



2020 Mid-Year Economic Forecast

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Strome College of Business
Old Dominion University

August 12, 2020



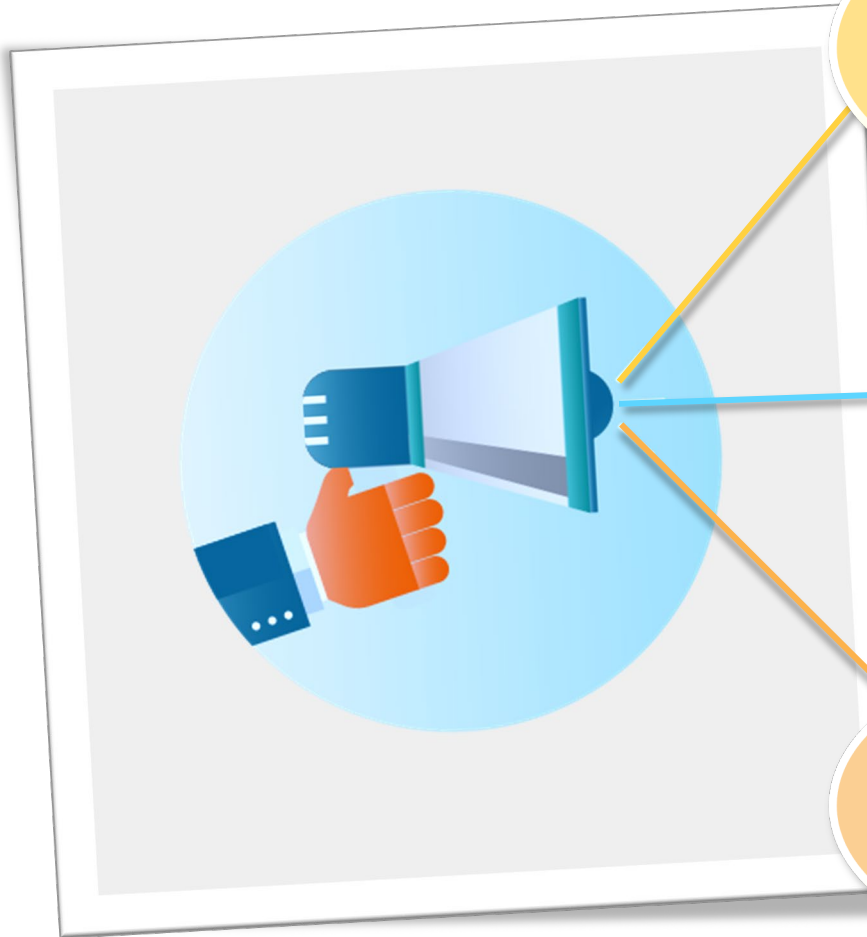


Agenda for Today

I will cover COVID-19's impact and the prospects for a recovery in 2020 and beyond.

My colleague, Vinod Agarwal, will examine economic conditions in Hampton Roads and how the regional economy will fare in 2020.

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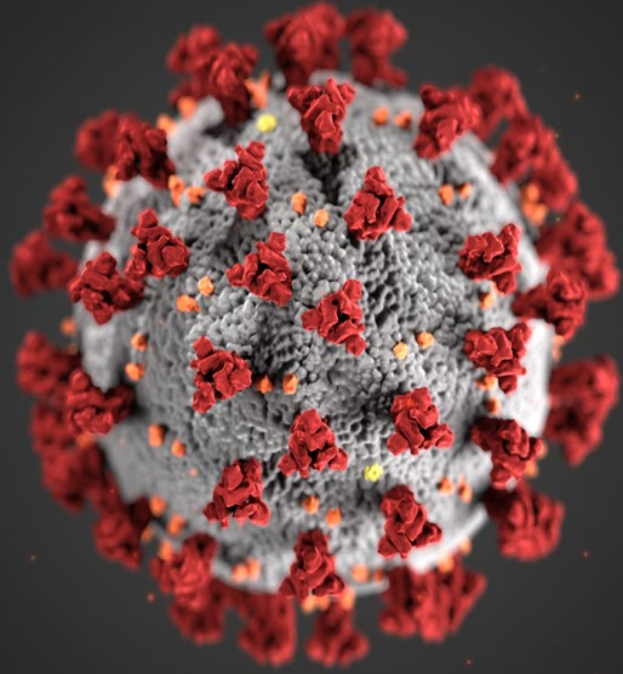


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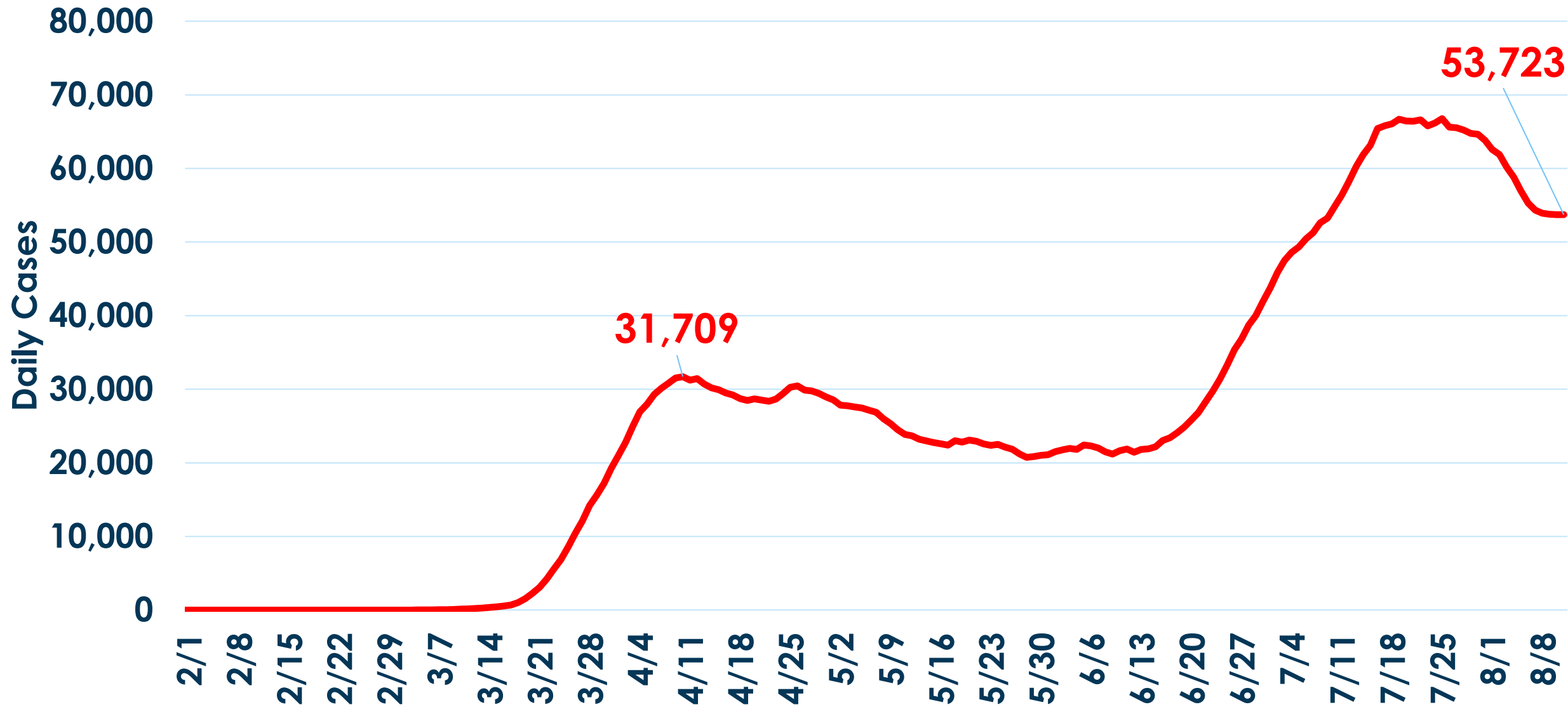


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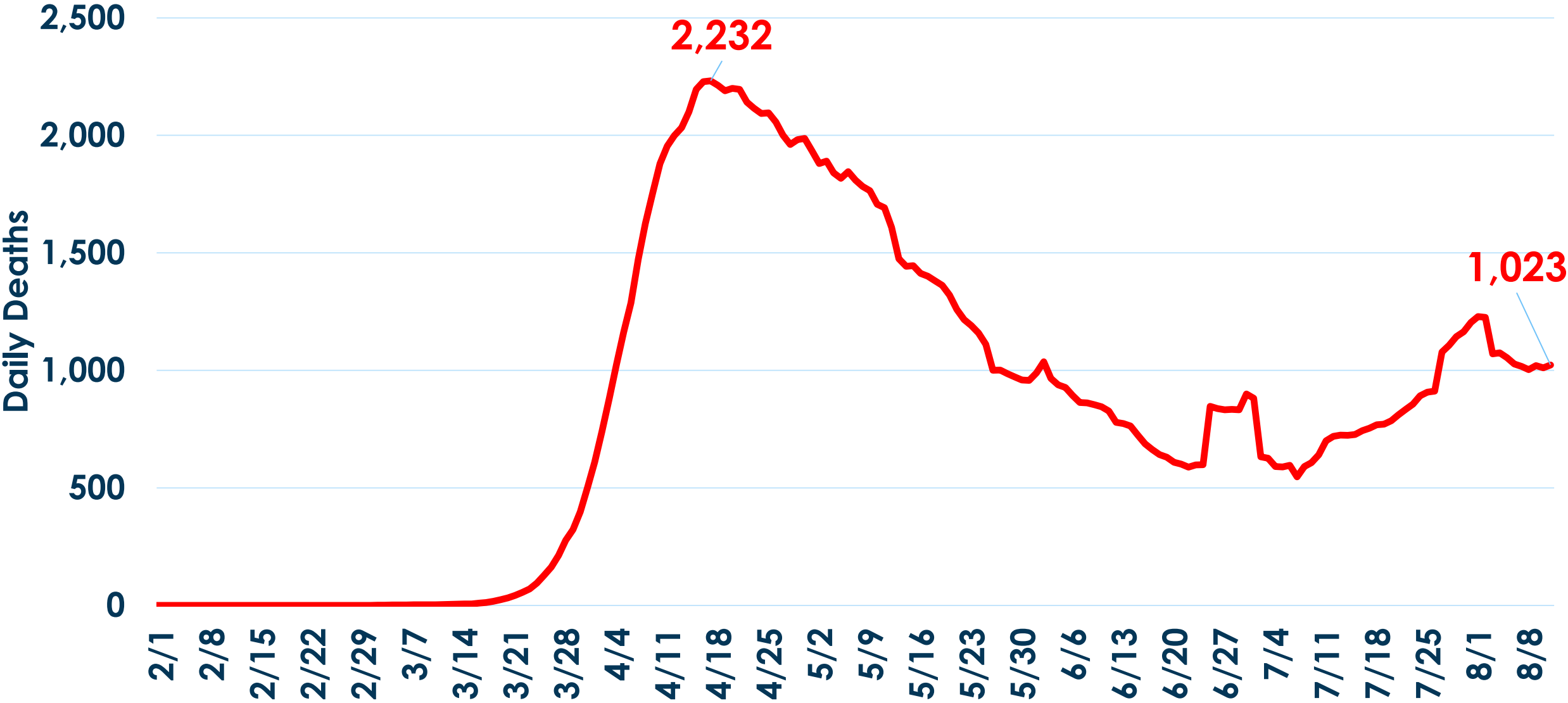


COVID-19

7-Day Moving Average of Daily COVID-19 Infections United States, January 28, 2020 – August 11, 2020

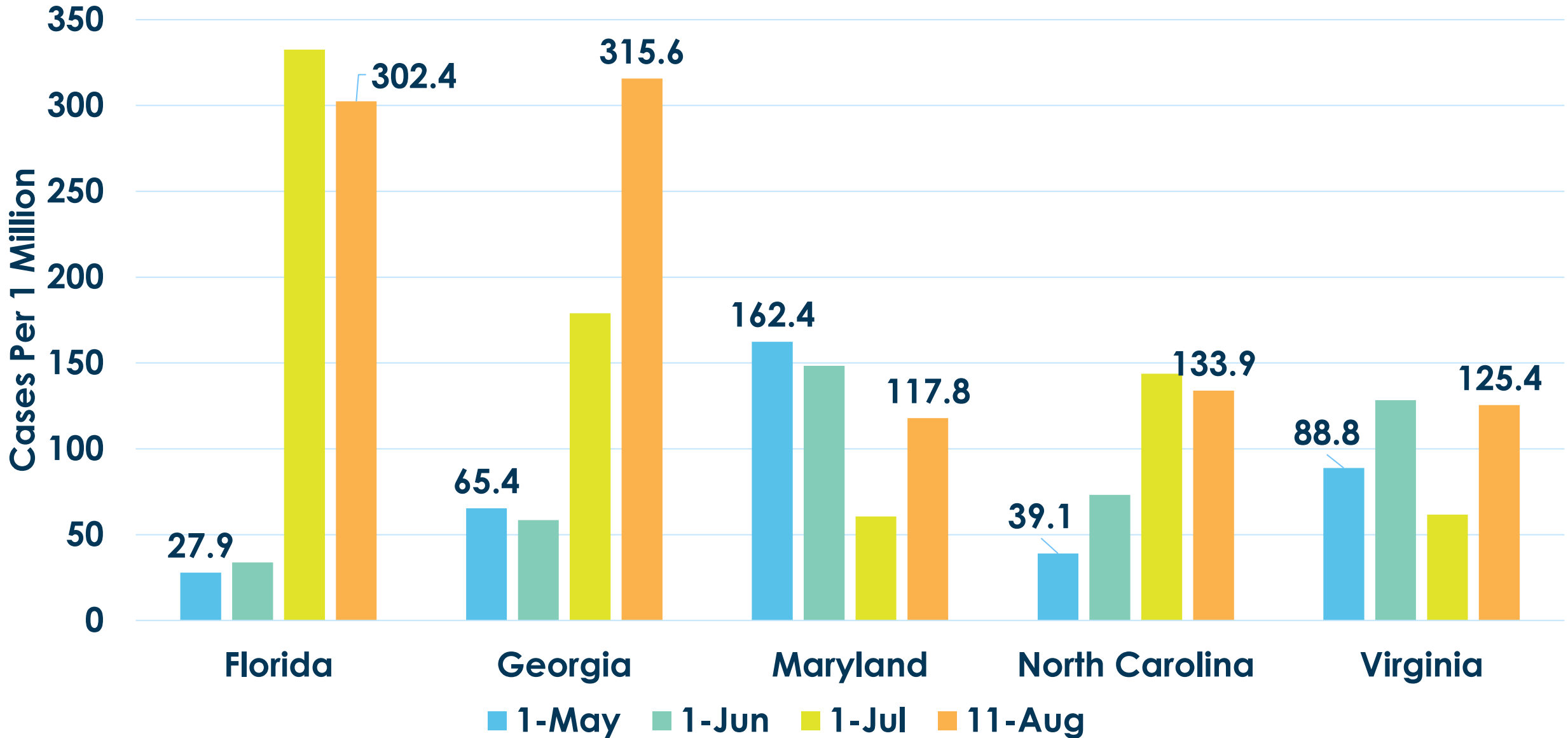


7-Day Moving Average of COVID-19 Deaths United States, January 28, 2020 – August 11, 2020

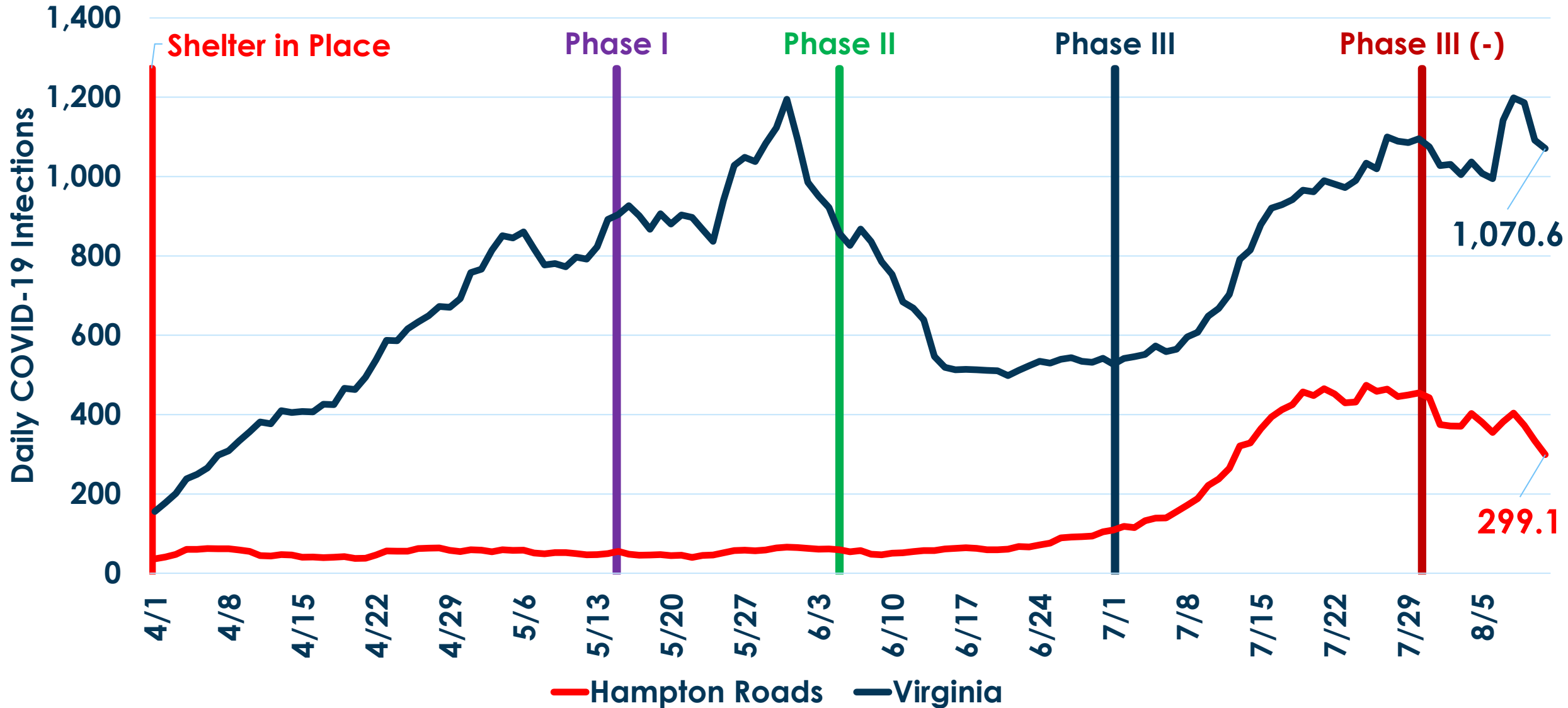


Sources: New York Times and Dragas Center for Economic Analysis and Policy. The increase in late June/early July is due to New Jersey reporting probable deaths.

7-Day Moving Average of Cases Per 1 Million Residents

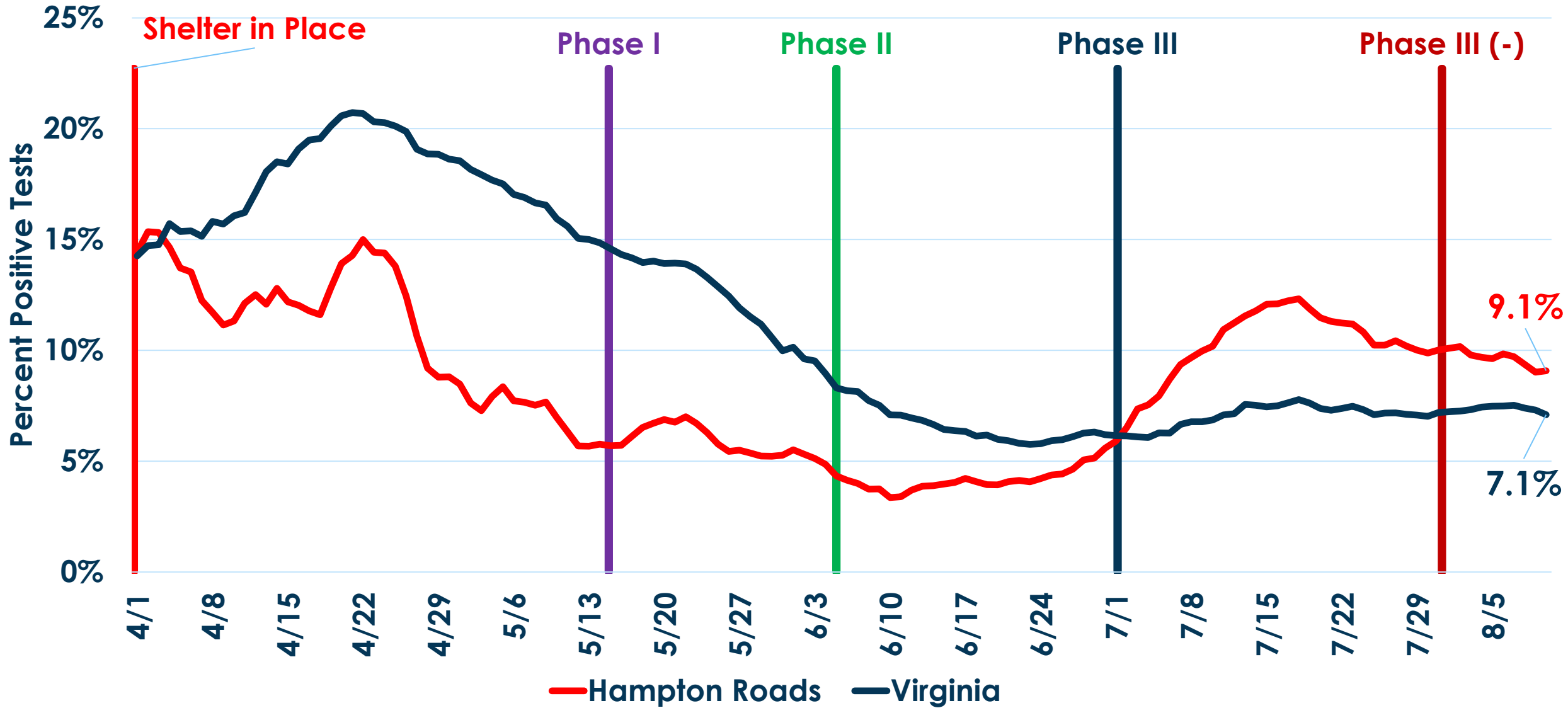


7-Day Moving Average of Daily COVID-19 Infections Hampton Roads and Virginia, April 1 – August 11, 2020



Sources: Virginia Department of Health and Dragas Center for Economic Analysis and Policy.

7-Day Moving Average of PCR Test Positivity Hampton Roads and Virginia, April 1 – August 11, 2020

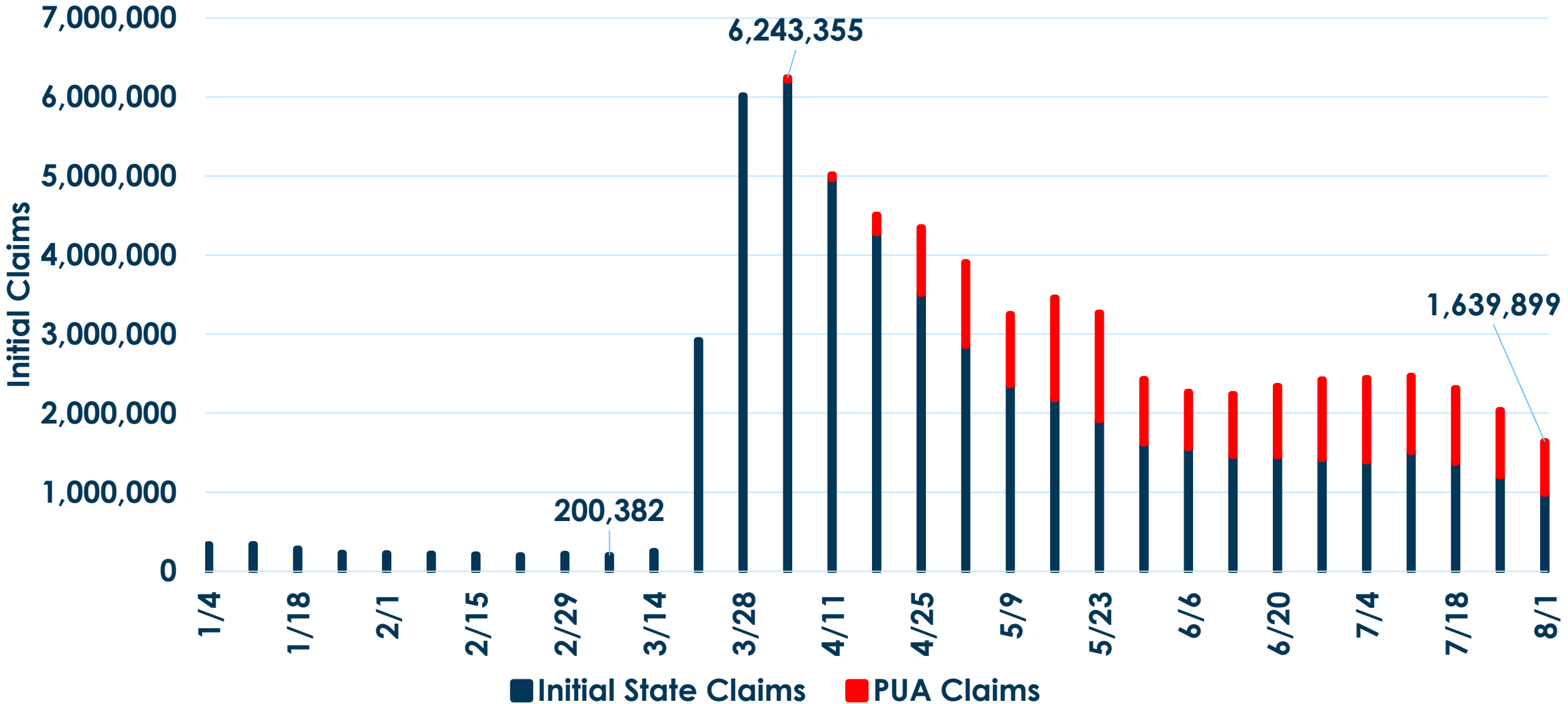




Collapse, Reopening, Recovery?

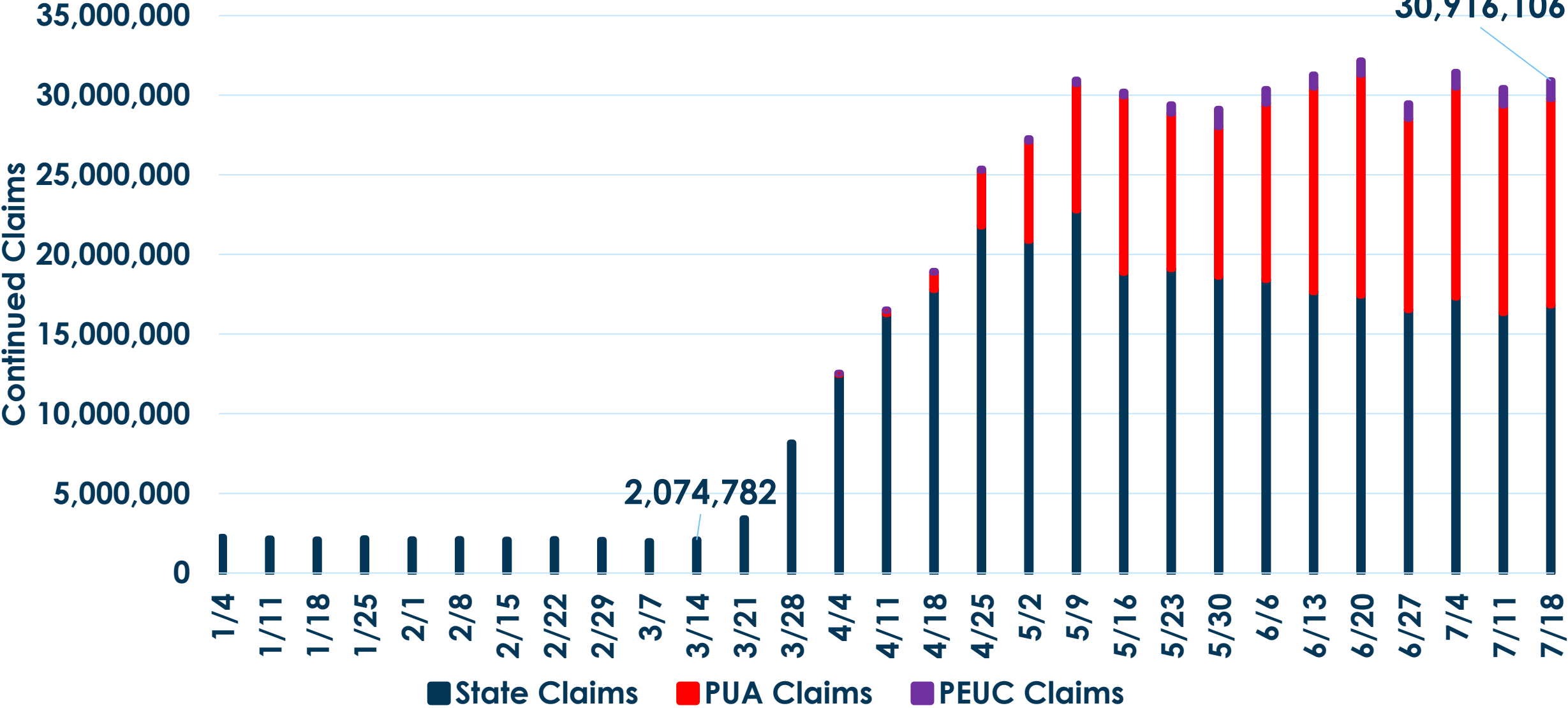
Initial Claims for Unemployment Insurance

United States, January 4 – August 1, 2020



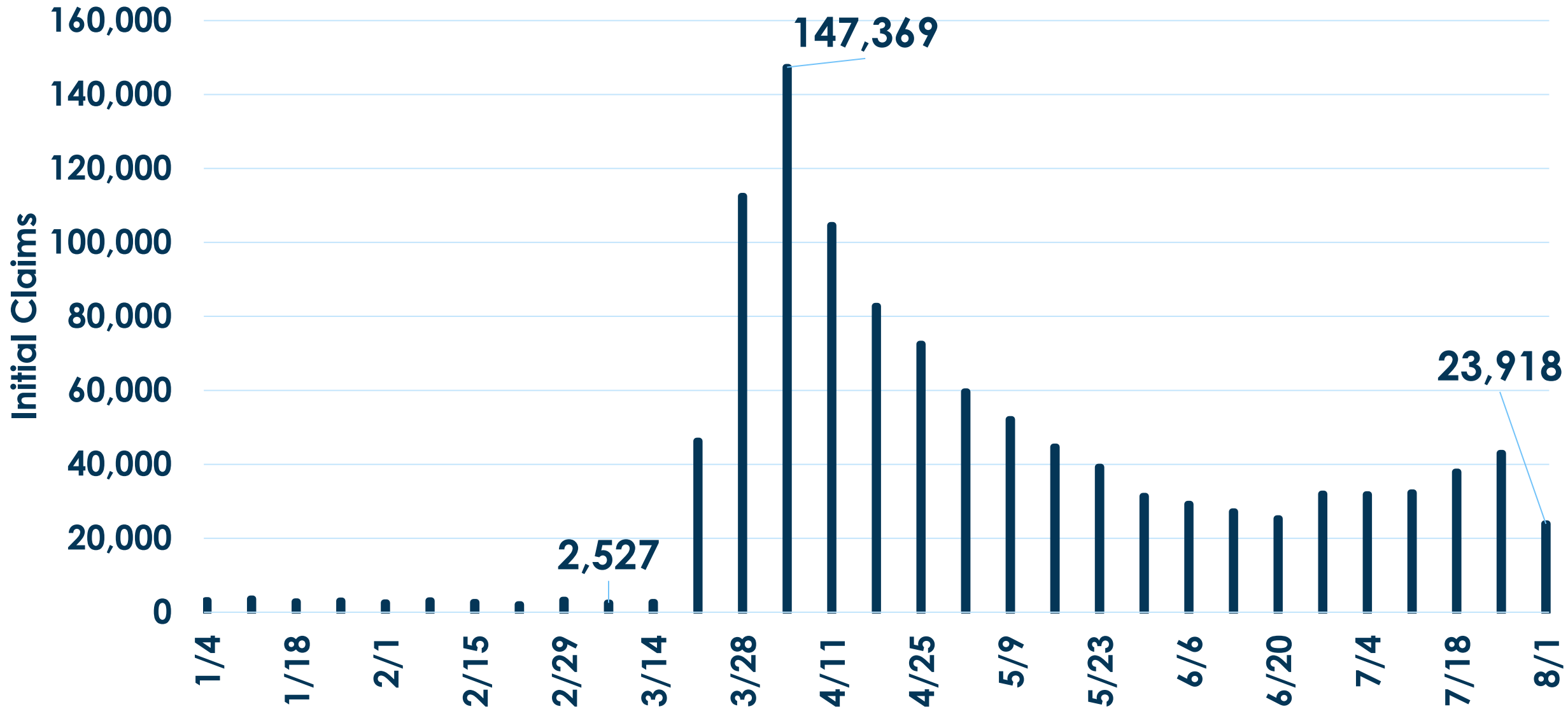
Sources: Department of Labor and Dragas Center for Economic Analysis and Policy. Non-seasonally adjusted initial claims for regular state UI programs and PUA claims. UI claims for the week ending on the horizontal axis.

Continued Claims for Unemployment Insurance United States, January 4 – July 18, 2020

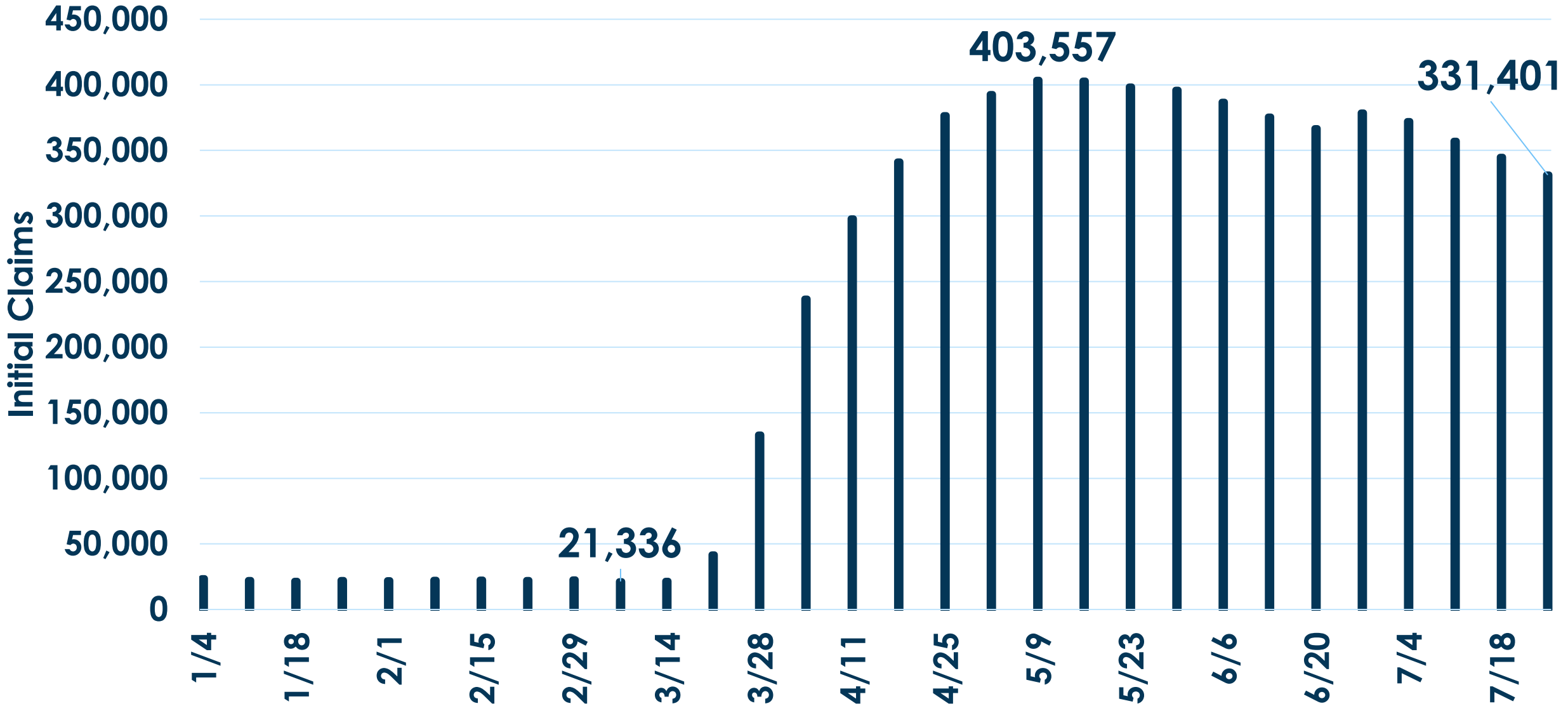


Sources: Department of Labor and Dragas Center for Economic Analysis and Policy. Non-seasonally adjusted initial claims for state UI, PUA, and PEUC continued claims which account for approximately 99% of all continuing unemployment claims. UI claims for the week ending on the horizontal axis.

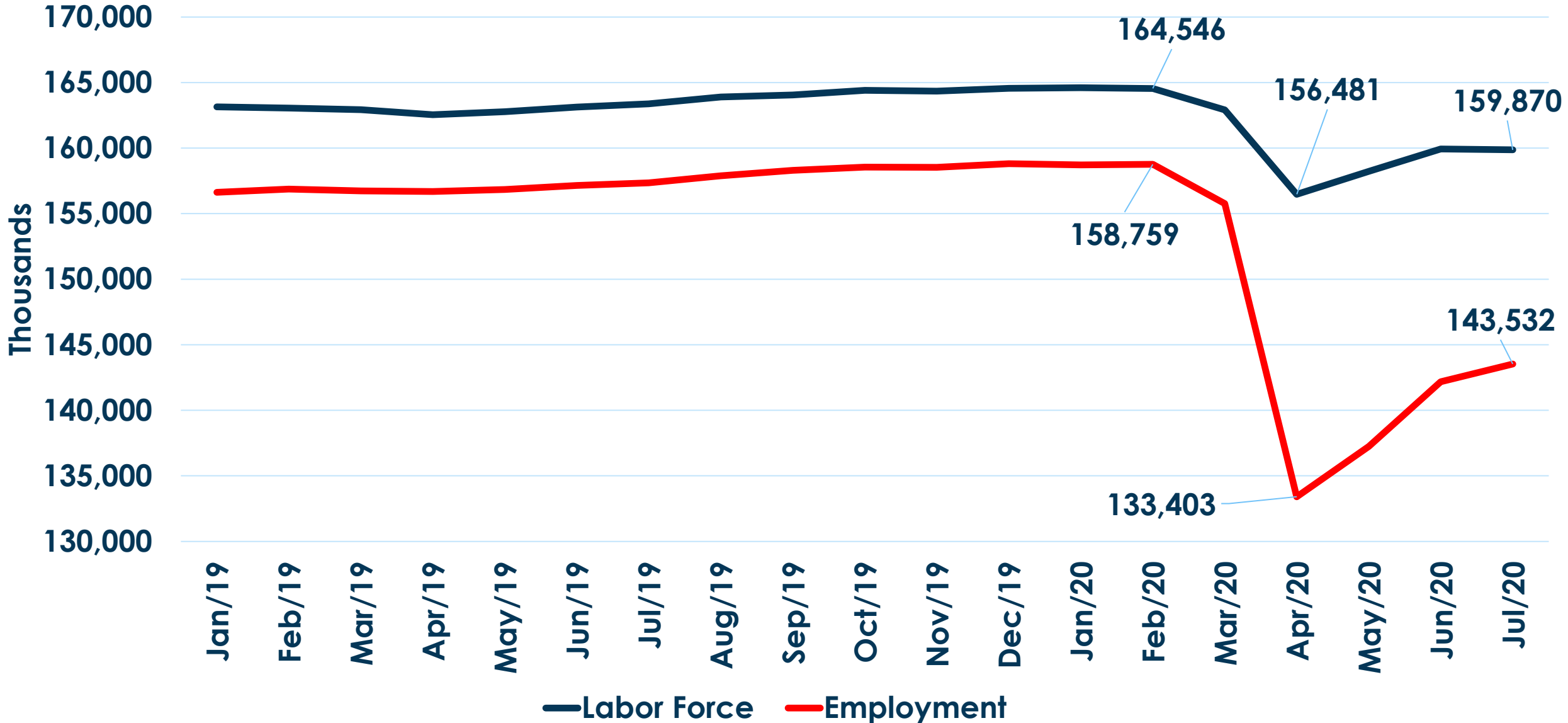
Initial Claims for Regular State Unemployment Insurance Virginia, January 4 – August 1, 2020



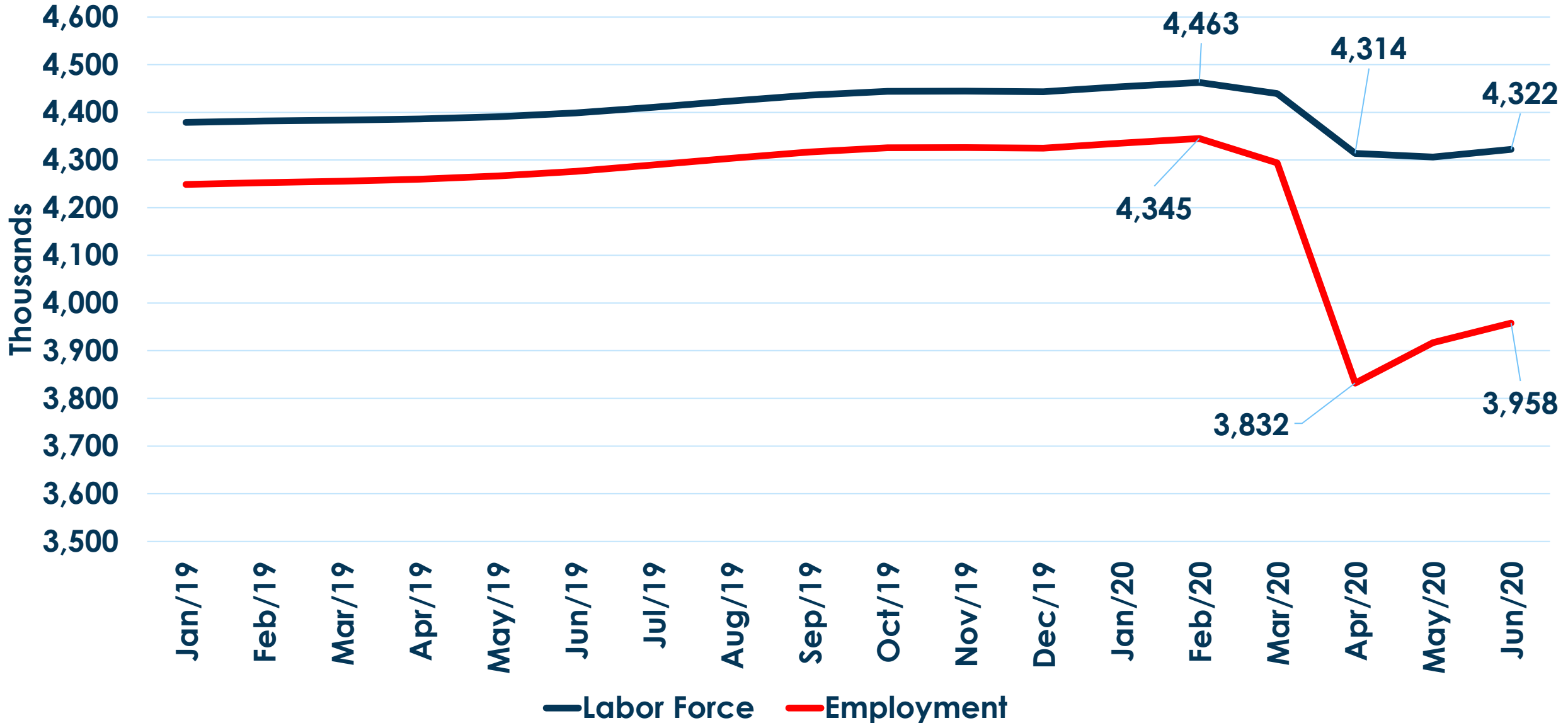
Continued Claims for Regular State Unemployment Insurance Virginia, January 4 – July 25, 2020



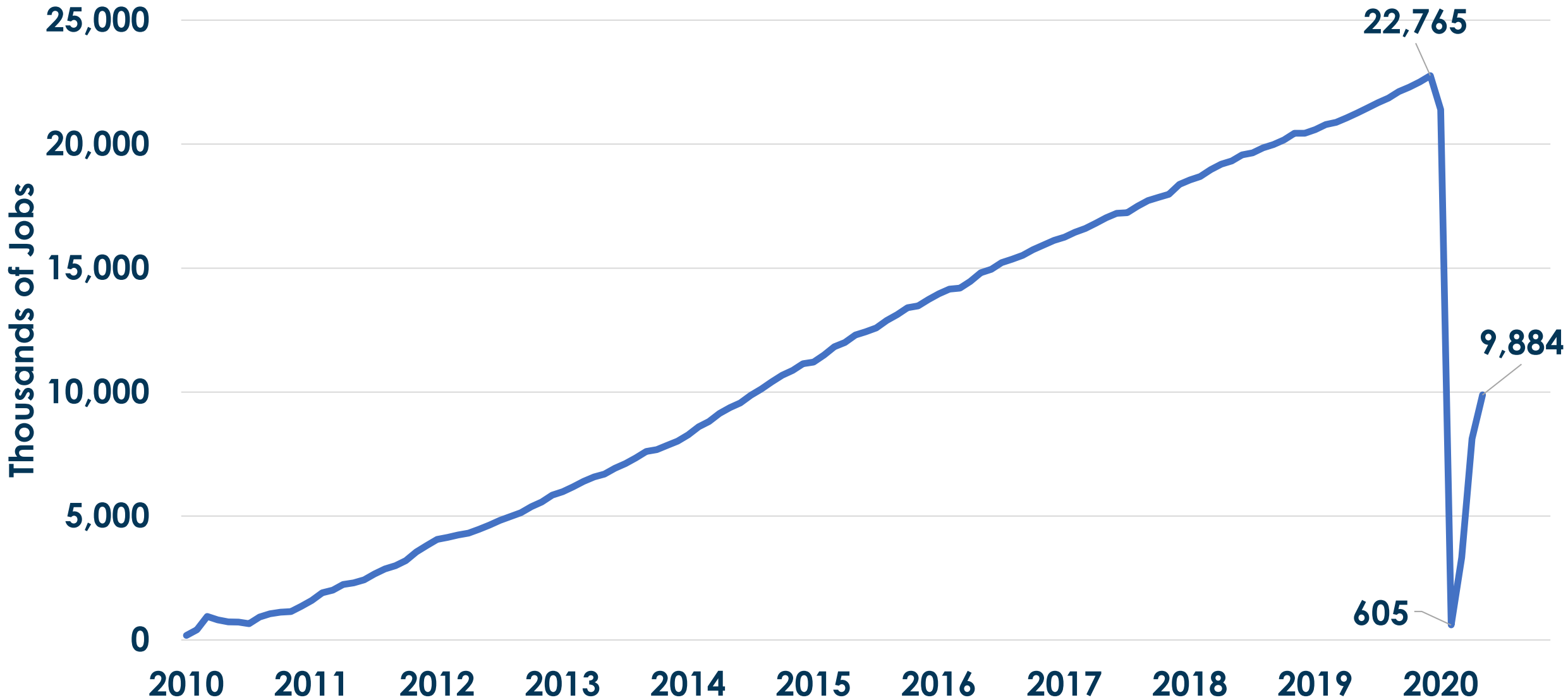
Civilian Labor Force and Individual Employment United States, January 2019 – July 2020



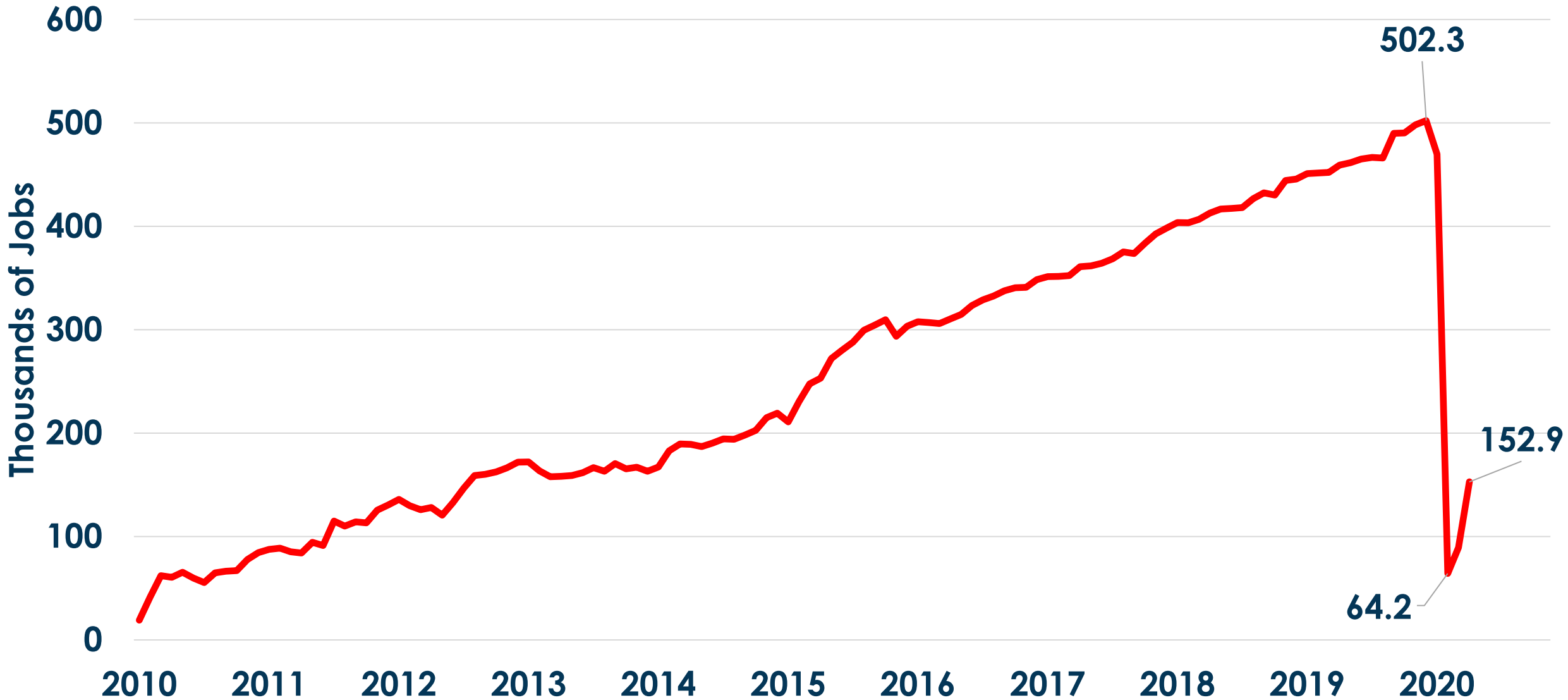
Civilian Labor Force and Individual Employment Virginia, January 2019 – June 2020



Cumulative Growth in Nonfarm Payrolls United States, March 2010 – July 2020

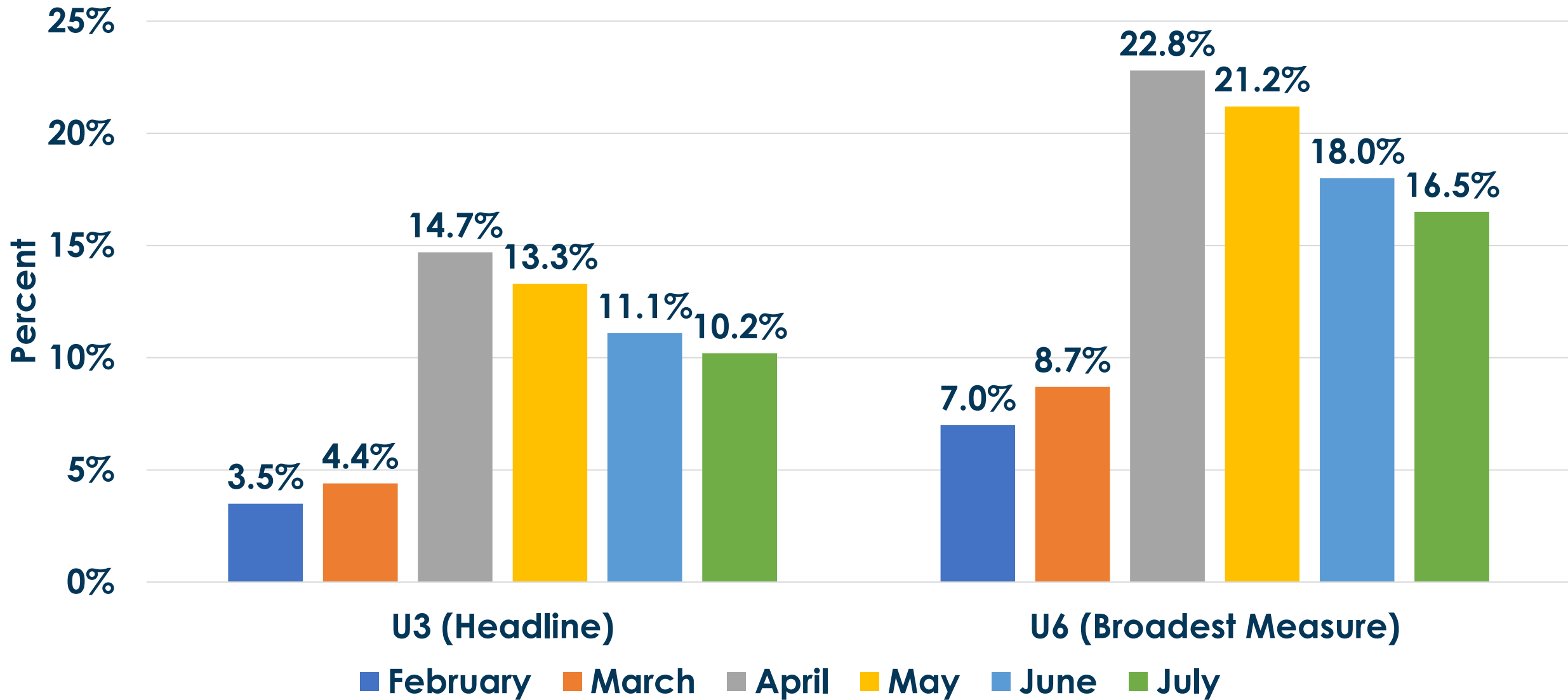


Cumulative Growth in Nonfarm Payrolls Virginia, March 2010 – June 2020



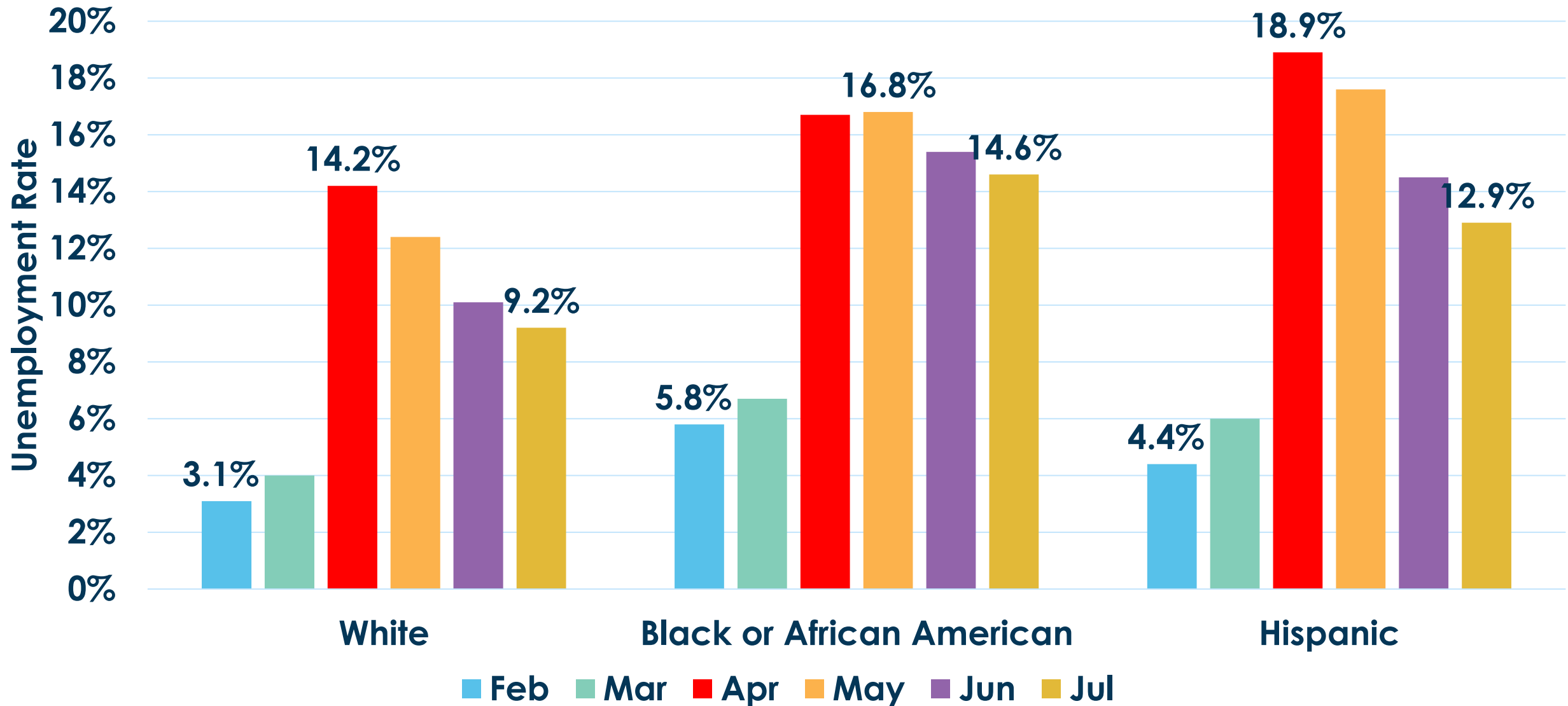
Measures of Unemployment

United States, February 2020 – July 2020



Unemployment Rate by Race

United States, February 2020 – July 2020

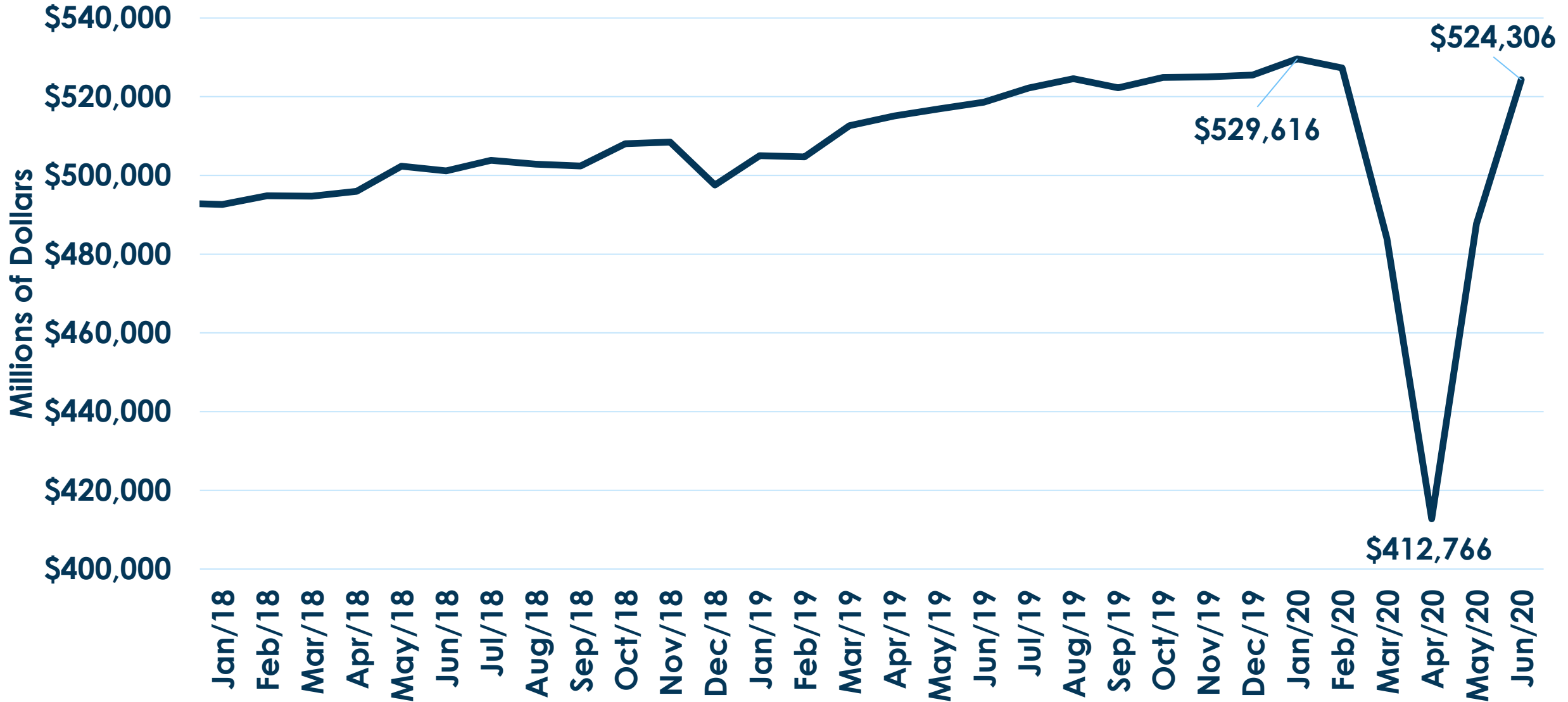


University of Michigan, Consumer Sentiment

January 2010 – July 2020

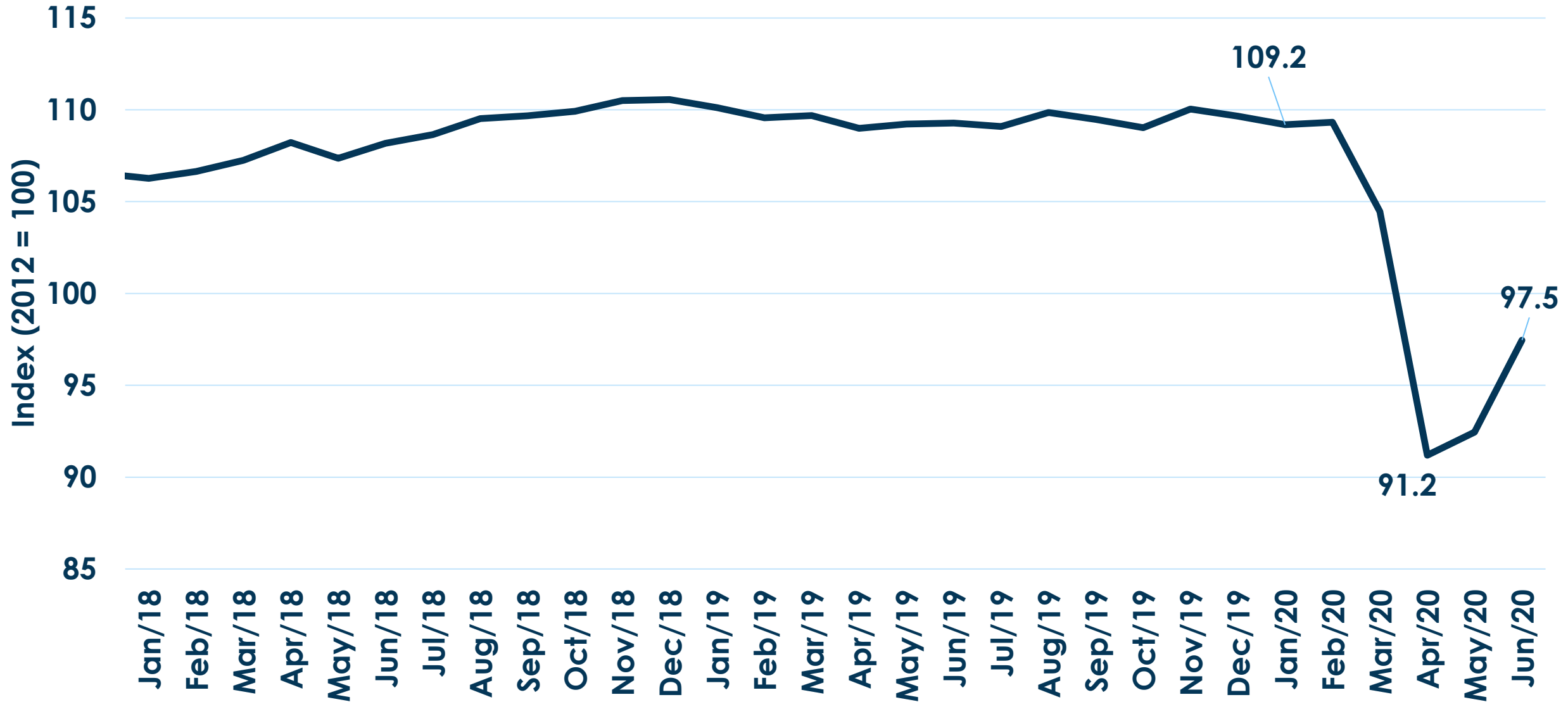


Advance Retail Sales for Retail and Food Services United States, January 2018 – June 2020

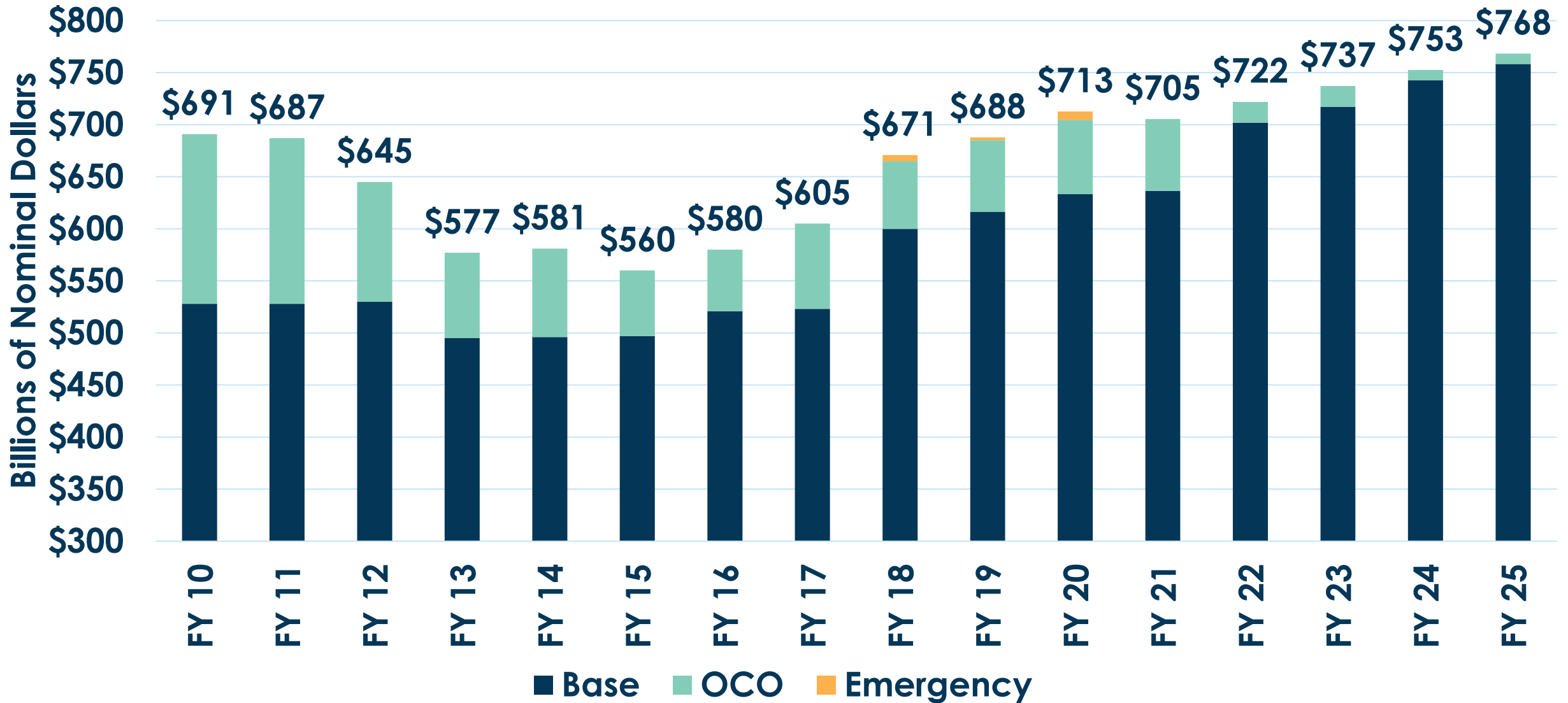


Industrial Production Index

United States, January 2018 – June 2020



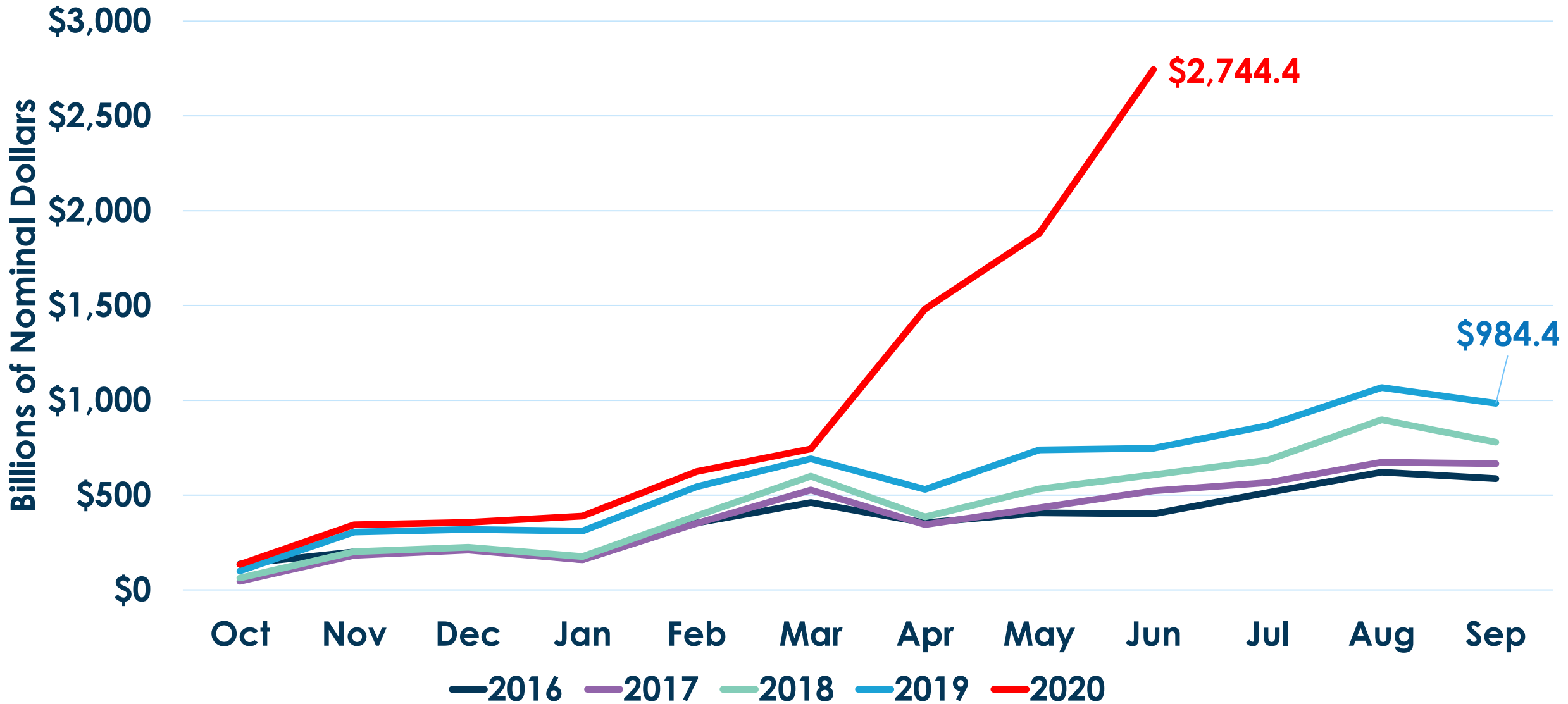
Department of Defense Discretionary Budget Authority Fiscal Year 2010 – Fiscal Year 2025



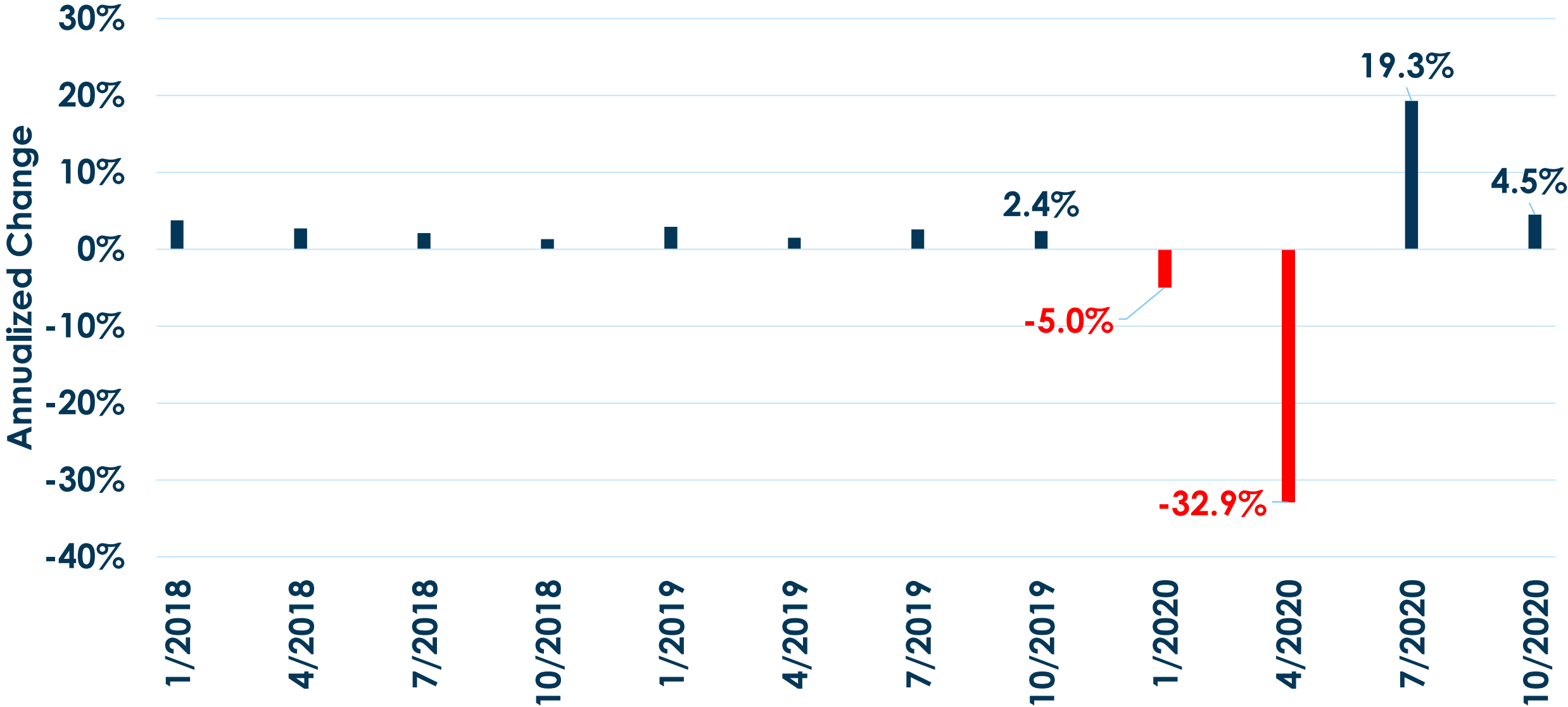
Sources: Dragas Center for Economic Analysis and Policy, OSD (Comptroller), FY 2021 Presidential Budget, and Bipartisan Budget Agreement of 2019. OSD (Comptroller) National Defense Budget Estimates for FY 21.

Cumulative U.S. Federal Government Deficit by Month

January 2016 – June 2020

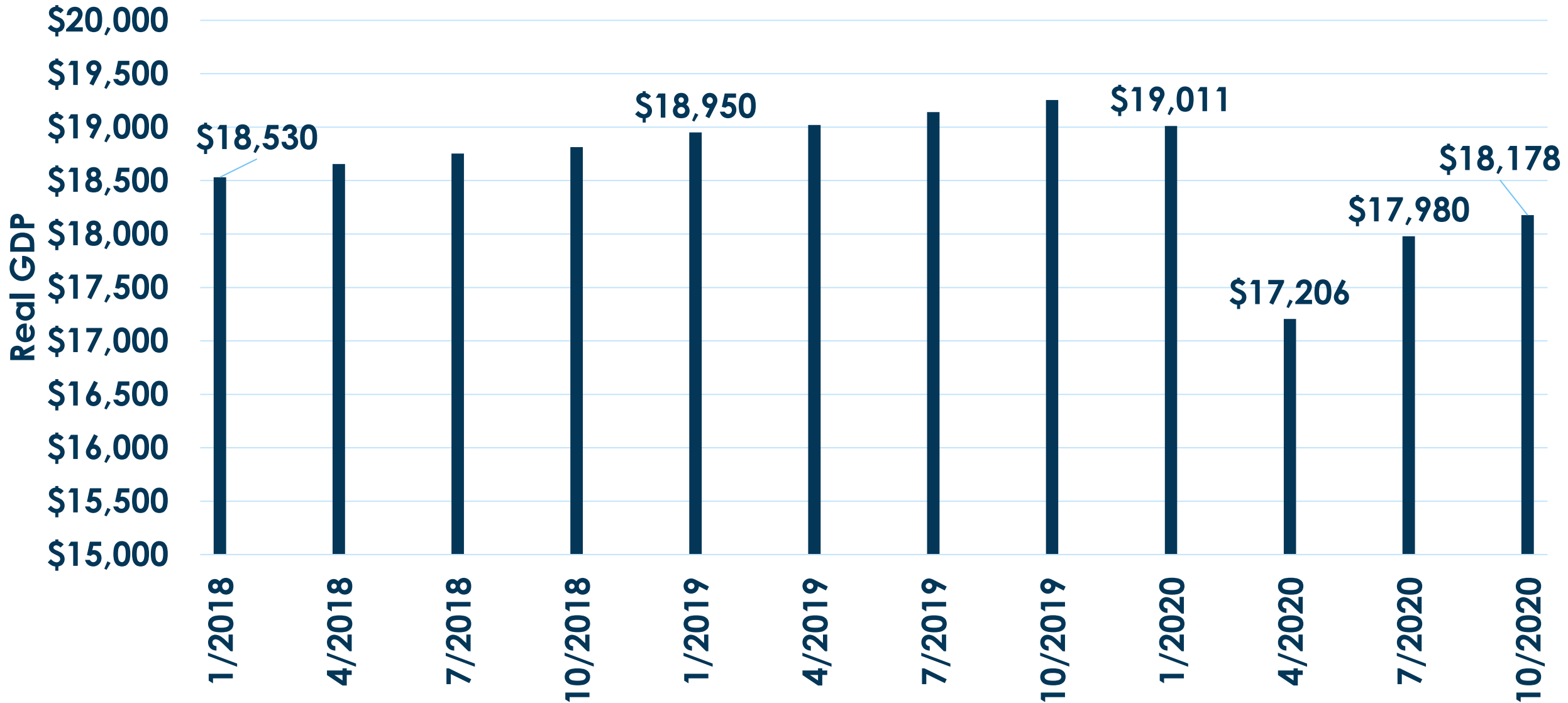


Growth in Real Gross Domestic Product United States, 2018 Q1- 2020 Q4*



Sources: Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Data on GDP incorporate latest BEA revisions in July 2020. 2020 Q3 and Q4 represent our forecasts.

Real Gross Domestic Product United States, 2018 Q1- 2020 Q4*





The Outlook

An Optimistic Scenario

- A national mask mandate and federal testing strategy are implemented.
- **Emerging vaccines are successful in Phase III trials.**
- Therapeutics and promising vaccines build consumer confidence.
- **A sharp rebound in employment and production in 2021.**
- The 2020 election has a clear winner and counting is not significantly delayed.
- **Inflation remains moderate, allowing the Fed to unwind its liabilities.**
- Moderate growth resumes with a new expansion underway.

A Pessimistic Scenario

- **Infections continue to climb; hospital capacity reached in some states.**
- Promising vaccines do not scale, a severe influenza season starts in the fall.
- Legislative delays create havoc as extended unemployment benefits and other stimulus programs expire.
- **Evictions and foreclosures spike as consumer finances erode.**
- The 2020 election has no clear winner and counting is delayed in many states.
- A long, grinding recession occurs and partisan divides explode.

A “Middle of the Road” Scenario

- **Infections ebb and flow, mortality falls as treatments improve.**
- Vaccine trials are promising, approvals and supply chains limit impact in 2020.
- Masking becomes the norm in many states and limits influenza’s impact.
- **Anti-vaccine resistance threatens a sustained recovery in 2021.**
- Double-digit unemployment (U6) through 2021.
- Recovery not complete until 2022 (or later).

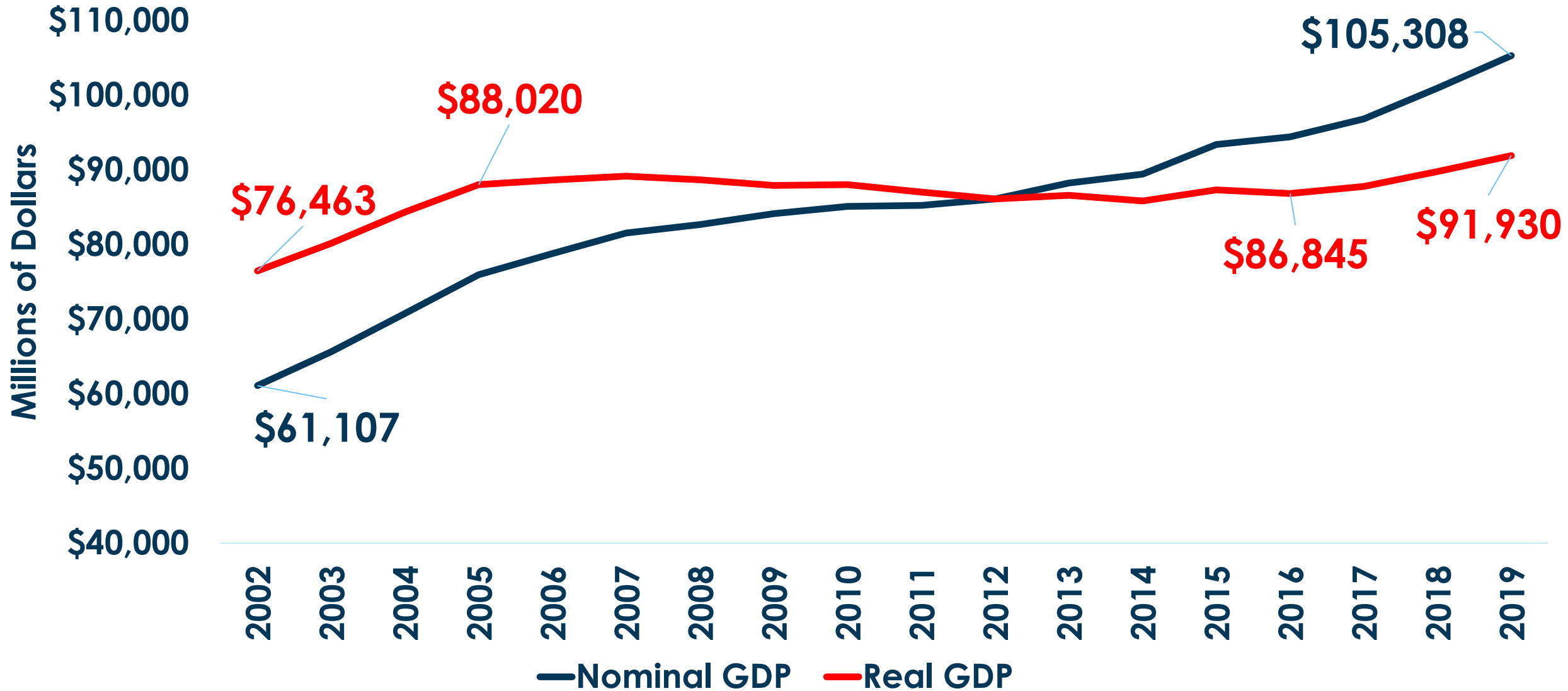
	2018 Actual	2019 Actual	2020 Forecast (Jan)	2020 Forecast
U.S. Real Gross Domestic Product	3.0%	2.2%	2.2%	-5.5%
Civilian Job Growth	1.6%	1.4%	1.2%	-4.0%
Unemployment Rate	3.9%	3.5%	3.7%	9.1%
Consumer Price Index	2.4%	2.3%	2.4%	0.8%
Core Consumer Price Index	2.1%	2.3%	2.5%	1.4%
3-month Treasury Bill	2.4%	1.6%	1.8%	0.4%
10-year Treasury Bill	2.9%	1.9%	2.1%	0.8%
30-year Treasury Bill	3.1%	2.3%	2.5%	1.0%
30-year Conventional Mortgage	4.5%	3.8%	4.2%	3.0%
Federal Deficit	-\$779 Billion	-\$984 Billion	-\$1.1 Trillion	-4.0 Trillion
Virginia Real GDP	2.8%	2.2%	2.0%	-4.0%
Virginia Employment Growth	1.1%	1.1%	1.1%	-3.0%
U.S. COVID-19 Deaths	--	--	--	275,000

2020 Hampton Roads Midyear Economic Forecast

**COVID-19 and
Uncertainties about
the Regional
Economy**



Nominal and Real Gross Domestic Product (GDP): Hampton Roads, 2002 to 2019*

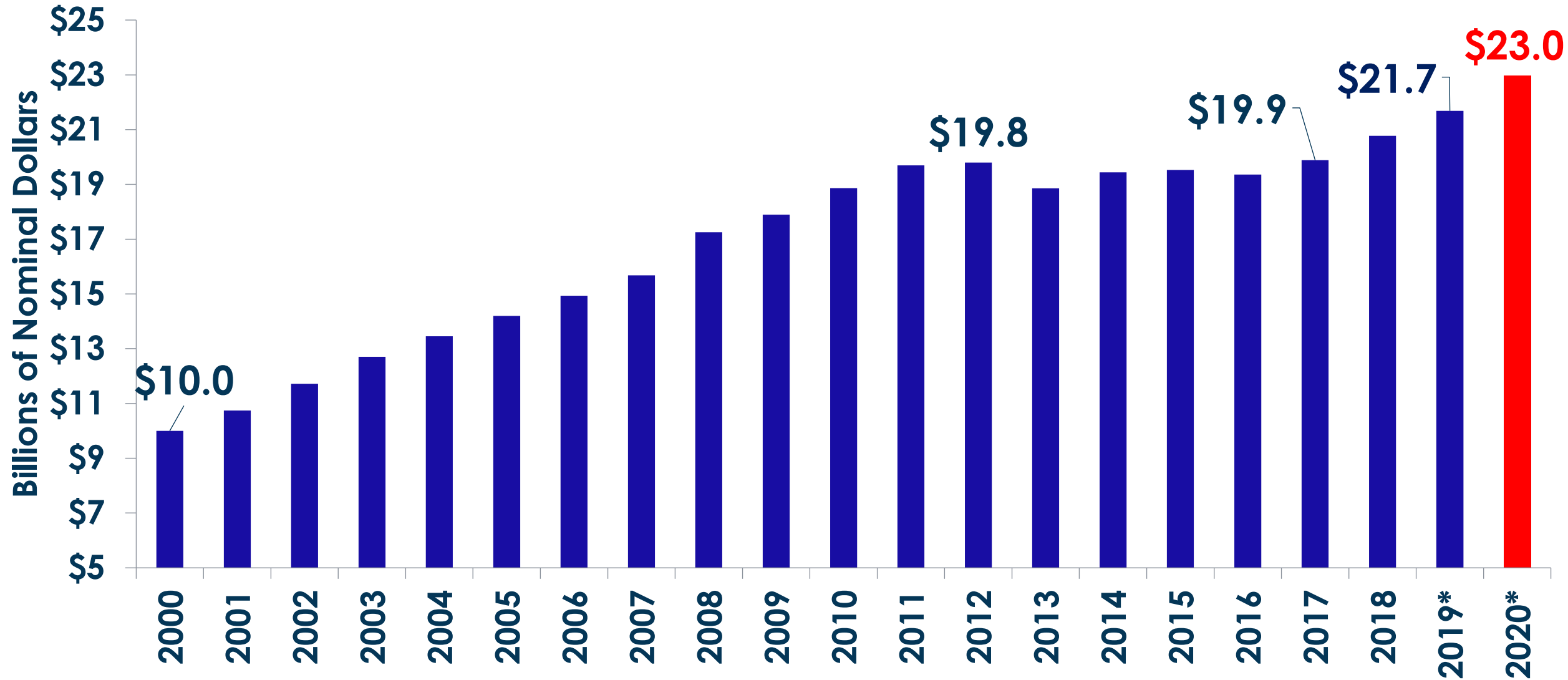


Sources: Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Data on GDP incorporates latest BEA revisions in December 2019. Data for 2018 for Hampton Roads are the advance estimates and for 2019 data represent our estimate. Real GDP in 2012 Chained Dollars.

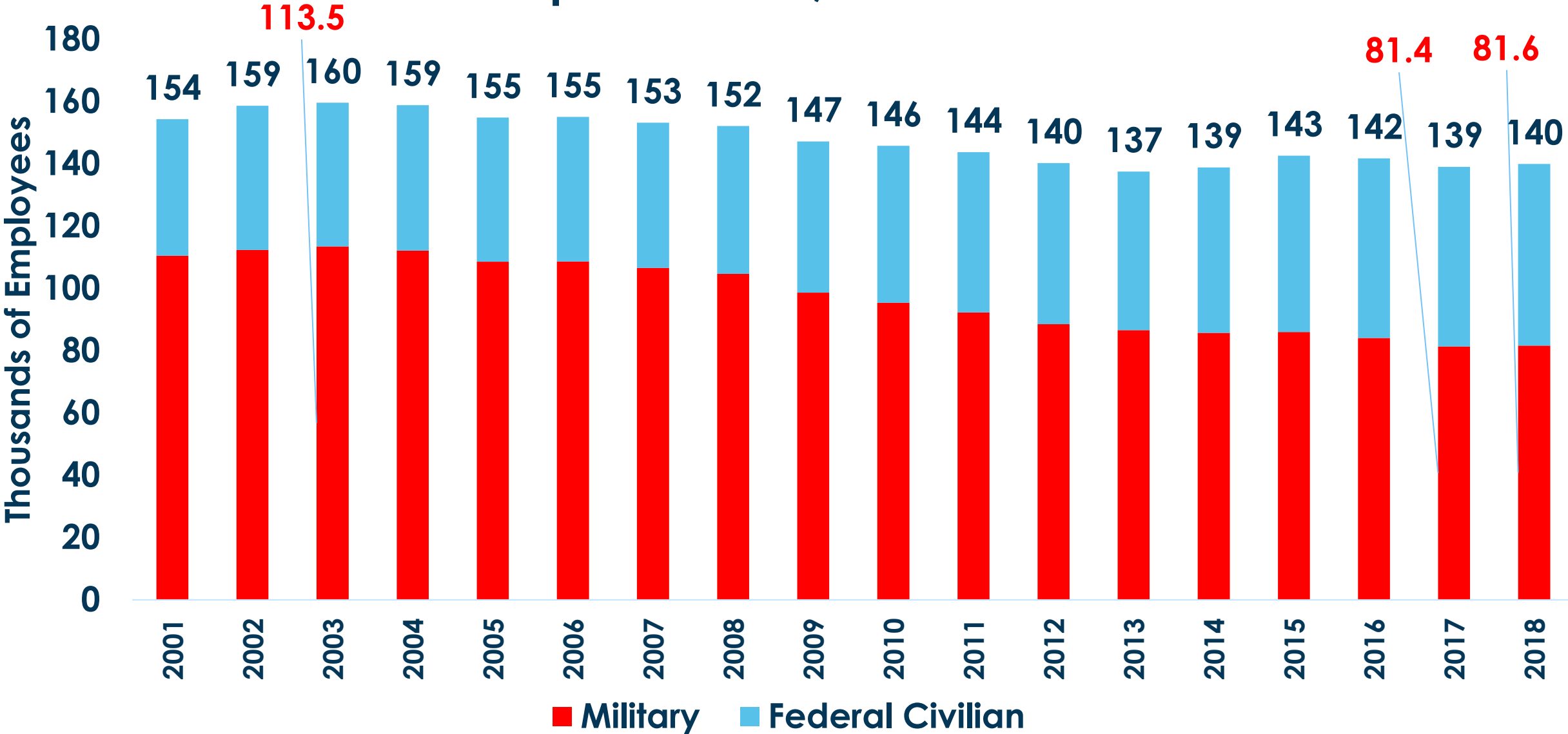


Defense Spending in Hampton Roads

Estimated Direct Department of Defense Spending Hampton Roads, 2000 to 2020*



Military and Federal Civilian Employment Hampton Roads, 2001 to 2018



Estimated Average Nominal Compensation Hampton Roads, Selected Categories

	<u>2017</u>	<u>2018</u>	<u>Change in Average Compensation</u>
Military	\$93,992	\$96,985	3.18%
Federal Civilian Govt. Employees	\$113,883	\$116,544	2.34%
State and Local Govt. Employees	\$64,279	\$64,539	0.40%
Private Nonfarm	\$42,001	\$43,136	2.70%

COVID-19 and the Hampton Roads Economy

- **Historical Perspective**
- **Impact of COVID-19 on Selected Sectors of the Regional Economy**



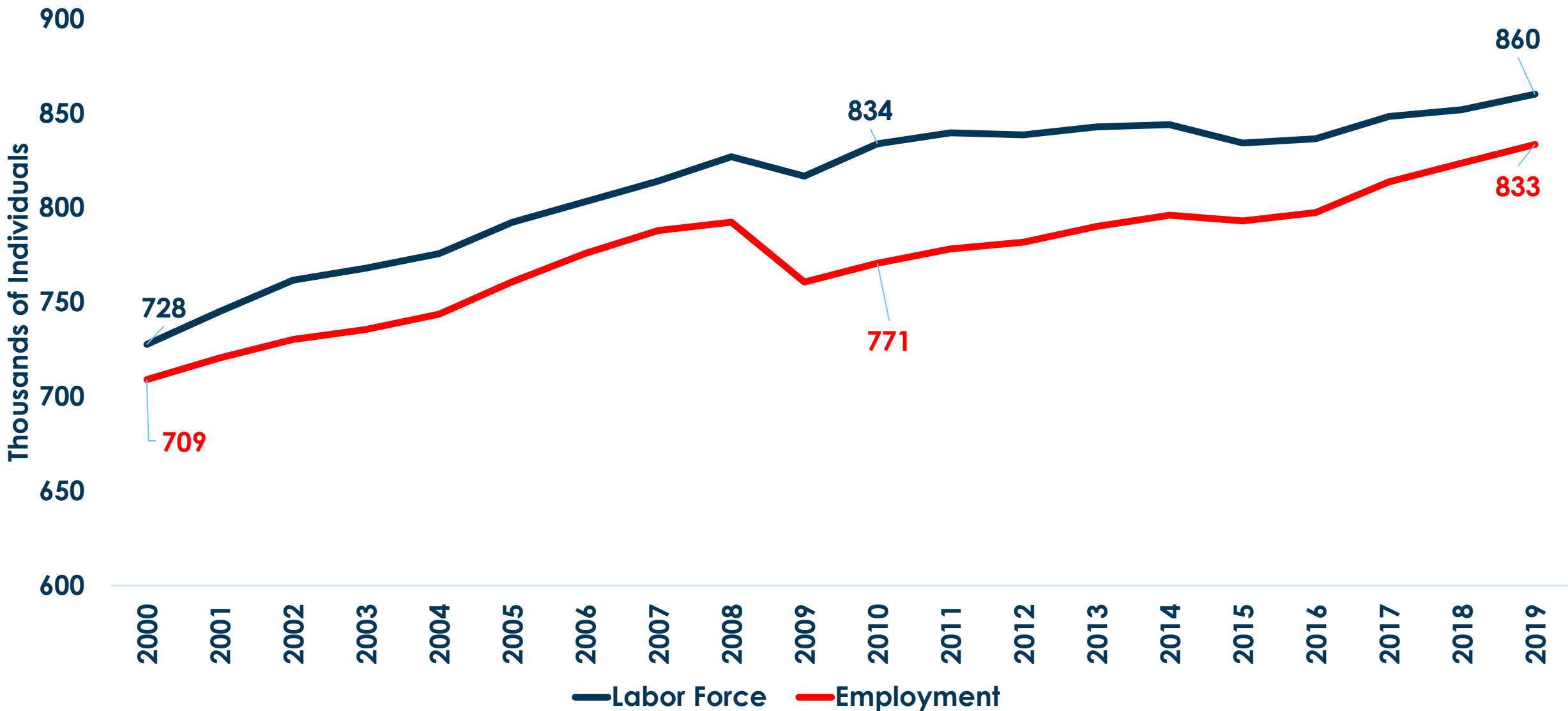
**Jobs and Employment:
Steady Growth from
2010 through 2019 But
Declining in 2020 Due to
COVID-19**

Average Civilian Nonfarm Employment (Jobs): Hampton Roads, 2000 to 2019

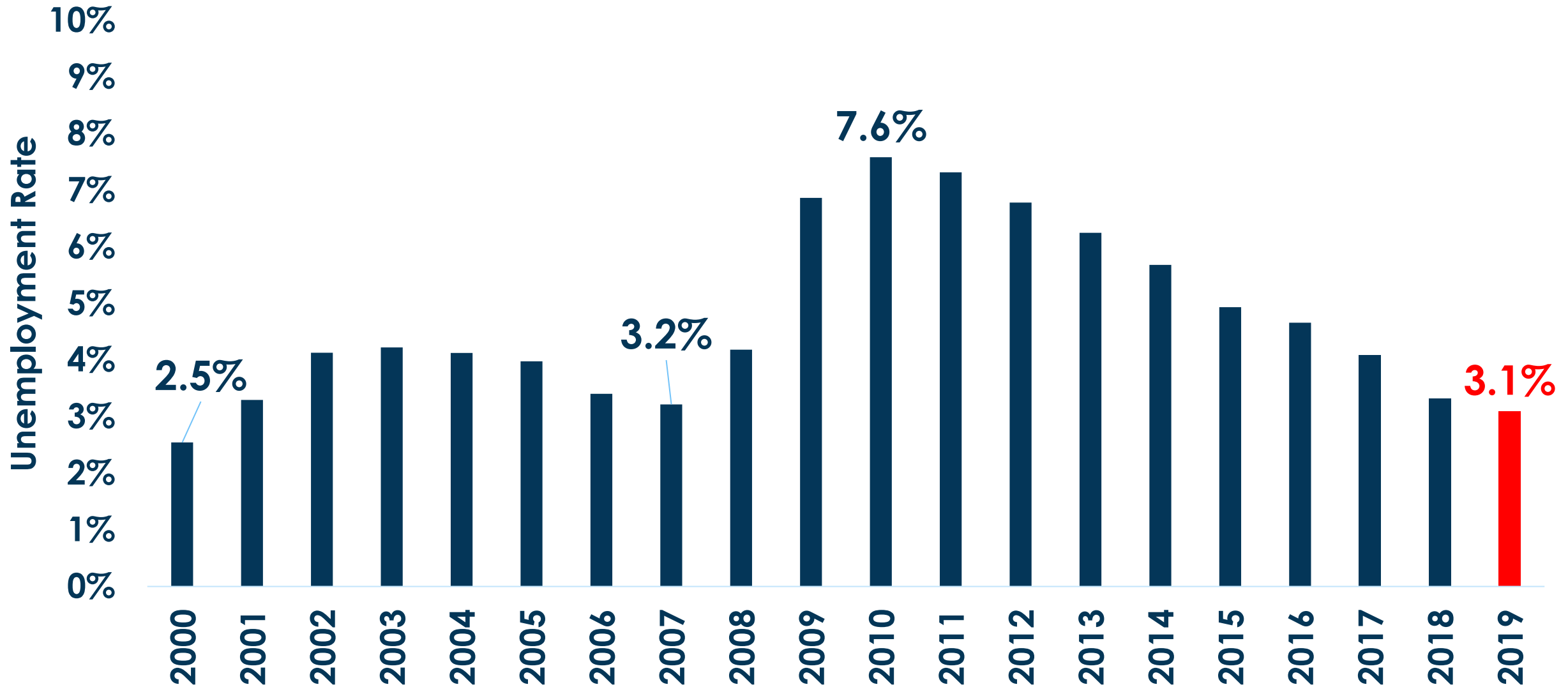


Source: U.S. Department of Labor CES data and the Old Dominion University Economic Forecasting Project. Annual averages based on non-seasonally adjusted data.

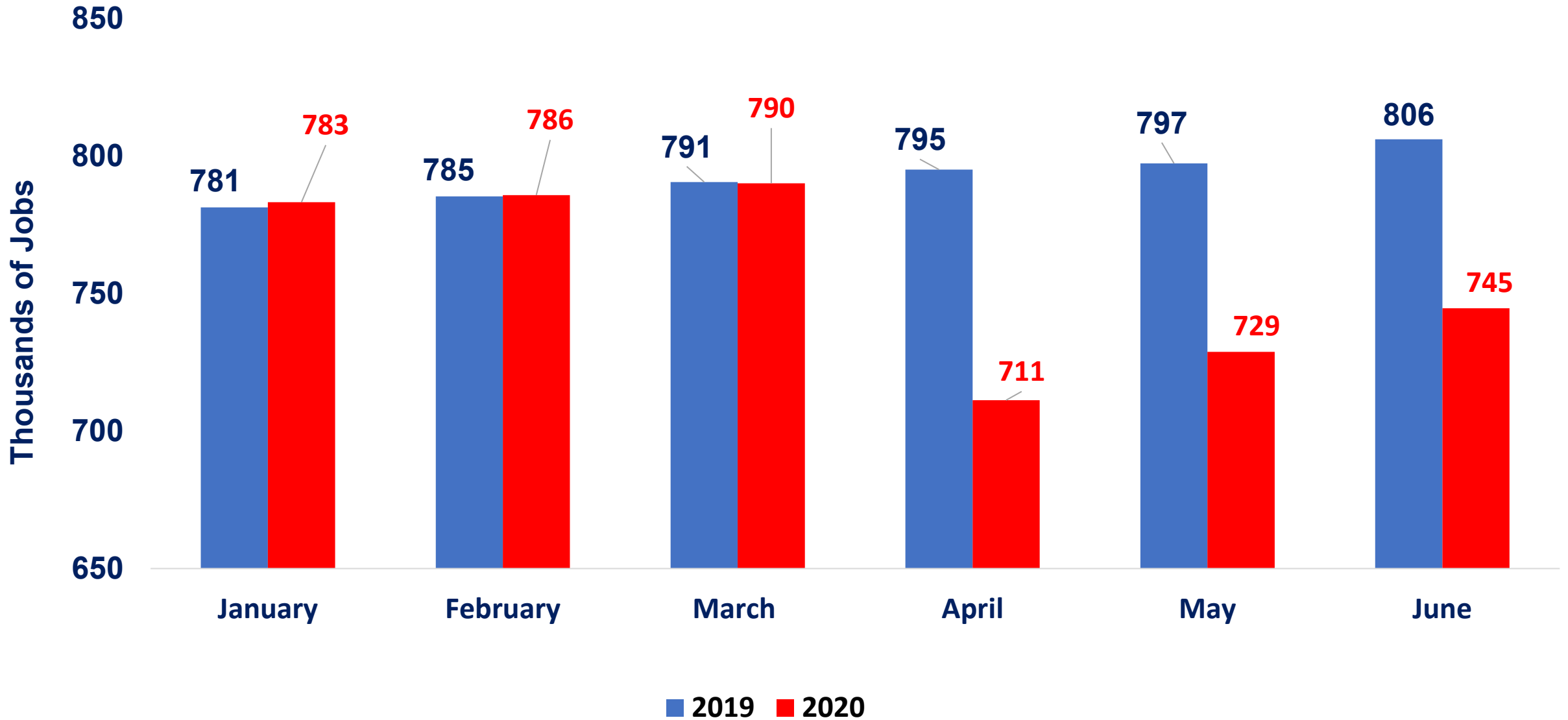
Average Annual Civilian Labor Force and Individual Employment: Hampton Roads, 2000 to 2019



Average Annual Unemployment Rate: Hampton Roads, 2000 to 2019



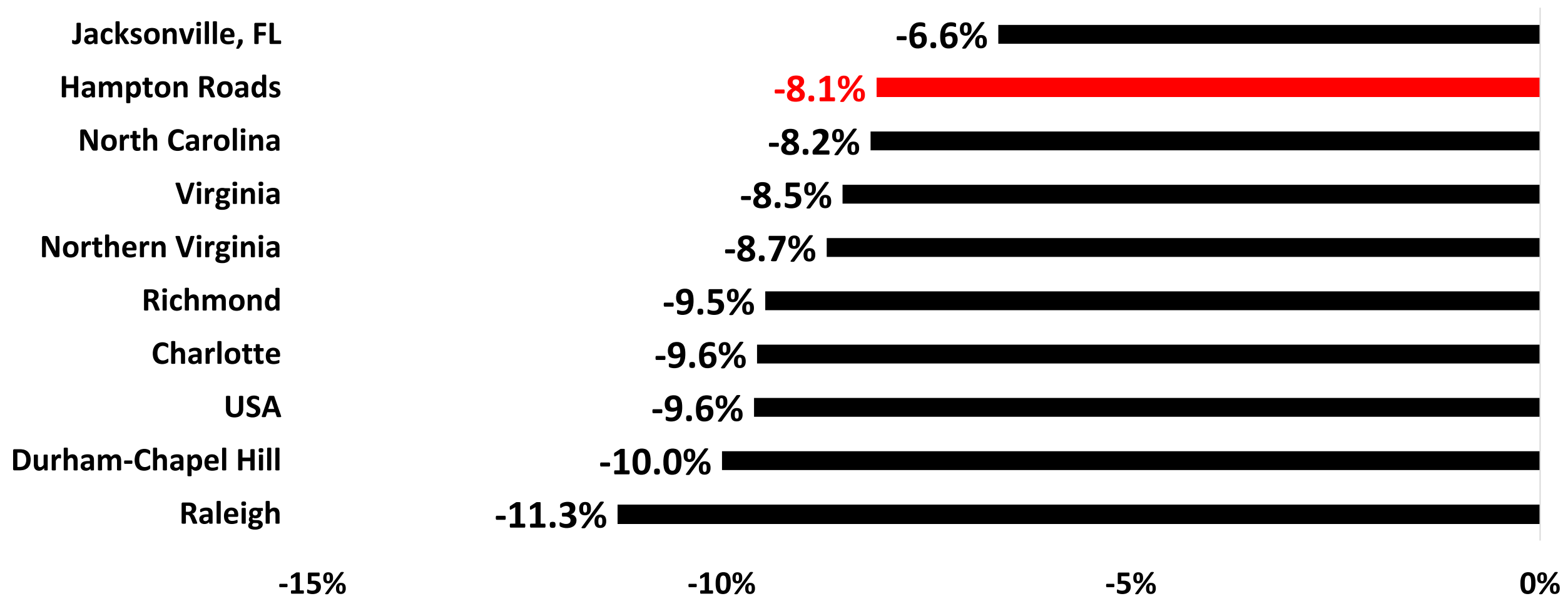
Non-Farm Jobs in Hampton Roads: 2019 and 2020



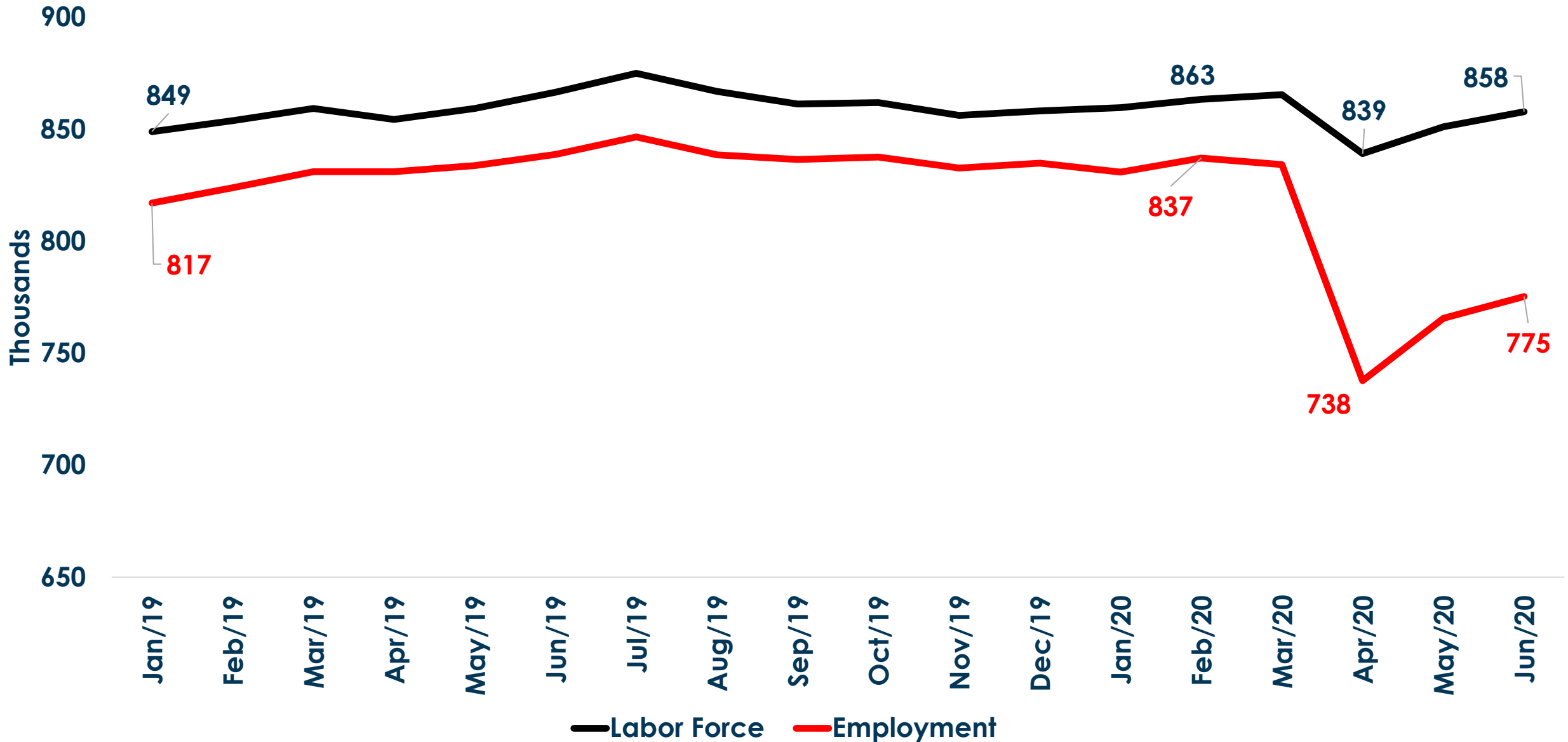
Percent of Net New Civilian Jobs Lost

Selected Metropolitan Areas, Virginia, North Carolina, and USA

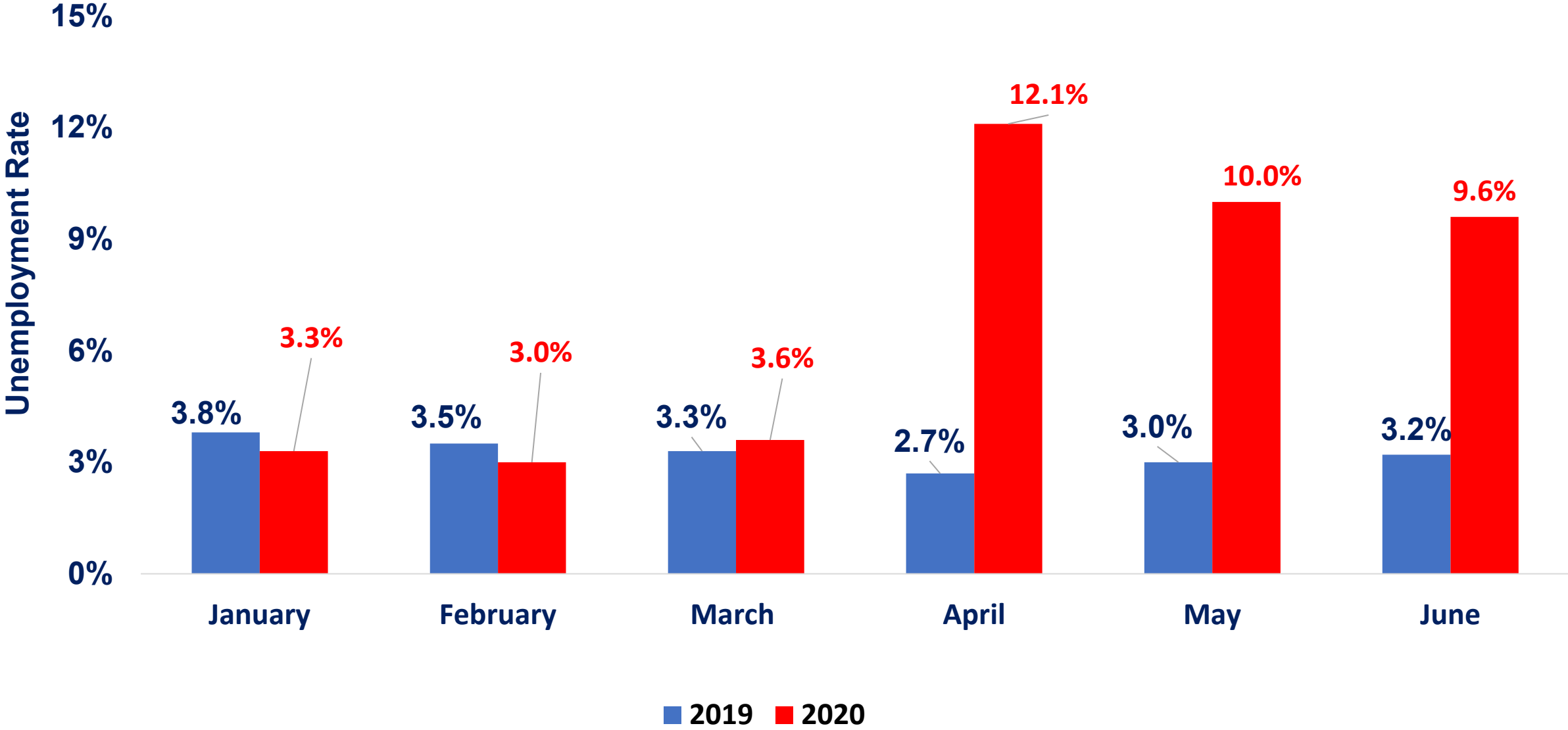
February 2020 to June 2020



Civilian Labor Force and Individual Employment Hampton Roads, January 2019 to June 2020

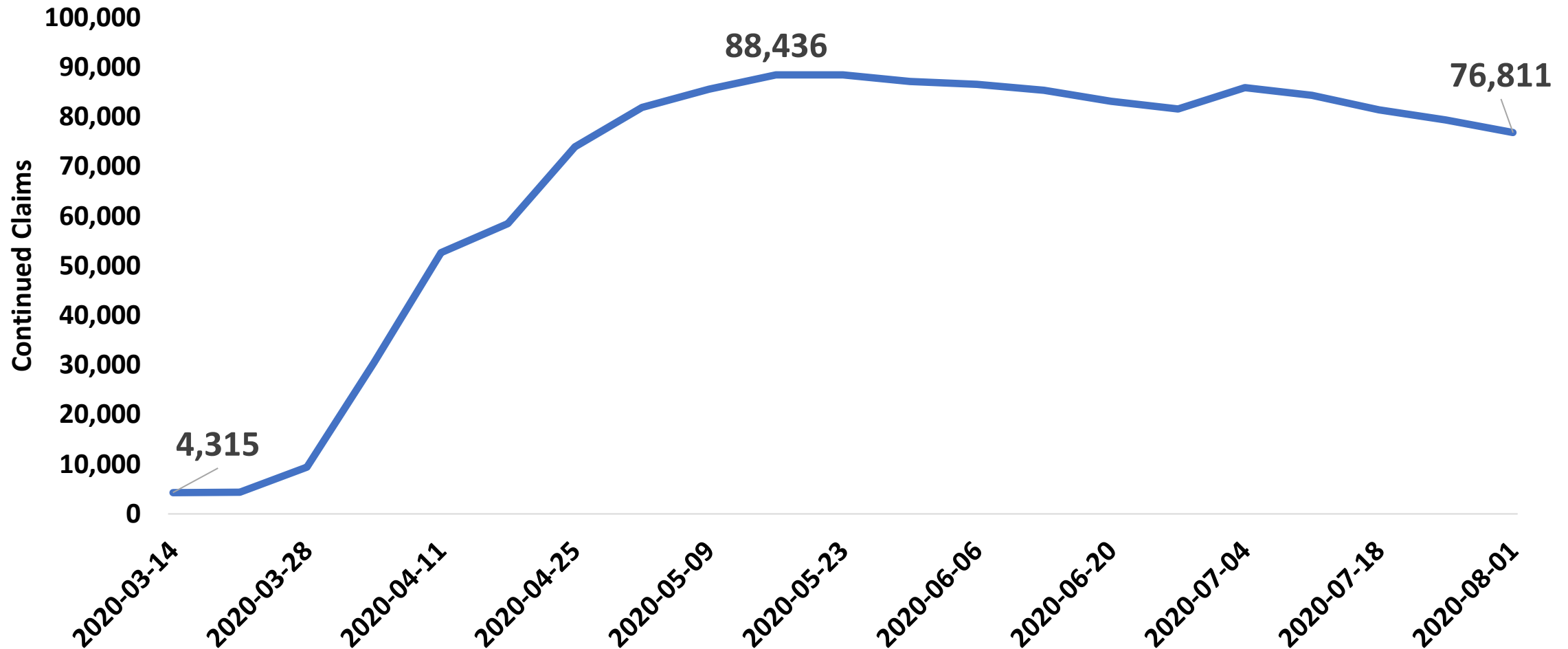


Headline Unemployment Rate in Hampton Roads: 2019 and 2020



Sources: Bureau of Labor Statistics and Old Dominion University Economic Forecasting Project. Not-seasonally adjusted data. Data for June 2020 are preliminary. Next update September 2, 2020

Continued Claims for Regular State Unemployment Insurance Week Ending March 14, 2020 to August 1, 2020 Hampton Roads

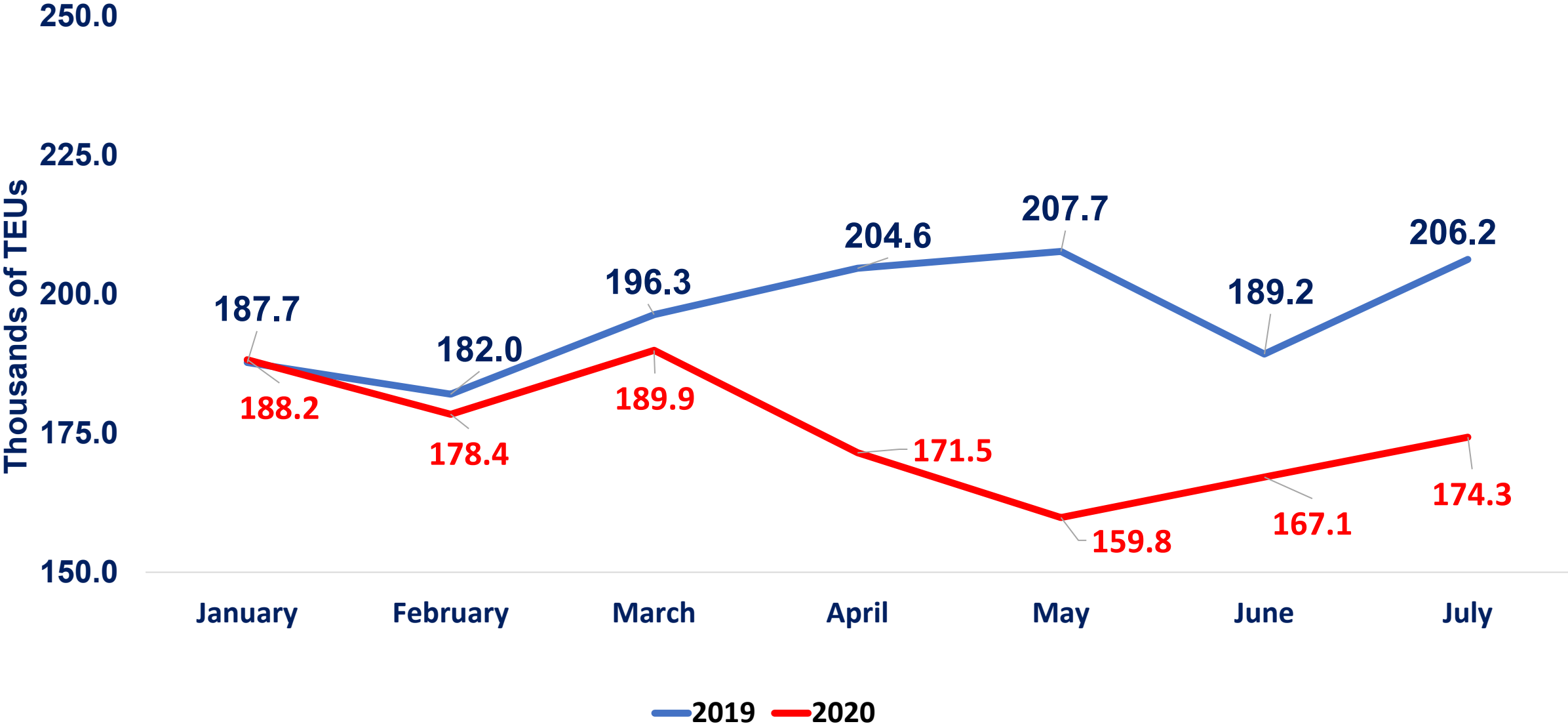


- **Good news, if any: Increase in defense spending in 2020 will provide a cushion for the regional economy.**
- **COVID-19 has had a significant negative impact on the regional labor market.**
- **Every time we have a crisis, it also provides new opportunities and challenges: **Improving collaborative efforts among cities** to retain/attract businesses.**



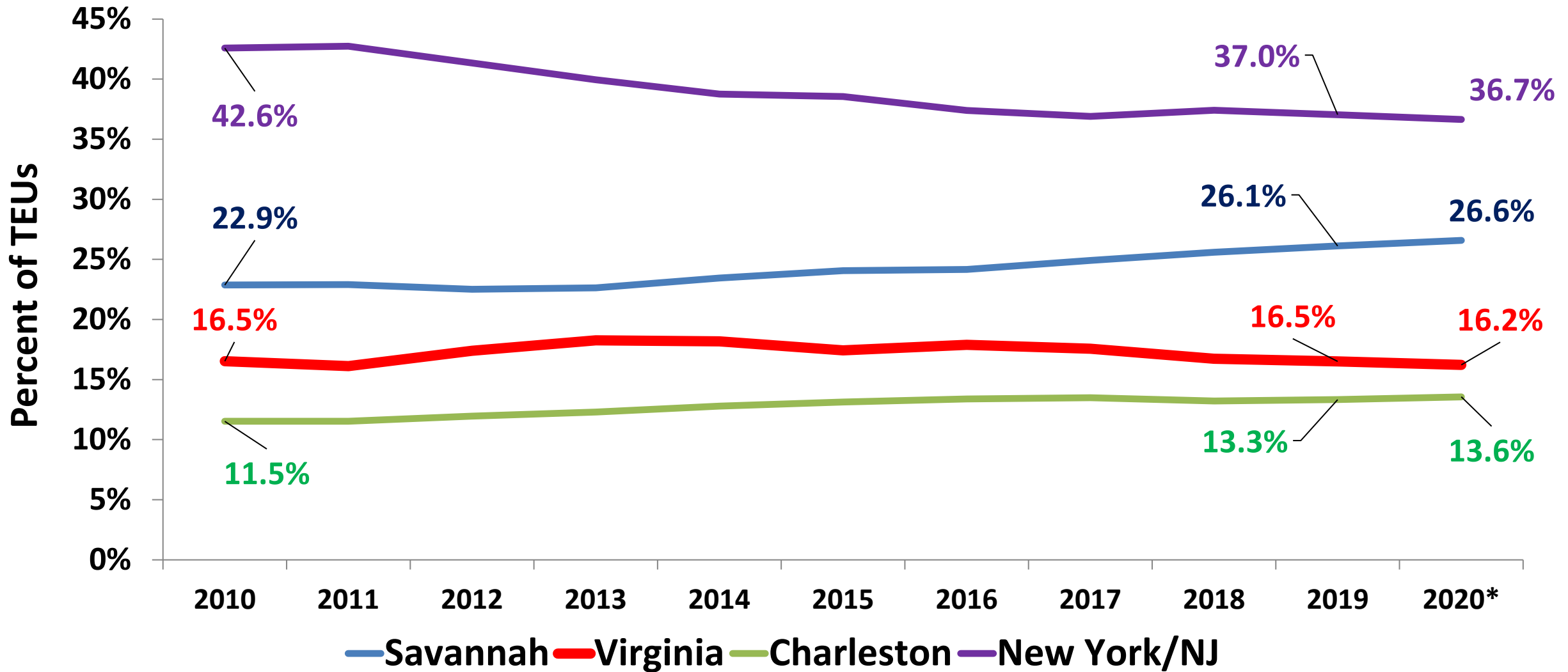
The Port of Virginia: Declining Cargo Primarily Due to COVID-19 in 2020

Total Loaded Twenty Foot Equivalent Container Units (TEUs): Port of Virginia, 2019 and 2020



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

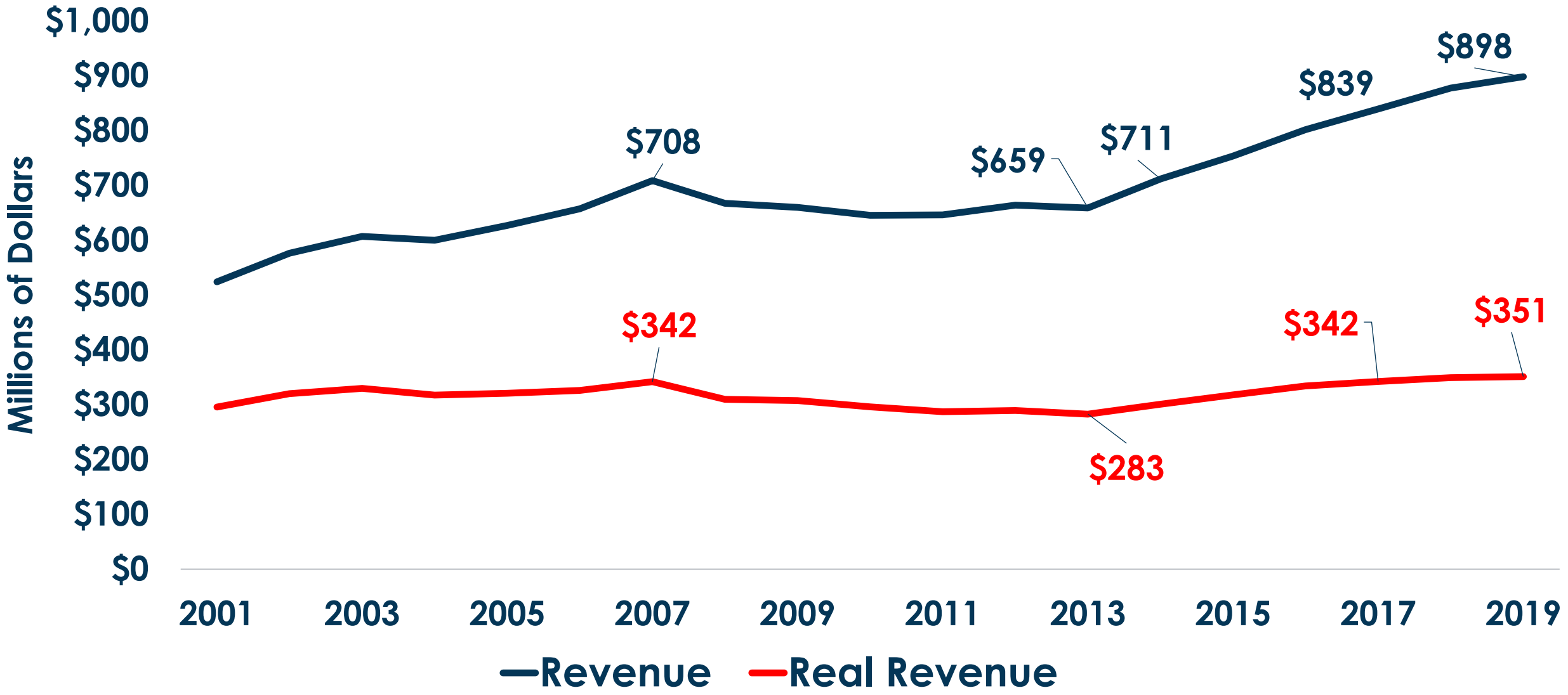
Shares of Total Loaded TEUs for Selected East Coast Ports, 2010 to 2020*





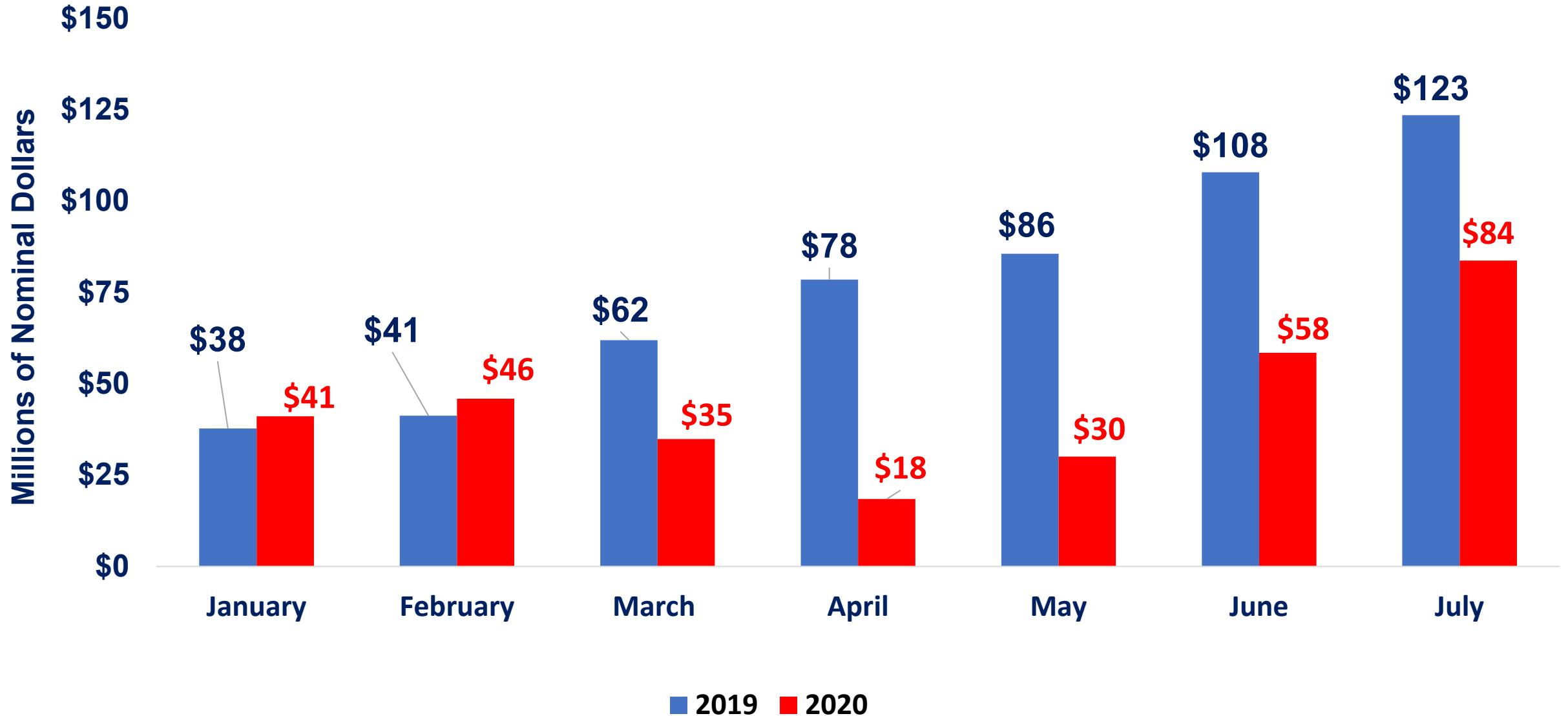
Hotel Industry and COVID-19

Nominal and Real (Inflation-Adjusted) Hotel Revenue Hampton Roads, 2001 to 2019

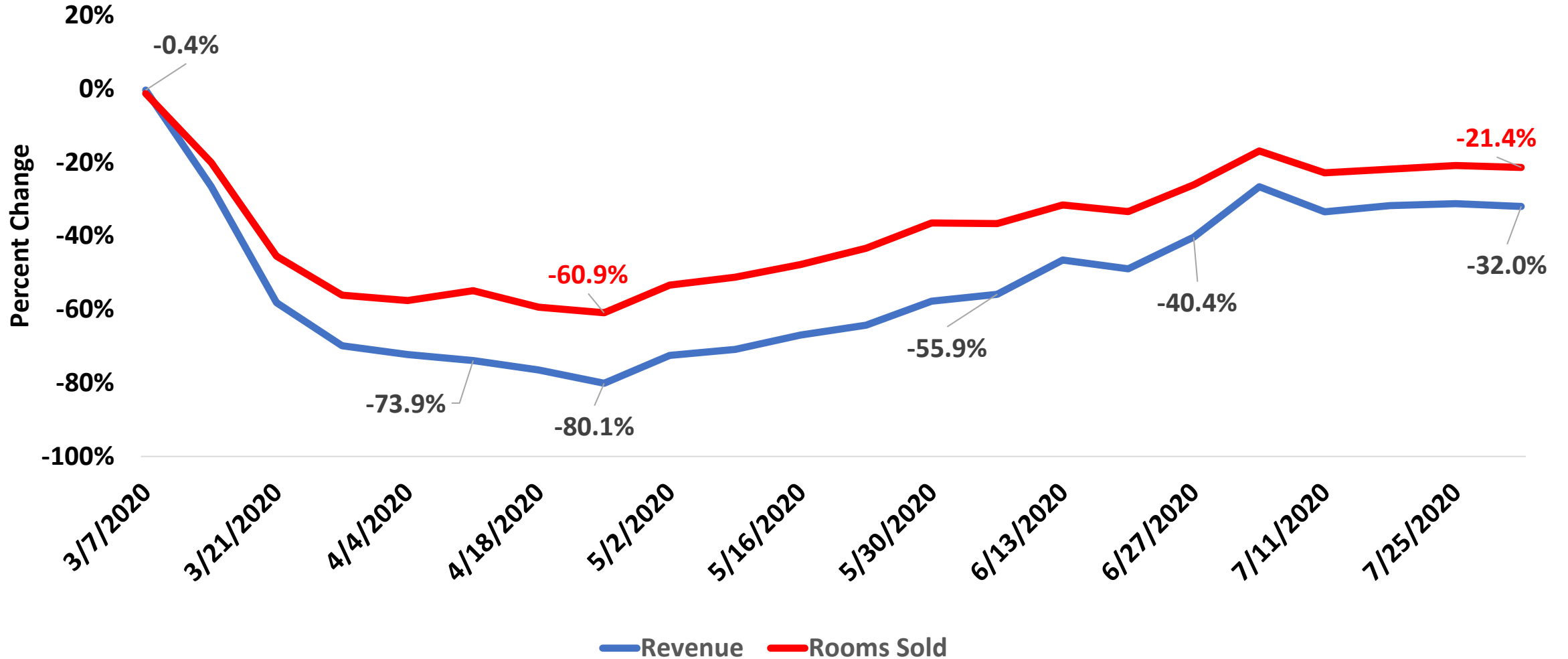


Sources: STR Trend Reports January 2017 and January 2020, Bureau of Labor Statistics (base year is chained; 1982-84=100), and the Old Dominion University Economic Forecasting Project.

Hotel Revenue in Hampton Roads: 2019 and 2020



Year over Year Percent Decline in Weekly Hotel Revenue and Rooms Sold from March to July 2020: Hampton Roads



Sources: STR Weekly Trend Reports and the Old Dominion University Economic Forecasting Project. Date reflects week ending.

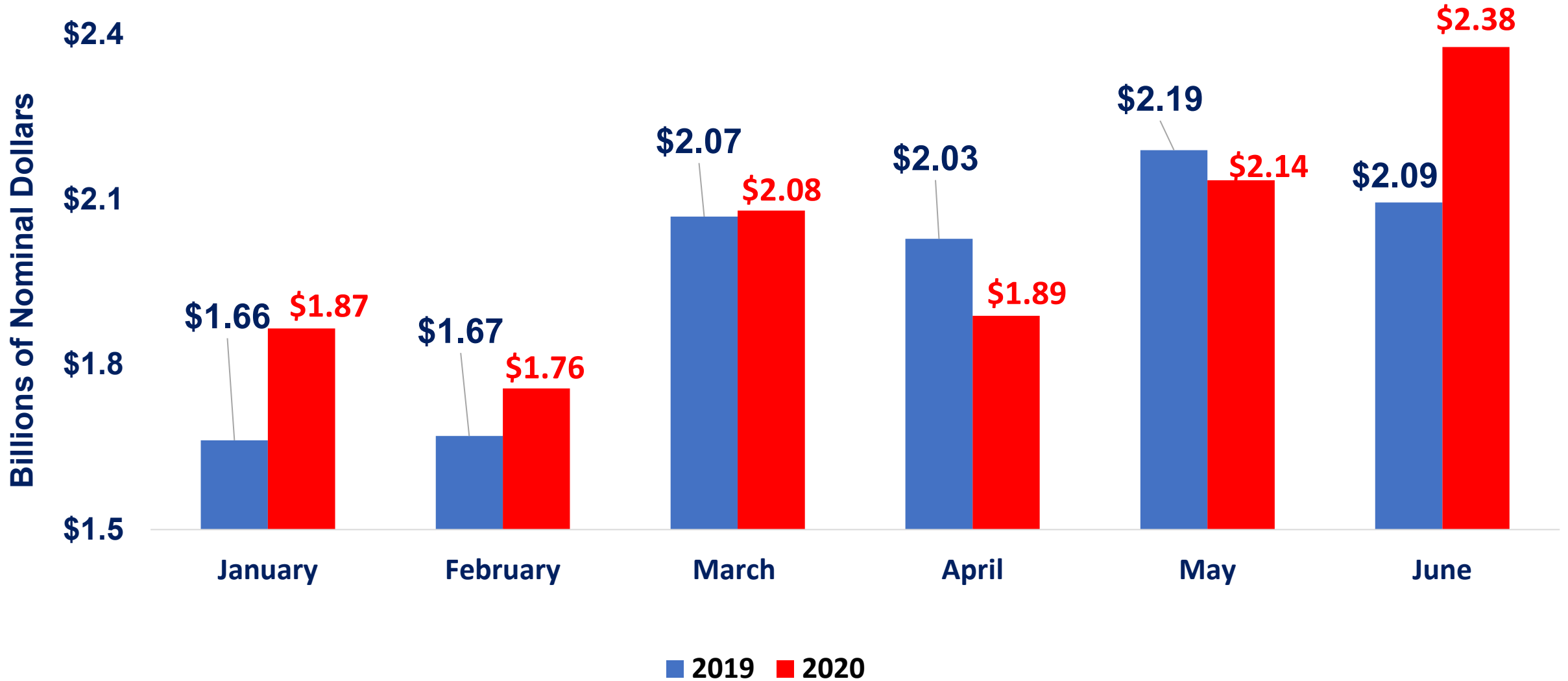


Taxable Sales: Steady Growth from 2010 through 2019 and the Effects of COVID -19

Taxable Sales in Hampton Roads: 2000 to 2019



Taxable Sales in Hampton Roads: 2019 and 2020





Residential Housing and COVID-19

Median Sales Price of Existing Homes: Hampton Roads, 2002 to 2019

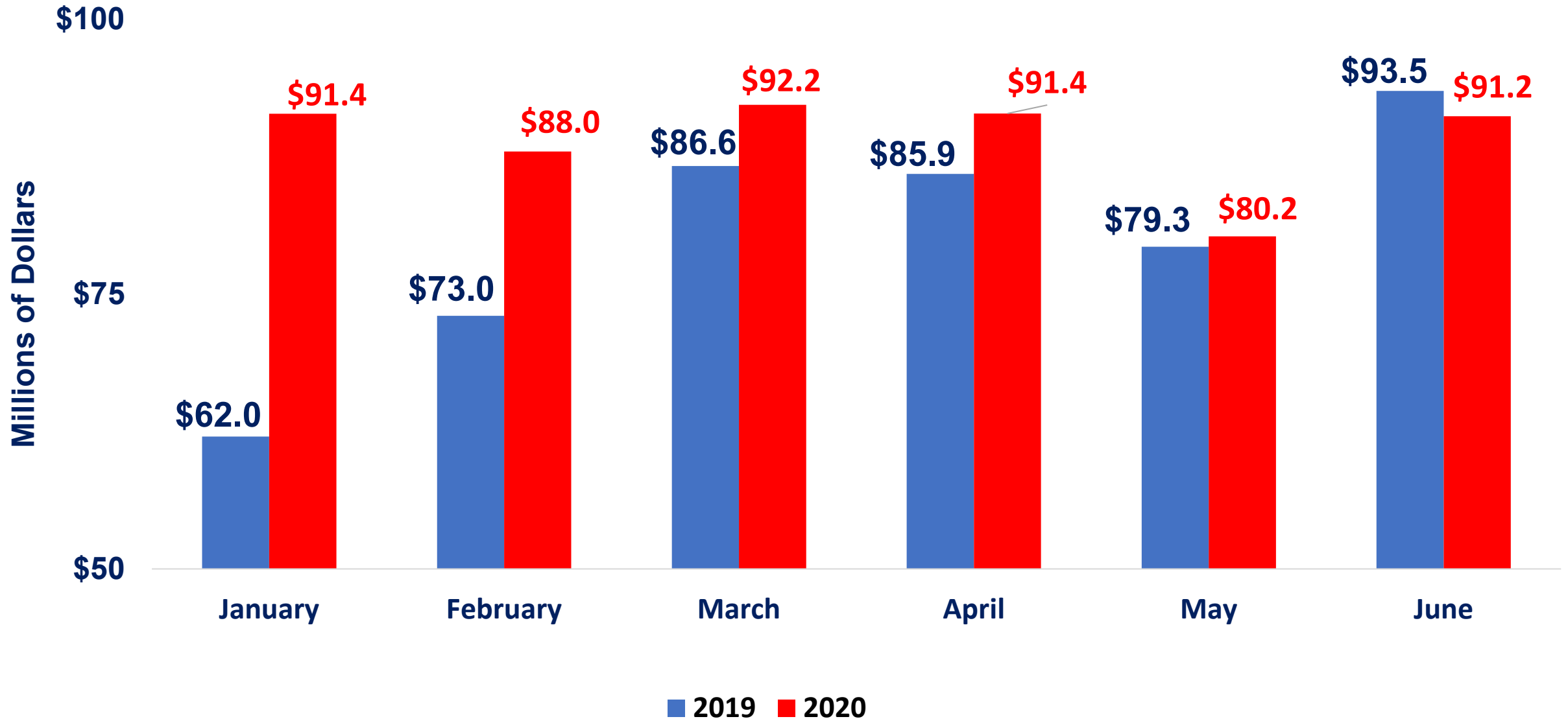


Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information deemed reliable but not guaranteed. 2002-2007 = 91% increase. 2007-2011 a 19% decrease; 2011-2018 is a 30% increase.

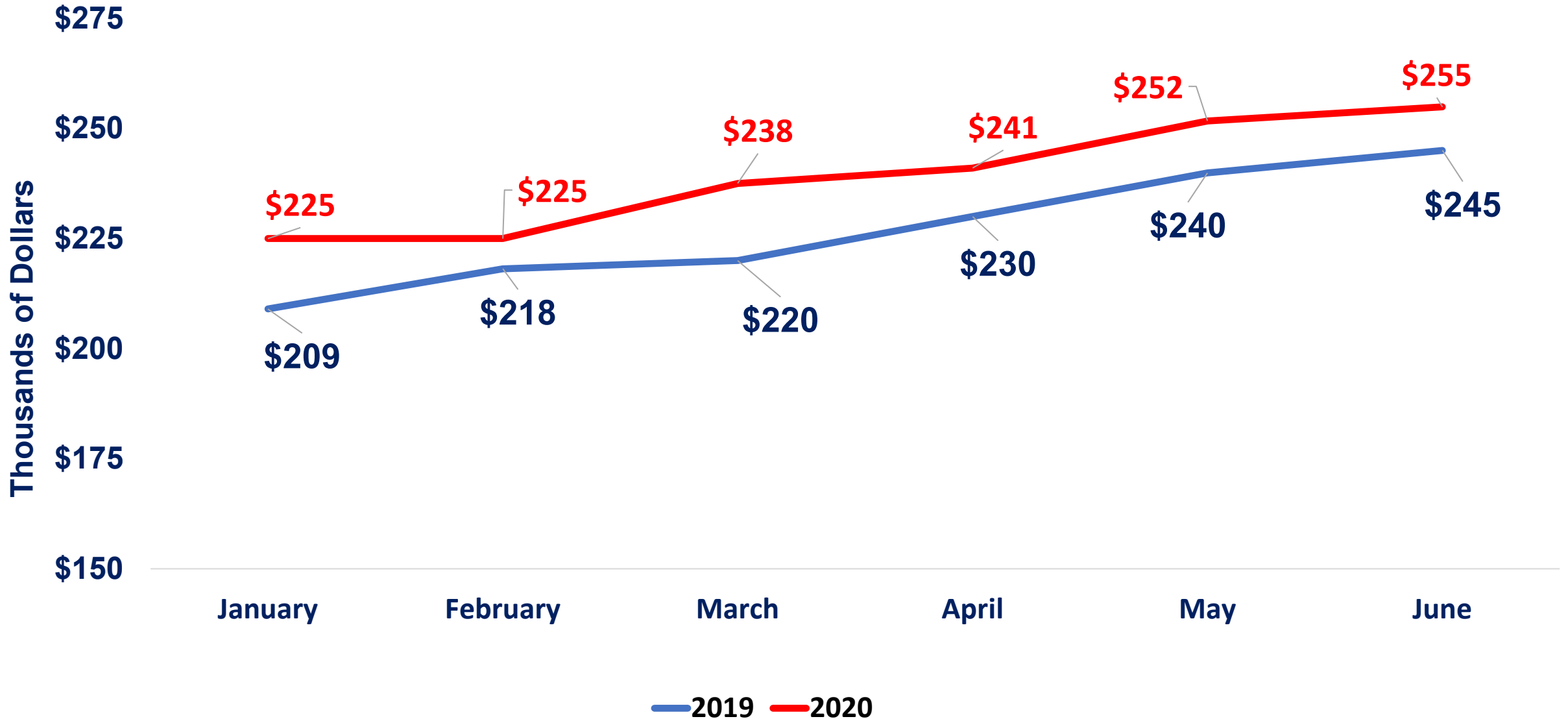
Market Performance of Existing Homes Since 2011

- Inventories, days on market, and estimated months of supply have declined since 2011.
- Number of existing homes sold has steadily increased over time.
- Mortgage rates in 2020 are likely to be at their lowest levels since 1971.
- Distressed Sales Market appears to be clearing.
- **All indicators point to moderate increases in median price of existing homes despite COVID-19.**

Value of 1-Unit Building Permits in Hampton Roads: 2019 and 2020



Median Price of Existing Homes Sold in Hampton Roads: 2019 and 2020



Median Sales Price of Existing Residential Homes for Selected Cities Hampton Roads, YTD June 2019 and YTD June 2020

<u>City</u>	<u>2019</u>	<u>2020</u>	<u>Percent Change</u>
Chesapeake	\$264,900	\$270,000	1.93%
Hampton	\$172,250	\$185,000	7.40%
Newport News	\$180,000	\$195,000	8.33%
Norfolk	\$204,900	\$217,750	6.27%
Portsmouth	\$164,900	\$169,825	2.99%
Suffolk	\$247,500	\$268,000	8.28%
Virginia Beach	\$259,900	\$272,950	5.02%
Williamsburg*	\$292,700	\$305,000	4.20%
Hampton Roads	\$229,000	\$240,000	4.80%

Source: Real Estate Information Network and Dragas Center Economic Forecasting Project. Information deemed reliable but not guaranteed.

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

	2019 Forecast	2019 Actual	2020 January Forecast	2020 August Forecast
Hampton Roads Real Gross Domestic Product	2.4%	--	2.6%	-3.0% to -6.5%
Civilian Job Growth	0.8%	0.4%	0.7%	-3.5% to -6.5%
Unemployment Rate	3.1%	3.1%	3.0%	6.8% to 8.5%
Taxable Sales	3.3%	4.9%	4.2%	+0.8% to -1.4%
Hotel Revenue	3.8%	2.4%	2.7%	-36.2% to -45.3%
General Cargo Tonnage	2.0%	-0.2%	1.0%	-7.2% to -11.5%
General Cargo TEUs	3.6%	2.9%	3.9%	-8.5% to -13.8%
One Unit Housing Permit Value	2.0%	3.5%	2.0%	2.5% to 6.6%

Source: 2019 data reflects the annual rate of growth. Dragas Center forecast current as of August 2020

2020: COVID-19 and Uncertainties

- **Regional GDP growth in 2020 is forecasted to be greater than the growth in national GDP.**
- **Defense spending will provide a cushion for the Hampton Roads economy.**
- **Single-family home prices in 2020 are likely to increase at a moderate pace. The distressed housing market segment appears to be clearing.**

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