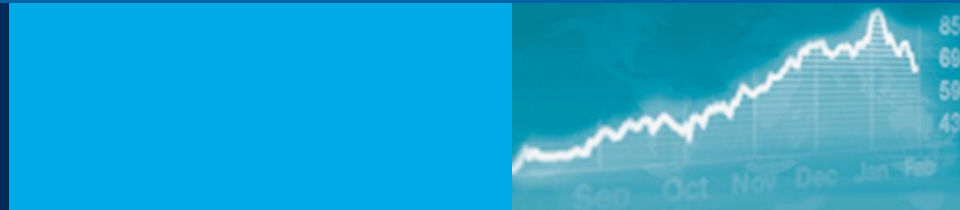




National and Regional Economic Update

Matthew Martin
February 5, 2020



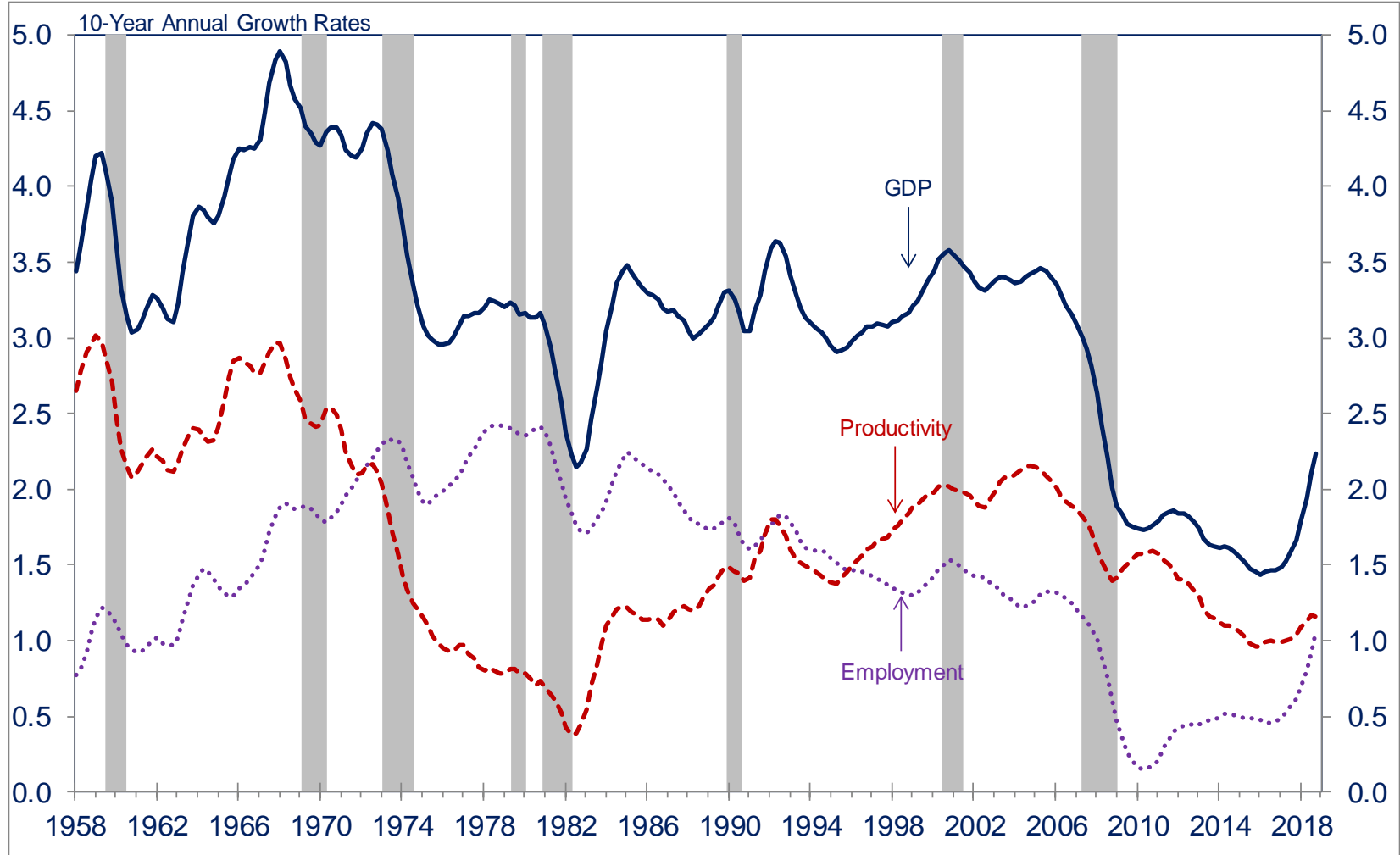
The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

What is the Story?

- U.S. economic growth looks solid overall
 - GDP growth is solid: Q4 was 2.1%
 - Labor markets are strong, supporting consumption
- Manufacturing seems to be softening and sentiment is broadly less positive than the numbers.
- Risks seem weighted to the downside (e.g. coronavirus).
- The North Carolina and South Carolina economies are growing, and employment growth continues to be stronger than that of the northern part of the 5th District and the U.S.
- The Charlotte and Raleigh metro area economies are outpacing the rest of the 5th District and the U.S.
 - Smaller towns and rural areas are lagging behind, however.

National Economy

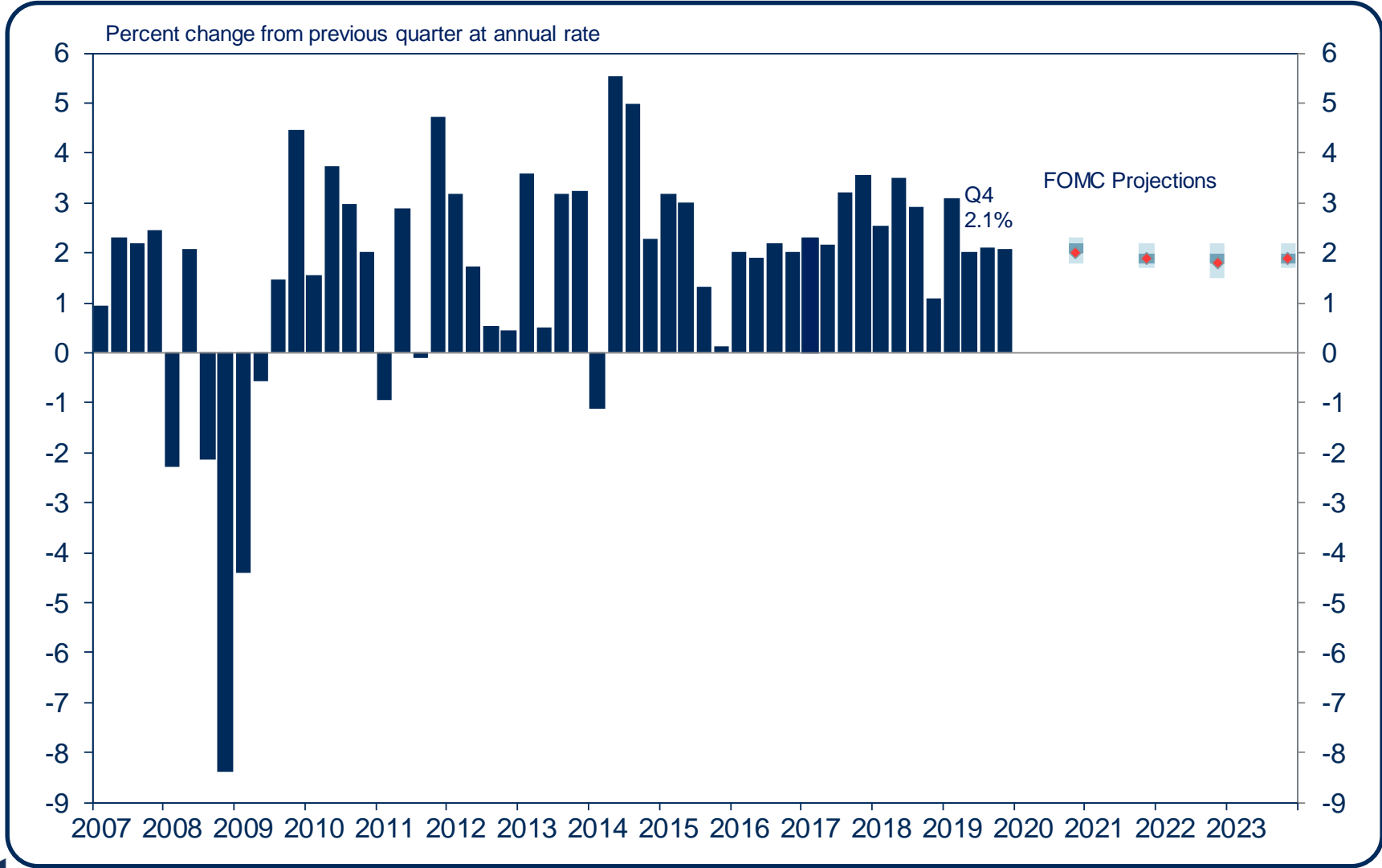
What is trend real GDP growth?



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

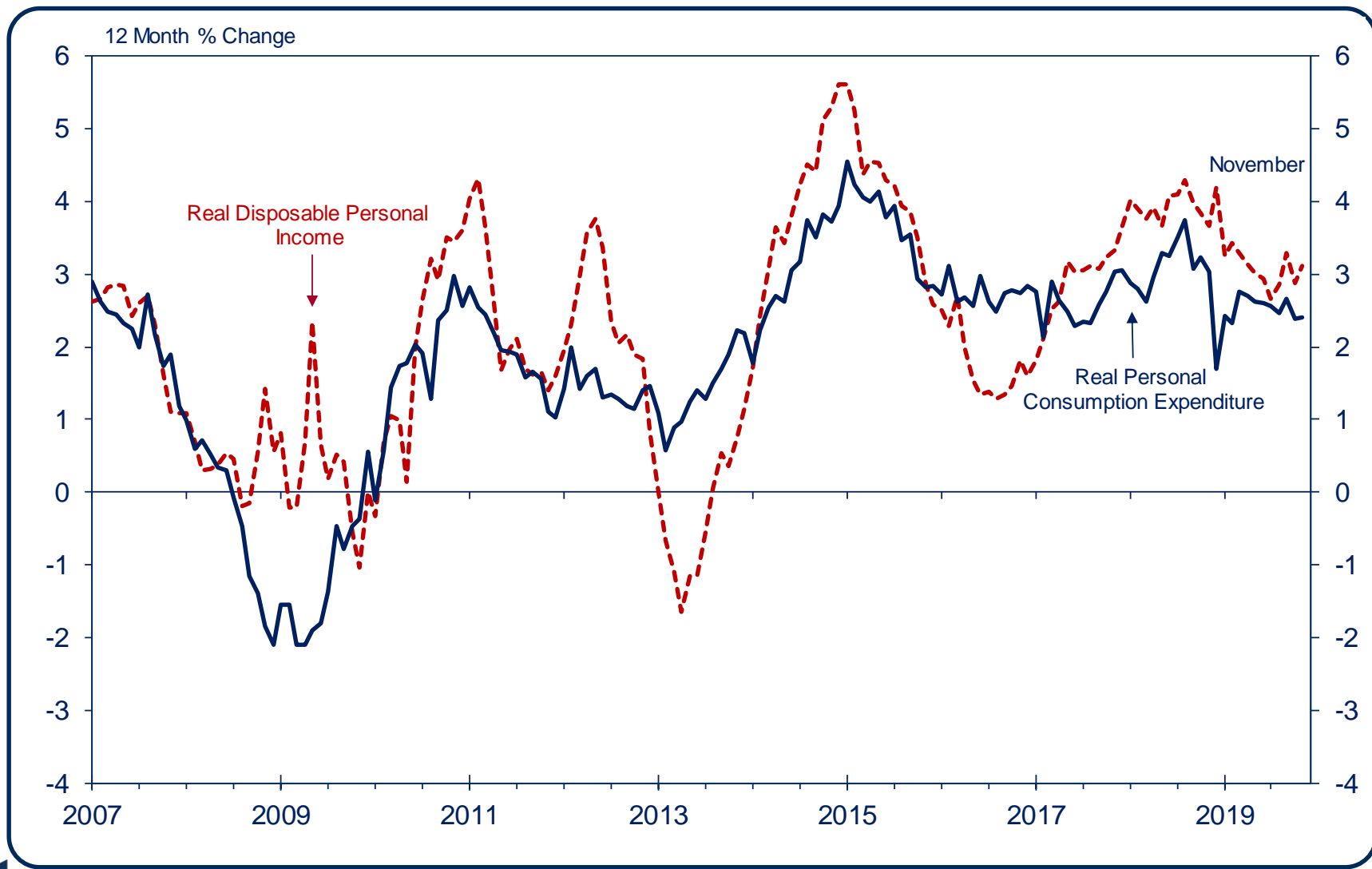
Note: Productivity is calculated as real GDP per employee, from the Household Survey.

Real GDP Growth Remains Steady and Moderately Strong



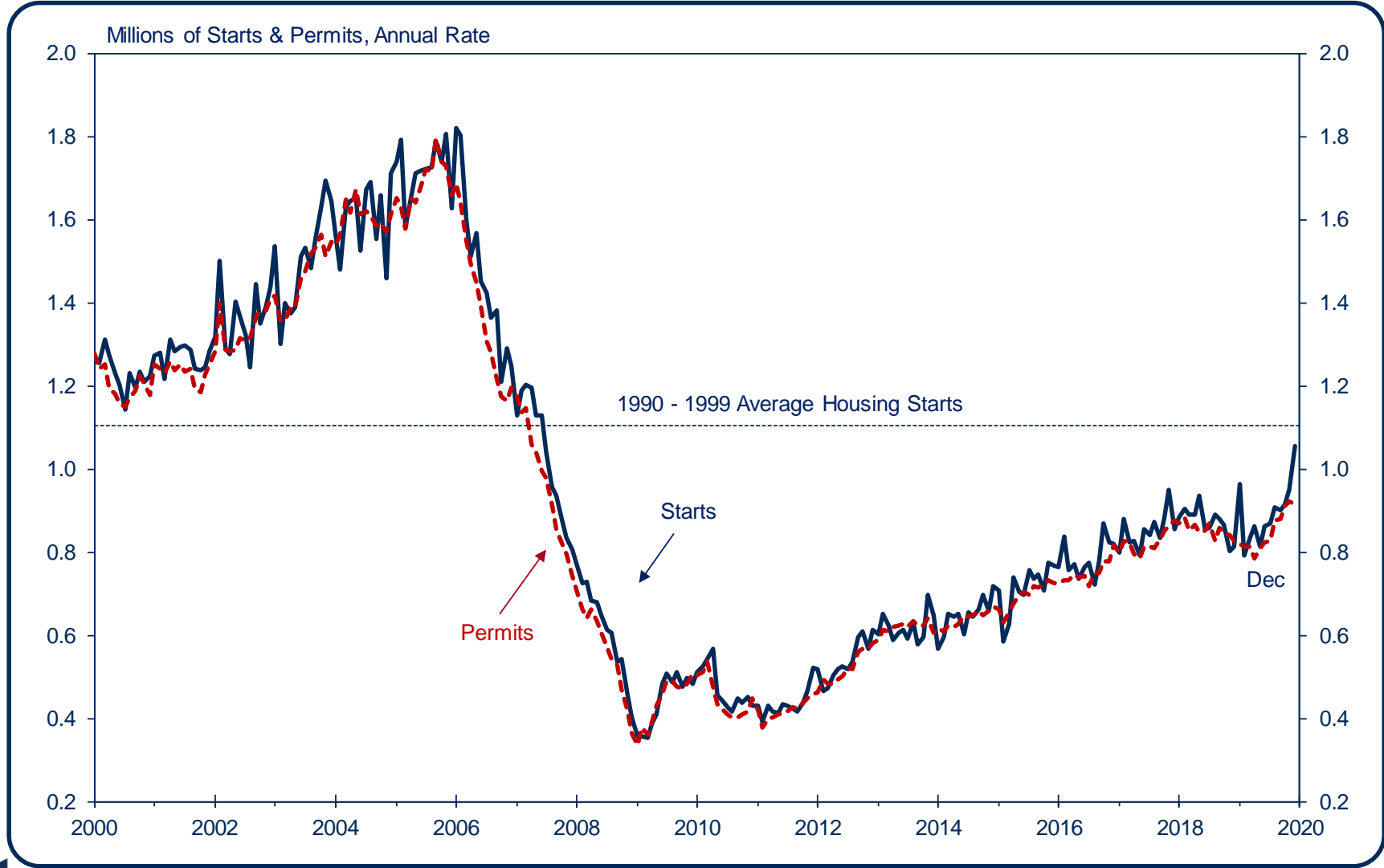
Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics

Consumers spending growth is solid



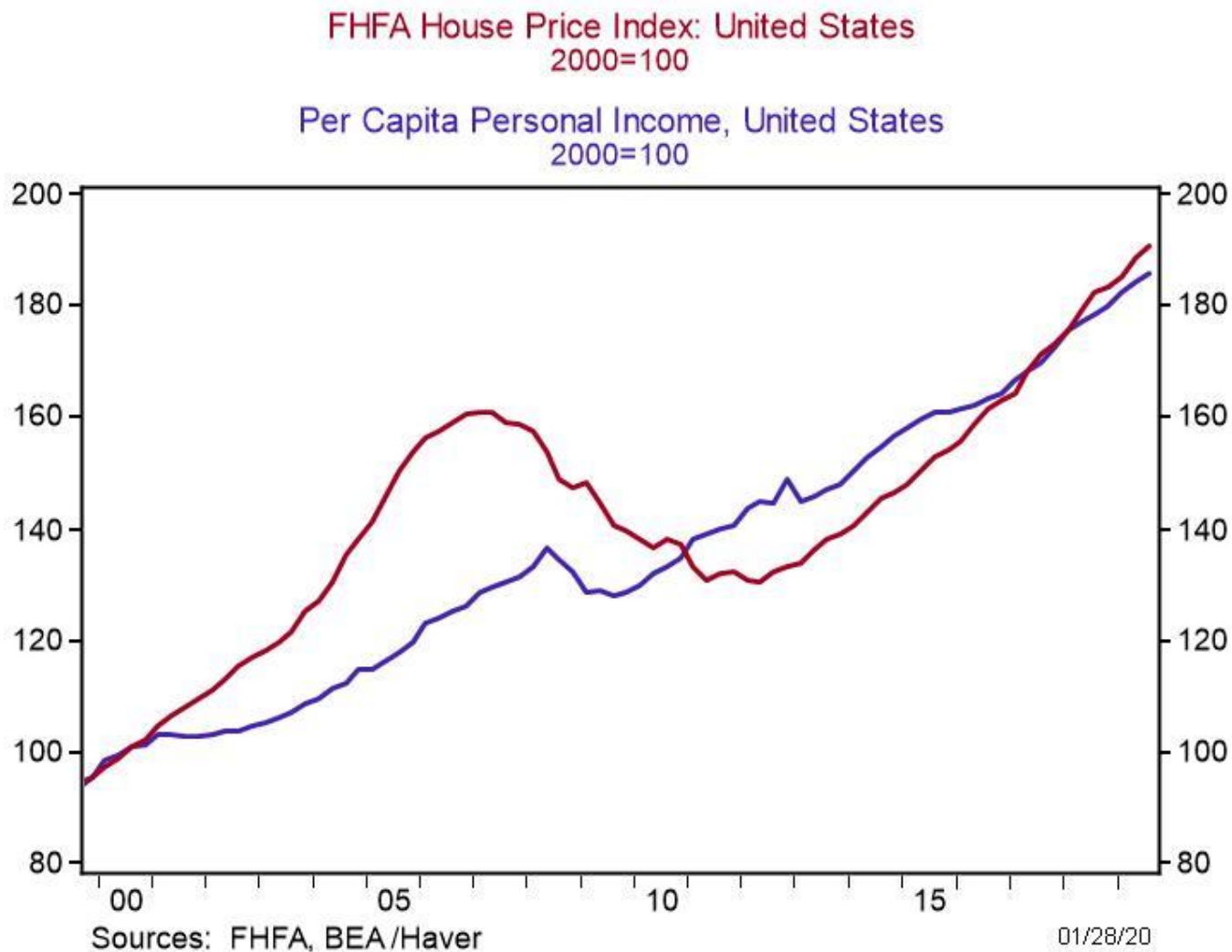
Source: Bureau of Economic Analysis via Haver Analytics

Single-family has recovered from 2018 wobble ...

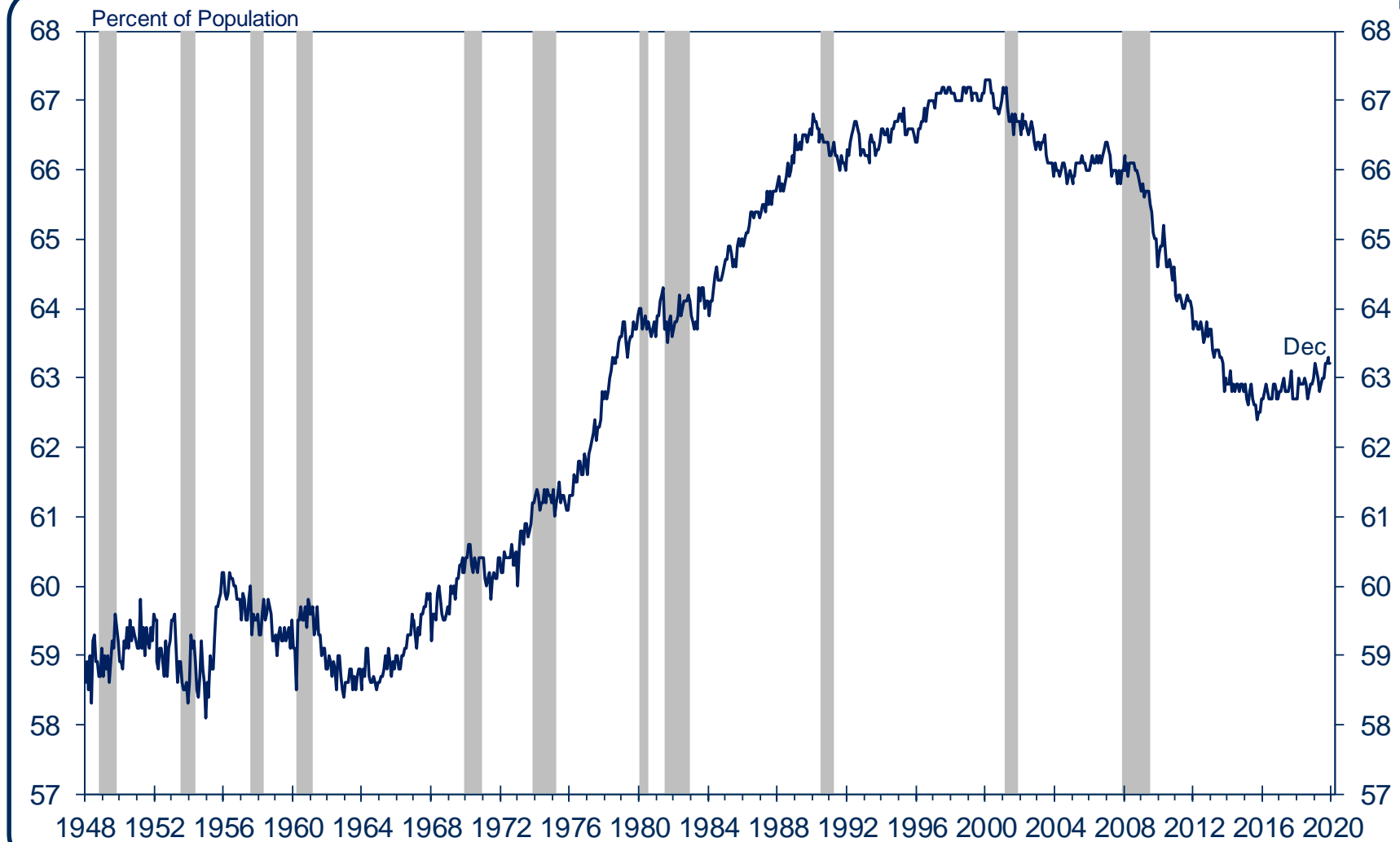


Source: U.S. Census Bureau/Haver Analytics

... but affordability remains an issue



But labor force participation is holding up well



Source: Bureau of Labor Statistics via Haver Analytics

Business surveys are mixed

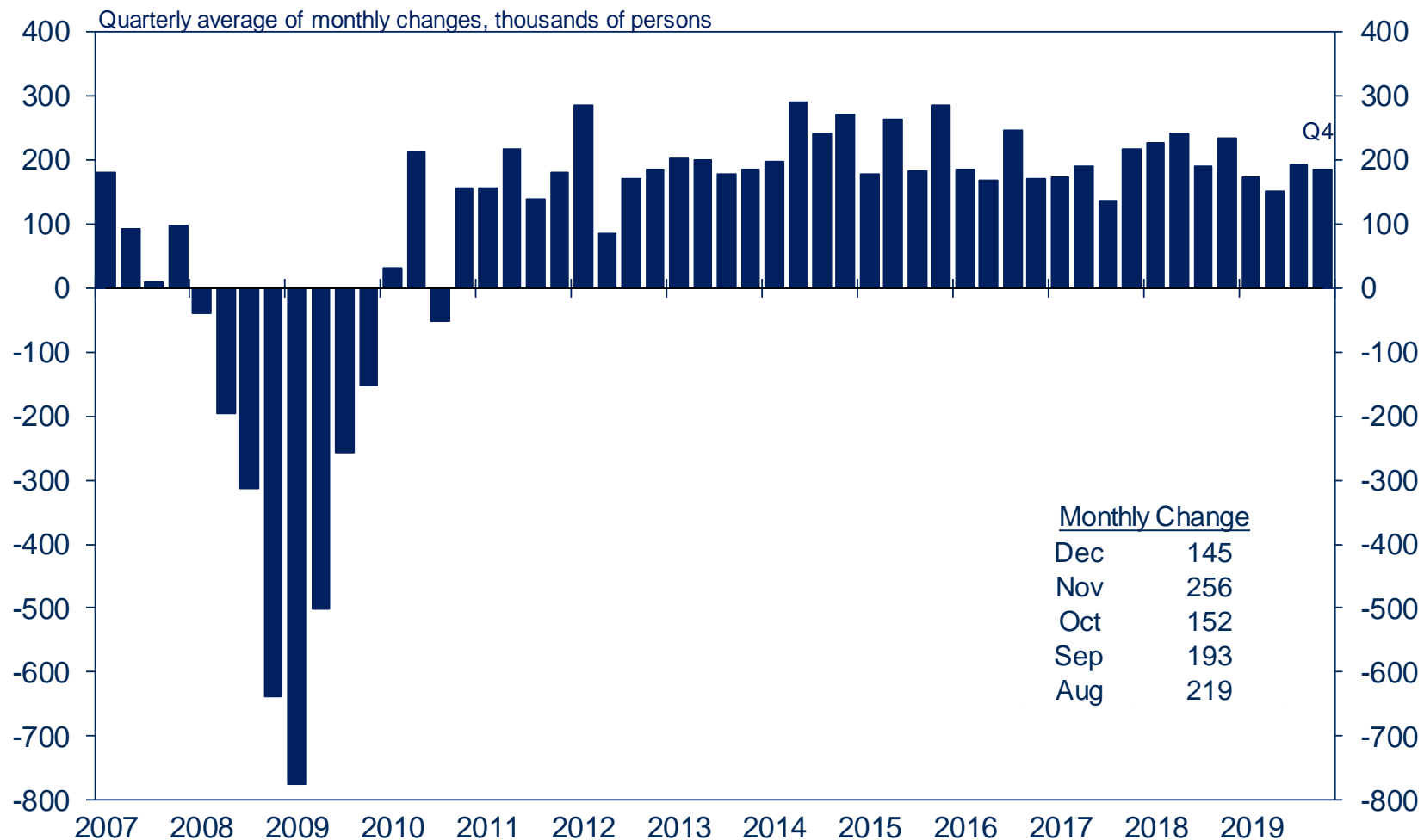
MANUFACTURING BUSINESS:

	<u>Nov.</u>	<u>Dec.</u>
Purchasing Managers Index	48.1	47.2
Production	49.1	43.2
New Orders	47.2	46.8
Employment	46.6	45.1
Supplier Deliveries	52.0	54.6
Inventories	45.5	46.5
Prices	46.7	51.7
Backlog of Orders	43.0	43.3
New Export Orders	47.9	47.3
Imports	48.3	48.8

NON-MANUFACTURING BUSINESS:

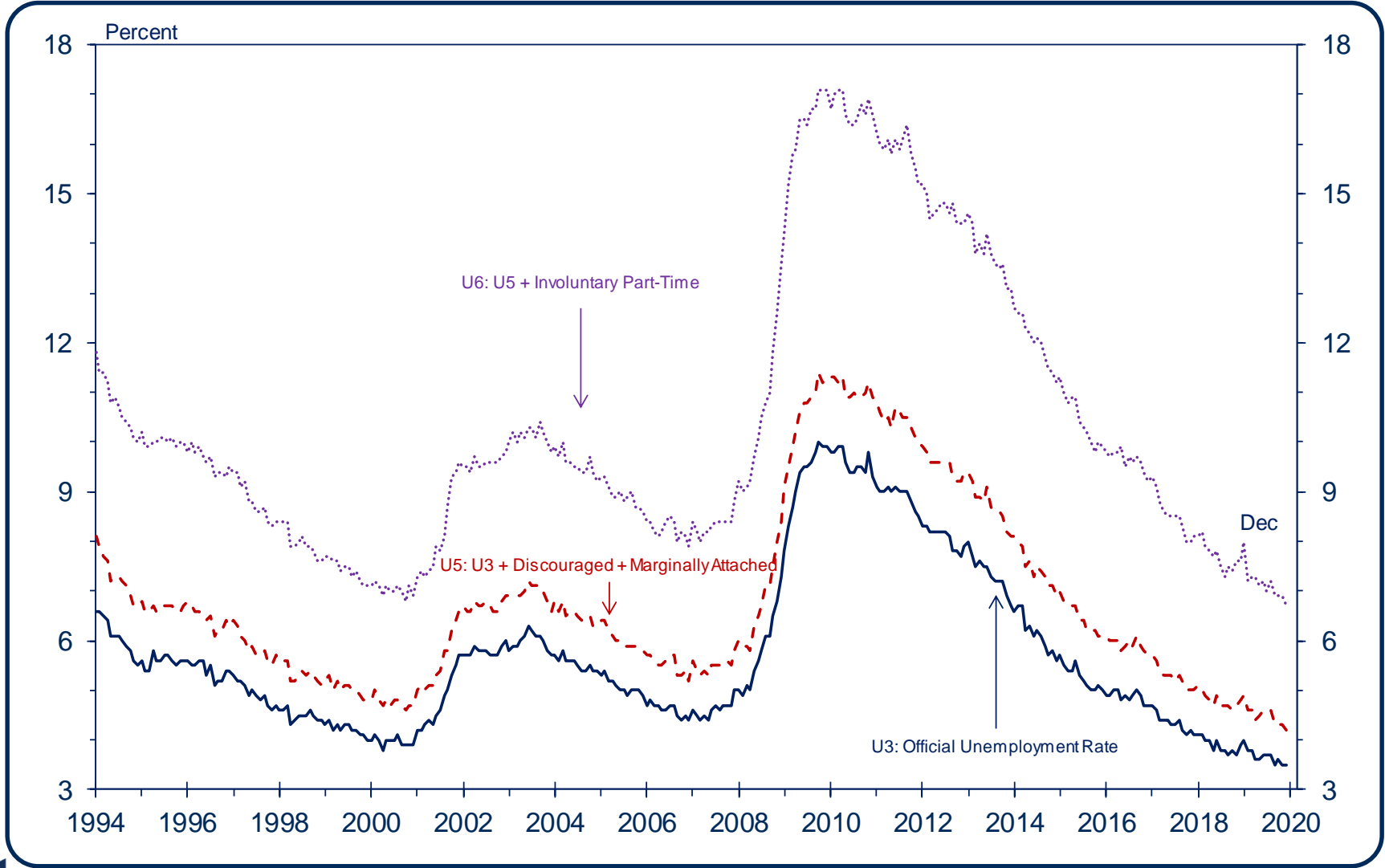
	<u>Nov.</u>	<u>Dec.</u>
Non-Manufacturing Index	53.9	55.0
Business Activity	51.6	57.2
New Orders	57.1	54.9
Employment	55.5	55.2
Supplier Deliveries	51.5	52.5
Inventories	50.5	51.0
Prices	58.5	58.5
Backlog of Orders	48.5	47.5
New Export Orders	52.0	51.0
Imports	45.0	48.0

Employment growth is outpacing labor force growth ...



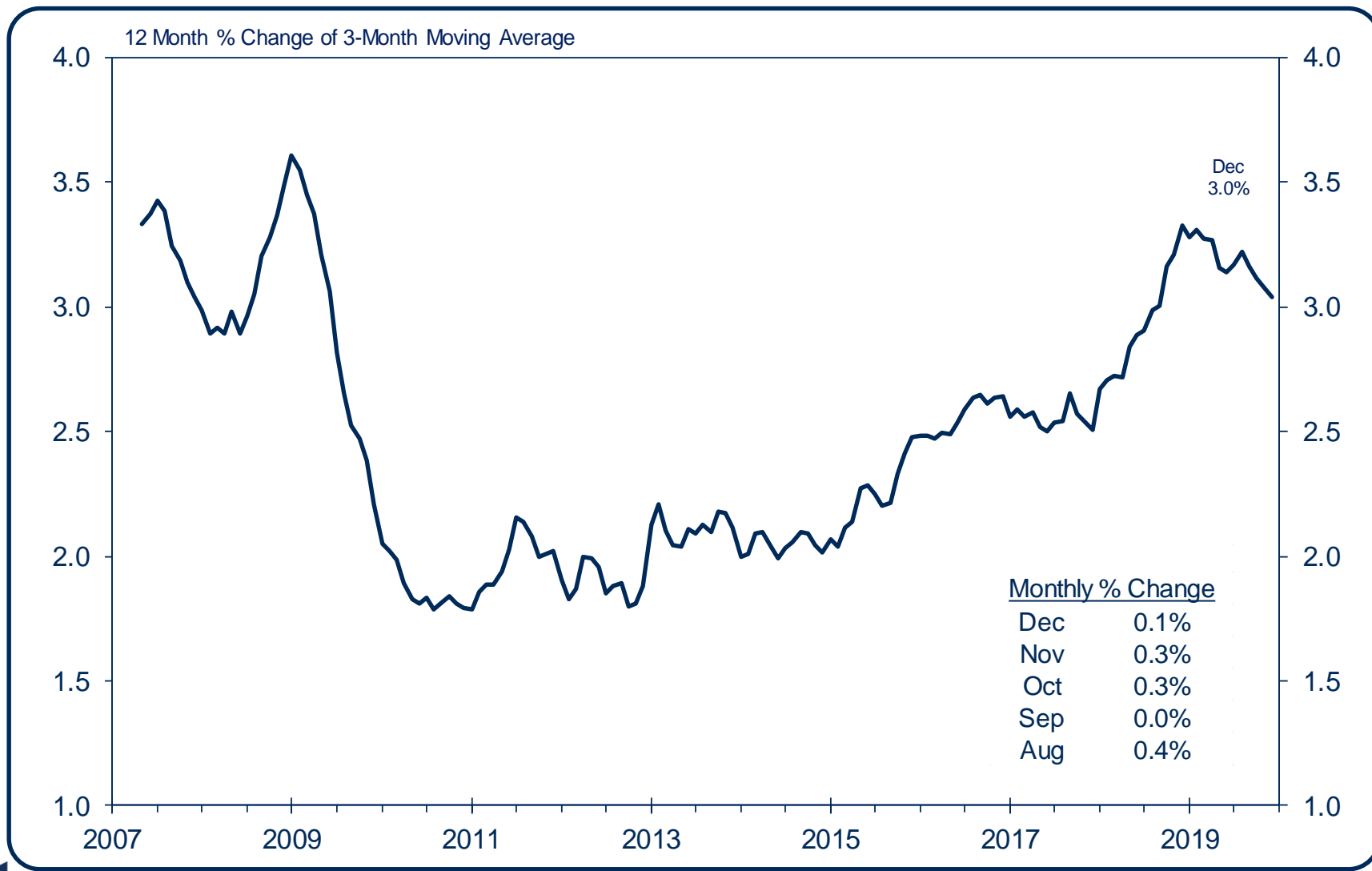
Source: Bureau of Labor Statistics/Haver Analytics

... with historically low unemployment



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

Overall wage growth has remained around 3.0%, but may not tell the whole story...

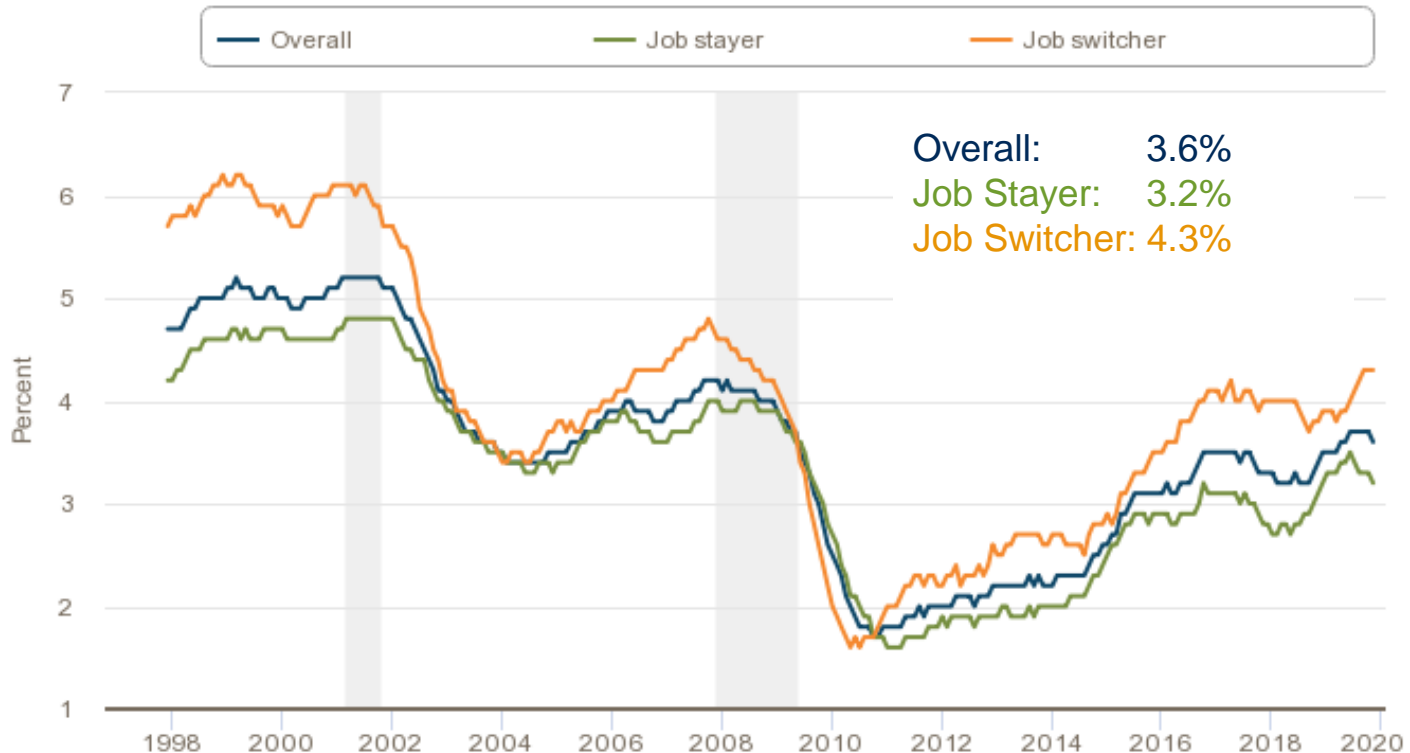


Source: Bureau of Labor Statistics/Haver Analytics

The gap between wage growth of job switchers and job stayers has widened in recent months

Wage Growth Tracker by Job Switcher/Stayer

12-month moving average of median wage growth



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations



FEDERAL RESERVE BANK of ATLANTA

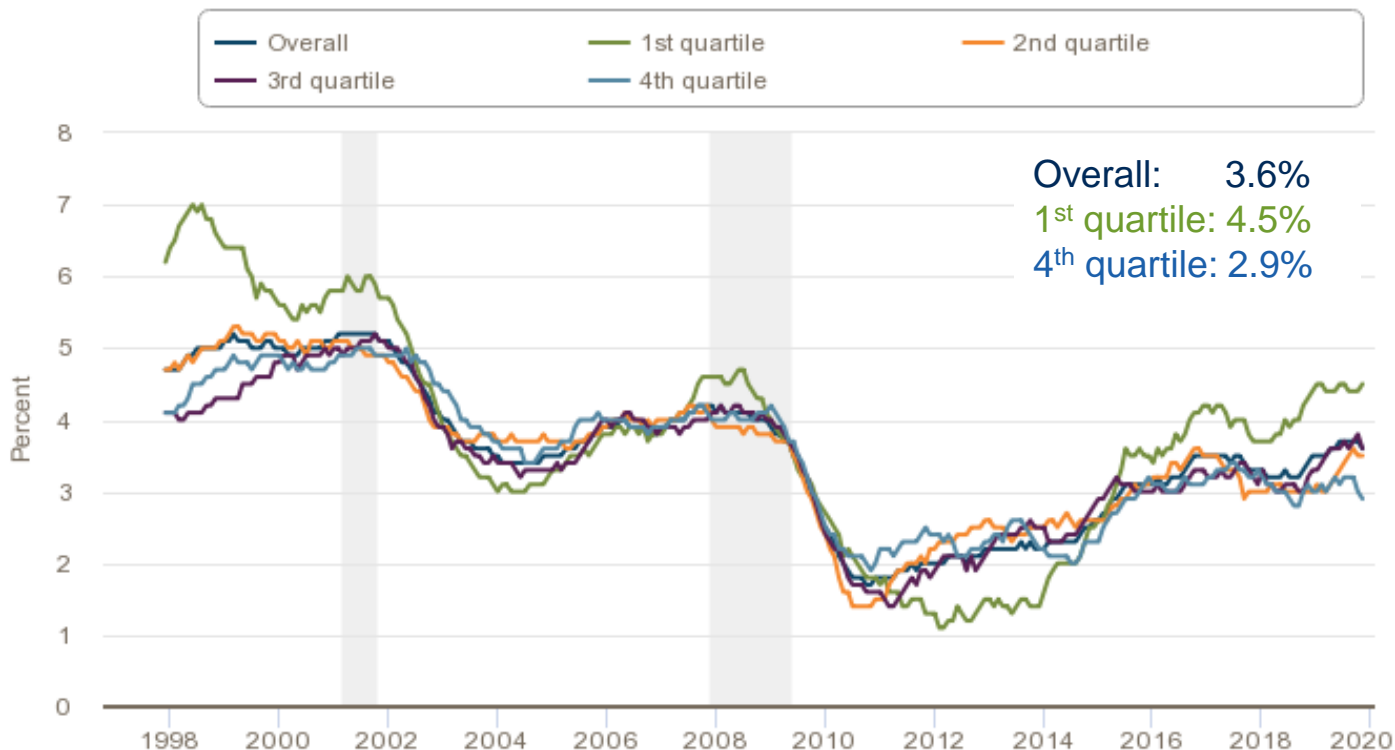
Exported on: Tuesday, December 31, 2019

Source: Federal Reserve Bank of Atlanta

Lower-wage workers have also seen higher wage growth than high-wage workers, and the gap is wide

Wage Growth Tracker by Wage Level

12-month moving average of median wage growth for each category



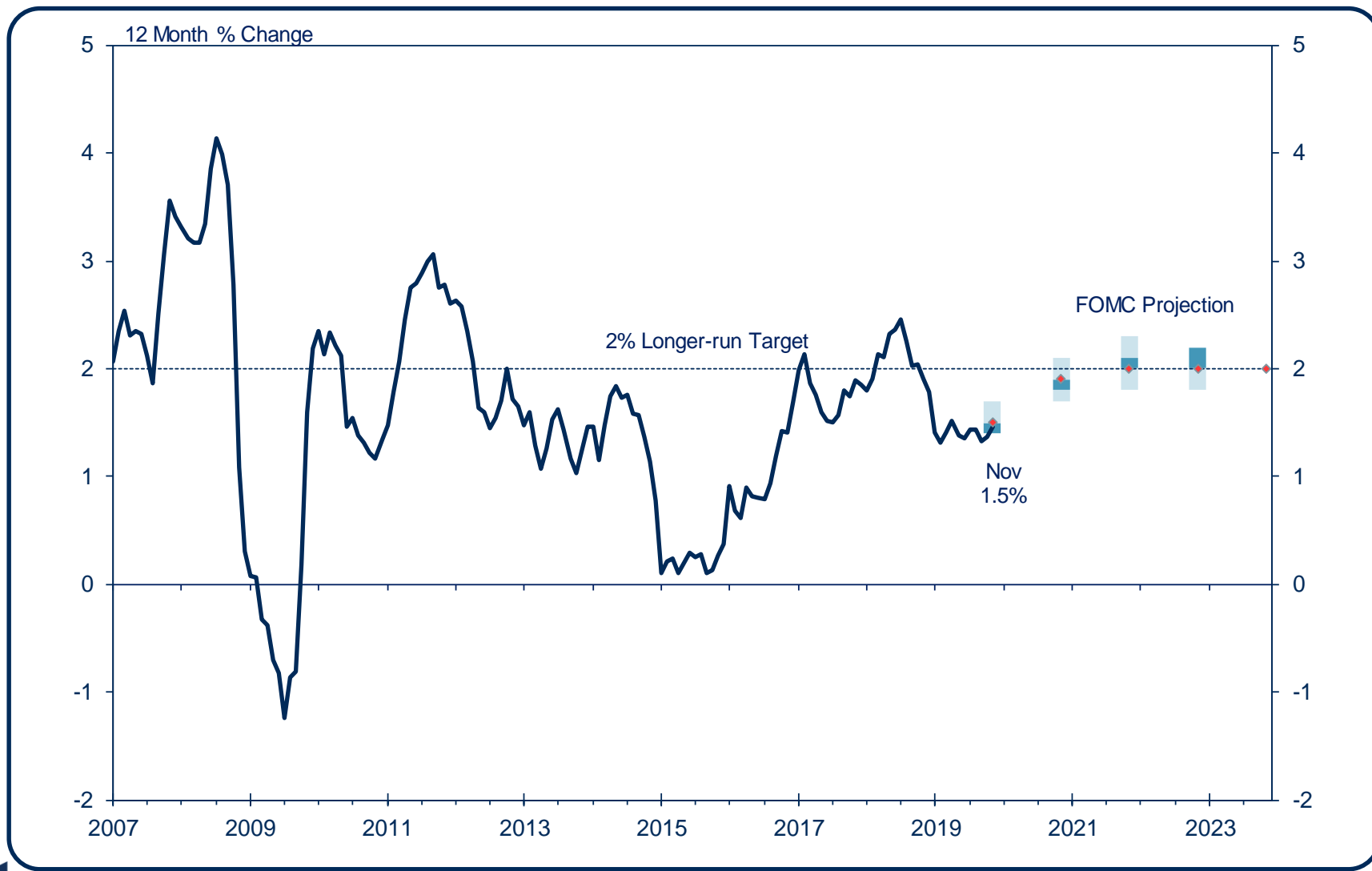
Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

FEDERAL RESERVE BANK of ATLANTA

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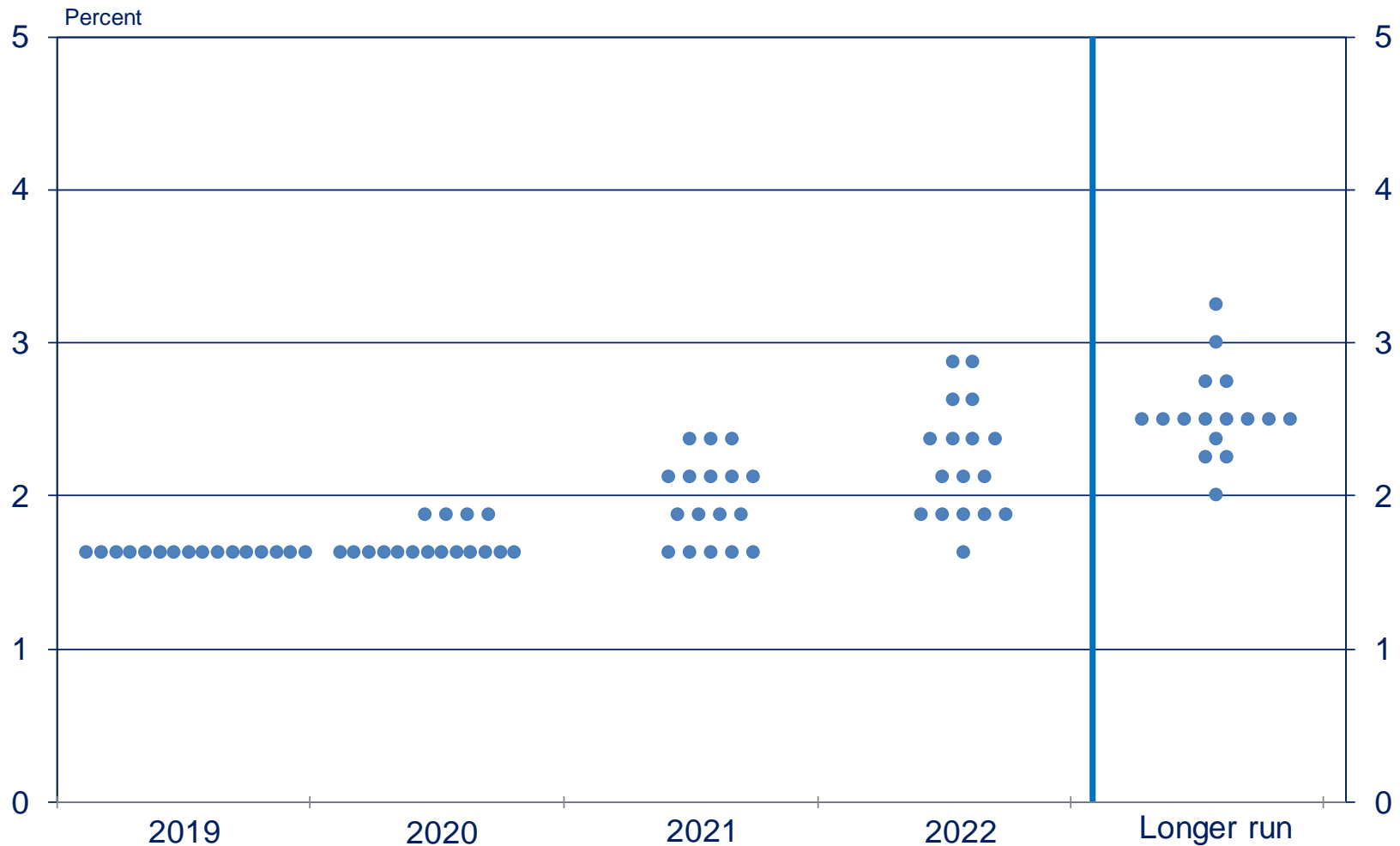
Source: Federal Reserve Bank of Atlanta

Inflation remains below the 2% target



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

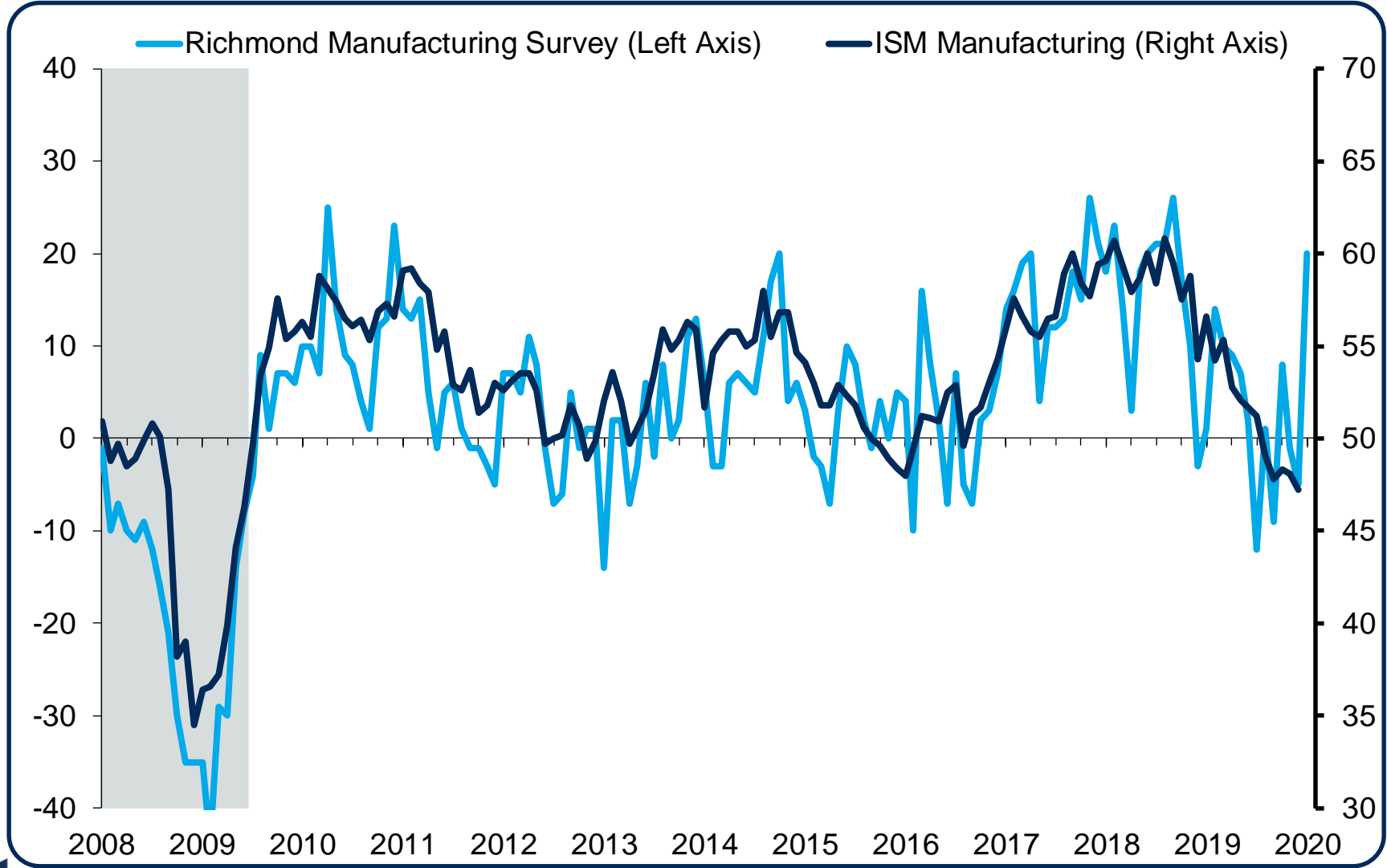
The Dot Plot for the Fed Funds Rate



Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

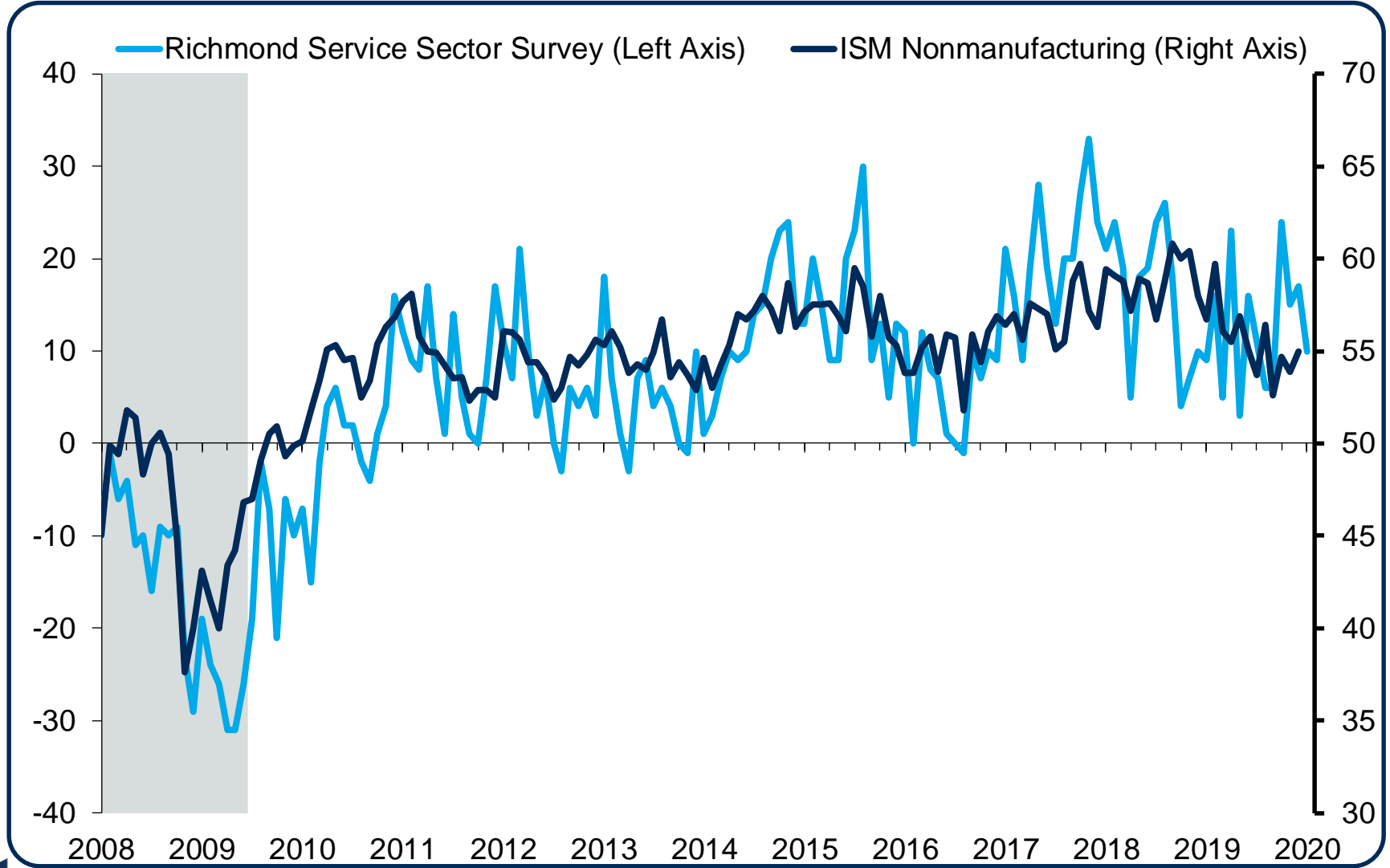
Regional Economy

The Federal Reserve Bank of Richmond's Manufacturing Composite Index showed improved sentiment more recently ...



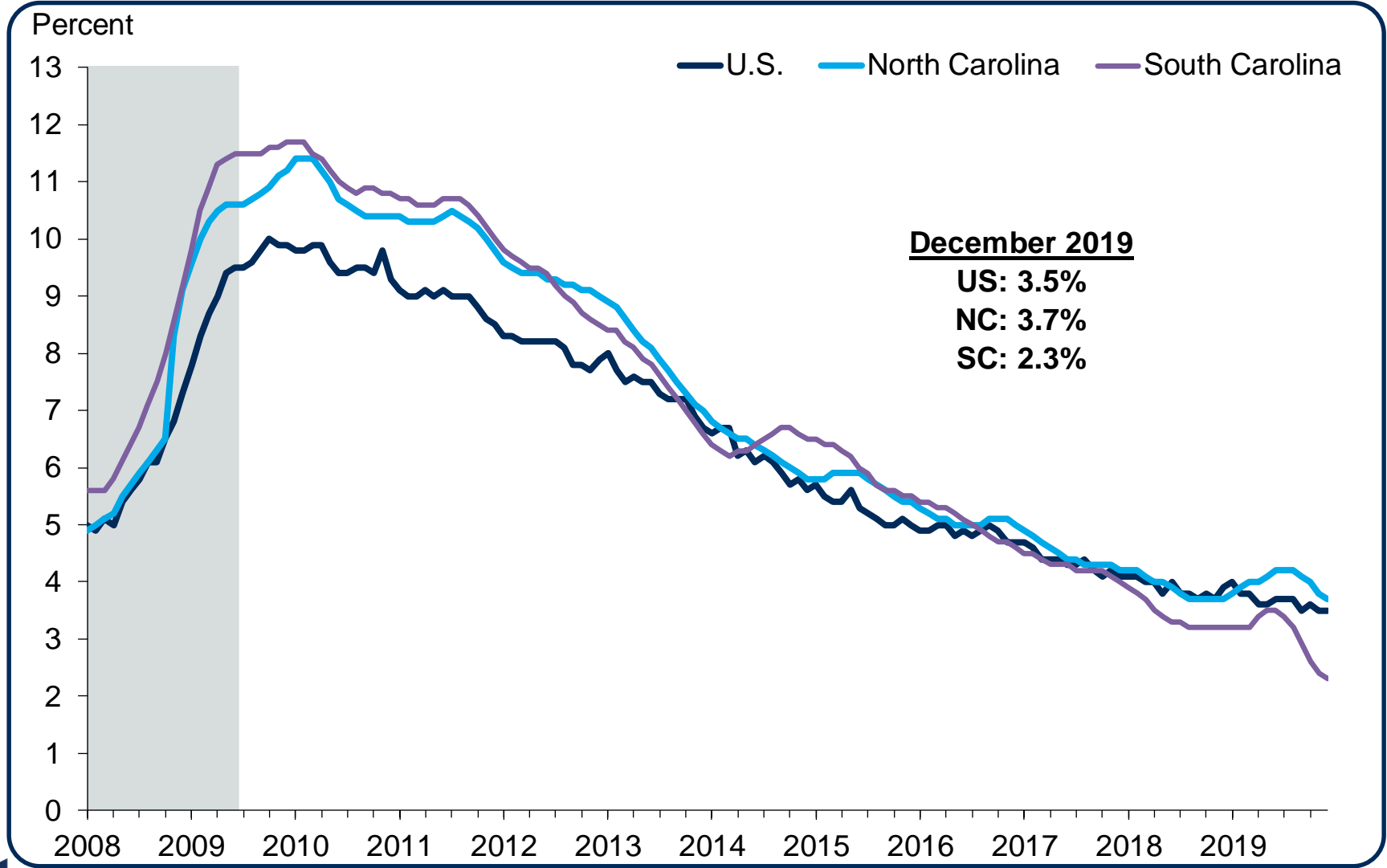
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

... As did the Richmond Service Sector Survey



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

South Carolina's unemployment rate has remained below North Carolina's for over 3 years with a recent widening of the gap

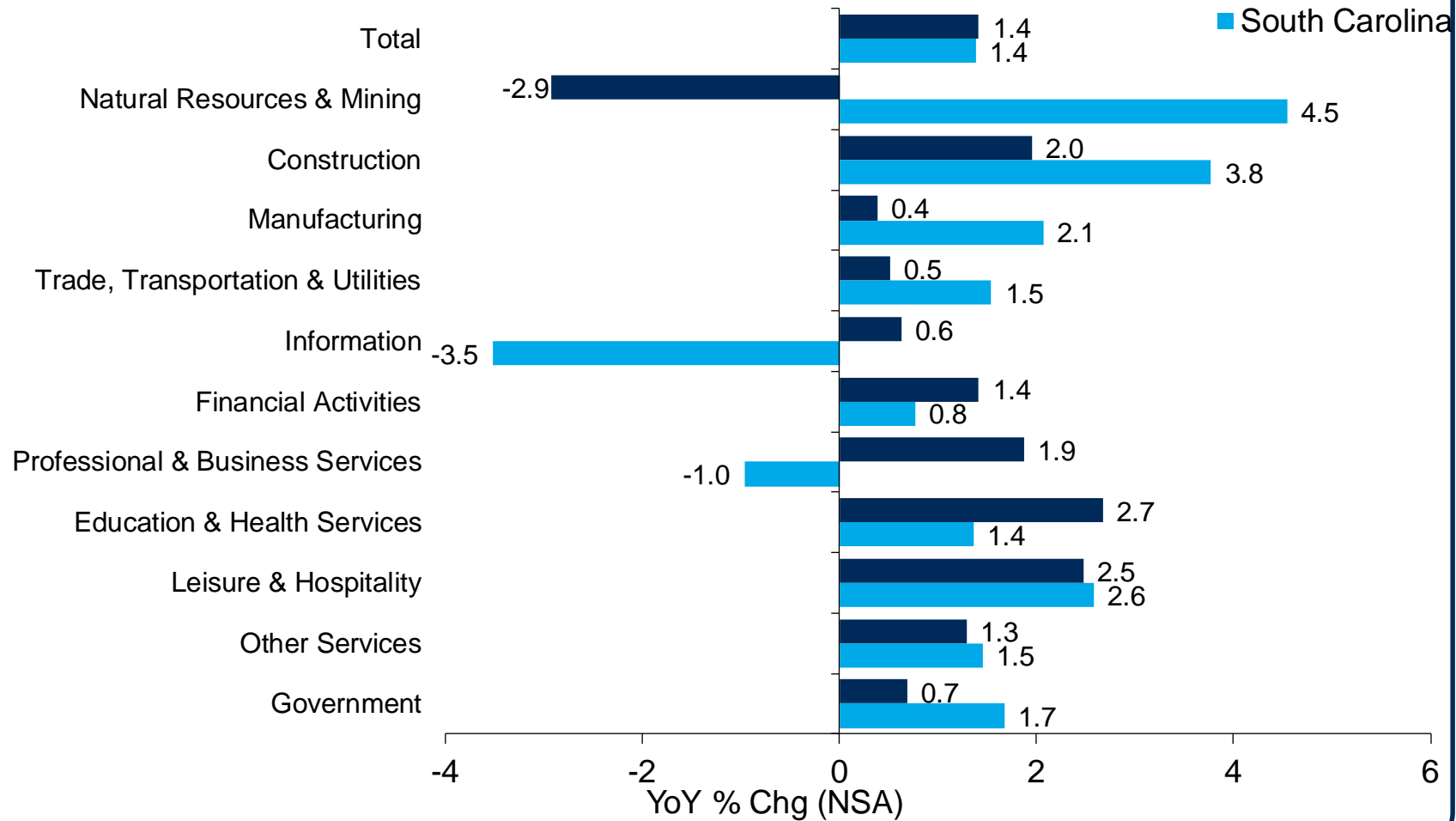


Source: Bureau of Labor Statistics/Haver Analytics

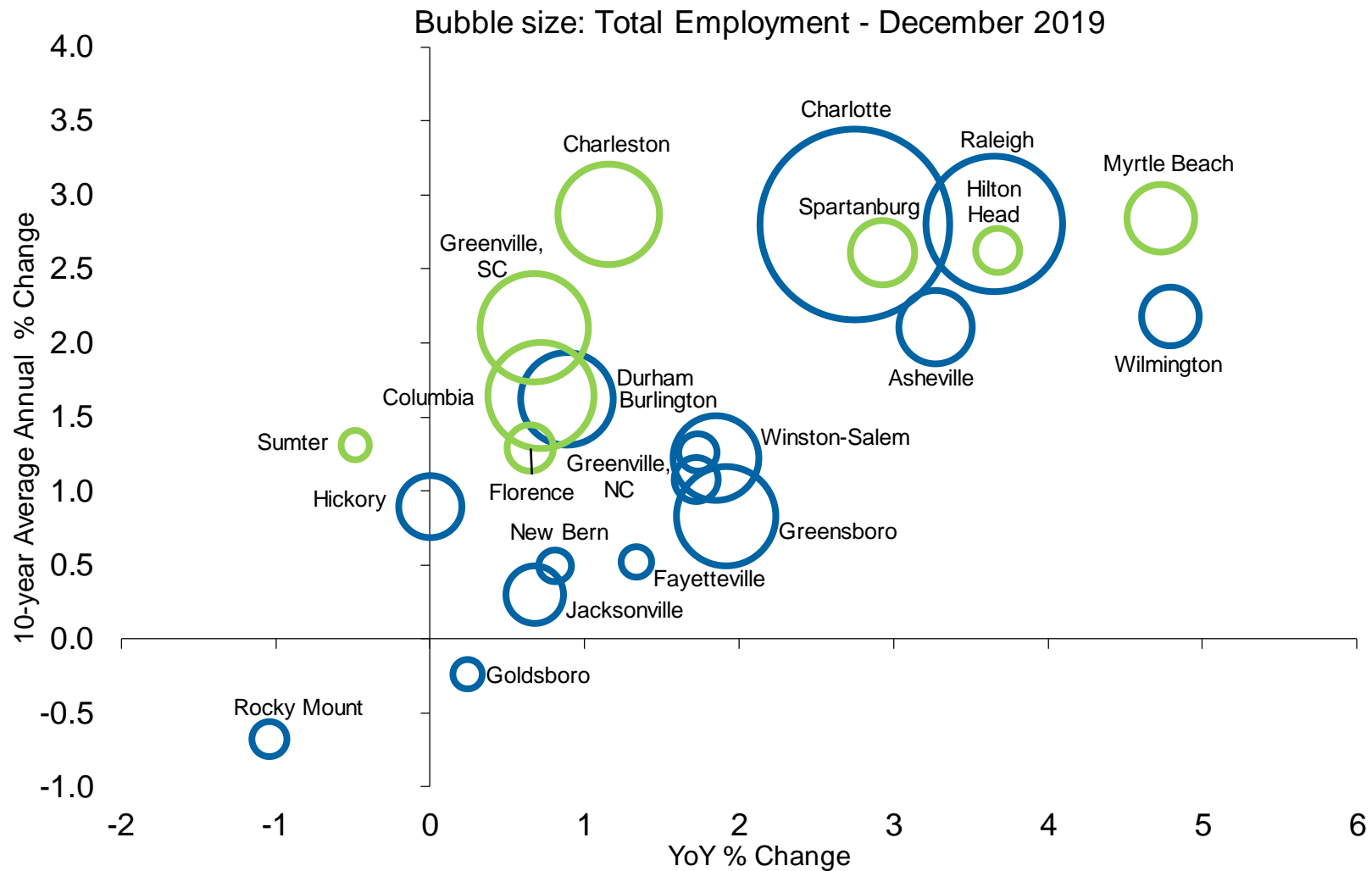
South Carolina Industry Growth

December 2019

■ U.S.
■ South Carolina

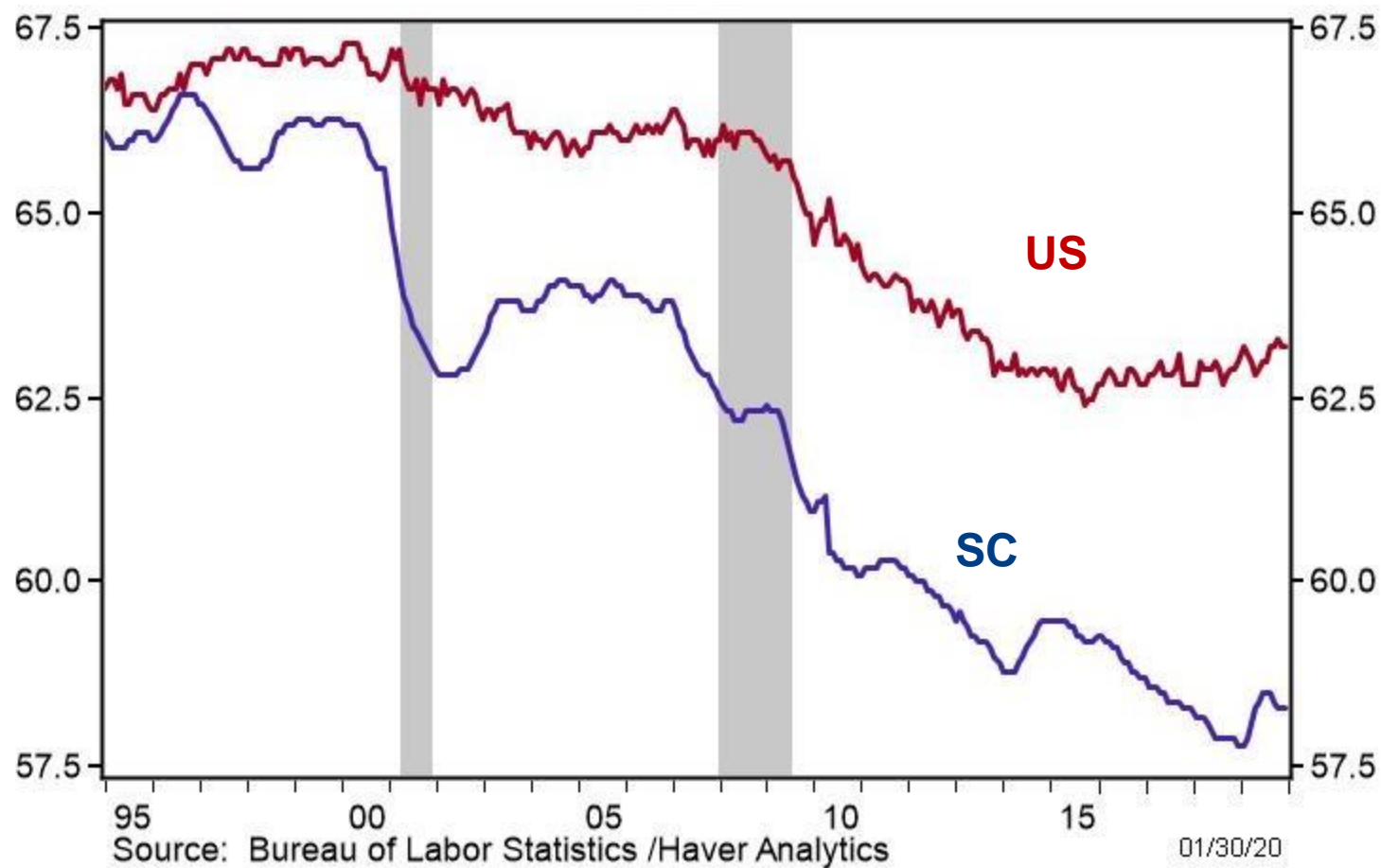


Only two MSAs in North or South Carolina have negative year over year employment growth



Source: Bureau of Labor Statistics/Haver Analytics

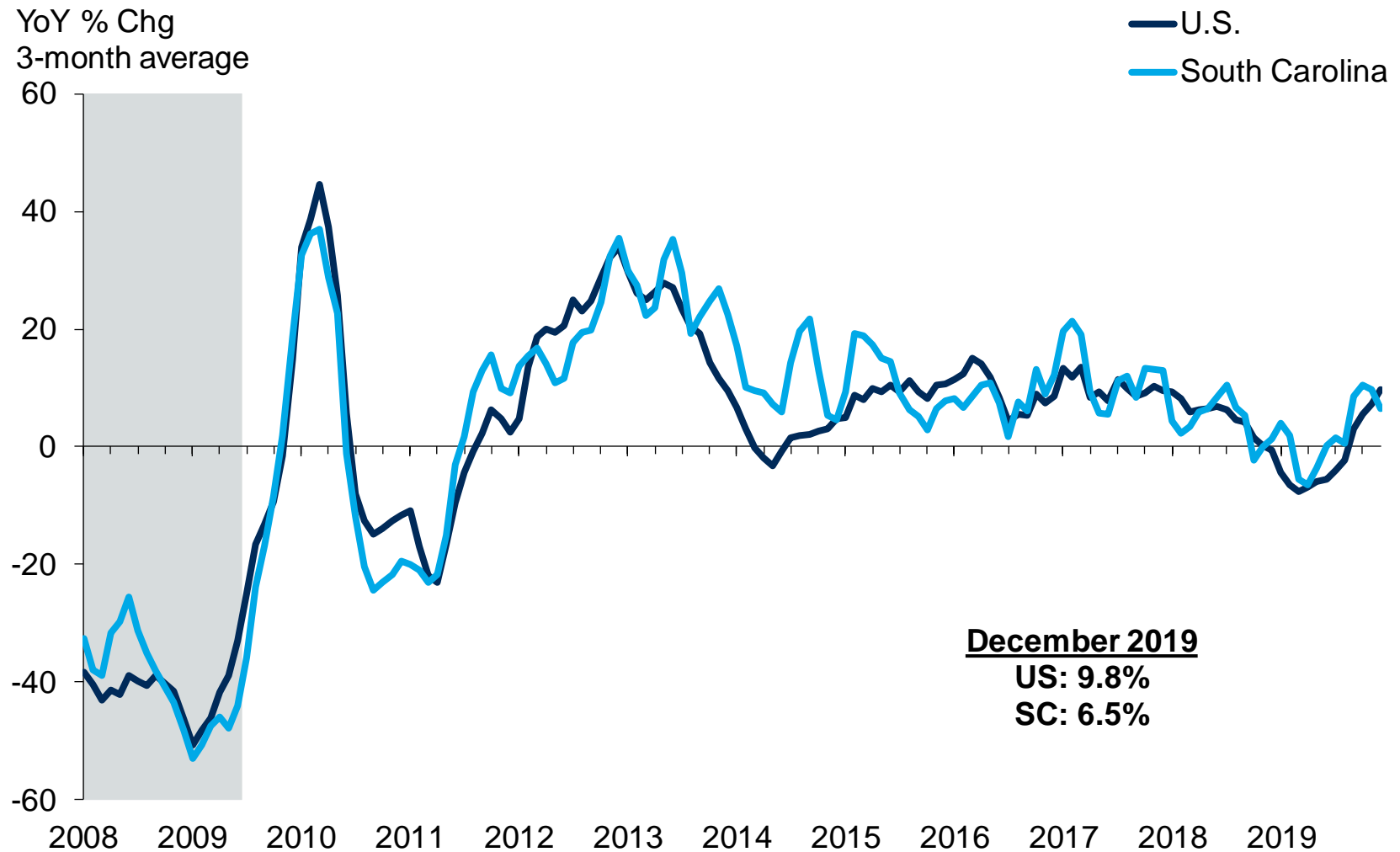
Labor force participation rate has declined faster in South Carolina



Source: Bureau of Labor Statistics/Haver Analytics

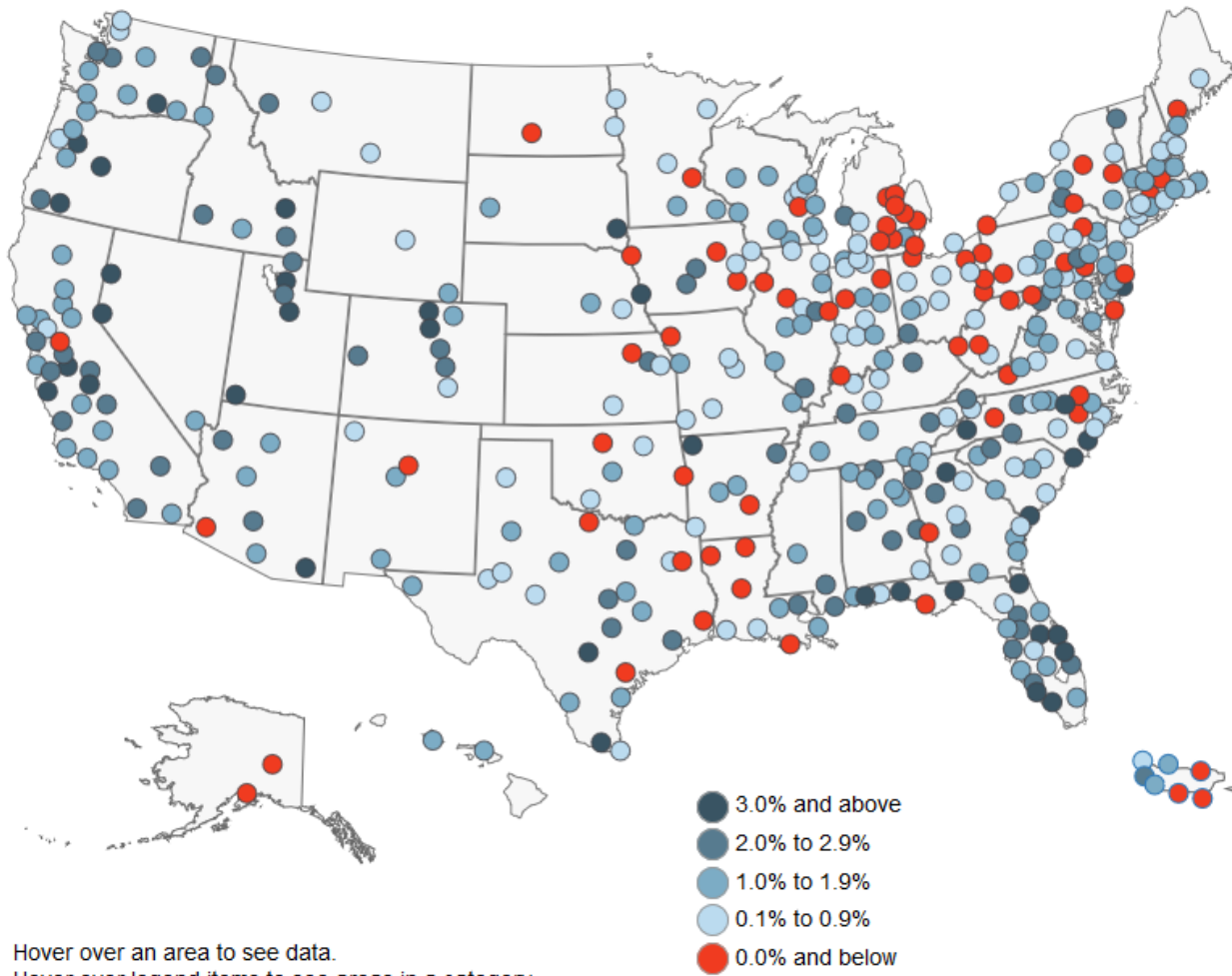
South Carolina Building Permits

YoY % Chg
3-month average



A National View

Change in nonfarm employment by metropolitan area, October 2018 to October 2019, not seasonally adjusted



Hover over an area to see data.
Hover over legend items to see areas in a category.
Source: U.S. Bureau of Labor Statistics.

5th District Business Conditions 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

804-697-8702

View our survey data and reports online:

https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions



Questions?
... and thank you!



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