

Below, you'll find the most recent Virginia quarterly economic update, prepared by economist Fletcher Mangum for the Virginia Chamber Foundation. We hope you find this information useful for your business and planning purposes.

Thank you for your continued support of the Virginia Chamber of Commerce and the Virginia Chamber Foundation.

Barry DuVal
President & CEO
Virginia Chamber



April 23, 2020

1st Quarter Economic Update – Severe Weather Warning

IN SUM

Virginia's employment growth plummeted in March:

- Because of state restrictions on business activity in response to the covid19 virus, Virginia's year-over-year employment growth plummeted in March.
- The major industry sectors hardest hit were Retail Trade (down 4,500 jobs from a year before), Manufacturing (down 3,200 jobs), Education and Health Services (down 1,500 jobs), and Leisure and Hospitality (down 1,100 jobs).
- Moreover, because restrictions on business activity did not begin until March 17 and were not fully implemented until March 30, April jobs losses will likely be much higher.
- Virginia continues to under-perform the national economy. Only five of Virginia's 14 major industry sectors experienced year-over-year employment growth in March that was at or above the national norm. In addition, where 22% of employment nationally was in major industry sectors posting year-over-year declines in March, in Virginia the comparable figure was 40%.

Wage growth in Virginia also under-performed the national norm in the 1st quarter:

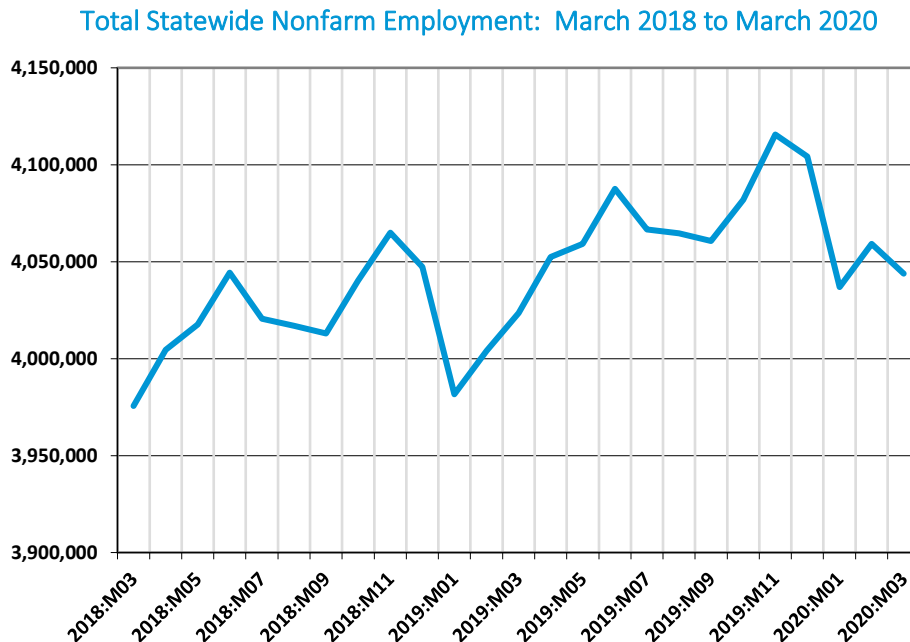
- Virginia's year-over-year growth in Private Sector Average Hourly Earnings turned negative at minus 0.9% in March, in contrast to positive 3.7% growth at the national level.
- This is particularly troubling because while Virginia has under-performed employment growth at the national level for some time, until recently we were over-performing wage growth at the national level. That over-performance in wage growth served as a counter-balance to the under-performance in employment growth and kept consumer spending strong. Without that counter-balance, the negative impact on consumer spending of poor performance on the employment front will likely be exacerbated.

Unemployment rates have increased and will likely surge in April:

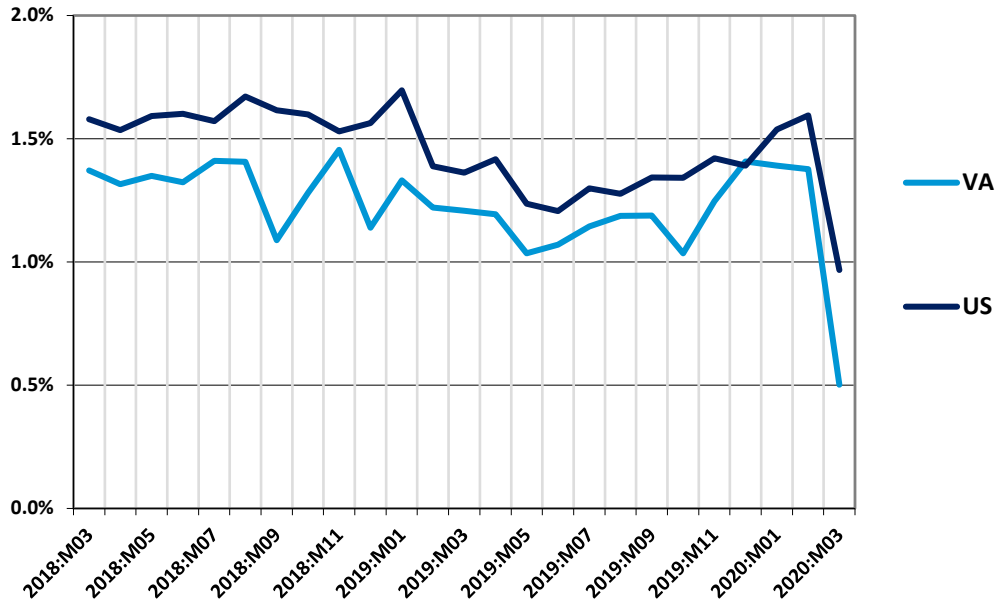
- Virginia's seasonally unadjusted unemployment rate of 3.3% in March was an increase over February's 2.8% rate and also an increase over our 3.0% unemployment rate in March 2019.
- However, over the four-week period from March 15 through April 11, a total of 410,762 initial claims for unemployment were filed in Virginia. To put that number in perspective, the total number of initial claims filed in Virginia in all of 2019 was only 134,957. All else equal, that four-week surge of unemployment claims indicates that Virginia's statewide unemployment rate may approach 10% in April. Although available data only go back to the 1970s, that would likely be the highest unemployment rate Virginia has experienced in the better part of a century.

WHERE WE ARE

Total Nonfarm employment in Virginia increased by 68,200 jobs, or 1.7%, between March 2018 and March 2020.

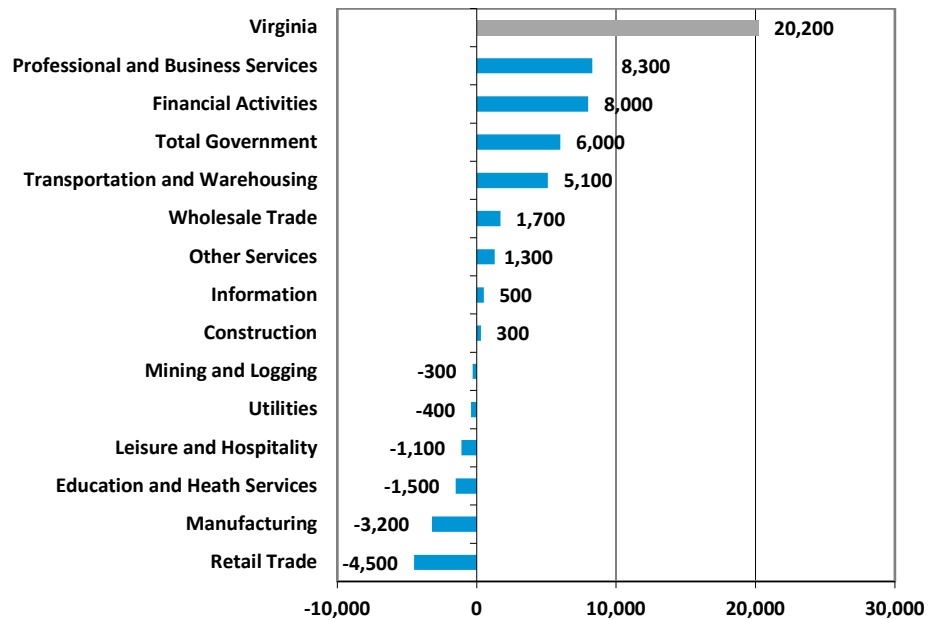


Year-over-Year Percentage Change in Total Nonfarm Employment: March 2018 to March 2020

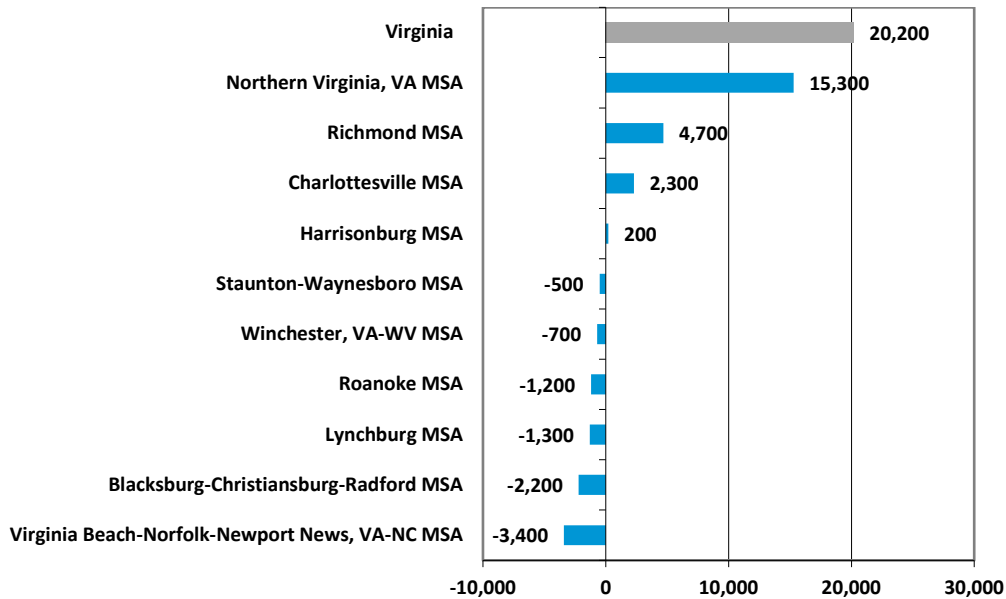


Between March 2019 and March 2020, statewide growth in Total Nonfarm employment was led by increases in the Professional and Business Services (up 8,300 jobs), Financial Activities (up 8,000 jobs), and Total Government (up 6,000 jobs) sectors. From a regional perspective, the largest job gains occurred in the Northern Virginia (up 15,300 jobs), Richmond (up 4,700 jobs), and Charlottesville (up 2,300 jobs) MSAs.

March 2019 to March 2020 Change in Total Nonfarm Employment by Sector



March 2019 to March 2020 Change in Total Nonfarm Employment by MSA

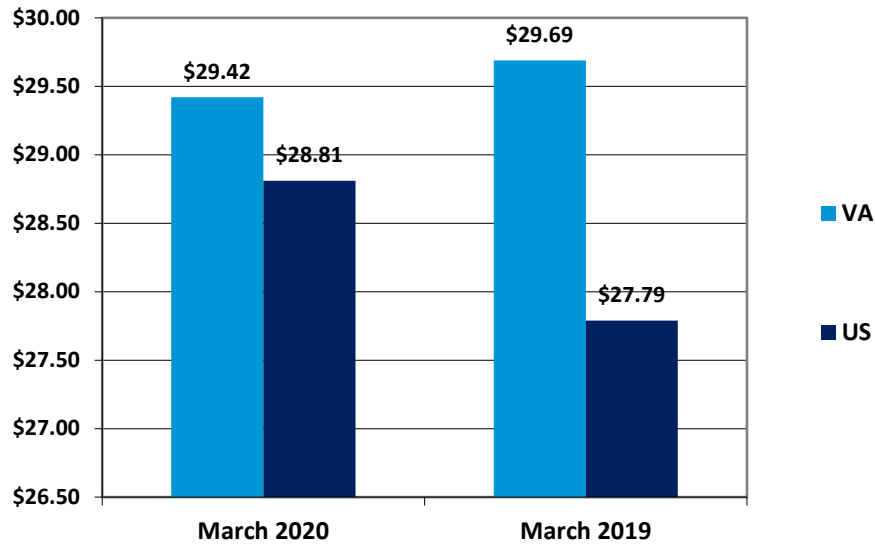


Virginia’s 0.5% year-over-year growth in statewide Total Nonfarm employment in March 2020 was below the 1.0% increase posted at the national level. Five of Virginia’s 14 major industry sectors experienced year-over-year growth that was at or above the national norm over the period. Those were: Transportation and Warehousing (up 4.0% statewide vs. up 1.3% nationally); Financial Activities (up 3.8% statewide vs. up 1.7% nationally); Wholesale Trade (up 1.5% statewide vs. 0.9% nationally); Leisure and Hospitality (down 0.3% statewide vs. down 0.6% nationally); and Mining and Logging (down 3.8% statewide vs. down 4.7% nationally).

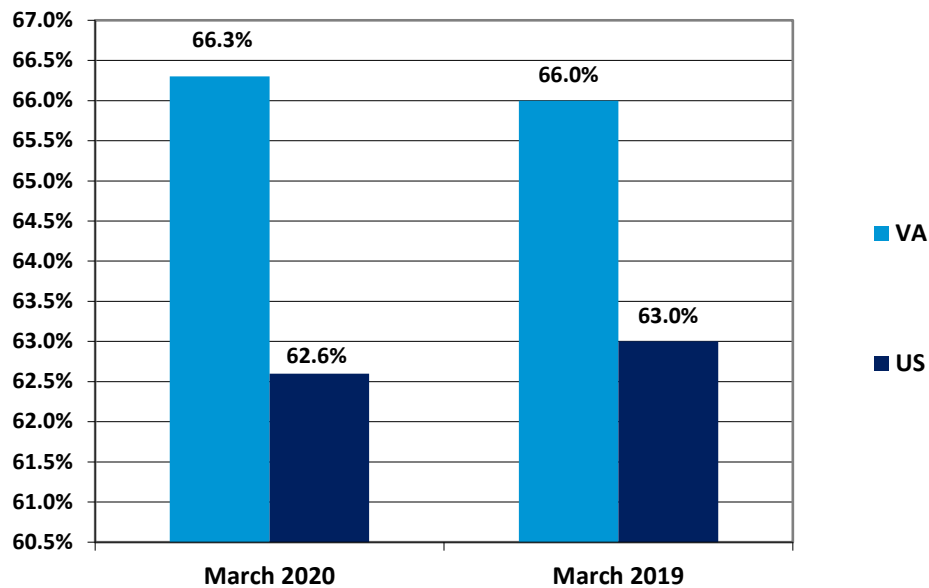
On the other side of the ledger, Virginia’s: Professional and Business Services (up 1.1% statewide vs. up 1.5% nationally); Total Government (up 0.8% statewide vs. up 0.9% nationally); Information (up 0.7% statewide vs. up 1.7% nationally); Other Services (up 0.6% statewide vs. up 0.8% nationally); Construction (up 0.2% statewide vs. up 2.2% nationally); Education and Health Services (down 0.3% vs up 2.2% nationally); Retail Trade (down 1.1% statewide vs. down 0.1% nationally); Manufacturing (down 1.3% vs. up 0.1% nationally); and Utilities (down 3.7% statewide vs. down 0.4% nationally) sectors all under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia fell from \$29.69 to \$29.42 between March 2019 and March 2020, a nominal year-over-year decrease of 0.9%, which was below the 3.7% nominal increase posted at the national level. Virginia’s labor force participation rate, the proportion of the civilian population above the age of 16 that is either employed or looking for work, increased from 66.0% in March 2019 to 66.3% in March 2020. While at the national level, the labor force participation rate decreased from 63.0 in March 2019 to 62.6% in March 2020.

Private Sector Avg. Hourly Earnings: March 2019 to March 2020

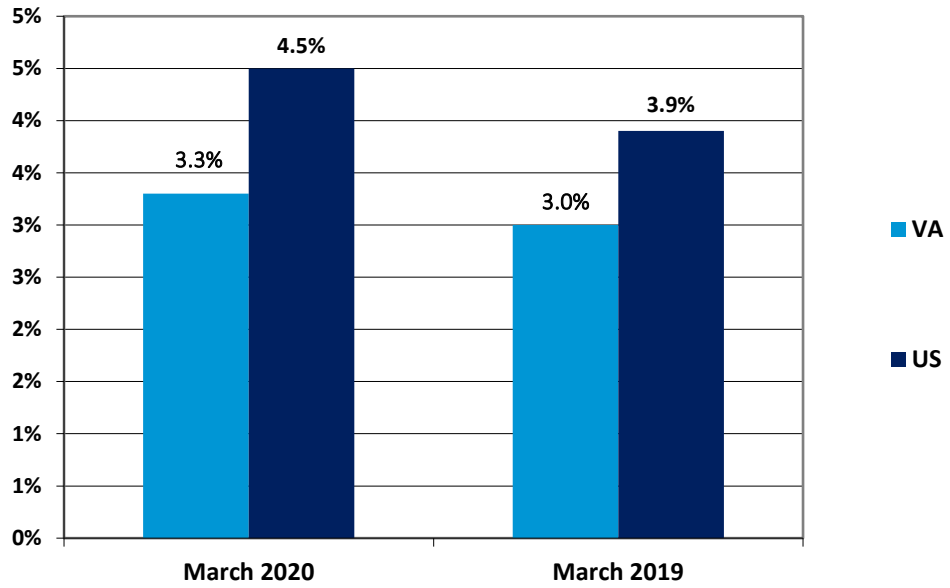


Labor Force Participation Rate: March 2019 to March 2020

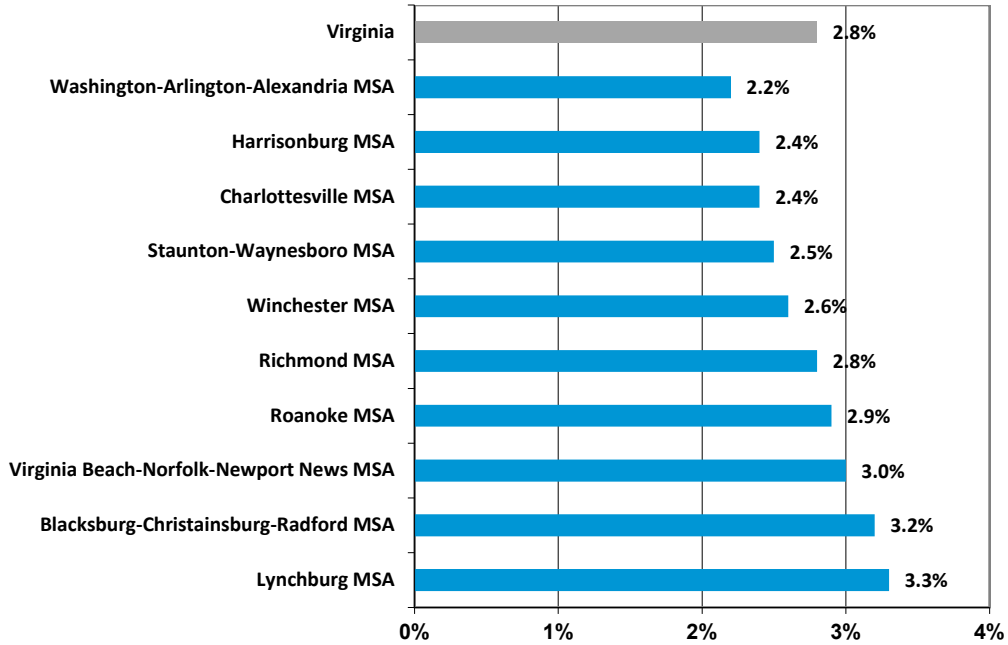


Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 3.3% in March 2020, below the national unemployment rate of 4.5% for that month, but an increase from the state's 3.0% unemployment rate a year before. From a regional perspective, in February 2020 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 3.3% in Lynchburg to a low of 2.2% in Northern Virginia.

Seasonally Unadjusted Unemployment Rate: March 2019 to March 2020



Seasonally Unadjusted Unemployment Rate: February 2020 by MSA



WHAT TO LOOK FOR

1) Employment

The big news in the 1st quarter came in March when, because of state restrictions on business activity in response to the covid19 virus, year-over-year employment growth plummeted nationally and in Virginia. In Virginia, the major industry sectors that were hardest hit in March were Retail Trade (down 4,500 jobs from a year before), Manufacturing (down 3,200 jobs), Education and Health Services (down 1,500 jobs), and Leisure and Hospitality (down 1,100 jobs). Moreover, because restrictions on business activity did not begin until March 17 and were not fully implemented until March 30, these jobs losses are almost certainly just a warm up act for the losses that will be reported for April when those data become available.

It is also important to note that Virginia, as it has for some time, continues to under-perform the national economy. Only five of Virginia's 14 major industry sectors experienced year-over-year employment growth in March that was at or above the national norm: Financial Activities, Leisure and Hospitality, Mining and Logging, Transportation and Warehousing, and Wholesale Trade. While nine major industry sectors under-performed the national norm: Construction, Education and Health Services, Information, Manufacturing, Other Services, Professional and Business Services, Retail Trade, Total Government, and Utilities. In addition, where 22% of employment nationally was in industries posting year-over-year declines in March, in Virginia the comparable figure was 40%.

On the bright side, looking forward Virginia may benefit from the fact that relative to the national norm its economy is more heavily dependent on key industry sectors that are less at risk from covid19 virus disruptions (*i.e.*, Professional and Business Services (19% of total employment in Virginia vs. 14% nationally) and Federal Government (5% of total employment in Virginia vs. 2% nationally)) and less dependent on key industry sectors that are more at risk (*i.e.*, Manufacturing (6% of total employment in Virginia vs. 9% nationally)). Which may provide some insulation against the even more significant employment losses that are almost certain to be coming in the next few months.

2) Wages

News on the wage front was also not good. Virginia's year-over-year growth in Private Sector Average Hourly Earnings turned negative at minus 0.9% in March, in contrast to positive 3.7% growth at the national level.

This is particularly troubling because growth in Private Sector Average Hourly Earnings in Virginia generally outpaced the national average from mid-2018 to mid-2019. That over-performance on wage growth provided a counter-balance to our under-performance on employment growth and kept consumer spending strong. Without that counter-balance, the negative impact on consumer spending of poor performance on the employment front will likely be exacerbated.

3) Unemployment

Until March, Virginia and the nation were enjoying unemployment rates that were at half-century lows. However, Virginia's seasonally unadjusted unemployment rate of 3.3% in March was an increase over February's 2.8% rate and also an increase over our 3.0% unemployment rate in March 2019.

Moreover, Virginia's April unemployment rate is likely to jump much higher. Over the four-week period from March 15 through April 11, a total of 410,762 initial claims for unemployment were filed in Virginia. To put that number in perspective, the total number of initial claims filed in Virginia in all of 2019 was only 134,957. All else equal, that four-week surge of unemployment claims implies that Virginia's statewide unemployment rate may approach 10% in April. Although available data only go back to the 1970s, that would almost certainly be the highest unemployment rate Virginia has experienced in the better part of a century.

4) Labor Force Participation

Labor force participation, the proportion of the 16 and over population that is either employed or looking for work, increased slightly from March 2019 to March 2020, rising from 66.0% to 66.3%.

ANNOUNCEMENTS

1) New and Expanding

Virginia Economic Development Partnership announcements of new or expanding businesses in the 1st quarter 2020:

- [Statewide](#): 2,883 jobs and more than \$432.4 million in direct investment.
- [Big Stone Gap MSA](#): 10 jobs.
- [Blacksburg-Christiansburg-Radford MSA](#): 33 jobs and \$12.0 million in direct investment.
- [Harrisonburg MSA](#): 18 jobs.
- [Kingsport-Bristol-Bristol MSA](#): 150 jobs and \$1.2 million in direct investment.
- [Lynchburg MSA](#): 86 jobs and \$33.3 million in direct investment.
- [Richmond MSA](#): 1,184 jobs and \$166.8 million in direct investment.
- [Roanoke MSA](#): 306 jobs and \$42.7 million in direct investment.
- [Staunton-Waynesboro MSA](#): 11 jobs and \$0.3million in direct investment.
- [Virginia Beach-Norfolk-Newport News MSA](#): 295 jobs and \$138.5 million in direct investment.
- [Northern Virginia MSA](#): 359 jobs and \$10.7 million in direct investment.

2) Reductions and Closures:

Virginia Economic Development Partnership announcements of reductions and closures in the 1st quarter 2020:

- [Statewide](#): 1,504 jobs.
- [Kingsport-Bristol-Bristol MSA](#): 326 jobs
- [Richmond MSA](#): 75 jobs.
- [Roanoke MSA](#): 374 jobs.
- [Virginia Beach-Norfolk-Newport News MSA](#): 232 jobs.

Data sources:

- U.S. Bureau of Economic Analysis
- U.S. Bureau of Labor Statistics
- Virginia Economic Development Partnership
- Virginia Employment Commission

About Mangum Economics, LLC

Mangum Economics, LLC is a Richmond, Virginia based firm that specializes in producing objective economic, quantitative, and qualitative analysis in support of strategic decision making. Examples of typical studies include:

POLICY ANALYSIS

Identify the intended and, more importantly, unintended consequences of proposed legislation and other policy initiatives.

ECONOMIC IMPACT ASSESSMENTS AND RETURN ON INVESTMENT ANALYSES

Measure the economic contribution that business, education, or other enterprises make to their localities.

WORKFORCE INFORMATION

Project the demand for, and supply of, qualified workers.

CLUSTER ANALYSIS

Use occupation and industry clusters to illuminate regional workforce and industry strengths and identify connections between the two.

ENVIRONMENTAL SCANNING

Assess the economic, demographic, and other factors likely to affect your enterprise in the future.

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