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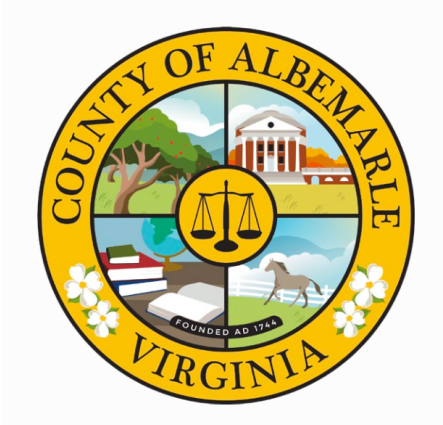


# Annual Economic Outlook Report for Albemarle County, Virginia October 12, 2026

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# I. Executive Summary

This Annual Economic Outlook Report for Albemarle County, Virginia, provides a comprehensive review of the continued intricate and unique circumstances of the U. S., state, and local economies that continue to provide the framework for assessing the economic conditions for Albemarle County and the Commonwealth of Virginia. The report evaluates a broad range of national, state, and local indicators tailored to Albemarle County's economy and community. Further, key trends of pertinent sectors impacting Albemarle County's economy, financial planning, and community were researched, evaluated, and incorporated throughout the report and the analysis has been deepened to gauge the emerging impacts of major federal policy changes. Finally, the report also provides conclusions and recommendations to support Albemarle County's strategic and financial planning and the advancement of its goals and mission.

The U.S. economy has exhibited notable resilience thus far in 2026 despite rising inflation associated with the energy supply and price shocks from the Iran war, the continuing price pressures of tariffs on producers and consumers, other geopolitical disruptions, distinctly lower consumer sentiment, and frequent policy changes and ongoing uncertainty, that were partially offset by growth in AI investments and health care and stronger real income growth and spending by higher-income households.

Within this environment of geopolitical disruption and uncertainty, most prominent forecasts for 2026 were downgraded after the initial energy price shocks from the Iran war earlier this year, then revised upward after the knotty Iran war cease fire this summer and the U.S. economy exhibited resilience, heavily rooted in AI investment activity. As of this writing, U.S. real GDP (the primary barometer of economic growth) is generally projected to experience near- or above-trend growth overall into next year, with 1.9%-2.3% growth in 2026 with a median forecast of 2.2% among the prominent forecasts noted in Table 2 below, and companion growth in 2027 in the 1.9%-2.4% range with a median forecast of 2.1%. All prominent forecasts expect continued resilient economic growth despite ongoing disruptions in their 2027 forecasts with varying views on the extent to which war-related energy supply lines and costs, inflation, technology investments, and consumer spending will impact the growth pace going forward. Current forecasts are limited for 2028 and preliminarily project normal-trend growth generally (Table 3; Federal Reserve, National Association for Business Economics (NABE), Conference Board, S&P Global, Fitch Ratings, Wells Fargo Economics, KPMG Economics, and University of Michigan, International Monetary Fund (IMF)).

Along with the national reviews, the report provides a detailed analysis of Virginia's economy and its relationship to the national economy, including overall economic growth, labor market trends, and consumer and housing activity. The report finds that Virginia's economy also has exhibited remarkable resilience thus far in 2026 despite deep federal employment and contracting cuts that heavily impacted the state and led to total net loss of jobs in Virginia in 2025 that are continuing into 2026. Like the nation, the data imply that AI-related investments and growth in health care have helped offset the impact of the federal cuts in Virginia and are projected to continue into next year.

For Albemarle County, Virginia, the report provides a detailed analysis of the County's economic trends and outlook, including overall economic growth; labor market trends; consumer, housing, and business activity; as well as the relationship between the County's economic indicators and those of the state and nation. The Albemarle County region likewise has exhibited resilience in spite of the impact of federal employment and contracting cuts with the region actually having modest job growth in 2025 and moderate job growth thus far in 2026. The latest data imply that continued growth in health care services and state government helped offset job losses in the region in the federal government and professional and business services.

The report finds that the outlook is "cautious" with several dynamics operating. The AI investment boom is fueling U.S. and Virginia's business and consumer activity and greatly supporting overall economic growth currently, along with continued growth in health care. As such, continued economic resilience is projected in the face of inflationary pressures from high energy prices, elevated tariffs, continued geopolitical and trade disruptions, and ongoing high levels of policy uncertainty. Consumers are signaling major concerns about inflation, jobs, and their future finances in significantly weaker consumer confidence and sentiment. Yet, consumer spending, while cautious, could possibly continue to provide a foundation to the economy as it did in 2021–2022 when consumer confidence and sentiment also soured due to inflation. However, the growth in total U.S. consumer spending is currently predominantly dependent on the spending of higher-income households that are boosted by stock-market wealth. Any slowdown in the AI investment boom could ripple across the economy and impact both business and consumer activity overall.

Swirling winds, positive and negative, are impacting economic forecasts at this writing. Headwinds, or downside risks to the national economy include: continued geopolitical risks and disruptions, substantial trade and fiscal policy changes, ongoing policy uncertainty, inflationary pressures and sticky core inflation in the U.S. and abroad; labor market cooling and uncertainties, cooling consumer and business demand and spending, stagflation-like conditions simultaneously exerting opposing pressures on Federal Reserve monetary policy, U.S. administration challenges to the Federal Reserve's independence and the uncertain impact on the interest rate environment and credit conditions, significant projected increases in the U.S. federal and AI-related debt and impacts, a slowdown in Ai investments upon which the economy is highly dependent, housing and commercial real estate market variations, ongoing supply disruptions, shifting trade flows, global price variability, and slower global growth (Federal Reserve, NABE, Conference Board, S&P Global, Fitch Ratings, Wells Fargo, KPMG Economics, University of Michigan, IMF, World Bank).

Tailwinds, or upside risks, to the national forecast include an enduring end to the Iran, Middle East, and Russian-Ukrainian wars and reduced other geopolitical risks; restoration of energy infrastructure damaged in the Iran and Middle East wars; trade policy stability and ultimate tariff levels landing lower than initially announced or projected (although changed world views of U.S. trading partners will likely persist); potentially lower inflation to a material degree; bond market and interest rate stability; broader-based business investment; faster productivity growth; U.S. federal debt reductions; and uplift to the global, slower growth outlook.

The headwinds or downside risks to the state and local economic outlooks overlap those of the national economy with the proviso that the impacts major changes in federal employment, contracting, and spending have had a greater effect on Virginia and the Albemarle County region, at least in the short-term, due to their particularly close ties to the federal government as compared to other states and regions, with the exception of the District of Columbia and Maryland. The tailwinds, or upside risks, to the state and local economic outlooks overlap those of the national economy with the proviso that lower projected reductions or increases in federal employment and contracting would lessen the projected sharp impacts for Virginia and the Albemarle County region.

In conclusion, the report finds that Albemarle County continues to have a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in relatively higher-income occupations and industries, and strong local business activity. This strong economic base provides a solid platform as the County navigates the current environment of significant uncertainty and swirling winds.

With the broad signals of moderate, cautious growth, as compared to the robust growth of 2021 – 202r, lingering inflation, and labor market softness, it is prudent for Albemarle County to likewise anticipate slower economic activity given its history of generally following state and national economic trends, albeit sometimes at different levels, and to rely more heavily on Virginia's more muted economic outlook in 2026 and 2027 as compared to the nation. Virginia's economic growth and labor market performance are projected to trail the nation in 2026 and 2027, with evidence of continued total net job losses in key industries in the state in the first eight months of 2026 due to their close ties to the federal government and the instituted and planned federal employment and contracting cuts. Like the nation, Virginia is dependent on AI-related investments to bolster economic growth and any slowdown in those investments could ripple across the economy.

While the U.S., Virginia and the Charlottesville MSA are currently expected to generate moderate to solid economic growth in 2026, the growth outlook is expected to trail the recent history of 2021–2024. Moreover, looking below the surface reveals that continued inflationary pressures on businesses and consumers, the lingering effects of significant federal job and contracting cuts, high levels of policy uncertainty, weaker consumer sentiment, and the concentration of economic activity in a few industries (technology and health care) and in higher-income households with stock-market wealth envelope the outlook with caution and thereby have a tightening impact on fiscal planning. The tighter fiscal planning environment will encompass moderating revenue growth, expiring pandemic-era federal grants, potentially challenged future intergovernmental revenues (federal and state), and continued and growing service requirements and expense drivers (i.e., lower inflation is not deflation). Virginia's and the Charlottesville MSA's heavy job losses in the professional, scientific, and technical services industry in 2025, which data indicate have continued at the state level thus far in 2026, could also have a significant impact in Albemarle County given the notable proportion of the county's residents working in that industry (as outlined in 2022–2025 Annual Economic Outlook Reports). A mitigating factor could be the connection between the Albemarle County region and the defense industry since increased defense funding is included in the U.S. budget reconciliation bill (Public Law 199-21) enacted into law in July 2025.

For 2027, the County's outlook is similar to Virginia, with the region is projected to experience improved real GDP growth, job growth, and unemployment statistics, but still well behind the economic performance of 2023–2024.

To facilitate continued financial resiliency and agility, the report also provides organizational recommendations in the face of the rapidly changing environment and emerging new economic reality.

Albemarle County's history of prudent financial management and its overall solid economic base provide a foundation and community capacity for strategic initiatives. These key characteristics also provide more scope within which to effectively plan and act defensively as compared to many other communities that face major, chronic economic issues. Many other communities struggle with strategic initiatives because their economic foundations are not solid and repeatedly require significant organizational resources to maintain effective operations.

# II. Methodology and Approach

The Institute for Policy and Governance (IPG) custom-tailored the methodological approach of this study to support the financial and strategic planning of Albemarle County, Virginia, and builds on the comprehensive research and findings of the Annual Economic Outlook Reports of 2022–2025, and the Quarterly and Periodic Economic Monitoring Reports of 2023–2026. Myriad economic and community indicators were researched and carefully selected to maximize the insights regarding the County's economic foundation and history; the relationship between the County's economic indicators and those for the state, nation and surrounding Metropolitan Statistical Areas (MSAs); current economic trends and outlook; and frequency of available data for quarterly and interannual monitoring. In some instances, alternative versions of indicators were researched to maximize comparisons between the County and the state, nation or surrounding MSAs (e.g., year-over-year versus month-over-month comparisons based on the availability of seasonally adjusted data).

Most tables and figures were also custom-built for this report in the Federal Reserve Economic Data (FRED) interactive database tool or Excel to effectively communicate the relevant economic trends and relationships. For continuity and cohesiveness in the report, a consistent coloring scheme is used for most graphs, with the U.S. data presented in blue, Virginia data in red, Albemarle County, Virginia, data in green, and the Charlottesville, Virginia MSA data in light green. The data have been updated as of September 30, 2026, including backward revisions of previous data that routinely occur as federal statistics are systematically updated and revised as more information becomes available after preliminary estimates are initially released.

# III. Economic Overview and Outlook

## A. Real Gross Domestic Product

*Global Trends*

The U.S. economy is the largest in the world and while it is a dominant global player, the U.S. economy is part of a global economic system in which natural resources (commodities), supplies, goods and services flow daily. The global economic interconnectedness affects everyone in the U.S. daily. Just as an example, many of the items we purchase at grocery and retail stores are grown, produced and shipped from other countries. And our American businesses are dependent on global supplies and sell globally. While we are blessed with a large land mass in the United States (U.S.) that stretches from "sea to shining sea" that causes us to feel somewhat removed from events around the world. what happens elsewhere affects us quickly in a global economy where goods and services are produced and shipped all over the world.

The global interconnectedness has been felt poignantly recently. In fact, the U.S. economy, along with other countries' economies, has been whipsawed by major global events for over six years since early 2020. Therefore, to better frame and understand the local and regional economy, this

report first establishes context with the global economic conditions and then proceeds with a comprehensive analysis of national, state, and local economic trends and outlook.

The global economy overall remained resilient through successive shocks in 2020–2026, including the pandemic, supply chain challenges, a series of global price shocks and inflation, ongoing geopolitical shocks, and shifting global trade flows during that time. As of 2025, the global economic growth[1] registered approximately 3.4%, the same as in 2024. There were wide variations across countries and regions in 2025. For example, the United States (U.S.) grew slightly more than Canada in 2025 (2.3% in the U.S. vs. 1.9% in Canda), but almost twice as much as the Eurozone, United Kingdom (U.K.) and Japan (1.2% in the Eurozone, 1.3% in the U.K., and 1.2% in Japan). (World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, S&P Global, Fitch Ratings, and the Conference Board).

Table 1. U.S. and Selected World Real GDP 2025 and Forecasts for 2026 – 2027 (% year-over-year)

| U.S. and Selected World Real GDP Annual % Change 2025 - 2027 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Forecast Organization | United States | | | World | | | Euro Area | | | China | | |
| | 2025 | 2026f | 2027f | 2025 | 2026f | 2027f | 2025 | 2026f | 2027f | 2025 | 2026f | 2027f |
| World Bank, June 2026 | 2.3 | 2.2 | 2.1 | 2.9e | 2.5 | 2.8 | 1.4e | 0.8 | 1.3 | 5.0e | 4.2 | 4.3 |
| IMF, July 2026[1] | 2.3 | 2.3 | 2.2 | 3.5 | 3.0 | 3.4 | 1.4 | 0.9 | 1.2 | 5.0 | 4.6 | 4.1 |
| OECD, September 2026[2] | 2.3 | 2.2 | 2.1 | 3.4 | 2.9 | 3.0 | 1.3 | 1.0 | 1.0 | 5.0 | 4.5 | 4.2 |
| S&P Global, September 2026 | 2.3 | 2.2 | 1.8 | 3.4 | 3.2 | 3.2 | 1.3 | 0.9 | 1.1 | 5.0 | 4.5 | 4.5 |
| Fitch Ratings, September 2026 | 2.3 | 2.1 | 2.1 | 2.7 | 2.6 | n/a | 1.3 | 1.0 | n/a | 5.0 | 4.7 | n/a |
| Conference Board, September 2026 | 2.3 | 1.9 | 1.8 | 3.4 | 2.8 | 3.0 | 1.2 | 1.2 | 1.3 | 5.0 | 4.7 | 4.5 |
| Federal Reserve, September 2026[3] | 2.3 | 2.3 | 2.4 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Wells Fargo Economics, September 2026 | 2.3 | 2.2 | 2.3 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| NABE, June 2026[4] | 2.3 | 2.0 | 2.0 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| KPMG Economics, September 2026 | 2.3 | 2.1 | 1.9 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| University of Michigan, August 2026 | 2.3 | 2.1 | 2.2 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

(f) Forecast; (e ) Estimate, (1) International Monetary Fund, (2) Organisation for Economic Co-operation and Development, (3) Federal Open Market Committee Q4/Q4, (4) National Association for Business Economics

World growth is projected to slow but remain positive in 2025 and 2026 with median forecasts of 2.9% in 2026 and 3.0% in 2027, based on the prominent forecasts in Table 1 above. The factors underlying these projections include the continued price and supply pressures from the Iran war, impacting regions closer to Iran more poignantly; higher U.S. import taxes (tariffs) and continued uncertainty regarding U.S. trade policy with frequent revisions and extensions; broad uncertainty, and the related supply and consumer and business spending (demand) impacts; the associated reshaping of global supply chains and industrial policy in response to the U.S. policy shifts and their continued unpredictability; the divergent impact on global prices of higher U.S. import taxes and disrupted global supply chains; continued slower growth in China as the second largest economy in the world; and continued geopolitical disruptions (Table 1; World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, S&P Global, Fitch Ratings, and the Conference Board). Moreover, the Conference Board expects a slower global

[1] Economic growth in this section is measured by annual percentage change in real gross domestic product with "real" indicating an inflation-adjusted metric.

economic growth environment in the coming years, projecting average annual global growth of 2.6% in 2028–2032 and 2.4% in 2033–2037, as compared to 3.6% average annual growth in the decade before the pandemic in 2010–2019 (Conference Board).

Risks to the global forecast include the war in the Middle East and its impact on energy supplies, the dependence of world growth on the vigorous AI investments in the U.S. and China driving domestic demand with international spillovers, trade policy uncertainty and incomplete trade negotiations, other geopolitical risks, divergent global price impacts and differing pressures on central banks to address inflation; and reshuffling trade flows. A major negative movement in any one of these factors, or an accumulation of smaller negative movements across multiple factors, could have a significant downward impact on global growth.

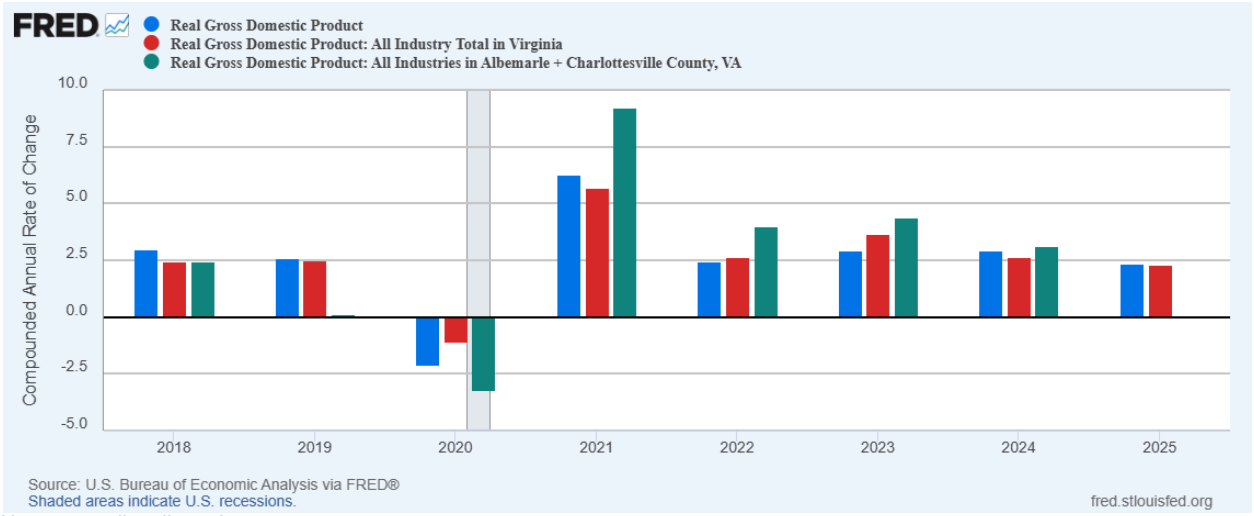
*National Trends*

The United States (U.S.) economy has exhibited noteworthy resilience in the face of repeated disruptions, including frequently changing tariff policies, the Iran war and its impacts on prices and the global economy, and changing federal immigration policy that has impacted the available civilian labor force.

The U.S. Real Gross Domestic Product (GDP) is the barometer of economic growth issued by the U.S. Bureau of Economic Analysis (BEA). Four major components comprise GDP, private consumption expenditures (consumer spending), private gross domestic investment (business spending), government consumption and investment and net exports (exports minus imports. Consumer spending is the largest component comprising 69% of real GDP in 2023-2025, while private domestic investment (private business spending) comprised 19%, government spending and investment 17%, and net exports -4% during that same period. In this report, "real" or inflation-adjusted GDP is the primary measure of economic growth to identify the true underlying trends in economic activity and adjust for purely price changes (BEA).

According to the latest BEA estimates released September 30, 2026, in 2025, U.S. real GDP grew at 2.3%, trailing the median 2.9% annual growth in 2021–2024 but still above normal trend growth of approximately 2% (Figure 1, blue bars; BEA). The slower growth in 2025 was due to slower growth overall in consumer spending, private business spending, government spending, and exports that was partially offset by a reduction in imports which is a negative contribution to real GDP (BEA). Within the private business spending category, significant growth in information processing equipment and software was partially offset by reductions in residential and nonresidential structures and private inventories. Within the government spending component, reductions in the federal government spending were offset by increased state and local government spending (BEA).

Figure 1. Real GDP Since 2018: Ending 2025 for U.S. and Virginia and Ending 2024 for Albemarle County + Charlottesville, Virginia (annual % change)

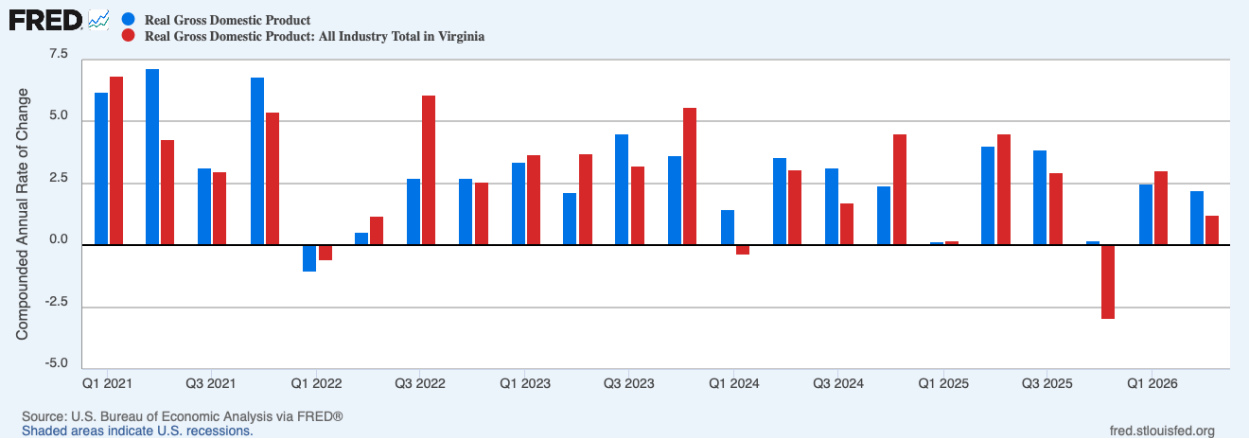



Not seasonally adjusted

Overall, in 2025 U.S. economic growth was driven by technology-related activities and healthcare. The U.S. industry sectors that were the largest contributors to the percentage change in real GDP in 2025 included information, followed by real estate (especially other real estate which includes data centers); information; wholesale trade; professional, scientific, and technical services (especially computer systems design and related services); finance and insurance; and health care and social assistance. Durable goods manufacturing was a Solid contributors included durable goods manufacturing and state and local government. Negative contributors included the federal government, retail trade, and other services except government (e.g., personal and repair and maintenance services). All remaining industries were modest contributors or stayed essentially flat with negligible changes (BEA).

In the first half of 2026 (H1:2026), U.S. real GDP grew at an annual rate of 2.4% during that six-month period (quarterly, 2.5% in Q1:2026 and 2.2% in Q2:2026) (Figure 2, blue bars; BEA). The growth in U.S. real GDP in H1:2026 was led by substantial growth in private business investment in equipment (particularly information processing equipment) and intellectual property products (especially software), significant growth in consumer spending and exports of goods and services, and solid growth in federal government spending. Consumer spending still comprised 69% of U.S. real GDP in H1:2026, but its pace of growth continued to slow from 2025. State and local government spending also grew in H1:2026 but at a slower pace than in 2025. While private business spending contributed positively to U.S. real GDP growth in H1:2026, the construction subcategories, residential and nonresidential private investment, declined during that period and contributed negatively to real GDP growth. Imports of goods and services also surged in H1:2026, contributing negatively to U.S. real GDP (BEA).

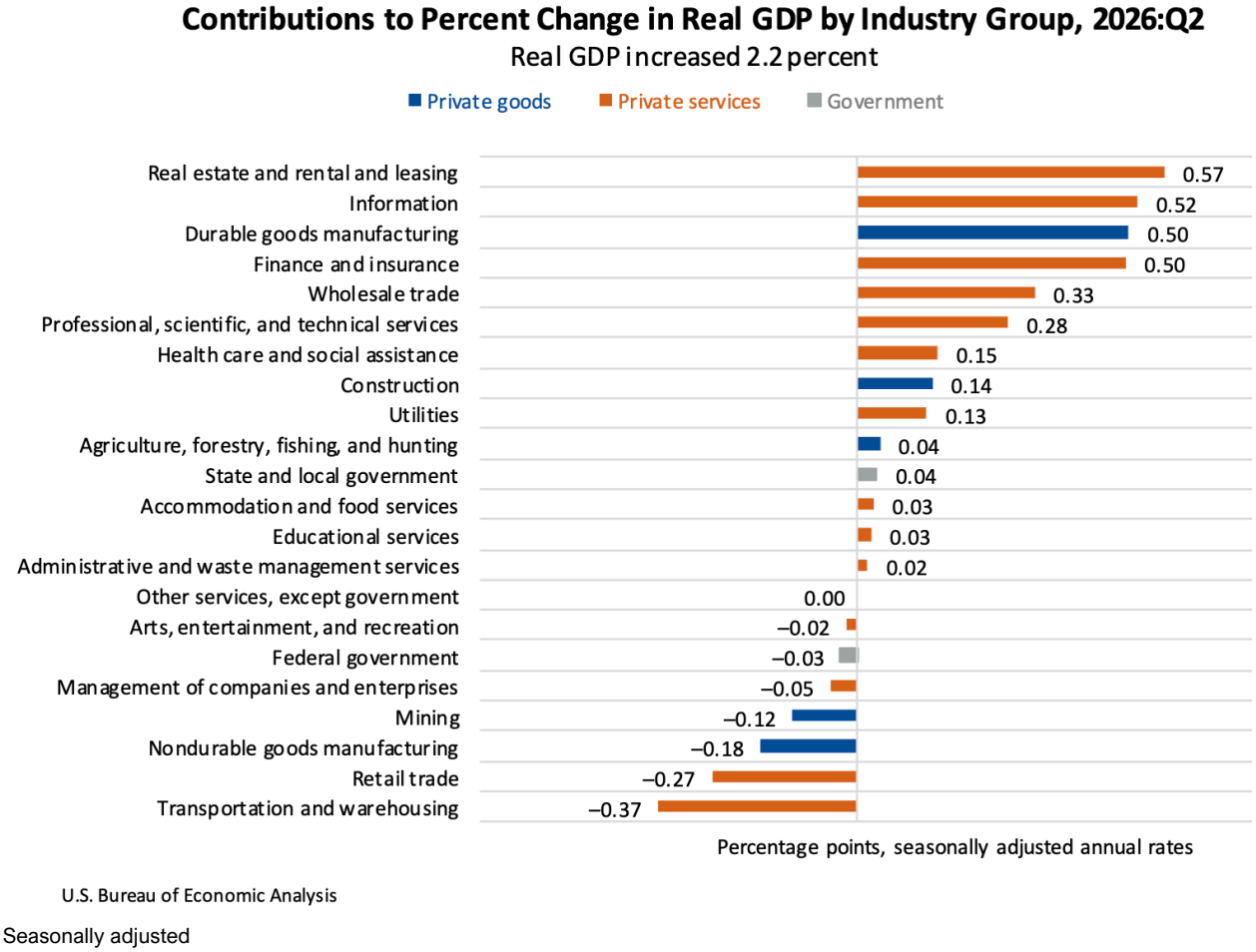
Figure 2. Real GDP U.S. and Virginia, Q1:2021 – Q2:2026 (compound annual rate of change)




Seasonally adjusted

Looking at the Q2:2026, the latest quarter with available information, U.S. real GDP increased 2.2% with technology-related activities continuing as strong drivers of growth. Notably, while healthcare continued as a solid contributor to U.S. real GDP growth in Q2:2026, it was less of a driver than in 2024 and 2025. The industry sectors that were the largest contributors to the percentage change in real GDP included real estate and rental and leasing (particularly the real estate portion that incorporates housing and other real estate, which includes data centers), information; durable goods manufacturing; finance and insurance; wholesale trade; and professional, scientific, and technical services. Solid industry contributors included health care and social assistance, construction; and utilities. Negative industry contributors included transportation and warehousing, retail trade, nondurable goods manufacturing, and mining. The remaining industries were modest contributors to the percentage change in U.S. real GDP or stayed essentially flat with negligible (Figure 3; BEA).

Figure 3: Contributions to Percentage Change in U.S. Real GDP by Industry Group, Q2:2026 (%)




*Virginia Trends*

Based on the latest BEA data released on September 30, 2026, Virginia registered 2.3% growth in 2025, on par with the nation that year, but slower than Virginia's median growth of 3.2% in 2021-2024 and the state's pre-pandemic median of 2.5% in 2018-2019 (Figure 1, red bars; BEA).

Virginia's real GDP growth in 2025 was led by technology-related activities. The sectors that were the largest contributors to the percentage change in Virginia's real GDP included real estate (which includes data centers), followed by professional, scientific, and technical services (especially computer systems design and related services); finance and insurance (especially monetary authorities); wholesale trade; durable goods manufacturing (especially other transportation equipment manufacturing that includes maritime and aerospace manufacturing); health care and social assistance; and state and local government. Solid contributors to the percentage change in Virginia's real GDP included information, construction, and utilities. Negative contributors included the federal government and retail to a much lesser extent. All remaining industries were modest contributors or stayed essentially flat with negligible changes (BEA).

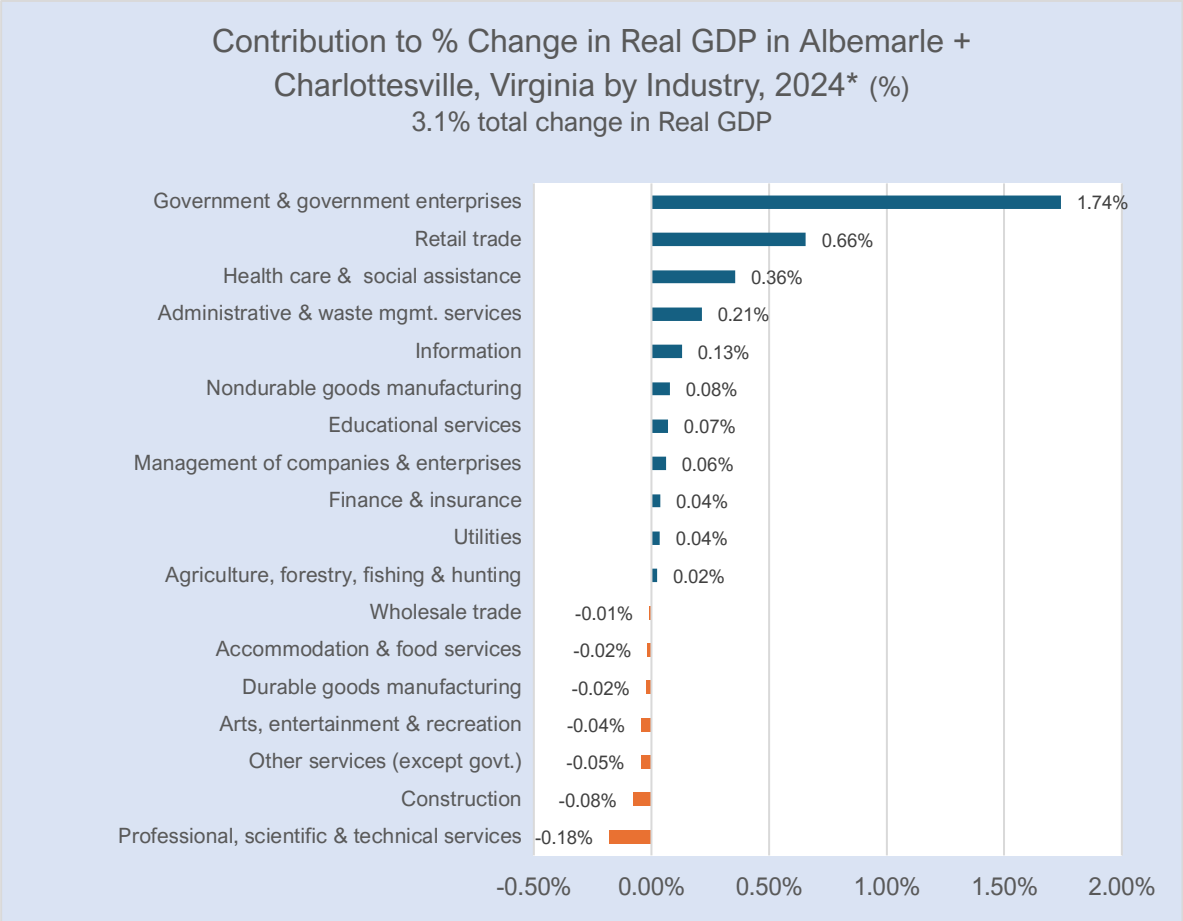
In the first half of 2026 (H1:2026), Virginia's economy was again led by technology-related activities, with Virginia's real GDP growing at an annual rate of 2.1% during that six-month period overall, trailing the nation slightly during that period. However, the growth exhibited an uneven pattern on a quarterly basis, with Virginia real GDP growing 3.0% in Q1:2026 and 2.2% in Q2:2026 (Figure 2, red bars; BEA). Overall, in the first half of 2026 (H1:2026), Virginia's real GDP growth was substantially led by the information industry, followed by state and local government; professional, scientific, and technical services; federal civilian government; and real estate and rental and leasing (which includes data centers). Solid contributors included construction and private educational services. Negative contributors included administrative and support and waste management and remediation services; management of companies and enterprises; retail trade; and transportation and warehousing. All remaining industries were modest contributors or stayed essentially flat with negligible changes (BEA).

*Local Trends*

BEA data is available for annual real GDP growth in Albemarle County and Charlottesville, Virginia, combined, for the 2018–2024 period and has been mapped alongside similar national and state data for that time frame. As shown in Figure 1 (green bars), Albemarle County + Charlottesville's annual real GDP growth distinctly surpassed that of the state and the country in 2021–2024. Albemarle + Charlottesville's noteworthy growth during 2021–2024 registered a significant turnaround from its slower growth in 2018–2020 in the pre-pandemic and pandemic periods, which also ranked below the state and nation during that period (Figure 1, green bars; BEA). The substantial recovery after the pandemic cannot be overstated since Albemarle + Charlottesville's local economy fell deeper than the state and nation at the onset of the pandemic in 2020, but it's real GDP growth distinctly exceeded that of the state and nation in 2021–2024.

In 2024, the latest year for which data is available, Albemarle + Charlottesville's real GDP grew 3.1%, faster than the state's 2.6% that year, but slower than Albemarle + Charlottesville median 4.4% annual growth rate in 2021–2023. In 2024, Albemarle + Charlottesville's real GDP growth was strongly led by growth in government and governmental enterprises, followed by retail trade; health care and social assistance; administrative, support, waste management and remediation services; and information. Solid contributors to the percentage change in real GDP in 2024 included nondurable goods manufacturing, management of companies and enterprises, and finance and administration. Negative contributors included professional, scientific, and technical services; construction; and other services (except government and governmental enterprises such as personal and repair services). All remaining industries identified were modest contributors or stayed essentially flat with negligible changes. Information on three industries was not reported by BEA to avoid disclosure of confidential information; however, estimates are included in higher-level totals: mining, quarrying, and oil and gas extraction; transportation and warehousing; and real estate and rental and leasing (Figure 4; BEA).

Figure 4. Contribution to Percentage Change in Real GDP, Albemarle + Charlottesville, Virginia by Industry, 2024 (%)




BEA; not seasonally adjusted. *Information on three industries was not reported by BEA to avoid disclosure of confidential information; however, estimates are included in higher-level totals: Mining, quarrying, and oil and gas extraction; transportation and warehousing; and real estate and rental and leasing.

Given the still unfolding implications of federal policy changes and the revisions in state and national BEA data that are routinely scheduled to occur as more complete information becomes available, close monitoring is required through the remainder of the year.

## B. Labor Market

### Jobs

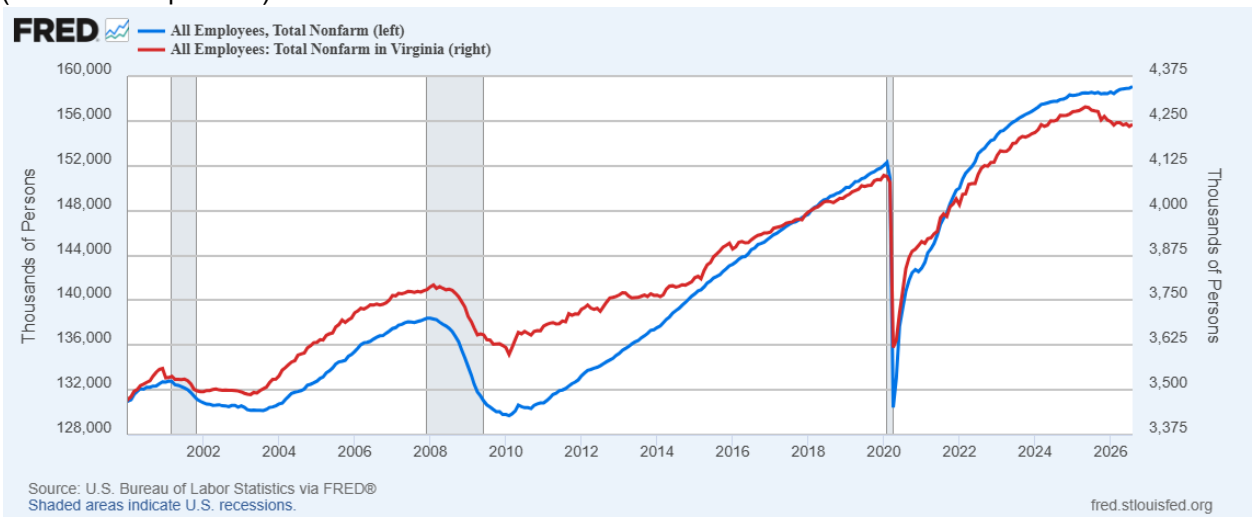
*National Trends*

The U.S. entered 2026 with a weak labor market that produced only a nominal number of net new jobs in 2025 after strong job growth in 2023–2024 (Figures 5 and 6, blue bars; U.S. Bureau of Labor Statistics (BLS)[2]). In 2025, the U.S. posted only 0.1% annual job growth, producing only

[2] The U.S. Bureau of Labor Statistics (BLS) measure for jobs is total nonfarm payroll employment and is developed in the Current Employment Statistics (CES) program (the "establishment survey" or "payroll survey") which conducts "monthly surveys of individual worksites from businesses and government agencies drawn from a sampling frame of unemployment insurance tax accounts throughout the United States." (BLS, 2025, August 13). BLS issues preliminary estimates on the first

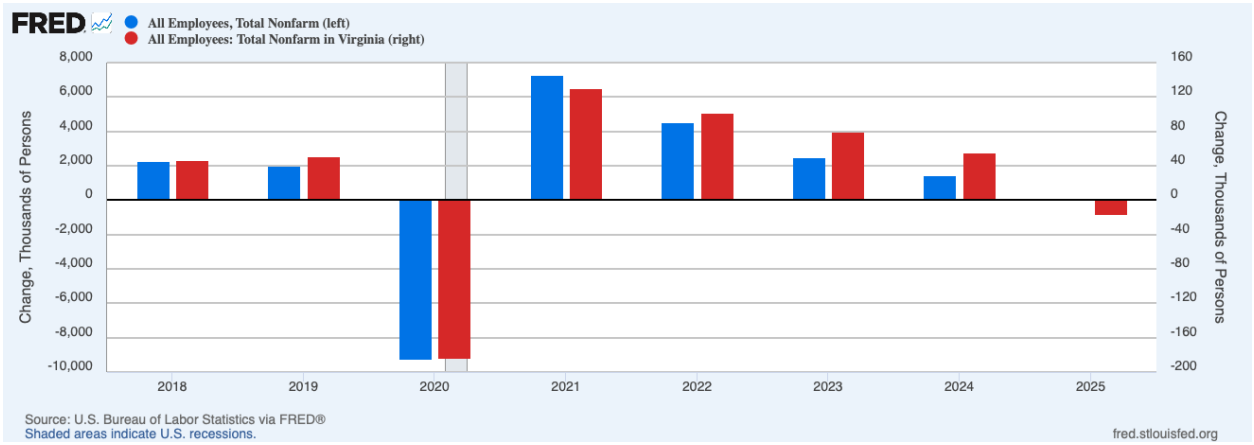
116,000 net new jobs after generating an annual median of 1.9 million net new jobs in 2023-2024. The 2025 job growth was the slowest annual job growth since the pandemic,

Figure 5: Total Nonfarm Payroll Jobs, U.S. and Virginia, January 2000 – August 2026 (thousands of persons)




BLS establishment survey; seasonally adjusted

Figure 6. Annual Job Growth, U.S. and Virginia, 2018 – 2025 (year-over-year, thousands of persons)

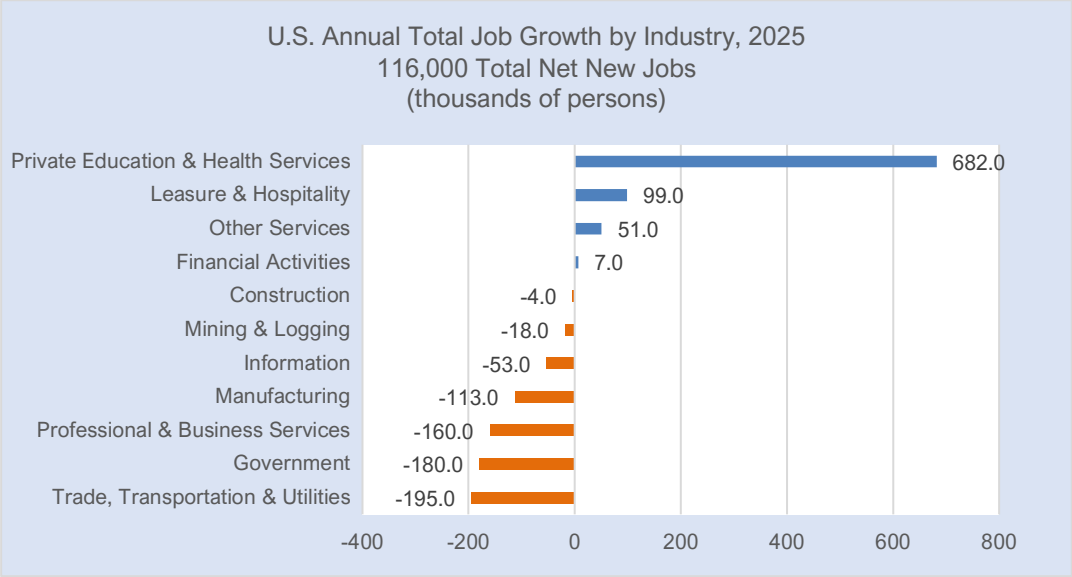



Few U.S. industry sectors experienced net job growth in 2025, with health services generating far more jobs than any other sector. While health services continued to produce the most jobs in the U.S. in 2025 similar to its role in 2023–2024, its pace of job creation in 2025 was much slower than in 2023–2024. In 2025, modest net job gains were experienced in leisure and hospitality,

Friday of the month, which are initially preliminary "because not all respondents report their payroll data by the initial release" date. The initial release date is typically close to the end of the reporting period and larger businesses tend to have the capabilities and automated systems to report more quickly than smaller businesses (BLS, 2025, August 13; Bloomberg, 2025, August 7; CBS News 2025, August 5; BBC News, 2025, August 4). BLS continues to collect payroll data and revises preliminary estimates twice monthly before the annual benchmark update that typically occurs in the fall based on "a near complete employment count [from] primarily… unemployment insurance tax records, which are supplemented with data from other sources" (BLS, 2025, August 13).

other services (e.g., personal and repair services), and financial activities. Most industry sectors in 2025 experienced net job losses, including trade, transportation and utilities; government; professional and business services; manufacturing; information; mining and logging; and construction (Figure 7; BLS).

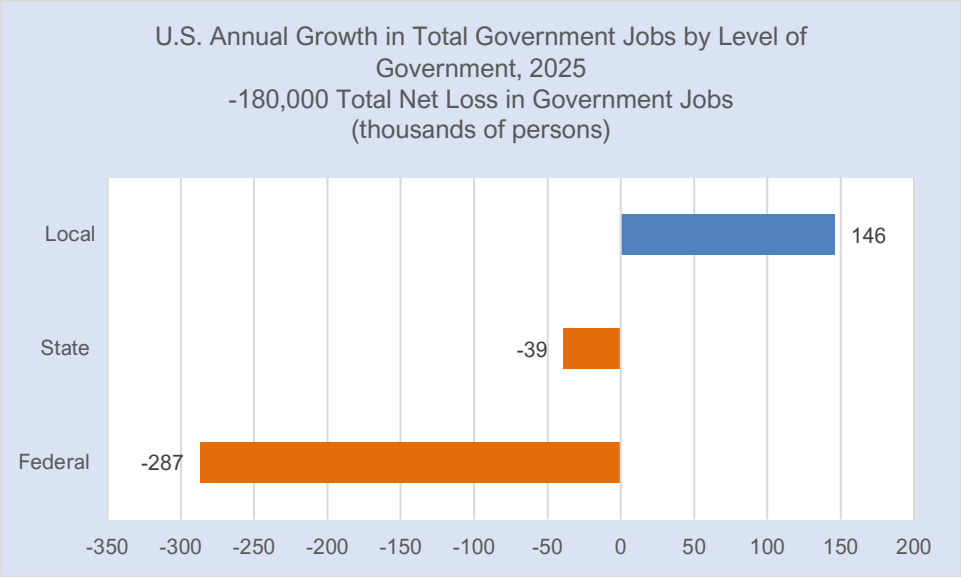
Figure 7: U.S. Annual Total Gob Growth by Industry, 2025 (thousands of persons)




BLS establishment survey, seasonally adjusted

Government experienced the second largest total net job growth in the U.S. in 2025, led by significant cuts in federal government jobs and modest reductions in state government jobs, which were partially offset by an increase in local government jobs. The reduction in U.S. total government jobs in 2025 was the largest since the onset of the pandemic in 2020 (Figure 8; BLS).

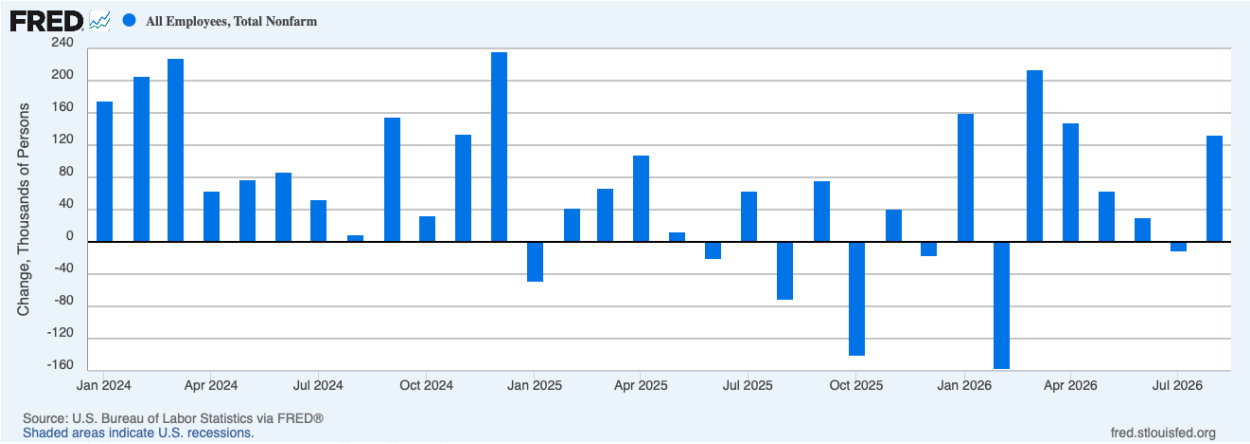
Figure 8. U.S. Annual Growth in Government Jobs by Level of Government, 2025 (thousands of persons)




BLS establishment survey, seasonally adjusted

Based on BLS data as of September 2026, U.S. job creation increased in the first eight months of 2026, posting 643,000 net new jobs In January–August 2026, picking up from the particularly low level of job creation in 2025, but still slower than the stronger job growth in 2023–2024. (Figure 9; BLS).

Figure 9: U.S. Monthly Job Growth January 2024 – August 2026 (month-over-month)

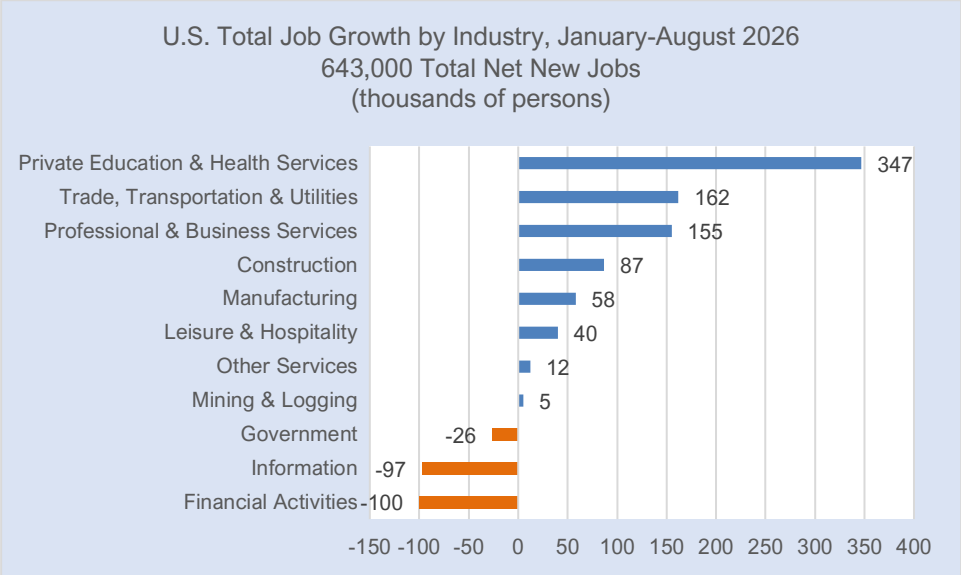



BLS establishment survey; seasonally adjusted

The job growth in January–August 2026 was again led by health services which significantly outpaced the job growth in other job-producing industries In January–August 2026, solid job growth also occurred in trade, transportation and utilities; and professional and business services; while modest job growth was posted by construction, manufacturing, leisure and hospitality, other services (e.g., personal and repair services), and mining and logging. However, job losses continued in January–August 2026 in sectors that have historically been sources of higher average

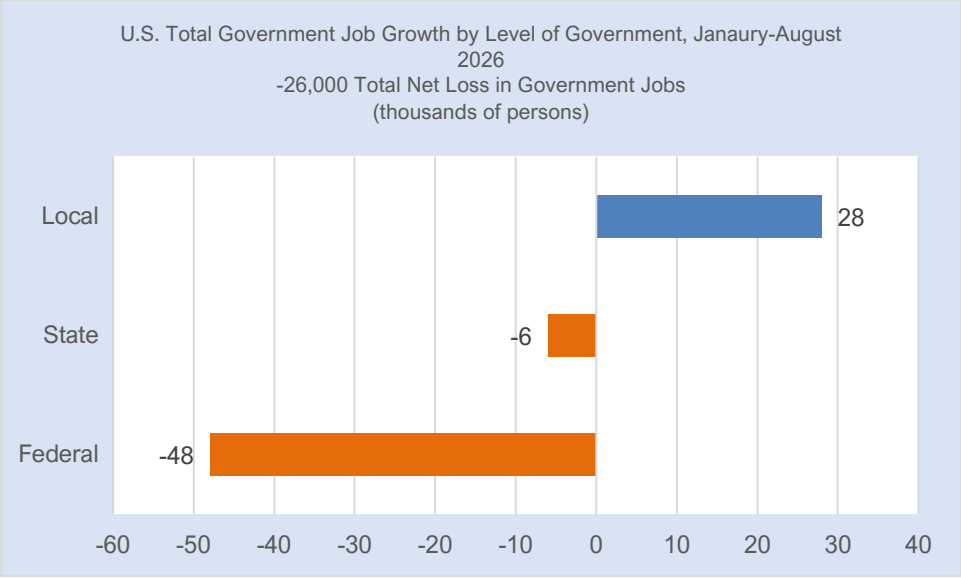
hourly earnings, i.e., financial services and information. An overall loss in total government jobs also continued in the first eight months of 2026, where the modest increase in local government jobs was overwhelmed by the continued strong cuts in federal government jobs and modest reductions in state government jobs (Figures 10 and 11; BLS).

Figure 10: U.S. Total Job Growth by Industry, January–August 2026 (thousands of persons)




BLS establishment survey, seasonally adjusted

Figure 11:U.S. Total Government Job Growth by Level of Government, January–August 2026 (thousands of persons)

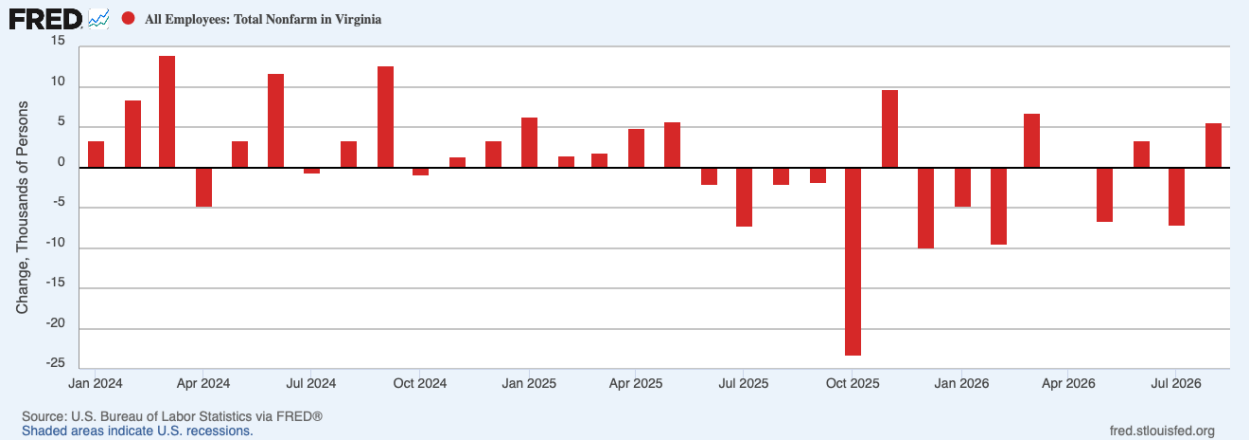



BLS establishment survey, seasonally adjusted

*Virginia Trends*

In 2025, Virginia posted a -16,400 net loss in total jobs, or -0.4%, after posting annual total net job gains in 2021-2024, although the pace of job growth did slow during that period (Figure 12, red bars; BLS).

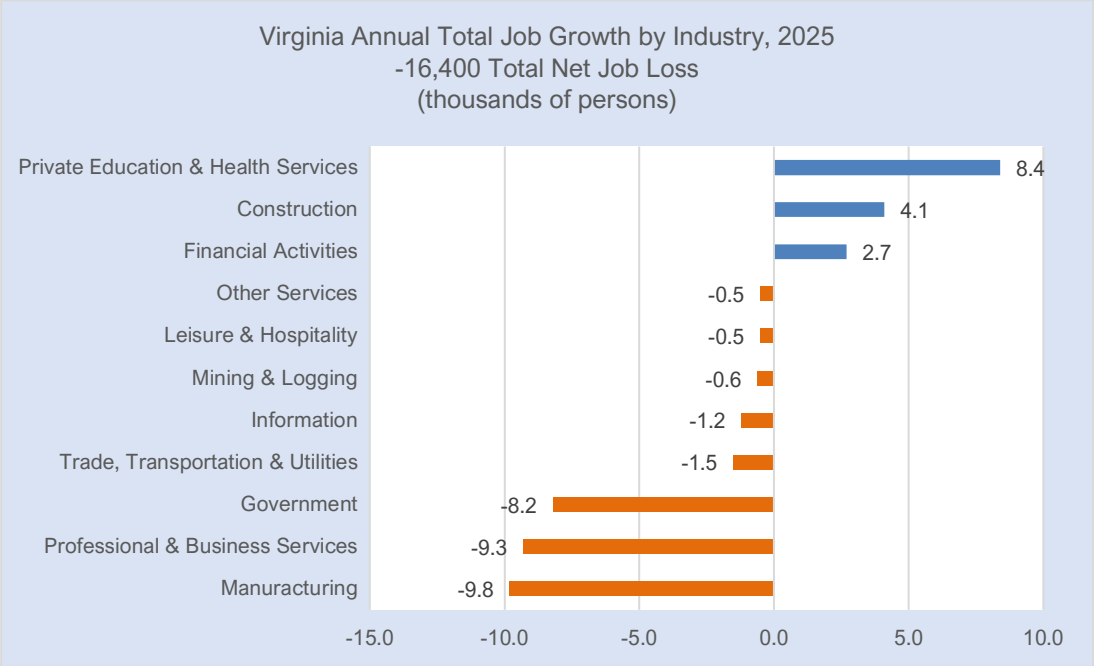
Figure 12: Virginia Monthly Job Growth January 2024 – July 2026 (mom, thousands of persons)




BLS establishment survey, seasonally adjusted

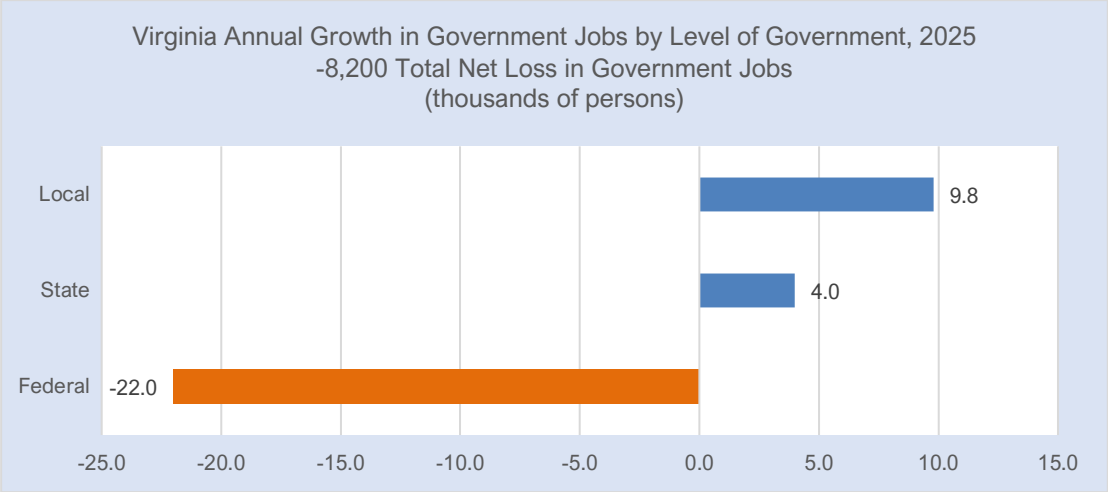
Three industry sectors generated net job increases in Virginia in 2025 with strong gains in health services and solid net job increases from construction and financial services. Most industry sectors posted total net job losses in Virginia in 2025, including manufacturing; professional and business services; government; trade, transportation, and utilities; information; mining and logging; leisure and hospitality; and other services (e.g., personal and repair services) The total net loss in government jobs in Virginia was led by significant cuts in federal government jobs that were partially offset by increases in state and local government jobs (Figures 13 and 14; BLS).

Figure 13: Virginia Annual Total Job Growth by Industry, 2025 (thousands of persons)




BLS establishment survey, seasonally adjusted

Figure 14: Virginia Annual Growth in Government Jobs by Level of Government, 2025 (thousands of persons)




BLS establishment survey, seasonally adjusted

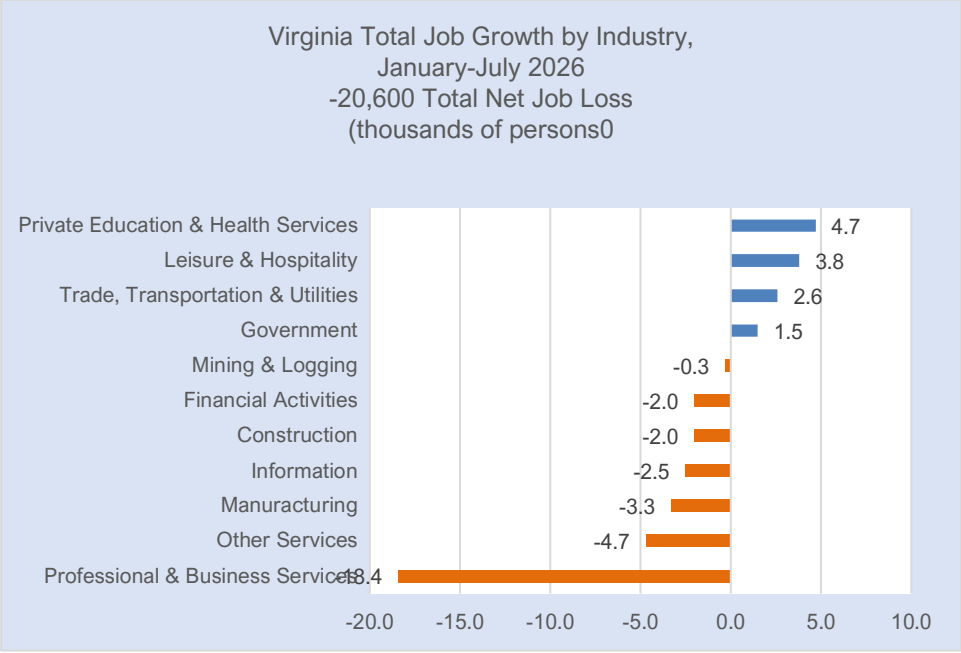
Given Virginia's proximity to the nation's capital and the strong U.S. military presence in the state, the federal government has a large economic footprint in Virginia. In 2023, federal government jobs comprised 10% of total residents in Virginia and accounted for an estimated 321,516 full-time jobs and 26,443 part-time jobs (U.S. Census Bureau ACS and Weldon Cooper Center). In addition, Virginia received a higher volume of federal contracts per resident than any other state in 2023 (excluding Washington, D.C.) with $109 billion in federal contracts and grants awarded to Virginia businesses across several industries, with top three industries being professional, scientific and technical services businesses (49%), finance and insurance (19%), and manufacturing (15%).

Overall, the $109 billion in federal cataracts and grants in 2023 corresponded to approximately 441,488 jobs in Virginia being dependent on federal contracting (USSpending.gov and Weldon Cooper Center). Along with the estimated 130,751 active-duty armed forces, it is estimated that 16.1% of full- and part-time jobs in Virginia in 2023 were associated with the federal government (Weldon Cooper Center).

With Virginia's high concentrations in both federal employment and federal contracts and grants, the federal job and spending cuts in 2025 had a distinctive impact on Virginia's economy in 2025,precipitating a net loss in jobs, especially federal direct employment and federal contractor employment, and a slowdown in the state's real GDP that year as compared to the state's annual growth rate in 2021–2024. The three industries with the most job losses in 2025 corresponded to cuts in federal government employment and the primary areas of federal contracting and grants in Virginia i.e., manufacturing, professional and business services, and government.

Based on the latest BLS data (September 2026), Virginia posted another -20,400 loss in total net jobs in January–July 2026, led by significant job losses in professional and business services along with job losses in other services, manufacturing, information, construction, financial activities. and mining and logging. The job losses across these several industries were partially offset by job increases in health services; leisure and hospitality; trade, transportation, and utilities; and government (Figure 15; BLS).

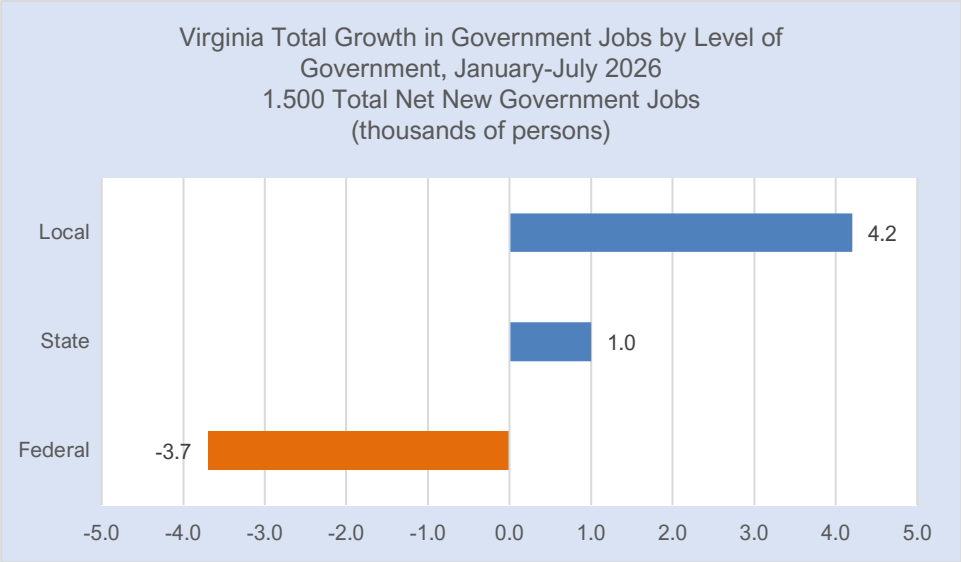
Figure 15: Virginia Total Job Growth by Industry, January–July 2026




BLS establishment survey, seasonally adjusted

Increases in local and state government jobs in Virginia in January-July 2026 offset the continued to federal jobs during that period, with the state posting a modest increase overall in government jobs in the first seven months of 2026 (Figure 16; BLS).

Figure 16. Virginia Total Growth in Government Jobs by Level of Government, January–July 2026 (thousands of persons)



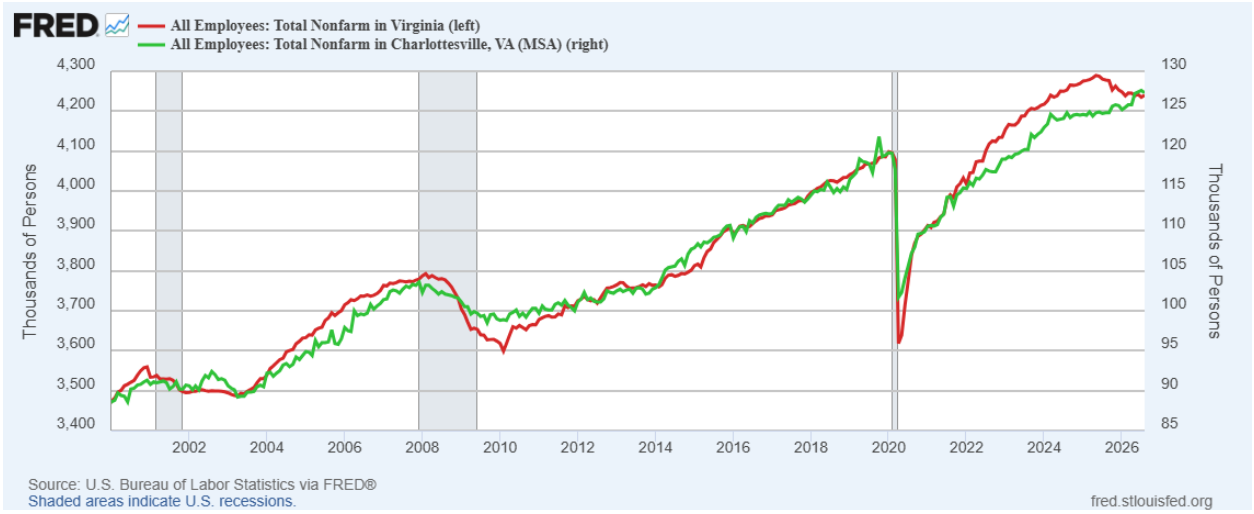

BLS establishment survey, seasonally adjusted

Virginia's solid job growth in 2023–2024 was disrupted in 2025 by U.S. federal policy changes with lingering effects into the first eight months of 2026. As such, Virginia's job growth profile since 2025 has not mirrored the U.S. job pattern as closely as it had more recently and will have to be monitored closely and distinctly from U.S. job trends for the foreseeable future.

*Regional Trends:* Monthly data on total nonfarm employment is available at the regional level for the Charlottesville Metropolitan Statistical Area (MSA)[3], while employment data is not separately available for Albemarle County. According to the most recent BLS data, the Charlottesville MSA resisted the state's negative job trend in 2025, registering a growth of 1,200 total net payroll jobs, after adding 2,100 total net jobs in 2024. While the amount of job growth in 2025 was 43% less than in 2024 and the lowest since the pandemic, it is noteworthy that the Charlottesville region avoided losing jobs like the state (Figures 17 and 18, green bars; BLS).

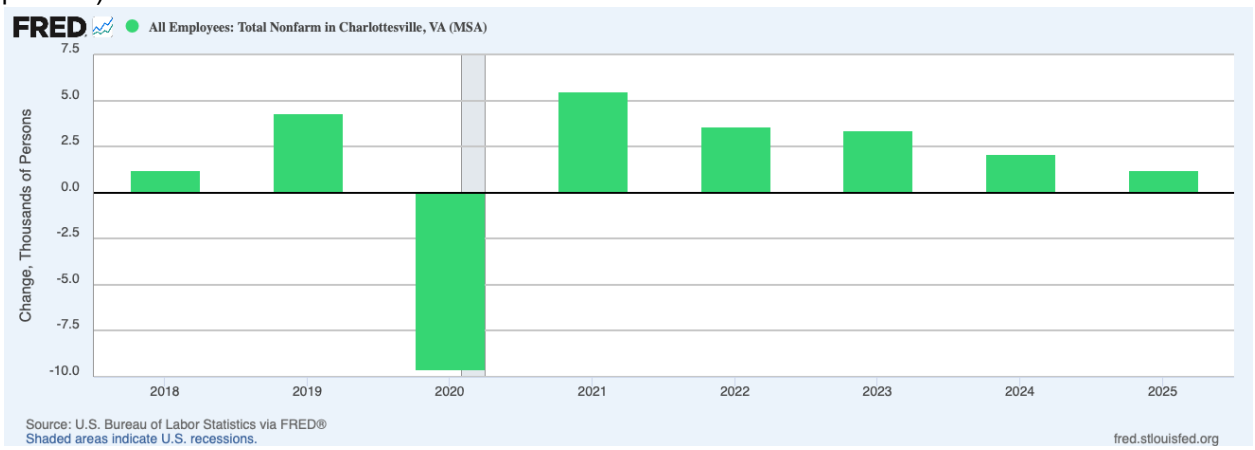
[3] The Charlottesville MSA is comprised of the City of Charlottesville and the counties of Albemarle, Fluvanna, Greene, and Nelson.

Figure 17. Total Nonfarm Jobs in Virginia and Charlottesville, Virginia MSA, January 2000 – August 2028.




BLS establishment survey; seasonally adjusted

Figure 18. Charlottesville, Virginia MSA Annual Job Growth, 2018 – 2025 (thousands of persons)

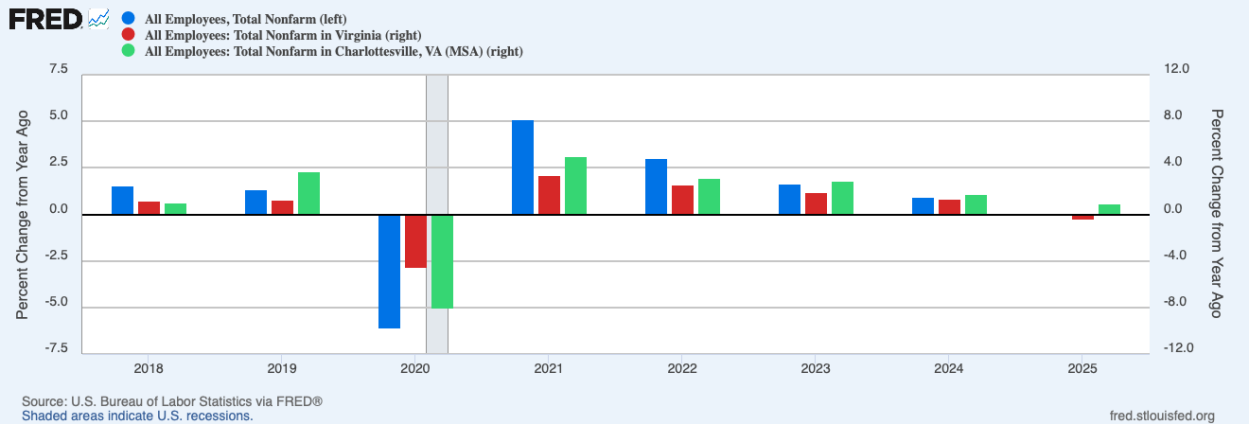



BLS establishment survey; seasonally adjusted

Using the annual percentage of job growth for relative comparisons, the Charlottesville MSAs job growth in 2025 looks even sturdier as compared to the state and nation last year. In 2025, the Charlottesville MSA experienced a relatively strong 1% annual growth in nonfarm payroll jobs in as compared to a -0.4% job loss in Virginia and 0.1% growth in the U.S. last year. This strong relative job growth in the Charlottesville MSA has mostly persisted since before the pandemic. As compared to Virginia, the annual percentage job growth in the Charlottesville MSA exceeded that of the state in all but two years in 2018–2025, posting equivalent growth in 2018 and deeper loss at the pandemic's start in 2020. Remarkably, although it registered a larger percentage loss of jobs at the start of the pandemic in 2020 as compared to Virginia, the Charlottesville MSA recovered more quickly than the state during 2021–2025. During 2021–2025, the Charlottesville

MSA's annual percentage growth in nonfarm payroll jobs surpassed that of the state in each year, based on the latest BLS data[4] (Figure 19; BLS).

Figure 19. Annual Percent of Job Growth, U.S., Virginia, and Charlottesville, Virginia MSA 2018 – 2025 (%)

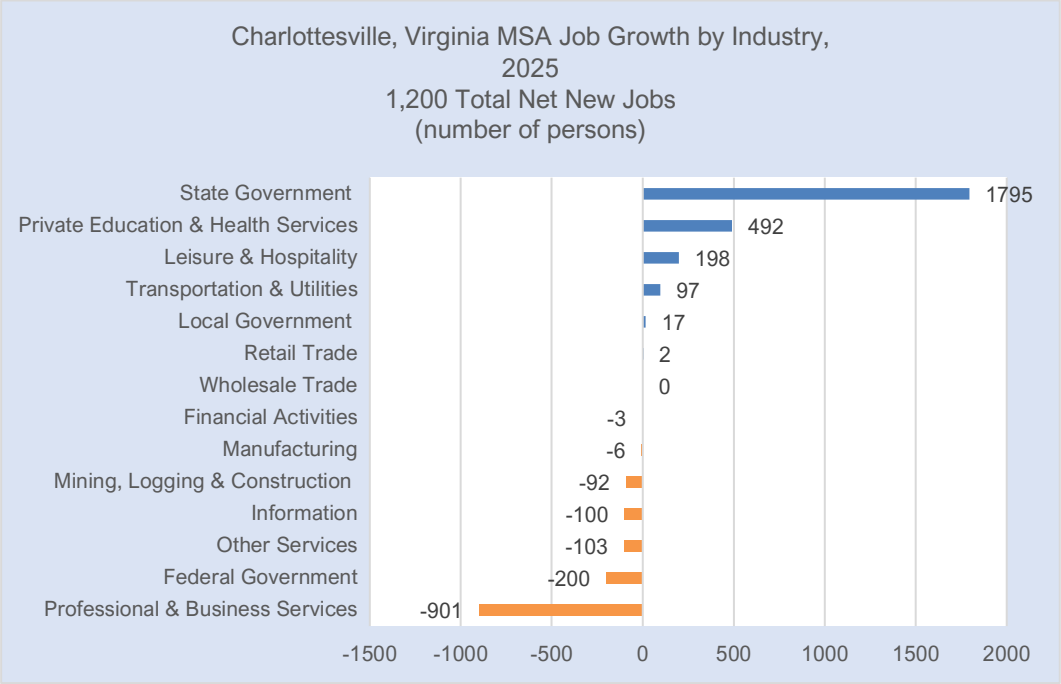



BLS establishment survey; seasonally adjusted

In terms of industries, the job growth in the Charlottesville MSA in 2025, was led by strong gains in state government, followed by solid growth in private education and health services, moderate growth in leisure and hospitality, and modest growth in transportation and utilities and local government, according to the latest BLS data (September 2026). The significant total job growth generated by those industries was substantially offset by sizeable job losses in professional and business services, major job losses in the federal government; other services (e.g., personal and repair services); information; and mining, logging and construction. All remaining industries had minor changes or remained essentially flat in 2025 (Figure 20; BEA).

[4]Based on the latest BLS data, the Charlottesville MSA's total number of nonfarm payroll jobs decreased by -8.0% in 2020 and then increased annually by 5.0% in 2021, 3.1% in 2022, 2.9% in 2023, and 1.7% in 2024, and 1.0% in 2025. The Charlottesville MSA's annual percentage of jobs losses were deeper than Virginia's in 2020, but the pace of the region's annual job growth distinctly exceeded the state's in 2021–2025.

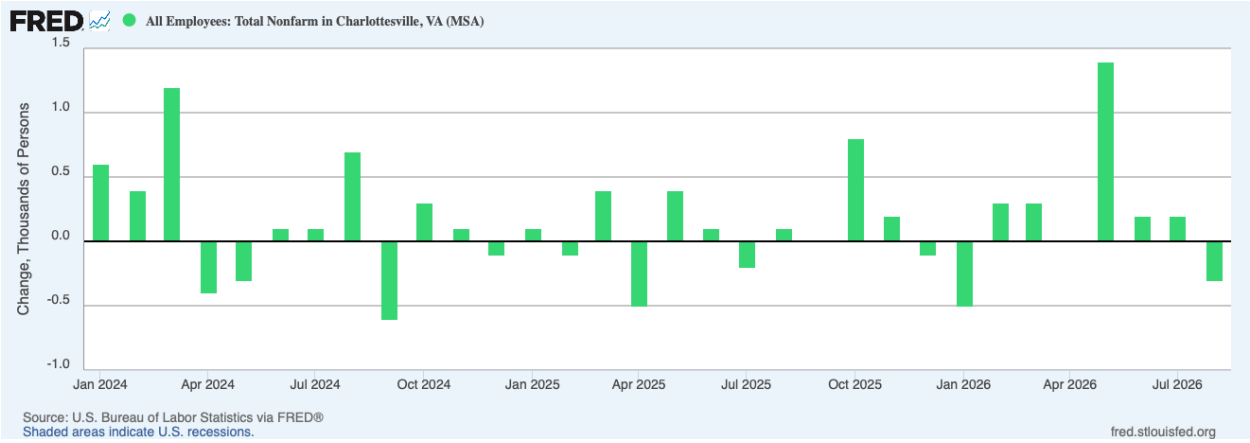
Figure 20. Charlottesville, Virginia MSA Annual Job Growth by Industry, 2025 (thousands of persons)




BEA establishment survey; seasonally adjusted

During the period of January 2026–August 2026 in the Charlottesville MSA, the rate of job growth as compared to last year steadily improved with nonfarm payroll jobs growing a median 1.5% monthly year-over-year, in contrast to the 0.4% annual increase in 2025 (Figure 21; BLS).

Figure 21. Charlottesville, Virginia MSA Monthly Job Growth January 2024 – August 2025 (mom, thousands of persons)




Establishment survey; seasonally adjusted

The solid growth that characterized the Charlottesville MSA's job market in 2021–2024 weakened significantly in 2025 but exhibited a partial rebound in the first eight months of 2026. Going forward, close monitoring is warranted for the Charlottesville region along with the state given the

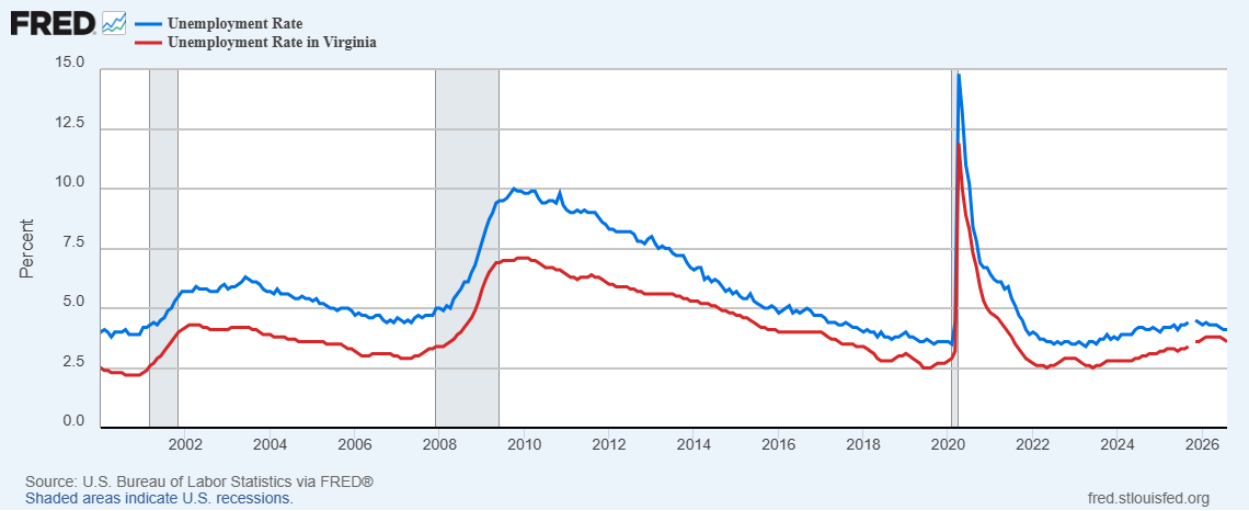
lingering effects of the federal direct employment and federal contractor employment cuts that have greatly affected Virginia, and the different rates of job growth at the national, state and regional levels in recent years,

## Unemployment

*National Trends*

In 2025, the U.S. seasonally adjusted "official" unemployment rate (U-3)[5] averaged 4.3%, up only slightly from 4.0% in 2024 despite the significantly slower job creation in 2025 because the labor force participation rate also declined in 2025, producing an awkward balance in the labor market. During January–August 2026, the U.S. official unemployment rate continued to average 4.3%, with a continued decline in the labor force participation rate balanced by a moderately improved pace of job creation (Figures 22 and 23, blue lines; BLS).

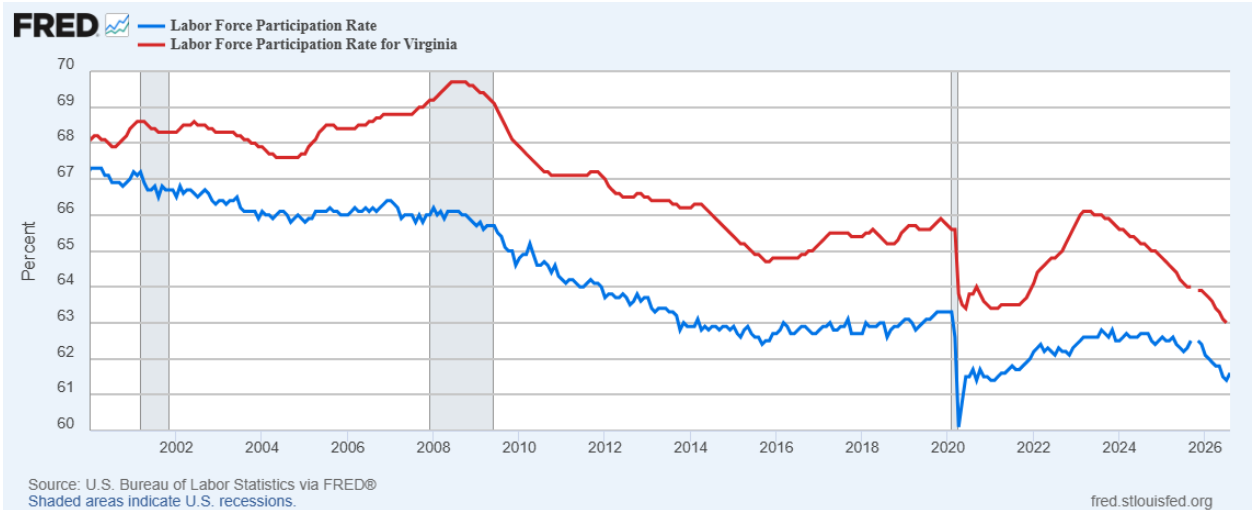
Figure 22. Unemployment Rate, U.S. and Virginia, January 2000 – August 2026 (%)




BLS household survey; seasonally adjusted

[5] The U.S. Bureau of Labor Statistics monthly publishes six measures of labor underutilization, U-1 to U-6. The "official" unemployment rate is U-3 which takes a monthly four-week snapshot of active employment, layoff waiting for a recall, or active pursuit of a job if unemployed. If a person had not actively looked for work during the four-week survey period, they are not counted as unemployed or considered to be in the civilian labor market for that period. The U-4 to U-6 measures broaden the snapshot period to 12 months with U-6 being the broadest measure of labor underutilization and includes those persons who want and are ready to take a full-time job but have had to settle for part-time work schedules for economic reasons.

Figure 23. Labor Force Participation Rate, U.S. and Virginia, January 2000 – August 2026 (%)




BLS household survey; seasonally adjusted

*Virginia Trends*

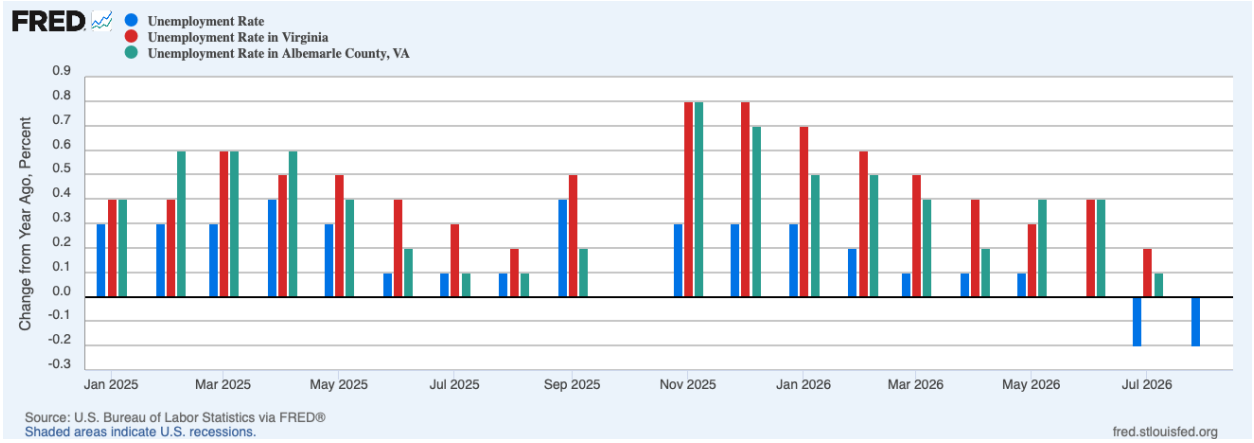
Virginia's official unemployment rate steadily increased in 2025, ending the year at 3.6% in December 2025 after averaging 2.9% in 2024. Similar to the nation, the significant job losses in Virginia in 2025 were partially offset by a decline in labor force participation, thereby dampening the upward pressure on the unemployment rate (Figures 22 and 23, red lines; BLS).

In 2026, Virginia's official unemployment continued increasing to 3.8% in February 2026 where it remained flat through June 2026, then posted modest improvement the next two months and registering at 3.6% in August 2026. While this pattern in Virginia's unemployment rate in 2025 through August 2026 mirrors the state's rough job losses during that period, Virginia's unemployment rate remained below the nation's throughout this time (Figure 22, red lines; BLS).

Historically, the unemployment trend in Virginia has generally mirrored the national pattern, albeit at a lower level, except for select periods when Virginia's unemployment rate ticked up faster than the nation's such as in the period of 2025 through Summer 2026 (Figure 22, red line: BLS).

*Local Trends:* For localities, the BLS only publishes monthly unemployment data that is not seasonally adjusted. With non-seasonally adjusted data, it is best to analyze the data in comparison to the same period a year ago to avoid the effects of seasonality. Figure 9 presents the change from a year ago in the non-seasonally adjusted unemployment rates for the U.S, Virginia and Albemarle County. A key takeaway is that Albemarle County's and Virginia's non-seasonally adjusted unemployment rates as compared to a year ago have been increasing monthly at a faster pace than the nation's since the end of 2024. In July 2026, Albemarle County's non-seasonally adjusted unemployment rate registered at 3.4% or 0.1% above the monthly reading in July 2025 and 0.8% above the annual average of 2.6% in 2024, aligning with upticks observed at the state level (Figure 24; BLS).

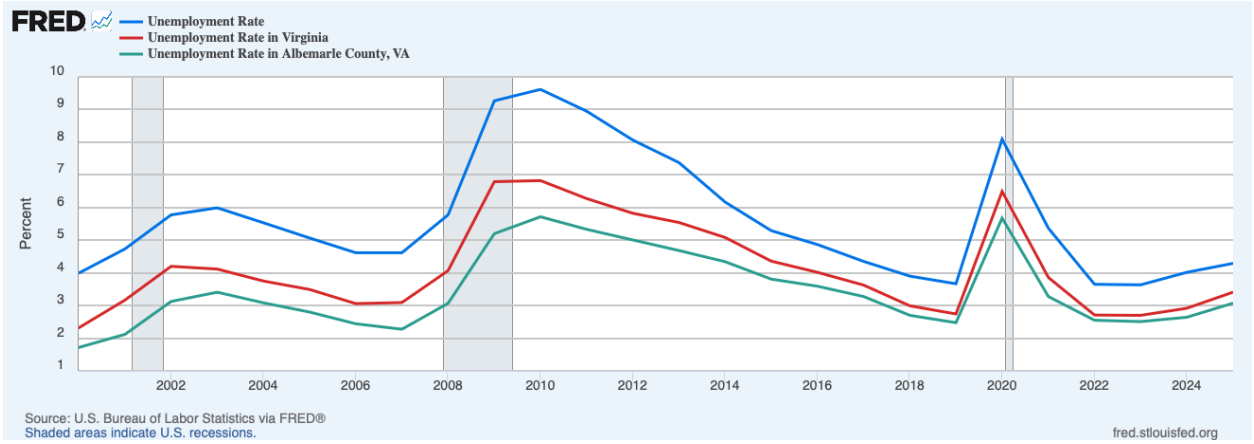
Figure 24. Unemployment Rate Change from Year Ago Since January 2025: Ending August 2026 for U.S. and Virginia, and Ending July 2026 for Albemarle County, Virginia (%)[6]




BLS Household survey; not seasonally adjusted

Looking through a wider lens, Albemarle County has consistently posted unemployment rates below those of both Virginia and the nation with varying distances between the county's and the state and national rates, and the county's trends have generally mirrored broader state and national labor market trends (Figure 25 provides annual average unemployment rates for Albemarle County, along with the state and nation for relative comparison purposes; BLS).

Figure 25. Unemployment Rate for U.S., Virginia, Albemarle County, Virginia, 2000 - 2025 (%)




BLS household Survey; not seasonally adjusted

These trends will be closely monitored given the standard process of monthly revisions and annual updates to employment data as more information becomes available.

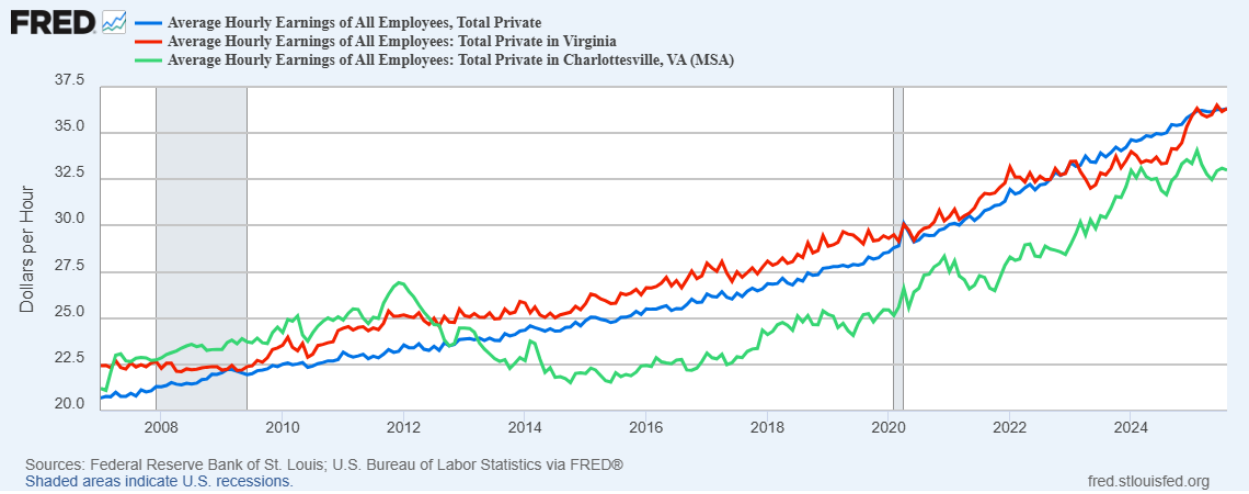
[6] Unemployment date for October 2025 is not available due to the federal government shutdown of Fall 2025.

## Wages and Total Compensation

*National Hourly Wage Trends*

In 2025, U.S. average hourly earnings grew an average 4.0%, the same rate as in 2024. In January–August 2026, the growth rate in U.S. average hourly earnings steadily slowed to a 3.1% annual average rate in August 2026 corresponding to the muted pace of job creation in the labor market (Figure 26; BLS). The slower wage growth thus far in 2026 has not been keeping up with inflation, raising concerns among consumers which will be further discussed in the Consumer Prices section below. Moreover, the gradual slowing in wage growth thus far in 2026 warrants close monitoring for signals of any softening in the labor market.

Figure 26. Average Hourly Earnings, U.S. Virginia, and Charlottesville MSA, Virginia, January 2007 – August 2026 ($)




BLS establishment survey; not seasonally adjusted

*Virginia Hourly Wage Trends*

In 2025, Virginia's average hourly earnings grew an average 8.0%, much faster than the nation's in 2025, and much faster than state's average 2.8% wage growth in 2024. Key factors impacting Virginia's wage growth in 2025 include higher demand in construction and an increase in the state's minimum wage (Figure 26, red line; BLS, Virginia Works).

In January–August 2026, the growth in Virginia hourly earnings slowed to a 6.2% annual average rate but still faster than the nation's during that period. Continued strong demand in the construction trades positively impacted wage growth during the first eight months of 2026 (Figure 26, red line; BLS, Virginia Works).

*Regional Hourly Wage Trends*

In the Charlottesville MSA, hourly wages grew an average 2.4% in 2025, much slower than the state's 8.0% average growth in 2025 and the Charlottesville region's average 7.3% growth in 2024. However, the Charlottesville MSA has experienced a big rebound thus far in 2026 and hourly wage growth has steadily surged, posting a 12.4% average monthly growth year-over-year in January–August 2026. The record thus far in 2026 is pointing to the Charlottesville MSA retuning to, and

possibly exceeding, the strong wage growth trend experienced in 2022–2024, which averaged 6.3% annual growth in the average hourly wage during that period following the pandemic (Figure 26, light green line; BLS).

*National Total Compensation Trends*

BLS also releases quarterly a fuller measure of U.S. total compensation, the Employment Compensation Index (ECI), which includes wages, salaries, and benefits. Similar to the recent moderating in hourly wage growth, the ECI also reflected the soft labor market in 2025, growing at a 3.5% annual average rate, after advancing 3.9% in 2024, 4.5% in 2023 and 4.9% in 2022, based on the latest BLS data. In the first half of 2026, the ECI held steady, growing an average 3.5%, the same rate as in 2025 (Figure 27; BLS). Again, close monitoring is warranted for signals of any additional softening in the labor market in 2026.

Figure 27. U.S. Total Compensation (Employment Compensation Index), Q1:2002 – Q2:2026 (% year-over-year)

Seasonally adjusted

## C. Consumer Activity

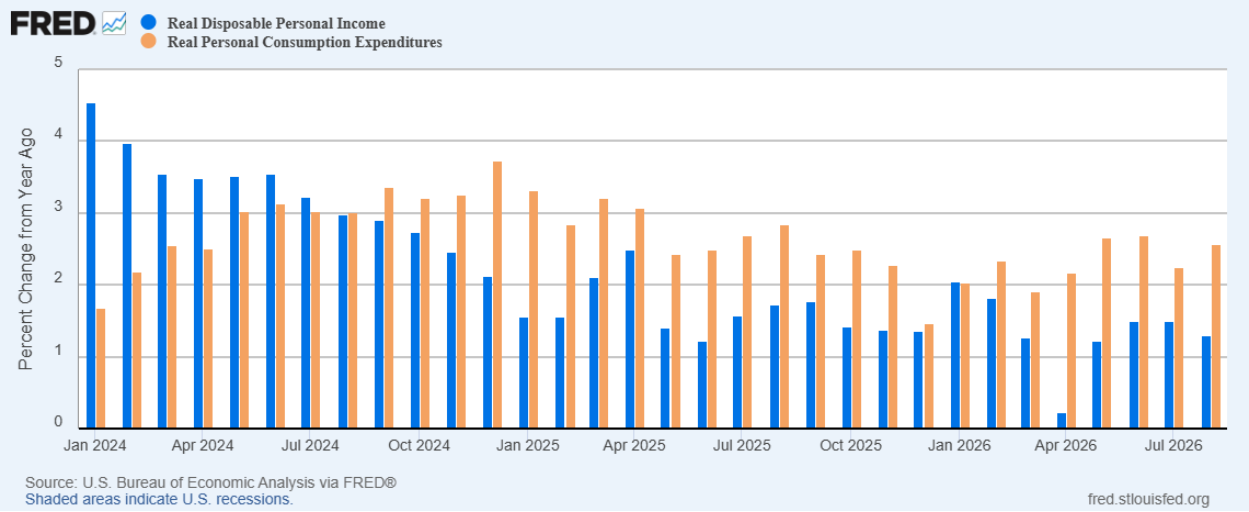
### Personal Income

*National Trends*

Real disposable personal income (inflation-adjusted)[7] represents household purchasing power. In 2025, U.S. household income growth slowed with real personal disposable income growing an average 1.6% in 2025 as compared to 3.2% in 2024 and 5.9% in 2023. In January–August 2026, overall U.S. household income growth slowed further with the monthly year-over-year increase in total real personal disposable income averaging only 1.4% in the first eight months of 2026. (Figure 28, blue bars; BEA).

[7] The indicators for real disposable personal income and all components of real consumer spending (i.e., personal consumption expenditures) are seasonally adjusted at the annual rate and inflation-adjusted in this analysis.

Figure 28. U.S. Real Disposable Personal Income and Real Personal Consumption Expenditures, January 2024 – July 2026 (% year-over-year)




Seasonally adjusted annual rate

However, the experience was not the same for those at the upper and lower ends of the income spectrum. The U.S. Census Bureau recently reported that the top 20% of U.S. households accounted for 52.4% of total aggregate household income in 2025, while the bottom 60% of households accounted for only 25.1%[8]. In fact, the top 5% of households alone accounted for 23.5% of total household income in the U.S in 2025, nearly the same percentage as the bottom 60%. Moreover, income grew at vastly different rates at the top and bottom of the income spectrum in 2025, with the top 10% realizing 1.7% growth in their household income after adjusting for inflation, while the bottom 10% faced a -0.8% reduction in household income (U.S. Census Bureau, 2026, September 15).

Additionally, the Federal Reserve Bank of St. Louis reported that income sources varied among higher- and lower-earning households in the Federal Reserve's 2022 Survey of Consumer Finances, with the top 10% of U.S. households deriving 28% of their income from businesses, dividends and capital gains, indicating they owned significant real and financial assets (e.g., companies, farms, stocks and bonds). Yet, the second-highest income decile derived only 13% of their household income from those passive sources and relied more on earnings. Contrastingly, lower-income households, many of which might have had unemployed or retired household heads received almost 49% of their income from Social Security payments and pensions, 27% from transfer income or government payments, including unemployment payments, child support, and food stamps benefits, and only about 23% from wages. These lower-income households received an incredibly small amount of earnings from businesses, dividends and capital gains, indicating they owned few real or financial assets (Federal Reserve Bank of St. Louis, 2025, June 4).

The slower growth in overall U.S. real disposable income pinches the household purchasing power of lower- and middle-income households, while upper-income households are bolstered by stock-

[8] The income figures are inflation-adjusted in the U.S. Census Bureau report on income in the United States in 2025.

market and business-asset wealth and driving the nation's aggregate total spending, which is examined further in the Consumer Spending section below.

## Consumer Spending

*National Trends*

Despite slower growth in real personal disposable income in 2025, U.S. consumers only slightly decreased their total expenditures, with real consumer spending growing 2.6% in 2025 as compared to 2.9% in 2024. Overall stock-market wealth, reductions in U.S. personal savings, and increases in total consumer debt helped consumers maintain their pace of total spending nationwide in 2025 (Figure 28, orange bars; BEA).

In January–August 2026, U.S. the pace of real consumer spending continued to outpace the growth in household income. The year-over-year monthly increase in total real consumer spending averaged 2.2% in the first eight months of 2026 while the monthly growth in total real personal disposable income averaged only 1.4% year-over-year during that period. In the aggregate, U.S. consumers were able to support still strong spending with stock-market wealth, further drawdowns in total personal savings, and continued increases in total outstanding consumer debt (Figure 28, orange bars; BEA).

However, differences appear across income groups when looking behind the total aggregate figures for the entire U.S. economy. In Q1:2026, U.S. total consumer spending was driven by higher income households with the top 20% of earners (those who earn over $175,000 annually) accounting for nearly 60% of total consumer spending, according to Moody's Analytics estimates (2026, June). The Federal Reserve Bank of Dallas similarly estimated in November 2025 that the top 20% of earners accounted for 57% of total consumer spending on average from 2022 to Q2:2025, based on an analysis of the Federal Reserve Distributional Financial Accounts data (Federal Reserve Bank of Dallas, 2025, November 25).

Moody's further estimated that as of Q1:2026, the top 20% increased their total consumer spending by 6.5% over the past year, and over 7.4% annually over the past three years, far exceeding CPI inflation during those respective periods (2.4% in 2024, 3.1% annual average in 2023 – 2025). Contrastingly, the personal consumption expenditures of the bottom 80% of income earnings did not keep up with inflation (Moody's Analytics, 2026, June) . With consumer spending comprising nearly 70% of real GDP, the top 20% of income earners is driving both real consumer spending and the economy (Moody's Analytics, 2026, June; BEA).

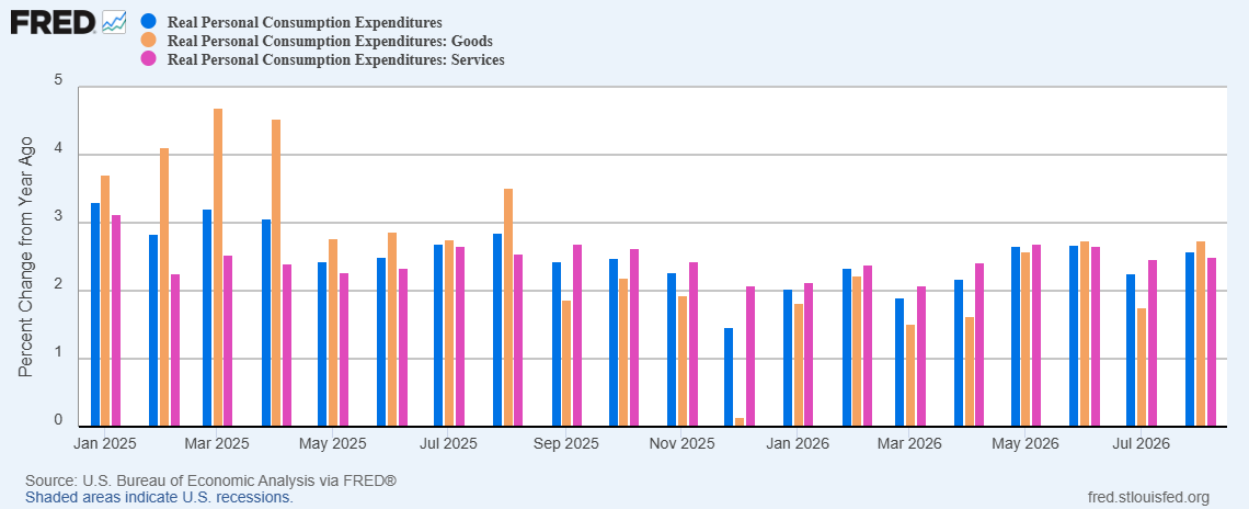
Additionally, many higher-income households are using stock-market wealth to support their strong consumer spending. JPMorganChase (JMPC) Institute recently reported that higher earners are supporting spending by drawing on investment accounts, covering over 10% of their spending in 2026, up from 4% in 2019 (JPMC Institute, 2026, September 17). Thus, since the current economy is being driven by higher-income households that are relying more on investment assets to fuel their spending, any major changes in the investment earnings of higher earners could reverberate through the economy.

It is useful to examine the components of real consumer spending as related to local government revenues. The two major categories of consumer spending are goods and services. While Virginia's sales tax excludes services and certain goods (e.g., excluding food for home consumption and prescription medications and medical devices), it is useful to analyze consumer spending trends on goods.

In 2025, U.S. households notably increased their real total spending on consumer goods by an average 2.9%, the highest annual rate since the beginning of the pandemic recovery in 2021, whereas total spending on services increased by an average 2.5%, the lowest rate since 2021. In 2025, consumers distinctly increased goods purchases at various times in 2025 to front-run the series of changes in U.S. tariff rates last year (Figure 29; BEA).

In January–July 2026, however, consumers switched the balance between the growth in consumer goods and services purchases, with real total spending of consumer goods averaging 2.2% on a year ago basis during that period as compared to 2.4% average growth in real total spending on services (Figure 29; BEA).

Figure 29: U.S. Real Consumer Spending: Total, Goods and Services, January 2024 – August 2026 (% year-over-year)




Seasonally adjusted annual rate

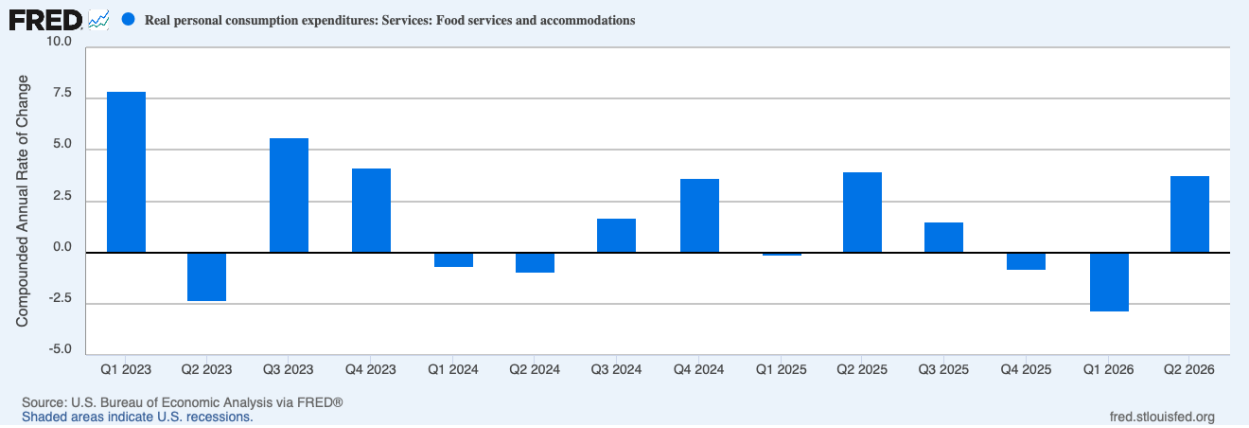
Despite the moderate shifts between the growth of spending on consumers goods and services in 2025 and the first eight months of 2026, consumer services remained the predominant component of U.S. real total spending, with consumer spending on services annually comprising an average of 66% of real total consumer spending in 2021–2025 (BEA).

Although not impacting the overall predominance of real consumer spending on services, the moderate adjustments in the growth of consumer goods spending in 2025 and the first eight months of 2026 are important to closely monitor as related to the flow of governmental sales tax revenues in Virginia.

Looking deeper within the services category, real consumer spending on food services and accommodations relates to local government food and beverage and transient occupancy taxes, respectively, both major contributors to the other local tax revenue category in Albemarle County, Virginia.

In 2025, the growth in U.S. real consumer spending on food services and accommodations (inflation-adjusted) improved slightly over the previous year, rising an average 1.4% in 2025 after growing 1.4% in 2024. However, the pace of growth in 2024–2025 represented the continued, steep deceleration from the robust 9.3% median annual growth of U.S. real consumer spending on food services and accommodations in 2021–2023. In the first half of 2026 (Q1 and Q2), U.S. real consumer spending on foods services and accommodations further slowed registering a compound annual growth rate of only 0.42% in that period (Figure 30; BEA).

Figure 30. U.S. Real Consumer Spending on Food Services and Accommodations, Q1:2023 – Q2: 2026 (% compound annual rate of change)

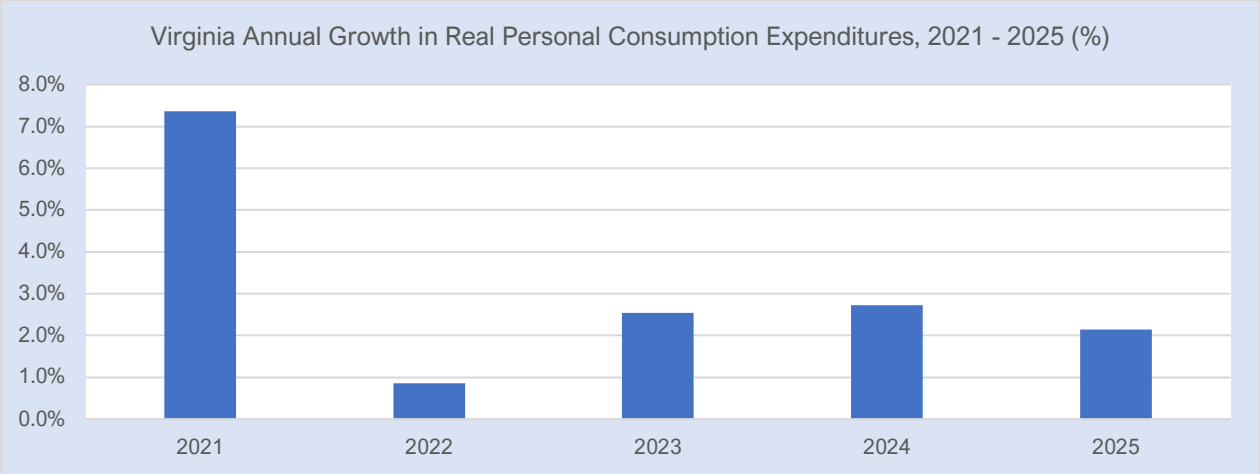



Seasonally adjusted annual rate

*Virginia Trends*

Data is only available annually on consumer spending in Virginia. Based on the latest BEA data (September 2026), Virginia's real consumer spending (inflation-adjusted) grew an average 2.1% in 2025, slower than the 2.7% average annual growth in 2024. The annual growth in Virginia's real consumer spending was likewise bumpy during 2021–2023, growing 7.4% in 2021, 0.9% in 2022, and then 2.5% in 2023 (Figure 31; BEA).

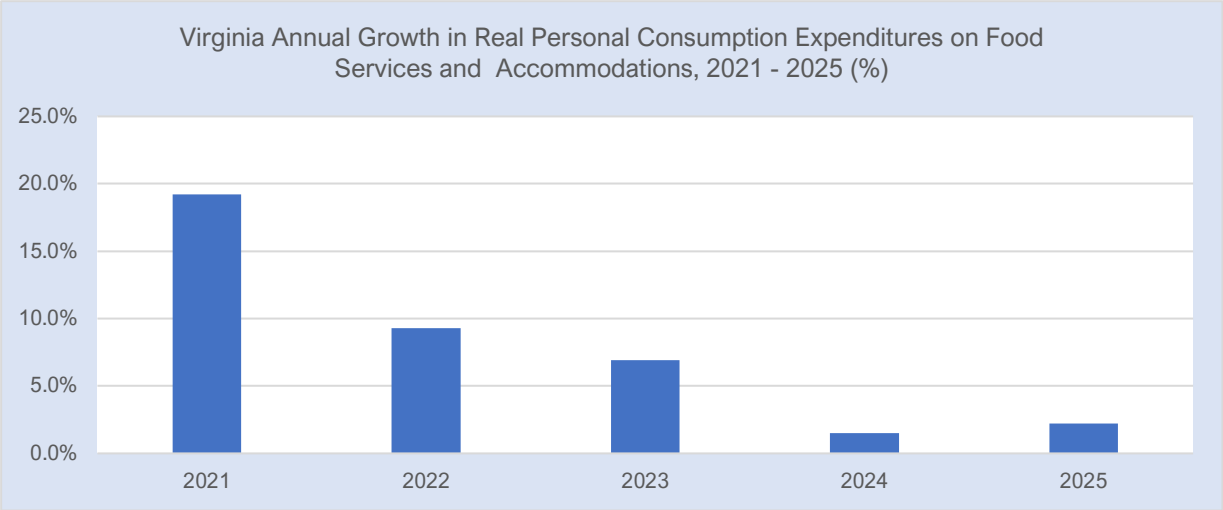
Figure 31. Virginia Annual Growth in Real Consumer Spending, 2021 – 2025 (%)




BEA; not seasonally adjusted

Looking more deeply at the consumer spending related to food and beverage and transient occupancy local government tax revenues, Virginia's real consumer spending on food services and accommodations (inflation-adjusted) grew 2.2% in 2025, up from the 1.5% annual growth in 2024, based on the latest BEA data While Virginia's real consumer spending on food services and accommodations modestly bumped up in 2025, it still continued the overall steady decline in annual growth in 2021–2023 when annual growth went from 19.2% in 2021, to 9.3% in 2022, and then 6.9% in 2023 (Figure 32; BEA).

Figure 32. Virginia Annual Growth in Real Personal Consumption Expenditures on Food Services and Accommodations, 2021 – 2025 (%)



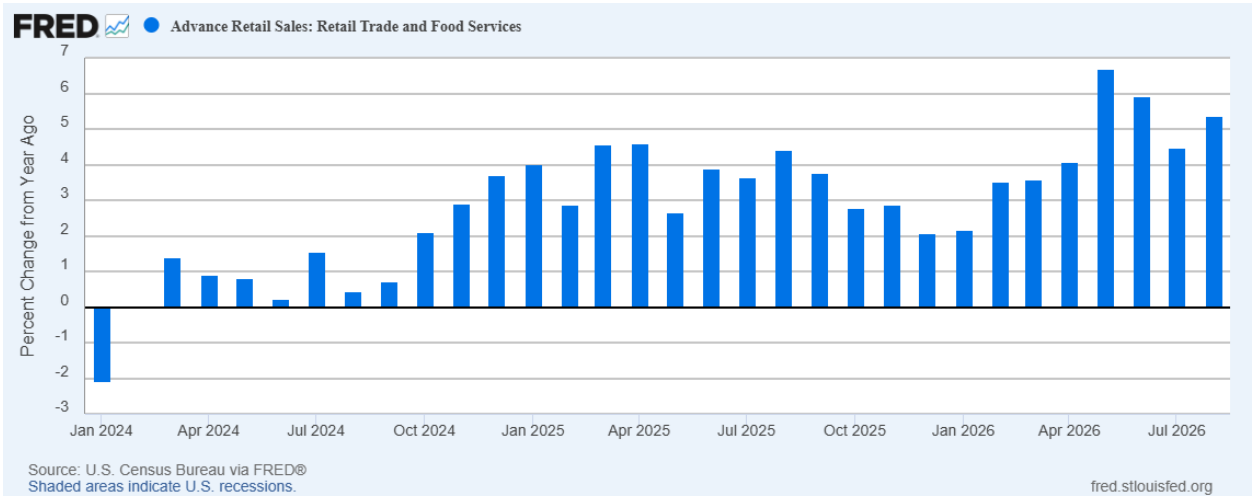

BEA; not seasonally adjusted

## Retail Sales and Trade

*National Trends*

In 2025, U.S. retail sales increased 4.0% after increasing 2.6% in 2024, heavily impacted by consumers attempting to front-run expected higher tariff taxes at various points last year. In January–July 2026, total retail sales continued to grow an average 5.2% year-over-year, strongly fueled by stock-market wealth, decreases in personal savings, and increases in consumer debt (Figures 33; U.S. Census Bureau). Retail sales trends are relevant for governmental sales tax revenue given Virginia's tax structure.

Figure 33. U.S. Retails Sales, January 2024 – August 2026 (% year-over-year)



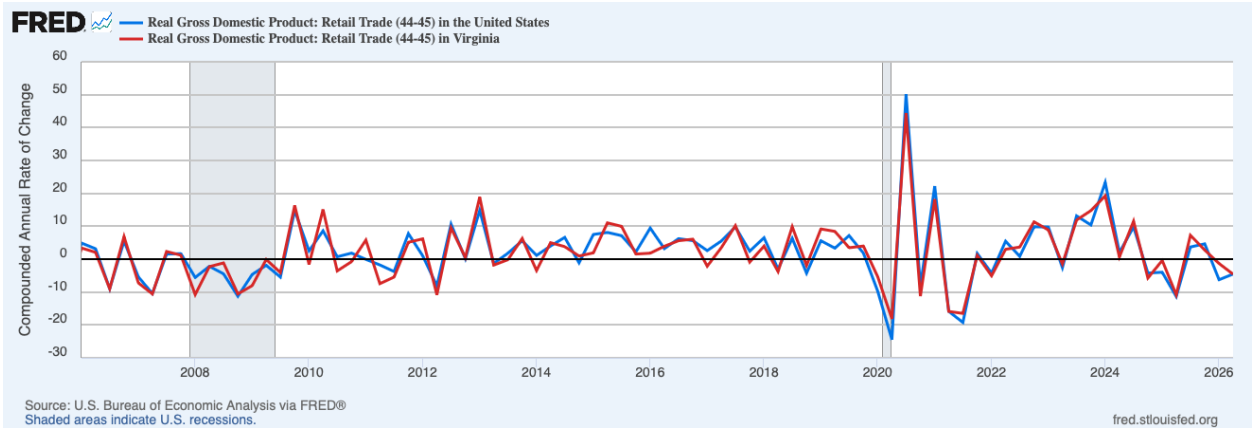

Seasonally adjusted

*Virginia Trends*

To assess activity in the retail sector in Virginia, the retail trade component of state real GDP (inflation-adjusted) is analyzed which measures the sector's contribution to the state's domestic output (GDP) and is calculated by subtracting the value of intermediate inputs (goods and services purchased from other industries) from the value of the industry's gross output (sales and income). For Virginia, the state's real GDP data (and its components) are published quarterly three months after the end of each quarter with the latest data available for Q2:2026 (BEA).

In 2025, the annual growth in the retail trade component of real GDP slowed tremendously in both Virginia and the nation as compared to their respective average annual growth rates in 2024, based on the latest BEA data (Figure 34, blue line). In 2025, Virginia's retail trade component of real GDP declined -0.9% as compared to an annual average growth of 9.8% in 2024. Relatedly, the swing in the growth of the U.S. retail trade component of GDP was more pronounced, declining -2.0 % in 2025 as compared to an annual average growth of 10.2% in 2024 (Figure 34, red line; BEA).

Figure 34. Real Gross Domestic Product: Retail Trade: U.S. and Virginia Q1:2006 – Q2:2026 (% compound annual rate of change)




Seasonally adjusted annual rate

In the first two quarters of 2026, the retail trade component of real GDP continued to drop in both Virginia and the nation. In Q1:2026, Virginia's retail trade component of real GDP dropped at the annualized rate -1.3% while the comparable figure for the U.S. declined -6.3% during that period. In Q2:2026, Virginia's retail trade component of real GDP dropped at the annualized rate -4.6% while the comparable figure for the U.S. declined -4.5% during that period (Figure 34; BEA).

In 2025 and the first half of 2026, Virginia's retail trade component of real GDP declined to a lesser extent than the comparable U.S. annualized rate, and both Virginia and the U.S. recorded almost equivalent, pronounced declines in Q2:2026. However, the state's average annual pace of growth was slightly slower than the nation's in 2024 (Figure 34; BEA)

In terms of the historical pattern, comparatively, Virginia's real retail trade growth (inflation-adjusted) generally followed respective national growth trends from 2010 to the second quarter of 2026 with varying periods of stronger and slower growth as compared to the nation, based on the latest BEA data (Figure 34; BEA).

## Consumer Confidence and Consumer Sentiment

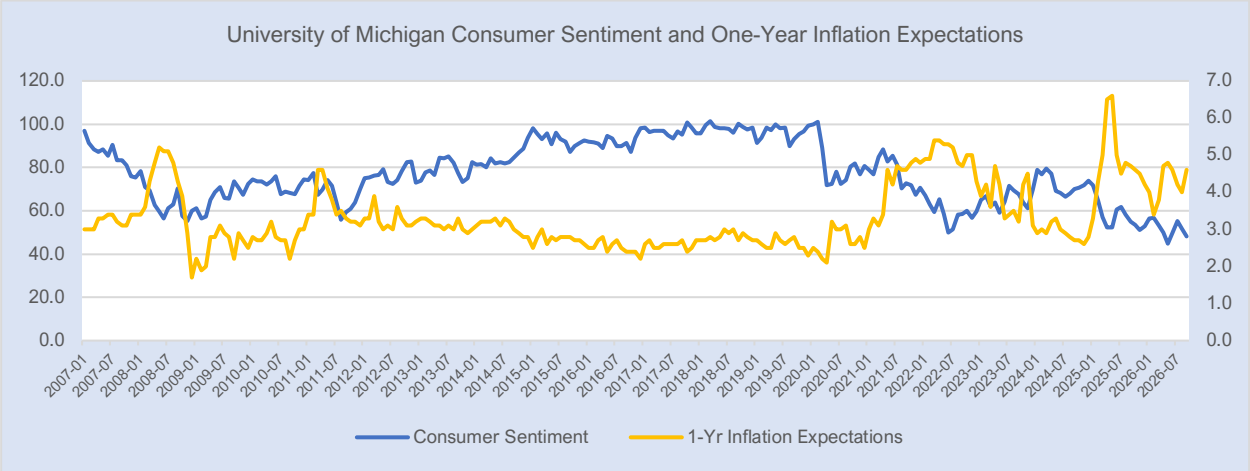
*National Trends*

Consumers' perspective on the economy is so important that it is monitored in many ways. Two widely used indicators are the University of Michigan Consumer Sentiment Index and the Conference Board's Consumer Confidence Index. The Conference Board's Consumer Confidence Index tends to reflect more employment perspectives, whereas the University of Michigan's Consumer Sentiment Index records more perspectives on prices (University of Michigan; Conference Board).

The University of Michigan consumer sentiment index steadily declined during January 2025–September 2026, reaching the lowest reading in four months in September 2026 and posting the lowest levels since 1952 in four of the last nine months. The University of Michigan's index of consumers' one-year inflation expectations rode the roller coaster of tariff announcements in 2025

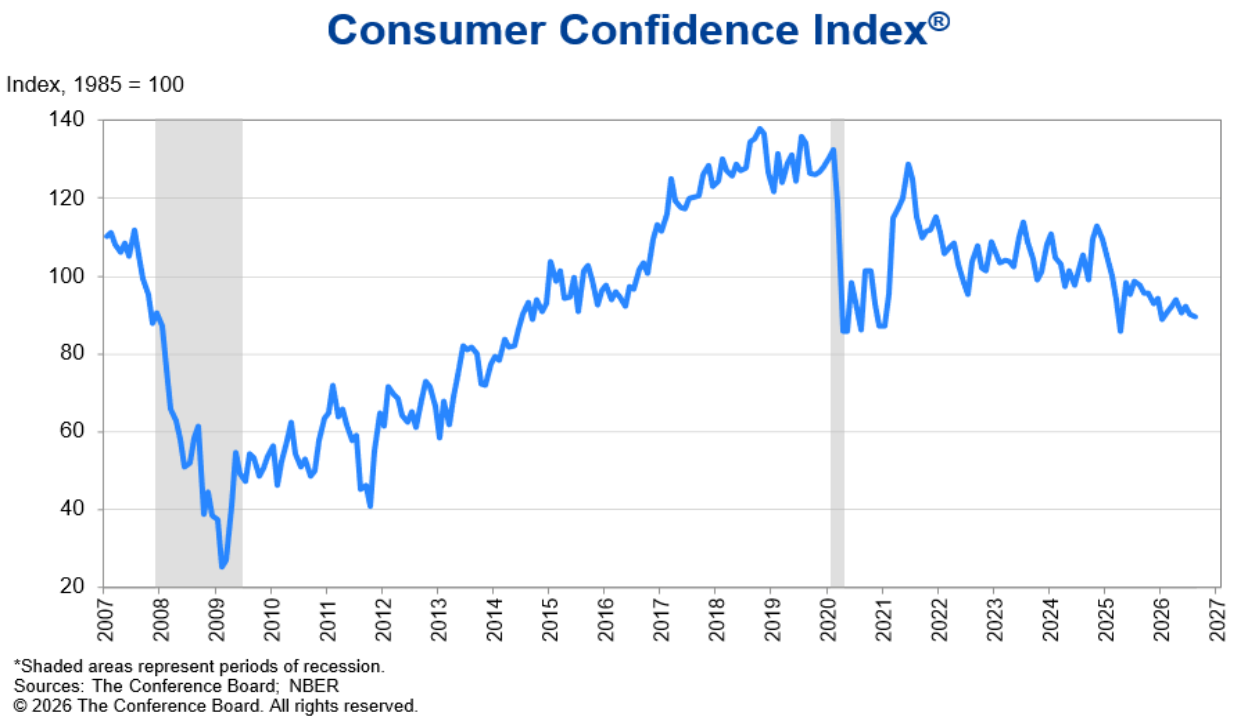
and the onset of the Iran War and peace fire announcements in 2026. After registering an average 2.7% in Fall 2024, the one-year inflation expectations index shot up to 6.6% in May 2025 in response to the initial U.S. tariff announcements, gradually eased to 3.4% by February 2026 after the series on lower tariff announcements, accelerated again to 4.8% in May 2026 in response to the Iran war, then gradually eased to 4.0% in September 2026 after the cease fire announcement in June 2026 and limited military strikes since then (Figure 35; University of Michigan).

Figure 35. U.S. Consumer Sentiment and Inflation Expectations, January 2007 – September 2026




In August 2026, the Conference Board's Consumer Confidence Index continued its overall downward trend from early 2025. Based on the index's six-month moving average, confidence trended down slightly across all age groups, posting highest among consumers under 35. Confidence was mixed across income groups on a six-month moving average basis, with higher-income groups generally more optimistic (Figure 36; Conference Board).

Figure 36: U.S. Consumer Confidence Index, January 2007 – August 2026



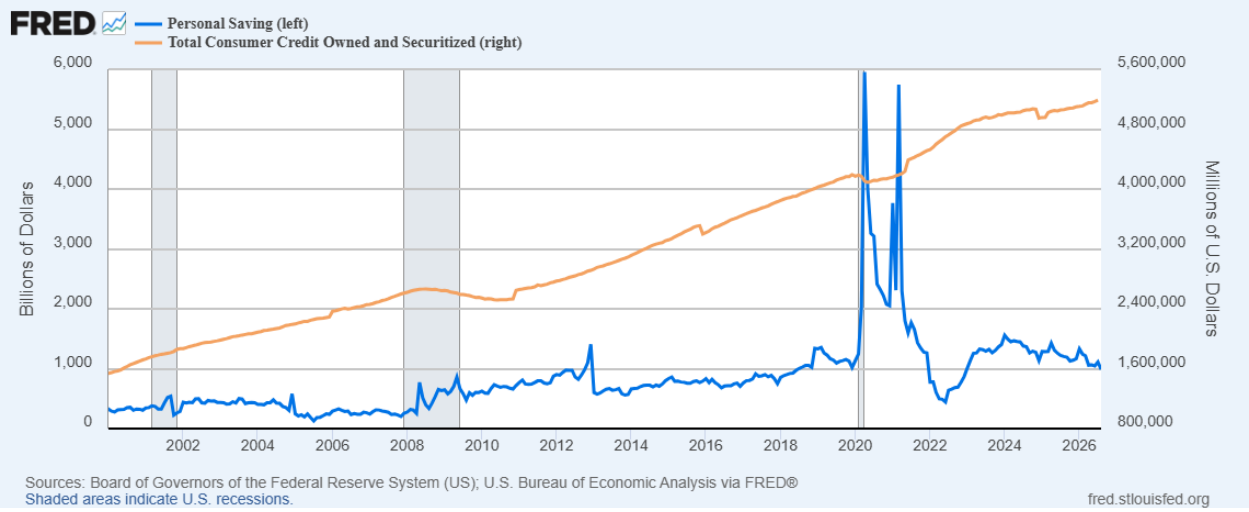

Although U.S. consumers generally spent through the bumpiness and declines in consumer confidence and consumer sentiment in 2023 through the first eight months in 2026, the pace of U.S. real consumer spending moderated in 2025 and continued through August 2026. U.S. consumers are noticeably still spending but not quite at the same pace as in 2024. Virginia's consumers also moderated the pace of their real consumer spending in 2025 as compared to 2024. Continued close monitoring is warranted given the importance of consumer spending to the economy and the recent significant declines in consumer confidence and sentiment.

## Consumer Personal Savings and Consumer Debt

*National Trends:*

The mixed consumer signals of both caution and continued spending are supported by the trends in household balance sheets. Despite slow growth in real personal disposable income in 2025 through August 2026, U.S. consumers' continued solid spending overall during was strongly fueled by decreases in total personal savings and increases in total consumer debt (Figures 37; BEA). These consumer balance sheet drawdowns impacted lower- and middle-income households more so than higher-income households that derived a substantial portion of their income from assets.

Figure 37. U.S. Personal Savings and Total Consumer Credit Since January 2000, Ending August 2026 for Personal Savings and July 2026 for Total Consumer Credit ($)




Seasonally adjusted

In 2025, in the aggregate, U.S. consumers significantly decreased their total savings (-10.1%) and marginally increased their total consumer credit balances (+0.3%). Thus far in 2026, U.S. consumers overall continued the substantial drawdown in their overall balance sheets, based on the latest Federal Reserve data. For the period of January–August 2026, total personal savings declined a monthly average of -11.7% as compared to a year ago. For that same eight-month period, total consumer credit outstanding[9] increased at a monthly average pace of 2.6% as compared to a year ago (Figure 37; BEA, Federal Reserve). Close monitoring of consumer behavior is warranted given the accelerated pace of drawdowns to the consumer balance sheet in 2025 through August 2026.

The aggregate figures for total consumer personal savings and total consumer credit mask differences across household income levels with higher income households being able to increase savings in the face of economic uncertainty and lower income households needing to increase the use of consumer credit to make ends meet with continuing affordability issues (Congressional Research Service, 2025, February 27; BLS, 2024, June; Richmond Fed, 2023, June 27).

## D. Consumer Prices

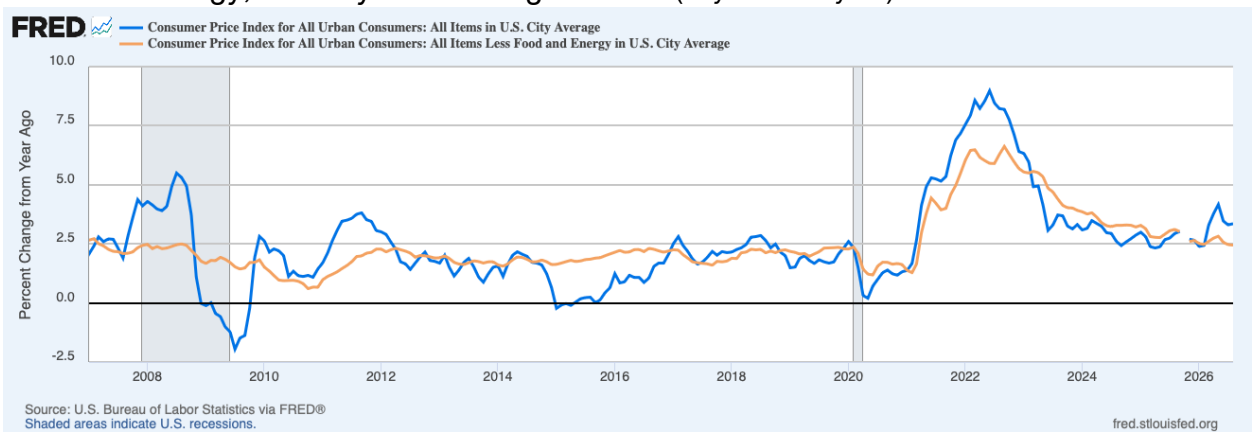
*National Trends:*

In 2025, headline inflation, as measured by the Consumer Price Index (CPI) including food and energy (CPI), averaged 2.6% and reached a low of 2.3% in Spring 2025. In Summer 2025, CPI inflation began gradually increasing, hitting a peak of 4.2% in May 2026 before easing to 3.4% in August 2026 (Figure 38, blue line; BLS). Core inflation, excluding food and energy, remained

[9] Total consumer credit outstanding covers most credit extended to individuals for personal expenditures, excluding loans secured by real estate, including revolving and nonrevolving held by depository institutions, financing companies, credit unions, the federal government, and nonprofit and educational institutions (Federal Reserve).

sticky throughout 2025 into August 2026, averaging 2.8% in 2025 and 2.6% in January–August 2026 (Figure 38, orange line; BLS).

Figure 38. U.S. Monthly Change in Consumer Price Index, Including and Excluding Food and Energy, January 2007 – August 2028 (% year-over-year)




Seasonally adjusted

Core CPI inflation registered lower than CPI inflation in August 2026 but still above the Federal Reserve's 2% long-term target. The primary drivers of inflation for the 12 months ending August 2026 were energy (gas and fuel commodities) and energy service (electricity and piped gas services), followed by shelter services, medical care services, and food (at home and away from home) (BLS).

Most notably, in April 2026 monthly CPI inflation, including food and energy, began exceeding the monthly year-over-year growth in wages which continued through August 2026, thereby tightening the squeeze on most household budgets.

## E. Federal Reserve Policy Actions

*National Trends*

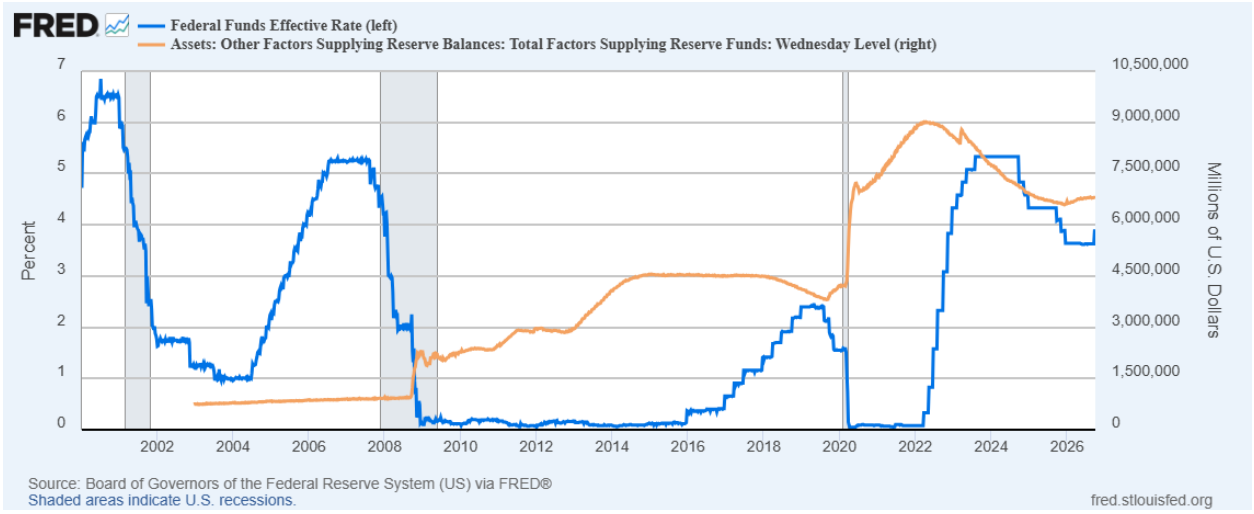
The Federal Reserve has a dual Congressional mandate of price stability and maximum employment (Federal Reserve). As such, the Federal Reserve has a delicate balance to maneuver to fully tame inflation, maintain financial market stability, and support maximum employment amid significant policy uncertainty since 2025 into the first eight months of 2026.

The Federal Reserve orchestrated a soft landing from the elevated inflation of 2021–2022 that resulted from pandemic supply chain disruptions, pent-up demand during the pandemic recovery, and the supply chain and the price shocks (energy, food, and commodities) emanating from the Russian invasion of Ukraine in 2022. By the end of 2024, CPI inflation had decreased to 2.9% from an 8.0% annual average in 2022, and trended down further to 2.3% in April 2025, almost reaching the Federal Reserve's 2% long-tern target, before turning back up as significant increases in U.S. tariffs in 2025 started having an impact (Federal Reserve; BLS).

As such, after three reductions in the federal funds rate in late 2024 as inflation was getting tamed, the Federal Reserve paused additional rate increases in early 2025 due to a mixed inflation picture and uncertainty with impending major federal policy changes. In Fall 2025, the Federal Reserve instituted three straight federal funds rate cuts as risk shifted more to the employment side of the Fed's dual mandate with the steadily cooling labor market in the second half of 2025 despite the uptick in inflation during that same period (Federal Reserve, 2025).

After trending down slightly again to 2.4% in January–February 2026, inflation began to increase again in March 2026 in response to the start of the Iran war and stubbornly continued to increase through August 2026. The Federal Reserve initially restrained from raising interest rates to assess the persistence of the inflation, and eventually instituted a 0.25% rate increase in September 2026, under the helm of the new Chair, Kevin Warsh, who assumed office in May 2026. The official federal funds rate range of 3.75% - 4.00% was unanimously approved on September 16, 2026, by the Federal Reserve Open Market Committee (FOMC), the official rate-setting body that includes all of the Federal Reserve Board of Governors, the President of the Federal Reserve Bank of New York, and a rotation of four of the remaining 11 Federal Reserve Bank presidents (Figure 39; Federal Reserve).

Figure 39. U.S. Federal Funds Rate (%) and Federal Reserve Total Assets ($), January 1, 2000 – September 30, 2026




Not seasonally adjusted

Simultaneous with the rating actions (pause in January–August 2025 then cut September 2025), the Federal Reserve also continued to reduce its balance sheet, albeit at a slower pace since March 2025, because core inflation remained elevated above its 2% average long-term target. The Federal Reserve greatly increased its securities holdings during the pandemic to support financial market liquidity and stability, and the balance sheet still remains well above the prepandemic level even with its steady drawdown since 2022. Over the last three-plus years, the Federal Reserve has carefully adjusted the pace of the slowdown in response to economic conditions to maintain financial market stability while pursuing its dual mandate of price stability and maximum employment (Figure 39; Federal Reserve).

The Federal Reserve continues to have a delicate balance to navigate. Since early 2025, increased import taxes (tariffs) and the Iran war impacts on energy and other costs have exerted upward pressure on producer and consumer prices and downward pressure on supply, thereby creating inflationary impacts which elevated inflation for several months, shifting the risks to the price stability side of the Fed's dual mandate. However, the Fed has to keep an eye on the labor market to monitor whether the improvements in the labor market thus far this year are sustained.

## F. Business and Housing Activity

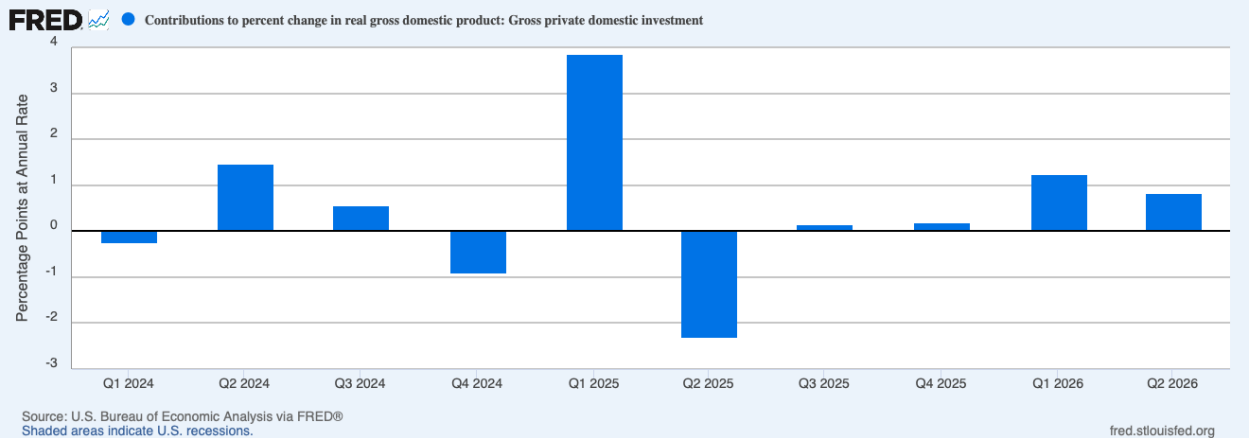
### Private Business Spending

*National Trends:*
Real private business spending (gross private domestic investment component of real GDP) accounted for approximately 19% of total real GDP in 2028 and is comprised of nonresidential spending on structures, equipment, and intellectual property; residential construction spending; and changes in private inventories (BEA).

In 2025, U.S. real private business spending was a strong driver of growth, accounting for 0.6%of the total 2.3% growth in U.S real GDP that year, primarily due to business spending on technology-related equipment and intellectual property products.

In the first half of 2026 (Q1 and Q2), private business spending exhibited swings but overall became an even more prominent driver of U.S. economic growth in January–June 2026, accounting for 1.1%, or almost half, of the 2.3% growth in real GDP during that period. Again, the significant investments in technology-related equipment and intellectual property products fueled the growth in private business spending (Figure 40; BEA).

Figure 40. U.S. Real Private Business Spending Contribution to Real Gross Domestic Product, Q1:2021 – Q2:2026 (% annual rate)



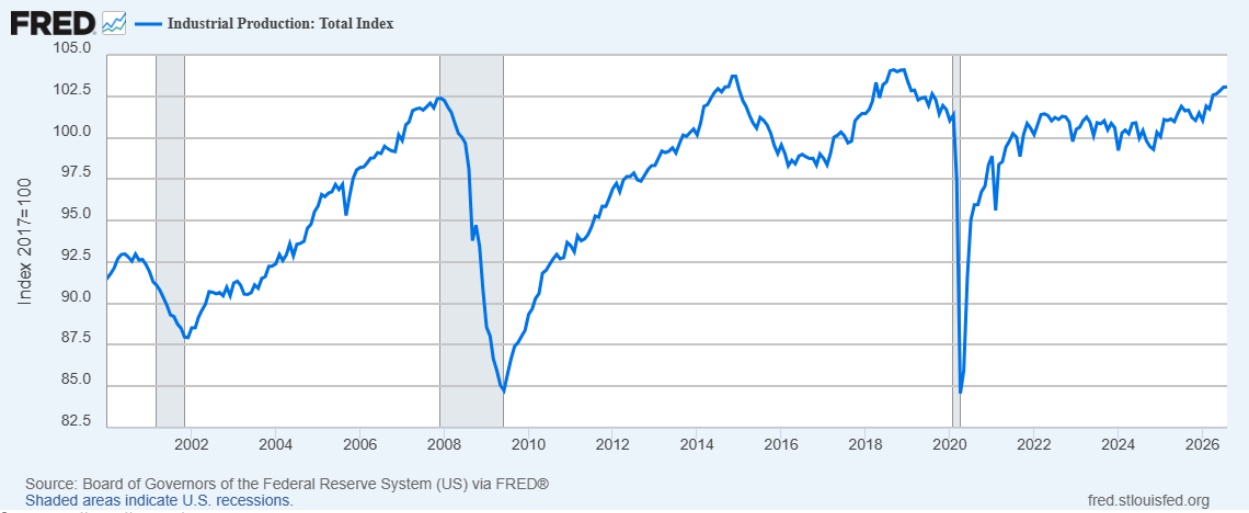

Seasonally adjusted annual rate

### Industrial Production

*National Trends:* I

In terms of the industrial sector overall, the Federal Reserve produces the Industrial Production Index that measures real output in manufacturing, mining, and electric and gas utilities. After posting strong growth in 2021–2022 and declining modestly in 2023–2024, industrial production increased 1.1% overall in 2025, led by strong growth in business equipment and construction supplies that was partially offset by declines in consumer goods production. All other sectors posted moderate advances in 2025 (i.e., final products, nonindustrial supplies, and materials) (Figure 41; Federal Reserve).

Figure 41. U.S. Industrial Production, January 2000 – August 2026 (index)




Seasonally adjusted

In January–August 2026, the industrial production index grew a median 1.2%, led by strong growth in the business equipment sector that was partially offset by continued reductions in the consumer goods sector. All other sectors posted solid advances during that period (i.e., final productions, nonindustrial supplies, construction supplies, and materials) (Figure 41; Federal Reserve).

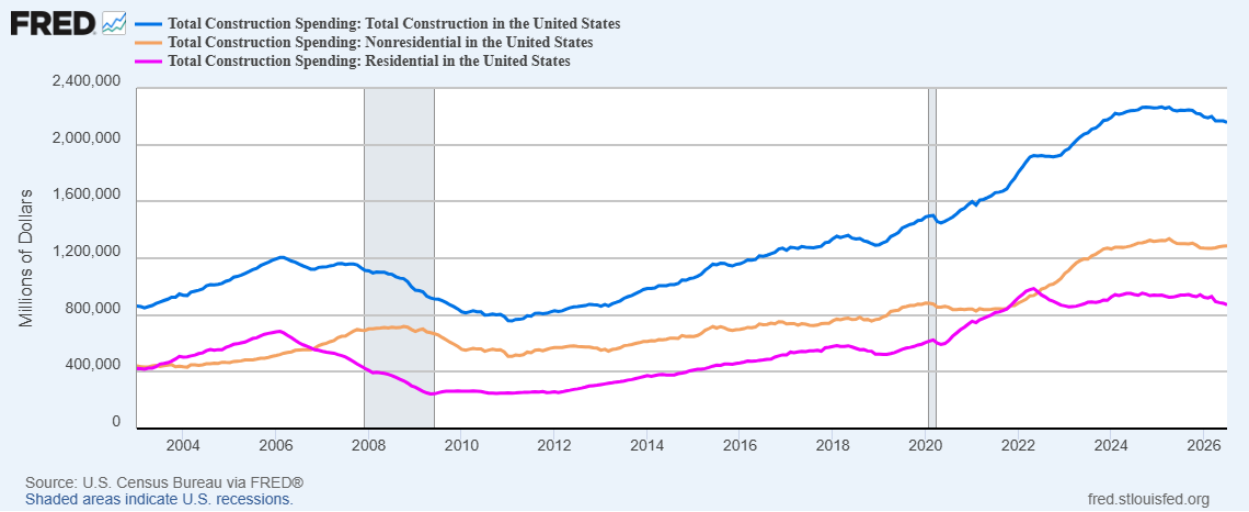
Data centers again appear as drivers of economic growth in the U.S. in their impact on business equipment and construction supplies production in 2025 through August 2026 (Federal Reserve).

## Construction Spending

*National Trends*

After 13 years of strong to robust growth in total construction spending, grew only 0.3% in 2025 after growing 4.9% in 2024 and 9.1% in 2023. Non-residential construction spending posted a modest 1.1% growth in 2025 after consistently driving overall construction activity in 2024 and 2023, growing 8.5% and 23.2%, respectively. Residential construction spending had a bumpier path in 2023 – 2025, declining years -0.8% in 2025 after increasing 7.1% in 2024 and decreasing -5.5% in 2023 (Figure 42; U.S. Census Bureau).

Figure 42. U.S. Total, Residential and Nonresidential Construction Spending, January 2003 – July 2026 ($)




Seasonally adjusted annual rate

In January–July 2026, all components of construction spending declined as compared to last year. During the first seven months of 2026, total construction spending decreased an average 3.3% year-over-year, while non-residential construction declined -3.2% and residential construction decreased 3.5%. Despite strong nonresidential construction spending associated with data centers, spending was down year-over-year in seven of 16 subcategories of nonresidential construction in July 2026, particularly down -21.2 % year-over-year in manufacturing construction spending (Figure 42; U.S. Census Bureau).

## Residential Real Estate Market Trends

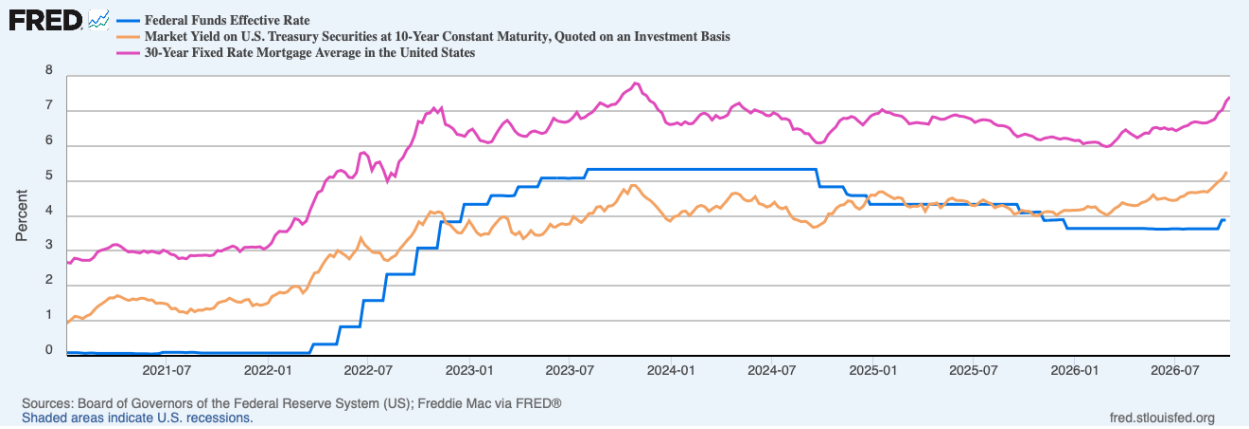
### Mortgage Rates

*National Trends*

Mortgage rates impact the purchasing power of buyers in the real estate market. The U.S. 30-year fixed rate mortgage average is more closely connected to the U.S. 10-year Treasury yield than the federal funds rate set by the Federal Reserve and has generally followed the pattern of the U.S. 10-year Treasury rates, albeit at a different level (Figure --). The U.S. 10-year Treasury is considered the global standard, "risk-free" rate and serves as the benchmark for setting other borrowing costs, including mortgages, consumer credit cards and loans, and corporate borrowings (Federal Reserve, Federal Home Loan Mortgage Corporation (Freddie Mac)).

U.S. 10-year Treasury yields started rising in late 2024, reaching a peak in Spring 2025, jaggedly drifting down until February 2026, then steadily increasing to 5.26% in early October 2026, the highest level in over 25 years. The U.S. 30-year fixed rate mortgage average tracked this course, starting to rise in late 2024, reaching a peak in May 2025, jaggedly drifting down to 6.0% in February 2026, then steadily increasing to 7.4% in early October 2026, the highest level in almost three years (Figure 43; Federal Reserve, Freddie Mac).

Figure 43. U.S. Federal Funds Rate, U.S. 10-Year Treasury Yield, and 30-Year Fixed Rate Mortgage Average, January 1, 2021 – October 8, 2026 (%)




The yield on the U.S. 10-year Treasury is the "price" that bond investors require to buy the bond debt and is based on supply and demand in the bond market and bond investors' assessment of the likelihood that changing conditions in the future (various 'risk" factors) could impact the future value of the bond debt they are purchasing and/or its repayment. Global demand for debt is currently high with several countries (sovereigns in financial markets) depending on global bond markets to finance their national debts and the corporate demand for debt escalating as technology companies turn more to debt financing of the aggressive A1 buildout (Fitch, 2026, August 26).

The U.S. debt surpassed $40 trillion in August 2026, leading the world in sovereign total debt and over twice as much as the second highest, China ($18.7 trillion), followed by Japan ($9.8 trillion), United Kingdon ($4.1 trillion), and France ($3.9 trillion) (World Deck Clock, U.S. Debt Clock.com, 2026, October 8). On the corporate side, it is estimated that $1.4 trillion total debt has been issued on AI structures to date, with $500 billion issued in the first seven months of 2026, and an estimated $1.5 trillion of data financing needs from mid-2026 through 2028 (Brookings, 2026 October, 8; Goldman Sachs, 2026 August 5; JP Morgan, 2026, July 16). Further, a recent analysis projects that AI debt issuance could reach $10 trillion between 2025 and 2032, or approximately 3.6% of GDP annually during that period, far exceeding the comparative investments (as a percent of GDP) in the transformative technological expansions of railroads, interstate highways, and the internet in the U.S. previously. Moreover, technology companies are increasingly using off-balance sheet financing structures for their massive AI debt (Brookings Papers in Economic Analysis, 2026, September --). Collectively, this massive demand for debt is putting significant upward pressure on the U.S. 10-year Treasury rate (Fitch, 2026, August 26).

Beyond the large, global demand for debt, bond market investors' also incorporate into the pricing of bonds (interest rates) their assessments of inflationary expectations (e.g., tariffs and energy prices associated with the Iran war), geopolitical events, and fiscal and monetary uncertainty which could potentially impact the future value of the bonds purchased and/or their repayment.

For the housing market, this rising interest rate environment has caused mortgage rates to soar to record highs, impacting buyer purchasing power, and developer borrowing costs to escalate, decreasing the total amount of housing construction and shifting the type of construction to higher-

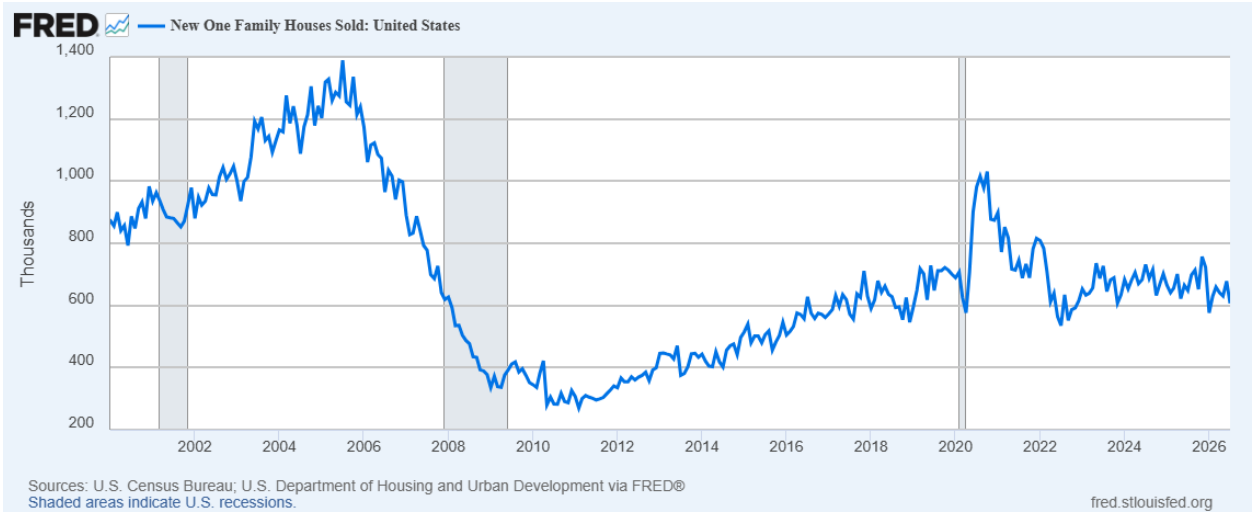
end, faster-yielding projects (National Real Estate Management Group, 2025, February 18; National Association of Hispanic Real Estate Professionals, 2025, October 21)l

## Home Sales

*National Trends*

Looking at the housing market, U.S. new home sales declined -0.9% in 2025, after increasing 2.8% in 2024 and 4.7% in 2023. In January–August 2026, U.S. home sales declined in five of eight months as compared to last year, with an average year-over-year decline of -2.8% during that period (Figure 44; U.S. Census Bureau). Key factors underlying the deceleration in U.S. home sales in 2025 through July 2026 include continued economic uncertainty, repeated increases in mortgage rates since 2025, and challenging affordability conditions (Figure 44; Census, National Association of Home Builders (NAHB), National Association of Realtors (NAR)).

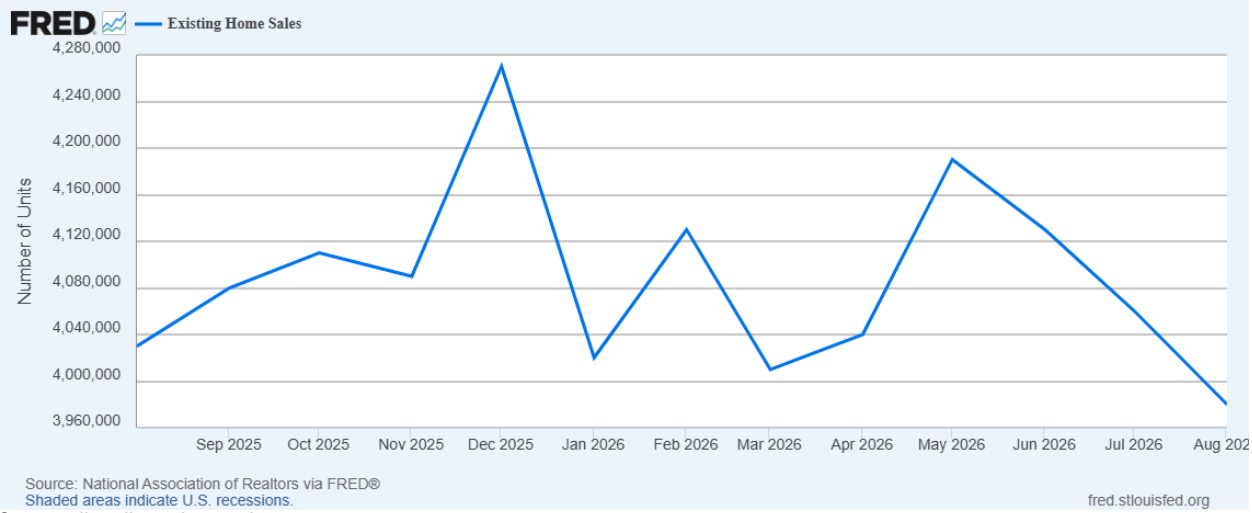
Figure 44. U.S. New Home Sales, January 2000 – July 2026 (units)




Seasonally adjusted annual rate

In 2025, monthly U.S. existing home sales at the seasonally adjusted rate hovered in narrow ban throughout the year but have slowed month-over month this year. In January–July 2026, U.S. existing home sales steadily declined month-over-month every month except one in the key spring and summer housing market (Figure 45; National Association of Realtors). However, year-to-date existing home sales registered up 2.4% in July 2026 due to positive year-over-year sales in April–July especially strong results in May and June. The strong May and June year-over-year sales results were likely related to mortgage rates easing slightly in April–May 2026 (which significantly reversed afterwards). Nationwide, existing home sales growth is skewed toward higher-priced homes with sales of homes over $1 million dollars in July 2026 up 14.8% from a year ago (NAR). Escalating mortgage rates, affordability and a tentative labor market are likely to continue to impact U.S. existing home sales.

Figure 45. U.S. Existing Home Sales, August 2025 – August 2026 (units)

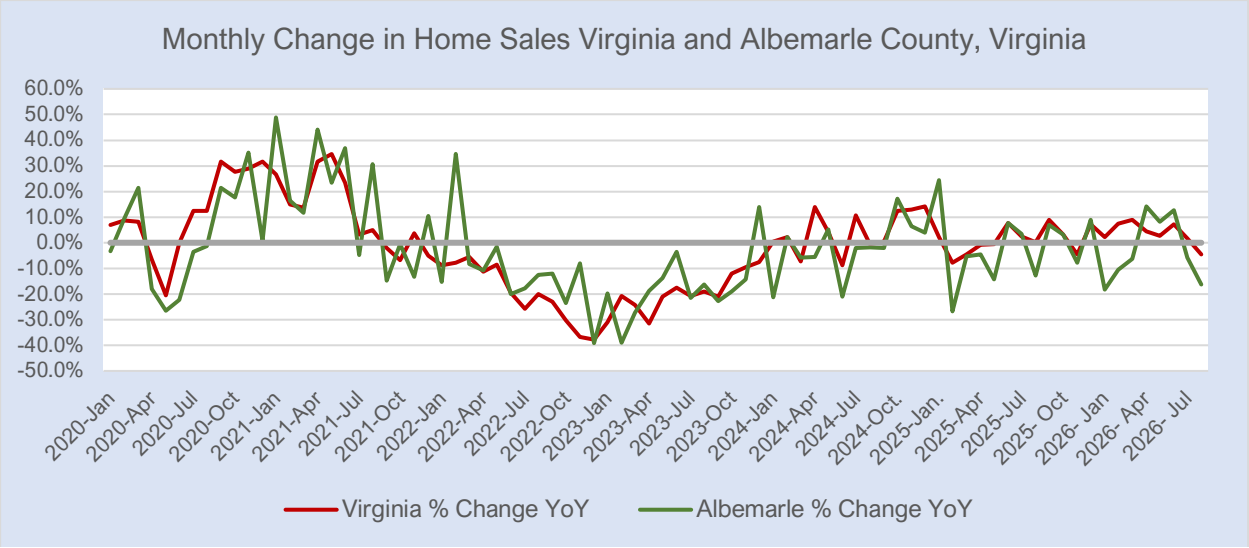



Seasonally adjusted annual rate

*Virginia, Regional and Local Trends:*

In 2025, Virginia home sales were sluggish overall but ended the year up 1.2% statewide due to a strong December. As of August 2026, Virginia year-to-date home sales were up 3.6% from last year, but monthly sales activity was slowing due to rising mortgage rates (Figure 46; Virginia Association of Realtors (VAR)).

Figure 46: Monthly Change in Home Sales: Virginia and Albemarle County, Virginia January 2020 – August 2026 (% year-over-year)




Source: Virginia Association of Realtors; not seasonally adjusted

For Albemarle County, home sales were also sluggish in 2025, declining -2.1% overall. As of August 2026, the county's year-to-date home sales were down a slight -0.7%, after lagging sales in the first quarter, rising sales activity in the second quarter, and year-over-year declines in July and August. The sharp rise in mortgage rates this year is having a widespread impact across the

national, state and local housing markets (Figure 46; VAR, Charlottesville Area Association of Realtors (CAAR)).

For both the state and county, housing inventory levels improved in the first eight months of 2026. In August 2026 in Virginia, year-to-date new listings, active listings and months of supply increased 8.0%, 13.8% and 9.7%, respectively, and median days on market increased 15.4% to 19 days as compared to August 2025 (VAR).

For Albemarle County in August 2026, year-to-date new listings were up 21.1%, year to-date active listings were up 39.8%, and months of supply was up 50.5% to 4.4 months as compared to August 2025. During the second quarter of 2026, the median days on market in Albemarle County remained at 7 days, the same as during the comparable period in 2025 (CAAR).

Regionally, the Charlottesville Area Association of Realtors (CAAR) reported that year-to-date home sales in August 2026 increased 5.2% in its footprint[10], with year-to-date home sales increasing in the city of Charlottesville (16.5%) and the counties of Louisa (14.9%), Greene (9.1%), and Fluvanna (3.4%), and decreasing in the counties of Albemarle (-0.7%) and Nelson (-6.1%). For the CAAR footprint in August 2026, year-to-date new listings increased 12.6% and median days on market increased 41.7% to 17 (year-to-date) while active listings increased 9.3% as compared to August 2025. Months of supply in August 2026 was up 18.5% for single-family homes (to 4.3) and 90.1% for townhomes and condos (to 5.0) as compared to August 2025. (CAAR, 2026, August).

For 2025, CAAR reported that annual total home sales increased 2.6% in its footprint, with annual total sales increases in the counties of Greene (35.4%), Fluvanna (14.8%), Nelson (2.7%) and the City of Charlottesville (1.7%), and total sales decreases in the counties of Albemarle (-2.8%) and Louisa (-4.3%) (CAAR, 2025, December).

Given the surge in mortgage rates this year, continued uncertainties regarding consumers' actual buying patterns as related to their lower consumer confidence and sentiment, and the course of inflation and the labor market, close monitoring is critical given the importance of real estate to local governments.

### Home Prices

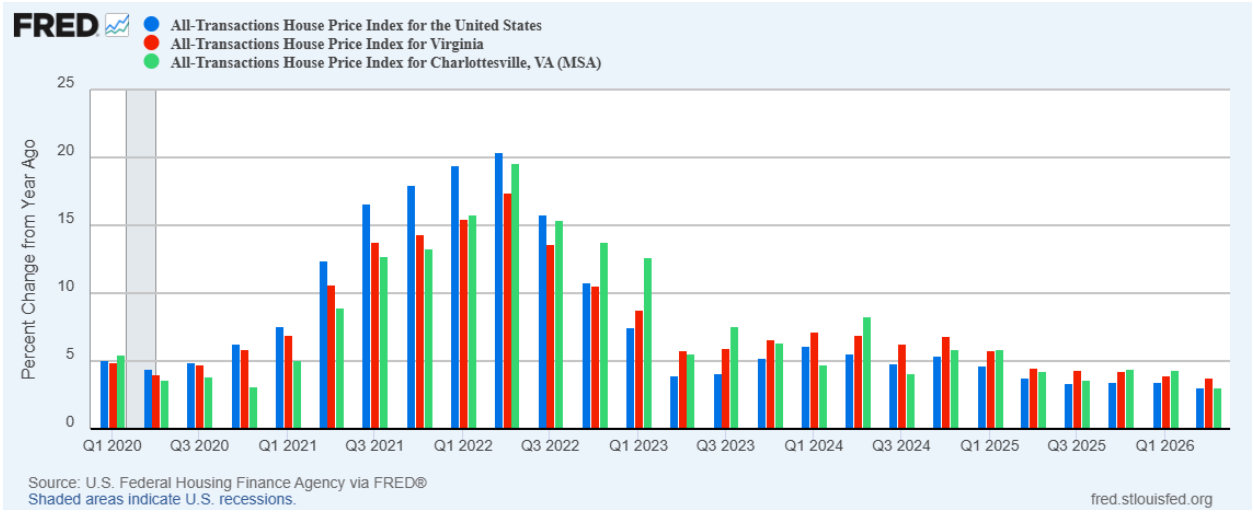
*National Overview:* The continued undersupply of housing, due primarily to new home construction trailing new household formation for over a decade, continues to exert upward pressure on national home prices overall even with the continued slow pace of sales although the pace of home price appreciation has slowed thus far in 2026 (Harvard University Joint Center for Housing Studies (JCHS)).

*National House Price Index Trends:* A highly referenced indicator of house prices is the House Price Index All Transactions (HPI All Transactions) published by the Federal Housing Financing

[10] The Charlottesville Area Association of Realtor's footprint includes the City of Charlottesville, and Albemarle, Fluvanna, Greene, Louisa, and Nelson counties (CAAR).

Authority (FHFA) which includes new and existing home purchases and refinancing appraisals[11]. In 2025, U.S. house prices grew 3.8% on average after growing an average 5.5% in 2024 and 5.2% in 2023, according to the HPI-All Transactions. In the first half of 2026 (H1:2026), U.S. house prices grew an average 3.2% (Figure 47; FHFA).

Figure 47. House Price Index All Transactions: U.S., Virginia, and Charlottesville, Virginia MSA, Q1:2020 – Q2:2026 (% year-over-year)




Not seasonally adjusted

*National Median Sales Price Trends:* In terms of U.S. median home sales prices, the picture is more mixed. For July 2026, the National Association of Realtors reported that the median sales price for existing homes was $434,100, up 2.0% year-over-year for all housing types for the 37th consecutive month of year-over-year price increases (NAR, 2026, July). While still posting median sales price growth, the slower pace of existing home resales is causing price appreciation to moderate as compared to the previous few years.

On the other hand, the Census Bureau reported that after declining -0.7% in 2025, the U.S. median sales price of new single-family, residential homes declined as compared to a year ago in six of the first seven months in 2026. In July 2026, the U.S. median sales price of new houses sold was a revised $392,200, down -1.3% year-over-year. Builder price cuts and incentives in the face of declining sales have been impacting new home sales prices. As such, in July 2026 the median sales price for new single-family homes was almost $42.000 below the median sales price of existing homes, indicating that the previous price premium for new construction was not prevailing (U.S. Census Bureau, NAR).

*Virginia House Price Index Trends:* Virginia's house prices generally followed the national trend with slower growth starting in 2025 that continued into mid-2026. In 2025, the HPI-All Transactions for Virginia grew 4.7% after growing 6.8% in both 2024 and 2023. In H1:2026, the HPI-All Transactions index grew an average 3.8% (Figure 47; FHFA).

[11] The HPI All Transactions is available quarterly for the state, nation and Charlottesville MSA and annually for Albemarle County.

*Regional House Price Index Trends:* Quarterly HPI All Transactions data is available for the Charlottesville MSA and is incorporated into this analysis since the comparable Albemarle County data is only available annually. In the first half of 2026, the HPI All Transactions for the Charlottesville MSA increased 3.7%, just barely less than the state's pace of growth during that period. In 2025, the HPI All Transactions for the Charlottesville MSA grew 4.6% annually, just behind the state's growth figure, and Albemarle County's grew at 5.5% annually, distinctly above the state's growth rate (Figure 47; FHFA).

*Virginia, Regional, and Local Median Sales Price Trends*: Looking more granularly at median sales prices which incorporate only new and existing home sales and excludes appraisals, in August 2026 in Virginia the year-to-date median sales price registered at $439,900 for a 3.5% year-over-year increase as compared to 3.2% annually in 2025 (VAR). In Albemarle County in August 2026, the year-to-date median sales price was recorded at $574,995 for a 5.5% year-over-year increase, the highest level in the CAAR region and almost 75,000 above the second highest in the Charlottesville. During that same 12-month period, the year-to-date median sales price increased 16.0% in Louisa County, stayed flat in the City of Charlottesville, and declined -1.6% in Fluvanna County, -2.9% in Nelson County 7.2%, and -4.8% in Greene County. In August 2026, the CAAR region, including all of the localities in the Charlottesville MSA plus Louisa County, posted an overall 1.9% increase in the year-to-date median sales price to 474,000 (CAAR)

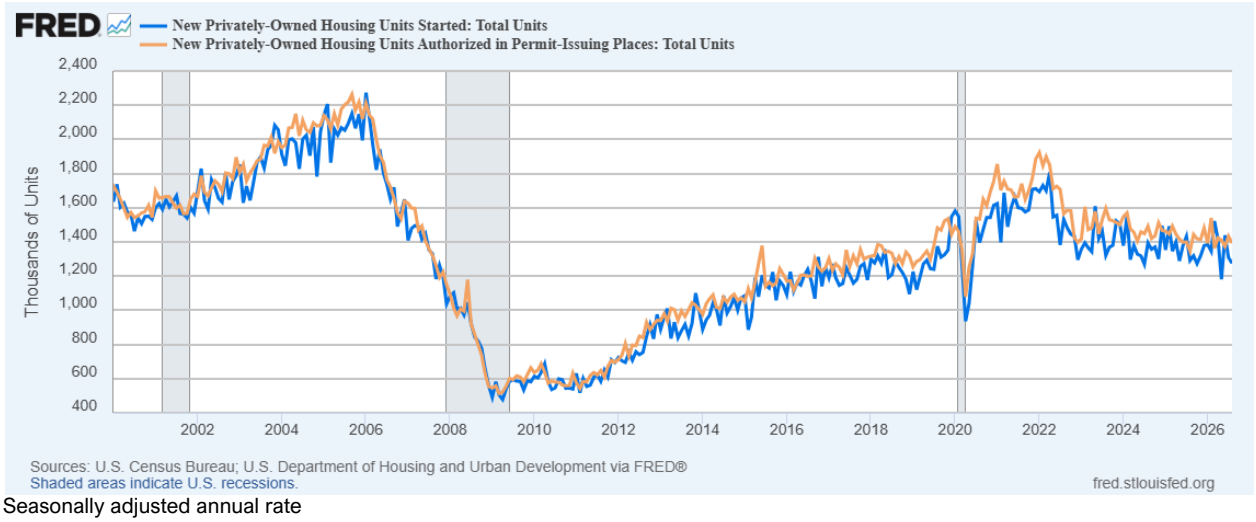
## Housing Starts and Building Permits

*National Trends*

As a harbinger of future housing activity, both U.S. housing starts and building permits have declined annually since 2022. In 2025, housing starts declined -1.0% after decreasing a median -3.6% per annum in 2022–2024. Building permits followed a similar pattern, declining -3.0% in 2025 and -2.8% per annum in 2022–2024 (Figure 48; U.S. Census Bureau).

In January–August 2026, U.S. housing starts and building permits posted a choppy path as compared to last year, overall declining a median -0.1% and -1.0%, respectively, during that period (Figure 48; U.S. Census Bureau).

Figure 48: U.S. Housing Starts and Building Permits, January 2000 – August 2026 (units)



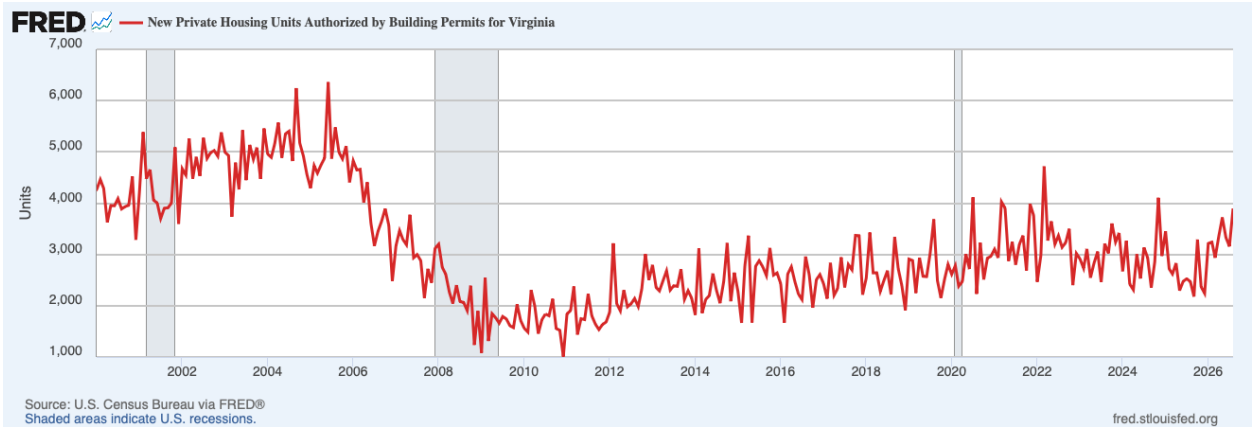

Seasonally adjusted annual rate

*Virginia Trends*

After robust growth in 2021, building permits in Virginia began a steady annual decline in 2022. In 2022–2024, building permits decreased a median -4.3% annually, and then dropped an additional -9.0% in 2025.

In January–August 2026, Virginia mostly defied the national trend this year with building permits growing year-over-year in seven of the first eight months, registering 22.1% median year-over-year growth during that period 2024 (Figure 49; U.S. Census Bureau).

Figure 49. Virginia Building Permits, January 2000 – August 2026 (units)




Seasonally adjusted

For the housing market overall, the growth in house prices has remained positive despite sluggish to declining sales, although the pace of house price growth has steadily slowed since 2022. Going forward, it is expected that rising mortgage rates, affordability, labor market issues in the construction trades, lower consumer confidence and sentiment, and continued economic uncertainty will continue to weigh on the housing market. Close monitoring and staying alert to the evolving trends are prudent.

## Multistate Regional Trends

For multistate regional trends, the Federal Reserve Bank of Richmond (Richmond Fed) reported that in July–September 2026 the economy continued to increase moderately in its Fifth District, which encompasses the District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and most of West Virginia.

*Employment:* Employment increased modestly in the Fifth District in July–August 2026 during with firms adding workers attributing the growth to increasing business demand. Tightness continued in the skilled labor pool. Labor availability was further strained by data center construction, with district businesses reporting increased competition from non-local companies pursuing data center work, with some construction companies reporting significant pay increases as a retention strategy. Heightened competition for AI-leadership roles was reported by recruiting agencies, significantly driving up compensation for these hard-to-find workers. Several firms reported efficiency gains from AI adoption, with some rethinking their approach to entry-level positions. However, beyond some hard-to-fill positions, wage growth generally remained moderate.

*Consumer Spending:* The Richmond Fed indicated that consumer spending increased modestly in July–August 2026, consumer spending grew moderately overall. However, consumers tended to prefer experiential purchases and pulled back on retail. Notably, smaller retailers with brick-and-mortar stores reported negative to flat demand during this period and an overall slowdown in shopper traffic. Further, many firms sensed increased price sensitivity from customers related to the rising cost of gasoline. Consumer spending on travel and tourism continued to register growth, particularly for upscale hotels and for higher-income households (Richmond Fed).

*Manufacturing:* Manufacturing activity in the Fifth District edged down in September 2026, with the composite manufacturing index dropping to -2 from 4 in the previous month. The composite manufacturing index gauges broad activity in the Fifth District's manufacturing sector, representing a weighted average of the shipments (33%), new orders (40%) and employment (27%) indices. Firms reported a notable increase in the average growth rate of prices paid in September. Yet, firms indicated that the growth in prices received increased only slightly in September. Over the next 12 months, firms expected the growth in prices paid and received to slow (Richmond Fed).

*Real Estate and Construction:* The Richmond Fed also reported that residential real estate in the Fifth District experienced a typical seasonal slowdown in Summer 2026 that was intensified by uncertainty with the conflict in the Middle East and elevated interest rates. Brokers reported that continued flat buyer traffic and increased handholding with client anxiety. Some brokers noted buyers shifting to lower-priced homes to manage higher mortgage payments. Additionally, complexity in the residential market increased with AI appraisals and changes in condo lending (Richmond Fed).

The Richmond Fed also chronicled that commercial real estate activity in the Fifth District also slowed seasonally in the July-August 2026 period. The retail sector led market performance, driven primarily by infill development. Class A office metrics remained steady as flight-to-quality continues. Proximity to residential and retail amenities caused suburban markets to outperform the central business district (CBD) market. Out-dated, lower-tier office space continued to experience debt maturity and receivership. Districtwide, multi-family properties averaged four to six weeks free rent. In the industrial sector, leasing and sales activity stalled amid energy price and tariff concerns. Business contacts in the Washington, D.C.-Maryland-Virginia area worried that data center moratoriums would cause a slowdown in construction and capital investments (Richmond Fed).

## G. Economic Outlook: U.S., Virginia and Albemarle County, Virginia

### National Outlook

The U.S. economy showed remarkable resilience in 2025 despite a series of higher import tax shocks (tariffs) affecting many consumer goods and industrial equipment and supplies; negligible net job creation; significant changes to federal policy; and tremendous economic uncertainty. After growing a median 3.0% annually in 2021–2024, the U.S. economy posted 2.3% growth in real GDP in 2025 (Table 2; BEA).

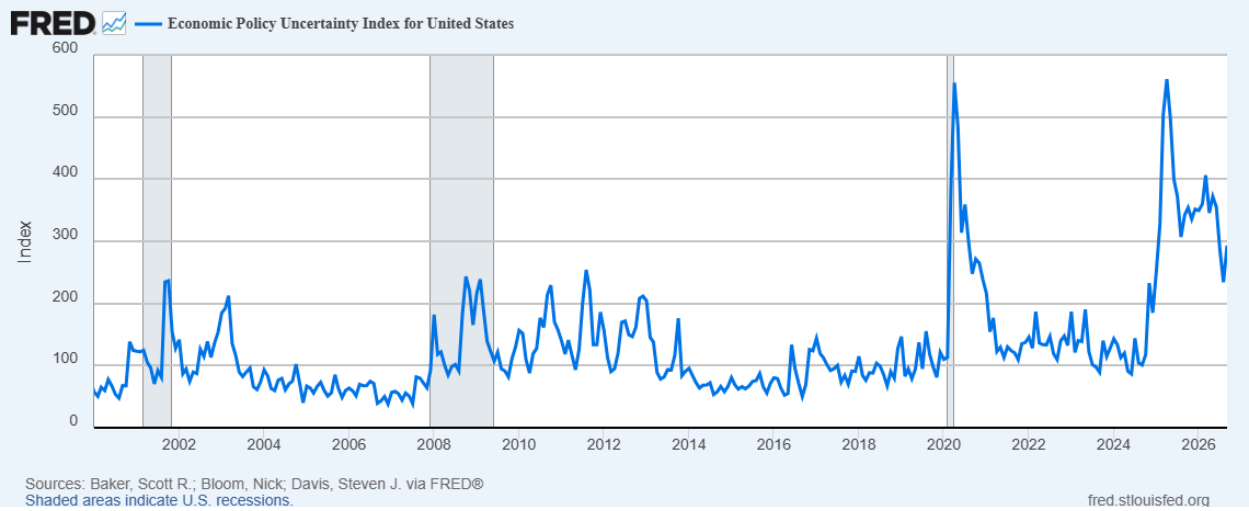
Table 2. U.S. Actual Real GDP Growth, 2024 –2023 (year-over-year)

| Actual U.S. Real GDP (annual % change) | | | | | |
|---|---|---|---|---|---|
| **2021** | **2022** | **2023** | **2024** | **Median 2021-2024** | **2025** |
| 6.3% | 2.4% | 2.9% | 3.0% | 3.0% | 2.3% |

BEA, September 30, 2026

While policy uncertainty has eased from a record-setting high in Spring 2025, policy uncertainty remains historically elevated as the Iran war persists and the variety and frequency of U.S. policy shifts continue. After rapidly spiking to the highest recorded peak in April 2025, second only to the spike recorded in April 2020 at the onset of the pandemic, the U.S. Economic Policy Uncertain Index still registered above the pre-pandemic averages September 2026 despite modest improvements in the late spring and early summer after spiking again at the onset of the Iran war (Figure 50). Historical research has found that uncertainty shocks have foreshadowed declines in U.S. macroeconomic performance, including declines in investment, output, and employment (Baker, Bloom and Davis, 2012). However, it appears that the arms race in AI investments is bolstering the U.S. economy at this time and significantly offsetting slowness in other parts of the economy.

Figure 50. U.S. Economic Policy Uncertainty Index, January 2000 – September 2026




Not seasonally adjusted

*Overall National Outlook*

Key themes for the U.S. economy for 2026 into 2027 are resilience, economic concentration, high leverage, and geopolitical disruption.

The U.S. economic resilience is noteworthy globally. Although slower than in 2021–2025, U.S. consumer spending in the aggregate in 2026 looks sturdy overall in the face of higher inflation, strongly driven by the purchases of higher-income households with stock market wealth. With steadily declining consumer confidence and sentiment overall, higher income households' purchases have been less sensitive to inflation while lower- and middle-income households have been pinched by inflation and tending to downtrade their purchases and splurge on select experiences. Drawdowns in personal savings and increases in consumer debt also have supported the continued U.S. consumer spending.

The U.S. labor market also exhibited resilience in 2026, producing jobs at a faster pace than the negligible net job creation in 2025 that was impacted by major cuts in federal direct employment and federal contracts, changes in U.S. immigration policy, and tremendous economic uncertainty. However, the pace of job creation in 2026 is well below the strong growth of 2023–2024. More muted overall job creation has been offset by lower labor force participation, creating an awkward balance in the labor market. Health care continues to be a source of job growth in 2026, and huge AI investments are driving job creation in technical fields and skilled trades.

U.S. private business spending has boosted the economy in 2025–2026, sustained by massive AI investments in structures, equipment, and intellectual property. Likewise, AI-related stock market gains have been supporting economic activity.

Net exports have had a mixed effect on the U.S. economy. With the significant increases in import taxes in 2025, exports increased by 3.6%, but imports actually increased 5.9%, thereby having a net negative effect on real GDP. Although exports have shown robust growth in the first half of 2026, imports continue to grow faster than exports, again with a net negative effect on real GDP.

Inflation began rising steadily after the onset of the Iran war in February 2026, due to the global oil and gas price shocks caused by the war. Moreover, war in the Middle East has expanded beyond Iran during the course of this year with augmented conflicts across the region impacting global energy supply chains and continuing pressure on prices. With U.S. headline inflation persisting at 3.4% in August 2026, well above the Federal Reserve's 2% long-term target, the Federal Reserve increased the federal funds rate in September 2026 to combat the inflationary trend.

Within this environment of geopolitical disruption and uncertainty, most prominent forecasts for 2026 were downgraded after the initial energy price shocks from the Iran war earlier this year, then revised upward after the knotty Iran war cease fire this summer and the U.S. economy exhibited resilience, heavily rooted in AI investment activity. As of this writing, U.S. real GDP (the primary barometer of economic growth) is generally projected to experience near- or above-trend growth overall into next year, with 1.9%-2.3% growth in 2026 with a median forecast of 2.2% among the prominent forecasts noted in Table 2 below, and companion growth in 2027 in the 1.9%-2.4% range with a median forecast of 2.1%. All prominent forecasts expect continued resilient economic growth despite ongoing disruptions in their 2027 forecasts with varying views on the extent to which war-related energy supply lines and costs, inflation, technology investments, and consumer spending will impact the growth pace going forward. Current forecasts are limited for 2028 and preliminarily project normal-trend growth generally (Table 3; Federal Reserve, National Association for Business Economics (NABE), Conference Board, S&P Global, Fitch Ratings, Wells Fargo Economics, KPMG Economics, and University of Michigan, International Monetary Fund (IMF)).

Table 3. Selected U.S. Economic Forecasts for 2026 – 2028

| Organization | Forecast U.S. Real GDP | | |
|---|---|---|---|
| | 2026 | 2027 | 2028 |
| Federal Open Market Committee Median Projection (Federal Reserve), Q4/Q4, September 16, 2026 | 2.3% | 2.4% | 2.2% |
| National Association for Business Economics, Y/Y, June 22, 2026 | 2.0% | 2.0% | |
| S&P Global, Y/Y, September 23, 2026 | 2.2% | 1.8% | 1.9% |
| Fitch Ratings, Y/Y, September 22, 2026 | 2.1% | 2.1% | |
| Wells Fargo, U.S. Economic Outlook, September 17, 2026 | 2.2% | 2.3% | |
| KPMG Economics, Economic Compass, Y/Y, September 10, 2026 | 2.1% | 1.9% | |
| Conference Board, Y/Y, September 9, 2026 | 1.9% | 1.9% | |
| University of Michigan, Y/Y, August 21, 2026 | 2.1% | 2.2% | 2.0% |
| International Monetary Fund, Y/Y, July 2026 | 2.3% | 2.2% | |

Along with incredible resilience, another key theme is the economic concentration that is currently permeating the U.S. economy and creating potential fragility. Stock market gains are fueled by the technology sector and the anticipation of payoffs from the tremendous AI investments. AI-related stock market wealth is concentrated in upper-income households and the top 20% of earners are responsible for nearly 60% of total U.S. real consumer spending. Private business activity likewise is concentrated in investments in technology-related structures, equipment, and intellectual property. Job growth also is heavily dependent on technology-related investments, both in professional and technical services and the skilled trades. This high concentration of economic activity in a narrow band of the economy generates a risk exposure such that a slowdown in that sector could quickly ripple across the economy and become amplified. Broader based economic growth mitigates against the risk of a slowdown in any one sector having an outsized effect on the entire economy (BEA, BLS, Federal Reserve, Moody's).

Another key theme of the U.S. economy is high leverage. The AI investment boom is now being heavily financed by extraordinarily levels of debt, much of which is being executed through off-balance sheet financing (e.g., leasing and rentals). It is important to separate the technology from the business model. Innovation and technological advancement are hallmarks of the American story and its historic economic advancement. However, high debt loads also are historic hallmarks of economic risk and fragility. Also, AI companies' shift since 2025 to off-balance sheet financing (especially short-term leases and rentals with optional renewal clauses) instead of balance sheet financing (cash or bonds) makes the overall risk exposure of those firms less visible on their

accounting statements. This tremendous debt exposure has been labeled the U.S. economy's "levered bet on AI" (Brookings, 2026 September and October; Orszag et al., 2026).

The U.S. federal government also is the world leader in total outstanding debt, surpassing $40 trillion in August 2026 and reaching over 125% of GDP, and counting. This high national debt load also is underwriting economic activity in the U.S. overall, supporting both consumer and business activity.

The high demand for global debt financing – led by the U.S. federal government and significantly augmented by the fervent appetite for AI-related debt financing – has driven up global interest rates and the financing costs for consumer, business, and governmental debt. Thus, debt service payments will take a bigger chunk out of all budgets and have a larger impact on interest-rate sensitive industries, such as housing, and lower- and middle-income households. The high-growth industries and higher-income households are less impacted by elevated interest rates due to their expectations for higher returns.

Geopolitical risks and disruption have become another theme of the U.S. and global economies, including disrupted and shifting political and trade alliances, higher tariffs, and growing military conflicts worldwide. From an economic perspective, U.S. businesses have increased risk exposures to disruptions or failures in supply chains and distribution channels and increased tariffs on imported essential supplies and equipment and exported finished products, as well as the increased costs of onshoring and/or freindshoring production, equipment, supplies, and distribution. The resulting cost pressures impact national inflation, business profit margins, and household pocketbooks.

Longer term, demographics are projected to impact the U.S. and other mature economies' growth trajectory. Recent Conference Board analyses indicate that the U.S. economy experienced average annual growth of 2.4% in 2010–2019 between the Great Financial Crisis and the coronavirus pandemic. The Conference Board further projects that U.S. average annual growth will be approximately 2.0% annually during 2028–2032 but slow down to 1.7% annually during 2033–2037. The Conference Board attributes this slower growth profile primarily to smaller contributions from labor with an aging demographic that will be partially offset by accelerated digital transformations emanating the pandemic and current investments in technology and infrastructure. Long-term growth in other mature economies also is projected to be impacted by demographic trends with the growth outlook for Europe and Japan significantly trailing that for the U.S. (Conference Board, Global Economic Outlook, 2026, September 11).

Inflation and interest rates are one of the substantial factors impacting consumers and businesses and the course of the economy in 2026. The Iran war disrupted energy supply lines and infrastructure and led to persistently high global energy prices since early 2026. The impact of higher tariffs is still working its way through the U.S. and world economies. Tremendous AI investments are fueling the demand for structures, equipment, supplies, specialized job skills, and debt financing, pushing up the prices for all. The increased demand for debt from sovereigns and AI investments have pushed up interest rates in global bond markets and the costs of financing for businesses, consumers and nations.

As such, inflation steadily increased after the onset of the Iran war in February 2026 to the point that the Federal Reserve raised the Federal Funds rate by 0.25% to 3.75% - %4.0% in September 2026. The currently prevailing outlook at this writing is that the Federal Reserve likely will make one more 0.25% rate increase this year, hold steady at the rate in 2027, and gradually reduce the rate in 2028, which corresponds with the median projection in the Federal Open Market Committees Summary of Economic Projections from its September 2026 meeting (Federal Reserve, NABE, Conference Board, S&P Global, Fitch Ratings, Wells Fargo Economics, KPMG Economics, and University of Michigan), Of course, changing economic conditions and/or new disruptions could impact this outlook.

It is not expected to be a smooth ride with high policy uncertainty and unpredictability; continuing sticky core inflation; differing potential effective tariff rates on different countries, inputs, goods, and industries; and differing abilities and tendencies across different industries and firms to absorb and/or pass-on increasing costs. At this writing, U.S. inflation overall is currently forecasted to be generally in the 3.2%-3.7% range in 2026 and 2.1%-2.7% range in 2027 among the prominent forecasts in Table 4 (NABE, S&P Global, Wells Fargo, KPMG Economics, University of Michigan). Again, frequent forecast revisions are expected as more information becomes available.

Table 4: Selected U.S. Inflation Forecasts for 2026 – 2028

| Organization | Forecast U.S. CPI (annual % change) | | |
|---|---|---|---|
| | 2026 | 2027 | 2028 |
| National Association for Business Economics, June 22, 2026 | 3.5% | 2.6% | |
| S&P Global, September 23, 2026 | 3.7% | 2.7% | 1.9% |
| Wells Fargo, U.S. Economic Outlook, September 17, 2026 | 3.2% | 2.1% | |
| KPMG Economics, Economic Compass, September 10, 2026 | 3.3% | 2.5% | |
| University of Michigan, August 21, 2026 | 3.4% | 2.4% | 2.3% |

Hence, a resilient economy with lingering inflation is the prevailing view among prominent forecasts with significant caveats regarding ongoing historically high levels of policy uncertainty and unpredictability and the expectation of forecast revisions as 2026 proceeds. Additionally, the combination of reduced immigration and the demographics of an aging workforce are expected to continue to exert tightness on the labor market and partially mitigate the employment impacts of slower job growth. After negligible net growth in 2025, the U.S. labor market picked up in the first eight months of 2026 and the official unemployment rate moderated. The unemployment rate still remained in historically low territory in the first eight months of 2026, likely due to reductions in both labor demand and labor supply moving nearly in tandem (NABE, S&P Global, Wells Fargo, KPMG Economics, University of Michigan, BLS).

With consumer spending comprising nearly 70% of the U.S. economy, the American consumer remains a dominant force in the economy but to a lesser extent in 2025 into mid-2026. U.S. total real consumer spending remained the main contributor to real GDP growth in 2025, albeit at a lower level than 2024, despite low net job growth, slower growing incomes, inflation spikes, and declining consumer sentiment and confidence. Aggregate consumer spending overall was primarily driven by purchases of higher-income households and heavily supported by drawdowns in personal savings and increases in consumer debt. Given the continued pressures of elevated inflation, uneven job and wage growth, slower income growth overall, rising consumer debt, and continued declines in consumer confidence and sentiment, the pace of consumer spending is generally projected to continue to moderate (BEA, BLS, Conference Board, KPMG Economics, University of Michigan, Federal Reserve).

The outlook is "cautious" with several dynamics operating. The AI investment boom is fueling U.S. business and consumer activity and greatly supporting overall economic growth currently, along with continued growth in health care. As such, continued economic resilience is projected in the face of inflationary pressures from high energy prices, elevated tariffs, continued geopolitical and trade disruptions, and ongoing high levels of policy uncertainty. Consumers are signaling major concerns about inflation, jobs, and their future finances in significantly weaker consumer confidence and sentiment. Yet, consumer spending, while cautious, could possibly continue to provide a foundation to the economy as it did in 2021–2022 when consumer confidence and sentiment also soured due to inflation. However, the growth in total U.S. consumer spending is currently predominantly dependent on the spending of higher-income households that are boosted by stock-market wealth. Any slowdown in the AI investment boom could ripple across the economy and impact both business and consumer activity overall.

## Virginia Outlook

Historically, Virginia's key economic indicators generally followed the patterns of the related national indicators, albeit sometimes at different levels, with notable labor market exceptions in the years since the pandemic, especially with the deep federal government cuts of 2025. This analysis of the historical relationship between the Virginia and national economies generally close trends between Virginia and the nation across a broad range of economic data was corroborated by a Richmond Fed study that found that Virginia's business cycle generally tracked closely with the nation's based on an evaluation of payroll employment fluctuations (Richmond Fed, 2023).

As noted in the sections above, both the Virginia and U.S. economies grew 2.3% in 2025 with Virginia exhibiting incredible resiliency despite a total net loss in jobs and increases in unemployment driven primarily by deep cuts in federal direct employment and federal contracts that highly impacted the state. Despite continued total net job losses and increases in the state's unemployment rate through August 2026, Virginia posted 2.1% growth in real GDP the first half of 2026, slightly behind the nation's 2.4% real GDP growth during that period, but still in the normal trend range. And the state's unemployment rate still remained below the national unemployment rate. Like the nation, the data imply that AI-related investments and growth in health care have helped offset the impact of the federal cuts in Virginia and are projected to continue into next year.

Additionally, the available data reflects a mixed picture for Virginia's retail and housing activity in the first eight months of 2026. While the growth in retail activity slowed in both the U.S. and nation in 2025 and in the first half of 2026, the pace of the slowdown in Virgina was slower than in the rest of the nation during both periods. Also, Virginia's housing market appeared to perform better than the nation's with the state's year-to-date home sales in August 2026 posting a slight increase as compared to mostly overall declines at the national level and state house prices registering slightly higher year-over-year growth as compared to the U.S. during the first half of 2026 (H1:2026). It is important to note that while Virginia's house price growth year-over-year exceeded the nation's in both 2025 and H1:2026, Virginia's pace of house price increases in H1:2026 (3.8%) was moderately slower than the state's annual pace in 2025 (4.7%) (VAR).

Another important factor in Virginia's outlook is continued changes at the federal level. Virginia was significantly impacted by the deep federal cuts in 2025 given the relatively high incidence of federal civilian employees and federal contracts in the state (second highest incidence nationally in federal civilian workers and the highest in federal prime contracts among states in 2023). Total net job losses in federal employment continued in Virginia in the first seven months of 2026 and employment statewide remains weak (BLS). However, as a primary state for federal prime contracts, there are opportunities for federal contractors in Virginia to pivot to areas where federal contracting is growing due to the reshaping of federal spending, particularly in national defense, and possibly contribute positively to the state's overall economic activity and partially offset the economic strain from federal cuts elsewhere (U.S. Public Law 119-21, 2025; personal conversation with a federal contractors, 2025 and 2026).

Virginia's actual economic growth in 2025 beat all projections and initial indicators even through the early Fall of 2026. Although Virginia's growth remained solid in the first half of 2026, it trailed the nation during that period, based on the latest BEA data. With the projected downward and upward pressures on the state's economy in 2026, Virginia's economic outlook remains moderate at this writing with projected real GDP annual growth likely trailing the nation's due to declines in federal civilian employment, federal contracting cuts impacting key industries (e.g., professional and business services and manufacturing), higher tariffs impacting port activity, changes in immigration policy impacting labor availability, and continued policy uncertainty, that are partially offset by AI-related investments boosting business and consumer activity. In 2027, Virginia's economic growth is projected to gradually strengthen but likely continue to trail the nation as the deep employment and contracting declines experienced since 2025 continue to be digested, high tariffs continue to impact port and other business activity, and policy uncertainty prevails.

The caution and likelihood of ongoing disruptions attached to the national economic outlook similarly apply to the state's economic outlook. Thus, diligent monitoring with the expectation of frequent forecasts revisions is prudent.

## Albemarle County Outlook

For Albemarle County, the Annual Economic Outlook reports of 2022–2025 found that the County has a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in

relatively higher-income industries, and strong local business activity. Albemarle County's economic growth exceeded that of both the U.S. and Virginia each year during 2021–2024[12], and the County's unemployment rate consistently remained below that of the state and nation through August 2026.

In the first eight months of 2026, the trends in Albemarle County's local and regional economies have often diverged from those generally exhibited in the state economy during that period, oftentimes for the better. Unlike Virginia in January–August 2026, the Charlottesville MSA (based on data availability) experienced modest overall job growth whereas the state continued to experience a total net loss in jobs and wage growth surged in the Charlottesville region while the state's pace of wage growth slowed from 2025 while remaining healthy. Although both Albemarle County and Virginia experienced higher unemployment rates as compared to last year in January–August 2026, Albemarle County's unemployment rate remained below that of the state and nation. Additionally, Albemarle County posted declining year-to-date home sales (while the state and region achieved sales increases) and growing year-to-date home prices (faster than the state and region) during the first seven months of 2026.

At this writing, it is prudent to mostly rely on the historical trend findings of the 2022–2025 Annual Economic Outlook Reports with the appropriate updates based on the available monthly, quarterly, and annual local and regional data (given denser indicator coverage at the national level and some monthly, quarterly, and annual local and regional data are reported with varying lags). Namely, Albemarle County's economic indicators have generally followed the overall patterns of the related state and national indicators, albeit sometimes at different levels, with the proviso that Virginia's labor market performance remained weaker than the nation's in the first eight months of 2026 while the Charlottesville region exhibited solid job growth. Thus, in framing Albemarle County's economic outlook at this time, the state economic outlook is given greater weight than the national outlook given both Virginia's and the Albemarle County region's close ties to the federal government and the potential impacts of major changes in federal employment, spending and policy. A mitigating factor could be the connection between the Albemarle County region and the defense industry since increased defense funding is included in the U.S. budget reconciliation bill (Public Law 199-21) enacted into law in July 2025.

As a result, the 2026 annual outlook for Albemarle County generally parallels but is slightly stronger than the state's outlook with projected moderate real GDP growth trailing the nation, modest job growth, and elevated unemployment with the caveat that Virginia's and the Charlottesville MSA's heavy job losses in the professional, scientific, and technical services industry in 2025, which data indicate have continued at the state level thus far in 2026, could also have a significant impact in Albemarle County given the notable proportion of the county's residents working in that industry (as outlined in 2022–2025 Annual Economic Outlook Reports). A mitigating factor could be the connection between the Albemarle County region and the defense industry since increased defense funding is included in the U.S. budget reconciliation bill (Public Law 199-21) enacted into law in July 2025. For 2027, the County's outlook is similar to Virginia,

[12] The latest real GDP data available for Albemarle + Charlottesville is for 2024, and the 2025 data is scheduled for release in December 2026.

with the region projected to experience improved real GDP growth, job growth and unemployment statistics, but still well behind the economic performance of 2023–2024.

The caution and likelihood of ongoing disruptions attached to the national and state economic outlooks similarly apply to the County's economic outlook. Thus, diligent monitoring with the expectation of frequent forecasts revisions is prudent.

## Risks to the Economic Outlook

*National Trends:* The U.S. economy has exhibited notable resilience thus far in 2026 despite rising inflation associated with energy price shocks from the Iran war, the continuing price pressures of tariffs on producers and consumers, distinctly lower consumer sentiment, and frequent policy changes and ongoing uncertainty, that were partially offset by growth in AI investments and health care and stronger real income growth and spending by higher-income households. There are many swirling winds at this writing, both headwinds and tailwinds. Headwinds, or downside risks to the national economy include: continued geopolitical risks and disruptions, substantial trade and fiscal policy changes, ongoing policy uncertainty, inflationary pressures and sticky core inflation in the U.S. and abroad; labor market cooling and uncertainties, cooling consumer and business demand and spending, stagflation-like conditions simultaneously exerting opposing pressures on Federal Reserve monetary policy, U.S. administration challenges to the Federal Reserve's independence and the uncertain impact on the interest rate environment and credit conditions, significant projected increases in the U.S. federal and AI-related debt and impacts, a slowdown in Ai investments upon which the economy is highly dependent, housing and commercial real estate market variations, ongoing supply disruptions, shifting trade flows, global price variability, and slower global growth (Federal Reserve, NABE, Conference Board, S&P Global, Fitch Ratings, Wells Fargo, KPMG Economics, University of Michigan, IMF, World Bank).

Tailwinds, or upside risks, to the national forecast include an enduring end to the Iran, Middle East, and Russian-Ukrainian wars and reduced other geopolitical risks; restoration of energy infrastructure damaged in the Iran and Middle East wars; trade policy stability and ultimate tariff levels landing lower than initially announced or projected (although changed world views of U.S. trading partners will likely persist); potentially lower inflation to a material degree; bond market and interest rate stability; broader-based business investment; faster productivity growth; U.S. federal debt reductions; and uplift to the global, slower growth outlook.

*State and Local Trends:* The headwinds or downside risks to the state and local economic outlooks overlap those of the national economy with the proviso that the impacts major changes in federal employment, contracting, and spending have had a greater effect on Virginia and the Albemarle County region, at least in the short-term, due to their particularly close ties to the federal government as compared to other states and regions, with the exception of the District of Columbia and Maryland. The tailwinds, or upside risks, to the state and local economic outlooks overlap those of the national economy with the proviso that lower projected reductions or increases in federal employment and contracting would lessen the projected sharp impacts for Virginia and the Albemarle County region.

# IV. Conclusions and Recommendations

This Annual Economic Outlook report has outlined the continued intricate and unique circumstances of the U. S., state, and local economies that continue to provide the framework for assessing the economic conditions for Albemarle County and the Commonwealth of Virginia. The current economic factors signal a moderate economy with lingering inflation, with significant caveats regarding the historically high levels of policy uncertainty and the expectation of forecast revisions as 2025 proceeds.

The U.S. economy has exhibited notable resilience thus far in 2026 despite rising inflation associated with the energy price shocks from the Iran war, the continuing price pressures of tariffs on producers and consumers, distinctly lower consumer sentiment, and frequent policy changes and ongoing uncertainty, that were partially offset by growth in AI investments and health care and stronger real income growth and spending by higher-income households.

Virginia's economy also has exhibited remarkable resilience thus far in 2026 despite deep federal employment and contracting cuts that heavily impacted the state and led to total net loss of jobs in Virginia in 2025 that are continuing into 2026. Like the nation, the data imply that AI-related investments and growth in health care have helped offset the impact of the federal cuts in Virginia and are projected to continue into next year.

The Albemarle County region likewise has exhibited resilience in spite of the impact of federal employment and contracting cuts with the region actually having modest job growth in 2025 and moderate job growth thus far in 2026. The data imply that continued growth in health care services and state government helped offset job losses in the region in the federal government and professional and business services.

The outlook is "cautious" with several dynamics operating. The AI investment boom is fueling U.S. and Virginia's business and consumer activity and greatly supporting overall economic growth currently, along with continued growth in health care. As such, continued economic resilience is projected in the face of inflationary pressures from high energy prices, elevated tariffs, continued geopolitical and trade disruptions, and ongoing high levels of policy uncertainty. Consumers are signaling major concerns about inflation, jobs, and their future finances in significantly weaker consumer confidence and sentiment. Yet, consumer spending, while cautious, could possibly continue to provide a foundation to the economy as it did in 2021–2022 when consumer confidence and sentiment also soured due to inflation. However, the growth in total U.S. consumer spending is currently predominantly dependent on the spending of higher-income households that are boosted by stock-market wealth. Any slowdown in the AI investment boom could ripple across the economy and impact both business and consumer activity overall.

Swirling winds, positive and negative, are impacting economic forecasts at this writing. Headwinds, or downside risks to the national economy include: continued geopolitical risks and disruptions, substantial trade and fiscal policy changes, ongoing policy uncertainty, inflationary pressures and sticky core inflation in the U.S. and abroad; labor market cooling and uncertainties, cooling consumer and business demand and spending, stagflation-like conditions simultaneously

exerting opposing pressures on Federal Reserve monetary policy, U.S. administration challenges to the Federal Reserve's independence and the uncertain impact on the interest rate environment and credit conditions, significant projected increases in the U.S. federal and AI-related debt and impacts, a slowdown in Ai investments upon which the economy is highly dependent, housing and commercial real estate market variations, ongoing supply disruptions, shifting trade flows, global price variability, and slower global growth (Federal Reserve, NABE, Conference Board, S&P Global, Fitch Ratings, Wells Fargo, KPMG Economics, University of Michigan, IMF, World Bank).

Tailwinds, or upside risks, to the national forecast include an enduring end to the Iran, Middle East, and Russian-Ukrainian wars and reduced other geopolitical risks; restoration of energy infrastructure damaged in the Iran and Middle East wars; trade policy stability and ultimate tariff levels landing lower than initially announced or projected (although changed world views of U.S. trading partners will likely persist); potentially lower inflation to a material degree; bond market and interest rate stability; broader-based business investment; faster productivity growth; U.S. federal debt reductions; and uplift to the global, slower growth outlook.

The headwinds or downside risks to the state and local economic outlooks overlap those of the national economy with the proviso that the impacts major changes in federal employment, contracting, and spending have had a greater effect on Virginia and the Albemarle County region, at least in the short-term, due to their particularly close ties to the federal government as compared to other states and regions, with the exception of the District of Columbia and Maryland. The tailwinds, or upside risks, to the state and local economic outlooks overlap those of the national economy with the proviso that lower projected reductions or increases in federal employment and contracting would lessen the projected sharp impacts for Virginia and the Albemarle County region.

With the broad signals of moderate, cautious growth, as compared to the robust growth of 2021 – 202r, lingering inflation, and labor market softness, it is prudent for Albemarle County to likewise anticipate slower economic activity given its history of generally following state and national economic trends, albeit sometimes at different levels, and to rely more heavily on Virginia's more muted economic outlook in 2026 and 2027 as compared to the nation. Virginia's economic growth and labor market performance are projected to trail the nation in 2026 and 2027, with evidence of continued total net job losses in key industries in the state in the first eight months of 2026 due to their close ties to the federal government and the instituted and planned federal employment and contracting cuts. Like the nation, Virginia is dependent on AI-related investments to bolster economic growth and any slowdown in those investments could ripple across the economy.

While the U.S., Virginia and the Charlottesville MSA are currently expected to generate moderate to solid economic growth in 2026, the growth outlook is expected to trail the recent history of 2021–2024. Moreover, looking below the surface reveals that continued inflationary pressures on businesses and consumers, the lingering effects of significant federal job and contracting cuts, high levels of policy uncertainty, weaker consumer sentiment, and the concentration of economic activity in a few industries (technology and health care) and in higher-income households with stock-market wealth envelope the outlook with caution and thereby have a tightening impact on

fiscal planning. The tighter fiscal planning environment will encompass moderating revenue growth, expiring pandemic-era federal grants, potentially challenged future intergovernmental revenues (federal and state), and continued and growing service requirements and expense drivers (i.e., lower inflation is not deflation). Virginia's and the Charlottesville MSA's heavy job losses in the professional, scientific, and technical services industry in 2025, which data indicate have continued at the state level thus far in 2026, could also have a significant impact in Albemarle County given the notable proportion of the county's residents working in that industry (as outlined in 2022–2025 Annual Economic Outlook Reports). A mitigating factor could be the connection between the Albemarle County region and the defense industry since increased defense funding is included in the U.S. budget reconciliation bill (Public Law 199-21) enacted into law in July 2025. For 2027, the County's outlook is similar to Virginia, with the region projected to experience improved real GDP growth, job growth and unemployment statistics, but still well behind the economic performance of 2023–2024.

As found in the previous Annual Economic Outlook and Quarterly and Periodic Economic Monitoring Reports, Albemarle County has a strong economy with a history of mostly solid economic and job growth, high real per capita personal income, low unemployment, strong hourly wages regionally, significant employment in relatively higher-income industries, and strong local business activity. This overall solid economic base provides more scope within which to effectively plan and act defensively as compared to many other communities that face major, chronic economic issues.

S&P Global in February 2025 also advised that "state and local governments have experience absorbing short-term revenue disruptions or expenditure requirements, but significant federal policy changes could have lasting effects that require management teams to proactively address their operating budgets" (S&P, 2025, February 27).

To facilitate continued financial resiliency and agility in the face of the rapidly changing environment, this writer's enduring organizational recommendations include:

1. Detailed assessment of the organization's financial foundation, including strengths, weaknesses, and vulnerabilities.
2. Clearly defined and refined strategic goals.
3. Long-run financial planning and robust scenario planning to illuminate potential chokepoints and develop shopping lists of potential response options.
4. Continued close monitoring to detect early warning signals and emerging trends.
5. Staff engagement to advance early detection, scenario planning, and response.
6. Adaptive decision-making practices and augmented communication.
7. Agility in action.

The current environment adds additional complexity to implementing the first and third recommendations above, i.e., developing a detailed assessment of the organization's financial foundation and long-run financial and scenario planning, both of which are being closely watched by rating agencies as the economy moves through what is effectively a major economic, fiscal and structural inflection point. With uncertainty as the "new reality," shifting federal policy and

budgets, moderate economic growth after multiple years of robust economic growth, and sticky inflation, governments are encouraged to carefully examine their financial foundations as follows:

- Thoroughly scrutinize current budgets and financials and drill down to the underlying economic and budgetary fundamentals versus those factors driven by significant, time-limited government supports and/or transitory impacts.
- Clinically dissect recurring revenues from one-time or time-limited revenues and those revenues reflecting transitory pandemic impacts. Similarly dissect recurring expenses from one-time or time-limited expenses and those expenses reflecting transitory impacts. This untangling is crucial.
- Clinically evaluate the exposure to federal intergovernmental revenues, both directly from the federal government and indirectly through state government.
- Closely evaluate the structural balance of the government's budget, i.e., recurring revenues greater than or equal to recurring expenses, to assess its financial sustainability (GFOA).
- Evaluate inflation's line-item impact on expenses in the FY2022–FY2026 actuals and the FY2027 year-to-date budget and expect some price stickiness going into FY2028 and beyond.
- Although the initial effects of inflation may have benefited FY2022–FY2026 actual revenues, it is prudent to expect cautious consumer spending in the remainder of CY2026 into CY2027 as household budgets continue to be pinched by higher prices (i.e., lower inflation is not deflation), especially in middle- and lower-income households, cooler wage growth as the labor market processes major job losses, higher household debt loads and lower personal savings in the aggregate.
- To enhance resiliency, enhance long-term financial and scenario planning by combining financial forecasting with strategizing, thereby projecting revenues, expenses, and cash for a minimum of three-to-five years and longer, if possible; anticipating the future impacts of costs increases, contracts, revenue trends, service demands, and liabilities; and developing robust, alternative scenarios with documented assumptions.

As noted in the previous Annual Economic Outlook and Quarterly and Periodic Economic Monitoring Reports, Albemarle County's routinely incorporates the above recommendations into its integrated planning system and the County's prudent financial management and overall solid economic base provide a foundation and community capacity for strategic initiatives. These key characteristics also provide more scope within which to effectively plan and act defensively as compared to many other communities that face major, chronic economic issues. Many other communities struggle with strategic initiatives because their economic foundations are not solid and repeatedly require significant organizational resources to maintain effective operations. Further, the County's strategic and methodical analysis, review, and policymaking are commended and will continue to advance the community toward its strategic objectives within the current environment of rapid change.

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