

WATCHING FOR SIGNS OF STAGFLATION

The national economy plays a central role in shaping economic conditions in Hampton Roads. From federal spending to consumer demand, national trends often influence hiring, wages, and business activity in the region.

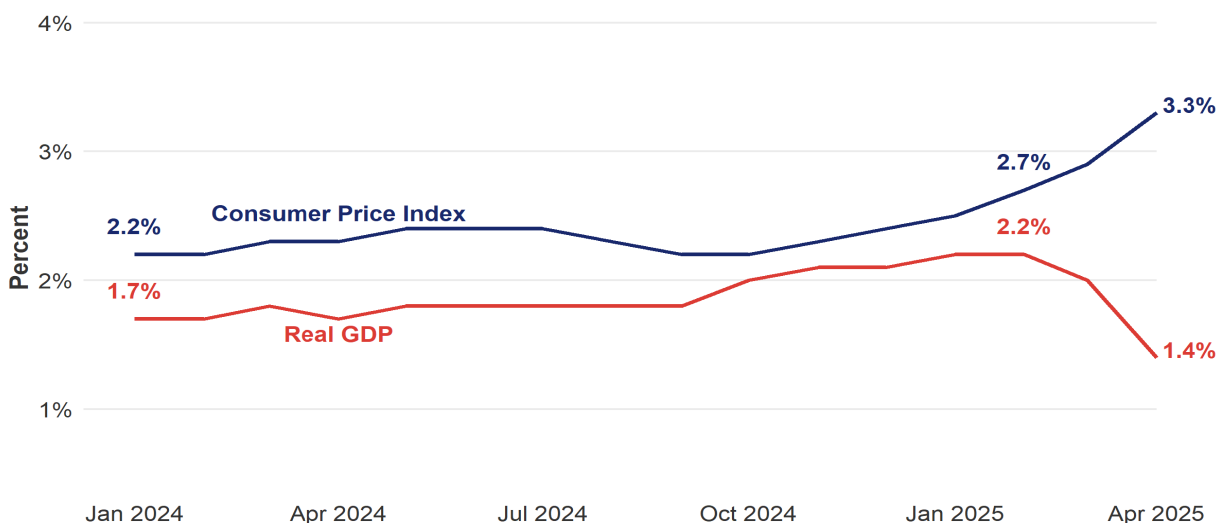
Recent tariff actions have added complexity to the national outlook. Historically, tariffs tend to result in a one-time increase in prices as importers adjust, rather than driving sustained inflation. However, if tariff increases are broad, frequently changing, or met with retaliatory measures, they could have a greater effect. At the same time, consumer sentiment has slowed as economic uncertainty rises. Forecasters have therefore become increasingly alert to the potential for stagflation, a period defined by both elevated inflation and slowing economic growth. Though rare, this scenario presents challenges for both fiscal and monetary policymakers, as traditional policy responses to inflation and to slower growth tend to operate in opposite directions.

The April 2025 Blue Chip Economic Indicators median forecast reflects some of these concerns. Inflation, measured by the Consumer Price Index, is expected to rise to 3.3 percent, up from 2.2 percent earlier this year. Over the same period, real GDP growth is projected to slow to 1.4 percent, down from 2.2 percent. This combination of softening growth and rising inflation expectations has drawn attention. However, it is important to emphasize that stagflation is not a current condition, but a potential risk. The labor market remains relatively resilient, and household spending has held up across several categories.

For Hampton Roads, this type of shift in the national outlook can have meaningful implications. Higher inflation can raise federal borrowing cost by raising net interest payments on the debt, which may place pressure on defense spending in the region. At the same time, a broader economic downturn would further constrain the regional economy.

Blue Chip Consensus Economic Outlook

Jan 2024 - Apr 2025



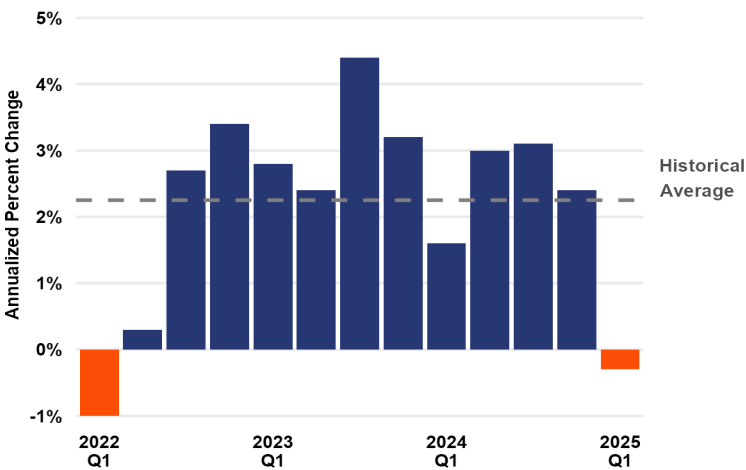
Source: Blue Chip Economic Indicators, HRPDC.

Forecasts are not guarantees. They reflect expectations based on current data and are subject to change. Still, they help frame what to watch for in the months ahead. For now, the data points to a modest but notable divergence in inflation and growth projections. Whether that pattern persists remains a question.

GDP, ANNUALIZED GROWTH RATE (Q)

	Q1 2024	Q1 2025	Trend
United States	1.6%	-0.3%	▼

GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Inflation-adjusted GDP fell 0.3% in Q1 2025, a decrease from the previous quarter. Personal consumption accounted for 1.2 percentage point increase of the change in Q1, followed by Gross private domestic investment (3.6). Net exports accounted for a 4.8 percentage point decline in GDP growth, followed by Government Spending (-0.2).

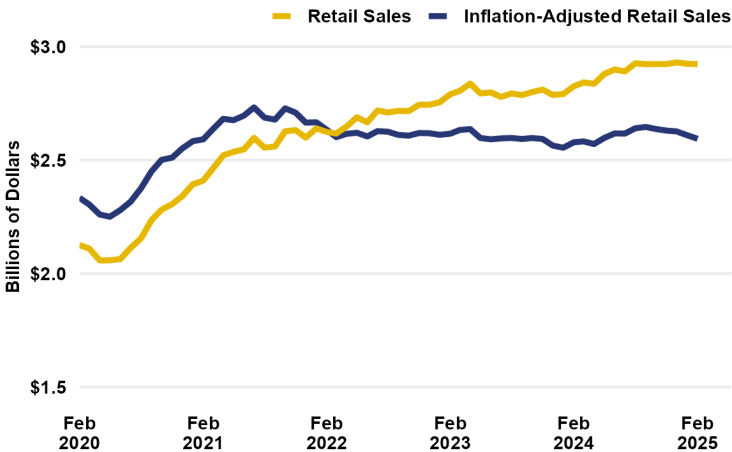


Source: Bureau of Economic Analysis, HRPDC

RETAIL SALES (M)

(not seasonally adjusted)	Feb '24	Feb '25	Trend
Hampton Roads	\$2.61B	\$2.41B	▼
Virginia	\$14.44B	\$13.55B	▼

Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Retail sales in February 2024 were down 7.7% year over year. When seasonally adjusted, retail sales in February decreased 3.8% from the previous month. Inflation-adjusted retail sales have slowed from the post-pandemic surge in spending seen in the summer of 2021, but remain 10.2% above pre-pandemic levels observed in February 2020.

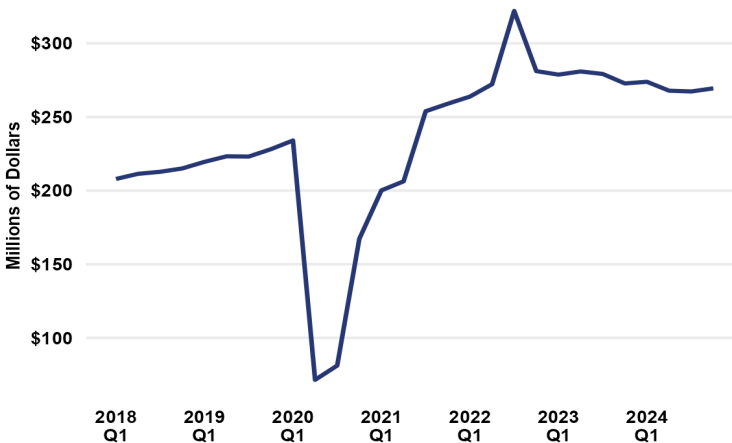


Source: Virginia Department of Taxation, HRPDC. Seasonally adjusted 5-month moving-average. Inflation-adjusted sales in 2022 dollars

ESTIMATED HOTEL REVENUE (Q)

	2023 Q4	2024 Q4	Trend
Hampton Roads	\$273M	\$269M	▼
Virginia	\$1.1B	\$1.1B	▲

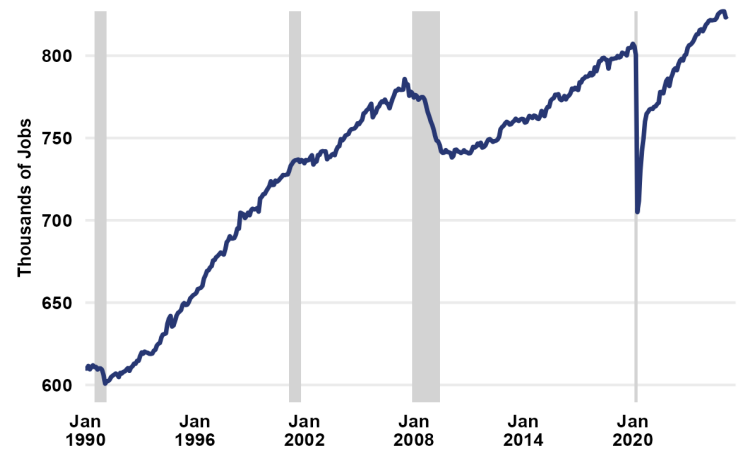
Estimated Hotel Revenue: Hotel revenues indicate the performance of the region's tourism sector. Hotel revenues in Q3 2024 were down 3.9% year over year. Seasonally adjusted hotel revenues in 2024 Q3 decreased 1.1% from the previous quarter. Hotel revenues have declined for the fifth consecutive quarter, signaling a slowdown from the post-pandemic boom observed over the prior two years.



Source: Virginia Department of Taxation, HRPDC. Seasonally adjusted data.

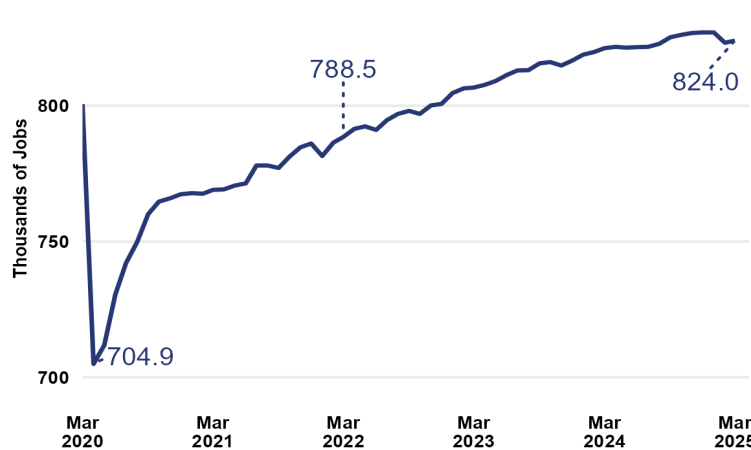
CIVILIAN PAYROLL EMPLOYMENT (M)

HISTORICAL TREND, SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

5-YEAR, SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics, HRPDC

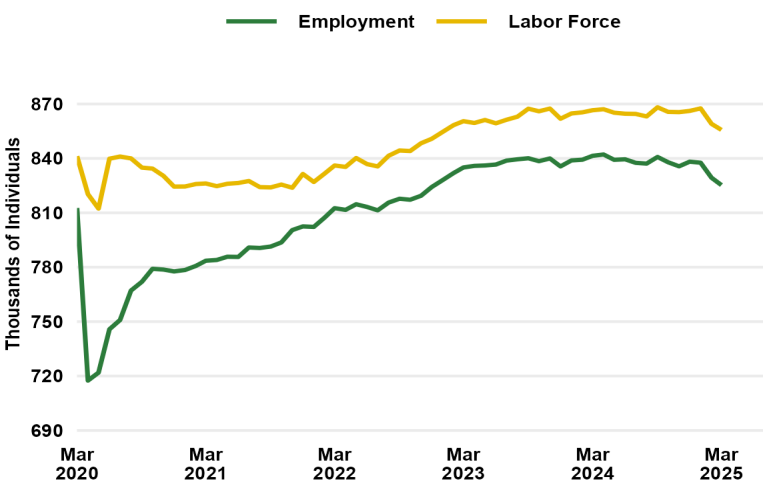
(seasonally adjusted)	Mar 2024	Feb 2025	Mar 2025	YoY % Change	MoM Trend
Hampton Roads	821,200	823,200	824,000	0.3%	▲
Virginia	4,223,100	4,265,500	4,271,400	1.1%	▲
United States	157,517,000	159,155,000	159,340,000	1.4%	▲

Employment: A leading indicator of labor market activity, the Bureau of Labor Statistics' payroll survey of businesses and government establishments measures the number of nonfarm civilian jobs. In Hampton Roads, non-seasonally adjusted civilian jobs in March were up 0.2% year over year. Seasonally adjusted civilian jobs in March were up 0.1% from the previous month. Hampton Roads, Virginia, and the United States as a whole all added jobs in March, continuing a stretch of monthly gains. The effects of recent federal workforce reductions have yet to show up clearly in the data. That may be partly because federal employees who receive severance pay are still counted as employed during that period. In the coming months, it will be important to watch whether layoffs begin to translate into measurable declines in employment at the regional and state level.

CIVILIAN LABOR FORCE (M)

	Labor Force	Emp	Unemp	LF Trend
Feb 2025	859,026	829,326	29,478	▼
Mar 2025	855,705	825,264	30,667	

Labor Force: The Bureau of Labor Statistic's household survey measures the employment status of the civilian population 16 years and older. An area's labor force is comprised of the number of people working (employed) and those actively seeking work (unemployed). Hampton Roads' civilian labor force shrank by 0.4% in March, the second straight monthly decline. Compared to a year earlier, the labor force was down 1.3%, signaling a broader slowdown in participation.

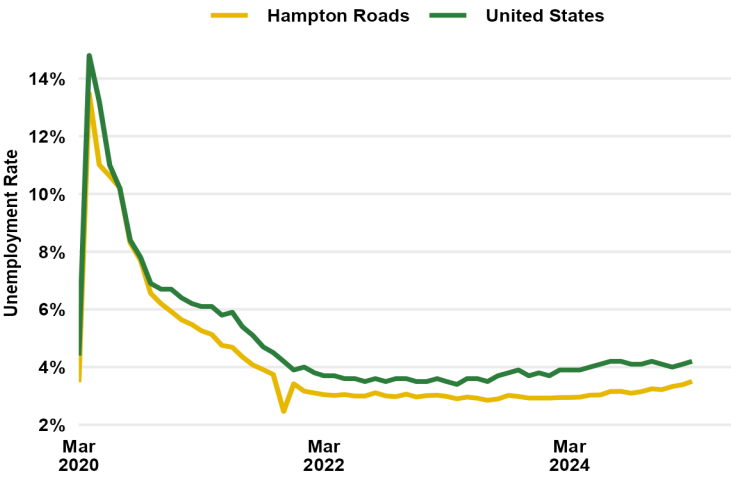


Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data

UNEMPLOYMENT RATE (M)

	Mar '24	Feb '25	Mar '25	Trend
Hampton Roads	2.9%	3.4%	3.5%	▲
Virginia	2.8%	3.1%	3.2%	▲
United States	3.9%	4.1%	4.2%	▲

Unemployment Rate: The unemployment rate reflects the percentage of the labor force unemployed and actively seeking work. Hampton Roads' unemployment rate in March 2025 increased from the prior month. While remaining near historical lows, the latest trends continue to reflect a slowdown in labor market conditions.

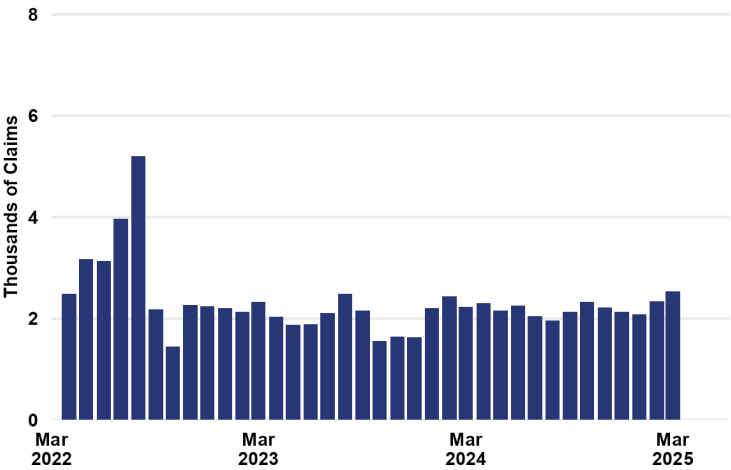


Source: Bureau of Labor Statistics, HRPDC. Seasonally adjusted data

INITIAL UNEMPLOYMENT CLAIMS (M)

(seasonally adjusted)	Feb '25	Mar '25	Trend
Hampton Roads	2,338	2,534	▲
Virginia	11,267	12,166	▲

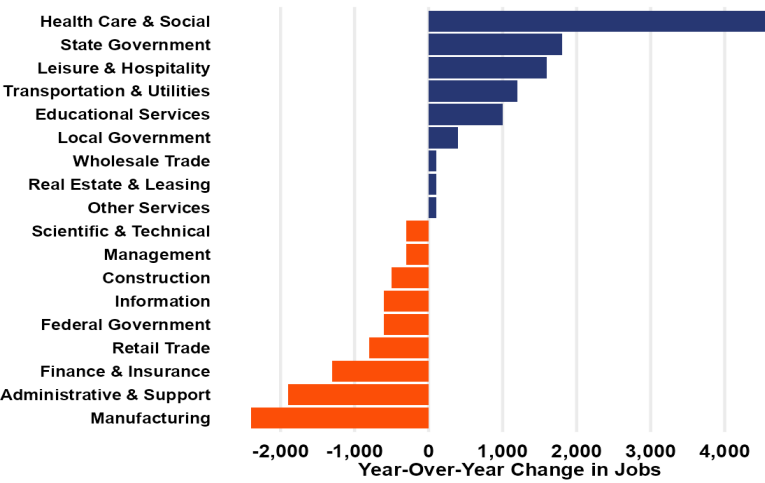
Initial Unemployment Claims: The number of initial unemployment claims is a leading economic indicator reflecting those who are forced to leave work unexpectedly, thus revealing the strength of the job market with little lag time. The number of initial claims for unemployment benefits filed in March in the region increased 8.4% from the previous month and are up 13.8% year over year. March marks the 2nd straight month of rising initial claims.



Source: Virginia Employment Commission, HRPDC. Seasonally adjusted data

JOB GROWTH BY INDUSTRY (MAR, YEAR-OVER-YEAR CHANGE)

Civilian Job Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. Half of the region's industry sectors added jobs in March when compared to the prior year. The largest gains were in Healthcare, & Social Assistance, which added 4,600 jobs year over year. State Government (+1,800) and Leisure & Hospitality (+1,600) recorded the second and third largest gains. The largest year-over-year declines were in Manufacturing (-2,400), Administrative & Support Services (-1,900) and the Finance & Insurance (-1,300) industry sectors.

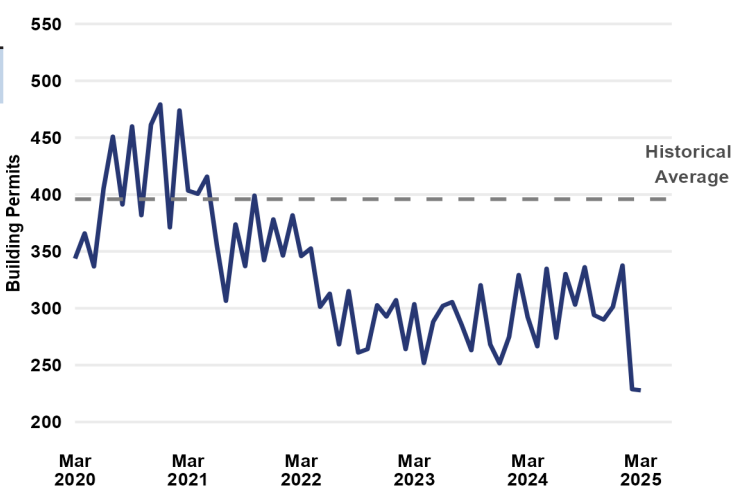


Source: Bureau of Labor Statistics, HRPDC

SINGLE FAMILY HOUSING PERMITS (M)

	Mar '24	Feb '24	Mar '25	Trend
Hampton Roads	292	229	228	▼

Single Family Housing Permits: Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. When seasonally adjusted, there were 227 new construction permits issued for single-family homes in March 2025, a 0.4% decline from the previous month. In 2024, single-family building permits issued in Hampton Roads increased by 5.5% from the previous year, marking a positive turnaround from the slowdown experienced in the prior three years.

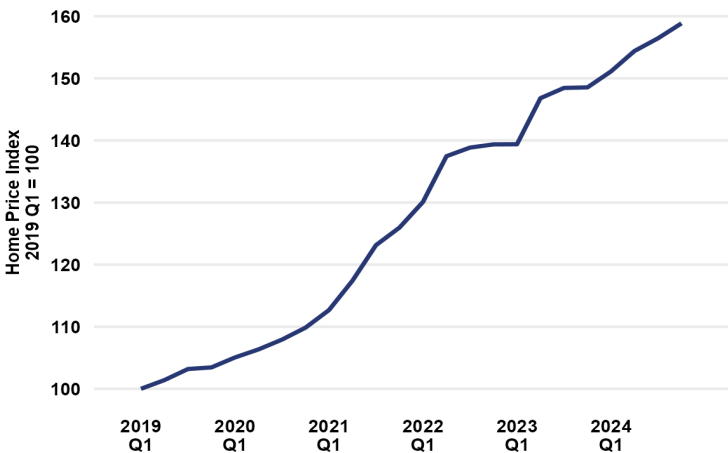


Source: US Census Bureau, HRPDC. Seasonally adjusted data

HOME PRICE INDEX, ALL TRANSACTIONS (M)

	Q2 24'	Q3 24'	Q4 24'	Trend
Hampton Roads	154.4	156.4	158.9	▲

Home Price Index: The Home Price Index tracks changes in home values by measuring price shifts through repeated sales of properties. In Hampton Roads, home prices increased by 6.9% year-over-year in Q4 2024, a slightly faster pace than the state's 6.8% and above the national rate of 5.4%. Home price growth accelerated in Q4 2024 when compared to previous quarter, but remains below the accelerated pace of the prior few years.



Source: U.S. Federal Housing Finance Agency, All-Transactions House Price Index

30-YEAR FIXED RATE MORTGAGE AVERAGE (M)

	Apr 24'	Mar 25'	Apr 25'	Trend
United States	6.9%	6.6%	6.7%	▲

30-Year Mortgage Rate: Shifts in the cost of borrowing for housing have a substantial impact on housing market trends. The 30-year fixed-rate mortgage represents the average interest rate paid by borrowers on newly issued mortgage loans, and these rates typically fluctuate in tandem with interest rate cycles. In April 2025, mortgage rates increased slightly from the prior month. Year-over-year, the mortgage rate in April was down 0.3 percentage points. The latest pause in Fed rate cuts signals a higher for longer interest rate environment in the short term.



Source: Freddie Mac, HRPDC. Seasonally adjusted data