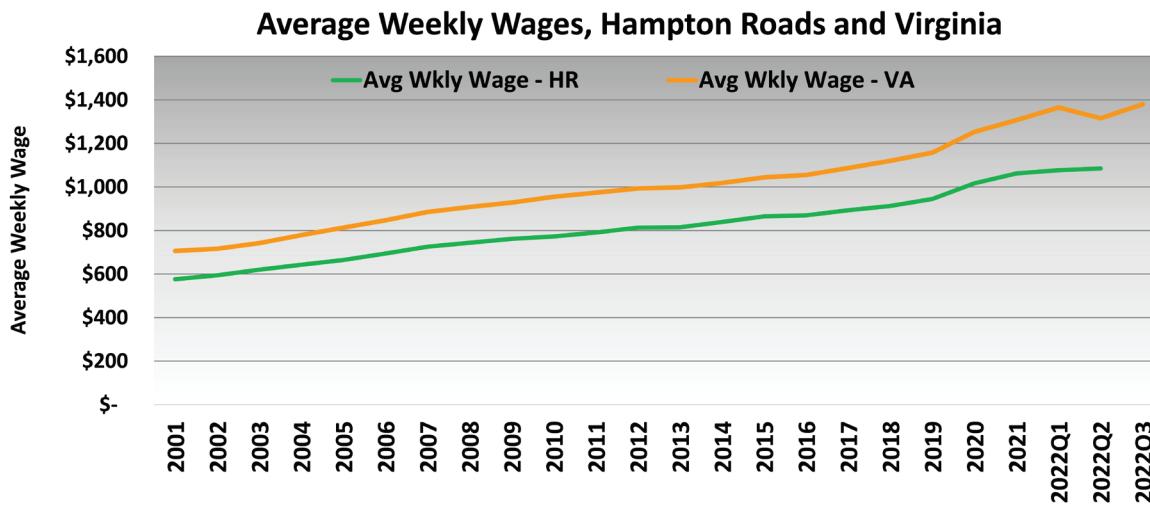
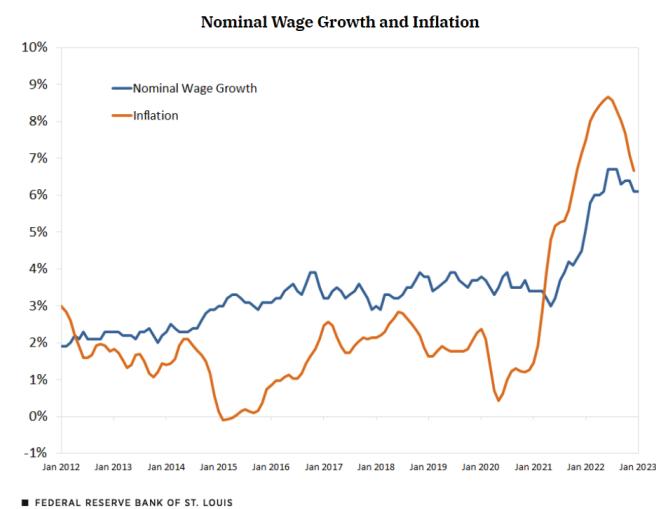


## WHAT'S NEW WITH WAGES

Over the past year or two, the United States has experienced high inflation combined with strong wage growth. For households, the relative strength of these two forces determines whether their cost of living has kept up with their wages. As shown in the chart from the Federal Reserve Bank of St. Louis below, nominal wage growth in the U.S. began increasing dramatically in 2021 and 2022, and began plateauing towards the end of last year, but that was outpaced by the increase in prices. This means that due to inflation, real wage growth in the U.S. was negative in 2021 and 2022.

Complete data at the state and local level is not yet available for all of 2022, but wages in Hampton Roads and the Commonwealth of Virginia have been increasing at roughly 2% annually for the past decade or so, more or less keeping up with the pace of inflation, some years outpacing it slightly and others falling short. As shown in the chart below, while regional wages grew 7.6% in 2020, wages grew by 4.4% regionally in 2021, and by the second quarter of 2022 wages had increased over 2021 levels by 2.2%. While inflation rates have begun to settle towards the second half of 2022, early in the year the annual rate of inflation was hovering near 8%.



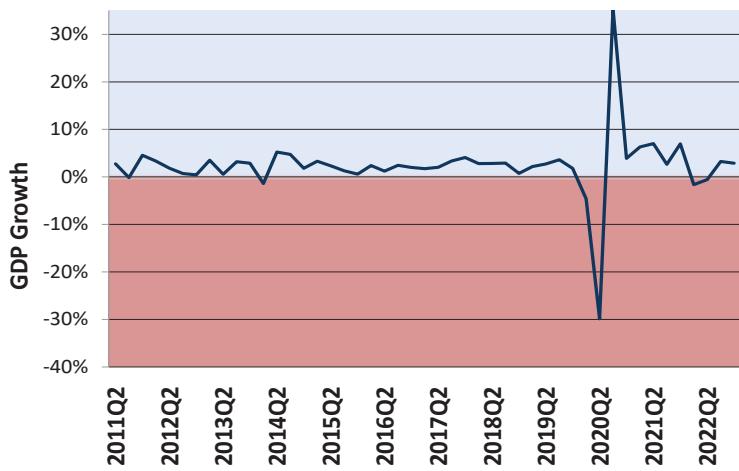
Data source: Bureau of Labor Statistics, HRPDC

Eight times a year, the Federal Reserve System publishes a report called the Beige Book, about current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from each District's sources, so it can often be a great way to spot trends before they show up in economic data. Hampton Roads is located in the Fifth District – the Federal Reserve Bank of Richmond. The most recent release of the Beige Book, January 2023, mentioned wages several different times in Richmond's section. The Richmond Fed noted that while total employment increased only modestly, some employers did note being more cautious about hiring and some firms noted hitting limits on wage increases. Several contacts reported being at a breaking point on increasing wages, and not being able to pass through costs to consumers anymore. The report also noted that inflation has been a major drain on margins as firms raised wages multiple times to keep up with increased expectations for current and potential employees. These narrative responses coincide with what the data shows at both the U.S. and regional level, and will be something to keep an eye on in the future as inflation rates stabilize.

## GDP, ANNUALIZED GROWTH RATE (Q) SOURCE: BUREAU OF ECONOMIC ANALYSIS, HRPDC

	Q4 2021	Q4 2022	Trend
United States	7.0%	2.9%	▼

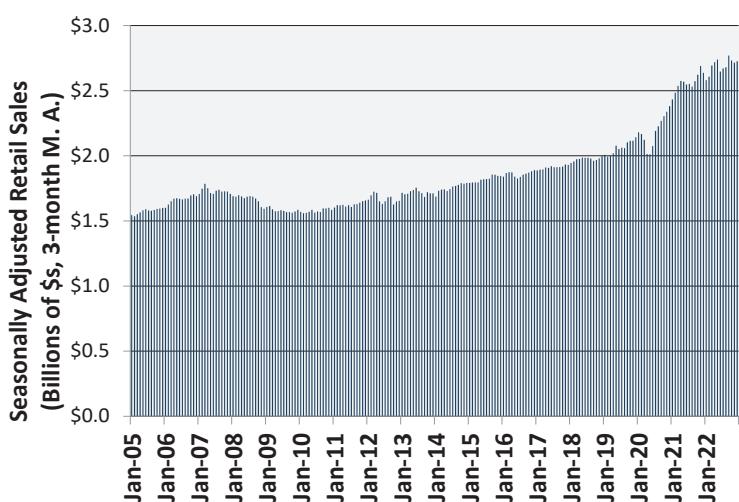
**GDP:** Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP increased by 2.9% in Q4 2022, the second quarter of increases after two quarters in a row of declines. Q4 increases were driven by an increase in personal consumption expenditures, mostly due to spending on services but a slight increase in goods as well. Q4 also saw a third quarter in a row of increased expenditures in net exports, and another quarter of increases in government expenditures and investments.



## RETAIL SALES, SEASONALLY ADJUSTED (3 MONTH M.A.) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

	Nov '22	Dec '22	Trend
Hampton Roads	\$2.72B	\$2.73B	▲
Virginia	\$14.51B	\$14.56B	▲

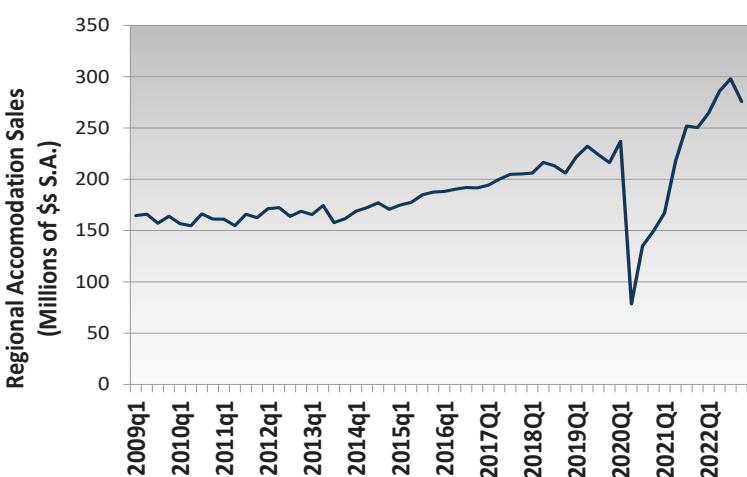
**Retail Sales:** Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted and averaged over 3 months, December shows slightly increased sales, completing a year of plateaued growth in line with pre-pandemic trends. Unadjusted, December 2022 shows a 13% increase over December 2021, a significant increase due to the holiday season.



## ESTIMATED HOTEL REVENUE, SEASONALLY ADJUSTED (Q) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

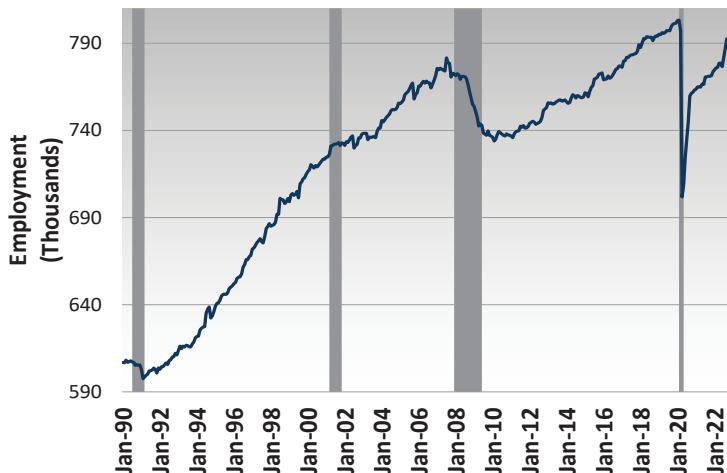
	Q4 2021	Q4 2022	Trend
Hampton Roads	\$250M	\$276M	▲
Virginia	\$872M	\$1.04T	▲

**Estimated Hotel Revenue:** Hotel sales indicate the performance of the region's tourism sector. When seasonally adjusted, Q4 2022 hotel revenue once again saw significant improvement from COVID-related closures, but saw a significant quarter-over-quarter decline for the first quarter since the pandemic. Hotel revenue in Q4 2022 represented a 10% increase over the previous year, but a 7.5% decrease from Q3 2022.



## CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

## HISTORICAL TREND, SEASONALLY ADJUSTED



## 3-YEAR, NOT SEASONALLY ADJUSTED



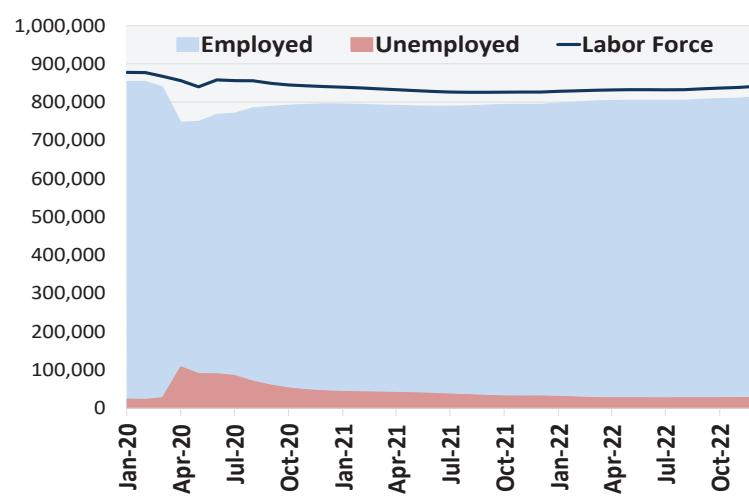
(seasonally adjusted)	Dec 2021	Nov 2022	Dec 2022	YoY % Change	MoM Trend
Hampton Roads	773,500	794,200	793,700	2.61%	▼
Virginia	3,994,000	4,097,800	4,097,900	2.59%	▲
United States	149,742,000	154,296,000	154,556,000	3.21%	▲

**Employment:** Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the Bureau of Labor Statistics, Hampton Roads employment (seasonally adjusted) decreased by 0.06% from November to December 2022, ending the year at the second highest monthly levels since the onset of the pandemic. Unadjusted employment levels decreased from the prior month. In Hampton Roads, year-over-year growth is recorded at 2.61%, continuing to signal that overall the workforce is recovering from COVID losses, but the recent slowdown may be a sign of stagnation. The Commonwealth of Virginia recorded an increase, but only of 100 jobs, pointing towards a statewide stagnation as well. Total adjusted payroll employment in the region remains roughly 1.16% below pre-COVID highs, with the gap continuing to shrink on average.

## LABOR FORCE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Labor Force	Emp	Unemp	LF Trend
Nov 2022	838,337	810,305	28,032	▲
Dec 2022	841,199	813,219	27,980	▲

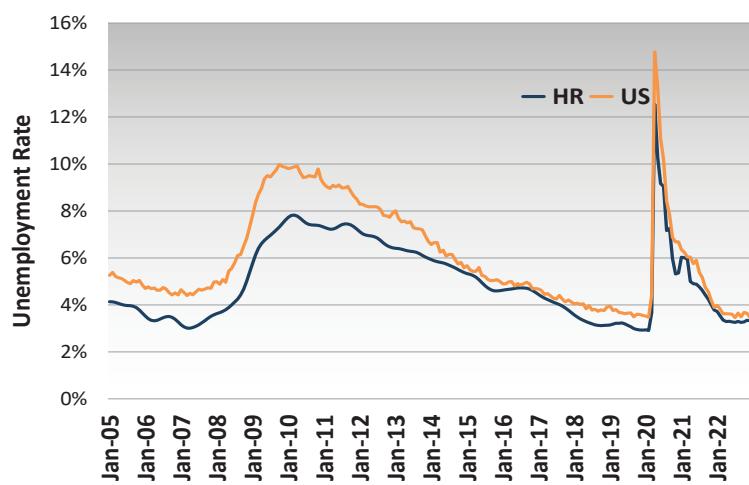
**Labor Force:** An economy's labor force is defined as those who are either employed or actively seeking work, and the breakdown of the labor force is often used in conjunction with the unemployment rate to offer some perspective into the true state of the economy. The region's labor force was slowly declining since the onset of the pandemic, but began increasing roughly one year ago. Since the low in August 2021, the Labor Force has grown, but levels still sit roughly 4.2% below January 2020 levels.



## UNEMPLOYMENT RATE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Dec '21	Nov '22	Dec '22	Trend
Hampton Roads	3.87%	3.34%	3.33%	▼
Virginia	3.31%	2.85%	2.96%	▲
United States	3.90%	3.65%	3.47%	▼

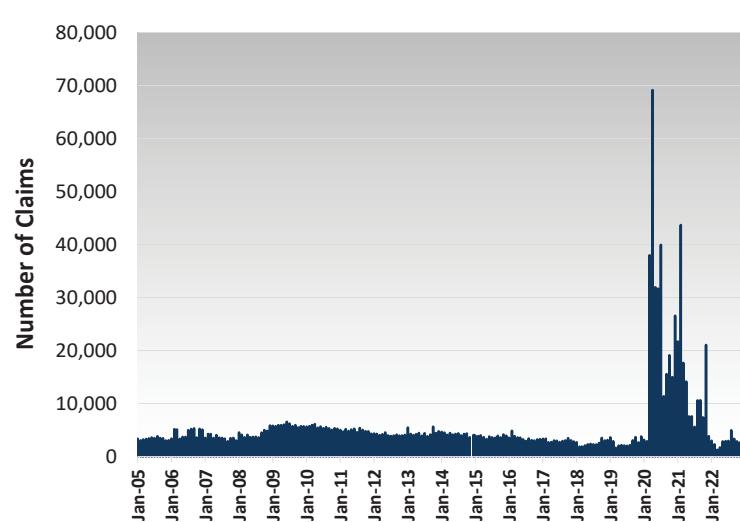
**Unemployment Rate:** The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate decreased after two months of increases to 3.33% in December 2022, reflected by an increase in the labor force and the number of employed persons and a slight decrease in total unemployed persons (all seasonally adjusted).



## INITIAL UNEMPLOYMENT CLAIMS, SEASONALLY ADJUSTED (M) SOURCE: VIRGINIA DEPT OF LABOR, HRPDC

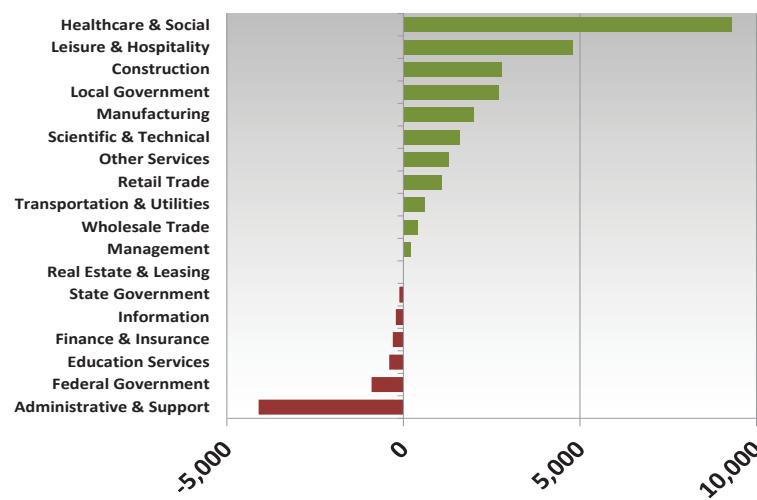
	Nov '22	Dec '22	Trend
Hampton Roads	2,630	2,913	▲
Virginia	12,449	15,240	▲

**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. In December 2022, initial unemployment claims increased by 10%, the first month of increases after three months of declines. As talk of a possible recession continues, this indicator will be one to watch closely, as it is the first one to show movement in the data.



## EMPLOYMENT GROWTH BY INDUSTRY (DEC, YEAR-OVER-YEAR) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

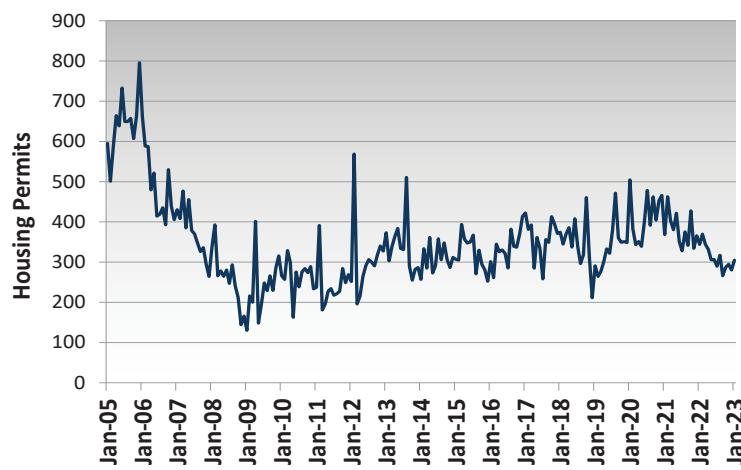
**Employment Growth by Industry:** As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In December, the majority of Hampton Roads industries experienced a decrease in year-over-year employment compared to December 2021. Most significant gains were Healthcare & Social, which added nearly 10,000 jobs compared to December 2021, followed by Leisure & Hospitality and Construction. Federal Government and Administrative & Support realized the highest losses compared to 2021.



## SINGLE FAMILY HOUSING PERMITS, SEASONALLY ADJUSTED (M) SOURCE: US CENSUS BUREAU, HRPDC

	Jan '22	Dec '22	Jan '23	Trend
Hampton Roads	344	280	304	▲

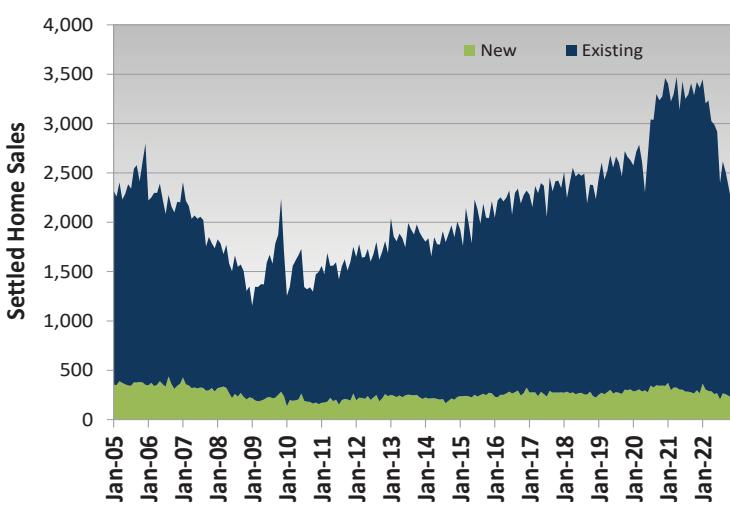
**Single Family Housing Permits:** Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 304 new construction permits issued for single family homes in January 2023. After over a year of plateauing data in 2020/2021, the trend is pointing towards steady declines for the entirety of 2022. As interest rates and materials prices settle, this indicator will be one to watch for potential upward movement.



## NUMBER OF HOMES SOLD, SEASONALLY ADJUSTED (M) SOURCE: REIN, HRPDC

	Dec '21	Nov '22	Dec '22	Trend
Hampton Roads	3,361	2,196	2,111	▼

**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. Seasonally adjusted, total settled home sales in December decreased yet again from November with 2,111 homes sold, the lowest monthly total sales since the onset of the pandemic. The sale of new homes in December represented 11% of total sales, reaching back into the double digits after averaging 9% for the majority of 2021 and 2022.



## HOME PRICE INDEX, ALL TRANSACTIONS (Q) SOURCE: FEDERAL HOUSING FINANCING AGENCY, HRPDC

	Q4 2021	Q4 2022	Trend
Hampton Roads	149.8	166.5	▲
Virginia	151.6	169.2	▲
United States	167.2	186.9	▲

**Home Price Index:** The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. Hampton Roads' home prices increased by 11% over the previous year in Q4 2022, a lower rate than both the state and the nation and the second quarter in a row the year-over-year rate of increase has declined, continuing to reflect a slowdown in the real estate market.

