



Senate Finance: Special Subcommittee on Federal Impacts to Resources

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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.

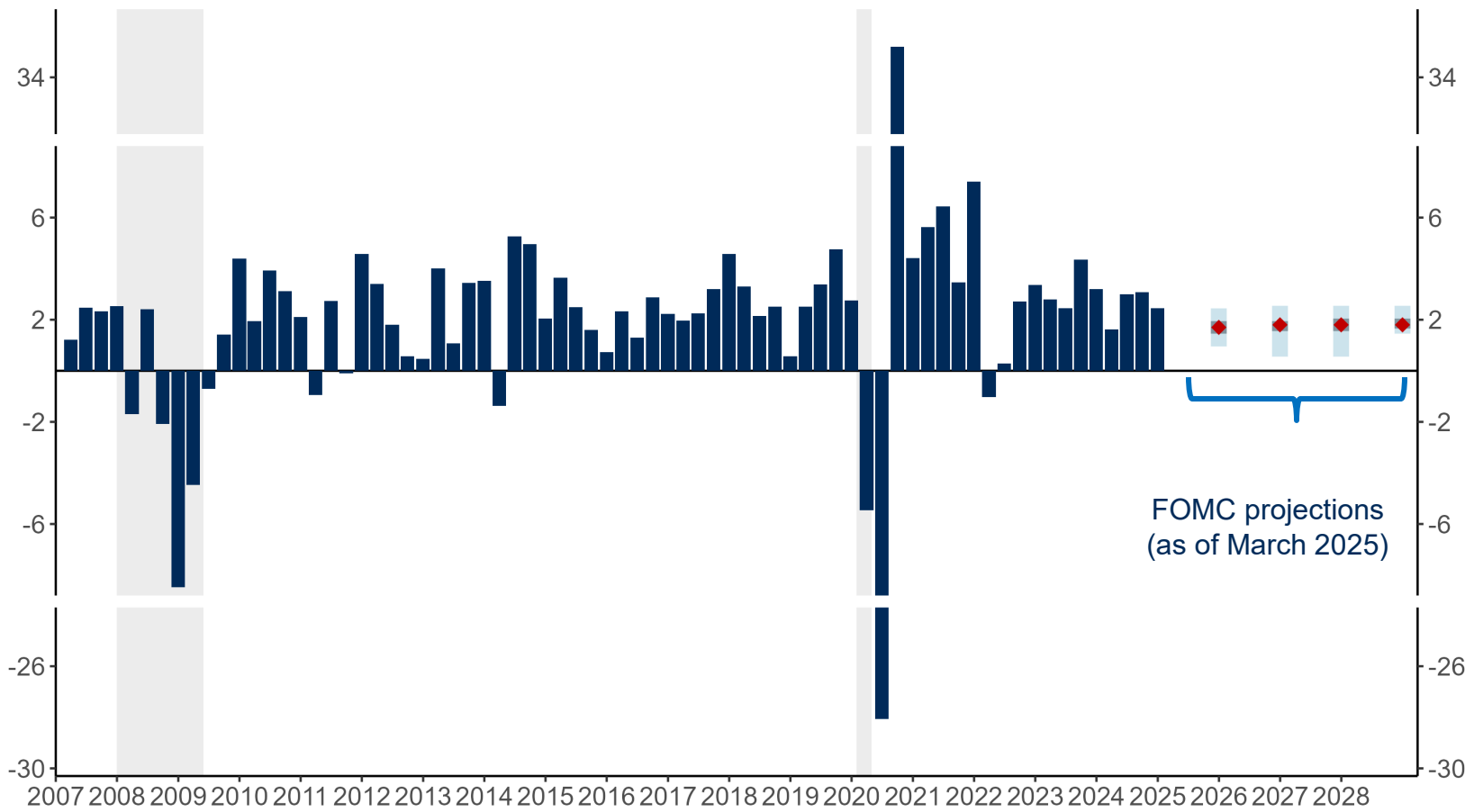
What are the risks?

- 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



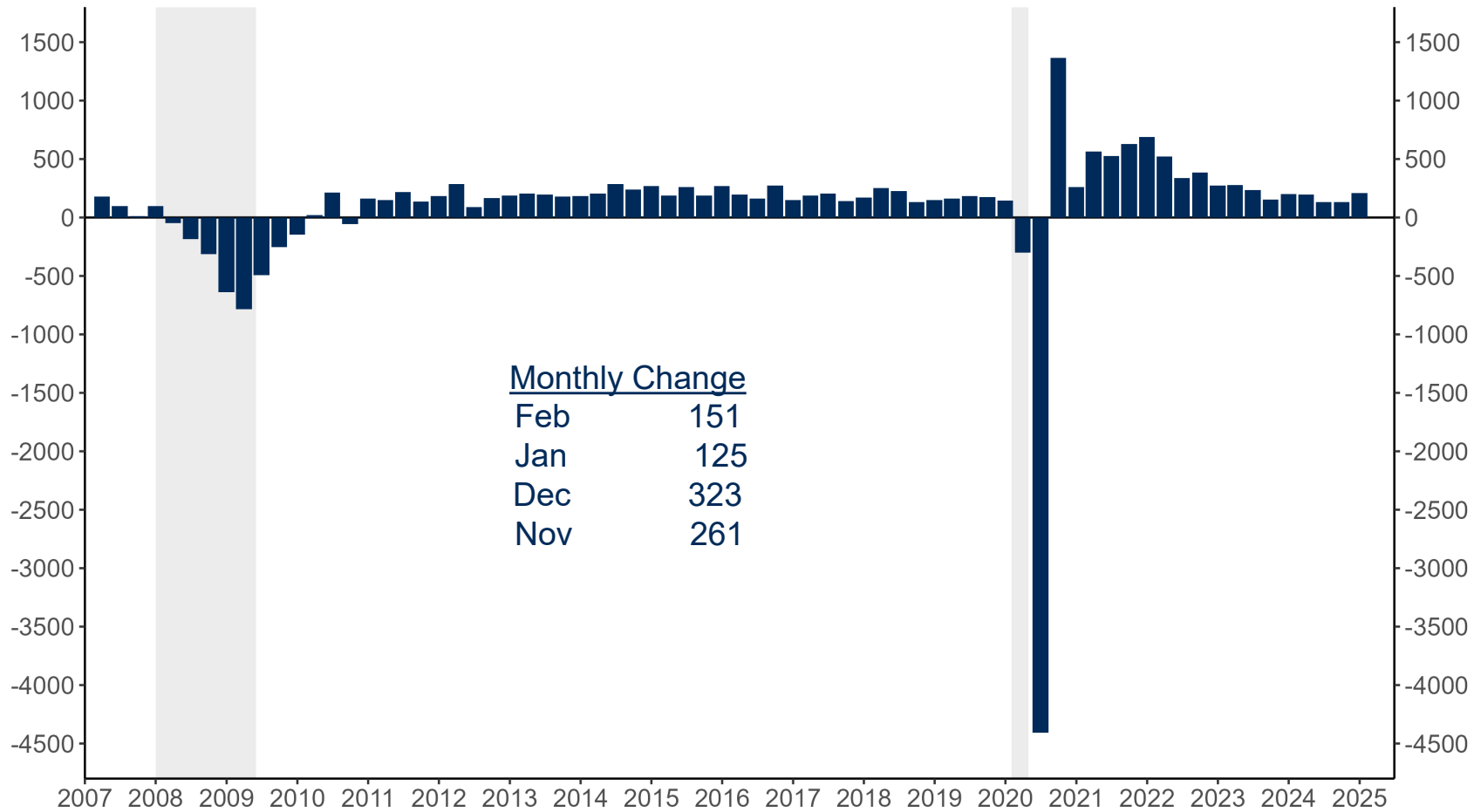
Source: Bureau of Economic Analysis via Haver Analytics

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

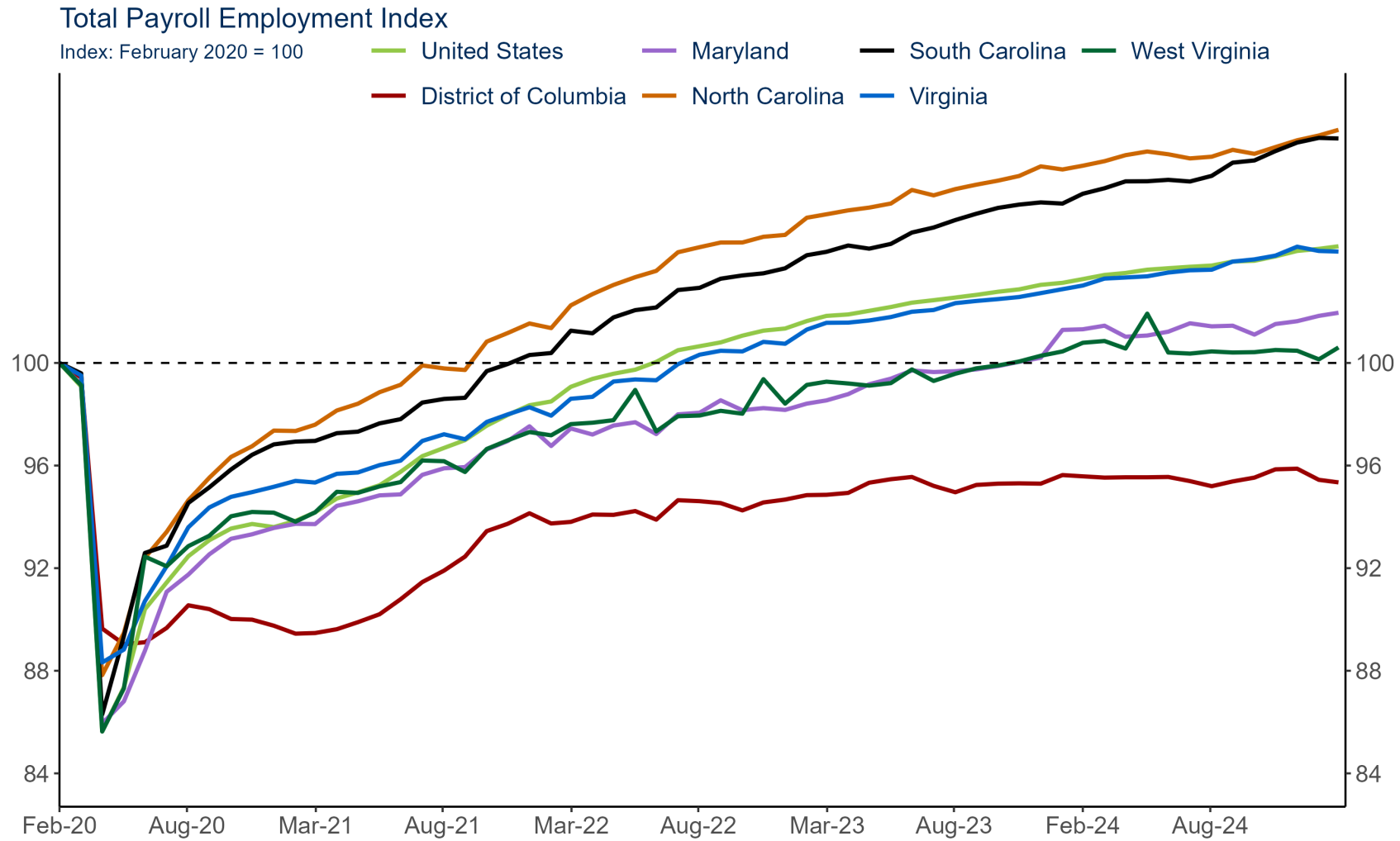
Nonfarm payroll employment

Quarterly average of monthly changes, thousands of persons



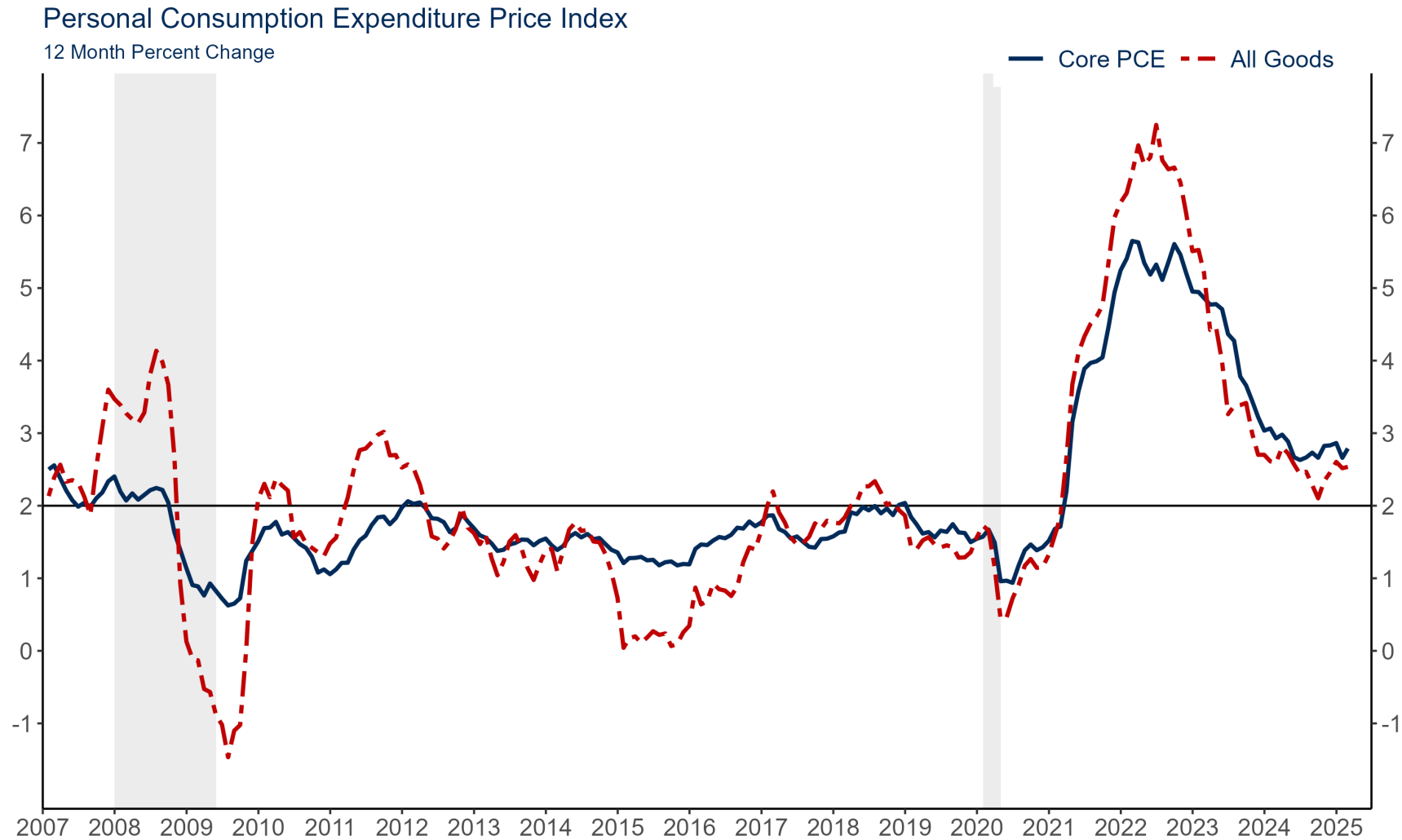
Source: Bureau of Labor Statistics/Haver Analytics, most recent data from February released March 7th, 2025

The trajectory has differed across states in the Fifth District



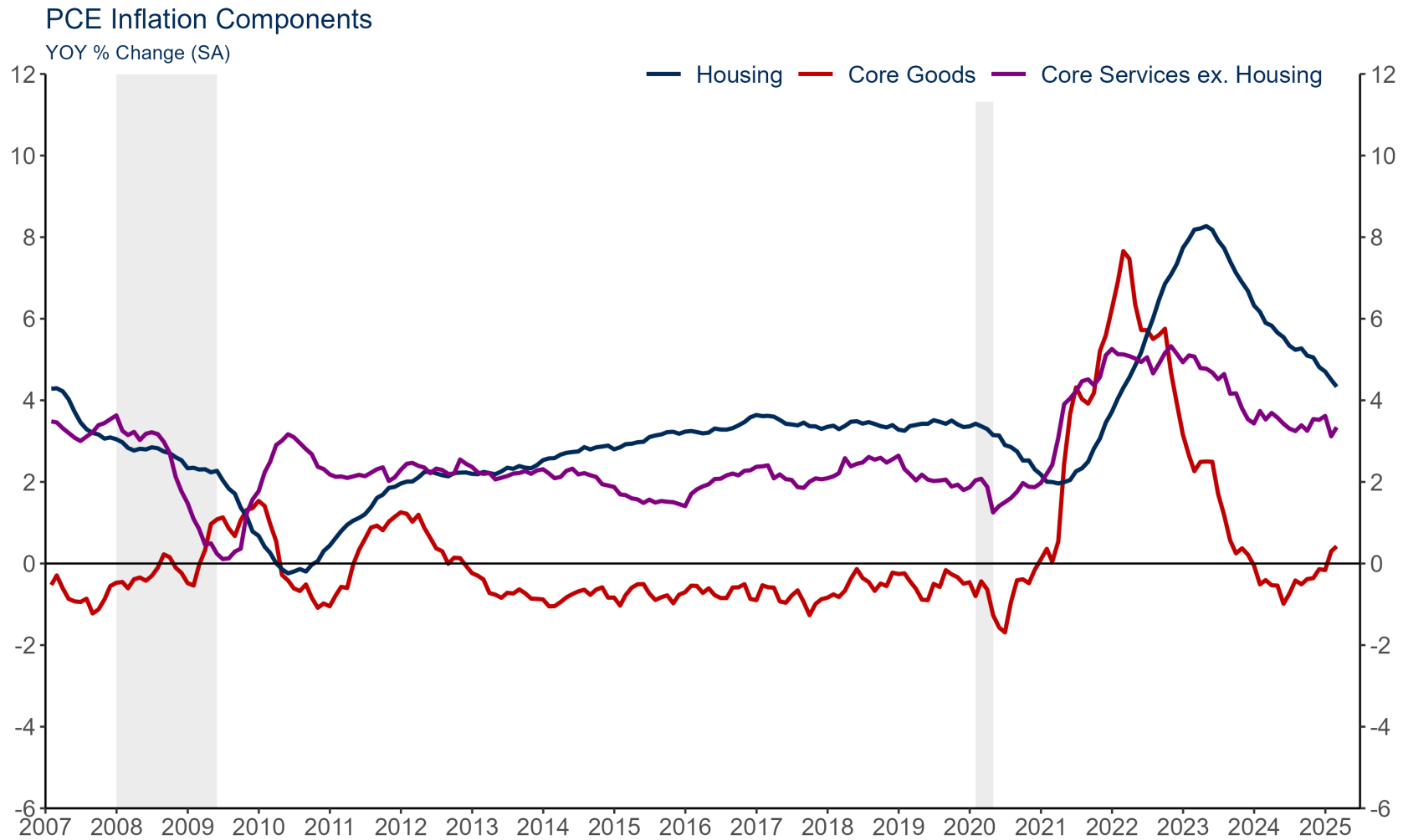
Source: Bureau of Labor Statistics/ Haver Analytics from January 2025 released March 17th, 2025

Inflation is (slowly) coming back to target



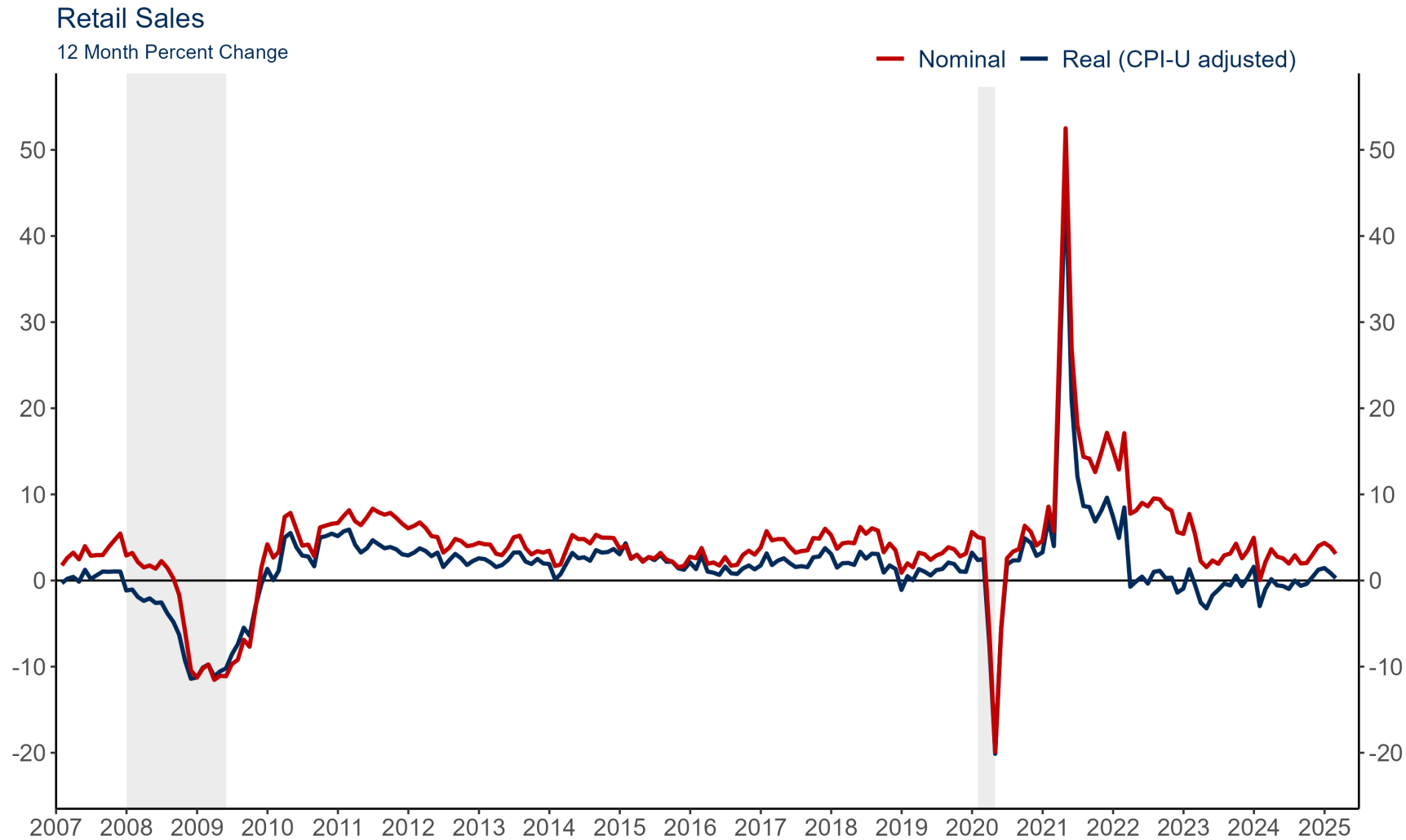
Source: Bureau of Economic Analysis/Haver Analytics most recent data from January 2025
released February 28th, 2025

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

Retail sales grew, but more slowly

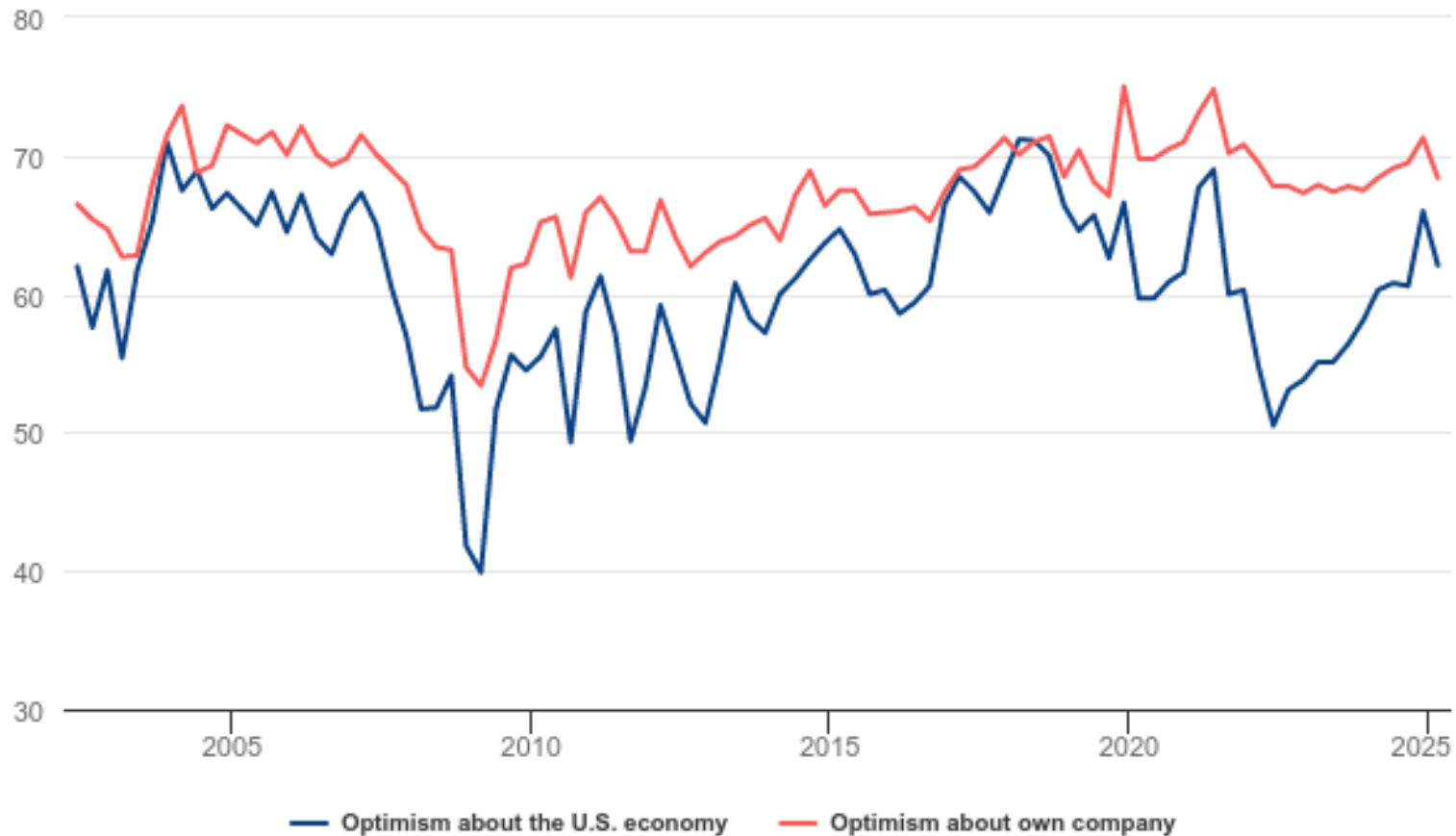


Source: Census Bureau/Bureau of Labor Statistics/Haver Analytics most recent update data from February 2025 released March 17th, 2025

Sentiment and Risks to the Outlook

Optimism among CFOs fell notably in the first quarter

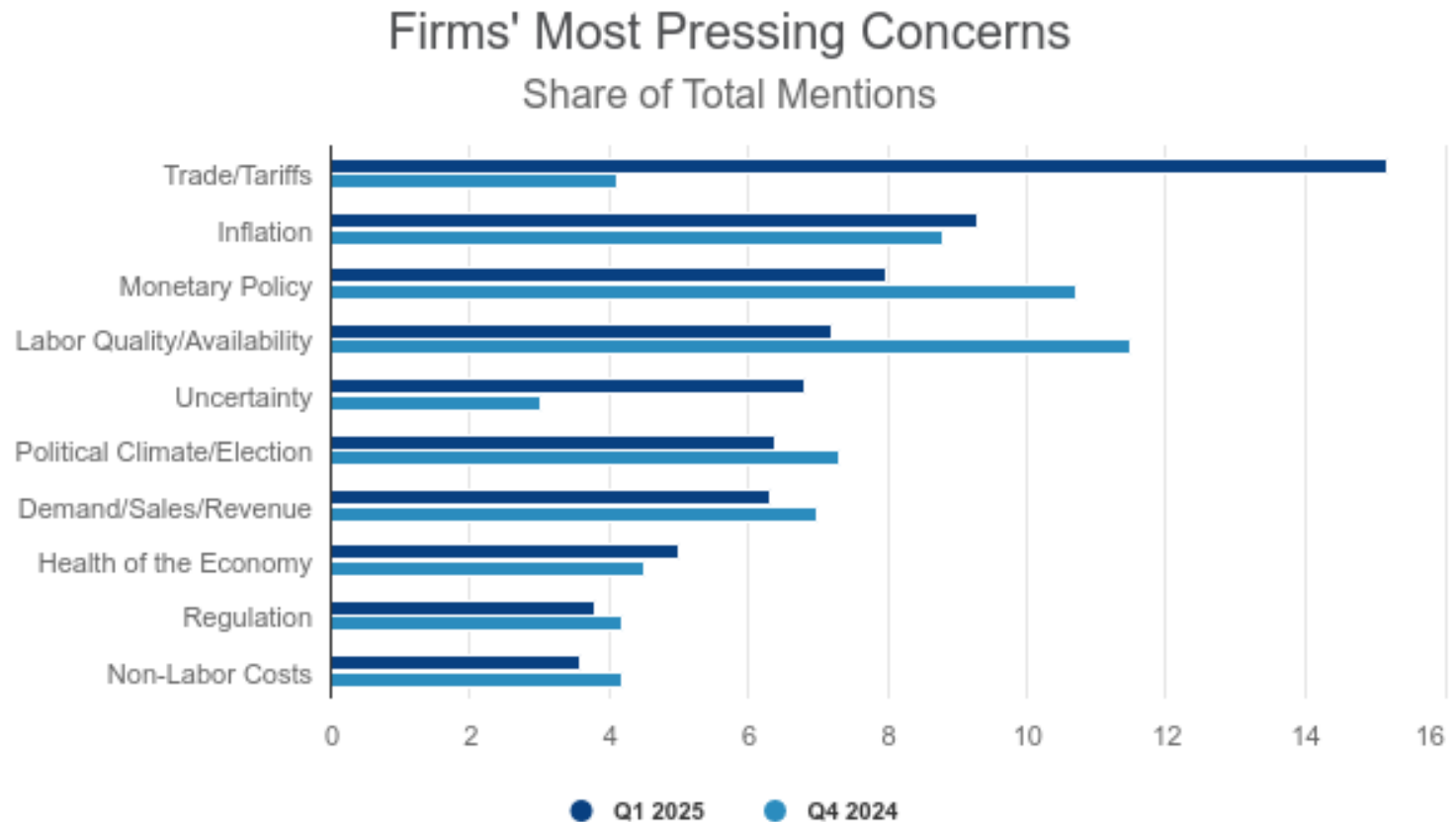
The CFO Survey: Optimism Indexes



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.

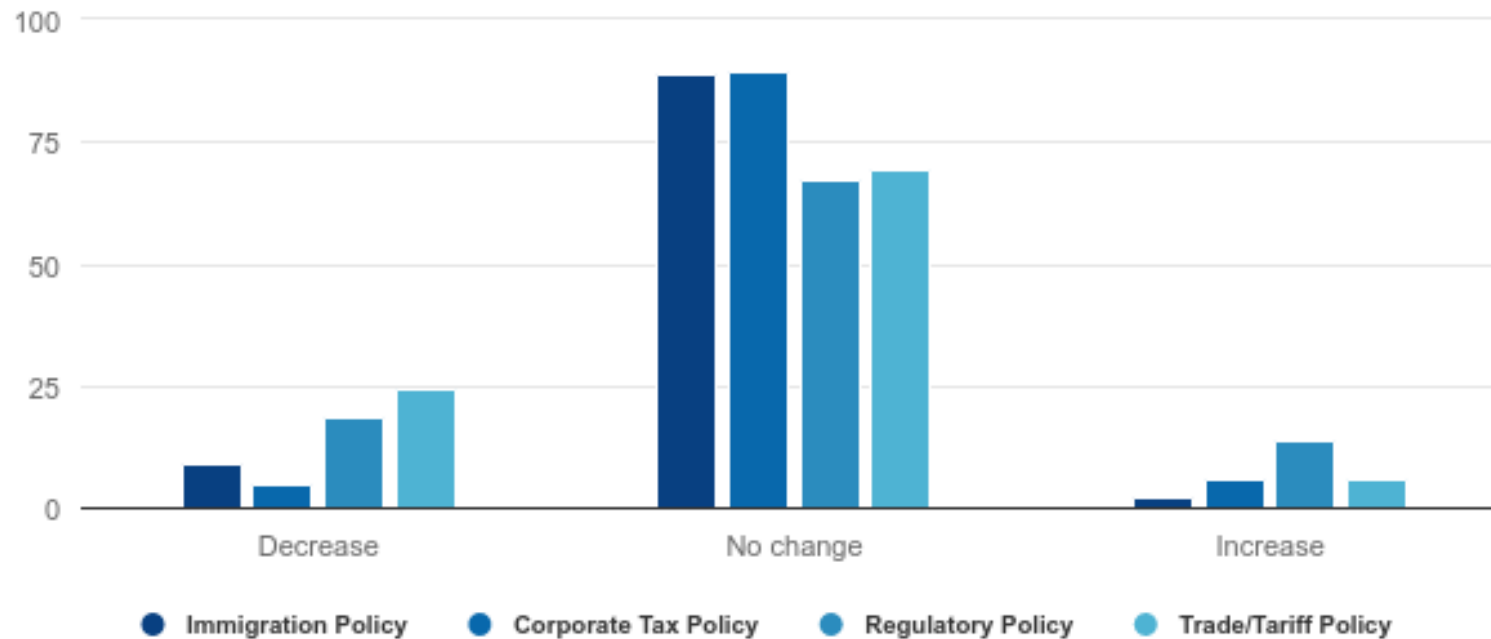
Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 15 - March 7, 2025)

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

Hiring plans might be affected by changes in trade/tariff policy and by regulatory policy

How have your company's 2025 plans for **hiring** changed because of realized or anticipated changes to each of the following policy areas?

Percent of Firms (N=394)



Note: "Unsure" responses excluded.

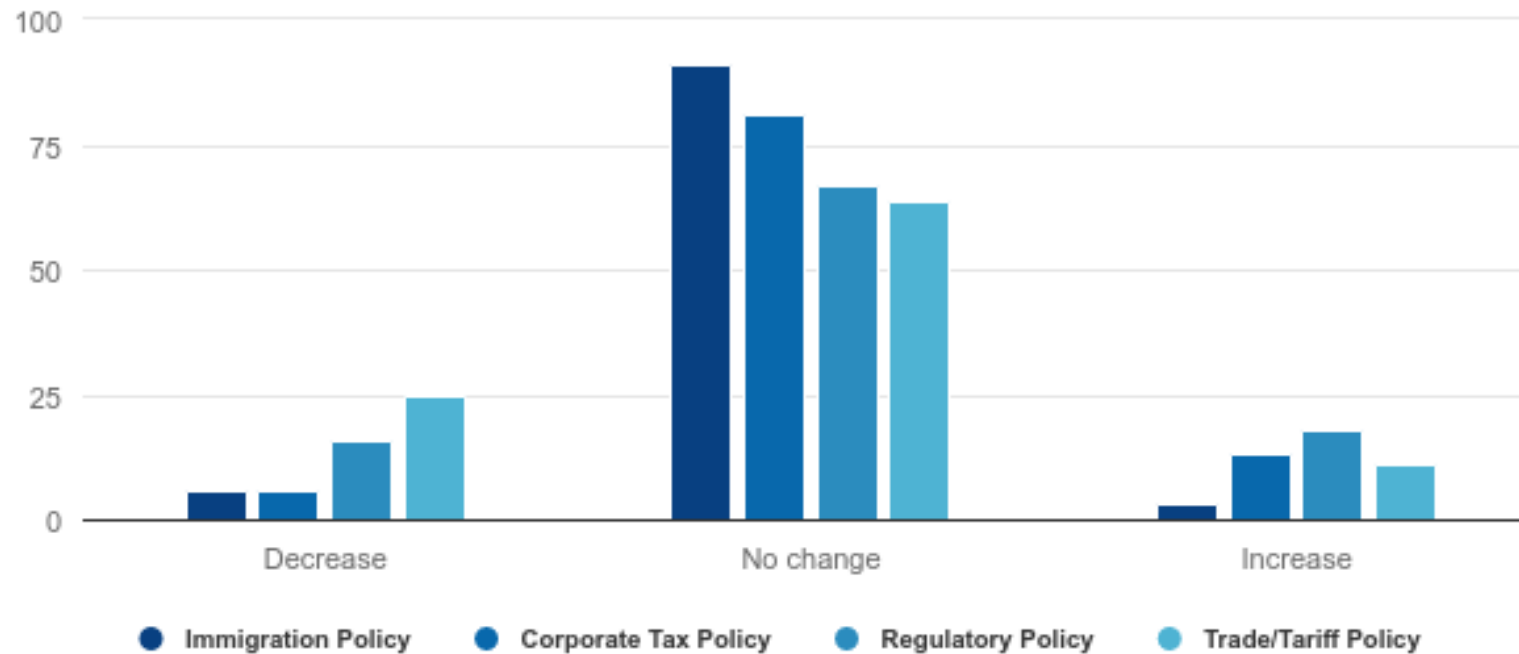
Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 15 - March 7, 2025)

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

Capital spending plans are also more likely to be affected by tariffs and changes to regulation

How have your company's 2025 plans for **capital spending** changed because of realized or anticipated changes to each of the following policy areas?

Percent of Firms (N=375)

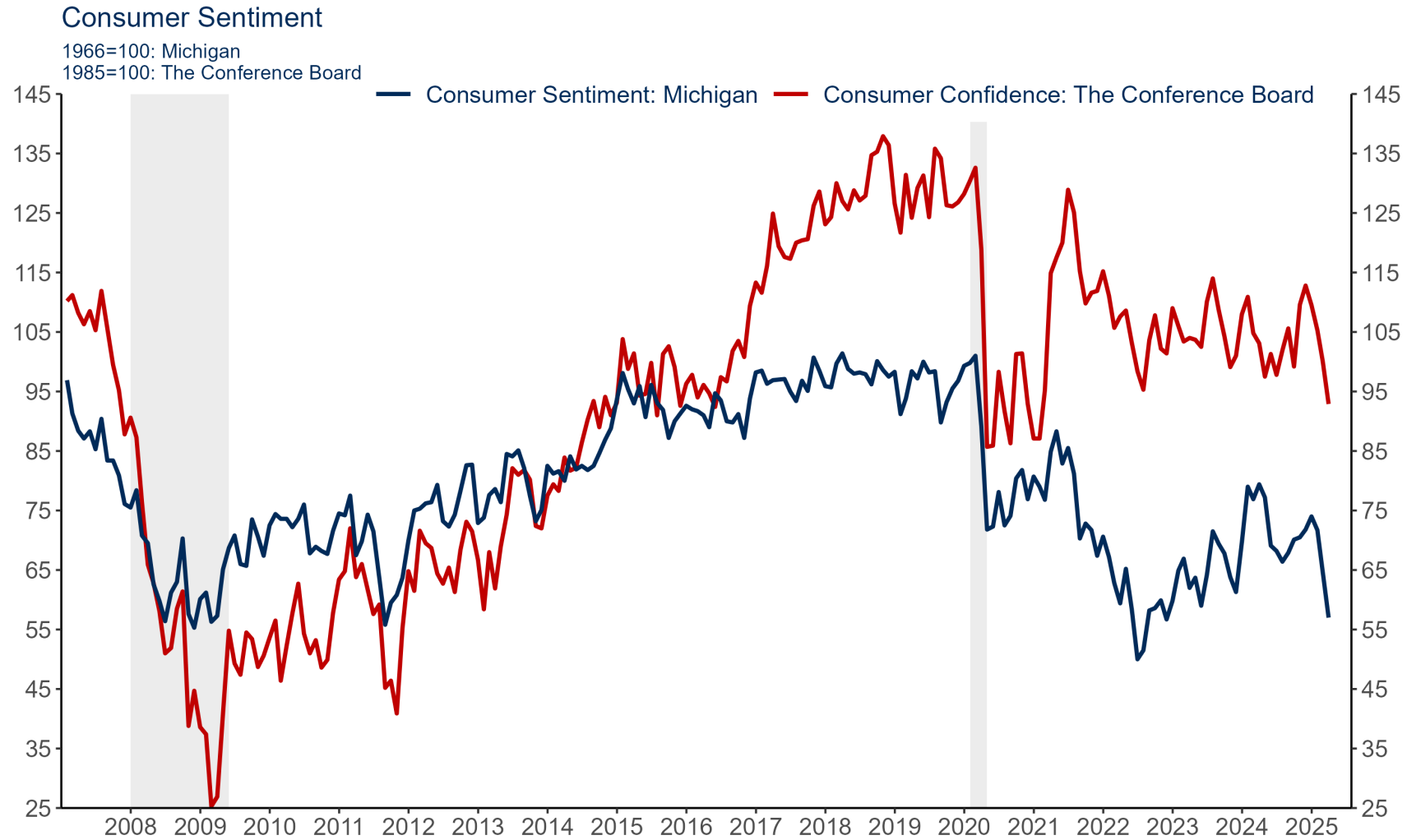


Note: "Unsure" responses excluded.

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

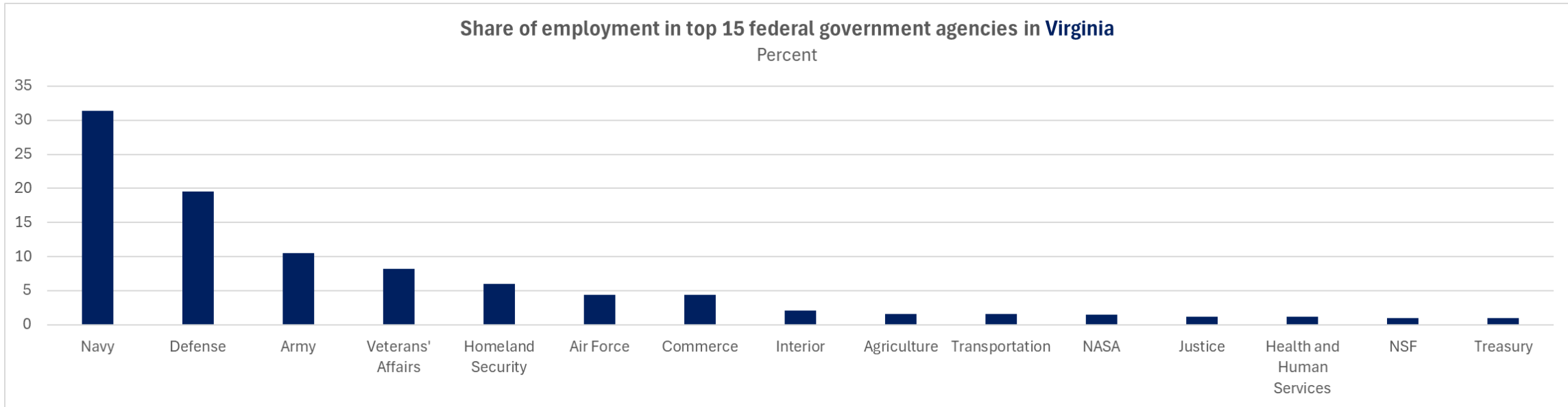
Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2025 (February 18 - March 7, 2025)

Household sentiment declines might also be connected to the uncertainty



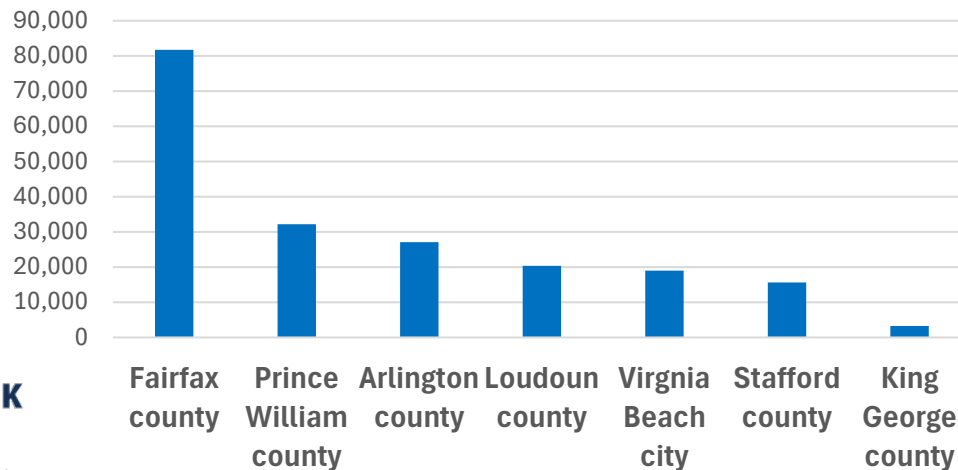
Source: Bureau of Labor Statistics/Haver Analytics, most recent data from March 2025 released March 14th, 2025

Employment shares by department vary somewhat among states in the DMV

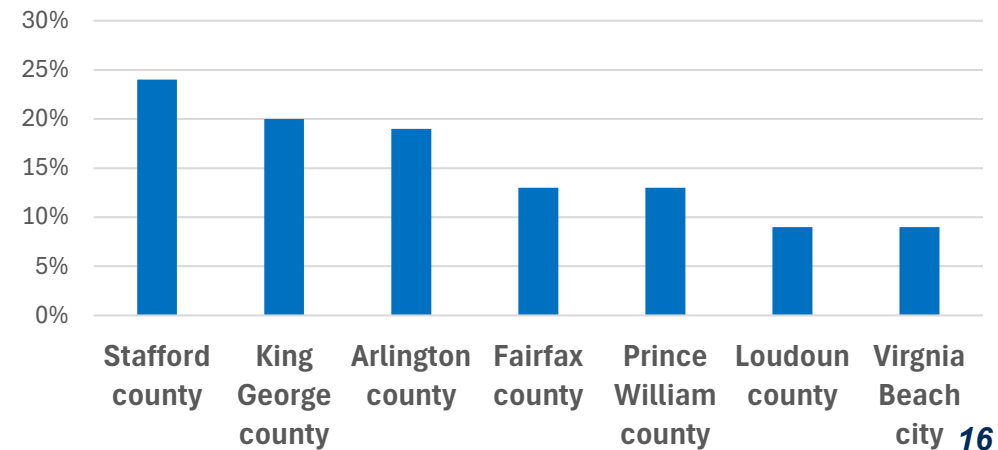


Source: Office of Personnel Management, Authors' calculations

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



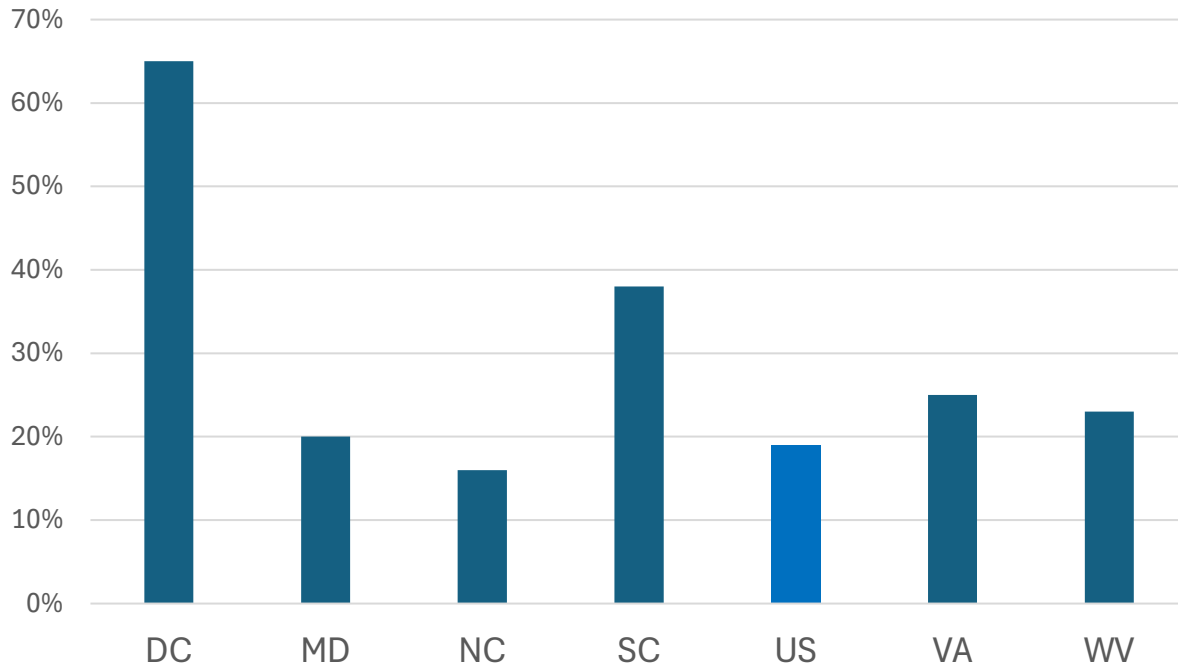
Share of Civilian Workers Age 16+ Employed by the Federal Government



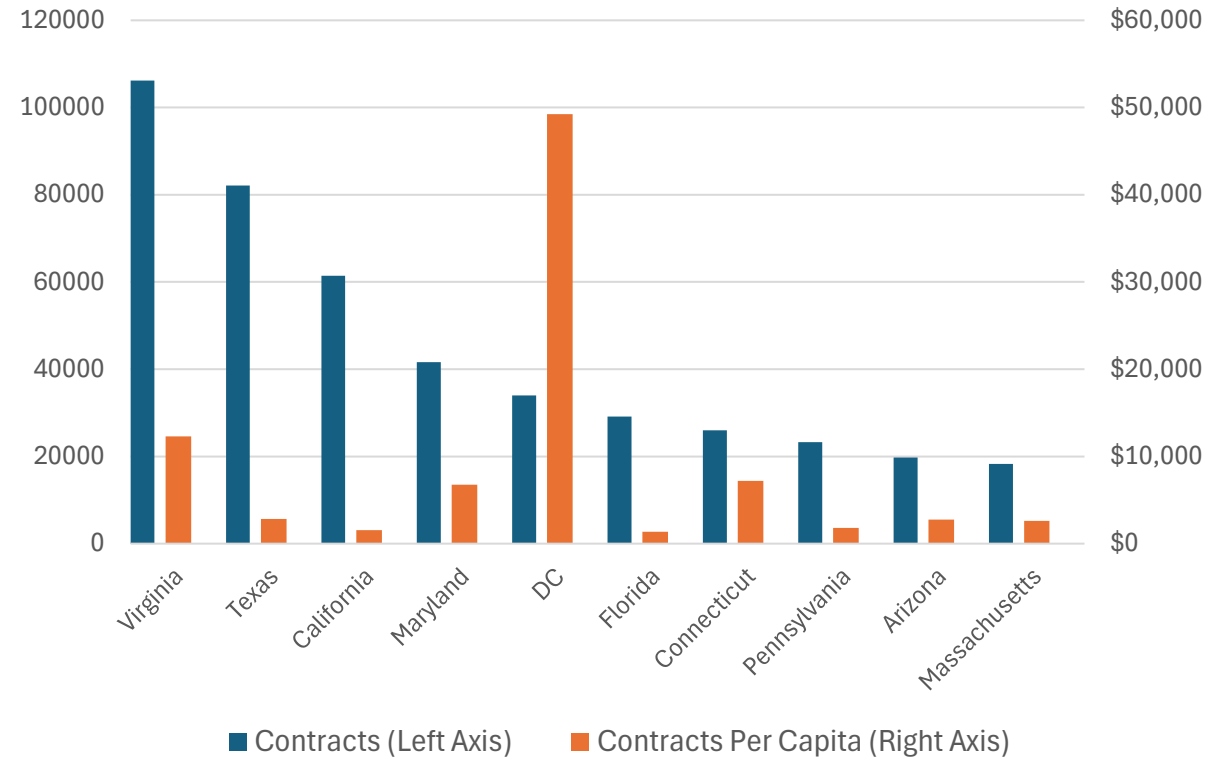
Source: ACE 5-year estimates/authors calculations

Virginia could be hit hard by cuts in spending

Federal Grants as Share of State Personal Income
Average 2008-2023



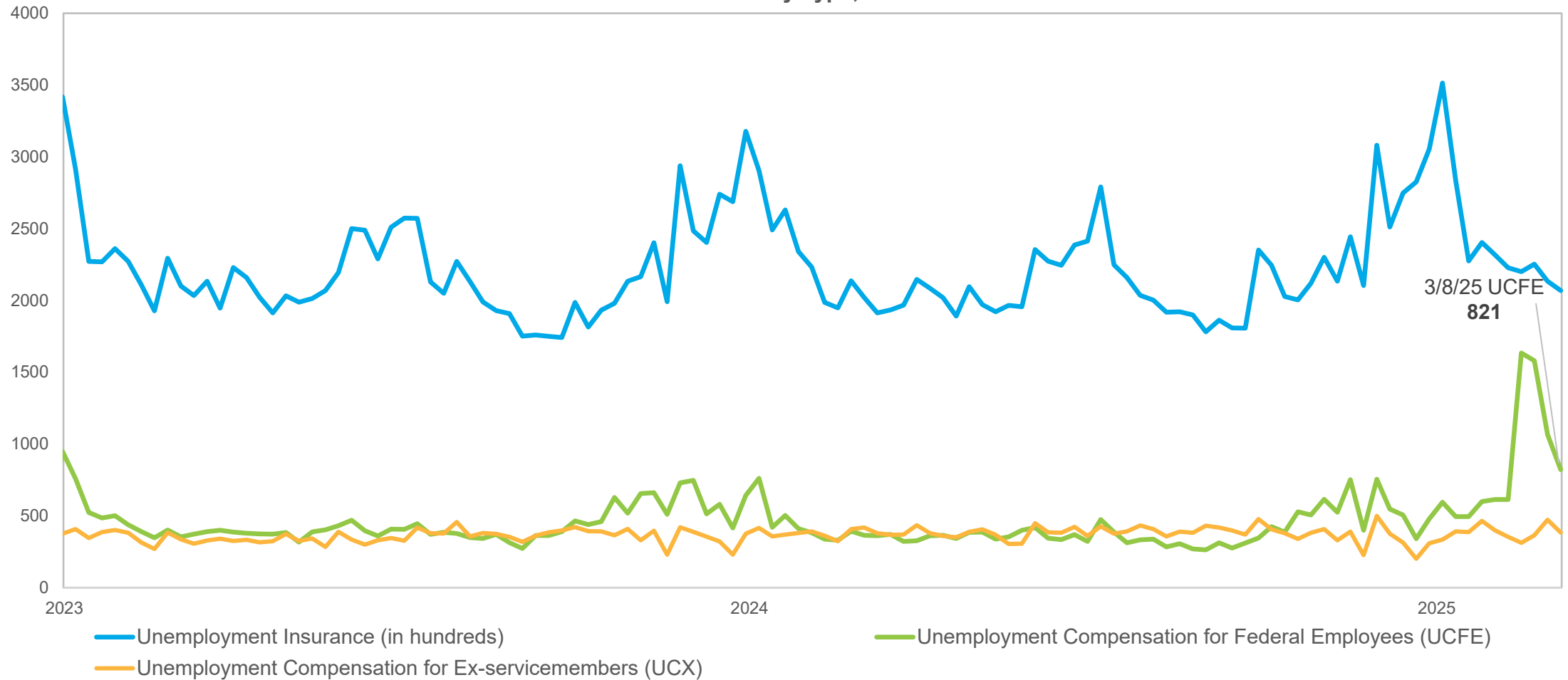
Top recipients of federal contracts FY 2023
Total (millions of \$), per capita



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

Federal unemployment compensation is moving up

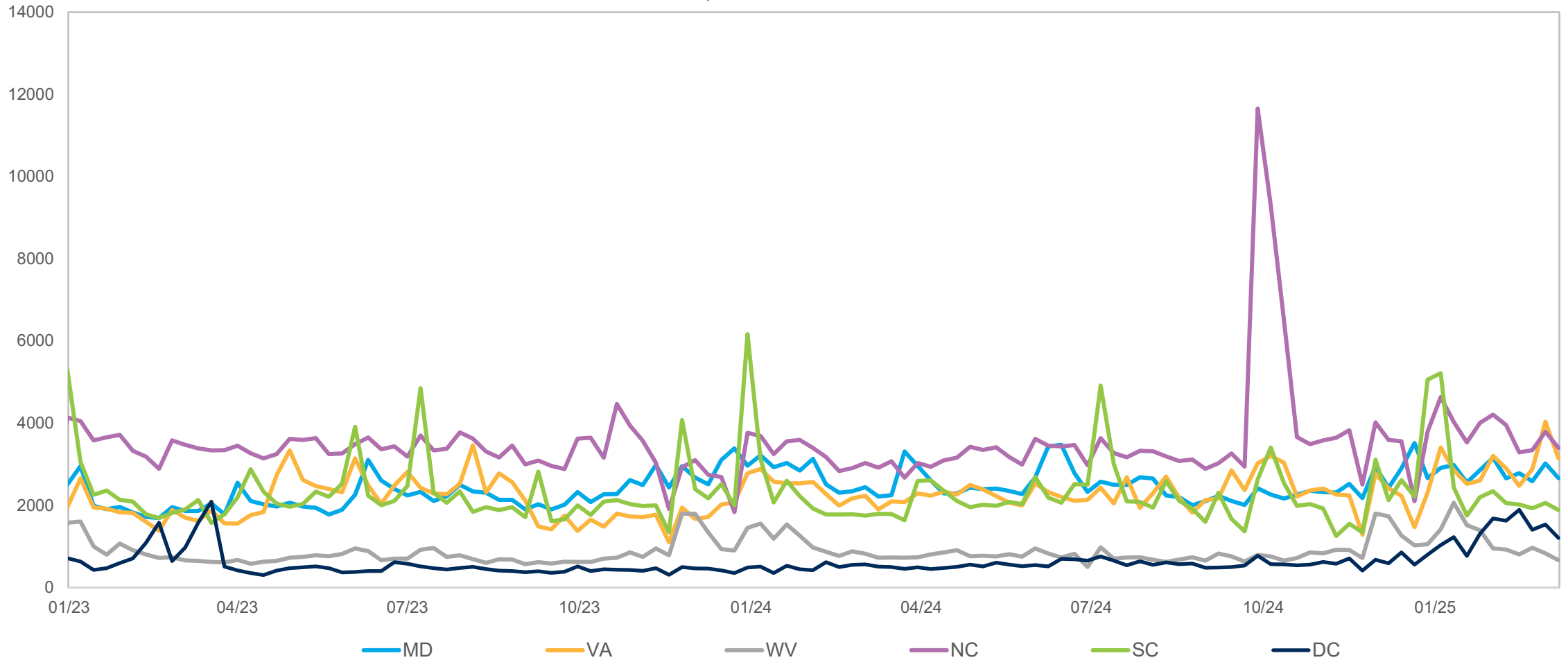
Unemployment Compensation Claims Initial Claims by Type, 2023-2025



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

Initial unemployment claims ticked up some in DC

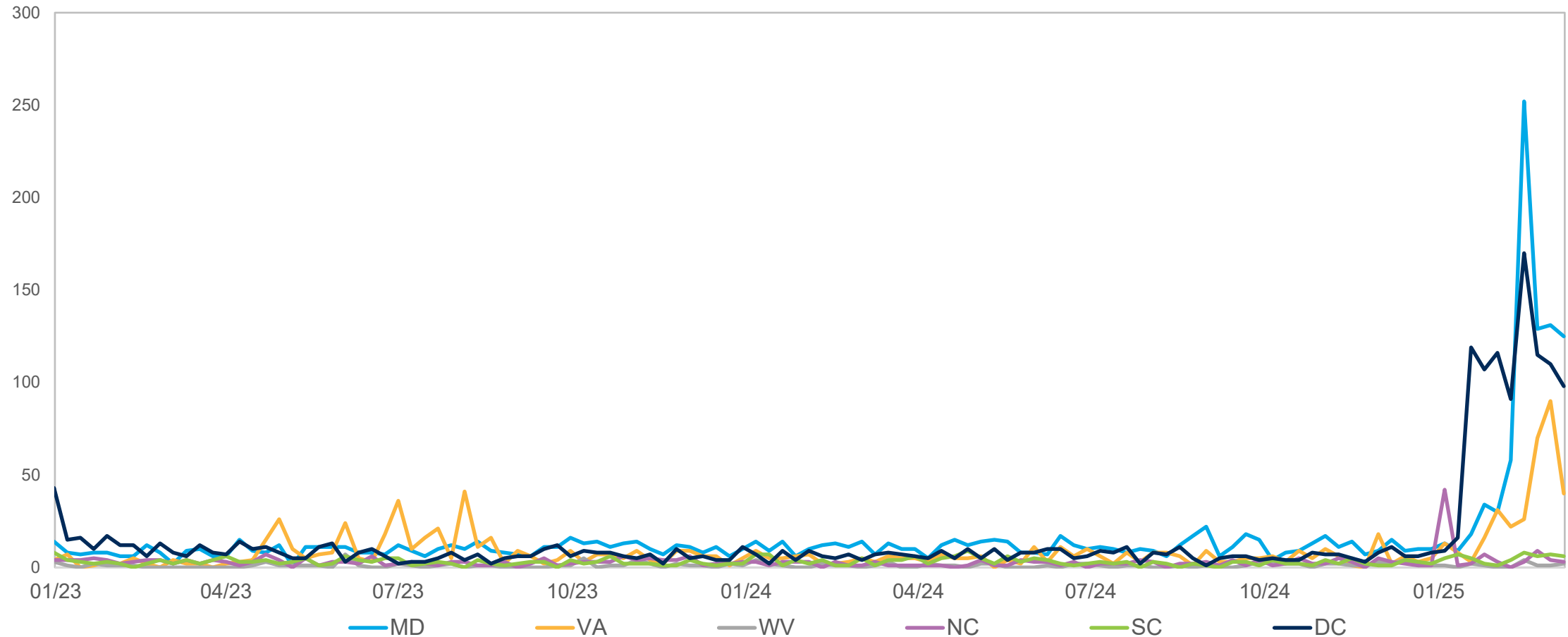
Unemployment Insurance (UI), Initial Claims, 2023-2025



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

Claims for federal unemployment compensation moved up notably in MD and DC

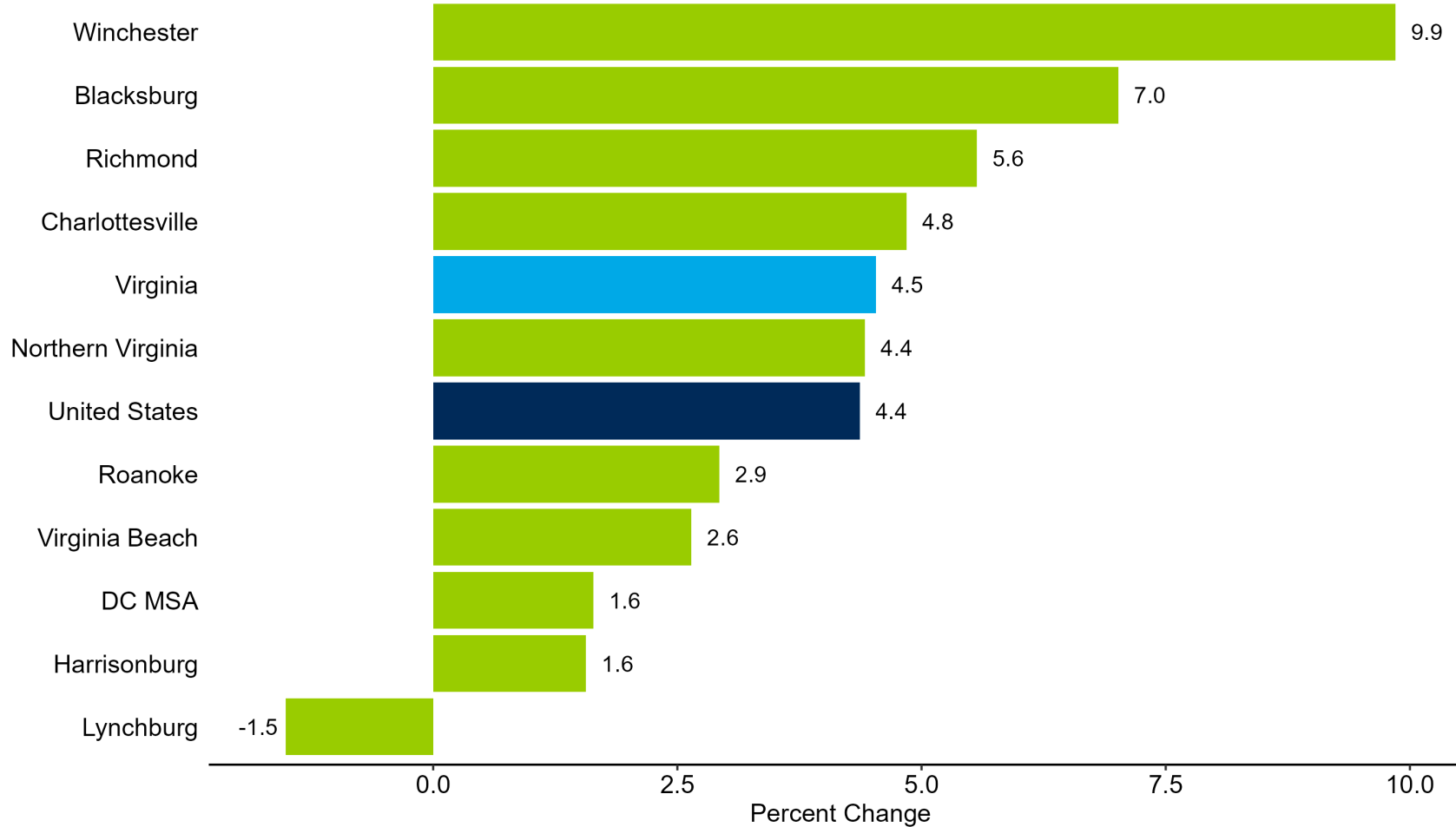
Unemployment Compensation for Federal Employees (UCFE) Initial Claims, 2023-2025



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

Growth in Virginia varies regionally

Employment Change from February 2020 to February 2025



Source: Bureau of Labor Statistics/Haver Analytics data from December 2024 released February 2025

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 in the District continue to normalize, with only intermittent signs of potential slowing

Risks to any outlook

- Sentiment has fallen among firms and households in recent months
- Geopolitical tension continues to be a risk
- Tariffs are weighing on the minds of many firms in the District and the U.S., as is a broad sense of domestic 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?

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