

Regional Update

Virginia Maintained a Moderate Pace of Job Growth in February

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Virginia businesses generated employment growth at a moderate pace during February with a gain of 6,300 jobs for the month after accounting for seasonal variations. Although last month's gain was revised down to 600 jobs, the trend over the past several months has been an average monthly gain of nearly 5,000 jobs, so February's number helped to maintain a healthy pace of growth. Job gains were widespread across various industry sectors and were also dispersed geographically. Meanwhile, the statewide unemployment rate declined further this month, to 5.7 percent as reported by the monthly household survey. In the past three months, the unemployment rate dropped by one-half percentage point. Among states, Virginia tied Minnesota and Utah for the seventh lowest unemployment rate in the nation.

Job growth in Virginia was driven primarily by private sector gains, but the government sector also contributed to job growth in February. Over the past year, the percentage gain in private sector jobs was on par with the growth in government sector jobs, with both posting an increase of 1.0 percent. Nationally, the private sector grew by 2.1 percent over the past 12 months, while the government sector contracted slightly. In many states, the government sector has been a drag on job growth as tax revenues have lagged the recovery and weak housing markets have hit local government budgets particularly hard. Virginia appears to have fared better, on the whole, than many other states.

By industry sector, February's employment data provided evidence of continued strong growth in financial services (2,500 jobs), leisure and hospitality (2,300 jobs), and health services (3,000 jobs). Notably, the manufacturing sector in Virginia also added jobs for the month, even though payrolls are down in this industry relative to a year ago. Employment in the professional and business services sector was basically flat for the month of February, and over the past year this sector has grown by a scant 0.5 percent, after generating significant growth during 2010. Not unexpectedly, the construction sector suffered the greatest contraction for the month, with a decline of 1,500 jobs that added to the losses over the past year.

When looking across the major metropolitan areas of the state, employment declined for the month of February in the "golden crescent" region – extending from Northern Virginia, through Richmond, and including Norfolk-Virginia Beach – with a combined loss of 11,200 jobs. Other metropolitan areas offset some of this loss, most notably Blacksburg, which gained 3,500 jobs. However, gains in the other major metro areas were not enough to offset the overall decline in metropolitan areas, which can only mean that the smaller metro areas and rural areas were making up the difference with significant employment growth.

Employment opportunities expanded at a moderate pace in February, and other indicators underscore the progress made in Virginia's labor markets as well. For example, in February initial unemployment insurance claims fell to their lowest level since June 2008. Nonetheless, Virginia's employment growth has fallen behind the national growth rate and recent softening in Northern Virginia is undoubtedly an important factor constraining growth.

