

# Small Business Performance in Virginia and the Region

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THE FEDERAL RESERVE BANK OF RICHMOND  
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***Virginia Small Business Commission***  
***Richmond, Virginia***  
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# Structure of Presentation:

*The US Economy*

*The Labor Market in Virginia*

*A Small Business Perspective*

*Outlook Implications*

## *Disclaimer—*

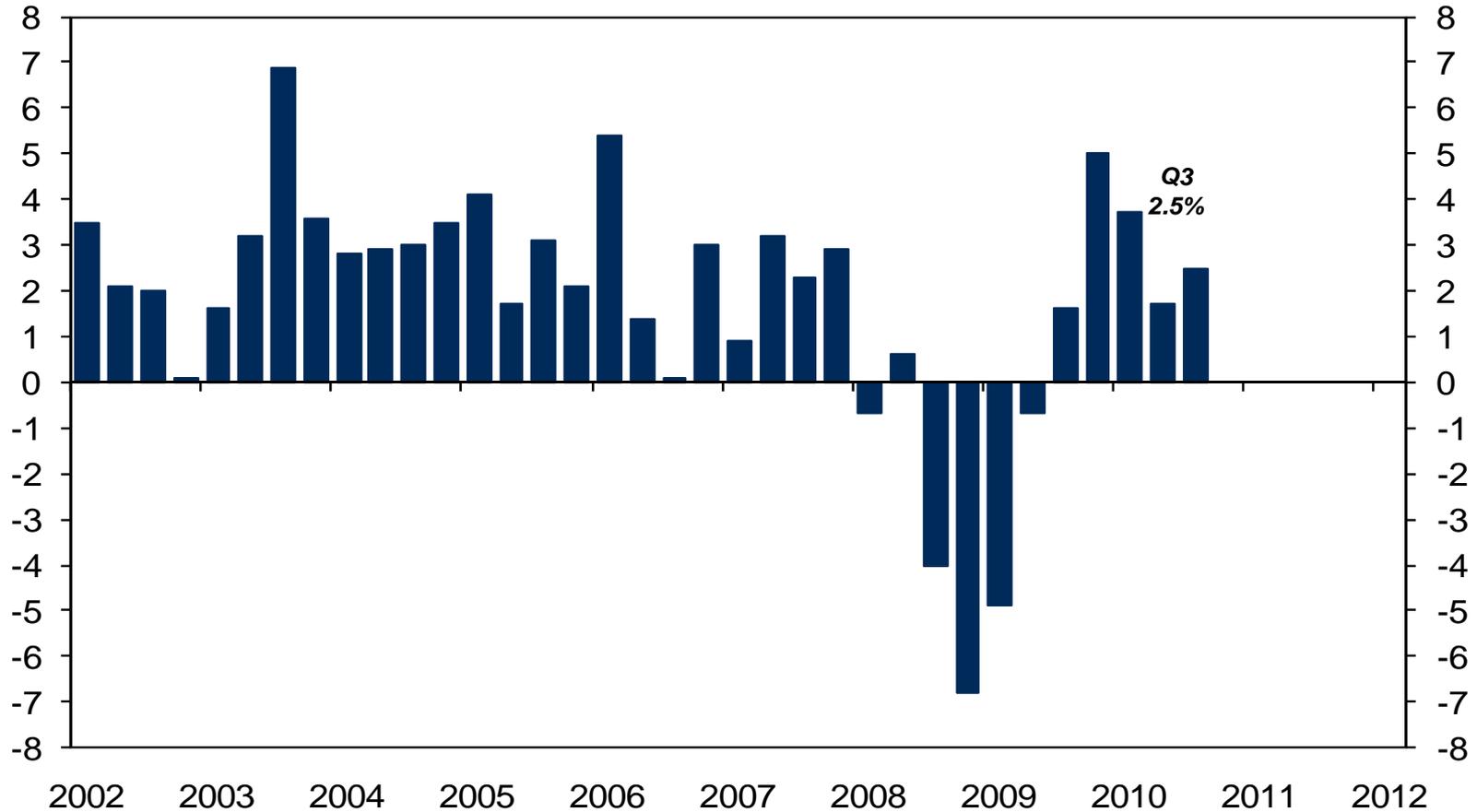
- The views and opinions expressed in the following presentation are those of the speaker.*
- They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.*





# Real Gross Domestic Product

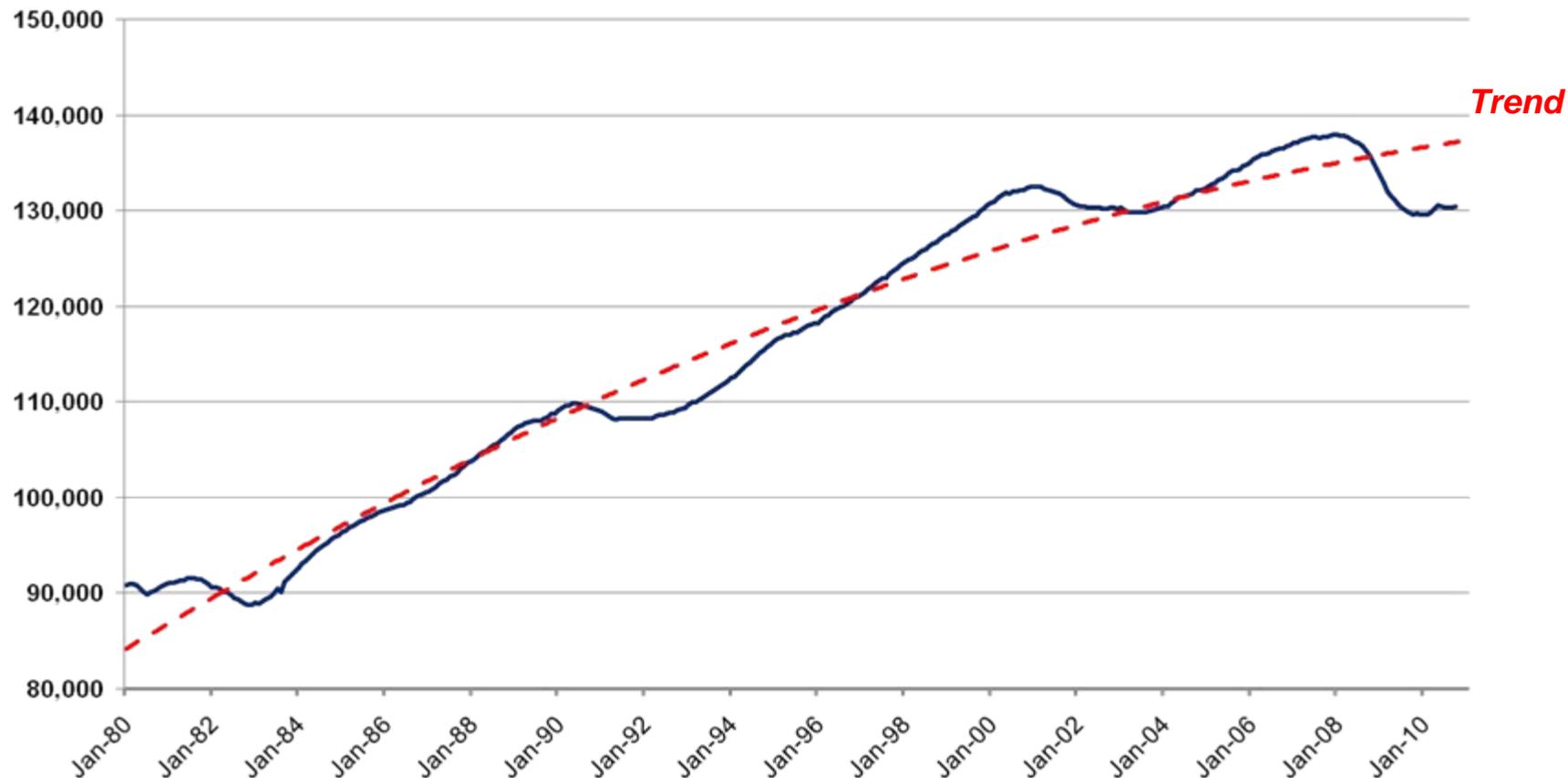
Percent change from previous quarter at annual rate





# Total Nonfarm Employment

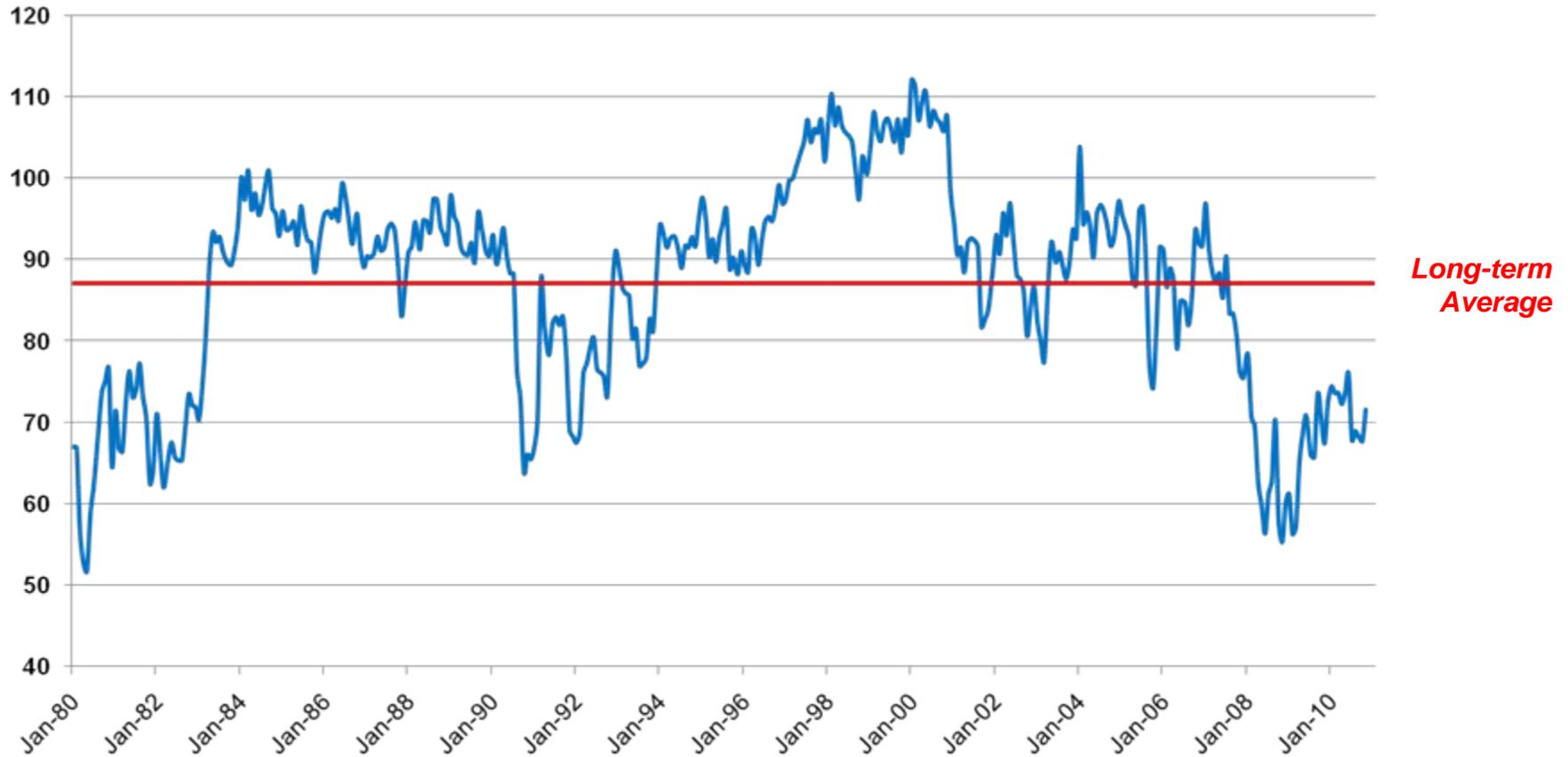
## Number of Workers





# University of Michigan--Consumer Sentiment

Index



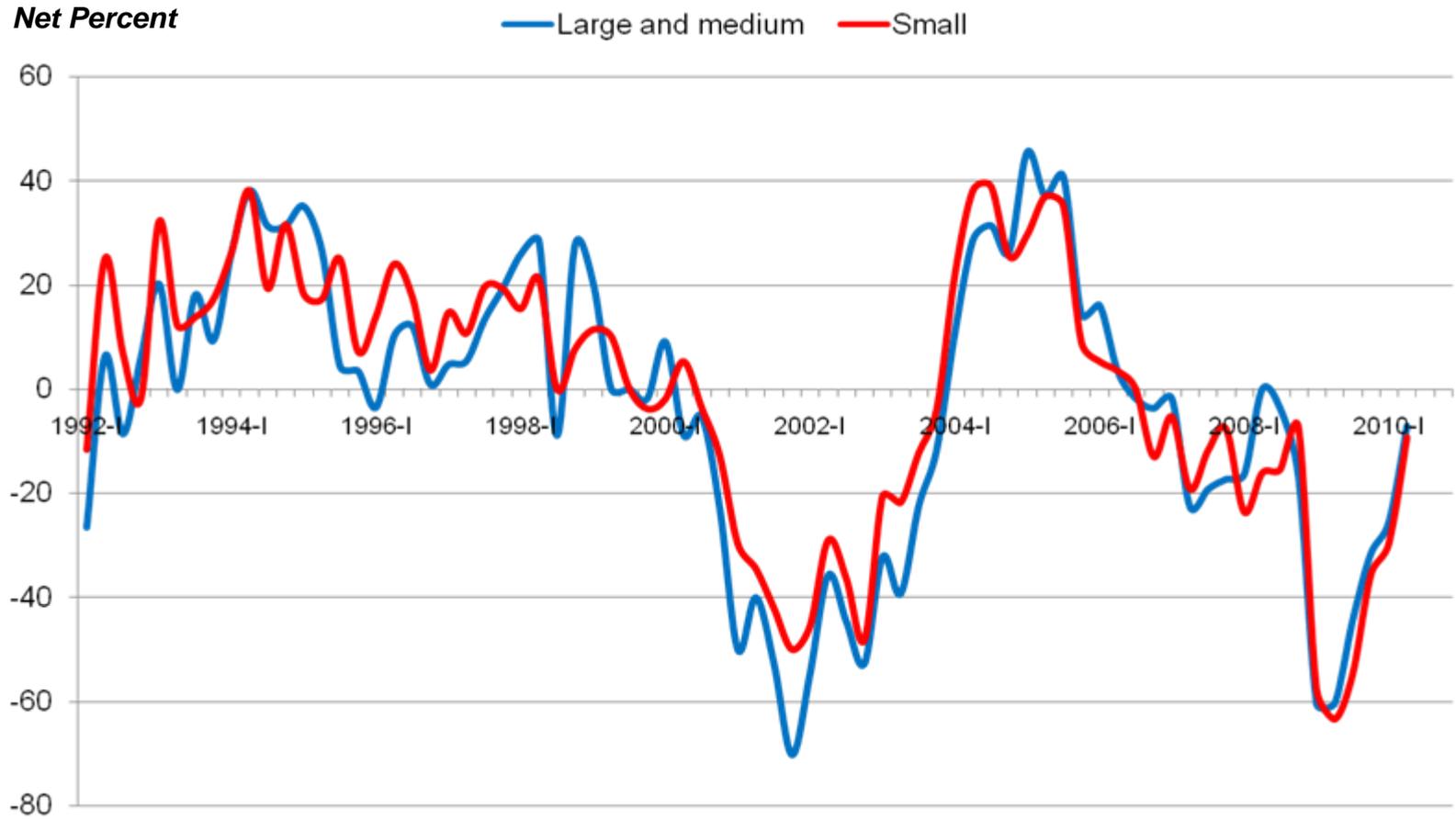
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Source: BEA/Haver Analytics



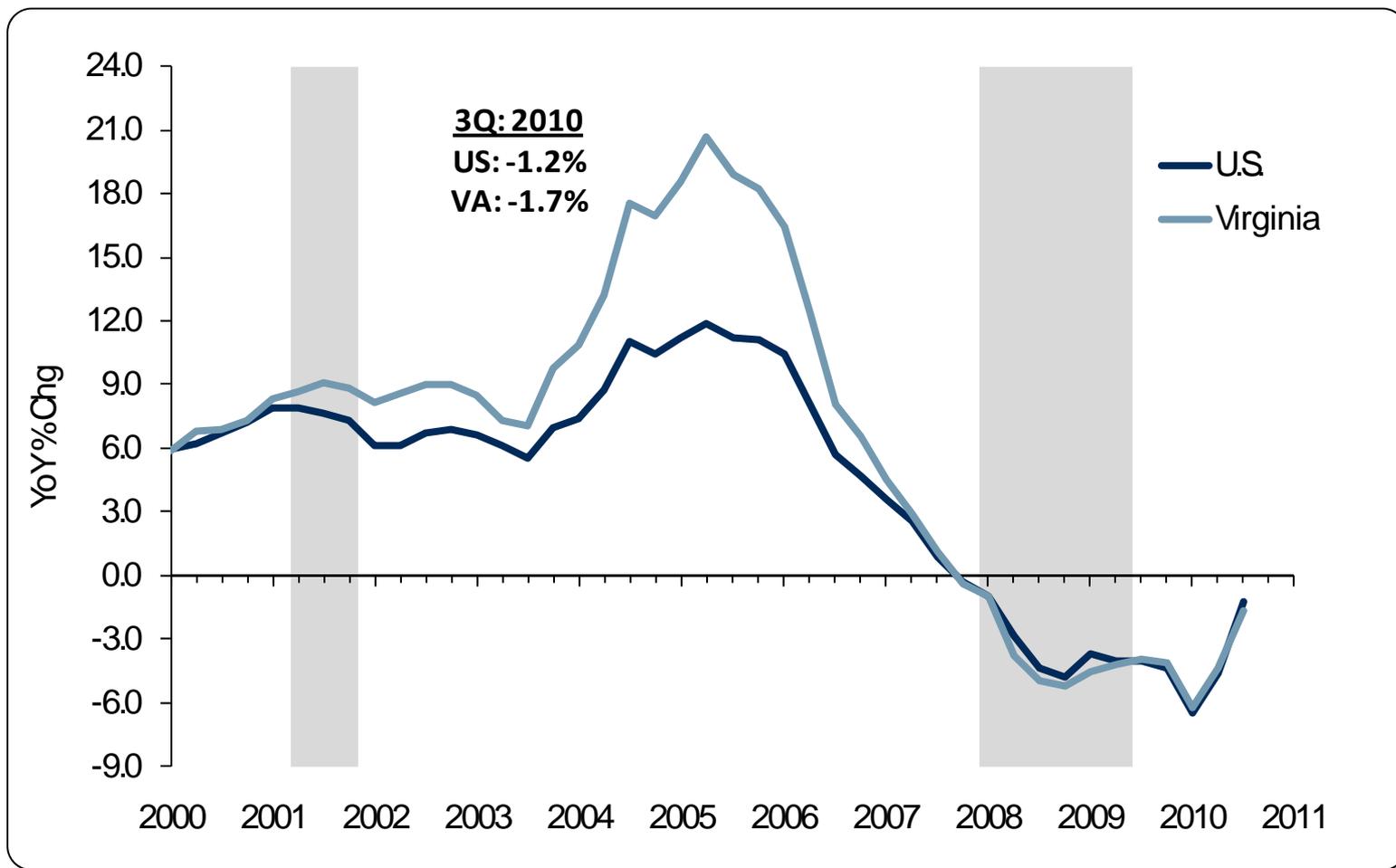
# Senior Loan Officer Survey—C&I Loan Demand

Net percentage of banks reporting stronger demand for C&I loans



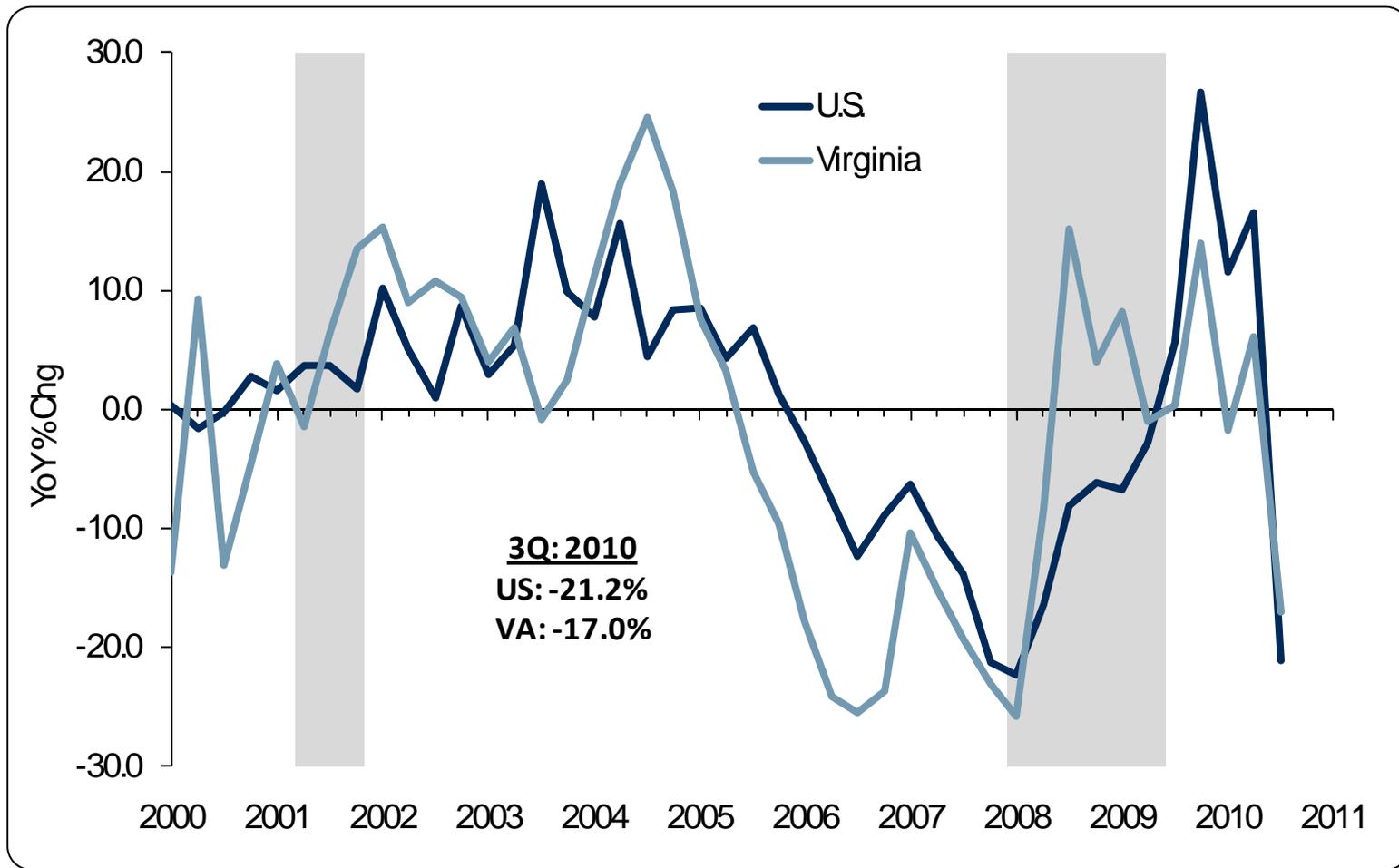


# House Price Index: US vs. Virginia

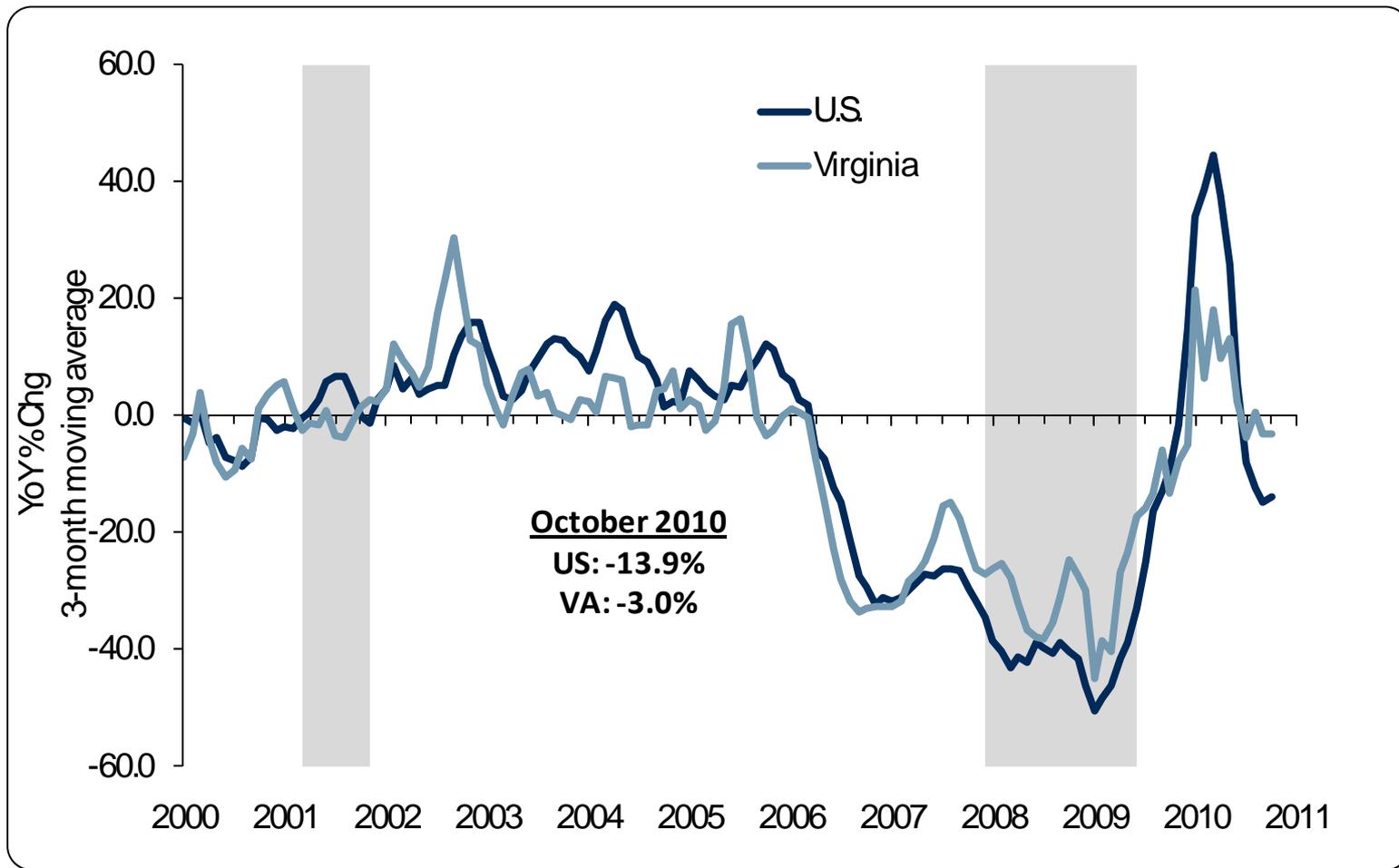




# Existing Home Sales: US vs. Virginia

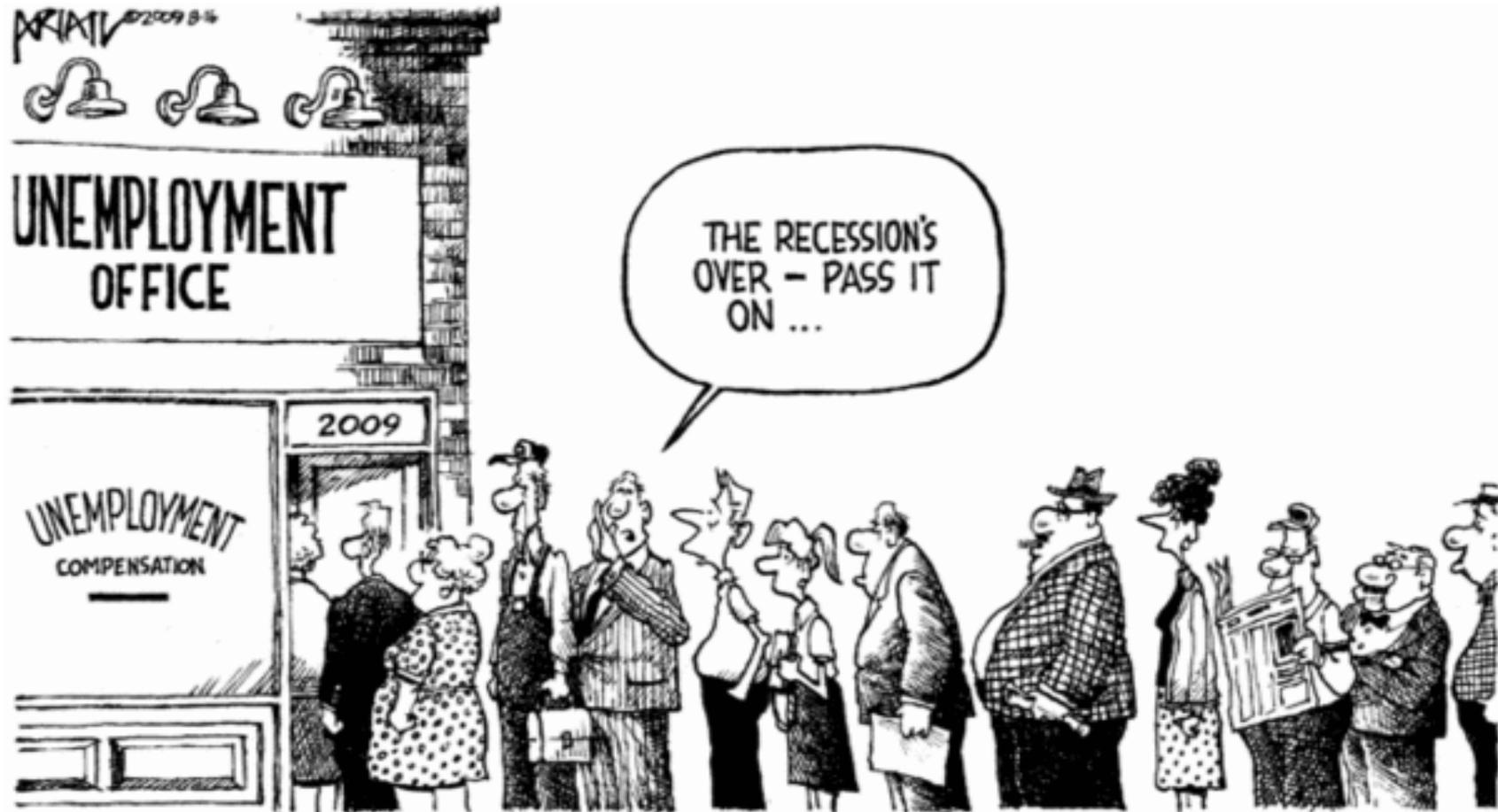


# Building Permits: US vs. Virginia





# The Labor Market in Virginia





# Most Impacted by Recession:

Dec 2007 to Dec 2009

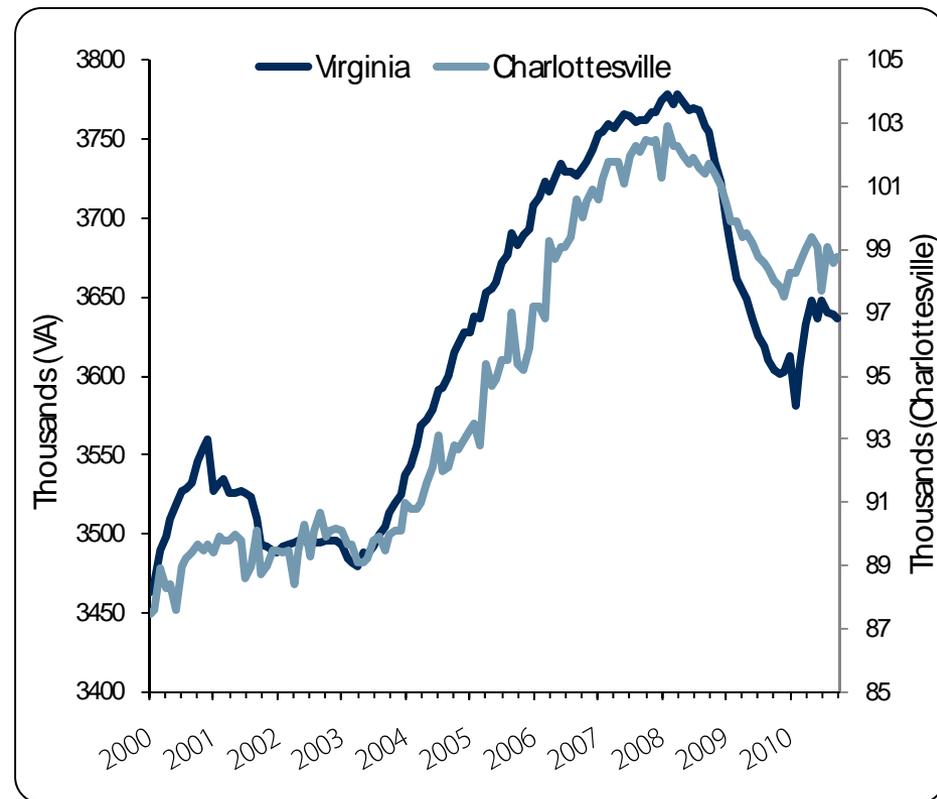
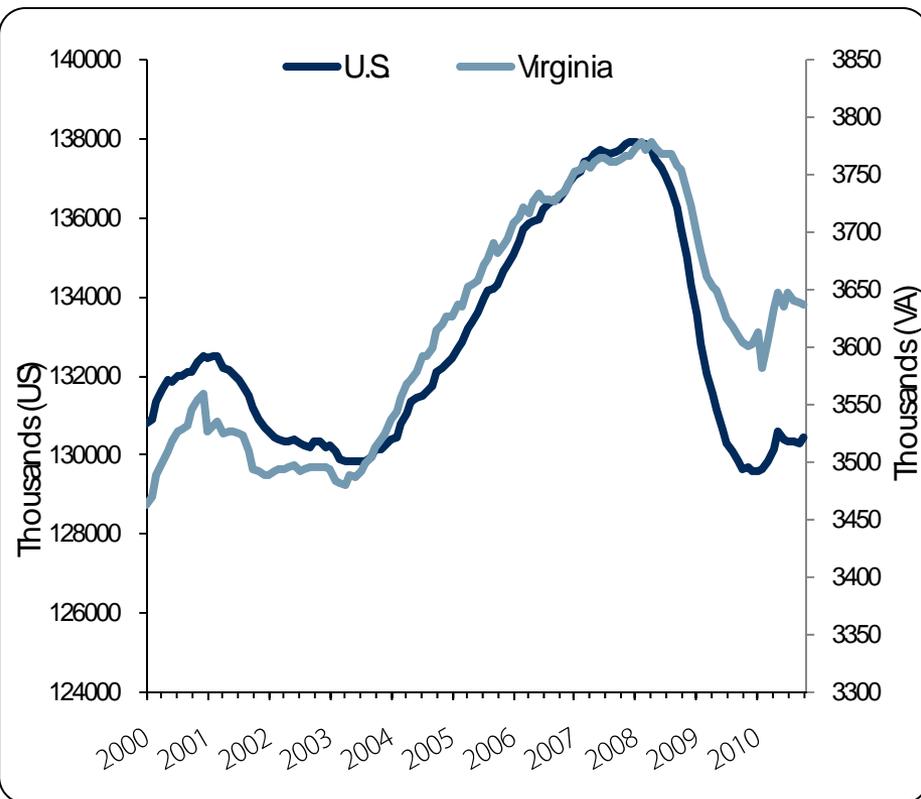
|                       | Jobs Lost/Gained<br>(thousands) | Percent<br>Change | Rank      |
|-----------------------|---------------------------------|-------------------|-----------|
| <b>United States</b>  | <b>7,056</b>                    | <b>-5.2</b>       |           |
| <b>Nevada</b>         | <b>-138</b>                     | <b>-10.7</b>      | <b>1</b>  |
| <b>Arizona</b>        | <b>-262</b>                     | <b>-9.8</b>       | <b>2</b>  |
| <b>Michigan</b>       | <b>-411</b>                     | <b>-9.7</b>       | <b>3</b>  |
| <b>Florida</b>        | <b>-608</b>                     | <b>-7.6</b>       | <b>4</b>  |
| <b>Georgia</b>        | <b>-314</b>                     | <b>-7.6</b>       | <b>5</b>  |
| <b>California</b>     | <b>-1,041</b>                   | <b>-6.9</b>       | <b>9</b>  |
| ---                   | ---                             | ---               | ---       |
| <b>North Carolina</b> | <b>-248</b>                     | <b>-5.9</b>       | <b>18</b> |
| ---                   | ---                             | ---               | ---       |
| <b>Virginia</b>       | <b>-113</b>                     | <b>-3.0</b>       | <b>39</b> |





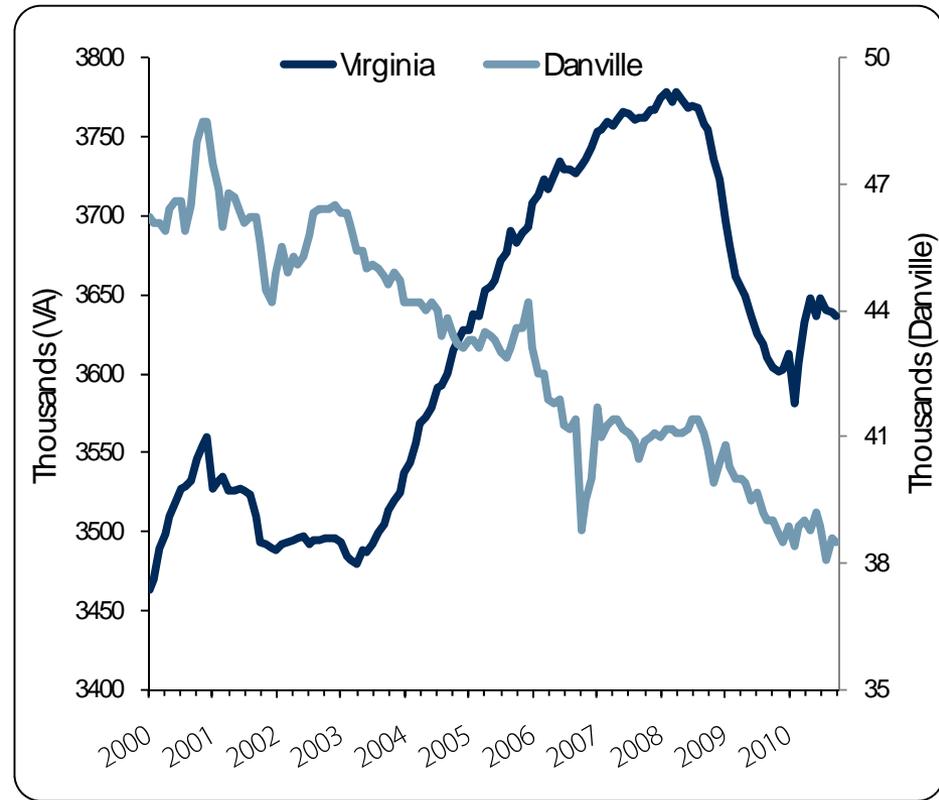
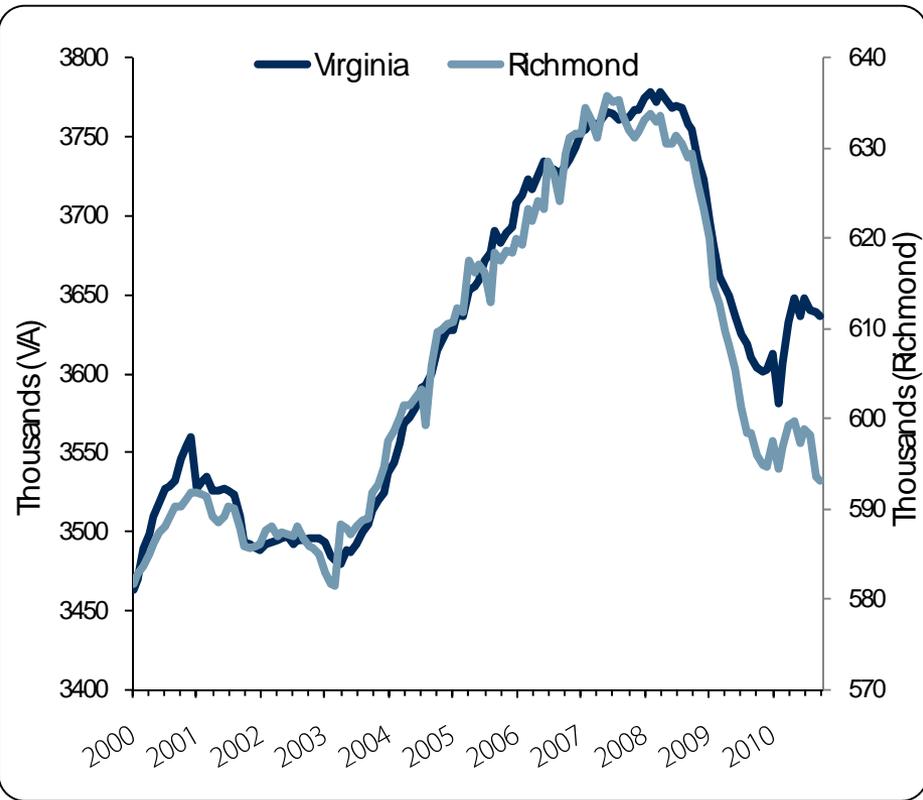
# Employment in Virginia and Charlottesville

## Number of Workers



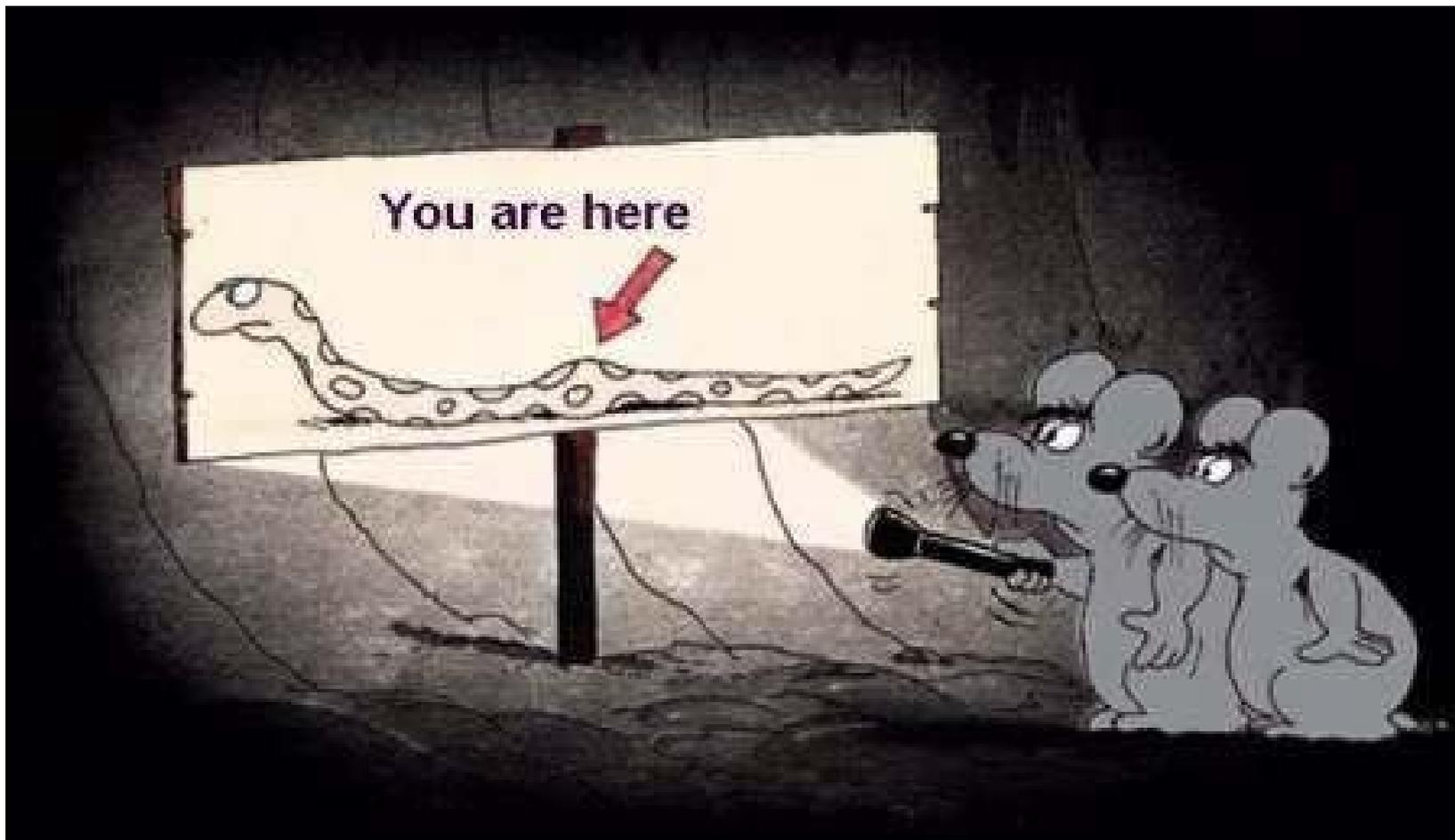
# Employment in Richmond and Danville

## Number of Workers





# *A Small Business Perspective*





# Employment Growth by Establishment Size

## Recessionary Periods

| Nation   |        |          |       | Virginia |        |          |       |
|----------|--------|----------|-------|----------|--------|----------|-------|
| Small    | Medium | Large    | Total | Small    | Medium | Large    | Total |
| Under 50 | 50-499 | Over 500 |       | Under 50 | 50-499 | Over 500 |       |

### Total

|         |       |       |        |       |       |       |        |       |
|---------|-------|-------|--------|-------|-------|-------|--------|-------|
| 1990-92 | 6.0%  | -3.5% | -14.6% | -2.3% | 2.3%  | -6.1% | -11.7% | -3.7% |
| 2001-03 | 1.3%  | -4.6% | -9.1%  | -3.0% | 2.5%  | -5.1% | -9.3%  | -2.6% |
| 2008-09 | -2.5% | -6.3% | -5.7%  | -4.5% | -2.2% | -5.6% | -0.9%  | -3.4% |

### Goods Producing

|         |       |        |        |        |        |        |        |        |
|---------|-------|--------|--------|--------|--------|--------|--------|--------|
| 1990-92 | -5.4% | -7.7%  | -11.5% | -8.1%  | -13.5% | -10.3% | -7.8%  | -10.5% |
| 2001-03 | -2.2% | -10.8% | -17.8% | -9.6%  | 1.5%   | -10.5% | -16.4% | -8.1%  |
| 2008-09 | -7.6% | -12.1% | -11.6% | -10.4% | -9.2%  | -13.0% | -6.5%  | -10.3% |

### Services Producing

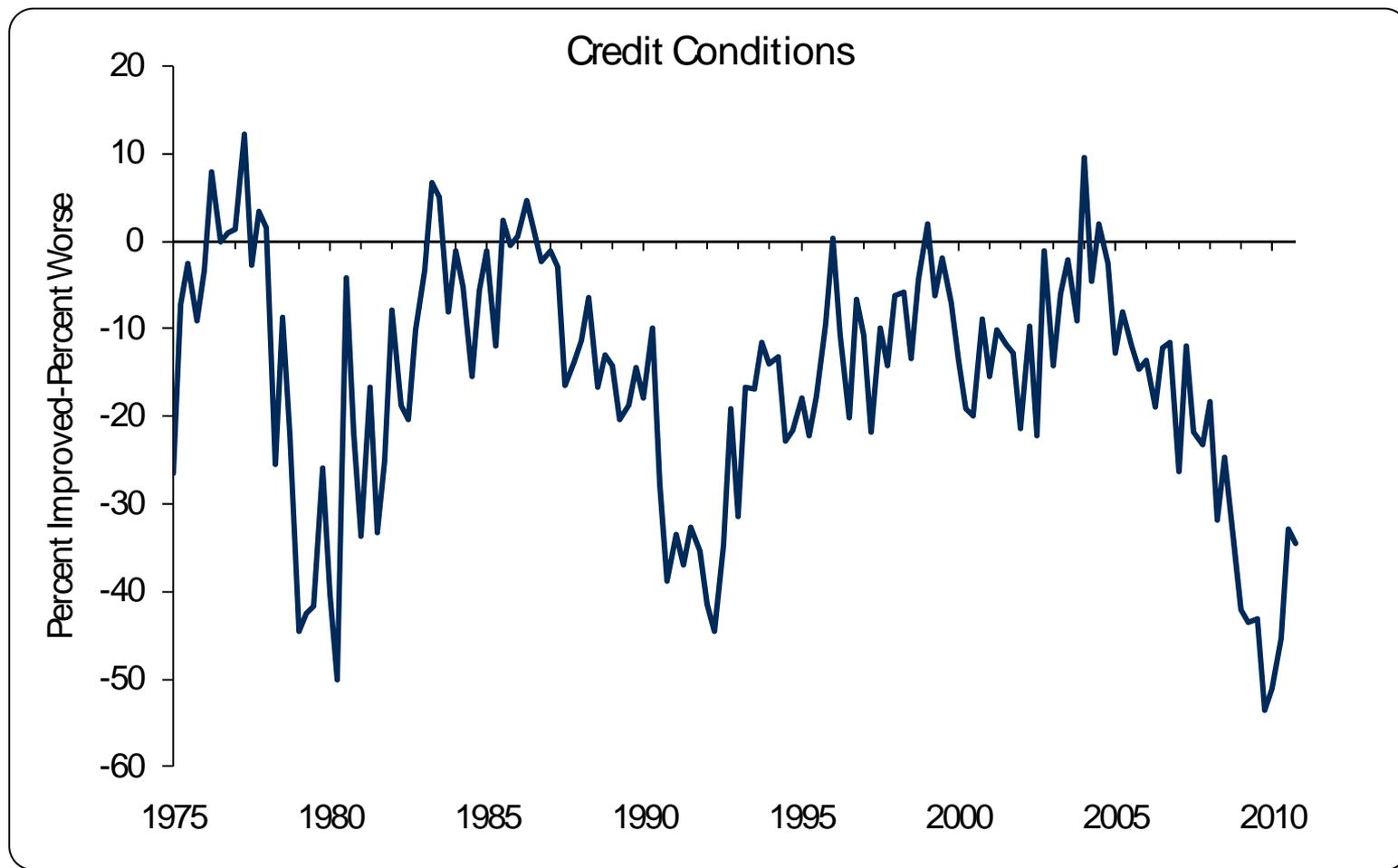
|         |       |       |        |       |       |       |        |       |
|---------|-------|-------|--------|-------|-------|-------|--------|-------|
| 1990-92 | 9.1%  | -1.7% | -16.1% | -0.2% | 6.2%  | -4.6% | -14.3% | -1.2% |
| 2001-03 | 2.1%  | -2.5% | -5.7%  | -1.0% | 2.7%  | -3.6% | -6.1%  | -1.1% |
| 2008-09 | -1.5% | -4.6% | -3.9%  | -3.1% | -1.0% | -4.0% | 0.7%   | -2.0% |





# Small Business Credit Problems in the Fifth District

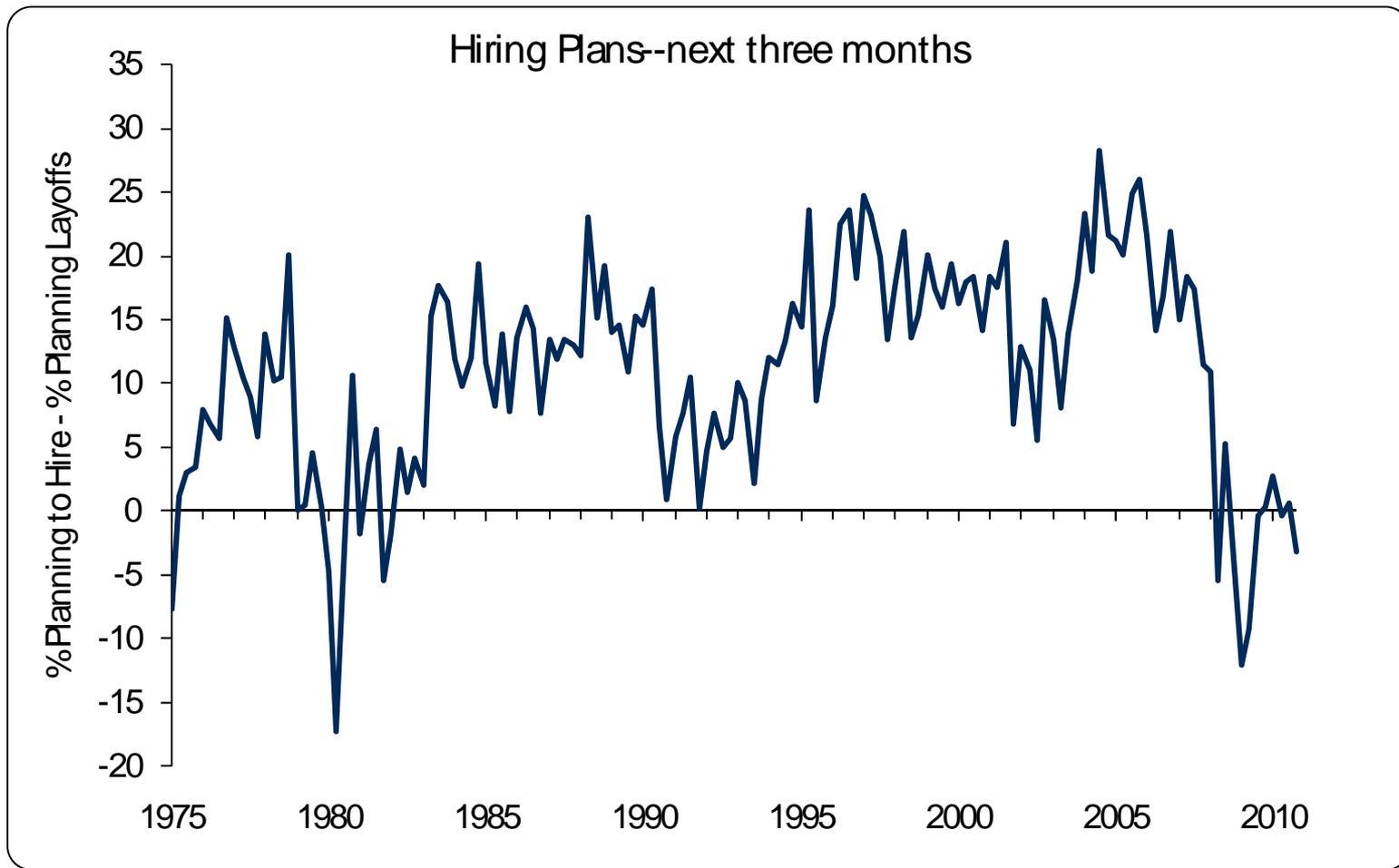
## Percent Easier to Get – Percent Harder than 3 Months Ago





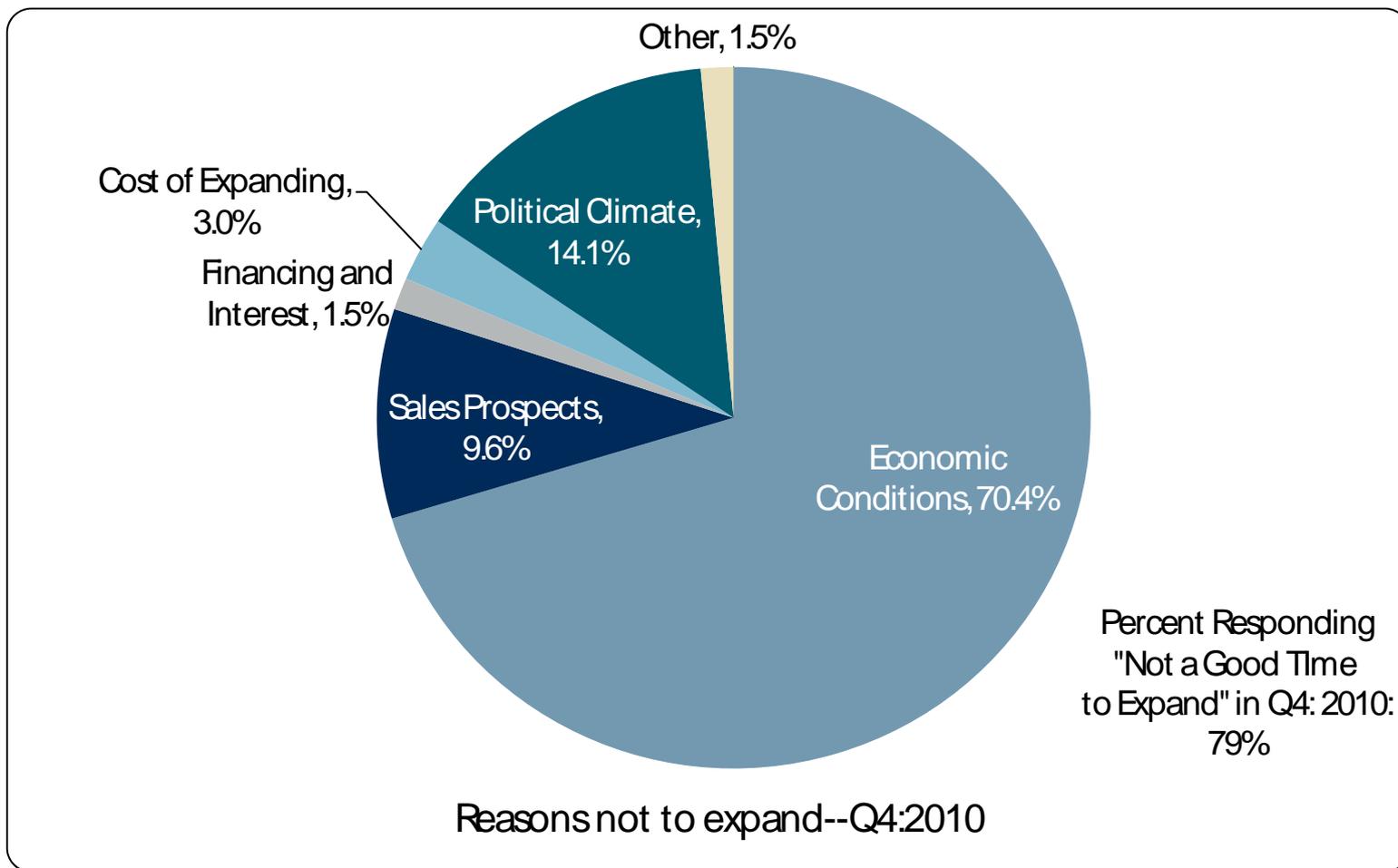
# Small Business Hiring Plans—Next Three Months

## Percent Planning to Hire – Percent Planning Layoffs



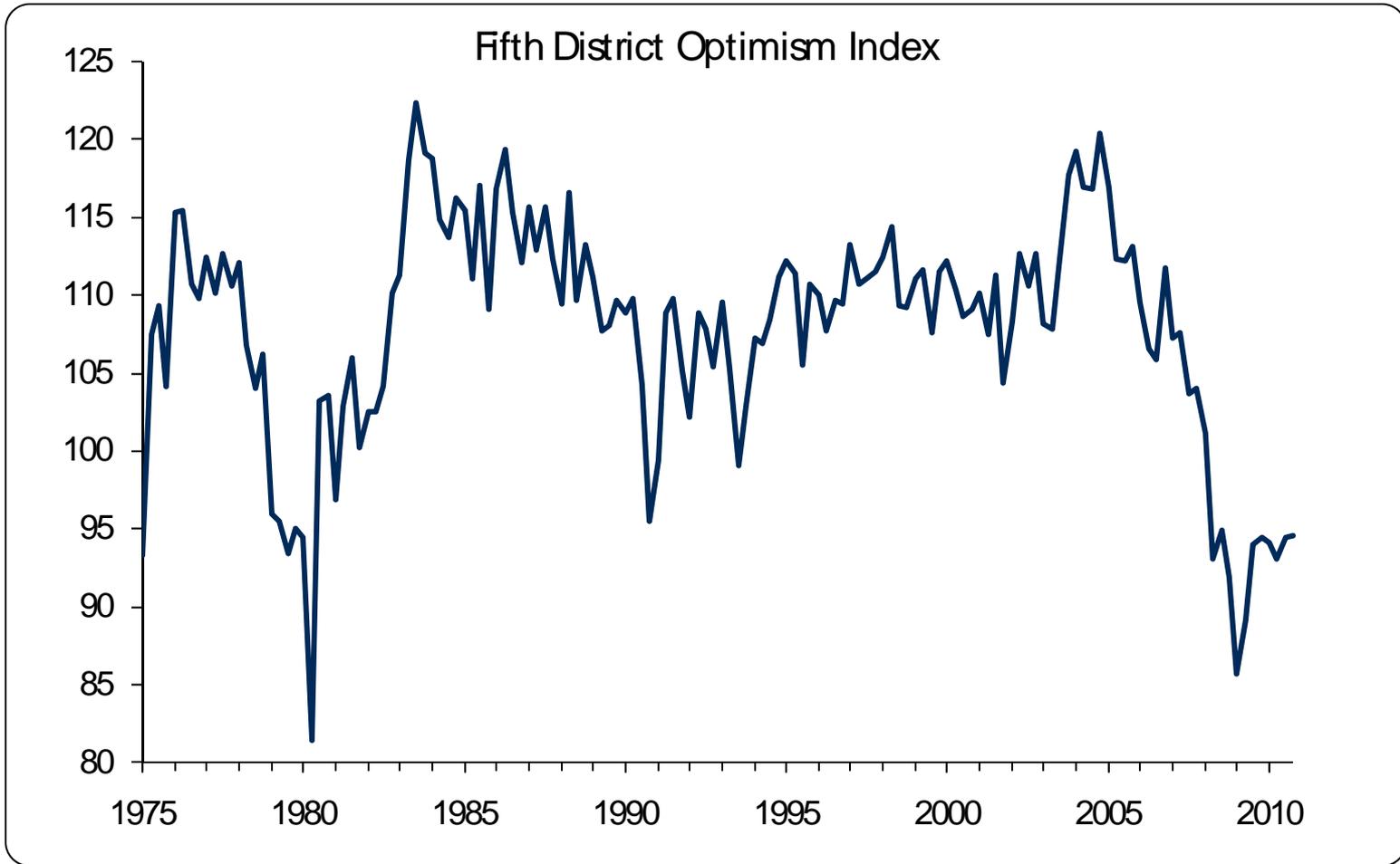


# Reasons not to Expand



# Small business Optimism Index in the Fifth District

Index: 1986 = 100



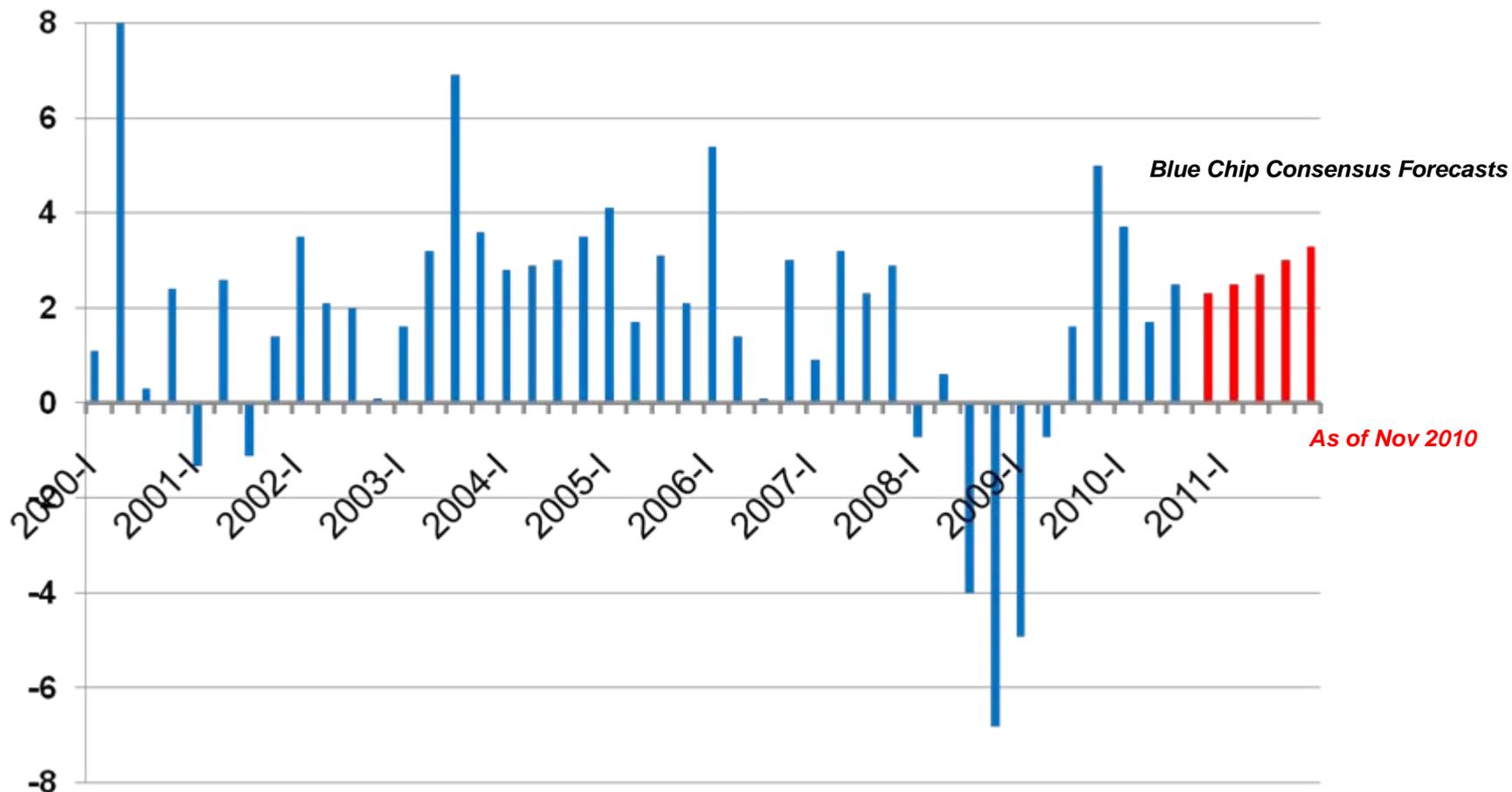
# The Outlook Implications





# Real GDP Growth—National Outlook

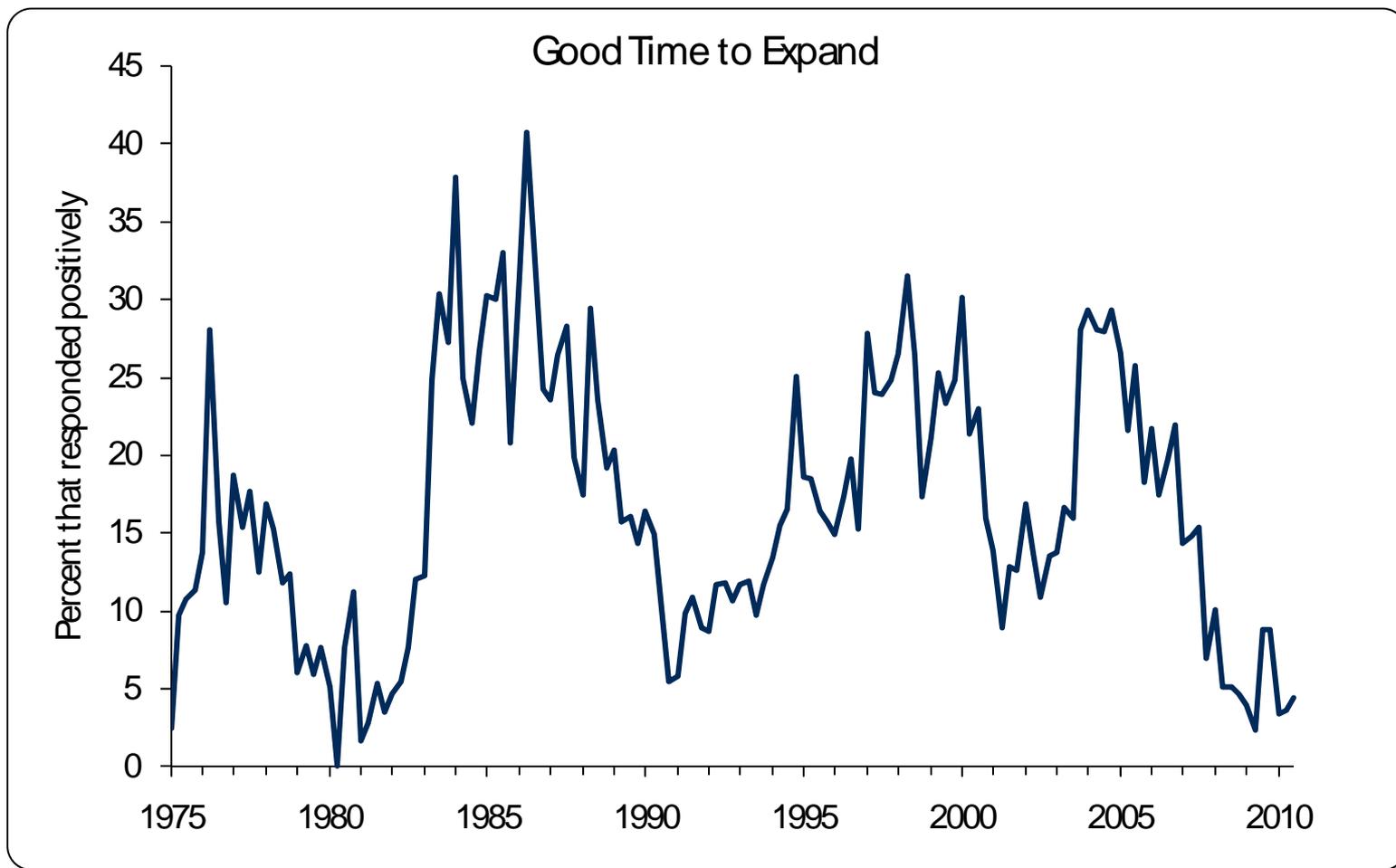
Percent change, annual rate



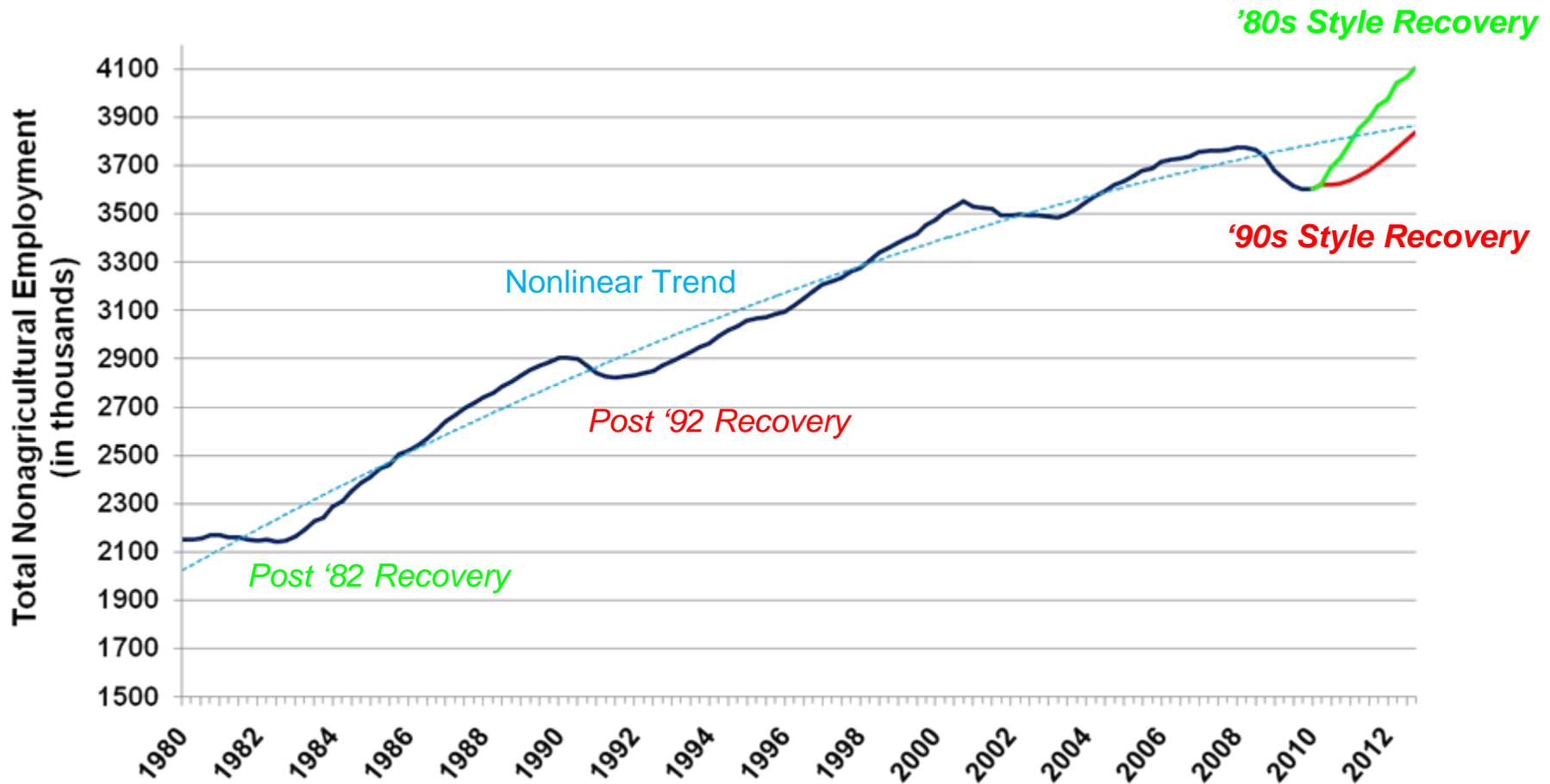


# Outlook for Small Business Expansion in the Fifth District

## Percent “Now is a Good Time to Expand”



# Projecting Employment Trends--Virginia Level





# Summary

- The US economic recovery so far is sub-par; sluggish and still fragile.
- Virginia's employment has outperformed the nation in recent years, but its recovery seems to have lost steam recently.
- Small business employment, especially in the service sector, experienced an unusual decline during the recession.
- Small businesses in the region are experiencing tight credit, but are mostly being constrained by weak demand.
- Small businesses are reluctant to expand hiring and will likely contribute to a sluggish economic recovery in the state.





# ***Thank you!***

# ***Questions?***

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