

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



July 23, 2020

2nd Quarter Economic Update – Severe Weather

IN SUM

Employment in Virginia plummeted in April:

- In April, state restrictions on business activity in response to the covid19 virus brought about a drop in employment that was larger than anything experienced even during the Great Depression. In a single month, nationally we lost 19.8 million jobs and in Virginia alone we lost 375,300 jobs (approximately one out of every eleven jobs in the state)
- The major industry sectors that were hardest hit between March and April were Leisure and Hospitality (down 153,700 jobs), Education and Health Services (down 60,000 jobs), Retail Trade (down 46,200 jobs), and Professional and Business Services (down 37,000 jobs).
- Because of Virginia's very heavy dependence on federal government employment and contracting, which was not adversely impacted, Virginia was hit a little less hard than the rest of the country. Where nationally Total Nonfarm employment fell by minus 13.2% between March and April, in Virginia the loss was smaller at minus 9.3%.
- Moreover, where nationally Professional and Business Services employment fell by minus 9.2% between March and April, in Virginia the loss was again smaller at minus 4.8%. Professional and Business Services is a high-paying sector that accounts for about one out of every five jobs in Virginia. Had this sector been hit as hard in Virginia as it was nationally, it would have lost 70,800 jobs between March and April instead of 37,000.

Wage growth is still under-performing the national norm:

- Virginia's year-over-year growth in Private Sector Average Hourly Earnings was minus 0.9% in June, in contrast to positive 4.4% growth at the national level.

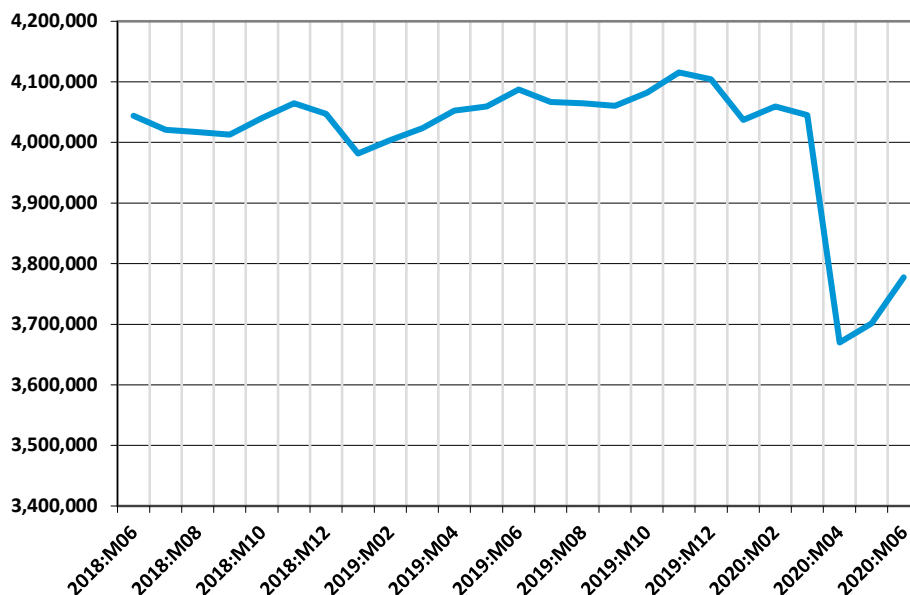
Unemployment surged in April, has since receded slightly, but is likely to remain high:

- Until March, Virginia and the nation were enjoying unemployment rates that were at half-century lows.
- In June, Virginia's seasonally unadjusted unemployment rate was 8.5%, below the national rate of 11.2% and an improvement over the state's 8.9% unemployment rate in May, but a big jump over its 2.9% unemployment rate in June 2019.
- Initial claims for unemployment in Virginia peaked the week ending April 4 at 147,369 and then steadily declined to 25,293 the week ending June 20. However, since then they have demonstrated a small uptick and came in at 32,292 the week ending July 11, the most recent week for which data are available.

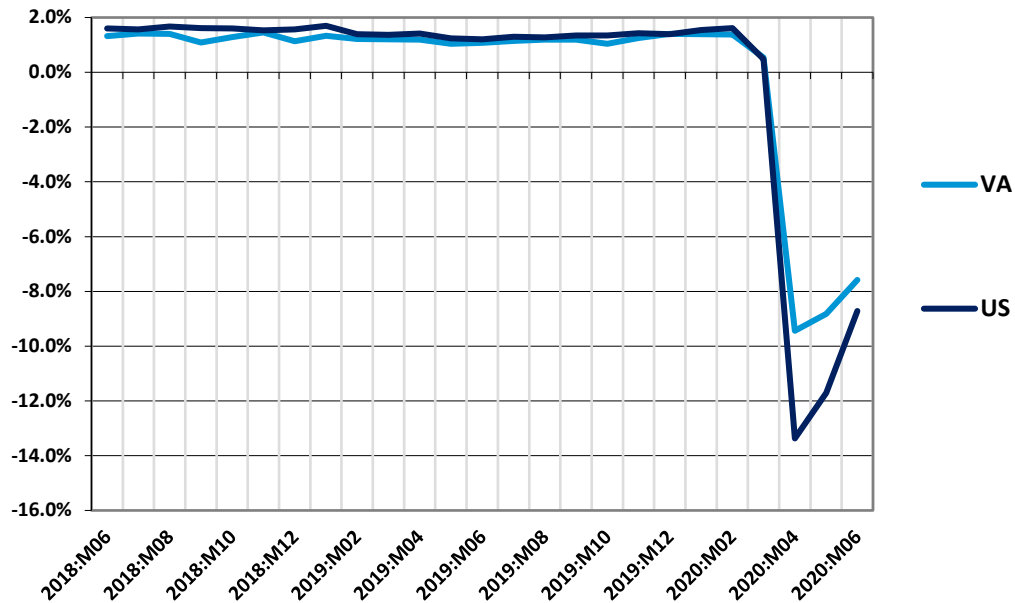
WHERE WE ARE

Total Nonfarm employment in Virginia declined by 266,800 jobs, or minus 6.6%, between June 2018 and June 2020.

Total Statewide Nonfarm Employment: June 2018 to June 2020

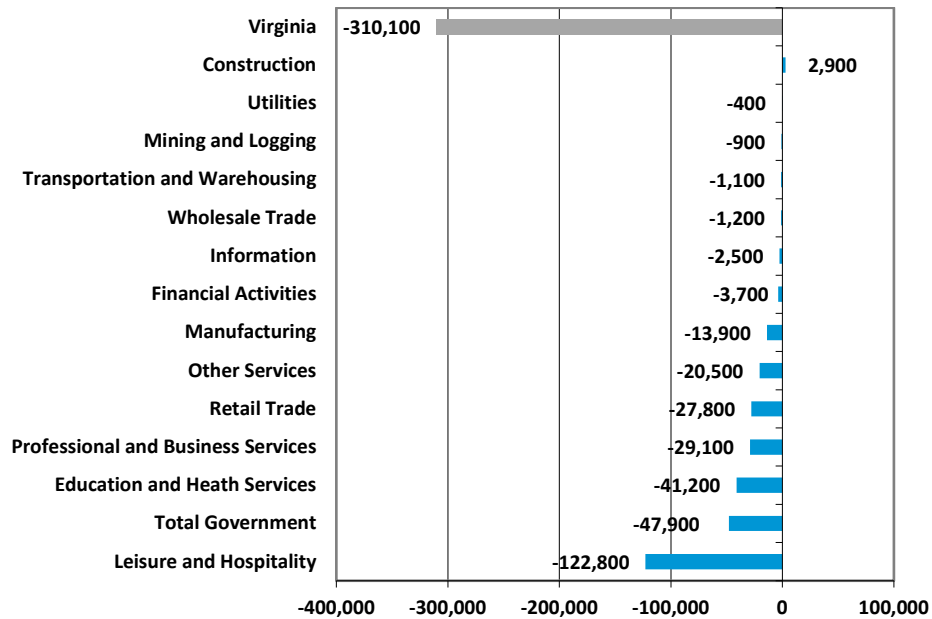


Year-over-Year Percentage Change in Total Nonfarm Employment: June 2018 to June 2020

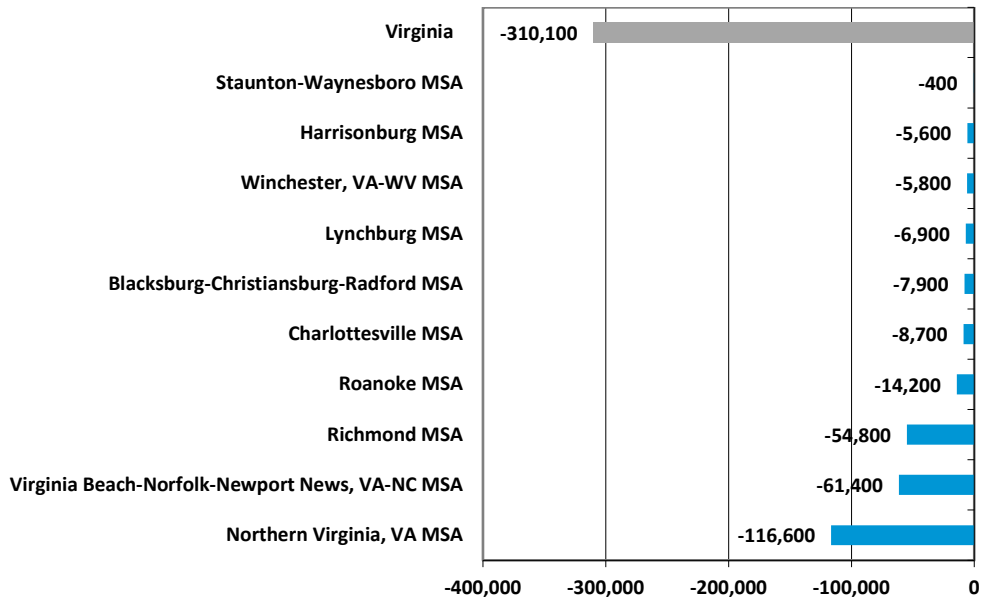


Between June 2019 and June 2020, statewide Total Nonfarm employment fell by 310,100 jobs, led by losses in the Leisure and Hospitality (down 122,800 jobs), Total Government (down by 47,900 jobs), and Education and Health (down by 41,200 jobs) sectors. From a regional perspective, the largest job losses occurred in the Northern Virginia (down 116,600 jobs), Virginia Beach-Norfolk-Newport News (down 61,400 jobs), and Richmond (down by 54,800 jobs) MSAs.

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



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

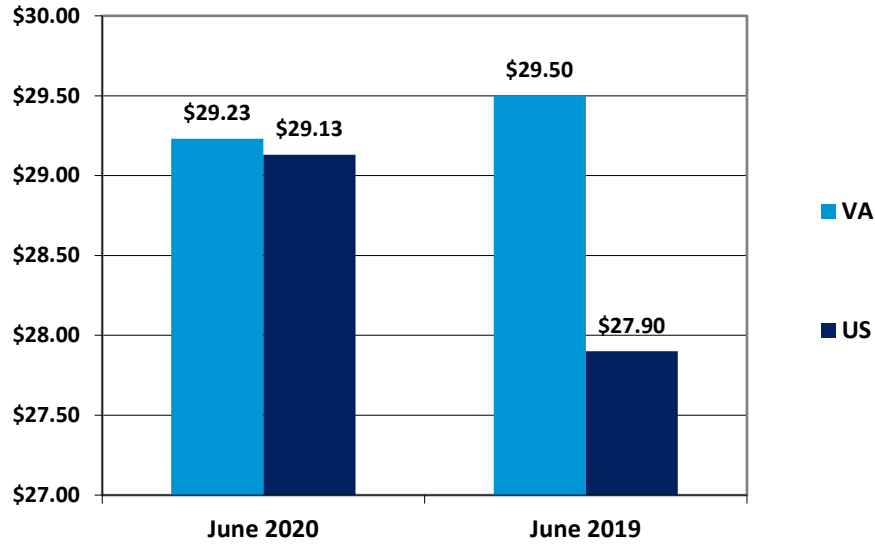


Virginia’s 7.6% year-over-year decline in statewide Total Nonfarm employment in June 2020 was below the 8.7% decline posted at the national level. Nine of Virginia’s 14 major industry sectors “out-performed” the national norm over the period, in that in all but one instance they experienced employment losses that were less than the national norm. Those were: Construction (up 1.4% statewide vs. down 4.4% nationally); Transportation and Warehousing (down 0.8% statewide vs. down 7.9% nationally); Wholesale Trade (down 1.1% statewide vs. down 4.8% nationally); Information (down 3.6% statewide vs. down 10.0% nationally); Professional and Business Services (down 3.8% statewide vs. down 7.4% nationally); Manufacturing (down 5.7% statewide vs. down 5.8% nationally); Retail Trade (down 6.8% statewide vs. down 7.7% nationally); Other Services (down 10.0% statewide vs. down 12.0% nationally); and Mining and Logging (down 11.1% statewide vs. down 15.8% nationally).

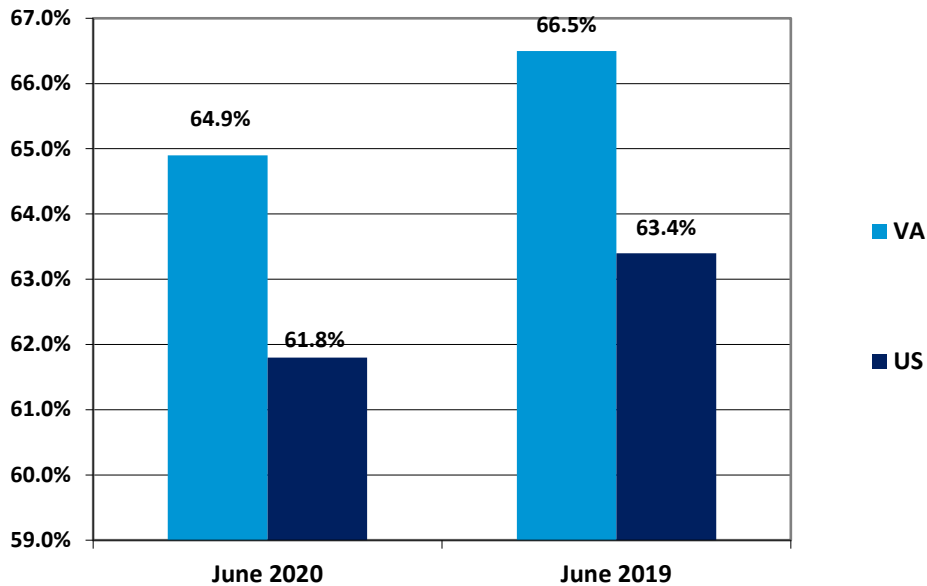
On the other side of the ledger, Virginia’s: Financial Activities (down 1.7% statewide vs. down 1.5% nationally); Utilities (down 3.7% statewide vs. down 2.5% nationally); Total Government (down 6.6% statewide vs. down 5.8% nationally); Education and Health Services (down 7.5% statewide vs. down 5.7% nationally); and Leisure and Hospitality (down 28.4% statewide vs. down 27.1% nationally) sectors all under-performed the national norm.

Private Sector Average Hourly Earnings in Virginia declined from \$29.50 to \$29.23 between June 2019 and June 2020, a nominal year-over-year decrease of 0.9%, which was below the 4.4% 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, declined from 66.5% in June 2019 to 64.9% in June 2020. While at the national level, the labor force participation rate declined from 63.4% in June 2019 to 61.8% in June 2020.

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

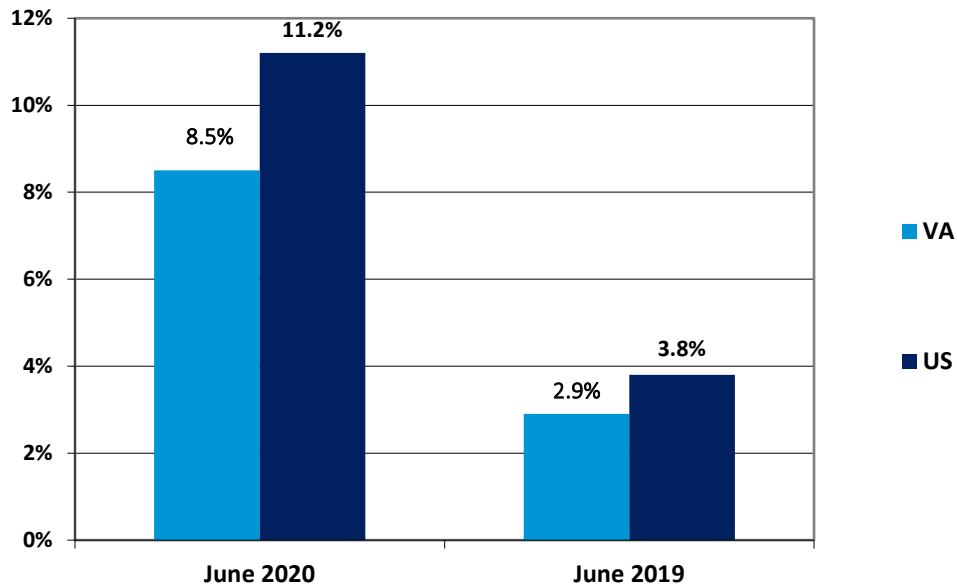


Labor Force Participation Rate: June 2019 to June 2020

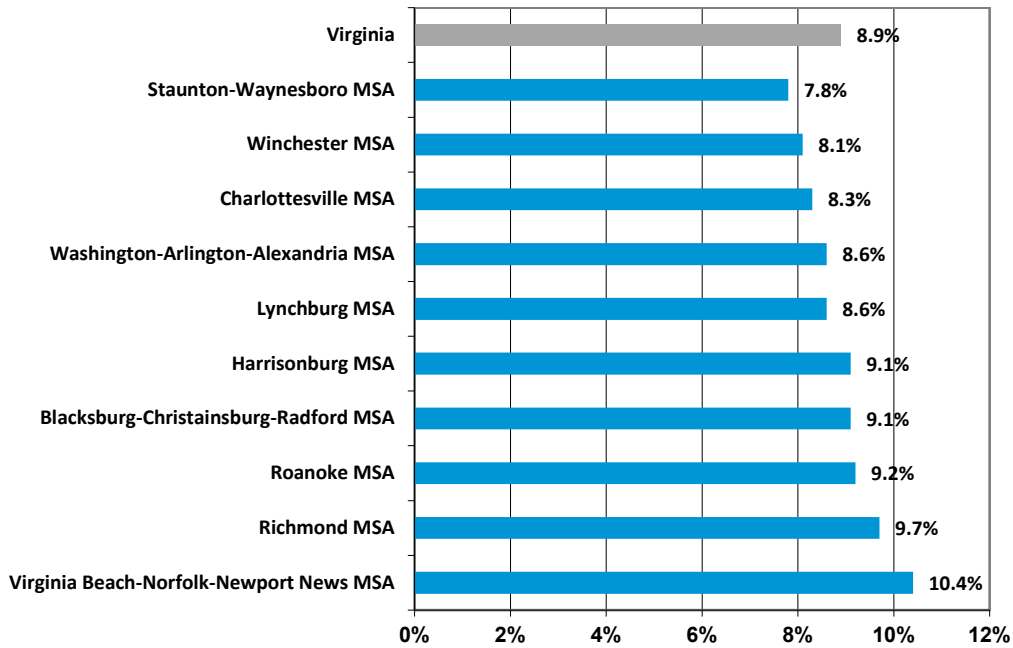


Turning to unemployment, the statewide seasonally unadjusted unemployment rate stood at 8.5% in June 2020, below the national unemployment rate of 11.2% for that month, but an increase from the state's 2.8% unemployment rate a year before. From a regional perspective, in May 2020 (sub-state unemployment rates are reported later than the statewide rate) the seasonally unadjusted unemployment rates in Virginia's major MSAs ranged from a high of 10.4% in Virginia Beach-Norfolk-Newport News to a low of 7.8% in Staunton-Waynesboro.

Seasonally Unadjusted Unemployment Rate: June 2019 to June 2020



Seasonally Unadjusted Unemployment Rate: May 2020 by MSA



WHAT TO LOOK FOR

1) Employment

The big news in the 2nd quarter came in April when state restrictions on business activity in response to the covid19 virus brought about a drop in employment that was larger even than anything experienced during the Great Depression. In a single month, nationally we lost 19.8 million

jobs and in Virginia alone we lost 375,300 jobs (a loss of approximately one out of every eleven jobs in the state). In Virginia, the major industry sectors that were hardest hit between March and April were Leisure and Hospitality (down 153,700 jobs), Education and Health Services (down 60,000 jobs), Retail Trade (down 46,200 jobs), and Professional and Business Services (down 37,000 jobs).

The “good” news was that because of Virginia’s very heavy dependence on federal government employment and contracting, which was not adversely impacted, Virginia was hit a little less hard than the rest of the country. Where nationally Total Nonfarm employment fell by minus 13.2% between March and April, in Virginia the loss was smaller at minus 9.3%.

Moreover, where nationally employment in Professional and Business Services fell by minus 9.2% between March and April, in Virginia the loss was again smaller at minus 4.8%. Professional and Business Services is a high-paying sector that accounts for about one out of every five jobs in Virginia. Had this sector been hit as hard in Virginia as it was nationally, it would have lost 70,800 jobs between March and April instead of 37,000.

2) Wages

News on the wage front was even less good. Virginia’s year-over-year growth in Private Sector Average Hourly Earnings was minus 0.9% in June, in contrast to positive 4.4% growth at the national level. This is troubling because it is a continuation of a recent trend where Virginia is appreciably under-performing the national norm in terms of wage growth.

3) Unemployment

Until March, Virginia and the nation were enjoying unemployment rates that were at half-century lows. But that was then. In June, Virginia’s seasonally unadjusted unemployment rate was 8.5%, below the national rate of 11.2% and an improvement over Virginia’s 8.9% unemployment rate in May, but a big jump over Virginia’s 2.9% unemployment rate in June 2019.

Initial claims for unemployment in Virginia peaked the week ending April 4 at 147,369 and then steadily declined to 25,293 the week ending June 20. However, since then they have demonstrated a small uptick and came in at 32,292 the week ending July 11, the most recent week for which data are available. All else equal, this signals a potential stabilization of Virginia’s unemployment rate at around 8.0%.

4) Labor Force Participation

Labor force participation, the proportion of the 16 and over population that is either employed or looking for work, declined precipitously during the Great Recession. In the last few years, however, historically low unemployment rates were drawing people off the sidelines and back into the labor force – as a result, labor force participation rates were rising again in Virginia and nationally.

Unfortunately, however, they are now again dropping. Between June 2019 and June 2020, labor force participation declined from 66.5% in Virginia to 64.9%, and nationally from 63.4% to 61.8%.

ANNOUNCEMENTS

1) New and Expanding

Virginia Economic Development Partnership announcements of new or expanding businesses in the 2nd quarter 2020:

- [Statewide](#): 3,390 jobs and more than \$376.1 million in direct investment.
- [Bluefield MSA](#): 10 jobs.
- [Danville MSA](#): 215 jobs and \$34.8 million in direct investment.
- [Martinsville MSA](#): 45 jobs and \$8.8 million in direct investment.
- [Richmond MSA](#): 334 jobs and \$16.9 million in direct investment.
- [Roanoke MSA](#): 74 jobs and \$0.9 million in direct investment.
- [Staunton-Waynesboro MSA](#): 110 jobs and \$135.0 million in direct investment.
- [Virginia Beach-Norfolk-Newport News MSA](#): 479 jobs and \$66.3 million in direct investment.
- [Northern Virginia MSA](#): 1,530 jobs and \$64.0 million in direct investment.

2) Reductions and Closures:

Virginia Economic Development Partnership announcements of reductions and closures in the 2nd quarter 2020::

- [Statewide](#): 510 jobs.
- [Richmond MSA](#): 184 jobs.
- [Kingsport-Bristol-Bristol MSA](#): 326 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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