HRPDC Benchmarking 2021

The Economy

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The COVID-19 pandemic has impacted the Hampton Roads economy in a myriad of ways, most evident is in regional employment levels. Regional employment had reached an all-time high of 804,500 in January 2020, and quickly plummeted to a recent low of under 700,000 by April 2020, just a few months after the onset of the pandemic. While the regional economy has regained roughly 60,000 jobs in the ~14 months since the onset of the pandemic, the recovery has begun to slow with employment far below pre-COVID levels.

Employment in Hampton Roads still derives mainly from military personnel and federal civilians, as well as industries related to the Department of Defense. Nearly all industries saw declines between 2019 and 2020 as the impacts from the pandemic caused many businesses to shut down or adjust operations. The construction industry was one standout that actually added jobs in 2020.

A gap remains between the national and regional unemployment rate, signaling a continued strength of the local economy relative to that of the nation. The regional unemployment rate has declined slowly and steadily after the spike due to the pandemic, along with the rest of the state of Virginia and the nation.

Regional per capita incomes continue to lag U.S. levels after outperforming the country during the initial years of the Great Recession. And while wages and salaries have increased in the region by over 8.8% since 2007, it still lags behind Virginia’s statewide increase of 9.4% and a national increase of 10.6%.

Overall, the Hampton Roads economy is important on both the national and international stage, with a gross product similar to some large countries. Our economy constitutes about 0.5% of the nation’s economy, income, and population. Gross product saw strong increases in 2019.

It is important to note that much of the most recent data in this section is from 2019, which does not show impacts of COVID-19.
**Figure 2.1 Hampton Roads Historic Gross Product**

**Why is it important?**
Gross product measures the dollar value of all the goods and services that are produced within a geographic area during a year. Tracking gross product over time illustrates the region’s relative economic performance.

**How are we doing?**
Between 2001 and 2007, real Gross Product grew at an annualized rate of 2.85%; however, since the Great Recession, the regional economy declined at an annualized rate of 0.3% through 2019. The regional Gross Product has been increasing by roughly 2% per year from 2017-2018 and 2018-2019, pre-COVID (2020 data not available at the time of report).

**Figure 2.2 Gross Product in Hampton Roads and Reference MSAs**

**Why is it important?**
It is important to understand the relative size of metro economies when making direct comparisons. This graph illustrates the broad range in the size of Hampton Roads' reference metropolitan areas.

**How are we doing?**
Hampton Roads’ gross product reflects both the size of the population and the productivity/value added by its industries. As with most metros, the size of the region’s economy is tightly correlated with the size of its population.

Source: Bureau of Economic Analysis, HRPDC
**Figure 2.3 Hampton Roads Gross Product Compared to Foreign Economies**

**Why is it important?**
A comparison of the Hampton Roads economy relative to foreign economies of a similar size provides perspective as to the magnitude and potential influence of the regional market.

**How are we doing?**
Hampton Roads has a world scale economy, comparable to countries such as Lithuania, Libya, and Jordan. The high level of both output and productivity growth in both the U.S. and Hampton Roads allows this region’s economy to rival those of nations which have significantly larger populations.

Source: Bureau of Economic Analysis, CIA Worldbook, HRPDC

**Figure 2.4 National and Regional Gross Product Growth**

**Why is it important?**
Comparing the gross regional product to the U.S. Gross Domestic Product provides a benchmark against which one can measure the region’s performance.

**How are we doing?**
The Hampton Roads economy typically grows in tandem with the national economy. The most recent regional and national deviation in this trend was during the economic recovery where Hampton Roads is experienced slower growth than nation. In 2019, the region and the nation had very similar growth rates, Hampton Roads’ increasing while the nation’s decreased.

Source: Bureau of Economic Analysis, HRPDC
**Figure 2.5 Three-Year Gross Product Growth in Hampton Roads and Reference MSAs**

**Why is it important?**
The reference metropolitan areas are subject to many of the same pressures that influence economic conditions in Hampton Roads. Benchmarking local economic growth against growth in competing metros allows one to assess a region’s performance irrespective of market conditions.

**How are we doing?**
While this region has experienced growth since 2010, that growth has been slight compared to many similar sized metropolitan areas.

**Annualized Growth in Gross Product**
(Inflation-Adjusted)

Metropolitan Areas with Population between 1 and 4 Million

Source: Bureau of Economic Analysis, HRPDC

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**Figure 2.6 Employment and Gross Product in Hampton Roads**

**Why is it important?**
Employment figures typically track gross product statistics; however, employment statistics are more readily available from a host of reliable sources. It is common practice to use employment information as a general indicator of economic well-being.

**How are we doing?**
Regional economic growth and employment growth are tightly related historically, but that relationship has weakened more recently, as there have been periods of sharp employment declines without commiserate declines in gross product, and vice versa.

Source: Bureau of Economic Analysis, HRPDC
**Figure 2.7 Seasonally Adjusted Hampton Roads Employment**

**Why is it important?**
When adjusted for seasonal factors, monthly employment data provide a real time indicator of regional economic activity.

**How are we doing?**
The Hampton Roads economy surpassed 2007 employment highs in May of 2017 and grew steadily since until January 2020. The impacts of the COVID-19 pandemic were severe, with over 100,000 jobs lost between February and April of 2020. Roughly 60,000 of those jobs have been recovered, but growth has slowed. Employment still sits below the highs of 2007, but above the lows of the Great Recession.

Source: Bureau of Labor Statistics, HRPDC

**Figure 2.8 Hampton Roads Employment Share of U.S. Employment**

**Why is it important?**
The local business cycle influences relative growth rates. Comparing local employment figures to national employment figures reveals how the local business cycle deviates from the national business cycle.

**How are we doing?**
Regional employment constitutes a larger share of national employment during periods of elevated military spending, including the 1980’s and shortly after 9/11. As military spending has declined relative to economic growth, the region’s share of U.S. employment has fallen.

Source: Bureau of Economic Analysis, HRPDC
Figure 2.9 Three-Year Employment Growth in Hampton Roads and Reference MSAs

**Why is it important?**
A change in the level of regional employment often coincides with growth or declines in regional output. Comparing Hampton Roads to metropolitan areas of a similar size creates an opportunity to assess the competitive strength and growth prospects for the regional economy.

**How are we doing?**
Regional employment growth has lagged that of its reference MSAs, as well as the average growth for U.S. metropolitan areas. While year-to-year performance will vary, a sustained period of weak employment growth signals underlying economic issues.

![Chart: Annualized Percent Change in Total Employment](chart)

Source: Bureau of Economic Analysis, HRPDC

Figure 2.10 Public and Private Sector Employment in Hampton Roads

**Why is it important?**
Stable government employment can insulate an economy from volatile markets. Conversely, changes in government employment can exacerbate or counter market forces.

**How are we doing?**
While private employment fell sharply during the Great Recession, regional government employment has experienced a gradual slow decline. Separating regional employment into these categories does not fully capture the influence of the federal government because civilian contractors supported by the DoD are considered privately employed.

![Chart: Public and Private Employment in Hampton Roads](chart)

Source: Bureau of Economic Analysis, HRPDC
Why is it important?
Regional economic behavior is heavily influenced by its sector composition. The current industrial make-up of a region will influence future economic growth.

How are we doing?
Professional and business services, an industry often influenced by government contracting, is the largest regional employment sector. There is also significant employment in healthcare as well as retail, local government, and the leisure and hospitality industries.

Why is it important?
Industrial employment is influenced by the business cycle. One can observe local trends by tracking changes in regional industrial employment.

How are we doing?
Hampton Roads employment at the end of 2020 grew by 18,300 when compared to the recent low during the recovery in 2010, but job growth or decline varies considerably by industry, and COVID-19 did not affect all industries equally. Healthcare and Professional & Business Services grew the most from 2010 through the end of 2020, while Leisure & Hospitality and Local Government industries saw the largest decline.
**The Economy**

**Hampton Roads Benchmarking Study**

**Figure 2.13 Hampton Roads Industry Location Quotients**

### Why is it important?

Location Quotients (LQ) identify competitive advantages by comparing regional employment distributions to national employment distributions. LQs greater than one suggest a comparative advantage.

### How are we doing?

The regional concentration of military employment continues to be striking, even as the overall number of military personnel in the region continues to fall. The Federal Government also has a large presence in Hampton Roads, supporting the outsized concentration of military.

**Figure 2.14 Hampton Roads Sub-Sector Industry Location Quotients**

### Why is it important?

Sub-sector location quotients reveal specific industries that have a high regional concentration. The industries listed all have a location quotient above 1. These sub-sector industries represent the backbone of the private sector economy in Hampton Roads.

### How are we doing?

Transportation equipment manufacturing, water transportation, and attraction employment (museums, historical sites, etc.) reflect the three basic sector industries of the regional economy: the port, the DoD (shipbuilding), and tourism. Broadcasting also has a high regional concentration.

Source: Bureau of Economic Analysis, HRPDC

Source: Bureau of Labor Statistics, HRPDC
Figure 2.15 Unemployment Rates in Hampton Roads, Virginia, and the U.S.

**Why is it important?**
Unemployment rates reflect both the general well-being of the labor force and the ability of the labor force to meet the needs of employers. Comparing the regional unemployment rate to the national rate enables one to assess the condition of the regional labor market over time.

**How are we doing?**
Historically, Hampton Roads has had a low unemployment rate compared to the nation, a trend that has continued throughout the recovery from the Great Recession, with the gap closing in 2015. Hampton Roads fared slightly better during the COVID-19 pandemic as well.

Source: Bureau of Labor Statistics, HRPDC

Figure 2.16 Employment to Population Ratio in Hampton Roads and Reference MSAs

**Why is it important?**
Comparing the number of jobs in the economy to the total population indicates how many jobs are supporting the regional economy relative to those not working, which includes children, the retired, and those who are unemployed/out of the labor force for other reasons.

**How are we doing?**
The employment to population ratio in Hampton Roads is just below the national average for metropolitan areas, and falls at the lower end of the range for this region's reference metropolitan areas.

Source: Bureau of Economic Analysis, HRPDC
**Figure 2.17 Employment to Population Ratios in Hampton Roads and the U.S.**

**Why is it important?**
Changing employment to population ratios can be the result of either economic or demographic changes. Considering changes in the employment to population ratio will result in a better understanding of the market.

**How are we doing?**
Hampton Roads’ employment to population ratio fell from its 2007 peak due to population growth and weak regional employment growth. While most MSAs saw a similar decline from 2007, they have had growing participation since 2010. Hampton Roads has seen steady growth for the past seven years, but still lags the MSA averages.

**Figure 2.18 Ratio of Average Weekly Wages**

**Why is it important?**
Average weekly wages combines a variety of information, including the tightness of the regional labor market, the cost of living, and productivity of labor within the region.

**How are we doing?**
Hampton Roads’ weekly wage increased relative to that of the nation from 2008-2010, reflecting the impact of the recession on the rest of the country, and relative stability of this region’s economy. As the rest of the country has experienced a robust recovery and DoD cuts took hold in 2012, this region’s relative wage has declined.
**Figure 2.19 Per Capita Income in Hampton Roads and Reference MSAs**

**Why is it important?**
Per capita income is the most widely available statistic on economic well-being. It is derived by dividing total personal income by the population of the region.

**How are we doing?**
Hampton Roads per capita income has fallen to over $6,500 below the U.S. metro area average, but remains in line with the incomes of its reference MSAs, albeit on the lower end. Low income disparity coupled with below average labor force participation rates suppress the region’s per capita income.

Source: Bureau of Economic Analysis, HRPDC

**Figure 2.20 Purchasing Power of Income in Hampton Roads and Reference MSAs**

**Why is it important?**
The cost of living can vary substantially between metropolitan areas. Understanding incomes within the context of the cost of living provides a clearer picture as to real purchasing power parity.

**How are we doing?**
The cost of living in Hampton Roads is slightly more expensive than many of its reference metro areas, thus the per capita income adjusted for purchasing power performs slightly worse than its unadjusted per capita income. The median rents, in particular, is 15% higher in Hampton Roads than the average for all reference MSAs.

Source: Bureau of Economic Analysis, HRPDC
**Figure 2.21 Relative Per Capita Income of Hampton Roads to Virginia and U.S.**

**Why is it important?**
Fluctuations in relative incomes reflect fluctuations in standards of living. It is useful to track how well Hampton Roads performs in relation to the state and the nation.

**How are we doing?**
Hampton Roads per capita incomes levels have steadily been dropping further below those of the nation since 2011, but its performance compared to the Commonwealth’s has held relatively steady over the same period, suggesting the same forces propel growth in incomes for both Virginia and Hampton Roads.

**Source:** Bureau of Economic Analysis, HRPDC

**Figure 2.22 U.S. and Hampton Roads Real Median Family Incomes**

**Why is it important?**
The median family income represents the general well-being of regional households. Families are the fundamental purchasing unit for many products and services.

**How are we doing?**
Real median family incomes have been growing steadily for the past four years. Regionally, families have maintained their income levels better than median family income at the national level, though the nation grew more than the region in 2019. In inflation-adjusted terms, 2019 family income was the highest in Hampton Roads history.

**Source:** U.S. Census, American Community Survey, HRPDC
**Figure 2.23 Inflation Adjusted Earnings Per Worker in Hampton Roads and the U.S.**

**Why is it important?**
One indicator of productivity is earnings-per-worker. Employment shifts from low to high paying jobs, along with increased salaries, suggest increased productivity. Stable employment and slow growth in earnings are signs of limited productivity.

**How are we doing?**
Real earnings per worker have realized inconsistent growth over the years. Hampton Roads growth in most recent years has trailed that of the nation, due in part to cuts in defense spending.

**Figure 2.24 Hampton Roads Income by Source**

**Why is it important?**
It is important to note that there are numerous sources of income for individuals, and while those sources may under/over perform, it is the overall trend in incomes that are important.

**How are we doing?**
For the past six years, total incomes in the region have grown steadily; Wages & Salaries the largest income category. Strong growth in several others, particularly personal transfers, have also contributed to recent growth. While 2019 represented increased total growth, there were declines in both Proprietor’s Income and Dividends, Interest & Rent.