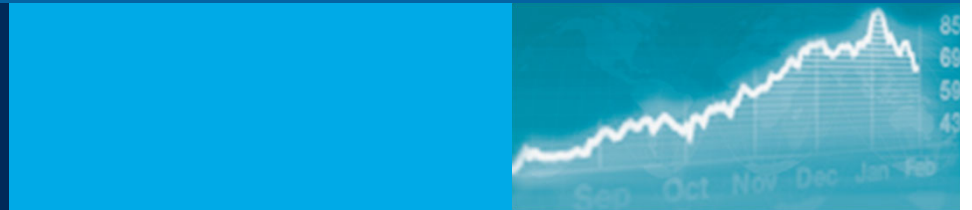


# The U.S. and Virginia Economy

Virginia Association of Planning District  
Commissions

February 5, 2021



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# Economic Themes: A Summary

## Last year's presentation:

- Steady economic growth
- Some softness in business investment. Watching confidence.
- Tightest labor market in 50 years, which was helping people on the fringes of the labor market.

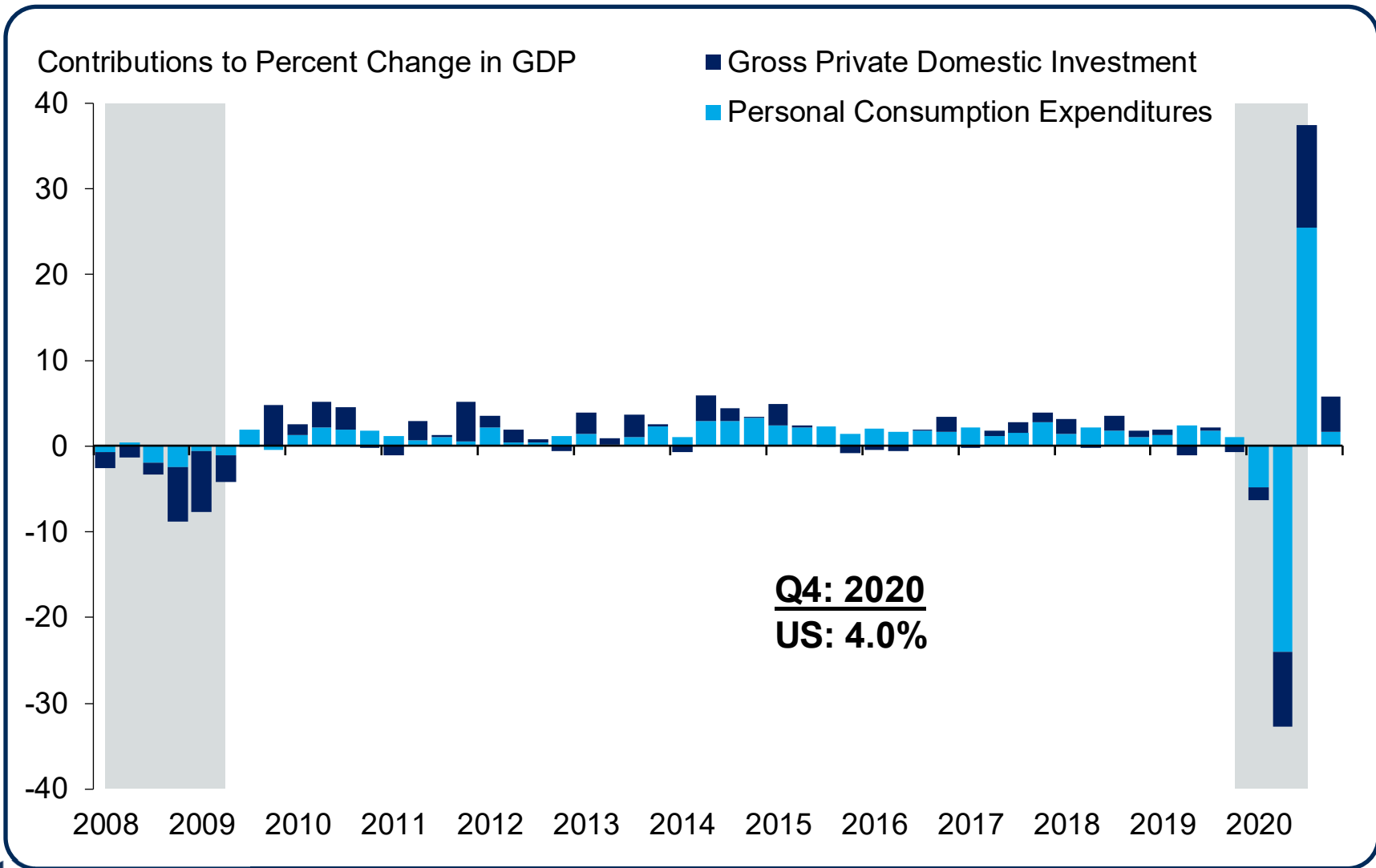
## Where are we now?

- Sharp economic decline in the spring of 2020 from which we are still digging out
- Bifurcation in recovery experience
  - By industry
  - By income level
  - By gender, educational attainment, race/ethnicity

## What will come next?

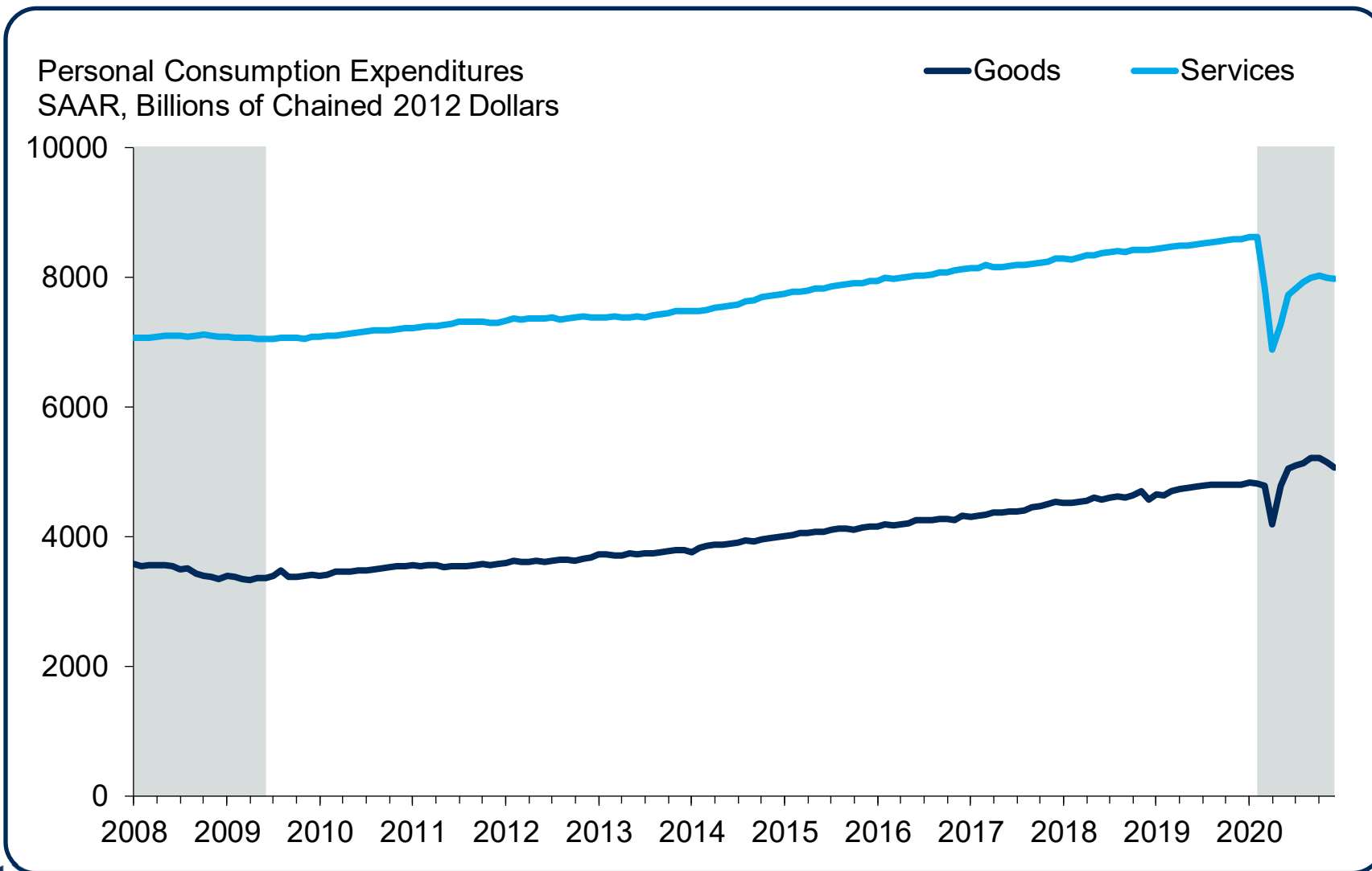
- What are firms expecting in 2021?
- What will be the lasting effects on, for example, labor force attachment?
- What will our “new normal” look like?

# Stunning declines in GDP that were driven by consumption



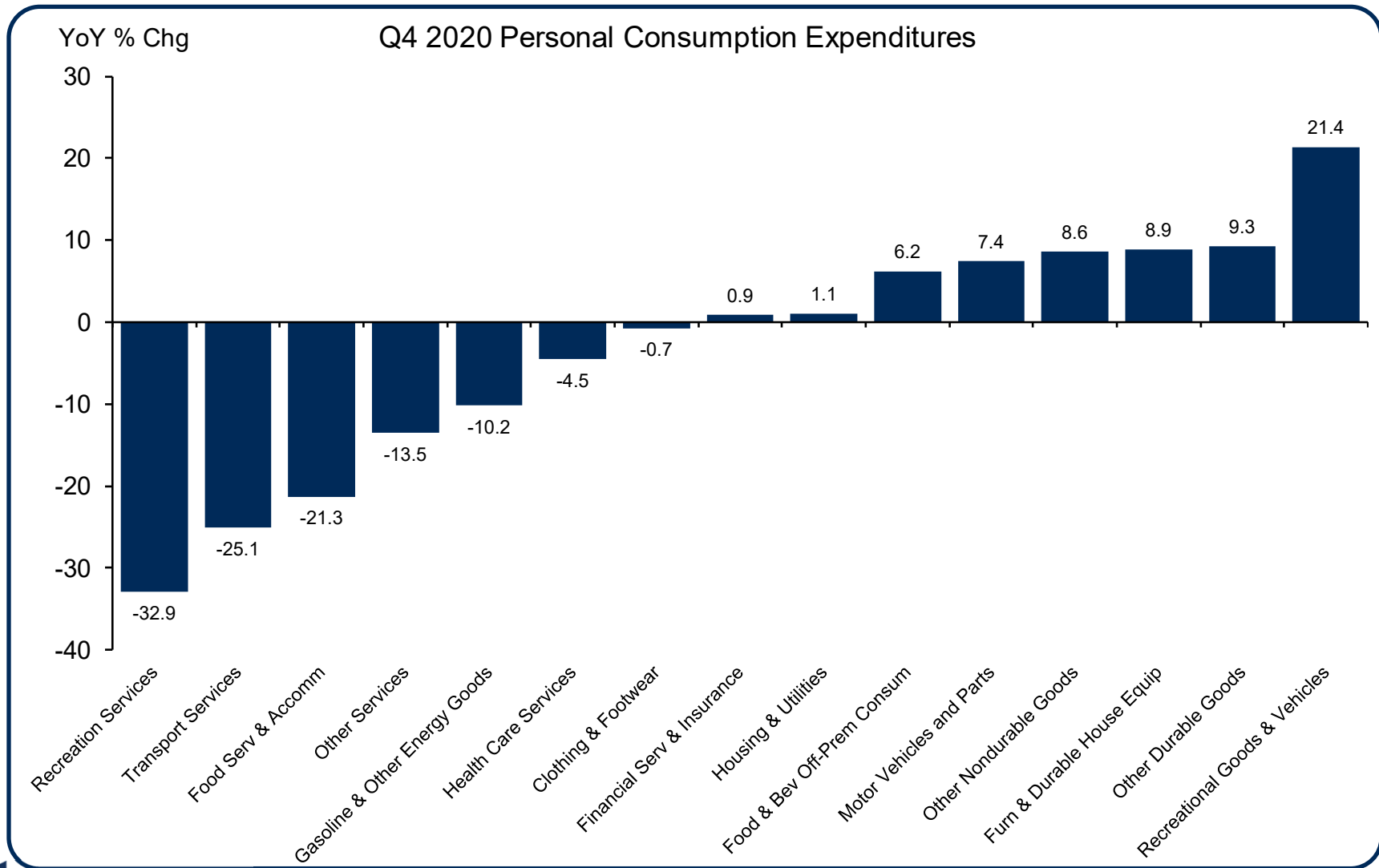
Source: Bureau of Economic Analysis via Haver Analytics

# Spending on services hit hard, and still far below pre-COVID



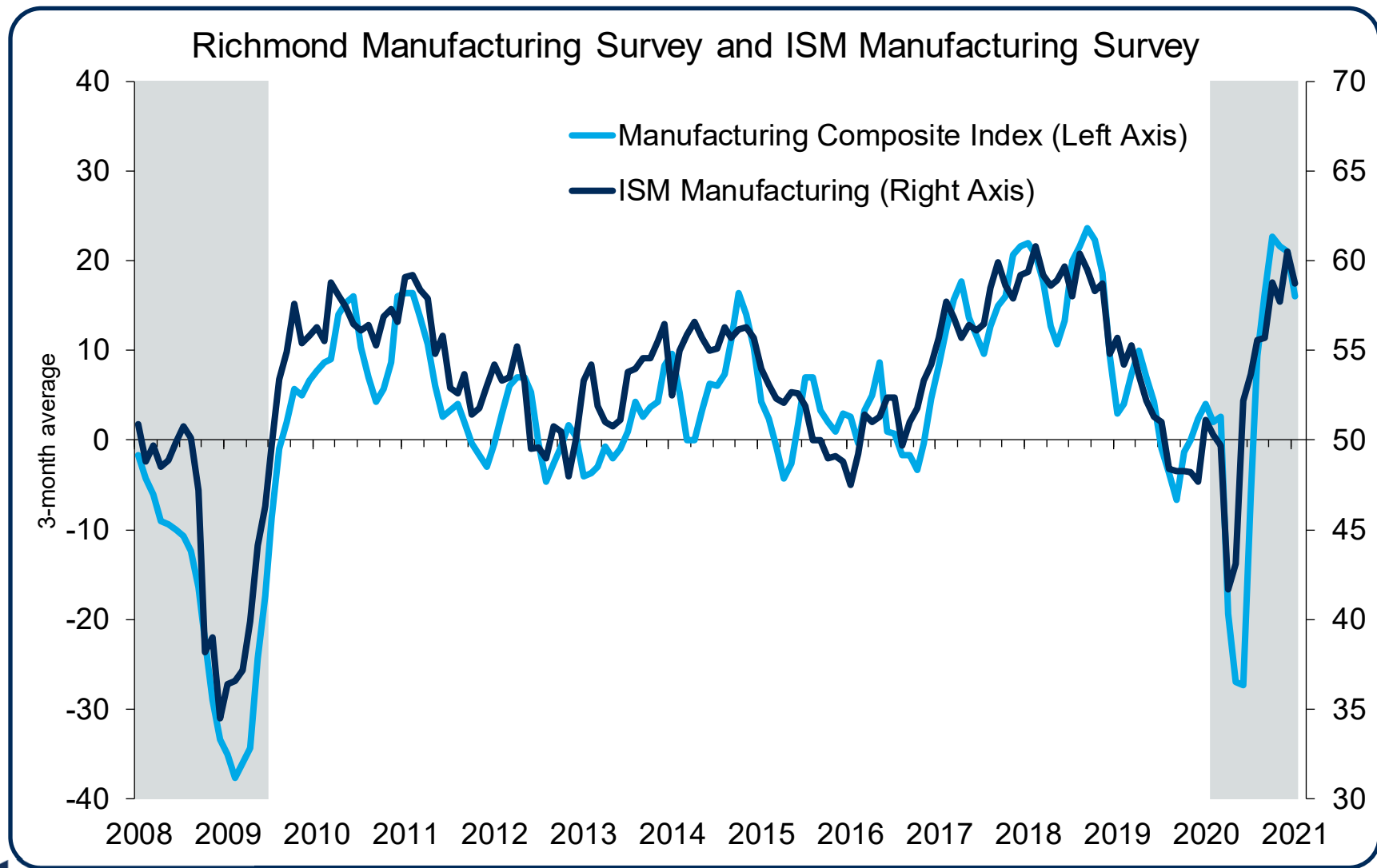
Source: Bureau of Economic Analysis via Haver Analytics

# Change varies across types of goods and services



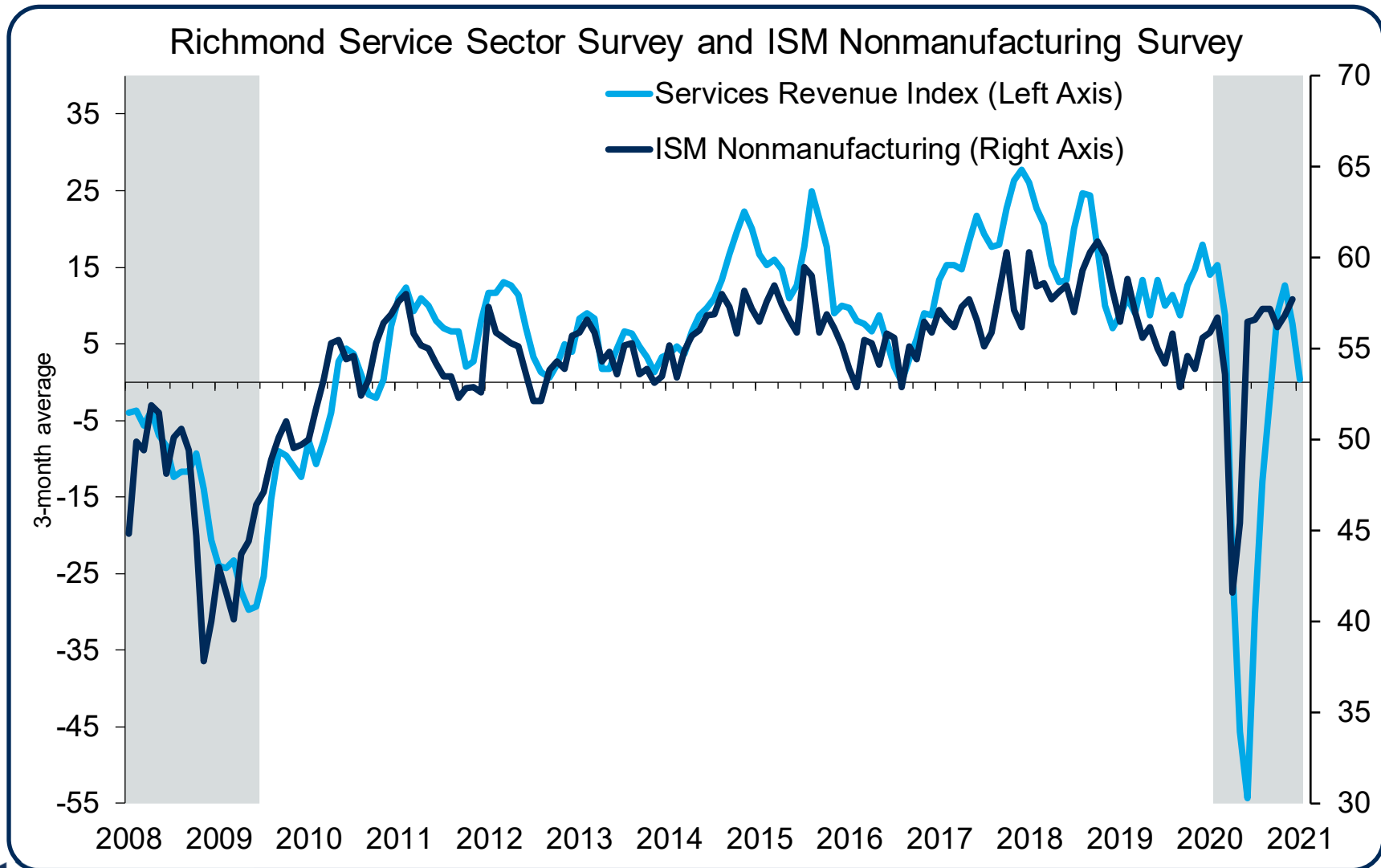
Source: Bureau of Economic Analysis via Haver Analytics

This is reflected in our survey numbers as well:  
manufacturing index back into normal territory...



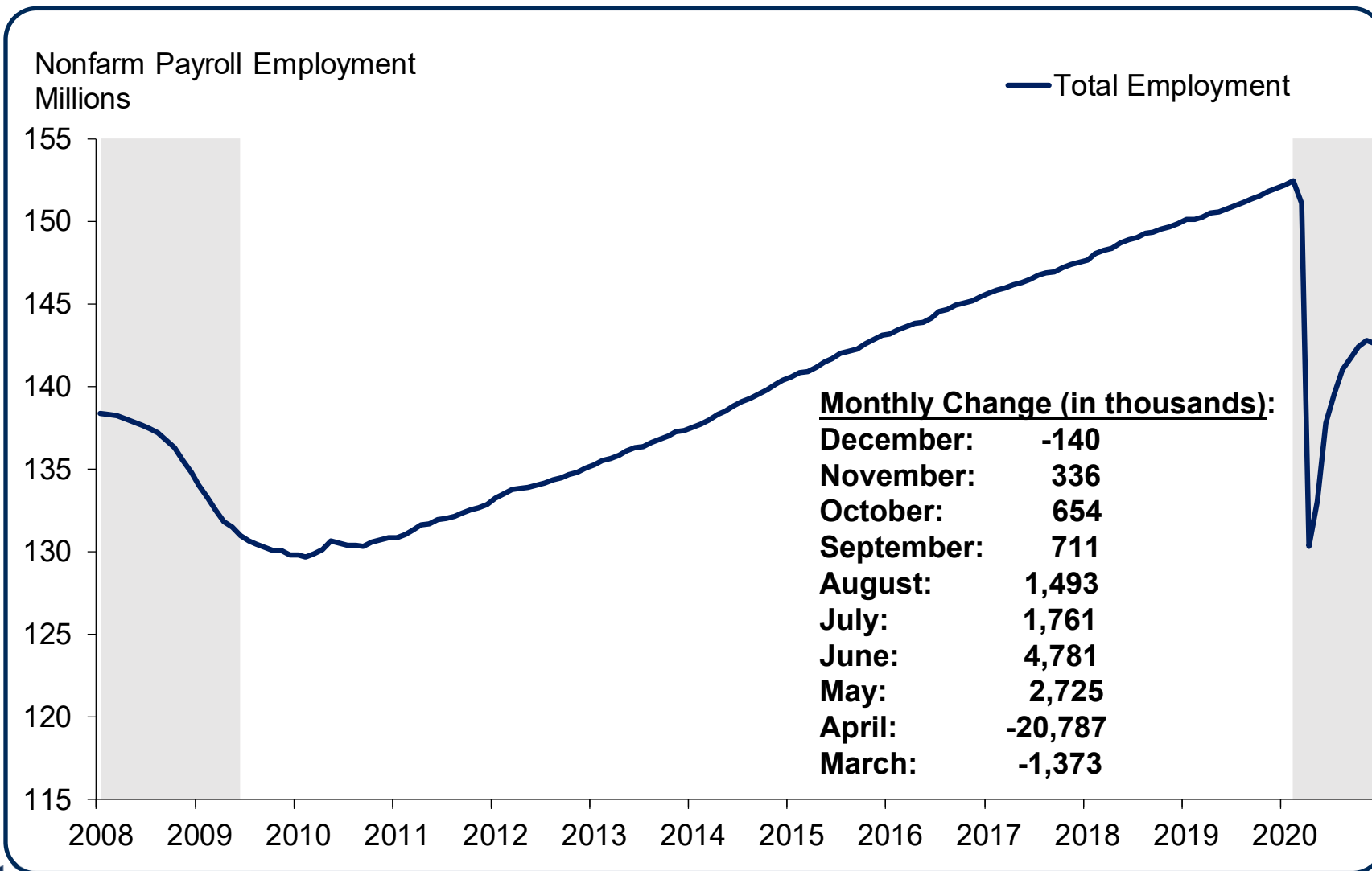
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

...while the service sector indexes have improved, but are still below average



Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

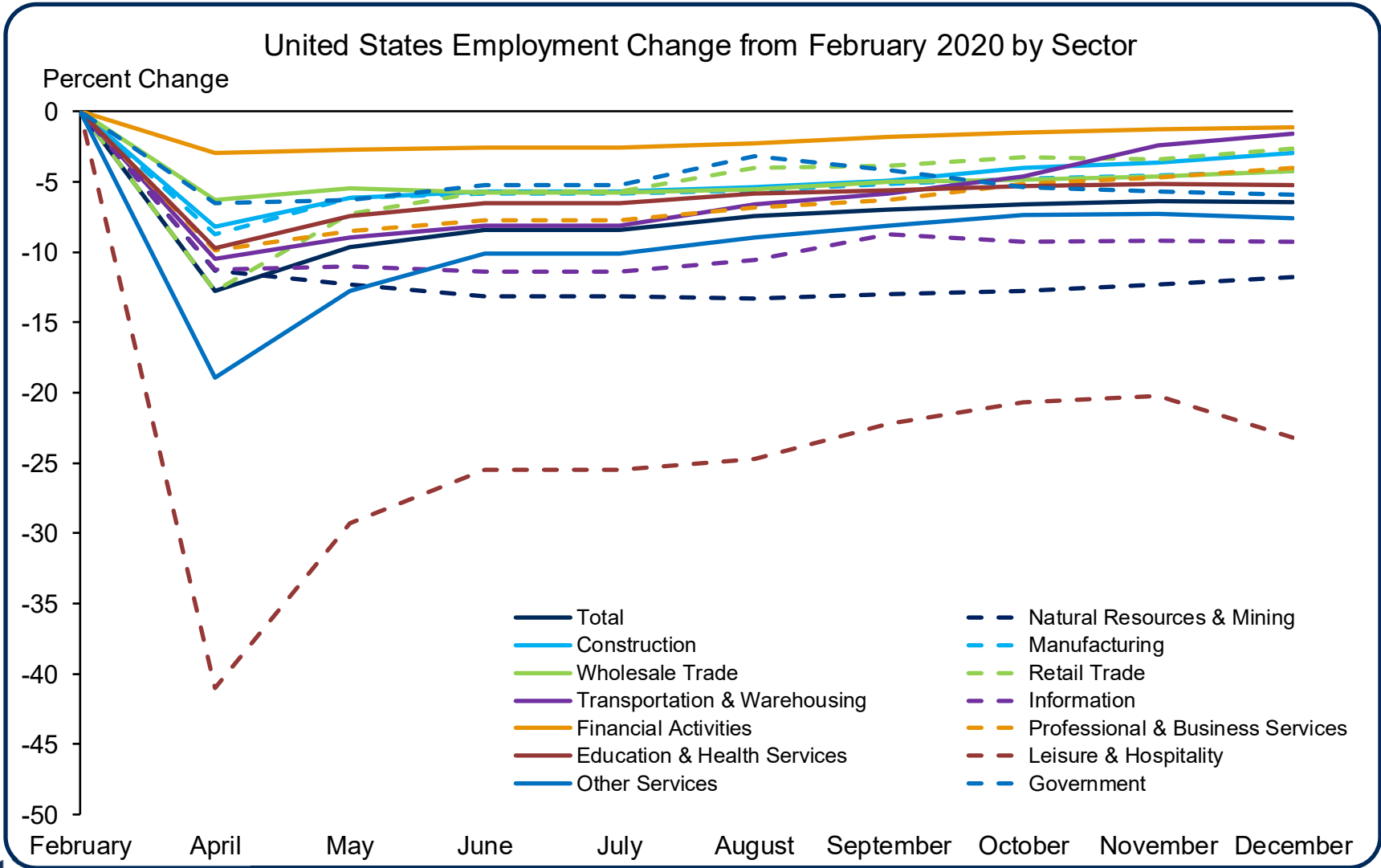
# Employment coming back: But still below pre-COVID



Source: Bureau of Labor Statistics/Haver Analytics



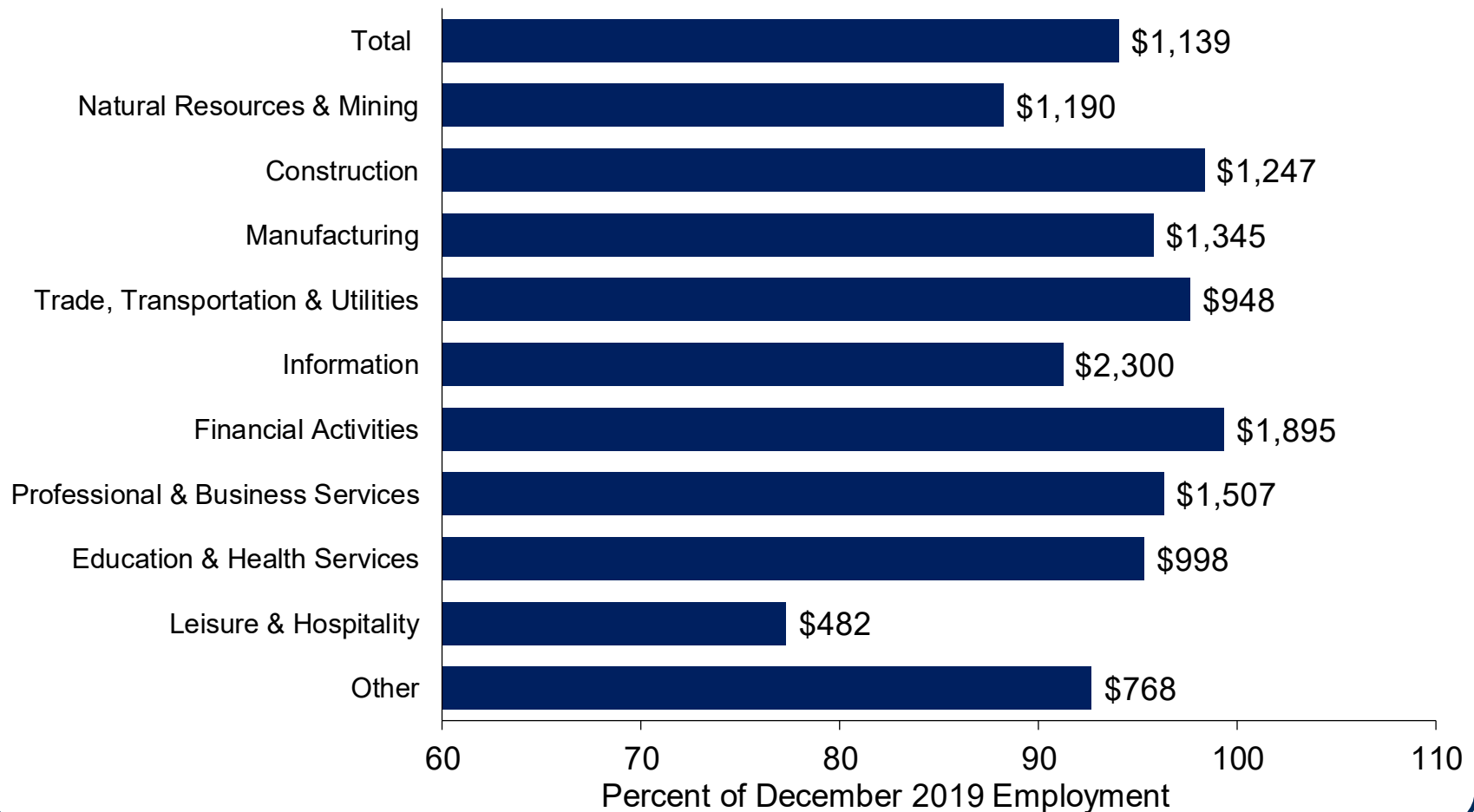
# Sharpest decline in leisure and hospitality, but no industry is back to pre-COVID employment levels



Source: Bureau of Labor Statistics/Haver Analytics

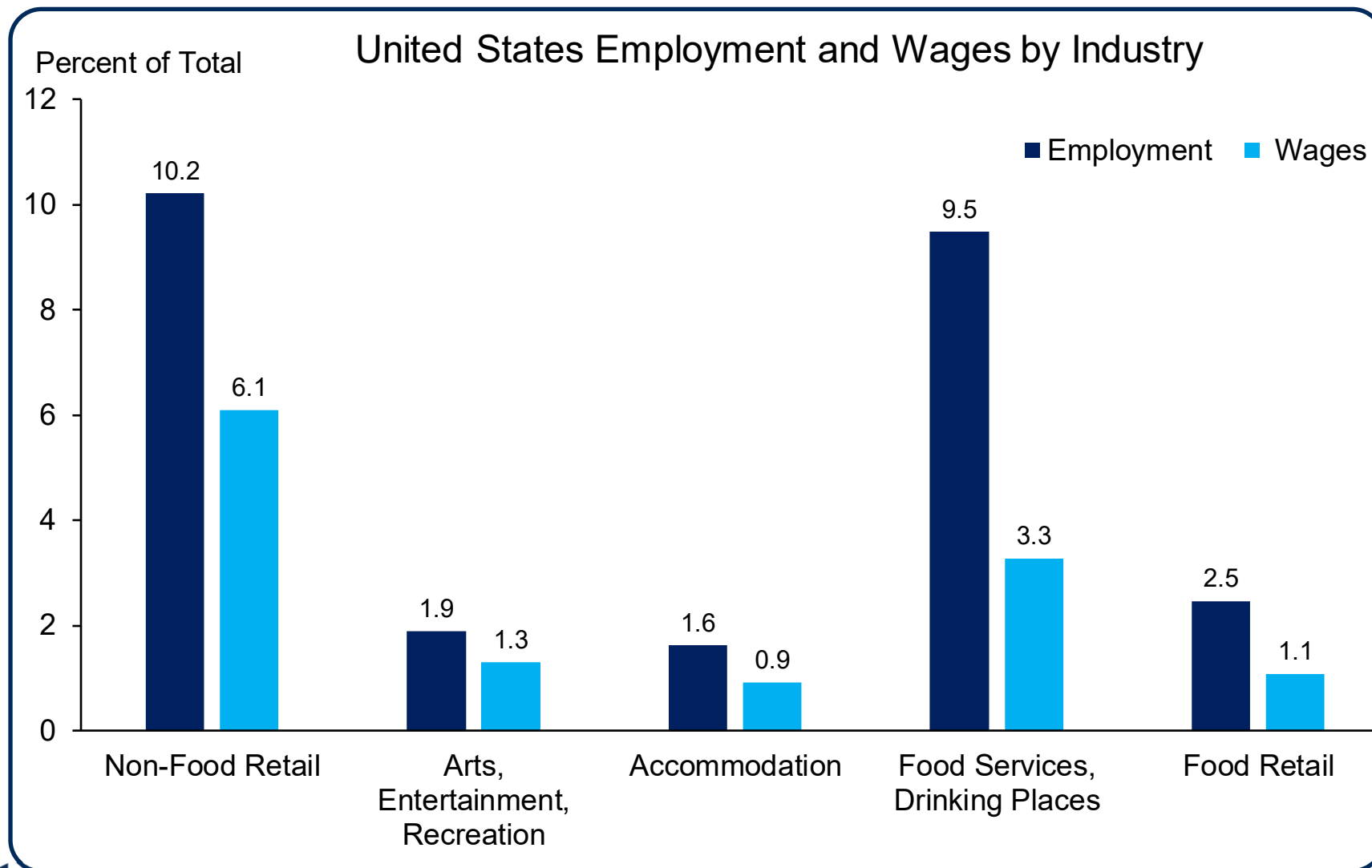
## Hardest hit sector has the lowest average wage

US December 2020 Share of December 2019 Employment  
Labeled using 2019 Average Weekly Wage



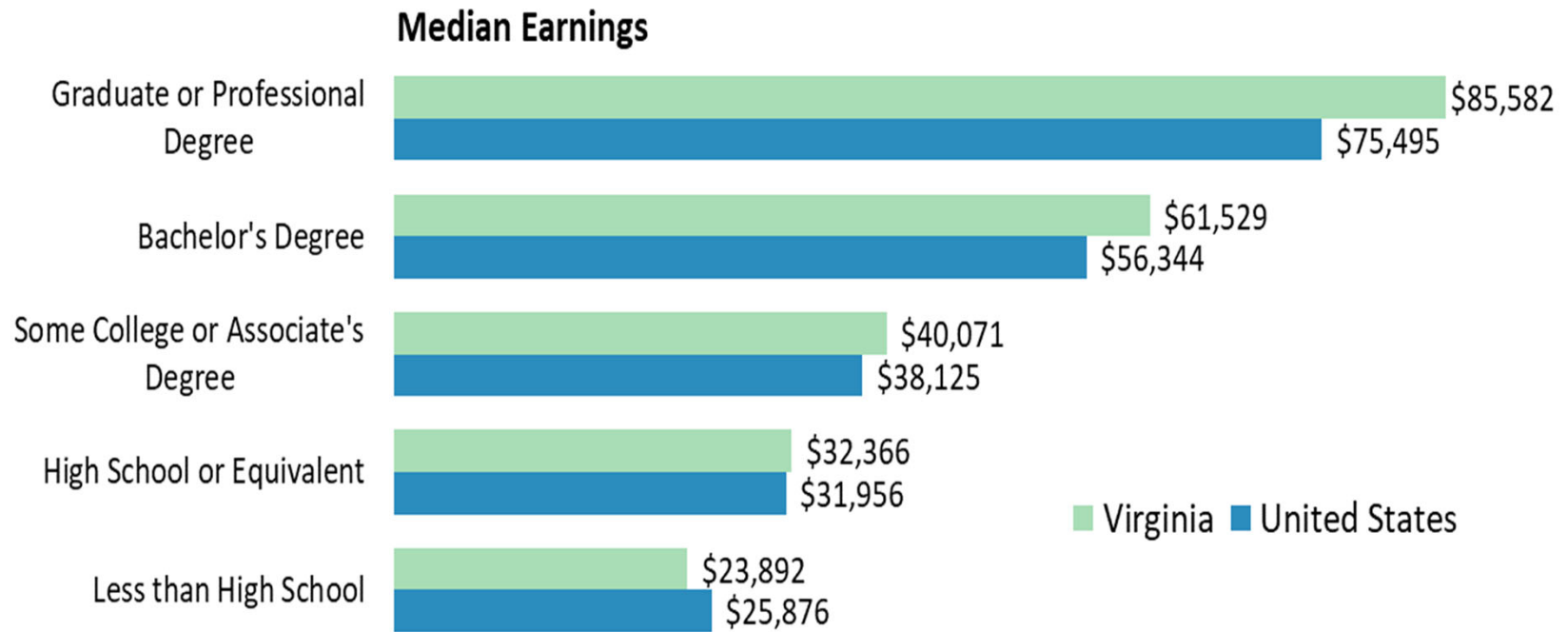
Source: Bureau of Labor Statistics/Haver Analytics

# Leisure and hospitality and retail industries have a disproportionately low share of national wages



Source: Bureau of Labor Statistics 2018 QCEW/Haver Analytics

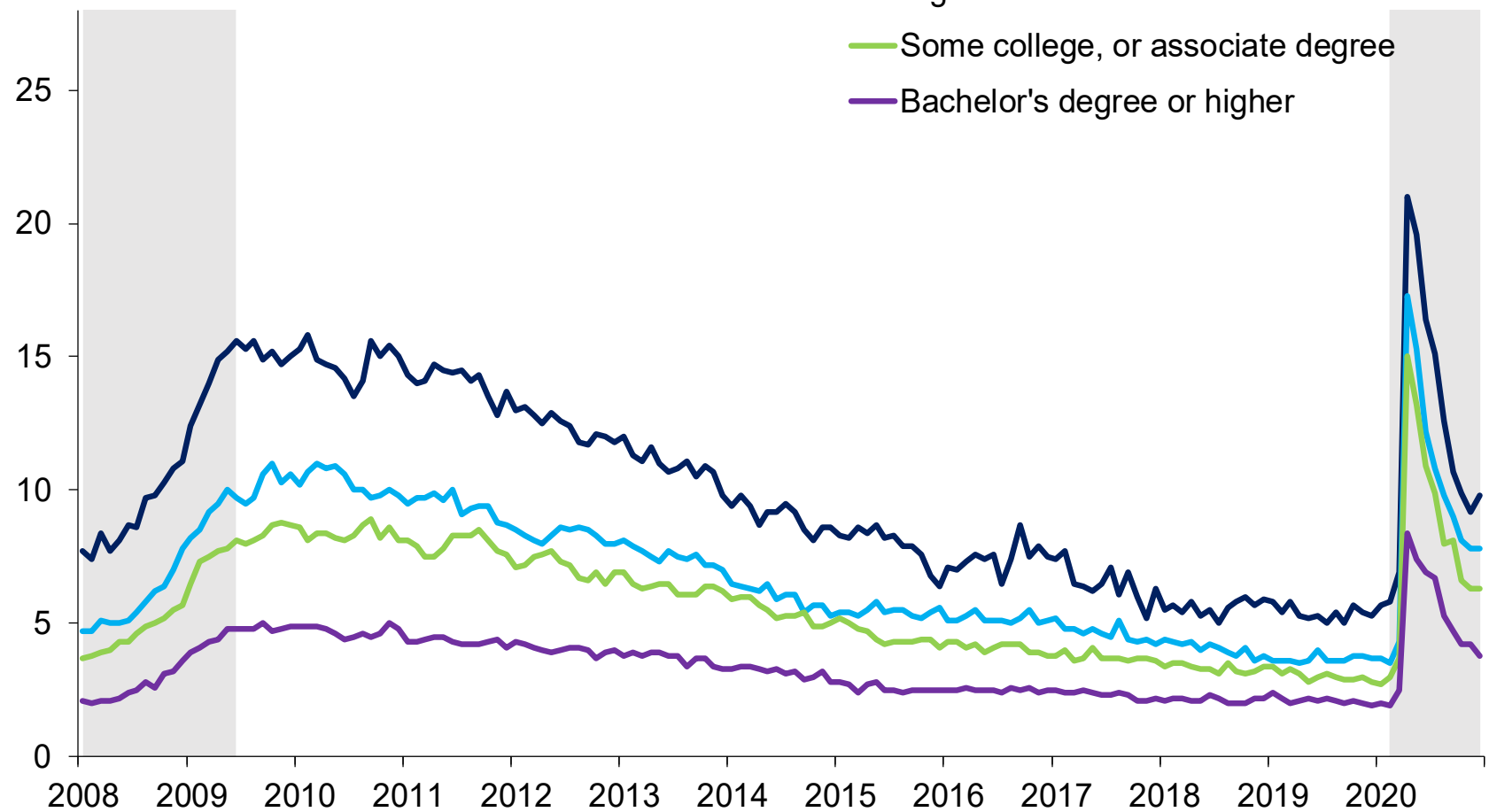
# More education=Higher earnings



Source: U.S. Census Bureau

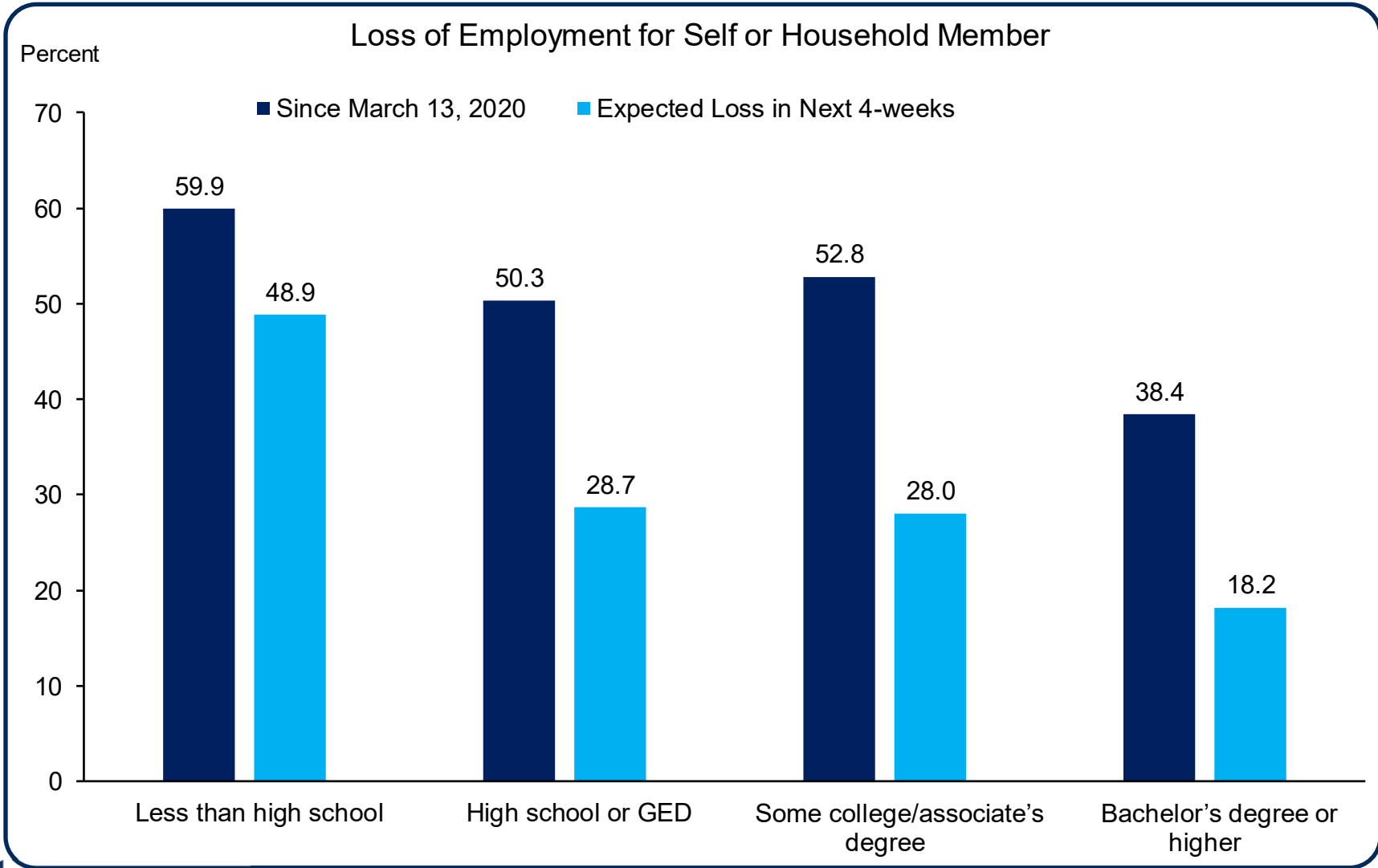
# More education=Less chance of losing your job

Unemployment Rate  
Percent



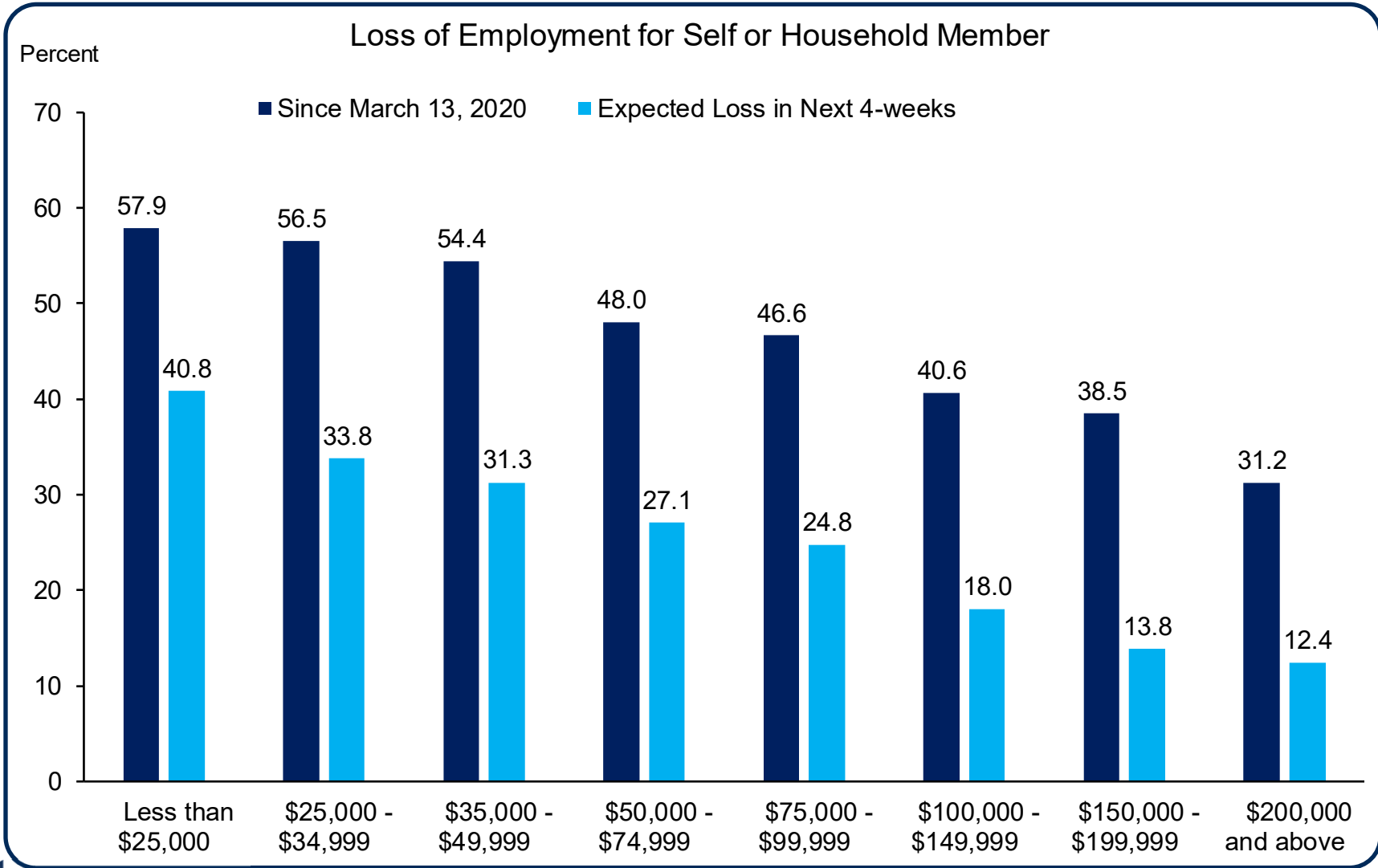
Source: Bureau of Labor Statistics/Haver Analytics

# Experimental Census data provides insight into the COVID experience across educational levels



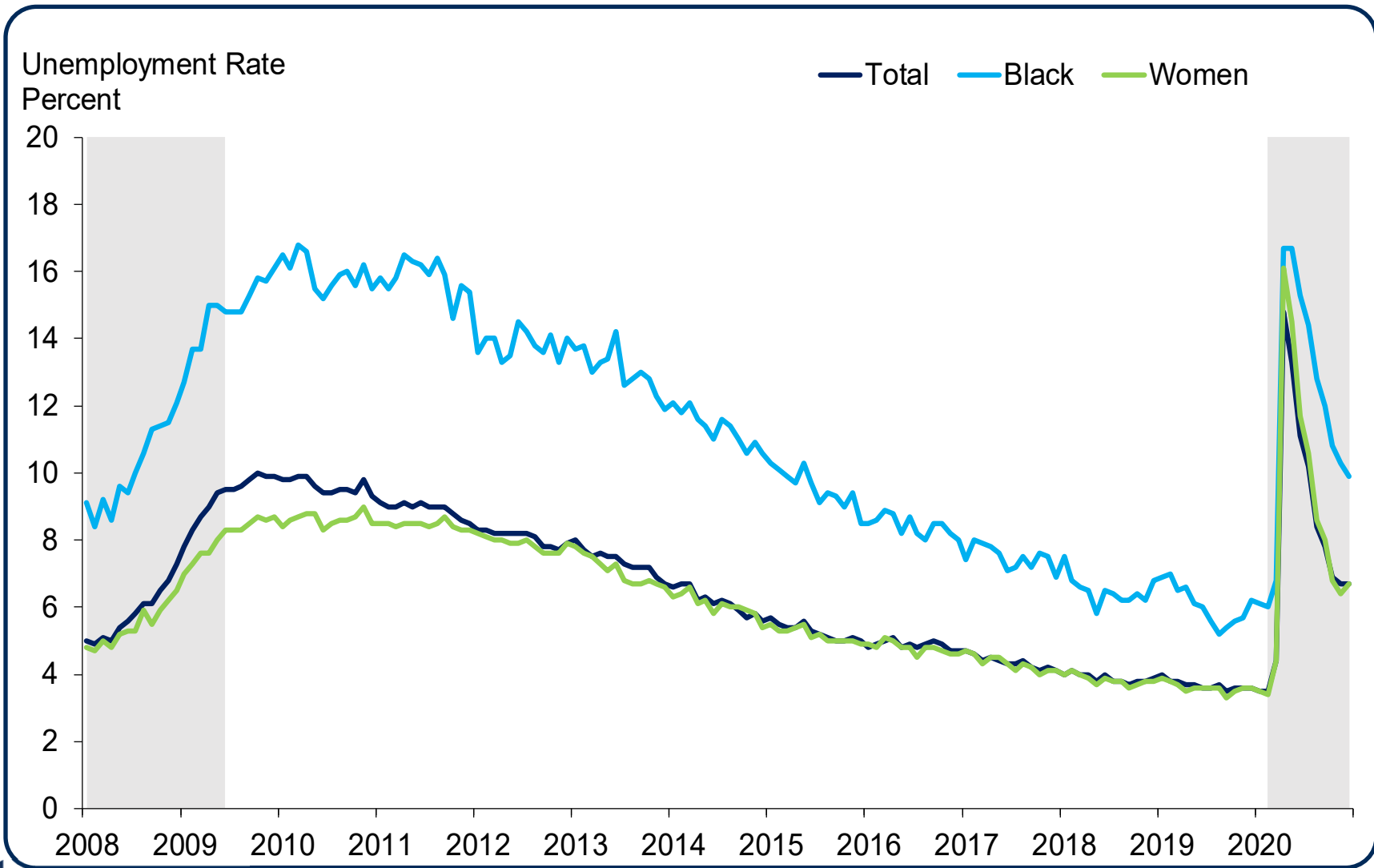
Source: U.S. Census Bureau Household Pulse Survey

# Experimental Census data provides insight into the COVID experience across income levels



Source: U.S. Census Bureau Household Pulse Survey

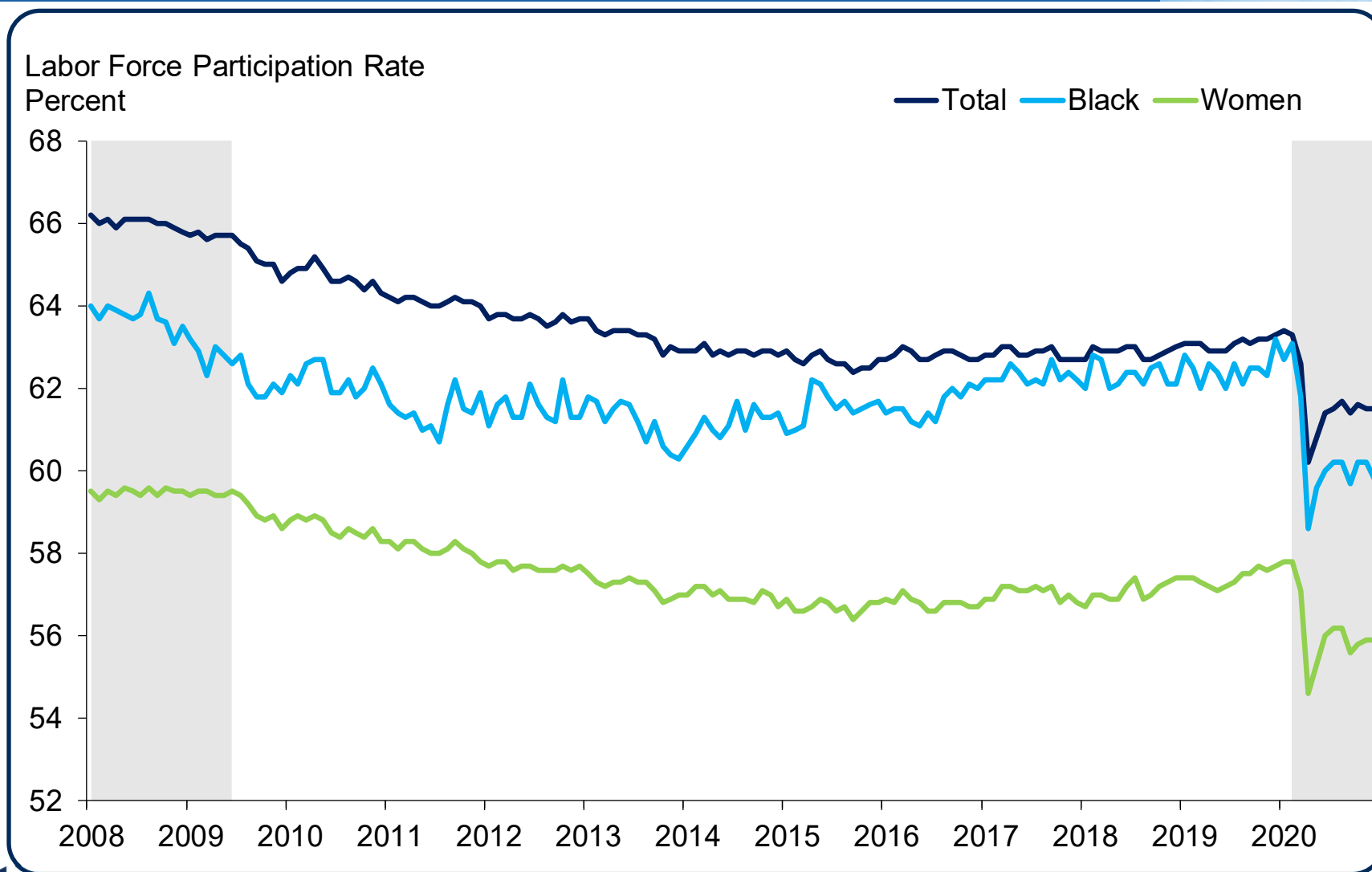
# What about women? Or minorities?



Source: Bureau of Labor Statistics/Haver Analytics

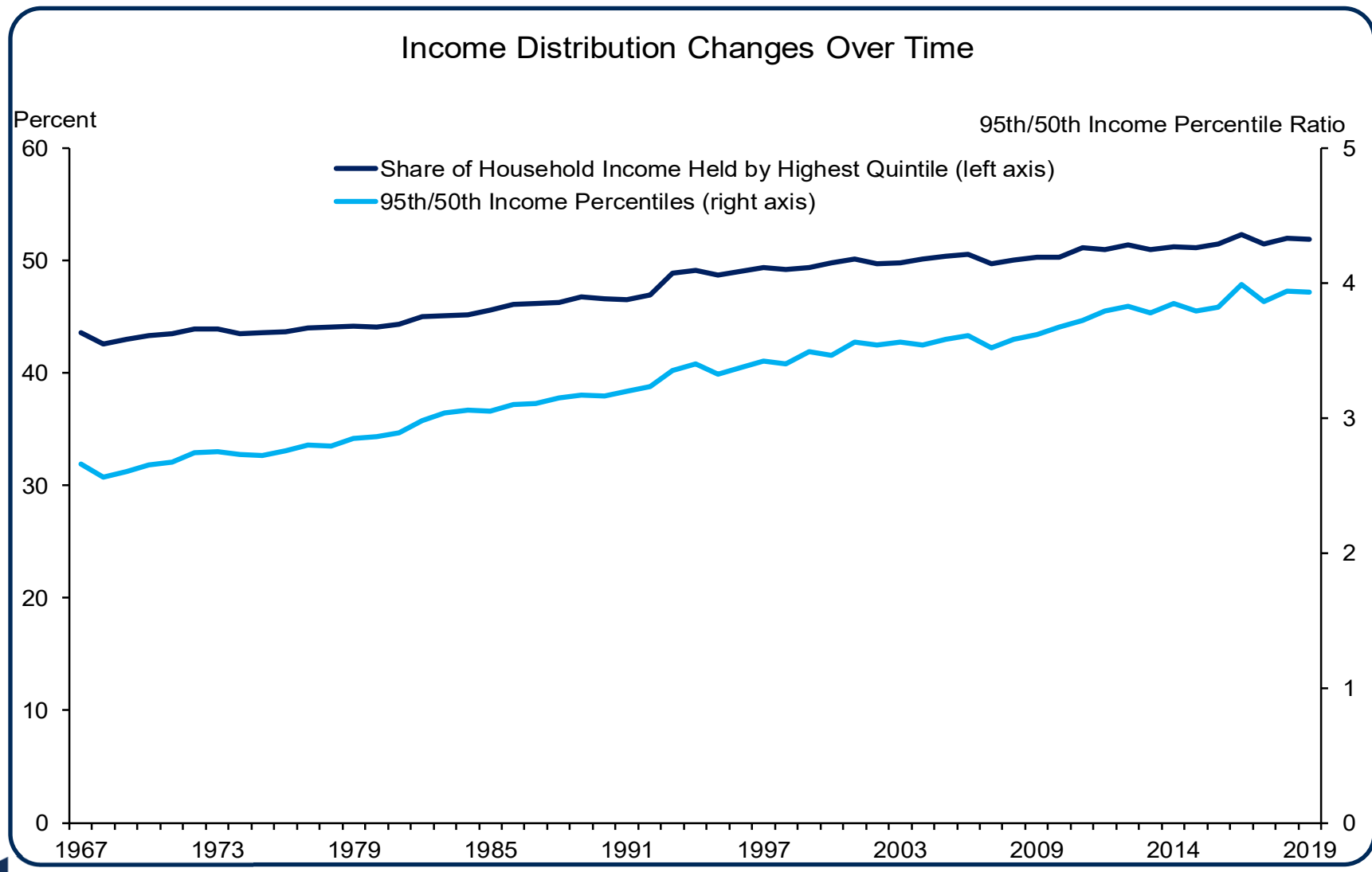


# The labor force participation rate remains low



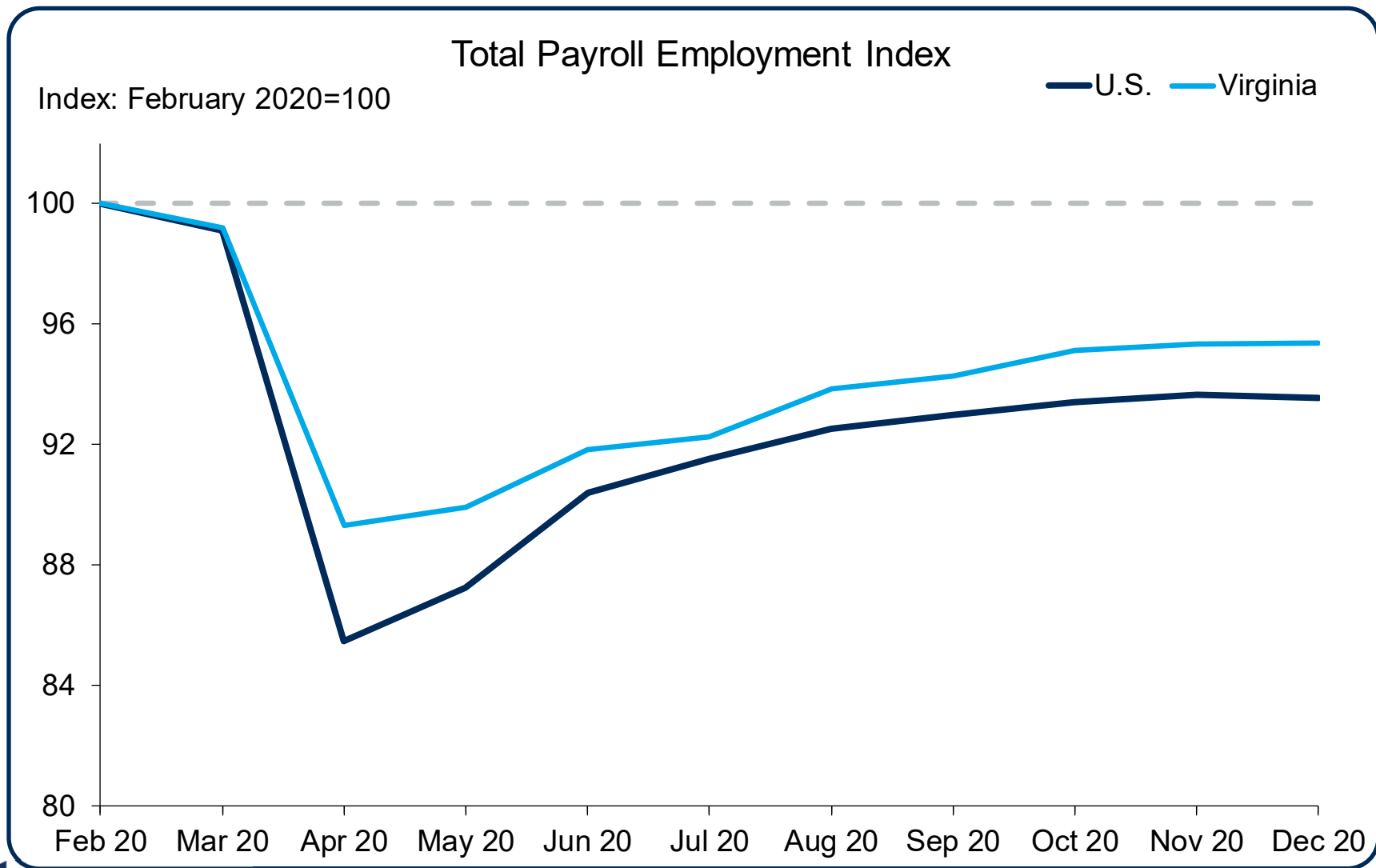
Source: Bureau of Labor Statistics/Haver Analytics

# Inequality was already growing...



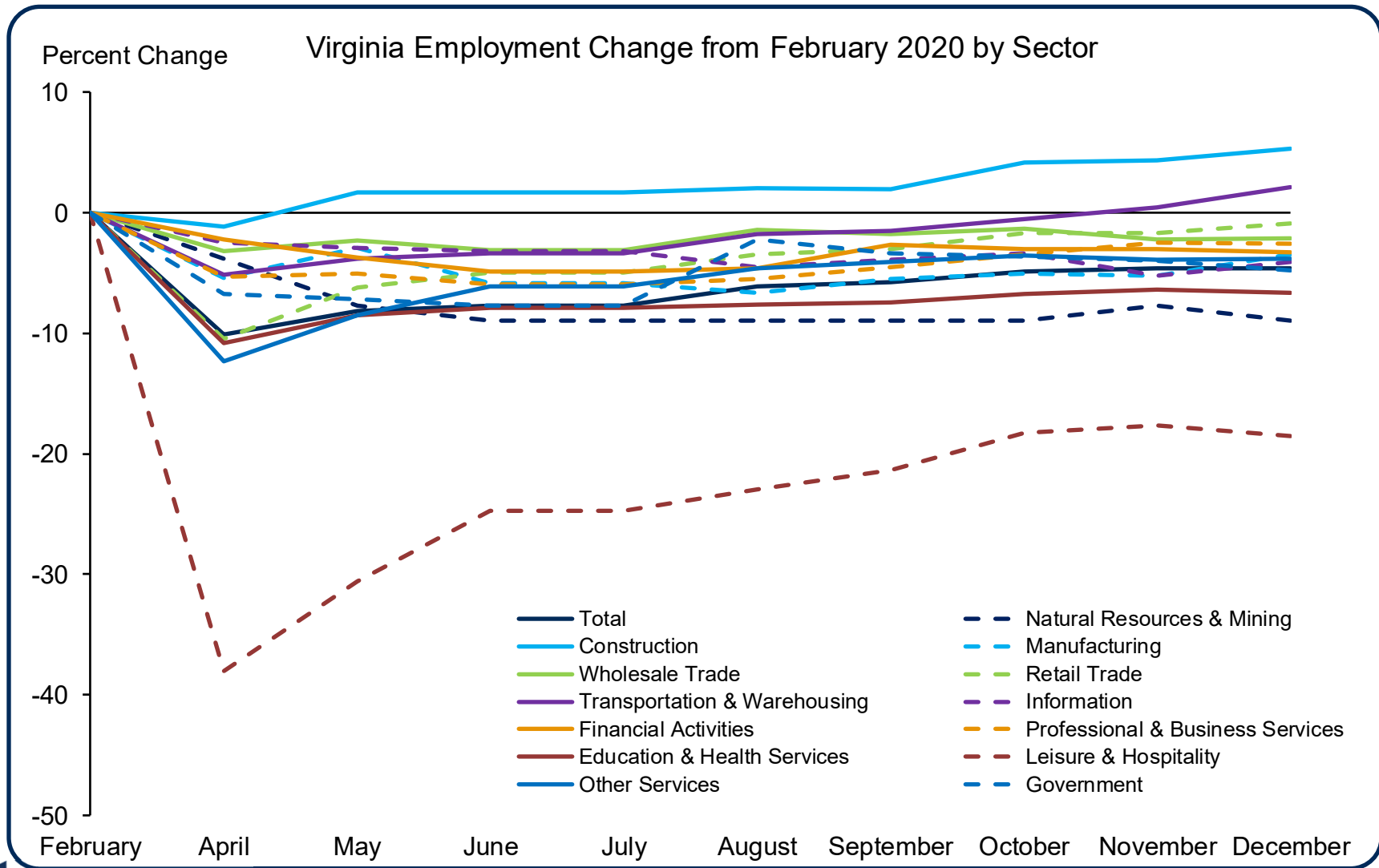
Source: U.S. Census Bureau

# Employment is coming back, but slowly



Source: Bureau of Labor Statistics/Haver Analytics

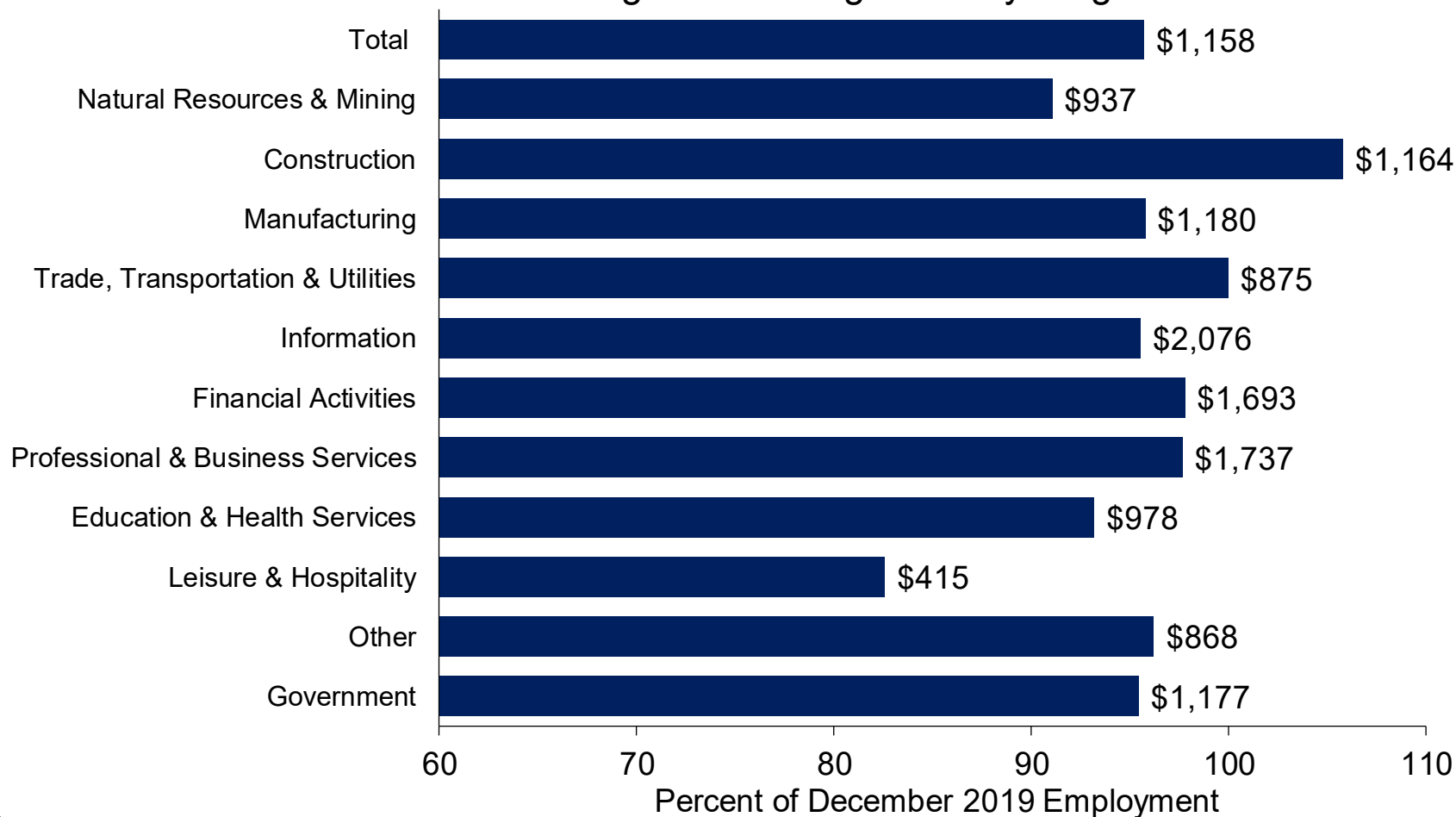
# Virginia: Some industries hit harder than others



Source: Bureau of Labor Statistics/Haver Analytics

# Hardest hit sector has the lowest average wage in Virginia, too

Virginia December 2020 Share of December 2019 Employment  
Labeled using 2019 Average Weekly Wage

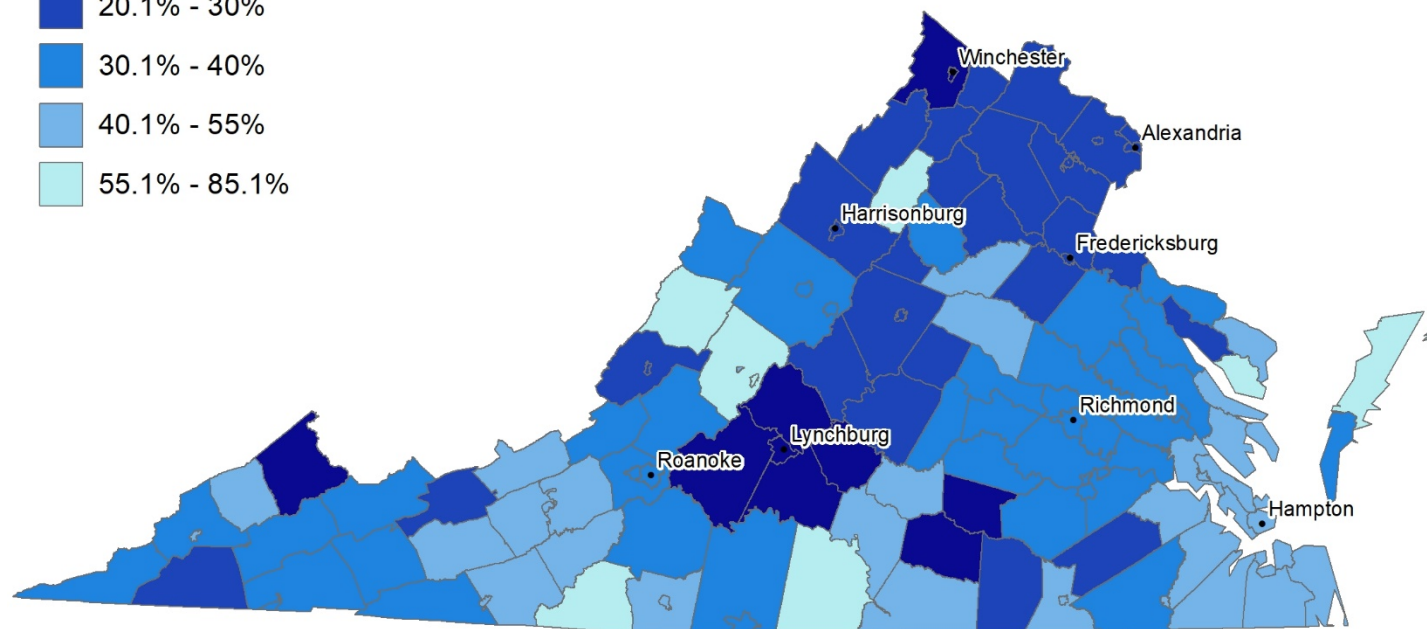
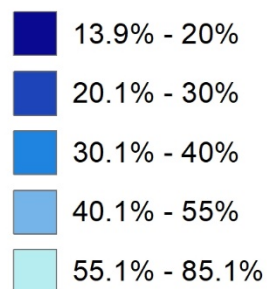


Source: Bureau of Labor Statistics/Haver Analytics

# Within-state disparities can be large

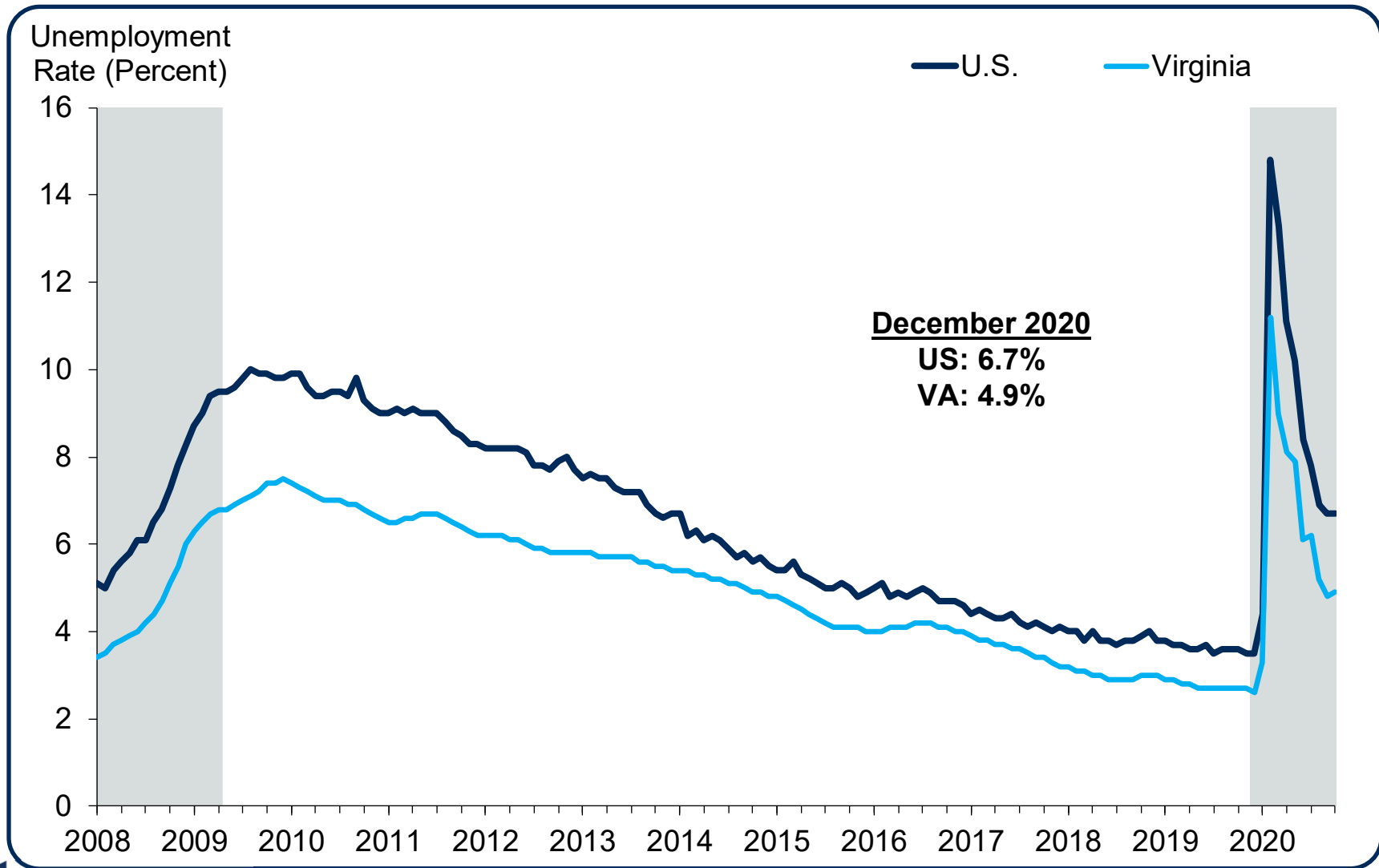
## Share of Covid job losses that have been recovered

Percent Net Employment Loss Recovered  
(Apr. 2020 to Nov. 2020)



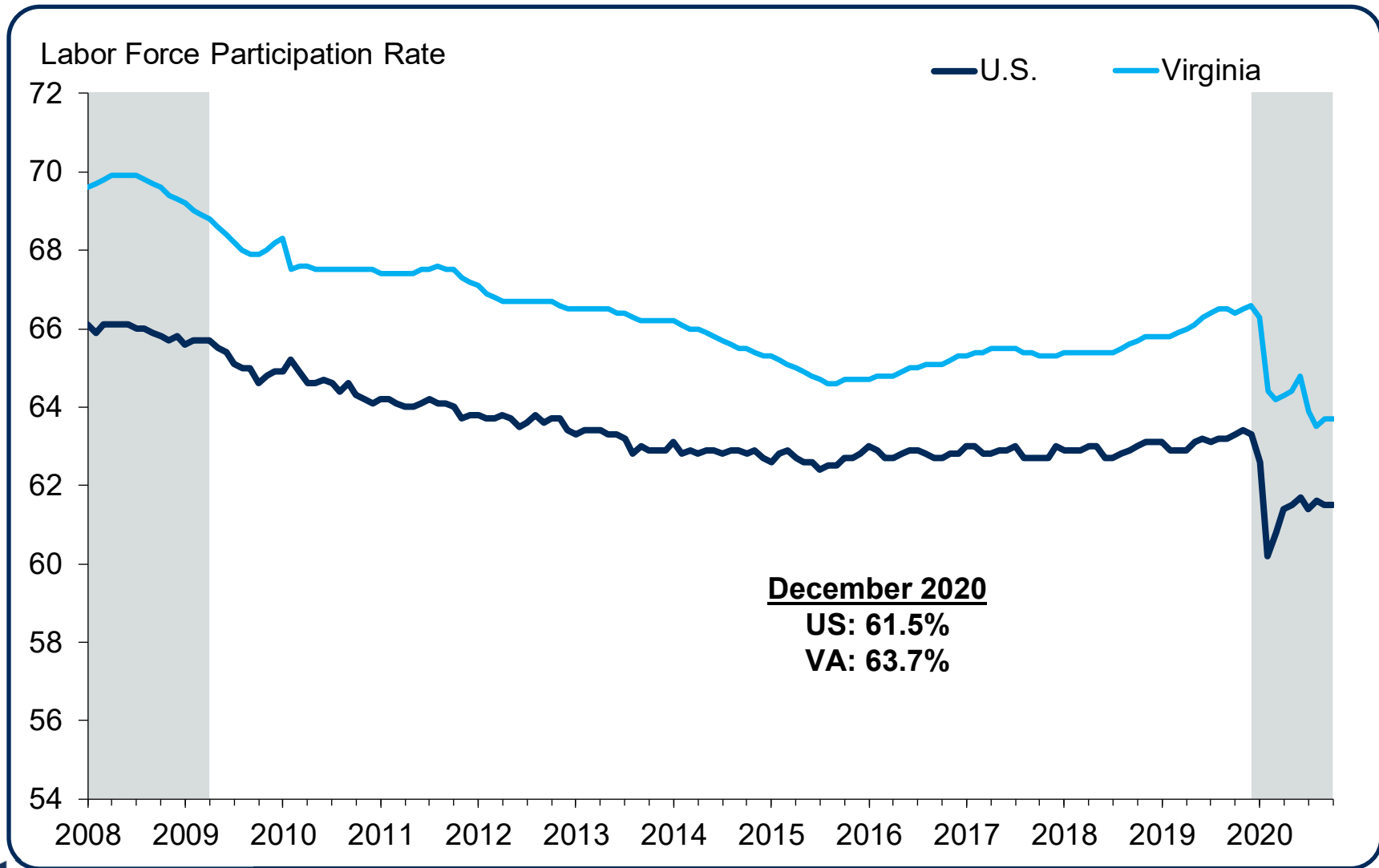
Source: Bureau of Labor Statistics Local Area Unemployment Statistics, Civilian Employment

# Unemployment has fallen since its record high...



Source: Bureau of Labor Statistics/Haver Analytics

# ....but so has labor force participation

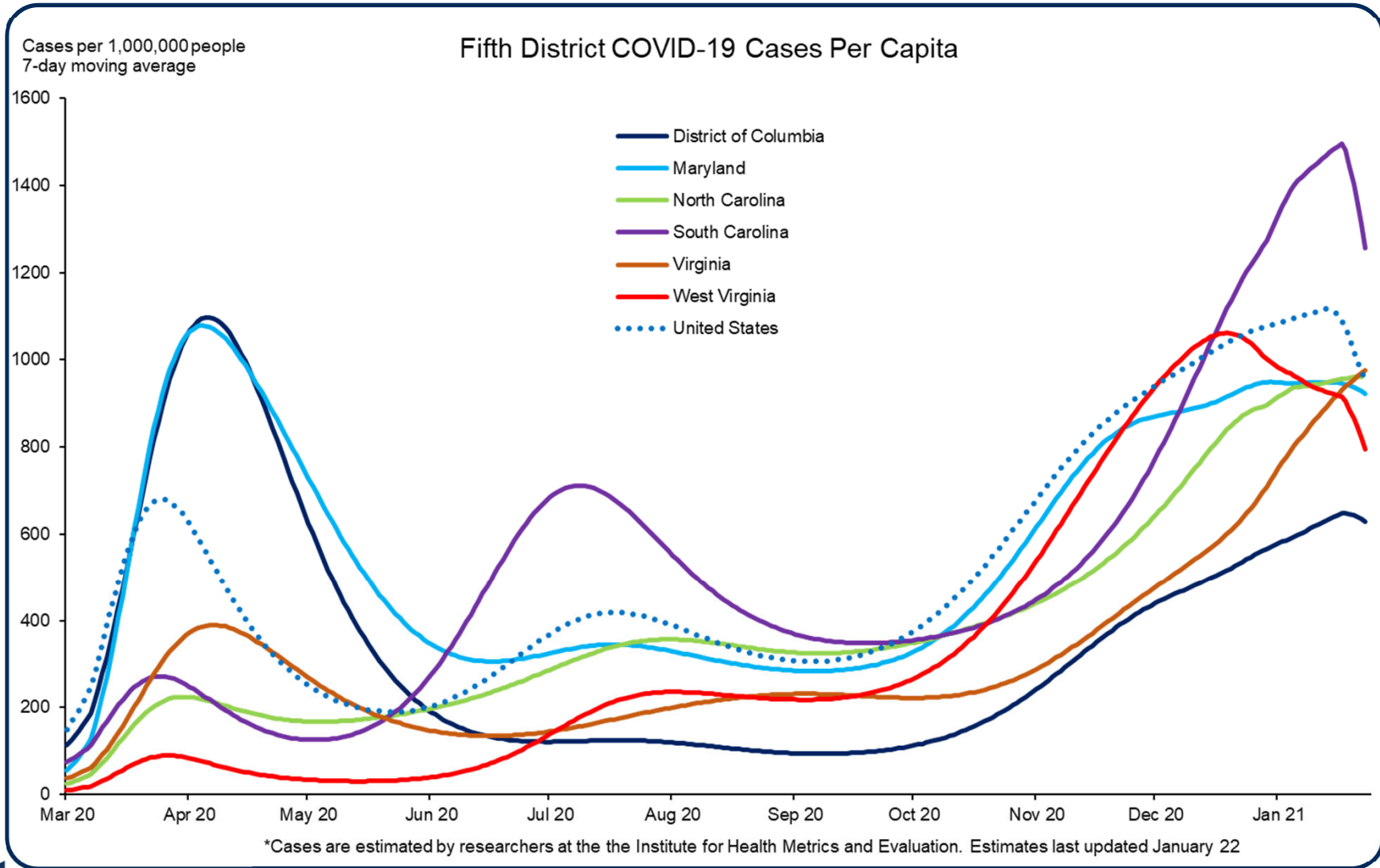


Source: Bureau of Labor Statistics/Haver Analytics



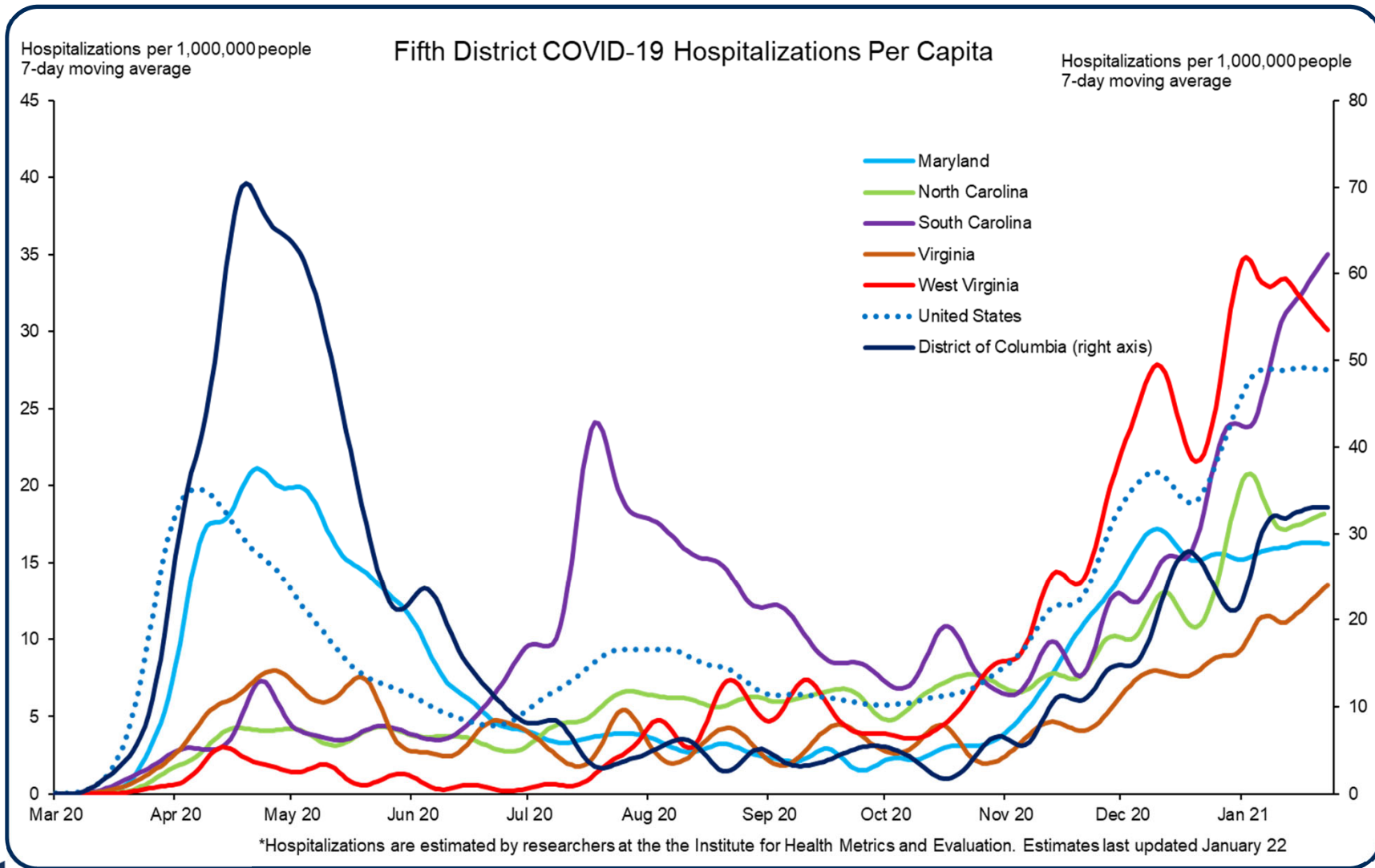
# *What Is Next?*

# A source of uncertainty: COVID



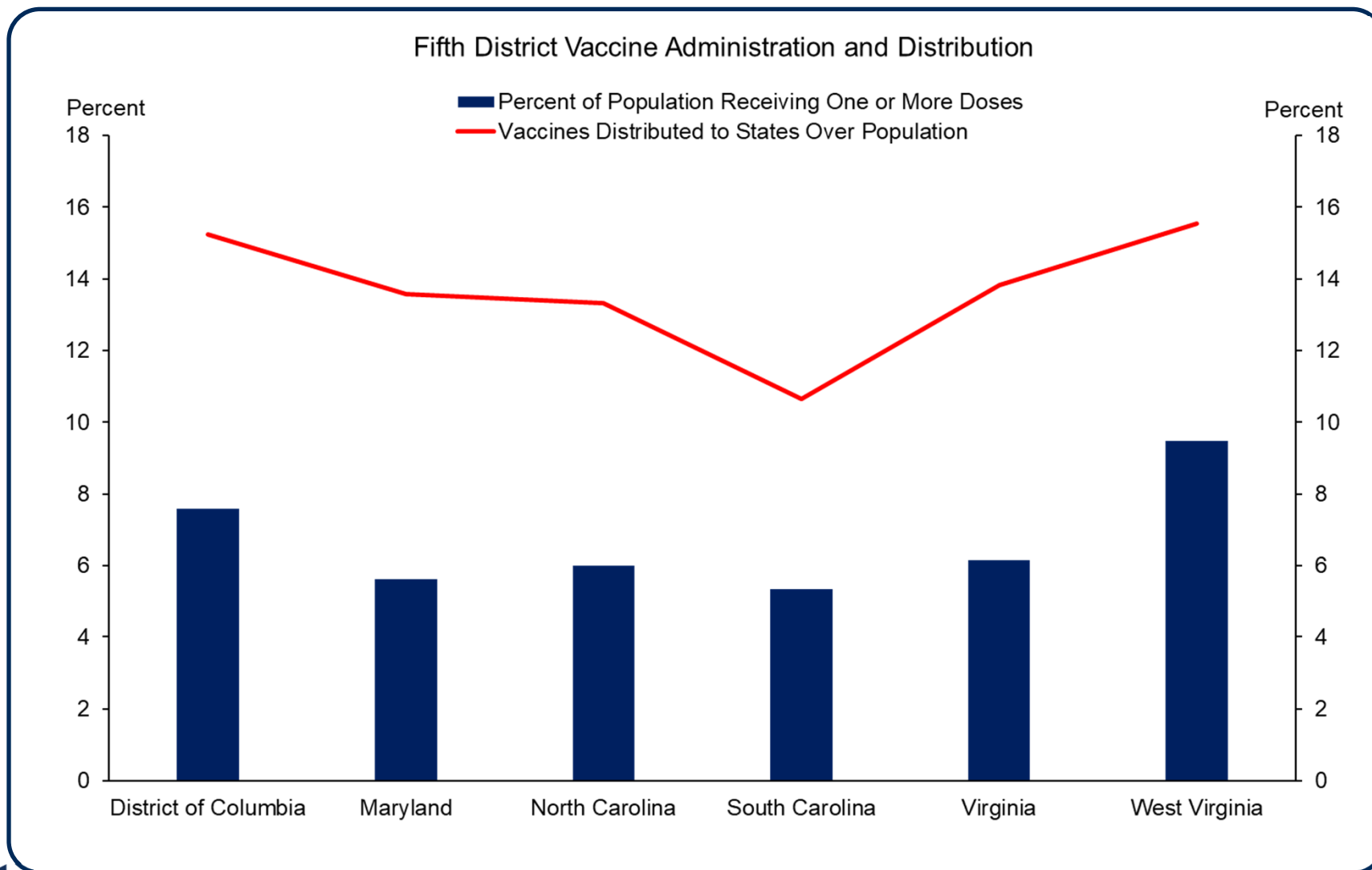
Source: Institute for Health Metrics and Evaluation

# A source of uncertainty: COVID



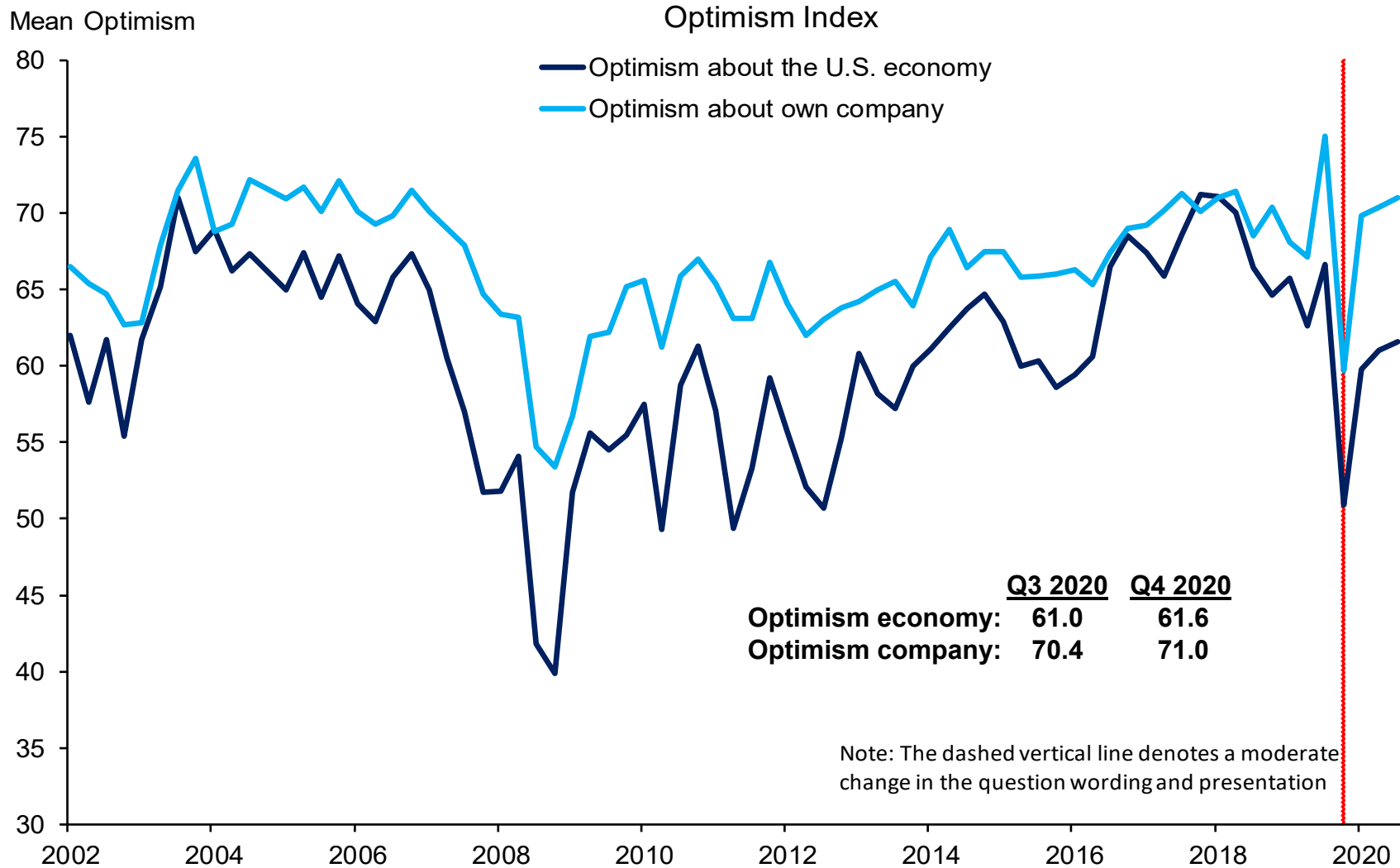
Source: covidtracking.com

# A source of hope: Vaccines



Source: Centers for Disease Control and Prevention

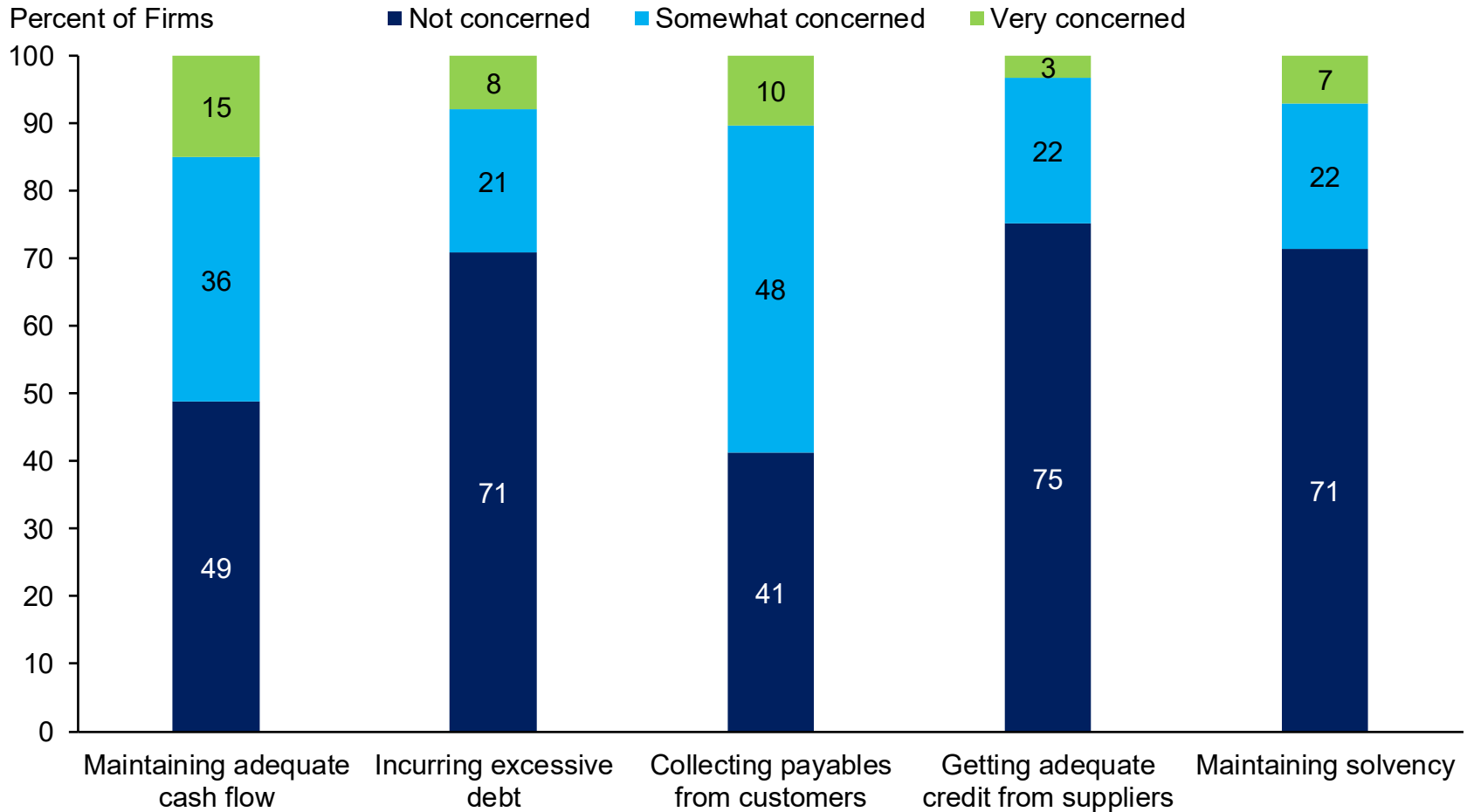
# A source of hope: Firm optimism



Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta  
 Note: Data reflect results from the Q4 2020 survey (November 30-December 11, 2020).

# Solvency not the biggest concern among firms

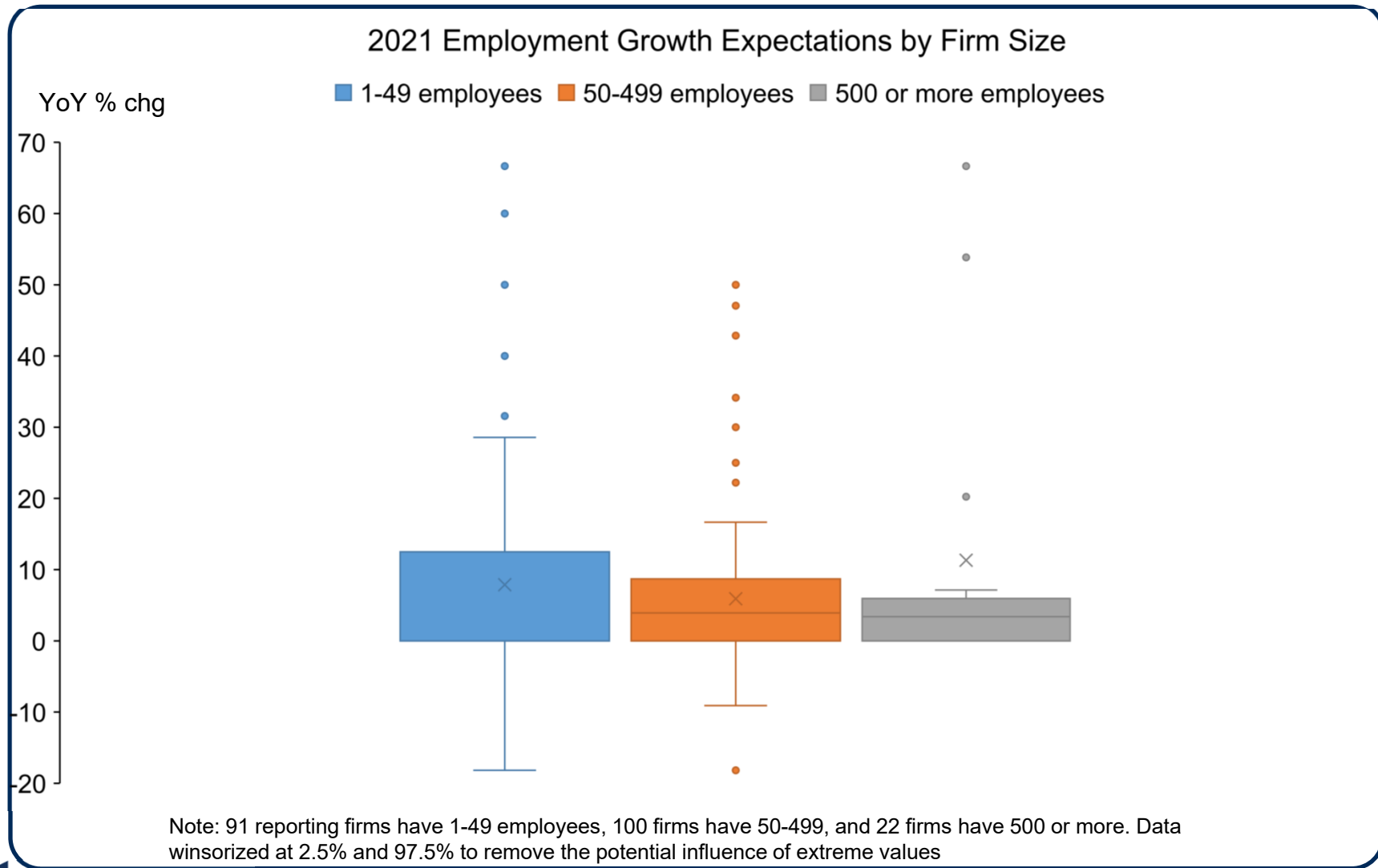
How concerned are you about the ability to deal with each of the following over the next month?



# Fifth District firms anticipate revenue growth...

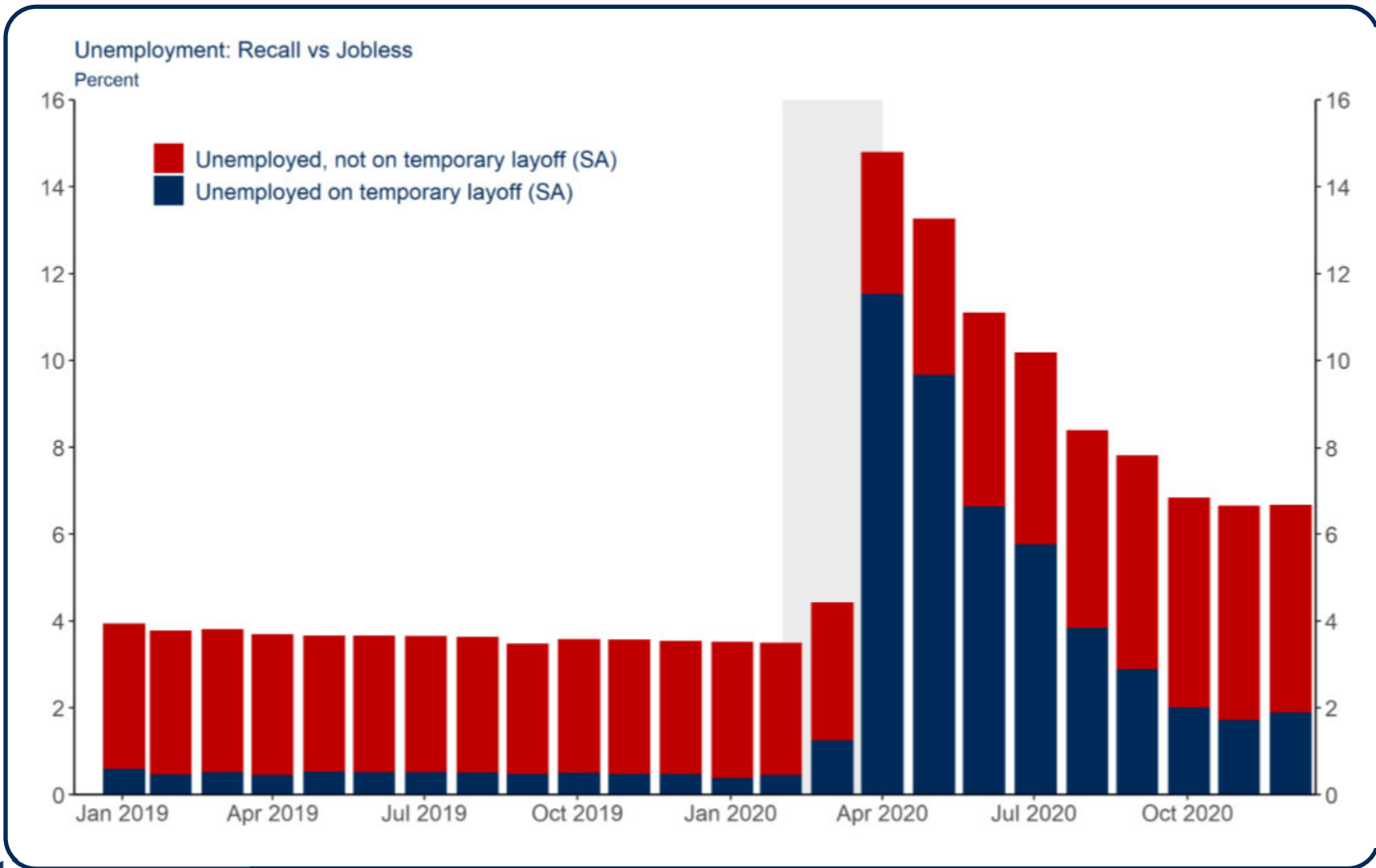


## ...and employment growth





# Have we picked the “easy fruit” in employment?



Source: Bureau of Labor Statistics/Haver Analytics

# Will the longer unemployment affect employment return?

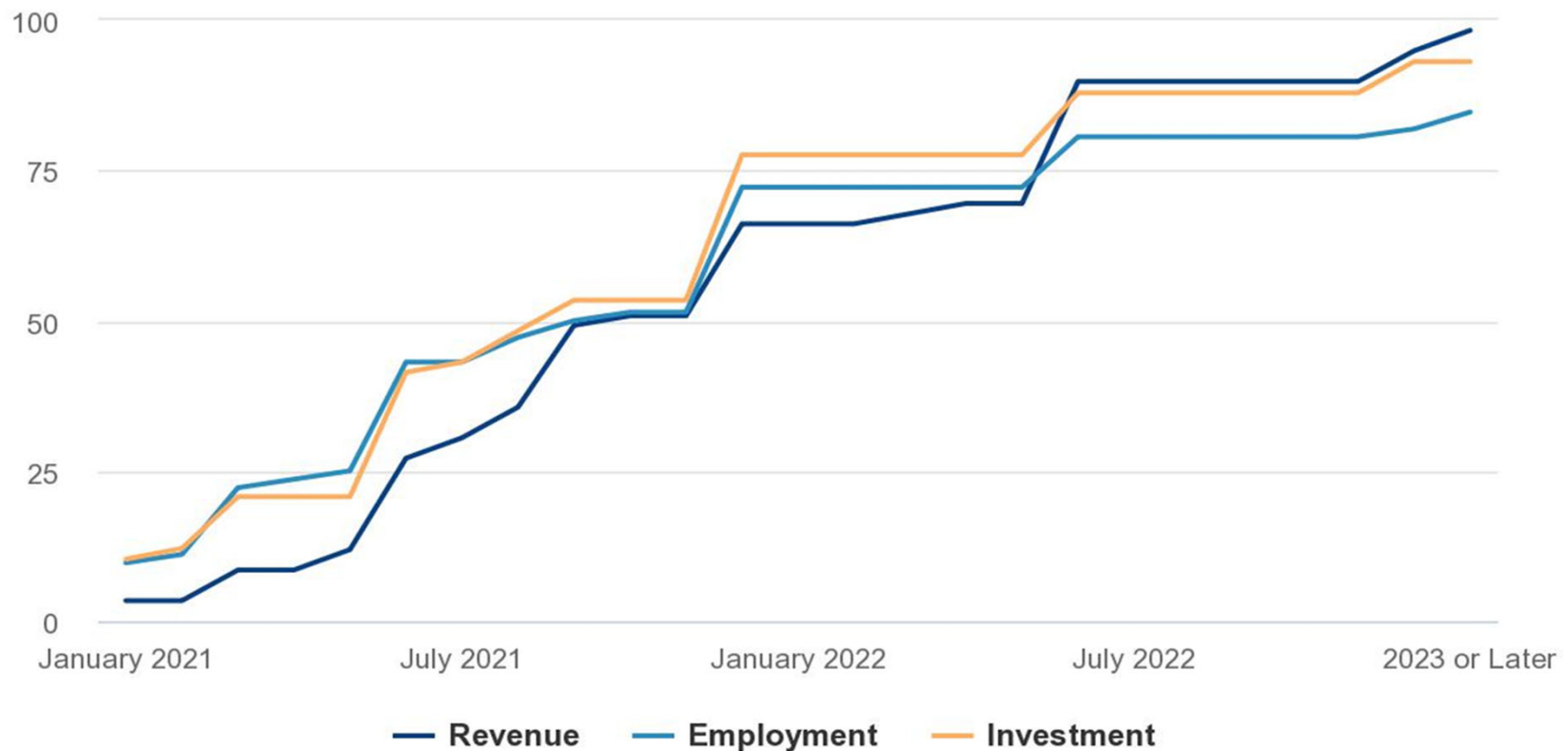


Source: Bureau of Labor Statistics/Haver Analytics

# Will our new normal look the same?

## When Do Respondents Expect to Return to Pre-COVID-19 Levels?

Cumulative Percent of Firms

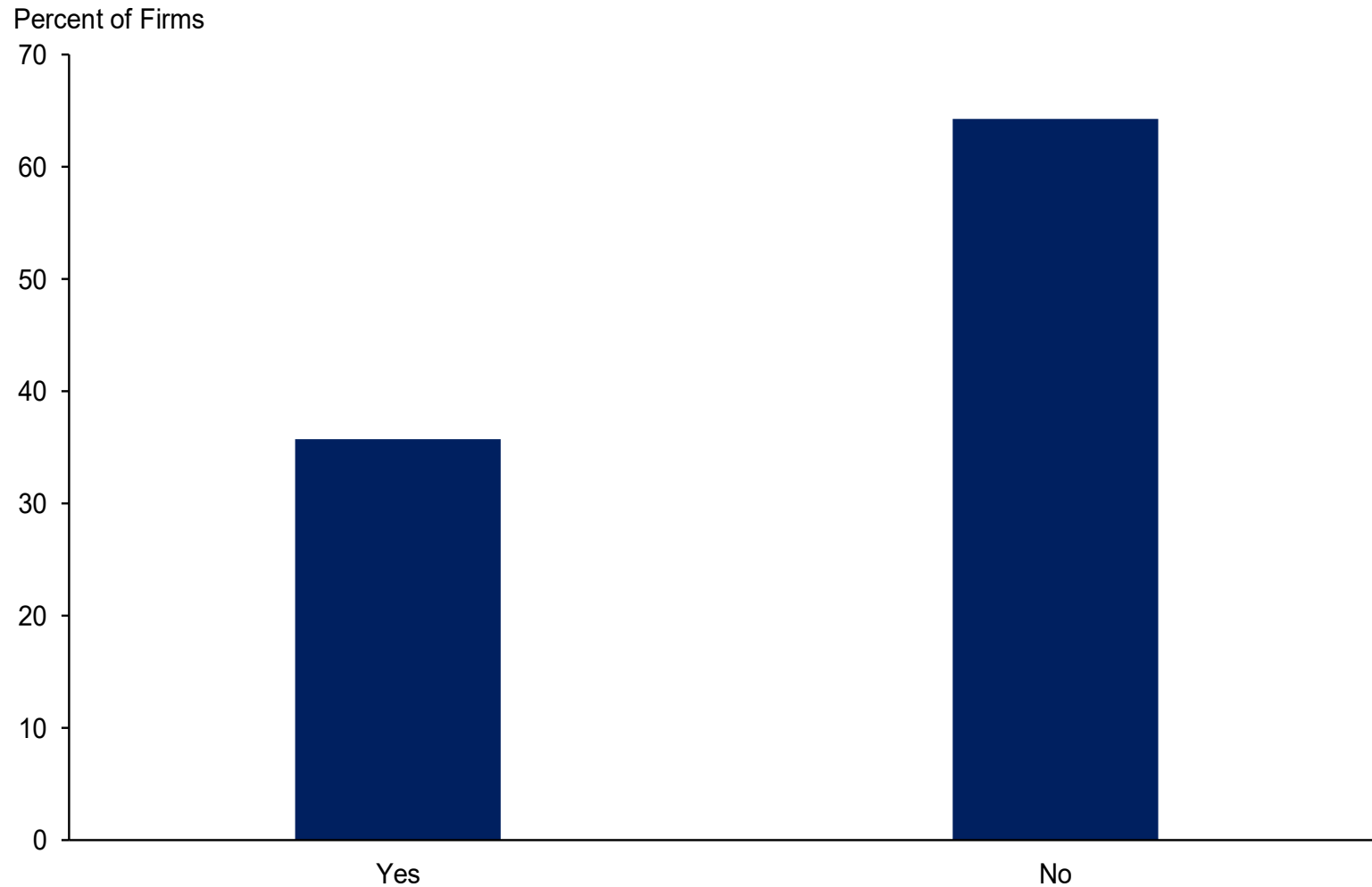


Federal Reserve Bank of Richmond

Source: Federal Reserve Bank of Richmond

# What will normal look like? More automation?

Since March Used Automation to Reduce Labor

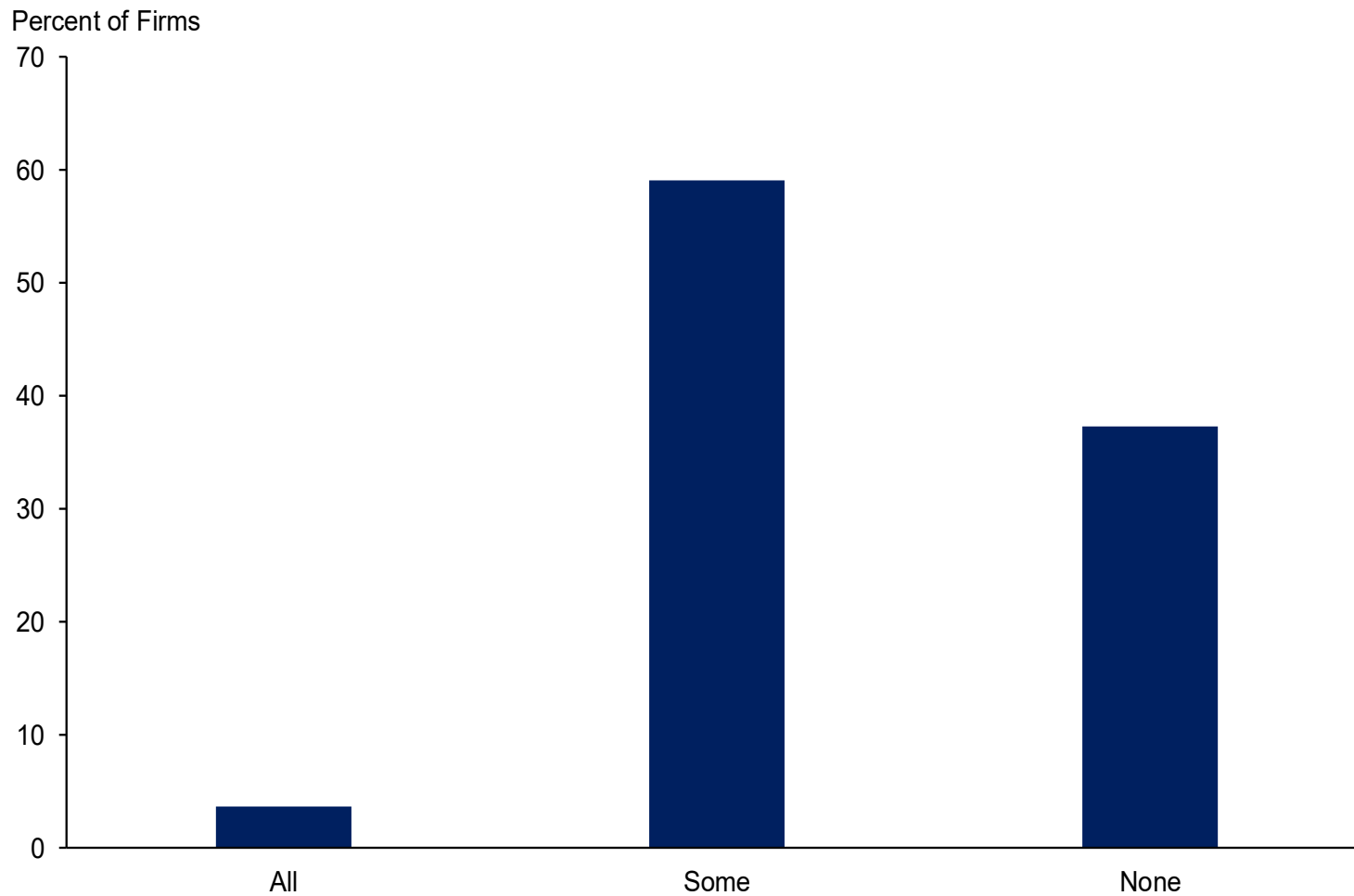


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

Note: Data reflect results from the Q4 2020 survey (November 30-December 11, 2020).

# What will normal look like? More automation?

Was Automation Because of COVID?

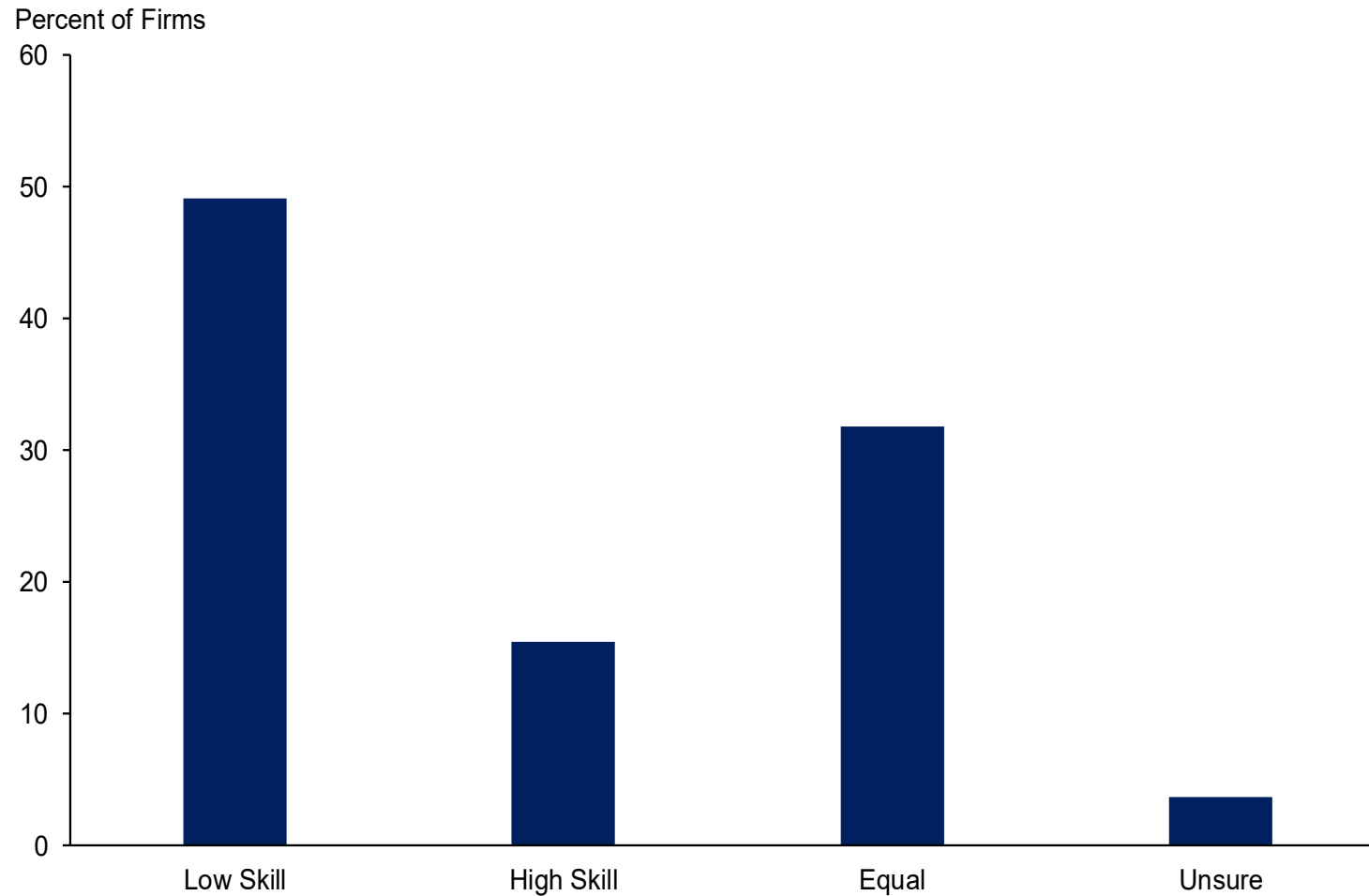


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

Note: Data reflect results from the Q4 2020 survey (November 30-December 11, 2020).

# Will automation affect employment?

What Skill Level Positions Were Most Affected?

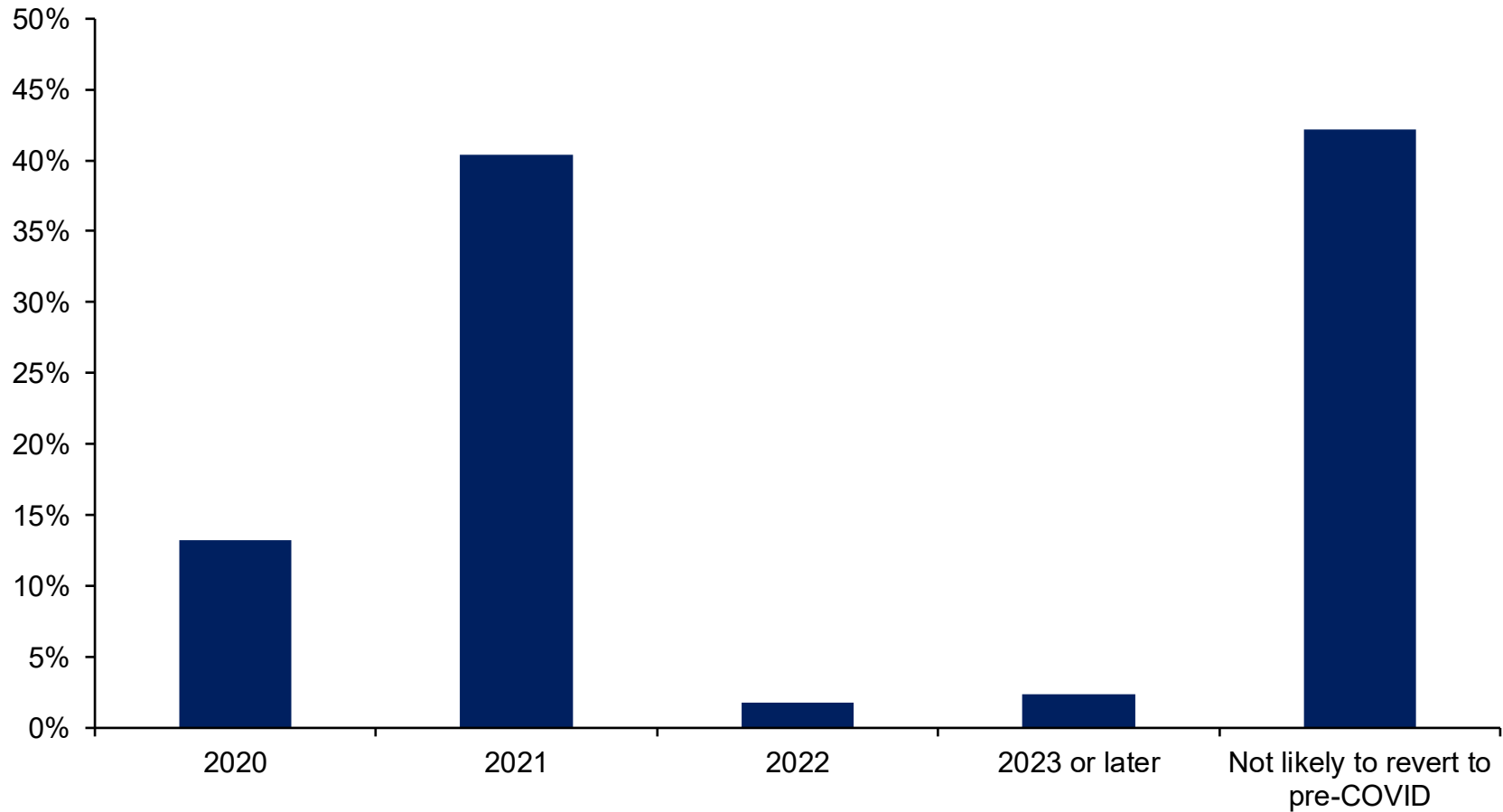


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

Note: Data reflect results from the Q4 2020 survey (November 30-December 11, 2020).

# What about remote work?

When Do Respondents Expect to Return to Pre-COVID Levels of Remote Work?



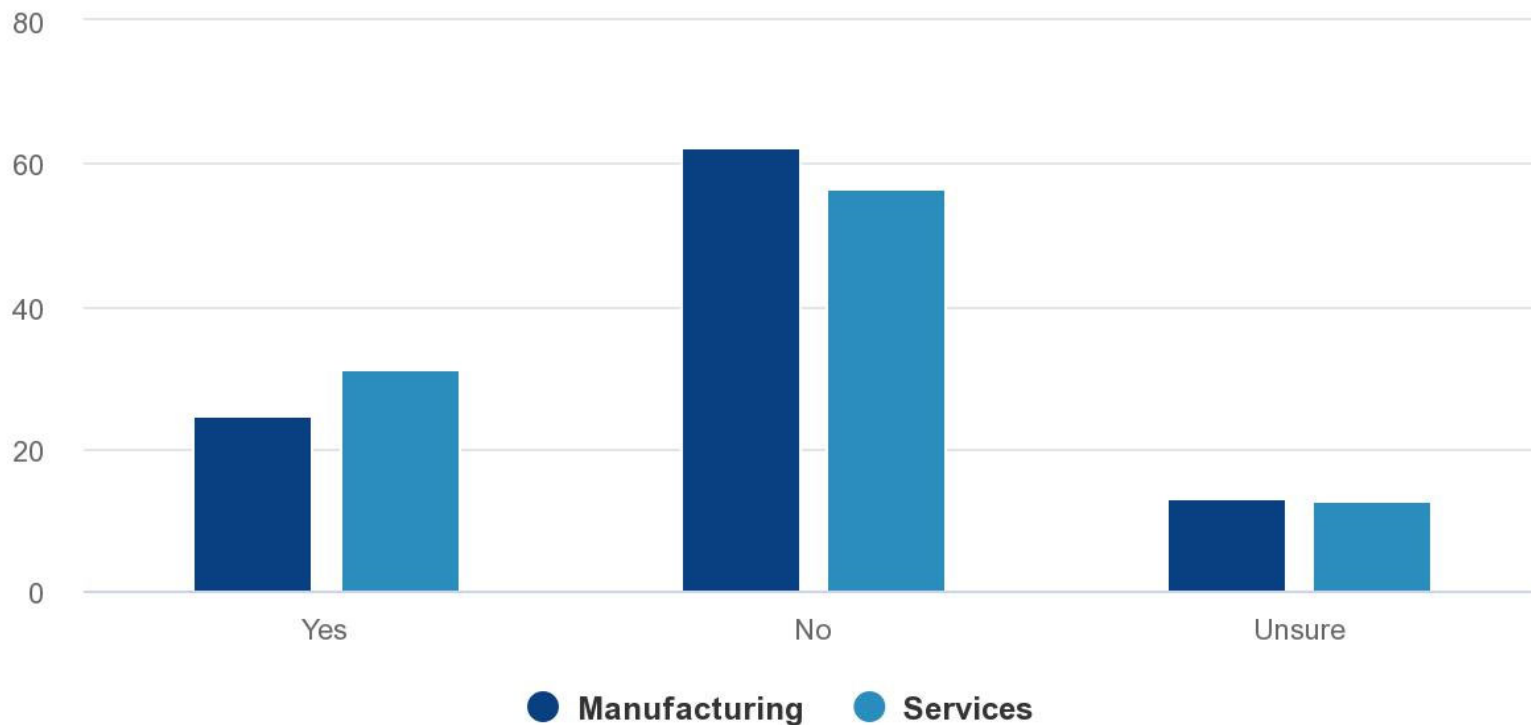
Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

Note: Data reflect results from the Q3 2020 survey (September 14-25, 2020).

## Could remote work changes affect office space needs?

Do you anticipate permanent changes to office space needs as a result of the pandemic?

Percent of Firms



Based on responses from 61 manufacturing and 119 service sector firms

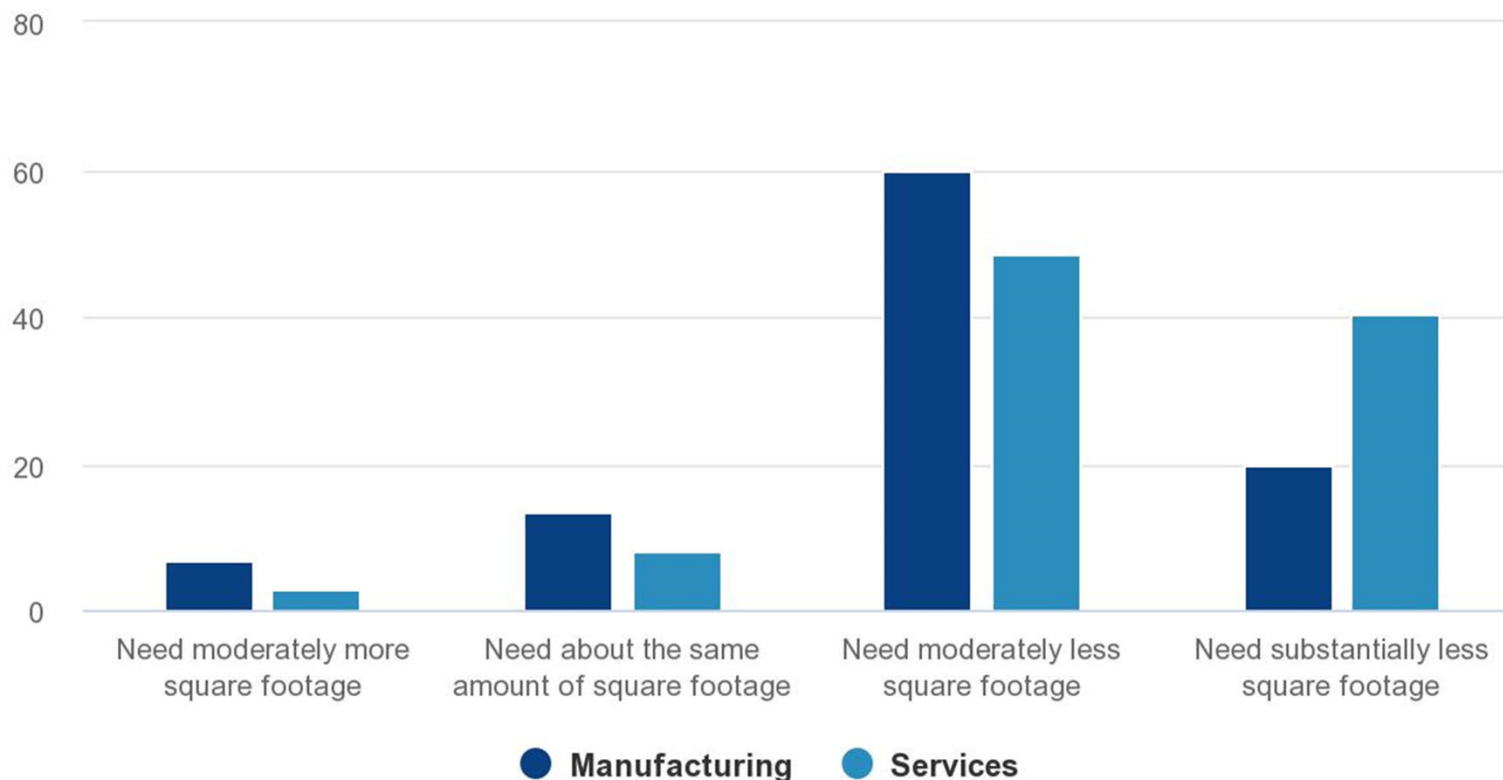
Federal Reserve Bank of Richmond

Source: Federal Reserve Bank of Richmond



# Could remote work changes affect office space needs? Or employment?

## Anticipated Changes to Office Space Needs Percent of Firms



Based on responses from 15 manufacturing and 37 service sector firms

Federal Reserve Bank of Richmond

Source: Federal Reserve Bank of Richmond

## In Summary...

### Things are looking up

- People are getting vaccinated
- People are confident enough about the future to buy homes and goods
- Survey measures of activity, confidence, and expected activity are broadly up

### Things are not looking up universally

- Some sectors/industries are still well below pre-COVID employment
- The last year has exacerbated already-growing income inequality, as some of the hardest hit industries were the lowest wage industries
- Women and minorities have seen the sharpest increase in unemployment and declines in labor force participation—wiping out (so far) the relative gains during the last expansion
- The longer workers are out of the labor force, the weaker their attachment

### What will our new normal look like?



# *Questions? ... and thank you!*

The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.



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