



Annual Economic Outlook Report for Albemarle County, Virginia October 2024

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Acknowledgements:

- The Albemarle County, Virginia, Department of Finance and Budget provided thoughtful insights and detailed, county-specific data in support of this research project.

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I. Executive Summary

This Annual Economic Outlook Report for Albemarle County, Virginia, provides a comprehensive review of the current intricate and unique economic circumstances globally and in the United States (U.S.) that present the framework for assessing the economic conditions for Albemarle County and the Commonwealth of Virginia.

The U.S. economy is the largest in the world and while it is a dominant global player, the U.S. economy also routinely benefits from and is dependent on global economic markets and growth. The global economic interconnectedness affects everyone in the U.S. daily. American consumers demand and enjoy goods manufactured and shipped from other countries and U.S. businesses are dependent on global supplies and sell globally. Moreover, what happens elsewhere affects U.S. consumers and businesses quickly in a global economy where goods and services are produced and shipped all over the world.

The global economic interconnectedness has been felt poignantly recently. In fact, the U.S. economy, along with other countries' economies, has been whipsawed by major global events for over four years since early 2020. It is to our advantage to understand the dynamic circumstances and interconnections that appear quickly on our doorsteps to foster pro-active and defensive action to protect our bottom lines and advance our strategic missions and goals.

Therefore, to better frame and understand the local and regional economy, the report first establishes the context of the global economic conditions and then proceeds with a comprehensive analysis of national, state, and local economic trends and outlook.

Both the global and U.S. economies have remained resilient through the multiple disruptions of the last four years, including the pandemic, persistent inflation, ongoing geopolitical shocks, shifting trade flows, and residual supply chain challenges. The global economy appears to be turning the corner and stabilizing with global inflation returning to central bank targets, easing pressures on global labor markets, and recovering global trade. Global economic growth registered approximately 3.2% in 2023, after growing approximately 3.4% in 2022 and 6.7% in 2021 in the initial rebound from the pandemic. There are wide variations across countries and regions with the United States notably performing as the strongest among the mature economies and driving world economic growth in 2023 into Q3:2024. Going forward, world growth is projected to continue to slow but remain positive in 2024 and 2025 with median forecasts of 3.1% in both 2024 and 2025.

Overall, the U.S. economy currently is presenting notable resilience and solid expansion through August 2024 with some bumpiness expected as the economy continues to moderate and normalize to its new reality after four years of global disruption and inflation and the Federal Reserve continues to pilot a broadly expected "soft landing." The U.S. economy displayed significant strength through the recurring waves of disruption in 2020–2024 (e.g., the pandemic, foreign wars and geopolitical disturbances, and inflation), bolstered by aggressive monetary and fiscal policy during the early phases of the pandemic, and that resiliency continued to manifest through Summer 2024 with cautionary signs. However, variations across sectors and timing are expected as the

U.S. economy normalizes to its new reality. Recent signs of cooling in the labor market initially have been tempered by the recent recalibration in the Federal Reserve's policy stance as it seeks to bring inflation down to its 2% long-term target while achieving maximum employment

With consumer spending comprising nearly 70% of the U.S. economy, as goes the American consumer goes the economy. Despite some volatility in real disposable income, consumer spending positively contributed to real GDP in the 16 consecutive quarters from Summer 2020 to Summer 2024. Active consumer spending plowed through 2023 into Summer 2024, despite varying consumer confidence and sentiment, fueled by continued solid jobs and wage growth; lower prices, especially gas; drawdowns of the remaining savings accumulated during the pandemic; and increased consumer debt. Further, consumers expressed increased confidence and sentiment and lower inflation inspections in the latest surveys. Yet, with evolving consumer behavior of both caution and downtrading along with selected splurging, the exhaustion of pandemic-era excess savings, and increasing credit card debt and delinquencies, the pace of consumer spending is projected to moderate

Consumer spending comprises nearly 70% of U.S. real GDP and has served as a firewall to the U.S. economy since Summer 2020. Consumer spending proved resilient through a series of pandemic and geopolitical disruptions and wavering consumer confidence and sentiment. Consumer spending plowed through all of the swings and was bolstered by strong nominal wage growth in a tight job market (though impacted by inflation in 2021–2022), drawdowns in excess savings accumulated earlier in the pandemic (largely due to sheltering in place and significant government support), increases in consumer debt, and decreases in inflation positively impacting disposable income. Signs of a loosening job market, slowing (but still solid) wage growth, pressures on real disposable income, exhausted excess personal savings, increasing household debt burdens, and tightening credit conditions point to likely cautionary and selective consumer spending.

Business activity has displayed mixed signals in the U.S. in 2024. Total private business spending contributed positively to real GDP in the five consecutive quarters between Spring 2023 and Summer 2024 primarily driven by investments in software and nonresidential structures with positive contributions also from nonresidential equipment and residential investment (as the housing market began to turn the corner) periodically in that period. Industrial production has been generally flat since 2023 after solid gains in 2021–2022, likely reflecting the impact of continued tight monetary policy on industrial activity in manufacturing, mining, and electric and gas utilities, with a brighter spot in the service sector where orders and prices experienced growth in January–August 2024. While new home sales turned up starting in Spring 2023 after steep declines year-over-year since Summer 2021, existing home sales mostly continued to decline. However, housing prices remained sturdy with continued, but slower, monthly increases in home sale prices due to limited inventory, continued buyer demand, and developer incentives.

Overall, the inflation news is good with a strong downward trend since Spring 2024 with all inflation measures mostly declining or remaining flat in April–August 2024. Inflation steadily declined in Fall 2023 to early 2024, exhibited bumpiness in February–March 2024 with monthly increases, then resumed its downward trend in April 2024. With major progress achieved in

taming inflation and continued loosening in the labor market, the risk balance tilted toward the employment side of the Federal Reserve's dual mandate of price stability and maximum employment. As such, after keeping the Federal Funds rate at the highest level in over 20 years for 15 months, the Federal Reserve recalibrated its monetary policy and began a rate-easing cycle in September 2024 with a noticeable 0.50% cut in the Federal Funds rate. Federal Reserve Chairman Jerome Powell has strongly stated that the U.S. economy is a "good economy" and that the Federal Reserve is committed to carefully consider the emerging data to calibrate monetary policy to achieve its dual mandate of price stability and maximum employment. Hence, a "soft landing" scenario, where the economy gradually heads toward lower inflation and wages and the economy grows moderately while avoiding recession, is the prevailing view among prominent forecasts with caveats to remain watchful as 2024 proceeds.

Given the solid economic expansion through the first eight months of 2024, at this writing several prominent U.S. forecasts project continued solid real GDP growth in 2024 with moderation in quarterly real GDP in the second half of 2024 and milder growth in 2025. Overall, U.S. real GDP (the primary barometer of economic growth) is generally projected to experience solid growth overall in the 2.0%-2.7% range in 2024 with a median forecast of 2.6% among prominent forecasts and milder growth is projected in 2025 in the 1.5%-2.0% range with a median forecast of 1.8% which is close to the range of normal-trend growth. Current forecasts are limited for 2026 and preliminarily project continued moderate to normal-trend growth. While enduring consumer resiliency buoyed the economy throughout 2023 into Summer 2024, prevailing thought at this writing is that caution flags lie ahead regarding consumers' ability to maintain the previous levels of total spending. As such, it is projected that as 2024 proceeds the U.S. economy will continue to gradually cool down from the robust, unsustainable growth in late 2023 while avoiding an official recession and maintaining positive, lower growth, and then emerge sometime in 2025 into an era of moderate to normal-trend growth in 2025–2026.

As 2024 continues to unfold, key factors impacting the U.S. economic outlook are cooling labor markets; continued sticky core inflation in the U.S. and abroad; tight credit conditions and lending standards; commercial real estate market challenges; pressured real disposable income; cooling consumer and business demand; U.S. election year dissonance which fuels uncertainty and dampens demand; geopolitical risks; higher global energy, food, and commodity prices; continued supply chain challenges; shifting trade flows; and slower global growth

Along with the global and national reviews, the report provides a detailed analysis of Virginia's economy and its relationship to the national economy, including overall economic growth, labor market trends, and consumer and housing activity. Since the report finds that Virginia's key economic indicators generally follow the patterns of the related national indicators except for slower but somewhat improving jobs growth, albeit sometimes at different levels, the national economic outlook is a relevant barometer for the state's economic outlook for 2023–2024 with especially close monitoring of the state's job growth, labor market patterns, and any other trend deviations.

For Albemarle County, Virginia, the report provides a detailed analysis of the County's economic trends and outlook, including overall economic growth; labor market trends; consumer, housing,

and business activity; and commuting patterns; as well as the relationship between the County's economic indicators and those of the state and nation.

The report also provides detailed analysis of Albemarle County's additional community factors related to income and poverty, housing patterns and costs, and educational attainment based on the rich data released in the U.S. Census Bureau's most recent American Community Survey (ACS) 2018–2022. This examination is intended to highlight key characteristics and provide information to support effective policy analysis and decision-making for the community.

The report also presents an analysis of pertinent demographic trends ongoing in the United States and Virginia related to slower population growth, an aging population and increasing percentage of persons 65 and older, lower labor force participation rates primarily driven by the aging population and shifts in population among the regions and metro and rural areas since the pandemic. These unfolding demographic trends are expected to generate substantial changes in the demographic composition, size, structure and locational geography of the U.S. population and continue to impact policy, economics, business activity, healthcare, social services, education and many other elements of our communities and society. This investigation again is intended to highlight strategic dynamics and provide information to support effective policy analysis and decision-making for the community.

In conclusion, the report finds that Albemarle County has a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in relatively higher-income occupations and industries, and strong local business activity.

With the accumulating signals of continued positive economic growth in the U.S., cooling and moderating from the robust pace in the second half of 2023, the report further recommends it prudent for Albemarle County to likewise anticipate positive, cooling economic activity given its history of generally following state and national economic trends, albeit sometimes at different levels, except for reported greater softening in Summer 2024 in median listing price per square feet in home sales in the County than in the state or nation. Thus, the national and state economic outlooks are relevant barometers generally in framing Albemarle County's economic outlook, with the caveat that tighter monitoring is required for state and regional housing market trends. Another important proviso to this recommendation is that closer monitoring of local economic trends also is required due to the longer reporting lag for local economic statistics and the different levels and paces of change of local economic indicators while still generally following national and state trends. While the U.S. economy is expected to avoid an official recession in 2024, the slowing in the rate of economic growth as the Federal Reserve steers the economy to an expected "soft landing" will have a tightening impact on fiscal planning, with moderating revenue growth, expiring pandemic-era federal grants, and continued and growing service requirements and expense drivers (i.e., lower inflation is not deflation). Additionally, Albemarle County's overall solid economic base provides more scope within which to effectively plan and act defensively as compared to many other communities that face major, chronic economic issues.

To facilitate continued financial resiliency and agility, the report also provides organizational recommendations in the face of the rapidly changing environment and emerging new economic reality and identifies some areas for additional consideration during policy reviews based on the economic and community review.

Albemarle County's history of prudent financial management and its overall solid economic base provide a foundation and community capacity for strategic initiatives. Many other communities struggle with strategic initiatives because their economic foundations are not solid and repeatedly require significant organizational resources to maintain effective operations.

As always is the case, we "have to run hard to break even and run even harder to get ahead." Thus, the County's strategic and methodical analysis, review, and policymaking are commended and will continue to advance the community toward its strategic objectives.

II. Methodology and Approach

The methodological approach of this study was custom-tailored to support the financial and strategic planning of Albemarle County, Virginia, and builds on the comprehensive research and findings of the 2022 and 2023 Annual Economic Outlook Reports and the Quarterly Economic Monitoring Reports of February, May, and September 2023 and February and September 2024. Myriad economic and community indicators were researched and carefully selected to maximize the insights regarding the County's economic foundation and history; the relationship between the County's economic indicators and those for the state, nation and surrounding Metropolitan Statistical Areas (MSAs); current economic trends and outlook; and frequency of available data for quarterly and interannual monitoring. In many instances, alternative versions of indicators were researched to maximize comparisons between the County and the state, nation or surrounding MSAs (e.g., per capita, or annual, quarterly, or monthly data).

Each table and graph also was custom-built for this report in the Federal Reserve Economic Data (FRED) interactive database tool or Excel to effectively visualize the relevant economic trends and relationships. For continuity and cohesiveness through the report, a consistent coloring scheme was used for graphs, with the U.S. data presented in blue, Virginia data in red, and Albemarle County, Virginia, data in green. All data have been updated as of September 30, 2024.

The prepandemic and pandemic experience provide important context for interpreting current economic data, especially given the standard practice of reviewing emerging economic data with a one-year look back. As such, the period of 2017–2019 is referenced throughout the report for perspective on the more stable period before the pandemic and other global turbulence brought significant volatility to global economic events. Additionally, since the U.S. and global economies are still working to normalize after the series of global disruptions of 2020–2024, it also is important to review current economic data considering the roller coaster of impacts from which we are working to emerge. As such, numerous references to the 2017–2019 period also are included to effectively interpret current economic trends.

III. Global Context for the United States Economy

When we think of the economy, it is natural to think of our experiences at our jobs, the grocery and retail stores, and the gas pump. Yet, all those elements are impacted by the global economy. The U.S. economy is the largest in the world and while it is a dominant global player, the U.S. economy routinely benefits from and is dependent on global economic markets and growth. The global interconnectedness affects everyone in the U.S. daily. Just as an example, many of the items we purchase at grocery and retail stores are manufactured and shipped from other countries. And our American businesses are dependent on global supplies and sell globally. While we are blessed with a large land mass in the United States (U.S.) that stretches from “sea to shining sea” that causes us to feel somewhat removed from events around the world, what happens elsewhere affects us quickly in a global economy where goods and services are produced and shipped all over the world.

The global interconnectedness has been felt poignantly recently. In fact, the U.S. economy, along with other countries’ economies, has been whipsawed by major global events for over four years since early 2020. It is to our advantage to understand the dynamic circumstances and interconnections that appear quickly on our doorsteps to foster pro-active and defensive action to protect our bottom lines and advance our strategic missions and goals.

Therefore, to better frame and understand the local and regional economy, this report first establishes context with the global economic conditions and then proceeds with a comprehensive analysis of national, state, and local economic trends and outlook.

The global economy overall has remained resilient through the multiple disruptions of the last four years, including the pandemic, persistent inflation, ongoing geopolitical shocks, shifting trade flows, and residual supply chain challenges. The global economy appears to be turning the corner and stabilizing with global inflation returning to central bank targets, easing pressures on global labor markets, and recovering global trade. Global economic growth registered approximately 3.2% in 2023, after growing approximately 3.4% in 2022 and 6.7% in 2021 in the initial rebound from the pandemic (World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, S&P Global, Fitch Ratings, the Conference Board, and Wells Fargo)..

There are wide variations across countries and regions with the United States notably performing as the strongest among the mature economies and driving world economic growth in 2023 into Q3:2024. For example, Canada’s economy grew less than half as fast as the U.S. in 2023 (1.2% in Canada compared to 2.9% in the U.S.), which is projected to continue through the end of 2024. The Eurozone and the United Kingdom barely eked any positive economic growth in 2023 (0.5% and 0.1% respectively) and are projected to grow less than 1.0% again in 2024 (World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, S&P Global, Fitch Ratings, the Conference Board, and Wells Fargo)..

World growth is projected to continue to slow but remain positive in 2024 and 2025 with median forecasts of 3.1% in both 2024 and 2025, based on the prominent forecasts in Table 1 below, primarily due to a faltering China economic recovery, continued weak European economies,

geopolitical disruptions, and the lingering effects of global monetary policy tightening (World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, S&P Global, Fitch Ratings, the Conference Board, and Wells Fargo). Moreover, the Conference Board expects a relatively muted global economic growth environment in the coming years, projecting average annual global growth of 2.6% during 2026–2035, as compared to 3.5% average annual growth in the decade before the pandemic in 2011 – 2019 (Conference Board).

Table 1. U.S. and Selected World Real GDP 2023 and Forecasts 2024-2025 (%/y)

U.S. and Selected World Real GDP Annual % Change 2023 - 2025												
Forecast Organization	United States			World			Euro Area			China		
	2023	2024f	2025f	2023	2024f	2025f	2023	2024f	2025f	2023	2024f	2025f
World Bank, June 2024	2.9	2.5	1.8	2.6e	2.6	2.7	0.5e	0.7	1.4	5.2e	4.8	4.1
IMF, July 2024	2.9	2.6	1.9	3.3	3.2	3.3	0.5	0.9	1.5	5.2	5.0	4.5
OECD, September 2024	2.9	2.6	1.6	3.1	3.2	3.2	0.5	0.7	1.3	5.2	4.9	4.5
S&P Global September 2024	2.9	2.7	1.9	3.4	3.2	3.1	0.5	0.8	1.3	5.2	4.6	4.3
Fitch Ratings, September 2024	2.9	2.5	1.6	3.0	2.7	2.5	0.5	0.8	1.5	5.2	4.8	4.5
Conference Board, September 2024	2.9	2.4	1.7	3.2	3.1	3.1	0.5	0.9	1.2	5.2	5.0	4.5
Wells Fargo Economics, September 2024	2.9	2.7	1.9	3.0	2.7	0.7	0.4	0.7	1.2	5.2	4.6	4.3
Federal Reserve, September 2024 ¹	2.9	2.0	2.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NABE, September 2024 ²	2.9	2.6	1.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
KPMG Economics, September 2024	2.9	2.6	1.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
University of Michigan, August 2024	2.9	2.6	1.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(f) Forecast; (e) Estimate, (1) Federal Open Market Committee, (2) National Association for Business Economics

China’s role in global manufacturing and its stumbling economic recovery after shifting in late 2022 from its zero-covid policy also are impacting the global economy and outlook. While the United States has the largest economy in the world, China’s economy is second largest, well ahead of the remaining world economies, and was a major driver of global economic growth in the two decades before the recent pandemic. The Conference Board reports that China produced average annual growth of 7.4% in the decade before the pandemic in 2011 – 2019 and projects 3.9% - 4.3% average annual economic growth in China in 2026–2035, a significant stepdown. By comparison, the mature economies combined, including the United States, Europe, and Japan, posted an estimated 2.1% annual average economic growth in the decade before the pandemic in 2011 – 2019 and are projected to grow an average 1.3%–1.4% annually in 2026–2035. While India and some other developing economies are projected to have stronger future growth than China, the size of these high growth, developing economies are still significantly less than China’s and not yet able to fully offset the effect of a continued slowing in the Chinese economy on global growth (Conference Board).

Another major change impacting the global economy is the reshuffling of global trade flows resulting from the pandemic, the Russian-Ukrainian war and continued geopolitical disruptions in the Middle East and elsewhere. The pandemic revealed issues regarding the reliability, fragmentation, and fragility of global trade and proved that global trade was not “frictionless” as previously assumed with major supply disruptions and escalating costs impacting consumers and businesses worldwide. The Russian invasion of Ukraine in early 2022 and the associated dramatic food and energy supply and price shocks further highlighted the insecurity of previous trade and

supply lines. And shipping routes have continued to be unsettled by geopolitical disturbances and risks and weather. As such, global trade flows are shifting to increase reliability and security of supply lines and this transition will take time and carry transitional costs as industrial capacity and supply and trade relationships rebalance.

Risks to the global forecast include continued geopolitical risks; disruptions to food, energy, and other markets from geopolitical risks; further weakening of the Chinese and European economies; the lingering effects on credit and demand of monetary tightening by central banks worldwide to arrest inflation; and reshuffling trade flows. A major negative movement in any one of these factors, or an accumulation of smaller negative movements across multiple factors, could have a significant downward impact on global growth.

IV. National Economic Overview and Outlook

Overall, the U.S. economy currently is presenting resilience and solid expansion through July 2024 with some bumpiness expected as the economy continues to moderate and normalize to its new reality after four years of global disruption and inflation; swirling winds could change the forecast and are more heavily weighted to the downside. This analysis will walk through an overview of the U.S. economy through August 2024 and an outlook for 2024–2026.

A. Economic Growth Overall

The U.S. economy continues to exhibit resilience with some unevenness across sectors which can be expected as it normalizes and emerges into a new reality after the roller coaster path of the last four years due to the global pandemic and the global economic impacts of foreign wars and other geopolitical disruptions. The U.S. and world economies continue to emerge from the impacts of those major, global historic events with a new reality evolving in 2024, barring any new disruptive events. The U.S. economy reflected notable resilience through the recurring waves of disruption in 2020–2024, bolstered by aggressive monetary and fiscal policy during the early phases of the pandemic, and that resiliency continued to manifest through Summer 2024 with cautionary signs. As of this writing, Federal Reserve Chairman Jerome Powell has reiterated throughout 2024 that the U.S. has a “good economy” and that the Federal Reserve is committed to carefully consider the emerging data to calibrate monetary policy to achieve the Federal Reserve’s dual mandate of price stability and maximum employment (Board of Governors of the Federal Reserve System).

However, bumpiness is expected as the Federal Reserve continues to pilot a broadly expected “soft landing” and the U.S. economy normalizes to its new reality. Recent signs of cooling in the labor market portend a recalibration in the Federal Reserve’s policy stance as it seeks to bring inflation down to its 2% long-term target while achieving maximum employment.

Gross Domestic Product (GDP)

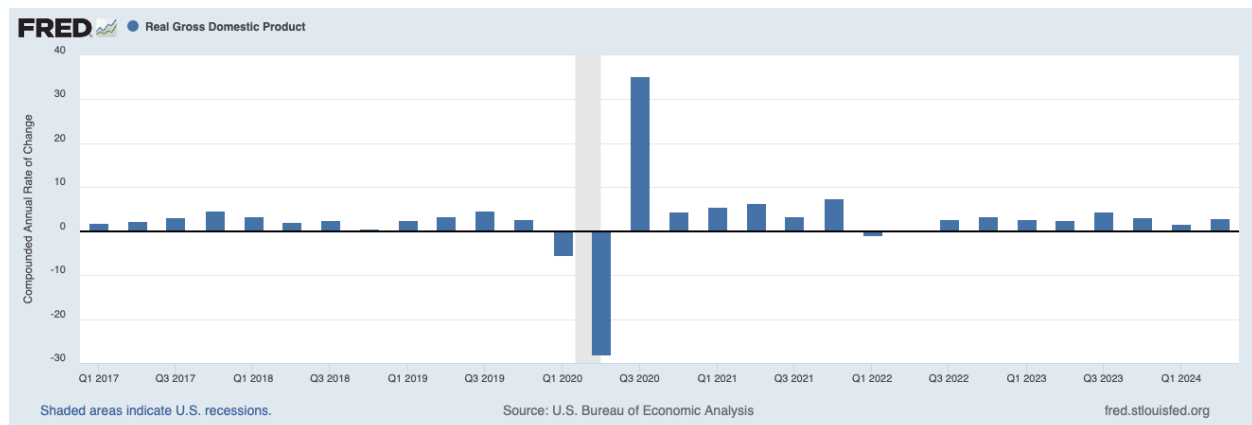
The U.S. economy came into 2024 with significant momentum, reported as notably stronger in the standard, September 2024 update to the National Economic Accounts which the U.S. Bureau of Economic Analysis (BEA) conducts annually and systematically as broader and more complete

source data become available¹. The U.S. economy grew at the upwardly revised rates of 2.9% in 2023, 2.5% in 2022, and 6.1% in 2021 during the initial rebound from the pandemic, bringing robust momentum into 2024.

In the first two quarters of 2024 (Q1:2024 and Q2:2024), the U.S economy continued positive overall growth albeit at a slower pace than the unsustainably vigorous growth in the last half of 2023, yet the second quarter of 2024 noticeably exceeded consensus forecasts. A moderation in growth has been long expected as the Federal Reserve works to curb inflation and given the sustained strength of the economy, a recession is no longer projected as the byproduct of the Federal Reserve’s fight against inflation. The Q1:2024 and Q2:2024 results will be analyzed sequentially, with more detail provided for the second quarter since the fuller, “third estimate” was recently released on September 26, 2024, by BEA.

Real² gross domestic product (GDP) increased at a seasonally adjusted annual rate of 1.6% in Q1:2024, according to the recent upward revisions of September 26, 2024. By comparison, real GDP increased 3.2% Q4:2023 and 4.4% in Q2:2023, for an average growth rate of 3.8% in the second half of 2023 (H2:2023) and 2.9% overall in calendar year 2023 (Figure 1; BEA).

Figure 1: Real Gross Domestic Product Growth, United States and Virginia, Q1:2018–Q2:2024 (%q/q)



Seasonally adjusted

The increase in real GDP in Q1:2024 primarily reflected increases in consumer spending, housing investment, business investment, and state and local government spending that were partly offset by a decrease in inventory investment. Imports, which are a subtraction in the calculation of GDP, increased during the quarter (BEA).

¹ The BEA issues three successive, revised estimates of real GDP monthly immediately following the end of each quarter as additional source data become available, i.e., advance, second, and third estimates, and further extends and refines that analysis as broader and more complete source data become available with the annual update to the National Economic Accounts each Fall.

² “Real” represents inflation-adjusted data.

The increase in consumer spending reflected an increase in services that was partly offset by a decrease in goods. Within services, the leading contributors to the increase were health care as well as financial services and insurance. Within goods, the leading contributors to the decrease were motor vehicles and parts as well as gasoline and other energy goods (BEA).

The increase in housing investment was led by brokers' commissions and other ownership transfer costs as well as new single-family housing construction. The decrease in inventory investment was led by decreases in wholesale trade and manufacturing (BEA).

Compared to the fourth quarter, the slower pace in real GDP primarily reflected slower paces in consumer spending, exports, and state and local government spending, and a decrease in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports also accelerated as compared to the previous quarter (BEA).

In Q2:2024, real GDP unexpectedly grew at a seasonally adjusted annual rate of 3.0% based on the third estimate issued on September 26, 2024. This rate of growth exceeded the consensus forecast and signals continued consumer resilience and a rebound in private inventory investment (BEA).

The increase in real GDP was driven by increases in consumer spending, private inventory investment, and nonresidential fixed investment. Imports, which are a subtraction in the GDP calculation, increased (BEA).

The increase in consumer spending was driven by increases in both services and goods. Within services, health care, housing and utilities, and recreation services were the primary contributors. Within goods, motor vehicles and parts, recreational goods and vehicles, furnishings and durable household equipment, and gasoline and other energy goods were the primary contributors (BEA).

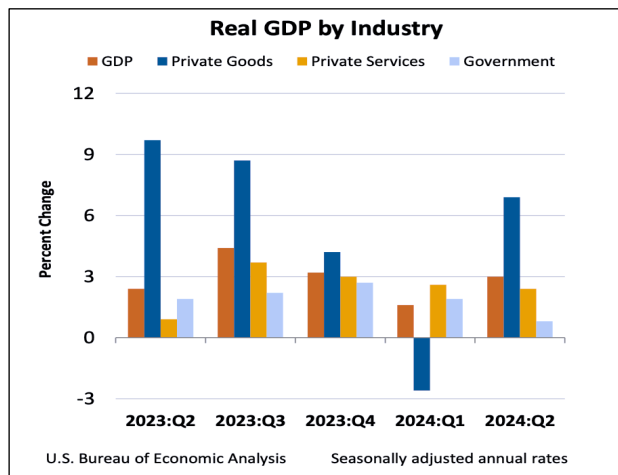
The increase in private inventory investment mostly reflected increases in wholesale trade and retail trade industries that were partly offset by a decrease in mining, utilities, and construction industries. As we recently learned, many businesses greatly increased their inventory stocks in anticipation of a potential port workers strike on the East and Gulf coasts that did take place but was initially short-lived in early October. If the port workers strike ultimately is avoided, a potential correction in private inventory stocking may occur in the future, possibly dampening some quarterly real GDP readings.

Within nonresidential fixed investment, increases in equipment and intellectual property products were partly offset by a decrease in structures. The increase in imports was led by capital goods, excluding automotive (BEA).

Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a reduction in residential fixed investment. (BEA).

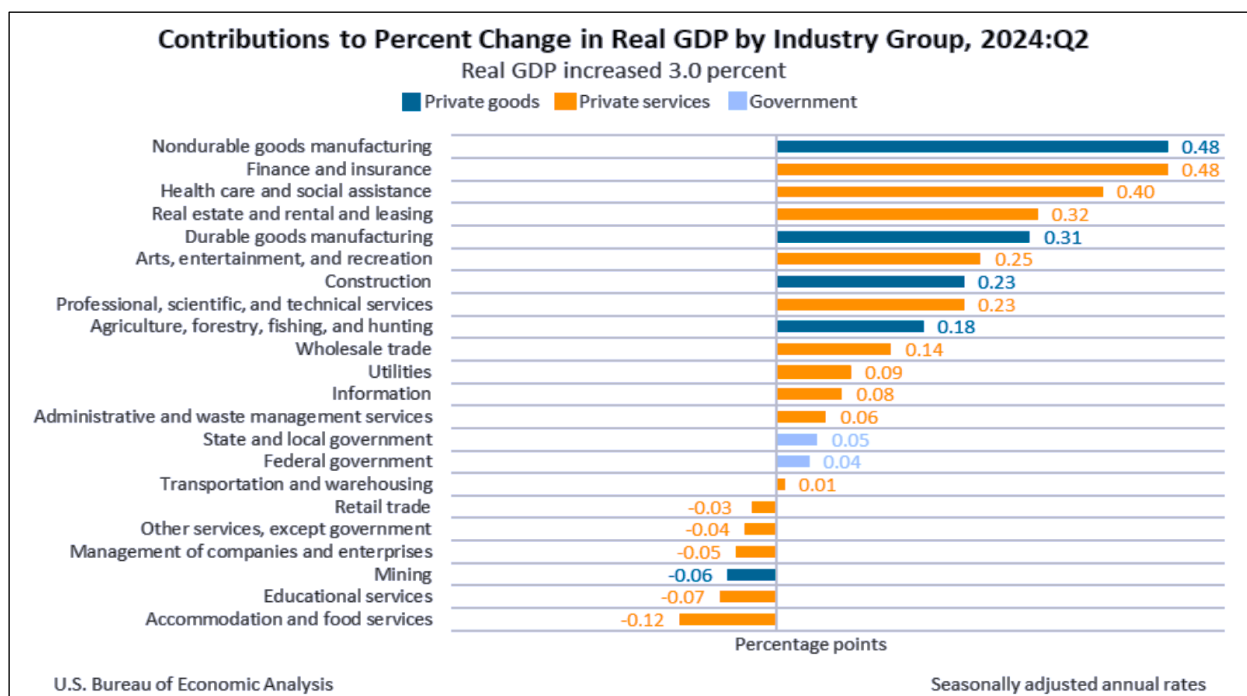
The Q2:2024 third estimate release also included estimates of GDP by industry, or value added—a measure of an industry’s contribution to GDP. Private goods-producing industries increased 6.9 percent, private services-producing industries increased 2.4 percent, and government increased 0.8 percent. Overall, 16 of 22 industry groups contributed to the second-quarter increase in real GDP. (Figures 2 and 3; BEA).

Figure 2: Real GDP by Industry, Q2:2024 (%q/q)



Within private goods-producing industries, the leading contributors to the increase were nondurable goods manufacturing (led by petroleum and coal products) and durable goods manufacturing (led by motor vehicles, bodies and trailers, and parts) (Figure 3; BEA).

Figure 3: Contributions to Percent Change in Real GDP by Industry Group, Q2:2024 (%)



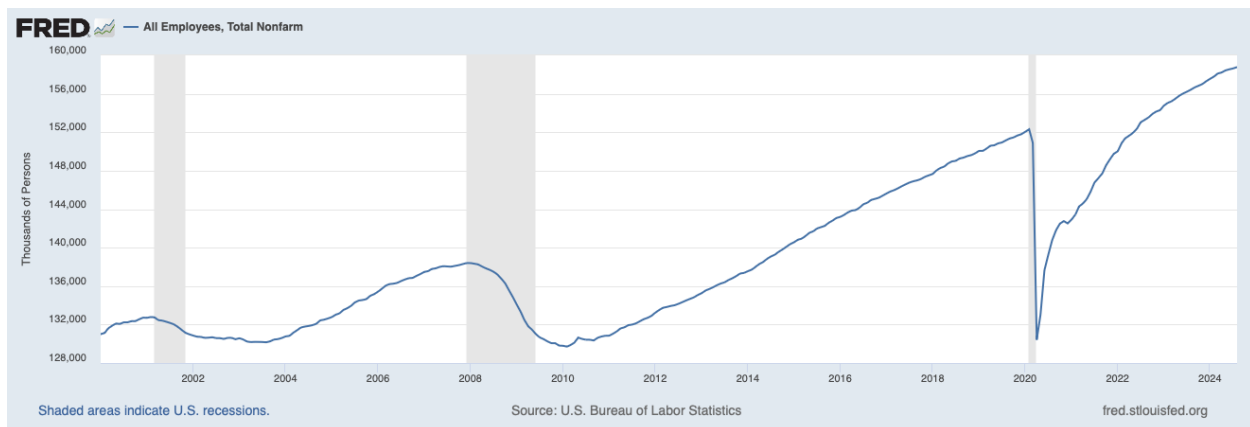
Within private services-producing industries, the leading contributors to the increase were finance and insurance (led by Federal Reserve banks, credit intermediation, and related activities); health care and social assistance (led by ambulatory health care services); as well as real estate and rental and leasing (led by real estate). The increase in government reflected increases in state and local government as well as federal government (Figure 3; BEA).

B. Labor Market Trends

Jobs

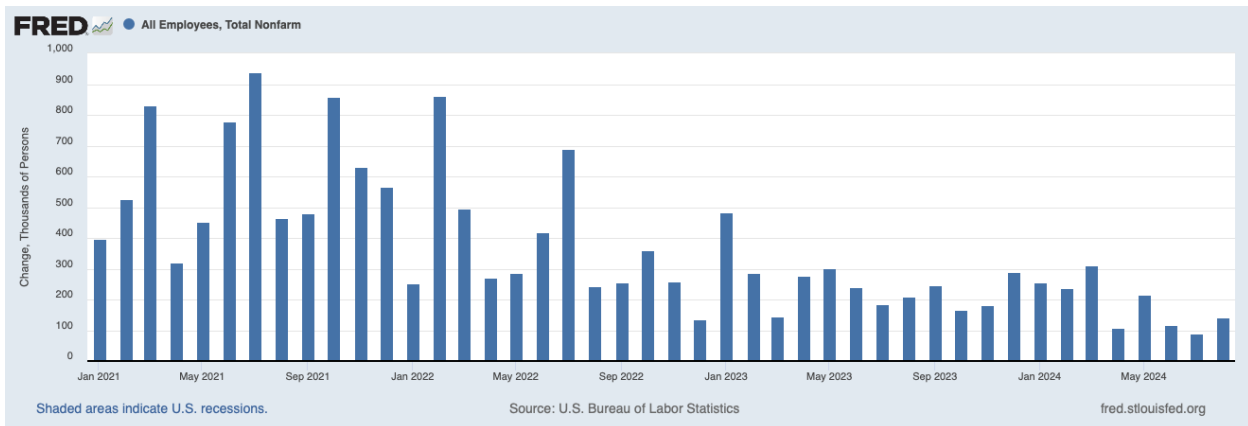
After an extremely tight labor market in 2021–2022, the labor market began normalizing in 2023 which continued through Summer 2024 while still exhibiting signs of a solid labor market. The U.S. economy preliminarily added 142,000 jobs in August 2024 after adding a revised 89,000 jobs in July 2024, 118,000 jobs in June 2024 and a revised 216,000 jobs in May 2024, based on data released by the U.S. Bureau of Labor Statistics (BLS) on September 6, 2024. The labor market generally remained solid overall in the first eight months of 2024, adding a monthly average of 184,000 jobs in the January–August 2024 period with the pace of monthly job growth mostly slowing in April–August 2024 except for an increase in May 2024. Overall, average job growth in the first eight months of 2024 was generally comparable to the average monthly pace of 183,000 in 2017–2019 before the pandemic but below the revised average pace of 251,000 monthly new jobs in 2023 and the red-hot pace of 491,000 monthly new jobs in 2021–2022. The additional slowing since Spring 2024 warrants continued close monitoring (Figures 4 and 5; BLS).

Figure 4. U.S. Total Nonfarm Payroll Jobs, January 2000 – August 2024



Establishment survey; seasonally adjusted

Figure 5: U.S. Monthly Change in Nonfarm Payroll Jobs, January 2021 – August 2024



Seasonally adjusted

Unemployment

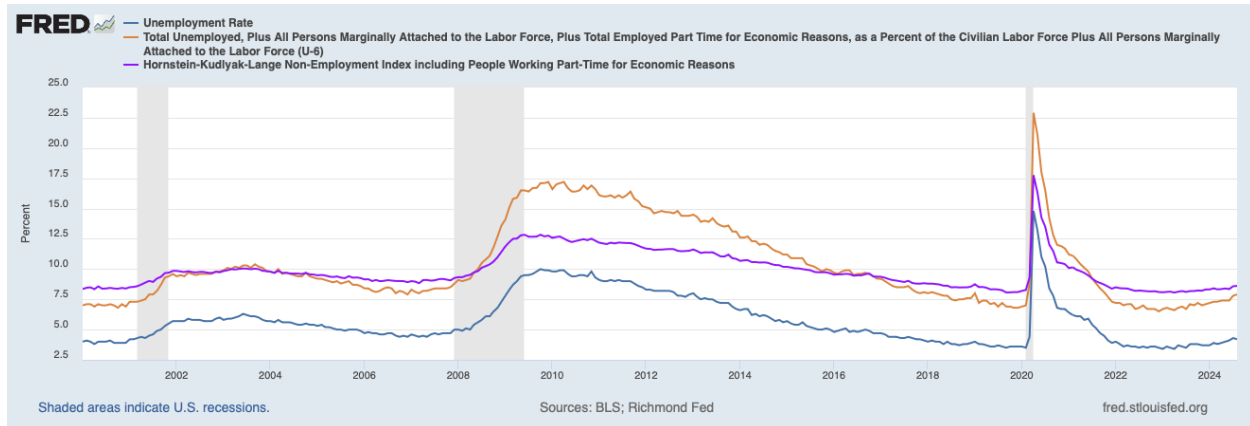
Overall, unemployment ticked up slightly in first the eight months of 2024 but still remained historically low and below the prepandemic averages of 2017-2019.

For a wider lens on unemployment, looking below the headline unemployment statistics provides a fuller view of labor market conditions. Both the BLS and the Federal Reserve System publish additional indicators to assess labor underutilization (BLS) and non-employment (Federal Reserve), with the BLS monthly publishing six measures of unemployment or labor underutilization. Three indicators are reviewed in this section to monitor unemployment trends more broadly.

The most widely cited unemployment statistic is U-3, the official unemployment rate published by BLS, which includes those persons that actively looked for work in the four weeks prior to the monthly BLS household survey. Among the six unemployment measures that BLS releases monthly, U-6 is the fuller measure of labor underutilization that also includes marginally attached workers who actively looked for work within the last 12 months and workers that settled for part-time schedules for economic reasons but want and are available for a full-time job.

The “official” unemployment rate, “U-3,” was 4.2% in August 2024, 4.3% in July 2024, 4.1% in June 2024, and averaged 4.0% in January–August 2024, which is slightly above the average annual rate of 3.6% in 2022-2023 but in the range of the 4.0% average rate during 2017-2019. A significant monthly increase in the number of persons recorded in the civilian labor force contributed to the uptick in the U-3 unemployment rate (Figure 6; BLS).

Figure 6: U.S. Unemployment Rate: BLS U-3 (Official Rate), BLS U-6, and Federal Reserve Non-Employment Index, January 2000 – August 2024



Seasonally adjusted

By comparison, the wider BLS measure of labor underutilization, U-6, registered at 7.9% in August 2024, 7.8% in July 2024, and 7.4% in June 2024, and averaged 7.5% in January–August 2024, above the 6.9% average in 2022–2023 but still below the prepandemic average of 7.8% in 2017–2019 (Figure 5; BLS).

As another relevant unemployment statistic, the Federal Reserve also conducts a broader monthly assessment of non-employment based on the microdata in the BLS monthly household survey. The Hornstein-Kudlyak-Lange Non-Employment Index (NEI) considers both unemployed persons and those out of the labor force and weights different non-employed groups based on historical rates of transitioning back into the job market (e.g., marginally attached to the labor force, students, retirees, the disabled, and those not retired, disabled, or in school). The Federal Reserve’s NEI+PERT index also includes those who have settled for a part-time schedule for economic reasons and is a companion measure to the BLS U-6 unemployment rate.

The Federal Reserve’s NEI+PERT registered 8.6% in both August 2024 and July 2024, 8.3% in June 2024 and averaged 8.4% in January–August 2024, slightly above the 8.2% average of 2022–2023 but still below the prepandemic average of 8.6% in 2017–2019 (Figure 5; BLS). Both the Federal Reserve’s NEI+PERT and the BLS U-6 unemployment measures provide important barometers of emerging labor market trends especially as related to persons that are underemployed and potential “hidden workers” or untapped talent as highlighted by Harvard Business School.

While the unemployment figures in the first eight months of 2024 were still historically low, the recent slight increases warrant continued monitoring for emerging trends in the labor market as the Federal Reserve’s restrictive monetary policy continues to cool the economy in order to subdue inflation.

Wages and Total Compensation

Wages continued to moderate in the first eight months of 2024 with average monthly year-over-year wage growth registering at 4.0% during that period, and the monthly rate unevenly slowing from 4.4% growth in January 2024 to 3.8% growth in August 2024. While this wage growth is below the 4.5% average annual growth in 2023, and 4.8% in 2021-2022, it is still above the prepandemic average annual wage growth of 3.3% in 2019 and 3.0% in 2017-2019 according to the latest BLS data (Figure 7; BLS).

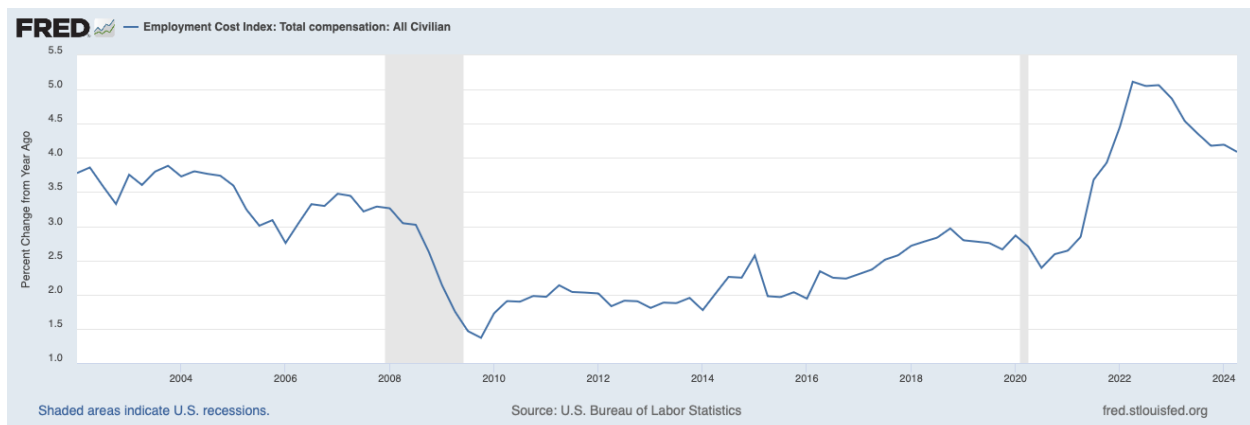
Figure 7: U.S. Average Hourly Earnings March 2007 – August 2024 (%/y)



Seasonally adjusted

Total compensation (including wages, salaries, and benefits) similarly moderated but remained strong in H1:2024, increasing an average 4.1% in the first half of 2024 with generally stable growth rates of 4.1% in Q2:2024 and 4.2% in Q1:2024. While the H1:2024 growth in total compensation was below the annual average growth rates of 4.5% in 2023 and 4.9% in 2022, it was still well above the 2.7% prepandemic annual average in 2017–2019 (Figure 8). BLS releases this fuller measure of total compensation quarterly (BLS).

Figure 8: U.S. Total Compensation (Employment Compensation Index), Q1:2002 – Q2:2024 (%/y)

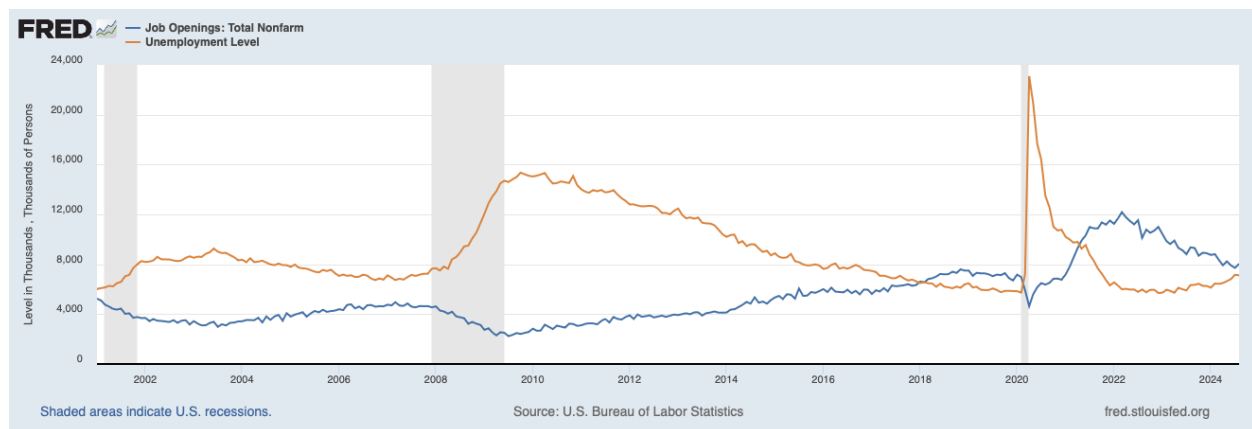


Seasonally adjusted

Job Openings

The labor market continued to loosen in the first seven months of 2024, with the ratio of job openings to the number of unemployed persons trending down to 1.1 in August 2024 from 1.4 at the beginning of the year. After peaking with a monthly ratio of 2.0 in March–April 2022, the jobs-to-unemployed persons ratio steadily declined in 2023 from 1.8 in January 2023 to 1.4 in October 2023 where it remained through January 2024. The ratio further declined in February–August 2024 exhibiting a normalizing trend toward the historic average ratio of 1.1 in 2017–2019 before the pandemic (Figure 9; BLS).

Figure 9: U.S. Job Openings and Unemployment Level January 2001 – August 2024



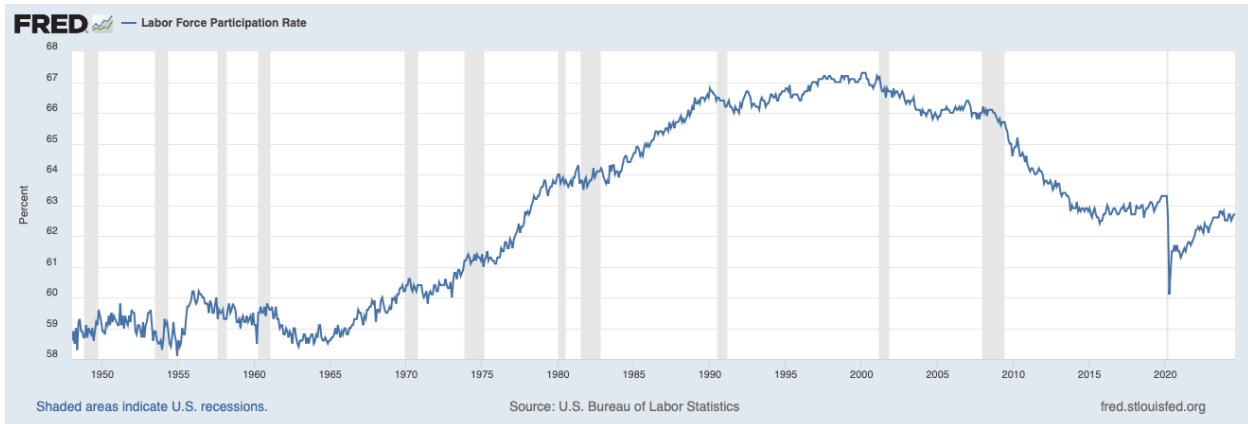
Seasonally adjusted

The continued solid jobs and wage growth helped fuel consumer spending in the first eight months of 2024, even with the loosening job market. Pressure in the labor market from labor shortages are projected to continue with an aging population and increasing percentage of persons 65 and older, lower labor force participation rates primarily driven by the aging population, and lower domestic birth rates (BLS, Census). A more detailed analysis of the demographic trends impacting the economy and society is presented in Section VIII.

Labor Force Participation

Labor force participation continued to recover in January–August 2024 from the dramatic drop at the onset of the pandemic with older workers noticeably not returning to the workforce at the same pace as younger workers. In August 2023 the U.S. labor force participation rate reached close to its prepandemic level (62.8% in August 2023 as compared to 63.3% in February 2020) and hovered close to that rate over the next year, registering 62.7% in August 2024 (Figure 10).

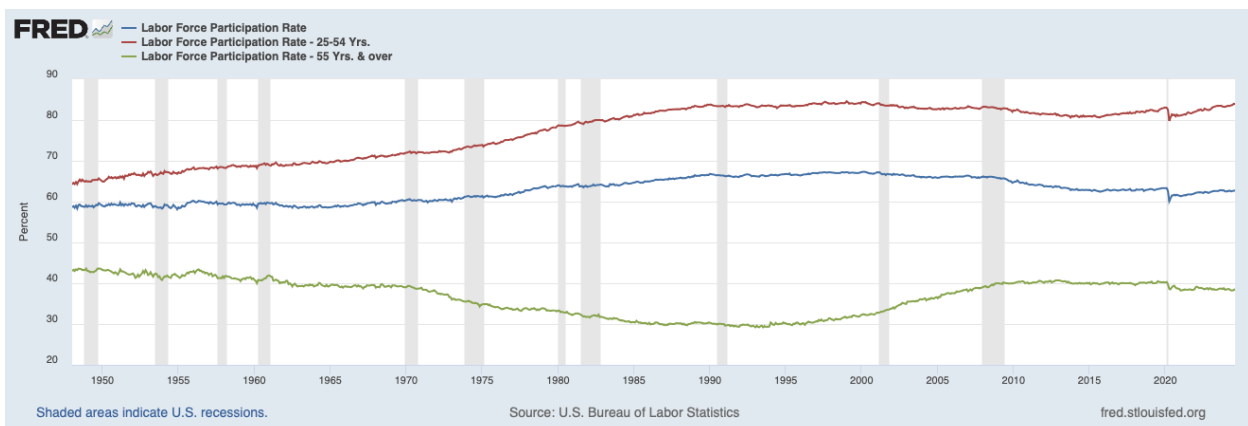
Figure 10. U.S. Labor Force Participation Rate January 1948 – August 2024



Seasonally adjusted

Two trends impacted the overall labor force participation rate in 2023 into Summer 2024. The prime working age group, 25-54 years, had a stronger recovery with its labor force participation rate reaching 83.9% in August 2024, surpassing its prepandemic level (+0.9% over its February 2020 level), and partially offsetting the persistently lower rate in the 55 and over age group. Contrastingly, the labor force participation rate for older adults, the 55 and over age group, was 38.6% in August 2024, thereby -1.7% below the respective February 2020 rate of 40.3% (Figure 11). Limiting consideration to only the 55-64 age subset, which comprised over 12% of the U.S. civilian noninstitutionalized population in 2023, the -1.7% lower labor force participation rate for older workers translates into over 710,000 fewer workers aged 55-64 in the labor market in August 2024 than would have been available with the respective prepandemic participation level (BLS and Census).

Figure 11. U.S. Labor Force Participation Rate by Age January 1948 – August 2024



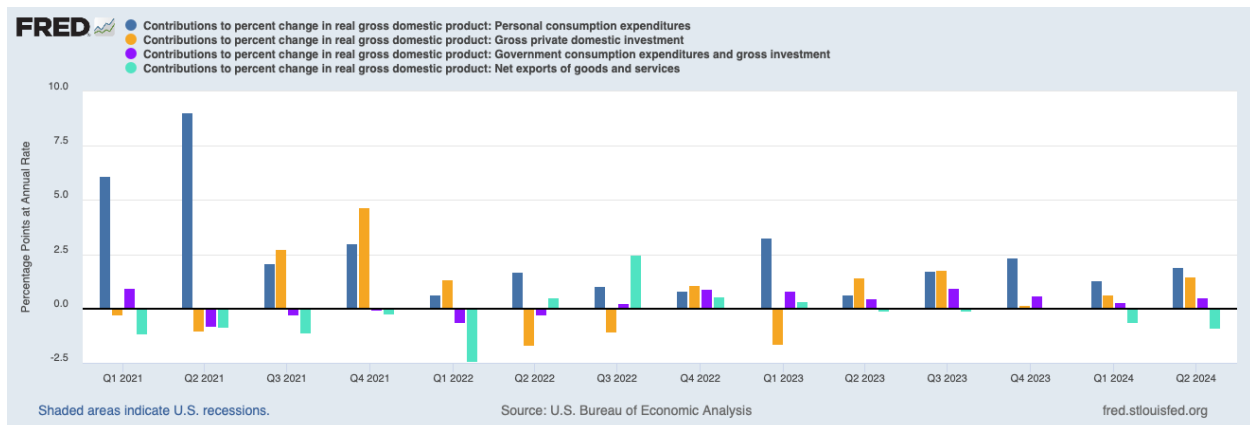
Seasonally adjusted

C. Consumer Activity

Personal Income and Consumer Spending

Consumer spending comprises nearly 70% of U.S. real GDP and has served as a firewall to the U.S. economy since Summer 2020. Despite the volatility in real disposable income, real personal consumption expenditures (consumer spending in this analysis) positively contributed to real GDP in the 16 consecutive quarters from Q3:2020 to Q2:2024 (the blue bars in Figure 12 below). Consumer spending proved resilient through repeated major disruptions since the pandemic and the European and Middle Eastern wars, and despite consumer confidence and consumer sentiment plummeting from Spring 2021 to mid-2022, bouncing some in fall 2022 and seesawing from Fall 2022 into mid-2024. Consumer spending plowed through all of the swings and was bolstered by strong nominal wage growth in a tight job market (though impact by inflation in 2021–2022), drawdowns in excess savings accumulated earlier in the pandemic (largely due to sheltering in place and significant government support), and increases in consumer debt (BEA, Conference Board, University of Michigan, Federal Reserve).

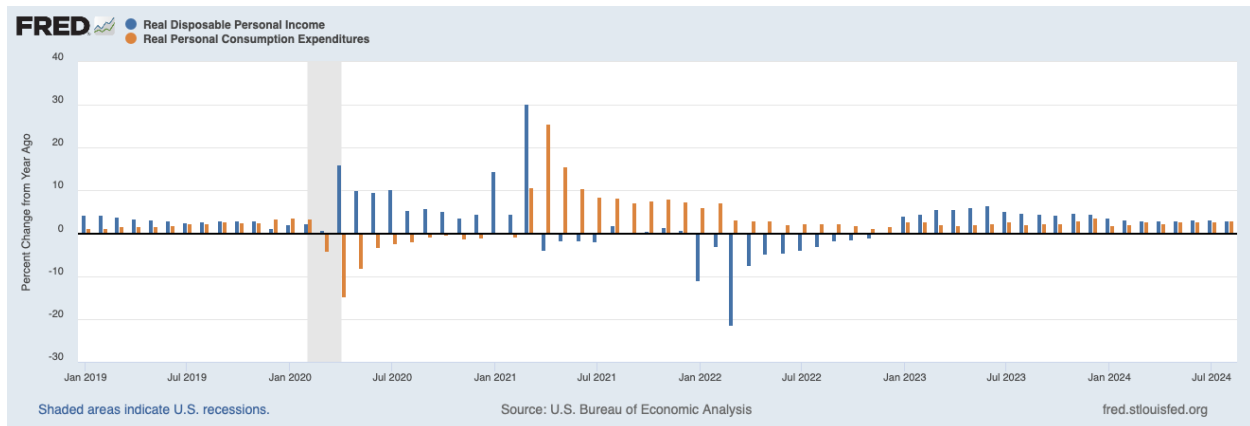
Figure 12. U.S. Personal Consumption Expenditures Contribution to Real Gross Domestic Product (blue bars), Q1:2000 – Q4:2024 (%q/q)



Seasonally adjusted annual rate

Real disposable personal income (inflation-adjusted) represents household purchasing power and slowed to average monthly year-over-year growth of 3.2% in January–August 2024, after growing 5.1% overall in 2023. Although slower, real disposable personal income registered 20 consecutive months of year-over-year growth during January 2023–August 2024. Looking more granularly at the month-over-month trends, real disposable personal income grew every month in the first eight months of 2024 based on recently updated BEA data. Further, the recent National Economic Accounts update by BEA indicated that real personal disposable income grew month-over-month for 26 consecutive months during July 2022–August 2024 (Figure 13; BEA).

Figure 13: U.S. Real Disposable Income and Real Personal Consumption Expenditures January 2019 – August 2024 (%y/y)

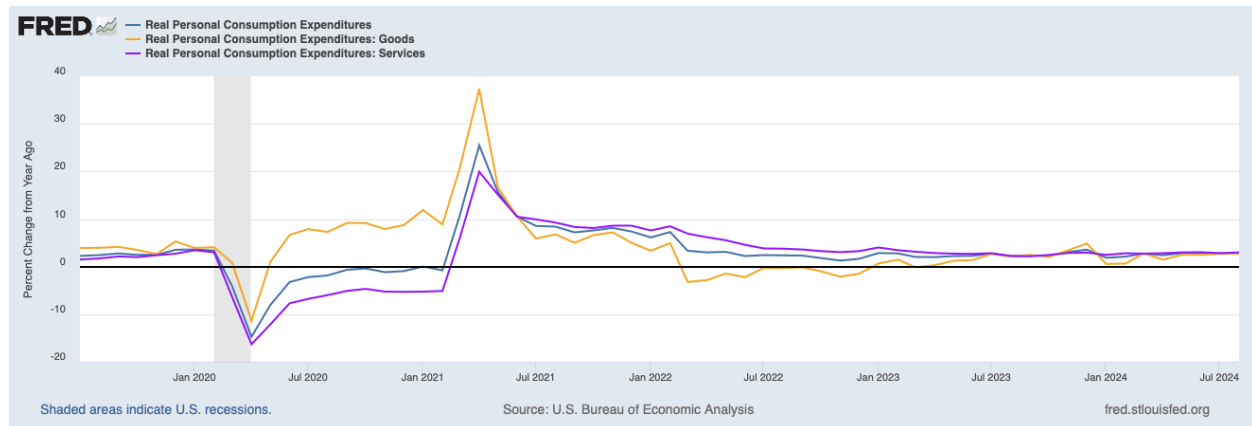


Seasonally adjusted annual rate

The positive monthly increases in real disposable income in January–August 2024 reflected continued monthly growth in wages and salaries, even with a cooling labor market, along with declining inflation taking decreasing bites out of income during that period. For context, real disposable income grew an average 3.3% annually during 2017–2019, and then fluctuated broadly with average annual growth postings of 6.3% in 2020 (reflecting significant pandemic dislocations and government supports to avoid economic collapse), 3.5% in 2021 (reflecting initial pandemic economic rebound and increasing inflation impacts), and fell -5.6% in 2022 (reflecting continued rising inflation in the first half of 2022) before resuming positive real growth of 2.1% in 2023 with inflation slowing down with continued tight monetary policy (BEA).

Despite softness in real disposable personal income, consumers spent actively in the first eight months of 2024, registering 2.6% average monthly growth year-over-year during January–August 2024 (Figure 13). The solid consumer spending during that period was fueled by steady year-over-year growth in spending on services and positive monthly year-over-year growth in spending on both durable and nondurable goods (Figure 14). For context, consumer spending grew 2.5% overall in 2023, 3.1% in 2022, and 9.1% in 2021, and decreased -2.5% in 2020 during the first year of the pandemic, based on the most recent BEA data. Prior to the pandemic, real personal consumption expenditures recorded average annual growth of 2.5% in 2017–2019 (BEA).

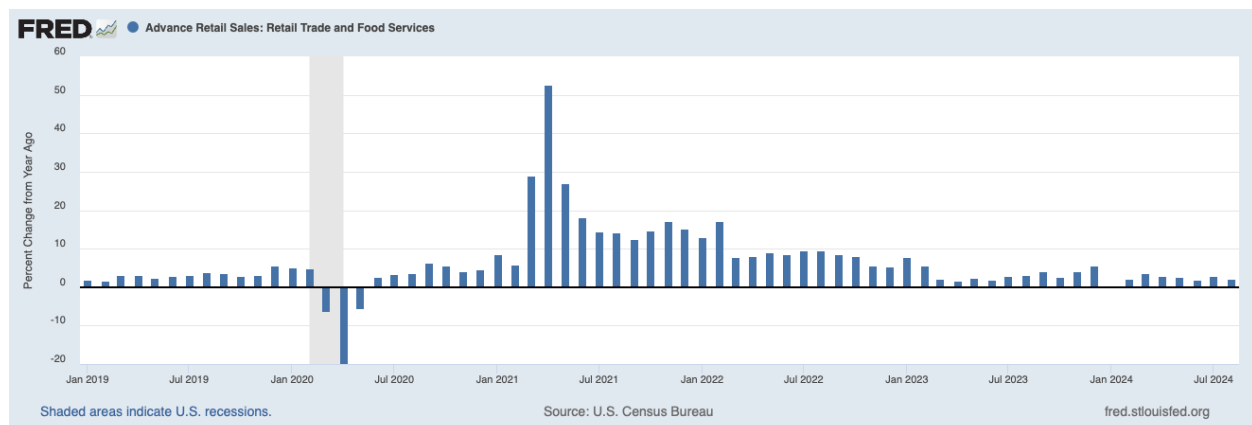
Figure 14. U.S. Real Personal Consumption Expenditures: Goods and Services, July 2019 – August 2024 (%y/y)



Retail Sales

Retail sales and food services posted positive monthly growth year-over-year during the first eight months of 2024 although slower than the overall 3.6% growth in 2023. After a tepid start in January 2024 with 0.03% monthly growth year-over-year, retail sales posted steadily stronger monthly growth in February–August 2024 resulting in 2.3% average monthly growth year-over-year in January–August 2024 (Figure 15). The solid retail sales and foods services growth during that period reflected consistently positive growth in sales at nonstore retailers, electronics and appliance stores, clothing and clothing accessories stores, health and personal care stores, food and beverage stores, and food services and drinking places. For context, both the average monthly year-over-year growth in retail sales and food services in January–August 2024 and the annual growth in 2023 were below the 4.0% average annual growth of 2017–2019. By comparison, total sales increased robustly during 2021–2022 due to strong wage and salaries growth and higher excess savings accumulated earlier in the pandemic (19.1% in 2021 and 9.2% in 2022) (Figure 15; U.S. Census Bureau (Census)).

Figure 15: U.S. Retail Sales January 2019 – August 2024 (%y/y)



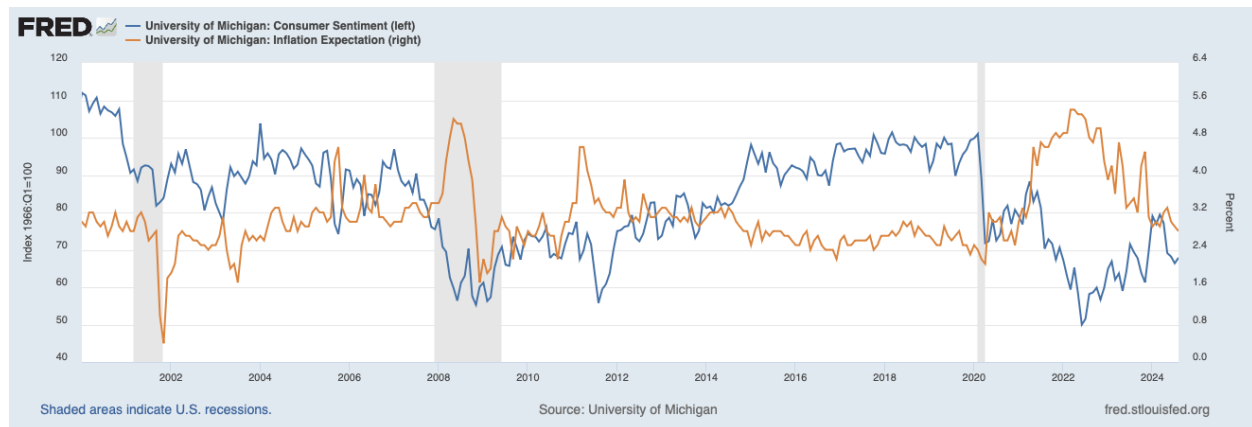
Seasonally adjusted

Consumer Confidence and Sentiment

Consumers' perspective on the economy is so important that it is monitored in many ways. Two widely used indicators are the University of Michigan Consumer Sentiment Index and the Conference Board's Consumer Confidence Index. The two indicators track closely and reflect the consumers' bumpy ride on the pandemic roller coaster that also was exacerbated by global price shocks in early 2022. The Conference Board's Consumer Confidence Index tends to reflect more employment perspectives, whereas the University of Michigan's Consumer Sentiment Index records more perspectives on prices.

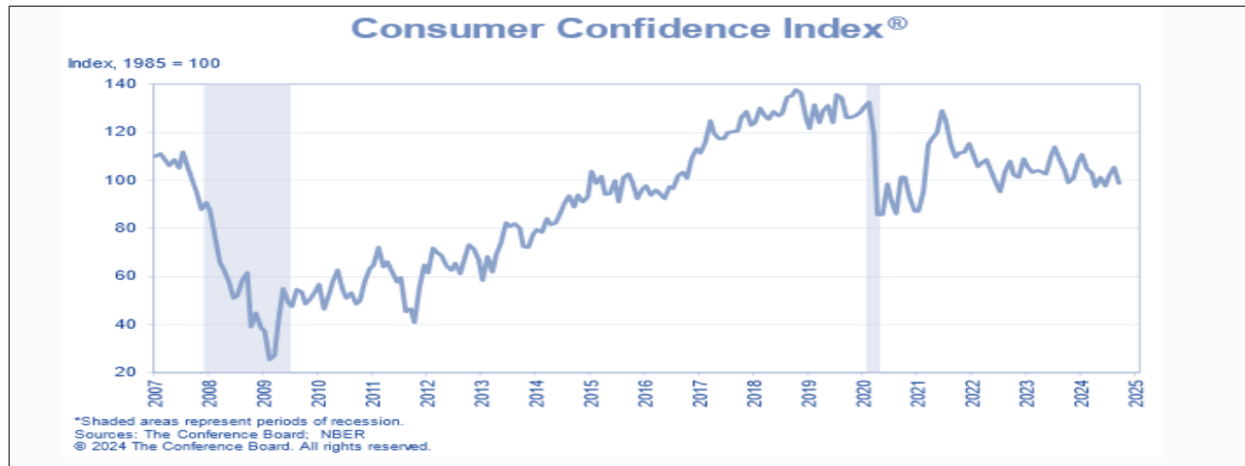
Consumer confidence and consumer sentiment improved in late 2023 into early 2024 as consumers became more confident in macroeconomic conditions and the slowdown in inflation. The consumer sentiment improved in August 2024 after drifting downward for four months in April–July 2024 (Figure 16). Since early 2024, consumer confidence retreated in February–April 2024, mostly increased in May–August 2024 and turned down in September 2024 on job concerns (Figure 17). Notably, the consumer confidence index seesawed within a narrow range for almost two years. Additionally, the Conference Board has reported divergent views across household incomes despite overall improvements in its headline Index, with higher income households (\$100,000) remaining the most confident and lower income households (less than \$25,000) expressing declining confidence (Conference Board, University of Michigan).

Figure 16: Consumer Sentiment and Inflation Expectation (index and percent), January 2000 – August 2024 (index)



Not seasonally adjusted

Figure 17: Consumer Confidence Index, January 2007-September 2024



Not seasonally adjusted

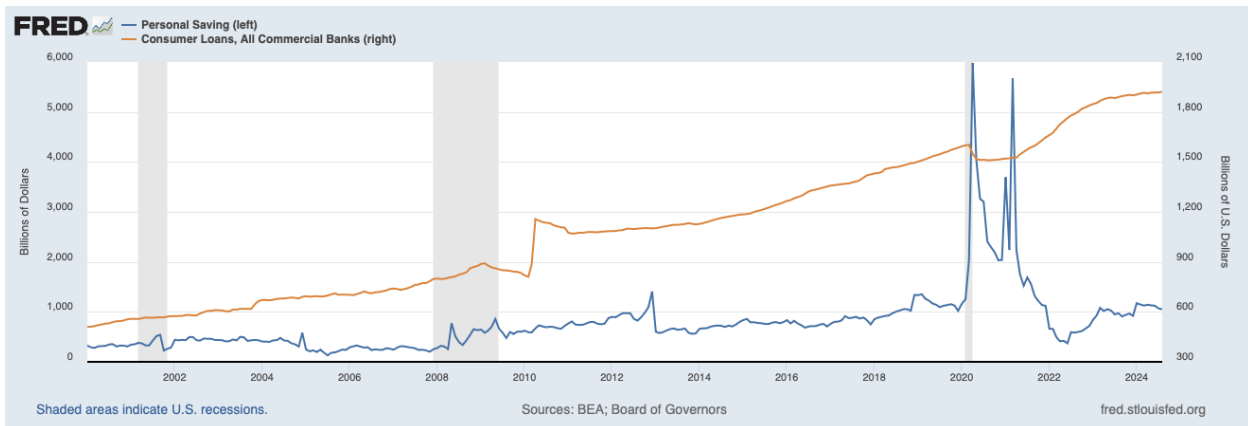
Relatedly, consumer expectations of changes in prices in the next year mostly dropped through the first eight months of 2024 staying within the 2.8-3.3% range in January–August 2024 for a monthly average expectation of 3.0%, close to the 2.3-3.0% range seen two years before the pandemic (Figure 16; University of Michigan).

Despite the general boost in optimism and the greater willingness to spend in the first months of 2024, surveys indicate that consumers remain cautious about spending with a simultaneous willingness to splurge selectively. Bargain shopping, trading down, and delayed purchases were reported widely in the McKinsey U.S. consumer sentiment survey for Q3:2024 and dining out and groceries were the top intended splurge categories followed closely by apparel (McKinsey).

Consumer Personal Savings and Household Debt

The mixed consumer signals of both caution and continued spending are supported by the trends in household balance sheets. Consumers began drawing down personal savings and steadily increasing consumer debt in spring 2021 to support continued consumer spending (Figure 18). This analysis will take a closer look at both the personal savings and debt sides of the household balance sheet to gain additional insights on future consumer spending trends (BEA, Federal Reserve).

Figure 18: U.S. Personal Savings and Consumer Loans, January 2000 – August 2024 (\$)

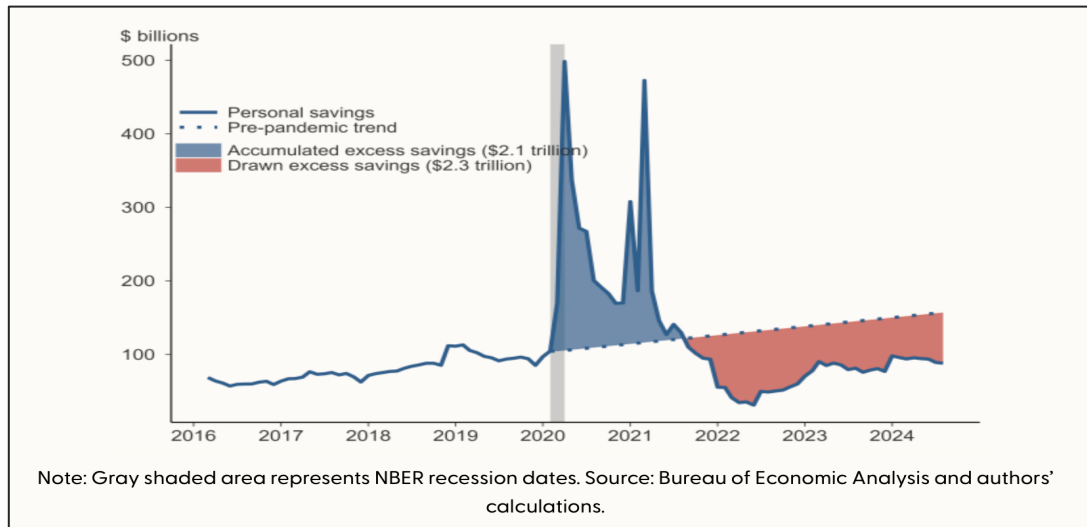


Personal savings: seasonally adjusted annual rate. Consumer loans: seasonally adjusted.

The recent annual update to the National Economic Accounts by the BEA indicated that consumers' income and savings were greater than previously estimated, particularly in the standard benchmarking timeframe looking back one full year from March 2024. The latest data indicate that consumers' personal saving rate peaked in March 2021, began steadily declining in April 2021 to a low of 2.0% in June 2022, gradually increased to a high of 5.3% in March 2023, declined again in April–December 2023 to 4.4% in December 2023. At the beginning of 2024, the personal saving rate jumped to 5.5% and gradually drifted back down to 4.8% in August 2024. Since November 2021 the personal saving rate has been below the prepandemic monthly average of 6.5% in 2017–2019 (BEA).

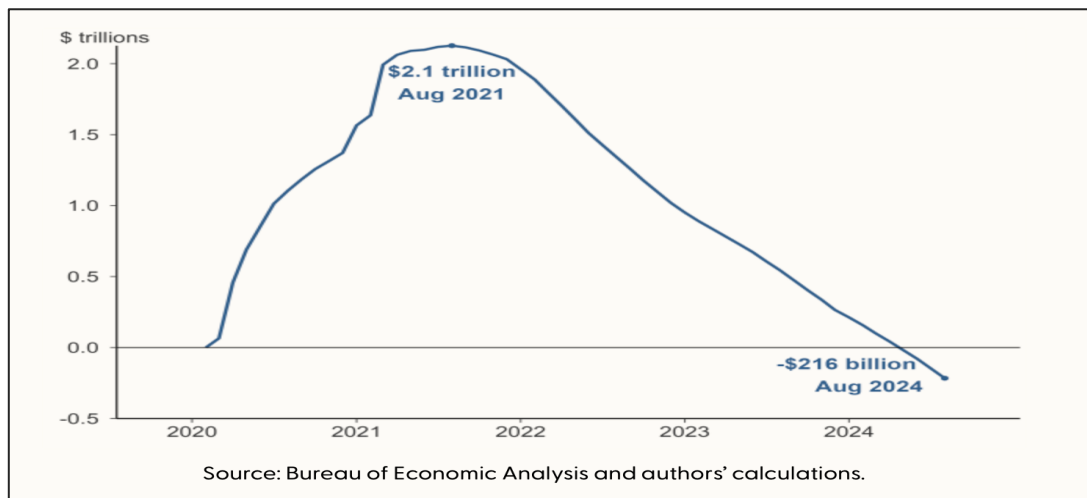
For a closer view of the seemingly contradictory steamrolling consumer spending coupled with mostly steady drawdowns in savings in 2021–2023, the Federal Reserve Bank of San Francisco developed an ongoing analysis of pandemic-era excess savings which has been continuously refined. The San Francisco Fed found that consumers accumulated \$2.1 trillion dollars of aggregate “excess savings” above the prepandemic trend as of August 2021, and since that time drew down \$2.3 trillion dollars of excess savings through August 2024 (Figure 19). Thus, as of June 2024 the stock of pandemic-era cumulative aggregate excess savings had been exhausted and over \$200 billion in additional aggregate savings had been drawn down beyond the pandemic-era level of aggregate excess savings (Figure 20). (San Francisco Fed).

Figure 19: Aggregate Personal Savings Compared with the Pre-Pandemic Trend, March 2016 – August 2024



Note: Gray shaded area represents NBER recession dates. Source: San Francisco Fed and BEA.

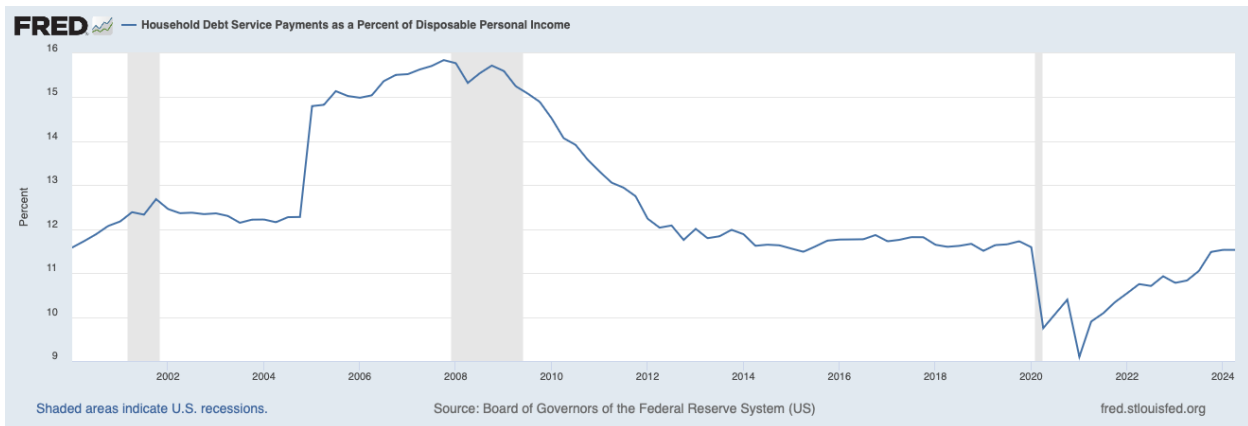
Figure 20: Cumulative Aggregate Pandemic-Era Excess Savings, March 2016 – August 2024



Source: San Francisco Fed and BEA.

Yet on the debt side, household balance sheets overall in Q2:2024 were still strong with household debt service ratios (total debt service payments on mortgage and consumer loans as a percent of disposable income) still registering slightly below the average annual levels of 2017–2019, excluding differentials across household income groups (Federal Reserve; Figure 21).

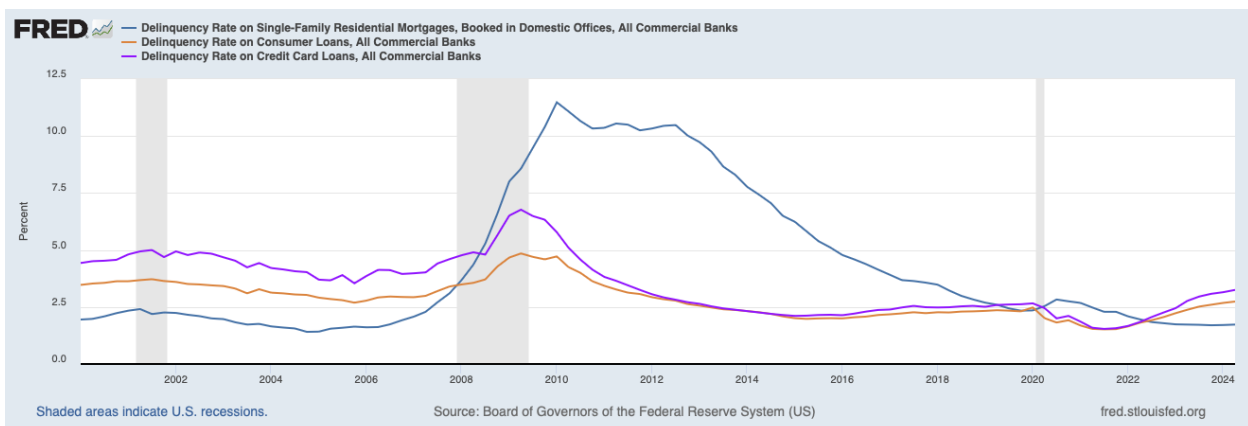
Figure 21: Household Debt Service Ratio Q1:2000 – Q2:2024 (%)



Seasonally adjusted

However, a closer look reveals that increasing consumer credit card and auto loan debt and delinquencies are exerting pressure on household balance sheets. As reported in the Federal Reserve Bank of New York’s Household Debt and Credit report for Q2:2024, while aggregate delinquency rates were unchanged from the first quarter at 3.2%, approximately 9.1% of credit card balances and 8.0% of auto loan balances had transitioned into delinquency over the last year, accounting for the fastest delinquency rates (Figure 22). Overall, auto loans comprised 9% of total household debt balances and credit cards accounted for 6% in Q2:2024. During that same period, residential real estate loans (mortgage and home equity loans) comprised approximately 72% of consumer debt and mortgage delinquency rates remained at historic lows (Figure 22). Additionally, any missed federal student loan payments will not be reported until Q4:2024 and, therefore, the delinquency rate on students loans will remain low until at least Q4:2024 (New York Fed).

Figure 22: Delinquency Rate on Mortgage, Consumer and Credit Card Loans, Q1:2000 – Q2:2024



Source: New York Fed Consumer Credit Panel/Equifax

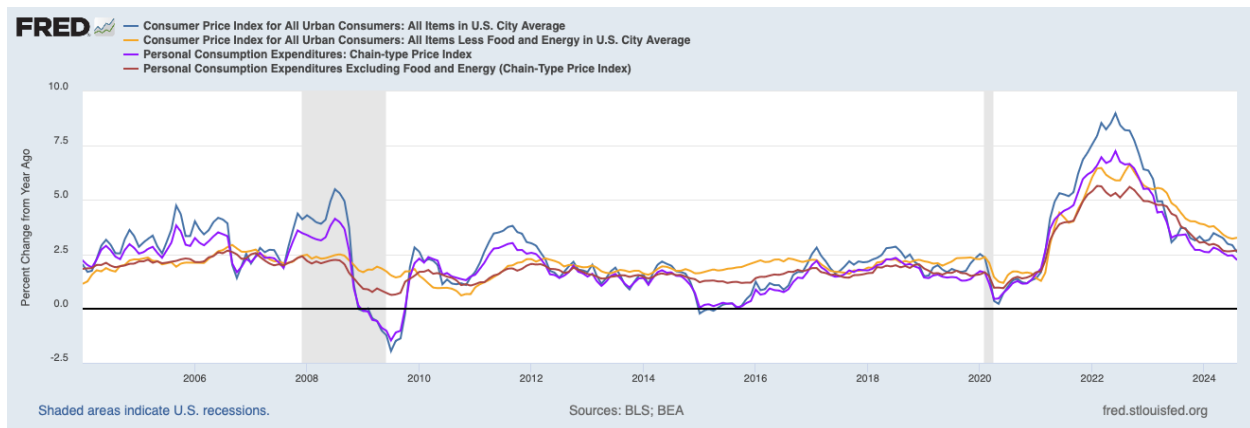
Again, the consumer landscape is evolving. Consumers gained confidence in continued solid job and wages gains, macroeconomic conditions, and the slowdown in inflation in late 2023 into

August 2024. However, consumers are signaling additional caution while also continuing to spend in certain categories that corresponds to their exhausted pandemic-era excess savings and increasing consumer debt along with continued solid household balance sheets (BEA, San Francisco Fed, New York Fed, Conference Board, University of Michigan, McKinsey).

D. Consumer Prices

Overall, the inflation news is good with a strong downward trend since Spring 2024 with all inflation measures steadily declining or remaining flat in April–August 2024. Inflation steadily declined in Fall 2023 to early 2024, exhibited bumpiness in February–March 2024 with monthly increases, then resumed its downward trend in April 2024 (Figure 18). Headline inflation, as measured by the Consumer Price Index including food and energy (CPI), registered at 2.6% in August 2024, down from 3.3% at the end of 2023 (December 2023). Moreover, core inflation, CPI less the volatile food and energy components, recorded at 3.3% in August 2024, below the 3.9% reading in December 2023. Core inflation continued to register higher than headline inflation in August 2024, reflecting more persistence in some components, particularly shelter costs (rental and owned) and other services costs (Figure 23; BLS).

Figure 23: U.S. Monthly Change in Consumer Prices, January 2004 – August 2024 (%/y)



Seasonally adjusted

The strong downward trend with some cautionary stickiness repeats with the Federal Reserve's preferred indicator, PCE Inflation, or the personal consumption expenditure index, which incorporates the substitutions that consumers typically make in their market baskets in response to higher prices (e.g., switching from name brand products to store brands) and is issued by BEA a few weeks behind the BLS releases for CPI. PCE Inflation also displayed a declining, bumpy path in 2023 to mid-2024, registering 2.2% in August 2024 noticeably below the 2.6% posted in December 2023. Core PCE Inflation (excluding food and energy) recorded at 2.7% in August 2024, higher than the companion PCE Inflation figure that month and also reflecting stickiness in some core price components. The Federal Reserve's long-term target is an average 2.0% over time for PCE Inflation (BEA, Federal Reserve).

The good news on inflation provides evidence that the Federal Reserve's aggressive monetary tightening since early 2022 is slowing inflation. With the steady declines in inflation along with recent upticks in unemployment, the Federal Reserve began lowering interest rates in September 2024, which was strongly signaled as forthcoming by Chairman Jerome Powell in a speech on August 23, 2024, at the annual economic symposium sponsored by the Federal Reserve Bank of Kansas City (Federal Reserve).

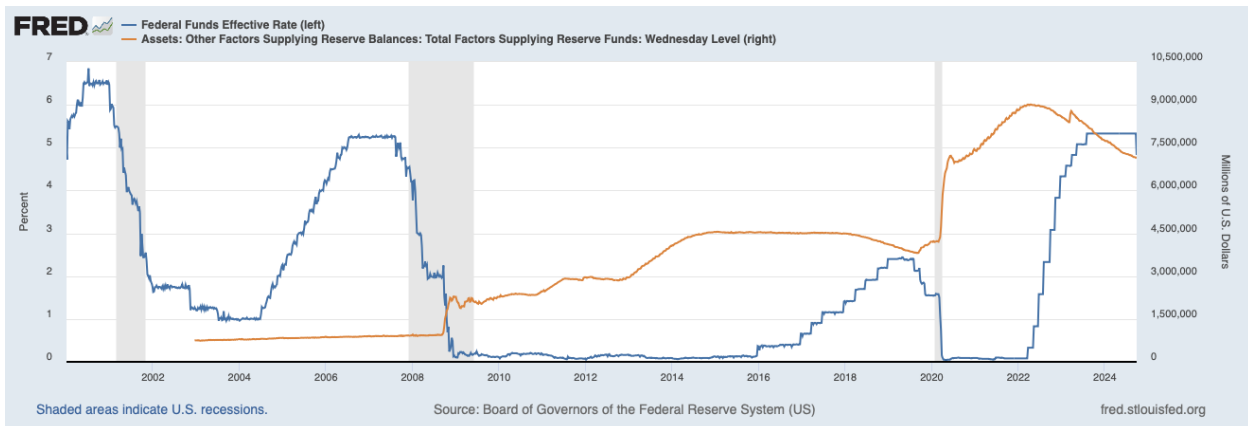
E. Federal Reserve Policy Actions Since 2022

In response to the rapid increase in inflation in Spring 2021 to Spring 2022, the Federal Reserve decisively tightened monetary policy beginning in March 2022 by steadily raising the federal funds rate and aggressively drawing down its balance sheet holdings of U.S. Treasury, federal agency debt, and agency mortgage-backed securities after greatly increasing its securities holdings during the pandemic to support financial market liquidity and stability. The Federal Reserve's committed goal is to cool consumer and business demand to tame inflation (Federal Reserve).

Starting in March 2022, the Federal Open Market Committee³ instituted 11 increases to the federal funds rate through July 2023, reaching the range of 5.25%-5.50% in July 2023 and maintained that rate range through July 2024 (Figure 24). As such, the federal funds rate increased a total of 5.25% between March 2022 and July 2023. Similarly, the Federal Reserve reduced its balance sheet holdings by nearly 21% during March 2022 – September 2024, including a brief uptick in March 2023 with the new Bank Term Funding Program instituted in response to selected bank failures in March–April 2023 (Federal Reserve). This monetary tightening led to higher mortgage, consumer, and commercial interest rates, quickly impacting interest rate-sensitive sectors such as housing and technology and other business sectors, and eventually cooling down consumer and business behavior. On September 18, 2024, the Federal Reserve began a rate-easing cycle by cutting the federal funds rate by 0.50% to 4.75% –5.0%, indicating that it wanted to start moving rates down over time to a more normal level to keep the U.S. economy expanding at a “solid pace” (FOMC statement September 18, 2024). While beginning the rate-easing cycle in September 2024, the Fed also indicated that the pace of rate reductions will be determined on a meeting-by-meeting basis as new information becomes available (Federal Reserve, Census, BEA).

³ The Federal Open Market Committee (FOMC) is the official rate-setting body comprised of the seven members of the Board of Governors of the Federal Reserve System, the New York Federal Bank President, and a rotating set of four of the remaining 11 Federal Reserve Bank presidents.

Figure 24: U.S. Federal Funds Rate and Federal Reserve Total Assets, January 1, 2000 – September 25, 2024 (% and \$)



Not seasonally adjusted

The Federal Reserve maintains a restrictive monetary policy even with the September 18, 2024, rate cut, and the monetary tightening is still coursing through the financial system. The Federal Reserve Senior Loan Officer Opinion Surveys on Bank Lending Practices (SLOOS) for Q2:2024 indicated that banks continued to tighten lending standards for all business and household loan categories, continuing the trend from 2022. Generally weaker demand was reported in most business and household loan categories for Q2:2024, except for commercial and industrial loans and credit cards (Federal Reserve). Also, the financial system has remained stable after the swift, decisive actions by Federal officials to address the selected bank failures in Spring 2023 and enhanced federal regulatory reforms are underway. As such, while the Federal Reserve held the federal funds rate constant (at 5.25% - 5.50%) during July 2023–July 2024, it continued to reduce its balance sheet and the monetary tightening continued to filter through the financial system (Figure 24). Moreover, the Federal Reserve announced on September 18, 2024, its policy decision to continue reductions in its balance sheet (Federal Reserve).

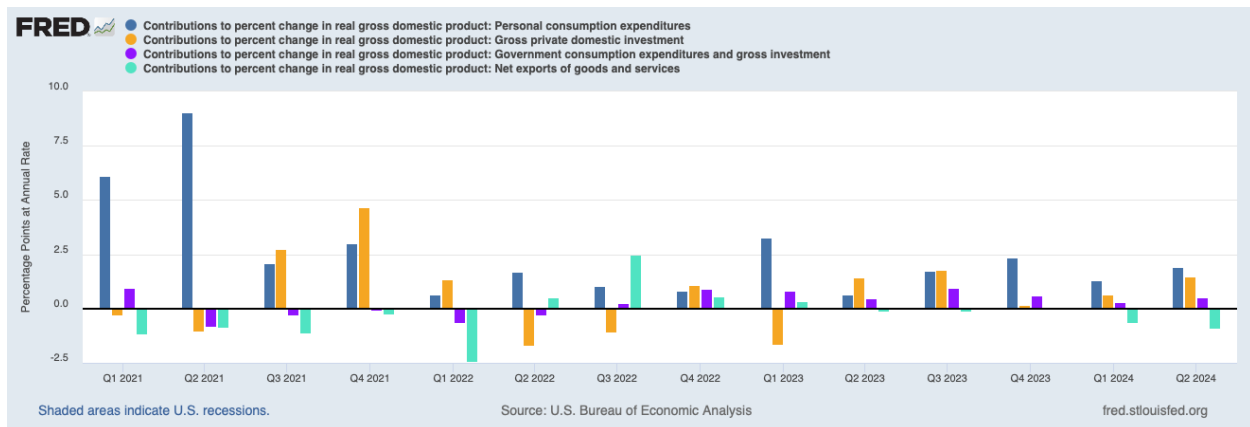
The Federal Reserve has a dual mandate of price stability and maximum employment. Since the economy displayed still robust growth and a continued strong job market through early 2024, the Federal Reserve reiterated its patience in monitoring emerging economic conditions to ensure permanent progress on inflation before beginning its projected cuts in rates this year. However, the continued moderation in inflation, steady loosening in the labor market, and recent uptick in unemployment has lately shifted the balance more toward the employment side of the Fed's dual mandate while keeping an eye on price stability considerations. The Federal Reserve has a delicate balance to maneuver in taming inflation, maintaining financial market stability, and avoiding a recession amid significant political uncertainty leading up to the 2024 presidential election. So far, so good, particularly with the Fed beginning to recalibrate its monetary policy as of September 18, 2024. However, the delicateness of this balancing procedure requires continued close monitoring (Federal Reserve).

F. Business Activity

Private Business Spending

Real private business spending (gross private domestic investment) accounted for 17% of real GDP in 2023 and is comprised of nonresidential spending on structures, equipment, and intellectual property; residential construction spending; and changes in private inventories. While private business spending contributed negatively to real GDP growth in five of the nine quarters between Q3:2021–Q1:2023, total private business spending contributed positively to real GDP growth in the next five quarters through Q2:2024 with the strongest contributions coming in Q2:2023–Q3:2023 and Q2:2024 (orange bars in Figure 25 below). During the period of Q2:2023 – Q2:2024, real private business spending's positive contribution to real GDP growth was led by consistent increases in private fixed investment in software and nonresidential structures in all five quarters, while private fixed investment in nonresidential equipment and residential investment contributed in three or four but not all five of the quarters in that period. Notably residential investment solidly increased during the beginning of that period (Q2:2023 – Q1:2024) and will be discussed further in the housing market section below (BEA).

Figure 25. U.S. Real Private Business Spending Contribution to Real Gross Domestic Product (orange bars), Q1:2000 – Q4:2024 (%q/q)

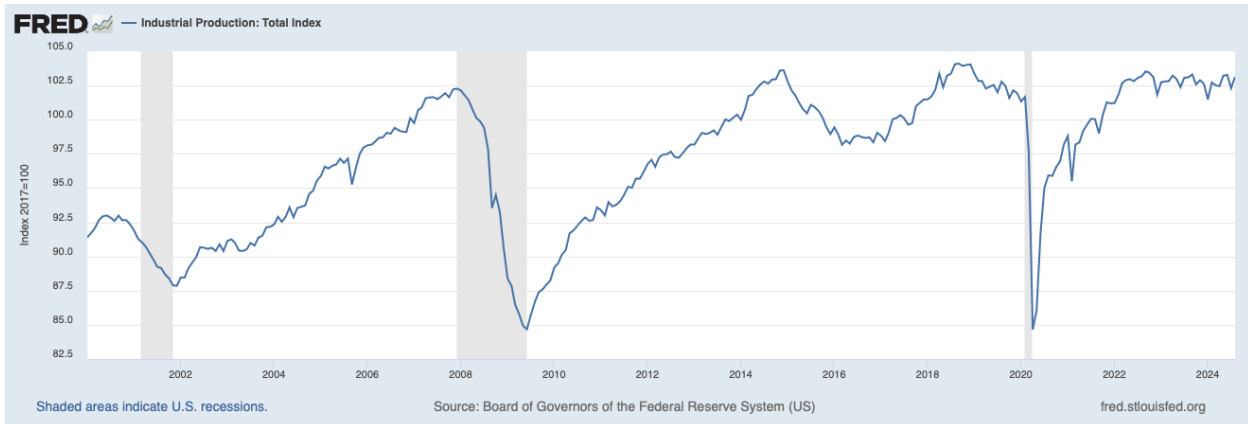


Seasonally adjusted annual rate

Industrial Production

In terms of the industrial sector overall, the Federal Reserve produces the Industrial Production Index that measures real output in manufacturing, mining, and electric and gas utilities. The index posted a meager 0.2% increase in 2023, likely reflecting the impact of continued tight monetary policy on industrial activity, after increasing 3.4% overall in 2022 and 4.4% in 2021. Softening in the index appeared in late 2022 and the index vacillated up and down monthly within a narrow range from 2023 through August 2024. The Industrial Production Index in August 2024 was flat to its respective level last year, reflecting reductions in mining and utilities that were partially offset by a modest increase in the manufacturing sector based on the preliminary estimates of September 2024 (Figure 26; Federal Reserve).

Figure 26: U.S. Industrial Production, January 2000 – August 2024 (index)



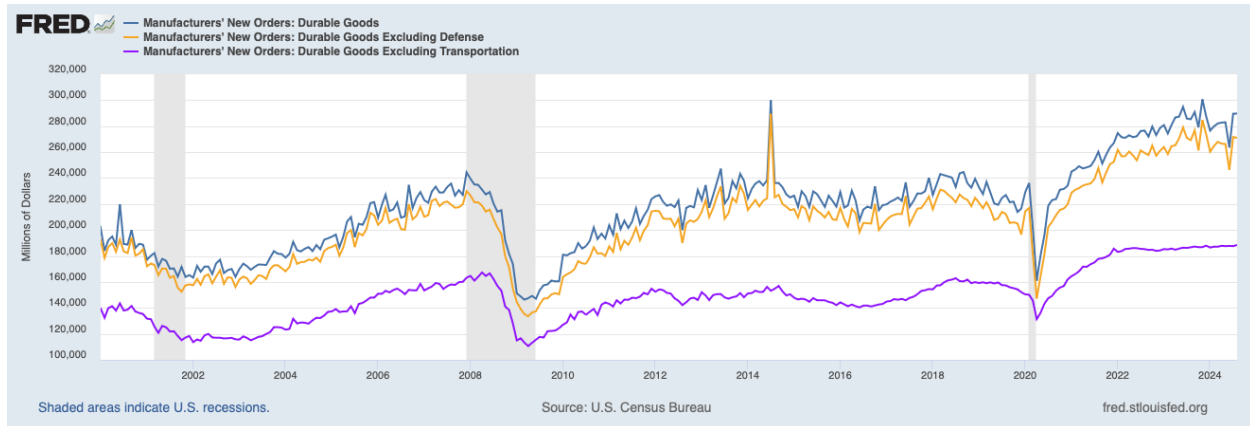
Seasonally adjusted

Manufacturing

Taking a closer look at manufacturing given its importance to the economy, the Institute of Supply Management (ISM) Manufacturing PMI Index recorded a fifth consecutive month of contraction in manufacturing activity in August 2024 for the 21st time in the last 22 months. The August 2024 composite index registered at 47.2%, up 0.4% from the July 2024 reading. Although the PMI Manufacturing Index indicated contraction in the manufacturing industry, the composite index also indicated an expansion in the overall economy for the 52nd month except for a contraction in April 2020 (readings in the composite index above 42.5 over time indicate an expanding overall economy). Manufacturing contracted at a slower pace in August 2024 while demand continued to slow with the indices for new orders, new export orders, backlog of orders remaining in contraction territory, and customer inventories remaining relatively flat. Moreover, manufacturing output continued in moderate contraction while employment contracted slower than in July, and manufacturing inputs remained accommodative with lead times improving and shortages less severe such that suppliers had capacity to meet future demand growth (ISM).

Looking ahead for manufacturing, new orders for manufactured durable goods, up six of the last seven months, increased marginally and were virtually unchanged in August 2024 after increasing 9.9% overall in July 2024 and declining 6.9% in June 2024. Electrical equipment, appliances, and components, up two of the last three months, drove the increase in August 2024 while transportation drove the increase in July 2024. Excluding transportation, new orders decreased 0.5% in August and decreased 0.2% excluding defense (Figure 27; Census).

Figure 27: U.S. Manufacturing New Durable Goods Orders Total and Without Transportation and Defense, Respectively, January 2000 – August 2024 (\$)



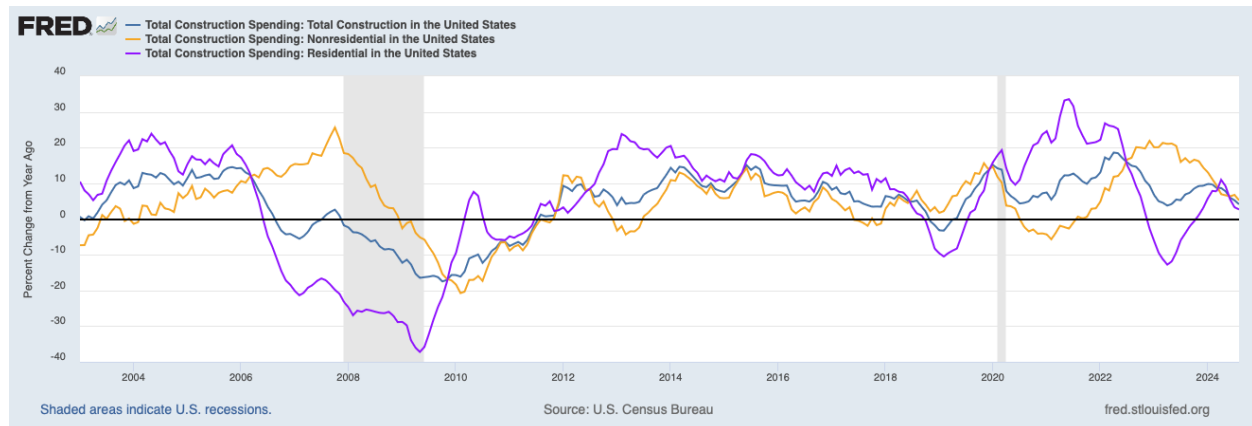
Services Sector

For a closer look at the services sector, the Institute for Supply Management (ISM) Services PMI Index registered at 51.5% in August 2024, slightly above the July 2024 recording, and reflecting monthly growth in the August 2024 composite index for the sixth time in eight months in 2024 and the 48th time in 51 months. The increase in the composite index in August 2024 reflected noticeable increases in new orders and supplier deliveries that were partially offset by decreases in the business activity, new export orders, backlog of orders, and employment indices (ISM).

Nonresidential Construction

Total nonresidential construction spending (private and public) continued to advance in January–July 2024 with monthly increases of 5.6% to 13.2% year-over-year and the pace of monthly growth steadily slowing over that period (with expected revisions to the most recent data as additional information becomes available). Total nonresidential construction spending increased a strong 18.2% in 2023 and registered positive monthly year-over-year growth consistently during August 2021–July 2024. While the recent data imply that the momentum in nonresidential construction has been diminishing since late 2023, nonresidential construction spending is still up an average 8.4% year-over-year in the first seven months of July 2024 and future data revisions will be watched closely (Figure 28; residential construction will be discussed under the housing market section below; Census).

Figure 28: U.S. Total, Residential and Nonresidential Construction Spending, January 2003 – July 2024 (\$)



Seasonally adjusted annual rate

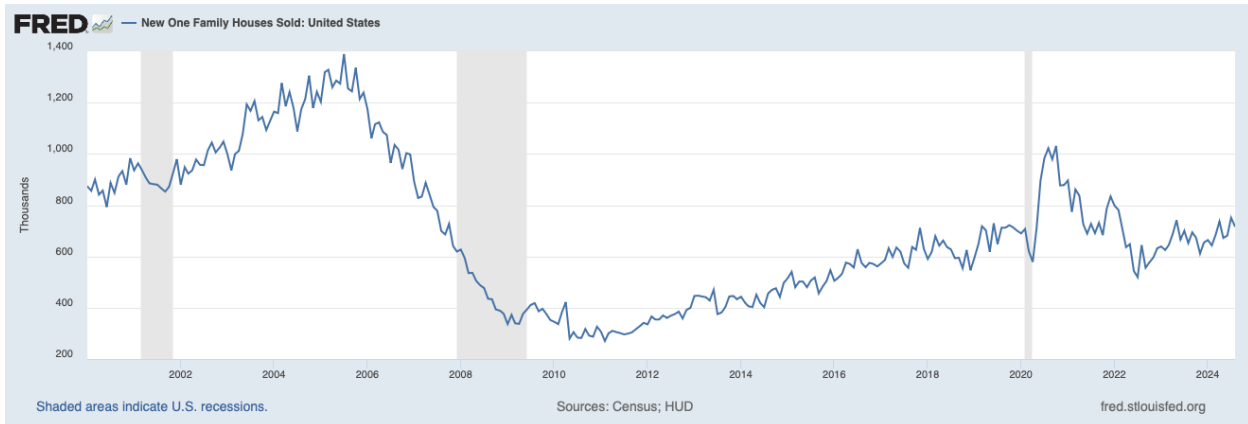
Residential Real Estate Market Trends

Home Sales and Prices

Given the importance of housing to the overall national economy and local government economies, a closer examination of the housing market produces valuable information. Housing is a major component of the U.S. economy. Residential investment (structures-related) comprised approximately 18% of total business spending and 3% of overall real GDP on average in 2017–2019, adjusted for inflation. Residential investment incorporates the construction of new single-family and multifamily structures, residential remodeling, production of manufactured homes, and brokers' fees. These residential investment figures exclude consumer spending on housing services (renters' and owners' imputed rent and utility payments) which accounted for another 11% of overall real GDP in 2017–2019 and is typically reported as part of total consumer spending (BEA, Census, and National Association of Home Builders).

The housing market experienced tremendous increases in 2020–2021 as people dramatically changed their housing preferences due to the coronavirus pandemic, and then was strongly impacted by the higher mortgage and interest rate environment that began in early 2022. This pandemic-era roller coaster was reflected in new home sales increasing 21.4% in 2020, then declining -7.4% and -17.2%, respectively, in 2021 and 2022. New home sales finally turned the corner in Spring 2023 to begin monthly year-over-year increases such that new home sales increased 4.5% overall in 2023. The improved market continued in 2024, with new home sales posting monthly year-over-year increases in seven of the first eight months of the year (Figure 29; Census). Normalization to a new reality appears to be proceeding in the housing market after the pandemic roller coaster. However, these recent new home trends warrant close monitoring.

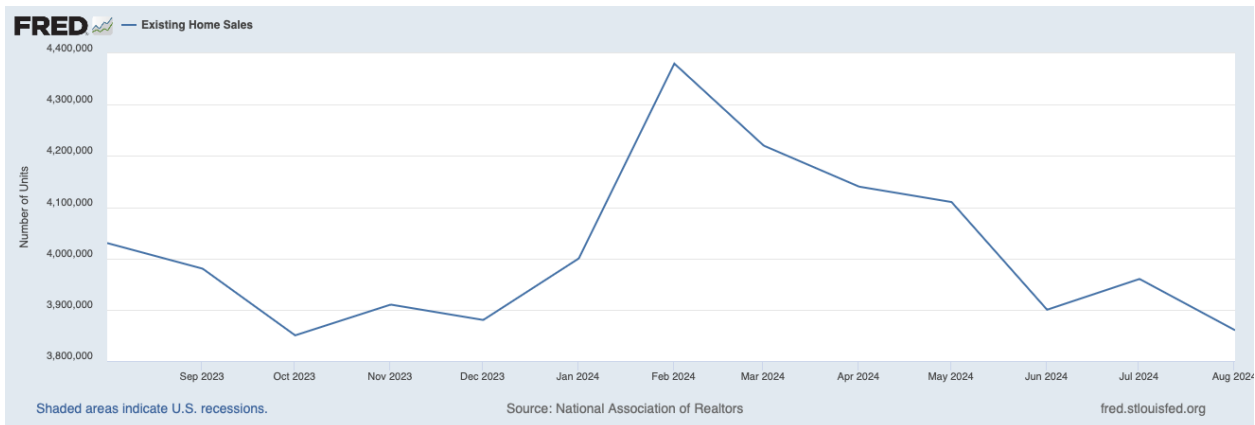
Figure 29: U.S. New Home Sales, January 2000 – August 2024 (units)



Seasonally adjusted annual rate

On the other hand, existing home sales continued to be significantly constrained by existing inventory and registered only three monthly year-over-year increases in January–August 2024 (Figure 30; National Association of Realtors (NAR)).

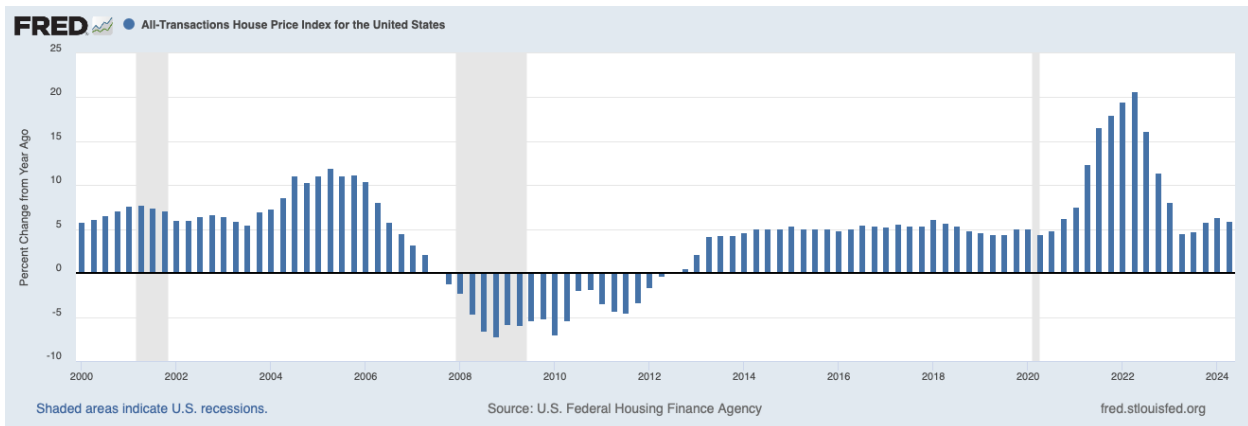
Figure 30: U.S. Existing Home Sales, August 2023 – August 2024 (units)



Seasonally adjusted annual rate

While components of U.S. home sales declined in 2021–2023, national housing prices proved sturdy throughout 2020 into H1:2024 and never turned negative despite significant drops in sales volume. The Housing Price Index All Transactions (HPI All Transactions), based on new and existing home purchases and refinancing values, increased 5.2% in 2020, 13.7% in 2021, 16.8% in 2022, and 5.8% in 2023. However, after double-digit quarterly increases in Q2:2021 to Q4:2023, the pace of quarterly home price increases began to steadily slow in early 2023 such that the 5.8% average annual increase in 2023 was closer to but still slightly above the prepandemic annual average of 5.2% in 2017–2019. In the first half of 2024, the HPI All Transactions index was increasing at a rate above the 2023 annual average, registering a 6.2% average quarterly increase in H1:2024 (Figure 31; FHFA).

Figure 31: U.S. House Price Index All Transactions Q1:2000 – Q2:2024 (%y/y)



Not seasonally adjusted

Demand and supply dynamics and higher mortgage rates and prices underlie the patterns exhibited in the housing market. Demand for housing remained strong as compared to supply despite higher mortgage rates and home prices in 2020–H1:2024. After the Great Financial Crisis of 2007–2009 housing production lagged the pace of new household formation, especially since 2016 among millennials ((Harvard Joint Center for Housing Studies, Federal Reserve, U.C. Berkley Turner Center for Housing Innovation, Virginia Association of Realtors (VAR)). Also, existing homeowners have been reluctant to sell their existing homes given higher prevailing mortgage rates as compared to their existing mortgage rates and economic uncertainty. As such, home buyers increasingly turned to new homes and home builders responded through mid-2024 (Wells Fargo, VAR). The future outlook is for moderate increases in sales and supply as mortgage and interest rates ease and the economy continues to perform reasonably well (VAR, NAR).

Residential Construction

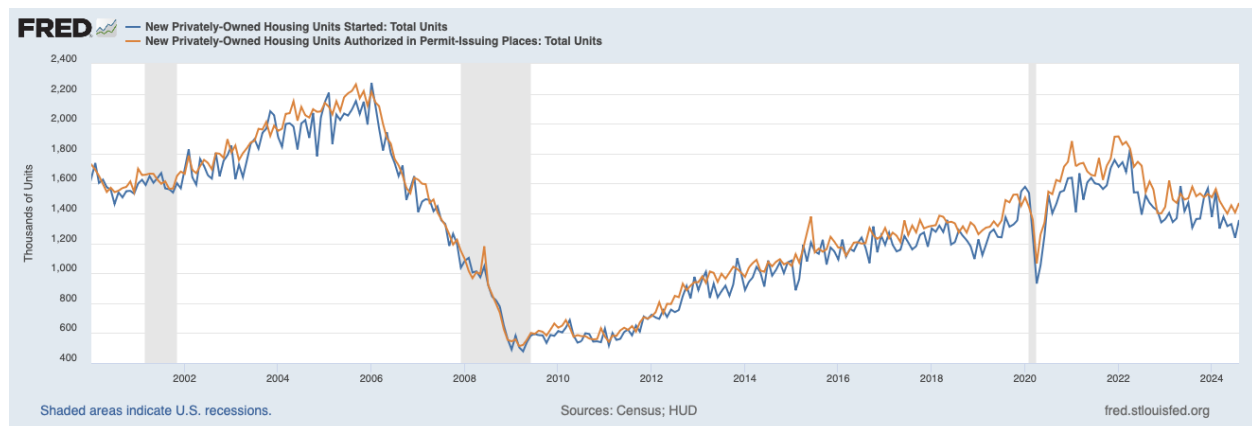
Total residential construction spending also rose and fell during the course of the pandemic, increasing 16.5% in 2020, 25.5% in 2021, 15.3% in 2022, then turning negative on a year ago basis starting in December 2022. In 2023, total residential construction spending declined -6.0%. After 11 months of consecutive monthly declines year-over-year in December 2022–October 2023, total residential construction began posting monthly year-over-year increases in November 2023 which continued through July 2024. For January–July 2024, total residential construction spending registered average monthly year-over-year increases of 8.4% and future data revisions will be watched closely (Figure 28 above; Census).

Building Permits

As harbingers of future housing development, housing starts and building permits continued to mostly decline in the first eight months of 2024, based on the latest Census data. In January–August 2024, housing starts declined in four of the eight months, registering monthly average year-over-year decreases of -3.3%, and building permits declined in seven of the first eight months, also posting monthly average year-over-year decreases of -3.3% during that period. This slowdown followed declines overall in 2022–2023 with housing starts decreasing -2.7% year-over-year in

2022 and -7.3% in 2023 and building permits decreasing -2.9% year-over-year in 2022 and -8.7% in 2023. However, despite these declines the average seasonally adjusted annual rate of housing starts and building permits in January–August 2024 (1,354 and 1,466, respectively) still exceeded the average rates of 2017–2019 before the pandemic (1,248 and 1,334, respectively) (Figure 32; Census).

Figure 32: U.S. Housing Starts and Building Permits, January 2000 – July 2024



The housing market presented mixed signals in the first eight months of 2024 with year-over-year increases in total residential construction spending but average year-over-year declines in housing starts and building permits and likely reflecting the continued weight of higher mortgage rates and affordability factors. Close monitoring will stay alert to whether the housing market establishes a more solid path forward.

G. Leading Indicators and the Yield Curve

At this writing, economic forecasts are being revised in response to the unexpectedly strong results in real GDP growth in Q2:2024 and continued growth in consumer spending, private business investment, nonresidential and residential construction and the services sector, but softening signs in employment, manufacturing, housing starts and building permits, and seesawing in consumer confidence and sentiment. As such, a “soft landing” scenario is widely the base case in economic projections with caveats related to several downside risks. Additionally, standard indicators of future economic activity are currently pointing to a continued cooling in the economy as desired by the Federal Reserve but not a recession. However, many indicators are hovering between the contractionary zone of their indices and a more breakeven or mild expansionary territory which heralds continued close monitoring.

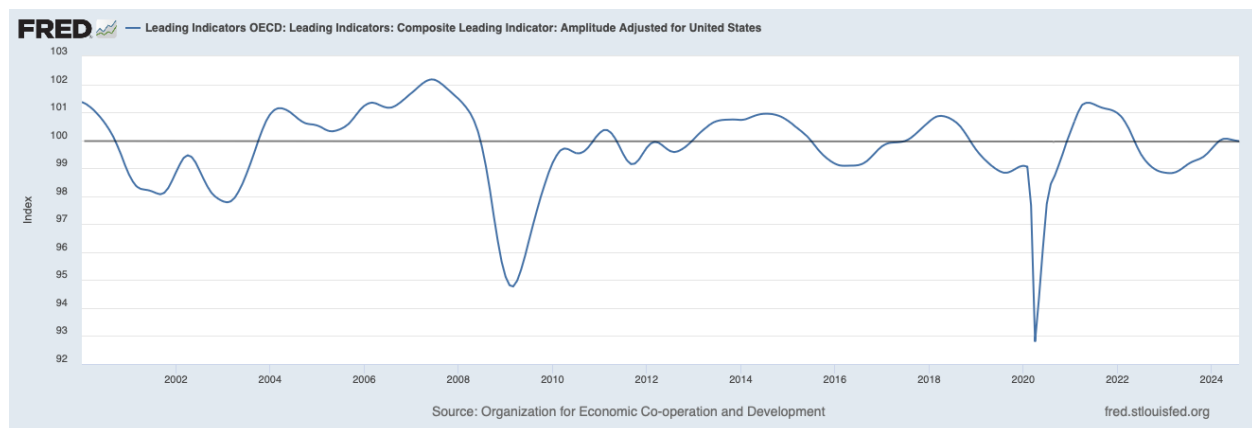
Different standard indicators having been found to have different predictive records across different time frames. Based on research, leading indicator indices that combine several macroeconomic measures have been found to perform better in a one-year horizon than those with fewer measures. Over a longer time horizon, the yield curve inversion also has been found to

perform as an effective advance signal of recession within 12 to 24 months in past business cycles (Federal Reserve).

Given these research findings, two indicators are referenced in this section that both generally suggest a continued cooling of the economy into the soft landing scenario desired by the Federal Reserve but not a recession: (a) the U.S. Composite Leading Indicator (CLI) which combines several U.S. macroeconomic measures as published by the Organization for Economic Cooperation and Development (OECD), and (b) the yield curve inversion as measured by the difference between the 10-year maturity and 2-year maturity rates on Treasury notes.

Based on recently revised data, the OECD U.S. CLI improved in the first half of 2024 and then remained essentially flat in Summer 2024. The U.S. CLI steadily climbed in Spring 2023 through early 2024, breaking past the long-term trend of 100 in March 2024, and continuing with monthly increases through June 2024 and stayed mostly flat in July–August 2024 (Figure 33; OECD). The consistent pattern of improvement from Spring 2023 to Summer 2024 reflected the receding discussion of a potential recession and the solidification of the soft landing forecast among prominent forecasters with continued moderate economic growth, and the flatlining in Summer 2024 likely reflected concerns about the loosening job market and the future course of monetary policy at that time.

Figure 33: U.S. Leading Indicator Index, January 2000 – August 2024 (index)



Seasonally adjusted

Inversion of the yield curve has mostly preceded recessions in the last 50 years, with shorter term rates exceeding longer term rates because investors are less optimistic about economic prospects in the near term and move more money into longer-term investments. Often measured by the yield on the 10-year treasury note minus the yield on the 2-year treasury note, this yield curve measure continued to improve in the first eight months of 2024 after beginning a steady climb from deep inversion in Summer 2023, breaking out of inversion territory into a flat yield curve in August 2024 and gaining a slight, more typical positive slope in September 2024 (Figure 34; Federal Reserve). Again, the consistent pattern of improvement since Summer 2023 reflects the receding discussion of a potential recession and the solidification of the soft landing forecast among prominent forecasters with continued moderate economic growth. Notably, the turning points in the yield curve, i.e., moving from a normally rising curve to inversion in July 2022 and then

inversion bottoming out in July 2023, closely correspond to key turning or break points in inflation with inflation peaking in June 2022 and taking a big downward step in June 2023 (Federal Reserve, BLS).

These two forward-looking indices are used cautiously given the unique circumstances of the current economic conditions which are characterized by working back from the myriad effects and byproducts of a global pandemic, including healing supply chains, and historically low unemployment grounded in an aging workforce. The efficacy of applying past, conventional barometers of business cycles, mostly developed in the last 40-50 years, to the current post-pandemic period is untested. Hence, close monitoring and ongoing analysis is warranted and will be maintained going forward.

Figure 34: U.S. Treasury Monthly Yield Curve (10-Year Maturity Minus 2-Year Maturity Rate), June 1976 – October 1, 2024 (%)



Not seasonally adjusted

H. National Economic Outlook

The economy brought strong momentum from the robust last half of 2023 into 2024, including vigorous real GDP and employment growth, stronger consumer confidence and sentiment, a growing services sector, and improvements in the housing market. Manufacturing, however, remains sluggish. The U.S. economy proved remarkably resilient despite the aggressive monetary tightening worldwide in 2022–2023 to arrest inflation, and outperformed Europe and the other mature economies in 2023 primarily due to the significant government supports to households and state and local governments and the U.S. avoiding the extent of food and energy spikes that Europe and other countries have been facing with the reordering of geopolitics. The widely projected recession in 2023 did happen in the United Kingdom and Europe while the U.S. economy actually experienced strong growth (Conference Board, BEA, Deloitte).

Given the solid economic expansion through the first eight months of 2024, at this writing several prominent U.S. forecasts project continued solid real GDP growth in 2024 with moderation in quarterly real GDP in H2:2024 and milder growth in 2025. Overall, as of this writing U.S. real GDP (the primary barometer of economic growth) is generally projected to experience solid growth overall in the 2.0%-2.7% range in 2024 with a median forecast of 2.6% among the

prominent forecasts noted in Table 2 below and forecast revisions are expected after the Federal Reserve’s recent cut in the federal funds rate at its September 18, 2024, FOMC meeting. Based on the current prominent forecasts in Table 2, milder growth is projected in 2025 in the 1.5%-2.0% range with a median forecast of 1.8% which is close to the range of normal-trend growth. Current forecasts are limited for 2026 and preliminarily project continued moderate to normal-trend growth. While enduring consumer resiliency buoyed the economy throughout 2023 into Summer 2024, prevailing thought at this writing is that caution flags lie ahead regarding consumers’ ability to maintain the previous levels of total spending. As such, it is projected that as 2024 proceeds the U.S. economy will continue to gradually cool down from the robust growth in late 2023 while avoiding an official recession and maintaining positive, lower growth, and then emerge sometime in 2025 into an era of moderate to normal-trend growth in 2025–2026 (Federal Reserve, National Association for Business Economics (NABE), Conference Board, S&P Global, Fitch Ratings, Wells Fargo Economics, KPMG Economics, and University of Michigan).

Table 2: Selected U.S. Economic Forecasts for 2024 – 2026

Organization	Forecast U.S. Real GDP (% change, annual)		
	2024	2025	2026
Federal Open Market Committee (Federal Reserve), September 2024	2.0%	2.0%	2.0%
National Association for Business Economics, September 2024	2.6%	1.8%	
S&P Global, September 2024	2.7%	1.6%	1.9%
Fitch Ratings, September 2024	2.5%	1.5%	
Wells Fargo, U.S. Economic Outlook, September 2024	2.6%	1.9%	2.6%
KPMG Economics, Economic Compass, September 2024	2.6%	1.8%	
Conference Board, September 2024	2.4%	1.7%	
University of Michigan, August 2024	2.6%	1.9%	2.5%

Longer term, demographics are projected to impact the U.S. and other mature economies’ growth trajectory. Recent Conference Board analyses indicate that the U.S. economy experienced average annual growth of 2.4% in 2011–2019 between the Great Financial Crisis and the coronavirus pandemic. However, the Conference Board projects that U.S. average annual growth will be 1.6%-1.7% during 2026–2035 primarily due to smaller contributions from labor with an aging demographic that will be partially offset by accelerated digital transformations resulting from the pandemic and current investments in infrastructure. Long-term growth in other mature economies also is projected to be impacted by demographic trends with the growth outlook for Europe and Japan significantly trailing that for the U.S. (Conference Board, Global Economic Outlook and Labor Markets Watch, 2024, September).

Inflation and interest rates are substantial factors impacting consumers and businesses and the course of the economy in 2024. Significant progress in the fight against inflation was made in 2023 and the U.S. economy still achieved strong growth. The rate of inflation dropped from 6.6% year-over-year in January 2023 to 3.1% in January 2024, and the economy grew 2.9% in 2023, faster than the 2.5% real GDP growth rate in 2022. After aggressively increasing the federal funds rate a total of 5.25% with 11 rate increases during March 2022 to June 2023, the Federal Reserve maintained the federal funds rate at 5.25%-5.50% during July 2023–August 2024. With continued indications of labor market cooling the balance has shifted more to the employment side of the Federal Reserve’s dual mandate of price stability and maximum employment. Since late 2023 the Federal Reserve signaled its intention to begin cutting interest rates in 2024 depending on data confirming that inflation had been significantly curtailed and was heading toward the Fed’s 2% long-term target. The Fed’s three quarterly Summery of Economic Projections (SEP) of December 2023, March 2024 and June 2024 signaled variations in the potential timing and degree of rate cuts by the end of 2024 as the Fed evaluated the bounce in inflation in early 2024 and its resumed downward trend in Summer 2024. However, an easing in interest rates by the end of 2024 were consistently projected in the SEPs over those three quarters (Federal Reserve, BEA).

With inflation’s resumed decline in recent months along with further cooling in the labor market, Federal Reserve Chairman Powell indicated in August 2024 at an annual economic symposium sponsored by the Federal Reserve Bank of Kansas City that the upside risks of inflation had decreased, the downside risks of employment had increased, and the time had come to adjust policy with “the timing and pace of rate cuts dependent on incoming data, the evolving outlook, and the balance of risks” (Federal Reserve, 2024, August 23). Recent public statements by other Federal Reserve officials also had suggested that rate reductions could start as early as the September 2024 FOMC. As such, there was broad but not officially confirmed anticipation that the Federal Reserve would begin rate cuts at its next September 18, 2024, FOMC meeting which did ultimately happen. A new quarterly SEP update also was released on that day which expects a gradually declining federal funds rate in 2024–2027, along with inflation gradually moving toward the Fed’s long-term 2.0% target, slightly higher but still historically low unemployment and near-term real GDP growth of 2.0% annually during that period (Federal Reserve).

With the significant progress on inflation thus far and the Federal Reserve’s commitment to permanently stem inflation, prominent forecasts for 2024 generally expect inflationary pressures from supply-side frictions, shelter (rents), and labor market conditions to continue to gradually soften through the remainder of 2024. It is not expected to be a smooth ride since goods and energy commodity prices (not energy services) led inflation moderation in late 2022 to mid-2024 (especially the actual drop in used car and gasoline prices) and shelter and services prices have not yet shown deceleration to a similar degree (BLS and BEA). Going forward, U.S. inflation overall is currently forecasted to be generally in the 2.9%-3.0% range in 2024 and 2.1%-2.4% range in 2025 (Table 3; NABE, Wells Fargo, KPMG Economics, and University of Michigan).

Table 3: Selected U.S. Inflation Forecasts for 2024 – 2026

Organization	Forecast U.S. CPI (% change, annual)		
	2024	2025	2026
National Association for Business Economics, September 2024	2.9%	2.3%	
Wells Fargo, U.S. Economic Outlook, September 2024	2.9%	2.3%	2.4%
KPMG Economics, September 2024	2.9 %	2.1%	
University of Michigan, August 2024	3.0%	2.4%	2.4%

Hence, a “soft landing” scenario, where the economy gradually heads toward lower inflation and wages and the economy grows moderately while avoiding recession, is the prevailing view among prominent forecasts with caveats to remain watchful as 2024 proceeds. Key factors impacting the U.S. economic outlook are cooling labor markets; continued sticky core inflation in the U.S. and abroad; tight credit conditions and lending standards; commercial real estate market challenges; pressured real disposable income; cooling consumer and business demand; U.S. election year dissonance which fuels uncertainty and dampens demand; geopolitical risks; higher global energy, food, and commodity prices; continued supply chain challenges; shifting trade flows; and slower global growth (Federal Reserve, National Association for Business Economics (NABE), Conference Board, S&P Global, Fitch Ratings, Wells Fargo, KPMG Economics, and University of Michigan).

Additionally, the demographics of an aging workforce and accelerated retirements triggered by the pandemic are expected to continue to exert tightness on the labor market and partially mitigate the employment impacts of a cooling economy. While the labor market loosened with lower job openings and quit rates in 2023 through Summer 2024, the rise in the official unemployment rate in 2024 remained in historically low territory and below the prepandemic averages of 2017-2019 (BLS).

With consumer spending comprising nearly 70% of the U.S. economy, as goes the American consumer goes the economy. Active consumer spending plowed through 2023 into Summer 2024, despite varying consumer confidence and sentiment, fueled by continued solid jobs and wage growth; lower prices, especially gas; drawdowns of the remaining savings accumulated during the pandemic; and increased consumer debt. Further, consumers expressed increased confidence and sentiment and lower inflation inspections in the latest surveys. Yet, with evolving consumer behavior of both caution and downtrading along with selected splurging, the exhaustion of pandemic-era excess savings, and increasing credit card debt and delinquencies, the pace of consumer spending is projected to moderate (BEA, BLS, Conference Board, University of Michigan, Federal Reserve, McKinsey, National Restaurant Association).

The outlook is “partly sunny/partly cloudy” with several dynamics operating. On the one hand, consumer spending, while cautious, could possibly continue to provide a foundation as it has done

since 2021 while the U.S. economy continues to work toward normalizing after the series of global disruptions of 2020 through Summer 2024 and related impacts. However, the sustainability of the recent active level of consumer spending remains to be seen with continued labor market loosening, exhausted excess savings, and increased household debt burdens. Further, the Federal Reserve has many factors to balance as it steers the economy toward a soft landing. The timing and pace of Federal Reserve rate cuts remain uncertain at this writing and will depend on a range of emerging economic data including the path of core inflation as well as labor, consumer and business market dynamics.

Risks to the U.S. Economic Outlook

As of July 2024, the economy exhibited solid overall growth with signs of gradual cooling in the consumer and business sectors as desired by the Federal Reserve as part of its commitment to tame inflation. The prominent forecasts project continued gradual cooling in economic growth in the remainder of 2024 from the unsustainable high growth of the second half of 2023 while maintaining positive, lower overall growth and avoiding an official recession, moderate growth in 2025, and an approximately normal-trend pace of annual growth in 2026. There are many swirling winds at this writing, both headwinds and tailwinds.

Headwinds and downside risks to the forecasts include potential monetary policy uncertainty or hard landings, additional loosening in the labor market, increasing unemployment with a hard landing, cooling consumer and business demand and spending, persistent core inflation, tight credit conditions and lending standards worldwide, commercial real estate challenges with vacancies and mortgage rollovers in the higher interest rate environment, supply chain disruptions, shifting trade flows, widening geopolitical risks, and slower global growth.

Tailwinds and upside risks to the forecast include a soft landing to tight monetary policy (e.g., jobs, wages, housing, manufacturing, and services); potentially lower inflation to a material degree; uplift to the global, slower growth outlook; an end to the Russian-Ukrainian and Middle East wars; reduced other geopolitical risks; increased business investment; and faster productivity growth.

Again, close monitoring is warranted as the U.S. economy continues to move through the current economic inflection point.

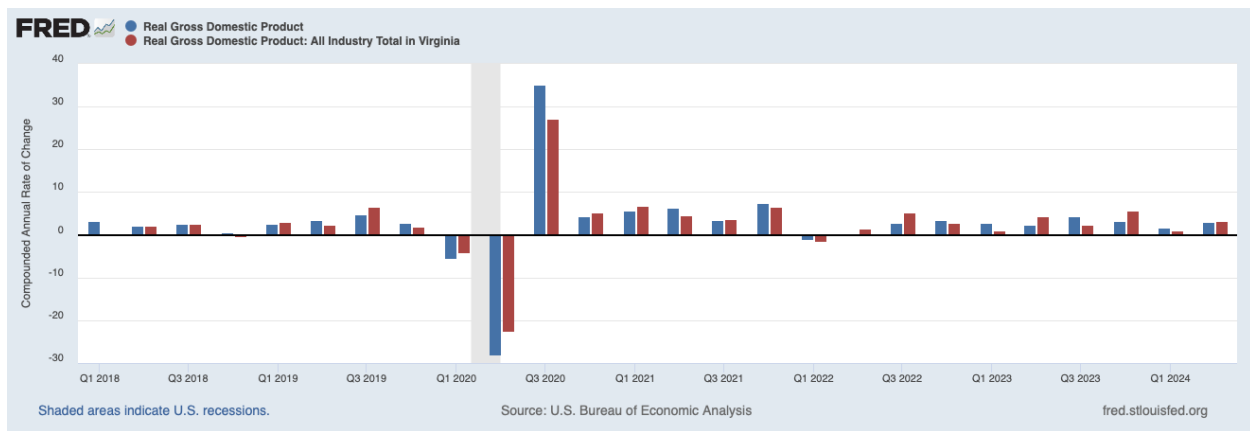
V. Virginia Economic Overview and Outlook

This section provides a detailed analysis of the Virginia economy and its relationship to the national economy, including overall economic growth, labor market trends, and consumer and housing activity.

A. Virginia's Economic Growth Overall

Based on the latest revised BEA data, Virginia's real GDP path was similar to the national pattern (quarterly and annual) but posted somewhat different levels of growth for most of the period of 2022 through Q2:2024. In 2021 Virginia's economic growth (5.8%) slightly trailed that of the U.S. (6.1%), and economic growth in both Virginia and the U.S. slowed in 2022, but Virginia's real GDP growth posted at 2.7% in 2022 as compared to 2.5% in the U.S. In 2023, Virginia's overall growth rate, 2.9%, was essentially the same as the U.S. rate that year (also 2.9%) although the quarterly patterns within 2023 were slightly different. Based on the latest revised BEA data, Virginia's real GDP seasonally adjusted annual growth rate of 3.2% in Q2:2024 was stronger than the 3.0 % companion rate for the nation during that period (Figure 35; BEA). Given the significant revisions in state and national data that can occur with the BEA ongoing, routine reviews as more complete information becomes available, close monitoring will continue through the remainder of the year.

Figure 35. U.S. and Virginia GDP, Q1:2018 to Q2:2024 (%q/q)



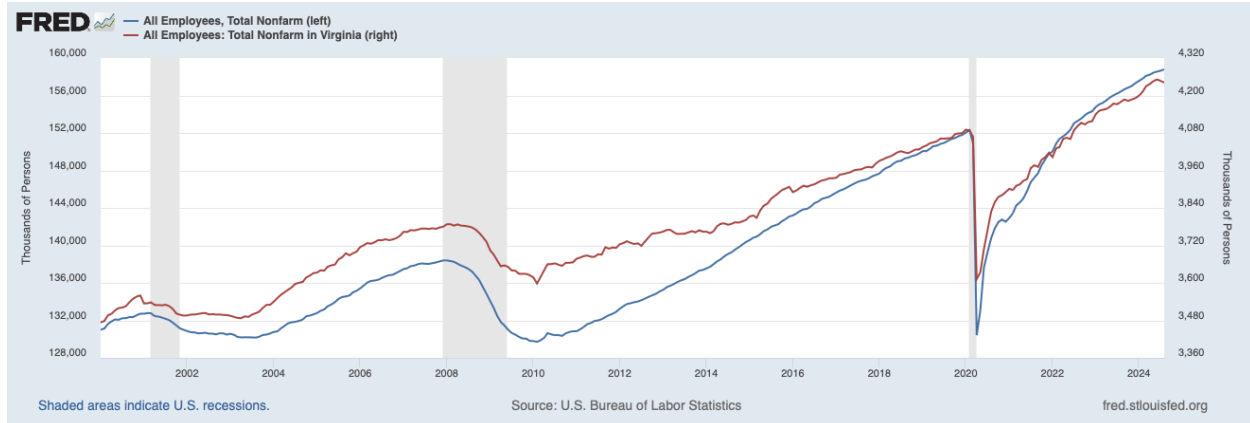
Seasonally adjusted annual rate

B. Virginia's Labor Market Trends

Jobs

In the labor market, Virginia has had a slower, more uneven job recovery since the pandemic as compared to the nation. Based on the latest revised BLS data, Virginia posted consistent monthly job growth in November 2023–June 2024, then lost jobs monthly in July–August 2024. The steady jobs growth of November 2023–June 2024 helped the state to partially begin to catch up with the faster pace of job growth in the U.S. in 2021–2023, but the job losses in July–August 2024 stalled the jobs recovery. While the pattern of Virginia's job trends since 2020 had generally followed that of the nation, the state's job trends had proceeded at a different pace and took a more uneven course as compared to the nation. In 2020, the U.S. lost a greater percentage of jobs (-5.8%) as compared to Virginia (-4.9%), but each year during 2021–2022 the nation recovered jobs more quickly than Virginia. In 2023, Virginia pulled even with the U.S. in the annual rate of job growth (2.3%) and the bumpiness in 2024 in the state's job growth pattern will be watched closely (Figure 36; BLS).

Figure 36: Total Nonfarm Payroll Jobs: U.S. & Virginia January 2000 to August 2024 (units)



Seasonally adjusted

At the end of 2023 the U.S. had surpassed the February 2020 prepandemic level of total nonfarm payroll jobs by 3.3% as compared to Virginia's 2.5%. In the first eight months of 2024, Virginia's mostly positive but bumpy job growth pattern led to the gap remaining between Virginia's and the nation's job recovery since the pandemic. As of August 2024, the U.S. had surpassed the February 2020 prepandemic level of total nonfarm payroll jobs by 4.3% as compared to Virginia's 3.8% (Figure 37; BLS).

Figure 37: Virginia Monthly Change in Nonfarm Payroll Jobs, January 2021 – August 2024



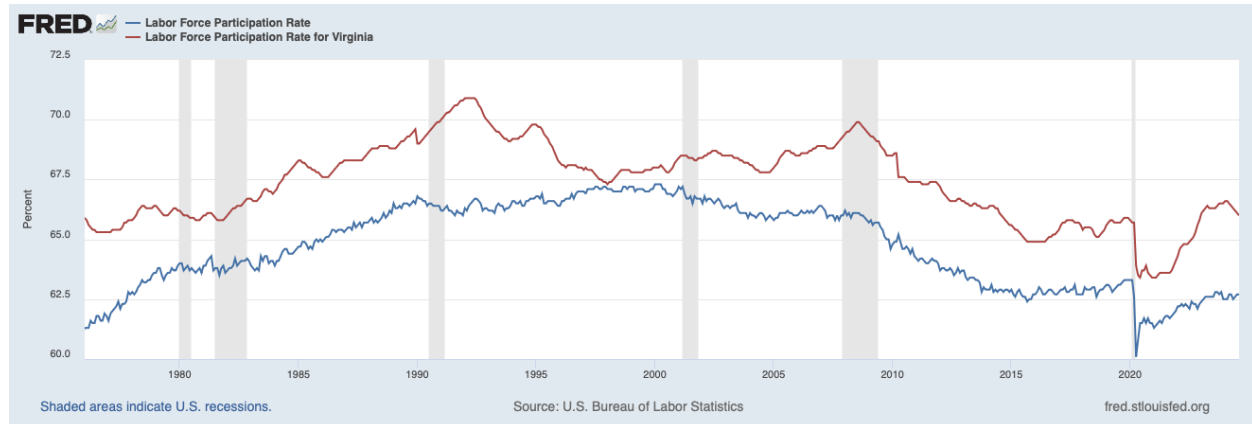
Seasonally adjusted

Labor Force Participation

Additionally, Virginia's labor force participation rate continued the steady march back from the lows of 2020–2021, reaching 66.6% in January–February 2024, at almost 1.0% above the prepandemic level of 65.7% in February 2020 and the 65.6% annual average of 2017–2019. However, Virginia's labor force participation rate trended down monthly in March – July 2024,

registering at 66.0% in August 2024. By comparison, the U.S. labor force participation rate did not recover to the same degree as Virginia's since the pandemic. In January–August 2024 the average monthly U.S. labor force participation rate of 62.6% was still slightly trailing the national prepandemic average of 62.9% in 2017–2019 (Figure 38: BLS).

Figure 38: Labor Force Participation: U.S. and Virginia January 1976 to August 2024

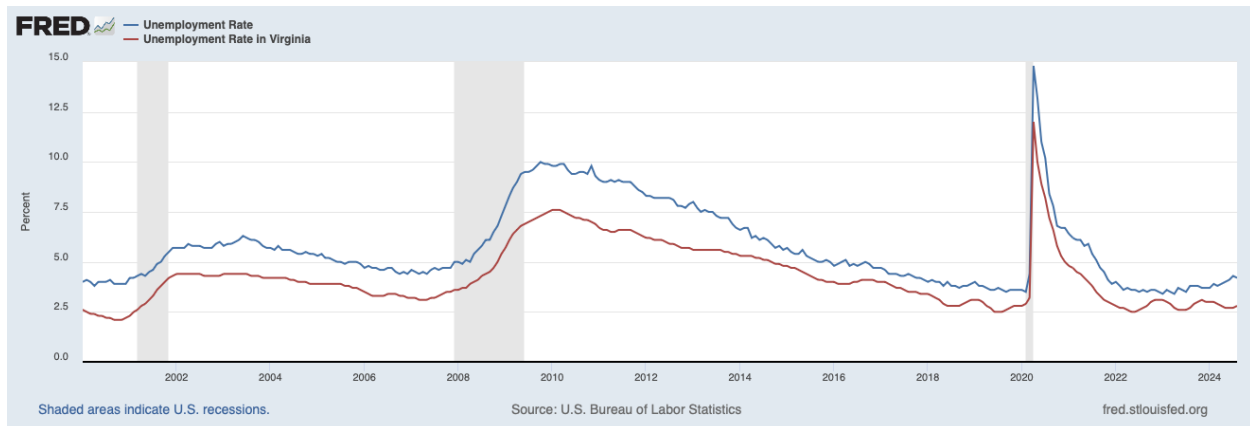


Seasonally adjusted

Unemployment

Virginia's official unemployment rate (U-3) registered below the nation's official unemployment rate throughout January–August 2024, similar to the prevailing historical pattern with the distance between the two rates noticeably widening in January–July 2024, then narrowing slightly in August 2024. In August 2024, Virginia's U-3 unemployment rate registered at 2.8% as compared to 4.2% for the U.S. These unemployment improvements correspond to Virginia's improved job growth during November 2023–June 2024 with concerning signals returning with Virginia's reported monthly job losses in July–August 2024. During various periods in 2022–2023, the distance between Virginia's official unemployment rate and that of the nation's distinctly narrowed, sometimes almost by half. By early 2024, Virginia's official unemployment rate returned to averaging approximately 0.8% below the corresponding national rate, similar to the prepandemic trend in 2017–2019, and that favorable distance had doubled by July 2024, but then narrowed slightly in August 2024. Overall, Virginia's unemployment rate in January–August 2024 registered in the same general range as the annual unemployment rates experienced prepandemic in 2018–2019 (Figure 39; BLS). Given the recent upticks in the nation's and state's unemployment rate, continued close monitoring in prudent.

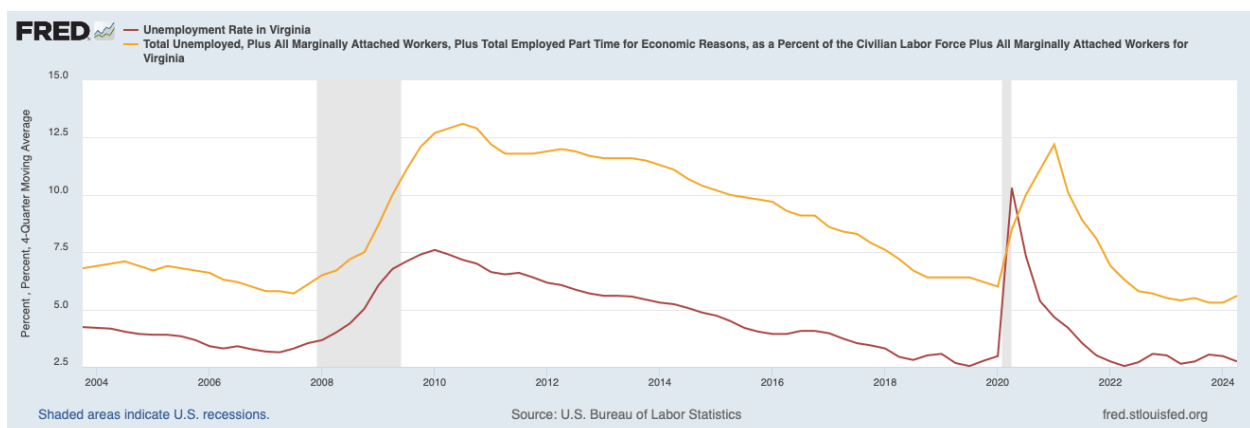
Figure 39: Unemployment Rate (U-3 Official Rate): U.S. and Virginia, January 2000 – August 2024 (%)



Seasonally adjusted

Virginia's fuller measure of unemployment, U-6 which is available quarterly as four-quarter moving averages for states (not seasonally adjusted), also remained below the respective national levels throughout 2023 into the second quarter of 2024 and registered below the state's prepandemic annual averages for 2017–2019. While Virginia's U-6 unemployment rate registered in the first quarter of 2024 at the same level as the annual average in 2023, 5.3%, the state's U-6 measure ticked up slightly to 5.6% in the second quarter of 2024, while it still posted well below the comparable national rate during that period (Figure 40; BLS).

Figure 40. Unemployment Rate: Virginia BLS U-3 (Official Rate) and BLS U-6, Q3:2003 – Q2:2024



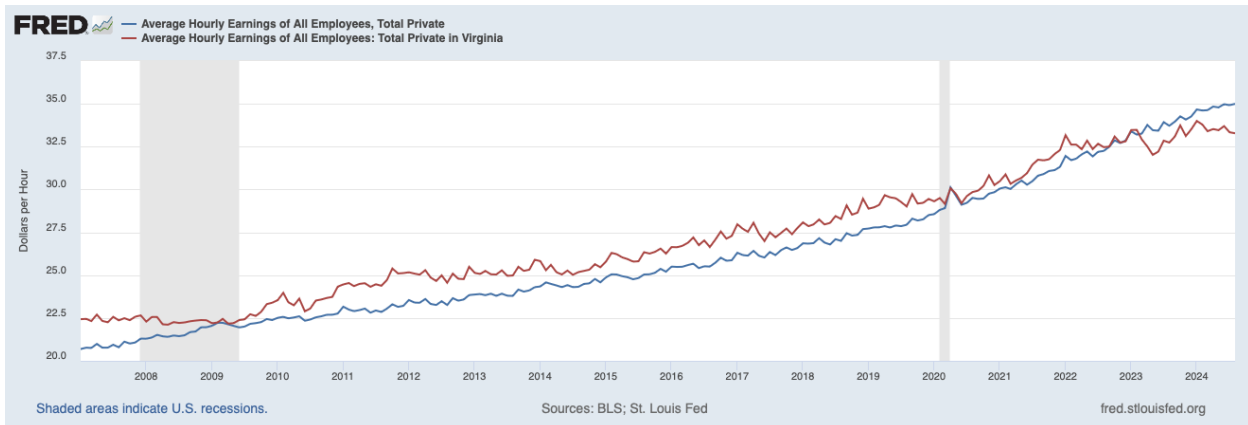
Household survey; not seasonally adjusted

Wages

Based on the latest BLS data, Virginia's monthly wage growth improved in the first eight months of 2024 as compared to 2023, achieving a monthly year-over-year average of 2.4% in January–August 2024 although the pace of monthly growth slowed markedly while staying positive in July–August 2024. The consistently positive monthly pattern of monthly wage growth in the first eight

months of 2024 improves on the bumpy wage growth pattern exhibited in 2023, oscillating up and down throughout that year, including two months of losses, and finishing 2023 with a tepid overall 0.9% average annual growth in wages. By comparison, Virginia recorded prepandemic annual wage growth rates of 2.2%-3.2% in 2017–2019 (Figure 41; BLS). Virginia’s monthly wage growth will continue to be closely monitored especially given the job growth challenges experienced post-pandemic through 2023 and Summer 2024.

Figure 41. Average Hourly Earnings: U.S. and Virginia January 2007 – August 2024



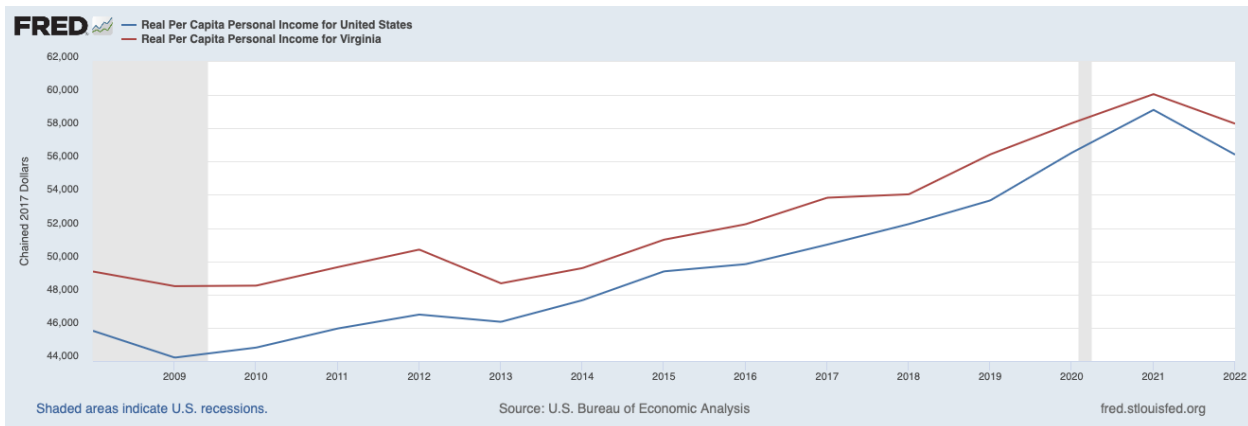
Not seasonally adjusted

C. Virginia’s Consumer Activity

Personal Income

Virginia’s real per capita personal income has been historically higher than that of the U.S., but to a lesser degree in 2020–2021, and the state’s real per capita personal income followed the national pattern of increasing during 2008–2021, then decreasing in 2022 as inflation peaked and a took bite out of incomes. Real per capita personal income data for 2023 will be available toward the end of this year and is expected to reflect improvements in real personal income with significant reductions in inflation (Figure 42; BEA).

Figure 42. Real Per Capita Personal Income: U.S. and Virginia 2008–2022

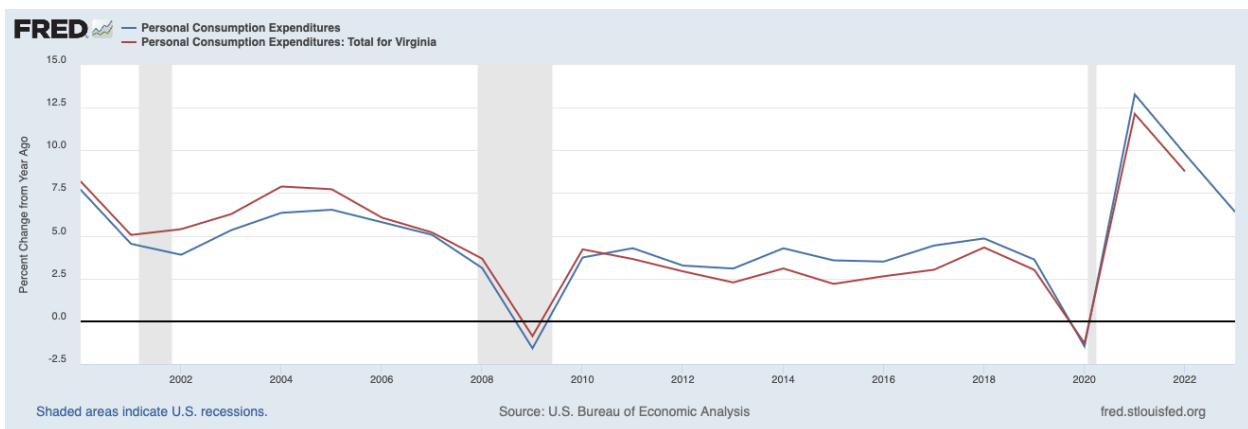


Not seasonally adjusted

Consumer Spending and Retail Trade

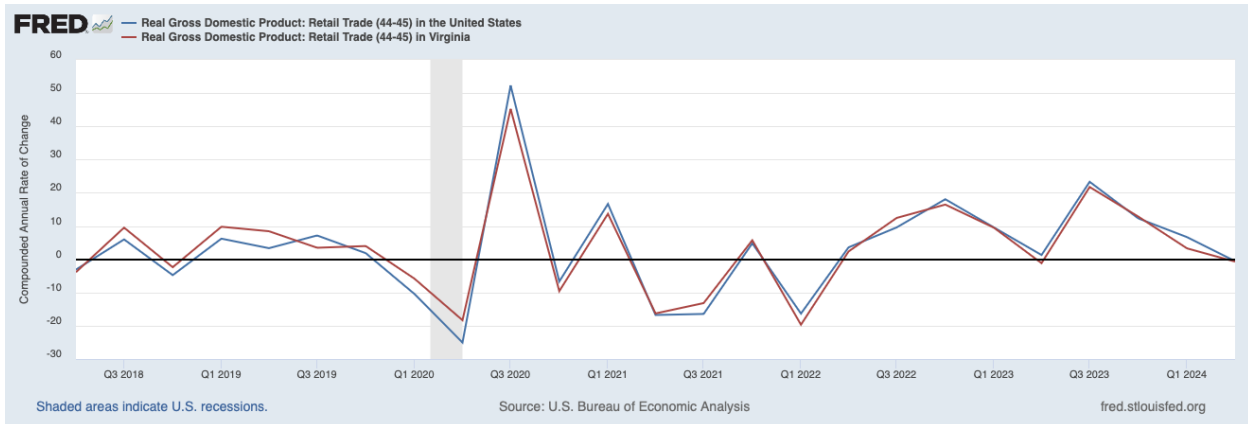
Virginia's consumer spending closely mirrored national annual growth trends through 2022 based on available data (Figures 43; BEA). The quarterly growth in Virginia's retail trade spending generally followed respective national growth trends in 2018 to mid-2024, with Virginia posting slower quarterly growth in retail trade than the nation during the first half of 2024, based on the latest BEA data (Figure 43; BEA).

Figure 43. Consumer Spending: U.S. and Virginia 2018–2022 (%y/y)



Not seasonally adjusted

Figure 44. Retail Trade: U.S. and Virginia Q2:2018 – Q2:2024



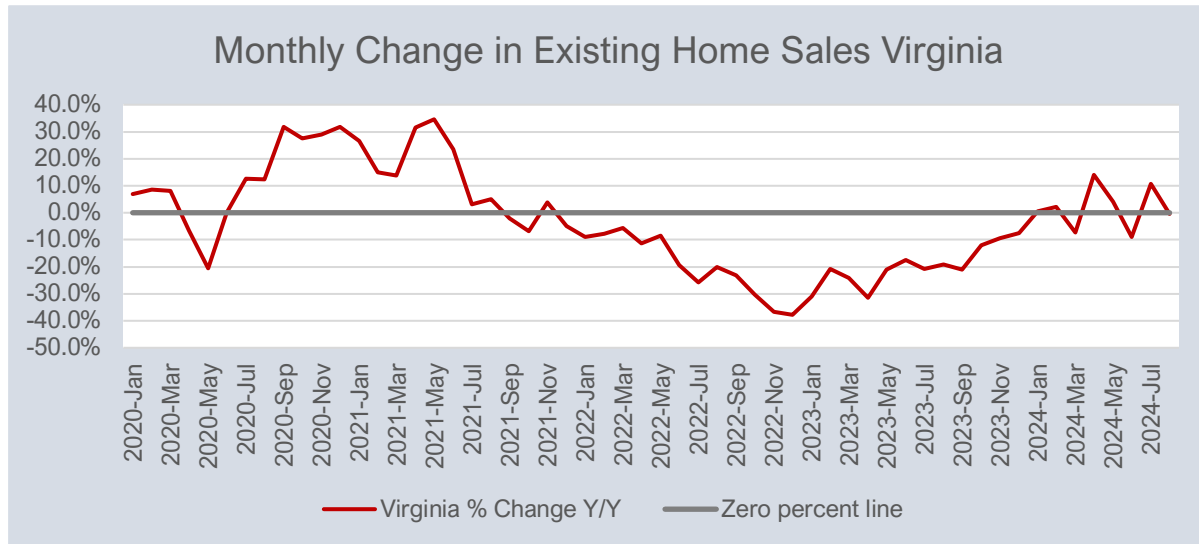
Seasonally adjusted annual rate

D. Virginia's Housing Activity

Existing Home Sales

Looking to housing, Virginia's total existing home sales increased 1.8% in January–August 2024 as compared to the same period last year, posting positive year-over-year increases in five of the eight months during that period with monthly year-over-year changes in total home sales ranging from -8.9% to 10.7%. This modest overall increase in January–August 2024 in Virginia follows annual decreases in total home sales of -20.2% in 2023 and -20.0% in 2022 (Figure 45). In 2023, Virginia reached the lowest level of sales activity in the state since 2014, registering 98,464 total home sales which was well below the prepandemic annual average of 123,473 total home sales registered in 2017–2019 in the state. The Virginia Association of Realtors reported that the statewide slowdown in sales in 2023 was broad-based with 88% of counties and cities experiencing lower sales volume and the sharpest sales drops occurring in the Shenandoah Valley, Northern Virginia, and Hampton Roads. (Virginia Association of Realtors (VAR)).

Figure 45. Existing Home Sales: Virginia January 2020 – August 2024 (%y/y)



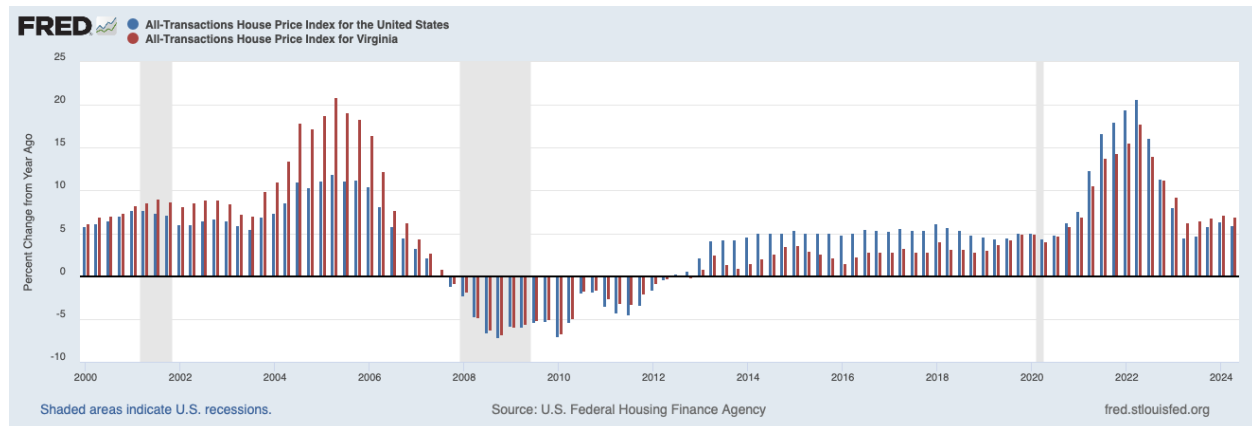
Source: Virginia Association of Realtors

Home Prices

Despite the mixed home sales pattern in the first seven months of 2024, the housing market stayed competitive due to pent-up demand relative to a limited supply of homes for sale. Virginia's median home prices recorded 5.1% average monthly year-over-year increases in January–August 2024, posting positive monthly growth rates ranging from 3.7% to 7.3%. In 2023, the annual median sales price of homes increased 4% overall in Virginia (VAR).

Moreover, looking at home values based on both purchases of new and existing homes and refinancing appraisals as reported by the Federal Housing Finance Agency (FHFA House Price Index (HPI) All Transactions), Virginia posted continued quarterly year-over-year growth in home values in the first half of 2024, growing 7.2% in Q1:2024 and 7.0% in Q2:2024 as measured by the HPI All Transactions. These home value increases followed average annual growth of 7.2% in 2023, 14.7% in 2022, and 11.5% in 2021. By comparison the FHFA House Price Index All Transactions recorded average annual increases of 3.4% in 2017-2019 (Figure 46; FHFA). Given the soft home sales patterns since 2022 and the slowing pace of growth in home values, future quarterly FHFA and monthly VAR data will continue to be monitored closely.

Figure 46: House Price Index All Transactions: U.S. and Virginia, Q1:2000 – Q2:2024 (%y/y)



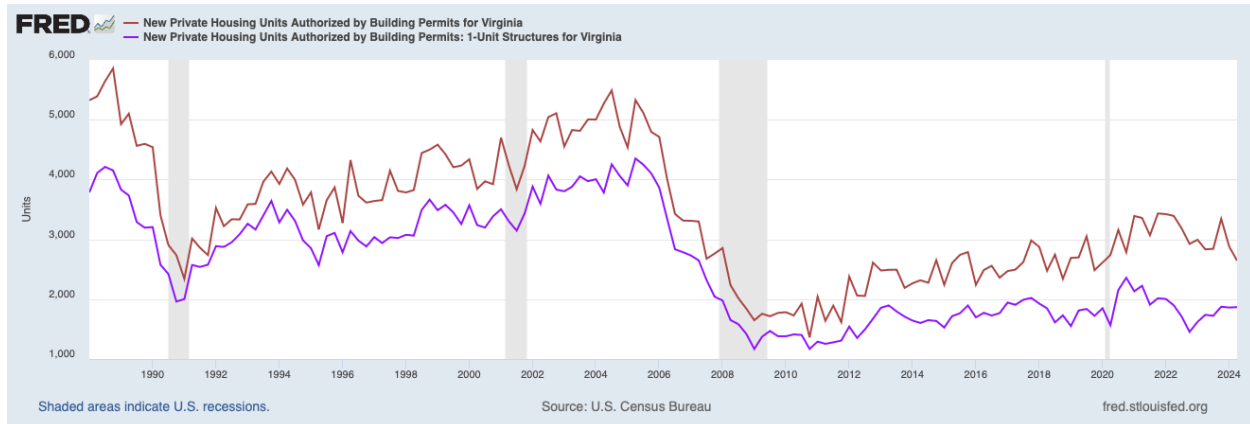
Not seasonally adjusted

Building Permits

As a standard indicator of future home building, Virginia's new residential building permits data in the not seasonally adjusted format is used for comparability with the corresponding monthly Charlottesville MSA and annual Albemarle County data. Since the data are not seasonally adjusted, comparisons to relevant periods in the prior year are used to minimize seasonal variations in the data. While the Federal Reserve also provides a seasonally adjusted format for Virginia's building permit data which is more comparable with the national data, the not seasonally adjusted format for Virginia is used for comparability with local and regional data (Census).

In the first seven months of 2024, Virginia's new residential building permits were essentially flat as compared to the same time last year (-0.2% year-over-year growth), boosted by significant monthly year-over-year increases in February 2024 and July 2024, based on revised Census data. The building permits in Virginia followed the rise and fall in the housing market over the last four years, declining -7.1% in 2023 and -2.5% in 2022 after growing 17.4% in 2021 and 3.3% in 2020. By comparison, new residential building permits registered average annual growth of 4.3% in 2017–2019 before the pandemic with noticeable variation during that period (4.7% in 2019, -1.3% in 2018, and 9.6% in 2017). The pattern of new residential building permits for single family homes generally followed the pattern of total new residential building permits except for the slump in the new homes market in 2022–2023 related to higher mortgage rates (Figure 47; Census).

Figure 47: New Residential Building Permits: Virginia Q1:2000 – Q2: 2024



The encouraging, but still nascent, improvements in Virginia’s housing market in the first eight months of 2024 will be closely monitored through the remainder of the year to determine if the bottom of the housing market slowdown was actually reached and improvements expand.

E. Multistate Regional Trends

For multistate regional trends, the Federal Reserve Bank of Richmond (Richmond Fed) reported that the economy slowed mildly in late-July to August 2024 in its Fifth District (District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and most of West Virginia). Similar to national trends, The Richmond Fed reported that manufacturing activity contracted slightly in August 2024, with improvements in shipments and continued declines in new orders and employment, slower average growth in prices paid, and slightly increased average growth in prices received which remained relatively low. Manufacturing firms responding to the survey were optimistic about future shipments and orders with the indices for those categories remaining solidly in positive territory (Federal Reserve Board of Governors and Federal Reserve Bank of Richmond).

In the service sector, The Richmond Fed reported slower service sector activity in its district in August 2024, with the revenue and demand indices decreasing, the employment index remaining flat in slightly negative territory, and reported wage increases. However, firms were more optimistic about the future and the indices for future revenues and demand remained solidly in positive territory. In August 2024, The Richmond Fed reported declines in consumer spending on retail goods, vehicles and tourism in recent weeks. The Richmond Fed also indicated that price growth continued to slow slightly in its district, but year-over-year inflation remained somewhat elevated (Federal Reserve Board of Governors and Federal Reserve Bank of Richmond).

Similar to national and Virginia trends, The Richmond Fed reported in August 2024 that residential real estate activity softened alongside mortgage loan demand. However, increased demand for home equity lines of credit were reported by banks. Commercial real estate (CRE) activity picked up slightly with an increased demand for retail leasing and continued strength in industrial construction. Office space continued to experience right-sizing with more investments going

towards augmenting the aesthetics to support the post-pandemic workplace and revamped rationale for the office. The Richmond Fed further reported that commercial investors were increasingly struggling with loans maturing and were declining replacement rates and potential new investors were sitting on the sideline (Federal Reserve Board of Governors and Federal Reserve Bank of Richmond).

F. Virginia's Economic Outlook

Based on the Virginia data available for 2024 (some monthly, quarterly, and annual state data are reported with varying lags), Virginia's key economic indicators generally followed the patterns of the related national indicators, albeit sometimes at different levels, with notable labor market exceptions. Virginia's monthly job growth mostly trailed the nation's in 2021 into early 2023, partially closed the gap during Fall 2023 to Summer 2024, but is reported as experiencing monthly job losses in July–August 2024 when the nation still had solid job growth. In August 2024, the nation's total nonfarm jobs exceeded its prepandemic level of February 2020 by 4.2% as compared to 3.8% in Virginia, reflecting the state's slower overall job recovery since the pandemic. Additionally, Virginia's official unemployment rate and wage growth also followed the pattern of improvements in the first half of 2024 and then slowing or receding slightly in Summer 2024, somewhat continuing the previous bumpy trends of 2022–2023 (BLS).

The comprehensive analysis of the 2023 Annual Economic Outlook Report found historically Virginia's economic trends generally follow that of the nation, albeit sometimes at different levels, which is mostly corroborated with the available data through Summer 2024 except for the slower job growth. This analysis of generally close trends between Virginia and the nation based on a broad range of economic data is corroborated by a recent Richmond Fed study that found that Virginia's business cycle generally tracked closely with the nation's based on an evaluation of payroll employment fluctuations (Richmond Fed, 2023). Thus, it is prudent at this writing to rely on the historical trend findings and use the national economic outlook as the relevant barometer for the state's economic outlook for 2024–2025 with especially close monitoring of state job growth, labor market patterns, and any other trend deviations.

Headwinds to the state's economic outlook overlap those of the national economy: uncertainties regarding the labor market, the path of inflation, interest rates, tight credit conditions, housing and commercial real estate market variations, cooling consumer and business demand and spending, supply disruptions, shifting trade flows, and continued geopolitical risks and impacts (such as supply and price shocks). As with the nation, moderate to solid growth is generally anticipated for Virginia in 2024, milder growth in 2025, and normal-trend growth in 2026.

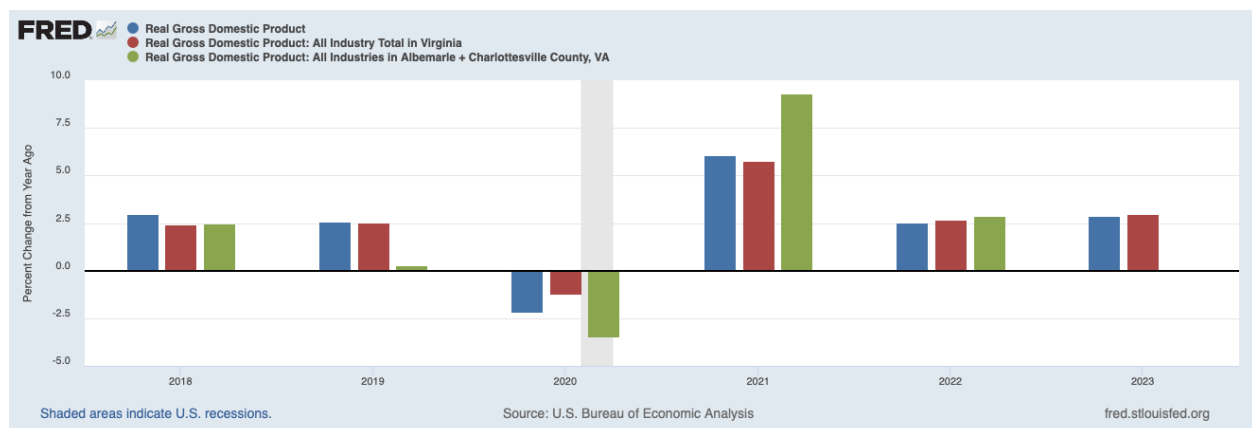
VI. Albemarle County, Virginia Economic Overview and Outlook

This section provides a detailed analysis of several components of the economy of Albemarle County, Virginia, including overall economic growth, labor market trends, and consumer, housing and business activity.

A. Overall Economic Growth in Albemarle County, Virginia

BEA data is available for annual real GDP growth in Albemarle County + Charlottesville, Virginia, for 2018–2022 and has been mapped along with similar national and state data for that period. As seen in Figure 48 below, Albemarle County + Charlottesville’s growth in annual Real GDP was slightly ahead of Virginia but behind the national growth rate in 2018, placed below the U.S. and Virginia growth rates in 2019–2020, and distinctly outpaced the state and nation in 2021–2022 (BEA).

Figure 48. GDP: U.S., Virginia, and Albemarle County + Charlottesville, Virginia, 2018–2022 (%/y)



Current dollars; not seasonally adjusted

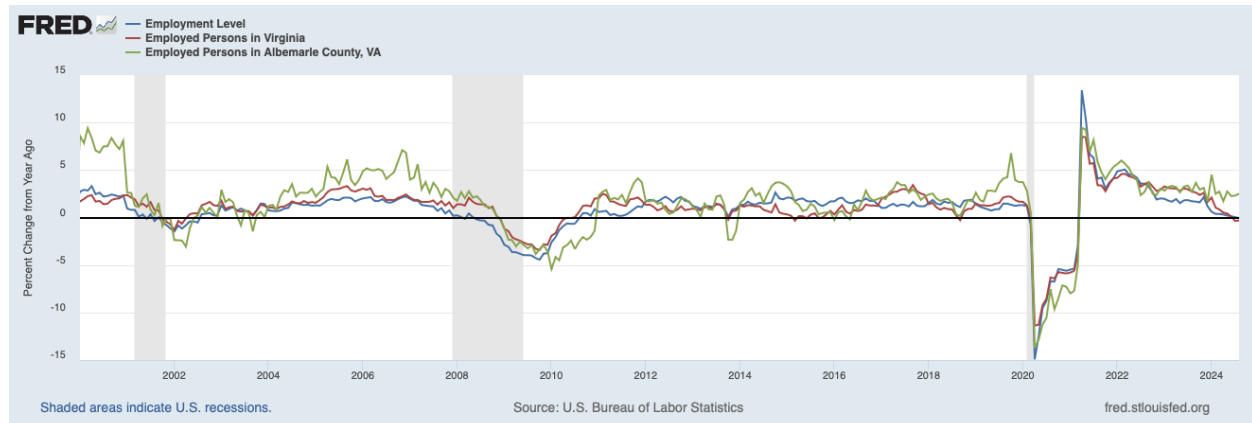
B. Labor Market Trends in Albemarle County, Virginia

Employment

In terms of employment, the total number of employed persons residing in Albemarle County grew an average 2.7% monthly in January–August 2024 as compared to the same period last year, based on the most recently revised BLS household survey data (the BLS monthly household survey that tracks employment and unemployment is separate from its monthly establishment survey that tracks payroll jobs). In 2023 overall, total employment increased 3.0% to an annual average of 58,244 employed persons, following a 3.9% increase in 2022 (56,548 annual average total employment), and 2.9% growth in 2021 (54,402 annual average total employment), based on the latest BLS data. The total employment levels of Albemarle County residents in 2021 to mid-2024

also are well above the prepandemic annual averages in 2017-2019 (Figure 49; BLS household survey data of residents of Albemarle County).

Figure 49: Employment Level: U.S., Virginia and Albemarle County, Virginia, January 2000 – August 2024 (%/y)

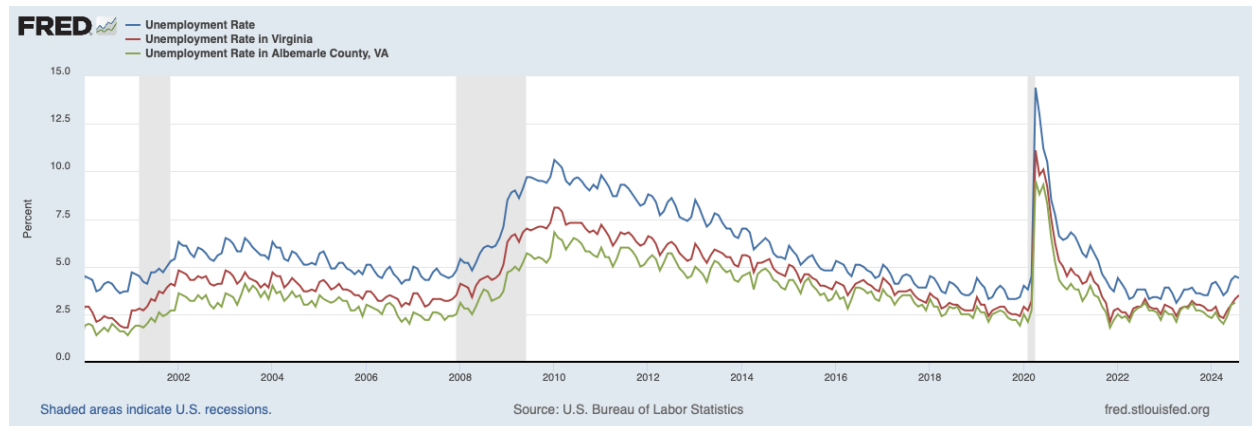


Household survey; not seasonally adjusted

Unemployment

Albemarle County recorded lower or equivalent U-3 (or “official”) unemployment rates as compared to the state monthly during January–July 2024 based on comparable data not seasonally adjusted for both the county and state and comparing the same period for both entities to avoid seasonal impacts impacting the relative comparisons (only not seasonally adjusted data is available for the County, lagged behind that for the state). Overall, the County posted an annual average U-3 unemployment rate of 2.6% in 2023 as compared to the state’s 2.9% (both not seasonally adjusted; relatedly, the state’s seasonally adjusted and not seasonally adjusted average annual U-3 unemployment rates were the same at 2.9% in 2023). Further, Albemarle County’s official unemployment rate in 2023 remained unchanged from the 2.6% average annual rate in 2022 and continued to be on par with the 2.5%-2.7% average annual rates posted in 2018–2019. Moreover, on an annual basis Albemarle County continued the historic pattern of recording unemployment rates below that of the state in 2023–July 2024 (Figure 50; BLS).

Figure 50: Unemployment Rate (Official, U-3): U.S., Virginia, and Albemarle County, Virginia, January 2000 – July 2024

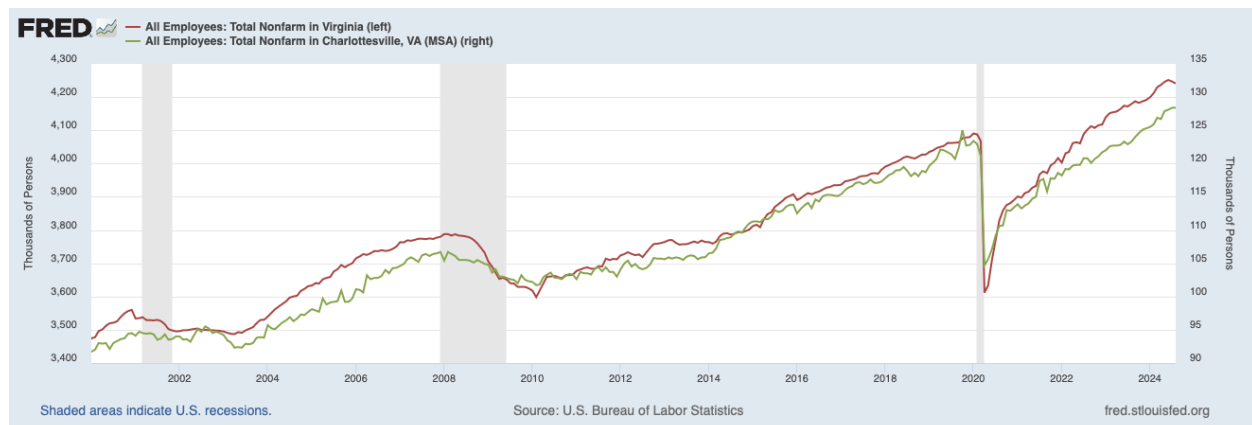


Household survey; not seasonally adjusted

Jobs

Total nonfarm jobs data is available for the Charlottesville, Virginia MSA, whereas it is not available for Albemarle County alone. The latest BLS data indicates that the Charlottesville MSA lost a greater percentage of its jobs at the pandemic's onset as compared to Virginia but registered steady monthly job growth on a year-over-year basis in April 2021–August 2024 that was greater than the state's comparable measure in all but six various months during that period. As of August 2024, the Charlottesville MSA registered 128,400 jobs, about 5,500 jobs or 4.5% above its February 2020 level, reflecting that the region had recovered a greater percentage than the state of the total number of jobs lost at the pandemic's onset (Virginia had recovered 3.8% above its February 2020 level as of August 2024). It took the Charlottesville MSA until June 2023 to recover the total number of jobs lost in the region at the pandemic's onset and the region experienced solid job growth year-over-year from mid-2023 through August 2024 with a slightly slower pace of growth appearing in Summer 2024 (Figure 51; BLS).

Figure 51: Total Nonfarm Payroll Jobs: Virginia and Charlottesville, Virginia MSA January 2000 to August 2024

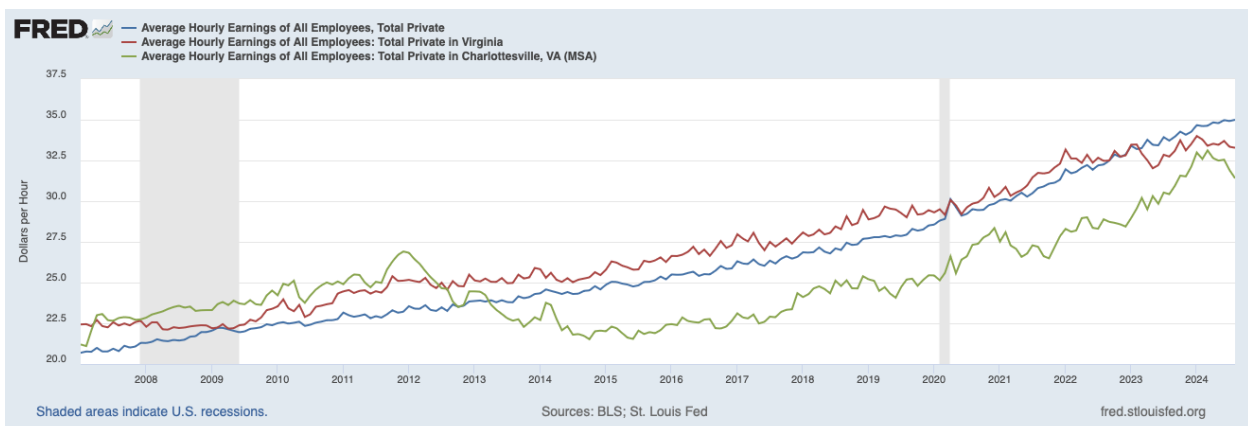


Establishment survey; seasonally adjusted

Wages

Companion with the County’s low unemployment rate, the Charlottesville, Virginia MSA registered monthly wage growth on a year-over-year basis throughout January 2022–July 2024 and exceeded that of the state in all but four months during that period, based on the latest BLS data. The monthly wage growth remained positive in January–July 2024, recording monthly year-over-year growth of 3.2%–13.9% for a monthly average of 8.6% during that period, with a steady monthly slowdown in growth appearing in May–August 2024. Overall, wages grew an annual average of 6.7% in 2023 in the Charlottesville, Virginia MSA, following 5.1% average annual growth in 2022 on top of 1.8% wage growth in 2021 (Figure 52). The 2023 wage growth trend in the Charlottesville MSA was opposite to the significant slowing in wage growth in the state that year. Given the recent slowing in wage growth in both the MSA and state, close monitoring through the remainder of the fiscal year is prudent to detect if these trends persist and/or regularly scheduled federal data revisions reflect another pattern (BLS).

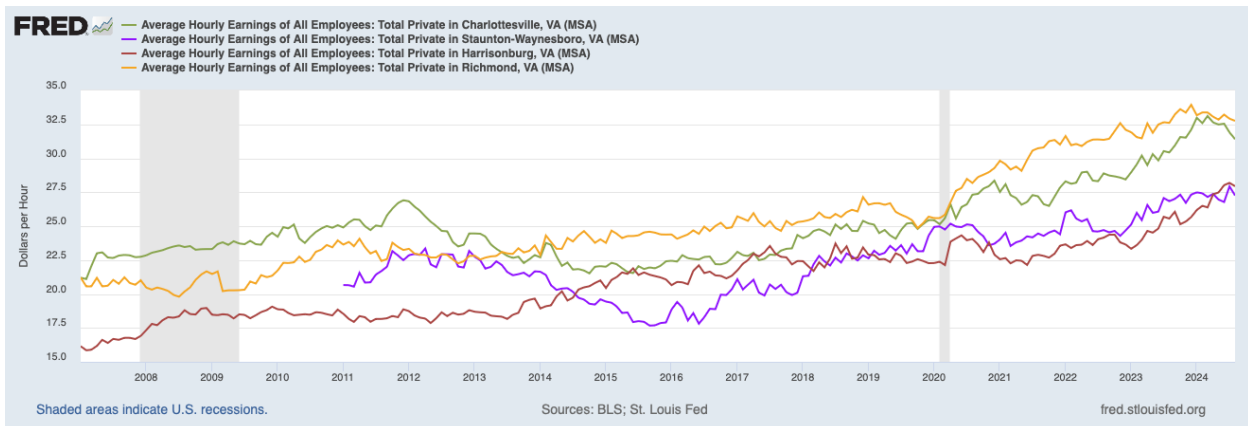
Figure 52: Average Hourly Earnings: U.S., Virginia, and Charlottesville, Virginia MSA, January 2007 – August 2024



Establishment survey; not seasonally adjusted

From a regional perspective, different historical and recent patterns in hourly wages are revealed for the Charlottesville, Staunton, Harrisonburg, and Richmond MSAs as reported by BLS (BLS establishment survey; Figure 53). Most notably, the hourly wages in the Charlottesville MSA generally trended above those of the Staunton, Harrisonburg, and Richmond MSA’s, during 2000–early 2013, after which the hourly wages in the Richmond MSA registered the highest among these four MSAs with the Charlottesville MSA ranking second. Additionally, the Charlottesville MSA experienced faster slowing in monthly wage growth since Spring 2024 as compared to the other MSAs (BLS establishment survey; Figure 53).

Figure 53. Average Hourly Earnings: Charlottesville, Staunton-Waynesboro, Harrisonburg, and Richmond, Virginia MSAs, January 2007 – August 2024



Establishment survey; not seasonally adjusted

Employment Status and Occupations of Albemarle County Residents

The U.S. Census Bureau annually issues the American Community Survey (ACS) with 1-year and 5-year estimates of numerous social, economic, housing, and demographic data for geographic areas with populations over 65,000 (only 5-year estimates are issued for smaller geographic areas). The ACS is based on extensive address-based (household) surveys and the 5-year estimates have higher statistical reliability since they include data collected over a longer period (60 months). The annual ACS 5-year estimates contain overlapping periods, and the latest 5-year estimates are for the period of 2018-2022 (Census). While it is tempting to compare adjoining, rolling 5-year ACS estimates, the U.S. Census Bureau recommends *not* drawing comparisons between 5-year ACS estimates with overlapping years. Therefore, comparisons will not be made in this report with the ACS-related findings identified in last year's annual report.

The ACS reports employment status information as part of its rich suite of data. In 2018–2022 the ACS indicated that 58.6% of Albemarle County's residents were employed, 39.2% were not in the labor force, 1.9% were unemployed and 0.3% were in the Armed Forces. During this five-year period, Albemarle County had a lower unemployment rate among its residents as compared to the state and nation, and lower proportions of its residents both in the labor force and employed as compared to the state and nation (Table 4; Census).

Albemarle County's higher percentage of persons 65 and older in its population (21.3%) in 2023 as compared to the state (17.2%) and nation (17.7%) is one possible explanation for its lower proportion of residents in the labor force in Albemarle County in 2018-2022 (Census). Additional demographic analysis could shed further insight on this finding.

Table 4. Employment Status as a Percent of Population 16 and Older, U.S., Virginia, and Albemarle County, Virginia, 2018-2022

Employment Status as a Percent of Population 16 and Older			
	United States	Virginia	Albemarle County, VA
Population 16 years and over	266,411,973	6,962,091	93,153
In labor force	63.5%	65.7%	60.8%
Civilian labor force	63.0%	63.8%	60.5%
Employed	59.6%	61.0%	58.6%
Unemployed	3.4%	2.8%	1.9%
Armed Forces	0.5%	1.8%	0.3%
Not in labor force	36.5%	34.3%	39.2%

Source: U.S. Census Bureau, ACS 5-year estimates 2018-2022

Companion to the Census employment status data, the Virginia Employment Commission previously produced annual labor force participation rate data for every locality in the state, with a report with data for 2021 last published in 2022. When and if updated labor force participation data for 2022–2023 become available for the County, an update of the previous analyses that were provided in the Annual Economic Outlook Reports of September 2022 and September 2023 will be gladly performed.

Analyzing the occupational data in ACS, Albemarle County residents were primarily employed in 2018–2022 in management, business, science, and arts occupations (58.2%); sales and office occupations (16.6%); and service occupations (15.2%) (Table 5; Census). The predominance of the management, business, science, and arts occupations among County residents with above average compensation is reflected in County household income figures reviewed in Section VII below.

Table 5. Employment by Occupation as a Percent of the Civilian Employed Population 16 years and Older, U.S., Virginia, and Albemarle County, Virginia, 2018-2022

Employment by Occupation as a Percent of the Civilian Employed Population 16 years and over, 2018-2022			
Occupation	United States (%)	Virginia (%)	Albemarle County, Virginia (%)
Civilian employed population 16 years and over	158,913,204	4,245,585	54,574
Management, business, science, and arts occupations	41.0%	47.1%	58.2%
Service occupations	16.8%	15.8%	15.2%
Sales and office occupations	20.5%	18.8%	16.6%
Natural resources, construction, and maintenance occupations	8.7%	7.7%	5.2%
Production, transportation, and material moving occupations	13.1%	10.6%	4.8%

Source: U.S. Census Bureau, ACS 5-year estimates 2018-2022

The ACS also looks at employment in broad industry groups based on the North American Industry Classification System (NAICS), combining some NAICS 2-digit industry codes together. Based on the ACS data for 2018–2022, the top five industries of employment for the civilian residents that live in Albemarle County (16 and over) were: educational services, and health care and social assistance (34.7%); professional, scientific, and management, and administrative and waste management services (16.8%); arts, entertainment, and recreation, and accommodation and food services, (8.1%); retail trade (7.9%), and finance and insurance, and real estate and rental and leasing (6.9%) (Table 6; Census).

In reviewing comparable Virginia ACS data, one industry had a notably higher proportion of Albemarle County’s resident employment as compared to the state: educational services, and health care and social assistance (34.7% vs. 22.1% for Virginia). Moreover, four industries had notably lower proportions of Albemarle County’s resident employment as compared to the state: public administration (4.6% vs. 8.9% for Virginia); manufacturing (4.0% vs. 7.1% for Virginia); retail trade (7.9% vs. 9.9% for Virginia); and transportation and warehousing, and utilities (2.5% vs. 4.8% for Virginia) (Table 6; Census).

Table 6. Employment by Industry: U.S., Virginia, and Albemarle County, Virginia, 2018-2022

Industry	United States (%)	Virginia (%)	Albemarle County, Virginia (%)
Civilian employed population 16 years and over	158,913,204	4,245,585	54,574
Agriculture, forestry, fishing and hunting, and mining	1.6%	0.9%	1.2%
Construction	6.9%	6.5%	5.0%
Manufacturing	10.0%	7.1%	4.0%
Wholesale trade	2.4%	1.7%	1.4%
Retail trade	11.0%	9.9%	7.9%
Transportation and warehousing, and utilities	5.8%	4.8%	2.5%
Information	1.9%	1.8%	1.5%
Finance and insurance, and real estate and rental and leasing	6.7%	6.4%	6.9%
Professional, scientific, and management, and administrative and waste management services	12.1%	16.4%	16.8%
Educational services, and health care and social assistance	23.3%	22.1%	34.7%
Arts, entertainment, and recreation, and accommodation and food services	9.0%	8.3%	8.1%
Other services, except public administration	4.7%	5.2%	5.4%
Public administration	4.7%	8.9%	4.6%

Source: U.S. Census Bureau, ACS 5-year estimates 2018-2022.

C. Consumer Activity in Albemarle County, Virginia

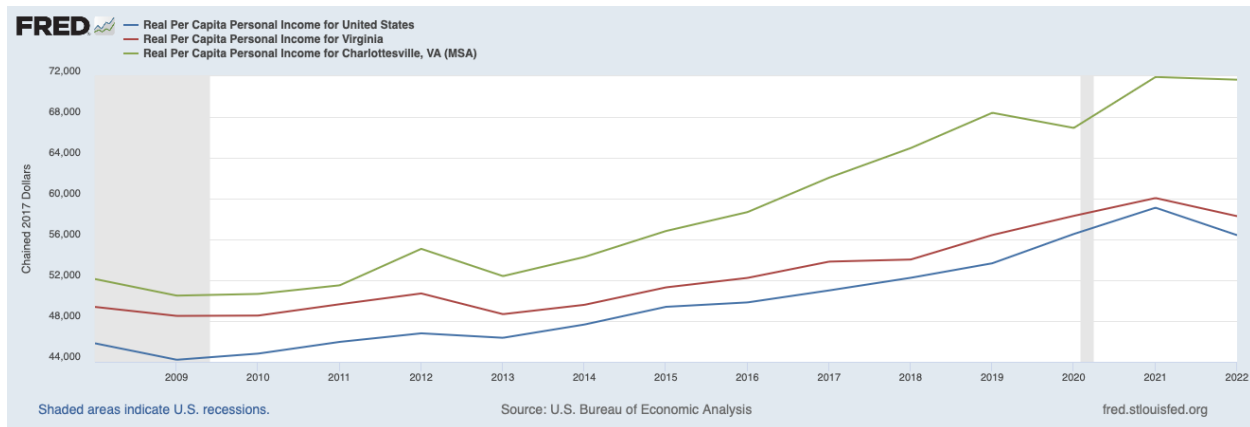
Personal Income

Real per capita personal income is defined as the total personal income of the residents of a given area divided by its total population (BEA) and can be used to generally gauge the standard of living in an area. It is important to note that real per capita personal income does not consider the

distribution of income across members or income inequality within a geographic area since it is based only on total real personal income and total population (aggregate figures). Yet, as a per person metric, real per capita personal income can be compared across geographic areas at a given point in time.

The real per capita personal income in the Charlottesville, Virginia MSA trended above that for Virginia and the U.S. in 2008–2022, indicating an overall higher standard of living in the Charlottesville MSA, again not accounting for variations in income across persons *within* the community (Figure 54; BEA). Based on the latest BEA data, the indicator for the Charlottesville MSA mostly followed the patterns exhibited for the state and nation, albeit at a different level, with two notable exceptions. First, the per capita personal income for the Charlottesville is reported as declining in 2020 while those for the state and nation continued to increase; however, a steep catchup in 2021 is reported for the Charlottesville MSA which may relate to how income was recorded for the region across 2020–2021. Secondly, in 2021, peak inflation is reported as having a much more muted impact on the per capita income of the Charlottesville MSA as compared to those for the state and nation. Notably, while Virginia’s real per capita personal income had exceeded that for the U.S. within a relatively narrow band during 2013–2022, the Charlottesville MSA’s real per capita personal income increased more sharply to \$71,659 in 2022, as compared to \$58,281 for Virginia and \$56,419 for the U.S. that year (BEA).

Figure 54: Real Per Capita Personal Income: U.S., Virginia, and Charlottesville, Virginia MSA 2008 – 2022



Not seasonally adjusted

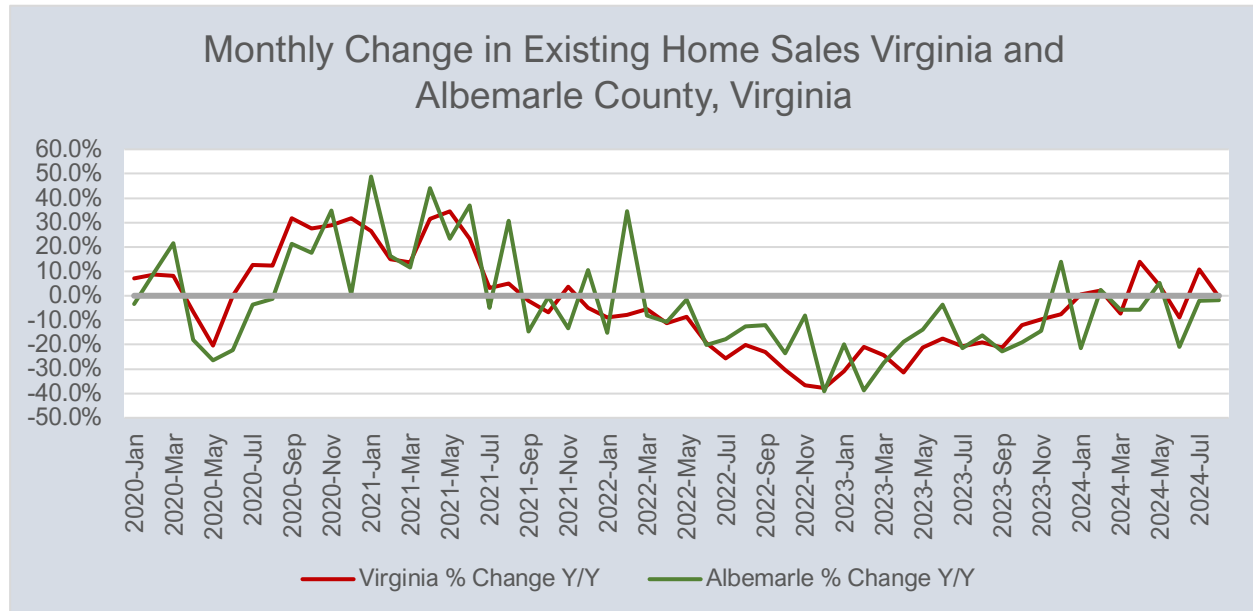
D. Housing Market Activity in Albemarle County, Virginia

Home Sales

Looking at housing, the slower existing home sales pace of 2023 continued into the first eight months of 2024 in Albemarle County. In January–August 2024, home sales declined monthly year-over-year and were -6.5%% lower than the pace the previous year, posting a year-to-date existing home sales total of 1,064 in August 2024 as compared to a 1,138 year-to-date total in August 2023. Overall in 2023, existing home sales in Albemarle County totaled 1,590, falling behind the total sales of the previous four years (i.e., 1,913 total sales in 2022, 2,204 total sales in

2021, 1,944 total sales in 2020, and 1,969 total sales in 2019). Moreover, the total existing home sales in 2023 fell below the pace of sales during the prepandemic period of 2017–2019 (i.e., 1,969 total sales in 2017, 1,904 total sales in 2018, and 1,834 total sales in 2017). Given that Virginia experienced increases in year-to-date sales of existing homes by August 2024 (+1.5%), close monitoring of Albemarle County trends is prudent (VAR).

Figure 55. Monthly Change in Existing Home Sales: Virginia and Albemarle County, Virginia January 2020 to August 2024 (%y/y)

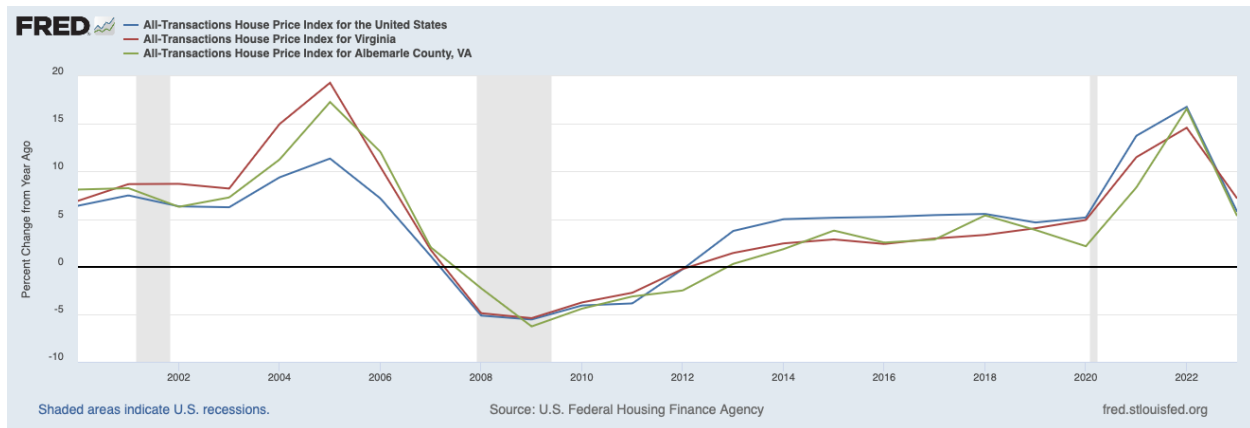


Source: Virginia Association of Realtors

Home Prices

In terms of home values, the House Price Index All Transactions (HPI All Transactions) for Albemarle County (including new and existing home purchases and refinancing appraisals) increased 5.3% in 2023, after rising 16.6% in 2022, 8.3% in 2021, and 2.1% in 2020 (Figure 56). By comparison, the HPI All Transactions index recorded 4.0% annual average growth in 2017–2019 before the pandemic (2.8% in 2017, 5.4% in 2018, and 3.8% in 2019). The HPI All Transactions index is published annually for Albemarle County (Figure 56; FHFA).

Figure 56: House Price Index All Transactions: U.S., Virginia, and Albemarle County, Virginia, 2000 – 2023 (%y/y)

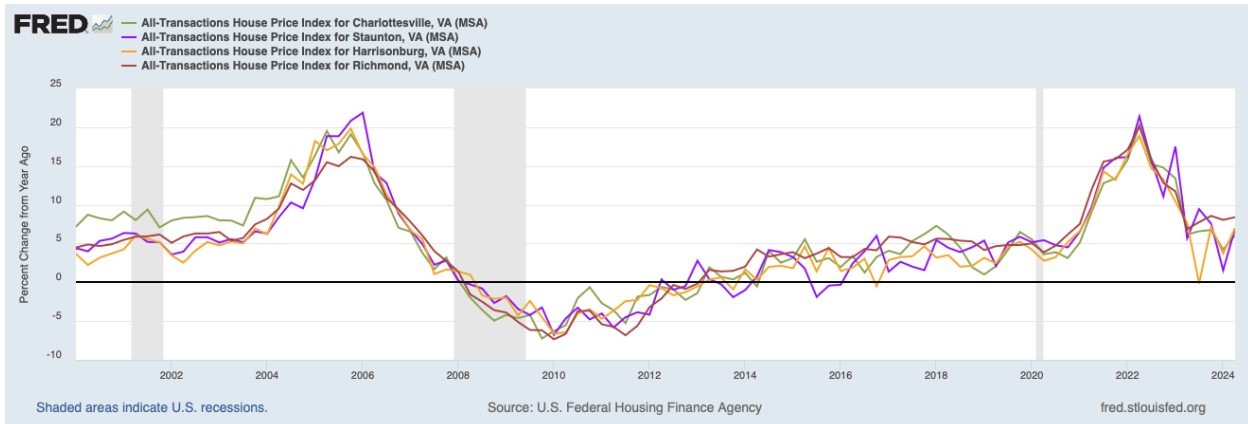


Not seasonally adjusted

Looking more granularly at median home prices, the Albemarle County median home sales price was \$574,515 in August 2024, up 0.8% from that time last year and 38.4% above the Virginia state median sale price of \$416,000 in August 2024. Median home prices in the County posted monthly year-over-year increases in all but one month during January–August 2024 (ranging from -1.7% to 19.3%). While the median home price in Albemarle County continued to show increases in January–August 2024 as compared to the same period last year, on top of notable annual increases in 2020–2023, signs of potential market softening arose during that period. When compared to the immediately preceding month, Albemarle County’s median home prices declined (month-over-month) in five of the first eight months of 2024. Hence, the recent monthly trends in home prices could signal some normalization in the housing market and warrants continued close monitoring given the significance of real estate value to local governments in Virginia (VAR)

Likewise, the House Price Index All Transactions for the Charlottesville MSA (including new and existing home purchases and refinancing appraisals) continued quarterly year-over-year growth trends in the first two quarters of 2024 (4.2% in Q1:2024 and 6.1% in Q2:2024) but at a slower pace than the 8.1% average annual growth in 2023, based on the latest revised FHFA data. These continued positive, but slower increases in home prices in the Charlottesville MSA followed the strong 16.5% annual average growth in 2022 on top of 10.1% annual average growth in 2021 (Figure 57; FHFA).

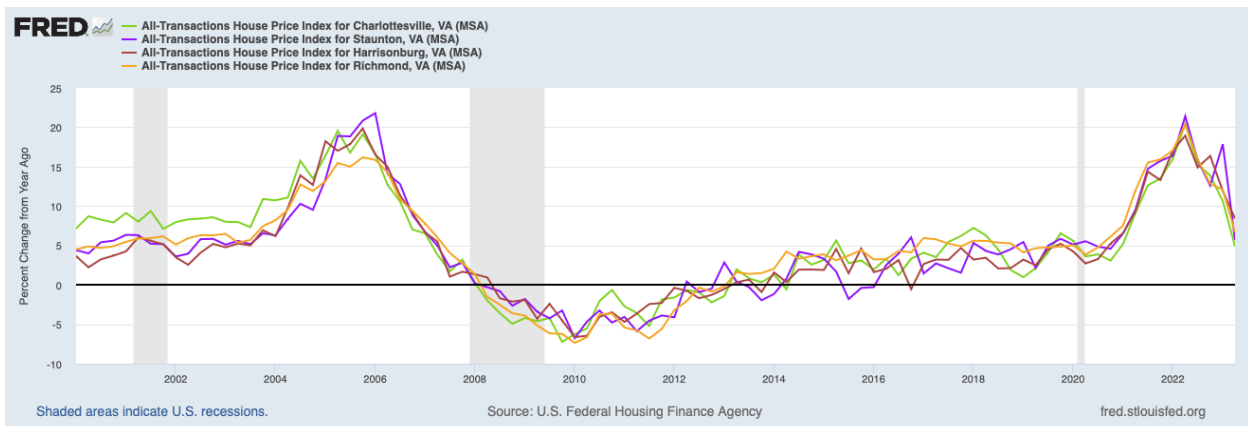
Figure 57: House Price Index All Transactions: U.S., Virginia, and Charlottesville, Virginia MSA, Q1:2000 – Q2:2024 (%y/y)



Not seasonally adjusted

Looking regionally, changes in the House Price Index All Transactions in the Staunton, Harrisonburg and Richmond MSAs followed patterns similar to that of the Charlottesville, Virginia MSA, likewise experiencing steady and sharp increases from mid-2020 to mid-2022, then gradually slowing through Q2:2024, with some variations around this general trend. The year-over-year increase in HPI All Transactions in Q2:2024 for the Charlottesville MSA (6.1%) was lower than those for the Staunton MSA (6.9%), Harrisonburg MSA (7.0%) and Richmond MSA (8.4%) during that quarter (Figure 58; FHFA).

Figure 58. House Price Index (Single-Family): Charlottesville, Staunton, Harrisonburg, and Richmond, Virginia MSAs, Q1:2000 – Q2:2024 (%y/y)

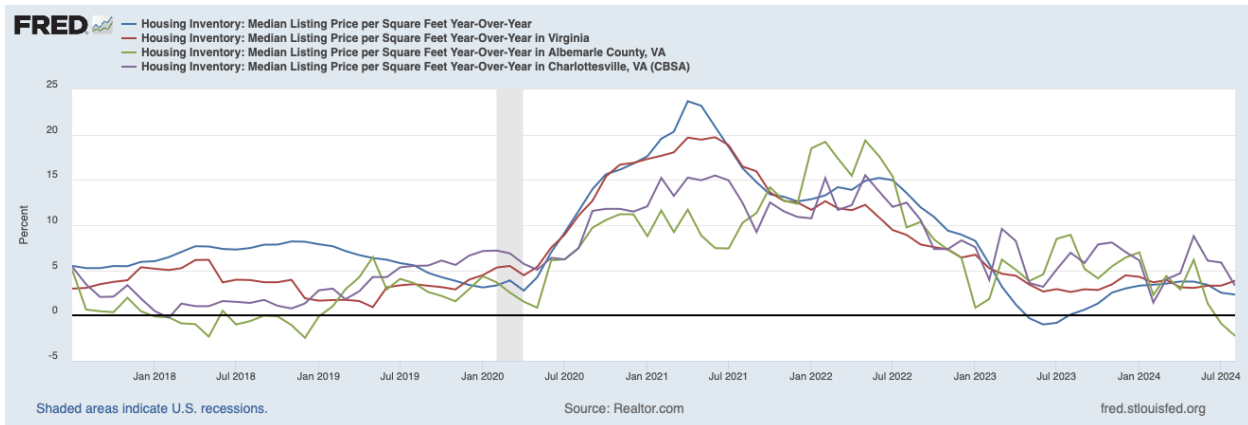


Not seasonally adjusted

As another barometer of housing activity, the median listing price per square feet in Albemarle County, Virginia, was closely examined. Albemarle County recorded monthly year-over-year growth in the first six months of 2024 before experiencing two successive months of year-over-year decreases in July–August 2024, the first negative monthly declines since January 2019. By comparison, Virginia and the Charlottesville MSA registered solid monthly year-over-year increases in the median list price per square feet in the first eight months of 2024. During January–

August 2024, the median listing price per square feet registered average monthly year-over-year growth of 2.62% in Albemarle County as compared to 5.0% in the Charlottesville MSA, 3.6% in Virginia, and 3.3% in the U.S. Historically, the median listing price per square foot in Albemarle County increased 5.1% in 2023, 13.6% in 2022, 10.5% in 2021, 6.3% in 2020, and 2.8% in 2019, and declined -0.7% in 2018 (Figure 59; Realtor.com).

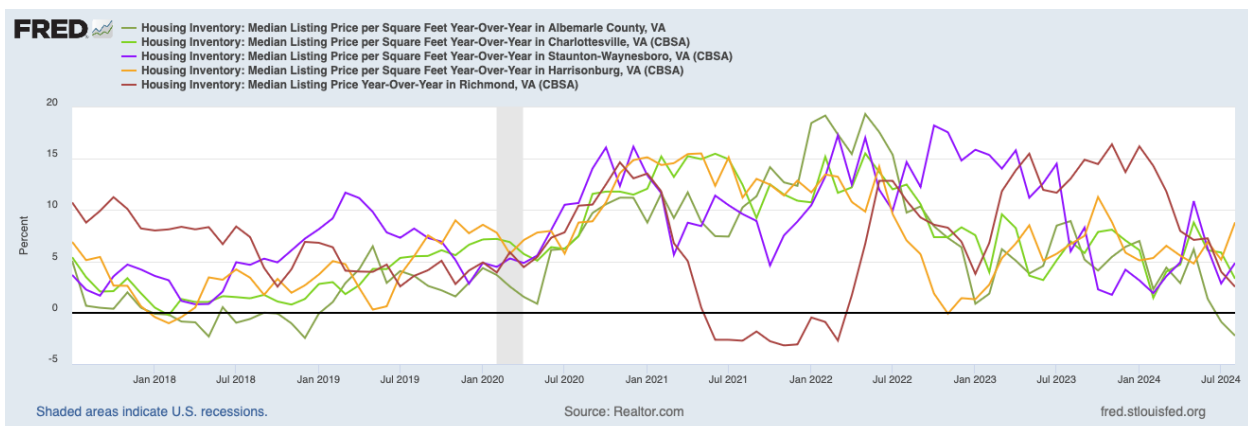
Figure 59: Median Listing Price per Square Foot: U.S., Virginia, Albemarle County, Virginia, and Charlottesville, Virginia MSA, July 2016 – August 2024 (%y/y)



Not seasonally adjusted

Looking regionally, while all of the surrounding MSAs have experienced slower increases 2024 in the median listing price per square feet at varying degrees, only Albemarle County is reported as experiencing reductions in the median listing price per square feet year-over-year during the January–August 2024 period (Figure 60; Realtor.com).

Figure 60. Median Listing Price per Square Foot: Albemarle County, Virginia, and Charlottesville, Staunton, Harrisonburg, and Richmond, Virginia MSAs, July 2017 – August 2024 (%y/y)



Not seasonally adjusted

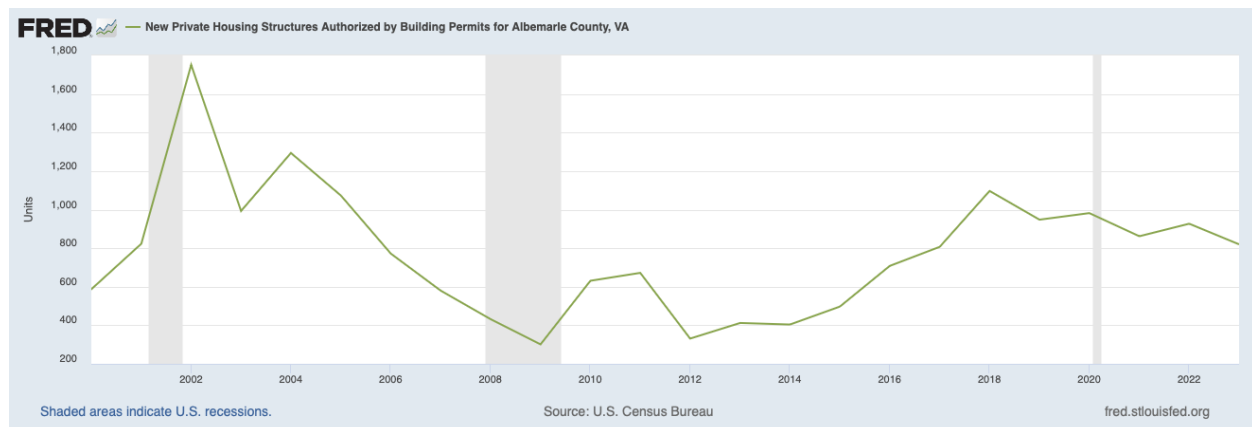
The continued softening in the median listing price per square feet in Albemarle County warrants ongoing examination, especially since Albemarle County experienced declines in the annual

average median listing price per square feet in 2018 when the state and surrounding MSA did not. Given the continued shifting winds in the housing market, all monthly and quarterly housing data will be closely monitored.

Building Permits

In terms of future home building activity, new residential building permits in Albemarle County slowed in 2023 to an annual total of 820, based on the latest Census data, following an annual total of 927 in 2022, 862 recorded total permits in 2021, and 982 total permits in 2020. For comparison, new residential building permits ranged from 807 to 1,097 in 2017–2019 in an up-and-down pattern similar to that exhibited in 2020–2023 (Figure 61; Census). Again, close monitoring is prudent given the shifting winds in the housing market and supply versus demand dynamics.

Figure 61: New Residential Building Permits: Albemarle County, Virginia, 2000–2023 (units)



Not seasonally adjusted

E. Business Activity in Albemarle County, Virginia

County Business Patterns

Through its County Business Patterns (CBP) program, the U.S. Census Bureau provides annual economic data by industry for the U.S., states, counties, MSAs, zip codes and Congressional Districts. The annual CBP series provides the number of establishments, industry classification, employment during the week of March 12th, and first quarter and annual payroll amounts, and is released approximately 16 months after the reference year (Census). This establishment-based data provides a useful profile of the businesses and people who work in a community, which adds an additional perspective beyond the U.S. Census Bureau's household-based ACS survey of the people who reside in a community. The ACS surveys the people that live in Albemarle County and the CBP surveys the businesses in Albemarle County regarding several aspects of their operations.

For this analysis, Albemarle County's business community profile in the CBP was examined in terms of establishments (business locations), employees, and payroll for each industry sector. Industry 2-digit level NAICS classifications were used for the analysis whereas the ACS (household survey) combined some industry sectors.

Based on the CBP data for 2022, the top five 2-digit NAICS industries with the largest proportion of *establishments* in Albemarle County were: professional, scientific, and technical services (14.0%), health care and social assistance (14.0%), retail trade (11.0%), construction (9.6%), and other services (except public administration) (9.1%). These five industries accounted for 57.7% of the total business establishments in Albemarle County, fairly close to the companion proportion in 2021 (58.6%) (Table 7; Census).

In terms of *jobs based on the payroll survey*, the CBP 2022 reports that the top five 2-digit NAICS industries with the largest proportion of employees in Albemarle County were: health care and social assistance (21.3%), retail trade (15.4%), accommodation and food service (10.4%), professional, scientific, and technical services (10.7%), and manufacturing (6.8%). These five industries accounted for 64.6% of the total jobs in Albemarle County in 2022 based on the payroll survey, a slightly smaller share than in 2021 (67.2%) (Table 7; Census).

In terms of *annual payroll*, the CBP 2022 reports that the top six 2-digit NAICS industries with the largest total annual payrolls were: (1) health care and social assistance, (2) professional, scientific, and technical services, (3) finance and insurance, (4) retail trade, (5) manufacturing, (6) construction. These six industries accounted for 75.2% of the aggregate total annual payrolls in Albemarle County in 2022, a slightly smaller share than in 2021 (78%) (Table 7; Census).

As compared to Virginia's CBP 2021 data, a few key observations emerge in Albemarle County's business profile in 2022:

- Health care and social assistance continued to account for a distinctly higher proportion of total business establishments, payroll jobs, and annual payroll in Albemarle County as compared to the state.

- Despite again providing the second largest annual payroll in the county in 2022, professional, scientific, and technical services continued to account for a lower proportion of total business establishments and jobs in Albemarle County as compared to the state.
- Finance and insurance continued to account for a higher proportion of total business establishments, payroll jobs, and annual payroll in Albemarle County as compared to the state.
- Retail trade continued to account for a higher proportion of jobs and annual payroll in Albemarle County as compared to the state, while accounting for a slightly lower proportion of business establishments in the county in 2022 (Table 7; Census).

Table 7. Establishments, Employees and Annual Payroll by Industry: Virginia and Albemarle County, Virginia 2022 (in 2022 dollars)

2017 NAICS code	Meaning of NAICS code	Virginia					Albemarle County, Virginia				
		Establishments		Employees		Annual payroll (\$1,000)	Establishments		Employees		Annual payroll (\$1,000)
		Number	Percent	Number	Percent		Number	Percent	Number	Percent	
00	Total for all sectors	209,244	100.0%	3,494,956	100.0%	234,462,103	2,905	100.0%	42,291	100.0%	2,492,529
11	Agriculture, forestry, fishing and hunting	639	0.3%	4,137	0.1%	239,102	22	0.8%	141	0.3%	4,885
21	Mining, quarrying, and oil and gas extraction	236	0.1%	5,093	0.1%	450,971	5	0.2%	38	0.1%	3,026
22	Utilities	388	0.2%	14,941	0.4%	1,867,025	n/a	n/a	n/a	n/a	n/a
23	Construction	20,965	10.0%	197,300	5.6%	13,706,755	278	9.6%	2,103	5.0%	119,252
31-33	Manufacturing	4,963	2.4%	246,208	7.0%	15,916,607	84	2.9%	2,885	6.8%	174,962
42	Wholesale trade	6,593	3.2%	105,904	3.0%	8,910,004	72	2.5%	682	1.6%	47,379
44-45	Retail trade	26,037	12.4%	429,819	12.3%	14,424,472	320	11.0%	6,527	15.4%	255,573
48-49	Transportation and warehousing	6,142	2.9%	133,145	3.8%	7,367,346	58	2.0%	935	2.2%	37,429
51	Information	3,929	1.9%	92,833	2.7%	11,482,656	58	2.0%	711	1.7%	42,490
52	Finance and insurance	10,968	5.2%	172,962	4.9%	20,807,880	201	6.9%	2,277	5.4%	244,899
53	Real estate and rental and leasing	11,488	5.5%	59,176	1.7%	4,149,607	191	6.6%	952	2.3%	51,507
54	Professional, scientific, and technical services	31,844	15.2%	540,982	15.5%	58,675,689	406	14.0%	4,523	10.7%	420,031
55	Management of companies and enterprises	1,243	0.6%	92,719	2.7%	10,873,628	20	0.7%	596	1.4%	79,824

2017 NAICS code	Meaning of NAICS code	Virginia					Albemarle County, Virginia				
		Establishments		Employees		Annual payroll (\$1,000)	Establishments		Employees		Annual payroll (\$1,000)
		Number	Percent	Number	Percent		Number	Percent	Number	Percent	
56	Administrative and support and waste management and remediation services	11,667	5.6%	275,460	7.9%	14,697,679	164	5.6%	2,347	5.5%	97,913
61	Educational services	3,233	1.5%	82,049	2.3%	3,595,934	68	2.3%	1,055	2.5%	56,754
62	Health care and social assistance	22,979	11.0%	473,165	13.5%	29,373,927	408	14.0%	9,014	21.3%	648,045
71	Arts, entertainment, and recreation	3,349	1.6%	55,516	1.6%	1,787,156	61	2.1%	1,482	3.5%	36,423
72	Accommodation and food services	19,204	9.2%	347,188	9.9%	8,190,186	219	7.5%	4,404	10.4%	106,371
81	Other services (except public administration)	23,190	11.1%	166,135	4.8%	7,939,421	265	9.1%	1,616	3.8%	65,630

Source: U.S. Census Bureau, County Business Patterns, 2022 (in 2022 dollars)

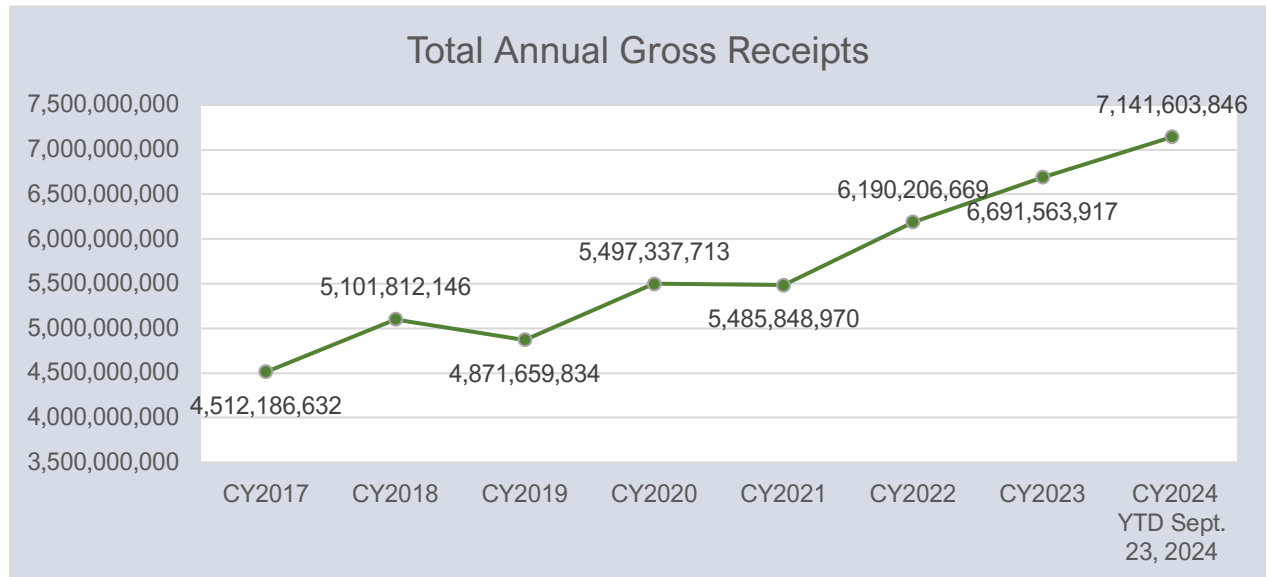
Gross Receipts by Category

Albemarle County's gross receipts broken down into individual categories provide another view of business activity in the County as depicted in Figures 62–70 below. This analysis includes total annual gross receipts comprised of eight sub-categories: (1) contracts; (2) financial, real estate and professional services; (3) rental and leasing, (4) repair, personal and business services, (5) research and development, (6) retail sales, (7) wholesale, and (8) all other categories. Additionally, in consultation with the Albemarle County Department of Finance and Budget, flat fees and ABC licenses are excluded from this analysis.

Total gross receipts exhibited an overall upward trend during CY2017 – CY2023, with slight decreases in CY2019 and CY2021. The two categories that contributed to the dips in total gross receipts in both CY2019 and CY2021 were contractors and wholesale. Research and development and all other categories also contributed to the dip in CY2019, and retail sales and repair, personal and business services also contributed to the dip in CY2021. Only two categories displayed consecutive annual increases in CY2017 – CY2022, financial, real estate and professional services and rental and leasing, while the other categories fluctuated up and down over that period. Total gross receipts in CY2024:Year-to-Date (YTD) as of September 25, 2024 (73% of the year) were already exceeding the total for CY2023 (Albemarle County Department of Finance and Budget; Figures 62–70).

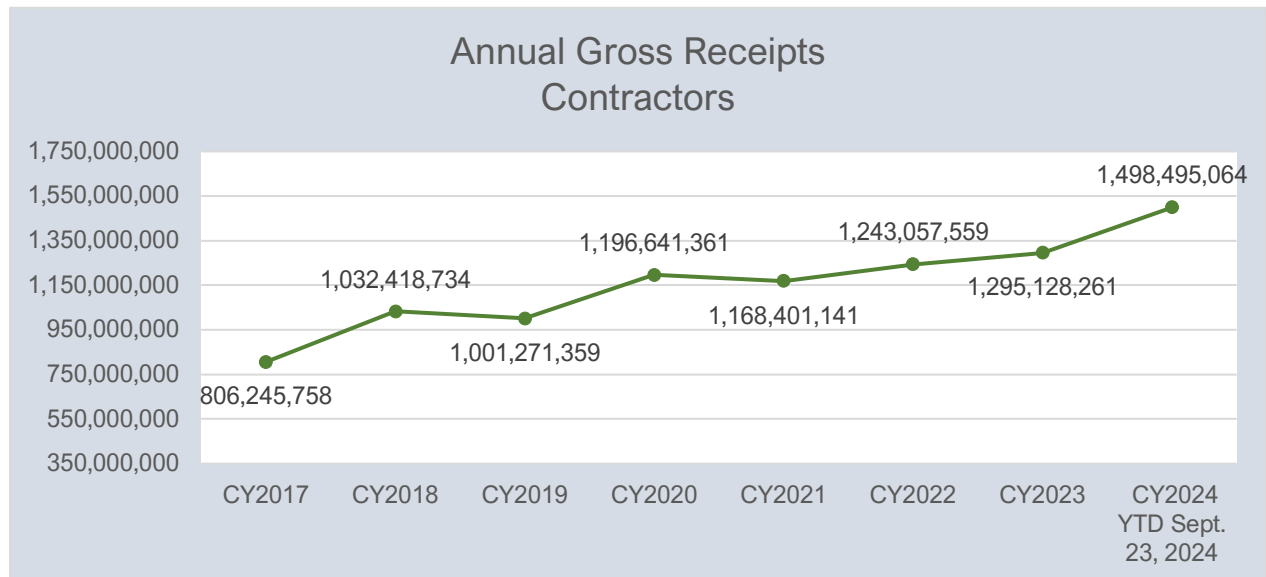
Four categories together comprised 80% of total gross receipts in CY2023: retail sales (31%); repair, personal and business services (21%); contractors (19%); and finance, real estate and professional services (9%). While the top four categories were the same as CY2023, retail sales shifted to the top spot ahead of repair, personal and business services in CY2023, which corresponds to U.S. consumers' increased spending on goods vs. services in 2023 as they replenished some of the goods inventory amassed during the early part of the pandemic and since drawn down (Figures 62–70; Albemarle County Department of Finance and Budget).

Figure 62. Total Annual Gross Receipts Albemarle County, Virginia, CY2017 - CY2024:YTD as of September 23, 2024



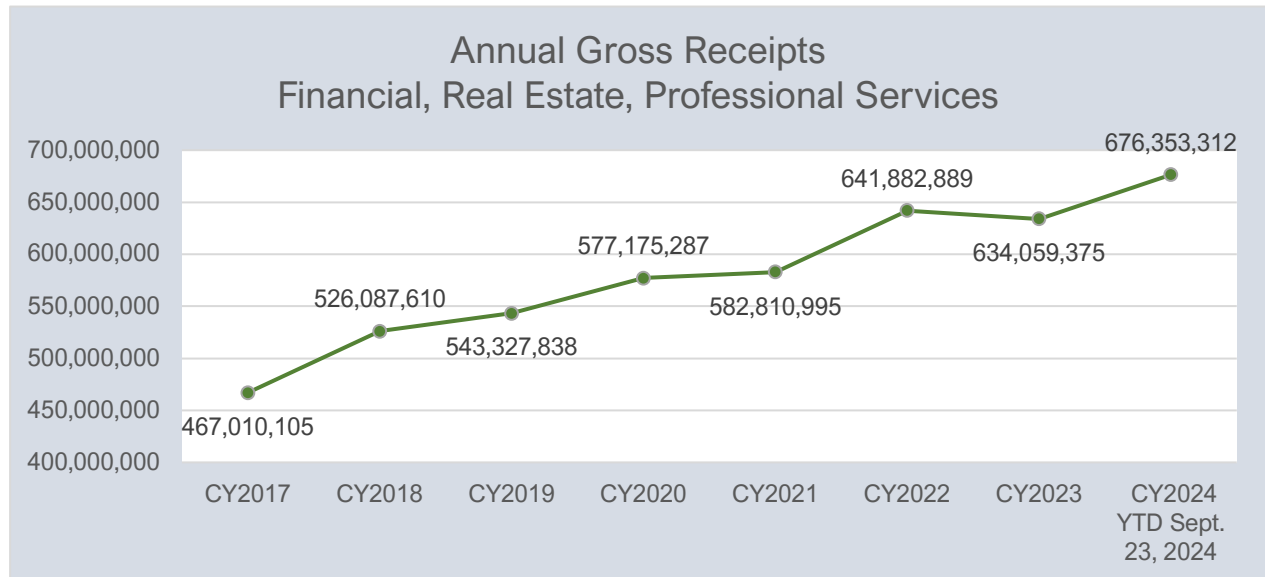
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 63. Annual Gross Receipts – Contractors, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



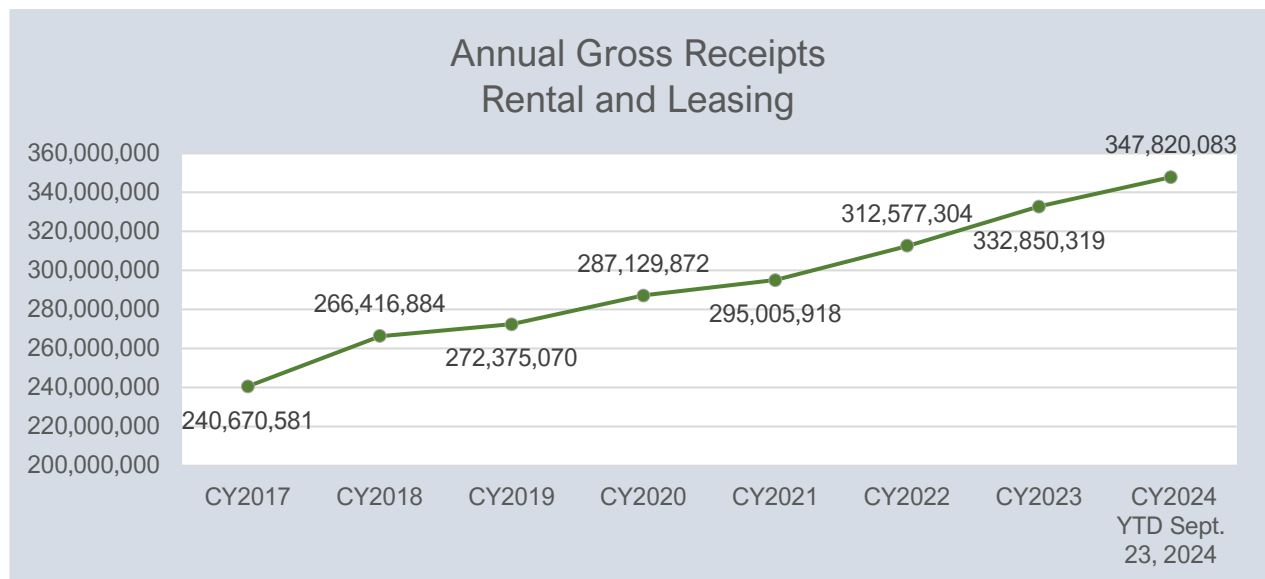
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 64. Annual Gross Receipts – Financial, Real Estate, Professional Services, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



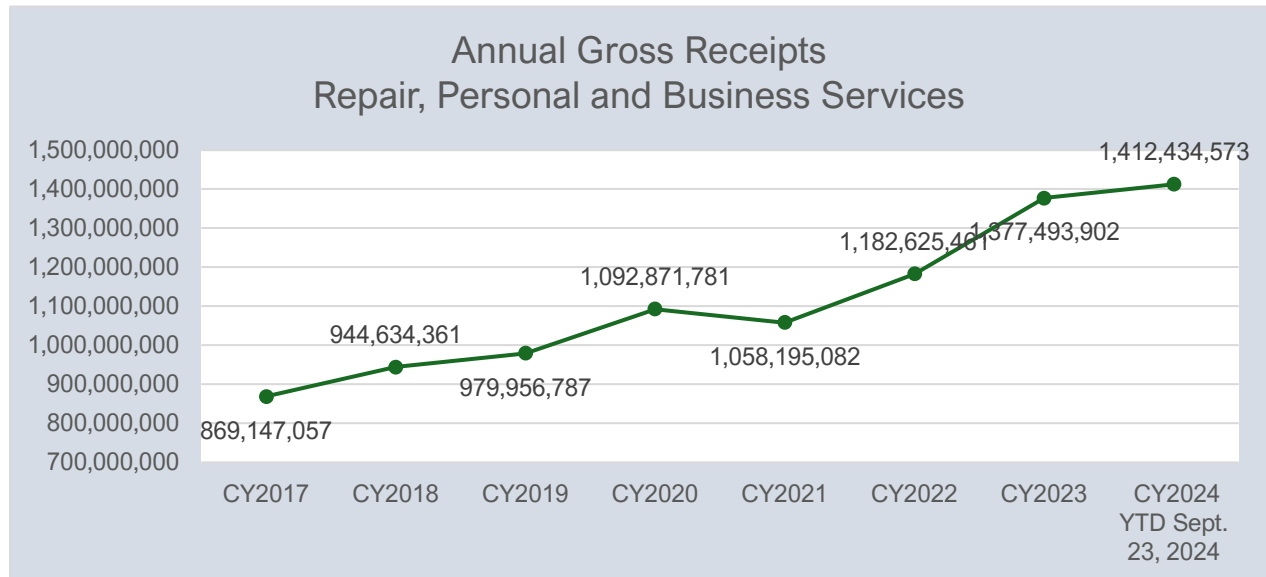
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 65. Annual Gross Receipts – Rental and Leasing, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



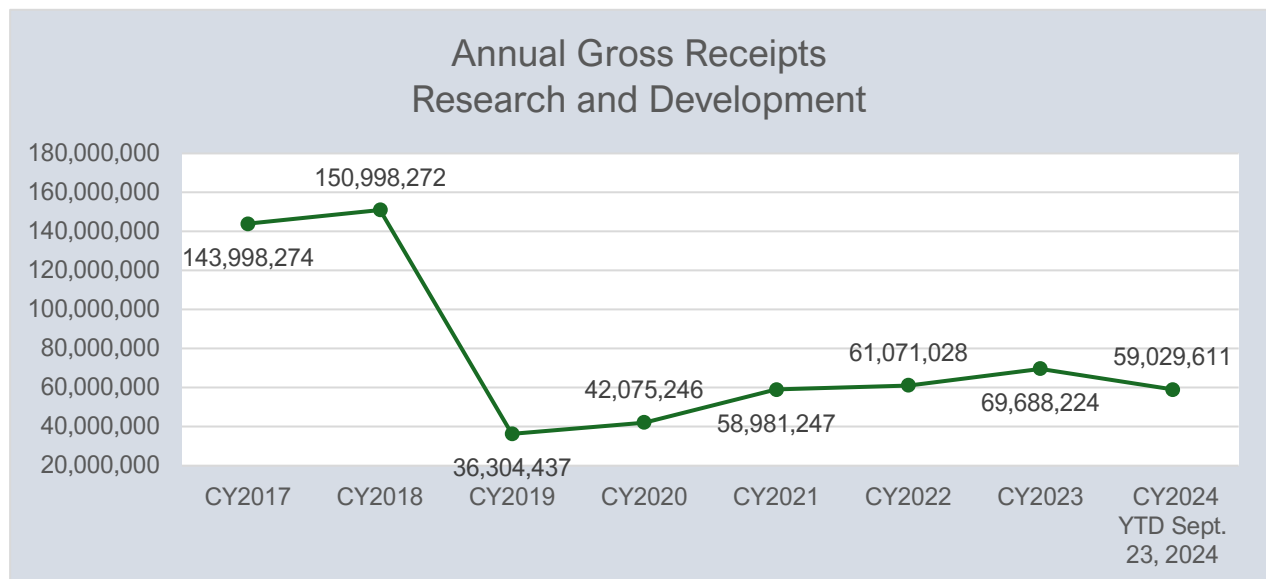
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 66. Annual Gross Receipts – Repair, Personal and Business Services, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



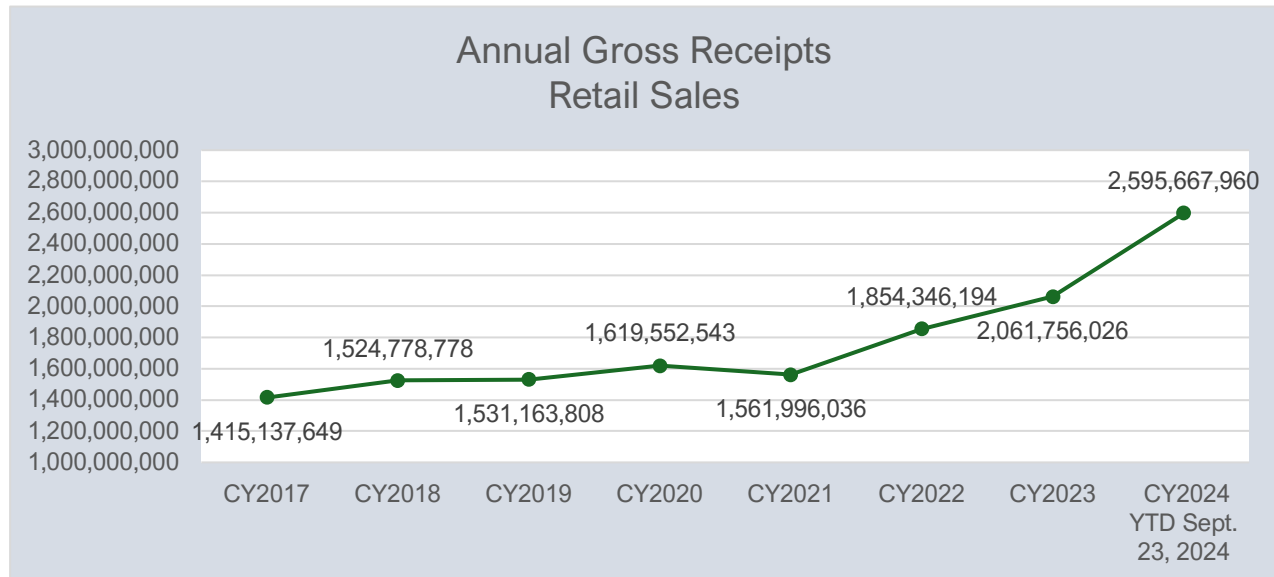
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 67. Annual Gross Receipts – Research and Development, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



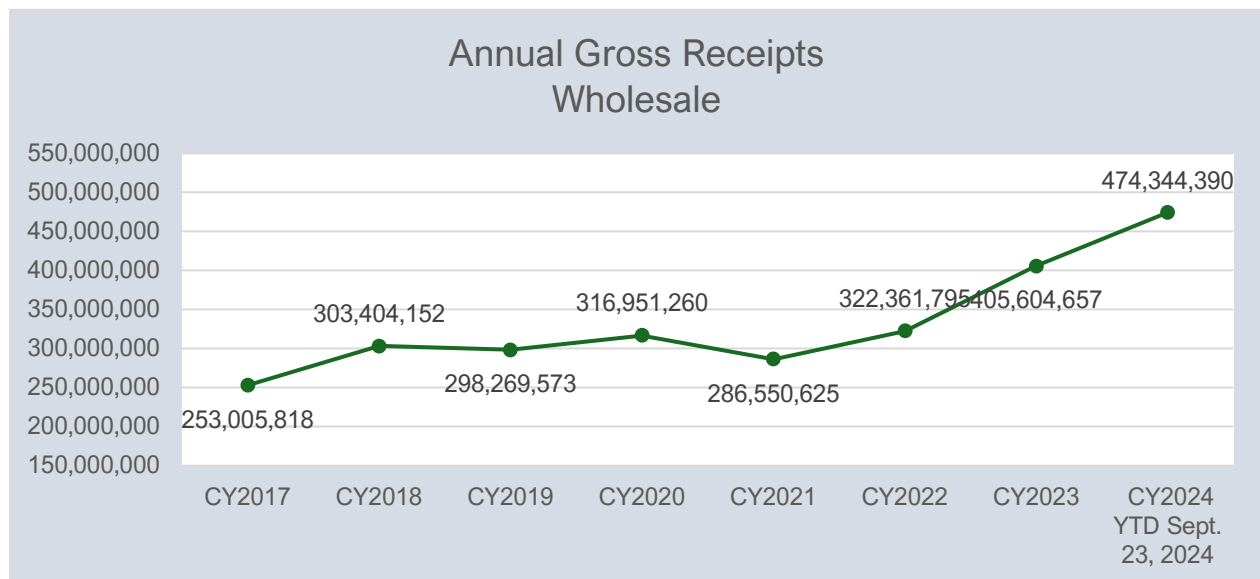
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 68. Annual Gross Receipts – Retail Sales, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 14, 2023



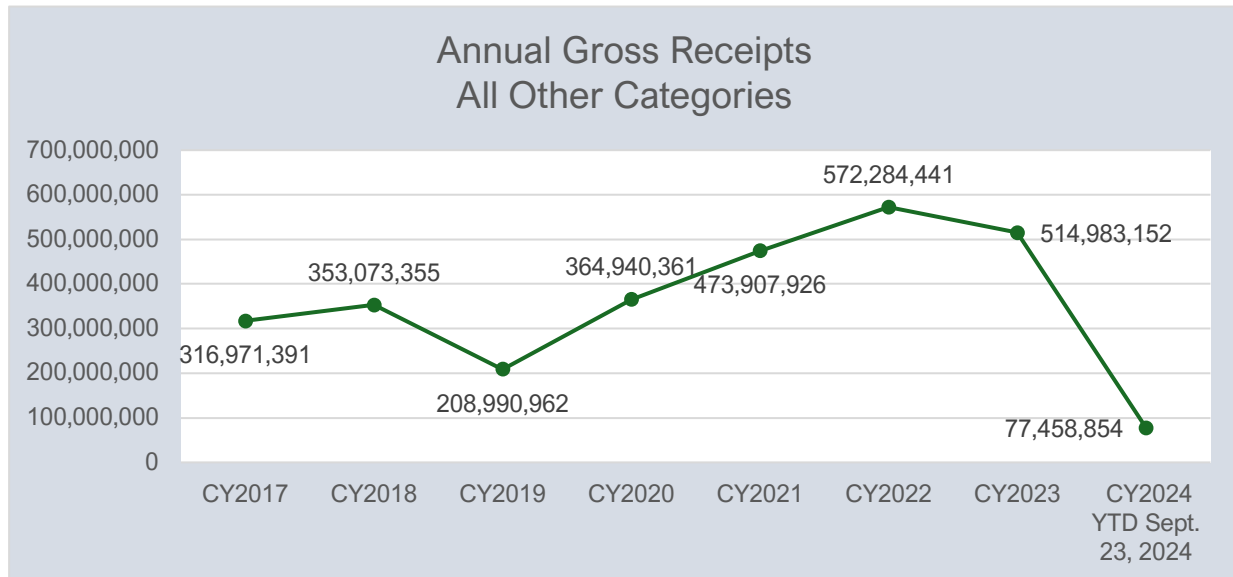
Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 69. Annual Gross Receipts – Wholesale, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024



Source: Albemarle County, Virginia, Department of Finance and Budget

Figure 70. Annual Gross Receipts – All Other Categories, Albemarle County, Virginia, CY2017–CY2024:YTD as of September 23, 2024

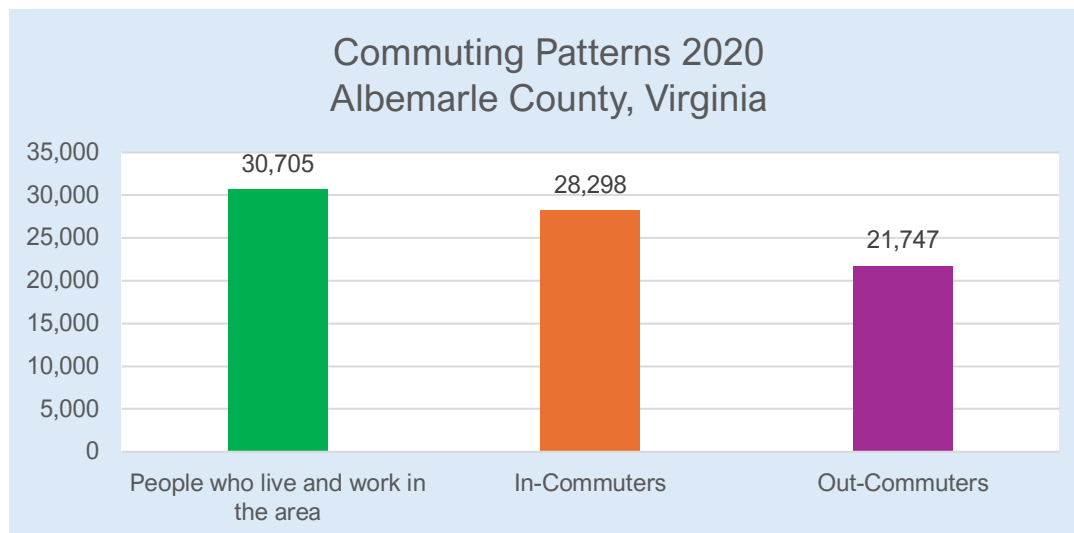


Source: Albemarle County, Virginia, Department of Finance and Budget

Commuting Patterns of Albemarle County, Virginia

The U.S. Census Bureau publishes county-level commuting flow data for counties based on the five-year estimates of the American Community Survey for 2016-2020, which is the most current data available. The U.S. Census reports that in 2016-2020 an average of 30,705 people lived and worked in Albemarle County (52% intracounty commuting), 21,747 people commuted out of the county (37% commuting outflow), and 28,298 persons commuted into the county (48% commuting inflow), thereby resulting in Net In-Commuters of 6,551 (In-Commuters minus Out-Commuters or 11% net commuting inflow) (Figure 71; Census).

Figure 71: Commuting Patterns, Albemarle County, Virginia, 2020



Source: U.S. Census, 2016-2020 5-Year American Community Survey Commuting Flows

Based on a similar analysis, the Federal Reserve Bank of Richmond has characterized Albemarle County as an “Intracounty Commuting County” since the commuting inflow rate was below approximately 55% and the outflow rate was below approximately 65%. However, Albemarle County’s estimated commuting inflow rate of 48% is relatively close to the approximately 55% threshold beyond which the Richmond Fed’s categorization would move to an Employment Center which is characterized by substantial inflows and limited outflows. Given Albemarle County’s near proximity to being characterized as an Employment Center, it will experience some degree of the features of an Employment Center including serving as a relative magnet for workers from the surrounding area with a thriving job market, retaining a considerable portion of its workforce inside the county, and creating a degree of concentration of economic activity. As such, the County will play a key role in regional development and infrastructure planning (Richmond Fed, 2024, August).

Key Takeaways from County Business Patterns, Gross Receipts by Category, the American Community Survey 2018-2022 and Commuting Patterns

While the gross receipts categories in the Commonwealth of Virginia combine various 2-digit NAICS codes and therefore report in broader categories than the CBP, the two sources correspond regarding the overall profile of business activity in Albemarle County. In terms of jobs and annual payroll based on the CBP and the County’s gross receipts overall, key industries for Albemarle County include (1) health care, (2) repair, personal and business services; (3) retail trade; (4) construction; and (5) financial, real estate and professional, technical, and scientific services (Census and Albemarle County Department of Finance and Budget).

As noted earlier in this report, the ACS 5-year estimates for 2018–2022 also combined certain 2-digit NAICS codes and reported the employment of county residents in broader categories based on household surveys. Again, there is overlap with the primary business categories for jobs, annual payroll, and gross receipts. Based on the ACS 2018–2022 data, the top five industries of employment for the civilian residents that live in Albemarle County (16 and over) were: (1) educational services, and health care and social assistance; (2) professional, scientific, and management, and administrative and waste management services; (3) arts, entertainment, and recreation, and accommodation and food services; (4) retail trade; and (5) finance and insurance, and real estate and rental and leasing (Census).

The analysis of commuting patterns identified that while Albemarle County is technically classified as an “Intracounty County,” with the majority of residents also working within the county, Albemarle County also attracts a noteworthy portion of workers from other localities and shares many characteristics with “Employment Center” localities, including serving as a relative magnet for workers from the surrounding area with a thriving job market, retaining a considerable portion of its workforce inside the county, and creating a degree of concentration of economic activity. As such, the County will play a key role in regional development and infrastructure planning (Census and Richmond Fed).

F. Economic Outlook for Albemarle County, Virginia

This Annual Economic Outlook report continues to support the findings of the 2023 and 2022 Annual Economic Outlook Reports and the Quarterly Monitoring Reports of September 2024, February 2024, September 2023, May 2023, and February 2023. Albemarle County has a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in relatively higher-income industries, and strong local business activity.

As with the state, it is prudent at this writing to rely on the historical trend findings of the 2023 and 2022 Annual Economic Outlook Reports based on the available monthly, quarterly, and annual local and regional data (given denser indicator coverage at the national level and some monthly, quarterly, and annual local and regional data are reported with varying lags). Namely, Albemarle County's economic indicators have generally followed the overall patterns of the related state and national indicators, albeit sometimes at different levels, except for the recent deviations in Summer 2024 in the year-over-year growth in the median listing price per square foot where Albemarle County is presenting more softening than the state and nation (Realtor.com). Thus, the national and state economic outlooks are relevant barometers generally in framing Albemarle County's economic outlook, with the caveat that closer monitoring is required for state and regional housing market trends.

As noted in Sections IV.H. and V.F. above, the national and state economic outlooks anticipate moderate to solid overall growth in 2024, milder growth in 2025, and almost normal trend-line growth in 2026 with both headwinds and downside risks as well as tailwinds and upside risks to the forecasts. Thus, it is prudent to likewise expect moderate to solid growth in 2024–2025 and normal trend-line growth in 2026, and to remain watchful to the potential downside risks of cooling labor market conditions and higher unemployment, sticky core inflation, tight credit conditions and lending standards, pressured real personal income, cooling consumer demand and spending (particularly inflation-adjusted), continued housing market softness even with declining interest rates due to affordability, commercial real estate challenges (especially in the office sector), slower business activity due to the lingering effects of tight credit, supply disruptions, shifting trade flows, and continued geopolitical risks and impacts (such as supply and price shocks). Similar to the state and nation, it is also prudent to expect more muted economic growth beyond 2026 as compared to prepandemic trends based on the changing profile of the workforce and other fundamentals in the economy. The timing of different potential economic impacts will vary with those business sectors more sensitive to interest rates and consumer activity likely exhibiting impacts sooner.

Given the rapidly changing environment, close monitoring to support early detection of changing circumstances and agile adjustment are recommended going forward. Additional overall recommendations based on the County's economic outlook and other findings are provided in Section IX below.

VII. Additional Community Factors for Albemarle County, Virginia

Beyond the economic analysis and outlook in the previous section, additional analysis is provided on community factors related to income and poverty, housing patterns and costs, and educational attainment based on the rich data released in the U.S. Census Bureau's most recent American Community Survey (ACS) 2018–2022. The examination of these additional community factors will highlight key characteristics and provide information to support effective policy analysis and decision-making for the community.

A. Income and Poverty

Household Income

As compared to Virginia, Albemarle County's median household income was 12% greater than that for the state in 2018–2022 (\$97,708 in Albemarle County vs. \$87,249 in the state). Further, Albemarle County had a greater portion of high-income households (\$150,000 and above) and a lower portion of very low-income households (under \$15,000) than the state. Also note that the distribution of household incomes was not symmetrical and skewed positive with values that were significantly higher than the rest of the data set, as reflected by the mean (average) household income (\$137,904) being significantly higher than the median household income (\$97,708) (Table 8; Census). (Since the mean (average) is influenced by positive or negative "outliers," observations significantly above or below the rest of the data set, the median is a more reliable measure of "central tendency.")

Regarding the components of household income, 75.3% of households in Albemarle County received earnings in 2018–2022, slightly behind the state's nearly 79.4% rate, which can be expected given the County's proximity to a major university and a higher incidence of households receiving retirement income in the County as found in the ACS data. In terms of benefits, a slightly higher portion of Albemarle County households received Social Security income as compared to the state in 2018–2022 (32.3% in Albemarle vs. 29.8% for the state) and a higher portion of County households received retirement income (28.8% in Albemarle vs. 26.0% for the state). Additionally, the proportion of Albemarle County's households receiving Supplementary Security Income (3.2%), cash public assistance (1.3%), and Food Stamps/SNAP benefits in the past 12 months (3.1%), were below the companion figures for the state (Table 8; Census).

Table 8. Household Income and Benefits 2018-2022: U.S., Virginia, and Albemarle County, Virginia (in 2022 dollars)

HOUSEHOLD INCOME AND BENEFITS 2018-2022 (IN 2022 INFLATION-ADJUSTED DOLLARS)						
	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
Total households	125,736,353	125,736,353	3,289,776	3,289,776	44,031	44,031
Less than \$10,000	6,192,080	4.9%	138,113	4.2%	1,166	2.6%
\$10,000 to \$14,999	4,743,710	3.8%	97,645	3.0%	923	2.1%
\$15,000 to \$24,999	8,823,088	7.0%	192,270	5.8%	2,190	5.0%
\$25,000 to \$34,999	9,309,426	7.4%	207,297	6.3%	2,609	5.9%
\$35,000 to \$49,999	13,463,922	10.7%	307,942	9.4%	3,745	8.5%
\$50,000 to \$74,999	20,228,418	16.1%	493,060	15.0%	6,633	15.1%
\$75,000 to \$99,999	16,085,302	12.8%	404,048	12.3%	5,262	12.0%
\$100,000 to \$149,999	21,466,924	17.1%	594,120	18.1%	8,109	18.4%
\$150,000 to \$199,999	11,075,396	8.8%	343,678	10.4%	5,504	12.5%
\$200,000 or more	14,348,087	11.4%	511,603	15.6%	7,890	17.9%
Median household income (dollars)	75,149	(X)	87,249	(X)	97,708	(X)
Mean household income (dollars)	105,833	(X)	120,553	(X)	137,904	(X)
With earnings	97,603,973	77.6%	2,613,529	79.4%	33,138	75.3%
Mean earnings (dollars)	107,743	(X)	120,495	(X)	134,202	(X)
With Social Security	39,273,890	31.2%	980,110	29.8%	14,233	32.3%
Mean Social Security income (dollars)	22,683	(X)	23,174	(X)	27,003	(X)
With retirement income	29,084,404	23.1%	856,335	26.0%	12,665	28.8%
Mean retirement income (dollars)	32,050	(X)	37,730	(X)	41,573	(X)
With Supplemental Security Income	6,457,476	5.1%	137,175	4.2%	1,412	3.2%
Mean Supplemental Security Income (dollars)	11,137	(X)	10,772	(X)	11,227	(X)
With cash public assistance income	3,339,152	2.7%	72,663	2.2%	560	1.3%
Mean cash public assistance income (dollars)	4,243	(X)	3,961	(X)	4,518	(X)
With Food Stamp/SNAP benefits in the past 12 months	14,486,880	11.5%	274,320	8.3%	1,359	3.1%

Source: U. S. Census Bureau, ACS 5-year estimate 2018-2022 (in 2022 dollars)

Poverty Rates and Trends

In 2018–2022, poverty rates for families in Albemarle County were significantly below the companion rates for Virginia and the U.S., both overall and in all but one of the sub-categories examined in the ACS 2018–2022 (Table 9; Census).

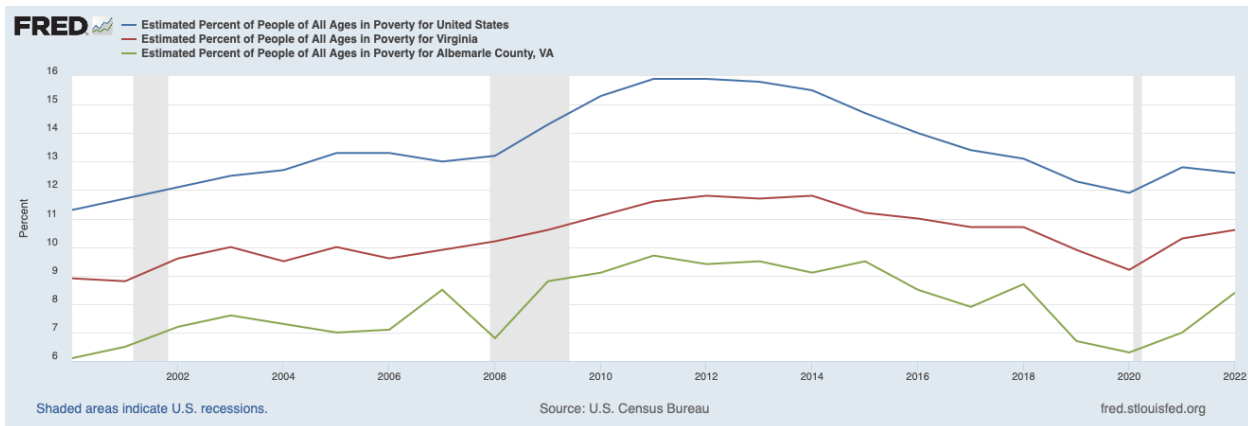
Table 9. Percentage of Families Below the Poverty Level 2018-2022: U.S., Virginia, and Albemarle County, Virginia

PERCENTAGE OF FAMILIES AND PEOPLE WHOSE INCOME IN THE PAST 12 MONTHS IS BELOW THE POVERTY LEVEL 2018-2022			
Label	United States	Virginia	Albemarle County, Virginia
All families	8.8%	6.8%	3.6%
With related children of the householder under 18 years	13.6%	10.6%	6.1%
With related children of the householder under 5 years only	12.8%	10.2%	4.5%
Married couple families	4.5%	3.2%	1.1%
With related children of the householder under 18 years	5.9%	4.1%	1.4%
With related children of the householder under 5 years only	4.6%	3.3%	0.0%
Families with female householder, no spouse present	24.1%	21.1%	16.6%
With related children of the householder under 18 years	33.1%	29.6%	21.7%
With related children of the householder under 5 years only	37.2%	34.3%	20.5%
All people	12.5%	10.0%	7.1%
Under 18 years	16.7%	12.8%	8.1%
Related children of the householder under 18 years	16.3%	12.5%	7.8%
Related children of the householder under 5 years	18.1%	13.9%	10.8%
Related children of the householder 5 to 17 years	15.7%	12.0%	6.8%
18 years and over	11.4%	9.2%	6.8%
18 to 64 years	11.7%	9.5%	7.6%
65 years and over	10.0%	8.0%	4.6%
People in families	9.7%	7.3%	4.2%
Unrelated individuals 15 years and over	24.0%	21.1%	16.9%

Source: U. S. Census Bureau, ACS 5-year estimate 2018-2022

Historically, the poverty rate for people of all ages in Albemarle County has been distinctly below those of the state and nation. However, Albemarle County's poverty rate for people of all ages displayed more annual variation (up and down) than the state's figure just before, during, and after the Great Financial Crisis of 2007-2009, with the difference between the county's and state's poverty rates generally narrowing somewhat during that period. By 2016, Albemarle County's poverty rate began declining faster than the state's, except for an uptick in 2018, and the County's poverty rate for people of all ages in 2022 was 2.2% below that of the state after increasing faster than the state that year (8.4% in Albemarle County vs. 10.6% in Virginia in 2022) (Figure 72; Census).

Figure 72. Annual Percent in Poverty: U.S., Virginia, and Albemarle County, Virginia, 2000 – 2022



Not seasonally adjusted

B. Housing Patterns and Costs

In this section, five features of housing patterns and costs are examined using the ACS 2018–2022 data.

Albemarle County had a higher proportion of occupied housing units (92.7%) as compared to the state and nation in 2018–2022, a lower proportion of vacant housing, and lower homeowner and rental vacancy rates as compared to the state and nation (Table 10; Census). Regarding housing tenure, Albemarle County’s proportion of owner-occupied housing and renter-occupied housing was generally comparable to the state’s with insignificant differences of only about a half-percentage point. Both housing tenure metrics compared favorably to the nation in 2018–2022 (Table 10; Census).

Table 10. Housing Occupancy and Tenure: U.S., Virginia, and Albemarle County, Virginia 2018-2022

HOUSING OCCUPANCY AND TENURE 2018-2022						
Label	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
HOUSING OCCUPANCY						
Total housing units	140,943,613	140,943,613	3,625,285	3,625,285	47,496	47,496
Occupied housing units	125,736,353	89.2%	3,289,776	90.7%	44,031	92.7%
Vacant housing units	15,207,260	10.8%	335,509	9.3%	3,465	7.3%
Homeowner vacancy rate	1.1	(X)	1.0	(X)	0.6	(X)
Rental vacancy rate	5.5	(X)	4.9	(X)	2.6	(X)
HOUSING TENURE						
Occupied housing units	125,736,353	125,736,353	3,289,776	3,289,776	44,031	44,031
Owner-occupied	81,497,760	64.8%	2,199,299	66.9%	29,604	67.2%
Renter-occupied	44,238,593	35.2%	1,090,477	33.1%	14,427	32.8%
Average household size of owner-occupied unit	2.67	(X)	2.65	(X)	2.50	(X)
Average household size of renter-occupied unit	2.38	(X)	2.35	(X)	2.08	(X)

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022

In 2018–2022, the median value of housing in Albemarle County (\$450,200) was significantly higher than that for the state (\$339,800), with a significantly larger portion of its owner-occupied units being valued above \$300,000 as compared to the state. Also fewer of the owner-occupied units in Albemarle County held mortgages (61.1%) as compared to the state (67.7%) (Table 11; Census).

Table 11. Housing Value: U.S., Virginia, and Albemarle County, Virginia 2018-2022 (in 2022 dollars)

HOUSING VALUE 2018-2022 (IN 2022 DOLLARS)						
Label	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
VALUE						
Owner-occupied units	81,497,760	81,497,760	2,199,299	2,199,299	29,604	29,604
Less than \$50,000	4,608,049	5.7%	86,441	3.9%	637	2.2%
\$50,000 to \$99,999	6,319,475	7.8%	98,817	4.5%	212	0.7%
\$100,000 to \$149,999	7,522,305	9.2%	140,807	6.4%	704	2.4%
\$150,000 to \$199,999	8,836,916	10.8%	197,141	9.0%	1,414	4.8%
\$200,000 to \$299,999	16,202,792	19.9%	440,108	20.0%	4,210	14.2%
\$300,000 to \$499,999	19,613,693	24.1%	606,427	27.6%	10,257	34.6%
\$500,000 to \$999,999	13,868,801	17.0%	513,343	23.3%	9,479	32.0%
\$1,000,000 or more	4,525,729	5.6%	116,215	5.3%	2,691	9.1%
Median (dollars)	281,900	(X)	339,800	(X)	450,200	(X)
MORTGAGE STATUS						
Owner-occupied units	81,497,760	81,497,760	2,199,299	2,199,299	29,604	29,604
Housing units with a mortgage	50,148,459	61.5%	1,489,688	67.7%	18,228	61.6%
Housing units without a mortgage	31,349,301	38.5%	709,611	32.3%	11,376	38.4%

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022 (in 2022 dollars)

In 2018–2022, median selected monthly owner costs (SMOC) for housing units with a mortgage was \$2,132 in Albemarle County and the median SMOC was \$645 for those units without a mortgage, both slightly higher than the state and nation, based on the ACS 2018–2022 data (Table 12; Census).

Table 12. Housing Selected Monthly Owner Costs (SMOC); U.S., Virginia, and Albemarle County, Virginia 2018-2022 (in 2018 dollars)

HOUSING SELECTED MONTHLY OWNER COSTS (SMOC) 2018-2022 (IN 2018 DOLLARS)						
Label	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
Housing units with a mortgage	50,148,459	50,148,459	1,489,688	1,489,688	18,228	18,228
Less than \$500	398,158	0.8%	12,932	0.9%	72	0.4%
\$500 to \$999	5,651,012	11.3%	131,305	8.8%	1,357	7.4%
\$1,000 to \$1,499	11,648,218	23.2%	282,198	18.9%	2,653	14.6%
\$1,500 to \$1,999	10,877,072	21.7%	311,656	20.9%	4,146	22.7%
\$2,000 to \$2,499	7,579,187	15.1%	242,197	16.3%	3,354	18.4%
\$2,500 to \$2,999	4,940,870	9.9%	176,093	11.8%	2,930	16.1%
\$3,000 or more	9,053,942	18.1%	333,307	22.4%	3,716	20.4%
Median (dollars)	1,828	(X)	2,014	(X)	2,132	(X)
Housing units without a mortgage	31,349,301	31,349,301	709,611	709,611	11,376	11,376
Less than \$250	2,501,067	8.0%	62,470	8.8%	270	2.4%
\$250 to \$399	5,516,078	17.6%	147,003	20.7%	1,251	11.0%
\$400 to \$599	8,320,414	26.5%	193,276	27.2%	3,551	31.2%
\$600 to \$799	5,888,639	18.8%	123,946	17.5%	2,545	22.4%
\$800 to \$999	3,521,581	11.2%	77,434	10.9%	1,355	11.9%
\$1,000 or more	5,601,522	17.9%	105,482	14.9%	2,404	21.1%
Median (dollars)	584	(X)	546	(X)	645	(X)

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022 (in 2018 dollars)

In terms of the impact on household income, 30% is the threshold beyond which HUD defines a household as cost-burdened (HUD). Based on the ACS 2018–2022 data, 23.7% of Albemarle County’s households with mortgages exceeded the HUD 30% affordability threshold, which was lower than the related metrics for the state and nation. For households in owner-occupied housing without mortgages, 12.1% in Albemarle County exceeded the HUD 30% affordability threshold which was higher than the state but lower than the nation (Table 13; Census).

Table 13. Housing Selected Monthly Owner Costs (SMOC) as a Percentage of Household Income: U.S., Virginia, and Albemarle County, Virginia 2018-2022

SELECTED MONTHLY OWNER COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME (SMOCAPI) IN 2018-2022						
Label	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
Housing units with a mortgage (excluding units where SMOCAPI cannot be computed)	49,912,138	49,912,138	1,483,907	1,483,907	18,169	18,169
Less than 20.0 percent	23,620,829	47.3%	726,050	48.9%	9,543	52.5%
20.0 to 24.9 percent	7,618,466	15.3%	241,428	16.3%	2,953	16.3%
25.0 to 29.9 percent	5,048,443	10.1%	148,841	10.0%	1,367	7.5%
30.0 to 34.9 percent	3,329,406	6.7%	97,597	6.6%	1,512	8.3%
35.0 percent or more	10,294,994	20.6%	269,991	18.2%	2,794	15.4%
Not computed	236,321	(X)	5,781	(X)	59	(X)
Housing unit without a mortgage (excluding units where SMOCAPI cannot be computed)	30,916,280	30,916,280	701,578	701,578	11,317	11,317
Less than 10.0 percent	14,212,334	46.0%	370,323	52.8%	6,390	56.5%
10.0 to 14.9 percent	5,929,081	19.2%	128,077	18.3%	1,744	15.4%
15.0 to 19.9 percent	3,311,810	10.7%	67,093	9.6%	1,029	9.1%
20.0 to 24.9 percent	1,995,672	6.5%	38,301	5.5%	492	4.3%
25.0 to 29.9 percent	1,275,790	4.1%	23,963	3.4%	301	2.7%
30.0 to 34.9 percent	859,097	2.8%	16,346	2.3%	234	2.1%
35.0 percent or more	3,332,496	10.8%	57,475	8.2%	1,127	10.0%
Not computed	433,021	(X)	8,033	(X)	59	(X)

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022

The median gross rent for occupied rental housing was \$1,570 in Albemarle County in 2018–2022, higher than the companion figures for the state (\$1,440) and nation (\$1,268). Based on the ACS 2018–2022 data, 47.5% of renting households in Albemarle County exceeded the HUD 30% affordability threshold, which was essentially the same as the state (47.8%) but less than the nation (49.9%) (Table 14; Census).

Table 14. Gross Rent and Gross Rent as a Percentage of Household Income: U.S., Virginia, and Albemarle County, Virginia 2018-2022 (in 2022 dollars)

HOUSING GROSS RENT AND GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME (GRAPI) 2018-2022 (IN 2022 DOLLARS)						
Label	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
GROSS RENT						
Occupied units paying rent	42,085,857	42,085,857	1,037,003	1,037,003	13,577	13,577
Less than \$500	2,948,903	7.0%	57,616	5.6%	226	1.7%
\$500 to \$999	10,564,157	25.1%	202,811	19.6%	1,385	10.2%
\$1,000 to \$1,499	12,851,449	30.5%	291,622	28.1%	4,516	33.3%
\$1,500 to \$1,999	8,006,332	19.0%	239,377	23.1%	4,748	35.0%
\$2,000 to \$2,499	3,965,502	9.4%	134,612	13.0%	1,709	12.6%
\$2,500 to \$2,999	1,704,480	4.1%	57,339	5.5%	460	3.4%
\$3,000 or more	2,045,034	4.9%	53,626	5.2%	533	3.9%
Median (dollars)	1,268	(X)	1,440	(X)	1,570	(X)
No rent paid	2,152,736	(X)	53,474	(X)	850	(X)
GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME (GRAPI)						
Occupied units paying rent (excluding units where GRAPI cannot be computed)	41,167,877	41,167,877	1,017,246	1,017,246	13,303	13,303
Less than 15.0 percent	5,406,453	13.1%	131,741	13.0%	1,983	14.9%
15.0 to 19.9 percent	5,197,343	12.6%	138,903	13.7%	2,063	15.5%
20.0 to 24.9 percent	5,261,967	12.8%	135,083	13.3%	1,607	12.1%
25.0 to 29.9 percent	4,754,176	11.5%	125,254	12.3%	1,321	9.9%
30.0 to 34.9 percent	3,760,574	9.1%	91,821	9.0%	1,203	9.0%
35.0 percent or more	16,787,364	40.8%	394,444	38.8%	5,126	38.5%
Not computed	3,070,716	(X)	73,231	(X)	1,124	(X)

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022

Key findings in this section for additional consideration during policy reviews include (a) housing affordability given the notable higher median price of homes in the County, and (b) housing cost-burden for 47.5% of renters of occupied units, 23.7% of owner-occupied units with a mortgage,

and 12.1% of owner-occupied units without a mortgage in 2018–2022, according to the U.S. Census ACS.

C. Educational Attainment

Regarding educational attainment, the proportion of Albemarle County’s residents 25 years and over holding bachelor’s (30.1%) and graduate or professional degrees (30.1%) significantly exceeded the companion figures for the state and nation in 2018–2022. As a result, 60.1% of Albemarle County residents 25 years and over held a bachelor’s degree or higher as compared to 41.0% for Virginia and 34.3% for the U.S. in 2018–2022 (Table 15; Census).

Table 15. Educational Attainment 2018-2022: U.S., Virginia, and Albemarle County, Virginia

EDUCATIONAL ATTAINMENT 2018-2022						
	United States		Virginia		Albemarle County, Virginia	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
Total households	125,736,353	125,736,353	3,289,776	3,289,776	44,031	44,031
Population 25 years and over	226,600,992	226,600,992	5,919,142	5,919,142	76,936	76,936
Less than 9th grade	10,742,781	4.7%	212,554	3.6%	1,799	2.3%
9th to 12th grade, no diploma	13,856,917	6.1%	313,263	5.3%	2,951	3.8%
High school graduate (includes equivalency)	59,741,825	26.4%	1,411,884	23.9%	11,279	14.7%
Some college, no degree	44,692,390	19.7%	1,094,753	18.5%	10,211	13.3%
Associate's degree	19,815,732	8.7%	461,866	7.8%	4,434	5.8%
Bachelor's degree	47,391,673	20.9%	1,366,160	23.1%	23,136	30.1%
Graduate or professional degree	30,359,674	13.4%	1,058,662	17.9%	23,126	30.1%
High school graduate or higher	202,001,294	89.1%	5,393,325	91.1%	72,186	93.8%
Bachelor's degree or higher	77,751,347	34.3%	2,424,822	41.0%	46,262	60.1%

Source: U.S. Census Bureau, ACS 5-year estimate 2018-2022

VIII. Demographic Trends in the United States and Virginia

This section presents an analysis of pertinent demographic trends ongoing in the United States and Virginia related to slower population growth, an aging population and increasing percentage of persons 65 and older, lower labor force participation rates primarily driven by the aging population and shifts in population among the regions and metro and rural areas since the pandemic. These unfolding demographic trends are expected to generate substantial changes in the demographic composition, size, structure and locational geography of the U.S. population and continue to impact policy, economics, business activity, healthcare, social services, education and many other elements of our communities and society. This investigation is intended to highlight strategic dynamics and provide information to support effective policy analysis and decision-making for the community.

A. National Demographic Trends

The demographic composition of the United States has been changing rapidly primarily due to the aging of the baby boom generation, the cohort born during the post-World War II baby boom in 1946–1964 in the U.S., which has driven changes in the age structure of the U.S. population since its birth. This cohort is projected to continue to influence characteristics of the nation in the years to come. The baby boomers began turning 65 in 2011 and have been driving growth at the older ages of the population for over a decade (Census).

In 2010–2023 the upsurge in the number of Americans aged 65 and older outpaced the growth in the working-age population. In fact, during this period the share of the population that was 65 years and older increased from 13% in 2010 to 18% in 2023, while the share of the population that is considered working age, ages 18–64, declined (63% in 2010 down to 61% in 2023) (Tables 16 and 17). Notably, the share of the population under 18 also declined in 2010–2023 (24% in 2010 down to 22% in 2023). The decrease in the share of the youth-age population is driven by the decline in the U.S. natural birth rate starting in 2008 during the Great Financial Crisis with the birth rate not recovering since that time. Relatedly, the median age of the U.S. population increased from 37.2 years in 2010 to 39.1 years in 2023 (Tables 16 and 17; Census).

Table 16: U.S. Annual Estimates of the Resident Population for Selected Age Groups, July 1, 2010 to July 1, 2023

Annual Estimates of the Resident Population for Selected Age Groups for the United States: July 1, 2010 to July 1, 2023														
Age	Population Estimate (as of July 1) ^{a,b}													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	309,321,666	311,556,874	313,830,990	315,993,715	318,301,008	320,635,163	322,941,311	324,985,539	326,687,501	328,239,523	331,526,933	332,048,977	333,271,411	334,914,895
Under 18 years	74,120,666	73,907,524	73,696,664	73,568,702	73,563,723	73,618,051	73,649,413	73,585,346	73,319,145	73,039,150	74,257,209	73,630,433	73,225,324	72,831,861
Under 5 years	20,188,815	20,123,103	19,976,065	19,849,215	19,872,349	19,918,078	19,921,759	19,890,972	19,762,962	19,576,683	19,291,875	18,850,308	18,657,742	18,511,160
5 to 13 years	36,866,367	36,914,435	37,002,098	37,070,630	36,949,328	36,898,953	36,960,578	36,952,743	36,892,306	36,829,704	37,685,174	37,336,009	36,954,805	36,679,048
14 to 17 years	17,065,484	16,869,986	16,718,501	16,648,857	16,742,046	16,801,020	16,767,076	16,741,631	16,663,877	16,632,763	17,280,160	17,444,116	17,612,777	17,641,653
18 to 64 years	194,722,776	196,299,335	197,003,963	197,795,558	198,580,269	199,366,342	200,089,827	200,646,789	200,999,017	201,142,110	202,817,163	202,533,798	202,575,903	202,834,673
18 to 24 years	30,762,380	31,078,554	31,371,460	31,488,416	31,416,072	31,130,843	30,801,776	30,519,684	30,373,478	30,219,206	30,089,848	30,114,169	30,331,016	30,553,272
25 to 44 years	82,191,286	82,427,353	82,801,927	83,279,411	83,849,830	84,475,800	85,191,223	86,019,996	86,823,584	87,599,465	88,579,943	88,941,175	89,409,773	89,933,209
45 to 64 years	81,769,110	82,793,428	82,830,576	83,027,731	83,314,367	83,759,699	84,096,828	84,107,109	83,801,955	83,323,439	84,147,372	83,478,454	82,835,114	82,348,192
65 years and over	40,478,224	41,350,015	43,130,363	44,629,455	46,157,016	47,650,770	49,202,071	50,753,404	52,369,339	54,058,263	54,452,561	55,884,746	57,470,184	59,248,361
Median age (years)	37.2	37.3	37.4	37.6	37.7	37.8	37.9	38.0	38.2	38.4	38.5	38.8	38.9	39.1

Note (a): The estimates for 2010 to 2019 are based on the 2010 Census and reflect changes to the April 1, 2010 population due to the Count Question Resolution program and geographic program revisions. Median age is calculated based on single year of age. For population estimates methodology statements, see <http://www.census.gov/programs-surveys/popest/technical-documentation/methodology.html>.

Note (b): The estimates for 2020 - 2023 are based on the Vintage 2023 data products that are associated with Data Management System projects P-6000042, P-7501659, and P-7527355. The U.S. Census Bureau reviewed these data products for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release (CBDRB-FY24-0085). The estimates are developed from a base that integrates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates. For population estimates methodology statements, see <https://www.census.gov/programs-surveys/popest/technical-documentation/methodology.html>. Median age is calculated based on single year of age. All geographic boundaries for the 2023 population estimates series are as of January 1, 2023.

Sources: U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2019 (NC-EST2019-AGESEX), Release Date June 2020; and Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2020 to July 1, 2023 (NC-EST2023-AGESEX), Release Date June 2024.

Table 17: U.S. Annual Percentage of the Resident Population for Selected Age Groups, July 1, 2010 to July 1, 2023

Annual Estimates of the Resident Population for Selected Age Groups for the United States: July 1, 2010 to July 1, 2023														
Age	Population Estimate (as of July 1) ^{a,b}													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Under 18 years	24%	24%	23%	23%	23%	23%	23%	23%	22%	22%	22%	22%	22%	22%
18 to 64 years	63%	63%	63%	63%	62%	62%	62%	62%	62%	61%	61%	61%	61%	61%
65 years and over	13%	13%	14%	14%	15%	15%	15%	16%	16%	16%	16%	17%	17%	18%

Note (a): The estimates for 2010 to 2019 are based on the 2010 Census and reflect changes to the April 1, 2010 population due to the Count Question Resolution program and geographic program revisions. Median age is calculated based on single year of age. For population estimates methodology statements, see <http://www.census.gov/programs-surveys/popest/technical-documentation/methodology.html>.

Note (b): The estimates for 2020 - 2023 are based on the Vintage 2023 data products that are associated with Data Management System projects P-6000042, P-7501659, and P-7527355. The U.S. Census Bureau reviewed these data products for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release (CBDRB-FY24-0085). The estimates are developed from a base that integrates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates. For population estimates methodology statements, see <https://www.census.gov/programs-surveys/popest/technical-documentation/methodology.html>. Median age is calculated based on single year of age. All geographic boundaries for the 2023 population estimates series are as of January 1, 2023.

Sources: U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2019 (NC-EST2019-AGESEX), Release Date June 2020; and Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2020 to July 1, 2023 (NC-EST2023-AGESEX), Release Date June 2024.

These demographic trends are projected to persist and accelerate in the coming years. By 2030, the U.S. Census projects that all of the baby boomers will be 65 years and over, more than 20 percent of the total U.S. population will be over the age of 65, and the median age will increase further to 39.5 years (Tables 18 and 19). Although the number of baby boomers will decline through mortality, this shift toward an increasingly older population is expected to endure (Tables 19 and 20) (Census).

Moreover, by 2030, the population 65 years and over is projected to become larger than the population under 18 years and the 65 years and over population is projected to continue to grow in both size and proportion through 2100 (Tables 18 and 19). By 2100, the U.S. Census projects that the 65 years and over population will comprise 29% of the total population, with the under 18 years population comprising 19% and the 18 to 64 years population comprising 53%. Also, the median age is projected to increase to 46.8 years old by 2100 (Tables 18 and 19; Census).

Table 18: U.S. Projected Population by Age Group 2022–2100

Projected Population by Age Group Projections for the United States: 2022-2100 (Resident population as of July 1. Numbers in thousands) ^{a,b,c}																	
	2022	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100
Total	333,288	338,016	345,074	350,861	355,309	358,438	360,639	362,450	364,287	366,207	367,913	369,018	369,363	368,993	368,120	366,923	365,558
Under 18 years	72,451	70,935	69,087	67,899	67,746	67,366	66,490	65,347	64,336	63,690	63,304	62,941	62,403	61,710	61,008	60,407	59,903
Under 5 years	18,538	18,303	18,422	18,454	18,299	17,931	17,535	17,246	17,132	17,094	16,992	16,798	16,565	16,362	16,216	16,104	15,977
5 to 13 years	36,496	35,613	34,178	33,952	34,061	33,947	33,457	32,770	32,183	31,863	31,760	31,639	31,364	30,974	30,586	30,282	30,056
14 to 17 years	17,416	17,019	16,487	15,494	15,386	15,489	15,498	15,331	15,021	14,733	14,551	14,504	14,474	14,374	14,205	14,021	13,871
18 to 64 years	203,042	203,755	204,803	207,133	209,269	211,239	212,019	211,965	211,163	209,851	207,698	205,308	203,682	202,583	201,928	200,805	199,320
18 to 24 years	31,328	31,278	30,710	29,673	28,499	27,900	28,133	28,190	27,956	27,466	26,975	26,655	26,556	26,511	26,357	26,079	25,762
25 to 44 years	89,197	90,988	93,057	94,271	94,068	93,196	91,169	89,345	88,502	88,174	88,168	87,584	86,639	85,695	85,038	84,631	84,277
45 to 64 years	82,517	81,489	81,036	83,190	86,702	90,143	92,716	94,430	94,705	94,211	92,555	91,069	90,487	90,376	90,533	90,095	89,281
65 years and over	57,795	63,327	71,183	75,828	78,294	79,832	82,130	85,137	88,788	92,667	96,910	100,769	103,277	104,700	105,184	105,711	106,335
85 years and over	6,486	7,047	8,560	11,179	13,676	15,950	17,375	17,590	17,526	17,987	19,403	21,148	22,789	24,170	25,545	26,717	27,268
100 years and over	89	107	134	158	189	252	357	440	519	561	573	583	663	761	872	948	1,055
Median age (years)	37.8	38.4	39.5	40.4	41.2	42.0	42.8	43.5	44.2	44.7	45.1	45.5	45.9	46.2	46.5	46.6	46.8

Notes: (a) 2023 National Population Projections data products are associated with Data Management System projects P-6000042, P-7501659, and P-7527355. The U.S. Census Bureau reviewed these data products for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release (CBDRB-FY24-0008); (b) For population projections methodology statements, see <https://www.census.gov/programs-surveys/popproj/technical-documentation/methodology.html>; and (c) 2022 is the base population estimate for the projections.

Source: U.S. Census Bureau, Population Division, Projected Population by Age Group and Sex for the United States, Main Series: 2022-2100, Tables 2 and 3, Release Date November 2023

Source: U.S. Census Bureau, Population Division, Main Series Table 2, November 2023

Table 19: U.S. Projected Population Percentage by Age Group, 2022–2100

Projected Population by Age Group Projections for the United States: 2022-2100 (Resident population as of July 1. Percent)																	
	2022	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100
Under 18 Years	22%	21%	20%	19%	19%	19%	18%	18%	18%	17%	17%	17%	17%	17%	17%	16%	16%
18-64 years	61%	60%	59%	59%	59%	59%	59%	58%	58%	57%	56%	56%	55%	55%	55%	55%	55%
65 years & older	17%	19%	21%	22%	22%	22%	23%	23%	24%	25%	26%	27%	28%	28%	29%	29%	29%

Source: U.S. Census Bureau, Population Division, Main Series Table 2, November 2023

Table 20: U.S. Projected Population and Component of Change, 2022–2100

Projected Population and Components of Change							
Projections for the United States: 2022-2100							
Main series, Table 1							
(Resident population as of July 1. Numbers in thousands)							
Year	Population	Numeric change since prior year	Percent change since prior year	Vital events		Natural change (births – deaths)	Net international migration ¹
				Births	Deaths		
2022	333,288						
2023	334,906	1,619	0.49	3,627	2,862	766	853
2024	336,482	1,576	0.47	3,632	2,912	721	855
2025	338,016	1,534	0.46	3,637	2,960	676	858
2026	339,513	1,497	0.44	3,641	3,009	632	865
2027	340,970	1,457	0.43	3,645	3,058	587	871
2028	342,385	1,414	0.41	3,648	3,108	540	874
2029	343,754	1,369	0.40	3,651	3,160	491	878
2030	345,074	1,320	0.38	3,653	3,212	441	879
2031	346,339	1,266	0.37	3,654	3,265	389	877
2032	347,545	1,206	0.35	3,654	3,319	336	870
2033	348,702	1,157	0.33	3,653	3,373	280	876
2034	349,808	1,106	0.32	3,650	3,426	224	882
2035	350,861	1,053	0.30	3,645	3,480	166	888
2036	351,861	1,000	0.29	3,639	3,532	107	893
2037	352,806	945	0.27	3,630	3,583	47	898
2038	353,696	890	0.25	3,619	3,633	-13	903
2039	354,530	834	0.24	3,607	3,680	-73	908
2040	355,309	779	0.22	3,592	3,725	-133	912
2041	356,034	724	0.20	3,576	3,767	-191	916
2042	356,705	672	0.19	3,559	3,806	-247	919
2043	357,327	622	0.17	3,541	3,841	-300	922
2044	357,903	576	0.16	3,524	3,873	-349	925
2045	358,438	535	0.15	3,506	3,900	-394	928
2046	358,936	498	0.14	3,490	3,923	-433	931
2047	359,400	464	0.13	3,474	3,943	-469	933
2048	359,836	435	0.12	3,459	3,959	-500	936
2049	360,247	411	0.11	3,444	3,971	-527	938
2050	360,639	392	0.11	3,431	3,979	-549	940
2051	361,015	377	0.10	3,418	3,984	-566	942
2052	361,381	366	0.10	3,407	3,986	-579	944
2053	361,739	359	0.10	3,398	3,985	-587	946
2054	362,095	355	0.10	3,390	3,983	-592	948
2055	362,450	355	0.10	3,385	3,979	-594	949
2056	362,807	357	0.10	3,380	3,973	-593	951
2057	363,169	362	0.10	3,377	3,967	-590	952
2058	363,536	367	0.10	3,375	3,961	-586	953
2059	363,909	373	0.10	3,373	3,955	-582	955
2060	364,287	378	0.10	3,372	3,950	-578	956
2061	364,670	383	0.11	3,370	3,945	-575	958
2062	365,057	386	0.11	3,369	3,943	-574	960
2063	365,443	387	0.11	3,367	3,942	-575	962
2064	365,828	385	0.11	3,364	3,943	-579	963
2065	366,207	379	0.10	3,361	3,946	-585	965
2066	366,579	371	0.10	3,357	3,951	-595	966
2067	366,938	360	0.10	3,351	3,959	-608	967
2068	367,283	345	0.09	3,345	3,969	-624	969
2069	367,609	326	0.09	3,339	3,982	-644	970
2070	367,913	303	0.08	3,331	3,999	-667	971
2071	368,190	278	0.08	3,323	4,017	-694	972
2072	368,441	250	0.07	3,314	4,037	-722	973
2073	368,663	222	0.06	3,305	4,056	-751	974
2074	368,856	193	0.05	3,295	4,077	-781	974
2075	369,018	163	0.04	3,286	4,098	-812	975
2076	369,150	132	0.04	3,276	4,119	-844	975
2077	369,250	100	0.03	3,266	4,142	-875	976
2078	369,319	69	0.02	3,257	4,164	-907	976
2079	369,356	37	0.01	3,247	4,186	-939	976
2080	369,363	7	0.00	3,239	4,208	-969	976
2081	369,340	-23	-0.01	3,230	4,229	-998	975
2082	369,289	-51	-0.01	3,222	4,248	-1,025	975
2083	369,213	-76	-0.02	3,215	4,265	-1,050	974
2084	369,114	-99	-0.03	3,208	4,281	-1,073	973
2085	368,993	-121	-0.03	3,202	4,295	-1,093	972
2086	368,852	-141	-0.04	3,196	4,308	-1,112	971
2087	368,693	-159	-0.04	3,190	4,319	-1,129	970
2088	368,518	-176	-0.05	3,185	4,330	-1,144	968
2089	368,326	-191	-0.05	3,181	4,339	-1,158	967
2090	368,120	-206	-0.06	3,176	4,348	-1,171	965
2091	367,901	-219	-0.06	3,172	4,355	-1,183	964
2092	367,670	-231	-0.06	3,167	4,360	-1,193	962
2093	367,429	-241	-0.07	3,163	4,364	-1,201	960
2094	367,179	-249	-0.07	3,158	4,366	-1,207	958
2095	366,923	-256	-0.07	3,154	4,366	-1,212	956
2096	366,661	-262	-0.07	3,149	4,365	-1,216	954
2097	366,393	-268	-0.07	3,143	4,363	-1,219	951
2098	366,120	-273	-0.07	3,138	4,360	-1,222	949
2099	365,841	-278	-0.08	3,132	4,356	-1,225	946
2100	365,558	-283	-0.08	3,125	4,352	-1,227	944

¹ Net international migration includes the international migration of both native and foreign-born populations. Specifically, it includes: (a) the net international migration of the foreign born, (b) the net international migration of the native born, including migration to and from Puerto Rico.

Notes: 2023 National Population Projections data products are associated with Data Management System projects P-6000042, P-7501659, and P-7527355. The U.S. Census Bureau reviewed these data products for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release (CBDRB-FY24-0008).

For population projections methodology statements, see <https://www.census.gov/programs-surveys/popproj/technical-documentation/methodology.html>.

2022 is the base population estimate for the projections. Data on population change and components of change refer to events occurring between July 1 of the preceding year and June 30 of the indicated year.

Suggested Citation:
Projected Population and Components of Change for the United States, Main Series: 2022-2100.
Source: U.S. Census Bureau, Population Division
Release Date: November 2023

As the baby boom generation's continued progression into retirement and old age further influences the American landscape, the projected substantial changes in the demographic composition, size and structure of the U.S. population will continue to impact policy, economics, healthcare, social services, education and many other elements of our communities and society.

The U.S. Bureau of Labor Statistics estimated that workers 55 years and over totaled 37.4 million, comprising 23% of the total employed persons. With all baby boomers reaching age 65 by 2030 and several of them choosing to eventually retire, the portion of retired persons in the U.S. also will increase due to the size of the baby boom cohort relative to every other individual cohort in the population. Their retirements will impact business costs and affect GDP, productivity, and consumer spending in significant ways, even as other factors partially offset these effects (BLS, Conference Board, Shapiro and Suttgen 2024).

Historically, GDP growth has been driven by labor inputs, i.e., labor productivity, employment, and total hours worked (Conference Board, 2023). As the wave of boomer retirements increases, the dampening impact on GDP will be partially offset by younger workers replacing the retiring boomers and improving their skills and continued business investments, especially in technology to generate productivity growth and compensate for the reduction in the working age population (Conference Board).

Based on the lasted BLS data, in 2023 workers 55 and older held more than 20% of the jobs in management, professional and financial operations; architecture and engineering; community and social service; legal; education, training and library; arts, design, entertainment, sports and media; healthcare practitioners and technical; healthcare support; building and grounds cleaning and maintenance; personal care and service; sales; office and administrative support; farming, fishing and forestry; installation, maintenance and repair; production; and transportation and material moving occupations (Table 21). The impacts of the aging of the U.S. population and decline in the working age population will be broad-based on jobs and the economy (BLS).

While the increase in the retired population will be partially offset by new entrants to the labor force, Gen Z young people and an uncertain portion of immigrants, the Census and Conference Board project that the new entrants to the labor force will not fill all of the positions formerly held by retirees as the baby boom proceeds through its waves of retirement. Thus, filling the open positions formerly held by retirees will also raise business costs, especially with persistent labor shortages in particular occupations (Census, Conference Board).

Technology advancements are expected to relieve some but not all of the expected labor shortages with the increased retirements in certain occupations, especially in the trades and other skilled occupations (Conference Board).

Additionally, as the baby boomers' retirements reduce their incomes and affect their spending choices, the contributions of this cohort to overall consumer spending likewise are expected to be impacted both in amount and composition.

Table 21: Employed Persons by Detailed Occupation and Age 2023 (thousands)*

Occupation	2023							
	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and over	55 years and over
Total employed	4%	9%	22%	22%	20%	16%	7%	23%
Management, professional, and related occupations	1%	5%	23%	25%	22%	17%	7%	24%
Management, business, and financial operations occupations	0%	4%	20%	25%	24%	19%	8%	27%
Management occupations	0%	3%	17%	25%	25%	20%	8%	28%
Business and financial operations occupations	0%	5%	26%	24%	21%	17%	6%	23%
Professional and related occupations	1%	7%	26%	25%	20%	15%	7%	22%
Computer and mathematical occupations	1%	6%	30%	27%	20%	14%	3%	17%
Architecture and engineering occupations	1%	8%	27%	22%	19%	17%	6%	23%
Life, physical, and social science occupations	1%	8%	30%	23%	18%	12%	8%	19%
Community and social service occupations	1%	5%	26%	23%	21%	15%	9%	24%
Legal occupations	0%	3%	19%	27%	22%	19%	11%	30%
Education, training, and library occupations	2%	8%	22%	25%	23%	15%	7%	22%
Arts, design, entertainment, sports, and media occupations	3%	8%	26%	23%	19%	13%	8%	22%
Healthcare practitioners and technical occupations	0%	6%	27%	25%	19%	16%	6%	22%
Service occupations	9%	14%	21%	19%	17%	14%	6%	20%
Healthcare support occupations	3%	13%	23%	20%	17%	17%	7%	24%
Protective service occupations	3%	8%	26%	24%	20%	13%	5%	18%
Food preparation and serving related occupations	20%	21%	20%	14%	12%	9%	3%	13%
Building and grounds cleaning and maintenance occupations	4%	9%	18%	21%	21%	20%	8%	28%

Occupation	2023							
	16 to 19 years	20 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and over	55 years and over
Personal care and service occupations	7%	15%	21%	19%	17%	14%	7%	21%
Sales and office occupations	5%	11%	21%	19%	18%	17%	8%	25%
Sales and related occupations	7%	12%	20%	19%	17%	17%	8%	25%
Office and administrative support occupations	3%	11%	22%	20%	19%	18%	7%	26%
Natural resources, construction, and maintenance occupations	3%	10%	23%	24%	20%	15%	5%	21%
Farming, fishing, and forestry occupations	9%	10%	19%	22%	18%	14%	9%	23%
Construction and extraction occupations	3%	10%	24%	24%	20%	14%	5%	19%
Installation, maintenance, and repair occupations	2%	11%	22%	22%	20%	17%	5%	23%
Production, transportation, and material moving occupations	4%	11%	22%	19%	20%	18%	7%	24%
Production occupations	2%	10%	22%	20%	21%	18%	6%	24%
Transportation and material moving occupations	5%	12%	22%	18%	19%	17%	7%	24%

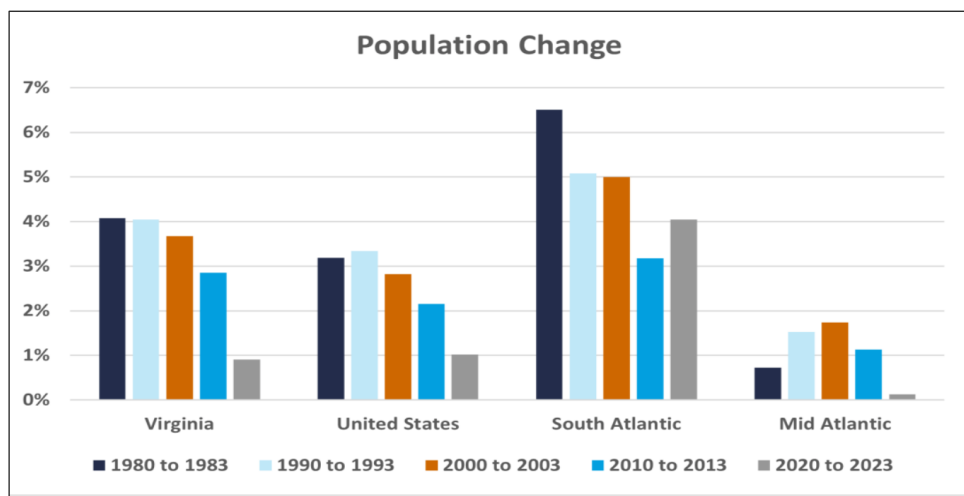
*Household data average averages

Source: U.S. Census Bureau, Labor Force Statistics from the Current Population Survey, Last Updated September 13, 2024

B. Virginia Demographic Trends

While the total population grew in 2020–2023 in Virginia, across the United States and slightly in the Mid-Atlantic region, the rate of growth was markedly slower than in previous decades (Figure 73). Some of the factors contributing to this trend include death rates dropping slowly after pandemic highs, lower birth rates since 2020, and an ample segment of the population leaving large metropolitan areas since the pandemic, including Northern Virginia, often to southern states. As such, the South Atlantic region’s population growth accelerated during 2020–2023 as compared to previous decades (Figure 73; Lombard, Weldon Cooper Center⁴).

Figure 73: Population Change at the Beginning of the Decade 1980 – 2023: U.S., Virginia and the South Atlantic and Mid-Atlantic Regions



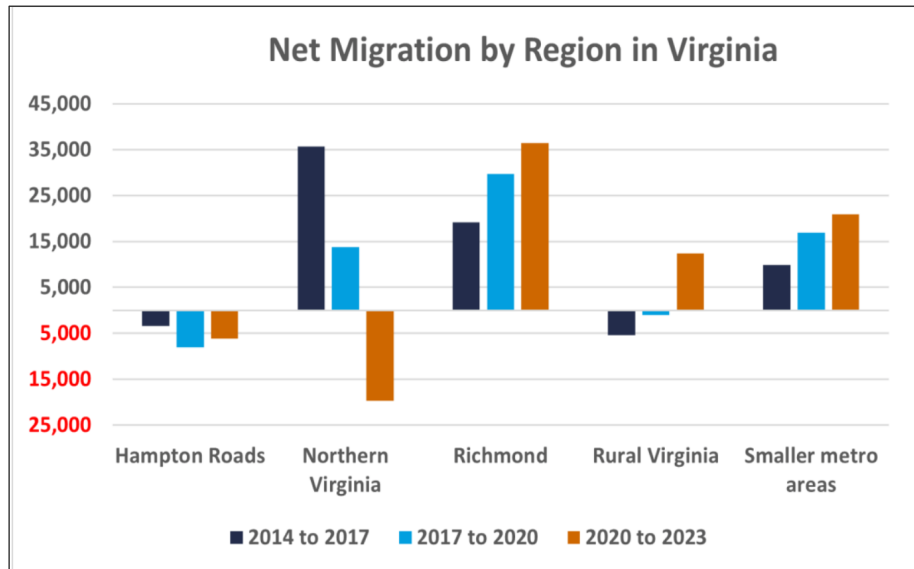
Source: Weldon Cooper Center, U. S. Census Bureau Population Estimates, January 2024. The South Atlantic includes Florida, Georgia, North and South Carolina. The Mid Atlantic includes DC, Delaware, Maryland, New Jersey, New York and Pennsylvania.

Amid slower population growth, Virginia’s demographic landscape is changing. Almost every part of Virginia was impacted in 2020–2023 by the flow away from large population centers, including Northern Virginia. As people moved out of Northern Virginia and other large metropolitan areas, the Richmond region and Virginia’s smaller metropolitan⁵ and rural areas experienced significantly larger growth in 2020–2023 than in the previous six years. The Winchester and Richmond Metro Areas experienced noticeably increased population growth during 2020 – 2023. However, the Hampton Roads regional population did not grow in 2020–2023 but did experience slower decline during that period as compared to the immediately preceding three years (2017–2020) (Figure 74; Lombard).

⁴ In between the decennial censuses, the Weldon Cooper Center of the University of Virginia is the official demographer of the Commonwealth of Virginia.

⁵ Virginia’s smaller metropolitan areas include the Charlottesville-Albemarle, Blacksburg-Christiansburg-Radford, Bristol, Harrisonburg, Lynchburg, Roanoke, Staunton-Waynesboro, and Winchester Metropolitan Statistical Areas (MSAs), essentially those MSAs outside of Virginia’s “Urban Crescent,” i.e., the Northern Virginia, Richmond and Hampton Roads MSAs.

Figure 74: Net Migration by Region in Virginia, 2017–2023

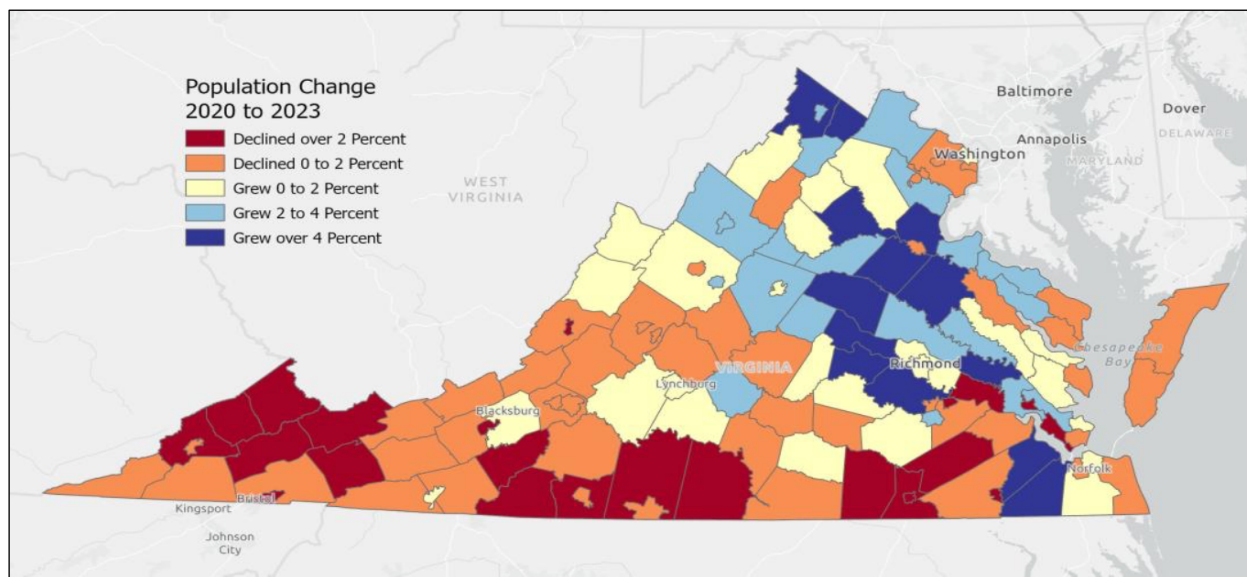


Source: Weldon Cooper Center Population Estimates, January 2024.

The factors underlying Virginia’s recent migration trends include the continuations of certain longstanding demographic shifts and noticeable breaks from other longstanding demographic trends. The movement from larger to smaller metro areas and from city cores to suburbs extends the shifts in the state’s population that have been unfolding for almost a century (Figures 74 and 75; Lombard).

On the other hand, most of Virginia’s rural areas in 2020–2023 experienced more people moving in than out, or positive net in-migration, a stark break with the pattern that had persisted since the mid-1970’s. Yet, some of the positive net in-migration in the rural counties unfortunately has been masked by the high death rates that rural counties’ older populations disproportionately experienced during the pandemic (Figure 75). The increased in-migration of people to the rural areas was related to the acceleration of the pre-existing trends of remote and hybrid work during the pandemic, which are projected to persist (Lombard).

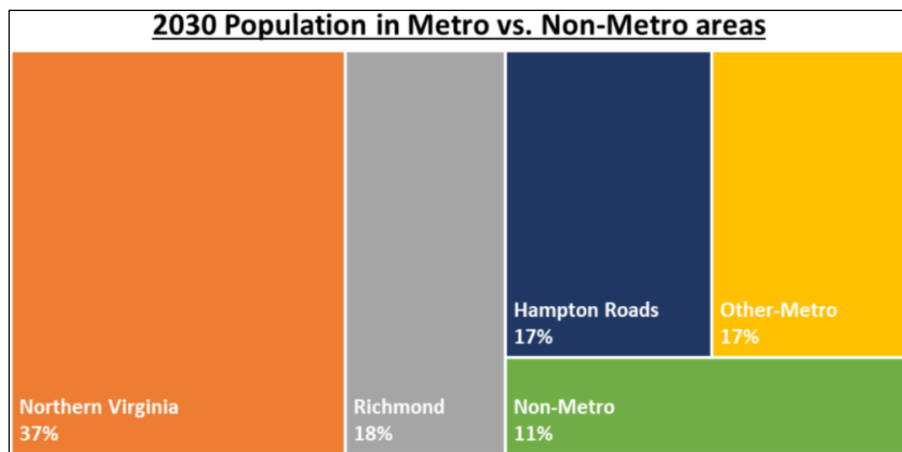
Figure 75: Virginia's Population Change by Locality, 2020–2023



Source: Weldon Cooper Center Population Estimates, January 2024.

Despite the expected continued shifts from larger metropolitan areas, Virginia's population in 2030 is projected to primarily reside in the state's "Urban Crescent," i.e., the Northern Virginia, Richmond and Hampton Roads MSAs, with a total of 72% residing in the largest three urban metro areas combined (37% in the Northern Virginia MSA, 18% in the Richmond MSA and 17% in the Hampton Roads MSA) (Figure 76). The remaining small metropolitan areas combined are projected to comprise 17% of Virginia's population in 2030, with rural areas comprising 11% overall (Figure 76; Sen, Weldon Cooper Center).

Figure 76: Virginia's Projected Population Distribution Across Metro Areas, 2030



Source: Weldon Cooper Center Population Estimates, September 2023.

Similar to the nation, Virginia's age composition is projected to shift with the statewide share of the 65 years and older population continuing to increase from 12% in 2010, to 16% in 2020, to 19% in 2030 and beyond. By 2030, approximately 20% of Virginia's population will be 65 years

and older with several rural localities having over 35% of their resident population comprised of older adults (Sen).

IX. Conclusions and Recommendations

This report has outlined the continued intricate and unique circumstances of the U. S. and global economies that continue to provide the framework for assessing the economic conditions for Albemarle County and the Commonwealth of Virginia. The current economic indicators signal solid expansion in the U.S. economy in the first seven months of 2024 after the robust ending to 2023 with the expectation that growth will moderate and remain positive in 2024. Inflation slowed significantly by August 2024 in response to tight monetary policy, but still remained modestly above the Federal Reserve's preferred benchmark, and core inflation remained sticky. Further, labor market conditions continued to loosen in January–August 2024 and unemployment steadily increased over that period although it remained historically low. As such, the Federal Reserve began easing rates on September 18, 2024, while actively maintaining its plan to draw down its balance sheet, thereby maintaining restrictive monetary policy to bring inflation down further but not keeping the tight reins on the economy too long and cooling it down too much.

The U.S. economy is in “good shape” as noted by Federal Reserve Chairman on September 18, 2024, and proved remarkably resilient despite the aggressive monetary tightening worldwide in 2022–2023 to arrest inflation, and outperformed Europe and the other mature economies in 2023 to mid-2024 primarily due to the significant government supports to households and state and local governments and the U.S. avoiding the extent of food and energy spikes that Europe and other countries have been facing with the reordering of geopolitics. The widely projected recession in 2023 did happen in the United Kingdom and Europe while the U.S. economy actually experienced strong growth.

The outlook is “partly sunny/partly cloudy” with several dynamics operating. Current signals portend that the economy will continue to cool down from the blistering but unsustainable pace of economic growth in the second half of 2023 and remain positive through 2024, resulting in moderate to solid growth overall in 2024. Swirling winds, positive and negative, are impacting economic forecasts. Headwinds and downside risks to the forecasts include cooling labor market conditions, sticky core inflation in the U.S. and abroad, tight credit conditions and lending standards worldwide, monetary policy uncertainty or hard landings, increasing unemployment with a hard landing, cooling consumer and business demand and spending, housing market softness even with declining interest rates due to affordability, commercial real estate challenges with vacancies and mortgage rollovers in a restrictive monetary policy environment, supply chain disruptions, shifting trade flows, widening geopolitical risks, and slower global growth.

Tailwinds and upside risks to the forecast include potentially lower inflation to a material degree; a soft landing to tight monetary policy (e.g., jobs, wages, housing, manufacturing, and services); uplift to the global, slower growth outlook; an end to the Russian-Ukrainian and Middle East wars; reduced other geopolitical risks; increased business investment; and faster productivity growth.

With the accumulating signals of continued positive economic growth in the U.S., cooling and moderating from the robust pace in the second half of 2023, it is prudent for Albemarle County to likewise anticipate positive, cooling economic activity given its history of generally following state and national economic trends, albeit sometimes at different levels, except for reported greater softening in Summer 2024 in median listing price per square feet in home sales in the County than in the state or nation. Thus, the national and state economic outlooks are relevant barometers generally in framing Albemarle County's economic outlook, with the caveat that tighter monitoring is required for state and regional housing market trends. Another important proviso to this recommendation is that closer monitoring of local economic trends also is required due to the longer reporting lag for local economic statistics and the different levels and paces of change of local economic indicators while still generally following national and state trends. While the U.S. economy is expected to avoid an official recession in 2024, the downshift in the rate of economic growth as the Federal Reserve steers the economy to an expected "soft landing" will have a tightening impact on fiscal planning, with moderating revenue growth, expiring pandemic-era federal grants, and continued and growing service requirements and expense drivers (i.e., lower inflation is not deflation).

As found in the previous Annual Economic Outlook and Quarterly Economic Monitoring Reports, Albemarle County has a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in relatively higher-income industries, and strong local business activity. This overall solid economic base provides more scope within which to effectively plan and act defensively as compared to many other communities that face major, chronic economic issues. As such, S&P Global has identified that "fiscal focus now" is required to prevent "long-term leaks" (S&P, 2024, January 9).

To facilitate continued financial resiliency and agility in the face of the rapidly changing environment, this writer's enduring organizational recommendations include:

1. Detailed assessment of the organization's financial foundation, including strengths, weaknesses, and vulnerabilities.
2. Clearly-defined and refined strategic goals.
3. Long-run financial planning and robust scenario planning to illuminate potential chokepoints and develop shopping lists of potential response options.
4. Continued close monitoring to detect early warning signals and emerging trends.
5. Staff engagement to advance early detection, scenario planning, and response.
6. Adaptive decision-making practices and augmented communication.
7. Agility in action.

The current environment adds additional complexity to implementing the first and third recommendations above, i.e., developing a detailed assessment of the organization's financial foundation and long-run financial and scenario planning, both of which are being closely watched by rating agencies as the economy moves through what is effectively an economic inflection point. As the economy works to normalize to a "new reality" after four years of profound disruptions due to the pandemic and wars in Europe and the Middle East, substantial monetary and fiscal government supports to avoid economic collapse during the pandemic, and permanently changed

consumer and business landscapes, governments are encouraged to carefully examine their financial foundations as follows:

- Thoroughly scrutinize current budgets and financials and drill down to the underlying economic and budgetary fundamentals versus those factors driven by significant, time-limited government supports and/or transitory pandemic impacts.
- Clinically dissect recurring revenues from one-time or time-limited revenues and those revenues reflecting transitory pandemic impacts. Similarly dissect recurring expenses from one-time or time-limited expenses and those expenses reflecting transitory pandemic impacts. This untangling is crucial.
- Closely evaluate the structural balance of the government's budget, i.e., recurring revenues greater than or equal to recurring expenses, to assess its financial sustainability (GFOA).
- Evaluate inflation's line-item impact on expenses in the FY2022–FY2024 actuals and the FY2025 year-to-date budget and expect some price stickiness going into FY2026 and beyond.
- Although the initial effects of inflation may have benefited FY2022–FY2024 actual revenues, it is prudent to expect cautious consumer spending in 2024–2025 as household budgets continue to be pinched by higher prices (i.e., lower inflation is not deflation), especially in middle- and lower-income households, wage growth continues to slow as the impacts of tight monetary policy continue to unfold, the exhaustion of pandemic-era excess savings, and the recent resumption of student loan repayments after the end of the pandemic-era moratorium.
- To enhance resiliency, enhance long-term financial and scenario planning by combining financial forecasting with strategizing, thereby projecting revenues, expenses, and cash for a minimum of three-to-five years and longer, if possible; anticipating the future impacts of costs increases, contracts, revenue trends, service demands, and liabilities; and developing robust, alternative scenarios with documented assumptions.

As noted in the 2022 and 2023 Annual Economic Outlook Reports and Quarterly Economic Monitoring Reports of February 2023, May 2023, September 2023, February 2024 and September 2024, Albemarle County's prudent financial management and overall solid economic base provide a foundation and community capacity for strategic initiatives. Many other communities struggle with strategic initiatives because their economic foundations are not solid and repeatedly require significant organizational resources to maintain effective operations. Further, the County's strategic and methodical analysis, review, and policymaking are commended and will continue to advance the community toward its strategic objectives.

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XI. Appendix

Figure 77: Selected Virginia Statistical Area Delineations, 2020

Selected Virginia Statistical Areas 2020	
CBSA/MSA Title*	Counties and Cities
Charlottesville, Virginia	Albemarle County, Fluvanna County, Greene County, Nelson County, Charlottesville City
Staunton, Virginia	Augusta County, Staunton City, Waynesboro City,
Harrisonburg, Virginia	Rockingham County, Harrisonburg City
Richmond, Virginia	Amelia County, Charles City County, Chesterfield County, Dinwiddie County, Goochland County, Hanover County, Henrico County, King and Queen County, King William County, New Kent County, Powhatan County, Prince George County, Sussex County, Colonial Heights City, Hopewell City, Petersburg City, Richmond City

Source: U.S. Census Bureau; *U.S. Census defines CBSA as the Core-Based Statistical Area and MSA as the Metropolitan Statistical Area which are the same for the selected statistical areas.