Regional Economic Update

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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

United States Unemployment Insurance Initial Claims

- Week ending March 7: 211,000
- Week ending March 14: 282,000
- Week ending March 21: 3,307,000
- Week ending March 28: 6,867,000
- Week ending April 4: 6,615,000
- Week ending April 11: 5,237,000
- Week ending April 18: 4,442,000
- Week ending April 25: 3,867,000
- Week ending May 2: 3,176,000
- Week ending May 9: 2,687,000
- Week ending May 16: 2,446,000
- Week ending May 23: 2,123,000
- Week ending May 30: 1,897,000
- Week ending June 6: 1,566,000
- Week ending June 13: 1,540,000
- Week ending June 20: 1,482,000
- Week ending June 27: 1,427,000

Source: Department of Labor/Haver Analytics
Continuing claims remain elevated

United States Unemployment Insurance Continued Claims

- Week ending March 7: 1702
- Week ending March 14: 1784
- Week ending March 21: 3059
- Week ending March 28: 7446
- Week ending April 4: 11914
- Week ending April 11: 15819
- Week ending April 18: 18011
- Week ending April 25: 22377
- Week ending May 2: 22548
- Week ending May 9: 24912
- Week ending May 16: 20841
- Week ending May 23: 21268
- Week ending May 30: 20606
- Week ending June 6: 20289
- Week ending June 13: 19231
- Week ending June 20: 19290

Source: Department of Labor/Haver Analytics
Employment is on a recovery path

Source: Bureau of Labor Statistics/Haver Analytics
...And unemployment is high

![Unemployment Rate Graph](chart.png)

**June 2020**

**US: 11.1%**

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.
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

Thousands Virginia Unemployment Insurance Initial Claims

Week ending March 7: 2527
Week ending March 14: 2706
Week ending March 21: 46277
Week ending March 28: 112497
Week ending April 4: 147369
Week ending April 11: 104619
Week ending April 18: 82729
Week ending April 25: 72488
Week ending May 2: 59631
Week ending May 9: 52139
Week ending May 16: 44699
Week ending May 23: 39242
Week ending May 30: 31379
Week ending June 6: 29231
Week ending June 13: 27186
Week ending June 20: 25293
Week ending June 27: 33062

Source: Department of Labor/Haver Analytics
Continuing claims are coming down some

Week ending March 7: 21336
Week ending March 14: 21628
Week ending March 21: 41827
Week ending March 28: 133184
Week ending April 4: 236791
Week ending April 11: 297993
Week ending April 18: 341295
Week ending April 25: 376689
Week ending May 2: 392673
Week ending May 9: 403557
Week ending May 16: 402926
Week ending May 23: 398411
Week ending May 30: 396056
Week ending June 6: 386893
Week ending June 13: 375579
Week ending June 20: 367259

Source: Department of Labor/Haver Analytics
Employment is rebounding

U.S. and Virginia YoY % Chg (SA)

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

Source: Bureau of Labor Statistics/Haver Analytics
Jobs are coming back across industries

United States Employment Change

- Natural Resources & Mining
- Construction
- Manufacturing
- Trade, Transportation & Utilities
- Information
- Financial Activities
- Professional & Business Services
- Education & Health Services
- Leisure & Hospitality
- Other
- Government

Monthly Change in Employment (Thousands)

Source: Bureau of Labor Statistics/Haver Analytics
Jobs are coming back across industries

Virginia Employment Change

- Natural Resources & Mining
- Construction
- Manufacturing
- Trade, Transportation & Utilities
- Information
- Financial Activities
- Professional & Business Services
- Education & Health Services
- Leisure & Hospitality
- Other
- Government

Monthly Change in Employment (Thousands)

Source: Bureau of Labor Statistics/Haver Analytics
Unemployment rates are coming down

Source: Bureau of Labor Statistics/Haver Analytics

May 2020
US: 13.3%
VA: 9.4%
Businesses are coming back across states…

Source: Homebase/Haver Analytics
...as are hours for employees
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

Source: CoreLogic Information Solutions

April 2020
US: 5.4%
VA: 4.0%
House Price Index by MSA

April 2020
VA: 4.0%
Richmond: 4.2%
Virginia Beach: 4.0%
Washington, D.C.: 5.7%

Source: CoreLogic Information Solutions, Inc.
House Price Index by MSA

Source: CoreLogic Information Solutions, Inc.

April 2020
- VA: 4.0%
- Charlottesville: 1.8%
- Blacksburg: 5.4%
- Roanoke: 5.3%
The housing sector is generally recovering
Delinquency Rates in Virginia

Source: Mortgage Bankers Association/Haver Analytics
90 + Day Delinquency Rate

Percent


Q1 2020
US: 0.9%
VA: 0.8%

Source: Mortgage Bankers Association/Haver Analytics
Foreclosure Inventory Rate: U.S. vs. VA

Percent

United States

Virginia

Q1 2020
US: 0.7%
VA: 0.4%

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?