Monthly Economic Update
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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ http://www.co.mo.md.us/services/finance For questions, please call (240) 777-8887

- ***Economic Conditions.*** A strong rebound in economic activity pushed 1st qtr 2002 GDP to a revised 5.6% growth rate – the strongest since 1999. The rebound is reflected in continued strong consumer spending (retail and housing), strong productivity growth, expanding manufacturing and services sectors, modest job growth, and corporate profit growth for the first time in one year.

  Consumers remain the single-most important factor in economic growth, and while consumer confidence has not returned to the earlier highs of two years ago, it has rebounded sharply from the 9/11 lows. Also the stock markets recovered, although they remain generally in negative territory for the second consecutive year. The leading economic indicators for the nation and Washington region predict a modest economic recovery.

- ***Inflation.*** While inflation, measured by the consumer price index, has declined modestly, core inflation remains close to last year. One reason for the decline in overall inflation is the lower cost of energy products – notably the price of gasoline. Moreover, labor costs, measured by the employment cost index (wages and benefits) are growing at their lowest rate in more than two years. Given the low inflation environment, the Fed has kept interest rates unchanged hence providing important stimulus to the economy and corporate profits.

- ***Real Estate.*** The housing market has remained robust and did not weaken during the recent economic slowdown. To a large degree, the housing market benefited from a sustained low mortgage interest rate environment, with the fixed 30-year rate close to 7%. Moreover, the economic downturn was mild at best, and unemployment rates low compared to previous cycles.

  Even though the housing market does exhibit signs reminiscent of previous "bubbles" in some areas of the country and county, in many cases accelerated growth in the past few years has merely made up for slow growth experienced during most of the 1990s. In the first quarter of 2002, sales of existing homes jumped 8.4% nationwide and 4.7% countywide. In addition to solid gains in the level of activity, prices have grown dramatically over the past few years. After growing 8.1% last year, the average sale price of a County home jumped another 14.1% in the first quarter of 2002. Much of this growth reflects a shift towards larger and more expensive homes – more than 11% of homes sold are above $500,000. However, the median home price has also jumped 36% between 1996 and 2002 (from $170,000 to more than $231,000) making it increasingly more difficult for some residents to obtain affordable housing in Montgomery County.

- ***Retail Trade.*** Consumer spending is recovering as evidenced by 4.5% growth in retail trade nationwide, and 3.1% growth in the County. One area where the County continues to exhibit strength is the building supplies sector. Reflecting the strong commercial and residential construction sector, building supplies jumped 19.1% in the first quarter of 2002. By contrast, both apparel and furniture sales are down for the year.

- ***Labor Market.*** Even though unemployment has picked up in the County compared to 2.3% last year, at 3.1% in March 2002, it remains the lowest rate statewide and almost half the national rate.

- ***Construction.*** The number of residential building permits jumped 23.1% through March 2002, while the commercial sector grew 1.4% in that period. In addition to growth in the number of projects, the value also jumped significantly. However, this growth occurred primarily in the non-residential sector (27.5%). Moreover, of all the non-residential sectors, only the education and science sector related to new laboratories (five-fold increase) expanded.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date 2002	Year To-Date 2001	2001
Leading Indicators						
National	April	-0.4%		2.9%		2.5%
Washington MSA	March	1.8%		-0.5%		-0.9%
Consumer Confidence Index						
National	April	-1.7%		-8.7%		-26.4%
South Atlantic Region	April	-3.1%		-9.6%		-23.9%
Consumer Price Index						
All Items						
National	April	1.6%		1.3%		2.9%
Washington - Baltimore CMSA	March	2.0%		1.9%		2.6%
Core CPI						
National	April	2.5%		2.5%		2.7%
Washington - Baltimore CMSA	March	3.0%		3.0%		3.1%
Retail Trade						
National (sales)	April	4.5%		3.4%		3.7%
Maryland (tax)	March	3.7%		0.1%		3.0%
Montgomery County (tax)	March	3.1%		-0.2%		3.8%
Employment						
National	April	141,886,000	141,073,000	141,277,750	141,777,250	135,073,000
- Percent Change		0.6%		-0.4%		-0.1%
Washington PMSA (at place)	March	2,780,200	2,779,900	2,771,700	2,760,900	2,831,800
- Percent Change		0.0%		0.4%		2.8%
Montgomery County (resident)	March	482,488	474,446	480,128	473,022	477,701
- Percent Change		1.7%		1.5%		0.8%
Montgomery County (payroll)	Sep. 2001	449,512	455,719	447,989	444,528	447,744
- Percent Change		-1.4%		0.8%		4.9%
Unemployment						
National	April	5.7%	4.2%	6.1%	4.5%	4.8%
Maryland	March	5.1%	3.7%	5.1%	4.0%	4.1%
Washington PMSA	March	3.8%	2.5%	3.8%	2.5%	2.7%
Montgomery County	March	3.1%	1.9%	3.1%	1.9%	2.3%
Construction						
Project Cost - Montgomery County						
Total ($ thousand)	March	$102,457	$56,925	$323,046	$279,273	$1,353,664
- Percent Change		80.0%		15.7%		15.4%
Residential ($ thousand)	March	$53,844	$32,509	$129,582	$127,519	$682,768
- Percent Change		65.6%		1.6%		17.2%
Non-Residential ($ thousand)	March	$48,613	$24,416	$193,464	$151,754	$670,896
- Percent Change		99.1%		27.5%		13.6%
Building Permits (Residential)						
National	March	139,592	148,050	376,616	374,672	1,610,766
- Percent Change		-5.7%		0.5%		1.2%
Maryland	March	2,649	2,402	6,898	6,408	28,412
- Percent Change		10.3%		7.6%		-6.4%
Montgomery County	March	595	433	1,158	941	5,091
- Percent Change		37.4%		23.1%		13.8%
Building Permits (Non-Residential)						
Montgomery County	March	161	161	435	429	2,102
- Percent Change		0.0%		1.4%		23.9%
Real Estate						
National						
Sales	March	5,400,000	5,440,000	5,780,000	5,330,000	5,296,000
- Percent Change		-0.7%		8.4%		2.8%
Median Price	March	$153,000	$143,400	$150,900	$139,700	$147,800
- Percent Change		6.7%		8.0%		6.3%
Montgomery County						
Sales	March	1,102	1,122	2,890	2,759	15,489
- Percent Change		-1.8%		4.7%		4.8%
Average Price	March	$293,890	$256,016	$288,975	$253,318	$274,522
- Percent Change		14.8%		14.1%		8.1%
Median Price	March	$241,000	$195,000	$228,667	$190,000	$215,000
- Percent Change		23.6%		20.4%		13.2%