

MISSING MILITARY: DISCREPANCIES IN MILITARY DATA

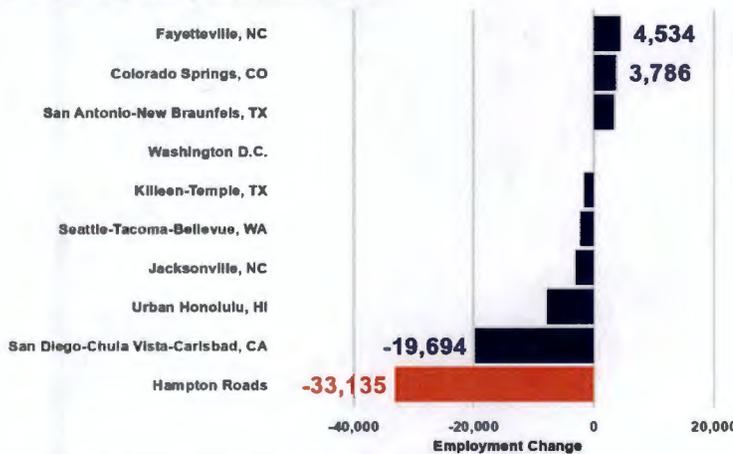
Access to accurate military data is essential for evaluating the economic conditions in regions with a heavy defense presence like Hampton Roads. The Defense Manpower Data Center (DMDC) is the authoritative source of personnel and financial data for the Department of Defense. DMDC data is used by the Census Bureau to measure the military population and the Bureau of Economic Analysis (BEA) to measure the military's portion of the regional economy. There are significant discrepancies in military statistics for Hampton Roads from the BEA and Census Bureau, leading to questions about the accuracy of DMDC's military personnel counts.

There appears to be a notable reporting error in the DMDC data for FY 2016 and FY 2017. Over 91,000 active-duty personnel, predominantly Navy, were relocated from the units' home port state to an overseas location. The largest impact was in Virginia, over the two-years active-duty personnel were reduced by 35,940. While the state DMDC estimates were corrected by FY 2018, a zip-code classification error continued to misrepresent the county home port of these personnel until FY 2021. According to the local DMDC estimates reported by the Office of Local Defense Community Cooperation (OLDCC), there were less than 17,000 active-duty personnel in Norfolk between FY 2017 and FY 2020, before rising to 49,691 in FY 2021.

The BEA began using DMDC data to measure the military in 2021. New and revised military employment and wages back to 2016 incorporate data from the DMDC. The revised estimates from 2016 to 2019 show military employment in Hampton Roads fell by 36,007 over the three-year period. In contrast to the DMDC data, the BEA estimates have not been corrected. As of 2022 military employment in the region remains 34% below 2016 levels. Graph 1 shows the stark contrast in the change in military employment in the region and San Diego, both home to a large navy presence, compared to other large military metro areas. State and local GDP estimates were also affected. Inflation-adjusted GDP for the military in Virginia decreased 11.1% between 2017 and 2022, a loss of approximately \$2.2 billion.

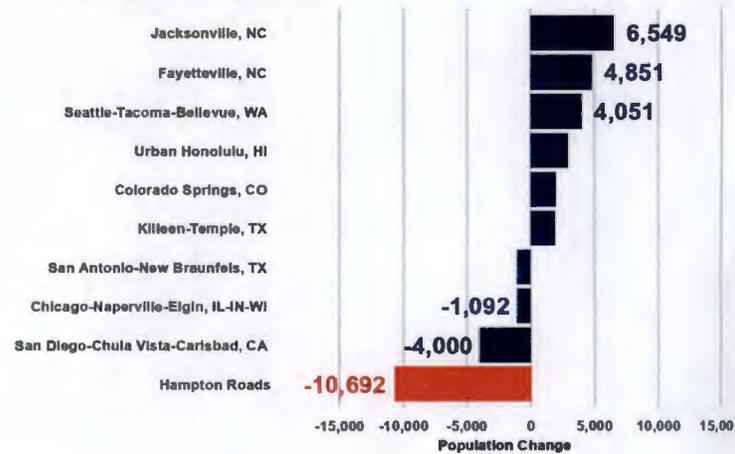
Graph 1: Change in Military Employment, 2016-2022

Top 10 Metros by Military Employment in 2022



Graph 2: Change in Military Group Quarters Population, 2010-2020

Top 10 Metros by 2020 Military Population



Data source: Bureau of Economic Analysis, U.S. Census Bureau, and HRPDC.

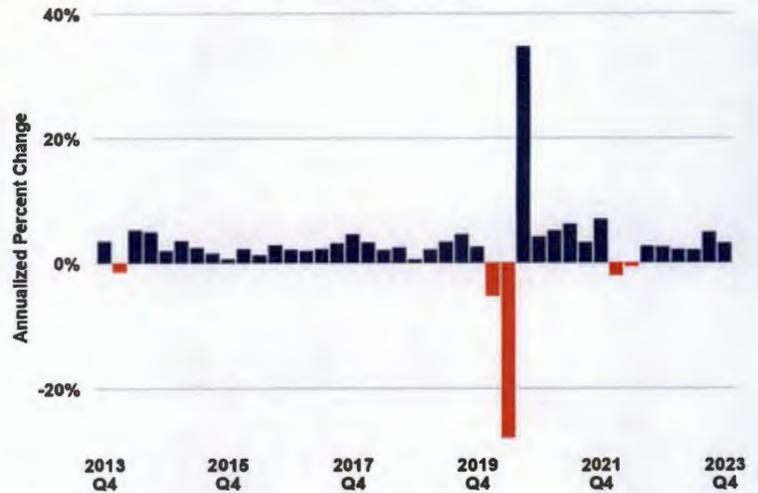
A similar pattern emerges in the Census Bureau population estimates. For the 2020 Census, the Census Bureau began using DMDC data for estimating the population living in military group quarters. From 2010 to 2020, the region's military population fell by 10,692, the largest numerical decline of any metro area. Among the largest military metro areas, the decline in Hampton Roads is a significant outlier (Graph 2). Within the region the loss in population was concentrated in Norfolk, which lost 9,672 residents living in military group quarters, a 43% decline over the decade.

While it appears the DMDC's estimates have been corrected for both states and localities as of the FY 2021 data, the Census and BEA estimates continue to reflect the inaccurate personnel levels through 2022. Inaccuracies in these datasets can impact state and local budget allocations, planning efforts, and more. The HRPDC is currently working with other organizations to correct these estimates. In the meantime, proceed with caution!

GDP, ANNUALIZED GROWTH RATE (Q) SOURCE: BUREAU OF ECONOMIC ANALYSIS, HRPDC

	Q4 2022	Q4 2023	Trend
United States	2.6%	3.2%	▲

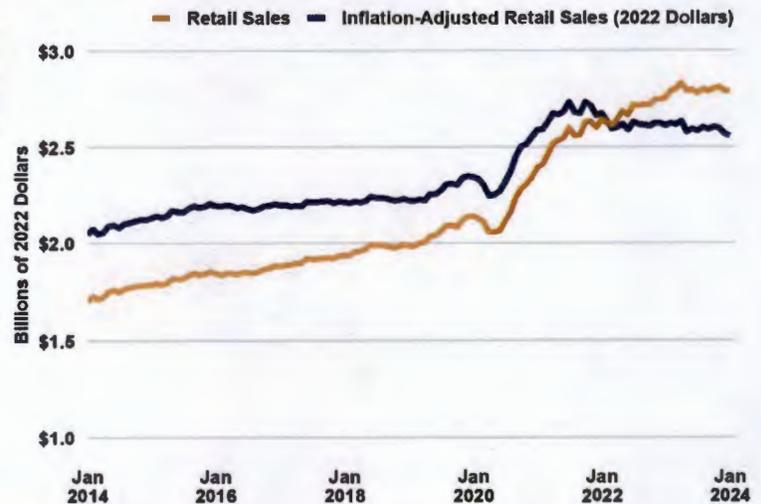
GDP: Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. Adjusted for inflation, GDP rose 3.2% in Q4 2023, a decline from the previous quarter and the second highest rate of growth since 2021. Personal consumption accounted for 2.0 percentage points of the 3.2% increase in Q4, followed by Government spending (0.73), Net Exports (0.32) and Gross Private Domestic Investment (0.17). Inflation adjusted GDP rose 2.5% in 2023, exceeding the previous year's rate of growth of 1.9%.



RETAIL SALES, SEASONALLY ADJUSTED (5 MONTH M.A) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

	Dec '23	Jan '24	Trend
Hampton Roads	\$2.75B	\$2.85B	▲
Virginia	\$14.62B	\$14.76B	▲

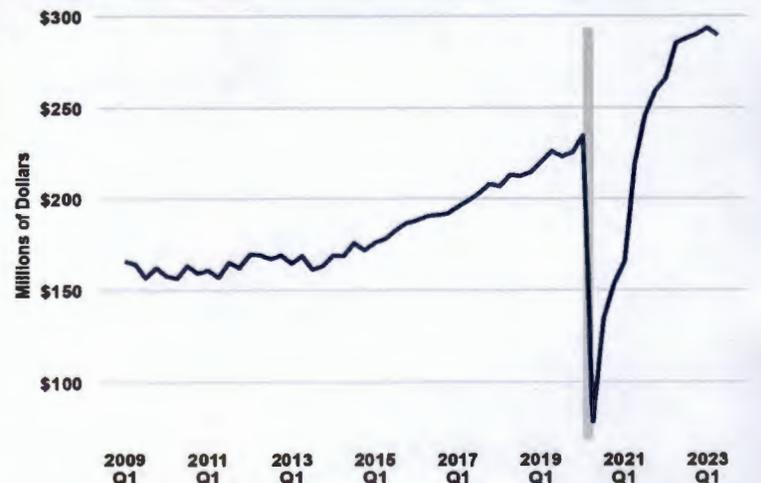
Retail Sales: Retail sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. When seasonally adjusted, January retail sales rose 1.9% from the previous month. Unadjusted, sales in January 2024 were up 2.5% year over year. While inflation has contributed to surge in nominal retail sales over the last two years, inflation-adjusted retail sales in January were 15.1% higher than levels observed in February 2020.



ESTIMATED HOTEL REVENUE, SEASONALLY ADJUSTED (Q) SOURCE: VIRGINIA DEPARTMENT OF TAXATION, HRPDC

	Q2 2022	Q2 2023	Trend
Hampton Roads	\$286M	\$290M	▲
Virginia	\$1.0B	\$1.1B	▲

Estimated Hotel Revenue: Hotel sales indicate the performance of the region's tourism sector. When seasonally adjusted, Q2 2023 hotel revenues increased 1.4% from the previous year. Hotel revenues declined 1.4% from the previous month, the first month-over-month decline in more than a year. Despite early signs of a cooling, hotels revenues remain 27.9% above pre-pandemic levels observed in Q2 2019.



CIVILIAN PAYROLL EMPLOYMENT (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

HISTORICAL TREND, SEASONALLY ADJUSTED



3-YEAR, NOT SEASONALLY ADJUSTED



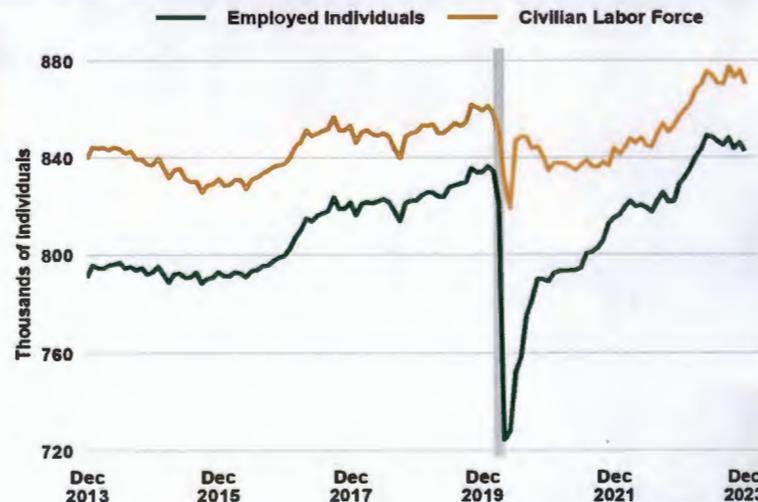
(seasonally adjusted)	Jan 2023	Dec 2023	Jan 2024	YoY % Change	MoM Trend
Hampton Roads	803,900	814,400	817,100	1.6%	▲
Virginia	4,140,100	4,191,300	4,200,000	1.5%	▲
United States	154,773,000	157,304,000	157,533,000	1.8%	▲

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. Seasonally adjusted, the number of jobs in January rose 1.6% from the previous month. Unadjusted, civilian jobs in January 2024 were up 1.9% year over year. In January the nation, Virginia, and the Hampton Roads region added jobs month over month. For all areas, however, job growth has slowed over the last year. On a seasonally adjusted basis, the region, state, and nation have recovered all the jobs lost during the pandemic. In January, civilian jobs in Hampton Roads, were up 1.9% from the pre-pandemic peak observed in February 2020.

LABOR FORCE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Labor Force	Emp	Unemp	LF Trend
Nov 2023	875,909	846,230	28,816	▼
Dec 2023	870,216	842,533	27,519	

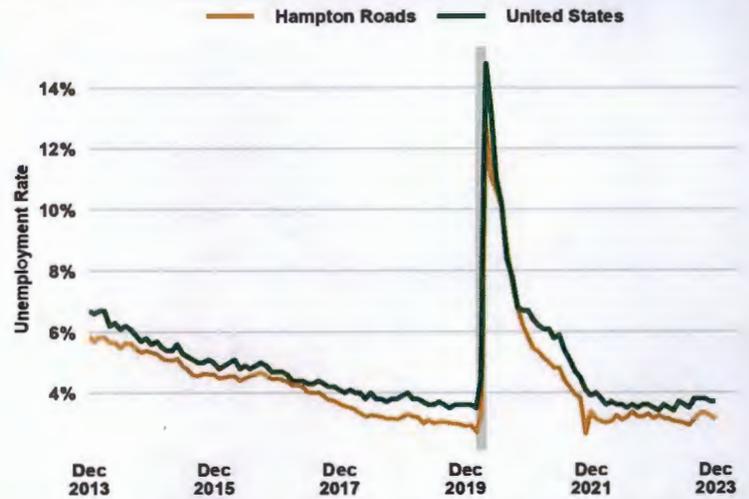
Labor Force: The Bureau of Labor Statistic's household survey measures the employment status of the civilian population 16 years and older. An area's labor force is comprised of the number of people working (employed) and those actively seeking work (unemployed). Seasonally adjusted, the Hampton Roads labor force in December 2023 decreased 0.6% from the previous month. Monthly labor force growth has slowed in the second half of 2023, an early sign labor market activity may be beginning to cool.



UNEMPLOYMENT RATE, SEASONALLY ADJUSTED (M) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

	Dec '22	Nov '23	Dec '23	Trend
Hampton Roads	3.1%	3.2%	3.1%	▼
Virginia	3.1%	3.1%	3.0%	▼
United States	3.5%	3.7%	3.7%	▼

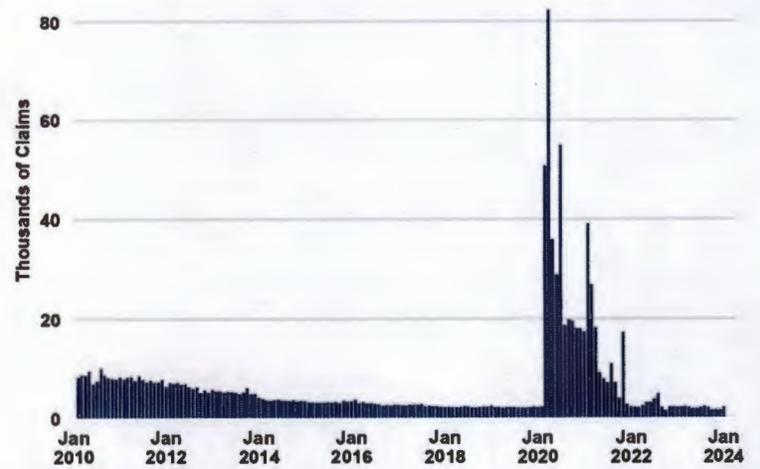
Unemployment Rate: The unemployment rate reflects the percentage of the labor force actively seeking work but unable to obtain a position. In December 2023, the Hampton Roads unemployment rate fell to 3.1%, a 0.1 percentage point decline from the previous month. The region's unemployment rate remains at historical lows, slightly above the 2.9% observed in February 2020.



INITIAL UNEMPLOYMENT CLAIMS, SEASONALLY ADJUSTED (M) SOURCE: VIRGINIA DEPT OF LABOR, HRPDC

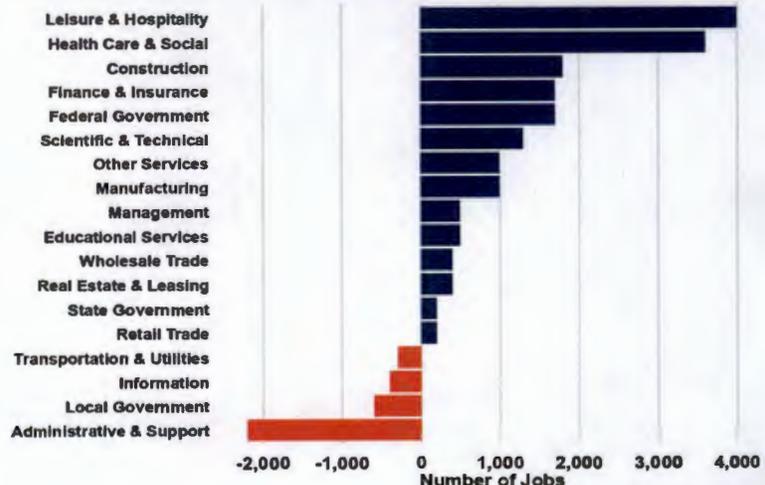
	Dec '23	Jan '24	Trend
Hampton Roads	1,631	2,138	▲
Virginia	8,189	9,428	▲

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. In January 2024, the number of initial claims filed for unemployment rose from the previous month. Claims filed in January were 6.5% below the level of claims filed in February 2020, another signal this historically tight labor market is loosening.



JOB GROWTH BY INDUSTRY (JAN, YEAR-OVER-YEAR) SOURCE: BUREAU OF LABOR STATISTICS, HRPDC

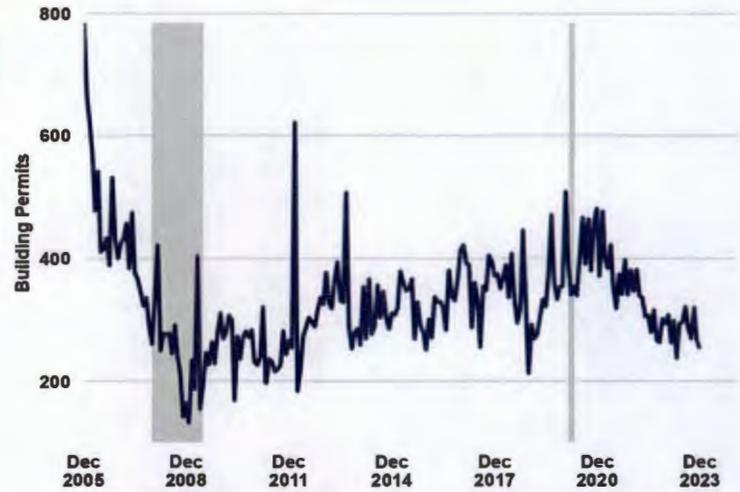
Civilian Job Growth by Industry: As the job market grows or contracts, there will be some industries whose experience does not resemble the regional trend. In January, most of the region's industry sectors experienced an increase in civilian payroll employment (jobs) compared to January 2023. The largest gains were in Leisure & Hospitality, which added 4,000 jobs when compared to January 2023. Healthcare and Social Assistance (+3,600) and Construction (+1,800) recorded the second and third largest gains. The Administrative & Support industry was down 2,200 jobs year over year, followed by Local Government (-600) and the Information Services (-400) sectors.



SINGLE FAMILY HOUSING PERMITS, SEASONALLY ADJUSTED (M) SOURCE: US CENSUS BUREAU, HRPDC

	Dec '22	Nov '23	Dec '23	Trend
Hampton Roads	294	268	253	▲

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 253 new construction permits issued for single family homes in December 2023, a 5.4% decrease from the previous month. The number of permits issued in 2023 were down 8.7% year over year and remain 15.6% below the number of permits issued in 2019. A higher interest rate environment will continue to pose challenges to this indicator in the short term.



NUMBER OF HOMES SOLD, SEASONALLY ADJUSTED (M) SOURCE: REIN, HRPDC

	Jan '23	Dec '23	Jan '24	Trend
Hampton Roads	2,292	1,986	2,133	▲

Home Sales: Settled home sales measure the level of transactions in the real estate market over time, and a healthy real estate market should have a consistent level of activity. Seasonally adjusted, total settled home sales rose to 2,133 in January, an increase of 7.4% from the previous month. New home sales, representing 10.2% of total sales, rose 23.9% from December. The sale of existing homes, the remaining 89.8% of total home sales, rose 2.9% month-over-month. Compared to the same month last year, total sales in January were down 3.1%.



30-YEAR FIXED RATE MORTGAGE AVERAGE (M) SOURCE: FREDDIE MAC, HRPDC

	Feb '23	Jan '24	Feb '24	Trend
United States	6.3%	6.6%	6.7%	▲

30-Year Mortgage Rate: 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. Shifts in the cost of borrowing for housing have a substantial influence on housing market trends. The mortgage rate has declined from the peak in the Summer of 2023, but the downward trend has not been consistent as February marks the first increase after three straight months of declines in the mortgage rate.

