Growth and Prosperity: The Roanoke Region, Virginia, and Beyond

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Roanoke Regional Chamber of Commerce Meeting
Roanoke, Virginia
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Presentation Outline

- A Brief Overview of the National/International Economy
- State and Regional Economic Resiliency in the Current Business Cycle
  - Housing
  - Retail Trade
  - Employment
  - Income
- Long-term Regional Economic Trends
  - The Income and Demographic Nexus
- The Good News
A Brief History of the 2006-2011 Business Cycle

- Monetary tightening
- Energy price spike I
- Fiscal stimulus I
- Housing bubble burst and steep housing price decline
- Financial crisis
- TARP and quantitative easing I
- Fiscal stimulus II (the Big One)
- Quantitative easing II (QE2)
- Currency depreciation and emerging market growth
- Fiscal stimulus III
- Japanese earthquake and disrupted supply chains
- Middle East volatility and energy spike 2
- Eurozone crisis
- Debt ceiling concerns and fiscal de-stimulus (reductions in short-term government spending)
- Double dip in housing prices
- New asset bubbles (e.g., social networking stock bubble, farmland, natural resources)
- Slowing growth in some emerging markets
- Removal of quantitative easing
- Ending of fiscal stimulus
- Reluctant consumers (who are still deleveraging) and reluctant businesses (with cash stockpiles)
Economist Forecasts and Reality

% GDP Change

Source: Bureau of Economic Analysis
Economist Forecasts and Reality

% GDP Change

Source: Bureau of Economic Analysis and Wall Street Journal Survey of Economists
Economist Forecasts and Reality: Take 2

Source: Bureau of Economic Analysis and Wall Street Journal Survey of Economists
Economist Forecasts and Reality: Take 3

Source: Bureau of Economic Analysis and Wall Street Journal Survey of Economists
Economist Forecasts and Reality: Take 4

Source: Bureau of Economic Analysis and Wall Street Journal Survey of Economists
Roanoke MSA slower to enter recession...

...but output fall was deeper.

Source: Bureau of Economic Analysis
Roanoke MSA Employment Growth, 1969-2009

Roanoke MSA employment shrinkage worse than U.S., VA

% change

Source: Bureau of Economic Analysis
The Short Term
Housing Permits, 6 Month Moving Average

% of 2000 Census housing units

Source: U.S. Census Bureau
Housing prices continue to decline

Source: Federal Housing Finance Agency
Retail Sales: Local Option Sales Tax

Retail sales rebound.

Source: Virginia Department of Taxation
Employment Growth

Roanoke employment rebound has not materialized quite yet.

Source: Bureau of Labor Statistics, Current Employment Statistics (last point April 2011)
Roanoke MSA unemployment rate spread with Virginia has grown in recovery.
Initial Unemployment Claims, 6 Month Moving Average

Initial claims remain high

Source: Virginia Employment Commission
Unemployment Rate, December 2007

Source: Bureau of Labor Statistics
Unemployment, December 2007-March 2011
Unemployment Rate, March 2011

Source: Bureau of Labor Statistics
The Long Term
The Recent View: Roanoke MSA Per Capita Income as Percentage of U.S.

Roanoke per capita income is converging on U.S. average.

Source: Bureau of Economic Analysis
Transfer Payments as Percentage of Total Personal Income

Source: Bureau of Economic Analysis
Government Transfer Receipts Per Capita by Category

Growth in medical payments is accelerating

- Other transfers
- Education
- Veterans
- Unemployment insurance compensation
- Income maintenance
- Medical
- Retirement and disability

Source: Bureau of Economic Analysis
Roanoke MSA, Aging, 2000 and 2010

Source: U.S. Census Bureau

Fewer younger adults . . . more middle aged.
Aging, Roanoke MSA versus Virginia, 2010

Fewer younger adults . . . more middle aged and seniors.

Source: U.S. Census Bureau
Virginia, Percentage 65 Years and Older

The Baby Boomers are approaching the hill.

Roanoke MSA is already here (16.3%).

Source: U.S. Census Bureau
Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: U.S. Census Bureau
1990

Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: U.S. Census Bureau
Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: U.S. Census Bureau
2008

Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: U.S. Census Bureau
2010

Percentage of Population 65 Years or Older

- Under 11.2
- 11.3 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: U.S. Census Bureau
Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: Virginia Employment Commission
2030

Percentage of Population 65 Years or Older

- Under 11.2
- 11.2 - 15.0
- 15.1 - 17.8
- 17.9 - 21.7
- Over 21.7

Source: Virginia Employment Commission
Income Patterns

- Household Income varies over the life cycle
- Composition changes from earnings to pension, social security, and dividends, interest, and rent income
- The latter categories are more stable than the former

## Consumption Patterns per Household Member ($)

<table>
<thead>
<tr>
<th>Item</th>
<th>&lt;25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>2,224</td>
<td>2,225</td>
<td>2,378</td>
<td>2,850</td>
<td>3,027</td>
<td>2,966</td>
<td>2,623</td>
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<tr>
<td>Maintenance</td>
<td>92</td>
<td>237</td>
<td>272</td>
<td>547</td>
<td>709</td>
<td>908</td>
<td>1,086</td>
</tr>
<tr>
<td>Utilities</td>
<td>938</td>
<td>1,126</td>
<td>1,252</td>
<td>1,573</td>
<td>1,892</td>
<td>1,966</td>
<td>2,045</td>
</tr>
<tr>
<td>Apparel</td>
<td>676</td>
<td>702</td>
<td>677</td>
<td>825</td>
<td>772</td>
<td>767</td>
<td>503</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,732</td>
<td>3,107</td>
<td>2,969</td>
<td>3,970</td>
<td>4,465</td>
<td>3,744</td>
<td>2,928</td>
</tr>
<tr>
<td>Healthcare</td>
<td>341</td>
<td>620</td>
<td>757</td>
<td>1,085</td>
<td>1,821</td>
<td>2,655</td>
<td>2,942</td>
</tr>
<tr>
<td>Entertainment</td>
<td>804</td>
<td>988</td>
<td>1,092</td>
<td>1,221</td>
<td>1,446</td>
<td>1,343</td>
<td>899</td>
</tr>
</tbody>
</table>

## Annual Public Health Expenditures

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Medicare</th>
<th>Medicaid</th>
<th>Other Public</th>
<th>Total Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-18</td>
<td>$2</td>
<td>$819</td>
<td>$271</td>
<td>$1,092</td>
</tr>
<tr>
<td>19-44</td>
<td>$87</td>
<td>$662</td>
<td>$351</td>
<td>$1,100</td>
</tr>
<tr>
<td>45-54</td>
<td>$310</td>
<td>$737</td>
<td>$403</td>
<td>$1,451</td>
</tr>
<tr>
<td>55-64</td>
<td>$706</td>
<td>$1,026</td>
<td>$683</td>
<td>$2,415</td>
</tr>
<tr>
<td>65-74</td>
<td>$5,242</td>
<td>$1,112</td>
<td>$573</td>
<td>$6,927</td>
</tr>
<tr>
<td>75-84</td>
<td>$8,675</td>
<td>$2,058</td>
<td>$590</td>
<td>$11,323</td>
</tr>
<tr>
<td>85+</td>
<td>$10,993</td>
<td>$5,424</td>
<td>$590</td>
<td>$17,387</td>
</tr>
</tbody>
</table>

Source: Center for Medicare and Medicaid Services
Consumption Patterns

- Seniors consume a different bundle of goods and services
- Seniors consume more health care, more housing operations and maintenance, and less of almost everything else
- Seniors attract a large amount of health expenditures when Medicare kicks in.
Roanoke MSA’s Largest Sectors

Source: Virginia Employment Commission
The Good News
The Long View: Roanoke MSA Per Capita Income as Percentage of U.S.

Source: Bureau of Economic Analysis

You’ve come a long way.
Per Capita Income, 2009

Roanoke MSA lags by a conventional measure.

Source: Bureau of Economic Analysis
But if you fix it, Roanoke MSA is better than the U.S. . . . And Virginia too.
Regional Report Card Score

Requirements of an index:
- Understandable
- Policy relevant
- Anticipatory and pro-active
- Readily available
- Outcome and asset orientation
- Valid and important
- Representative

The Fantastic Four

- **Four Indicators**
  - Poverty Rate
  - Unemployment Rate
  - Dropout rate (# of 16-19 year olds who are not enrolled in school and not high school graduates)
  - Housing problems rate. Percentage of households having one or more of following: (1) lacking complete plumbing facilities, (2) lacking complete kitchen facilities, (3) having more than 1 occupants per room, and (4) monthly owner costs 30% or more of household income.

- To qualify as a prosperous place, you must do better than the nation on all four criteria.
U.S. Prosperity, 2000

Prosperity Index
0
1
2
3
4
Roanoke MSA ranks 26th (out of 366) metro areas in the nation.
Why?

- It’s not:
  - ...rapid growth
  - ...location and accessibility
  - ...industrial clusters
  - ...amenities or cultural diversity

- It is:
  - ...a more stable population
  - ...a robust private sector
  - ...a more educated population
  - ...industrial diversity
  - ...strong social fabric (civic and religious engagement)

- It’s hip to be square
Finale

- Roanoke MSA lags on some indicators exiting the recession (it also lagged on entering the recession)
- The Roanoke MSA’s long-term development is being inexorably shaped by demographics in many ways
- The Roanoke MSA has come far and ranks very favorably vis-á-vis the state and far ahead of the nation on key development indicators