

Virginia's Job Growth Softened But Did Not Stall, While Unemployment Held Steady in April

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Job growth resumed in Virginia with a net addition of 2,700 workers in April, following a small decline of 500 jobs in March, after adjusting for seasonal variations. For the first time since last September, government sector job gains outpaced private sector gains, primarily due to state government hiring. During the first four months of 2012, job growth averaged just over 3,000 jobs per month. However, for the same period in 2011, Virginia added jobs at nearly double that pace. Despite the softer pace of job growth, the unemployment rate held steady at 5.6 percent for a second consecutive month, as reported in the monthly household survey.

State employment growth has underperformed relative to the nation for all of the past year, with year-over-year growth of 0.9 percent in Virginia compared to 1.4 percent in the nation. Across major industry sectors, employment gains were widespread, with monthly and year-over-year gains in leisure and hospitality; education and health services; trade, transportation and utilities; and financial activities. Notably, professional and business services registered the greatest loss in jobs over the past 12 months. Normally this sector is an engine of employment growth for the state, but that growth has slowed in the past few months and the April data indicated the first year-over-year decline in employment in over two years. The information, construction, and manufacturing sectors also lost jobs over the past year, although employment in the manufacturing sector leveled off in April.

The largest metropolitan area in the state barely registered any job change at all, as Northern Virginia lost just 300 jobs for the month of April, following a revised increase of 1,700 jobs in March. Richmond accounted for much of the job loss in the state, accompanied by smaller declines in Lynchburg and Roanoke. Job growth was greatest in Danville, Harrisonburg, and Charlottesville, although the relatively small size of these metro areas resulted in a combined job gain of only 1,900 jobs.

The unemployment rate in Virginia held steady at 5.6 percent in April, placing Virginia among the 10 states with the lowest unemployment rate in the nation. The labor force, however, declined for three out of the past four months, indicating that some workers may have given up their search. For all of 2011, the labor force in Virginia grew during each month, so the recent weakness is somewhat discouraging. Moreover, initial claims for unemployment insurance ticked up in April after experiencing a decline in the several preceding months. Although initial claims are volatile from month to month, even the smoother three-month average increased in April.

The labor market information for April suggested that the economy continued to expand moderately, but trended below the national growth rate in recent months. The normal drivers in Virginia – professional and business services and the Northern Virginia market – have been subdued for reasons that almost surely relate to uncertainty over federal government contract spending. Until a clearer path on spending becomes visible, firms will likely remain conservative in their hiring decisions.

