



The U.S. and Virginia Economy

FPA Richmond Chapter
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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.

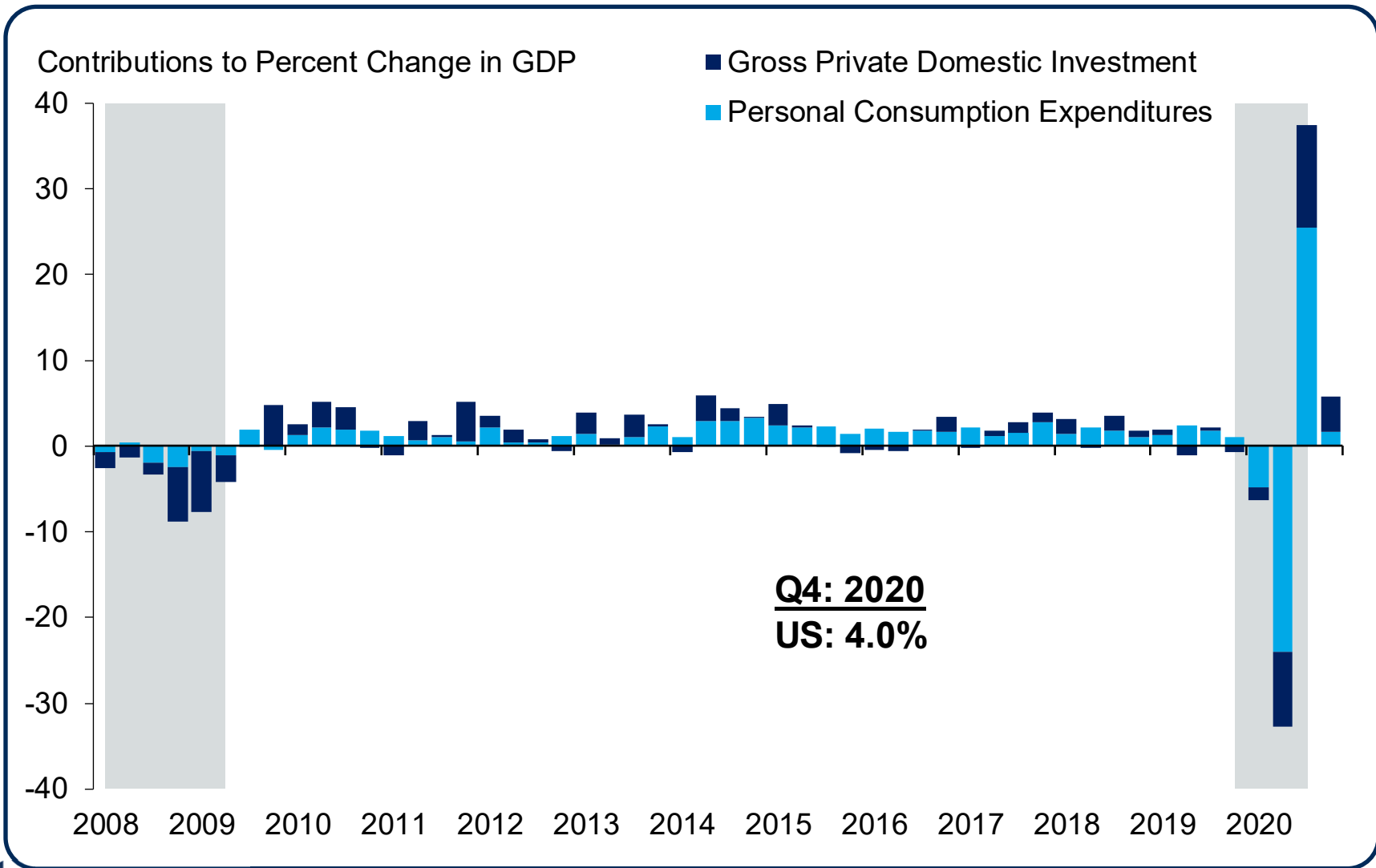
Where are we now?

- 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?

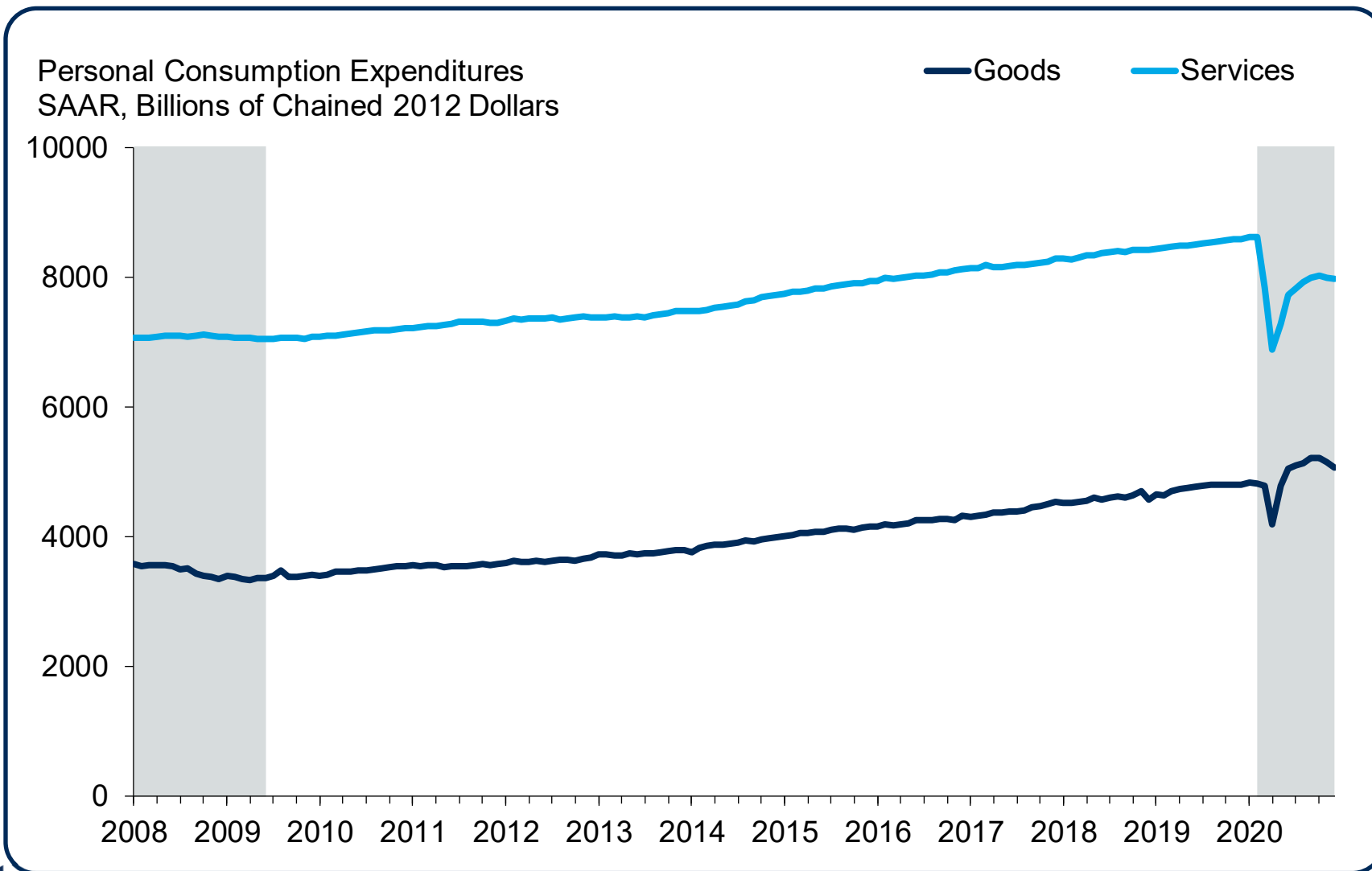
- What are firms expecting in 2021?
- What will be the lasting effects on, for example, labor force attachment?
- What will our “new normal” look like?

Stunning declines in GDP that were driven by consumption



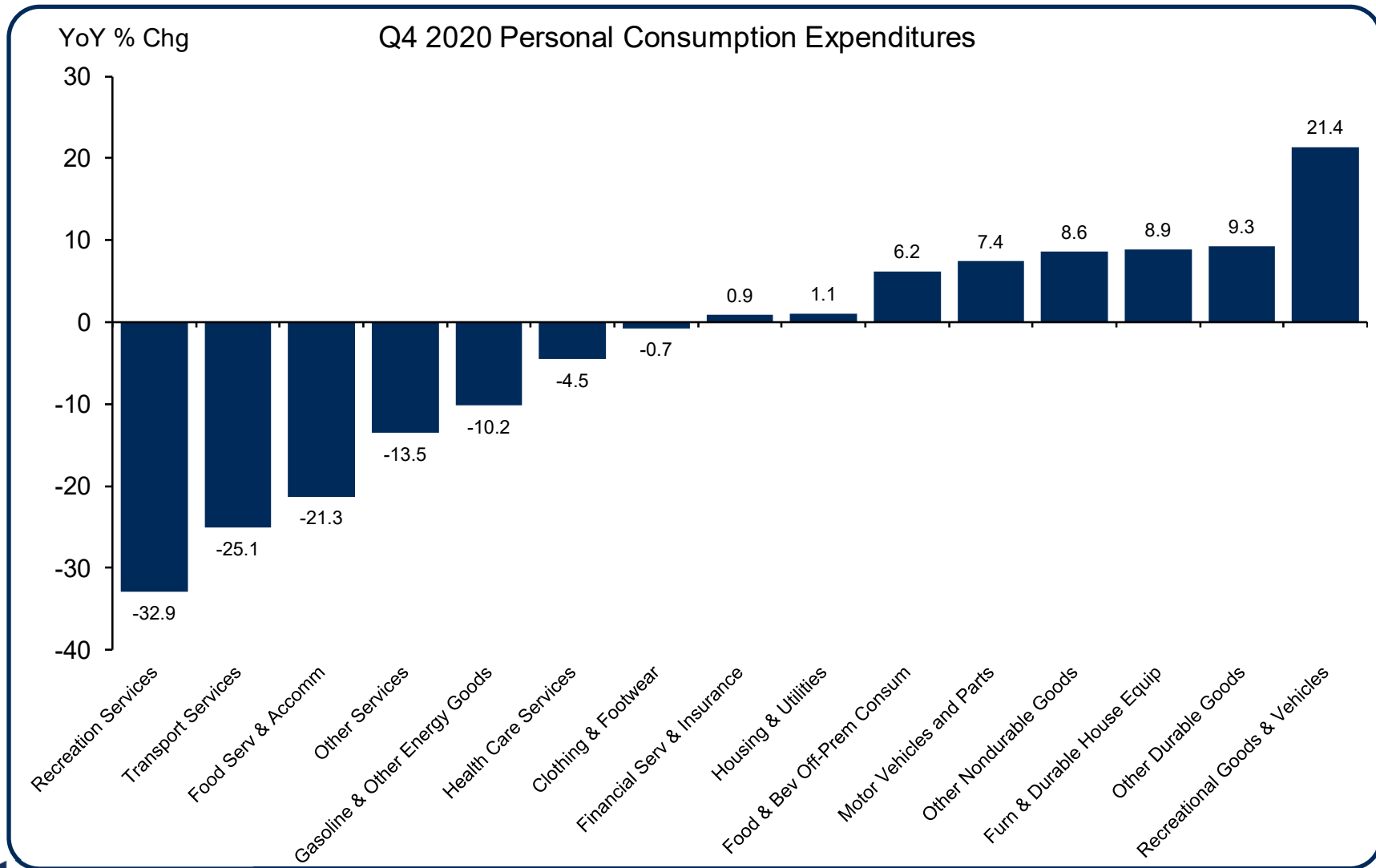
Source: Bureau of Economic Analysis via Haver Analytics

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



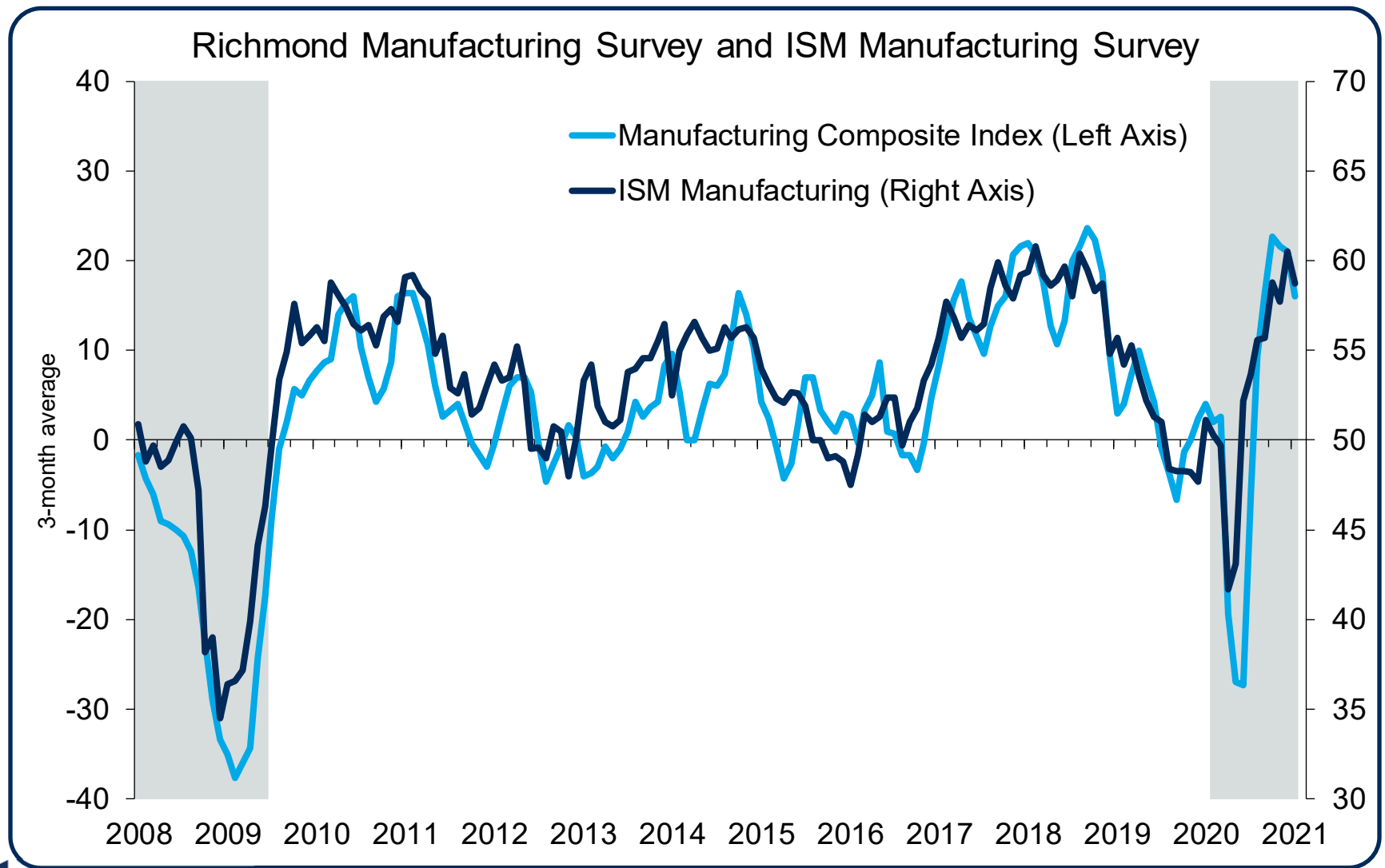
Source: Bureau of Economic Analysis via Haver Analytics

Change varies across types of goods and services



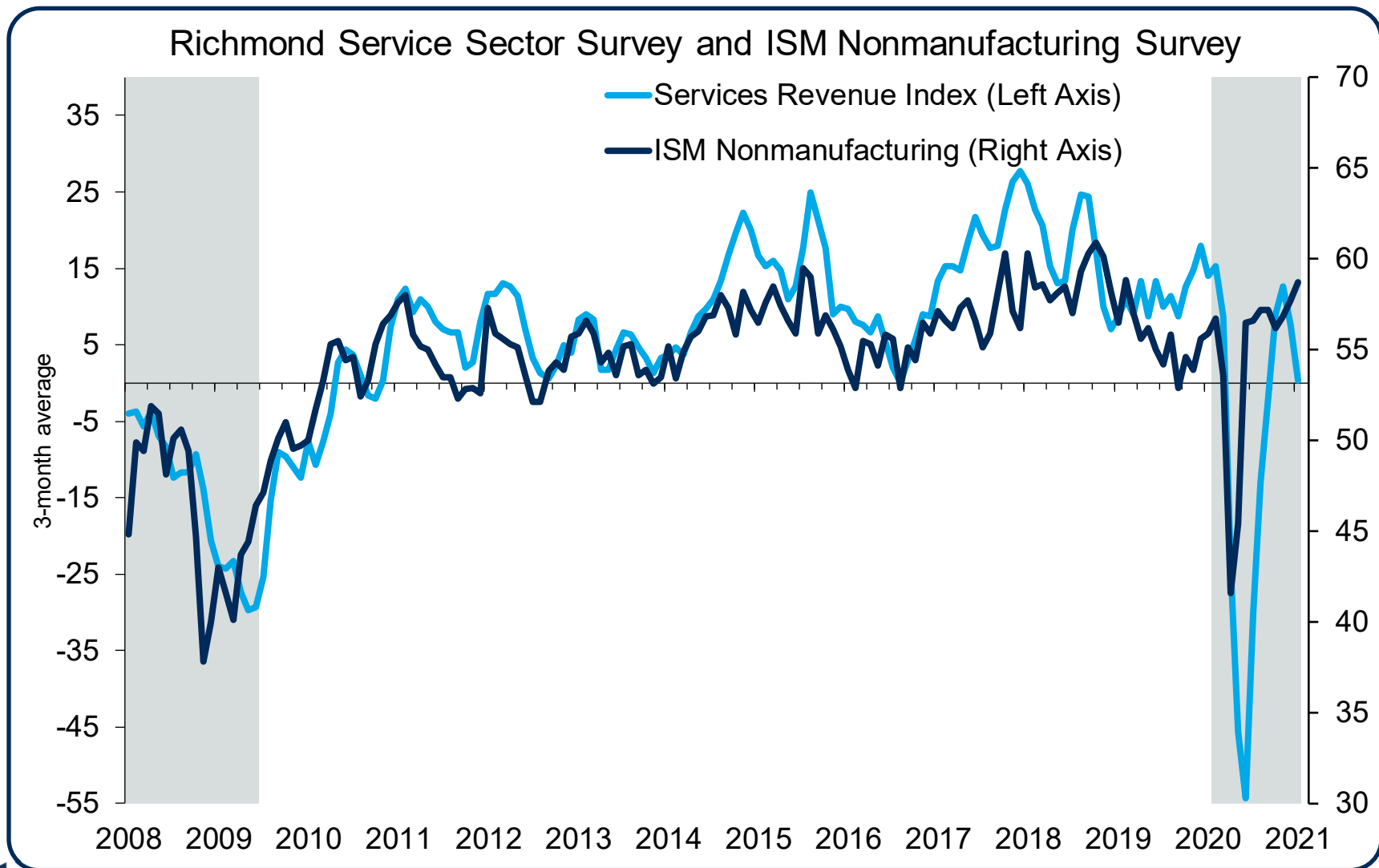
Source: Bureau of Economic Analysis via Haver Analytics

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



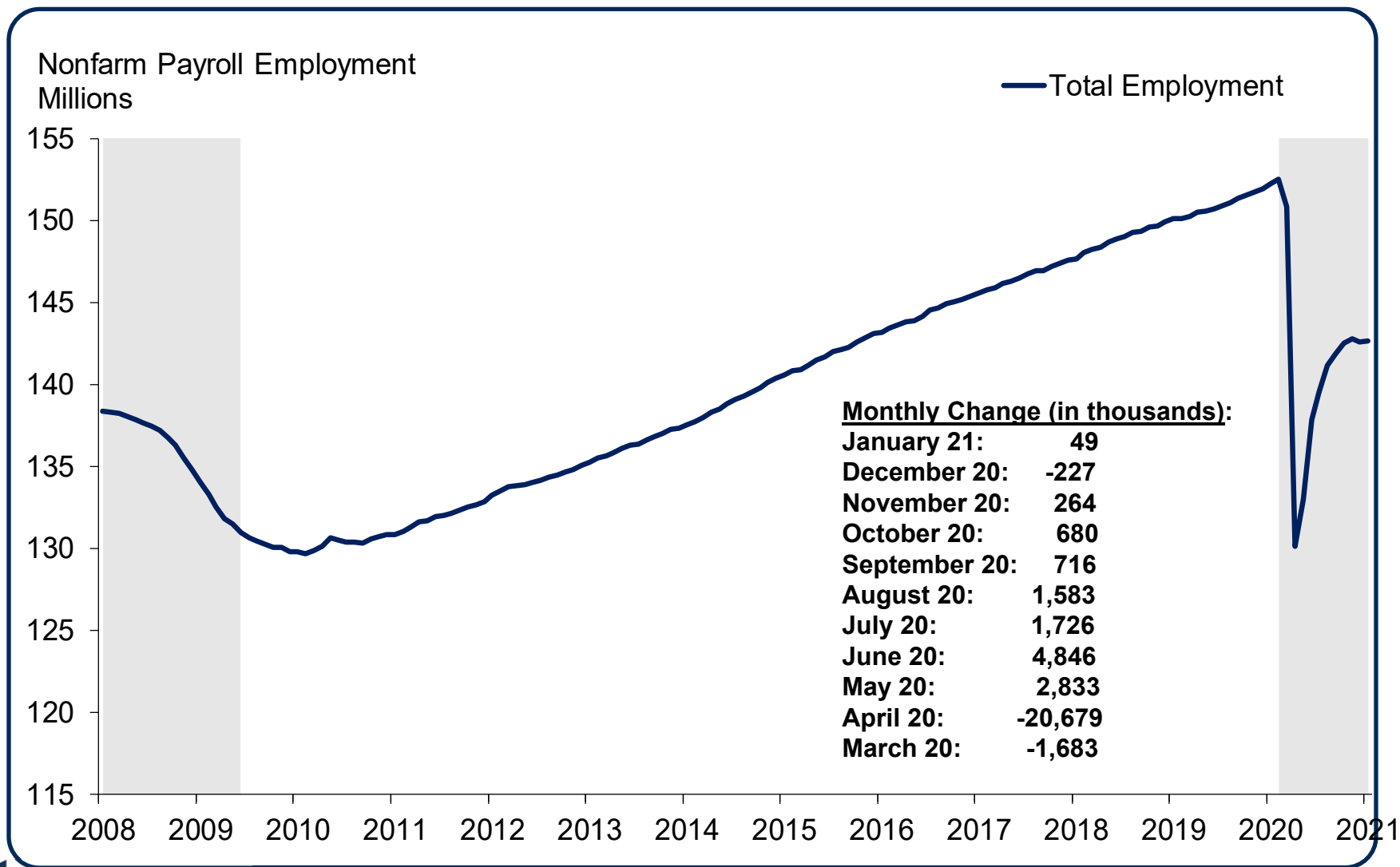
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

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



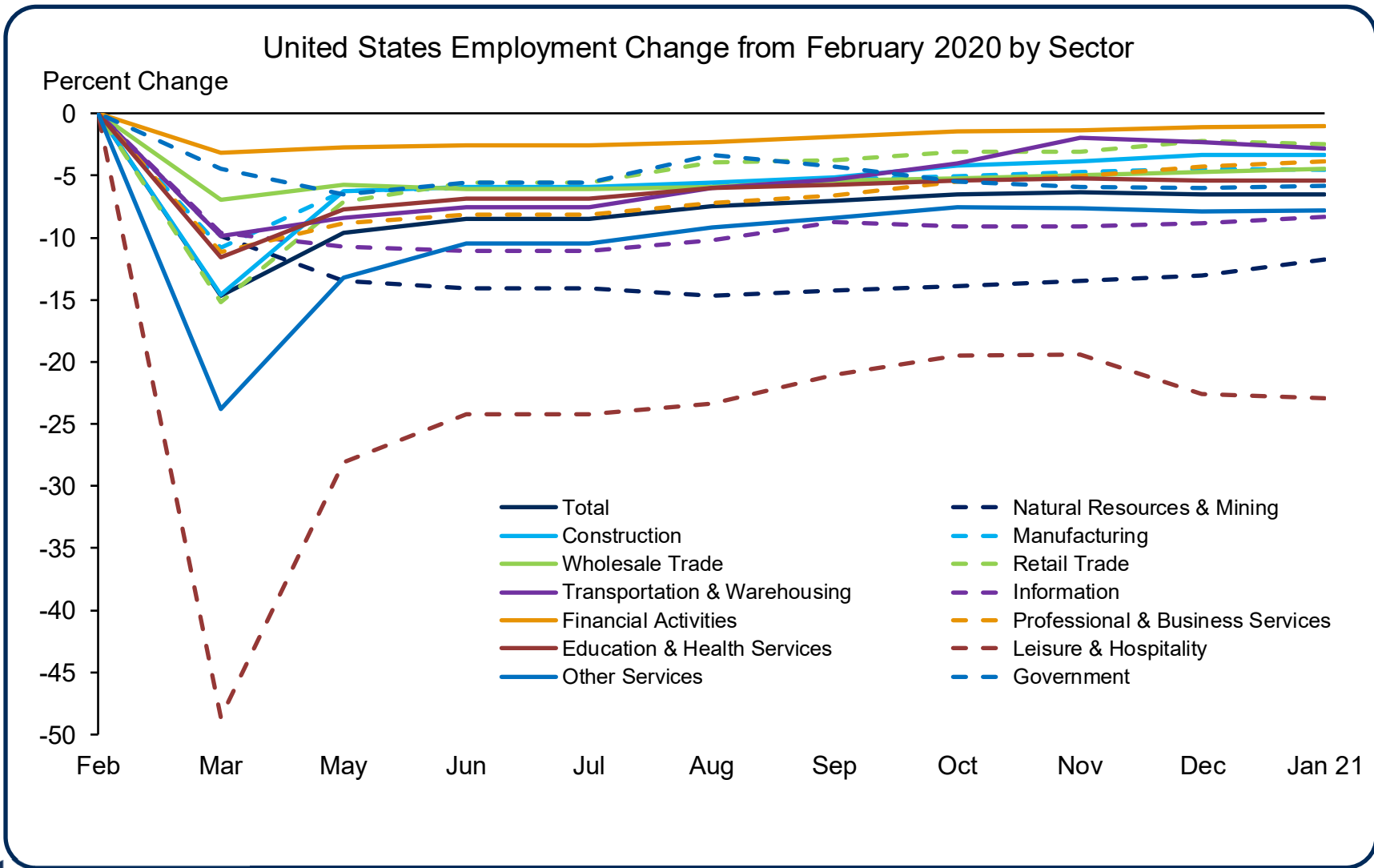
Source: Federal Reserve Bank of Richmond/Institute of Supply Management/Haver Analytics

Employment coming back: But still below pre-COVID



Source: Bureau of Labor Statistics/Haver Analytics

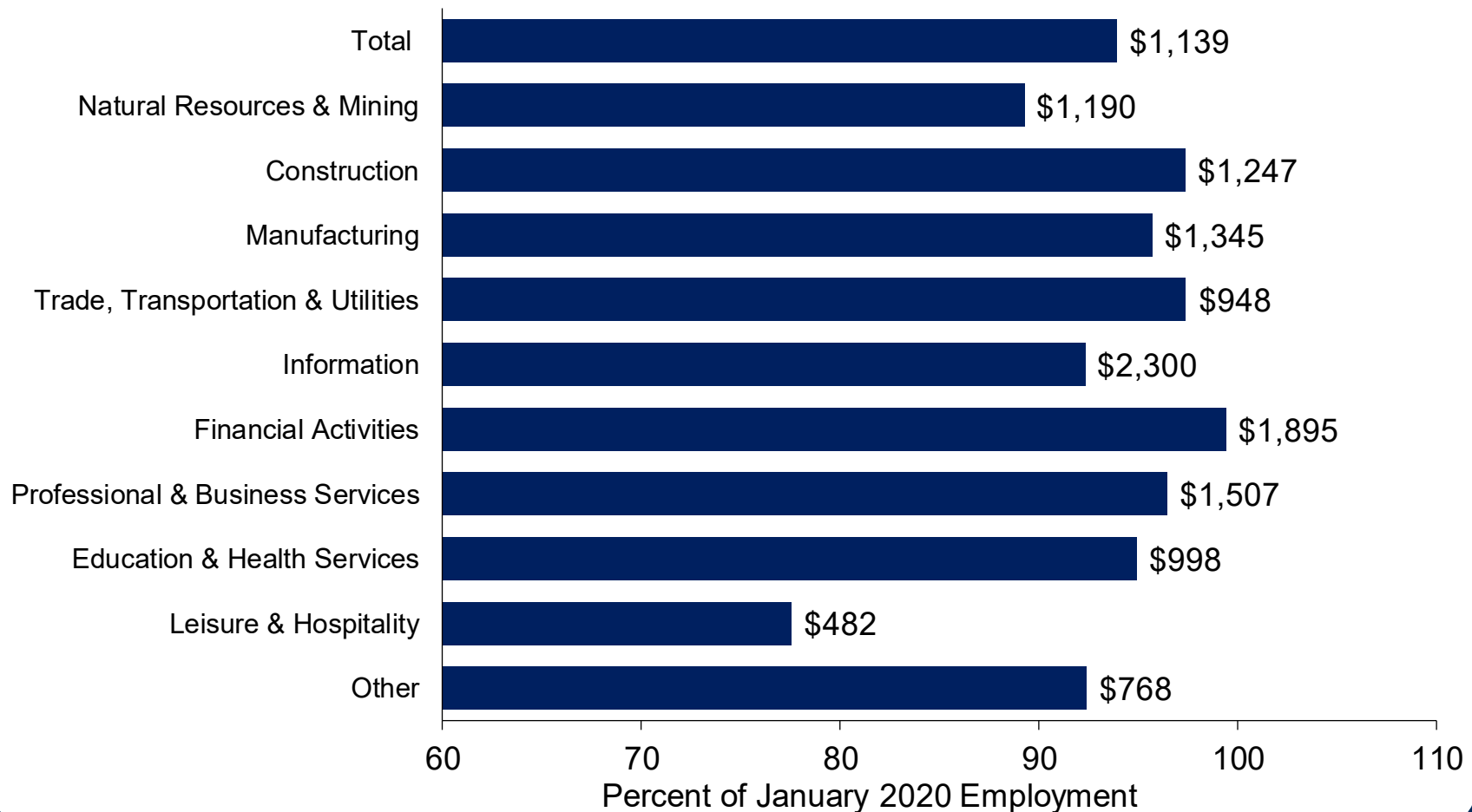
Sharpest decline in leisure and hospitality, but no industry is back to pre-COVID employment levels



Source: Bureau of Labor Statistics/Haver Analytics

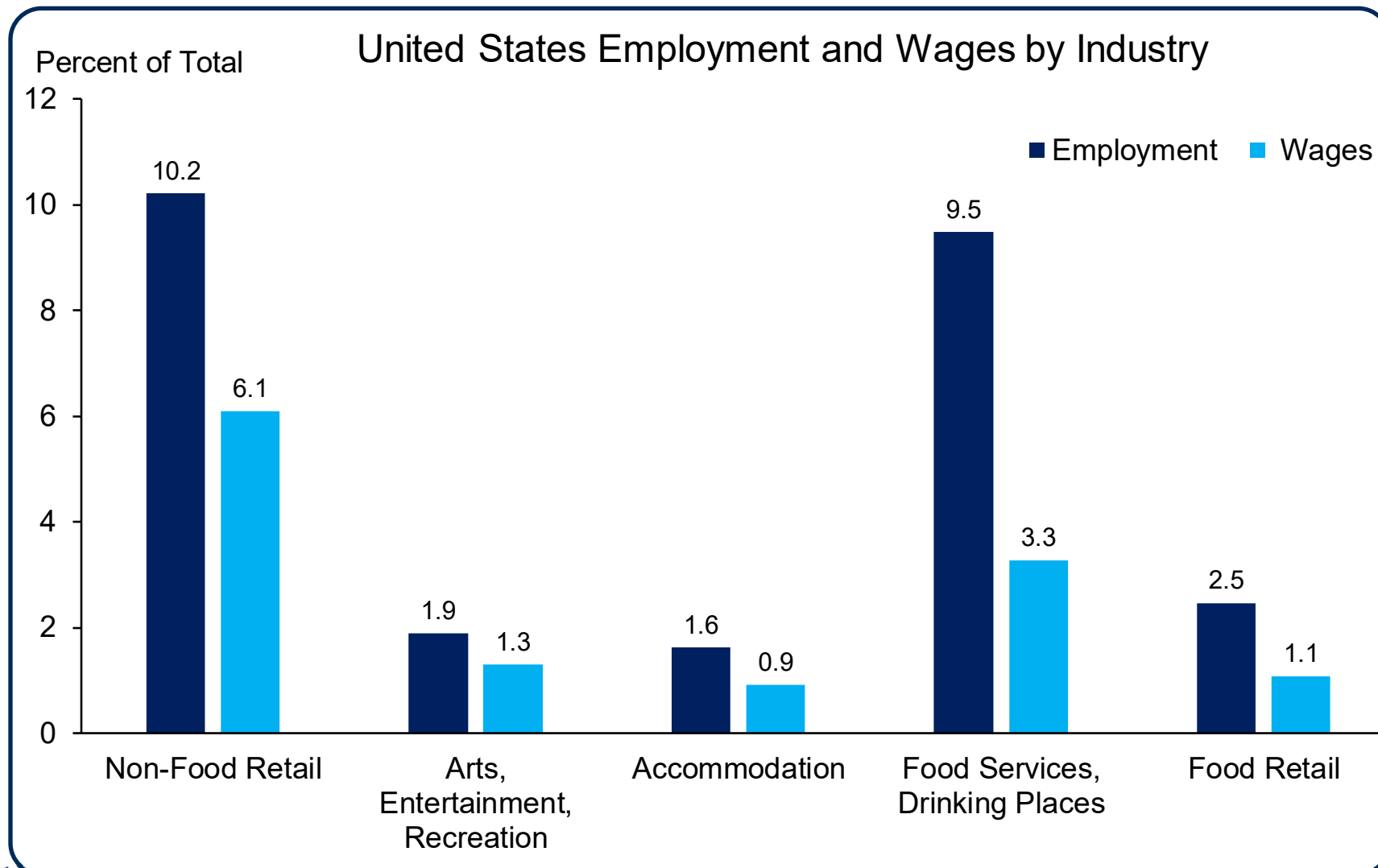
Hardest hit sector has the lowest average wage

US January 2021 Share of January 2020 Employment
Labeled using 2019 Average Weekly Wage



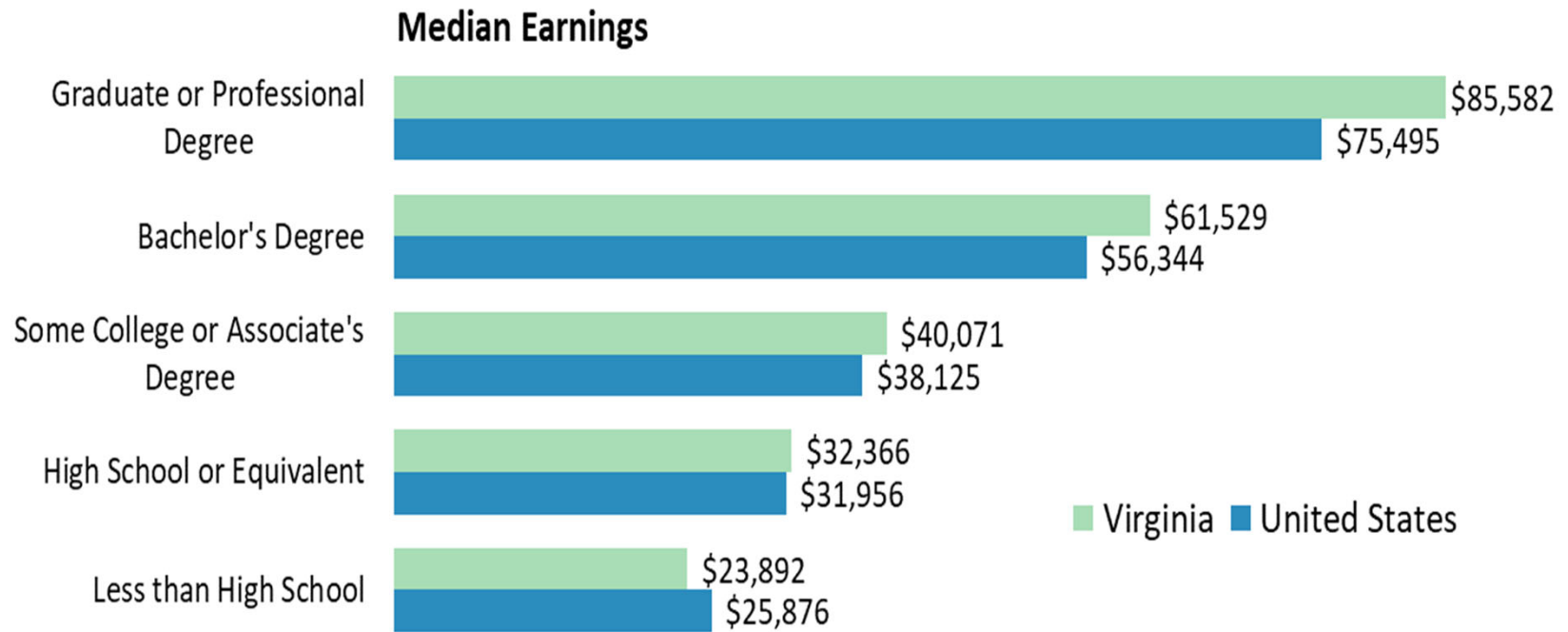
Source: Bureau of Labor Statistics/Haver Analytics

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



Source: Bureau of Labor Statistics 2018 QCEW/Haver Analytics

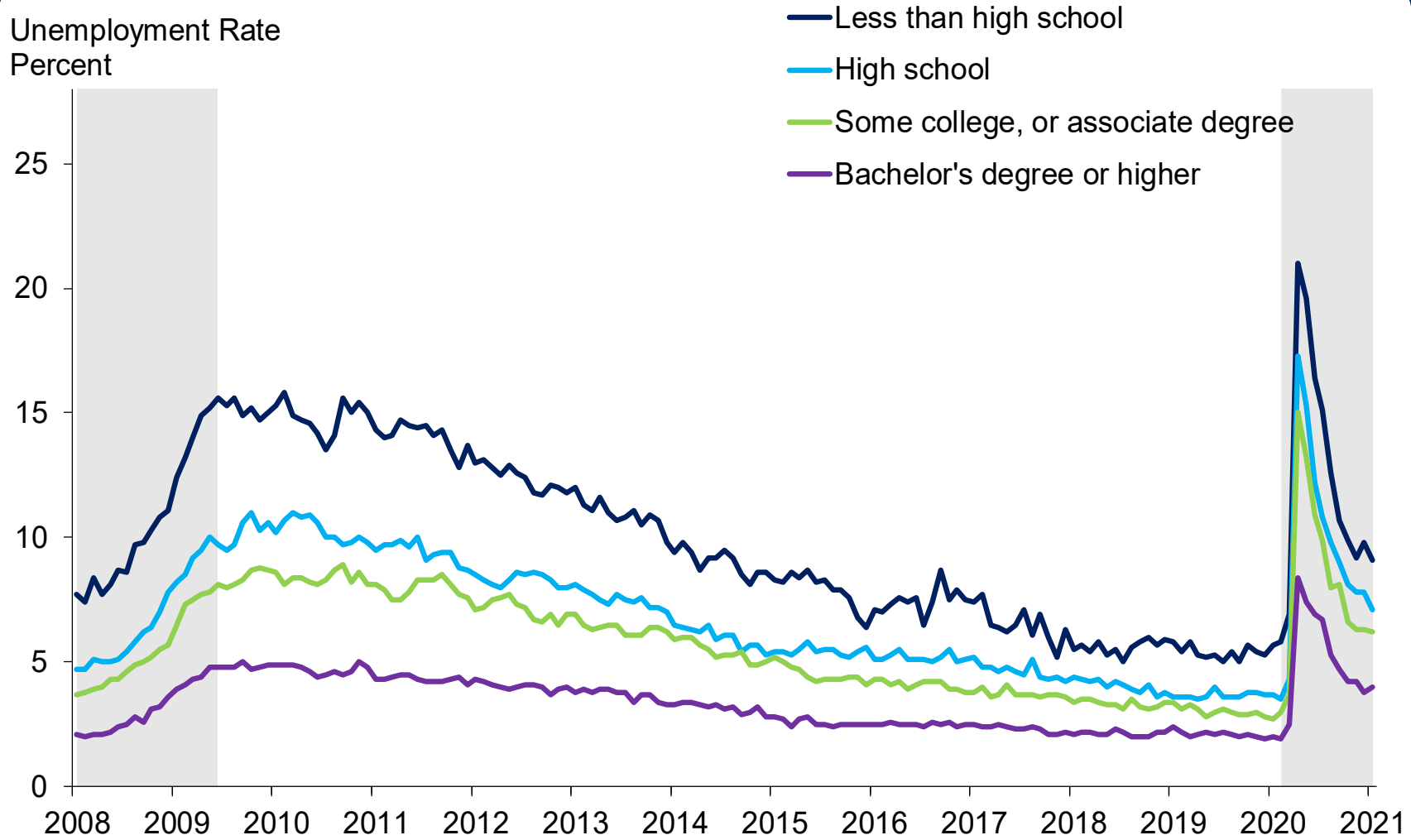
More education=higher earnings



Source: U.S. Census Bureau

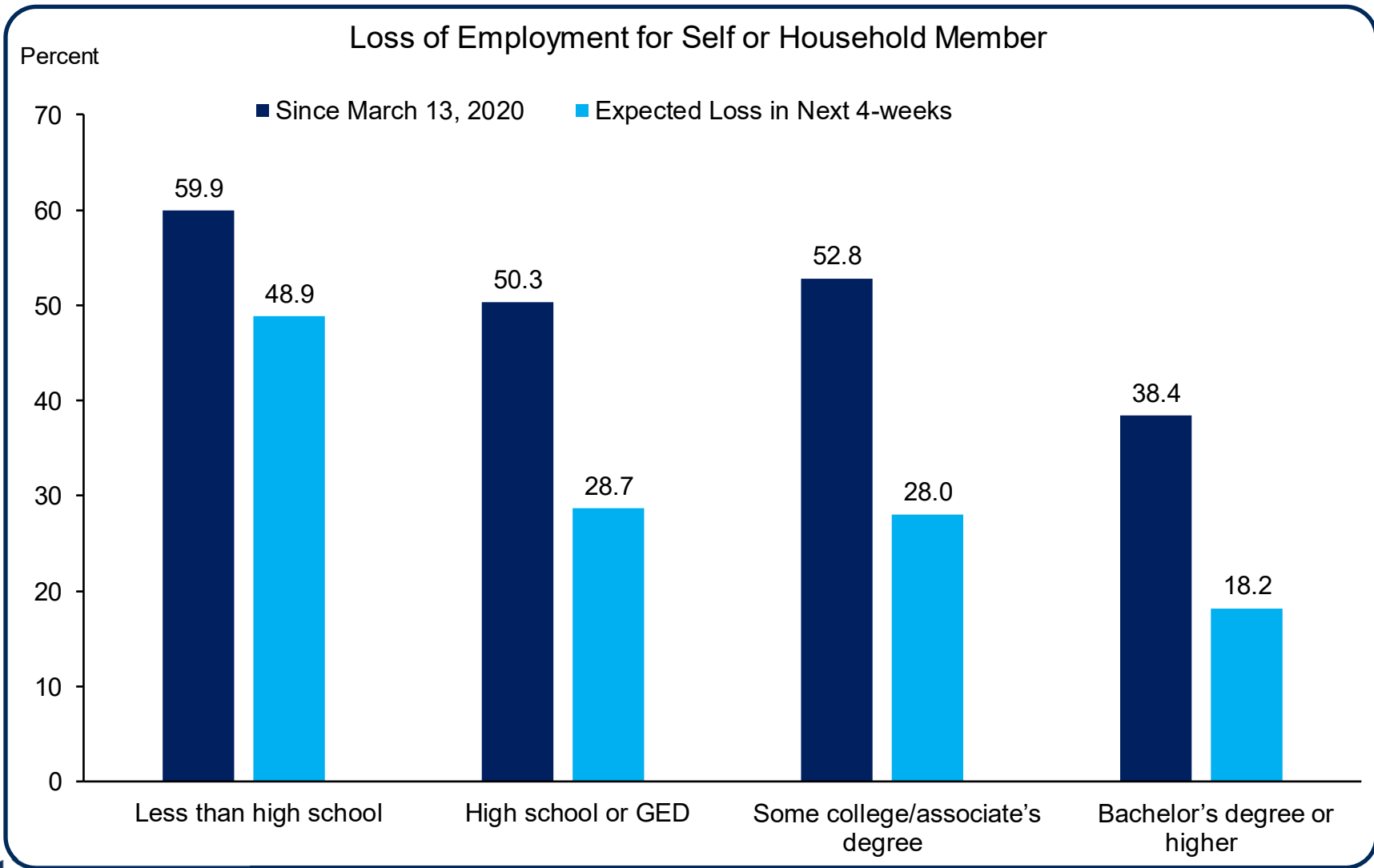
More education=less chance of losing your job

Unemployment Rate
Percent



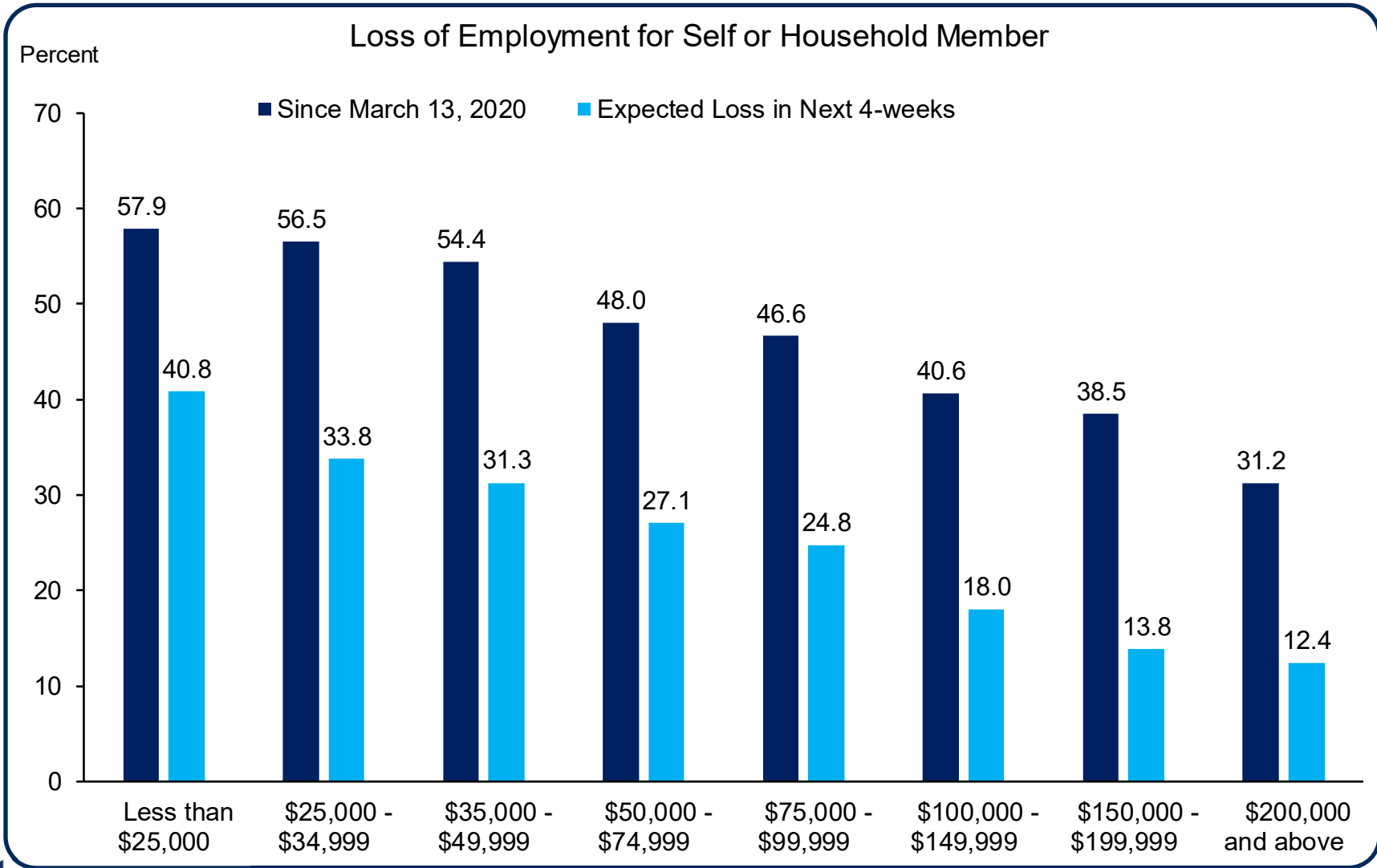
Source: Bureau of Labor Statistics/Haver Analytics

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

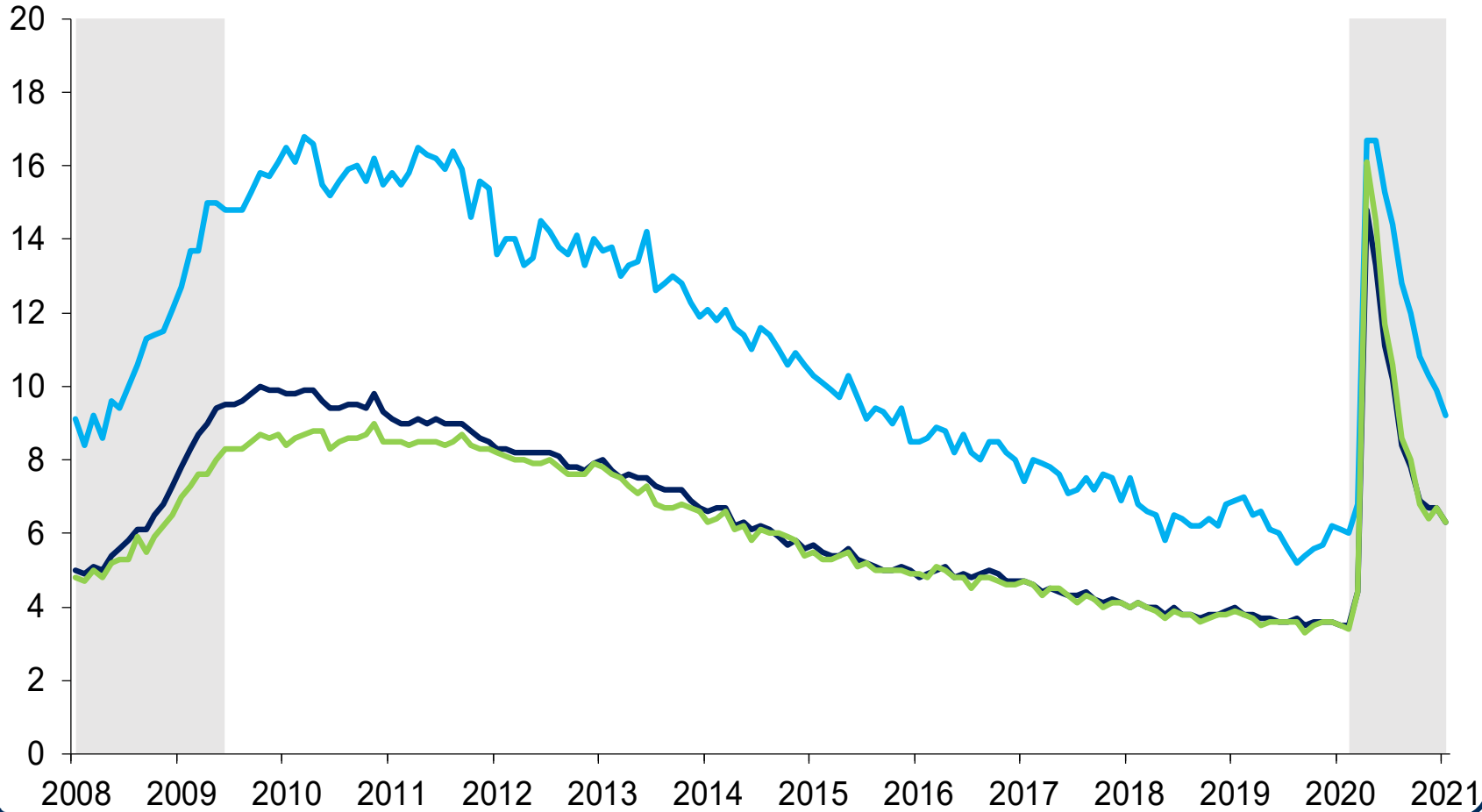


Source: U.S. Census Bureau Household Pulse Survey

What about women? Or minorities?

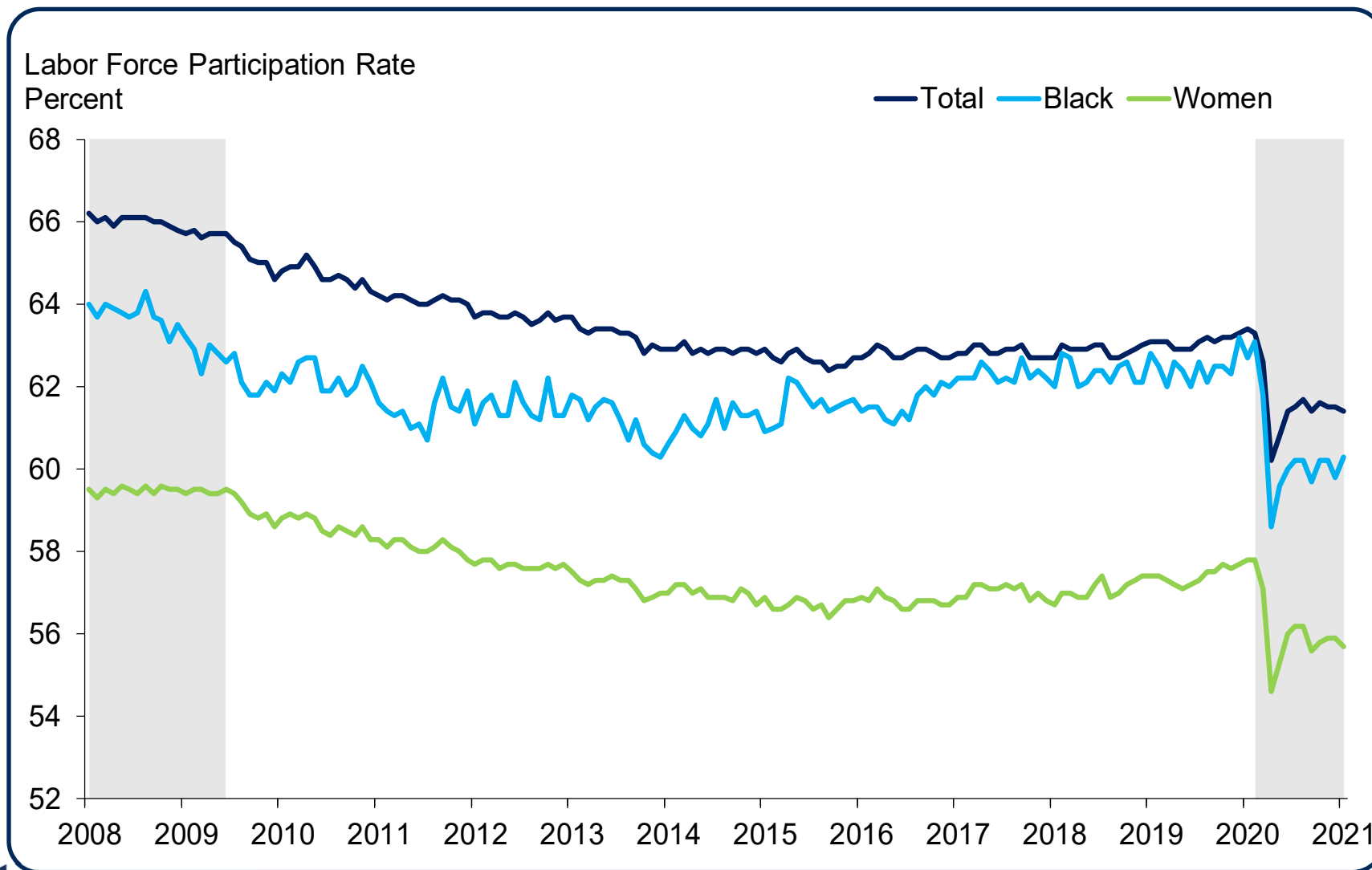
Unemployment Rate
Percent

— Total — Black — Women



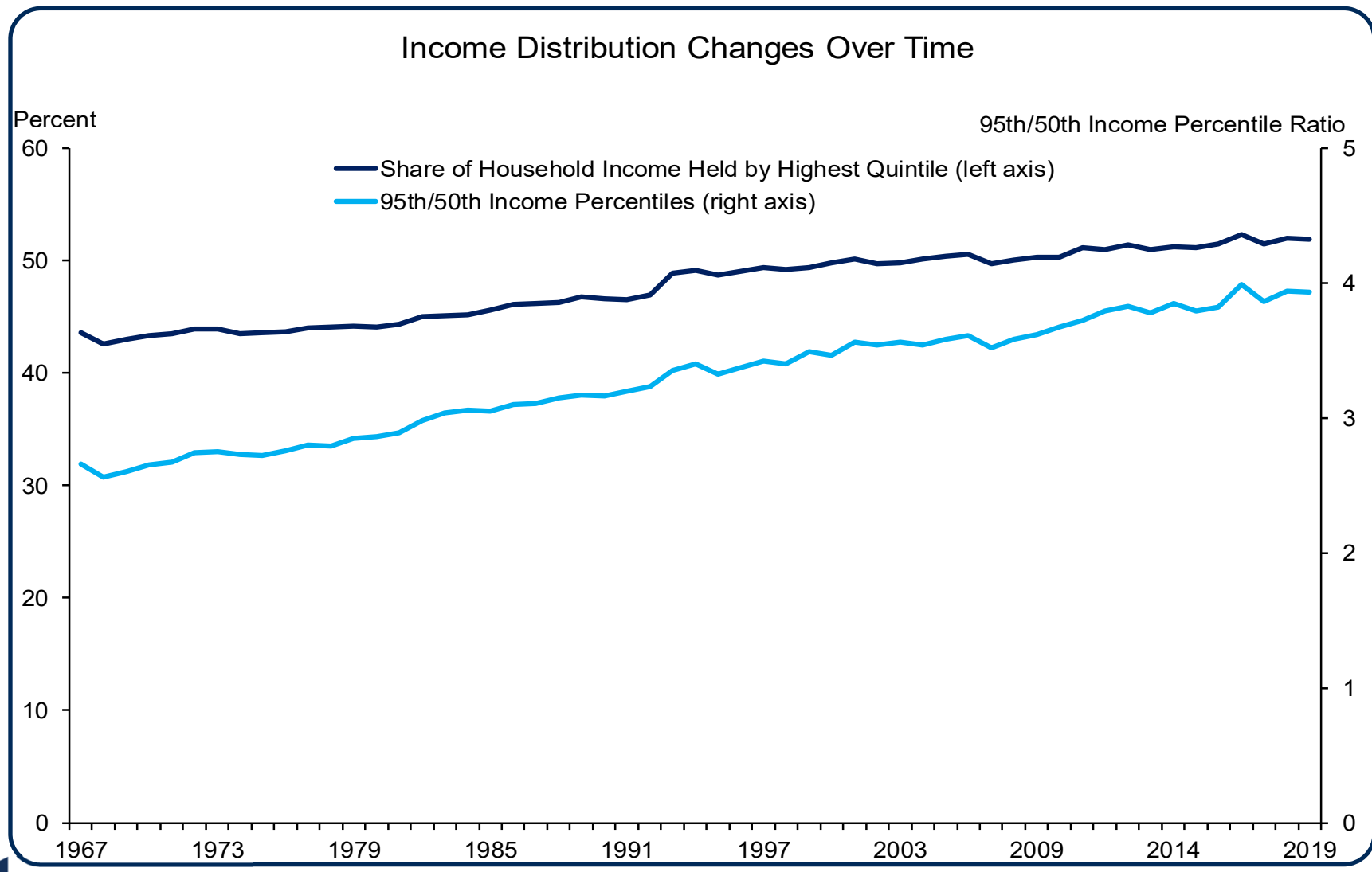
Source: Bureau of Labor Statistics/Haver Analytics

The labor force participation rate remains low



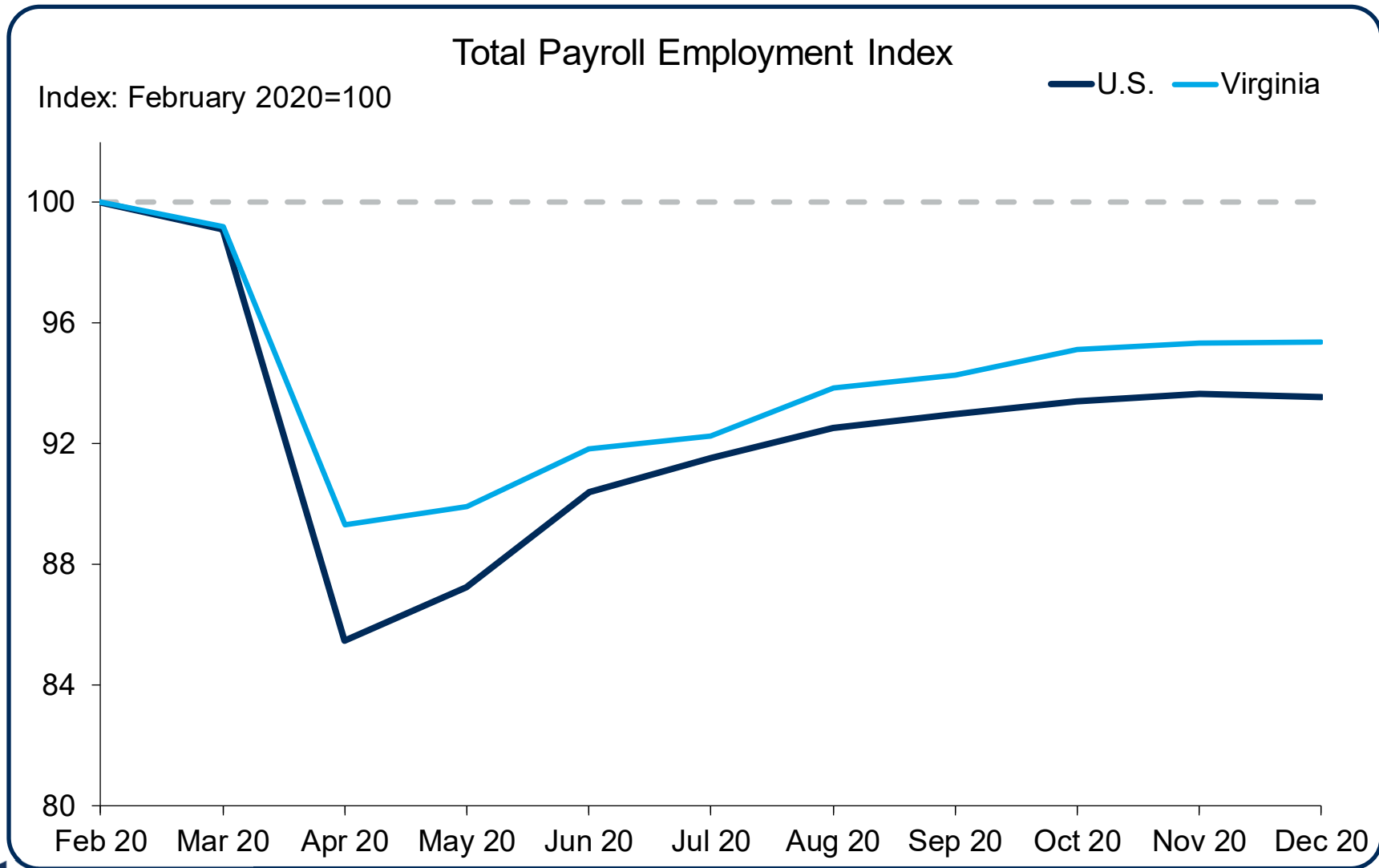
Source: Bureau of Labor Statistics/Haver Analytics

Inequality was already growing...



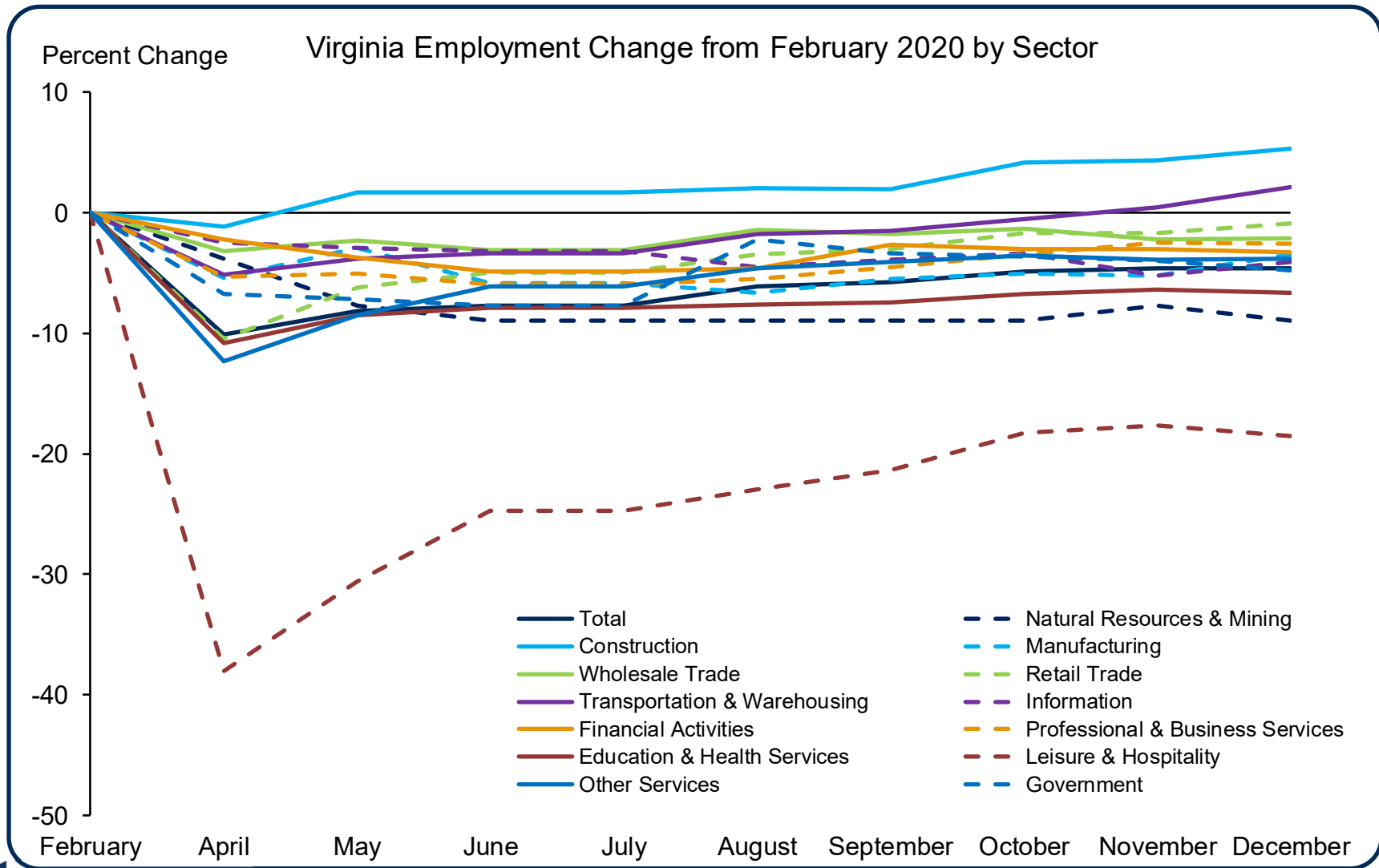
Source: U.S. Census Bureau

Employment is coming back, but slowly



Source: Bureau of Labor Statistics/Haver Analytics

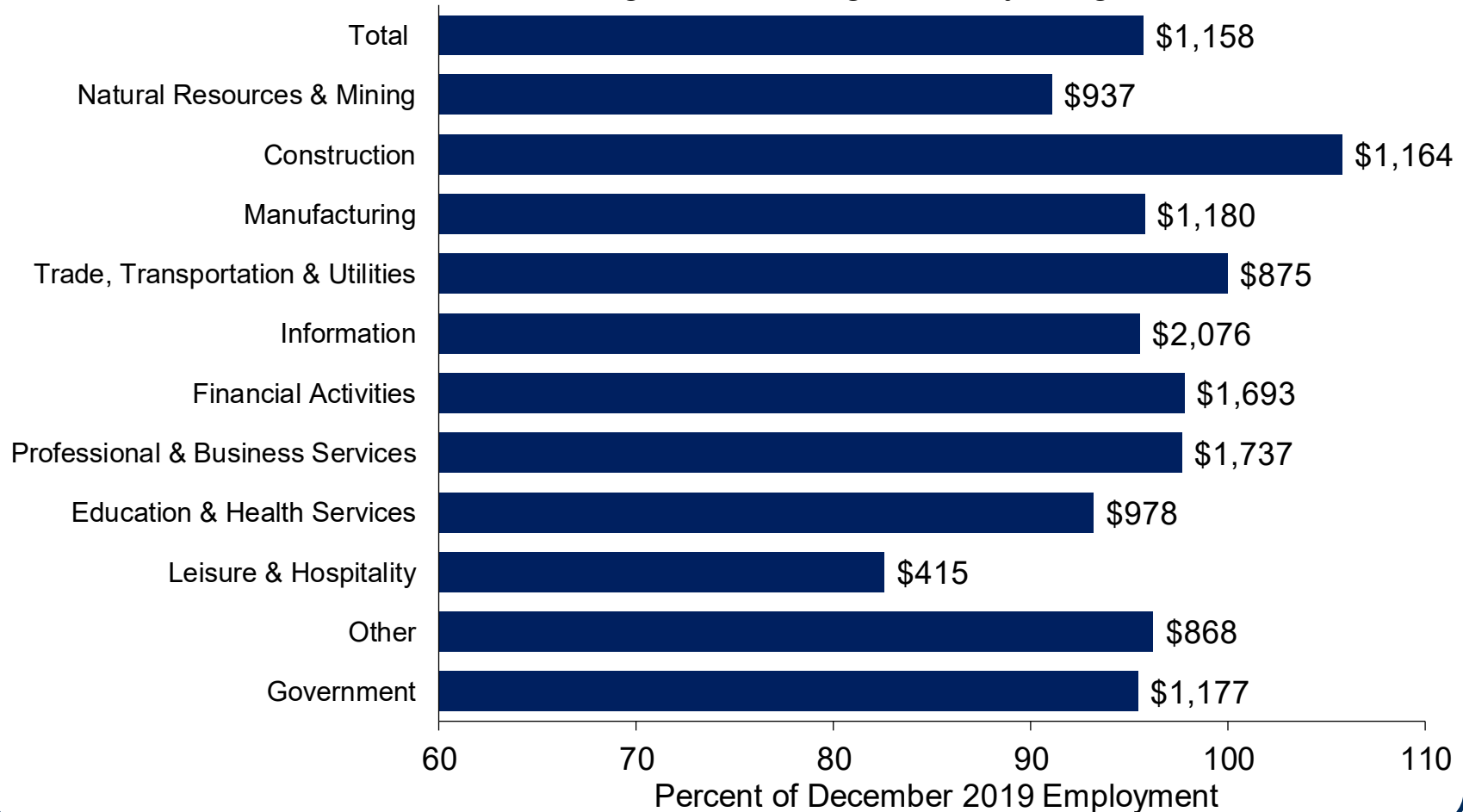
Virginia: Some industries hit harder than others



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

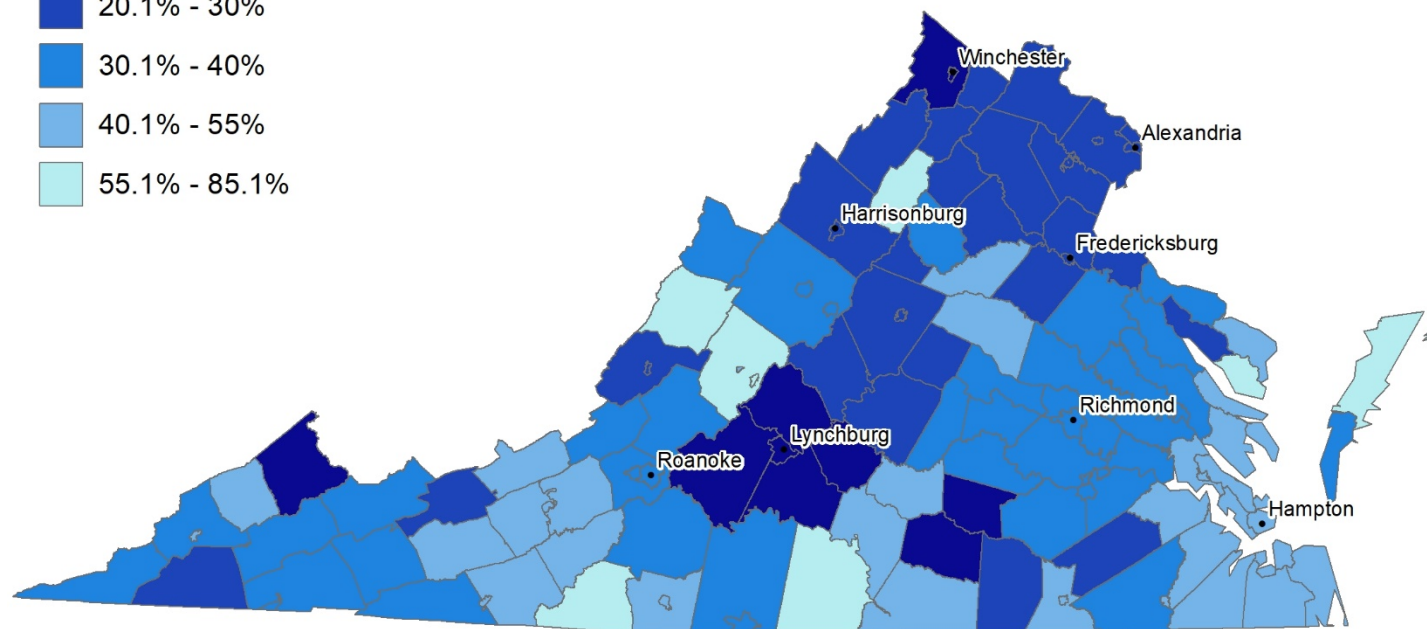
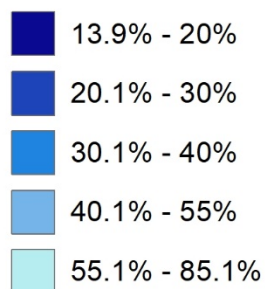


Source: Bureau of Labor Statistics/Haver Analytics

Within-state disparities can be large

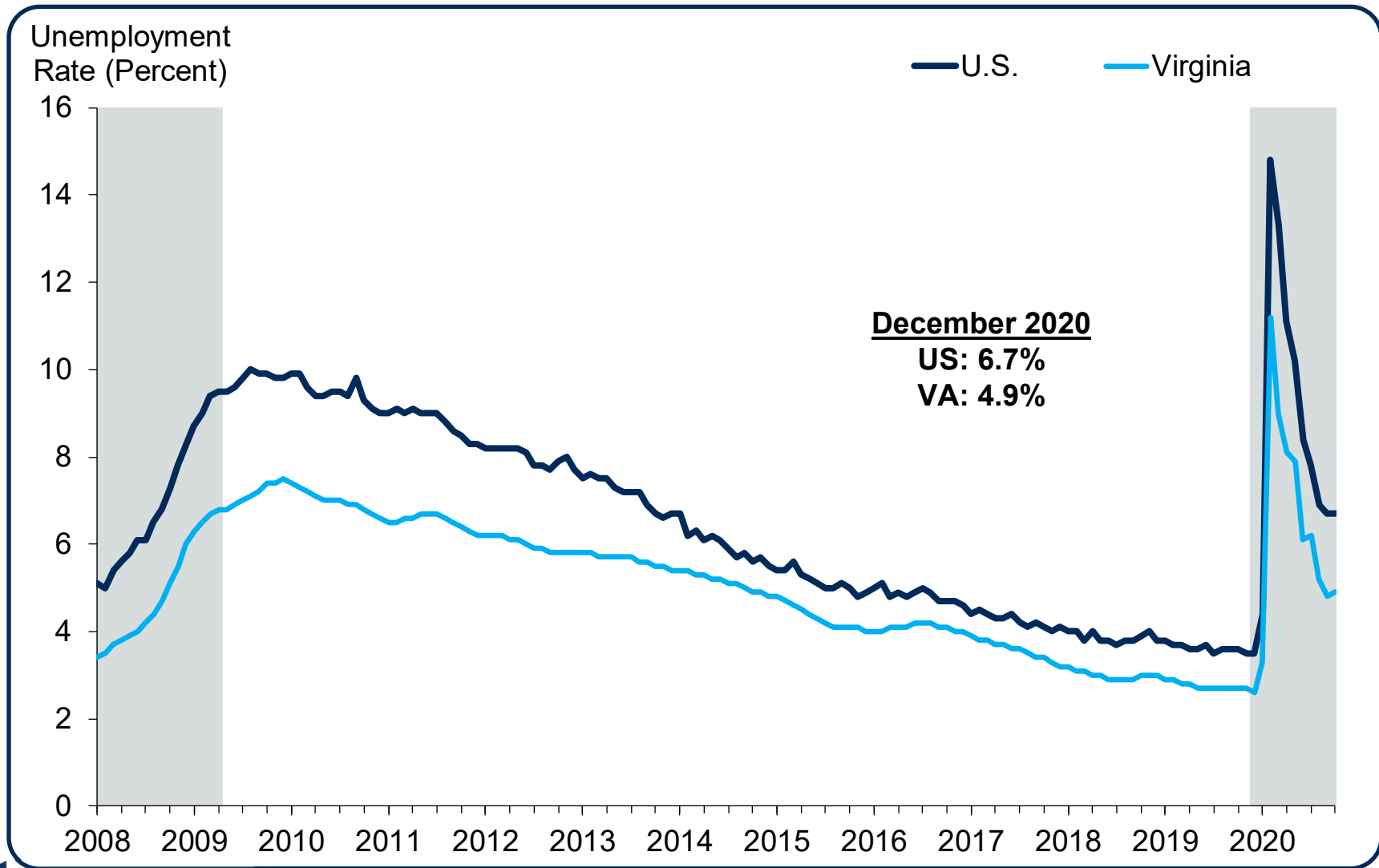
Share of Covid job losses that have been recovered

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



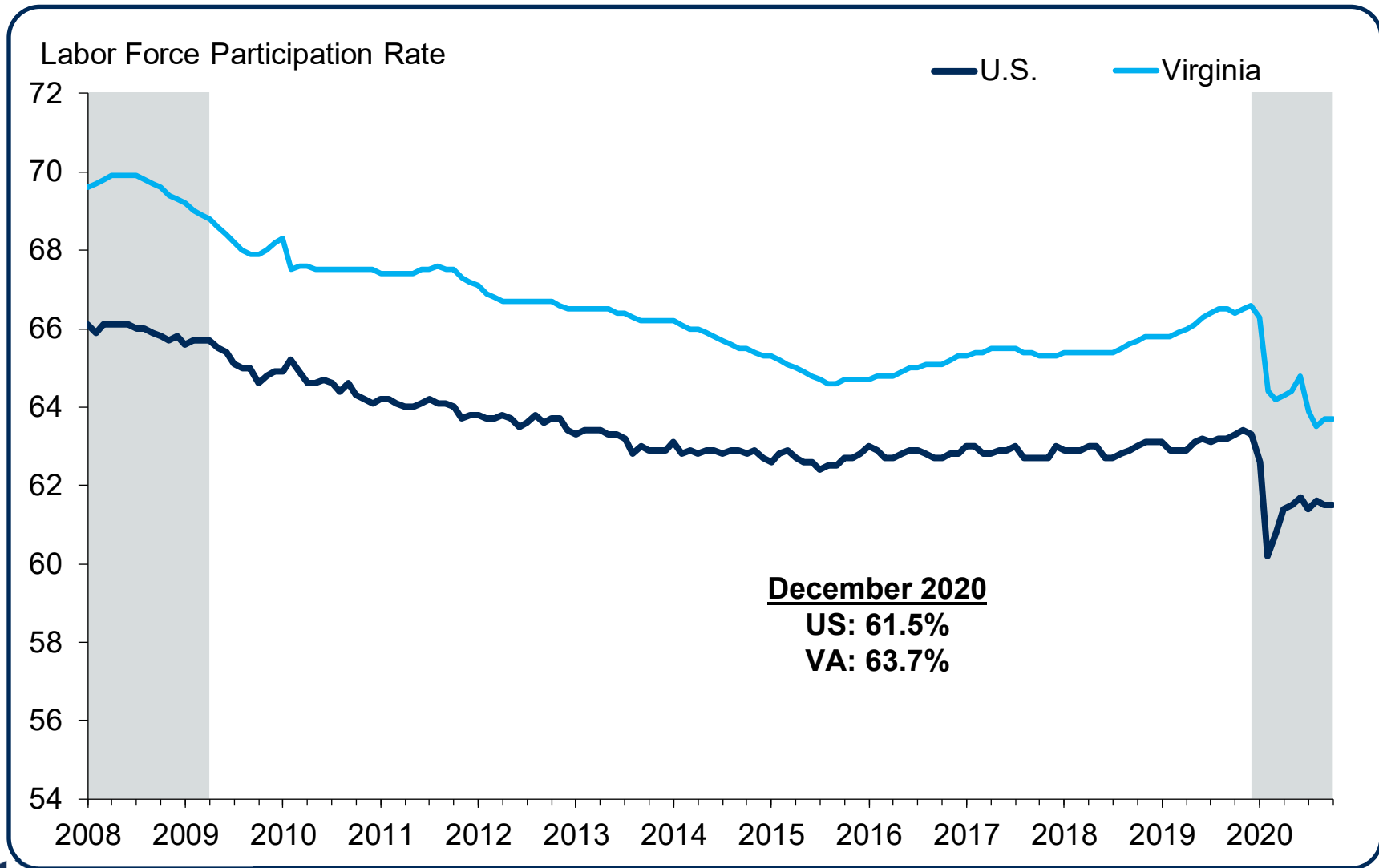
Source: Bureau of Labor Statistics Local Area Unemployment Statistics, Civilian Employment

Unemployment has fallen since its record high...



Source: Bureau of Labor Statistics/Haver Analytics

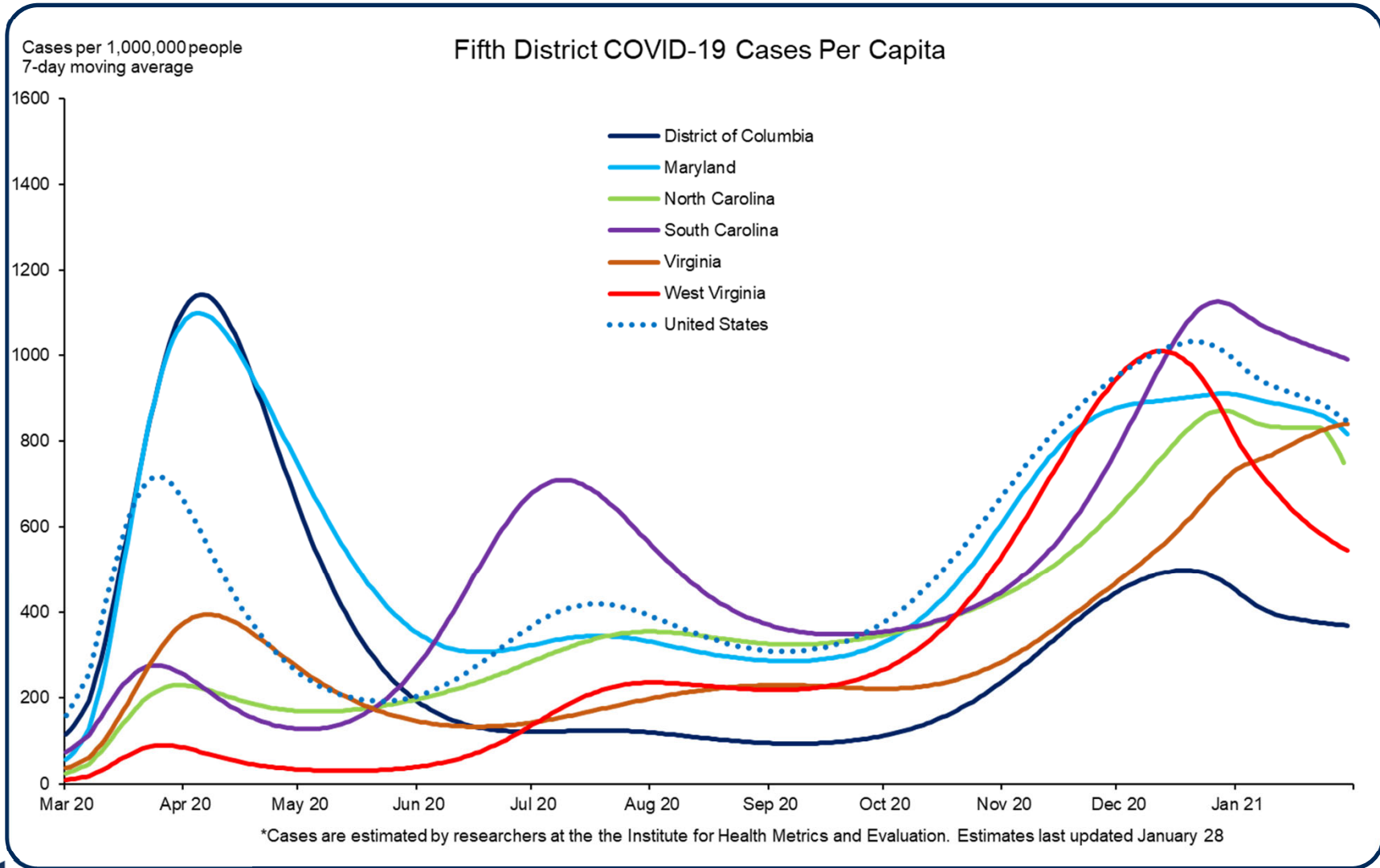
....but so has labor force participation



Source: Bureau of Labor Statistics/Haver Analytics

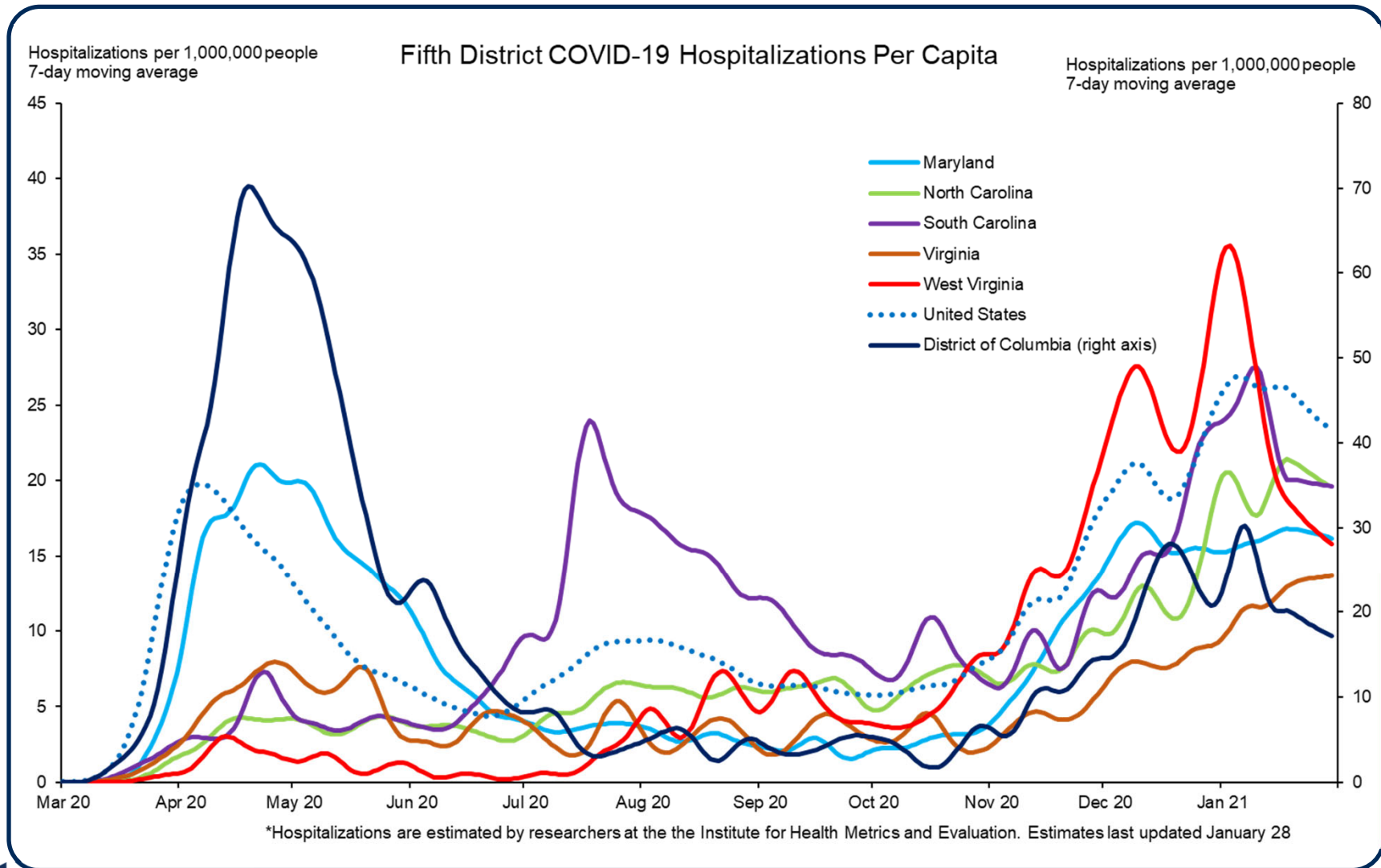
What Is Next?

A source of uncertainty: COVID



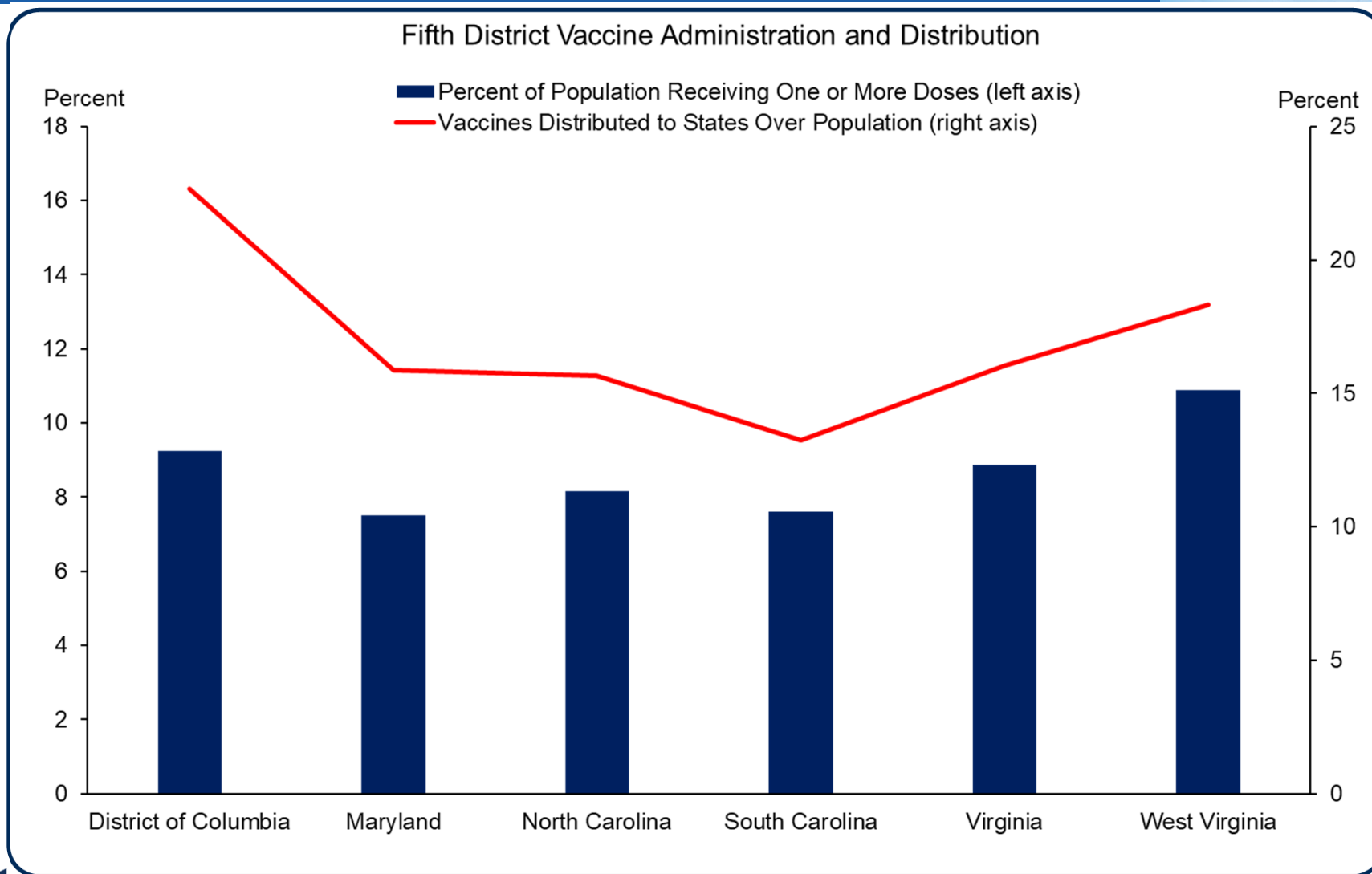
Source: Institute for Health Metrics and Evaluation

A source of uncertainty: COVID



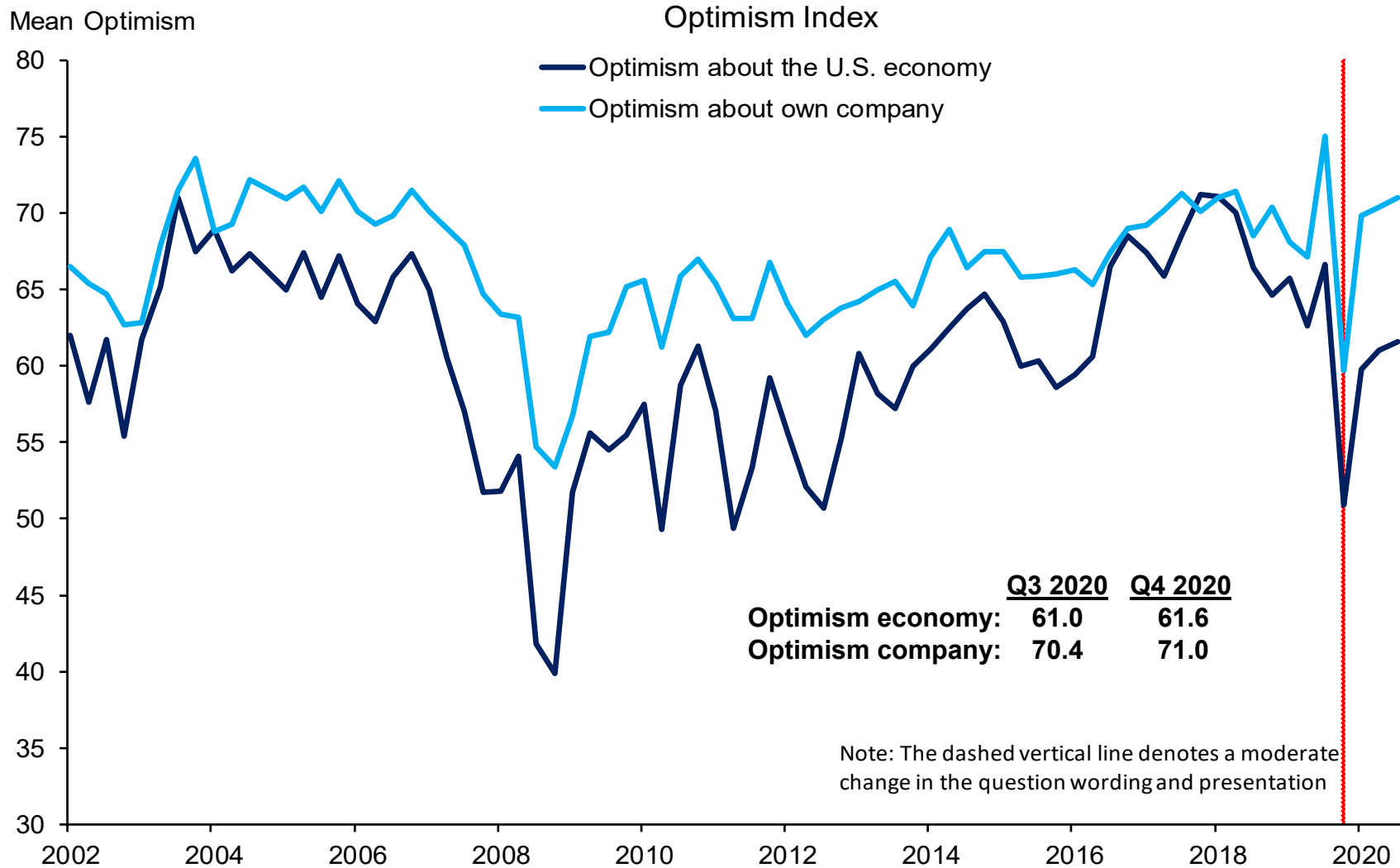
Source: covidtracking.com

A source of hope: Vaccines



Source: Centers for Disease Control and Prevention

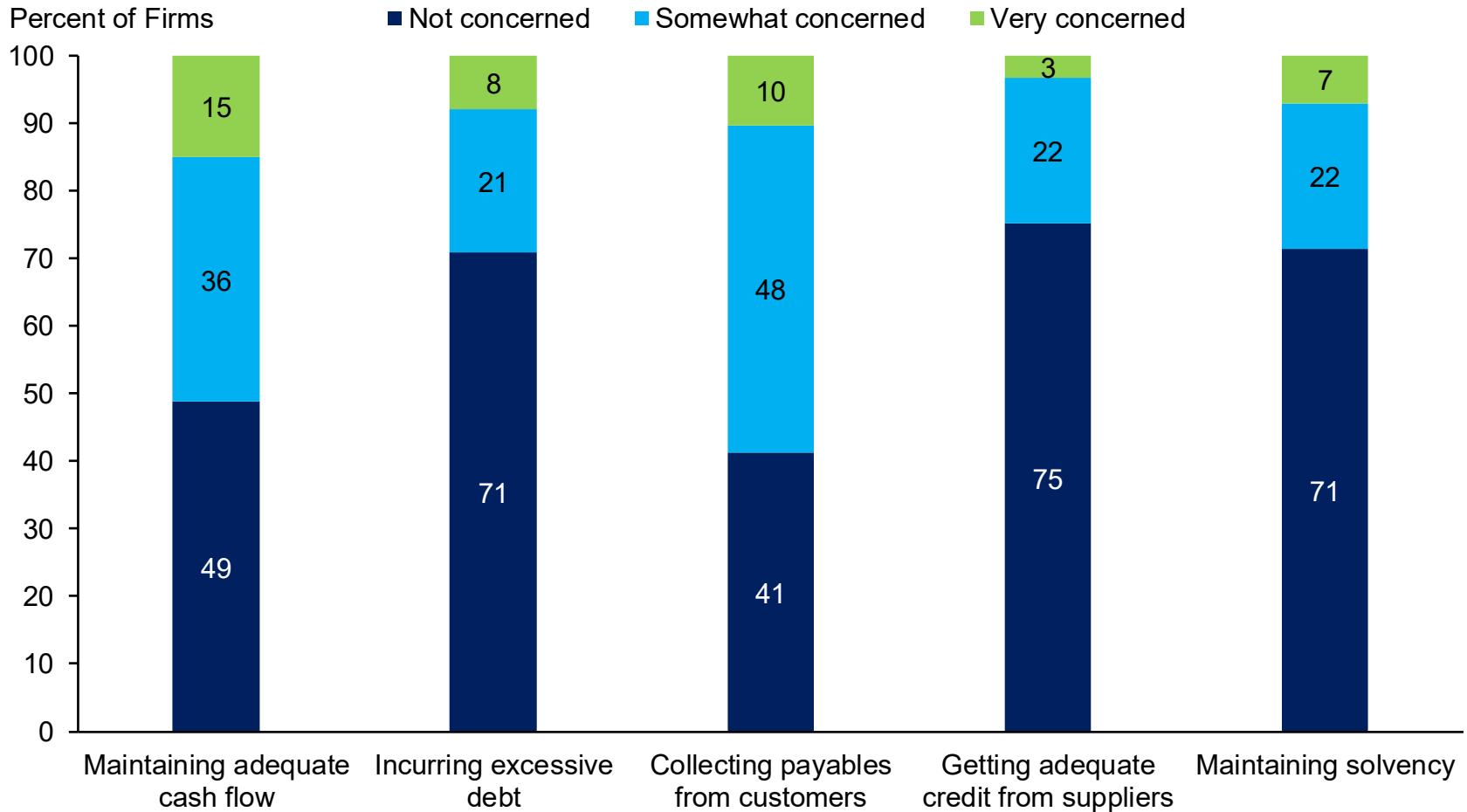
A source of hope: Firm optimism



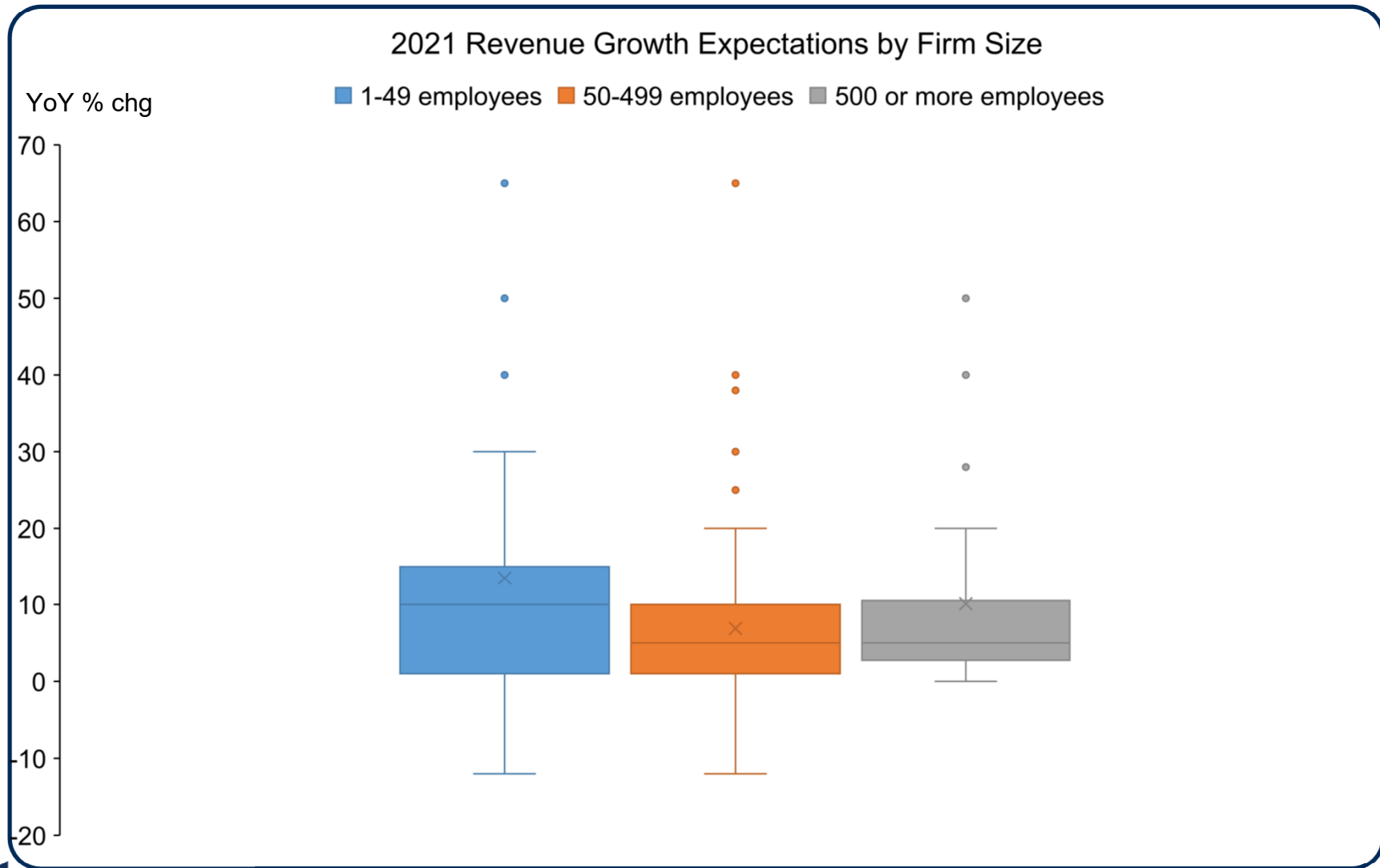
Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta
 Note: Data reflect results from the Q4 2020 survey (November 30-December 11, 2020).

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?

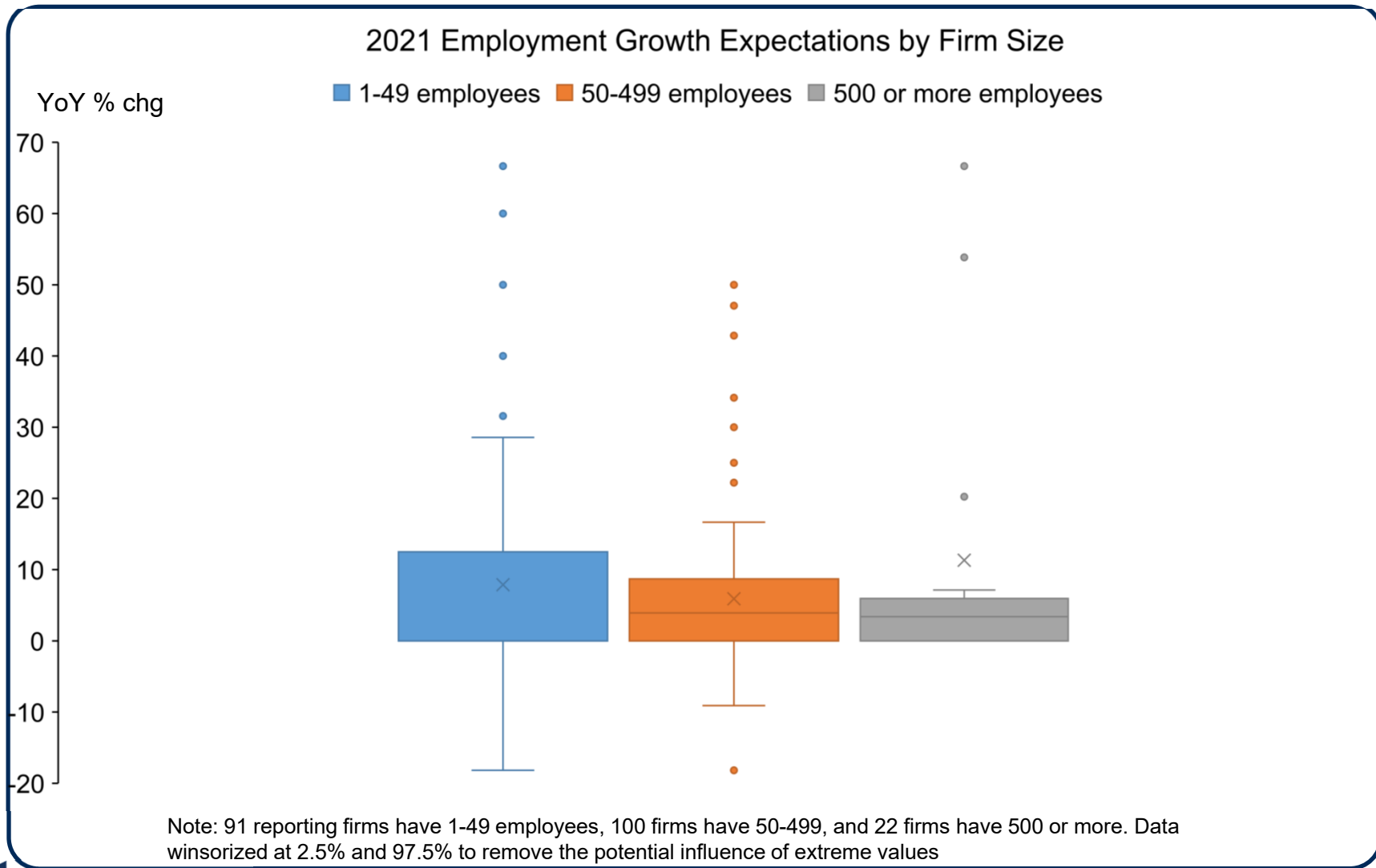


Fifth District firms anticipate revenue growth...

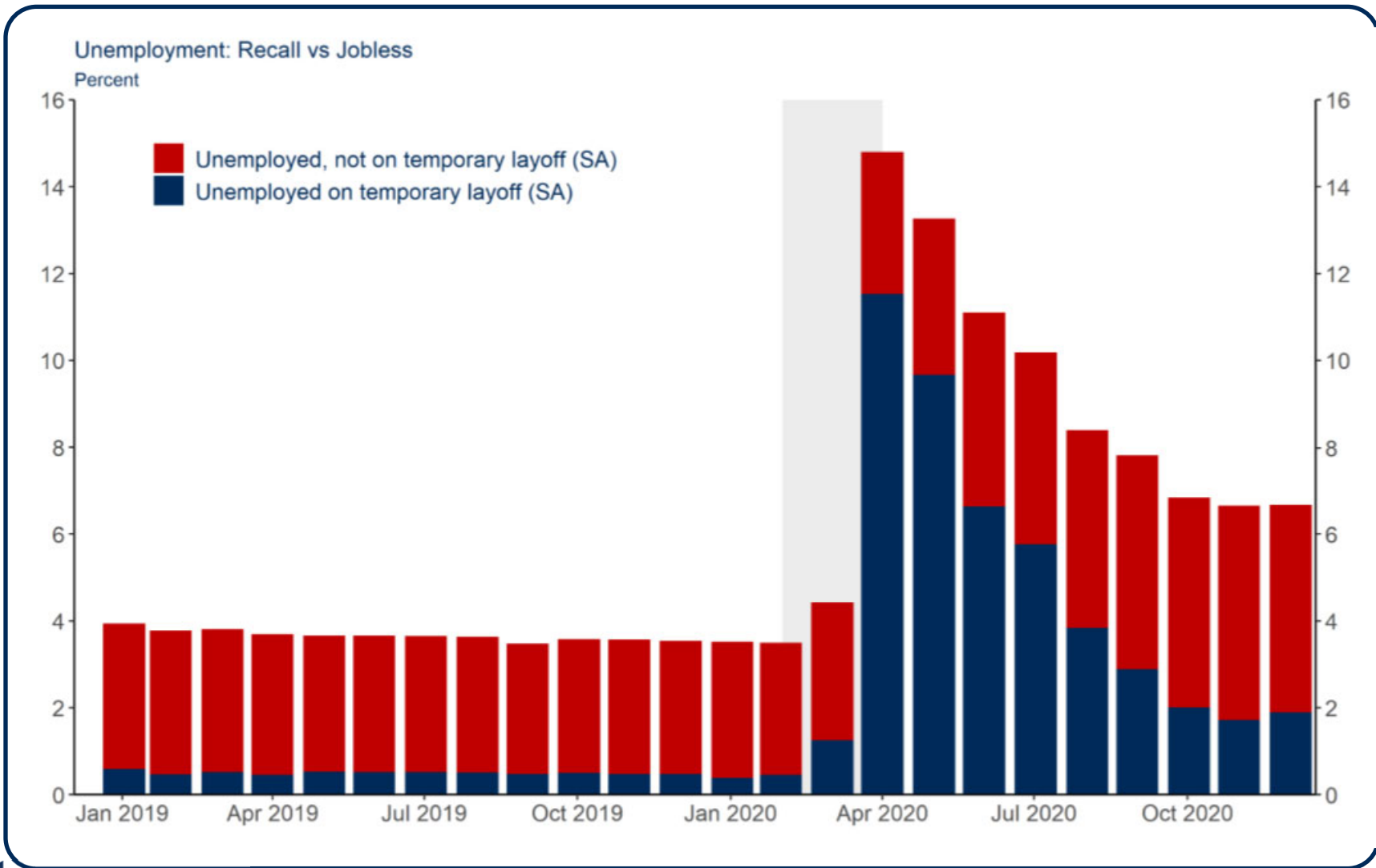


Source: Federal Reserve Bank of Richmond

...and employment growth

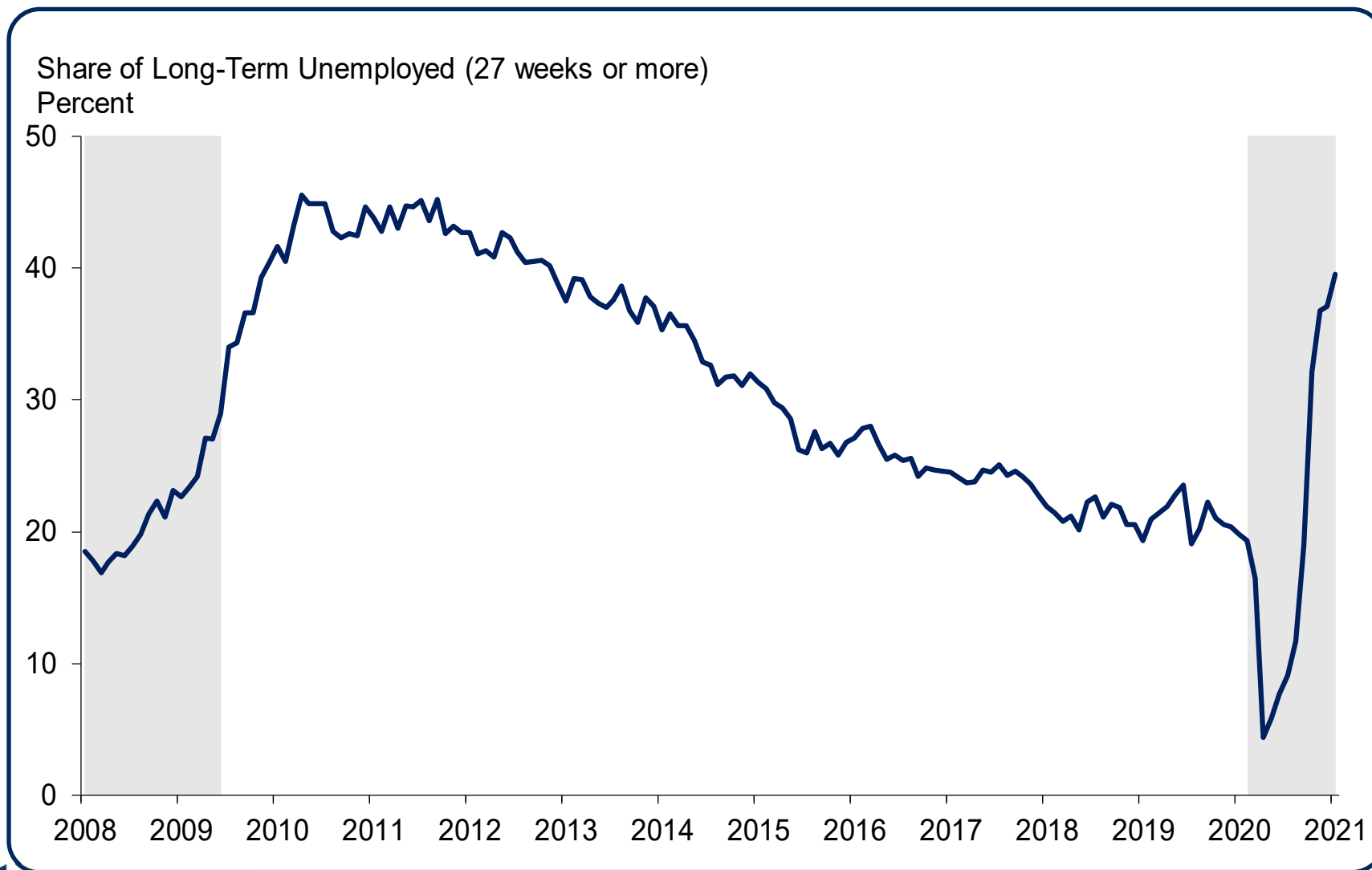


Have we picked the “easy fruit” in employment?



Source: Bureau of Labor Statistics/Haver Analytics

Will the longer unemployment affect employment return?

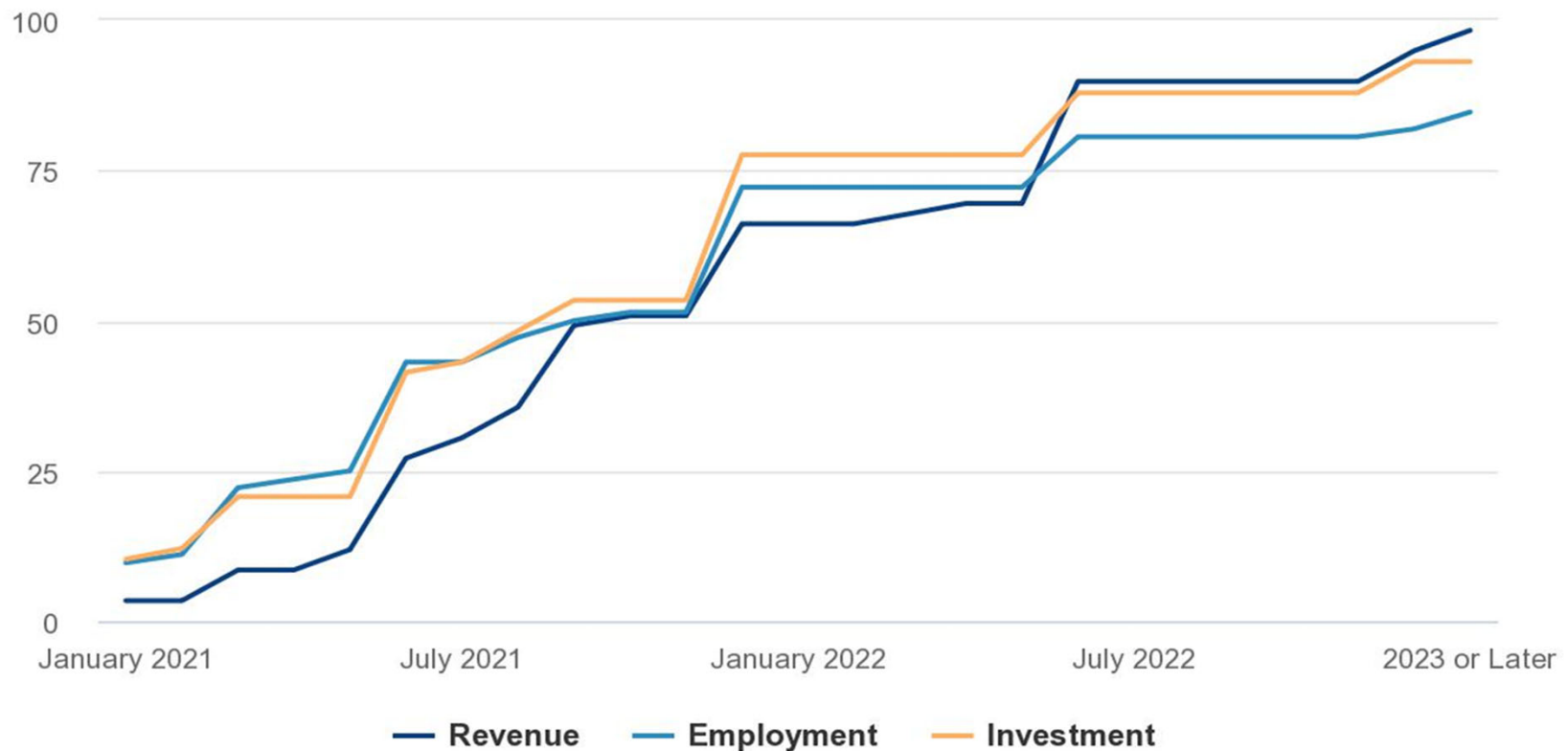


Source: Bureau of Labor Statistics/Haver Analytics

Will our new normal look the same?

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

Cumulative Percent of Firms

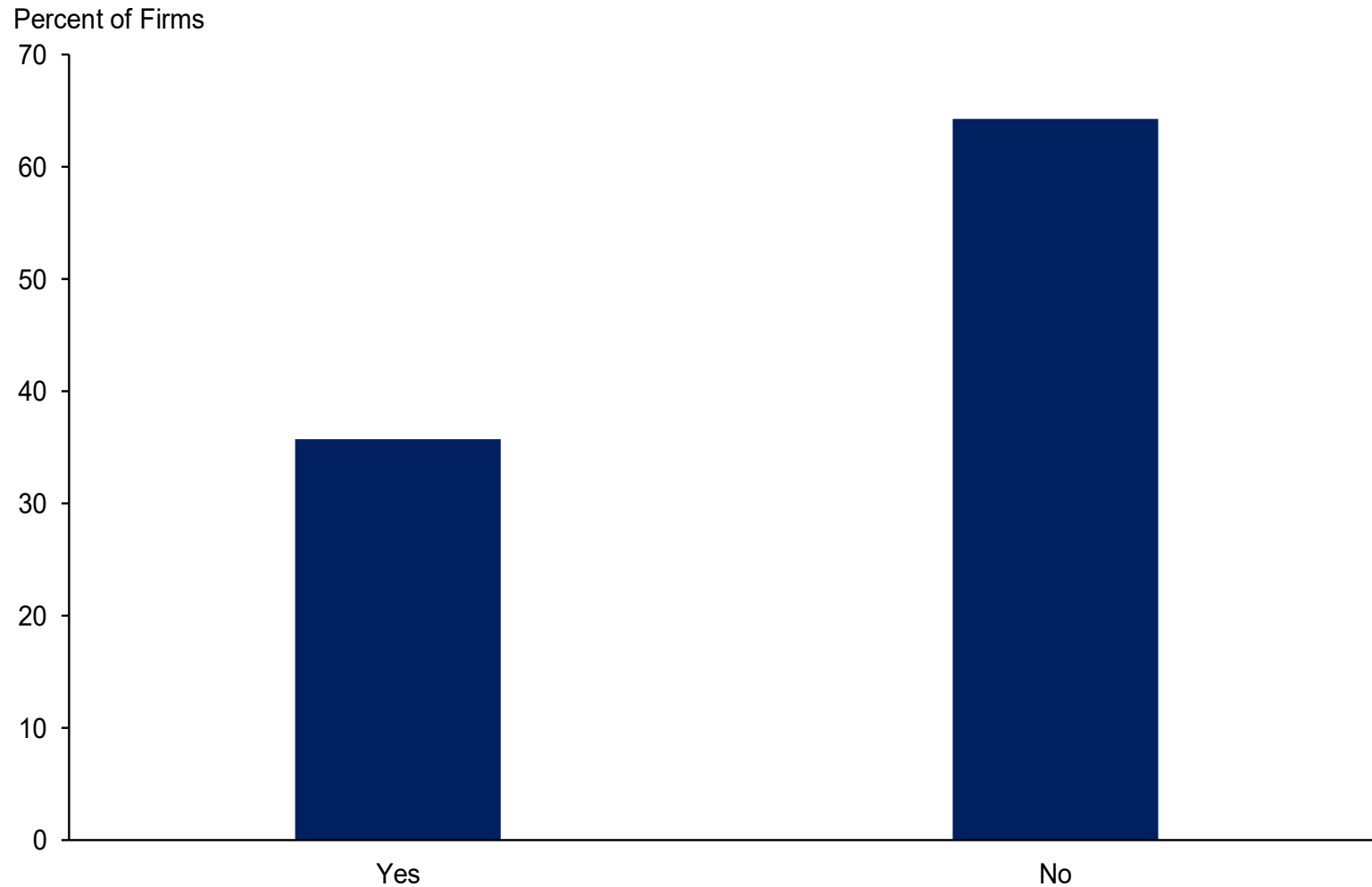


Federal Reserve Bank of Richmond

Source: Federal Reserve Bank of Richmond

What will normal look like? More automation?

Since March Used Automation to Reduce Labor

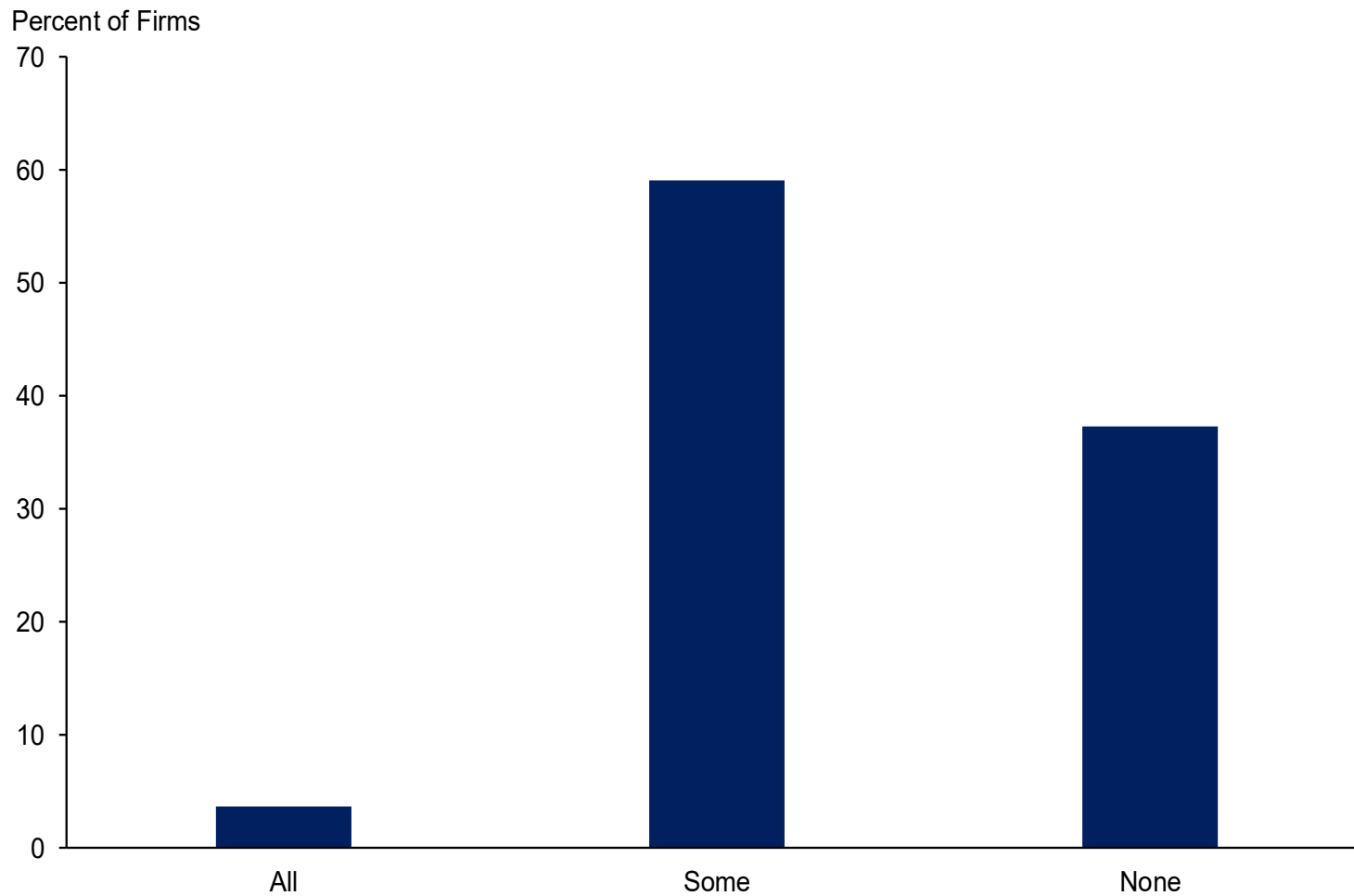


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

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?

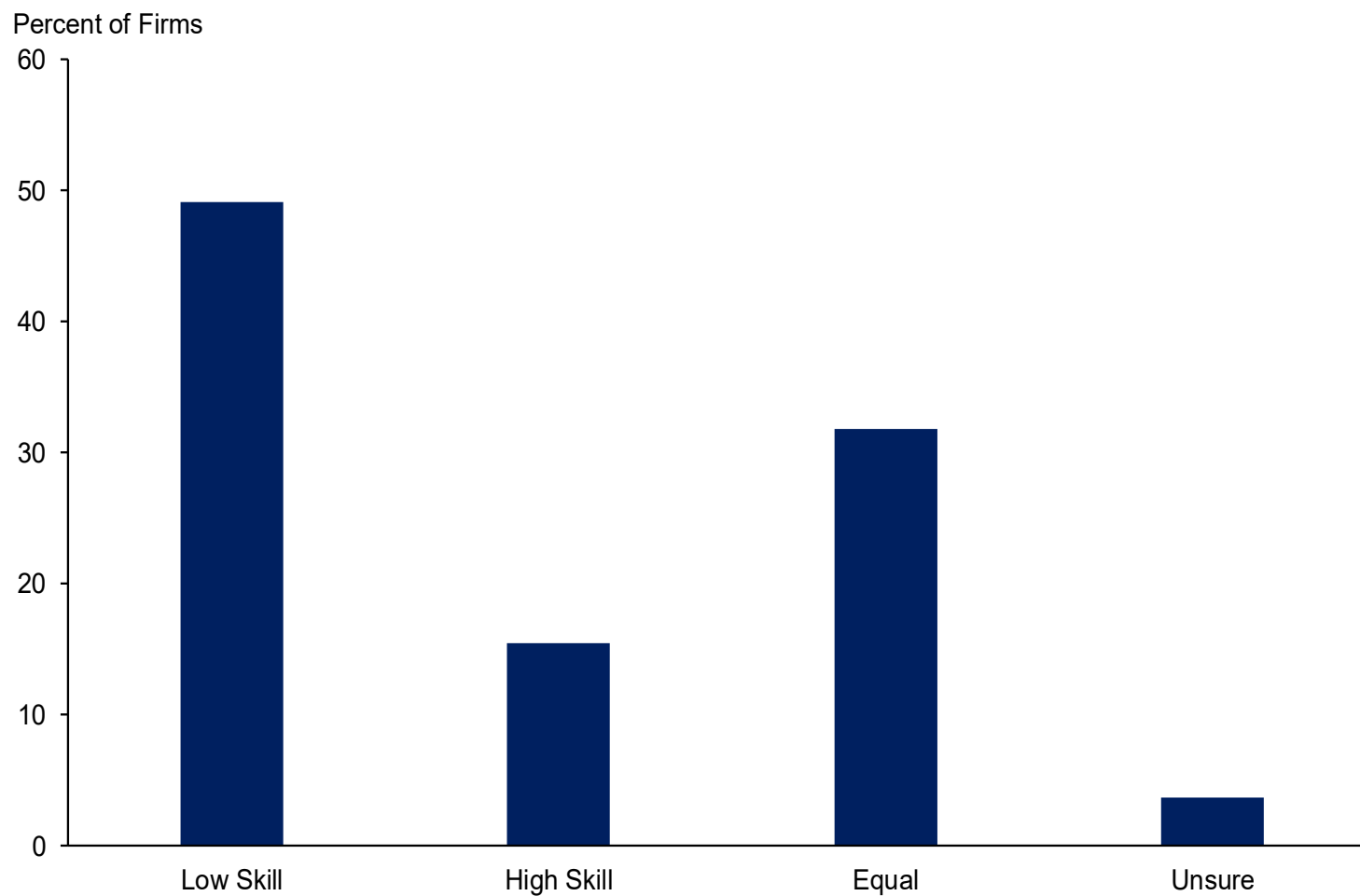


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

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?

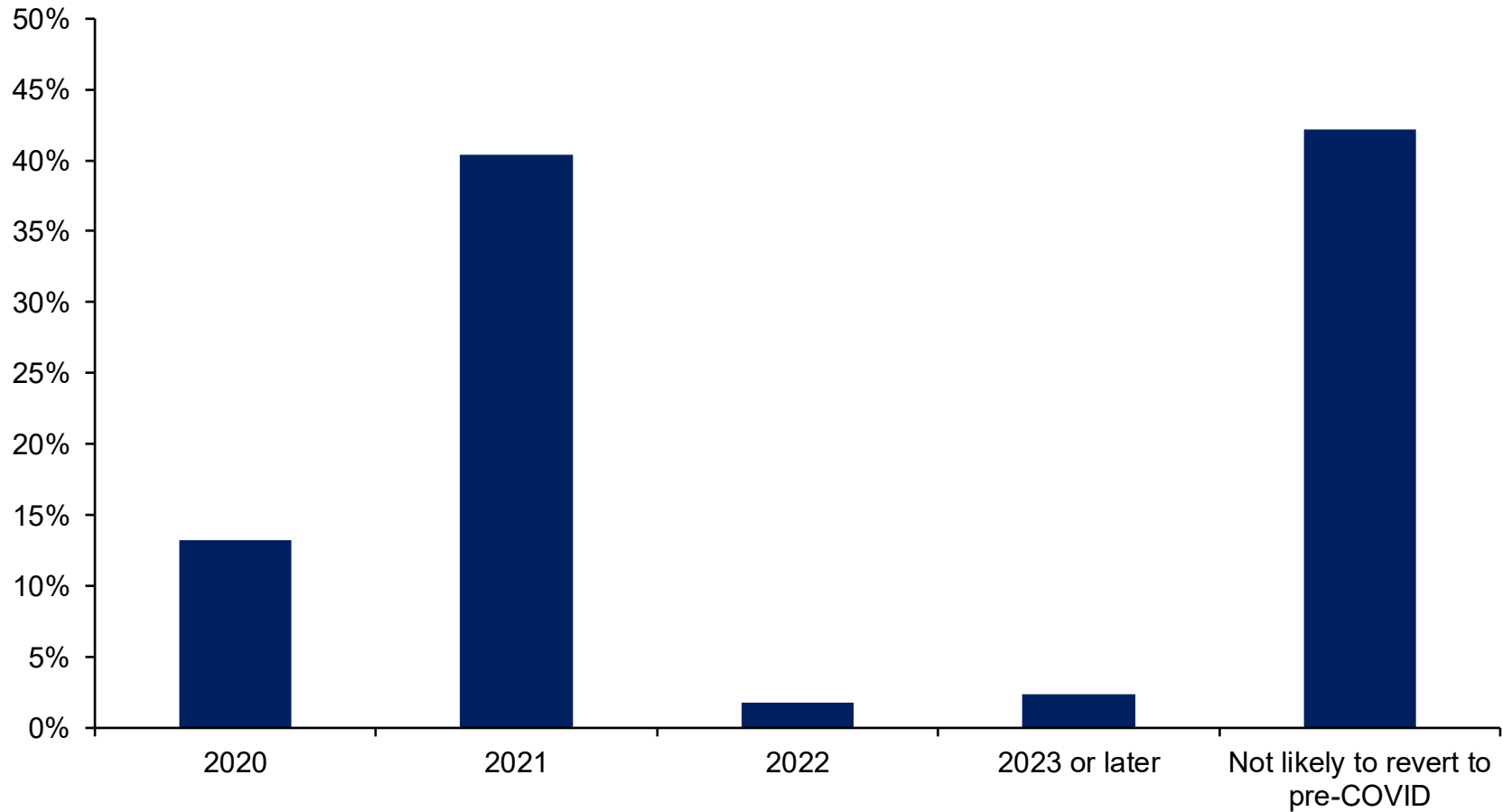


Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

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?



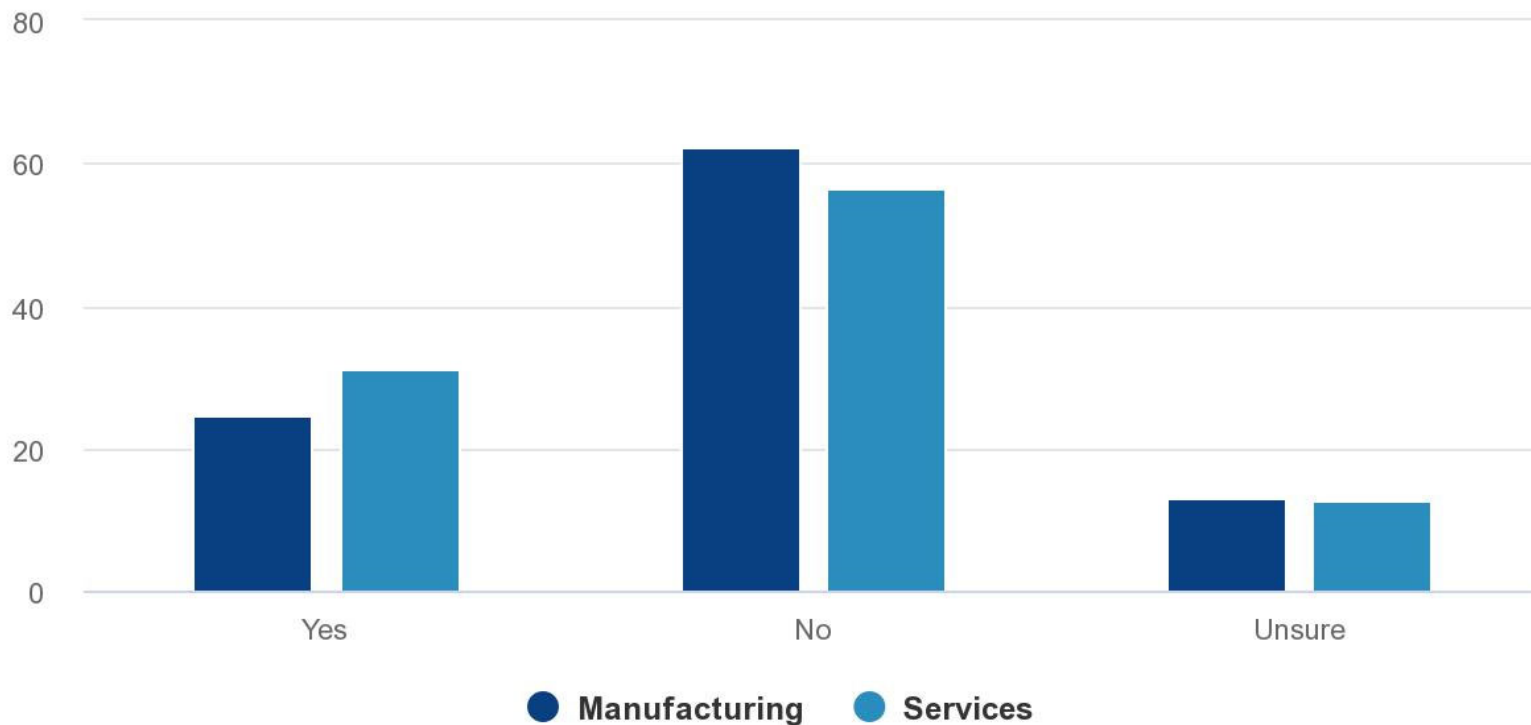
Source: The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta

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



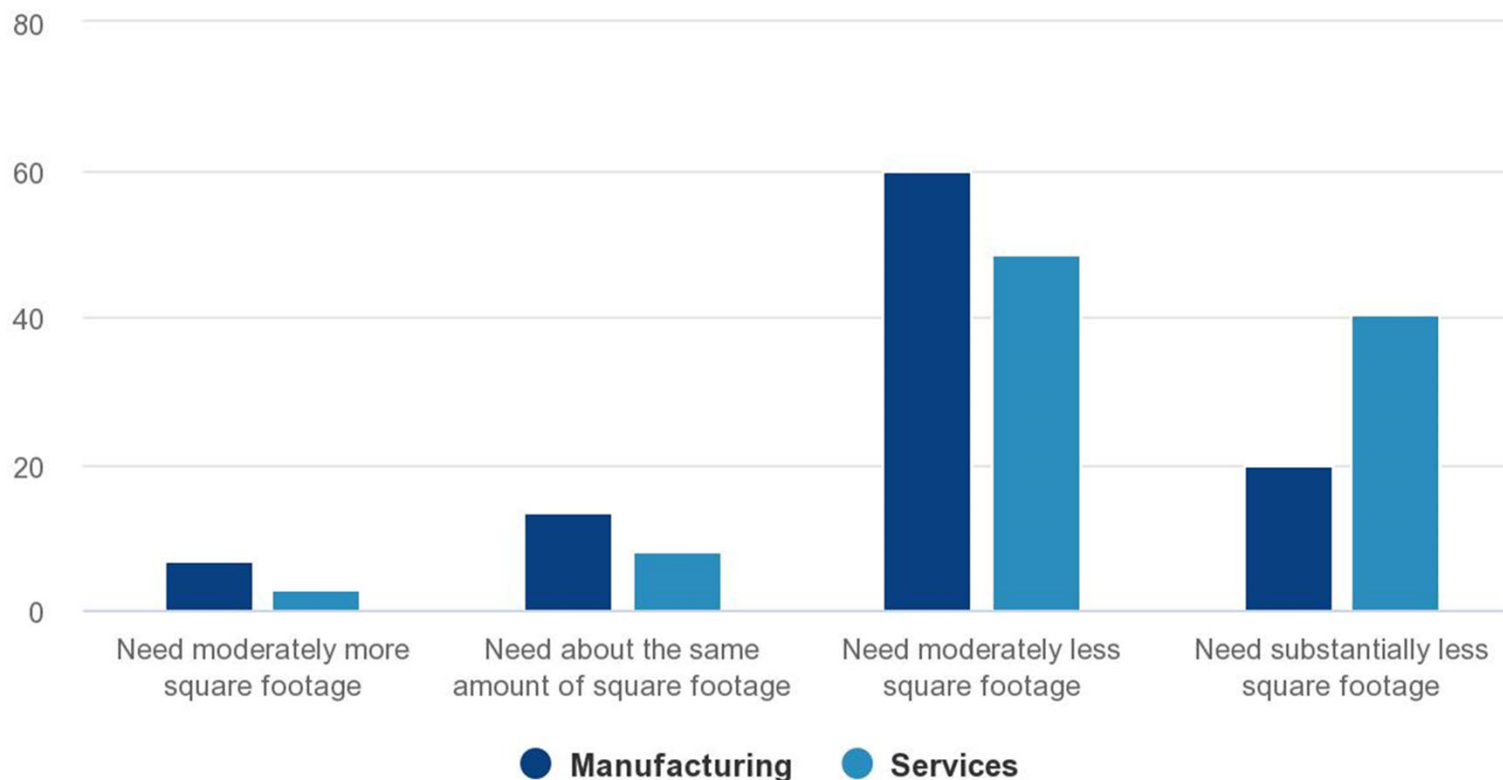
Based on responses from 61 manufacturing and 119 service sector firms

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
- Traditionally, 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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