



2018 Midyear Economic Forecast

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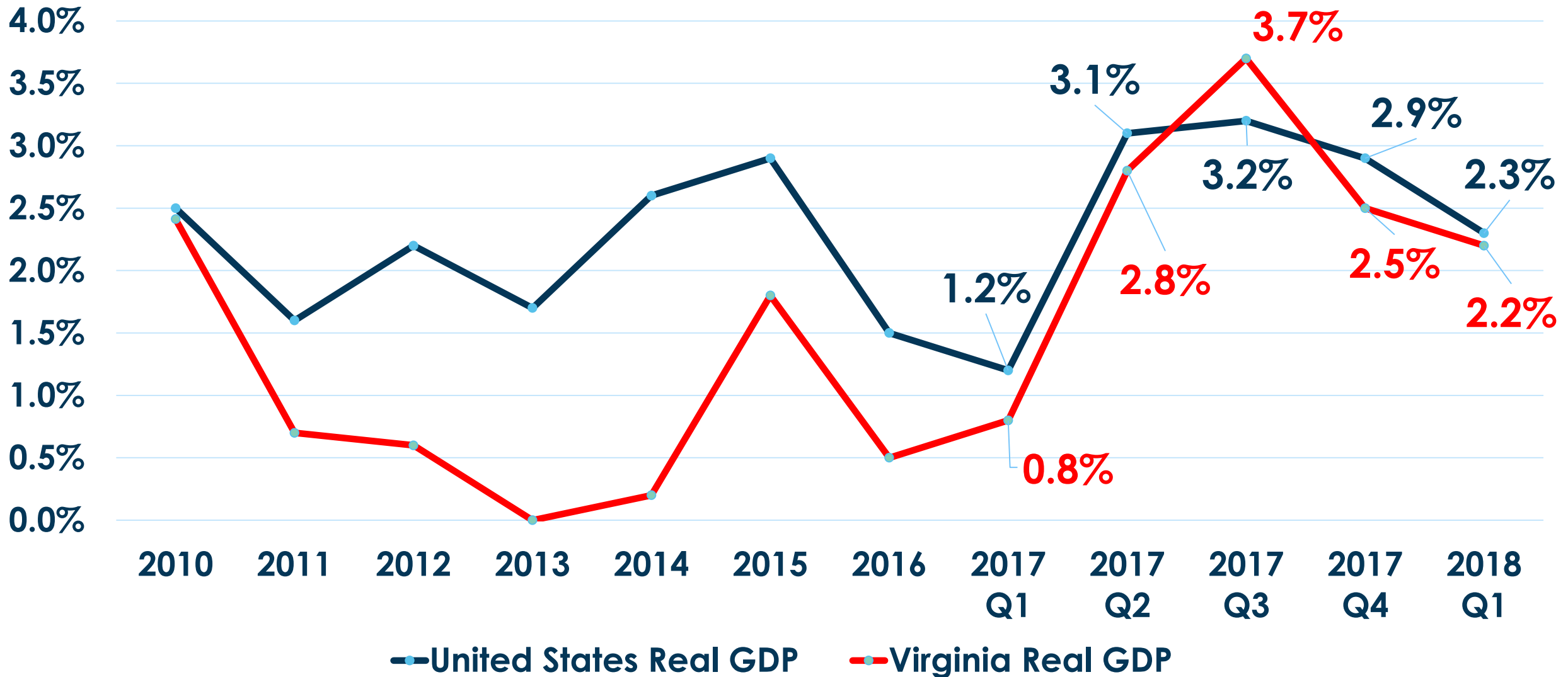
The data in this presentation are subject to revision. To our knowledge, all data in this presentation are accurate at the time of the presentation.

Current and Historical Expansions

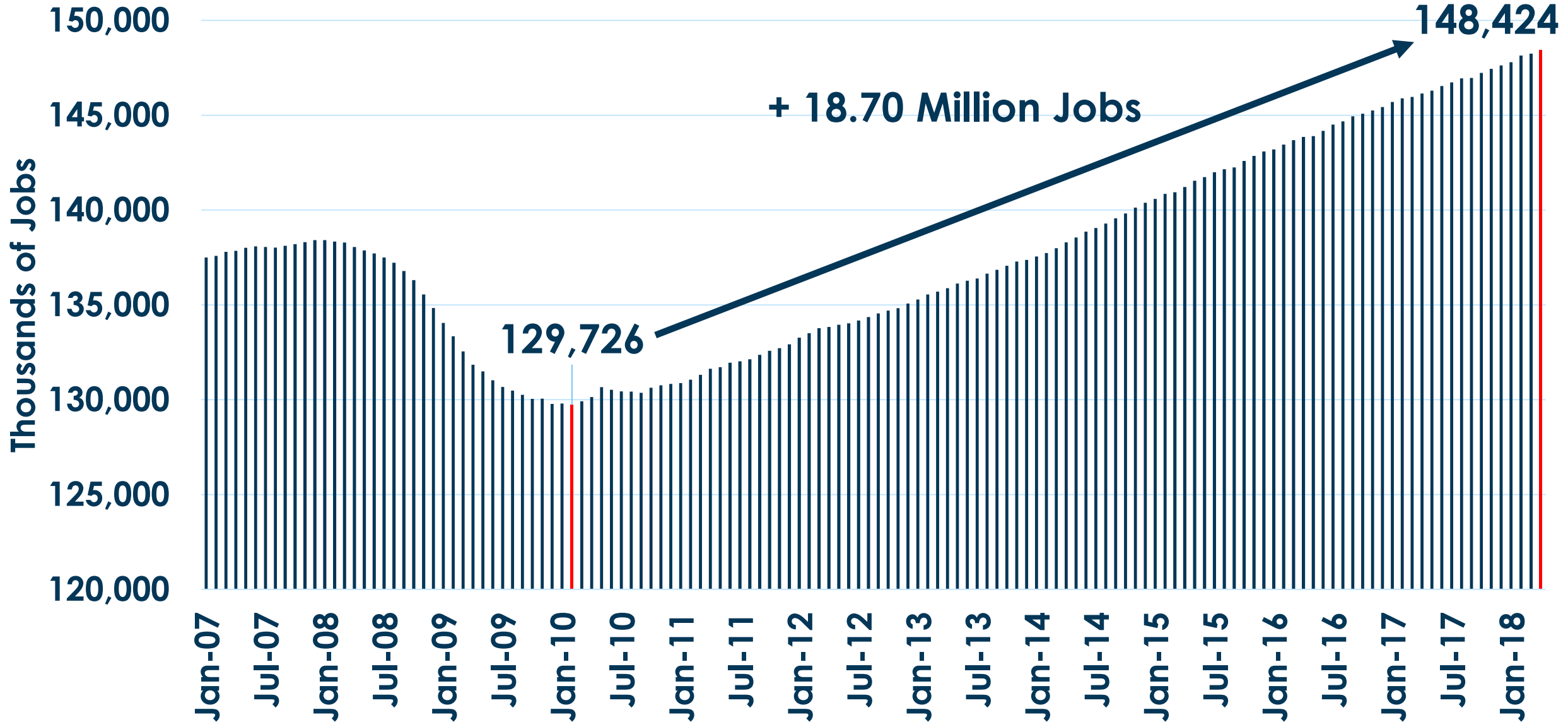
Expansion	Duration In months	Annual Employment Growth	Annual Real GDP Growth
October 1949 – July 1953	45	4.35%	6.14%
May 1954 – August 1957	39	2.51%	3.67%
April 1958 – April 1960	24	3.58%	4.86%
February 1961 – December 1969	106	3.23%	4.68%
November 1970 – November 1973	36	3.38%	4.60%
March 1975 – January 1980	58	3.51%	4.01%
December 1982 – July 1990	91	2.81%	3.81%
March 1991 – March 2001	120	2.01%	3.45%
November 2001 – December 2007	73	0.88%	2.66%
June 2009 – Present*	106	1.41%	2.16%

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, National Bureau of Economic Research, and Old Dominion University Economic Forecasting Project. Real GDP in chained 2009 dollars. CAGR = Compound Annual Growth Rate. Annual Real GDP CAGR derived from quarterly series. Annual employment CAGR derived from monthly series. Current expansion data ends in 2018 Q1 for GDP and March 2018 for Employment. Average annual Real GDP CAGR of previous expansions = 4.21% while average annual employment CAGR from previous expansions = 2.92%. Next update is May 30th, 2018.

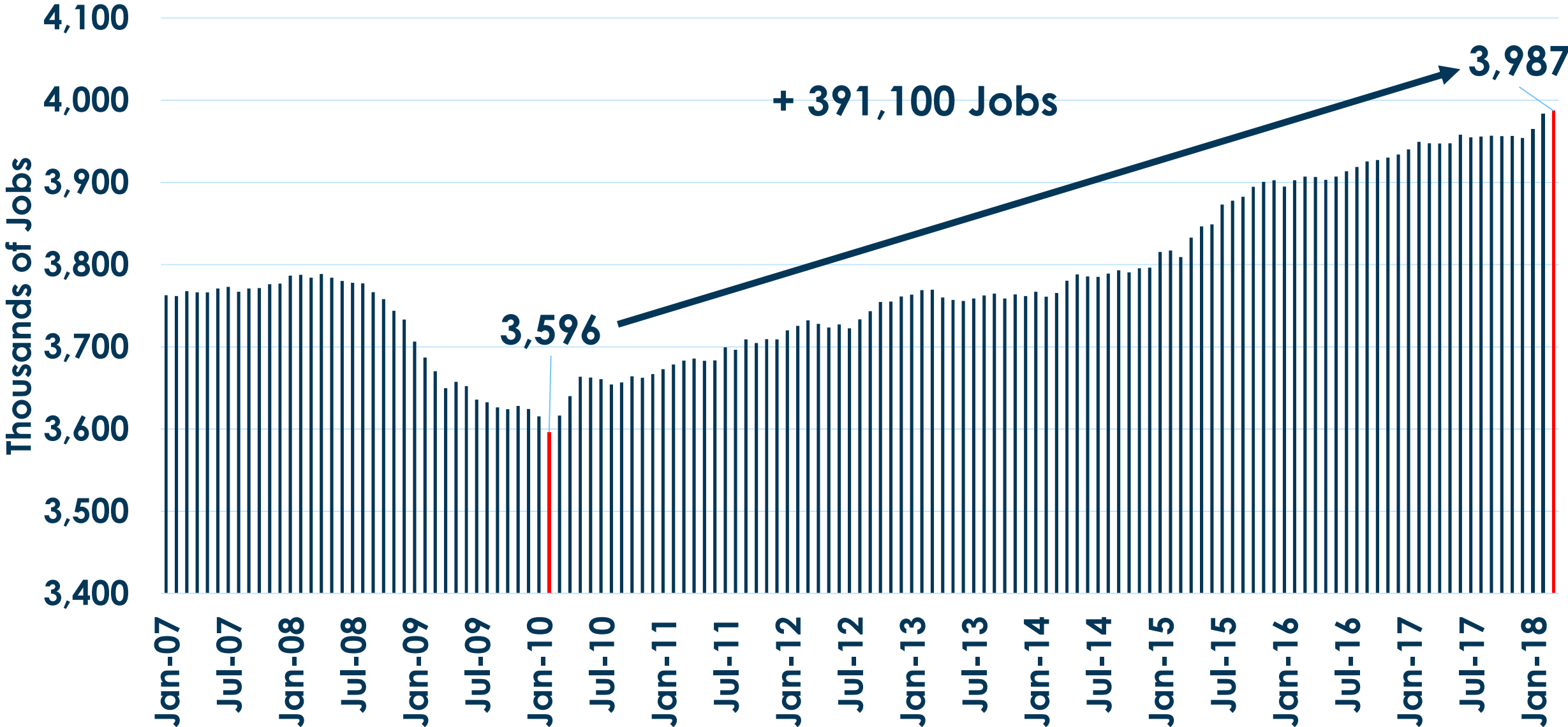
Growth in Real Gross Domestic Product United States and Virginia, 2010 - 2018 Q1



Total Nonfarm Employment United States, January 2007 – April 2018

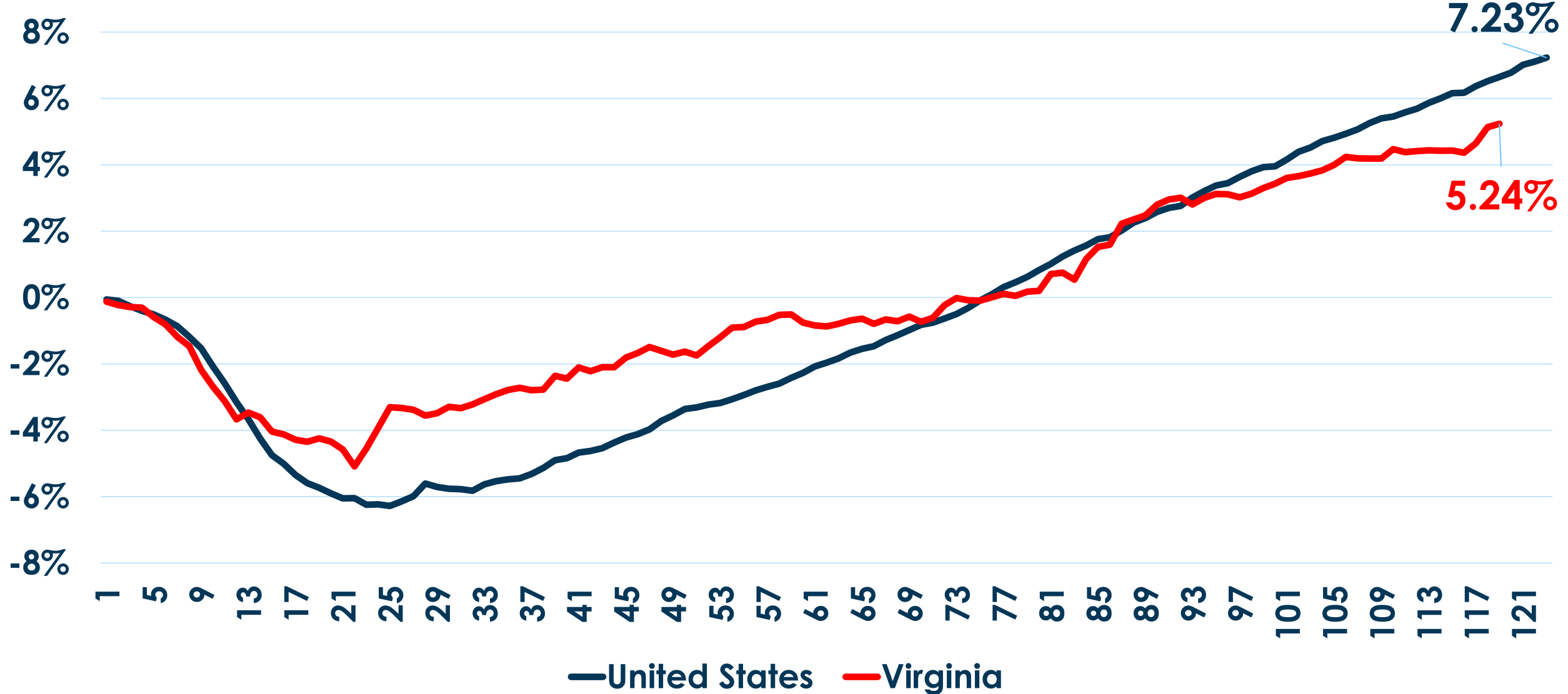


Total Nonfarm Employment Virginia, January 2007 – March 2018



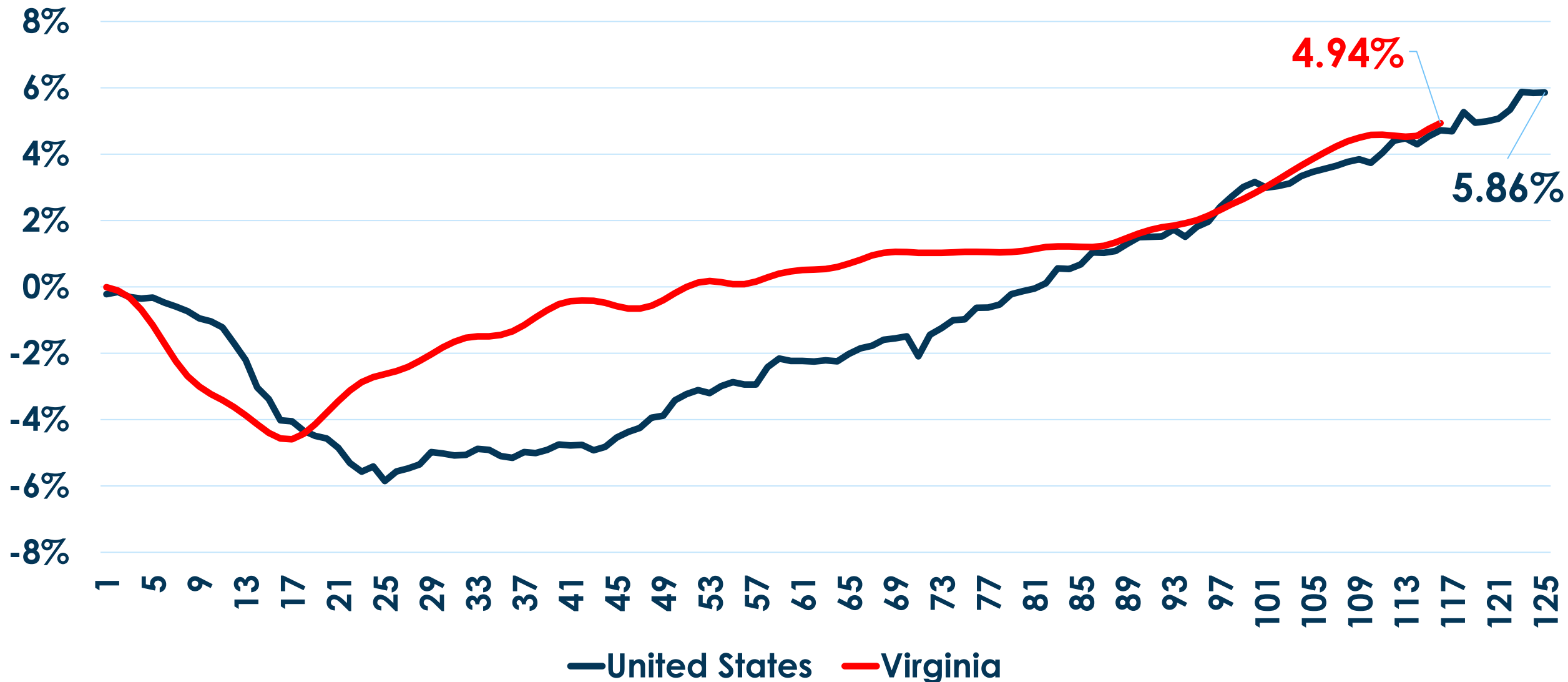
Source: Bureau of Economic Analysis and Old Dominion University Economic Forecasting Project. Seasonally adjusted data. Data for March 2018 are preliminary. Trough was February 2010.
Next update: May 18, 2018

Recovery from the Great Recession Measured in Total Jobs Restored, 2008-2018*



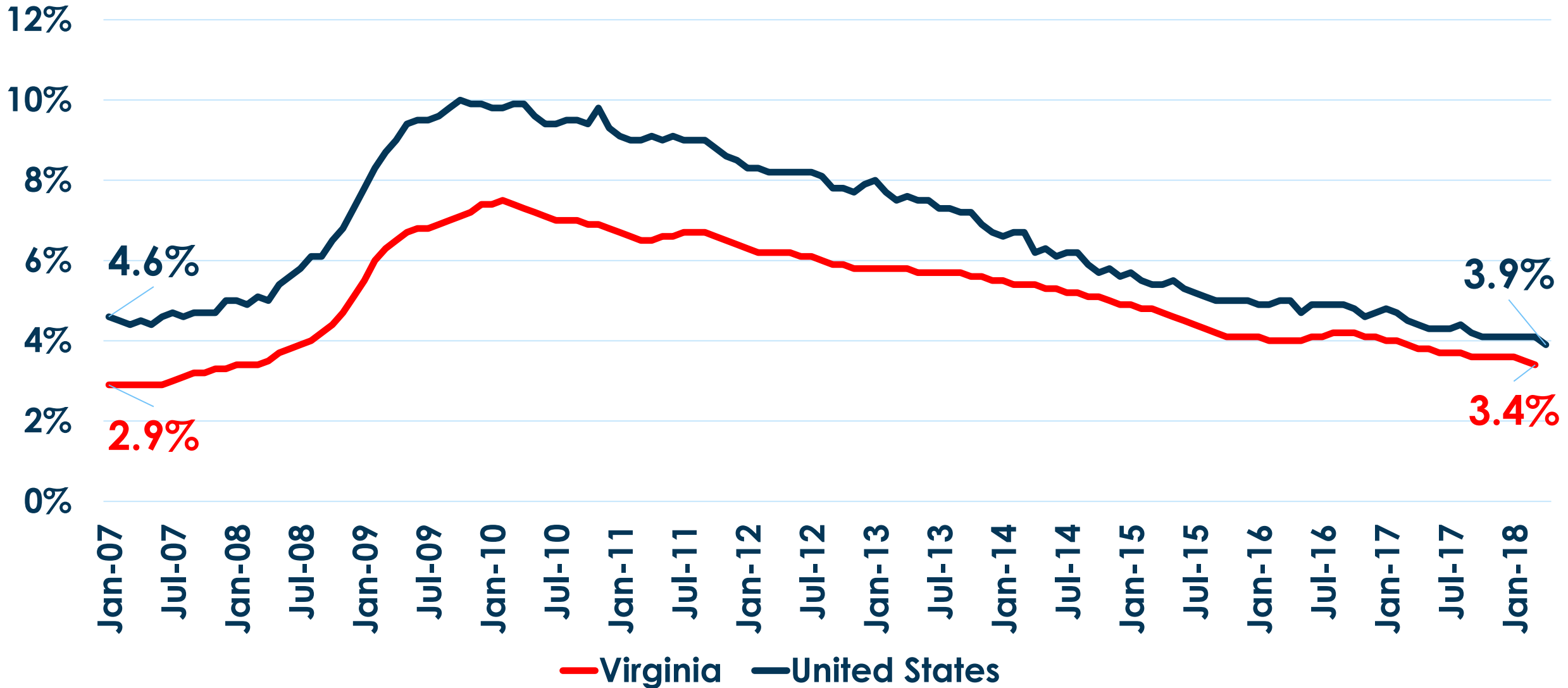
Source: Bureau of Labor Statistics and Old Dominion University Economic Forecasting Project. Peak Pre-Recession Dates are January 2008 (United States) and April 2008 (Virginia). *Data for USA through April 2018, Virginia through March 2018. US data preliminary for March and April 2018. Virginia data preliminary for March 2018. Data from Current Employment Statistics. Seasonally adjusted data.

Recovery from the Great Recession Measured in Individual Employment, 2007-2018*

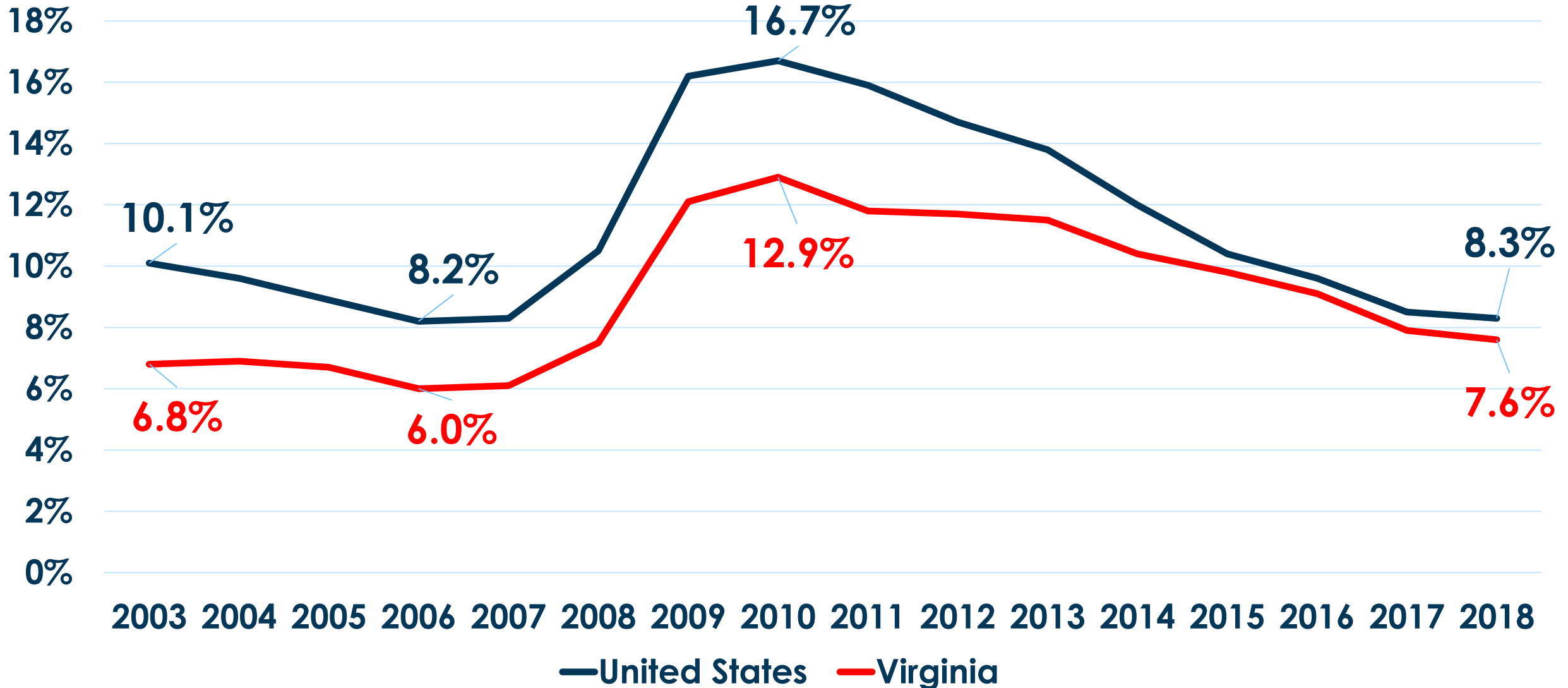


Source: Bureau of Labor Statistics and Old Dominion University Economic Forecasting Project. Peak Pre-Recession Dates are November 2007 (United States) and July 2008 (Virginia). *Data for USA through April 2018, Virginia through March 2018. US data preliminary for March and April 2018. Virginia data preliminary for March 2018. Current Population Survey data. Seasonally adjusted data.

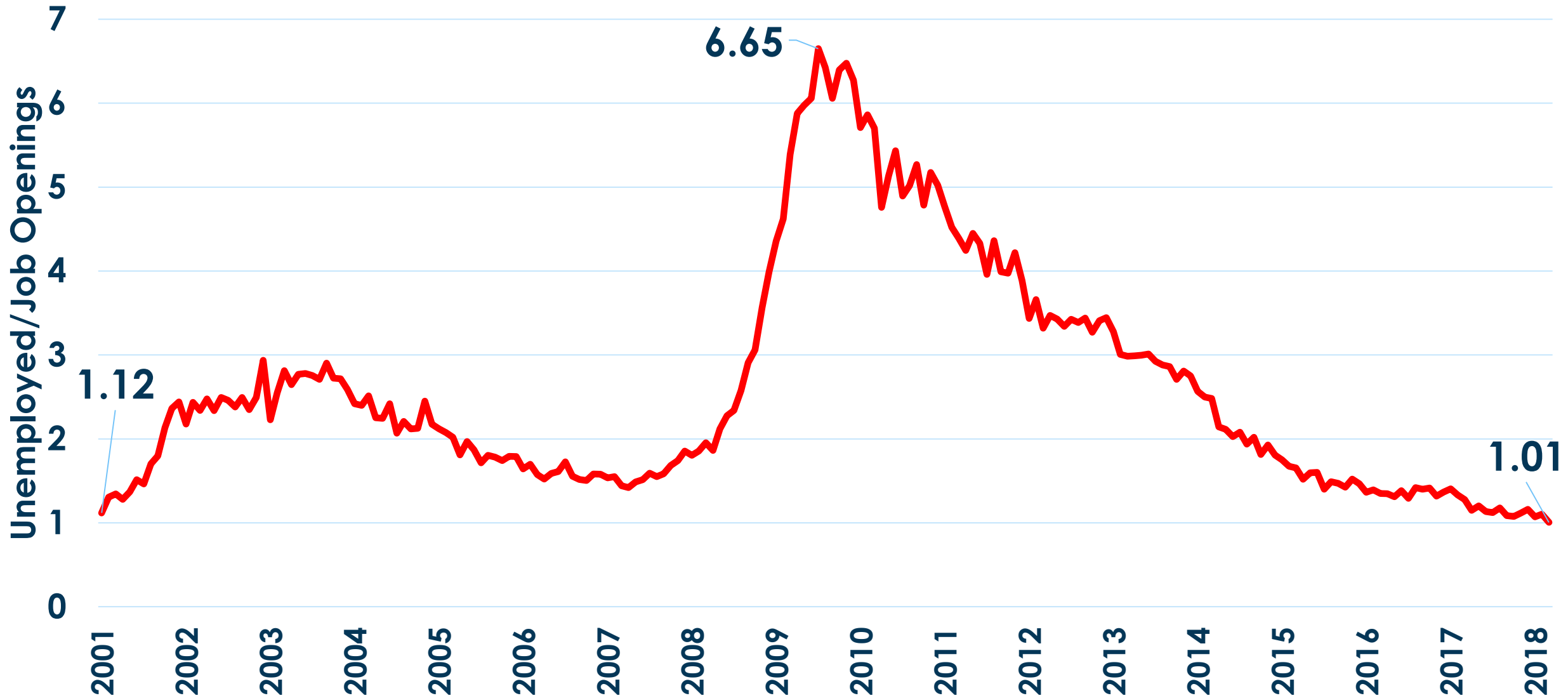
Headline Unemployment Rate (U3) Virginia and United States, 2007 – 2018



Alternative Measure of the Unemployment Rate (U6) Virginia and the United States, 2003 – 1st Quarter 2018

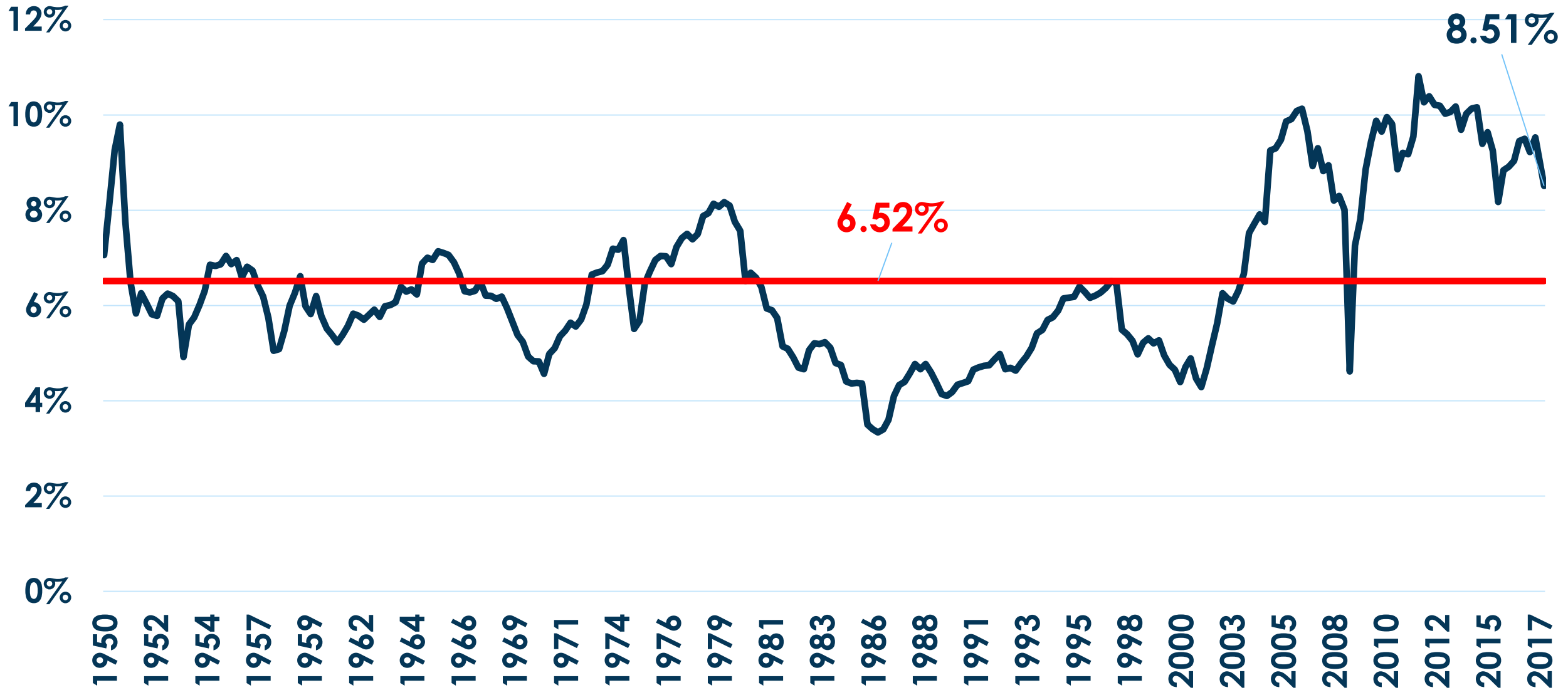


Number of Unemployed Individuals per Job Opening United States, January 2001 to March 2018



Corporate Profits as Percent of GDP

United States, 1st Quarter 1950 – 4th Quarter 2017

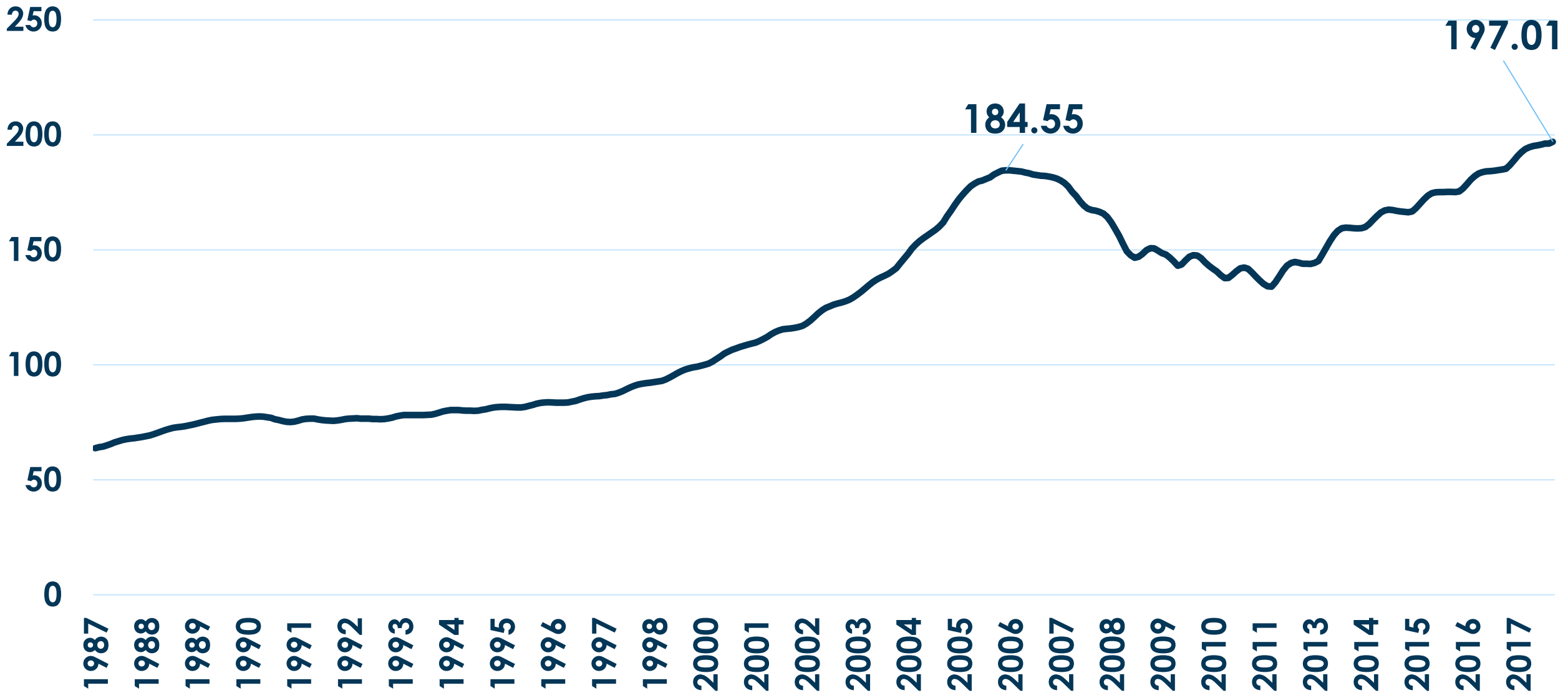


Cyclically Adjusted Price/Earnings Ratio Standard and Poor's Composite Price Index January 1881 – May 2018*



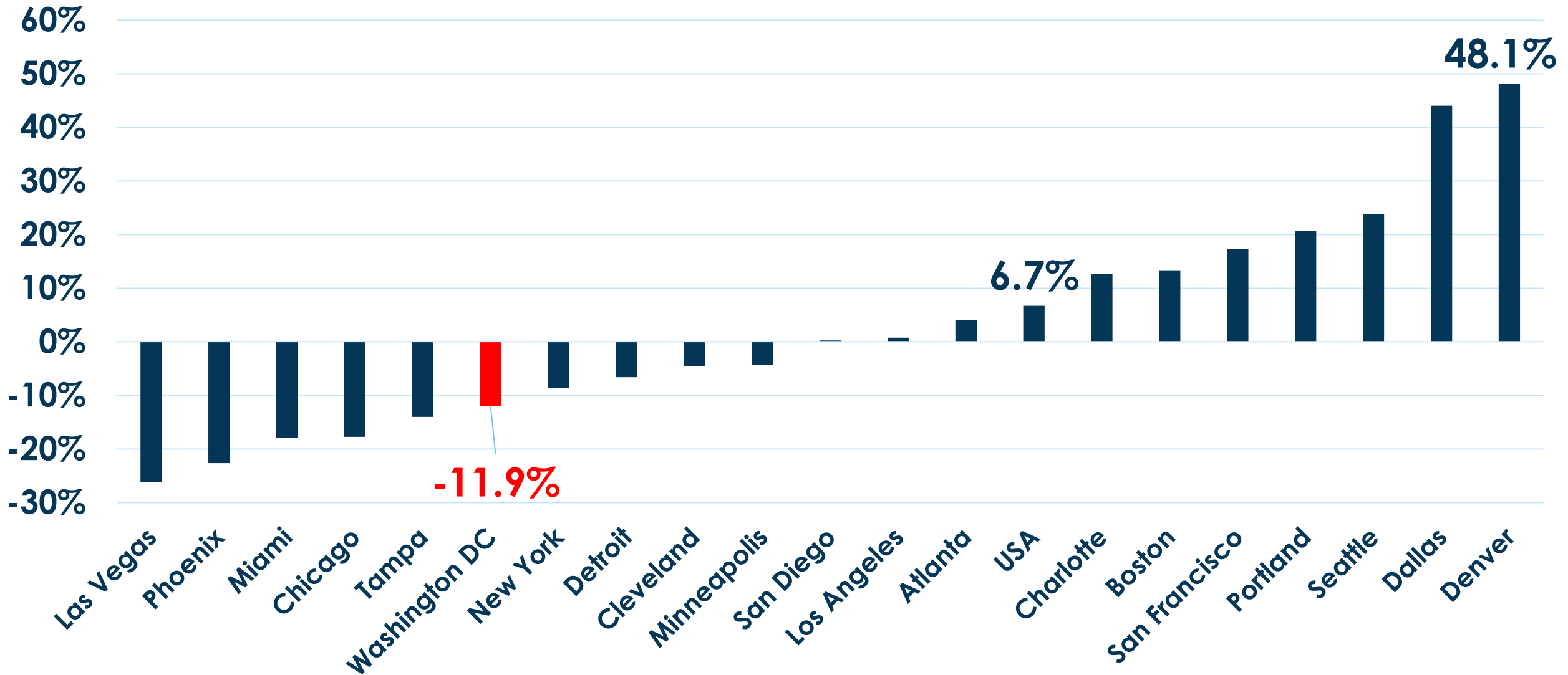
S&P Case-Shiller Home Price Index

United States, January 1987 – February 2018



Case-Shiller Home Price Index

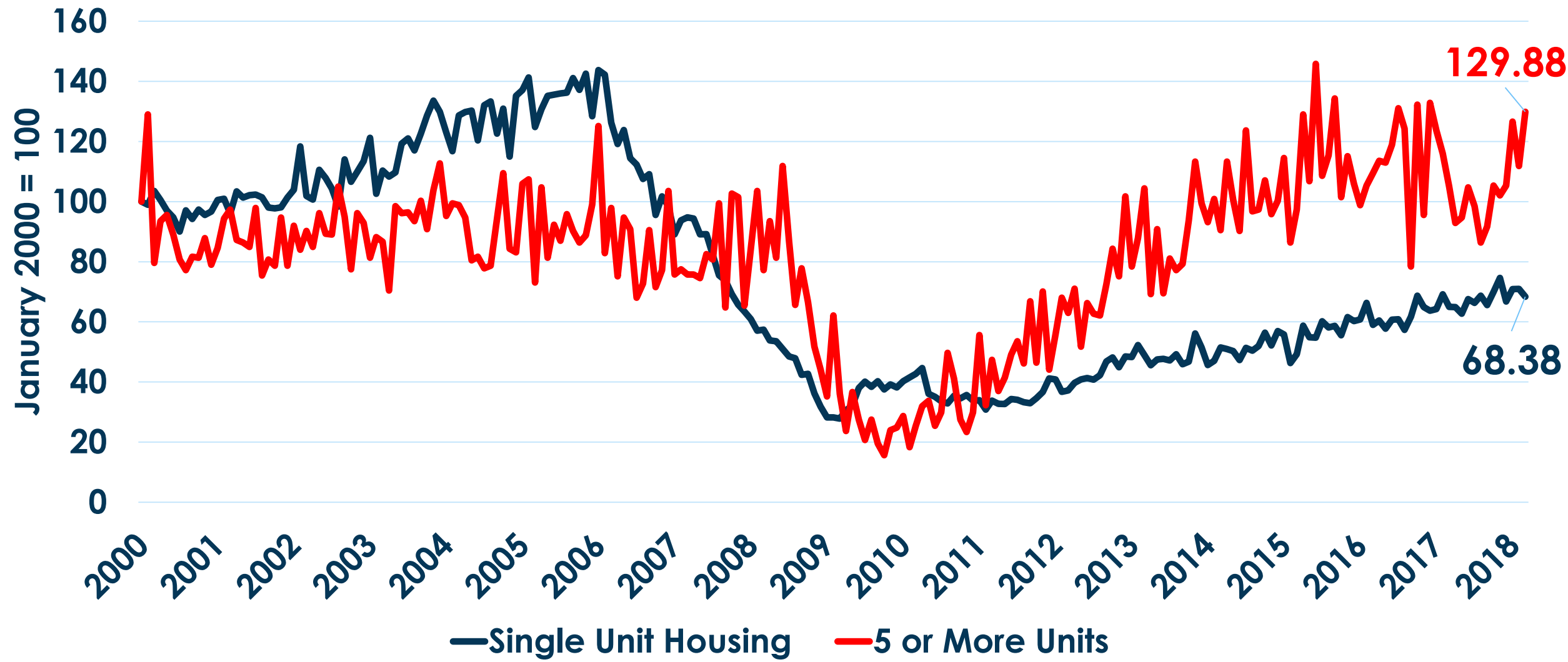
Change from Pre-Recession Peak to February 2018



New Residential Construction

Single Unit and Units in Buildings with 5 Units or More

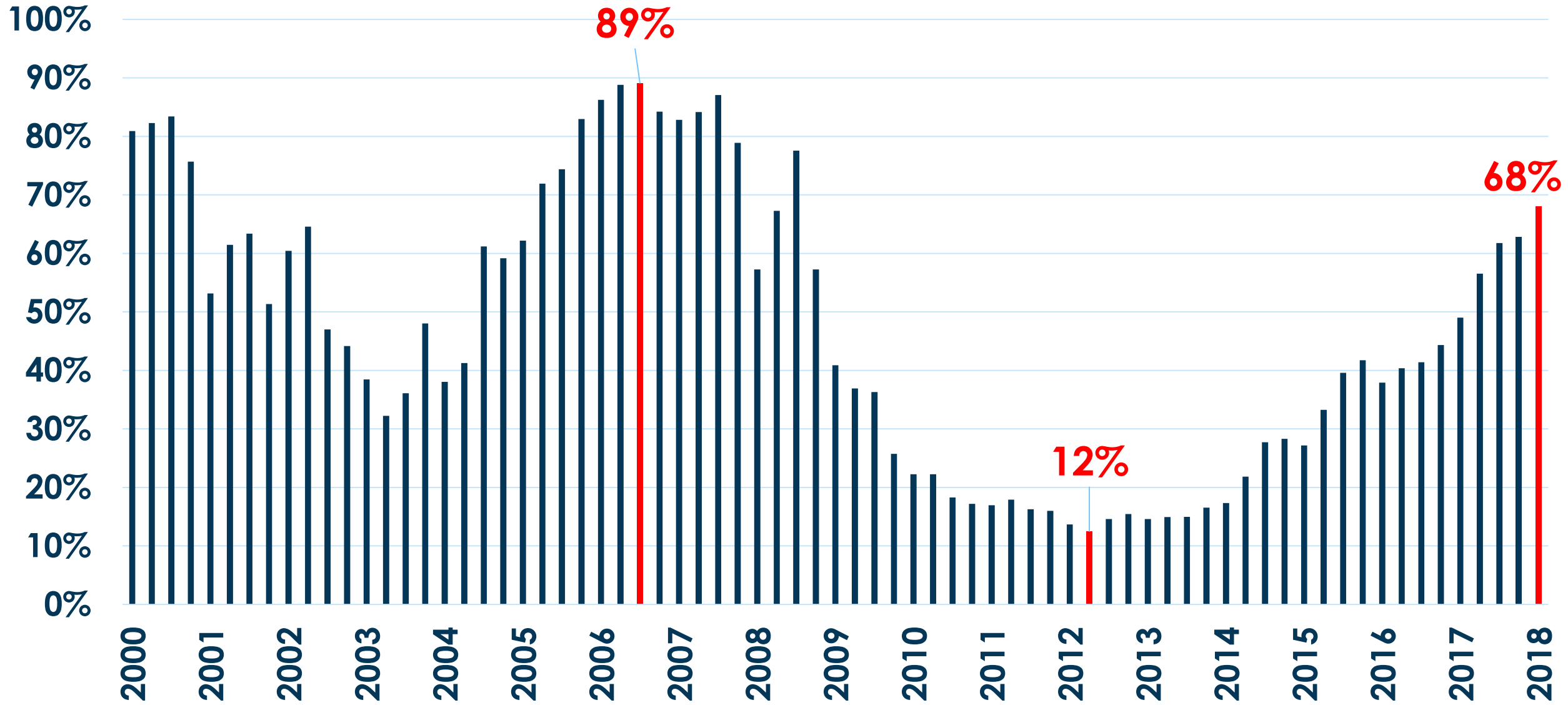
United States, January 2000 – March 2018



Source: U.S. Bureau of the Census and Old Dominion University Economic Forecasting Project. Seasonally adjusted data. Annual rate. Next update: May 16, 2018. January 2000 = 100.

Cash Out Refinance Activity

United States, 1st Quarter 1994 – 1st Quarter 2018

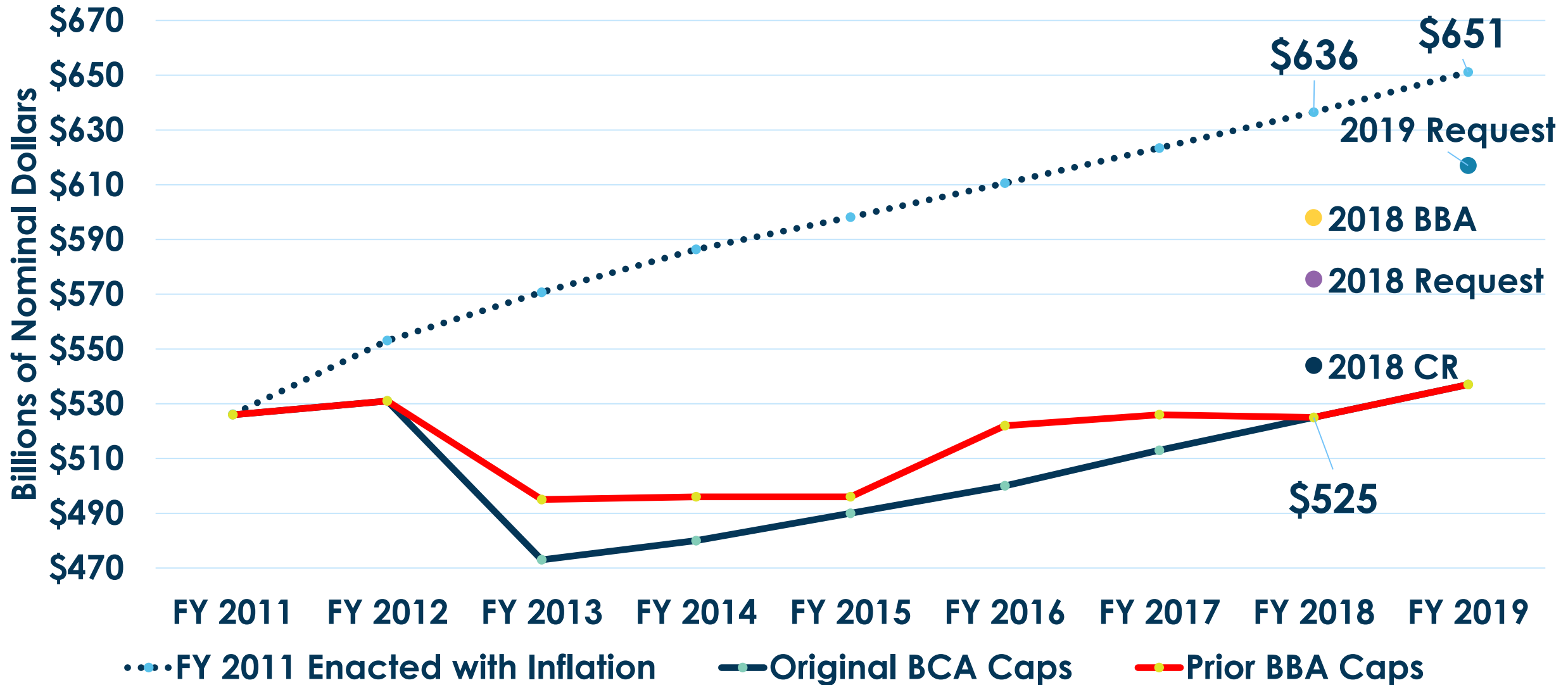


Source: Freddie Mac, Quarterly Refinance Statistics, 1st Quarter 2018. Percentage of refinances refers to loan amounts that were at least 5 percent higher than the amortized unpaid principal balance of the original loan.

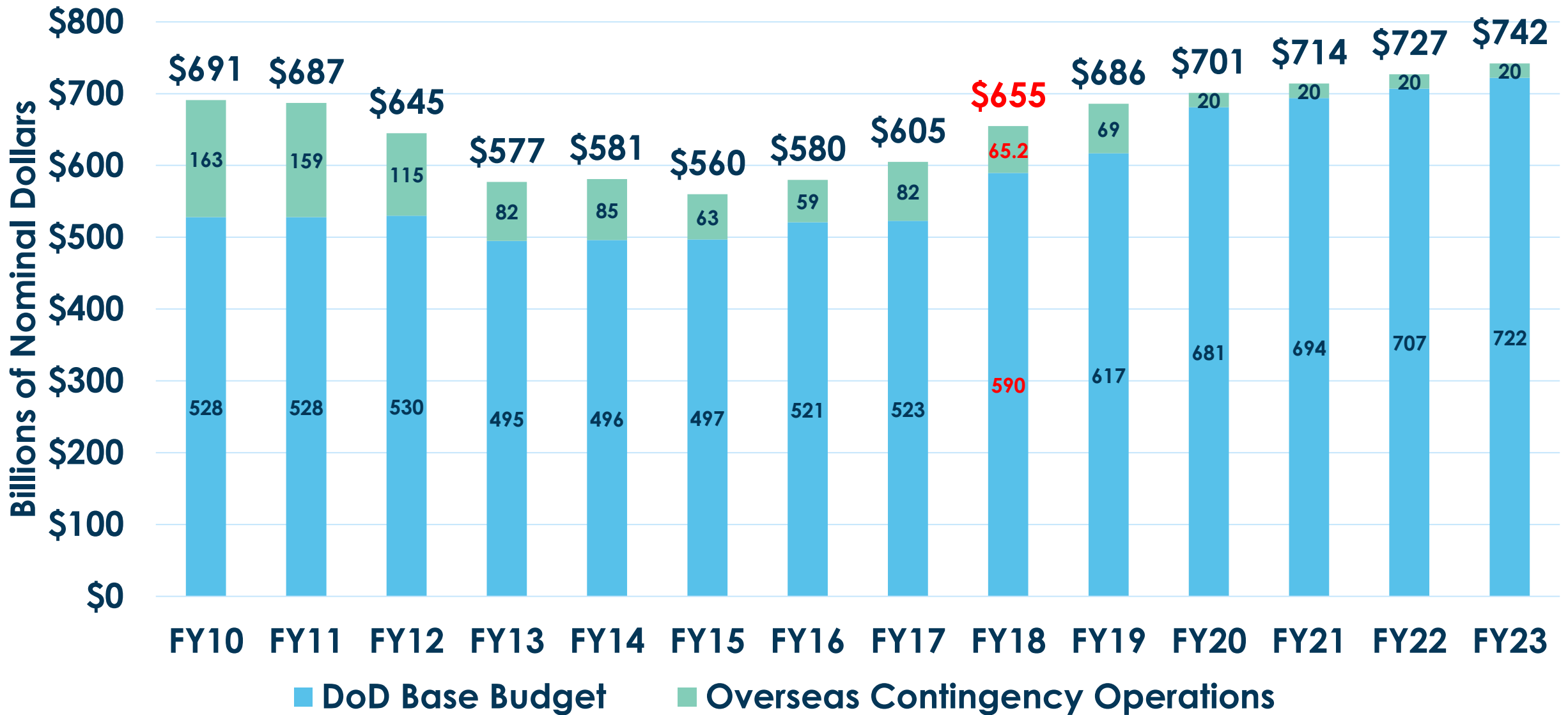


Federal Spending Provides a Short- Term Boost

Department of Defense Base Budget FY 2011 – FY 2019



Department of Defense Discretionary Budget Authority, FY 2010 – FY 2023



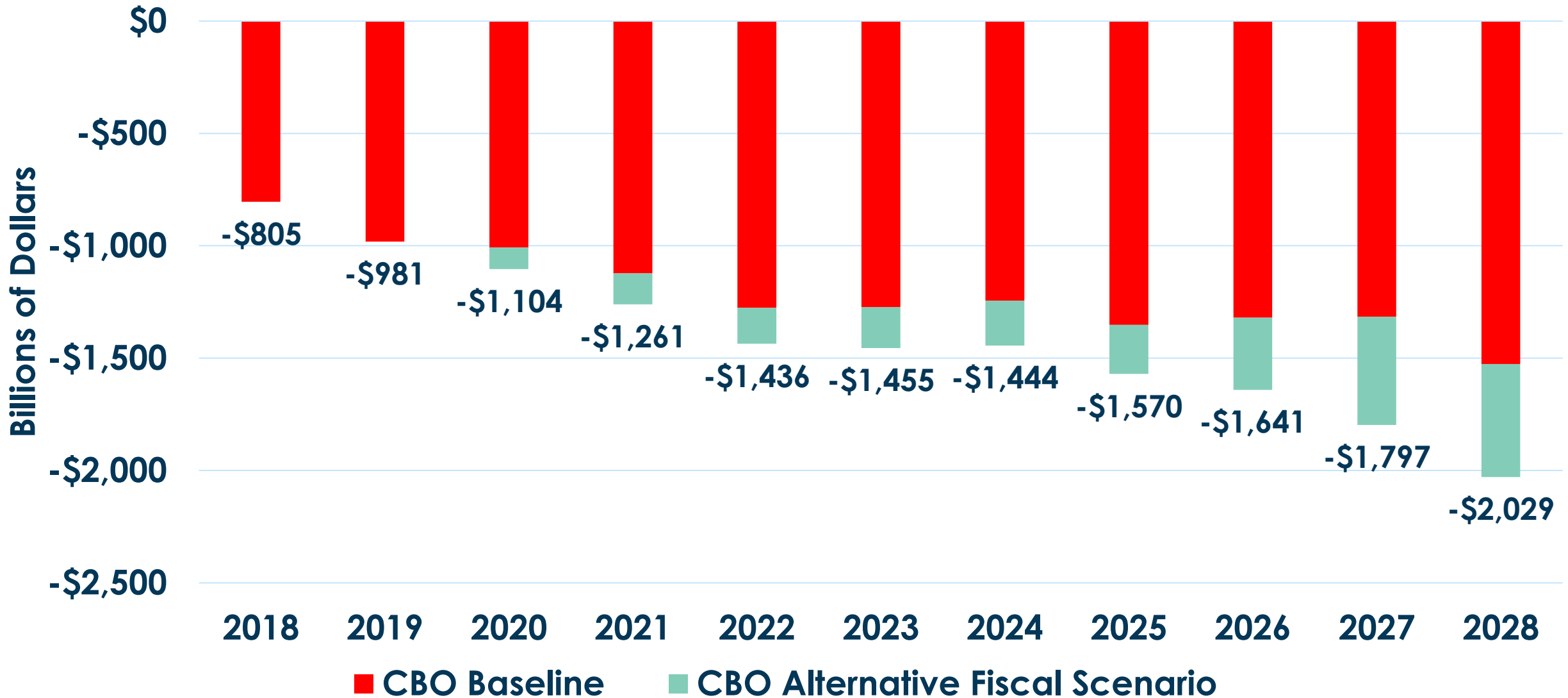
Source: U.S. Department of Defense and the Old Dominion University Economic Forecasting Project. FY 2019 Budget Materials. FY 18 base budget includes \$5 billion in missile defense authority. Nominal dollars.

	FY 18 Approved Units	FY 18 Approved \$ Billions	FY 19 Request Units	FY 19 Request \$ Billions
Aircraft				
F-35 Joint Strike Fighter	90	\$11.8	77	\$10.7
KC-46 Tanker Replacement	15	\$3.1	15	\$3.0
F/A-18 Super Hornet	24	\$1.8	24	\$2.0
AH-64E Apache Attack Helicopter	80	\$1.4	60	\$1.3
P-8A Poseidon	10	\$1.7	10	\$2.2
CH-53K King Stallion	4	\$1.1	8	\$1.6
Shipbuilding				
Virginia Class Submarine	2	\$5.5	2	\$7.4
DDG-51 Arleigh Burke Class Destroyer	2	\$4.0	3	\$6.0
Littoral Combat Ship	3	\$1.7	1	\$1.3
CVN-78 Class Aircraft Carrier	1	\$4.6	-	\$1.8
Fleet Replenishment Oiler	1	\$0.5	2	\$1.1
Towing, Salvage, and Rescue Ship	1	\$0.1	1	\$0.1
Expeditionary Sea Base	-	-	1	\$0.7

Good News – For Two Years

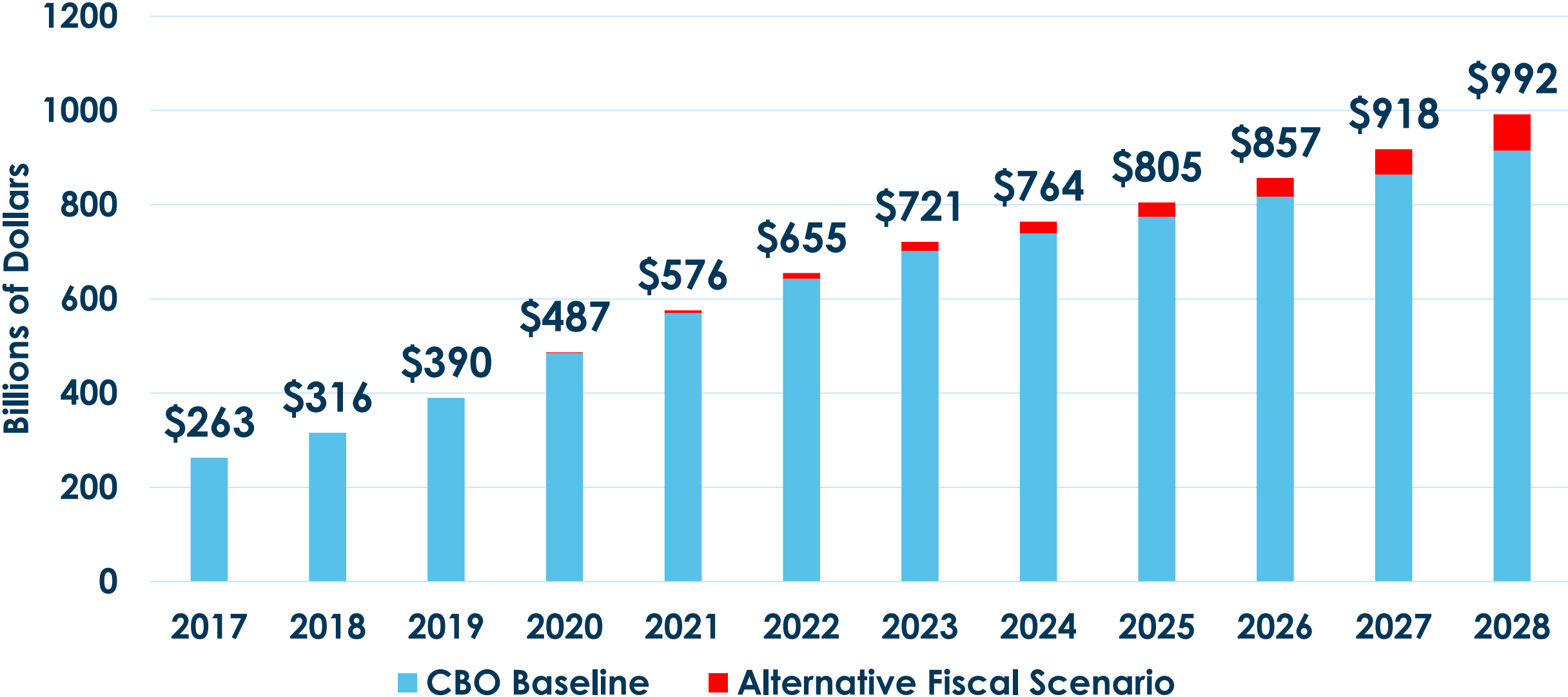
- The **passage of the Bipartisan Budget Agreement of 2018** reduces the uncertainty of defense appropriations through FY 2019
- The authorizing committees support a **two-carrier buy** and other increases in ship building
- **Increasing geopolitical tension** will likely continue pressure to increase DoD spending in the medium-term
- An opportunity exists to **consolidate DoD activities** in Hampton Roads

Congressional Budget Office: Projected Federal Deficit FY 2018 - FY 2028



Source: Congressional Budget Office (2018), Budget and Economic Output: 2018 to 2018 and Old Dominion University Economic Forecasting Project. Federal deficits in nominal dollars. The Alternative Fiscal Scenario assumes that many the provisions of the Tax Cuts and Jobs Act of 2017 would be made permanent and many of the Affordable Care Act taxes are repealed, among others.

Projected Net Interest United States, FY 2017 – FY 2028



Source: Congressional Budget Office (2018), Budget and Economic Output: 2018 to 2028 and Old Dominion University Economic Forecasting Project. Interest expenditures in nominal dollars. The Alternative Fiscal Scenario assumes that many the provisions of the Tax Cuts and Jobs Act of 2017 would be made permanent and many of the Affordable Care Act taxes are repealed, among others.

	2017 Forecast	2017 Actual	2018 Forecast (Jan)	2018 Forecast (May)
U.S. Real Gross Domestic Product	2.2%	2.3%	3.0%	3.1%
Civilian Job Growth	1.5%	1.2%	1.1%	1.2%
Unemployment Rate	4.7%	4.1%	3.8%	3.6%
Consumer Price Index	2.8%	2.2%	2.9%	3.0%
Core Consumer Price Index	2.4%	1.7%	2.2%	2.3%
3-month Treasury Bill	1.3%	1.4%	2.0%	2.1%
10-year Treasury Bill	3.2%	2.4%	3.2%	3.3%
30-year Treasury Bill	--	2.8%	3.6%	3.6%
30-year Conventional Mortgage	4.3%	4.0%	5.0%	5.0%
Federal Deficit	---	-\$666 Billion	-\$850 Billion	-\$825 Billion
Virginia Real GDP*	1.5%	2.0%	2.5%	2.7%
Virginia Employment Growth	---	1.4%	1.3%	1.5%

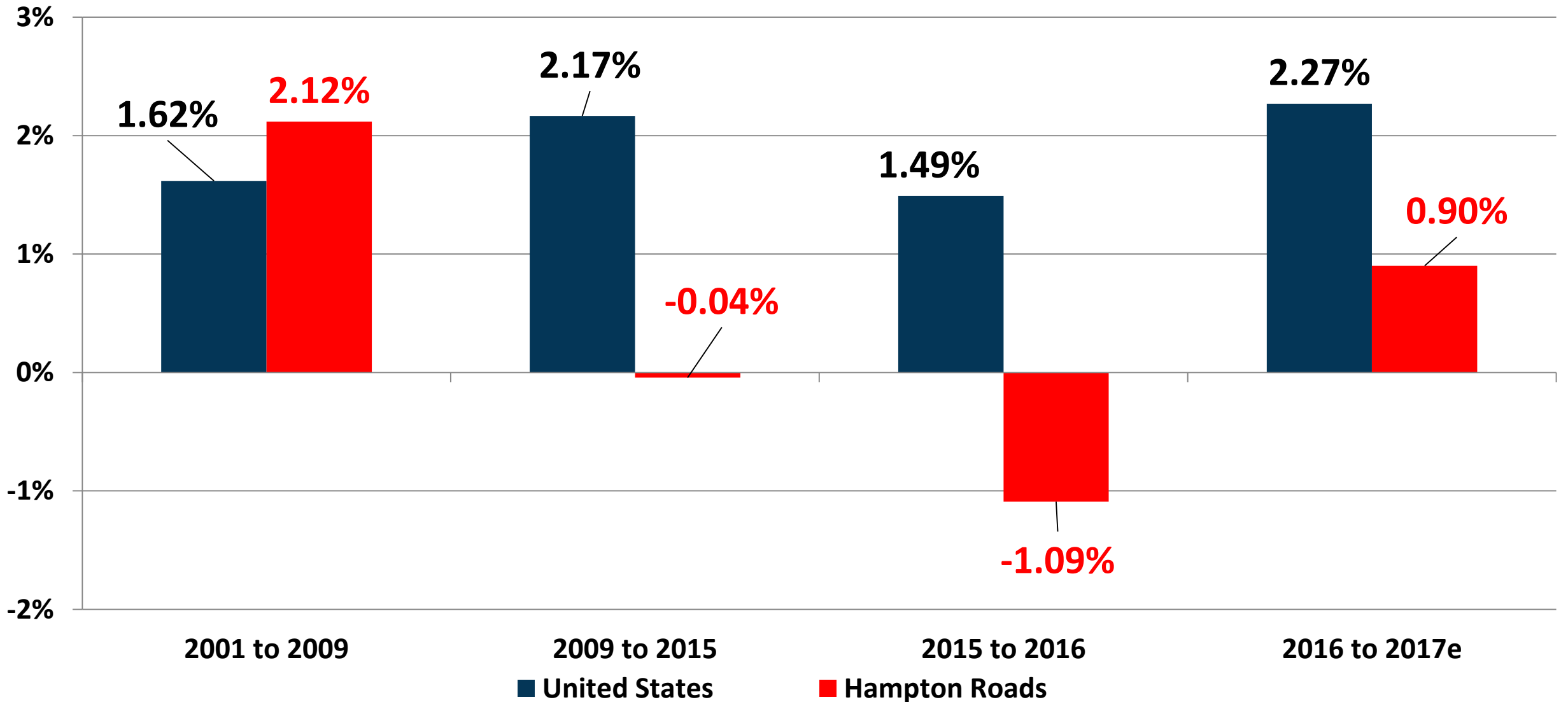
Source: 2017 data reflects the annual rate of growth, last month, or day business day of 2017 where appropriate. Data are rounded to nearest tenth. *The initial forecast for real GDP for Virginia has increased from 2.2% to 2.7% due to increases in federal spending in FY 2018 and 2019 and revisions to quarterly growth in VA during 2017.

2018 Midyear Hampton Roads Economic Forecast

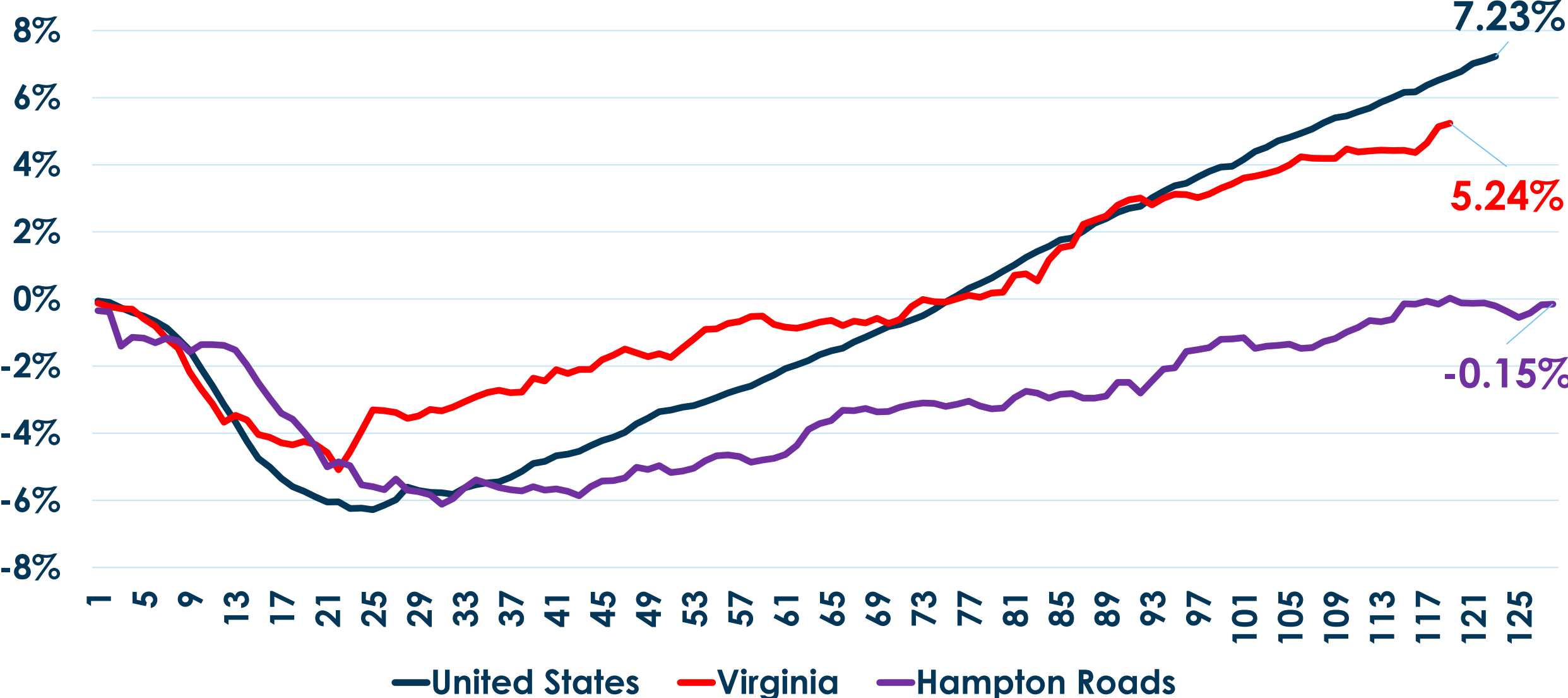
Accelerating Growth, Challenges Remain



Annual Growth Rate in Real GDP Hampton Roads and the United States

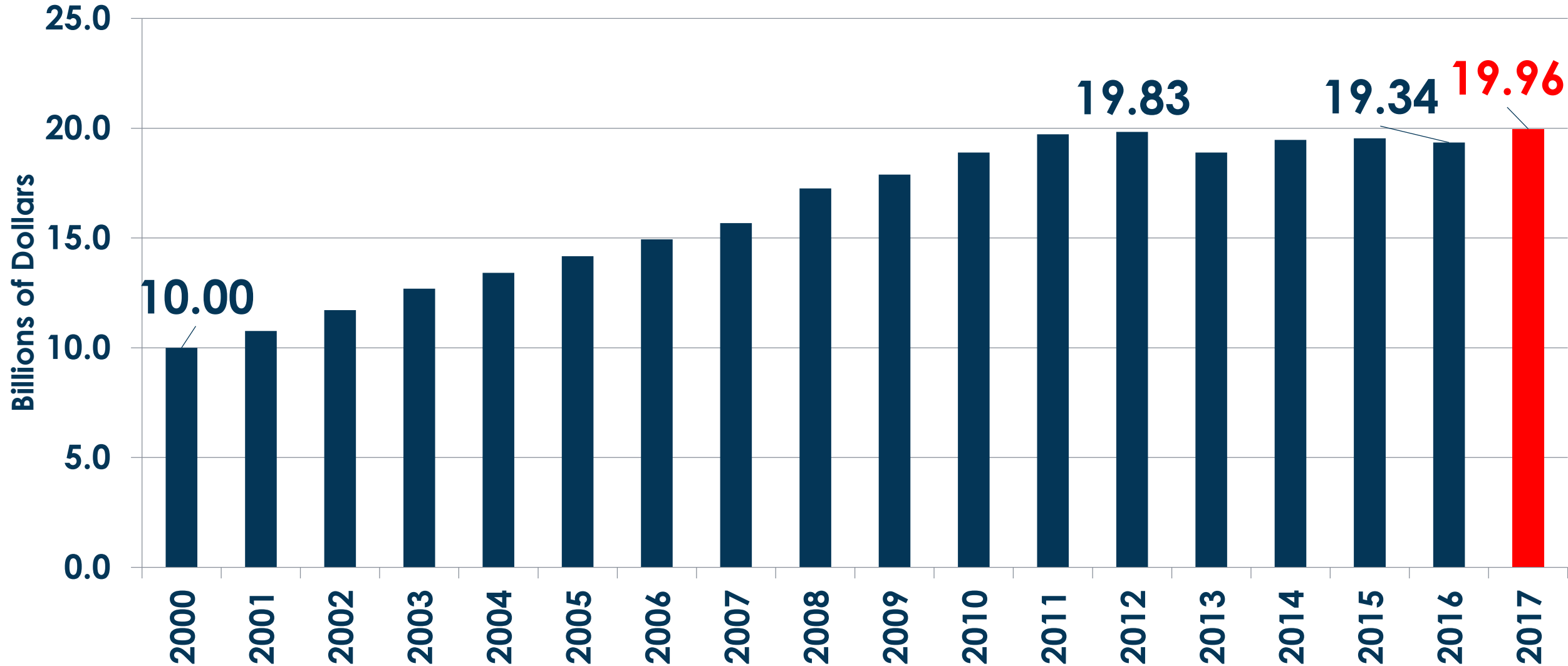


Recovery from the Great Recession Measured in Total Jobs Restored, 2008-2018*

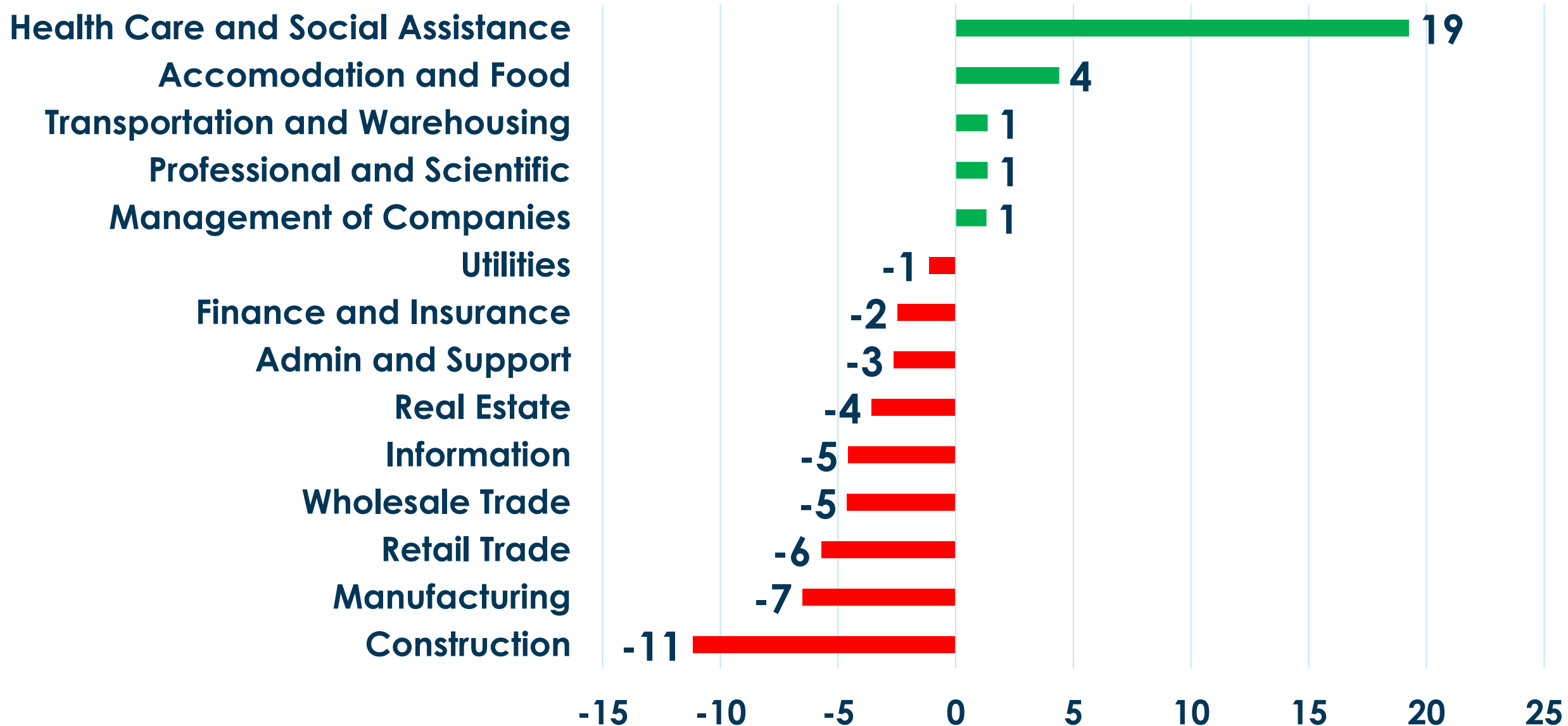


Source: Bureau of Labor Statistics and Old Dominion University Economic Forecasting Project. Peak Pre-Recession Dates are January 2008 (United States) and April 2008 (Virginia). *Data for USA through April 2018, Virginia and Hampton Roads through March 2018. US data preliminary for March and April 2018. Virginia data and Hampton Roads data are preliminary for March 2018.

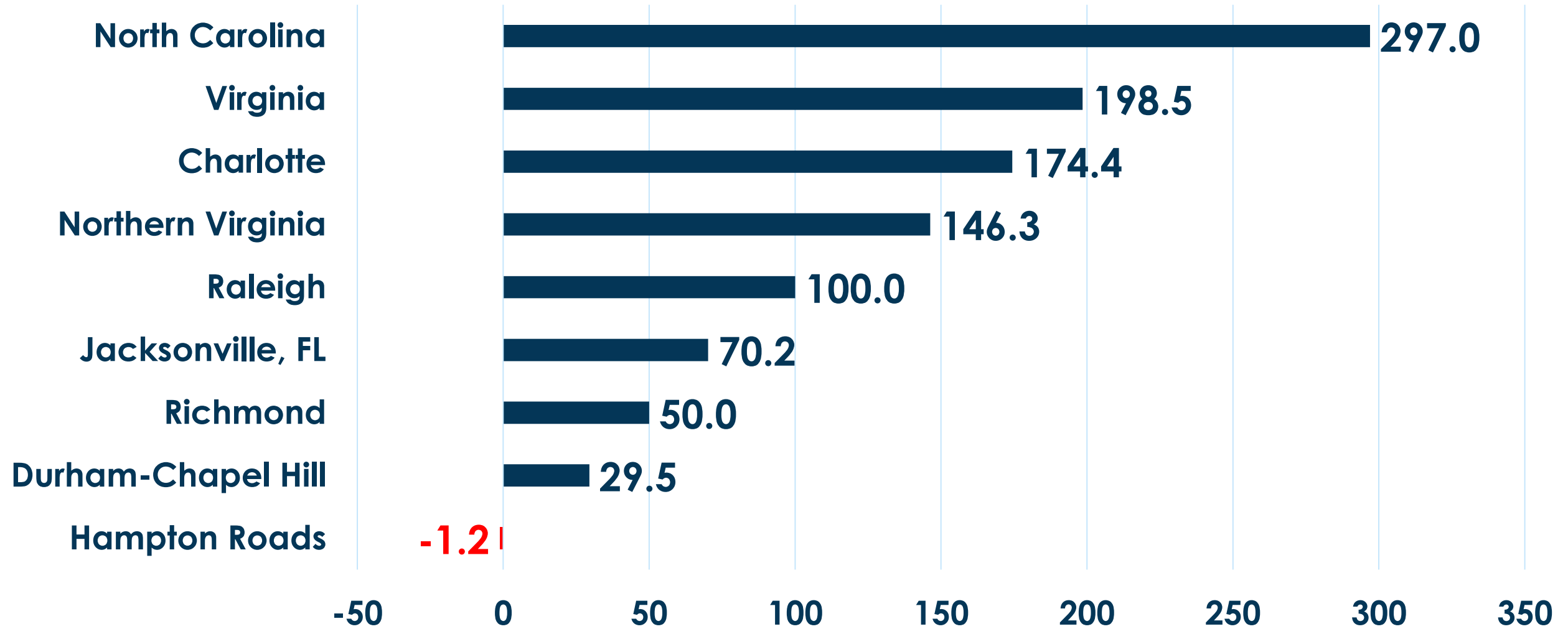
Estimated Direct DoD Spending Hampton Roads, 2000 to 2017



Change in Private Sector Employment: Selected Industries in Hampton Roads, 2007 Q1 to 2017 Q1 (Thousands)



Net New Civilian Jobs Gained or Lost
Selected Metropolitan Areas, Virginia, and North Carolina
Peak Pre-Recession Employment to March 2018 (thousands)

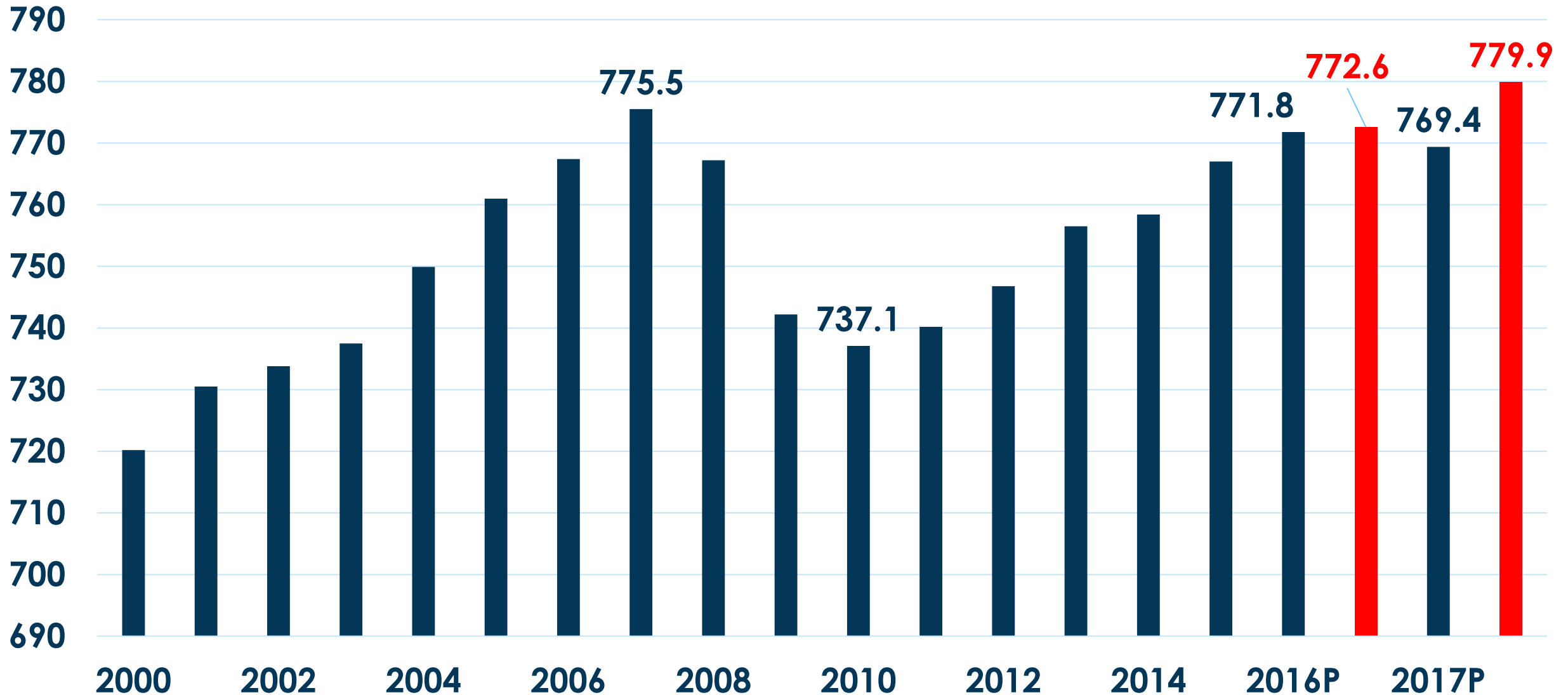


Source: U.S. Department of Labor CES seasonally adjusted data and the Old Dominion University Economic Forecasting Project. Peak pre-recessionary employment occurred in 2008 for all regions except Florida, Hampton Roads, and Richmond which peaked in 2007. Comparison of total nonfarm employment in March 2018 to pre-recessionary peak employment. Data for March 2018 are preliminary.

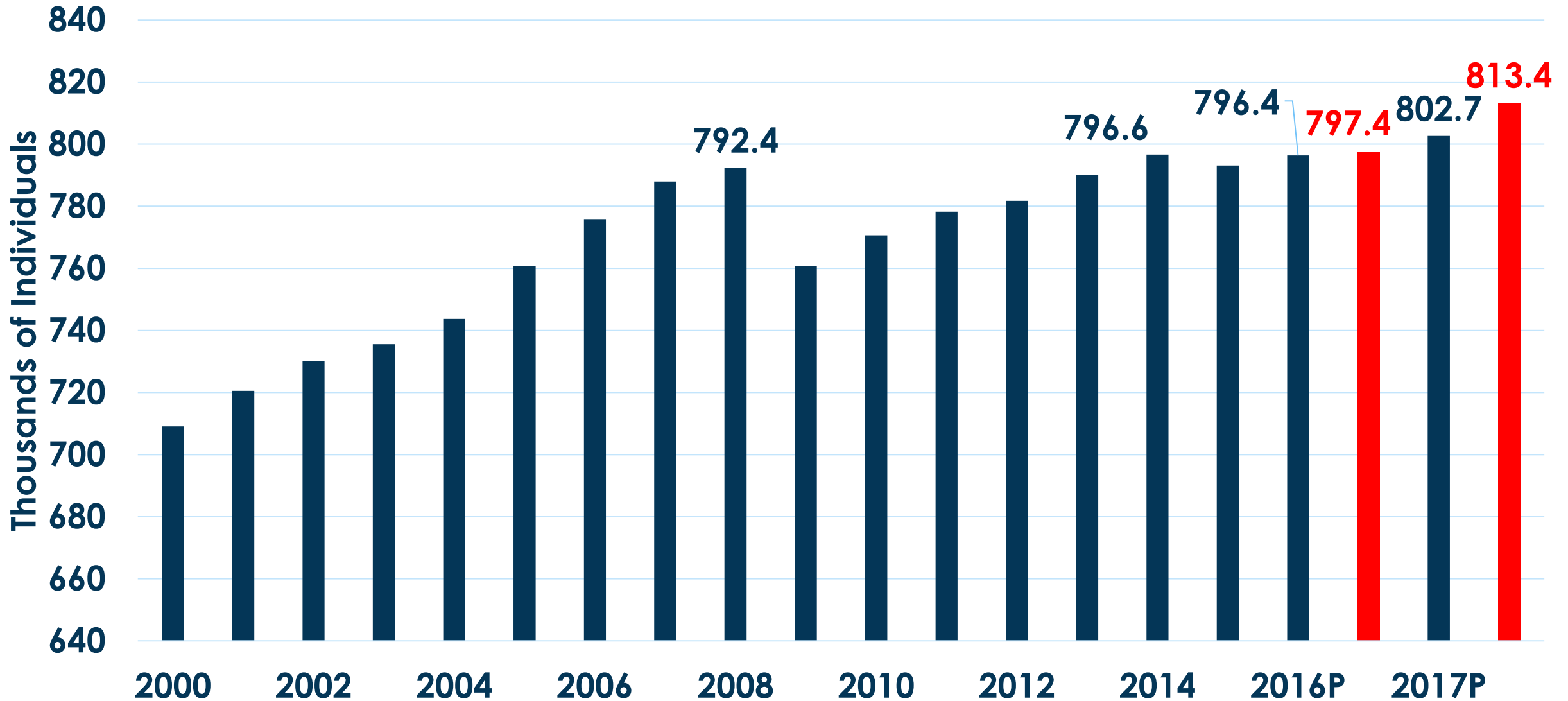


More Jobs (Slowly)

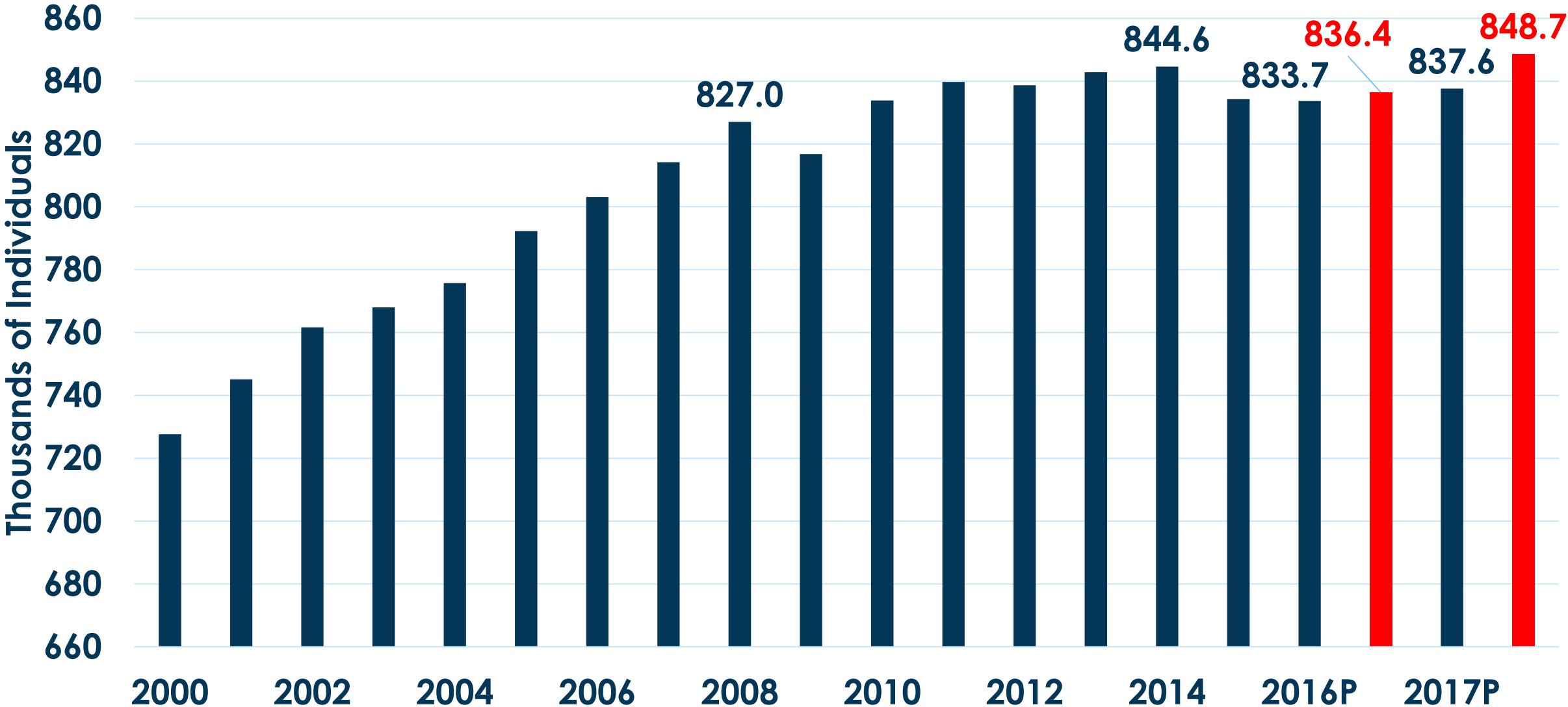
Average Annual Civilian Jobs: Hampton Roads, 2000 – 2017



Average Annual Employment : Hampton Roads, 2000 to 2017



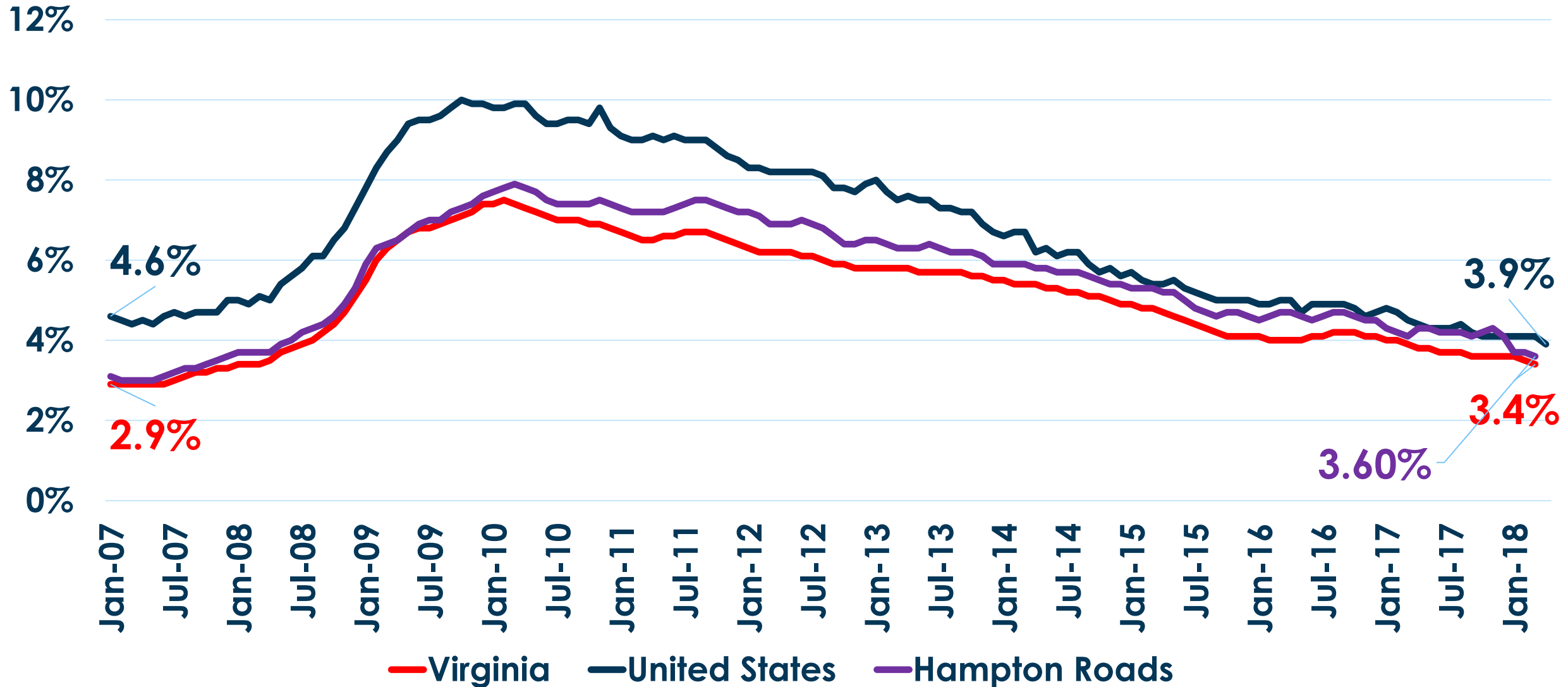
Average Annual Civilian Labor Force Hampton Roads, 2000 to 2017



Source: U.S. Department of Labor LAUS data and the Old Dominion University Economic Forecasting Project. Annual averages. Not seasonally adjusted. Data revised on April 20, 2018

Headline Unemployment Rate (U3)

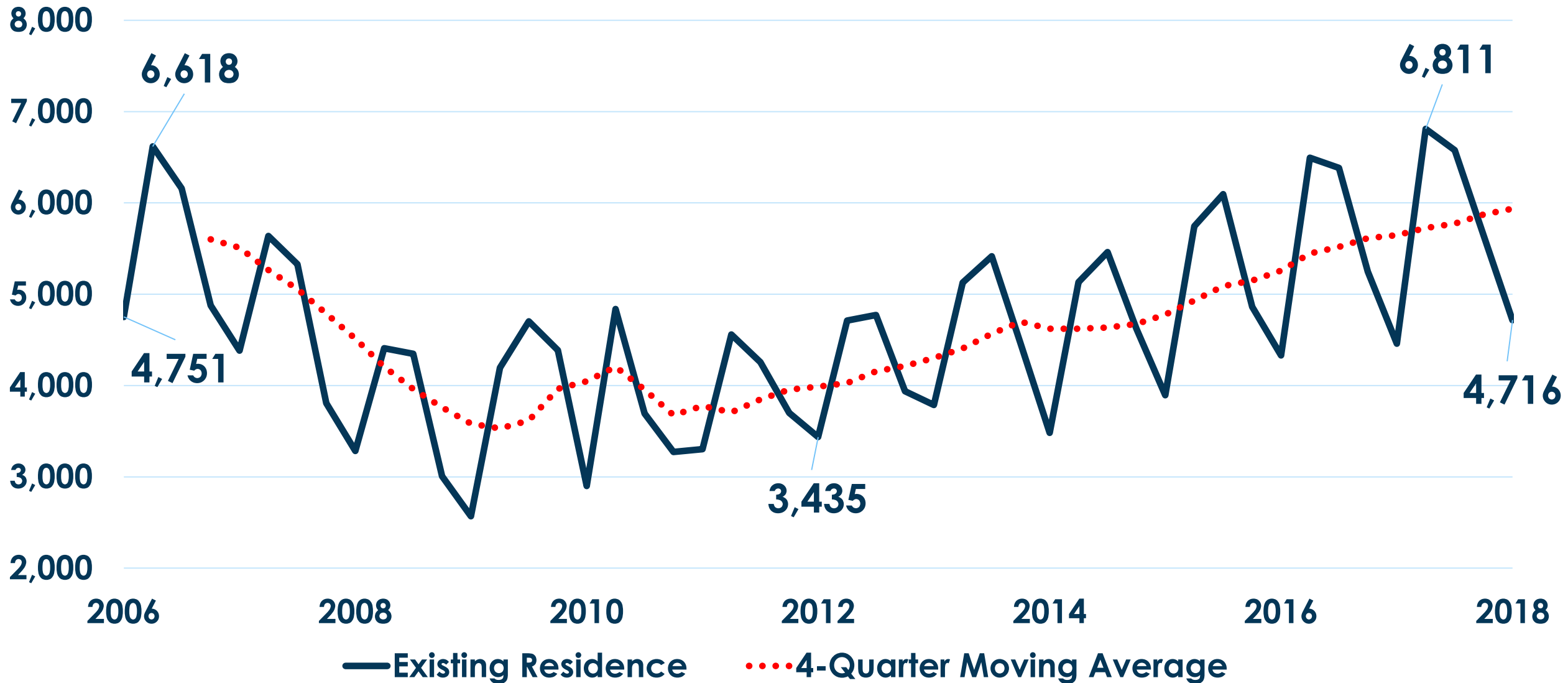
United States, Virginia and, Hampton Roads, 2007 – 2018





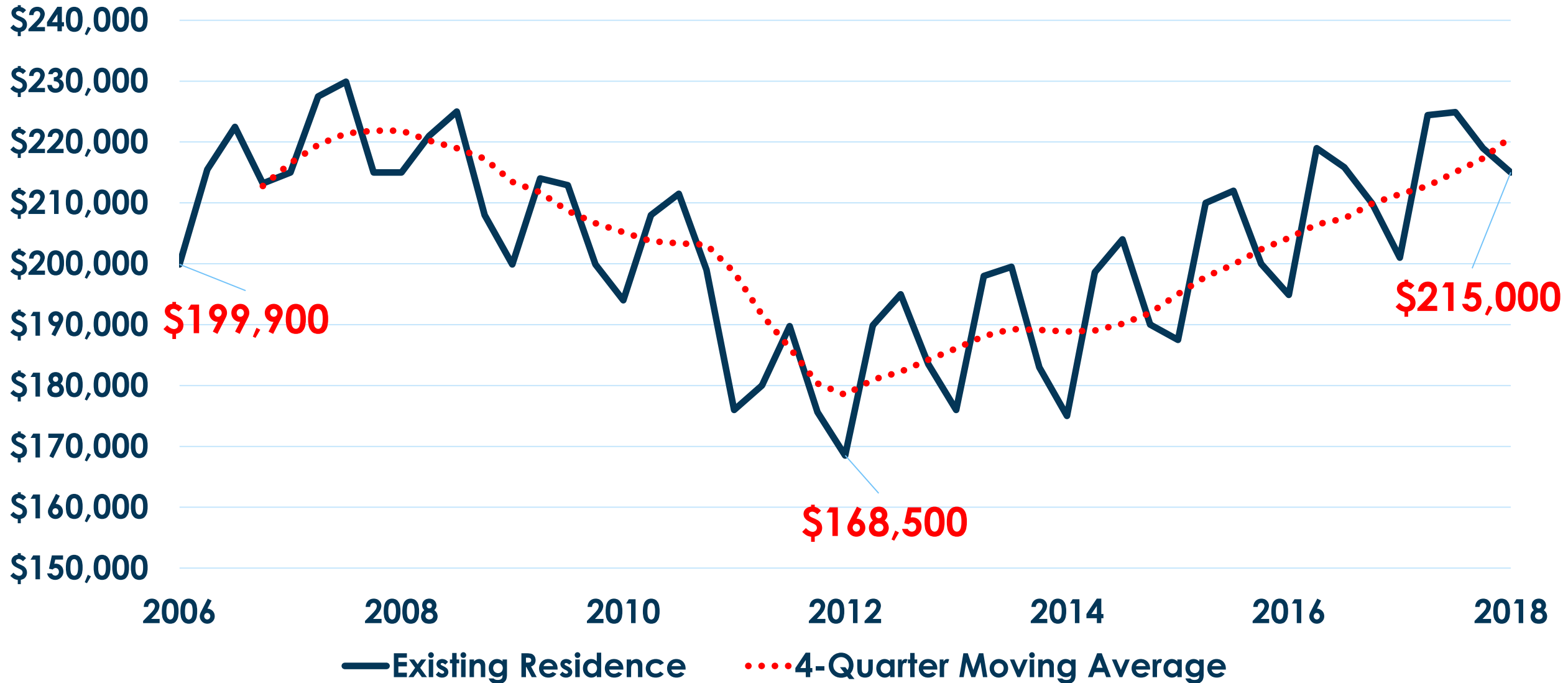
Residential Housing is Looking Up

Existing Residential Home Sales Hampton Roads, 2006 Q1 to 2018 Q1

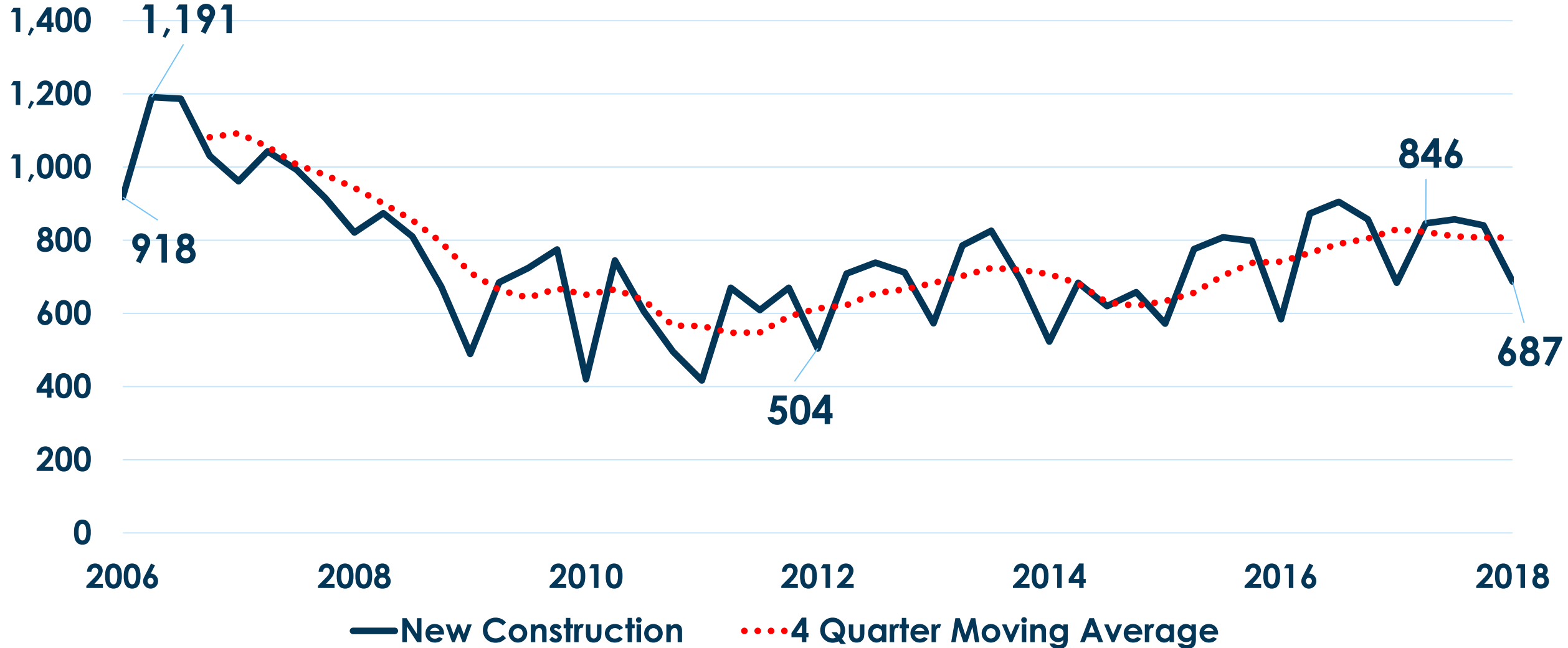


Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed. Figures reported here represent only those properties that are listed through REIN by REIN members and may not represent all sales activity in our region.

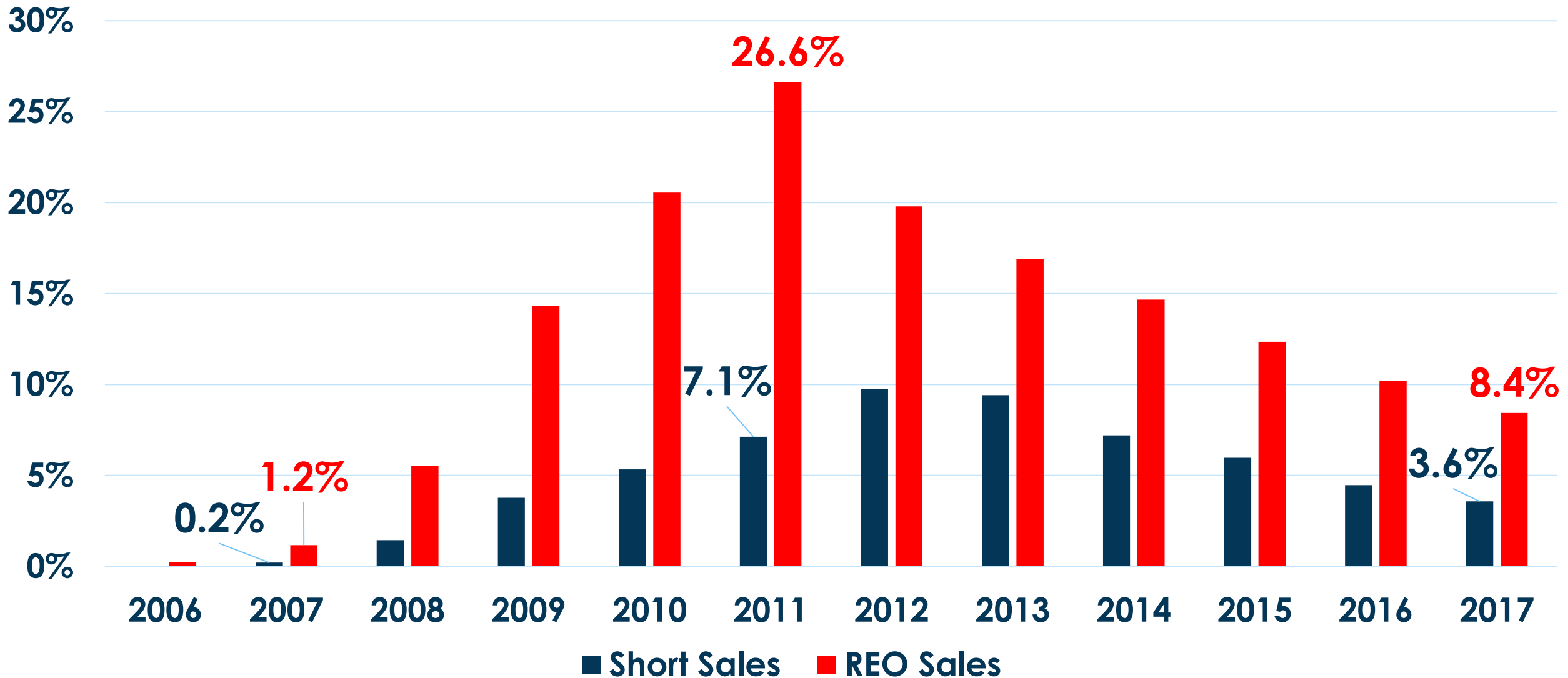
Median Sale Price for Existing Homes Hampton Roads, 2006 Q1 to 2018 Q1



New Construction Residential Home Sales Hampton Roads, 2006 Q1 to 2018 Q1



Short Sales and Bank-Owned Sales as Percent of Existing Homes Sales: Hampton Roads, 2006-2017



Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed.

* Williamsburg represents Williamsburg, James City County, York County and Gloucester County.

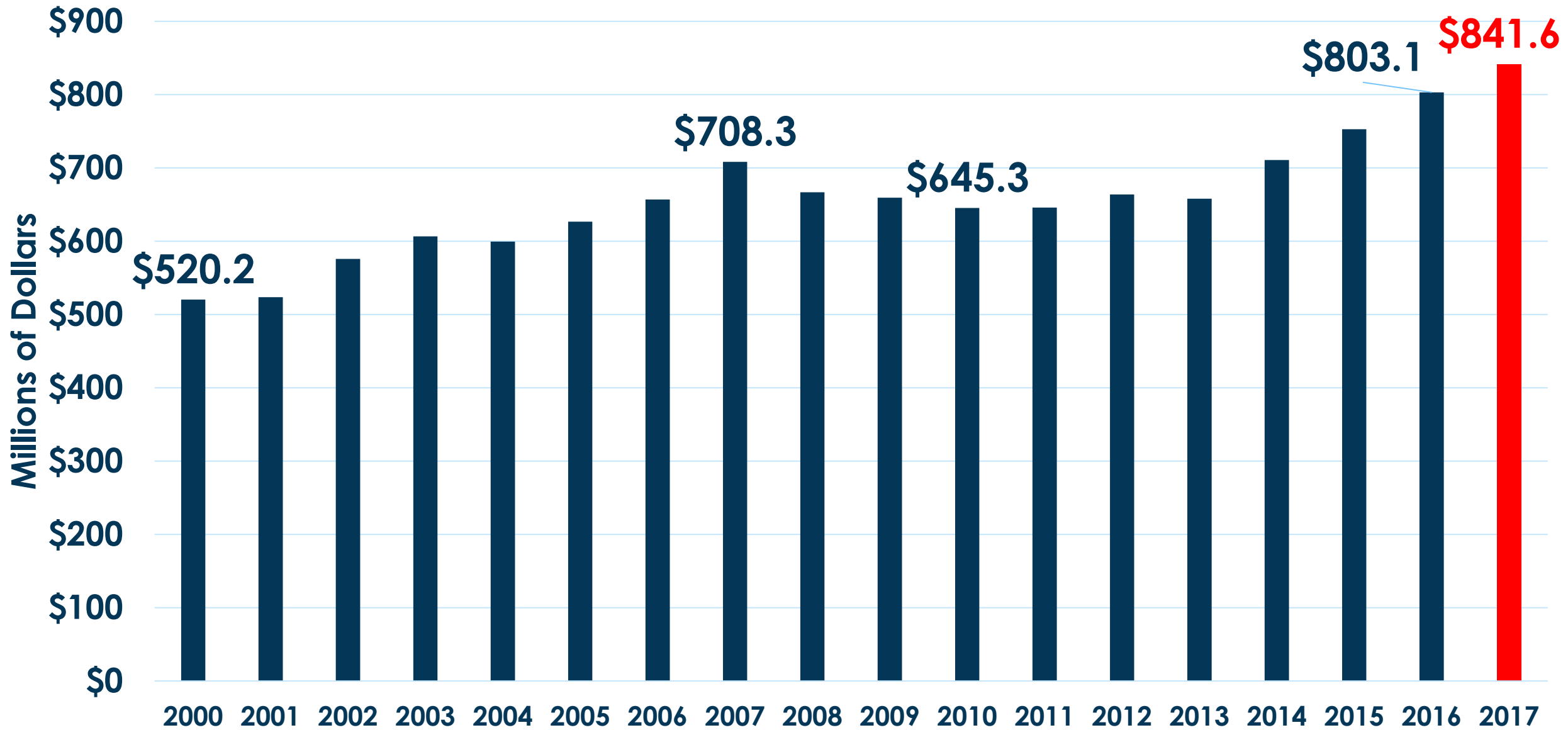
Median Sale Price of Existing Residential Homes for Selected Cities in Hampton Roads: 2007 and 2017

<u>City</u>	<u>Median Price</u> <u>2007</u>	<u>Median Price</u> <u>2017</u>	<u>% change</u>
Hampton	\$180,000	\$155,000	-13.9%
Newport News	\$199,250	\$170,000	-14.7%
Williamsburg*	\$284,450	\$283,000	-0.5%
Chesapeake	\$250,100	\$245,000	-2.0%
Norfolk	\$195,000	\$183,500	-5.9%
Portsmouth	\$165,500	\$140,000	-15.4%
Suffolk**	\$257,500	\$240,000	-6.8%
Virginia Beach	\$245,000	\$247,500	+1.2%
Hampton Roads	\$223,000	\$219,000	-1.8%

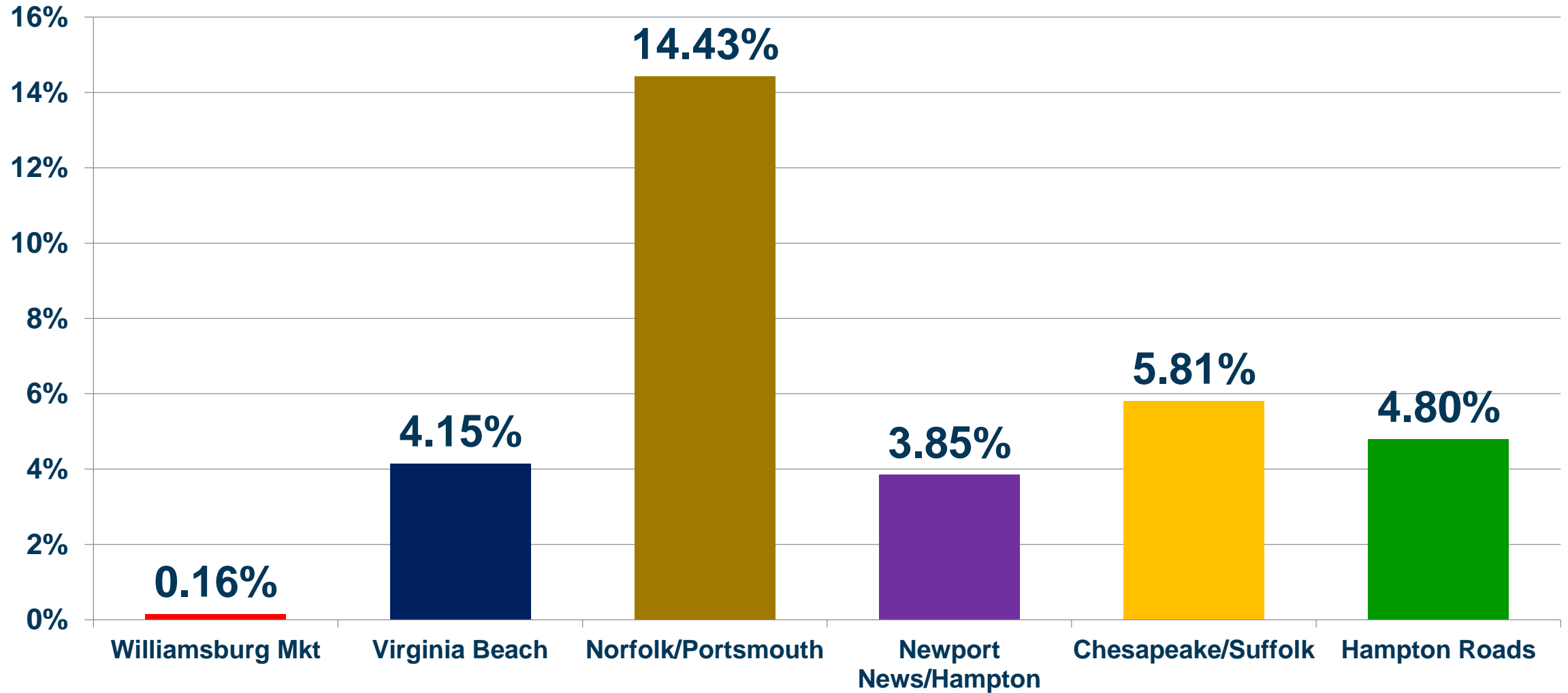


The Hotel Industry Continues to Grow

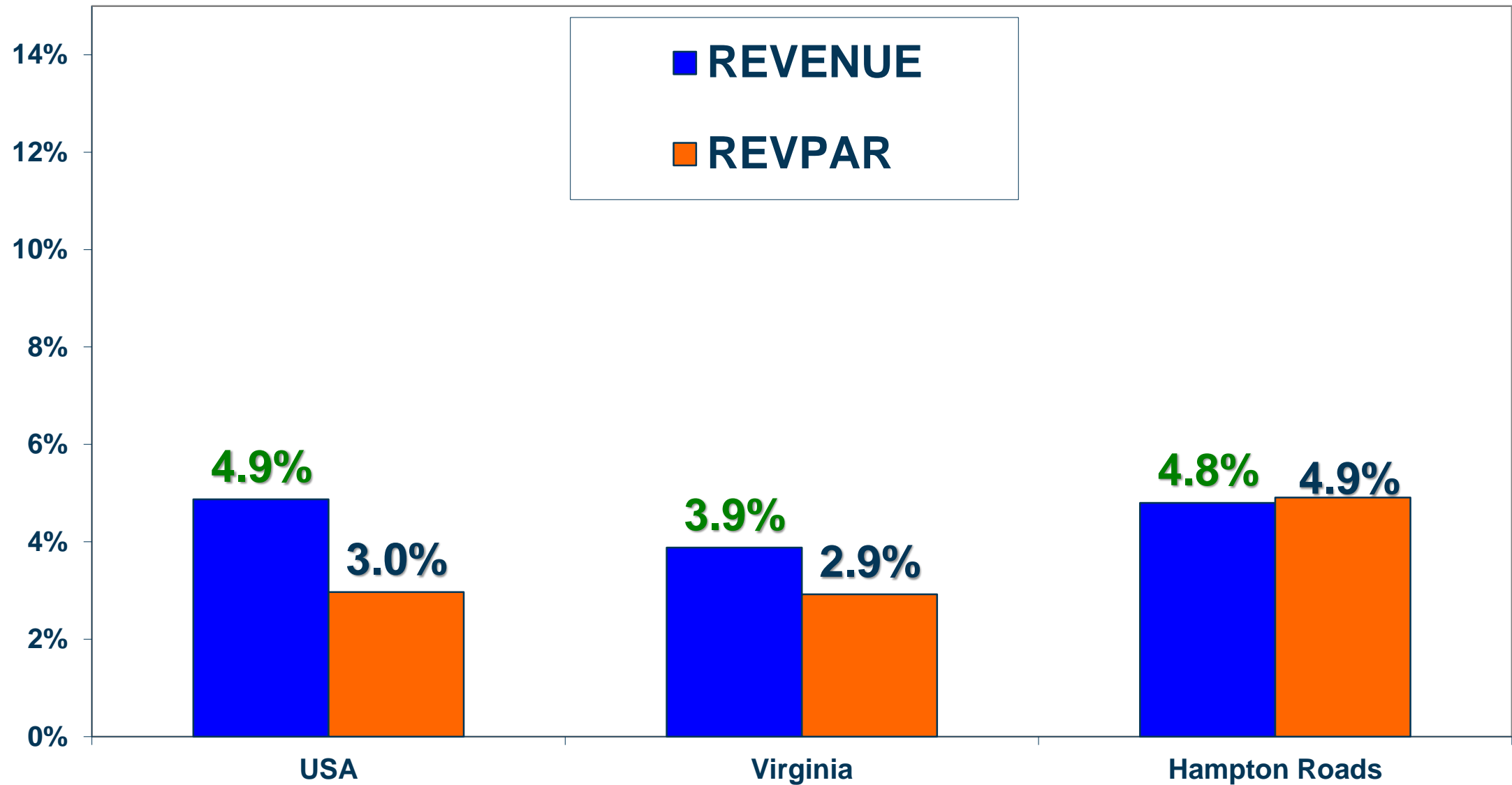
Hotel Revenue in Hampton Roads 2000-2017



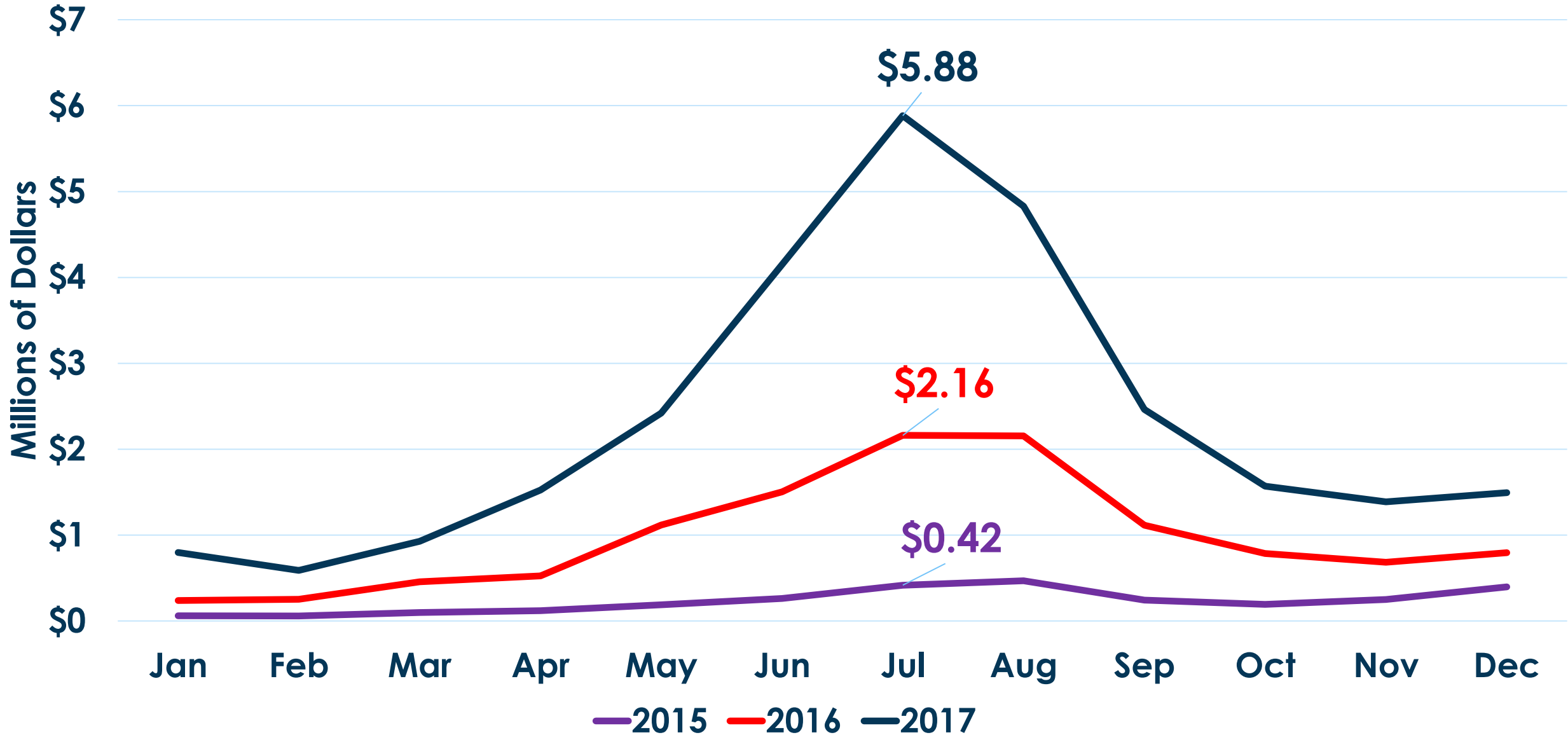
Percent Change in Hotel Revenue within Hampton Roads: 2016 to 2017



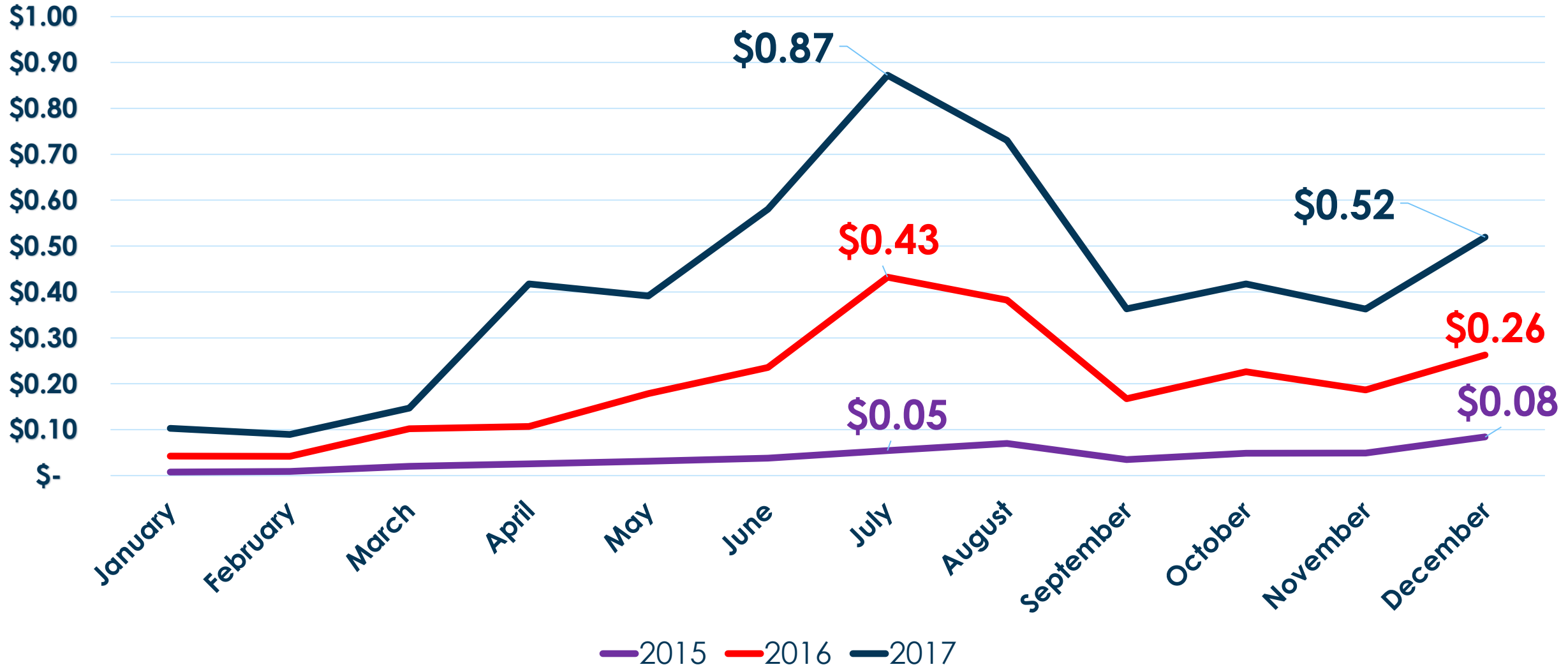
Percent Change in Hotel Revenue and REVPAR 2016 to 2017



Monthly Airbnb Revenue in Hampton Roads 2015-2017 (Millions of \$)



Monthly Revenue of All Airbnb Properties: Williamsburg Market, 2015-2017 (Millions of \$)

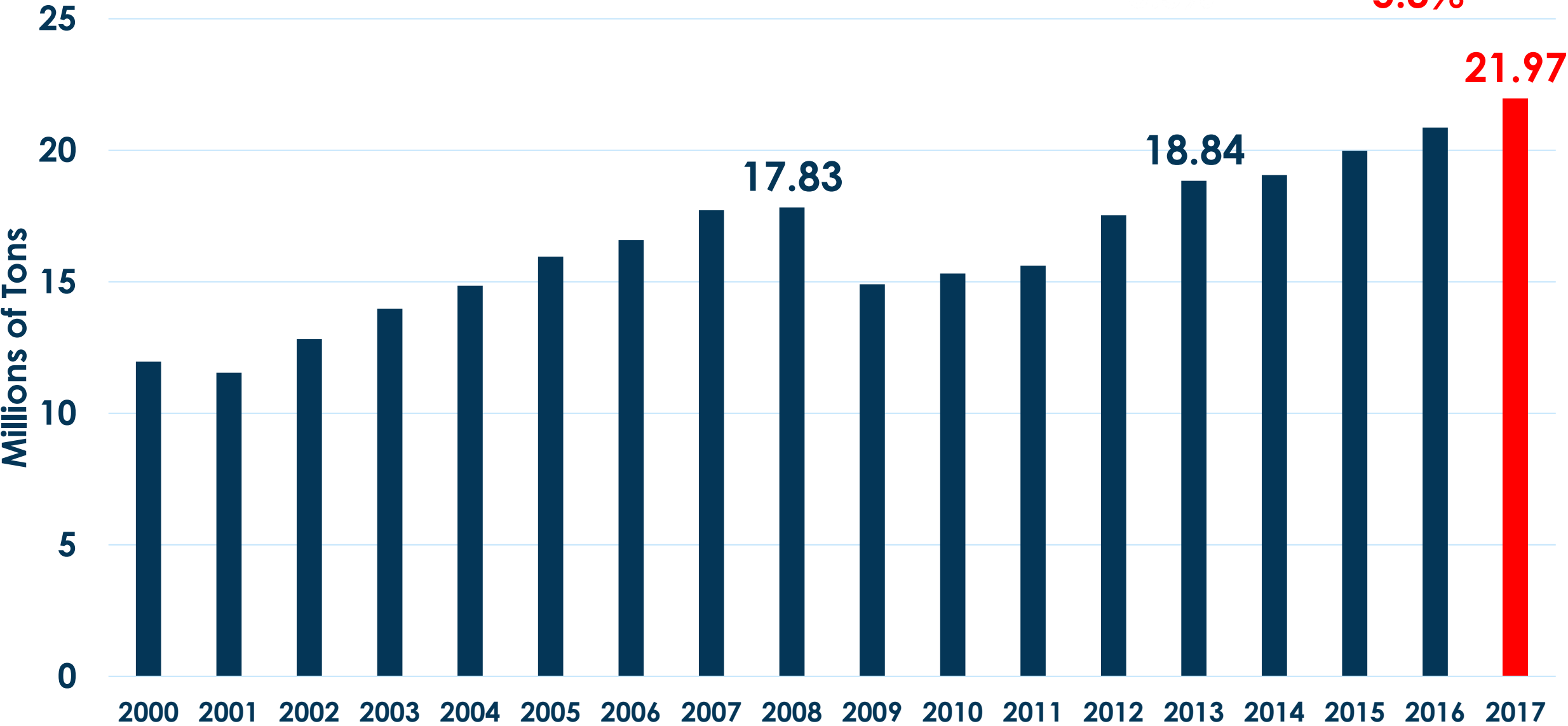


Source: Airdna data received in January 2018 excluding shared rooms



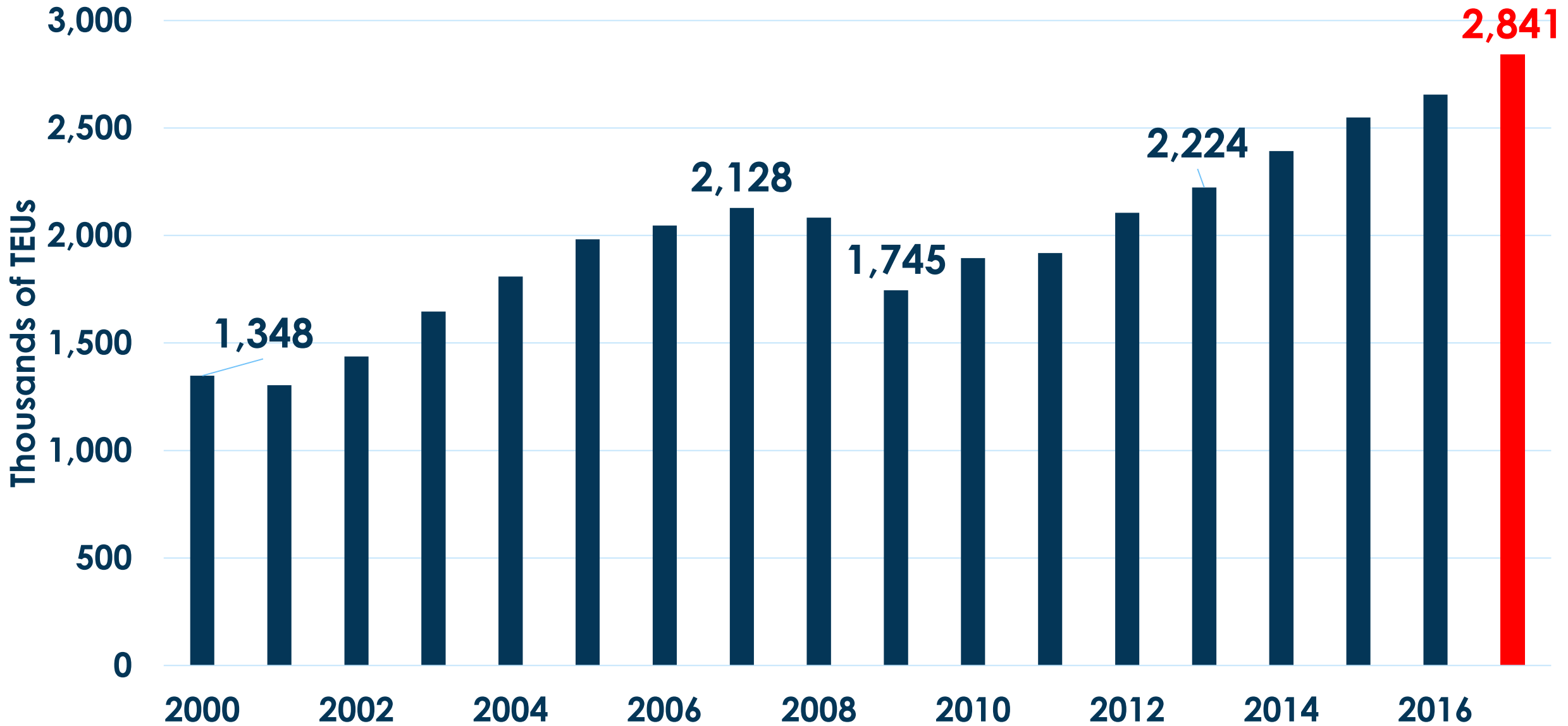
The Port of Virginia: Strong Growth and Prospects for 2018

General Cargo Tonnage Port of Virginia, 2000-2017

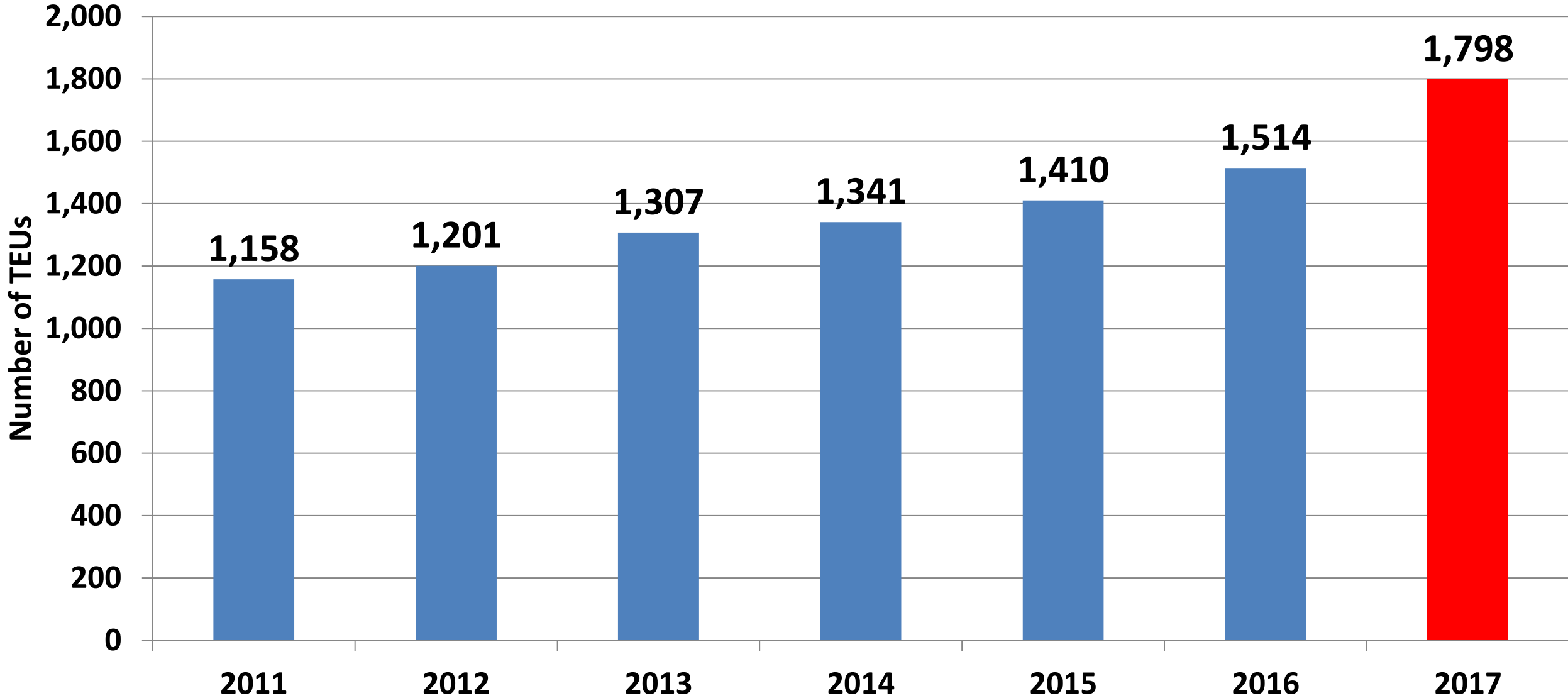


Source: Virginia Port Authority and Old Dominion University Economic Forecasting Project.

Twenty Foot Equivalent Container Units (TEUs) Port of Virginia, 2000-2017



Average TEUs per Container Vessel Call Port of Virginia, 2011-2017



Performance of the Hampton Roads Economy: Year to Date March 2017 and Year to Date March 2018

	YTD March 2017	YTD March 2018	Percentage Change
Civilian Labor Force	840,978	841,657	+0.08%
Employment	802,545	810,019	+0.93%
Unemployment	38,433	31,638	-17.68%
Unemployment Rate	4.57%	3.76%	--
Civilian Nonfarm Payrolls	767,167	768,033	+0.11%
Taxable Sales	\$5.09 Billion	\$5.28 Billion	+3.74%

Performance of the Hampton Roads Economy: Year to Date March 2017 and Year to Date March 2018

	YTD March 2017	YTD March 2018	Percentage Change
Hotel Revenue	\$131.32 Million	\$141.22 Million	+7.54%
General Cargo Tonnage**	7.35 Million	7.39 Million	+0.55%
TEU Containers**	906,236	910,772	+0.50%
Number of 1 Unit Housing Permits	1,209	1,100	-9.02%
Value of 1 Unit Housing Permits	\$270.74 Million	\$245.11 Million	-9.47%
Number of Existing Homes Sold**	6,424	6,865	+6.86%
Distressed Sales as Percentage of Existing Homes Sold**	15.47%	12.34%	--
Median Price of Existing Homes Sold**	\$206,000	\$216,900	+5.29%

	2017 Forecast	2017 Actual	2018 Forecast
Hampton Roads Real Gross Domestic Product Initial Forecast	1.4%	--	1.2%
Hampton Roads Real Gross Domestic Product Mid-year revision	0.9%	--	2.2%
Civilian Job Growth	0.5%	0.9%	0.5%
Unemployment Rate	4.3%	4.2%	3.8%
Taxable Sales	2.6%	2.8%	3.0%
Hotel Revenue	4.4%	4.8%	3.9%
General Cargo Tonnage	2.7%	5.3%	2.7%
One Unit Housing Permit Value	2.6%	8.6%	2.4%



<p>REAL GDP</p> <p>2017 Q4</p> <p>\$446.34 bil</p> <p>↑ 2.5% from 2017 Q3</p>	<p>UNEMPLOYMENT RATE</p> <p>March 2018</p> <p>3.3%</p> <p>↓ -0.6% from March 2017</p>	<p>TOTAL NONFARM EMPLOYMENT</p> <p>2017 Q4</p> <p>3.99 mil</p> <p>↑ 0.90% from 2016 Q4</p>
<p>SIZE OF THE LABOR FORCE</p> <p>March 2018</p> <p>4.35 mil</p> <p>↑ 1.0% from March 2017</p>	<p>AVERAGE WEEKLY WAGES</p> <p>2017 Q3</p> <p>\$1,053</p> <p>↓ -0.85% from 2016 Q3</p>	<p>INITIAL UNEMPLOYMENT CLAIMS</p> <p>April 2018</p> <p>9,643</p> <p>↓ -4.6% from April 2017</p>
<p>TAXABLE RETAIL SALES</p> <p>2018 Q1</p> <p>\$28.92 bil</p> <p>↑ 2.74% from 2017 Q1</p>	<p>FHFA HOUSING PRICE INDEX</p> <p>2017 Q4</p> <p>↑ 3.52%</p> <p>from 2016 Q4</p>	<p>HOTEL REVENUE PER AVAILABLE ROOM (REVPAR)</p> <p>YTD March 2018</p> <p>\$57.05</p> <p>↑ 0.33% from YTD March 2017</p>

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