

On the Other Hand:

There is an old joke about Harry Truman asking for a one-handed economist, because he was tired of every economist using the classic hedge, "On the other hand..."

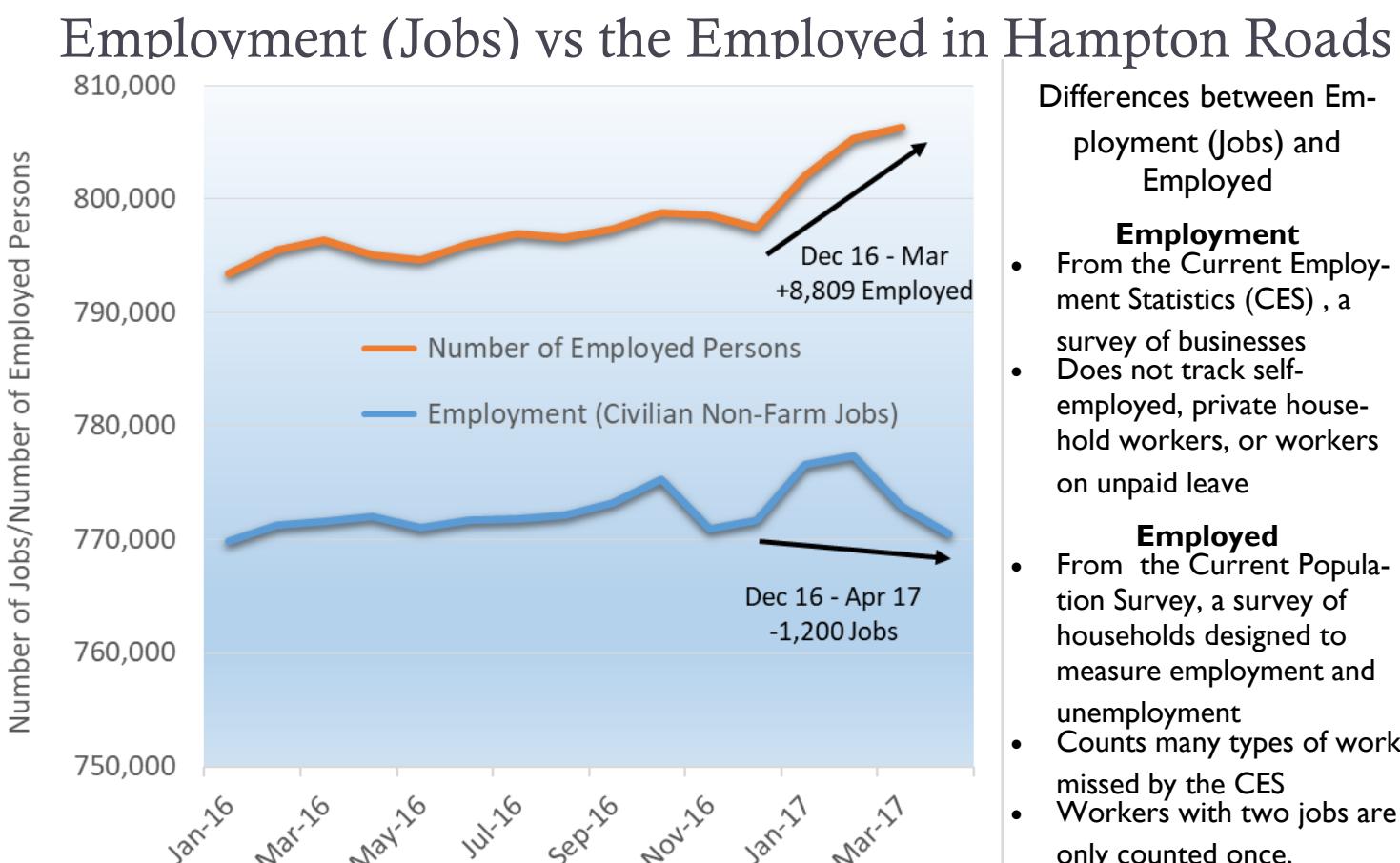
Over the past few years Hampton Roads has experienced a great deal of contradictory economic data, where some indicators are positive, others negative, and the remaining indicators are flat. While the Nation and the State have embarked on much clearer economic pathways, Hampton Roads remains mired in a state of economic confusion, all at once growing, contracting, and staying the same.

In this edition of the Economic Monthly one can note that Hampton Roads' civilian non-farm employment has decreased rapidly over the past three months, a period of steep decline that was the worst since the recession. On the other hand, the unemployment rate continues to decline as the labor force expands (good news), and more people are reporting that they are employed than at any point since the data series began in 1990.

The contradiction between the payroll employment data and the labor force employment data may be indicative of shifting employment trends towards small businesses and self-employment that are captured in survey data (used in labor force statistics) but not in the payroll employment data.

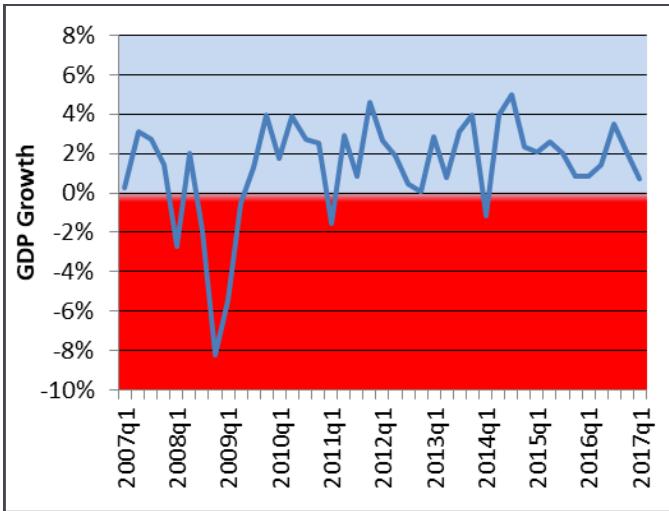
New construction home sales and single family permitting declined significantly over the past two months. On the other hand, the levels for both new home sales (321/month in December 2016) and permitting (446/month in December 2016) have been exceptionally strong recently, and this might have shifted some of the activity that typically began in the early spring, or... it might be the start of a new slowdown.

Ultimately time will tell what path the Hampton Roads economy has been on these past few years. In the meantime we will continue to pay close attention to all regional data, searching for clearer indicators of the current economic condition.



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q1, 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. GDP growth slipped further in the first quarter of 2017, growing at a seasonally-adjusted annual rate of 0.7%. This decline was driven by extremely slow growth in personal consumption expenditures; on the other hand, residential investment, which often leads economic growth, increased by 13.7%.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2007 – Mar 2017, Monthly

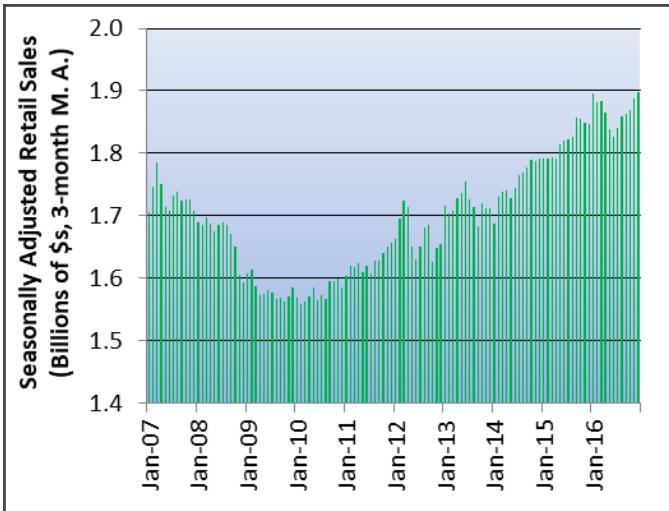


Source: Virginia Automobile Dealers Association, HRPDC

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 dipped down to 5,969 in March, at the region's long-term average level of sales, but this has yet to show up in the 6-month trend line.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007–Mar 2017, Monthly

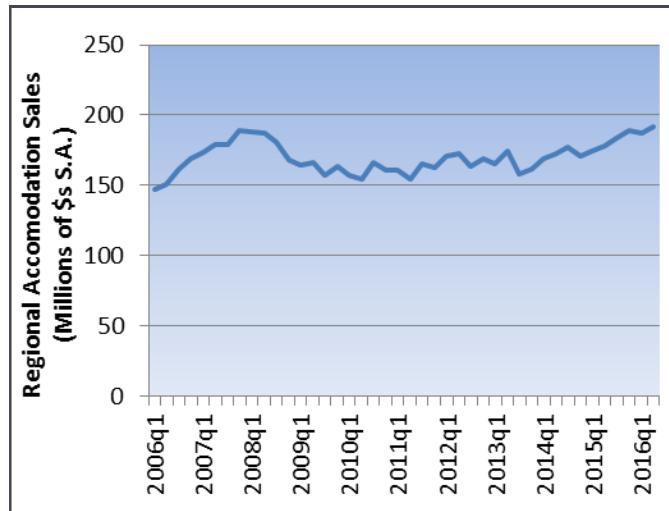


Source: Virginia Department of Taxation, HRPDC

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' monthly sales totaled \$1.88B in March of 2016 (seasonally adjusted), essentially unchanged from February, but slightly below the level of sales at the end of 2016. It is unclear if this reflects a larger seasonal trend to retail sales for which the data has not yet had sufficient time to adjust the model, or if it represents further erosion in bricks and motor retail by ecommerce.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q4, Quarterly



Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. Tourism significantly contracted during the Great Recession and has been following a slow steady growth trend ever since. Seasonally adjusted hotel sales were at 190M and 195M in the third and fourth quarters of 2016, respectively. Sales for both quarters were 20% above their 2013 levels when tourism dipped as a result of decreases in government spending.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2017, Monthly

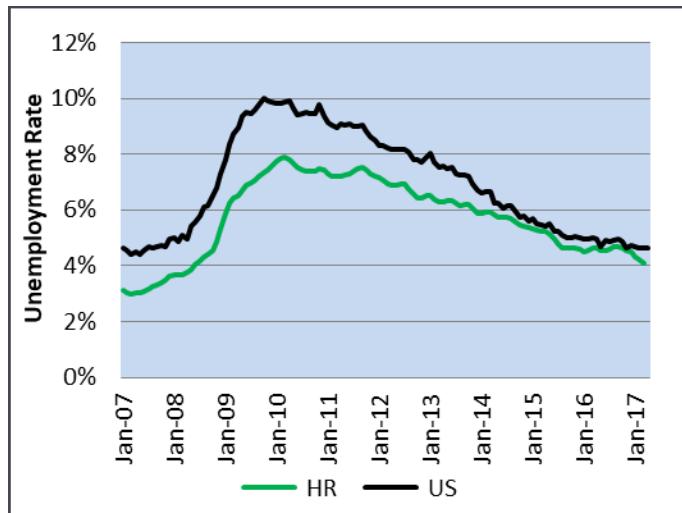


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. The Current Employment Survey suggested a significant decline in Hampton Roads' employment over the past three months, dropping from 776,600 in January of 2017 to 770,500 in March. It is important to note that this decrease is contradicted by data from the unemployment report, forcing a deeper analysis of the situation.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – Mar 2017, Monthly

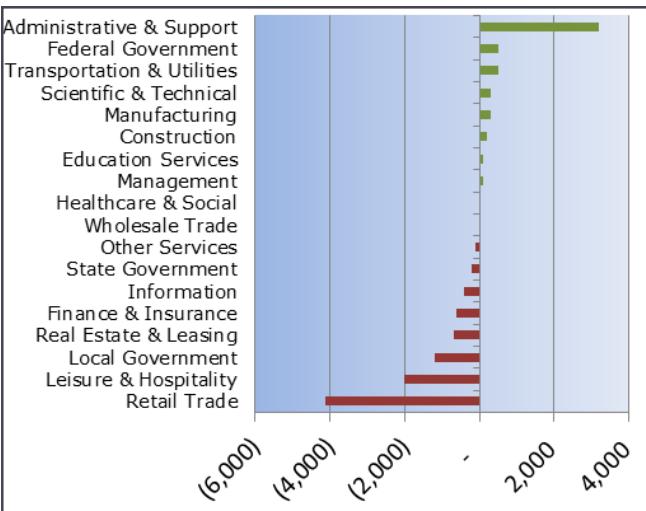


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate improved for the seventh straight month, decreasing to 4.11% in March of 2017, below the national rate of 4.64%. An increased number of persons claiming employment has driven this trend, as the labor force has also grown strongly over that period.

Employment Growth by Industry

Hampton Roads, Apr 2016 – Apr 2017, Year-over-Year

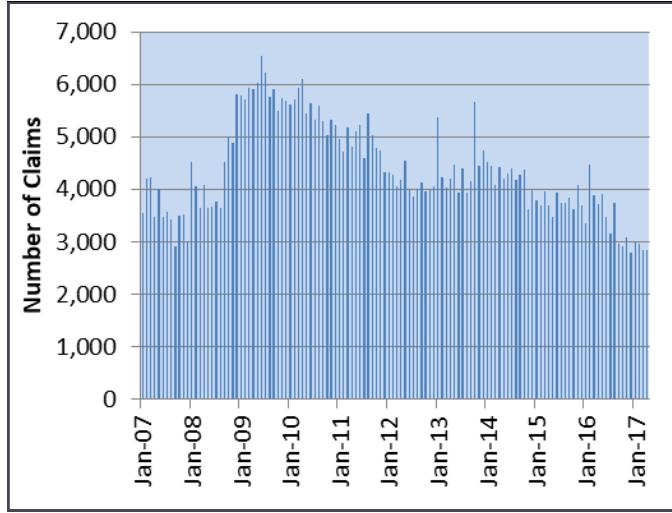


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: Even as the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Retail trade employment declined by 4,100 year-over-year, which meshes well with the relatively weak taxable sales levels. Leisure and Hospitality employment was also significantly down, continuing a pattern where employment in that industry more closely follows the tourism seasons.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Apr 2017, Monthly

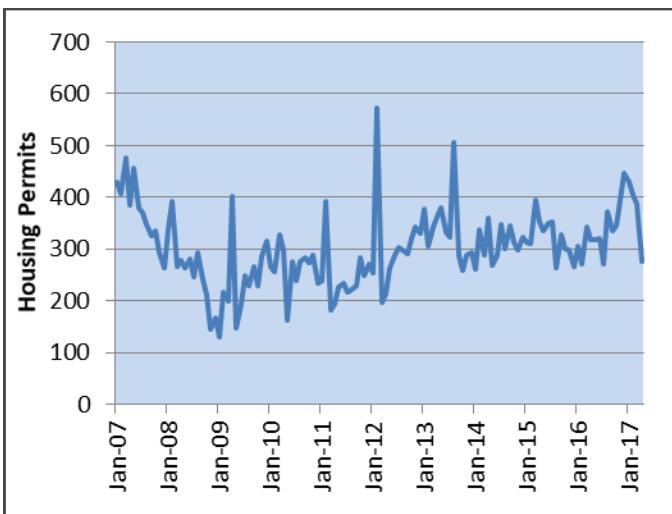


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of Initial Unemployment Claims is a leading economic indicator, reflecting those who are forced to leave work unexpectedly, and thus revealing the strength of the job market with little lag time. The region's initial unemployment claims fell to 2,836 in April 2017, below the long-term average (4,358). Four of the ten lowest levels for initial unemployment claims over the past 33 years have occurred in the past six months.

Single Family Housing Permits, Seasonally Adjusted

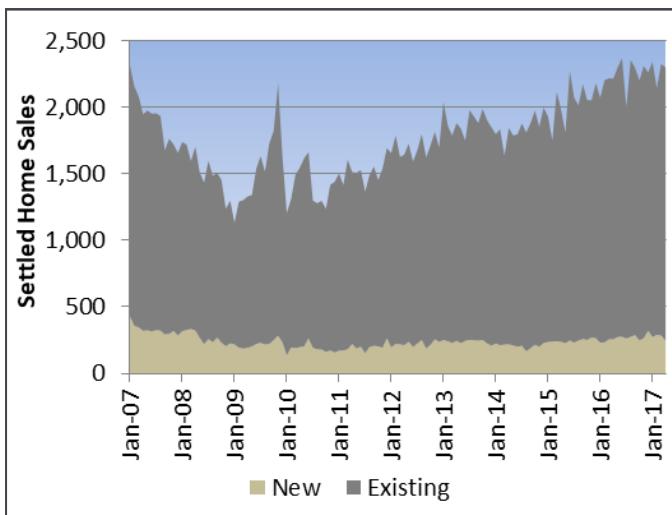
Hampton Roads, Jan 2007 – Apr 2017, Monthly



Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Single family permits fell precipitously in April of 2017 to 276; however, this came after several months of high permitting, and might reflect other factors. On the other hand, new construction closings also declined over the past two months, and this will require further monitoring.

Number of Homes Sold, Seasonally Adjusted

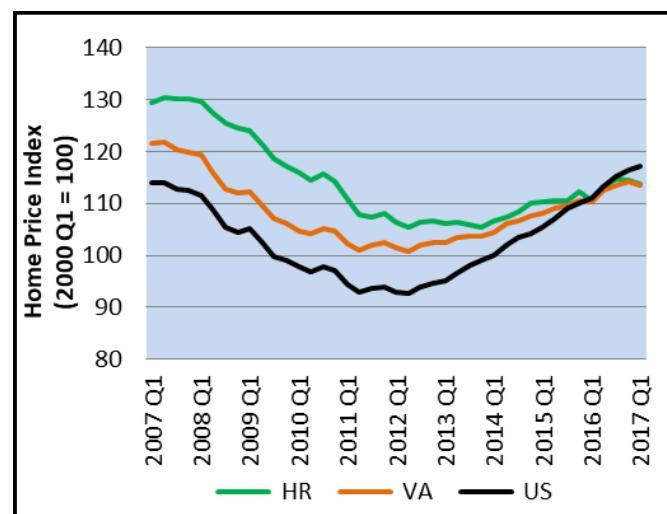
Hampton Roads, Jan 2007 – Apr 2017, Monthly



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. Existing home sales increased to 2,052 in April of 2017, but this really just represents the regional level of sales continuing to bounce around 2,000 sales per month over the year. New home sales did decline by 13.9%, but that is also relative to strong run of sales over the winter.

Home Price Index, All Transactions

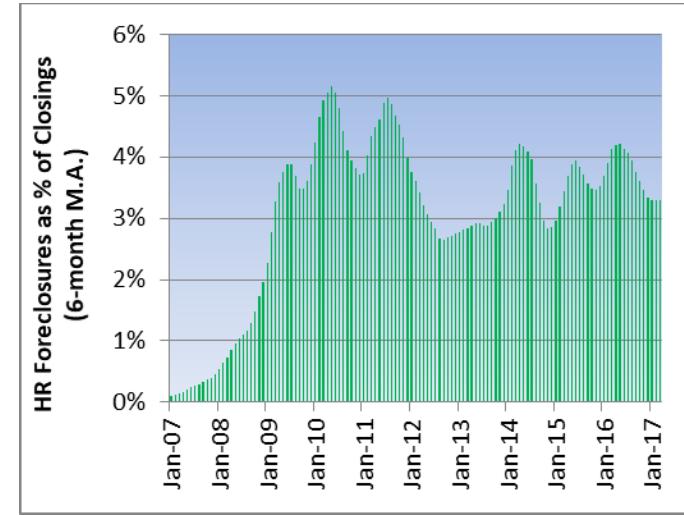
Hampton Roads, 2007Q1 – 2017Q1, Quarterly



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 price index slipped again in the first quarter of 2017, declining by 0.6% from the fourth quarter of 2016. Home prices regionally are still 3.0% above the levels in the first quarter of 2016.

Foreclosures

Hampton Roads, Jan 2007 – Mar 2017, 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. For the fourth straight month, distressed sales constituted 3.3% of all Hampton Roads existing home sales in March 2017 (6-month M.A.).