

The Data Is Starting To Talk — What Is It Saying?

In order to slow the spread of COVID-19, on March 23, 2020, Governor Ralph Northam issued Executive Order 53 closing schools, non-essential retail, restaurants, entertainment, gatherings, and on March 30 issued a stay at home order under Executive Order 55. In turn, these closures have led over 80,000 people in Hampton Roads to file for unemployment over the past few months, the first reliable indicator that shows the impact of the pandemic on the regional economy.

This month, there is more to the story than initial unemployment claims. Three months after the pandemic took a firm grip on the U.S. economy, regional economic data is beginning to reveal more of the initial impacts on Hampton Roads. As is evident throughout the various charts of this monthly report, economic indicators in Hampton Roads have begun to trend downwards after a long upward recovery from the Great Recession.

This month, in addition to initial unemployment claims data showing a dramatic increase, GDP, total employment and industry employment levels, unemployment rates, and car sales have all shown drastic changes in their monthly numbers. The table below summarizes the percent changes of these indicators, showing the stark differences from pre-COVID levels to the most recently available data.

While civilian employment in the region experienced a drastic decrease of over 70,000 jobs in April, a 9.24% decrease from the previous year, industry-level data appears to confirm many of the anecdotal reports of the Leisure & Hospitality and Retail Trade industries, each experiencing a decrease of 37.1% and 14.9% respectively from the previous year's levels. As offices moved towards adopting strict work from home policies, the Administrative + Support industry saw a 15.4% decrease in employment, and with schools and daycares closed throughout the country, Education Services saw a 14.4% decrease in total employment. While April's retail sales data is not yet available for the region, we may be able to look at car sales from April (decrease of 42% year-over-year when seasonally adjusted) for an indicator of both consumer confidence and the ability for people to actually shop in the retail sector when so many businesses have been closed.

In normal times, percentage change is a helpful guide to what's happening in the economy, but these are not normal times. For example, from mid-April to mid-May 2020, the number of those traveling by air in the U.S. increased by 123%. Sounds promising, right? But this is comparing two abnormal months with one another, when in reality, April saw a 96% decrease in air traffic from the previous year, and May saw a 91% decrease from the previous year. It's important to note that some indicators may improve from month to month as the nation begins to open back up, but it's equally important to take note of the bigger picture and compare existing data with pre-COVID data in order to understand the impact of the pandemic on relevant economic indicators.

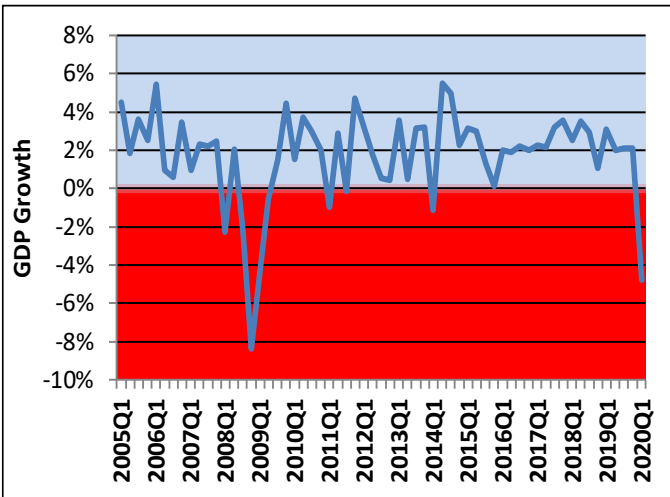
Indicator	Percent Change	Scale
Civilian Employment	9.24% decrease	April 2019 to April 2020
Leisure + Hospitality	37.1% decrease	April 2019 to April 2020
Admin + Support	15.4% decrease	April 2019 to April 2020
Retail Trade	14.9% decrease	April 2019 to April 2020
Education Services	14.4% decrease	April 2019 to April 2020
Initial Unemployment Claims	3,400% increase	April 2019 to April 2020
Unemployment Rate	244% increase	March 2020 to April 2020
Car Sales	42% decrease	April 2019 to April 2020
GDP (nation)	4.8% decrease	Q4 2019 to Q1 2020

Source: BEA, BLS, VEC, VADA, HRPDC.

Please note: The indicators included in this monthly report are generally on a one- to three-month lag, which means the following graphs are only just beginning to reveal some of the economic impacts of COVID-19.

GDP, Annualized Growth Rate

United States, 2005Q1 – 2020Q1, Quarterly

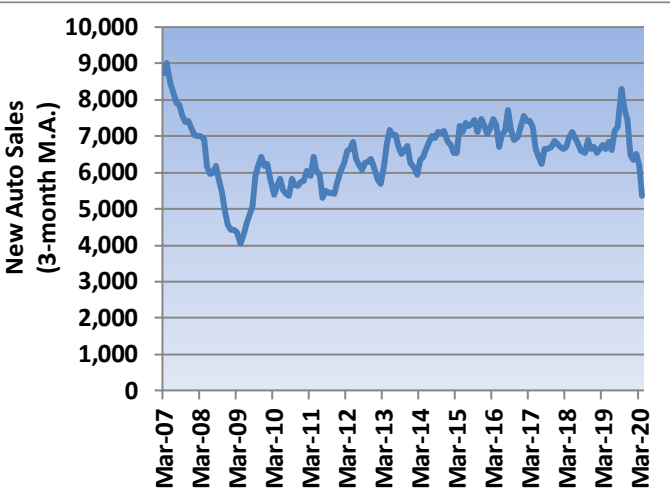


Source: Bureau of Economic Analysis, HRPDC

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Real GDP decreased 4.8% in Q1 2020, reflecting the impact that COVID-19 had on the national economy during the beginning stages of the pandemic in the United States. It is expected that Q2 will show a further shrinking of the national economy, as many of the country’s businesses were shut down during April and May, while Q1 saw businesses closed for a shorter period of time.

New Car Sales, Seasonally Adjusted

Hampton Roads, Mar 2007 – Apr 2020, Monthly

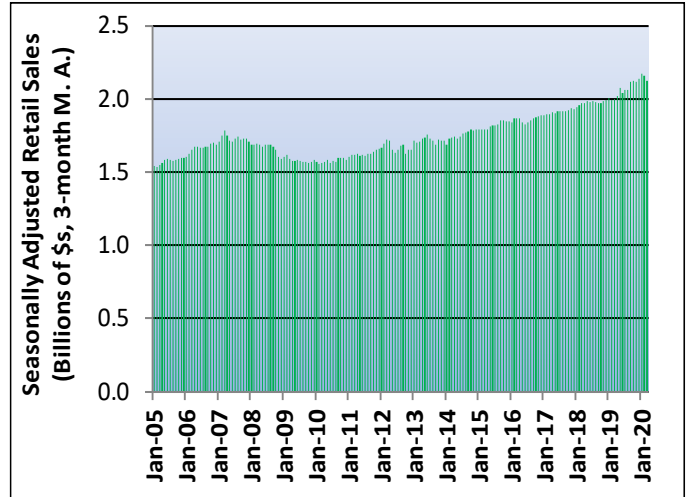


Source: Virginia Automobile Dealers Association, HRPDC

New Car Sales: Car sales, as a durable good, may be put off until an individual’s economic prospects improve; thus, the number of new car sales indicates the level of confidence that households in Hampton Roads have in their financial future. Car sales in April reported historic lows, reaching levels that haven’t been seen since the Great Recession in 2008 and 2009. It is too soon to tell if this is due to economic hardship of consumers, or the social distancing requirements Virginians have been under.

Hampton Roads Retail Sales, Seasonally Adjusted

Hampton Roads, Jan 2005– Mar 2020, Monthly

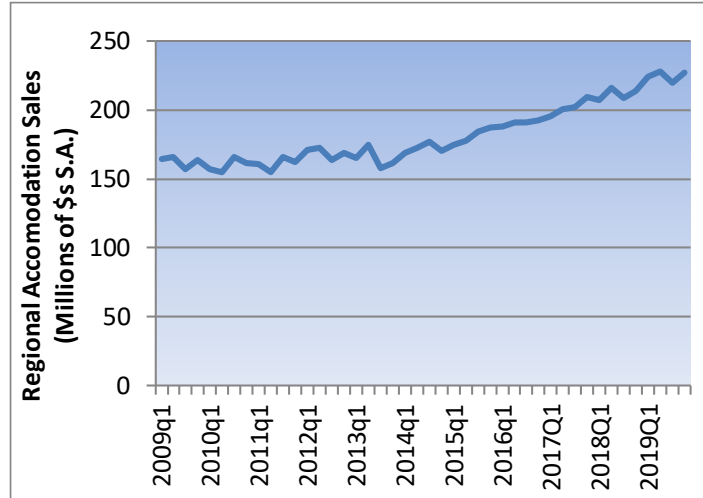


Source: Virginia Department of Taxation, HRPDC

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. Retail sales in Hampton Roads decreased slightly in both February and March from an all-time high in January, reaching back towards December levels. Non-essential businesses in the Commonwealth did not close until March 23, 2020, so data for retail sales in April and May will be important to watch closely for any impacts from COVID-19. It is important to note that the large majority of online sales are included in the sales tax figures.

Estimated Hotel Revenue, Seasonally Adjusted

Hampton Roads, 2009Q1 – 2019Q4, Quarterly

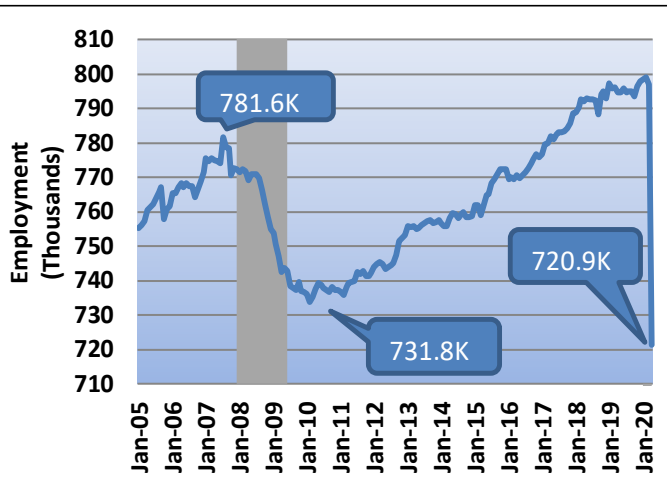


Source: Virginia Department of Taxation, HRPDC

Estimated Hotel Revenue: Hotel sales indicate the performance of the region’s tourism sector. While 2019 ended on a high note, once Q1 2020 data is available, hotel revenue is likely to be significantly impacted by COVID-19 as events were canceled, beaches closed, and restaurants are unable to stay open for patrons. Preliminary data from Smith Travel Research (STR) painted a dim picture for the hotel industry, with revenue per available room (RevPAR) and occupancy rates in Hampton Roads reported at historic and unprecedented lows.

Civilian Employment, Seasonally Adjusted

Hampton Roads, Jan 2005 – Apr 2020, Monthly

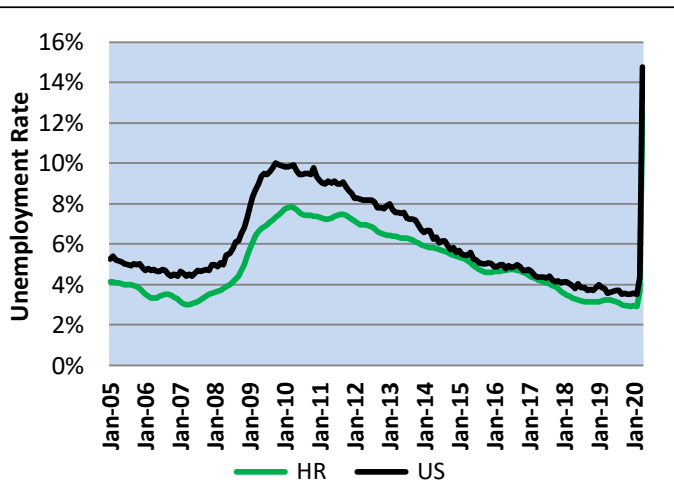


Source: Bureau of Labor Statistics, HRPDC

Employment: Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. According to data from the Bureau of Labor Statistics, Hampton Roads employment declined drastically in April 2020, a direct result of the coronavirus pandemic as many businesses have had to lay off or furlough their employees. This decline represents a 9.2% decrease from the previous month, and 9.5% from the previous year, by far the most drastic on record, over twice the year-over-year decreases in the summer of 2009.

Unemployment Rate, Seasonally Adjusted

U.S. & Hampton Roads, Jan 2005 – Apr 2020, Monthly

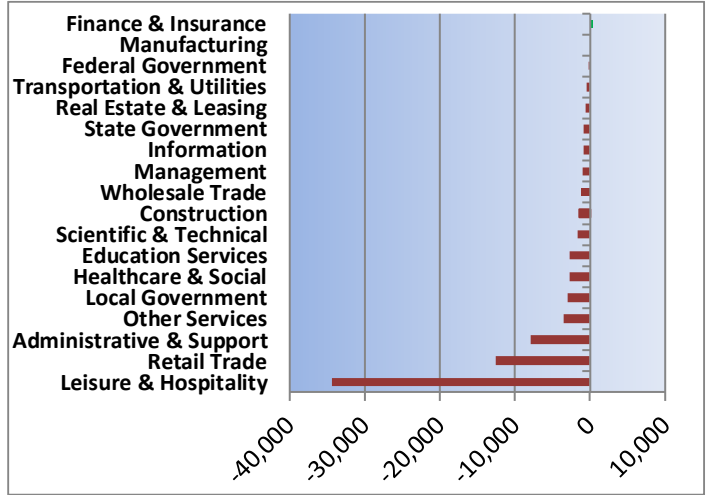


Source: Bureau of Labor Statistics, HRPDC

Unemployment Rate: The unemployment rate is the percentage of the population actively seeking work but unable to obtain a position. Hampton Roads' unemployment rate increased in April 2020 to 12.54%, an unprecedented increase of 244% in one month, while national unemployment rate is 14.75%, representing a 237% increase from March. As regional data continues to catch up and unemployment claims continue to rise, Hampton Roads unemployment rates will certainly continue to increase in coming months to match the trends of the nation.

Employment Growth by Industry

Hampton Roads, Apr-19 to Apr-20, Year-over-Year

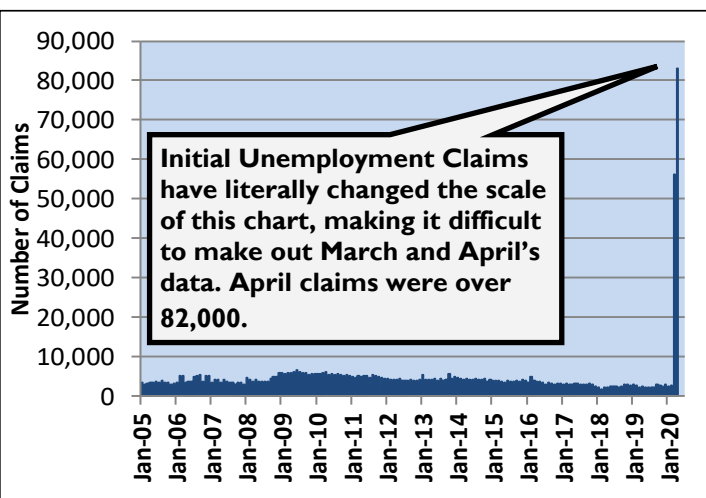


Source: Bureau of Labor Statistics, HRPDC

Employment Growth by Industry: As the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. In April, almost every Hampton Roads industry experienced a decrease in year-over-year employment. Most significant was Leisure & Hospitality, which showed an especially large decrease of over 34,000 employees as hotels and restaurants around the region were closed, events canceled, beaches closed, and travel halted. Retail Trade reported over 12,500 jobs lost in April, while Finance & Insurance was the only industry to add jobs, only 500.

Initial Unemployment Claims, Seasonally Adjusted

Hampton Roads, Jan 2005 – Apr 2020, Monthly

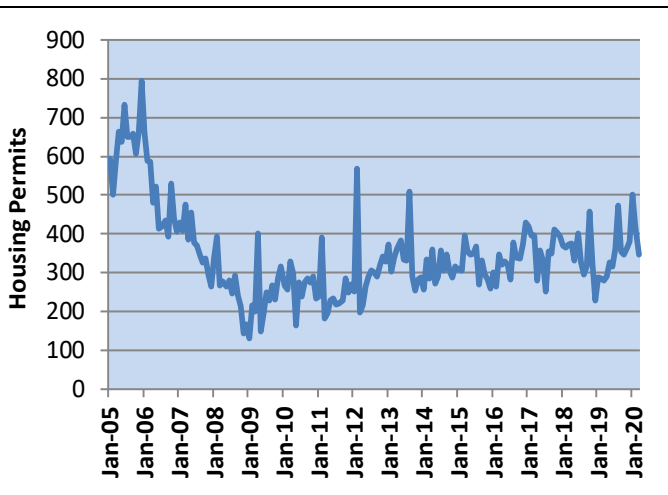


Source: Virginia Department of Labor, HRPDC

Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. Seasonal adjusted unemployment claims increased in April 2020 to over 82,000, an unprecedented number which has completely changed the scale of this indicator chart. This monthly increase represents an increase of nearly 1,000% from recent highs in 2009, and over 3,400% increase from the previous year.

Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2005 – Apr 2020, Monthly

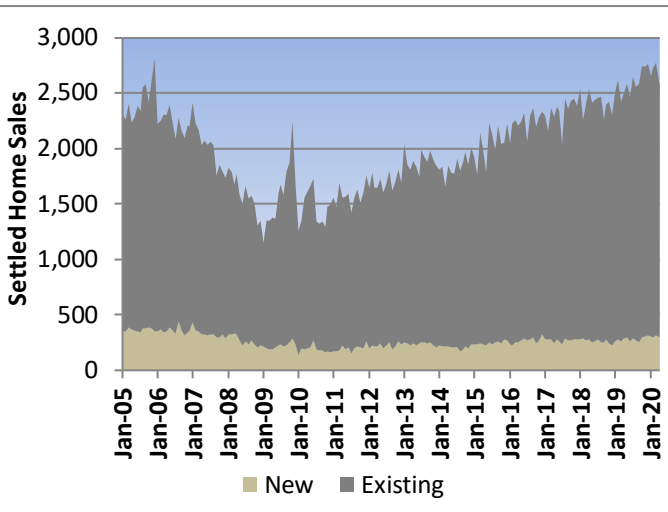


Source: U.S. Census Bureau, HRPDC

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. The level of new construction permitting for single family homes in March 2020 increased slightly to 401 permits, but when seasonally adjusted represents a decrease to the recent lows of the end of 2019. As the market continues to respond to both COVID-19 as well as the recently lowered federal interest rates (currently 0%), this indicator will be watched closely.

Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2005 – Apr 2020, Monthly

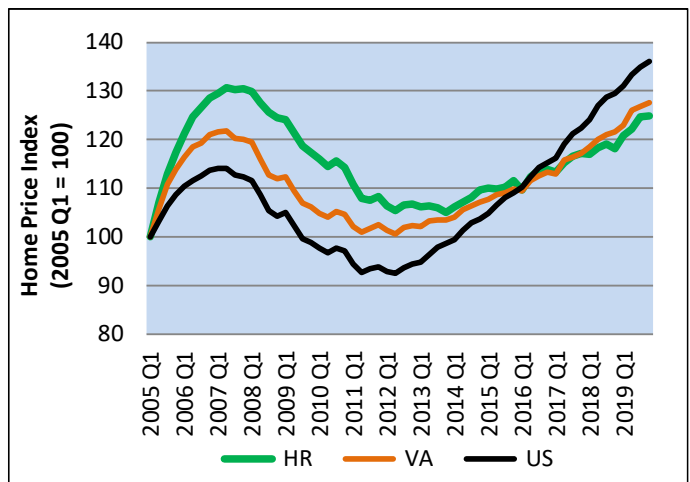


Source: REIN, HRPDC

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. The levels of existing home sales have been strong recently, with sales maintaining the same average level as during the housing boom in 2005. New construction sales in April were down from the previous month's ten-year high, continuing to represent roughly 11% of all sales.

Home Price Index, All Transactions

Hampton Roads, 2005Q1 – 2019Q4 Quarterly

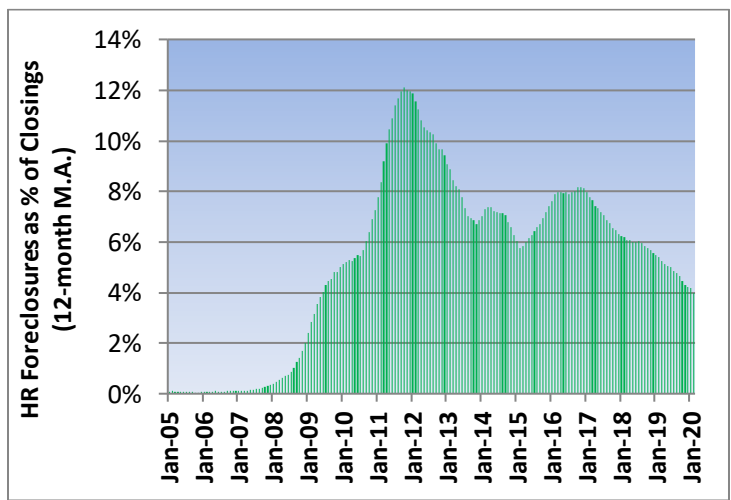


Source: Federal Housing Finance Agency, HRPDC

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, yet again, by 5.7% over the previous year in Q4 2019, rising above below both the state and the nation. Regional housing values remain 4.3% below those seen during the peak of the housing boom.

Foreclosures and Distressed Sales

Hampton Roads, Jan 2005 – Jan 2020 Monthly



Source: Zillow, HRPDC

Foreclosures: Foreclosures have a significant impact on the real estate market and community, depressing home values on a neighborhood and regional level. Distressed homes' share of total sales has particularly been shown to impact the sale price of existing homes. The foreclosure level is still elevated from the housing boom, but has been steadily declining, showing some of the lowest rates since 2009. Foreclosures constituted 4% of all home resales in January of 2020, down from a recent high of 8.1% in April of 2016 (12-month average).