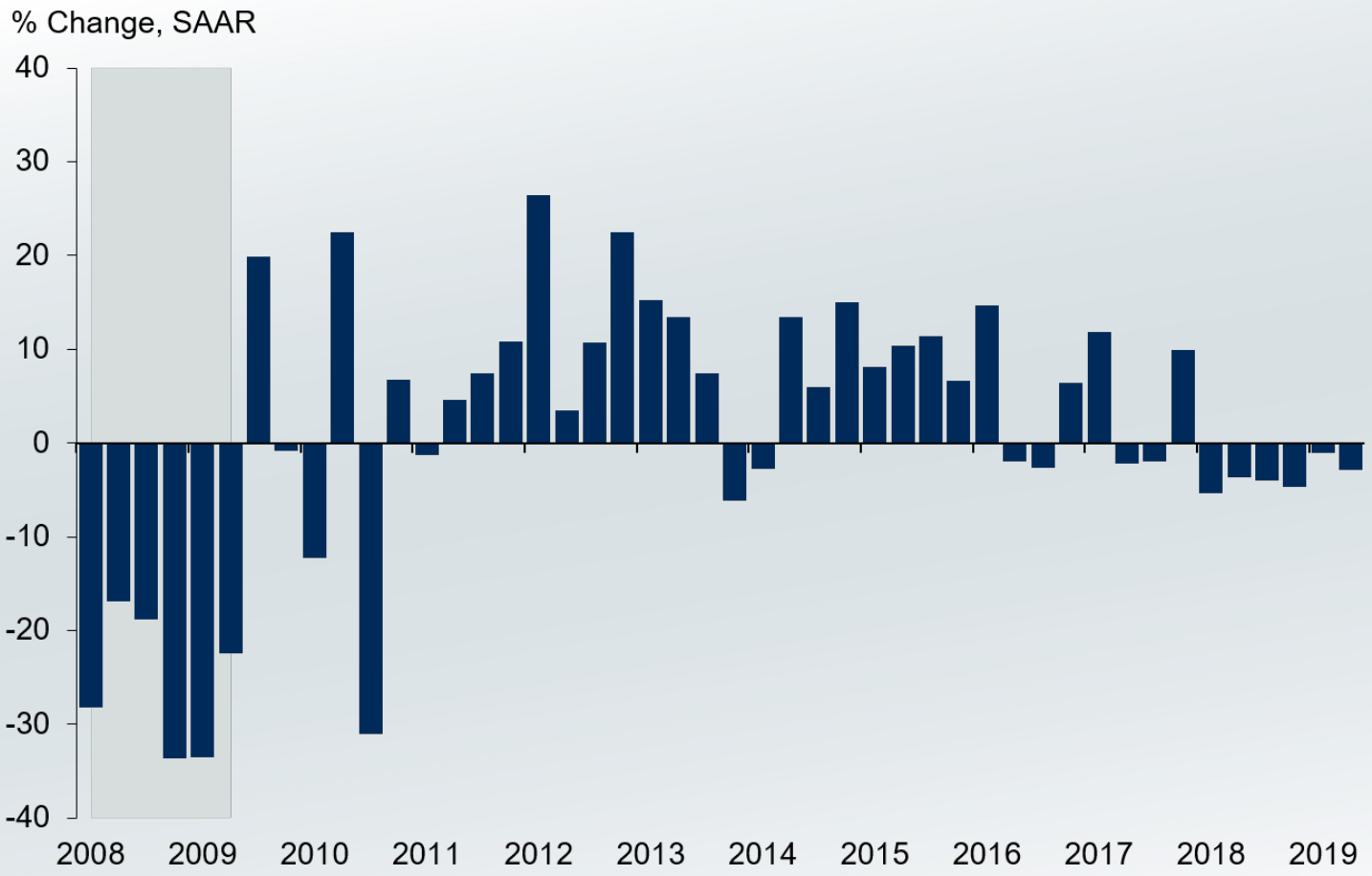
# Housing Market – Single Family




Source: Census Bureau; Haver Analytics

- The housing market shows strength, too
- New and existing home sales are above their averages in the 1990s

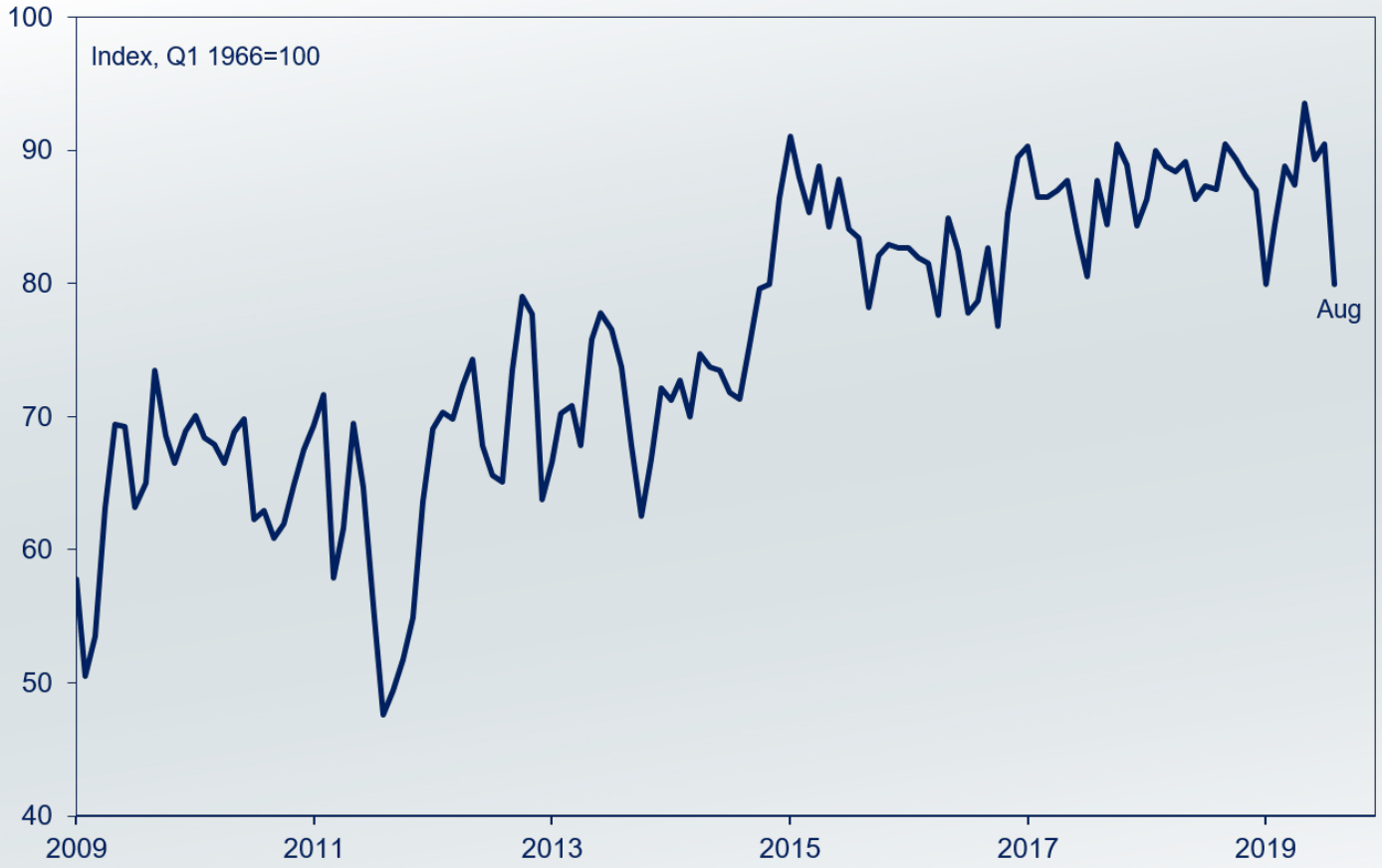
# Residential fixed investment




Source: Bureau of Labor Statistics; Haver Analytics

- Even though sales look fine, residential fixed investment has been soft
- 2nd quarter of 2019 is down 2.9%, but not as low as in 2018

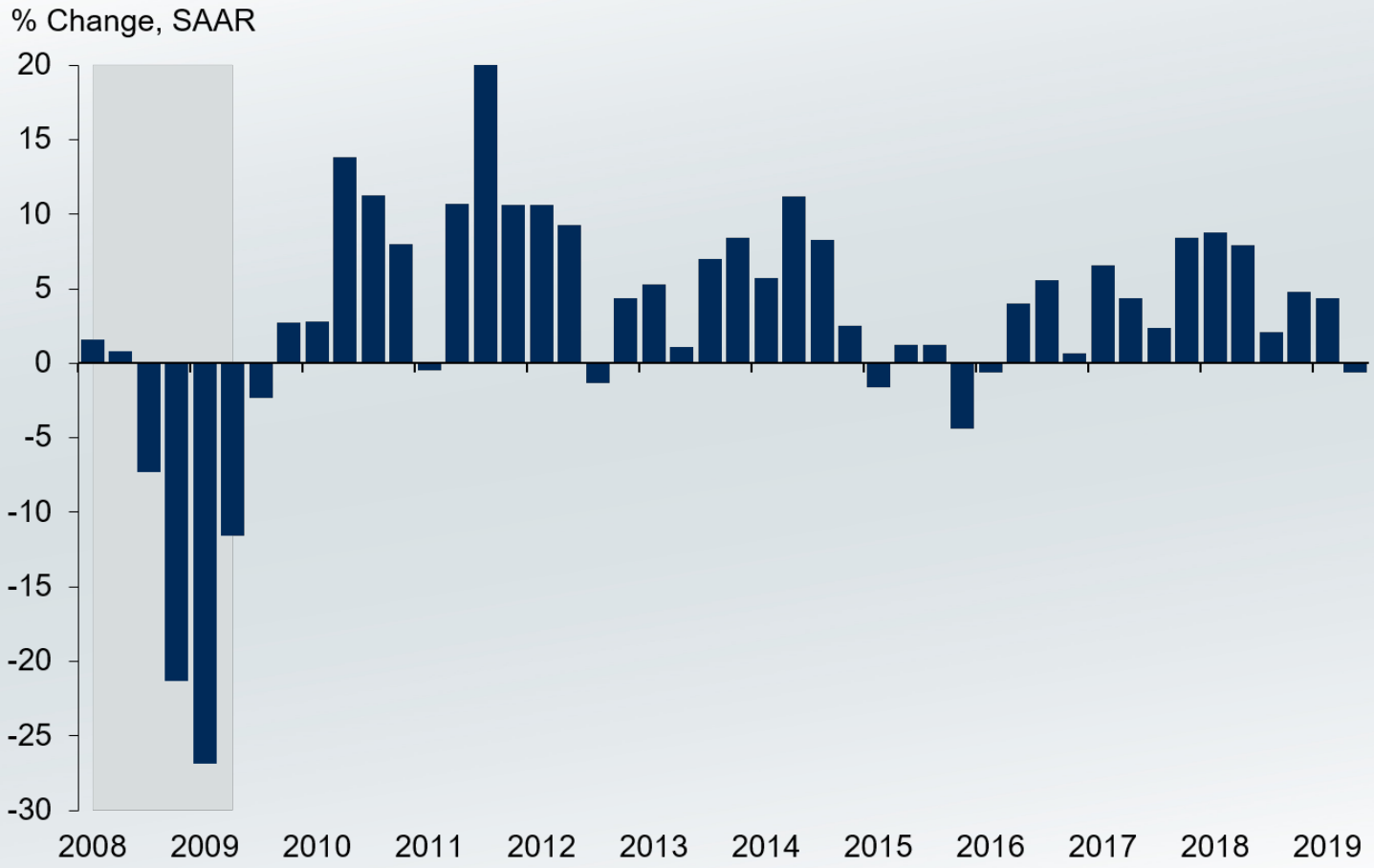
# Consumer Confidence




Source: University of Michigan; Haver Analytics

- Consumer confidence is on an upward trend, but…
- August showed a decline in sentiment
- Survey respondents cited tariffs and trade tensions, stock market volatility and discussion around interest rates

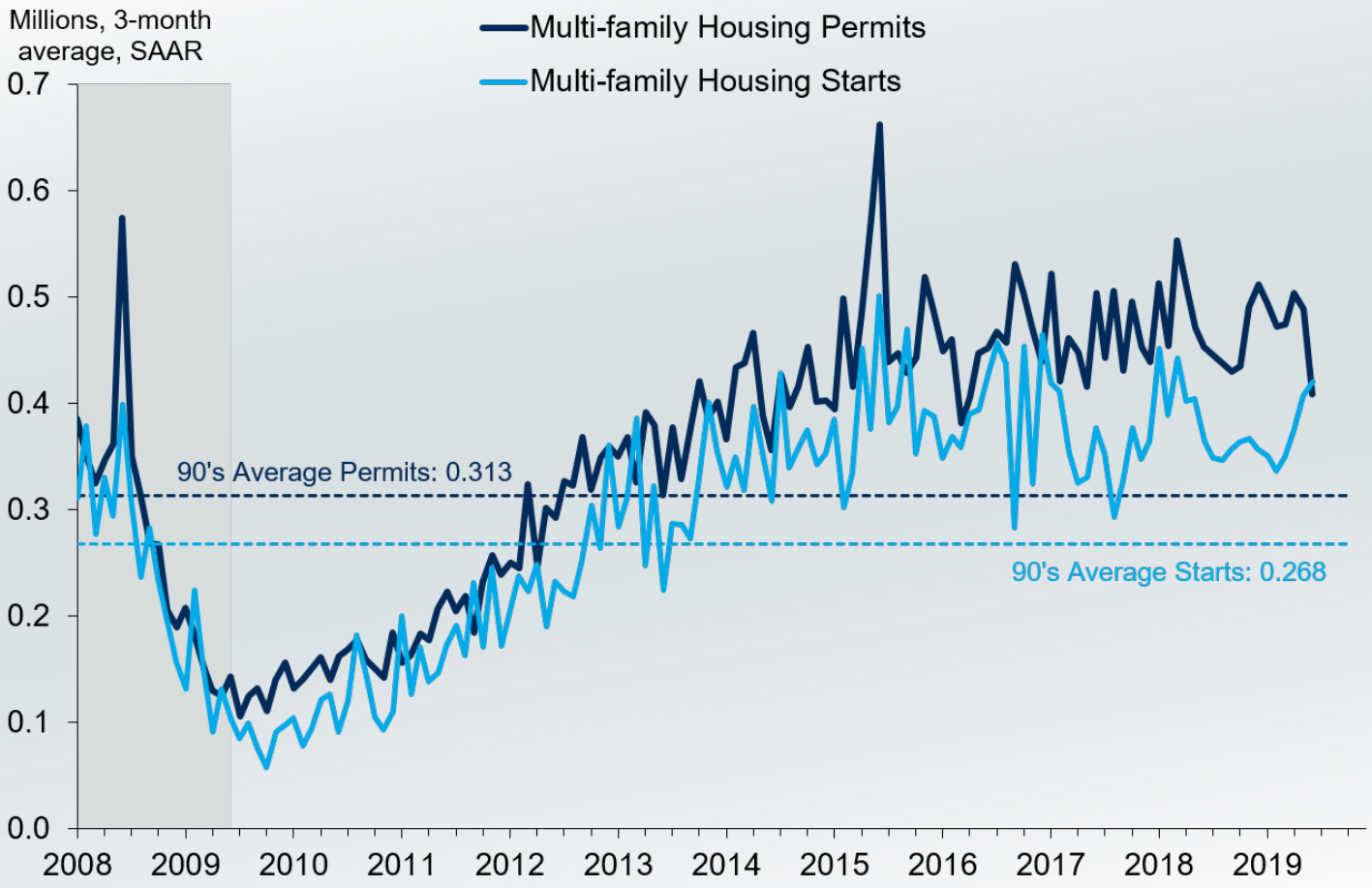
# Non-residential fixed investment




- Non-residential fixed investment is down as businesses hold back spending
- 2nd quarter of 2019 was down 0.6%
- Declines in structures spending, but small increases in equipment and intellectual property

Source: Bureau of Labor Statistics; Haver Analytics

# Housing Market – Multi-Family




Source: Census Bureau; Haver Analytics

- Multi-family housing permits and starts have been above the averages in the 1990s
- Decline in housing permits may portend a decline in starts – watch carefully

# NFIB Business Confidence

Source: NFIB; Haver Analytics

- National Federation of Independent Business survey of business confidence shows declines since 2018
- We hear businesses are adopting a ‘wait and see’ approach to trade and federal budget issues
- We also hear more about investments in automation rather than capital expenditure

# The Regional Picture

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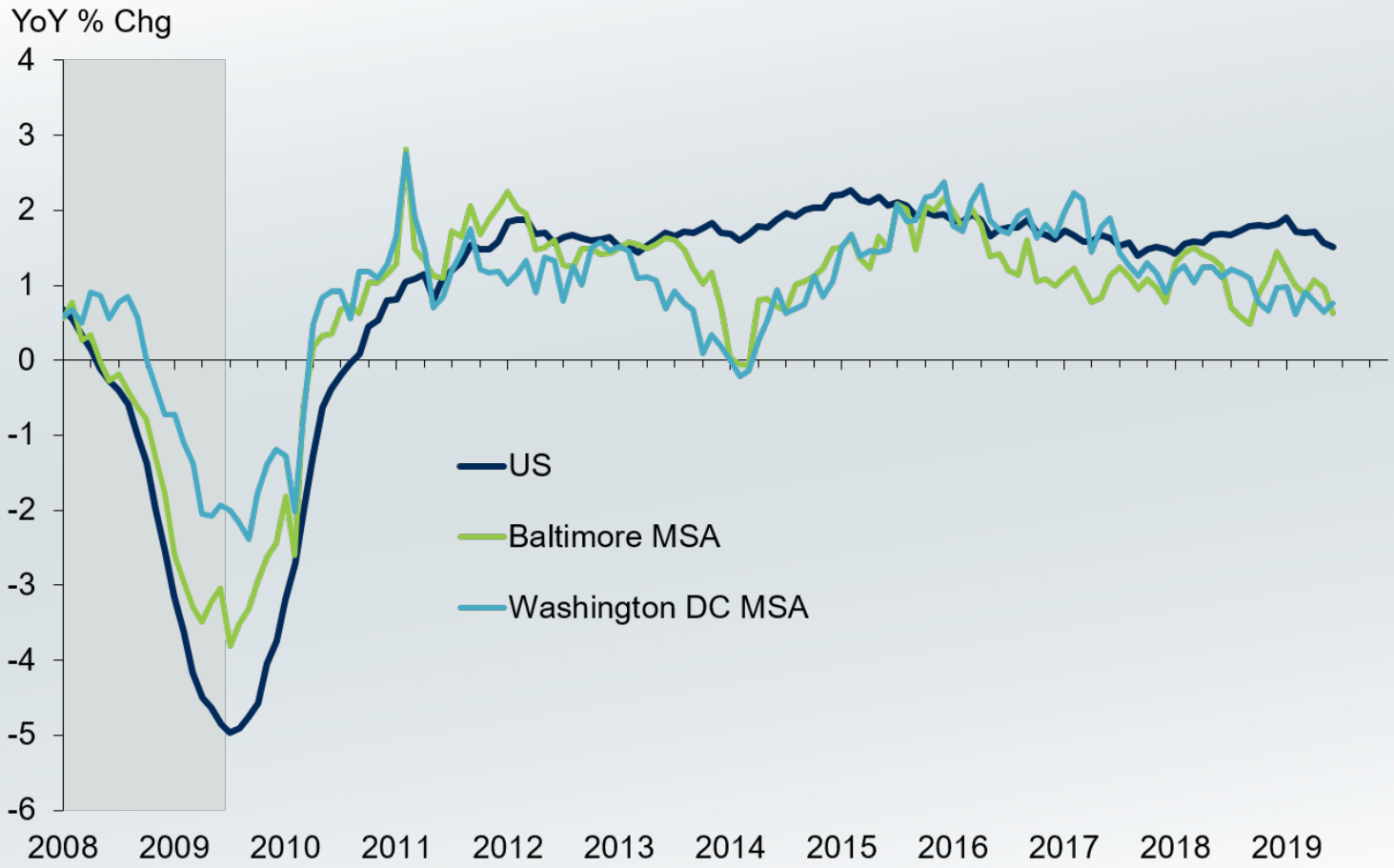
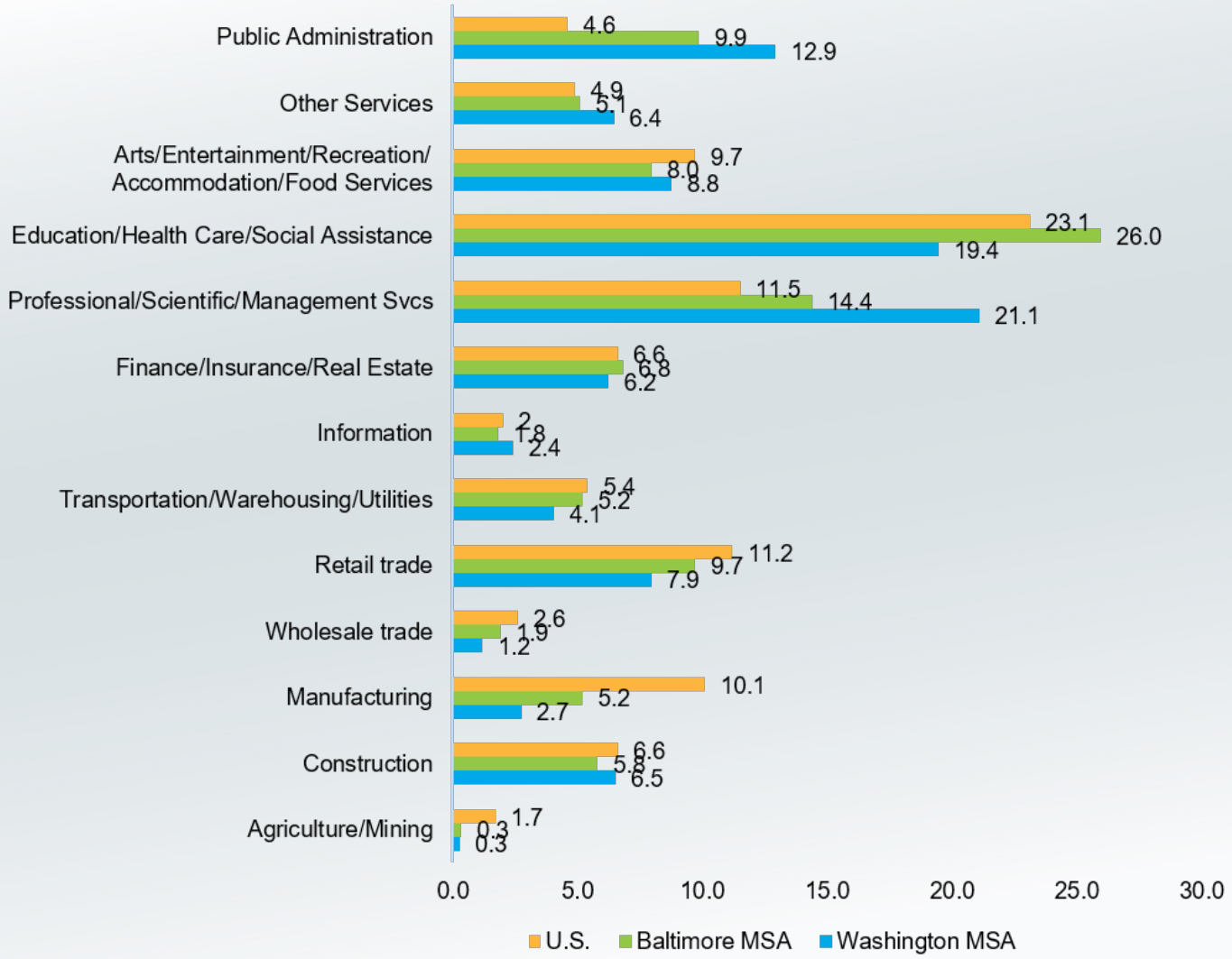
# Payroll Employment




Source: Bureau of Labor Statistics; Haver Analytics

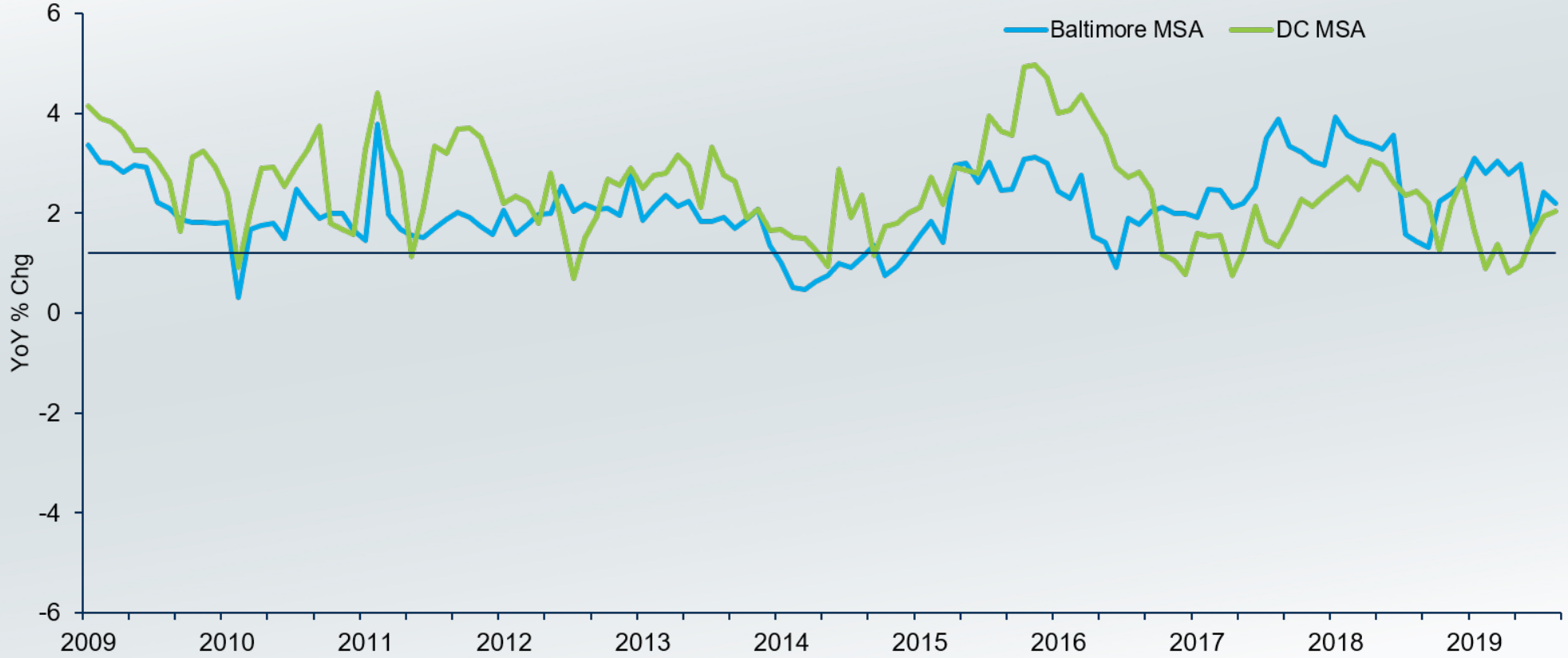
- Our DC and Baltimore labor markets look strong, too
- Metropolitan areas typically perform better than nonmetropolitan areas
- Our large share of employment in the federal and related sectors likely explains some of the deviations from the nation as a whole

# Employment by Industry, 2017



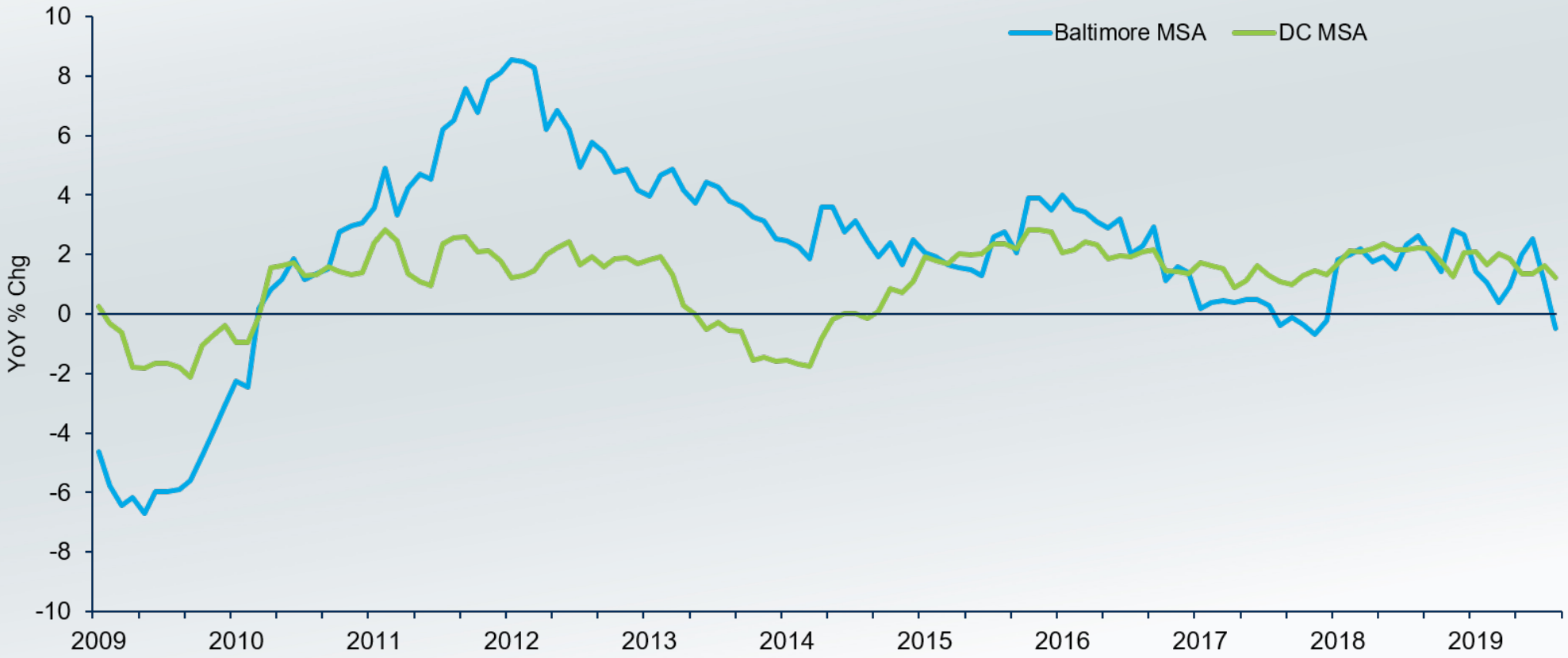

- The Census Bureau's American Community Survey is a household survey
- Key sectors to watch for our region are professional services, and education and health care services
- We are less reliant on sectors facing challenges – manufacturing in particular

# Employment in Education and Health



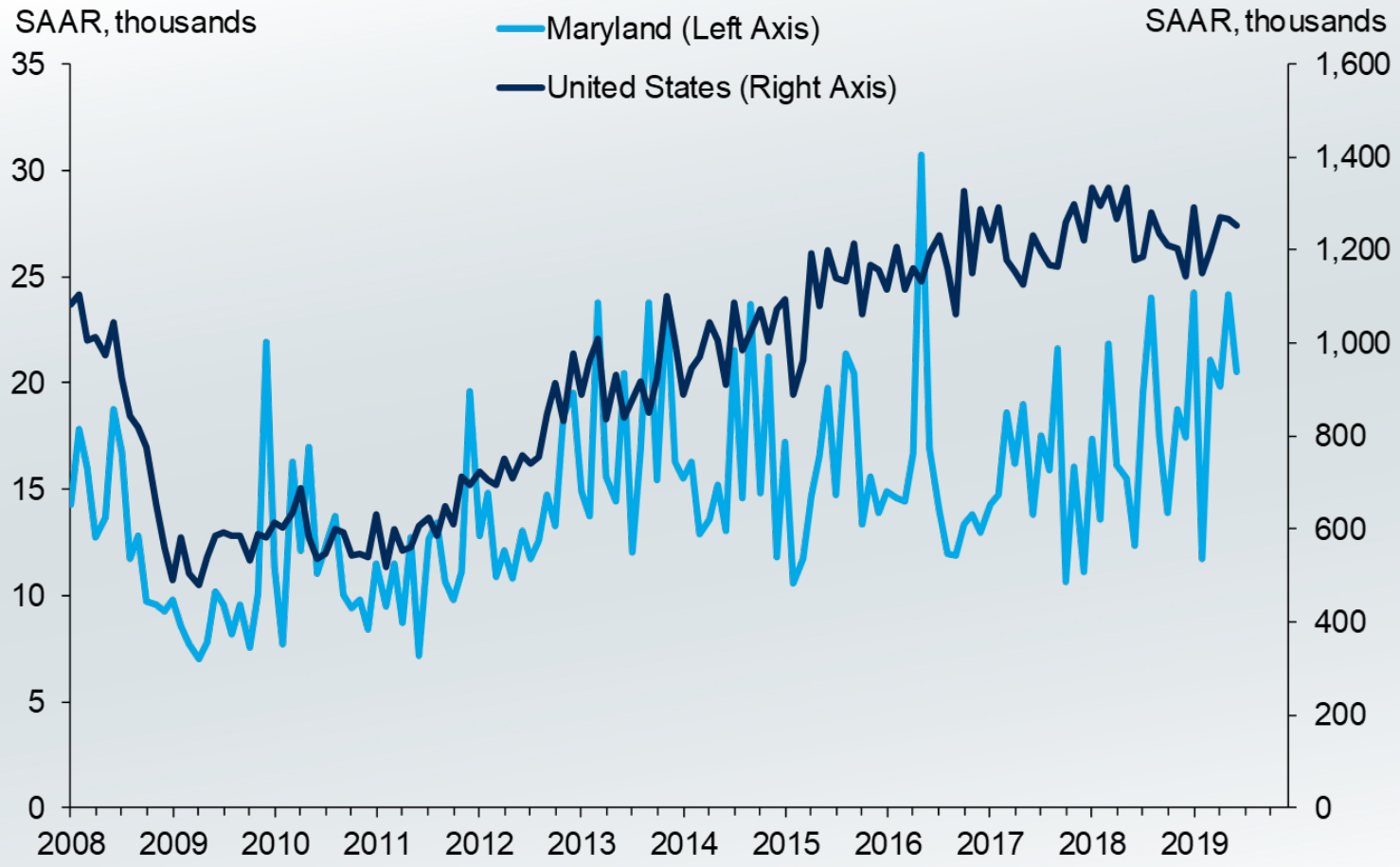

Source: Bureau of Labor Statistics; Haver Analytics

# Employment in Professional & Business Services




Source: Bureau of Labor Statistics; Haver Analytics

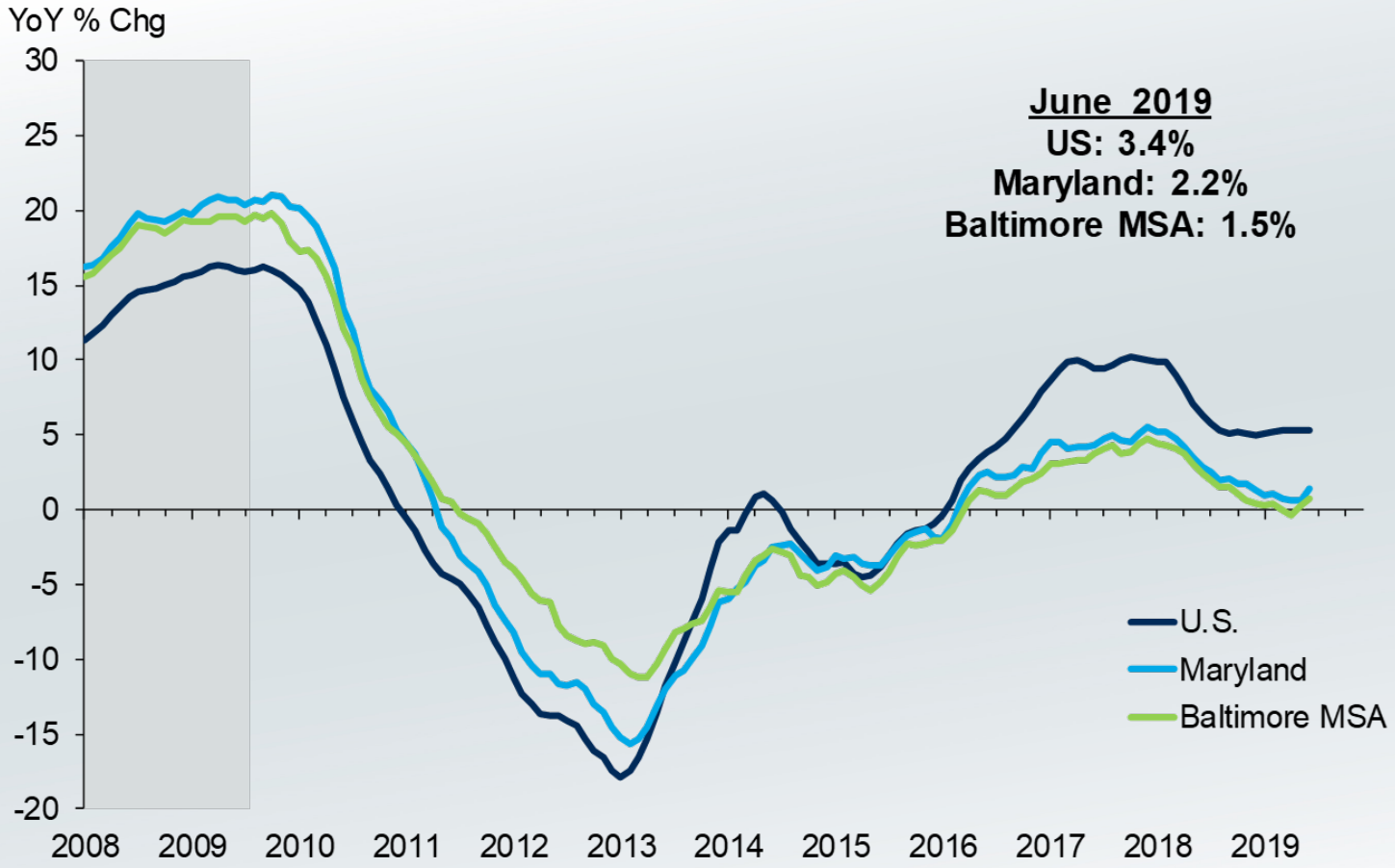
# Housing Starts




Source: Bank of Tokyo-Mitsubishi UFJ; Haver Analytics

- Maryland housing starts have had less growth than the U.S. as a whole

# Housing Prices




Source: CoreLogic Information Solutions; Haver Analytics

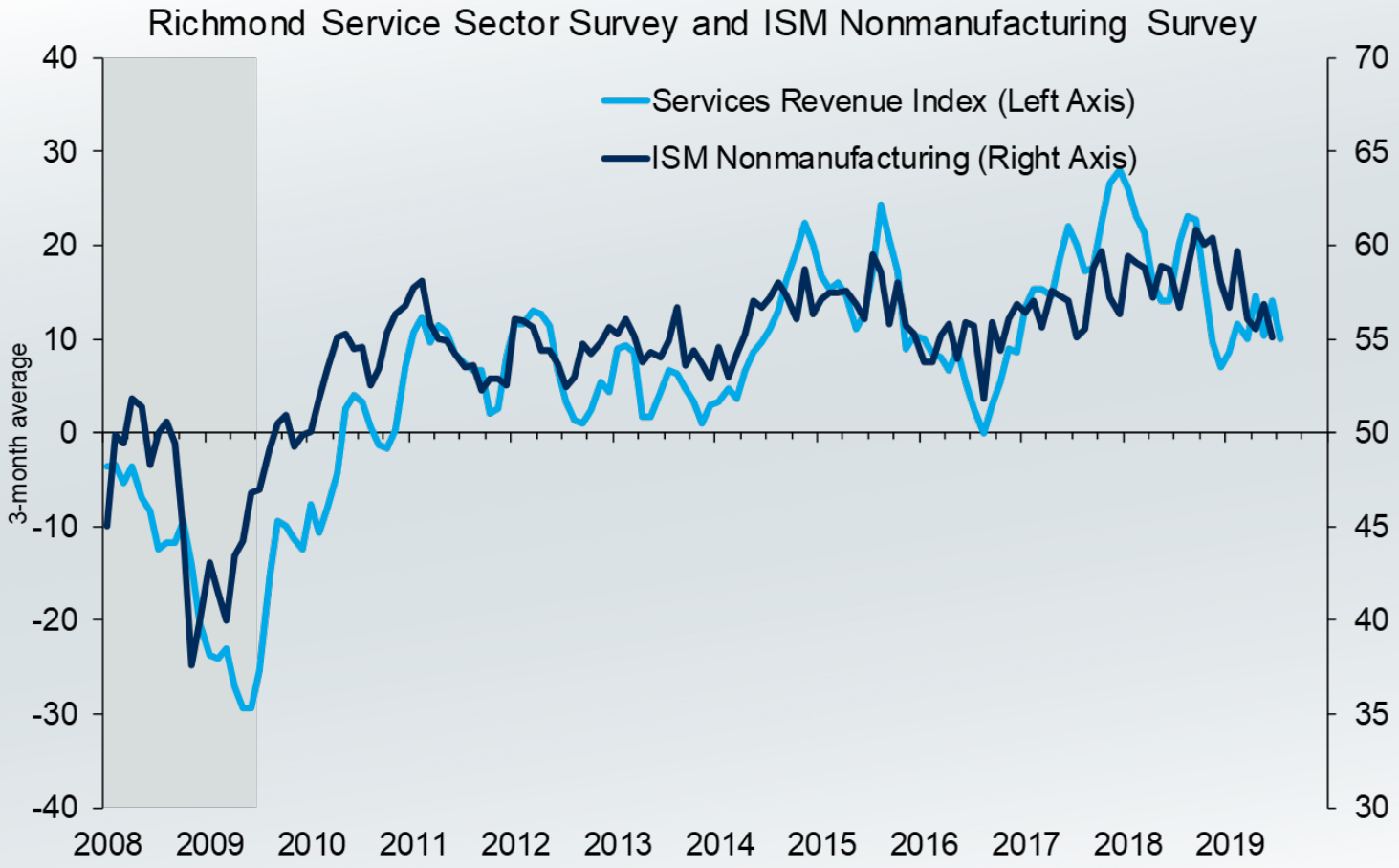
- Home prices in Maryland and Baltimore have been subdued

# Manufacturing Sector

Source: The Federal Reserve Bank of Richmond; Institute of Supply Management

- Our survey of manufacturers in our district shows similar experience to manufacturers across the nation
- Trade concerns loom large for some manufacturers in the specific industries targeted by tarrifs

# Service Sector




Source: The Federal Reserve Bank of Richmond; Institute of Supply Management

- Our survey of service firms and those of firms not in manufacturing shows a fairly positive picture

# Thank You and Questions

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