

Virginia Employers Pull Back in August, But Unemployment Rate Holds Steady

By Ann Macheras, Regional Research VP (ann.macheras@rich.frb.org)

Virginia's labor market conditions softened in August, with a marked decline in employment and a contraction in the labor force, while the unemployment rate remained unchanged from its July level. Virginia's employers shed 12,400 jobs in August, after adjusting for seasonal variations, while the July increase in jobs was revised downward by nearly 20,000 jobs to an increase of just 1,000 jobs, according to the most recent Bureau of Labor Statistics release. Although monthly variations in employment are subject to sizeable swings, the average monthly decline over the past three months was 3,200 jobs, indicating that employment growth has weakened relative to earlier in the year.

Declines in employment were broad based across many industry sectors in August. The private sector loss of 16,600 jobs was partially offset by an increase of 4,200 jobs in the government sector, mostly on the part of local government. Among the major private industry sectors, other services—which includes industries such as auto repair and maintenance, and personal and laundry services—was the only sector to add jobs for the month (1,500), while financial activities employment was virtually flat. On the negative side, the leisure and hospitality sector shed 6,300 jobs and several other sectors lost over 2,000 jobs for the month, including construction, trade, transportation and utilities, education and health services, manufacturing, and professional and business services. Over the 12 months through August, Virginia employers added 30,900 jobs for a 0.8 percent gain, well below the 1.4 percent increase nationally. Two major sectors, manufacturing and construction, lost jobs over this period, while most sectors registered an increase.

With the reversal in the employment trend for Virginia in August, many of the major metropolitan areas of the state posted job losses. The Harrisonburg metro area experienced the largest monthly percentage decline, while the Hampton Roads area accounted for more than half of the state's job loss, with a decline of 7,300 jobs. Northern Virginia added the greatest number of jobs in August while Lynchburg posted the highest monthly percentage increase. Nearly all of the major metro areas experienced an increase of jobs over the last 12 months, with the exception of Roanoke, Harrisonburg, and Winchester. The non-metropolitan areas of the state lost jobs over the past year while the metropolitan areas, taken together, saw job growth.

Whether it is uncertainty about the near-term path of government spending or tax implications for businesses, employers in Virginia are holding back on hiring, based on the news from the latest establishment survey. The unemployment rate in Virginia, reported separately through the household survey, held steady in August at a seasonally adjusted 5.9 percent. While the number of unemployed changed little, the number of people participating in the labor force declined significantly in August, perhaps reflecting frustration by out-of-work job seekers who gave up searching. The only positive labor market indicator this month was a decline in initial claims for unemployment insurance, which dropped for the fourth consecutive month in August. While Virginia's unemployment rate was still well below the national rate of 8.1 percent in August, taken as a whole, the recent data suggest weaker labor market conditions in the state.

