



2026 Midyear Economic Forecast

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Dragas Center for Economic Analysis and Policy

Strome College of Business

Old Dominion University

June 5, 2026





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I will cover economic conditions in the United States and Virginia. I will discuss how the war with Iran, tariffs, and uncertainty may influence 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 United States, Virginia, and Hampton Roads may fare in the remainder of 2026.

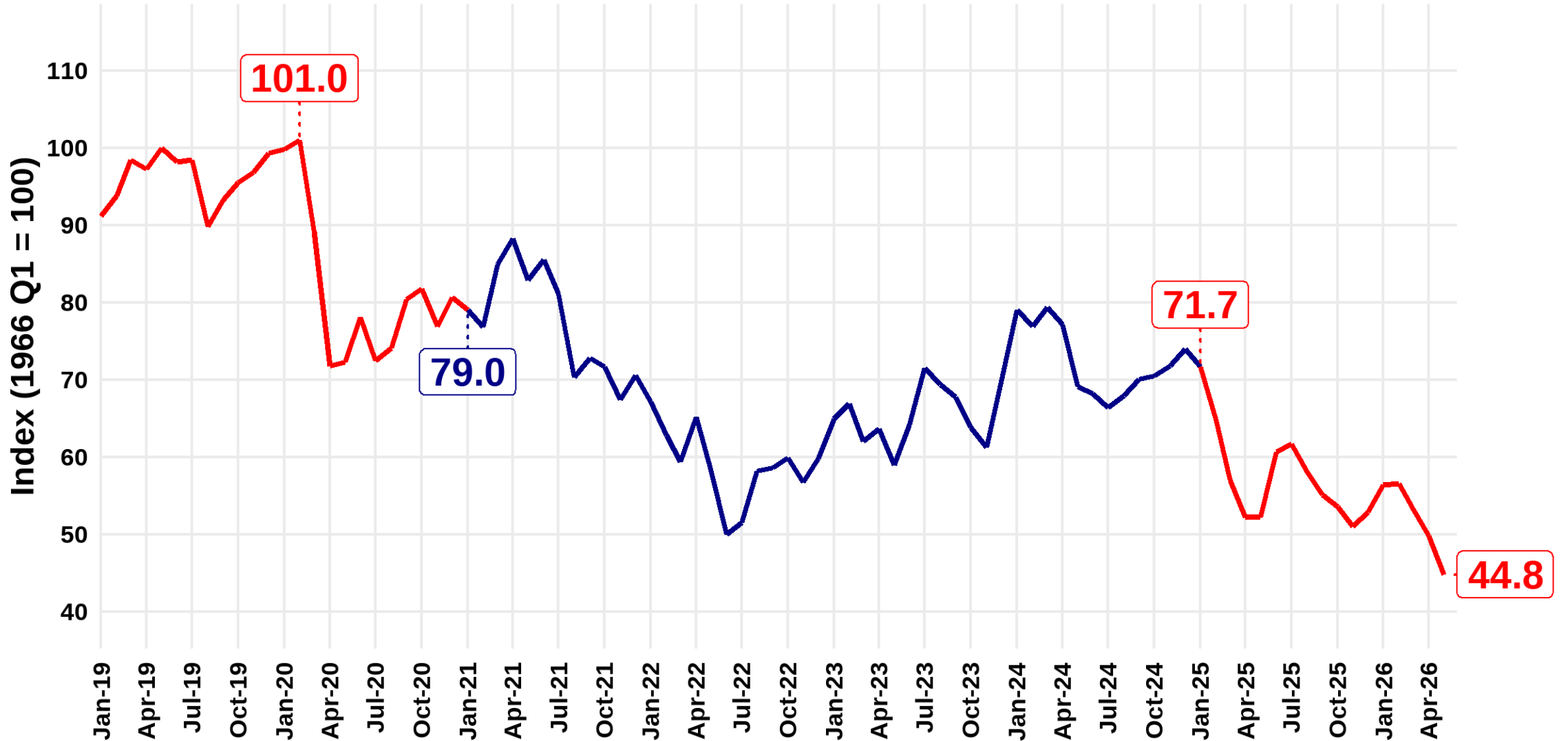
All our public presentation materials can be found at our website:
www.ceapodu.com

A person wearing a dark blue or black coat is holding a metal wire shopping basket. The person is standing in a grocery store aisle, with shelves of various products visible in the background. The lighting is bright, and the background is slightly blurred, focusing attention on the person and the basket. The text "Sentiment and Inflation" is overlaid in white on the lower half of the image.

Sentiment and Inflation

University of Michigan: Consumer Sentiment

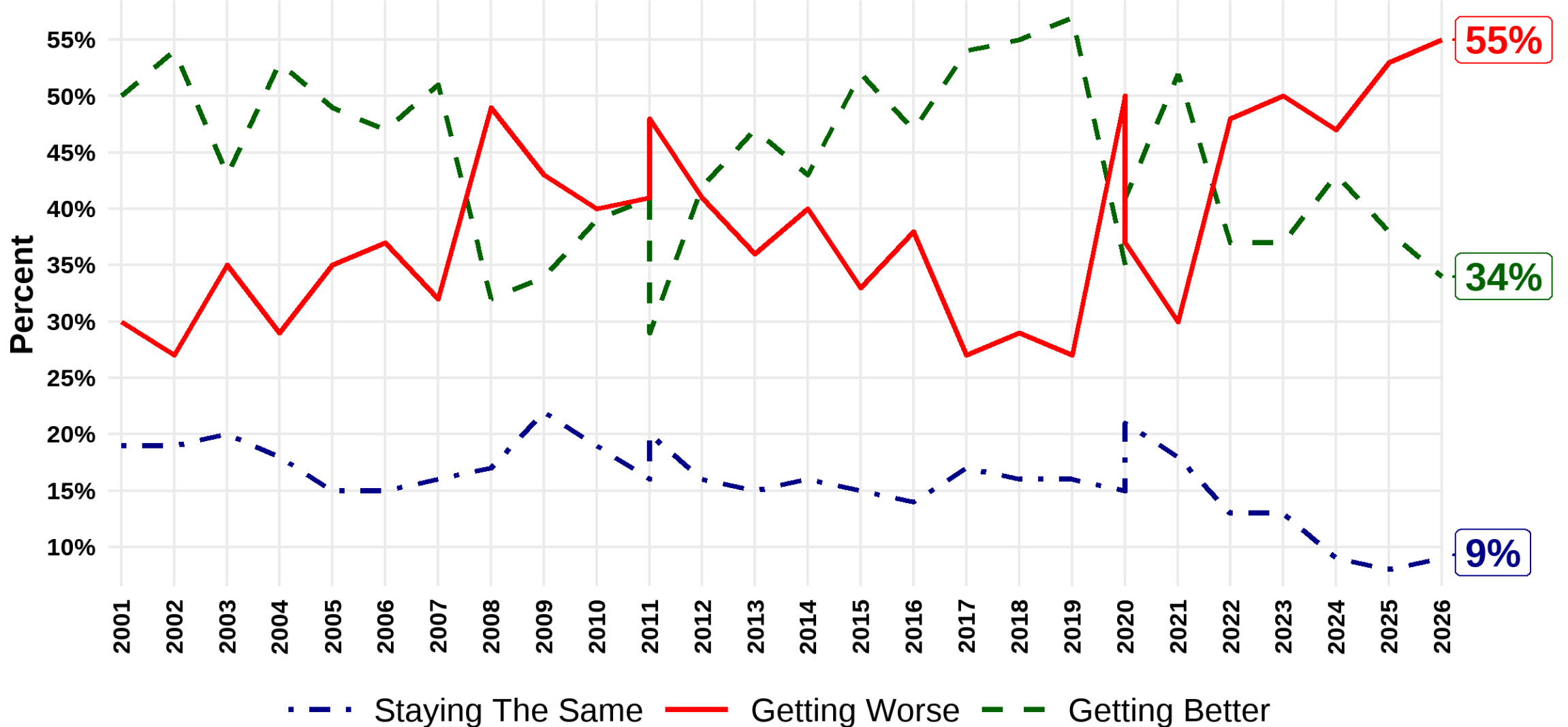
United States, January 2019 - May 2026



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

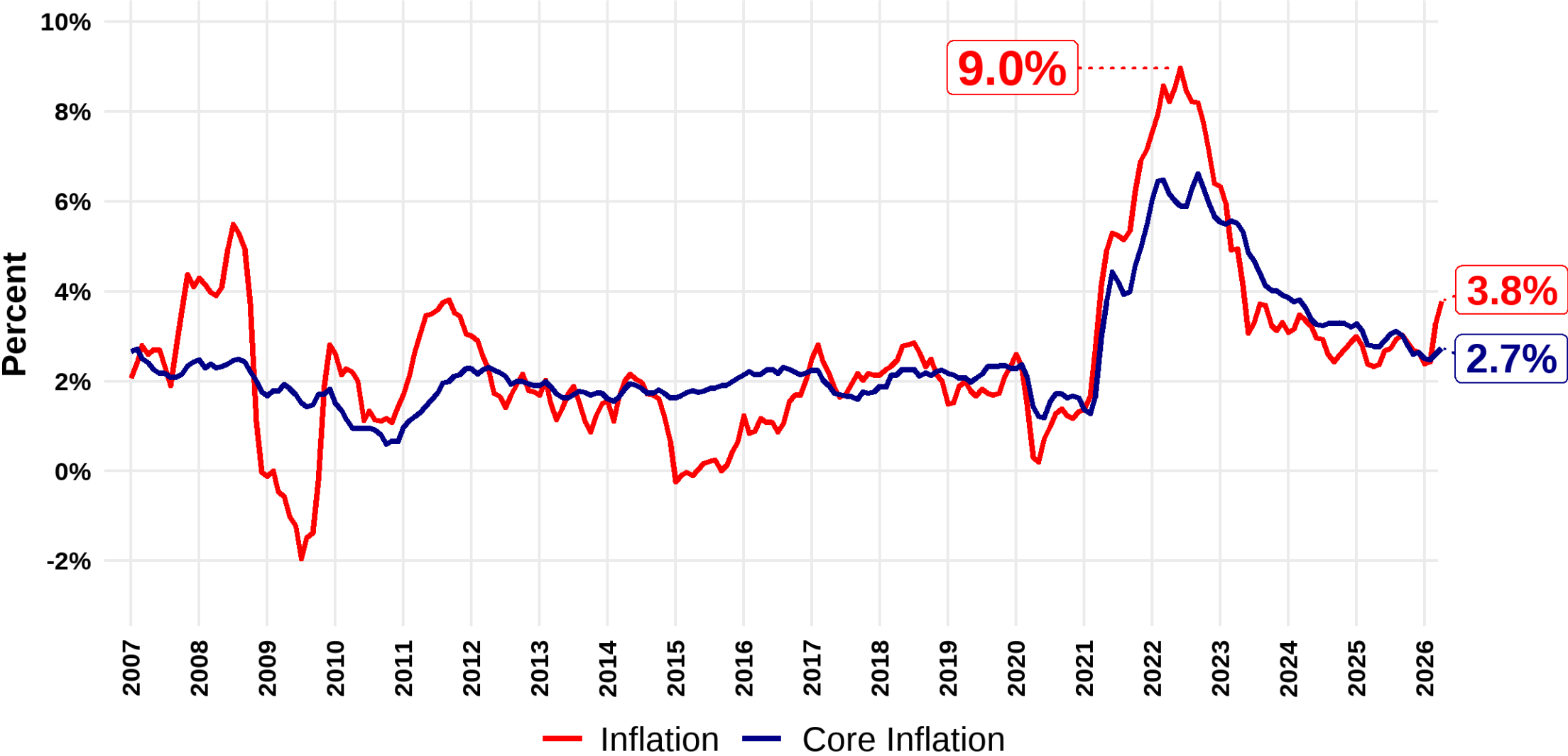
Americans' Personal Financial Situation Outlook

Gallup Survey, 2001 - 2026



Monthly Inflation

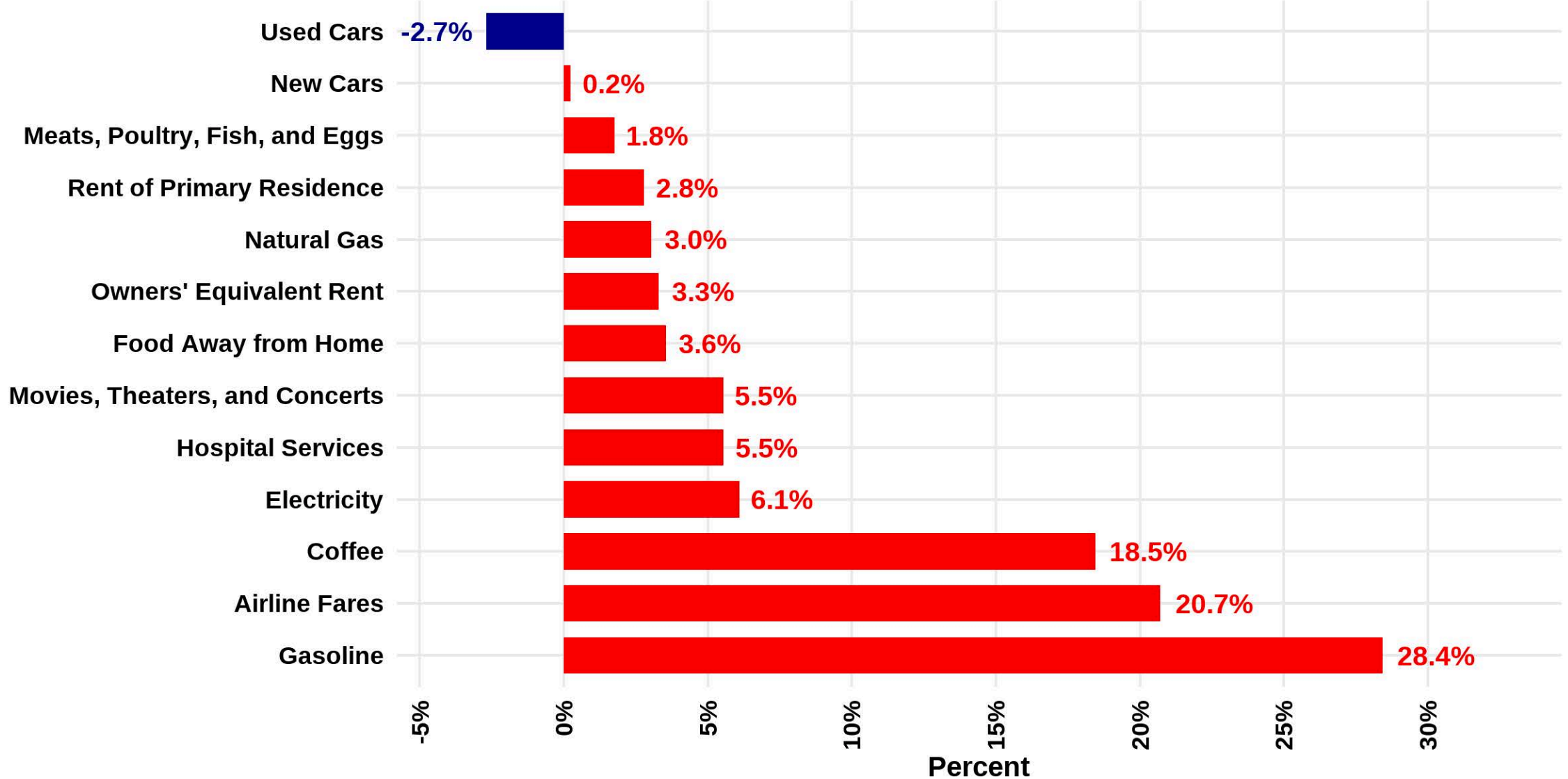
United States, January 2007 - April 2026



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. Missing data for October 2025 are linearly interpolated.

Monthly Inflation for Selected Categories

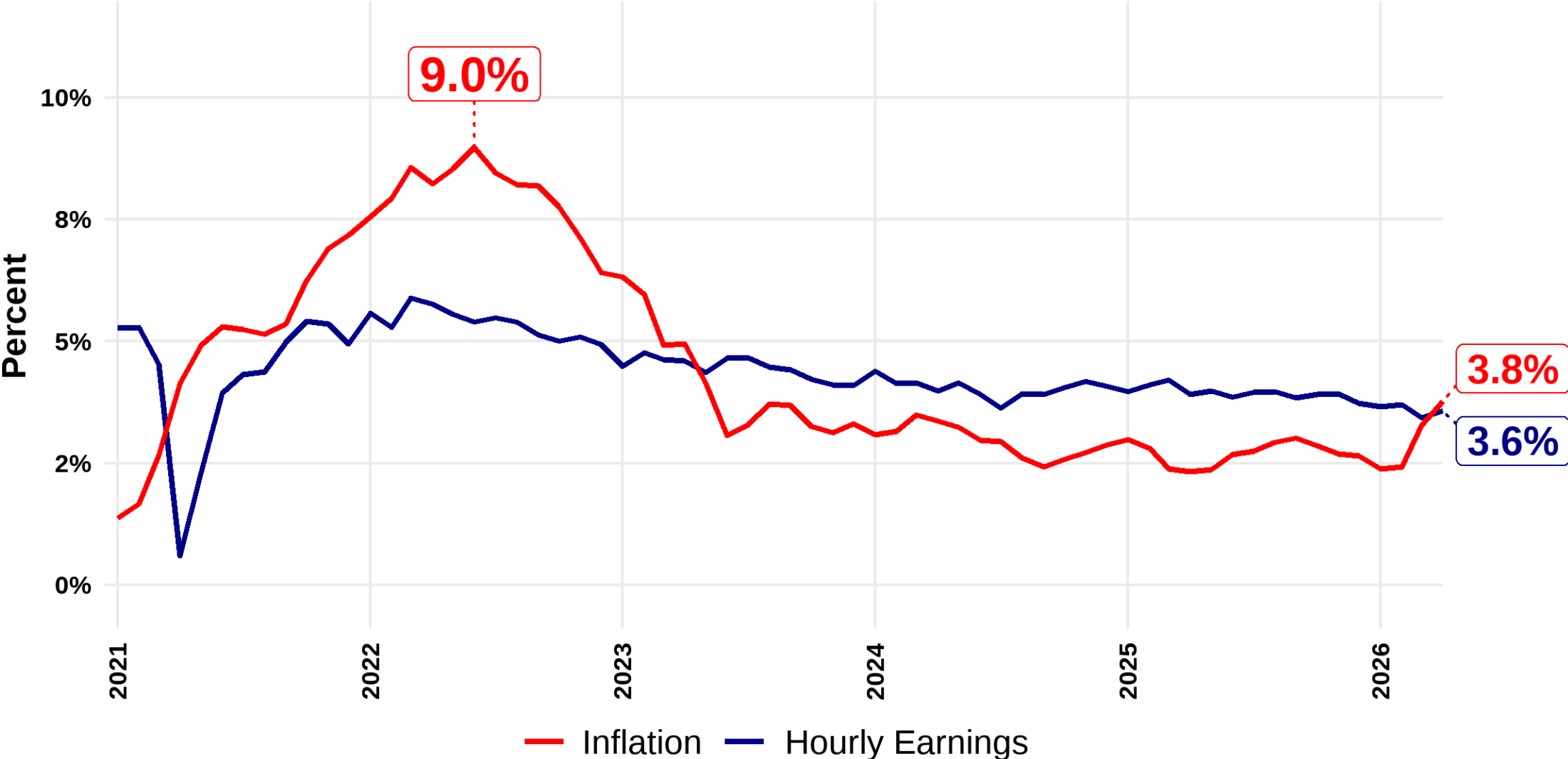
United States, April 2025 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Inflation is the year-over-year change in the Consumer Price Index for each category.

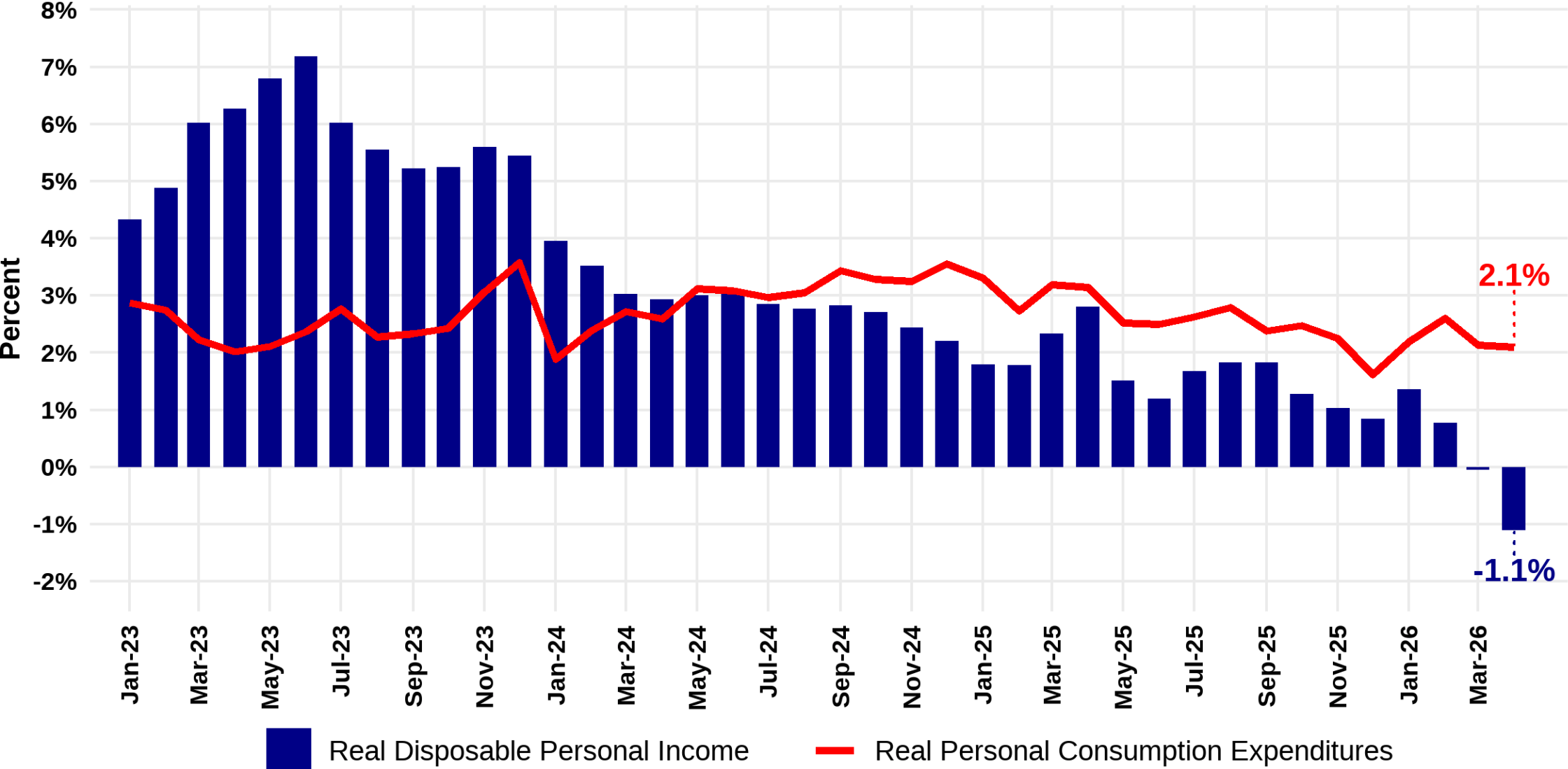
Inflation and Growth in Hourly Wages

United States, January 2021 - April 2026



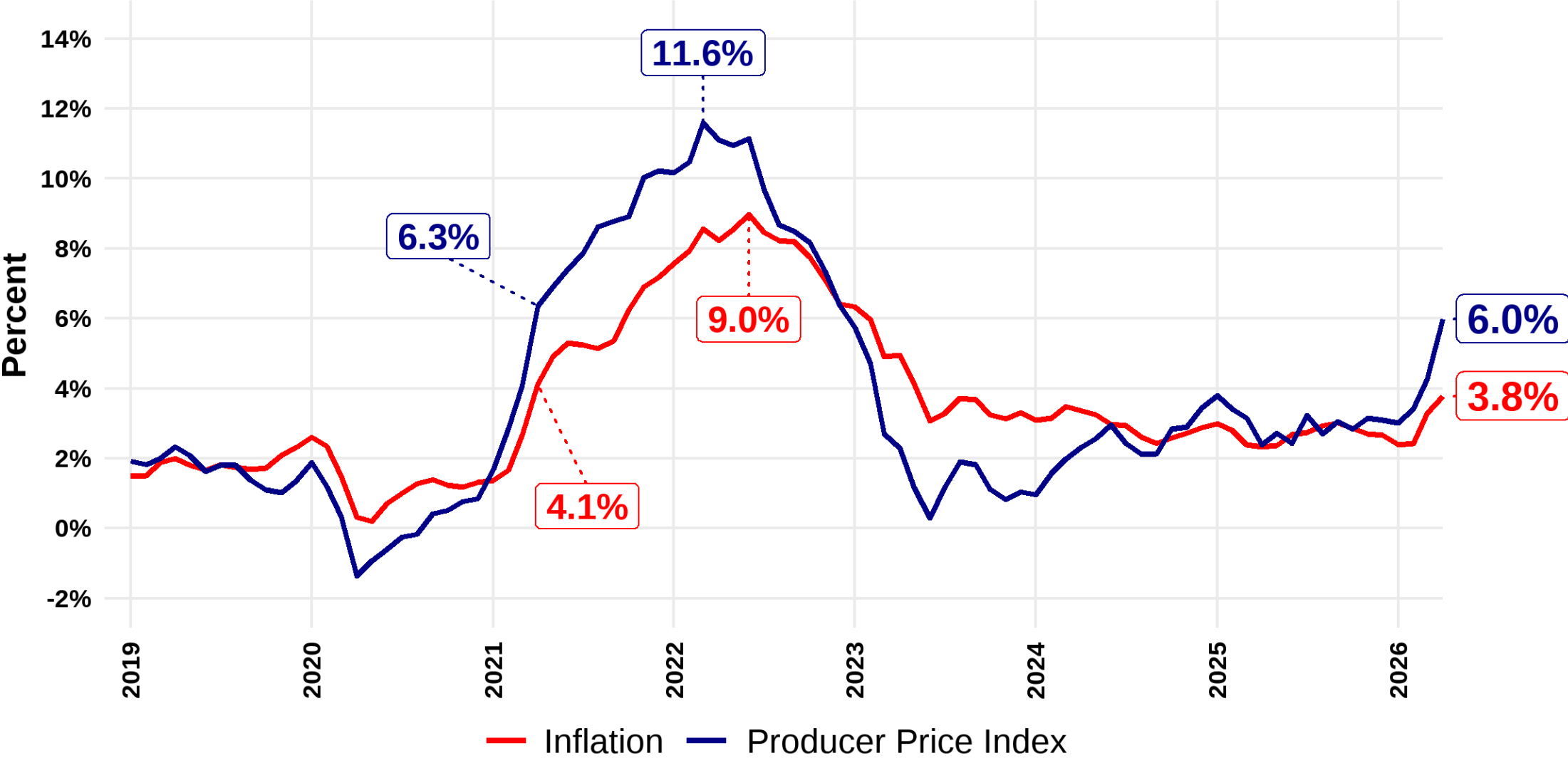
Source: Bureau of Labor Statistics, seasonally adjusted data. Inflation is the year-over-year change in the Consumer Price Index. Wage growth is equal to the year-over-year change in hourly earnings. Missing data for the Consumer Price Index for October 2025 are linearly interpolated.

Growth in Real Personal Consumption Expenditures and Real Disposable Personal Income United States, January 2023 - April 2026



Source: Bureau of Economic Analysis. Year-over-year change.

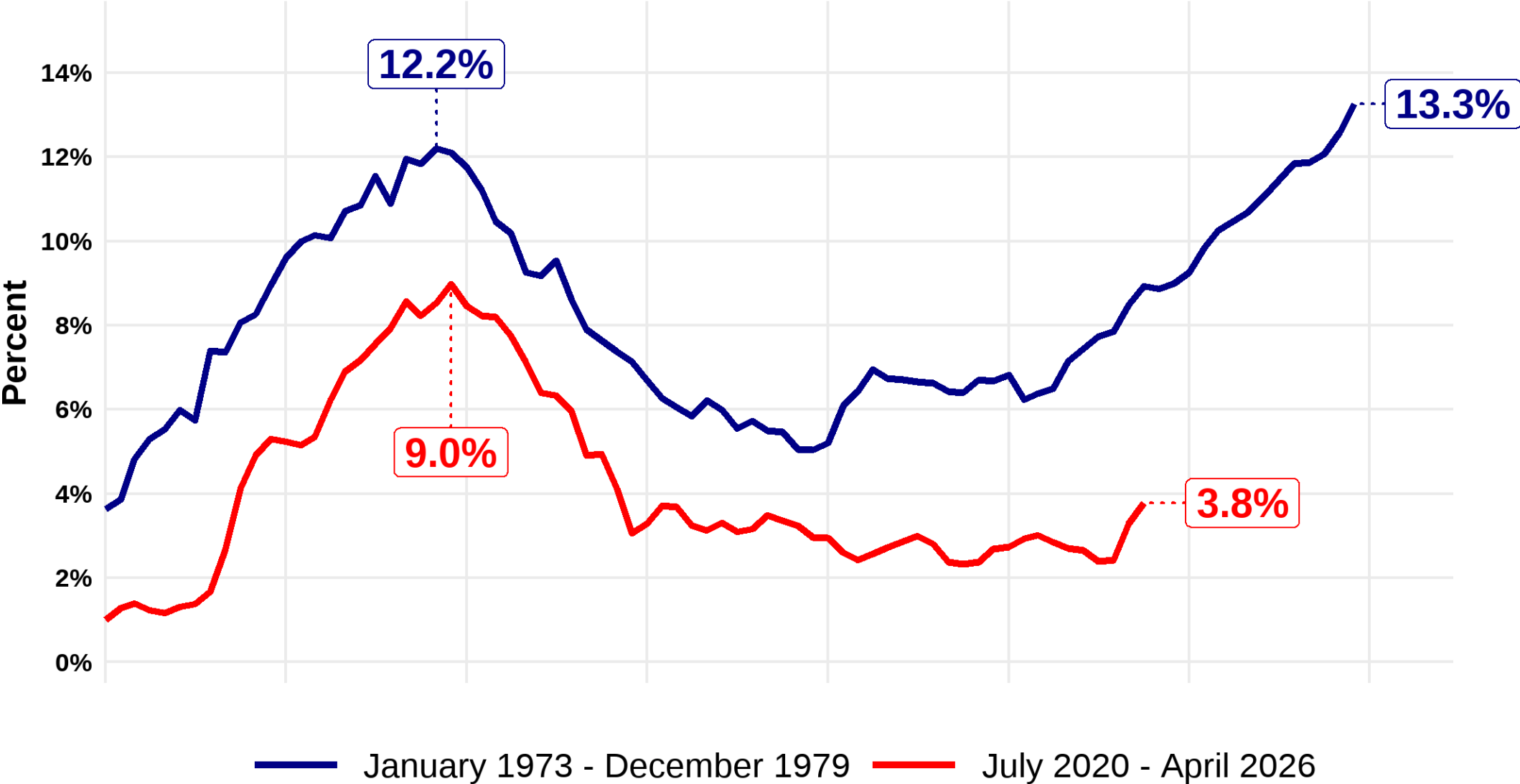
Monthly Inflation and Producer Price Index United States, January 2019 - April 2026



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). Missing data for October 2025 are linearly interpolated.

Monthly Inflation

United States, January 1973 - December 1979 and July 2020 - April 2026



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

U.S. 30-Year Treasury Yield

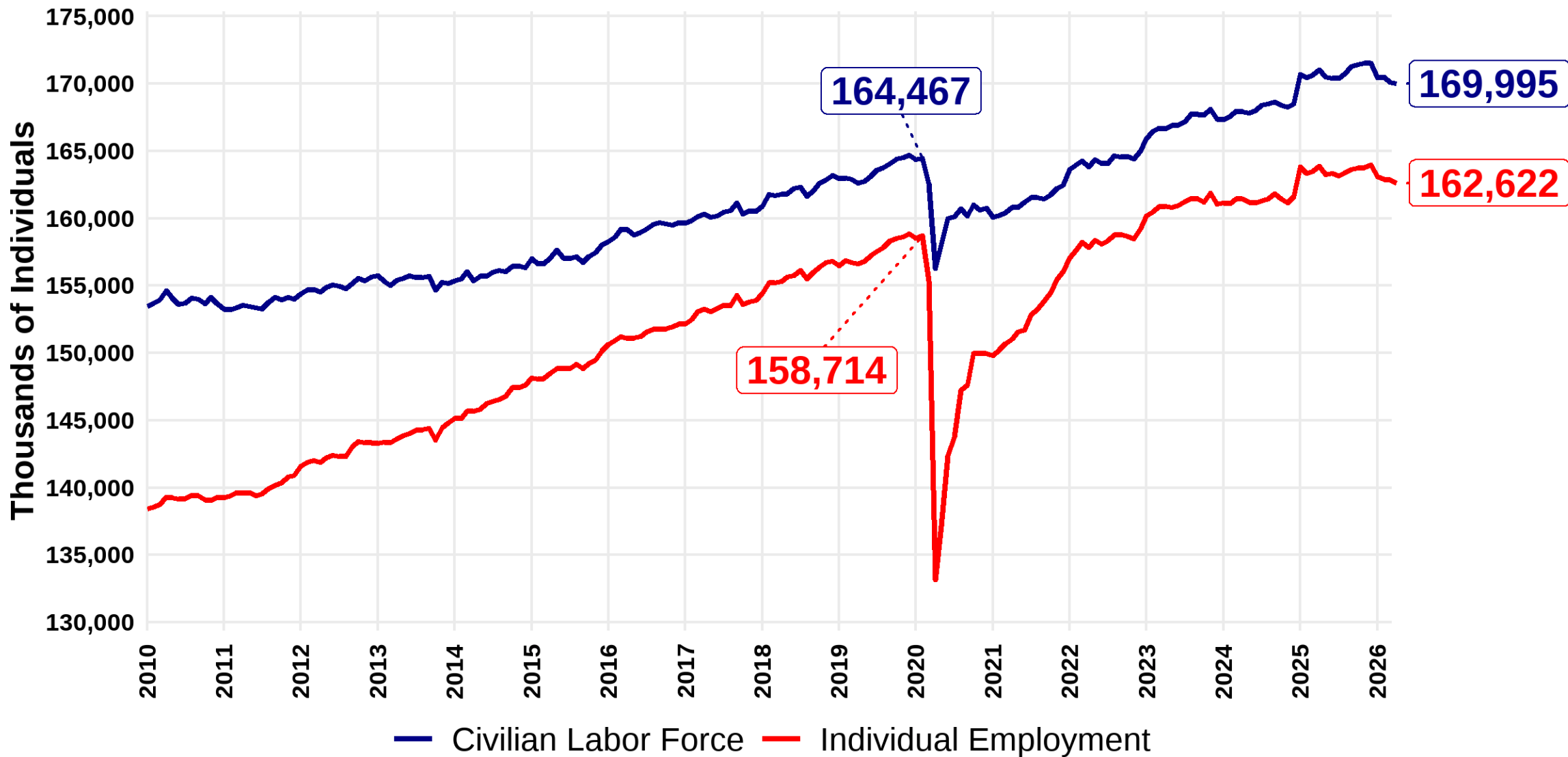
United States, January 2007 - June 2026



Employment Situation



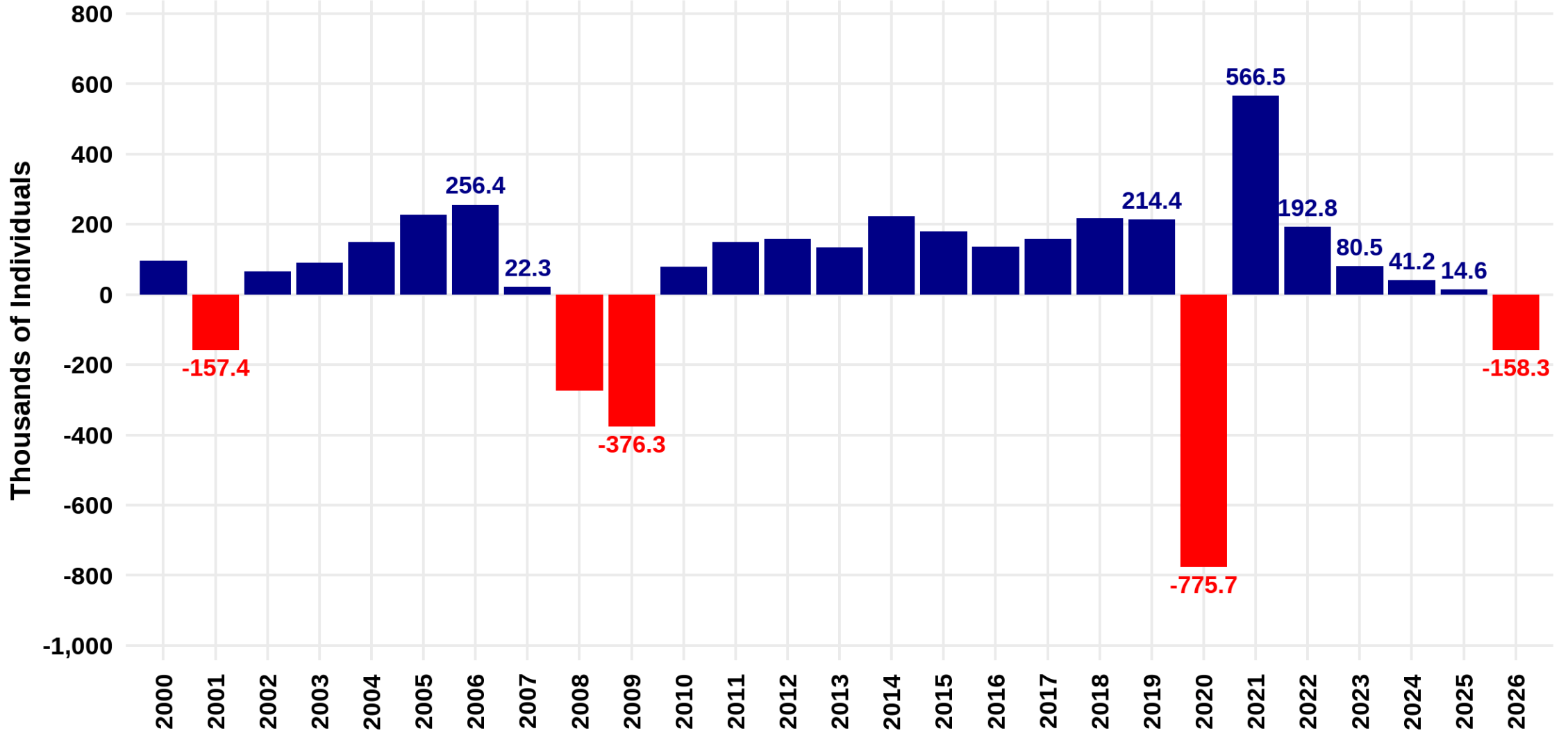
Civilian Labor Force and Individual Employment United States, January 2010 - April 2026



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

Average Monthly Change in Individual Employment

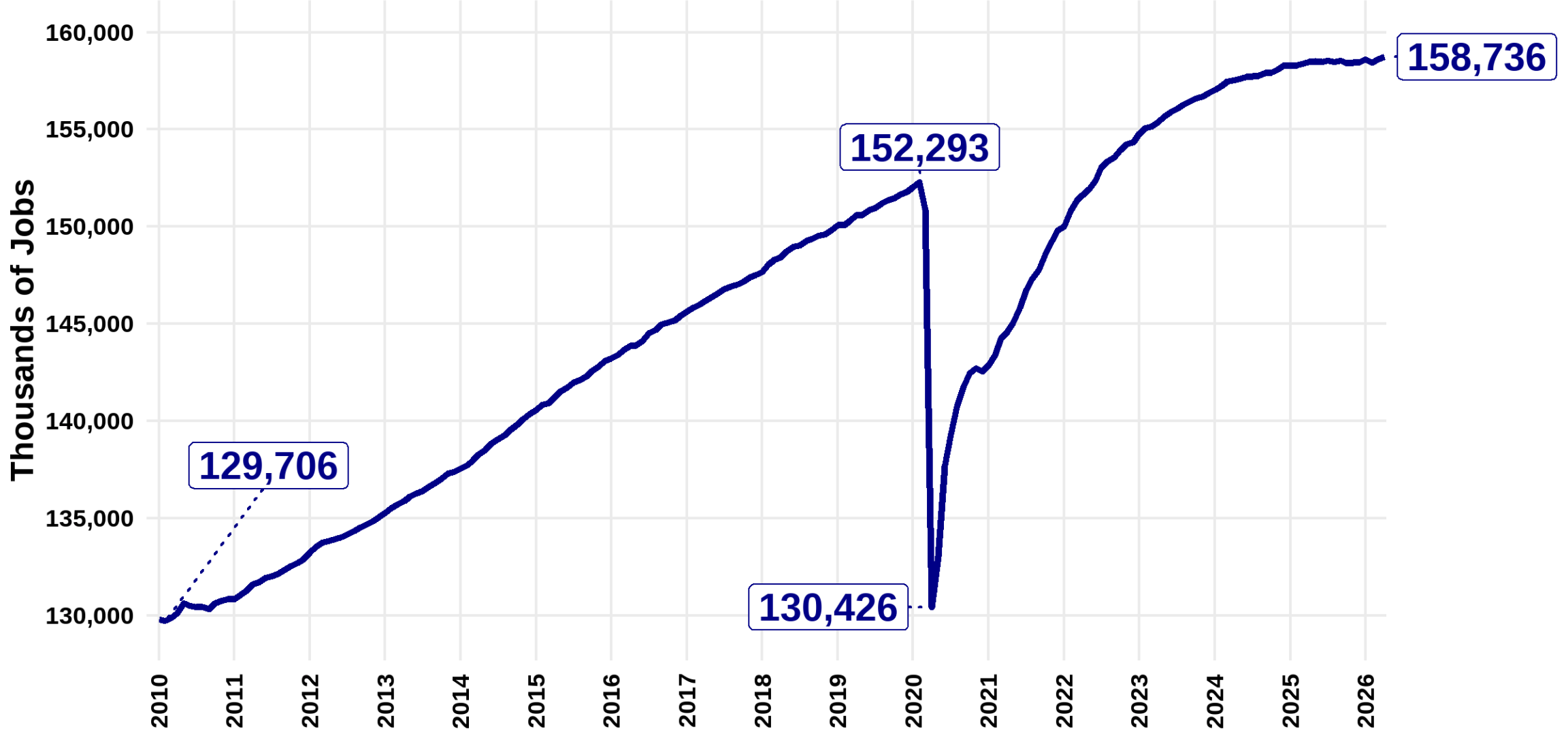
United States, 2000 - 2026



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 interpolated. Data are updated through April 2026.

Nonfarm Payrolls

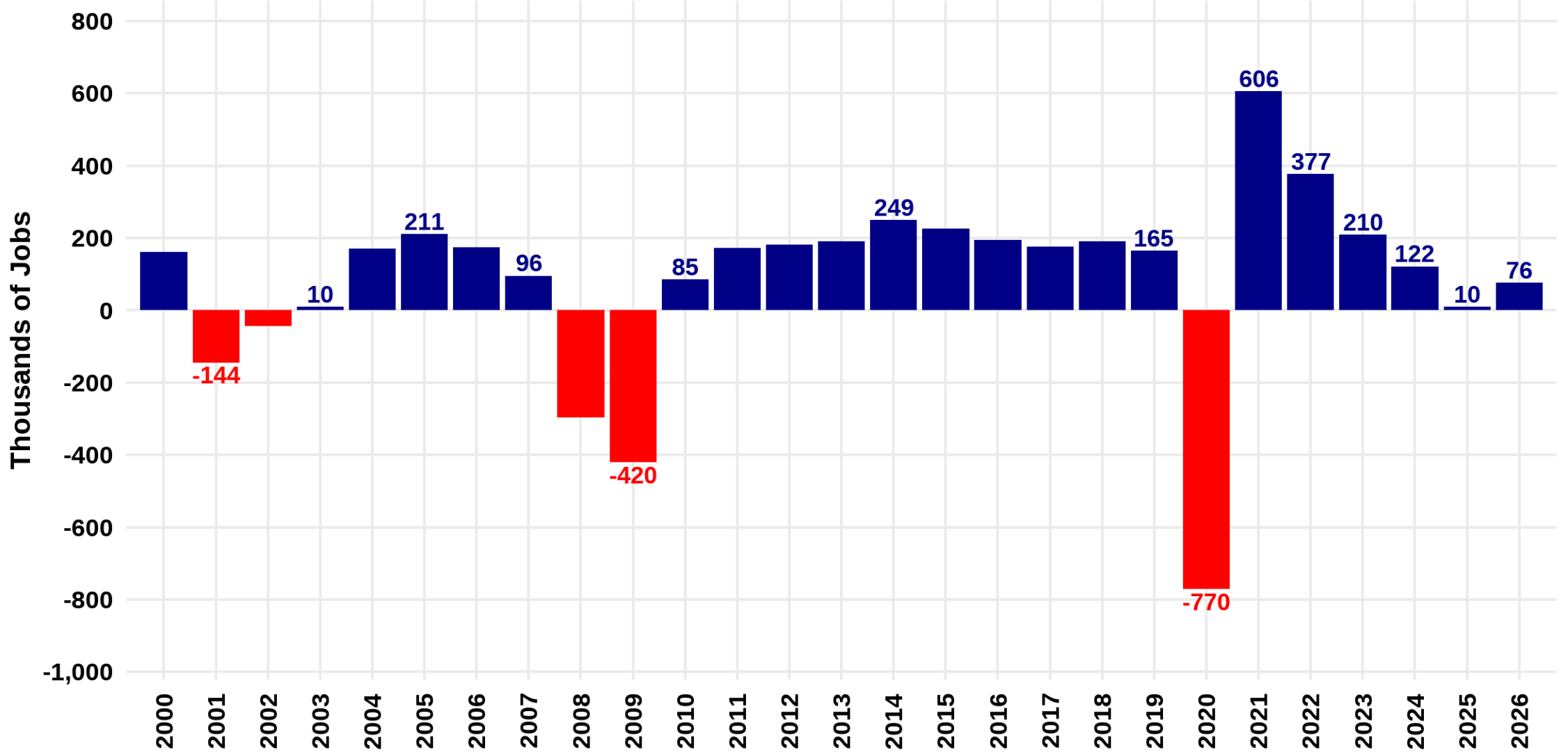
United States, January 2010 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. March and April 2026 data are preliminary.

Average Monthly Change in Nonfarm Payrolls

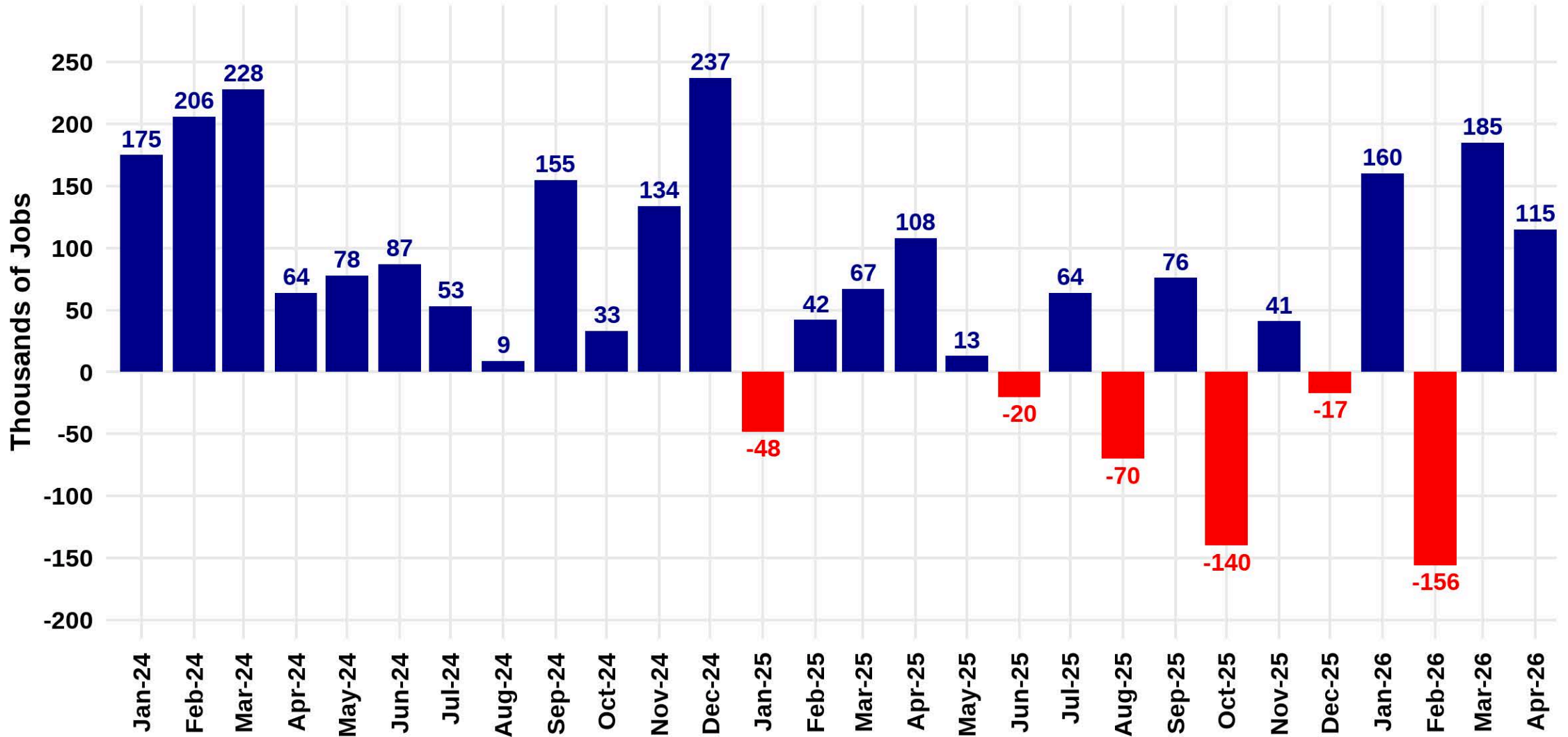
United States, 2000 - 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Data are updated through April 2026.

Change in Nonfarm Payrolls

United States, January 2024 - April 2026

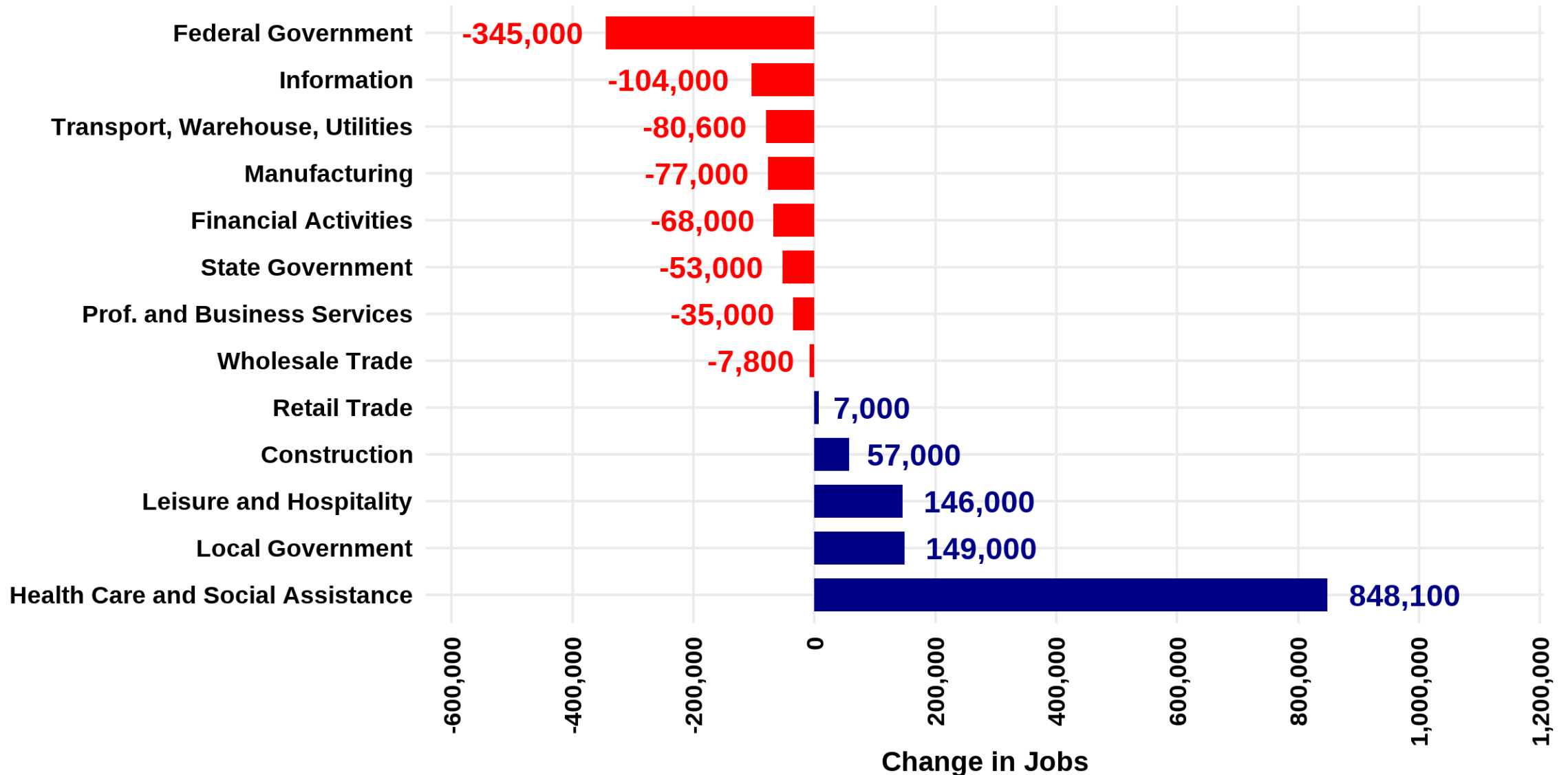


Source: Bureau of Labor Statistics, seasonally adjusted data. March and April 2026 data are preliminary.

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 Nonfarm Payrolls

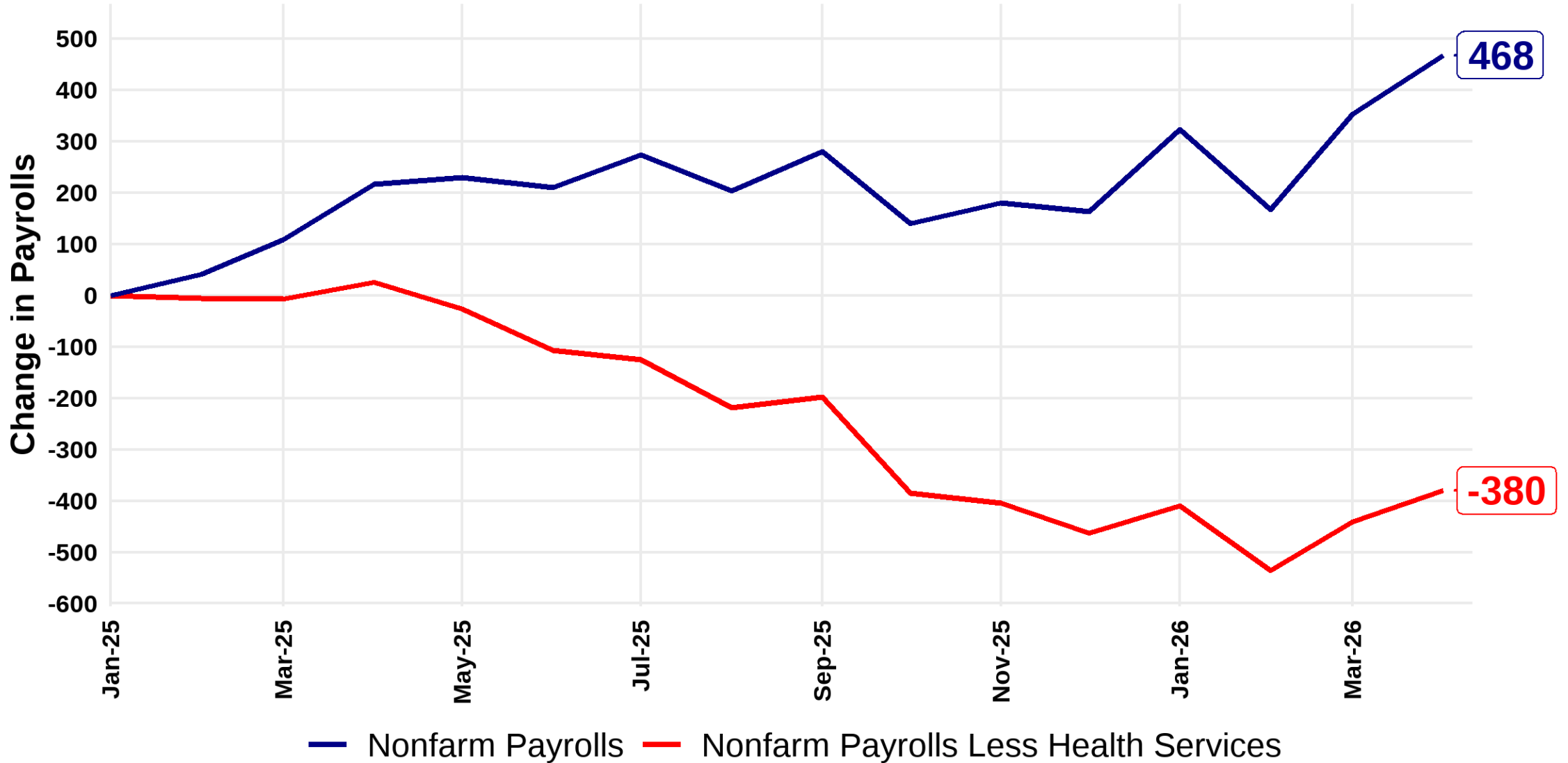
Selected Industries in the United States, January 2025 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. March and April 2026 data are preliminary.

Cumulative Change in Nonfarm Payrolls

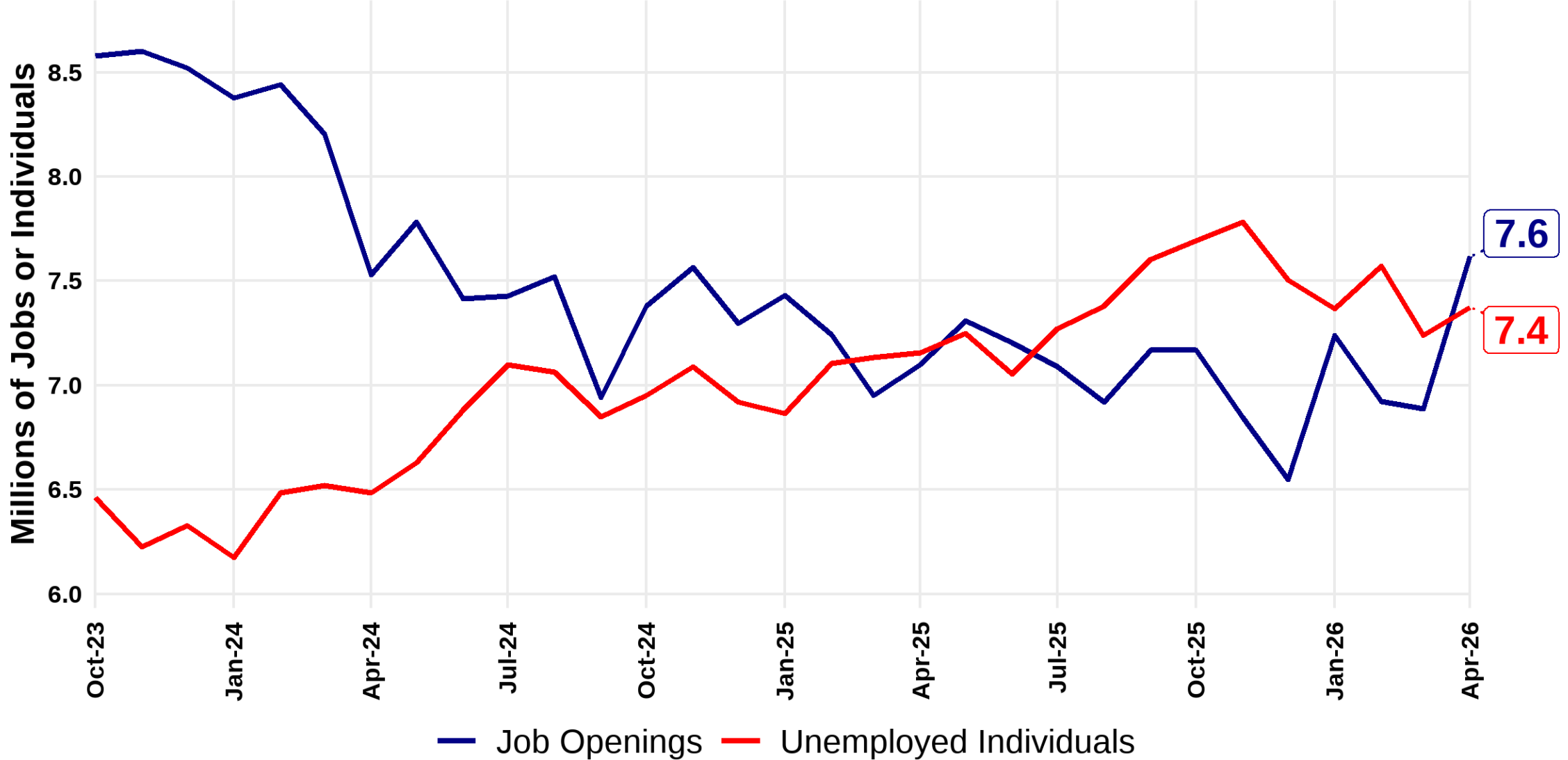
United States, January 2025 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. March and April 2026 data are preliminary. Health Services represent Health Care and Social Assistance.

Job Openings and Unemployed Individuals

United States, October 2023 - April 2026



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



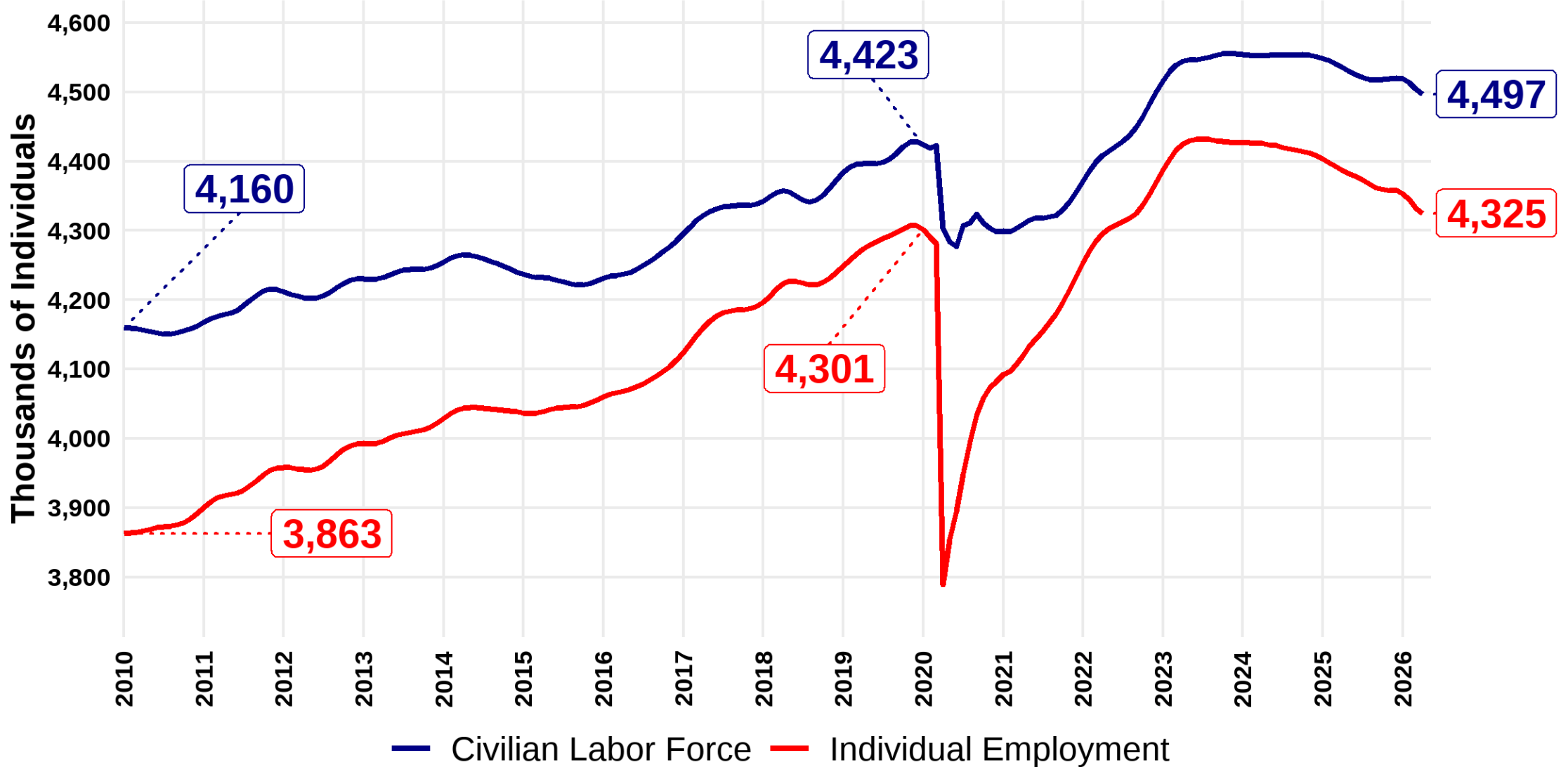
OLD DOMINION
UNIVERSITY

Economic Conditions in Virginia



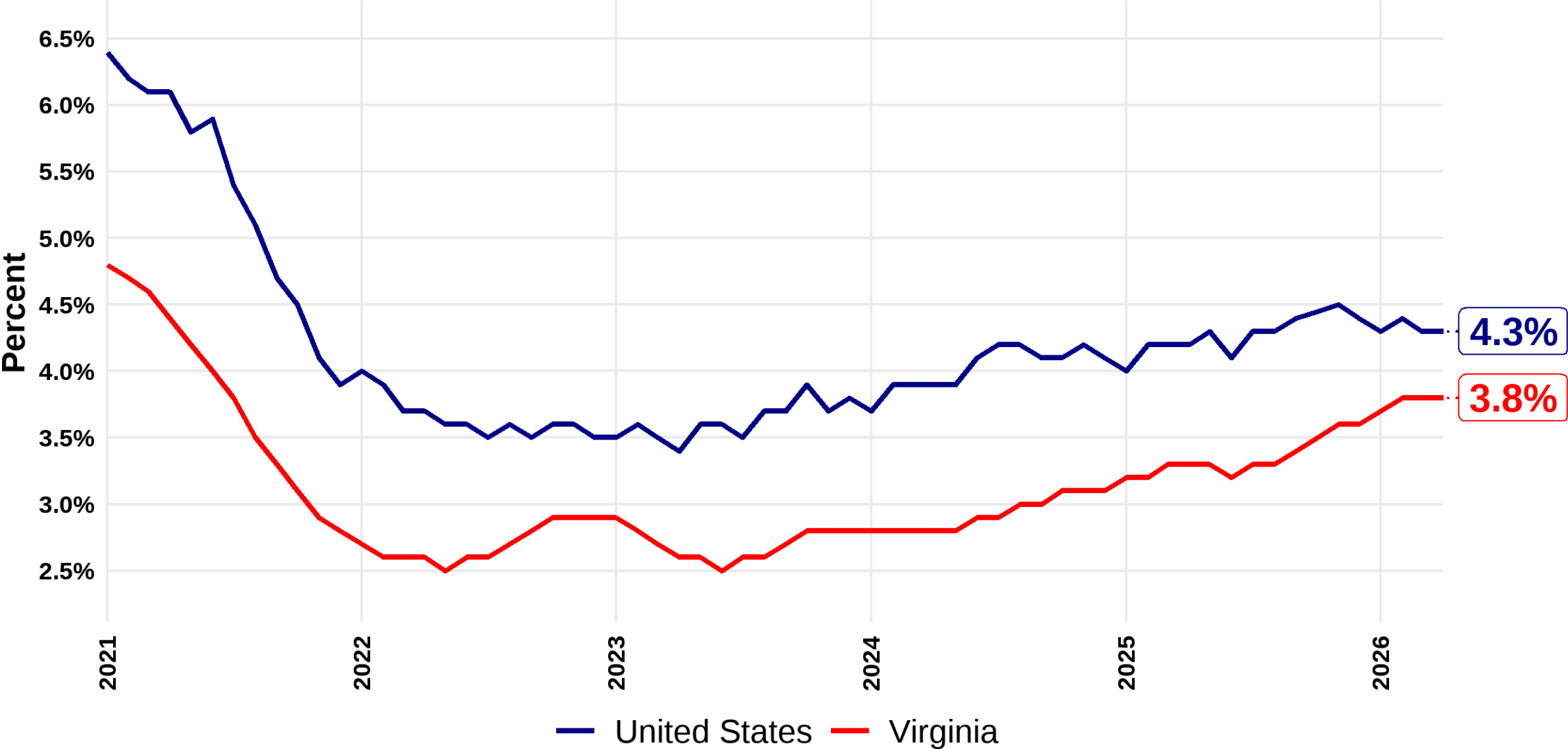
Civilian Labor Force and Individual Employment

Virginia, January 2010 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Missing data for October 2025 are linearly interpolated. April 2026 data are preliminary.

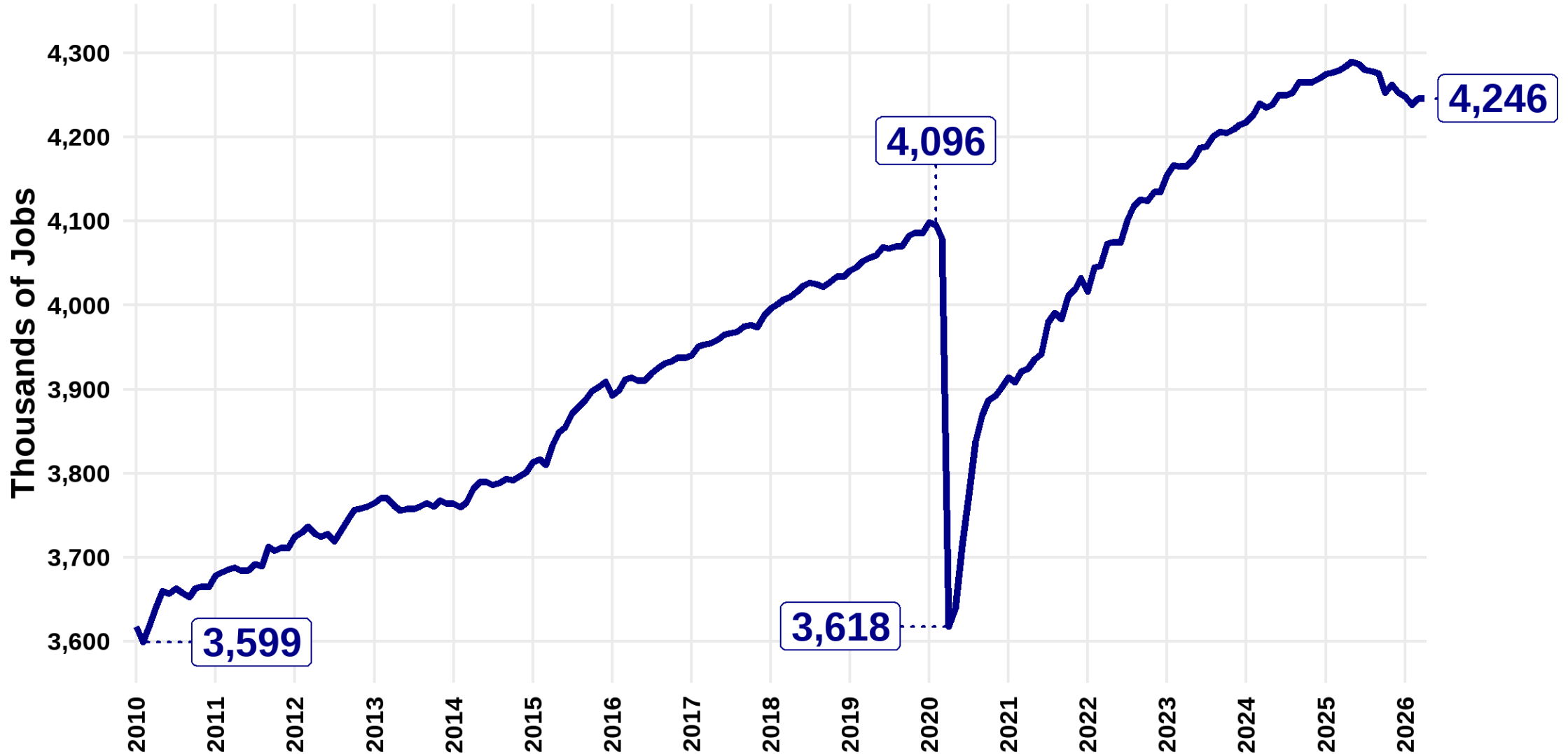
Unemployment Rate (U3) United States and Virginia, January 2021 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Missing data for October 2025 are linearly interpolated. April 2026 data for Virginia are preliminary.

Nonfarm Payrolls

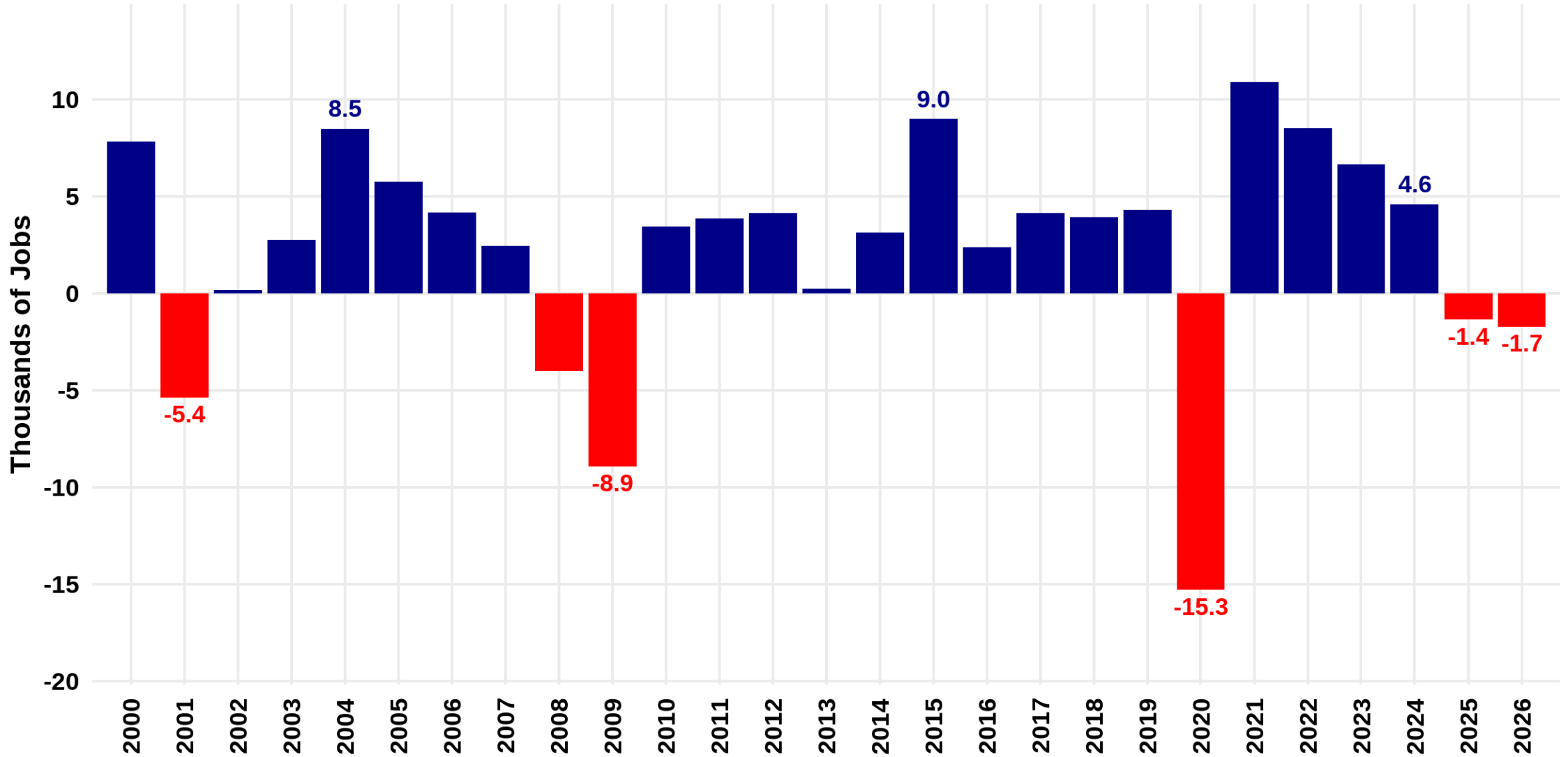
Virginia, January 2010 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. April 2026 data are preliminary.

Average Monthly Change in Nonfarm Payrolls

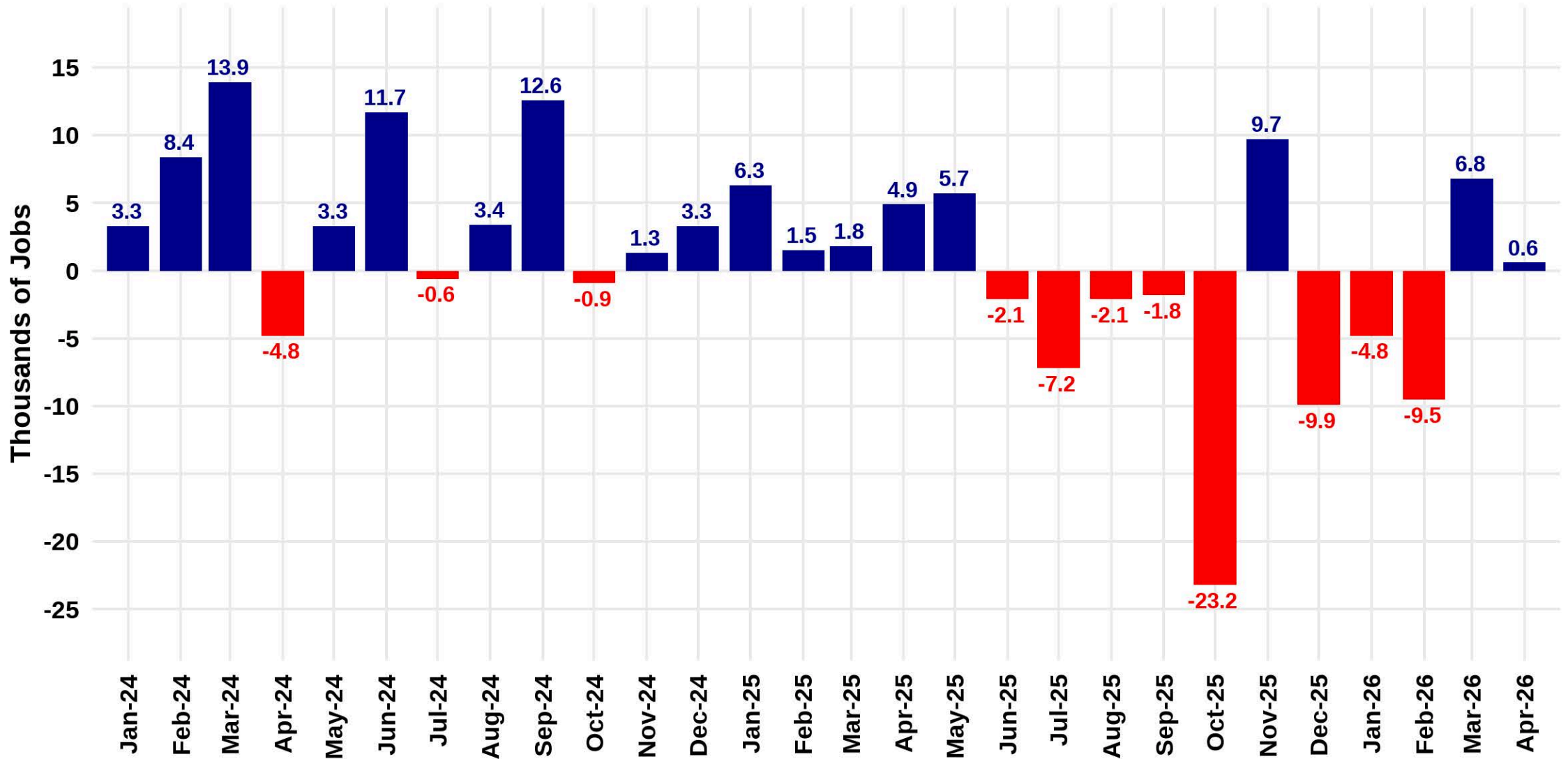
Virginia, 2000 - 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Data are updated through April 2026. April 2026 data are preliminary.

Change in Nonfarm Payrolls

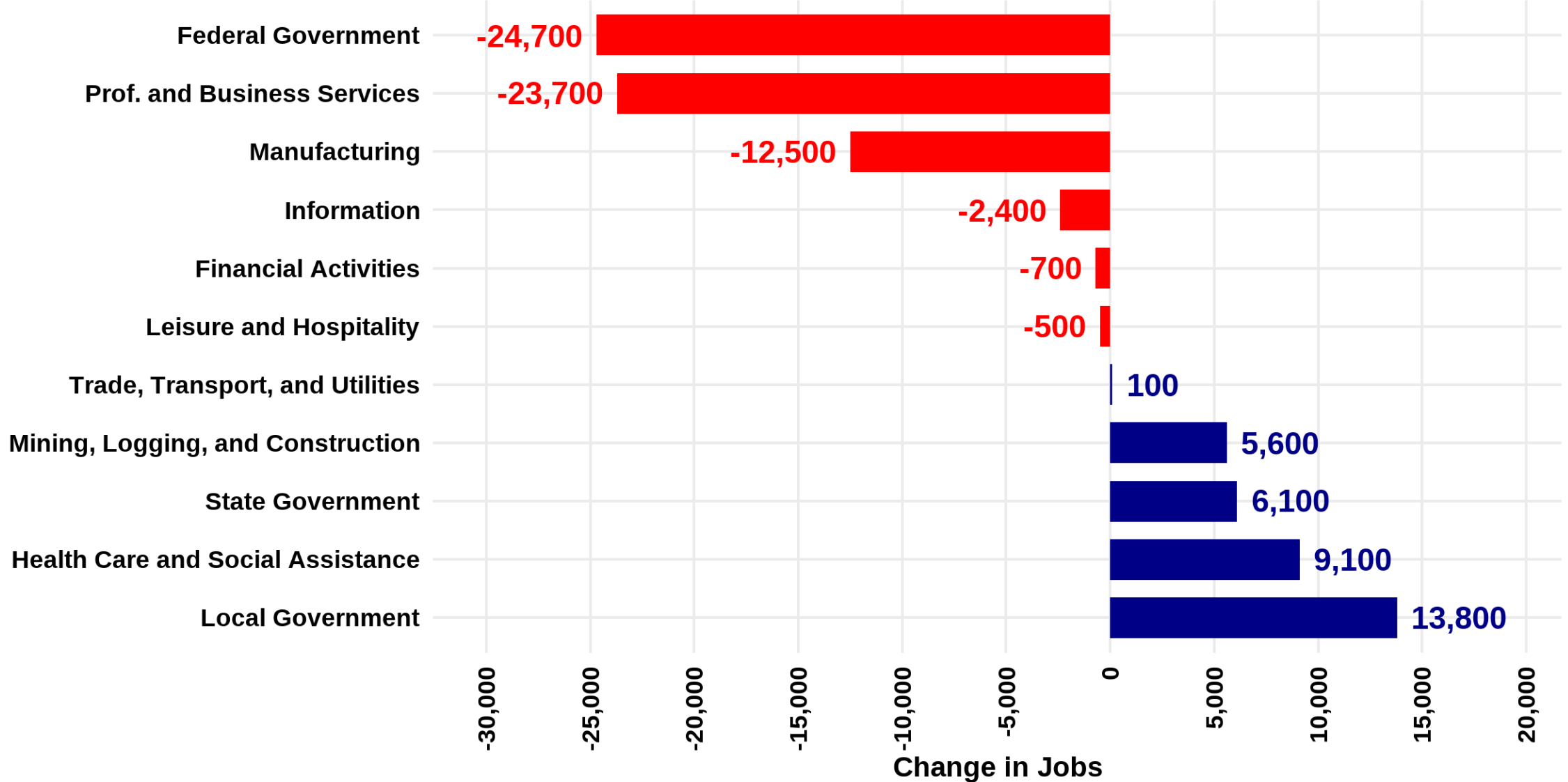
Virginia, January 2024 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. April data are preliminary.

Nonfarm Jobs Gained/Lost

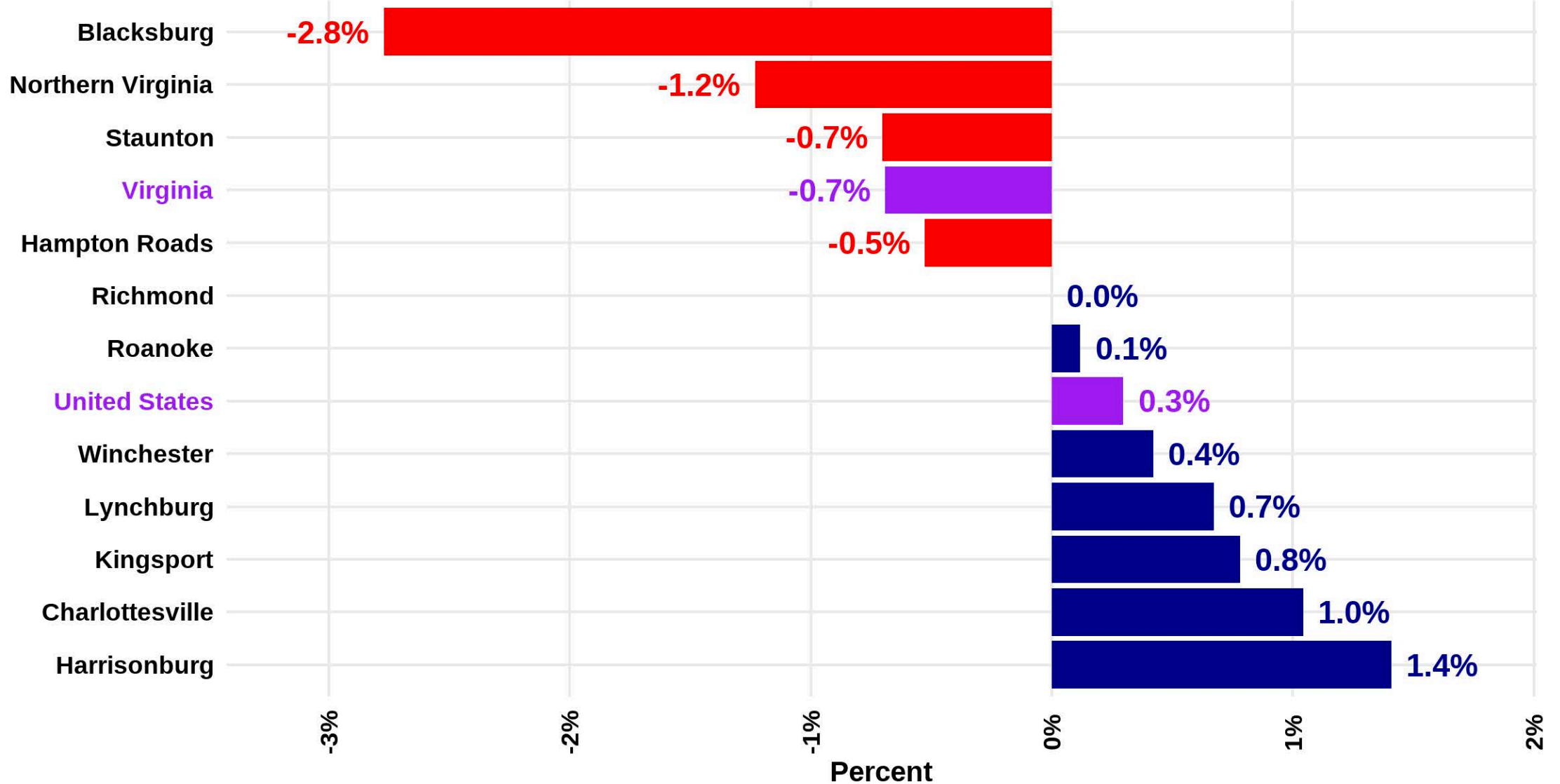
Selected Industries in Virginia, January 2025 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. April data are preliminary.

Percent Change in Nonfarm Payrolls

Metropolitan Areas in Virginia, January 2025 - April 2026



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

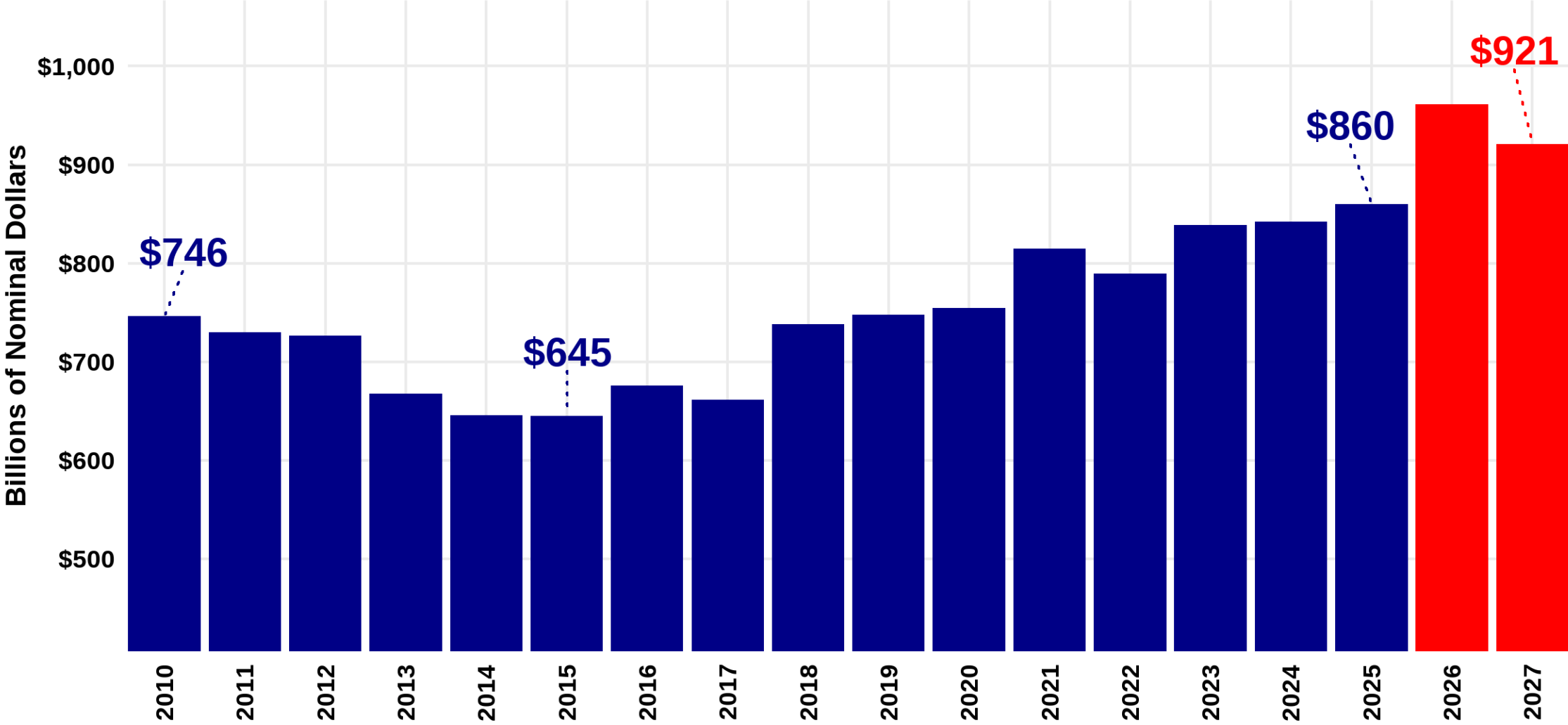
Higher Prices, Fewer Jobs, and Lower Growth

- 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 foreign 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 to \$3 trillion in new Treasuries and refinance another \$8 to \$9 trillion in existing Treasuries in 2026. Net interest on the federal debt now exceeds \$1 trillion annually and gross debt now exceeds 100% of GDP.
- The war with Iran and resulting energy price shock will impact prices well beyond the end of any conflict. Higher prices for natural gas, crude oil, gasoline, and fertilizer will boost inflation in 2026 and beyond.

Economic Conditions in Hampton Roads



Department of Defense (DoD) Total Budget United States, Fiscal Year 2010 - 2027*



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 2027 are projections based on national DoD spending estimates. Projections do not contain possible supplemental appropriations.

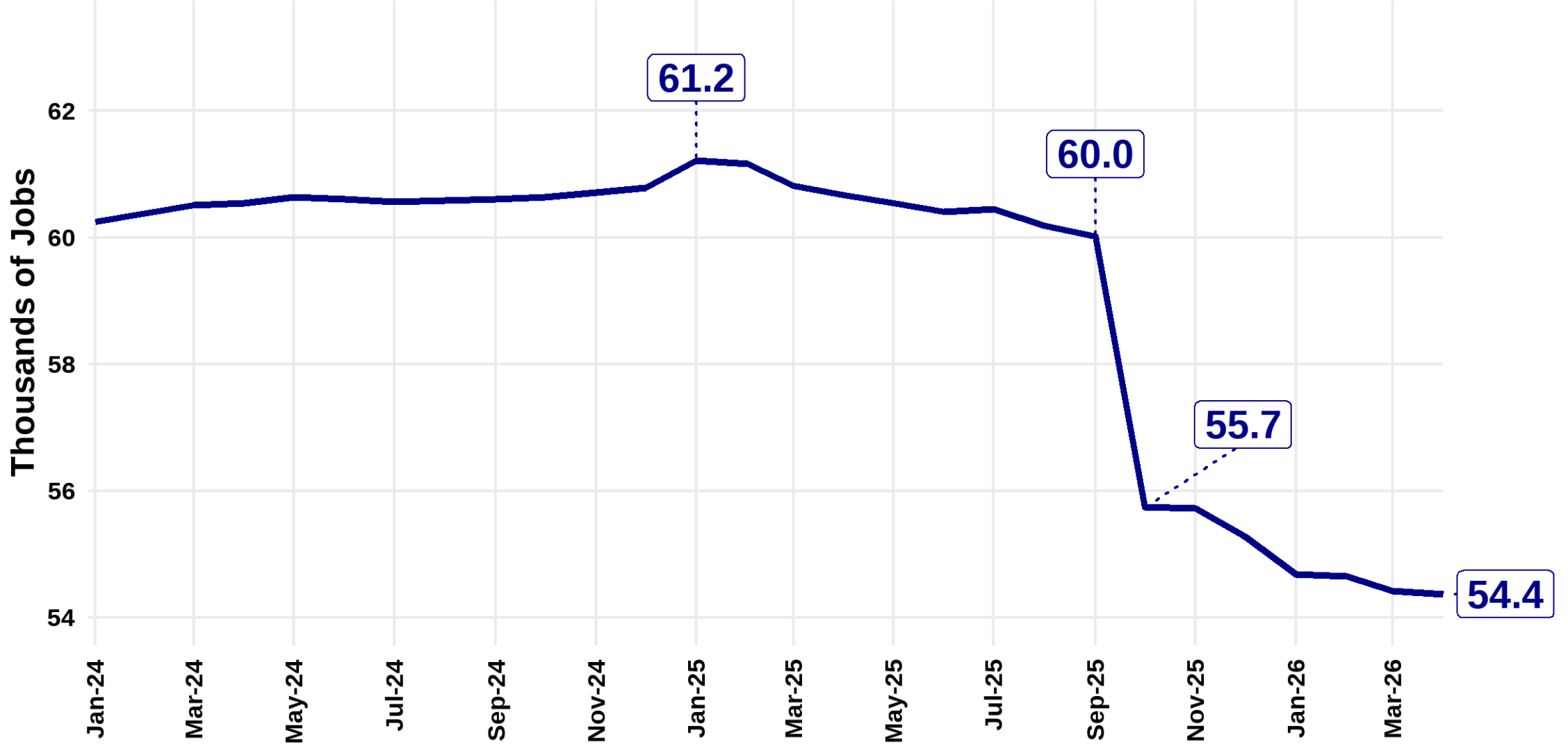
**Total Nonfarm and Federal Civilian Jobs
United States, Virginia, Maryland, District of Columbia, and
Hampton Roads in 2024**

<u>Area</u>	<u>Total Nonfarm Jobs</u>	<u>Federal Civilian Jobs</u>	<u>Percentage of Federal Civilian Jobs</u>
United States	157,693,000	3,000,000	1.9%
Virginia	4,247,700	193,400	4.6%
Maryland	2,839,600	161,700	5.7%
Hampton Roads	831,300	60,600	7.3%
District of Columbia	768,600	193,200	25.1%

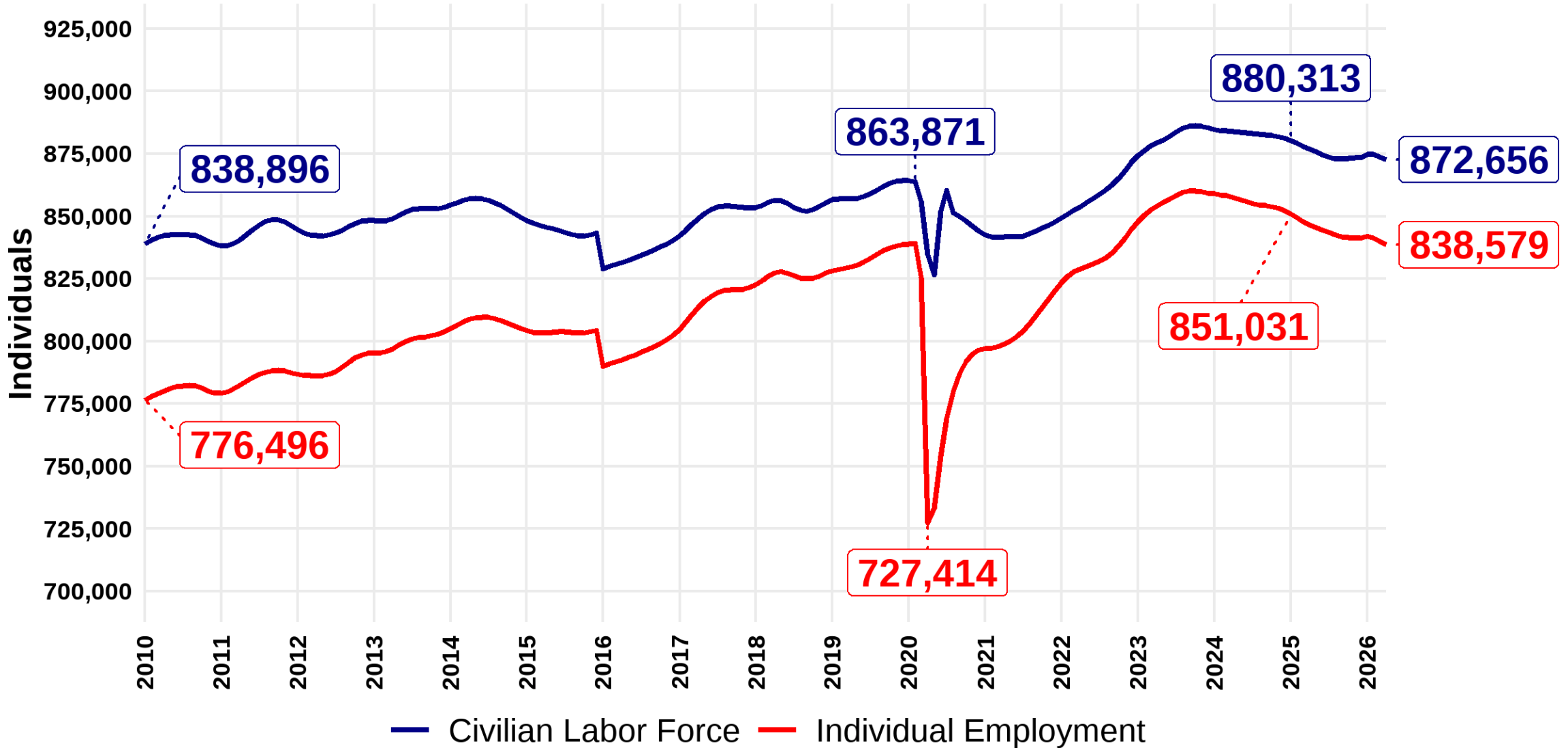
^a Source: Bureau of Labor Statistics. Annual averages of non-seasonally adjusted data.

Federal Civilian Payrolls

Hampton Roads, January 2024 - April 2026



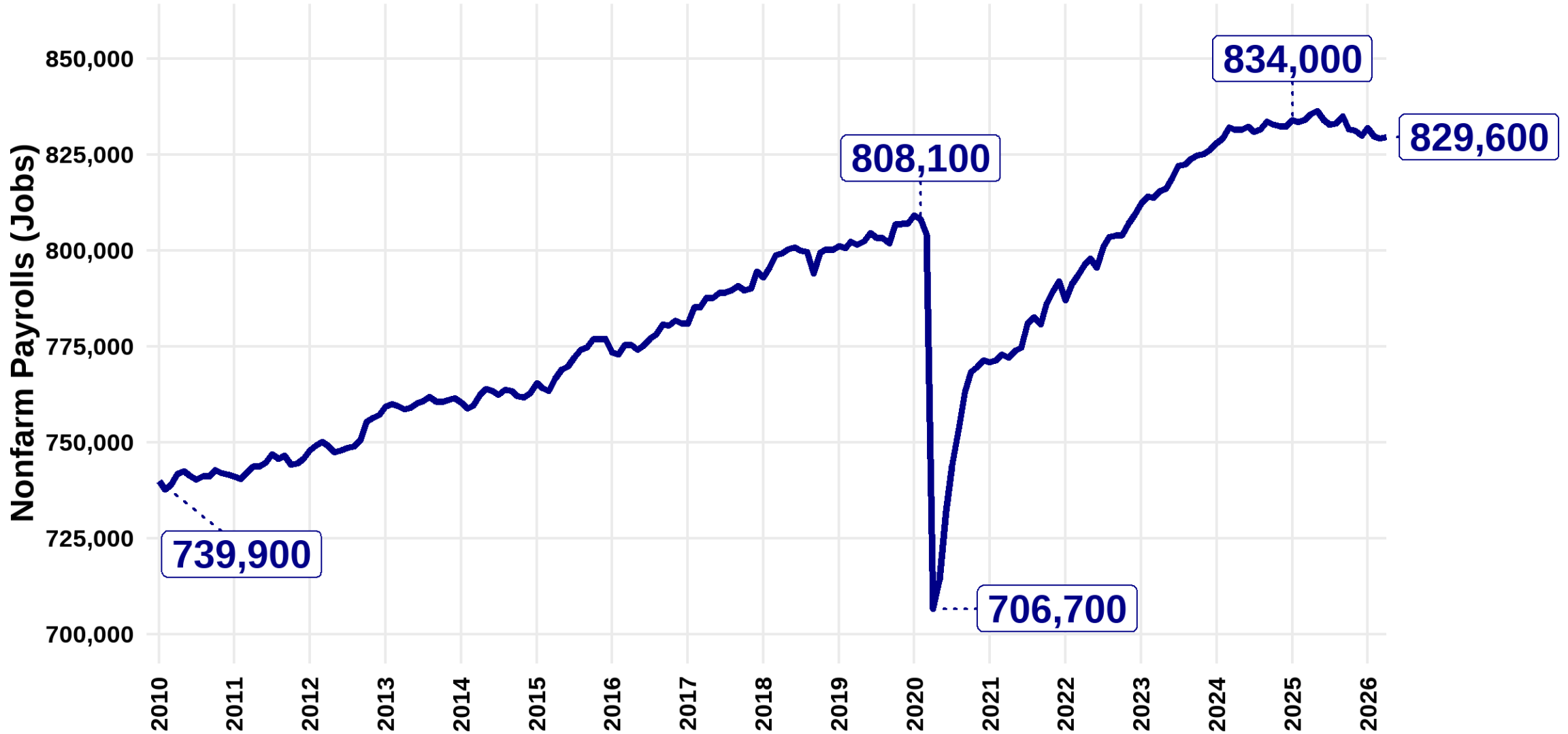
Civilian Labor Force and Individual Employment Hampton Roads, January 2010 - April 2026



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

Nonfarm Payrolls

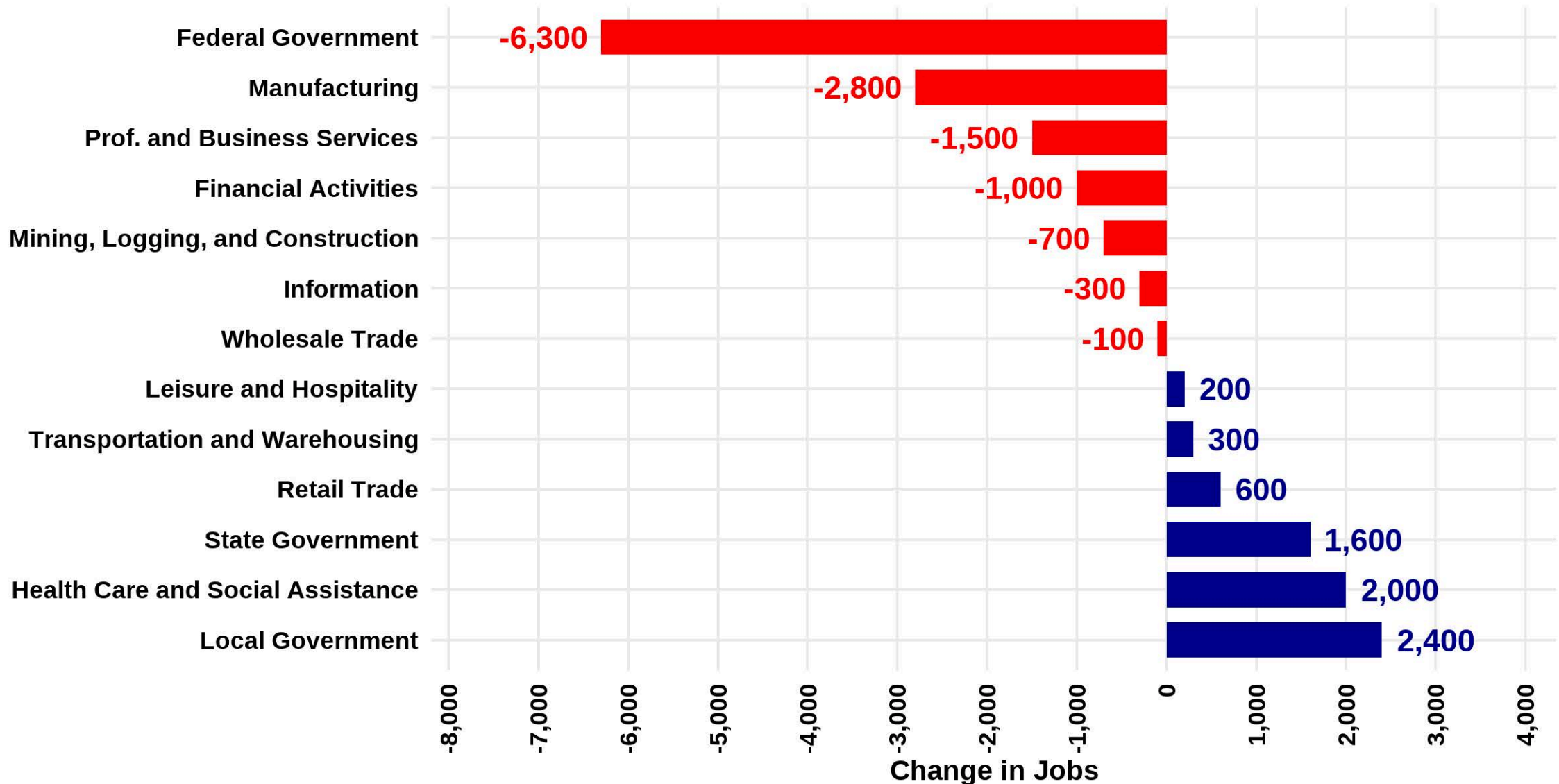
Hampton Roads, January 2010 - April 2026



Source: Bureau of Labor Statistics, seasonally adjusted data. Data for April 2026 are preliminary.

Nonfarm Jobs Gained/Lost

Selected Sectors in Hampton Roads, April 2025 - April 2026

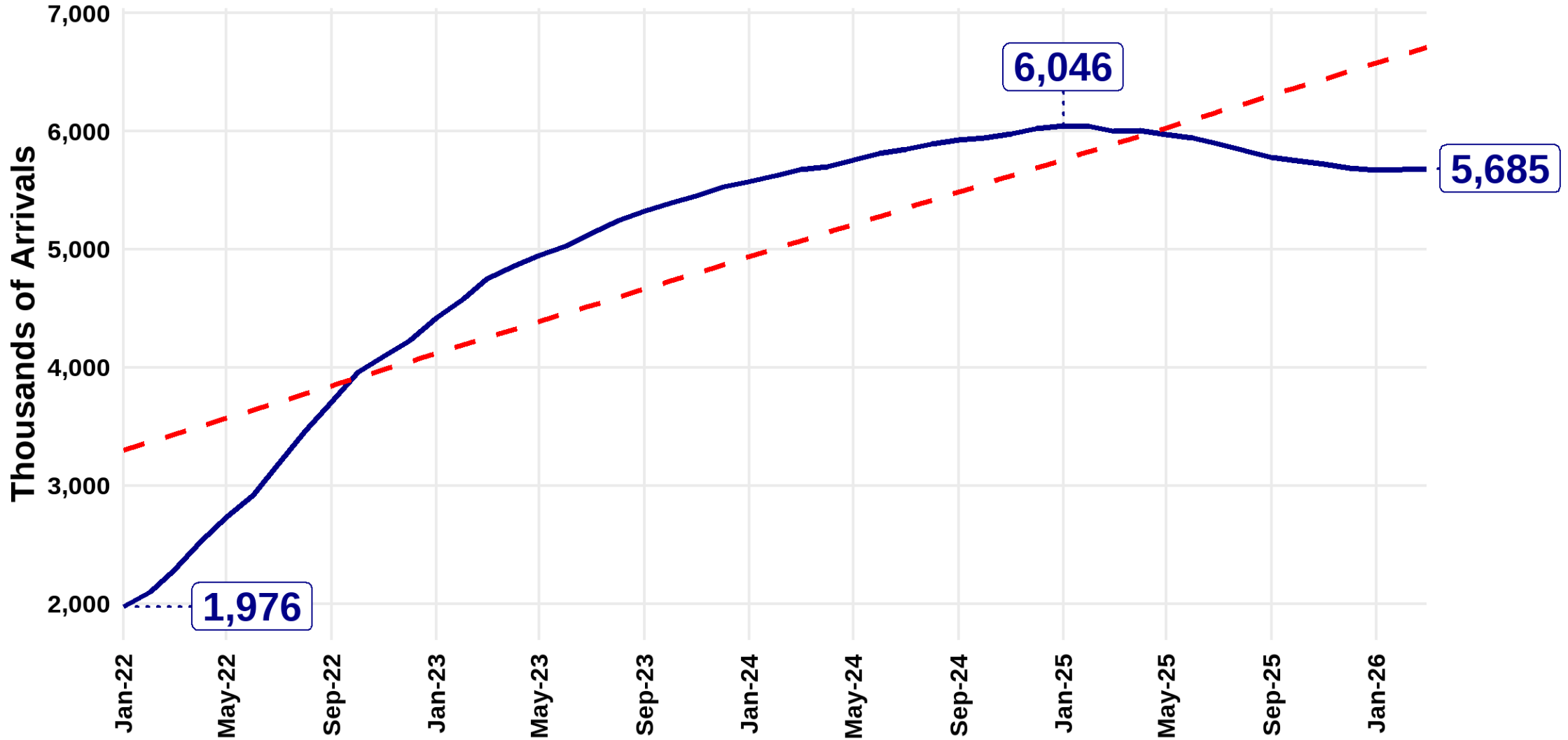


Source: Bureau of Labor Statistics, non-seasonally adjusted data. Data for April 2026 are preliminary.



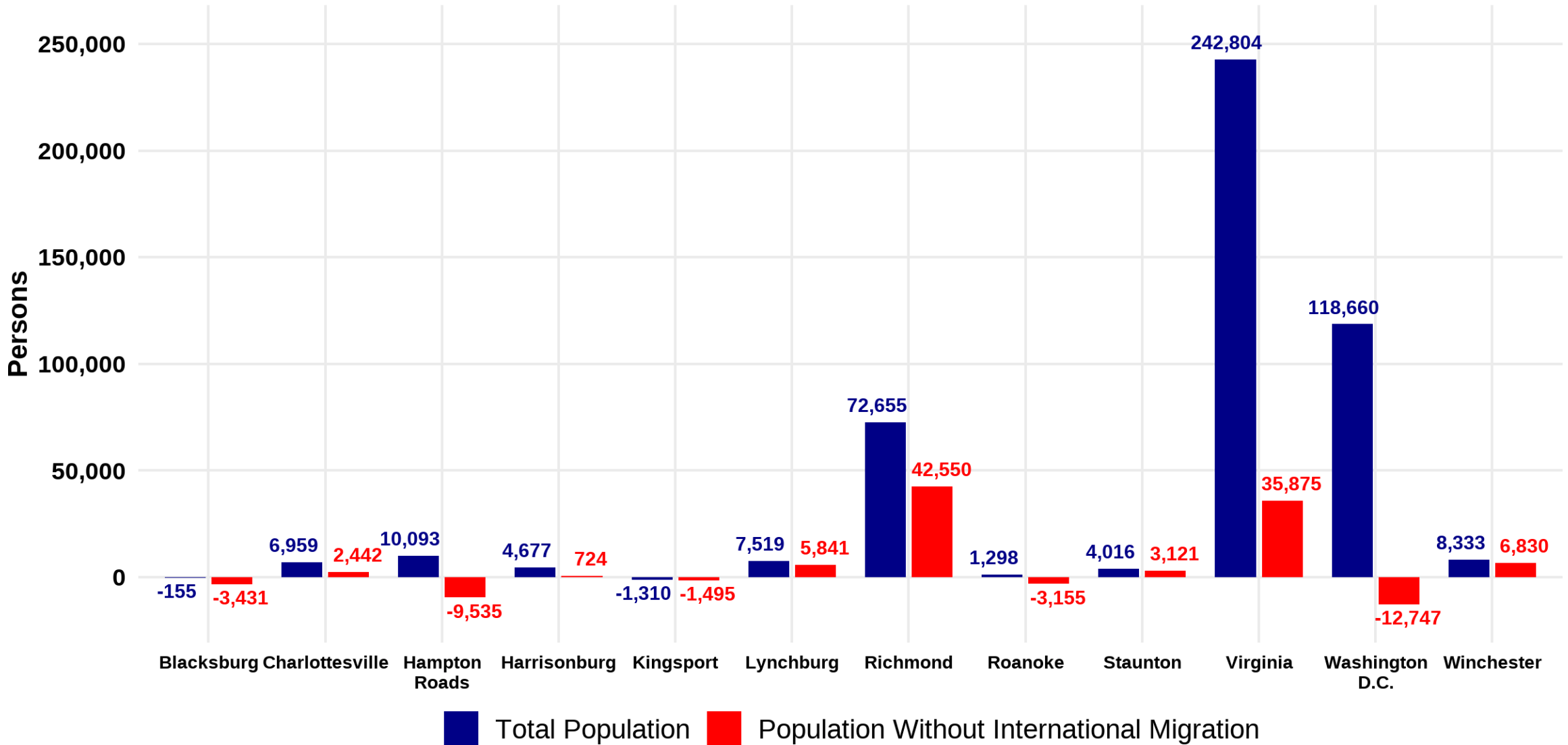
International Migration

Numbers of Total International Arrivals, 12-Month Moving Average United States, January 2022 - March 2026



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 Resident Population Component Metropolitan Areas in Virginia, 2020 - 2025

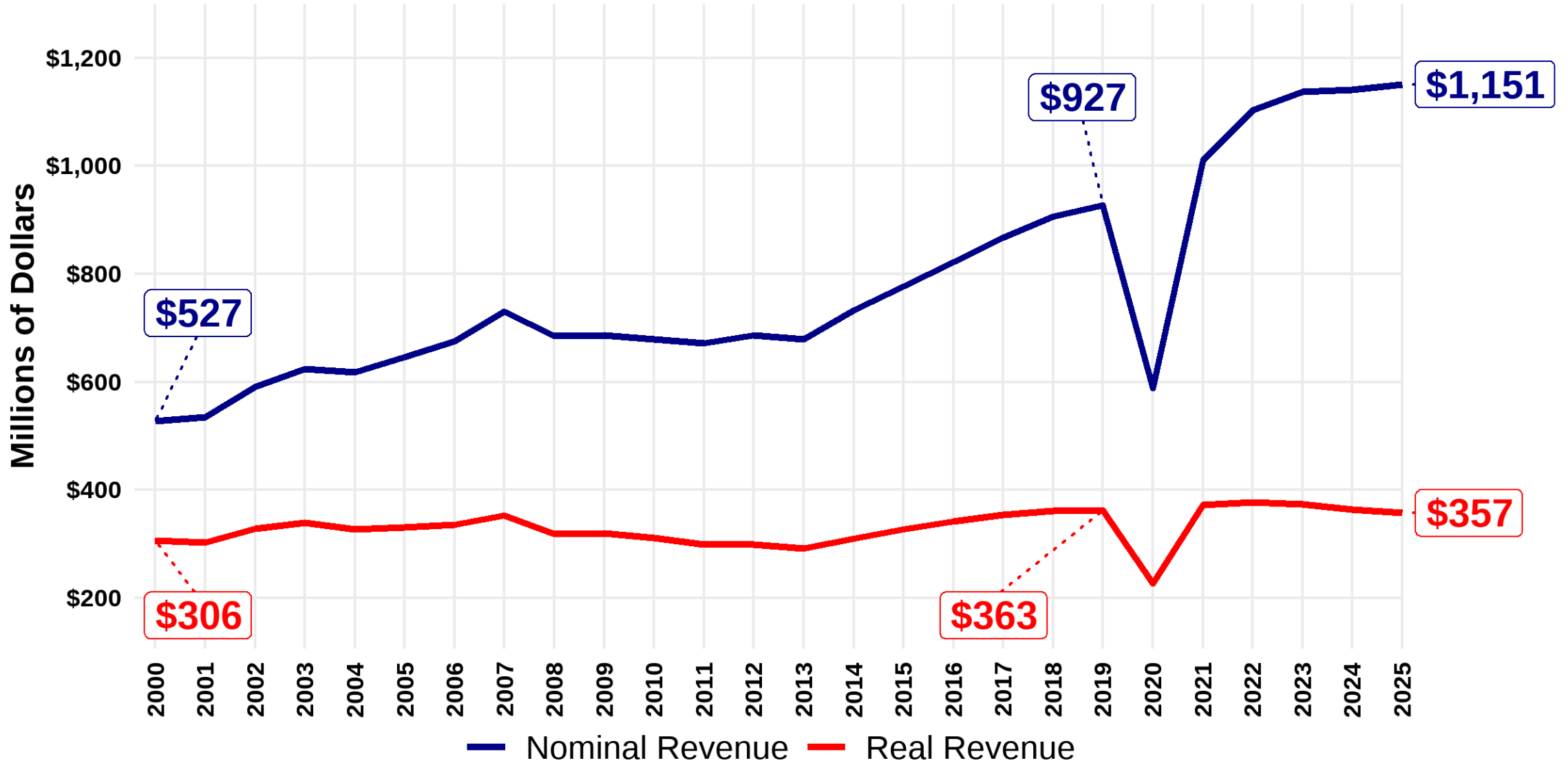


Source: The U.S. Census Bureau, 2025 Population Estimates. Components of population change from July 1st to June 30th of the subsequent year. Data include Virginia counties only.



Hotels Amidst Uncertainty and Slow Growth

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



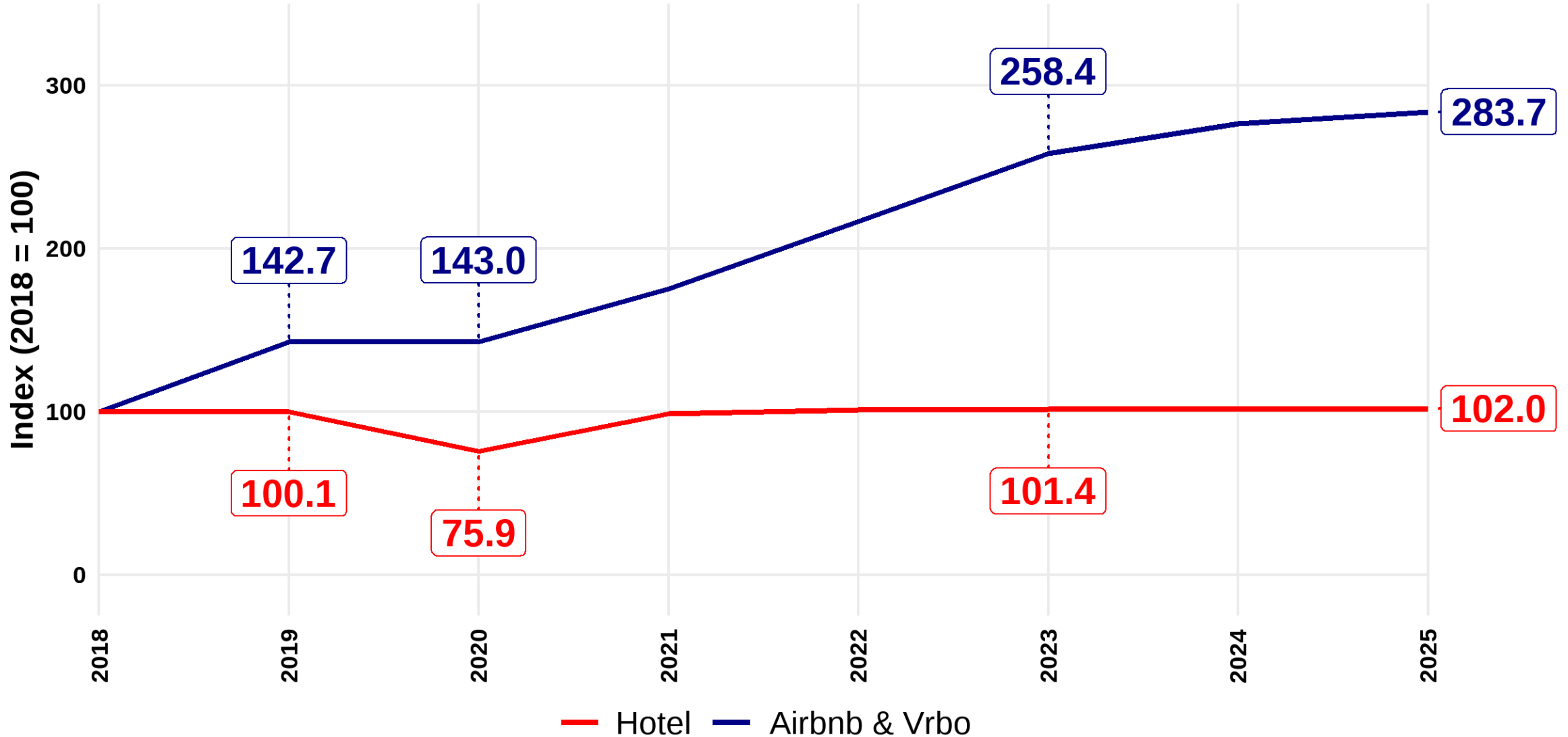
Percent Change in Selected Key Performance Indicators of Hotels in United States, Virginia, Northern Virginia, and Hampton Roads, 2019 to 2025

	<u>Revenue</u>	<u>RevPAR</u>	<u>ADR</u>	<u>Supply of Rooms</u>	<u>Hotel Rooms Sold</u>
USA	19.9%	15.5%	22.0%	3.8%	-1.7%
Virginia	19.2%	15.7%	18.0%	3.1%	1.0%
Northern Virginia	7.6%	8.3%	13.0%	-0.6%	-4.8%
Hampton Roads	24.2%	20.6%	21.8%	3.0%	1.9%
Chesapeake/Suffolk	29.6%	25.5%	25.3%	3.2%	3.4%
Newport News/Hampton	19.6%	21.1%	19.5%	-1.3%	0.1%
Norfolk/Portsmouth	30.1%	22.6%	25.3%	6.2%	3.8%
Virginia Beach	33.5%	20.6%	24.5%	10.7%	7.2%
Williamsburg*	4.1%	11.0%	13.0%	-6.2%	-7.8%

^a Sources: STR Trend Report February 2026 and Dragas Center for Economic Analysis and Policy.

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

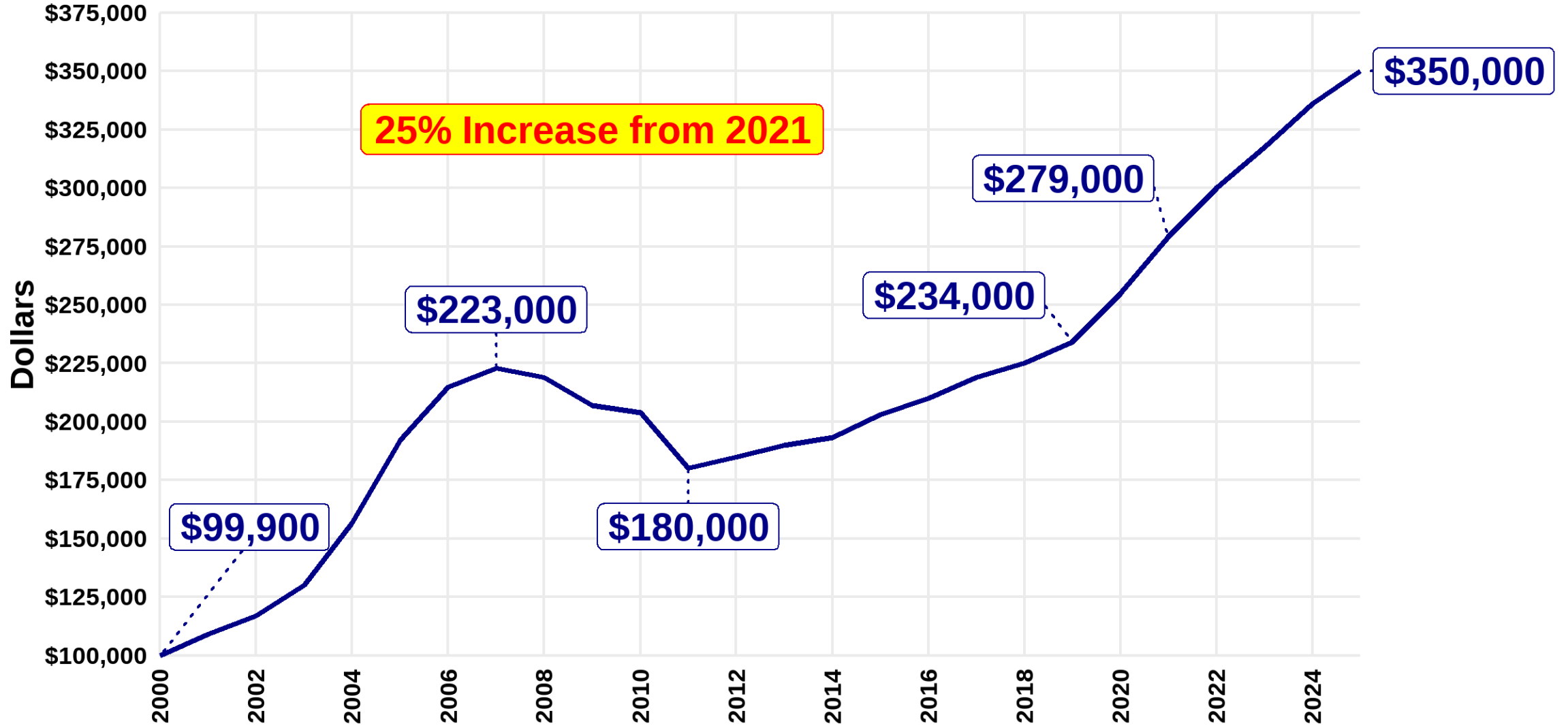
Indices of Hotel, and Airbnb & Vrbo Rooms Sold Hampton Roads, 2018 - 2025





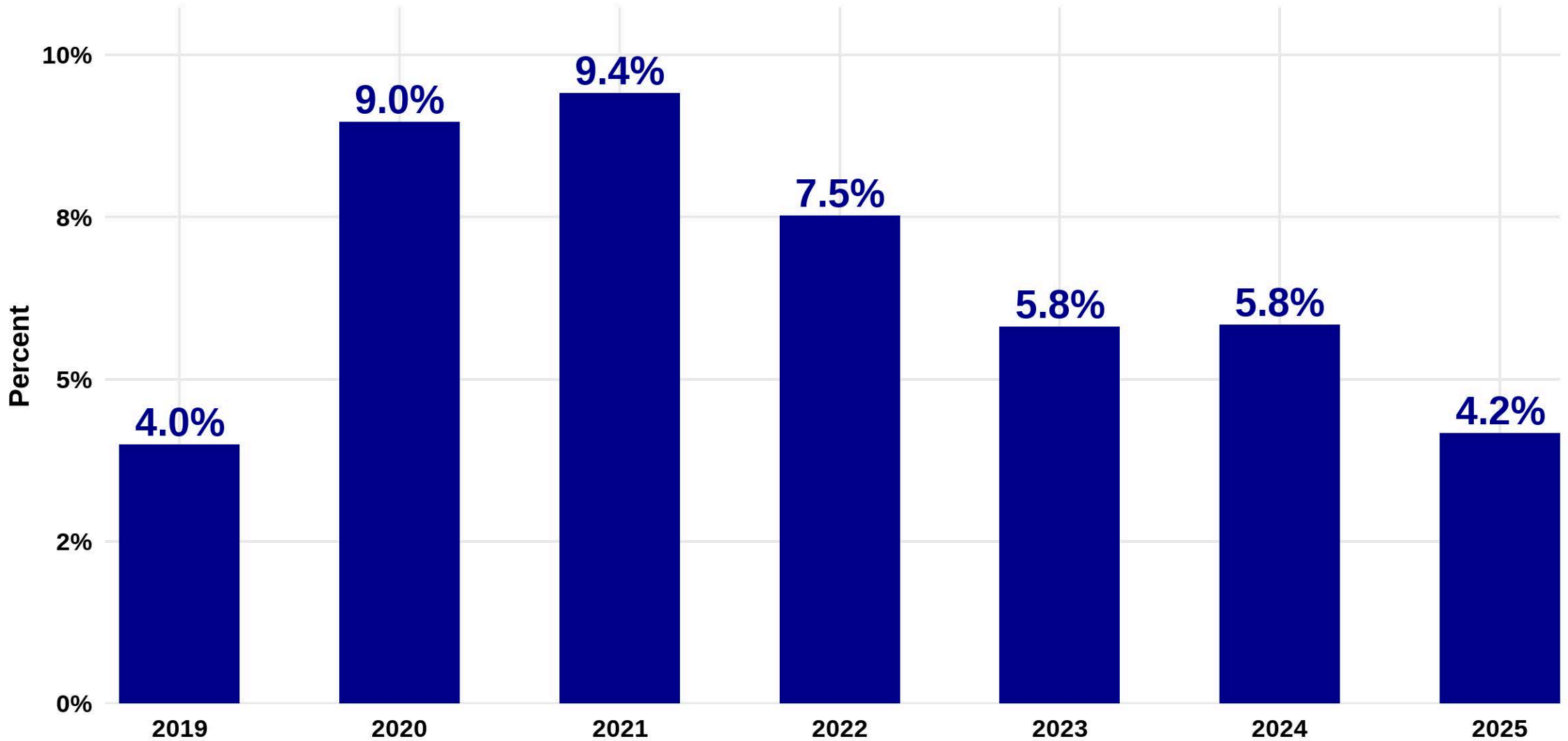
Home Sales Stabilize, Yet Prices Rise

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



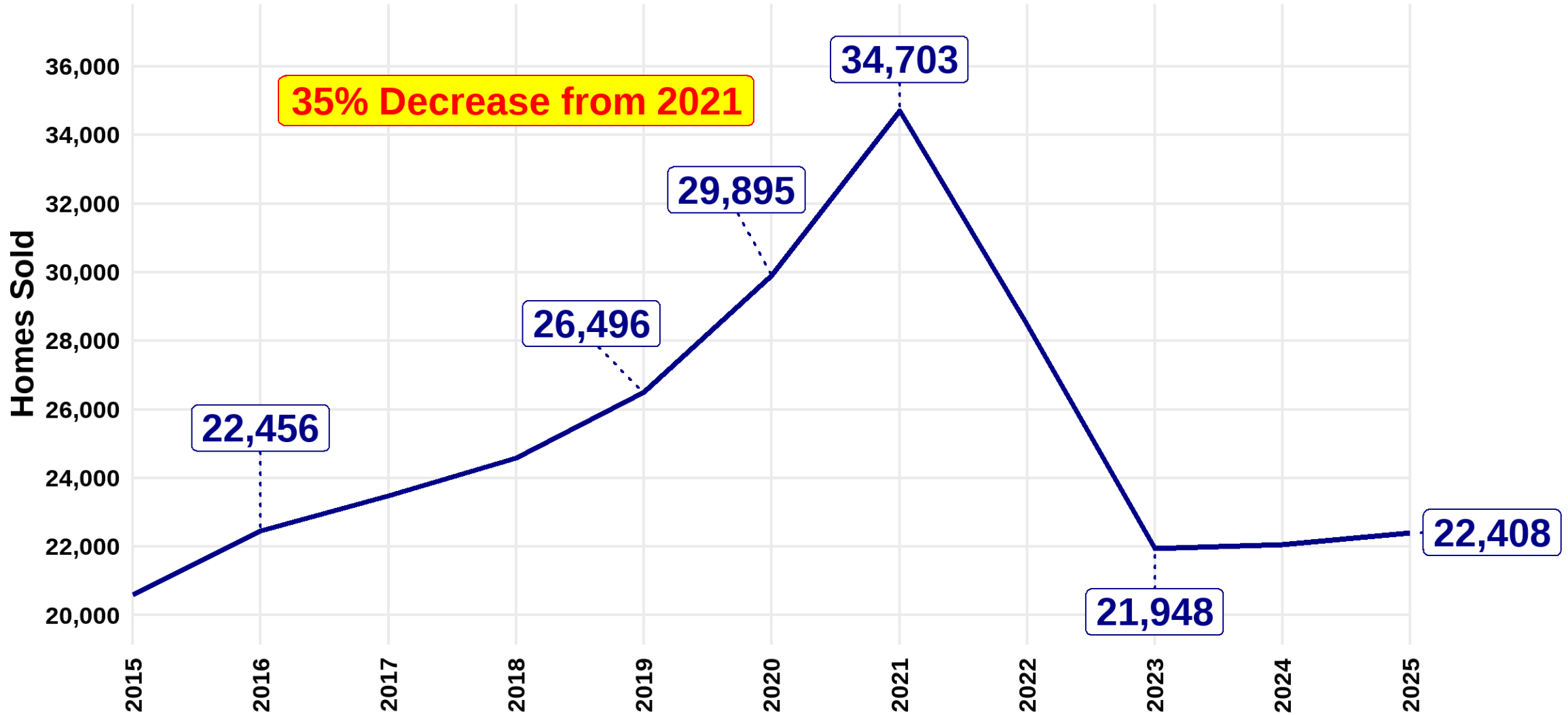
Sources: Real Estate Information Network (REIN) and Dragas Center for Economic Analysis and Policy. Figures reported here represent only those properties that are listed through REIN by its members.

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



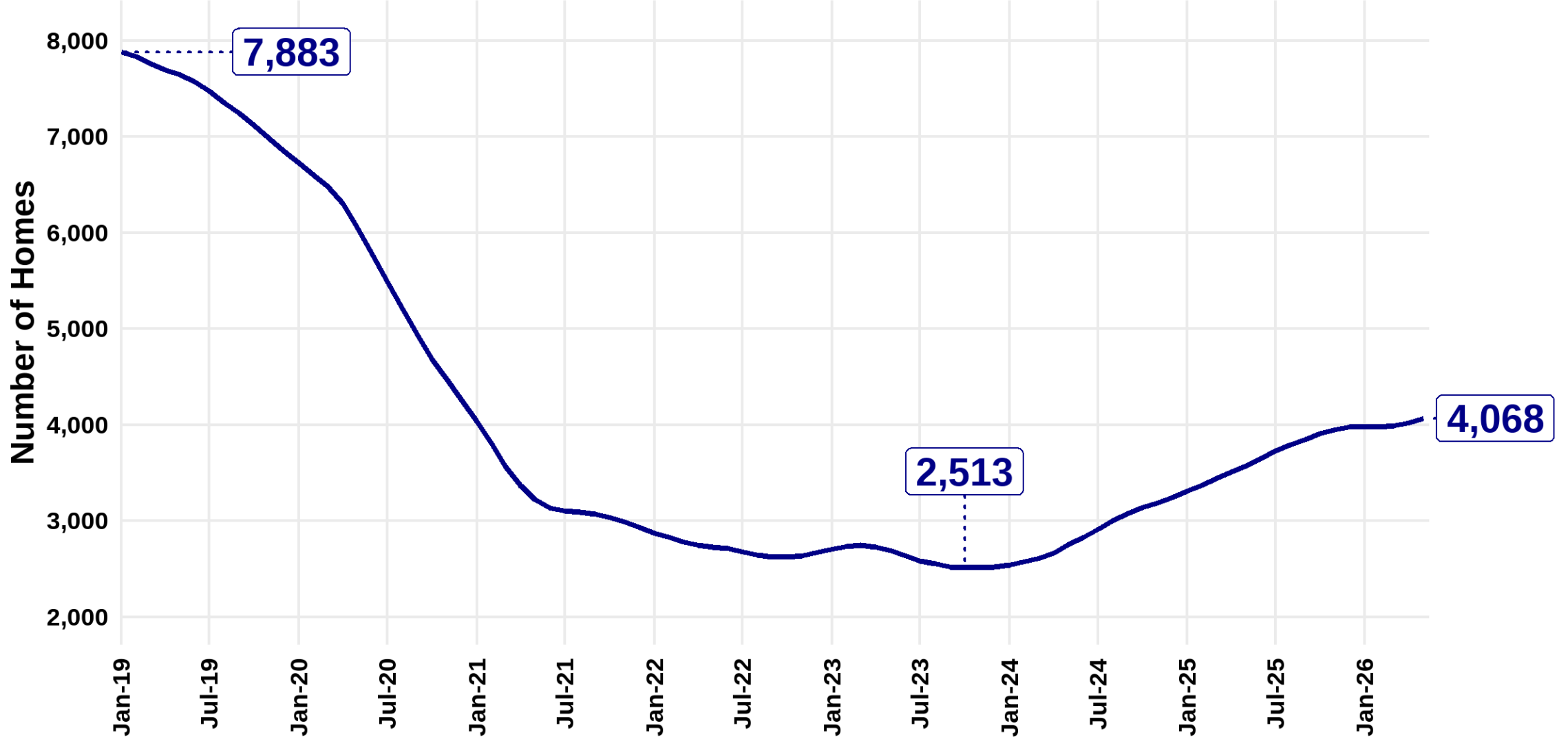
Sources: Real Estate Information Network and Dragas Center for Economic Analysis and Policy. Figures reported here represent only those properties that are listed through REIN by its members.

Existing Home Sales Hampton Roads, 2015 - 2025

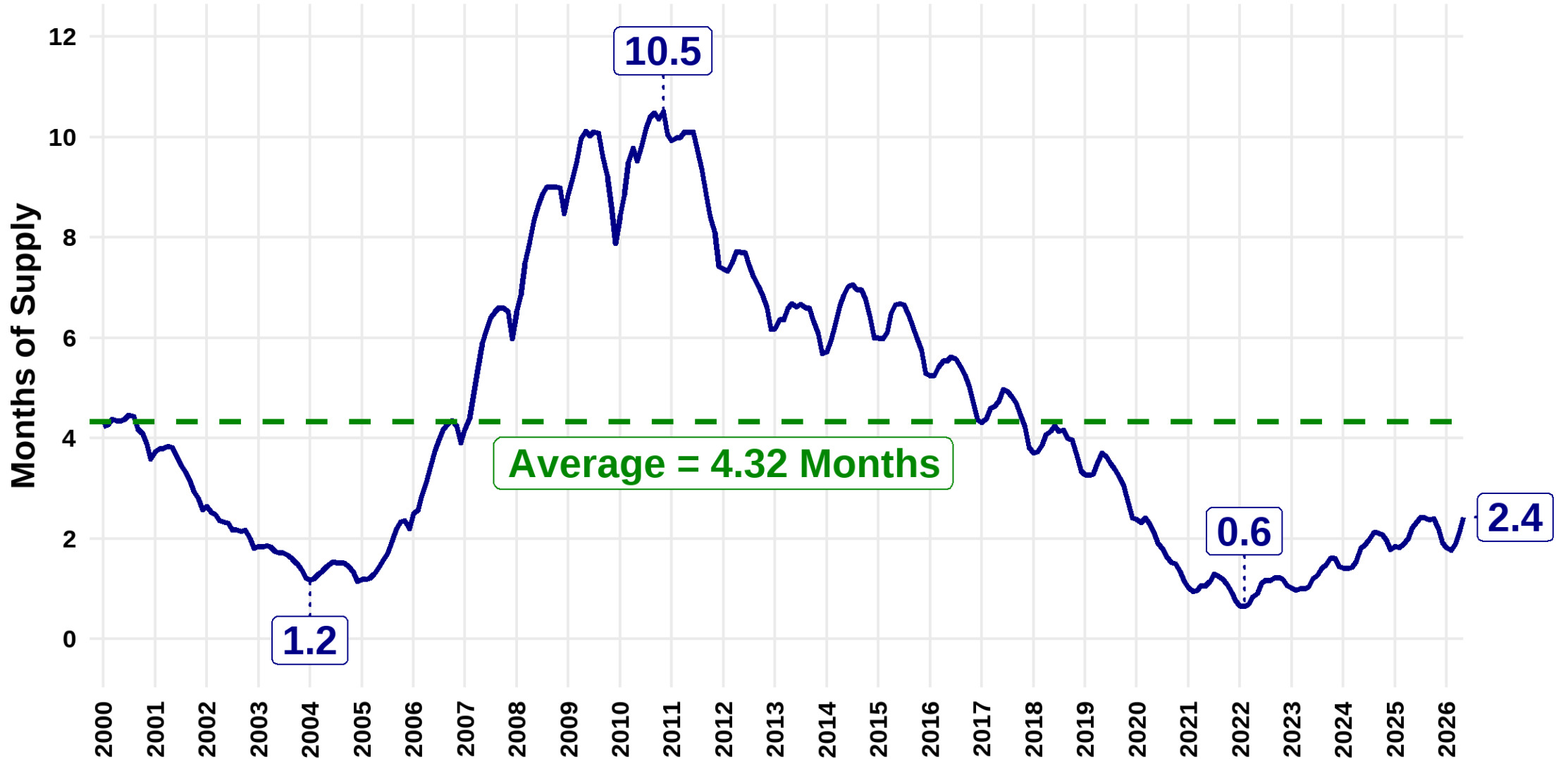


Sources: Real Estate Information Network and Dragas Center for Economic Analysis and Policy. Figures reported here represent only those properties that are listed through REIN by its members and may not represent all new construction activity in our region.

Inventory of Existing Residential Homes, 12-Month Moving Average Hampton Roads, January 2019 - May 2026



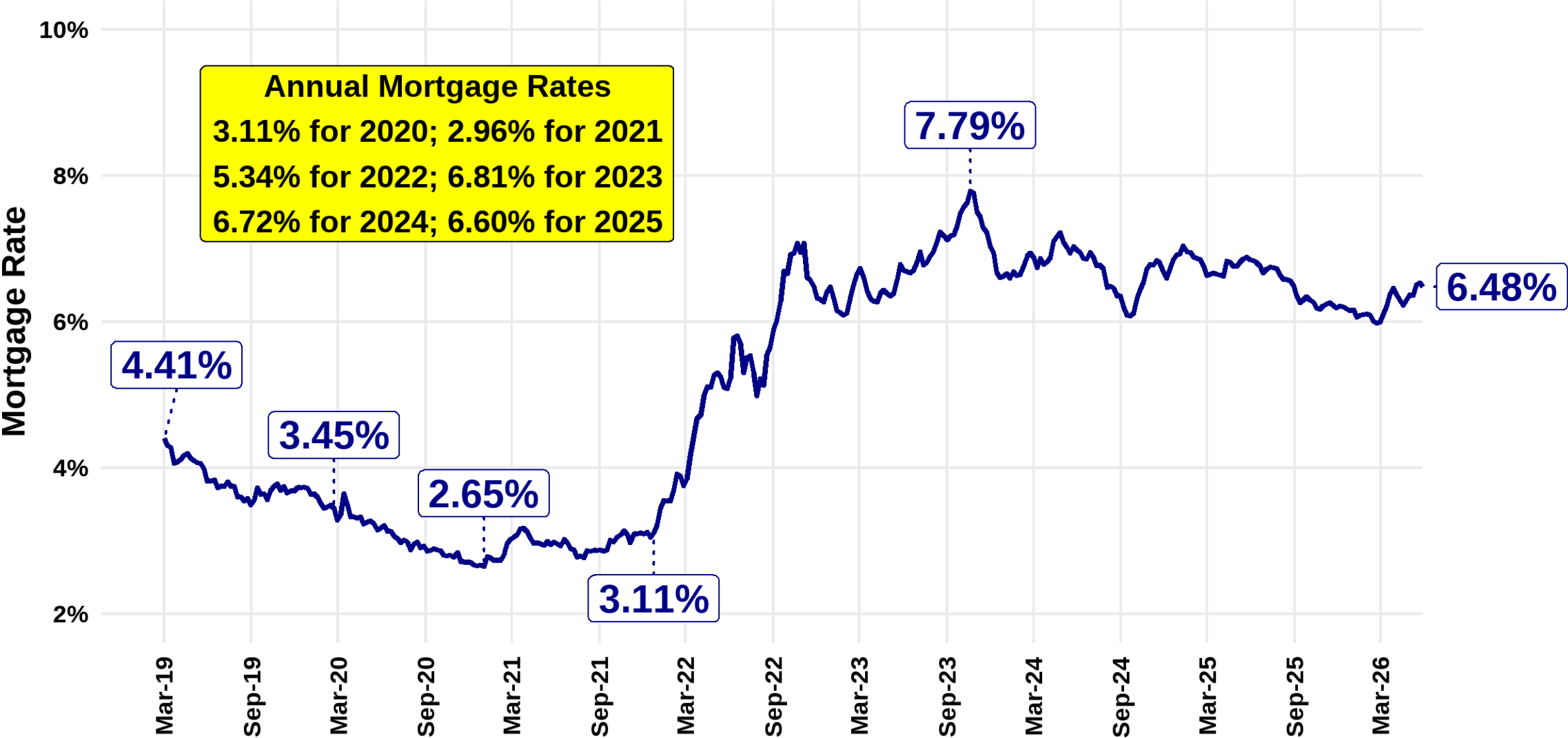
Estimated Months of Supply for Existing Homes Hampton Roads, January 2000 - May 2026



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

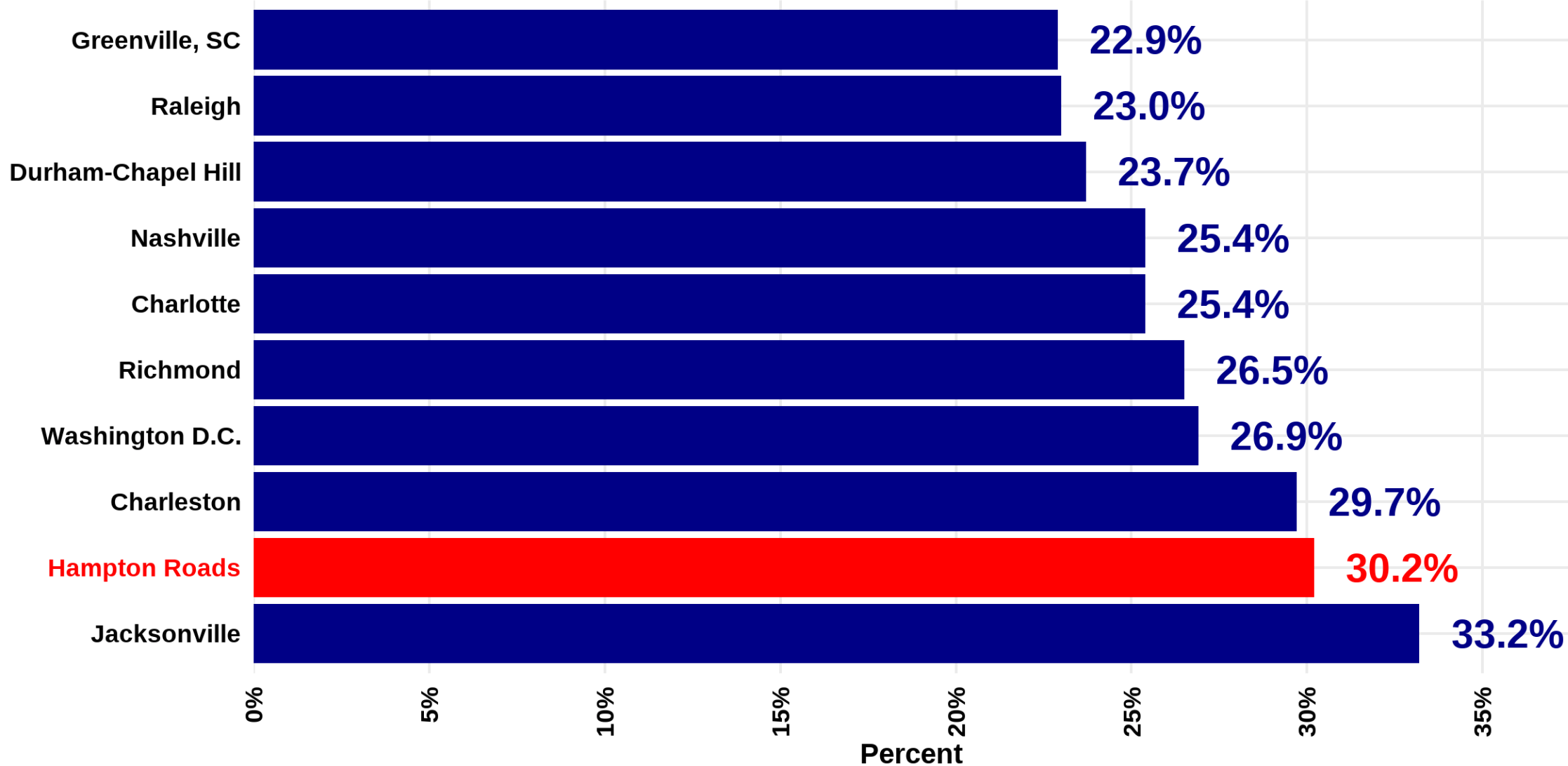
Weekly 30-Year Fixed Mortgage Rate

United States, March 7, 2019 - June 4, 2026



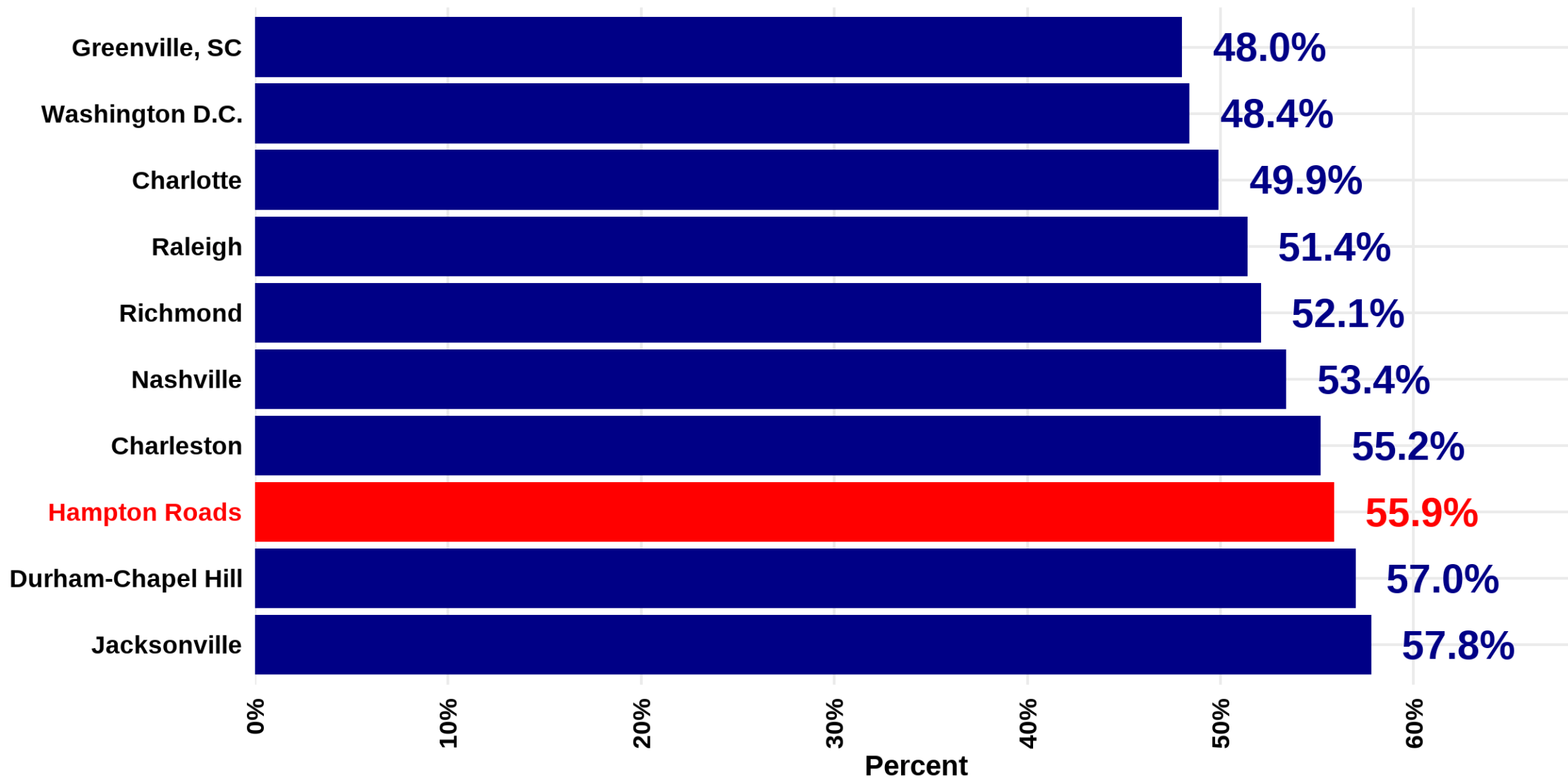
Sources: Freddie Mac and Federal Reserve Bank of St. Louis. Weekly rate ending Thursday of each week.

Cost-Burdened Mortgage-Holding Households Selected Metro Areas, 2024



Source: United States Census Bureau, American Community Survey 1-Year estimates for 2024. Households are considered cost-burdened when they spend more than 30% of their income on rent, mortgage payments, and other housing cost, according to the U.S. Department of Housing and Urban Development (HUD).

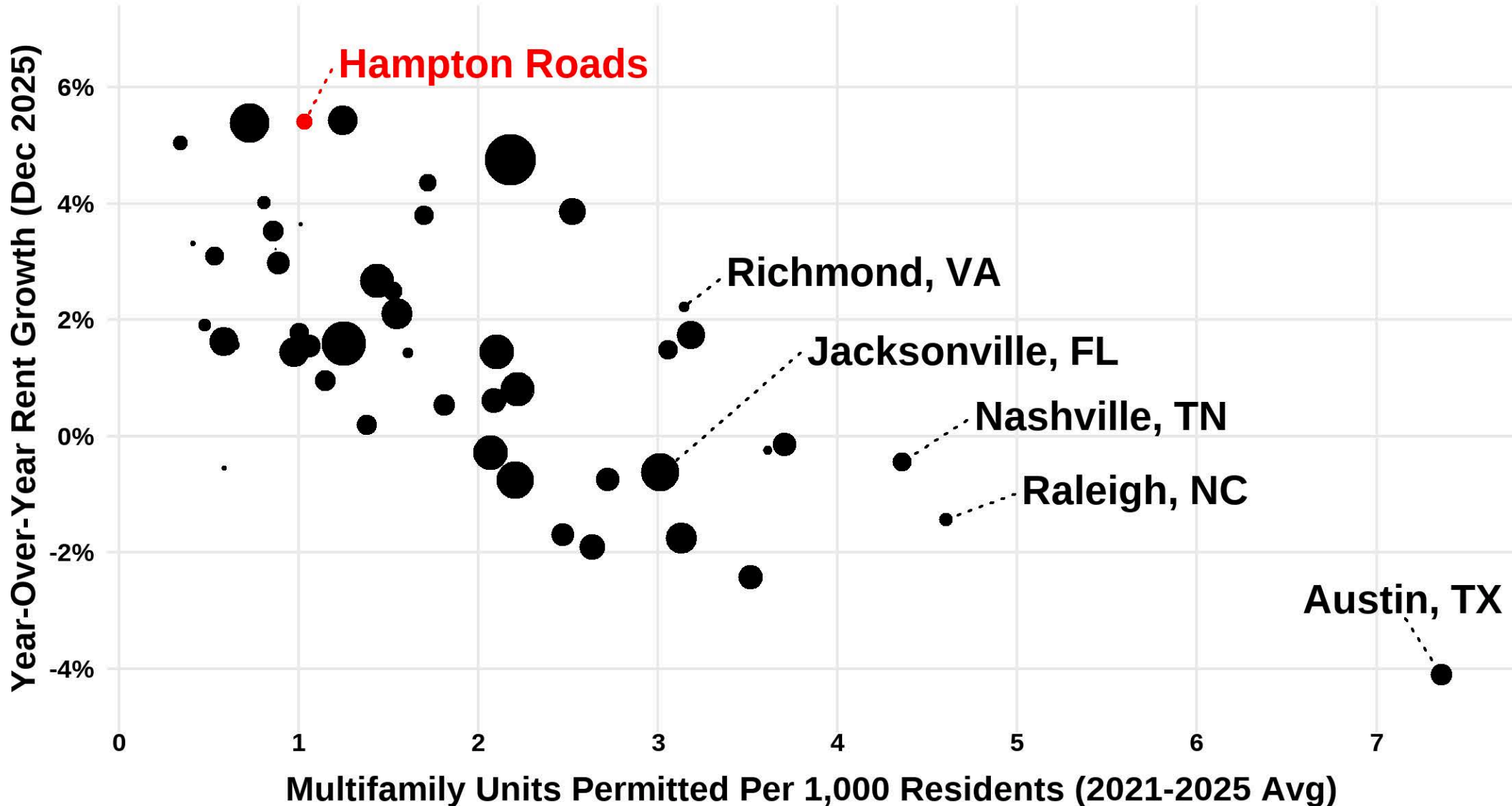
Cost-Burdened Rental Households Selected Metro Areas, 2024



Source: United States Census Bureau, American Community Survey 1-Year estimates for 2024. Households are considered cost-burdened when they spend more than 30% of their income on rent, mortgage payments, and other housing cost, according to the U.S. Department of Housing and Urban Development (HUD).

New Supply Driving Cooling Rents

Top 50 MSAs in the United States, 2025



Housing Market and Its Challenges

- Housing market has a supply problem; Inventories and months of supply are low relative to historical norms.
- 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 by right across the Commonwealth 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.

Performance of the Hampton Roads Economy
Year-to-date April 2025 and Year-to-date April 2026

<u>Economic Indicators</u>	<u>2025</u>	<u>2026</u>	<u>Percent Change</u>
Civilian Labor Force	876,495	869,620	-0.78%
Individual Employment	847,151	835,903	-1.33%
Number Unemployed	29,354	33,717	14.86%
Unemployment Rate	3.35%	3.88%	--
Civilian Nonfarm Payrolls	828,625	823,850	-0.58%
Taxable Sales*	\$7.83 B	\$8.34 B	6.50%

* Source: Multiple sources available upon request. *Data are for YTD March 2025 and YTD March 2026. Non- seasonally adjusted data on workers.

**Performance of the Hampton Roads Economy
Year-to-date April 2025 and Year-to-date April 2026**

<u>Economic Indicators</u>	<u>2025</u>	<u>2026</u>	<u>Percent Change</u>
Hotel Revenue	\$290.76 M	\$304.28 M	4.7%
General Cargo Tonnage	8.51 M	8.49 M	-0.2%
Total Loaded TEU Containers	871,824	883,312	1.4%
Number of Existing Homes Sold**	8,607	8,899	3.4%
Number of New Homes Sold**	985	1,087	10.4%
New Listings**	13,069	13,298	1.8%
Inventory of Existing Homes**	3,566	3,787	6.2%
Median Price of Existing Homes Sold**	\$340,000	\$350,000	3.0%

* Source: Multiple sources available upon request. **Data are for YTD May 2025 and YTD May 2026.

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 second 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.

Upcoming Publications and Events

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