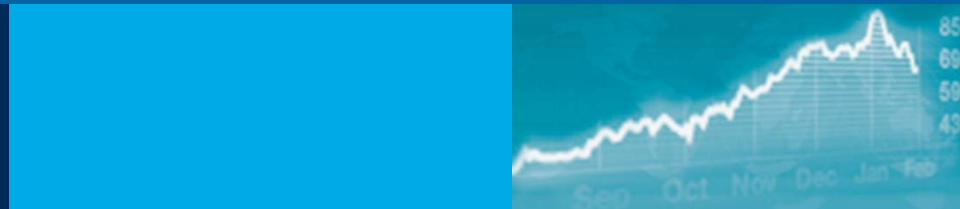




National and Regional Economic Conditions

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November 17, 2020



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Where we started from

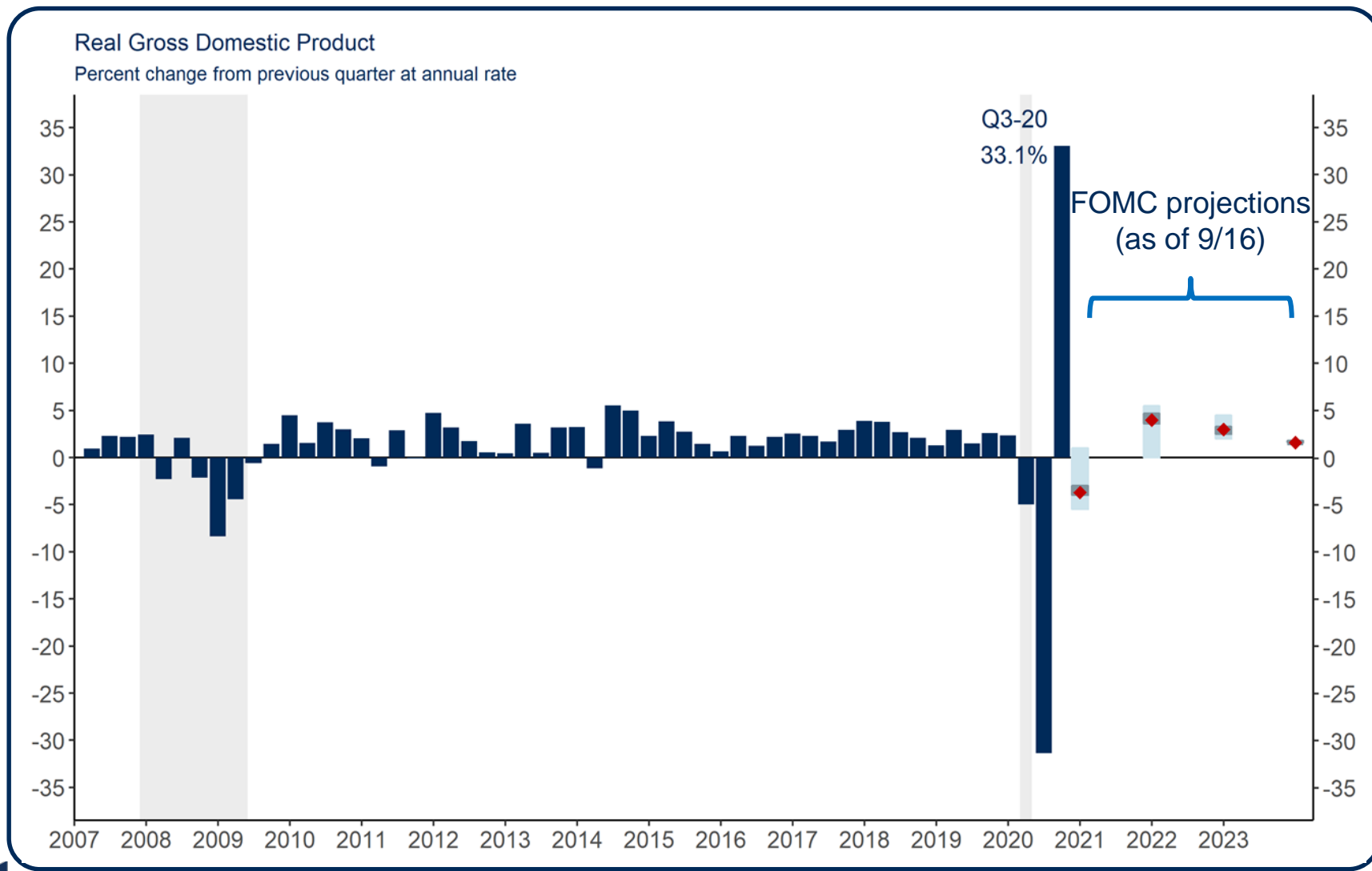
The Pre-Virus Economy

- GDP growth steady
 - Very strong consumer
 - Some softness in business investment
- Banks were healthy
- Tightest labor market in 50 years
 - Helps people on the fringes of the labor market
 - Worker shortages

COVID hit U.S. directly in mid-March, although supply chain frictions started earlier

- **Giant, abrupt declines across the board in March/April**
 - New claims for unemployment insurance ten times the previous record in March
 - Went from tightest labor market in 50 years to record unemployment – in two months
 - GDP fell 31.4% (annual rate) in the second quarter
- **We've seen a sharp bounce back – but still far from recovering COVID losses**
- **And lots of disparity** (by sector, race, gender, income, etc.)

Stunning declines in GDP - our broadest measure

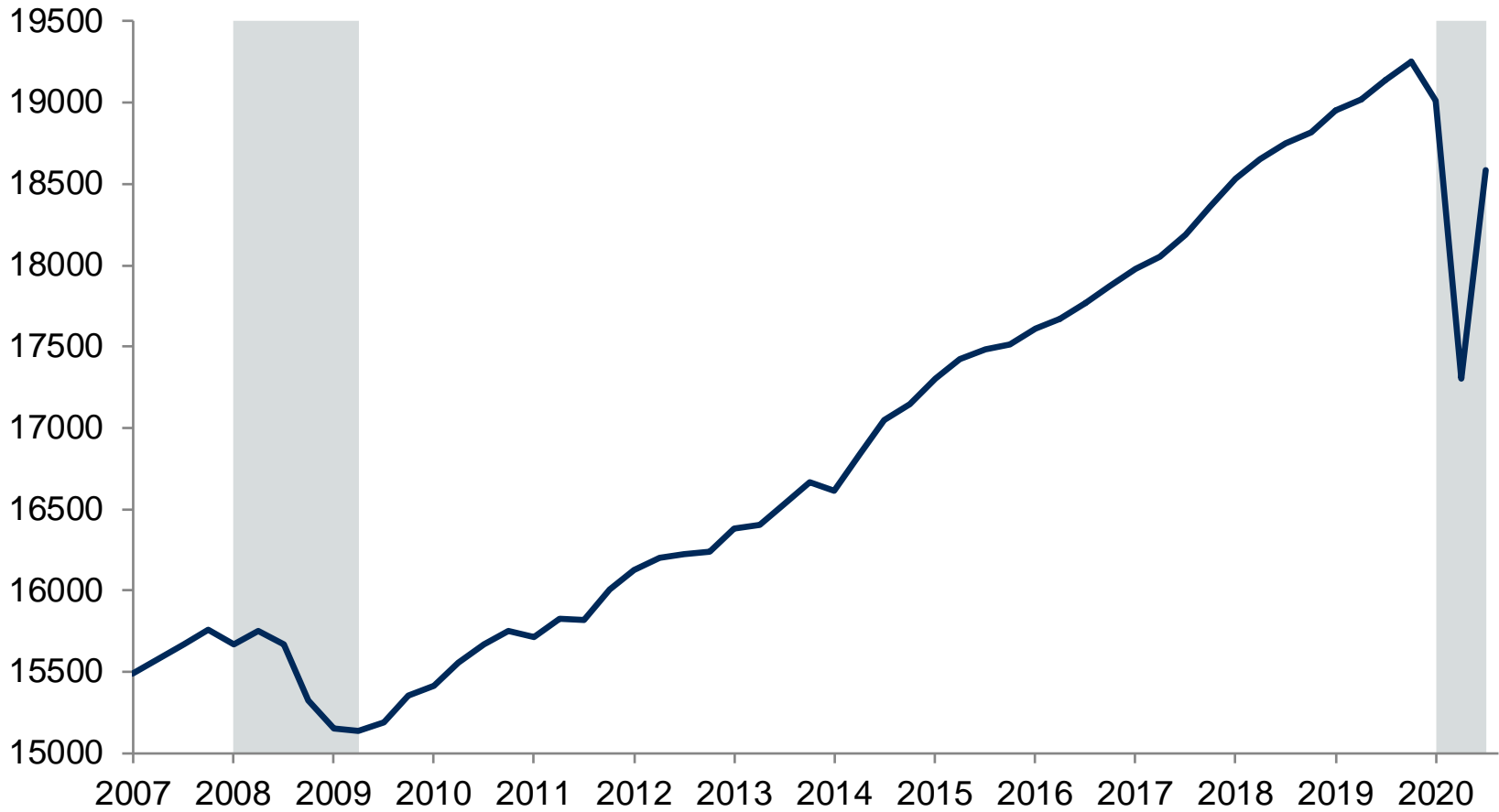


Source: Bureau of Economic Analysis via Haver Analytics

Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the September 2020 meeting. Red dots indicate median projections.

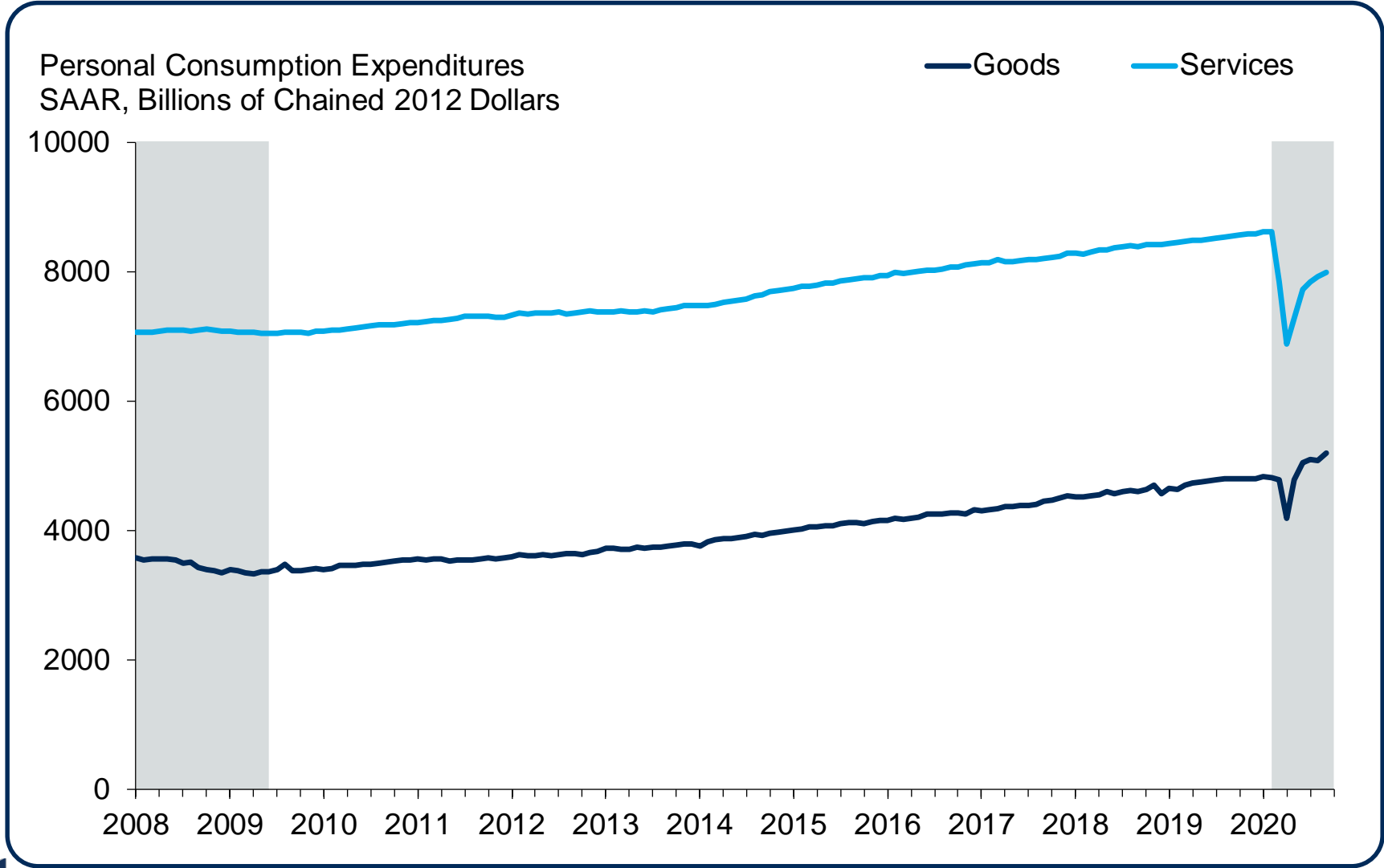
When swings are big, the level tells you more

Real GDP
SAAR, Bil. Chn. 2012 \$



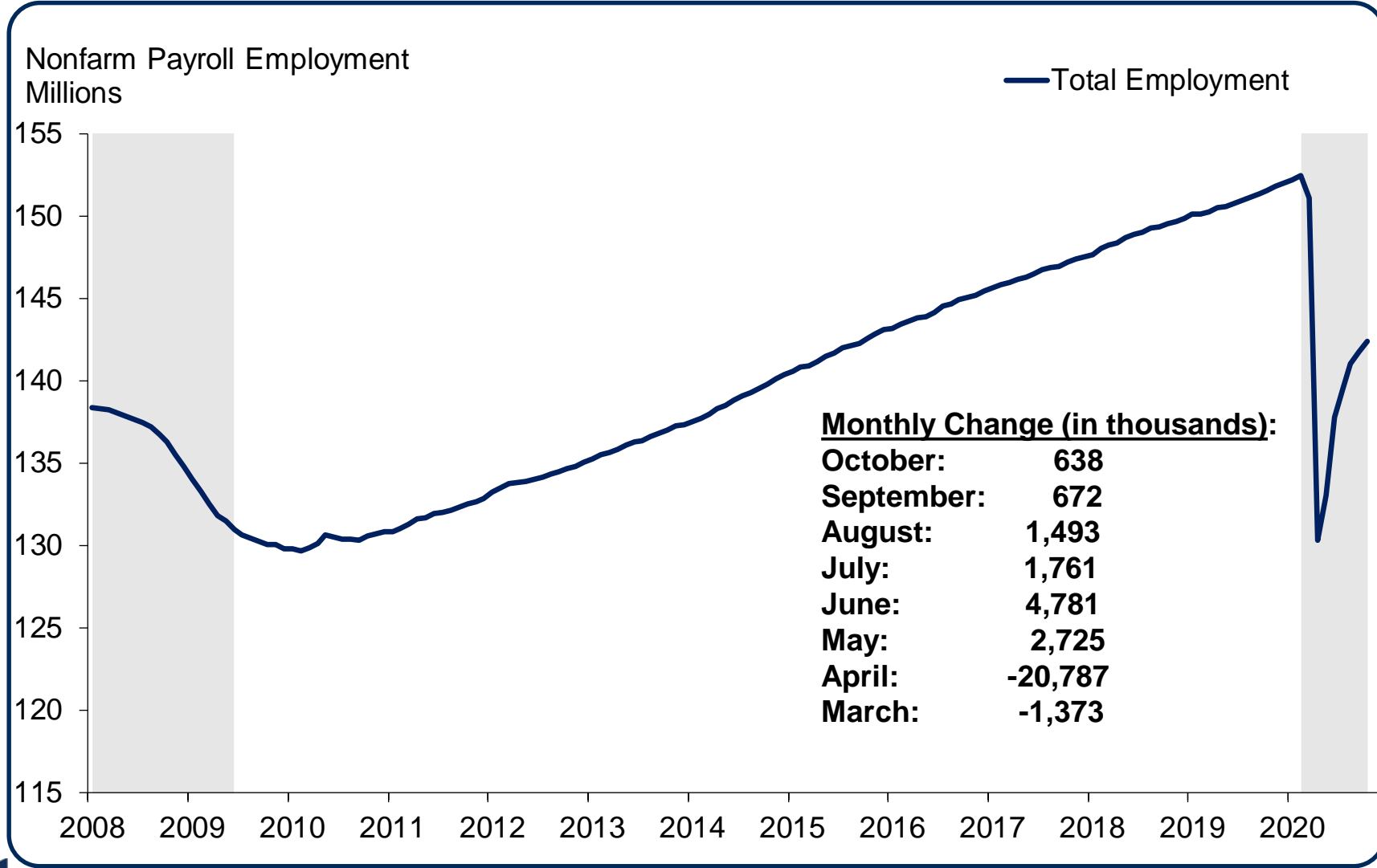
Source: Bureau of Economic Analysis

Spending on services hit hard, and still far below pre-COVID



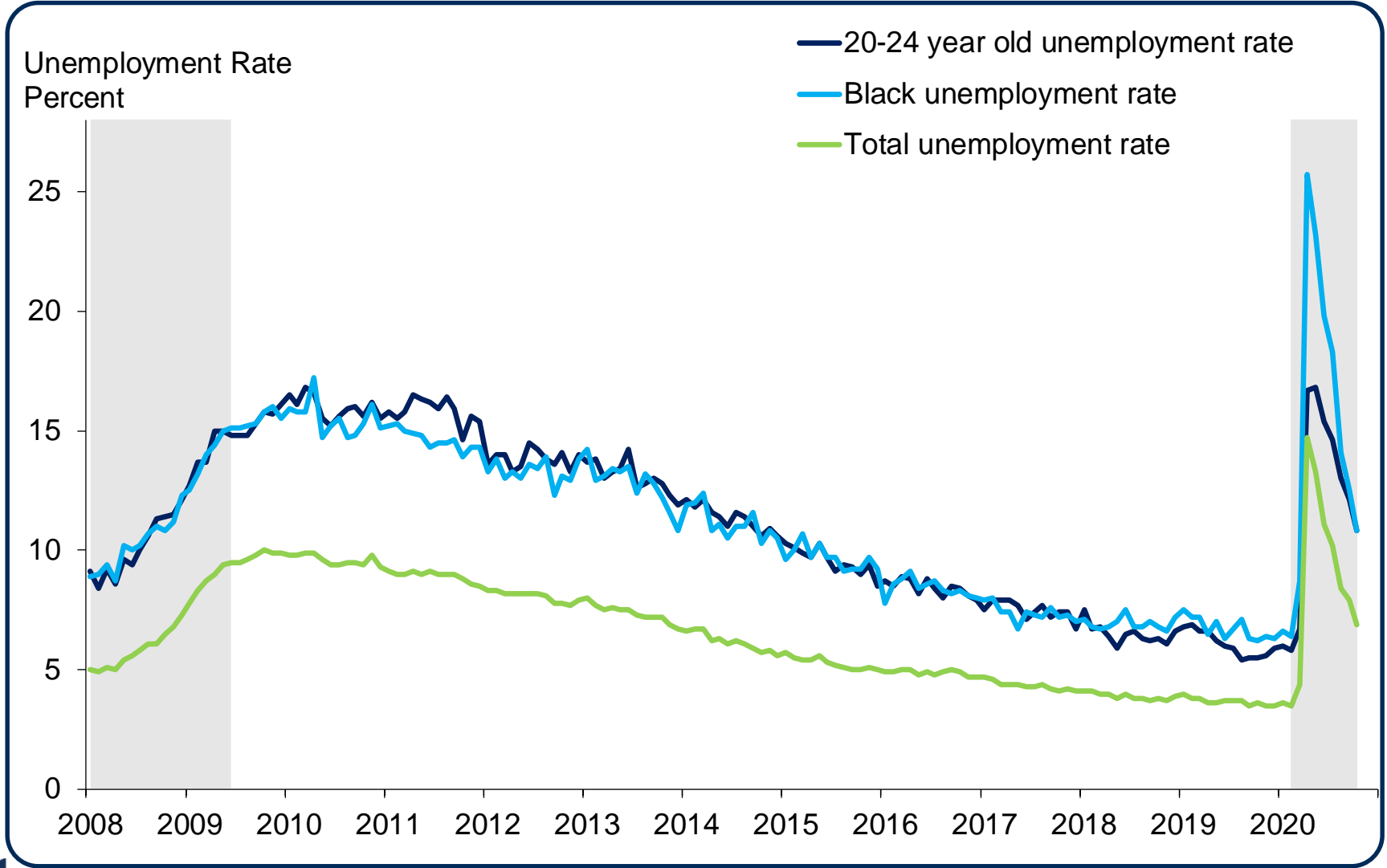
Source: Bureau of Economic Analysis via Haver Analytics

Huge job gains since May – but we've recovered just half of COVID job losses



Source: Bureau of Labor Statistics/Haver Analytics

Certain demographic groups hit harder



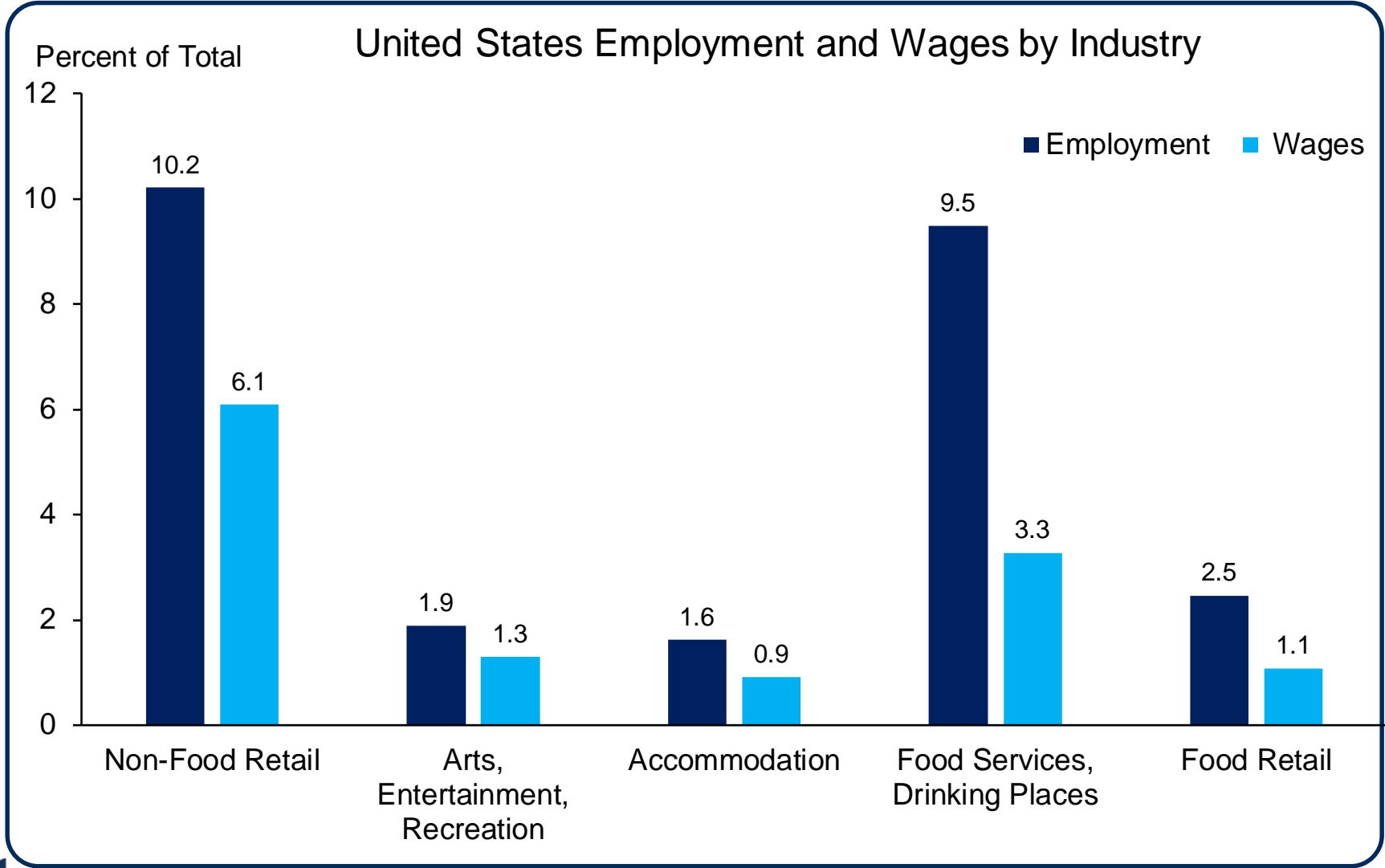
Source: Bureau of Labor Statistics/Haver Analytics

Worrying spike in long-term unemployment



Source: Bureau of Labor Statistics/Haver Analytics

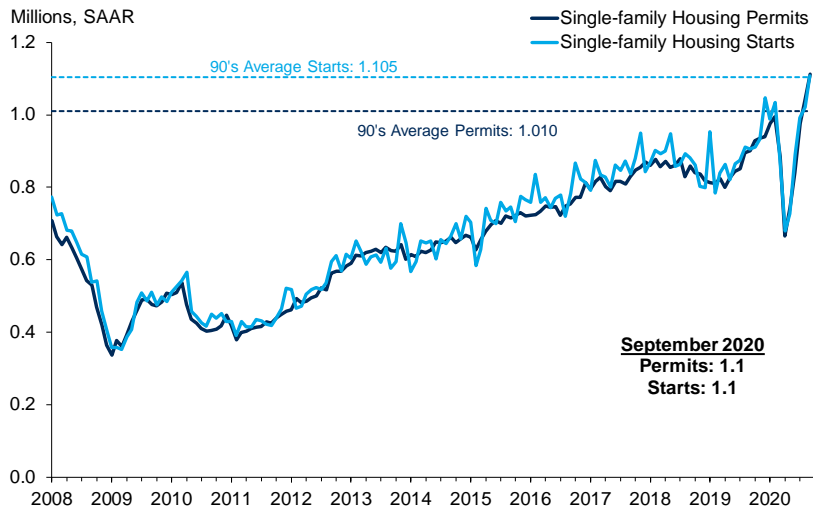
Hard hit sectors also tend to be low-wage sectors



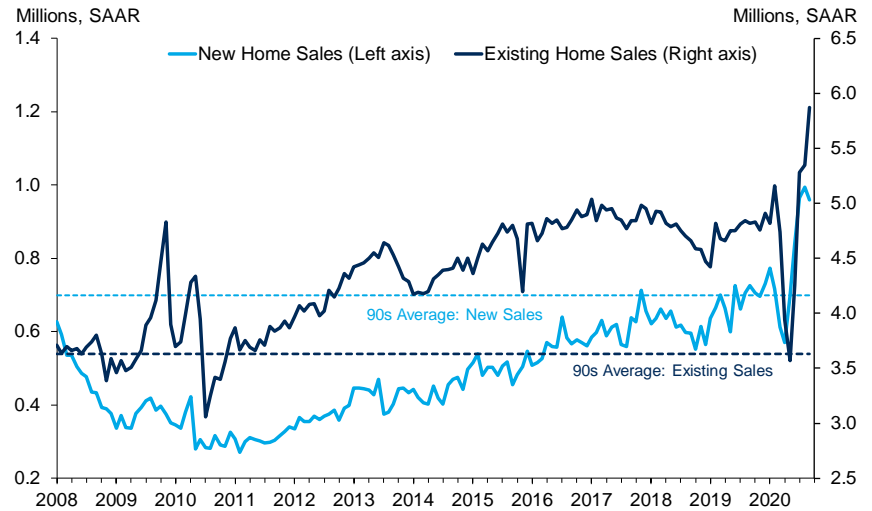
Source: Bureau of Labor Statistics 2018 QCEW/Haver Analytics

Housing is doing well

Starts and Permits Private single-family

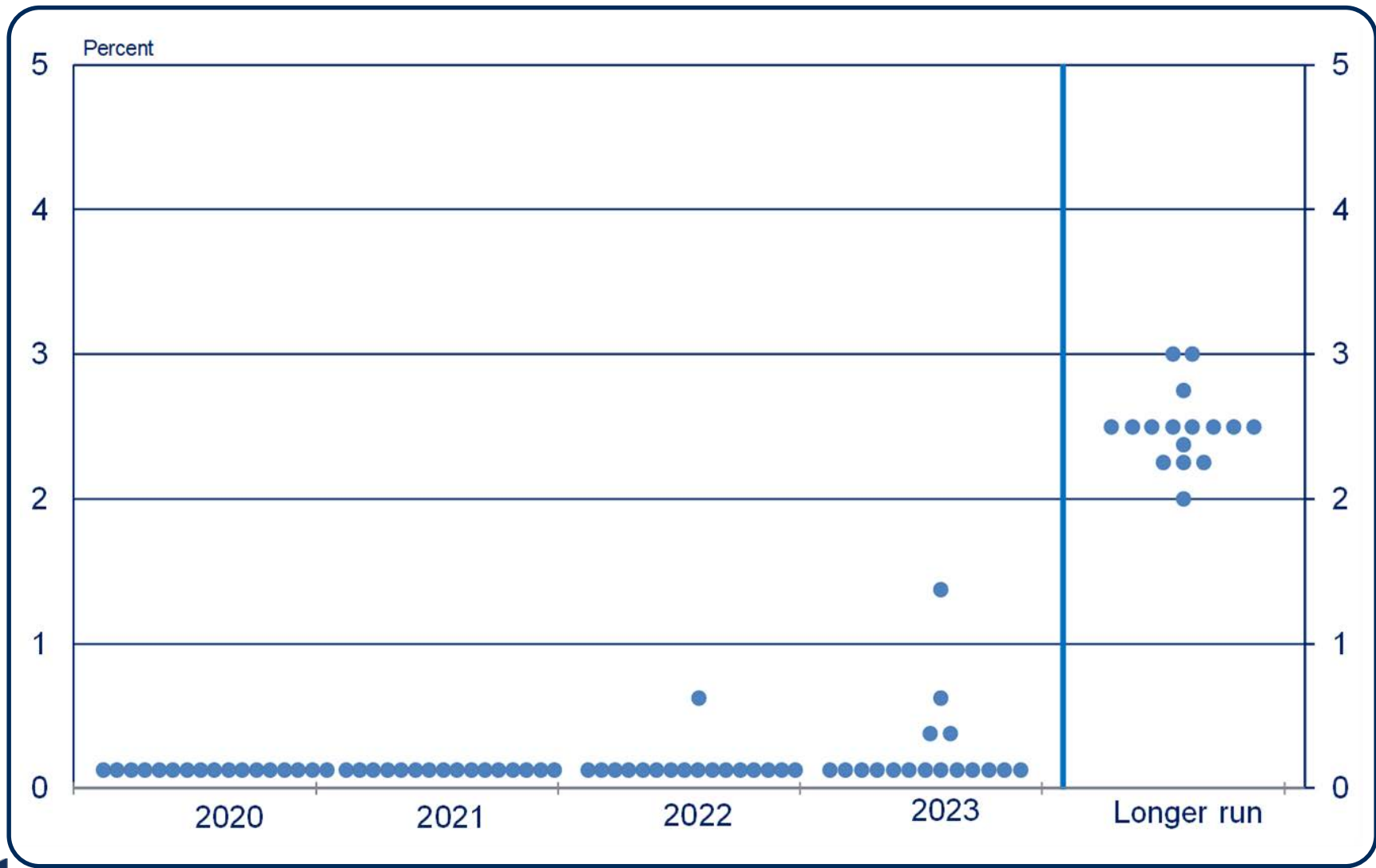


Home Sales New and existing single-family



Source: Census Bureau via Haver Analytics

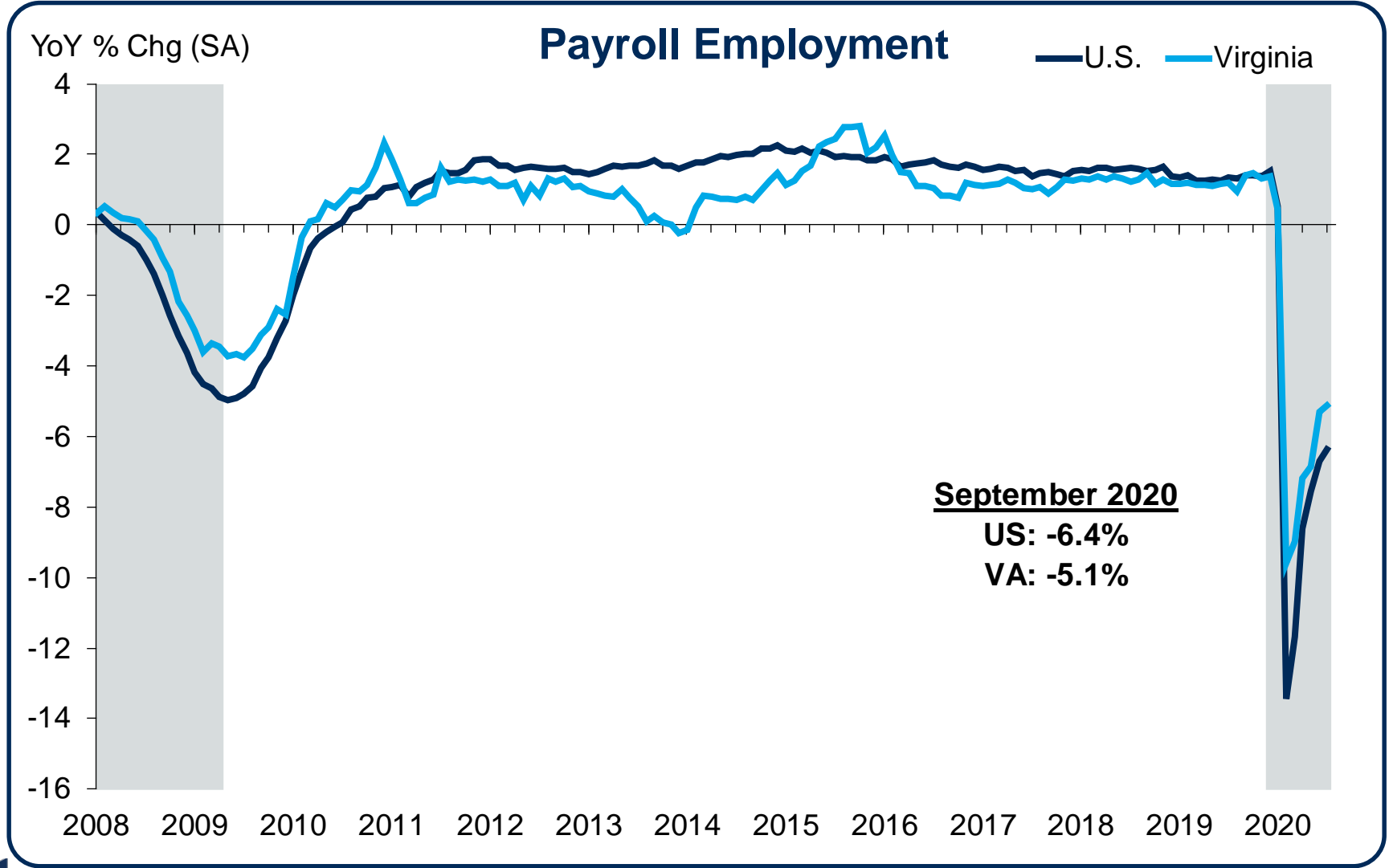
FOMC doesn't see rates rising anytime soon



Source: Federal Reserve Board of Governors

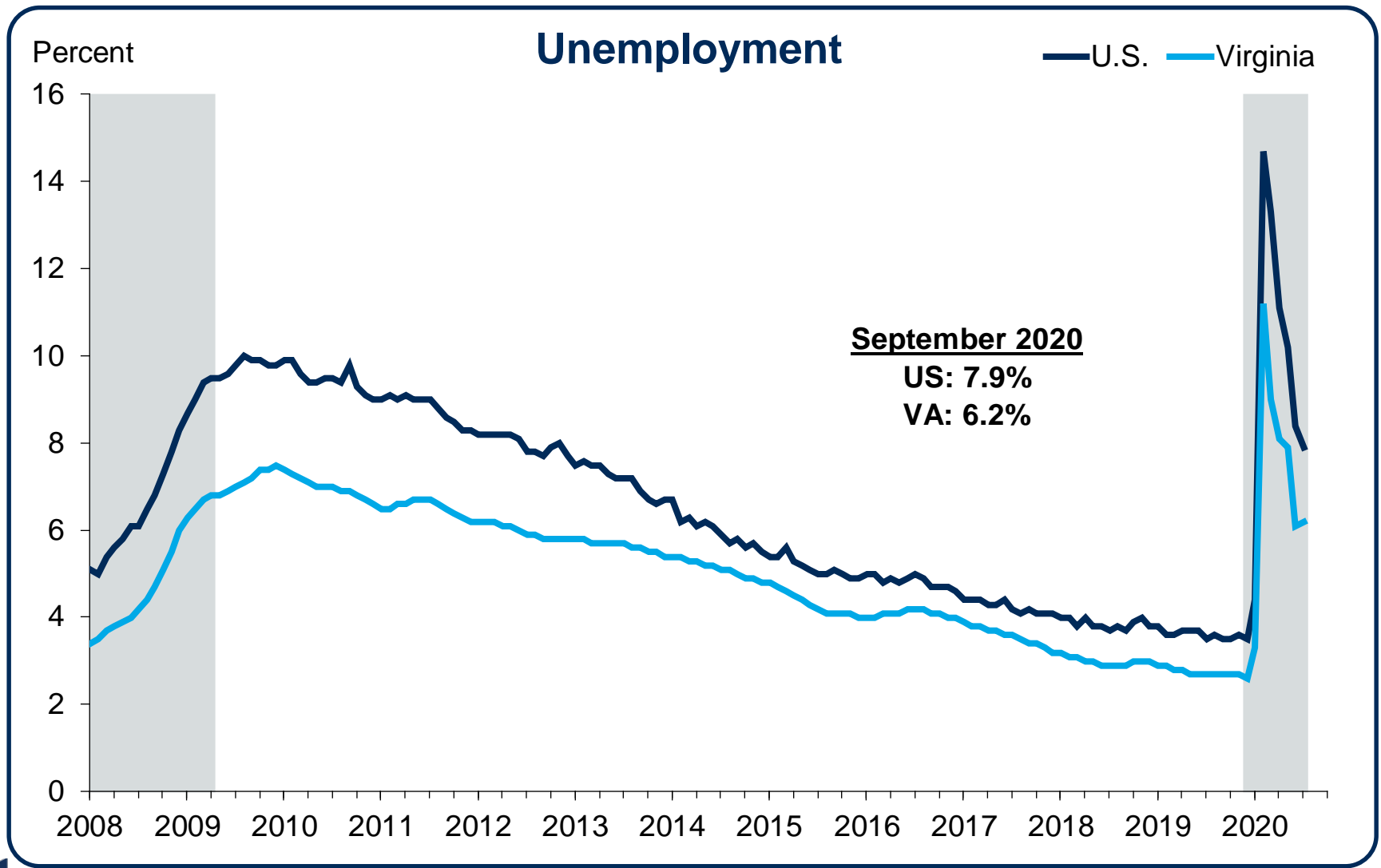
How's Virginia?

Virginia lost fewer jobs than the U.S.



Source: Bureau of Labor Statistics/Haver Analytics

Virginia's unemployment rate also is lower

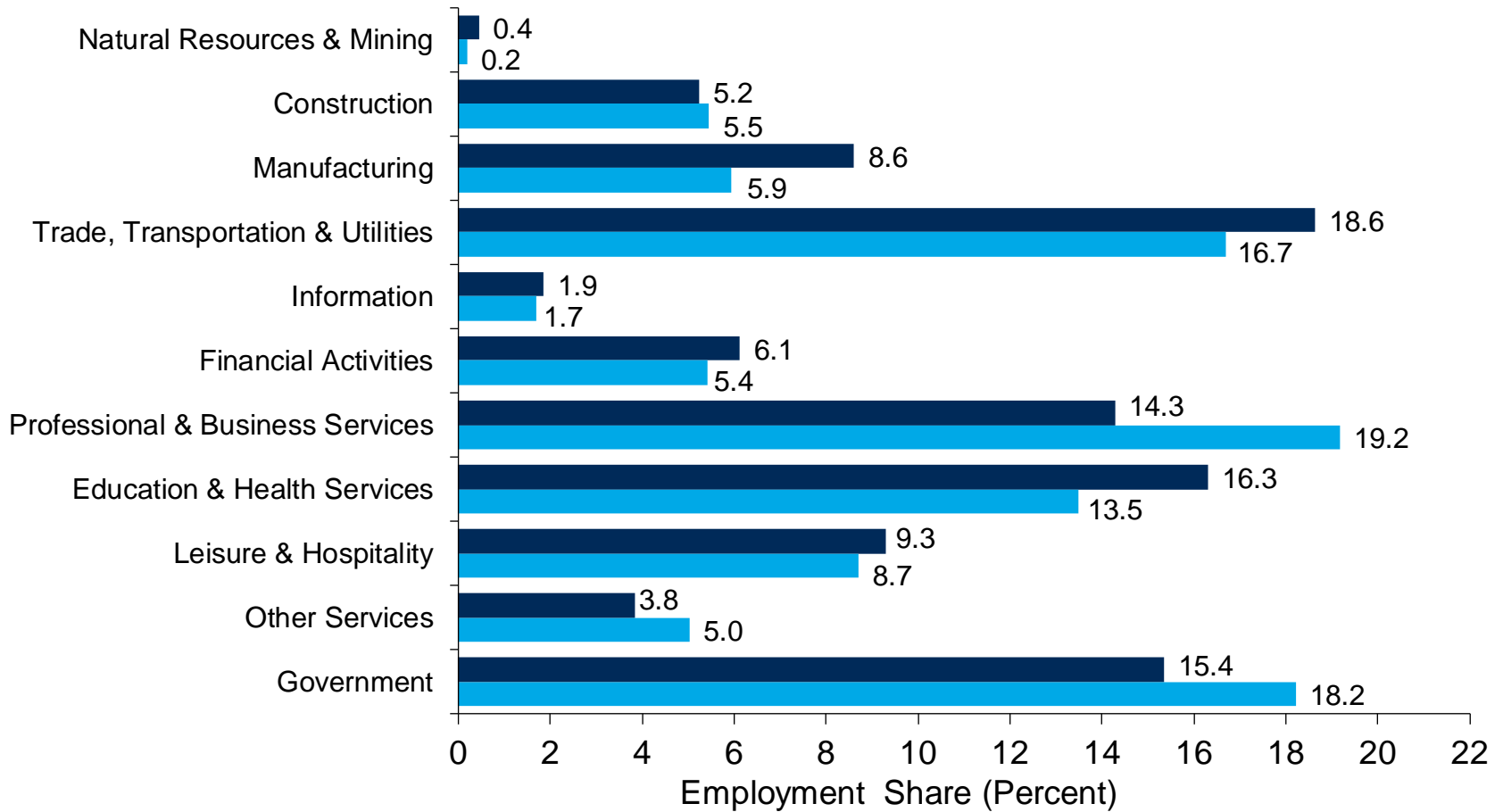


Source: Bureau of Labor Statistics/Haver Analytics

What drives our economy?

September 2020

■ U.S. ■ Virginia

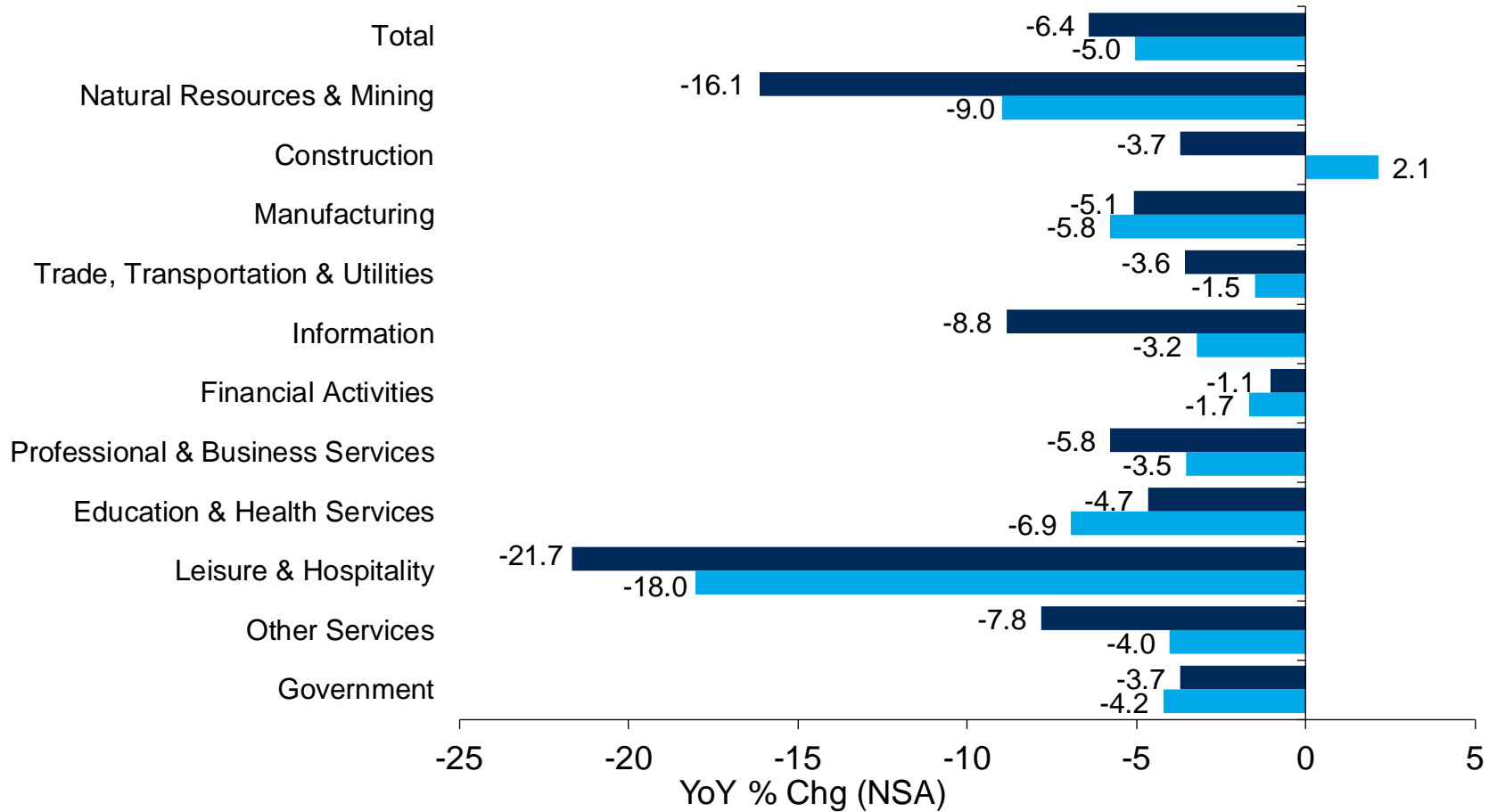


Source: Bureau of Labor Statistics/Haver Analytics

Job losses: Largest where you'd expect

September 2020

■ U.S. ■ Virginia



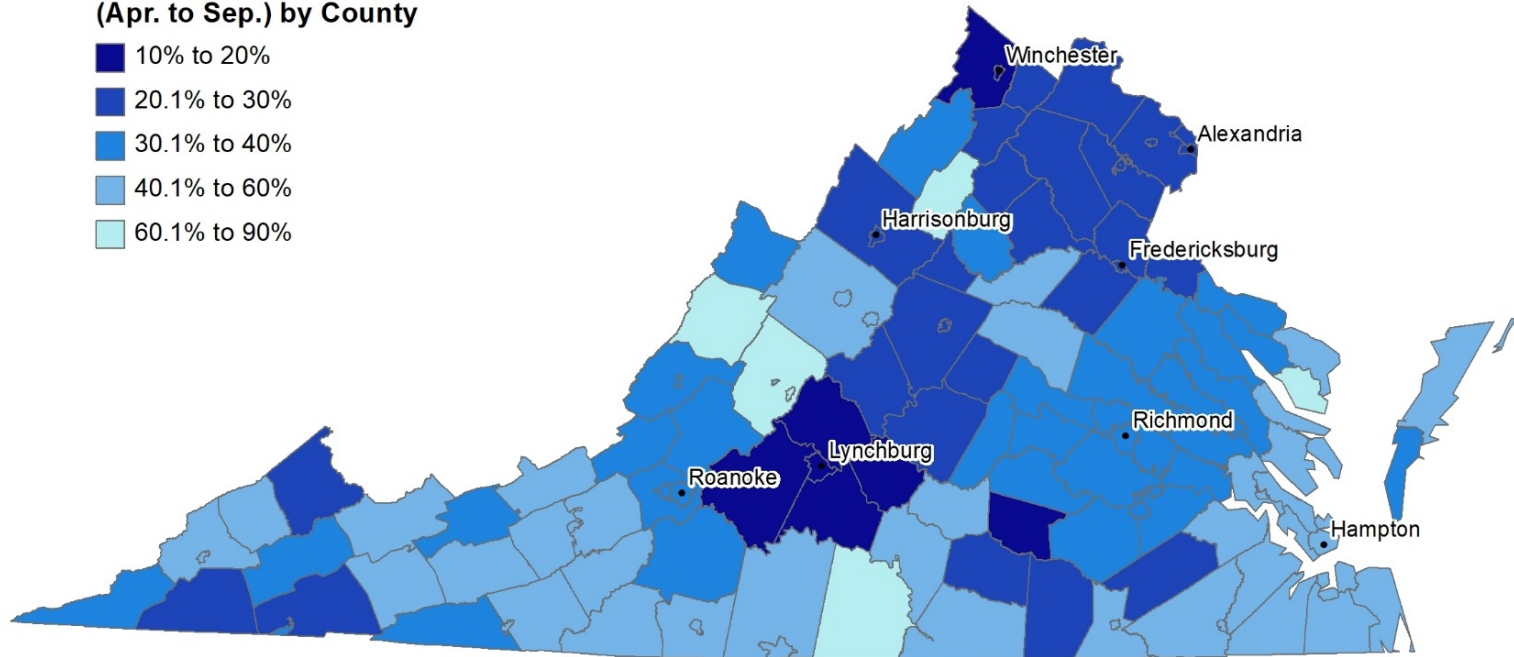
Source: Bureau of Labor Statistics/Haver Analytics

Regional disparities are big too

Share of Covid job losses that have been recovered

Percent Net Employment Loss Recovered
(Apr. to Sep.) by County

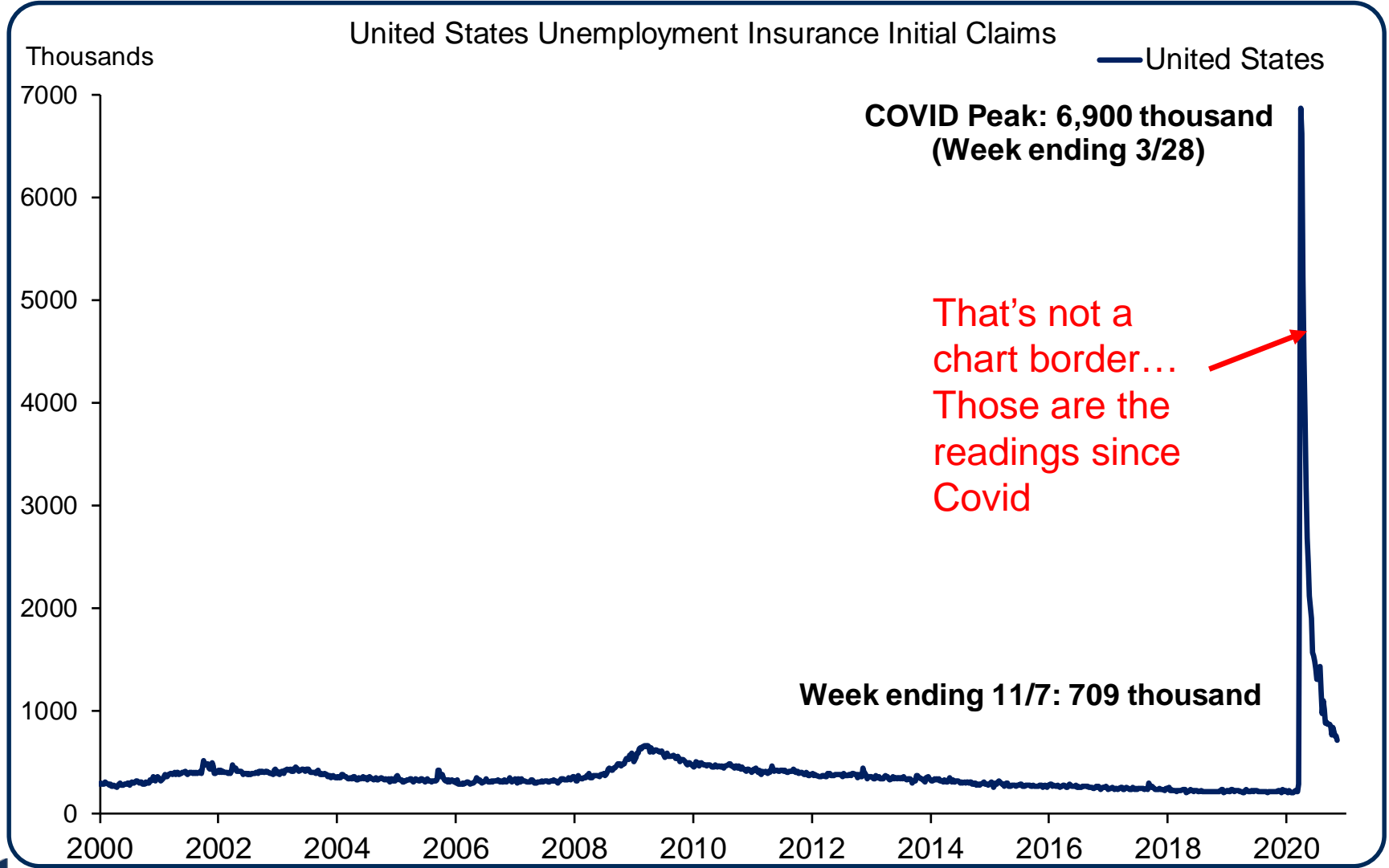
- 10% to 20%
- 20.1% to 30%
- 30.1% to 40%
- 40.1% to 60%
- 60.1% to 90%



Source: Bureau of Labor Statistics Local Area Unemployment Statistics, Civilian Employment

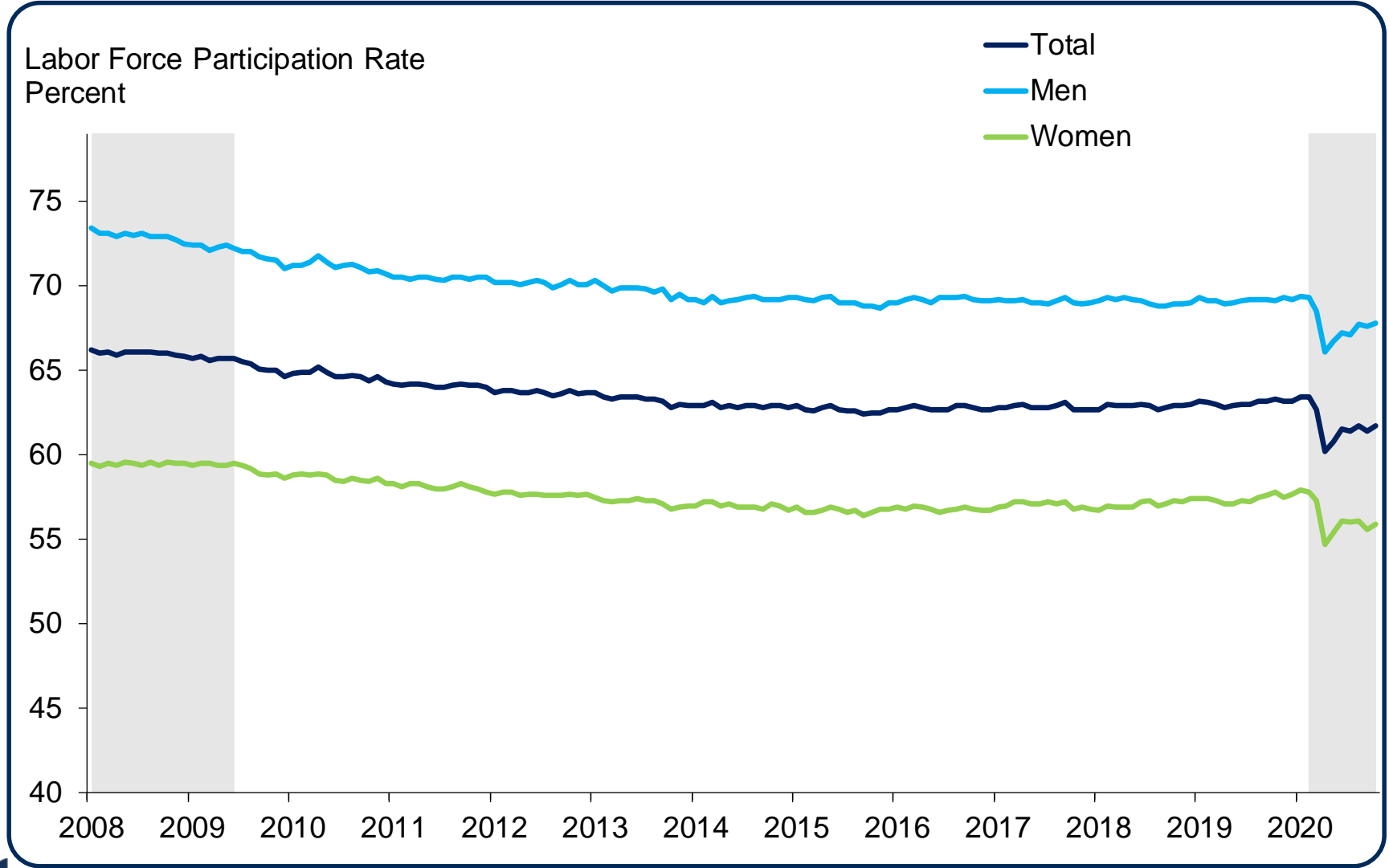
Some things I'm watching

When will new unemployment claims come down?



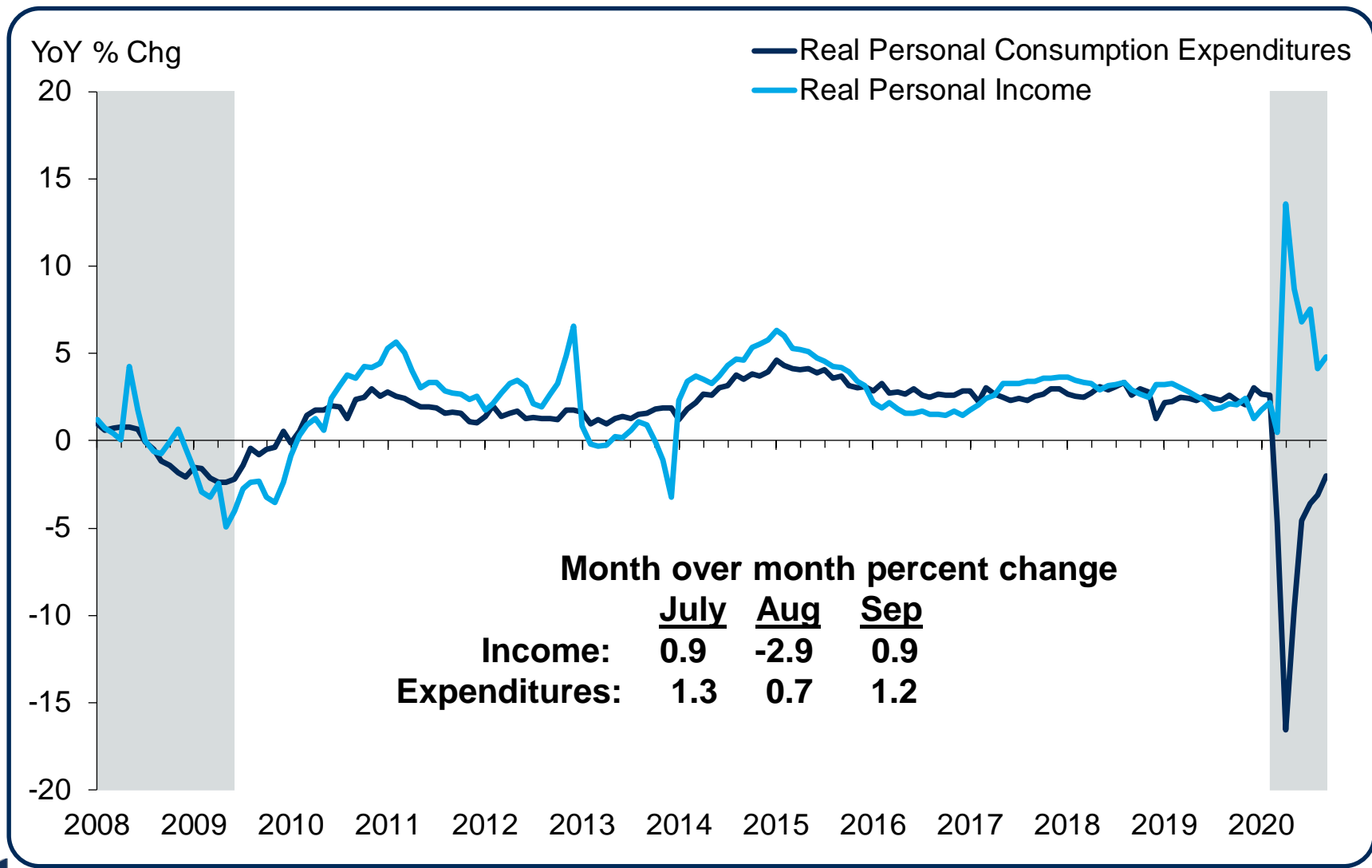
Source: Department of Labor/Haver Analytics

When will labor force participation recover – and for whom?



Source: Department of Labor/Haver Analytics

Still some dry powder – when will consumers spend it?



Source: Bureau of Economic Analysis via Haver Analytics

Where do we go from here?

- High-frequency indicators suggest the recovery flattened some as cases resurged this summer, and as “low hanging fruit” gains plucked.
- Two big unknowns...
 - Fiscal policy
 - The virus itself
- ... layered upon many unknowns about how the economy will respond
 - How quickly will consumers return?
 - What level of activity do we recover to?
 - Will the recovery be evenly shared? (K-shaped recovery...)

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