

# **Presentation to the Hampton Roads Planning District Commission**

**2007 Forecast**

**By**

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**Hampton Roads Planning District Commission**

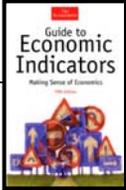
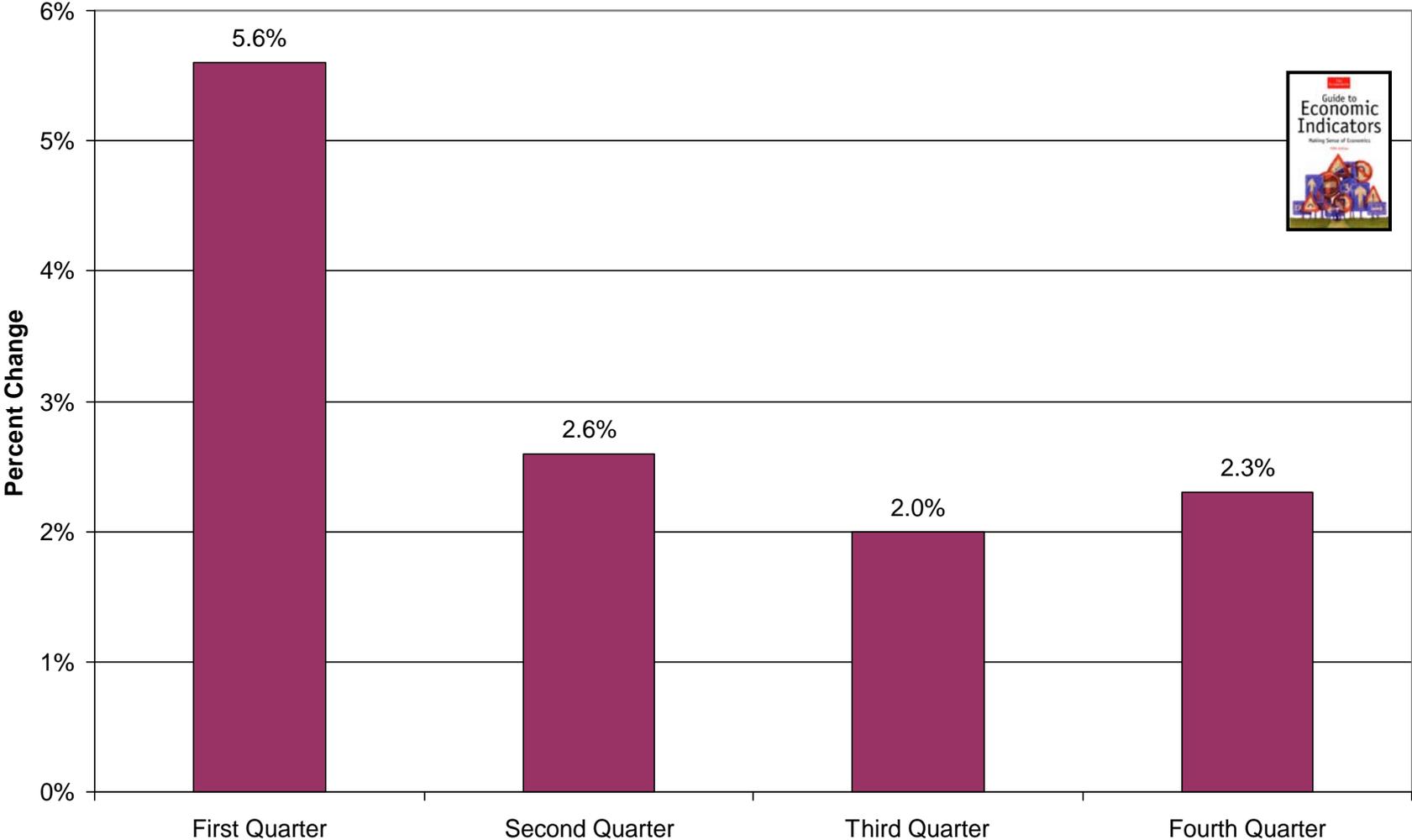
**January 2007**

# The U.S. Economy in 2006



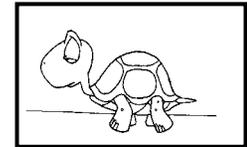
# Growth Slowed in 2006

Annualized Percent Change in Real Gross Domestic Product

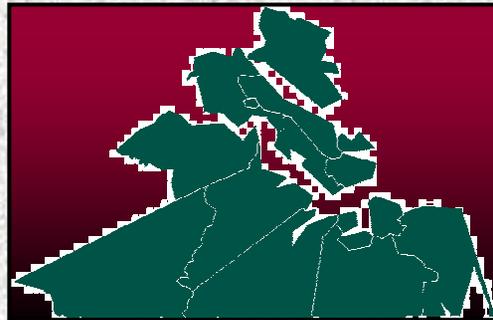


# Causes of 2006 Slowdown

- **Rising interest rates during 2006**
- **Slower residential construction**
- **Declining manufacturing activity**
  - Construction products
  - Automobiles
  - Inventory overhang
- **Slower growth in consumer demand**
  - Declining home prices
  - Exotic mortgages

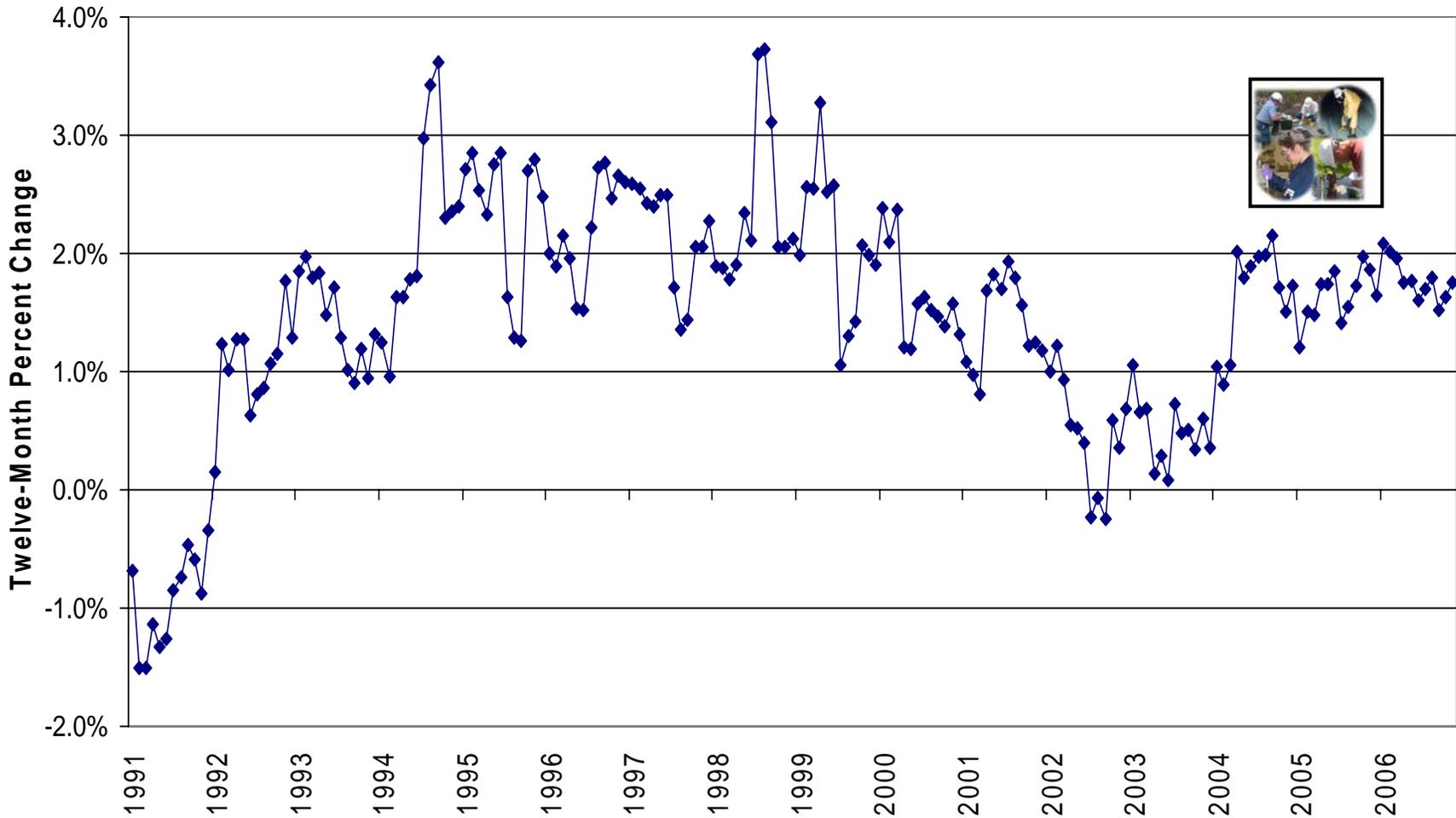


# **The Hampton Roads Economy in 2006**



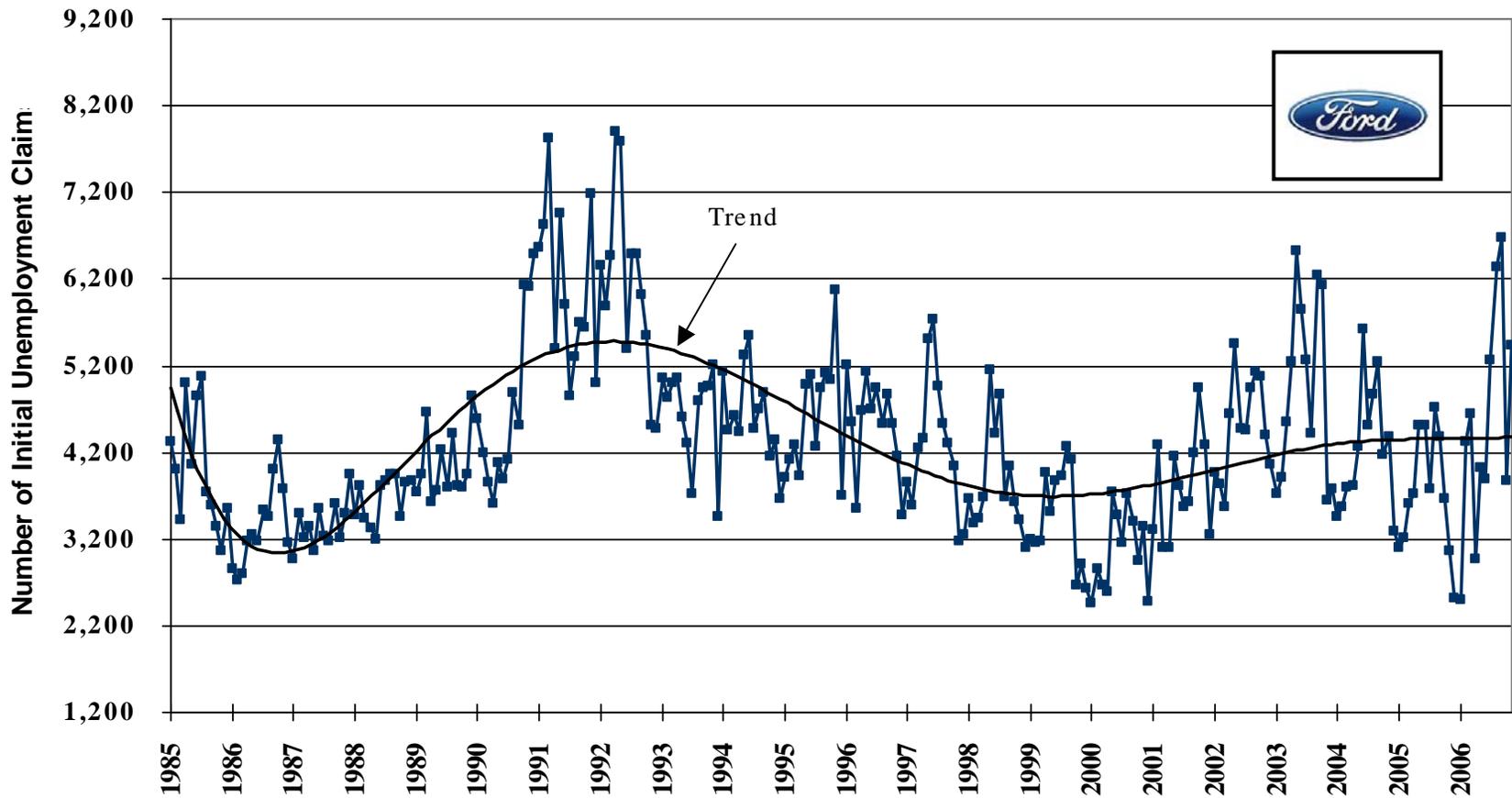
# Employment Growth Slowed in 2006

Twelve-Month Percent Change in HR Non-Agricultural Employment



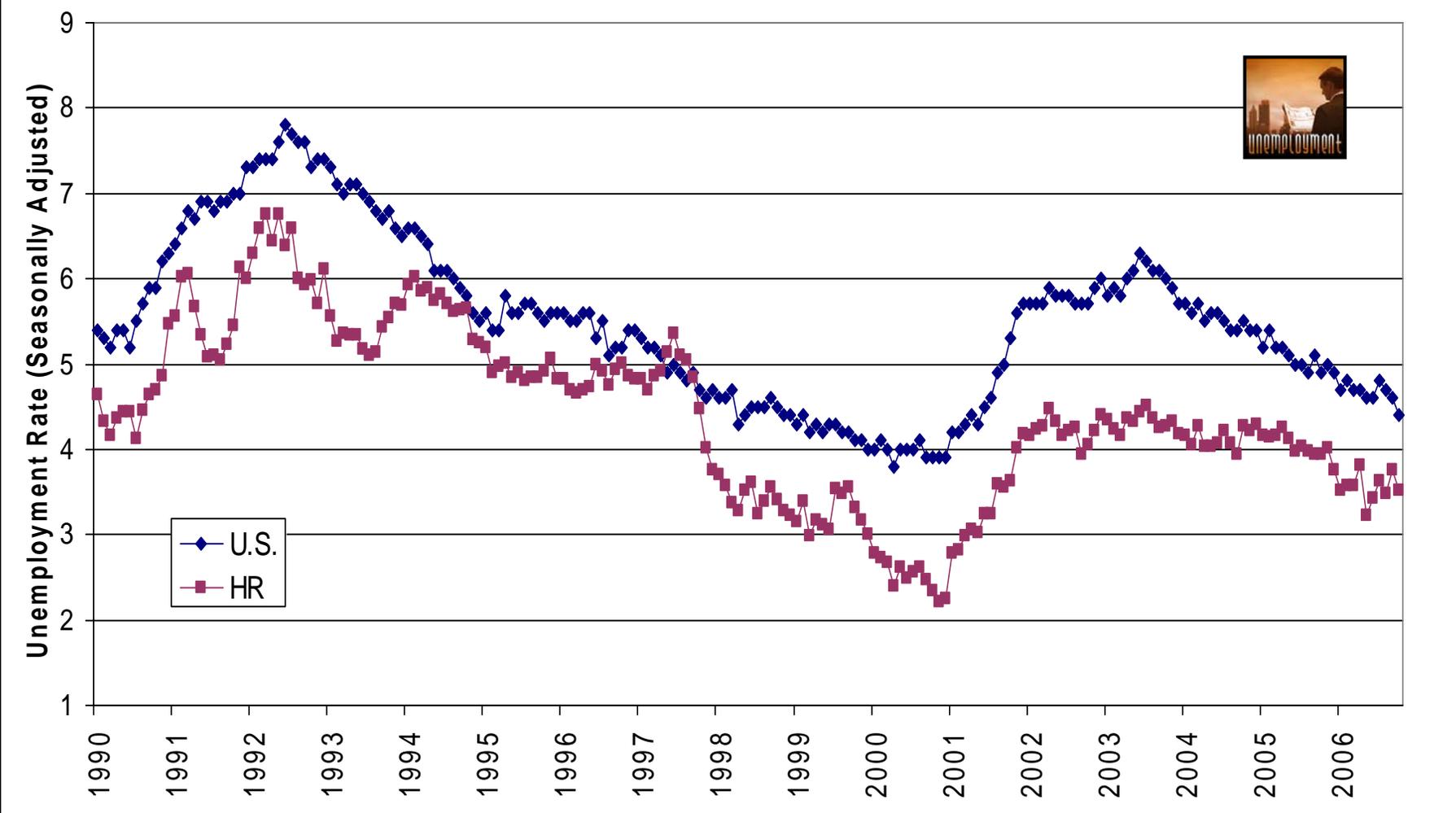
# Layoffs and Furloughs Increased Dramatically in Second Half of 2006

Hampton Roads Initial Unemployment Claims



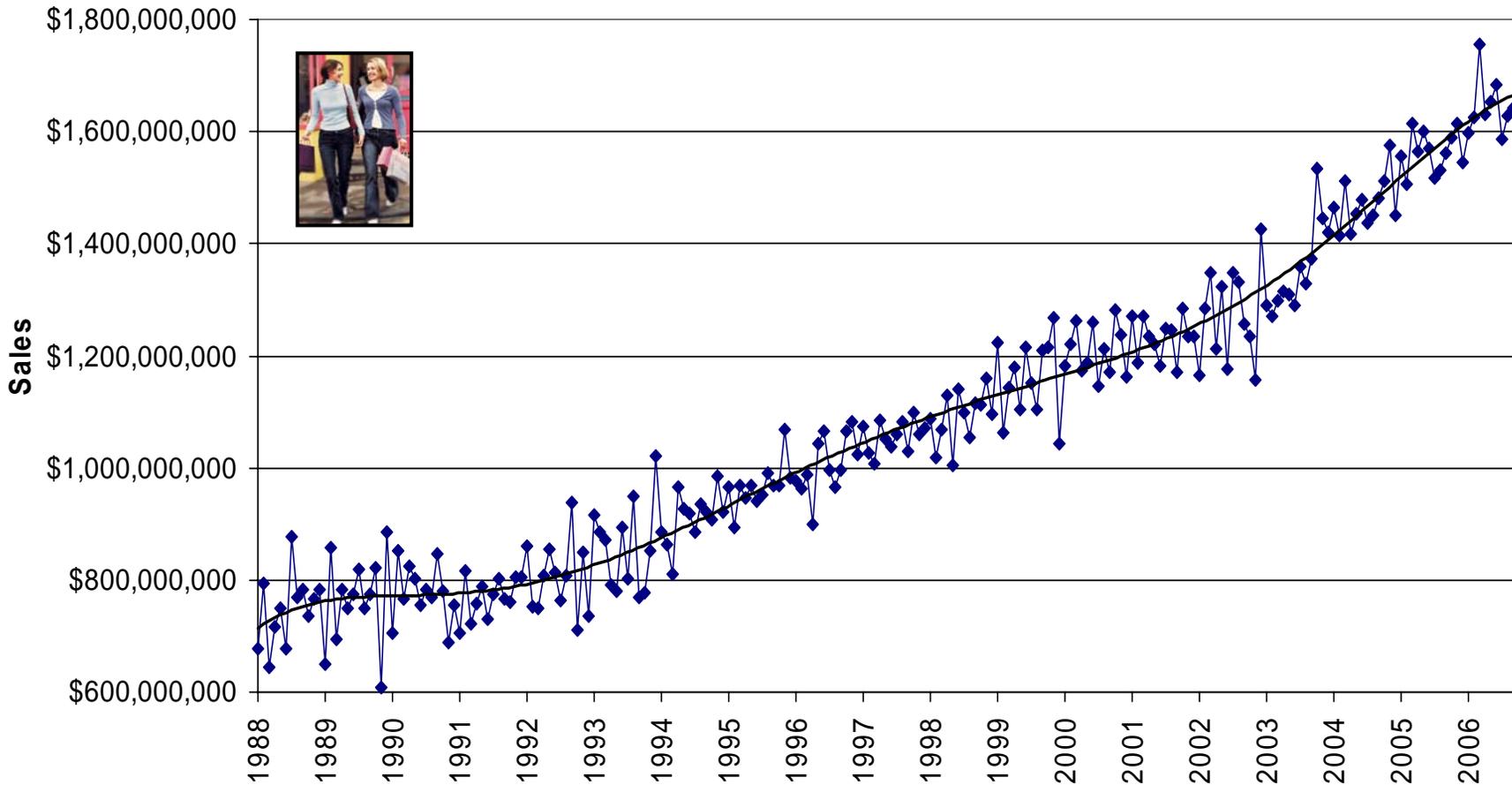
# The Unemployment Rate Remained Low in 2006

An Unemployment Rate Comparison: U.S. and Hampton Roads



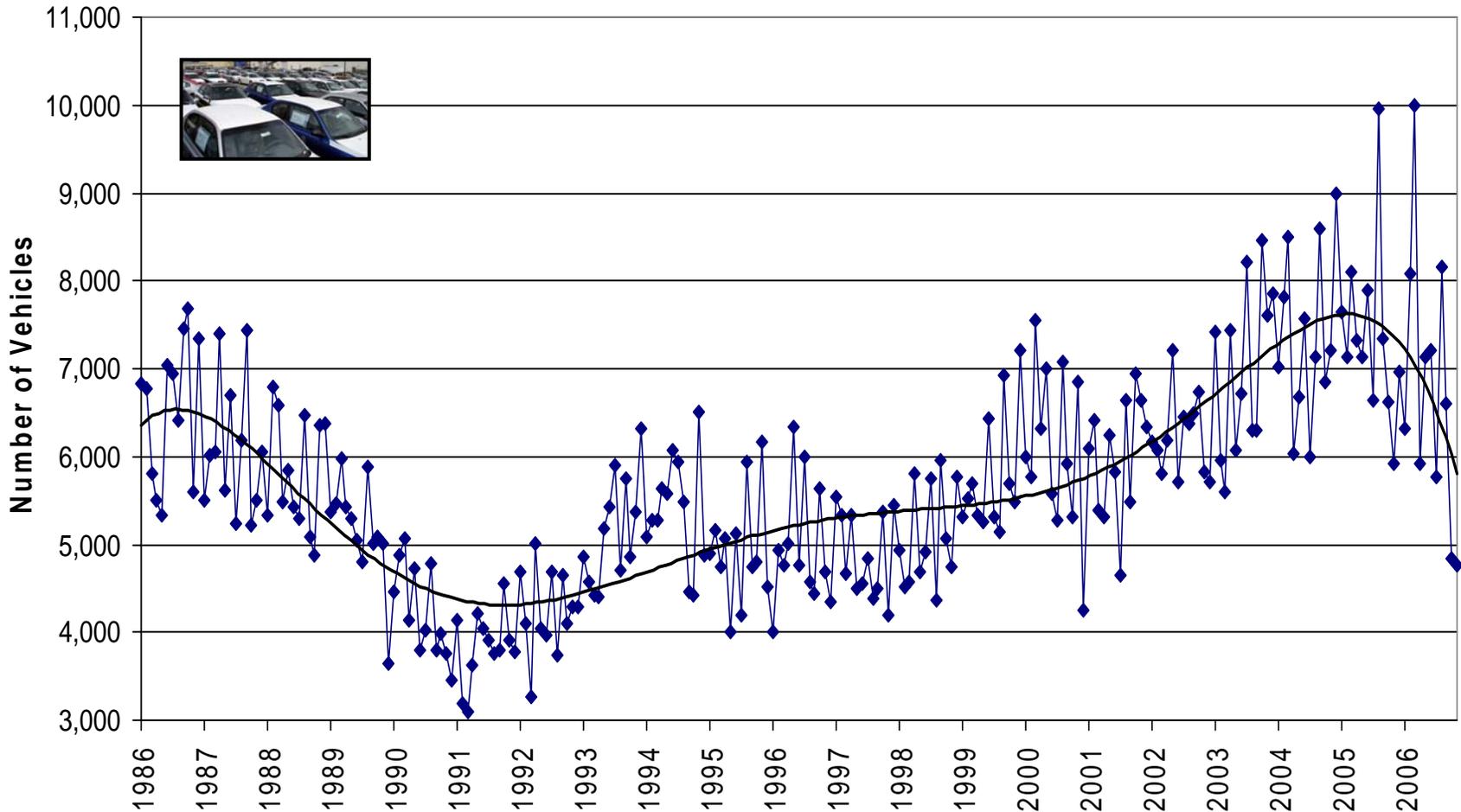
# Hampton Roads Retail Sales Growth Has Slowed

Hampton Roads Retail Sales



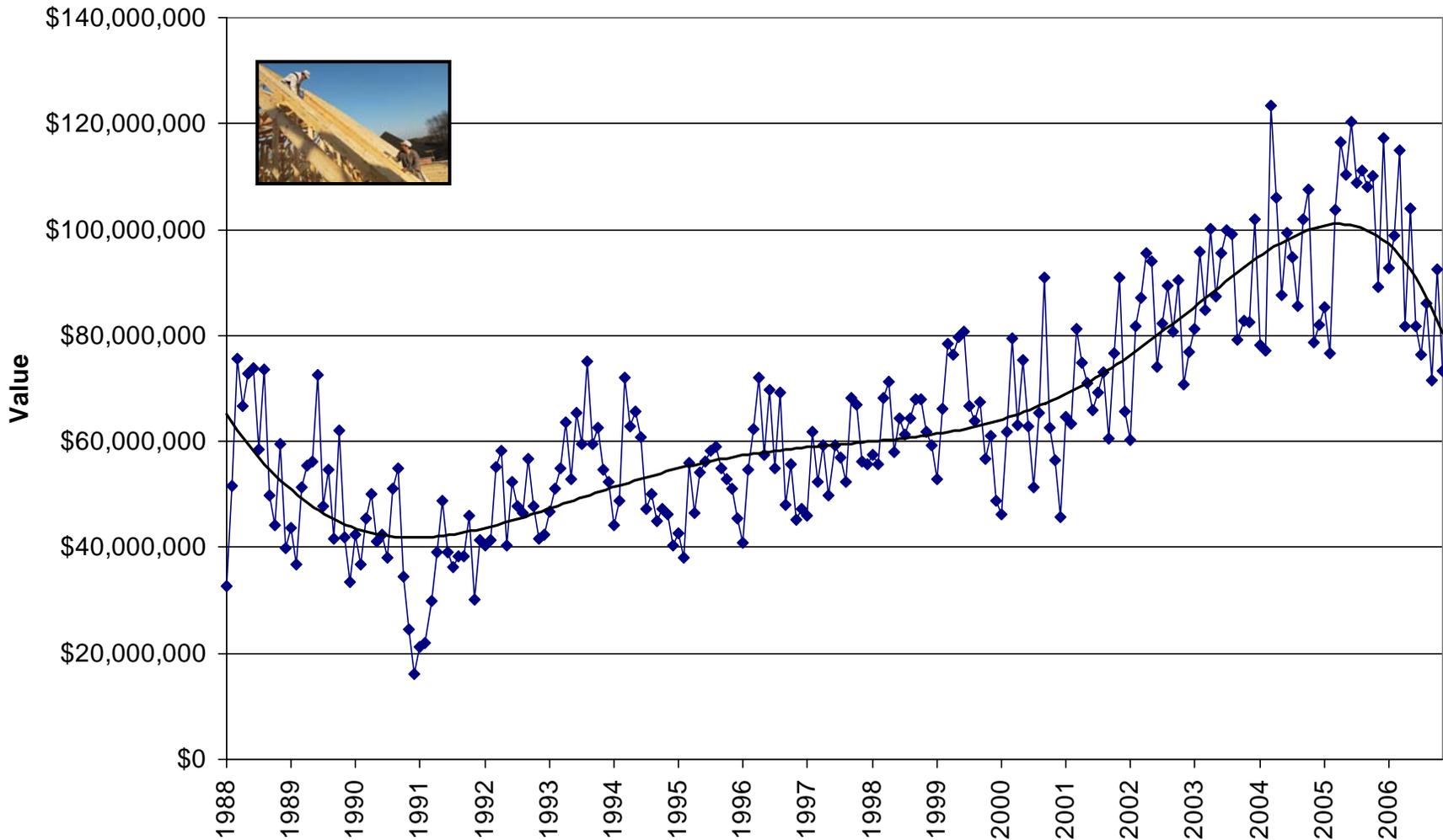
# Car Sales Declined Significantly in 2006

Seasonally Adjusted Auto Sales in Hampton Roads



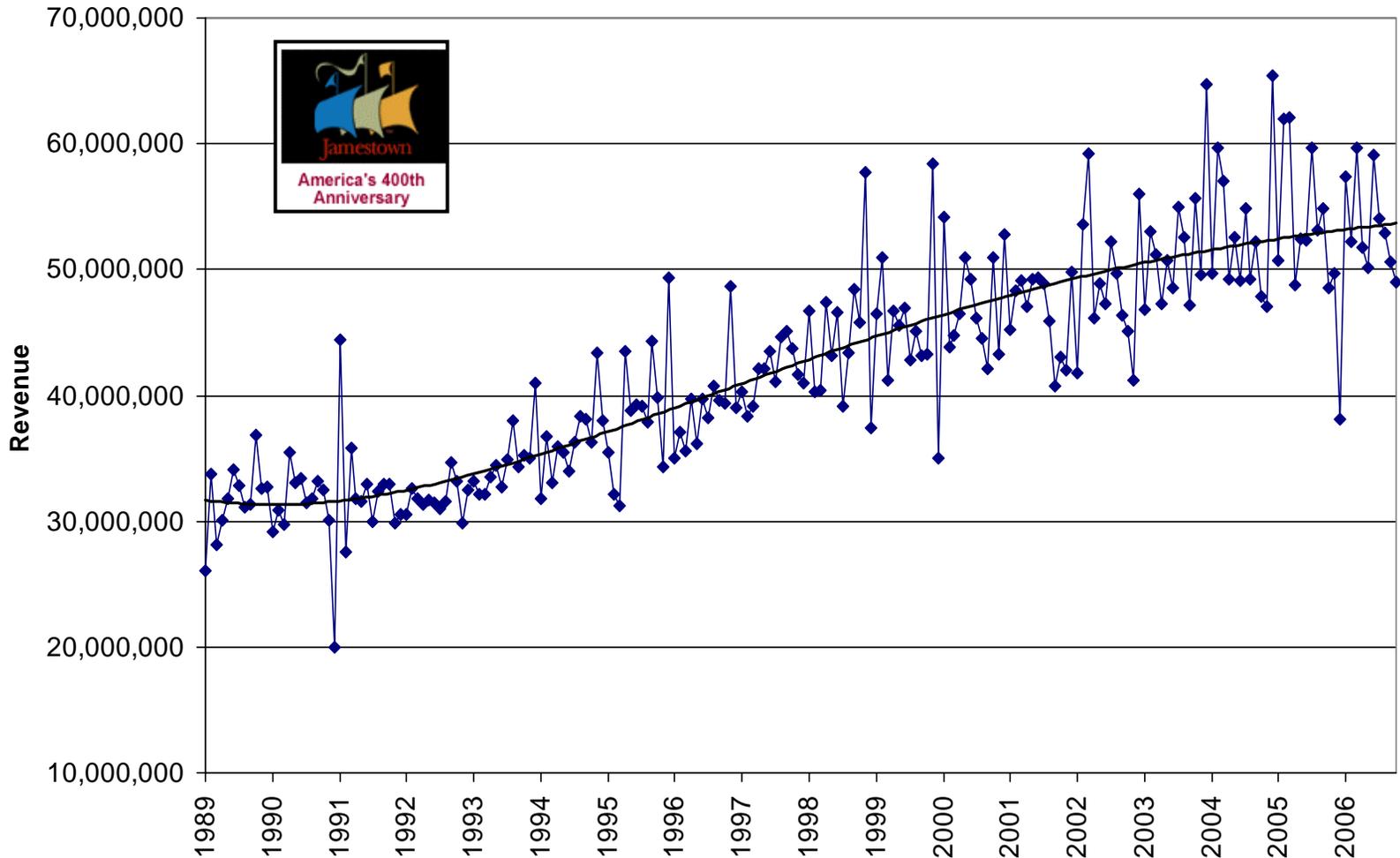
# Residential Construction Declined in 2006

Value of Hampton Roads Single Family Housing Permits



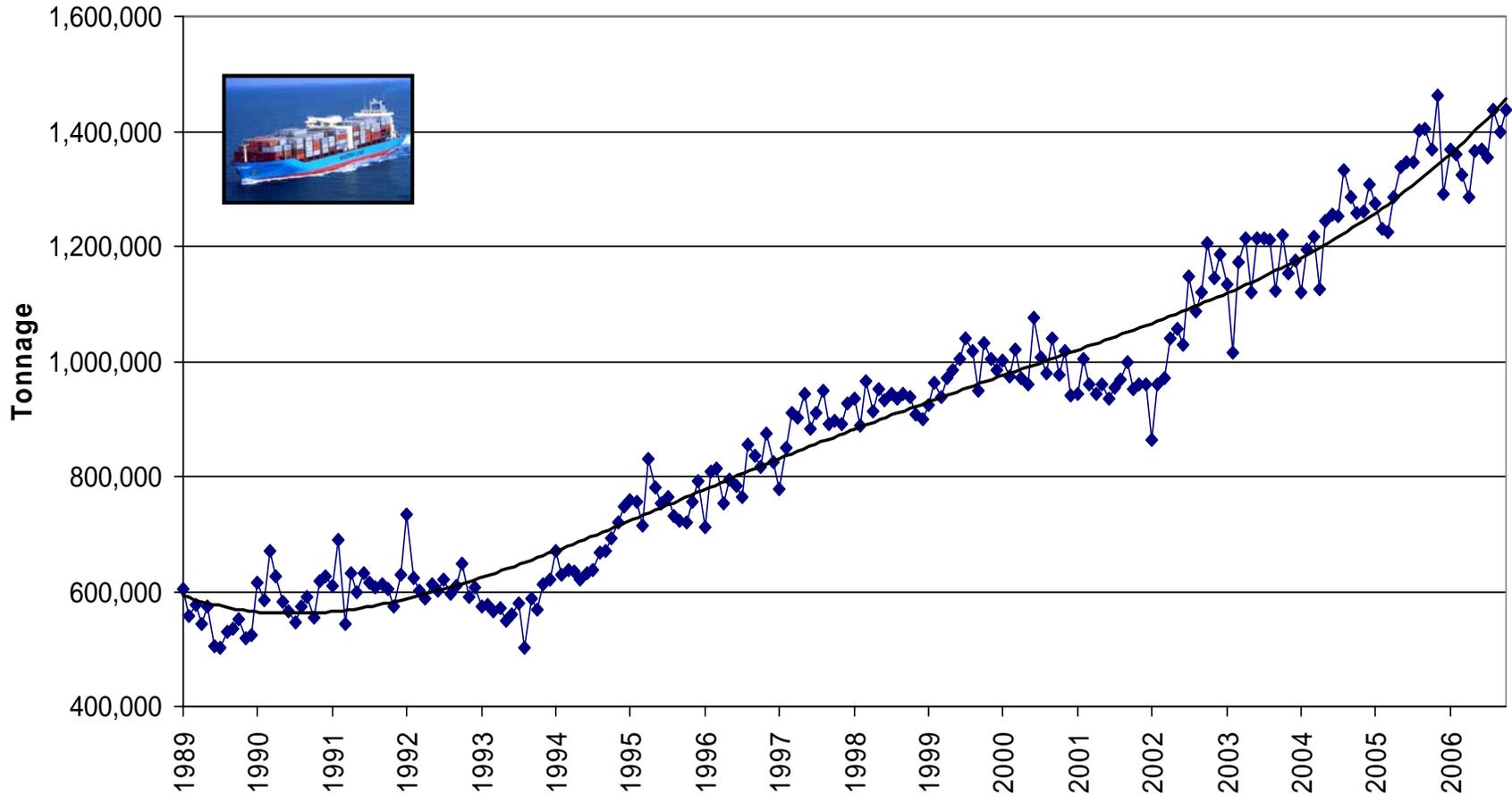
# Hampton Roads Hotel Revenues Stagnated in 2006

Hampton Roads Hotel Revenue



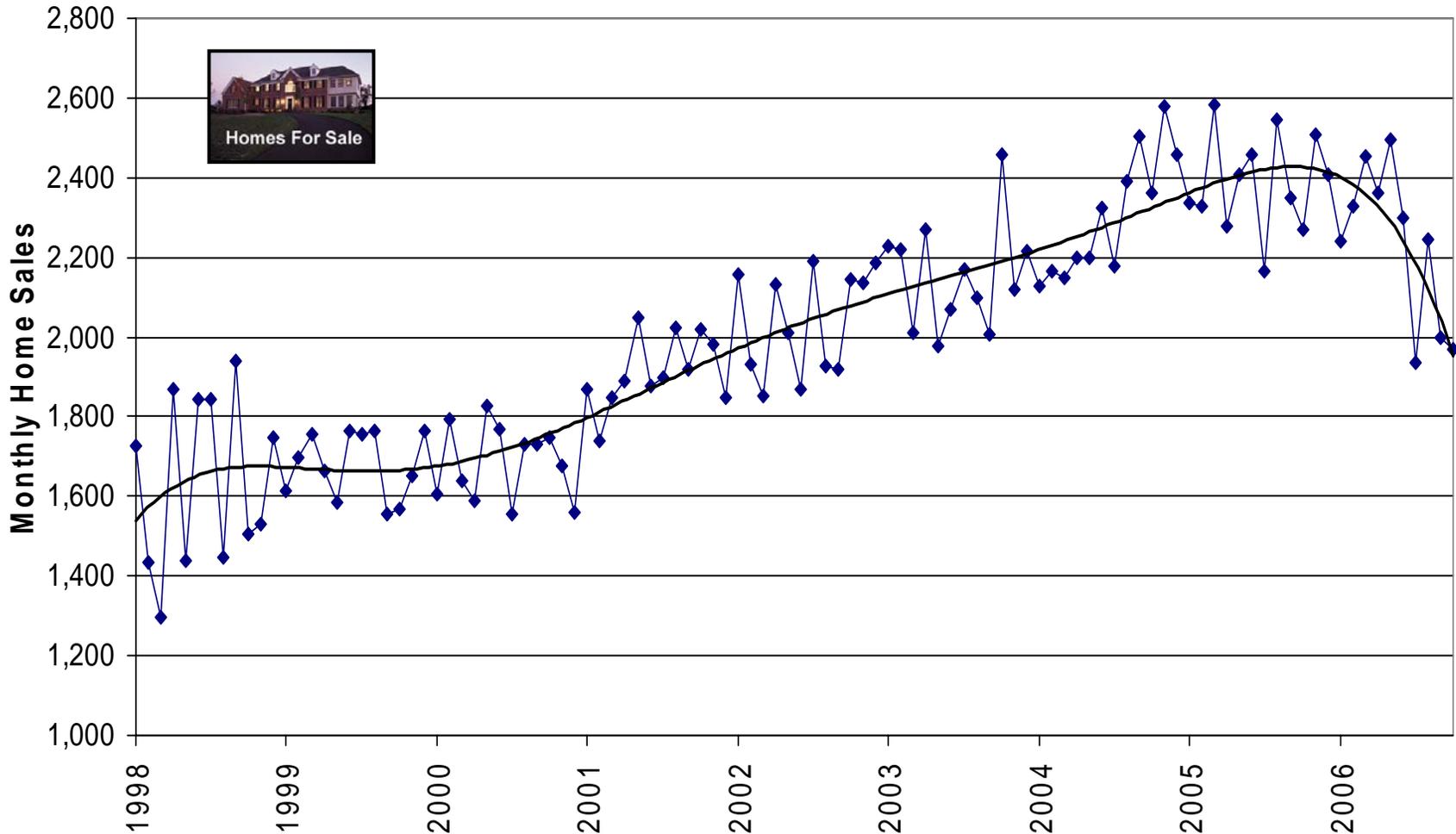
# General Cargo Tonnage Through the Port Grew Slowly in 2006

Hampton Roads General Cargo Tonnage



# The Number of Homes Sold Has Declined

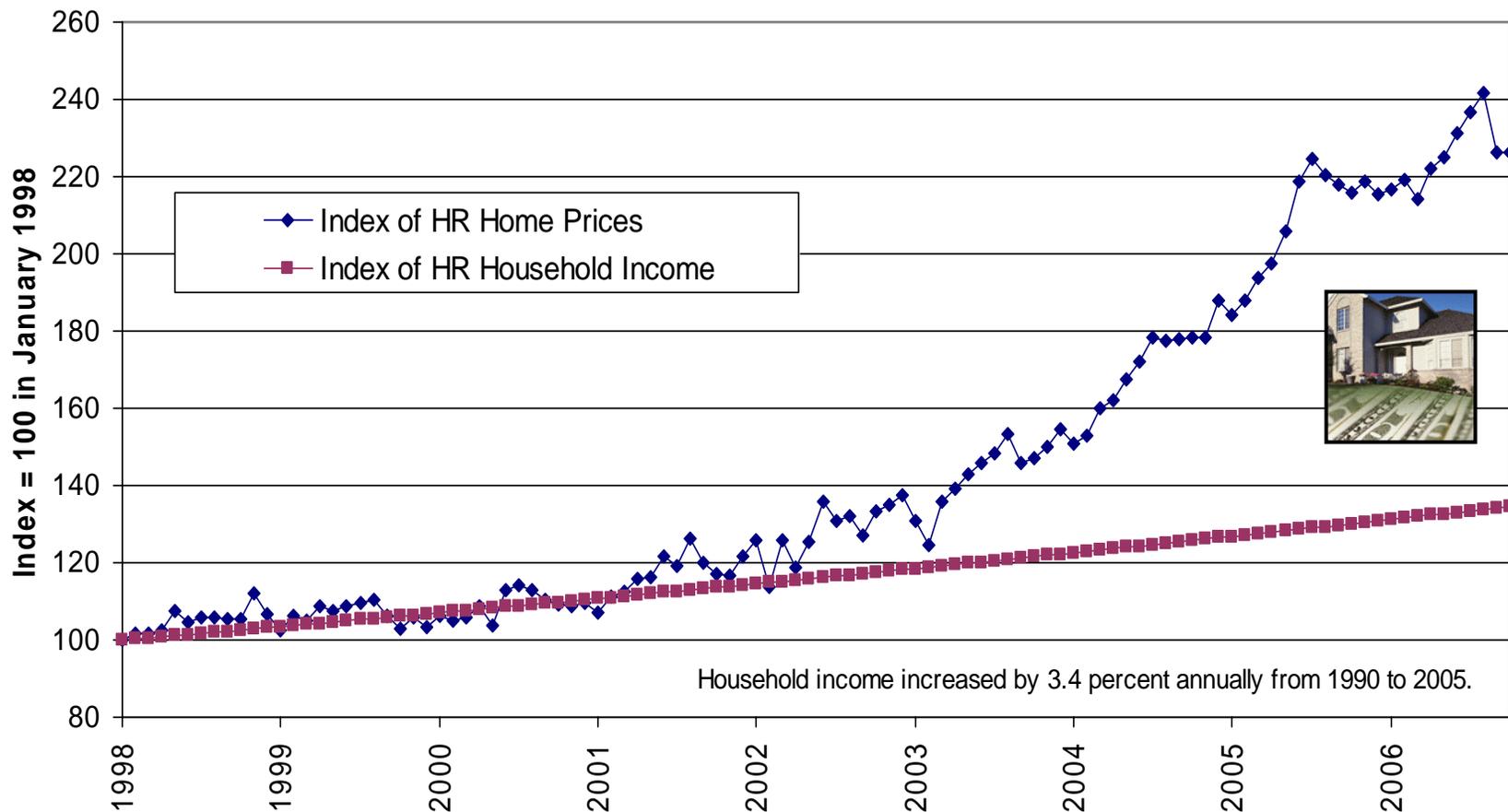
Number of Homes Sold in Hampton Roads





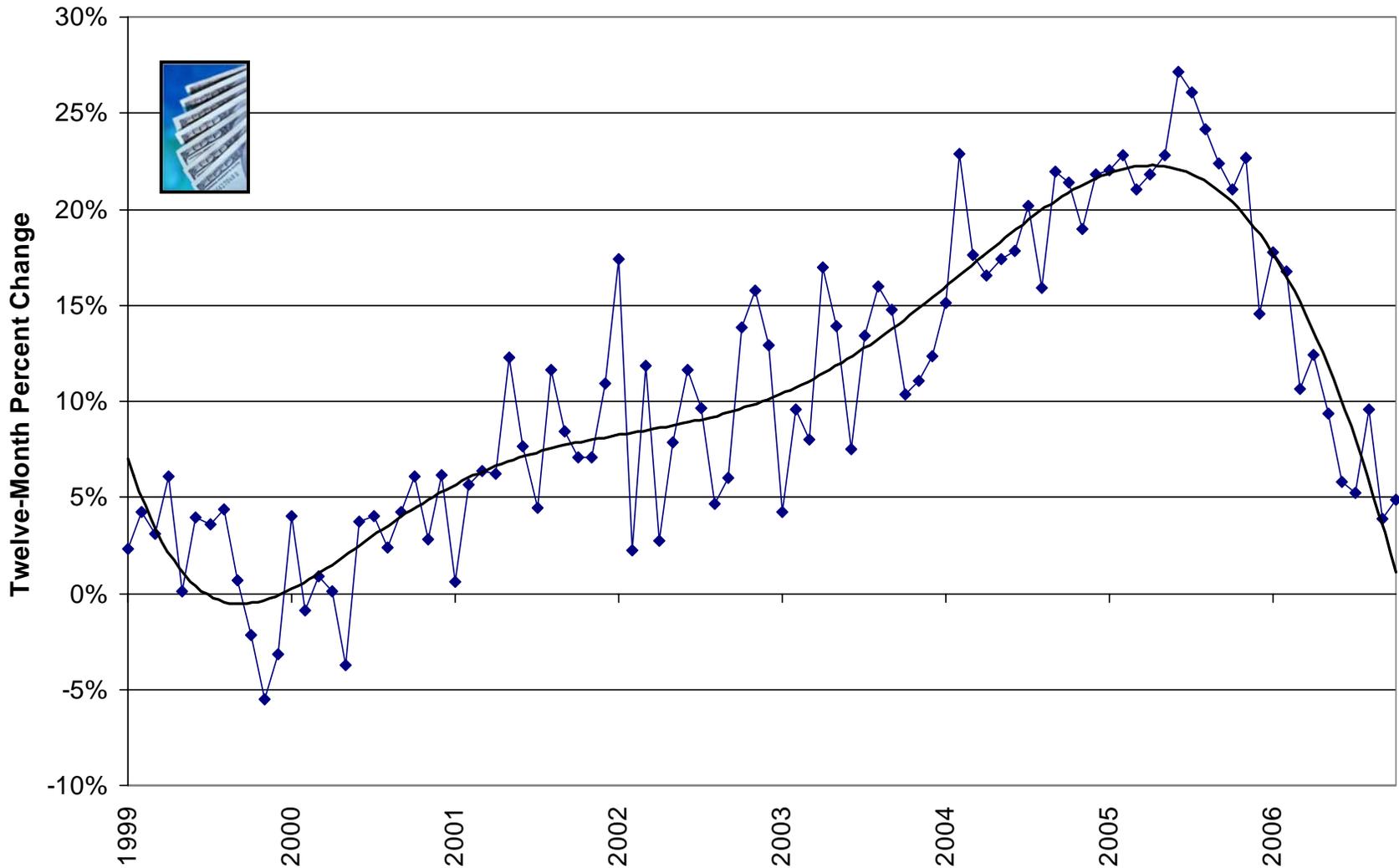
# HR Home Prices Have Increased Faster than HR Household Income

A Comparison of the Increase in Home Prices and Household Income in Hampton Roads



# The Rate of Increase in Home Prices Has Decelerated

Twelve-Month Percent Change in Average Home Sale Price in Hampton Roads



# The Economy in 2007



# U.S. Economy

- **Soft Landing** (Majority View)



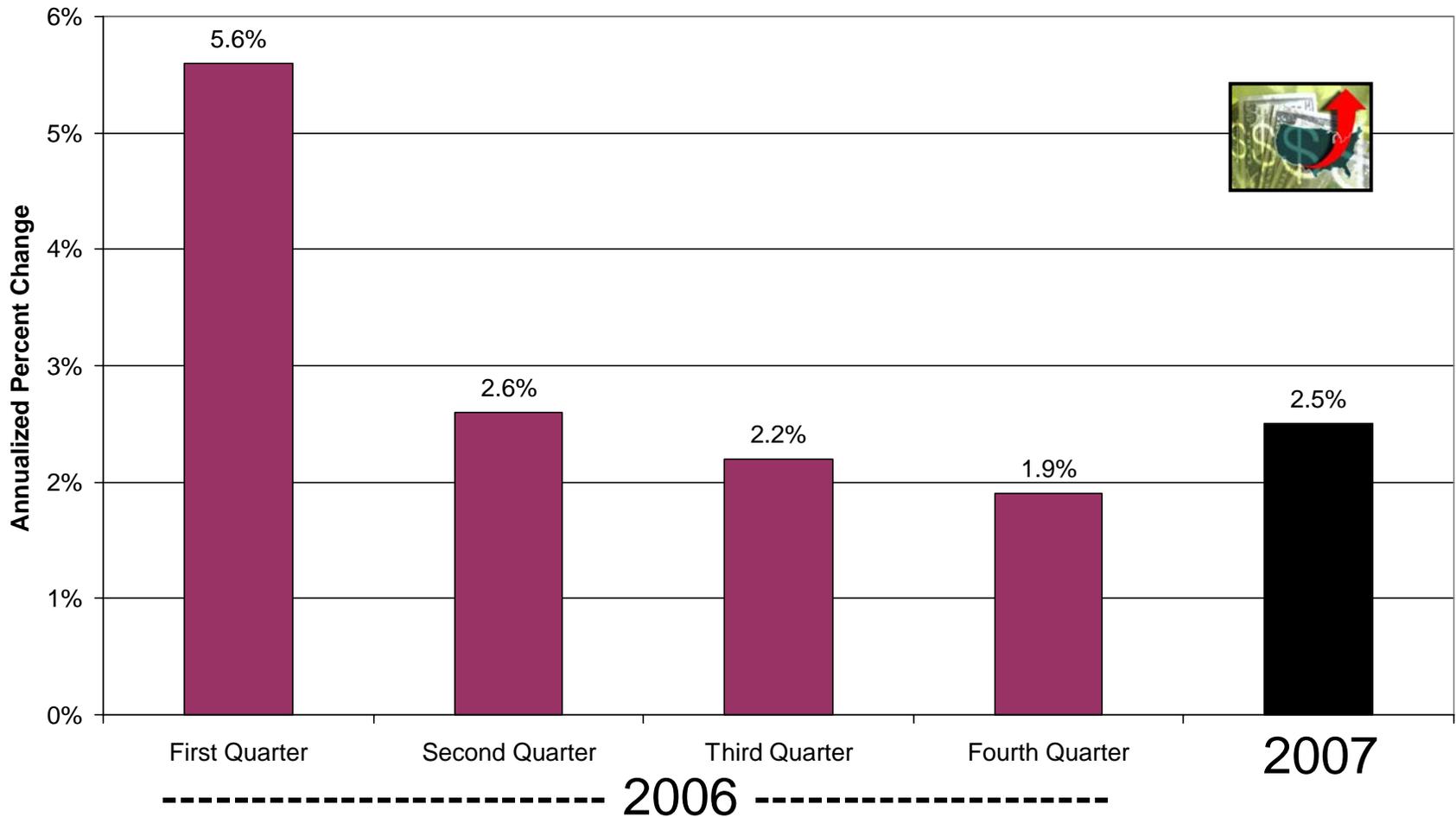
- **Housing prices will not reduce consumption**
- **Inventory overhang in housing/autos/construction materials will burn off in first two quarters**
- **Home construction will pick up in the second half**
- **Corporate profits will be strong enough to increase dividends and capital spending**
- **Household wealth will continue to grow as wealth creation switches from real estate to stock market**

- **Hard Landing** (Minority View)

- **Decline in home prices reduces consumption**
- **Reduced residential construction spreads to other sectors**

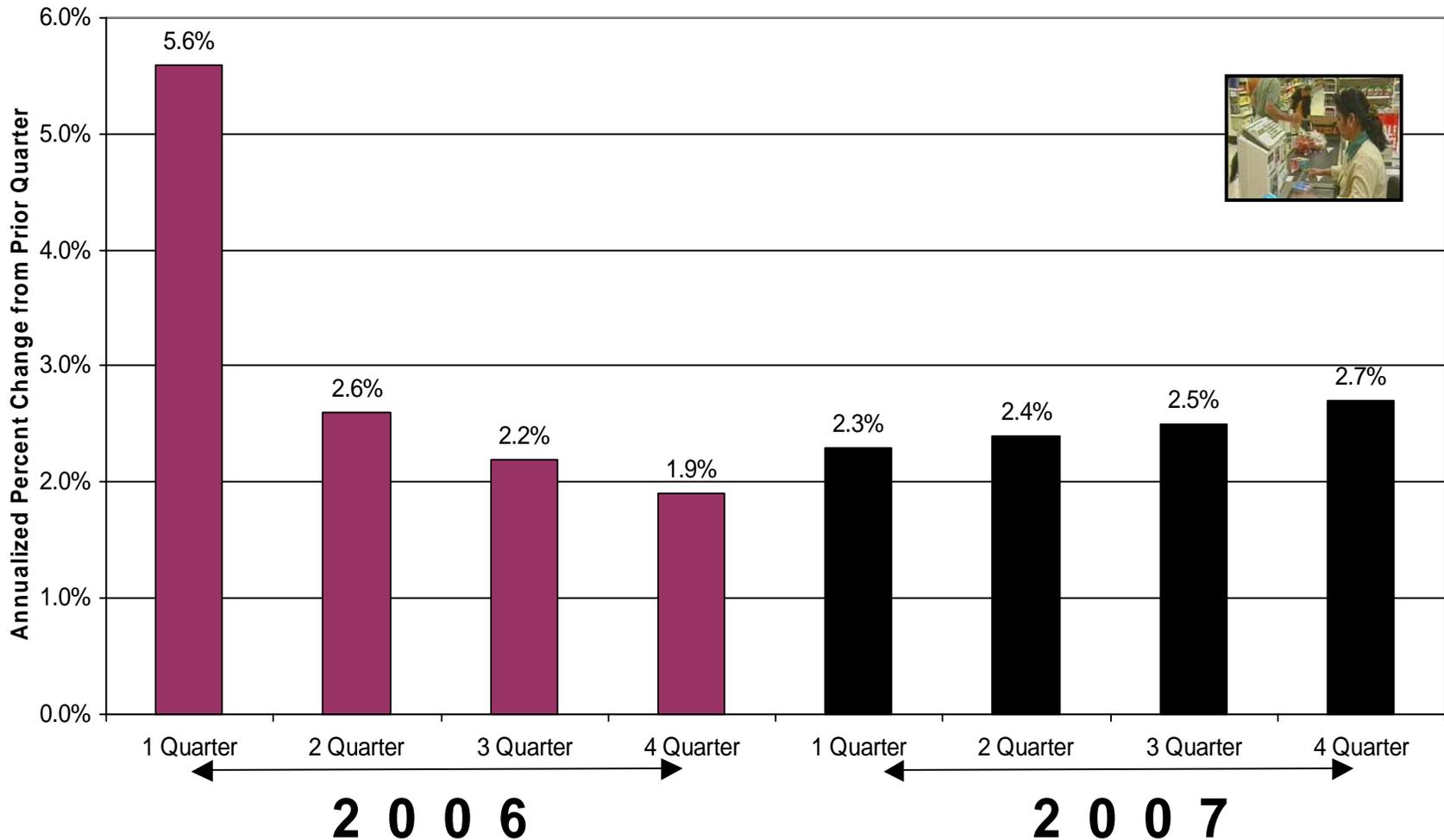
# Slower U.S. Growth is Expected in 2007

Forecast for Real Gross Domestic Product



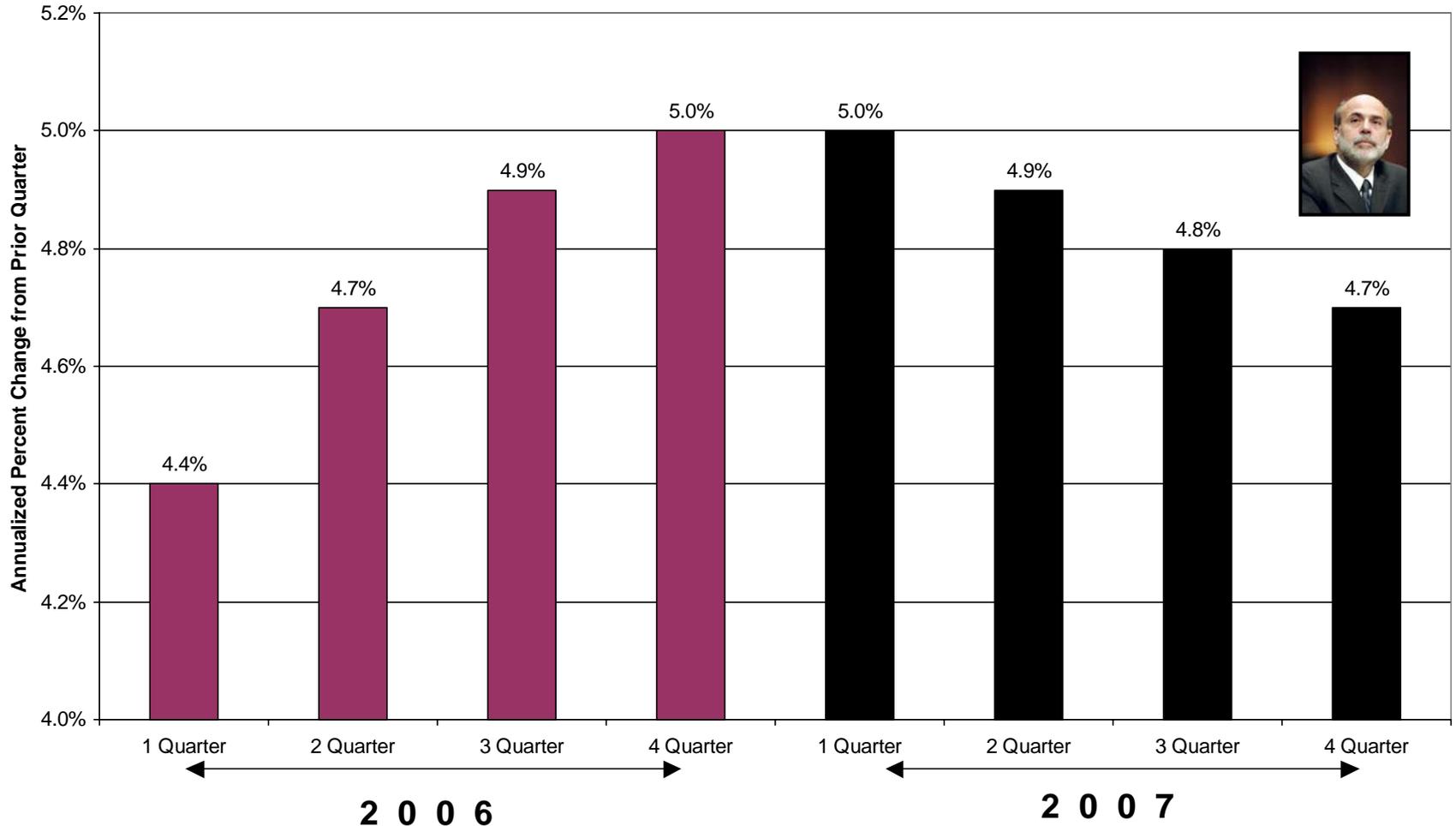
# Growth Will Slowly Accelerate in 2007

Quarterly Annualized Percent Change in GDP from Prior Quarter



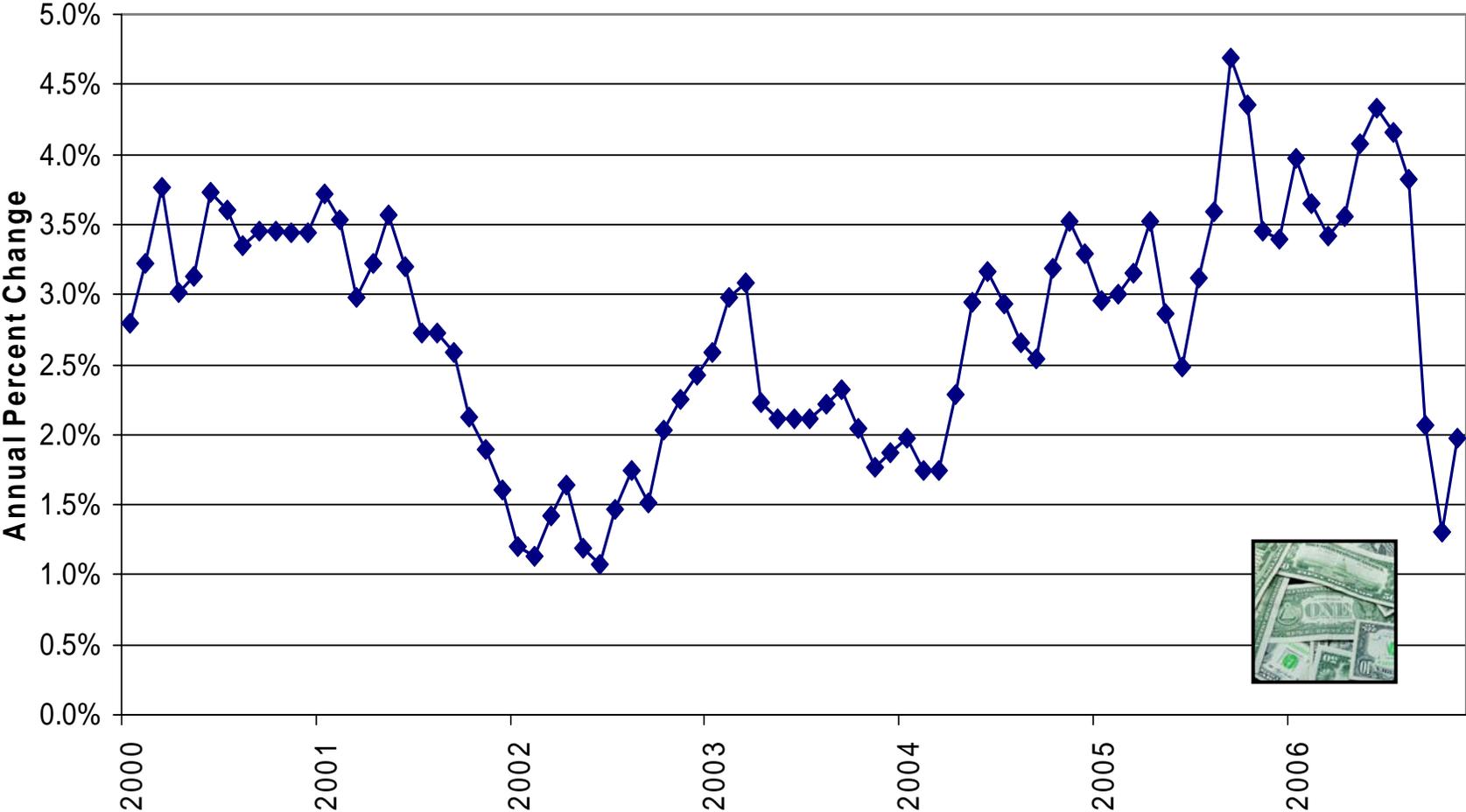
# Short-Term Interest Rates will Fall

Quarterly Annualized Percent Change in Three-Month Treasuries from Prior Quarter



# Lower Energy Prices Have Reduced Inflation

Twelve-Month Percent Change in the Consumer Price Index



# The HR Economy



## 2007 Forecast

	2006 (Year to Date)	2007 Forecast
<b>U.S.</b>		
Real GDP	3.3%	2.5%
Interest Rates		
Short Government Rates	4.8%	4.8%
Long Government Rates	4.8%	4.7%
<b>Hampton Roads</b>		
Real GDP	NA	2.2%
Civilian Employment	1.8%	1.5%
Unemployment Rate	3.6%	3.9%
Retail Sales	5.8%	5.6%
Auto and Truck Sales	-8.6%	-2.9%
Value of Single-Family Residential Building Permits	-14.6%	-4.5%
Hotel Revenues	0.5%	3.8%

**The End**