

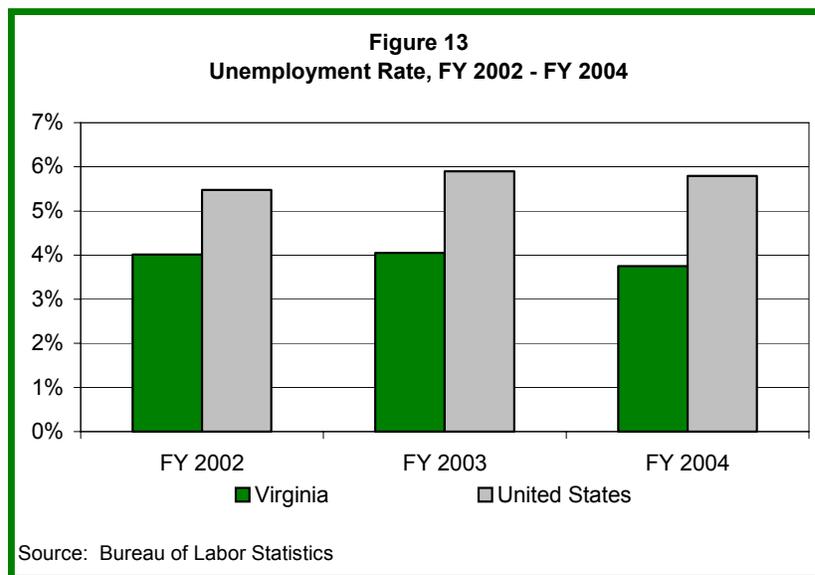
# Virginia Economic Highlights

## Introduction

Economists at Virginia Commonwealth University's Center for Urban Development (Center) prepared this economic highlight section. Fiscal year 2004 has been an exceptional fiscal year for the Virginia economy. Continuing on the growth that began in fiscal year 2003, the Commonwealth's economy is expanding at a vigorous pace. Several economic indicators, including wages and salaries, personal income, new privately owned housing units authorized, and retail sales, have accelerated in their growth during fiscal year 2004. Employment levels have increased, and unemployment is on a downward trend.

## Unemployment

After three fiscal years of increasing unemployment rates, the rate for the Commonwealth declined to 3.8 percent in fiscal year 2004 (**Figure 13**). The three-tenths of a percentage point decrease in the rate from fiscal year 2003 (4.1 percent) is a good indication of a growing Virginia economy. In comparison, the Nation's unemployment rate in fiscal year 2004 was 5.8 percent, two percentage points higher than the rate for the Commonwealth. Four Metropolitan Statistical Areas (MSAs) had higher unemployment rates than the Commonwealth as a whole. The rates for the Richmond-Petersburg MSA (4.1 percent), Norfolk-Virginia Beach-Newport News MSA (4.3 percent) and Lynchburg MSA (4.8 percent) were all within one percentage point of the Commonwealth's unemployment rate. The unemployment rate in the Danville MSA (9.0 percent) was more than twice as much as Virginia's rate. The Charlottesville MSA and the Roanoke MSA had unemployment rates lower than the Commonwealth's rate, at 2.9 percent and 3.3 percent, respectively. The Northern Virginia MSA (i.e., the Virginia portion of the Washington, DC-MD-VA-WV Primary Metropolitan Statistical Area) had the lowest unemployment rate in the Commonwealth at 2.3 percent.



## Employment

**Figure 14** shows that Virginia's total nonfarm employment reached 3,540,500 persons in fiscal year 2004, close to the level prior to the fiscal year 2001 recession. The increase in nonfarm employment of about 1.4 percent between fiscal year 2003 and fiscal year 2004 represents 48,625 additional jobs. The construction sector had the largest percentage increase (5.3 percent or 11,420 jobs), as a result of the strong housing market in the Commonwealth. Professional and business services had the largest employment gain, adding 16,700 jobs. Other industry sectors posting gains in employment were the trade, transportation, and utilities sector (1.5 percent or 9,440 jobs), financial activities sector (3.3 percent or 6,150 jobs), education and health services sector (1.6 percent or 6,010 jobs), leisure and hospitality sector (1.4 percent or 4,230 jobs), other services sector (2.6 percent or 4,570 jobs), and government sector (1.2 percent or 7,500 jobs). The growth in the government sector included federal government (1.3 percent or 1,910 jobs), state government (1.7 percent or 2,470 jobs) and local government (0.9 percent or 3,130 jobs).

The manufacturing sector continued its five-fiscal-year decline in employment by losing 5 percent of its workforce (15,790 jobs). The only other sector that decreased in size was the information sector (-1.5 percent or 1,540 jobs).

**Figure 14**  
**Nonfarm Employment, FY 2002 - FY 2004**

	FY 2004 Level (Thousands)	FY 2003-2004 Unit Change (Thousands)	Virginia			United States
			FY 2002	FY 2003	FY 2004	FY 2004
			% Change	% Change	% Change	% Change
Construction	225.4	11.4	0.4	(0.8)	5.3	1.7
Manufacturing	298.2	(15.8)	(7.4)	(4.4)	(5.0)	(3.5)
Trade, Transportation, and Utilities	643.7	9.4	(1.7)	(0.8)	1.5	(0.2)
Information	100.7	(1.5)	(8.4)	(8.7)	(1.5)	(3.3)
Financial Activities	190.4	6.2	0.2	2.0	3.3	1.2
Professional and Business Services	561.8	16.7	(3.0)	(1.3)	3.1	1.6
Education and Health Services	372.7	6.0	4.2	3.6	1.6	1.9
Leisure and Hospitality	310.2	4.2	0.5	1.5	1.4	1.3
Other Services	183.6	4.6	5.3	3.4	2.6	0.0
Government	643.7	7.5	0.6	0.7	1.2	(0.2)
Federal	149.2	1.9	(2.7)	0.9	1.3	(1.7)
State	145.6	2.5	(0.5)	(1.7)	1.7	(0.4)
Local	348.9	3.1	2.6	1.7	0.9	0.2
Total Nonfarm Employment	3,540.5	48.6	(1.0)	(0.2)	1.4	0.2

Source: Bureau of Labor Statistics

The geographical composition of employment in the Commonwealth is depicted in **Figure 15**. Employment in MSAs in fiscal year 2004 was over 2.9 million (83 percent of 3.5 million total employment), while employment in non-MSAs was about 600,000 (17 percent of 3.5 million). MSAs added 40,658 jobs in fiscal year 2004 and non-MSAs added almost 8,000 jobs. Gains in employment were confined to the Northern Virginia MSA (34,575 jobs) and the Norfolk-Virginia Beach-Newport News MSA (11,950 jobs). The MSAs with job losses were Bristol (-308 jobs), Charlottesville (-225 jobs), Danville (-750 jobs), Lynchburg (-883 jobs), Richmond-Petersburg (-1,683 jobs), and Roanoke (-2,017 jobs).

**Figure 15**  
**Nonfarm Employment, Metropolitan and Non-metropolitan Areas**

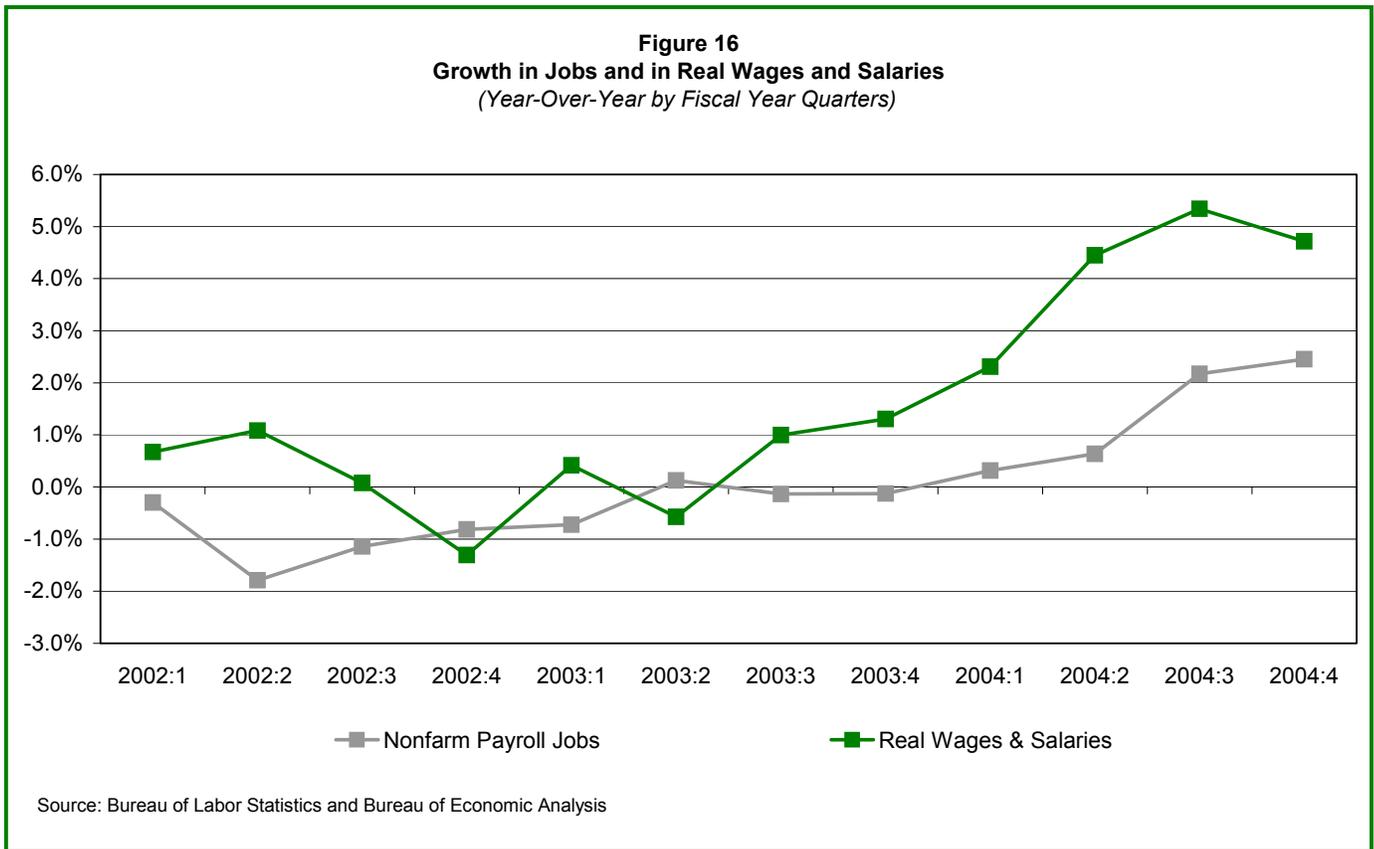
	FY 2004	FY 2003-2004 Unit Change	FY 2003-2004 % Change
<b>Metropolitan Statistical Areas</b>	2,931,567	40,658	1.4
Bristol	39,208	(308)	(0.8)
Charlottesville	86,658	(225)	(0.3)
Danville	45,200	(750)	(1.6)
Lynchburg	98,767	(883)	(0.9)
Norfolk-Virginia Beach-Newport News	737,058	11,950	1.6
Northern Virginia	1,217,650	34,575	2.9
Richmond-Petersburg	564,625	(1,683)	(0.3)
Roanoke	142,400	(2,017)	(1.4)
<b>Non-Metropolitan Statistical Areas</b>	608,925	7,967	1.3

Source: Bureau of Labor Statistics

## Wages and Salaries

Year-over-year quarterly real wage and salary growth accelerated in fiscal year 2004 (**Figure 16**). The year-over-year quarterly growth in real wages and salaries, which began in the latter half of fiscal year 2003, continued through each quarter in fiscal year 2004 (fourth quarter fiscal year 2004 has been forecasted by the Center). On average, the year-over-year quarterly growth rate between fiscal year 2003 and fiscal year 2004 was 4.1 percent, with the third quarter posting the largest percentage gain of 5.3 percent.

Nonfarm employment year-to-year quarterly growth rates average an increase of 1.4 percent in fiscal year 2004, more than offsetting the fiscal year 2003 average decline of -0.2 percent. The four quarters of positive year-over-year quarterly growth rates in fiscal year 2004 further shows that Virginia's economy is on strong footing, and has rebounded from the declines of the previous two fiscal years.



For **Figure 17**, wages and salaries per job have been calculated by major industry group for both Virginia and the United States. Virginia's average pay per job in fiscal year 2004 was \$42,180, over \$2,500 more than the national average of \$39,676. The sectors for which Virginia's wages and salaries per job were higher than the United States in fiscal year 2004 were information (+\$12,663), professional and business services (+\$8,706) and government (+\$11,740). The sectors for which Virginia's wages and salaries per job were lower in fiscal year 2004 were construction (-\$3,011), manufacturing (-\$5,225), trade, transportation, and utilities (-\$1,887), financial activities (-2,889), education and health services (-\$1,504), leisure and hospitality (-\$1,838) and other services (-\$191).

The information sector (10.5 percent) and financial activities sector (9.2 percent) recorded the largest percentage increases in wages and salaries per job in fiscal year 2004. This growth provides evidence of the success of the Commonwealth's commitment to high-technology industries.

**Figure 17**  
**Wages and Salaries Per Job\***

	<b>Virginia</b>	<b>United States</b>	<b>Virginia</b>	<b>Virginia</b>	<b>United States</b>
	<b>Pay/Job</b>	<b>Pay/Job</b>	<b>Minus</b>	<b>FY 2003-2004</b>	<b>FY 2003-2004</b>
	<b>FY 2004</b>	<b>FY 2004</b>	<b>United States</b>	<b>% Change</b>	<b>% Change</b>
Construction	\$ 38,232	\$ 41,243	\$ (3,011)	2.4	1.4
Manufacturing	42,095	47,320	(5,225)	4.8	4.9
Trade, Transportation, and Utilities	32,692	34,579	(1,887)	3.1	3.1
Information	71,818	59,155	12,663	10.5	4.6
Financial Activities	56,279	59,168	(2,889)	9.2	5.0
Professional and Business Services	55,528	46,822	8,706	4.1	2.3
Education and Health Services	33,856	35,360	(1,504)	3.0	3.5
Leisure and Hospitality	15,980	17,818	(1,838)	4.6	3.6
Other Services	30,312	30,503	(191)	2.2	2.9
Government	53,061	41,321	11,740	3.4	3.0
Total Nonfarm Employment	42,180	39,676	2,504	4.4	3.3

\*FY04 annual rates estimated using the first three quarters of FY04

Source: Bureau of Labor Statistics

### Personal Income

Virginia's personal income is estimated to have surpassed \$257 billion in fiscal year 2004, representing a 5.9 percent increase over fiscal year 2003 (**Figure 18**). (The fourth quarter personal income value has been forecasted by the Center.) Wages and salaries, which accounted for about 58 percent of personal income, increased by 6.1 percent during fiscal year 2004. For the past three fiscal years, personal income and wages and salaries for Virginia grew at a faster pace than for the Nation. Further, adjusting for inflation, Virginia's growth in real personal income (4.0 percent) and its real wages and salaries (4.2 percent) surpassed the Nation's growth (2.7 percent and 1.8 percent, respectively).

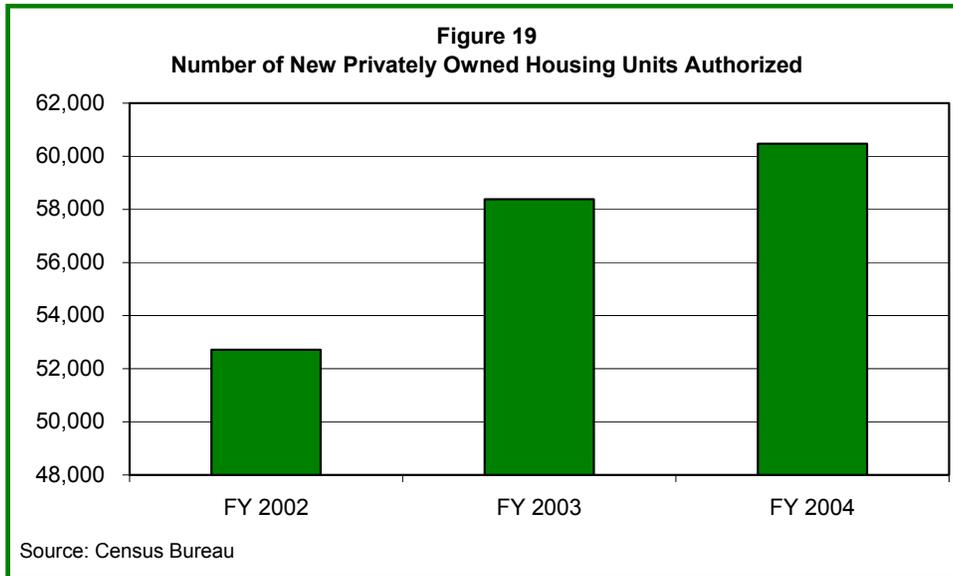
**Figure 18**  
**Personal Income and Wage and Salary Disbursements**

	<b>FY 2004</b>	<b>Annual Growth Rates</b>		
		<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Virginia Personal Income (in Millions of \$)	\$257,437	3.3%	3.2%	5.9%
Virginia Wages and Salaries (in Millions of \$)	\$150,000	1.7%	2.4%	6.1%
United States Personal Income		2.3%	2.6%	4.6%
United States Wages and Salaries		0.6%	1.4%	3.7%
Inflation, PCE Chain-Type Index		1.5%	1.9%	1.9%
Virginia Real Personal Income		1.8%	1.3%	4.0%
Virginia Real Wages and Salaries		0.1%	0.5%	4.2%
United States Real Personal Income		0.7%	0.7%	2.7%
United States Real Wages and Salaries		-0.9%	-0.4%	1.8%

Sources: Bureau of Labor Statistics and Bureau of Economic Analysis

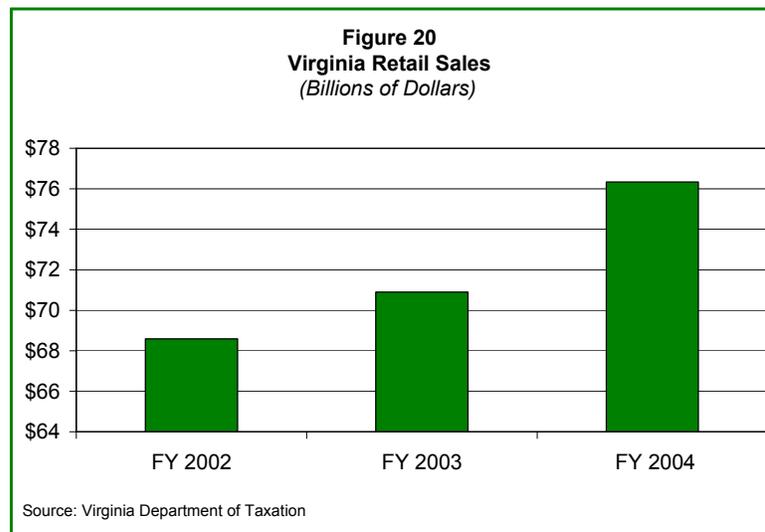
## New Privately Owned Housing Units Authorized

**Figure 19** shows that the level of new privately owned housing units authorized within the Commonwealth continued to grow during fiscal year 2004. The number of units authorized increased by 3.6 percent over the fiscal year 2003 level to reach 60,467. Even though it has been growing rapidly, the new housing market in Virginia is beginning to show signs of a slow down. While fiscal year 2003 saw a 10.7 percent increase over the fiscal year 2002 level, fiscal year 2004 had a year-over-year percentage increase of only 3.6 percent. Anticipated interest rate increases in fiscal year 2005 are likely to result in an even greater deceleration in this growth.

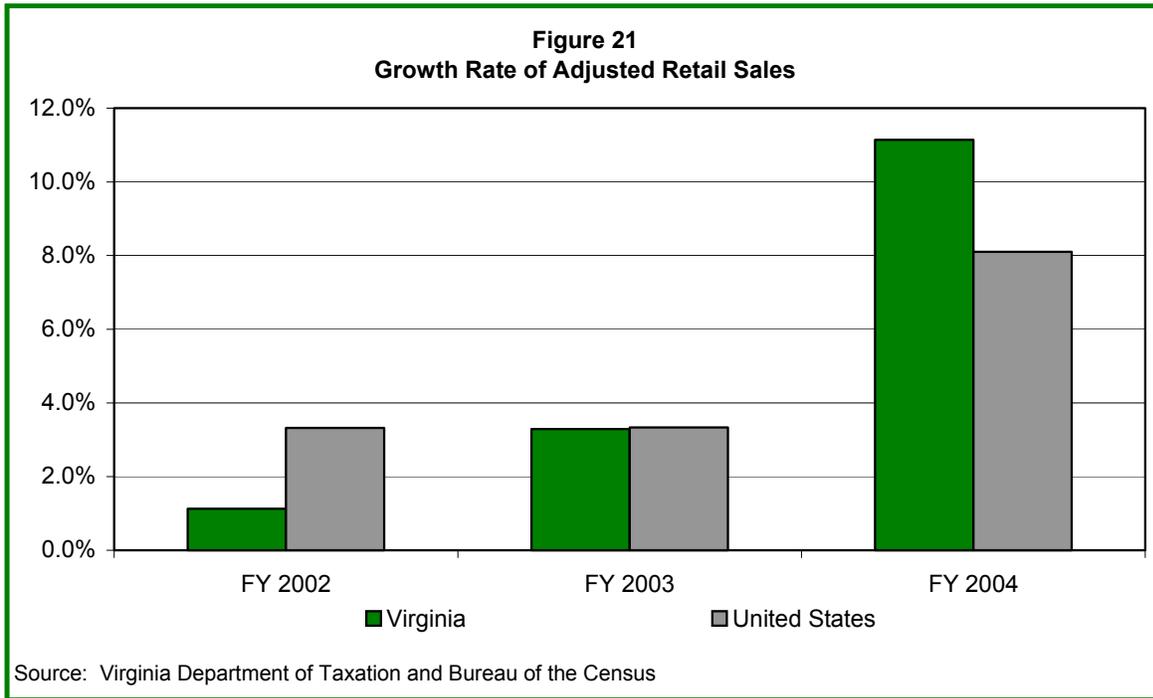


## Retail Sales

Retail sales amounted to \$76.3 billion in fiscal year 2004, a 7.7 percent increase over fiscal year 2003 (**Figure 20**). The fiscal year 2004 increase is more than double the growth from fiscal year 2002 to fiscal year 2003 (3.8 percent). One category of retail sales that added substantially to this overall increase is the furniture, home furnishings, and equipment group. This group rose by 17.1% in fiscal year 2004, which is likely a direct result of the booming Virginia new housing market.



**Figure 21** depicts growth rates in adjusted retail sales over the past three fiscal years for Virginia and the United States. To make the two retail sales series comparable, lodging sales were removed from Virginia retail sales, while gasoline and automobile sales were removed from the United States retail sales. Virginia adjusted retail sales increased by 11.1 percent, while the United States adjusted retail sales grew by 8.1 percent in fiscal year 2004. The growth rate of Virginia's adjusted retail sales more than tripled from 3.3 percent in fiscal year 2003.



## Conclusion

Most indicators presented in this report have shown that the Virginia economy expanded at a brisk pace in fiscal year 2004. Increases in wages and salaries, personal income, employment, retail sales and new housing have helped to reverse the economic declines from previous fiscal years. The Commonwealth is expected to continue on its expansionary path during fiscal year 2005.