
Montgomery County, Maryland

ECONOMIC INDICATORS

Presentation to the Montgomery County Council

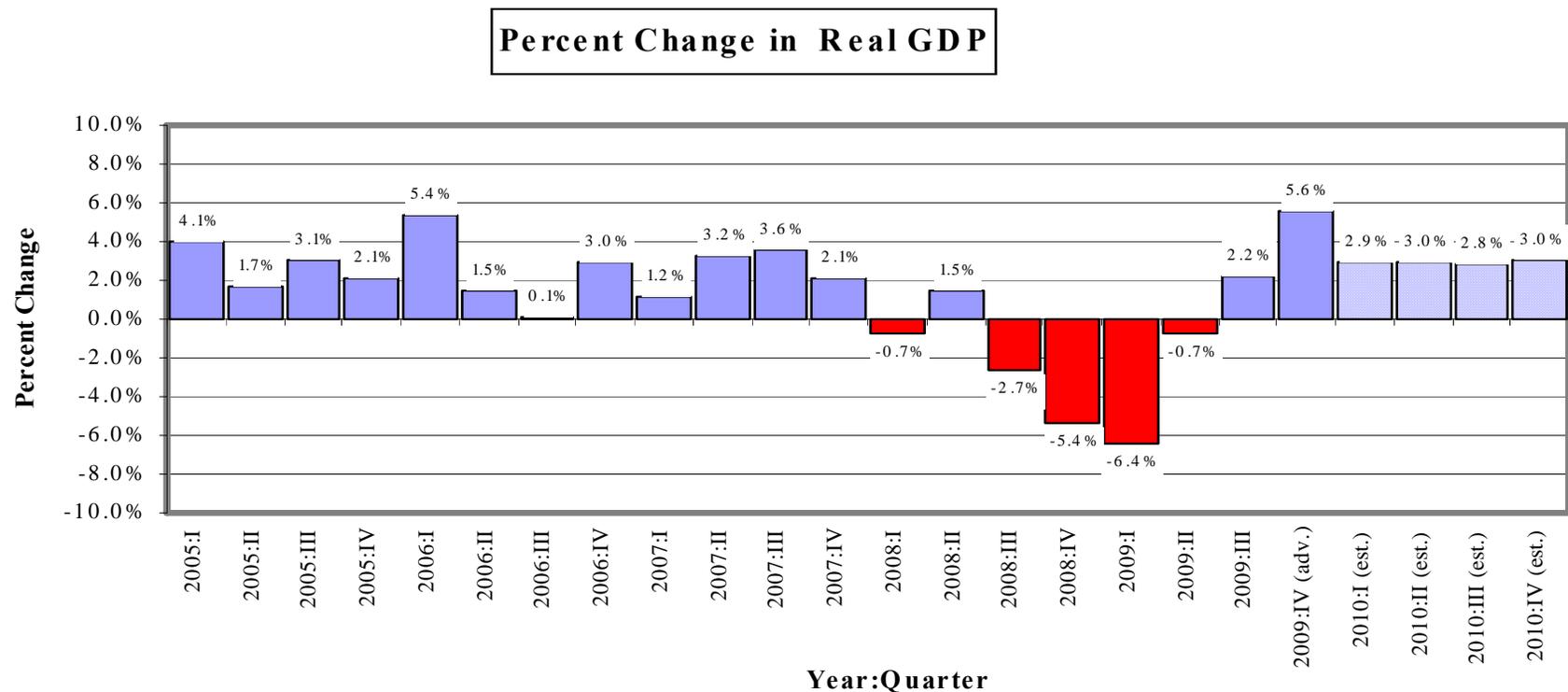
Department of Finance



April 13, 2010

National Economic Indicators

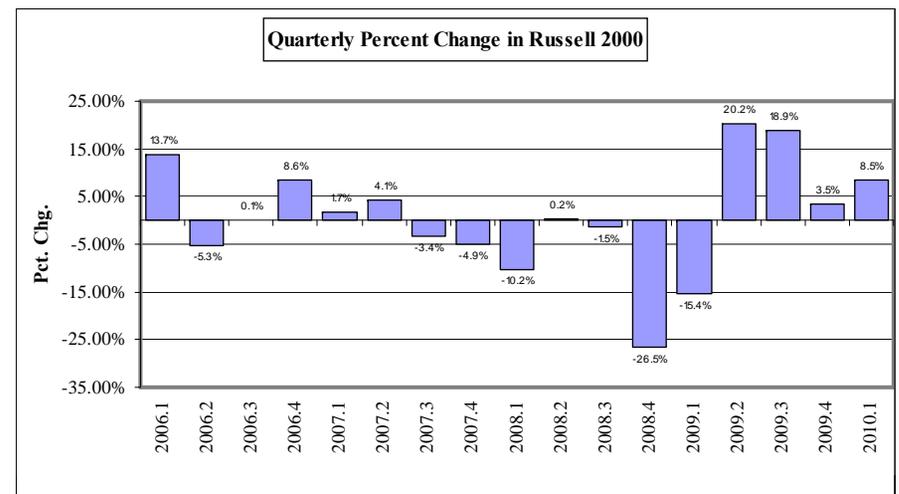
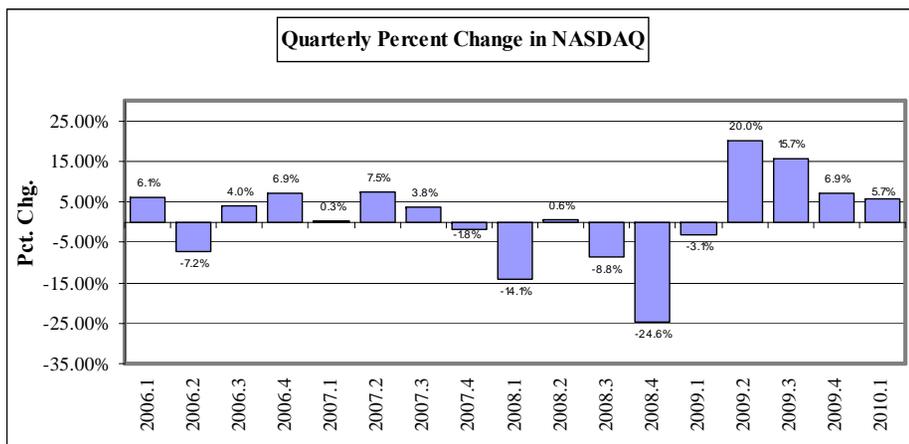
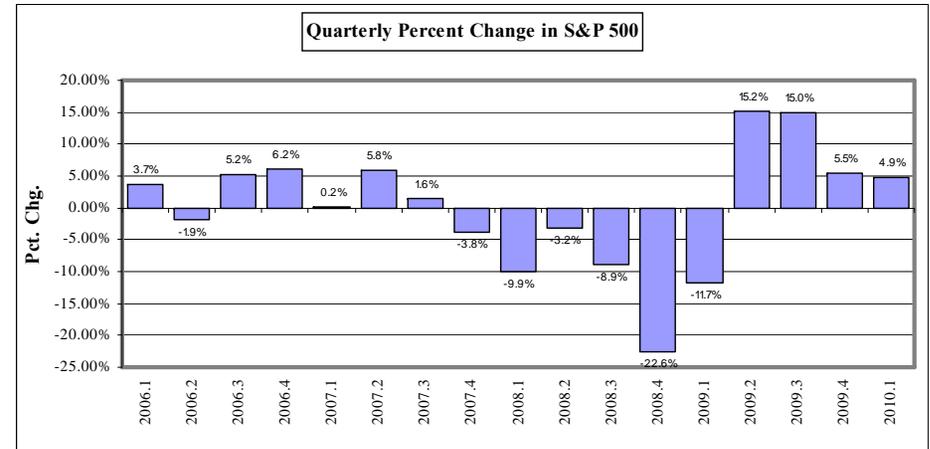
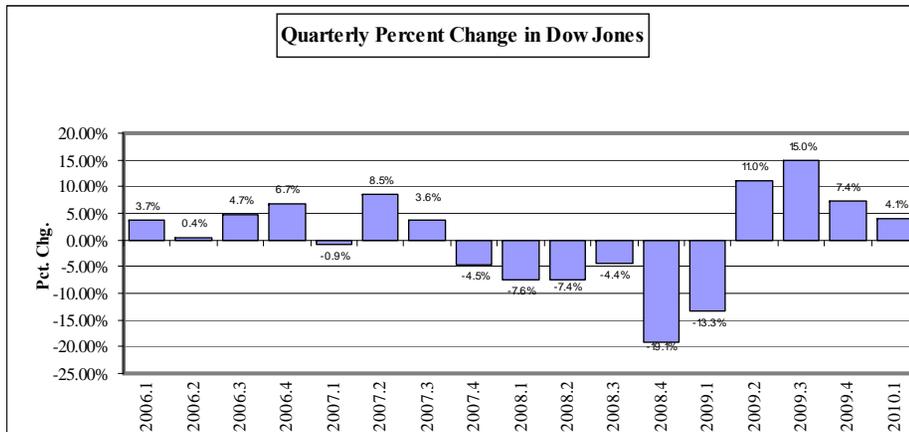
BEA reported that real GDP increased a revised 5.6 percent during the fourth quarter. On average over 50 economists surveyed by *The Wall Street Journal* in early March expect GDP to increase 2.9 percent the first quarter and 3.0 percent during this quarter.



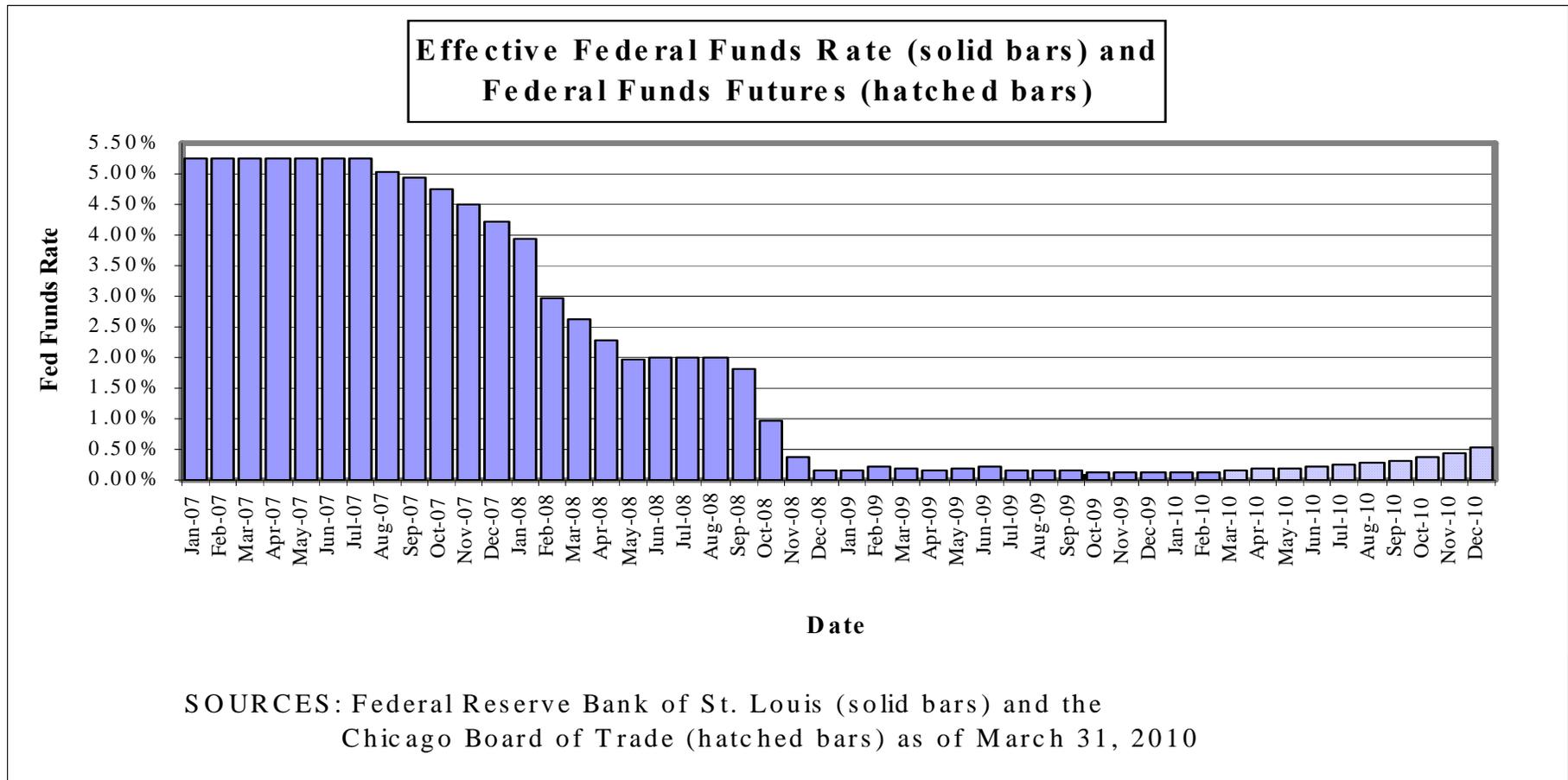
SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Hatched bars from *Wall Street Journal* survey conducted March 5-9, 2010.

NOTE: Percent changes are at annual rates.

All four stock indices have increased between 66 percent (DJIA) and 98 percent (Russell 2000) from March 9, 2009 (the lowest levels since 1997-1998) through the end of March of this year. Even with that significant growth, the DJIA (↓23.4%) and the S&P 500 (↓25.3%) are below their all time highs.



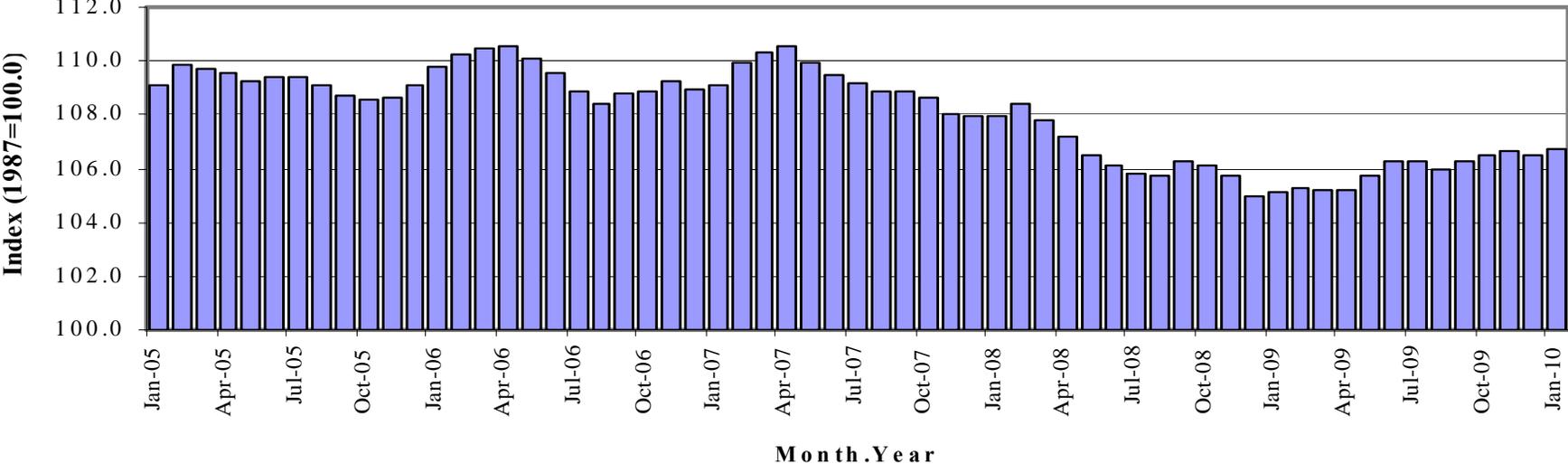
At its March meeting, the Federal Reserve Bank (Fed) through its Open Market Committee kept the federal funds target rate between 0.00-0.25 percent. The futures market suggests that the Fed will maintain this policy through the summer.



Regional Economic Indicators

The Washington metropolitan leading index increased in January. This was the index's fourth month-to-month increase in the last six months. Purchases of durable goods and consumer expectations contributed to the increase.

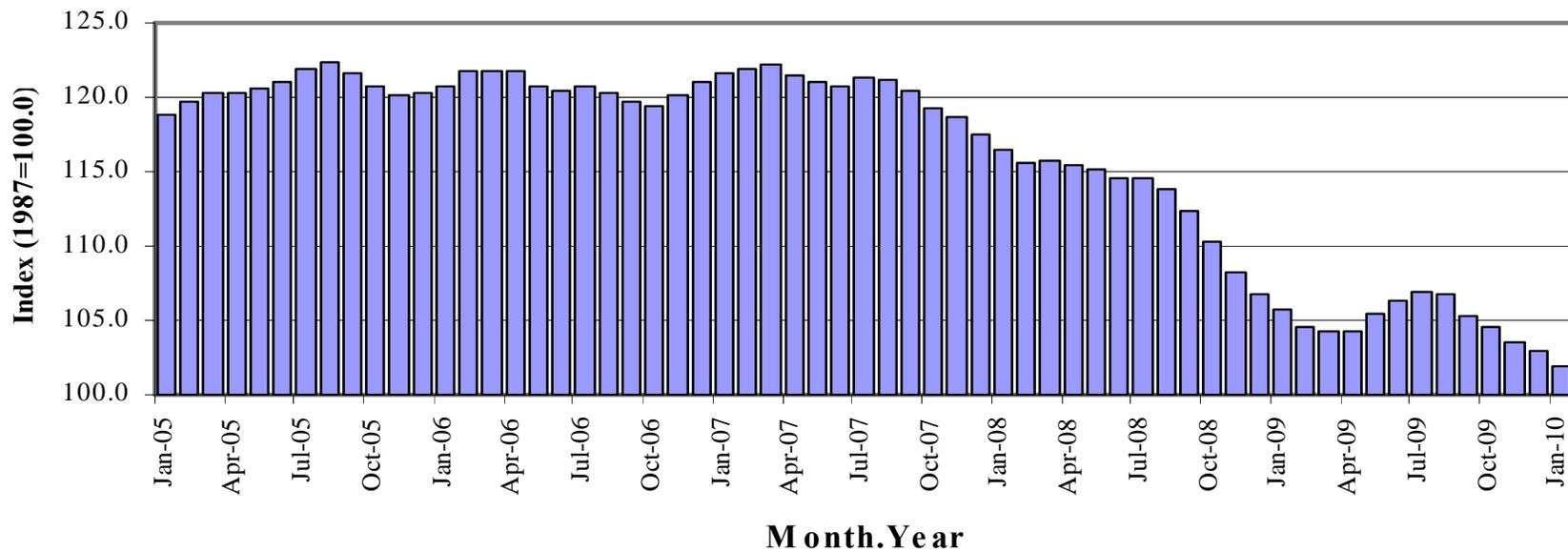
Three-Month Moving Average of the Washington MSA Leading Economic Indicator



SOURCE: Center for Regional Analysis(CRA), George Mason University
 NOTE: Leading indicator is designed to forecast economic performance six to eight months in advance and includes residential building permits, consumer expectations, help wanted index, initial claims for unemployment insurance, and purchases of durable goods.

The coincident index, which represents the current state of the regional economy, continued a downward trend since July of last year. Declines in payroll employment and domestic passenger volume at local airports contributed to the decrease.

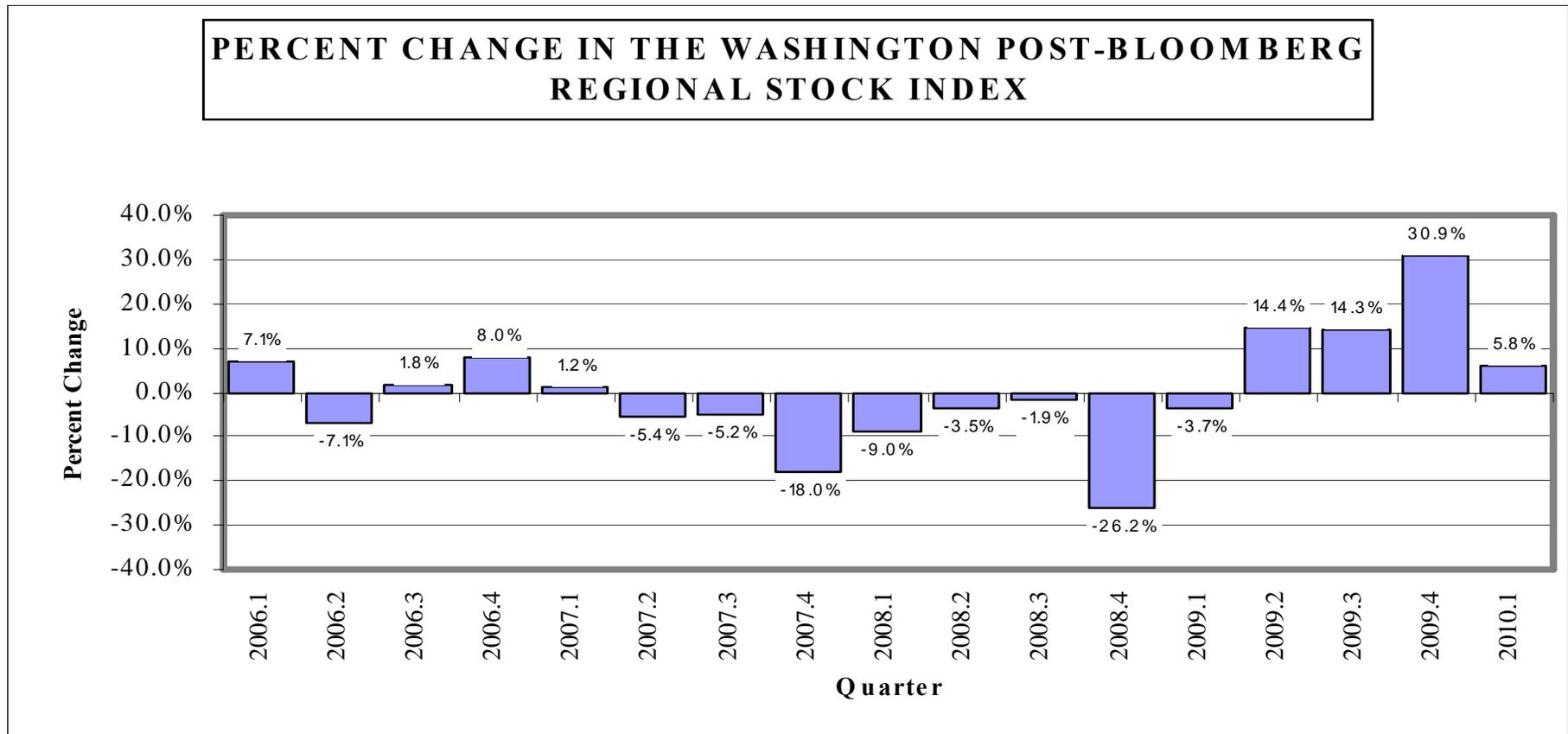
Three-Month Moving Average of the Washington MSA Coincident Economic Indicator



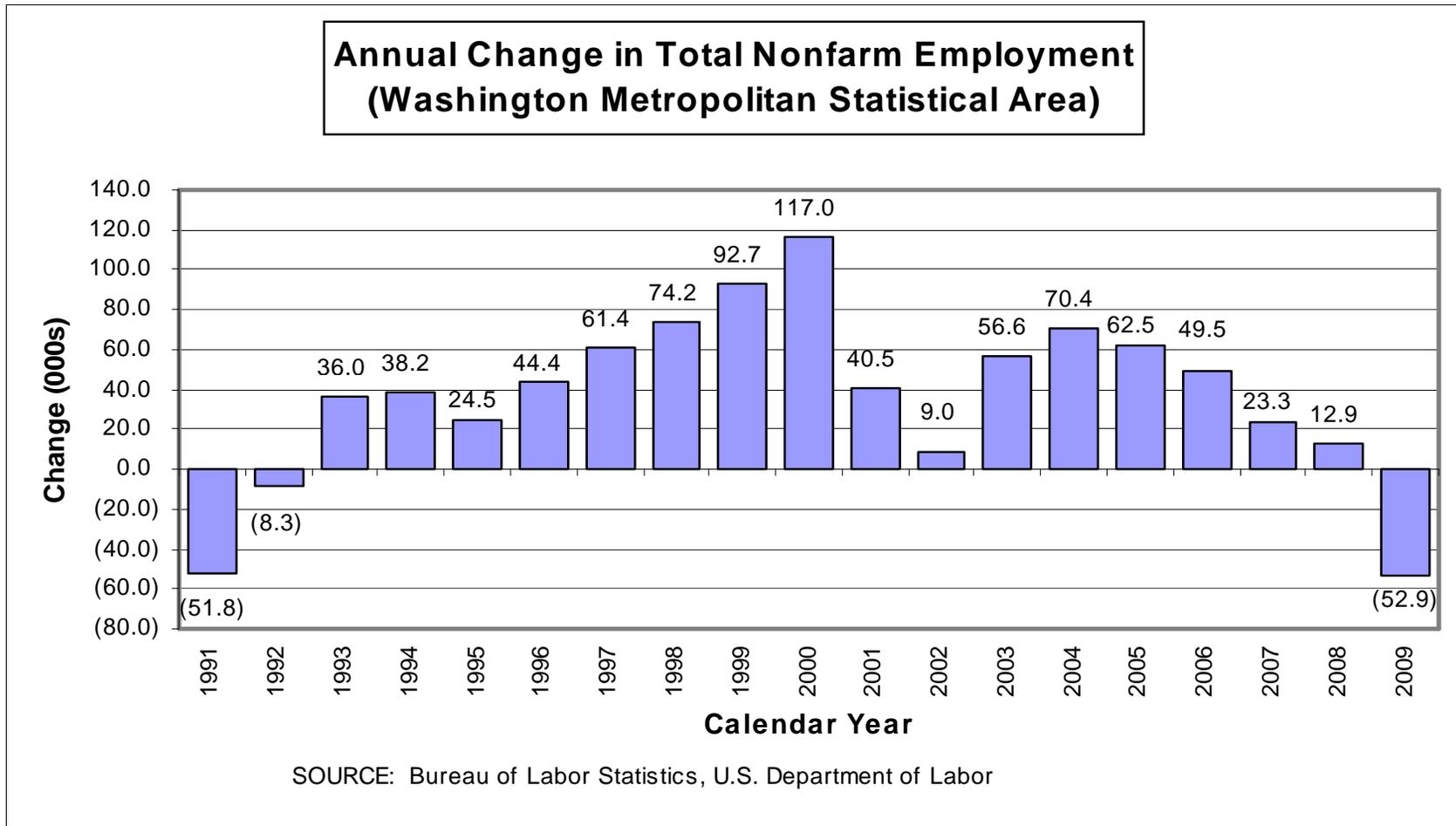
SOURCE: Center for Regional Analysis(CRA), George Mason University

NOTE: Coincident indicator represents the current state of the economy and includes total wage and salary employment, consumer confidence, domestic airport passengers, and purchases of nondurable goods.

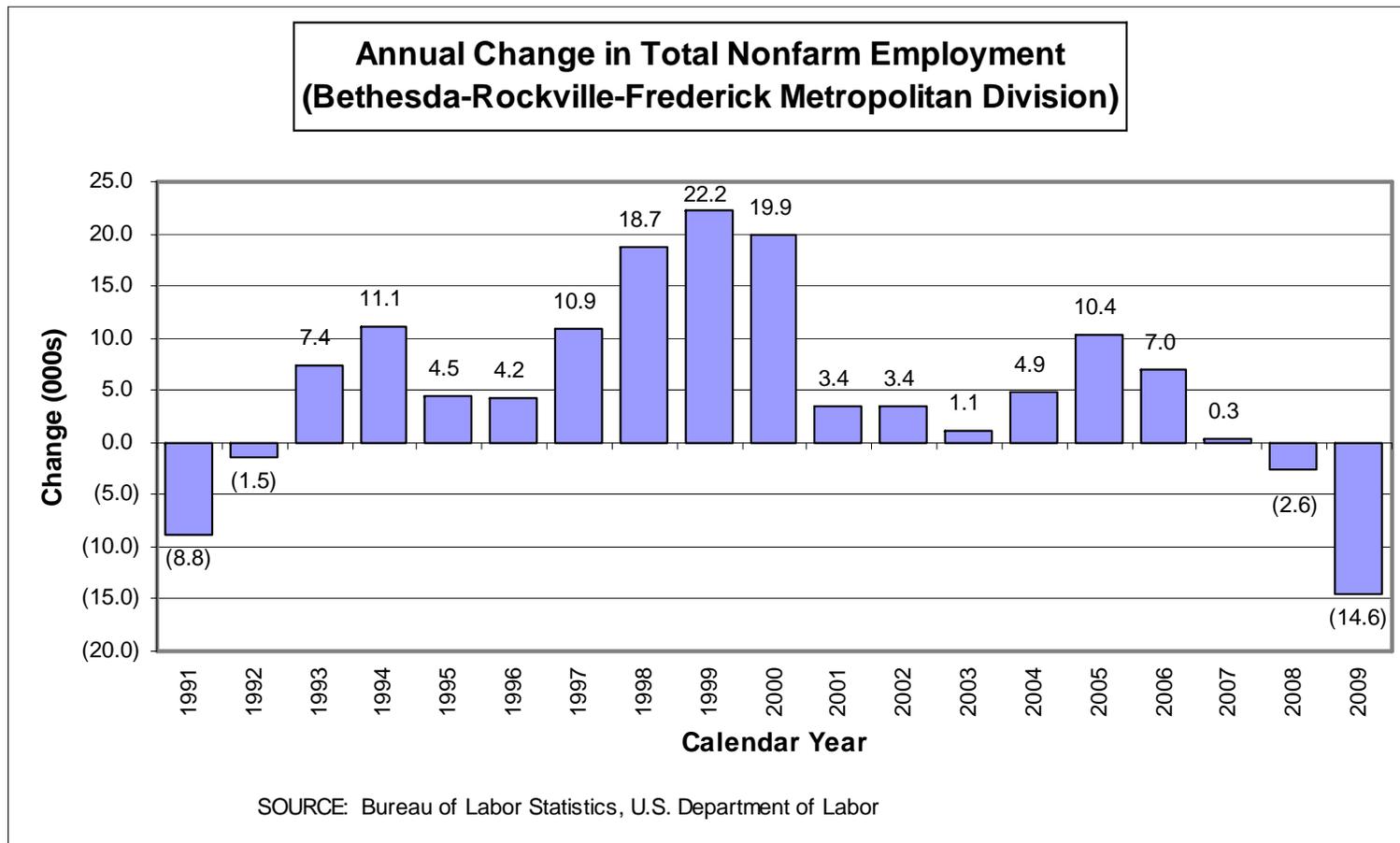
The stock index that comprises the *Washington Post-Bloomberg* regional stock index (192 members) was up 5.8 percent during the first quarter. That index performed better than the S&P 500 index (↑4.9%) over the same period but was well below the Russell 2000 (↑8.5%).



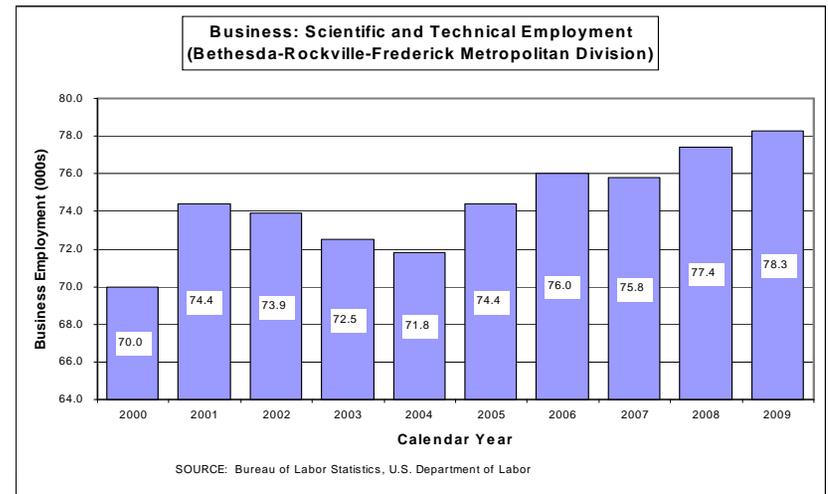
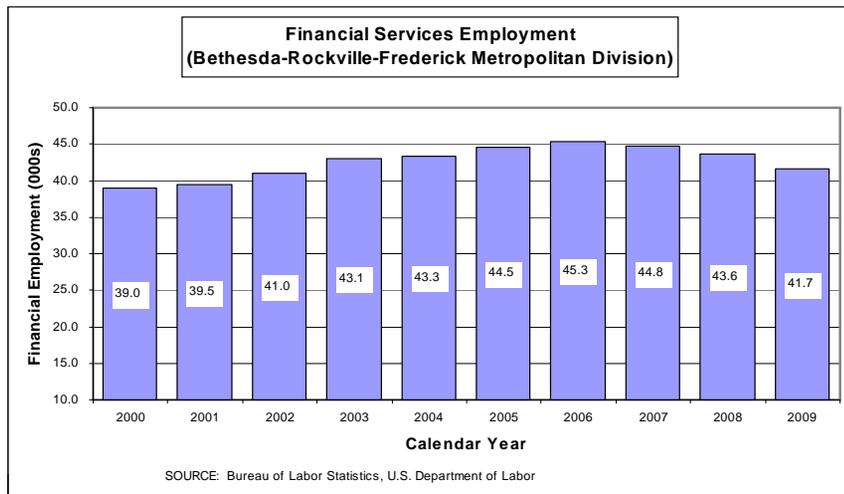
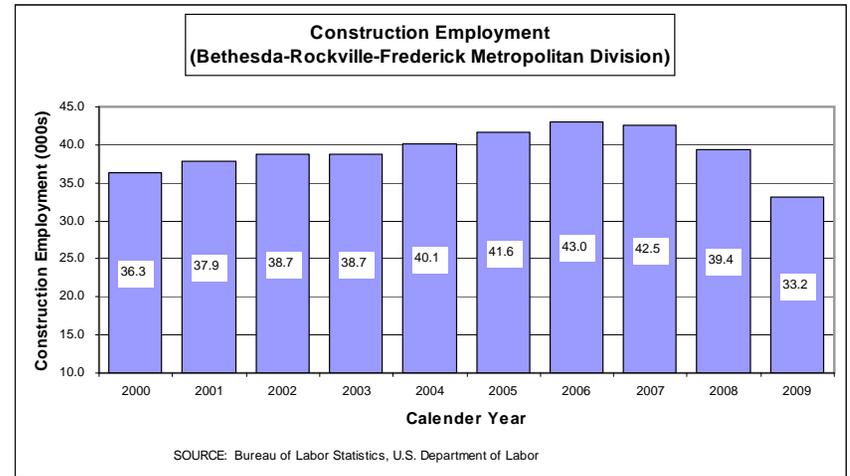
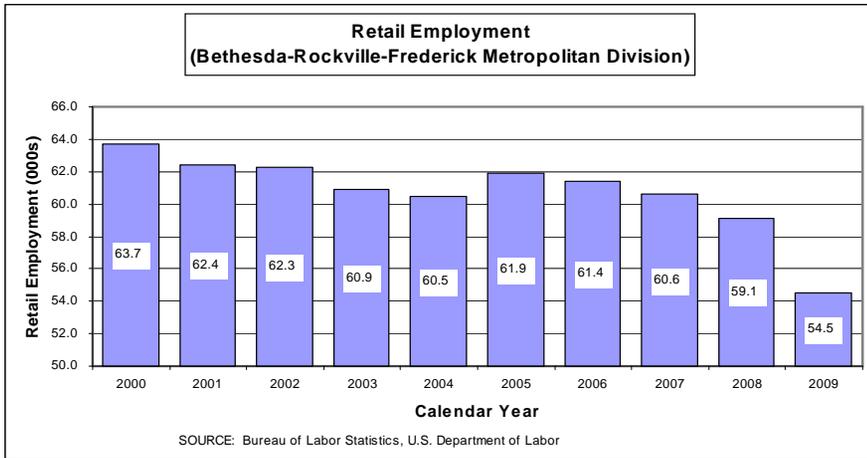
Businesses in the Washington metropolitan region shed nearly 53,000 jobs in 2009, the largest decline since 1991. Total payroll employment stood at 2.950 million, the lowest level since 2005 (2.917 million)



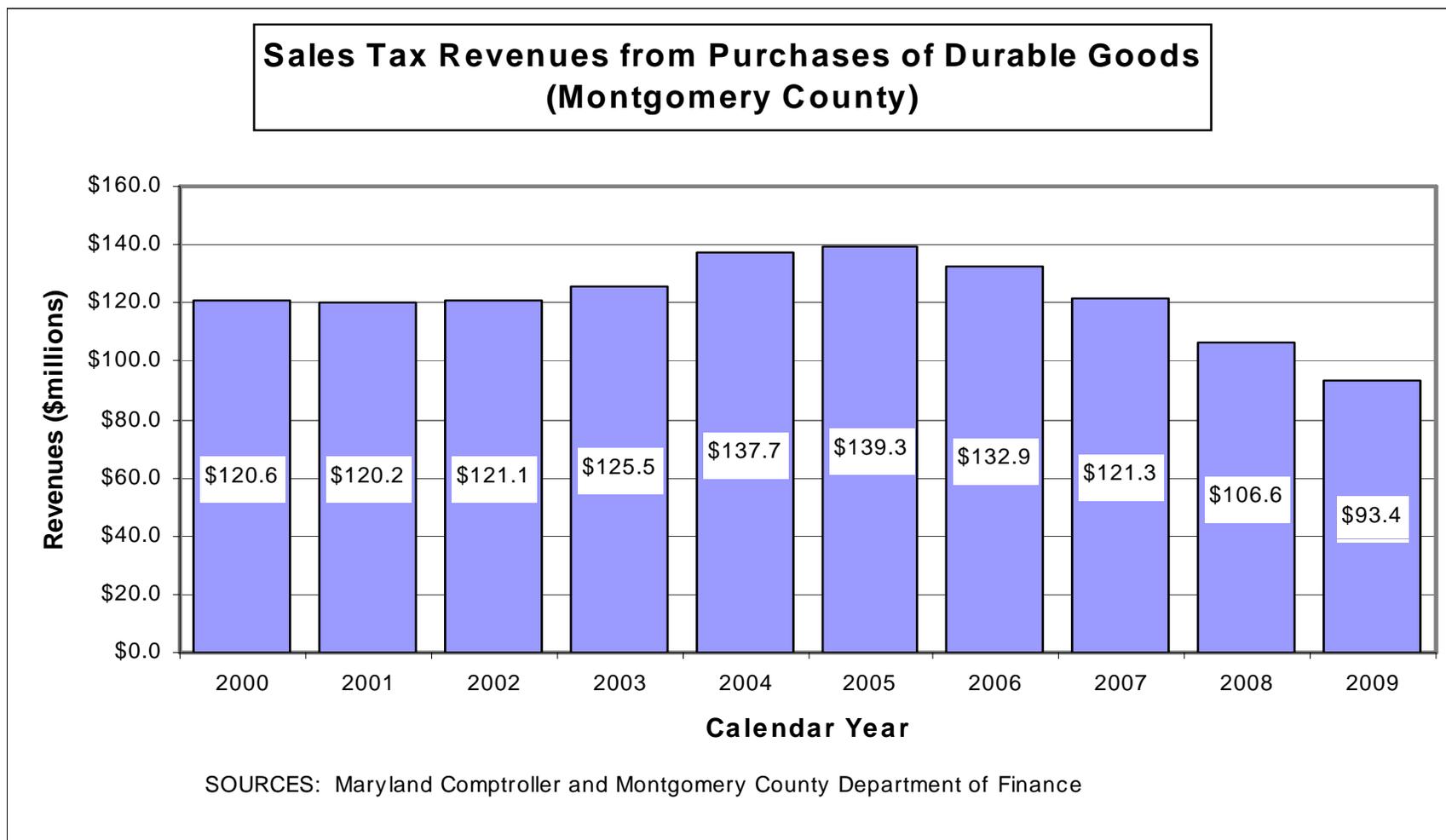
Payroll employment in the Bethesda-Rockville-Frederick metropolitan division declined by 14,600 in 2009, also the largest decline since 1991. Total payroll employment stood at 559,300 – the lowest level since 2004 (558,800).



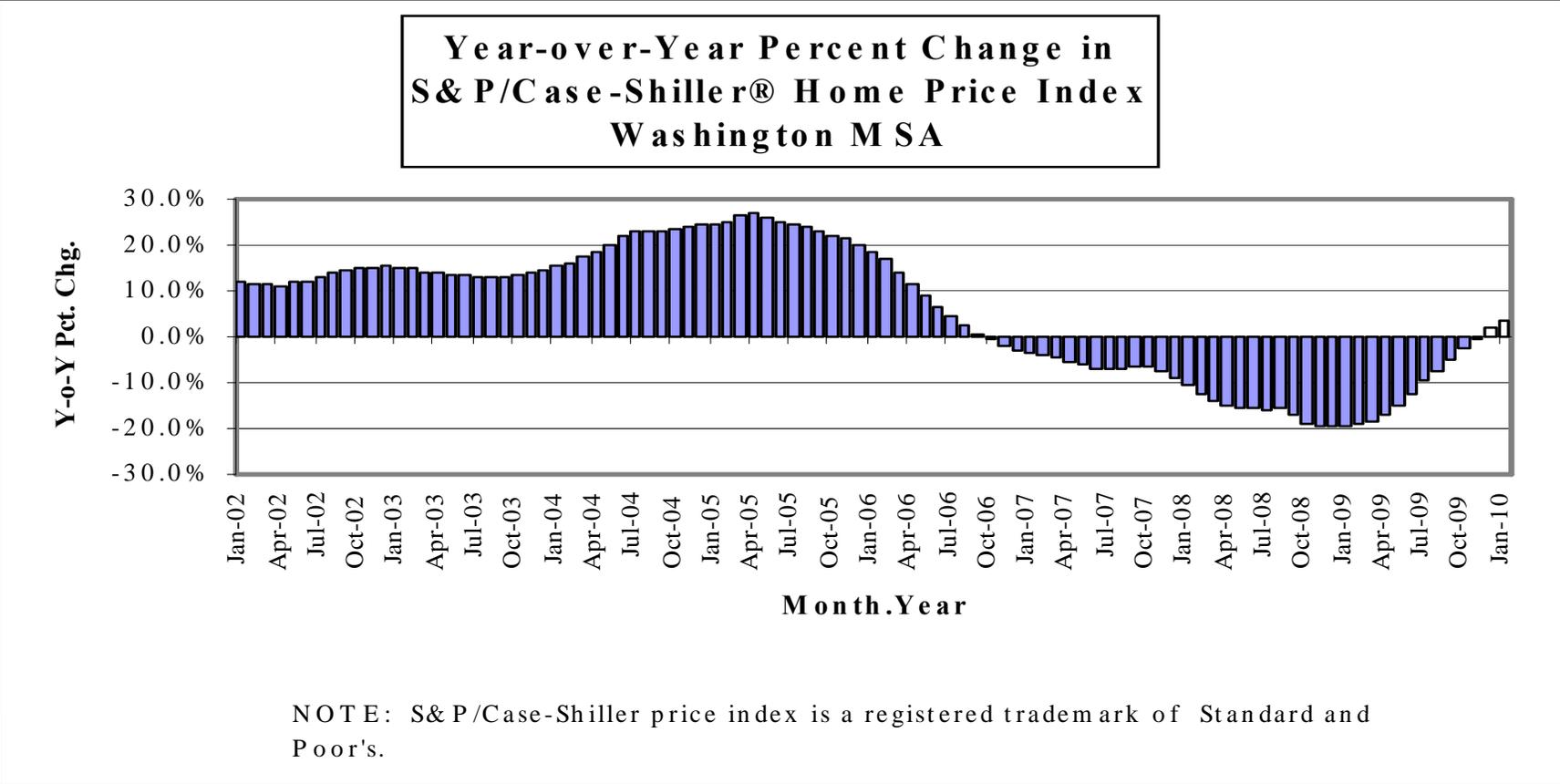
Three sectors experienced declines in employment over the past three years. Retail employment declined 10.1 percent, construction down 21.9 percent, and financial services down 6.9 percent. However, the science and technology business sector increased 3.3 percent the past two years after declining only 0.3 percent in 2007.



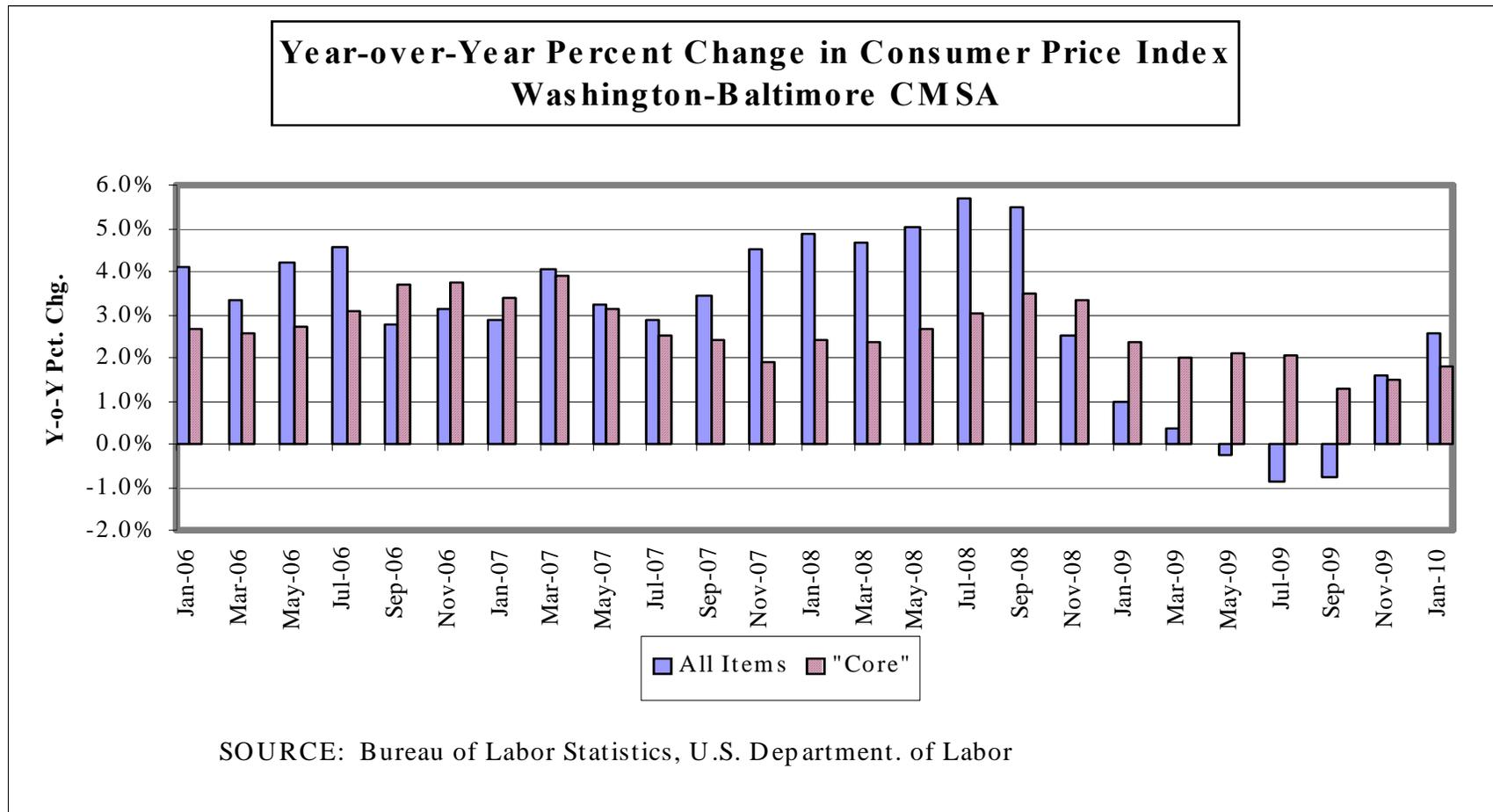
The decline in retail employment can be attributed to the decline in the purchases of durable goods in the County. Since 2005, sales tax revenues declined 33 percent while retail employment declined 12 percent. On average, for every 10 percent decline in durable purchases per year, retail employment declined 3 percent.



Based on the Case-Shiller® index, home prices in the Washington metropolitan region increased 3.5 percent in January compared to January 2009. The index increased 7.3 percent between March 2009 and January of this year.

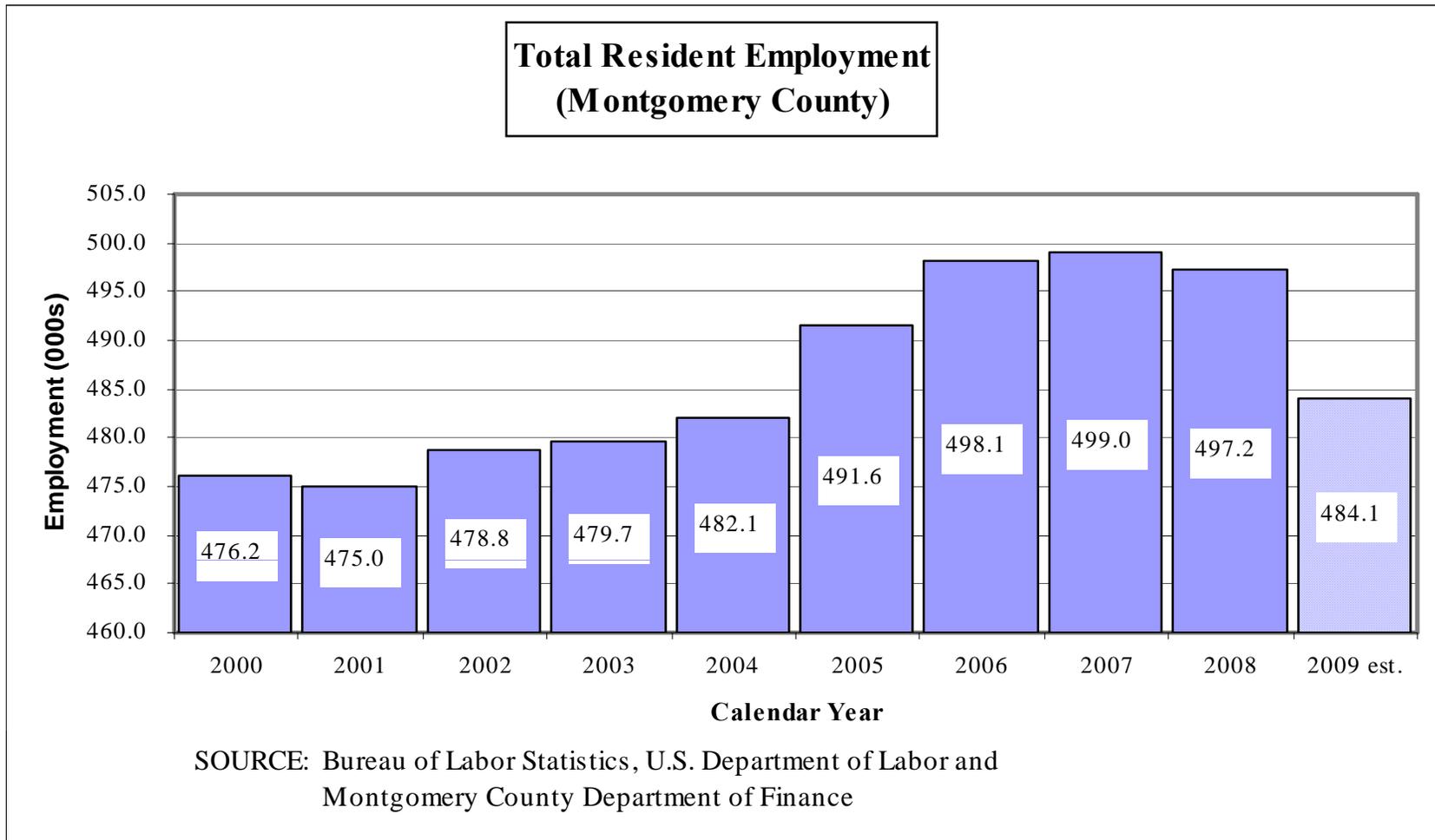


Because of the increase in energy prices (gasoline), the overall consumer price index for the Washington-Baltimore consolidated region increased 2.6 percent in January.

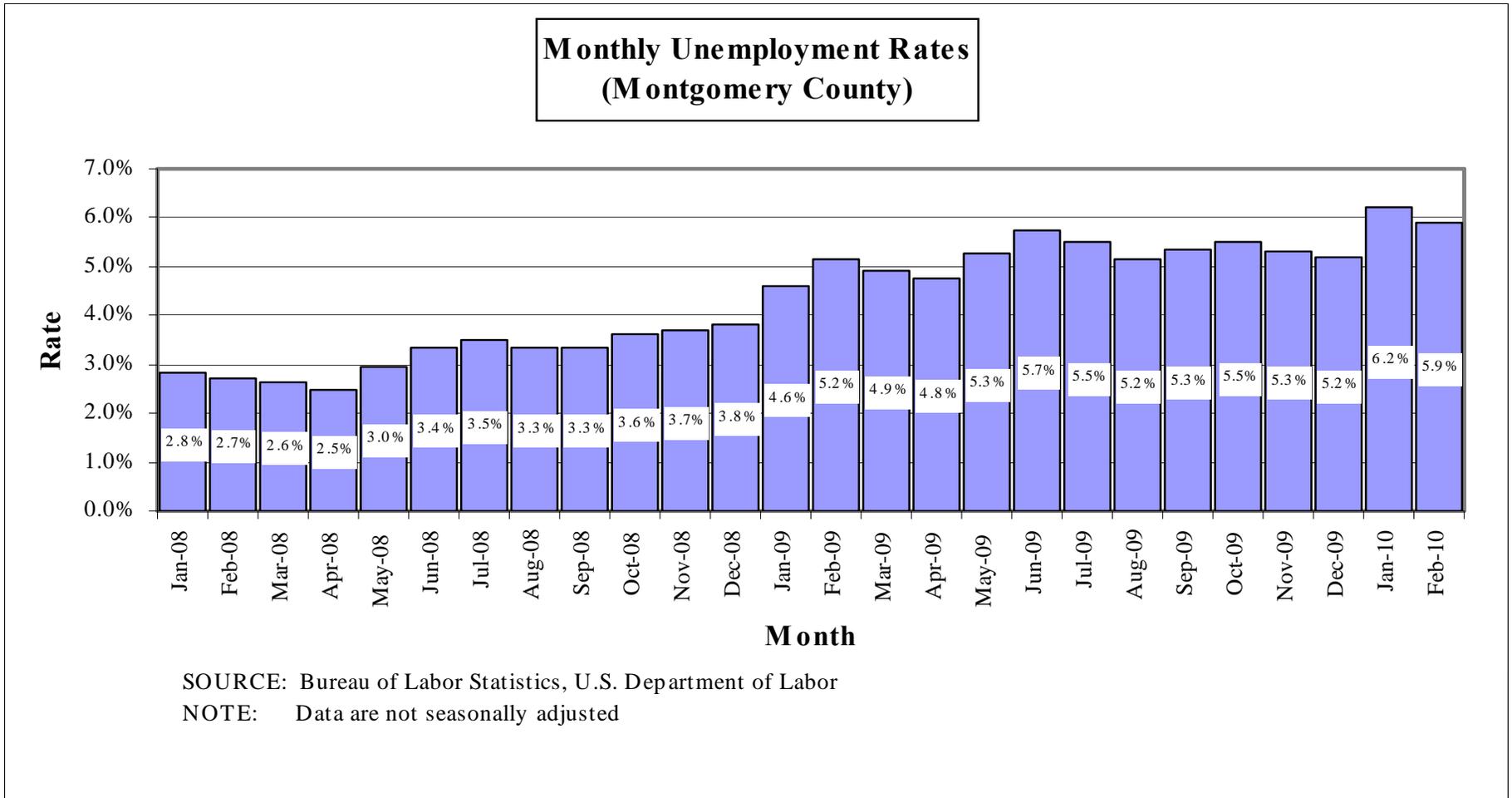


Montgomery County Economic Indicators

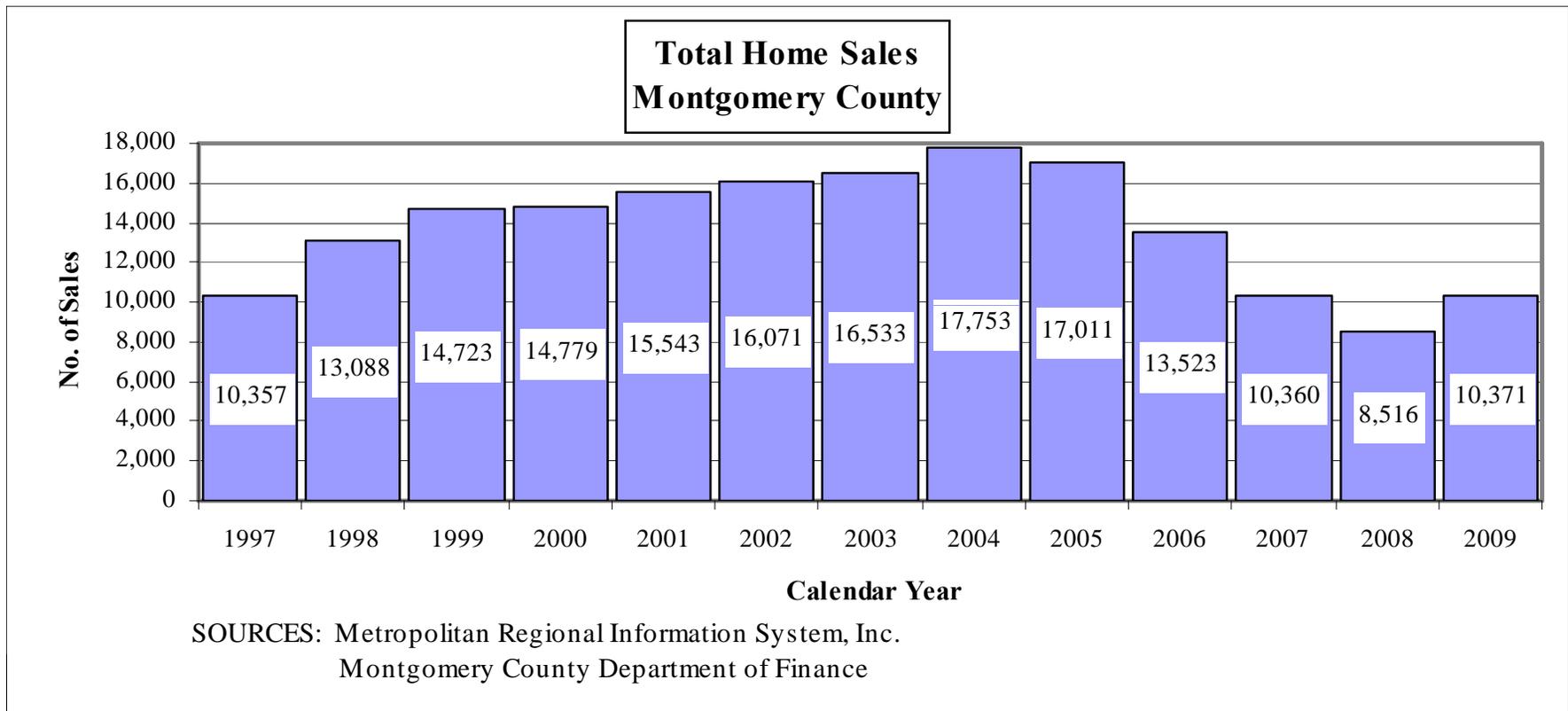
Resident employment in Montgomery County declined from 497,200 in 2008 to an estimated 484,100 in 2009 (↓2.6%).



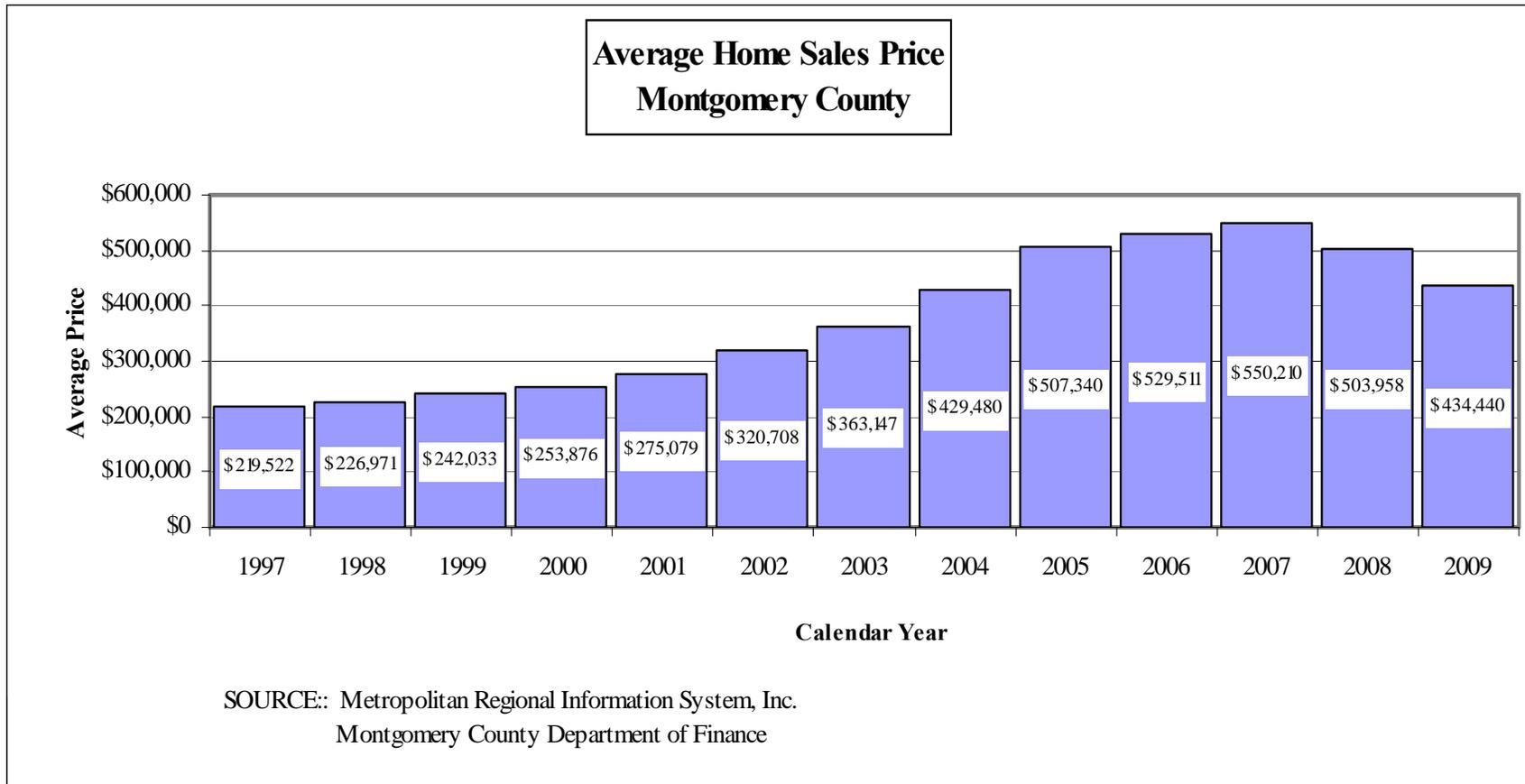
Because of the steady decline in the County's resident employment, the unemployment rate has jumped from a recent low of 2.5 percent in April 2008 to 5.9 percent in February of this year.



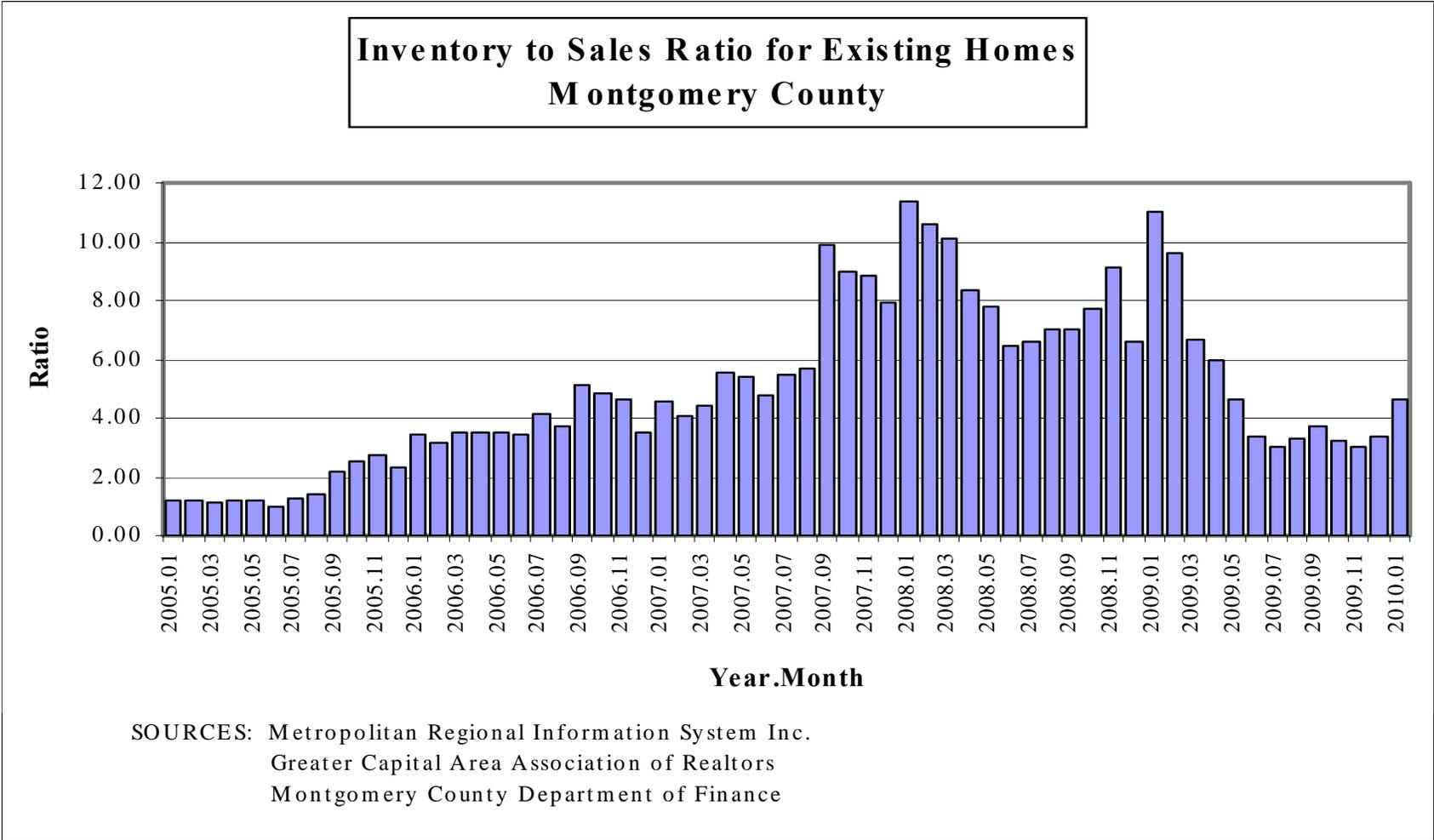
With home sales increasing at an average monthly rate of 200 units between May 2009 and December 2009 compared to the same period in 2008, total home sales increased 21.8 percent in 2009 compared to declines of 20.5 percent (2006), 23.4 percent (2007), and 17.8 percent (2008).



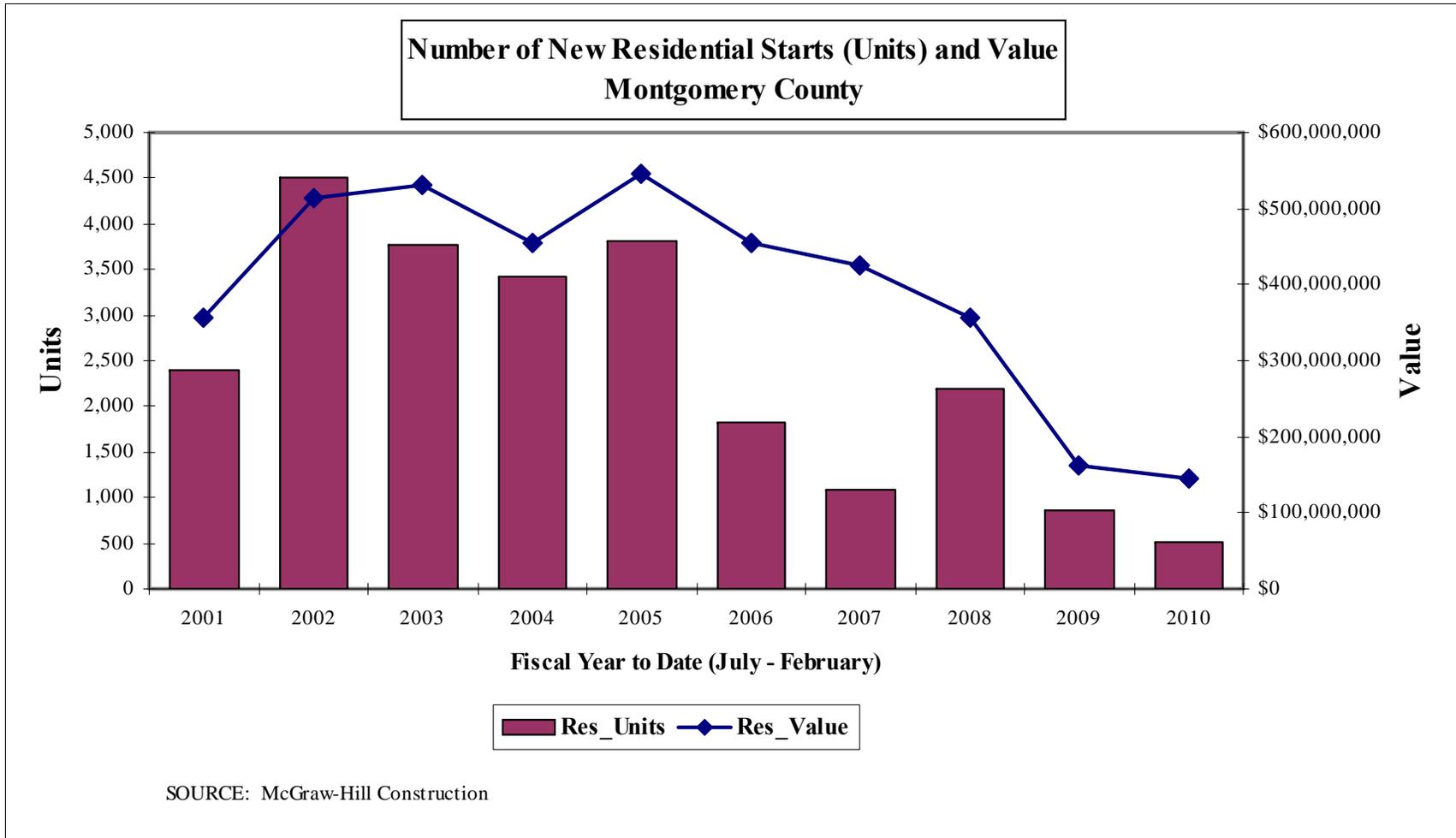
While the sales of existing homes in the County increased significantly in 2009, the average sales price declined 13.8 percent, which followed increases of 4.4 percent (2006), 3.9 percent (2007), and a decrease of 8.4 percent (2008).



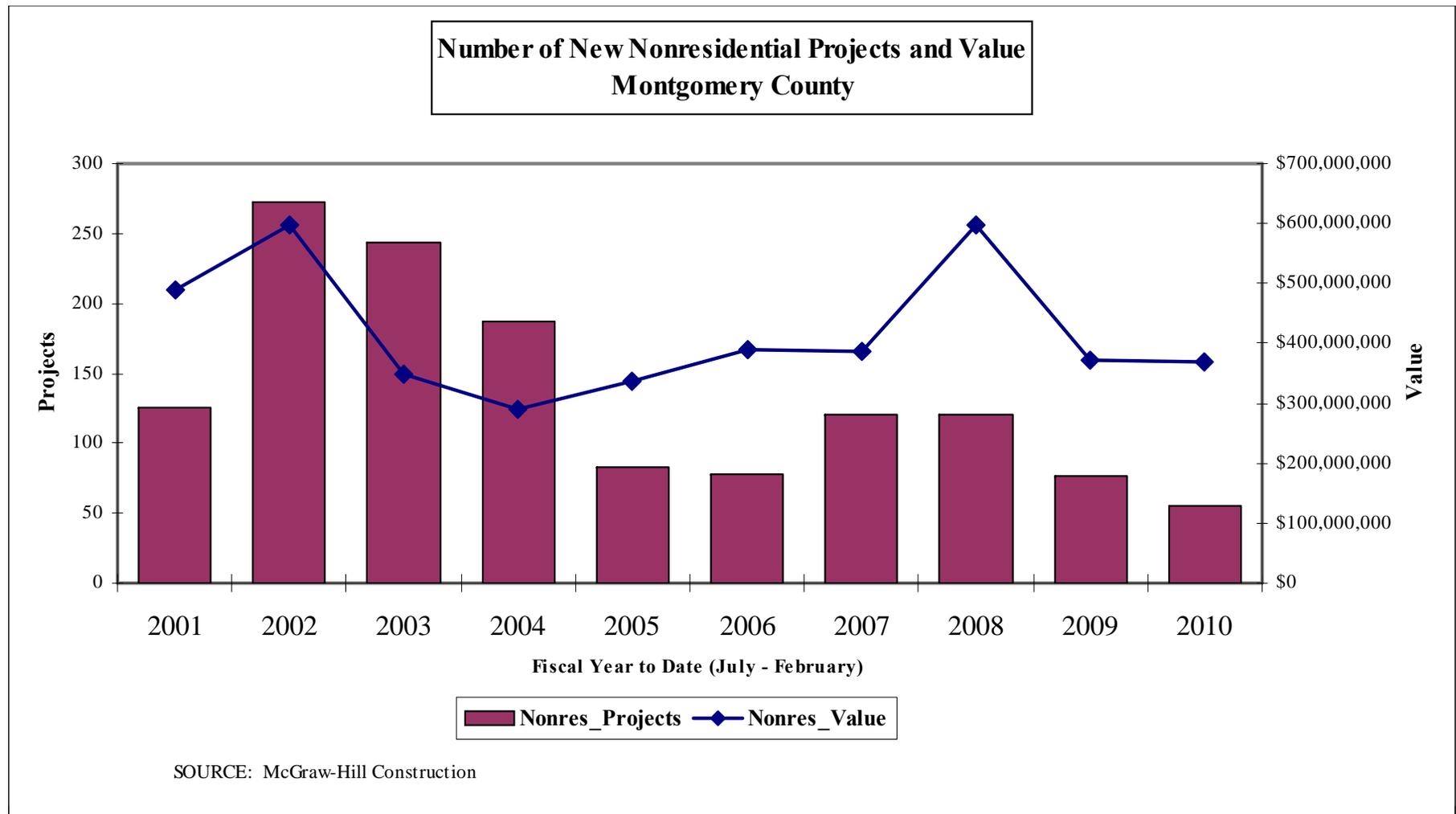
The inventory of existing homes for sale has declined significantly from its recent peak of an eleven-month supply in January 2009 to slightly more than a four-month supply in January of this year.



The number of residential starts (units) declined from the recent peak of over 3,800 in FY05 (July - February period) to 521 during the same eight-month period during FY10 – a decrease of 86.3 percent.



The number of non-residential projects during the July 2009 to February 2010 period declined from 121 during that eight-month period in FY08 to 55 during the same eight-month period this fiscal year (↓54.6%). The additional value decreased from \$596.6 million in FY08 to \$367.9 million this fiscal year.



Summary

- **Employment:**
 - The County’s unemployment rate has risen 2 percentage points during the past fourteen months (from December ‘08 to February ‘10) to 5.9%.
 - Because the unemployment rate is a lagging indicator in terms of an economic recovery, it may not improve significantly and may remain at or above the 5.0 percent level through the remainder of this calendar year.
 - The County’s resident employment was approximately 480,000 in February, a decline of slightly more than 1,900 from February 2009, and the lowest level since May ’04. With the decline in resident employment in February, albeit at a slower rate, the employment situation in the County may have an effect on income tax revenues in FY11.
- **Construction:**
 - The value of new construction starts for residential and non-residential projects is below \$513 million to date in fiscal year 2010 compared to approximately \$535 million over the same period last year. Additional property assessments from new construction could, by FY11, be at their lowest level in over 10 years.
- **Inflation:**
 - While the recent figures for inflation are a welcome relief to the local consumer, it will have a significant effect on the amount of property tax revenues under the Charter Limit in FY11. Currently the index was 0.2 percent (or essentially flat) for calendar year 2009. However, inflation in January increased 2.6 percent over January ’09 attributed to higher gasoline prices.
- **Housing Sales and Average Sales Prices:**
 - Home sales increased 21.8 percent in 2009 which was attributed to strong sales from March through December.
 - Average sales prices decreased 13.8 percent in 2009. The decline in average prices has offset the increase in the volume of sales reducing the amount of increase in residential transfer tax receipts.