

Hampton Roads Economics Quarterly: Regional Retail Sales



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Hampton Roads Economic Quarterly



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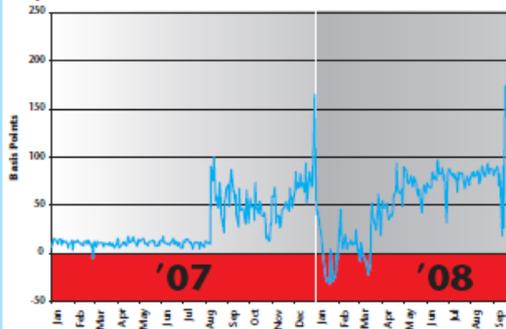
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Economist

The Frozen Credit Market

The worldwide credit markets have been seizing up gradually over the past eighteen months, but the situation has become increasingly worse since the bankruptcy of Lehman Brothers. As financial institutions have been unable to borrow from one another, many have been forced to undergo reorganizations and takeovers as demands on previously authorized lines of credit and runs on deposits have left these banks significantly under capitalized. President Bush recently signed a \$700 billion rescue plan into law, but there remains significant confusion as to the relationship between the financial markets and the local economy.

Financial institutions entered the crisis because they were highly leveraged and a large portion of their capital comes from the housing market, which is currently undergoing a national correction. The correction would have put stress on a well capitalized financial system, but as a result of new investment vehicles, many national banks were exposed to the real estate market to an even greater extent than they were historically. Mortgage Backed Securities (MBS) allowed a bank to limit its exposure to regional downturns in the housing market by selling individuals mortgages made locally to investment banks that would repackage a mortgage with many others of similar quality from around the nation. Investment banks would then sell claims on the income generated by these mortgages back to local banks as an

Spread Between 3-Month LIBOR and Effective Fed Funds Rate



Source: British Bankers Association, Federal Reserve

The London Interbank Offered Rate (LIBOR) measures the interest rate that banks offer to lend unsecured funds to one another. The Effective Fed Funds Rate is the cost of overnight lending from one bank to another, but is often near the target established by the Federal Reserve. The difference between the two rates (the spread) is the clearest indication of perceived default risk in the financial markets.



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Regional Retail Sales Lag the Nation, Remain Volatile

By James Clary, Senior Economist

Retail sales are the backbone of an integrated regional economy, because trade creates wealth as the participants in any exchange greater benefit/value from what they receive than what they traded away. When Hampton Roads economy grows, retail sales grow even more quickly as increased income is quickly passed through to consumption of goods and services. Conversely, during the most recent recession retail sales shrunk considerably as individuals had to cut back on their purchases.

Billions of Hampton Roads Retail Sales (Measured by the 1% Local Option)

Year	4th Quarter	Annual
2007	\$5.4	\$20.7
2008	\$5.0	\$19.9
2009	\$5.0	\$19.0
2010	\$5.0	\$18.9
2011	\$5.1	\$19.6
2012	\$5.1	\$20.1
2013	\$5.3	\$20.6

Hampton Roads seasonally adjusted retail sales increased to \$1.67 billion for December 2013, a slight increase over the \$1.66 billion in sales during November 2013. When added in with a very strong October, Hampton Roads 4th quarter sales totaled \$5.30B, a 3.06% increase over the 4th quarter of 2012.

Monthly Hampton Roads Retail Sales as Measured by 1% Local Option (3 month Moving Average)



Source: Virginia Department of Taxation, HRPDC

About this Document

Preparation of this document was included in the HRPDC Unified Planning Work Program for Fiscal Year 2014 that was approved by the Commission at its Quarterly Meeting on April 19, 2013.

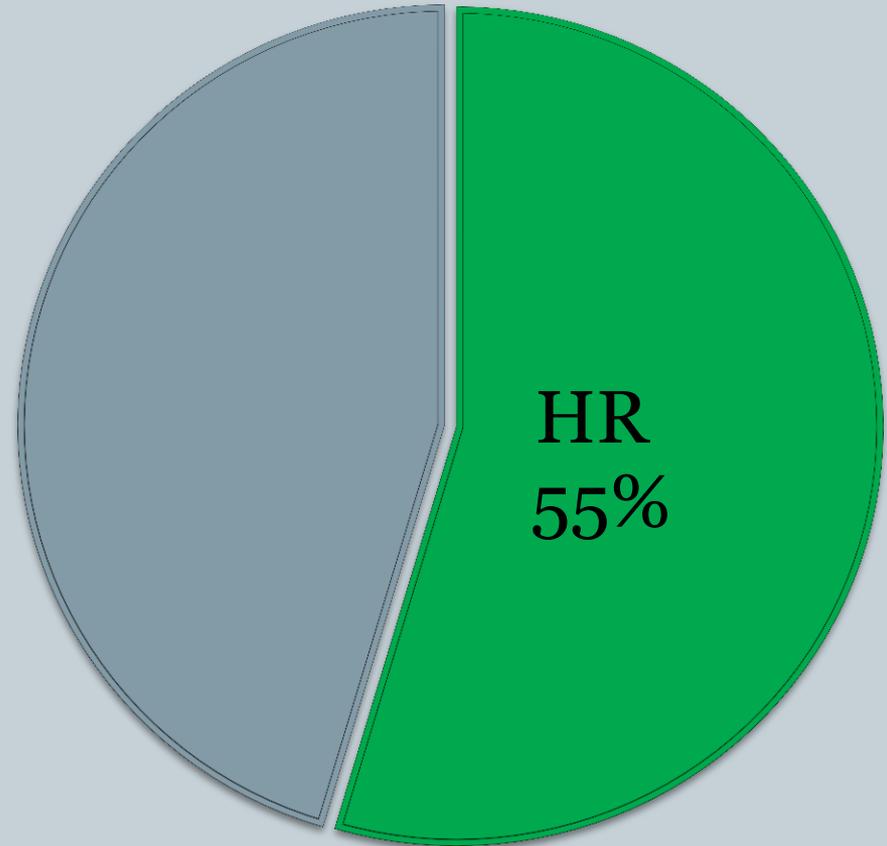
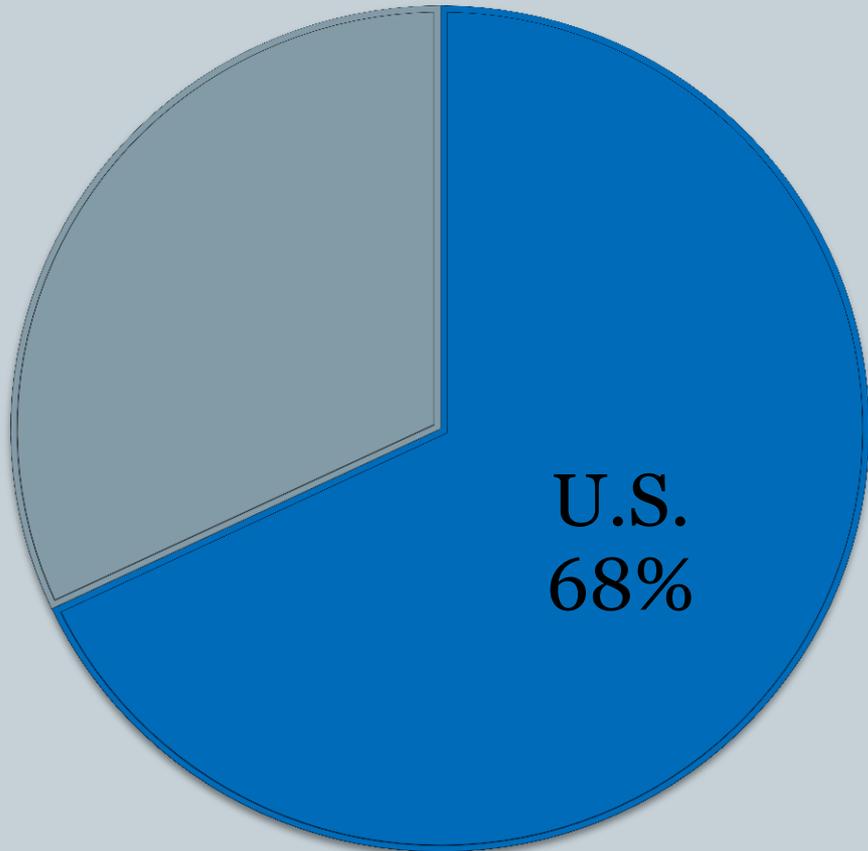
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Retail Sales Fundamentally Support the Economy

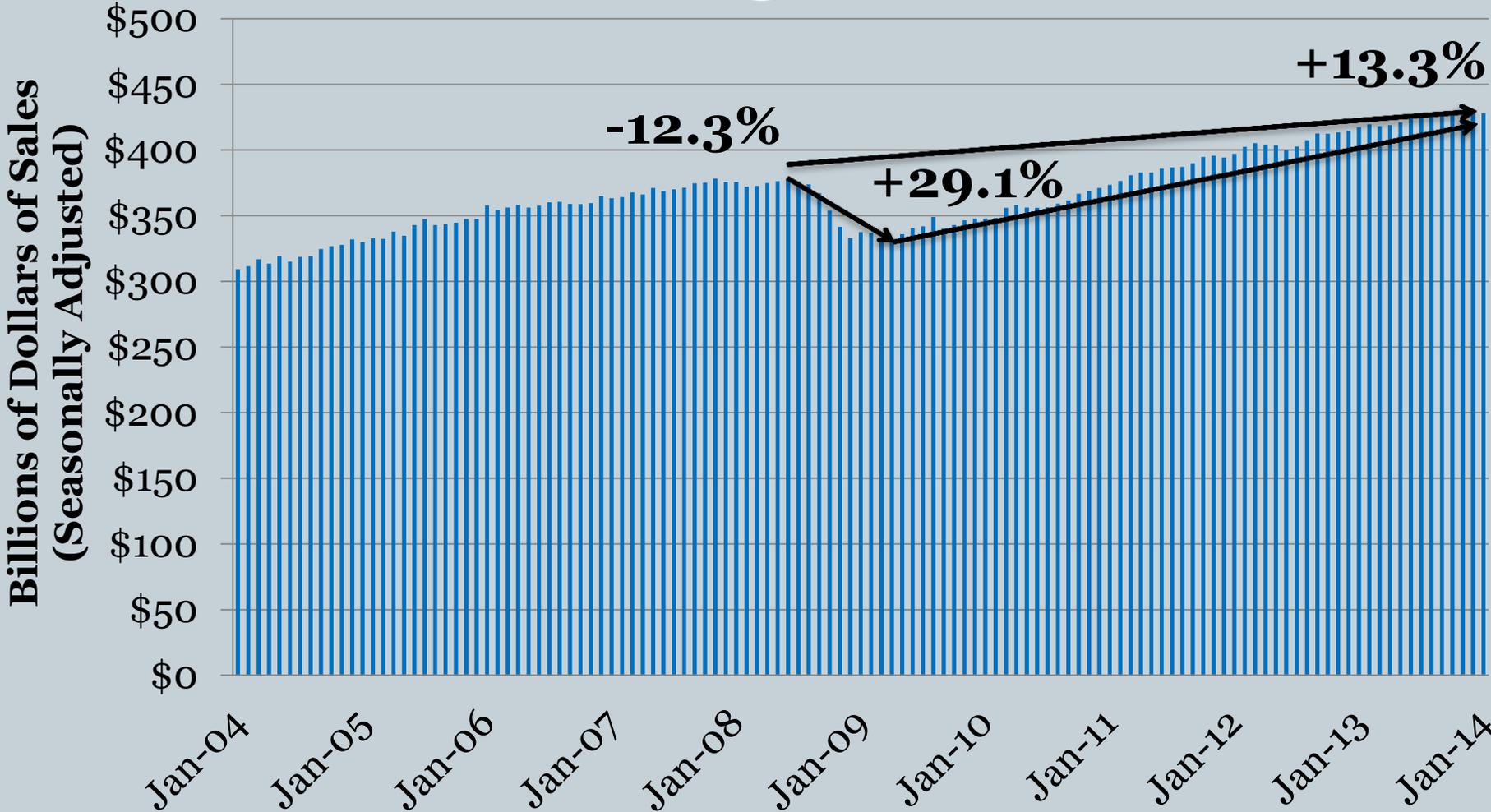
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Personal Consumption Expenditures as a Share of Gross Product



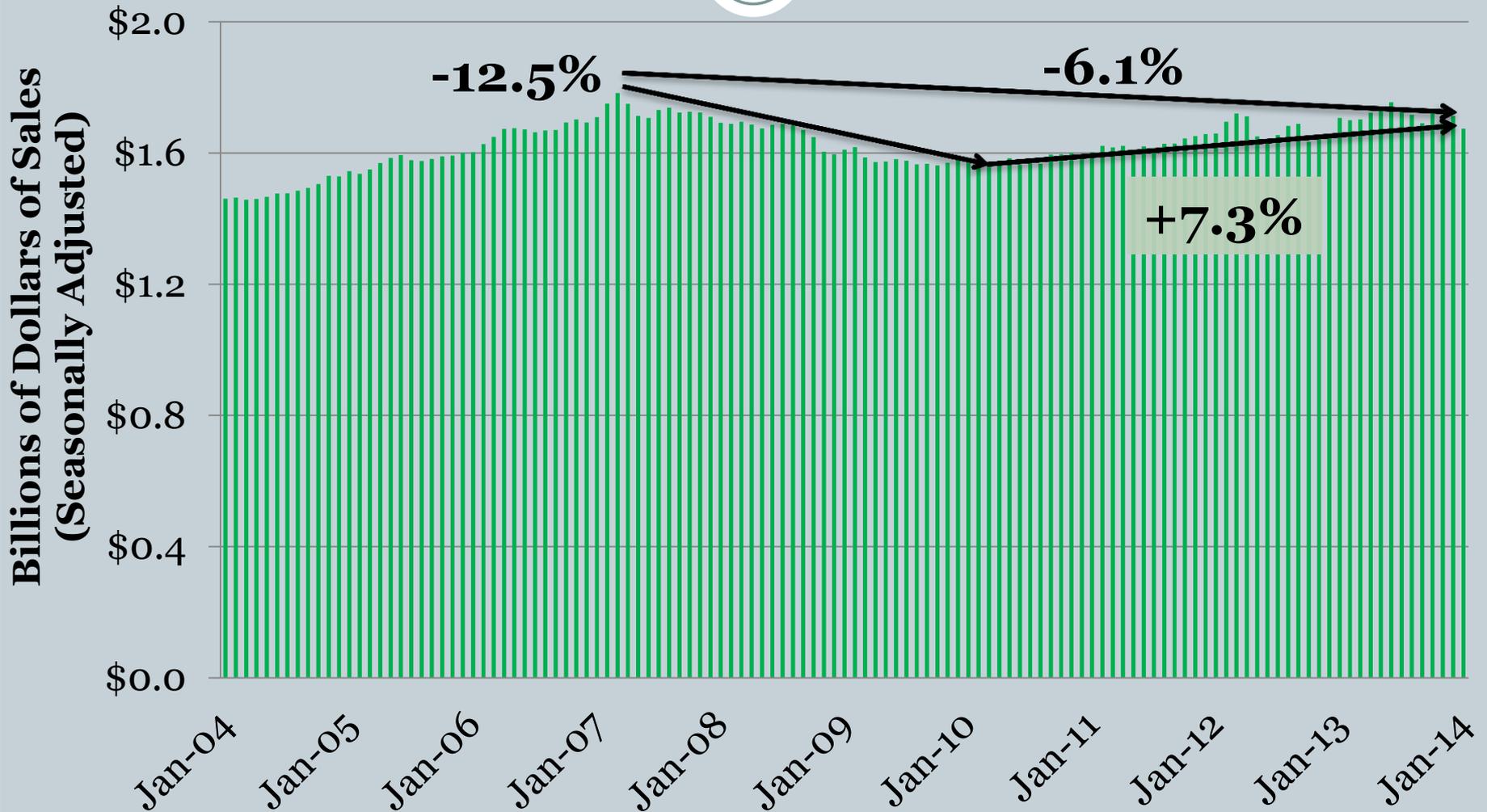
U.S. Retail Sales Have Recovered...

4



Hampton Roads Retail Sales (3 month Moving Average)

5



Indexed Retail Sales Comparison, HR vs U.S.

6



Source: Virginia Department of Taxation, U.S. Census Bureau, HRPDC

6-Year Change in Retail Employment

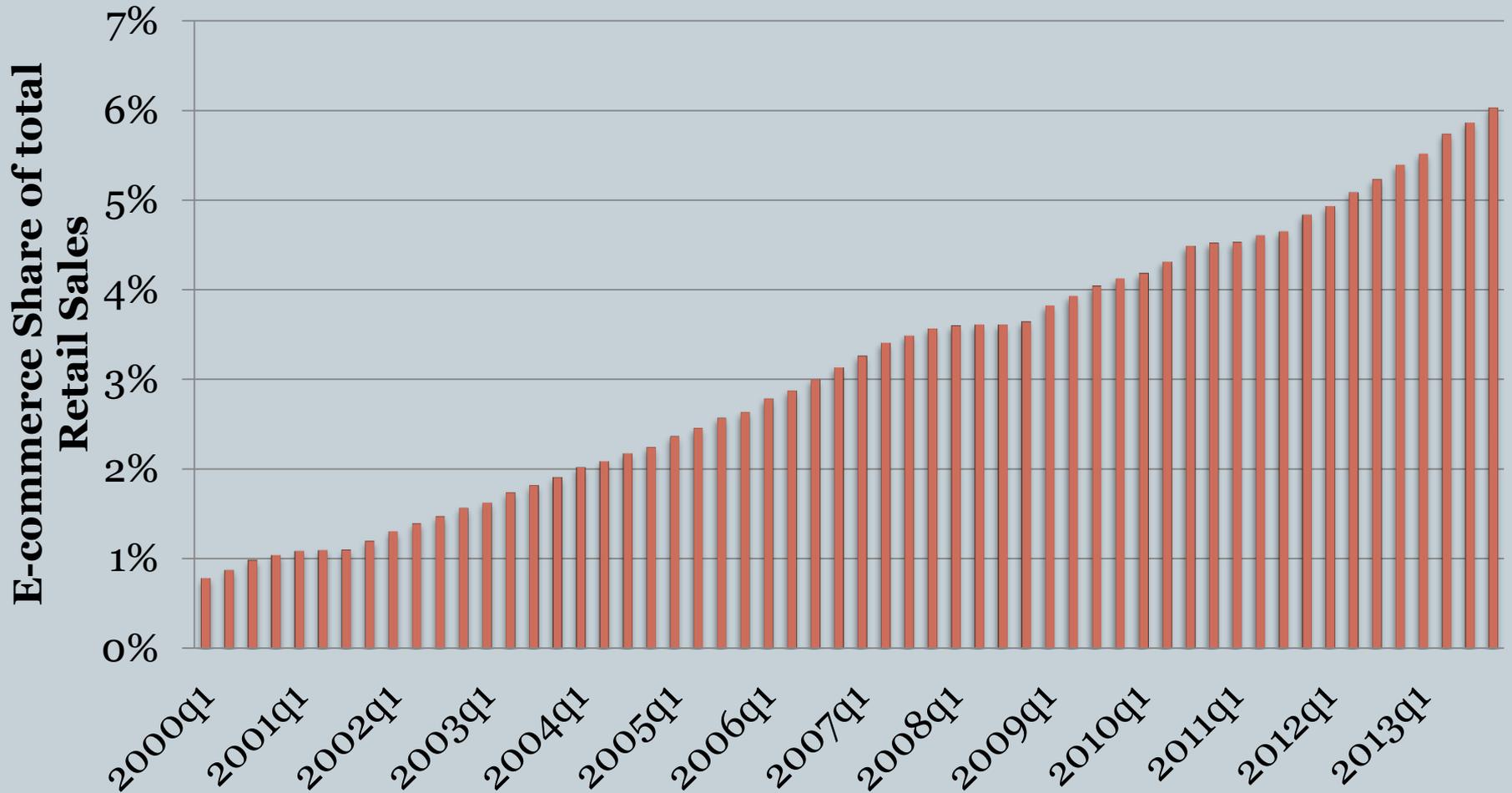
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Percentage Change in Retail:
2007-2013



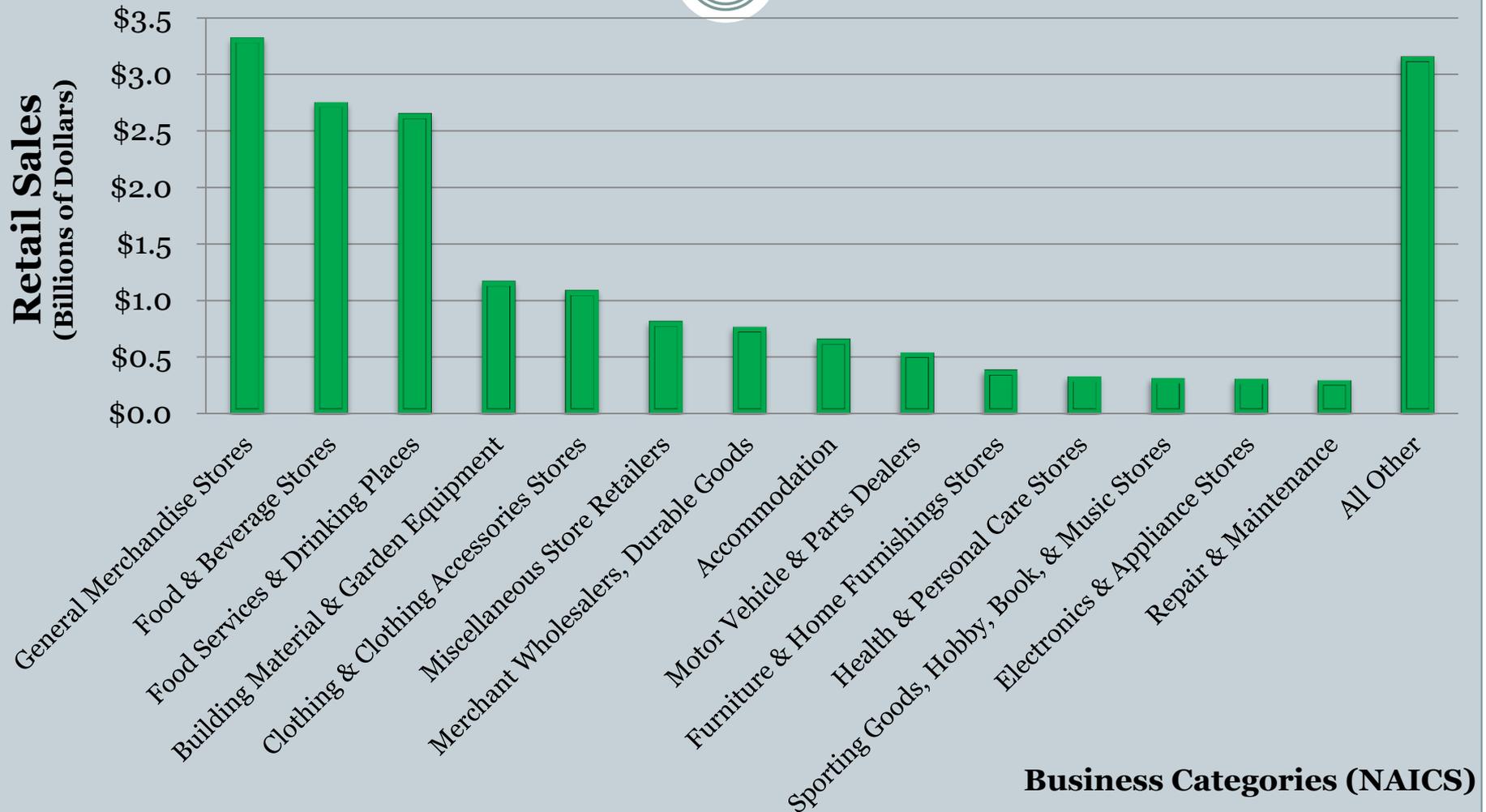
Internet Sales as a Percentage of Total U.S. Retail Sales

8



Hampton Roads Retail Sales by Business Category in 2013

9

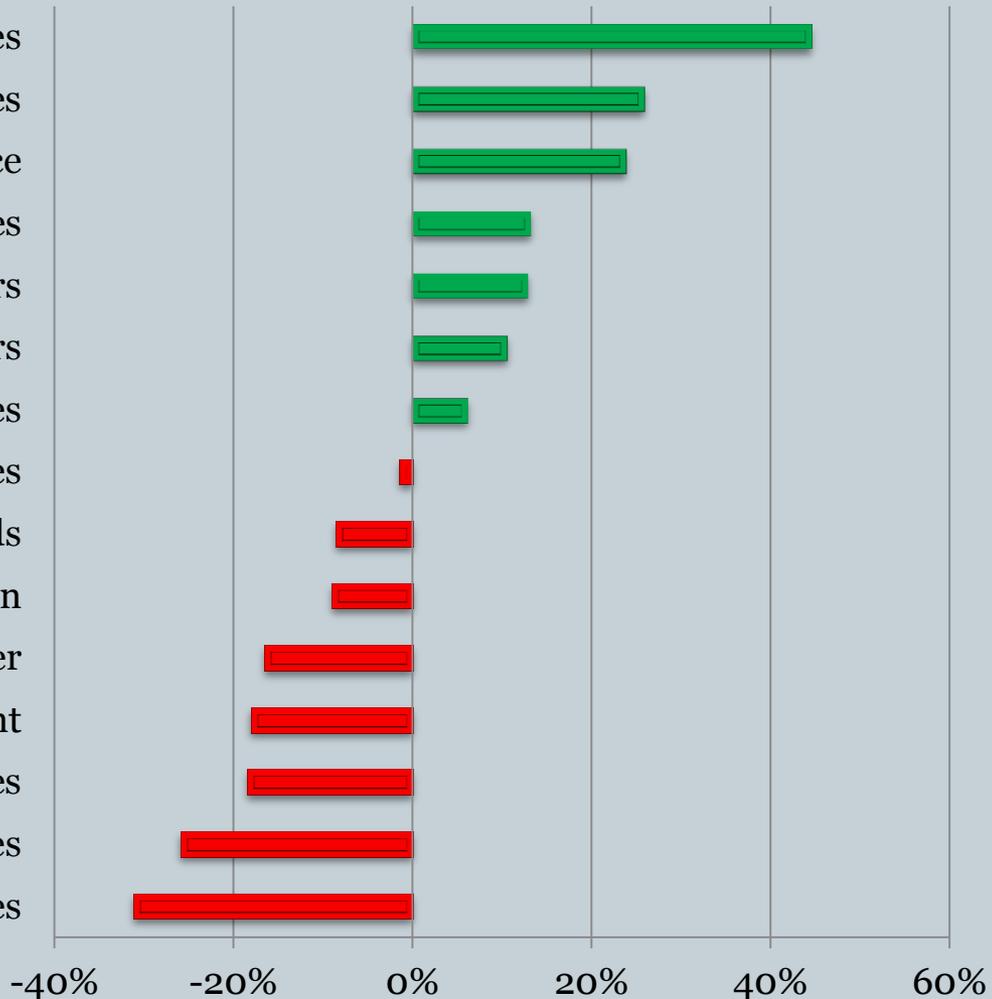


Growth in Hampton Roads Retail Sales by Business Category

10

Retail Sales by Business Category

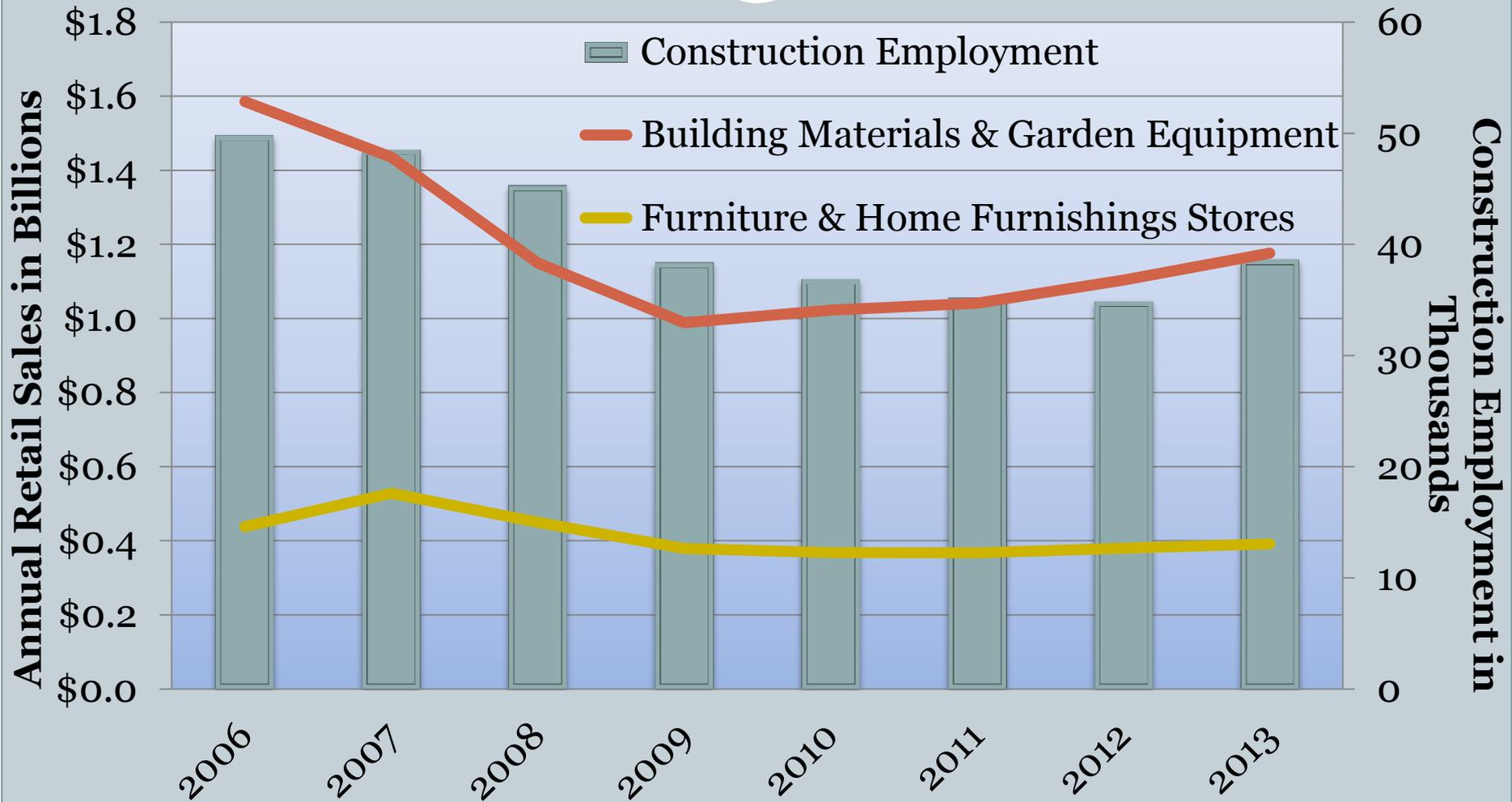
- Health and Personal Care Stores
- Food Services and Drinking Places
- Repair and Maintenance
- Food and Beverage Stores
- Miscellaneous Store Retailers
- Motor Vehicle and Parts Dealers
- General Merchandise Stores
- Clothing and Clothing Accessories Stores
- Merchant Wholesalers, Durable Goods
- Accommodation
- All Other
- Building Material & Garden Equipment
- Sporting Goods, Hobby, Book, and Music Stores
- Furniture and Home Furnishings Stores
- Electronics and Appliance Stores



Six Year Growth Rate- 2007 to 2013

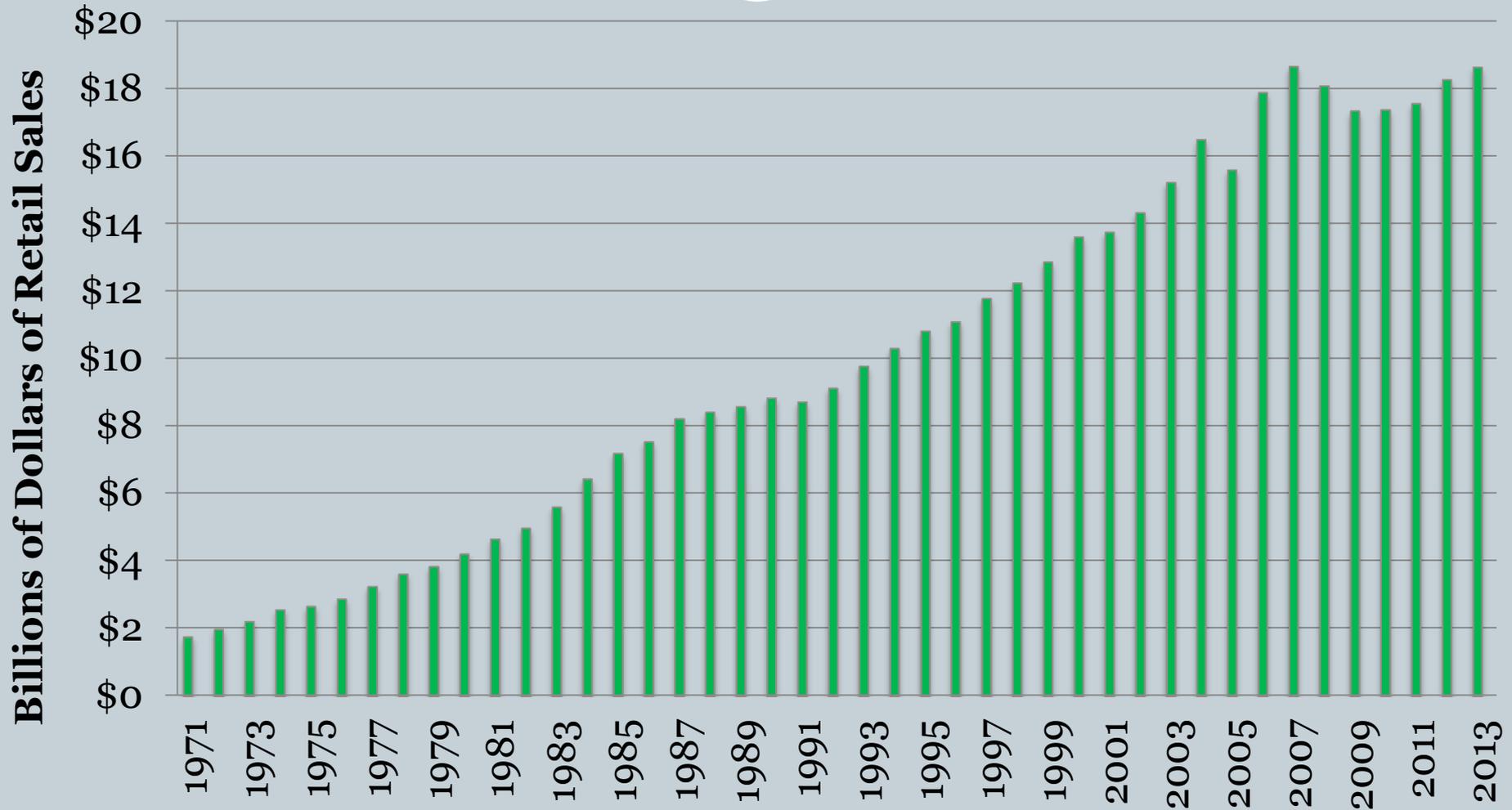
Retail Sales for Construction Related Industries & Construction Employment in Hampton Roads

11



Hampton Roads Retail Sales Trending...

12



DISCUSSION

13

- That concludes my formal remarks, and I am prepared to take any questions

Retail Sales and Local Budgets

14

