2019 Regional Economic Forecast

Presented to the Hampton Roads Planning District Commission

Greg Grootendorst
Chief Economist, HRPDC
January 17, 2019
U.S. Gross Domestic Product

Current Value: $18.7 Trillion

Prerecession High: $15.8 Trillion

Recession Low: $15.1 Trillion

GDP is up 23.8% from The recession low

Source: Bureau of Economic Analysis and HRPDC
Payroll employment has grown steadily at an annualized rate of 1.7% since the recession low.

Source: Bureau of Labor Statistics and HRPDC
The unemployment rate has been reduced by over half since the height of the recession and is now well below re-recession levels.
The S&P stock market index is up 256% from the pre-recession low, and up 69% from the pre-recession high.
Employment Decline and Recovery

-8% -6% -4% -2% 0% 2% 4% 6% 8% 10%

Percent Job Loss Relative to Peak

Months Since Peak Employment

Source: Bureau of Labor Statistics and HRPDC

U.S. Virginia Hampton Roads
Hampton Roads Gross Product

Billions of 2009 Dollars

Source: Bureau of Economic Analysis, and HRPDC
Annualized Growth in Gross Product
(Inflation-Adjusted)

Metropolitan Areas with Population between 1 and 4 Million

Source: Bureau of Economic Analysis, and HRPDC
Hampton Roads Employment Change
November ‘08 – November ‘18

Healthcare & Social Services
Leisure & Hospitality
Federal Government
Scientific & Technical Services
Other Services
Management
Education Services
Transportation & Utilities
Retail Trade
State Government
Finance & Insurance
Administrative & Support Services
Manufacturing
Real Estate & Leasing
Wholesale Trade
Information
Construction
Local Government

Change in Employment

Source: Bureau of Labor Statistics and HRPDC
Nonfarm Civilian Employment (Jobs) in Hampton Roads

Seasonally Adjusted Payrolls, Thousands

781,600 Jul, 2007
733,800 Feb, 2010
791,000 Nov, 2018

+ 57,200 Jobs from 2007
+ 9,400 in Past Year

Source: Bureau of Labor Statistics and HRPDC
Hampton Roads Employment Change

November ‘17 – November ‘18

Change in Employment

-1,000 0 1,000 2,000 3,000 4,000 5,000 6,000

Scientific & Technical
Leisure & Hospitality
Manufacturing
Transportation & Utilities
Management
Finance & Insurance
Real Estate & Leasing
Other Services
Local Government
Healthcare & Social
Wholesale Trade
State Government
Retail Trade
Construction
Federal Government
Administrative & Support
Education Services
Information

Source: Bureau of Labor Statistics and HRPDC
Unemployment Rates
Seasonally Adjusted

Source: Bureau of Labor Statistics and HRPDC
Labor Force in Hampton Roads

Source: Bureau of Labor Statistics and HRPDC
Unemployed in Hampton Roads

Unemployed Persons 2010: 63,215
Unemployed Persons 2018: 28,345

Source: Bureau of Labor Statistics and HRPDC
Hampton Roads Labor Force

Source: Bureau of Labor Statistics and HRPDC
Income in Hampton Roads Compared to the United States

Source: Bureau of Economic Analysis, and HRPDC
Median Family Incomes

Income in 2017 Dollars

Source: U.S. Census Bureau and HRPDC
Annualized Real Defense Outlays
(U.S. Quarterly Data, Seasonally Adjusted)

Source: Bureau of Economic Analysis and HRPDC
Military Personnel in HR and the U.S.

Source: Bureau of Economic Analysis and HRPDC
Military Personnel and Income as a Share of the Hampton Roads Economy

Source: Bureau of Economic Analysis and HRPDC
Defense Contracts in Hampton Roads

(Inflation-Adjusted)

Source: USAspending.gov and HRPDC
CBO Projected Defense Outlays, Statutory Budget Caps

Source: Congressional Budget Office, USAspending.gov and HRPDC
General Cargo in Hampton Roads

Containers:

Ships:

Share:

Source: Port of Virginia and HRPDC
Tourism Expenditures in HR
(Inflation-Adjusted)

Source: Virginia Tourism Corporation and HRPDC
Hampton Roads Retail Sales

Annualized growth rate of 1.2% since 2006

Inflation adjusted annualized growth rate of -1.1% since 2006

Source: Virginia Department of Taxation and HRPDC
FHFA Home Price Index Growth in Hampton Roads, Virginia, and the U.S.

Source: Federal Housing Finance Agency, HRPDC
Hampton Roads Housing Market
Settled Sales

Source: Real Estate Investment Network, HRPDC
Average "Sold" Market Time
(Seasonally Adjusted)

Days on Market (Residential Closings)

Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14 Jan-15 Jan-16 Jan-17 Jan-18

Source: Real Estate Investment Network, HRPDC
Housing Permits in Hampton Roads

Permits (12-Month Moving Average)

Source: U.S. Census Bureau, HRPDC
Housing Opportunity Index in Hampton Roads

Housing Opportunity Index (% of Homes Sold Affordable to a Median Income Family)

Source: NAHB/Wells Fargo, HRPDC
Hampton Roads Foreclosures as a Share of Resales

Source: Zillow, HRPDC
Foreclosures as a Percent of Resales

MSAs (Population 1M - 4M)

Source: Zillow, HRPDC
FHFA Home Price Index in Hampton Roads, Virginia, and the U.S.

Source: Federal Housing Finance Agency, HRPDC
The Year Ahead

On the One Hand

• Strong defense spending
  – DoD funded through Sept.
• Strong consumer spending
• Increasing wages
• Corporate profits
• Low energy prices
• Continued national growth

On the Other...

• Growing risk of recession
• National home price deceleration
• Global trade tensions (China)
• European slow-down
• Rising interest rates
• Divided government
U.S. Civilian Employment

Forecast of U.S. Gross Domestic Product

Consensus Forecast

Source: Blue Chip Economic Indicators and HRPDC
Federal Budget Deficits

Source: Congressional Budget Office and HRPDC
### HRPDC Forecast for 2019

<table>
<thead>
<tr>
<th></th>
<th>2018 (Year to Date)</th>
<th>2019 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td>2.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Interest Rates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short Government Rates</td>
<td>2.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Long Government Rates</td>
<td>2.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Hampton Roads</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Product</td>
<td>NA</td>
<td>2.2%</td>
</tr>
<tr>
<td>Civilian Employment</td>
<td>0.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>3.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Auto and Truck Sales</td>
<td>-1.3%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Value of Single-Family Residential Building Permits</td>
<td>2.6%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
Greg Grootendorst, Chief Economist
Hampton Roads Planning District Commission

ggrootendorst@hrpdcvam.gov
757.420.8300