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THE THOMAS JEFFERSON INSTITUTE FOR PUBLIC POLICY

Economic Forecast Shows Slow Growth at Best for Virginia

By Michael Thompson and Stephan Cassaday

The Thomas Jefferson Institute for Public Policy, the state premier public policy foundation, recently released its 15th annual [Economic Forecast for Virginia](#) and it shows that our economy continues to slowly recover from the Great Recession.

Written by the state's foremost private economics firm, Chmura Economics and Analytics of Richmond, this year's [Forecast](#) focuses on the national and state economy. Nationally, total employment has finally exceeded the numbers from when the Great Recession started in 2008 and the Gross Domestic Product (GDP) is growing, although more slowly than in normal post-World War II recessions. Part of the economic lethargy is that so many people have dropped out the workforce over the past few years. This allows a lower unemployment rate to be posted, but that number is a bit misleading when the total potential employment pool is contracting.

This [Forecast](#) shows US growth increasing in 2015 despite reductions in federal spending and weaker European and Asian economies. To us, this economic growth is primarily the result of efforts at the state level by pro-growth governors more than national policies. Growth solves many problems. It reduces deficits, increases tax revenue and provides opportunity across all economic and social strata. However, growth is regionalized both nationally and in Virginia.

We believe tax and regulatory reform along with other pro-growth policies are the recipe for a more broad based and sustainable nationwide economic expansion.

Chmura projects that the 2014 growth rate will end up being 2.4% and that it will increase a full percentage point to 3.4% this year – still not the typical post-recession rebounds that we have experienced in the past. It also projects that employment will increase only 1.8% by the time the 2014 figures are in and that employment will increase less – 1.7% - this year. These are not terribly encouraging signs.

The good news is that gas prices will remain low providing more money to consumers to spend and interest rates will remain low, although they might inch up a bit later in the year.

Here in Virginia, the [Forecast](#) shows employment has also inched up and we have finally seen more people employed than in the pre-recession period. However, that employment growth was only .4% (that's four tenths of one percent) through October compared to almost 2.0% at the national level. Our employment rate has been under the nation's since May 2011. This is not a good sign.

Most new job growth in Virginia was in the fields of education and health care and job losses were concentrated in the professional and business services areas impacted by federal spending. Virginia has the largest percentage of federal government employees than any other state and the impact of federal budget reductions is felt here more intently than in most other states.

And the housing market in Virginia has not rebounded as normal in post-recession periods. The housing market is normally a precursor to economic growth or decline. Fewer homes were sold in Virginia in 2014 than in 2013 although the average price of home increased by 2.4%. Single family home permits are projected to decline when the final numbers are in for 2014 compared to a year earlier.

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This year's [*Economic Forecast*](#) shows that Virginia needs to reduce its reliance on federal spending. This will take creative leadership on the part of our private sector leaders, those who start businesses and build businesses, and a more realistic policy by the federal and state government when it comes to tax reform and lessening the burden of regulations on our job creators.

Each year, this annual [*Economic Forecast*](#) published by the Jefferson Institute highlights a key public policy issue impacting our state's economy. This year, the Forecast focused on the incredible energy boom taking place in the Northern Hemisphere where huge amounts of energy production is taking place and vast reserves have been found. This can make the Northern Hemisphere energy independent and allow it to transport gas, oil and coal overseas to areas that desperately need it.

Virginia's port facilities are among the best in the world and the deepest natural port on the East Coast. This opens up large economic growth potential if we take advantage of it and do so quickly. We need long-term, well-paying jobs and the growing energy field offers that to us.

The Jefferson Institute's "Virginia Economic Forecast" can be found on its website: www.thomasjeffersoninst.org.

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