

The Numbers and the Narrative:

A point that frequently gets lost when new data becomes available is that data helps to tell/reveal the story, but it is not the actual story; there is no better illustration than some of the most recent changes in the U.S. gross domestic product over the past three quarters.

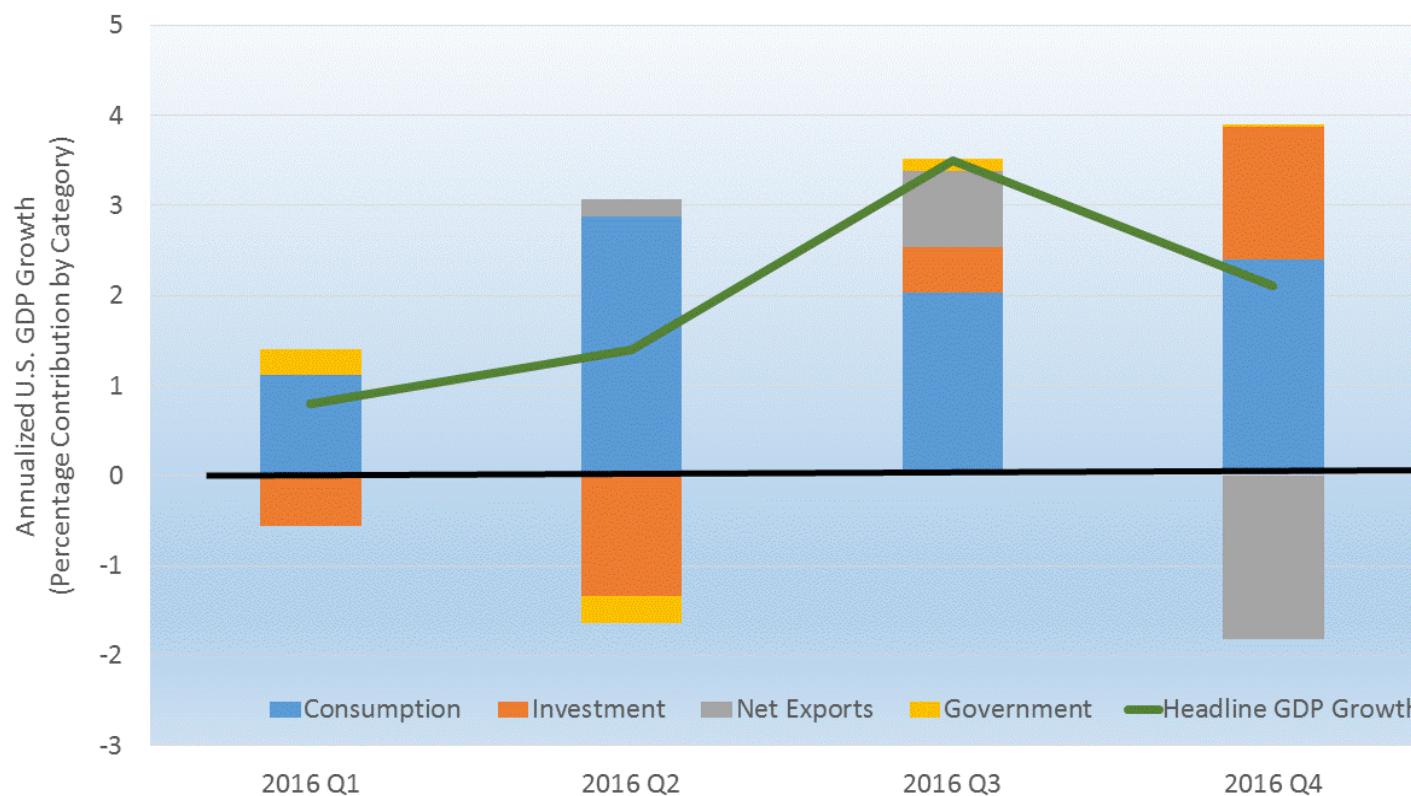
It is easy to pay attention to only the headline GDP, and see that the nation saw slow growth in the 2nd quarter (+1.7%), sped up in the 3rd quarter (+3.5%), and then slowed down again in the 4th quarter (+2.1%). However, when you break down GDP into its individual components (see the bars in the chart below), the narrative becomes quite a bit more complicated.

There was strong growth in consumption spending in the 2nd quarter, contributing 2.88% points to overall growth, but a decline in investment (more accurately in the volatile inventories category) made the overall growth look quite weak for the quarter.

In the 3rd quarter, consumption spending slowed down (+2.03% to GDP), but a big increase in exports made the 3rd quarter appear much stronger than consumption growth would suggest. Exports then plummeted in the 4th quarter. A failure in the soy bean crops in Brazil and Argentina during the 3rd quarter quickly increased US soybean exports; soy bean exports then returned to their previous slow growth rates in the 4th quarter, resulting in a large decline between the 3rd and 4th quarters. If you did not know that GDP slowed because of a one-time change in soy bean exports that probably has very little significance in the overall economy, your assessment of the current economic condition might be inaccurate.

This is why HRPDC Economics Staff supplies context to the indicator charts that appear in each Economic Monthly.

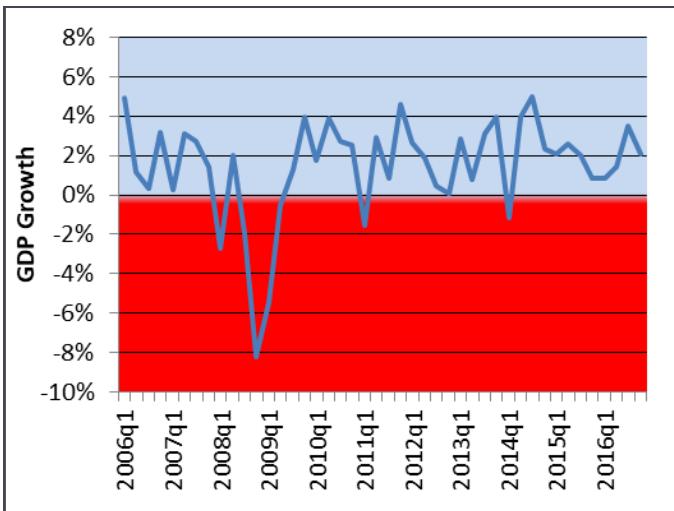
U.S. GDP Growth, Percentage Contribution by Category



Source: Bureau of Economic Analysis, HRPDC

GDP, Annualized Growth Rate

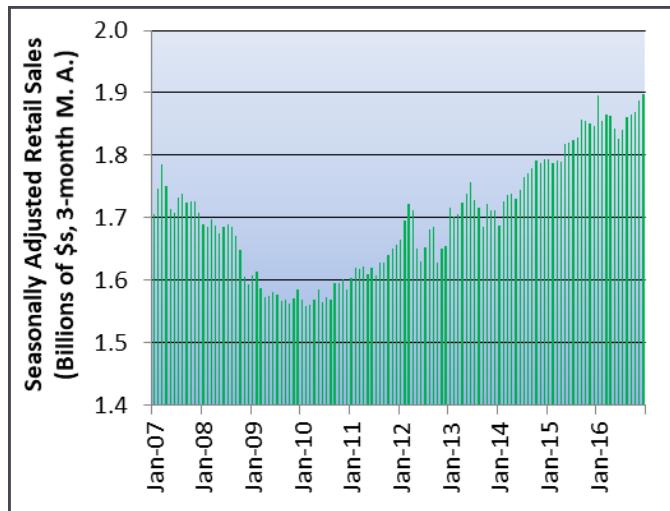
United States, 2006Q1 – 2016Q4, Quarterly



GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP growth slowed down at the end of 2016, growing at an annualized rate of 2.1%. The weaker growth was a result of rapidly declining exports in the 4th quarter after a rapid increase in soy bean exports in the 3rd quarter (see narrative on front page).

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Jan 2017, Monthly



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 remained steady in January 2017, remaining at \$1.9 billion (seasonally adjusted). Significant concerns remain about February sales levels given the steep decline in year-over-year employment in retail jobs seen in February.

New Car Sales, Seasonally Adjusted

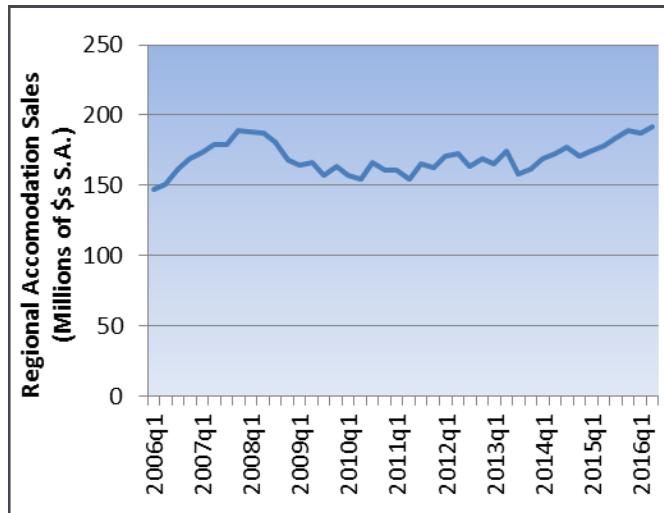
Hampton Roads, Jan 2007 – Jan 2017, Monthly



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 in the region declined to 6,100 in January 2017, showing some signs of weakness despite remaining above the long-term average of 6,000.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2006Q1 – 2016Q4, Quarterly



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 – Feb 2017, Monthly

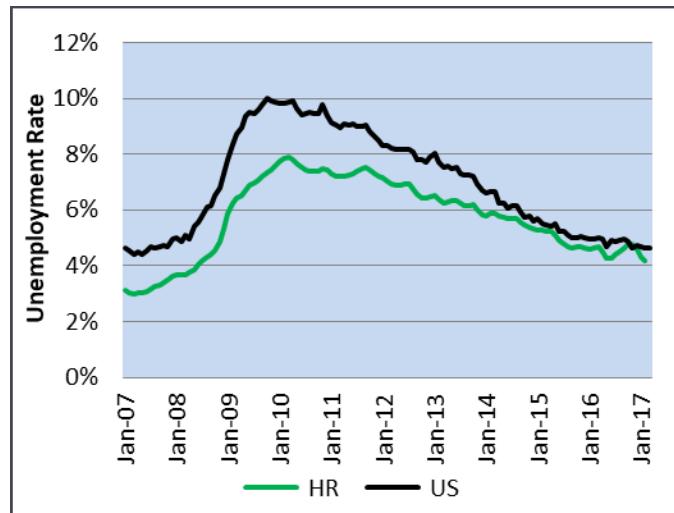


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads' employment had significant growth in January, but this growth was revised down slightly (-400) and there was a contraction of employment in February (-700). Employment needs to gain 5,700 jobs to regain its prerecession levels; however, it is important to remember that employment numbers are highly variable at the regional level from month-to-month.

Unemployment Rate, Seasonally Adjusted

Hampton Roads, Jan 2007 – Feb 2017, Monthly

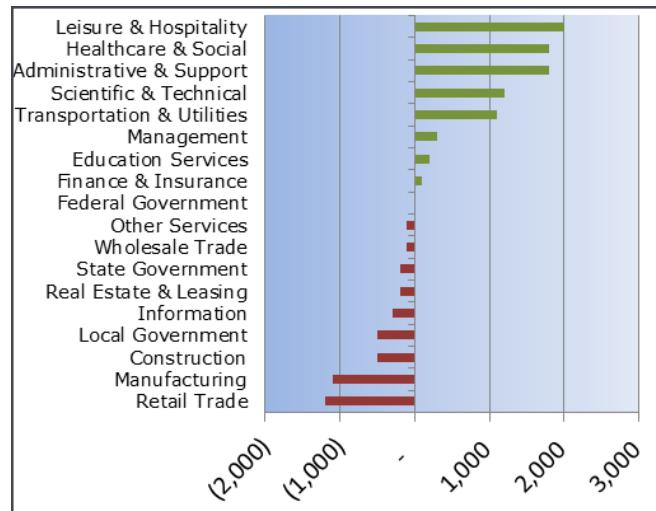


Source: Bureau of Labor Statistics, HRPDC

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 third straight month, decreasing to 4.19% in February 2017, below the national rate of 4.64%. This represents real growth in the regional economy, as it has coincided with both an 8,000 person increase in the labor force, as well as a 12,500 increase in the number of residents who say they are employed.

Employment Growth by Industry

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

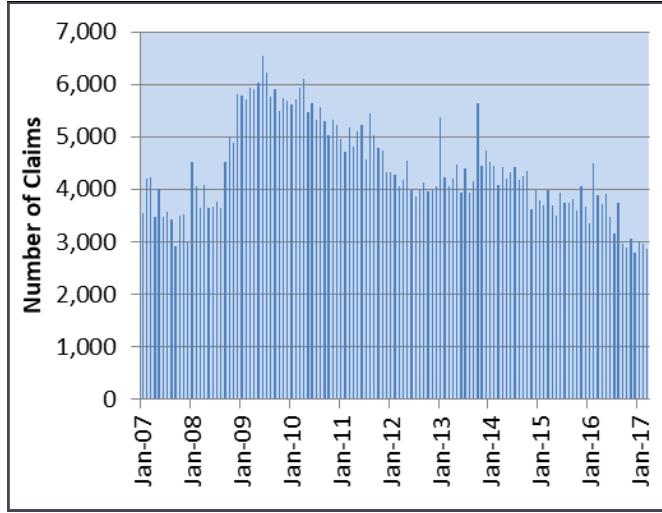


Source: Bureau of Labor Statistics, HRPDC

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 1,200 in February 2017 year-over-year, a significant swing from the strong year-over-year performance in January 2017. On a positive note, Scientific and Technical employment grew by 1,200 year-over-year, a significant swing from its decline of 1,100 in January (year-over-year).

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2007 – Mar 2017, Monthly

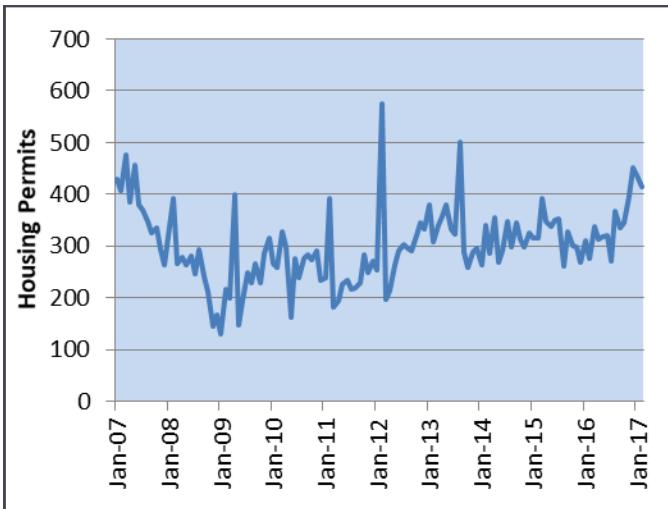


Source: Virginia Department of Labor, HRPDC

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 2,865 in March 2017. While slightly elevated over recent levels, initial UE claims are well below the long-term average (4,358).

Single Family Housing Permits, Seasonally Adjusted

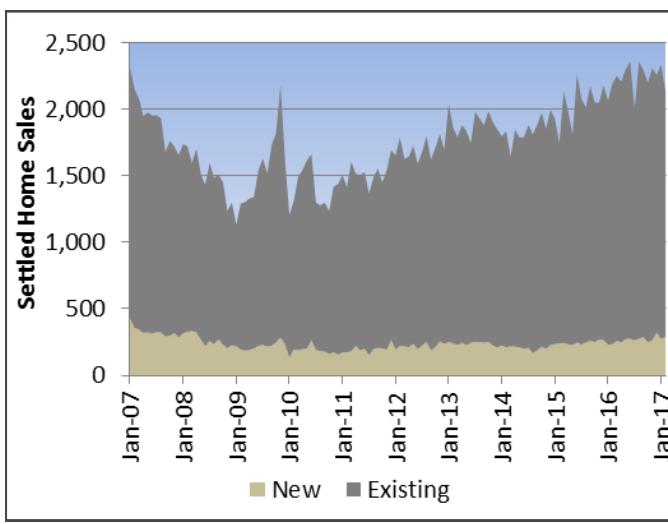
Hampton Roads, Jan 2007 – Jan2017, Monthly



Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Regional permitting activity continued to be strong, with 413.6 permits issued in February 2017, the second straight month of decline, but still significantly above the levels after the housing correction. It is odd that this higher level of single family permitting has not coincided with an uptick in construction employment.

Number of Homes Sold, Seasonally Adjusted

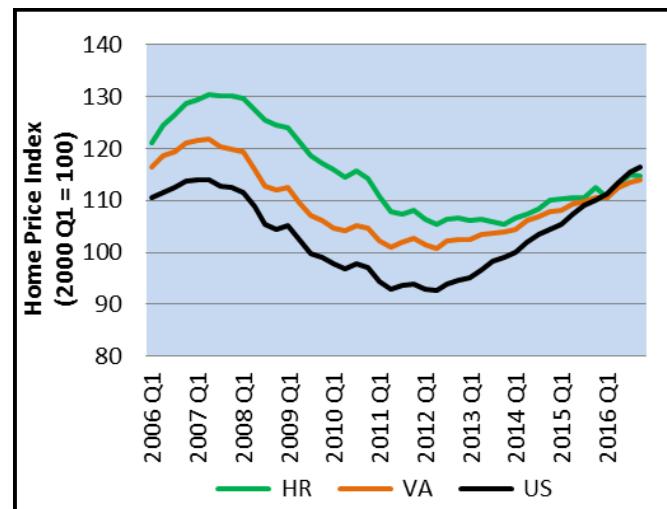
Hampton Roads, Jan 2007 – Feb 2017, Monthly



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. Hampton Roads' real estate transactions were unnaturally elevated during the boom and dropped substantially during the housing correction. Existing home sales slipped slightly in February 2017, falling to 1,843. This is marginally below 2016 levels, but could be driven by fewer units on the market as compared to a similar time period last year.

Home Price Index, All Transactions

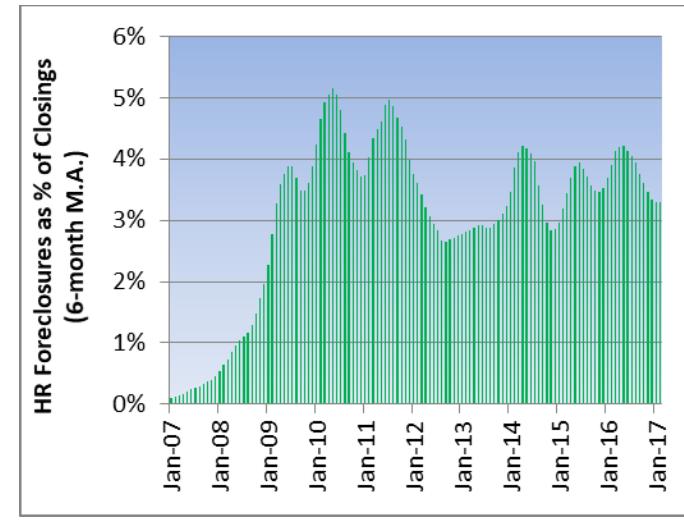
Hampton Roads, 2006Q1 – 2016Q4, Quarterly



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 slightly in the fourth quarter of 2016, but is still in line with that of the state and the nation.

Foreclosures

Hampton Roads, Jan 2007 – Feb 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. During the housing boom, foreclosures were a negligible part of the local real estate market, but rose to 5.0% of all sales in July 2011. Distressed sales constituted 3.3% of all Hampton Roads' existing home sales in February 2017 (6-month M.A.).