2018 Regional Economic Forecast

Presented to the Hampton Roads Planning District Commission

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National Indicators

• Gross Regional Product
  – Strong and sustained growth since 2009

• Employment
  – 9 million above prerecession high

• Unemployment Rate
  – Lowest rate since December 2000

• Stock Market
  – The S&P has averaged over 15% growth since ‘08
Civilian Employment Decline and Recovery

Hampton Roads’ civilian payroll employment is currently 2.4% (19,100 jobs) below the pre-recession high.

Source: Bureau of Labor Statistics, HRPDC
Hampton Roads ranked last for growth in civilian employment in 2017 when compared to metro areas with over 1 million people.

Source: Bureau of Labor Statistics, HRPDC
Change in Gross Product
(Inflation-Adjusted 2009 Dollars)

10 Year Change in Gross Product

Gross Metro Product (Billions of 2009 Dollars)

-10% 0% 10% 20% 30% 40% 50% 60% 70%

Metropolitan Areas with Population between 1 and 3 Million

San Jose, Austin, Raleigh, Nashville, Portland, City, Chicago, Denver, Louisville, Charlotte, Kansas City, Baltimore, Richmond, Indianapolis, Cincinnati, Orlando, Tampa, St. Louis, Buffalo, Cleveland, Sacramento, Milwaukee, Jacksonville, Las Vegas, Hartford, Memphis, Minneapolis, New Orleans

Hampton Roads

Source: Bureau of Economic Analysis, HRPDC
Hampton Roads Employment Change: Dec '07 – Dec '17

Change in Employment

-15,000 -10,000 -5,000 0 5,000 10,000 15,000 20,000 25,000

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

Source: Bureau of Labor Statistics, HRPDC
Hampton Roads Employment Change: Dec '16 - Dec '17

Change in Employment

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

Source: Bureau of Labor Statistics, HRPDC
U.S., Virginia, & Hampton Roads
Unemployment Rate
(Seasonally Adjusted)

Source: Bureau of Labor Statistics, HRPDC
Forecast 2018

Jobs & Employment

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

Sources: Bureau of Labor Statistics and HRPDC
Initial Unemployment Claims in Hampton Roads (Seasonally Adjusted)

Source: Virginia Employment Commission, HRPDC
Taxable Accommodations in HR

Source: Virginia Department of Taxation and HRPDC
Hampton Roads Retail Sales
3 Month Moving Average

Billions of Dollars of Sales (Seasonally Adjusted)

- $1.2B (2018)
- $1.6B
- $2.0B

Source: Virginia Department of Taxation, HRPDC
Hampton Roads Retail Sales and Incomes
(Inflation-Adjusted)

Source: Virginia Department of Taxation, Bureau of Economic Analysis and HRPDC
Value of Single Family Building Permits in Hampton Roads

Forecast 2018

Value of Single Family Permits (Seasonally Adjusted)

Source: U.S. Census Bureau and HRPDC
Home Price Index
Year-over-Year

Year-over-Year Growth in HPI

Source: Federal Housing Finance Agency, HRPDC
On Hampton Roads’ Housing...

- Housing Sales Market – HEALTHY!
- Number of Existing Homes up 4.6%
- New Construction Highest Sales Since 2007
- Existing Homes Highest Sales Since 2005
- Relatively Low Inventories
- Average Days on Market 71 (Healthy)
- SF Building Permits up 7%; value up 8.5%
- Median Sales Price Highest Since 2007
- Distressed Homes Remain a Problem
Military Personnel in Hampton Roads

- In 2003 there were 113,400 uniformed military personnel in Hampton Roads.
- There were 29,300 fewer military personnel in the region in 2016 than there was in 2003.

25.8% decline in military personnel from 2003 to 2016

Offset by Increased $$$

Exacerbated by $$$ Cuts

Sources: Bureau of Economic Analysis and HRPDC
Hampton Roads Employment by Type

Sources: Bureau of Economic Analysis and HRPDC
The Year Ahead...

The Good:
• DoD pay increase planned
• Continued growth in the national economy
• Consumer spending
• Continued low energy prices
• Corporate investment is up
• Interest rates remain relatively low
• Healthier global economy

The Bad:
• Continued uncertainty in Washington
• Regional employment figures remain troubling
• Interest rates are edging up
• Very limited upward potential in regional housing market
• Weak productivity growth
• Increased risk of global conflicts
Annualized Percent Change in Gross Domestic Product

Source: Blue Chip Economic Indicators and HRPDC
Employment & Recessions in the U.S.

U.S. Civilian Non-Farm Employment

Source: Federal Reserve Bank, Bureau of Labor Statistics and HRPDC
# 2018 HRPDC Forecast

## U.S.
- **Real GDP**
  - 2017 (Year to Date): 2.5%
  - 2018 Forecast: 2.8%

## Interest Rates
- **Short Government Rates**
  - 2017 (Year to Date): 1.0%
  - 2018 Forecast: 1.8%
- **Long Government Rates**
  - 2017 (Year to Date): 2.3%
  - 2018 Forecast: 2.8%

## Hampton Roads
- **Gross Product**
  - 2017 (Year to Date): NA
  - 2018 Forecast: 1.3%
- **Civilian Employment**
  - 2017 (Year to Date): -0.3%
  - 2018 Forecast: 1.0%
- **Unemployment Rate**
  - 2017 (Year to Date): 4.2%
  - 2018 Forecast: 4.2%
- **Retail Sales**
  - 2017 (Year to Date): 2.8%
  - 2018 Forecast: 2.7%
- **Auto and Truck Sales**
  - 2017 (Year to Date): -5.1%
  - 2018 Forecast: -1.8%
- **Value of Single-Family Residential Building Permits**
  - 2017 (Year to Date): 8.5%
  - 2018 Forecast: 2.0%
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