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**HRPDC's Official 2010
Forecast is Available
on Page 3 of the
Quarterly.**

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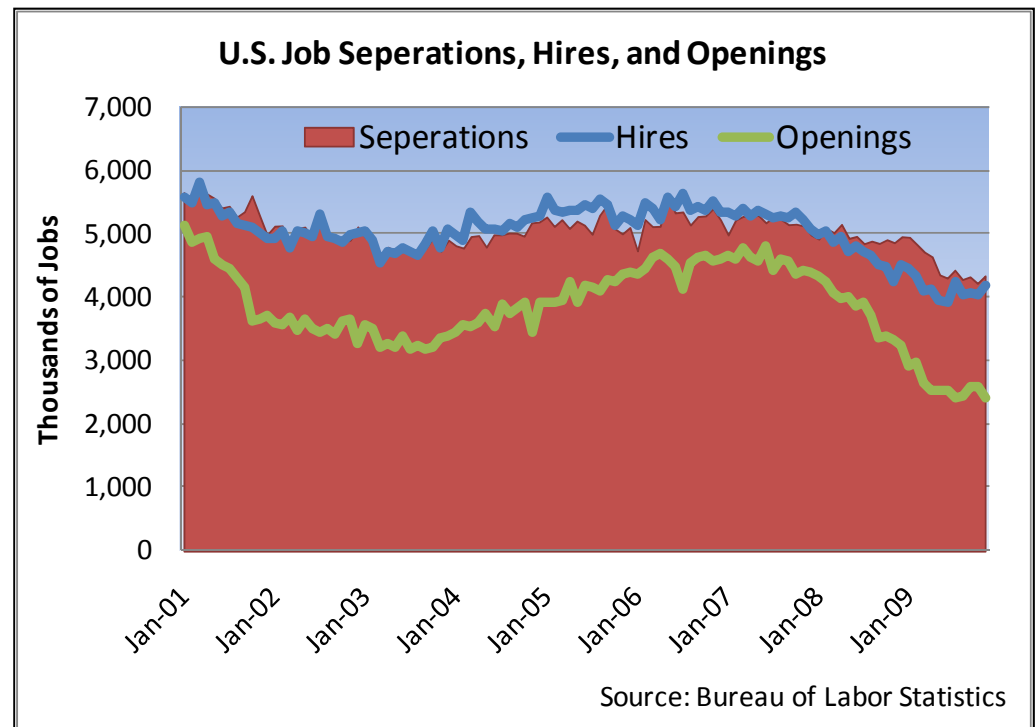
Shape of the Labor Market

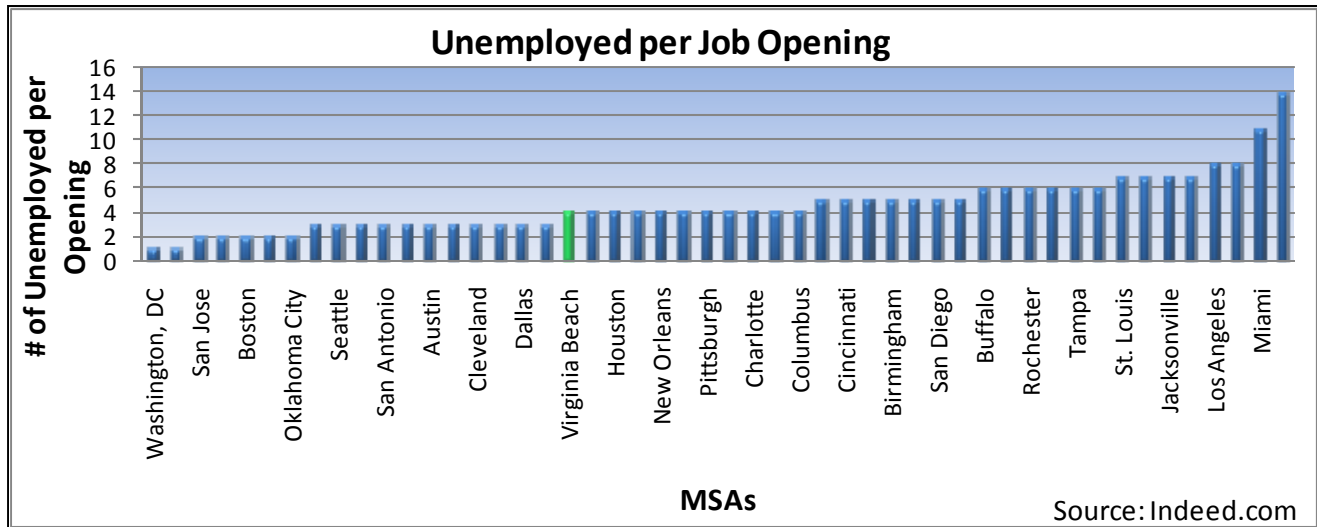
It is important to remember that the labor market has significant dynamism, even when the unemployment rate remains relatively constant, as it has over the past few months nationally and in Hampton Roads.

The Bureau of Labor Statistics released the Job Openings and Labor Turnover Survey (JOLTS) on January 12th, and it offers insight into the nature of the national labor market that can be applied to the Hampton Roads Region. Job separations in the U.S. have averaged 5.047 Million per month over the past decade, while it has only been 4.74M during this recession. The number of hires has been lower (reflecting how weak this decade has proved for job growth), averaging 5.026 M per month this decade, and 4.457M during the current recession. It should be noted that a high level of separations and hires has continued throughout the recession, but it is the cumulative effect of a small change that has lead to the highest level of U.S. job losses since the Great Depression.

Another feature developed by the JOLTS data regarding the nature of job separations is their division into layoffs/discharges, quits and other job losses (this category is mainly for retirement or disability). Layoffs usually represent under 40% for separations, but have reached over 50% during the recession showing that though total separations have decreased, the labor market is providing less desirable opportunities for searching for alternative employment as fewer people are leaving their current employment of their own volition. It is also notable that other separations have declined despite companies offering incentives for employees to retire early.

The JOLTS data also provides the number of job openings nationally, which are at the lowest level since the survey began in 2000. If you compare the number of unemployed estimated by the Current Population Survey to the number of reported job openings, on a national basis there are 6.3 unemployed workers per job opening. Usually there are 2.2 unemployed per job opening and this shows the significant weakness in the national market, but there is considerable variation between different metropolitan regions: Washington D.C. has one unemployed person per job opening while Detroit has fourteen. (cont p2)



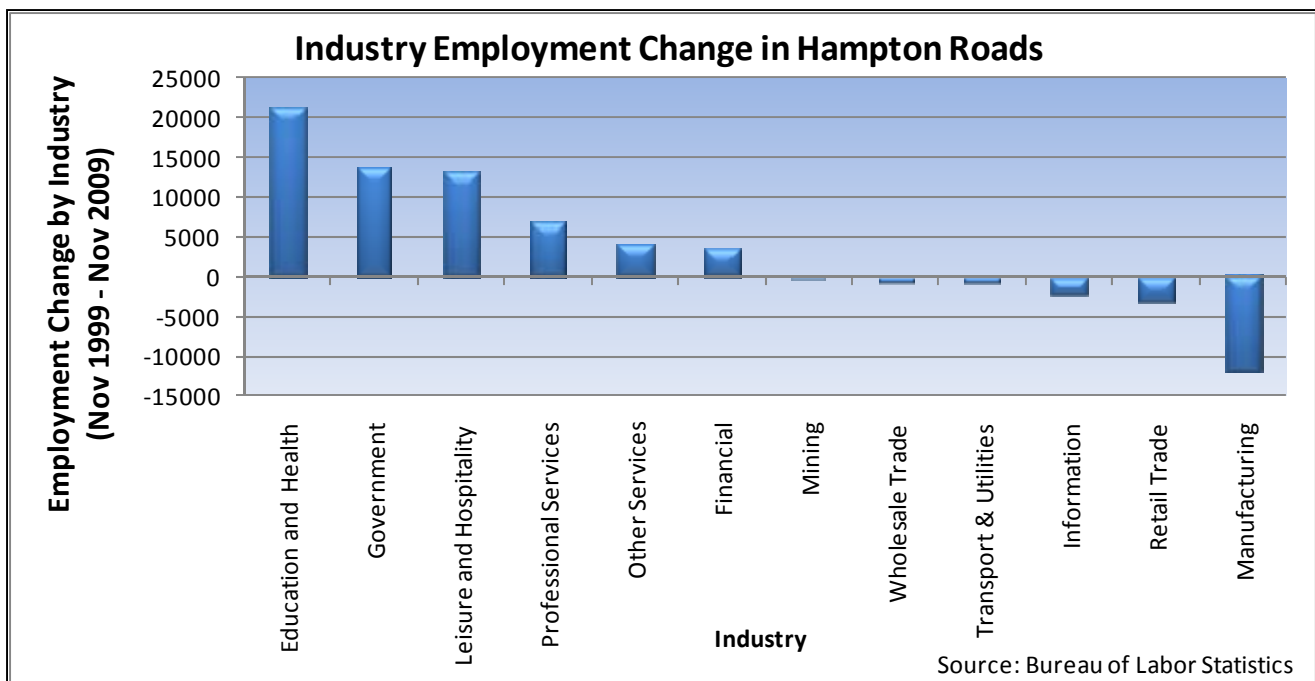


And industry trends report from Indeed.com measures Hampton Roads' job market and it is estimated that Hampton Roads has four unemployed workers per job opening, placing the region 19th out of the top 50 largest U.S. MSAs. This reflects the region's below average unemployment as there are only 31 job openings per 1000 residents, with only 11 major MSAs having fewer job openings per resident.

The Past Decade

The end of the decade also provides an excellent opportunity to review the region's performance in the labor market. Employment has grown from 716,000 to 767,000 jobs in the region, a growth rate of 6.39%. This compares well to national growth, as U.S. employment has only increased **0.16%** over the past decade, though this does compare the height of the tech boom with the bottom of the current recession. Comparing employment growth to population growth, Hampton Roads employment outpaced its 4.4% population growth which explains why the region has a lower unemployment rate than the nation (U.S. Population increased 8.8%) and explains the increasing employment to population ratios during this decade.

It is also worthwhile to look at the change in employment categories. Nationally, employment growth has occurred only in healthcare, education, and government while all other industries have lost jobs over this decade. The region has experienced similar growth in health, education, and government representing 75% of total employment gains in the region. A significant number of jobs were added to leisure and hospitality, financial services, and professional business services. Manufacturing has declined significantly during this past decade, following national trends, but retail and wholesale trade are also down, probably reflecting the current recession far more than a structural change in the economy.



Hampton Roads Economic Outlook

Mixed Indicators Point to a Slow Recovery

The Hampton Roads economy continues to produce mixed economic indicators as both the region and the nation struggle with the fallout of the financial collapse. The U.S. GDP had positive growth in the 3rd quarter of 2009, but this number was revised down from 3.5% growth to 2.2% growth, and most of that growth is attributed to American Recovery and Reinvestment Act spending, creating doubts about the economy's ability to grow without massive government intervention. The Hampton Roads employment market has steadied albeit at elevated levels of unemployment and initial unemployment claims. The seasonally adjusted unemployment rate settled around 7% for most of 2009, and despite a brief dip to 6.4% in August, it has remained at the highest level in the history provided by the Bureau of Labor Statistic Records for Hampton Roads. Initial unemployment claims have dropped from the previous highs, but at approximately 5,200 new claims a month, it is significantly above the long term average. Seasonally adjusted payroll employment has begun to climb, but remains 12,000 jobs below 2007, and the region has several mass layoffs in the coming months, with the closing of the IP mill.

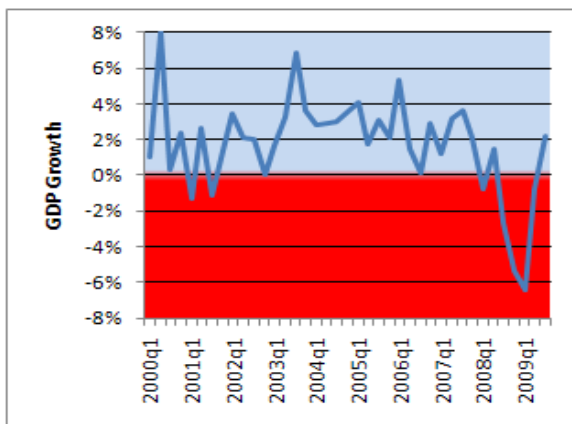
The retail sales numbers finally show year over year growth, but are almost 10% below pre recession levels. There are few signs of a return to growth, as the national savings rate increases, consumer credit declines, and incomes are stagnant. The housing market also has settled at a low level of permitting, which signals growth will continue at a low and steady rate for the near term. There are several threats to the national economy which would impact regional growth, such as increasing energy prices or further declines in the national housing market. The official 2010 HRPDC regional forecast was released on January 20, 2010, at the quarterly Commission meeting.

HRPDC Economic Forecast 2010:

	2009 (YTD)	2010 Forecast
Real GDP:	-2.5%	2.8%
Hampton Roads		
-Gross Product	NA	1.7%
-Civilian Employment	-0.9%	0.8%
-Unemployment Rate	6.8%	5.8%
-Retail Sales	-6.1%	1.6%
-Auto and Truck Sales	-25.4%	2.5%
-Value of Single Family Building Permits	-24.8%	0.0%
-Hotel Revenues	-7.0%	-1.2%

Hampton Roads Economic Indicators

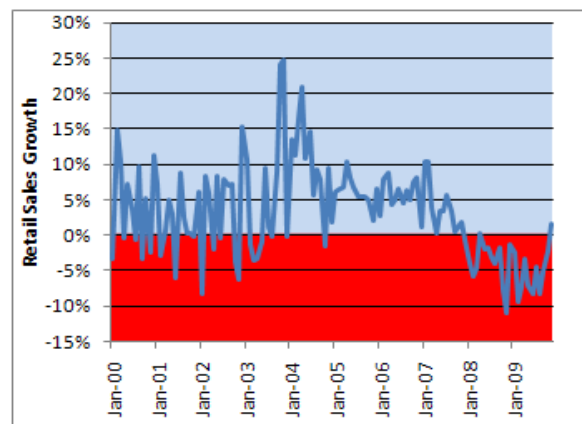
**GDP, Annualized Growth Rate
United States, 2000Q1 - 2009Q3, Quarterly**



Source: Bureau of Labor Statistics

GDP: Gross Domestic Product combines consumption, investment, net exports and government spending to determine the size and general health of the economy. Changes in the nation's GDP tend to be reflected in Hampton Roads' gross regional product. U.S. GDP increased in the third quarter of 2009, but that increase was mainly driven by spending from the American Recovery and Reinvestment Act. Economists forecast GDP growth in Q4 due largely to increasing business inventories.

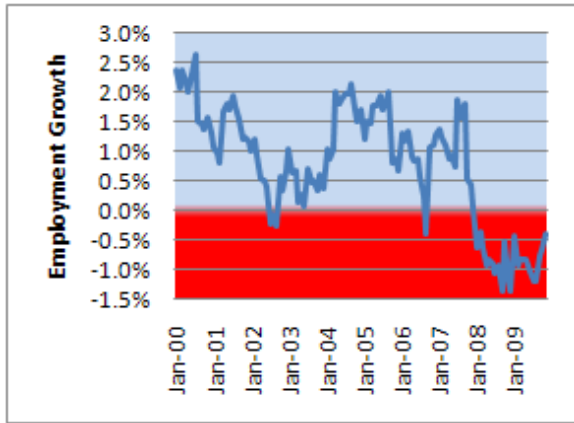
**Retail Sales, Year over Year Growth
Hampton Roads, Jan 2000 - Nov 2009, Monthly**



Source: Virginia Department of Taxation

Retail Sales: Retail sales, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Since consumption composes 70% of economic activity in the US, the growth or decline of retail sales gives a strong indication of the direction of the local economy. While year over year retail sales have finally turned positive, this is coming off the worst month last year, and sales are still down 9.5% from the start of the recovery. It will take a year of strong sales growth to return to previous levels.

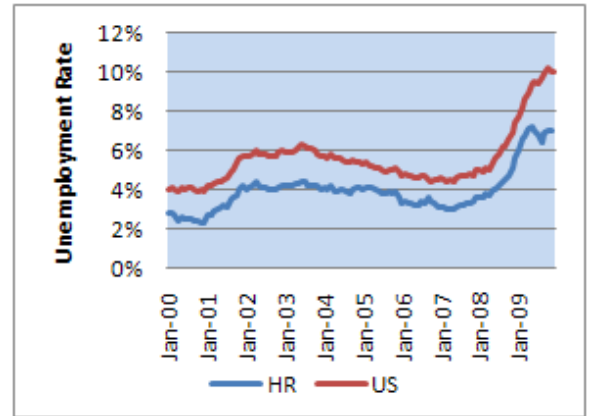
**Employment, Year over Year Growth
Hampton Roads, Jan 2000 – Nov 2009, Monthly**



Source: Bureau of Labor Statistics

Employment: Non-agricultural employment is considered the best estimator for labor market activity by the National Bureau of Economic Research. Employment has been down year over year since the beginning of the recession, but seasonally adjusted employment numbers for the region have been increasing since August 2009.

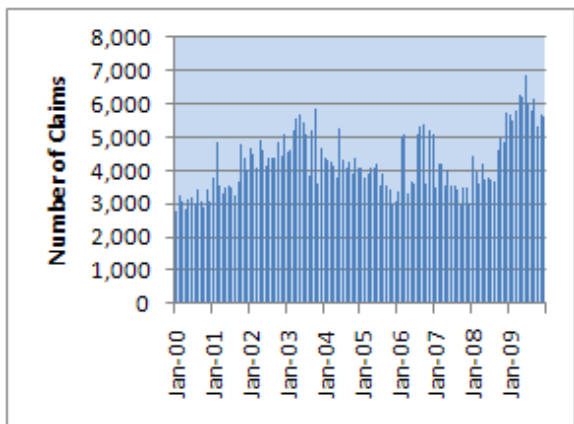
**Unemployment Rate, Seasonally Adjusted
U.S. & Hampton Roads, Jan 2000 – Nov 2009, Monthly**



Source: Bureau of Labor Statistics

Unemployment Rate: This is the percentage of the population which is actively seeking work, but is unable to obtain a position. The unemployment rate has been rising in both the nation and Hampton Roads since April 2007. Hampton Roads' unemployment level has increased from August lows, and hovered around 7% for the last three months. The region still exhibits a much stronger labor market than the nation.

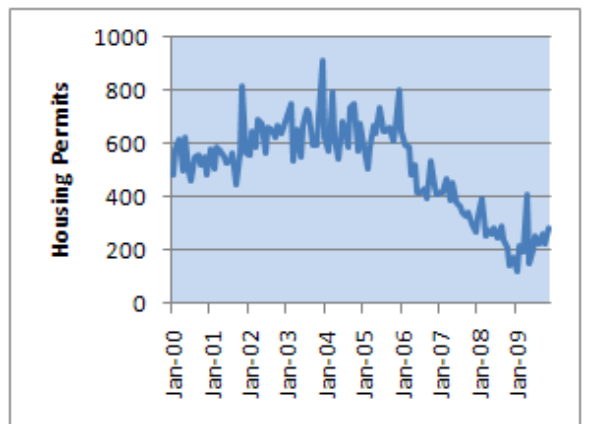
**Initial Unemployment Claims, Seasonally Adj.
Hampton Roads, Jan 2000 – Dec 2009, Monthly**



Source: Virginia Department of Labor

Initial Unemployment Claims: The number of Initial Unemployment Claims is a leading economic indicator, reflecting those who are forced to leave work unexpectedly and thus reveals the strength of the job market with little lag time. Initial unemployment claims have averaged 5,542 over the past quarter, and this is significantly above the 20-year average of 4,545

**Single Family Housing Permits, Seasonally Adj.
Hampton Roads, Jan 2000 – Nov 2009, Monthly**



Source: U.S. Census Bureau

Single Family Housing Permits: Permit data indicates the level of construction employment and confidence regarding the future trajectory of the local economy. However, there is currently such a large inventory of unsold homes that it precludes its usefulness as a measure of economic sentiment. Recently, permitting activity has averaged 260 units per month, remaining well below the long term average of 541 permits per month.