

## What's in the \$1.3 Trillion Omnibus Spending Bill?

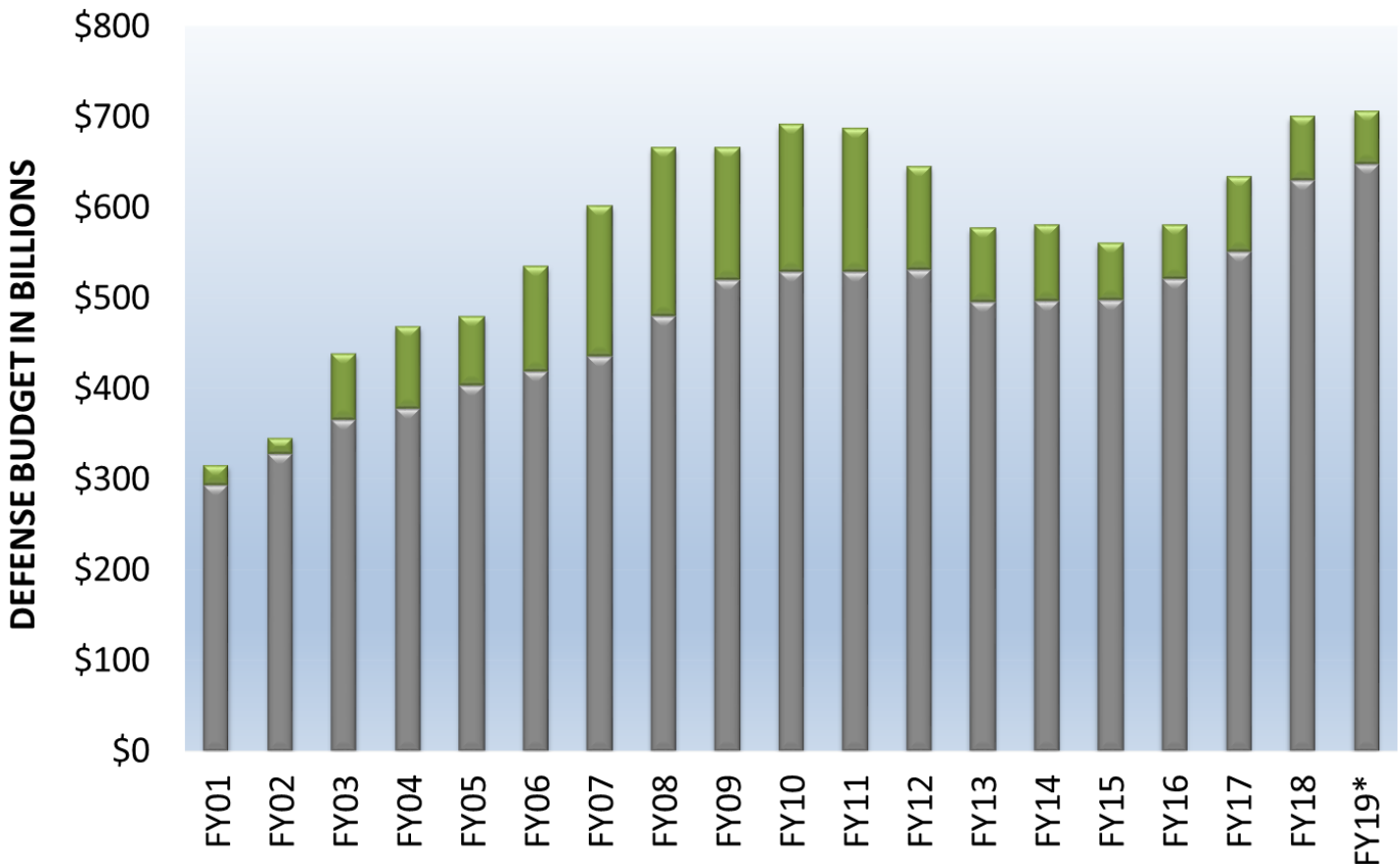
On March 21, 2018, Congress passed the Consolidated Appropriations Act of 2018, a \$1.3 trillion dollar spending bill that combines several small appropriations bills into one large spending package, known as an omnibus bill.

Although it seemed political disagreements might derail the passage of appropriations for the remainder of FY2018, the eventual agreement followed the parameters of the Bipartisan Budget Act of 2018. This included \$629B in base defense spending and \$65.2B in overseas contingency operations for the Department of Defense. While these levels fall below the \$71B projected for overseas operations in January, the agreement allows for \$706B in total defense spending, so there is the possibility that number will increase as the fiscal year continues. The passage of this bill also gives confidence the agreed \$716B in spending for FY2019 will be enacted.

There are several items in this bill that directly impact Hampton Roads. The passage of this bill funds the 2.4% increase in pay for uniformed personnel. The funding also includes \$23.8B for Navy shipbuilding, \$3.4B over the initial budget request, including allocations to construct a new aircraft carrier and two new Virginia-class submarines. The bill fully funds advance procurement activities for Ohio-class and Virginia-class submarines, including a \$225 million expansion of the submarine industrial base. Additionally, there are funds to pay for cost overruns in shipbuilding that occurred in FY2017.

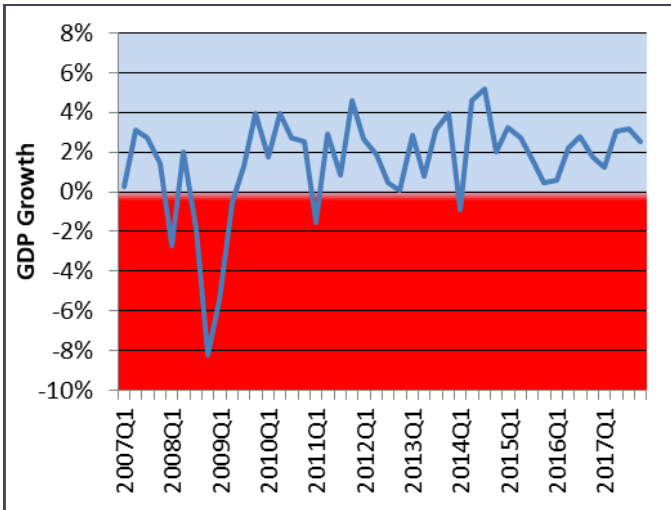
There are also numerous non-defense spending expansions.

### U.S. Topline Defense Budget and Projections



### GDP, Annualized Growth Rate

United States, 2007Q1 – 2017Q4, Quarterly

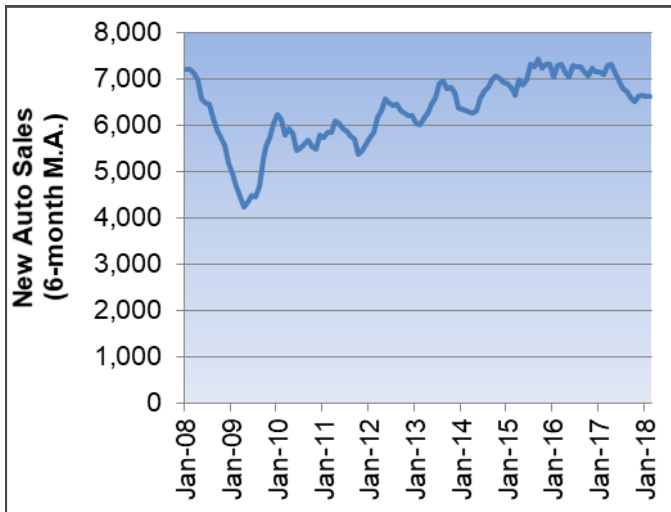


Source: Bureau of Economic Analysis, HRPDC

**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 to 2.5% in the third quarter of 2017, fueled by a decline in inventories that decreased GDP growth by 0.70%. Importantly for Hampton Roads, national defense spending increased by 5.6%, the third quarter of growth in a row.

### New Car Sales, Seasonally Adjusted

Hampton Roads, Jan 2008 – Feb 2018, Monthly

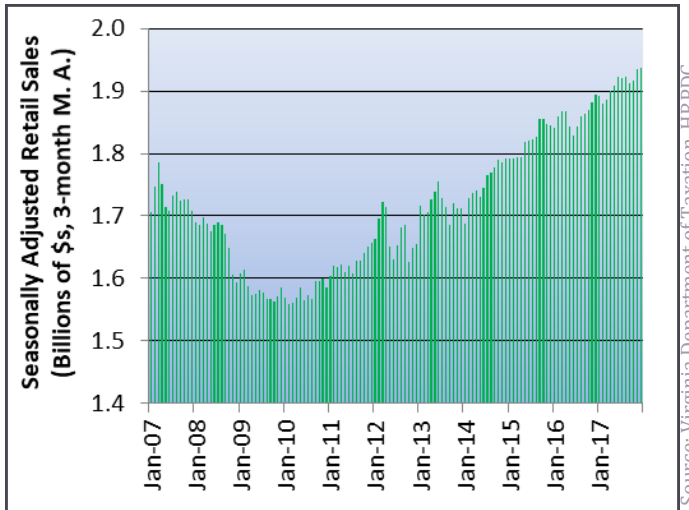


Source: Virginia Automobile Dealers Association, HRPDC

**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 were 6,833 (seasonally adjusted), below their long-term average of 7,000 per month. Over the past year, car sales have exhibited a high level of variability, but the average level of sales has declined by 6.5%.

### Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2007– Dec 2017, Monthly

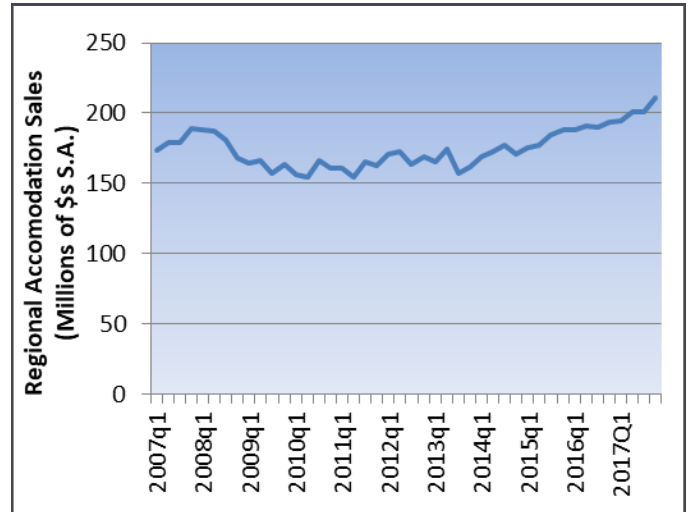


Source: Virginia Department of Taxation, HRPDC

**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 increased continued at \$1.95B in January 2017 (seasonally adjusted 3-month average). Retail sales increased by an impressive 4.1% year-over-year, and this continues an impressively strong result regionally. Nationally, retail sales have declined for the past three months (through February).

### Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2007Q1 – 2017Q4, Quarterly

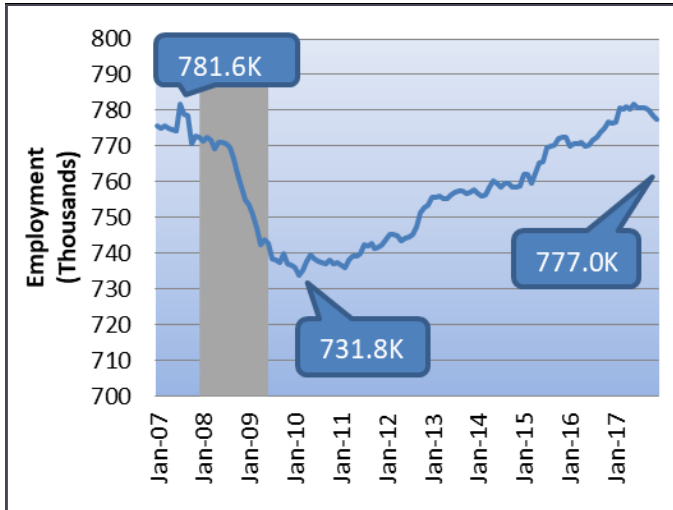


Source: HRPDC

**Estimated Hotel Revenue:** Hotel sales indicate the performance of the region’s tourism sector. The fourth quarter accommodation sales increased by 4.7% regionally, to \$211 million (seasonally adjusted). While there was a pause in growth during the third quarter, 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 – Jan 2018, Monthly

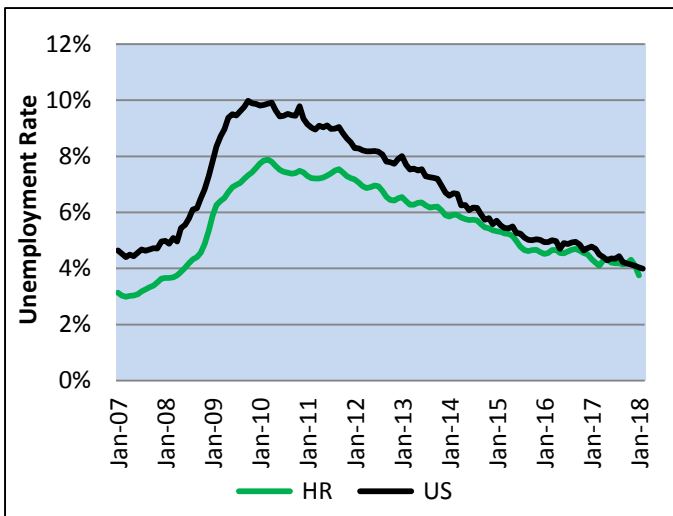


Source: Bureau of Labor Statistics, HRPDC

**Employment:** Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Regional civilian employment fell by 300 in January 2018, to 777,000, but that slightly negative news was overwhelmed by the positive revision. While 2017 was weak with regards to employment (only 700 new jobs), increased defense spending will likely significantly improve these figures in 2018.

### Unemployment Rate, Seasonally Adjusted

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

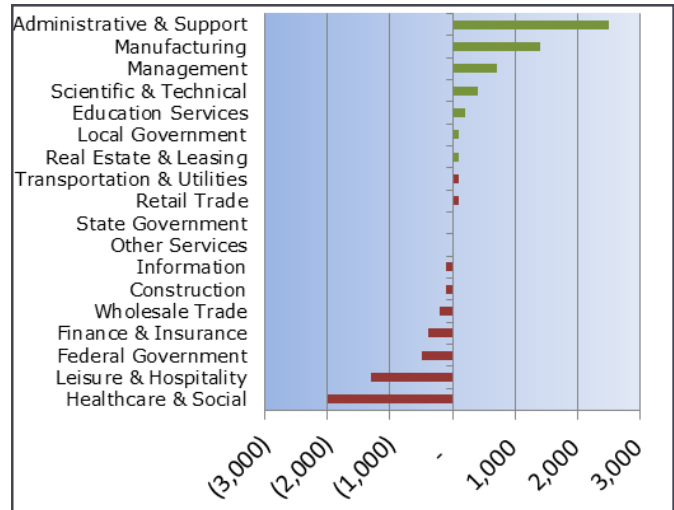


Source: Bureau of Labor Statistics, HRPDC

**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 3.75% January 2018, as both seasonally adjusted labor force and employment grew significantly (+11,982 and +14,611 respectively). This reversed concerning trends that emerged towards the end of the summer and moves the regional unemployment below the national level once again.

### Employment Growth by Industry

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

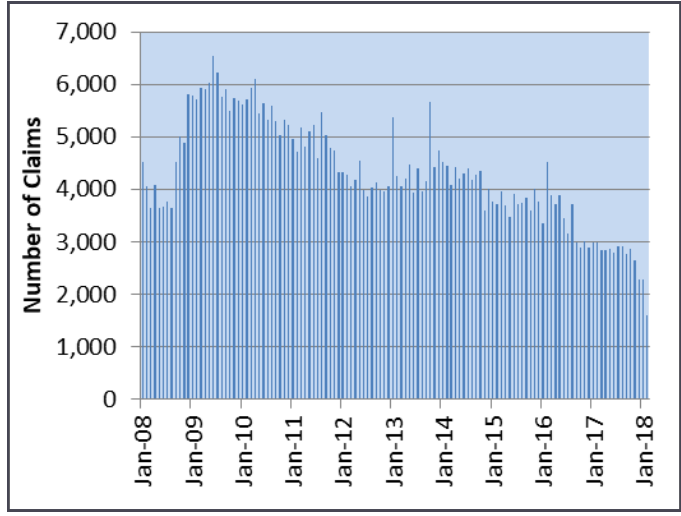


Source: Bureau of Labor Statistics, HRPDC

**Employment Growth by Industry:** As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. The story with industry employment is consistent with that of total employment, the revision overwhelms the individual month-to-month variations. Leisure and Hospitality employment fell by 1,300 year-over-year, but the revision wiped out an estimated 6,100 decline in the industry. The revision only indicated weakness in healthcare and social assistance employment.

### Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2008 – Feb 2018, Monthly

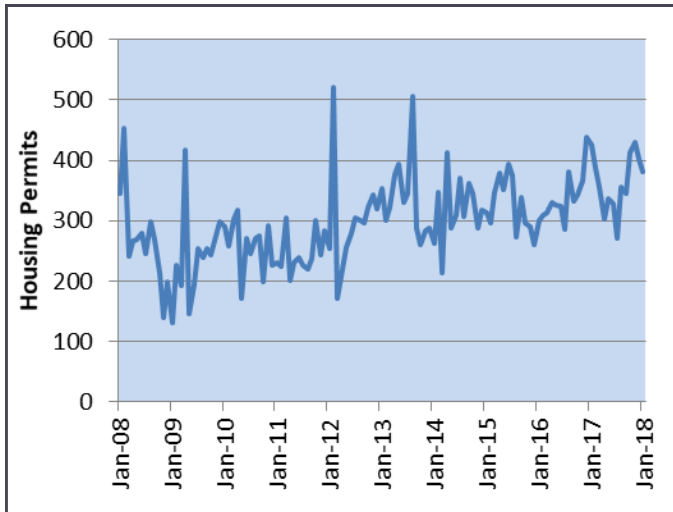


Source: Virginia Department of Labor, HRPDC

**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 declined rapidly to 1,592 in February 2017 from 2,283 in January 2018. This is by far the fewest claims regionally in the 34-year history of the series.

### Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2008 – Jan 2018, Monthly

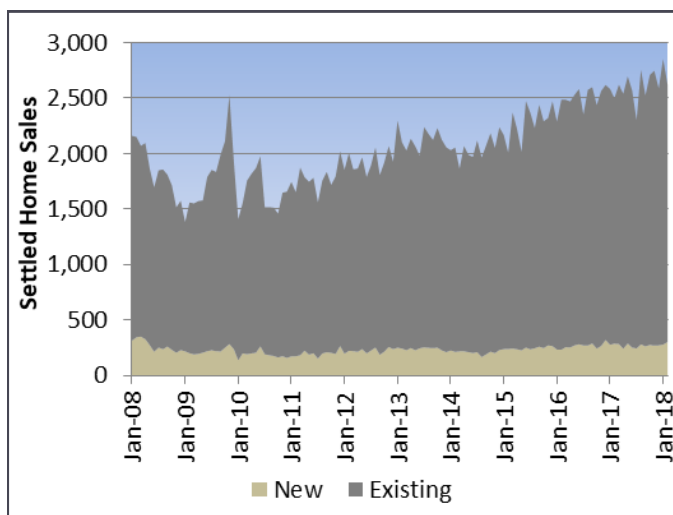


Source: U.S. Census Bureau, HRPDC

**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 fell by 20 to 382 units in January 2018 (seasonally adjusted). The region continues to lag below the long-term average of 450 single family permits per month, and breaks a streak of three straight months with permitting more than 400 units per month. Real estate activity regionally remains volatile and sensitive to weather conditions.

### Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2008 – Feb 2018, Monthly

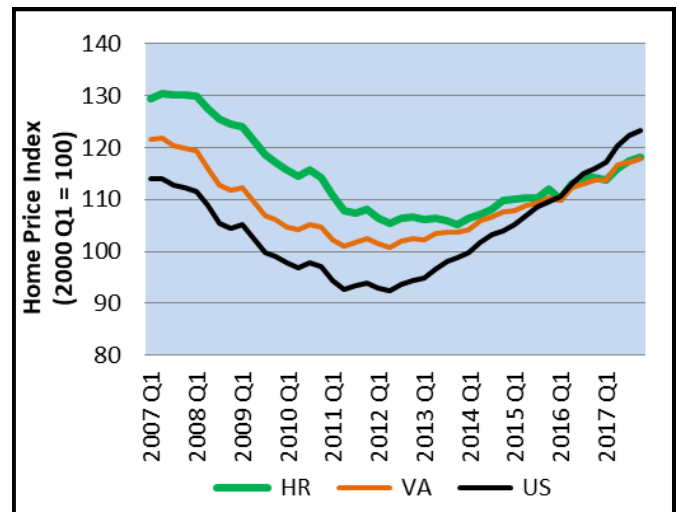


Source: REIN, HRPDC

**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 decreased to 2,320 in February 2018, returning to the levels of the past two years after a brief jump in January. It is difficult to ascribe much significance to the moves this winter due both to the weather and uncertainty about the budget during this period.

### Home Price Index, All Transactions

Hampton Roads, 2007Q1 – 2017Q4 Quarterly

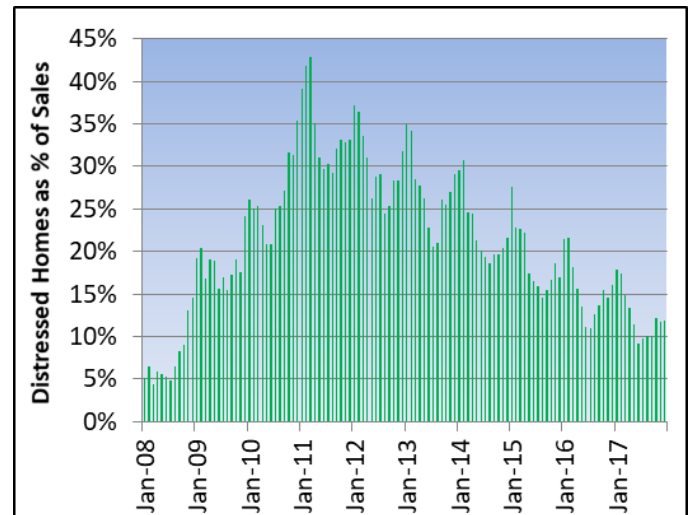


Source: Federal Housing Finance Agency, HRPDC

**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 the third quarter of 2017, and are 3.5% above the price levels last year, equal to the growth in home prices statewide, though 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.