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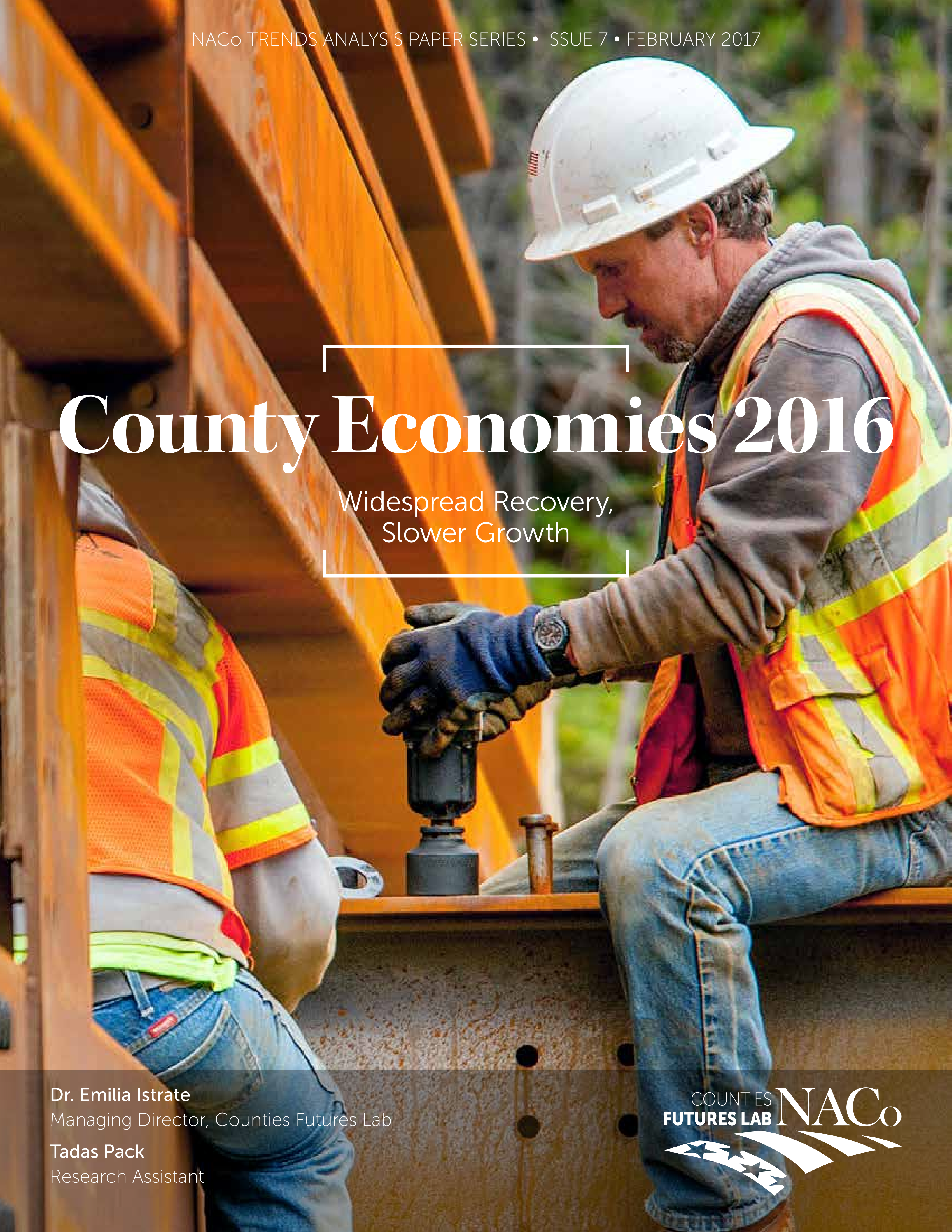

County Economies 2016

Widespread Recovery, Slower Growth

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County economies are the building blocks of regional economies, states and the nation. County economic conditions can constrain and challenge county governments, residents and businesses or, conversely, provide opportunity. This analysis of county economic conditions identifies growth and recovery patterns for 2016 by examining annual changes in jobs, unemployment rate, economic output (GDP) and median home prices. It also explores average wage dynamics in 2016 and the economic recovery patterns of counties that voted Democratic in 2008 and 2012 presidential election yet switched to Republican in 2016.

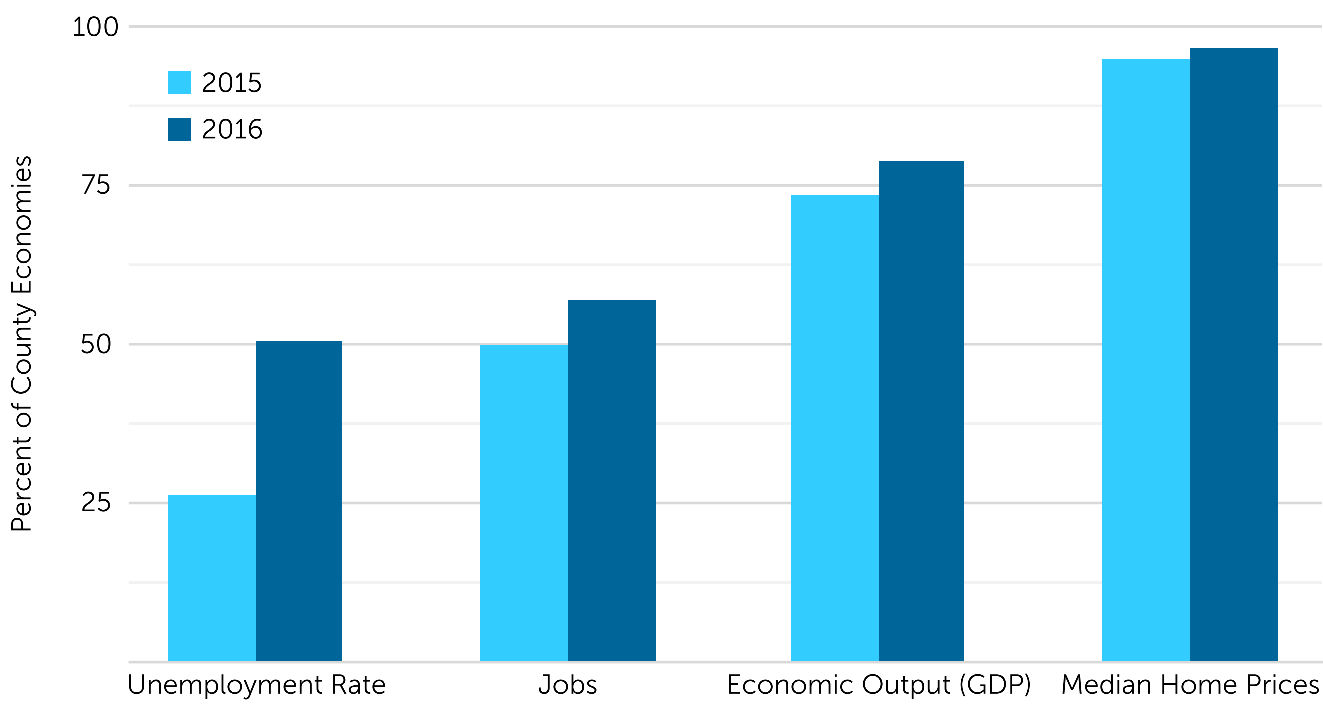
Findings

1 2016 was a year of recovery, especially on unemployment rates. Almost one in four county economies closed their unemployment gap in 2016, nearly matching the total since the beginning of the recovery. Most of these were small county economies — in counties with fewer than 50,000 residents — and predominantly in the Midwest and South. As a result, a majority of county economies attained unemployment rate recovery by 2016 (See Figure 1). Further, almost eight in ten county economies returned to their economic output (GDP) pre-recession levels by 2016. The remaining county economies that still need to reach their pre-recession levels on economic output (GDP) are small, in counties with fewer than 50,000 residents, mainly in Southern states such as Georgia, Kentucky, Mississippi, North Carolina and Virginia.

51% of county economies recovered on unemployment rates by 2016.

Figure 1: **Unemployment Rates Recovered to Pre-Recession Lows in the Majority of County Economies by 2016**

Percent of County Economies That Returned to Their Pre-Recession Levels by 2015 and by 2016



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

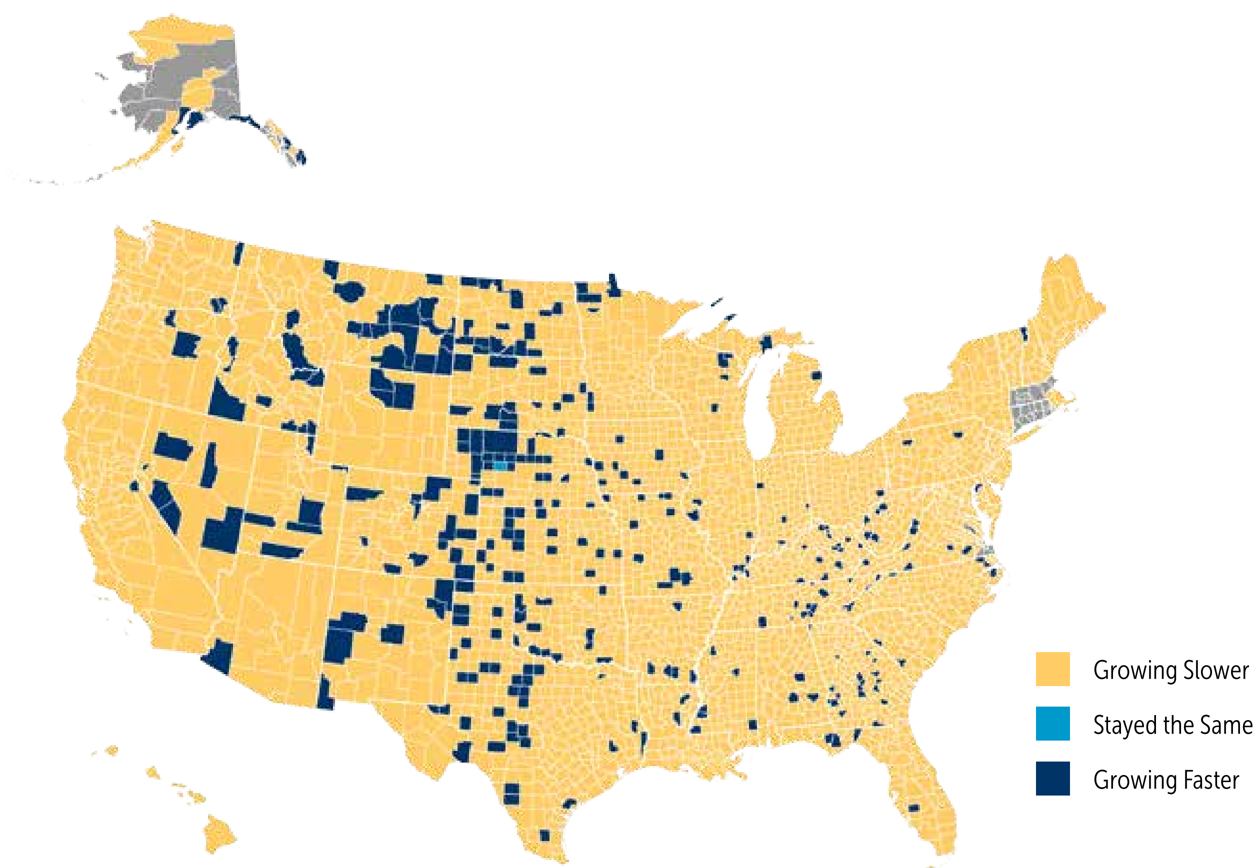
Source: NACo Analysis of Woods and Poole Economics, Inc., 2016 data

2 Economic growth was widespread in 2016, but slower than in 2015. The overwhelming majority of county economies saw positive growth across all indicators in 2016, more prevalent than in the previous year. For example, only about 10 percent of county economies recorded worse unemployment rates in 2016, most of them in the South. Overall, however, economic growth occurred at a slower pace than in 2015. Job growth accelerated in only 11 percent of county economies, for instance (See Map 1). This trend was most evident in the South and West in small county economies — in counties with populations fewer than 50,000. While 2016 saw slower economic output (GDP) growth in almost two-thirds of county economies, virtually none of them had declines. Home prices increased faster in only 6 percent of county economies in 2016 than in the previous year.

11% of county economies had faster job growth in 2016 than in the previous year.

Map 1: **Employment Grew Faster in Only 11 Percent of County Economies**

Job Growth Rates, 2016 relative to 2015



Notes: This report examines only the economies of counties with county governments. The dark grey areas in Connecticut, Rhode Island, parts of Alaska, Massachusetts and Virginia are counties or county-equivalents without county governments.

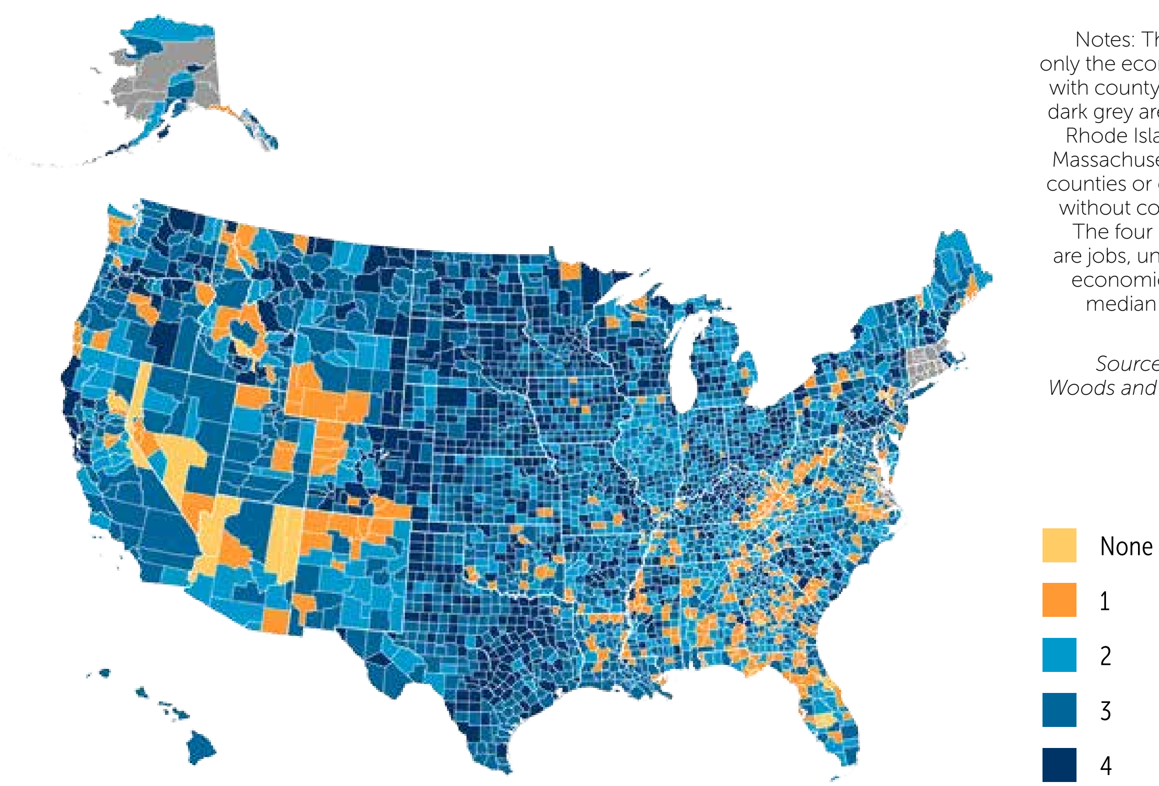
Source: NACo Analysis of Woods and Poole Economics, Inc., 2016 data

3 Economic recovery spread out fast in 2016. By 2016, more than one in four county economies recovered to their pre-recession levels on all four indicators analyzed, nearly double the rate of the previous year. Most of these county economies are in Kentucky, Iowa, Minnesota, Missouri, Nebraska, South Dakota, Texas and Wisconsin. Large county economies — in counties with more than 500,000 residents — have the highest rate of full recovery (41 percent). In contrast, more than three quarters of small county economies, in counties with fewer than 50,000 residents, still have not reached their pre-recession peaks across all four indicators by 2016. Overall, more than two thirds of county economies recovered on at least three indicators by 2016 (See Map 2). Most often, unemployment rates are holding back the full recovery of county economies. None of the county economies in Arizona, Delaware, Hawaii, Maryland, Nevada and New Mexico achieved unemployment rates below their pre-recession lows. Only 22 county economies still have not recovered on any of the four economic indicators analyzed by 2016. Half of them are in the West, in states such as Arizona, Nevada, California and Idaho.

68 % of county economies recovered on at least three indicators by 2016.

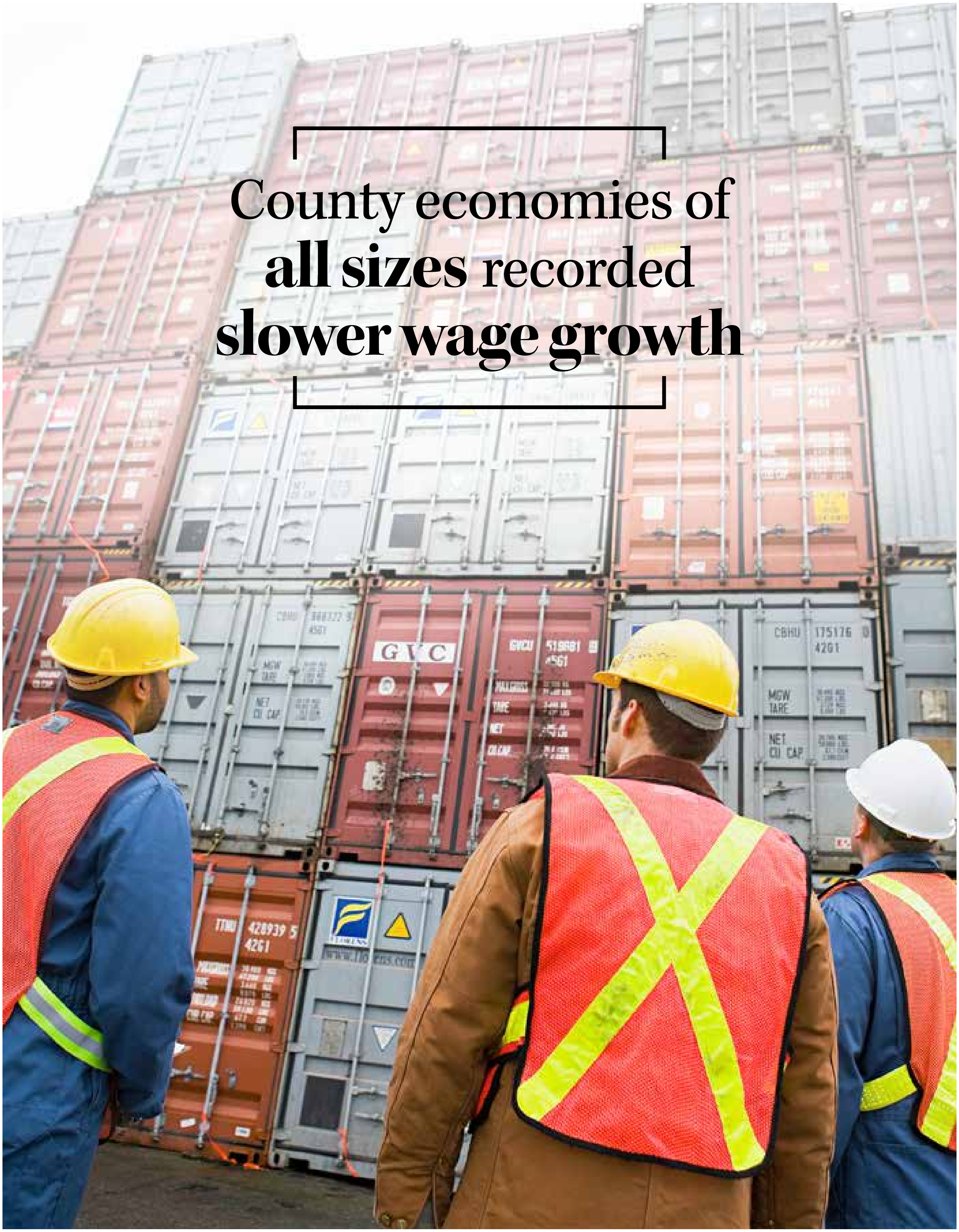
Map 2: **More than Two Thirds of County Economies Recovered on at Least Three Indicators by 2016**

Number of Indicators County Economies Recovered by 2016



Notes: This report examines only the economies of counties with county governments. The dark grey areas in Connecticut, Rhode Island, parts of Alaska, Massachusetts and Virginia 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 Woods and Poole Economics, Inc., 2016 data



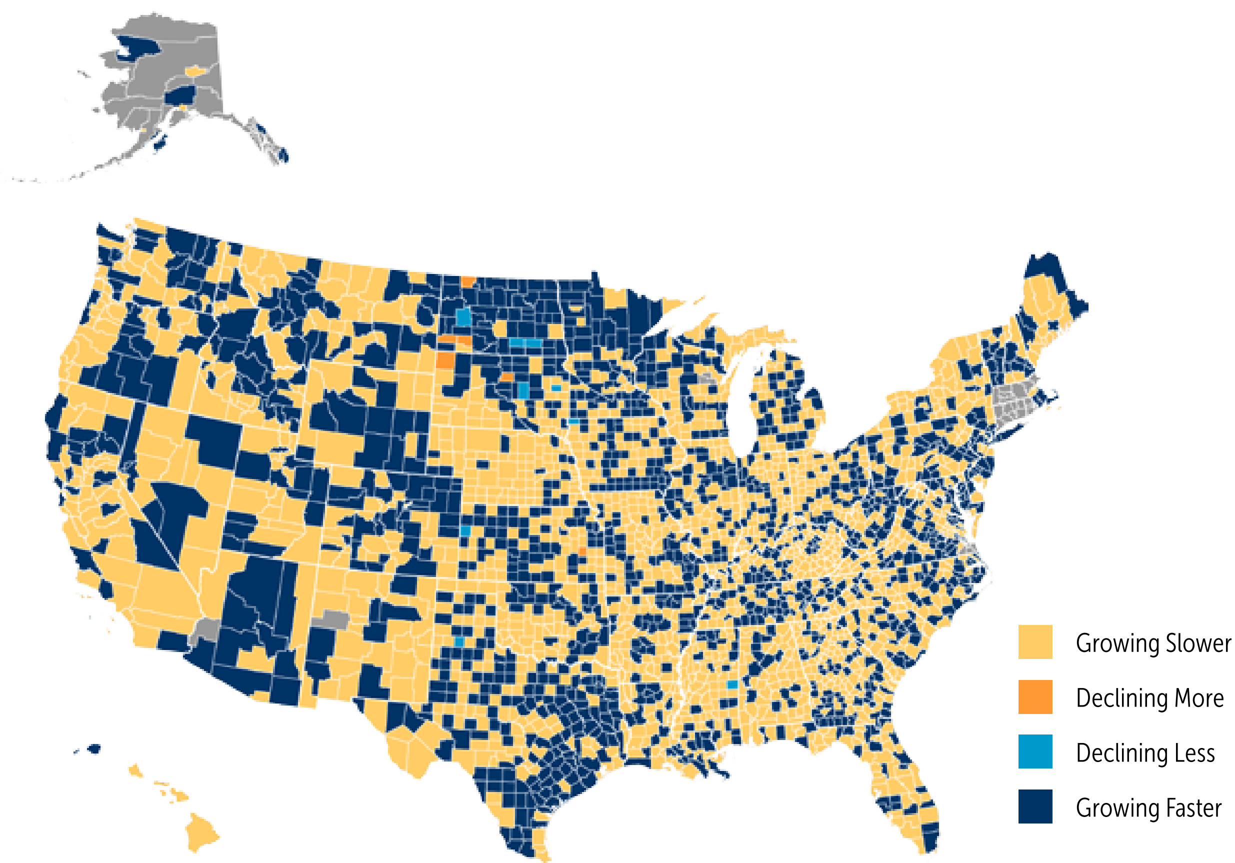
County economies of **all sizes** recorded **slower wage growth**

4 Wages grew slower in the majority of county economies in 2016. Last year, wages grew faster than inflation in virtually all county economies. However, the pace of growth slowed down in 2016 in almost 55 percent of county economies (See Map 3). This was especially true in Western county economies, with almost 60 percent seeing slower wage rises in 2016 than in the previous year. In states such as Alabama, Nebraska and New Mexico, more than three quarters of county economies saw wages growing at a slower pace in 2016 than in the previous year. County economies of all sizes recorded slower wage growth, with larger ones — in counties with more than 500,000 residents — slightly more likely to fit this pattern.

> **55% of county economies had real wages rising slower in 2016 than in 2015.**

Map 3: **Wages Grew Slower in 55 Percent of County Economies in 2016 than in 2015**

Average Real Wage Growth Rates, 2016 relative to 2015



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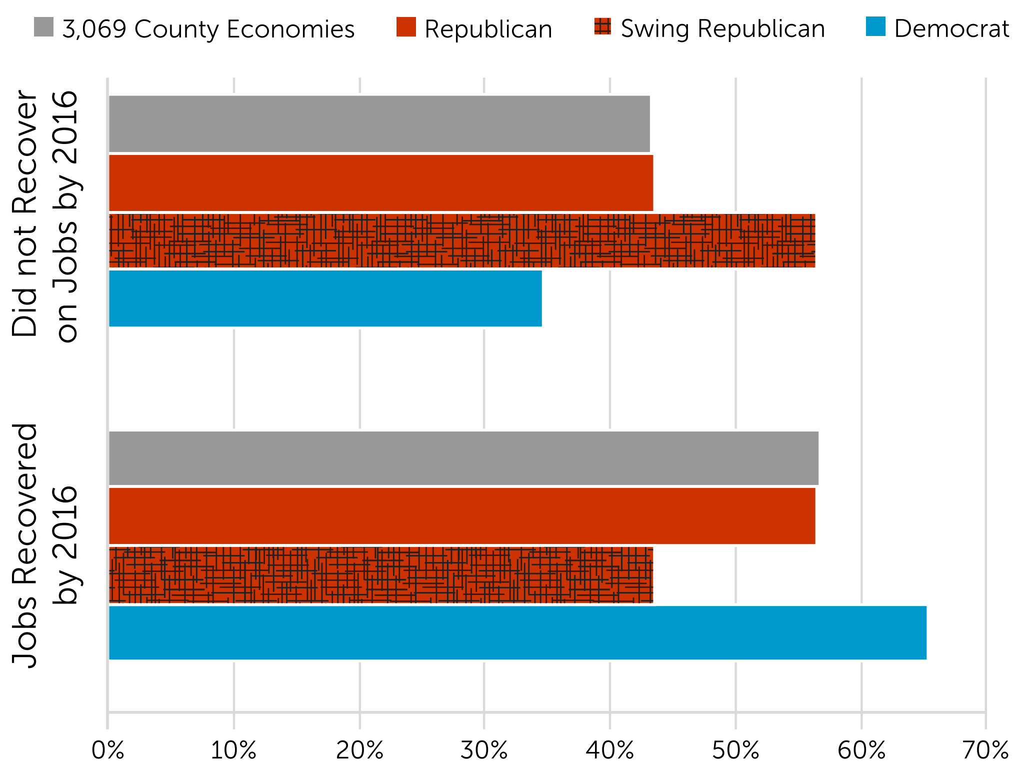
Source: NACo Analysis of Woods and Poole Economics, Inc., 2016 data

5 2016 swing Republican counties are more likely to experience weak job recoveries. About 200 counties that voted for the Democratic presidential candidate in both 2008 and 2012 voted Republican in 2016. The majority are in the Midwest, in Illinois, Iowa, Michigan, Minnesota and Wisconsin. These swing counties are disproportionately mid-sized — with populations between 50,000 and 500,000 residents — and have economies specializing most often in agriculture, forestry and manufacturing. Overall, these 200 counties have weaker job recoveries than county economies overall (See Figure 2). The majority of them (56 percent) did not reach their pre-recession job peaks by 2016, while nationally only 43 percent of county economies fit that pattern. This is the result of their longer and deeper job recessions than county economies overall. They also lag in economic output (GDP) recovery due to deeper economic output (GDP) declines.

56% of the economies of swing counties that voted Republican in 2016 presidential election did not recover on employment.

Figure 2: **The Majority of Swing Counties that Voted Republican in 2016 Presidential Election Are More Likely to Have Weak Job Recoveries**

County Electoral Results in 2008, 2012 and 2016 and Job Recovery Status by 2016



Note: This finding analyzes the conditions of the economies of 3,043 counties with county governments for which there were available presidential election results for 2008, 2012 and 2016. Counties that voted majority Democratic in the 2016, and either 2012 or 2008 presidential elections are marked as "Democrat." Those that voted majority Republican in the 2016, and either 2012 or 2008 presidential elections are marked as "Republican." Counties that voted majority Democratic in the 2008 and 2012 presidential elections and Republican in 2016 are considered "swing Republican."

Source: NACo Analysis of Woods and Poole Economics, Inc., 2016 data; The Guardian, 2008 and 2012 U.S. election data; Dave Leip's Atlas of U.S. Presidential Elections, 2016 data

Swing counties are disproportionately mid-sized

County Economies 2016 **is a reminder that local economic conditions often vary from the national economy narrative. The data reveal that the economic recovery accelerated in 2016 on unemployment rates and is taking hold across large swaths of the country. However, continued economic growth in 2016 most often occurred at a slower pace than in the previous year. Wage growth also slowed last year in a majority of county economies, affecting counties of all sizes. This analysis found that counties that voted majority Democratic in the 2008 and 2012 presidential elections and Republican in 2016 are more likely to have weaker job recoveries than county economies overall. The opportunities and challenges in county economies across the country show the continued need for a strong local-state-federal partnership in providing economic opportunity.**

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For more information:

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www.NACo.org/Lab

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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.

About the Counties Futures Lab

The NACo Counties Future Lab brings together leading national experts to examine and forecast the trends, innovations and promises of county government with an eye toward positioning America's county leaders for success. Focusing primarily on pressing county governance and management issues — and grounded in analytics, data and knowledge sharing — the Lab delivers research studies, reports and other actionable intelligence to a variety of venues in collaboration with corporate, academic and philanthropic thought leaders to promote the county government of the future.

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