

Contradictory Data Abounds

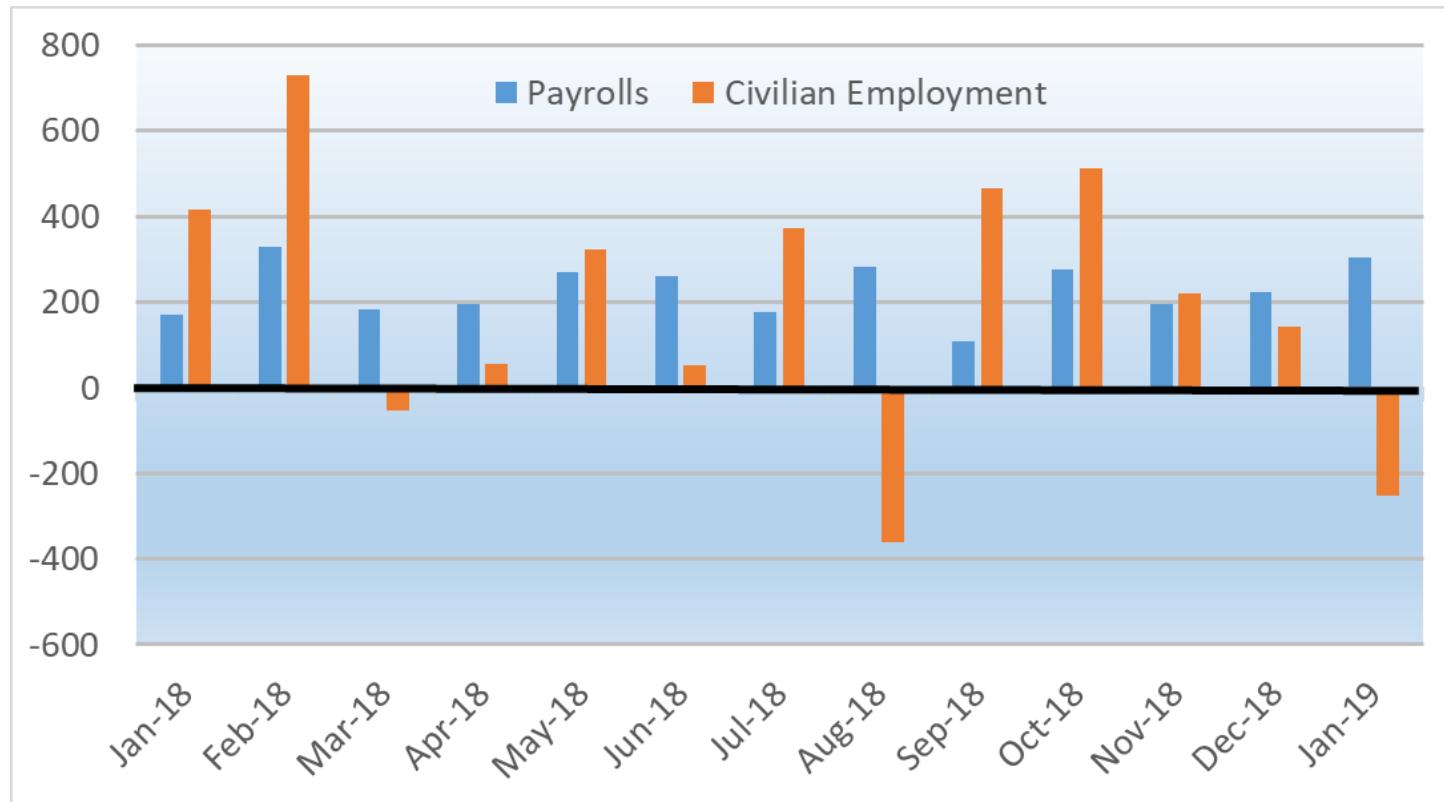
Usually, this space is devoted to explaining why regional data might be mildly, and sometimes not so mildly, contradictory. Staff will point out what could cause this at the regional level and what data points are the most telling for Hampton Roads' economy.

As a change of pace, this space will be devoted to the extremely contradictory national data that is confounding analysts across the country. The Wall Street Journal put it best when they printed, "Economic data are usually noisy, but this week included an onslaught of negative and often contradictory signals that made even seasoned economists scratch their heads."

Data sets that supposedly measure the same underlying phenomena are now pointing in different directions. One such instance is illustrated below, as the payroll survey and the household survey employment have employment traveling in different directions to start the year. This is not the only example, as national consumer spending disappointed in December, even as consumer confidence increased. The Federal Reserves manufacturing index of industrial production fell even as purchasing managers index indicated that the number of manufacturing firms that will increase their purchases over the next 12 months has been growing.

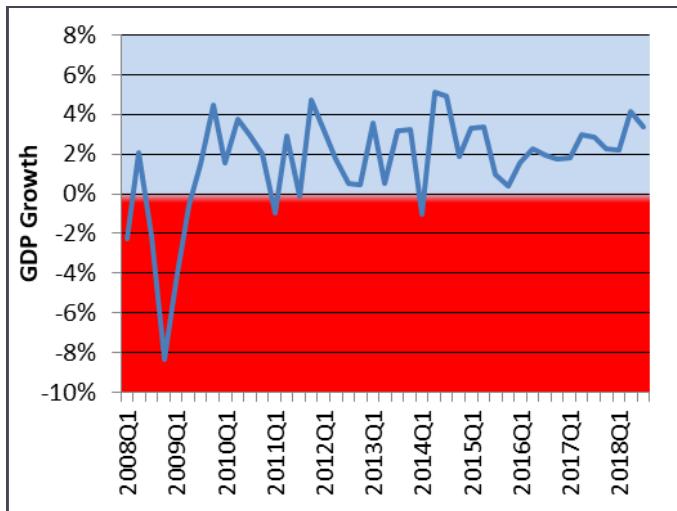
Added together, this seems to be another sign that growth is slowing down nationally after a period of strong growth during the recovery. There are numerous reasons for this; not least is the slowing of several economies abroad, as well as the expansion of the U.S. labor force likely drawing down due to shifting demographic and changing labor force dynamics. While this does not necessarily indicate a coming recession (indeed, mixed indicators are better than uniformly negative indicators), it will mean a rapid expansion in hedging statements by economists. In conclusion, we predict an increase in usage of the phrase "on the other hand" over the next 12-months.

Month-over-Month Change in U.S. Employment (Payroll Employment vs Household Survey)



GDP, Annualized Growth Rate

United States, 2008Q1 – 2018Q3, Quarterly



Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP increased by 3.4% in Q3 2018, and though this was a slight decline from the growth in the Q2 (4.1%), this remains very strong growth. Consumer spending grew 3.5% in the 3rd quarter and contributed significantly to the expanding economy. Additionally, national defense spending increased for the fourth consecutive quarter.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2008 – Dec 2018, Monthly

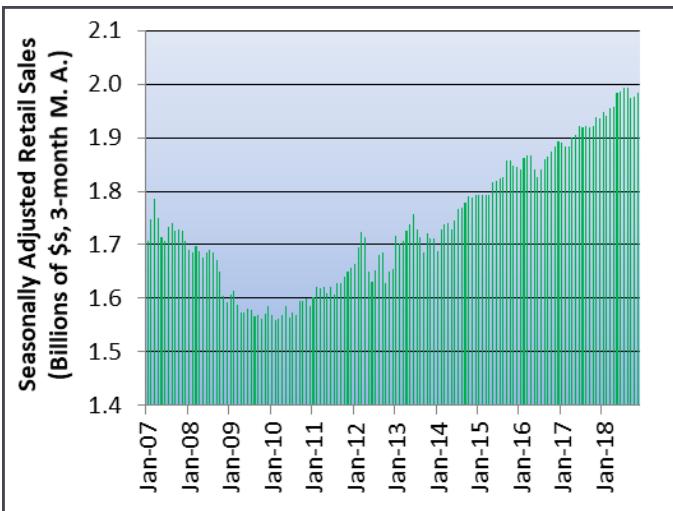


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until such time as an individual's economic prospects improve; thus, the number of new car sales indicate the level of confidence that households in Hampton Roads have in their financial future. Car sales increased slightly to 6,577 in December, off of a lower level in November, but still significantly down from recent levels. While usually this would indicate serious concern about the economy, this was likely a result of uncertainty regarding the shutdown.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Nov 2018, Monthly

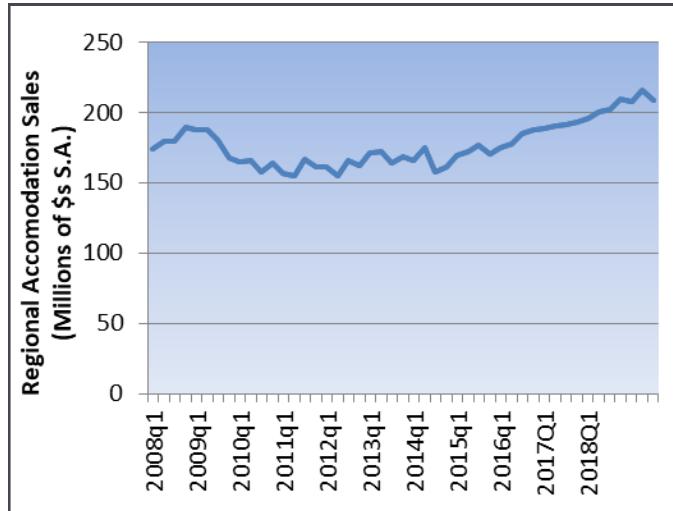


Source: Virginia Department of Taxation, HRPDC

Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Hampton Roads' taxable monthly sales grew slightly to \$1.9 billion in November 2019 (seasonally adjusted 3-month average), and regional sales have grown 11.2% above pre-recession highs and 27.3% higher than the recession lows. In 2018, August sales grew 4.6% higher than they were in 2017, proving to be a strong month for the start of holiday sales.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2008Q1 – 2018Q3, Quarterly



Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. In Q3 2018, accommodation sales decreased by 3.32% on a seasonally adjusted basis, declining to \$209 million. This decline needs some context, after following an extremely strong Q2 when sales increased by 3.88% quarter-over-quarter. Sales were an impressive 8.2% increase year-over-year. There seems to be improvement in accommodation sales regionally outside of tourism season.

Civilian Employment, Seasonally Adjusted

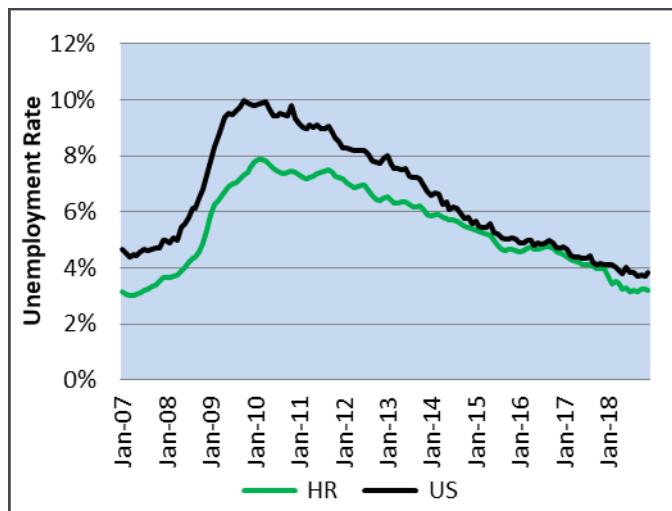
Hampton Roads, Jan 2007 – Dec 2018, Monthly



Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads' employment continued to 'grow' to 91,000 in December of 2018, but since that was the estimated employment level in November before it was revised down, it would be more aptly described as a pause in growth. Despite a slightly disappointing end, 2018 was an amazing year for employment growth regionally as Hampton Roads added 13,200 jobs.

Unemployment Rate, Seasonally Adjusted

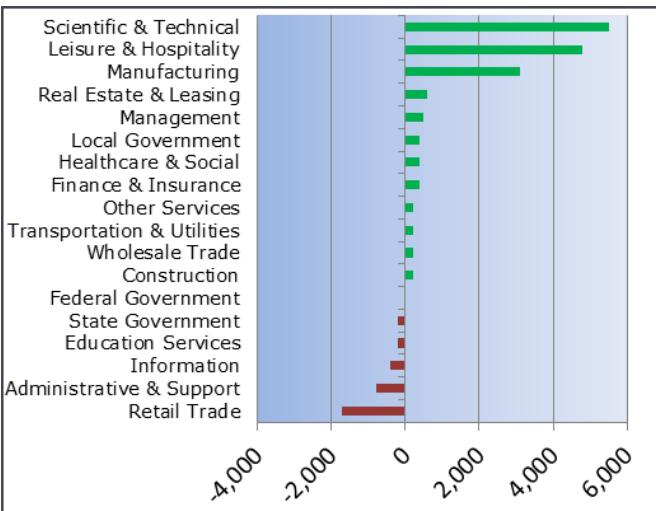
Hampton Roads and U.S., Jan 2007 – Dec 2018, Monthly



Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate fell slightly in December of 2018 to 3.18%. While the labor force did not grow or decline, there was a small uptick in the number indicating that they been employed. Again, the employment indicators improved significantly over the past year, with the unemployment rate falling by 0.87 percentage points over 2018.

Employment Growth by Industry

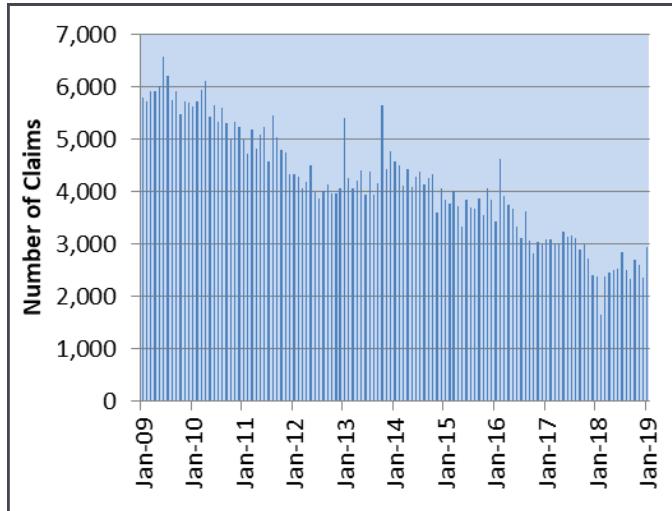
Hampton Roads, Dec 2017 – Dec 2018, Year-over-Year



Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Regionally, scientific & technical employment (+5,500), leisure & hospitality (+4,800), and manufacturing employment (+3,100) have grown strongly over the past year. Scientific & technical and manufacturing employment have been tightly correlated with defense spending regionally and are related to the growth in national defense spending over the past four quarters.

Initial Unemployment Claims, Seasonally Adjusted

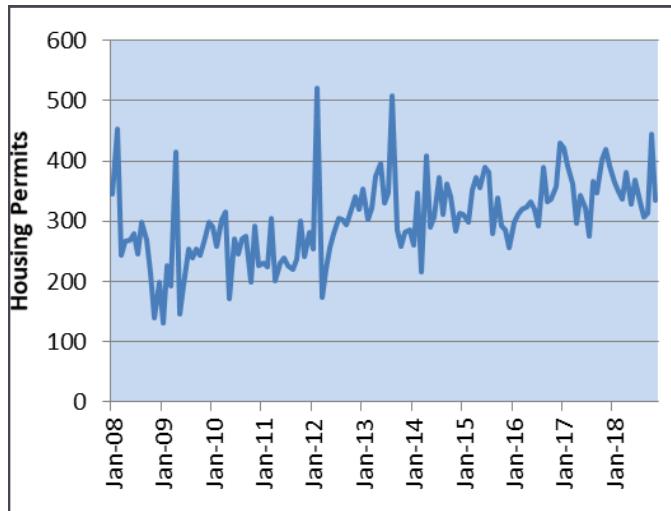
Hampton Roads, Jan 2009 – Jan 2019, Monthly



Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. The region's initial unemployment claims jumped to 2,935 in January of 2019, although, to the extent this was a one month impact related to the shutdown remains unclear. It is worthwhile to note that even with this increase, the initial claims remain below the 30 year average for the region.

Single Family Housing Permits, Seasonally Adjusted

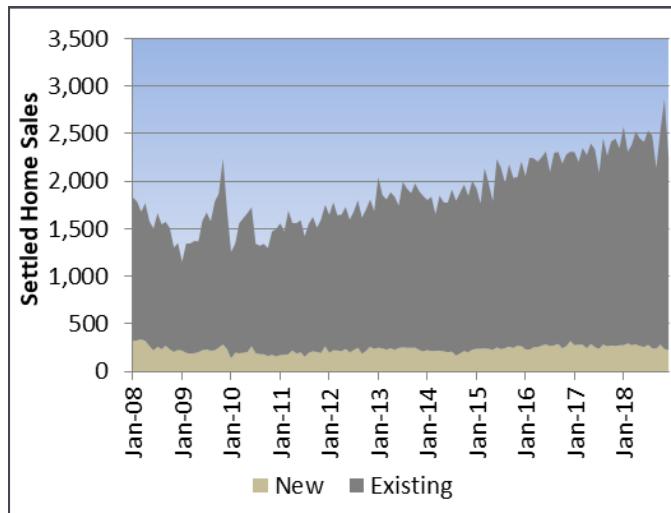
Hampton Roads, Jan 2008 – Nov 2018, Monthly



Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Seasonally adjusted single family permits fell back to 334 in November of 2018, as regional single family construction remains in a lower gear than the region typically experienced. Permitting remains more than 113 permits a month below its long-term average, which is even more striking as the population has increased throughout that period.

Number of Homes Sold, Seasonally Adjusted

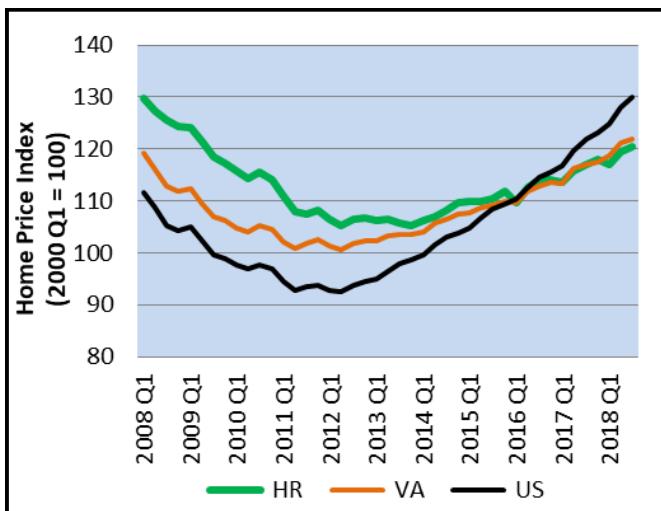
Hampton Roads, Jan 2008 – Dec 2018, Monthly



Home Sales: Settled home sales measure the level of transactions on the real estate market over time, and a healthy real estate market should have a consistent level of activity. The levels of existing home sales declined significantly in December 2018, falling by almost 600 sales to 2,030 for the month, albeit from an extremely high 2,626 in November (seasonally adjusted). These large swings in closings make it difficult to draw conclusions about any individual month's change.

Home Price Index, All Transactions

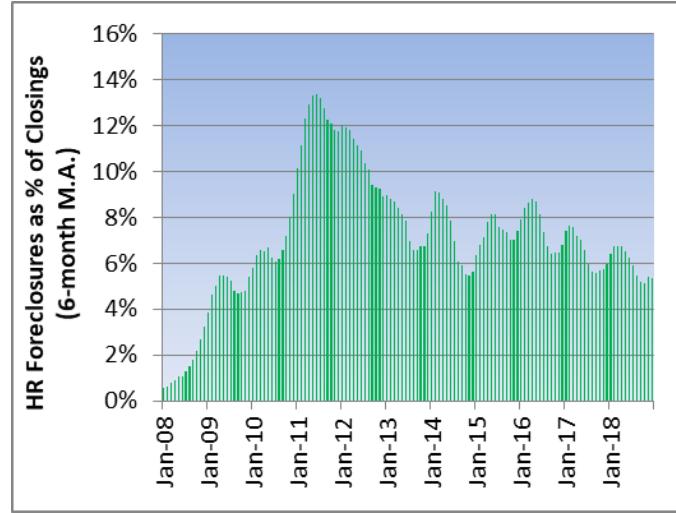
Hampton Roads, 2008Q1 – 2018Q3 Quarterly



Home Price Index: The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. The index provides the highest quality data available on the trends in the real estate market. Hampton Roads' home prices increased in Q3 2018, and are 2.9% above the price levels during the same time last year, though lagging behind the growth rate of home prices statewide (4.3%) and nationwide (6.6%). Regional home values remain 7.7% below 2007 levels.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2008 – Dec 2018, Monthly



Foreclosures: Foreclosures have a significant impact on the real estate market and the community and depress home values on both a neighborhood and regional level. Distressed homes' share of total sales has particularly been shown to have an impact on the sale price of existing homes. While there continue to be fluctuations in foreclosures' percentage of the home market, the level is still elevated from the housing boom. Foreclosures constituted 5.3% of all home resales in December of 2018, from 7.6% in March of 2017 (6-month average).