
Montgomery County, Maryland

ECONOMIC INDICATORS

Montgomery County Council

Department of Finance

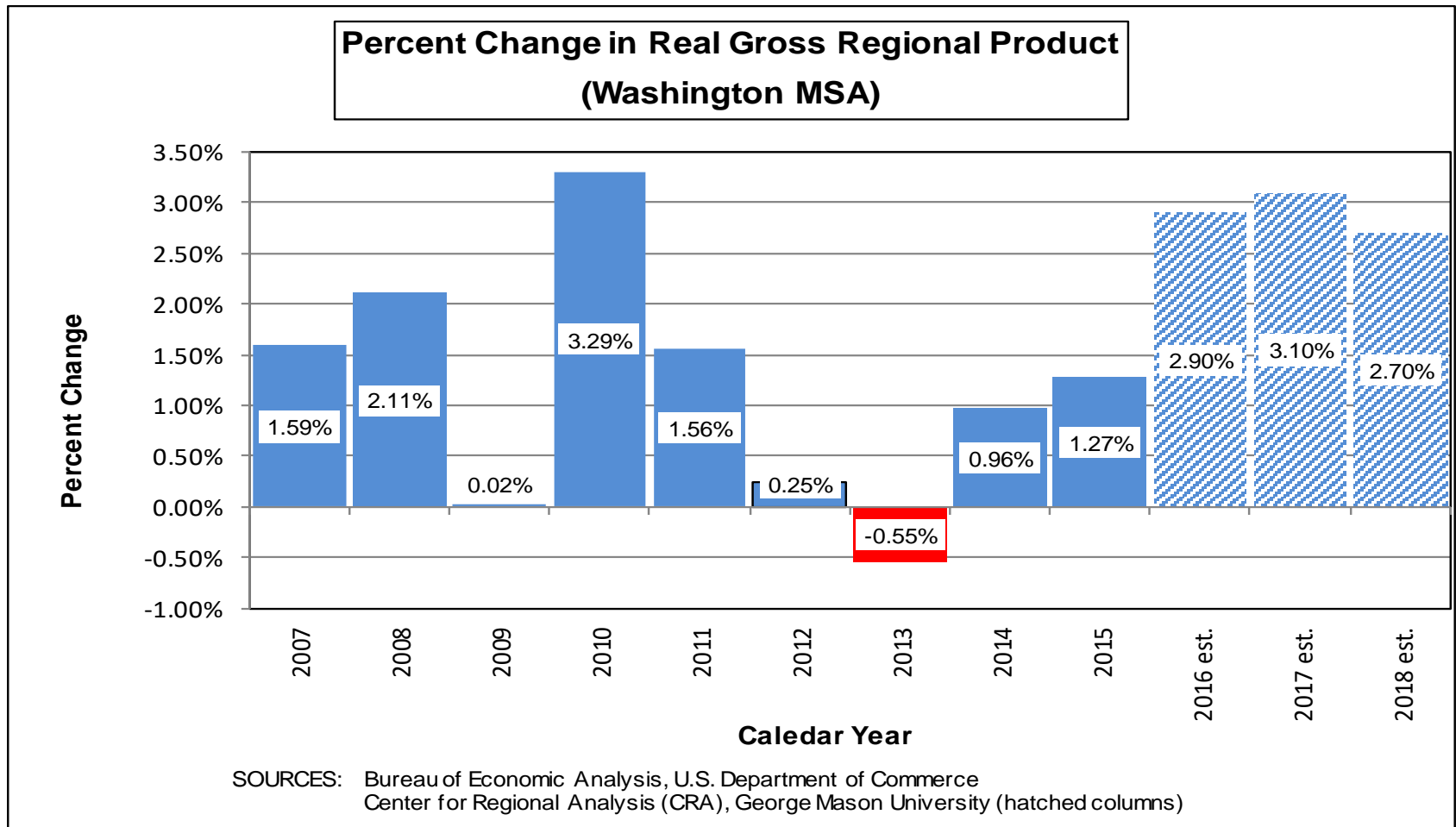


April 18, 2017

Regional and State Economic Indicators

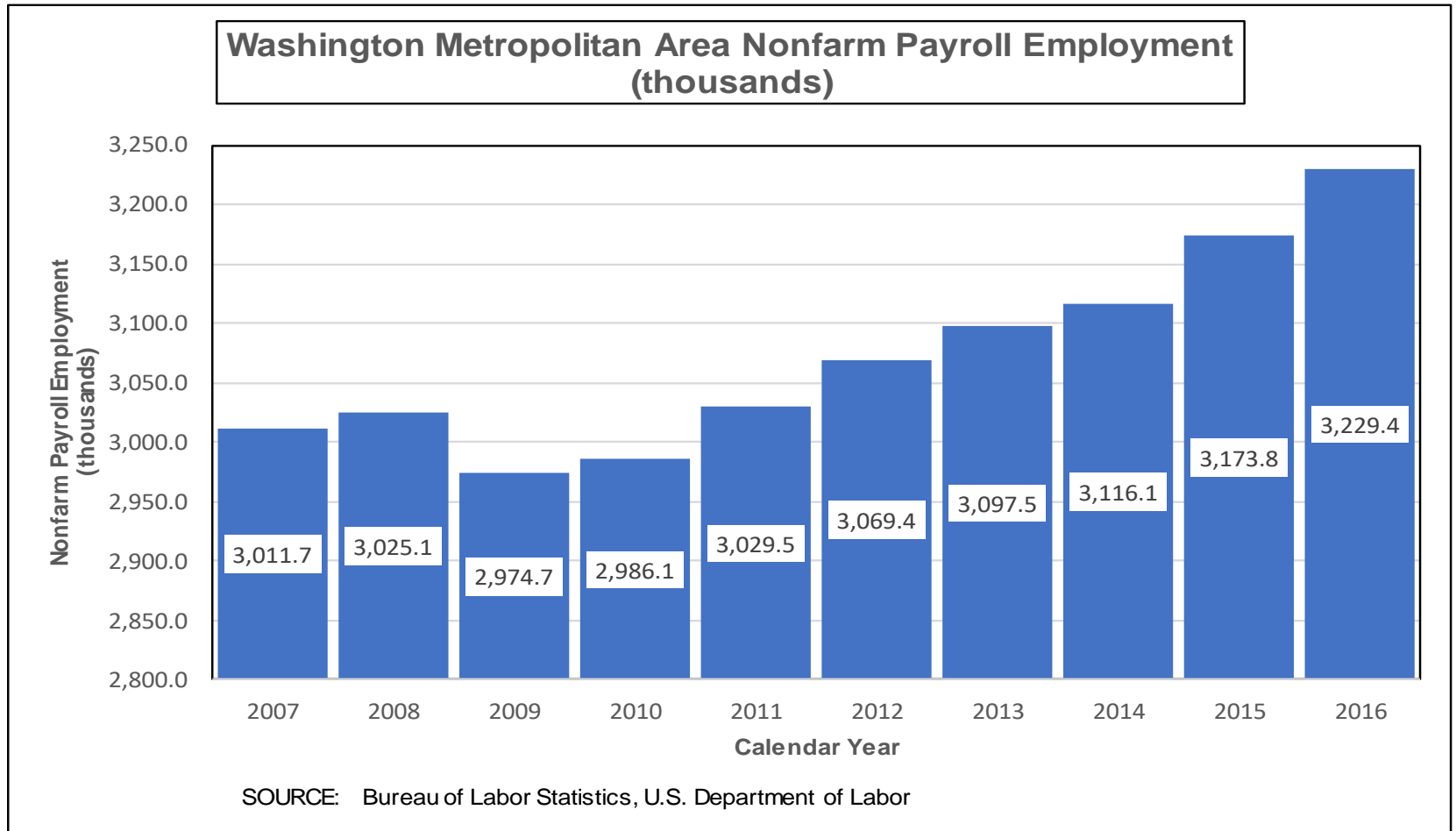
Real gross regional product increased 1.27 percent in CY2015 according to the Bureau of Economic Analysis, the latest date available.

The Center for Regional Analysis (CRA) estimates growth in real GRP in the Washington area to increase 2.90 percent in CY2016, increase 3.10 percent in CY2017, and increase 2.70 percent in CY2018.



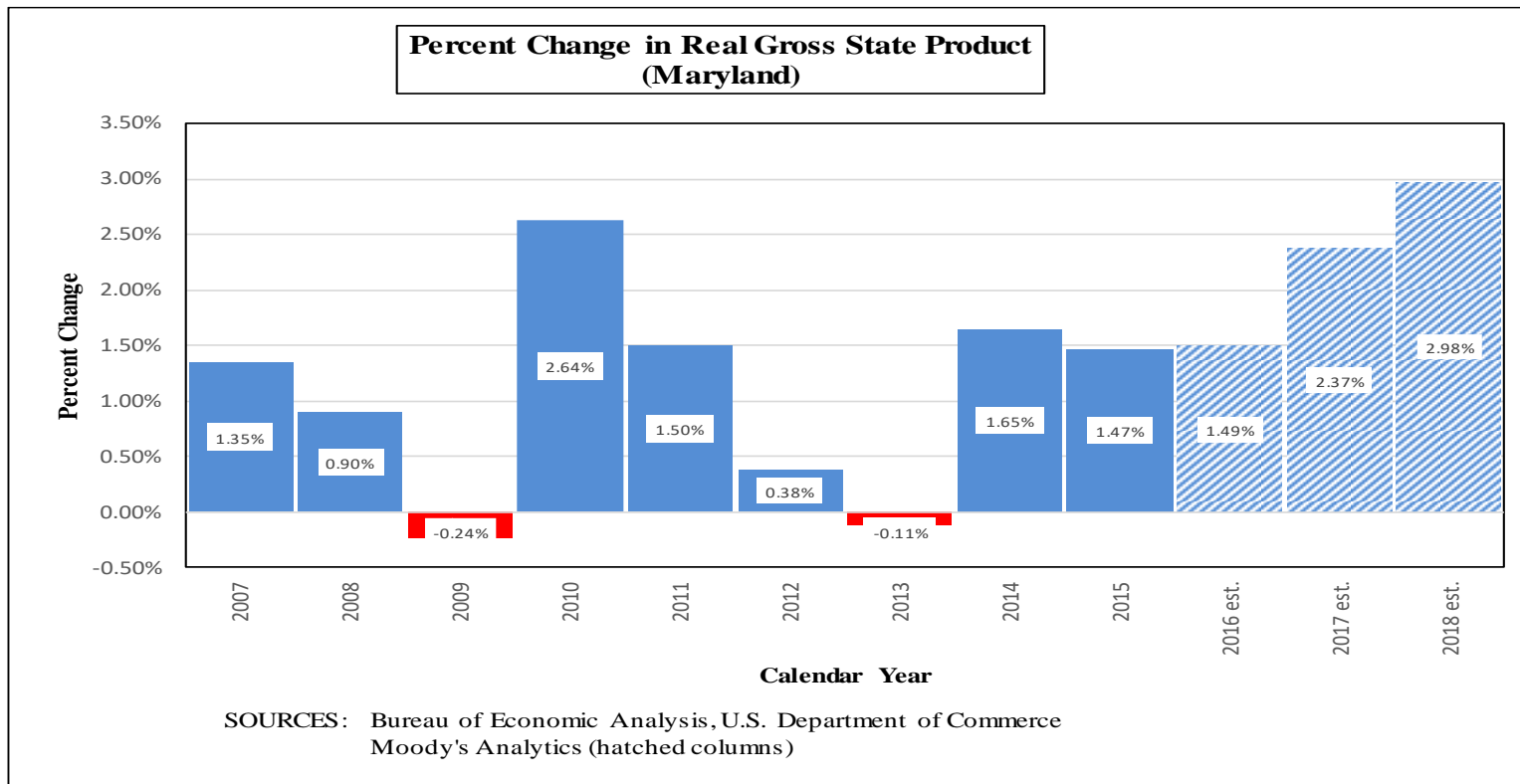
Payroll employment in the Washington area was over 3.2 million in CY2016.

Employment increased by 55,600 (↑1.8%) from CY2015 to reach over 3.2 million an all time high in CY2016.



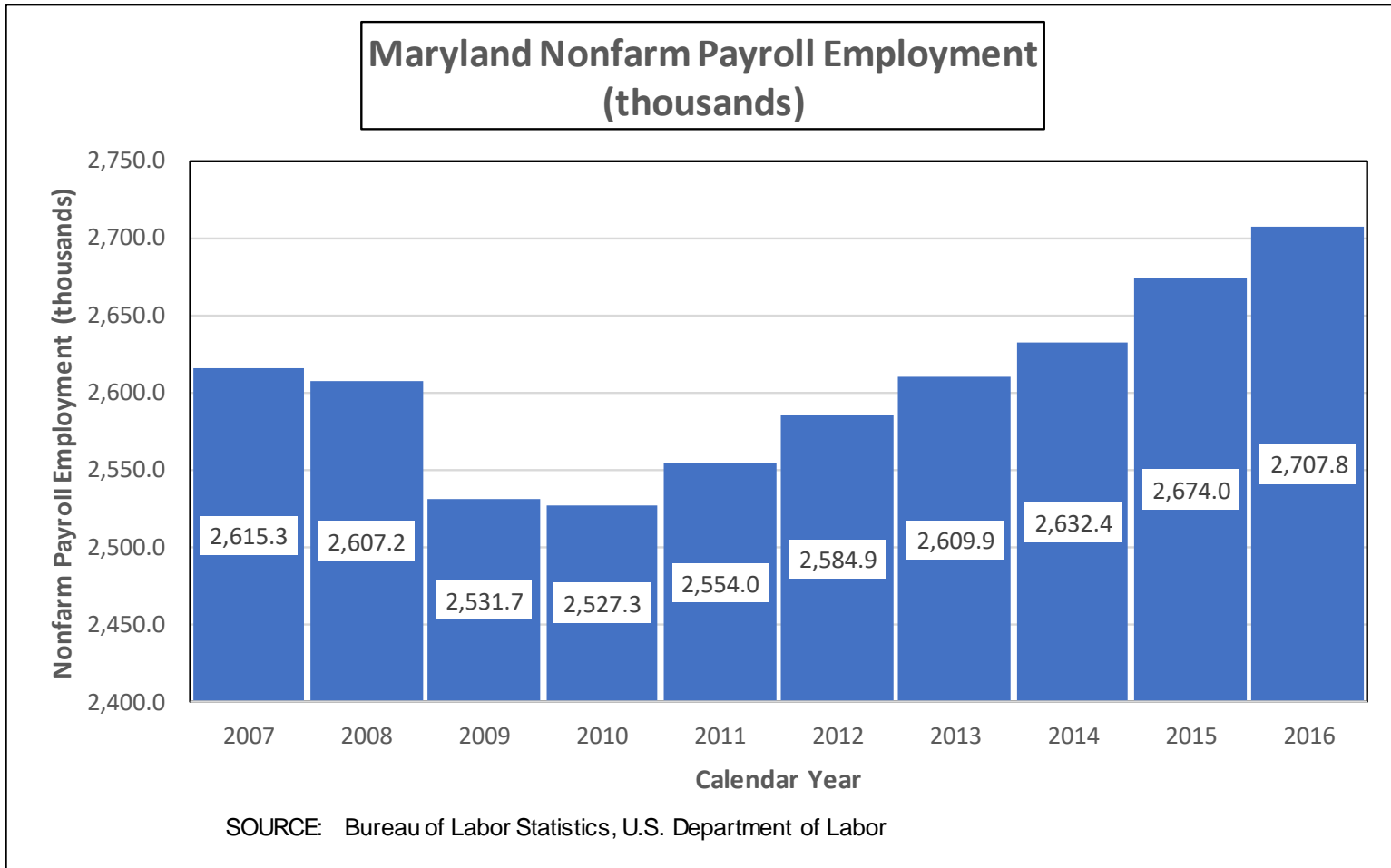
Real gross state product increased 1.47 percent in CY2015 according to the Bureau of Economic Analysis, the latest date available.

Moody's Analytics estimates growth in real GSP in Maryland to increase 1.49 percent in CY2016, increase 2.37 percent in CY2017, and increase 2.98 percent in CY2018.



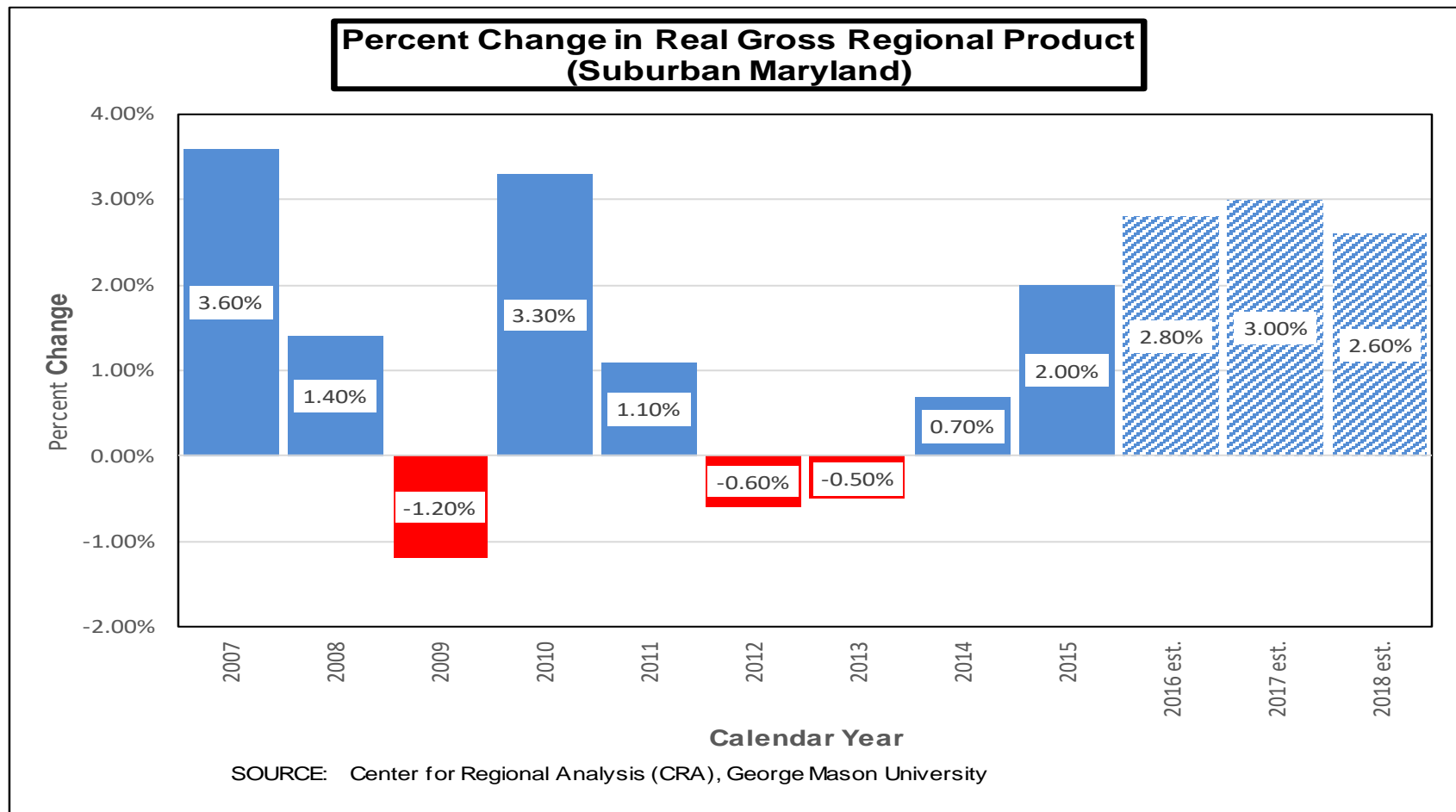
Payroll employment in Maryland stood at over 2.7 million in CY2016.

Employment increased by 33,800 (↑1.3%) from CY2015 to reach over 2.7 million an all time high in CY2016.



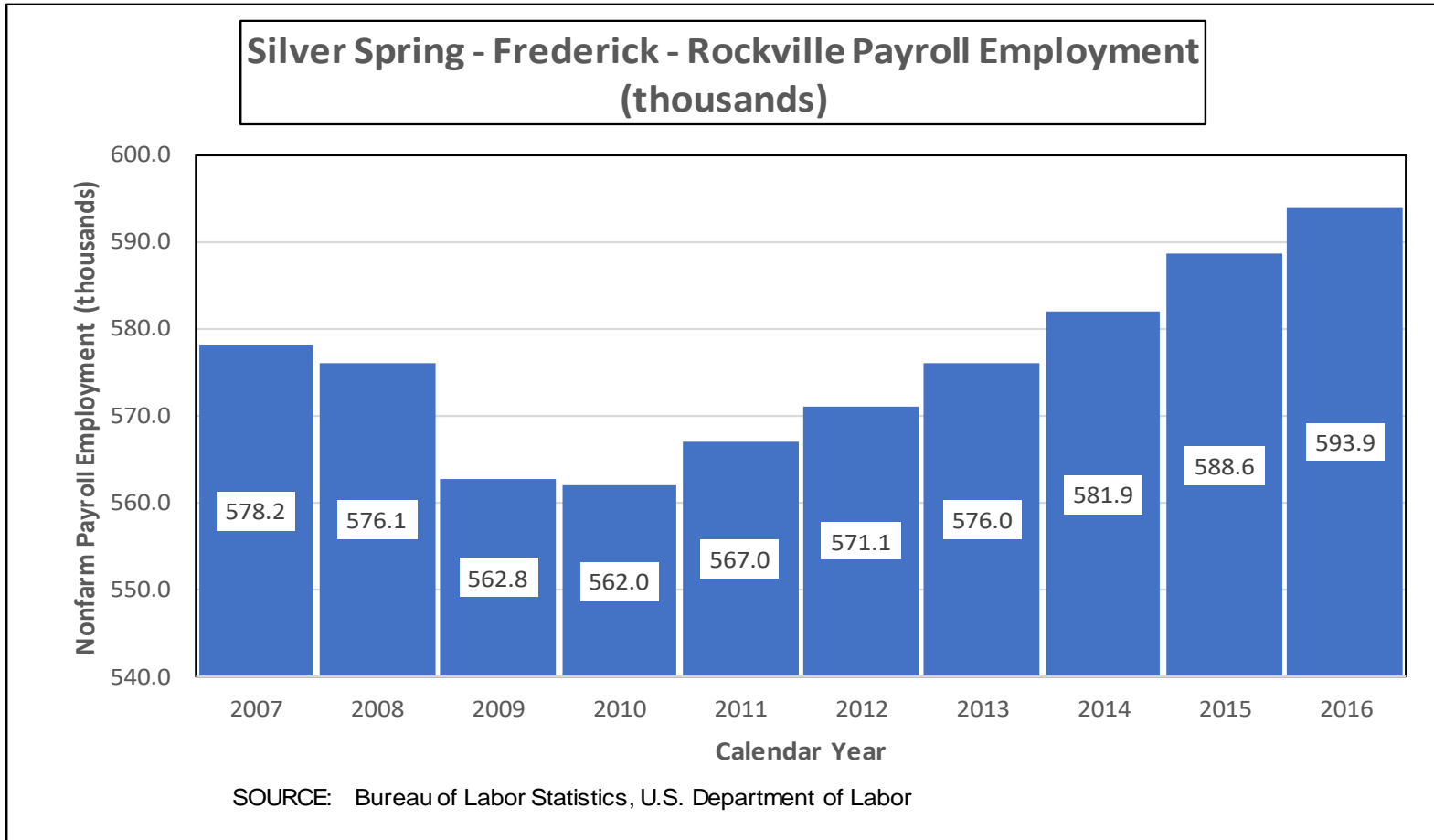
Real gross regional product for the Maryland suburban division of the Washington MSA increased 2.00 percent in CY2015 according to the Center for Regional Analysis (CRA).

According to CRA, growth in real GRP in the division (Montgomery, Prince George's, Charles, Calvert, and Frederick counties) is expected to increase 2.80 percent in 2016, increase 3.00 percent in CY2017 and increase 2.60 percent in CY2018.



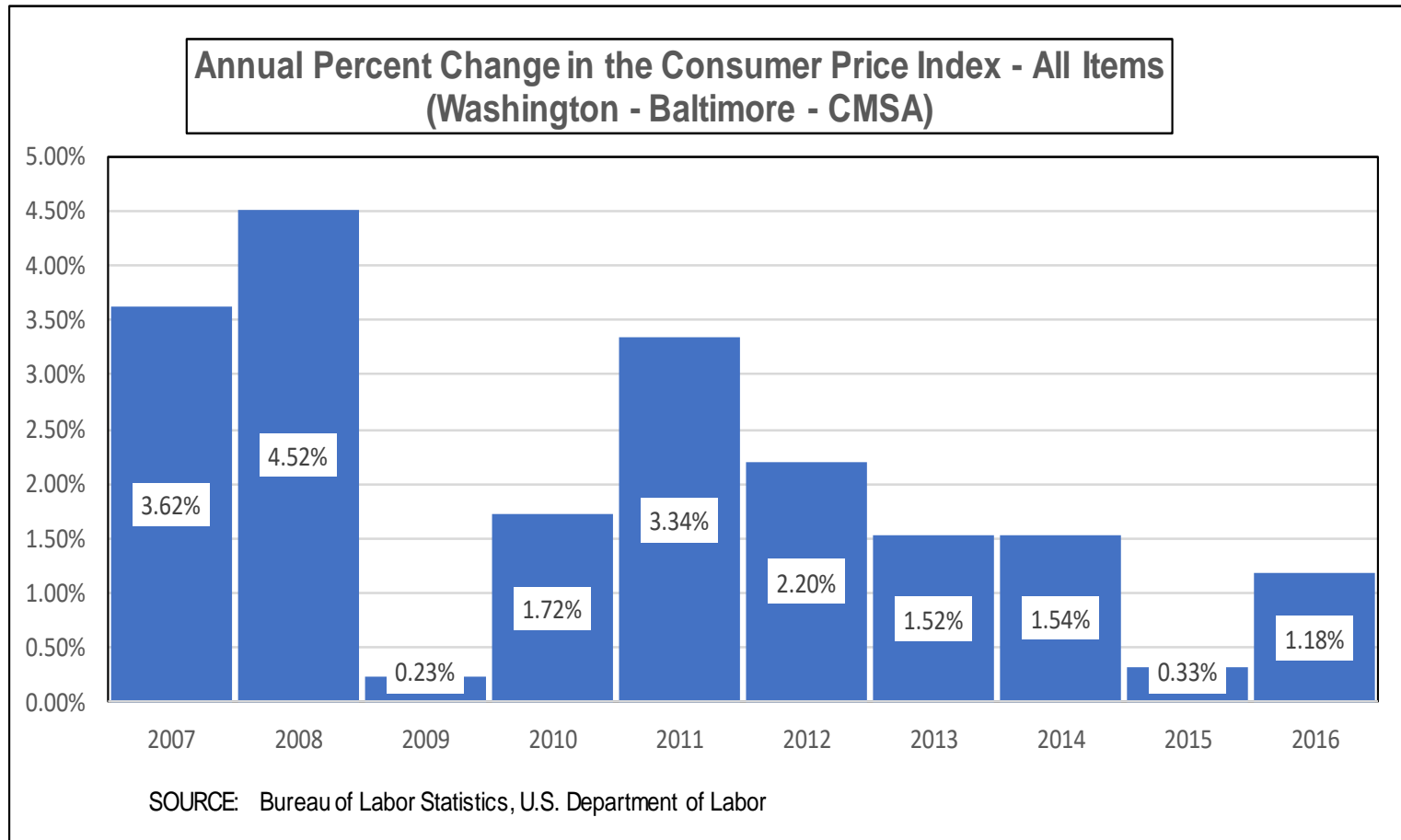
Payroll employment in the Silver Spring-Rockville-Frederick metropolitan division was 593,900 in CY2016.

Employment increased 5,300 (↑0.9%) from CY2015 to CY2016 to reach all time high in CY2016.



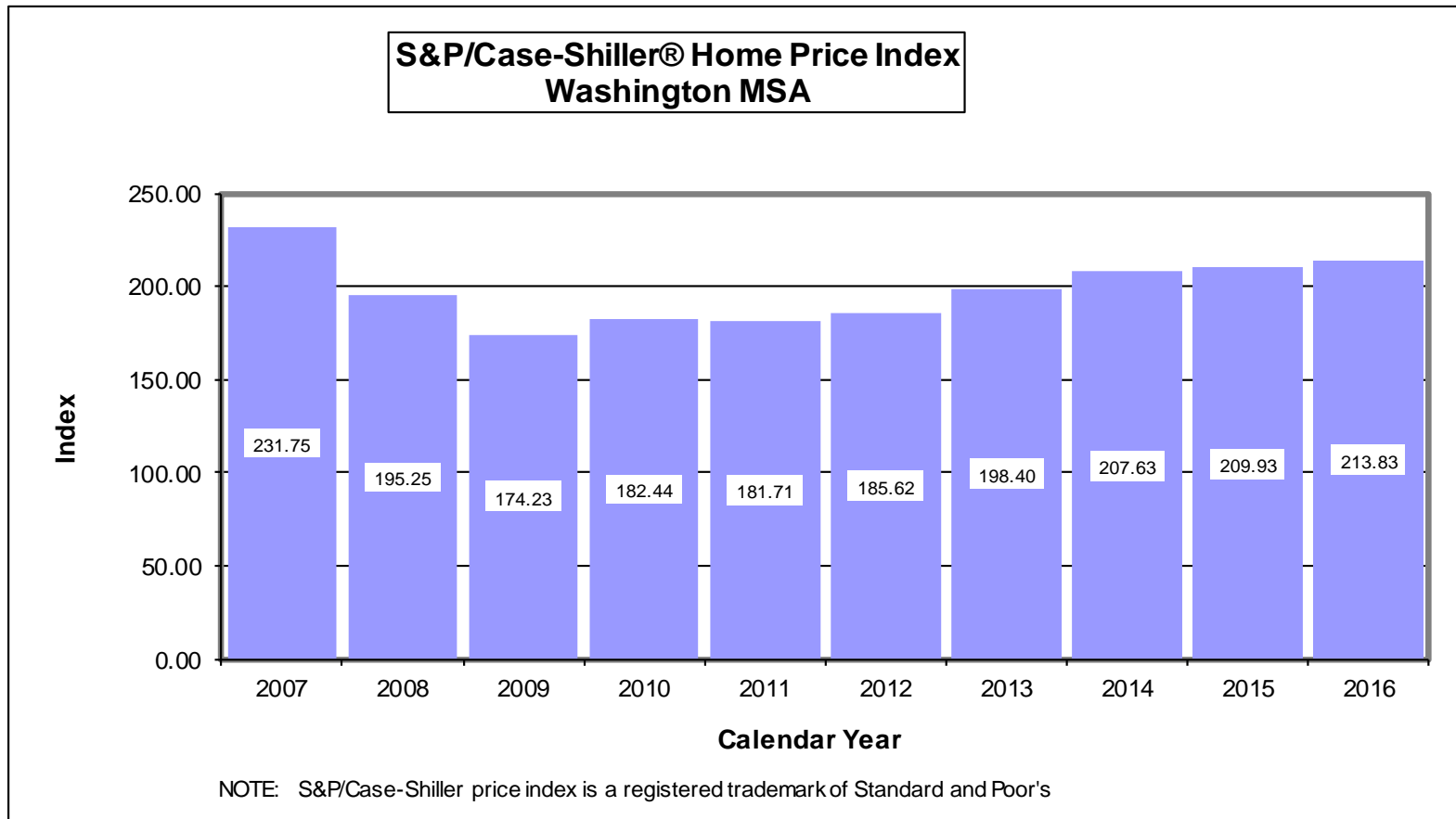
The percent change in the consumer price index (CPI) increased from 0.33 percent in CY2015 to 1.18 percent in CY2016 – the third lowest increase in ten years

For the eight years (CY2009 to CY2016), the average increase in the CPI was 1.51 percent but well below the two-year average of 4.07 percent between CY2007 and CY2008.

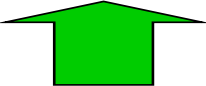
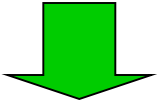








As measured by the S&P/Case-Shiller Home Price Index®, home prices in the Washington metropolitan area increased 1.9 percent in CY2016.

However, the index remained 13.5 percent below its peak in CY2006.

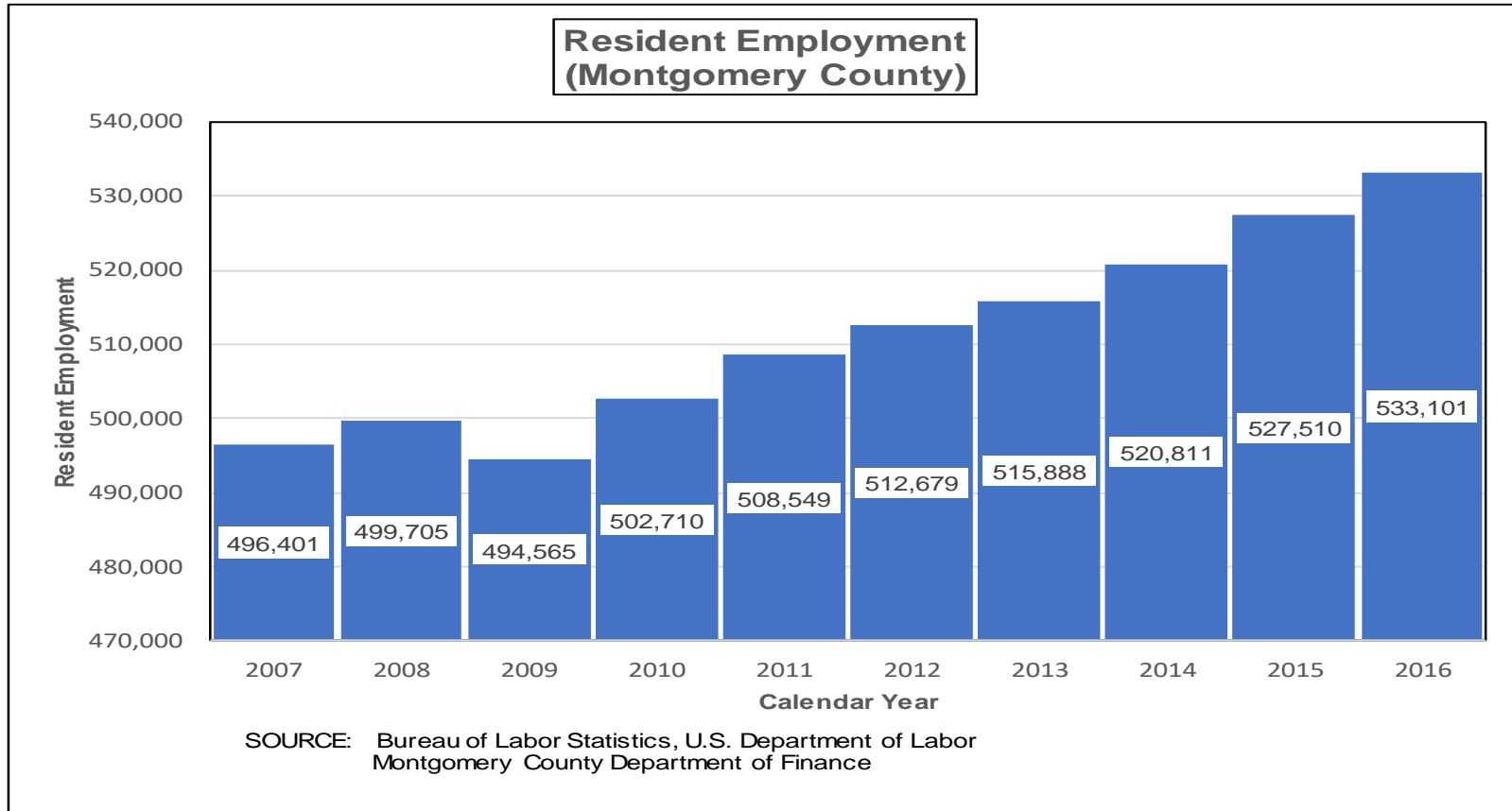


Montgomery County Economic Indicators

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	DIRECTION
INFLATION	1.18% 2016	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2015: 0.33% 2014: 1.54%	
UNEMPLOYMENT RATE	3.4% 2016	Income Taxes	Indicates overall health of the job market	2015: 4.0% 2014: 4.4%	
RESIDENT EMPLOYMENT	533,101 2016	Income Taxes	Primary determinant of income tax receipts	2015: 527,510 2014: 520,811	
PAYROLL EMPLOYMENT (Estimated)	490,100 2016	Income Taxes	Another determinant of income tax receipts	2015: 485,100 2014: 478,200	
STOCK MARKET - S&P 500	2,238.83 December 31st: 2016	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2015: 2,043.94 2014: 2,058.90	
HOME SALES	12,896 2016	Transfer/ Recordation Taxes	Indicates activity affecting receipts	2015: 12,191 2014: 10,976	
HOME PRICES (Median Price Sold)	\$409,700 2016	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	2015: \$400,000 2014: \$400,000	
FEDERAL FUNDS RATE	0.66% Feb. 2017	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Feb. 2016: 0.38% Feb. 2015: 0.11%	

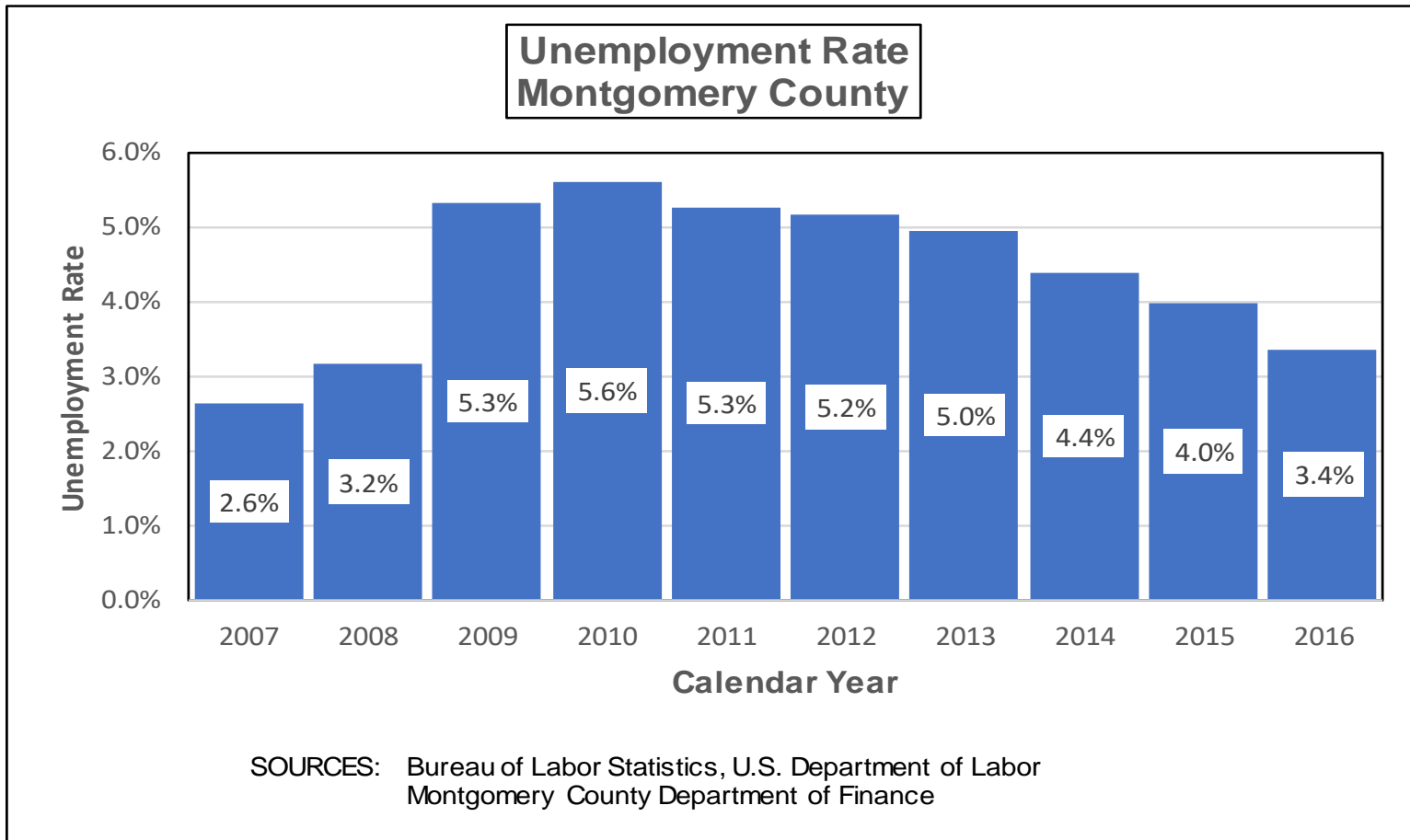
Resident employment in Montgomery County stood at 533,101 in CY2016.

Resident employment (household survey) increased 1.1 percent (↑5,591) from 527,510 in CY2015 to an all time high of 533,101 in CY2016.



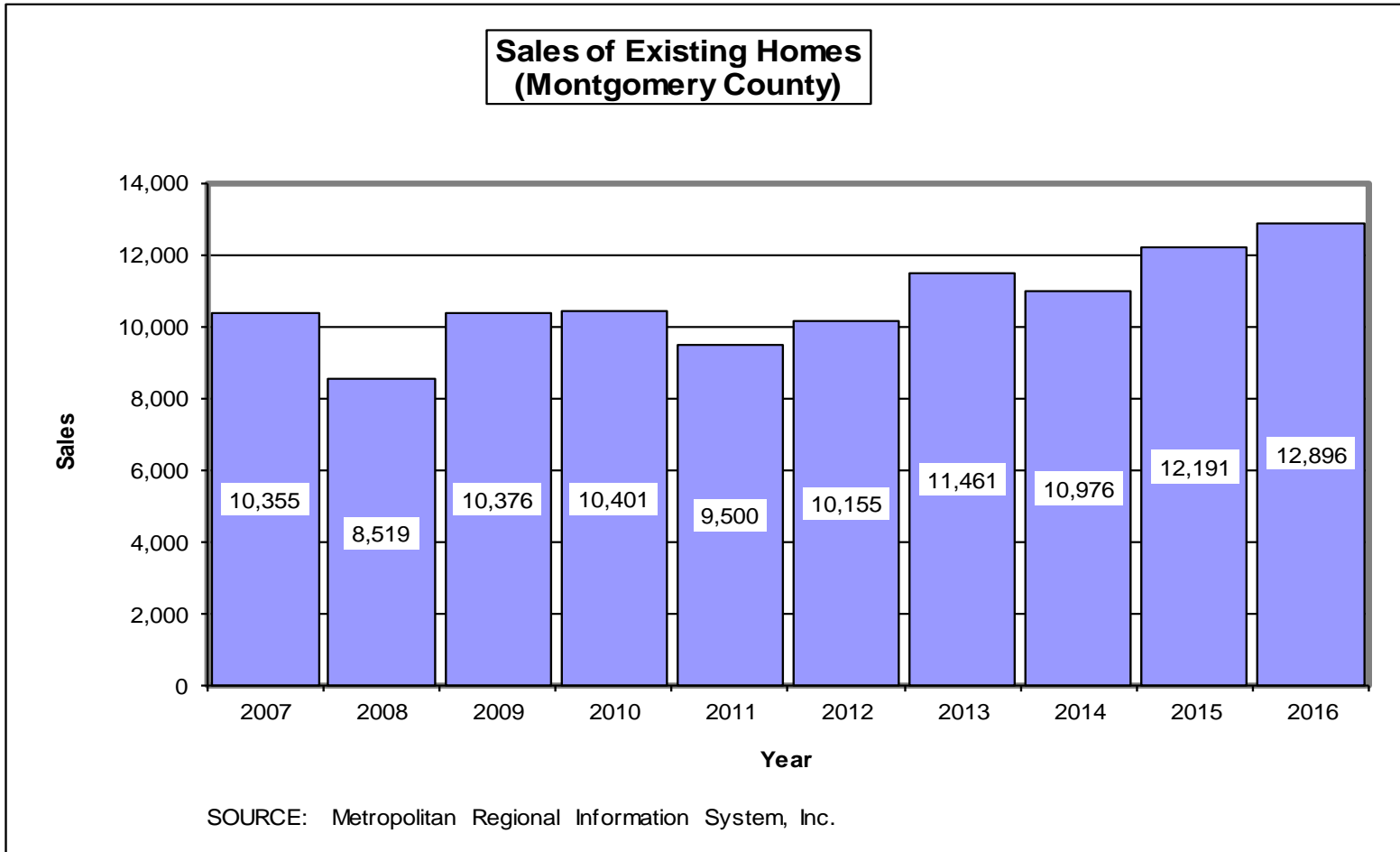
The unemployment rate continued to decline in CY2016 from its peak of 5.6 percent in CY2010.

The unemployment rate declined from 4.0 percent in CY2015 to 3.4 percent in CY2016 but remained above the low unemployment rates experienced in CY2007 and CY2008.



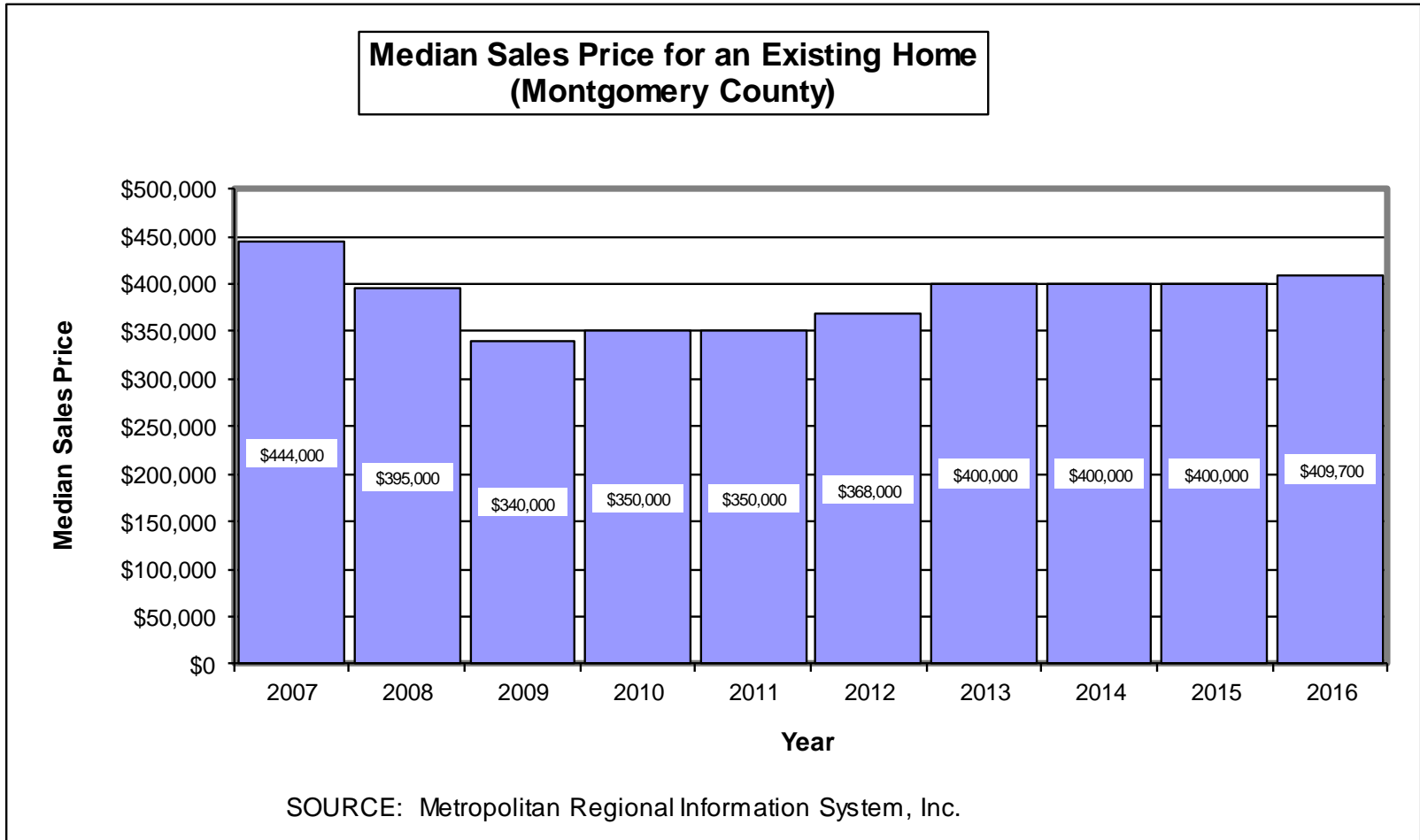
Home sales increased 5.8 percent in CY2016 to nearly 12,900 units.

Sales in CY2016 exceeded the previous nine-year average of 10,440 units but remained below the number of sales during the housing boom prior to CY2007.



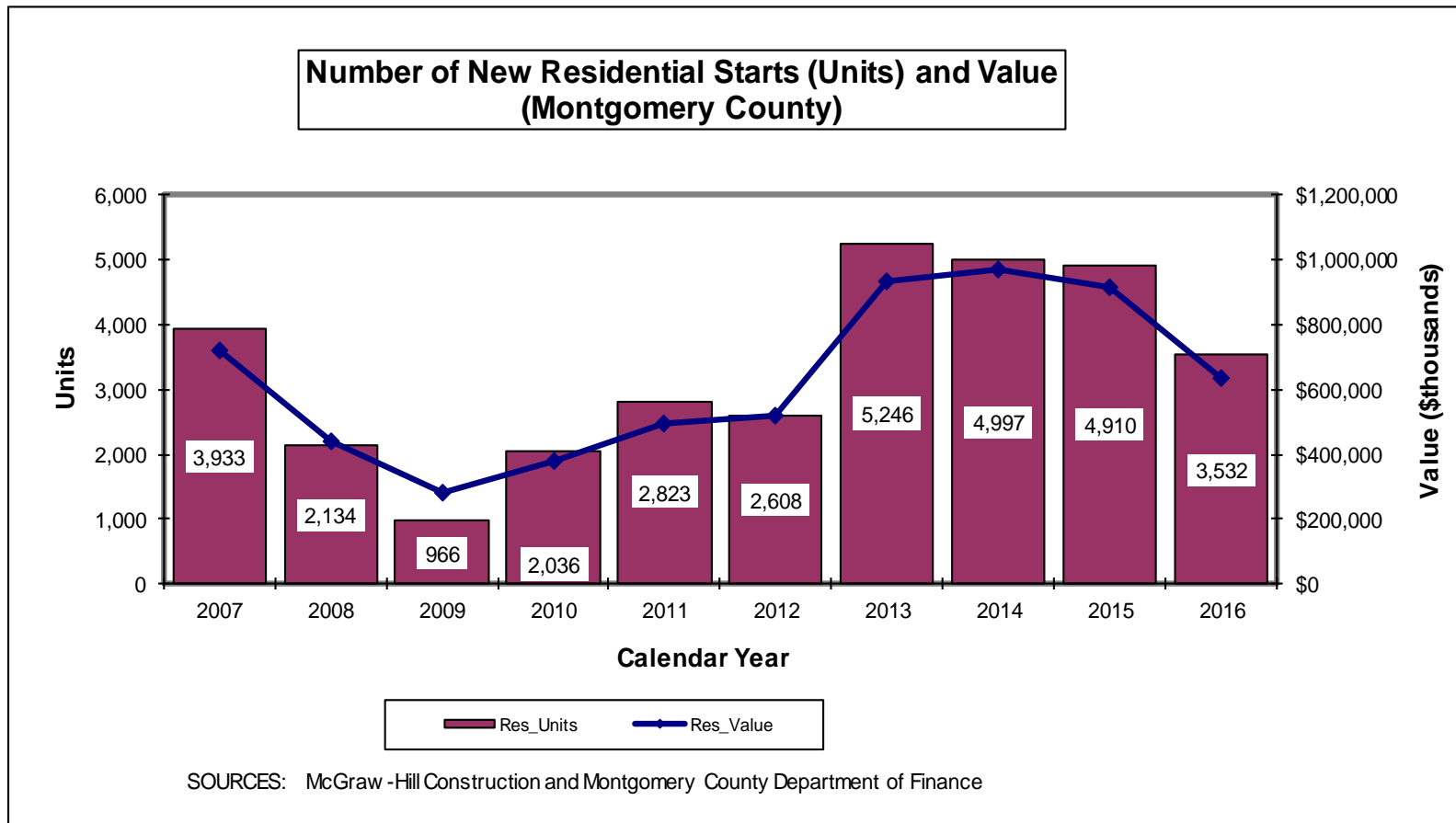
Median home sales prices grew to nearly \$410,000 in CY2016, the first increase since CY2013.

With the sales of existing homes in the County increasing 5.8 percent in CY2016, the median sales price increased 2.4 percent.



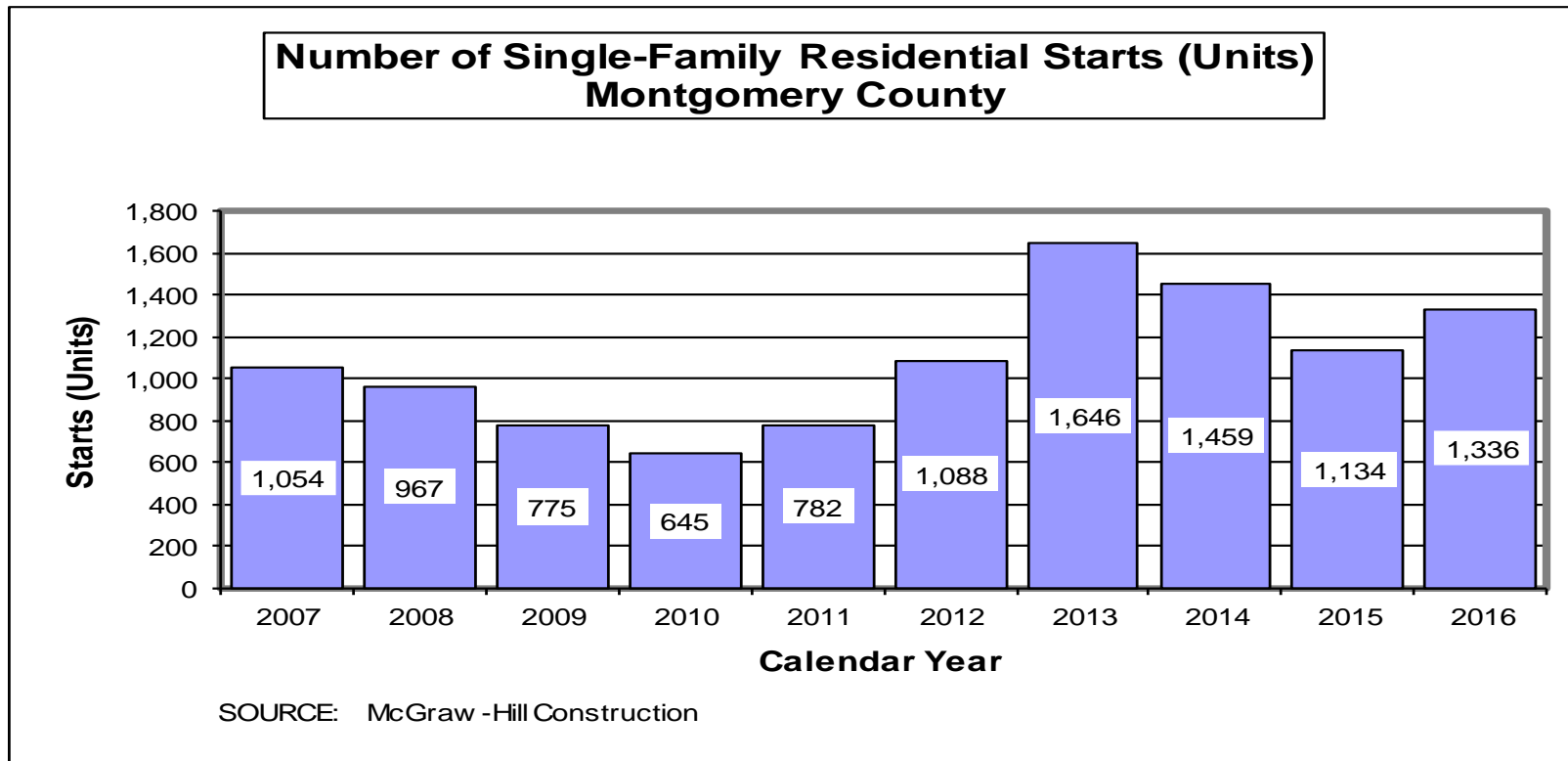
Construction of new residential properties (units) was down almost 28.1 percent in CY2016 following strong construction between CY2013 and CY2015.

Construction of single-family homes was up 17.8 percent but the construction of new multi-family units decreased 41.8 percent.



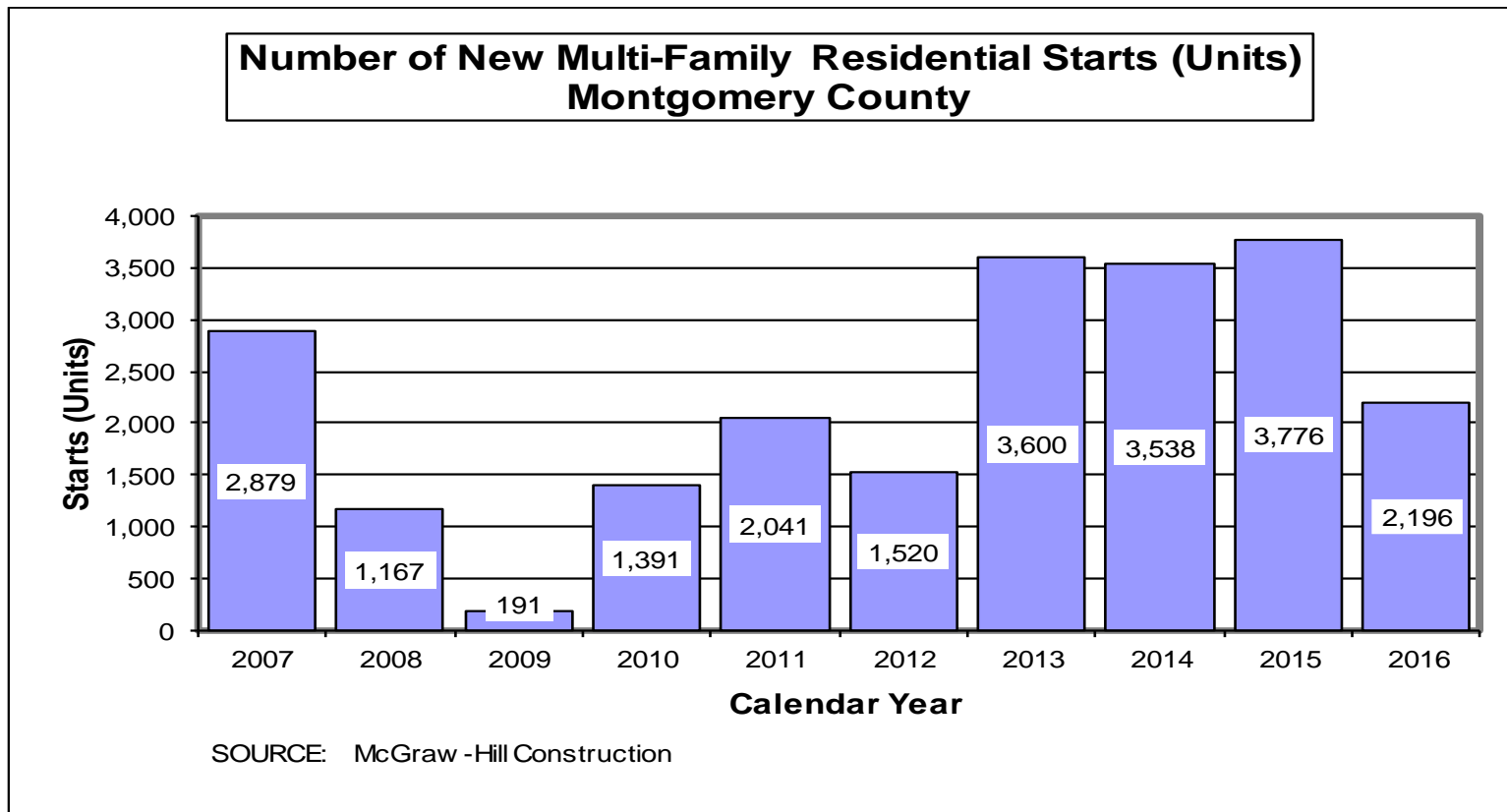
Single-family construction (units) increased in CY2016 and was the third highest level during the past ten years.

Between CY2007 and CY2011, the construction of new single-family homes averaged 845 units per year – a result of the bust in the housing boom during prior years. Between CY2012 and CY2016, annual construction of single-family homes averaged 1,333 units per year attributed to dramatic growth in CY2013.



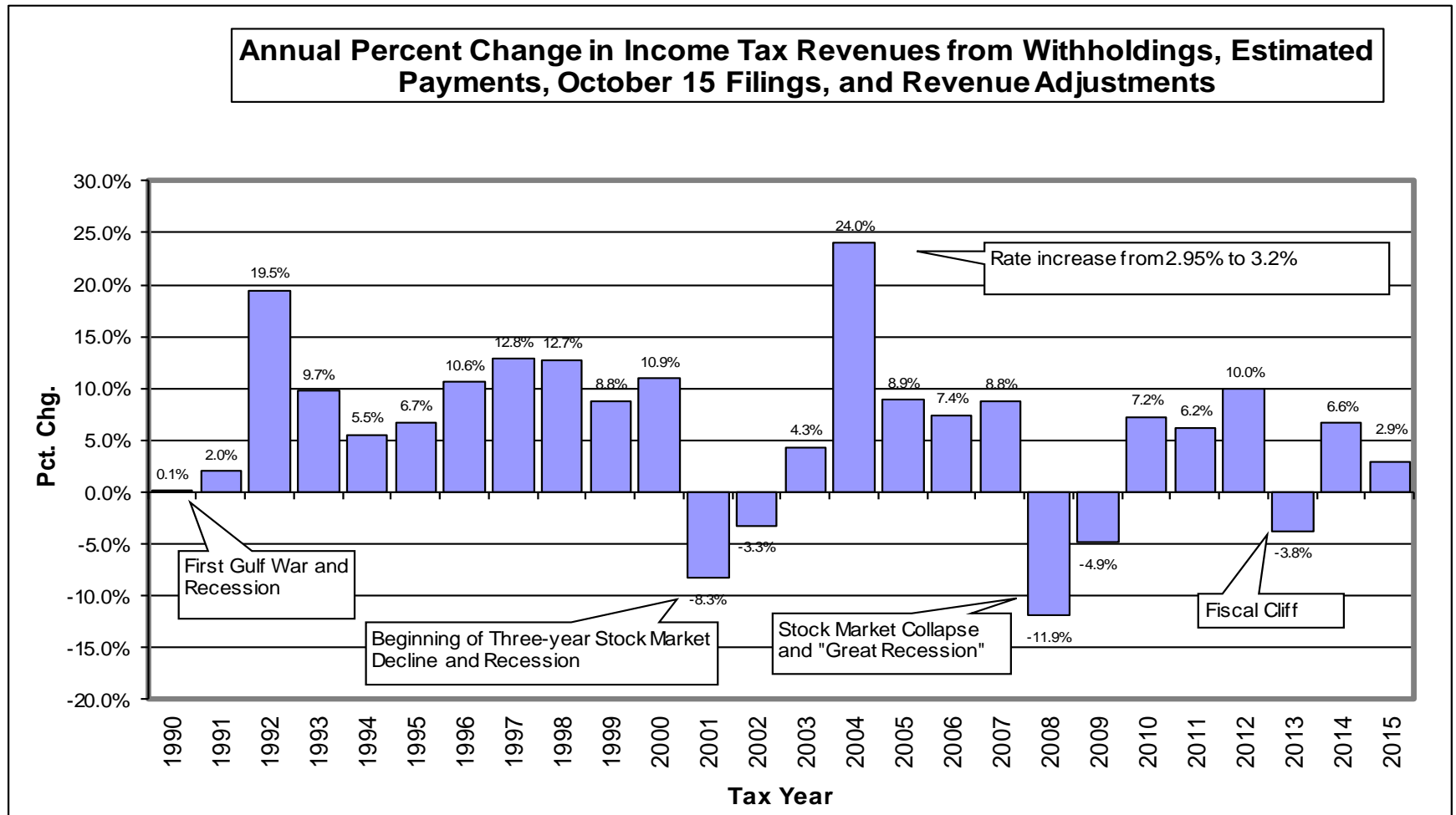
Construction of multi-family units decreased 41.8 percent to nearly 2,200 units in FY2016.

With the housing crash, construction declined significantly in CY2008 and CY2009. Since then, construction experienced two distinct cycles, an average of 1,650 units between CY2010 and CY2012, and an average of nearly 3,700 units between CY2013 and CY2015, before declining in CY2016.



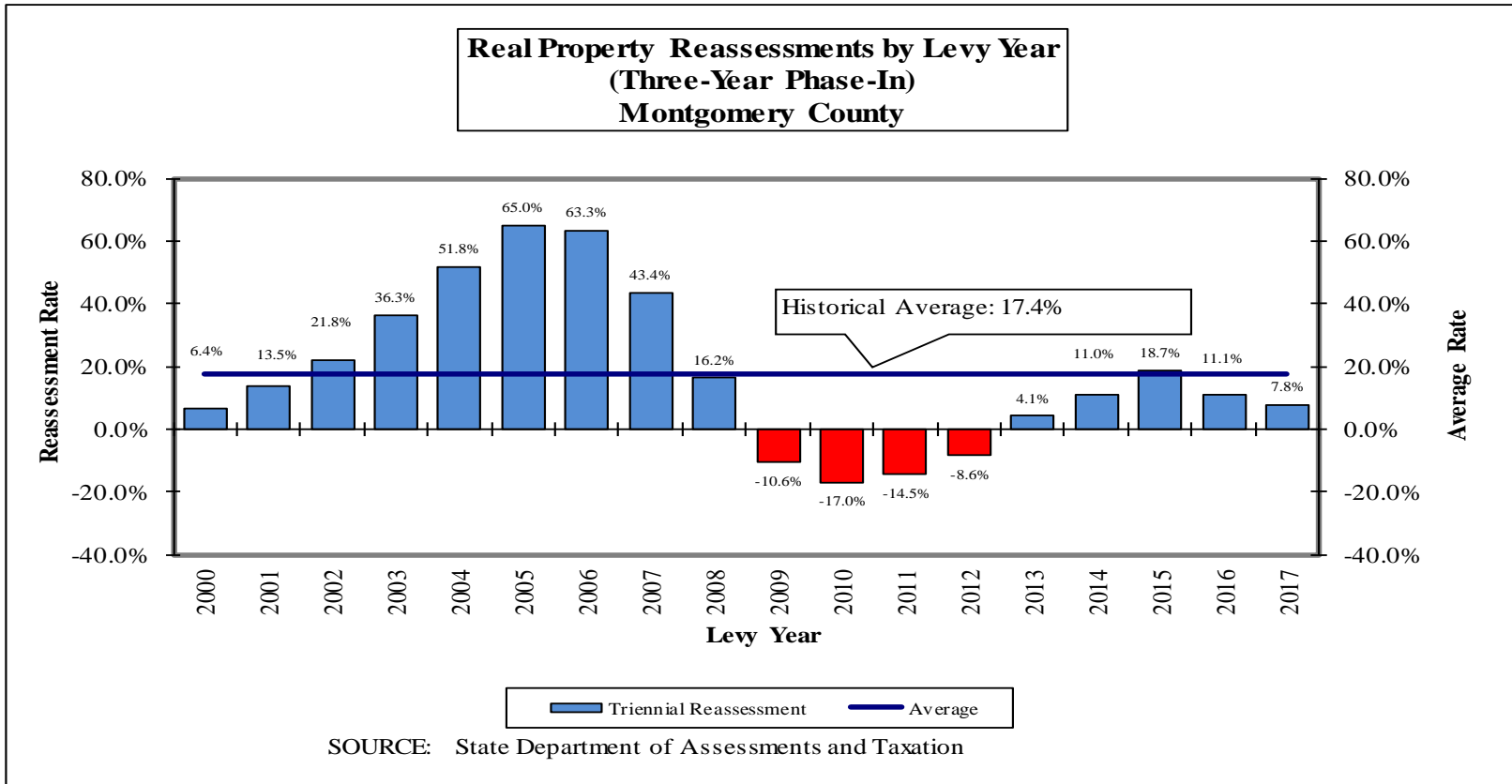
Income Tax Volatility

Year-over-year percent changes in the income tax are volatile and sensitive to economic events especially capital gains in Montgomery County.



Real Property Reassessments

After four consecutive years of declines from levy year 2009 to levy year 2012, the reassessment rate for real property increased over the past five years. However the rate of 7.8 percent for levy year 2017 (FY2018 – Group 2) is largely attributed to the 17.8 percent increase for “commercial” property, while residential property increased 4.8 percent.



SUMMARY

- The County's unemployment rate in February was 3.4 percent and down from the 3.6 percent in February last year.
- Both the sales of existing homes (↑5.8%) and median prices (↑2.4%) increased in CY2016. The growth in housing market suggests that it continues to rebound from the effects of the housing bust. The housing market is expected to continue its growth albeit at a lower rate and both average sales price and median price are expected to increase during FY2017 and FY2018.
- Inflation for the Washington-Baltimore region was 1.18 percent in CY2016 – 0.85 point above the increase in CY2015. The low rates of inflation continue to effect increases in real property tax revenues due to the charter limit.