
Montgomery County, Maryland

ECONOMIC INDICATORS

Montgomery County Council

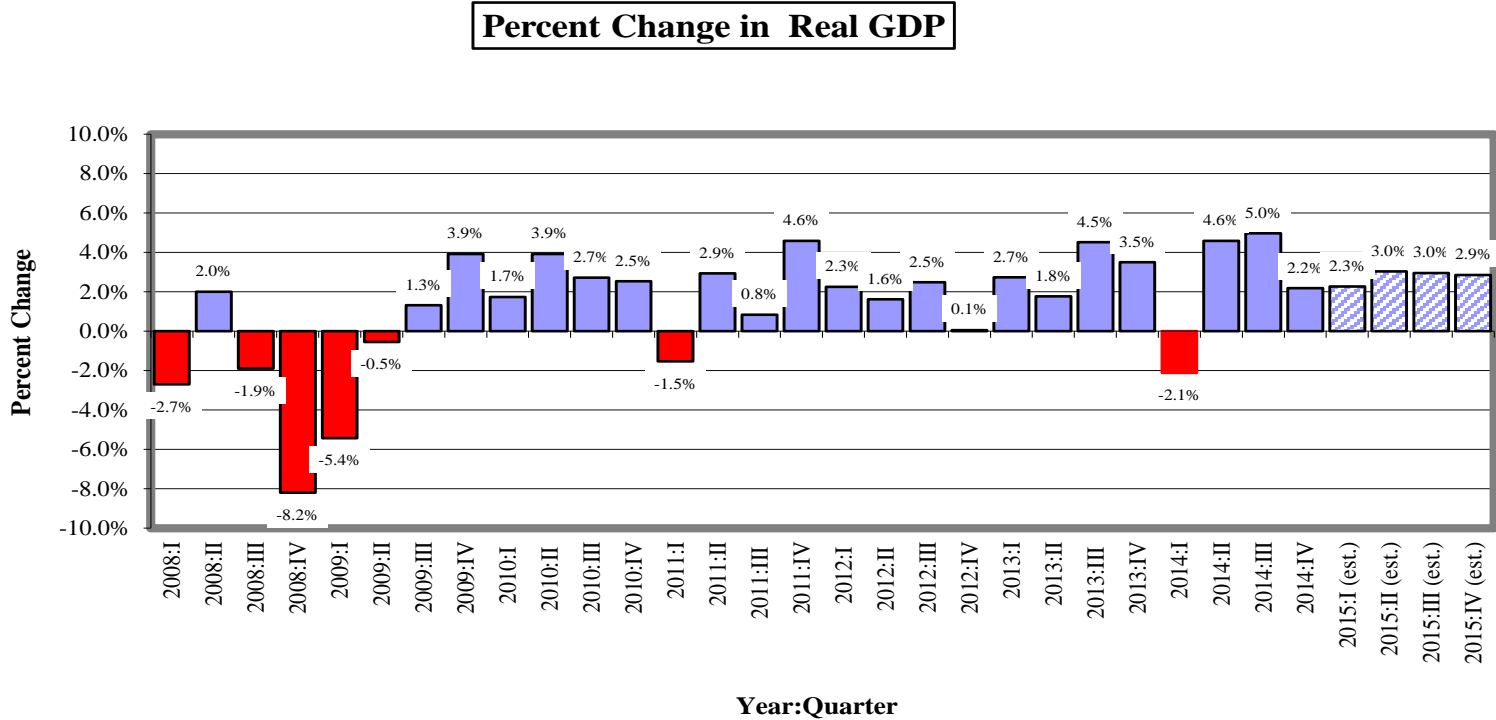
Department of Finance



April 10, 2015

National Economic Indicators

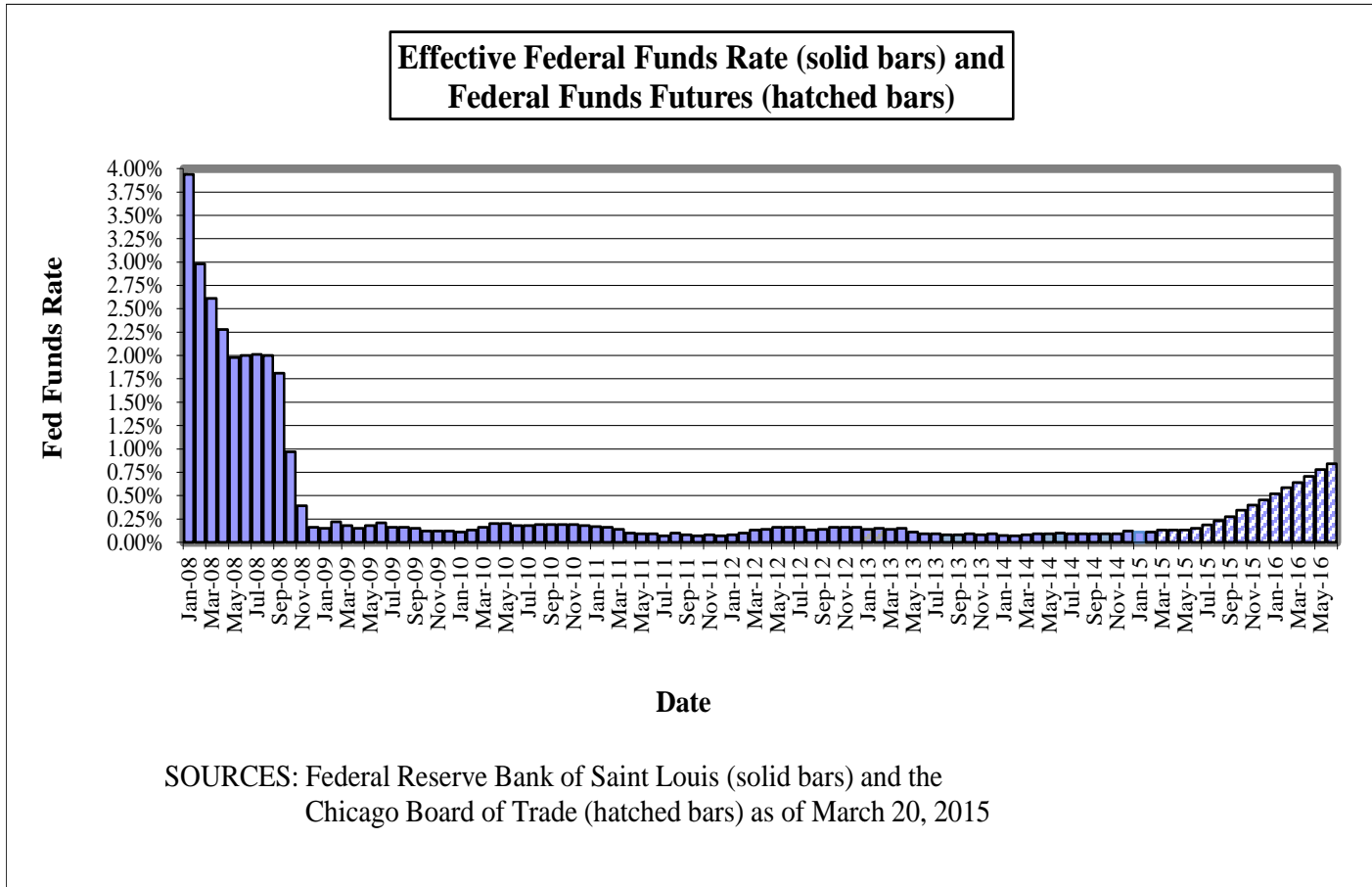
BEA reported that real GDP increased 2.2 percent during the fourth quarter of last year. Over 50 economists surveyed by *The Wall Street Journal* expect GDP to increase approximately 2.8 percent on average in calendar year (CY) 2015.



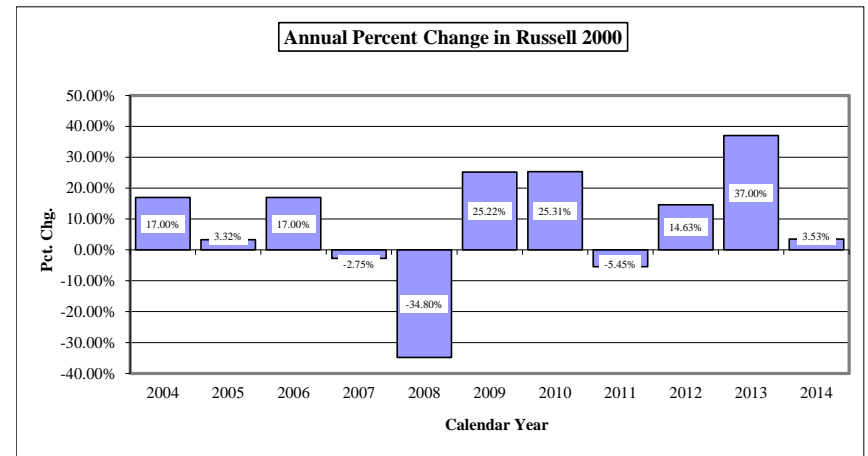
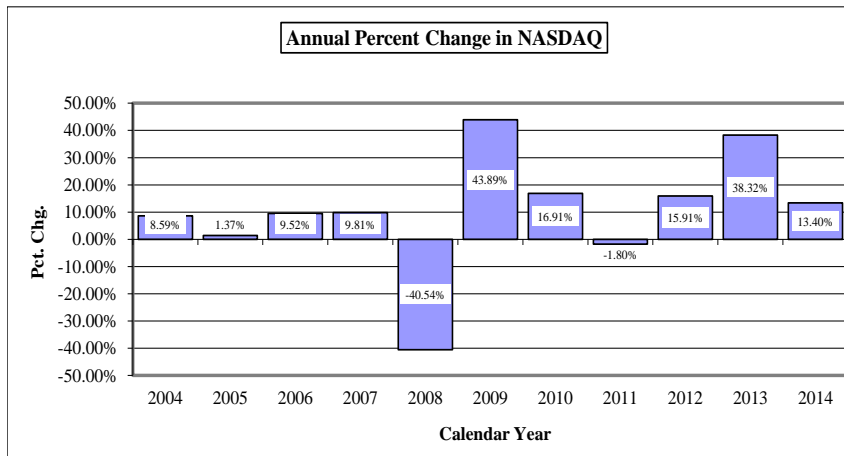
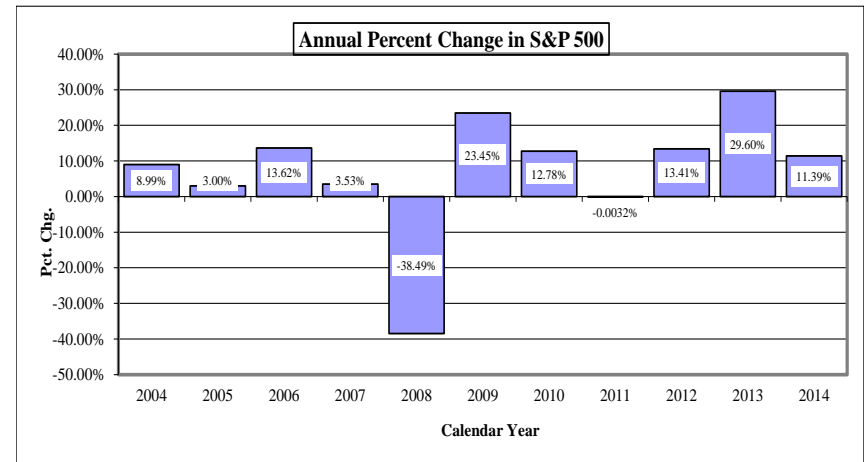
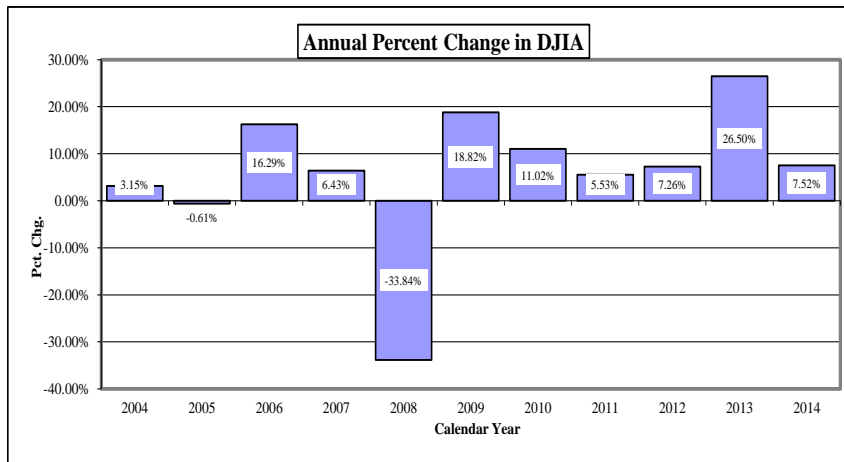
SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Hatched bars from *Wall Street Journal* survey conducted March 2015.

NOTE: Percent changes are at annual rates.

On March 18th, the Federal Reserve (FOMC) decided to keep its target range for the federal funds rate at 0.00 to 0.25 percent. The futures market anticipates no changes to the target range through the remainder of this fiscal year but expects two rate increases of 25 basis points each during FY2016.



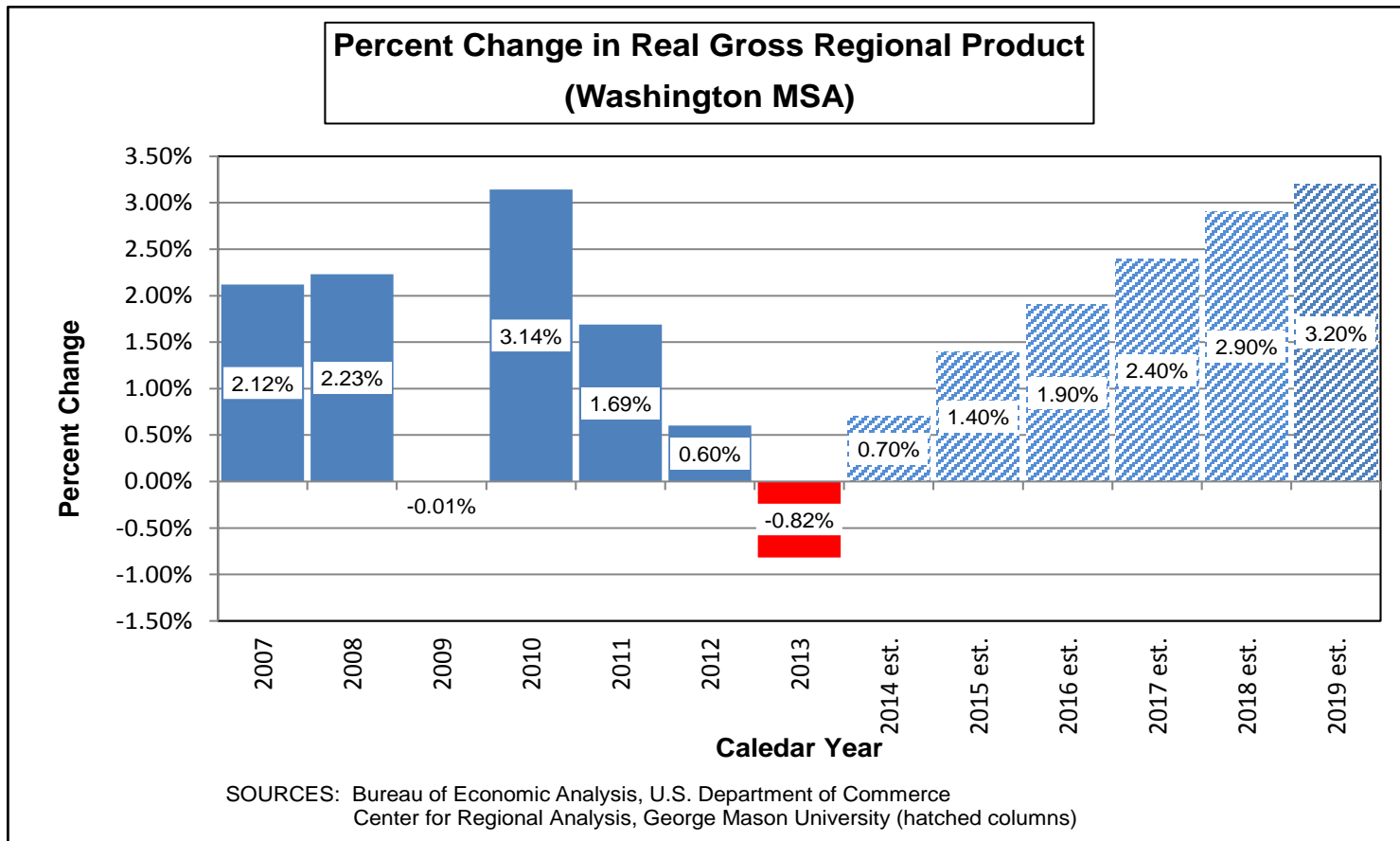
The stock market experienced a modest performance in CY2014 compared to CY2003. Four major indices increased between 3.53 percent (Russell 2000) and 13.40 percent (NASDAQ) over the previous year.



Regional Economic Indicators

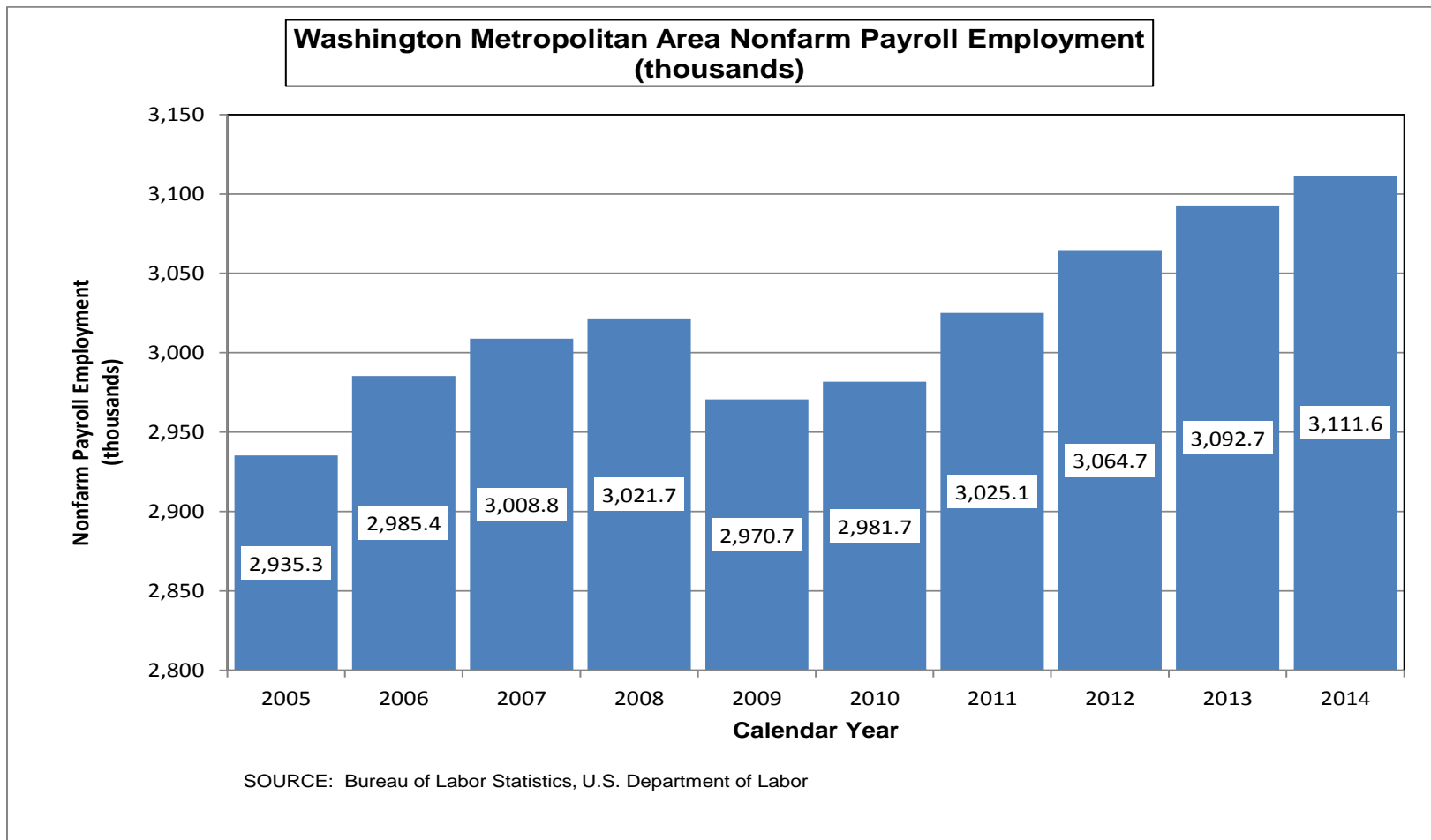
Real gross regional product decreased 0.82 percent in CY2013 according to the Bureau of Economic Analysis.

CRA estimates growth in real GRP in the Washington area to increase 1.40 percent this year and 3.20 percent by CY2019.

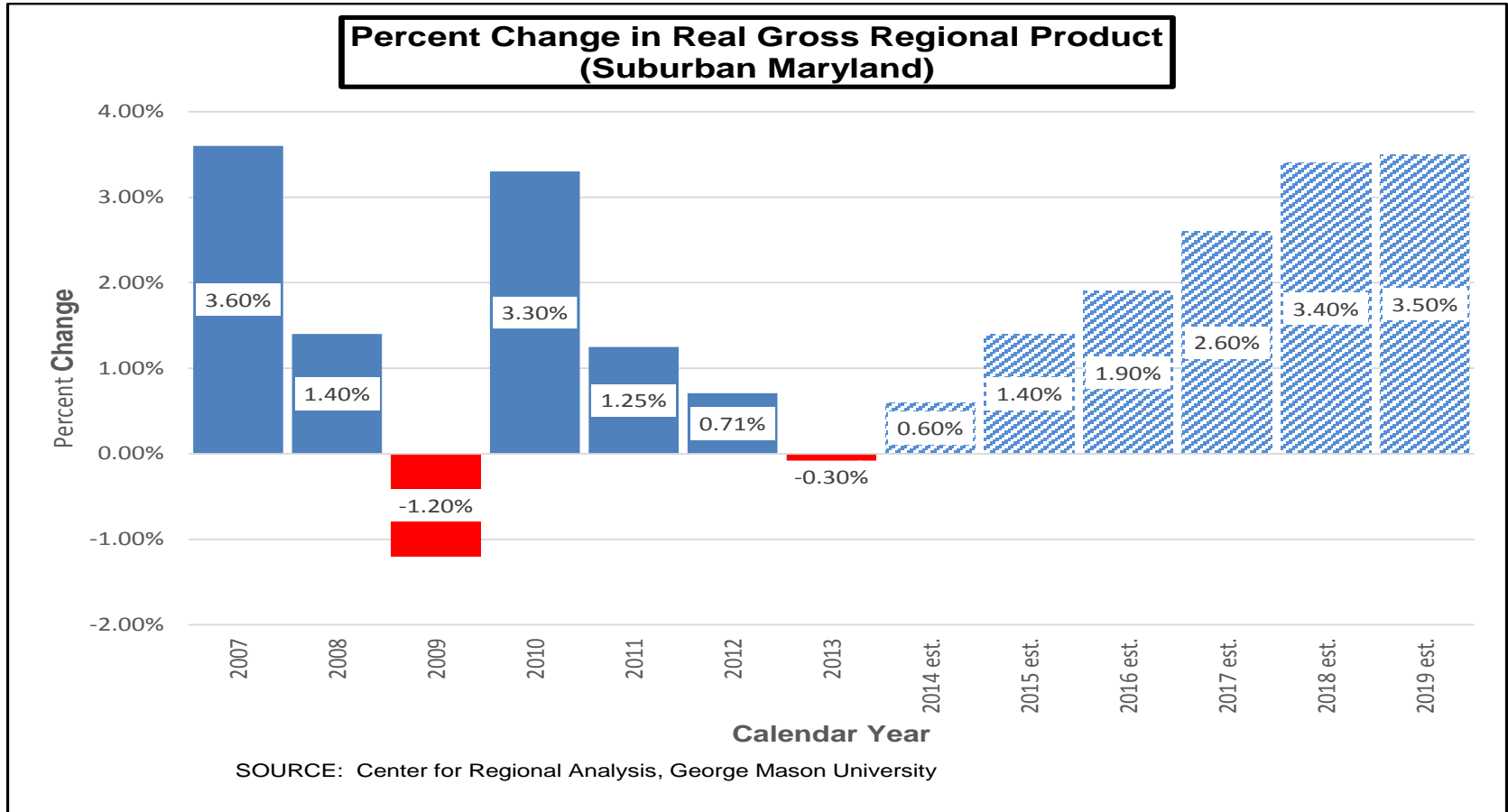


Payroll employment in the Washington area stood at 3.112 million in CY2014.

Employment increased by 18,900 (↑0.6%) from CY2013 to CY2014 to reach 3.112 million and was at an all time high.

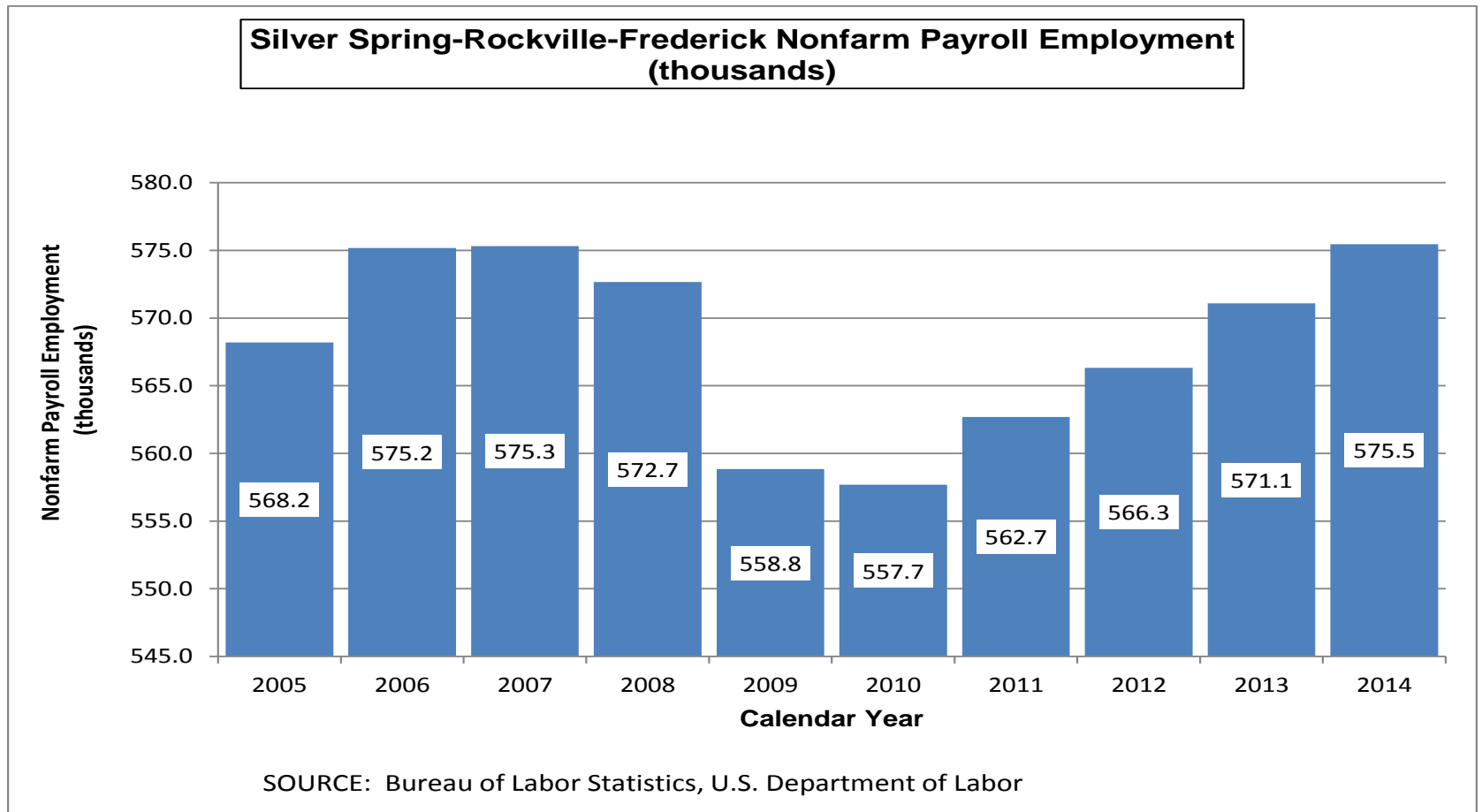


Real gross regional product for the Maryland suburban division of the Washington MSA decreased 0.30 percent in CY2013 according to CRA. Growth in real GRP in the division is expected to increase 1.40 percent this year and 3.50 percent by CY2019.



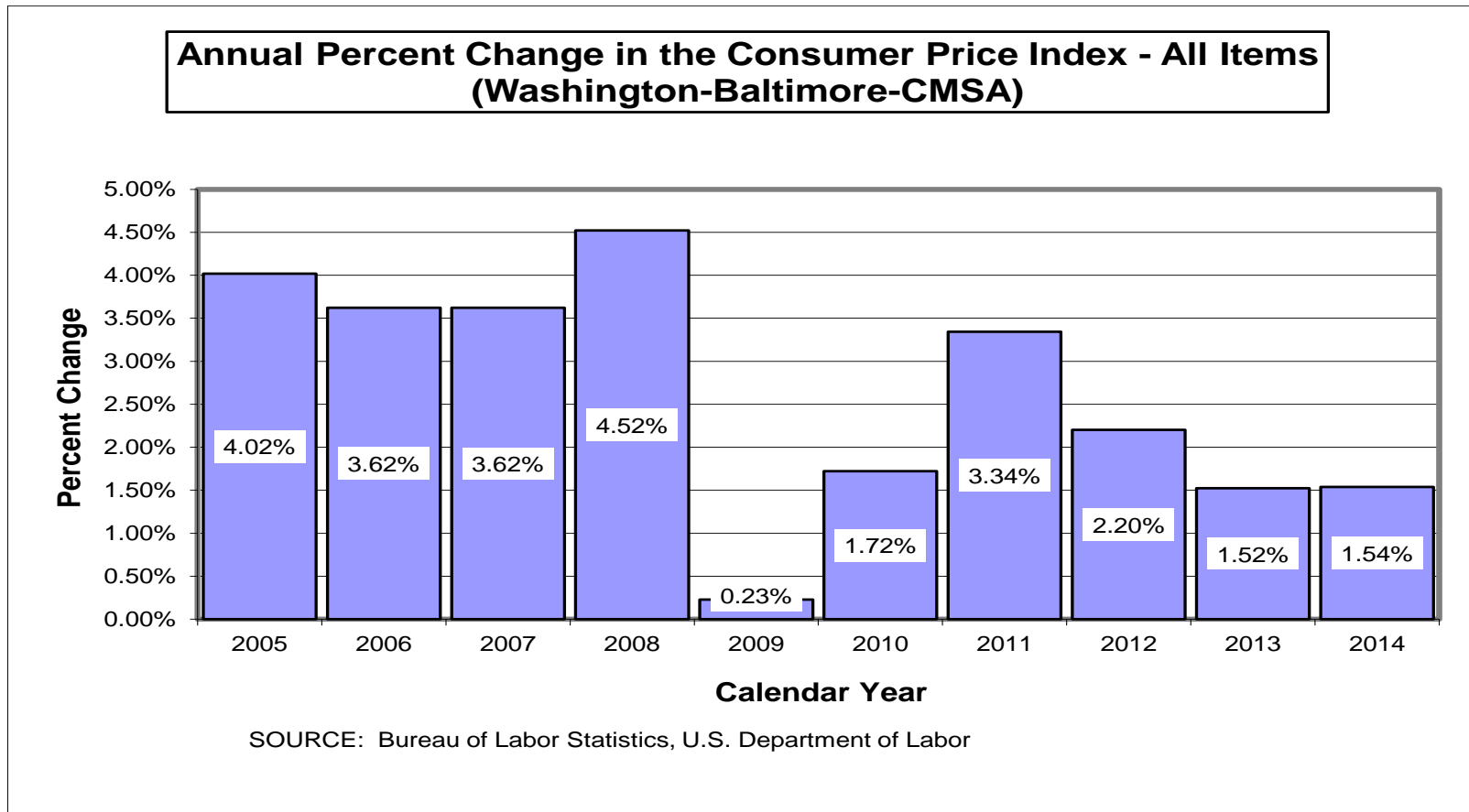
Payroll employment in the Silver Spring-Rockville-Frederick metropolitan division was 575,500 in CY2014.

Employment increased 4,400 ($\uparrow 0.8\%$) from CY2013 to CY2014 and reached a level that was last experienced in CY2006 and CY2007.



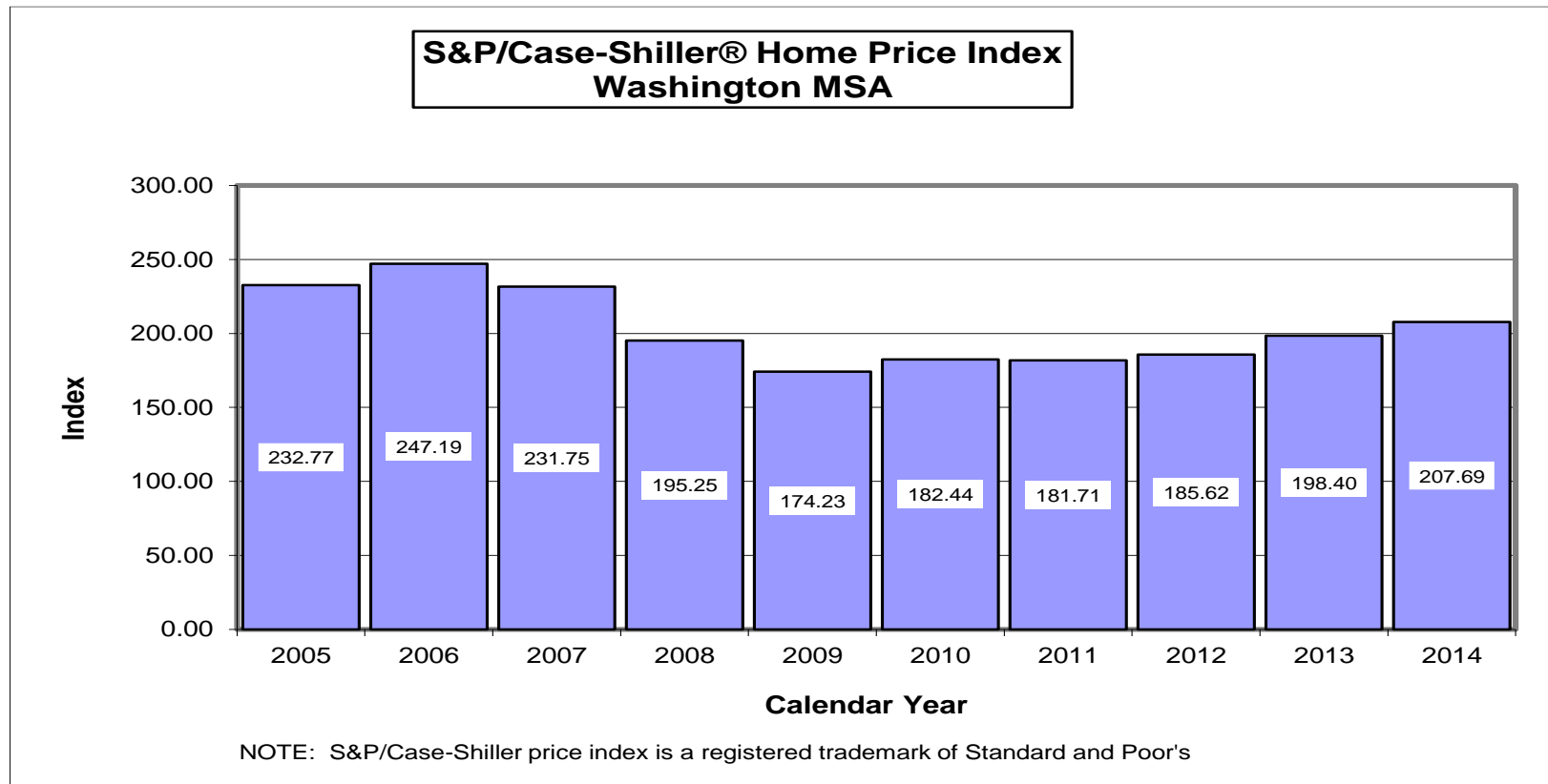
The percent change in the consumer price index (CPI) remained virtually unchanged in CY2014 compared to CY2013.

Overall for the Washington-Baltimore consolidated region the CPI increased 1.54 percent in CY2014. For the calendar year 2013, the index increased 1.52 percent compared to 3.34 percent in CY2011 and 2.20 percent in CY2012.

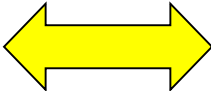
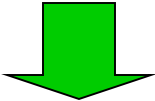
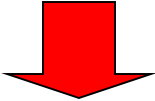


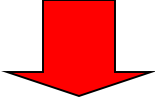
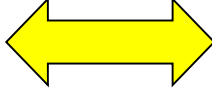
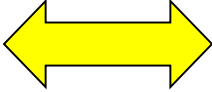


As measured by the S&P/Case-Shiller Home Price Index®, home prices for the Washington metropolitan area increased 4.7 percent in CY2014.

However, the index remained 16.0 percent below its peak in CY2006.

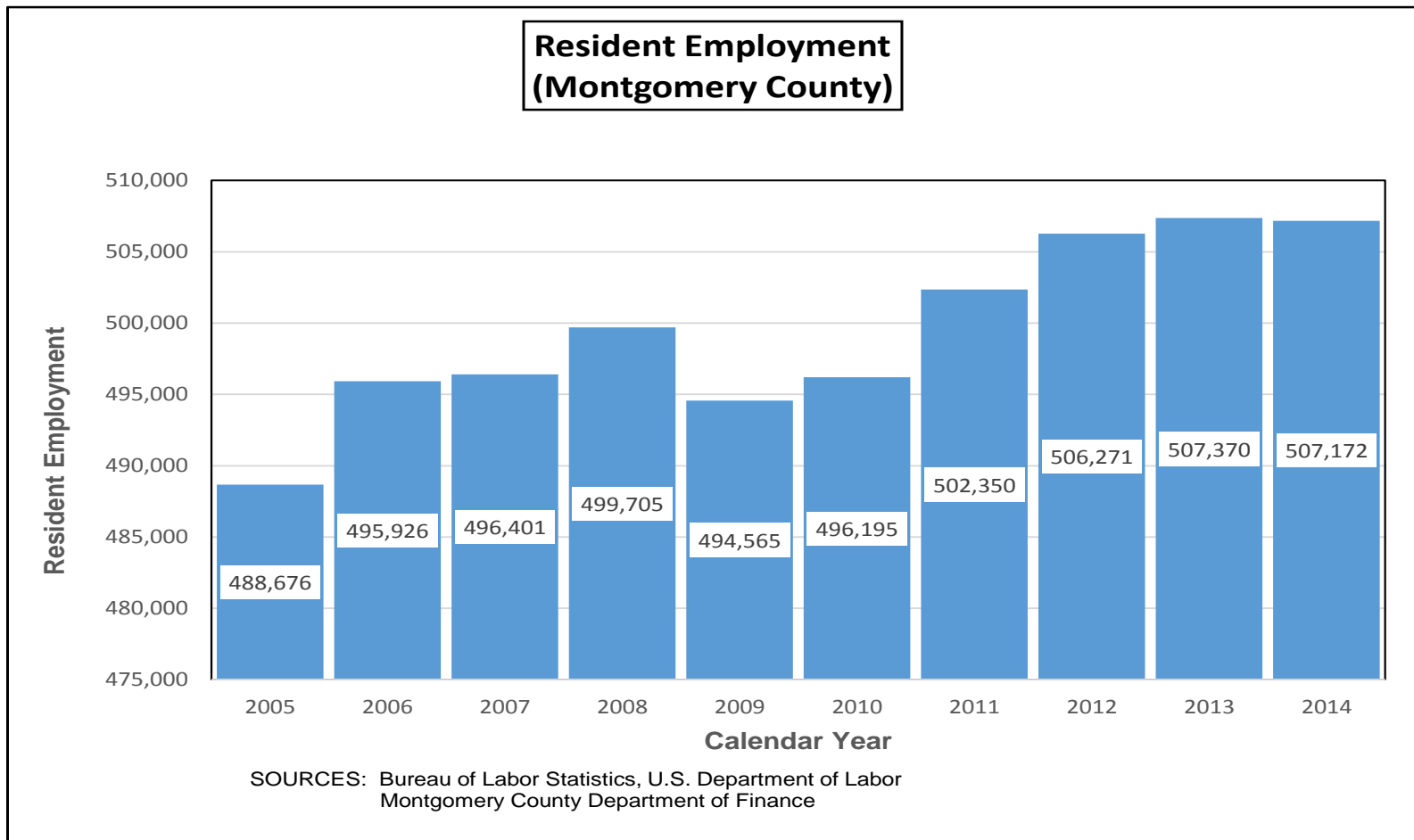


Montgomery County Economic Indicators

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	DIRECTION
INFLATION	1.54% 2014	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2013: 1.52% 2012: 2.20%	
UNEMPLOYMENT RATE	4.5% 2014	Income Taxes	Indicates overall health of the job market	2013: 5.1% 2012: 5.3%	
RESIDENT EMPLOYMENT	507,172 2014	Income Taxes	Primary determinant of income tax receipts	2013: 507,370 2012: 506,271	
PAYROLL EMPLOYMENT (Estimated)	474,570 2014	Income Taxes	Another determinant of income tax receipts	2013: 472,840 2012: 470,300	
STOCK MARKET - S&P 500	2,058.90 December 31st: 2014	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2013: 1,848.36 2012: 1,426.19	
HOME SALES	10,976 2014	Transfer/ Recordation Taxes	Indicates activity affecting receipts	2013: 11,461 2012: 10,156	
HOME PRICES (Median Price Sold)	\$400,000 2014	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	2013: \$400,000 2012: \$367,125	
FEDERAL FUNDS RATE	0.15% Feb. 2015	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Feb. 2014: 0.07% Feb. 2013: 0.15%	

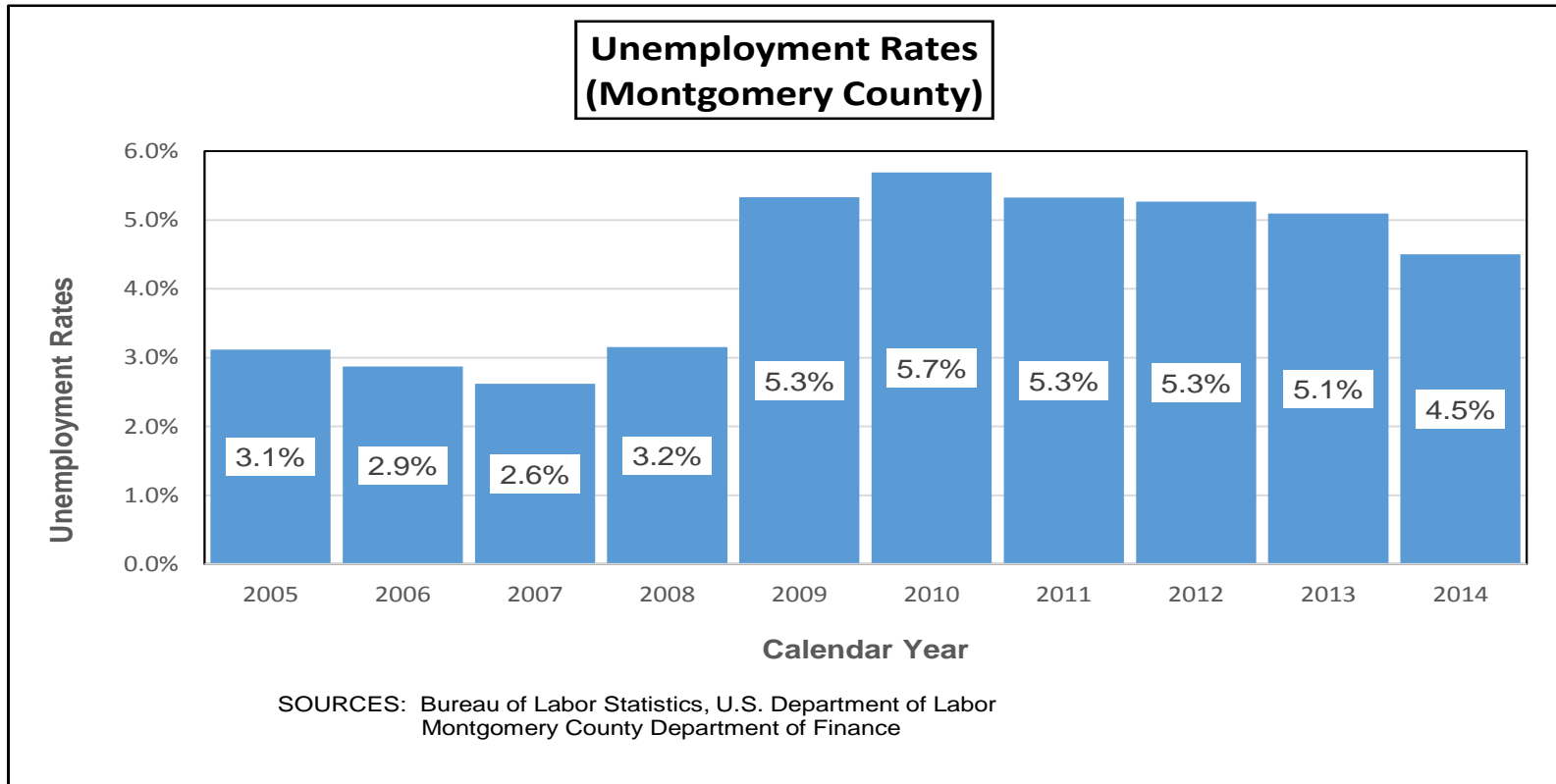
Resident employment in Montgomery County stood at 507,172 in CY2014.

Resident employment (household survey) decreased 0.04 percent from 507,370 in CY2013 but was the second highest level in ten years.



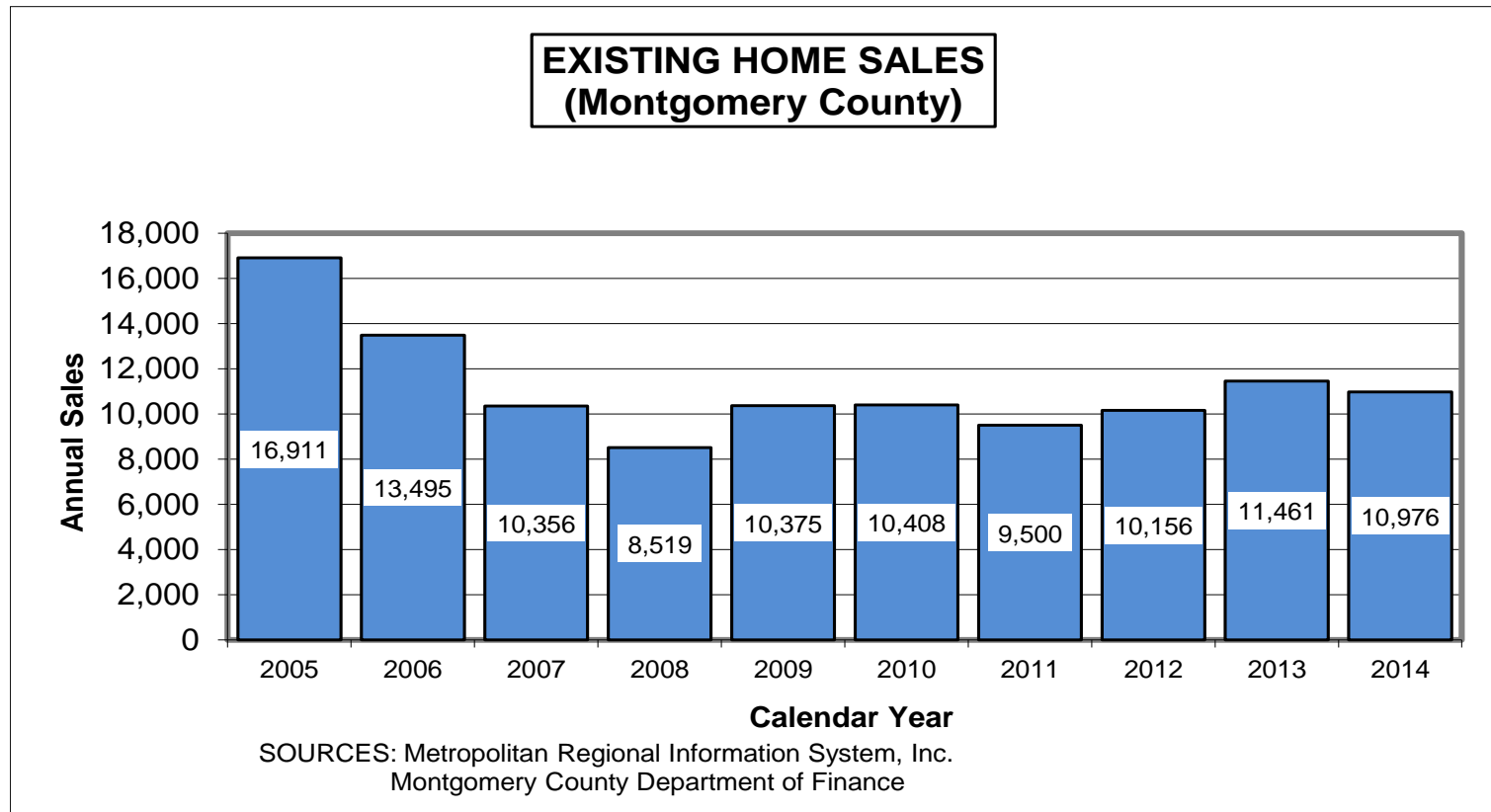
The unemployment rate was down in CY2014.

The unemployment rate declined from 5.1 percent in CY2013 to 4.5 percent in CY2014 but remained above the low unemployment rates experienced between CY2005 and CY2008.

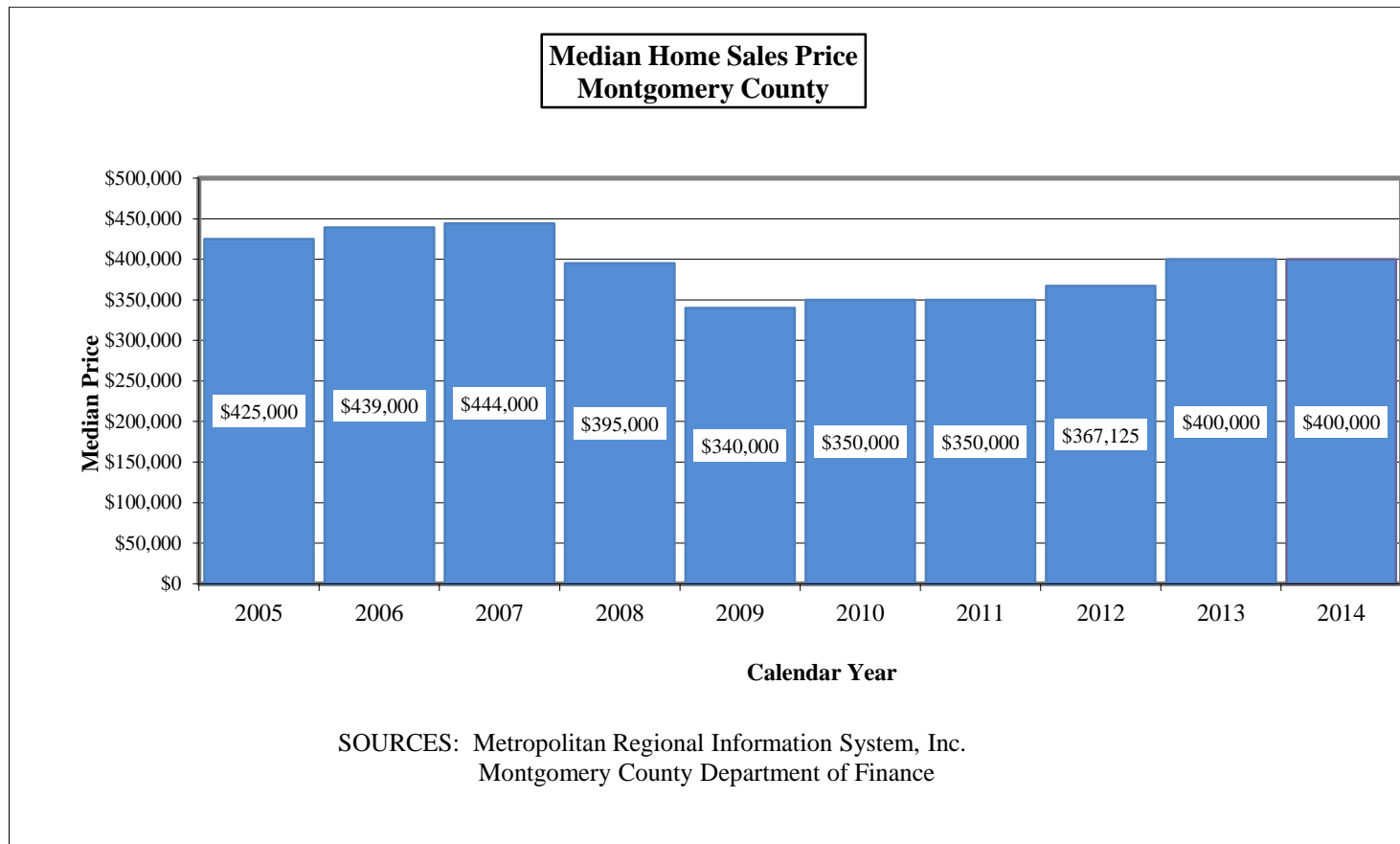


Home sales decreased 4.2 percent in CY2014.

Total sales of existing homes increased 6.4 percent in CY2012 and 12.8 percent in CY2013.

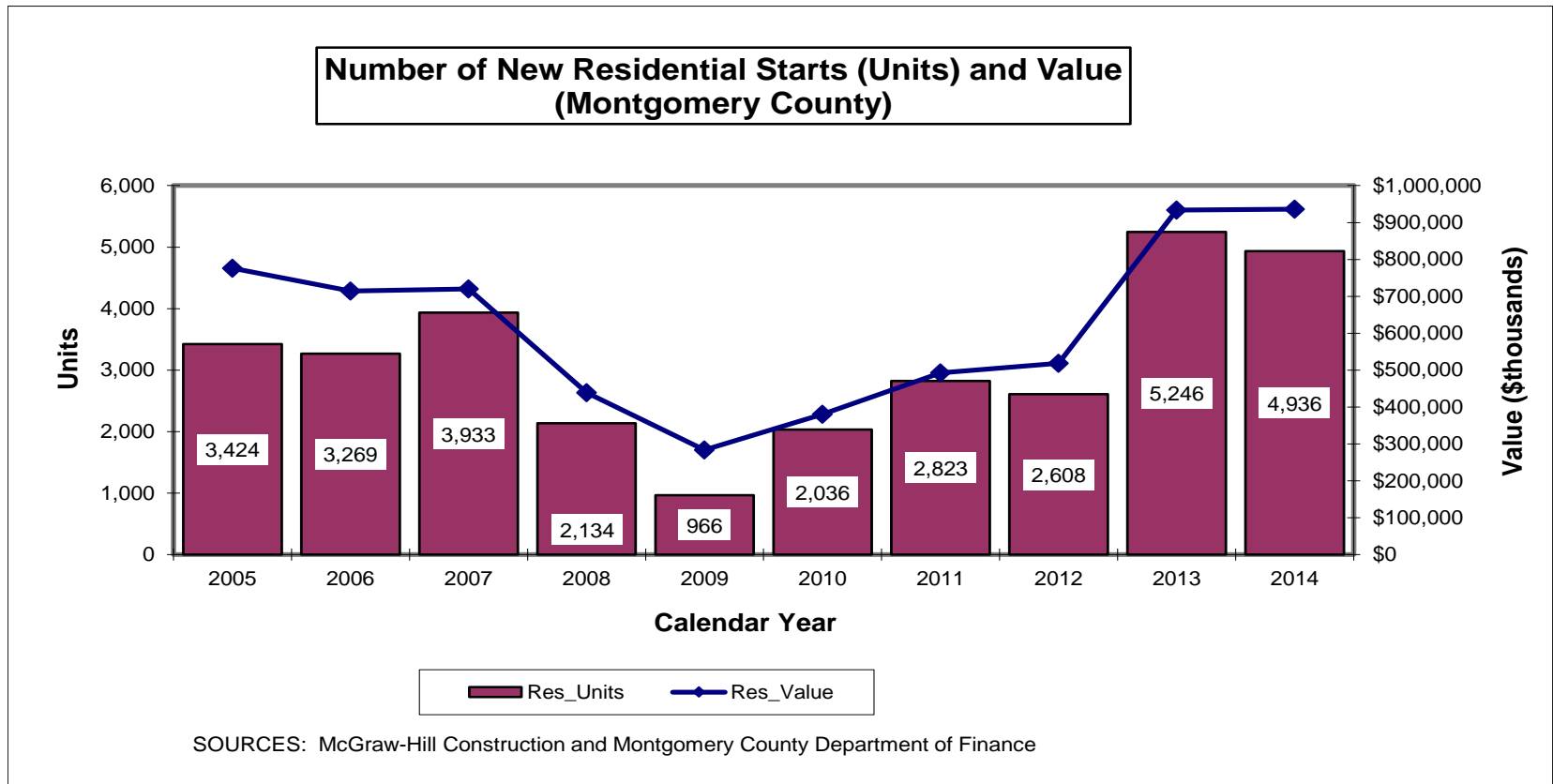


Median home sales prices at \$400,000 did not change in CY2014. With the sales of existing homes in the County decreasing 4.2 percent in 2014, the median sales price remained constant, which followed an increase of 4.9 percent in CY2012 and 9.0 percent in CY2013.



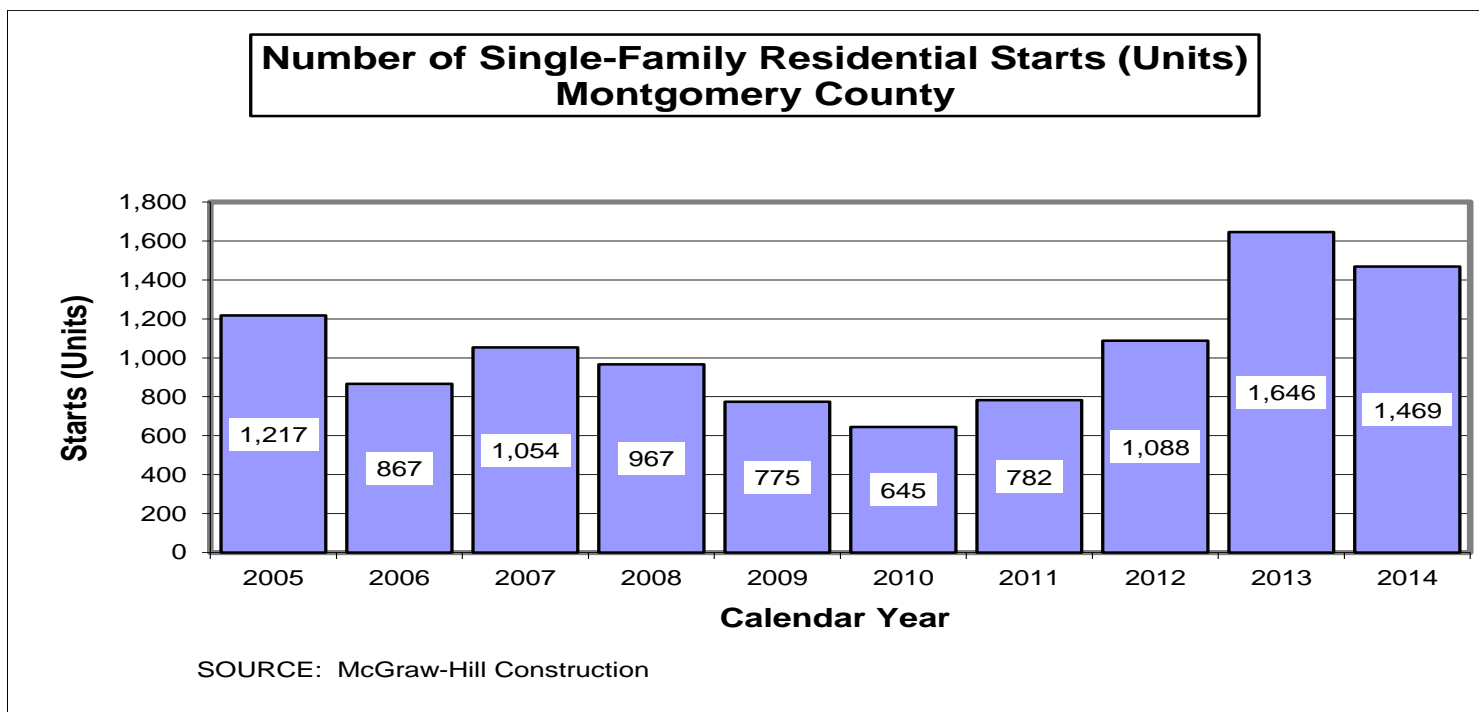
Construction of new residential properties (units) was down almost 5.9 percent in CY2014.

Construction of single-family homes was down 10.9 percent and the construction of new multi-family units decreased 3.7 percent.



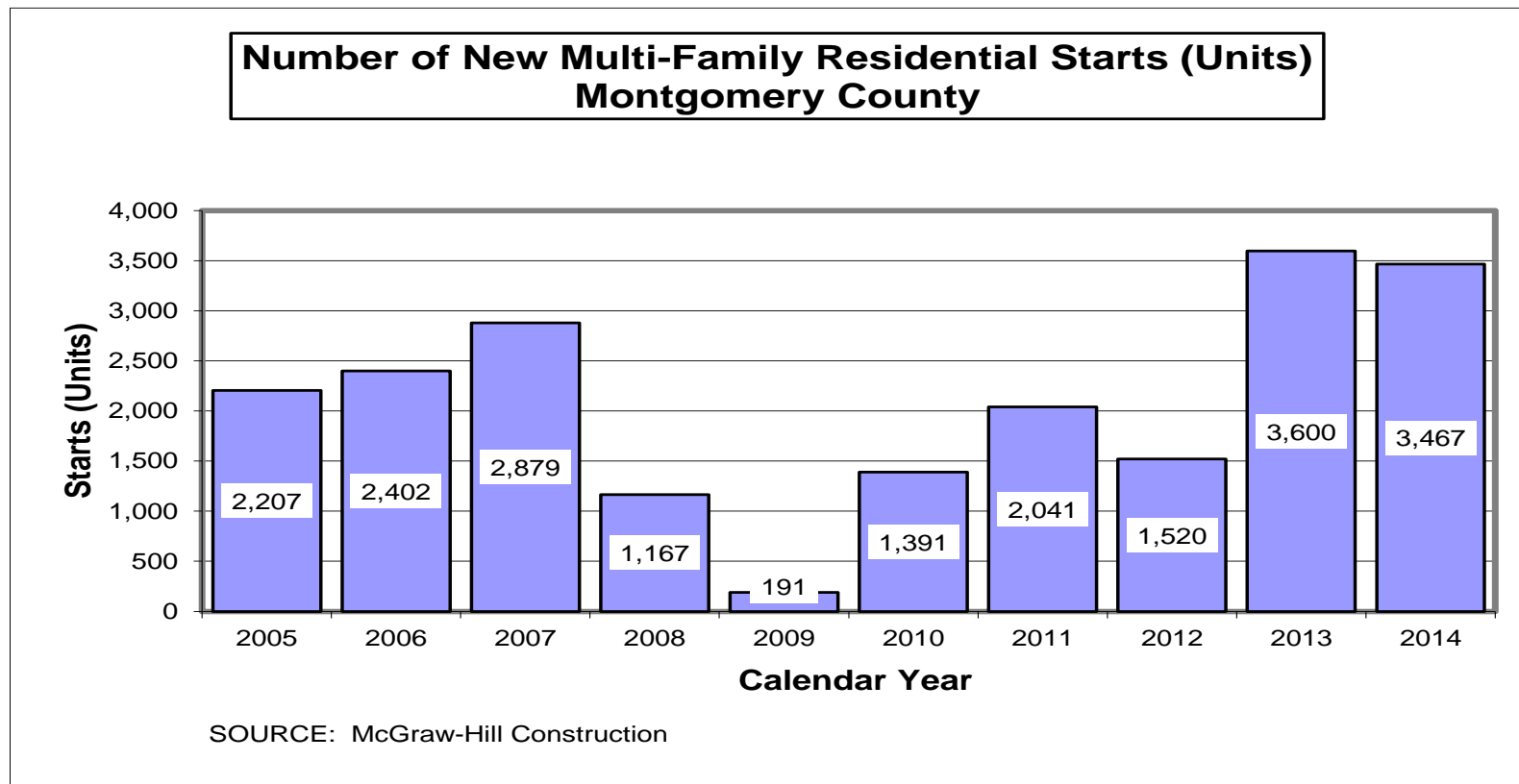
Single-family construction (units) decreased in CY2014 but was the second highest level during the past ten years.

Since CY2005, the construction of new single-family homes declined from nearly 1,220 units to 645 units in CY2010. Between CY2011 and CY2014, annual construction of single-family homes averaged nearly 1,250 units per year compared to an annual average of 920 units between CY2005 and CY2010.



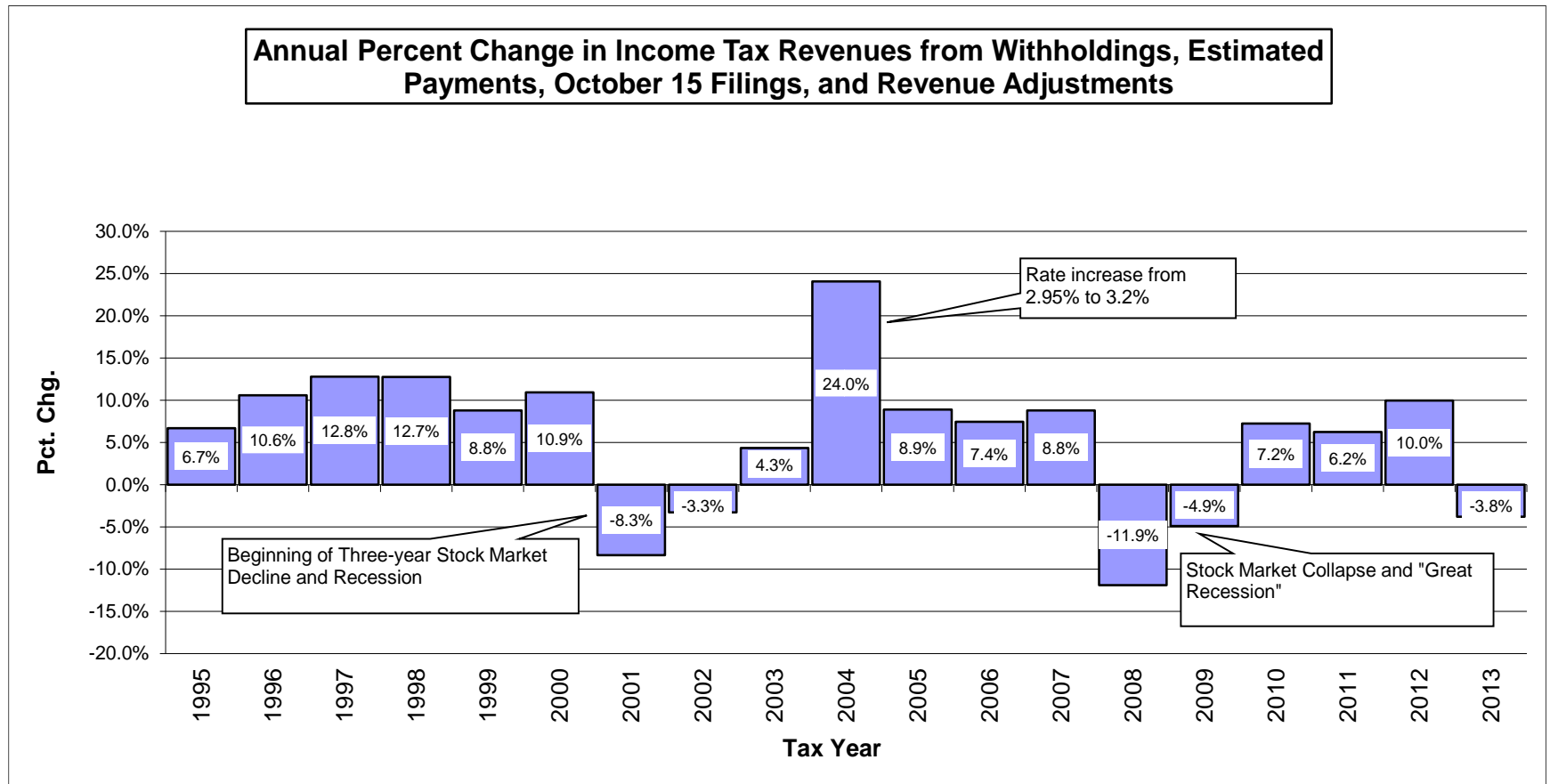
Construction of multi-family units was up significantly in CY2013 and CY2014 at an annual average of over 3,530 units.

From CY2005 to CY2007, construction of multi-family units averaged nearly 2,500 units per year. With the housing crash, construction declined significantly in CY 2008 and CY2009. Since then, construction rebounded and by CY2014 construction reached nearly 3,500 units.



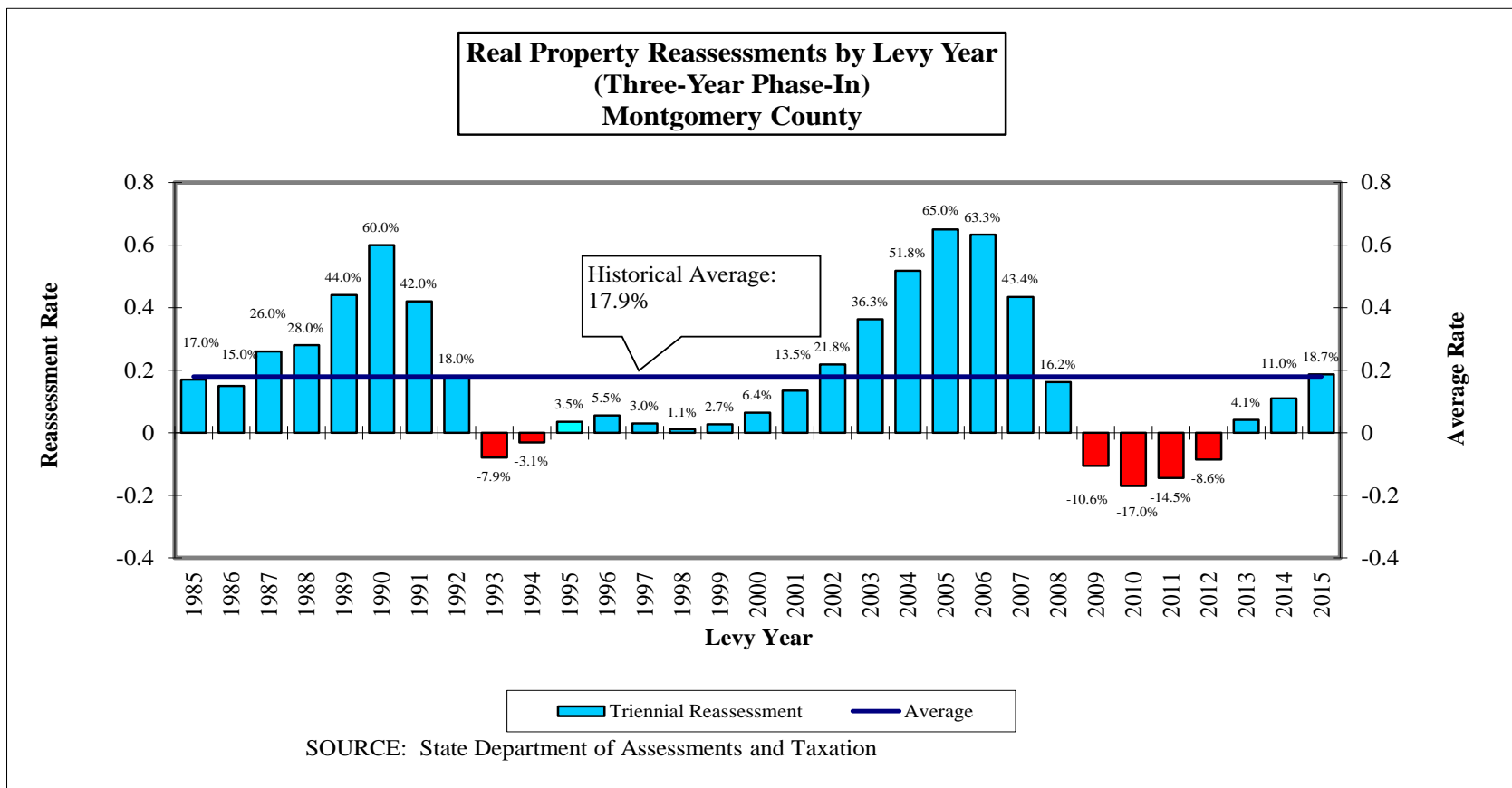
Income Tax Volatility

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



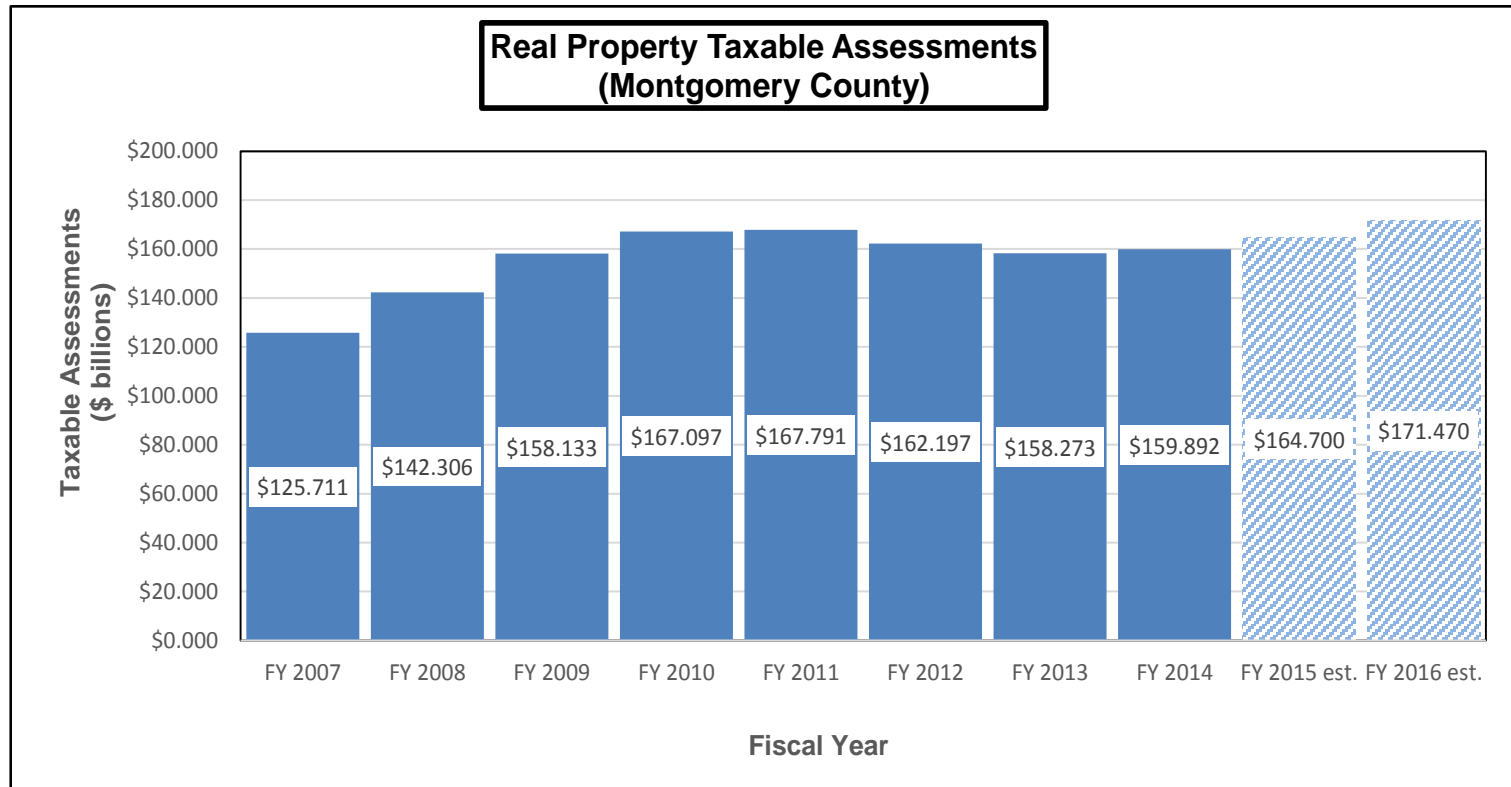
Real Property Reassessments

After four consecutive years of declines, the reassessment rate for real property increased over the past three years. However the rate of 18.7 percent for levy year 2015 (FY2016) was largely attributed to the 34.4 percent increase for “commercial” property, while residential property increased 11.5 percent.



Total taxable assessments are estimated to increase in FY2016.

Prior to FY2014, taxable assessments declined a total of \$9.6 billion from FY2011 to FY2013 estimate. That is the largest two-year decline in the past twenty-eight fiscal years. That decline is a result of the decreases in the reassessment rates for residential properties over prior four levy years. Since FY2013, taxable assessments are expected to increase a total of \$13.2 billion over the three year period.



SUMMARY

- The County's unemployment rate in January was 4.3 percent and down from the 4.7 percent in January last year. However, the decrease in the County's resident employment in 2014 could provide a challenge to the County's income tax revenues through the remainder of this fiscal year.
- Sales of existing homes in the County decreased 4.2 percent in CY2014 and median prices did not change. Both rates suggest that the housing market struggled to maintain a steady increase in both sales and prices over prior years. However, the housing market is expected to rebound in sales and prices during CY2015 from its poor performance in CY2014 and in future years such that the transfer and recordation taxes should rebound in the current and future fiscal years.
- Inflation for the Washington-Baltimore region was 1.54 percent in 2014 – essentially the same increase in CY2013. Prices decreased 0.2 percent in January of this year – the first year-over-year decrease in January since BLS began publishing monthly data for the Baltimore-Washington region in 1997. Lower inflation will have an impact on property tax revenue growth due to the Charter Limit.