

# ODU Economic Forecast Says Signs Point to a Strong Recovery in 2021

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Every year, Old Dominion University's annual Economic Forecast provides what has come to be recognized as an accurate prediction of the financial year ahead for Hampton Roads, Virginia and the nation.

Except last year, that is. "COVID-19 basically threw our forecast out the window," said Economic Forecasting Project director Vinod Agarwal, an ODU professor of economics.

With the understanding that variables such as global pandemics can cause chaos for predictions, this year's Economic Forecast predicts a strong rebound in the economy, both nationally and in Hampton Roads. That is partly because of the devastating shock to the economy caused by the worldwide COVID-19 pandemic. "We have a long way to recover," Agarwal said.

The ODU economist said, intuitively, that the hospitality and brick-and-mortar retail industries were hit hard by the pandemic and accompanying stay-at-home orders. Conversely, the local residential housing market saw almost no effect of COVID-19, with the median sale price of residential homes increasing by 9% last year. "It appears that homeowners and the real estate industry quickly adapted to doing business in a pandemic," Agarwal said. "You have homeowners deciding they need to increase the size of their residence because of increased use of home offices."

This is the 26th straight year that Agarwal has delivered an Economic Forecast for the region. In every one of those years, Agarwal has suggested Hampton Roads would be well-served by diversifying its economy and relying less on direct federal defense spending.

However, in 2021, planned increases in defense spending is one of the things that could help fuel economic recovery in Hampton Roads, Agarwal said. His regional forecast predicts the local economy will grow by 4.4% in real gross domestic product, following a 2.5% GDP contraction in 2020.

Robert M. McNab, professor and director of the Dragas Center, was even more exuberant in his nationwide economic forecast for 2021. Though COVID-19's devastating effects still cascade through the entire economy, a gradual decline in infection rates, and - more importantly - the rollout of life-saving vaccines, suggest the economy could spring to life later in 2021.

"There is a significant opportunity, if we play our COVID cards and vaccine right, that we could experience another 'Roaring '20s' in the second half of 2021," McNab said. His Virginia and United States forecasts predict real GDP growth of 3.5% and 4%, respectively, and even stronger growth in the job market.

This forecast is predicated on the continuation of an accelerated vaccine rollout, the coronavirus behaving in a predictable fashion and a period of relatively stable national and international politics. As 2020 revealed, these events are far from guaranteed.

The Dragas Center for Economic Analysis and Policy in the Strome College of Business at Old Dominion University undertakes a wide range of economic, demographic, transportation and

defense-oriented studies. Since 1999, the Dragas Center has produced influential State of the Region Reports for Hampton Roads.

The Center also conducts forecasts for the U.S., Virginia and Hampton Roads and produces the State of the Commonwealth Report. For more information, including previous State of the Region and Commonwealth Reports, as well as Economic Forecasts, visit the [Dragas Center Website](#).

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