



ECONOMIC INDICATORS

CITY OF NORFOLK
OFFICE OF BUDGET AND MANAGEMENT

Last Update: June 14, 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. This document is designed to provide the reader 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 become available.

IN THIS ISSUE.....

EMPLOYMENT

- Norfolk's unemployment rate fell 1 percentage point in April 2011 to 7.9 percent from last year's rate of 8.9 percent (not seasonally adjusted). This is the first time since April 2009 that the unemployment rate fell below 8 percent.
- The Hampton Roads economy lost 1,500 jobs in April 2011 from the previous year (not seasonally adjusted). This is the 40th consecutive month of year-over-year job loss in the region.
- Nationally, non-farm payroll employment increased by 54,000 thousand in May 2011 (seasonally adjusted) and the unemployment rate rose to 9.1 percent (seasonally adjusted).

SALES TAX REVENUE

- In April, Norfolk's sales tax receipts increased on an annual basis for the fifth consecutive month. Sales tax receipts increased by 4.6 percent from April 2010. Fiscal year-to-date through April, Norfolk sales tax receipts increased by 0.3 percent (or approximately \$74,800) from the same period last year.
- Norfolk sales taxes increased 1.0 percent fiscal year-to-date after adjusting for the one-time impact of the state's tax amnesty program last year.

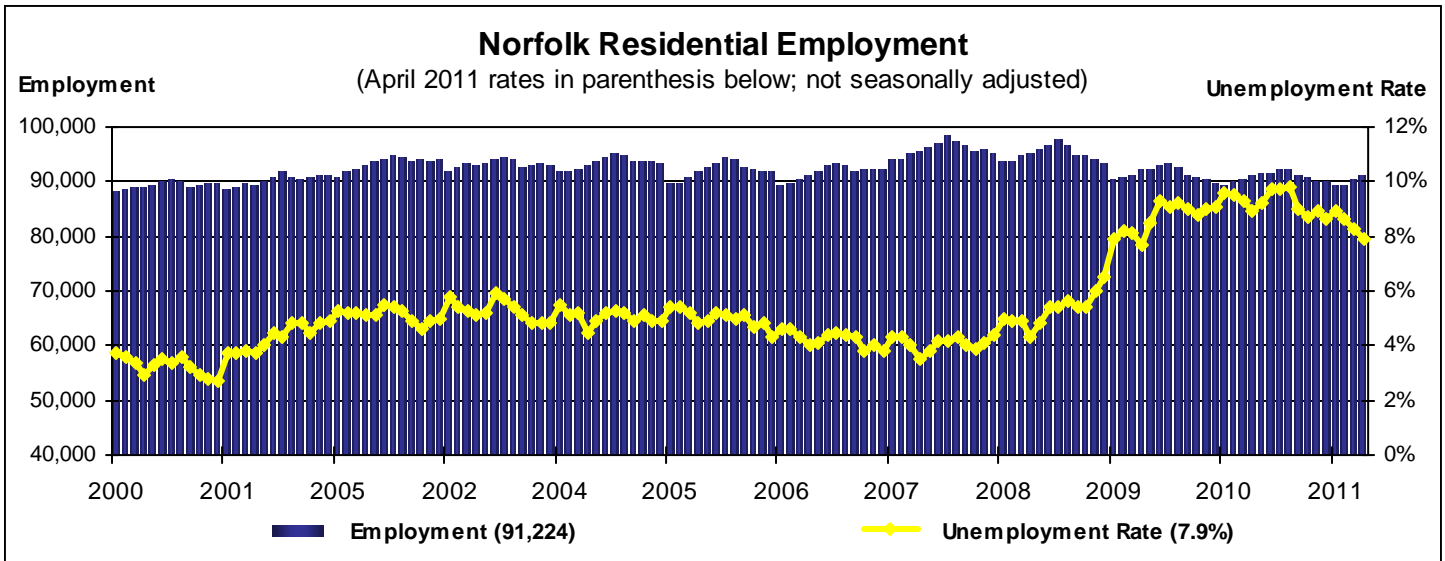
REGIONAL AND NATIONAL HOUSING MARKET & BUILDING PERMITS

- From January to April 2011, the average sales price of homes sold in Norfolk declined 5.4 percent from the same period last year. The average sales price of homes sold in Hampton Roads fell 7.7 percent.
- In Norfolk, the number of homes sold increased 17.8 percent from January to April from the same period last year. Homes sold in Hampton Roads increased 7.6 percent.
- The total number of housing units authorized by building permits in Norfolk from January to March 2011 increased to 239 units from the 52 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.
- Consumer confidence declined in May to 60.8 from 66 in April. The decline was due to consumers' assessment of future business and labor market conditions.

RESIDENTIAL EMPLOYMENT AND UNEMPLOYMENT—NORFOLK, REGIONAL, AND STATE



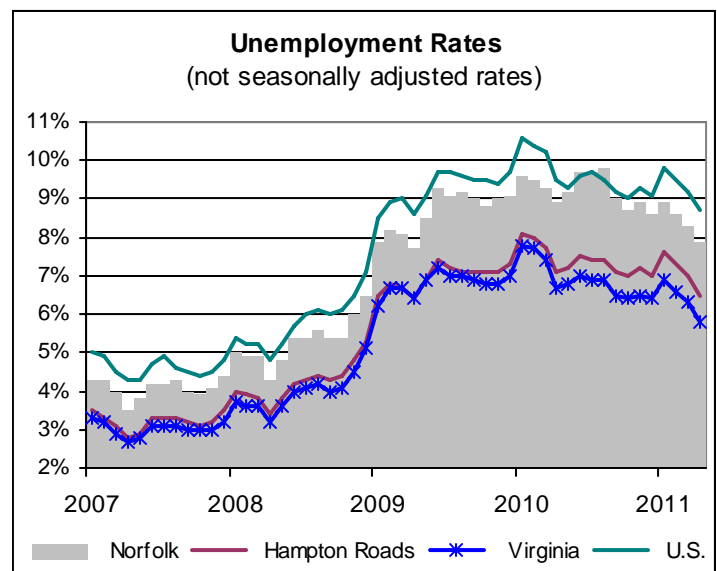
April 2011 Residential Employment

- The Virginia Employment Commission (VEC) reported that the number of employed Norfolk residents in April is 91,224 (not seasonally adjusted), which is a decrease of 30 employed residents or 0.03 percent from the previous year. However, compared to the previous month, the number of employed residents rose by 0.8 percent or 736 residents.
- Norfolk's unemployment rate (not seasonally adjusted) decreased in April to 7.9 percent from 8.3 percent in March 2011 (revised), a 0.4 percentage point decline. This is the first time since April 2009 that the unemployment rate fell below 8 percent. However, the unemployment rate is still well above the five-year average. Norfolk's not seasonally adjusted unemployment rate was also 1 percentage point lower than the previous year's (April 2010) rate of 8.9 percent. Norfolk's unemployment rate continues to remain below the national unemployment rate of 8.7 percent (not seasonally adjusted).
- Virginia's unemployment rate also improved in April, decreasing by 0.9 percentage point from the previous year's rate and 0.5 percentage point from the previous month's rate. Virginia had the seventh lowest unemployment rate among the 50 states and the District of Columbia. Similarly, Hampton Roads' not seasonally adjusted unemployment rate of 6.5 percent in April is 0.6 percentage point lower than the previous year's rate and is 0.5 percentage point below the previous year's unemployment rate.

Hampton Roads Unemployment Rate

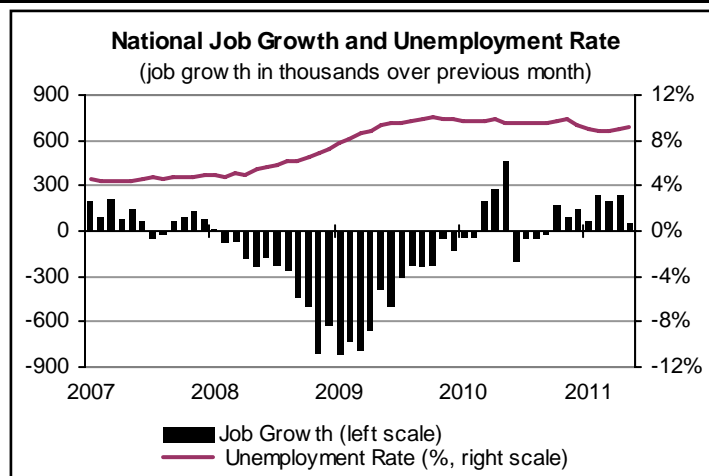
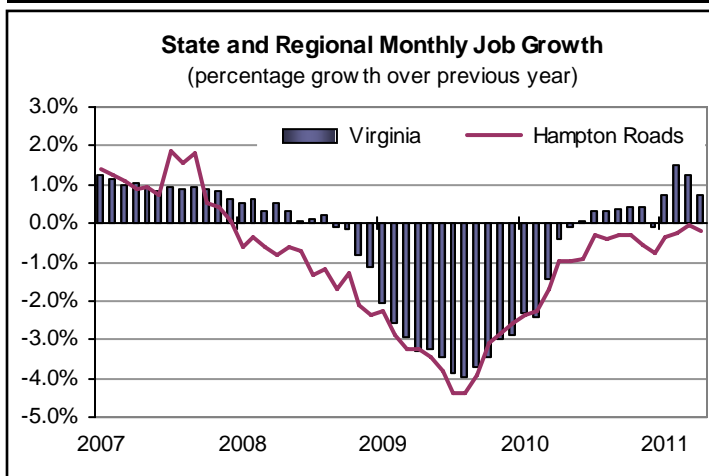
(not seasonally adjusted)

	April 2011	March 2011	April 2010	5-Year Average
Norfolk	7.9%	8.3%	8.9%	6.3%
Chesapeake	6.0%	6.3%	6.5%	4.7%
Hampton	7.7%	8.3%	8.2%	5.7%
Newport News	7.2%	7.8%	7.5%	5.5%
Portsmouth	7.8%	8.0%	9.2%	6.3%
Suffolk	7.0%	7.1%	7.7%	5.1%
Virginia Beach	5.6%	6.0%	6.1%	4.3%
Hampton Roads	6.5%	7.0%	7.1%	5.0%
Virginia	5.8%	6.3%	6.7%	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 April grew by approximately 0.7 percent (or 25,700 jobs) from April 2010. Virginia's nonfarm employment reached 3,658,600 in April. 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 733,100, which is approximately 0.2 percent (or 1,500 jobs) below April 2010. This marks the 40th consecutive month of year-over-year decline. However, on a month-to-month basis, the number of jobs in Hampton Roads grew 1.13 percent (or 8,200 jobs) in April 2011 from March 2011.

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

April Job Growth in Major Sectors

(not seasonally adjusted; April growth is from previous year)

	Hampton Roads	Virginia
Construction	-500	-1,600
Manufacturing	-200	500
Trade (Retail & Wholesale)	-3,700	12,000
Transportation & Utilities	800	900
Information	-700	-3,600
Finance	-700	-300
Professional & Business Services	2,000	18,100
Educational & Health Services	1,300	7,100
Leisure & Hospitality	1,900	-8,300
Government	-2,500	100
<i>Federal Government</i>	900	1,100
<i>State Government</i>	400	1,000
<i>Local Government</i>	-3,800	-1,200

National Job Growth

The Bureau of Labor Statistics (BLS) reported that nonfarm payroll employment (seasonally adjusted) increased by 54,000 in May 2011 from April 2011. Total employment now stands at 131.04 million. In comparison, however, employment stood at 137.98 million (revised) at the beginning of the recession in December 2007. Since the most recent low in February 2010, the economy has added 1.797 million jobs (an average rate of 120,000 jobs per month), with the private sector adding 2.144 million jobs and the public sector losing 347,000 jobs. The private sector has been adding jobs for 15 consecutive months; however, the May increase (83,000 jobs) was the lowest since June 2010. The seasonally adjusted unemployment rate rose to 9.1 percent from 9 percent in April 2011, but is 0.5 percentage point lower than in May 2010.

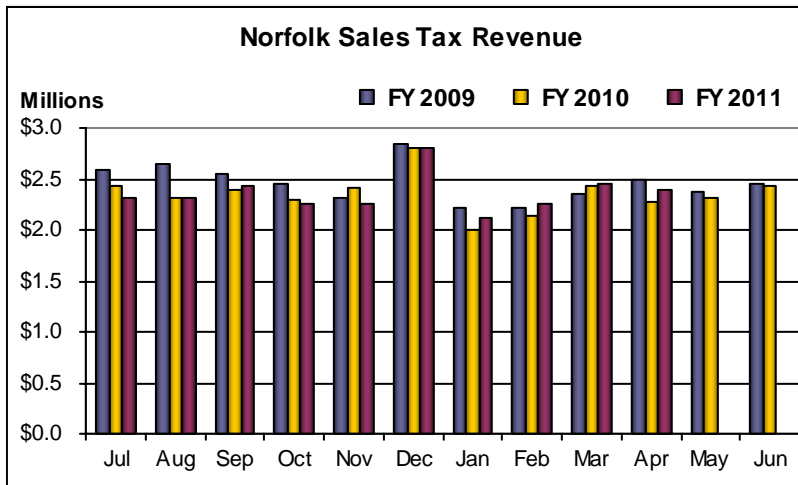
National Job Growth

(seasonally adjusted; April/May growth is from previous month)

	April 2011*	May 2011**	May YTD**
Mining & Logging	9,000	6,000	40,000
Construction	5,000	2,000	31,000
Manufacturing	24,000	-5,000	129,000
Trade, Transportation & Utilities	78,000	3,000	126,000
Information	-1,000	-1,000	-13,000
Finance	-2,000	3,000	-5,000
Professional & Business Svcs.	50,000	44,000	258,000
Educational & Health Services	54,000	34,000	193,000
Leisure & Hospitality	32,000	-6,000	123,000
Other Services	2,000	3,000	26,000
Government	-19,000	-29,000	-125,000
<i>Federal Government</i>	-4,000	1,000	-2,000
<i>State Government</i>	-6,000	-2,000	-29,000
<i>Local Government</i>	-9,000	-28,000	-94,000
Total Job Growth	232,000	54,000	783,000

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

SALES TAX—NORFOLK AND REGION

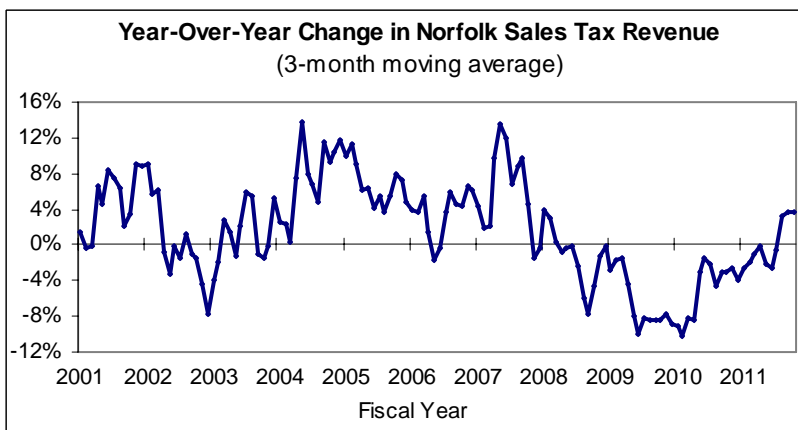


Norfolk Sales Tax Receipts

The April sales tax receipts for Norfolk is approximately \$2.4 million, an increase of 4.6 percent from April 2010. Sales tax receipts increased on an annual basis for the fifth consecutive month. Consequently, fiscal year-to-date through April, sales tax receipts increased 0.3 percent (or approximately \$74,800) to \$23.6 million 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 1.0 percent (or approximately \$233,900) compared to the unadjusted increase of 0.3 percent reported above.

Although sales tax receipts have increased 0.3 percent from FY 2010, it is important to note that the \$23.6 million received year-to-date is still below the peak that was reached in FY 2007 of \$26.9 million prior to the 2007-2009 recession.



Neighboring Localities

Sales tax collections in Norfolk's neighboring cities continued to grow in April fiscal year-to-date over the previous fiscal year. Portsmouth had the highest percentage growth, while Virginia Beach had the highest dollar growth (about \$1.5 million). Also, sales tax receipts for the month of April alone increased in all of the neighboring cities from April 2010.

Nationally, the U.S. Census Bureau reported that national retail and food services sales increased 0.3 percent in April (revised down from the preliminary estimate of a 0.5 percent increase) but declined 0.2 percent in May (preliminary) from the previous month. The decline in May was the first decline in eleven months. However, excluding auto sales, which saw its largest decline of 2.9 percent since February 2010, retail sales overall rose 0.3 percent in May. The growth in sales was seen in: building material and garden suppliers; health, personal care and clothing stores; restaurants and bars; nonstore retailers (which include internet sales); miscellaneous store retailers; and gas stations. Excluding auto sales and sales at gas stations, retail sales still rose 0.3 percent in May. According to the Department of Energy, gas prices have been falling steadily from \$4.018 per gallon during the second week of May to \$3.767 per gallon in the second week of June, which will provide some relief to the consumer.

City	Sales Tax Revenue FYTD through April		% Change
	FY 2011	FY 2010	
Norfolk	\$23,567,523	\$23,492,696	0.3%
Chesapeake	\$26,696,823	\$26,425,797	1.0%
Hampton	\$11,428,908	\$11,293,793	1.2%
Newport News	\$17,670,428	\$17,317,590	2.0%
Portsmouth	\$5,253,567	\$5,016,822	4.7%
Suffolk	\$6,223,035	\$6,076,176	2.4%
Virginia Beach	\$42,662,800	\$41,176,458	3.6%

Source: Virginia Department of Taxation and U.S. Census Bureau and U.S. Department of Energy. Compiled by the Office of Budget and Management.

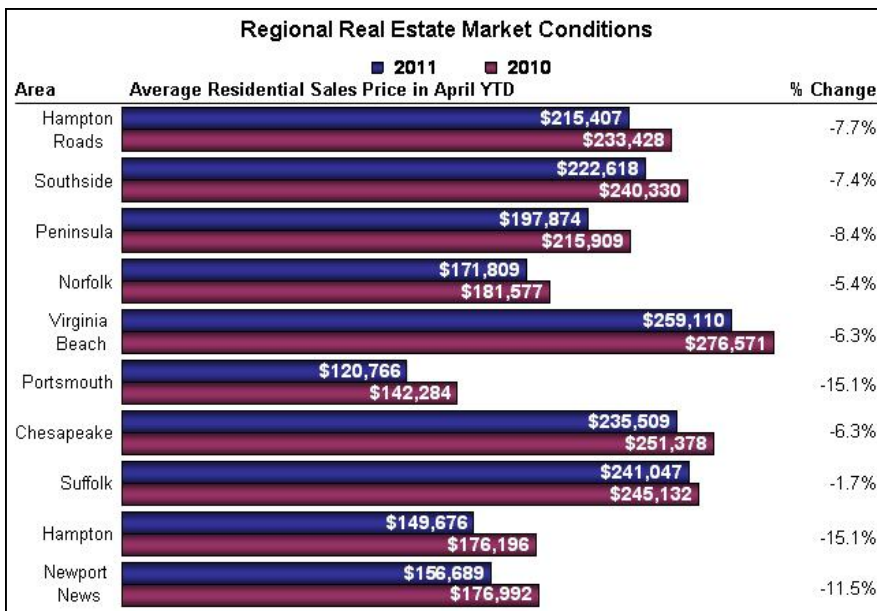
NORFOLK AND REGIONAL HOUSING MARKET

Hampton Roads Residential Real Estate Market Conditions

The following pages provide information on the Norfolk, Regional and National housing market, 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 April. The average sales price YTD decreased 7.7 percent in the region, with the decline in the Peninsula (8.4 percent) being higher than in the Southside (7.4 percent). Sales of distressed homes have contributed to the decline in sales prices of homes.

However, REIN reported that distressed home sales made up 40 percent of home sales in April, the “lowest percentage since December 2010 when it was 35 percent” of home sales. REIN report indicated that the “gradual decline of distressed homes in the active market and sharp drop in the



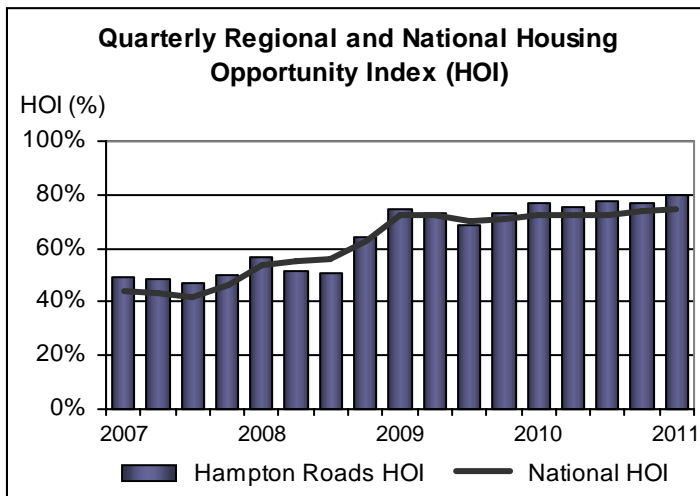
number of distressed settled homes are signs of a market clearing.”

Jan. – Apr. Home Sales	Units Sold		Average Days on Market	
	2010	2011	2010	2011
Hampton Roads	4,904	5,277	94	105
Peninsula	1,266	1,281	107	121
Southside	3,534	3,858	89	100
Norfolk	567	668	89	97
Virginia Beach	1,502	1,543	81	97
Portsmouth	301	329	95	103
Chesapeake	729	860	87	94
Suffolk	300	304	106	113
Hampton	272	256	93	113
Newport News	308	309	96	111

Although the number of homes sold in the region YTD increased 7.6 percent, from 4,904 to 5,277, home sales fell 1.9 percent for the month of April alone, the first monthly decline in four months. REIN also indicated that April was the first month in 2011 to not have year-over-year gains in homes for sale that are under contract. However, according to REIN, the “year-over-year comparison may be a little misleading due to the now expired federal tax credit. The tax credit legislation required contracts for qualifying home sales to be written by the end of April 2010 and thus created a surge of last-minute home buyers.”

Housing affordability in Hampton Roads, as measured by the regional Housing Opportunity Index (HOI), rose to 79.8 percent in the first quarter of 2011 from 77.2 percent in the fourth quarter of 2010. Affordability in the region is at its highest level since the first quarter of 1994. The regional HOI shows that 79.8 percent of all new and existing homes sold in the first quarter of 2011 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.

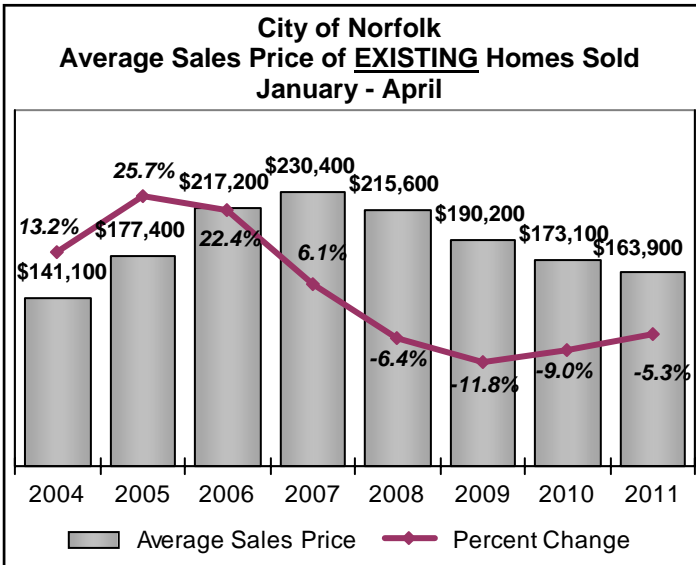


Source: Real Estate Information Network (REIN) and National Association of Home Builders. Compiled by the Office of Budget and Management.

NORFOLK HOUSING MARKET

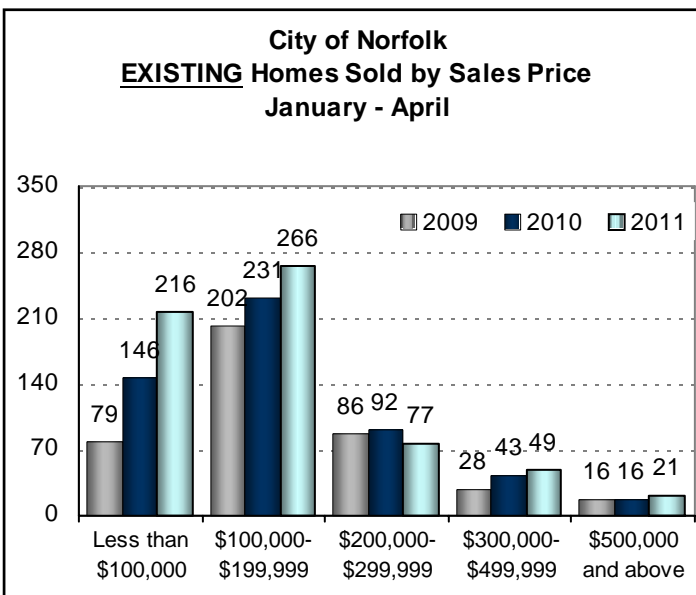
Existing Home Sales

Through April, the average sales price of existing homes sold in Norfolk fell 5.3 percent, from \$173,100 to \$163,900. The sales price of both existing detached and attached homes declined. The average sales price of detached homes sold fell 4.9 percent, while attached homes saw an 8.1 percent decline in the average sales price.



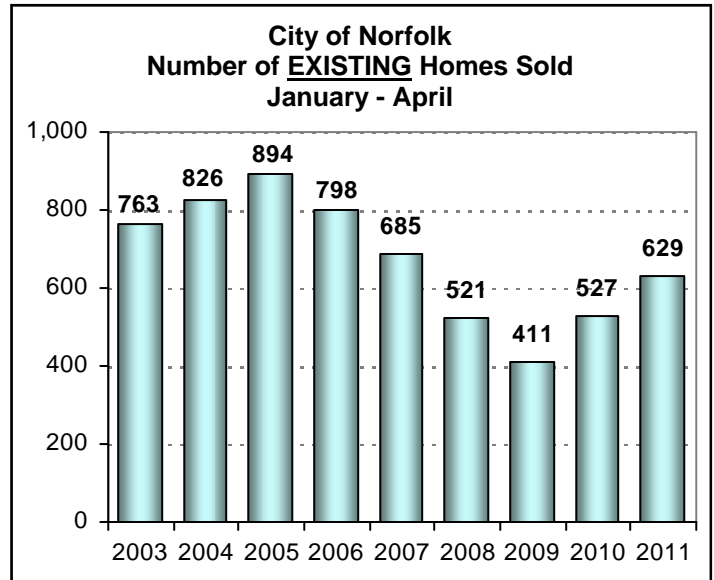
Source: Real Estate Information Network (REIN)

About three out of four 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.



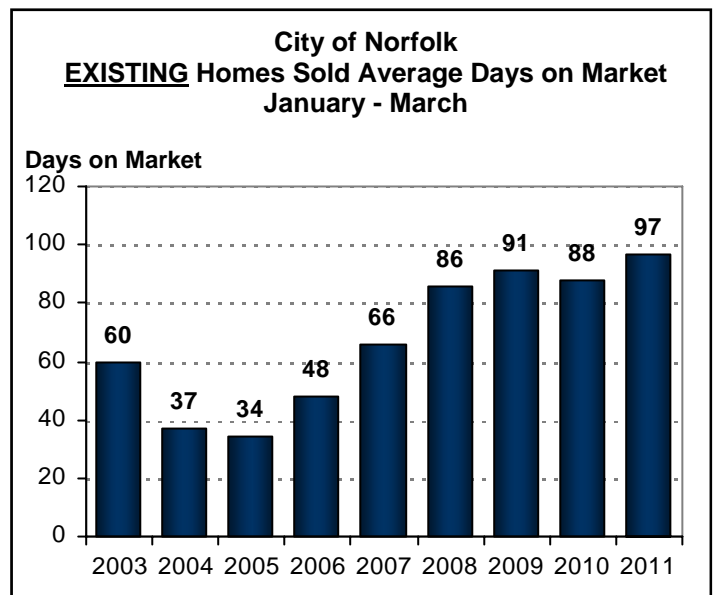
Source: Real Estate Information Network (REIN)

The number of existing homes sold from January to April increased by 19.4 percent (102 homes). A similar trend occurred in neighboring cities, with the exception of Hampton, where home sales overall were declined slightly. Because of the increase in the volume of sales year-to-date through April, the total value of home sales increased 13 percent from \$91.2 million to \$103.1 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 April increased to 97 days from 88 days last year. However, the average days on market has been relatively stable since 2008.

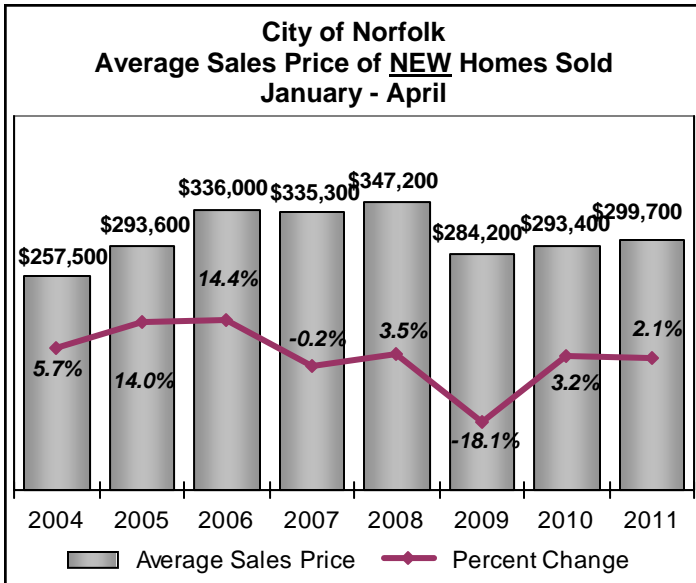


Source: Real Estate Information Network (REIN)

NORFOLK HOUSING MARKET (CONTINUED)

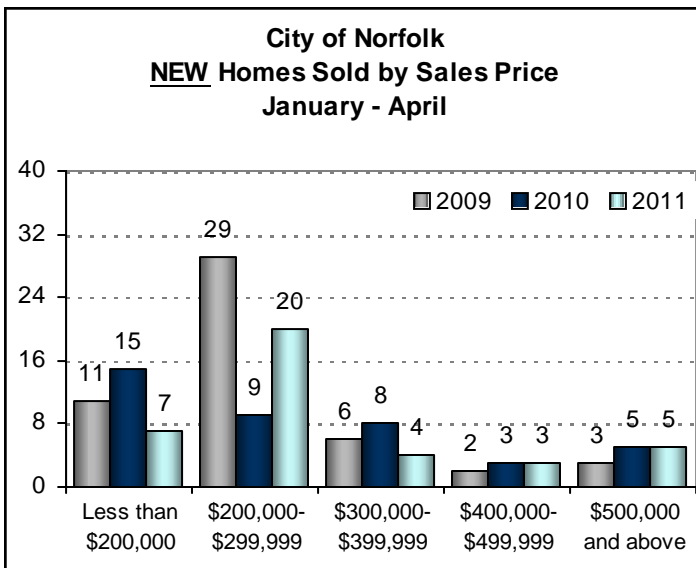
New Home Sales

Unlike existing homes sold, the average sales price of new homes sold in Norfolk increased by 2.1 percent year-to-date through April, from \$293,400 last year to \$299,700 this year. Both new detached and attached homes saw an increase in their average sales price year-to-date by 0.9 percent and 6.9 percent, respectively.



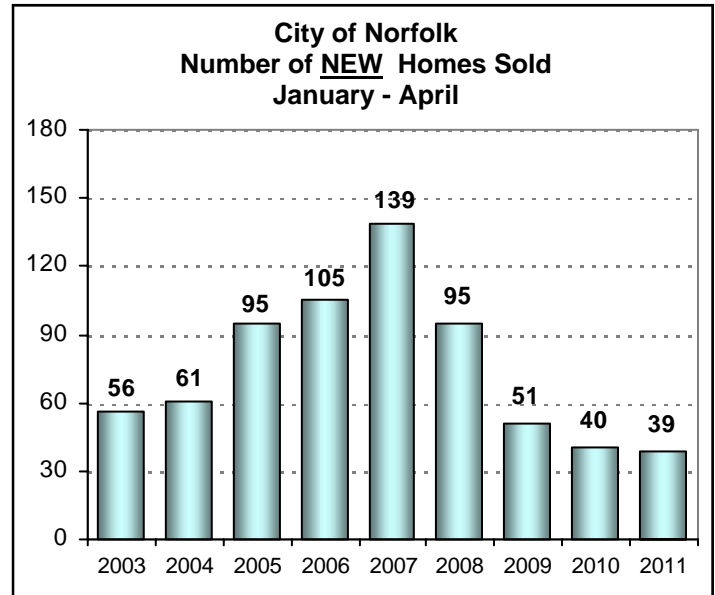
Source: Real Estate Information Network (REIN)

About two out of three new homes sold through April 2011 were priced under \$300,000. There was a significant increase in the number of new homes sold in the \$200,000 range. New homes sold year-to-date ranged from \$151,500 to \$700,000.



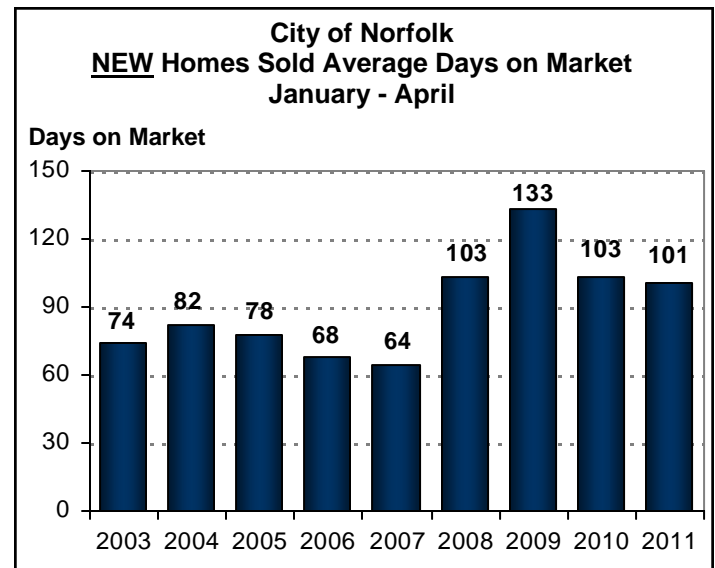
Source: Real Estate Information Network (REIN)

Unlike existing homes, the number of new homes sold in Norfolk declined slightly in April. New home sales fell by 1 home from 40 homes last year—a 2.5 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)

The average days on market decreased by 2 days, from 13 days last year to 101 days this year. The average days on market of new homes sold in through April this year was generally lower than the prior three years.

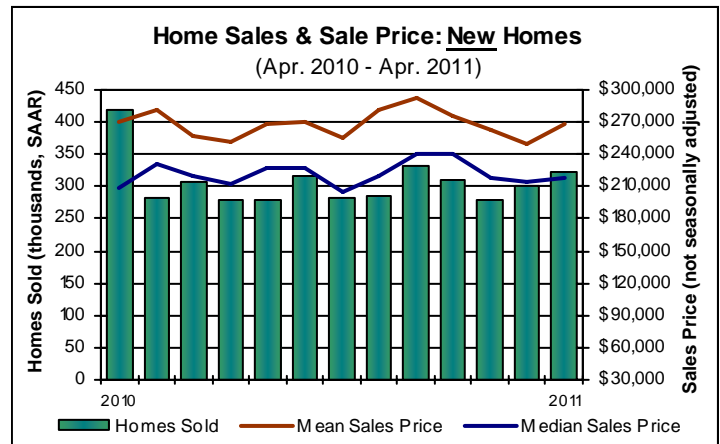
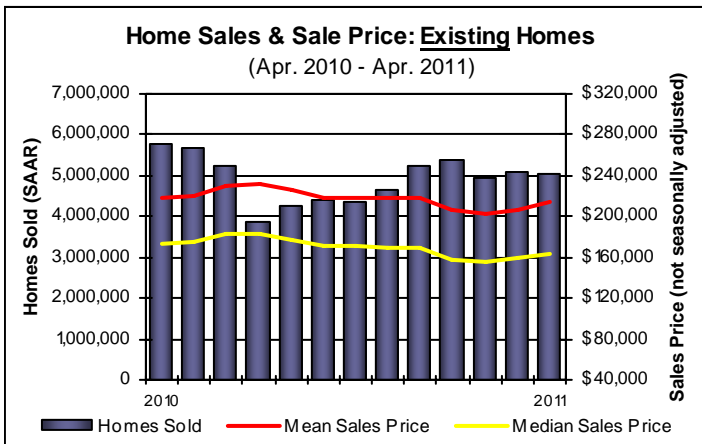


Source: Real Estate Information Network (REIN)

NATIONAL HOUSING MARKET

Sale of Existing and New Homes

In April, existing homes sales decreased 0.8 percent from last month to a seasonally adjusted annual rate (SAAR) of 5.05 million, and is 12.9 percent below last year. Sales activity was last year was boosted by the homebuyer tax credit. The National Association of Realtors (NAR) indicated that the market may be underperforming. Sales were expected to be stronger “given the great affordability conditions, job creation and pent-up demand.” Unlike existing home sales, new home sales rose in April to a seasonally adjusted annual rate of 323,000, which is 7.3 percent above last month but is 23.1 percent below last year’s sales level. The average price of existing homes sold in April fell 1.2 percent to \$214,600 from \$217,300 last year, while the average price of new homes was \$268,900, down 0.6 percent. Although distressed home sales are driving down prices, according to the NAR, distressed home sales made up 37 percent of the existing homes sales, down from 40 percent in March 2011.



Foreclosures

New foreclosure filings for the Nation, which include default notices, scheduled auctions and bank repossessions, were reported on 219,258 properties in April according to RealtyTrac’s U.S. Foreclosure Market Report. This is an 8.6 percent decrease from March 2011 and a 34.3 percent decrease from April 2010.

According to James Saccacio, CEO of RealtyTrac, “foreclosure activity decreased on an annual basis for the seventh straight month, bringing foreclosure activity to a 40-month low.” However, the decline “continues to be largely the result of massive delays in processing foreclosures rather than the result of a housing recovery that is lifting people out of foreclosure.” RealtyTrac reported that foreclosures took “an average of 400 days” to complete in the first quarter of 2011, which is “up from 340 days in the first quarter of 2010 and more than double the average 151 days it took to foreclose in the first quarter of 2007.” One in every 593 housing units received a foreclosure filing in April 2011.

National, State and Local Foreclosure Filings—April 2011

	Rank	Properties with Foreclosure Filings	% Change from Mar. 2011	% Change from Apr. 2010	1 in XX# of Housing Units
Norfolk	5	170	-16.3%	-44.1%	566
Chesapeake	6	155	-31.7%	-18.0%	537
Hampton	11	101	31.2%	-38.0%	597
Newport News	11	109	-23.8%	-36.6%	739
Portsmouth	17	56	-50.4%	-69.6%	773
Suffolk	16	59	1.7%	-37.2%	561
Virginia Beach	3	273	-26.4%	-32.3%	644
Richmond	9	143	-6.5%	-50.2%	663
Prince William	2	304	-20.0%	-61.6%	453
Fairfax County	1	424	-28.0%	-55.8%	929
Virginia	14	3,634	-19.0%	-48.6%	916
Nation	n/a	219,258	-8.6%	-34.3%	593

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.

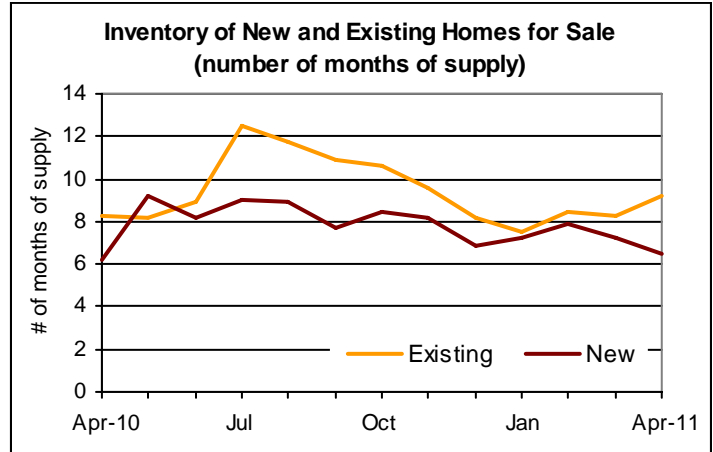
Most major Hampton Roads cities also saw a decrease in new foreclosure filings from last year and from the previous month. The exceptions were Hampton and Suffolk, which saw an increase in new foreclosure filings from the previous month of 31.2 percent and 1.7 percent, respectively. James Koch, an economist at Old Dominion University expects “foreclosures to edge up again....until Hampton Roads shows signs of a robust economic recovery, housing problems will continue,” as stated in the Virginian-Pilot.

NATIONAL HOUSING MARKET (CONTINUED)

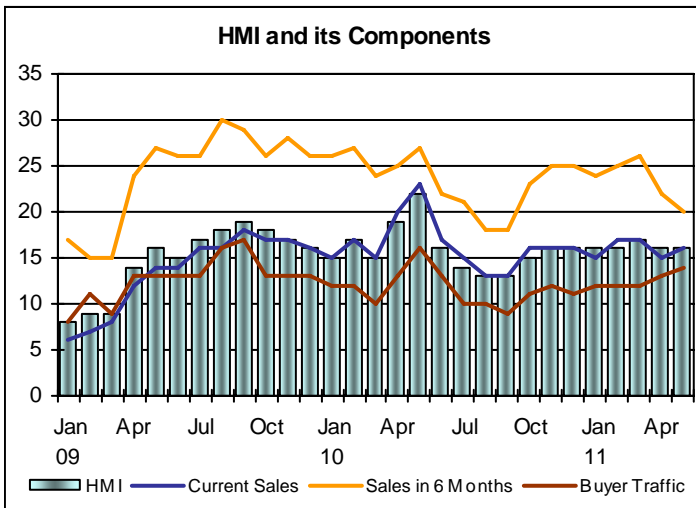
Inventory of Homes for Sales

The inventory of existing homes for sale in April rose by 9.9 percent to 3.87 million homes, the third consecutive monthly increase. However, the April inventory is 3.9 percent below last year. The inventory represents an 9.2 months supply at the current sales pace.

The inventory of new homes for sale in April fell by 2.8 percent to 175,000 homes to a record low point since the earliest sales data available in January 1963. The inventory now represents a supply of 6.5 months at the current sales rate of new homes.



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.

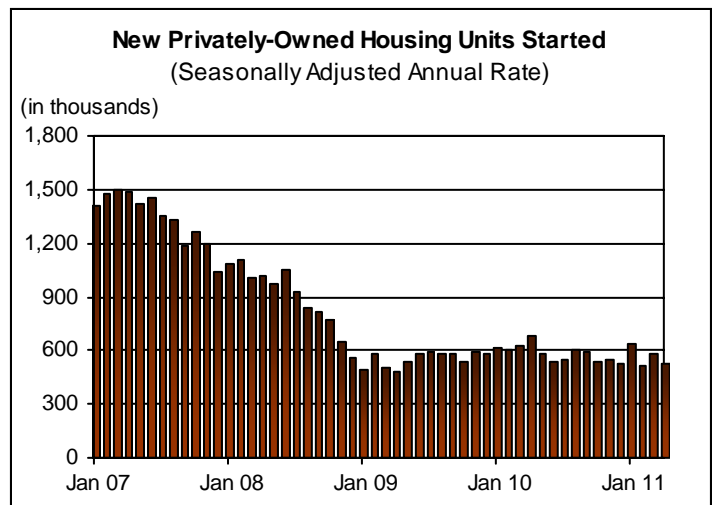
Housing Market Index (HMI)

The HMI provides a measure of builders' perceptions of the single-family housing market. The HMI remained unchanged at 16 in May. The index has been at 16 for six of the last seven months. National Association of Home Builders' Chairman Bob Jones indicated that "persistent concerns regarding competition from distressed property sales, lack of production credit, inaccurate appraisals, and proposals to reduce government support of housing have continued to cloud the outlook." The HMI has three components. Two out of the three components of the HMI (that is, builder perceptions of current sales and buyer traffic) each edged up by 1 point in May, while the third component (builder perceptions of sales in six months) edged down two points.

National Housing Starts

The U.S. Census Bureau reported a 10.6 percent decline in privately-owned housing starts from a revised seasonally adjusted annual rate (SAAR) of 585,000 housing units in March to 523,000 housing units in April. Housing starts are 23.9 percent below the same period last year. Housing starts of single-family structures and structures with 5 unit or more (multi-family) both decreased by 5.1 percent to 394,000 units and 28.3 percent to 114,000 units, respectively.

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 March 2011 increased to 239 units from 52 units last year. The increase year-to-date was due to units permitted in new multi-family structures.

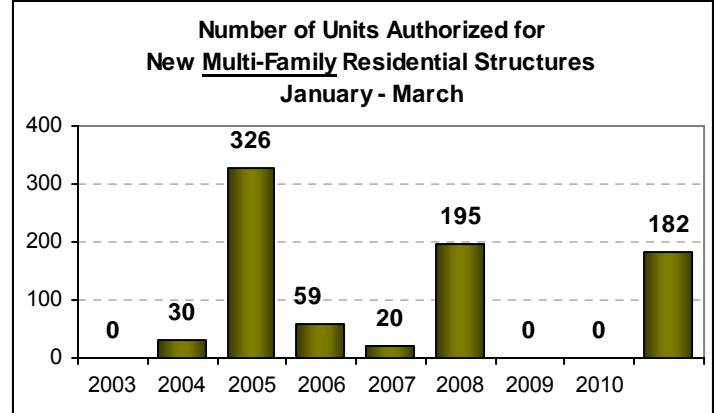
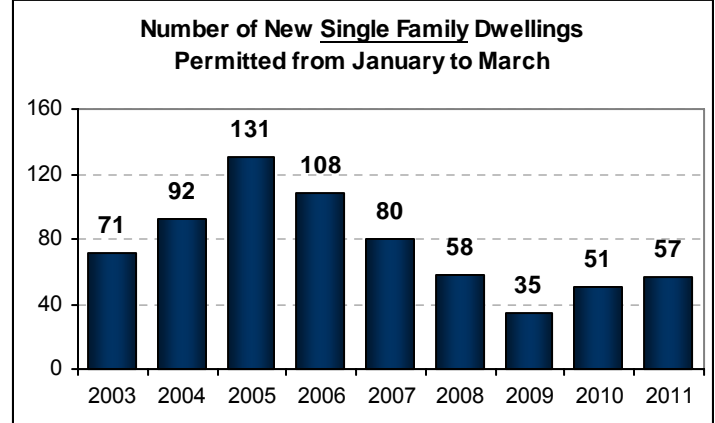
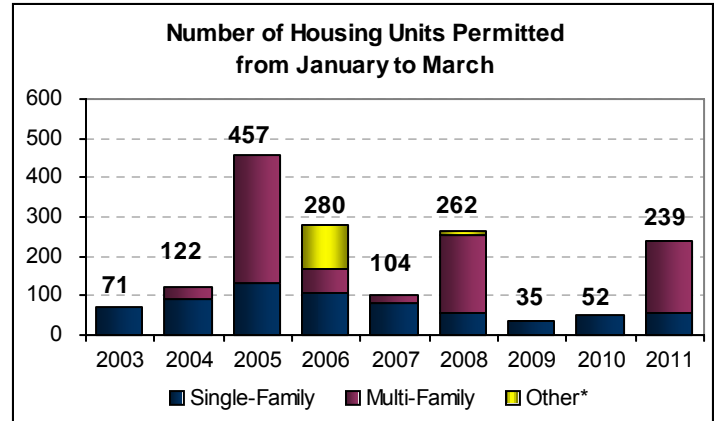
New Single Family Dwellings Permitted

Permit activity from January through March 2011 for new single family dwellings increased over the previous year by 6 units from 51 units to 57 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:

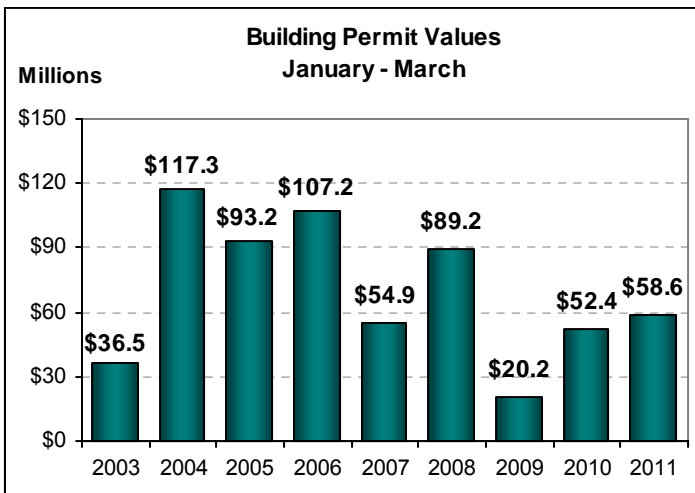
- 2003: ODU University Village housing
- 2004: Harbor's Edge
- 2005: Alexander at Ghent, Row at Ghent, 388 Boush
- 2006: Pretty Lake Village, Parktowne Apartments, Grandy Village
- 2008: Southwind Apartments, River House Apartments, Belmont at Freemason
- 2009: District at ODU
- 2010: Wells Fargo apartments



Building Permit Values

The value of all building permits issued from January to March 2011, excluding demolition permits, totaled \$59 million, a \$6.2 million (11.9 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). The 2010 calendar year-to-date permit values includes HRT facility project (\$32 million) permitted in March 2010.



Source: Department of Development. Compiled by the Office of Budget and Management. * Other includes accessory dwellings and new units permitted in mixed use structures (such as, Harbor Heights in 2006).

OTHER NATIONAL ECONOMIC INDICATORS

Consumer Confidence Index

Consumer confidence, as measured by the Conference Board's Consumer Confidence Index, declined in May to 60.8 from 66 in April. The index is above its record low of 25.3 (February 2009) but is still below pre-recession levels.

Lynn Franco, Director of The Conference Board Consumer Research Center stated, "a more pessimistic outlook is the primary reason for this month's decline in consumer confidence. Consumers are considerably more apprehensive about future business and labor market conditions as well as their income prospects. Inflation concerns, which had eased last month, have picked up once again. On the other hand, consumers' assessment of current conditions declined only modestly, suggesting no significant pickup or deterioration in the pace of growth."

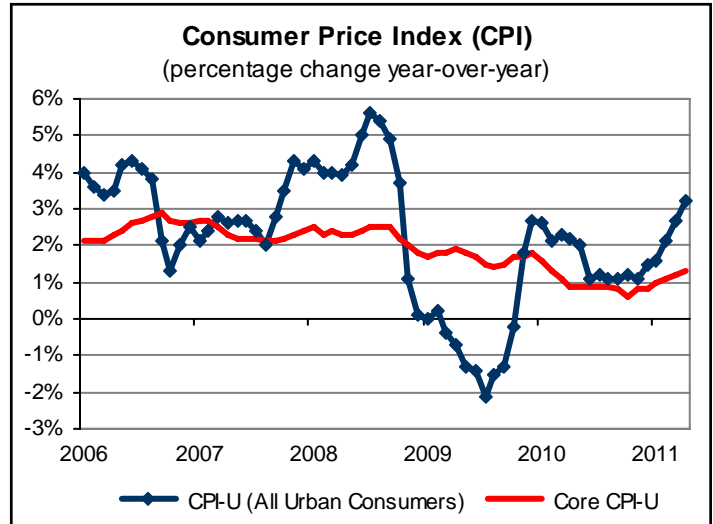
The Present Situation Index, which measures consumer confidence in current business and employment conditions, decreased to 39.3 in May from 40.2 in April.

The Expectations Index, which measures consumers' confidence in future business, employment and family income six months from now, declined to 75.2 from 83.1.



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 0.4 percent in April from the previous month and 3.2 percent from the previous year before seasonal adjustment, which was the largest year-over-year increase since October 2008. According to BLS, the increase in gasoline prices accounted for 50 percent of the seasonally adjusted increase of 0.4 percent in April. The energy and gasoline index registered its 10th consecutive monthly increase, 2.2 percent and 3.3 percent, respectively. The food index continued to rise (0.4 percent), although April's increase was lower than the increases seen in the prior three months.

The core CPI-U, which excludes food and energy and are historically more volatile than the prices of other components, rose 0.2 percent in April and 1.3 percent from the previous year before seasonal adjustment—the largest year-over-year increase since January 2010.

Components of the core CPI-U that contributed to the increase in April include: new vehicles (0.7 percent), used cars and trucks (1.2 percent), medical care (0.4 percent), shelter (0.1 percent), household furnishings and operations (0.2 percent) and apparel (0.2 percent). Components of the core CPI-U that increased from the previous year include airline fares (12.1 percent), medical care (2.9 percent), new vehicles (2.4 percent) and shelter (1 percent).

OTHER NATIONAL ECONOMIC INDICATORS (CONTINUED)

Real Gross Domestic Product (GDP)

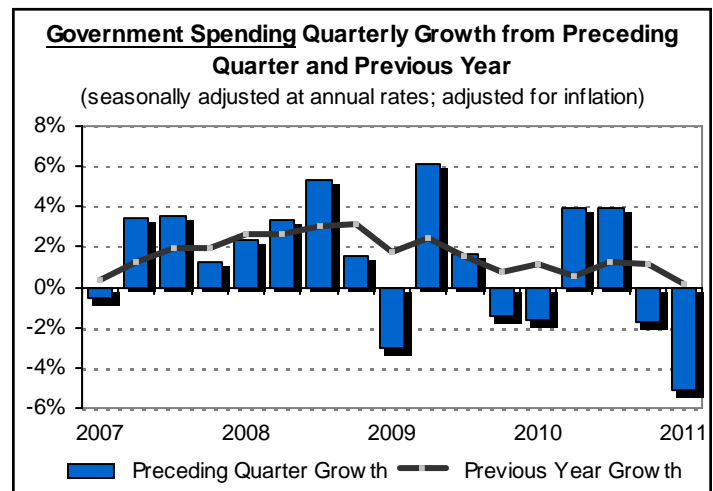
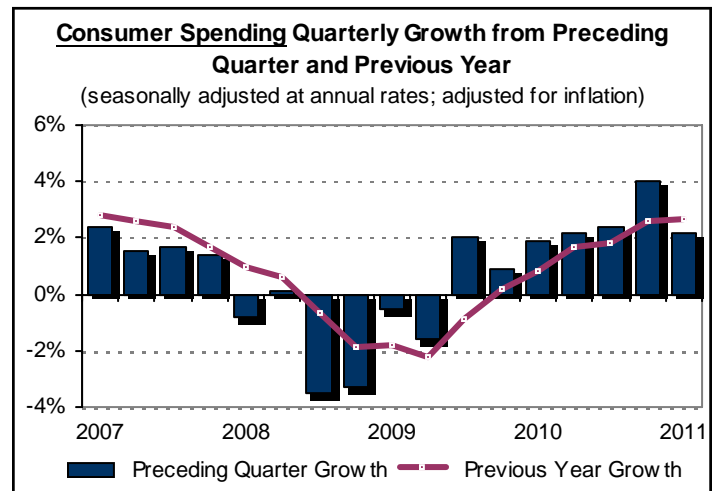
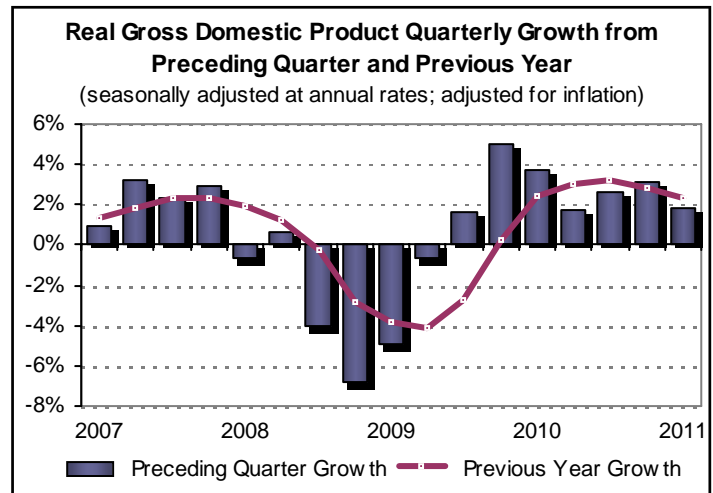
Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity.

The Bureau of Economic Analysis (BEA) reported that real GDP increased at an annual rate of 1.8 percent (second estimate) in the first quarter of 2011. This growth is weaker than the 3.1 percent growth in the fourth quarter of 2010.

The deceleration of real GDP in the first quarter of 2011 reflected lower growth in consumer spending, higher growth in imports, and decline in federal, state and local government spending.

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

- **Consumer spending**, which rose 2.2 percent, but is below the 4 percent increase in the fourth quarter of 2010. Consumer spending accounted for 71.1 percent of GDP (before adjusting for inflation) in the first quarter of 2011.
- **Business investment in equipment and software**, which rose by 11.6 percent after increasing 7.7 percent in the previous quarter.
- **Business investment in inventory** which increased \$52.2 billion, following a \$16.2 billion increase in the fourth quarter of 2010 and \$121.4 billion in the third quarter of 2010.
- **Exports of goods**, which increased 9.2 percent compared with an increase of 8.6 percent in the previous quarter.
- **Government spending** declined 5.1 percent in the first quarter of 2011, which is larger than the 1.7 percent decline in the fourth quarter of 2010. Government spending declined at all levels—federal, state and local. Federal spending declined 7.9 percent, which was entirely due to defense spending. The decline was much steeper than the 0.3 percent decline in the previous quarter. State and local government spending combined declined 3.2 percent, following a 2.6 percent decline in the previous quarter. Government spending accounted for 20.2 percent of GDP (before adjusting for inflation) in the first quarter of 2011.



Source: U.S. Bureau of Economic Analysis. Compiled by the Office of Budget and Management.