

COUNTY ECONOMIES 2015

OPPORTUNITIES AND CHALLENGES



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“**County Economies 2015 is a reminder that county economies are where Americans feel the national economy.**”

County economies are the building blocks of regional economies, states and the nation. The conditions of a county economy can constrain and challenge county governments, residents and businesses, while also providing opportunities. This analysis tracks the performance of the 3,069 county economies in 2015 by examining annual changes in jobs, unemployment rate, economic output (GDP) and median home prices. It also explores wage dynamics in 2014 and between 2009 and 2014. The overall analysis indicates both opportunities and challenges, revealing that:

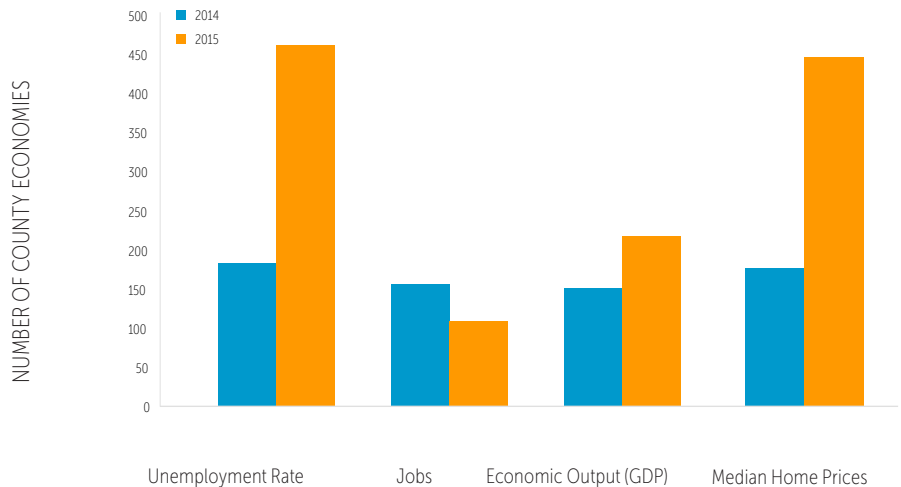
2.5 TIMES
MORE COUNTY ECONOMIES
RECOVERED ON UNEMPLOYMENT RATE IN 2015 THAN IN THE PREVIOUS YEAR.

1 RECOVERY ACCELERATED IN 2015 ON UNEMPLOYMENT RATES AND HOME PRICES.

An additional 462 county economies closed their unemployment gap in 2015, two and a half times more than in the previous year. Most of these county economies that returned to their pre-recession unemployment lows in 2015 were in the South and Midwest. In total, a quarter of county economies across the country got to their pre-recession unemployment lows by 2015. In a similar fashion, 2015 saw home prices reach pre-recession peaks in an additional 448 county economies, up from the previous year. This brings to almost two-thirds the

UNEMPLOYMENT RATES RECOVERED TO PRE-RECESSION LEVELS IN 2.5 TIMES MORE COUNTY ECONOMIES IN 2015 THAN IN 2014

Number of County Economies That Returned to Their Pre-Recession Lows in 2014 and 2015



Notes: This report examines only the economies of counties with county governments.

Source: NACo Analysis of Moody's Analytics 2015 data

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OPPORTUNITIES AND CHALLENGES

number of county economies recovered or with no recession on home prices by 2015. The trend is most pronounced in Southern county economies, where a majority reached their home price peaks seen before the latest downturn.

At the same time, the economic output (GDP) and jobs recovery almost stalled in 2015. Ninety-one (91) county economies that recovered in 2014 slid below their pre-recession peaks on economic output (GDP) in 2015. Oil and gas county economies represented about a sixth of them. A small number of county economies made progress in terms of economic output. Overall, 218 more county economies closed their output gap in 2015, bringing the total share of county economies past their pre-recession levels to 55 percent. Similarly, by 2015 only 28 percent of county economies had closed their job gap, up slightly from 25 percent in the previous year.

2 MOST COUNTY ECONOMIES GREW IN 2015, BUT ECONOMIC OUTPUT (GDP) EXPANSION WAS LESS PRONOUNCED.

Close to half of county economies saw growth across all indicators in 2015, a 15 percent increase over the previous year. Almost all of the 126 large county economies — in counties with more than 500,000 people — and 60 percent of Northeastern county economies witnessed growth across the board. Job growth accelerated in 40 percent of county economies. This trend was most evident in medium-sized county economies — in counties with populations between 50,000 and 500,000. The faster job growth rates resulted in unemployment rates declining in more than nine in ten county economies. Home prices grew faster in two-thirds of county economies in 2015 than in the previous year.

36%

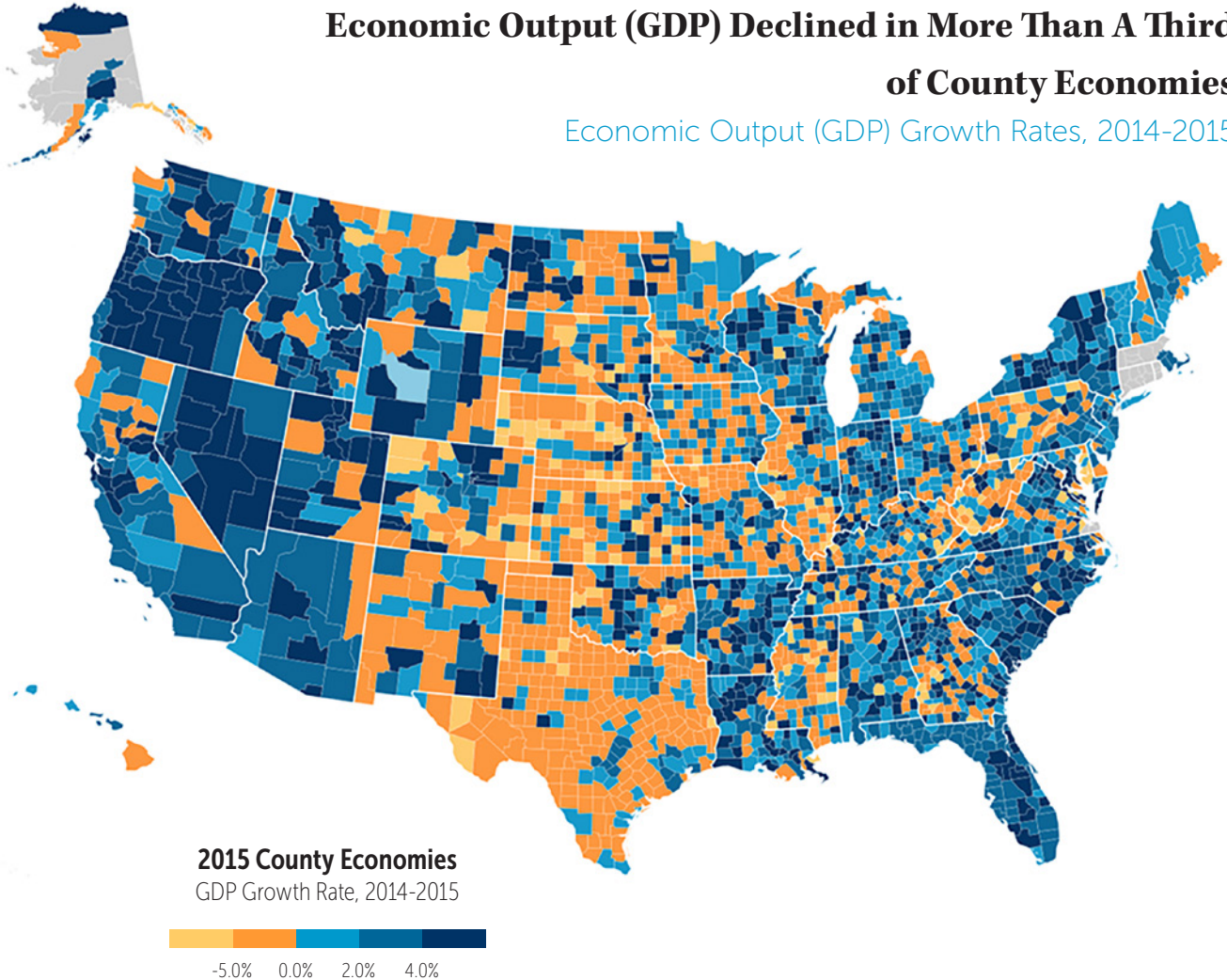
OF COUNTY ECONOMIES HAD DECLINES IN ECONOMIC OUTPUT (GDP) IN 2015.

2015 saw slower economic output (GDP) growth in 13 percent of county economies, mostly in small counties — with less than 50,000 residents — and mid-sized counties with populations between 50,000 and 500,000 residents. Further, economic output (GDP) declined in more than a third of county economies, mostly in small counties located in Georgia, Illinois, Kansas, Kentucky, Mississippi, Missouri, Nebraska and Texas. Ten (10) percent of them are oil and gas counties. Overall, more than half of oil and gas county economies experienced declines in economic output (GDP) in 2015.



Economic Output (GDP) Declined in More Than A Third of County Economies

Economic Output (GDP) Growth Rates, 2014-2015



2015 County Economies
GDP Growth Rate, 2014-2015

-5.0% 0.0% 2.0% 4.0%

Note: This report examines only the economies of counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments.

Source: NACo Analysis of Moody's Analytics 2015 data

3 ECONOMIC RECOVERY IS SPREADING OUT.

By 2015, 214 county economies recovered to their pre-recession levels on all four indicators analyzed, almost three times more than by 2014. Most of these county economies are in Texas, Nebraska and Kansas. For the first time, 17 of the 126 large county economies — in counties with more than 500,000 residents — are part of this group. The majority are in California and Texas.

COUNTY ECONOMIES 2015

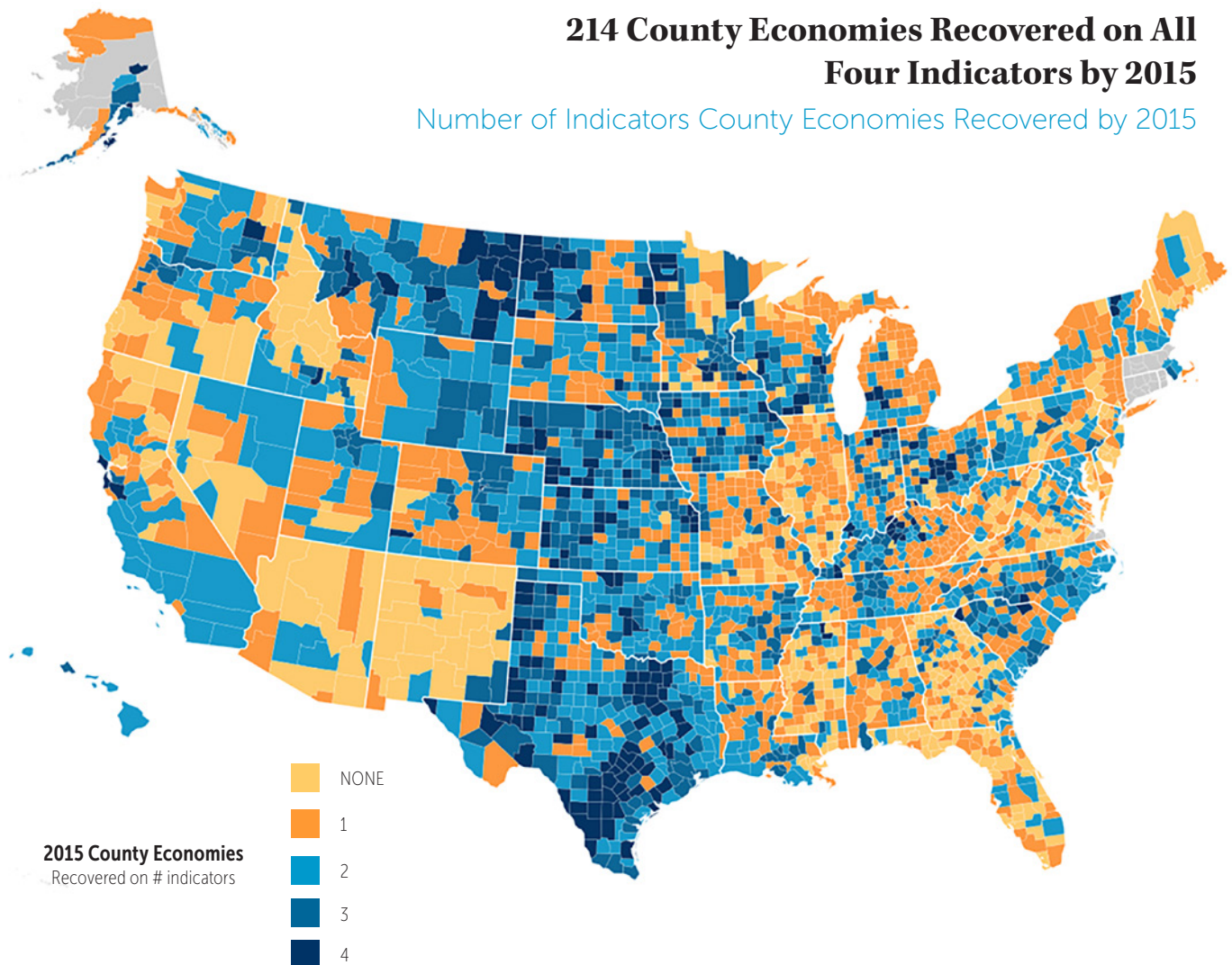
OPPORTUNITIES AND CHALLENGES

Overall, the county economies recovered on all four indicators by 2015 still represent only 7 percent of all county economies. In contrast, almost 16 percent of county economies had not recovered on any indicator by 2015, mostly in the South and Midwest. States such as Florida, Georgia, Illinois and Mississippi have more than a third of their county economies still reeling from the latest downturn across all economic indicators.

214 COUNTY ECONOMIES
RECOVERED ON ALL INDICATORS BY 2015

214 County Economies Recovered on All Four Indicators by 2015

Number of Indicators County Economies Recovered by 2015



Notes: This report examines only the economies of counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments. The four indicators analyzed are jobs, unemployment rates, economic output (GDP) and median home prices in the county economy.

Source: NACo Analysis of Moody's Analytics 2015 data



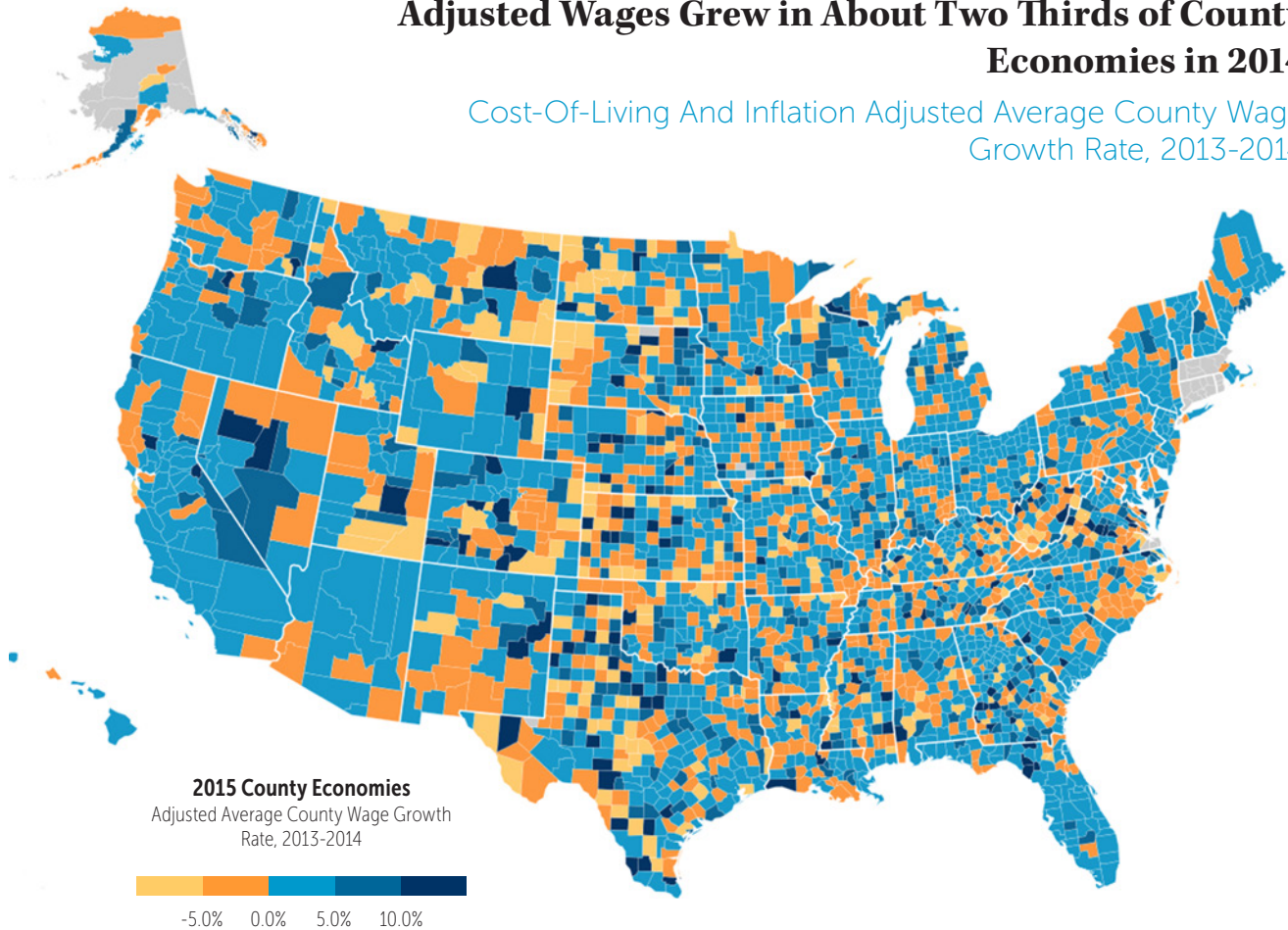
4 WAGES INCREASED BETWEEN 2013 AND 2014, ESPECIALLY IN LARGE COUNTY ECONOMIES.

Adjusted wages in the county increased in about two thirds of county economies between 2013 and 2014. Large county economies — those in counties with more than 500,000 residents — fared the best, with more than three-quarters seeing growth in their cost-of-living and inflation adjusted wages. Northeastern county economies led across regions, with over seven in ten witnessing gains in adjusted wages. Further, more than three quarters of county economies in states such as Florida, New Jersey and Ohio registered adjusted wage growth rates between 2013 and 2014.

67% OF COUNTY ECONOMIES HAD RISING ADJUSTED WAGES IN 2014

Adjusted Wages Grew in About Two Thirds of County Economies in 2014

Cost-Of-Living And Inflation Adjusted Average County Wage Growth Rate, 2013-2014



Notes: This report examines only the economies of counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments. This analysis adjusted the average county annual wage for geographical differences in the cost-of-living with a price index based on the U.S. Census Bureau 2013 and 2014 Median Gross Rent at the county level and for inflation adjustment with the U.S. Personal Consumption Expenditures (PCE) Price Index.

Source: NACo Analysis of U.S. Bureau of Economic Analysis Data; U.S. Bureau of Labor Statistics Data; and U.S. Census Bureau Data

COUNTY ECONOMIES 2015

OPPORTUNITIES AND CHALLENGES

Adjusted wages declined in the remainder third of county economies between 2013 and 2014. Eight in ten of these county economies were small, in counties with less than 50,000 residents. Most of them recorded wage rises nominally, but inflation and increases in cost-of-living wiped out these gains. More than one third of county economies in Kansas, Massachusetts and North Dakota fit that description. A small share — 6 percent of county economies — witnessed declines in their nominal wages and adjusted wages, mostly in smaller counties, with less than 50,000 residents.

5 THE RECOVERY IS CREATING AN UNEVEN GEOGRAPHY OF OPPORTUNITY ACROSS COUNTY ECONOMIES.

Forty-seven (47) percent of county economies experienced increases in both productivity and real wages between 2009 and 2014. Most of them are in small counties, with less than 50,000 residents. The majority of county economies in states such as Kansas, Nebraska, Oklahoma and Texas enjoyed increasing wage opportunity with the economic recovery. By comparison, 28 percent of county economies saw real wages declining while productivity increased. Most often, economic output (GDP) growth outpaced employment gains in these county economies, but total wages grew slower than jobs or even declined. More than one-third of large county economies — those in counties above 500,000 residents — fit this description. Further, in states such as New Jersey and North Carolina a majority of county economies saw real wages drop and productivity rise between 2009 and 2014.

28% OF COUNTY ECONOMIES

HAD FALLING REAL WAGES
AND PRODUCTIVITY GAINS
BETWEEN 2009 AND 2014.

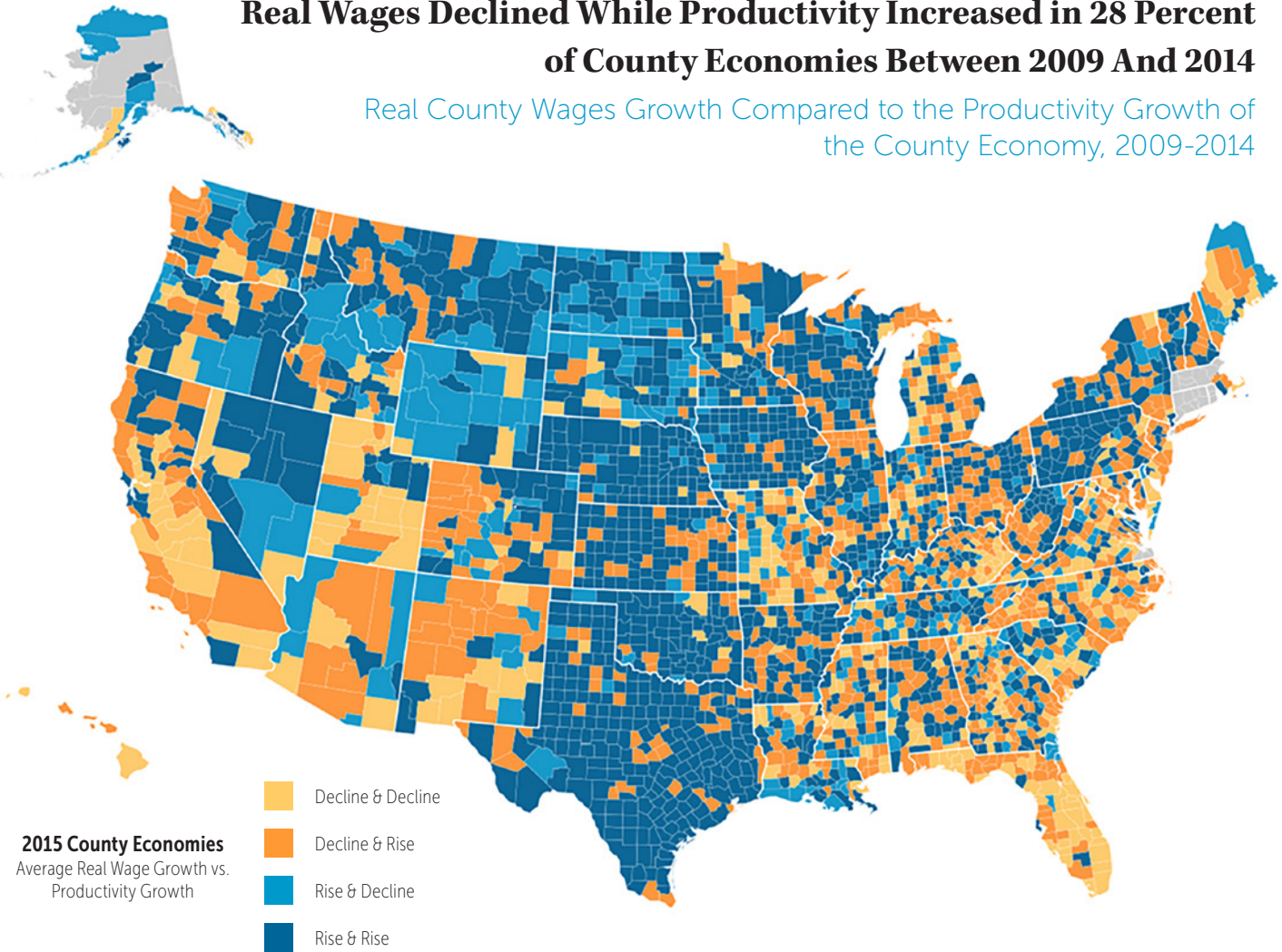
Other county economies had their own challenges. In a small share of county economies (12 percent), real wages grew as productivity declined. While employment, economic output (GDP) and total wages were all on the rise in these county economies, employment grew faster than economic output, but slower than total wages. These county economies are mainly in the Midwest and

South in counties on the smaller scale, with less than 50,000 population. Another 13 percent of county economies are in places facing declines on both productivity and real wages between 2009 and 2014.



Real Wages Declined While Productivity Increased in 28 Percent of County Economies Between 2009 And 2014

Real County Wages Growth Compared to the Productivity Growth of the County Economy, 2009-2014



Note: This report examines only the economies of counties with county governments. The dark grey areas in Conn., R.I., parts of Alaska, Mass. and Va. are counties or county-equivalents without county governments. This analysis uses the U.S. Producer Price Index to adjust average county annual wages for inflation in order to reflect a production perspective. The productivity of a county economy reflects the real economic output produced by an average job located in the county economy.

Source: NACo Analysis of Moody's Analytics 2015 Data; U.S. Bureau of Labor Statistics Data

County Economies 2015 is a reminder that county economies are where Americans feel the national economy. The data reveals that the economic recovery accelerated in 2015, especially on unemployment rates and home prices. A number of large county economies made significant strides, fully recovering across all four indicators for the first time. Growth continued in 2015. Yet, most county economies still have not recovered to their pre-recession levels on jobs and unemployment, and economic output growth was less pronounced. Since 2009, the recovery has created an uneven geography of opportunity, with some county economies witnessing rising wages and productivity, while others saw wages failing to keep pace with productivity gains. These opportunities and challenges in the U.S. economy on the ground show the continued need for a strong local-state-federal partnership in securing a strong economy.

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ABOUT NACo

The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service.

Mission

Through NACo, county officials:

- Advocate with a collective voice on national policy
- Exchange ideas and build new leadership skills
- Pursue transformational, cost-effective solutions
- Enrich the public's understanding of county government, and
- Exercise exemplary leadership in public service.

Vision

Healthy, vibrant and safe counties across the United States.

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