



Virginia Housing Commission

Sonya Ravindranath Waddell
Vice President and Economist



*Research Department
Federal Reserve Bank of Richmond*



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Growth continues while inflation moves to target

- The real economy has remained remarkably resilient
- Inflation is broadly on the right path
- By most measures, the labor market is normalizing/normalized from an incredibly tight market
- Retail spending continues to grow, albeit at a slower pace than anticipated
- The Virginia economy continues to perform more or less on par with the U.S.

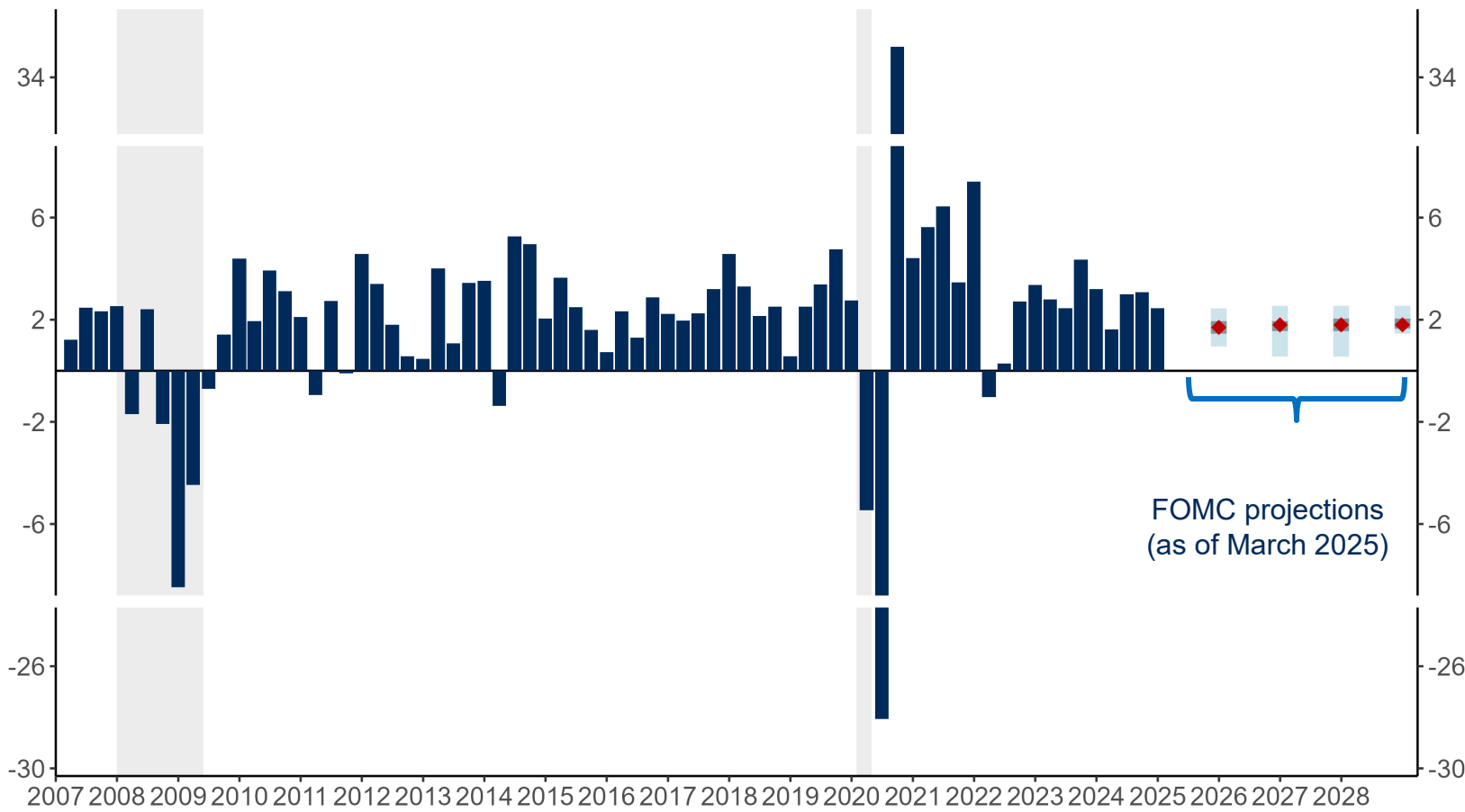
What are the risks?

- Sentiment indexes for consumers and businesses have declined in the last few months, amidst uncertainty and changing tariff policy
- The large presence of the federal government (employment and contracts) in VA, particularly, make it likely that a pullback in government spending and employment will disproportionately impact our state

The current picture of the U.S. and VA economy

Economic growth has been remarkably resilient in the last few years

Real Gross Domestic Product
Percent change from previous quarter at annual rate



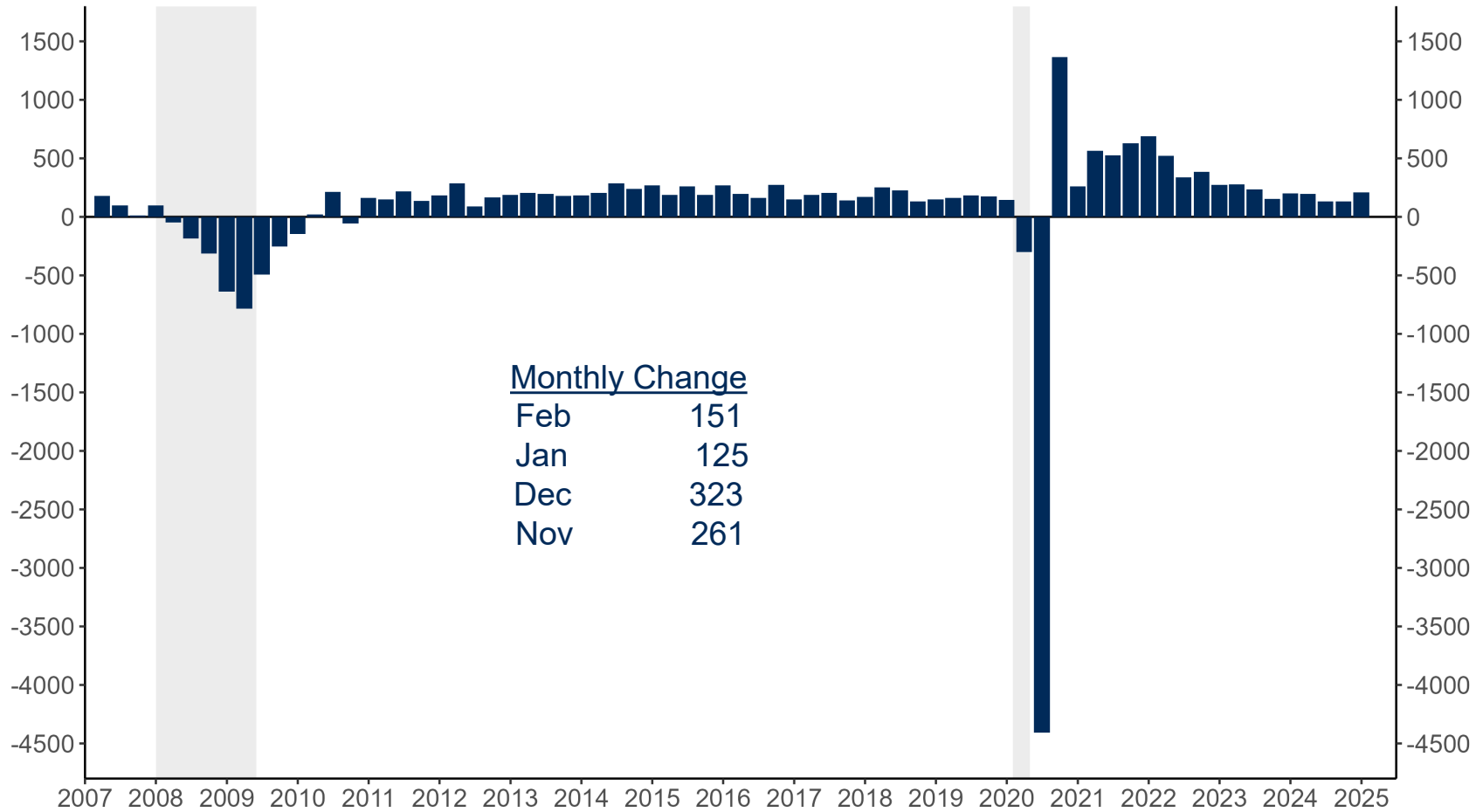
FOMC projections
(as of March 2025)

Source: Bureau of Economic Analysis via Haver Analytics
Notes: FOMC projection is the median, range, and central tendency for Y/Y percent changes, from the September 2024 meeting. Red dots indicate median projections.

Employment growth continues

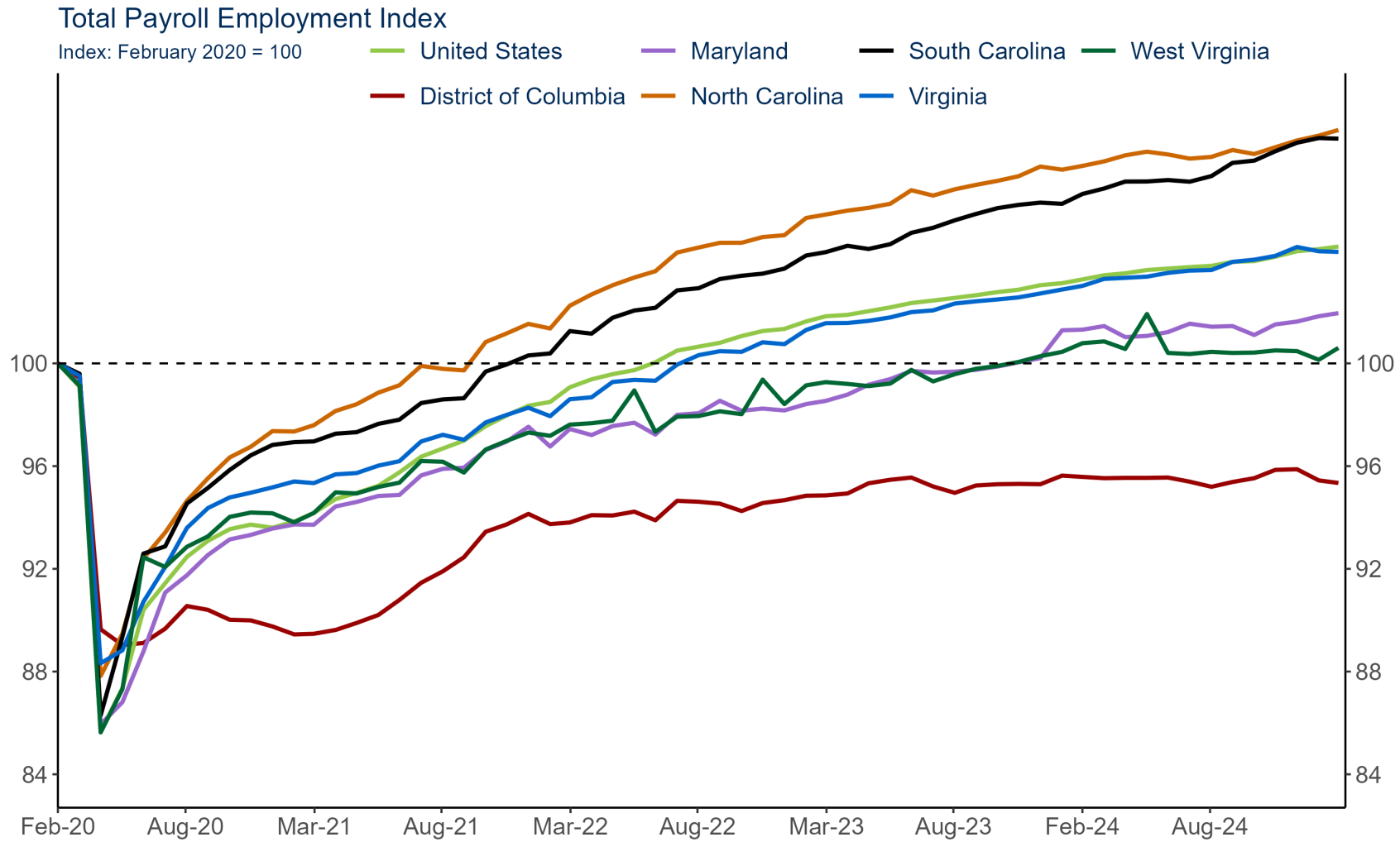
Nonfarm payroll employment

Quarterly average of monthly changes, thousands of persons



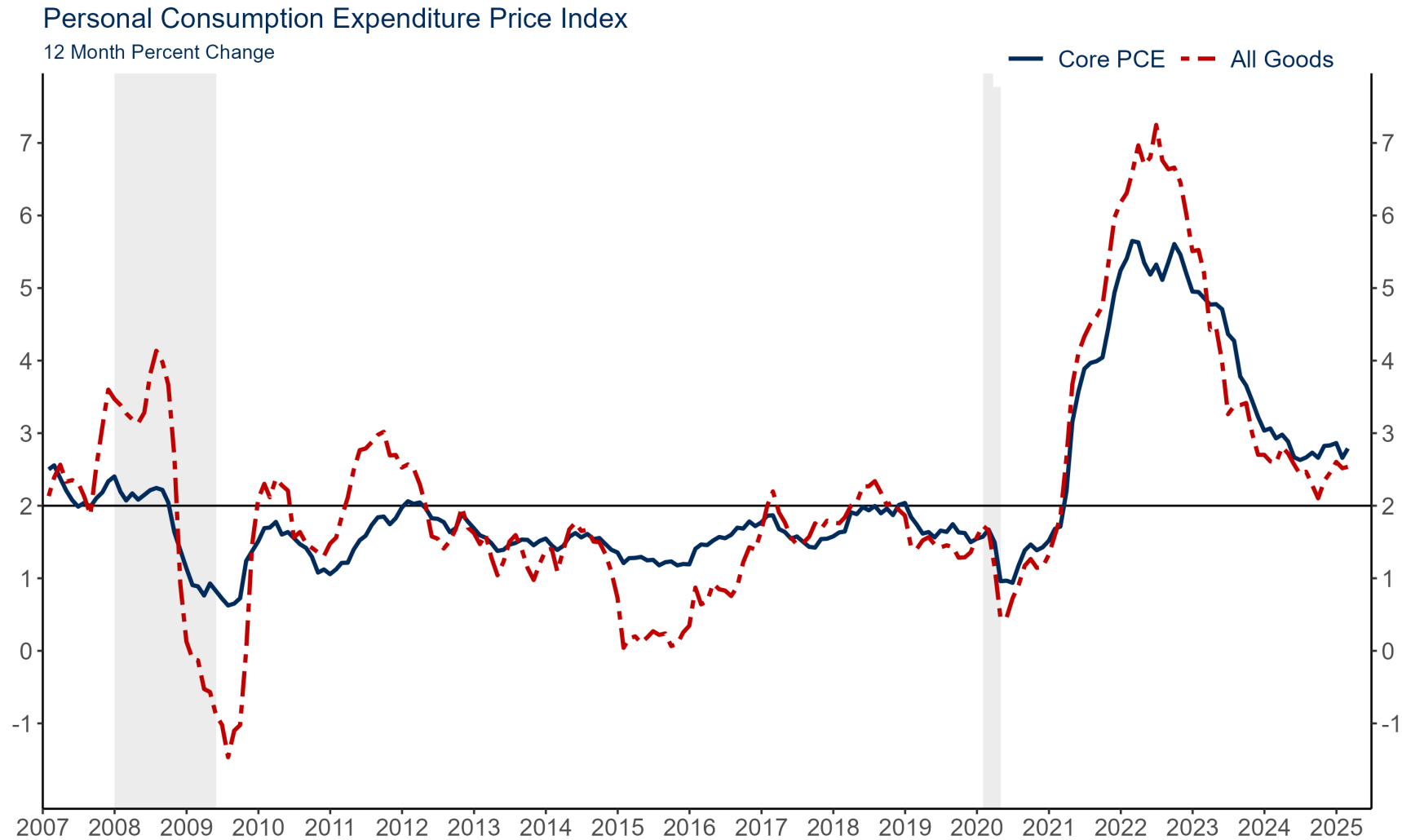
Source: Bureau of Labor Statistics/Haver Analytics, most recent data from February released March 7th, 2025

The trajectory has differed across states in the Fifth District



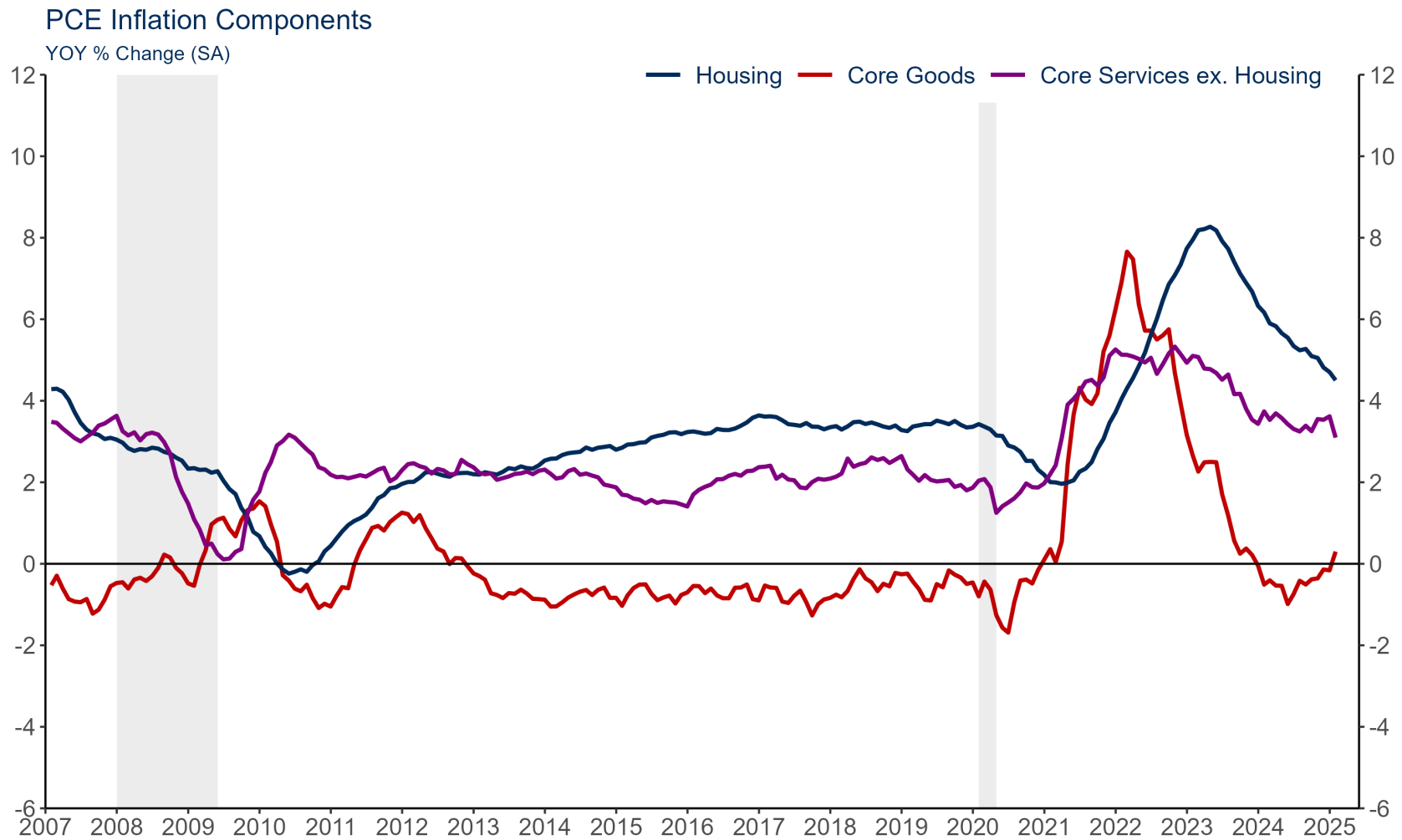
Source: Bureau of Labor Statistics/ Haver Analytics from February 2025 released March 28th, 2025

Inflation is (slowly) coming back to target



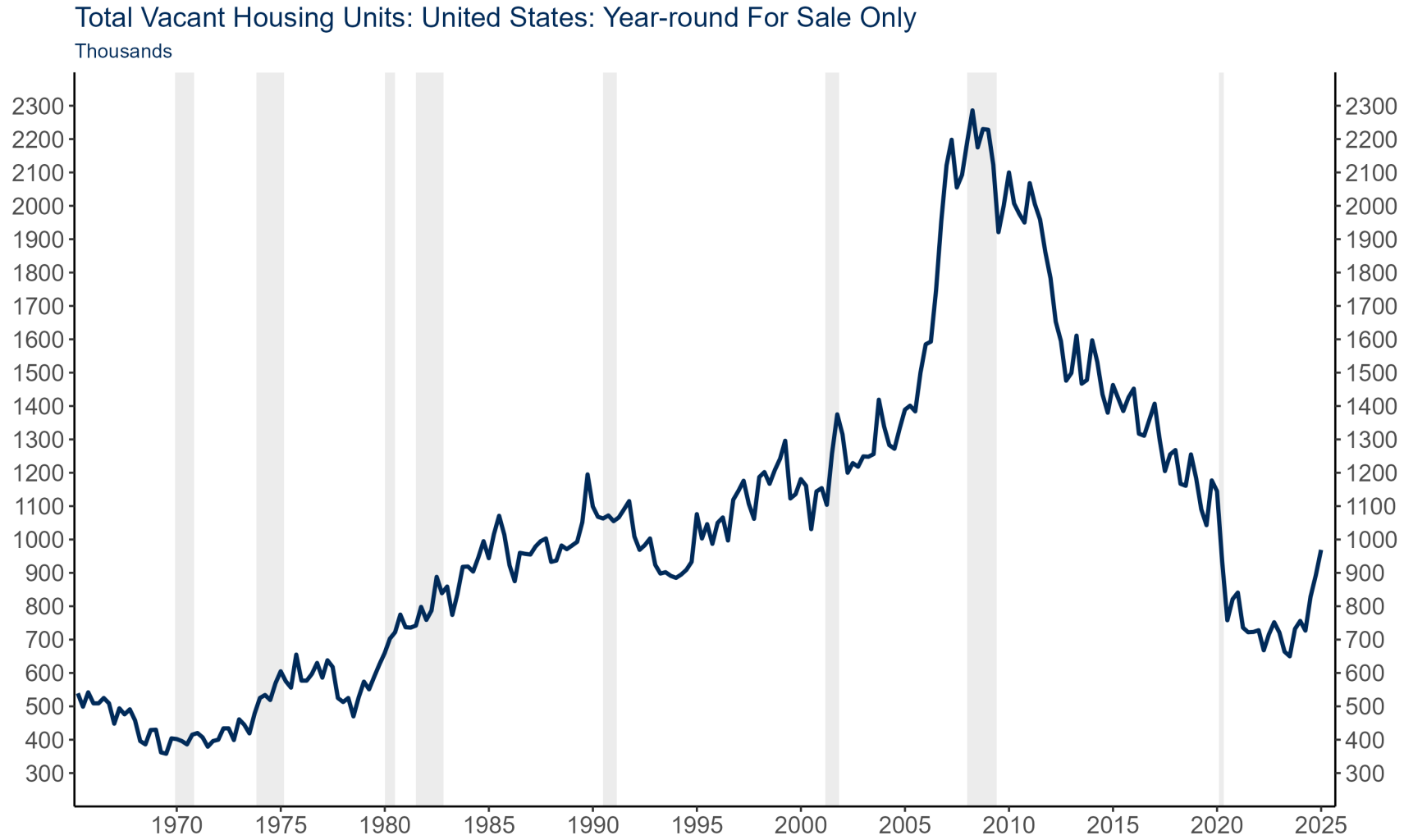
Source: Bureau of Economic Analysis/Haver Analytics most recent data from February 2025
released March 28th, 2025

Core goods inflation might not provide the downward momentum in 2025



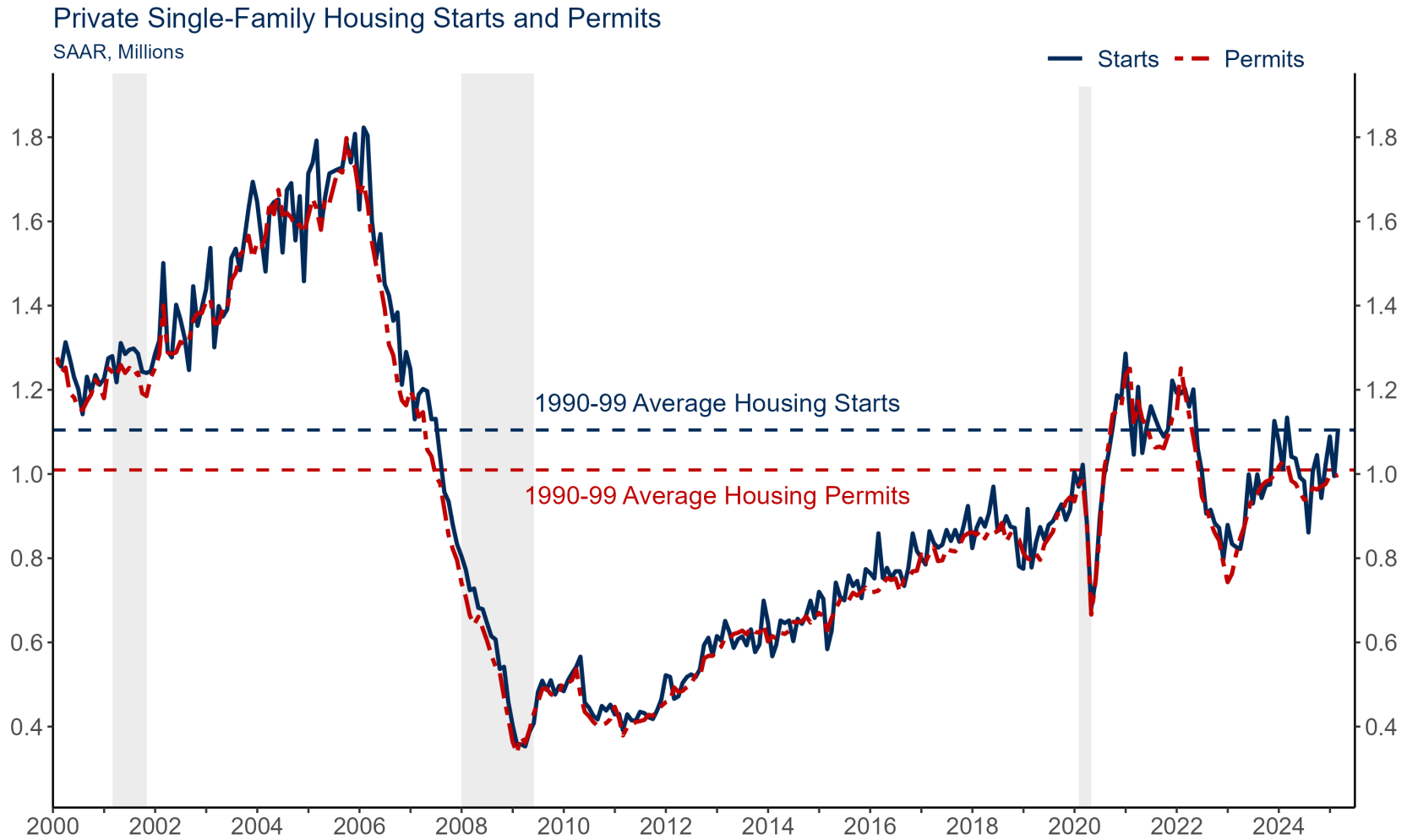
Source: Bureau of Economic Analysis/Haver Analytics data from February 2025 released March 28th, 2025

Inventories of homes for sale are low, but picking up



Source: : Census Bureau/Haver Analytics most recent data from Q4 2024 last updated February 5th, 2025

Single family starts are slowly adding to the housing stock

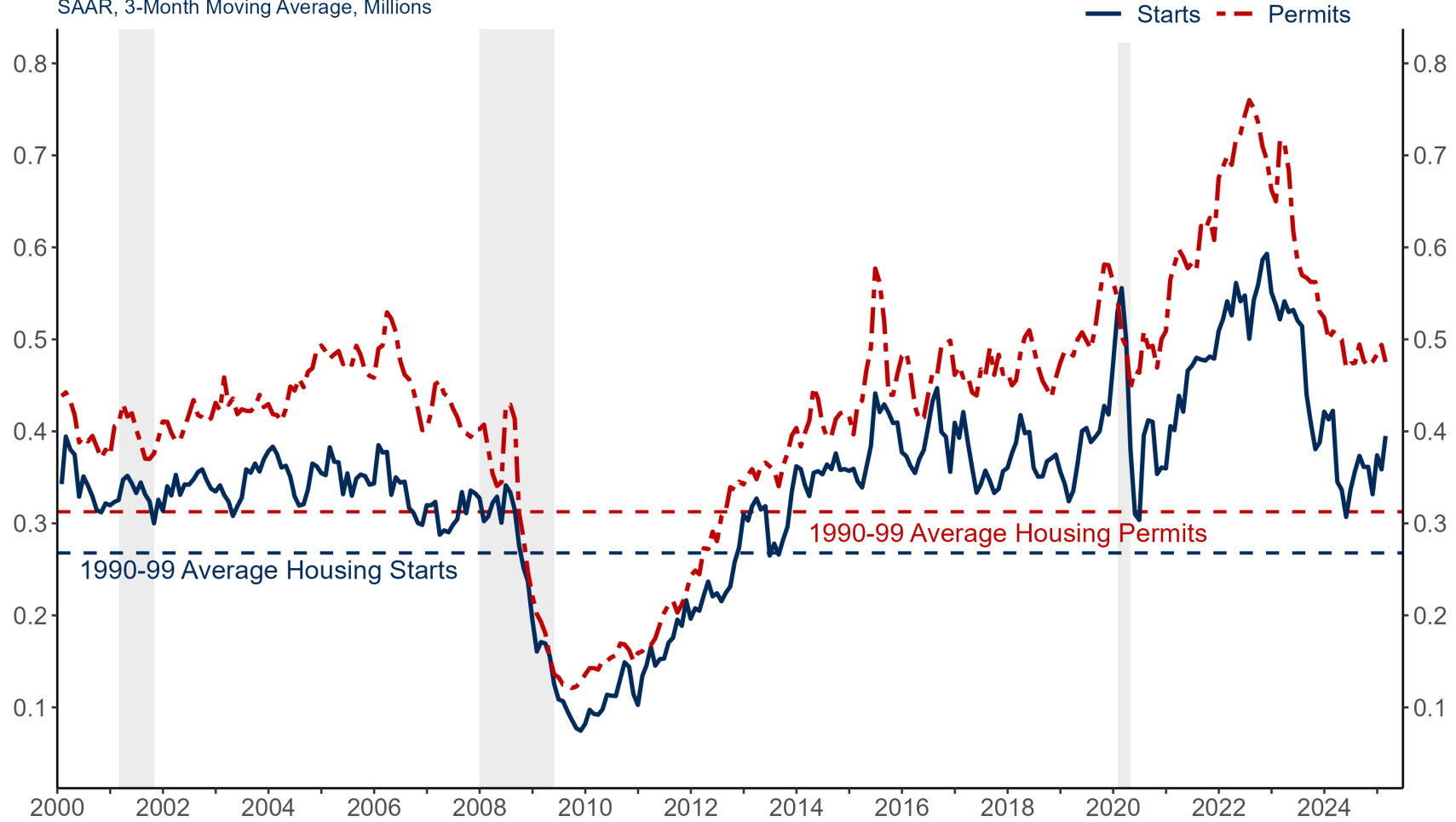


Source: Census Bureau/Haver Analytics most recent data from February 2025 last updated March 18th, 2025

Multifamily starts have picked up again

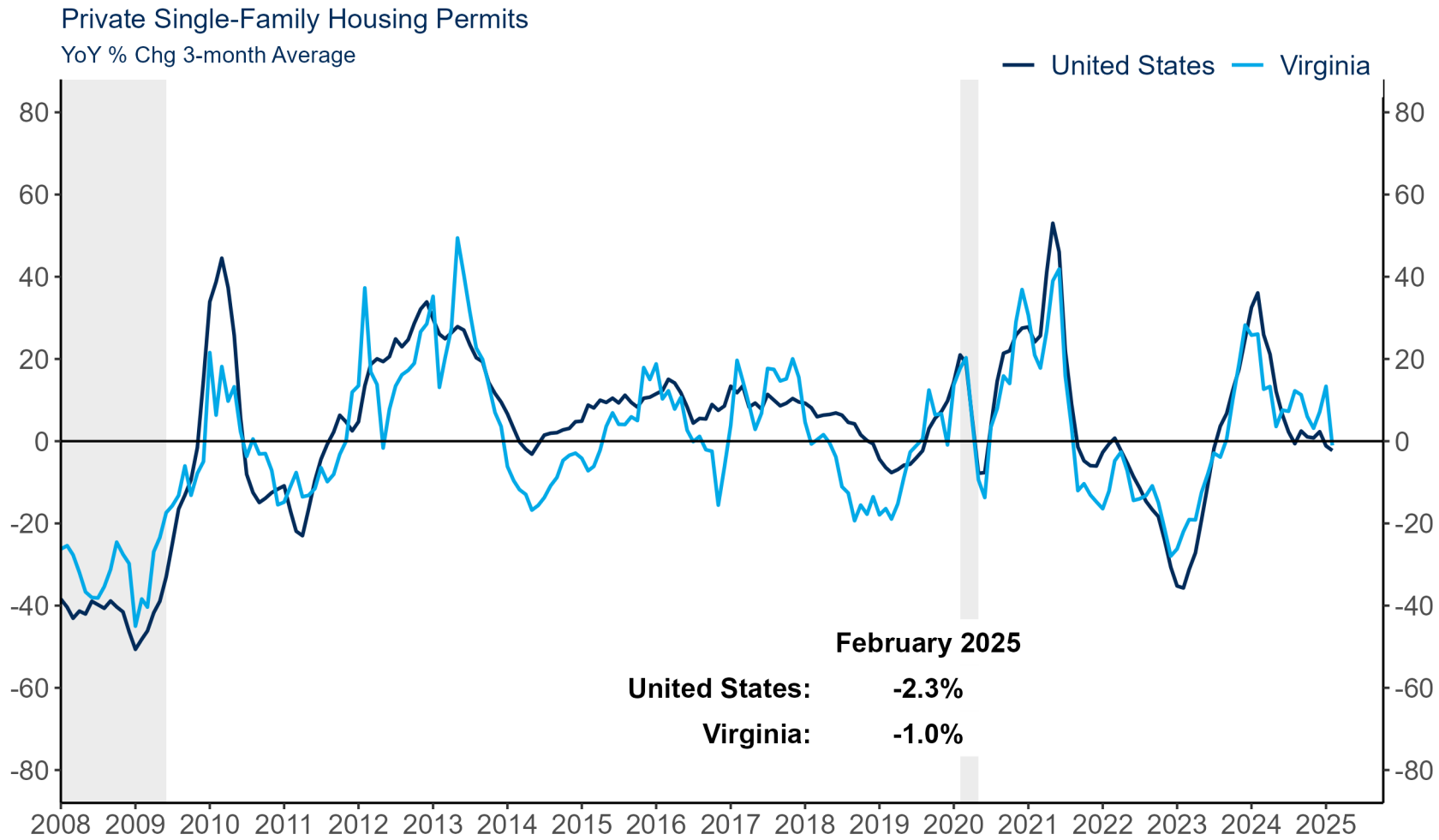
Private Multi-Family Housing Starts and Permits

SAAR, 3-Month Moving Average, Millions



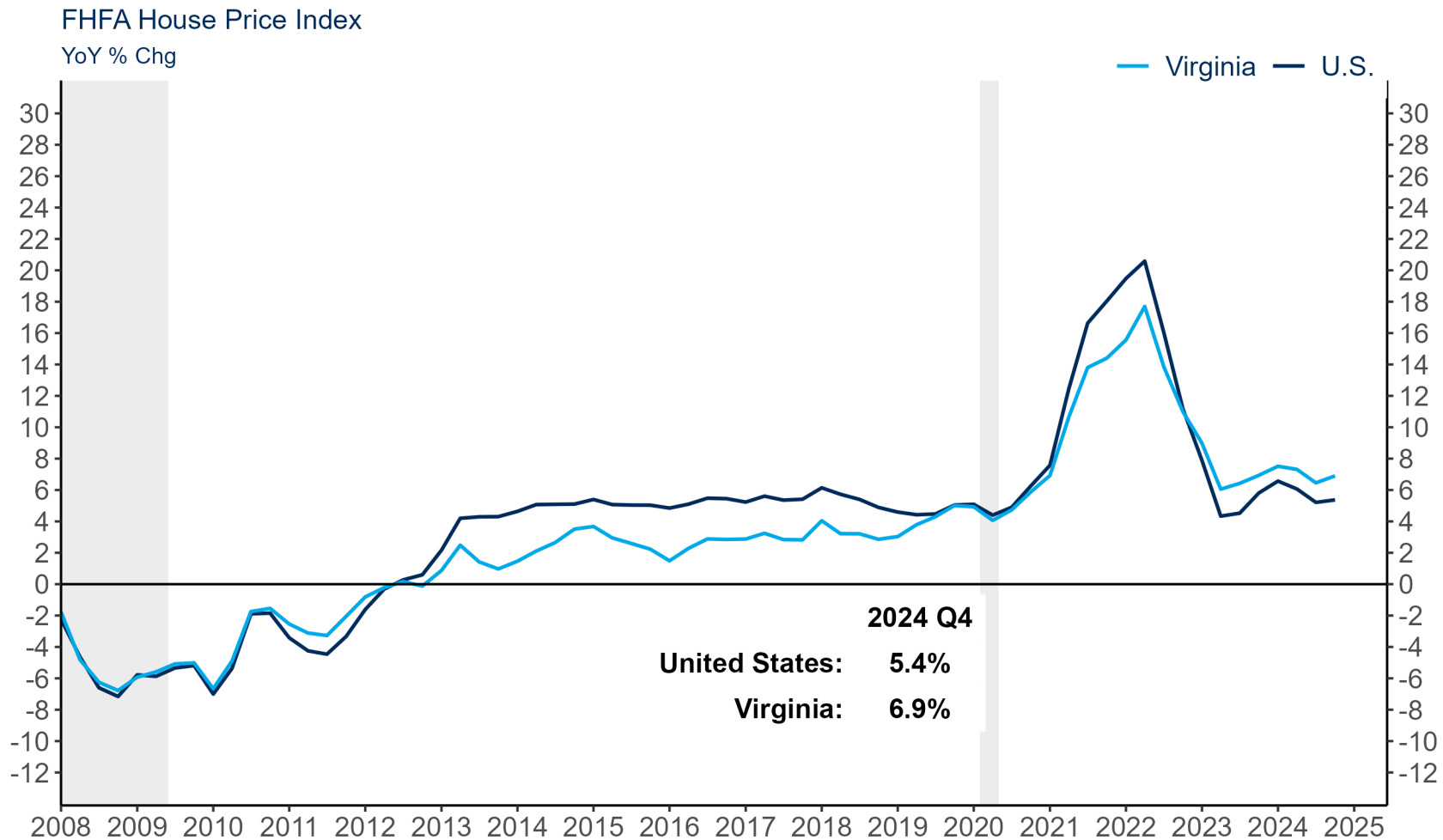
Source: Census Bureau/Haver Analytics most recent data from February 2025 last updated March 18th, 2025

Virginia has mostly tracked the U.S. in permitting—but it varies by community



Source: Bureau of Labor Statistics/Haver Analytics data from February 2025 last updated March 27th, 2025

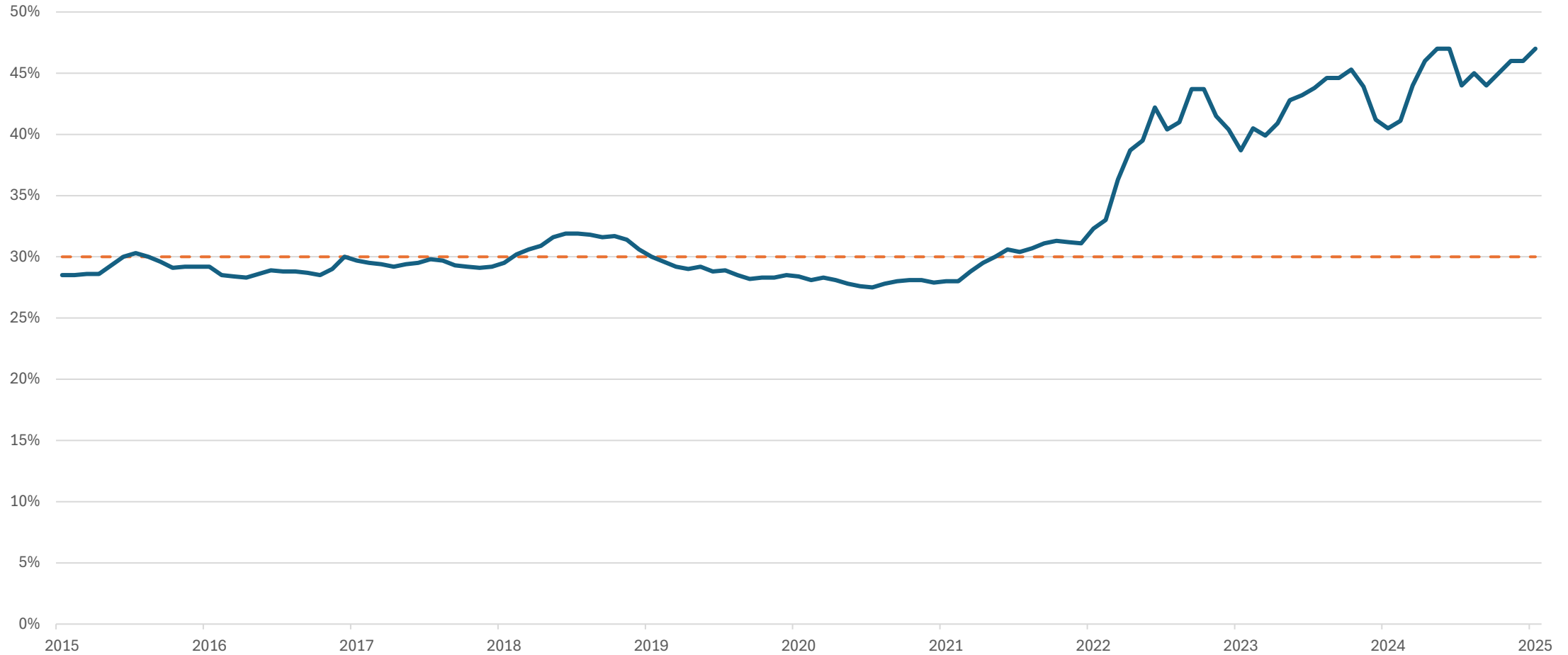
House price growth seems to be flattening



Source: Federal Housing Finance Agency/Haver Analytics most recent data Q4 2024 last updated February 26th, 2025

Affordability remains a challenge in most parts of the country

Share of Median Income Needed to Own the Median Priced Home (U.S.)

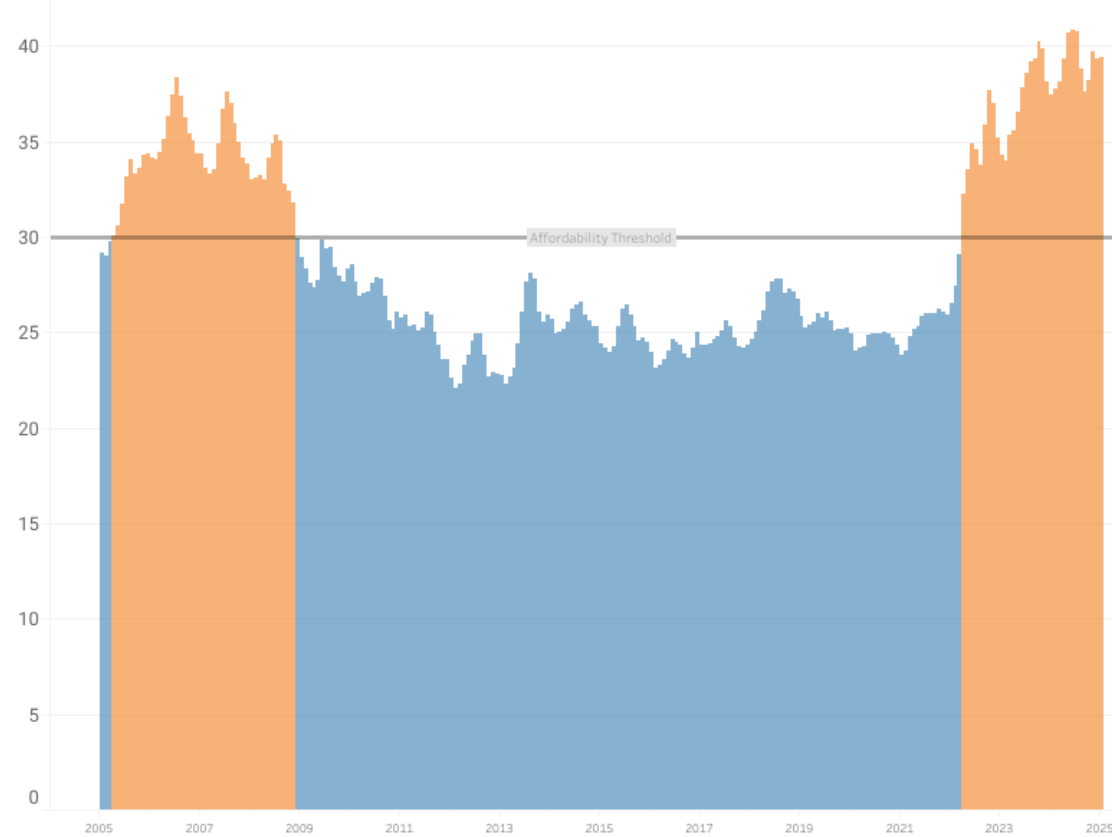


Source: HOAM Federal Reserve Bank of Atlanta data from January 2025 released February 20th, 2025

For example...Richmond

Richmond, VA

Share of Median Income
 (Toggle between Affordability Index & Homeownership Cost as a Percent Share of Median Income; by Metro)
 Share of Median Income Greater than 30% OR Index less than 100 = Unaffordable
 Source: Federal Reserve Bank of Atlanta



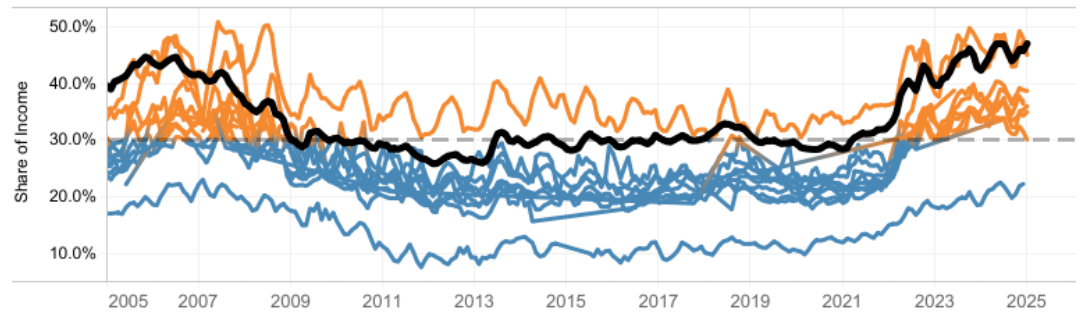
Richmond, VA

Homeownership Cost as a Percent Share of Median Income by Metro County
 Share Greater than 30% = Unaffordable
 Source: Federal Reserve Bank of Atlanta



County or Parish - All

Homeownership Cost as a Percent Share of Median Income vs the United States (Black Line)
 Share Greater than 30% = Unaffordable
 Source: Federal Reserve Bank of Atlanta

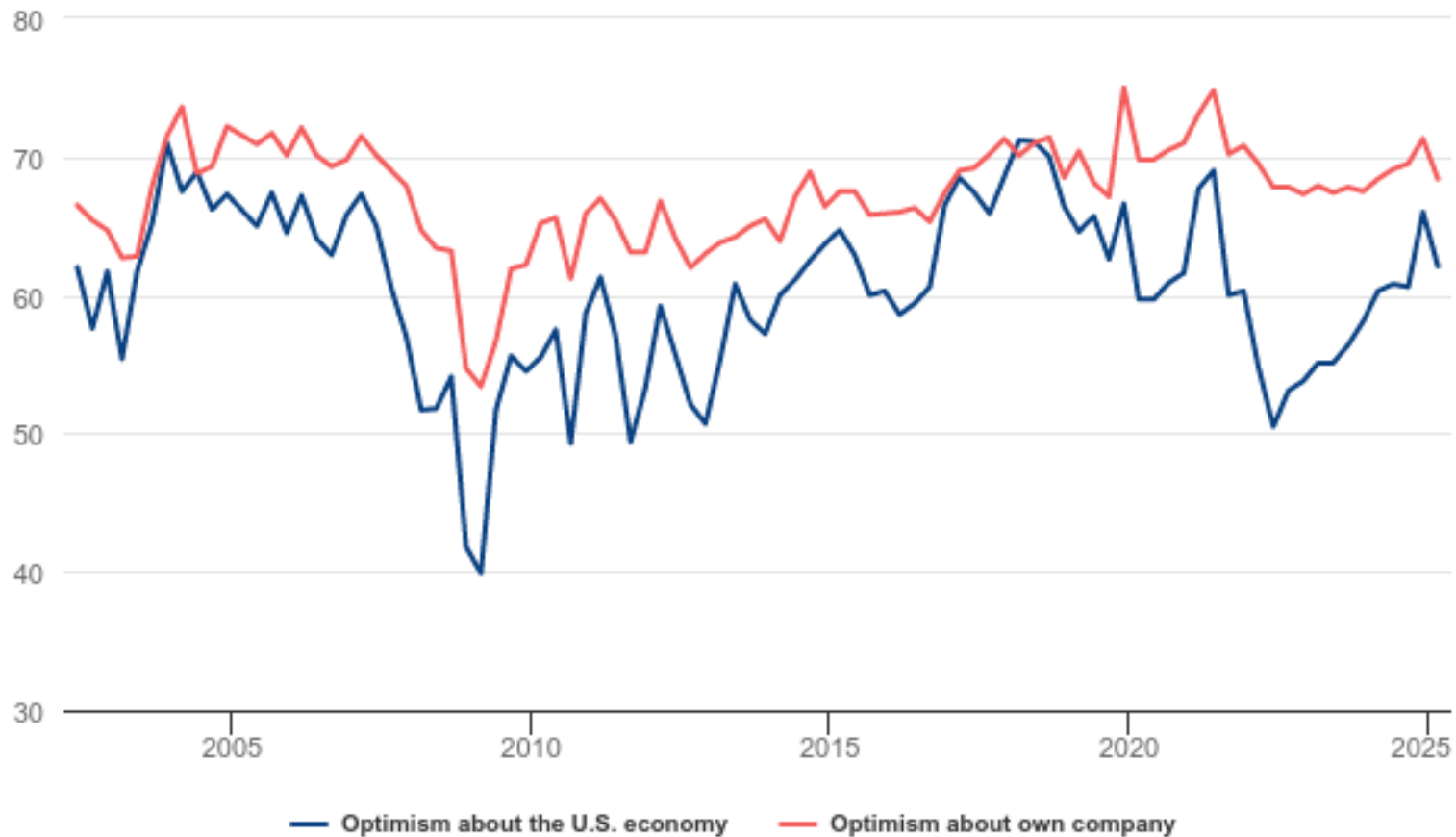


Source: HOAM Federal Reserve Bank of Atlanta most recent data from January 2025 last updated February 20th, 2025

Sentiment and Risks to the Outlook

Optimism among CFOs fell notably in the first quarter

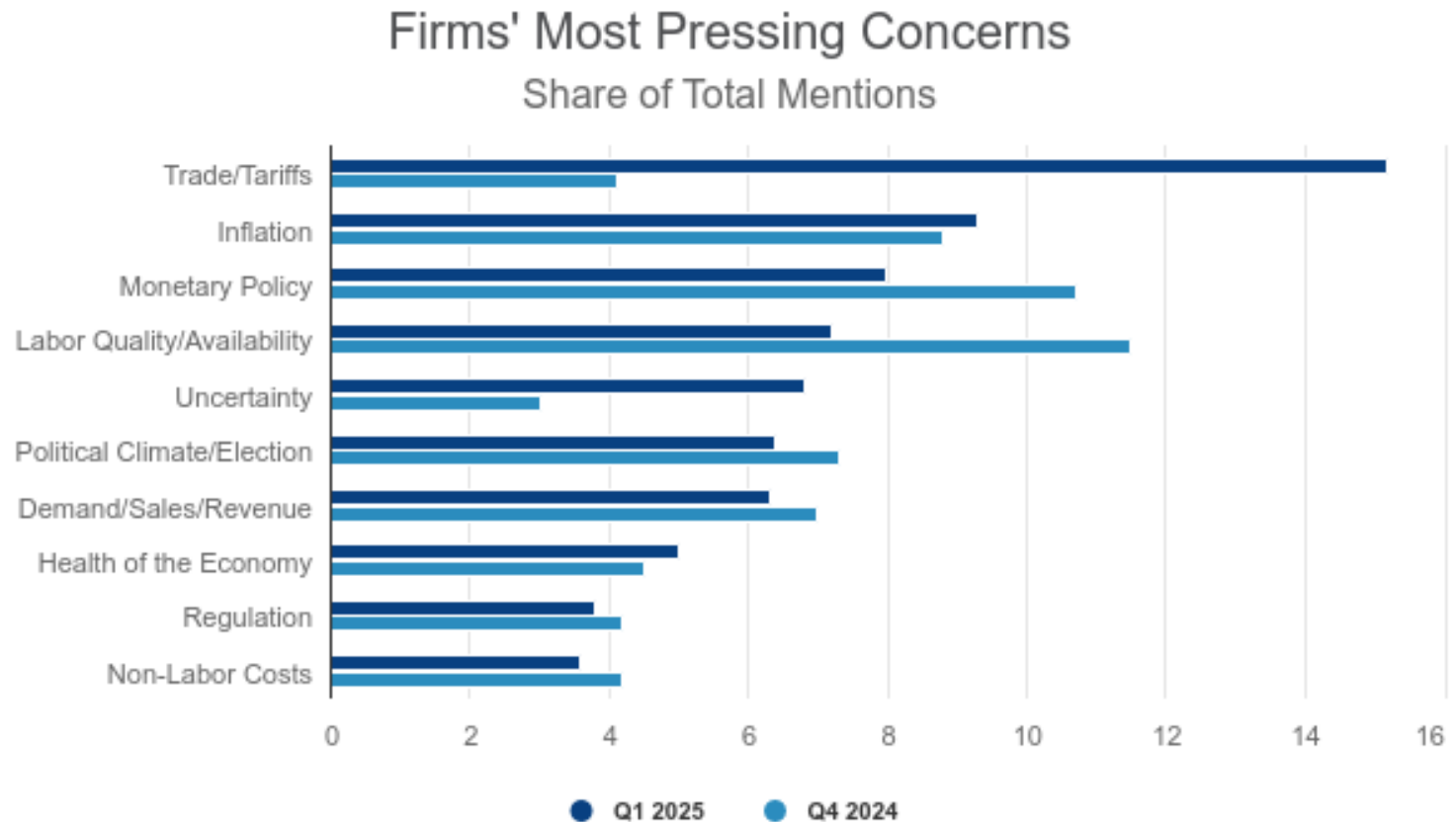
The CFO Survey: Optimism Indexes



Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 15 - March 7, 2025)

Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 18 - March 7, 2025)

Trade/tariffs rose high on the list of concerns...as did uncertainty

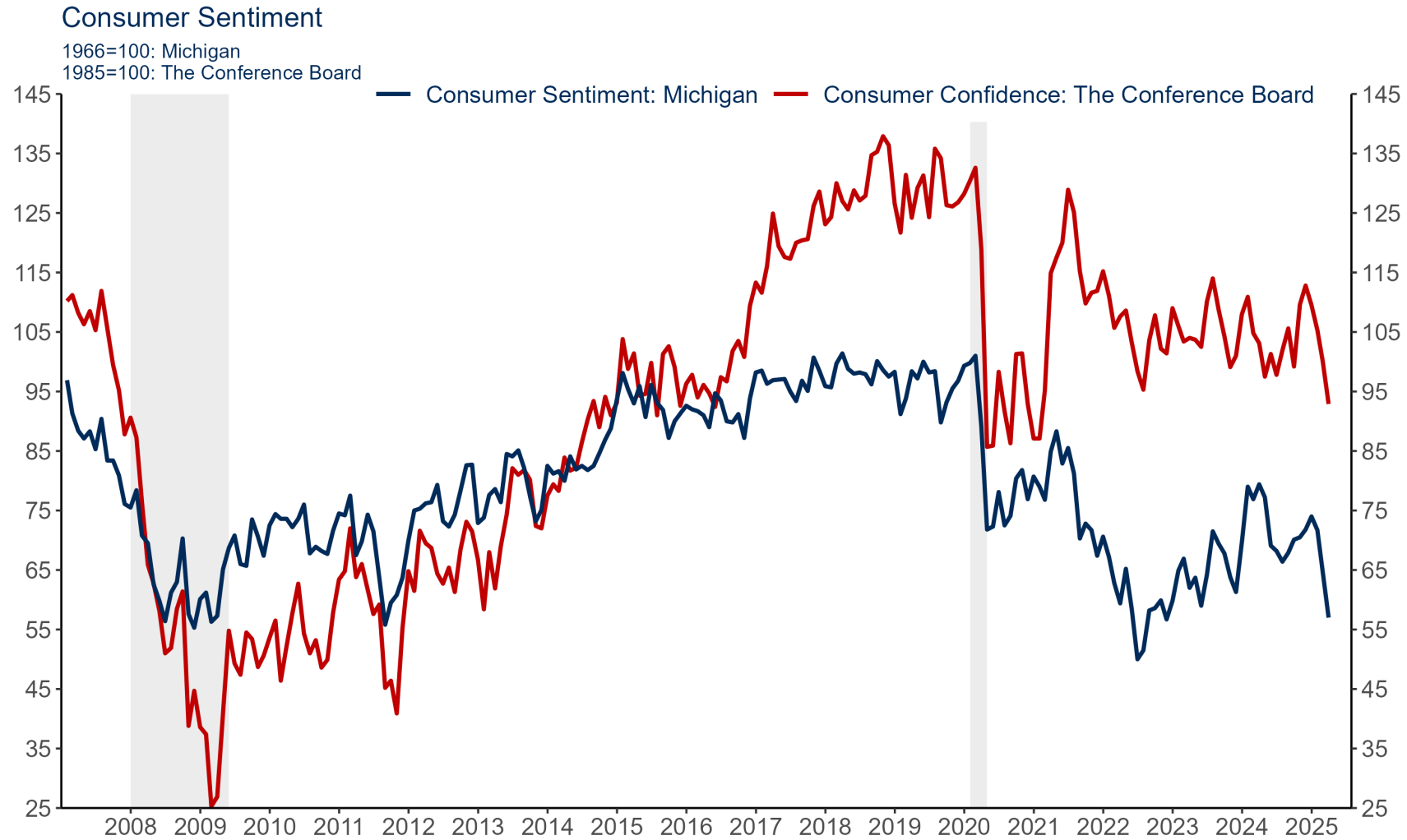


Note: Percentages do not sum to 100 because only the top ten topics (and ties) are shown. Results from the Q4 2024 survey (October 21 - November 19, 2024) are shown for comparison.

Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 15 - March 7, 2025)

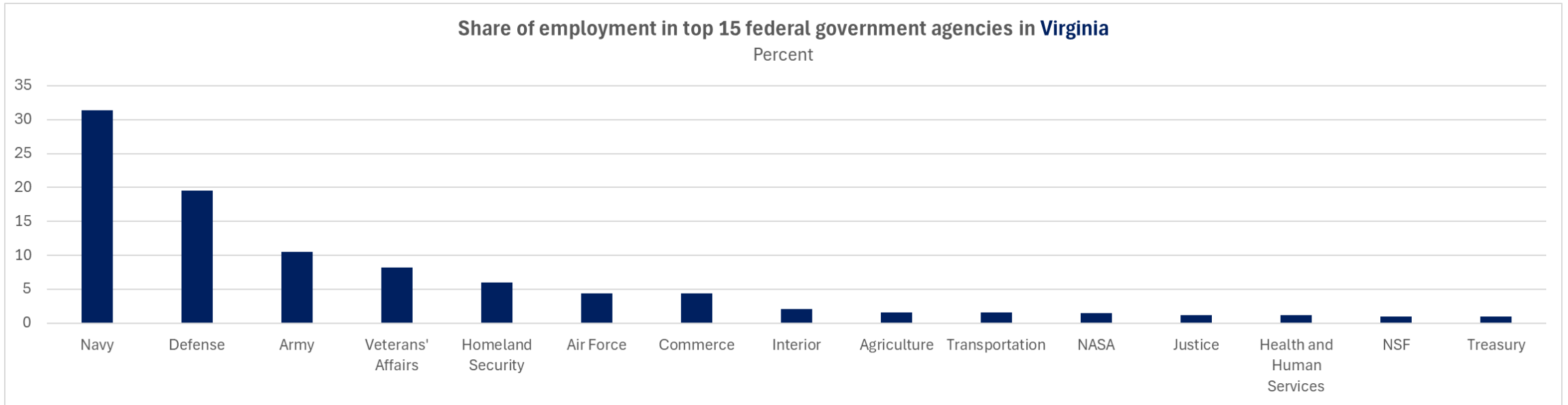
Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 18 - March 7, 2025)

Household sentiment declines might also be connected to uncertainty



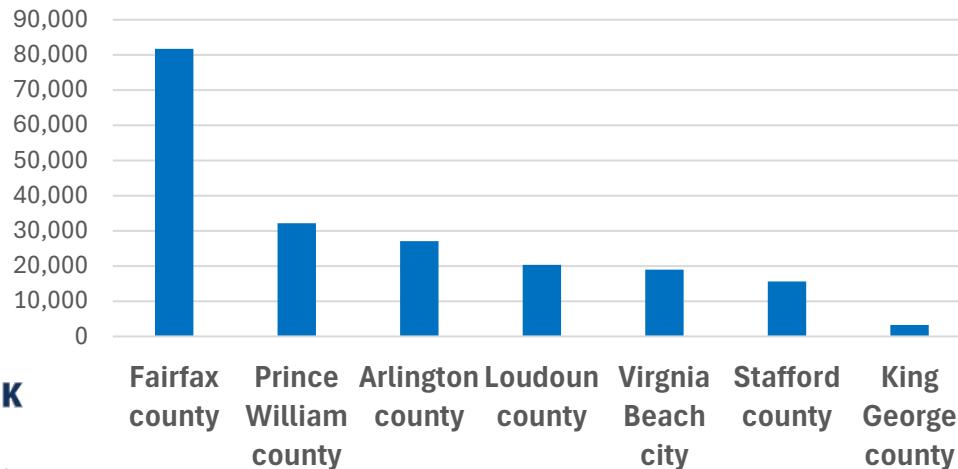
Source: Bureau of Labor Statistics/Haver Analytics, most recent data from March 2025 released March 14th, 2025

Federal employment in Virginia is dominated by defense

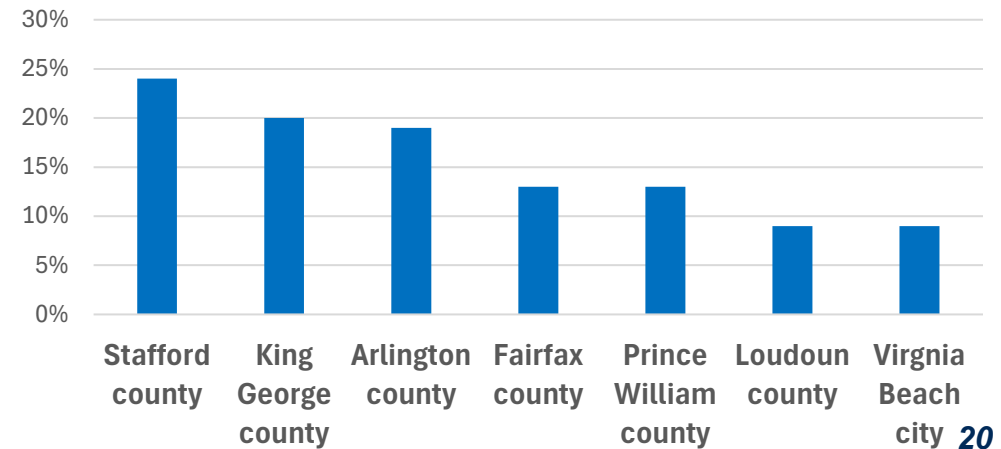


Source: Office of Personnel Management, Authors' calculations

Number of Civilian Workers Age 16+ Employed by the Federal Government



Share of Civilian Workers Age 16+ Employed by the Federal Government

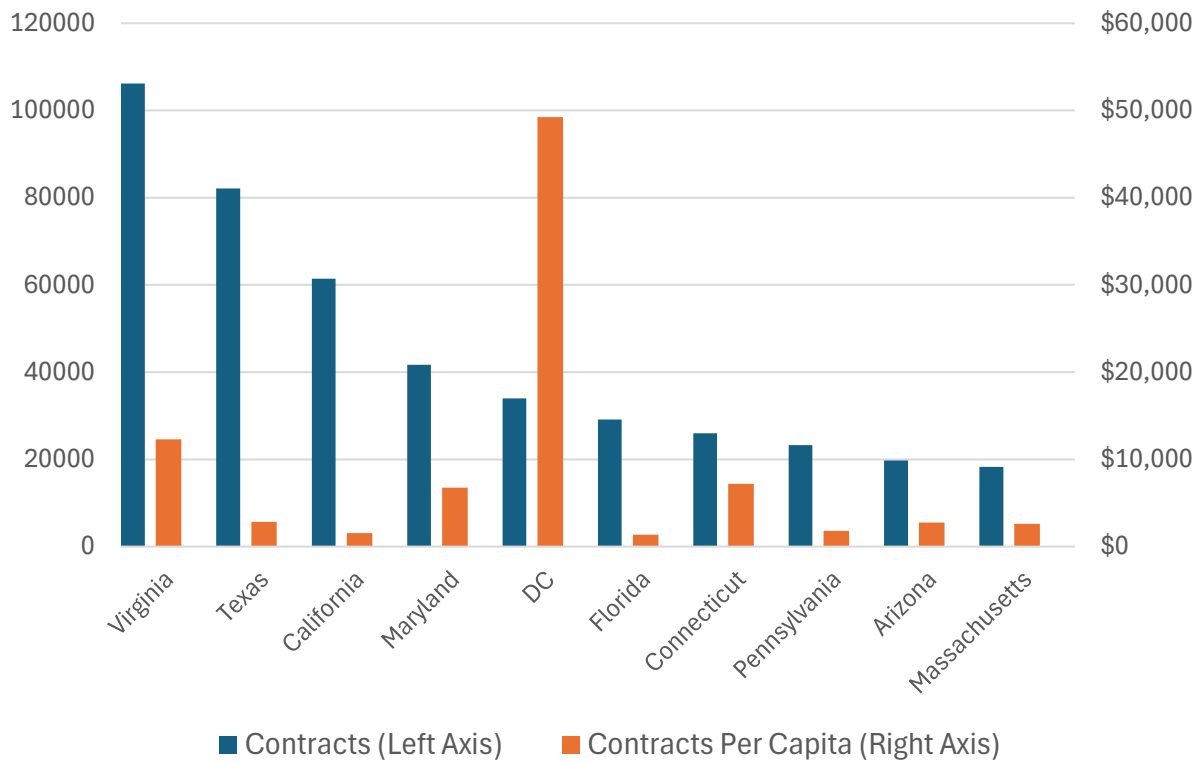


Source: ACE 5-year estimates/authors calculations

Virginia could be hit disproportionately by cuts in spending

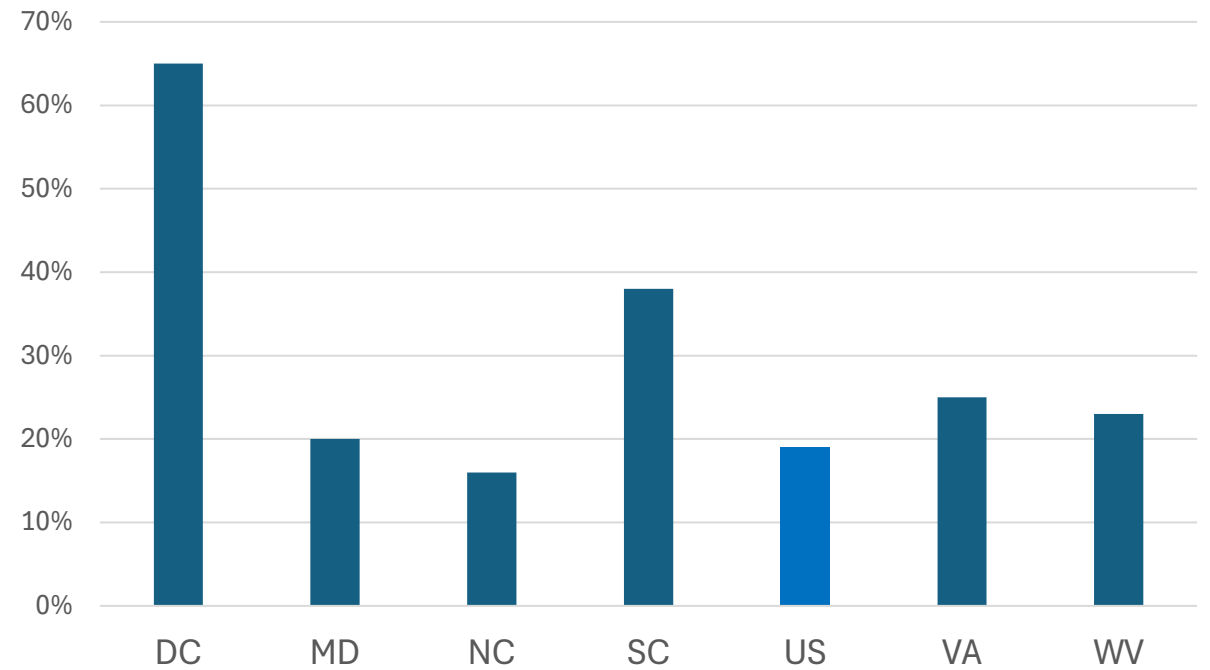
Top recipients of federal contracts FY 2023

Total (millions of \$), per capita



Federal Grants as Share of State Personal Income

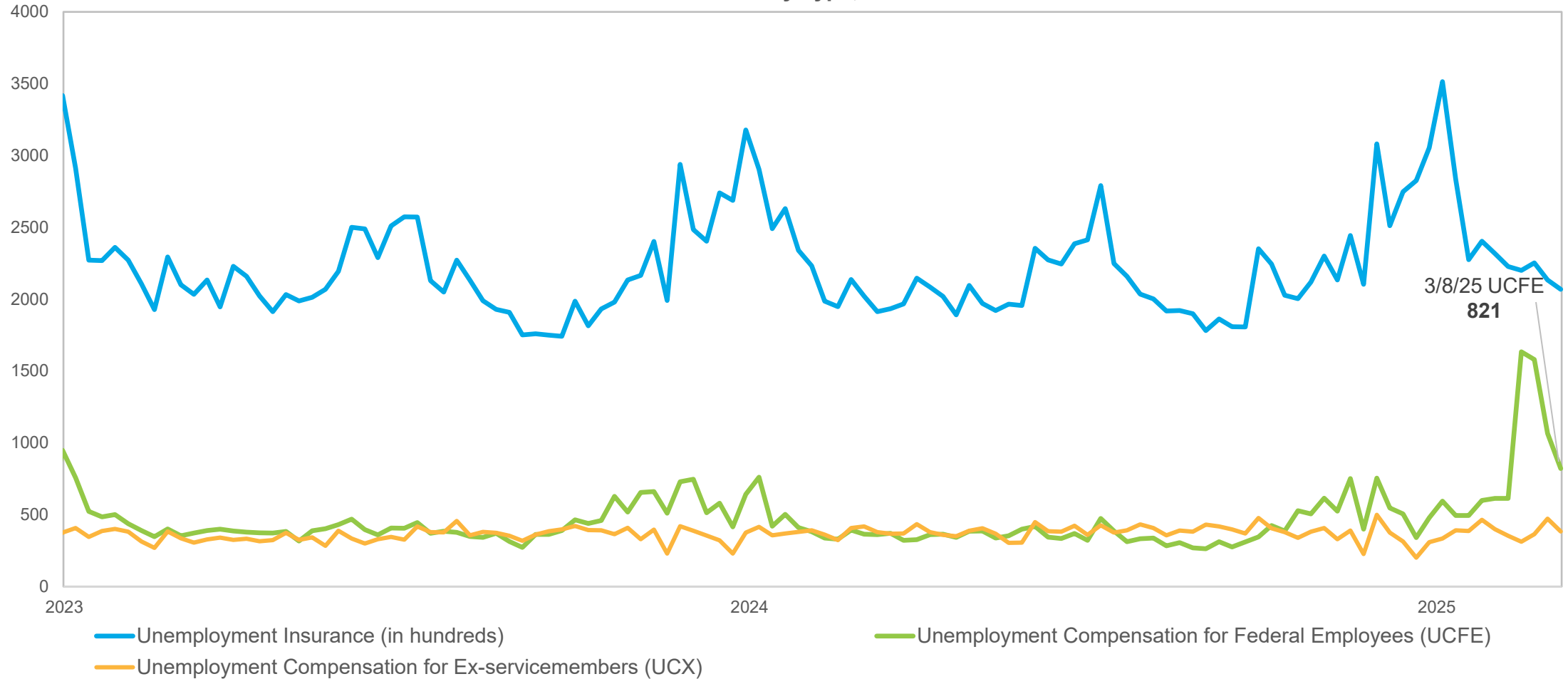
Average 2008-2023



Source: USASpending.org, Bureau of Economic Analysis, Authors' calculations

Initial federal unemployment compensation claims have risen

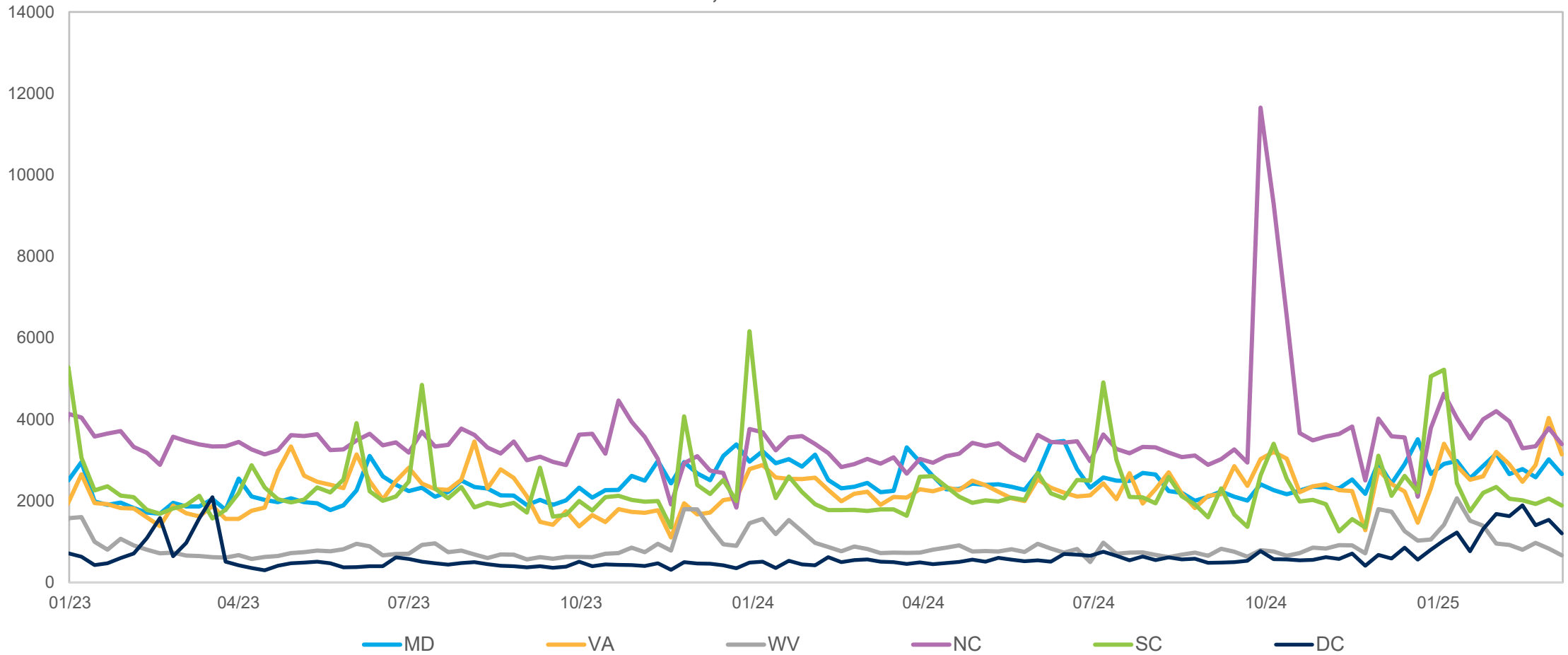
Unemployment Compensation Claims Initial Claims by Type, 2023-2025



Source: US Department of Labor, Employment and Training Administration (3/8/25) released 3/15/2025

Initial unemployment claims ticked up recently in Virginia

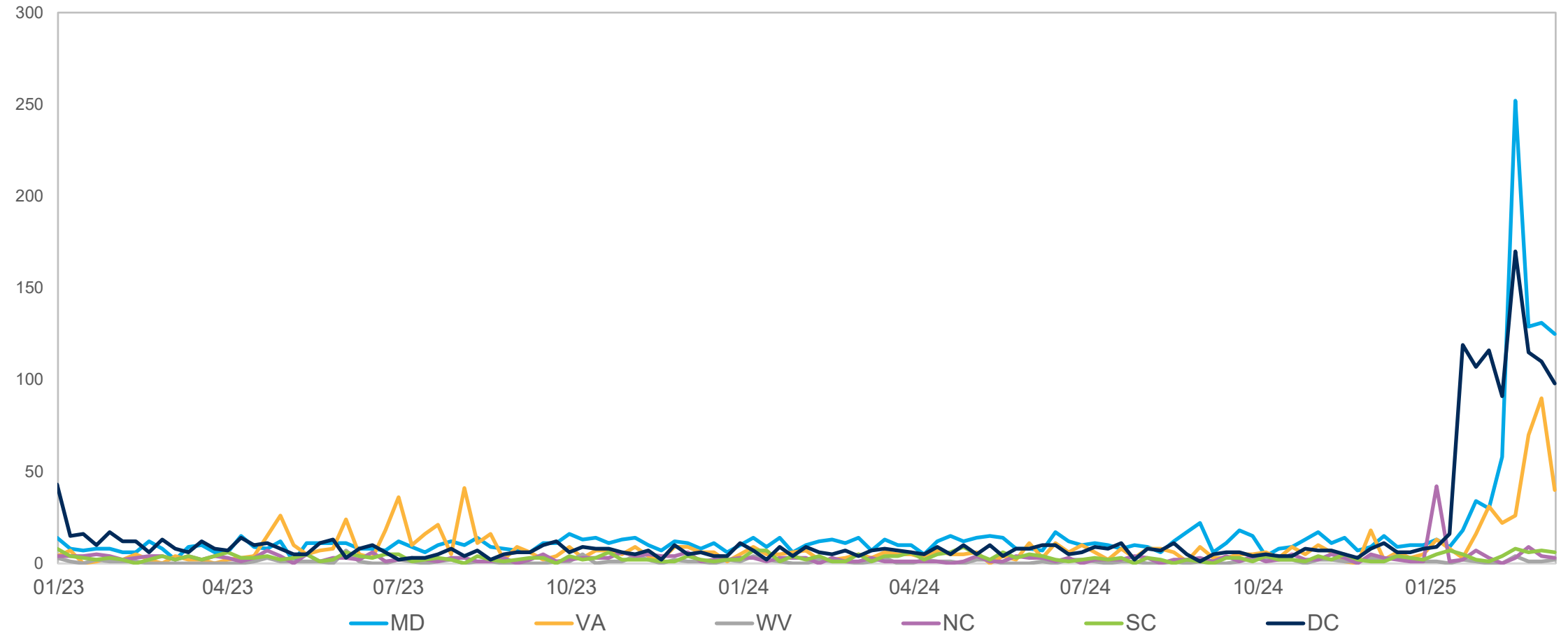
Unemployment Insurance (UI), Initial Claims, 2023-2025



Source: US Department of Labor, Employment and Training Administration (3/8/25) released 3/15/2025

Initial claims for federal unemployment compensation moved up notably in DC, MD, and VA

Unemployment Compensation for Federal Employees (UCFE) Initial Claims, 2023-2025



Source: US Department of Labor, Employment and Training Administration (3/8/25) released

The big picture

- Slowing growth, but the economy remains resilient
- Inflation is moving towards target, although progress has flattened
- Labor markets in the nation and Virginia continue to normalize, with only intermittent signs of potential slowing

Risks to any outlook

- Sentiment has fallen among firms and households in recent months
- Continuing geopolitical tension and other uncertainty
- Tariffs are weighing on the minds of many firms in the District and the U.S., as is a broad sense of uncertainty
- The federal workforce and spending reductions will have a disproportionate impact on Virginia, although the impact would be felt in other parts of the country, too.



Questions?

sonya.waddell@rich.frb.org

