



National and Regional Economic Outlook

VAPDC

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Richmond • Baltimore • Charlotte

What is the Story?

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 indices have steadied

On the other hand....

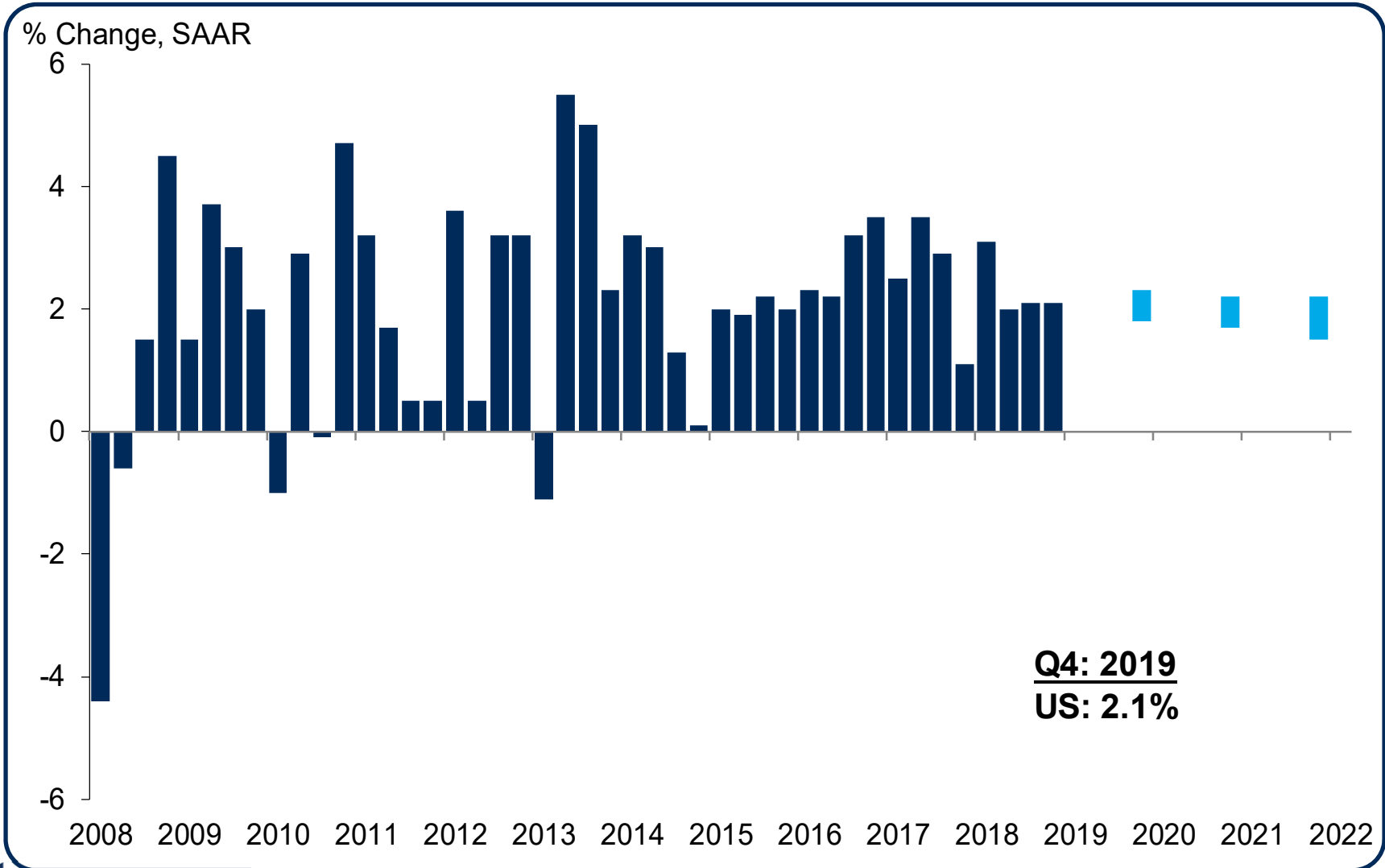
- Business investment remains soft
- Reports of lingering uncertainty

And

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

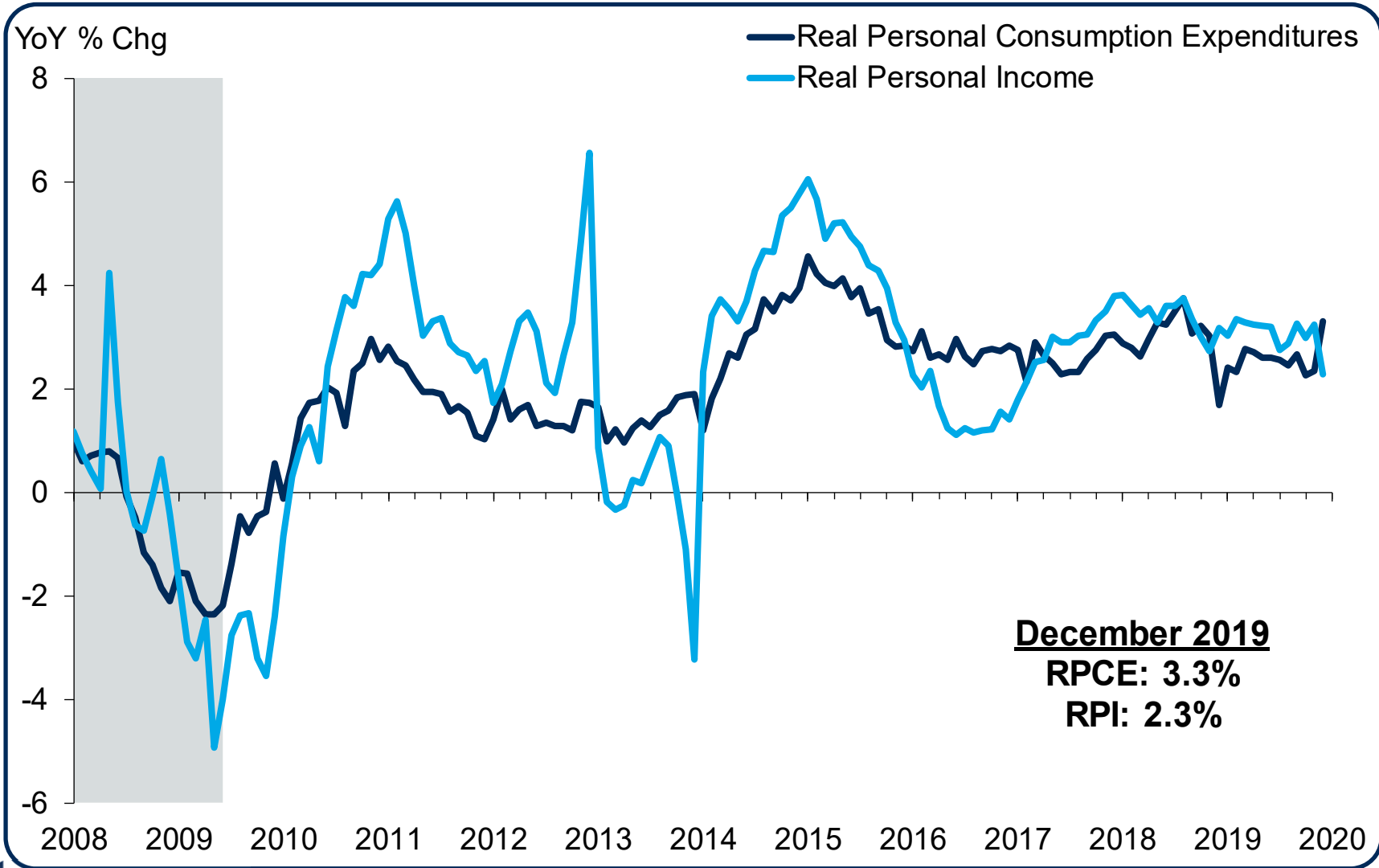
National Economy

U.S. Gross Domestic Product: A decade of fairly steady GDP growth continues



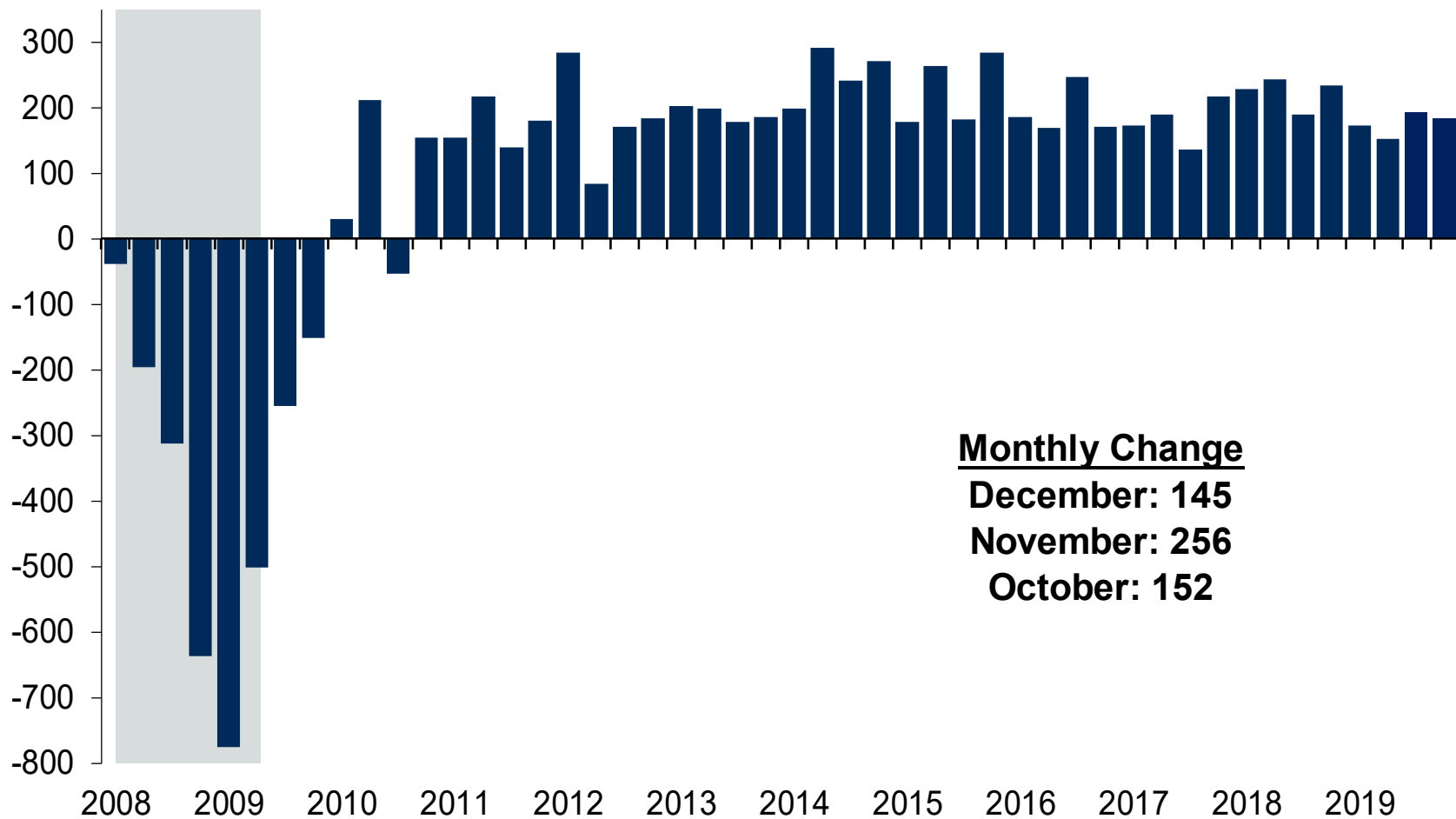
Source: Bureau of Economic Analysis, Federal Reserve Board /Haver Analytics

Consumption growth holding steady



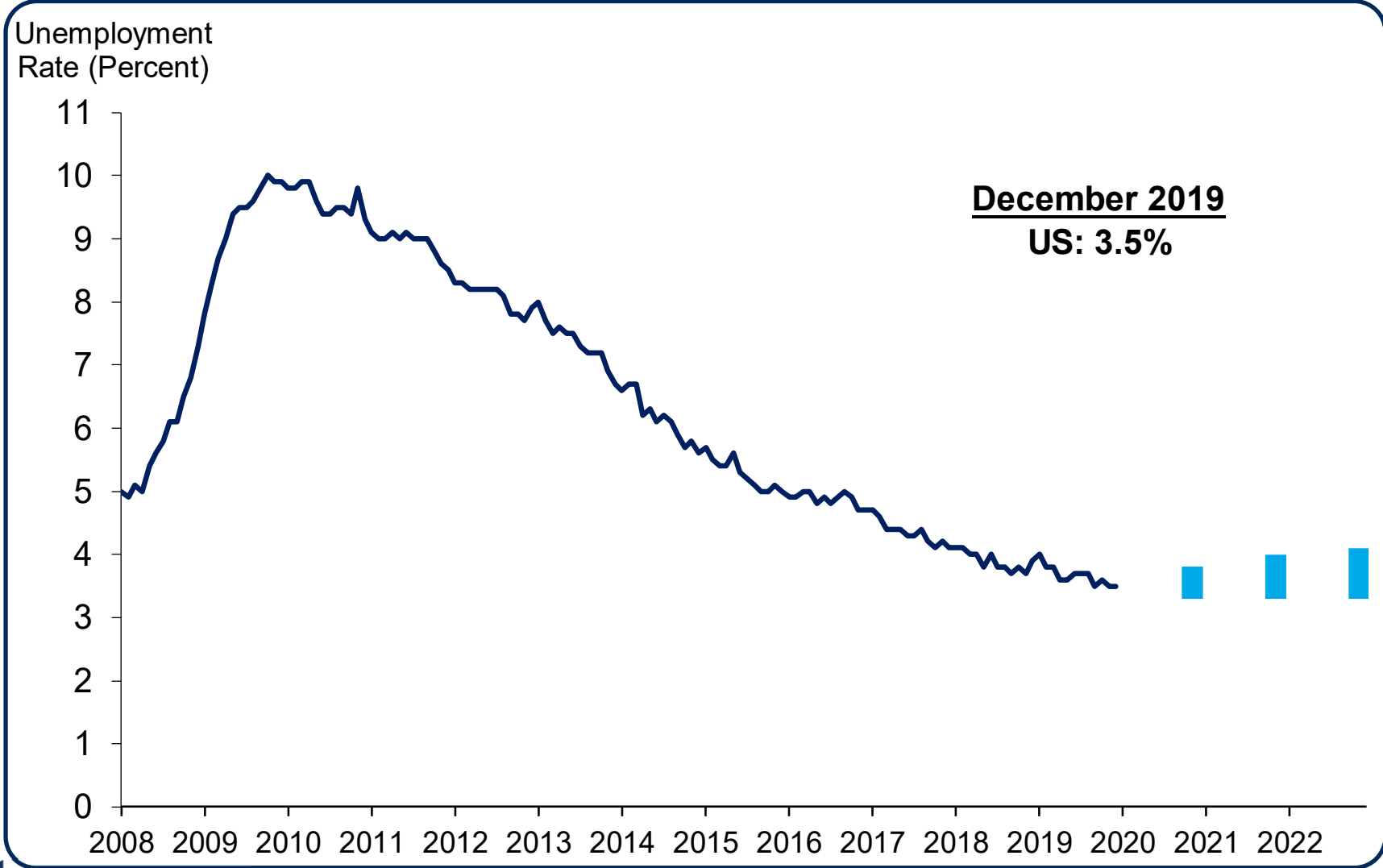
Employment: The economy continues to add jobs

Average Monthly Change, Thous.



Source: Bureau of Labor Statistics/Haver Analytics

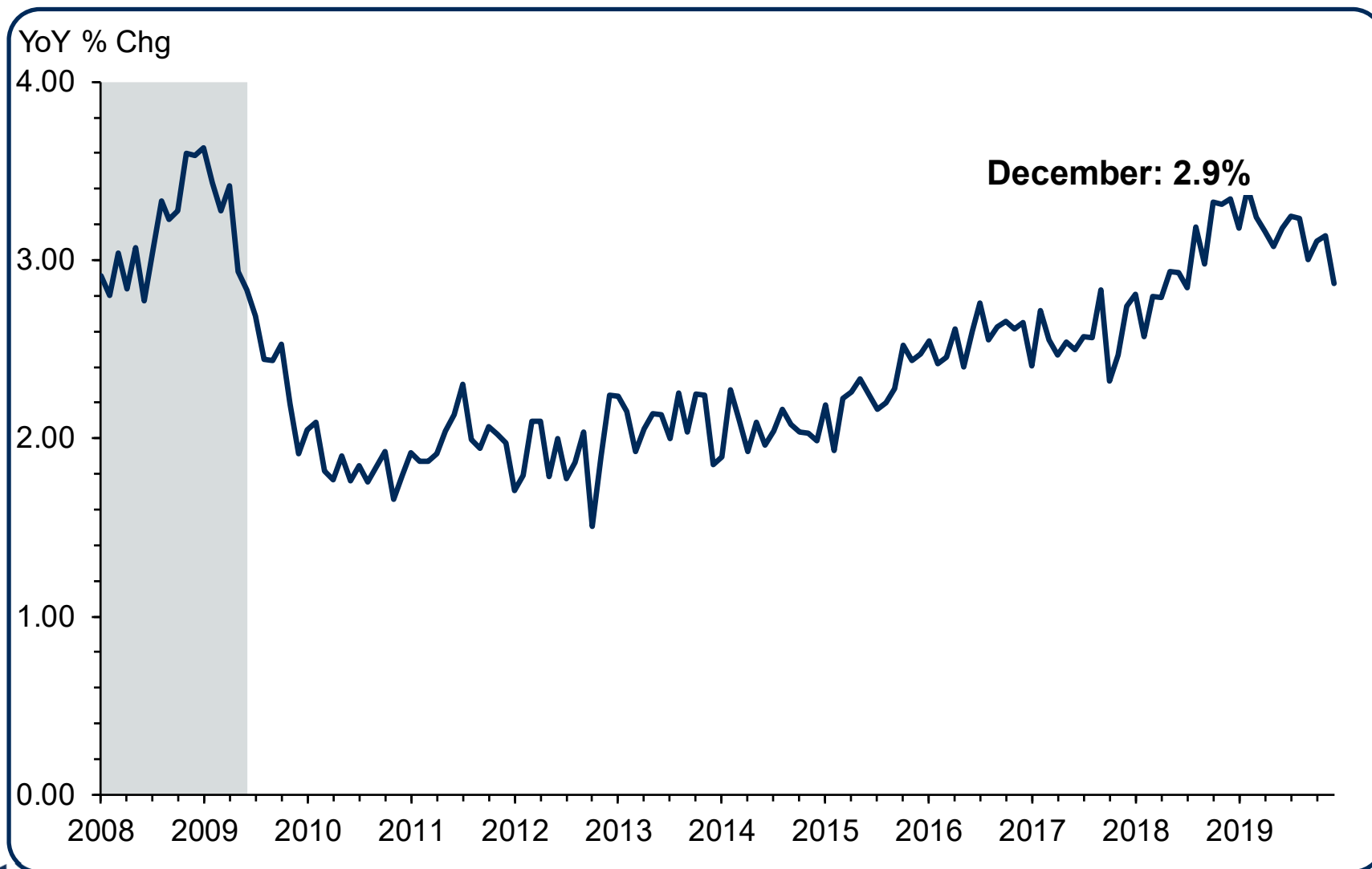
The unemployment rate continues at historic lows



December 2019
US: 3.5%

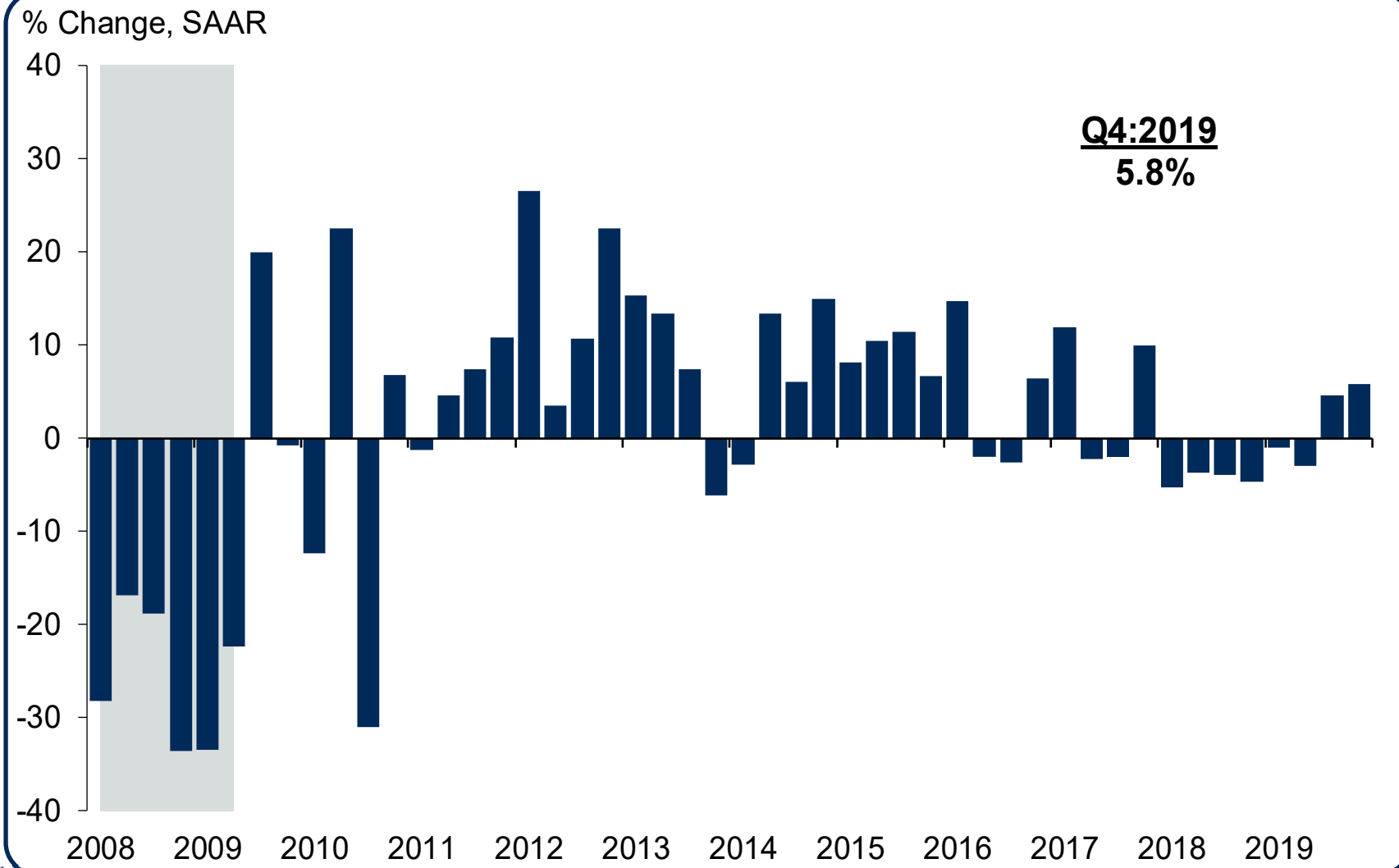
Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics

Wages continue to grow, albeit not uniformly among segments of the labor force



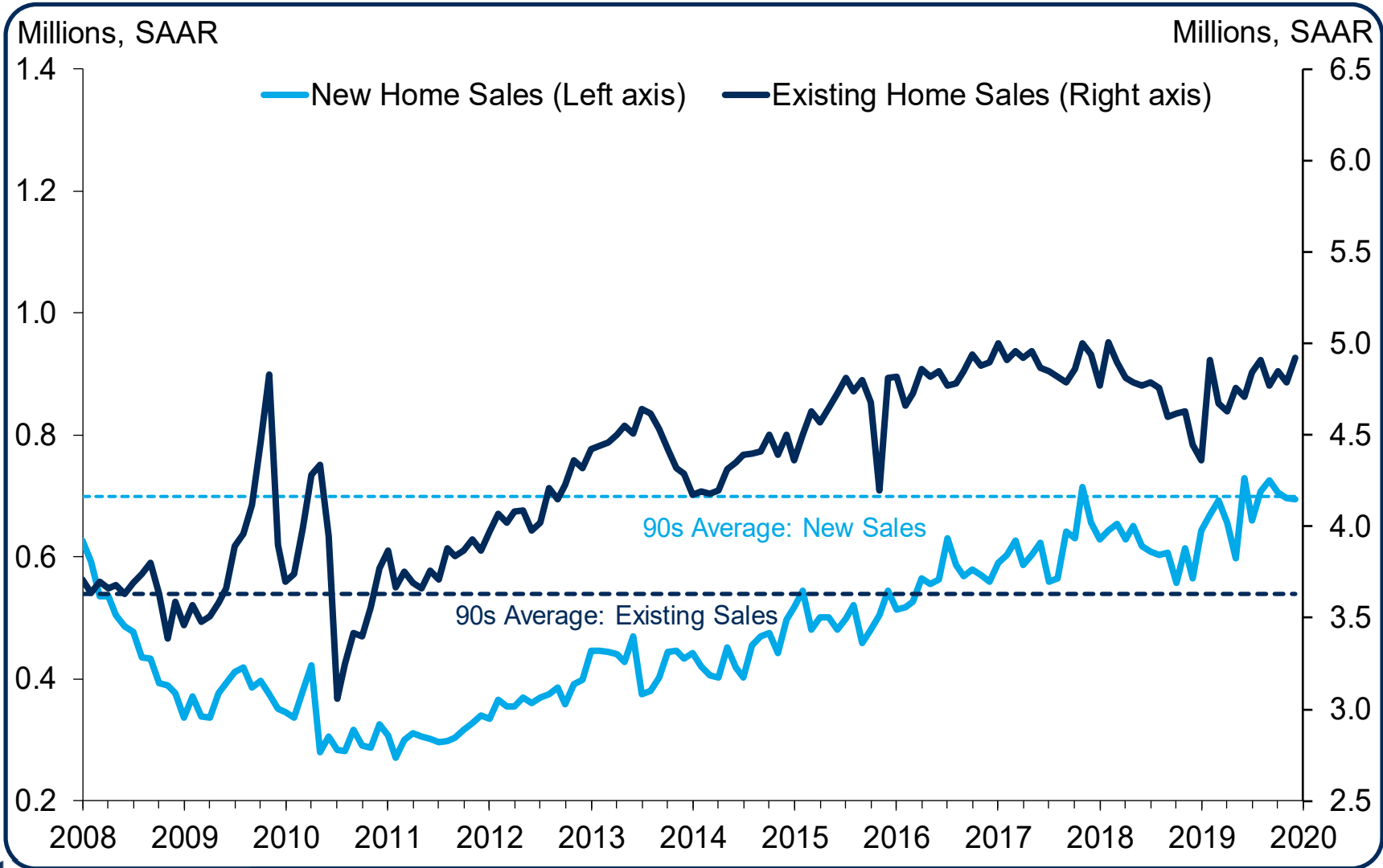
Source: Bureau of Labor Statistics/Haver Analytics

Residential investment rebounded...

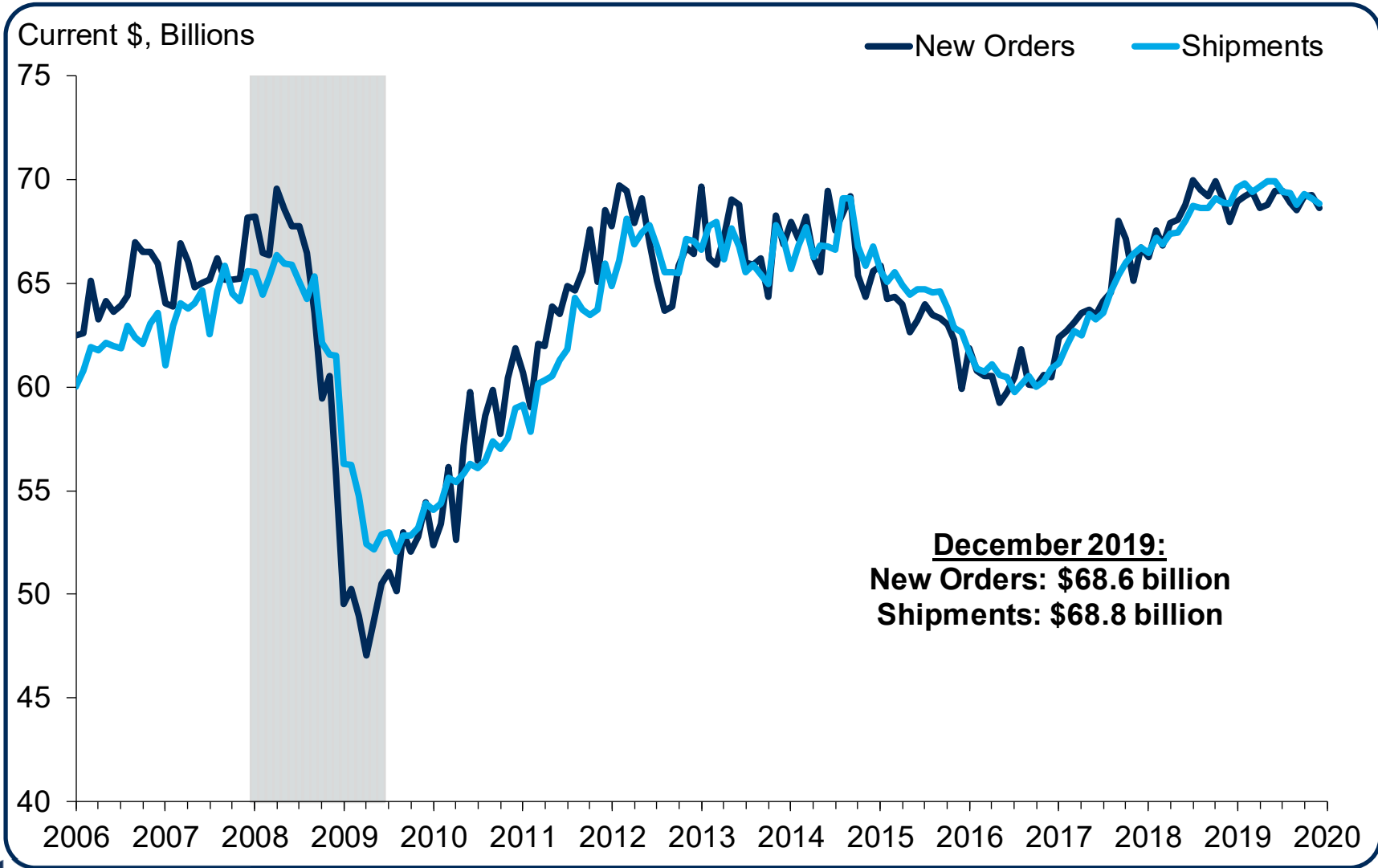


Source: Bureau of Labor Statistics/Haver Analytics

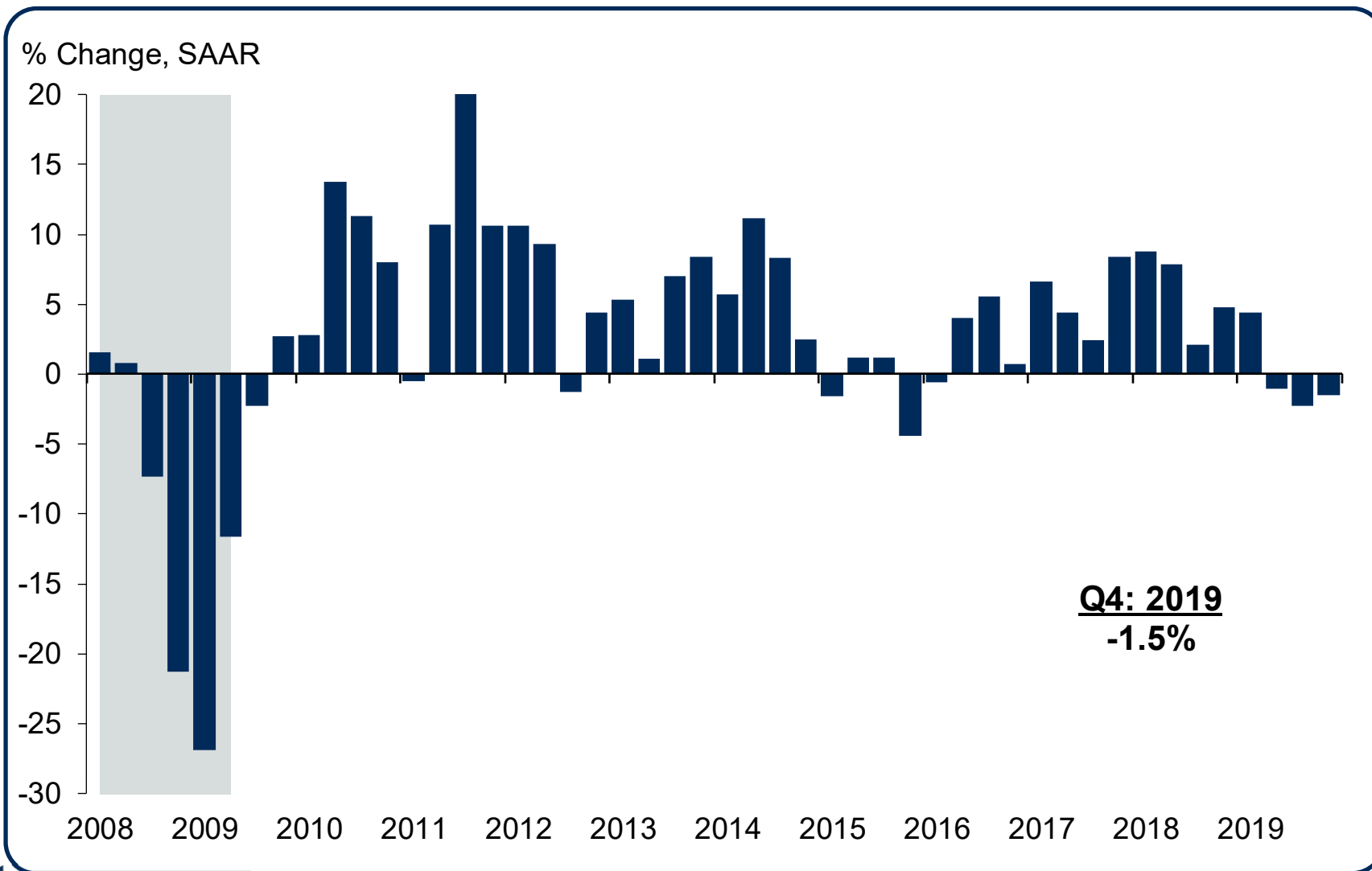
...as sales of new and existing homes trend up



Shipments of core capital goods remain solid

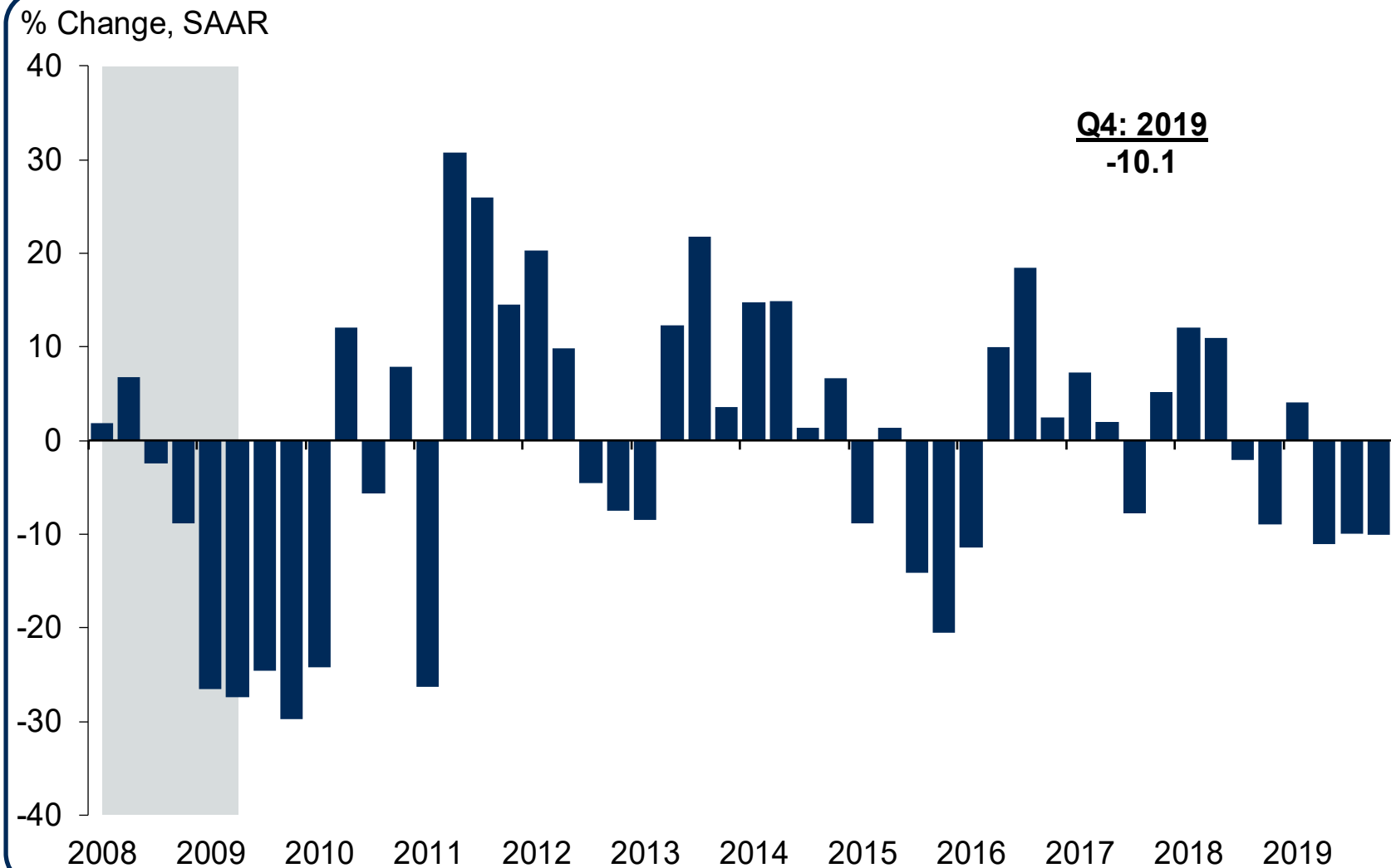


Although nonresidential Fixed Investment (a.k.a. business investment) is still soft...

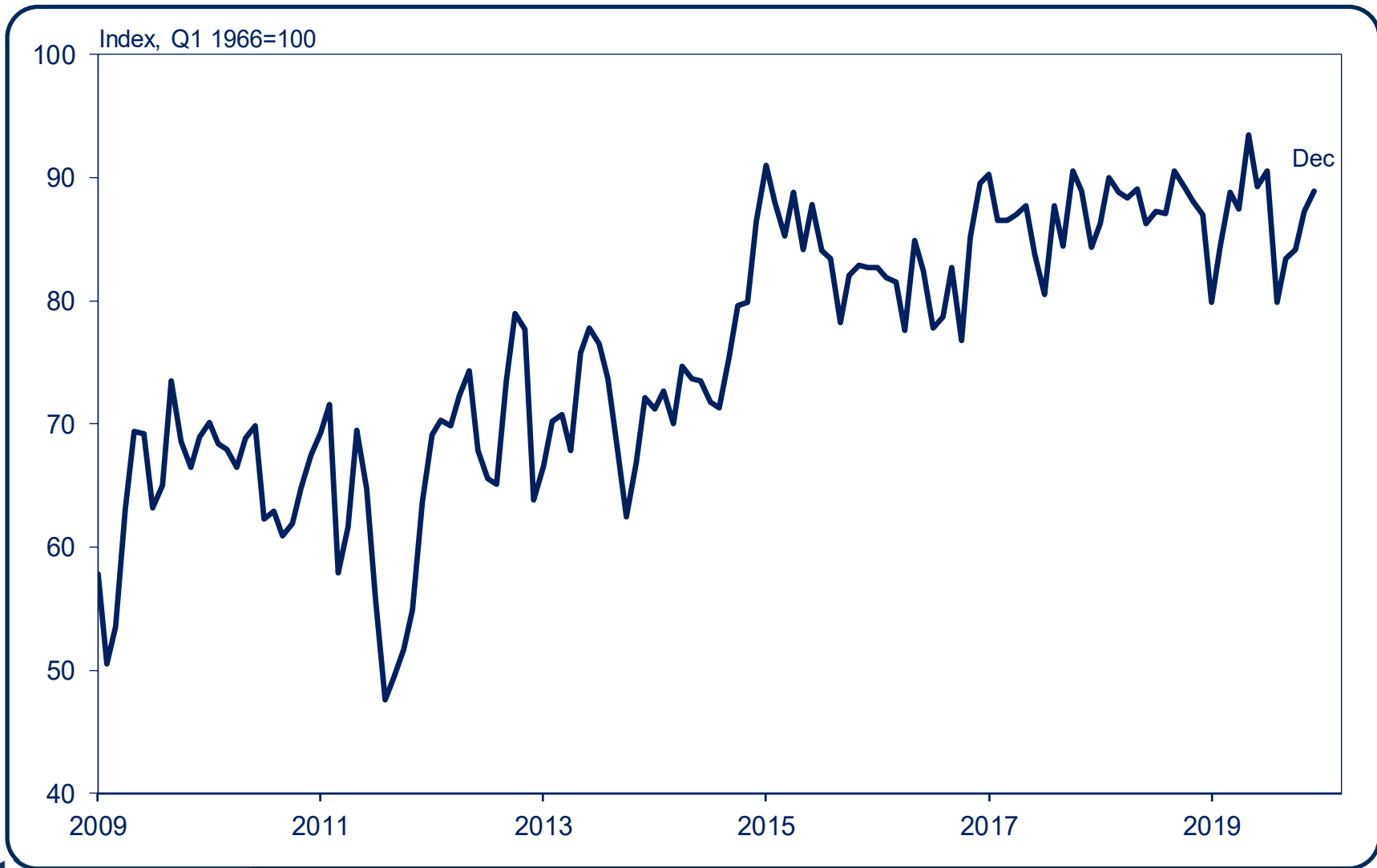


Source: Bureau of Economic Analysis via Haver Analytics

...particularly for investment in structures



University of Michigan Consumer Expectations



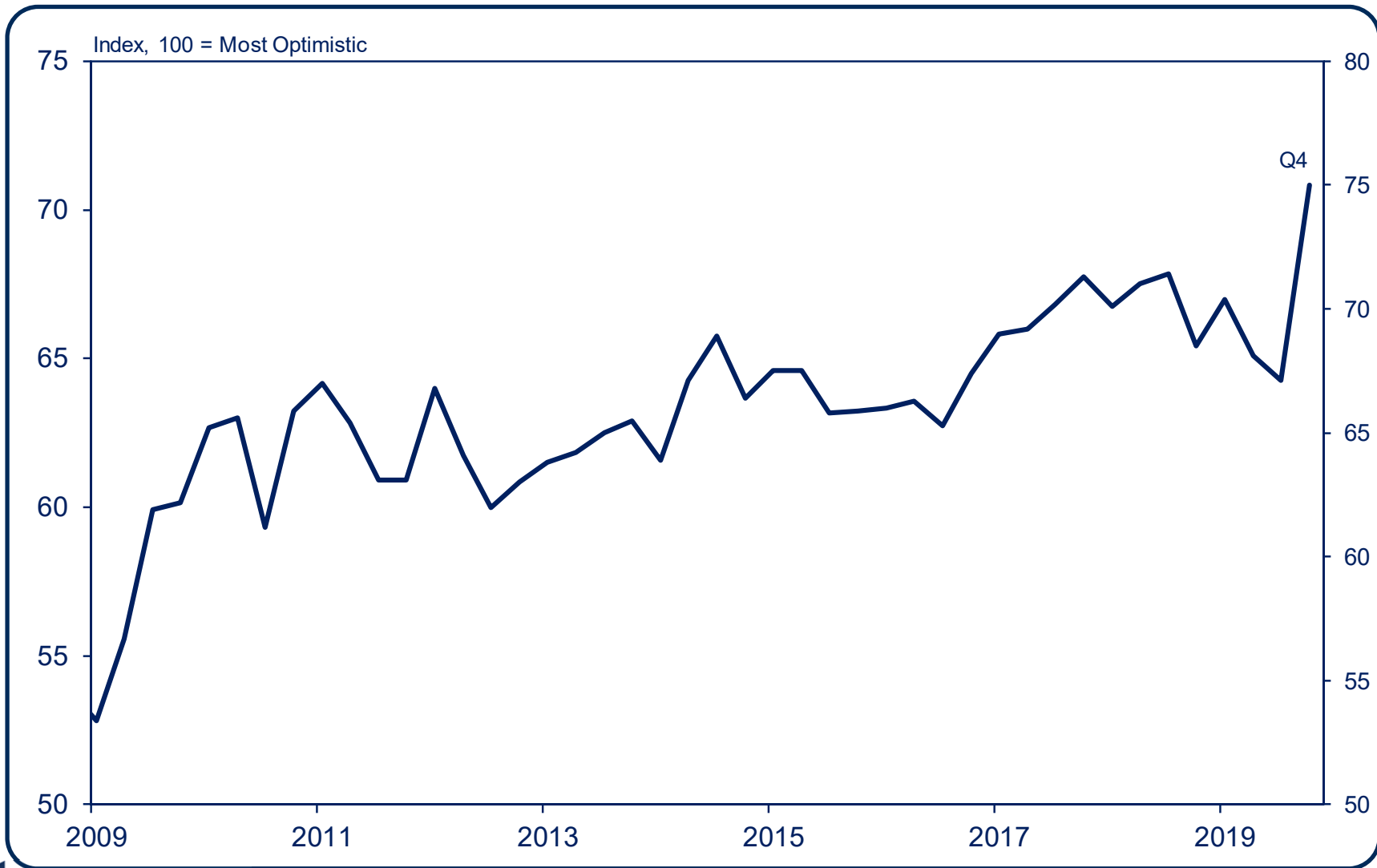
Source: University of Michigan via Haver Analytics

National Federation of Independent Business



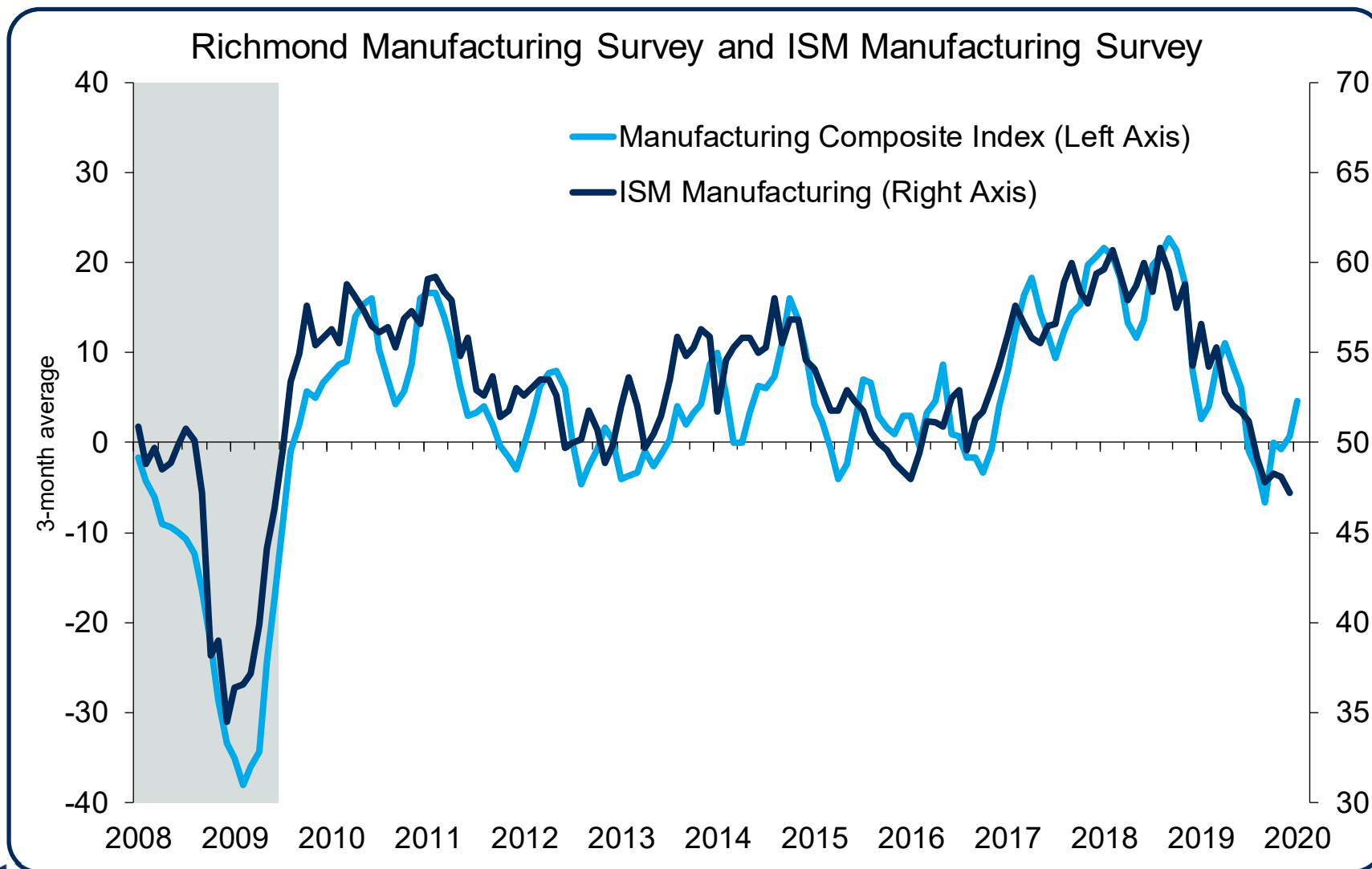
Source: NFIB via Haver Analytics

Duke/CFO Survey



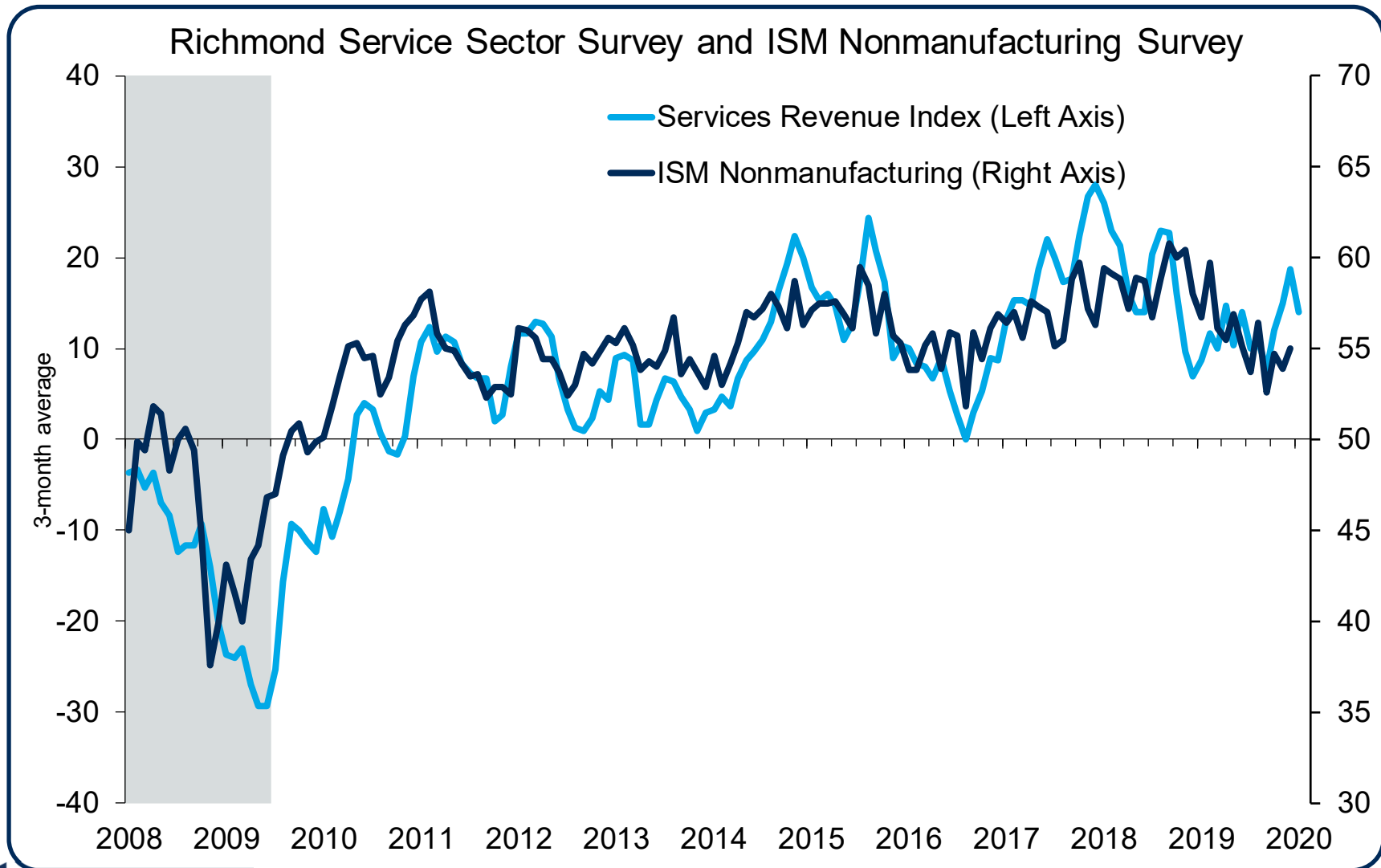
Source: Duke/CFO via Haver Analytics

Our Fifth District manufacturing index has seen some rebound...



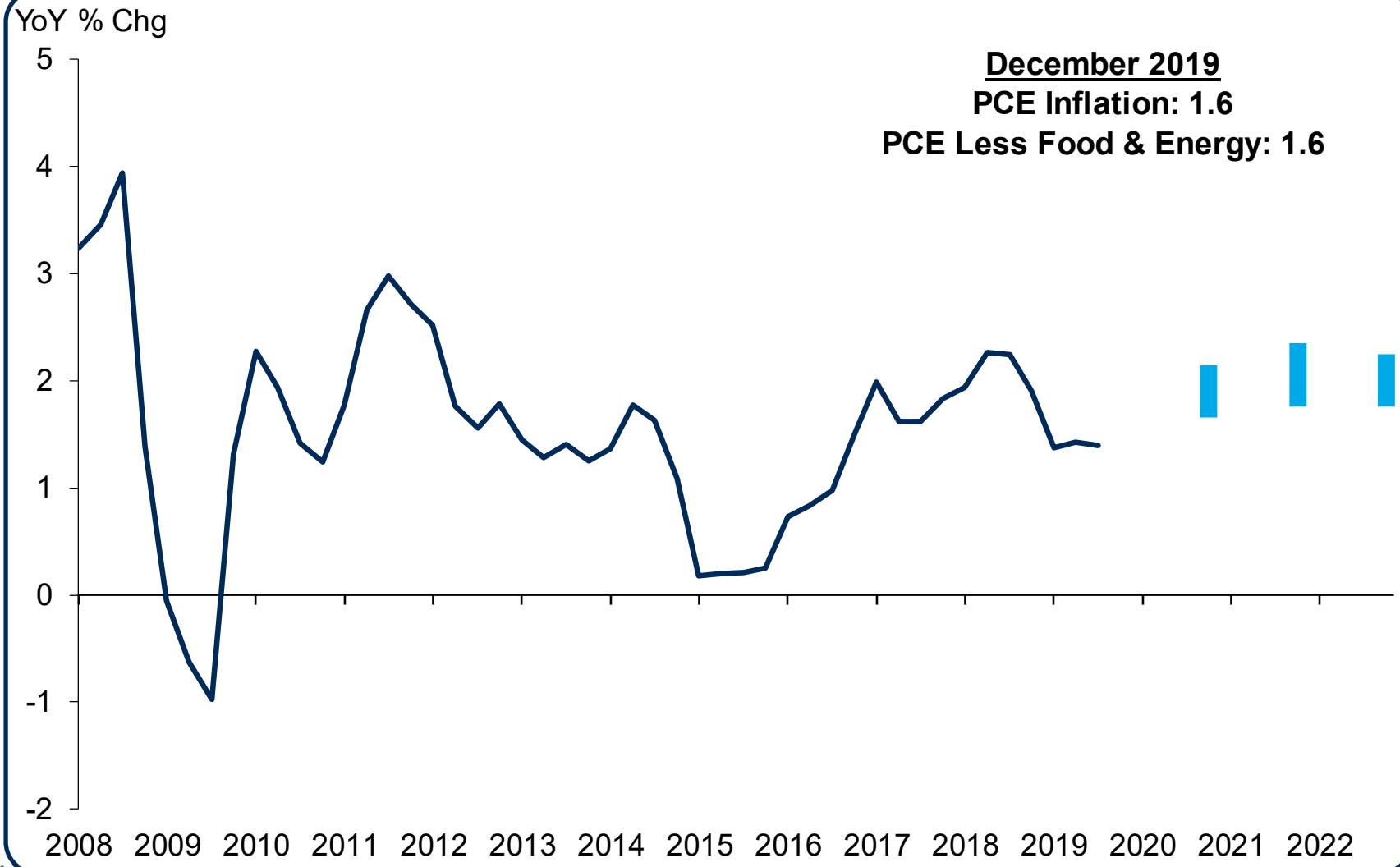
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

...and our service sector index remains solid

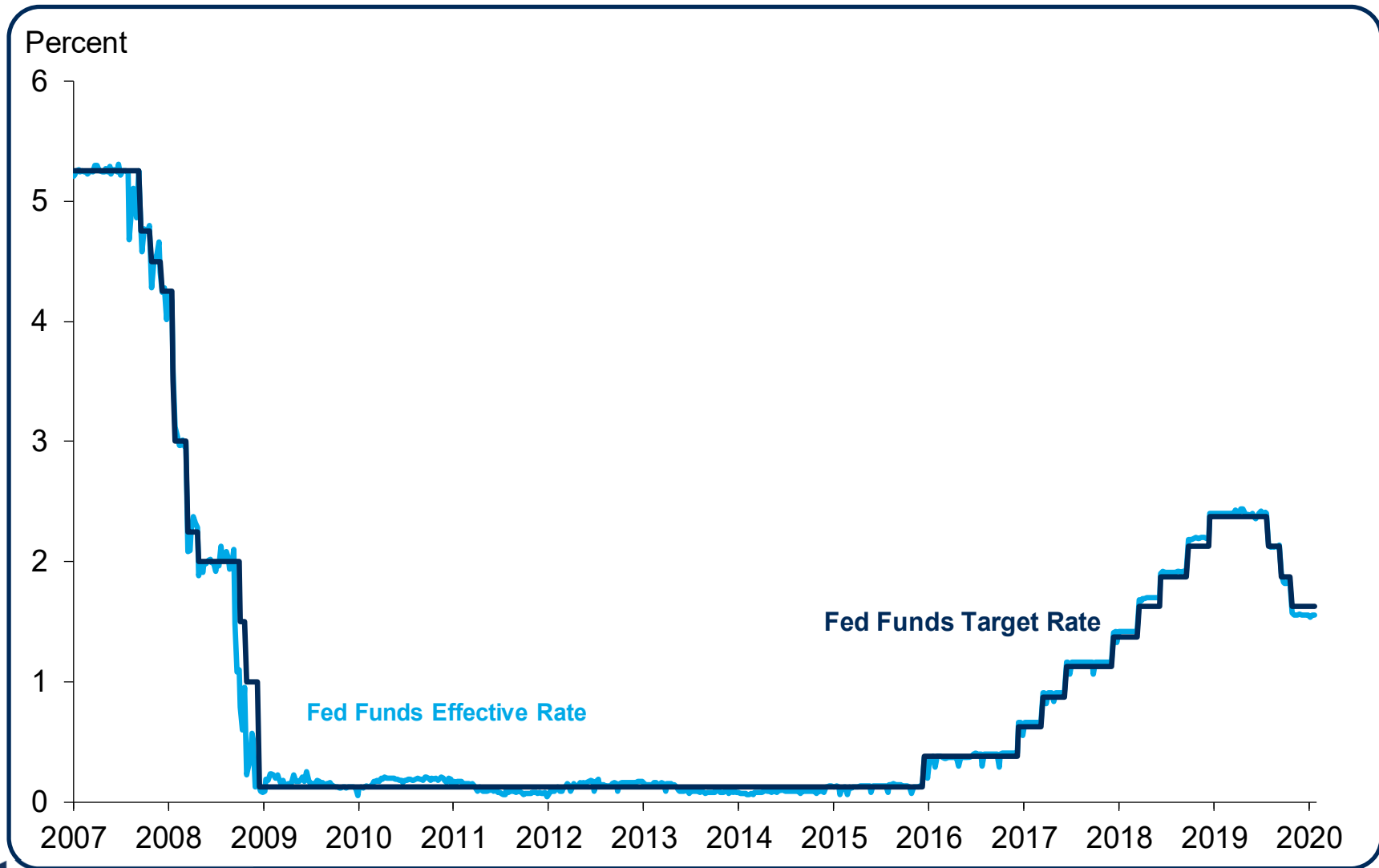


Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

Inflation remains below target



Federal Funds Rate

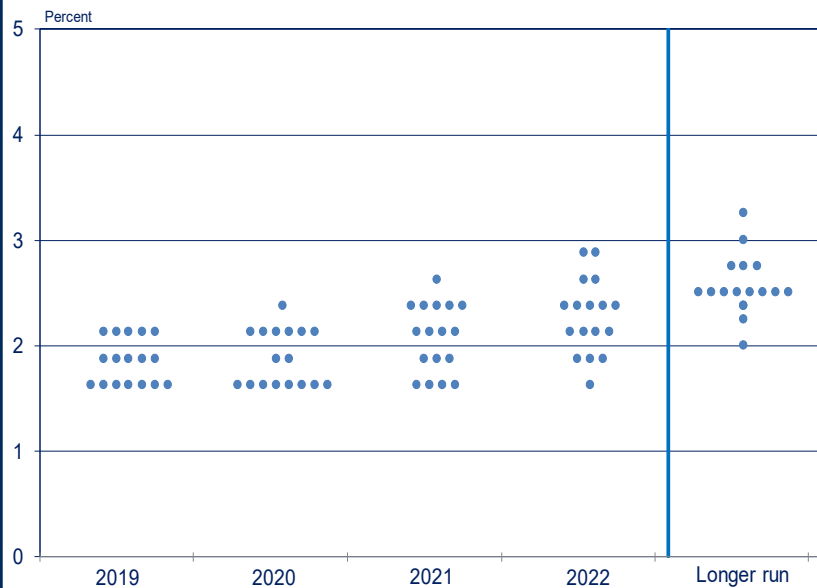


Source: Federal Reserve Board and FRBNY via Haver Analytics

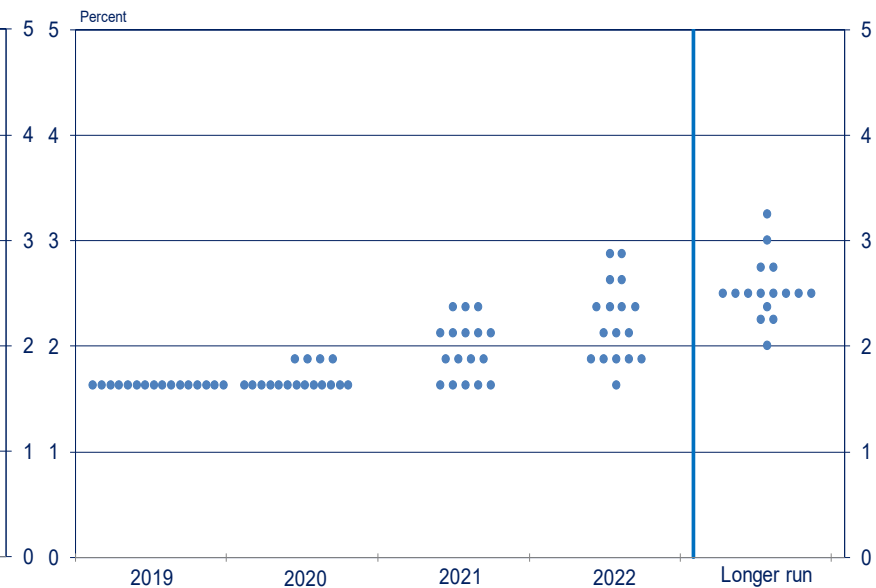
Baseline Scenario: A Boring 2020?

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

September 2019



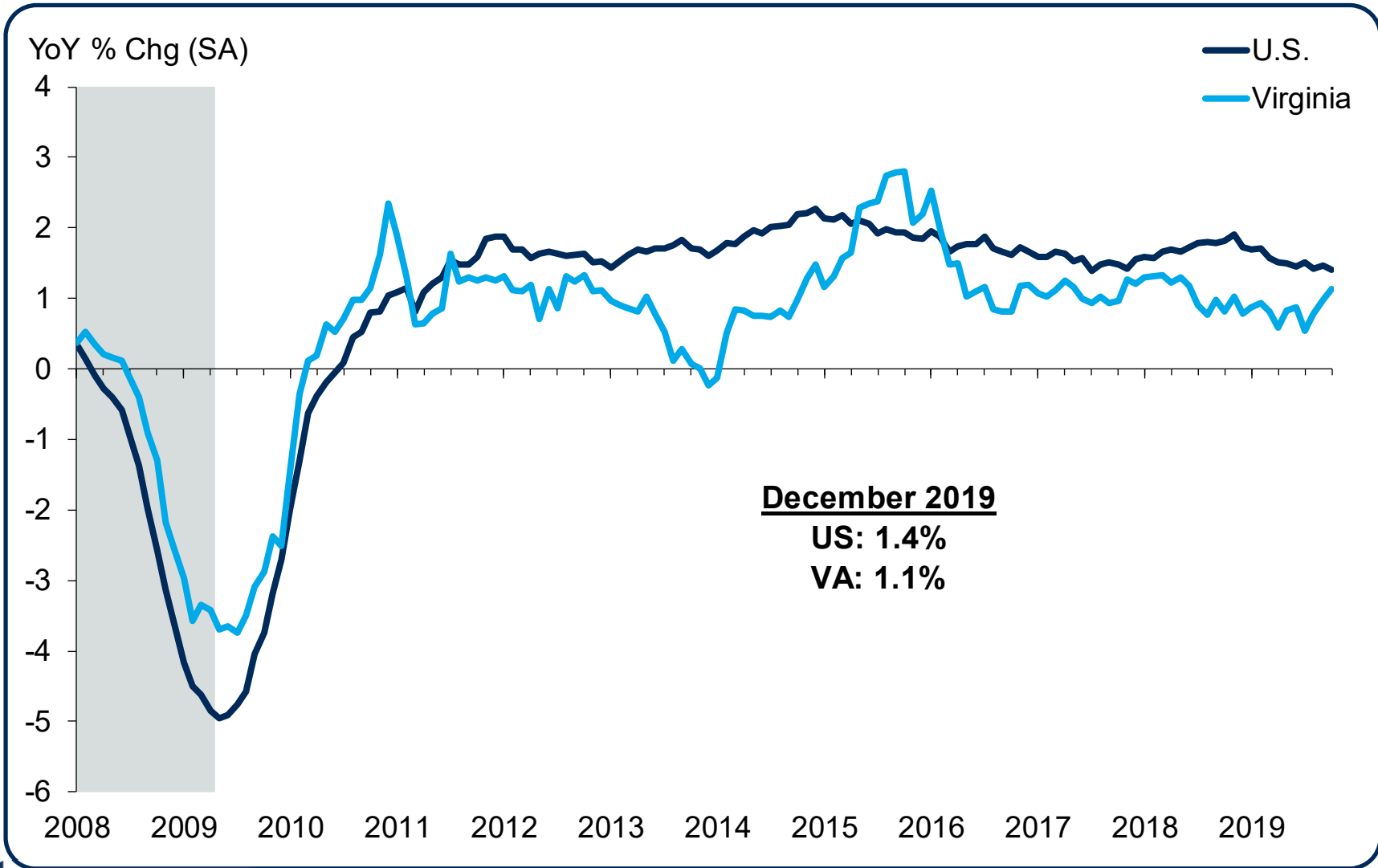
December 2019



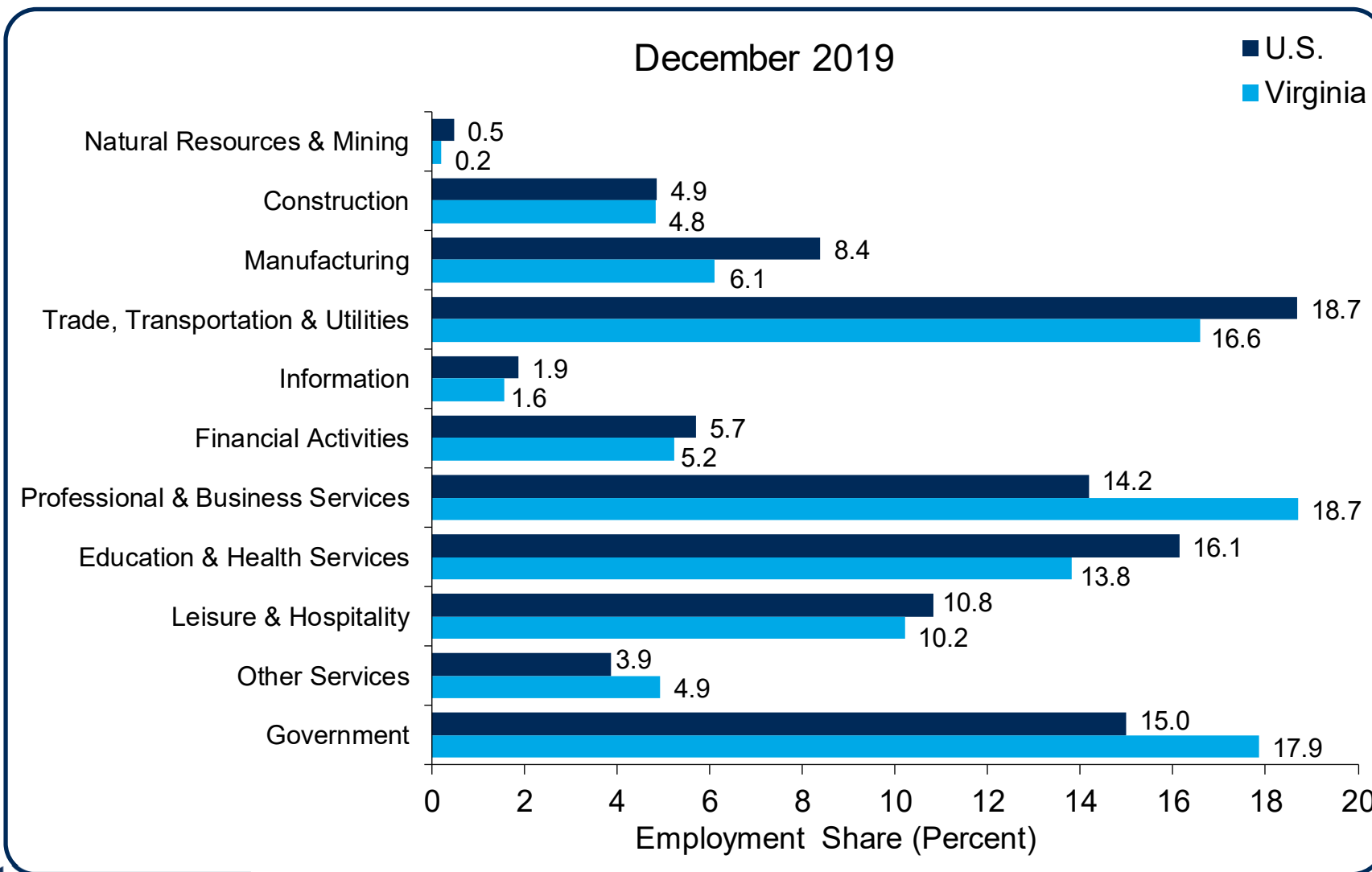
Source: Minutes of the Federal Open Market Committee, December 10-11, 2019

Virginia (might not use)

Payroll Employment

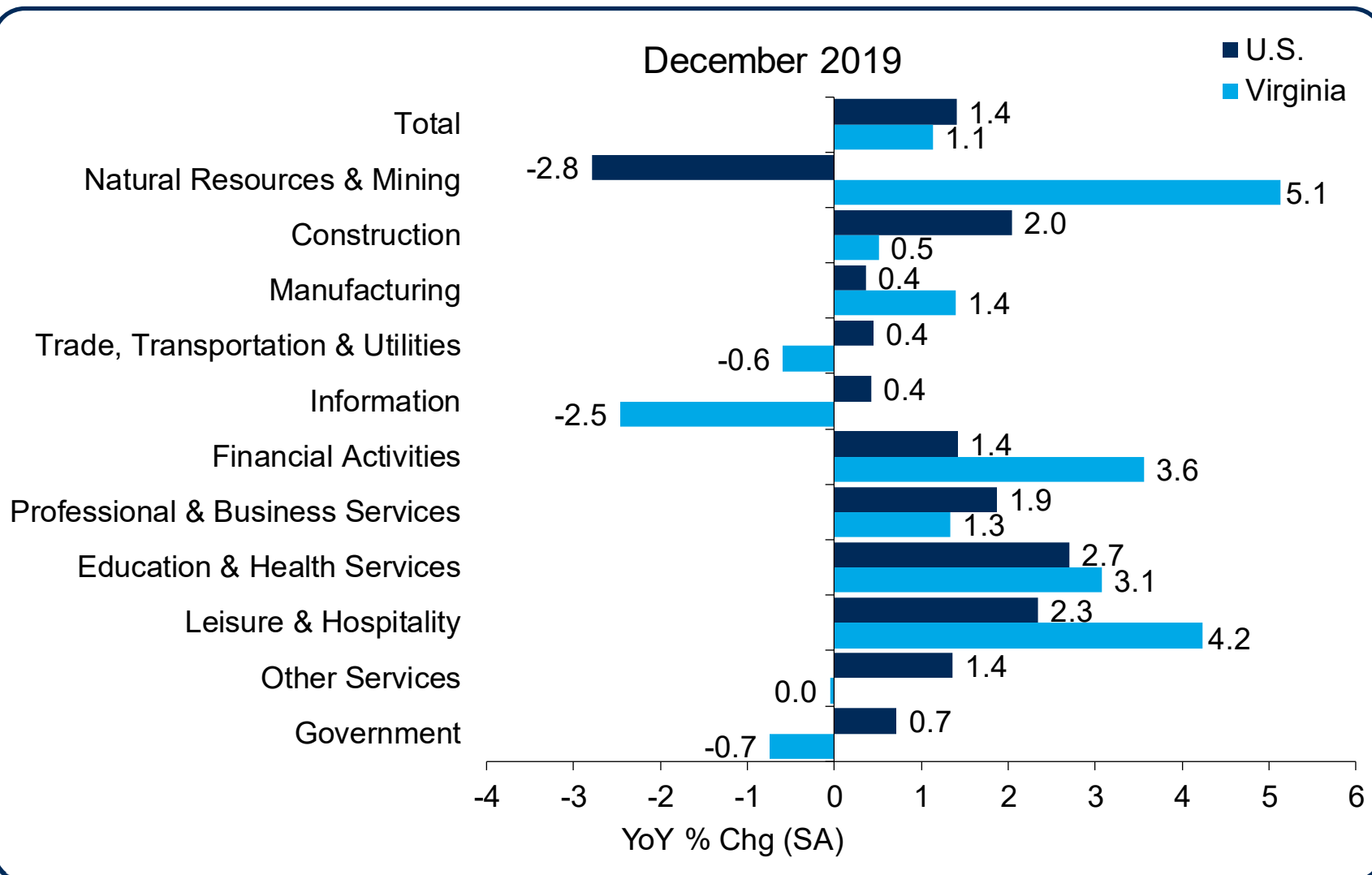


Virginia Industry Structure



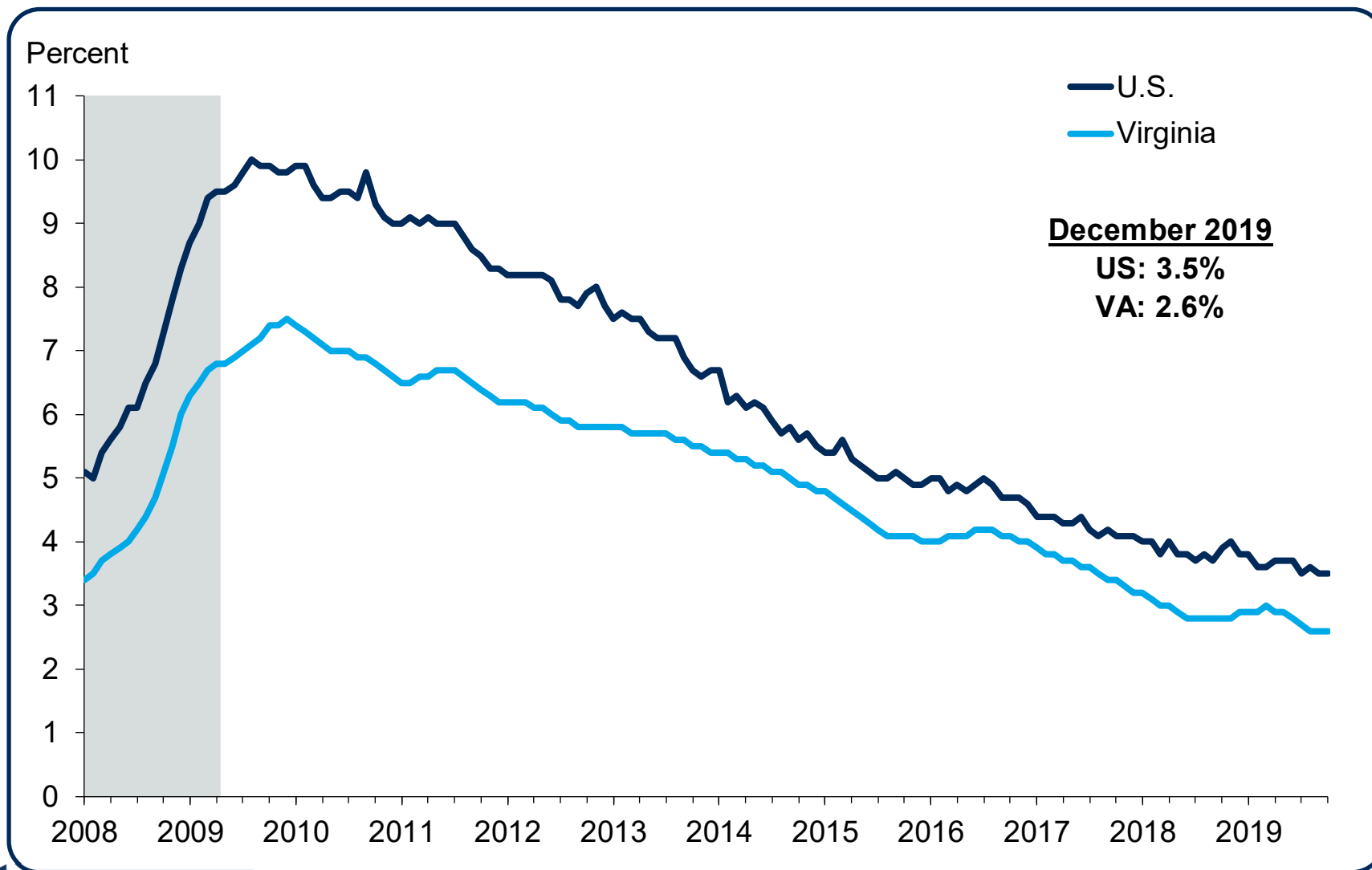
Source: Bureau of Labor Statistics/Haver Analytics

Virginia Industry Growth

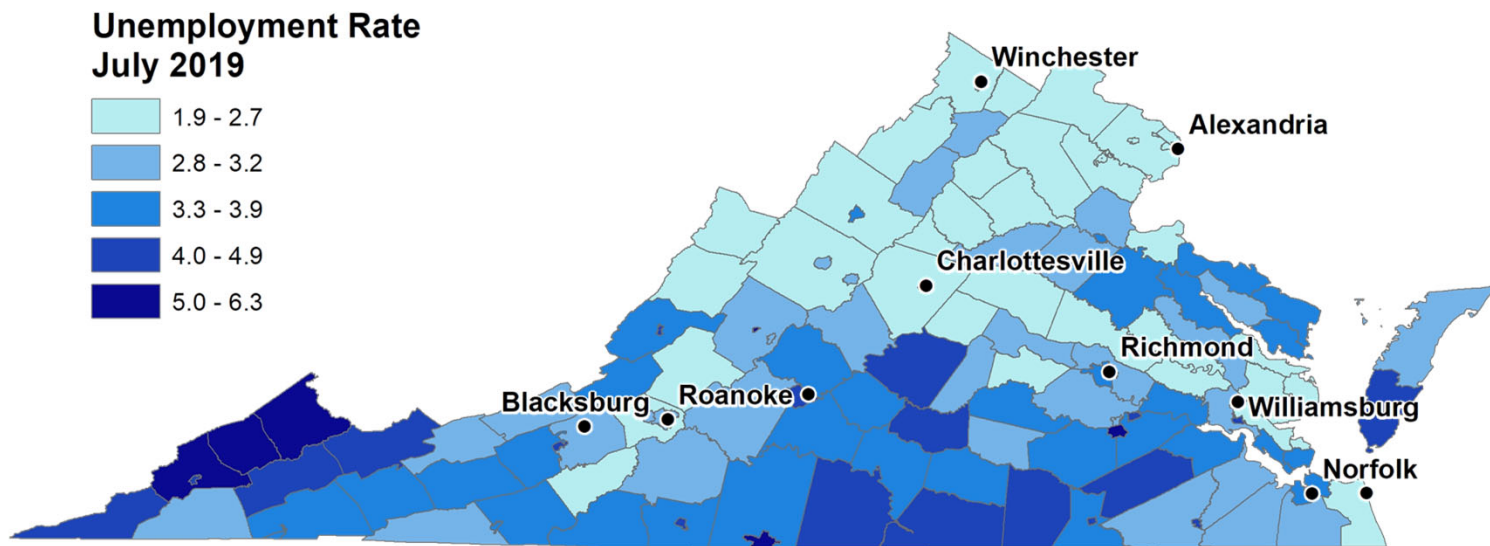


Source: Bureau of Labor Statistics/Haver Analytics

Virginia Unemployment Rate



Unemployment in Virginia Counties



Source: Bureau of Labor Statistics/Haver Analytics

Summary

- The national picture continues to look good.
 - Real GDP increased at an annual rate of 2.1% in Q4
 - Payroll employment continues to grow
 - The unemployment rate remains at a historically low rate, with steady labor force participation
 - Residential investment rebounded
 - Consumer sentiment seems to have steadied, with some resolution on trade and Brexit
- However, what is on the horizon?
 - Still some uncertainty: and there is an election coming up
 - Business investment remains weak, particularly in structures
 - Sentiment among manufacturers continues to trail that of service sector firms
- Regionally, our trends are broadly similar to those of the U.S., though Virginia growth continues to trail that of the nation.

Questions? ... and thank you!

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.