



2025 Midyear Economic Forecast

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Dragas Center for Economic Analysis and Policy

Strome College of Business

Old Dominion University

June 6, 2025





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I will cover economic conditions in the United States and Virginia. I will discuss how uncertainty about tariffs and bonds 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 United States, Virginia, and Hampton Roads may fare in 2025 and beyond.

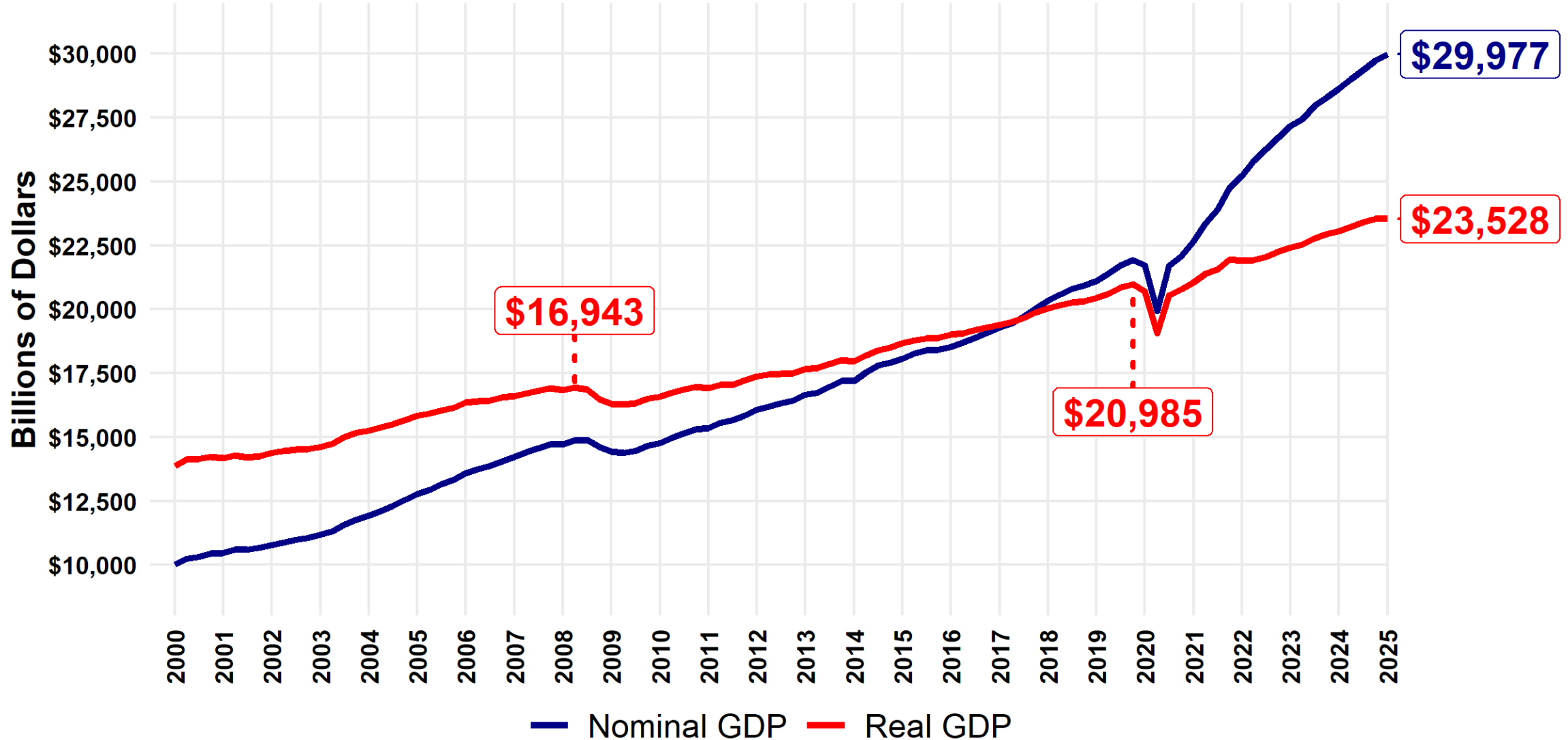
All our presentation materials can be found at our website: www.ceapodu.com



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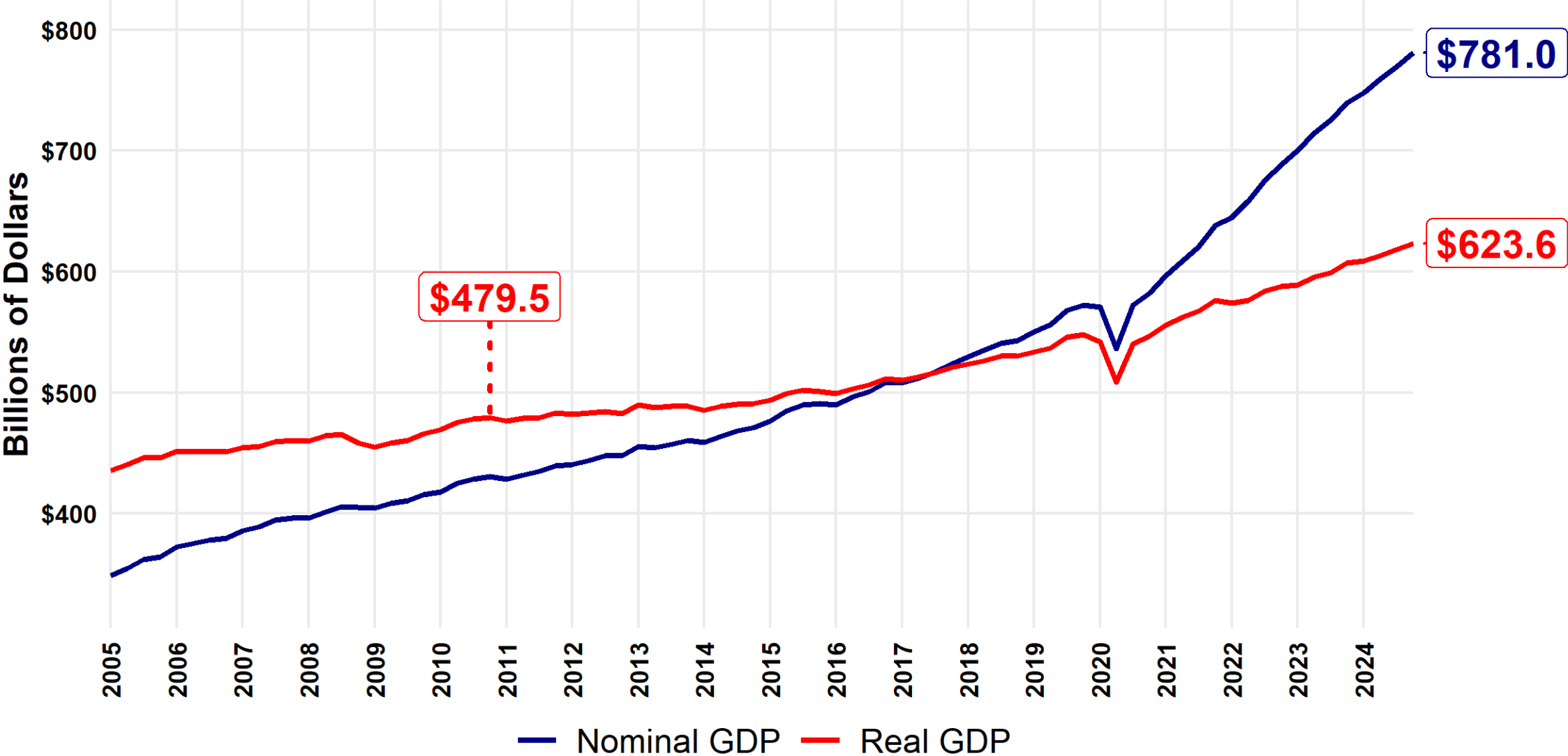
Nominal and Real Gross Domestic Product

United States, Q1 2000 - Q1 2025



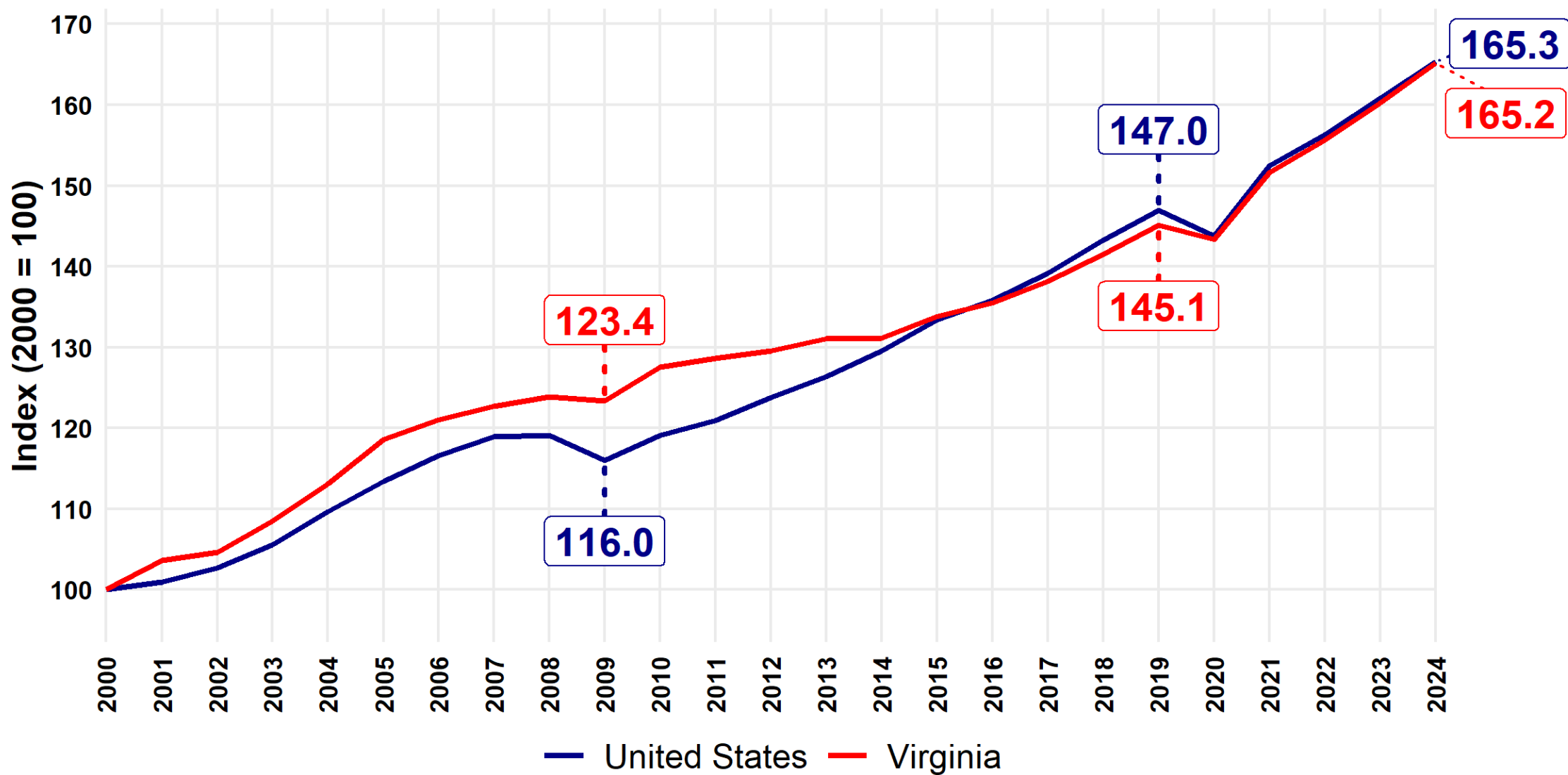
Nominal and Real Gross Domestic Product

Virginia, Q1 2005 - Q4 2024



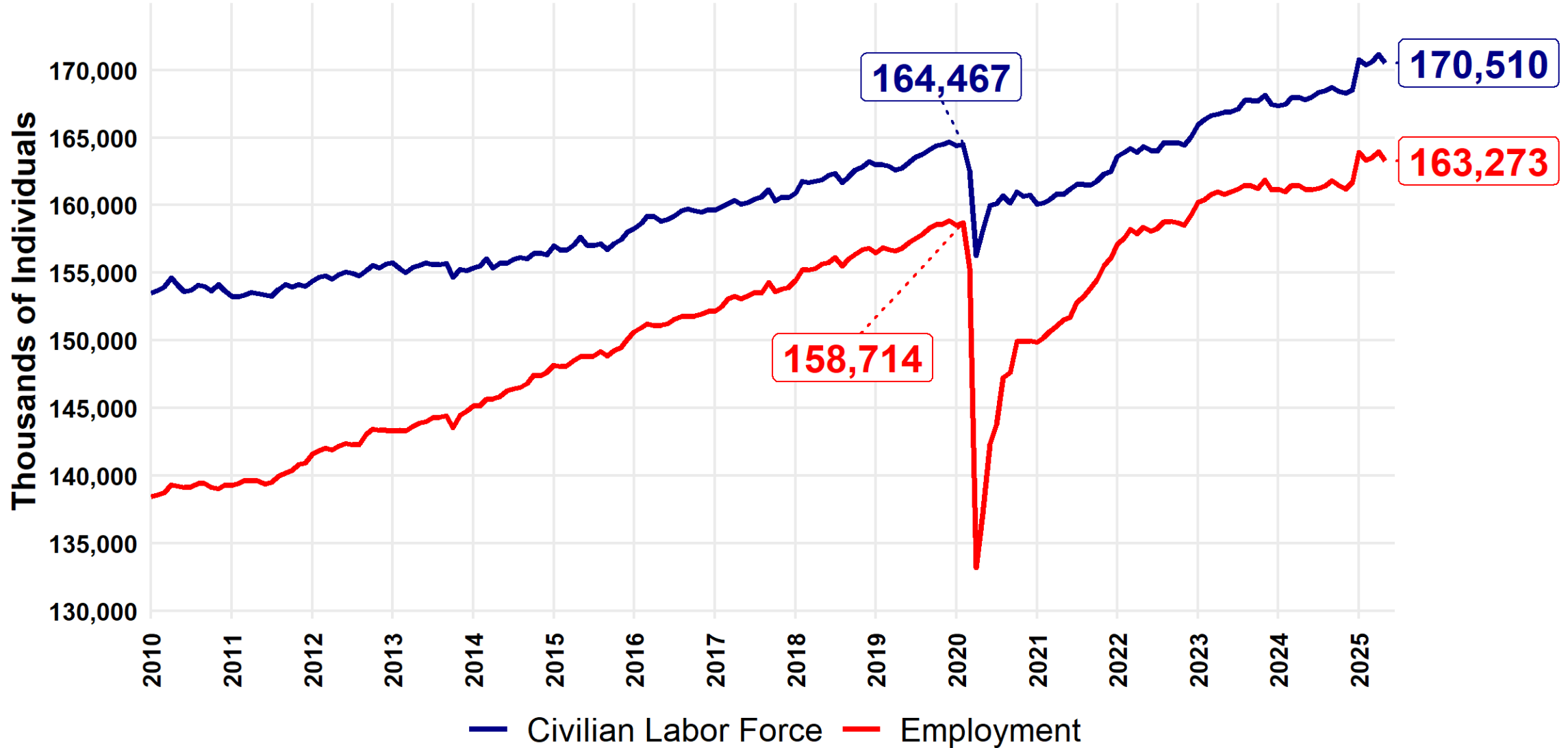
Sources: U.S. Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Billions of chained 2017 dollars for real GDP.

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



Civilian Labor Force and Individual Employment

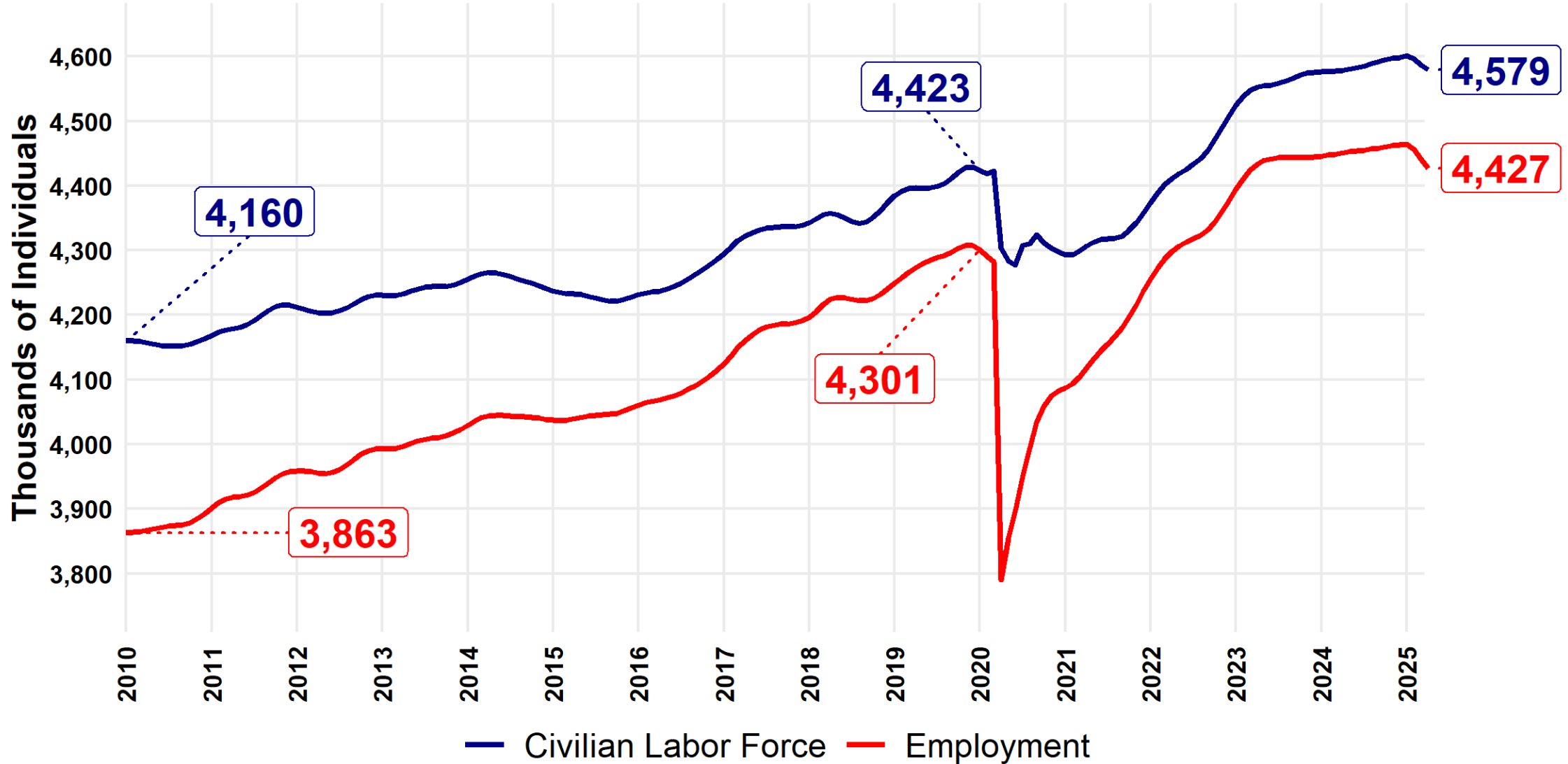
United States, January 2010 - May 2025



Source: Bureau of Labor Statistics, seasonally adjusted data.

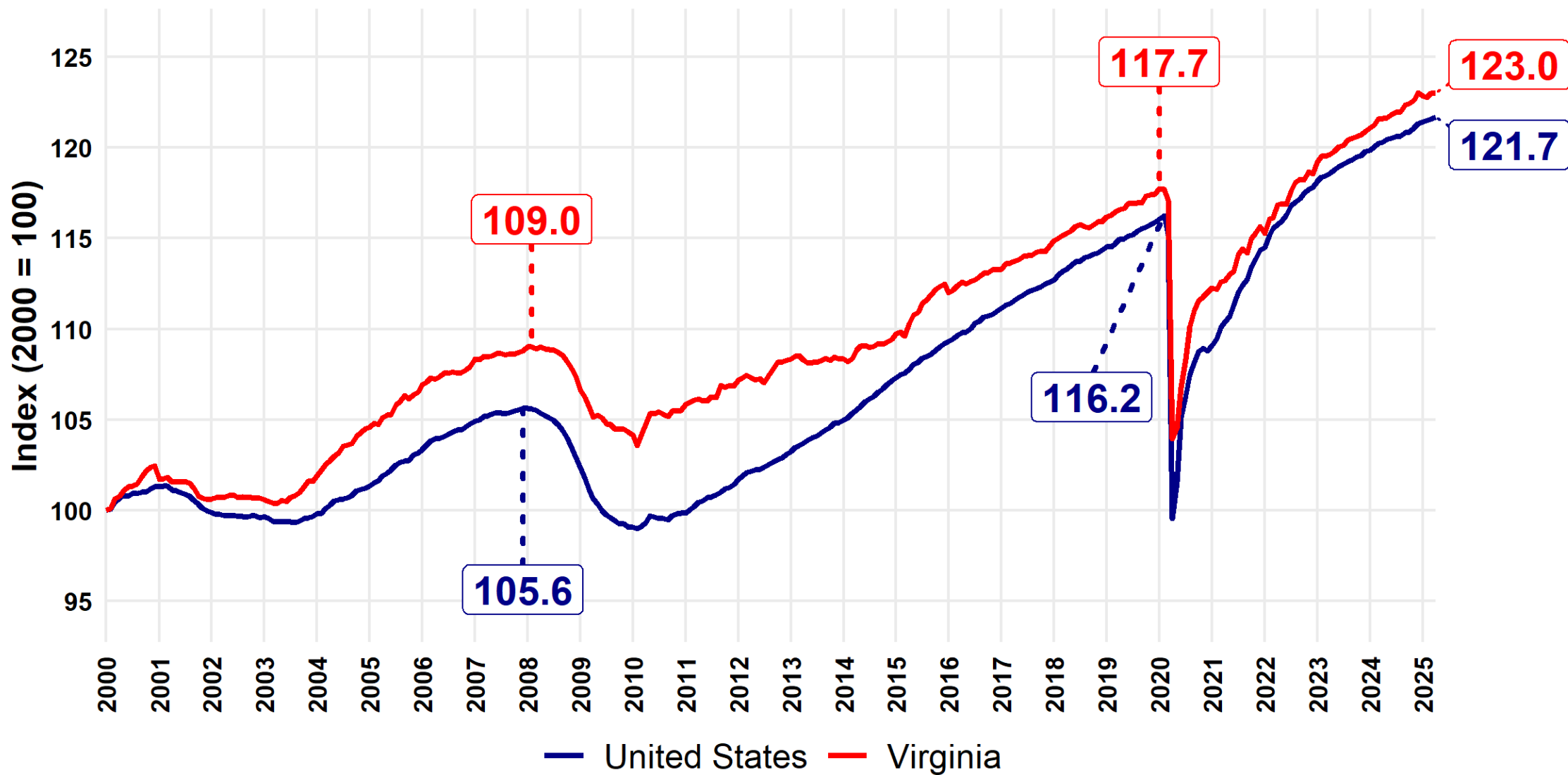
Civilian Labor Force and Individual Employment

Virginia, January 2010 - April 2025



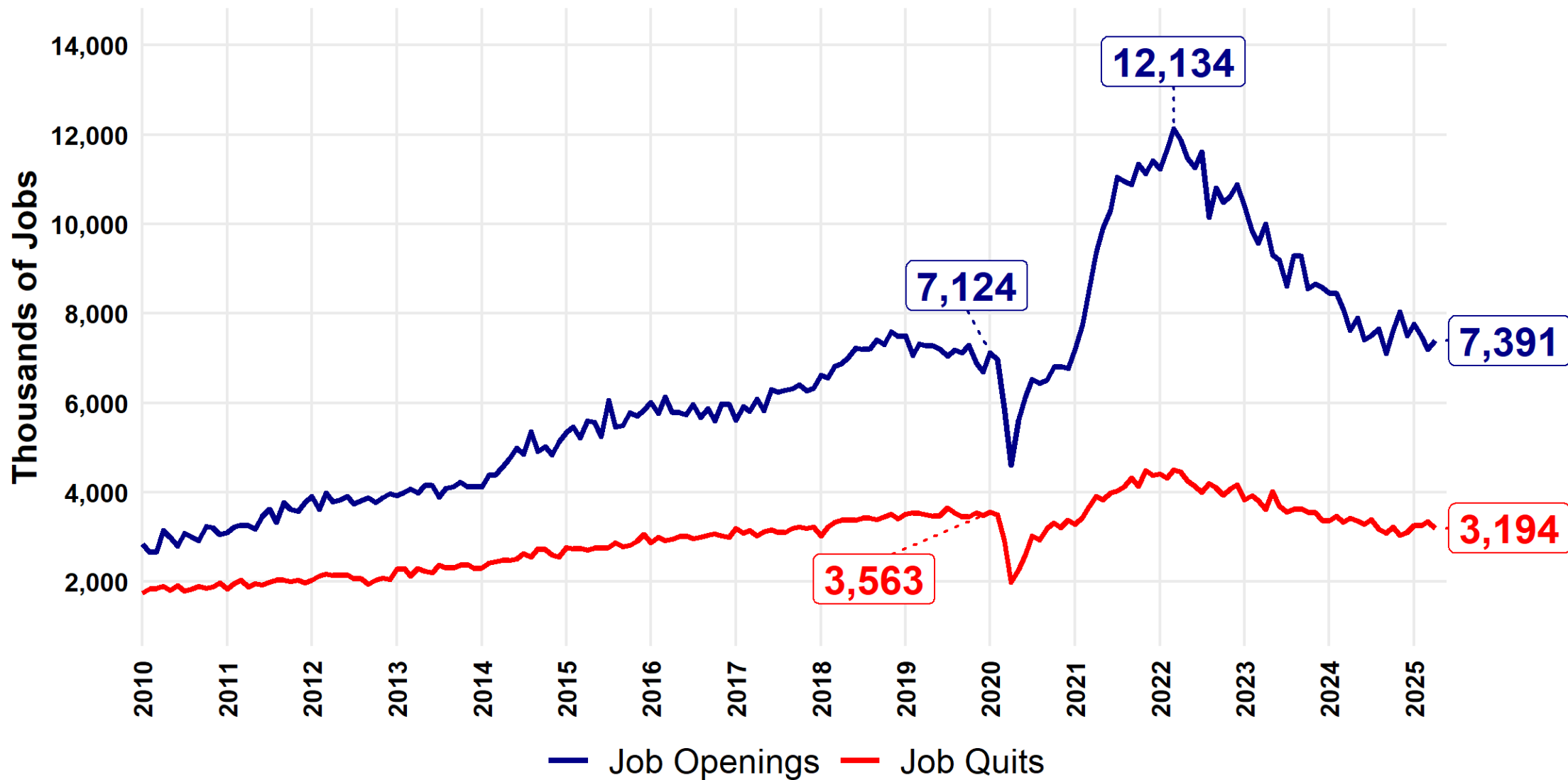
Index of Nonfarm Payrolls

Virginia and the United States, January 2000 - April 2025



Job Openings and Quits

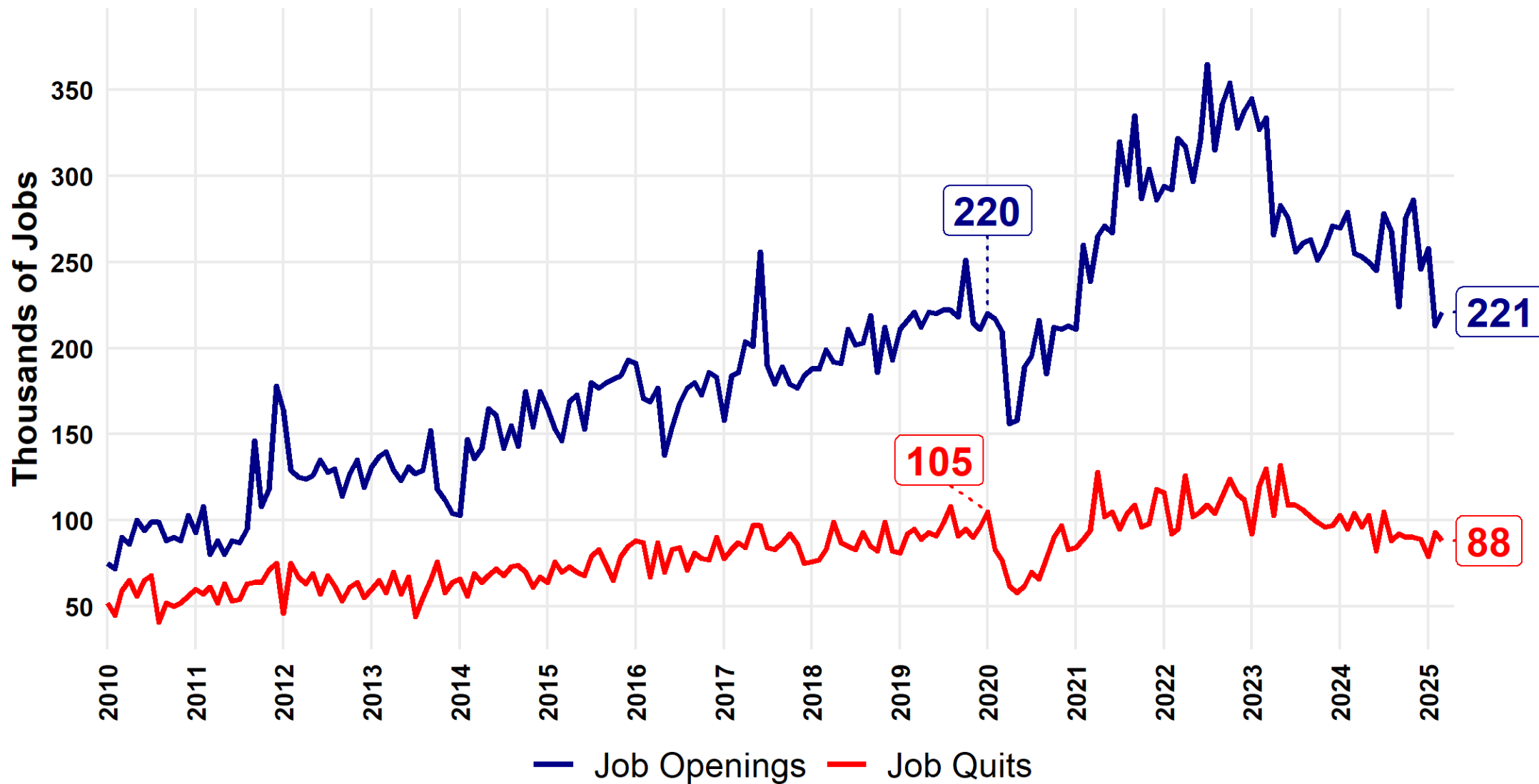
United States, January 2010 - April 2025



Source: Bureau of Labor Statistics, seasonally adjusted data.

Job Openings and Quits

Virginia, January 2010 - March 2025

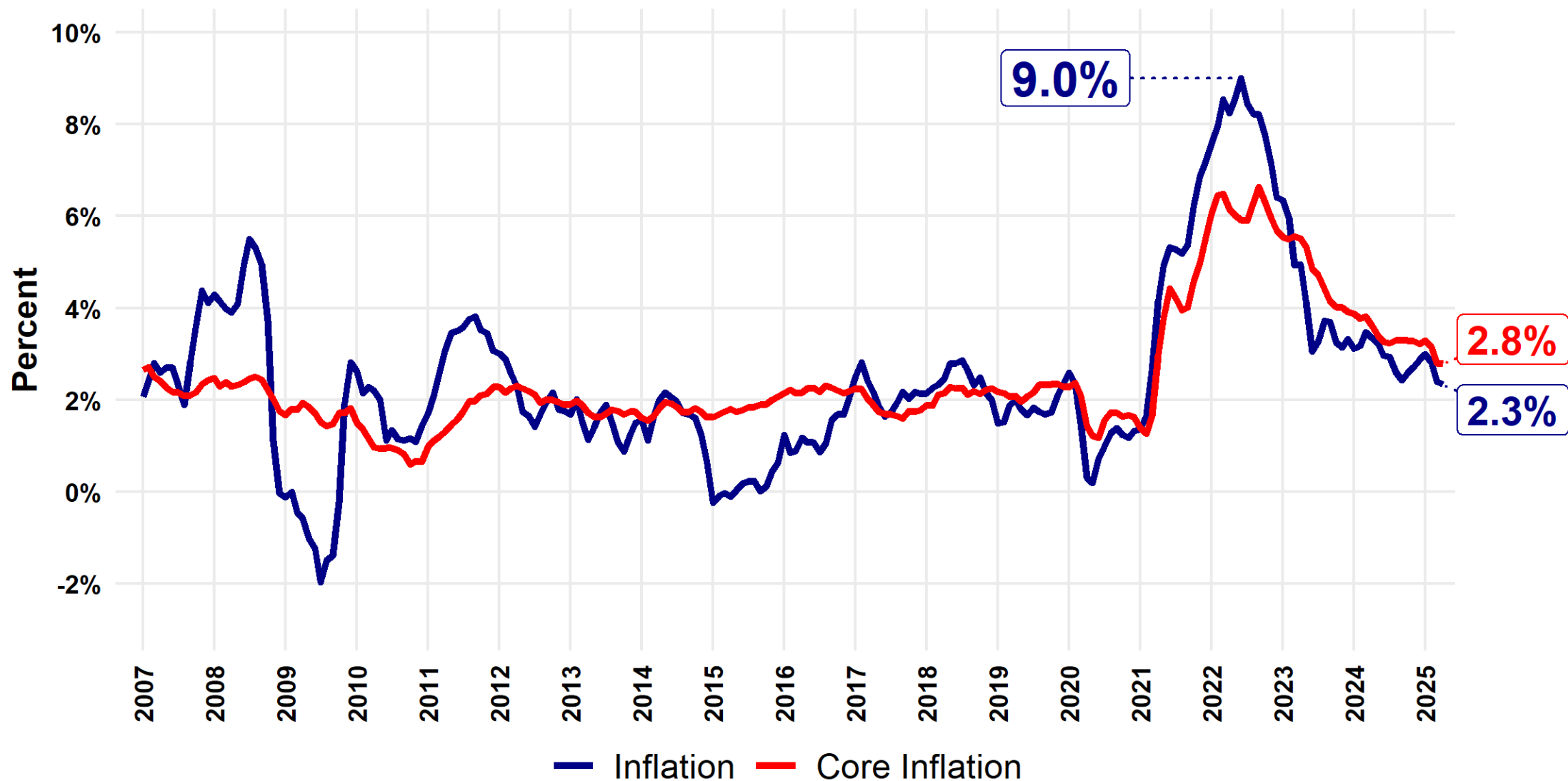


Inflation, Uncertainty, and Sentiment



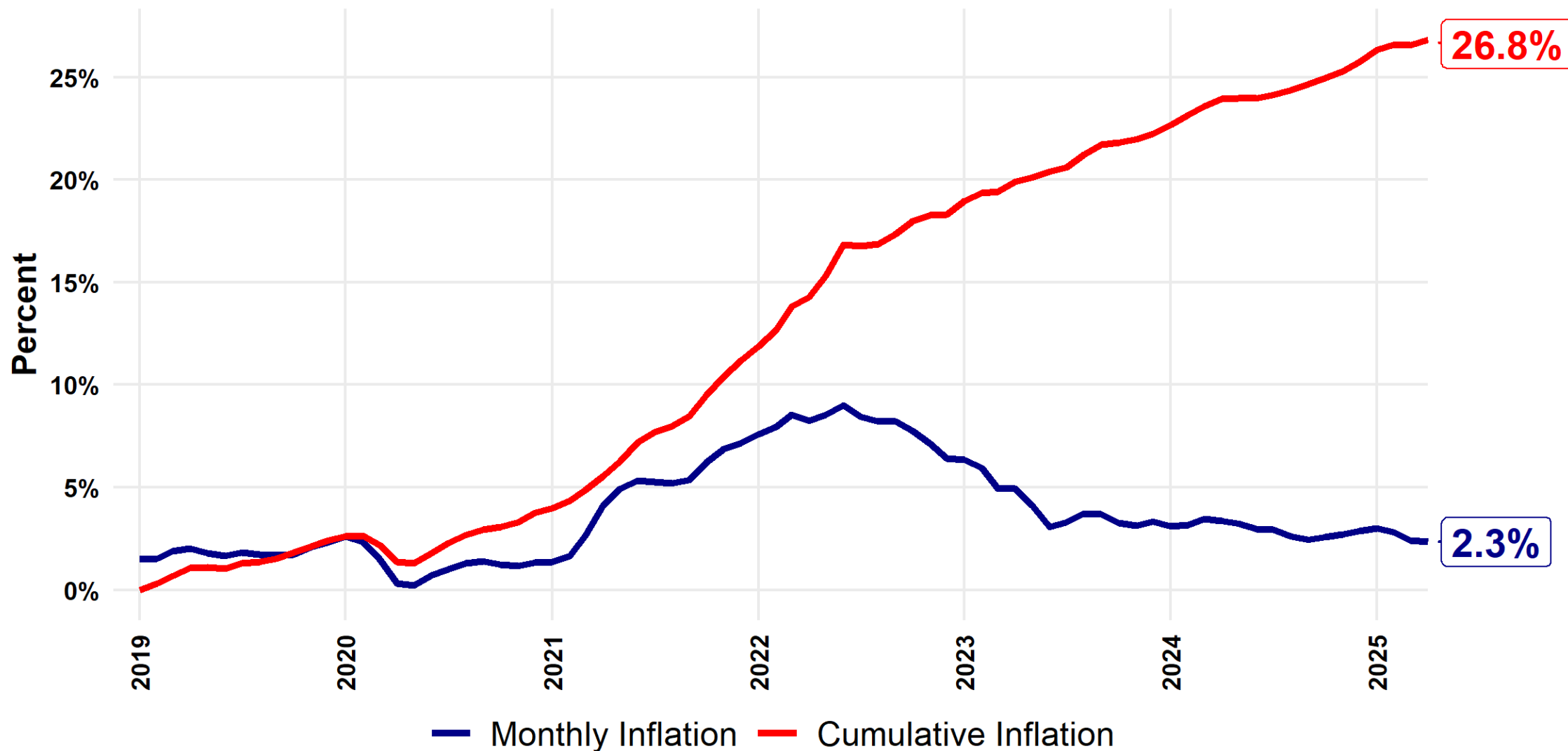
Monthly Inflation

United States, January 2007 - April 2025



Monthly and Cumulative Inflation

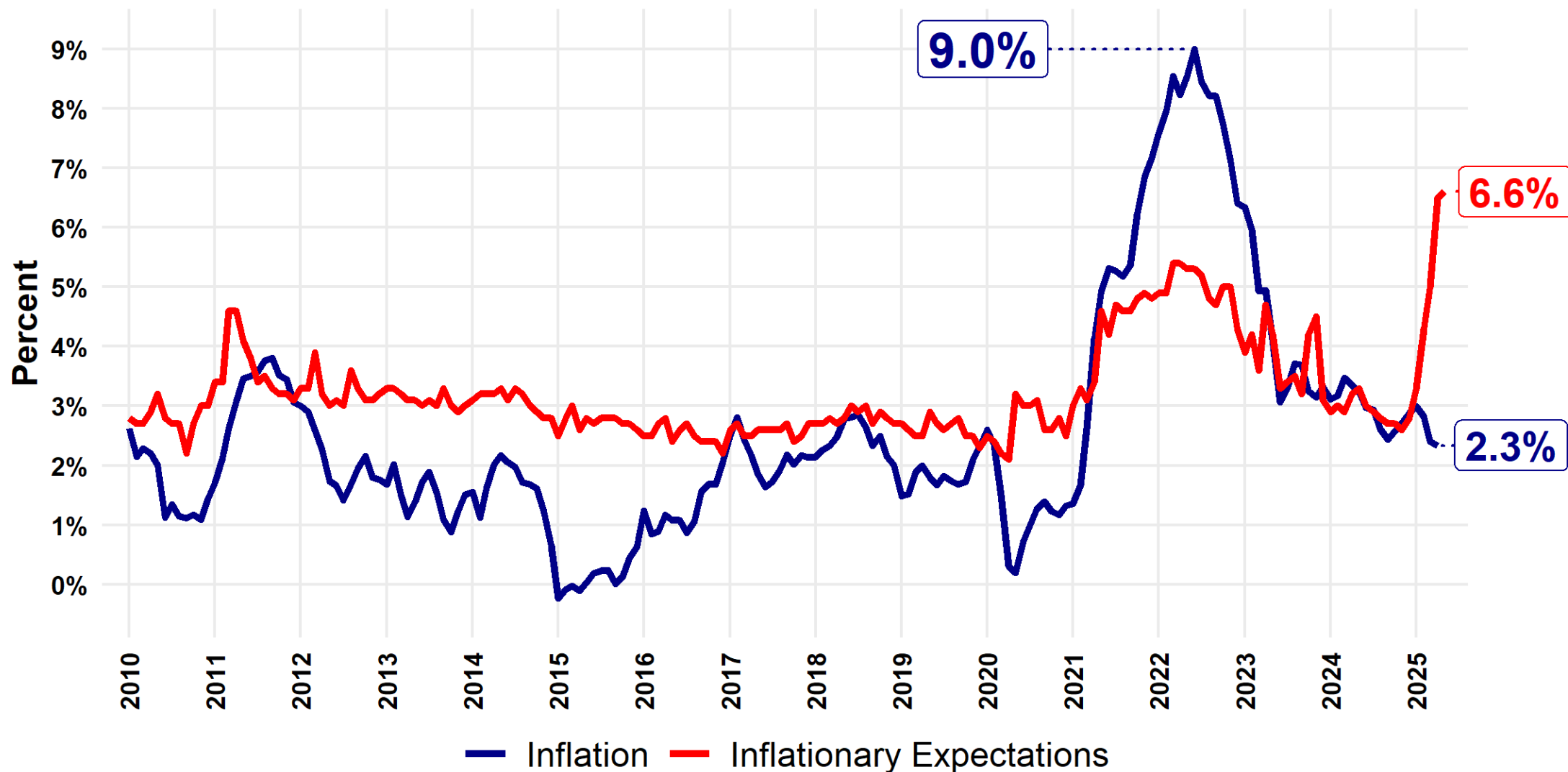
United States, January 2019 - April 2025



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.

Monthly Inflation and Inflationary Expectations

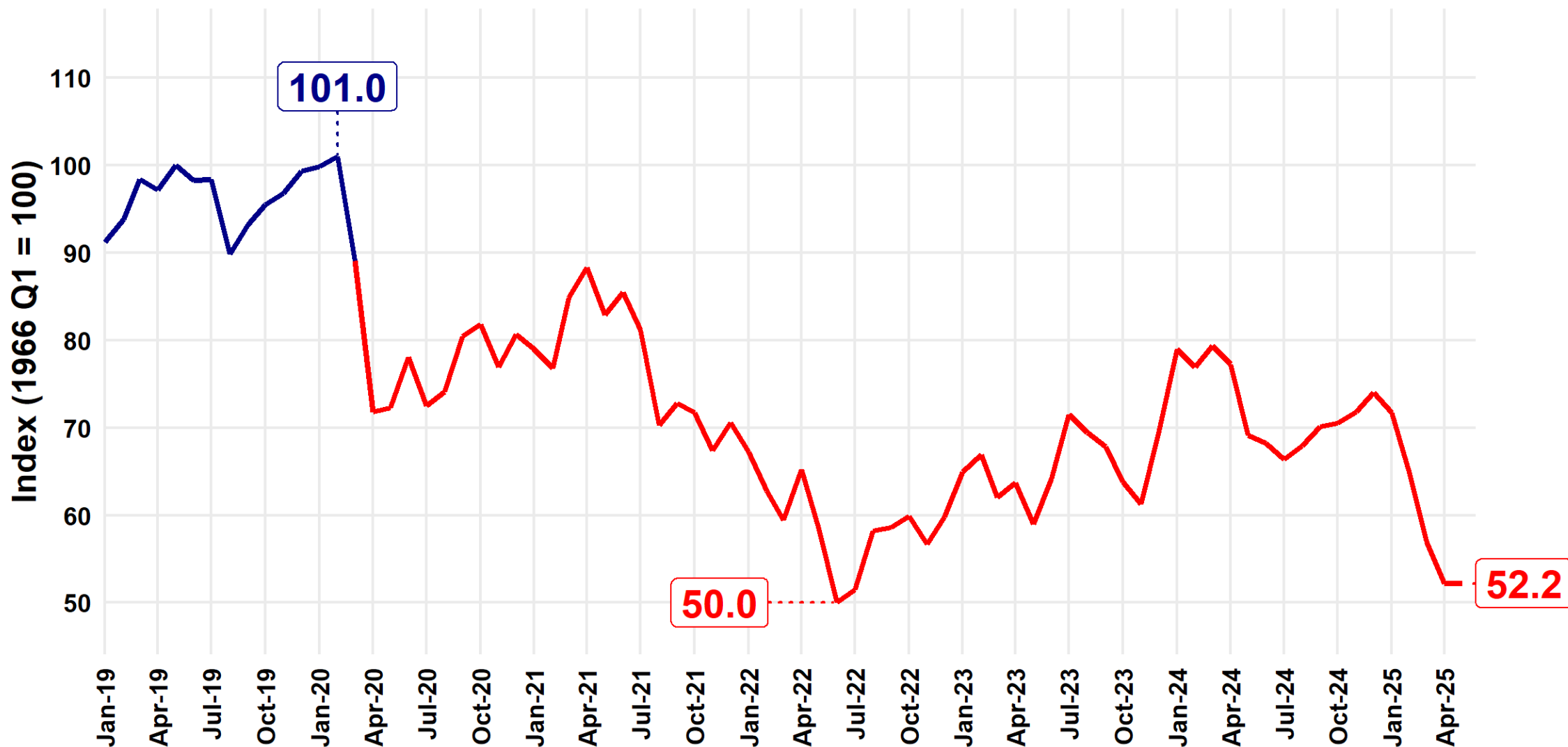
United States, January 2010 - May 2025



Sources: Bureau of Labor Statistics, Inflation. Data are seasonally adjusted and for April 2025.
University of Michigan, Inflationary Expectations. Data are non-seasonally adjusted and for May 2025.

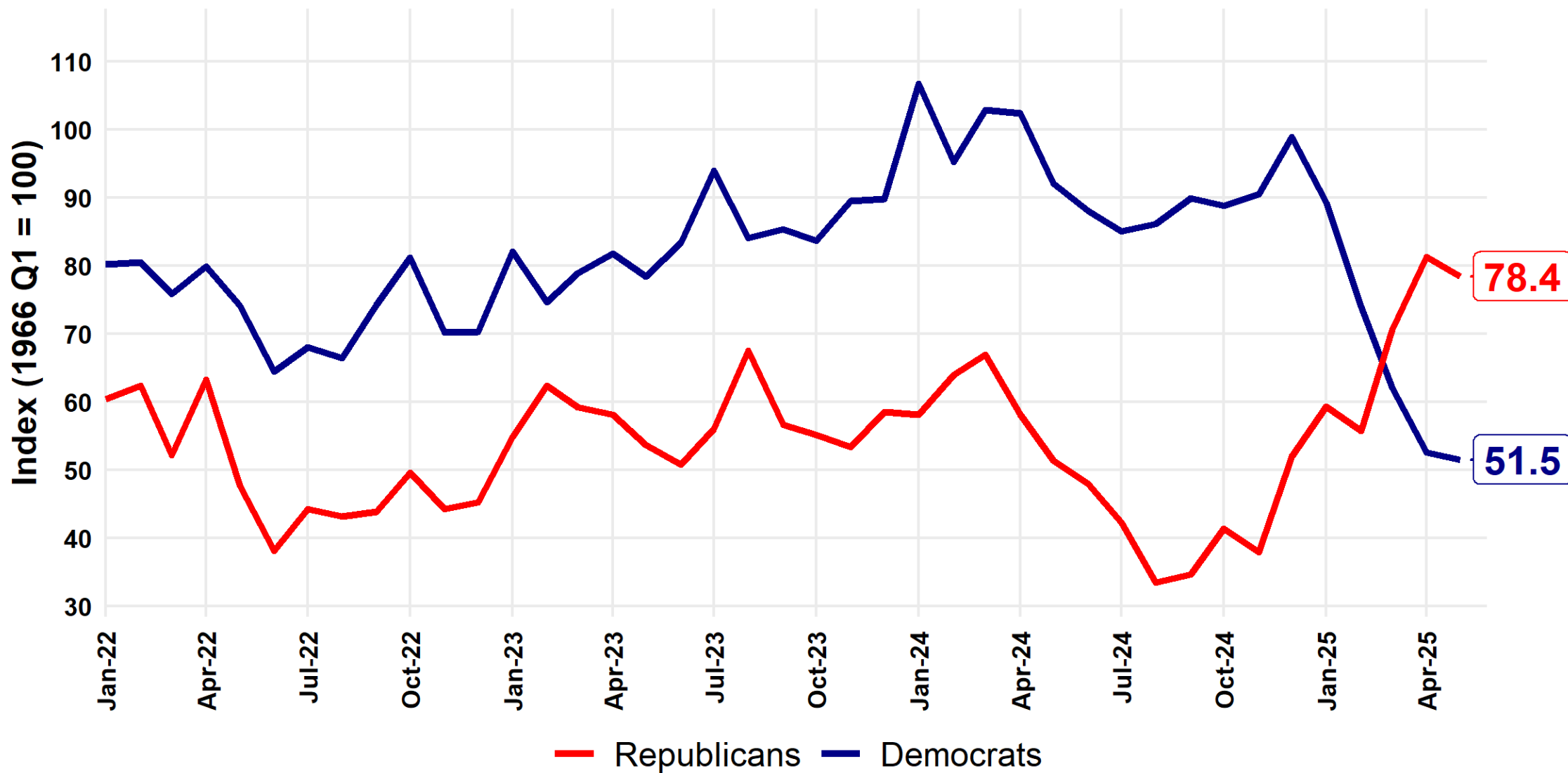
University of Michigan: Consumer Sentiment

United States, January 2019 - May 2025



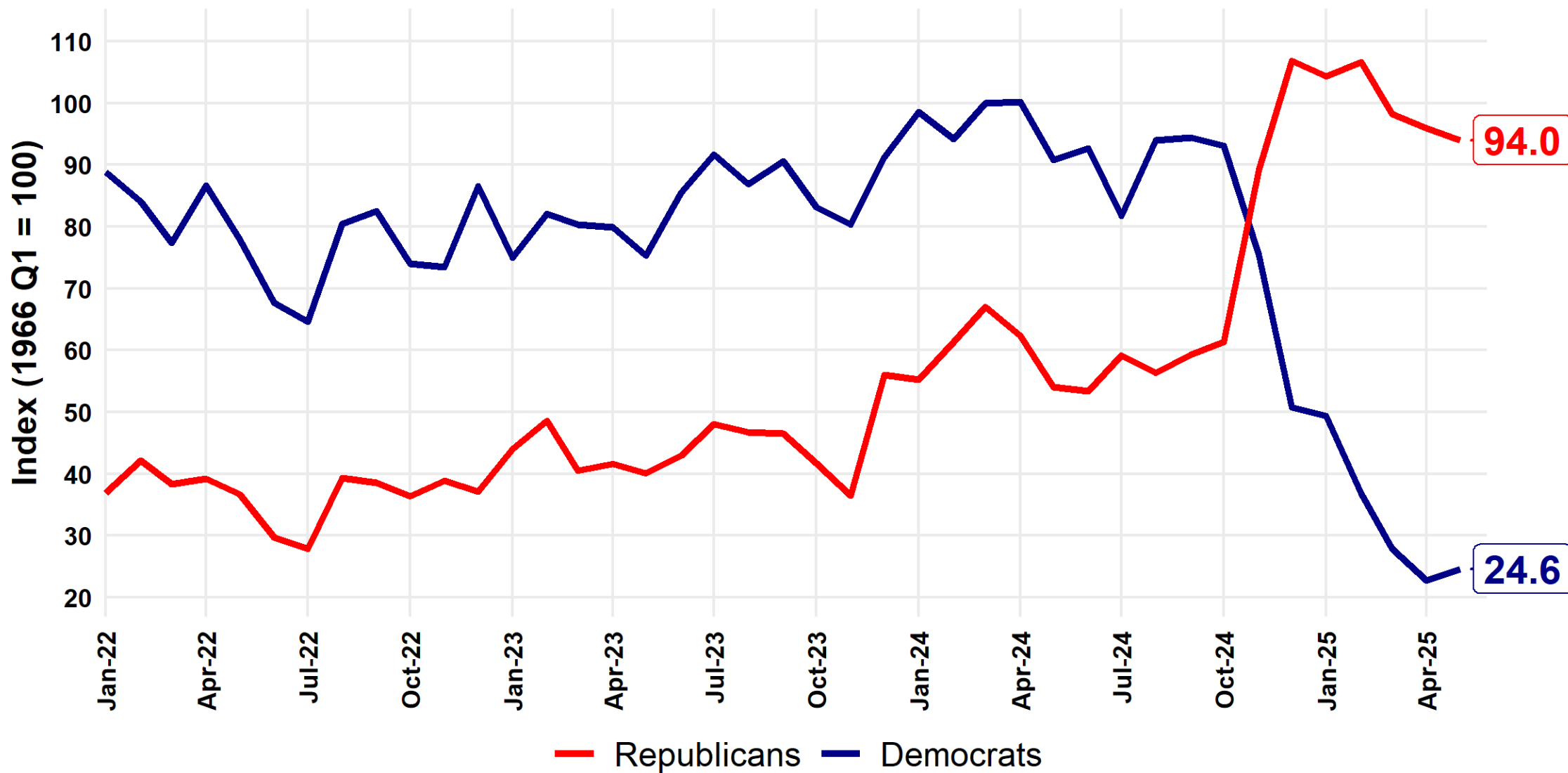
Political Party Affiliation: Current Economic Conditions

United States, January 2022 - May 2025

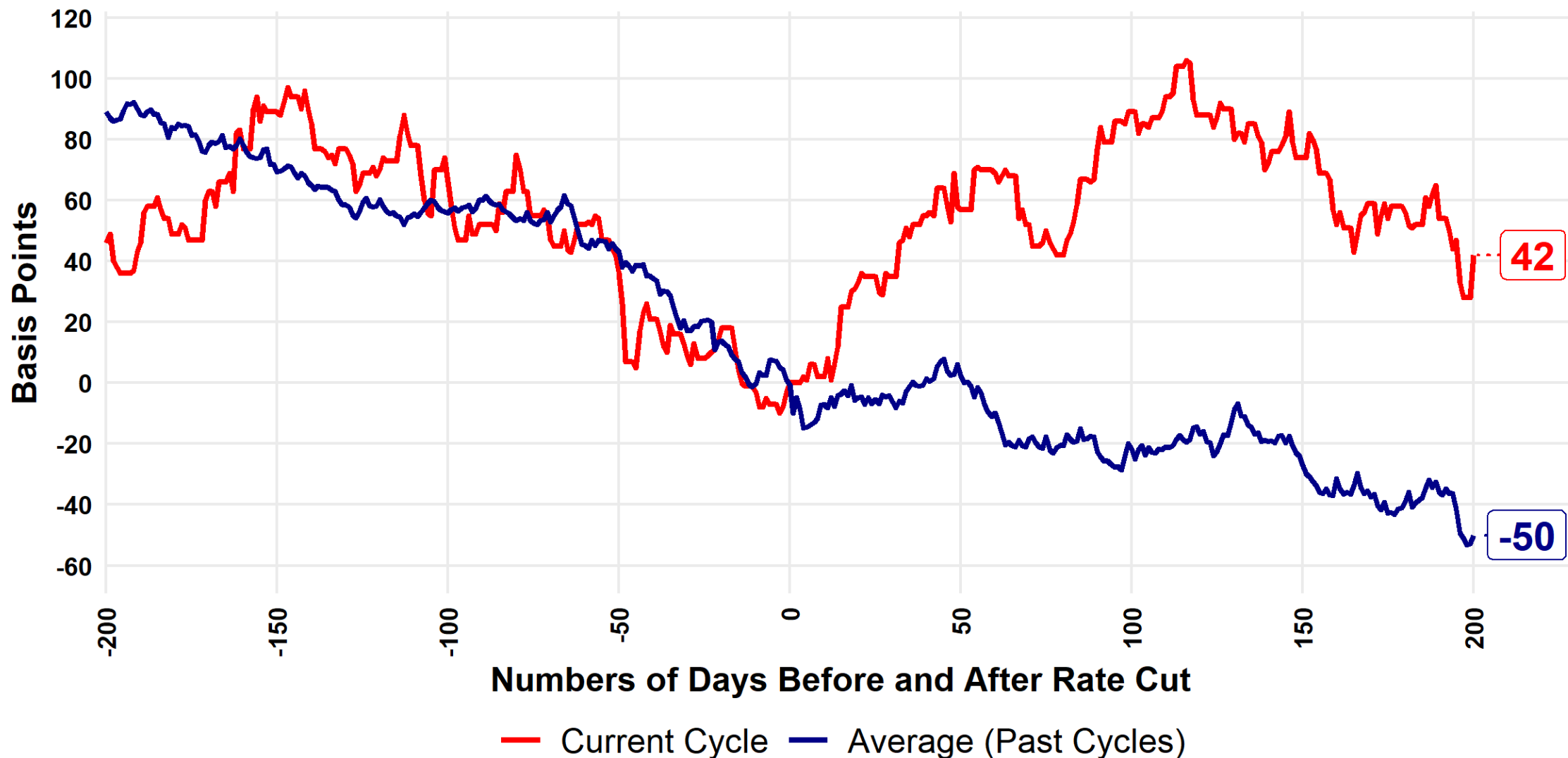


Political Party Affiliation: Economic Conditions a Year from Now

United States, January 2022 - May 2025



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

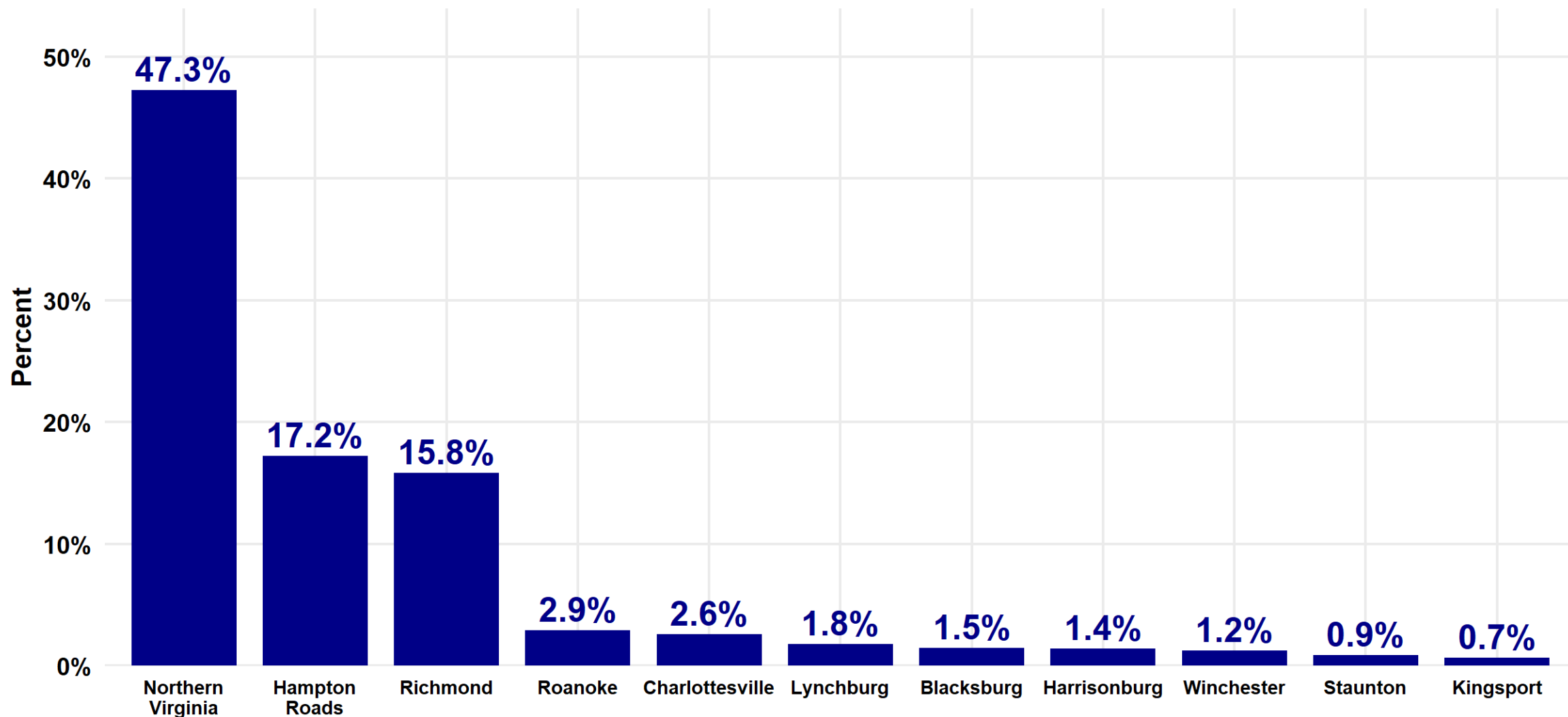


Sources: Torsten Slok of Apollo, Board of Governors of the Federal Reserve System (US) and the Dragas Center for Economic Analysis and Policy.
First reduction in discount rate after peak, 1995, 2001, 2007, 2019, and 2024.

Impacts on Virginia

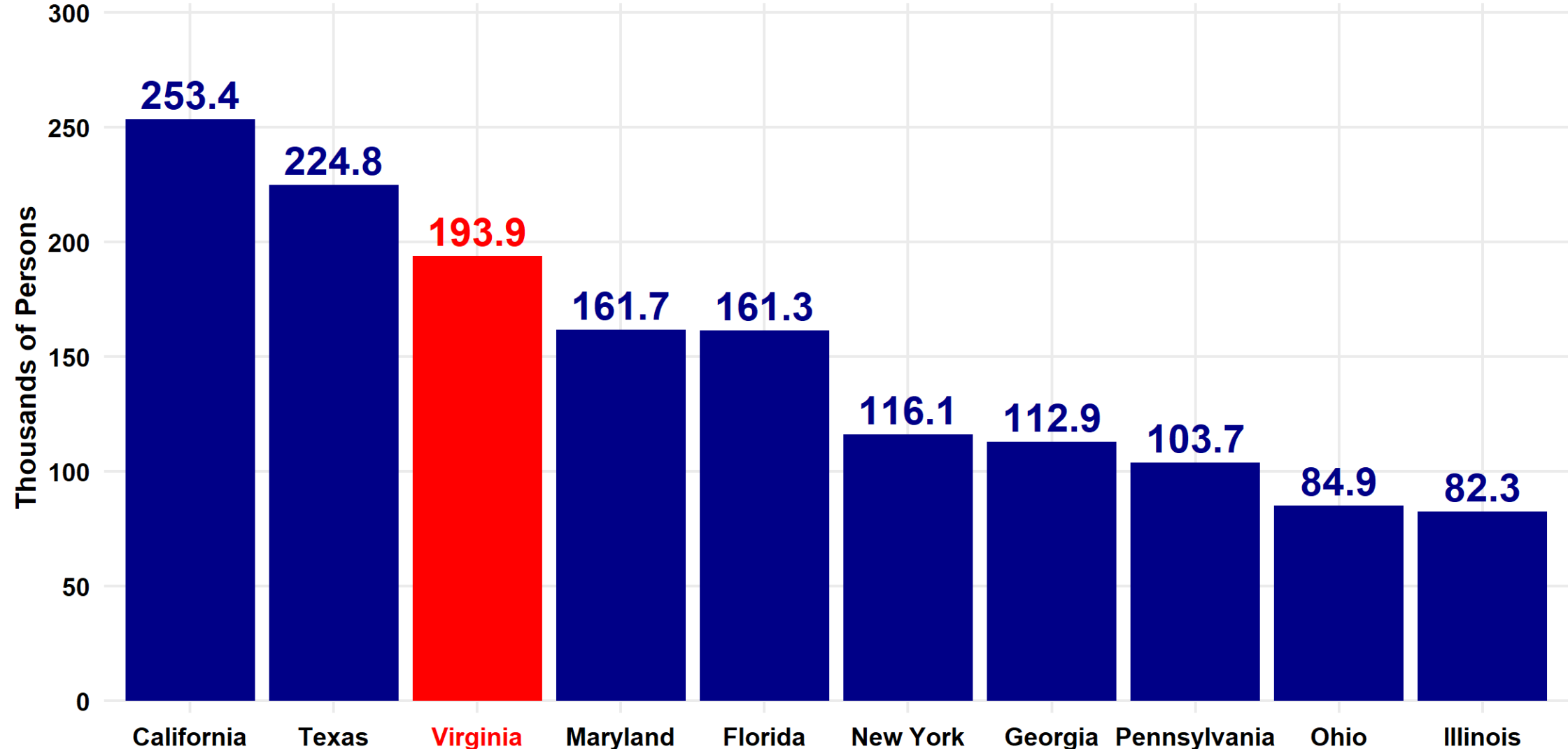


Share of Virginia Real Gross Domestic Product Metropolitan Areas in Virginia, 2023



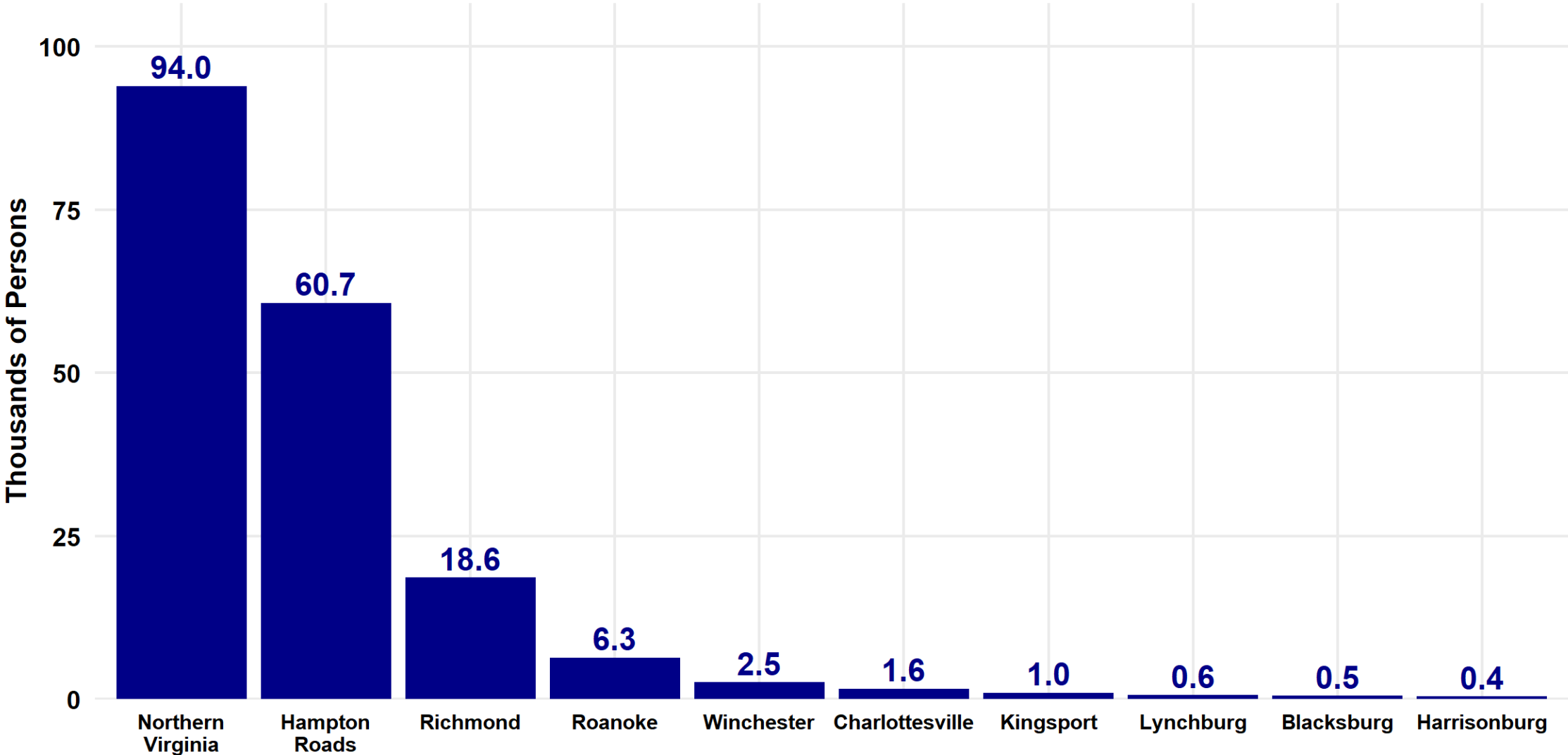
Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Real GDP is chained 2017 dollar. The shares include Virginia counties only. Virginia real GDP is estimated at county level. Non-metropolitan areas equal about 6.7% of VA's real GDP.

Top 10 States: Federal Civilian Employees 2024



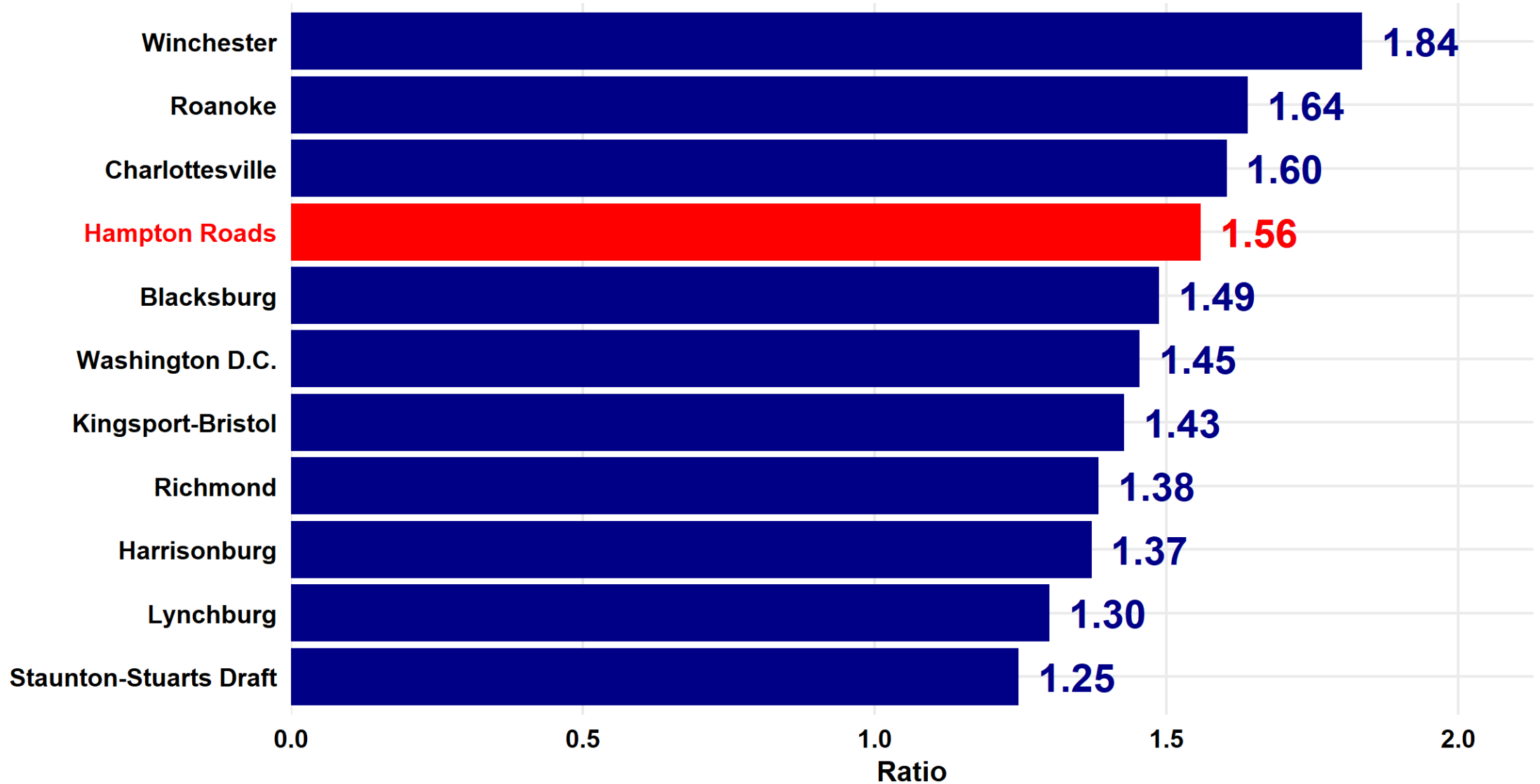
Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy.

Federal Civilian Employees Metropolitan Areas in Virginia, 2024



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

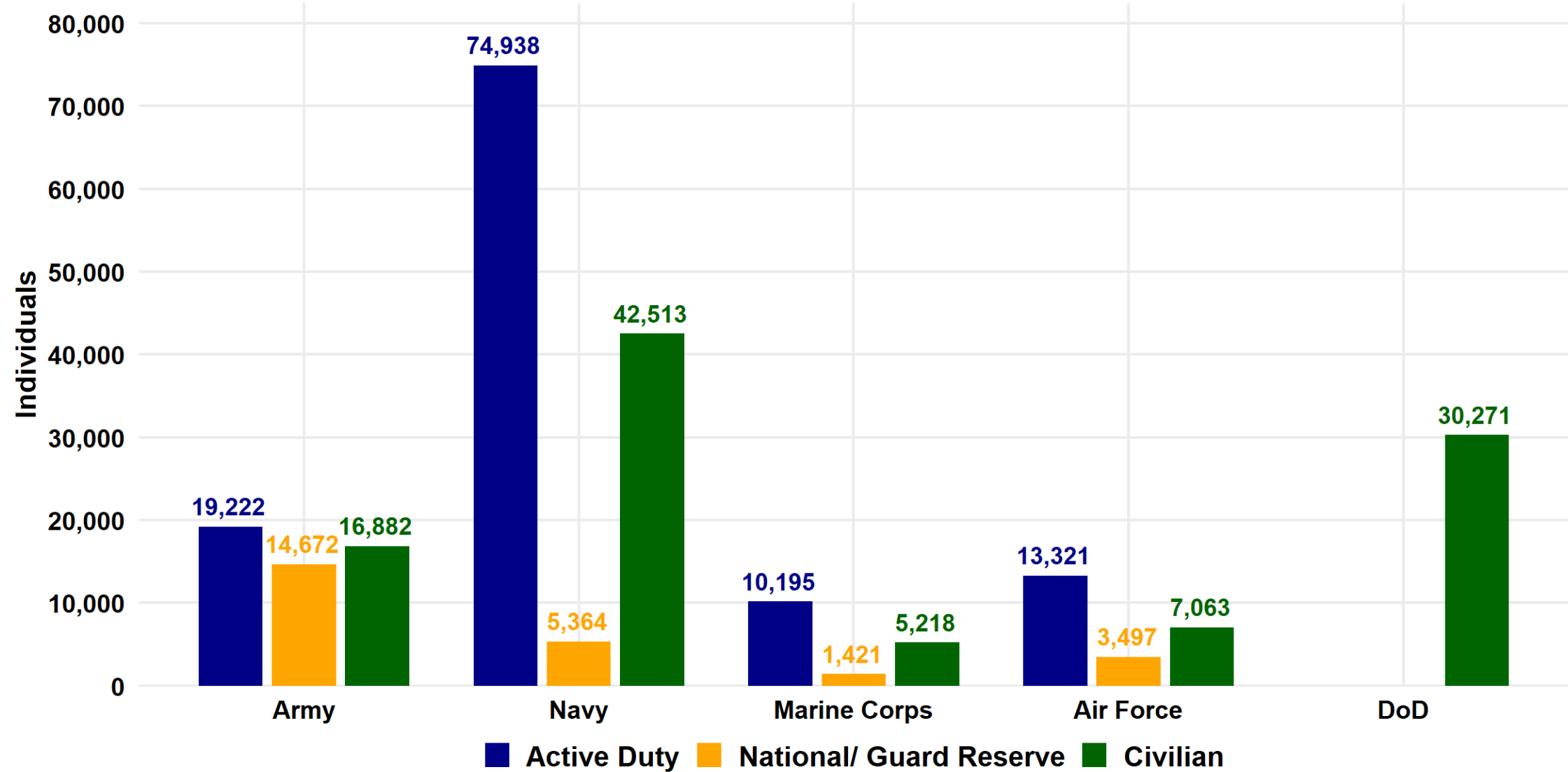
Ratio of Federal Civilian Wages to Private Sector Wages Metropolitan Areas in Virginia, 2024



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

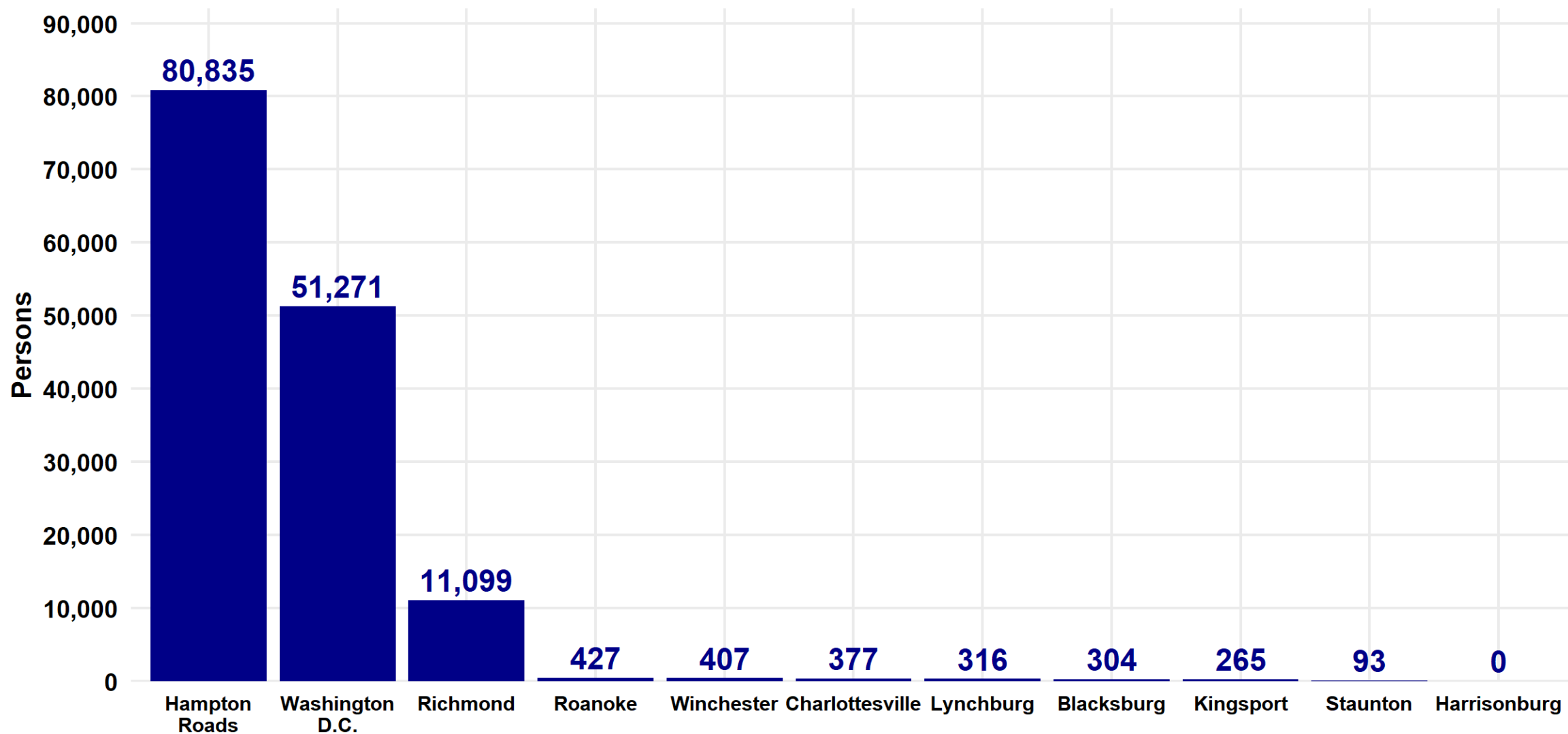
Active Duty, Reserve, National Guard, and DoD Civilian Personnel

Virginia, June 2024



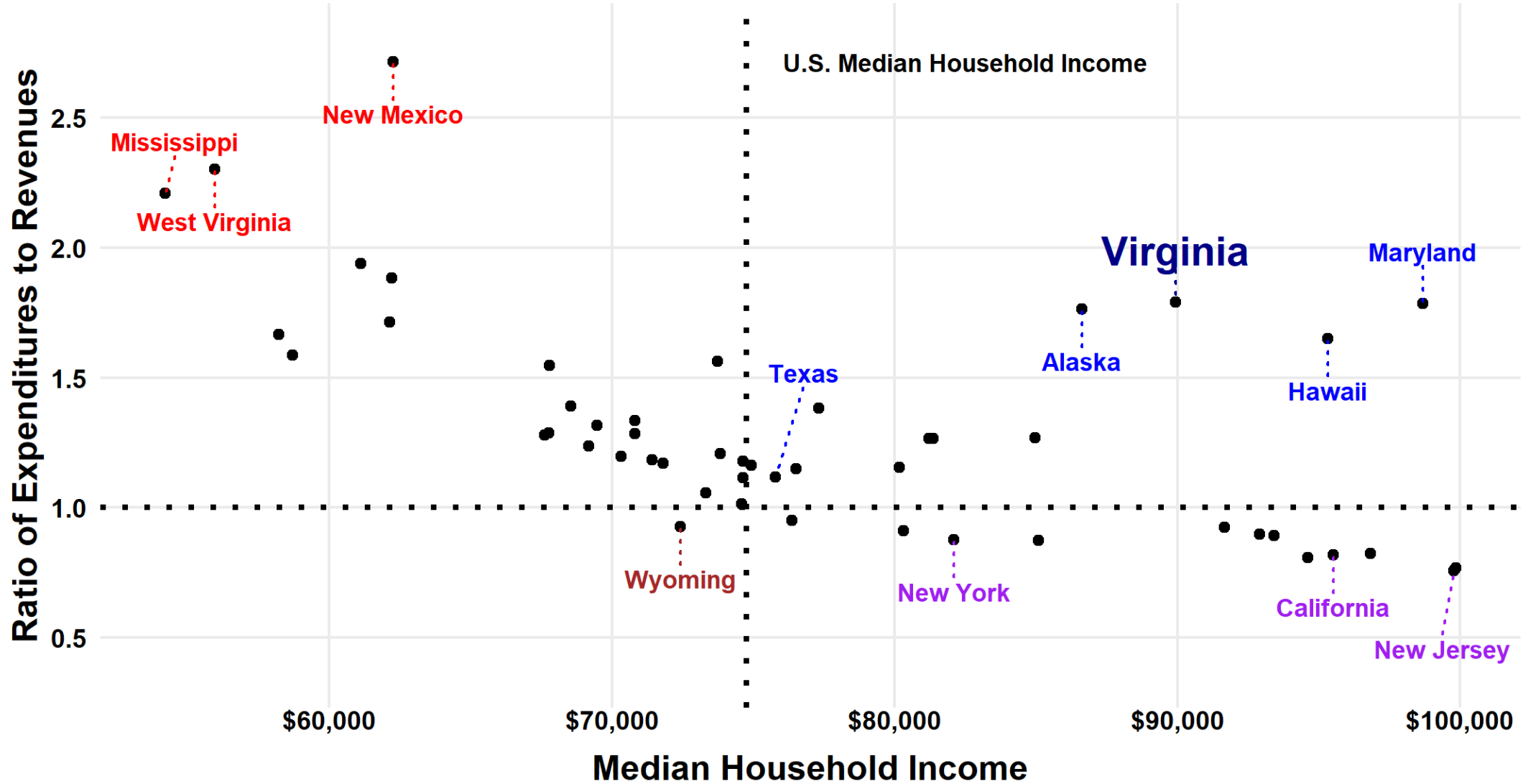
Source: Defense Manpower Data Center (June 2024). Number of Military and DoD Appropriated Fund (APF) Civilian Personnel by Assigned Duty Location and Service/Component.

Employment in the Armed Forces, Census Estimates Metropolitan Statistical Areas in Virginia, 2023



Median Household Income and Ratio of Federal Expenditures to Revenues

U.S. States, 2022



Sources: Rockerfeller 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.

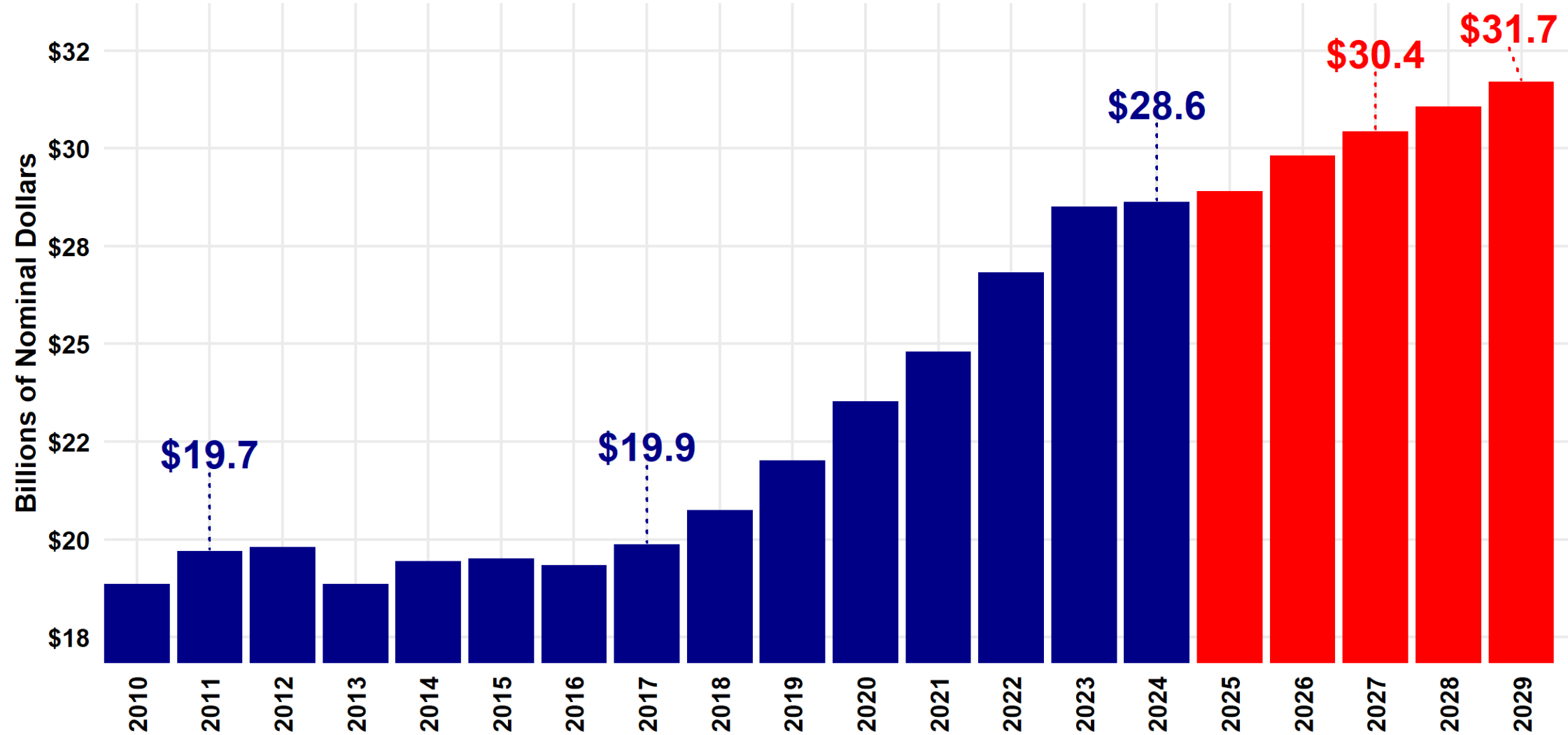
Uncertainty, Inflation, and a Recession?

- Macroeconomic data lag policy by 3 to 6 months. There have been at least 50 changes to US tariff policy since January 20, 2025. This averages to 2 significant policy changes a week.
- Projected container arrivals to the United States will decline by more than 30% in June compared to the same month in 2024. Arrivals from China are expected to fall by almost 60% in June when compared to June 2024. The question is whether the increase in inventories in the first quarter was sufficient to weather this supply chain shock.
- The May Federal Reserve Beige Book noted that “All Districts described lower labor demand, citing declining hours worked and overtime, hiring pauses, and staff reduction plans...All District reports indicated that higher tariff rates were putting upward pressure on costs and prices.”
- Growth will slow significantly in 2025 relative to January forecasts. US real GDP growth will slow below 1.5% and Virginia may approach 1.0%. Reductions in federal employment and non-defense spending coupled with increasing deficits and continued uncertainty will slow GDP growth in 2026 and beyond.

Hampton Roads Economy in 2025

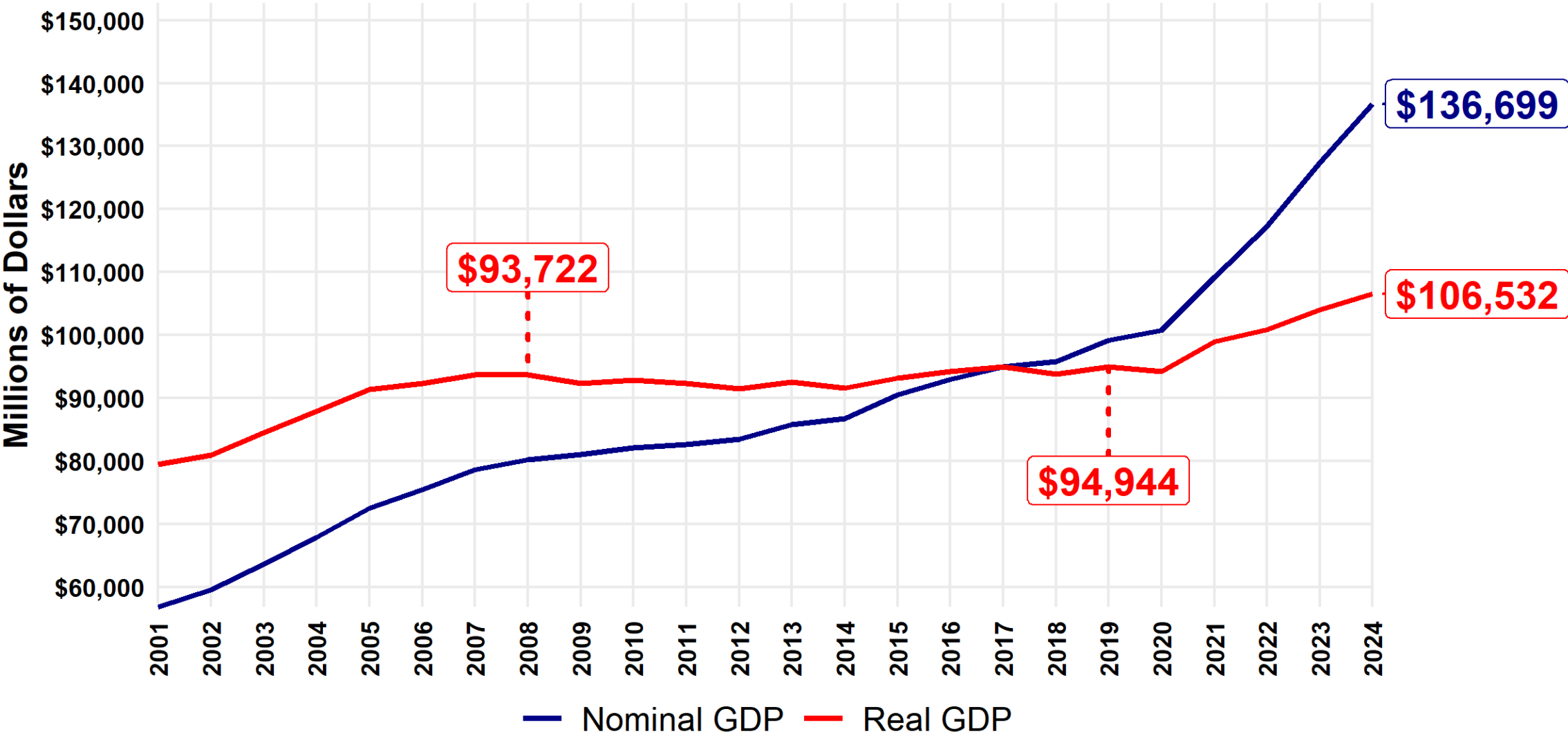


Estimated Department of Defense Direct Spending Hampton Roads, 2010 - 2029*



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

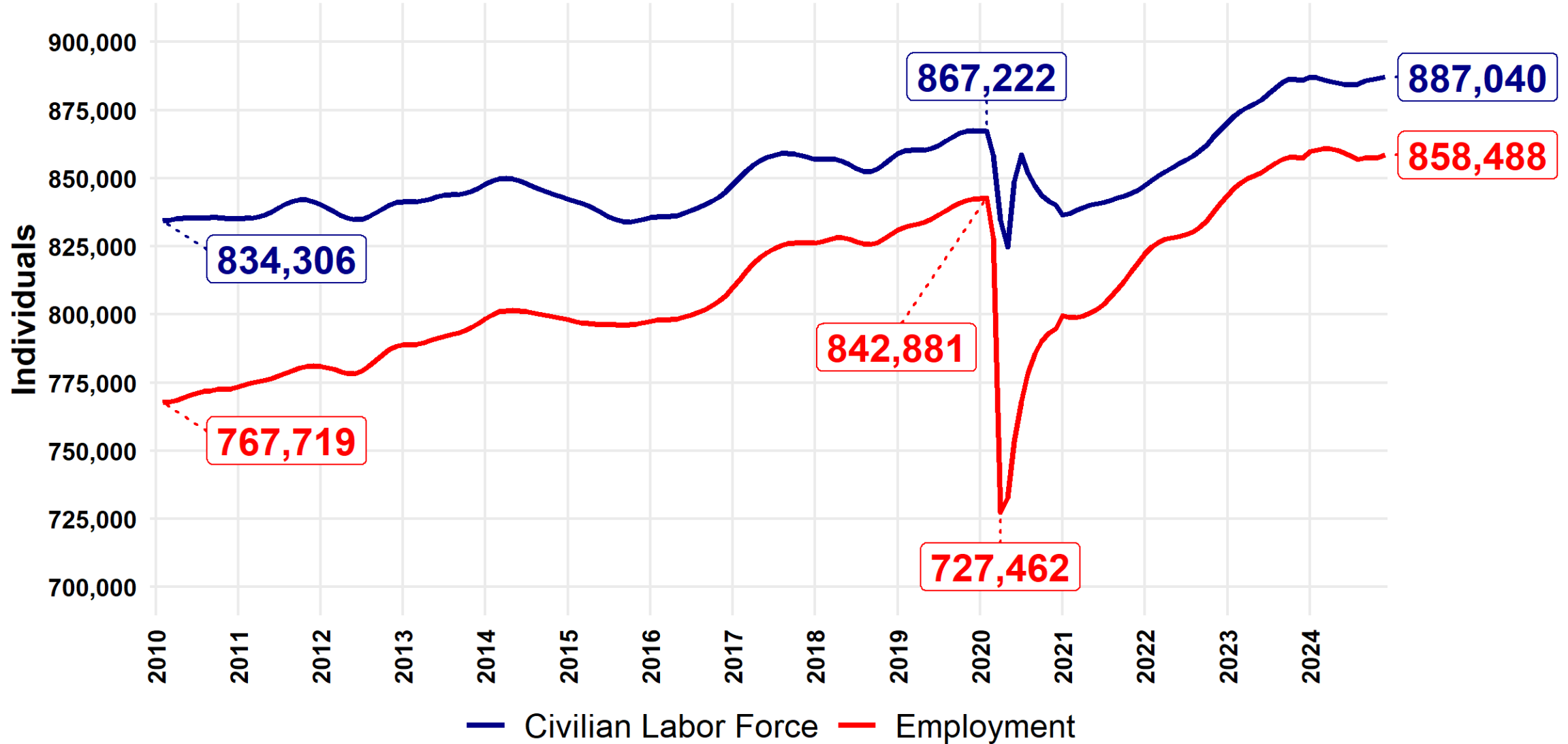


Sources: Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Data on GDP incorporates latest BEA revisions in December 2024. Real GDP is in 2017 Chained Dollars. 2023 represents advance estimate and 2024 represents our forecast.

Jobs and Employment

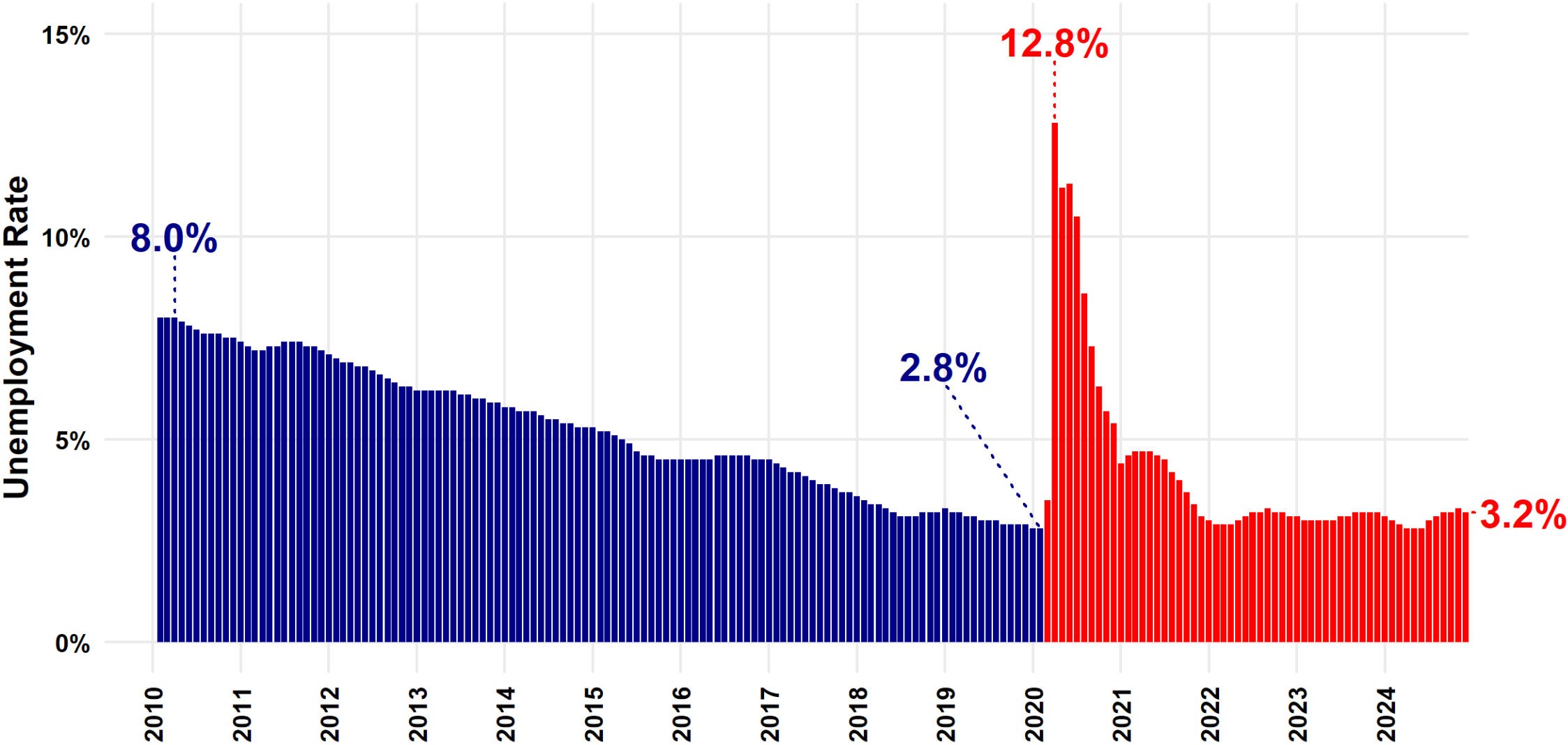


Civilian Labor Force and Individual Employment Hampton Roads, February 2010 - December 2024



Unemployment Rate (U3)

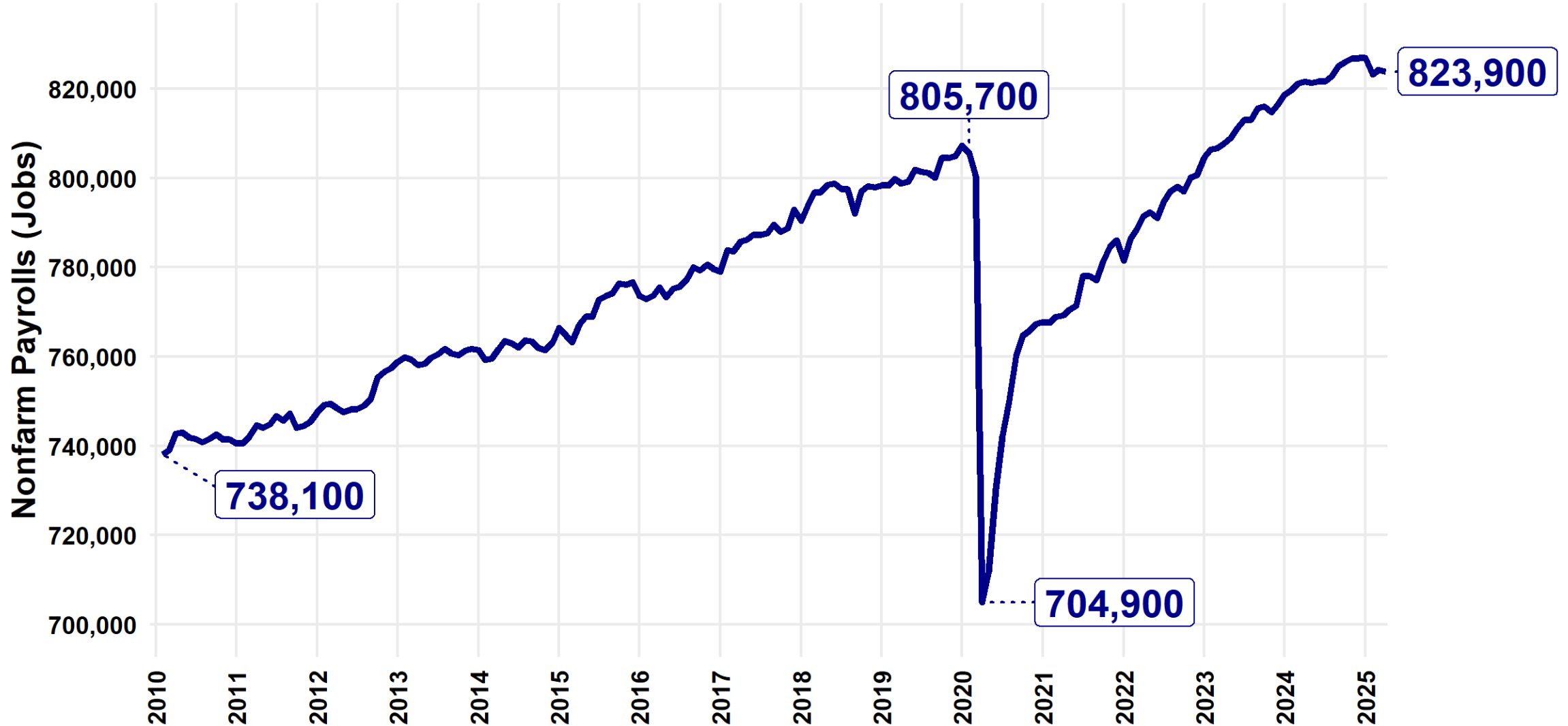
Hampton Roads, February 2010 - December 2024



Source: Bureau of Labor Statistics, seasonally adjusted data.

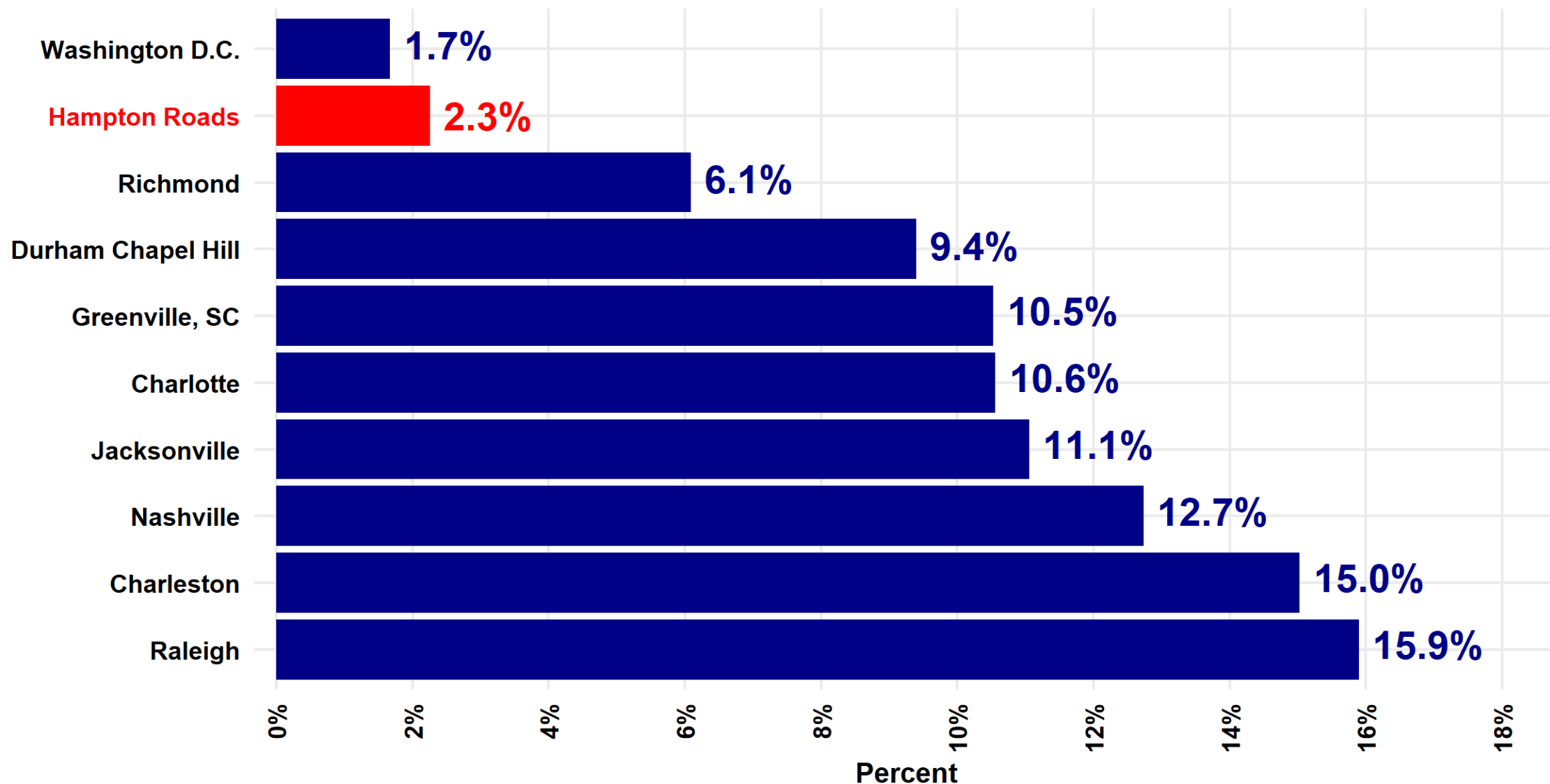
Nonfarm Payrolls

Hampton Roads, February 2010 - April 2025



Growth in Nonfarm Payrolls

Selected Metropolitan Areas, February 2020 - April 2025



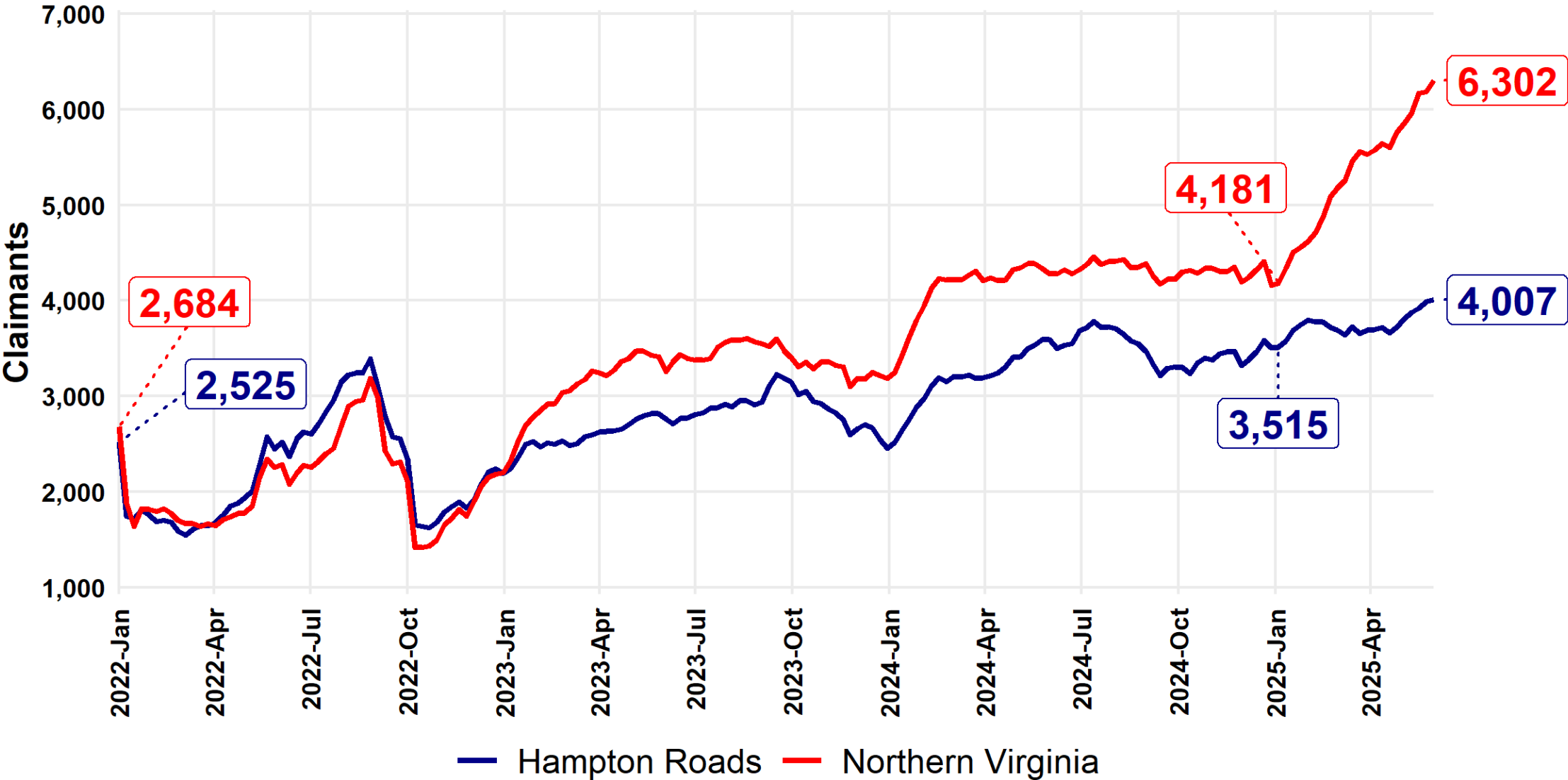
Employment and Average Wages for Priority Clusters in Region 5, 2024 Q3

Clusters	Employment	Average Wages	Change in Employment 2014 Q3 - 2024 Q3
Advanced Manufacturing	9,794	\$ 79,953	-0.2%
Clean Energy	25,519	\$ 91,270	2.0%
Cyber Security, Data Analytics and Mod-Sim	5,121	\$ 87,368	4.0%
Life Sciences	7,469	\$113,720	0.3%
Port Operations, Logistics, and Warehousing	17,557	\$ 75,175	2.0%
Ship Repair and Ship Building	41,764	\$ 83,872	1.1%
Uncrewed Systems and Aerospace	27,441	\$106,243	3.2%
Water Technologies	39,434	\$ 94,068	1.3%
All Industries	809,119	\$ 60,676	0.5%

* Sources: JobsEq and Dragas Center for Economic Analysis and Policy. Data as of 2024 Q3 and based on a four-quarter moving average. Annual employment growth is from 2014 Q3 to 2024 Q3.

Unemployment Continued Claims

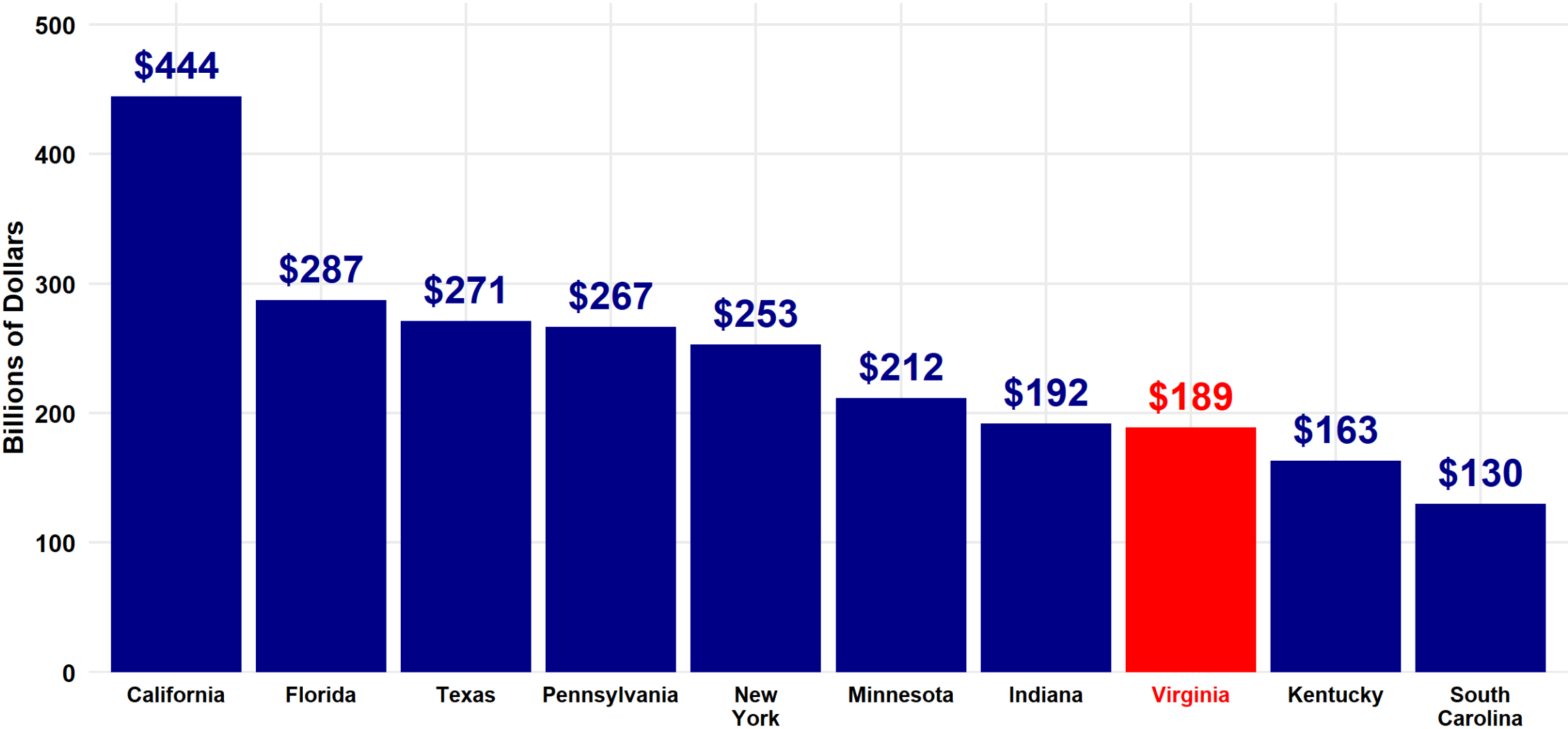
Hampton Roads and Northern Virginia, January 1, 2022 - May 31, 2025



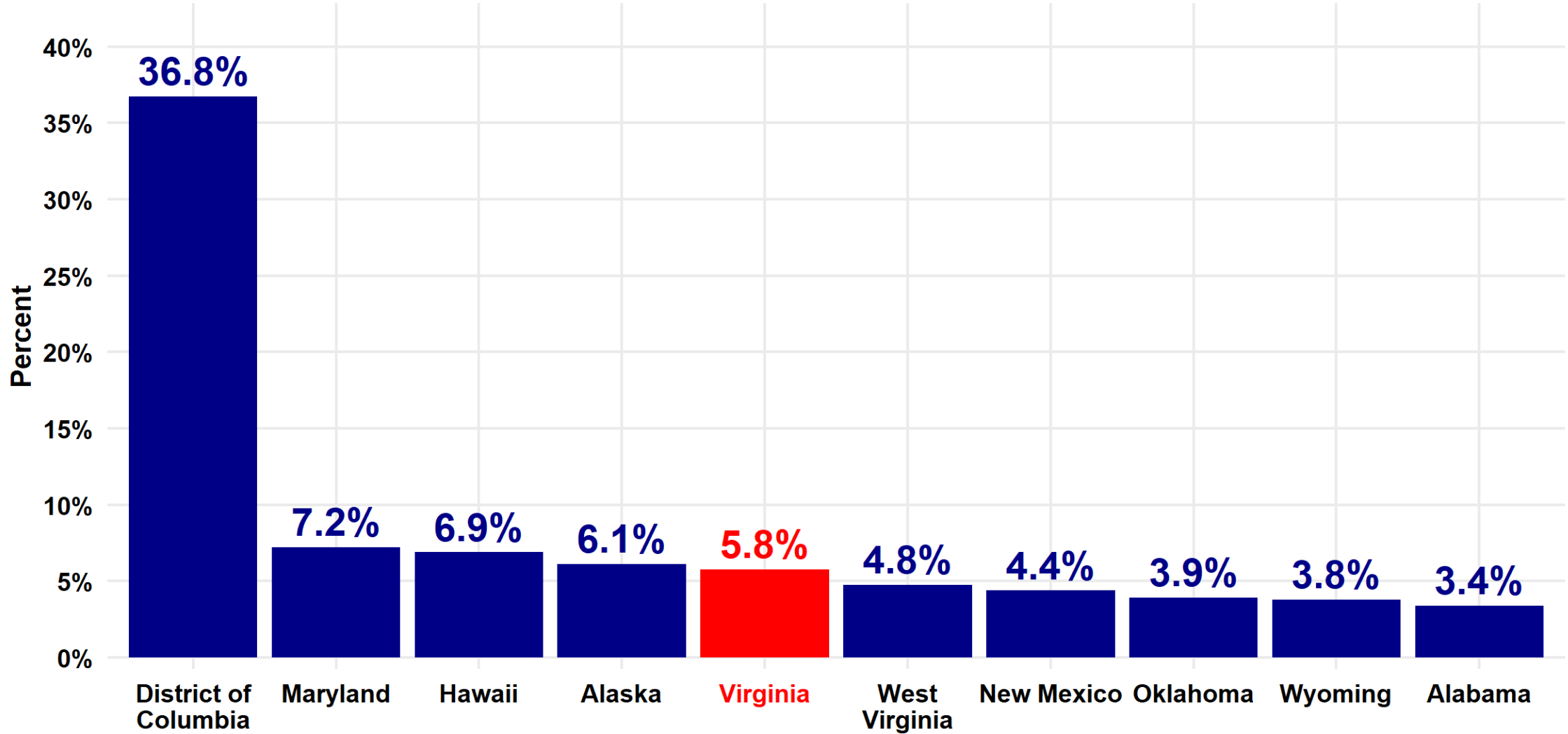
Source: Bureau of Labor Statistics.

Top 10 States: Federal Government Obligations

Fiscal Year 2024

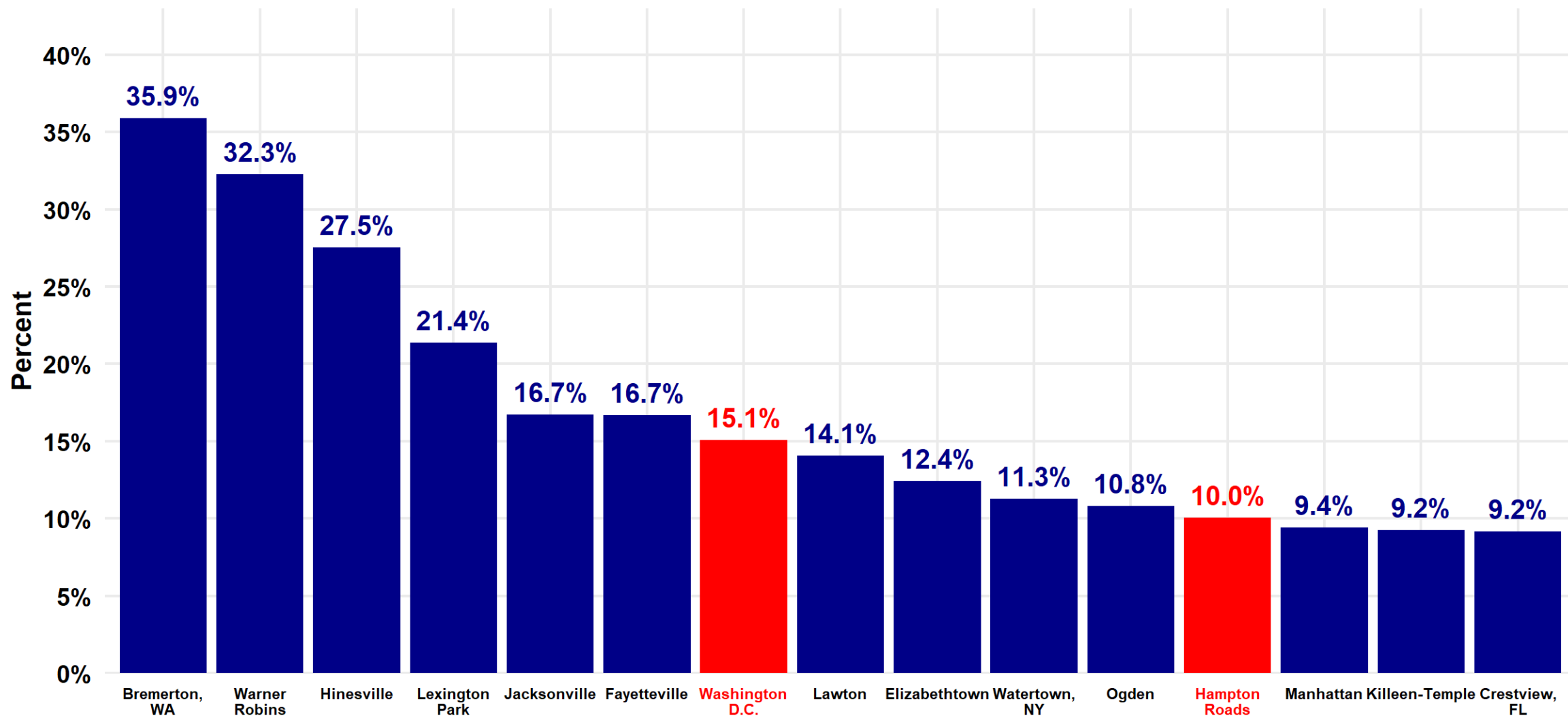


Top 10 States: Percentage of Federal Government Jobs 2024



Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Estimates for 2024 (2025).
Percentage is calculated by the total federal civilian jobs divided by the total of private jobs.

Top 15 MSAs: Percentage of Federal Government Jobs 2024

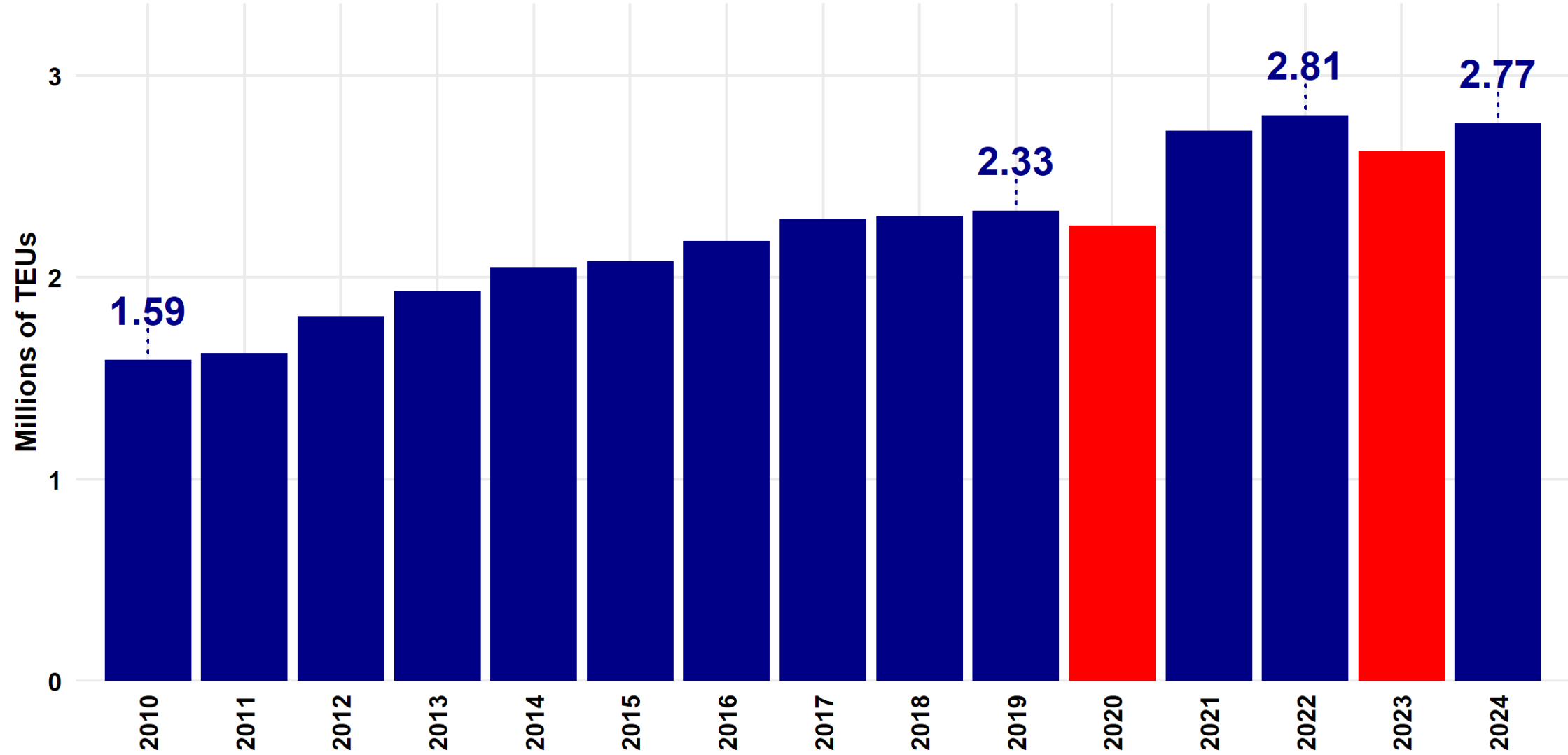


Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Estimates for 2024 (2025).
Percentage is calculated by the total federal civilian jobs divided by the total of private jobs.

The Port of Virginia: Facing Uncertainty about Tariffs

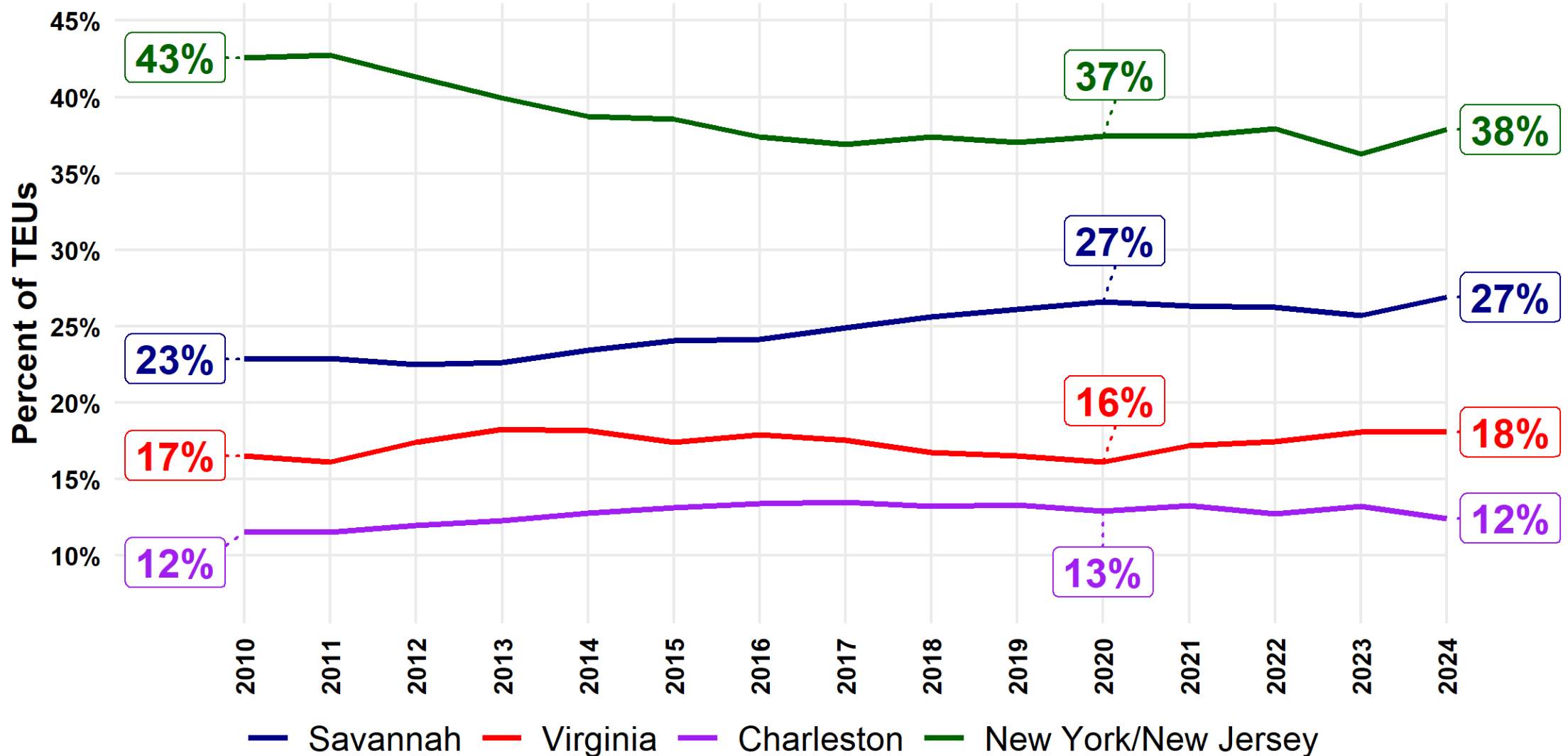


Total Loaded Twenty-Foot Equivalent Container Units (TEUs) Port of Virginia, 2010 - 2024



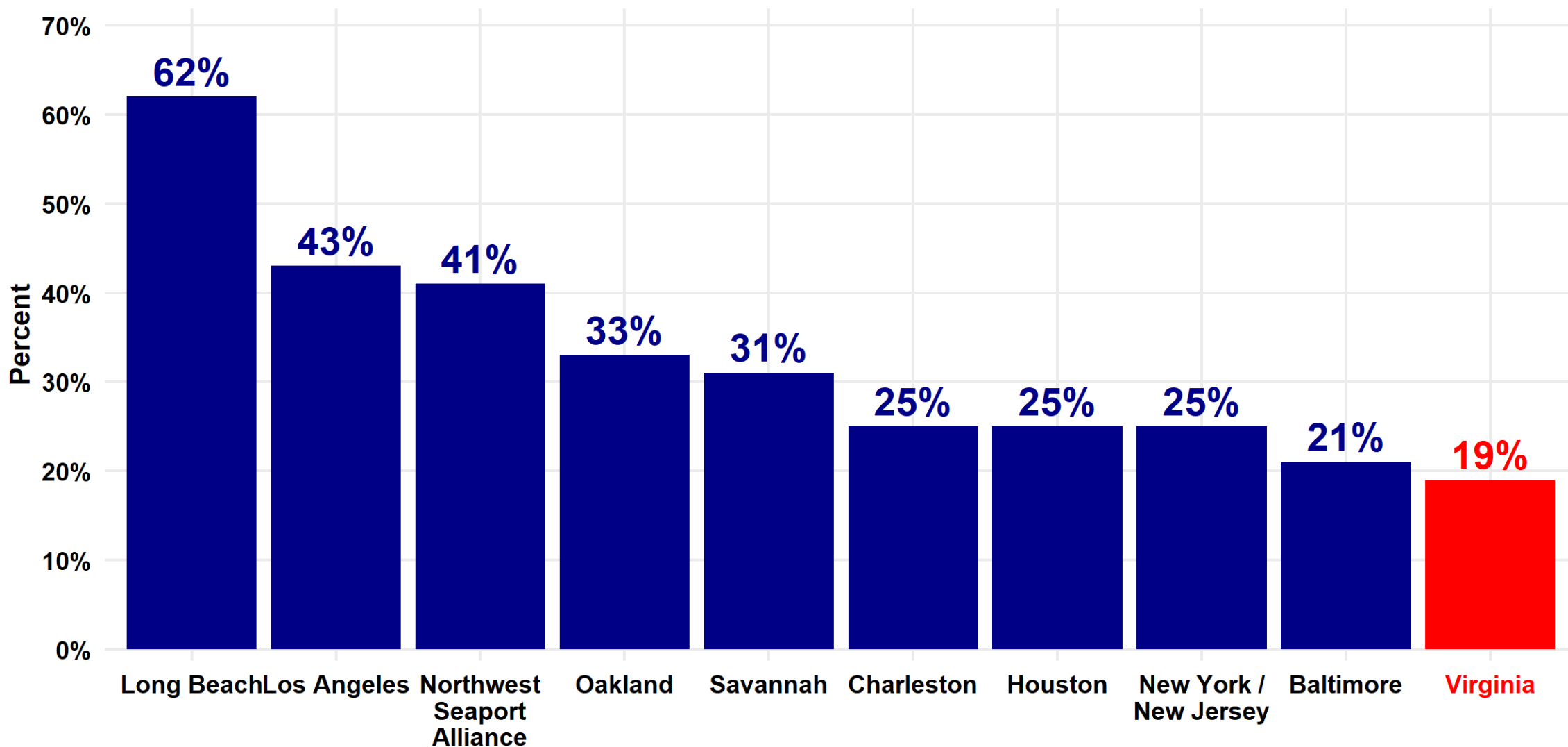
Sources: Virginia Port Authority and Dragas Center for Economic Analysis and Policy.

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.

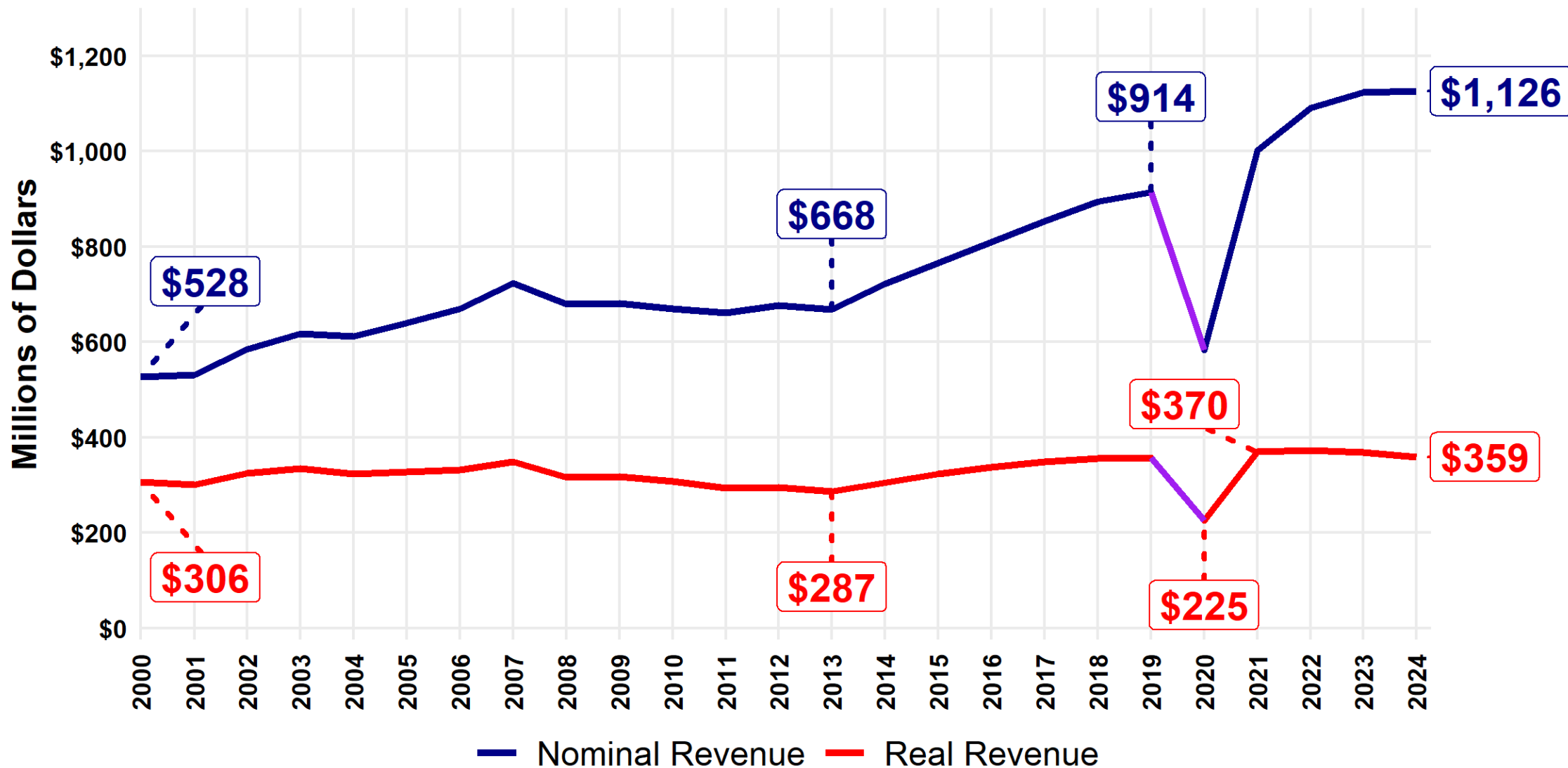
China As a Share of U.S. Port Trade Various Ports in the U.S., 2024



Hotels Rebound but Challenges Remain



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



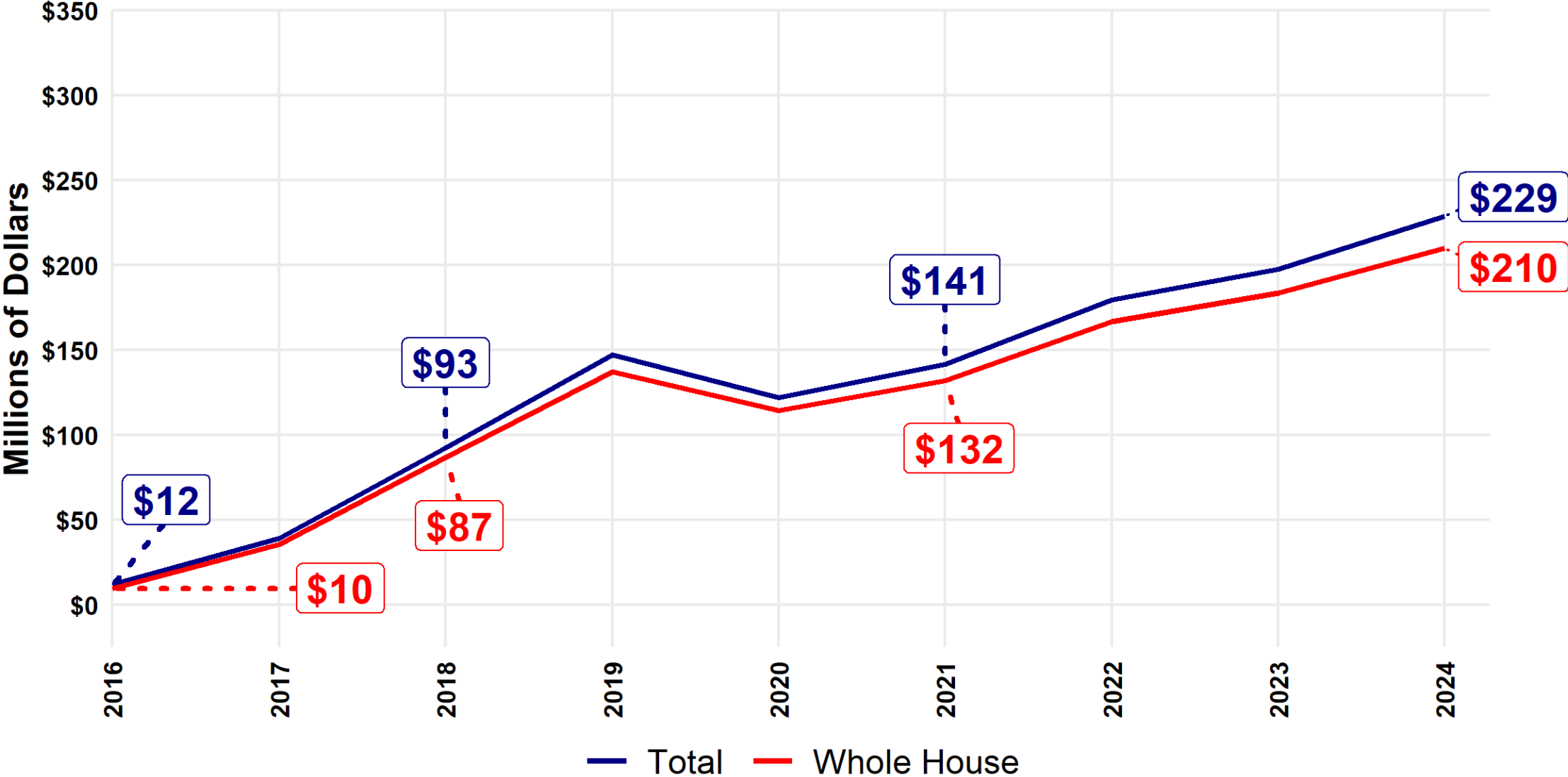
Percent Change in Hotel Revenue in the United States, Virginia, Northern Virginia, and Hampton Roads, 2019 to 2024

	<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	-49.7%	65.9%	32.6%	5.3%	2.3%	19.1%
Virginia	-48.0%	58.0%	26.2%	9.1%	3.6%	17.1%
Northern Virginia	-61.1%	47.1%	59.0%	18.9%	7.1%	15.8%
Hampton Roads	-36.2%	71.8%	8.9%	3.0%	0.2%	23.2%
Chesapeake/Suffolk	-22.1%	43.1%	9.5%	3.6%	-0.5%	25.8%
Newport News/Hampton	-29.0%	43.7%	13.5%	2.5%	2.2%	21.4%
Norfolk/Portsmouth	-32.9%	56.9%	13.9%	4.8%	1.7%	27.9%
Virginia Beach	-30.9%	72.9%	4.6%	3.7%	1.4%	31.3%
Williamsburg*	-62.1%	159.7%	11.1%	0.1%	-4.3%	4.7%

^a Sources: STR Trend Report February 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 - 2024



Source: AirDNA data received in May 2025.

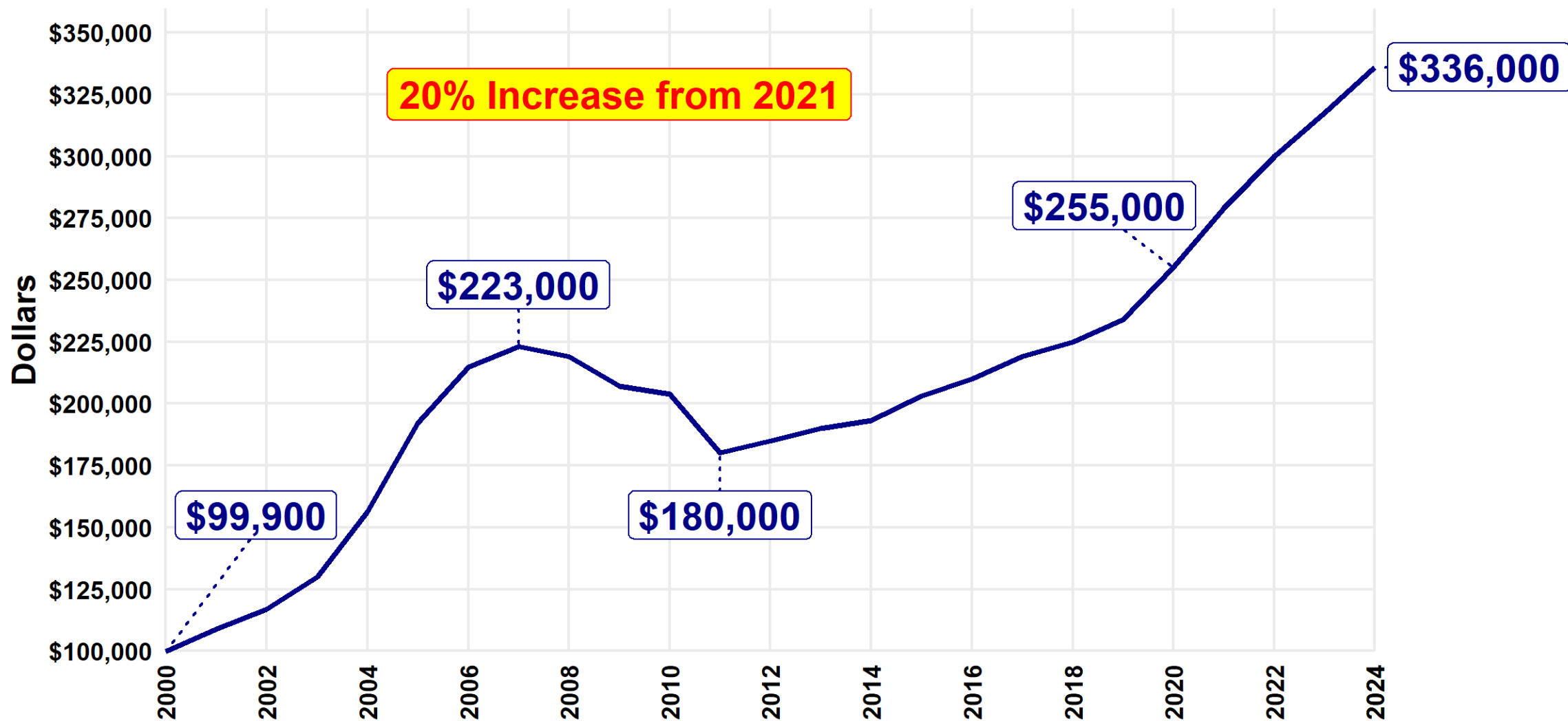
Housing Prices Rise but Sales Decline



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%

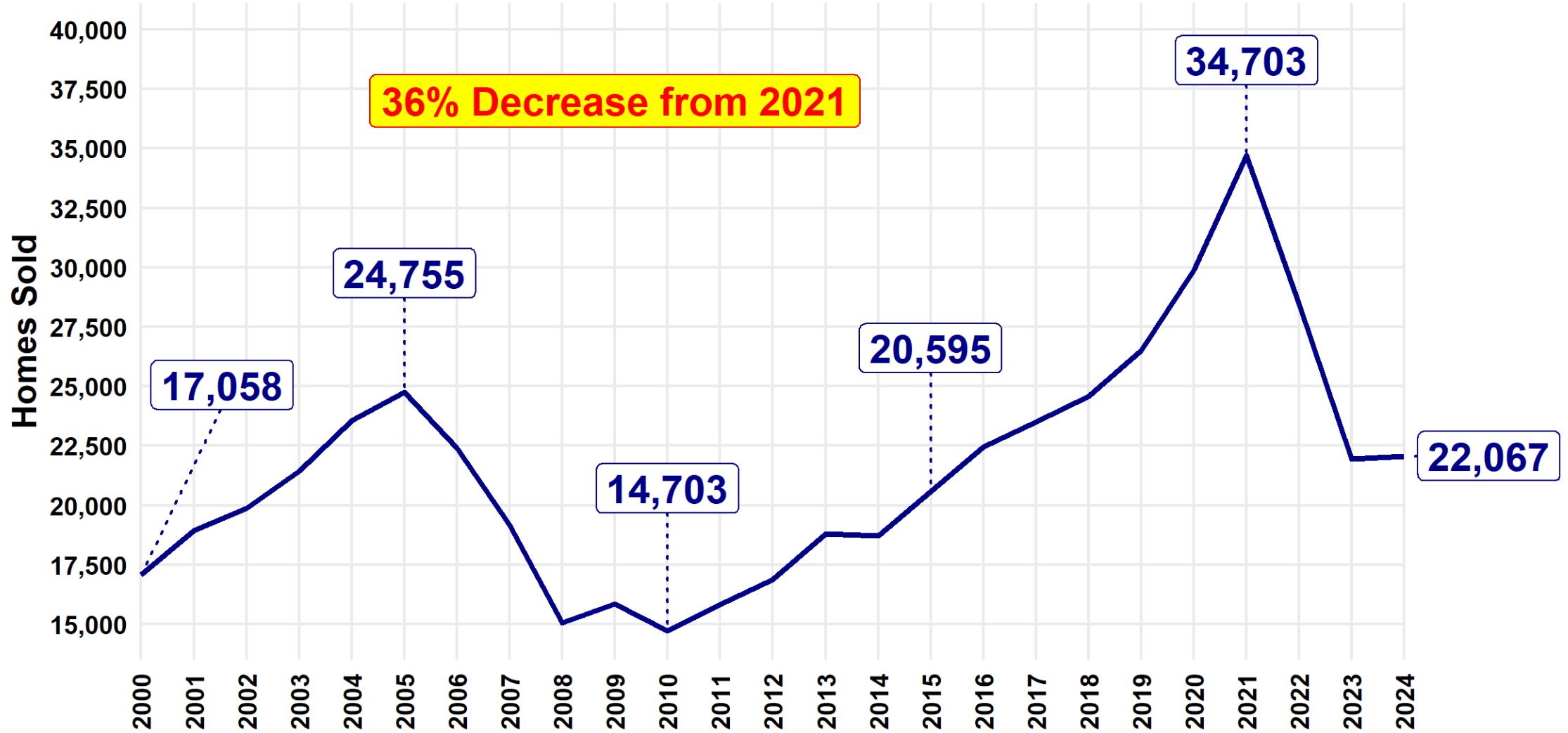
^a Sources: Real Estate Information Network and Dragas Center for Economic Analysis and Policy. *Williamsburg includes City of Williamsburg, James City County, York County, and Gloucester County.

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



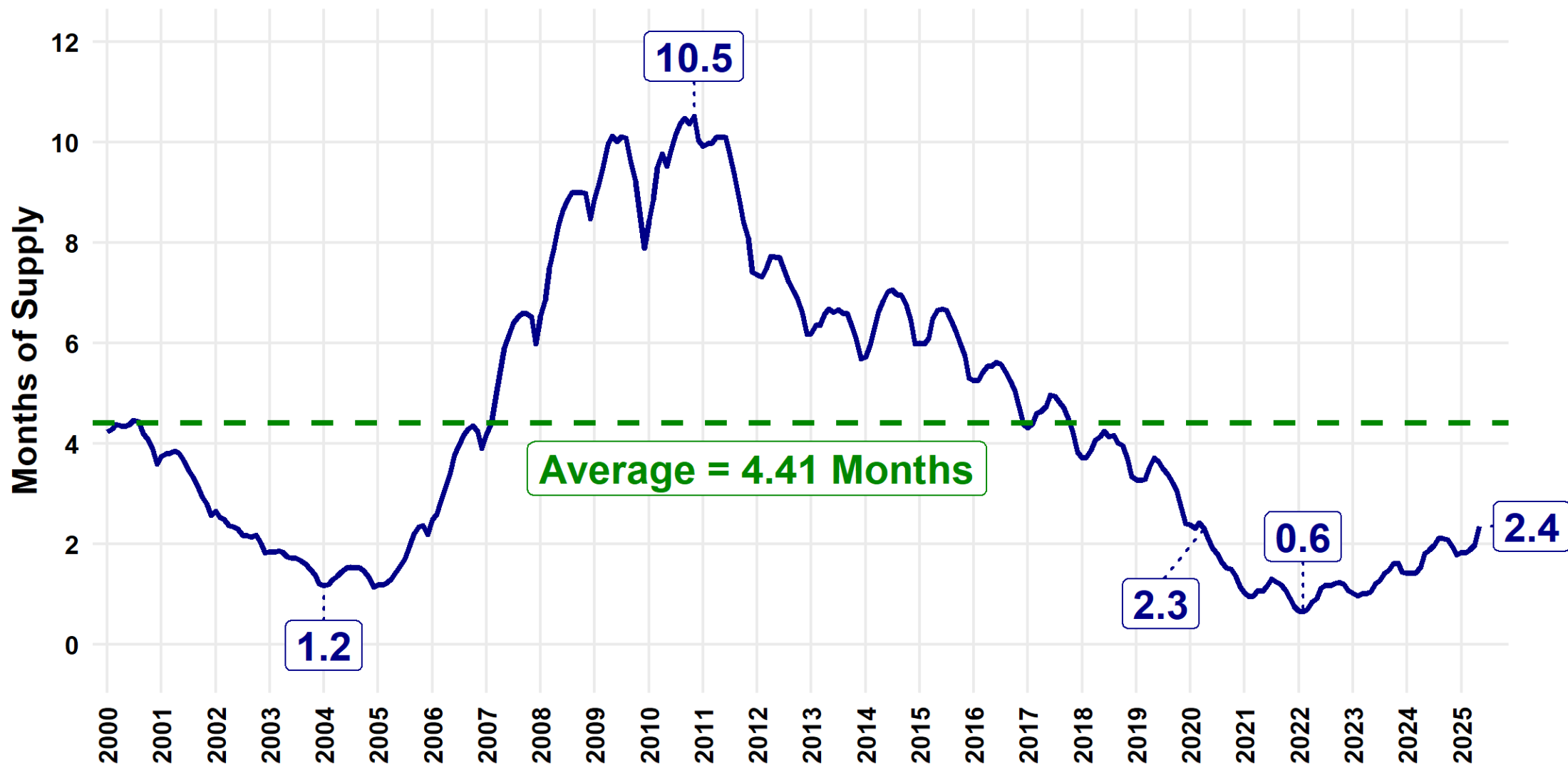
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

Existing Home Sales Hampton Roads, 2000 - 2024



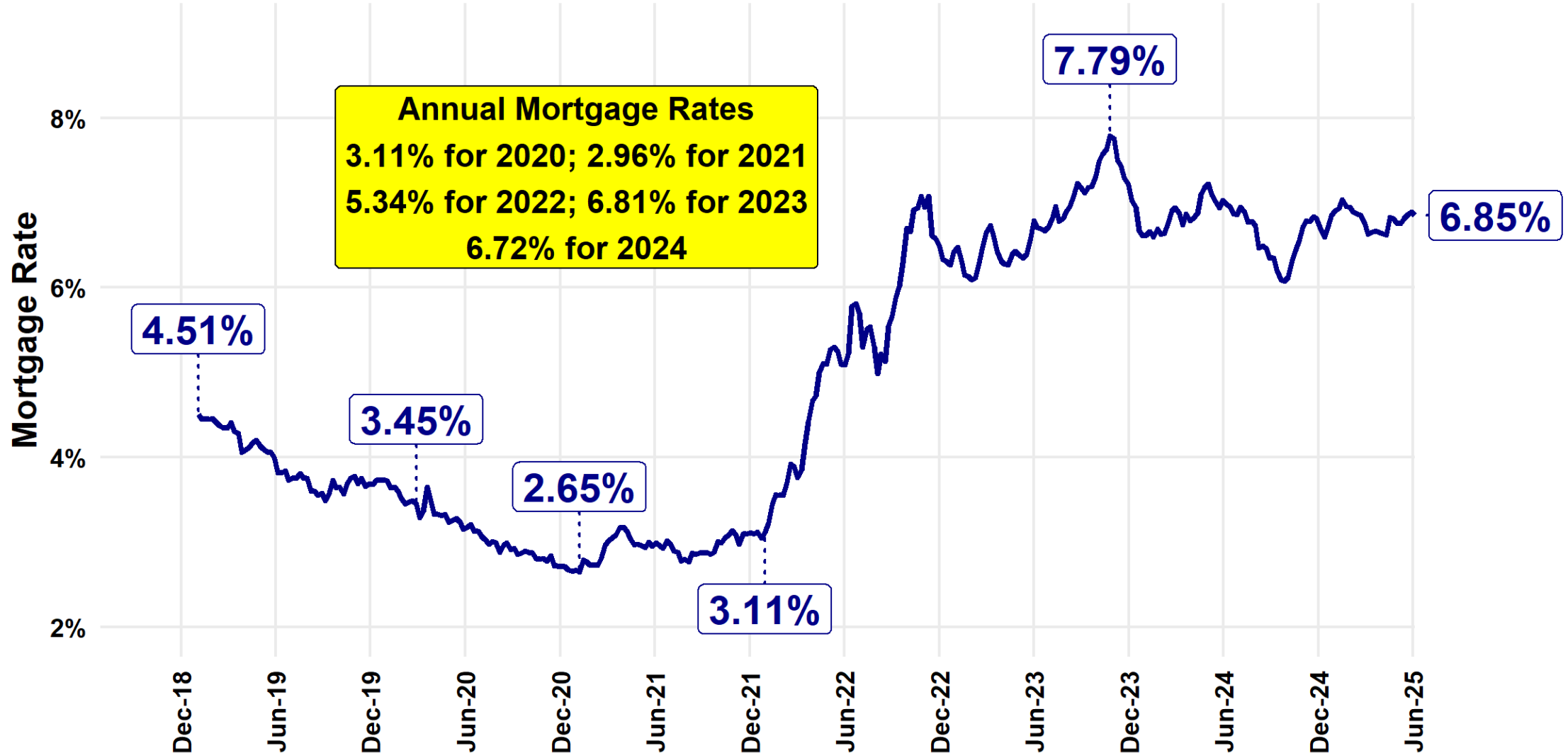
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

Estimated Months of Supply for Existing Homes Hampton Roads, January 2000 - May 2025

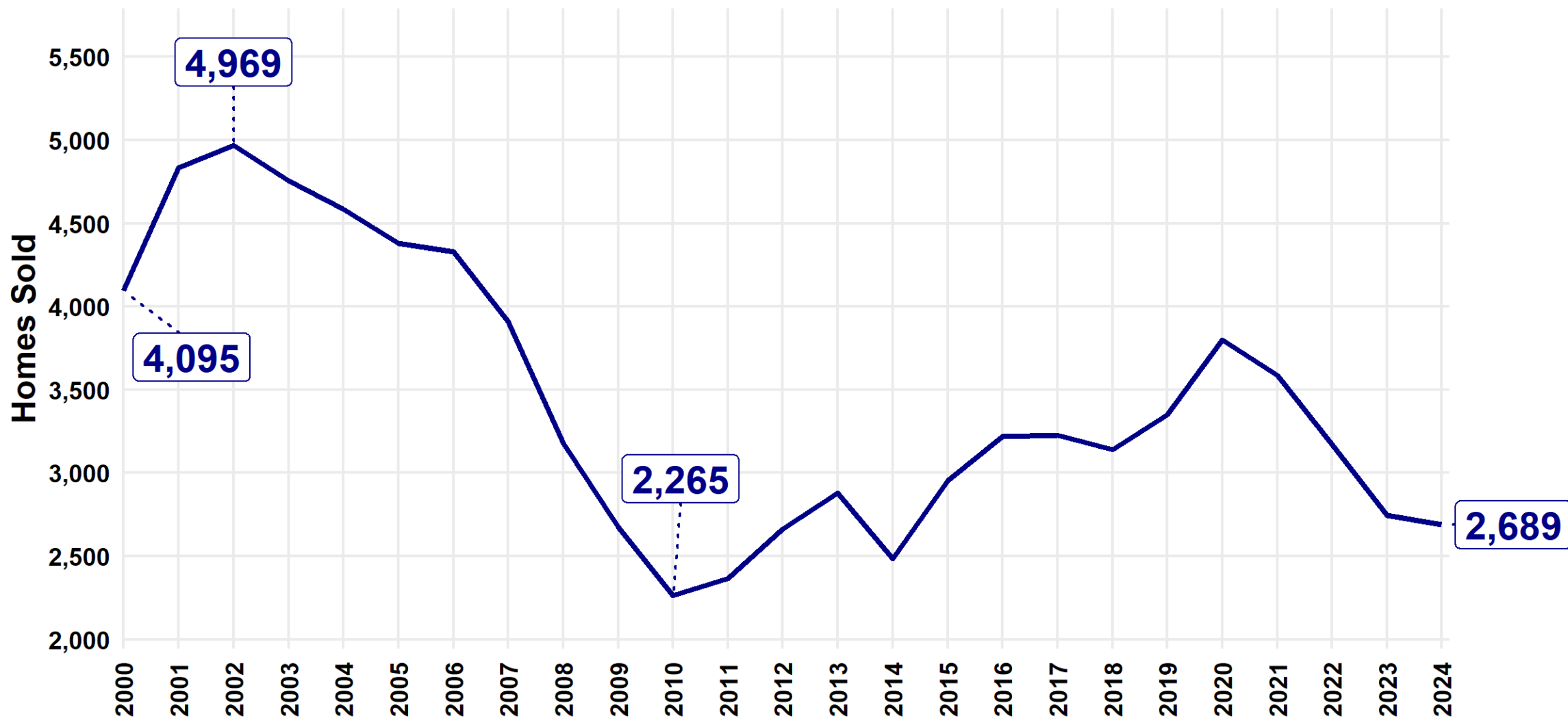


Weekly 30-Year Fixed Mortgage Rate

United States, January 3, 2019 - June 5, 2025

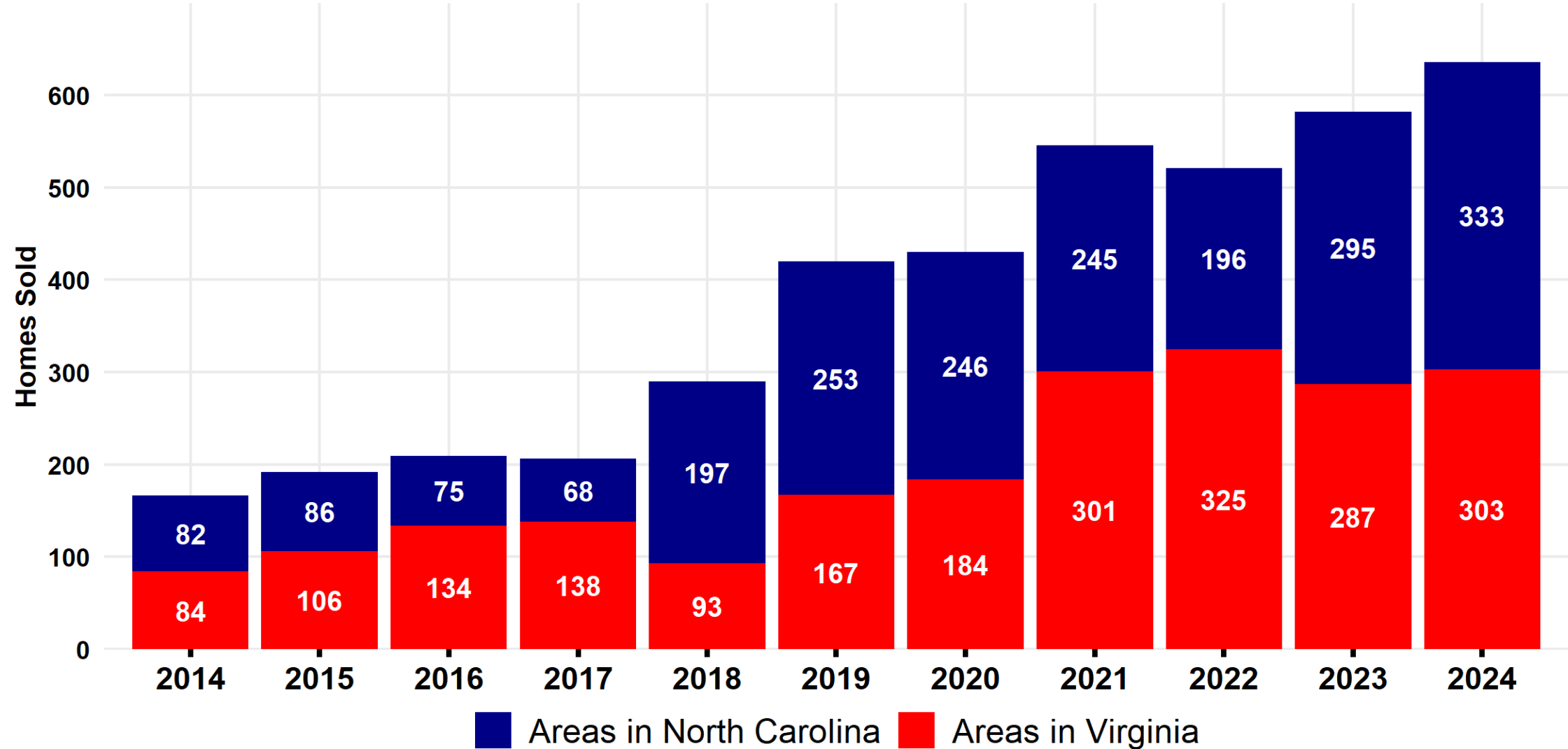


New Construction Home Sales Hampton Roads, 2000 - 2024



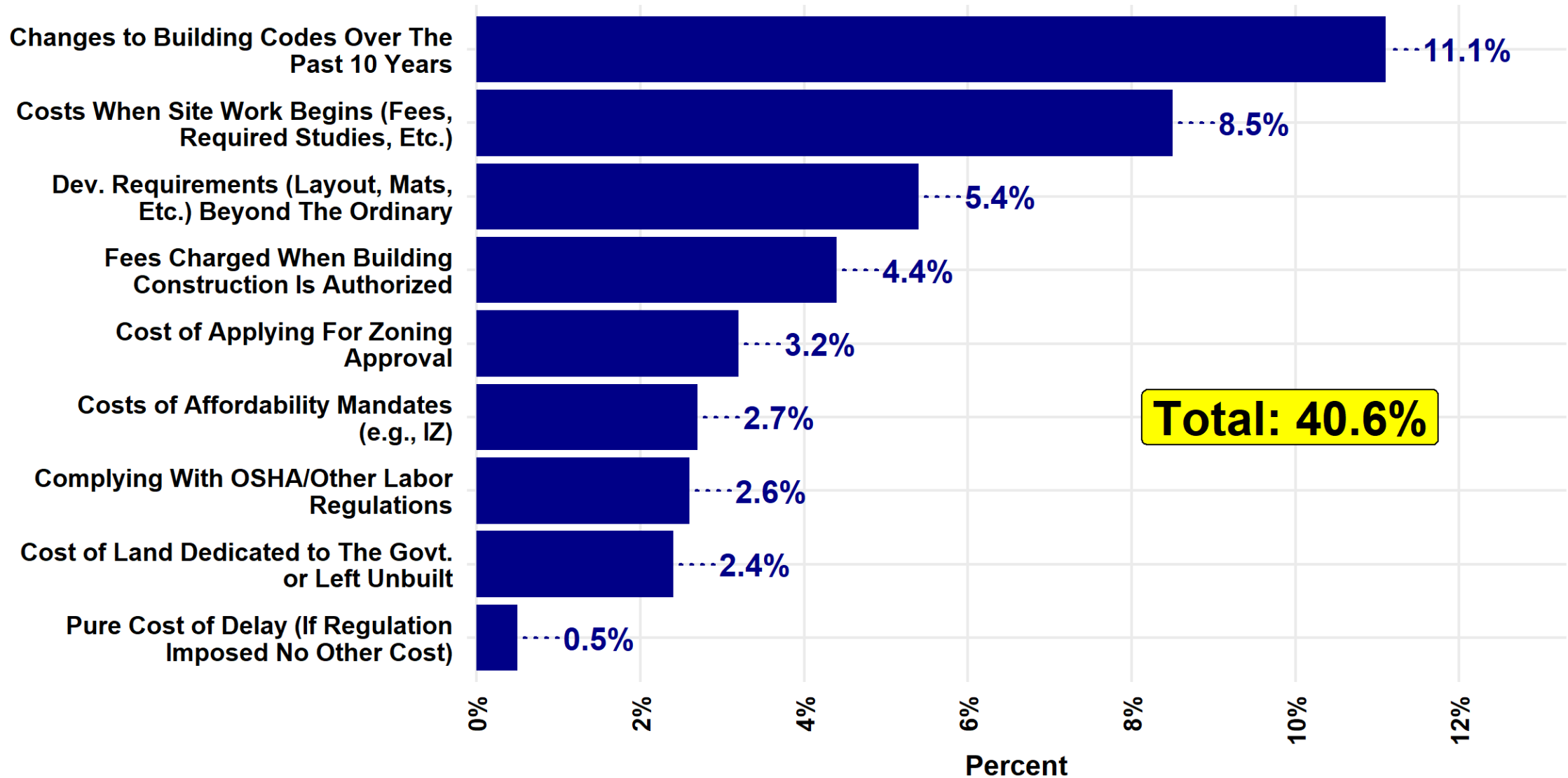
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

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



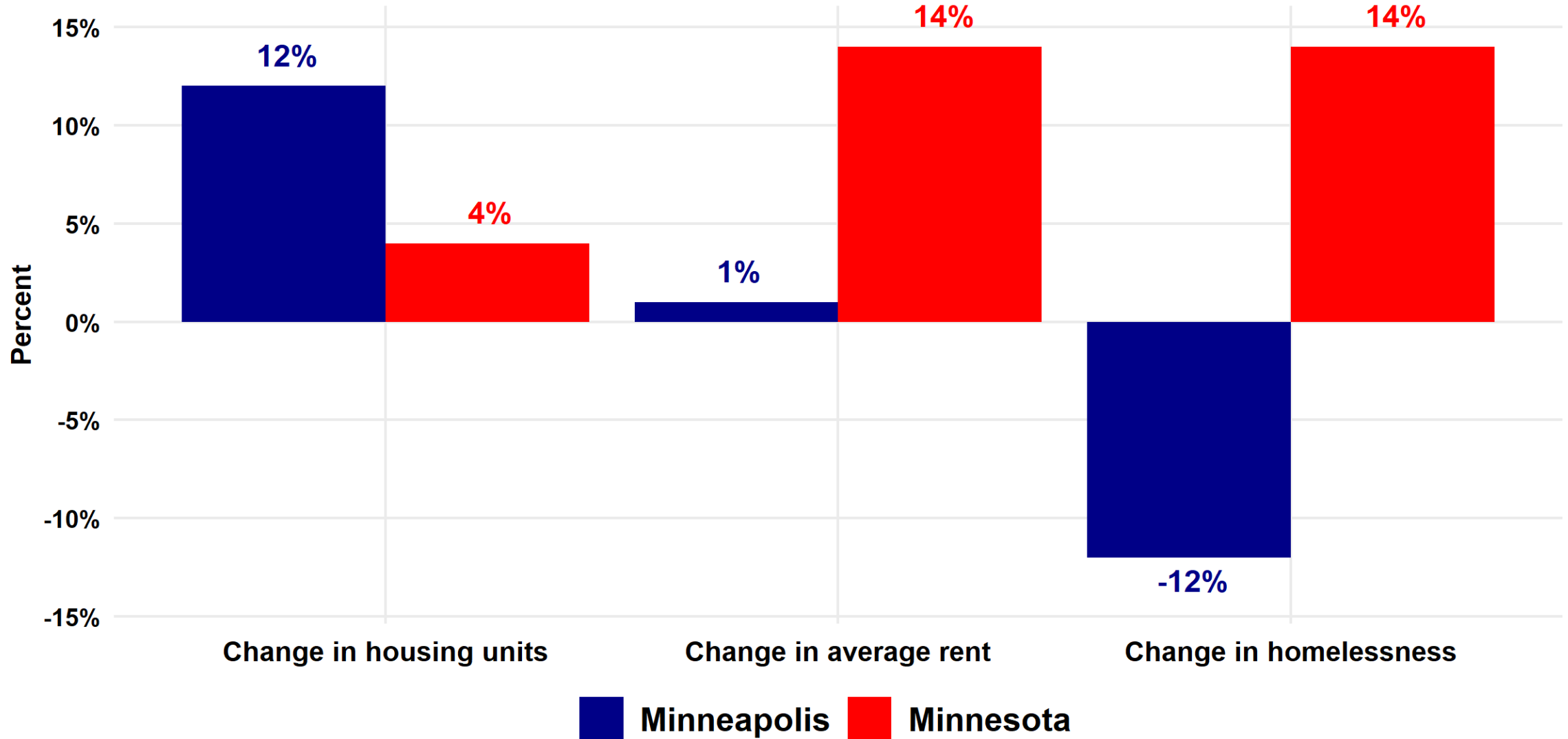
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. NC sales represent sales in Moyock, Currituck County, Camden County, Pasquotank County and Elizabeth City. Areas in VA include Northampton County, Smithfield, Isle of Wight County, Franklin, Southampton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

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



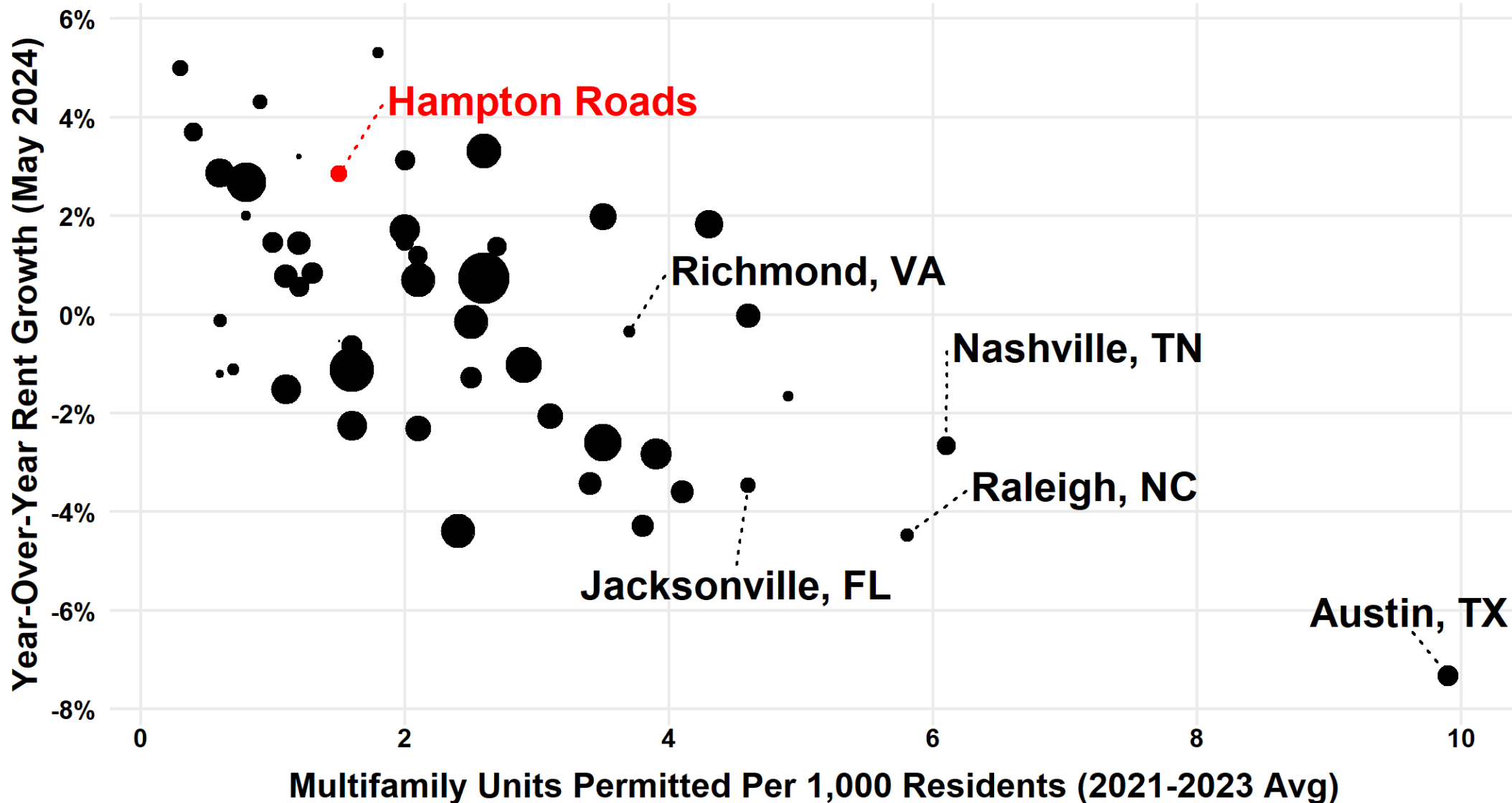
Sources: National Association of Home Builders (NAHB) and National Multifamily Housing Council (NMHC). Averages are across all multifamily properties, even those not subject to a particular type of regulation. Those are factored in as "0" when calculating.

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



Current Housing Environment in Hampton Roads YTD May 2024 to YTD May 2025

	<u>Percent Change</u>
# of Existing Homes Sold	-1.8%
# of New Homes Sold	-15.0%
Median Sale Price	4.0%
New Listings	7.6%
Inventories of Existing Homes	29.9%
Market Time	9.3%
Months of Supply	29.6%

^a 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.

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 increase at a much slower pace.
- 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 changes 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

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