



2026 Annual Economic Forecast

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Dragas Center for Economic Analysis and Policy

Strome College of Business

Old Dominion University

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I will cover current economic conditions in the United States and Virginia. I will focus on labor markets and how policy uncertainty may influence economic growth in 2026 and beyond.

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

We will conclude with questions from the audience about how the nation, Virginia, and Hampton Roads may fare in 2026.

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

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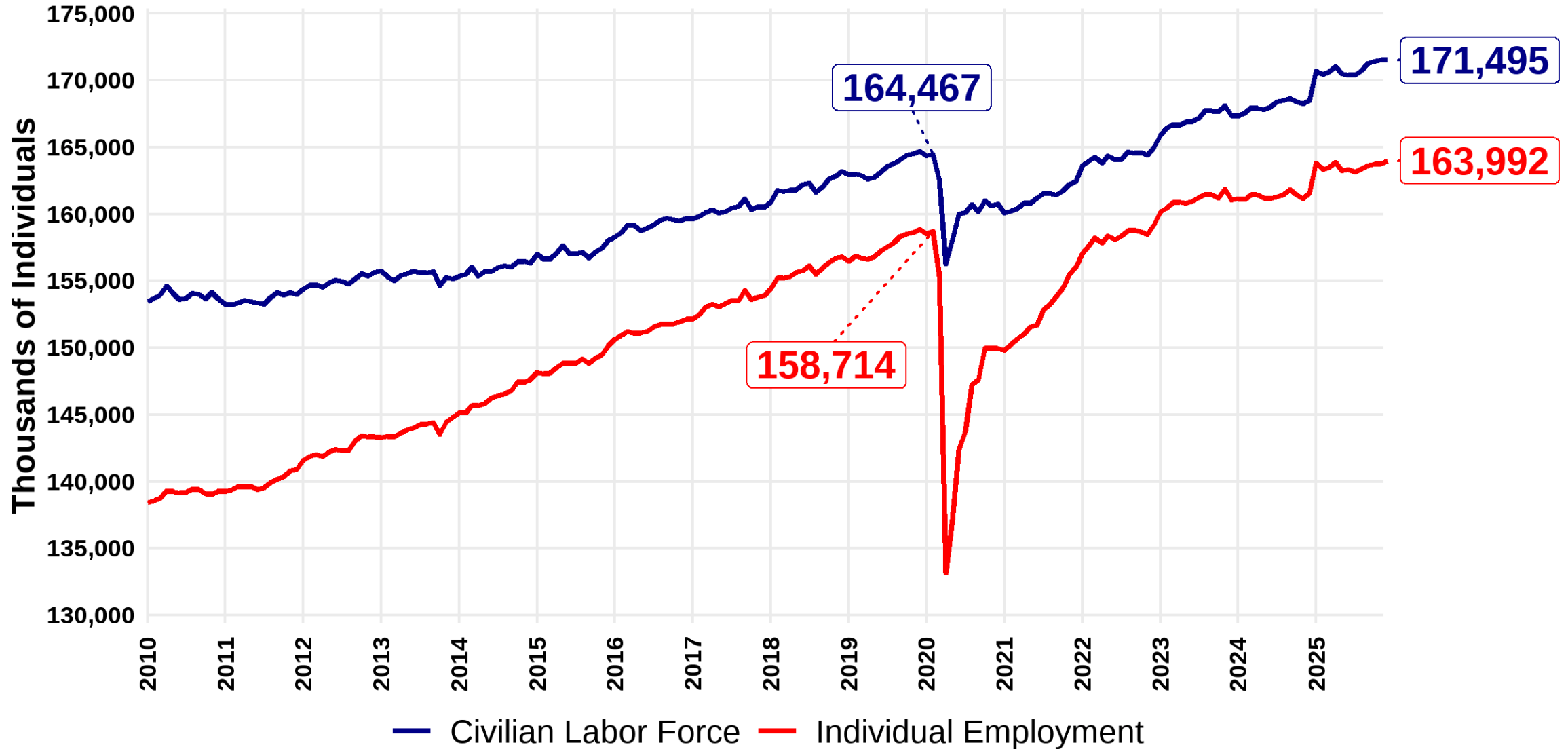
Our commentary and projections do not constitute official viewpoints of the Commonwealth of Virginia, Old Dominion University, its President, Brian O. Hemphill, Ph.D., the Board of Visitors, the Strome College of Business, or the generous donors who support the activities of the Dragas Center for Economic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

Employment Situation



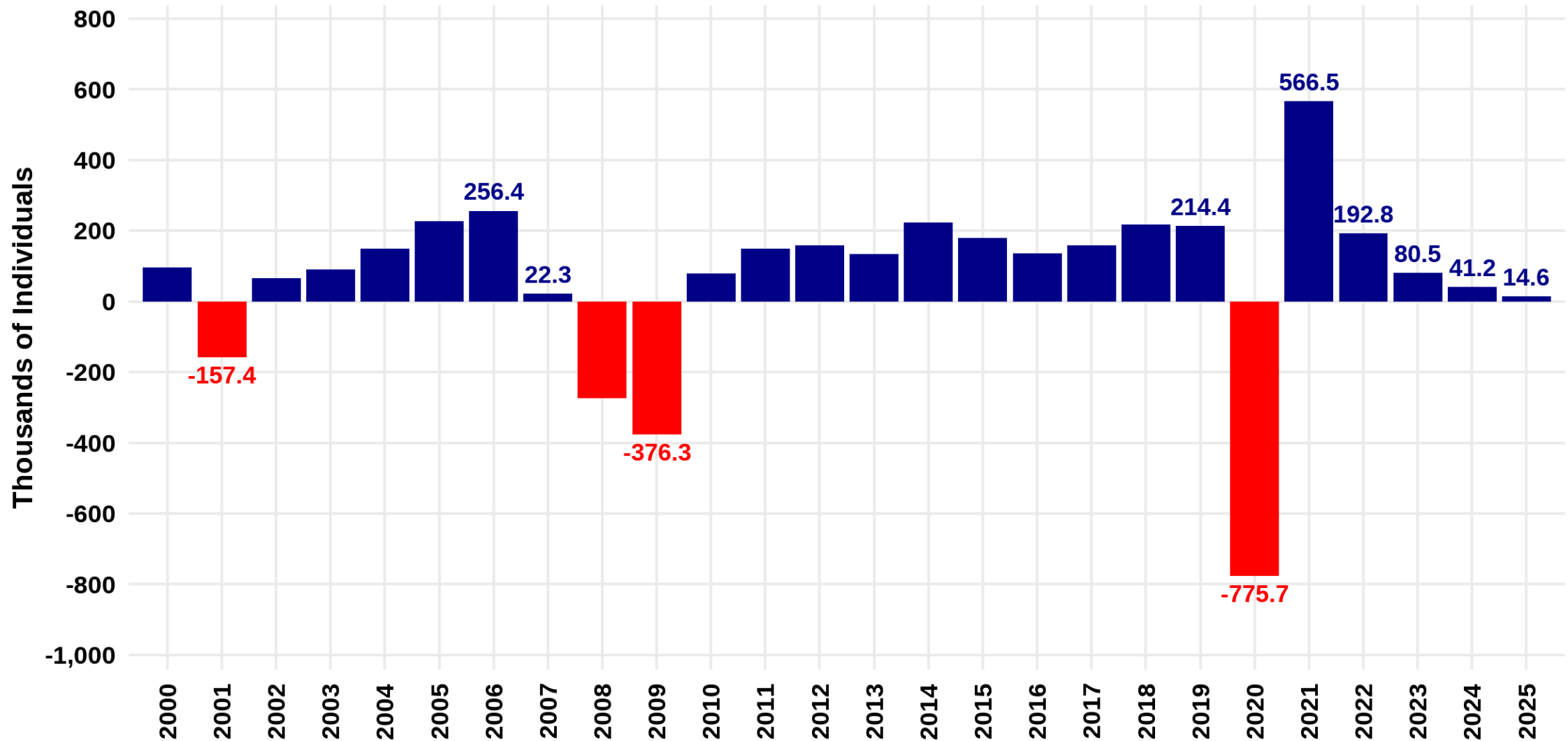
Civilian Labor Force and Individual Employment

United States, January 2010 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Missing data for October 2025 are linearly extrapolated.

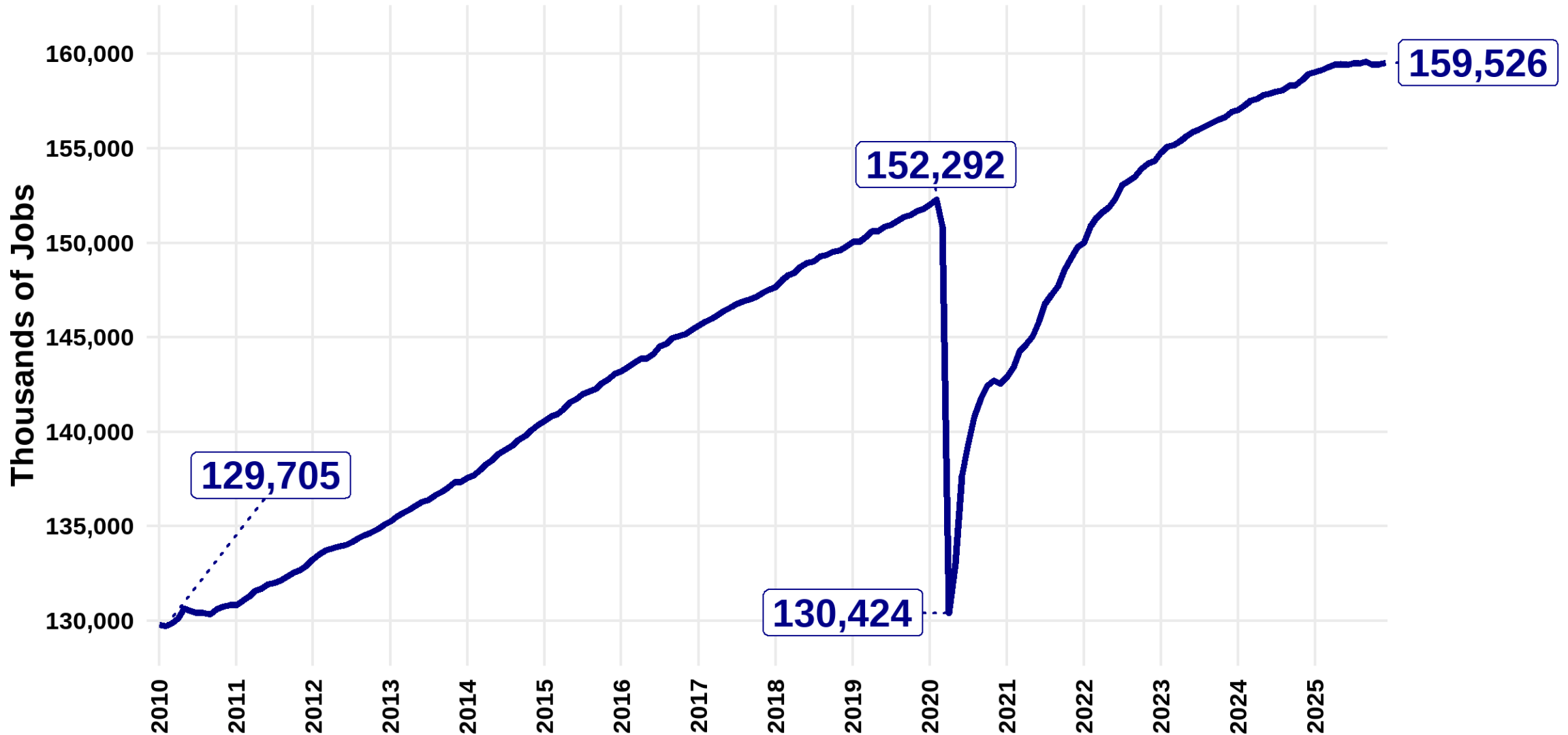
Average Monthly Change in Individual Employment United States, 2000 - 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. January is excluded as the BLS adjusts labor force and employment estimates in January. In January 2025, the employment adjustment was 2.0 million. Missing data for October 2025 are linearly extrapolated.

Nonfarm Payrolls

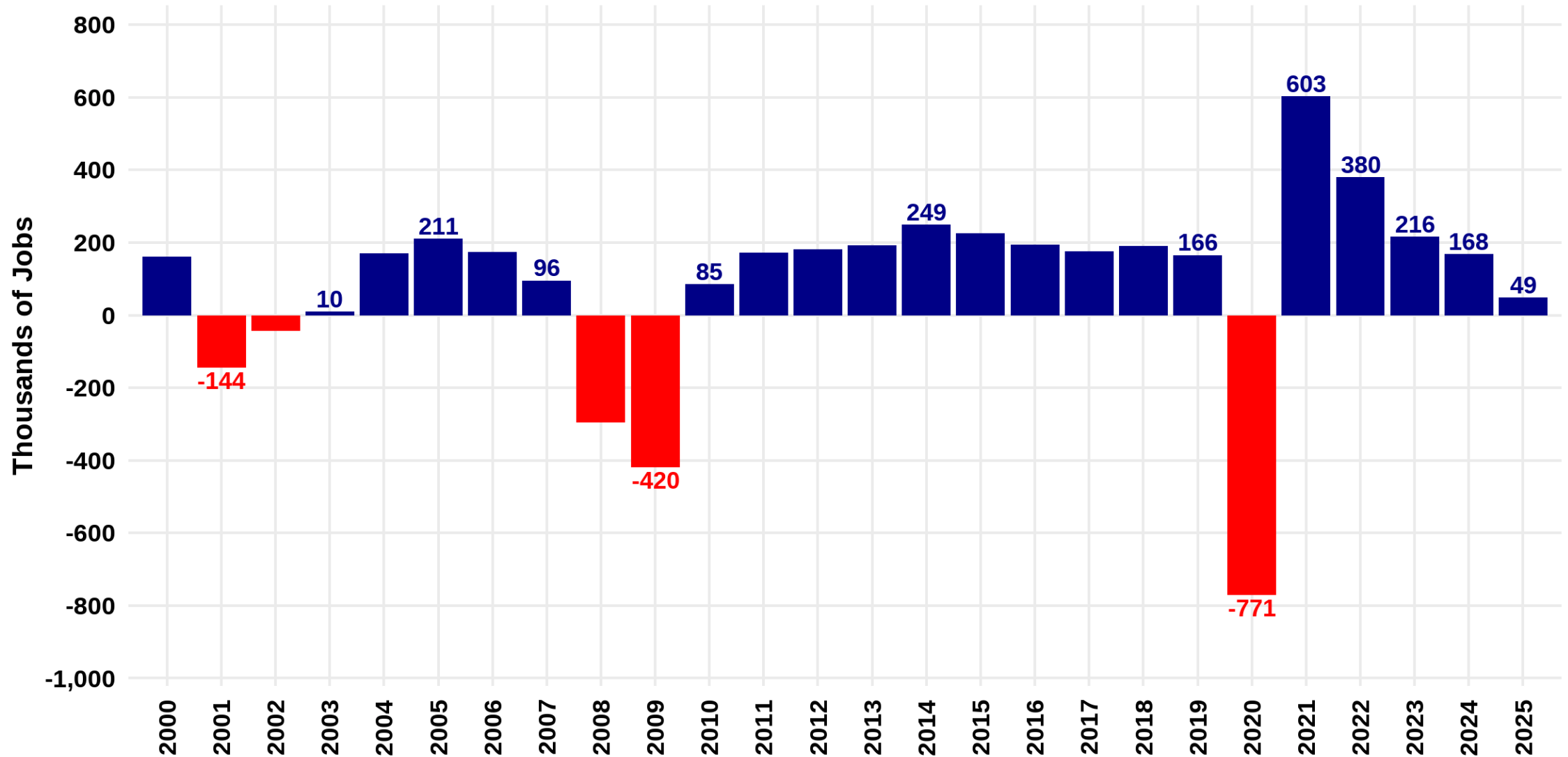
United States, January 2010 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data.

Average Monthly Change in Nonfarm Payrolls

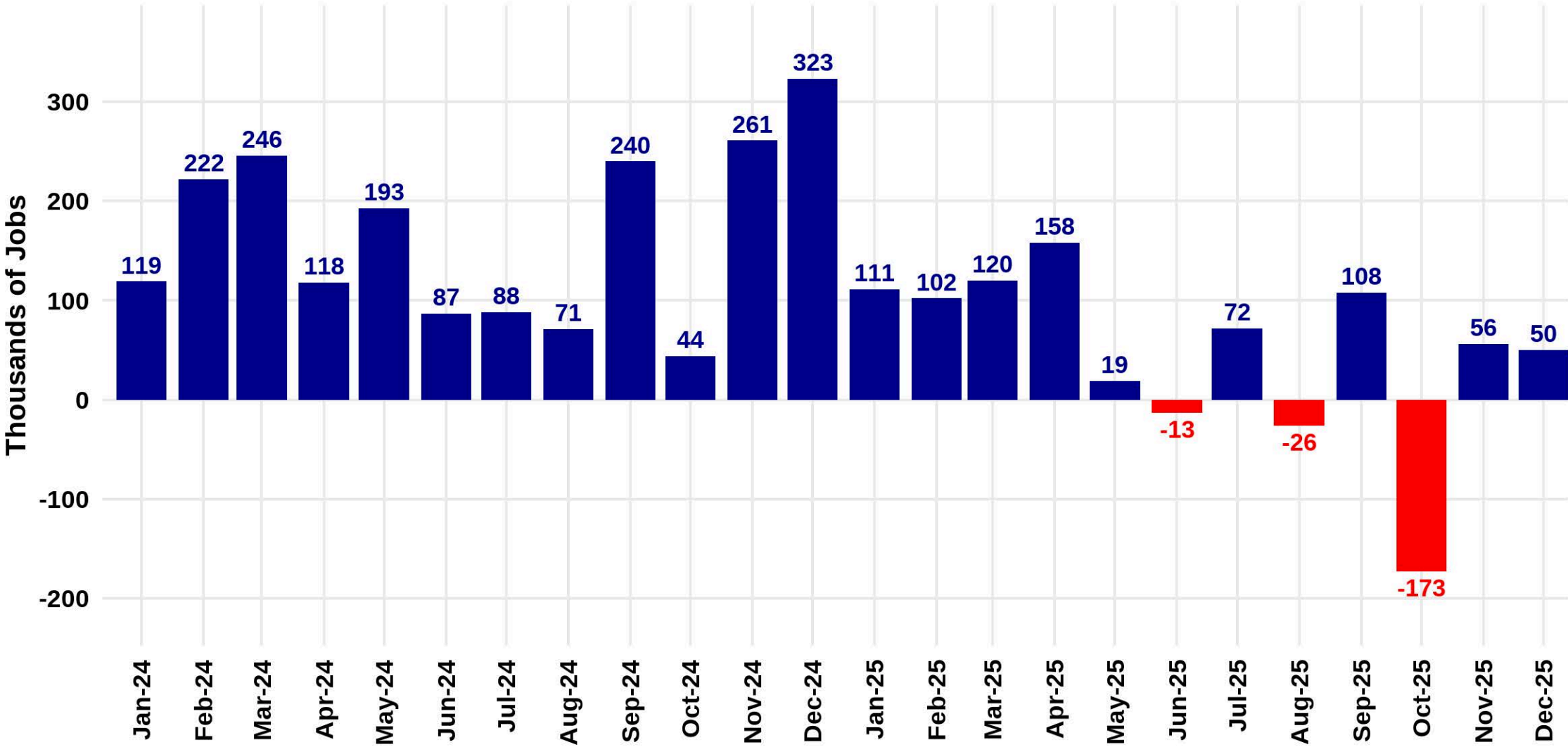
United States, 2000 - 2025



Source: Bureau of Labor Statistics, seasonally adjusted data.

Change in Nonfarm Payrolls

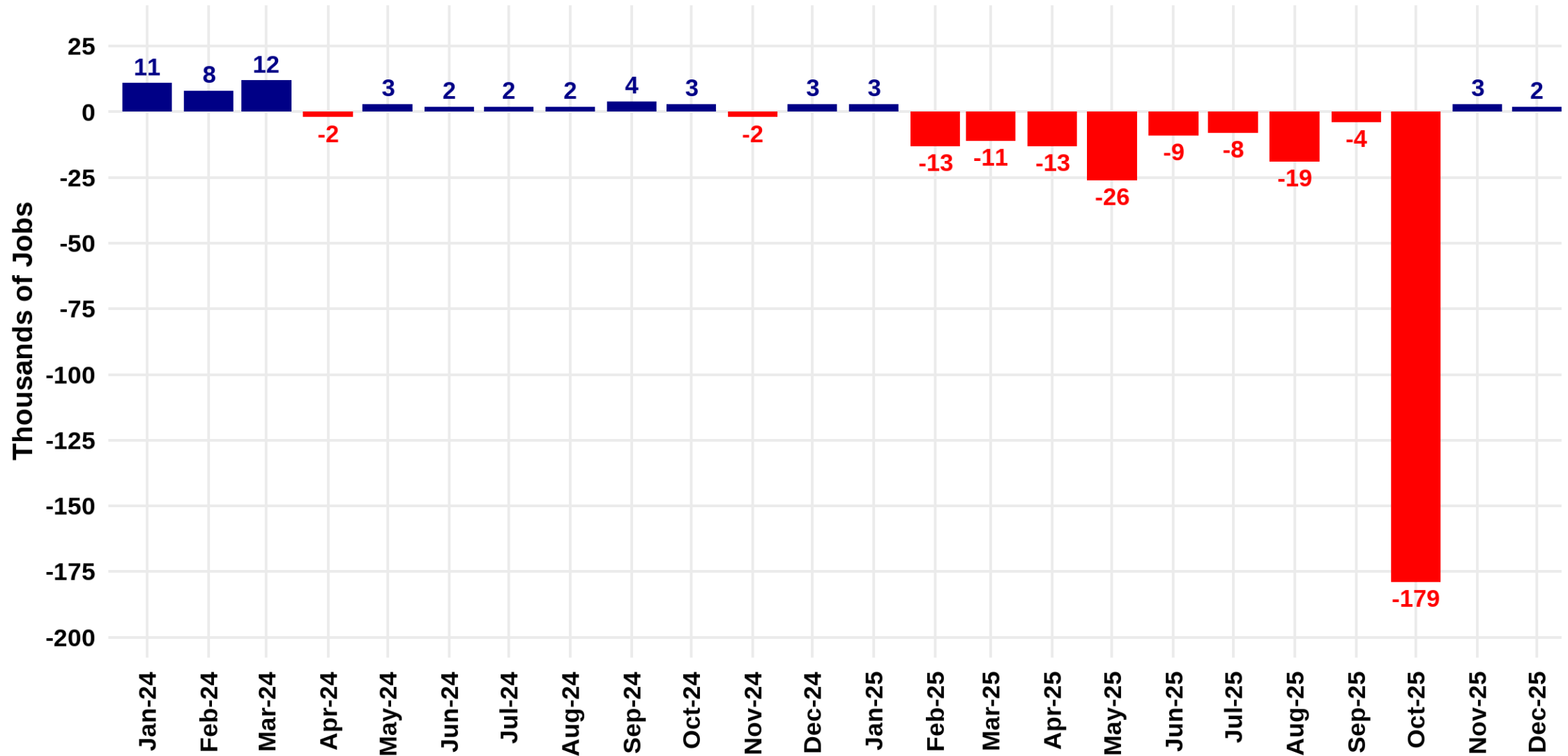
United States, January 2024 - December 2025



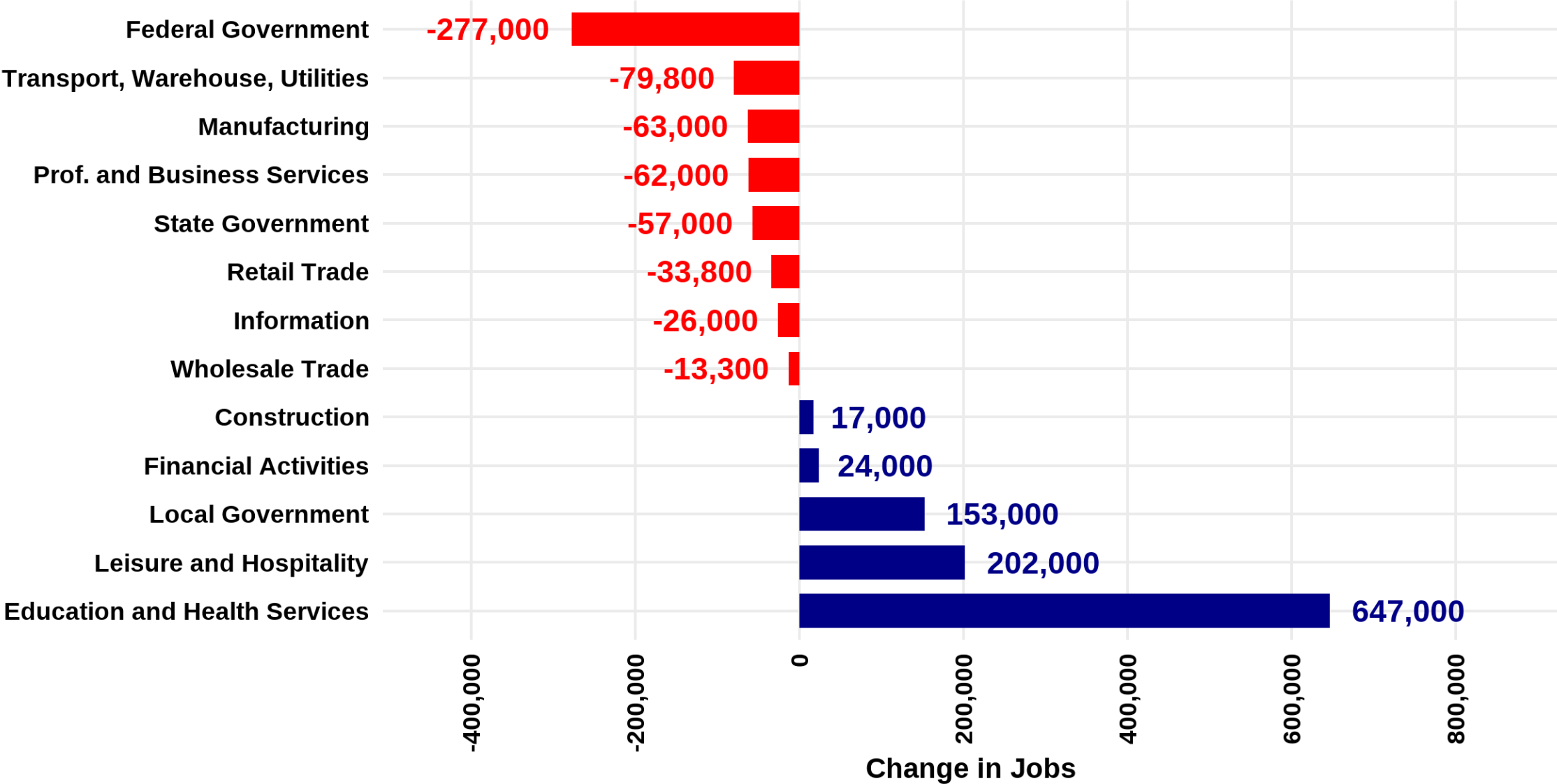
Source: Bureau of Labor Statistics, seasonally adjusted data.
Executive Order 14257 imposed a 10% baseline tariff on imports for nearly all countries effective April 5, 2025. It was paused, and modified by EO 14316 (and other announcements).

Change in Federal Civilian Payrolls

United States, January 2024 - December 2025

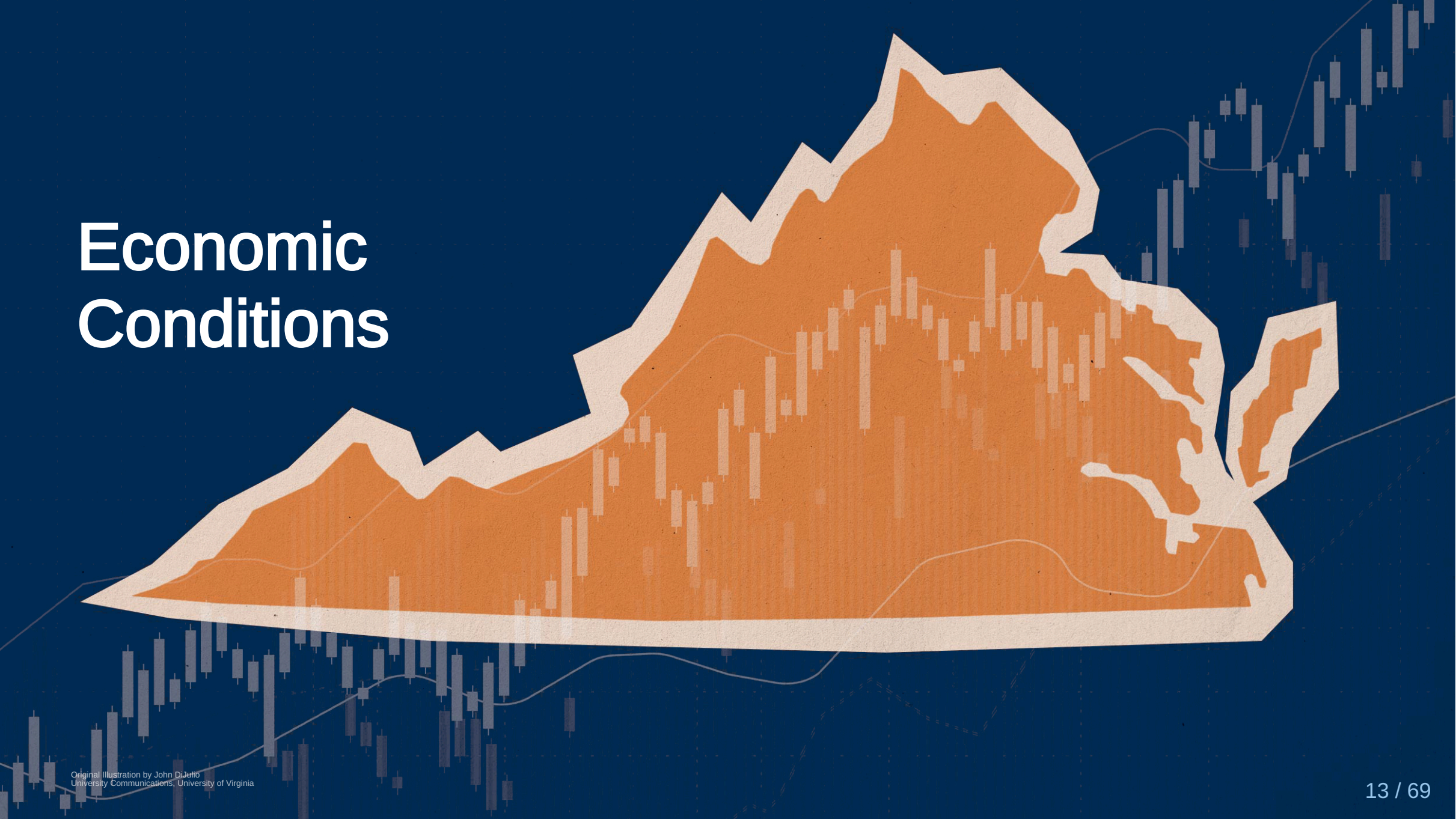


Change in Nonfarm Payrolls
United States, January 2025 - December 2025

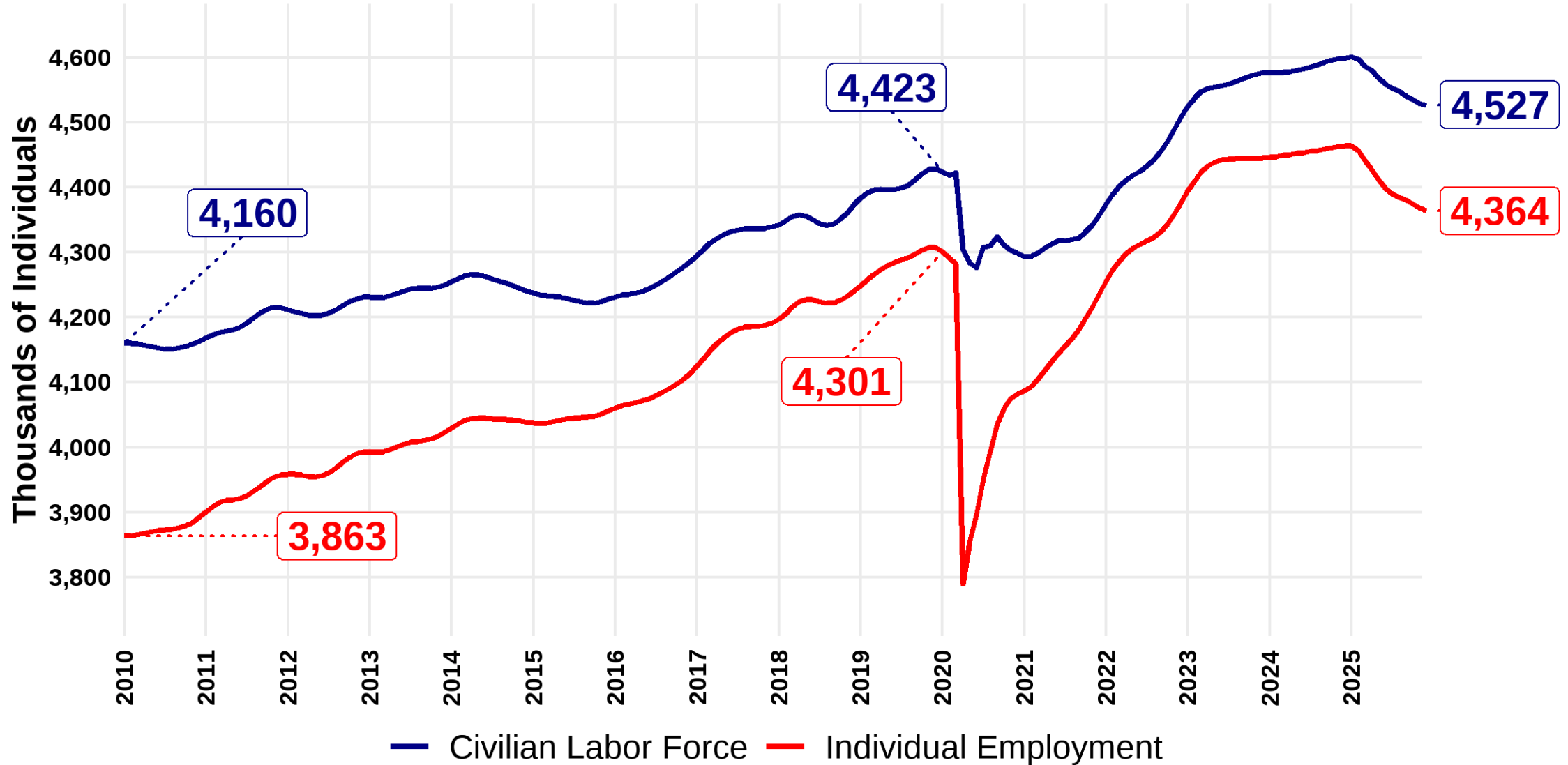


Source: Bureau of Labor Statistics, seasonally adjusted data.

Economic Conditions



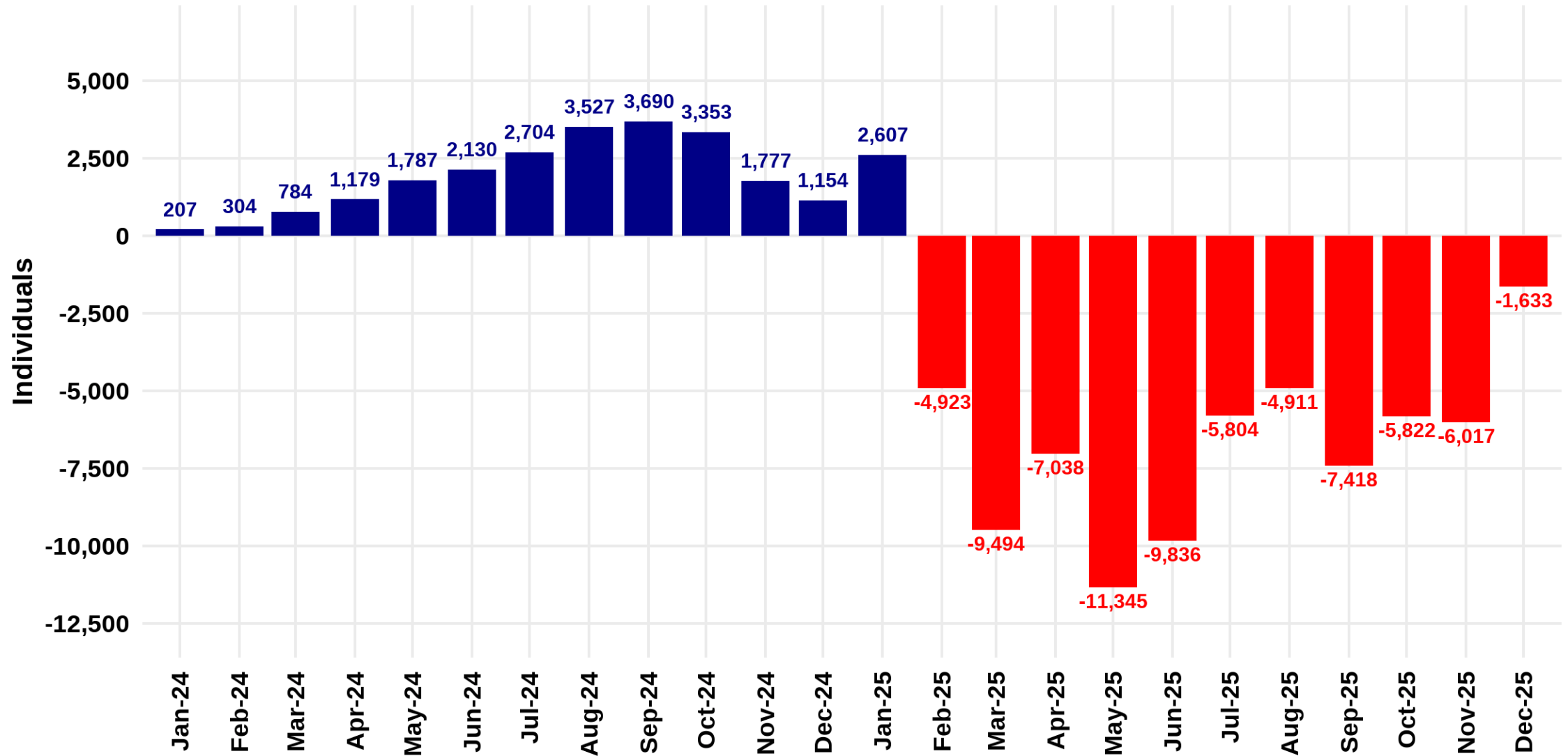
Civilian Labor Force and Individual Employment Virginia, January 2010 - December 2025



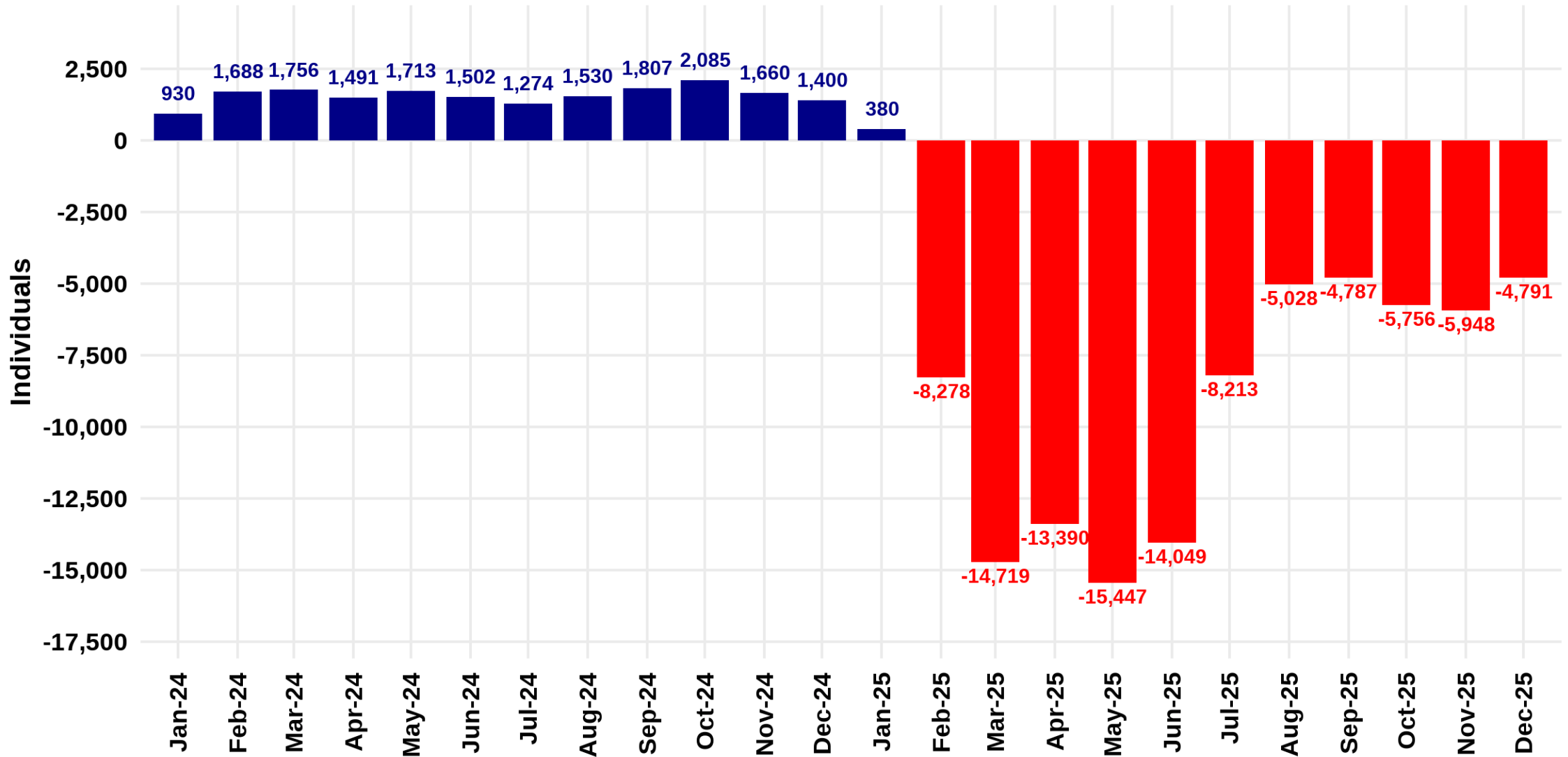
Source: Bureau of Labor Statistics, seasonally adjusted data. Missing data for October 2025 are linearly extrapolated.

Change in Civilian Labor Force

Virginia, January 2024 - December 2025

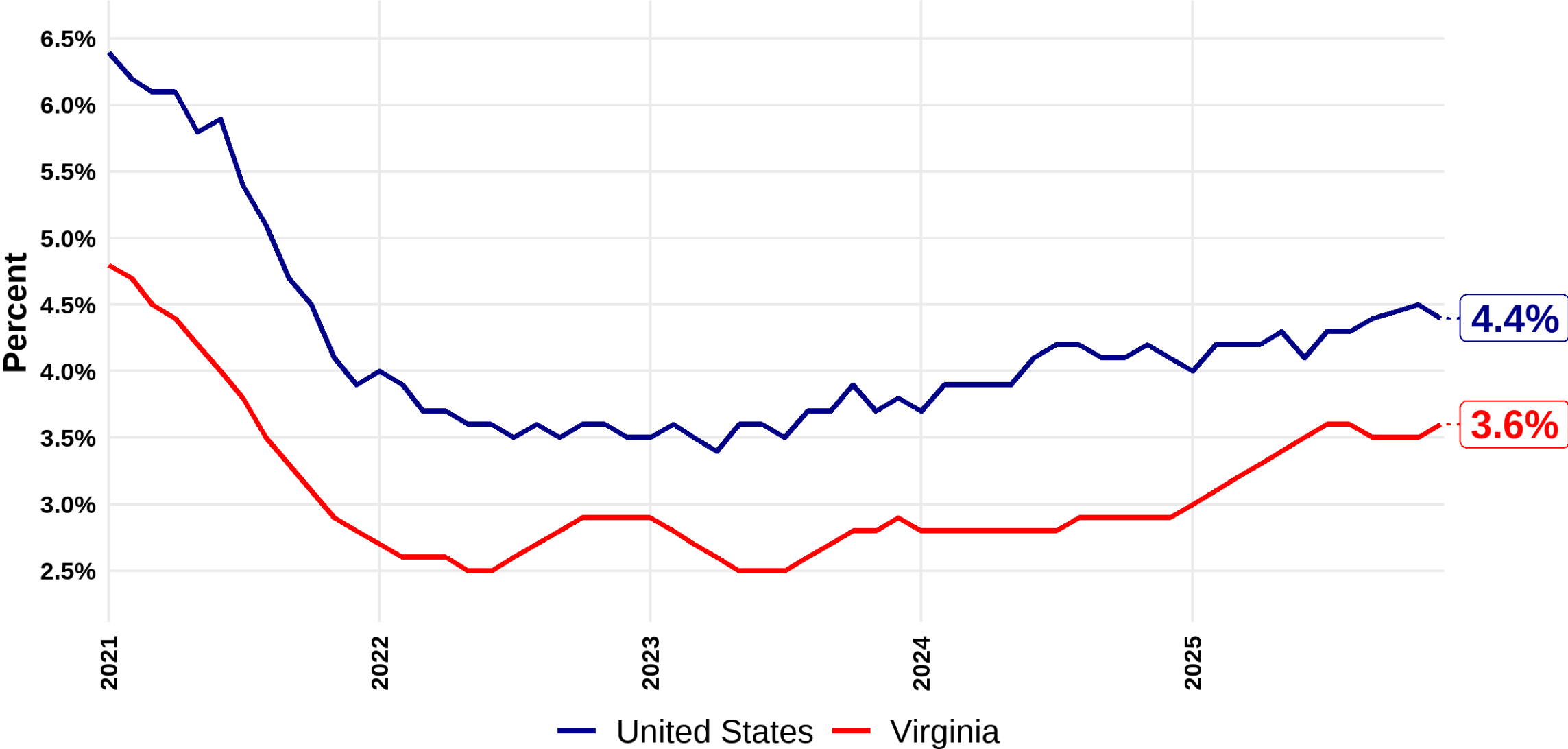


Change in Individual Employment Virginia, January 2024 - December 2025



Unemployment Rate (U3)

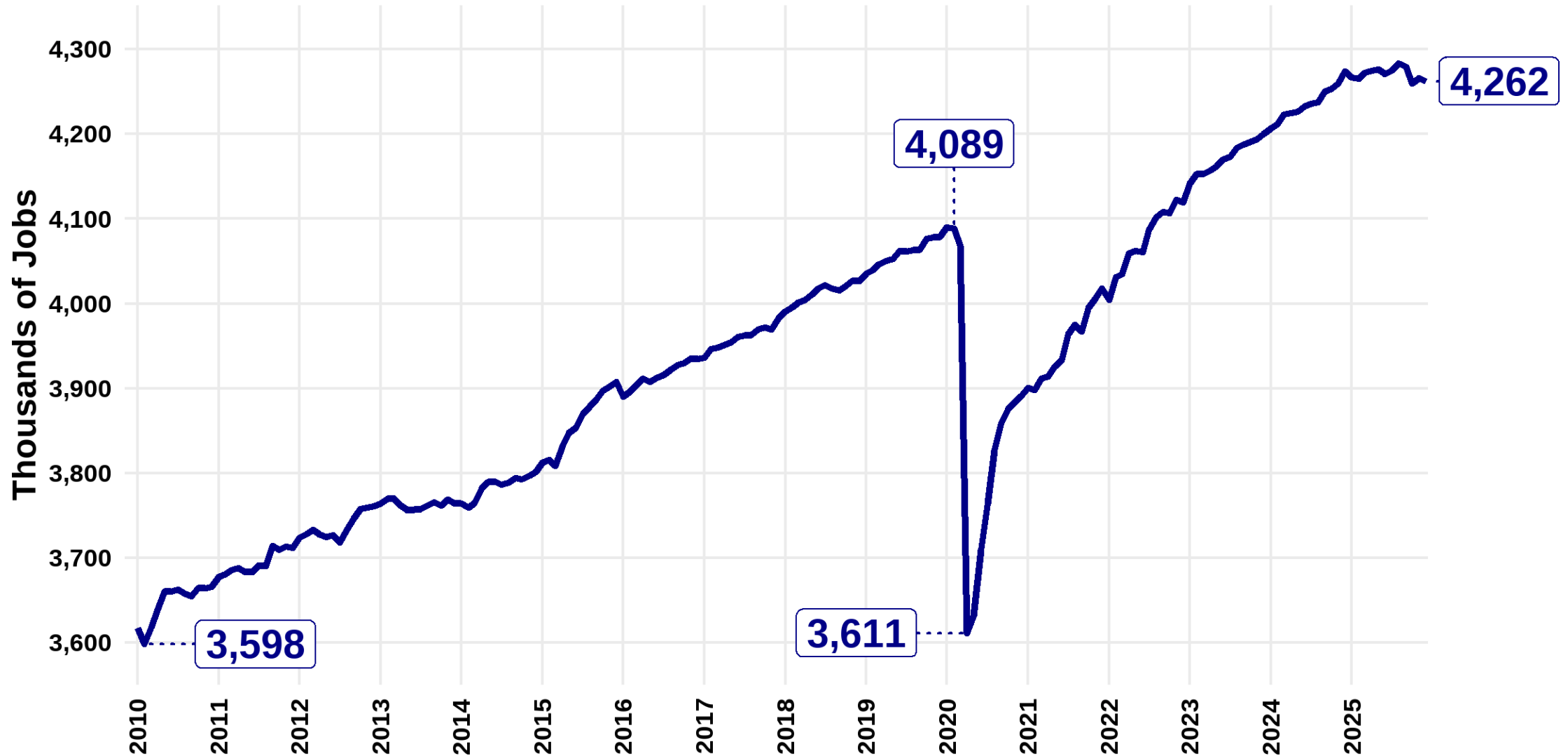
United States and Virginia, January 2021 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Missing data for October 2025 are linearly extrapolated. December data for Virginia are preliminary.

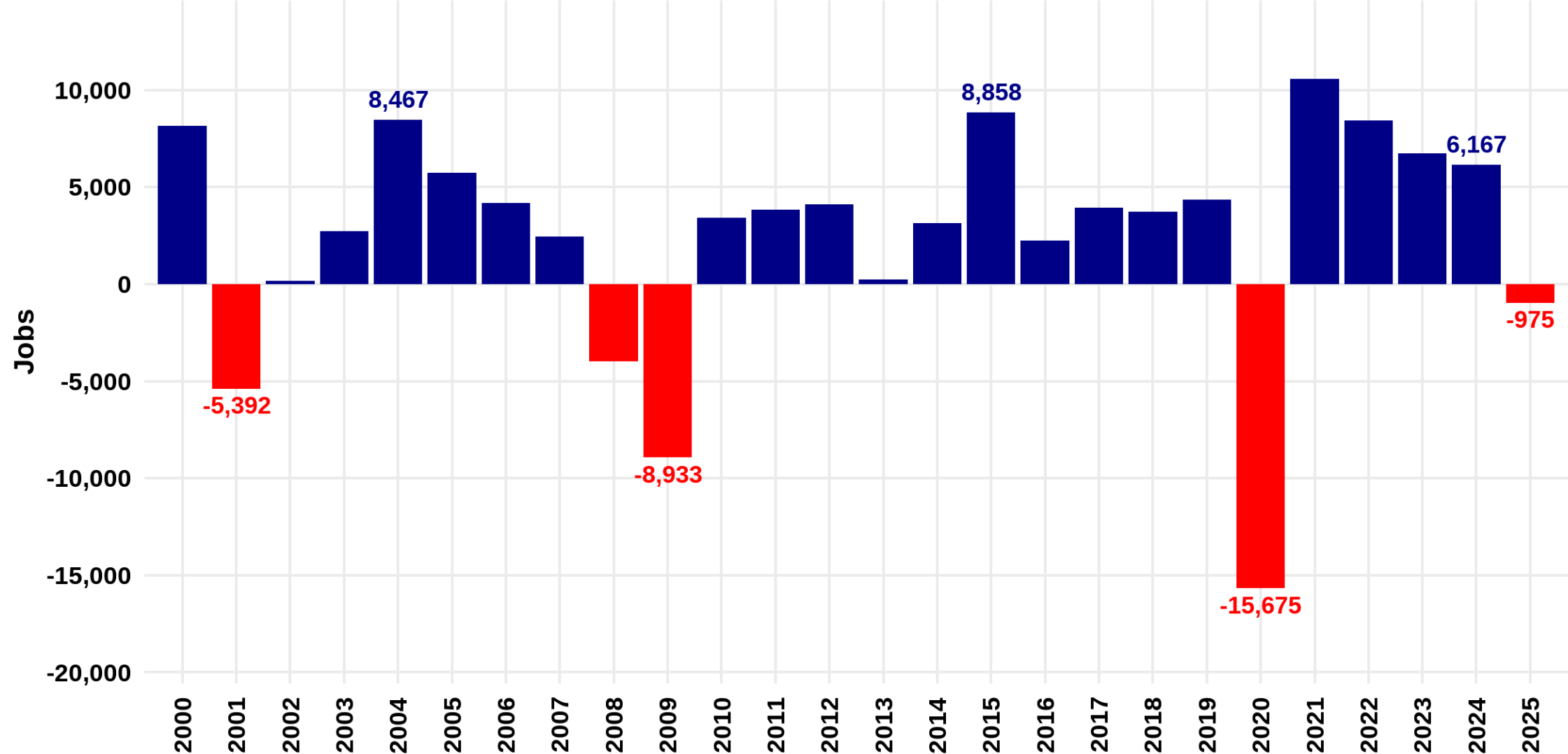
Nonfarm Payrolls

Virginia, January 2010 - December 2025



Average Monthly Change in Nonfarm Payrolls

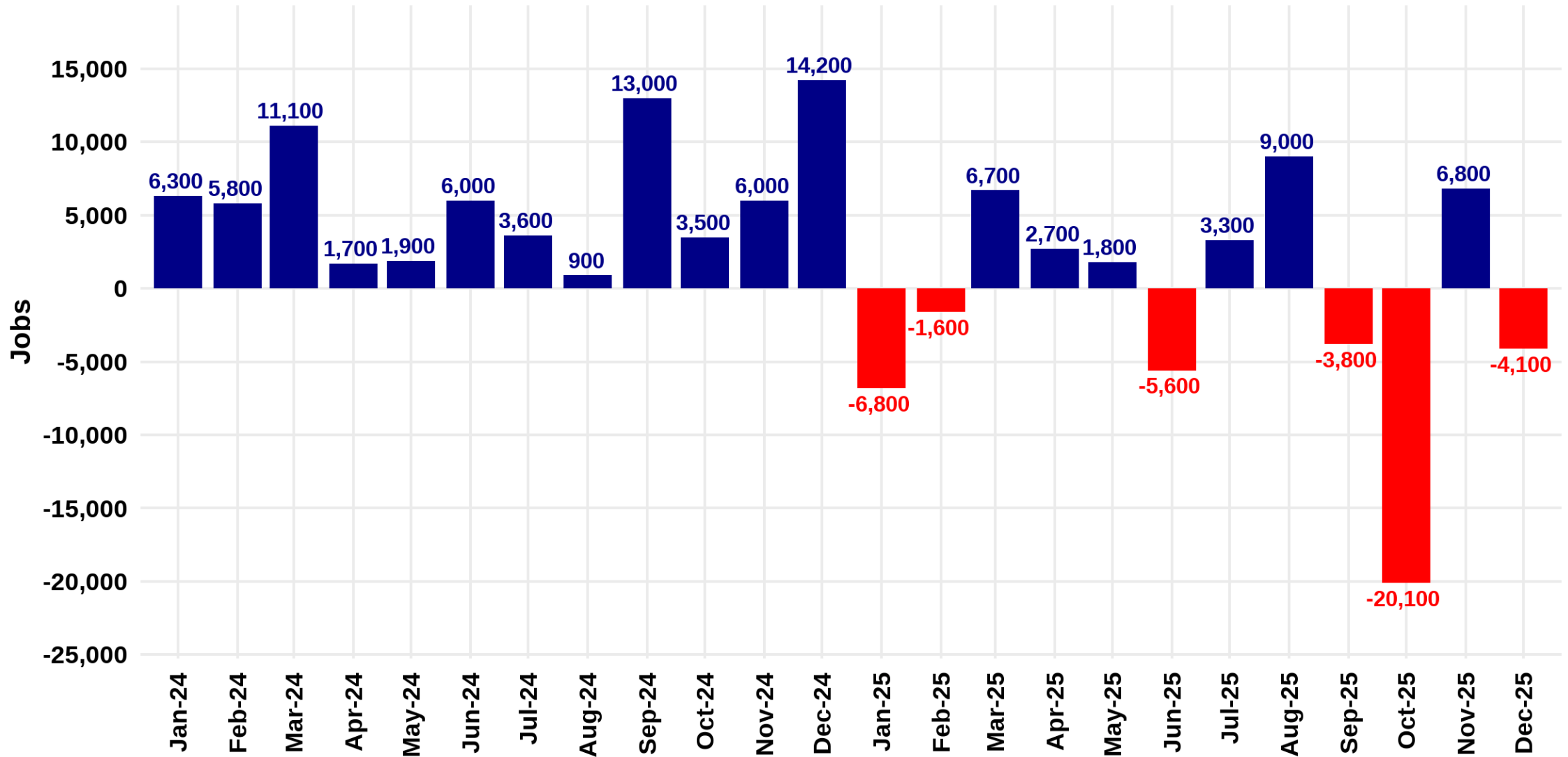
Virginia, 2000 - 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Data for December are preliminary.

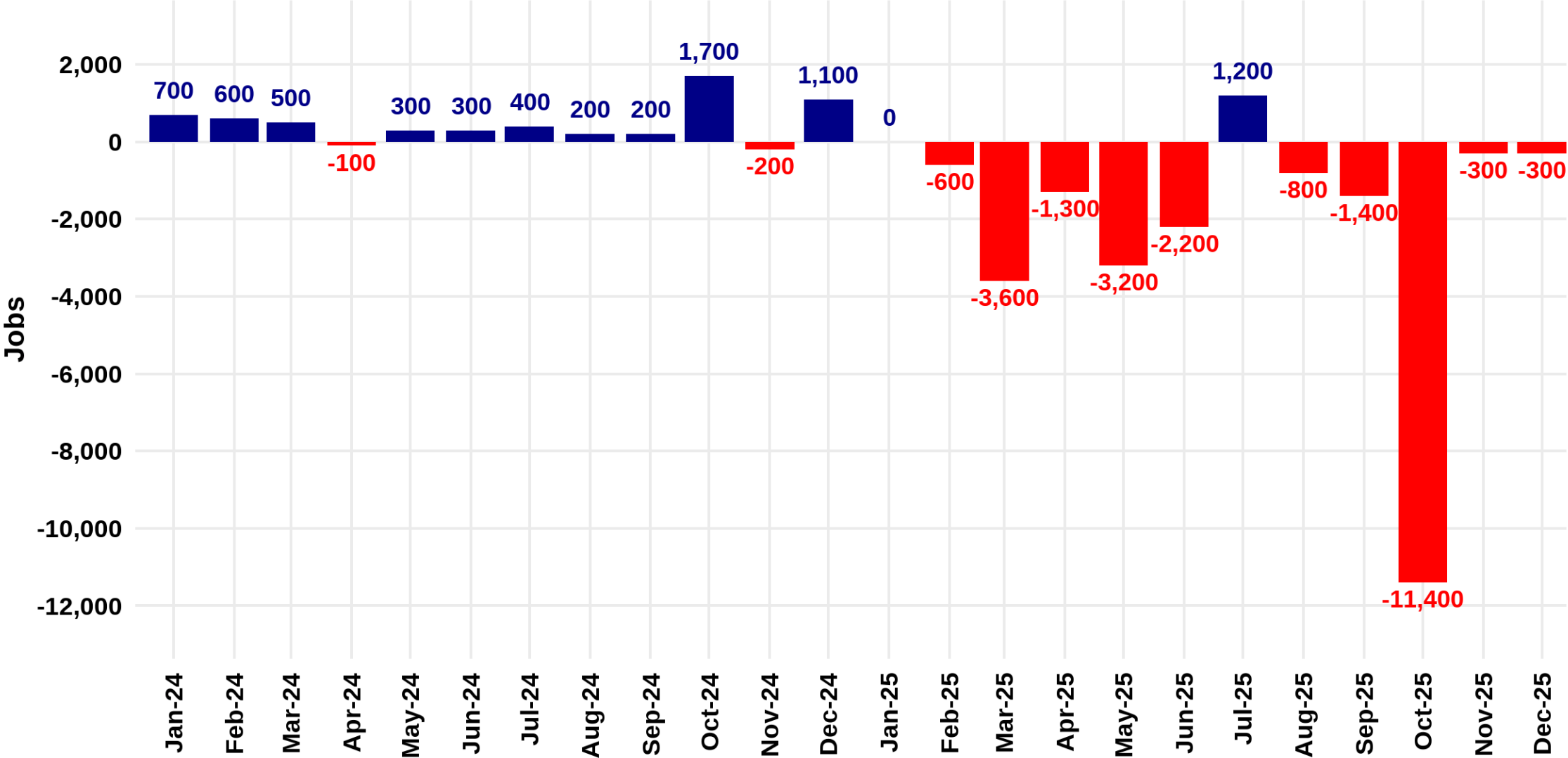
Change in Nonfarm Payrolls

Virginia, January 2024 - December 2025



Change in Federal Civilian Payrolls

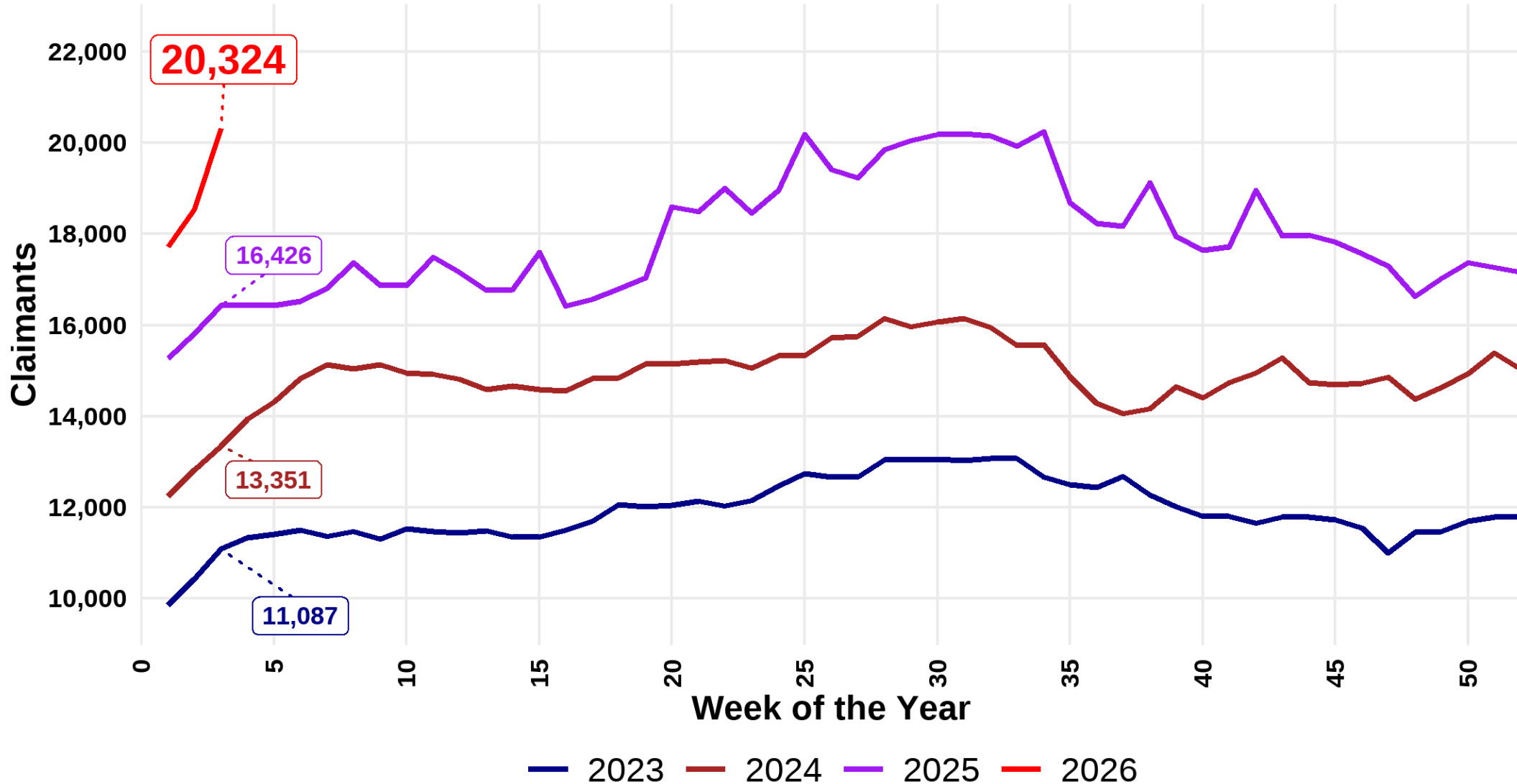
Virginia, January 2024 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Data for December are preliminary.

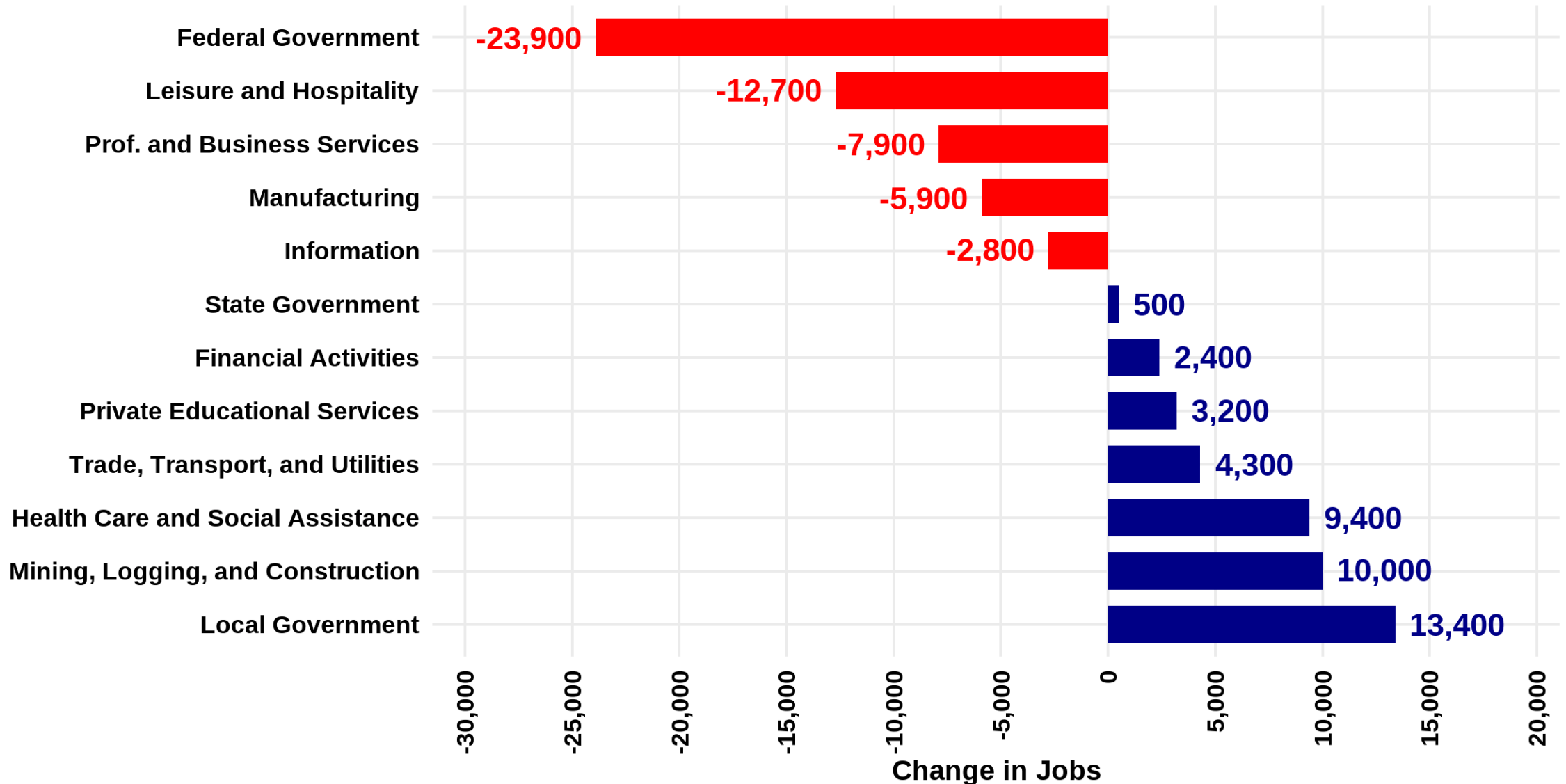
Weekly Unemployment Continued Claims

Virginia, January 7, 2023 - January 17, 2026



Nonfarm Jobs Gained/Lost

Selected Sectors in Virginia, January 2025 - December 2025



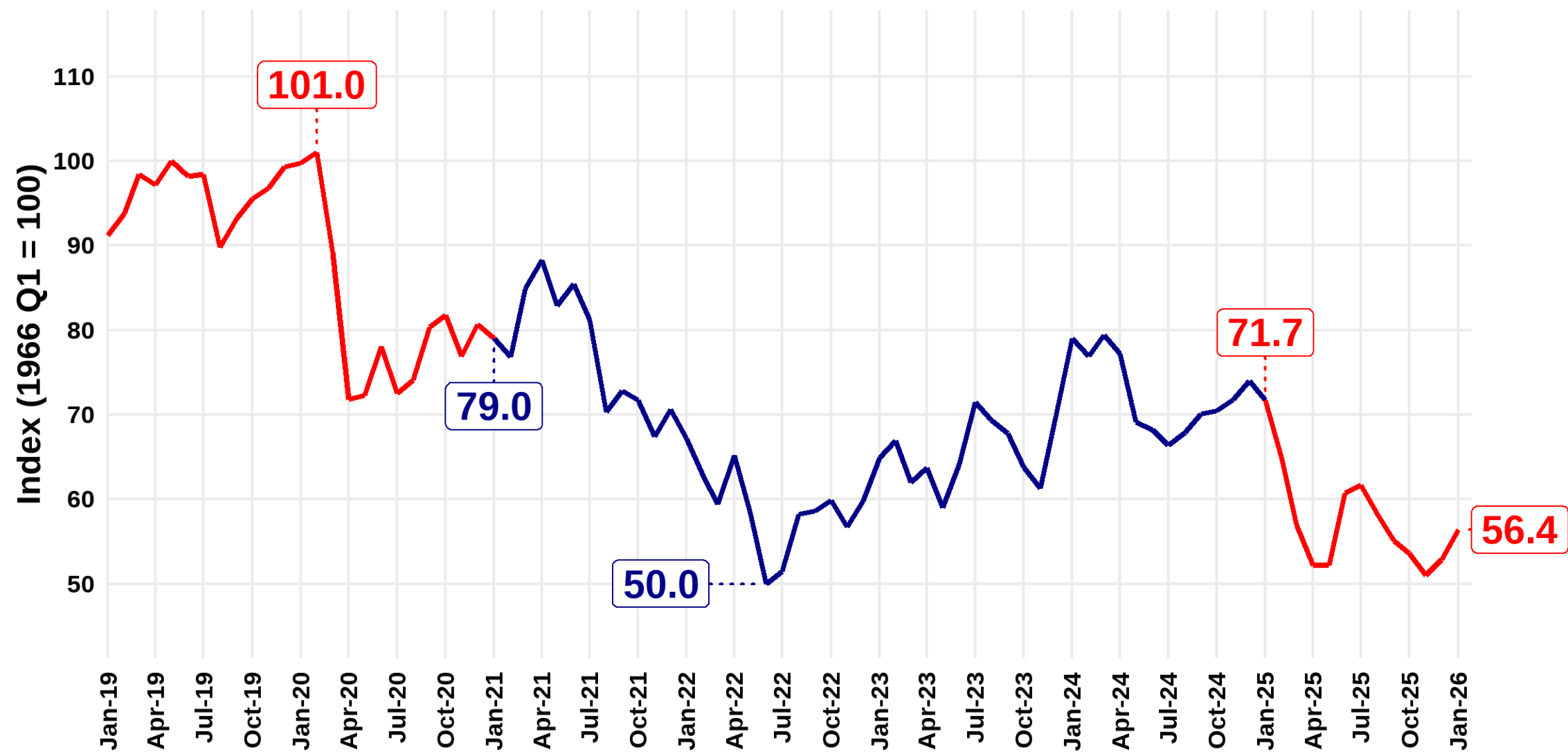
Source: Bureau of Labor Statistics, seasonally adjusted data. Data for December are preliminary.

A person wearing a dark blue coat is holding a metal shopping basket in a grocery store aisle. The shelves are filled with various products, and the background is slightly blurred. The text "Sentiment and Inflation" is overlaid in white.

Sentiment and Inflation

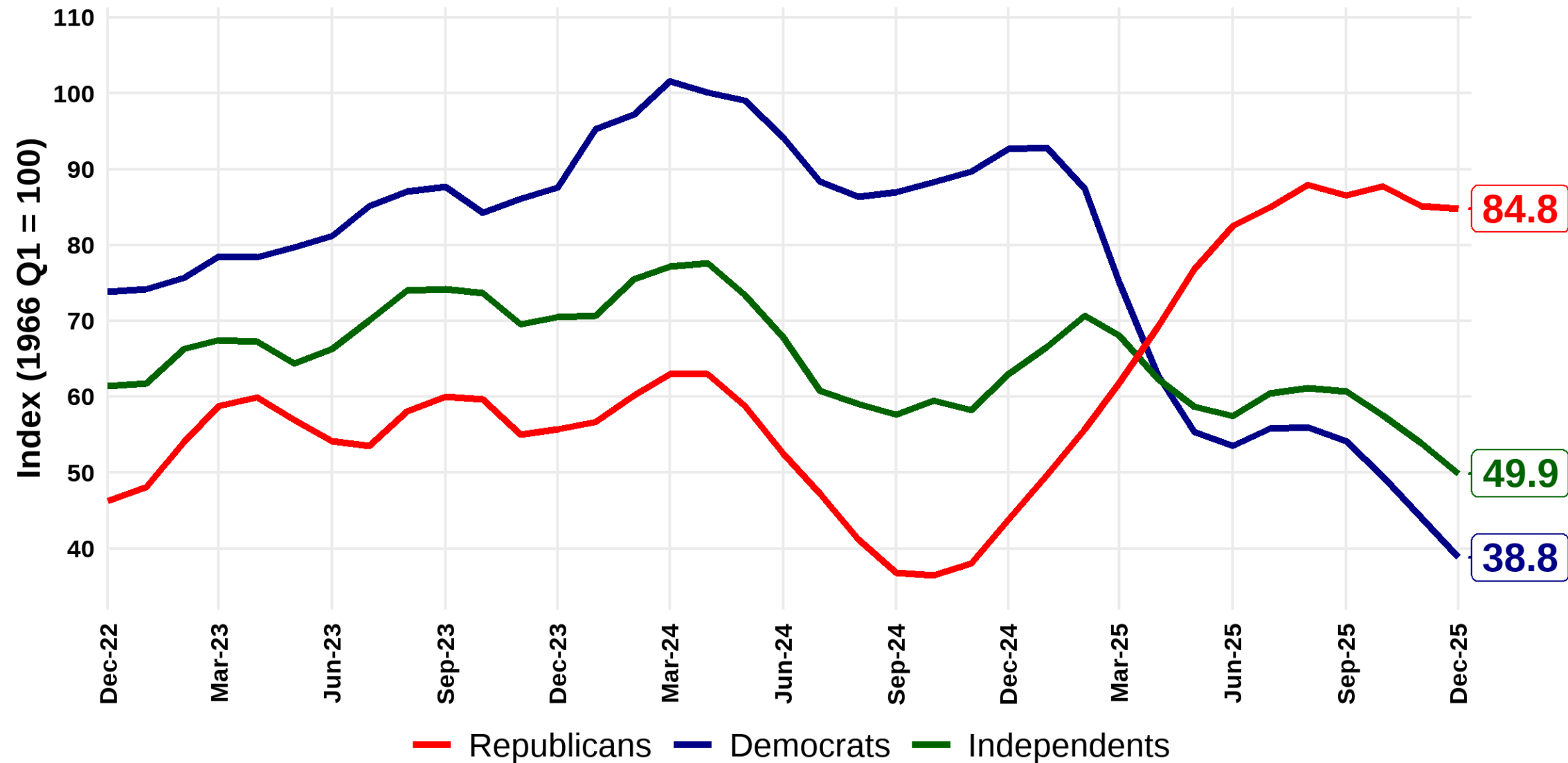
University of Michigan: Consumer Sentiment

United States, January 2019 - January 2026



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

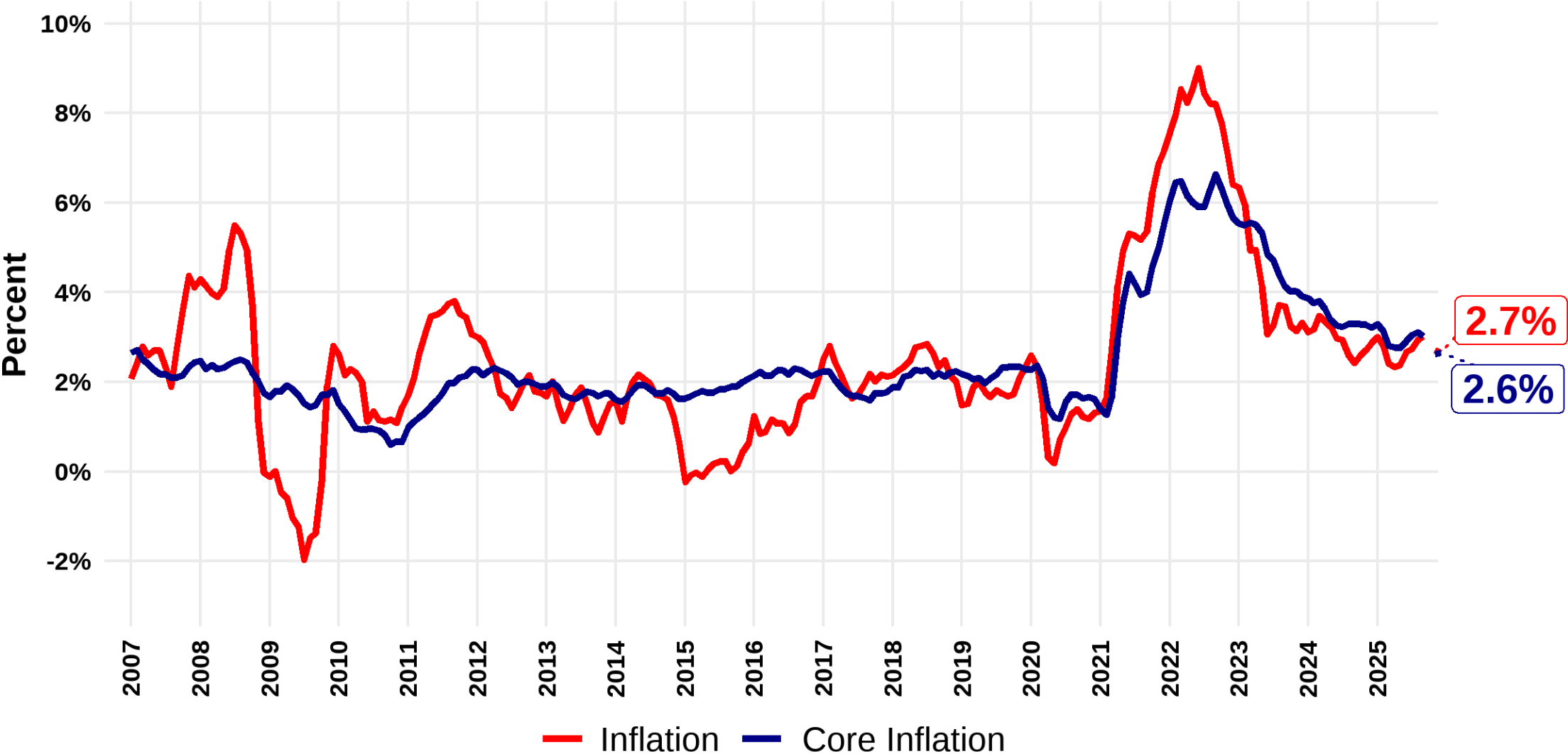
Political Party Affiliation: Current Economic Conditions
United States, December 2022 - December 2025



Source: University of Michigan, Surveys of Consumers, non-seasonally adjusted data. Values reflect a three-month moving average.

Monthly Inflation

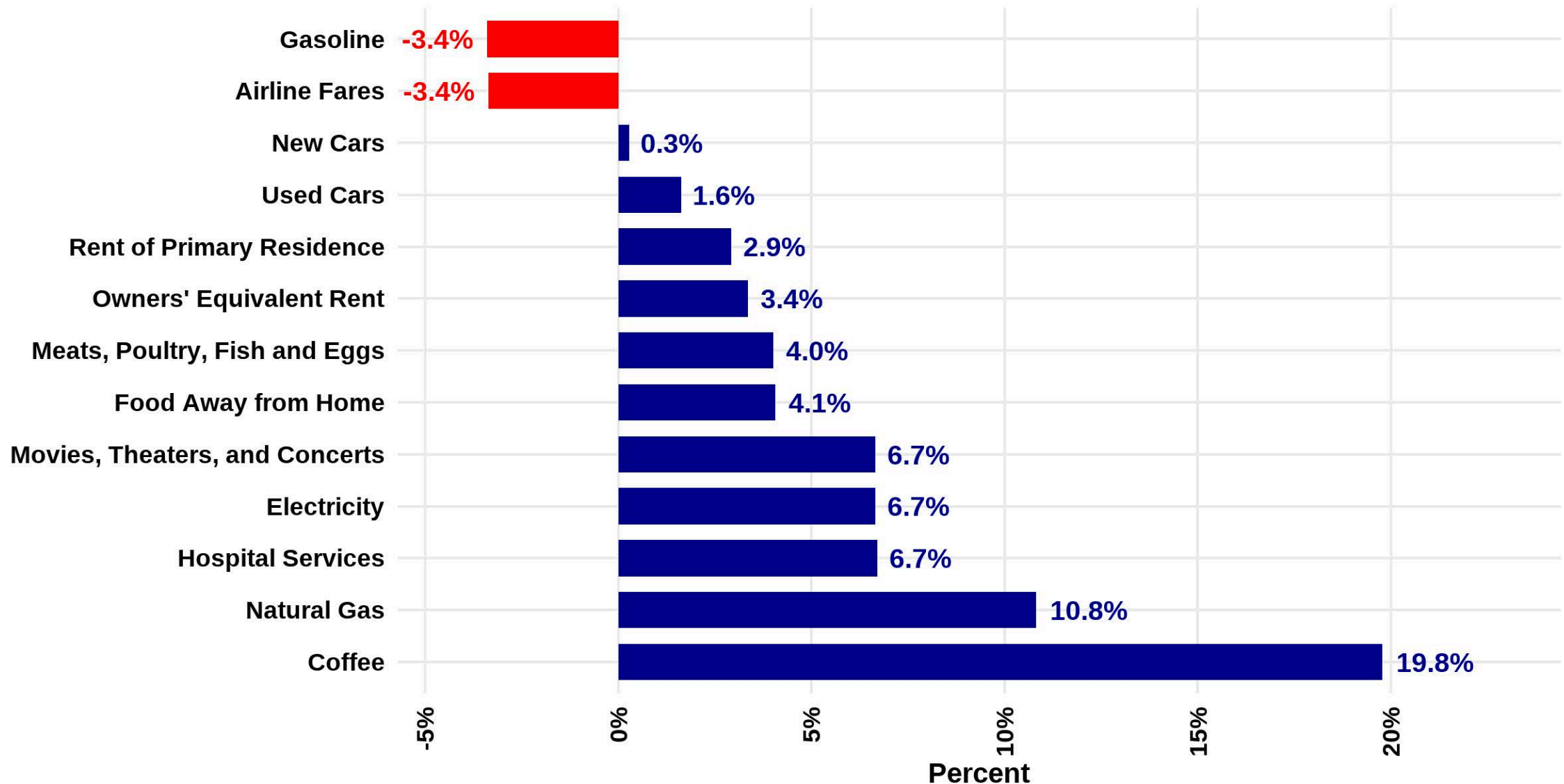
United States, January 2007 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Monthly inflation is equal to the monthly year-over-year change in the Consumer Price Index (CPI). Core inflation does not include the food and energy sectors. Due to the lapse in appropriations, the BLS assumed that no price increases occurred for many categories in October 2025.

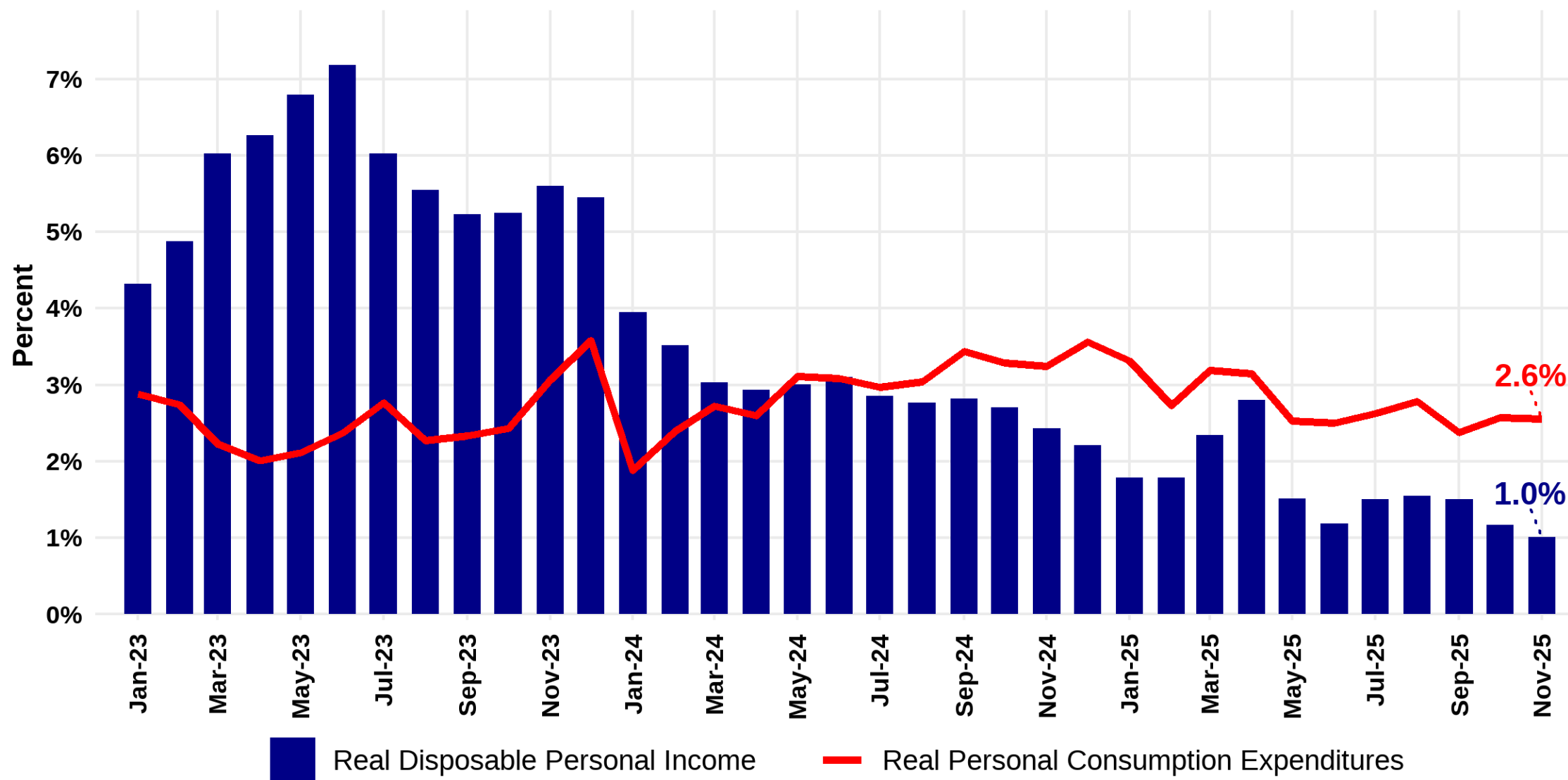
Monthly Inflation for Selected Categories

United States, December 2024 - December 2025



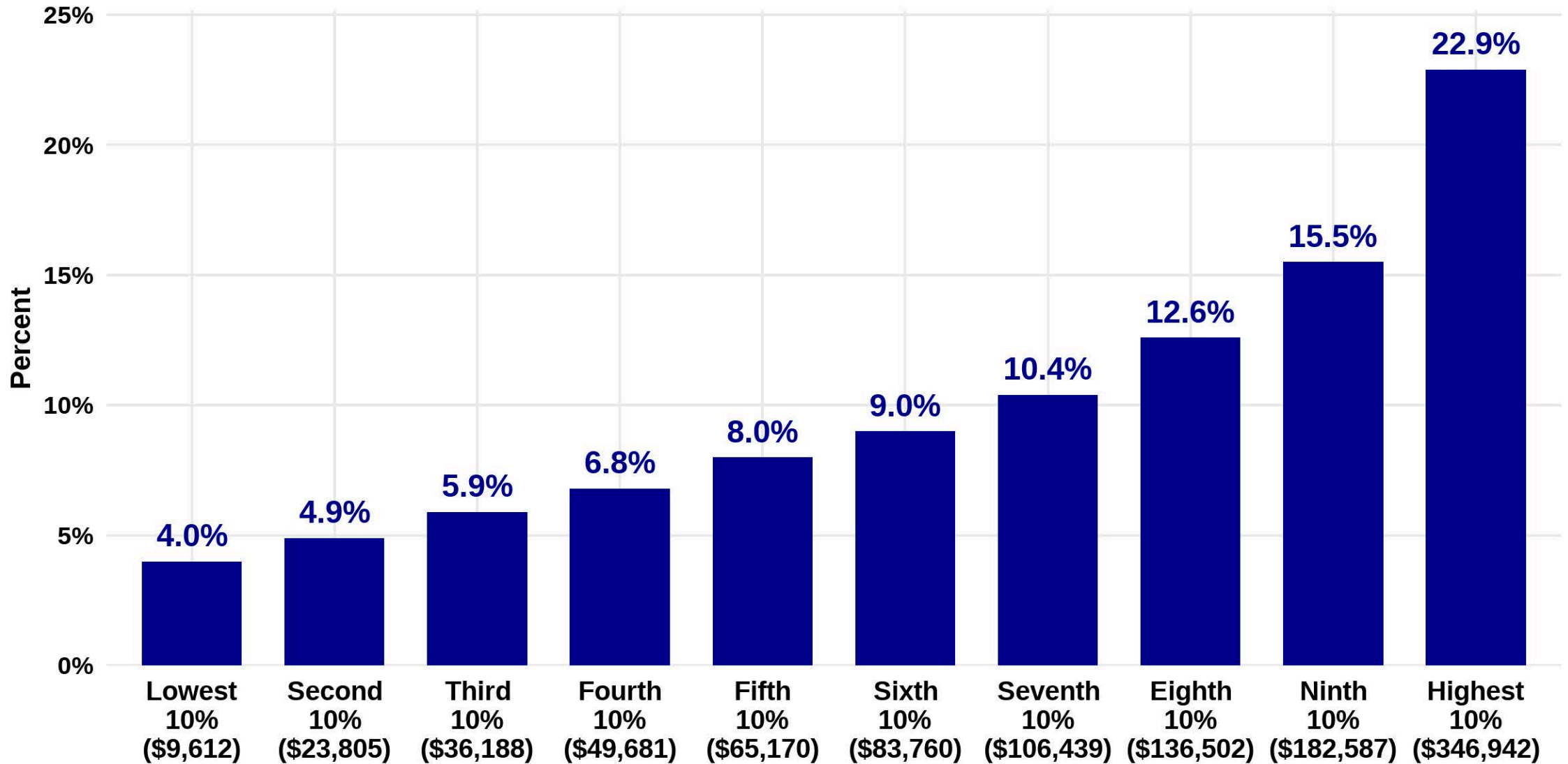
Source: Bureau of Labor Statistics, seasonally adjusted data. Monthly inflation is the monthly year-over-year change in the Consumer Price Index.

Growth in Real Personal Consumption Expenditures and Real Disposable Personal Income United States, January 2022 - November 2025



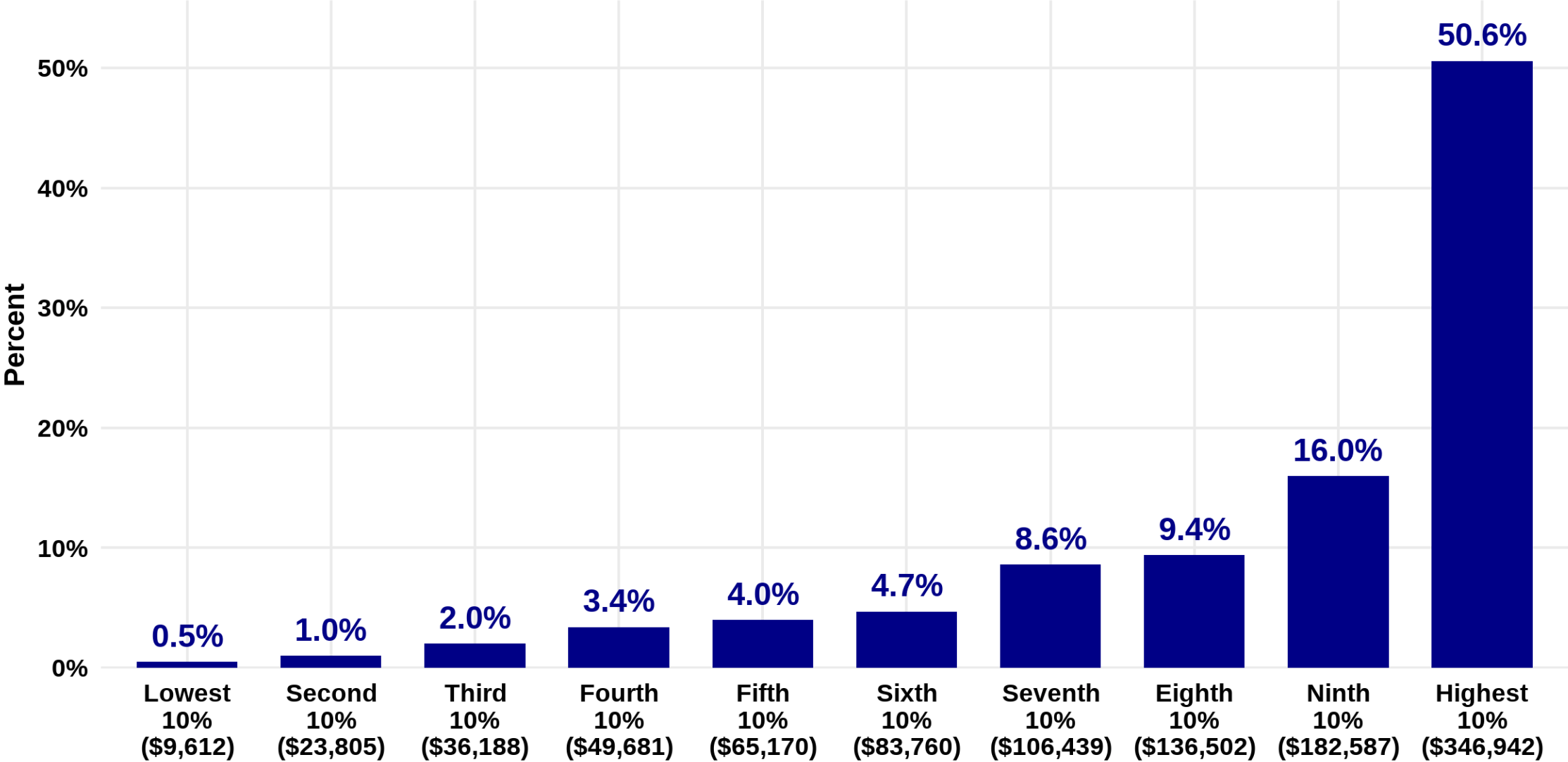
Consumption Share by Income Decile

United States, 2024



Share of Interest, Investment, and Rental Income by Income Decile

United States, 2024



Source: Bureau of Labor Statistics, Consumer Expenditure Surveys, December, 2025.

Is Virginia in a Recession?

- Virginia's real GDP growth slowed in 2025 and will remain anemic in 2026 due to declines in federal civilian employment, higher tariffs, changes in immigration policy, and policy uncertainty.
- Higher U.S. tariffs lowered employment in manufacturing, increased tariffs on U.S. exports, and reduced real GDP growth. The Kiel Institute estimated that 96% of U.S. tariffs were passed through to American consumers and businesses.
- The federal government must float \$2 trillion in new Treasuries and refinance another \$8 to \$9 trillion in existing Treasuries in 2026. Without global debt markets, the federal government would face an unprecedented fiscal crisis.
- Higher-income households will drive growth in 2026, barring a significant correction in equity or housing markets. Policy uncertainty continues to create downside risks that are not fully captured by markets or forecasts.

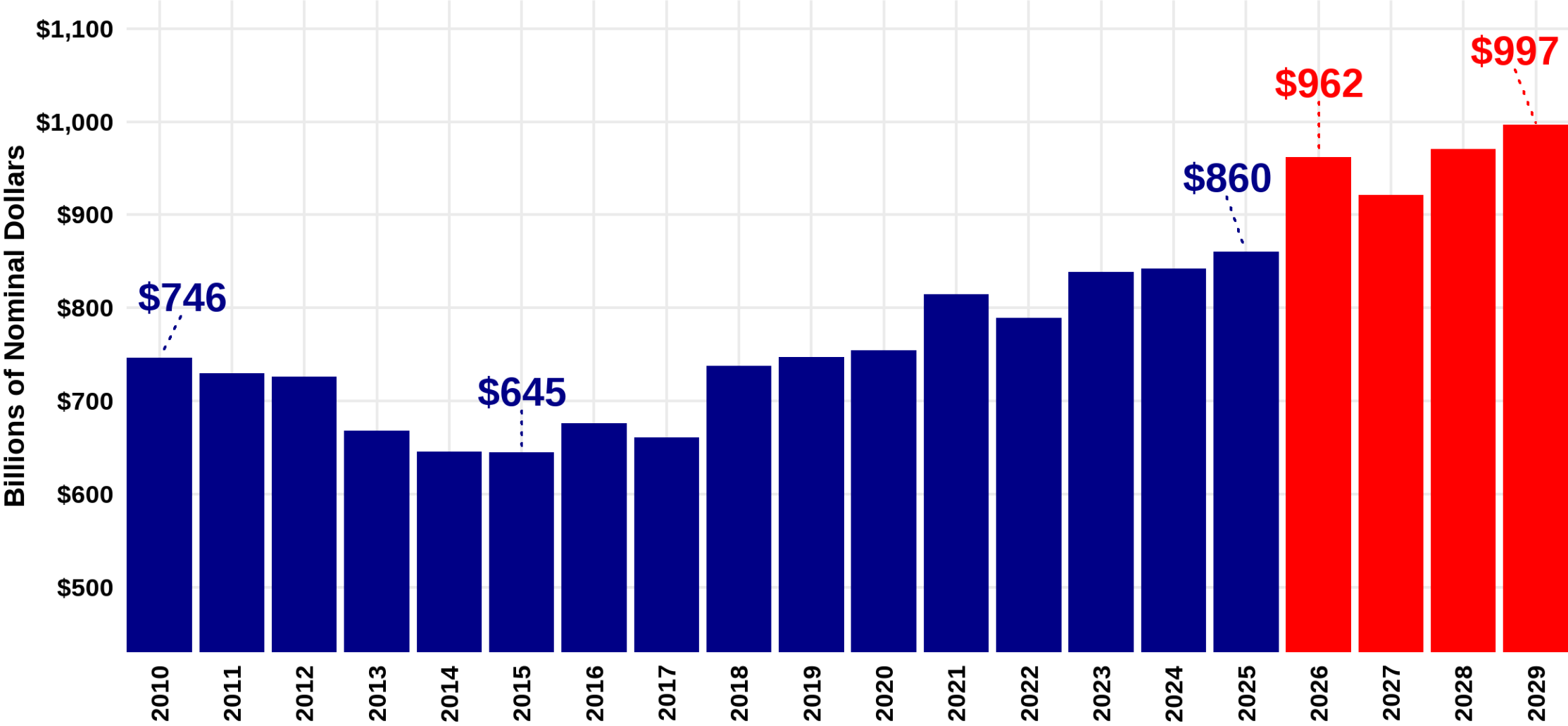
National and Virginia Forecast

	2023	2024	2025	2026
U.S. Real GDP Growth	2.9%	2.8%	2.1%	2.0%
Civilian Job Growth	2.2%	1.3%	0.9%	1.0%
Unemployment Rate	3.6%	4.0%	4.0%	4.2%
Inflation Rate	3.2%	2.7%	2.9%	2.8%
Core Inflation Rate	4.0%	3.3%	3.0%	2.7%
Effective Federal Funds Rate	5.0%	5.1%	4.2%	4.0%
10-year Treasury Bill	4.0%	4.2%	4.3%	4.0%
30-year Conventional Mortgage	6.8%	6.7%	6.6%	6.0%
Federal Deficit (Fiscal Year, Billions)	-\$1,695	-\$1,817	-\$1,775	-\$1,800
Virginia Real GDP Growth	3.4%	2.4%	1.2%	1.0%
Virginia Civilian Job Growth	2.4%	1.5%	0.5%	0.5%

Economic Conditions in Hampton Roads

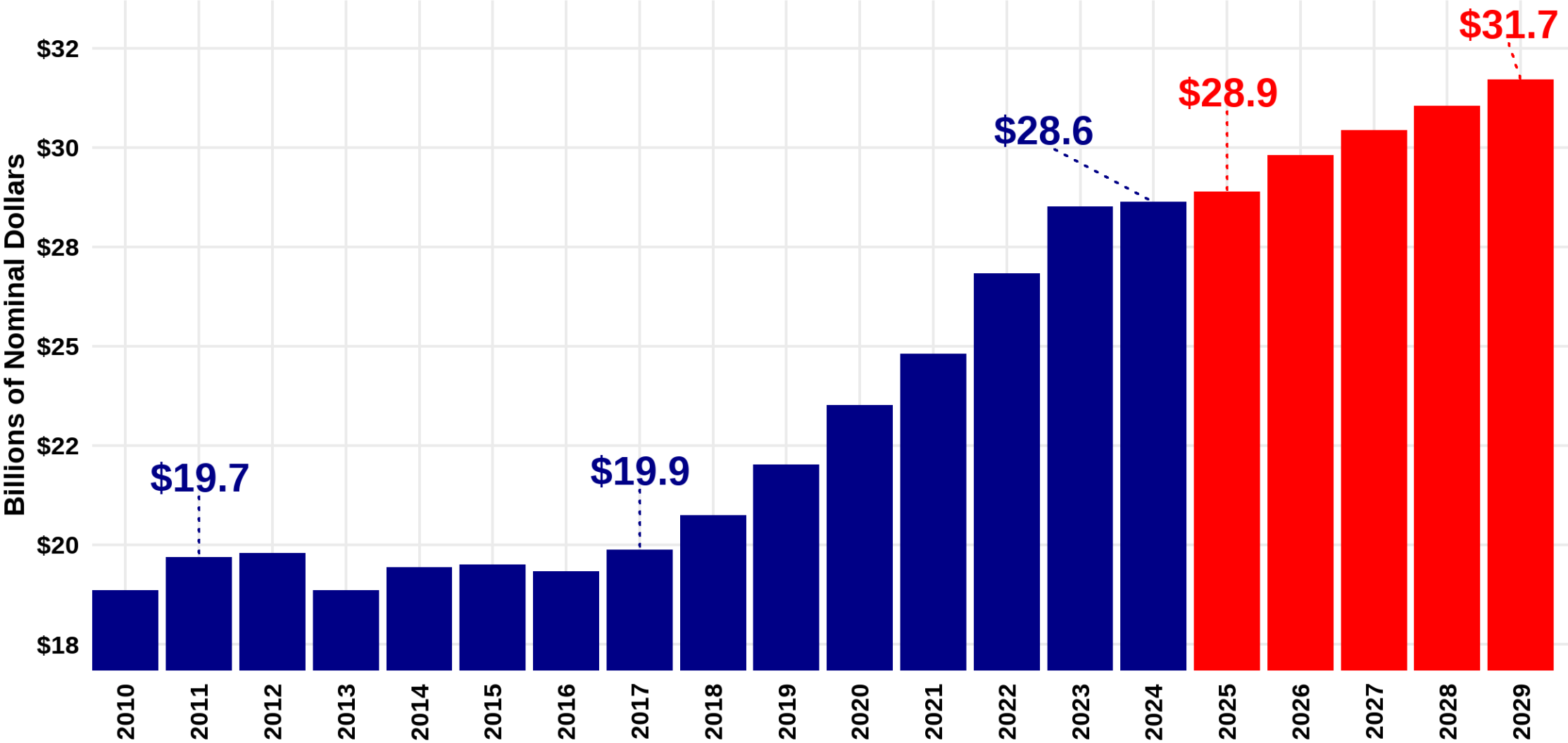


Department of Defense (DoD) Total Budget
United States, Fiscal Year 2010 - 2029*



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 2025 are estimates while data for 2026 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, Fiscal Year 2010 - 2029*



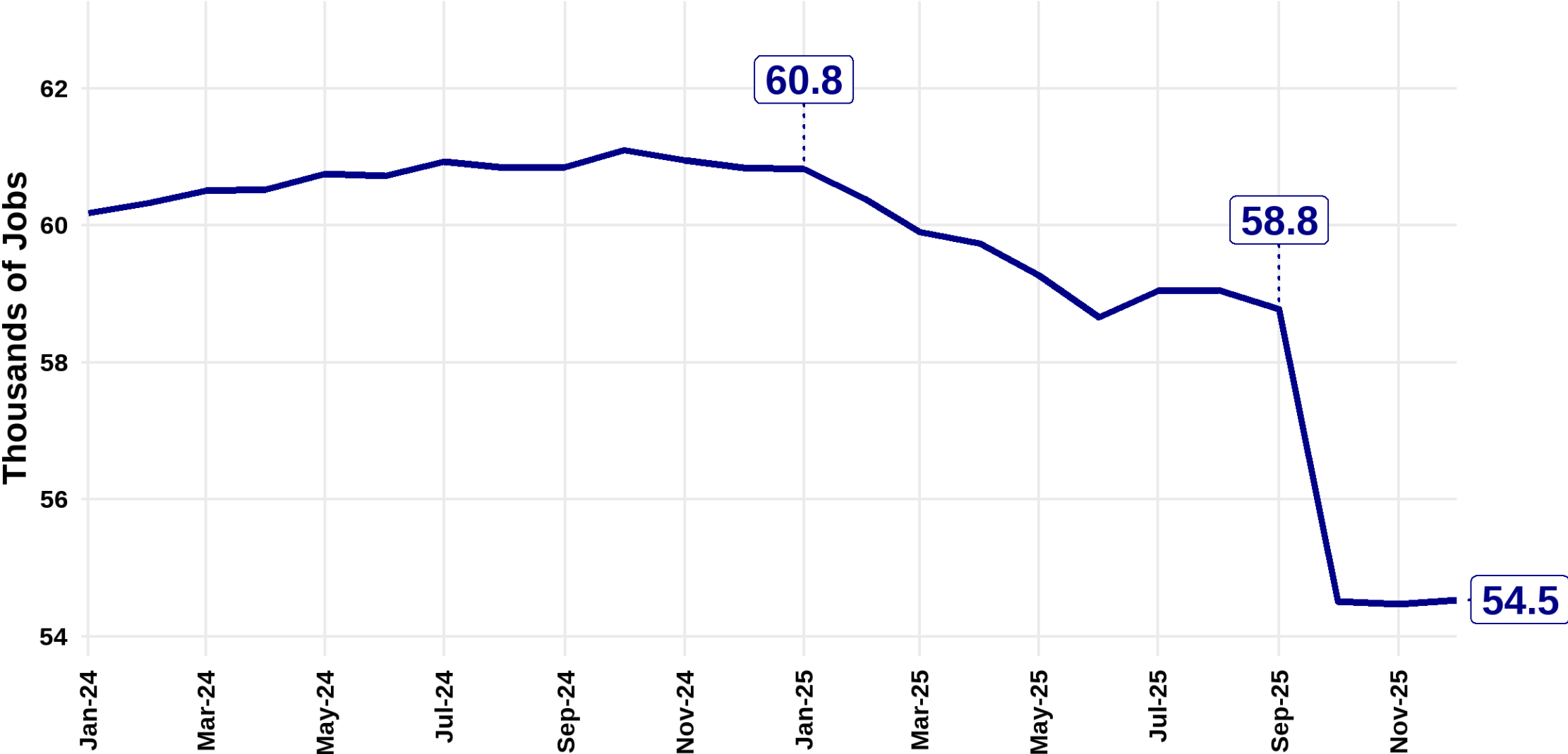
Sources: Department of Defense and Dragas Center for Economic Analysis and Policy. Includes federal civilian and military personnel and procurement.
*FY 2010 – 2023 are actual expenditures, 2024 is our estimate, and 2025 – 2029 are our forecasts.

Total Nonfarm and Federal Civilian Jobs United States, Virginia, and Hampton Roads in 2024

<u>Area</u>	<u>Total Nonfarm Jobs</u>	<u>Federal Civilian Jobs</u>	<u>Percentage of Federal Civilian Jobs</u>
United States	157,959,000	3,000,000	1.9%
Virginia	4,236,300	193,900	4.6%
Hampton Roads	822,400	60,700	7.4%

^a Source: Bureau of Labor Statistics. Annual averages of non-seasonally adjusted data.

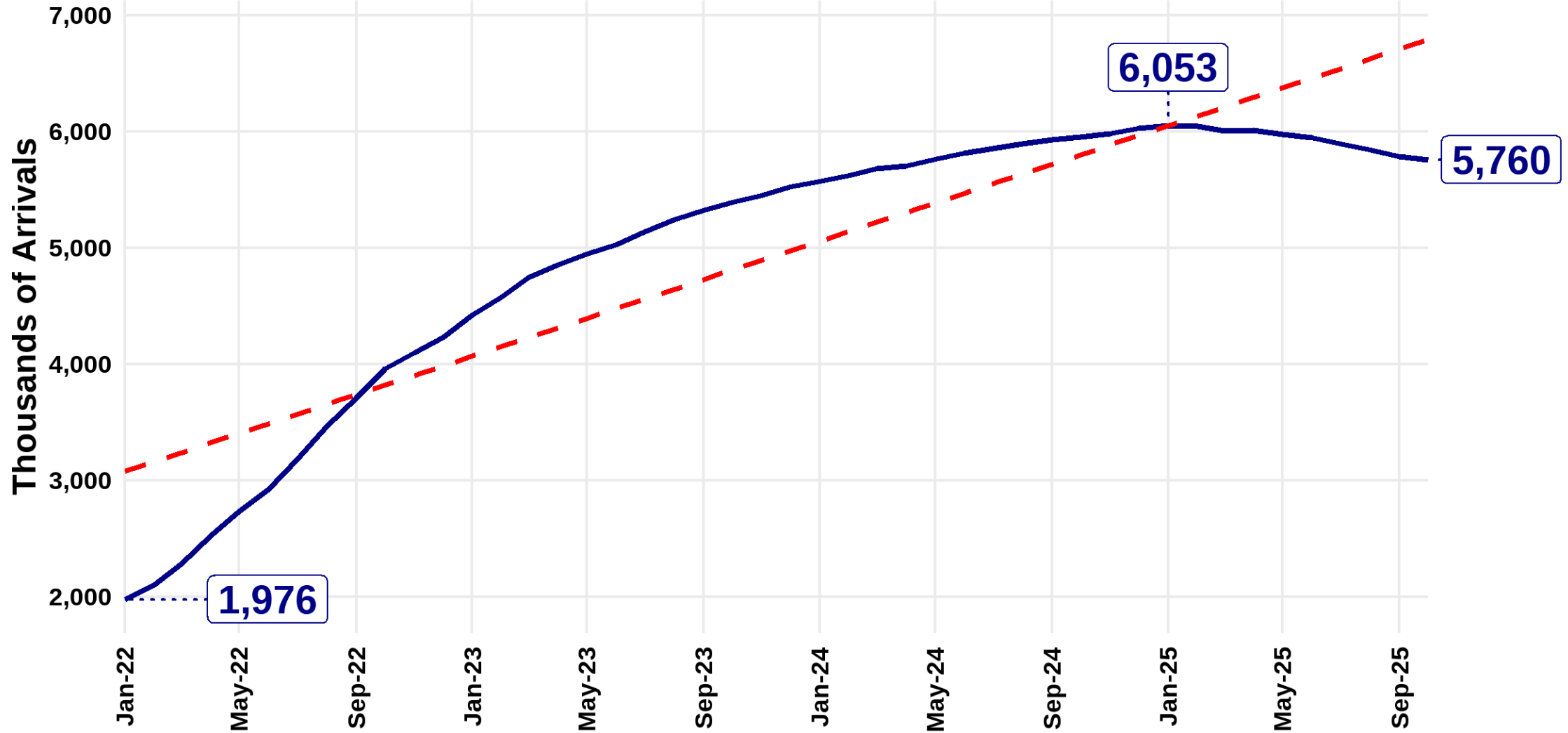
Federal Civilian Payrolls
Hampton Roads, January 2024 - December 2025



A large commercial airplane, likely a Boeing 777, is the central focus, parked on an asphalt tarmac. Its wings are spread wide, and its four engines are visible. In the background, a line of other similar aircraft is parked, receding into the distance. The sky is filled with soft, orange and grey clouds, suggesting a sunrise or sunset. In the far background, a range of dark, rugged mountains rises against the horizon. The overall scene conveys a sense of global connectivity and travel.

International Migration

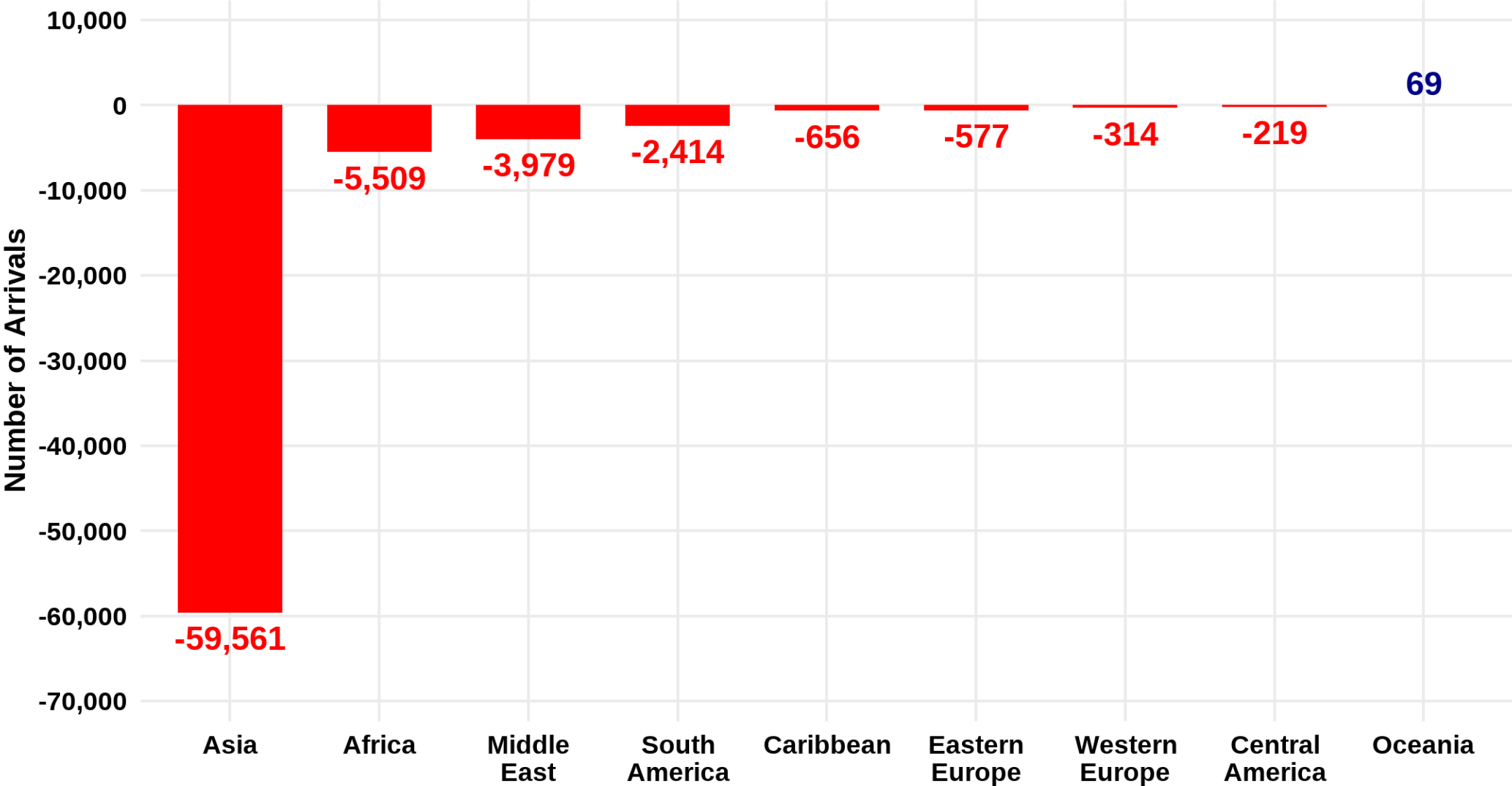
Numbers of Total International Arrivals, 12-Month Moving Average United States, January 2022 - October 2025



Sources: U.S. Department of Commerce, NTTO, International Trade Administration, and Dragas Center for Economic Analysis and Policy.
The dashed line shows the trend for international arrivals over time assuming the data are linear.

Change in International Student Arrivals

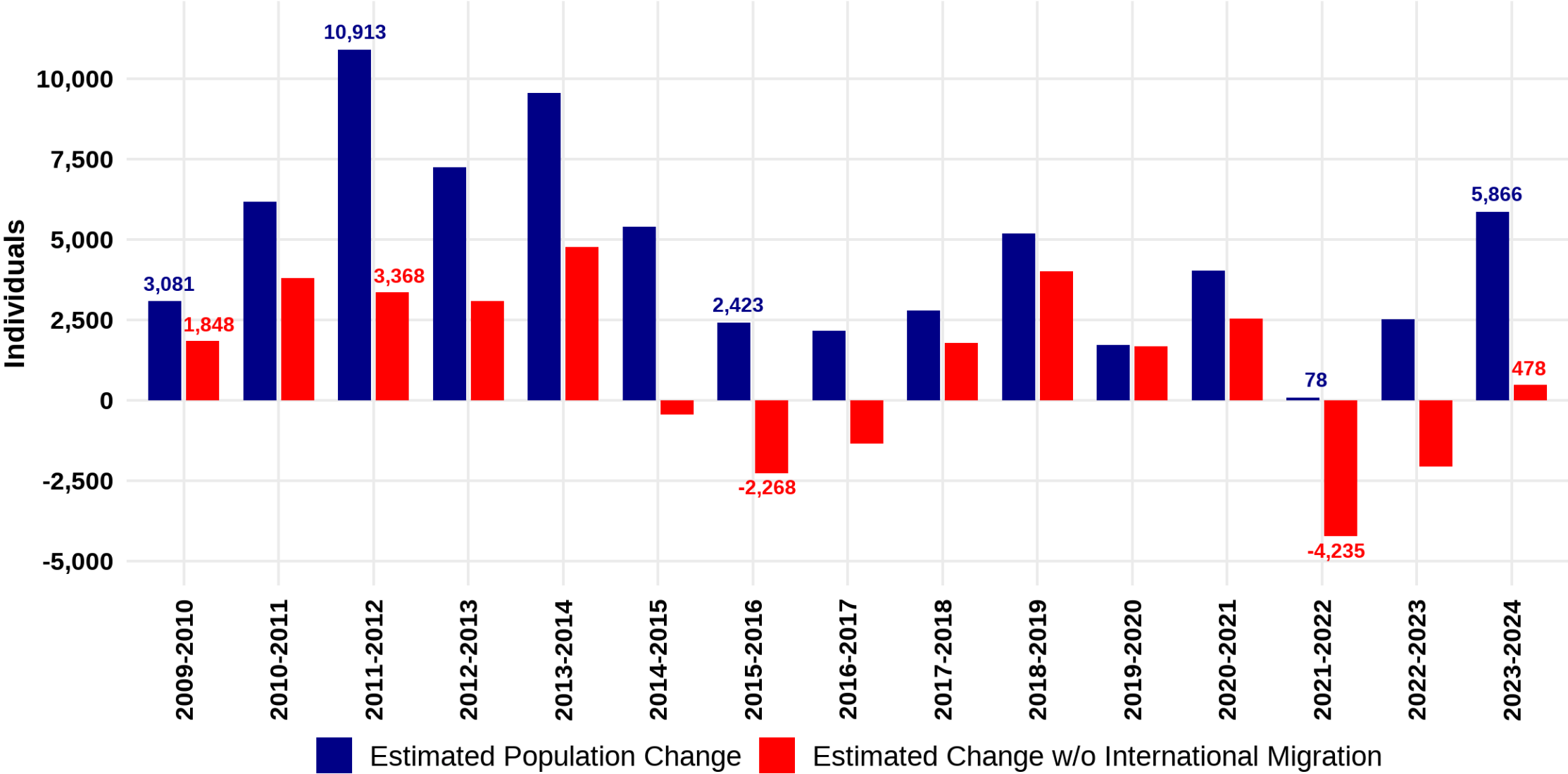
United States, August 2025 Compared to August 2024



Sources: U.S. Department of Commerce, NTTO, International Trade Administration and Dragas Center for Economic Analysis and Policy.

Annual Change in Resident Population

Hampton Roads, 2010 - 2024

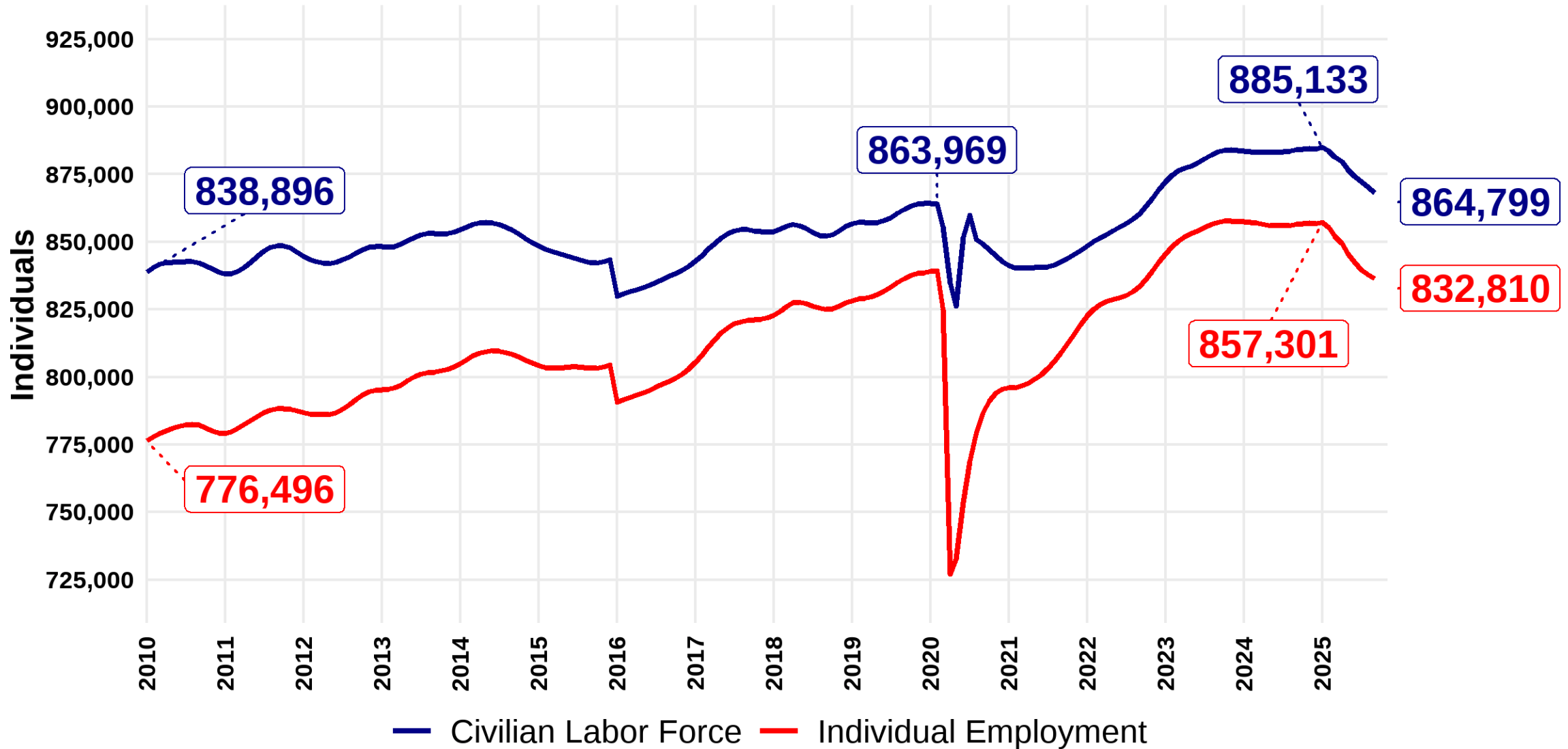


Source: United States Census Bureau, 2019 Population Estimates. Components of population change from July 1st to June 30th of the subsequent year.

Jobs and Employment

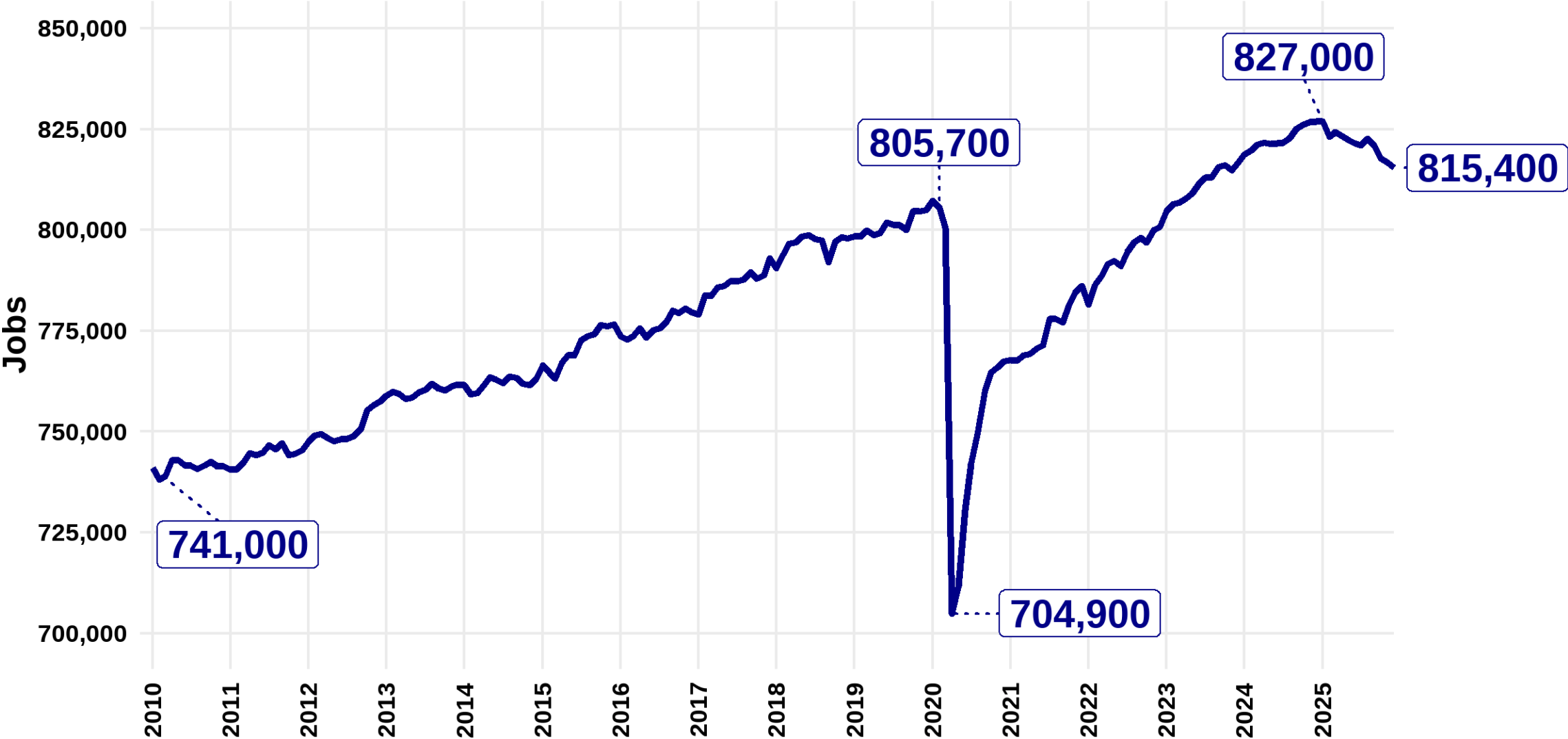


Civilian Labor Force and Individual Employment Hampton Roads, January 2010 - November 2025



Nonfarm Payrolls

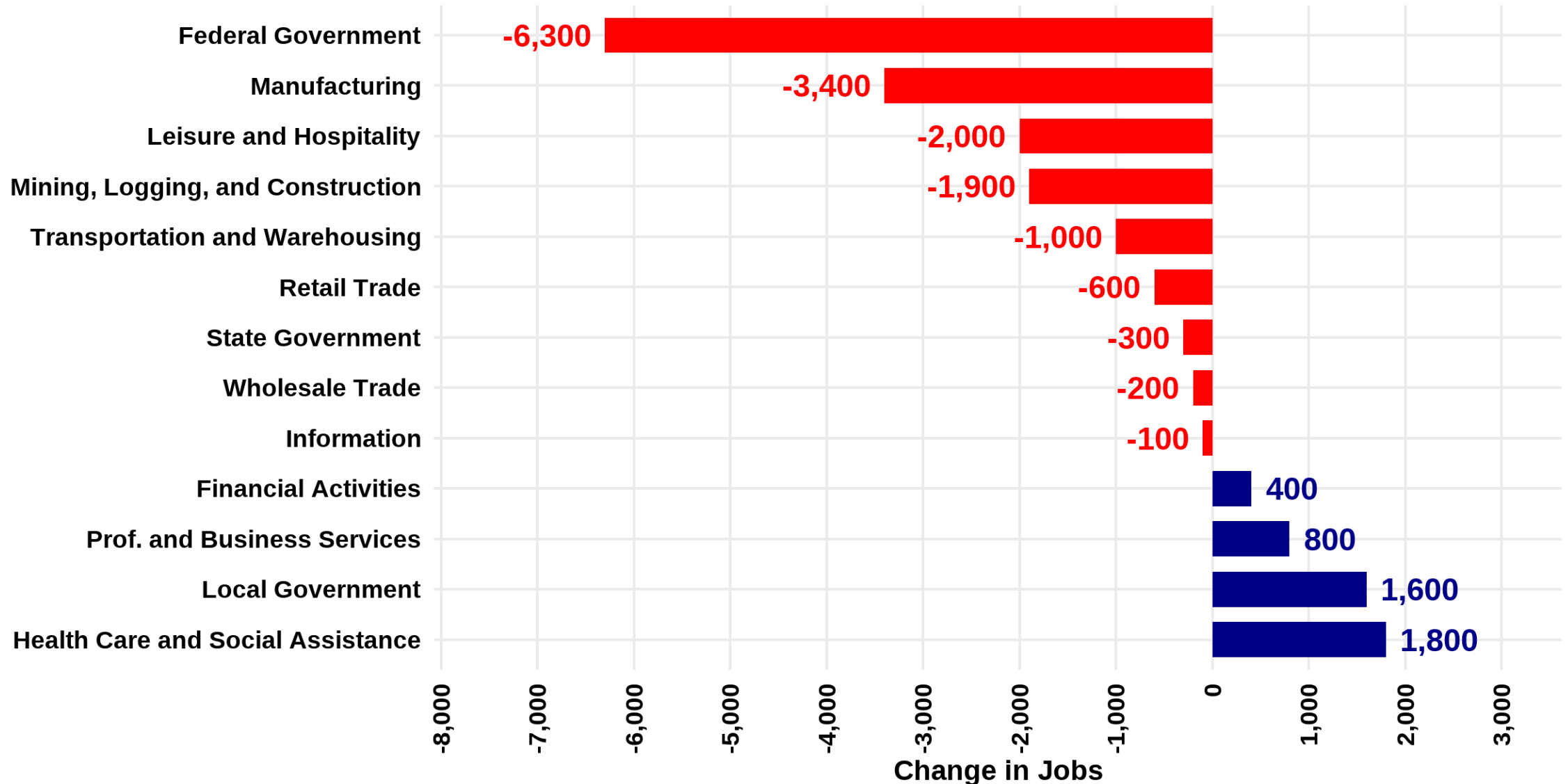
Hampton Roads, January 2010 - December 2025



Source: Bureau of Labor Statistics, seasonally adjusted data. Data for December are preliminary.

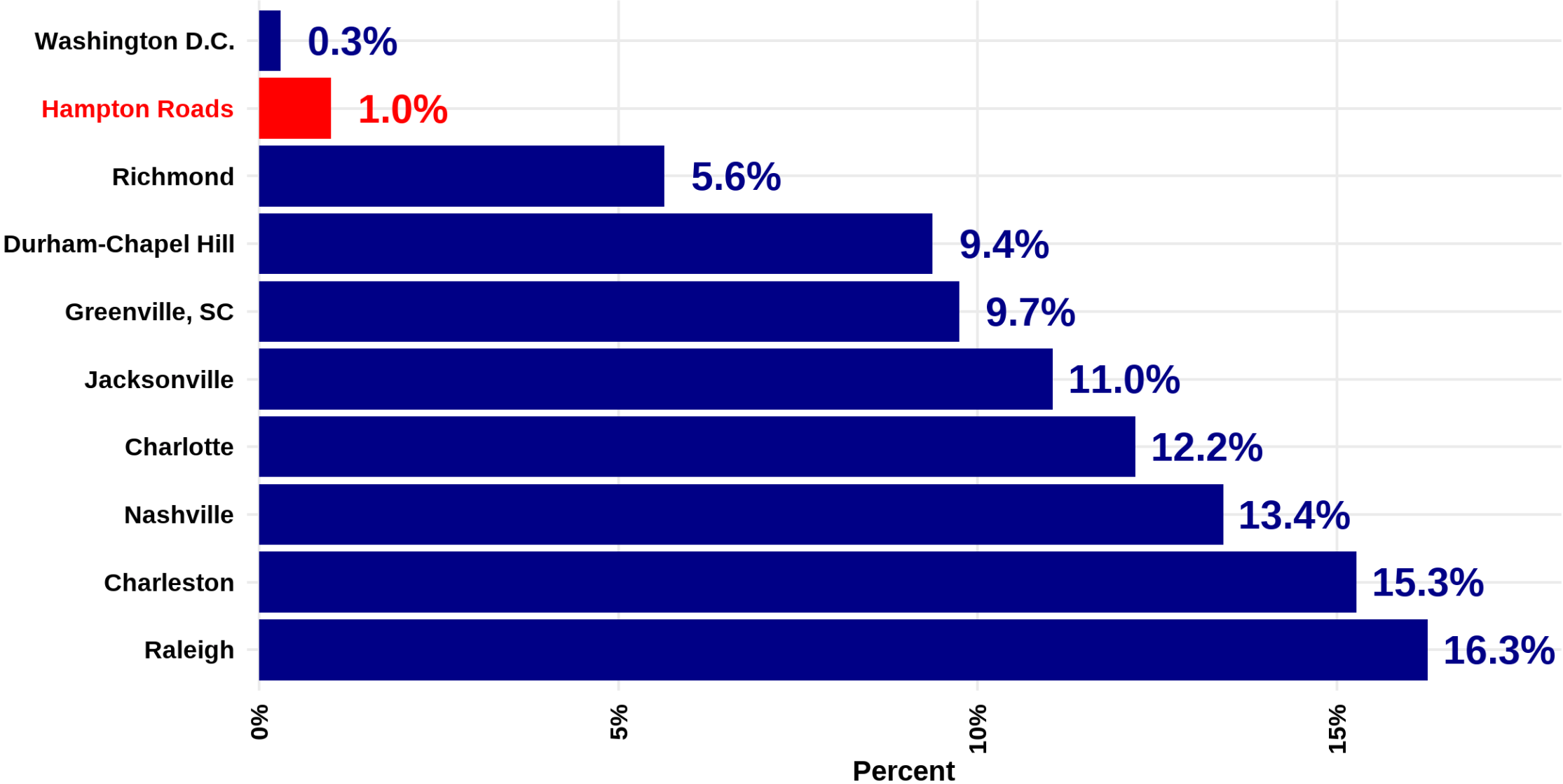
Nonfarm Jobs Gained/Lost

Selected Sectors in Hampton Roads, December 2024 - December 2025



Source: Bureau of Labor Statistics, non-seasonally adjusted data. Data for December are preliminary.

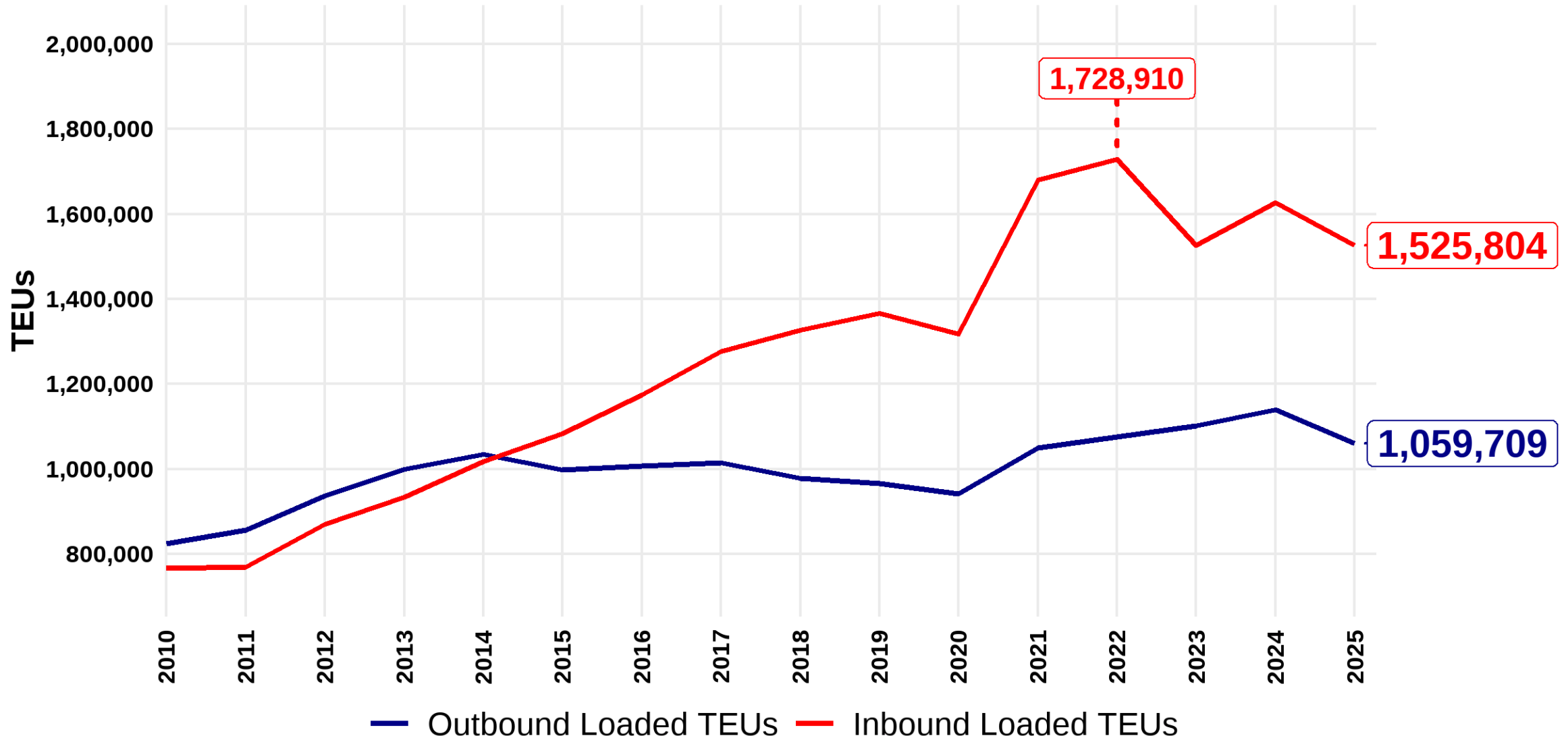
Growth in Nonfarm Payrolls
Selected Metropolitan Areas, January 2020 - December 2025



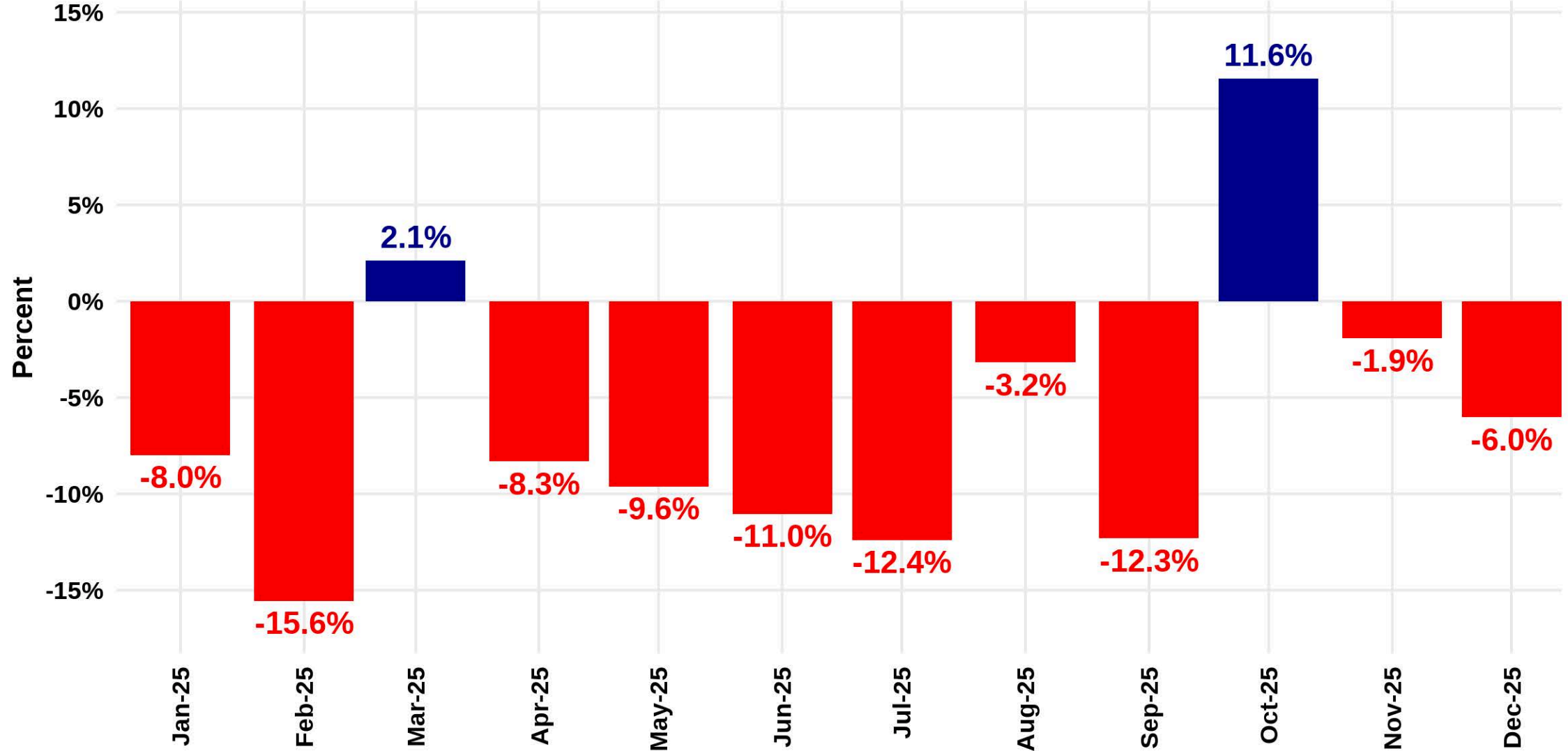
Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Seasonally adjusted data.



Loaded Inbound and Outbound TEUs Port of Virginia, 2010 - 2025

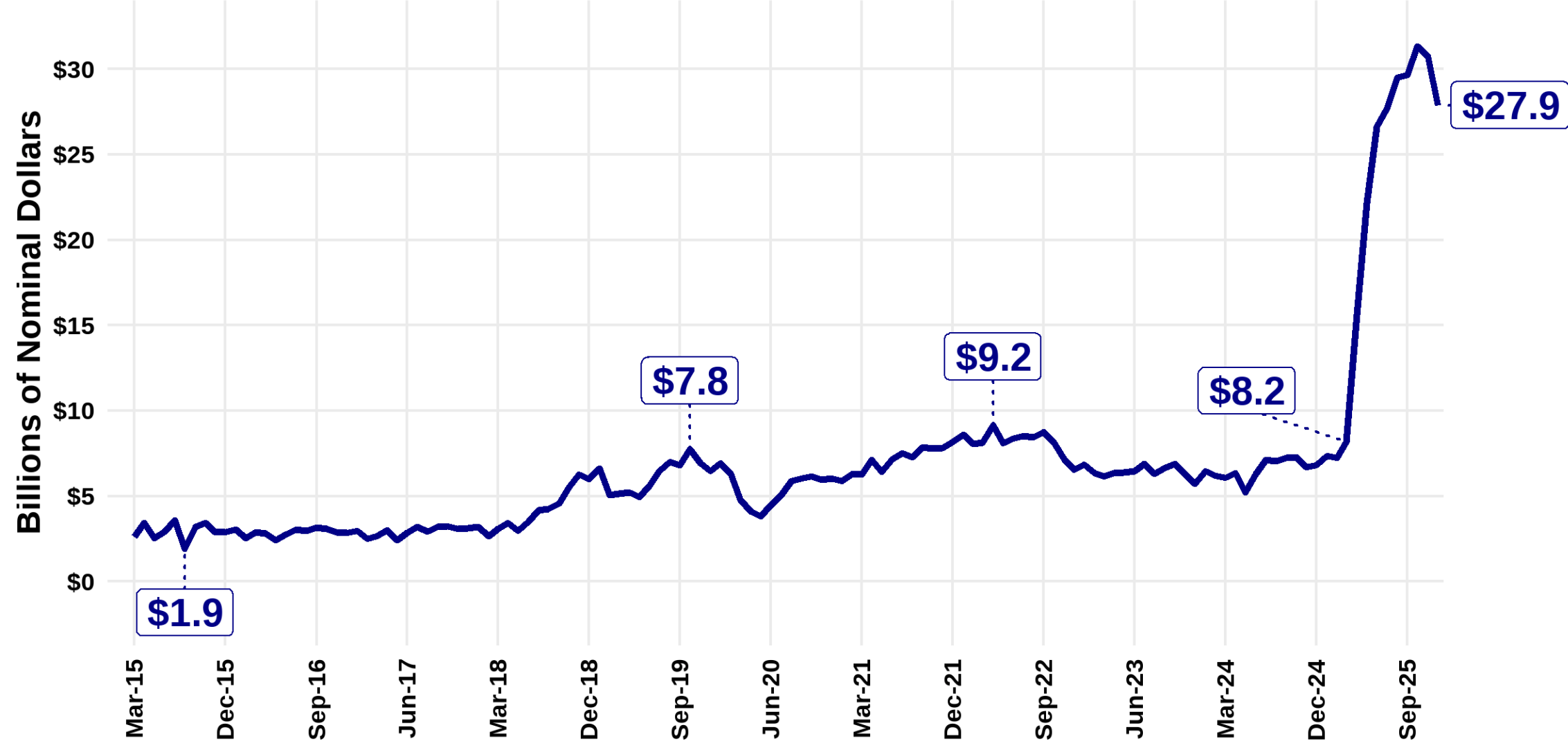


Percent Change in Total Loaded TEUs Port of Virginia, January 2025 - December 2025



Sources: Virginia Port Authority and Dragas Center for Economic Analysis and Policy. Percent change represents the monthly year-over-year change.

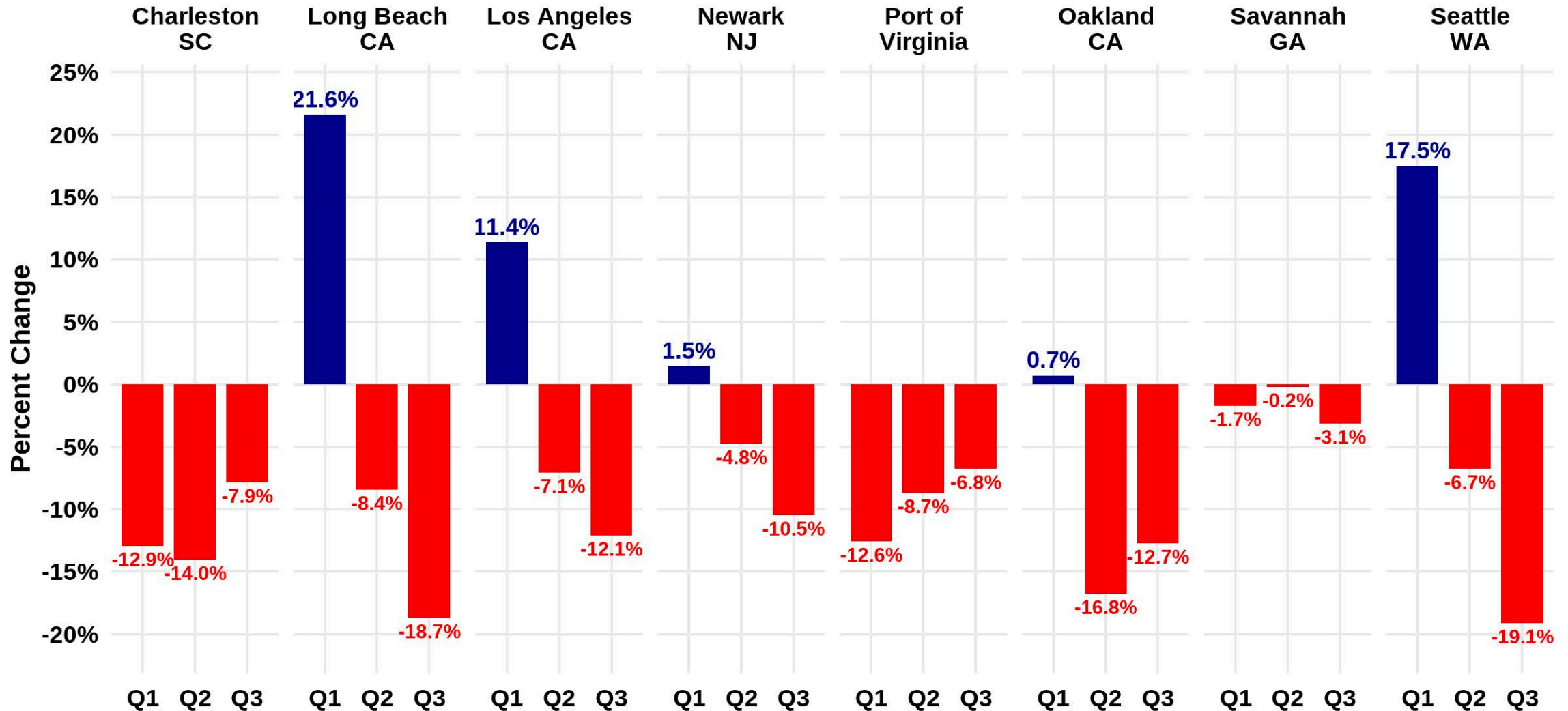
Monthly Net Customs Duties
United States, March 2015 - December 2025



Sources: Bureau of the Fiscal Service, Monthly Treasury Statement (various years) and Dragas Center for Economic Analysis and Policy.

Percent Change in Dollar Value of Imports by Quarter

Selected Major Ports in the United States, Q1 - Q3 2025

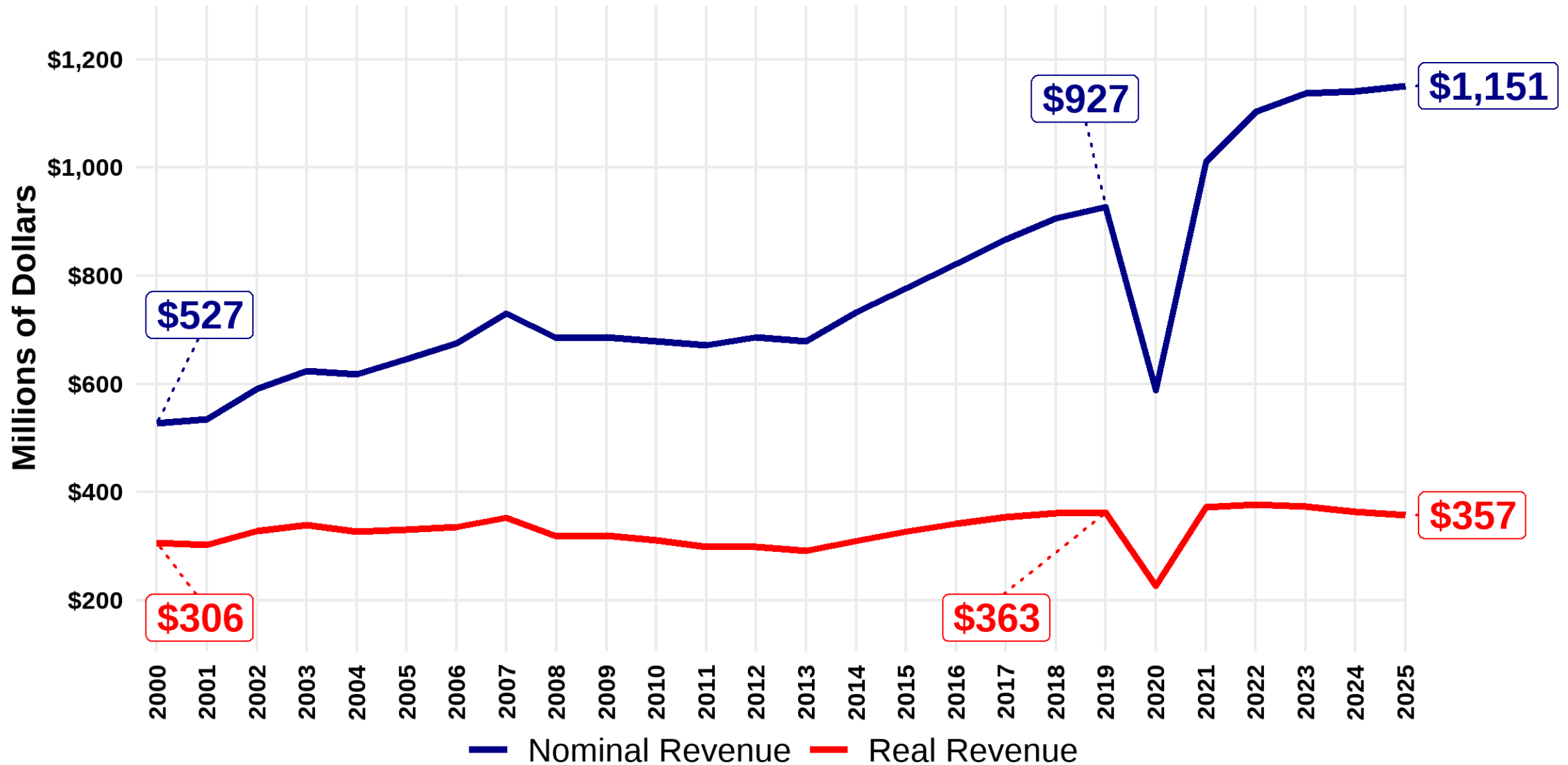


Sources: U.S. Census Bureau and Dragas Center for Economic Analysis and Policy. Non-seasonally adjusted data.
Percent change is the quarterly year-over-year change in dollar value of imports.

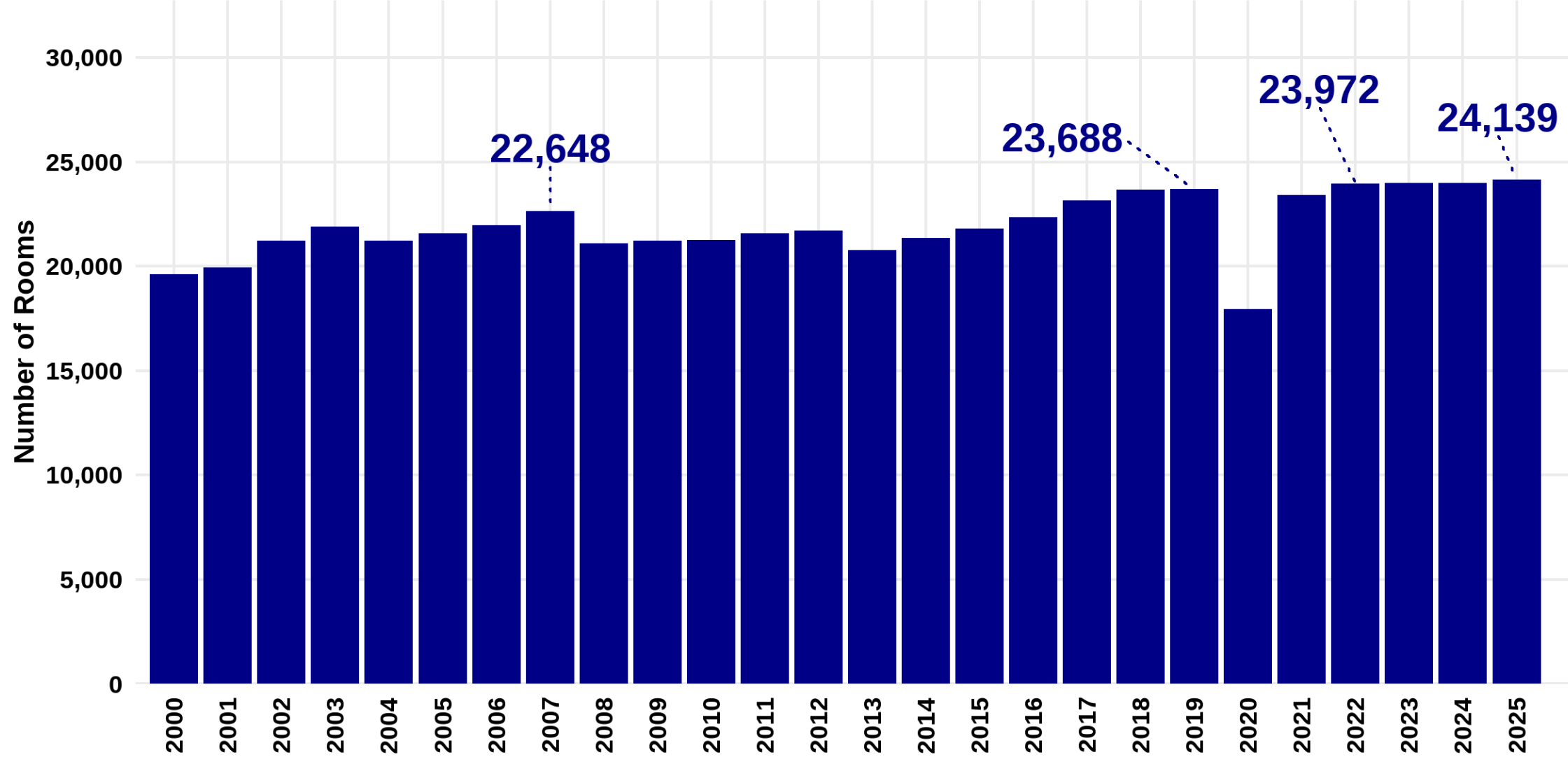


Hotels Amidst Uncertainty and Slow Growth

Nominal and Real (Inflation-Adjusted) Hotel Revenue Hampton Roads, 2000 - 2025

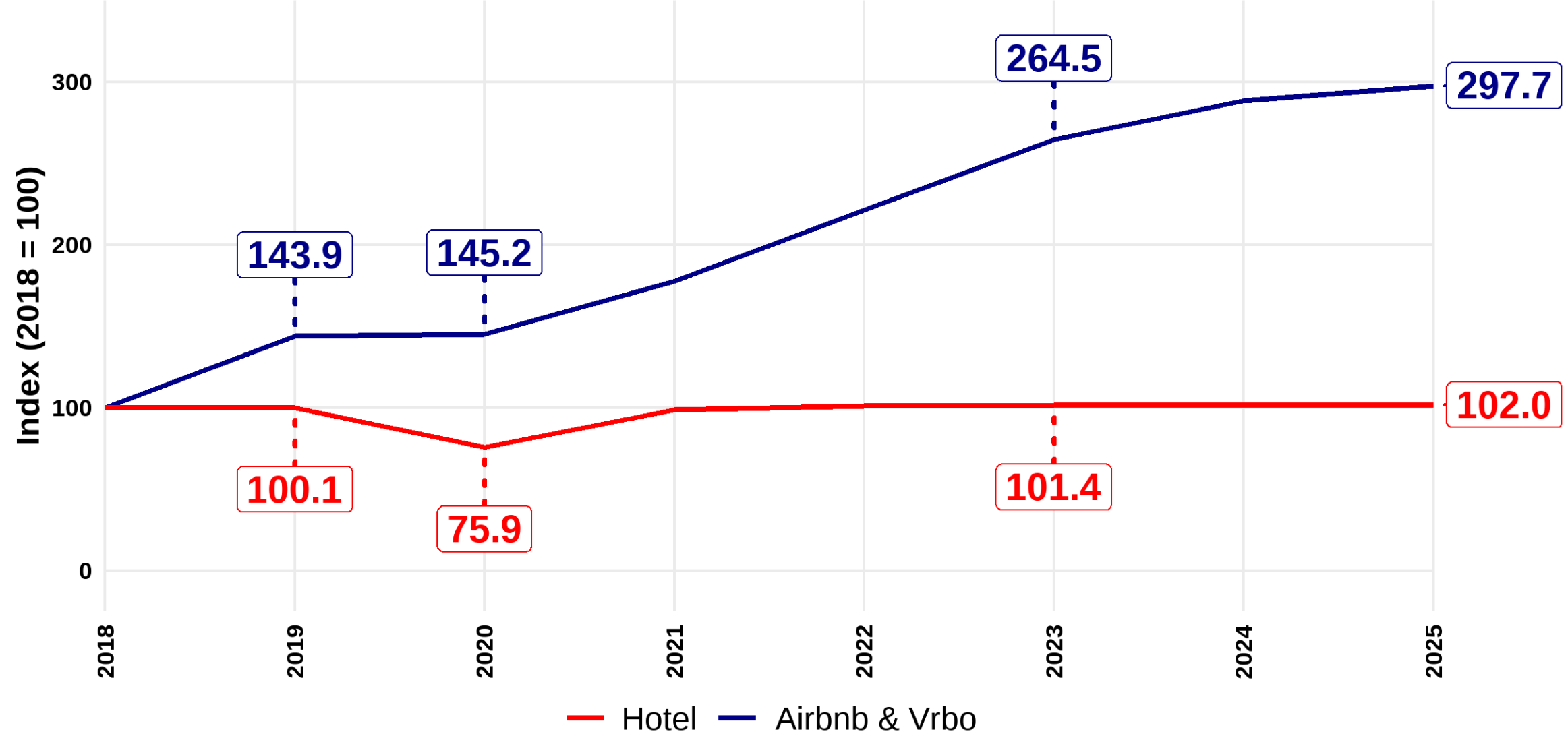


Rooms Sold by Hotels
Hampton Roads, 2000 - 2025



Sources: STR Trend Report January 2026 and the Dragas Center for Economic Analysis and Policy.

Indices of Hotel, and Airbnb & Vrbo Rooms Sold
Hampton Roads, 2018 - 2025

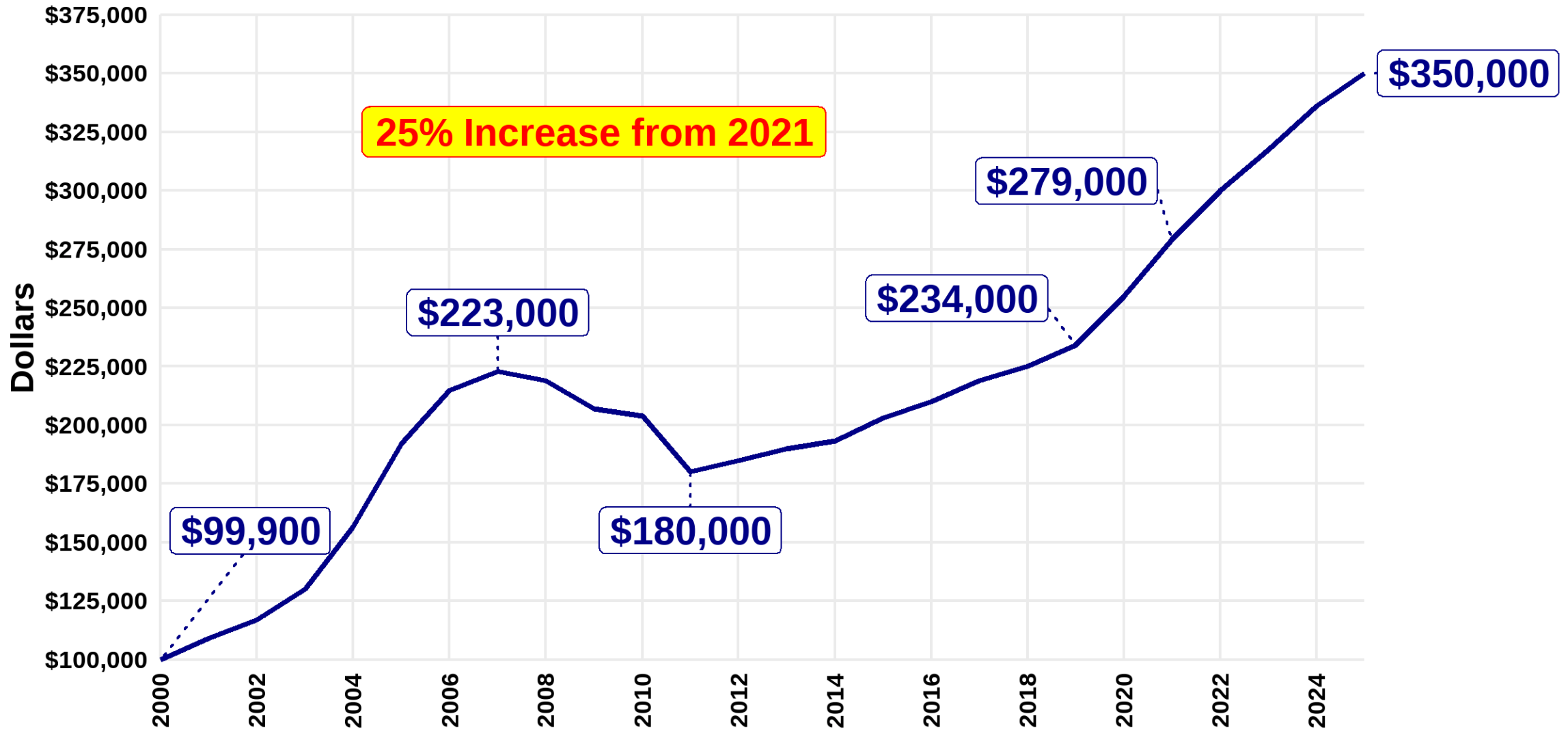


Sources: STR Trend Report January 2026, and AirDNA data received in January 2026.



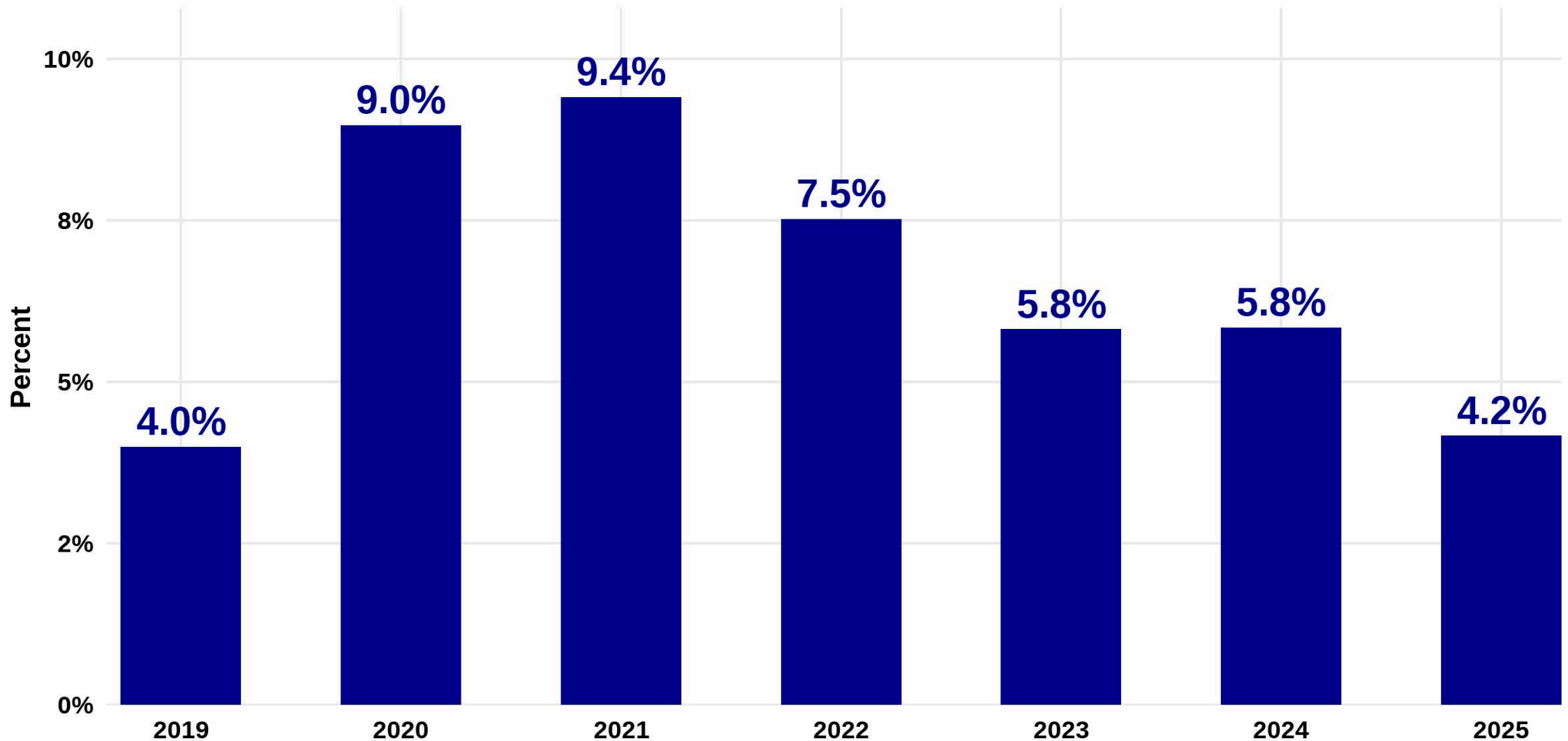
Home Sales Stabilize, Yet Prices Rise

Median Sales Price of Existing Homes Hampton Roads, 2000 - 2025



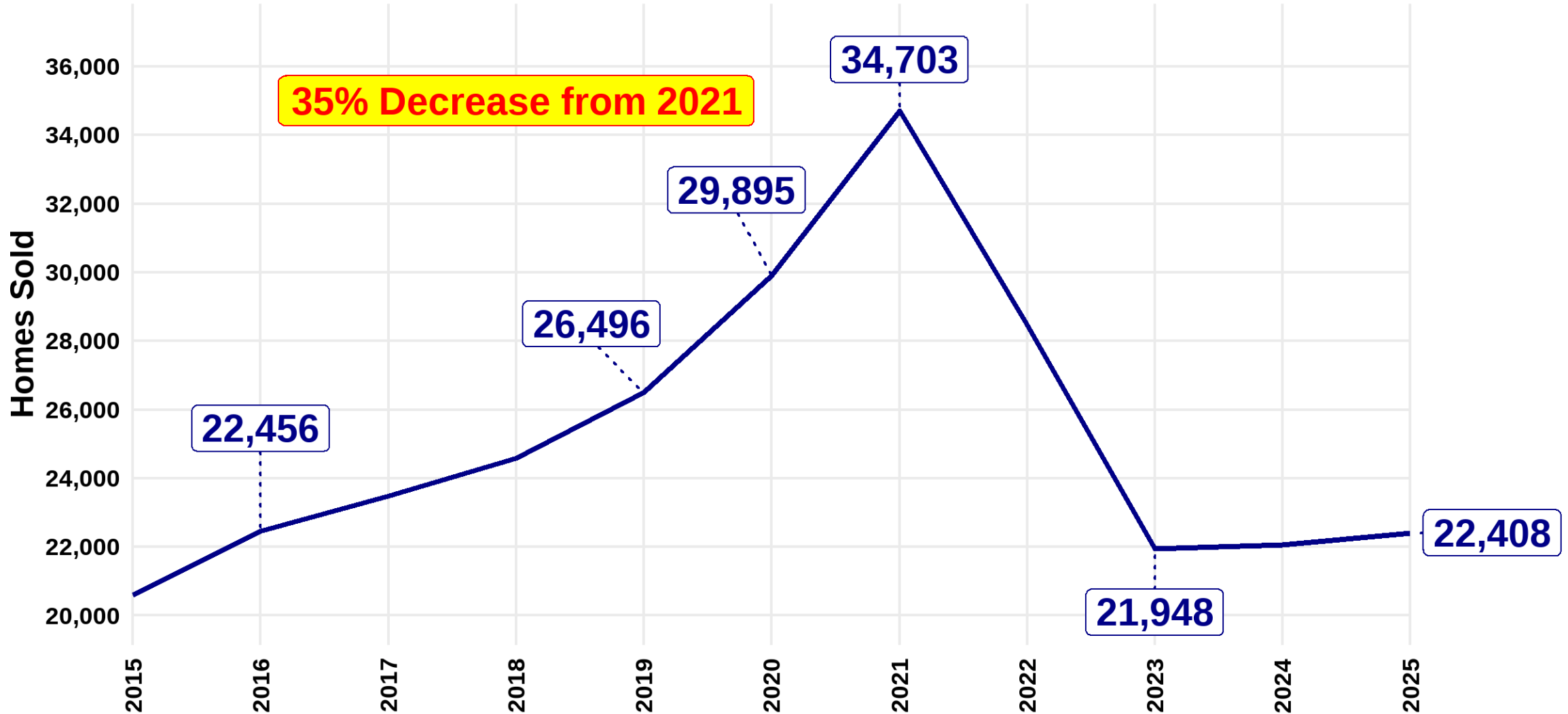
Sources: Real Estate Information Network (REIN) and Dragas Center for Economic Analysis and Policy. Figures reported here represent only those properties that are listed through REIN by its members.

Percent Change in Median Price of Existing Homes Hampton Roads, 2019 - 2025



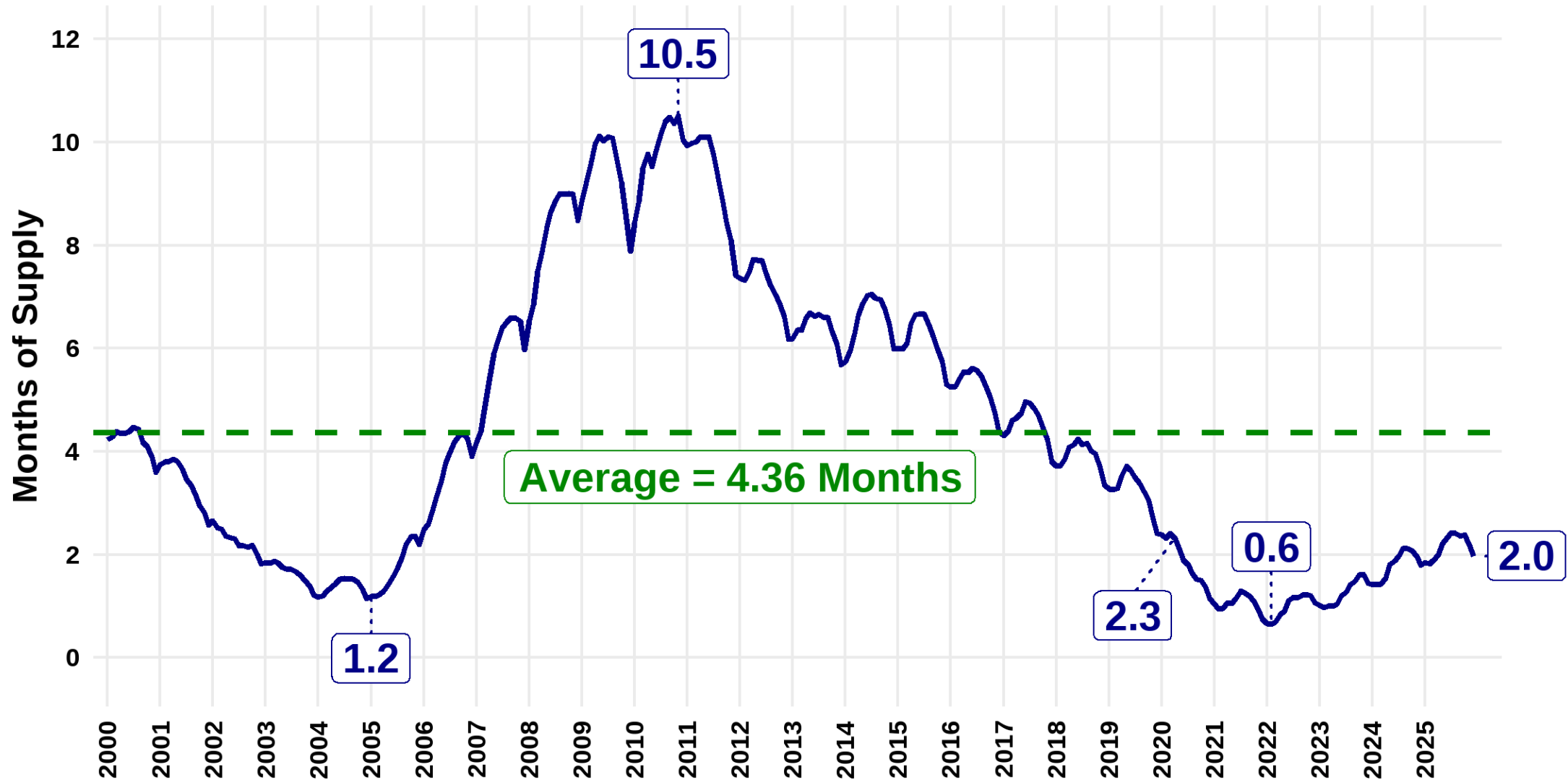
Sources: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Figures reported here represent only those properties that are listed through REIN by its members.

Existing Home Sales Hampton Roads, 2015 - 2025

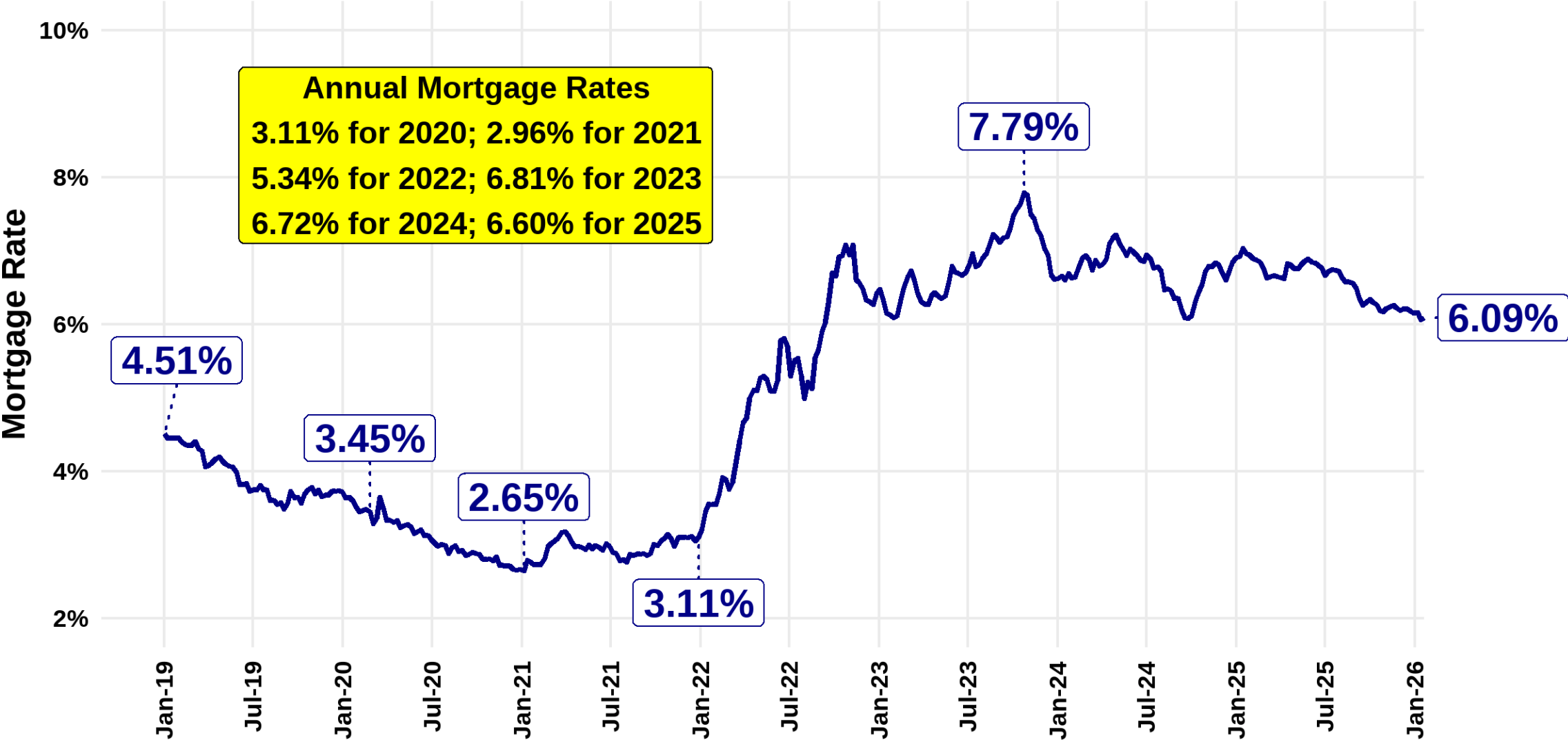


Sources: Real Estate Information Network (REIN) and Dragas Center for Economic Analysis and Policy. Figures reported here represent only those properties that are listed through REIN by its members and may not represent all new construction activity in our region.

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



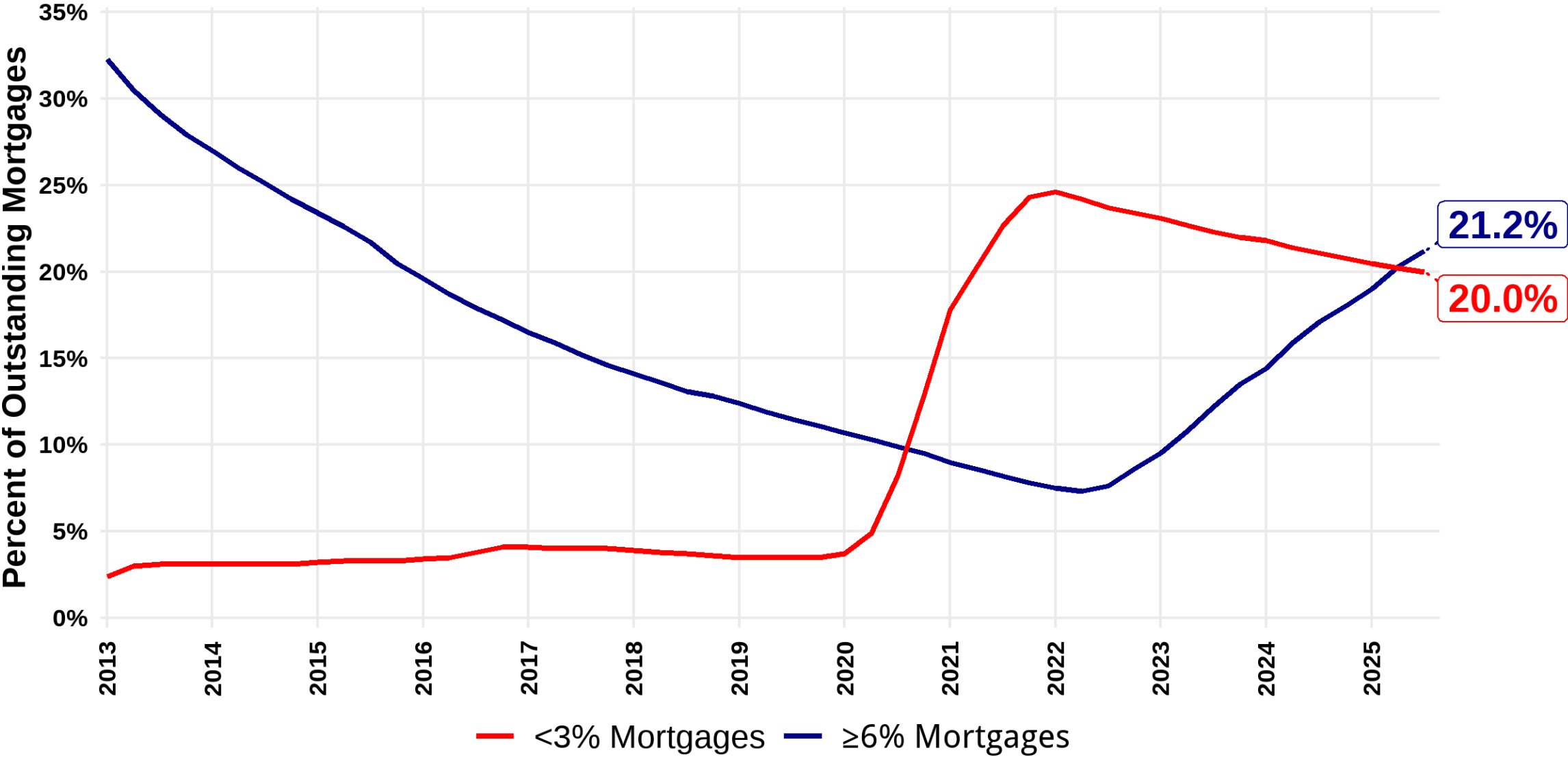
Weekly 30-Year Fixed Mortgage Rate
United States, January 3, 2019 - January 22, 2026



Sources: Freddie Mac and Federal Reserve Bank of St. Louis. Weekly rate ending Thursday of each week.

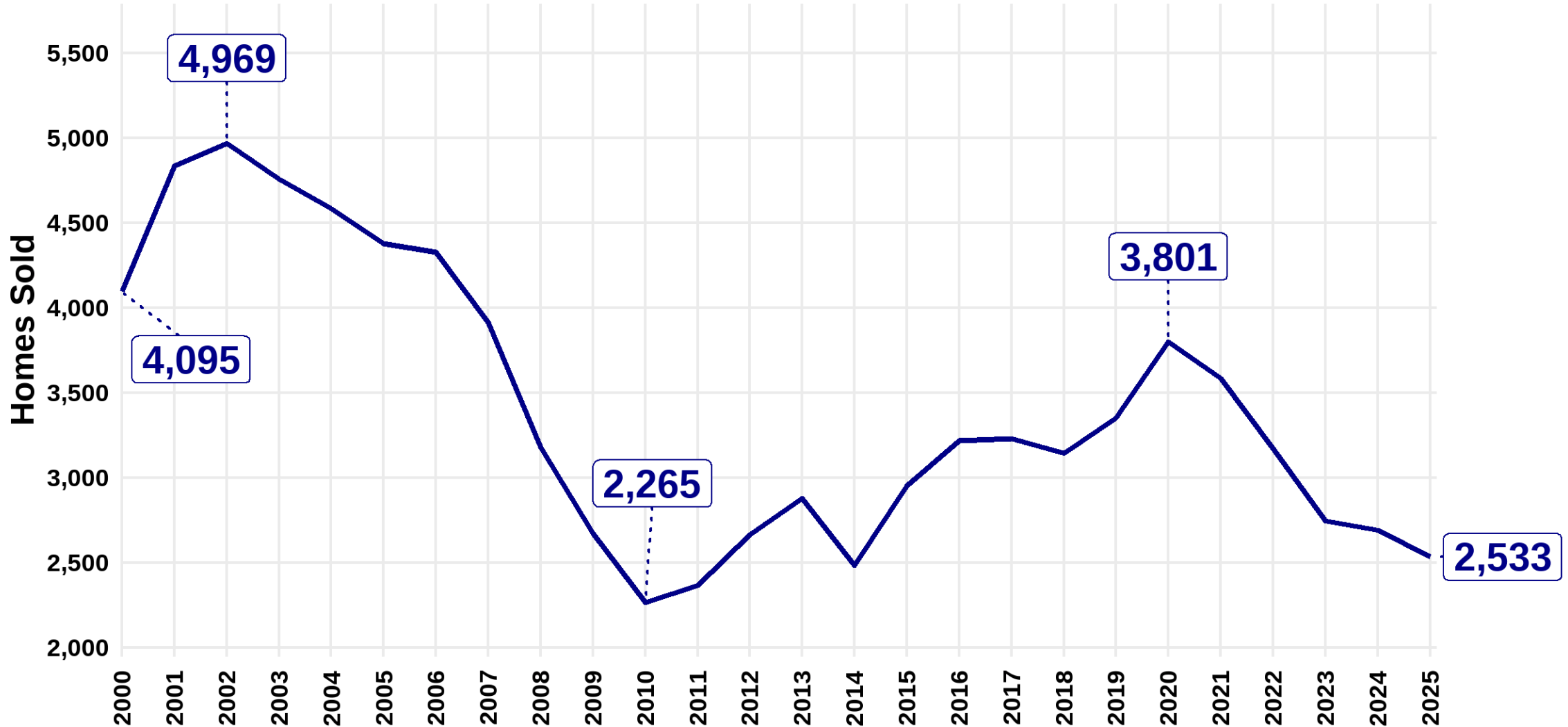
Existing Mortgages, Select Rates

United States, Q1 2013 - Q3 2025



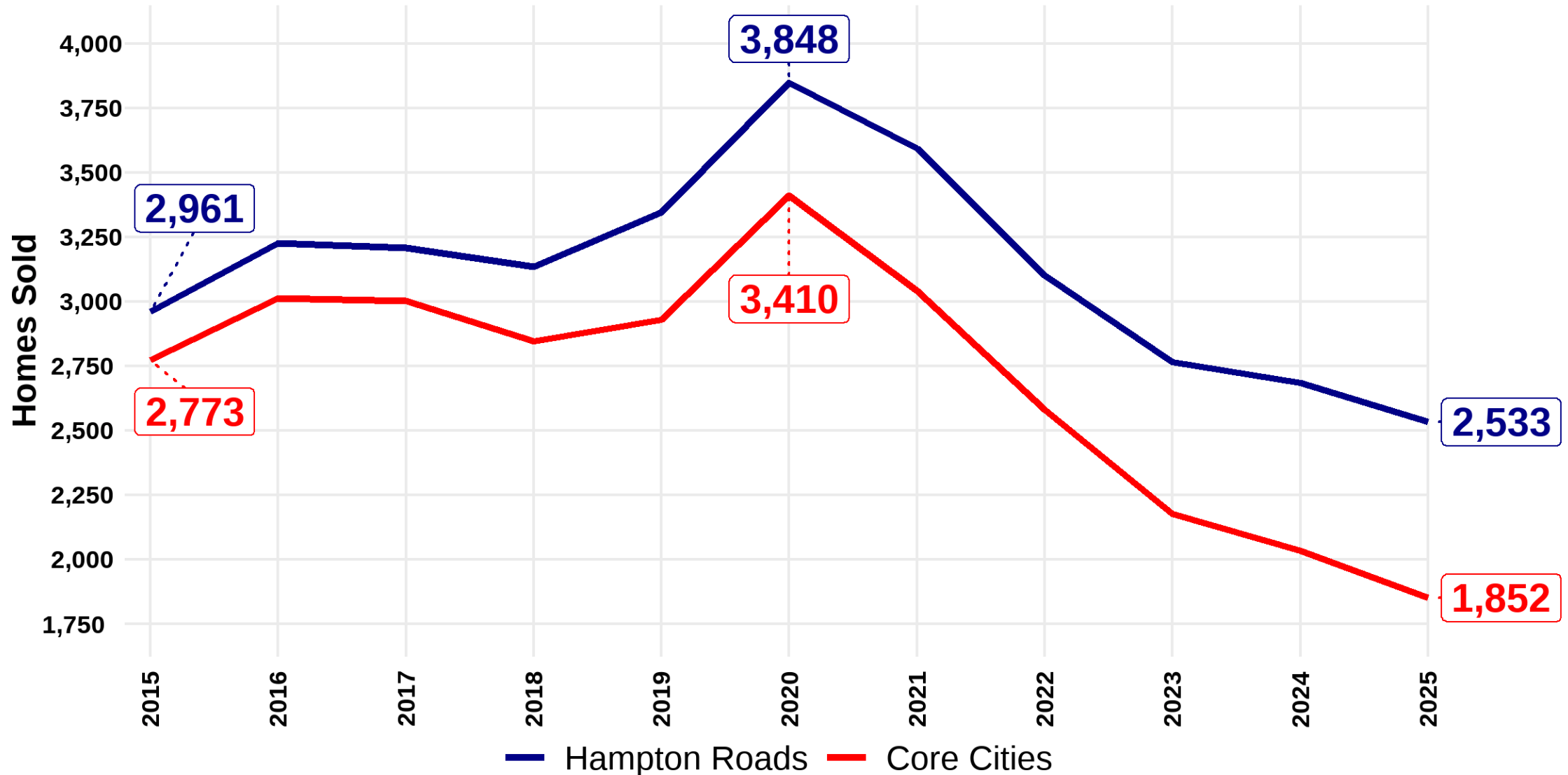
Sources: FHFA NMDA Aggregate Statistics, and Dragas Center for Economic Analysis and Policy.

New Construction Home Sales Hampton Roads, 2000 - 2025



Sources: Real Estate Information Network (REIN) 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 Hampton Roads and Its Core Cities, 2015 - 2025



Sources: Real Estate Information Network and Dragas Center for Economic Analysis and Policy. Core cities are Chesapeake, Norfolk, Portsmouth, Suffolk, Virginia Beach, Hampton, Newport News, and Williamsburg. In this context, Williamsburg represents Williamsburg, James City County, Poquoson, York County and Gloucester County.

Housing Market and Its Challenges

- Housing market has a supply problem; Inventories, months of supply are low relative to historical norms, and new construction home sales continue to decline.
- Hampton Roads needs to develop a regional housing strategy and move towards uniformity in basic zoning regulations across its cities and counties.
- Cities and counties in Hampton Roads need to promote higher density, more mixed-use developments, and reduce regulatory burdens that increase the cost of housing. Authorization of Accessory Dwelling Units in some cities is a step in the right direction.
- Doing so will not only increase housing supply, it will also stabilize housing prices, reduce housing cost-burdens and spur economic growth by having increased supply of homes for its work force.

Challenges Abound for Growth in 2026

- Economic data continues to lag policy. There is strong evidence that the Hampton Roads economy has slowed and will continue to slow in first half of 2026.
- Going forward, uncertainty in Washington, especially on legal migration to the United States, and changes in policy on tariffs will continue to be a major concern for the health and growth of the regional economy.
- Hampton Roads is relatively more vulnerable to changes in federal policy. While increases in defense spending may lessen some of the economic pain from the reduction in federal civilian employment and tariffs, our dependence on Federal Government spending is both a strength and a weakness.
- Working together regionally is now more important than ever to foster private sector growth and DIVERSIFY the region's economic base. To do otherwise will be to put our collective fate in the hands of policymakers in Richmond and Washington, D.C.

Regional Forecast				
Variable	2023 Actual	2024 Estimated/Actual	2025 Estimated/Actual	2026 Forecast
Hampton Roads Real GDP	3.2%	2.4%	1.0%	0.5%
Civilian Job Growth	2.3%	1.4%	-0.2%	-0.2%
Unemployment Rate	2.9%	3.1%	3.7%	4.1%
Taxable Sales	3.0%	4.4%	2.0%	1.8%
Hotel Revenue	3.1%	0.4%	0.8%	1.0%
Loaded TEUs	-6.3%	5.3%	-6.3%	0.9%
Median Price of Existing Homes	5.8%	5.8%	4.2%	2.5%

Upcoming Publications and Events

- Mid-year Economic Forecast (June 2026)
- State of the Region Report (October 2026)
- State of the Commonwealth Report (December 2026)
- Annual Economic Forecast (January 2027)
- Text **CEAPODU** to **66866** to join our email list.
- For inquiries, please contact us at **dragascenter@odu.edu**
- Our public presentation materials can be found at our website: **www.ceapodu.com**