FEATURE ARTICLE: *The Health Care and Social Assistance Sector in Virginia* by James P. Wilson

VIRGINIA Economic Indicators

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VOLUME 41, NUMBER 2

Second Quarter Data, Third Quarter Preliminary Analysis, and Latest 2009-2011 Projections

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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS codes were updated in 2007. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2009 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2009 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

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Highlights

The U.S. and Virginia Economies

The usual mid-summer benchmark revisions by the U.S. Department of Commerce show growth in the U.S. economy was even slower than originally thought. The annual growth rate was only 0.4 percent in 2008, slower than the pre-revision estimate of 1.1 percent. Annual economic growth in the U.S. was still barely positive (0.4 percent) even though we were officially in a recession because of a spurt of second quarter growth from tax rebate checks, surging defense spending, and good exports. After mid-year 2008, the economy was in a state of "free fall" with growth receding 2.7 percent in the third quarter, 5.4 percent in the fourth quarter, and 6.4 percent in First Quarter 2009. Second Quarter 2009 saw the rate of economic descent slowing to 0.7 percent. At the end of Second Quarter 2009, the recession had already lasted nineteen months, making it the longest in post-World War II history. Although U.S. unemployment has yet to reach the 10.8 percent peak of the 1981-82 recession, industries like construction, manufacturing, motor vehicles, information, and finance have been *absolutely devastated;* and most of the unemployed have seen their jobs completely wiped out, requiring new job creation before they can return to work. Did recovery commence in Third Quarter 2009? The "cash for clunkers" program helped July and August vehicle sales, there was slight improvement in factory orders and the housing market, and some stimulus monies were filtering into the economy. The biggest problem facing the economy is the still worsening labor market, with U.S. unemployment hitting 9.8 percent in September. With such a glum labor market, consumers, which account for 70 percent of the economy, remain reluctant to spend.

> *The U.S. economy still appears in recession, but Virginia, which did not sink as deeply into the doldrums, may be emerging.*

The national recession was making an impact on Virginia in Second Quarter 2009, with the average hourly factory wage reaching $18.84 in May being the only positive record set by the indicators this quarter. Virginia, however, did not appear to be sinking into the doldrums as far and as fast as the rest of the nation. As *Forbes* magazine stated as it awarded Virginia its coveted "Best Business Climate in the Country" award for the fourth consecutive year, "Relative to the rest of the country, Virginia is booming." Third Quarter 2009 preliminary data indicates Virginia's employment loss is stabilizing and the unemployment rate may have peaked at 7.1 percent (seasonally adjusted) in June 2009. The seasonally adjusted jobless rate was down to 6.7 percent by September. Virginia's apparently improving job market seems to stem from record enrollments in its large public and private higher education sector (an export industry for Virginia) and stimulus monies spilling over to private contractors at its many federal installations. The fourth quarter is normally the best economic period in the year in Virginia, and that is yet to come.

Of Virginia's ten metropolitan areas, the college-dominated Lynchburg and Harrisonburg areas have seen little net job loss and the federal government-oriented large Hampton Roads and Northern Virginia metropolitan areas have seen less than one percent job loss and only a moderate run-up in unemployment. The two state colleges have kept the New River Valley net job loss less than one percent. Charlottesville and Roanoke have fared only slightly worse. Danville, even with its factory problems, has weathered this recession better than the rest of Southside Virginia. Richmond, which has lost 21,000 net

jobs, because of a large number of major business closings and Winchester, with 4.4 percent job loss, mostly in manufacturing, have been hardest hit.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 214.3 (1982-84=100) in Second Quarter 2009. This average was 0.1 percent higher than the 212.0 First Quarter 2009 average because of slightly higher energy and commodity prices. The Second Quarter 2009 average was still below the Second Quarter 2008 average of 216.8 by 1.1 percent. Because of the fall in prices of big-ticket durables (houses and vehicles), there was some over-the-year deflation.

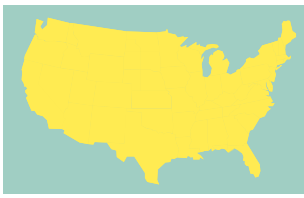
According to the Bureau of Labor Statistics of the U.S. Department of Labor, nonfarm business sector labor productivity increased at a 6.6 percent annual rate during Second Quarter 2009. This was the largest productivity increase since Third Quarter 2003 and reflects declines of 1.5 percent in output and 7.6 percent in hours worked. (All quarterly percent changes are seasonally adjusted annual rates.) From Second Quarter 2008 to Second Quarter 2009, output fell 5.5 percent while hours fell 7.2 percent, yielding an increase in productivity of 1.9 percent. Nonfarm business productivity increased at an annual rate of 2.5 percent from 2000 through 2008. Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours of all persons, including employees, proprietors, and unpaid family workers.

Unit labor costs in nonfarm businesses fell 5.9 percent in Second Quarter 2009, with the decline due entirely to the increase in productivity; hourly compensation increased slightly. Unit labor costs declined 1.2 percent over the last four quarters, as a 1.9 percent increase in output per hour was partially offset by a 0.7 percent increase in hourly compensation. Unit labor costs is defined as the ratio of hourly compensation to labor productivity; increases in hourly compensation tend to increase unit labor costs and increases in output per hour tend to reduce them.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's coal production of 11,318,000 short tons mined in the first six months of 2009 was 5.6 percent below the 11,995,000 short tons mined in the first half of 2008.

William F. Mezger, Chief Economist
Virginia Employment Commission

U.S. Economic Outlook



Forecast Update—Second Quarter Data, Third Quarter Preliminary Analysis, and Is the Recession Bottoming Out?

William F. Mezger, Chief Economist

The U.S. Department of Commerce revised the Gross Domestic Product (GDP) numbers for 2008 in July, along with the GDP series for several past years, as it does annually each summer. This revision takes place after all the contributing agencies have updated their information, which goes to make up GDP, to the very latest benchmarks. (GDP is the sum of the output of all the goods and services produced by labor and property in the U.S. economy and is the key measure of economic gain or loss). The Commerce Department's latest revisions show GDP was growing at an even slower pace than thought. The annual growth rate was only 0.4 percent in 2008, slower than the pre-revision estimate of 1.1 percent. The revision of the series for the three most recent full years is as follows:

U.S. Annual GDP Growth Rates 2006-2008 (Percent)

	2006	2007	2008
Revised Estimates	2.7	2.1	0.4
Pre-revision Estimates	2.8	2.0	1.1

The National Bureau of Economic Research (NBER), the Princeton, New Jersey, group that officially designates recessions in the U.S., in December 2008 officially declared the U.S. economy was in a recession that started December 1, 2007. This recession was caused by the bursting of the housing bubble in 2007, which triggered the crisis in financial markets in 2008. Annual average GDP was still barely positive in 2008 (even with the new benchmark revisions) with 0.4 percent GDP growth although we were officially in a recession because of a spurt of second quarter growth (+1.5 percent) from the tax rebate checks, a surge in defense spending, and good exports. After mid-year 2008, the recession worsened with GDP dropping 2.7 percent in the third quarter and 5.4 percent in the fourth quarter. The economy was in a state of "free fall" in Fourth Quarter 2008 and First Quarter 2009, with First Quarter 2009 GDP dropping again by 6.4 percent.

The final Second Quarter 2009 estimate, out from the Bureau of Economic Analysis of the U.S. Department of Commerce on September 30, 2009, showed the rate of GDP decrease slowing to 0.7 percent. This was even better than the July and August earlier second quarter estimates, which both showed GDP dropping at a 1.0 percent rate. The U.S. economy has now contracted for four straight quarters, for the first time since 1947. The decrease in real GDP in the second quarter primarily reflected negative contributions from private inventory investment, nonresidential fixed investment, residential fixed investment, personal consumption expenditures, and exports that were partly offset by positive contributions from federal government spending and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased. The much smaller decrease in real GDP in the second quarter than in the first quarter primarily reflected much smaller decreases in nonresidential fixed investment and in exports, an upturn in federal government spending, smaller decreases in private inventory investment and residential fixed investment, and an upturn in state and local government spending that were partly offset by a much smaller decrease in imports and a downturn in personal consumption expenditures. June, at the end of Second Quarter 2009, was the nineteenth month of the recession, making it the longest in post-World War II history. The 1973-1975 recession and the 1981-1982 recession had each been sixteen months in length.

The current recession is the longest downturn since the Great Depression of the 1930s. It is, however, not yet as bad as the 1981-82 recession when unemployment peaked at 10.8 percent in the U.S. and 8.4 percent in Virginia. This recession, like the 1991 and 2001 recessions, has been selective in that some industries such as construction, manufacturing, motor vehicles, information, and finance have been *absolutely devastated* while others, like health care, higher education, and some services, are still seeing some expansion. Also, like the 1991 and 2001 recessions, most of the unemployed have seen their jobs completely vanish and new jobs will have to be created before they can return to work.

The question in the third quarter is "has the recession ended, or is it still going strong?" It will be the end of October before the first, or "flash," estimate of GDP is available from the U.S. Commerce Department. It will be the end of December before the final estimate is ready.

- Things helping the economy in Third Quarter 2009:
  - The "cash for clunkers" program gave a boost to light vehicle sales in July and August, although dealers were complaining about the paperwork and the slowness of being reimbursed by the federal government. Probably the worst aspect of the "cash for clunkers" program was that it seems to have helped the foreign vehicle producers of Toyota, Honda, Hyundai, and Subaru more than General Motors and Chrysler, the domestic vehicle makers it was initially intended to benefit. The foreign producers

had more fuel-efficient vehicles in their inventories this summer than did the domestic producers. Also, the removal from the market of used vehicles by the program has boosted the average used car price by about $1,000. In September, after "cash for clunkers" had expired, light vehicle sales plummeted by nearly forty percent.

- Factory orders and output improved in July, but this was also an abnormal situation. General Motors and Chrysler did not produce any vehicles during their bankruptcy proceedings in May and June. In July, when they normally would have been shut down for model change-over, they started up production lines to finish partly assembled 2009 models from parts already on hand. In August, they were shut down for the annual model change-over to the 2010 models, which usually are in production by this time. Also during this period, parts suppliers did not get to sell many parts because the vehicle makers already had 2009 parts on hand.

- The "shovel-ready" portion of the stimulus monies are starting to filter into the economy through spending on projects at the federal, state, and local government levels. Unfortunately, this job creation is somewhat being negated by job cuts due to reduced tax revenues at state and local governments that by law cannot run deficits. Another way of looking at this is that state and local governments would be forced to cut even more jobs due to the lost revenues were it not for the stimulus monies.

- There was some good news in the housing market as first-time home buyers tried to take advantage of the $8,000 federal tax credit set to expire on December 1, 2009. To get the tax credit, sales have to be closed and the paperwork finalized by December 1, 2009. New starts were up from an annualized 540,000 in the second quarter to an expected just over 600,000 annualized in the third quarter. Existing home sales were up from 4.76 million annualized in the second quarter to an expected just over 5 million annualized in the third quarter.

- Some of the banks that got TARP loans last year are repaying their loans ahead of time, but the credit/liquidity situation, while improved, is still not as good as it could, or should, be.

- The economic bounce-back in Asia (especially in China) and improvements in Europe are helping the outlook for exports.

- Problems still hurting the economy in Third Quarter 2009:

  - The biggest problem the economy had in Third Quarter 2009 is an unemployment rate that continues to worsen. The national jobless rate, on a seasonally adjusted basis, has gone from 9.5 percent in June, to 9.4 percent in July, to 9.7 percent in August, and to 9.8 percent in September. While the job loss is easing slightly, the economy still appears nowhere close to starting to add new jobs. Unemployment is likely to be 10.0 percent at year's end and will probably top out at 10.2 percent in the normally weaker First Quarter 2010. The national factory workweek continued to ease from 39.9 hours in August to 39.8 hours in September. Total hours worked in the private sector fell 0.5 percent in September after a 0.2 percent August decline. Most all of the third quarter's acceleration in earnings seems to stem from the final of a three-part annual federally mandated rise in the minimum wage in July. The labor market is always the "caboose of the economic train," the last to turn around in both good times and bad times.

  - With the above glum labor market numbers, it is not hard to see why consumer spending, which is 70 percent of GDP, remains depressed. Some merchants feel, however, that after two weak holiday sales seasons in a row that pent-up demand will make the 2009 holiday sales season a little bit merrier.

It is still unclear whether the U.S. economy turned around in the third quarter. The National Bureau of Economic Research (NBER) will allow plenty of time to be sure before it makes an official ruling. (The NBER is the Princeton, New Jersey, group of economic experts that officially designates U.S. recessions.)

The risk from inflation still remains low with slight deflation (-0.4 percent) forecast for 2009. Inflation should not be a problem for the next couple of years with the Fed Funds rate, which controls interest rates, likely staying below 0.50 percent until the end of 2010. The U.S. will actually see deflation of 0.4 percent in 2009 (why there will be no increase in Social Security benefits in 2010.) While the items that we use everyday have increased in price, big ticket items, like houses and vehicles, have actually fallen in price with all the recent bargains in the market, and these prices have fallen enough to slightly lower the overall composite index.

The theory is that before inflation returns, the bailouts and stimulus monies that will push the federal deficit to nearly $1.5 trillion in 2009 will revive the economy and tax revenues. The recovery-produced revenues should lower the federal deficit to $715 billion by 2012.

Gasoline prices have been relatively stable over the last couple of months.

Updated 2009, 2010, and 2011 Forecasts			
	Percent (except as noted) Averages		
	2009	2010	2011
Real GDP	-2.5	2.1	2.9
Personal Income	-2.1	2.8	4.0
Consumer Spending (Real)	-0.7	1.5	2.3
Business Investment (Real)	-17.3	0.3	11.4
Federal Government Spending (Real)	4.8	2.2	-3.8
State and Local Government Spending (Real)	0.0	0.5	0.0
Housing Starts (Million Units)	0.59	0.87	1.30
Existing Home Sales (Million Units)	5.03	5.07	5.34
Light Vehicle Sales (Million Units)	10.3	11.2	13.8
Nonagricultural Employment	-3.8	-0.7	1.9
Unemployment Rate (Levels)	9.2	9.9	9.4
Consumer Price Inflation	-0.4	1.4	2.2
Oil Prices ($ per Barrel)	60	67	77
Industrial Production	-10.0	3.1	3.7
Federal Government Surplus (Billion Dollars)	-1,490	-1,341	-1,055
Current Account Balance (Billion Dollars)	-450	-544	-619

The baseline forecast probability is 60 percent.

Forecast Alternatives

The **pessimistic scenario** assumes the financial crisis is not resolved due to the stubbornness of the banking community. Credit markets remain clogged and domestic spending slows even more, causing a further downward housing spiral. U.S. unemployment rises to nearly 11 percent for 2010 and 2011. Recovery after that is painfully slow. (Probability is 20 percent.)

In the **optimistic scenario**, the low interest rates and the stimulus packages work better than expected with fuller cooperation from the financial community. GDP growth resumes in the last half of 2009 and the economy is growing above 3.0 percent in 2010. Unemployment peaks this fall and starts to recede, never reaching 10.0 percent. (Probability is 20 percent.)

October 9, 2009

Virginia Indicators

Second Quarter 2009 Data, the Recession's Impact on Virginia, and Updated Area Information

William F. Mezger, Chief Economist

The recession's impact continued to be felt in Virginia in Second Quarter 2009, with devastating effects on industries like construction, manufacturing, motor vehicles, information, and finance; but overall, Virginia did not seem to be sinking as far and as fast into the doldrums as the nation and many other states. As in previous recessions, the very large health care and higher education (13 percent of nonfarm employment) and the federal government and federal contractors (11 percent of nonfarm employment) sectors, which continue to grow, were cushioning the recession's impact in Virginia. The downturn was worsening in fits and spells as recessions usually do. After March's fairly dismal performance of one series up, one unchanged, and twelve series down, the fourteen *Virginia Economic Indicator* series performed somewhat better (even allowing for the usual seasonal adjustment factor problems created by the Easter holiday with its associated boost to business coming in March some years and in April other years). Second quarter indicator performers were:

- April had eight series up, four unchanged, and two down.
- May saw five series up, one unchanged, and eight down.
- June was more middle ground with four series up, four unchanged, and six down.

The recession's impact continued to be felt in Virginia in Second Quarter 2009, but overall, Virginia did not seem to be sinking as far and as fast into the doldrums as the nation and many other states.

Second Quarter 2009 in Virginia established only one positive record and that was average hourly factory wages reaching a new high of $18.84 in May. Those factory workers still employed were earning a higher hourly pay rate than ever before at the same time that total factory employment dwindled to the lowest level since 1950.

The second quarter saw the following negative records set:

- Manufacturing employment dwindled to six-decade lows of 244,100 in April, 241,600 in May, and 239,500 in June.
- The insured unemployment rate (the ratio of claims to those eligible to draw) rose to a record 3.03 percent in June.
- Unemployment insurance final payments had record highs of 8,709 in April, 8,945 in May, and 12,298 in June.

Preliminary labor force data for Third Quarter 2009 seems to indicate that the recession may have bottomed out in Virginia in June.

The six-month moving average of the indicators on page 18 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Preliminary labor force data for Third Quarter 2009 seems to indicate that the recession may have bottomed out in Virginia in June. Nonfarm job loss in Virginia compared to the same month a year ago has been holding steady at 3.0 percent, or about 114,000 throughout the third quarter. The seasonally adjusted state unemployment rate fell from 7.1 percent in June to 6.9 percent in July, and 6.6 percent in August. The seasonally adjusted jobless rate bumped up to 6.7 percent for September, but more students looking for after-school work accounted for the rise. The 6.6 percent August seasonally adjusted Virginia unemployment rate was the fifth-lowest in the nation being bested only by four small upper Midwest and Rocky Mountain states at their harvest time. They were: North Dakota (4.3 percent); South Dakota (4.9 percent); Nebraska (5.0 percent); and Utah (6.0 percent). Virginia was by far the lowest of the thirteen large states with over 3.5 million employment bases. The next lowest large state was Texas with 8.0 percent seasonally adjusted unemployment. The above labor market performance was one of the reasons *Forbes* magazine stated, "Relative to the rest of the country, Virginia is booming," as it awarded Virginia its coveted

Virginia's labor market performance was one of the reasons Forbes magazine stated "Relative to the rest of the country, Virginia is booming," as it awarded Virginia its coveted "Best Business Climate in the Country" award for the fourth consecutive year.

"Best Business Climate in the Country" award for the fourth consecutive year.

The reasons Virginia appears to be pulling out of the recession ahead of just about everyone else:

- Enrollments are at record levels, in spite of tuition hikes, at all of Virginia's many public and private colleges and universities. When people become unemployed, many of them go back to school. These colleges are a major "export industry" for Virginia, and many are the lifeblood of their local communities.
- Virginia proportionately has more federal government installations than any other state (California has a greater total number, but California is much bigger than Virginia). Spending on the federal posts is one of the ways the federal government is getting stimulus monies into the economy. By late summer 2009, stimulus monies are also creating jobs at Virginia private contractors working for the federal government.
- Unlike California, Florida, and some other states, Virginia does not have a significant burst housing bubble to overcome.

In a normal year, Virginia sees its best unemployment in the fourth quarter. Virginia unemployment rose in Fourth Quarter 2007 because of the national housing crisis and in Fourth Quarter 2008 because of the national financial crisis. Barring any unforeseen new disasters this year, Virginia should see lower unemployment in the fourth quarter than in the third quarter. The year-end Virginia unemployment rate should be in the 6.3 to 6.5 percent range. Unemployment will likely rise again in Virginia in the normally weaker first quarter of next year.

Around the State

In the third quarter, the ten metropolitan areas in the state were responsible for the loss of 49,000 jobs, and the remaining rural areas accounted for 65,000 jobs lost in the combined 114,000, or 3.0 percent, statewide reduction since the recession began in Virginia in Third Quarter 2008.

The best performances have been in the Lynchburg and Harrisonburg metropolitan areas where the monthly figures have varied only plus, or minus, a few hundred jobs from the year-ago figures. The biggest metropolitan areas of Hampton Roads and Northern Virginia, where federal government employment and federal government contracting are major economic stabilizers, have seen job losses generally of less than one percent. In spite of vehicle industry job losses, the influence of the large state universities gearing up for the new school year has kept New River Valley job reductions less than one percent overall. The Roanoke, Charlottesville, and Danville areas have fared slightly worse with job cutbacks in the two percent range. The two hardest-hit metropolitan regions have been Richmond, which as a result of major business closings, lost 21,000 jobs, or 3.3 percent of its employment base, and the small Winchester area, where cutbacks have amounted to 2,400, or 4.4 percent, of the employment base. Counties and cities along the North Carolina border have had the highest jobless rates.

- **Lynchburg** has seen employment levels close to neutral in the current recession. Employment gains in Lynchburg's several private colleges and their support industries, plus

some energy-related hires, have, so far in this recession, been enough to offset cutbacks in the area's fairly large factory sector. **Unemployment** is in the seven percent range because of the temporary factory layoffs.

- **Harrisonburg** employment has remained close to neutral in the current recession with losses in vehicle-related manufacturing and construction being largely offset by hires at the large James Madison state university and the research and technology industries that go along with it. **Unemployment** is in the upper five percent range because of temporary and permanent factory furloughs.

- **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** has seen a modest employment loss of less than one percent on an annual basis, or about 5,000 jobs. Much of the job reduction has come in construction, manufacturing (vehicle-related layoffs), and trade and transportation (mostly due to reduced shipments through Hampton Roads ports). Leisure and hospitality employment has been just about equal to third quarter last year. Stimulus monies are appearing in the form of new jobs on federal installations and in the federal contract-oriented professional and business services. Education and health care continue to see growth. This region usually does better in recessions than most others, and **unemployment** is at the statewide mid-six percent average. Hampton Roads is the third-best U.S. major metropolitan area for unemployment.

- **Blacksburg-Christiansburg-Radford** has averaged net job loss just under one percent, or 600, because of a number of layoffs, both permanent and temporary, in its heavily vehicle- and vehicle-component-oriented manufacturing sector. The net impact of these factory layoffs on the local economy has, to some extent, been blunted by expansions at the two large state universities (Virginia Tech and Radford) and their support and related technology industries. The factory layoffs have pushed **unemployment** to the eight percent range.

- **Northern Virginia** has seen job losses of almost 1.0 percent, or 13,000, annually. The losses have been mostly in construction (especially commercial construction this year), information, finance, and retail trade. Leisure and hospitality has benefited from increased Washington area tourism as the new Obama administration attracts national attention. Professional and business services is only slightly negative. Federal government installations are expanding with stimulus monies. **Unemployment** has dropped back below the five percent "full employment" level, which is about the best of all large U.S. metropolitan areas.

- The **Charlottesville** area has seen job losses of two percent, or 2,000, spread over most of the private sector. The large state university/hospital complex has added a few jobs, but currently does not seem to be exhibiting the growth of some similar institutions. Federal agencies continue to move staff into new installations in the area. **Unemployment** is mid-five percent, continuing to keep the Charlottesville area Virginia's second-best metropolitan area for unemployment.

- The **Roanoke** area has seen job losses of just over two percent, or 3,900, annually. Most sectors have shed jobs, but the

losses are more pronounced in trade, transportation, and manufacturing. The only major sector adding jobs is health care, which continues to be boosted by the Carilion Clinic's on-going expansion. The combined layoffs have boosted **unemployment** to over seven percent.

- The **Danville** metropolitan area, for which figures are again available, has seen job losses of less than three percent, or 1,100. There have been some job losses in most all sectors, part of which is due to temporary furloughs. Danville has weathered this recession better than usual without many big new permanent closings. **Unemployment** was highest of any Virginia metropolitan area going into this recession, and it is still highest at 12.0 percent, but the jobless rate has not spiked here as much as in some other Southside communities.

- The **Richmond** area has lost 21,000 jobs in this recession for the greatest number of jobs shed of all Virginia's metropolitan areas. The percentage job loss is 3.3 percent. Through an unfortunate set of circumstances, Richmond has seen the demise of Circuit City, S & K Menswear, Wachovia Securities, LandAmerica, Qimonda, and Reynolds Packaging. The DuPont plant has also laid off workers. This has created significant job losses in construction, manufacturing, retailing, and finance. The Richmond area used to weather recessions better than many U.S. areas because of a diversified core of conservative local and regional businesses that were so astutely managed that they did not usually get caught up in national downturns. In the last three decades, most of the above businesses either expanded nationally, or were bought up, or merged with, national concerns with the decision making process being removed from the local area. Now when recessions come, these firms seem to get quickly caught up in national downturns. Even with the layoffs, Richmond was still the seventh-best large metropolitan area in the country for unemployment. The Richmond area still has some things going for it that should help the region out of the current recession. The large public and private health care and higher education sectors are still expanding and are expected to continue to do so. The mammoth expansion project at Fort Lee is on-going and has been added to by the stimulus monies. The recent closings and layoffs have boosted **unemployment** to almost eight percent.

- **Winchester, Virginia/West Virginia**, has seen the largest percentage job loss of 4.4 percent (2,400 jobs). Winchester's manufacturing sector is oriented to making products for the construction and motor vehicle industries, and it recently has experienced significant job losses. Construction is also down like almost everywhere else. The good thing is service industry losses have been minor, and the large service sector should quickly rebound like the service-oriented greater Washington D.C. area economy, of which it is really a part. Also, there have been recent expansions at health care and at federal government installations in the area. Winchester area **unemployment** is in the seven percent range because of the

factory layoffs; but in bad times, Winchester also picks up unemployment from area residents who had formerly been working outside the metropolitan area in neighboring areas.

- The Virginia areas along the North Carolina border, which have industrial mixes similar to that state, have recently, like North Carolina, experienced double-digit unemployment. **Martinsville** city has the state's highest jobless rate at over 21 percent.

The Recession's Impact was Still Being Felt in Virginia in the Second Quarter.

Nonagricultural wage and salary employment on a seasonally adjusted basis posted no change on the page 17 and 18 tables each month of the quarter. No month had the 18,000 (plus, or minus, 0.5 percent) necessary to register change. Actual seasonally adjusted movement was +700 March to April, -1,600 April to May, and -9,100 May to June. The slight 700 March-to-April gain may have had more to do with the seasonal adjustment factors' incapability to deal with the Easter holiday, which is in March some years and in April other years, than any real economic improvement. The manufacturing sector continued its slide, reaching new lows each month of 244,100 in April, 241,600 in May, and 239,500 in June. Factory employment in Virginia has not been this low since 1950.

The four unemployment-related series were mixed in April (probably Easter-related problems with the seasonal adjustments again), but then were mostly negative the rest of the quarter. The seasonally adjusted total unemployment rate remained at March's 6.8 percent level for April, before moving up to 7.1 percent for both May and June. (The 7.1 percent jobless rate is the highest level of unemployment Virginia has seen since early 1983.) First-time claims for unemployment benefits fell from the 12,596 of March to 10,674 in April and 10,458 in May, before a slight up-tick to 10,732 in June. The insured unemployment rate (which is the ratio of claimants to the number of workers eligible for benefits) was down from 2.82 percent in March to 2.56 percent in April, but then climbed to 2.72 percent in May and reached a record high of 3.03 percent in June. Final payments for regular unemployment compensation (which to some extent reflect layoffs six months previous) rose each month of the quarter to record highs of 8,709 in April, 8,945 in May, and 12,298 in June.

The four production hours and earnings series were positive to neutral in April, all positive in May, but neutral to negative in June. The average length of the factory workweek was up from 39.5 hours in March to 40.3 hours in April and 41.5 hours in May. It declined slightly to 41.4 hours in June (no change on the tables). The national production workweek slumped below the 40.0 hour norm while Virginia's production workweek in the second quarter was remaining on the positive side of the norm. The average total production hours slid from March's 7,657,000 to 7,626,000 in April (too small to show change on the tables), rose to 7,814,000 in May, but was down again to 7,763,000 in June. The average hourly factory wage was up from March's $18.19 to $18.26 in April (no change on the tables) and a new record of $18.84 in May (the previous record had been $18.69 in August 2008). The average hourly factory wage slid slightly to $18.76 for June (but this was not enough to register change on the tables). The average weekly factory wage rose from $716.35 in March to $737.26 in April and $780.99 in May, but was off to $776.17 in June. The shorter workweeks were keeping average weekly earnings below the $818.37 peak set in August 2008.

The sometimes fickle four business-related series were all positive in April, all negative in May, and all positive again in June. Single family housing permits rose from March's 1,091 to 1,513 in April, receded to 1,256 in May, and then were up to 1,270 for June. New business incorporations spiked to 1,244 in April from 930 in March, were off to 991 in May, but came back to 1,029 for June. New light vehicle registrations rose from 23,325 in March to 26,877 in April, were back down to 24,762 in May, and then climbed to 27,992 in June. Taxable retail sales rose from $7,910 million in March to $8,149 million in April, were off to $7,951 million in May, and climbed to $8,321 million in June.

January 2008 - June 2009 Data

Employment Indicators

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,719.8	3,774.0	270.2	271.9	3.6	3.4
February	3,728.1	3,775.9	267.2	268.6	3.6	3.5
March	3,749.0	3,768.5	265.7	267.1	3.6	3.6
April	3,770.5	3,773.5	267.7	268.0	3.2	3.7
May	3,787.7	3,768.6	266.6	266.7	3.6	3.8
June	3,806.8	3,759.5	266.8	265.4	4.0	3.9
July	3,765.3	3,768.6	265.3	265.0	4.1	4.0
August	3,759.1	3,769.5	265.0	264.0	4.3	4.1
September	3,766.6	3,762.8	263.7	263.0	4.1	4.1
October	3,757.9	3,748.7	261.8	261.6	4.2	4.3
November	3,748.1	3,725.1	258.4	258.3	4.6	4.6
December	3,731.4	3,704.1	257.2	256.6	5.1	5.0
2009						
January	3,656.0	3,709.4	253.1	254.7	6.4	6.0
February	3,644.9	3,691.8	249.2	250.6	7.0	6.6
March	3,653.6	3,672.7	248.2	249.5	6.9	6.8
April	3,670.5	3,673.4	243.8	244.1	6.6	6.8
May	3,690.5	3,671.8	241.6	241.6	7.0	7.1
June	3,708.9	3,662.7	240.8	239.5	7.3	7.1

* These series have been adjusted to First Quarter 2008 benchmarks.

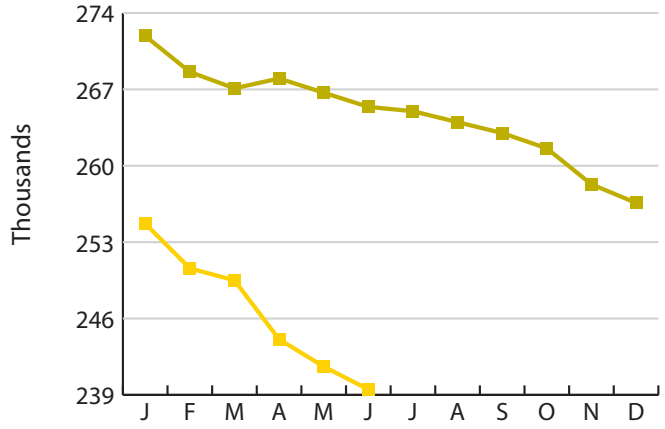
Unemployment Insurance Indicators

	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	8,194	5,432	1.16	0.93	3,747	3,327
February	5,407	5,513	1.11	0.96	3,040	3,179
March	5,001	5,456	1.23	1.18	3,295	3,137
April	4,777	5,768	1.06	1.08	4,311	4,072
May	4,772	5,734	1.02	1.05	3,562	3,274
June	4,994	5,764	1.16	1.26	3,641	3,639
July	5,698	5,214	1.13	1.16	4,603	4,326
August	4,741	5,902	1.09	1.23	3,768	3,468
September	5,900	7,280	0.93	1.12	4,300	4,815
October	7,122	7,844	1.15	1.24	3,856	4,199
November	8,940	8,305	1.57	1.58	3,649	4,255
December	13,603	9,888	2.01	1.86	5,460	6,097
2009						
January	13,246	8,782	2.15	1.73	5,359	4,758
February	11,538	11,765	2.53	2.20	6,138	6,418
March	11,545	12,596	2.93	2.82	8,669	8,252
April	8,840	10,674	2.51	2.56	9,219	8,709
May	8,705	10,458	2.64	2.72	9,733	8,945
June	9,298	10,732	2.80	3.03	12,305	12,298

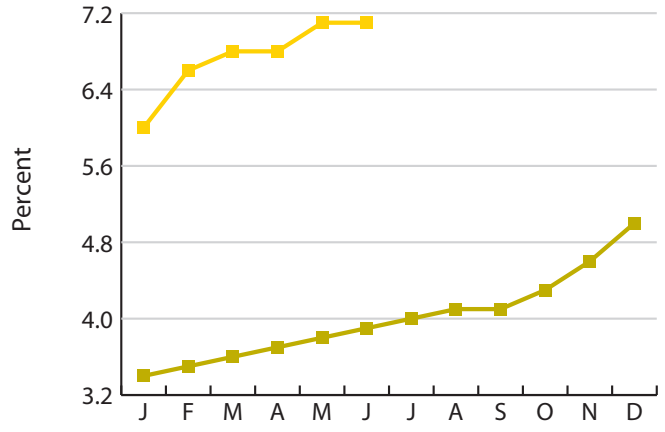
Employment Indicators

Nonagricultural Wage and Salary Employment

Manufacturing Employment

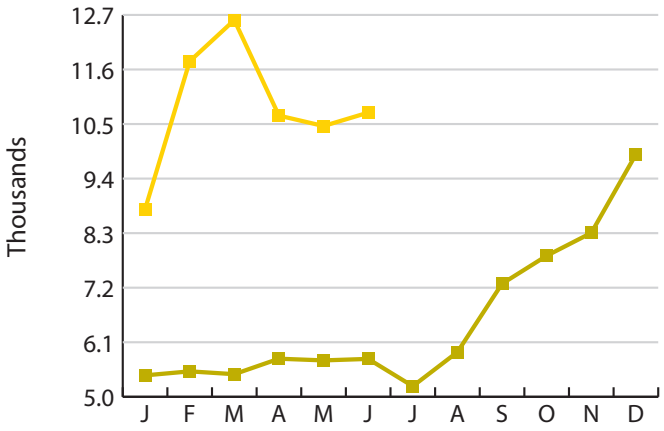


Total Unemployment Rate

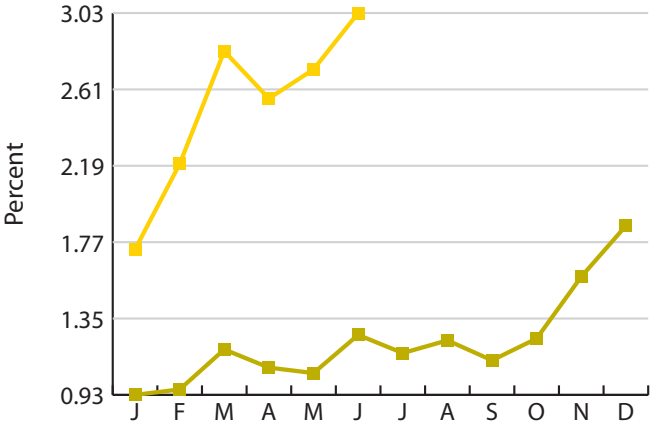


Unemployment Insurance Indicators

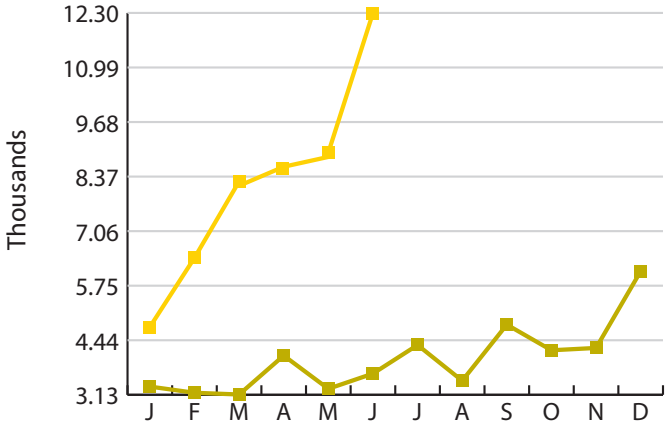
Average Weekly Initial Claims



Insured Unemployment Rate



Unemployment Insurance Final Payments



Manufacturing Production Worker Indicators

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	43.4	43.2	18.29	18.24	8.85	8.77
February	43.8	43.8	18.22	18.21	8.79	8.72
March	43.5	43.7	18.19	18.26	8.70	8.73
April	42.9	43.5	18.29	18.25	8.68	8.70
May	44.4	44.1	18.16	18.29	8.53	8.65
June	43.9	43.4	18.43	18.36	8.56	8.59
July	43.1	43.4	18.56	18.56	8.58	8.65
August	43.4	43.5	18.64	18.69	8.66	8.71
September	41.9	42.2	18.53	18.58	8.62	8.67
October	43.0	42.8	18.45	18.43	8.70	8.72
November	40.4	40.8	18.02	18.03	8.69	8.64
December	40.2	39.6	18.16	18.08	8.87	8.69
2009						
January	39.4	39.2	18.19	18.14	8.84	8.77
February	40.2	40.2	18.03	18.02	8.72	8.65
March	39.3	39.5	18.12	18.19	8.74	8.78
April	39.8	40.3	18.30	18.26	8.80	8.82
May	41.7	41.5	18.71	18.84	8.96	9.09
June	41.9	41.4	18.83	18.76	8.93	8.96

* These series have been adjusted to First Quarter 2008 benchmarks.

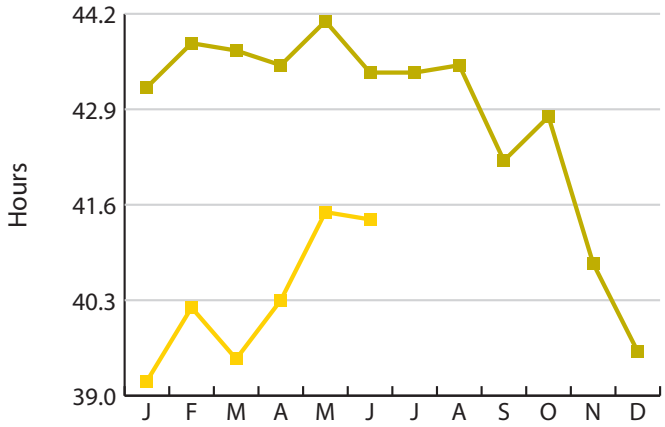
Manufacturing Production Worker Indicators (continued)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	9,144	9,160	793.79	788.86	383.95	379.37
February	9,102	9,173	798.04	797.87	385.05	382.74
March	8,996	9,092	791.27	795.95	378.33	380.00
April	8,949	9,068	784.64	794.29	372.40	377.47
May	9,231	9,187	806.30	807.14	378.92	379.58
June	9,158	9,010	809.08	795.93	375.93	372.92
July	8,952	9,007	799.94	803.31	369.82	374.48
August	9,019	8,988	808.98	818.37	375.84	381.88
September	8,652	8,676	776.41	783.31	361.23	365.53
October	8,815	8,762	793.35	789.35	373.90	371.27
November	8,165	8,250	728.01	734.80	351.19	352.90
December	8,080	7,931	730.03	714.17	356.44	346.42
2009						
January	7,750	7,764	716.69	712.20	348.42	344.25
February	7,819	7,880	724.81	724.67	350.64	348.52
March	7,577	7,657	712.12	716.35	343.66	345.18
April	7,526	7,626	728.34	737.26	350.29	355.05
May	7,852	7,814	780.21	780.99	373.71	374.35
June	7,890	7,763	788.98	776.17	373.97	370.97

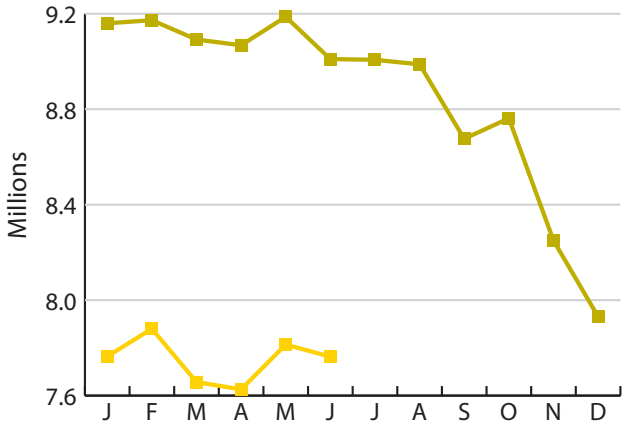
* These series have been adjusted to First Quarter 2008 benchmarks.

Manufacturing Production Worker Indicators

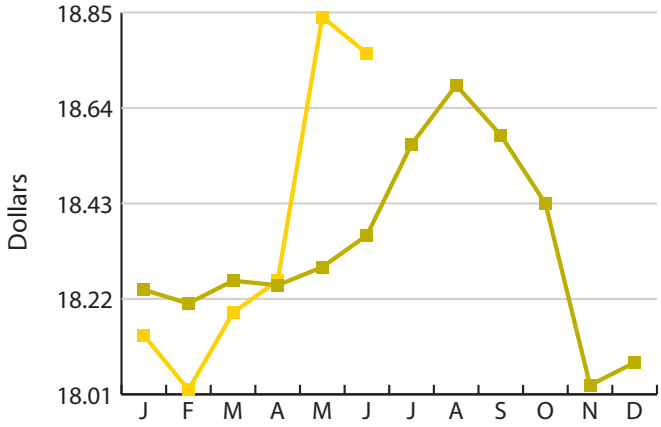
Average Weekly Hours



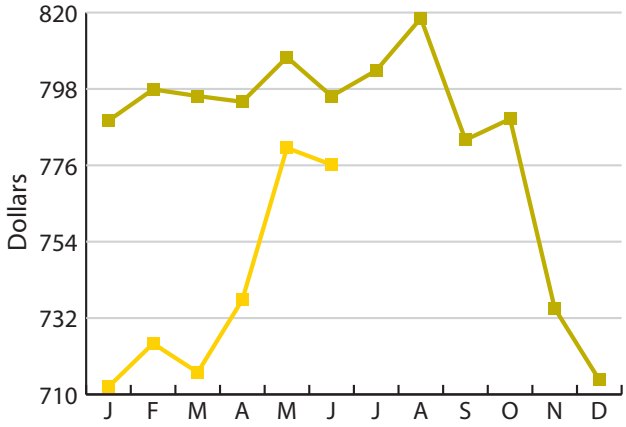
Total Production Hours



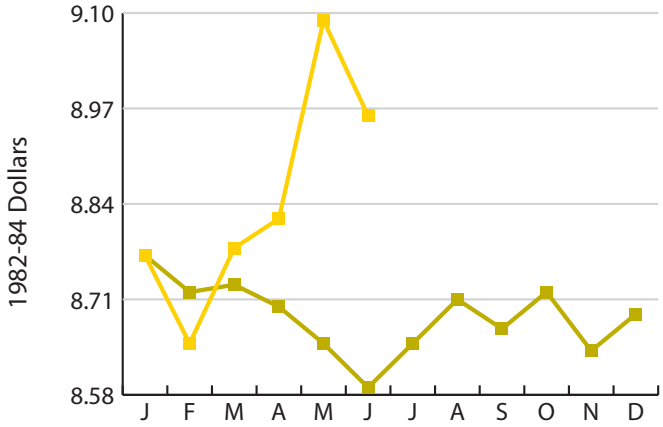
Average Hourly Earnings



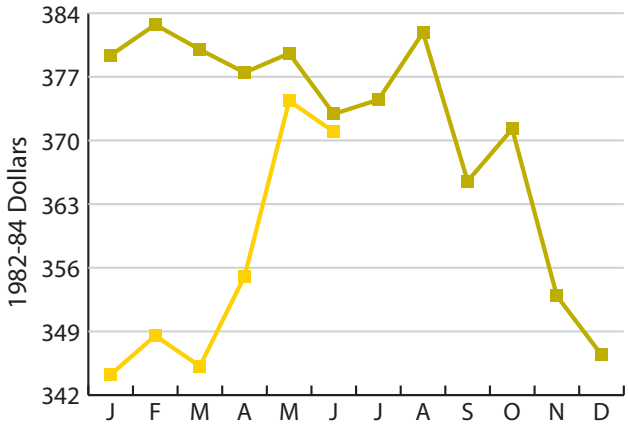
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



Business Indicators

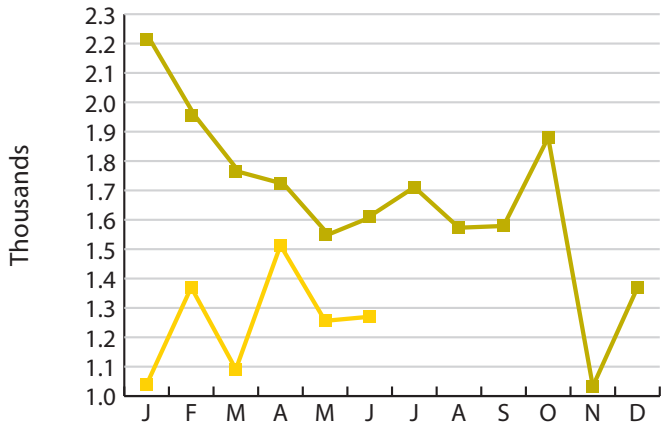
	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	1,891	2,214	1,578	1,528	38,869	41,100
February	1,865	1,956	1,329	1,298	31,615	39,991
March	2,045	1,763	1,604	1,290	37,113	35,723
April	1,947	1,722	1,761	1,651	39,156	36,859
May	1,818	1,550	1,453	1,340	40,756	35,757
June	1,905	1,612	1,344	1,289	41,337	35,840
July	1,821	1,711	1,400	1,452	38,733	36,084
August	1,635	1,573	1,087	1,130	34,003	29,884
September	1,422	1,579	1,236	1,287	34,522	33,191
October	1,789	1,880	1,125	1,252	29,138	28,964
November	873	1,033	822	1,025	19,032	22,935
December	1,010	1,369	1,153	1,263	23,637	30,316
2009						
January	887	1,039	1,096	1,061	23,181	24,512
February	1,306	1,370	1,146	1,120	20,790	26,296
March	1,266	1,091	1,156	930	24,232	23,325
April	1,710	1,513	1,327	1,244	28,551	26,877
May	1,473	1,256	1,074	991	28,224	24,762
June	1,501	1,270	1,073	1,029	32,286	27,992

Business Indicators (continued)

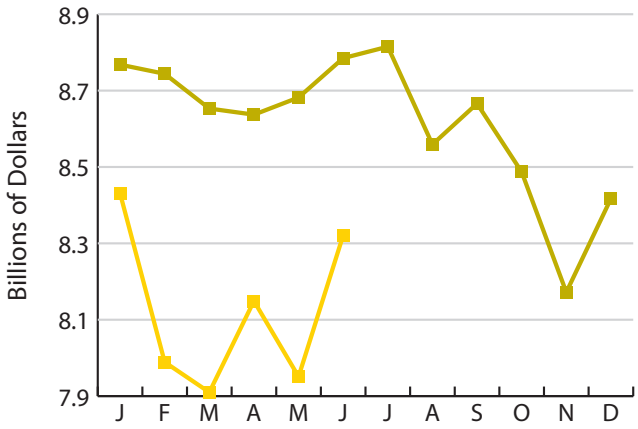
	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2008	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,599	8,768	3,676	4,215
February	7,692	8,744	3,711	4,192
March	8,728	8,653	4,173	4,131
April	8,538	8,637	4,052	4,115
May	8,786	8,682	4,129	4,109
June	9,382	8,785	4,359	4,118
July	8,712	8,815	4,028	4,088
August	8,514	8,559	3,955	4,004
September	8,622	8,666	4,011	4,063
October	8,527	8,487	4,019	3,989
November	7,962	8,172	3,841	3,921
December	10,220	8,417	4,990	4,049
2009				
January	7,307	8,431	3,552	4,073
February	7,028	7,989	3,400	3,840
March	7,978	7,910	3,850	3,812
April	8,056	8,149	3,874	3,934
May	8,046	7,951	3,854	3,836
June	8,887	8,321	4,212	3,979

Business Indicators

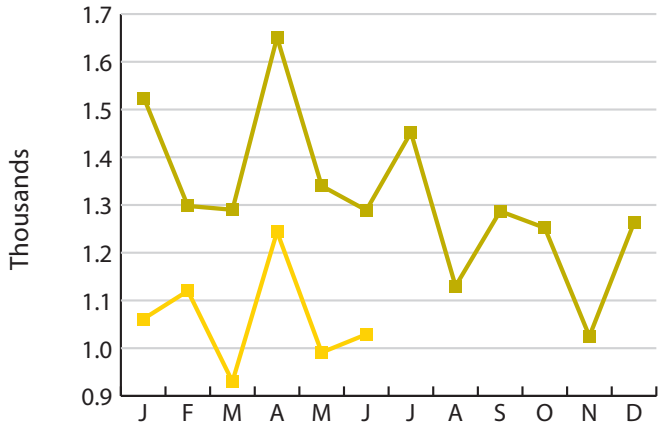
Single Family Housing Permits



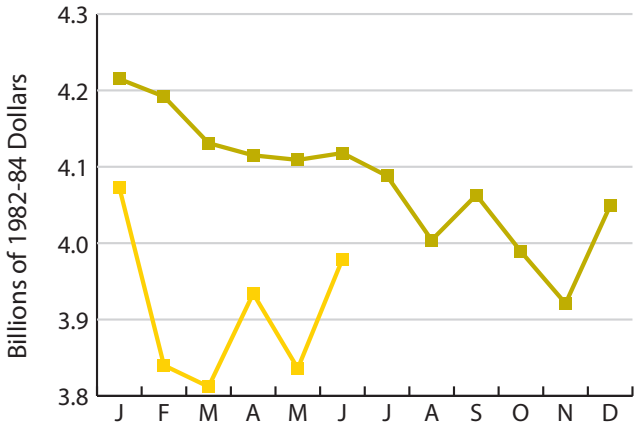
Taxable Retail Sales



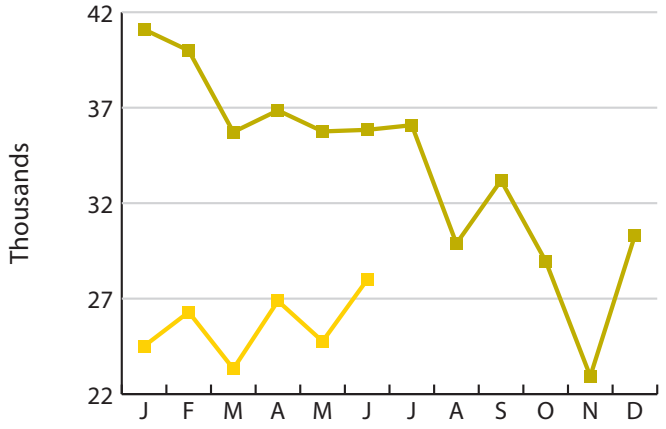
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



Data Summary (Seasonally Adjusted Data)

April 2009

	Apr. 2009	Mar. 2009	Apr. 2008	Percent & Direction of Change** Mar. 09-Apr. 09	Apr. 08-Apr. 09
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,673.4	3,672.7	3,773.5	0.0 (0)	-2.7 (-)
*Manufacturing Employment (000)	244.1	249.5	268.0	-2.2 (-)	-8.9 (-)
*Total Unemployment Rate (%)	6.8	6.8	3.7	(0)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	10,674	12,596	5,768	-15.3 (+)	85.1 (-)
Insured Unemployment Rate (%)	2.56	2.82	1.08	(+)	(-)
Final Payments	8,709	8,252	4,072	5.5 (-)	113.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.3	39.5	43.5	2.0 (+)	-7.4 (-)
*Total Production Hours (000)	7,626	7,657	9,068	-0.4 (0)	-15.9 (-)
*Average Hourly Earnings ($)	18.26	18.19	18.25	0.4 (0)	0.1 (0)
*Average Weekly Earnings ($)	737.26	716.35	794.29	2.9 (+)	-7.2 (-)
BUSINESS					
Single Family Housing Permits	1,513	1,091	1,722	38.7 (+)	-12.1 (-)
New Business Incorporations	1,244	930	1,651	33.8 (+)	-24.7 (-)
New Vehicle Registrations	26,877	23,325	36,859	15.2 (+)	-27.1 (-)
Taxable Retail Sales ($M)	8,149	7,910	8,637	3.0 (+)	-5.7 (-)

May 2009

	May 2009	Apr. 2009	May 2008	Percent & Direction of Change** Apr. 09-May 09	May 08-May 09
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,671.8	3,673.4	3,768.6	0.0 (0)	-2.6 (-)
*Manufacturing Employment (000)	241.6	244.1	266.7	-1.0 (-)	-9.4 (-)
*Total Unemployment Rate (%)	7.1	6.8	3.8	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	10,458	10,674	5,734	-2.0 (+)	82.4 (-)
Insured Unemployment Rate (%)	2.72	2.56	1.05	(-)	(-)
Final Payments	8,945	8,709	3,274	2.7 (-)	173.2 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.5	40.3	44.1	3.0 (+)	-5.9 (-)
*Total Production Hours (000)	7,814	7,626	9,187	2.5 (+)	-14.9 (-)
*Average Hourly Earnings ($)	18.84	18.26	18.29	3.2 (+)	3.0 (+)
*Average Weekly Earnings ($)	780.99	737.26	807.14	5.9 (+)	-3.2 (-)
BUSINESS					
Single Family Housing Permits	1,256	1,513	1,550	-17.0 (-)	-19.0 (-)
New Business Incorporations	991	1,244	1,340	-20.3 (-)	-26.0 (-)
New Vehicle Registrations	24,762	26,877	35,757	-7.9 (-)	-30.7 (-)
Taxable Retail Sales ($M)	7,951	8,149	8,682	-2.4 (-)	-8.4 (-)

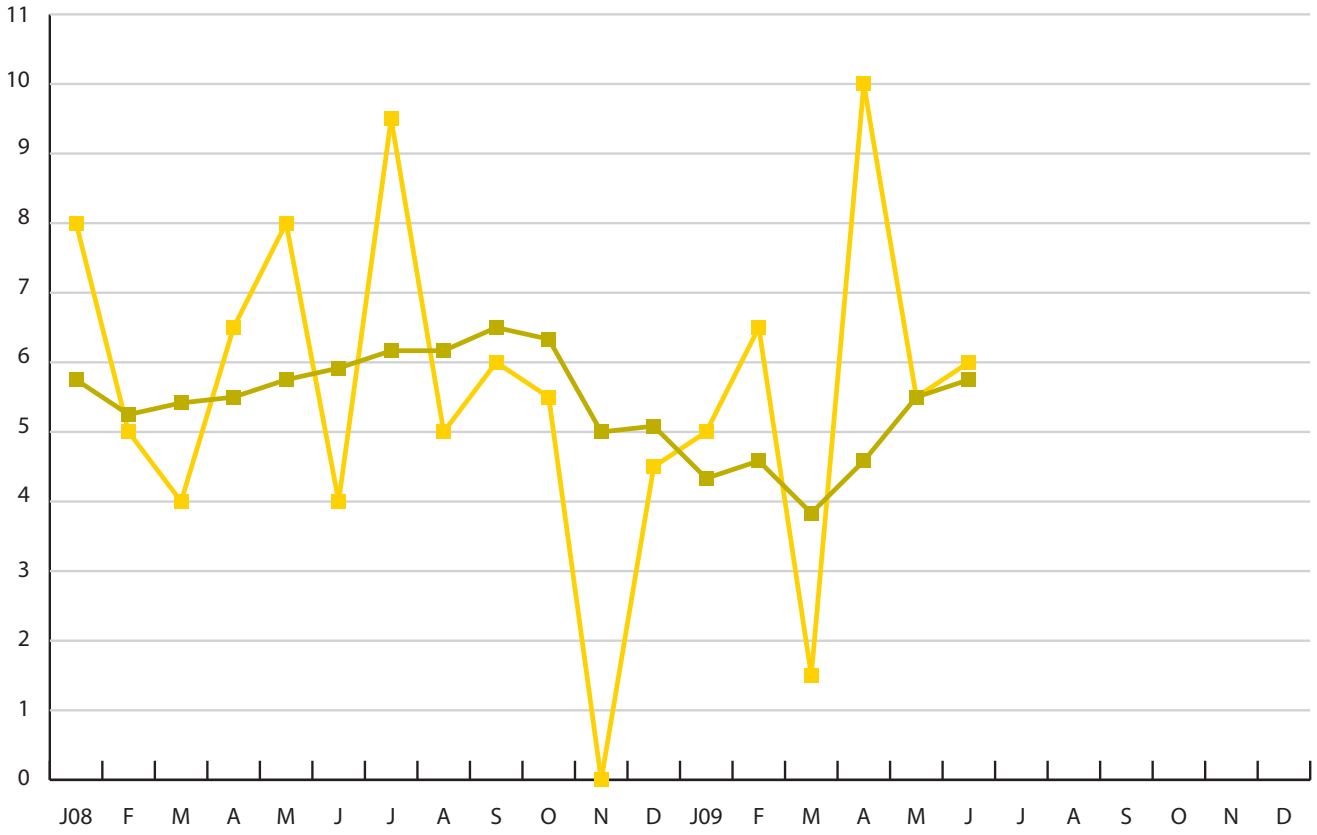
June 2009

	Jun. 2009	May 2009	Jun. 2008	Percent & Direction of Change** May 09-Jun. 09	Jun. 08-Jun.09
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,662.7	3,671.8	3,759.5	-0.2 (0)	-2.6 (-)
*Manufacturing Employment (000)	239.5	241.6	265.4	-0.9 (-)	-9.8 (-)
*Total Unemployment Rate (%)	7.1	7.1	3.9	(0)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	10,732	10,458	5,764	2.6 (-)	86.2 (-)
Insured Unemployment Rate (%)	3.03	2.72	1.26	(-)	(-)
Final Payments	12,298	8,945	3,639	37.5 (-)	237.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.4	41.5	43.4	-0.2 (0)	-4.6 (-)
*Total Production Hours (000)	7,763	7,814	9,010	-0.7 (-)	-13.8 (-)
*Average Hourly Earnings ($)	18.76	18.84	18.36	-0.4 (0)	2.2 (+)
*Average Weekly Earnings ($)	776.17	780.99	795.93	-0.6 (-)	-2.5 (-)
BUSINESS					
Single Family Housing Permits	1,270	1,256	1,612	1.1 (+)	-21.2 (-)
New Business Incorporations	1,029	991	1,289	3.8 (+)	-20.2 (-)
New Vehicle Registrations	27,992	24,762	35,840	13.0 (+)	-21.9 (-)
Taxable Retail Sales ($M)	8,321	7,951	8,785	4.7 (+)	-5.3 (-)

* Revised to 1st Quarter 2008 benchmarks.
** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

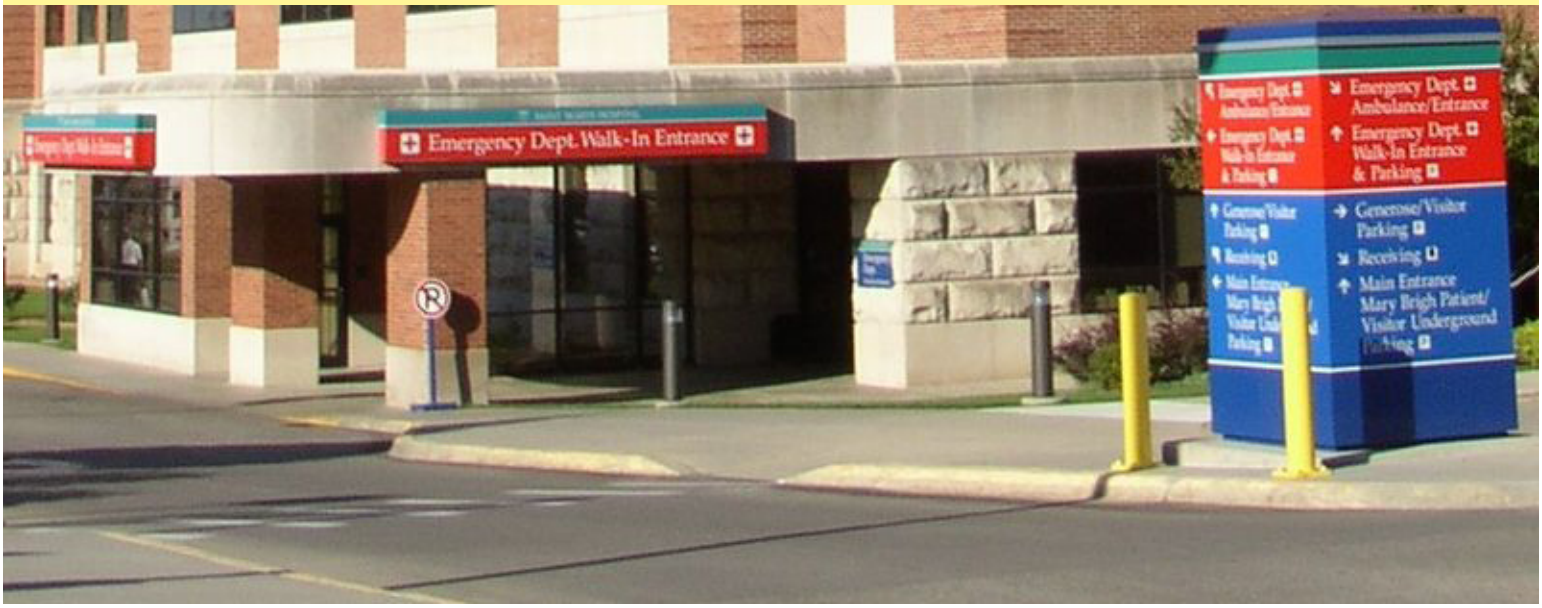
Number of Series Moving Favorably

Plus One-Half the Number Unchanged



The Health Care and Social Assistance Sector* in Virginia

by James P. Wilson, Senior Economist



Establishments

- The average employment per Health Care establishment is slightly larger than the average for All Industries.
- As might be expected, hospitals and nursing homes have the largest number of employees per establishment, while doctors' and dentists' offices are near the bottom.
- The other groups range in size from 14 to 49 employees per establishment.
- The only industry group with double-digit percentage shares of establishments and employment is Offices of Physicians. By employment it is the second-largest group.
- The Individual and Family Services group has almost 30 percent of establishments, but because they are about 75 percent smaller than the Health Care average, they have less than ten percent of employment. To the contrary, the General Medical and Surgical Hospitals group has less than one percent of establishments, but because they are 40 times as large as the sector average, they have over 28 percent of employment.

*private and public. Hereafter, referred to as Health Care. Unless otherwise noted, the source for all data is Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW, formerly ES-202).

NAICS Code and Industry Group		2008 Average Establishments	Percent of Total	2008 Average Employment	Percent of Total	Employment per Establishment
6211	Offices of Physicians	4,628	21.2%	57,589	14.1%	12
6212	Offices of Dentists	2,811	12.9%	20,733	5.1%	7
6213	Offices of Other Health Practitioners	2,520	11.5%	15,600	3.8%	6
6214	Outpatient Care Centers	509	2.3%	15,096	3.7%	30
6215	Medical and Diagnostic Laboratories	285	1.3%	6,581	1.6%	23
6216	Home Health Care Services	556	2.5%	19,769	4.8%	36
6219	Other Ambulatory Health Care Services	217	1.0%	6,089	1.5%	28
6221	General Medical and Surgical Hospitals	144	0.7%	115,024	28.1%	799
6222	Psychiatric & Substance Abuse Hospitals	28	0.1%	6,806	1.7%	243
6223	Other Hospitals	25	0.1%	1,507	0.4%	60
6231	Nursing Care Facilities	305	1.4%	33,174	8.1%	109
6232	Residential Mental Health Facilities	449	2.1%	14,178	3.5%	32
6233	Community Care Facility for the Elderly	476	2.2%	23,269	5.7%	49
6239	Other Residential Care Facilities	188	0.9%	4,438	1.1%	24
6241	Individual and Family Services	6,503	29.8%	34,395	8.4%	5
6242	Emergency and Other Relief Services	225	1.0%	3,290	0.8%	15
6243	Vocational Rehabilitation Services	347	1.6%	9,155	2.2%	26
6244	Child Day Care Services	1,631	7.5%	23,038	5.6%	14
62	**Health Care & Social Assistance Total**	**21,845**		**409,730**		**19**
	All Industries	**227,319**		**3,667,559**		**16**

Employment

- General Medical and Surgical Hospitals is the largest industry group and has been in the top three job producers in each of the five-, ten-, and fifteen-year periods (see tables on page 22).
- The second-largest group, Offices of Physicians, has added the second- or third-largest number of jobs in each of the five-, ten-, and fifteen-year periods.
- Six of the industry groups had triple-digit growth over the last 15 years, and each had strong positive growth in the last five and ten years.
- Individual and Family Services was the fastest- or second-fastest-growing group in each of the five-, ten-, and fifteen-year periods. It also added the largest or second-largest number of jobs in each of the periods.
- Psychiatric and Substance Abuse Hospitals lost employment in each of the five-, ten-, and fifteen-year periods, while Residential Mental Health Facilities showed substantial employment gains in each of those periods.
- Emergency and Other Relief Services is the only other group that had a loss in any of the periods shown on page 22.
- In the last 15 years, Health Care grew almost twice as fast as All Industries, increasing Health Care's share of employment from 9.4 percent to 11.2 percent.
- Compared to the nation, Virginia's Health Care sector grew 14 percent faster (57.0 percent vs. 50.0 percent) in the last 15 years, 23 percent faster in the last ten years (36.3 percent vs. 29.5 percent), and 43 percent faster in the last five years (19.9 percent vs. 13.9 percent). *

*Source: Current Employment Statistics of U.S. Department of Labor, Bureau of Labor Statistics.

NAICS Code and Industry Group		1993	1998	2003	2008
6211	Offices of Physicians	36,608	41,847	48,082	57,589
6212	Offices of Dentists	12,847	15,434	18,270	20,733
6213	Offices of Other Health Practitioners	7,822	10,380	12,094	15,600
6214	Outpatient Care Centers	4,432	10,426	11,585	15,096
6215	Medical and Diagnostic Laboratories	3,120	3,622	4,210	6,581
6216	Home Health Care Services	10,357	17,561	15,169	19,769
6219	Other Ambulatory Health Care Services	2,933	3,990	4,967	6,089
6221	General Medical and Surgical Hospitals	99,842	95,983	105,935	115,024
6222	Psychiatric & Substance Abuse Hospitals	12,091	8,017	8,064	6,806
6223	Other Hospitals	989	1,047	1,148	1,507
6231	Nursing Care Facilities	26,840	28,880	30,205	33,174
6232	Residential Mental Health Facilities	4,540	8,873	10,475	14,178
6233	Community Care Facility for the Elderly	11,973	16,324	20,854	23,269
6239	Other Residential Care Facilities	1,515	2,380	3,681	4,438
6241	Individual and Family Services	8,428	18,141	22,655	34,395
6242	Emergency and Other Relief Services	2,069	3,269	3,311	3,290
6243	Vocational Rehabilitation Services	8,083	8,206	8,996	9,155
6244	Child Day Care Services	13,549	17,559	20,089	23,038
62	**Health Care & Social Assistance Total**	**268,034**	**311,937**	**349,788**	**409,730**
	All Industries	**2,862,627**	**3,236,796**	**3,412,736**	**3,667,559**

NAICS Code and Industry Group		1993-2008 Change		1998-2008 Change		2003-2008 Change	
		Number	Percent	Number	Percent	Number	Percent
6211	Offices of Physicians	20,981	57.3%	15,742	37.6%	9,507	19.8%
6212	Offices of Dentists	7,886	61.4%	5,299	34.3%	2,463	13.5%
6213	Offices of Other Health Practitioners	7,778	99.4%	5,220	50.3%	3,506	29.0%
6214	Outpatient Care Centers	10,664	240.6%	4,670	44.8%	3,511	30.3%
6215	Medical and Diagnostic Laboratories	3,461	110.9%	2,959	81.7%	2,371	56.3%
6216	Home Health Care Services	9,412	90.9%	2,208	12.6%	4,600	30.3%
6219	Other Ambulatory Health Care Services	3,156	107.6%	2,099	52.6%	1,122	22.6%
6221	General Medical and Surgical Hospitals	15,182	15.2%	19,041	19.8%	9,089	8.6%
6222	Psychiatric & Substance Abuse Hospitals	-5,285	-43.7%	-1,211	-15.1%	-1,258	-15.6%
6223	Other Hospitals	518	52.4%	460	43.9%	359	31.3%
6231	Nursing Care Facilities	6,334	23.6%	4,294	14.9%	2,969	9.8%
6232	Residential Mental Health Facilities	9,638	212.3%	5,305	59.8%	3,703	35.4%
6233	Community Care Facility for the Elderly	11,296	94.3%	6,945	42.5%	2,415	11.6%
6239	Other Residential Care Facilities	2,923	192.9%	2,058	86.5%	757	20.6%
6241	Individual and Family Services	25,967	308.1%	16,254	89.6%	11,740	51.8%
6242	Emergency and Other Relief Services	1,221	59.0%	21	0.6%	-21	-0.6%
6243	Vocational Rehabilitation Services	1,072	13.3%	949	11.6%	159	1.8%
6244	Child Day Care Services	9,489	70.0%	5,479	31.2%	2,949	14.7%
62	**Health Care & Social Assistance Total**	**141,696**	**52.9%**	**97,793**	**31.4%**	**59,942**	**17.1%**
	All Industries	**804,932**	**28.1%**	**430,763**	**13.3%**	**254,823**	**7.5%**

Wages

- Offices of Physicians is the highest-paying industry group at around 57 percent above the All Industries average and ranks second in number of employees.
- The industry group with the largest employment, General Medical and Surgical Hospitals, has the fourth-highest wage, which is about 13 percent higher than the Health Care sector average.
- The lowest-paying industry group, Child Day Care Services, pays about 54 percent less than the Health Care average. It is the sixth-largest employing industry group.
- Three of the 18 industry groups, with about 21 percent of Health Care employees, pay average weekly wages of at least $1,000.
- Thirteen of the 18 industry groups, with over 47 percent of Health Care employees, pay less than the Health Care average.
- With its wage growth about 17 percent slower than the All Industries average, Health Care's average wage has gone from less than one percent below the All Industries average in 1993 to more than 10 percent below in 2008. (See table at top of page 24.)
- Average wages for Nursing Care Facilities more than doubled from 1993 to 2008 and grew fastest in each of the five-, ten-, and fifteen-year periods. This allowed its average wage to move from sixteenth to twelfth (See table at bottom of page 24.)
- Only six of the 18 industry groups have faster wage growth in the last 5 years than the All Industries average of 4.1 percent.
- Total wages exceed $17.3 billion per year. Although Health Care has 11.2 percent of employment, its below average pay produces only 10 percent of total wages.

NAICS Code and Industry Group		2008 Average Employment	2008 Average Weekly Wage	2008 Average Annual Wage	Rank
6211	Offices of Physicians	57,589	$1,423	$73,996	1
6215	Medical and Diagnostic Laboratories	6,581	$1,064	$55,328	2
6212	Offices of Dentists	20,733	$1,028	$53,456	3
6221	General Medical and Surgical Hospitals	115,024	$920	$47,840	4
6214	Outpatient Care Centers	15,096	$877	$45,604	5
6223	Other Hospitals	1,507	$770	$40,040	6
6219	Other Ambulatory Health Care Services	6,089	$744	$38,688	7
6222	Psychiatric & Substance Abuse Hospitals	6,806	$740	$38,480	8
6213	Offices of Other Health Practitioners	15,600	$713	$37,076	9
6242	Emergency and Other Relief Services	3,290	$604	$31,408	10
6231	Nursing Care Facilities	33,174	$563	$29,276	11
6232	Residential Mental Health Facilities	14,178	$563	$29,276	12
6239	Other Residential Care Facilities	4,438	$545	$28,340	13
6243	Vocational Rehabilitation Services	9,155	$537	$27,924	14
6241	Individual and Family Services	34,395	$533	$27,716	15
6216	Home Health Care Services	19,769	$459	$23,868	16
6233	Community Care Facility for the Elderly	23,269	$454	$23,608	17
6244	Child Day Care Services	23,038	$373	$19,396	18
62	**Health Care & Social Assistance Total**	**409,730**	**$815**	**$42,380**	
	All Industries	**3,667,559**	**$908**	**$47,216**	

NAICS Code and Sectors		1993	2008	1993-2008 Average Annual Growth Rate	Rank
55	Management of Companies and Enterprises	$797	$1,824	5.7%	1
54	Professional and Technical Services	$765	$1,659	5.3%	2
52	Finance and Insurance	$660	$1,357	4.9%	3
51	Information	$725	$1,464	4.8%	4
22	Utilities	$841	$1,690	4.8%	5
56	Administrative and Waste Services	$310	$621	4.7%	6
53	Real Estate and Rental and Leasing	$417	$816	4.6%	7
42	Wholesale Trade	$660	$1,250	4.3%	8
81	Other Services, Ex. Public Admin	$361	$680	4.3%	9
61	Educational Services	$421	$782	4.2%	10
23	Construction	$465	$862	4.2%	11
92	Total Govt., Ex. Health Care & Social Asst.	$554	$963	3.8%	12
31-33	Manufacturing	$540	$938	3.7%	13
11	Agriculture, Forestry, Fishing & Hunting	$302	$518	3.7%	14
21	Mining	$674	$1,136	3.5%	15
62	**Health Care and Social Assistance**	**$485**	**$812**	**3.5%**	**16**
72	Accommodation and Food Services	$185	$307	3.4%	17
71	Arts, Entertainment, and Recreation	$283	$450	3.1%	18
48-49	Transportation and Warehousing	$517	$800	3.0%	19
44-45	Retail Trade	$309	$477	2.9%	20
	All Industries	**$488**	**$908**	**4.2%**	

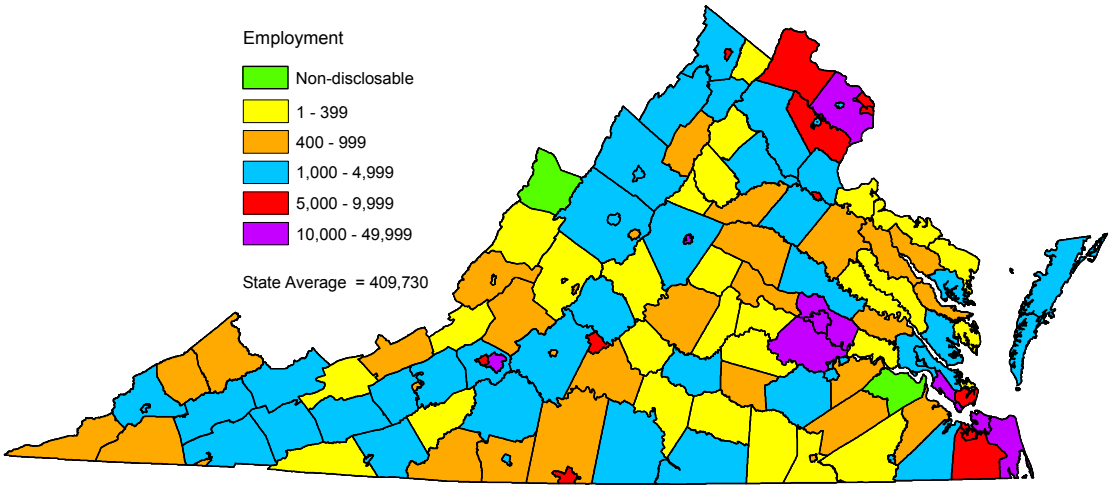
NAICS Code and Industry Group		1993 Average Weekly Wage	1998 Average Weekly Wage	2003 Average Weekly Wage	2008 Average Weekly Wage	1993-2008 Average Annual Growth Rate	1998-2008 Average Annual Growth Rate	2003-2008 Average Annual Growth Rate	Rank*
6231	Nursing Care Facilities	$264	$330	$435	$563	5.2%	5.5%	5.3%	1
6221	General Medical and Surgical Hospitals	$492	$576	$729	$920	4.3%	4.8%	4.8%	2
6222	Psychiatric & Substance Abuse Hospitals	$399	$517	$593	$740	4.2%	3.7%	4.5%	3
6212	Offices of Dentists	$529	$666	$826	$1,028	4.5%	4.4%	4.5%	4
6243	Vocational Rehabilitation Services	$319	$363	$432	$537	3.5%	4.0%	4.4%	5
6233	Community Care Facility for the Elderly	$236	$282	$367	$454	4.5%	4.9%	4.3%	6
6216	Home Health Care Services	$286	$314	$376	$459	3.2%	3.9%	4.1%	7
6244	Child Day Care Services	$207	$244	$310	$373	4.0%	4.3%	3.8%	8
6232	Residential Mental Health Facilities	$314	$393	$471	$563	4.0%	3.7%	3.6%	9
6223	Other Hospitals	$485	$523	$645	$770	3.1%	3.9%	3.6%	10
6211	Offices of Physicians	$968	$1,051	$1,197	$1,423	2.6%	3.1%	3.5%	11
6213	Offices of Other Health Practitioners	$496	$555	$601	$713	2.4%	2.5%	3.5%	12
6219	Other Ambulatory Health Care Services	$448	$477	$639	$744	3.4%	4.5%	3.1%	13
6239	Other Residential Care Facilities	$299	$397	$475	$545	4.1%	3.2%	2.8%	14
6215	Medical and Diagnostic Laboratories	$629	$747	$948	$1,064	3.6%	3.6%	2.3%	15
6214	Outpatient Care Centers	$604	$669	$797	$877	2.5%	2.7%	1.9%	16
6241	Individual and Family Services	$331	$442	$499	$533	3.2%	1.9%	1.3%	17
6242	Emergency and Other Relief Services	$392	$543	$613	$604	2.9%	1.1%	-0.3%	18
62	**Health Care & Social Assistance Total**	**$486**	**$554**	**$674**	**$815**	**3.5%**	**3.9%**	**3.9%**	
	All Industries	**$488**	**$604**	**$742**	**$908**	**4.2%**	**4.2%**	**4.1%**	

*Rank based on 2003-2008 average annual growth rate.

Geographic Distribution of Employment and Wages

- Health Care employment in the top four areas (Fairfax County, Richmond city, Henrico County, and Norfolk city) exceeds 119,000 and is over 25 percent of the state total.
- About 45 percent of the employment is in the nine localities with at least 10,000 employees. In line with its 13 percent share of the state's population, Fairfax County alone accounts for over 12 percent of total sector employment.
- Except for Roanoke and Charlottesville cities, the other seven localities with at least 10,000 Health Care employees lie in the three-largest Metropolitan Statistical Areas (MSAs): Northern Virginia, Virginia Beach, and Richmond. Charlottesville is home to the University of Virginia Medical Center. Roanoke provides medical services to the I-81 corridor south to Bristol.
- Although data for two of the localities is non-disclosable, these localities have less than one percent of Health Care employment.

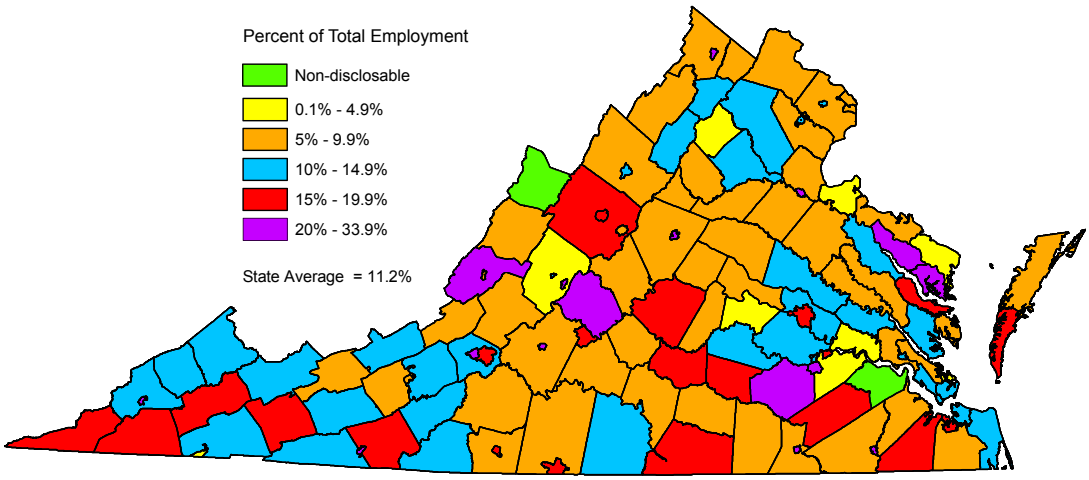
2008 Average Employment in the Heath Care and Social Assistance Sector



Source: Virginia Employment Commission, August 2009

- Health Care employment is so heavily concentrated in the metropolitan areas that all but one of the top 25 localities are in MSAs and account for over 70 percent of statewide sector employment.
- About one-fourth of the localities have less than 500 Health Care employees.
- Of the 16 localities with the highest proportion of Health Care employment relative to total employment only four (Charlottesville, Winchester, Fredericksburg, and Salem cities) have at least 5,000 employees in the sector.
- Only 10 of the areas have less than five percent of their employment in the Health Care sector. (This does not include the areas with non-disclosable employment.)

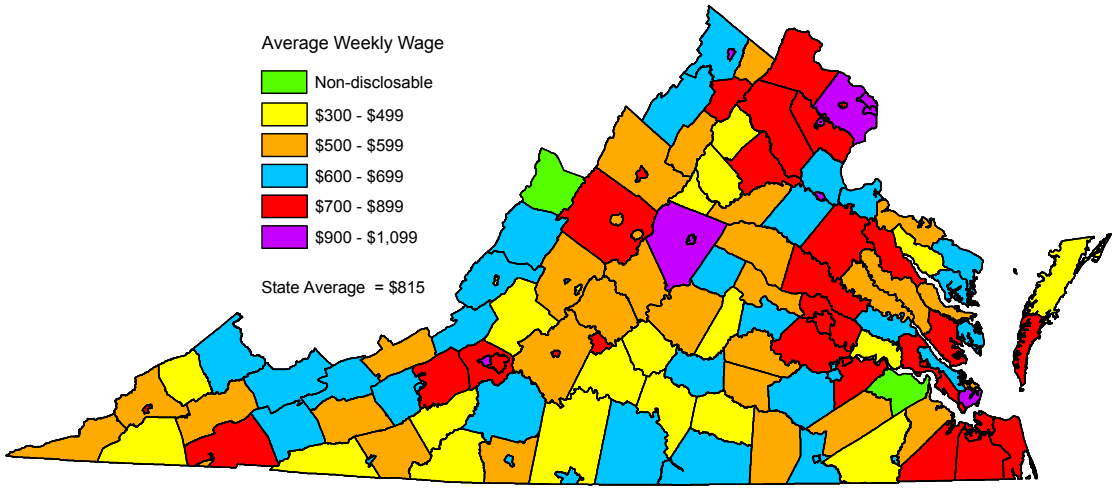
2008 Percent of Total Employment in the Heath Care and Social Assistance Sector



Source: Virginia Employment Commission, August 2009

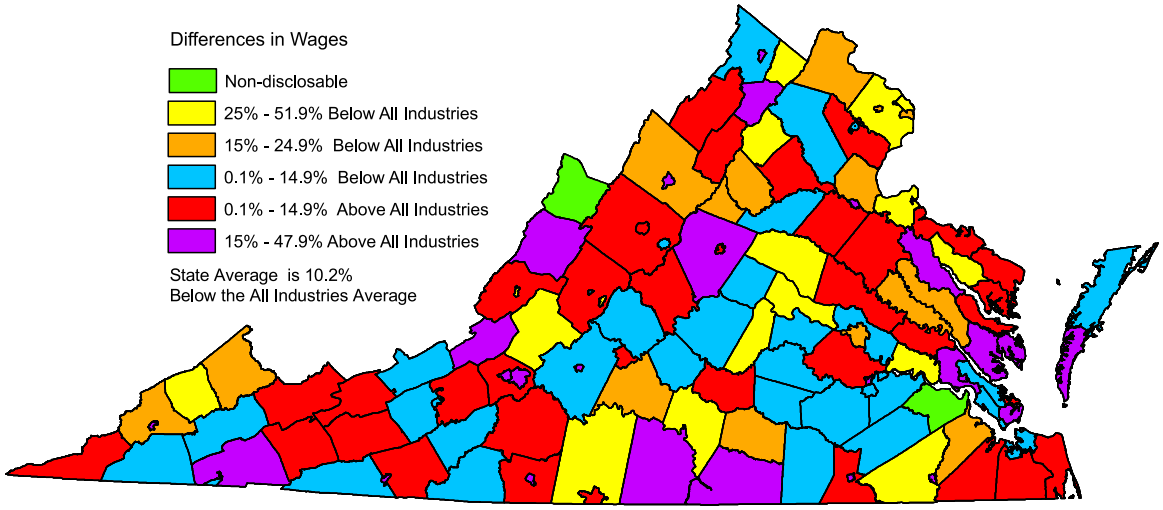
- Eighteen localities have average weekly wages in Health Care that exceed the state Health Care average. All but Norton City are in a metropolitan area.
- Ten areas have Health Care wages that exceed the statewide All Industries average wage of $908. All of these are in metropolitan areas.
- In about 40 percent of the localities the average weekly wage for Health Care is less than $600 or more than one-fourth below the statewide Health Care sector wage. These areas are mostly small cities, rural counties, and counties on the outer edge of a metropolitan area.
- The Health Care wage is more than the area's All Industries wage in about one-half of localities. In four localities Health Care wages are at least 40 percent lower than the All Industries average, while in three localities the sector's wages are at least 40 percent higher.
- The Health Care wage in 18 localities is at least 25 percent below the All Industries wage in their respective area.
- Essex and Rappahannock counties have, respectively, the highest and lowest Health Care wage relative to the All Industries wage in their locality.

2008 Average Weekly Wage in the Heath Care and Social Assistance Sector



Source: Virginia Employment Commission, August 2009

2008 Average Weekly Wage in the Heath Care and Social Assistance Sector
Compared to All Industries



Source: Virginia Employment Commission, August 2009

Historical Summary

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001. The NBER on December 1, 2008, announced a recession had begun in December 2007.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:

- Single Family Housing Permits

Virginia Department of Motor Vehicles:

- New Vehicle Registrations

Virginia Department of Taxation:

- Deflated Taxable Retail Sales
- Taxable Retail Sales

Virginia Employment Commission:

- Average Hourly Earnings
- Average Weekly Earnings
- Average Weekly Hours
- Average Weekly Initial Claims
- Deflated Average Hourly Earnings
- Deflated Average Weekly Earnings
- Insured Unemployment Rate
- Manufacturing Employment
- Nonagricultural Wage and Salary Employment
- Total Production Hours
- Total Unemployment Rate
- Unemployment Insurance Final Payments

Virginia State Corporation Commission:

- New Business Incorporations

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