



2025 Annual Economic Forecast

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Dragas Center for Economic Analysis and Policy

Strome College of Business

Old Dominion University

January 29, 2025





I will cover current economic conditions in the United States and Virginia. I will then discuss how the fiscal environment and policy uncertainty may influence economic growth in 2025 and beyond.

My colleague, Vinod Agarwal, will examine economic conditions in Hampton Roads with a particular focus on defense spending and housing.

We will conclude with questions from the audience about how the nation, Virginia, and Hampton Roads may fare in 2025.

All our presentation materials can be found at our website: www.ceapodu.com

DollarBank[®]

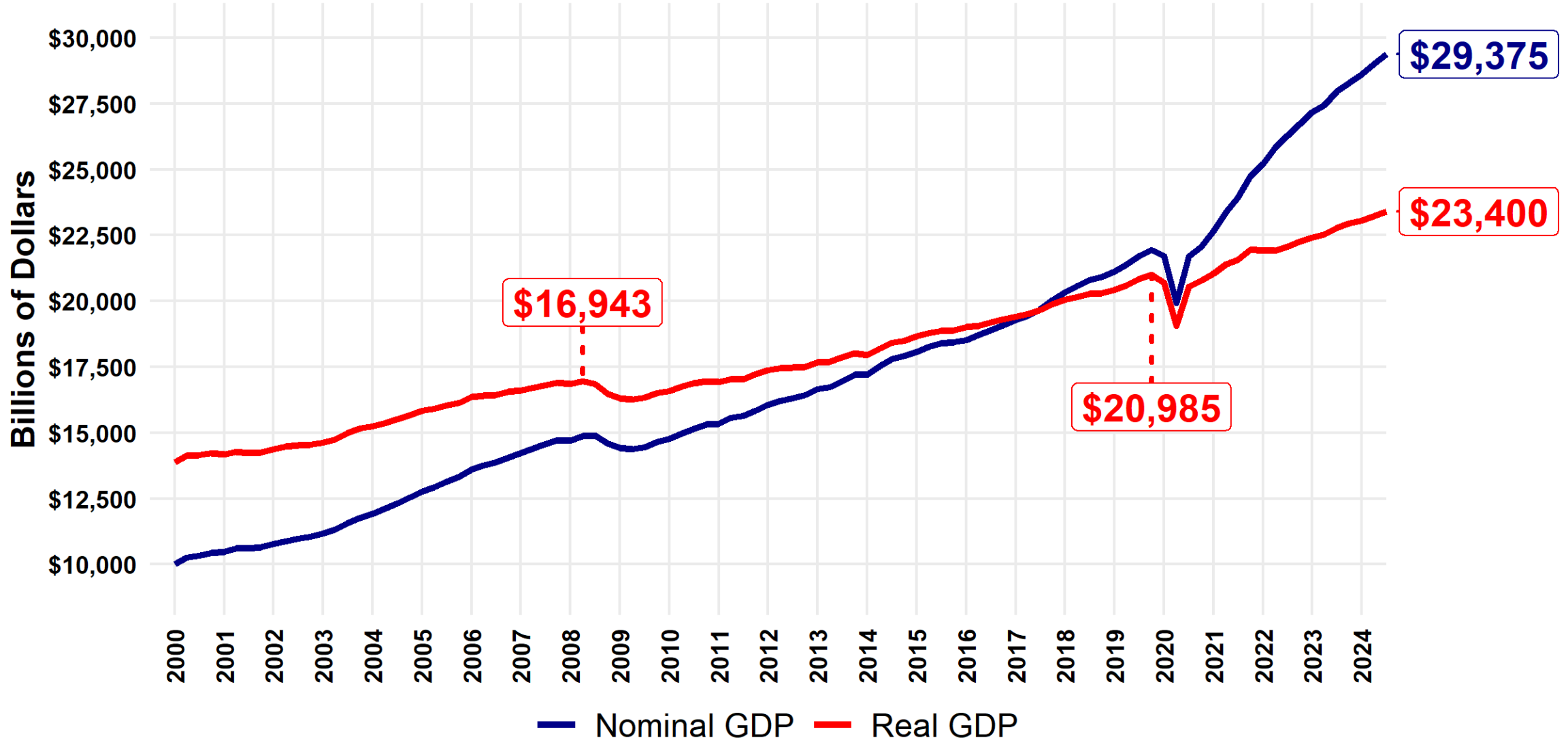


Our forecasts and commentary do not constitute official viewpoints of the Commonwealth of Virginia, Old Dominion University, its President, Brian O. Hemphill, Ph.D., the Board of Visitors, the Strome College of Business, or the generous donors who support the activities of the Dragas Center for Economic Analysis and Policy.

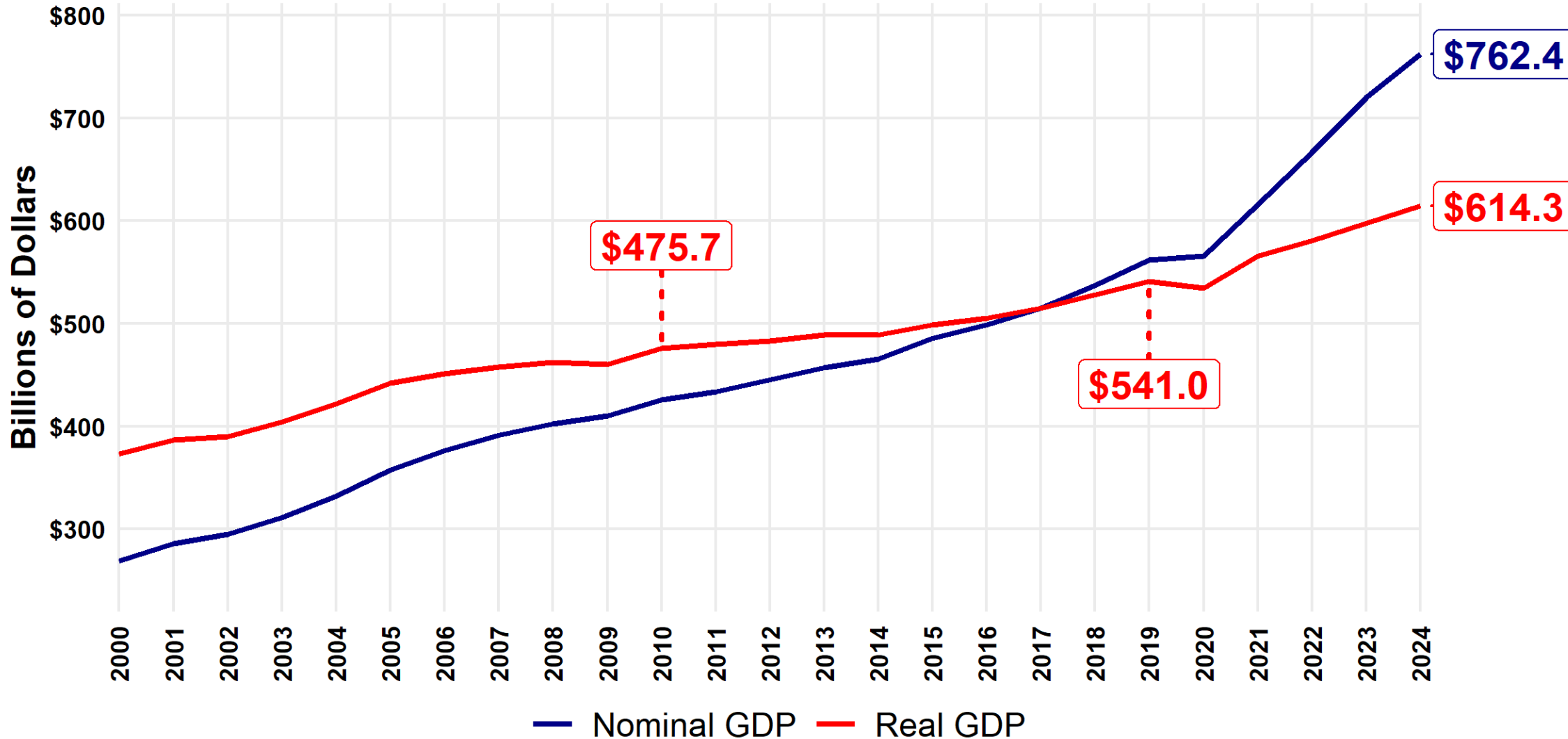


The Expansion Continues

Nominal and Real Gross Domestic Product United States, Q1 2000 - Q3 2024

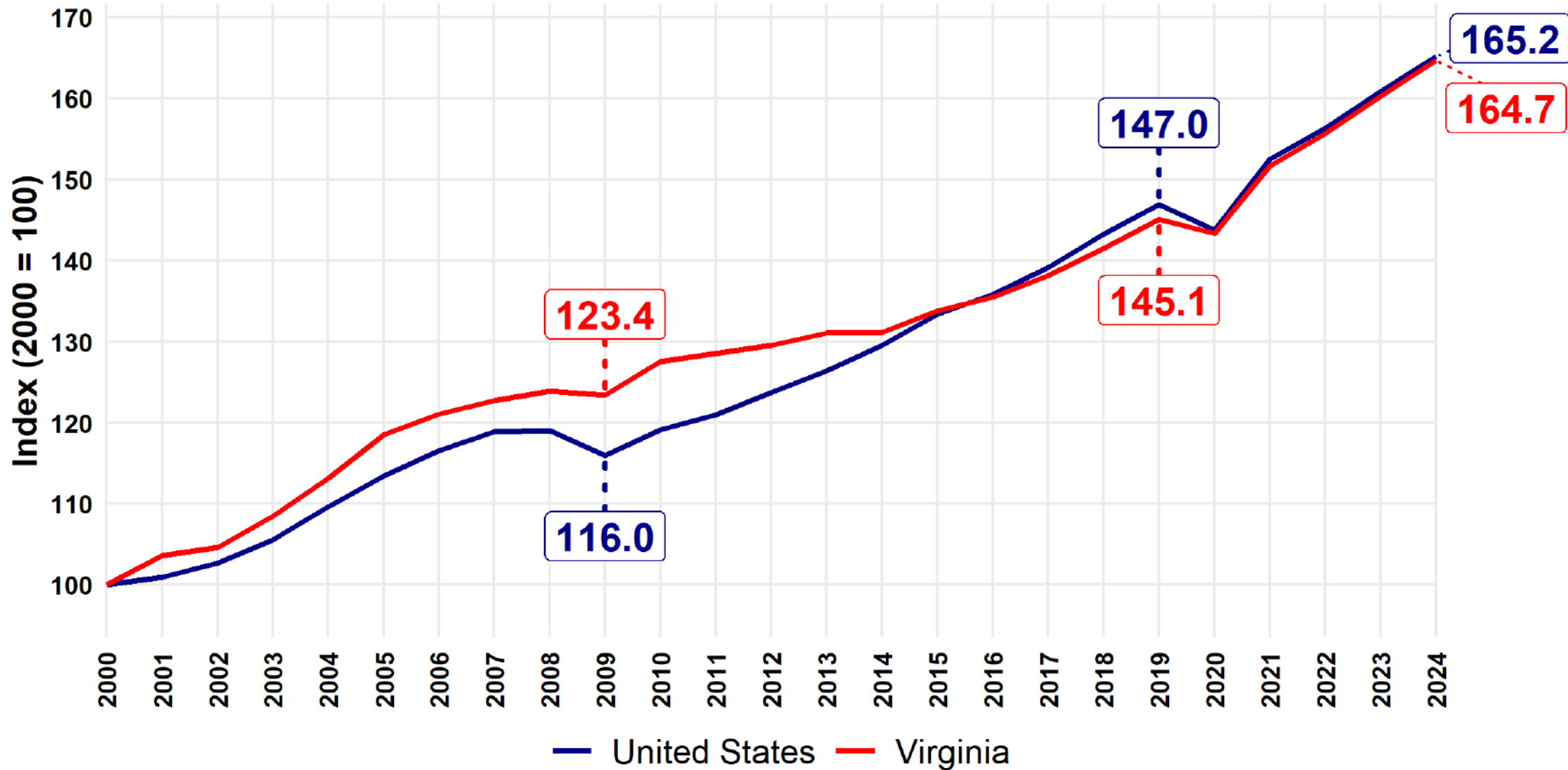


Nominal and Real Gross Domestic Product Virginia, 2000 - 2024

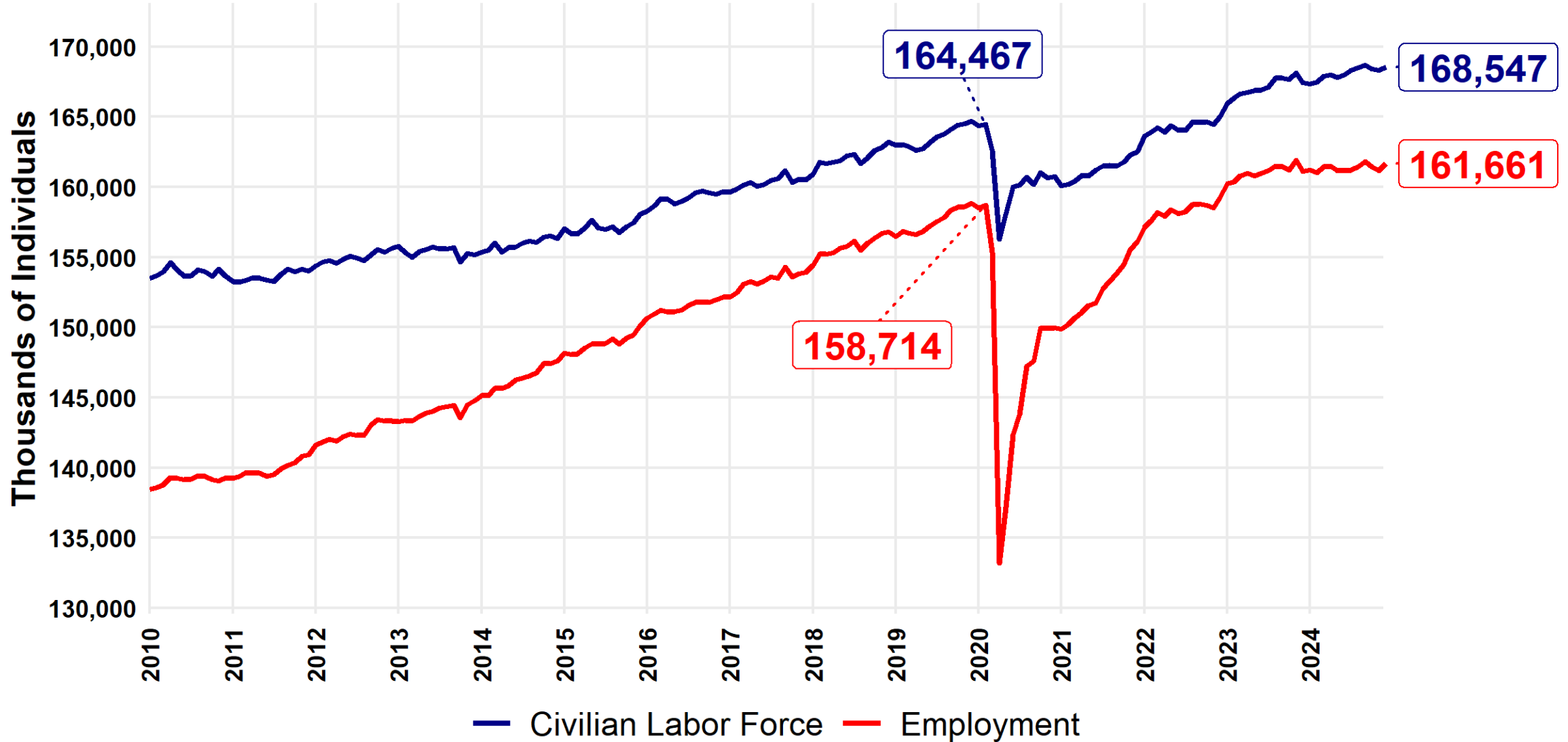


Sources: U.S. Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Billions of chained 2017 dollars for real GDP. 2024 estimates for nominal and real GDP are our forecast.

Index of Real Gross Domestic Product Virginia and the United States, 2000 - 2024

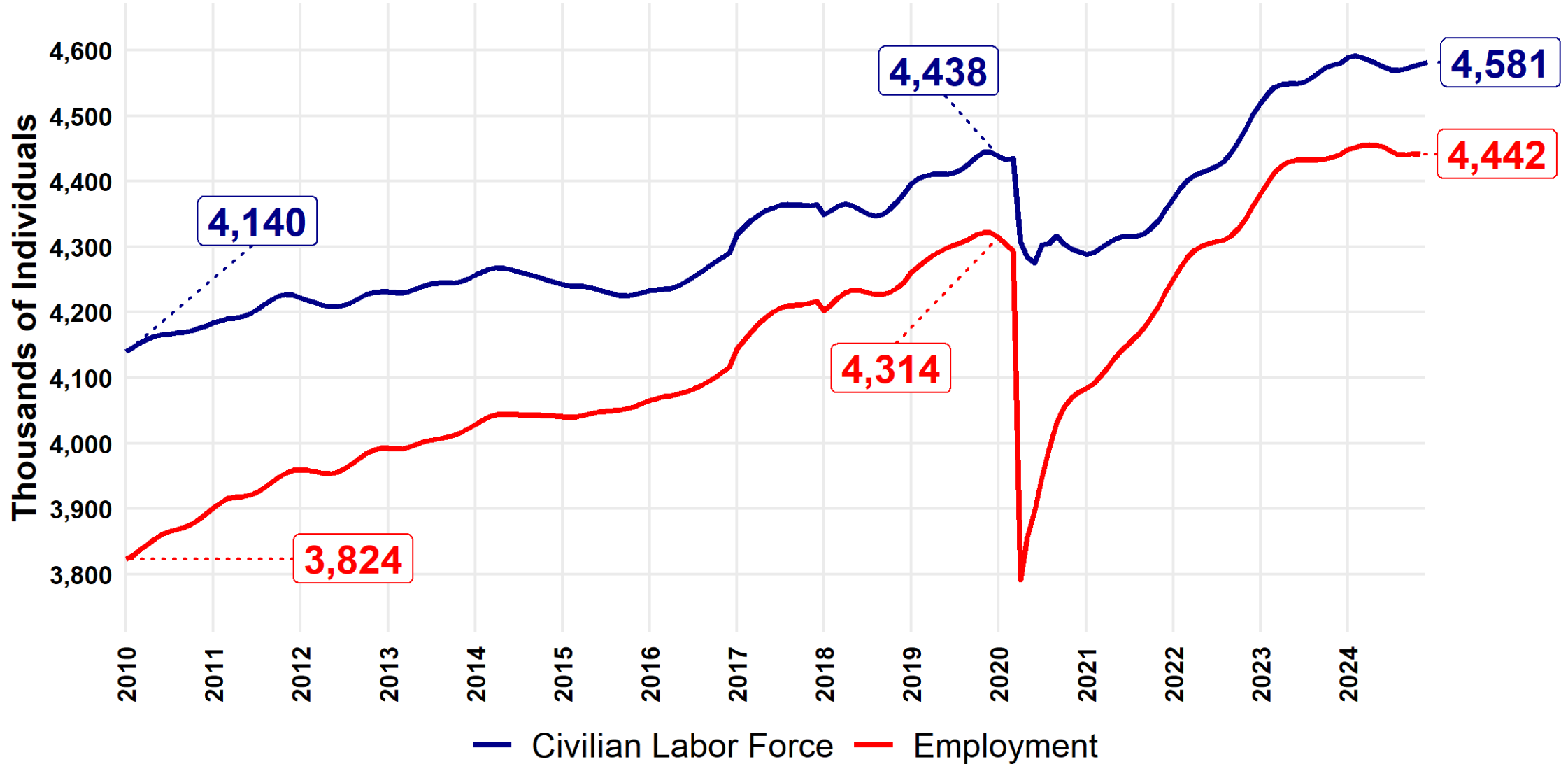


Civilian Labor Force and Individual Employment United States, January 2010 - December 2024



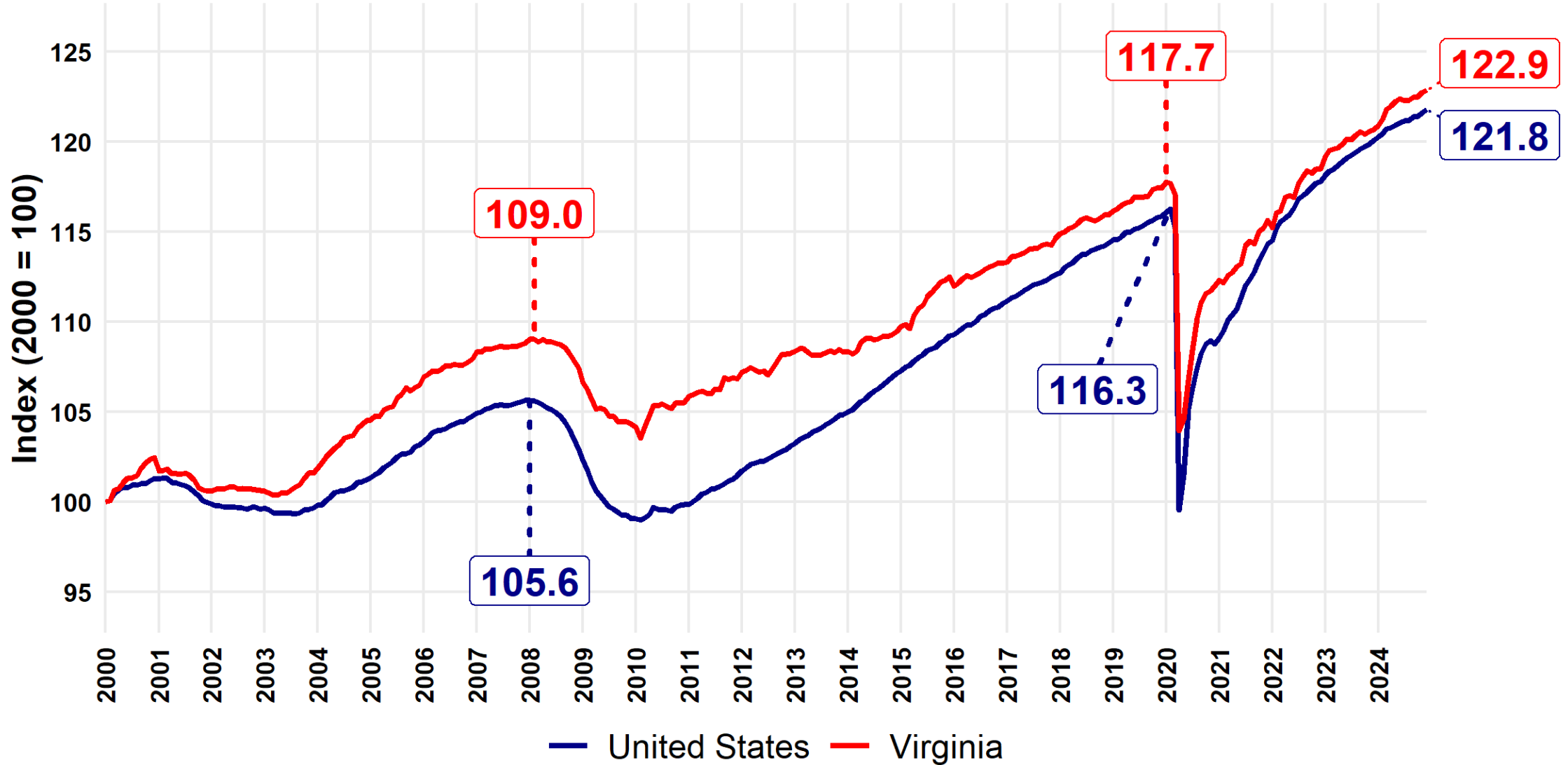
Source: Bureau of Labor Statistics, seasonally adjusted data.

Civilian Labor Force and Individual Employment Virginia, January 2010 - December 2024



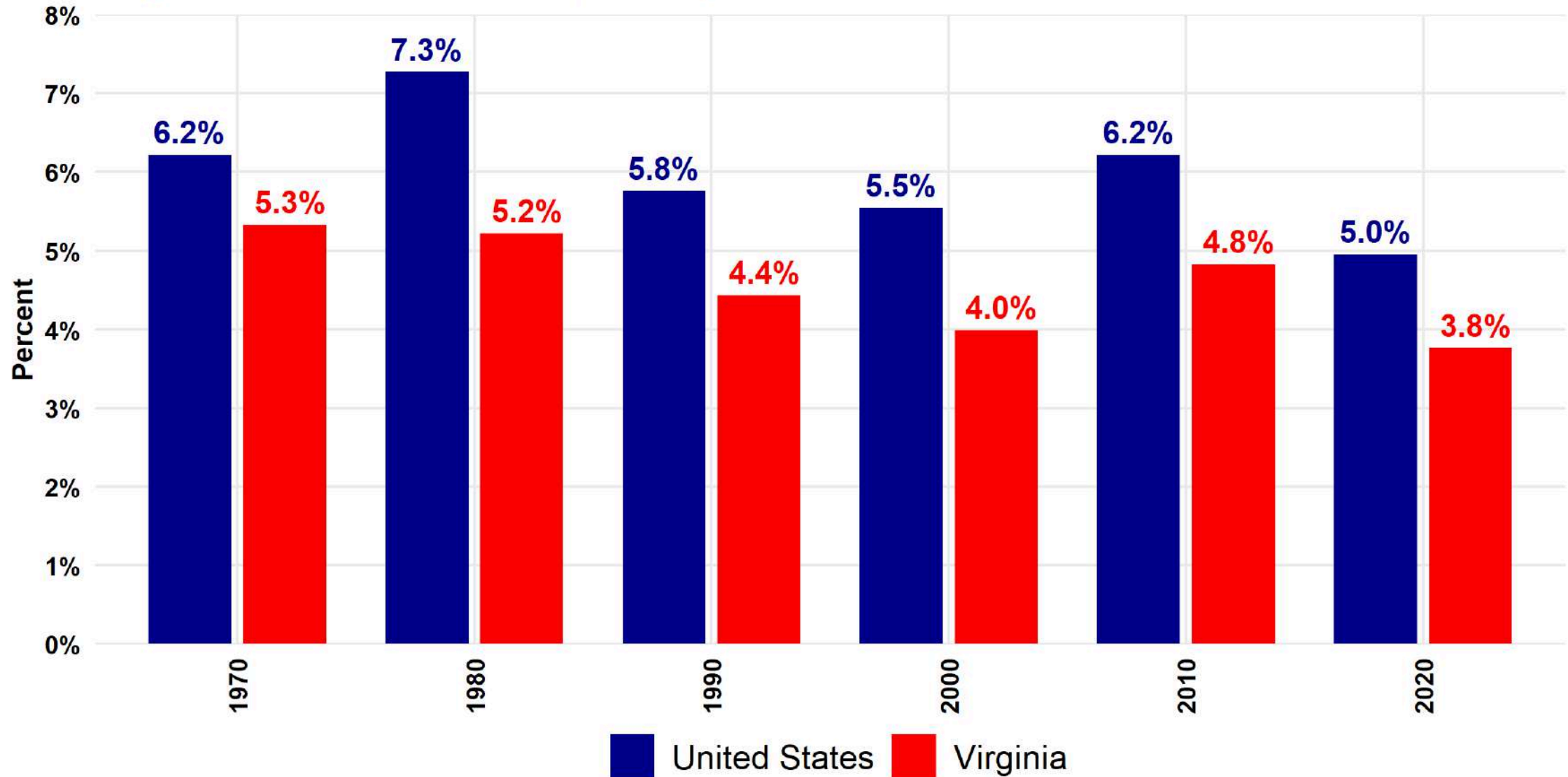
Index of Nonfarm Payrolls

Virginia and the United States, January 2000 - December 2024



Average Unemployment Rate (U3) by Decade

Virginia and the United States, January 1970 - December 2024

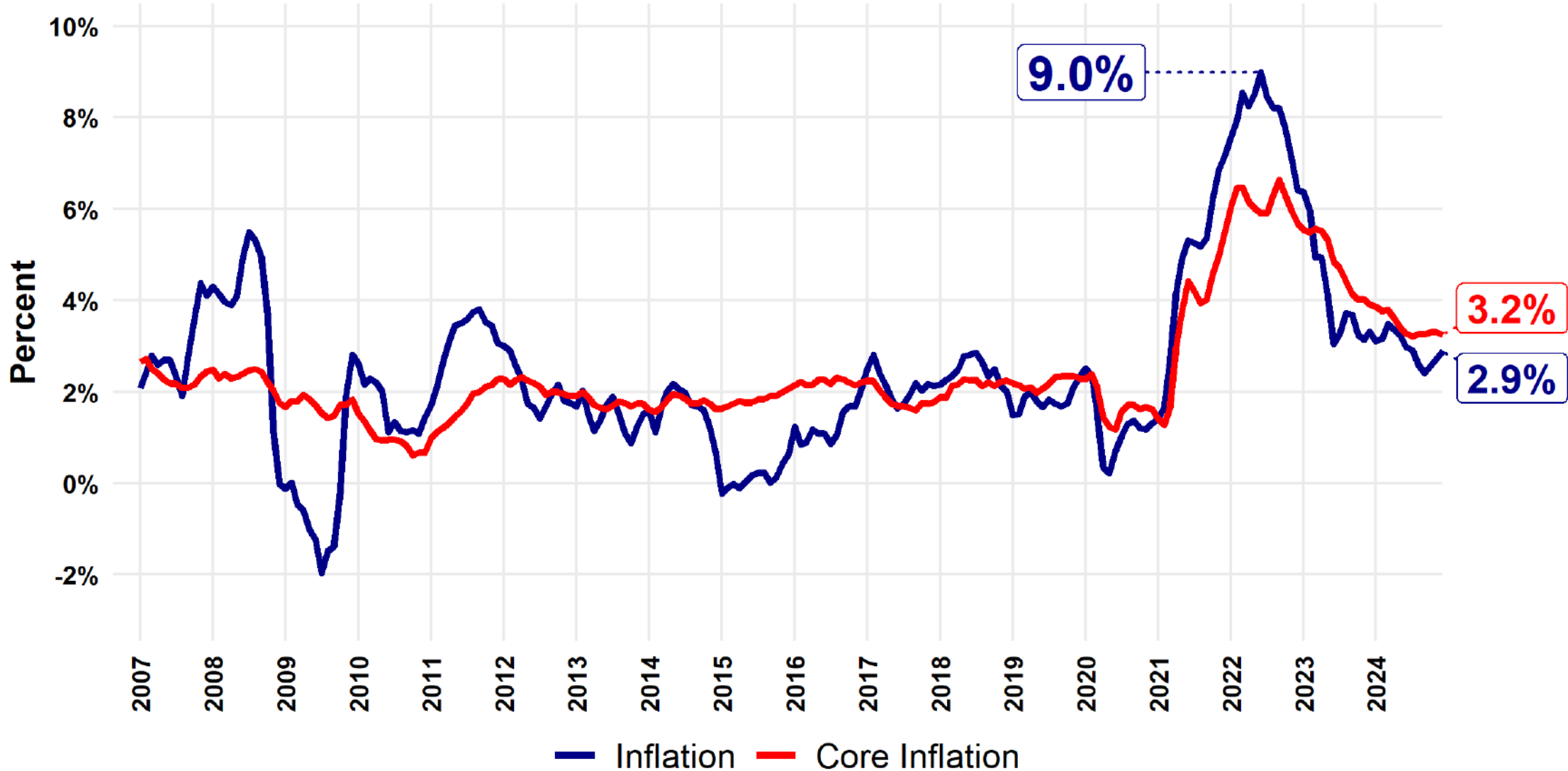


A woman with long brown hair, wearing a light grey puffer jacket over a blue sweater, is pushing a silver shopping cart. She is carrying a baby in her arms; the baby is wearing a blue and white striped hoodie and a grey scarf. The woman is looking to her right, reaching out with her right hand towards a shelf of products. The shelves are filled with various packaged goods, including what appears to be instant noodle cups. The background shows more aisles of a grocery store, with some products blurred. The overall lighting is soft and indoor.

Inflation, Uncertainty, and Sentiment

Monthly Inflation

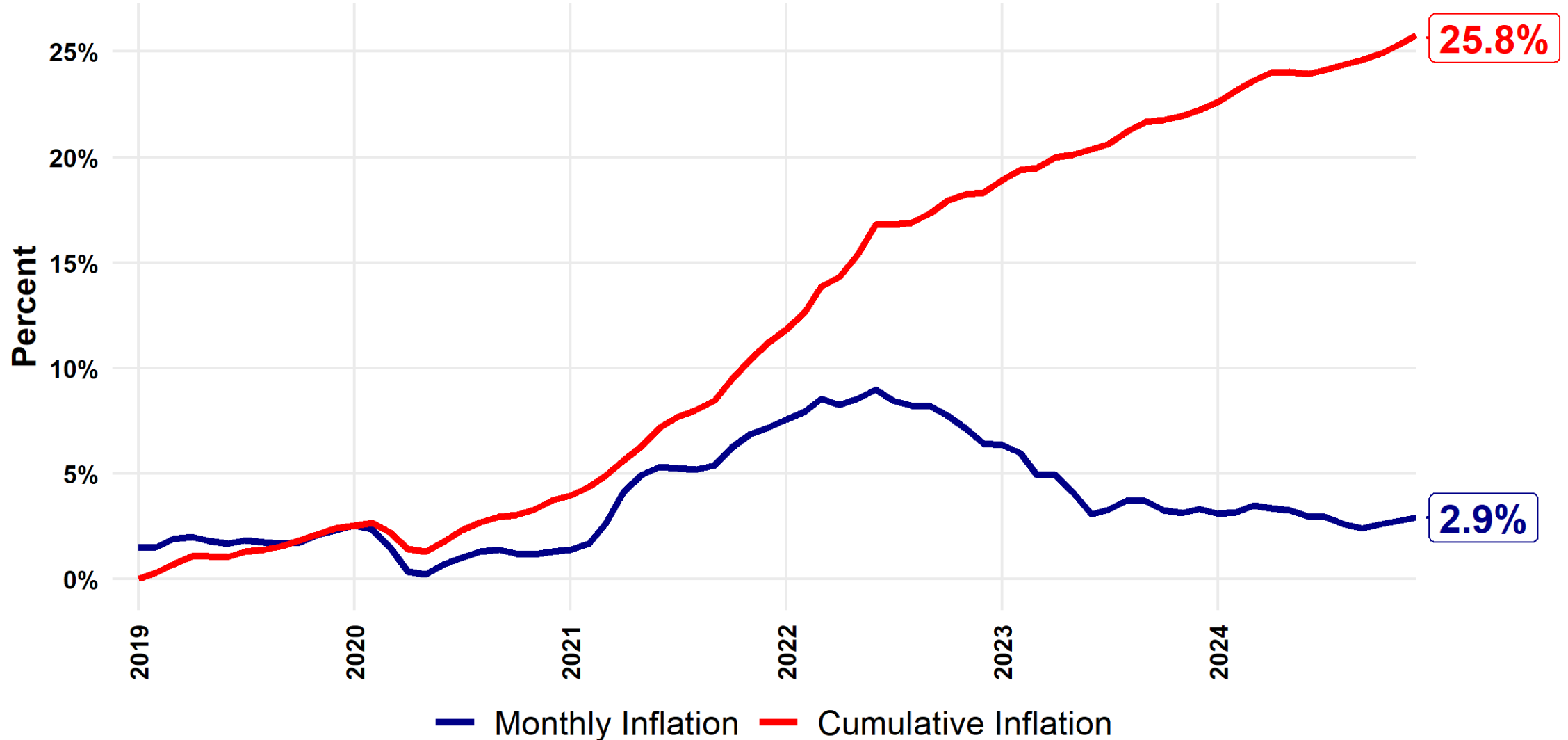
United States, January 2007 - December 2024



Source: Bureau of Labor Statistics, seasonally adjusted data. Core inflation does not include the food and energy sectors.

Monthly and Cumulative Inflation

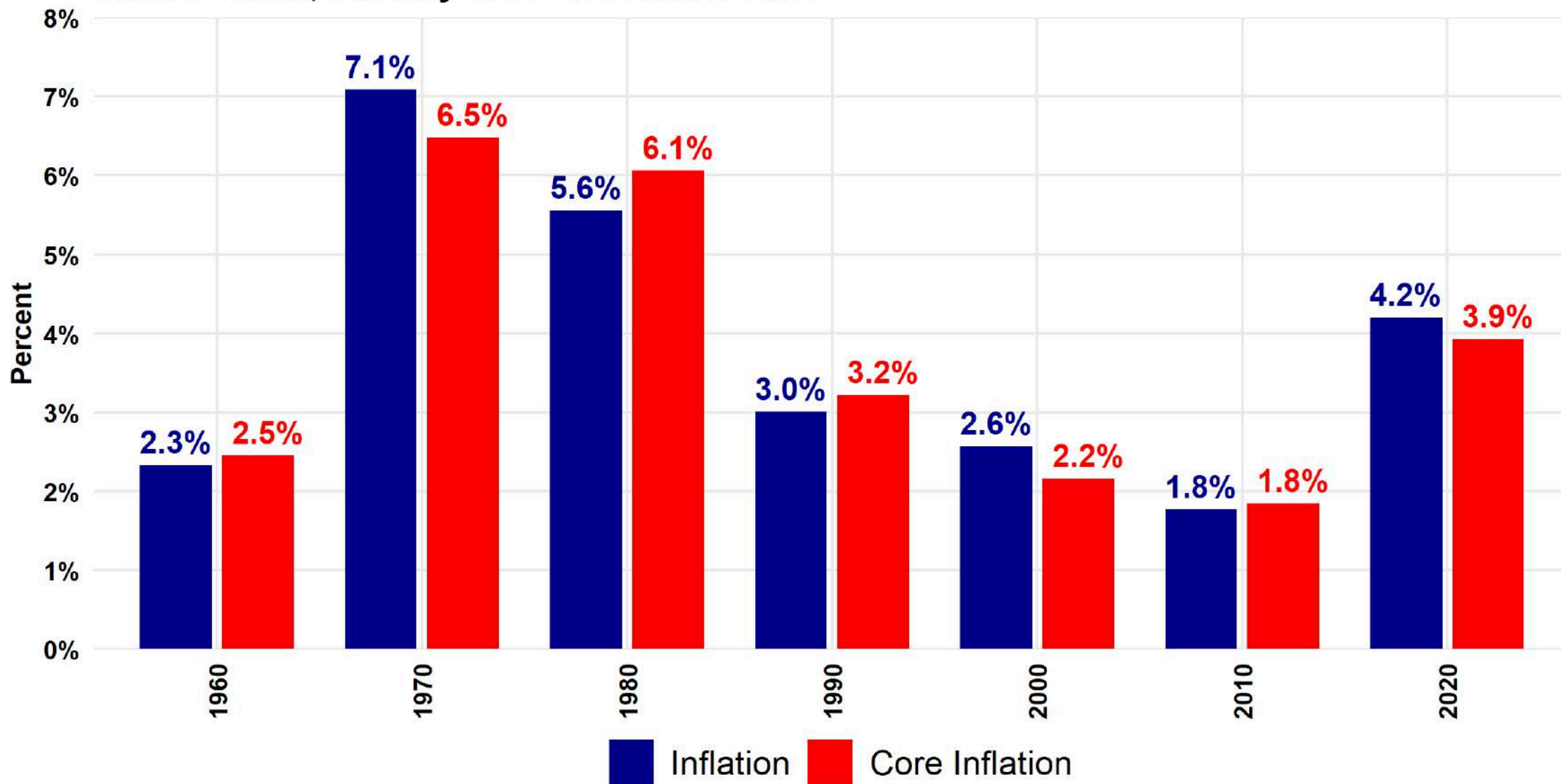
United States, January 2019 - December 2024



Source: Bureau of Labor Statistics, seasonally adjusted data. Monthly inflation is the year-over-year change in the Consumer Price Index. Cumulative inflation is equal to the percentage change in the Consumer Price Index from January 2019 to present.

Average Inflation

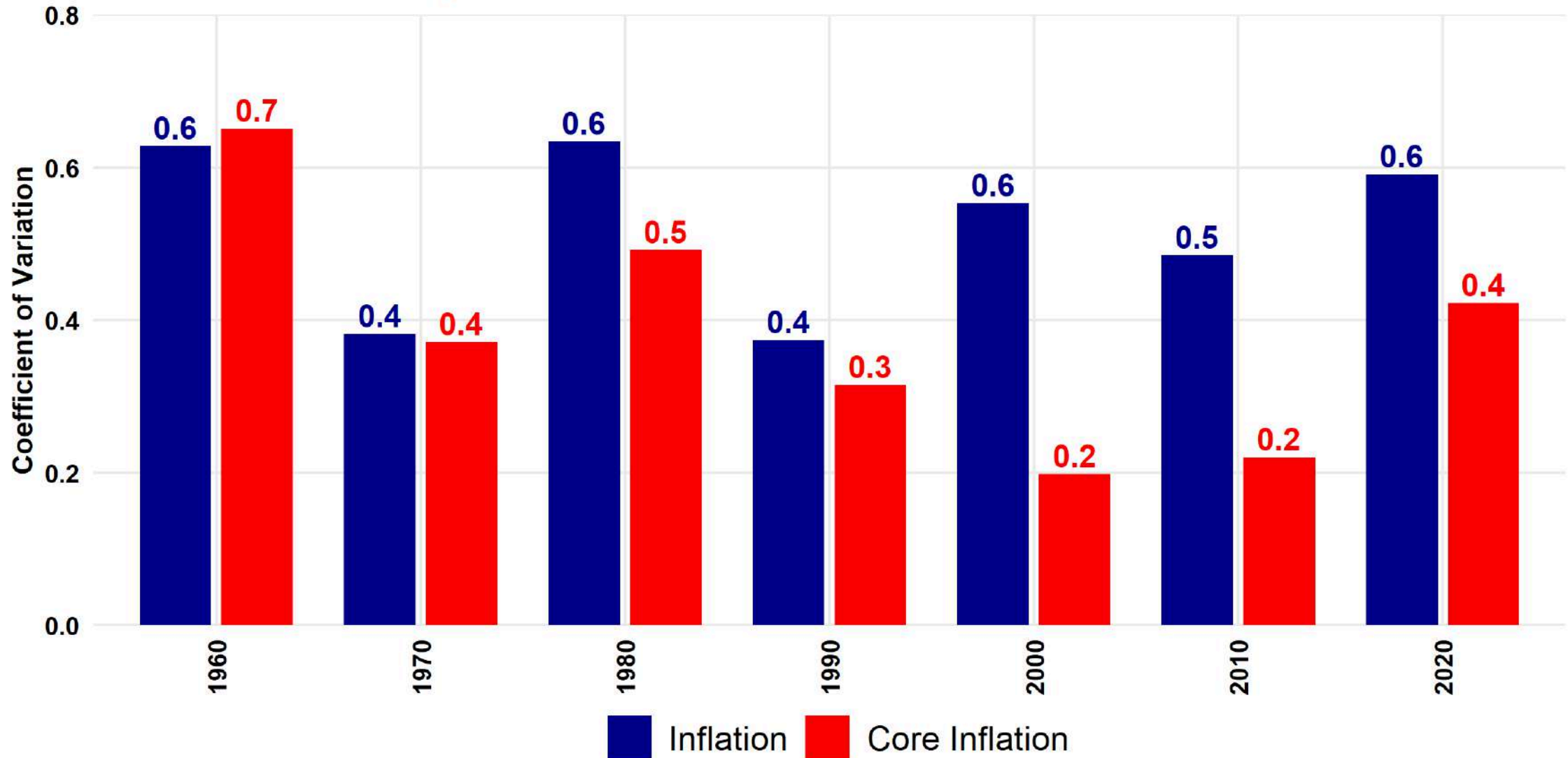
United States, January 1960 - December 2024



Sources: Bureau of Labor Statistics, seasonally adjusted data. Consumer Price Index for All Urban Consumers (CPI-U) and CPI-U less food and energy.

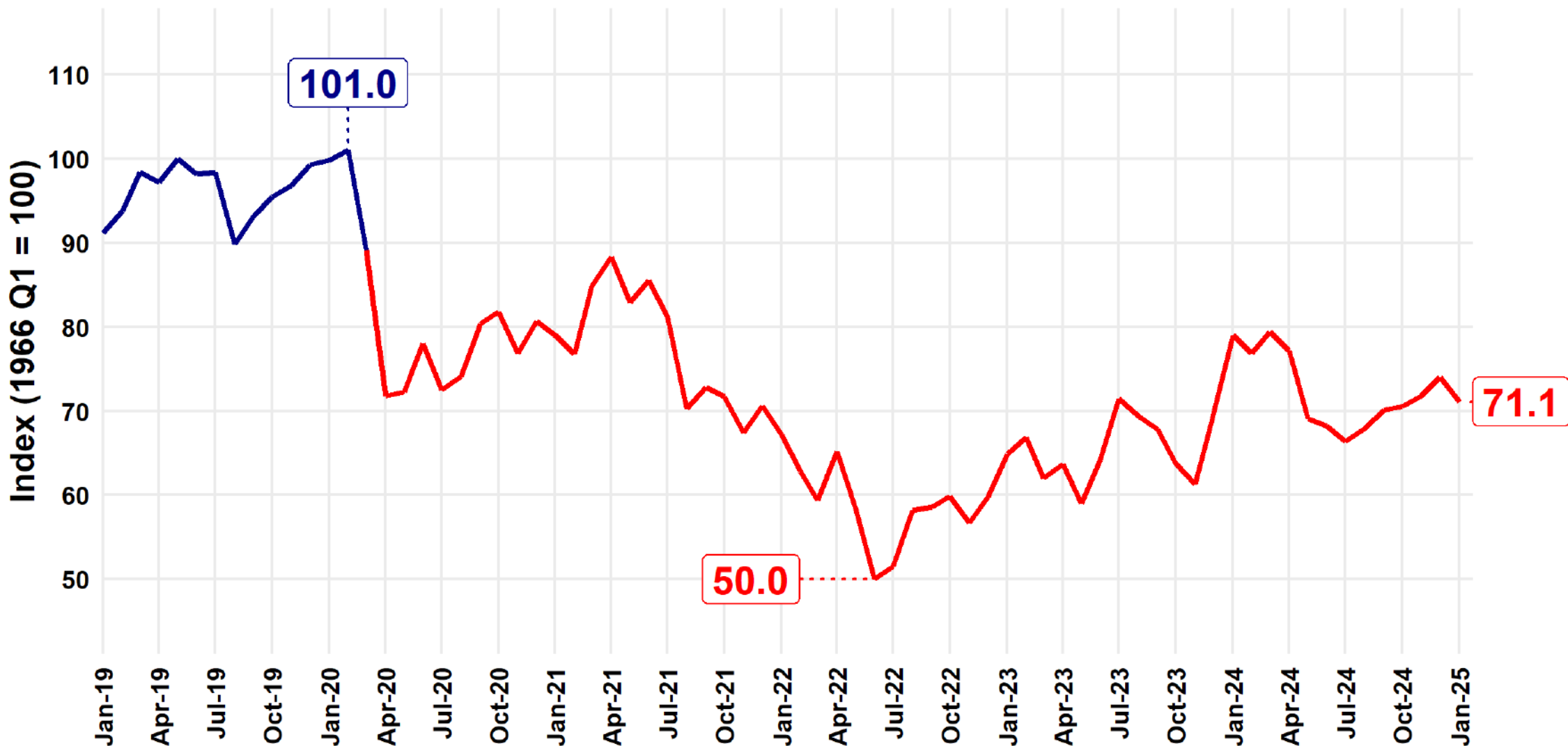
Variability of Inflation and Core Inflation by Decade

United States, January 1960 - December 2024



Sources: Bureau of Labor Statistics, seasonally adjusted data. Consumer Price Index for All Urban Consumers (CPI-U) and CPI-U less food and energy. The coefficient of variation is equal to the standard deviation of each series divided by its mean.

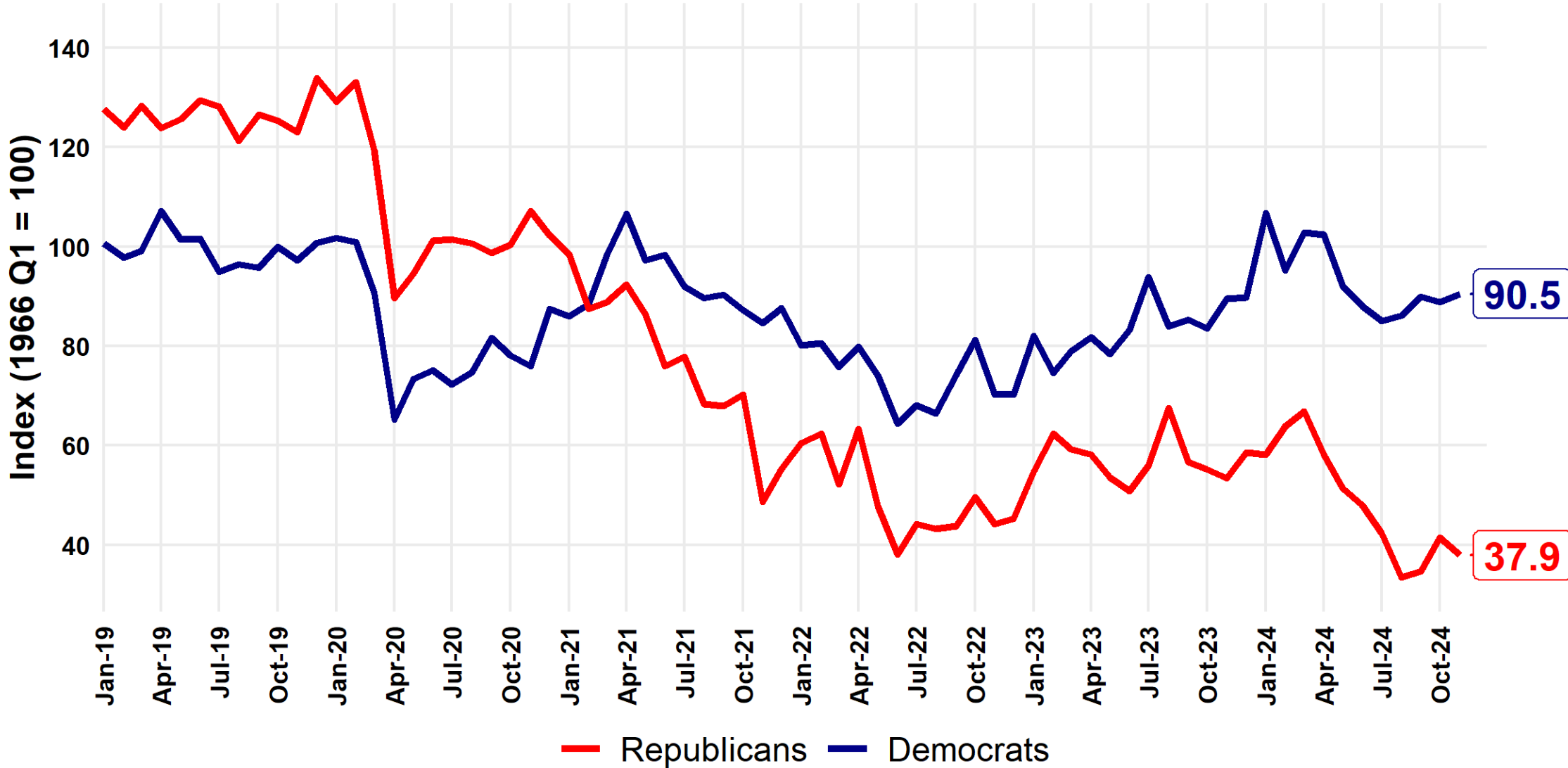
University of Michigan: Consumer Sentiment United States, January 2019 - January 2025



Source: University of Michigan, Surveys of Consumers, non-seasonally adjusted data.

Political Party Affiliation: Current Economic Conditions

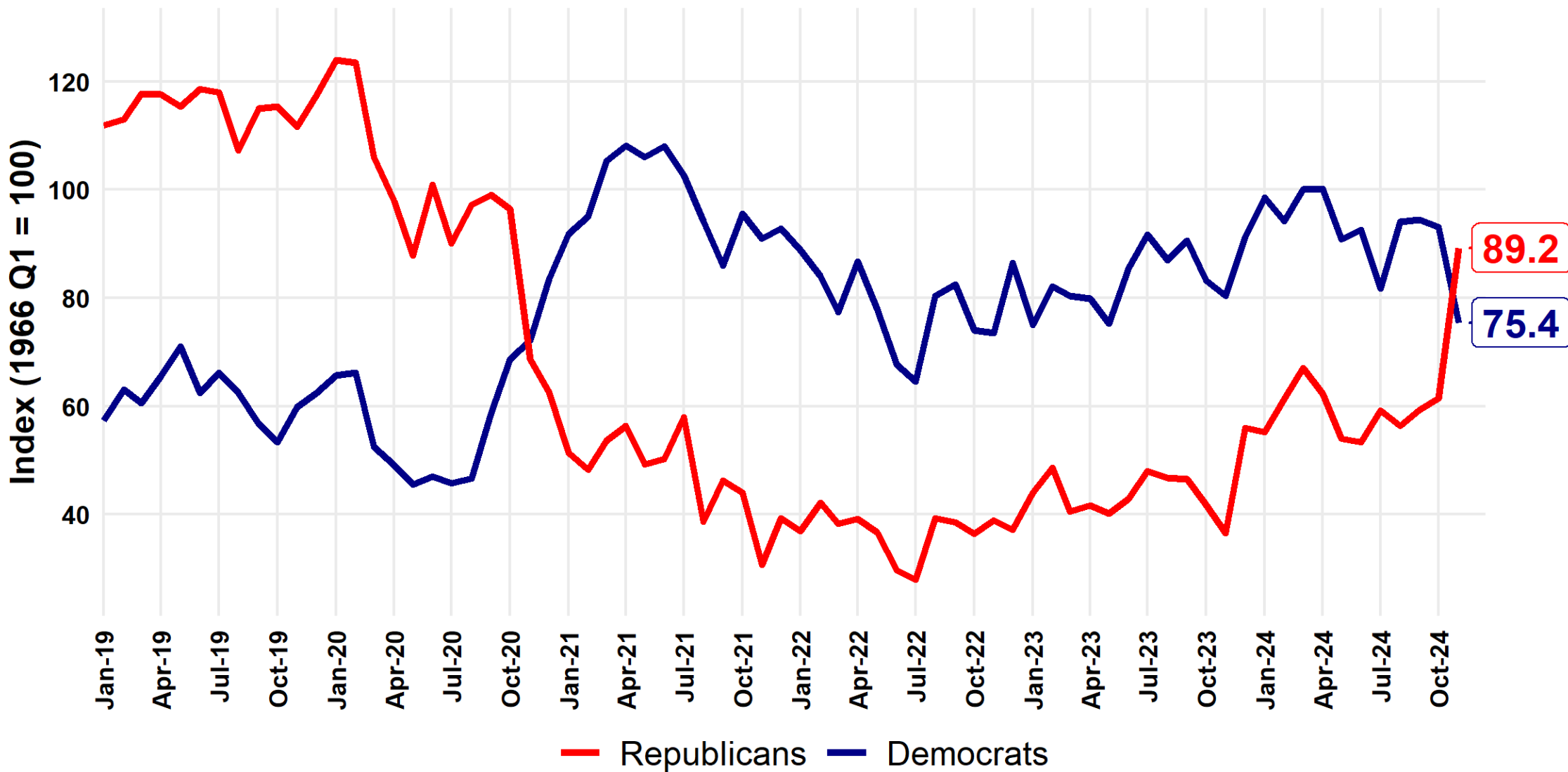
United States, January 2019 - November 2024



Sources: University of Michigan, Surveys of Consumers, non-seasonally adjusted data.

Political Party Affiliation: Economic Conditions a Year from Now

United States, January 2019 - November 2024



Sources: University of Michigan, Surveys of Consumers, non-seasonally adjusted data.

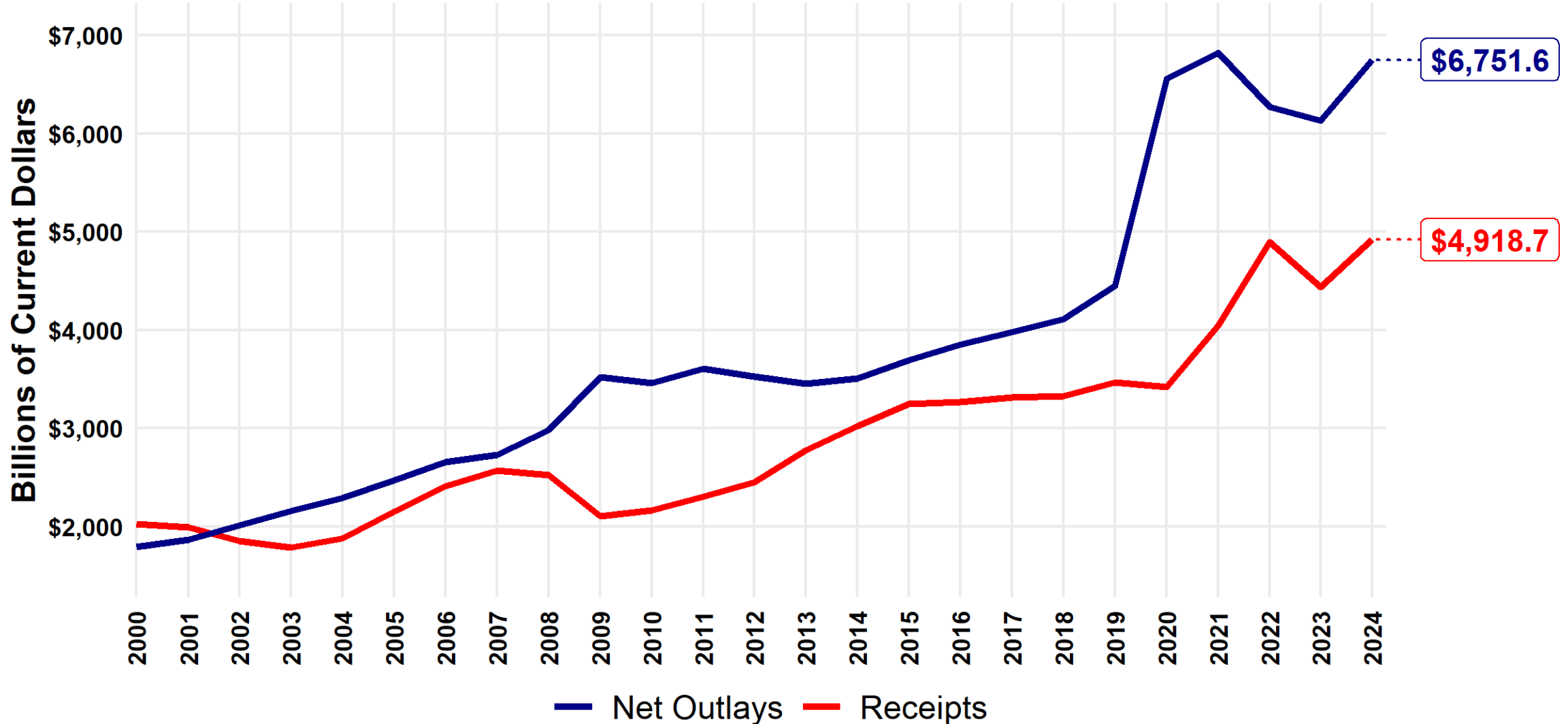
Poised for Growth in 2025

- Job growth continued nationally and across the Commonwealth in 2024 and job openings signal strong demand for labor in 2025.
- While consumer sentiment is lower than 2019, continued job and income growth will push consumer sentiment and spending higher in 2025.
- Increases in federal spending sustain growth across Virginia and there are not significant disruptions due to shifts in immigration, trade, or fiscal policy.
- H5N1 Bird Flu remains limited in scope and does not pose a threat to public health.
- If these assumptions hold, real GDP should increase by more than 2.5% in 2025 for the United States and Virginia.

Warning Signs



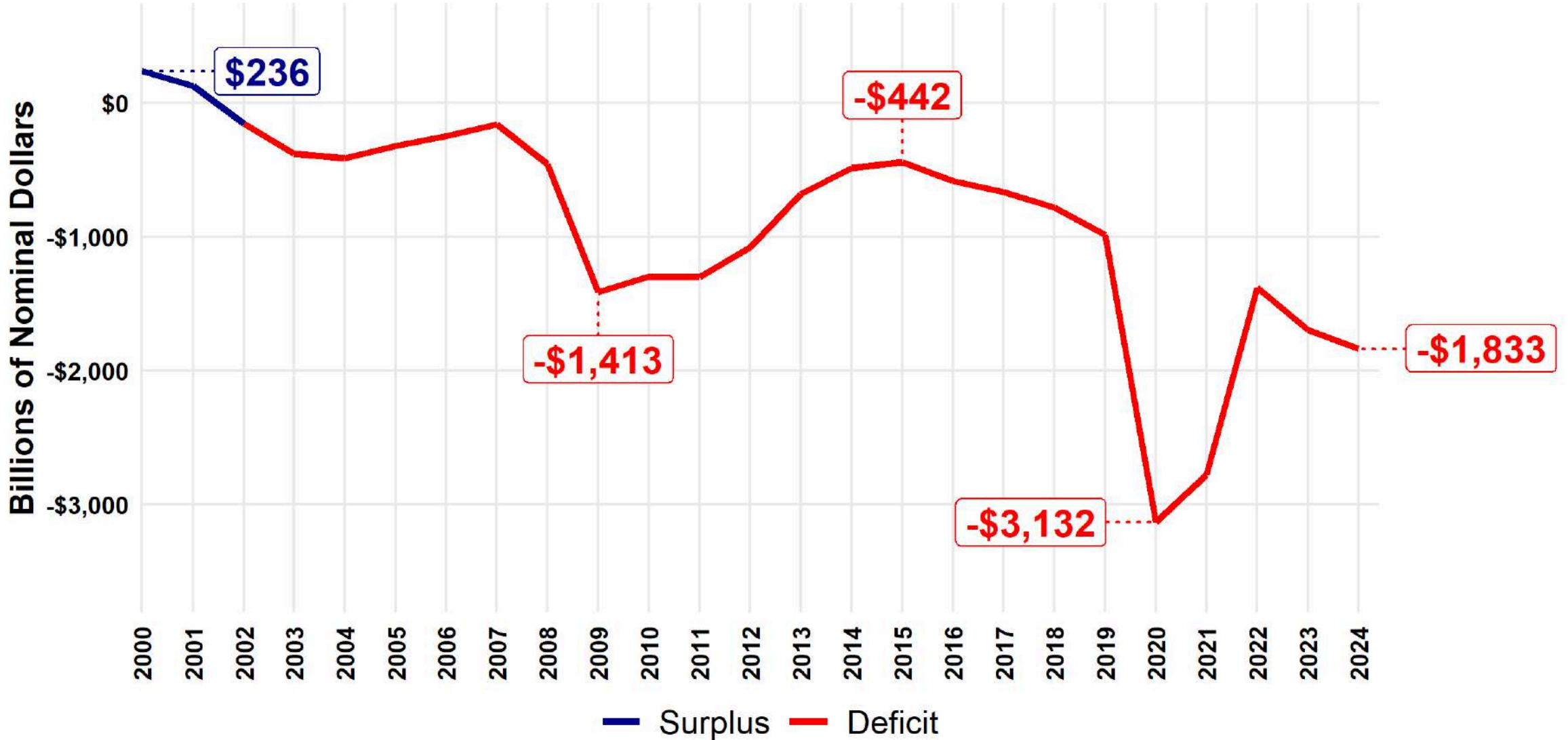
Federal Net Outlays and Receipts United States, FY 2000 - FY 2024



Source: Fiscal Year (FY), U.S. Office of Management and Budget. Net outlays are outlays net of amounts that are adjustments to obligational authority. Net outlays are considered disbursements net of refunds and reimbursements collected.

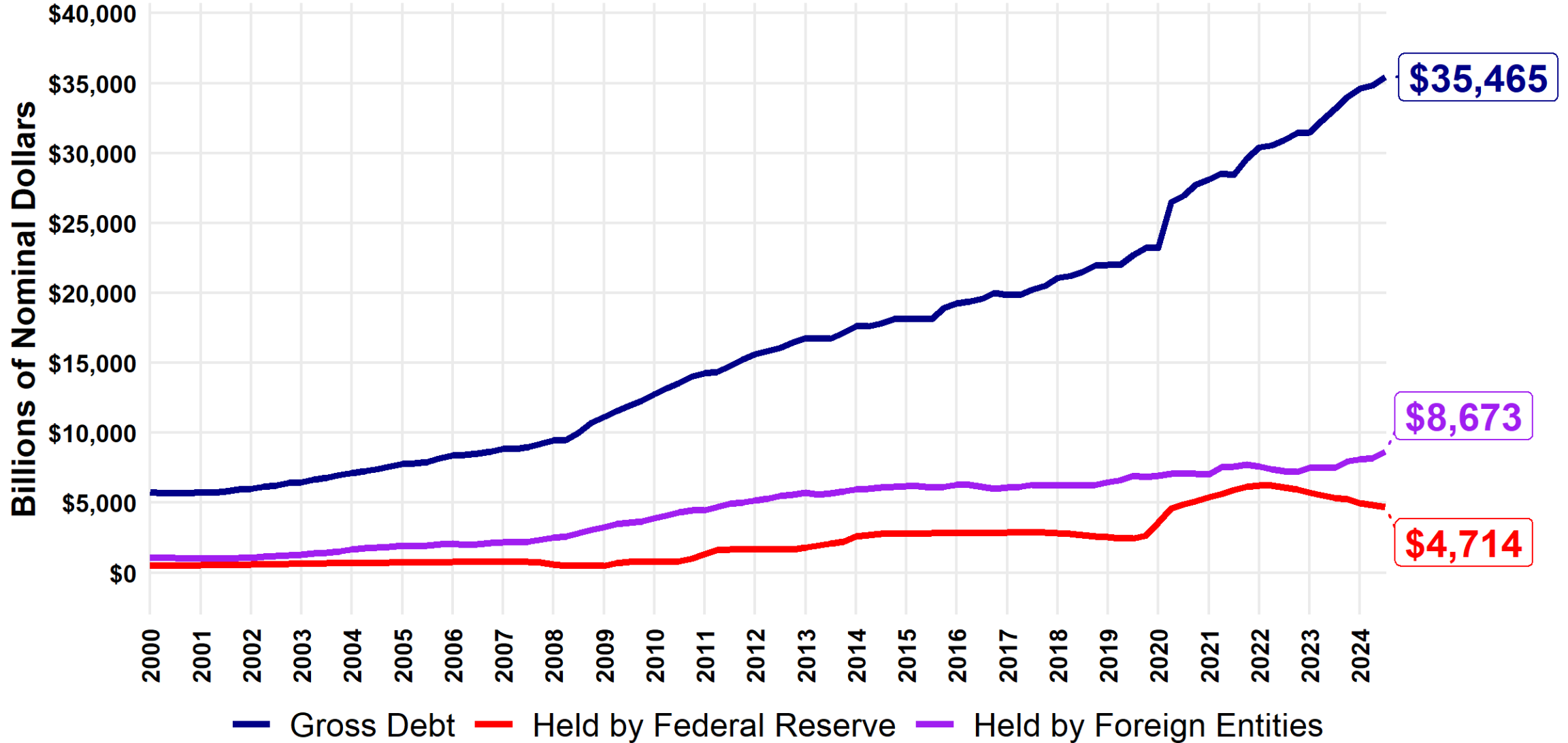
Federal Surplus or Deficit

United States, FY 2000 - FY 2024



Source: U.S. Office of Management and Budget. Fiscal Year.

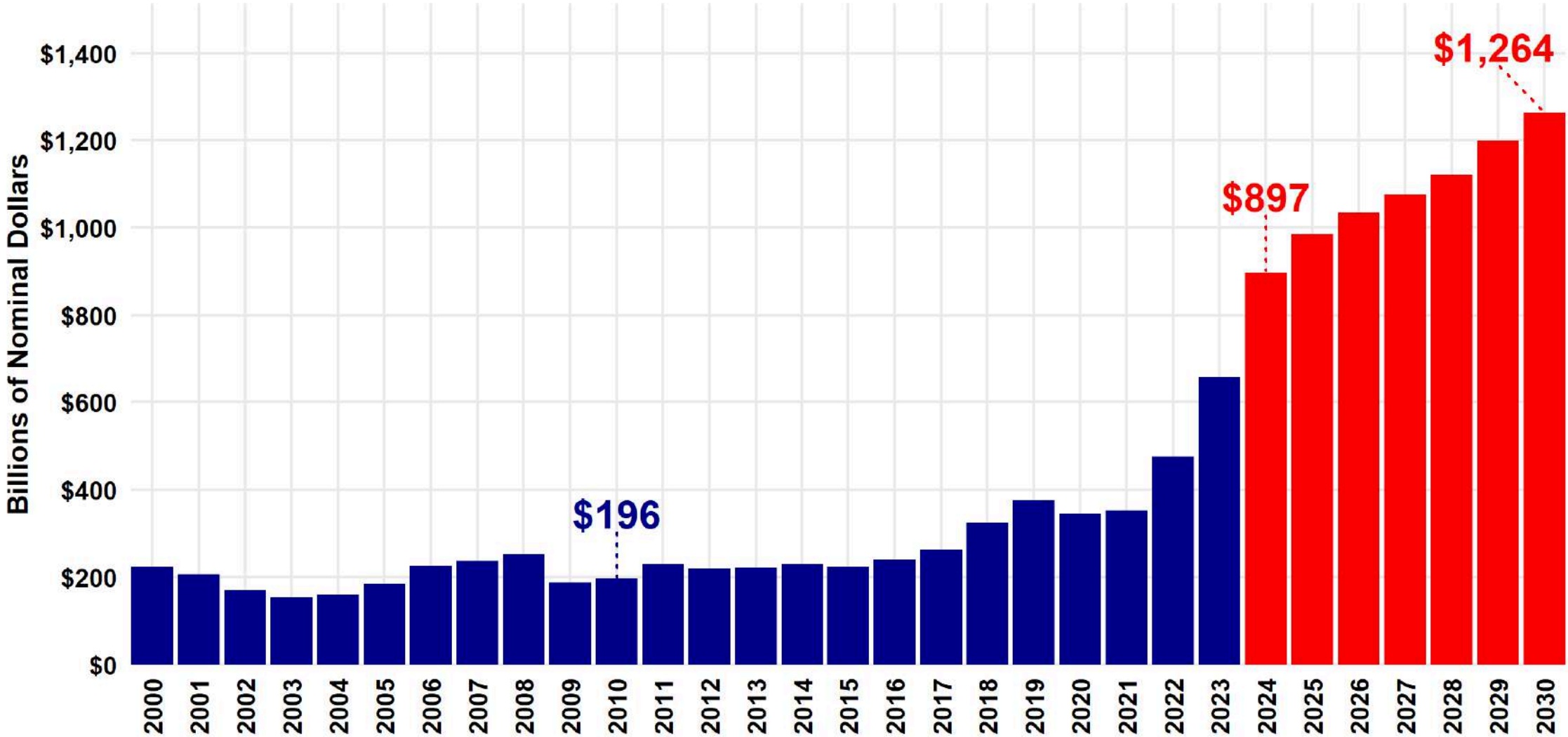
Federal Debt United States, Q1 2000 - Q3 2024



Source: U.S. Department of the Treasury.

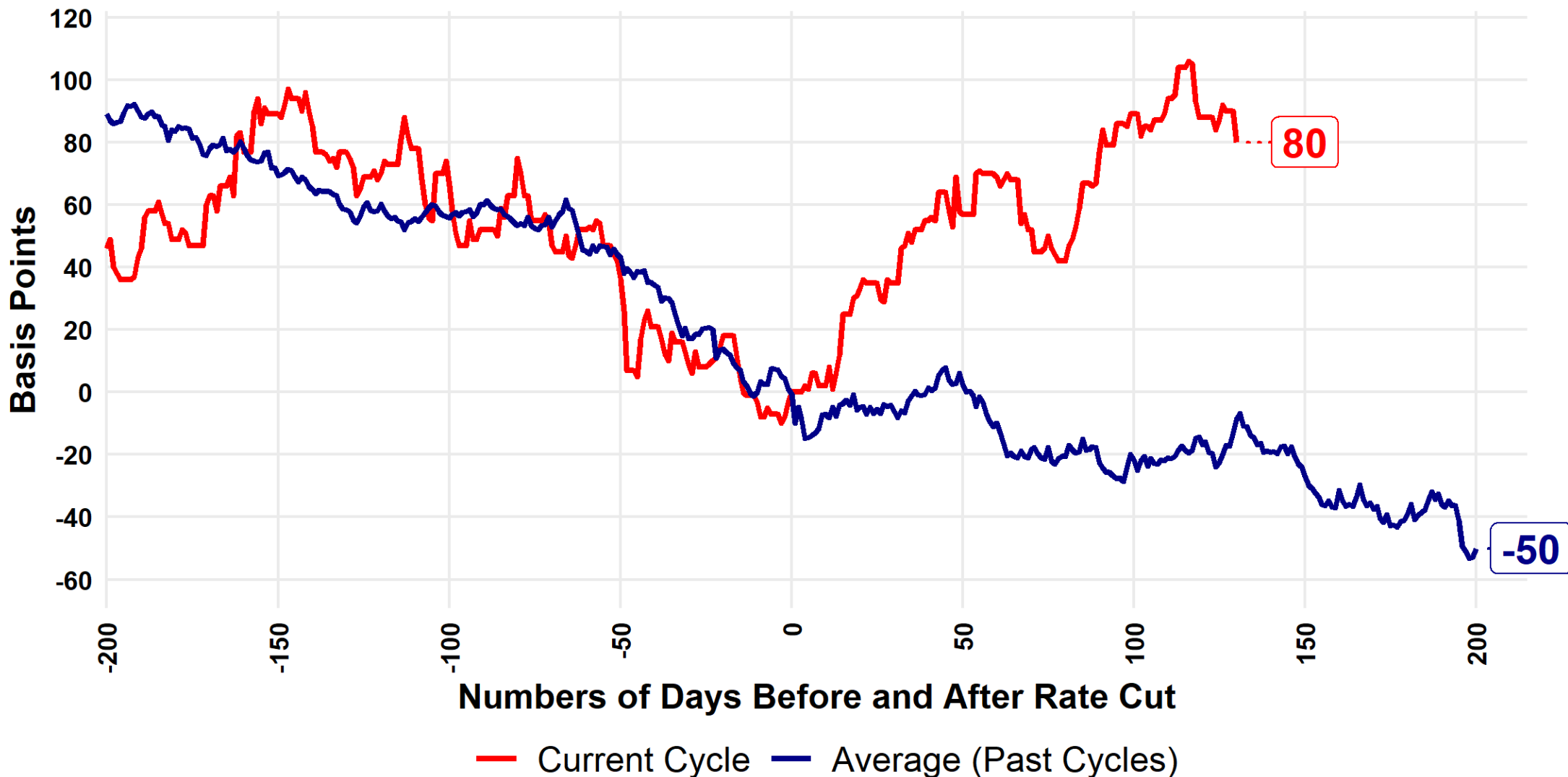
Federal Government: Net Interest Outlays

Fiscal Year, 2000 - 2030*



Sources: Office of Management and Budget, Congressional Budget Office, and Dragas Center for Economic Analysis and Policy. *OMB estimate for FY 2024 and projections for FY 2025 to FY 2030.

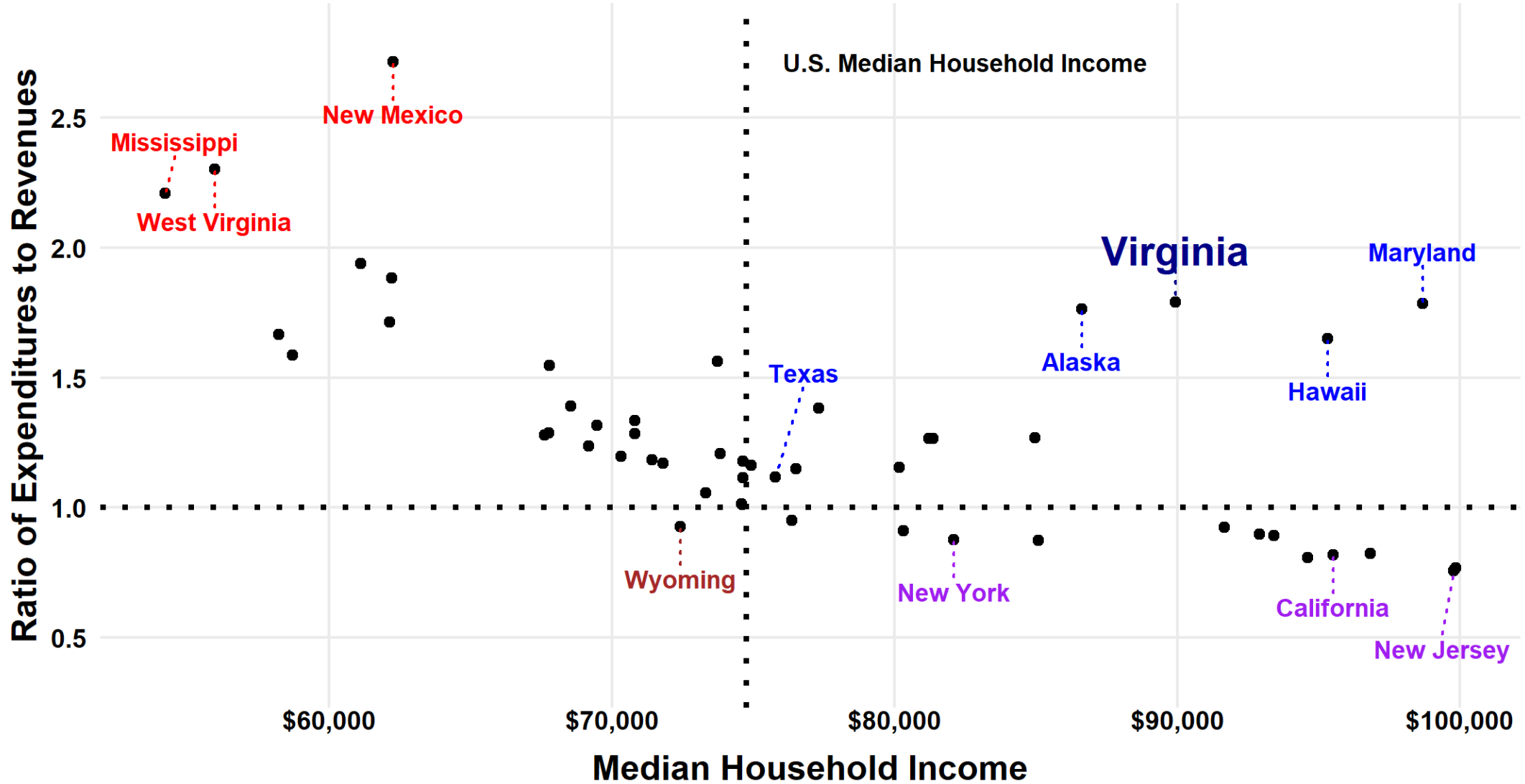
Change in 10-Year U.S. Treasuries Prior to and After the First Reduction in the Discount Rate



Source: Torsten Slok of Apollo, Board of Governors of the Federal Reserve System (US) and the Dragas Center for Economic Analysis and Policy. First reduction in discount rate after peak, 1995, 2001, 2007, 2019, and 2024.

Median Household Income and Ratio of Federal Expenditures to Revenues

U.S. States, 2022



Source: Rockefeller Institute, U.S. Census Bureau, and Dragas Center for Economic Analysis and Policy. U.S. median household income in 2022 was \$74,755. Return on the dollar is the ratio of federal spending in a state to the amount paid to the federal government by a state's residents and businesses.

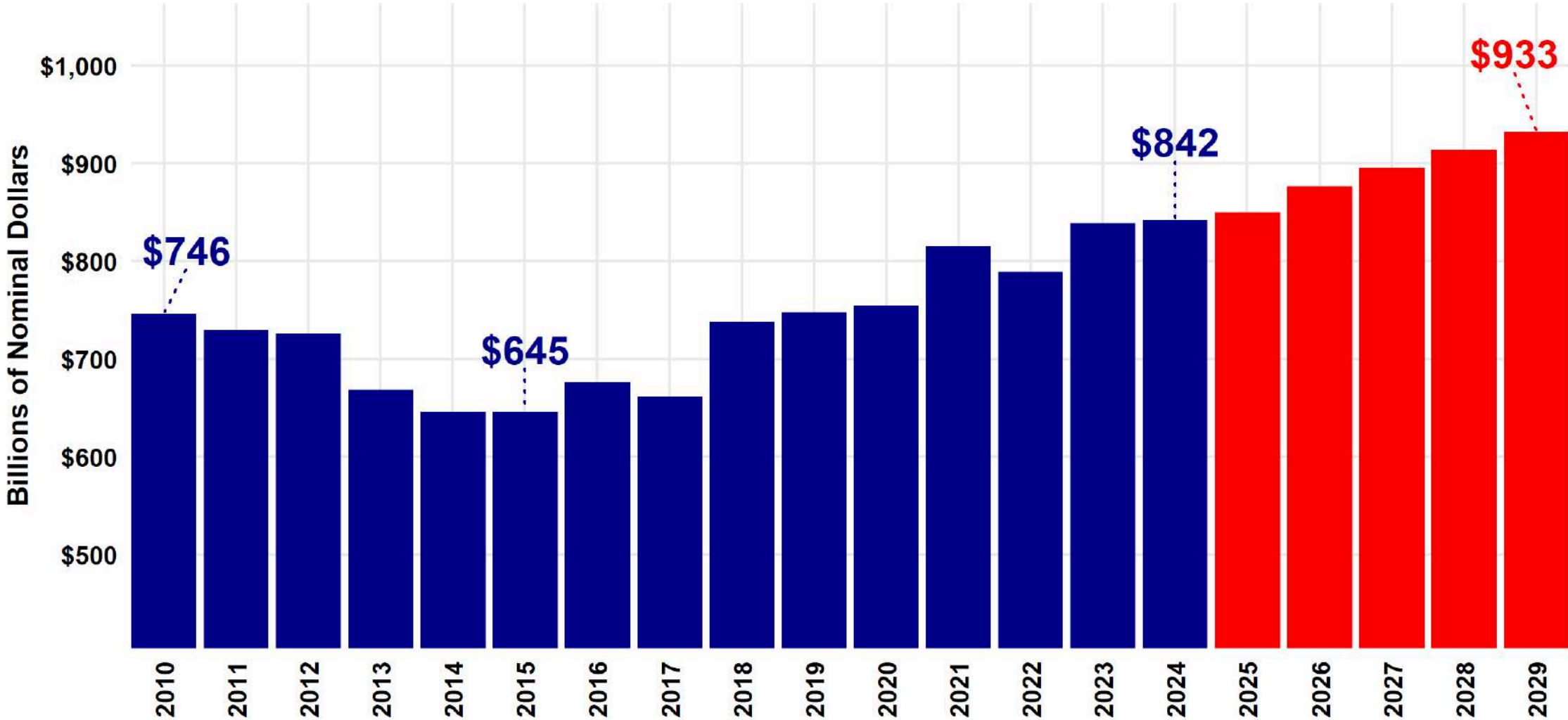
Uncertainty, Inflation, and a Recession?

- Virginia is vulnerable to significant changes in tariff, immigration, and federal spending and employment policies.
- The imposition of 10% (or 25%) tariffs would lift inflation above 4% in 2025 and invite retaliatory tariffs, lowering employment and real GDP growth.
- Whether Congress can extend the debt ceiling and fully appropriate FY 25 remains an open question. Previous debt ceiling standoffs have increased bond yields, lowered the U.S. credit rating, and led to declines in equity markets.
- Bond markets are anticipating higher long-term inflation as a result of changes in federal spending and tax policy and uncertainty regarding tariffs.
- Whether H5N1 becomes a large scale outbreak is the 'wild card' for growth in 2025.

2025 Hampton Roads Economic Forecast

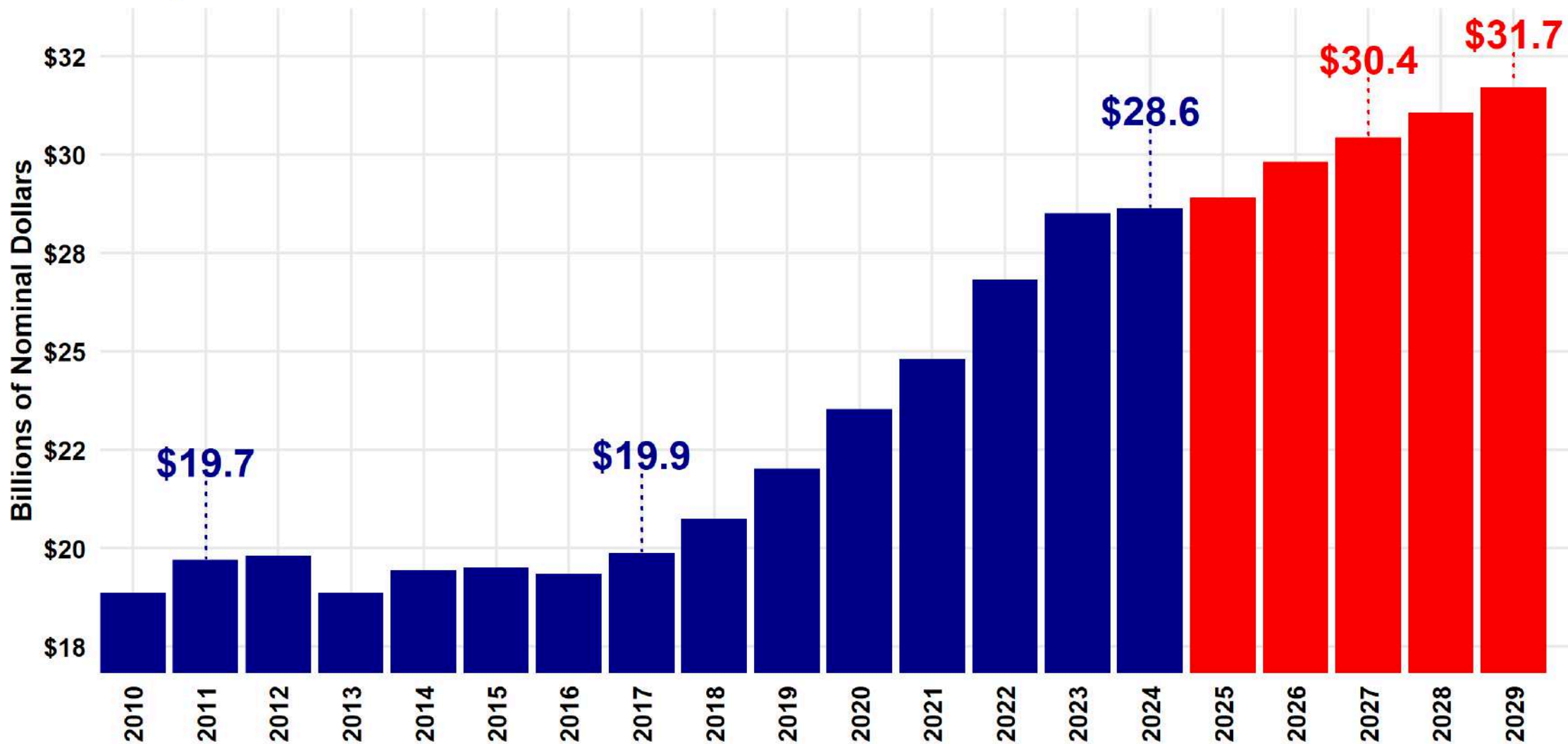


Department of Defense Total Budget Fiscal Year, 2010 - 2029*



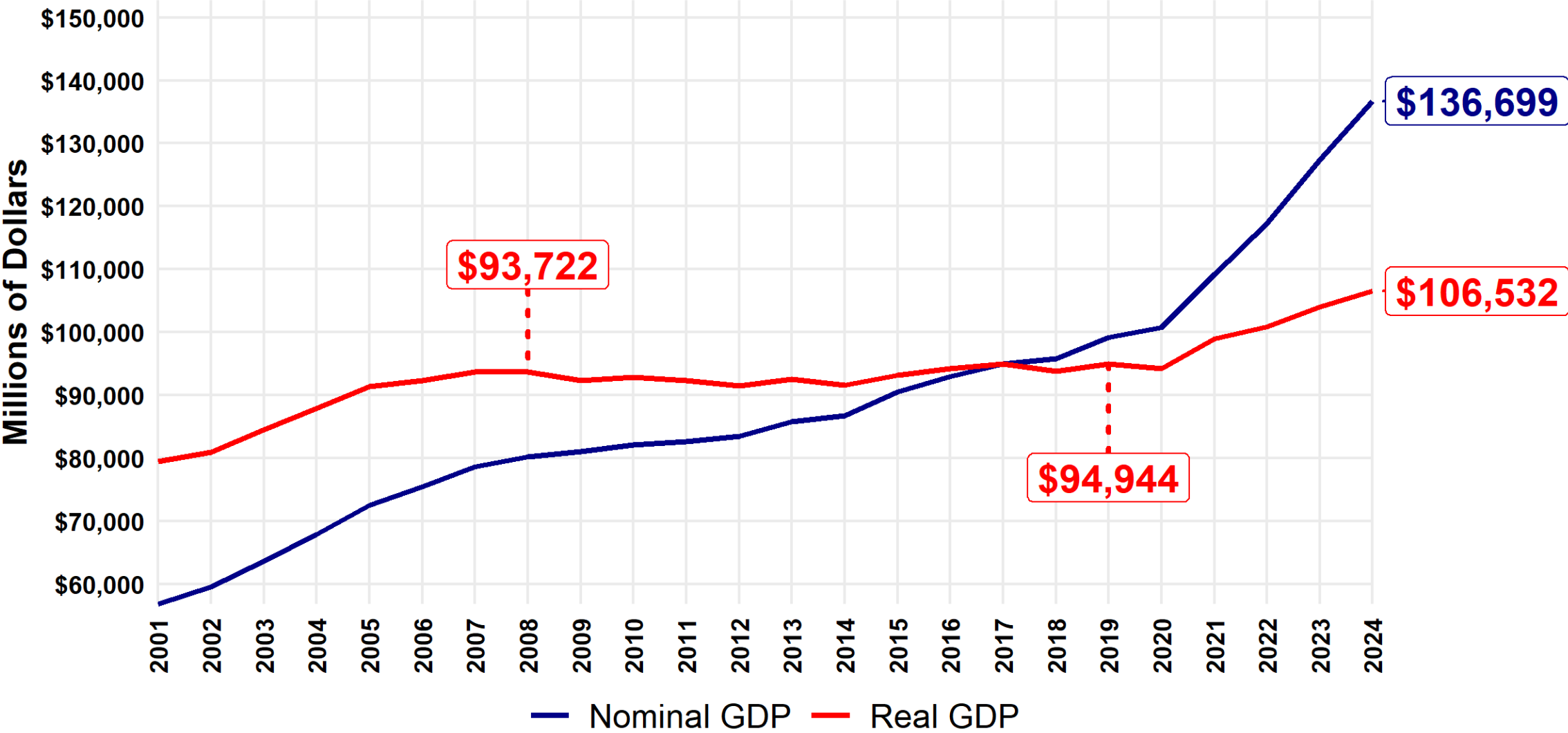
Sources: Office of Management and Budget, Congressional Budget Office, and Dragas Center for Economic Analysis and Policy. Total budget includes base-budget funding and supplemental funding. Current budget dollars. *Data for 2024 are estimates while data for 2025 to 2029 are projections based on national DoD spending estimates. Projections do not contain possible supplemental appropriations.

Estimated Department of Defense Direct Spending Hampton Roads, 2010 - 2029*



Sources: Department of Defense and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Includes federal civilian and military personnel and procurement.
*FY 2010 – 2023 are actual expenditures, 2024 is our estimate, and 2025 – 2029 are our forecasts.

Nominal and Real Gross Domestic Product Hampton Roads, 2001 - 2024



Sources: Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Data on GDP incorporates latest BEA revisions in December 2024. Real GDP is in 2017 Chained Dollars. 2023 represents advance estimate and 2024 represents our forecast.

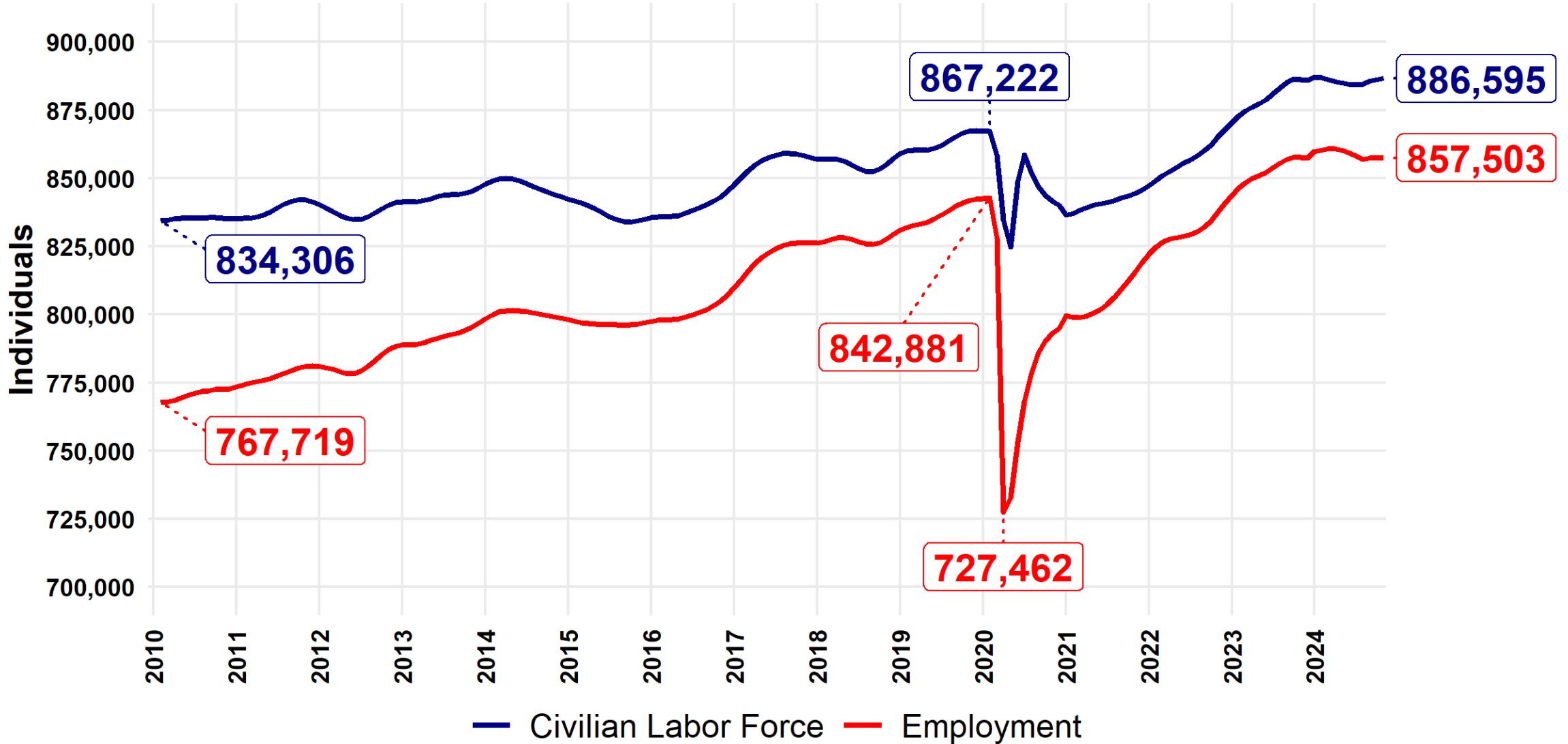


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Jobs and Employment

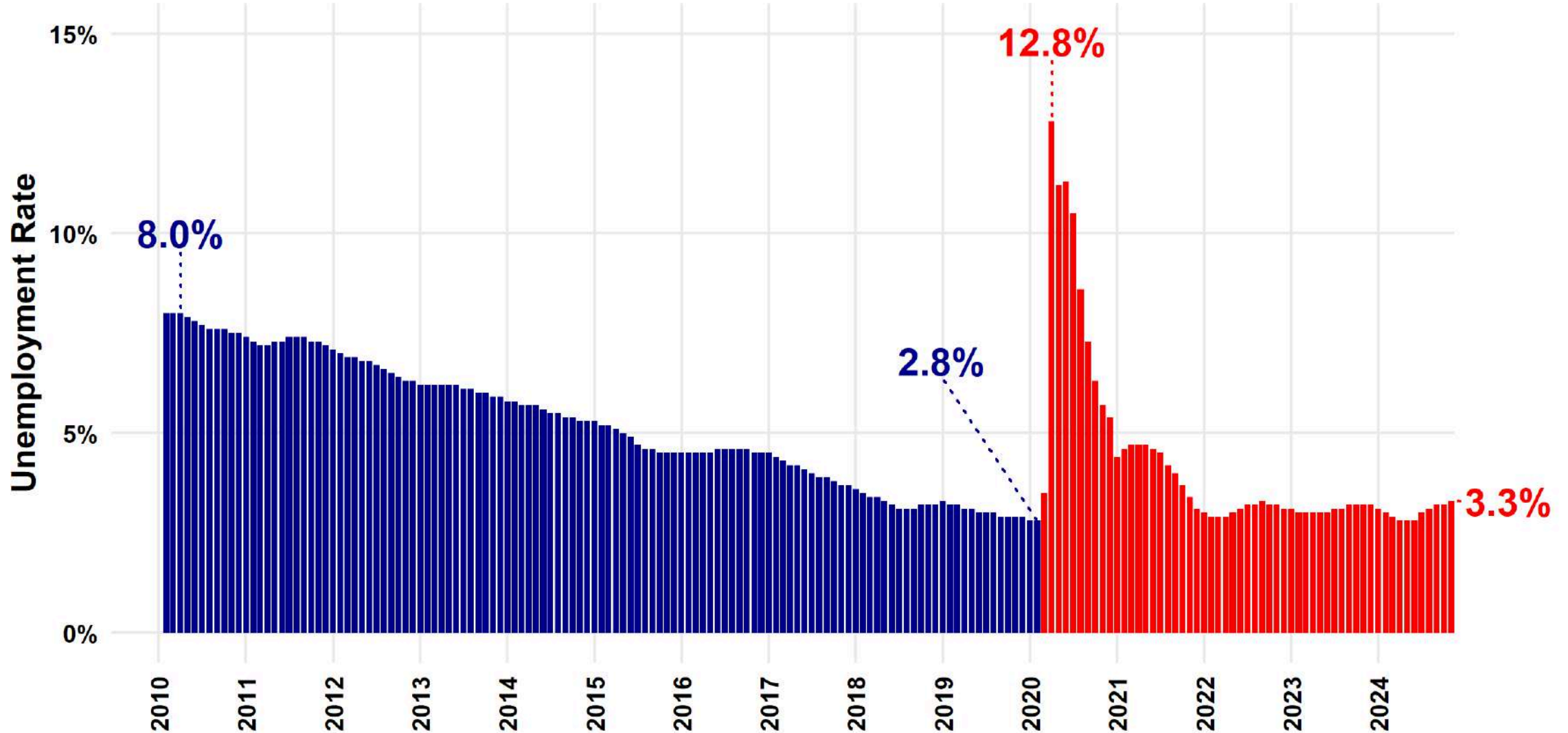


Civilian Labor Force and Individual Employment Hampton Roads, February 2010 - November 2024



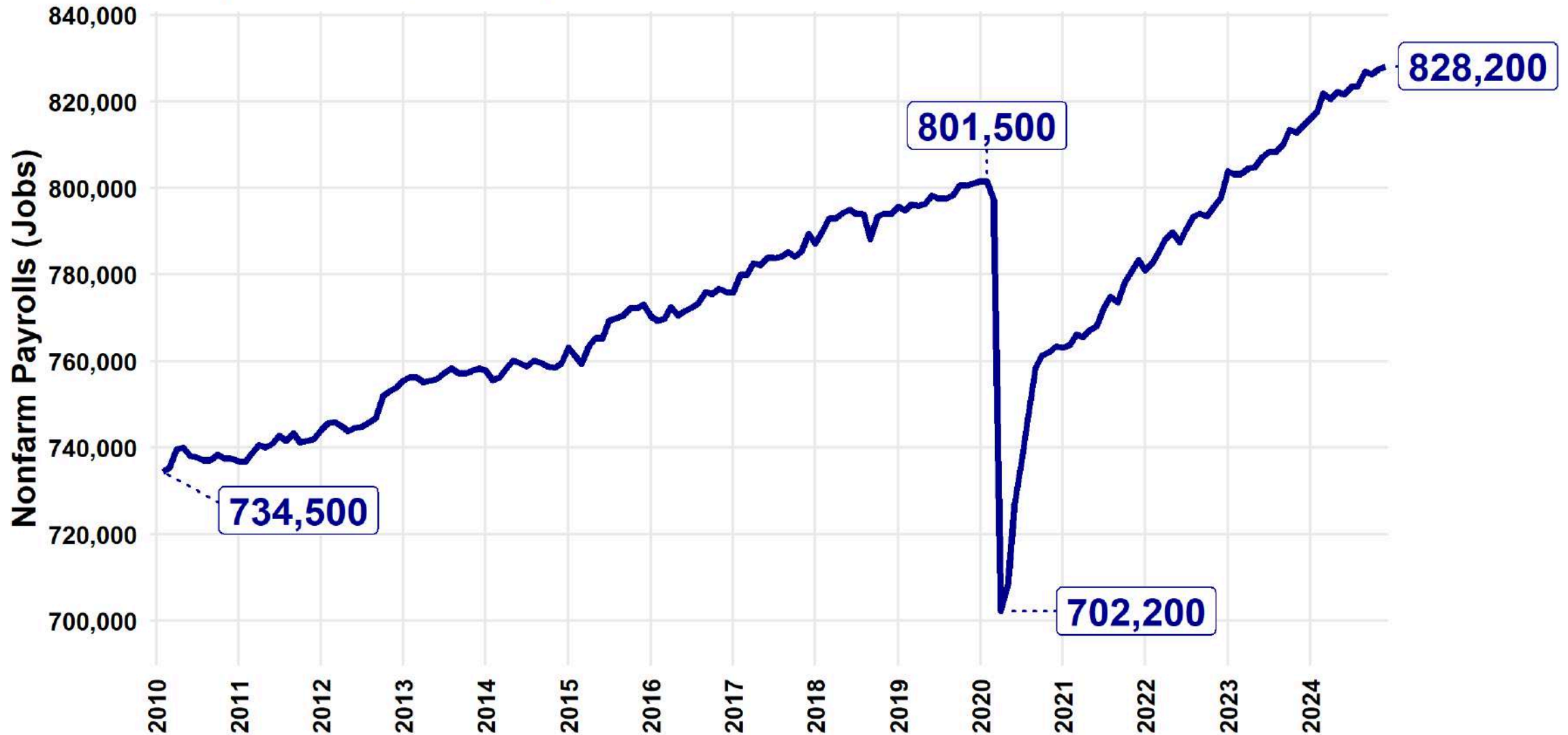
Source: Bureau of Labor Statistics, seasonally adjusted data.

Headline Unemployment Rate (U3) Hampton Roads, February 2010 - November 2024



Nonfarm Payrolls

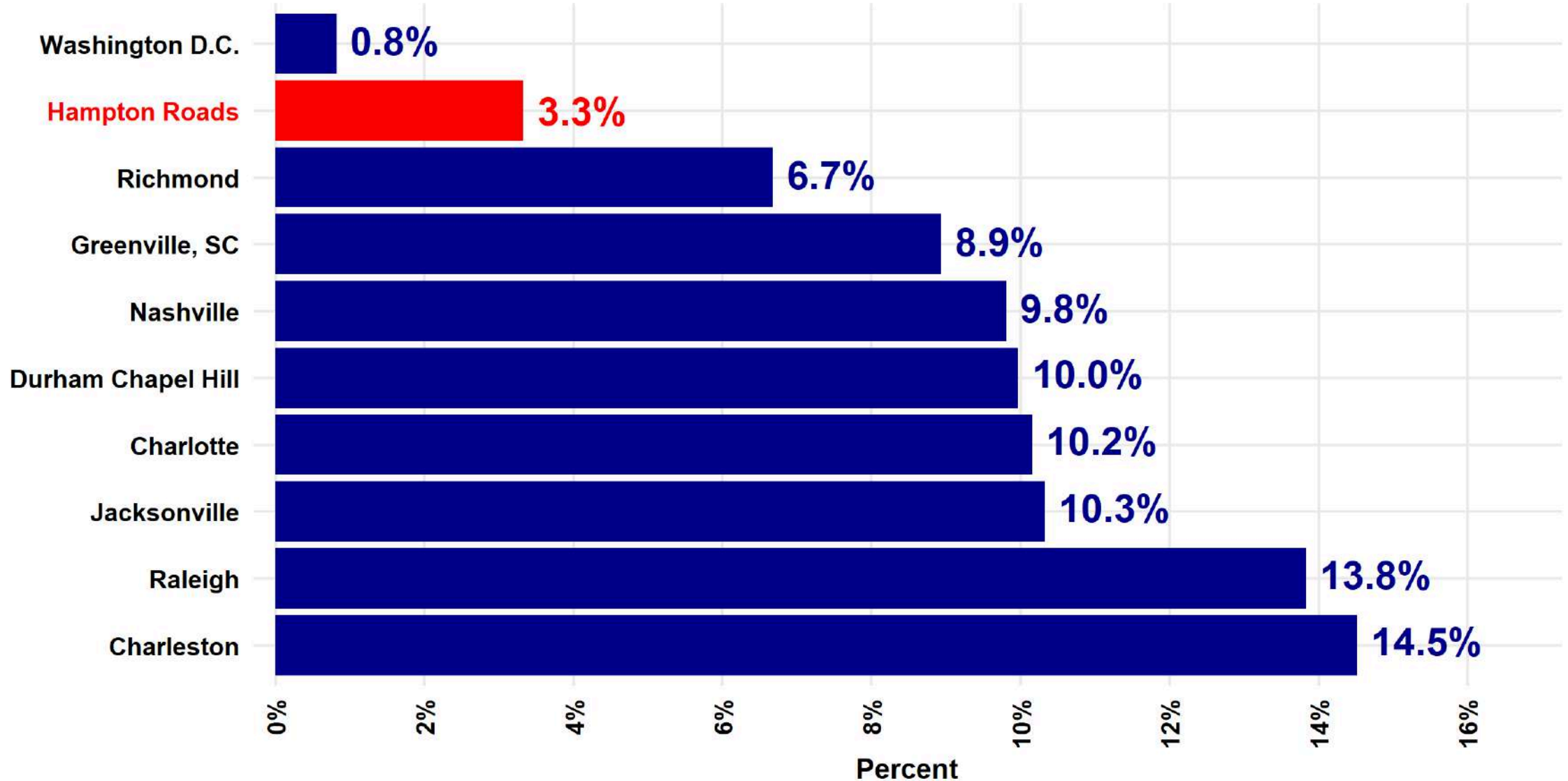
Hampton Roads, February 2010 - December 2024



Source: Bureau of Labor Statistics, seasonally adjusted data.

Growth in Nonfarm Payrolls

Selected Metropolitan Areas, February 2020 - December 2024



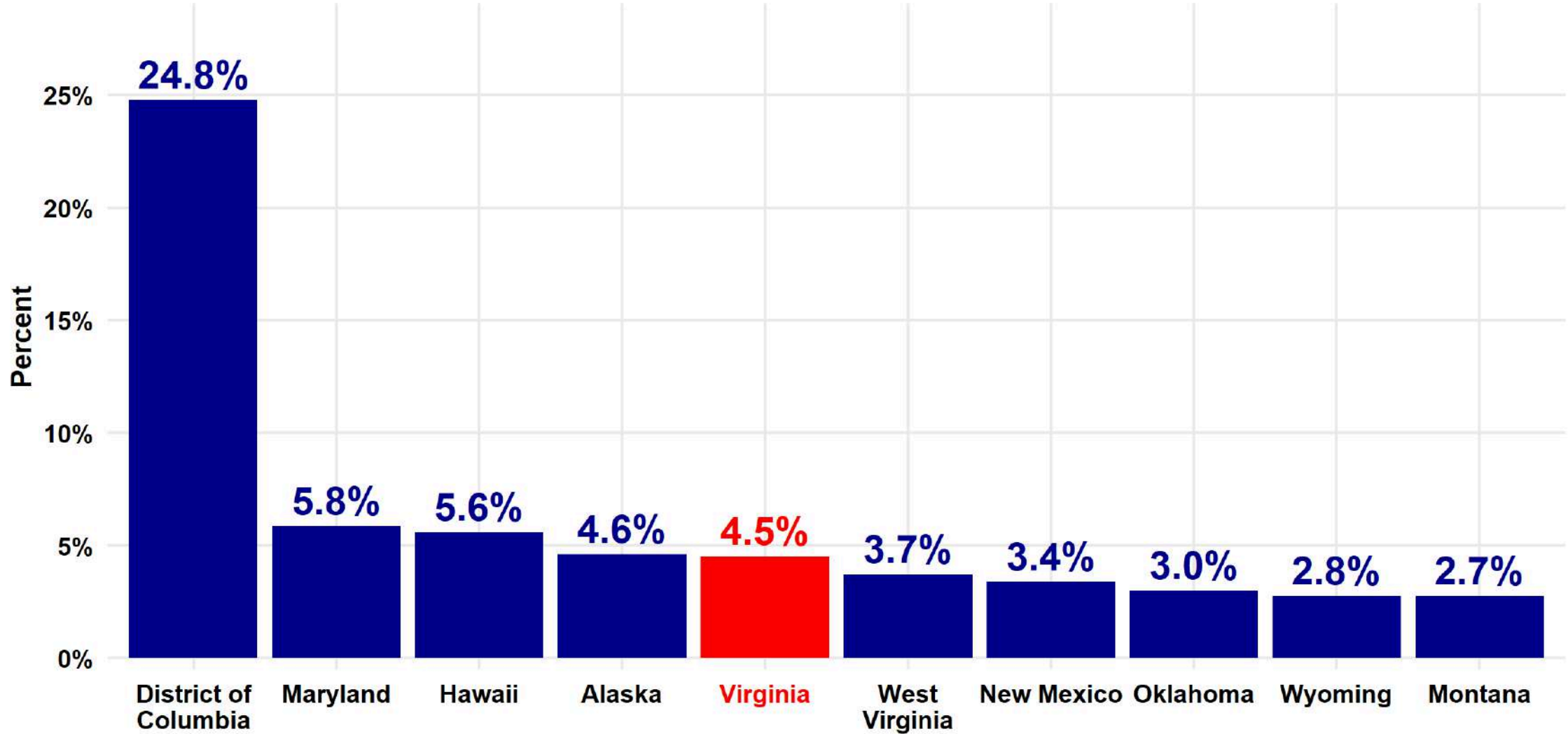
Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Seasonally adjusted data.

Employment and Average Wages for Priority Clusters in Region 5, 2023 Q4

Clusters	Employment	Average Wages	Change in Employment 2013 Q4 - 2023 Q4
Advanced Manufacturing	10,353	\$ 74,634	0.30%
Clean Energy	24,069	\$ 87,452	1.30%
Cyber Security, Data Analytics and Mod-Sim	5,053	\$ 78,115	4.20%
Life Sciences	7,345	\$109,812	-0.10%
Port Operations, Logistics, and Warehousing	17,936	\$ 73,067	2.40%
Ship Repair and Ship Building	41,056	\$ 83,327	1.10%
Uncrewed Systems and Aerospace	14,864	\$ 96,488	1.10%
Water Technologies	38,135	\$ 91,435	0.90%
All Industries	799,281	\$ 58,593	0.10%

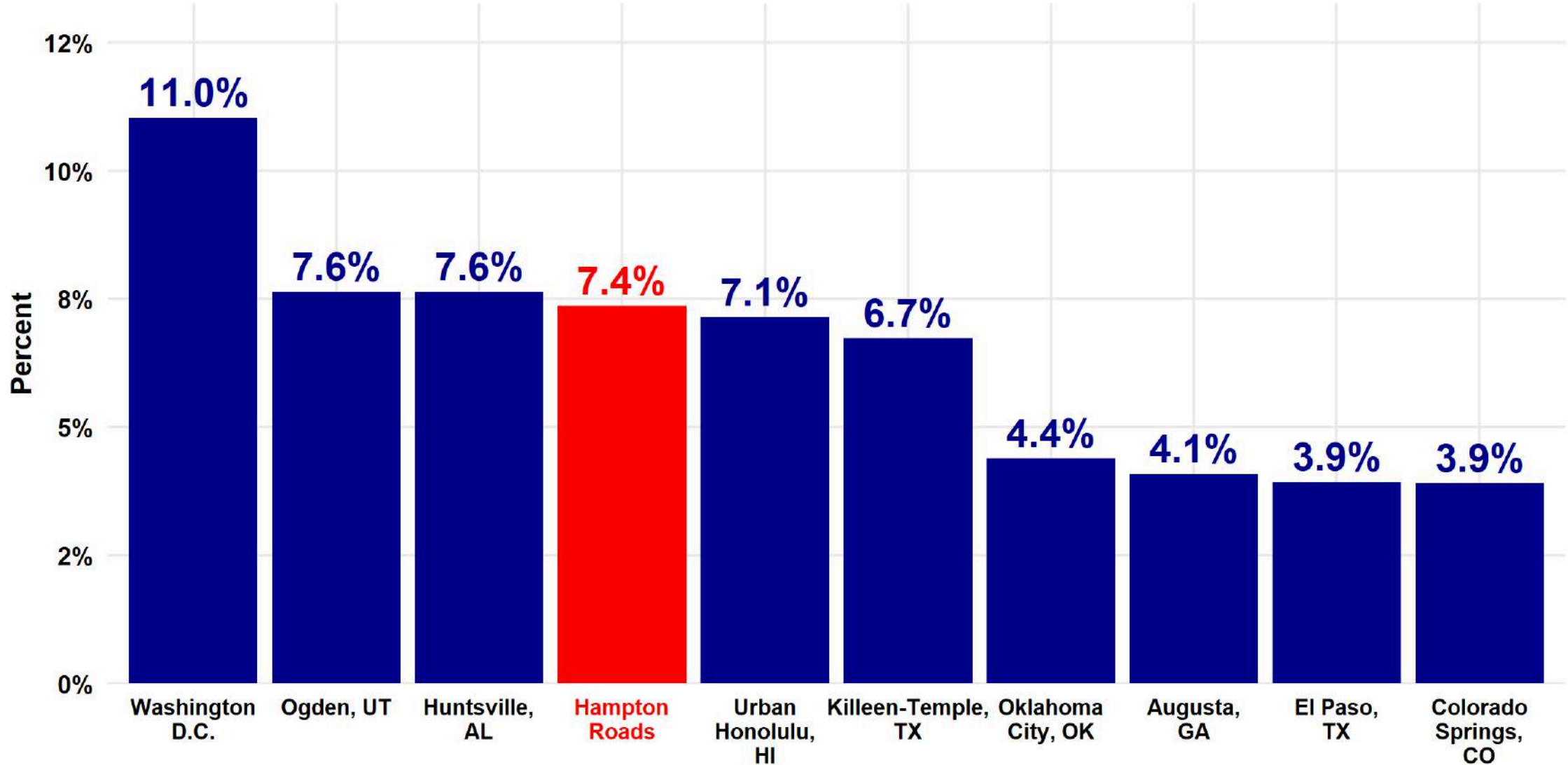
* Source: JobsEq and Dragas Center for Economic Analysis and Policy. Data as of 2023 Q4 and based on a four-quarter moving average. Annual employment growth is from 2013 Q4 to 2023 Q4.

Top 10 States: Percentage of Federal Government Jobs 2024



Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Data are through November 2024 and non-seasonally adjusted. Federal Government jobs are shown as a percent of Total Nonfarm jobs.

Top 10 Large MSAs: Percentage of Federal Government Jobs 2024

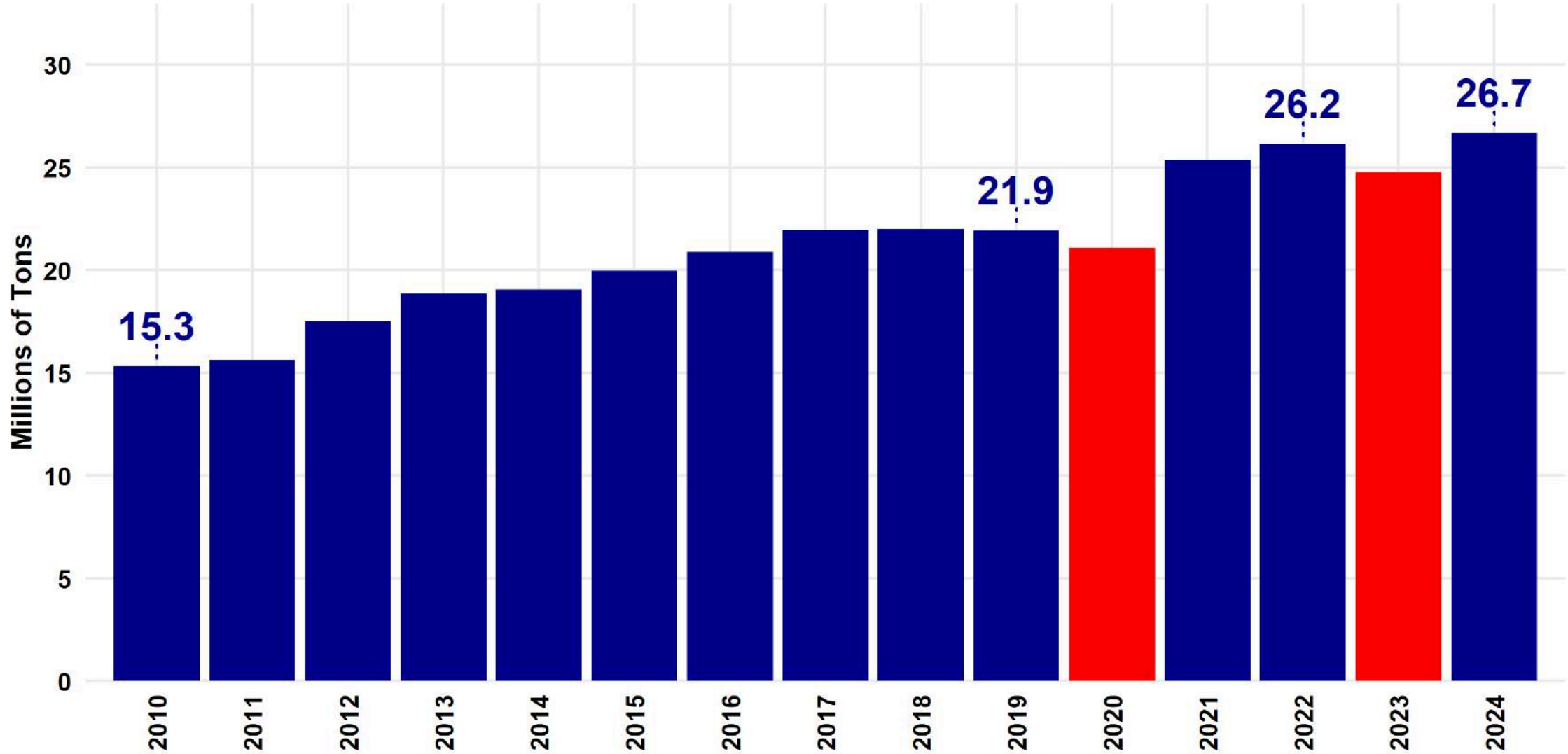


Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Data are through November 2024 and non-seasonally adjusted. Federal Government jobs are shown as a percent of Total Nonfarm jobs. Large MSAs have populations exceeding 500,000 in 2023 according to ACS 1-year estimates from US Census.

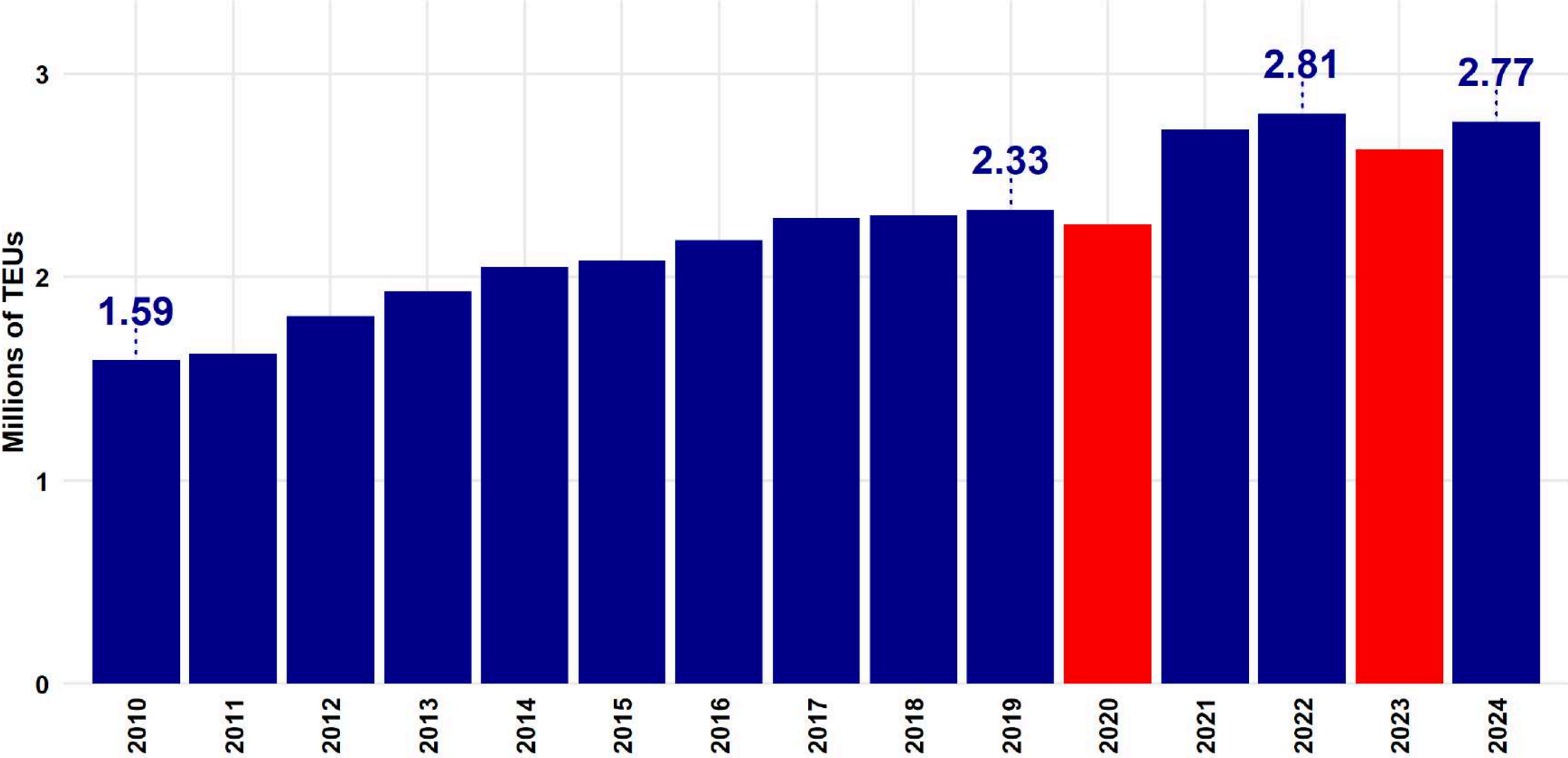
The Port of Virginia: Steady Increases in Its Market Share



General Cargo Tonnage Port of Virginia, 2010 - 2024

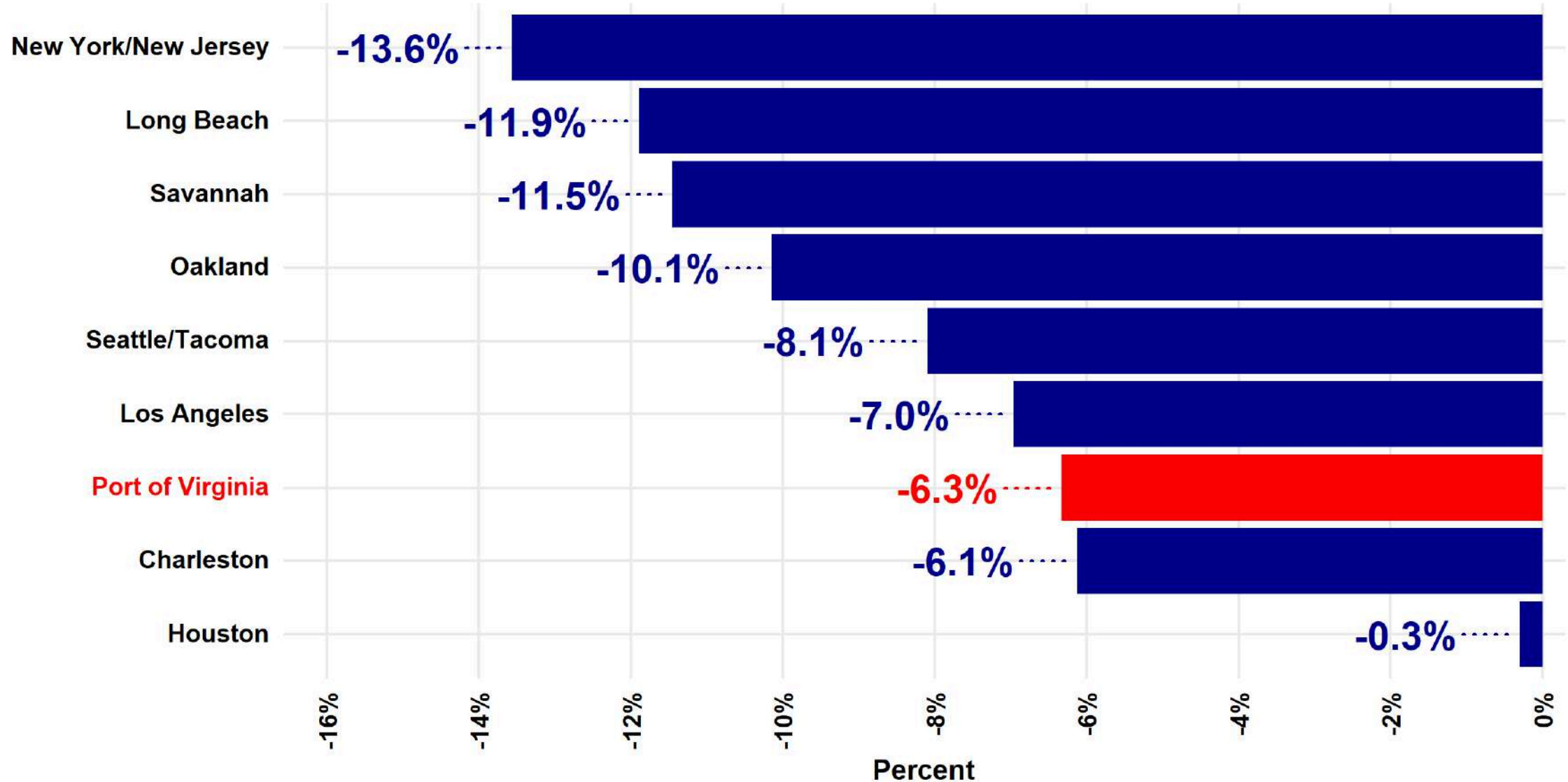


Total Loaded Twenty-Foot Equivalent Container Units (TEUs) Port of Virginia, 2010 - 2024



Sources: Virginia Port Authority and Dragas Center for Economic Analysis and Policy.

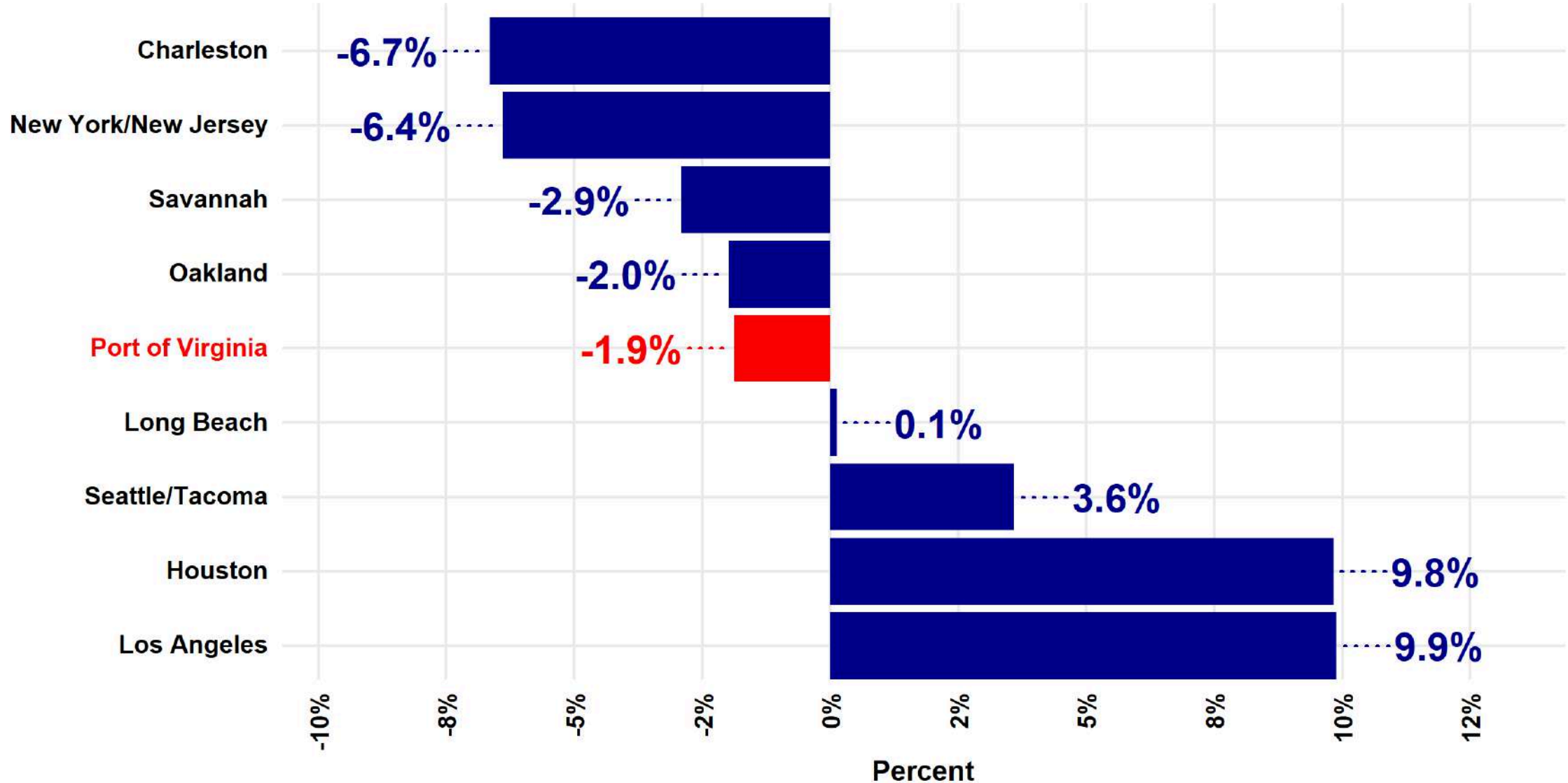
Percent Change in Total Loaded TEUs Selected U.S. Ports, 2022 - 2023



Sources: Websites of ports and the Old Dominion University Economic Forecasting Project.

Percent Change in Total Loaded TEUs

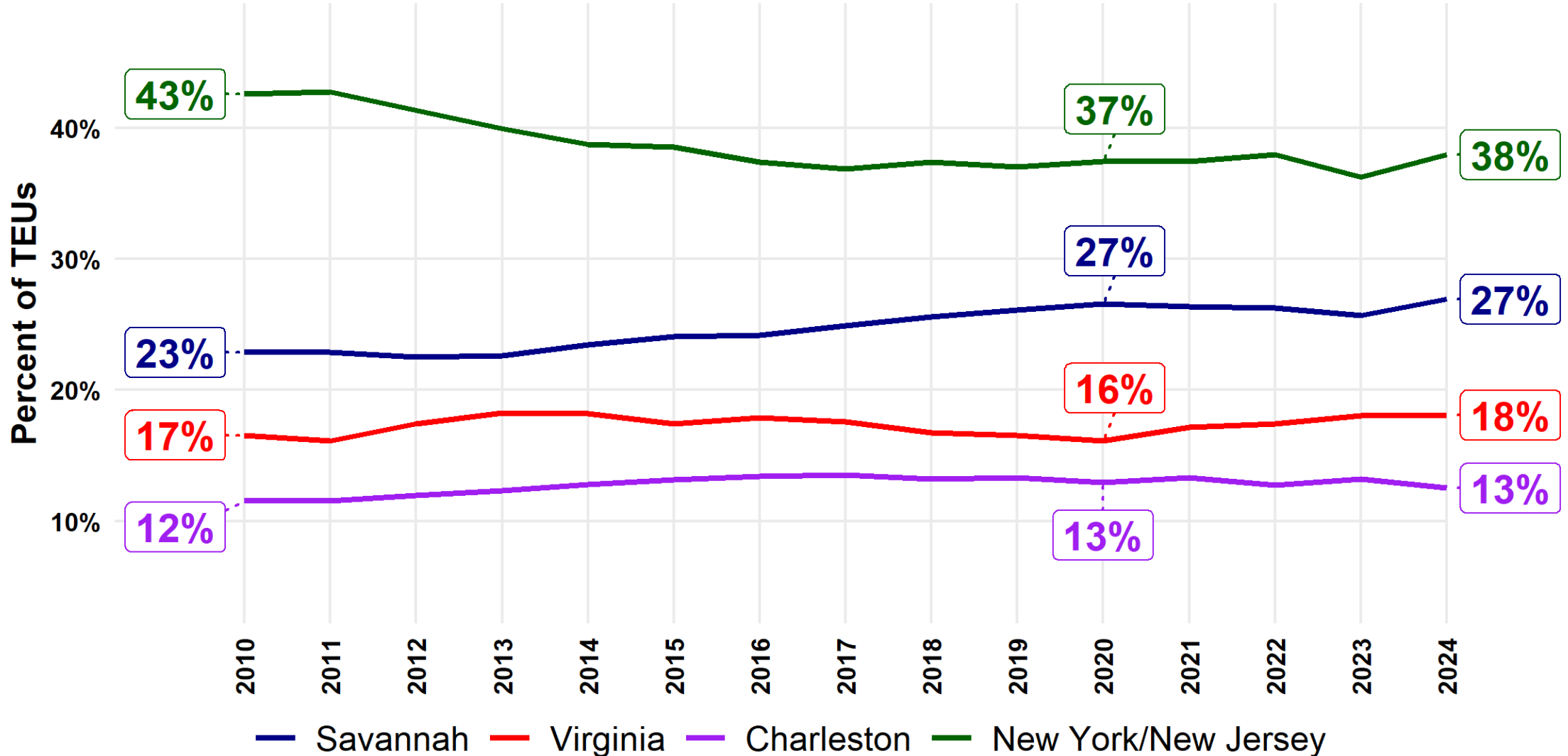
Selected U.S. Ports, YTD November 2022 - YTD November 2024



Sources: Websites of ports and the Old Dominion University Economic Forecasting Project.

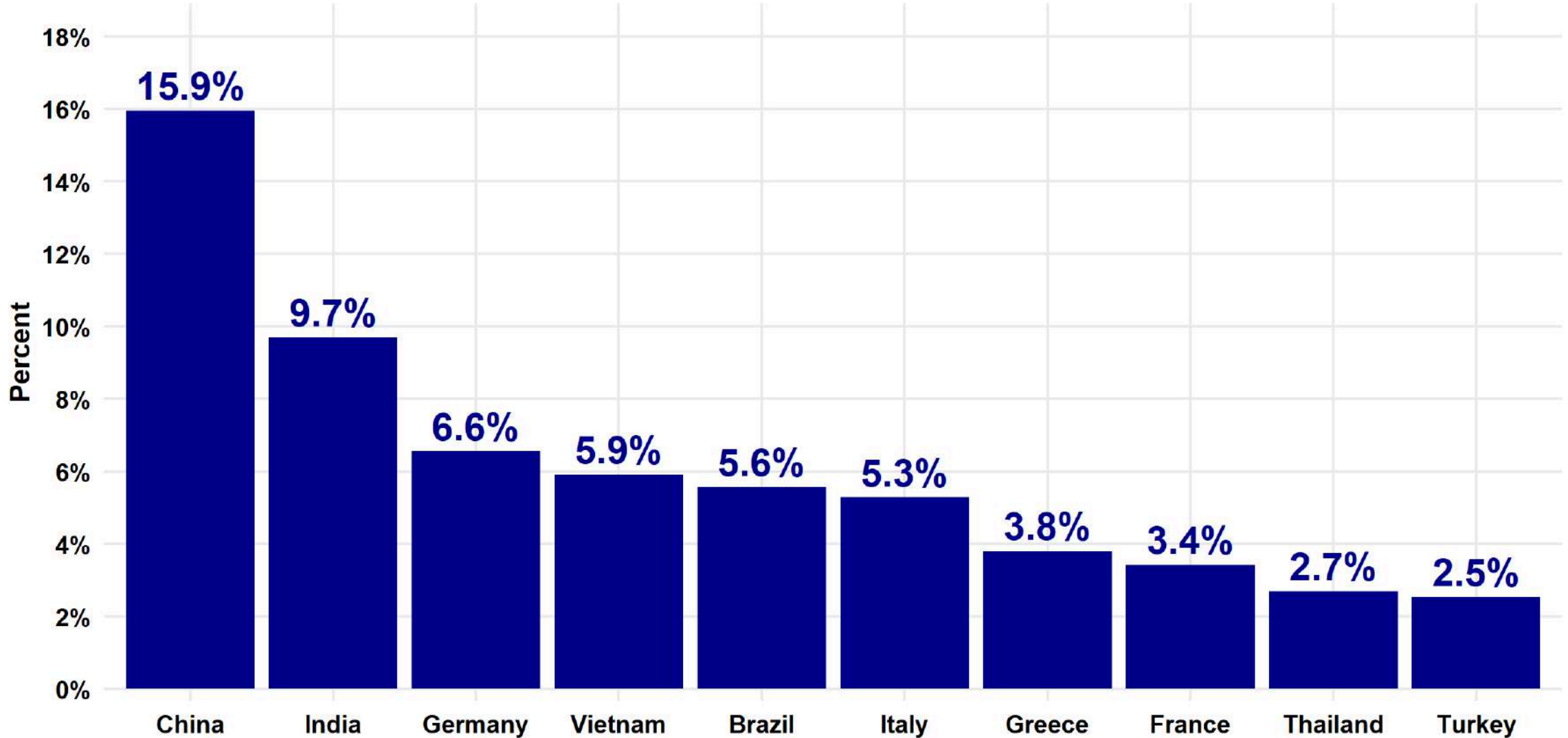
Shares of Total Loaded TEUs

Selected East Coast Ports, 2010 - 2024*



Sources: American Association of Port Authorities, websites of ports and the Old Dominion University Economic Forecasting Project. Market shares are based on TEUs for Baltimore, Boston, Charleston, Virginia, New York/New Jersey, and Savannah. *Data for 2024 are through November 2024.

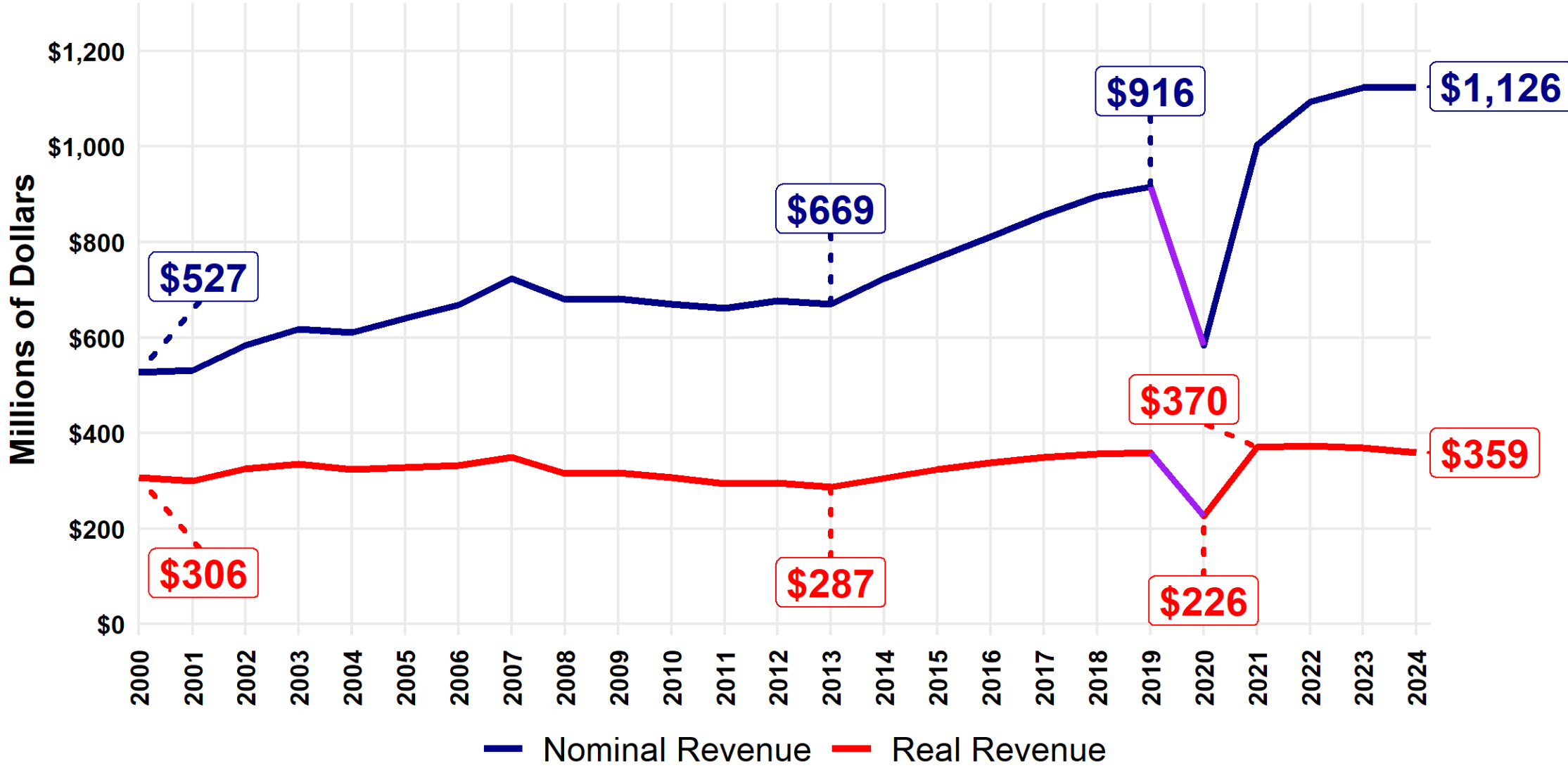
Top 10 Countries by Percentage of Imports to the Port of Virginia Ranked by Cargo Tonnage, 2023



Hotels Rebound but Challenges Remain



Nominal and Real (Inflation-Adjusted) Hotel Revenue Hampton Roads, 2000 - 2024



Sources: STR Trend Report January 2024, STR Monthly Report January 2025, Bureau of Labor Statistics (1982-84=100), and the Dragas Center for Economic Analysis and Policy.

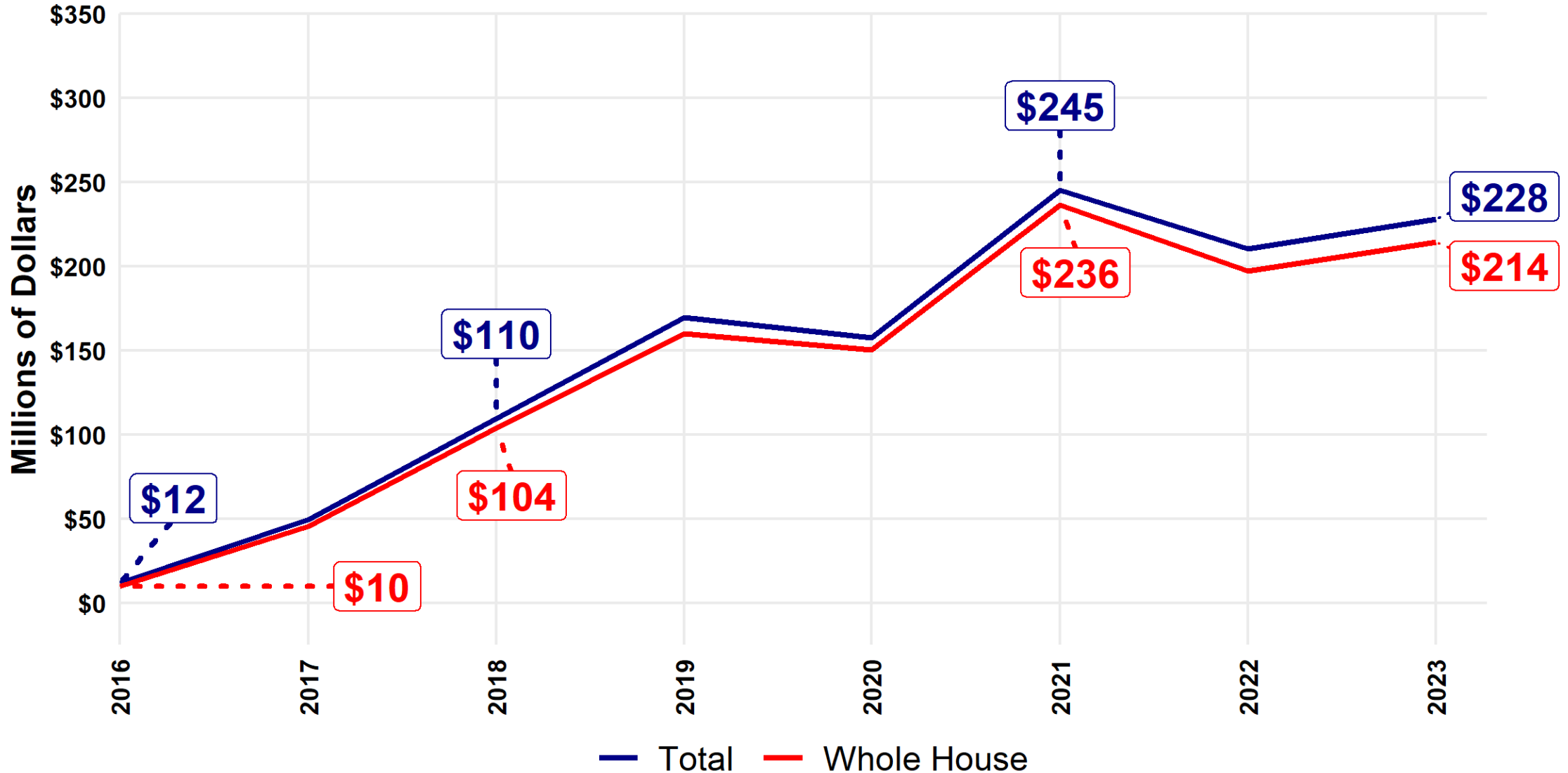
Percent Change in Hotel Revenue in the United States, Virginia, Northern Virginia, and Hampton Roads, 2019 to 2024

	<u>2019 to 2020</u>	<u>2020 to 2021</u>	<u>2021 to 2022</u>	<u>2022 to 2023</u>	<u>2023 to 2024</u>	<u>2019 to 2024</u>
United States	-49.9%	66.0%	32.9%	5.2%	2.6%	19.4%
Virginia	-48.1%	58.2%	26.2%	9.1%	3.6%	17.0%
Northern Virginia	-62.3%	40.8%	56.4%	17.7%	6.1%	3.6%
Hampton Roads	-36.2%	71.8%	8.9%	2.7%	0.2%	22.9%
Chesapeake/Suffolk	-22.1%	43.1%	9.5%	3.5%	-0.5%	25.8%
Newport News/Hampton	-29.0%	43.7%	13.6%	2.3%	2.2%	21.2%
Norfolk/Portsmouth	-32.9%	56.9%	13.9%	4.8%	1.7%	27.9%
Virginia Beach	-31.0%	72.9%	4.6%	3.6%	1.4%	31.0%
Williamsburg*	-62.3%	161.2%	11.2%	-0.7%	-4.3%	4.0%

^a Sources: STR Trend Report January 2024, STR Monthly Report January 2025, and Dragas Center for Economic Analysis and Policy.

*Williamsburg market includes City of Williamsburg and James City County.

Total and Whole House Rental Revenues of Airbnb and Vrbo Properties Hampton Roads, 2016 - 2023



Source: STR Trend Report January 2024 and AirDNA data received in March 2024; excludes shared rooms.



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Housing Prices Rise but Sales Decline

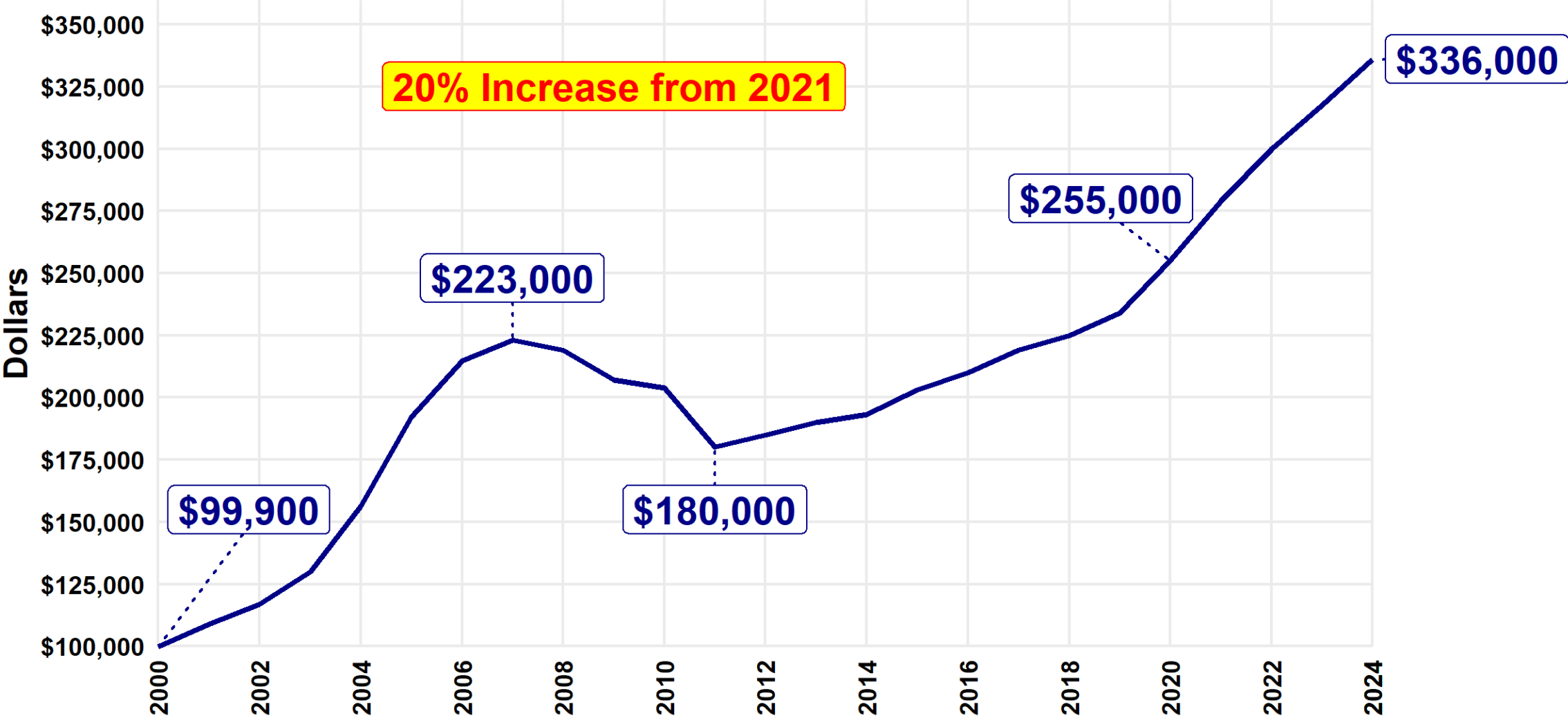


**Percent Change in Median Price of Existing Residential Homes
Selected Cities in Hampton Roads, 2020, 2021, 2022, 2023 and 2024**

<u>City</u>	<u>2019 to 2020</u>	<u>2020 to 2021</u>	<u>2021 to 2022</u>	<u>2022 to 2023</u>	<u>2023 to 2024</u>
Chesapeake	6.4%	11.7%	7.9%	3.6%	6.8%
Norfolk	11.4%	12.7%	6.6%	6.0%	3.9%
Portsmouth	13.0%	15.2%	9.5%	6.5%	4.1%
Suffolk	10.1%	13.6%	9.9%	1.2%	4.9%
Virginia Beach	9.8%	8.8%	8.1%	7.5%	5.0%
Hampton	8.8%	16.6%	6.7%	6.3%	7.8%
Newport News	8.4%	10.0%	8.7%	6.0%	7.5%
Williamsburg*	9.5%	8.4%	10.3%	4.9%	4.9%
Hampton Roads	9.0%	9.4%	7.5%	5.8%	5.8%

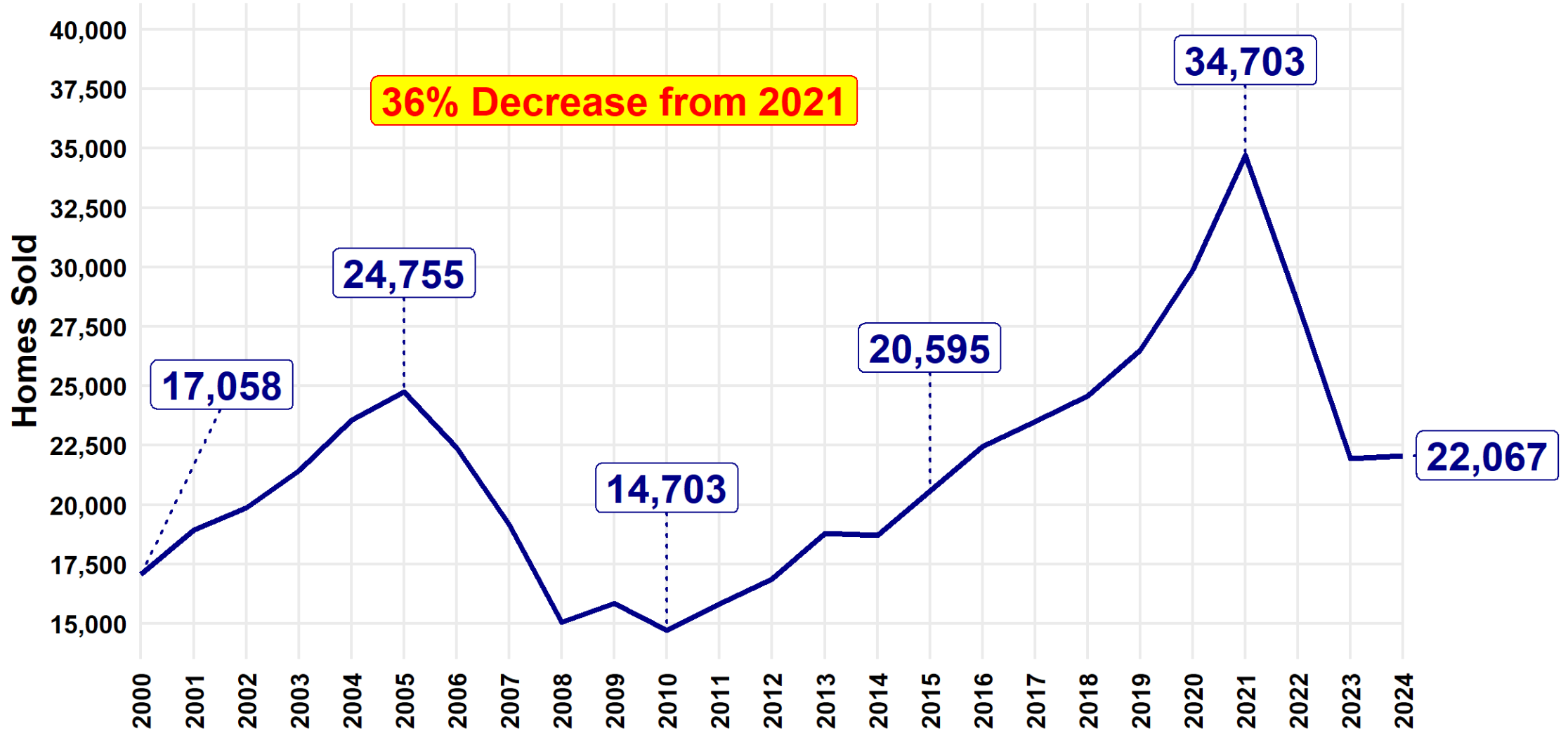
* Sources: Real Estate Information Network and Dragas Center for Economic Analysis and Policy. Williamsburg includes City of Williamsburg, James City County, York County, and Gloucester County.

Median Sales Price of Existing Homes Hampton Roads, 2000 - 2024



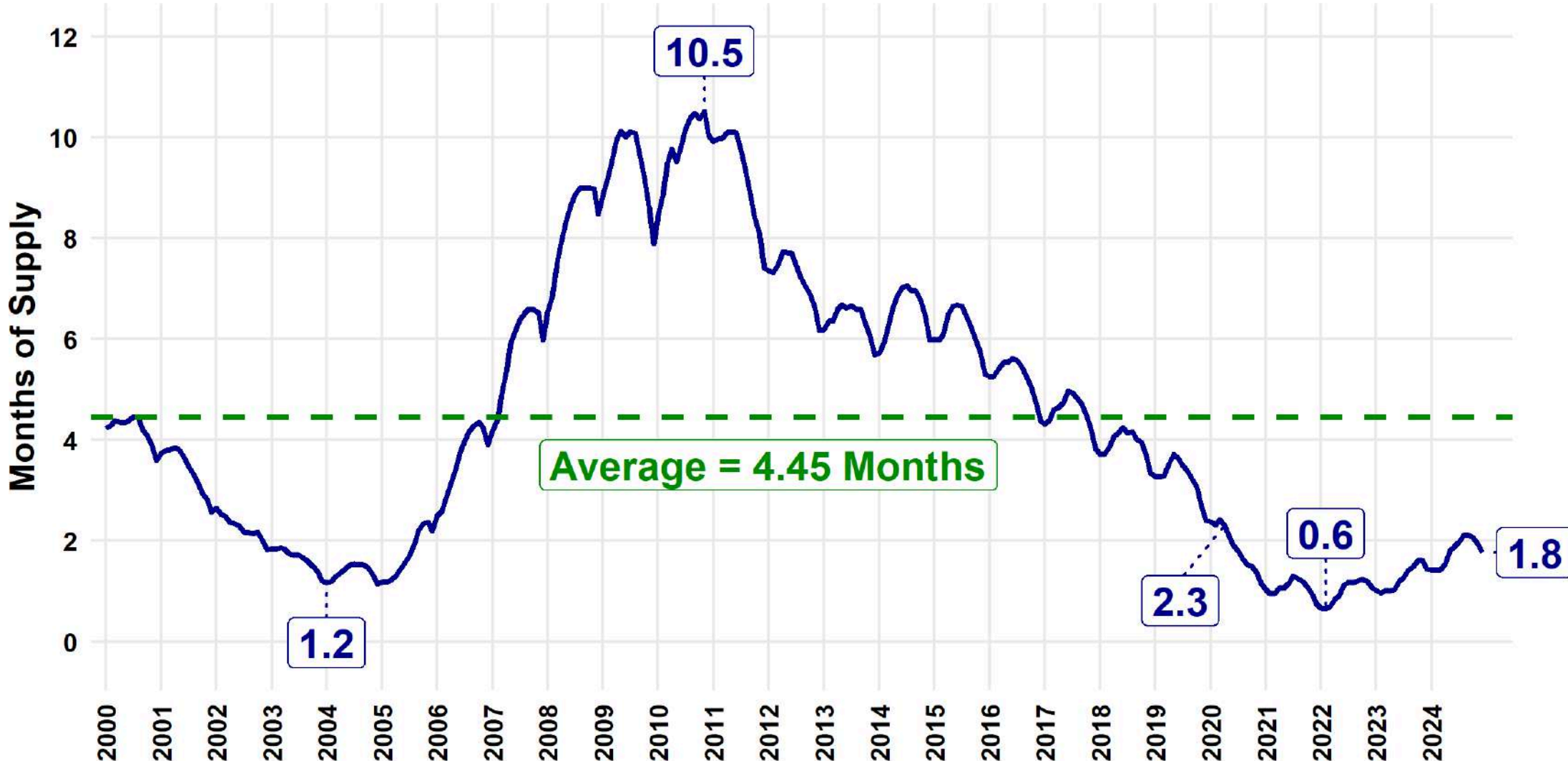
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members and may not represent all new construction activity in our region.

Existing Home Sales Hampton Roads, 2000 - 2024



Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

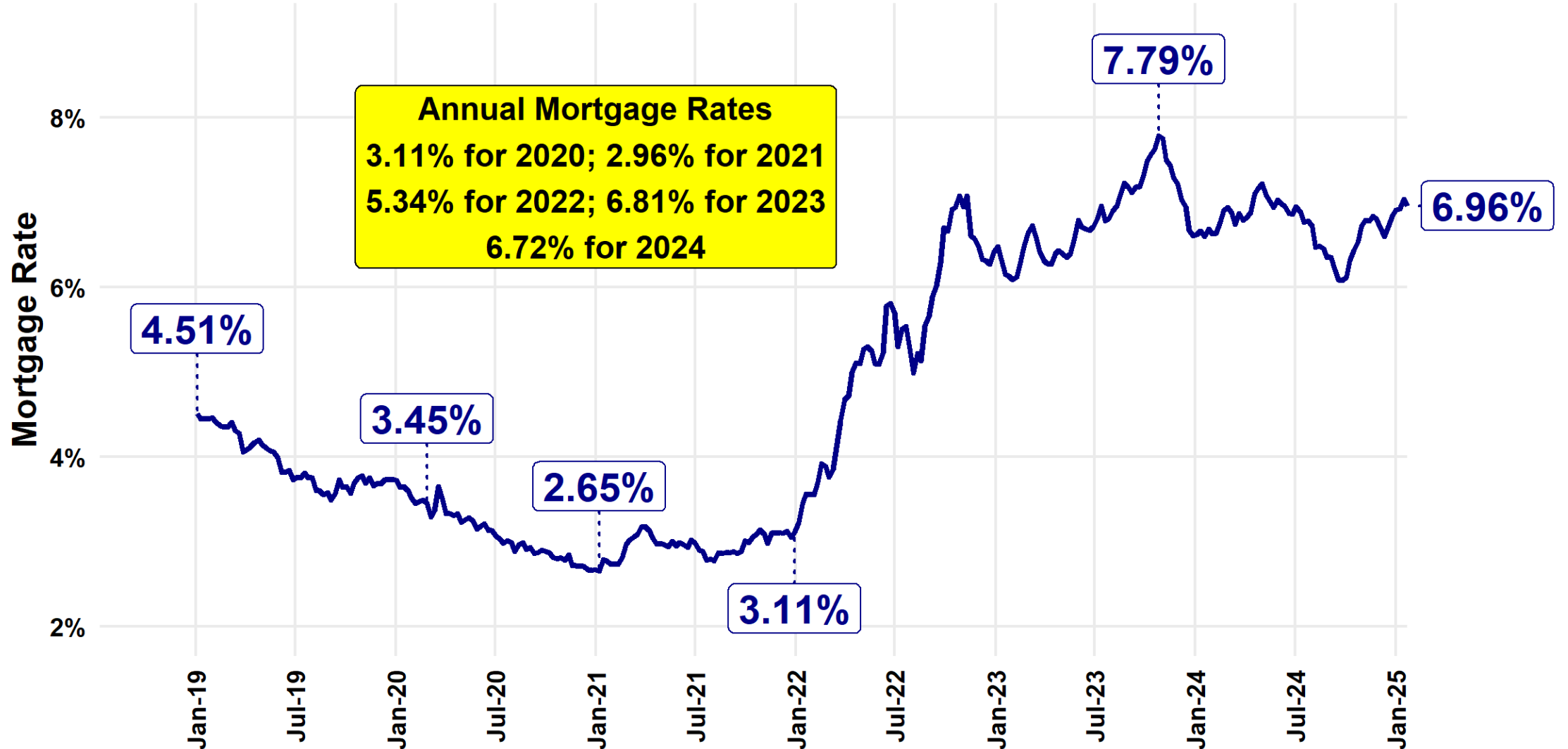
Estimated Months of Supply for Existing Homes Hampton Roads, January 2000 - December 2024



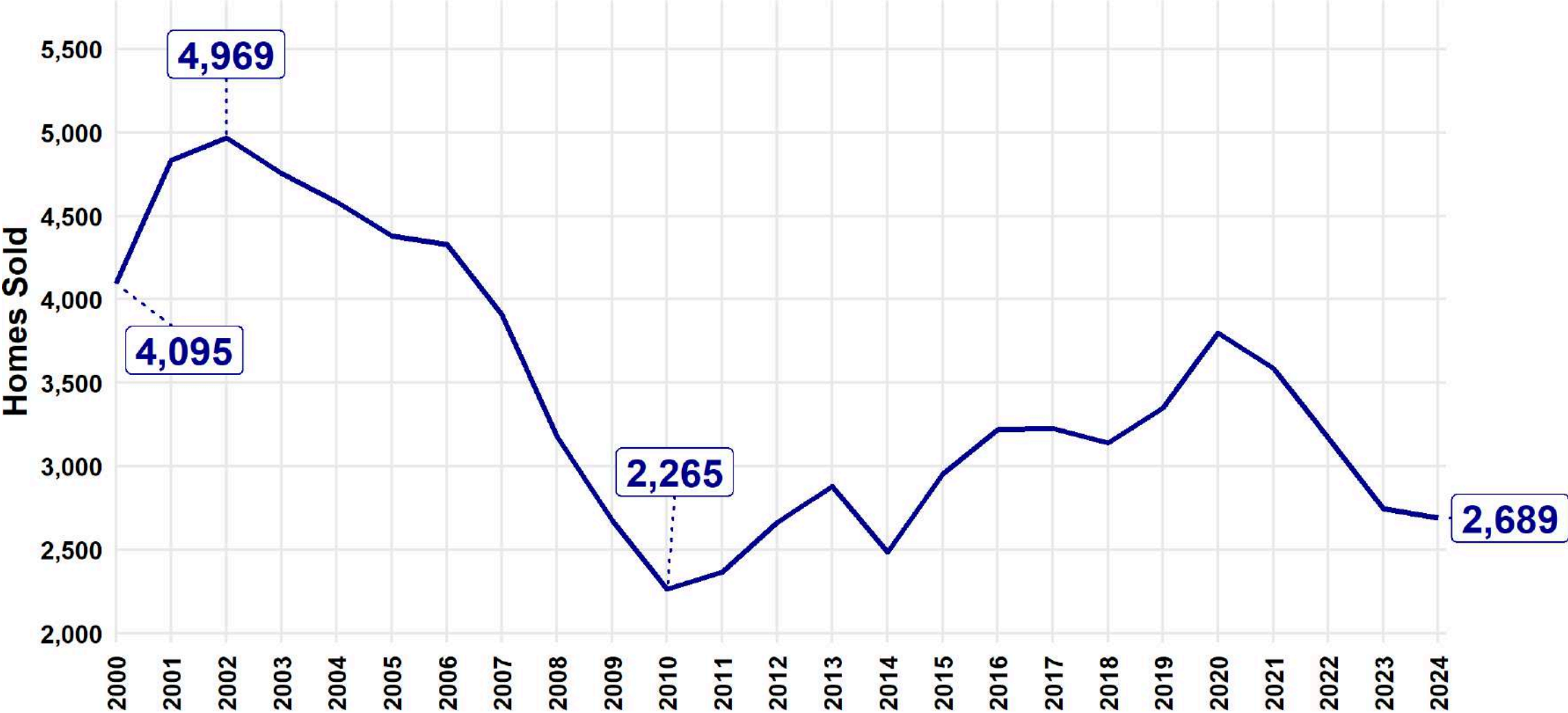
Sources: Real Estate Information Network Inc. and Dragas Center for Economic Analysis and Policy. Months of supply is based on average sales in the last 12 months.

Weekly 30-Year Fixed Mortgage Rate

United States, January 3, 2019 - January 23, 2025

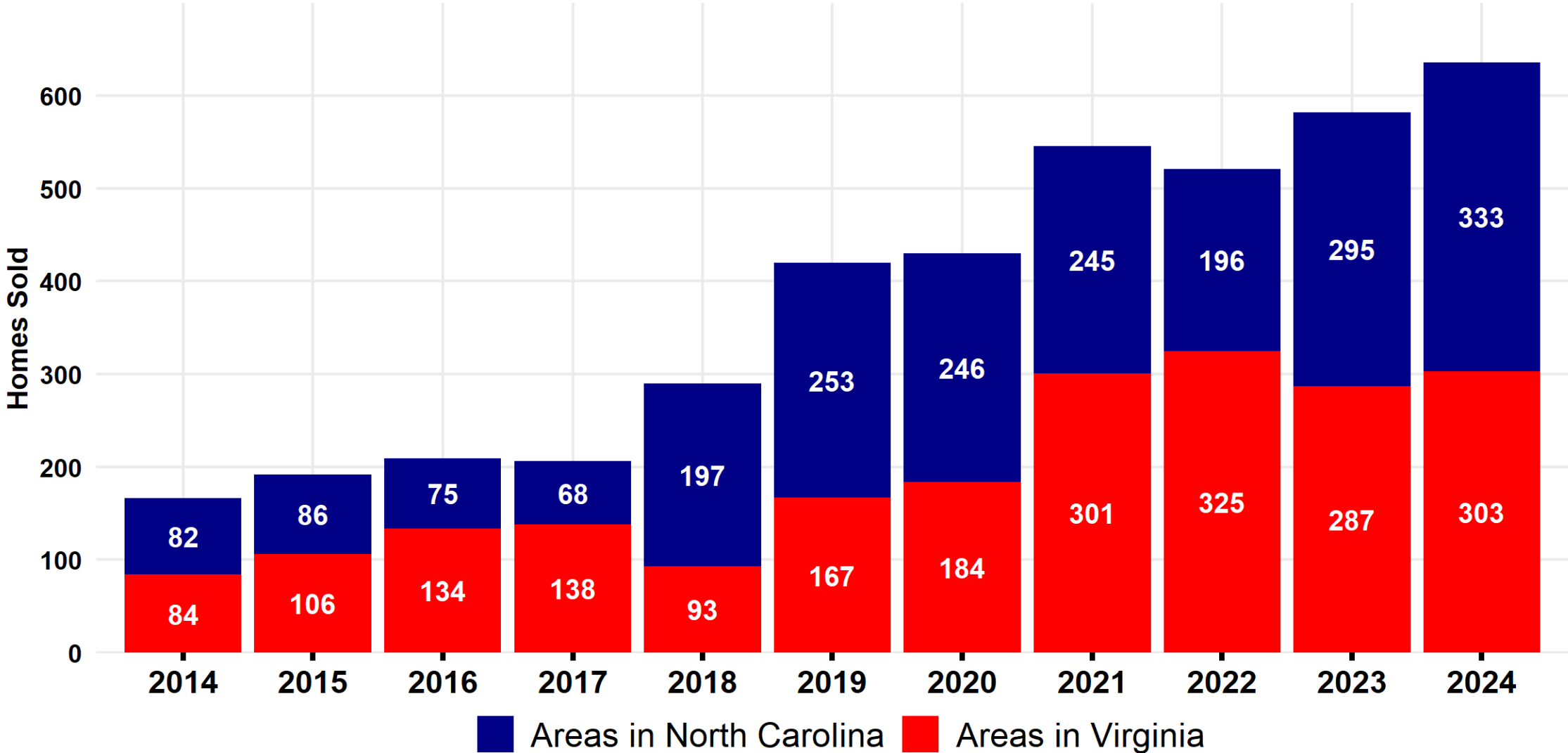


New Construction Home Sales Hampton Roads, 2000 - 2024



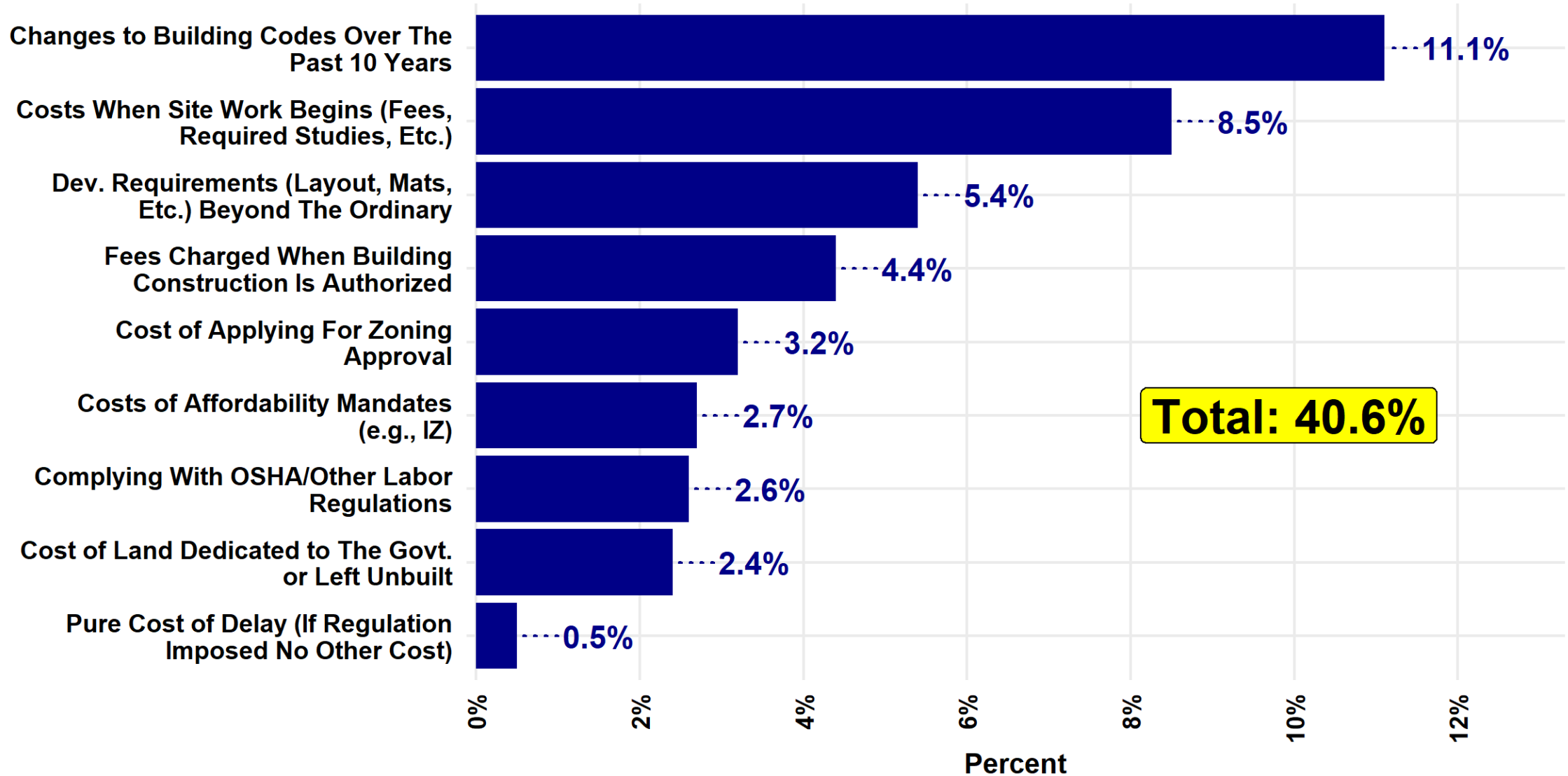
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

New Construction Home Sales Excluding Core Cities and Counties Hampton Roads, 2014 - 2024



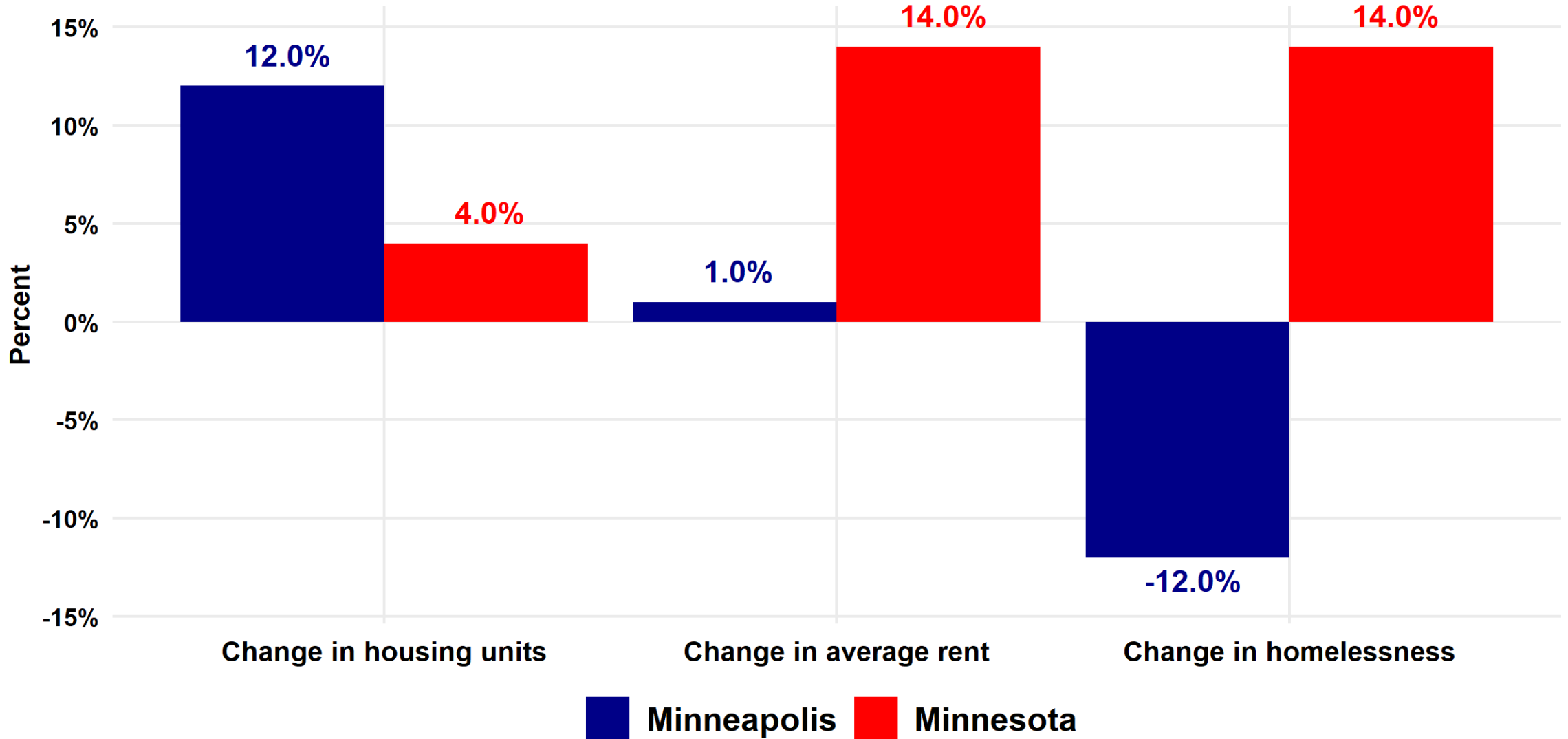
Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. NC sales represent sales in Moyock, Currituck County, Camden County, Pasquotank County and Elizabeth City. Areas in VA include Northampton County, Smithfield, Isle of Wight County, Franklin, Southampton County, New Kent County and King William County.

Average Regulatory Costs as a Share of Total Multifamily Development Cost, 2022 NAHB-NMHC Survey



Source: National Association of Home Builders (NAHB) and National Multifamily Housing Council (NMHC). Averages are across all multifamily properties, even those not subject to a particular type of regulation. Those are factored in as "0" when calculating.

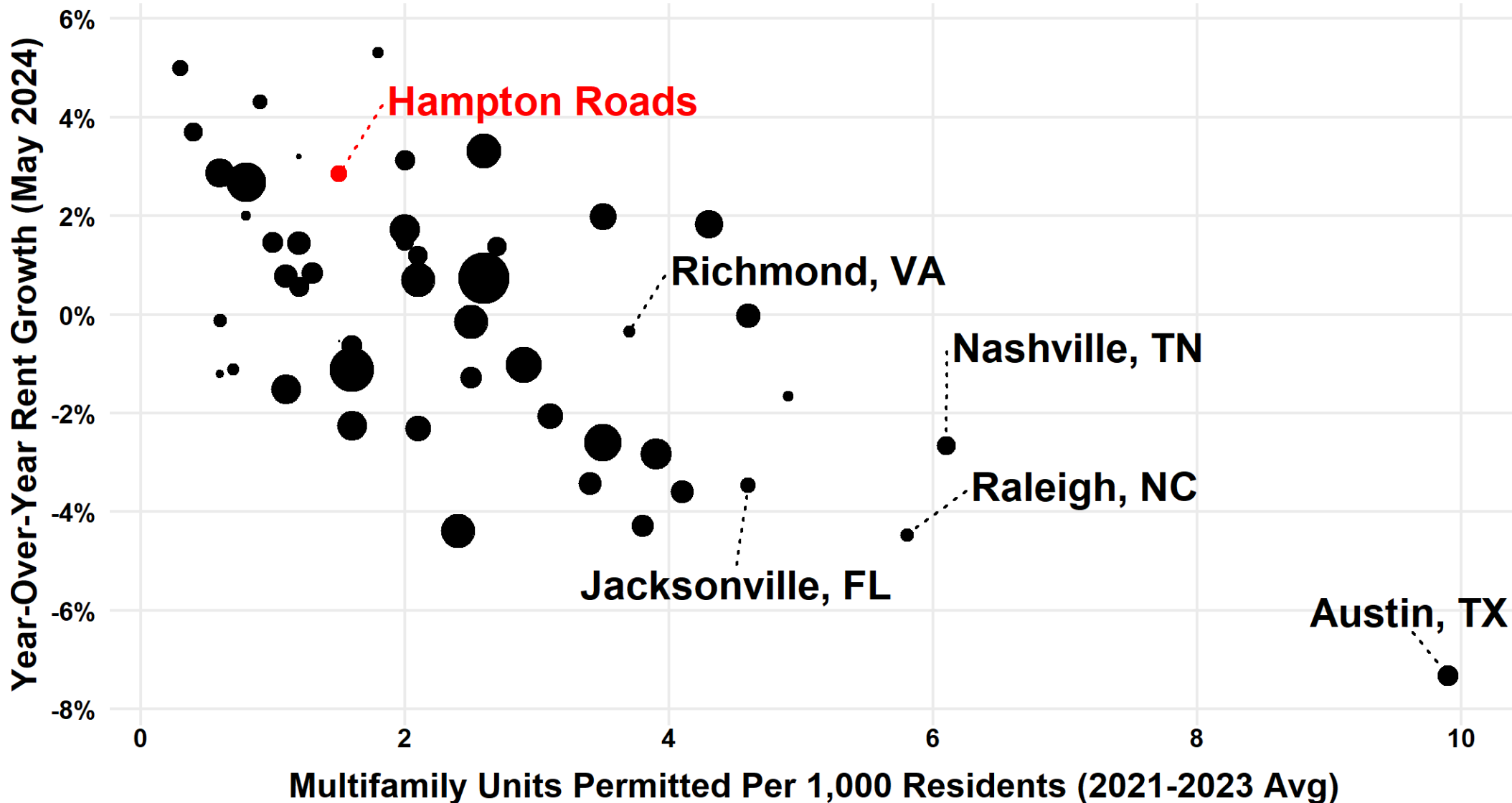
Percentage Change in Housing Stock, Average Rent, and Homelessness Minneapolis and Minnesota, 2017 - 2022



Source: Liang, L., Staveski, A., & Horowitz, A. (2024, January 4). Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability. Housing Policy.

New Supply Driving Cooling Rents

Top 50 Major MSAs in the United States, 2024



Source: Salviati, C. (2024). Cooling rent growth demonstrates the impact of new supply. Apartment List.

2025 Outlook for Hampton Roads

- Defense spending will continue to provide a boost for the Hampton Roads Economy.
- Existing home sales are likely to stabilize but median prices are expected to continue to increase.
- Hampton Roads needs to develop a regional housing strategy and move towards uniformity in zoning regulations across cities and counties, higher density, more mixed-use developments, and reducing regulatory burdens that increase the cost of housing. Doing so will not only increase housing supply, it will also stabilize housing prices and spur economic growth.
- Going forward, uncertainty in Washington, especially on size and type of reduction in federal workforce, and increases in tariffs either by country, or by ownership or by commodities, will remain to be a major concern for the health and growth of the regional economy.

Upcoming Publications and Events

- Mid-Year Economic Forecast (May - June 2025)
- State of the Region Report (October 2025)
- State of the Commonwealth Report (December 2025)
- Text **CEAPODU** to **66866** to join our email list.
- Follow **DragasCenterODU** on Facebook and LinkedIn for up-to-date information and new economic developments.
- All our presentation materials can be found at our website: www.ceapodu.com