

WORKING DRAFT

COVID-19 ECONOMIC IMPACT AND RECOVERY

Downtown Charlottesville

June 2020

VEDP

Virginia
Economic
Development
Partnership
VEDP.org

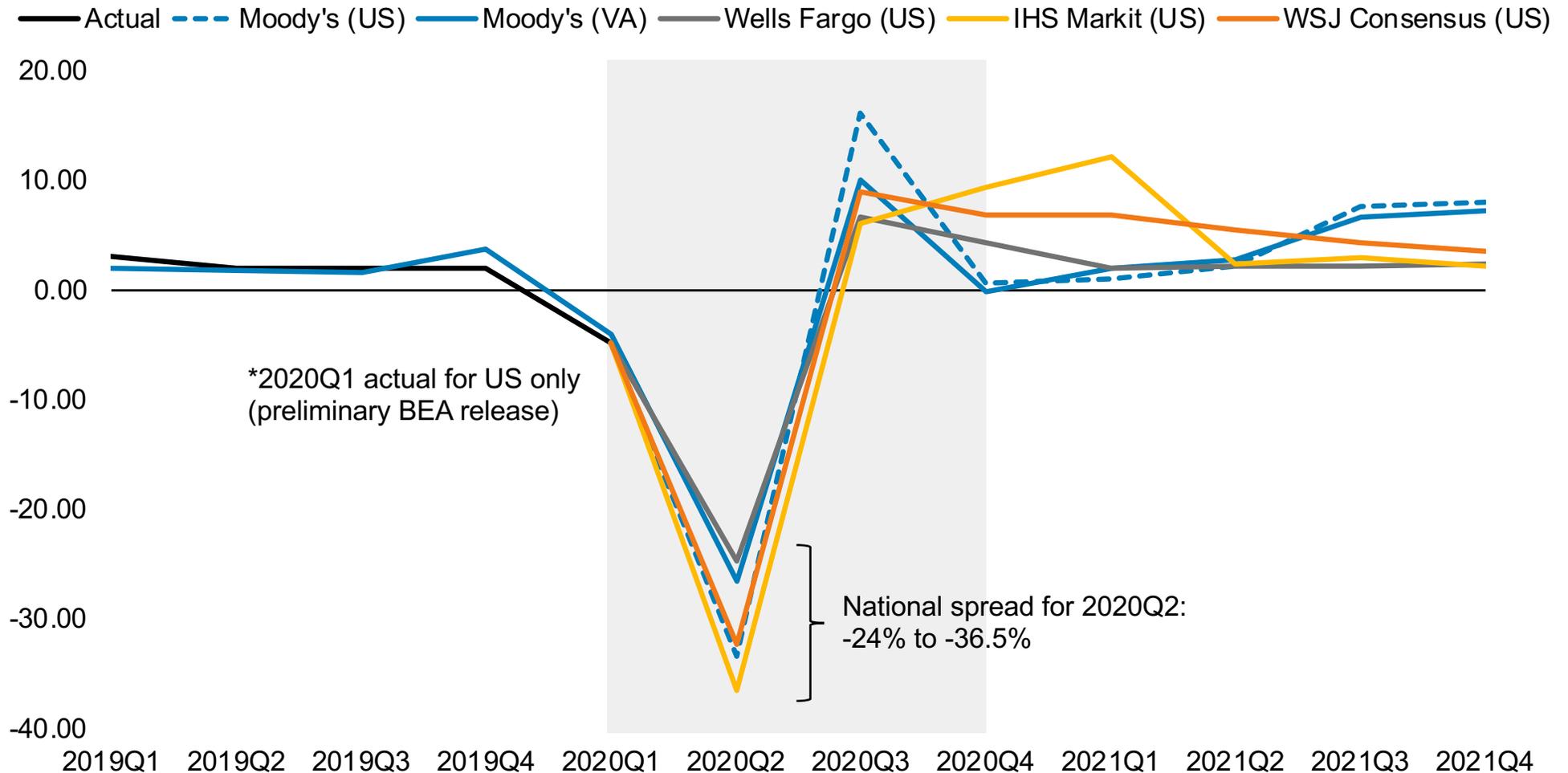
MANY STATE AGENCIES HAVE CONTRIBUTED INSIGHTS AND/OR DATA THAT HAVE INFORMED THIS IMPACT ANALYSIS*

- VEC
- DHCD
- VDACS
- Virginia Department of Forestry
- Virginia Marine Products Board
- SBSD/VSBFA
- SCHEV
- VCCS
- TAX
- VDOT
- VHDA
- VTC

UNPRECEDENTED ECONOMIC SHOCK: FORECASTERS PREDICT SHARP DOWNTURN IN 2020 (ESPECIALLY CURRENT QUARTER)

Quarterly real GDP growth

Annualized % change, billions of chained 2012 \$

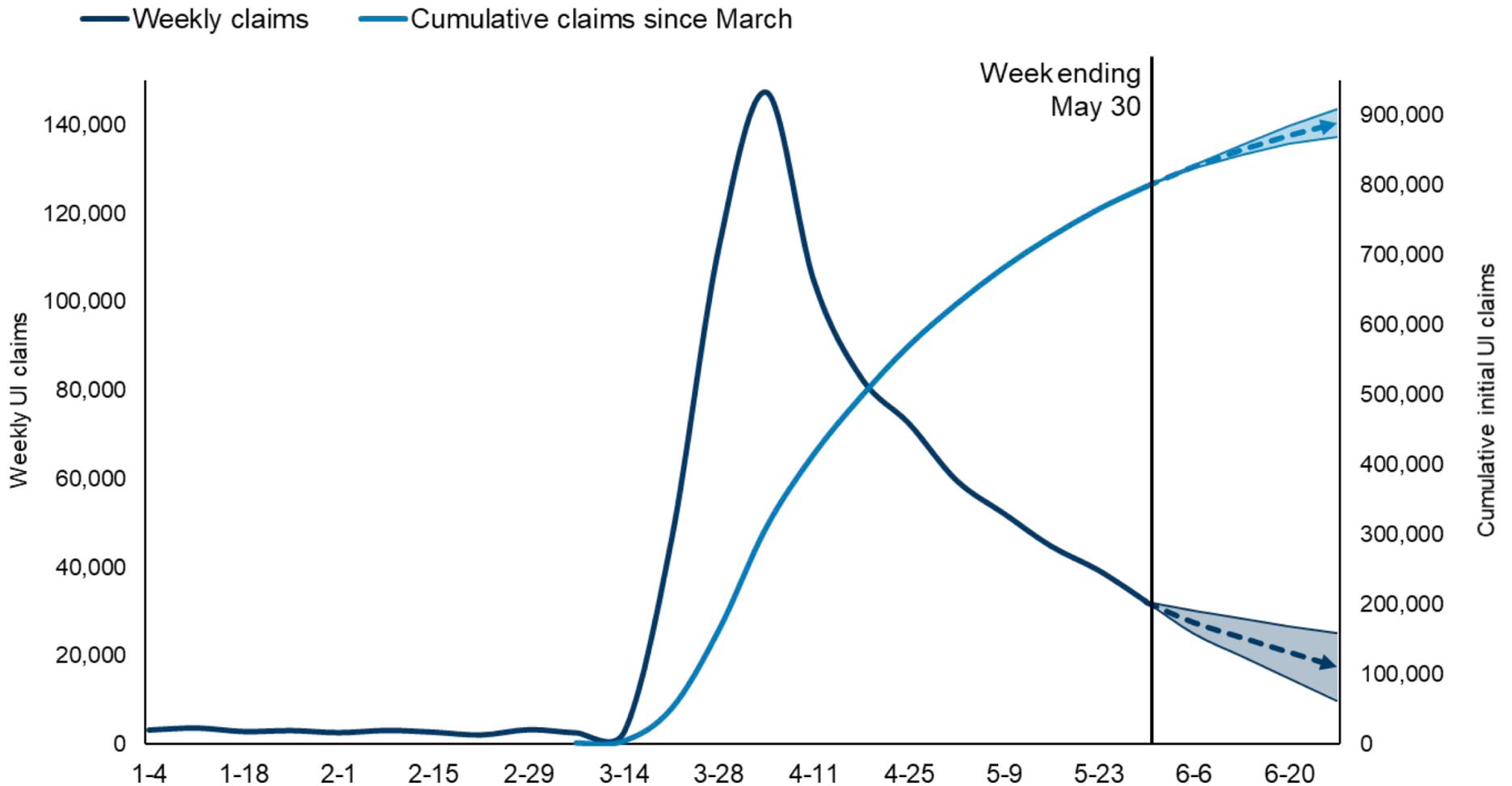


Source: Moody's Analytics (May baselines); Wells Fargo (May forecast); IHS Markit (May update); Wall Street Journal (May survey); VEDP analysis

ALMOST 800,00 VIRGINIANS HAVE FILED INITIAL UNEMPLOYMENT CLAIMS SINCE THE BEGINNING OF MARCH

Weekly UI initial claims¹ in Virginia

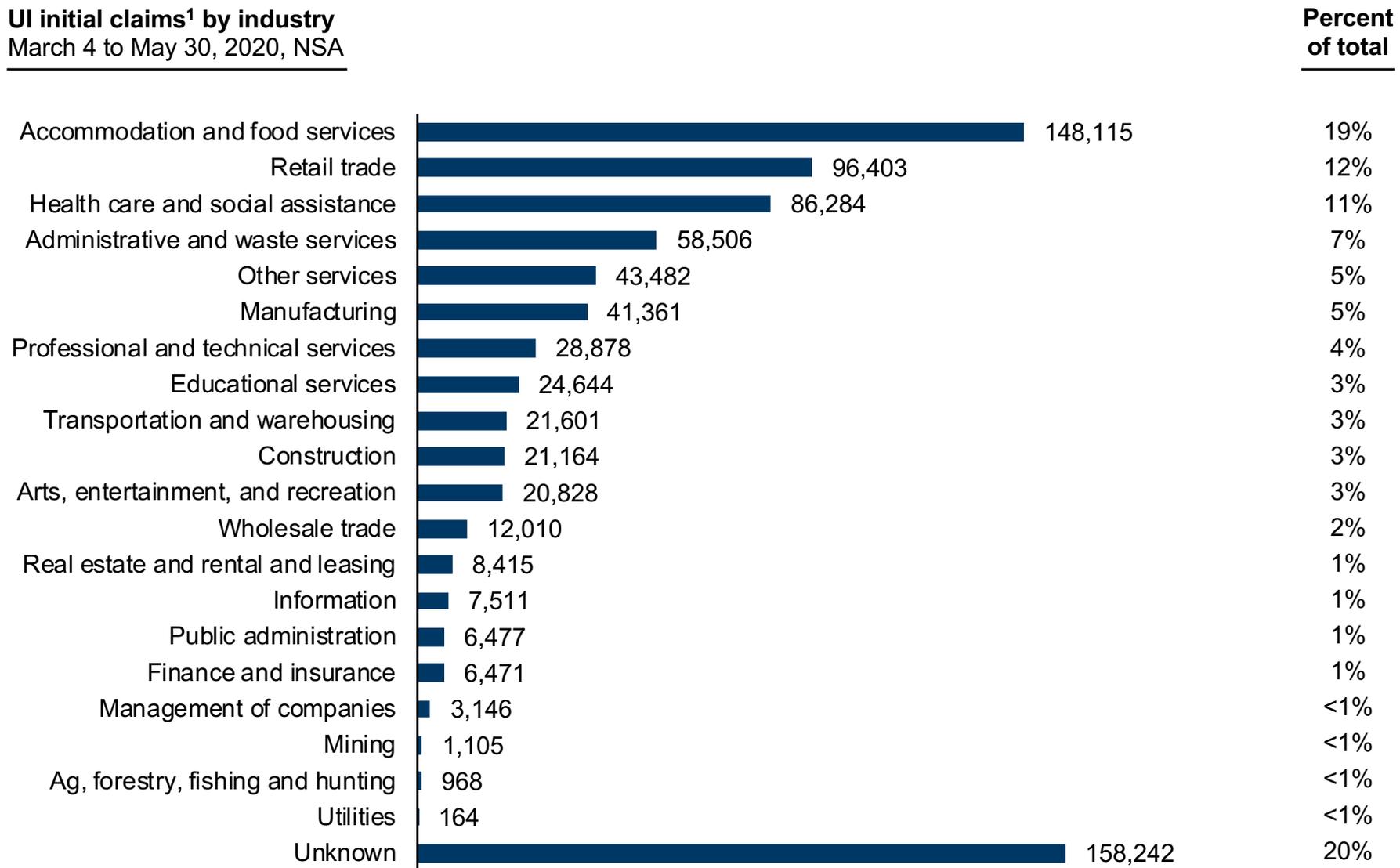
YTD weekly claims (through May, 30 2020), NSA



¹For Virginia UI numbers, Pandemic Unemployment Assistance (PUA) claims are included in total claims reported
Source: Virginia Employment Commission; VEDP analysis

CLAIMS BY INDUSTRY: THREE INDUSTRIES ACCOUNT FOR THE MAJORITY OF INITIAL UI CLAIMS TIED TO SPECIFIC INDUSTRIES

UI initial claims¹ by industry
 March 4 to May 30, 2020, NSA



Numbers do not add up to cumulative total on previous slides due to data availability issues (e.g. interstate claims)

¹For Virginia UI numbers, Pandemic Unemployment Assistance (PUA) claims are included in total claims reported

Source: Virginia Employment Commission; VEDP analysis

CLAIMS BY OCCUPATION: UNEMPLOYMENT CLAIMS HAVE BEEN CONCENTRATED IN A HALF DOZEN OCCUPATIONS

UI initial claims¹ by occupation
 March 4 to May 30, 2020, NSA

Med. wages
 2019, \$



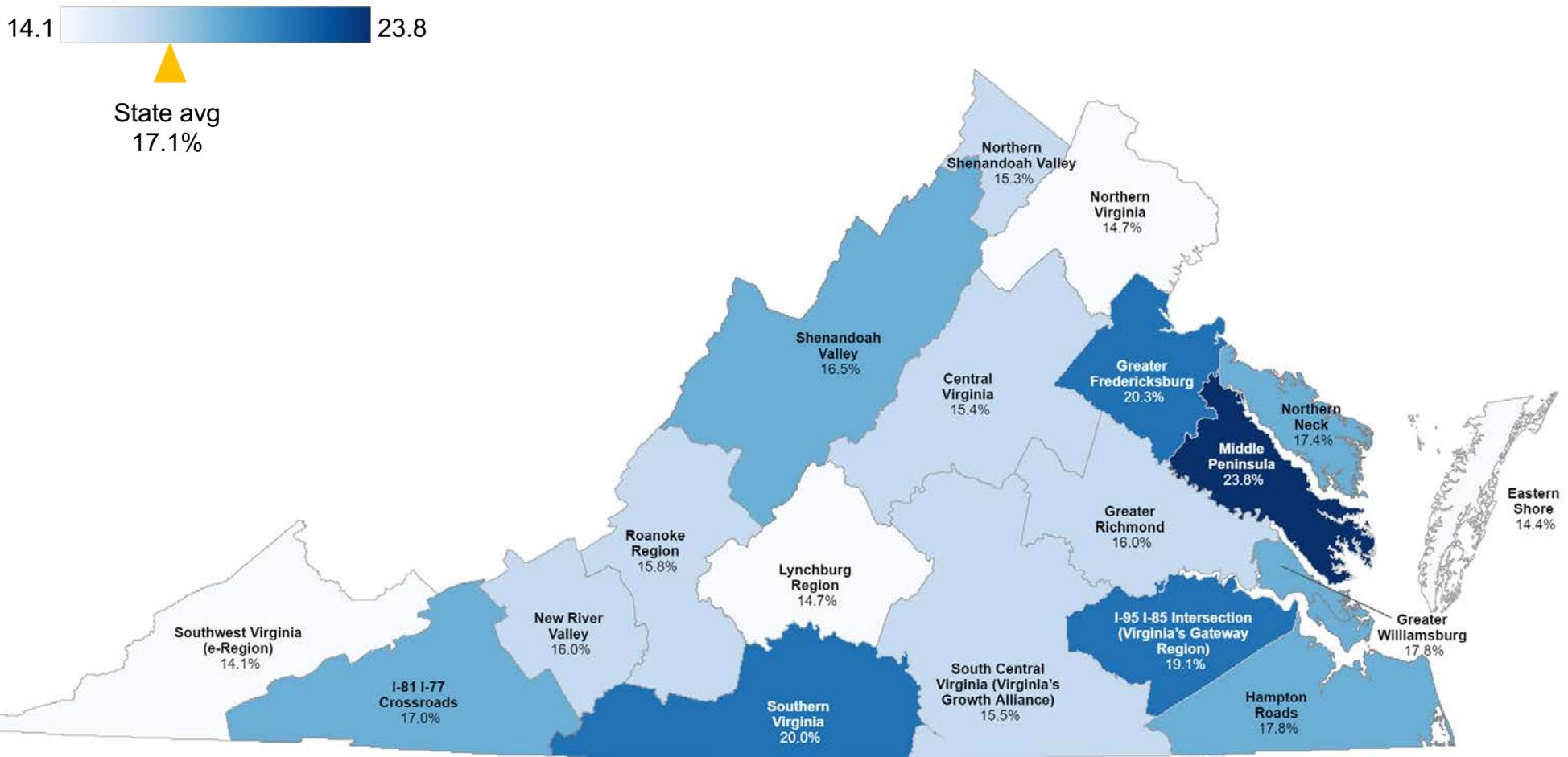
Numbers do not add up to cumulative total on previous slides due to data availability issues (e.g. interstate claims)

¹For Virginia UI numbers, Pandemic Unemployment Assistance (PUA) claims are included in total claims reported

Source: Virginia Employment Commission (UI claims); Bureau of Labor Statistics, OES (avg. wages); VEDP analysis

INITIAL UNEMPLOYMENT CLAIMS HAVE VARIED SIGNIFICANTLY ACROSS VIRGINIA REGIONS

UI initial claims and baseline unemployment as % of baseline jobs
March 4 to May 30, 2020, NSA



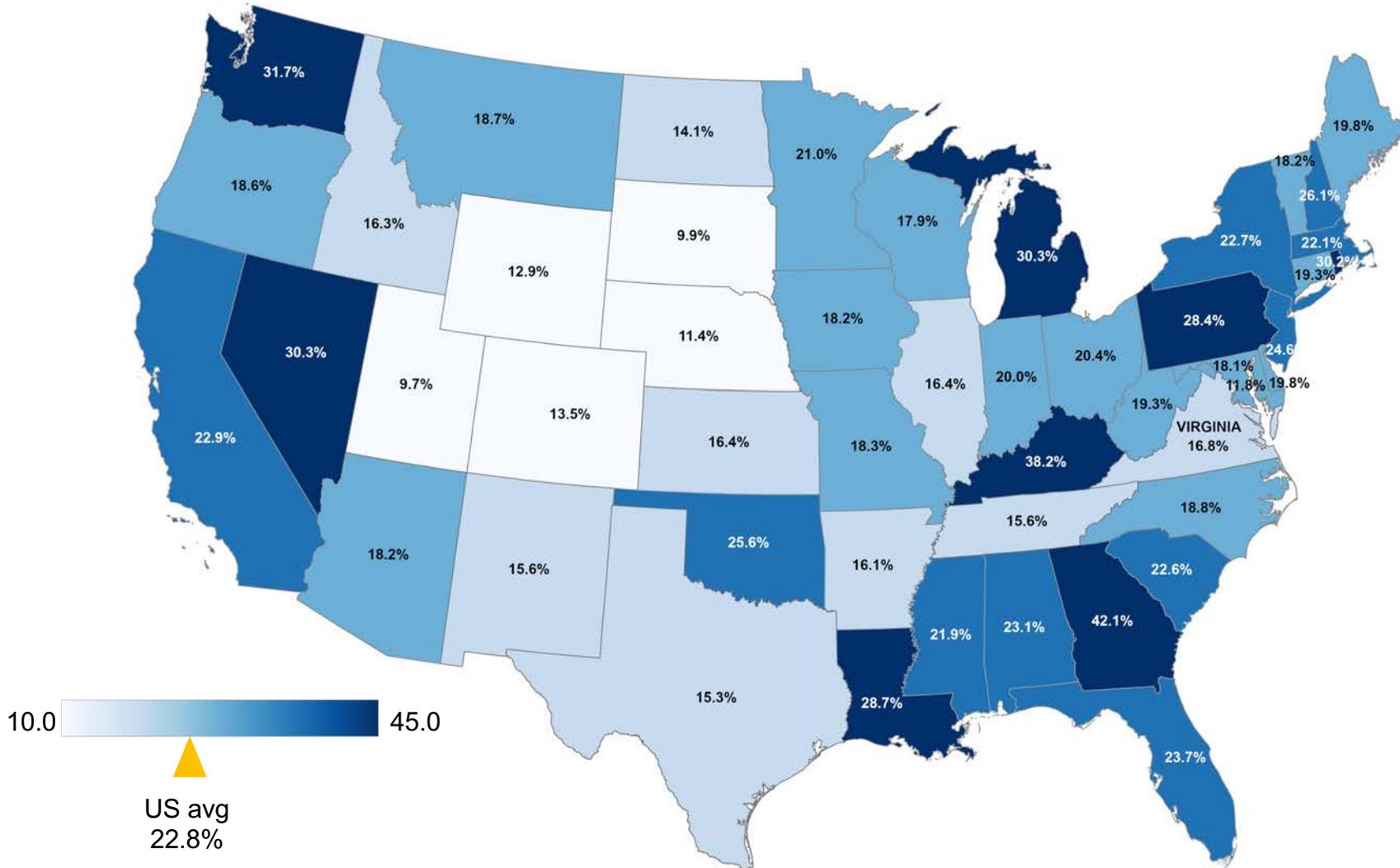
Numbers do not add up to cumulative total on previous slides due to data availability issues (e.g. interstate claims)

1 For Virginia UI numbers, Pandemic Unemployment Assistance (PUA) claims are included in total claims reported

Source: U.S. Department of Labor; BLS Current Population Survey; Emsi 2020.1; VEDP analysis

TO DATE, EMPLOYMENT IN VIRGINIA HAS NOT BEEN HIT AS HARD BY COVID-19 AS MOST OTHER STATES

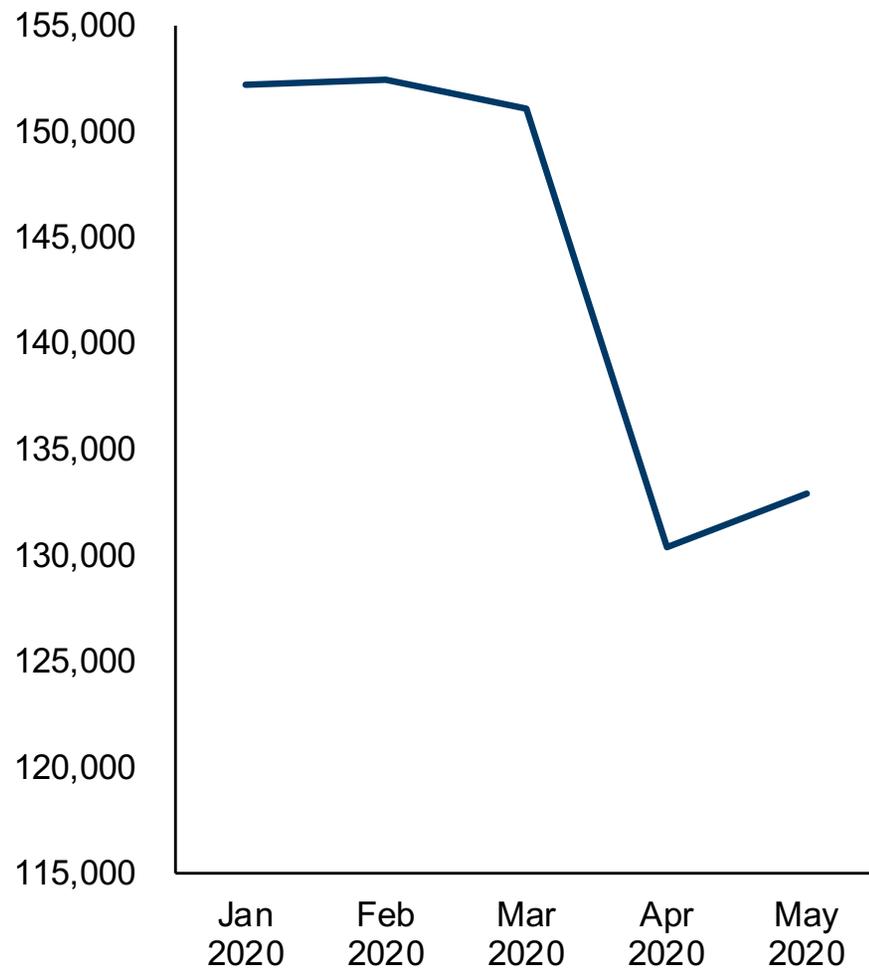
UI initial claims¹ and baseline unemployment as % of baseline jobs
 March 4 to May 30, 2020, NSA, baseline = January 2020



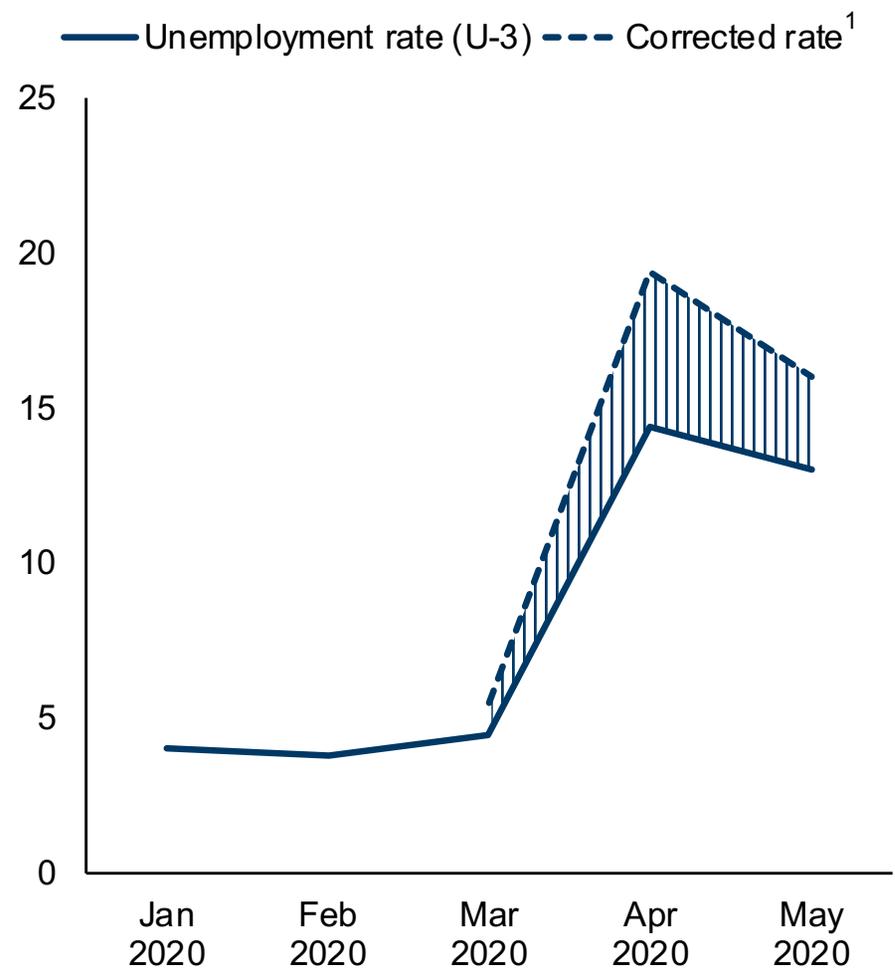
Does not include Pandemic Unemployment Assistance claims due to inconsistent reporting standards
 Source: U.S. Department of Labor; BLS Current Population Survey; Emsi 2020.1; VEDP analysis

THE MAY JOBS REPORT SURPRISED MOST FORECASTERS, WITH AN ALMOST 2.5M GAIN IN JOBS AND DROP IN UNEMPLOYMENT RATE

U.S. Nonfarm payroll employment
January – May 2020, thousands of jobs, SA



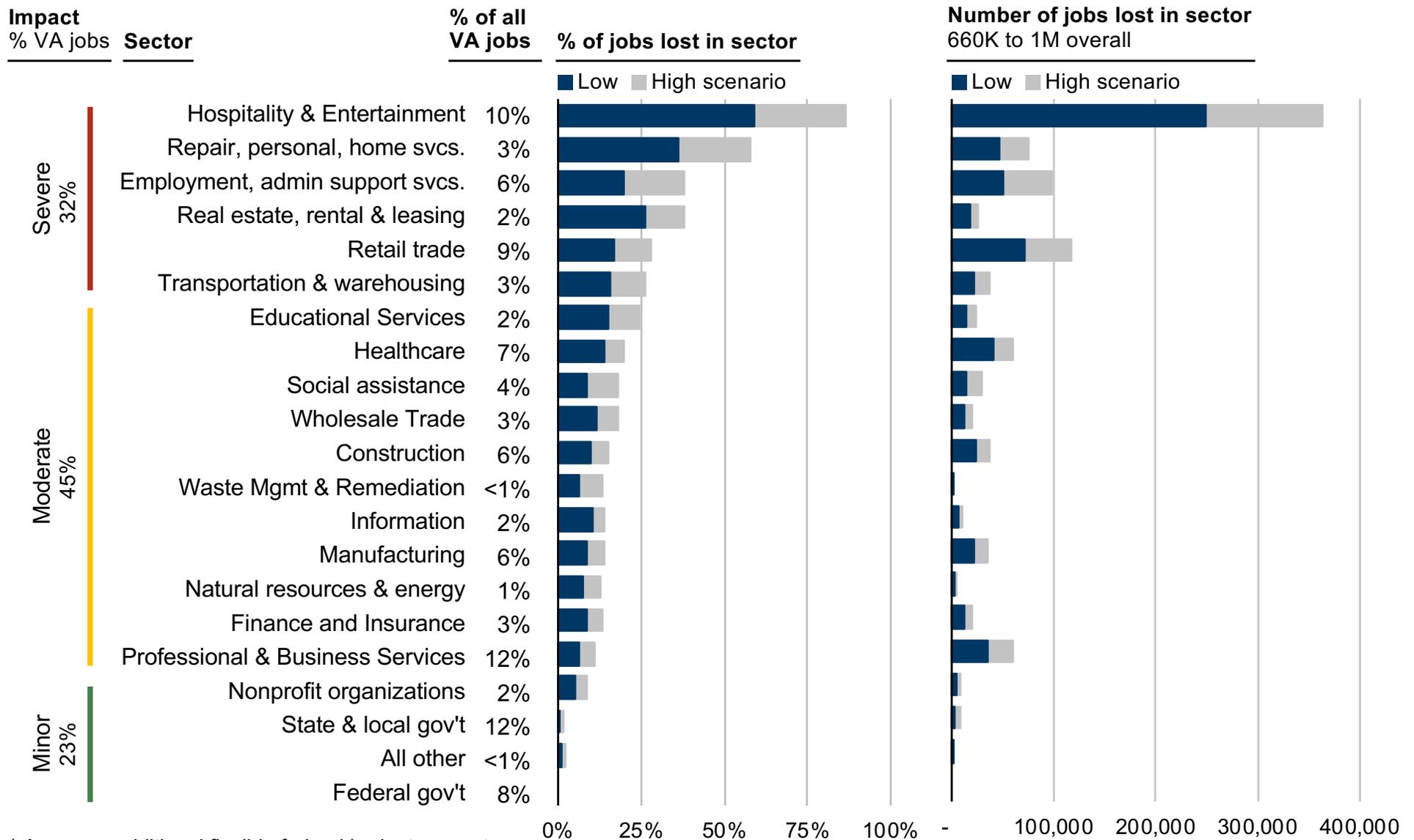
Unemployment rate
January – May 2020, % labor force unemployed, *NSA*



¹ Correction of misclassification error for some respondents absent from work due to 'other reasons'

Source: Bureau of Labor Statistics, Current Employment Statistics, Current Population Survey, May 2020

AT OUTSET OF CRISIS, VEDP ESTIMATED ROUGHLY 660K-1M JOBS IN VA COULD BE LOST DUE TO DIRECT, INDIRECT, & INDUCED IMPACT



* Assumes additional flexible federal budget support

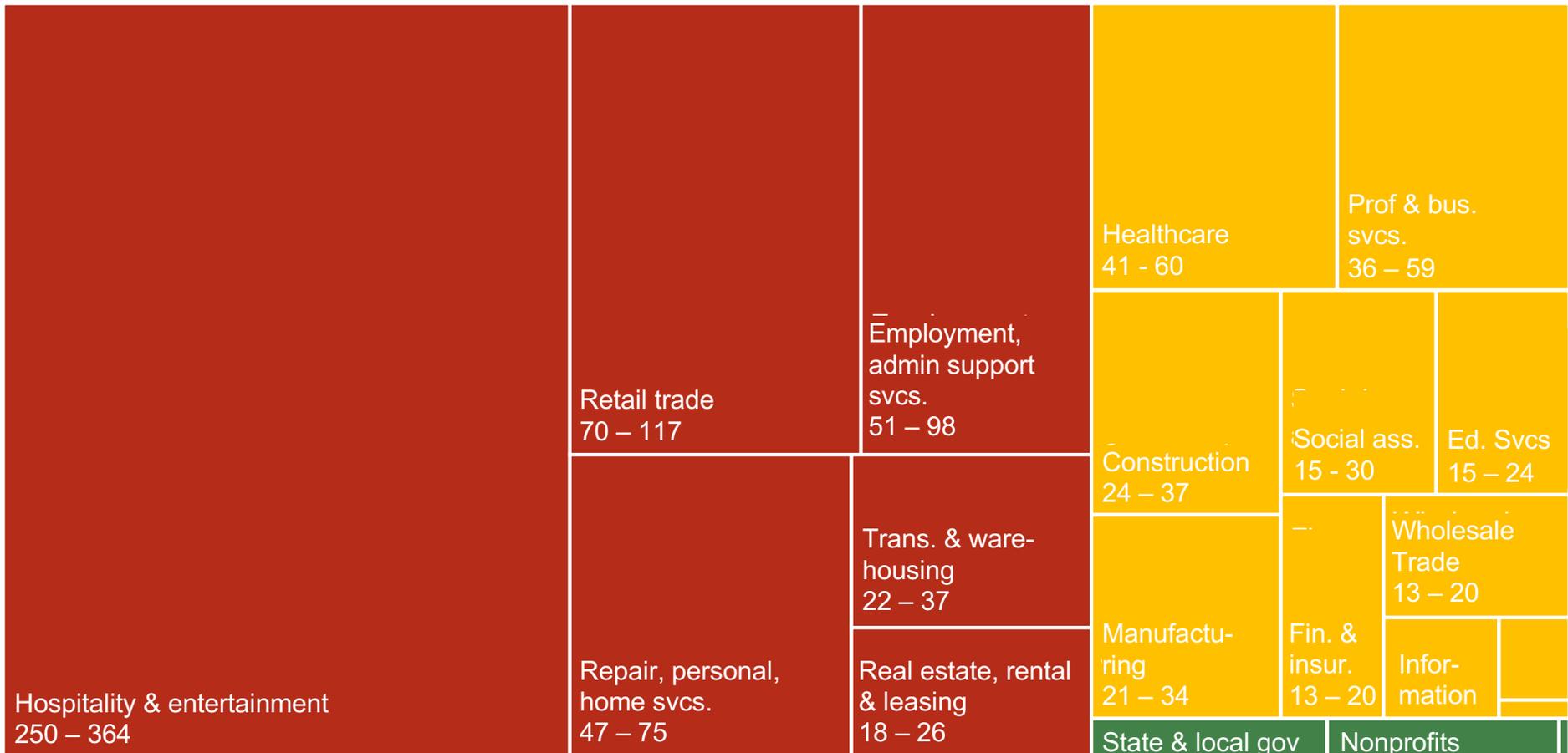
Source: Emsi 2020.1; VEC UI claims; information from Data Compilation workgroup of Virginia Economic Strike Force; interviews with Virginia businesses and stakeholders; review of national economic forecasts, research, and press; VEDP analysis

SEVERELY IMPACTED INDUSTRIES REPRESENT OVER TWO-THIRDS OF TOTAL FORECASTED EMPLOYMENT LOSSES

Estimated employment loss by industry

Range of estimated job losses in thousands, area based on average of high & low scenarios

■ Severe
 ■ Moderate
 ■ Minor

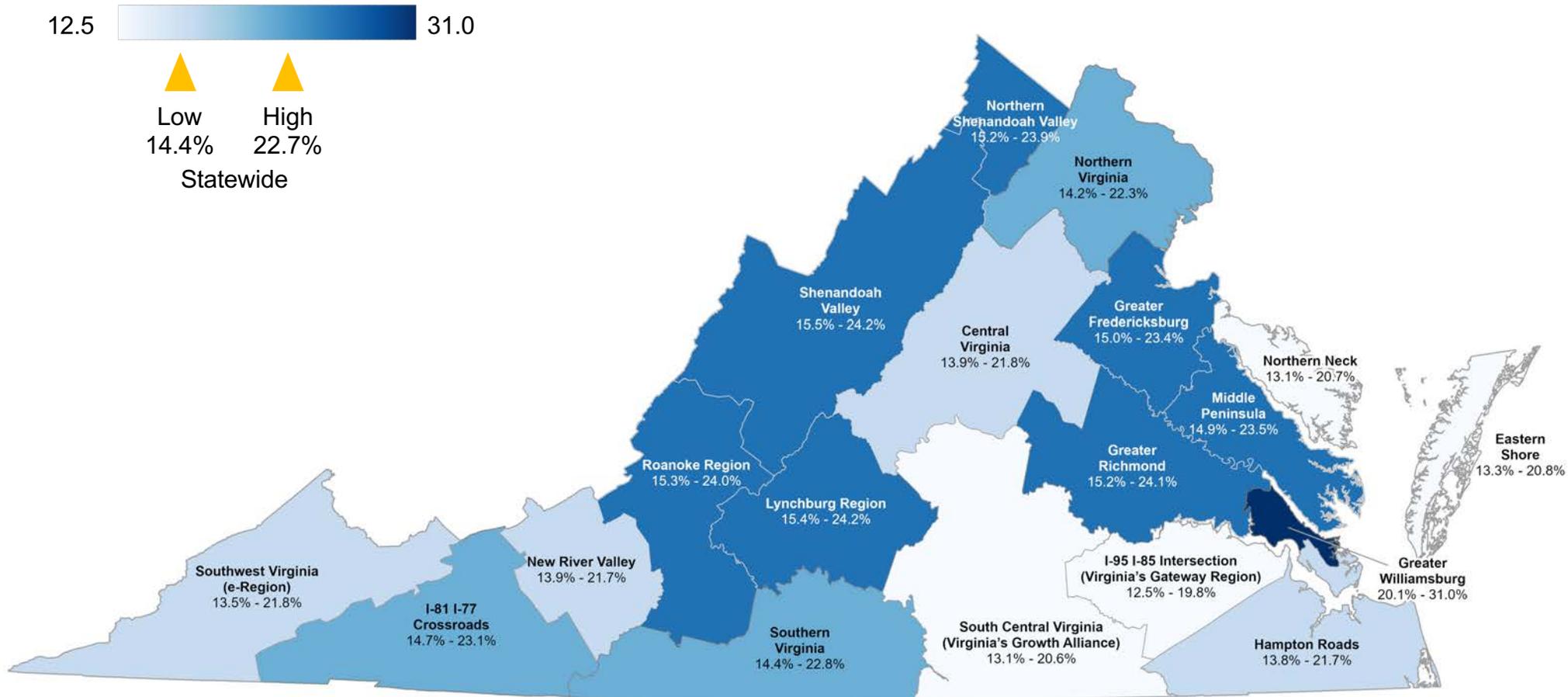


Source: Emsi 2020.1; VEC UI claims; information from Data Compilation workgroup of Virginia Economic Strike Force; interviews with Virginia businesses and stakeholders; review of national economic forecasts, research, and press; VEDP analysis

POTENTIAL JOB LOSSES VARY BY REGION, LARGELY DUE TO DIFFERENCES IN INDUSTRY MIX (E.G., % OF JOBS IN HOSPITALITY)

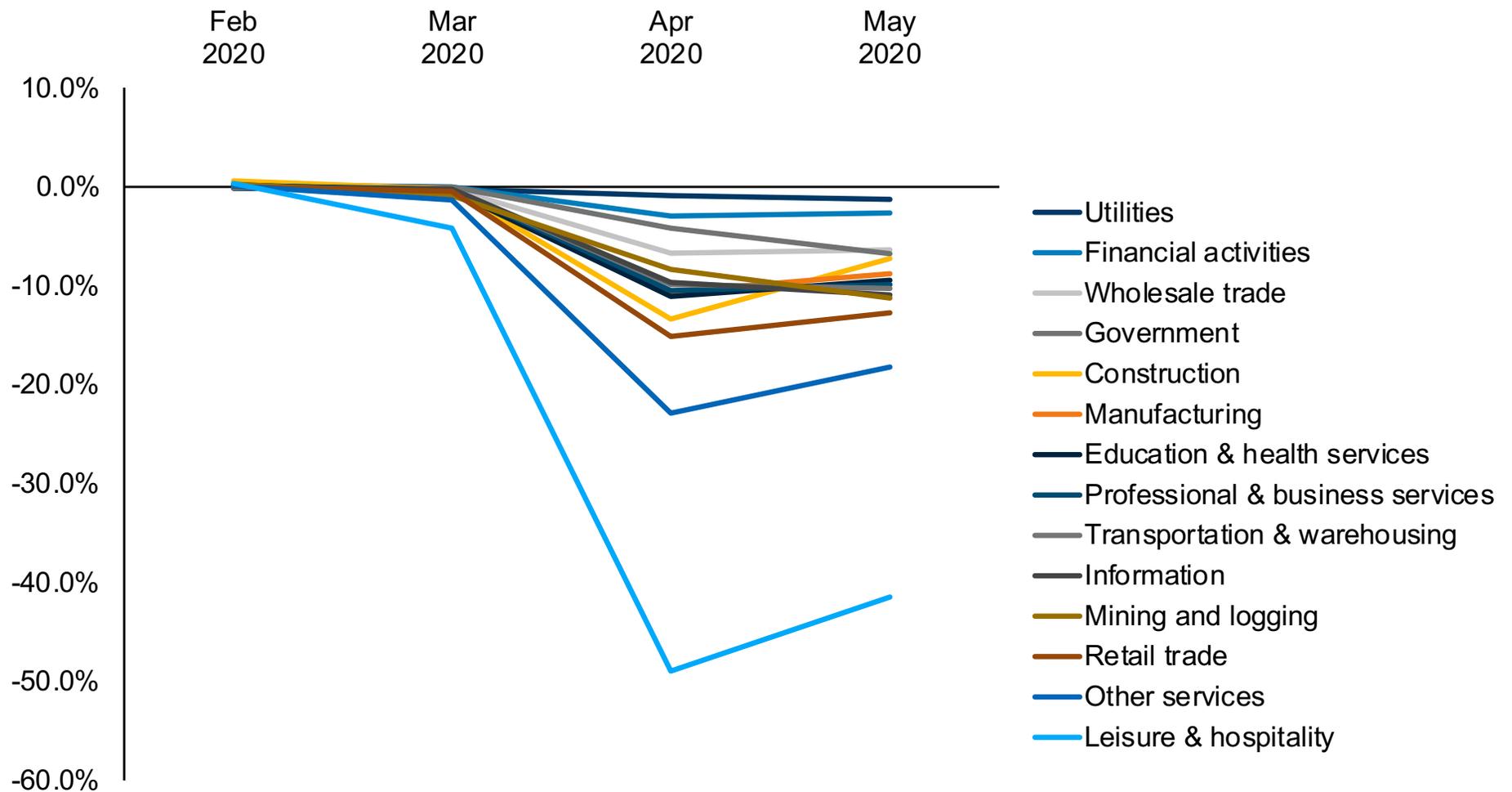
Estimated jobs lost/furloughed as % of baseline jobs

Range of estimated job losses, shading based on average of high and low scenarios



EVEN AFTER GAINS IN MAY, EMPLOYMENT IN ALL SUPERSECTORS REMAINS BELOW JANUARY 2020 EMPLOYMENT LEVELS

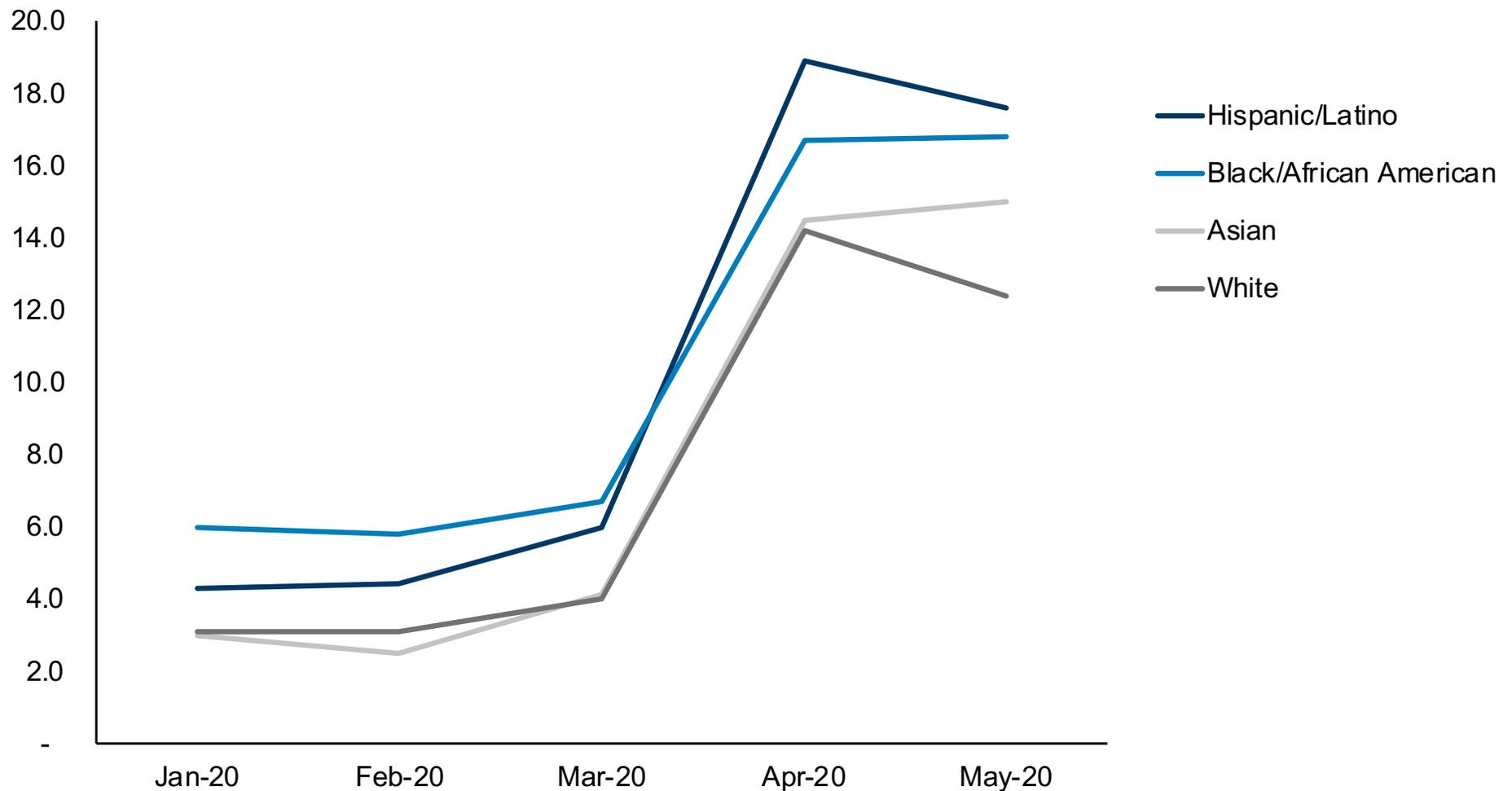
Employment change from January 2020 by supersector
 % change from January 2020 employment, SA



DESPITE OVERALL POSITIVE TRENDS, UNEMPLOYMENT RATES ARE NOT FALLING FOR ALL GROUPS OF WORKERS...

Unemployment rate by race / ethnicity

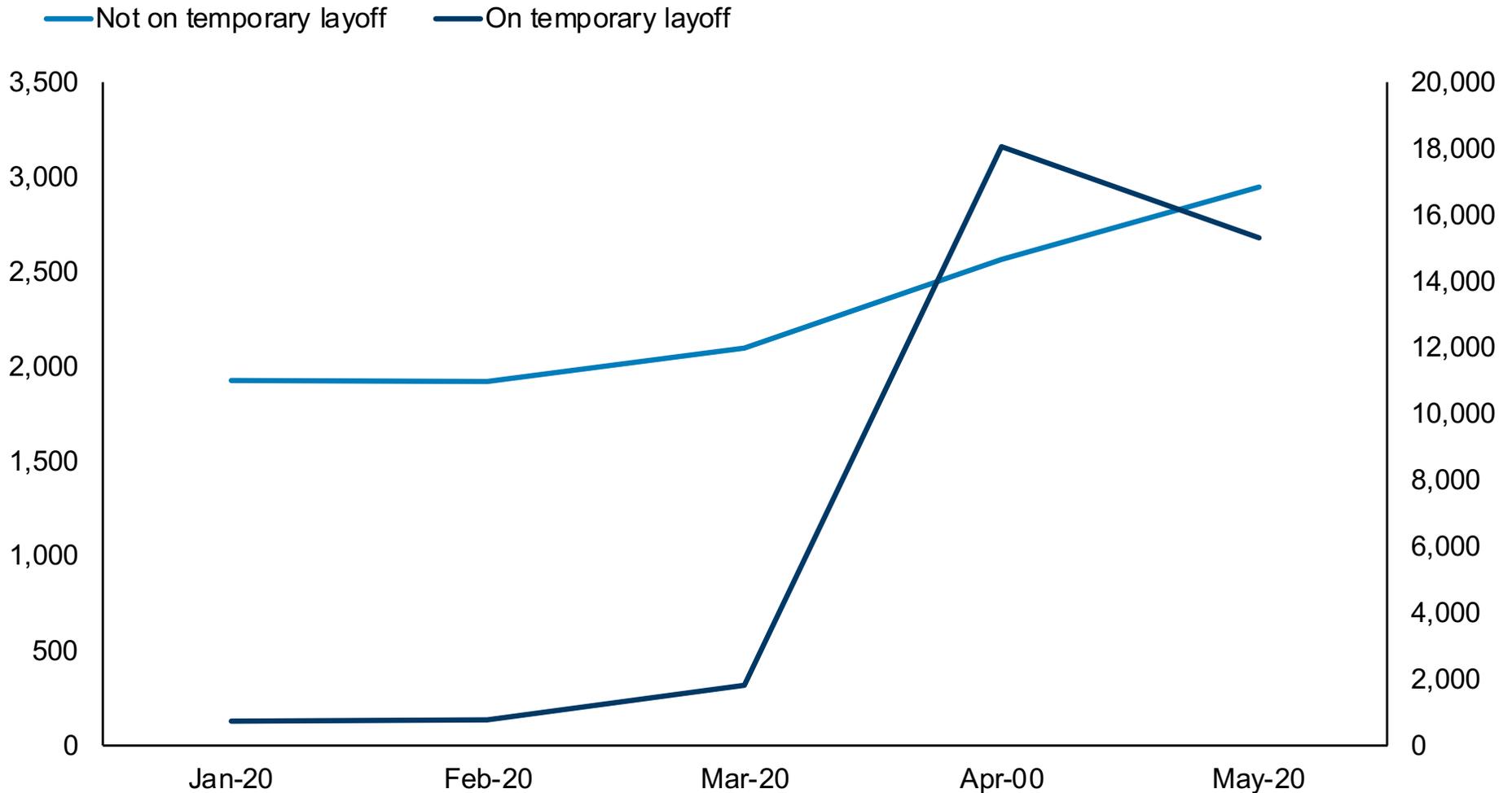
January – May 2020, % labor force unemployed, SA



...AND MOST JOB GAINS IN MAY LIKELY CAME FROM WORKERS ON TEMPORARY LAYOFF, PERMANENT LAYOFFS CONTINUED TO RISE

Temporary and permanent job losers

Unemployed by category, thousands of unemployed, SA

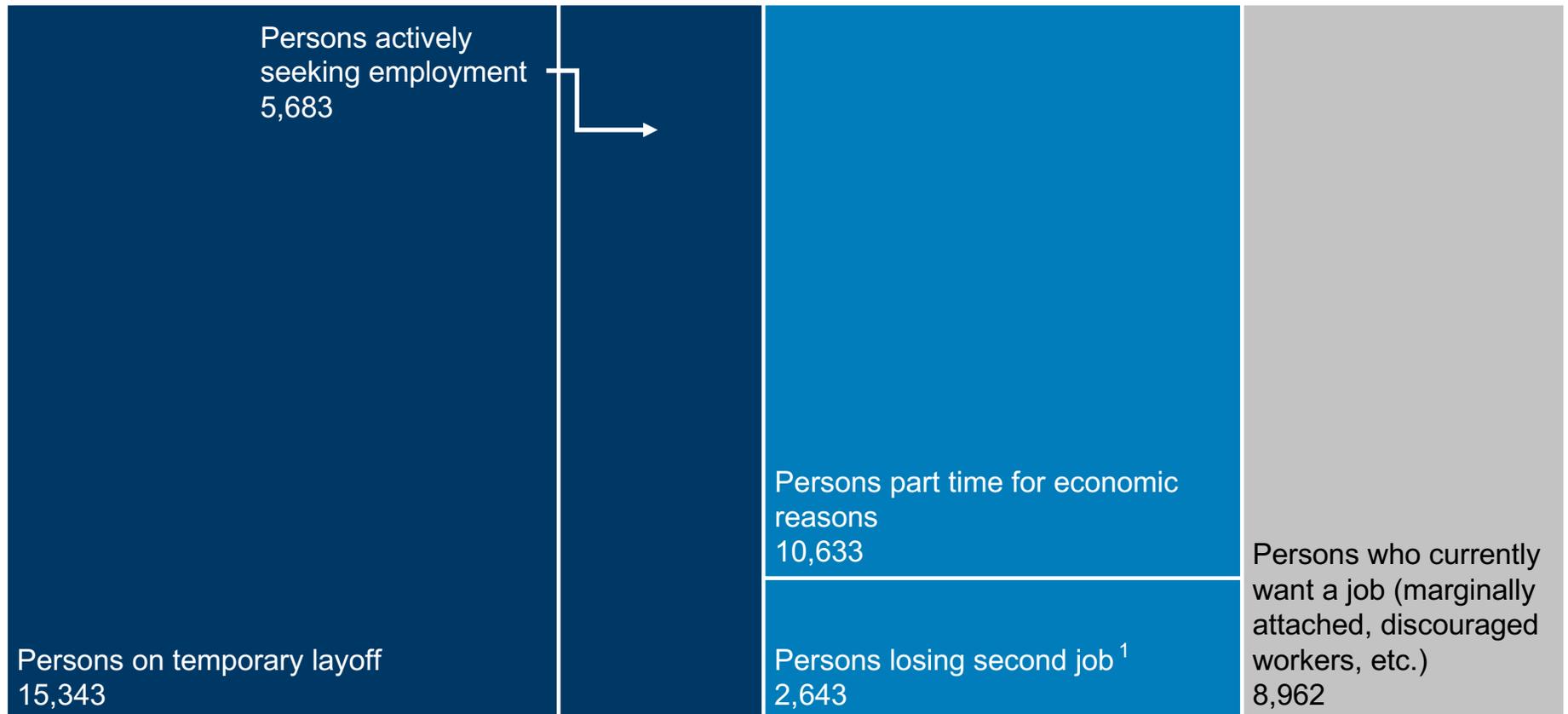


BEYOND THE ~20M STILL UNEMPLOYED, TENS OF MILLIONS MORE HAVE BEEN NEGATIVELY IMPACTED BY THE PANDEMIC

Persons by category

Thousands of persons, SA, May 2020

Unemployed
 In workforce
 Outside labor force



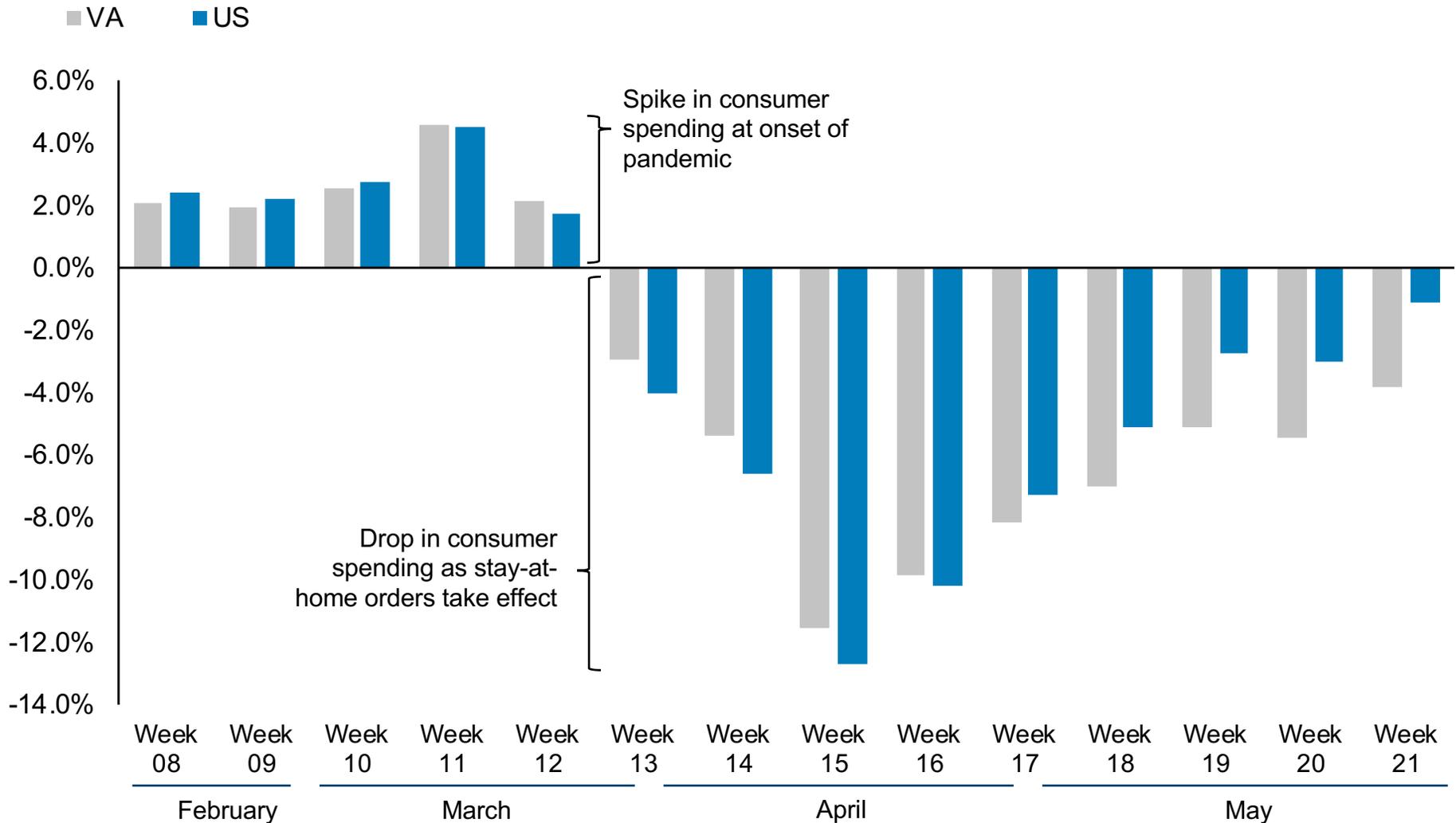
¹ Change in multiple job-holders between January and May 2020

Source: Bureau of Labor Statistics, Current Population Survey; VEDP analysis

AFTER SPIKING IN EARLY MARCH, CONSUMER SPEND IN VA HAS BEEN BELOW 2019 LEVELS FOR THE PAST TWO MONTHS

Virginia and national consumer spending trends by week

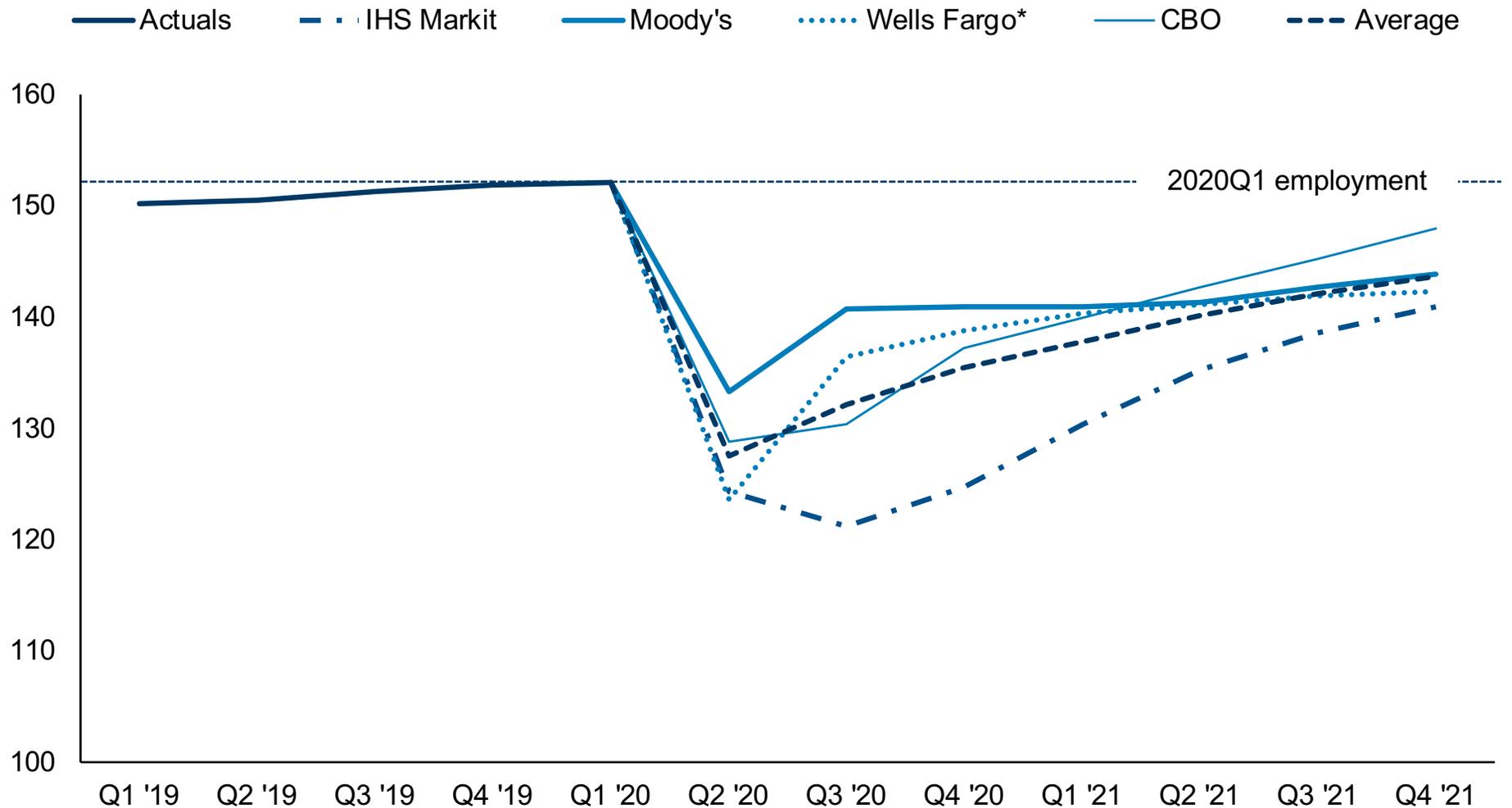
Year-over-year weekly change in total spending, 2019/2020, weeks 8 – 21



Source: Earnest Research (longitudinal panel of 6 million de-identified U.S. consumers)

CURRENT FORECASTS DIFFER ON EXTENT OF DAMAGE AND RECOVERY TRAJECTORY, BUT ALIGN BY END OF 2021

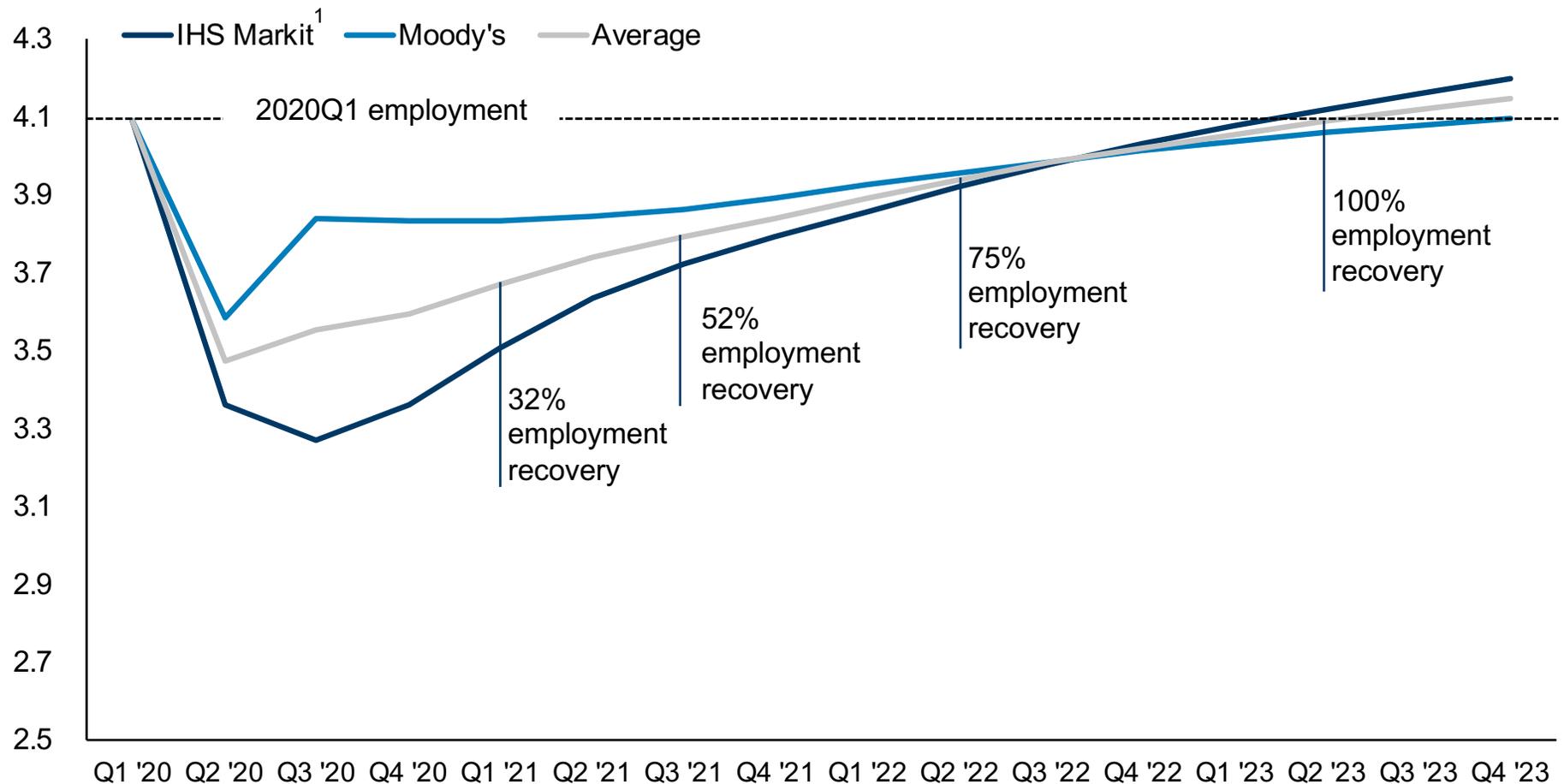
Quarterly U.S. employment estimates from select macroeconomic forecasters
Total nonfarm payroll employment, 2019 – 2021, Millions of jobs



*Wells Fargo publishes average monthly change by quarter. Quarterly estimate derived by tripling average monthly change
Source: Moody's Analytics (June baseline); IHS Market (May forecast); Wells Fargo (May forecast); Congressional Budget Office; VEDP analysis

HALF OF JOBS LOST IN VIRGINIA MAY NOT BE REGAINED UNTIL LATE 2021, WITH FULL RECOVERY POSSIBLE IN MID-2023

Quarterly Virginia employment estimates from select macroeconomic forecasters
 Total nonfarm payroll employment, 2019 – 2023, millions of jobs

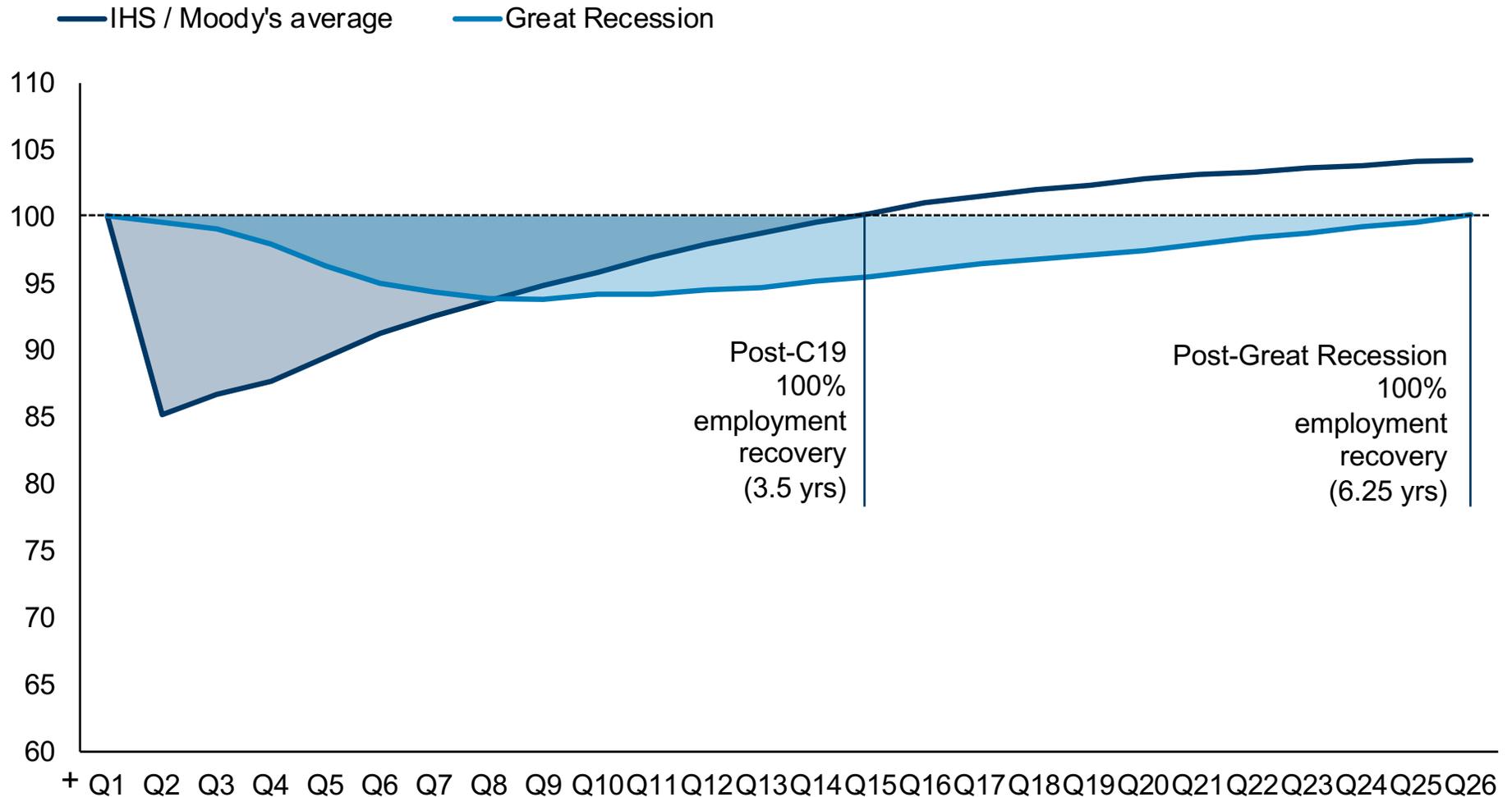


¹IHS forecast estimates are based on national forecasts that have been applied to Virginia employment mix by VEDP
 Source: Moody's Analytics (May baseline); IHS Markit (May forecast); VEDP analysis

FORECASTS SUGGEST POST-C19 RECOVERY WILL BE SIGNIFICANTLY QUICKER THAN AFTER GREAT RECESSION

Timeline of job loss recovery post-Great Recession compared to post-C19 current forecasts

Historic quarterly U.S. employment, 2009-2014, compared to Moody's/IHS Markit forecasts average, 2020-2026, indexed



Source: Bureau of Labor Statistics, Current Employment Survey (historic); Moody's Analytics (May baseline); IHS Markit (May forecast); VEDP analysis

FOLLOWING ECONOMIC RELIEF EFFORTS, WE ENVISION FOUR BIG STRATEGIC OPPORTUNITIES FOR ECONOMIC RESTORATION



1. Capture manufacturing reshoring and new supply chain opportunities

- Industry analysis and surveys indicate a significant share of manufacturers will likely bring some production and sourcing back to North America in response to the COVID-19 pandemic
- Additionally, as businesses around the world reconfigure their global supply chains and increase resiliency, many new opportunities will emerge for Virginia exporters
- Virginia can capture these job-creation opportunities by investing in targeted business investment, international trade, and related support activities (e.g., site development)



2. Accelerate Digital Virginia (cloud computing, software, data centers)

- The COVID-19 pandemic has accelerated the transition toward a digital economy for businesses and consumers around the world
- As an established U.S. tech leader, Virginia is well positioned to capitalize on these opportunities in software development, cloud computing, data centers, cybersecurity, and other technologies
- Virginia can capture a larger share of this post-COVID tech wave by complementing existing efforts (e.g., TTIP) with ubiquitous broadband access and targeted incentives



3. Seize telework transition opportunities, with special focus on rural and small metro regions

- With the widespread shift to telework during the pandemic, industry experts and business leaders are signaling that telework will become the (permanent) new normal for a much larger share of workers
- Virginia can capture these talented professionals (and the tax revenue they generate) by deploying creative incentive and marketing approaches that focus on both businesses and individuals that telework



4. Retool and reskill Virginia's (unemployed) workforce for post-pandemic career opportunities

- Low-wage workers, women, and people of color were disproportionately impacted by the economic shock resulting from COVID-19, and likely will make up a significant share of the long-term unemployed in the absence of targeted efforts
- In addition to new job creation opportunities for the Commonwealth, we have an opportunity to connect displaced workers with higher-wage employment opportunities through workforce initiatives such as G3, the Virginia Talent Accelerator Program, VJIP, and other targeted investments in sub-baccalaureate fields