

BY KATRINA MULLEN

New from the Richmond Fed's Regional Matters blog

Jason Kosakow and Sonya Ravindranath Waddell. "Supply and Demand: When Will We See the Balance?"

In the Richmond Fed's February survey of business conditions, only 32 percent of responding firms said they were able to fully meet demand, compared to almost two-thirds that reported being able to fully meet demand prior to the pandemic. The co-authors suggest this drop may be the result of the increasing challenges of finding and paying for inputs and timely freight services. While firms remain divided on how long supply chain disruptions will persist, they generally agree that the main reason for their inability to meet demand is difficulty finding workers, particularly ones who are qualified. To counter the disruptions and to address the labor shortages, firms are raising wages, trying new recruitment methods, asking more of current employees, and increasing automation.

Adam Scavette. "The End of the Digital Divide? The Future of Broadband Post-Infrastructure Investment and Jobs Act (IIJA)."

In addition to addressing the nation's physical infrastructure, the Infrastructure Investment and Jobs Act (IIJA) that President Joe Biden signed into law in November aims to close the digital divide by allocating \$65 billion for broadband deployment, affordability, and digital literacy. (See "Closing the Digital Divide," *Econ Focus*, Second/Third Quarter 2020.) The IIJA's broadband component — which could extend broadband to an estimated 1.7 million unserved people in the Fifth District — addresses both access (the lack of available broadband infrastructure) and adoption (the inability of low-income residents to afford broadband subscriptions even with available infrastructure). For the adoption component, about 30 percent of West Virginia, North Carolina, and South Carolina residents are eligible to receive IIJA's subsidies followed by 23 percent of Virginia and District of Columbia residents, and 17 percent of Maryland residents.

Nicholas Haltom and Jacob Walker. "The Updated Employment Picture."

The Bureau of Labor Statistics released its yearly revisions to historical employment data, highlighting the effects of the pandemic on employment as well as the unique challenges that the pandemic created

for data collection and estimation. Before the data revisions, Fifth District states' employment levels had not fully recovered to pre-pandemic levels. The revised data show the same pattern, except in North Carolina, where payroll employment exceeded its pre-pandemic level in July 2021. Other labor market indicators — the unemployment rate and labor force participation (LFP) — both had sharp declines at the beginning of the pandemic, but the data revisions now generally show smaller declines for unemployment rates and little change or near pre-pandemic rates for LFP.



Surekha Carpenter and Molly O'Quinn. "Fifth District Small Businesses Struggle With Operational and Financial Challenges."

Along with the 11 other Federal Reserve Banks, the Richmond Fed conducted its yearly Small Business Credit Survey to ask Fifth District firms about their financial condition, business performance, and access to and use of credit. Over 1,100 small businesses responded to the Richmond Fed survey between September and November 2021. More than half of the firms in the district reported being in poor or fair financial condition — stemming from uneven cash flows, continued operating expenses, and weak sales. Nearly half of district firms

were able to meet only part of their needs through debt financing or were not able to borrow at all, compared with a large share of firms that relied on personal funds or cash reserves.

Adam Scavette. "The Role of Manufacturing in the Rural Fifth District."

Similar to the United States as a whole, the Fifth District's total manufacturing employment has declined in the past four decades. The Fifth District has experienced a faster decline in rural than in urban areas. Despite this, in 2019, North Carolina, South Carolina, and Virginia had a higher share of rural manufacturing employment than the United States. Additionally, in the last decade — in both the district and nationally — the wage premium for manufacturing jobs compared to nonmanufacturing jobs has been higher for workers without college degrees, especially in rural areas. While the manufacturing sector does not employ as many workers today as in past decades, rural counties in the district still rely on manufacturing firms to employ between a quarter and half of their workforce. **EF**