

Regional Economic Update

July 8, 2020



Sonya Ravindranath Waddell
Vice President and Economist, Regional and Community Analysis
Research Department
Federal Reserve Bank of Richmond



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Where were we then?

The Pre-Virus Economy

- GDP was growing at a steady pace with strong consumer spending and a rebound in residential investment, although some softness in business investment.
- Employment was expanding and the unemployment rate was at its lowest level since the late 1960s.
- Virginia economic activity was tracking that of the U.S., with (albeit weaker) employment growth and historically low unemployment rates.

The effects of COVID-19 really started for the U.S. in the middle of March, although supply chain frictions emanating from the outbreak in China began as early as December in some industries.

Where are we now?

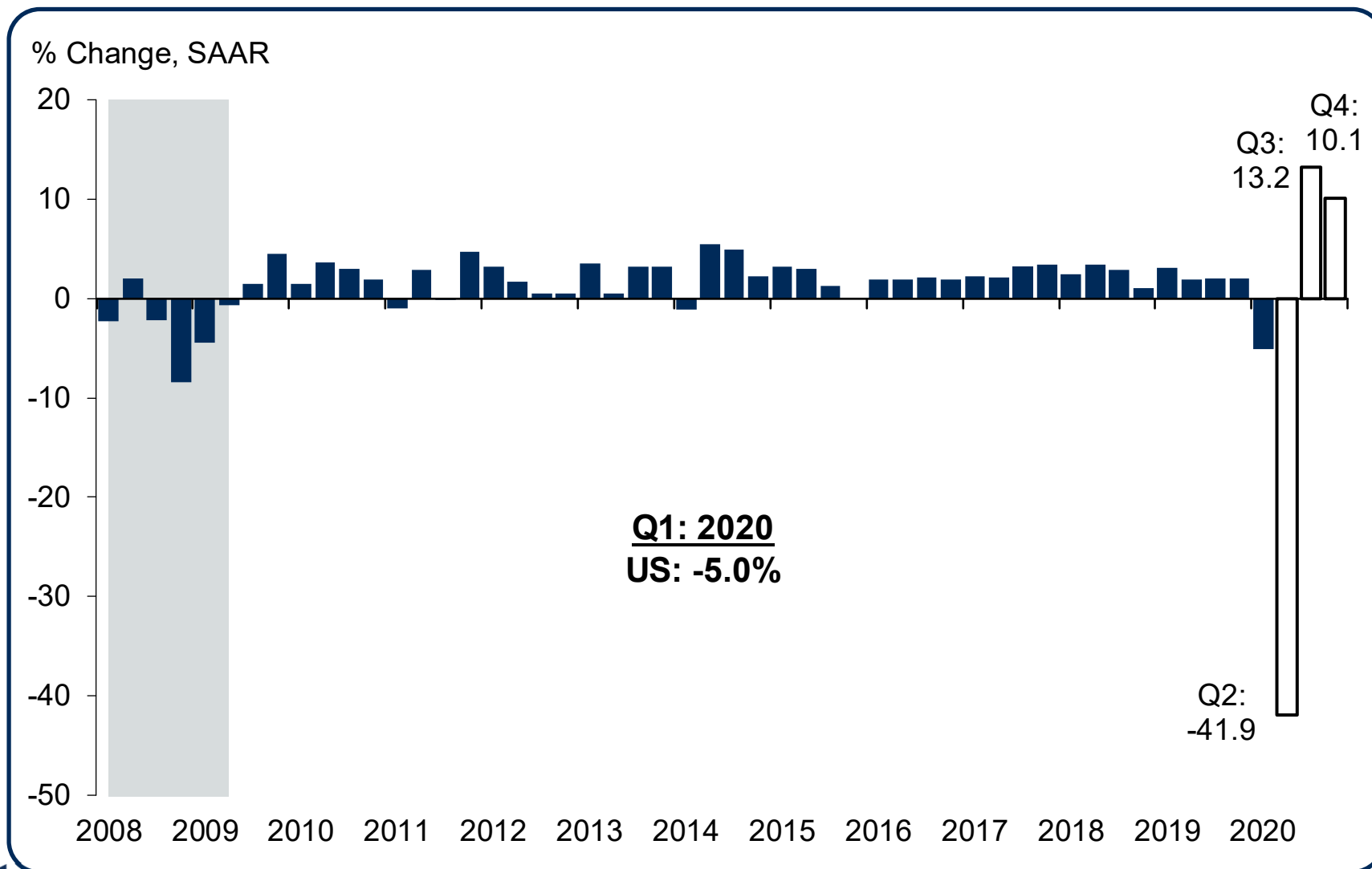
- **The U.S.**

- Almost 47 million people filed for unemployment since the middle of March
- Unemployment rate peaked at 14.7% in April, down to 11.1% in June
- Employment fell by more than 20 million (!!) jobs in April and then rose by 2.5 million in May and another 4.8 million in June
- GDP fell 4.8% in the first quarter, and it will fall further in the second. Everything from consumption/retail sales to economic activity indices to sentiment indices dropped notably

- **Virginia and the Region**

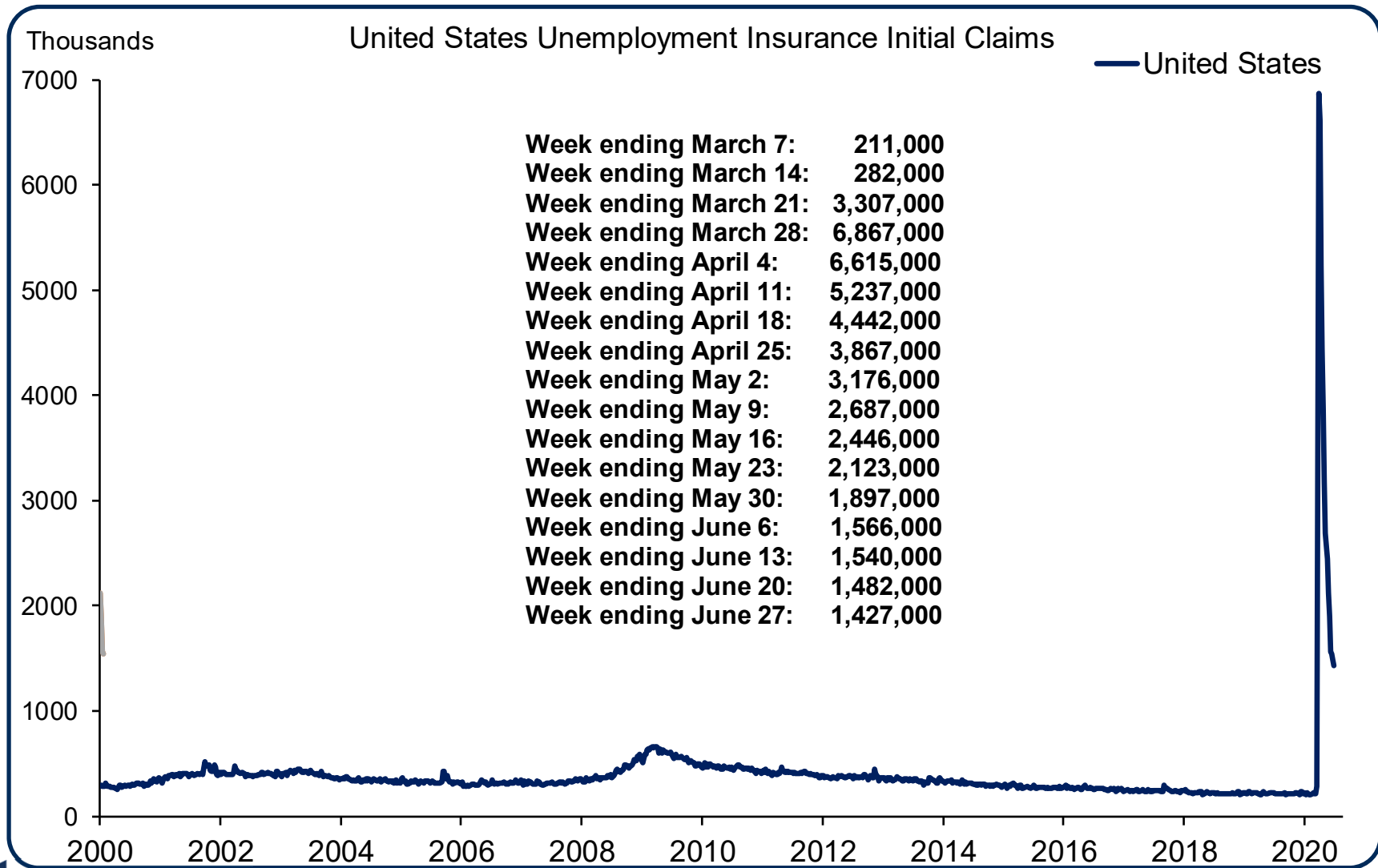
- Unemployment claims in Virginia shot up
- Unemployment rates rose and employment fell considerably in April, but the May employment report in Virginia showed improvement
- Manufacturing and service sector indices for the full Fifth District had their largest drops in the history of the series, but have since turned around
- Housing indicators showed some decline but have since improved

Even with the social distancing measures enacted in only the last two weeks of Q1, GDP declined sharply



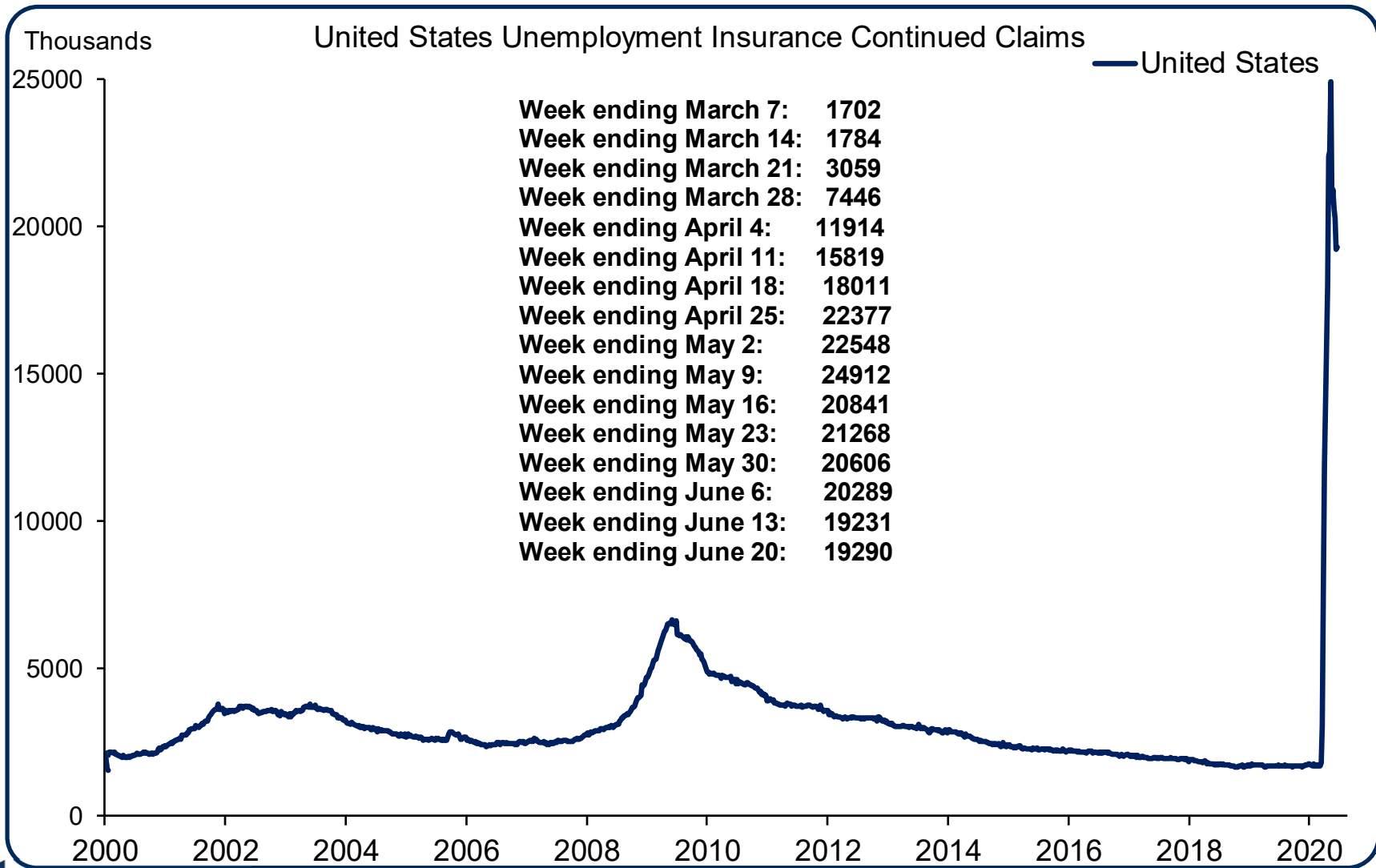
Source: Bureau of Economic Analysis, IHS Markit/Haver Analytics

Initial unemployment claims skyrocketed, but are coming down



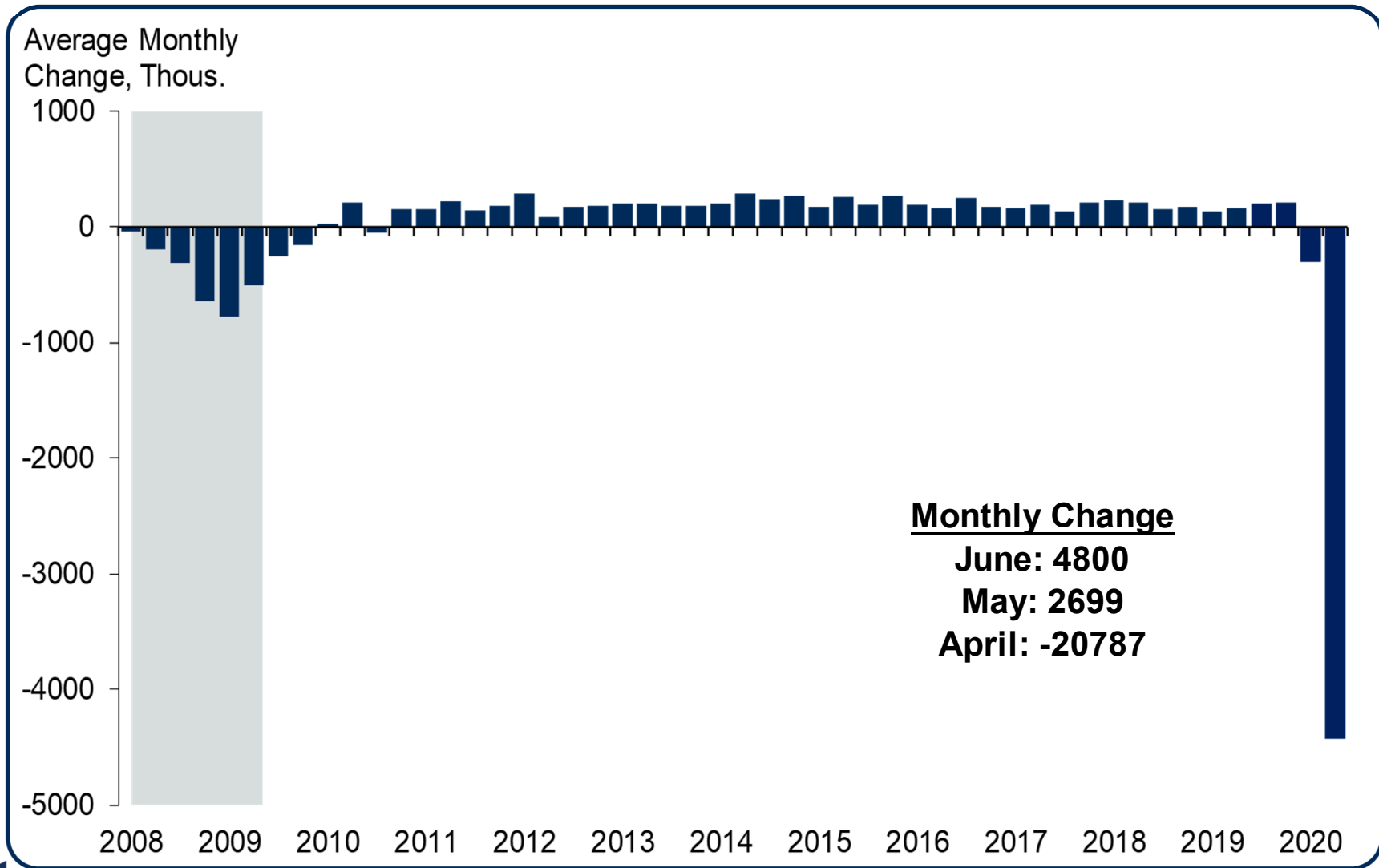
Source: Department of Labor/Haver Analytics

Continuing claims remain elevated



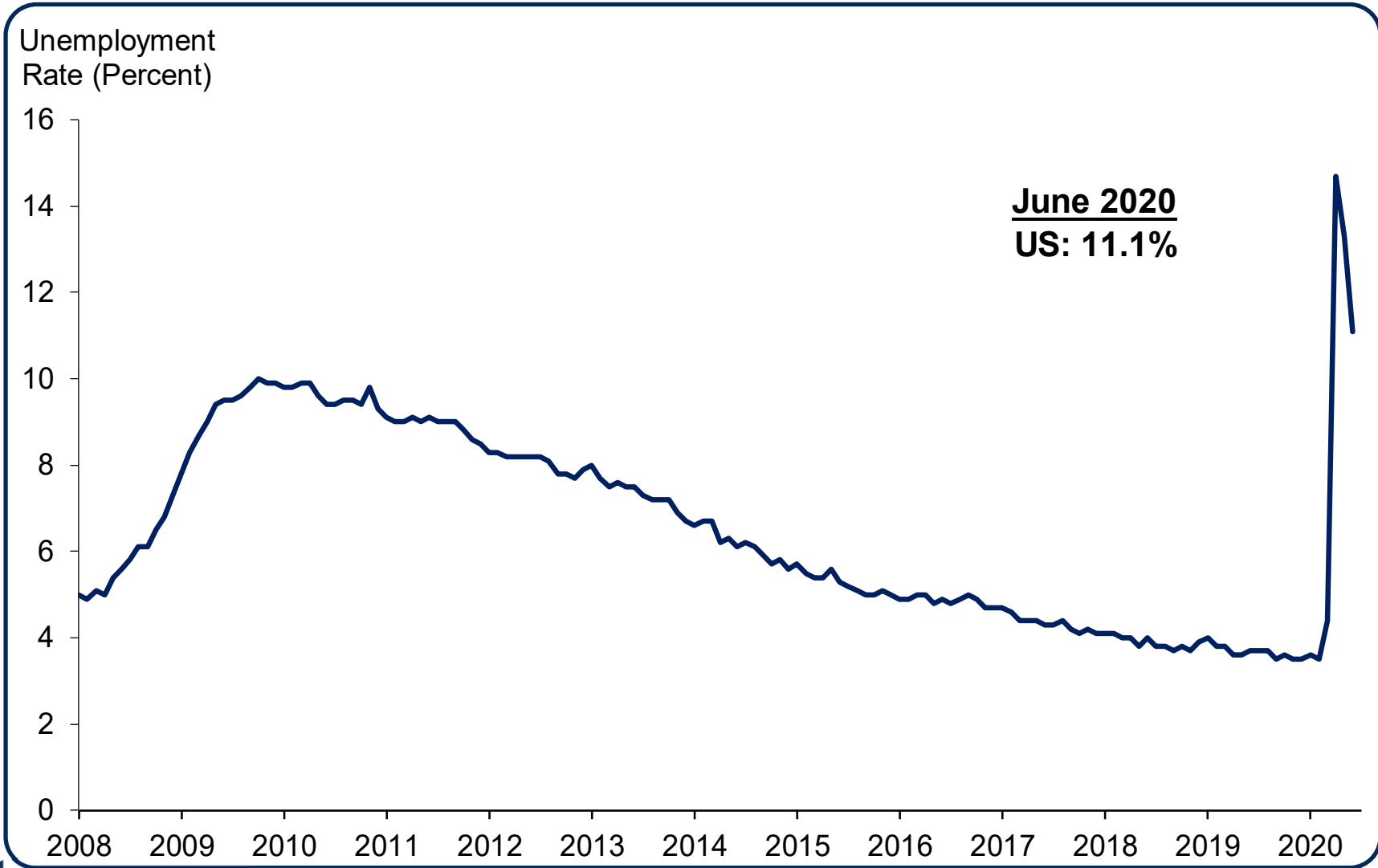
Source: Department of Labor/Haver Analytics

Employment is on a recovery path



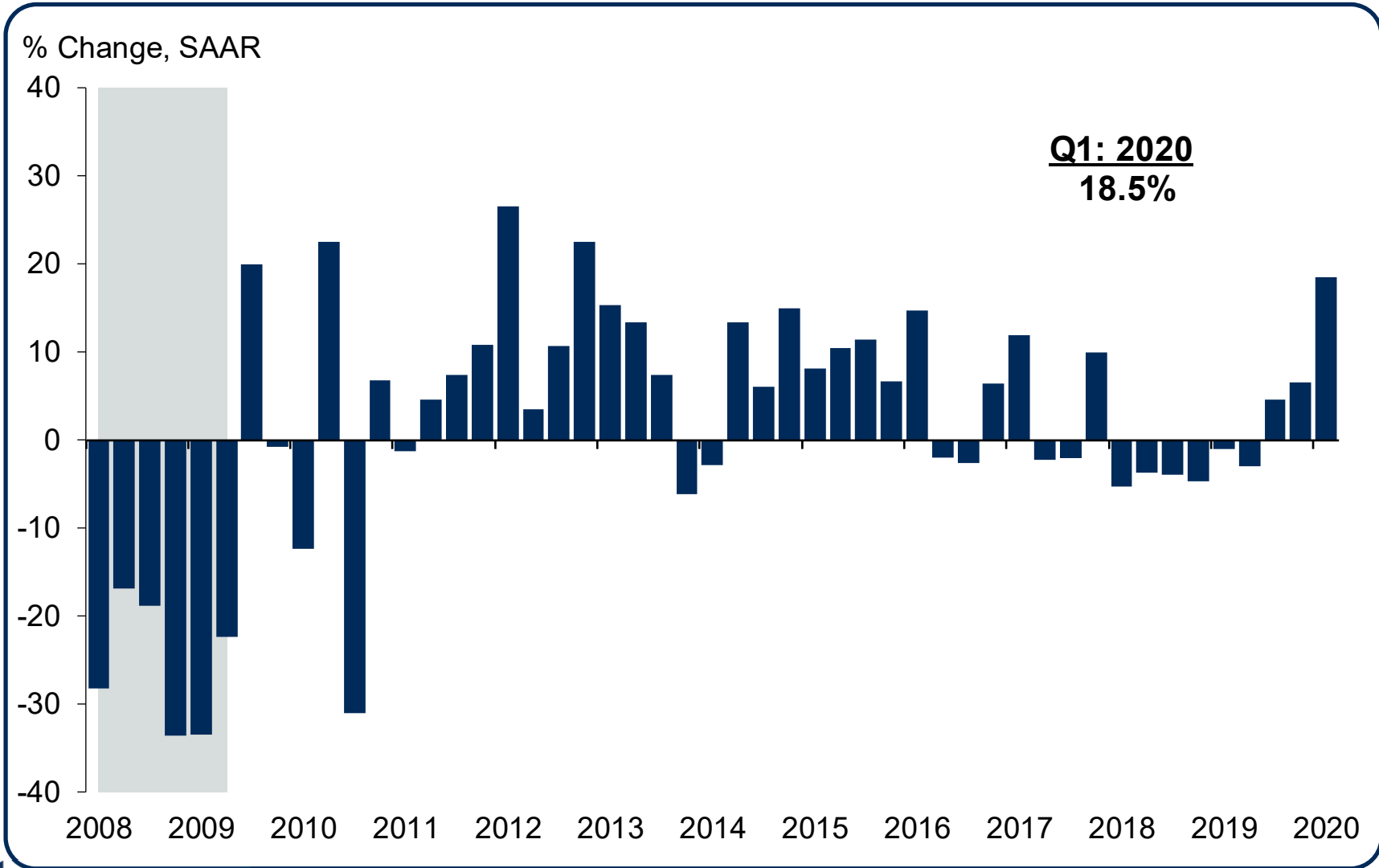
Source: Bureau of Labor Statistics/Haver Analytics

...And unemployment is high



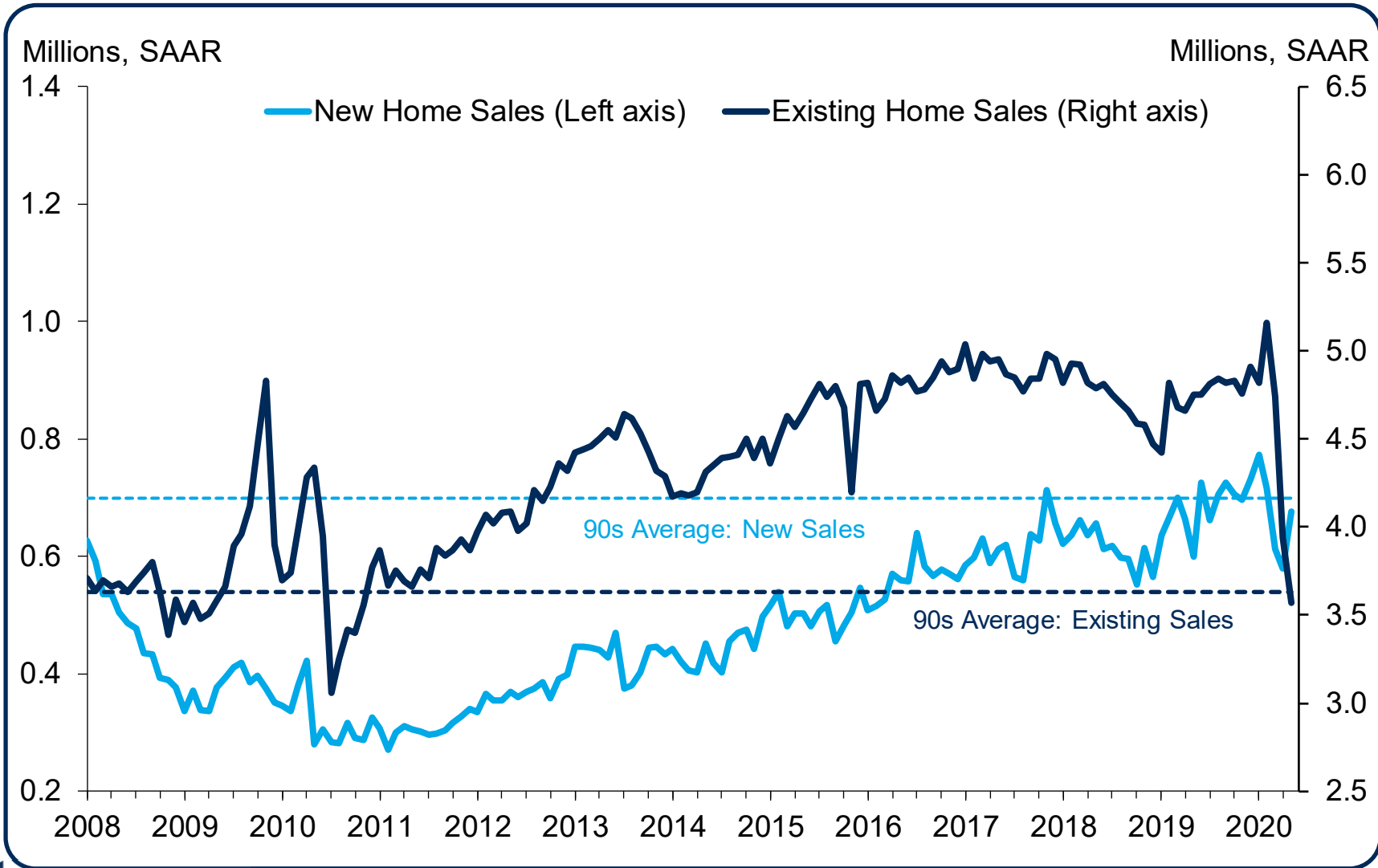
Source: Bureau of Labor Statistics, Federal Reserve Board of Governors/Haver Analytics

Residential investment was starting to come back



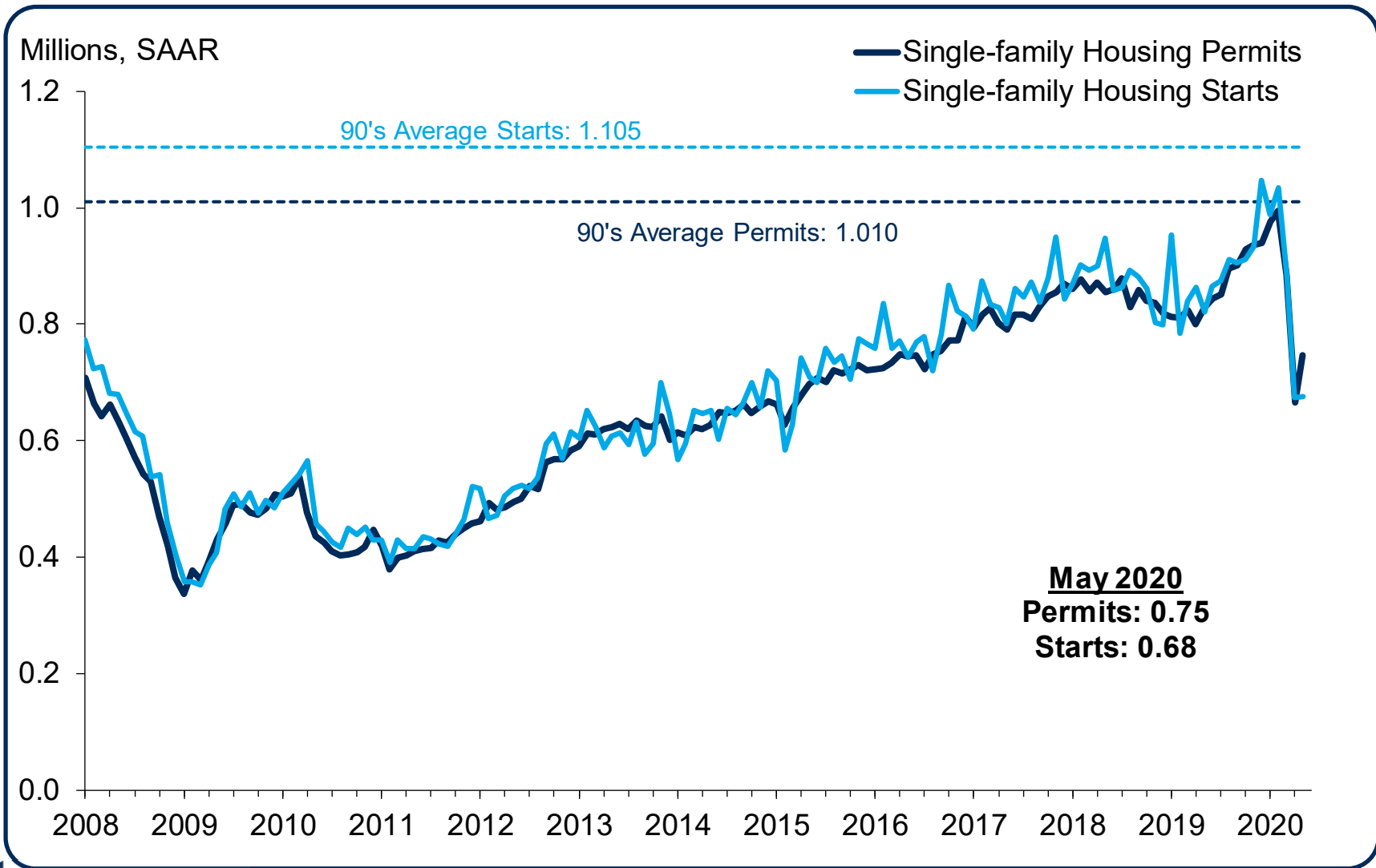
Source: Bureau of Economic Analysis /Haver Analytics

New sales have started to rebound after the fall



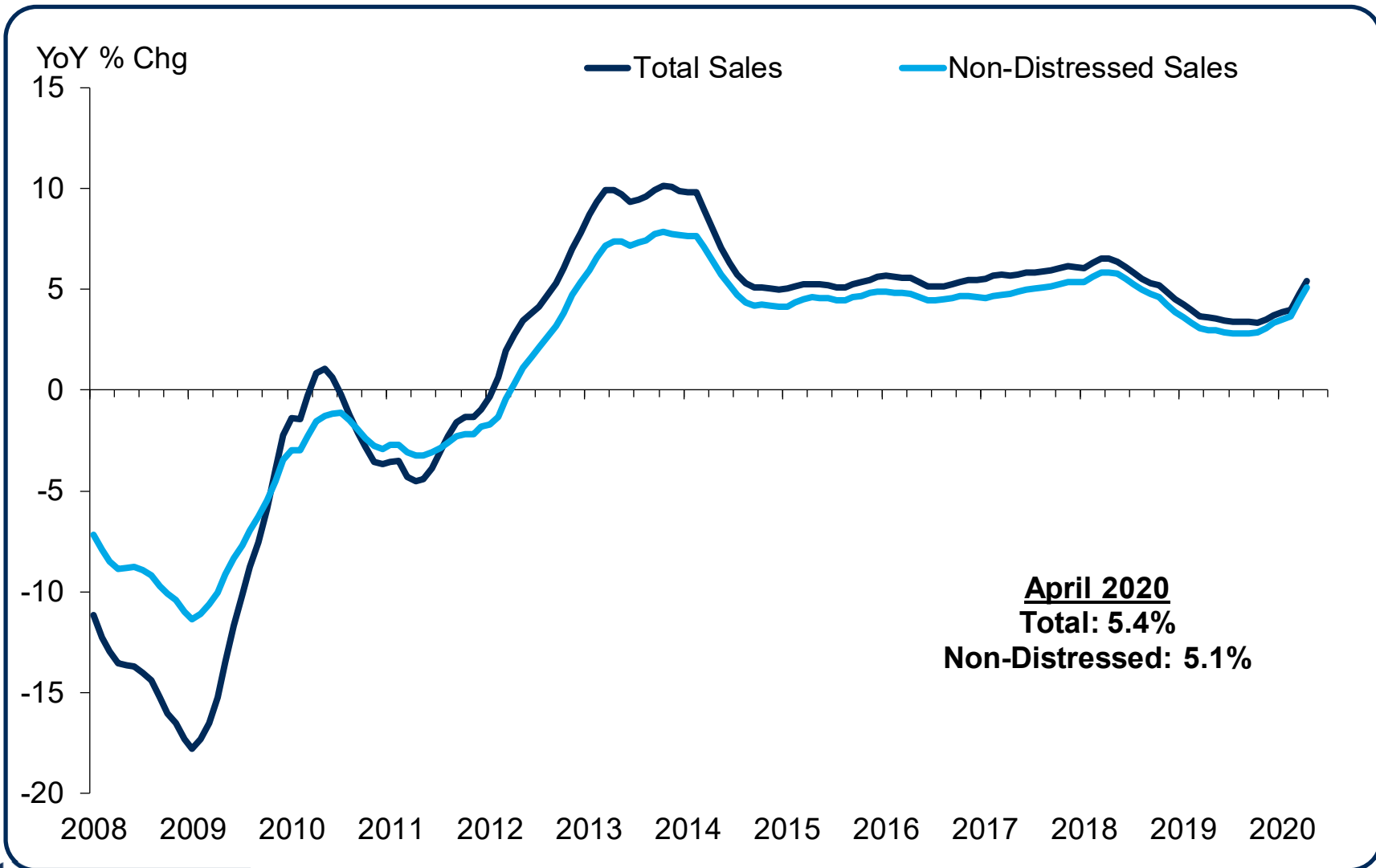
Source: Census Bureau via Haver Analytics

Private single-family starts and permits are returning



Source: Bank of Tokyo-Mitsubishi UFJ and Census Bureau via Haver Analytics

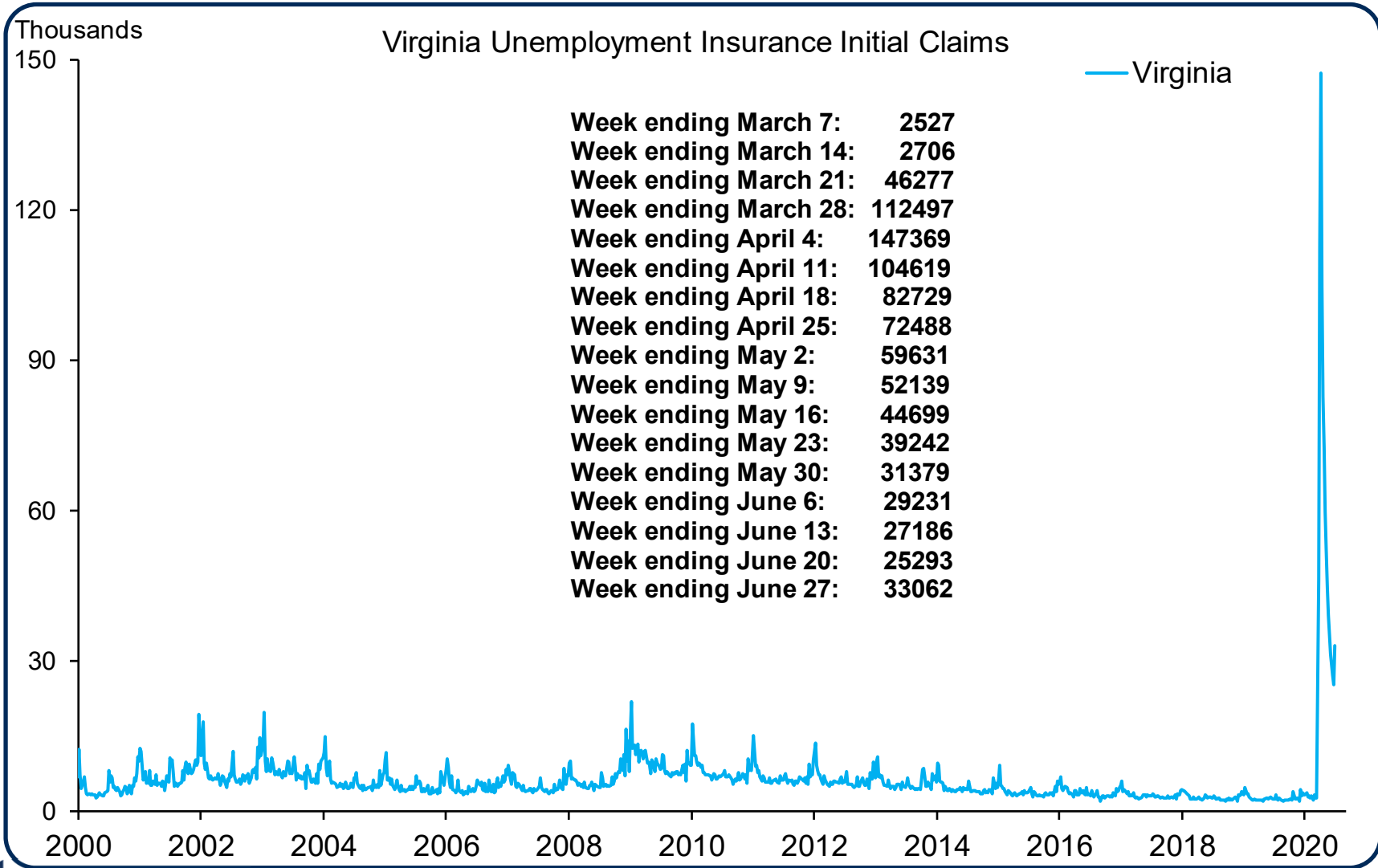
House prices remain steady



Source: CoreLogic Information Solutions via Haver Analytics

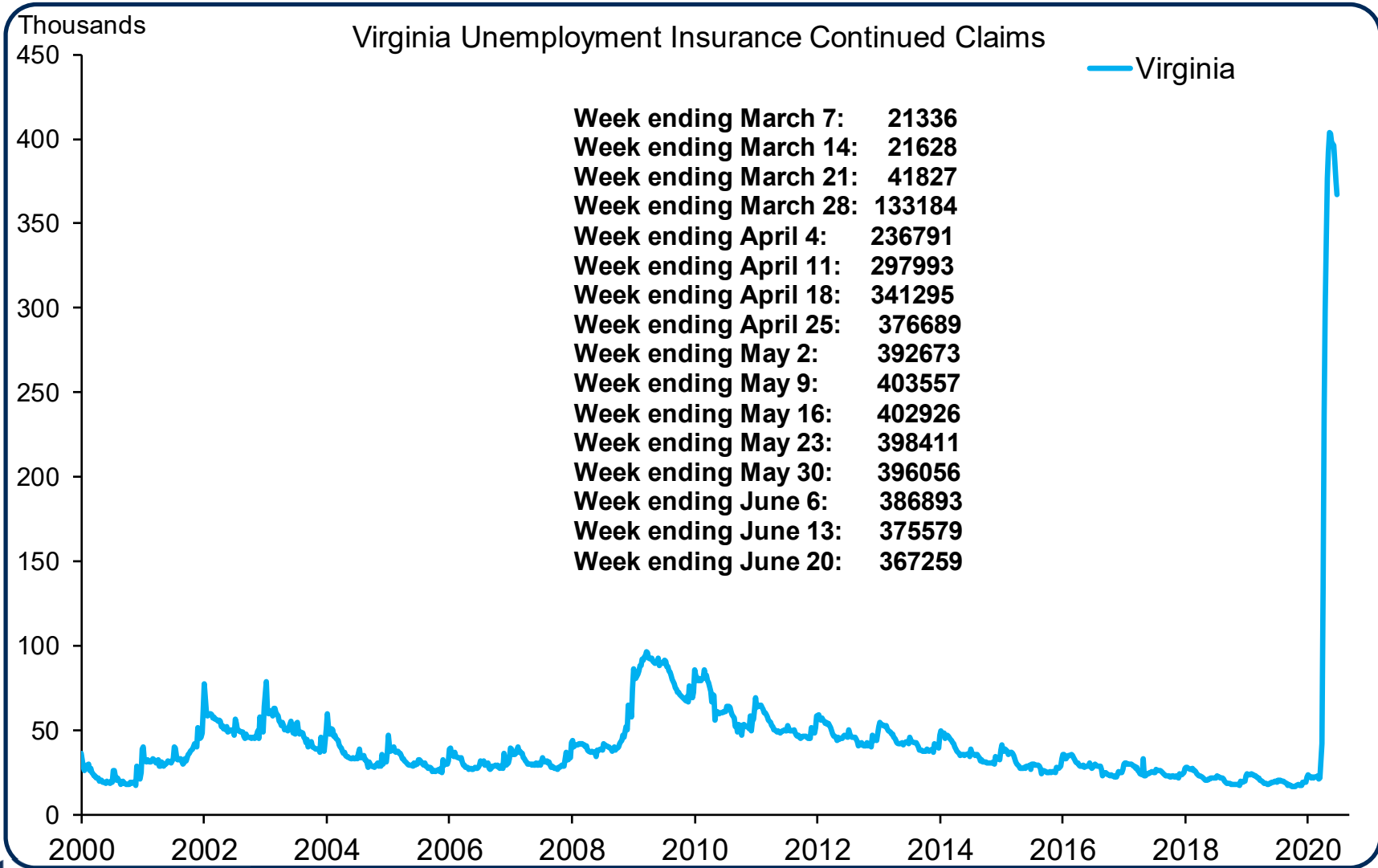
Regional Economy

Unemployment claims shot up in Virginia



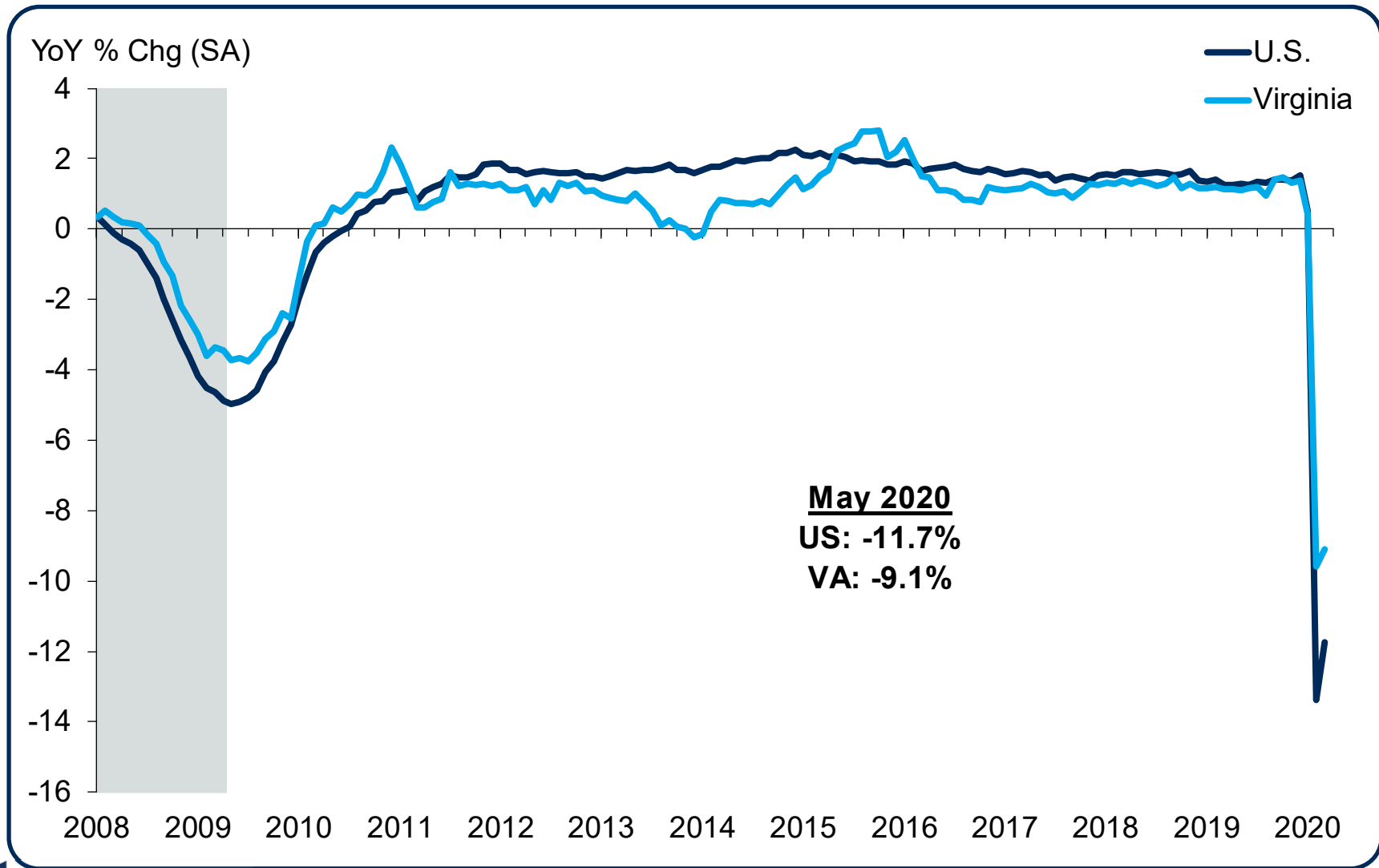
Source: Department of Labor/Haver Analytics

Continuing claims are coming down some



Source: Department of Labor/Haver Analytics

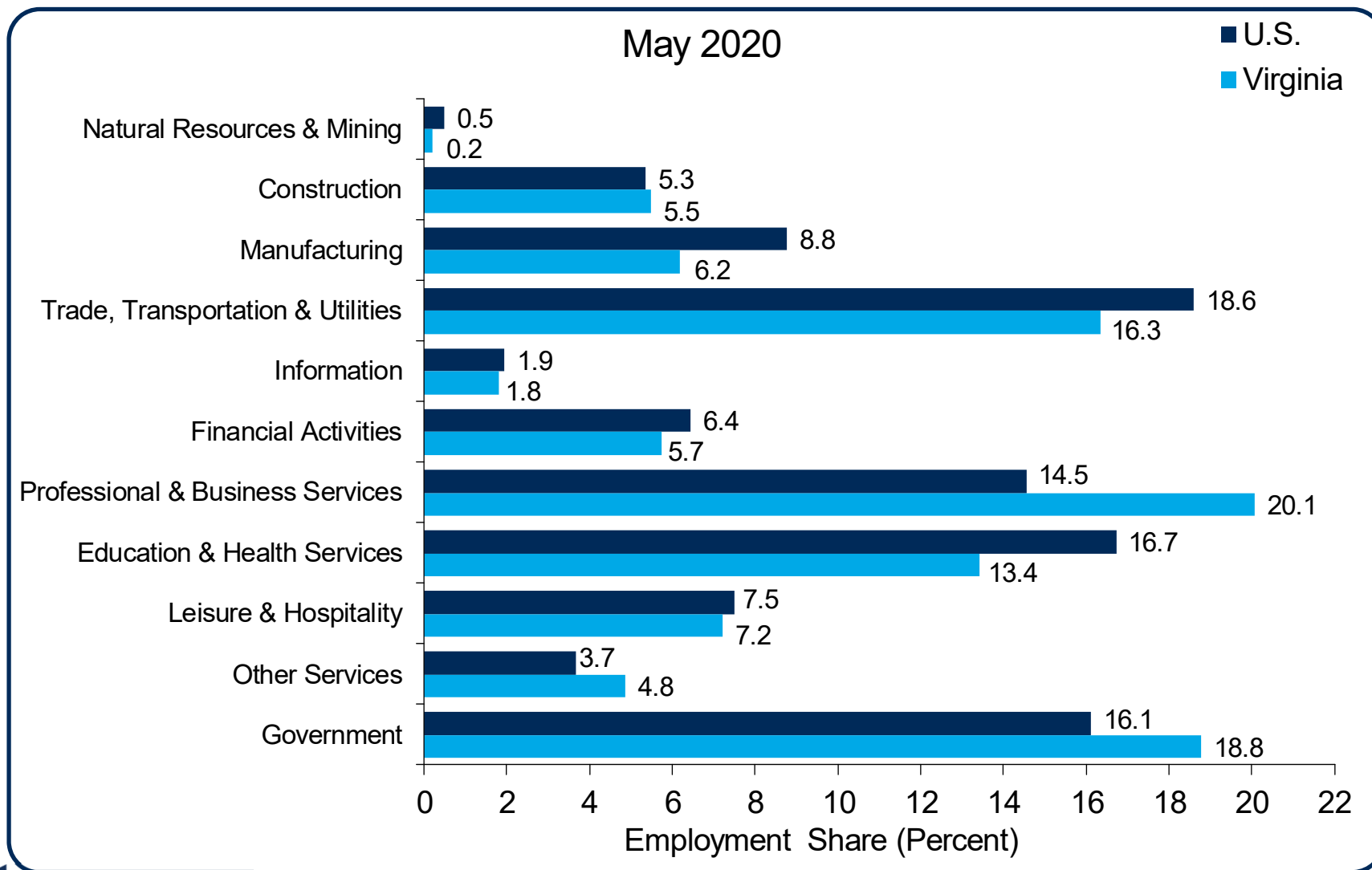
Employment is rebounding



May 2020
US: -11.7%
VA: -9.1%

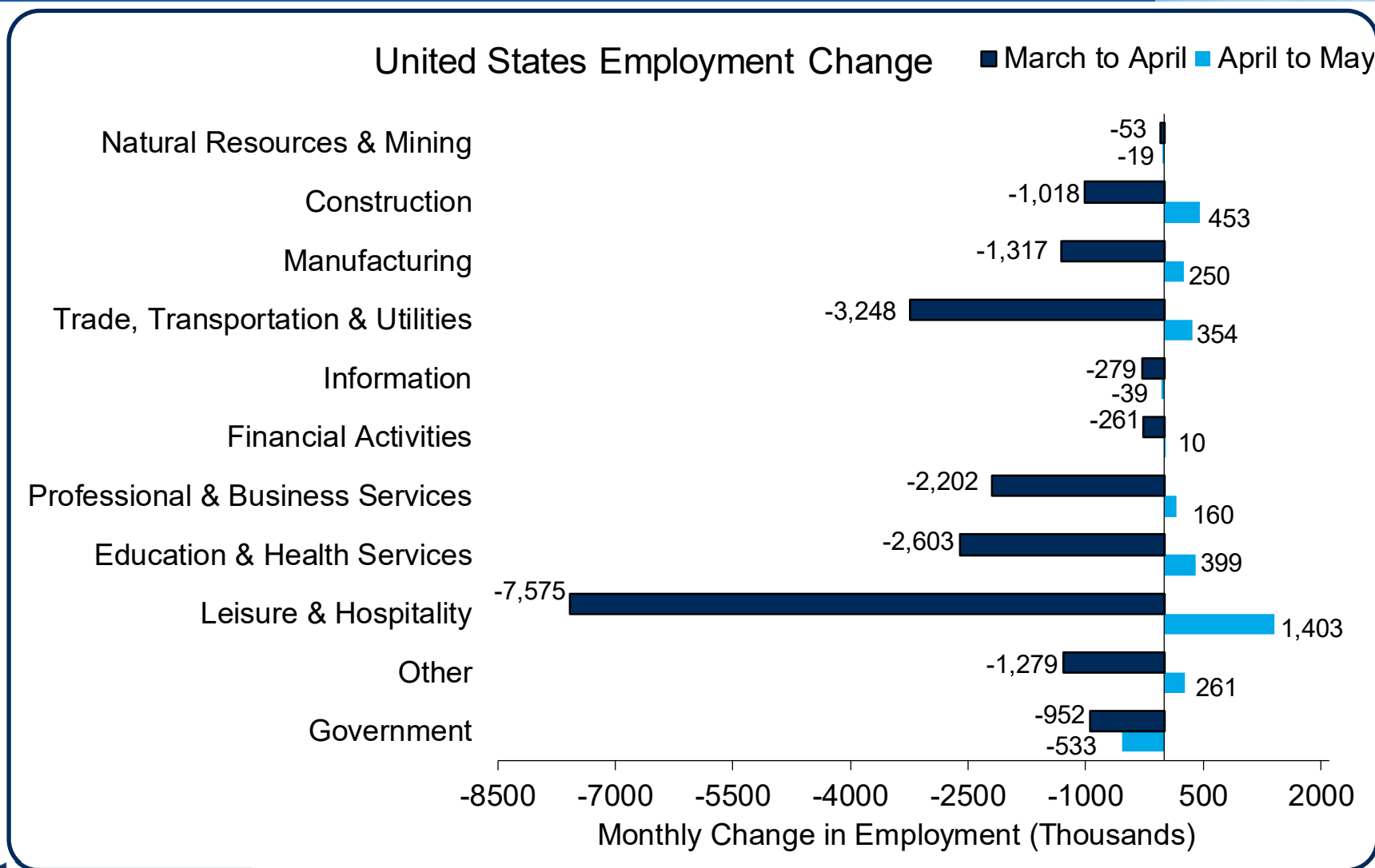
Source: Bureau of Labor Statistics/Haver Analytics

Virginia Industry Structure



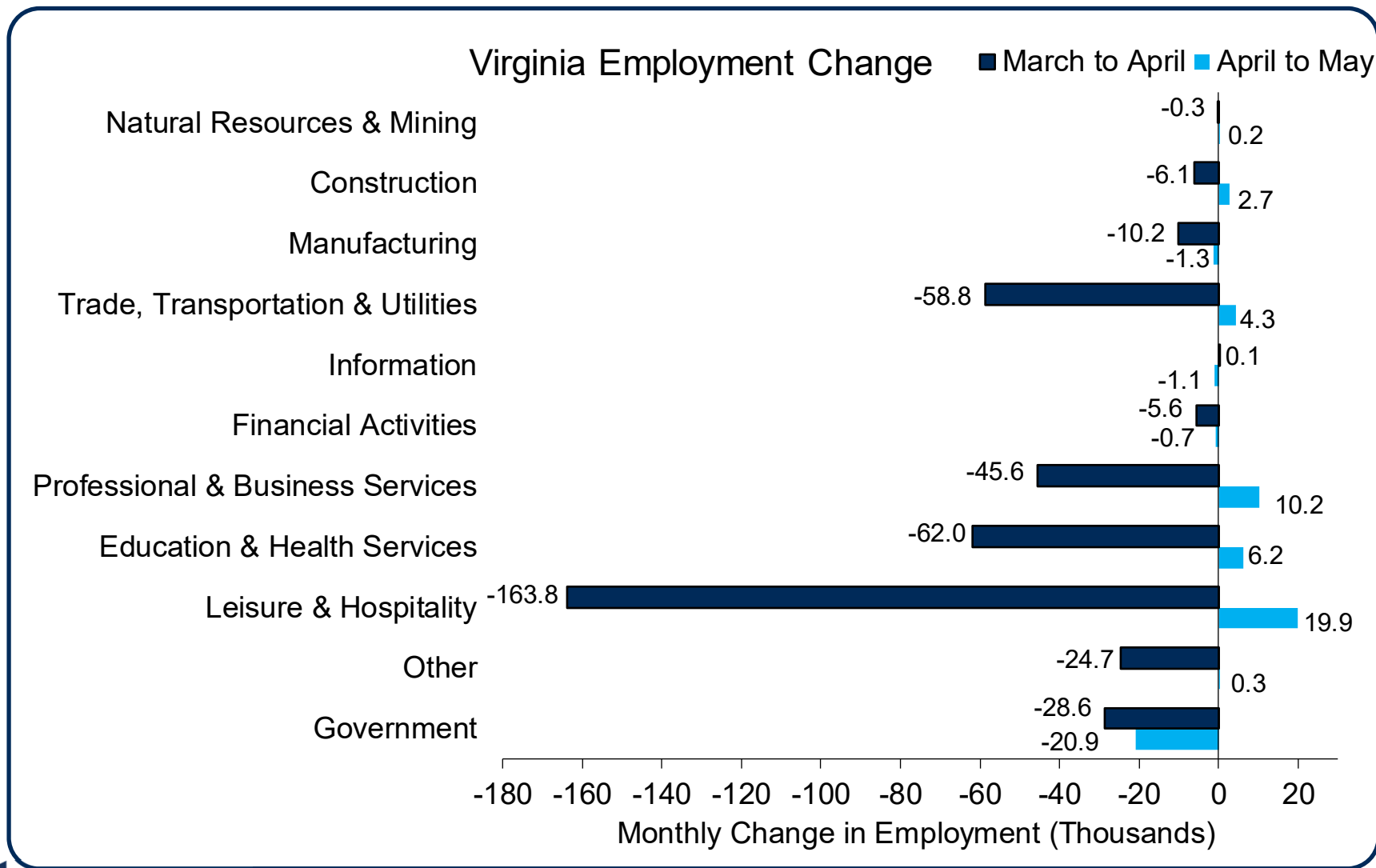
Source: Bureau of Labor Statistics/Haver Analytics

Jobs are coming back across industries



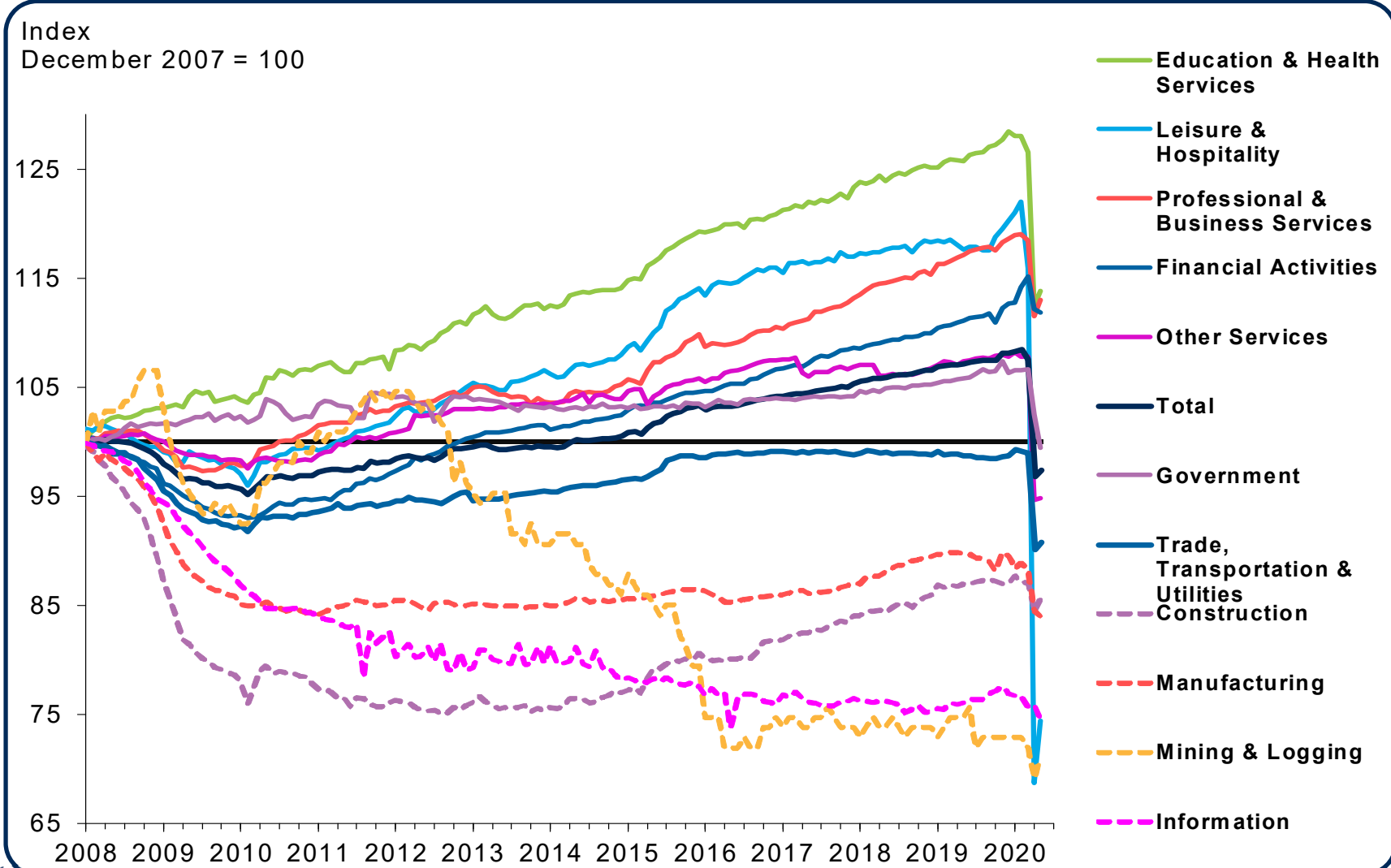
Source: Bureau of Labor Statistics/Haver Analytics

Jobs are coming back across industries



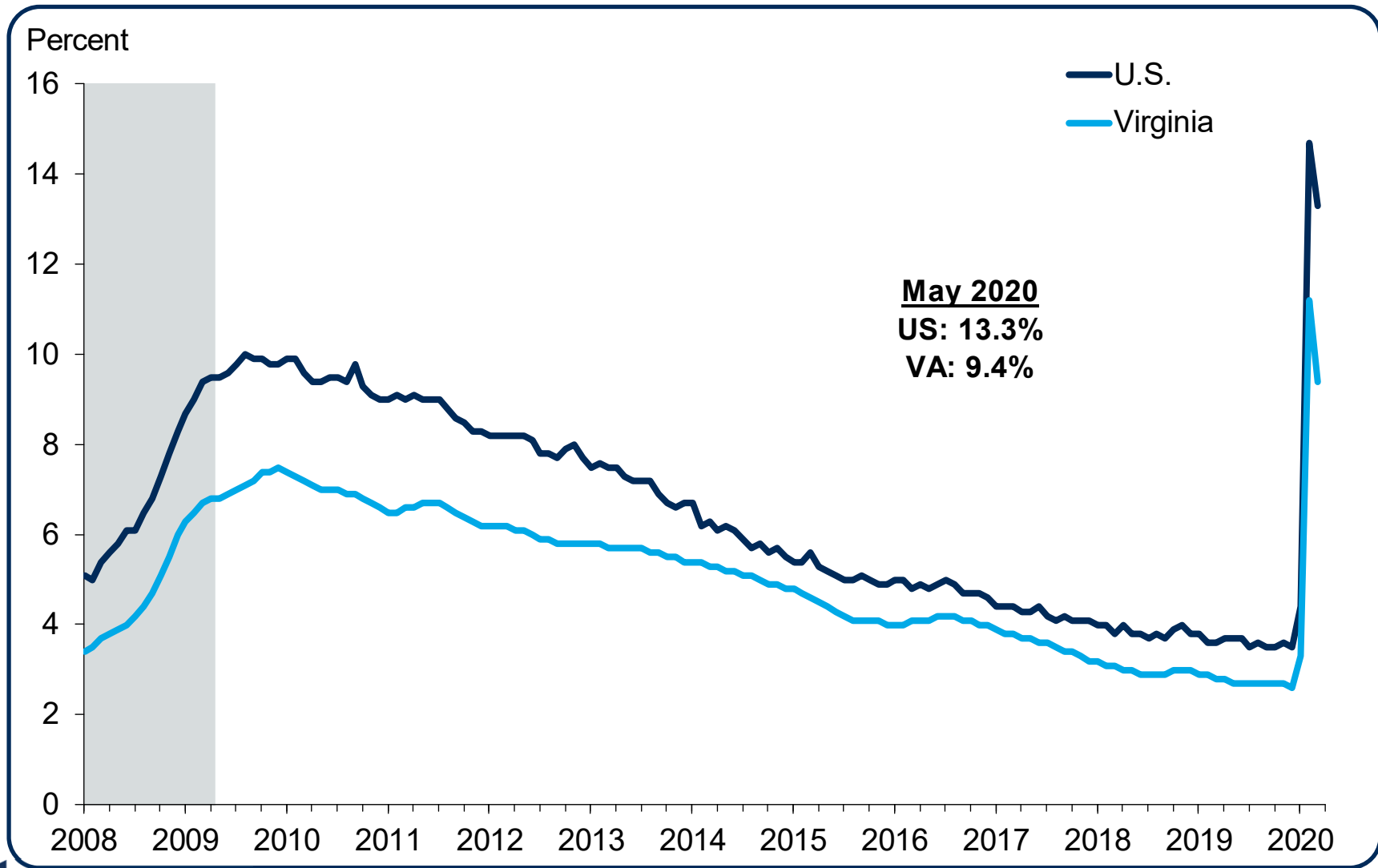
Source: Bureau of Labor Statistics/Haver Analytics

Employment varies by industry



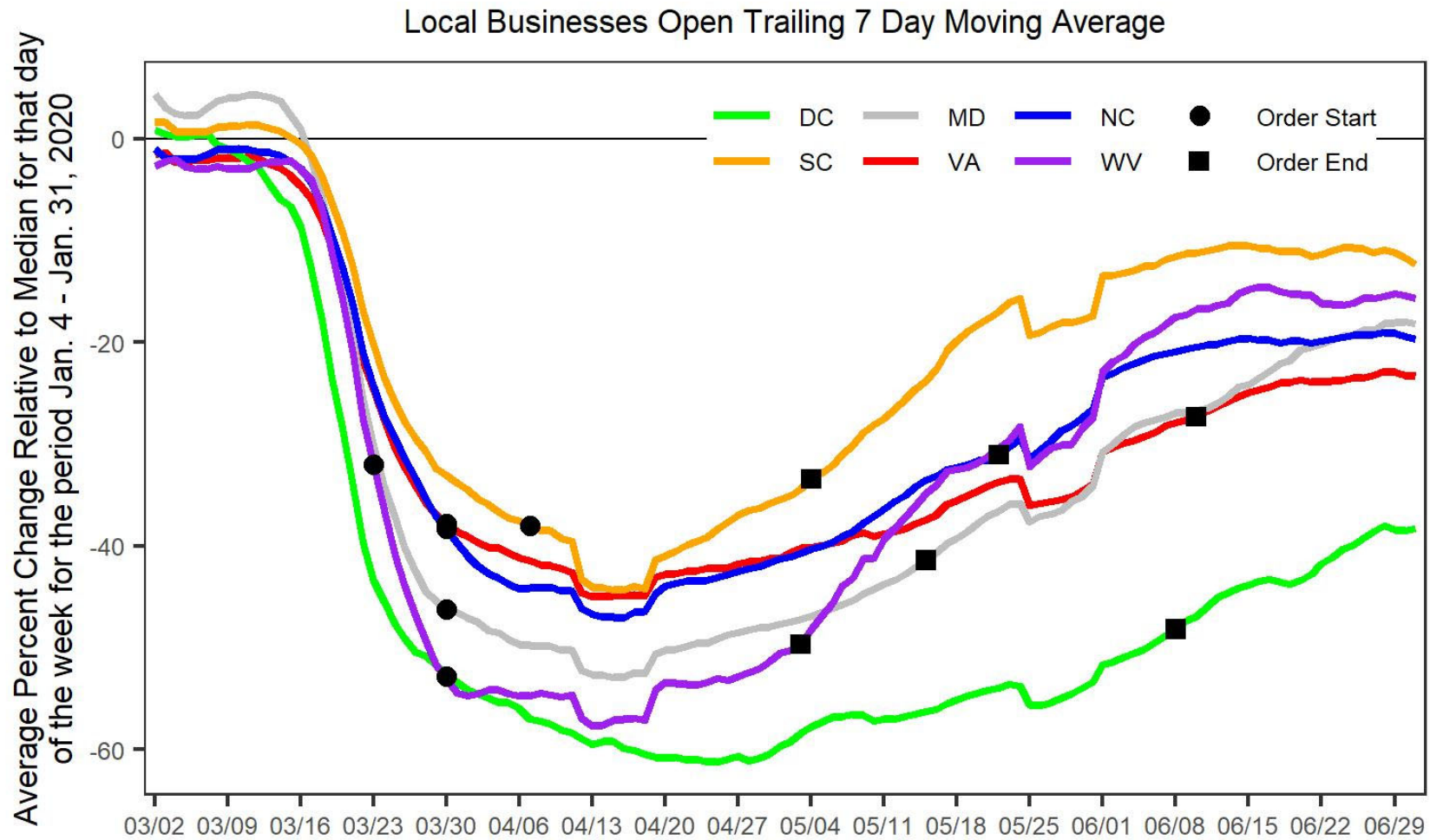
Source: Bureau of Labor Statistics/Haver Analytics

Unemployment rates are coming down



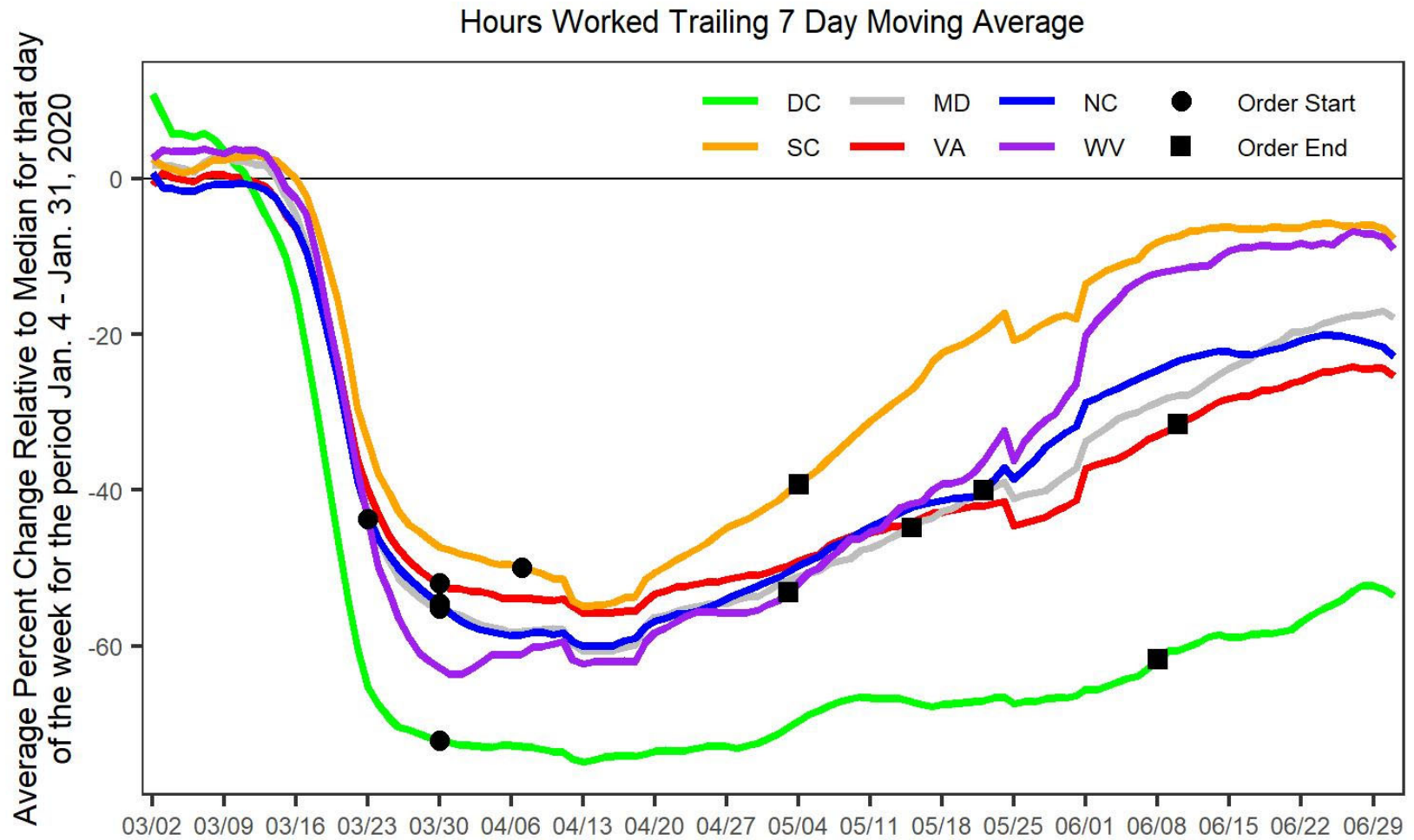
Source: Bureau of Labor Statistics/Haver Analytics

Businesses are coming back across states...



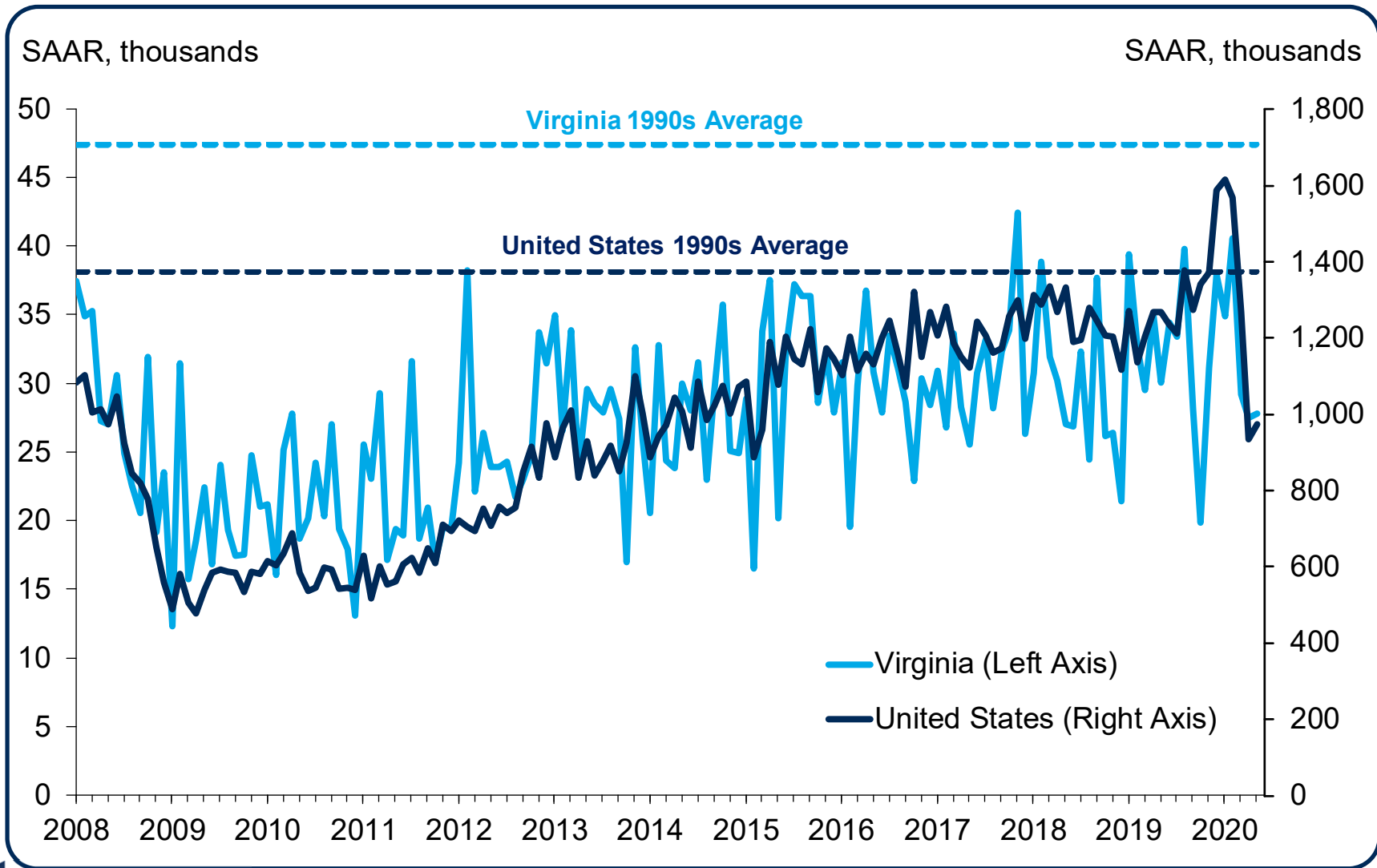
Source: Homebase/Haver Analytics

...as are hours for employees



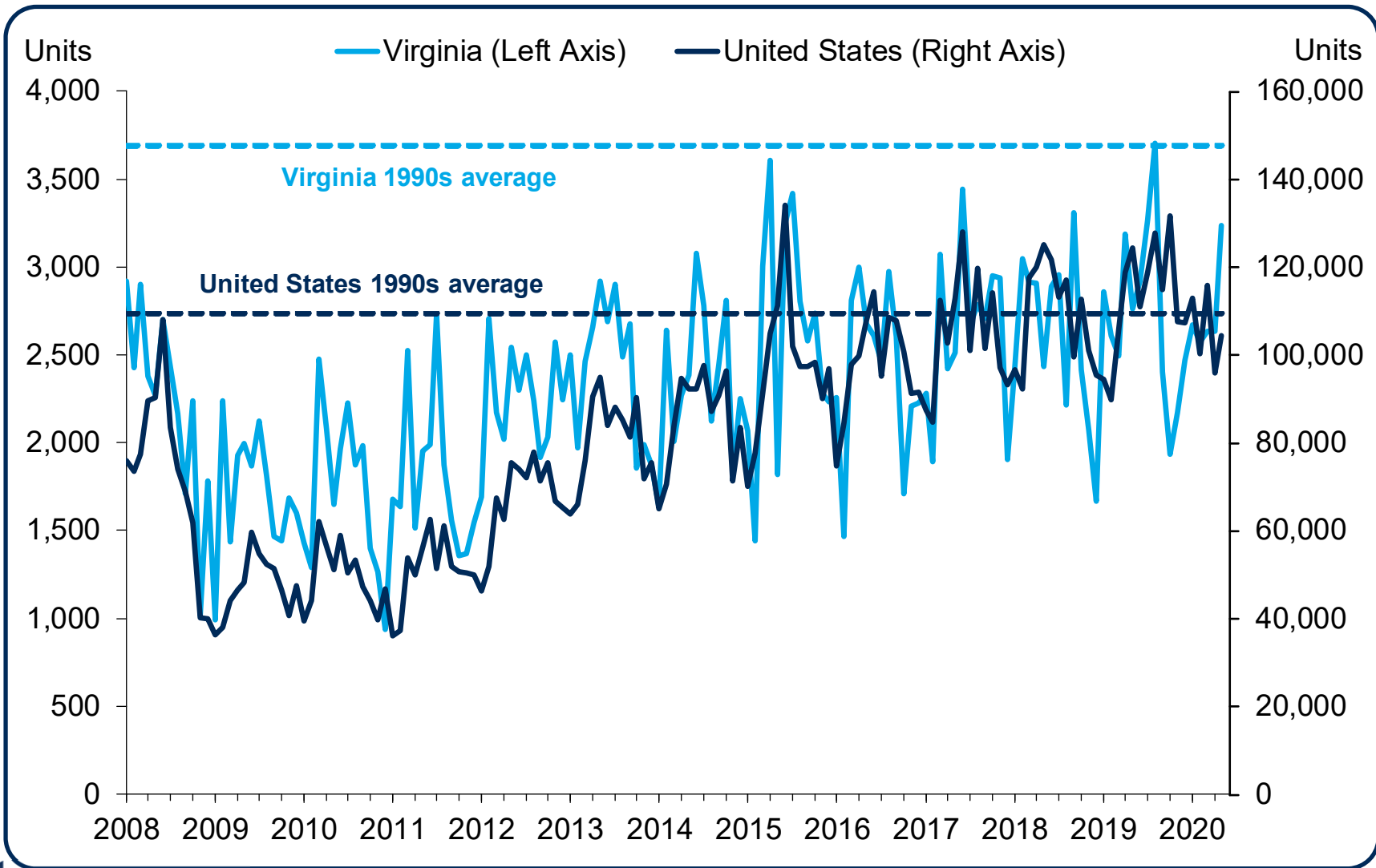
Source: Homebase/Haver Analytics

Housing starts in Virginia still low



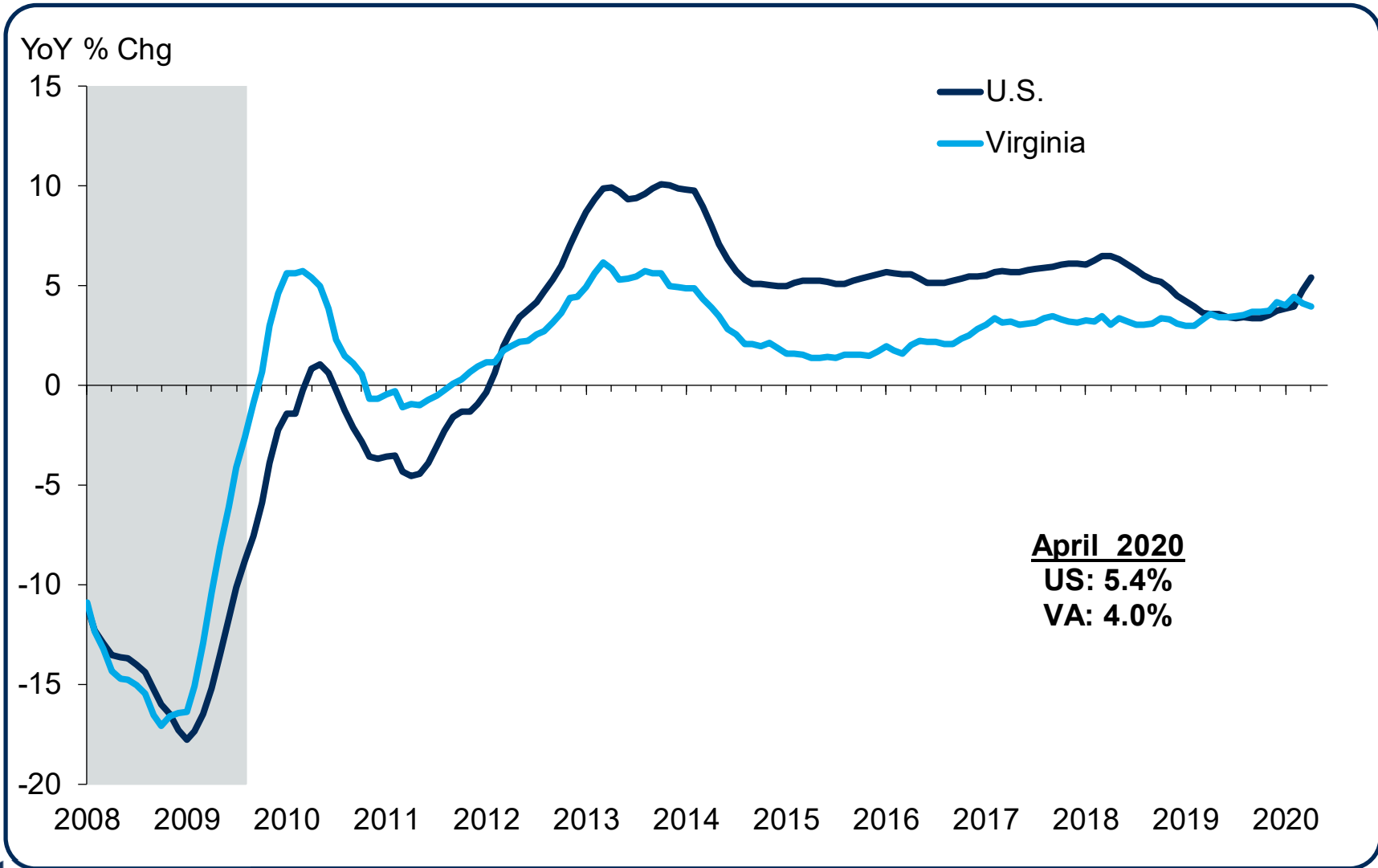
Source: Bank of Tokyo-Mitsubishi UFJ/ Haver Analytics

Permitting activity tracks the U.S. but remains below where it was in the 1990s

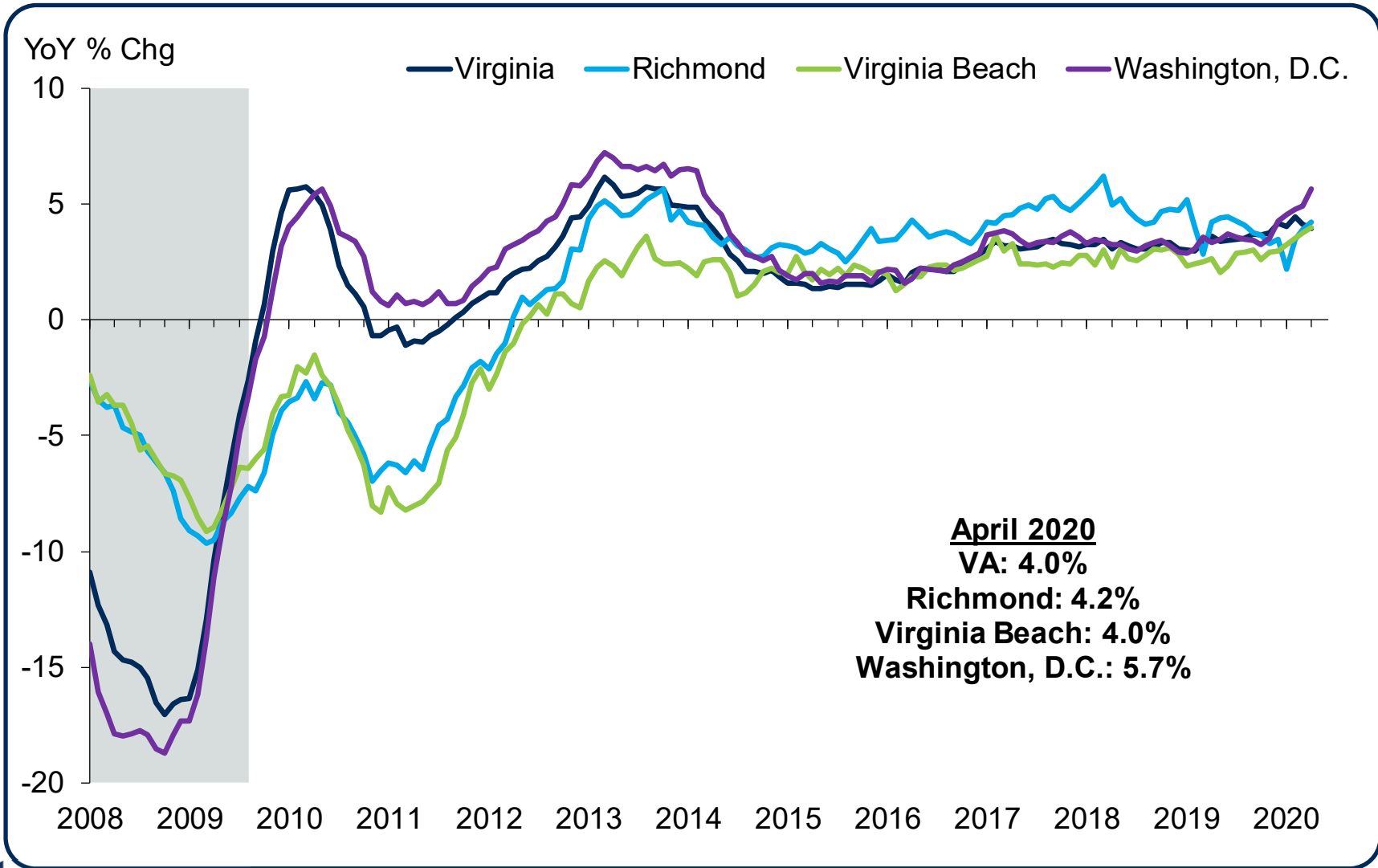


Source: Census Bureau via Haver Analytics

House price indices remain steady

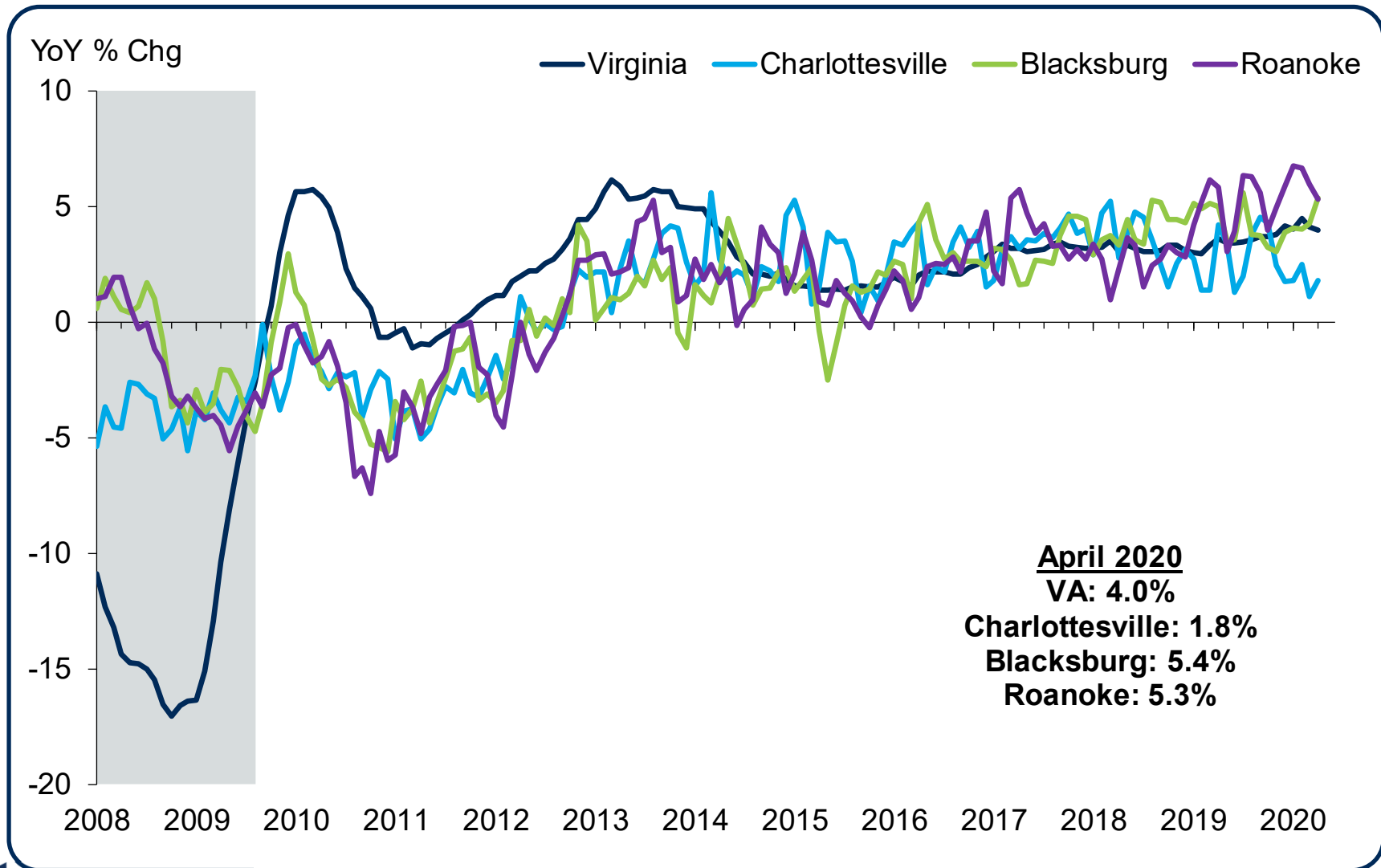


House Price Index by MSA



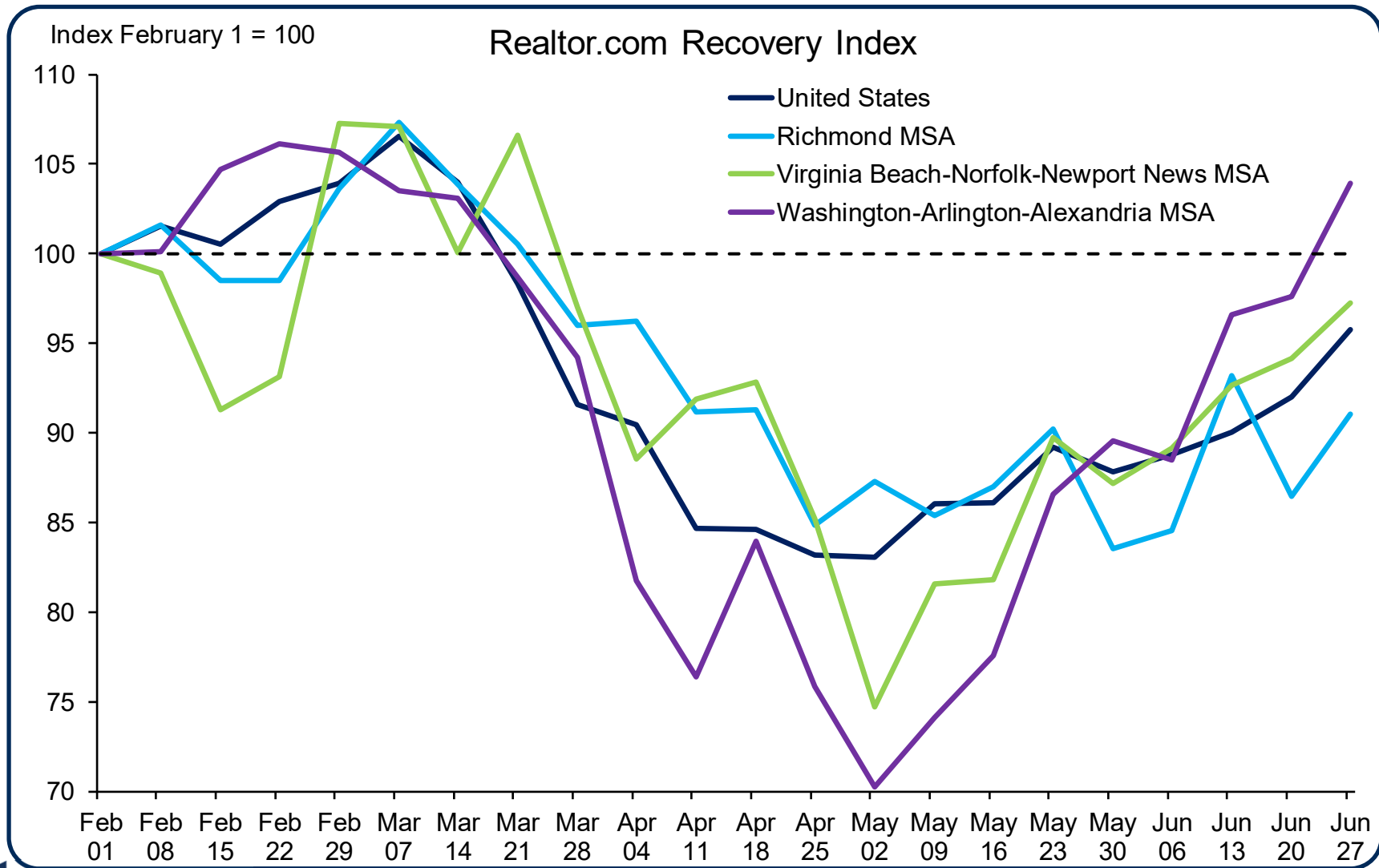
Source: CoreLogic Information Solutions, Inc.

House Price Index by MSA



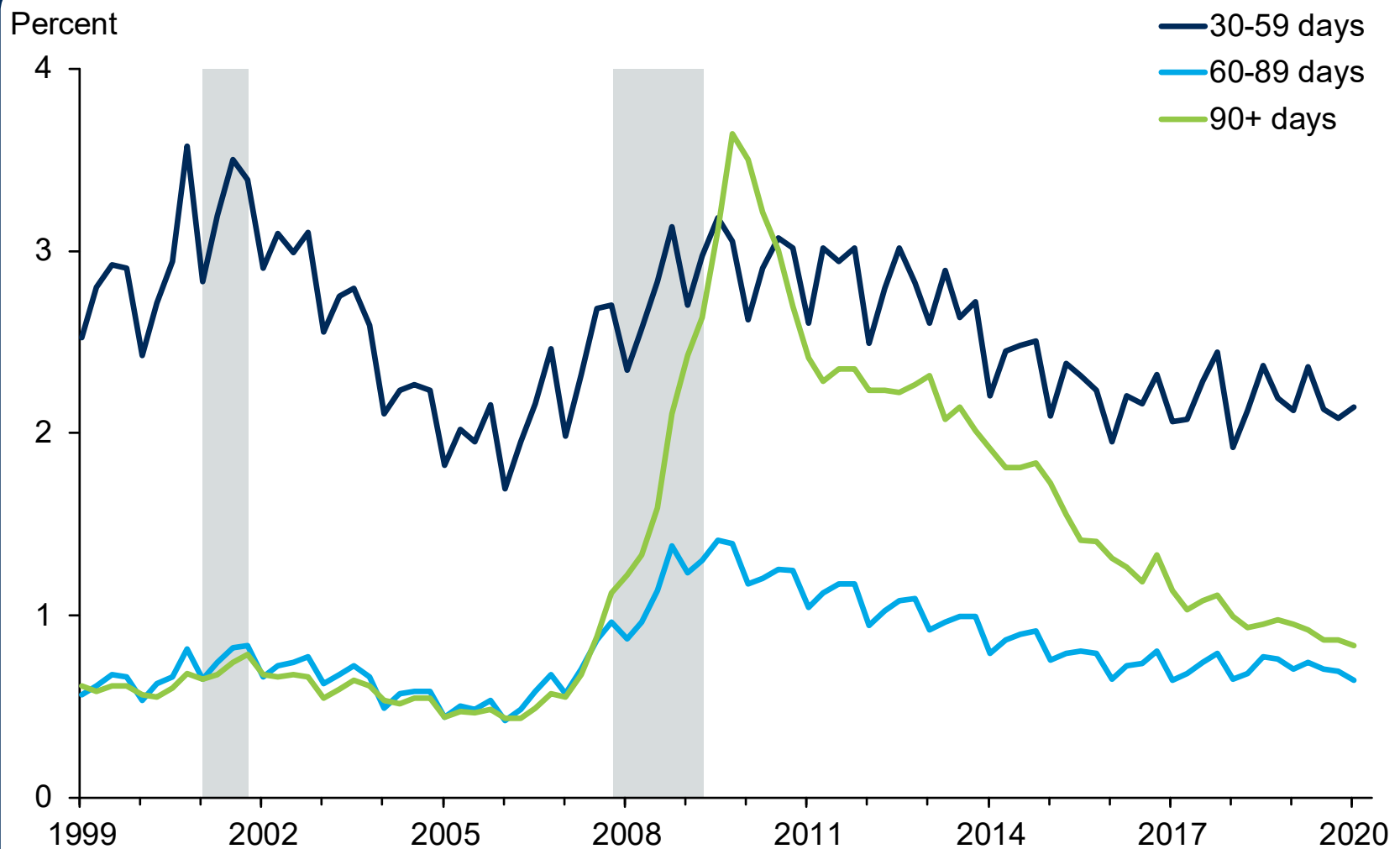
Source: CoreLogic Information Solutions, Inc.

The housing sector is generally recovering



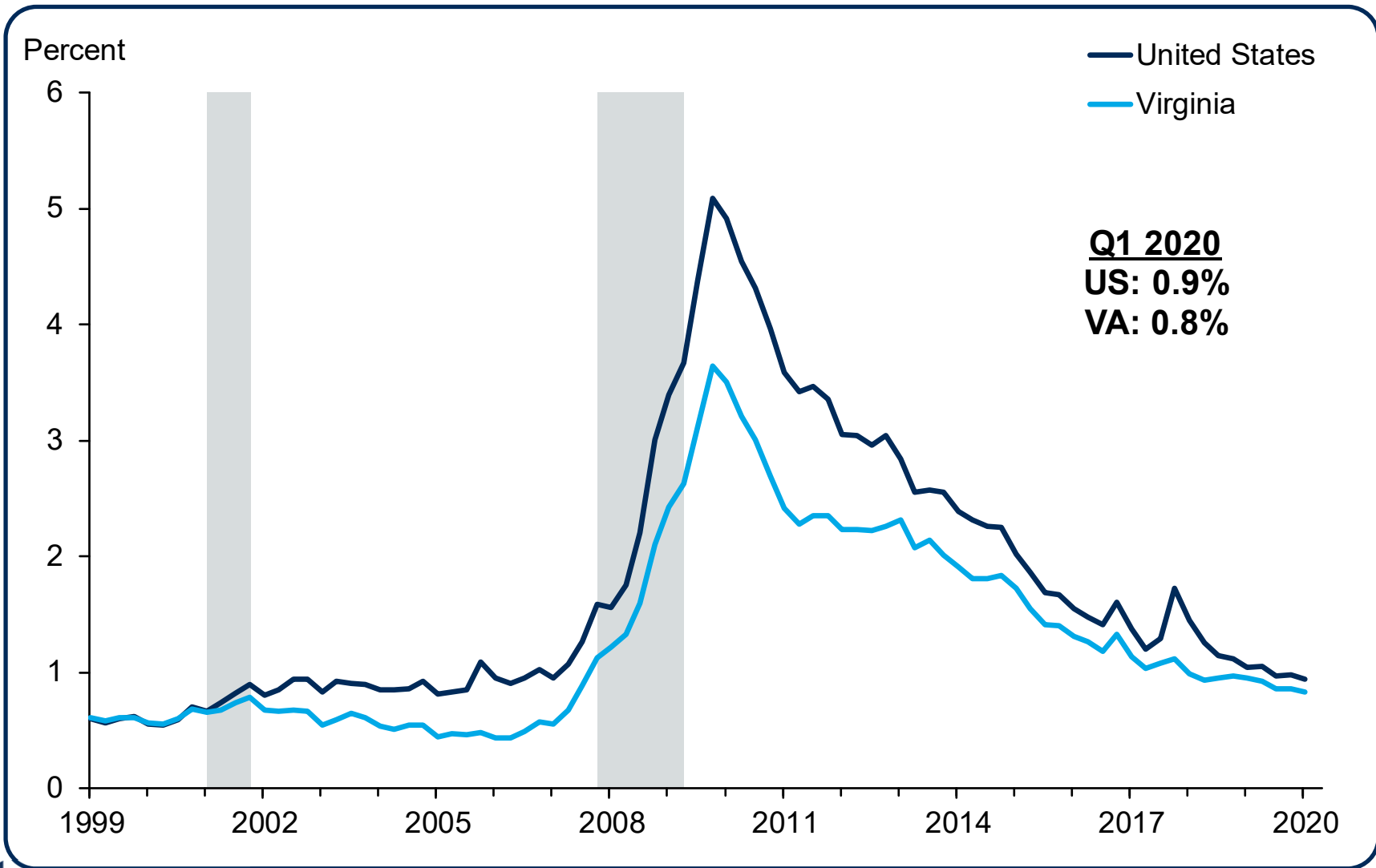
Source: Realtor.com

Delinquency Rates in Virginia



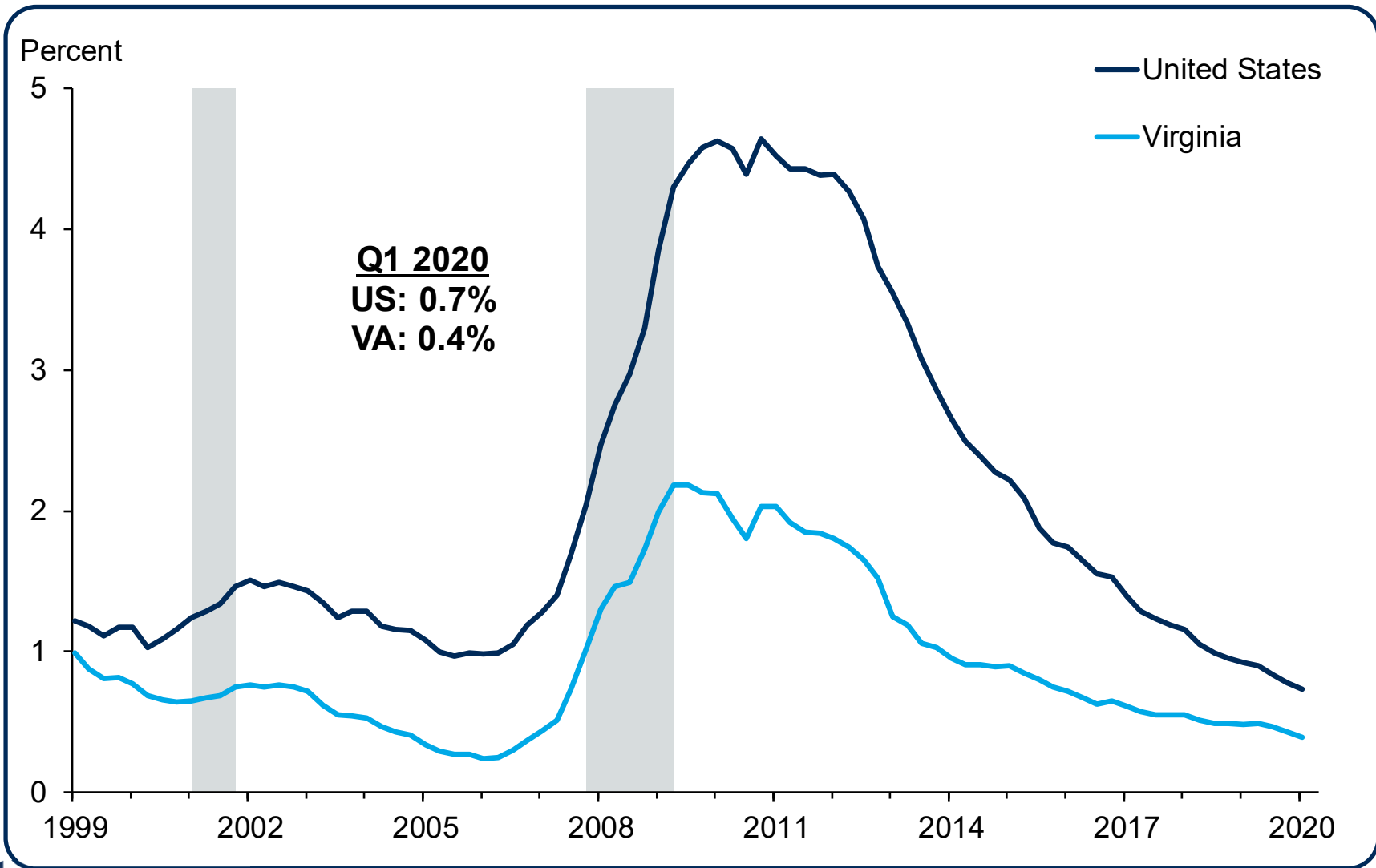
Source: Mortgage Bankers Association/Haver Analytics

90 + Day Delinquency Rate



Source: Mortgage Bankers Association/Haver Analytics

Foreclosure Inventory Rate: U.S. vs. VA



Source: Mortgage Bankers Association/Haver Analytics

Where do we go from here?

- The second quarter (April-June) numbers will look worse than the first quarter.
- The June employment report was unequivocally positive. Hopefully, that signals an economy that will improve faster than anticipated—in the U.S. and Virginia—though the labor market is not likely to look the same.
- What are the unknowns? Among other things...
 - How will the pandemic progress over the next few weeks and months?
 - When will businesses reopen? What operational changes will they see in the short- and long-term?
 - When will consumers return in large number and where will they go?
 - When will employees be able and willing return?



Questions/Comments



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