

What Difference Does a Year Make? Plenty...

Most people appreciate when data is clear, producing consistent trends which allow for straightforward analysis; this is especially true for economists. Unfortunately, regional economic data has been rather inconsistent since the onset of the Great Recession more than ten years ago.

In conducting analysis, there is often a great deal of interest in how data points have changed from one period of time to another. This then raises the question, what period of time does one evaluate? Economics staff at the HRPDC have been consistent in using one-year, three-year, and ten-year time horizons in our analysis; however, these simplified time horizons routinely produce an incomplete message regarding the state of the regional economy, particularly when the economy rapidly changes direction.

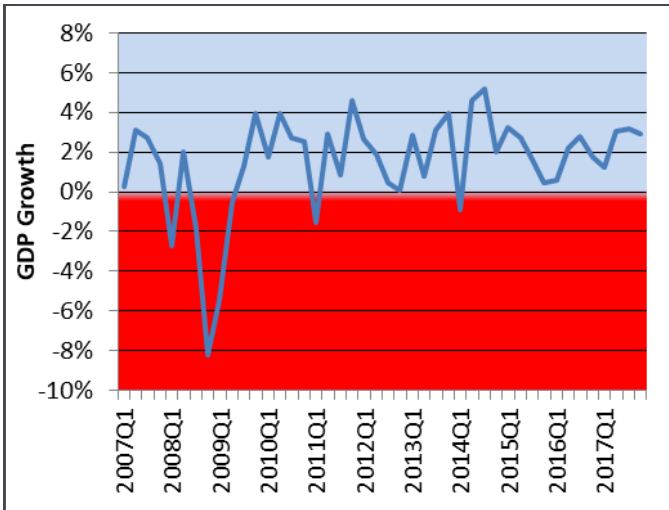
Analysis of Hampton Roads' economic recovery is further complicated when different estimates about an indicator prove to be out-of-sync or inconsistent (as is evident in the graphic below). At the end of 2017, Hampton Roads' employment estimates showed a regional recession, while other regional data suggested that the economy was experiencing modest growth. Now that the region has produced several months of relatively strong employment reports (particularly within the unemployment figures), there is a lack of supporting data in areas such as home sales, home permits, retail sales, or car sales that one might expect to see given the improved labor force participation and employment. Monitoring a variety of indicators allows for a more nuanced understanding of the regional economy, substituting simplicity for greater accuracy.

Ten-Year vs. Eleven-Year Change in Selected Indicators



GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q4, Quarterly

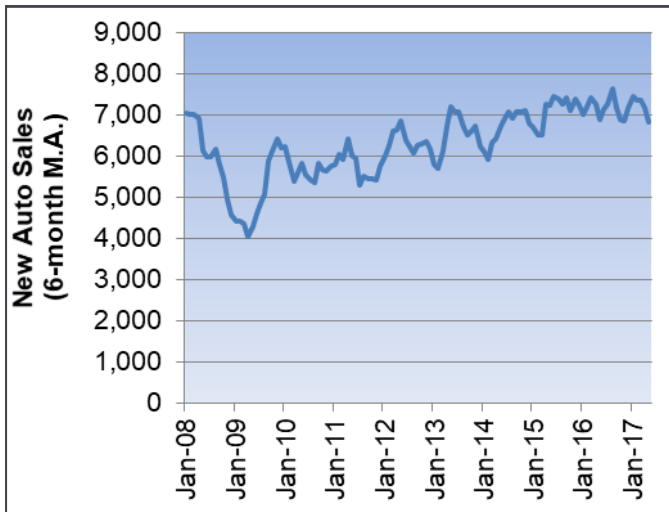


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP growth slowed slightly from 3.2% in Q3 of 2017 to 2.9% in Q4 of 2017. Personal consumption expenditures continued to grow strongly (+4%), and contributed significantly to GDP growth, while the balance of trade weakened significantly in the final quarter of the year.

New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2008 – Mar 2018, Monthly

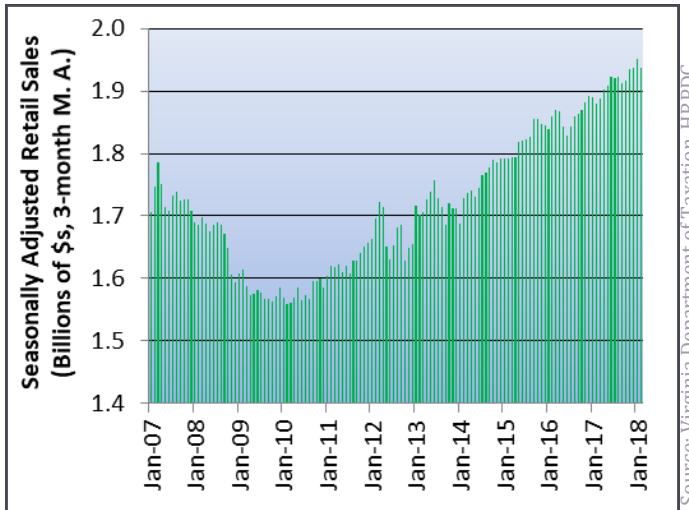


Source: Virginia Automobile Dealers Association, HRPDC

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 remained steady at 6,888 (seasonally adjusted), below their long term average of 7,000 per month. Car sales have exhibited a high level of variability over the past 12-months, but the average level of sales has declined by 9.6% over the past year.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2008– Feb 2018, Monthly

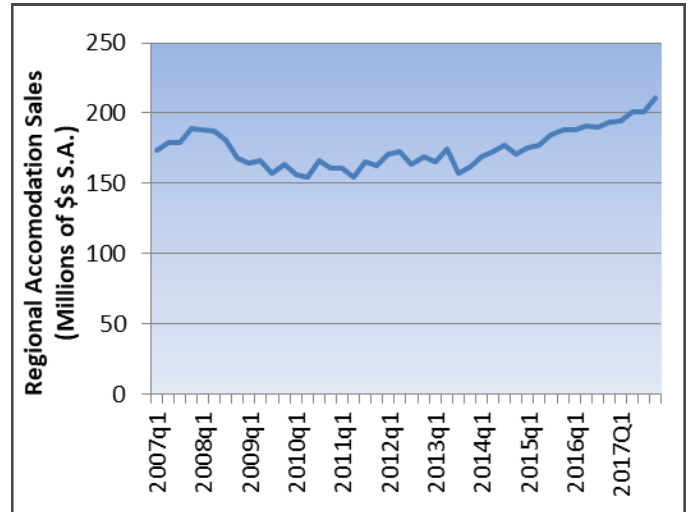


Source: Virginia Department of Taxation, HRPDC

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’ taxable monthly sales declined in February 2018, the first decline in five months (seasonally adjusted 3-month average). This is still a strong result for retail sales, as sales are 2.5% higher year over year, and at \$1.94 B, do not significantly differ from the January 2018 levels. Statewide retail sales showed a similar small dip.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q4, Quarterly

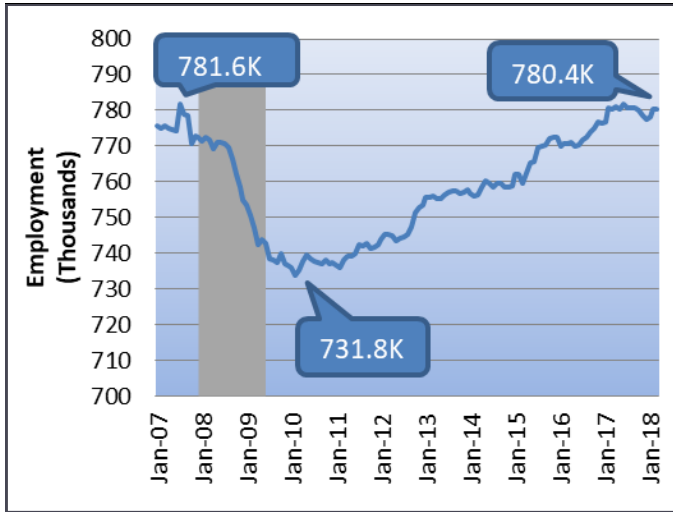


Source: HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. Regional accommodation sales in Q4 2017 increased by 4.7% to \$211 million (seasonally adjusted). While there was a pause in growth during Q3, this is in line with both the higher retail sales and the recent revisions to the tourism employment data.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2007 – Mar 2018, Monthly

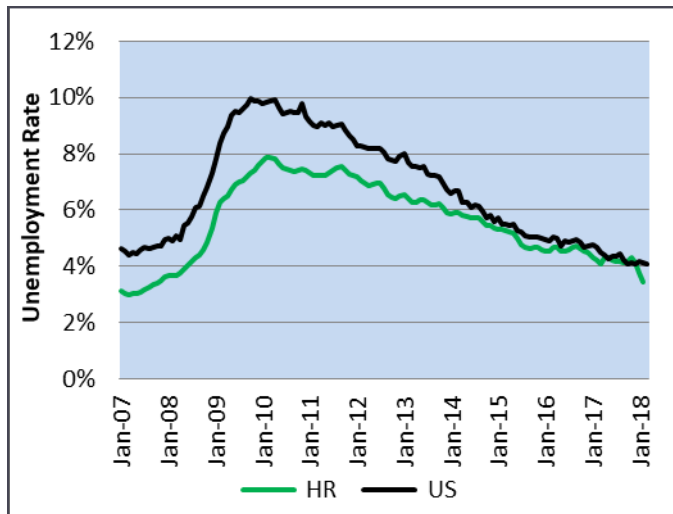


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. The April employment report confirmed the previous strong report, including an upward revision and in January (revised 1,300 jobs higher for a month-over-month job growth of 1,000) and an even stronger February report (+2,000). While only 100 jobs were added in March 2018, this puts the region within 1,200 jobs of its prerecession peak.

Unemployment Rate, Seasonally Adjusted

Hampton Roads and U.S, Jan 2007 – Feb 2018, Monthly

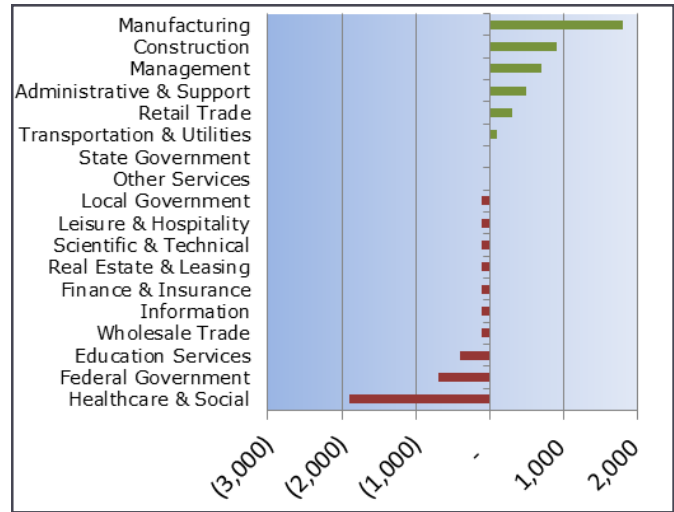


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. Hampton Roads' unemployment rate plummeted to 3.46% February 2018, as both seasonally adjusted labor force and employment grew significantly (+9,928 and +11,695 respectively). This reversed some concerning trends that emerged towards the end of the summer in 2017, and moves the regional unemployment below the national level.

Employment Growth by Industry

Hampton Roads, Mar 2017 – Mar 2018, Year-over-Year

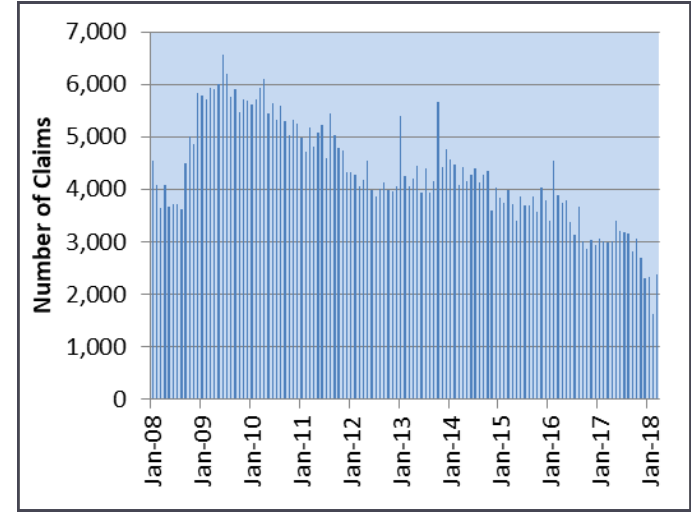


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Manufacturing continues to see strong year-over-year growth (+1,800), and construction gained (+900) as well. The biggest decrease came from health care and social services (-1,900), but that industry remains the largest employment in the region, with 90,600 jobs (12% of regional civilian employment).

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – Mar 2018, Monthly

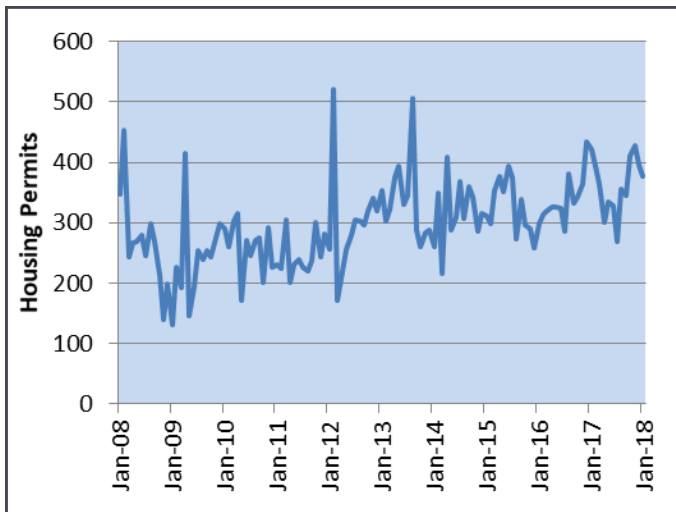


Source: Virginia Department of Labor, HRPDC

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 ticked up to 2,363 in March 2018, from an all time low of 1,610 in February; however, this continues a four-month period where claims have fallen significantly below the long-term average (3,808).

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2008 – Mar 2018, Monthly

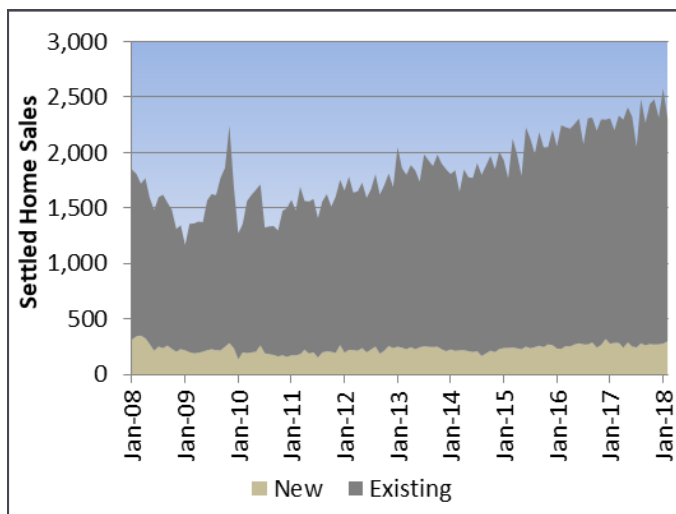


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Single family permits decreased again, failing to 340 units in March 2018, from 353 in February, and 427 in November 2017 (seasonally adjusted). The region continues to lag below the long-term average of 450 single family permits per month, and this has been a poor quarter with regards to permitting. This is difficult to align with increasing construction employment.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2008 – Mar 2018, Monthly

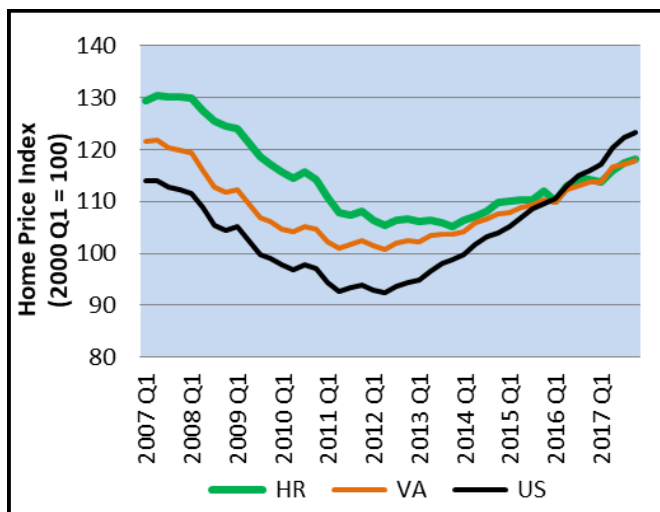


Source: REIN, HRPDC

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. Existing home sales increased to 2,009 in March 2018, returning to the levels of the past two years after a brief jump in January. It is difficult to ascribe significance to the moves this winter due to the weather, but a higher level of sales should follow the improvement seen in the employment indicators.

Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q4 Quarterly

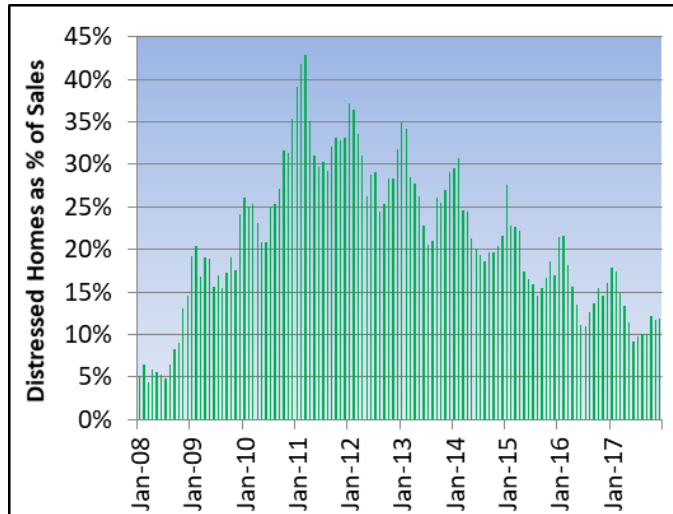


Source: Federal Housing Finance Agency, HRPDC

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 prices increased in Q3 2017, and fall 3.5% above the price levels last year, equal to the growth in home prices statewide. However, this growth rate is below that of the nation (6.3%). Regional home values remain 9.4% below 2007 levels.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2008 – Dec 2017, Monthly



Source: REIN, Old Dominion Forecasting Project, HRPDC

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. The dataset provided by REIN and analyzed by ODU indicates a sharp rise in distressed properties (REO and Short Sales), which comprised almost 45% of closings. Distressed sales have declined since the recession, but still represented 12.8% of Sales in December.