



# ECONOMIC INDICATORS

**CITY OF NORFOLK**  
**OFFICE OF BUDGET AND MANAGEMENT**

Last Update: April 28, 2011

The Office of Budget and Management has compiled *Economic Indicators*, a report highlighting indicators of economic activity in the city as well as selected indicators for the region, state and nation. It is intended to provide city staff, officials and citizens with information regarding the local employment situation, retail sales, building permit activity and the housing market. Comparable indicators at the regional, state and national level that may impact the local economy are also included in the report. The report is updated as current data becomes available.

## IN THIS ISSUE.....

### EMPLOYMENT

- Norfolk's unemployment rate fell 0.9 percentage point in March 2011 to 8.4 percent from last year's rate of 9.3 percent (not seasonally adjusted). This was the lowest unemployment rate in Norfolk since May 2009.
- The Hampton Roads economy lost 900 jobs in March 2011 from the previous year (not seasonally adjusted). This is the 39th consecutive month of year-over-year job loss in the region.
- Nationally, non-farm payroll employment increased by 216,000 thousand in March 2011 (seasonally adjusted) and the unemployment rate fell to 8.8 percent (seasonally adjusted), the lowest rate since March 2009.

### SALES TAX REVENUE

- Norfolk's sales tax receipts in February 2011 increased by 5.8 percent from February 2010, the largest monthly increase September 2007. Fiscal year-to-date through February, Norfolk sales tax receipts declined by 0.3 percent (or approximately \$48,000).
- Norfolk sales taxes increased 0.6 percent fiscal year-to-date after adjusting for the one-time impact of the state's tax amnesty program last year.

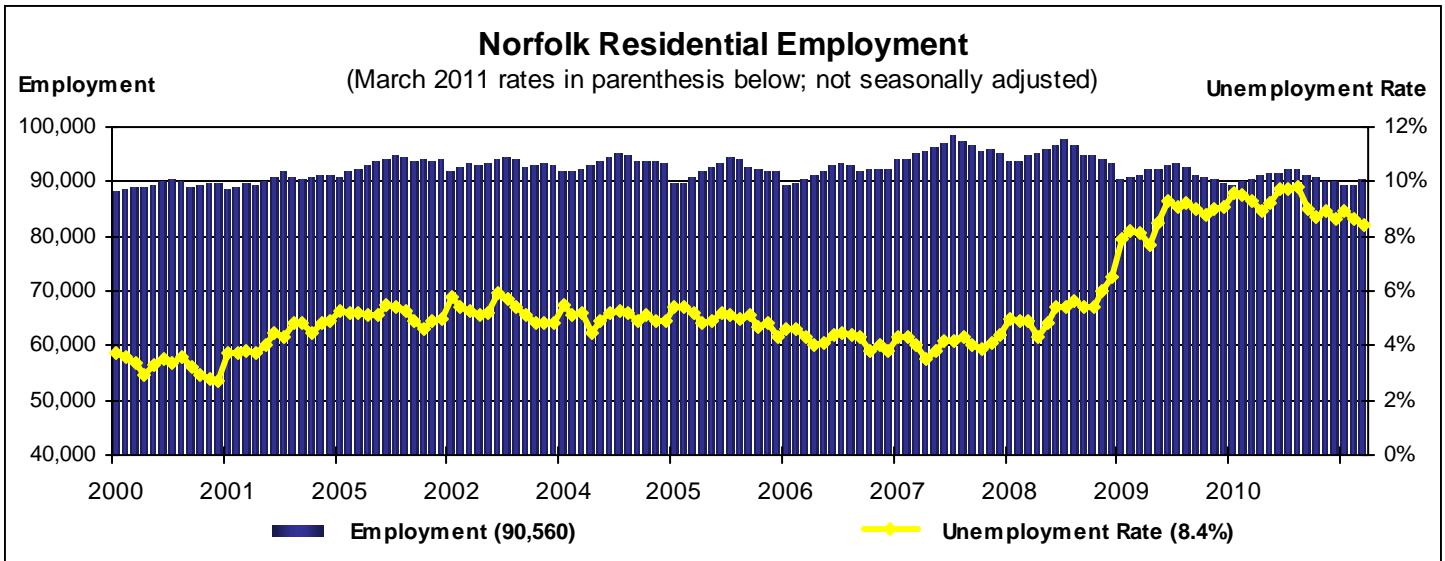
### REGIONAL AND NATIONAL HOUSING MARKET & BUILDING PERMITS

- From January to March 2011, the average sales price of homes sold in Norfolk declined 1.7 percent from the same period last year. The average sales price of homes sold in Hampton Roads fell 7.9 percent.
- In Norfolk, the number of homes sold increased 22.7 percent from January to March from the same period last year. Homes sold in Hampton Roads increased 12.1 percent.
- The total number of housing units authorized by building permits in Norfolk from January to February 2011 increased to 218 units from the 14 units permitted during the same period last year. The increase was due to units permitted in new multi-family structures.

### OTHER ECONOMIC INDICATORS

- The national economy grew 2.9 percent in 2010, after declining 2.6 percent in 2009. Growth decelerated in the first quarter of 2011. The economy grew 1.8 percent in the first quarter of 2011, which follows the 3.1 percent growth in the last quarter of 2010.
- The Hampton Roads economy is projected to grow 3.1 percent in 2011, according to the regional forecast of the Old Dominion University Economic Forecasting Project. The 2011 growth is projected to be near the trend growth of 3.2 percent and follows the 2.6 percent growth in 2010 and 0.7 percent decline in 2009.

# RESIDENTIAL EMPLOYMENT AND UNEMPLOYMENT—NORFOLK, REGIONAL, AND STATE



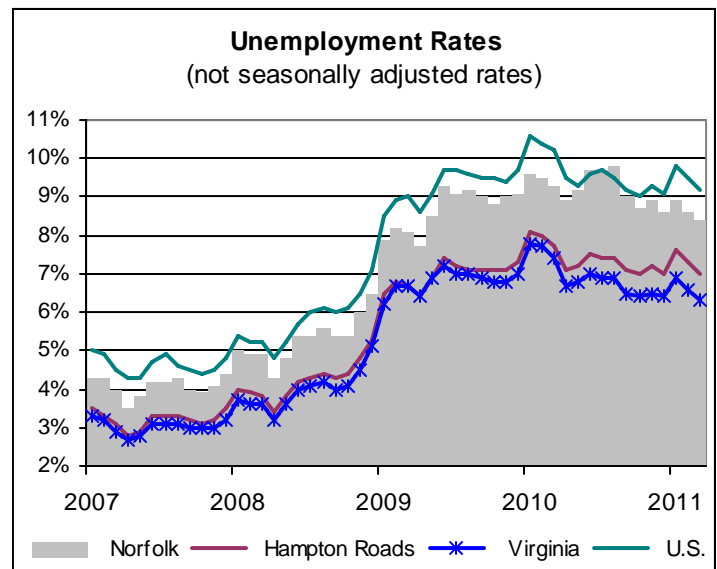
## March 2011 Residential Employment

- The Virginia Employment Commission (VEC) reported that the number of employed Norfolk residents in March is 90,560 (not seasonally adjusted), which is an increase of 37 employed residents or 0.04 percent from the previous year. However, compared to the previous month, the increase in the number of employed residents was much higher, rising by 1,105 residents, a 1.2% increase.
- Accordingly, Norfolk’s unemployment rate (not seasonally adjusted) decreased in March to 8.4 percent from 8.6 percent in February 2011, a 0.2 percentage point decline. Norfolk’s not seasonally adjusted unemployment rate was also lower than the previous year’s (March 2010) rate of 9.3 percent, a 0.9 percentage point difference. This was the lowest rate since May 2009. Norfolk’s unemployment rate continues to remain below the national unemployment rate of 9.2 percent (not seasonally adjusted).
- Virginia’s unemployment rate also improved in March, decreasing by 1.1 percentage points from the previous year’s rate and 0.3 percentage point from the previous month’s rate. Virginia had the eighth lowest unemployment rate among the 50 states and the District of Columbia. Similarly, Hampton Roads’ not seasonally adjusted unemployment rate of 7 percent in March is 0.7 percentage point lower than the previous year’s rate and is 0.3 percentage point below the previous year’s unemployment rate.

## Hampton Roads Unemployment Rate

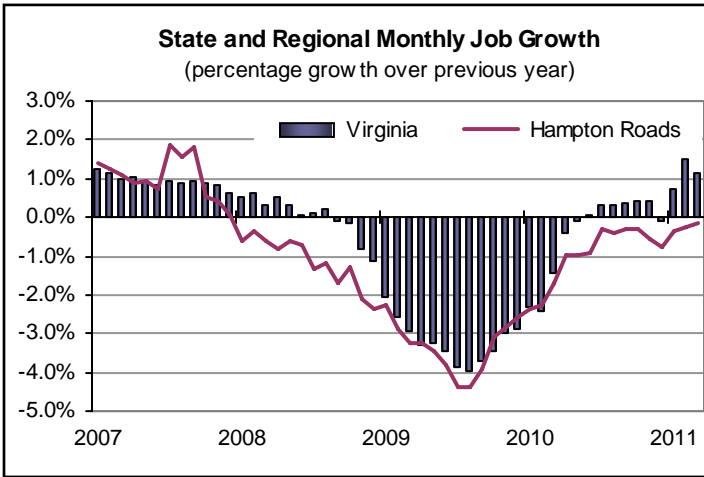
(not seasonally adjusted)

	March 2011	February 2011	March 2010	5-Year Average
<b>Norfolk</b>	<b>8.4%</b>	<b>8.6%</b>	<b>9.3%</b>	<b>6.3%</b>
Chesapeake	6.3%	6.5%	7.0%	4.7%
Hampton	8.4%	8.5%	8.6%	5.7%
Newport News	7.9%	8.2%	8.3%	5.5%
Portsmouth	8.1%	8.4%	9.4%	6.3%
Suffolk	7.1%	7.2%	7.8%	5.1%
Virginia Beach	6.0%	6.1%	6.7%	4.3%
Hampton Roads	7.0%	7.3%	7.7%	5.0%
Virginia	6.3%	6.6%	7.4%	4.8%



Source: Virginia Employment Commission and U.S Bureau of Labor Statistics. Compiled by the Office of Budget and Management.

## REGIONAL, STATE, AND NATIONAL JOB GROWTH



### State and Hampton Roads Job Growth

The Virginia Employment Commission reported that the statewide non-seasonally adjusted nonfarm employment in March grew by approximately 1.1 percent (or 41,000 jobs) from March 2010. Virginia's nonfarm employment reached 3,627,100 in March. Since June 2010, the number of jobs in Virginia had been growing year-over-year every month except in December 2010.

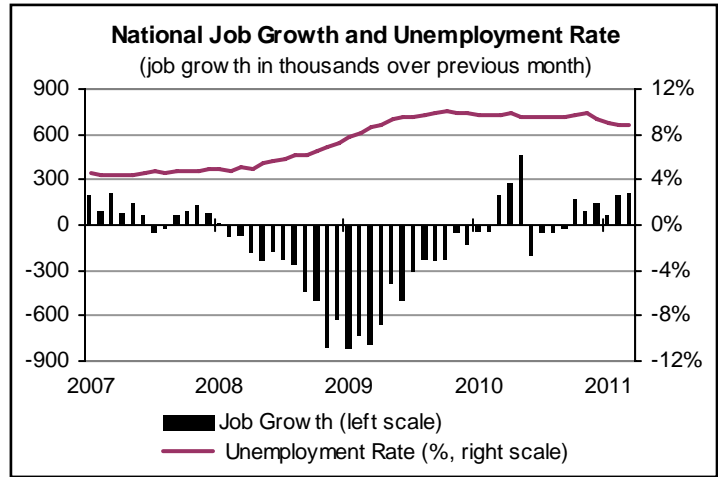
Employment in Hampton Roads currently stands at 724,500, which is approximately 0.12 percent (or 900 jobs) below March 2010. This marks the 39th consecutive month of year-over-year decline. However, on a month-to-month basis, the number of jobs in Hampton Roads grew 1.17 percent (or 8,400 jobs) in March 2011 over February 2011. The first month-to-month increase since October 2010.

The table below shows job growth by industry in Virginia and Hampton Roads.

### March Job Growth in Major Sectors

(not seasonally adjusted; growth over previous year)

	Hampton Roads	Virginia
Construction	-300	3,800
Manufacturing	100	700
Trade (Retail & Wholesale)	-1,900	14,600
Transportation & Utilities	700	400
Information	-700	-4,000
Finance	-200	-200
Professional & Business Services	-200	15,500
Educational & Health Services	1,200	11,400
Leisure & Hospitality	1,500	-5,200
Government	-2,200	3,200
<i>Federal Government</i>	1,100	2,900
<i>State Government</i>	400	4,800
<i>Local Government</i>	-3,700	-4,500



### National Job Growth

The Bureau of Labor Statistics (BLS) reported that nonfarm payroll employment (seasonally adjusted) increased by 216,000 (preliminary) in March from February 2011. Total employment now stands at 130.74 million; in comparison, however, employment stood at 137.98 million (revised) at the beginning of the recession (December 2007). Since the most recent low in February 2010, the economy added approximately 1.49 million jobs (or an average rate of 115,000 jobs per month); of which, the private sector added 1.8 million jobs, while the public sector lost 308,000 jobs. The private sector has added jobs for 13 consecutive months. The seasonally adjusted unemployment rate fell to 8.8% from 8.9% in February 2011 — the lowest unemployment rate since March 2009.

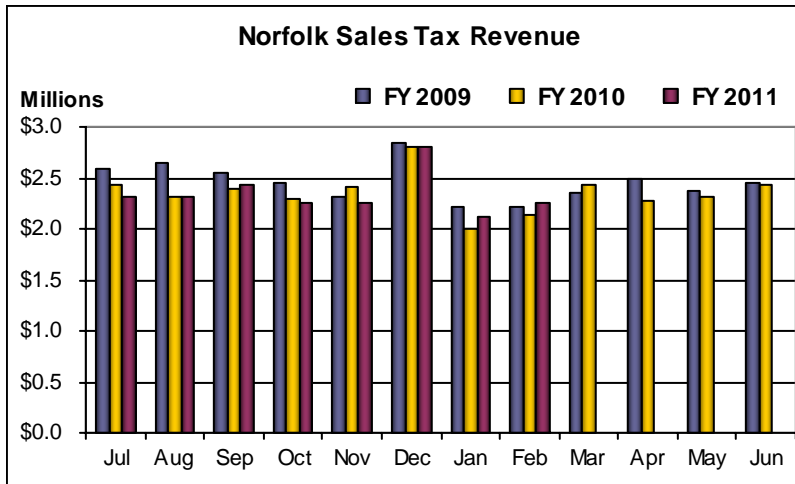
### National Job Growth

(seasonally adjusted; March growth is over previous month)

	March 2011	March YTD
Mining & Logging	216,000	478,000
Construction	-1,000	16,000
Manufacturing	17,000	102,000
Trade, Transportation & Utilities	32,000	51,000
Information	-4,000	-13,000
Finance	6,000	-7,000
Professional & Business Services	78,000	173,000
Educational & Health Services	45,000	115,000
Leisure & Hospitality	37,000	82,000
Other Services	5,000	21,000
Government	-14,000	-86,000
<i>Federal Government</i>	1,000	-1,000
<i>State Government</i>	0	-21,000
<i>Local Government</i>	-15,000	-64,000
<b>Total Job Growth</b>	<b>216,000</b>	<b>478,000</b>

Source: Virginia Employment Commission and U.S Bureau of Labor Statistics. Compiled by the Office of Budget and Management.

## SALES TAX—NORFOLK AND REGION

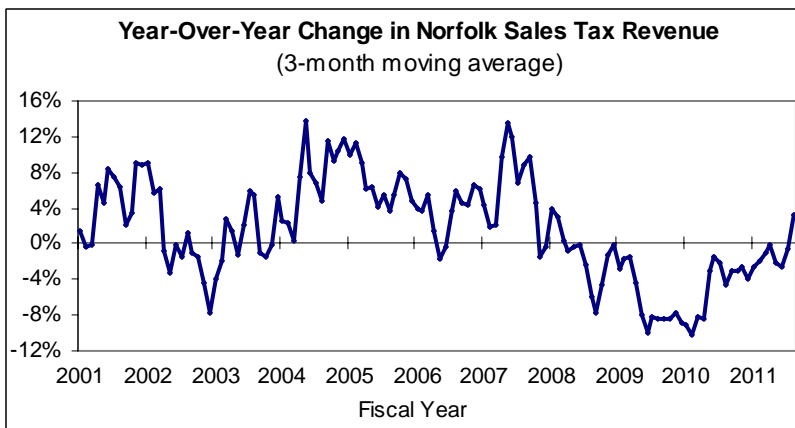


## Norfolk Sales Tax Receipts

The February sales tax receipts for Norfolk is approximately \$2.3 million, an increase of 5.8 percent from February 2010. This was the third consecutive monthly year-over-year increase and was the largest monthly increase since September 2007. Fiscal year-to-date through February, sales tax receipts declined 0.3 percent (or approximately \$48,800) from the same period last year.

However, in FY 2010, Norfolk received a one-time payment of delinquent sales taxes in November 2009 which was collected during the state's tax amnesty program. Adjusting for the one-time impact of the tax amnesty program, sales taxes fiscal-year-to-date increased 0.6 percent (or approximately \$110,300) compared to the unadjusted decline of 0.3 percent reported above.

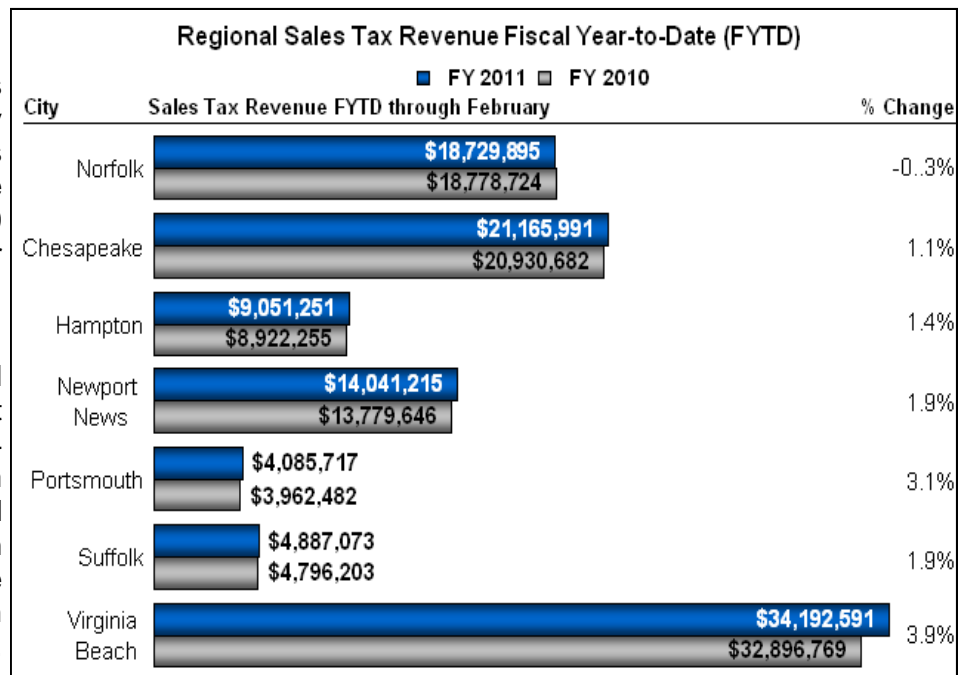
Although Norfolk's sales tax revenues fiscal year-to-date remains below the previous fiscal year's revenues, it is important to note that in recent months, the decline in sales tax revenues have been significantly less than the decline seen in the past two fiscal years.



## Neighboring Localities

Sales tax collections in Norfolk's neighboring cities grew in February fiscal year-to-date over the previous fiscal year. Virginia Beach had the highest percentage growth (3.9 percent) and the highest dollar growth (approximately 1,295,800).

Nationally, the U.S. Census Bureau reported that national retail and food services sales increased 1.1 percent in February (revised) and 0.4 percent in March (preliminary) from the previous month. Retail and food service sales nationwide have risen for nine consecutive months, since July 2010, although the March gain of 0.4 percent was the smallest. However, excluding the 1.7 percent decline in motor vehicle sales, retail sales rose 0.8 percent in March. The increase in gas prices may be causing consumers to cut back on their spending. The increase in retail sales in gasoline stations accelerated in March and was the largest contributor to the March increase. In comparison, the increases in other sectors such as, restaurants, clothing stores, grocery stores and general merchandise stores, decelerated in March.

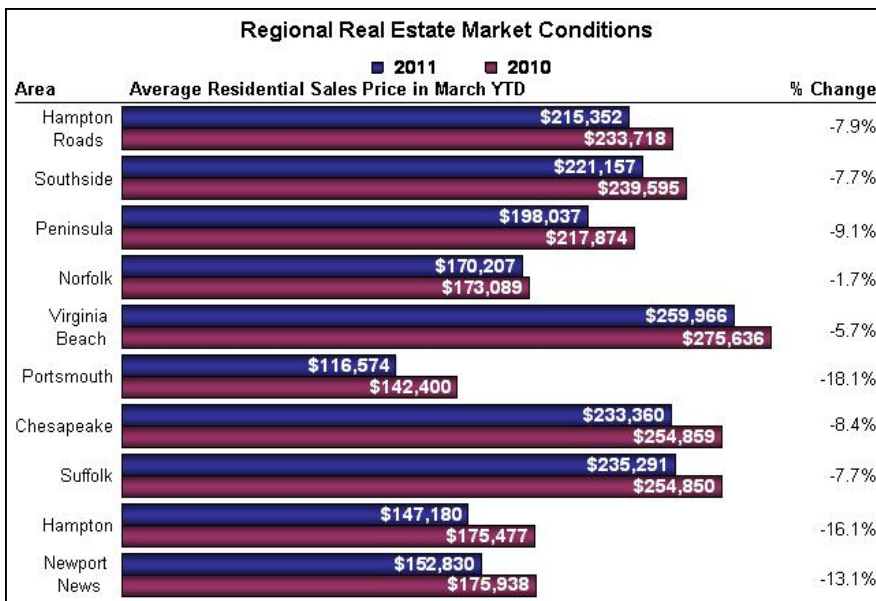


# NORFOLK AND REGIONAL HOUSING MARKET

## Hampton Roads Residential Real Estate Market Conditions

The following pages provide information on the Norfolk, Regional and National housing market, which includes existing and new home sales, foreclosure filings, and other indicators of market conditions such as, Housing Market Index, Housing Opportunity Index, housing starts and building permits.

The Real Estate Information Network (REIN) reported that the major cities in Hampton Roads continued to see a decline in the average price of homes sold (new and existing) calendar year-to-date (YTD) through March. However, the decline in Norfolk (1.7 percent) was the lowest among the major cities in Hampton Roads. The average sales price YTD decreased 7.9 percent in the region, with the decline in the Peninsula (9.1 percent) being higher than in the Southside (9.1 percent). The continued decline in the average sales price is likely due to distressed home sales. According to REIN, distressed home sales made up 43.3 percent of sales in March, up from the 42.4 percent of home sales last month.

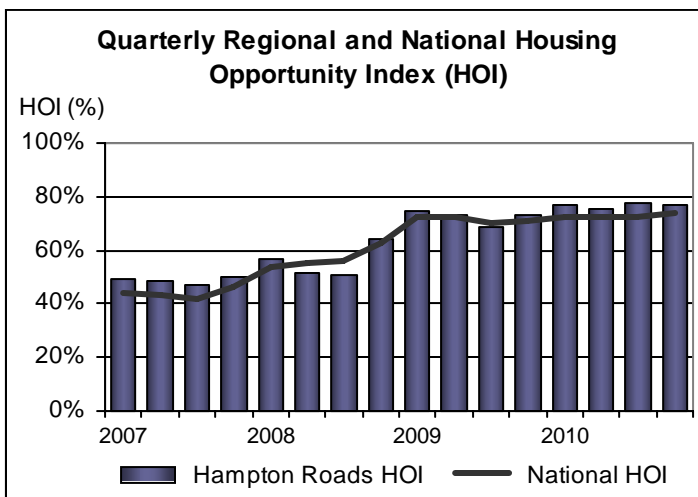


Jan. – Mar. Home Sales	Units Sold		Average Days on Market	
	2010	2011	2010	2011
Hampton Roads	3,317	3,720	95	107
Peninsula	854	871	105	122
Southside	2,396	2,769	90	101
<b>Norfolk</b>	<b>409</b>	<b>502</b>	<b>92</b>	<b>97</b>
Virginia Beach	1,026	1,097	82	101
Portsmouth	194	229	96	100
Chesapeake	479	624	88	98
Suffolk	201	209	105	109
Hampton	272	256	93	113
Newport News	308	309	96	111

However, the number of homes sold in the region YTD increased 12 percent, from 3,317 to 3,720. Home sales increased in both the Peninsula (2 percent) and Southside (15.6 percent). Among the seven cities, only Hampton did not see an increase in home sales. Homes are selling faster on the Southside with an average market time of 101 days, compared to 122 days on the Peninsula. According to REIN, the number of homes for sale that are under contract in the region increased by 9.8 percent in March compared to March 2010. Norfolk had the highest percentage increase in homes under contract for sale (19.4 percent). According to REIN, these gains should translate into increased sales provided the majority of transactions are finalized.

Housing affordability in Hampton Roads, as measured by the regional Housing Opportunity Index (HOI), fell slightly in the fourth quarter of 2010 to 77.2 percent from 77.5 percent in the third quarter. However, affordability in the region is at its second highest level since the first quarter of 1999. The regional HOI shows that 77.2 percent of all new and existing homes sold in the fourth quarter of 2010 were affordable to families earning the regional median income of \$68,200.

The HOI for a given area is defined as the share of homes sold in the area that would have been affordable to a family earning the local median income based on standard mortgage underwriting criteria. The index has two major components: income and housing cost.

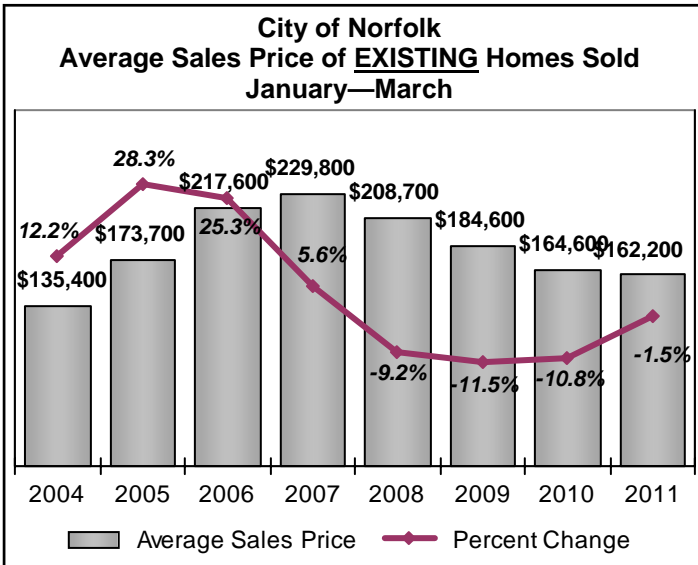


Source: Real Estate Information Network (REIN) and National Association of Home Builders. Compiled by the Office of Budget and Management.

# NORFOLK HOUSING MARKET

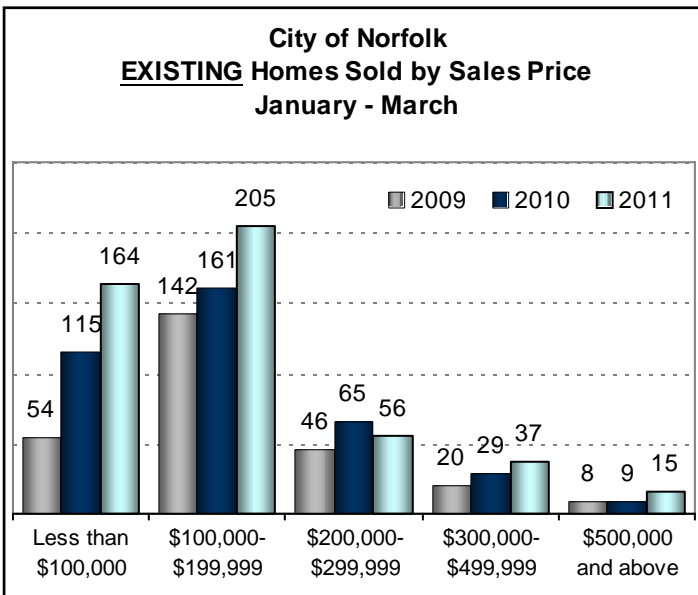
## Existing Home Sales

Through March, the average sales price of existing homes sold in Norfolk fell 1.5 percent, from \$164,600 to \$162,200. The sales price of both existing detached and attached homes declined. The average sales price of detached homes sold fell 1 percent, while attached homes saw a 5.5 percent decline in the average sales price.



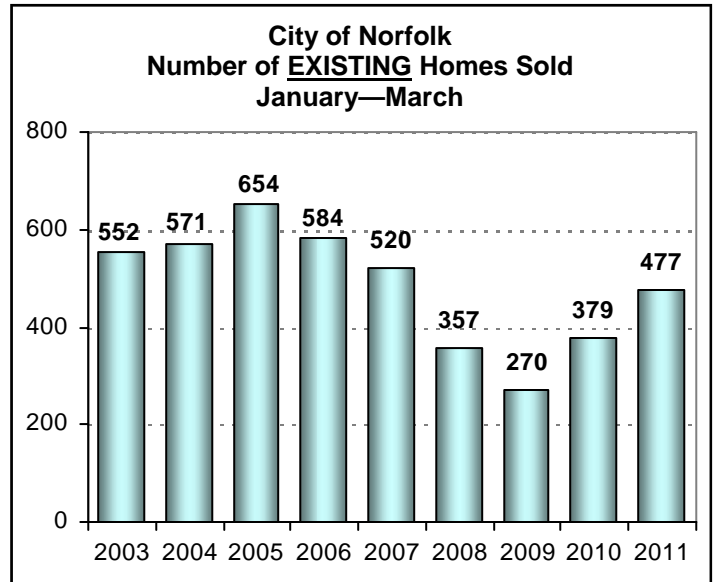
Source: Real Estate Information Network (REIN)

Almost nine out of ten existing homes sold were priced under \$200,000. However, existing homes priced under \$100,000 gained a greater share of home sales compared to two years ago, which is likely due to distressed sales. Homes sold year-to-date ranged from \$10,000 to \$1,150,000.



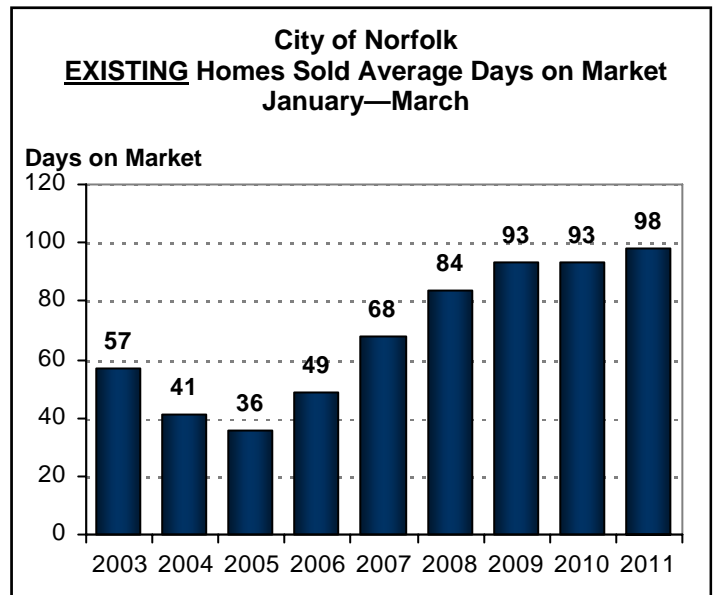
Source: Real Estate Information Network (REIN)

The number of existing homes sold from January to March increased by 25.9 percent (98 homes). A similar trend occurred in neighboring cities, with the exception of Hampton, where home sales were declined slightly. Because of the increase in the volume of sales year-to-date through March, the total value of home sales increased 24 percent from \$77.4 million to \$62.4 million, in spite of the decrease in the average sales price.



Source: Real Estate Information Network (REIN)

The average days on market of existing homes sold through March increased to 98 days from 93 days last year. However, the average days on market has been relatively stable since 2009.



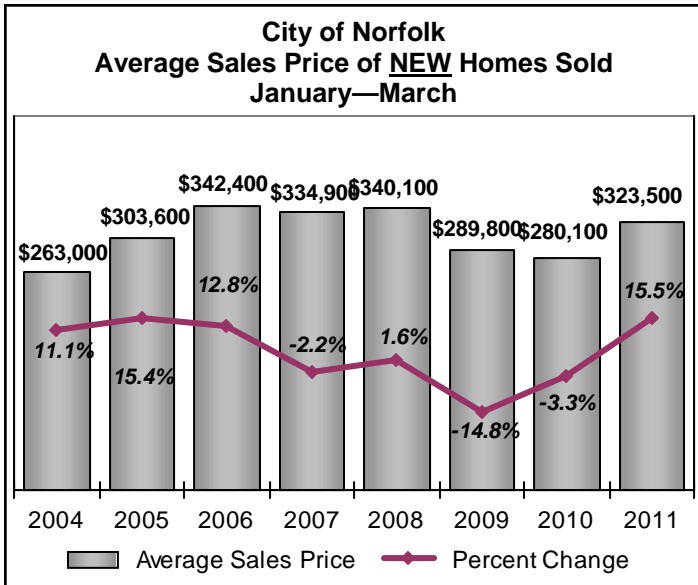
Source: Real Estate Information Network (REIN)

# NORFOLK HOUSING MARKET (CONTINUED)

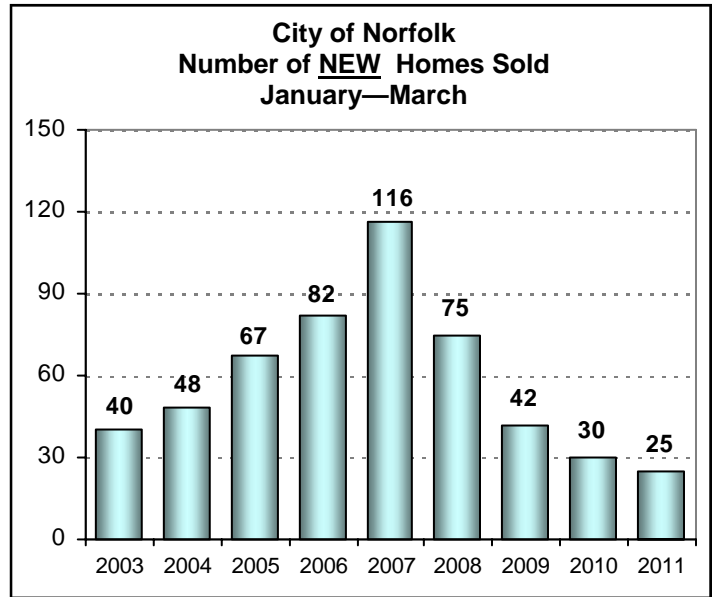
## New Home Sales

Unlike existing homes sold, the average sales price of new homes sold in Norfolk increased by 15.5 percent year-to-date through March, from \$280,100 last year to \$323,500 this year. Both new detached and attached homes saw an increase in their average sales price year-to-date by 13.2 percent and 27.3 percent, respectively.

Unlike existing homes, the number of new homes sold in Norfolk declined in January. New home sales fell by 5 homes from 25 homes last year—a 16.7 percent decrease. New home sales have declined since reaching a peak in 2007. The decline was due to sales of detached homes, while sales of attached homes remained flat.



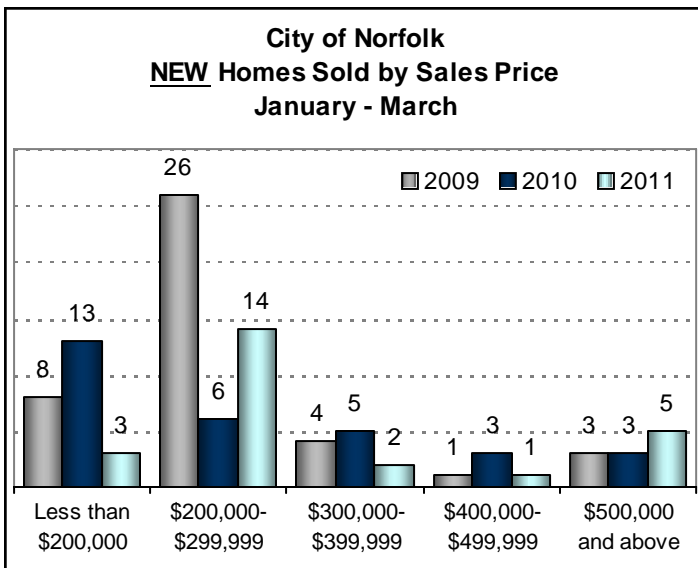
Source: Real Estate Information Network (REIN)



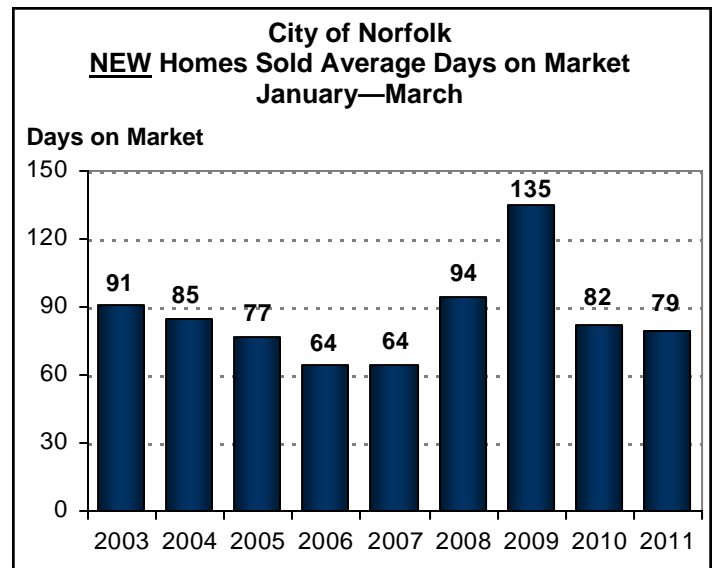
Source: Real Estate Information Network (REIN)

Similarly to the past two years, about three out of four new homes sold through March 2011 were priced under \$300,000. New homes sold year-to-date ranged from \$161,500 to \$700,000.

The average days on market decreased by 3 days, from 82 days last year to 79 days this year. The average days on market of new homes sold in through March this year was generally lower than the past three years.



Source: Real Estate Information Network (REIN)

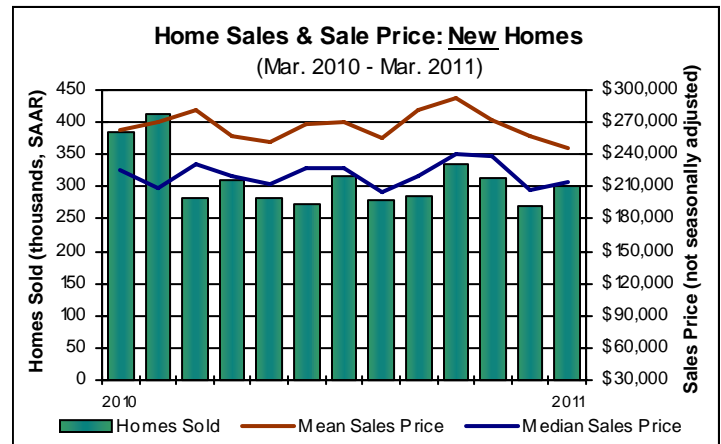
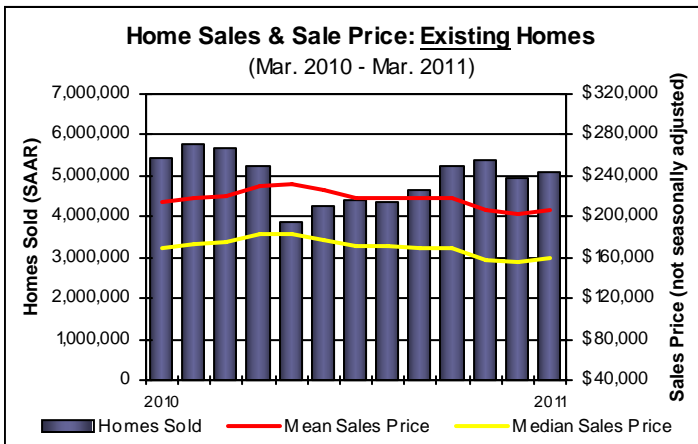


Source: Real Estate Information Network (REIN)

# NATIONAL HOUSING MARKET

## Sale of Existing and New Homes

In March, existing homes sales rose 3.7 percent from last month to a seasonally adjusted annual rate (SAAR) of 5.1 million, but is 6.3 percent below last year. Sales activity was lower than a year ago due to the homebuyer tax credit that was in effect and elevated sales last year. The National Association of Realtors (NAR) expects the improving sales pattern to continue and projects moderate improvements to continue into 2012 with rising jobs and excellent affordability conditions. New home sales also rose in March to a seasonally adjusted annual rate of 300,000, which is 11.1 percent above last month but is 21.9 percent below last year's sales level. The average price of existing homes sold in March fell 3.5 percent to \$207,000 from \$214,500 last year, while the average price of new homes was \$246,800, down 6.1 percent. The NAR indicated that distressed home sales are driving down prices. According to the NAR, distressed home sales made up 40 percent of the existing homes market share, compared to 35 percent in March 2010.



## Foreclosures

New foreclosure filings for the Nation, which include default notices, scheduled auctions and bank repossessions, were reported on 239,795 properties in March according to RealtyTrac's U.S. Foreclosure Market Report. This is a 6.5 percent increase from February 2011 and a 34.7 percent decrease from March 2010, when foreclosures hit an all time high since RealtyTrac began reporting foreclosures in January 2005.

James Saccacio, CEO of RealtyTrac, stated, "the nation's housing market continued to languish in the first quarter, even as foreclosure activity fell to a three-year low....weak demand, declining home prices and the lack of credit availability are weighing heavily on the market, which is still facing the dual threat of a looming shadow inventory of distressed properties and the probability that foreclosure activity will begin to increase again as lenders and servicers gradually work their way through the backlog of thousands of foreclosures that have been delayed due to improperly processed paperwork"

## National, State and Local Foreclosure Filings—March 2011

	Rank	Properties with Foreclosure Filings	% Change from Feb. 2011	% Change from Mar. 2010	1 in XX# of Housing Units
<b>Norfolk</b>	6	203	23.0%	-2.9%	474
Chesapeake	5	227	73.3%	20.7%	367
Hampton	14	77	40.0%	-28.7%	783
Newport News	10	143	37.5%	-11.7%	564
Portsmouth	13	113	13.0%	-1.7%	383
Suffolk	17	58	-38.9%	-42.6%	570
Virginia Beach	4	159	-11.0%	18.9%	474
Richmond	9	153	13.3%	-25.7%	619
Prince William	3	380	51.4%	-44.4%	362
Fairfax County	1	589	111.1%	-33.1%	669
Virginia	11	4,489	31.9%	-24.2%	742
Nation	n/a	239,795	6.5%	-34.7%	542

Note: Rank is based on the number of properties receiving a foreclosure filing reported for the month. For Cities, it is their respective rank within Virginia. For the State, it is the rank within the nation as compared to the other states.

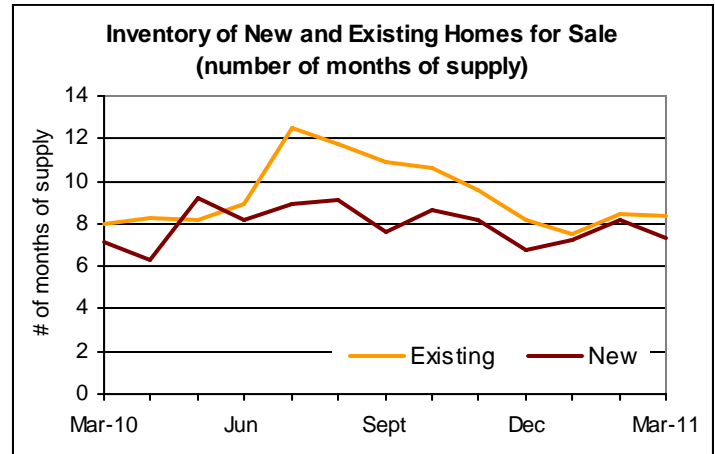
Most major Hampton Roads cities saw a decrease in new foreclosure filings from last year but an increase from the previous month. Greg Grootendorst, an economist at the Hampton Roads Planning District Commission, indicated that, "over the next year, many adjustable-rate mortgages and interest-only loans will be resetting and could exacerbate the foreclosure problem....after those occur, foreclosures should start easing."

## NATIONAL HOUSING MARKET (CONTINUED)

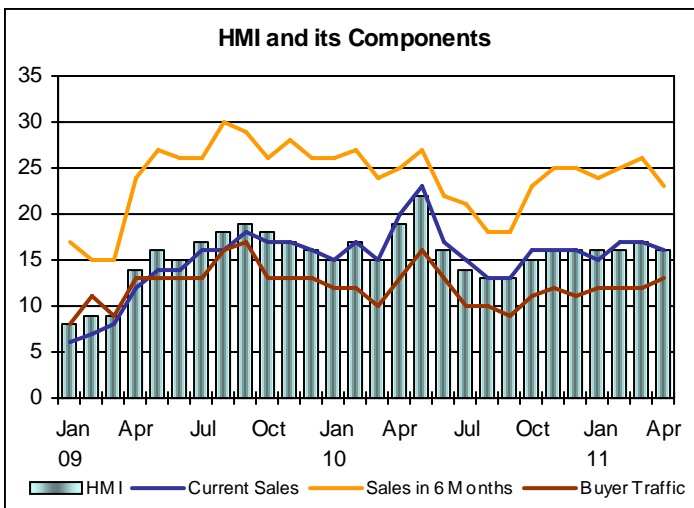
### Inventory of Homes for Sales

The inventory of existing homes for sale in March rose by 1.5 percent to 3.55 million homes, the second consecutive monthly increase. However, the March inventory is 2.1 percent below last year. The inventory represents an 8.4 months supply at the current sales pace.

The inventory of new homes for sale in March fell by 1.1 percent to 183,000 homes, which is the tenth consecutive month of decline. The inventory now represents a supply of 7.3 months at the current sales rate of new homes. The inventory of new homes for sale is at the lowest level since August 1967.



Sources: US Census Bureau and the National Association of Realtors, compiled by the Office of Budget and Management.



Source: National Association of Home Builders. Compiled by the Office of Budget and Management.

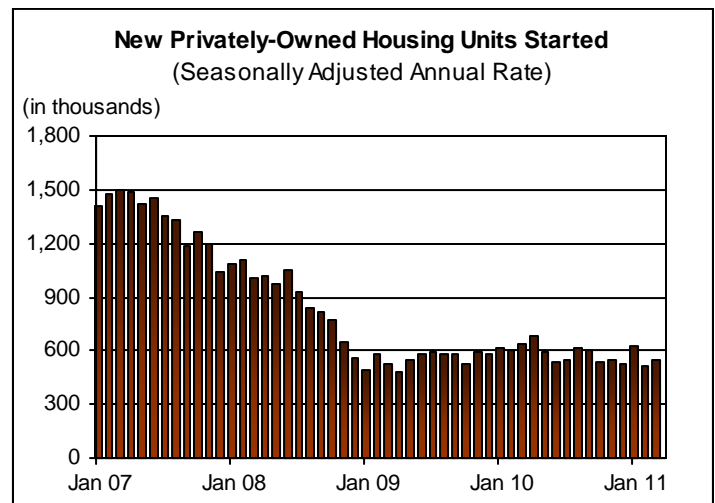
### Housing Market Index (HMI)

The HMI provides a measure of builders' perceptions of the single-family housing market. The HMI fell to 16 in April from 17 in March. The index has been at 16 for five of the last six months. National Association of Home Builders' Chairman Bob Jones indicated that "builders are competing against a large number of foreclosed and distressed properties on the market, which are holding down prices and appraisals and making it tough for potential clients to sell their existing homes." The HMI has three components. Two out of the three components of the HMI (that is, builder perceptions of current sales and sales expectations in six months) decreased in April, while the third component (builder perceptions of buyer traffic) edged up a notch.

### National Housing Starts

The U.S. Census Bureau reported a 7.2 percent increase in privately-owned housing starts from a revised seasonally adjusted annual rate (SAAR) of 512,000 housing units in February to 549,000 housing units in March. Housing starts of single-family structures and structures with 5 unit or more (multi-family) both increased by 7.7 percent and 14.7 percent, respectively. Housing starts of single-family structures rose to 422,000 SAAR in March from 392,000 SAAR in February, while housing starts of structures with 5 unit or more (multi-family) rose to 117,000 SAAR from 102,000 in February.

Housing starts, as defined by the U.S. Census Bureau, track the start of construction, considered to be when "excavations begin for the footings or foundations of a building."



Source: US Census Bureau. Compiled by the Office of Budget and Management.

## NORFOLK BUILDING PERMITS

The total number of housing units authorized by building permits in Norfolk from January to February 2011 increased to 218 units from 14 units last year. The increase year-to-date was due to units permitted in new multi-family structures.

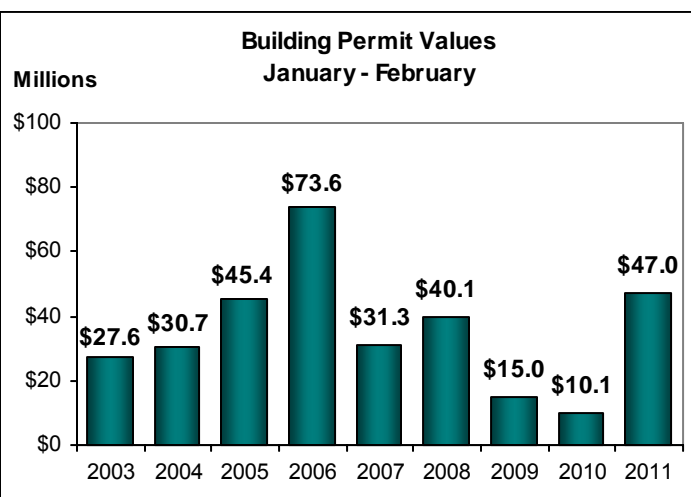
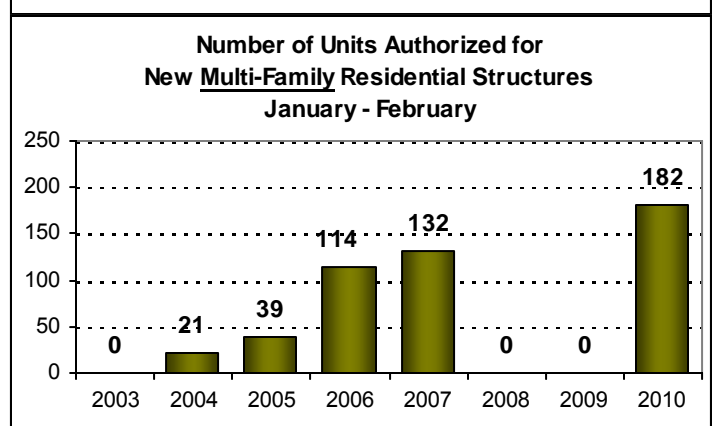
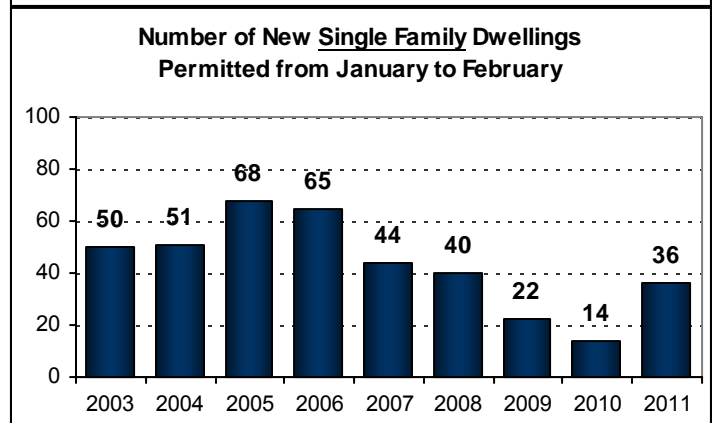
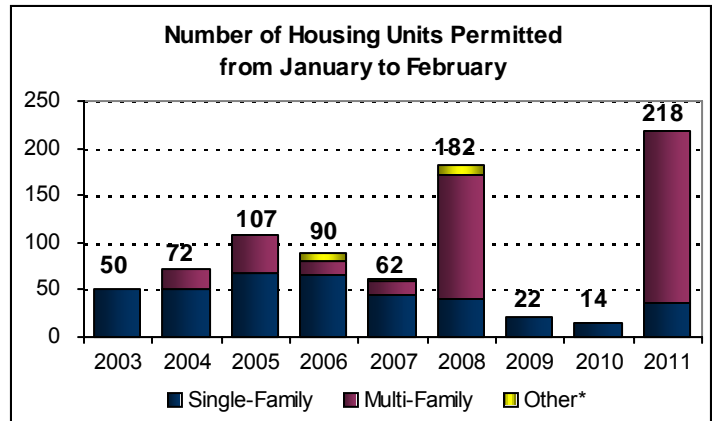
### New Single Family Dwellings Permitted

Permit activity from January through February 2011 for new single family dwellings increased over the previous year by 157 percent (or 12 units) from 14 units to 36 units. The increase was primarily due to the number of both attached and detached single-family homes permitted. Projects permitted included townhomes on 43rd street and Maplewoods at Olde Huntersville and detached homes throughout the City.

### New Multi-Family Structures Permitted

The number of units authorized in new multi-family structures (ie., housing structures for two or more families) increased by 182 units, which reflected mainly the permitting of Meadowood Apartment complex with 180 units. It is important to note that the fluctuations in the number of units in multi-family structures in prior years were driven by key projects such as:

- 2003: ODU University Village housing
- 2004: Harbor's Edge
- 2005: Alexander at Ghent, Row at Ghent, 388 Boush
- 2006: Pretty Lake Village, Parktowne Apartments, Grandy Village
- 2008: Southwind Apartments, River House Apartments, Belmont at Freemason
- 2009: District at ODU
- 2010: Wells Fargo apartments



### Building Permit Values

The value of all building permits issued from January to February 2011, excluding demolition permits, totaled \$47 million, a \$36.9 million (367 percent) increase from the same period last year. Permit values are an indicator of the value of building activity in the City.

The increase in 2011 calendar year-to-date was mainly driven by two major projects: Meadowood Apartment complex (\$10 million) and Crossroads Elementary School (\$20 million).

Source: Department of Development. Compiled by the Office of Budget and Management. \* Other includes accessory dwellings, new units permitted in mixed use structures (such as, Harbor Heights in 2006), and new units permitted in building conversions (such as, Rotunda, Gosnold Apartments, Riverpoint Apartments, Franklin Building, and 201 Twenty-One).

## OTHER NATIONAL ECONOMIC INDICATORS

### Consumer Confidence Index

Consumer confidence, as measured by the Conference Board's Consumer Confidence Index, edged up slightly in April after declining sharply in March. The index rose to 65.4 from 63.8 in March. The index is above its record low of 25.3 (February 2009) but is still below pre-recession levels.

The Present Situation Index, which measures consumer confidence in current business and employment conditions, rose moderately to 39.6 in April from 37.5 in March. Those stating current business conditions are bad and jobs are "hard to get" decreased in April.

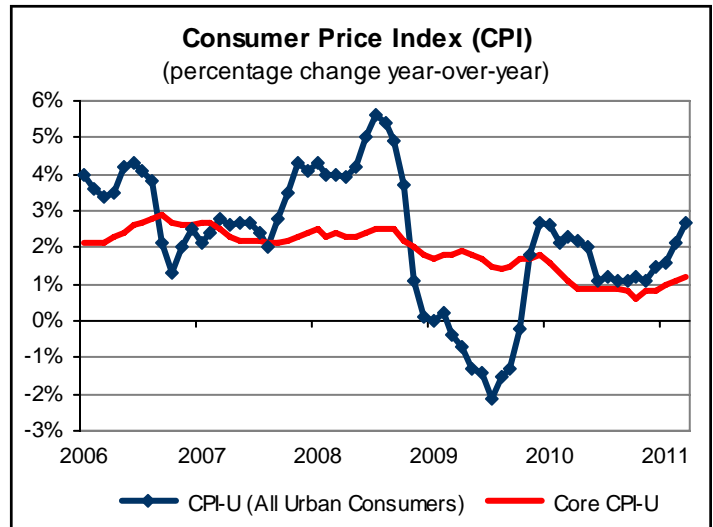
The Expectations Index, which measures consumers' confidence in future business, employment and family income six months from now, rose to 82.6 from 81.3. Those anticipating business conditions to worsen and fewer jobs over the next six months decreased, and there was an increase in consumers anticipating an improvement in their incomes.

Lynn Franco, Director of The Conference Board Consumer Research Center stated, "consumers' short-term outlook improved slightly, suggesting that the uncertainty expressed last month is easing. Although confidence remains weak, consumers' assessment of current conditions gained ground for the seventh straight month, a sign that the economic recovery continues."



Source: The Conference Board. Compiled by the Office of Budget and Management.

Technical Note: The Conference Board indicated that they have changed their survey provider from TNS to The Nielsen Company beginning with the February release of the Consumer Confidence Index and data since November 2010 have been revised.



Source: Bureau of Labor Statistics. Compiled by the Office of Budget and Management.

### Consumer Price Index

The Consumer Price Index is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported that the Consumer Price Index for all urban consumers (CPI-U) rose 0.5 percent in March from the previous month and 2.7 percent from the previous year before seasonal adjustment, which was the largest year-over-year increase since December 2009. According to BLS, the increase in gasoline and food prices accounted for 75 percent of the seasonally adjusted increase in March. The food index registered its largest increase (0.8 percent) since July 2008. The energy and gasoline index registered its 9th consecutive monthly increase, 3.5 percent and 5.6 percent respectively.

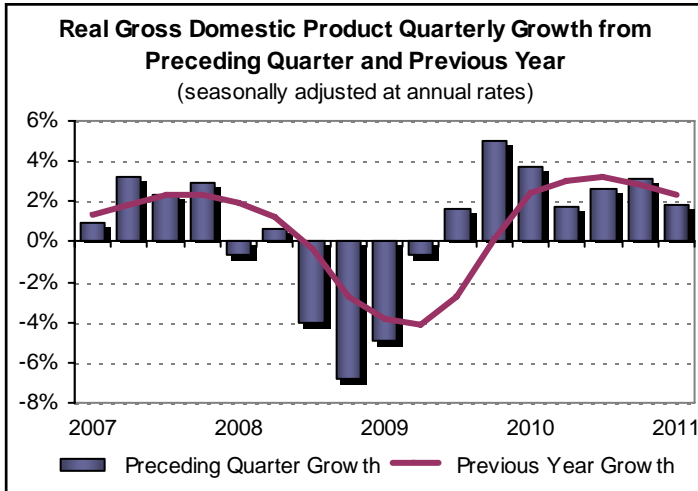
The core CPI-U, which excludes food and energy—which are historically more volatile than the prices of other components, rose 0.1 percent in March over the previous month, a smaller increase than the past two months. The core CPI-U rose 1.2 percent from the previous year before seasonal adjustment.

Components of the core CPI-U index that *increased* in March include shelter (0.1 percent), transportation services (0.5 percent), and medical care (0.2 percent). Within transportation, new vehicles index rose 0.7 percent, while used vehicles and trucks index rose 0.8 percent. The airline fares index continued to rise, increasing 1.9 percent. Components that *decreased* include clothing (0.5 percent) and household furnishings and operations (0.1 percent).

## OTHER NATIONAL ECONOMIC INDICATORS (CONTINUED)

### Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity.



Source: U.S. Bureau of Economic Analysis

The Bureau of Economic Analysis (BEA) reported that the 2011 first quarter preliminary estimate of real GDP increased at an annual rate of 1.8 percent, which is weaker than the 2010 fourth quarter growth of 3.1 percent. The deceleration of the GDP in the first quarter reflects lower growth in consumer spending, lower growth in exports and higher growth in imports, and a decline in federal, state and local government spending and business investment in equipment and software.

The major contributors to the growth in the first quarter include the following:

- **Consumer spending** rose 2.7 percent, following a 4 percent increase in the previous quarter.
- **Business investment in inventory** which increased \$43.8 billion, following a \$16.2 billion increase in the previous quarter.

The BEA also reported that real GDP grew 2.9 percent in 2010 (final estimate), after declining 2.6 percent in 2009. The annual increase was driven by consumer spending, business inventory investment, business investment in equipment and software, and federal government spending.

### Regional Economic Forecast

In January, the Old Dominion University Economic Forecasting Project (ODU) and the Hampton Roads Planning District Commission (HRPDC) presented their 2011 forecast for the regional economy.

- Regional economic growth is projected to be near its 40-year annual average of 3.2% but will be below that of the nation.
- Growth in defense spending, the port, healthcare industries and tourism are likely to fuel the region's economic expansion in 2011.
- The closure of the Joint Forces Command (JFCOM) is projected to lead to loss of employment over the course of the next three years.
- Defense spending is projected to increase 3.0% in 2011. Defense spending is projected to decrease from 2012 through 2015.
- Extension of Bush era tax cuts and a reduction in payroll taxes in 2011 will provide a boost to the economy.
- Single-family home prices are projected to fall slightly in 2011.

The table below summarizes the 2011 economic forecast for Hampton Roads.

2011 Economic Forecast for Hampton Roads		
Indicator	ODU	HRPDC
Real Gross Regional Product	+3.1%	+2.2%
Civilian Employment	+1.3%	+1.1%
Unemployment Rate	7.0%	7.4%
Taxable Sales	+2.5%	+3.0%
Auto and Truck Sales	n/a	+7.0%
Hotel Revenue	+2.4%	n/a
General Cargo Tonnage (Port)	+3.2%	n/a
Housing Permit Value	+2.0%	+4.7%