

Virginia's Labor Market Hits a Soft Patch in July

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The summer lull that characterized the national economy was certainly reflected in Virginia's labor market in July. The employment report revealed a continued slowing in the pace of job growth, with 2011 showing marked contrast to the performance of late 2010. Meanwhile, despite disappointing job growth in recent months, Gov. McDonnell was able to announce a budget surplus of \$544.8 million for fiscal year 2011 primarily due to revenues that came in higher than originally estimated. This reflects the faster rate of job growth in late 2010 and early 2011 and suggests that the state has entered the next fiscal year, which started in July, from a relatively strong position.

According to the recent payroll survey, Virginia shed 1,200 jobs in July, after adjusting for seasonal variations, extending the losing trend to three consecutive months. Earlier in the year, job gains were significant. Indeed, the state added over 34,000 jobs during the first four months of the year, with contributions from both the private sector and the government sector. However, since April the state lost over 19,000 jobs, with private sector losses exceeding declines in government payrolls. Since July 2010 the state claimed a modest addition of 8,300 jobs, or just 0.2 percent growth, compared to a higher 1.0 percent rate of job growth in the nation for the same period. Virginia was one of 19 states registering a decline in employment for July. Despite the decline in the headline payroll number for the state, eight of the 10 major metropolitan areas added jobs in July. Together, the state's top 10 metro areas added 5,400 jobs during the month, even accounting for losses in Richmond and Roanoke. By implication, losses in the smaller metros and rural areas more than outweighed the larger metro area gains.

Across industries, three sectors—trade, transportation and utilities; private education and health services; and leisure and hospitality—created the largest number of jobs during July, while financial activities registered the largest percentage increase. Professional and business services lost jobs in both June and July for a two-month decline of 4,000 employees, although this sector added the greatest number of jobs year to date (7,700). The government sector lost more jobs in July than any other sector (4,600), with most of the contraction concentrated in local government, which registered four straight months of decline. Ongoing weakness in the residential housing market translated to a reduction of 3,000 jobs in the construction sector, while smaller declines occurred in manufacturing, information, and other services.

July's household survey provides further evidence of deterioration in the labor market. Virginia's unemployment rate edged up for the first time since December 2009, to a level of 6.1 percent. The rise in the unemployment rate reflected an increase in the number of unemployed individuals as well as a decline in the number of people in the labor force. While Virginia's unemployment rate for July was better than the national rate of 9.1 percent, it was still double its pre-recession level.

In Virginia, as in the rest of the nation, job creation remains a primary concern for the recovery. Among the headwinds facing Virginia's economy, local governments are dealing with budget constraints that limit their ability to hire and spend, while property tax revenues face downward pressure from the weak housing market.

