UPFRONT

BY DAVID A. PRICE

New from the Richmond Fed's Regional Matters blog

Marina Azzimonti, Zach Edwards, Sonya Ravindranath Waddell, and Acacia Wyckoff. "How Might Fifth District Firms React to Changing Tariff Policies?"
In March 2025, the United States imposed broad tariffs on imports from China, along with specific tariffs on steel and aluminum, and announced more tariffs targeting Canada, Mexico, the European Union, and auto imports. The Richmond Fed's March regional business surveys found that more than 80 percent of firms expect to be affected by these tariffs, with a higher share of manufacturers (90 percent) than services firms (about 75 percent) expecting to be affected. Most firms said they cannot replace their tariffed suppliers for all of their affected inputs, and previous survey results indicate that about three-quarters of firms would seek to pass increased costs on to customers.

Taylor Pessin. "Taking Stock of Community Development Financial Institutions."
Community Development Financial Institutions (CDFIs) are mission-driven lenders that provide financial services to lower-income households and small businesses and help to finance community development projects. The Fed seeks to better understand CDFIs through a biennial survey, led by the Richmond Fed, that helps to assess industry trends, funding sources, and challenges. Recent research indicates that while the number of federally certified CDFIs has grown significantly over the past 15 years, the number that have achieved certification since 2023 has declined slightly due to a revised certification process. Loan funds and credit unions make up most CDFIs; loan funds tend to focus on small business and real estate financing, while credit unions primarily serve individual consumers. The upcoming 2025 survey aims to further explore industry shifts, certification costs, and funding challenges to better support CDFIs' role in economic and community development.

Joseph Mengedoth. "Farming Creates Value and Employment for Rural Areas."
Farming plays a crucial role in the rural economy of the Fifth District, contributing significantly to local GDP and employment. While agriculture accounts for only about 1 percent of the national GDP, in rural areas of the district, it can reach nearly 30 percent. Farming also provides a higher share of jobs in these regions, sometimes as much as 20 percent of total employment. Many small farms struggle with profitability, however, due to high operational costs, often requiring supplemental income sources to remain viable. Larger commercial farms tend to generate positive net income. Ultimately, while farming remains a key economic driver in rural areas, its financial sustainability varies, especially for smaller farms.

Stephanie Norris, Santiago Pinto, and Sonya Ravindranath Waddell. "What Might Cuts to the Federal Government Workforce Mean for the Fifth District?"
The Fifth District, particularly Washington, D.C., and the surrounding counties in Virginia and Maryland, has a significant concentration of federal government employees; around one-fifth of all federal employment is in the D.C.-Maryland-Virginia region. Defense-related agencies dominate federal employment in Virginia, while health and research agencies have a strong presence in Maryland. These jobs, often well paying and long tenured, provide economic stability to the region, but also pose risks of elevated unemployment from cuts to agency staff. Smaller counties with military bases or federal installations are particularly vulnerable to economic disruptions from such changes.

Stephanie Norris, Santiago Pinto, and Sonya Ravindranath Waddell. "What Might Cuts in Federal Government Spending Mean for the Fifth District?"
The Fifth District relies economically on federal government spending beyond just employment. Federal contracts, grants, transfers to state and local governments, and payments to individuals (such as Social Security) are also important. In 2023, the federal government spent $4.8 trillion nationally in these categories. Within the Fifth District, from 2008 to 2023, Washington, D.C., and South Carolina have relied the most heavily on such payments as a share of personal income, at an average of 65 percent and 38 percent, respectively, compared to a national average of 19 percent. Additionally, Virginia, Maryland, and Washington, D.C., benefit heavily from federal contracts — in 2023, they were three of the top five states in the country in federal contract dollars. Transfers to state and local governments also play a role, especially in North Carolina, South Carolina, and West Virginia. **EF**