ECONOMIC INDICATORS

CITY OF NORFOLK
OFFICE OF BUDGET AND STRATEGIC PLANNING

Last Update: September 10, 2015

ISSUE HIGHLIGHTS…..

- **Norfolk Unemployment:** Norfolk's unemployment rate (not seasonally adjusted) fell to 6.0 percent in July, which was below last month's rate and last year's rate by 0.2 percentage point and 0.8 percentage point, respectively. (See page 1)
- **State Employment:** Virginia's (not seasonally adjusted) nonfarm employment rose year-over-year by 1.4 percent (51,600 jobs) in July to 3,828,000. On a *seasonally adjusted* basis, Virginia's nonfarm employment continued to be above its pre-recession peak by 29,700 jobs in July for the 4th straight month. (See page 2)
- **Regional Employment:** Hampton Roads' nonfarm employment (not seasonally adjusted) in July was above last year by 1.4 percent (10,300 jobs). Nonfarm employment (not seasonally adjusted) increased over the year in July in all Virginia metro areas, except Roanoke. (See page 2)
- **Regional and Norfolk Housing Market:** Through July, the average sales price of homes sold in Hampton Roads rose 4.6 percent to $242,769 from $232,004 last year. In Norfolk, the average sales price of homes sold rose 9.8 percent to $207,816 from $189,242 last year. (See page 3)
- **Norfolk Residential Building Permits:** Housing units permitted through June were below last year by 292 units, from 907 units last year to 615 units this year. The decline was largely from housing units permitted in nonresidential buildings being converted to apartments. (See page 4)
- **Norfolk Sales Tax:** Norfolk sales tax collections in July totaled about $2.5 million, which was 6.2 percent (or about $166,000) below last year. This is the first month of collection for the fiscal year (FY) 2016. Next month's collection (August) will reflect Virginia's three sales tax holidays which was combined into one three-day holiday starting this year. (See page 5)
- **National Economy:** In the second quarter of 2015, real GDP rose faster than previously estimated, rising at an annual rate of 3.7 percent (second estimate), 1.4 percentage points above the first estimate (2.3 percent). (See page 6)

The ***City of Norfolk Economic Indicators*** is available online at:
http://www.norfolk.gov/index.aspx?NID=437

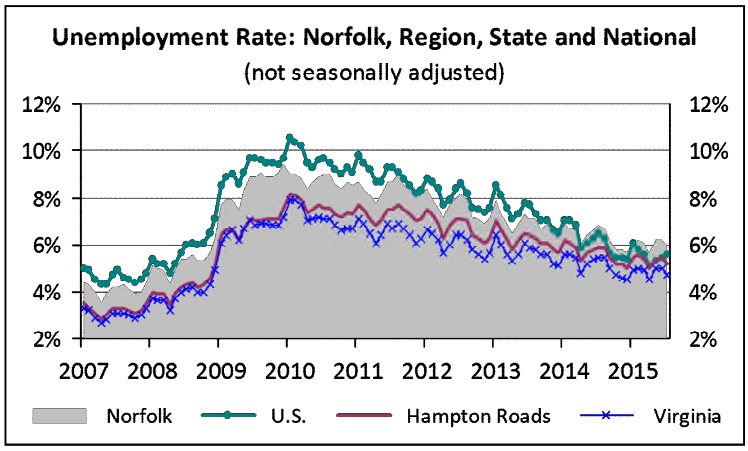
Residential Employment

Unemployment Rates (not seasonally adjusted rates)

	July 2015*	June 2015**	July 2014**	10-Year Average 2005-14
Norfolk	**6.0%**	**6.2%**	**6.8%**	**6.5%**
Chesapeake	4.9%	5.2%	5.6%	5.2%
Hampton	6.3%	6.5%	7.0%	6.5%
Newport News	5.6%	5.9%	6.5%	6.1%
Portsmouth	6.6%	6.7%	7.2%	7.0%
Suffolk	5.2%	5.6%	6.0%	5.6%
Virginia Beach	4.5%	4.8%	5.2%	4.7%
Hampton Roads	5.2%	5.5%	5.9%	5.5%
Virginia	4.7%	5.0%	5.5%	5.1%
United States	5.6%	5.5%	6.5%	7.0%

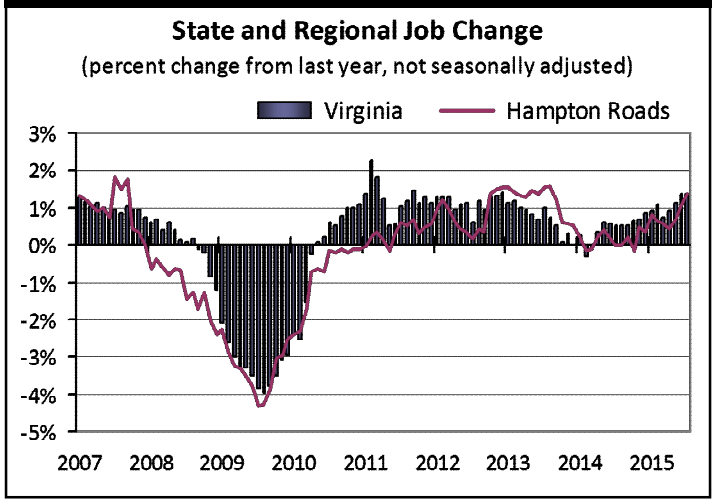
The Bureau of Labor Statistics (BLS) reported Norfolk's unemployment rate (not seasonally adjusted) fell to 6.0 percent in July, which was below last month's rate and last year's rate by 0.2 percentage point and 0.8 percentage point, respectively. The unemployment rate in the other seven major cities in the region, as well as in the region, state, and nation were also below last month and last year's rates. In other areas, BLS reported (not seasonally adjusted) unemployment rates in July were lower than last year in 359 of the 387 metropolitan areas nationwide.

Among the seven major cities, only Chesapeake, Suffolk, and Virginia Beach had rates below the national rate (5.6 percent, not seasonally adjusted), similar to the region and the state overall. Among the 387 metropolitan areas, 187 areas had rates below the nation's rate, 185 areas had rates above the nation's rate, and 15 areas had rates equal to that of the nation.



Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. * Preliminary, subject to revision. ** Revised.

State and Regional Employment



Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year by 1.4 percent (51,600 jobs) in July to 3,828,000. On a *seasonally adjusted* basis, Virginia's nonfarm employment remains above its pre-recession peak by 29,700 jobs in July for the 4th straight month.

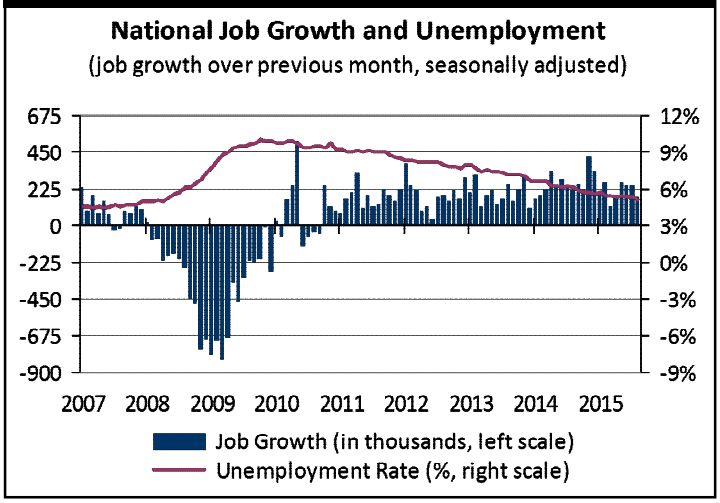
Hampton Roads' nonfarm employment (not seasonally adjusted) in July was above last year by 1.4 percent (10,300 jobs). According to the Bureau of Labor Statistics, Hampton Roads was among the 322 of 387 metropolitan areas where nonfarm employment (not seasonally adjusted) increased over the year. Nonfarm employment (not seasonally adjusted) increased over the year in July in all Virginia metro areas, except Roanoke. However, unlike Virginia, employment in Hampton Roads on a *seasonally adjusted* basis continued to below its pre-recession peak.

July Job Change in Select Industries

(**not** seasonally adjusted[1]; job change is from previous year)

	Hampton Roads[2]	Virginia[2]
Construction	2,600	8,300
Manufacturing	-100	4,000
Retail Trade	1,200	1,700
Wholesale Trade	0	300
Transportation and Utilities	0	4,400
Information	-200	0
Financial Activities	2,900	4,100
Professional and Business Services	1,300	6,800
Professional/Technical Services	*-700*	*2,700*
Management of Companies	*-200*	*-800*
Administrative/Waste Management	*2,200*	*4,900*
Employment Services	*100*	*3,800*
Educational and Health Services	500	11,600
Leisure and Hospitality	1,200	6,200
Government	-1,000	1,100
Federal Government	*0*	*1,000*
State Government	*0*	*800*
Local Government	*-1,000*	*-700*

National Employment



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose 173,000 in August, the lowest monthly gain since March. In August, the manufacturing, mining, and information sectors lost jobs, while job gains in retail trade and warehousing sectors slowed. However, BLS revised upwards the job gains in July and June by 30,000 jobs and 14,000 jobs, respectively, which brought the net job gain through August to nearly 1.7 million jobs, an average of 212,000 jobs per month. Both the private sector and public sector as a whole have had a net increase in employment through August, and among the major industries, only mining has had a net decline in employment year-to-date. In August, the *seasonally adjusted* unemployment rate fell to 5.1 percent, the lowest rate since April 2008, from the July rate of 5.3 percent.

National Job Change by Industry

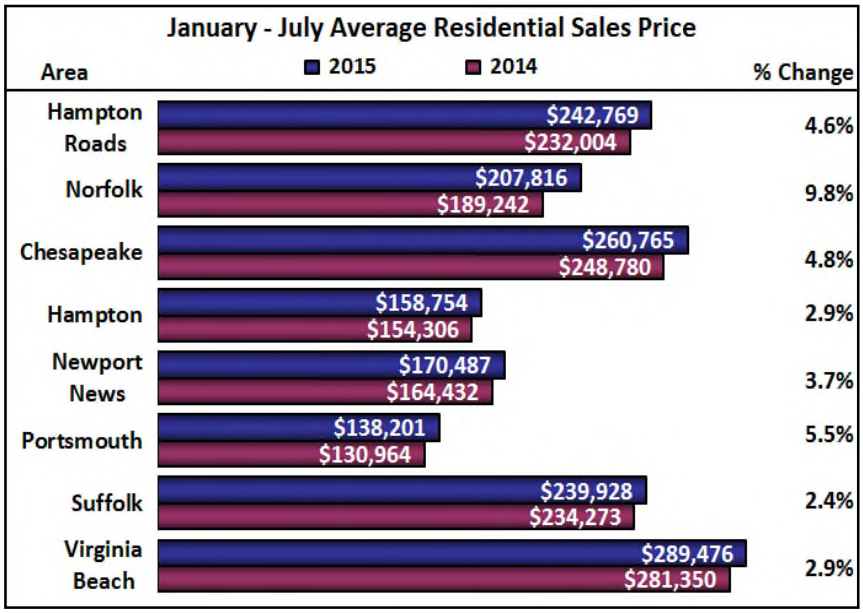
(seasonally adjusted; July/August change is from previous month)

	July 2015[3]	August 2015[2]	2015 YTD[3]
Mining and Logging	-6,000	-10,000	-90,000
Construction	7,000	3,000	113,000
Manufacturing	12,000	-17,000	28,000
Trade/Transportation/Utilities	55,000	28,000	330,000
Information	2,000	-7,000	18,000
Financial Activities	21,000	19,000	118,000
Professional/Business Services	39,000	33,000	382,000
Educational/Health Services	53,000	62,000	432,000
Leisure and Hospitality	30,000	33,000	237,000
Other Services	11,000	-4,000	35,000
Government	21,000	33,000	93,000
Federal Government	*0*	*2,000*	*6,000*
State Government	*-2,000*	*9,000*	*13,000*
Local Government	*23,000*	*22,000*	*74,000*
Total Job Growth	**245,000**	**173,000**	**1,696,000**

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. [1] Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. [2] Preliminary, subject to revision. [3] Revised.

Regional Housing Market

January - July Home Sales	Housing Units Sold		Average Days on Market	
	2014	2015	2014	2015
Hampton Roads	12,074	13,498	85	86
Norfolk	1,465	1,629	80	90
Chesapeake	1,907	2,160	71	67
Hampton	766	915	107	100
Newport News	1,026	1,085	96	92
Portsmouth	775	772	93	99
Suffolk	772	815	92	92
Virginia Beach	3,373	3,890	71	69



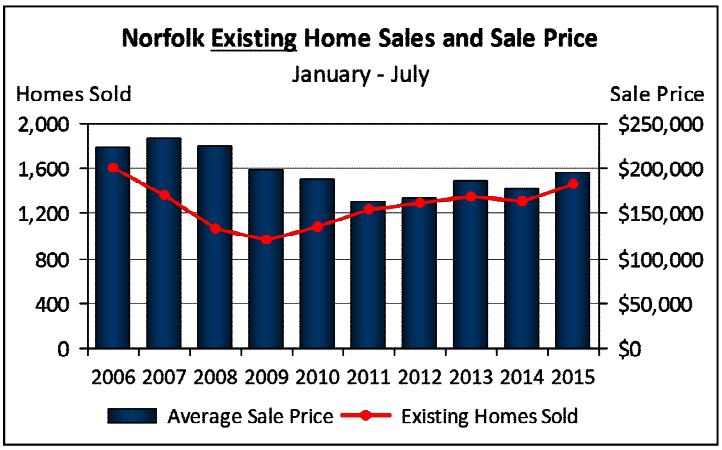
The Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads from January through July rose 4.6 percent, from $232,004 last year to $242,769 this year. All of the region's seven major cities have also had an increase in the average sales price of homes sold year-to-date through July, with Norfolk having the highest percentage increase (9.8 percent) and Suffolk the lowest percentage increase (2.4 percent). REIN reported that the impact of distressed homes, which are typically sold at a discount, continued to trend down in the region. Distressed homes accounted for 15.8 percent of home sales in the region, which is significantly below the peak reached in March 2011 when they comprised nearly 43 percent of homes sold.

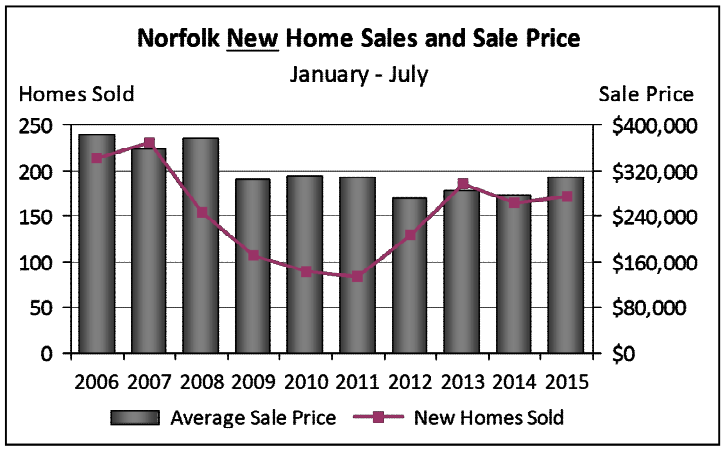
The number of homes sold in Hampton Roads through July rose by about 11.8 percent from the same period last year. All the seven major cities, except Portsmouth, had an increase in home sales year-to-date through July. REIN indicated the region continues to maintain strong pending sales momentum, with July pending sales reported to be 23.3 percent above the previous year. Among the seven major cities, Portsmouth had the smallest increase (6.7 percent), while Hampton had the highest increase (40.7 percent) followed by Norfolk (39.0 percent). REIN also reported the region's months' supply of homes for sale was 7.1 months, slightly above six months which is considered a "balanced" market.

Norfolk Housing Market

The average sales price of existing and new homes sold in Norfolk through July were both higher than in the same period last year. The average sales price of existing homes sold year-to-date was about $195,900 which was about 10 percent above last year's average of $178,000, while the average sales price of new homes sold year-to-date was 11 percent above last year, from $277,800 last year to $308,500 this year. Similar to the past two months, the increase in the average sales price was seen in sales of both new and existing *detached* and *attached* homes sold in Norfolk.

Sales of both existing and new homes in Norfolk through July were both above last year by about 12 percent (157 homes) and 4.2 percent (7 homes), respectively. For existing homes, the increase was mainly from homes sold for $100,000 and above. For new homes, the increase was mainly from new detached homes and from new homes sold for $300,000 and above. Through July, home sales overall in Norfolk were up 11.2 percent (164 homes).



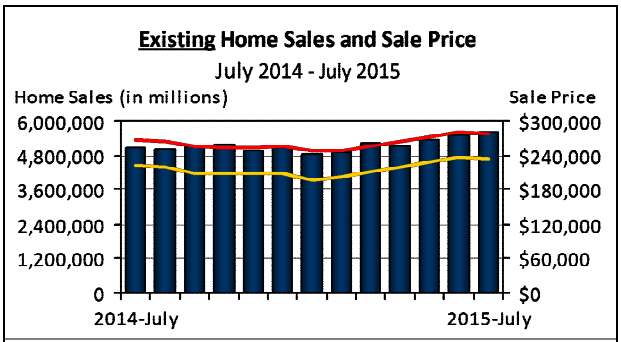


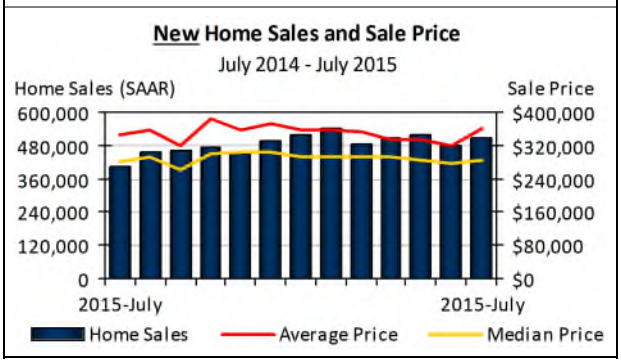
Source: Real Estate Information Network (REIN)

National Housing Market

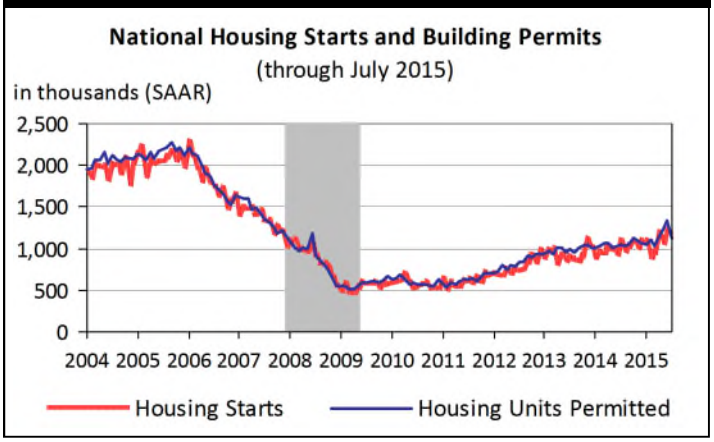
Existing home sales nationwide rose 2.0 percent in July to a seasonally adjusted annual rate (SAAR) of 5,590,000 from last month's revised 5,480,000 rate (June 2015) and was 10.3 percent above last year's rate of 5,070,000 (July 2014). The National Association of Realtors (NAR) noted home sales were at their highest rate since February 2007. NAR attributed the sales growth to job creation and the prospect of higher interest rates and home prices inducing more to buy now. However, NAR indicated the low inventory of homes for sale and declining affordability as home prices rise faster than incomes could dampen demand. Likewise, new home sales rose 5.4 percent from last month to 507,000 (SAAR) and was above last year's rate of 403,000 by 25.8 percent.

The average sales price of existing homes rose 3.9 percent to $278,000 from $267,500 last year. The average sales price of new homes also rose by 4.8 percent to $361,600 from $345,200 last year. In July, the inventory of existing and new homes was at a 4.8 and 5.2 month supply, respectively, at the current sales pace.





National New Residential Construction

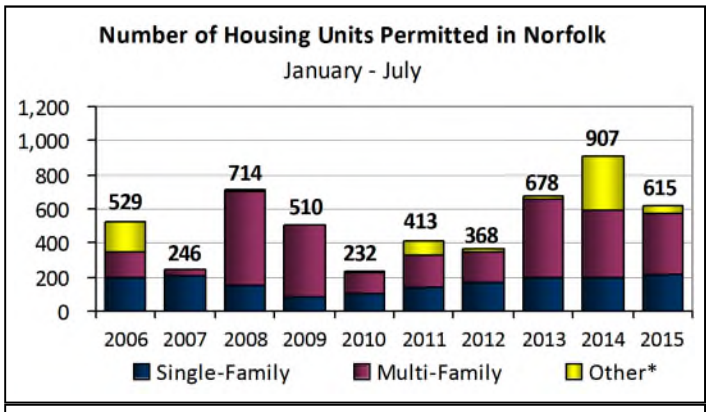


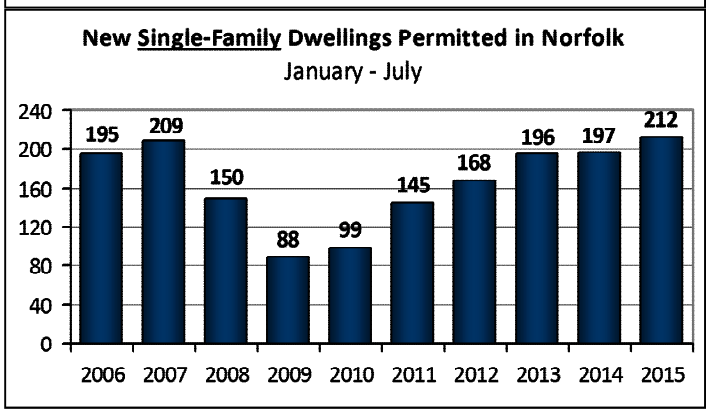
The Census Bureau reported privately-owned housing units authorized by building permits fell 16.3 percent in July to a seasonally adjusted annual rate (SAAR) of 1,119,000 from last month's revised 1,337,000 rate (June 2015). Compared to last year (July 2014), housing units authorized by building permits were up 7.5 percent. Authorizations in buildings with five or more housing units accounted for most of the decrease from the previous month and the increase from the previous year.

Privately-owned housing starts in July were 1,206,000 (SAAR) which was 0.2 percent above the revised 1,204,000 rate (June 2015). Compared to last year (July 2014), housing starts were 10.1 percent above last year's revised rate of 1,095,000 (SAAR). Single-family housing starts accounted for most of the increase from the previous month and previous year, offsetting the decline in starts of buildings with five or more housing units. The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building.

Norfolk Residential Building Permits

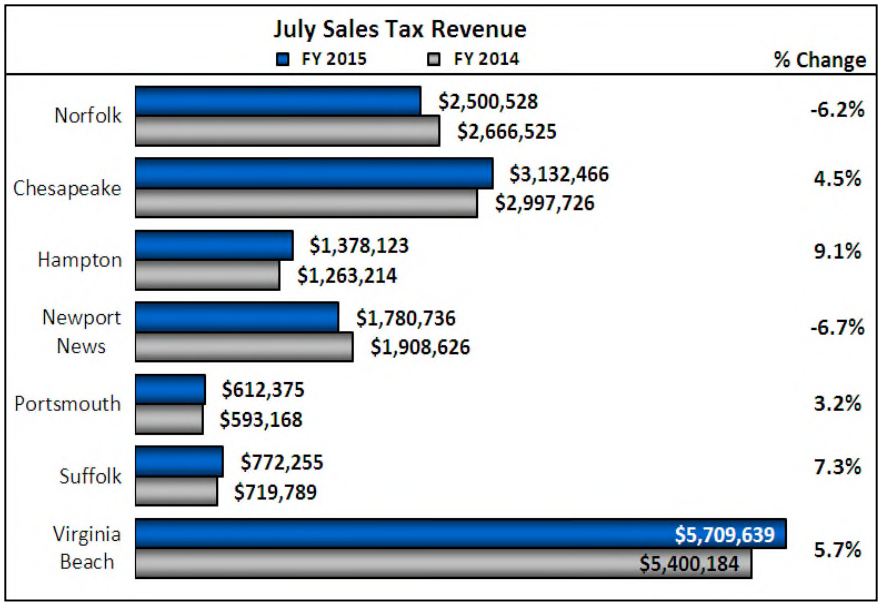
In Norfolk, housing units permitted through July were below last year by 292 units, from 907 units last year to 615 units this year. The decline was mostly from housing units permitted in nonresidential buildings being converted to apartments. This year, only the conversion of the Virginia Building has been permitted, while last year's activity included permitting the conversion of the Madison and Trader office buildings, as well as reissuing the permit for converting the Union Mission building.





Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Note: Norfolk housing units permitted in prior years may be revised due to cancelled, abandoned, expired and revoked permits.

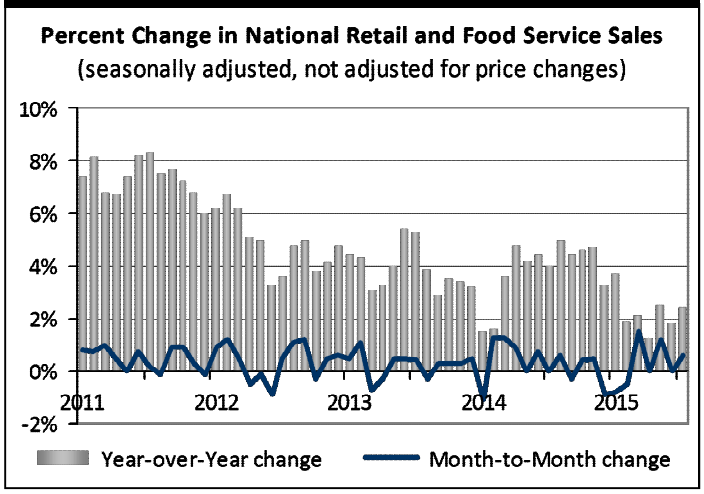
Norfolk and Regional Sales Tax



The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in July totaled about $2.5 million, which was 6.2 percent (or about $166,000) below last year. This is the first month of collection for the fiscal year (FY) 2016. Next month's collection (August) will reflect Virginia's three sales tax holidays which was combined into one three-day holiday starting this year.

Sales tax revenue increased in all the other major cities in the region, except in Newport News, where the percentage decline was slightly above that of Norfolk. Among the seven major cities, Hampton had the largest percentage growth (9.1 percent) while Virginia Beach had the largest dollar growth (about $0.3 million) in July. Virginia Beach's collection for the month was the highest at least since FY 2001.

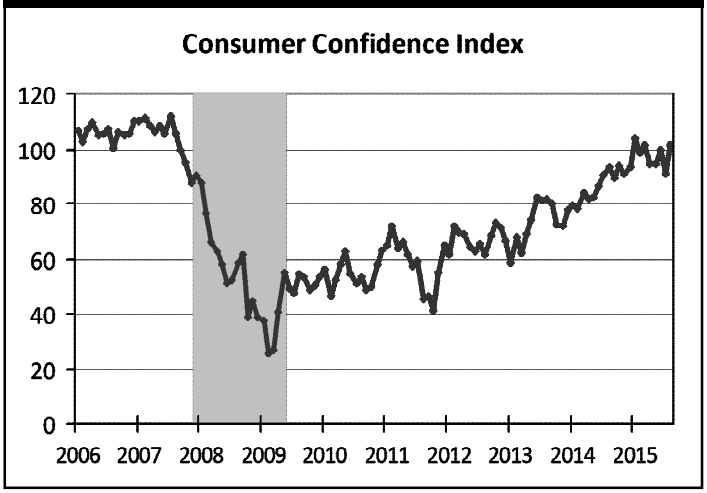
National Retail and Food Service Sales



The U.S. Census Bureau reported national retail and food services sales rose 0.6 percent (preliminary) in July from the previous month (June 2015). Moreover, retail sales in June was revised upwards to being unchanged which was better than the previous estimate of a 0.3 percent decline from May 2015. The increase from the previous month was largely due to sales from motor vehicle and parts dealers, nonstore retailers, restaurants and bars, building materials and garden supply dealers, and gas stations.

Compared to last year (July 2014), retail and food service sales rose 2.4 percent (preliminary). The majority of the year-over-year increase were sales from motor vehicle and parts dealers, restaurants and bars, nonstore retailers, and food and beverage stores. However, the year-over-year increase was fairly broad based. The decline in sales were mostly from gas stations (16.6 percent) and more moderate decline in sales from department stores, and electronics and appliance stores.

Consumer Confidence Index

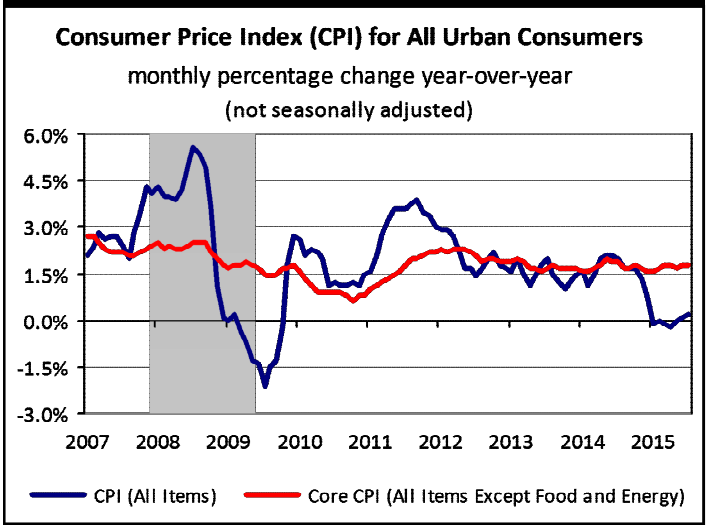


The Conference Board reported the Consumer Confidence Index rebounded in August to its highest level since January 2015 to 101.5 from 91.0 in July (revised). Both consumer confidence in current and future conditions rose in August. The Expectations Index, which measures consumer confidence in business, employment, and family income six months from now, rose to 92.5 from 82.3 in July (revised), while the Present Situation Index which measures consumer confidence in current conditions rose to 115.1 (its highest level since November 2007) from 104 (revised).

Lynn Franco, Director of Economic Indicators at The Conference Board noted, "Consumers' assessment of current conditions was considerably more upbeat, primarily due to a more favorable appraisal of the labor market. The uncertainty expressed last month about the short-term outlook has dissipated and consumers are once again feeling optimistic about the near future. Income expectations, however, were little improved."

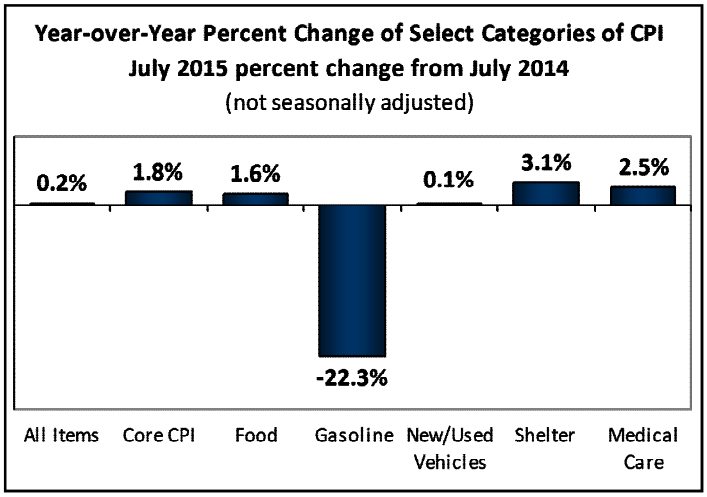
Source: Virginia Department of Taxation (TAX), U.S. Census Bureau, and Conference Board.

Consumer Price Index



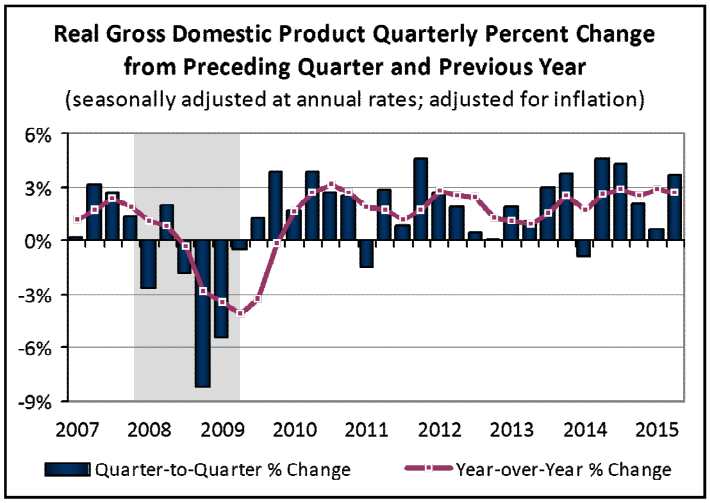
The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose for the sixth straight month in July by 0.1 percent (seasonally adjusted). Food prices rose 0.2 percent, reflecting the 0.3 percent rise in the food at home index, while the food away from home index was unchanged. Energy prices rose 0.1 percent, as the increase in gasoline more than offset the decline in fuel oil, electricity, and natural gas indexes. The core CPI (which excludes food and energy prices) rose 0.1 percent, reflecting the increase in the shelter, medical care, and apparel indexes.

Compared to the previous year (July 2014), the CPI rose 0.2 percent before seasonal adjustment, the largest year-over-year increase since December 2014. Among the major expenditure categories, energy prices fell 14.8 percent from last year and has declined year-over-year since September 2014. All the major energy components (gasoline, fuel oil, electricity, and natural gas) fell year-over-year. In contrast, food prices rose 1.6 percent from last year. The core CPI (which excludes food and energy prices) rose year-over-year by 1.8 percent.



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 real GDP rose faster in the second quarter of 2015 than previously estimated, rising at an annual rate of 3.7 percent (second estimate), 1.4 percentage points above the first estimate (2.3 percent). The revision reflected higher business and inventory investment, state and local government spending, and consumer spending, and lower imports (a subtraction from real GDP) than previously estimated. BEA indicated the second estimate is based on more complete source data than were available for the first estimate.



Real GDP growth in the second quarter was also faster than the 0.6 percent rate in the first quarter which was largely due to the following:

- higher growth in **consumer spending** (3.1 percent vs. 1.8 percent in the first quarter of 2015), mostly motor vehicles, recreational goods and vehicles, food and beverage, and clothing and footwear;
- **business investment** rising 3.2 percent compared to 1.6 percent in the first quarter;
- businesses **increased inventories** $121 billion, after increasing $112.8 billion in the first quarter;
- **exports** rising 5.2 percent after declining 6.0 percent in the first quarter;
- **imports**, which are a subtraction from real GDP, rising 2.8 percent, which was below the 7.1 percent growth in the first quarter; and
- **state and local government spending** rising 4.3 percent, after declining 0.8 percent in the first quarter.

In contrast, federal government spending was flat in the second quarter, as growth in defense spending was offset by the decline in nondefense spending. Residential investment decelerated in the second quarter, rising 7.8 percent compared to 10.1 percent in the first quarter.

Source: U.S Bureau of Economic Analysis. Shaded areas represent recession as determined by the National Bureau of Economic Research.