

# Regional Profiles



## Economic Profile - Virginia

**Economic growth moderated in Virginia in 2008, although the economy generally preformed above the nation. Labor markets fell for the first time in six years, largely due to steep cutbacks in the goods-producing sector. Unemployment rates rose and per capita income continued to increase, albeit at a slightly lower rate than the nation. Real Estate conditions weakened in particular as mortgage delinquencies and foreclosures both reached record highs, while building permits and housing starts plummeted.**

### Economic Contribution

While Virginia's economy continued to expand in 2008, output growth waned for the third consecutive year. In 2008, Virginia's gross domestic product – valued at \$397.0 billion – increased at a real rate of 1.3 percent. The increase was smaller than the 1.8 percent increase in 2007 and marked the slowest growth in the state since 2002. Output in the Commonwealth, however, expanded at a faster clip in 2008 than in the United States in 2008, where GDP rose 0.7 percent. When comparing the real growth in output to other U.S. states, Virginia ranked 26th in 2008. The state's GDP made up 2.8 percent of national GDP during the year.

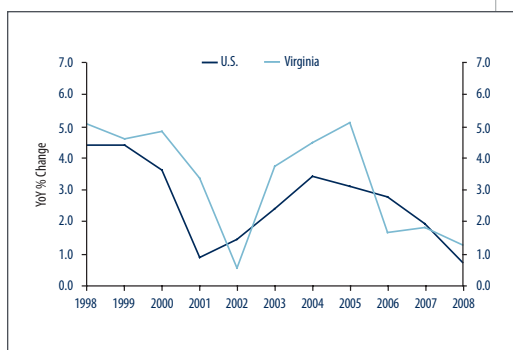
Output growth in Virginia's metro areas generally outpaced the state's growth rate in 2006, the most recent year data is available. The Charlottesville, Lynchburg, and Blacksburg MSAs were the fastest growing metro areas, expanding 4.2 percent, 3.9 percent, and 3.4 percent, respectively. However, these three metro areas only made up 5.8 percent of the Virginia's gross domestic product in 2006. Growth in the Washington, D.C. (2.4 percent), Richmond (0.8 percent), and Virginia Beach (2.8 percent) MSAs experienced more modest growth, while in contrast, output in the Danville MSA declined 4.7 percent in 2006.

### Population

The U.S. Census Bureau estimated Virginia's population to be 7.8 million in 2008. Over the year, the Commonwealth's population grew 0.9 percent, on par with the nation's increase. In the last 20 years, Virginia's population has grown at an average annual rate of 1.3 percent – faster than the national average annual rate of 1.1 percent over the same period. More recently, Virginia's population continued to grow at a faster rate than the nation's from 1999 to 2006; however, this trend was broken in 2007.

The Richmond, Winchester, and Charlottesville MSAs reported the steepest population growth of all metro areas in 2008 as each MSA recorded a 1.2 percent increase over the year. At the county level, population growth in Loudoun County outpaced all other counties for the second year in a row with an increase of 4.6 percent, although neighboring Fairfax County remained Virginia's most populated county. In contrast, the populations of Bath County and Buchanan County contracted in 2008 with declines of 1.8 percent and 1.4 percent, respectively.

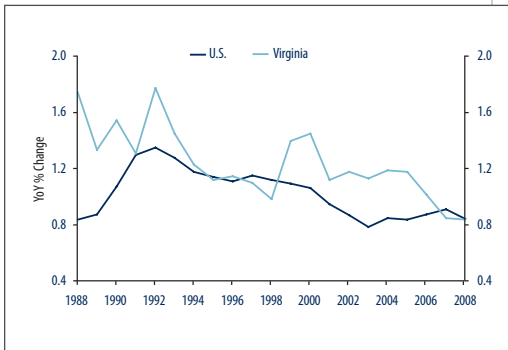
Figure 1: Real GDP



SOURCE: Bureau of Economic Analysis/Haver Analytics

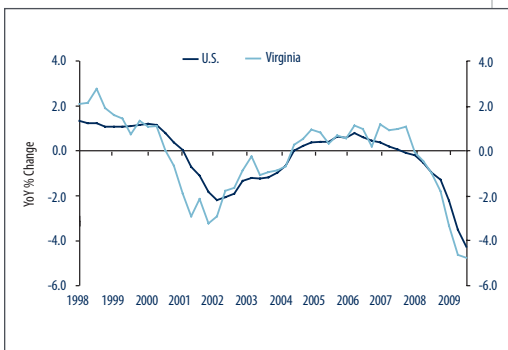
# ECONOMIC PROFILE

**Figure 2: Population**



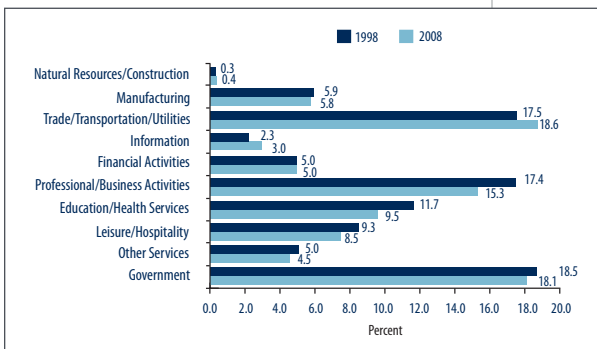
SOURCE: U.S. Census Bureau/Haver Analytics

**Figure 3: Payroll Employment**



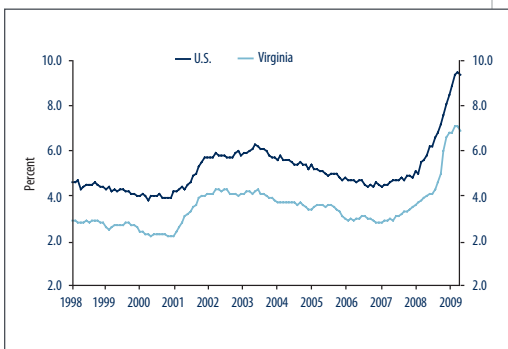
SOURCE: Bureau of Labor Statistics/Haver Analytics

**Figure 4: Employment Share by Industry**



SOURCE: Bureau of Labor Statistics/Haver Analytics

**Figure 5: Unemployment Rate**



SOURCE: Bureau of Labor Statistics/Haver Analytics

## Labor Market Conditions

Payroll employment in Virginia fell 0.1 percent (3,900 jobs) in 2008, slightly outperforming the nation's 0.4 percent (533,000 jobs) decrease. The year marked Virginia's first payroll decline since 2002. As of June, payrolls had declined an additional 1.0 percent in 2009, compared with a 2.4 percent decline nationally over the first six months of 2009.

In 2008, the private sector comprised 81.5 percent of total nonfarm employment in Virginia, while the remaining 18.5 percent was composed of government sector jobs. The private sector shed 0.5 percent (15,500 jobs) of payrolls in 2008, while employment in the government sector expanded 1.7 percent (11,700 jobs). Since 1998, Virginia's government sector has added an average of 8,900 jobs per year.

Within the private sector, service providers comprised 86.7 percent of jobs, while goods producers comprised the remaining 13.3 percent of private non-farm payroll employment. Payroll employment in the goods-producing sector fell considerably in 2008 as Virginia faced steep losses in the construction (7.6 percent, or 17,600 jobs) and manufacturing (4.7 percent, or 13,200 jobs) industries. Manufacturing firms have cut payrolls for ten consecutive years; since 1998, manufacturing firms have shed 111,000 jobs (29.6 percent). Employment trends in construction have been more mixed in the last several years. Payroll employment in the industry increased from 2003 to 2006, but firms cut construction jobs in 2007 and 2008.

At the metro level, changes in payroll employment varied. In the Winchester MSA, payrolls contracted 3.2 percent, while in the neighboring D.C. metro area – which includes part of Maryland, Virginia, and West Virginia – employers increased payrolls 0.9 percent. The D.C. MSA's increase was the largest in the state over the year, and was matched by the Lynchburg MSA. In the Richmond and Virginia Beach metro areas, payroll growth was notably weaker; employers in the MSAs shed 0.8 percent and 0.9 percent of payrolls, respectively.

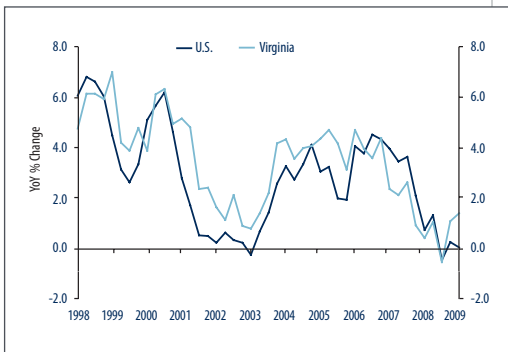
## Household Conditions

Household employment conditions in Virginia softened in 2008. The unemployment rate in Virginia edged up 1.0 percentage point over 2008 as the number of unemployed persons in the state rose by 42,700. Despite the 3.8 percentage point increase between December 2007 and June 2009, the unemployment rate in Virginia (7.1 percent) remained below the nation's jobless rate of 9.5 percent in June. Virginia's unemployment rate has never registered above the national rate in the series' 32-year history.

There was considerable variation in joblessness at a more local level in 2008. The cities of Martinsville, Danville, Williamsburg, Petersburg, and Emporia posted the highest unemployment rates for the year, each 7.0 percent or higher. Conversely, cities in northern Virginia – Alexandria and Fairfax – posted the lowest unemployment rate in the state at 2.6 percent. Among counties, Arlington County had the lowest unemployment rate (2.5 percent), while Henry County reported the highest unemployment rate (8.1 percent).

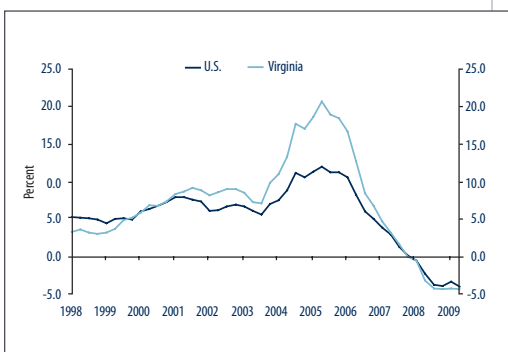
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**Figure 6: Personal Income**



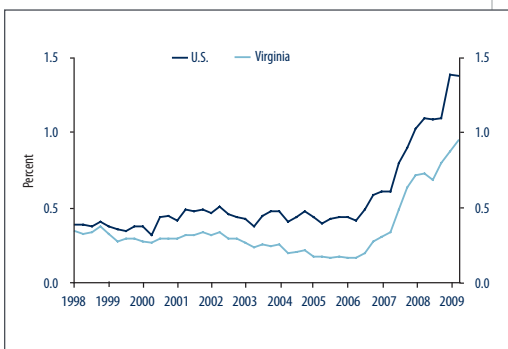
SOURCE: Bureau of Economic Analysis/Haver Analytics

**Figure 7: House Price Index**



SOURCE: Federal Housing Finance Agency/Haver Analytics

**Figure 8: Foreclosures Started**



SOURCE: Mortgage Bankers Association/Haver Analytics

Per capita income in Virginia increased 2.8 percent in 2008, slightly slower than the national 2.9 percent increase. Nevertheless, Virginia's per capita income of \$42,876 remained higher than the U.S. figure of \$39,751. From 2001 to 2005, per capita income in Virginia rose at a faster clip than in the U.S., but from 2006 to 2008 the national per capita income increased at a greater rate than that of the state.

### Real Estate Conditions

Real estate markets in Virginia weakened over 2008 as measures of construction activity neared record lows, while foreclosure activity reached a new high. Total building permits in Virginia fell 28.1 percent in 2008, the steepest decline in the series since 1990. The year also marked the fourth consecutive annual decline in permitting activity. The pullback was slightly more moderate than the national decline of 35.3 percent over the year. Housing starts in Virginia decreased sharply by 24.0 percent in 2008, compared to 40.5 percent nationally.

The fall off in existing home sales in Virginia cooled somewhat in 2008 after three years of decline. Home sales fell 7.1 percent (8,400 sales) after decreasing 22.6 percent and 16.3 percent in 2006 and 2007, respectively. Nationally, the drop off in sales was steeper in 2008 at 13.7 percent – the largest annual decline for the U.S. since 1989.

For the first time on record, house prices depreciated on a year-over-year basis in both the U.S. and Virginia. House prices, as measured by the Federal Housing Finance Agency, fell 2.9 percent over 2008 in Virginia and 2.5 percent nationally. From 1997 to 2007, house prices in Virginia appreciated at an average annual rate of 8.7 percent – higher than the national average annual increase of 5.9 percent. At the metro level, changes in house prices varied. In the Roanoke, Lynchburg, Harrisonburg, Danville, and Blacksburg MSAs, house prices continued to appreciate in 2008, while Charlottesville, Richmond, and Norfolk MSAs posted declines.

Mortgage delinquencies in Virginia and the U.S. rose to an all-time high of 6.6 percent and 8.6 percent, respectively, in 2008. Digging deeper, delinquencies on subprime mortgages rose 5.3 percentage points to 23.4 percent – slightly less than the national rate of 23.9 percent. Additionally, prime mortgages rose 1.5 percentage points – the largest one-year increase in the series' history – to 4.2 percent in Virginia, while increasing 2.0 percentage points to 5.6 percent nationally.

Similarly, foreclosure activity hit record highs in 2008 in both Virginia and the nation. Total foreclosure starts in Virginia rose 1.2 percentage points to 2.9 percent in 2008, while nationally increasing 1.4 percentage points nationally to 2.8 percent. Virginia's rate of total foreclosure starts has continuously tracked below the U.S. rate. Both prime and subprime foreclosure rates in Virginia surpassed records set in 2007, rising to 1.7 percent and 14.5 percent, respectively. ■

CONTACT: Sonya Waddell      DEPARTMENT: Research/Regional  
 PHONE: 804.697.2694      EMAIL: Sonya.Waddell@rich.frb.org



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