

NEW CENSUS DATA SHOWS INCOME GAINS IN 2023

The U.S. Census Bureau recently released its 2023 estimates of median household income, providing valuable insight into how households across the country have fared in the aftermath of the pandemic and the subsequent economic disruptions. Both nationally and in Hampton Roads, inflation-adjusted median household incomes increased for the first time since the pandemic. The latest increase reflects the easing of inflation and historically tight labor market conditions.

Figure 1 shows inflation-adjusted median household income in Hampton Roads from 2005 to 2023. During the Great Recession and Sequestration, median household income steadily declined, falling by 8.5% between 2008 and 2013. It took five years for the region's median income to surpass pre-recession levels of 2008. In 2020, the pandemic-induced economic downturn was followed by a historic rise in inflation in 2021 and 2022, which eroded gains in workers' earnings. Inflation-adjusted median household income in the region fell by 5.4% between 2019 and 2022. However, the latest estimates for 2023 show improvement: for the first time since the pandemic, incomes rose to \$79,325, marking a 2.2% increase from the previous year.

The overall trend in median household income in Hampton Roads mirrors that of both the nation and the Commonwealth. As illustrated in Figure 2, all three areas experienced a decline in inflation-adjusted median household income between 2019 and 2022, followed by a rebound in 2023. Nationally, inflation-adjusted median household income rose by 4.0% in 2023, reaching \$80,610, while Virginia saw a more modest increase of 0.6%, bringing the state's median income to \$89,931. Hampton Roads' 2.2% increase in 2023 was below the national average but more than double the rate of growth in Virginia. Despite this rebound, inflation-adjusted median household incomes in Hampton Roads, Virginia, and the United States remain below pre-pandemic levels. In Hampton Roads, the 2023 median household income was 3.2% lower than in 2019, compared to 0.5% in Virginia and 0.7% nationally.

Figure 1: Median Household Income, 2023\$s
Hampton Roads, 2005-2023

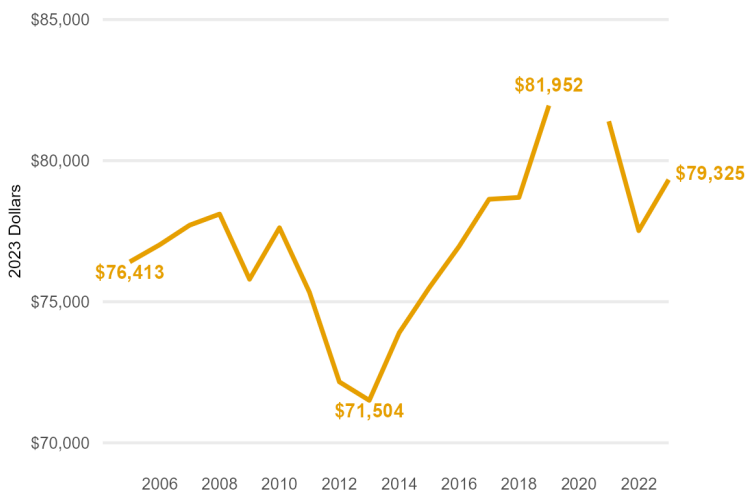
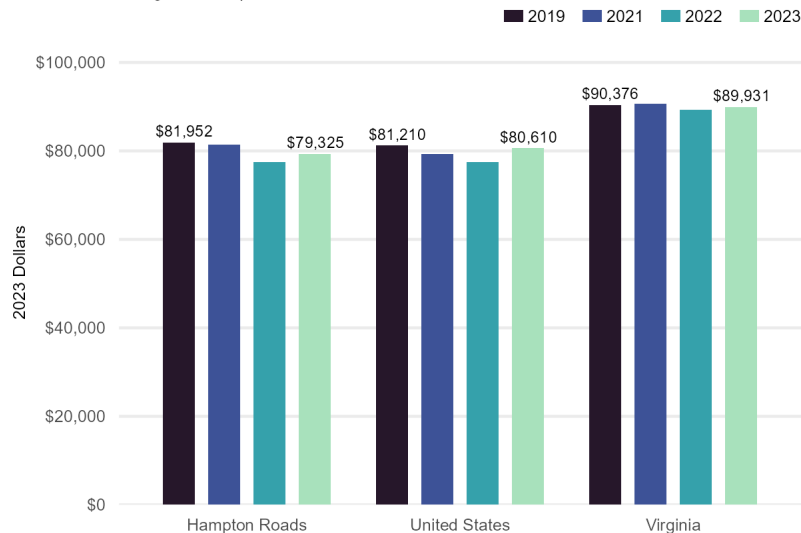


Figure 2: Change in Median Household Income, 2023\$s
United States, Virginia, Hampton Roads



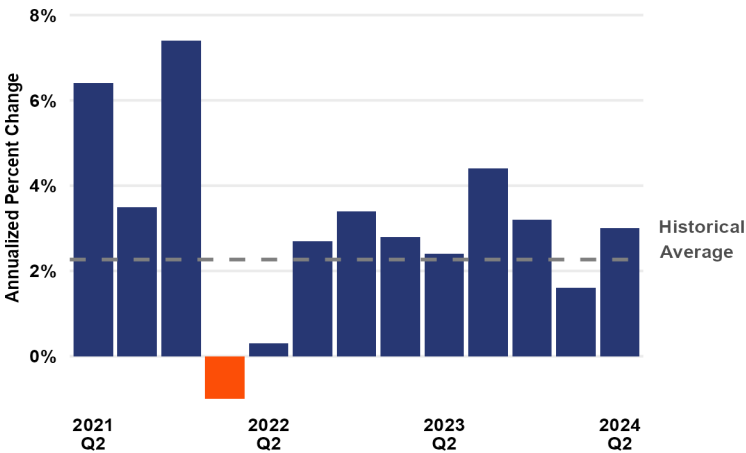
Data source: U.S. Census Bureau ACS 1-Year and CPS ASEC, HRPDC. Adjusted for inflation using the Chained Consumer Price Index for all Urban Consumers (C-CPI-U). Due to low response rates, Census Bureau ACS 1-Year estimates for 2020 are experimental and therefore excluded from the analysis.

The income gains in 2023 reflect two key factors: the easing of inflation and a tight labor market. Inflation dropped significantly, from a 40-year high of nearly 8.9% in June 2022 to 2.5% as of August 2024. Meanwhile, a historically tight labor market helped push wages higher, although these gains were previously offset by rising inflation. Despite the improvements, incomes in Hampton Roads, Virginia, and the U.S. have not yet fully recovered to pre-pandemic levels. As inflation continues to fall and labor market conditions begin to cool, the path to full recovery in median household incomes remains ongoing.

GDP, ANNUALIZED GROWTH RATE (Q)

	Q2 2023	Q2 2024	Trend
United States	2.1%	3.0%	▲

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Inflation-adjusted GDP rose 3.0% in Q2 2024, a positive uptick from the previous quarter. Personal consumption accounted for 1.95 percentage points of the 3.0% increase in Q2, followed by gross private domestic investment (1.31) and government spending (0.46). Net Exports accounted for a 0.77 percentage point decline in GDP growth.

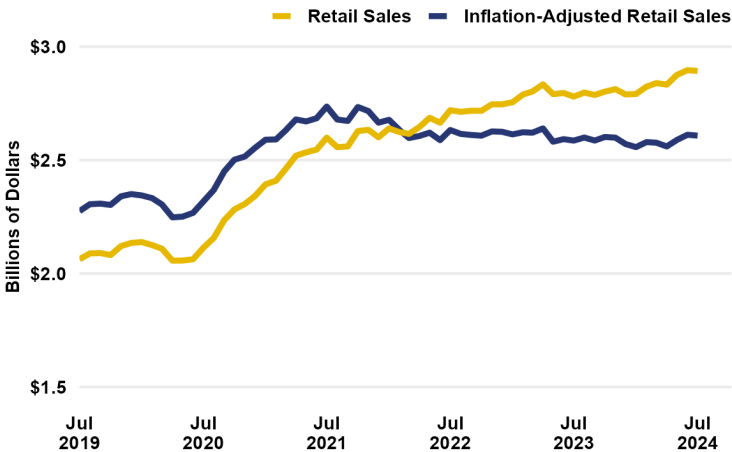


Source: Bureau of Economic Analysis, HRPDC

RETAIL SALES (M)

(not seasonally adjusted)	July '23	July '24	Trend
Hampton Roads	\$3.06B	\$3.15B	▲
Virginia	\$15.71B	\$16.03B	▲

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. Retail sales in July 2024 were up 3.0% year over year. When seasonally adjusted, retail sales in July decreased 1.8% from the previous month. Inflation-adjusted retail sales have slowed from the post-pandemic surge in spending seen in the summer of 2021, but remain 18.5% above pre-pandemic levels observed in February 2020.

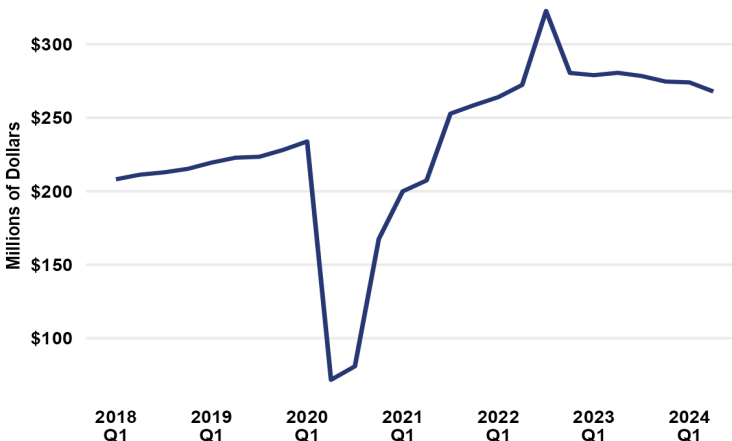


Source: Virginia Department of Taxation, HRPDC. Seasonally adjusted 5-month moving-average. Inflation-adjusted sales in 2022 dollars

ESTIMATED HOTEL REVENUE (Q)

	2023 Q2	2024 Q2	Trend
Hampton Roads	\$281M	\$268M	▼
Virginia	\$1.1B	\$1.1B	▲

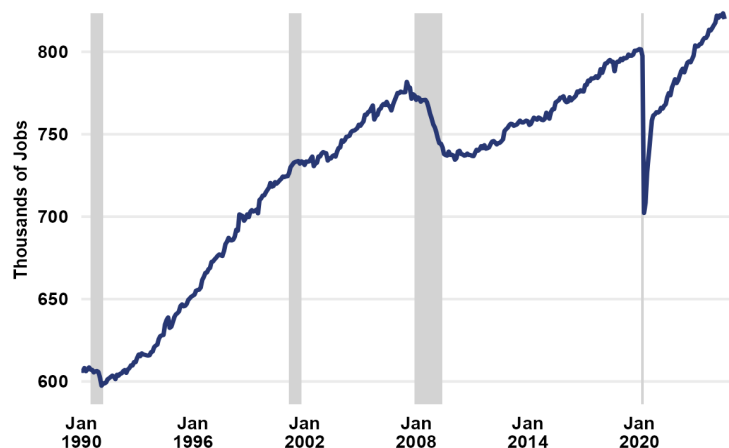
Estimated Hotel Revenue: Hotel revenues indicate the performance of the region's tourism sector. Hotel revenues in Q2 2024 were down 4.5% year over year. Seasonally adjusted hotel revenues in 2024 Q2 decreased 2.3% from the previous quarter. Hotel revenues have declined for the fourth consecutive quarter, signaling a slowdown from the post-pandemic boom observed over the prior two years.



Source: Virginia Department of Taxation, HRPDC. Seasonally adjusted data.

CIVILIAN PAYROLL EMPLOYMENT (M)

HISTORICAL TREND, SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

5-YEAR, NOT SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

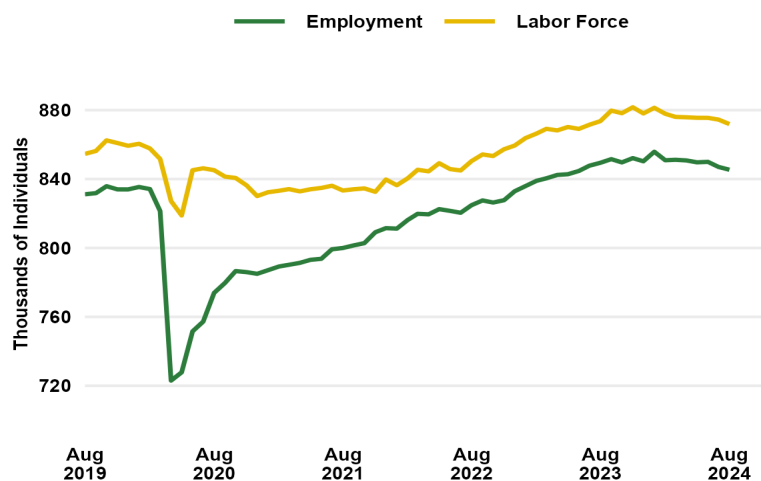
(seasonally adjusted)	Aug 2023	July 2024	Aug 2024	YoY % Change	MoM Trend
Hampton Roads	808,400	823,400	819,900	1.4%	▼
Virginia	4,179,500	4,246,900	4,241,100	1.5%	▼
United States	156,421,000	158,637,000	158,779,000	1.5%	▲

Employment: A leading indicator of labor market activity, the Bureau of Labor Statistics' payroll survey of businesses and government establishments measures the number of nonfarm civilian jobs. In Hampton Roads, non-seasonally adjusted civilian jobs in August were up 1.4% year over year. Seasonally adjusted civilian jobs in August decreased by 0.4% from the previous month. Jobs in both Hampton Roads and Virginia were down from previous month, while the nation added jobs. The latest estimates point to an overall weakening of labor market conditions. While national data show that layoffs have remained relatively stable, the hiring rate in August dropped to its lowest level since 2013.

CIVILIAN LABOR FORCE (M)

	Labor Force	Emp	Unemp	LF Trend
July 2024	874,497	847,024	28,772	
Aug 2024	871,883	845,391	29,792	▼

Labor Force: The Bureau of Labor Statistic's household survey measures the employment status of the civilian population 16 years and older. An area's labor force is comprised of the number of people working (employed) and those actively seeking work (unemployed). Labor market activity has slightly cooled since the second half of 2023. The HRPDC's civilian labor force in August fell by 0.3% from the previous month. Year over year, the region's labor force is down 0.2%.

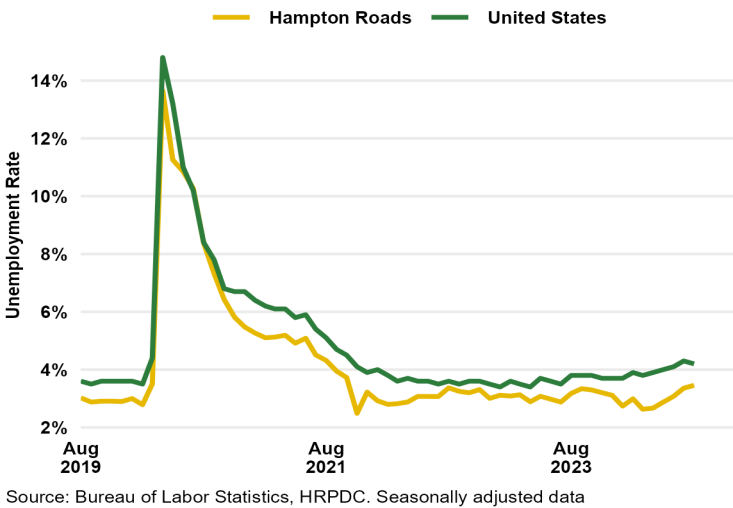


Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data

UNEMPLOYMENT RATE (M)

	Aug '23	July '24	Aug '24	Trend
Hampton Roads	3.2%	3.4%	3.5%	▲
Virginia	2.7%	2.7%	2.8%	▲
United States	3.8%	4.3%	4.2%	▼

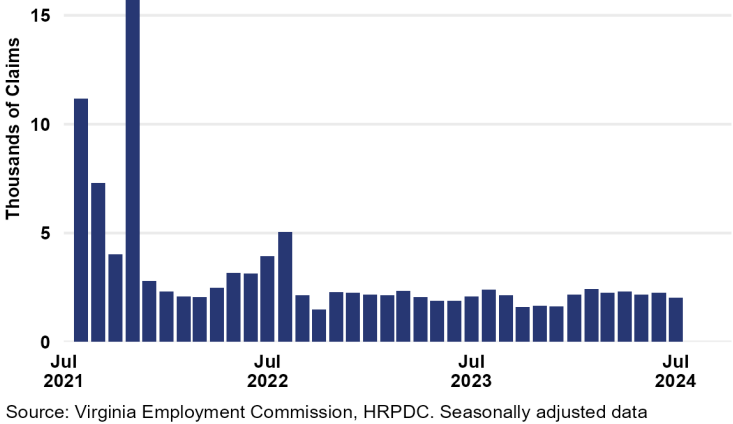
Unemployment Rate: The unemployment rate reflects the percentage of the labor force unemployed and actively seeking work. Hampton Roads' unemployment rate in August 2024 increased 0.1 percentage points from the prior month. Unemployment rates are gradually rising as labor market activity continues to slow down.



INITIAL UNEMPLOYMENT CLAIMS (M)

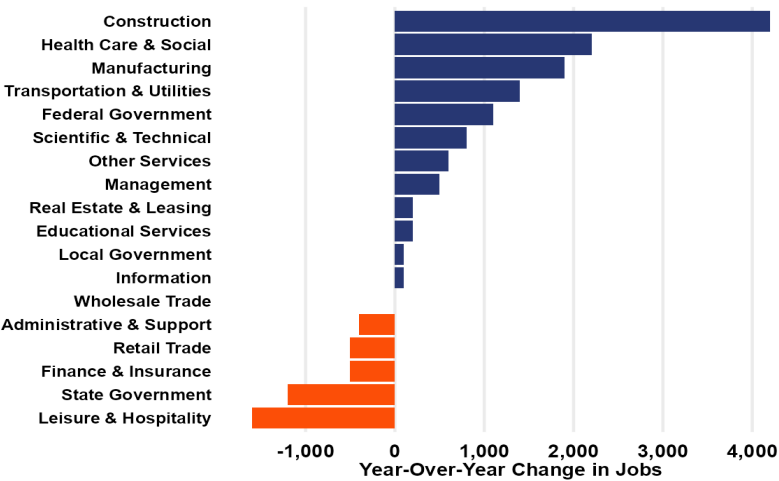
(seasonally adjusted)	Jun '24	July '24	Trend
Hampton Roads	2,261	2,034	▼
Virginia	9,586	9,392	▼

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 number of initial claims for unemployment benefits filed in July in the region decreased 10% from the previous month and are down 3.2% year over year. Claims continue to fall below at or below pre-pandemic levels.



JOB GROWTH BY INDUSTRY (AUG, YEAR-OVER-YEAR CHANGE)

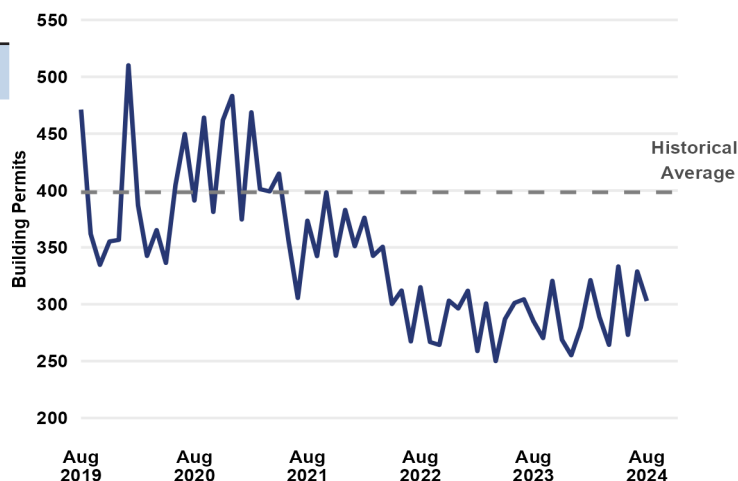
Civilian Job Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. Most of the region's industry sectors added jobs in August when compared to the prior year. The largest gains were in Construction which added 4,200 jobs year over year. Healthcare & Social Assistance (+2,200) and Manufacturing (+1,900) recorded the second and third largest gains. The largest year-over-year declines were in Leisure and Hospitality (-1,600), followed by State Government (-1,200) and the Retail Trade (-500) industry sectors.



SINGLE FAMILY HOUSING PERMITS (M)

	Aug '23	Jul '24	Aug '24	Trend
Hampton Roads	285	329	303	▼

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 303 new construction permits issued for single-family homes in August 2024, a 7.9% decrease from the previous month. Year to date, building permits issued in Hampton Roads in 2024 have increased by 4.0% from the previous year, marking a positive turnaround from the slowdown experienced in the prior two years.

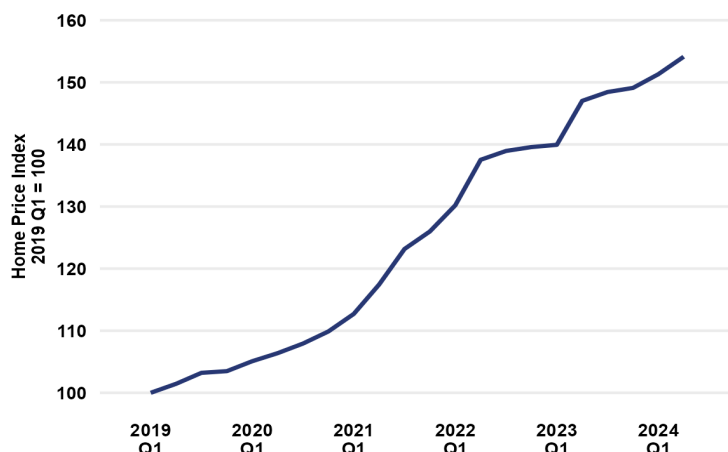


Source: US Census Bureau, HRPDC. Seasonally adjusted data

HOME PRICE INDEX, ALL TRANSACTIONS (M)

	Q2 23'	Q1 24'	Q2 24'	Trend
Hampton Roads	147.0	151.3	154.1	▲

Home Price Index: The Home Price Index tracks changes in home values by measuring price shifts through repeated sales of properties. In Hampton Roads, home prices increased by 4.8% year-over-year in Q2 2024, a slower pace than the state's 6.9% and in line with the national rate of 4.8%. While home prices accelerated in Q1 2024, growth slowed in the latest quarter. The 4.8% increase in Q2 marks the region's slowest rate of growth since early 2020.

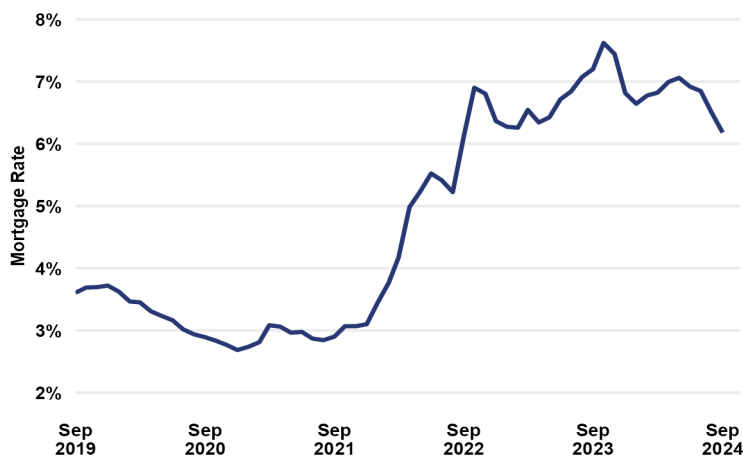


Source: U.S. Federal Housing Finance Agency, All-Transactions House Price Index

30-YEAR FIXED RATE MORTGAGE AVERAGE (M)

	Sep '23	Aug '24	Sep '24	Trend
United States	7.2%	6.5%	6.2%	▼

30-Year Mortgage Rate: Shifts in the cost of borrowing for housing have a substantial impact on housing market trends. The 30-year fixed-rate mortgage represents the average interest rate paid by borrowers on newly issued mortgage loans, and these rates typically fluctuate in tandem with interest rate cycles. In September, mortgage rates fell for the fourth consecutive month, marking a decrease of one percentage point compared to the previous year. If the Federal Reserve continues to ease policy, mortgage rates may see further declines.



Source: Freddie Mac, HRPDC. Seasonally adjusted data