

---

**Montgomery County, Maryland**

---

# **ECONOMIC INDICATORS**

**Montgomery County Council**

---

**Department of Finance**

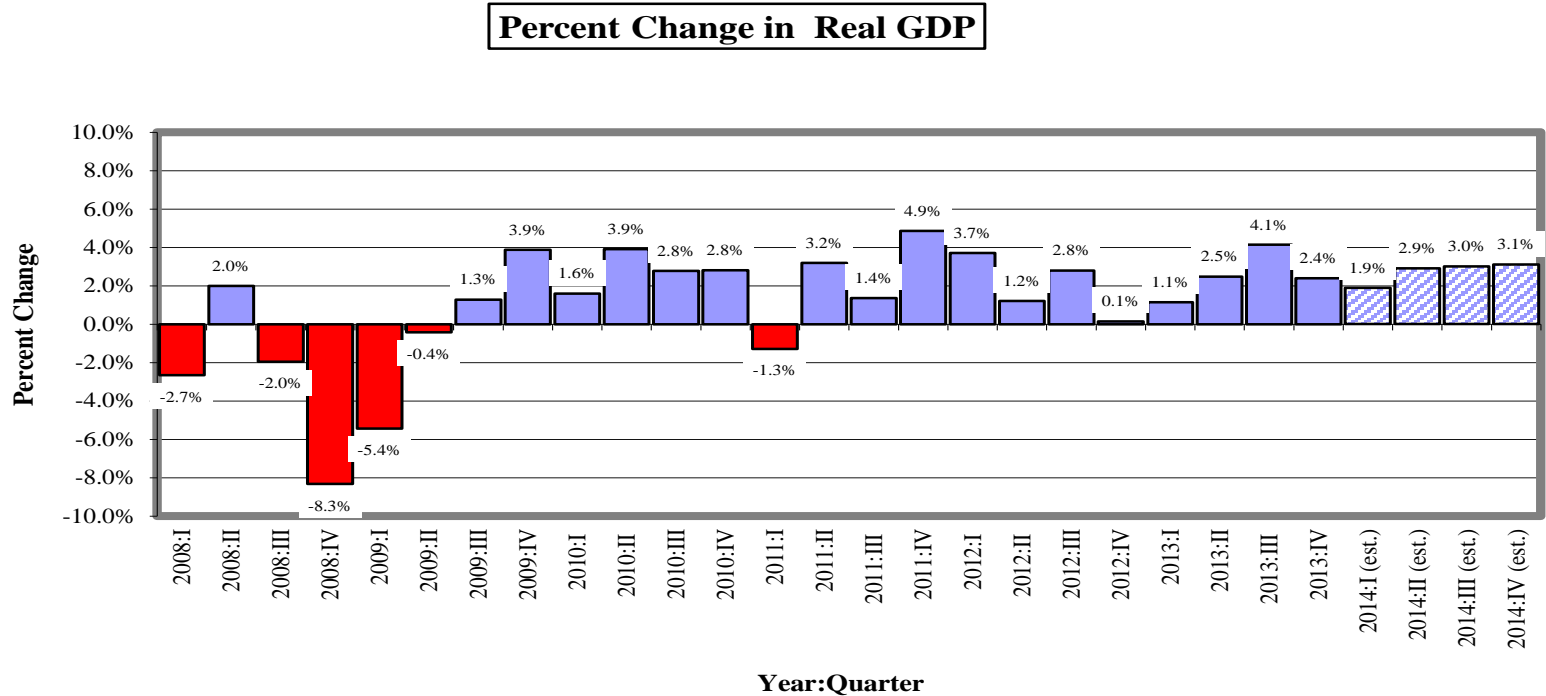
---



**April 8, 2014**

# **National Economic Indicators**

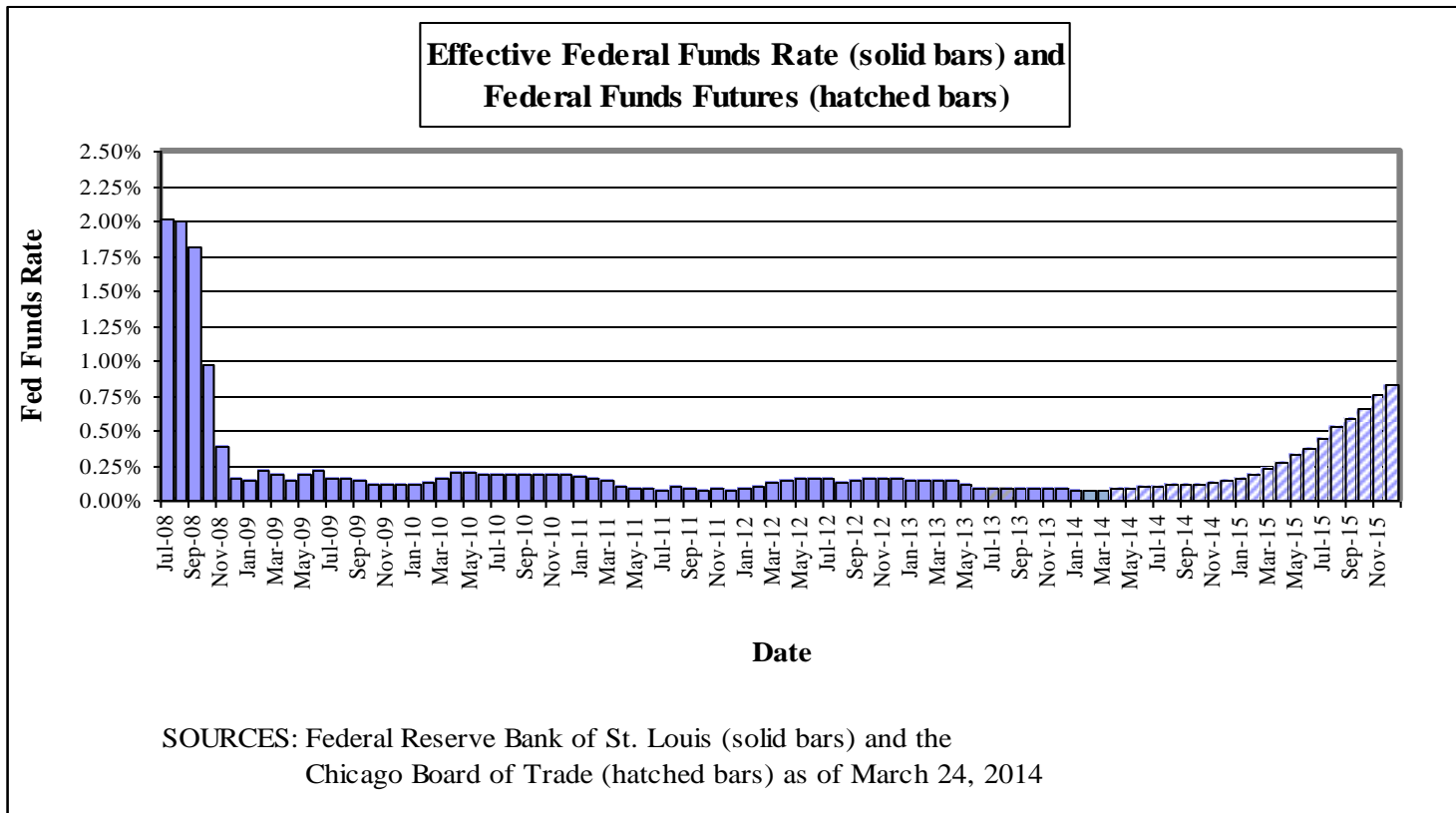
**BEA reported that real GDP increased 2.4 percent during the fourth quarter of last year. Over 50 economists surveyed by *The Wall Street Journal* expect GDP to increase approximately 2.7 percent on average in calendar year (CY) 2014.**



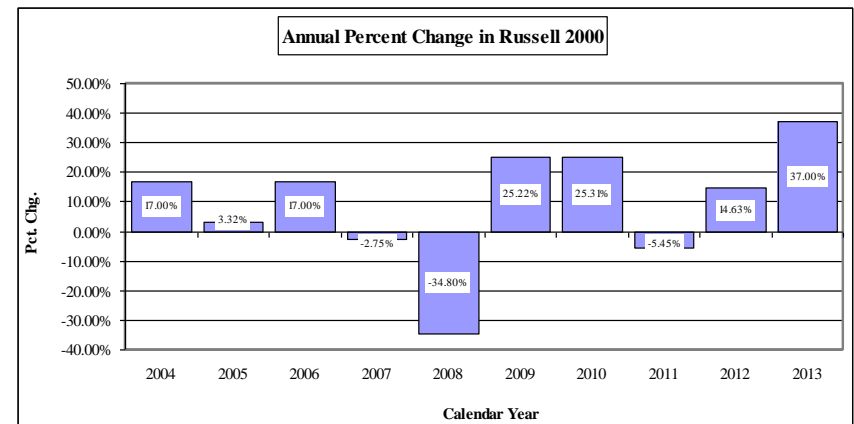
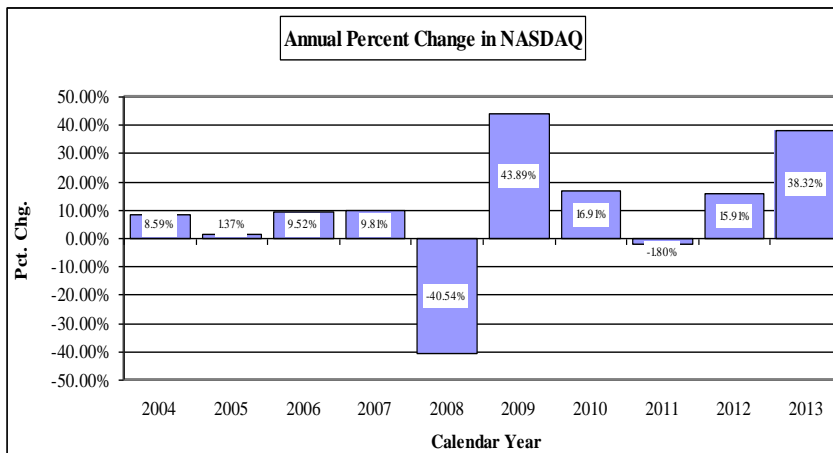
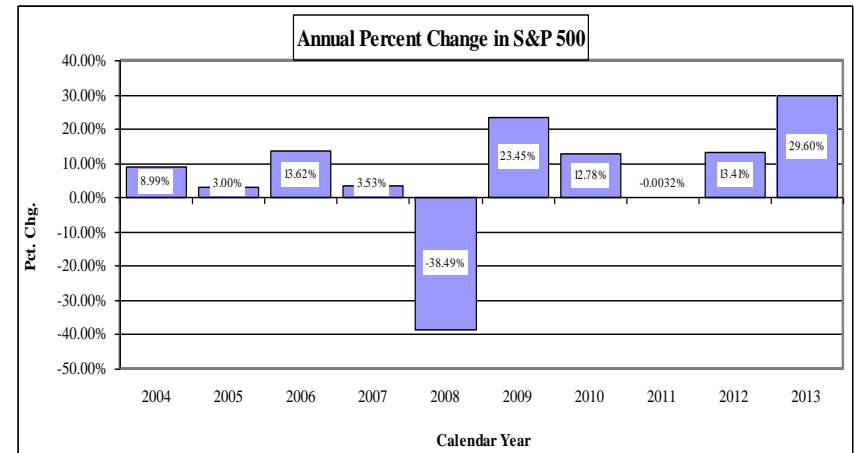
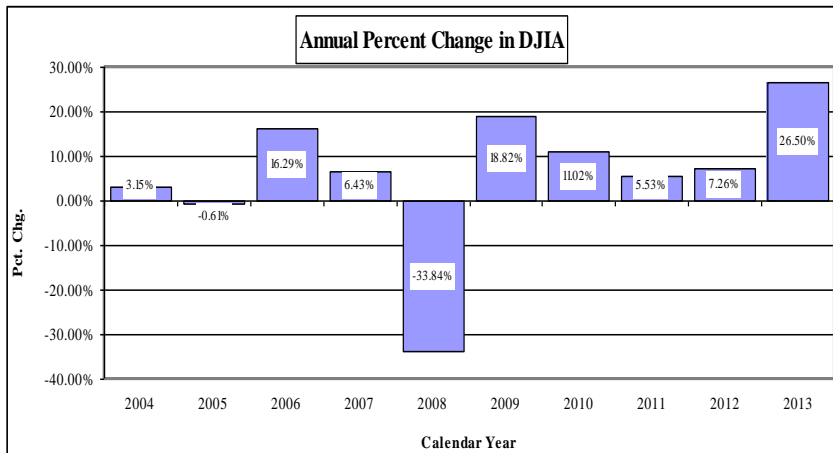
SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Hatched bars from *Wall Street Journal* survey conducted March 2014.

NOTE: Percent changes are at annual rates.

**On March 19th, 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 calendar year and through the first quarter of CY2015.**



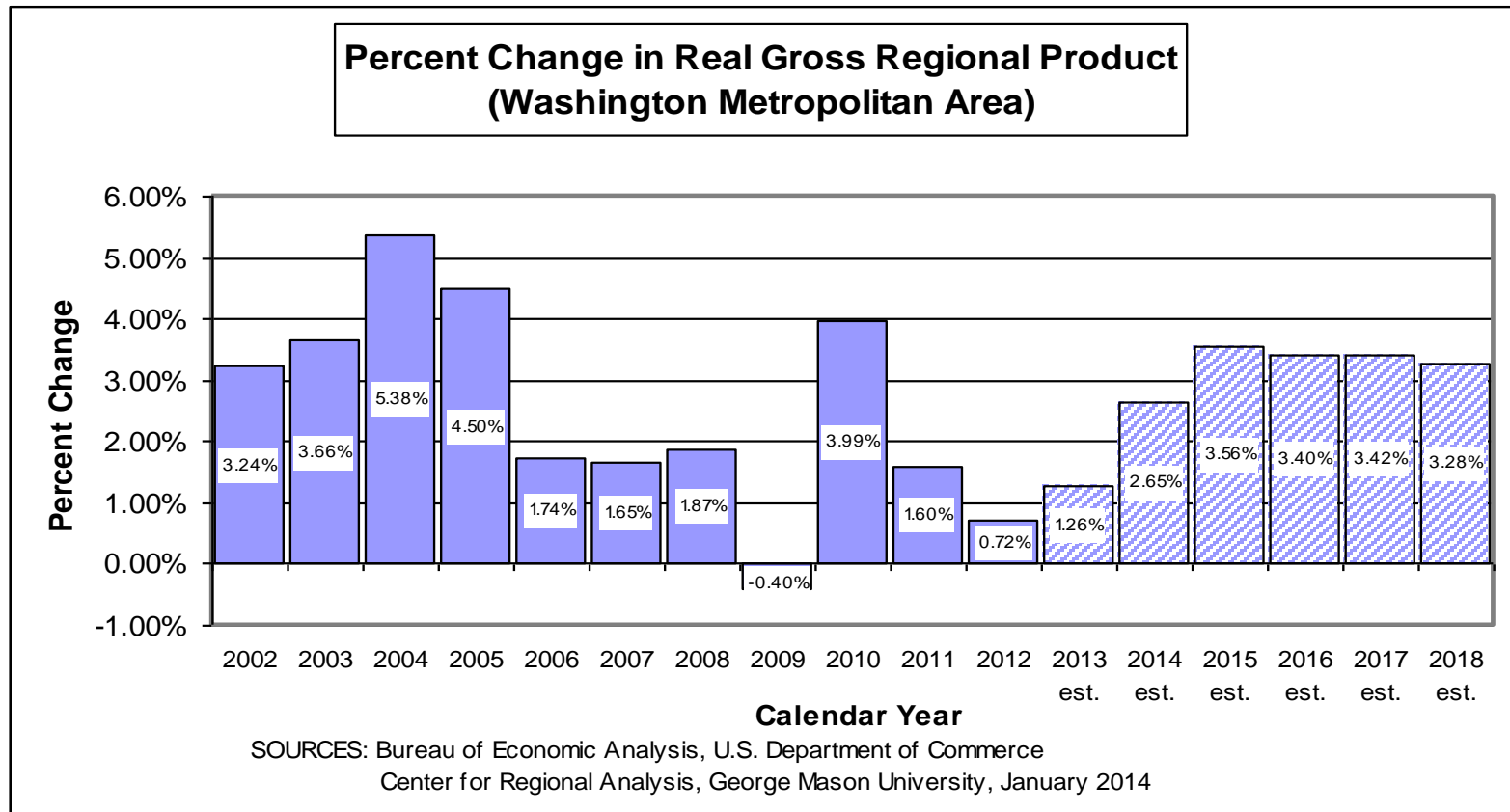
**The stock market experienced its strongest performance in CY2013 since CY2003. Four major indices increased between 26.50 percent (DJIA) and 38.32 percent (NASDAQ) over the previous year.**



# **Regional Economic Indicators**

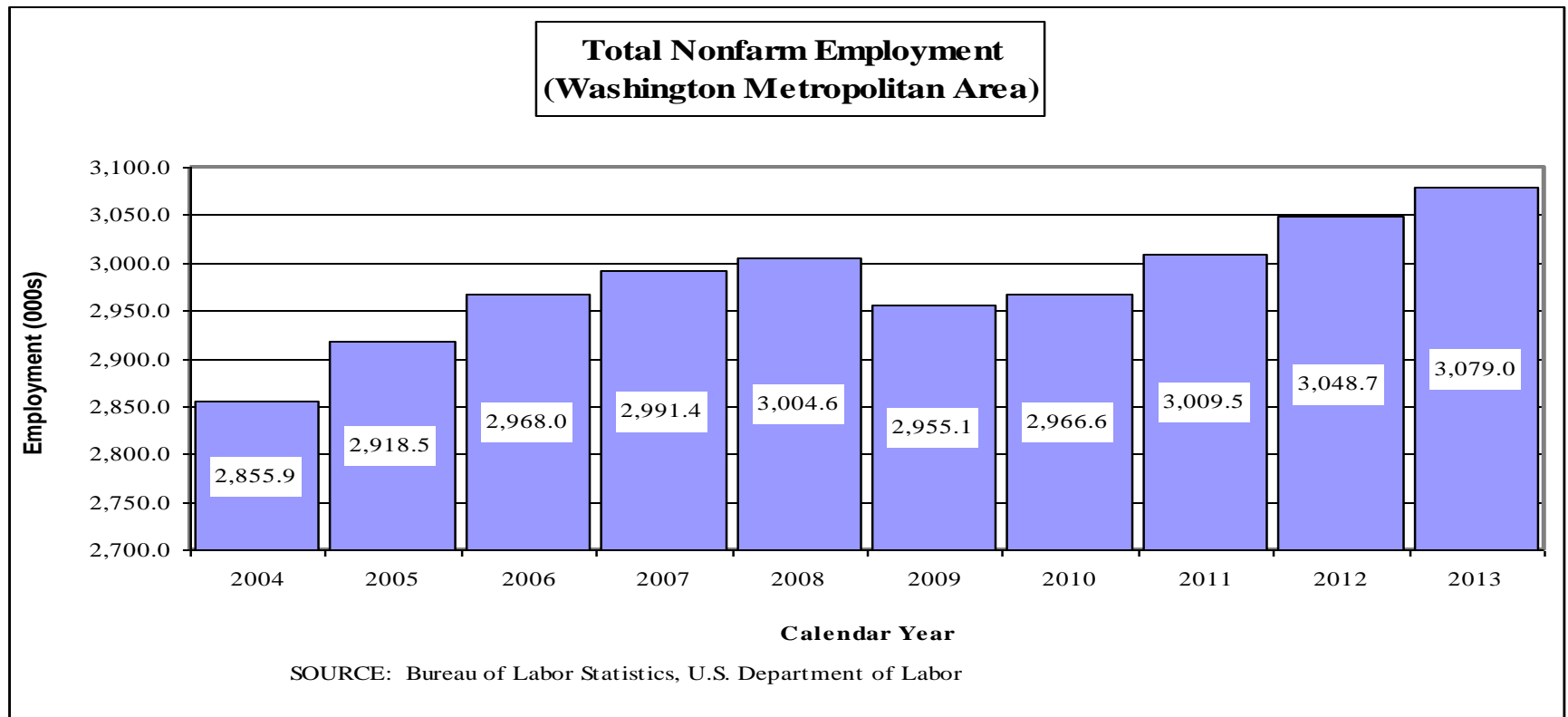
# ***Real gross regional product increased 0.72 percent in CY2012 according to the Bureau of Economic Analysis.***

**CRA estimates growth in real GRP in the Washington area to increase to 2.65 percent this year and 3.28 percent by CY2018.**



# ***Payroll employment in the Washington area stood at 3.079 million in CY2013.***

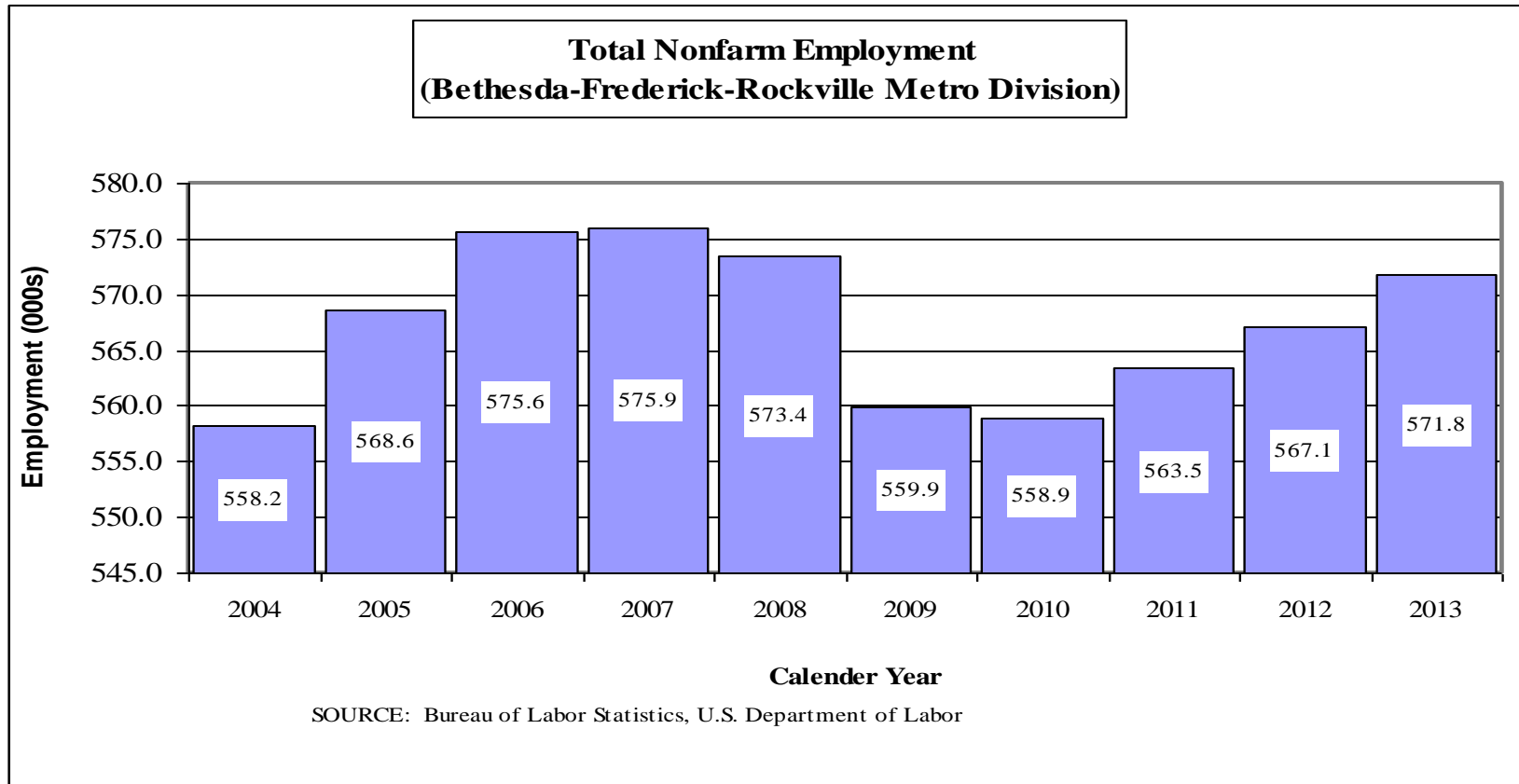
**Employment increased by 30,300 (↑1.0%) from CY2012 to CY2013 to reach 3.079 million in CY2013 – and is the highest level ever.**





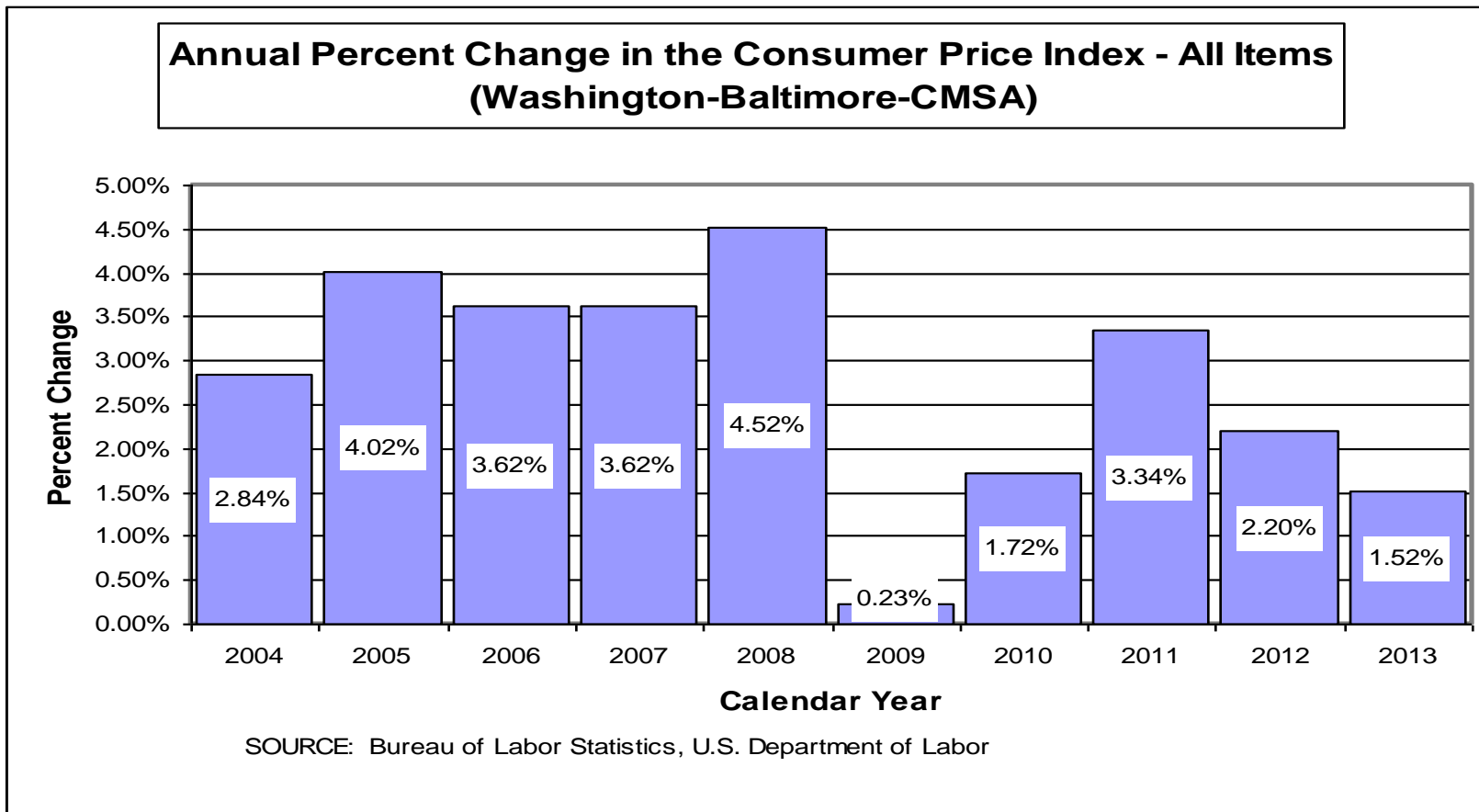
# ***Payroll employment in the Bethesda-Rockville-Frederick metropolitan division was 571,800 in CY2013.***

**Employment increased by 4,700 ( $\uparrow 0.8\%$ ) from CY2012 to CY2013 to reach 571,800 – but remained below payroll employment peak in CY2007 by 4,100.**



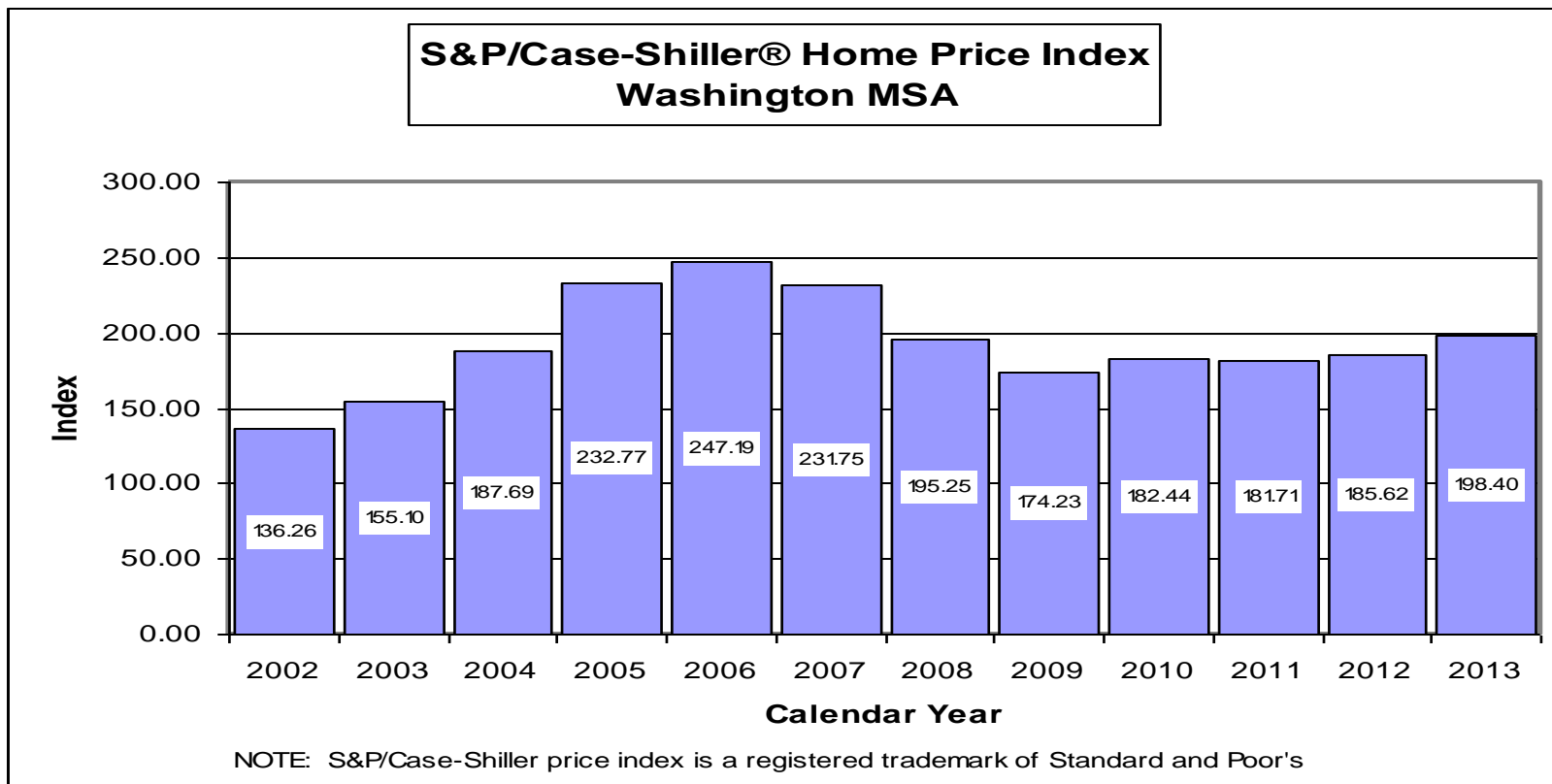
# ***The consumer price index (CPI) decelerated in CY2013.***

Overall for the Washington-Baltimore consolidated region the CPI increased 1.52 percent in CY2013. For the calendar year 2012, the index increased 2.20 percent compared to 3.34 percent in CY2011.

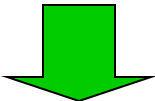
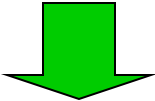


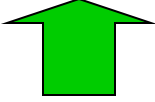
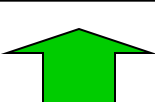
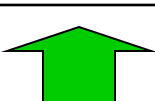
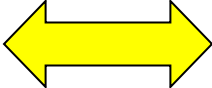


***As measured by the S&P/Case-Shiller Home Price Index®, home prices for the Washington metropolitan area increased 6.9 percent in CY2013.***

***However, the index remains 19.7 percent below its peak in CY2006.***

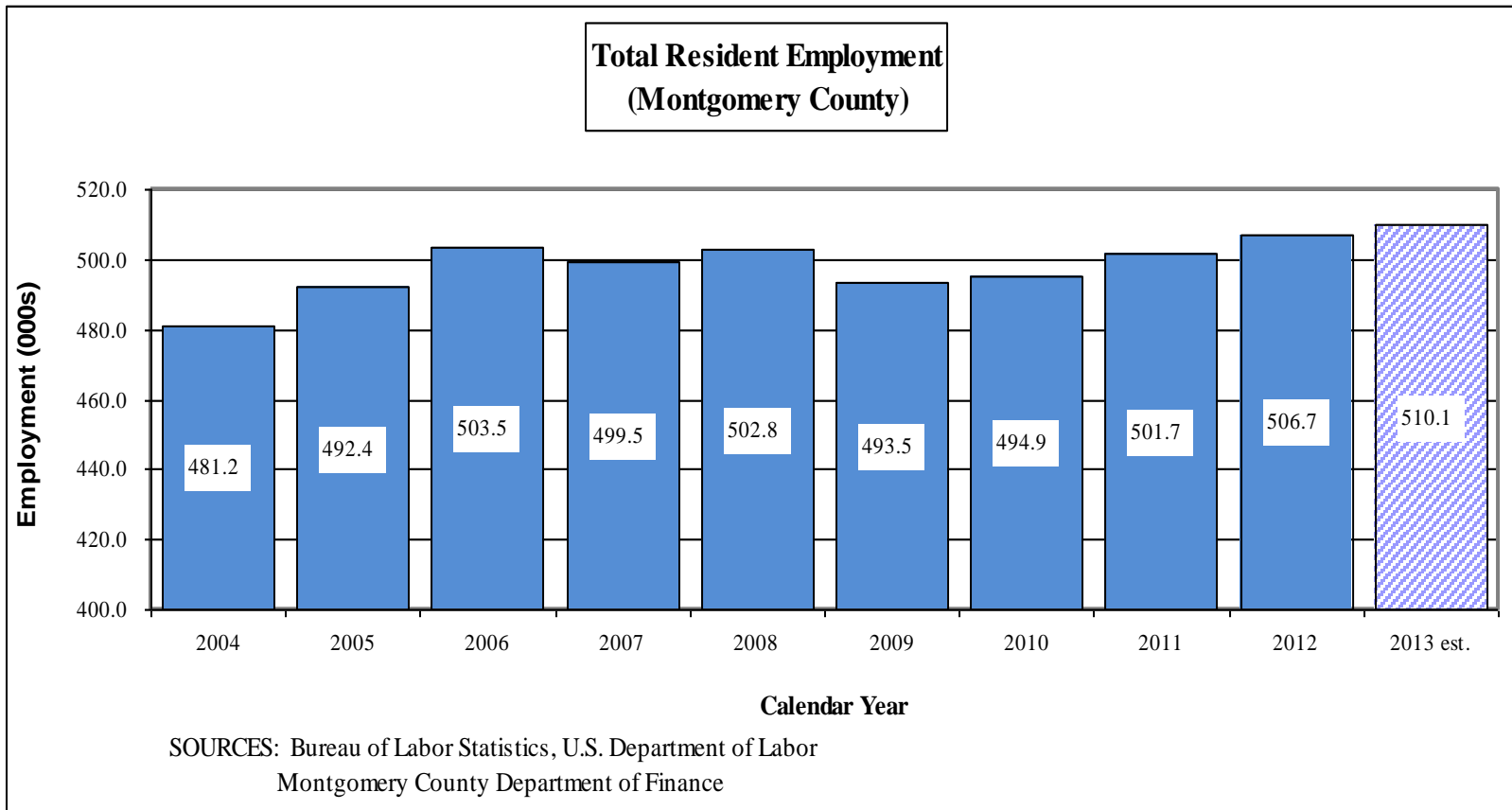


# **Montgomery County Economic Indicators**

<b>ECONOMIC INDICATOR DASHBOARD</b>	<b>LATEST DATA</b>	<b>REVENUE AFFECTED</b>	<b>EXPLANATION</b>	<b>COMPARISON</b>	<b>DIRECTION</b>
INFLATION	1.52% 2013	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2012: 2.20% 2011: 3.34%	
UNEMPLOYMENT RATE	5.0% 2013 est.	Income Taxes	Indicates overall health of the job market	2012: 5.1% 2011: 5.3%	
RESIDENT EMPLOYMENT	510,100 2013 est.	Income Taxes	Primary determinant of income tax receipts	2012: 506,700 2011: 501,700	
PAYROLL EMPLOYMENT (Estimated)	472,800 2013	Income Taxes	Another determinant of income tax receipts	2012: 470,400 2011: 468,600	
STOCK MARKET - S&P 500	1,848.36 December 31st	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2012: 1,426.19 2011: 1,257.60	
HOME SALES	11,406 2013	Transfer/ Recordation Taxes	Indicates activity affecting receipts	2012: 10,094 2011: 9,490	
HOME PRICES (Median Price Sold)	\$400,00 2013	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	2012: \$367,125 2011: \$350,000	
FEDERAL FUNDS RATE	0.07% Feb. 2014	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Feb. 2013: 0.15% Feb. 2012: 0.10%	

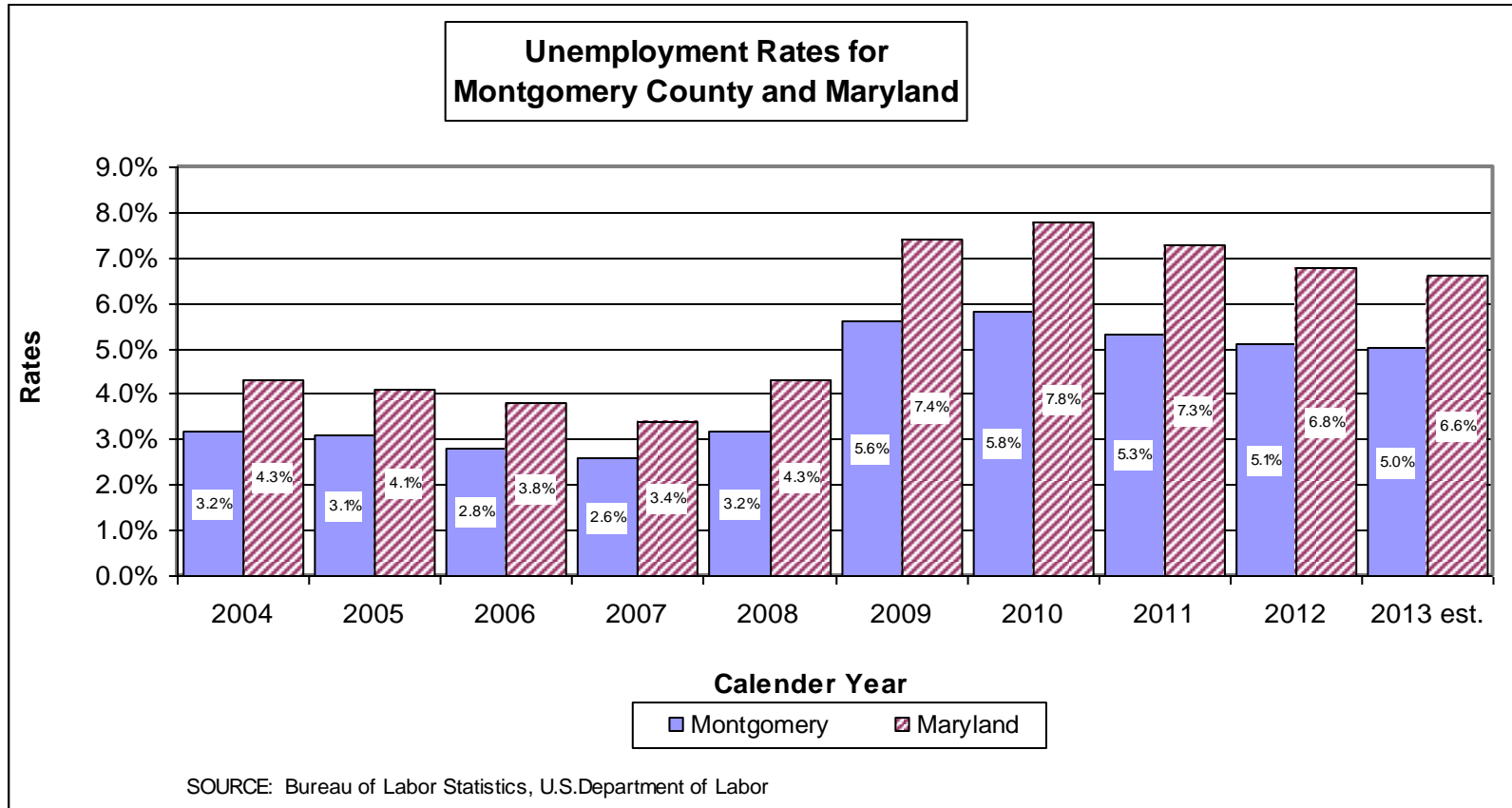
# ***Resident employment stood at an estimated 510,100 in CY2013.***

**Resident employment (labor force series) in Montgomery County was at an all-time high of 510,100 in CY2013 compared to 506,700 in CY2012 - an increase of 3,400.**



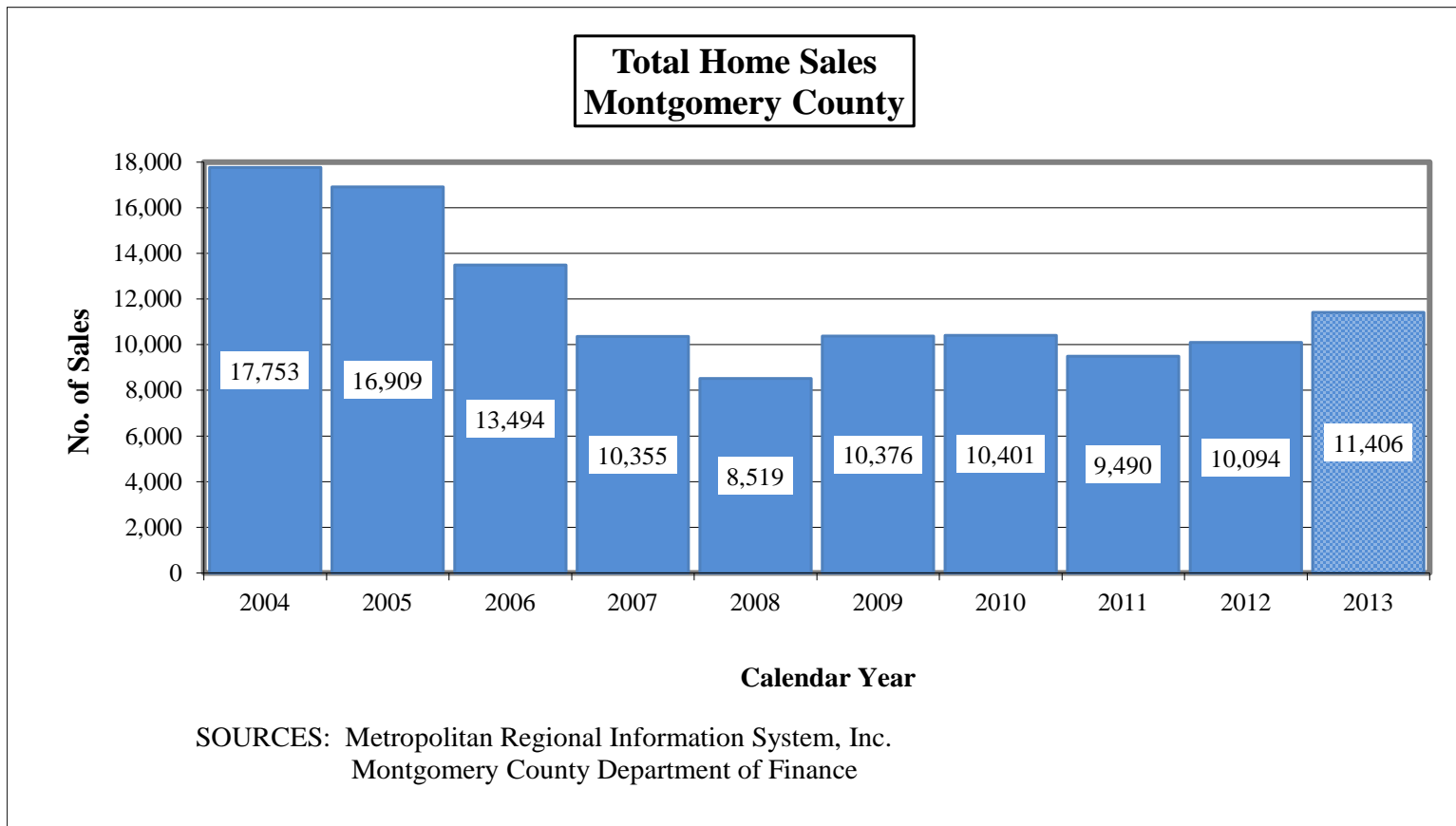
# *The unemployment rate was down in CY2013.*

The unemployment rate declined from 5.1 percent in CY2012 to an estimated 5.0 percent in CY2013 – but has remained at or above the 5 percent level the last five years.



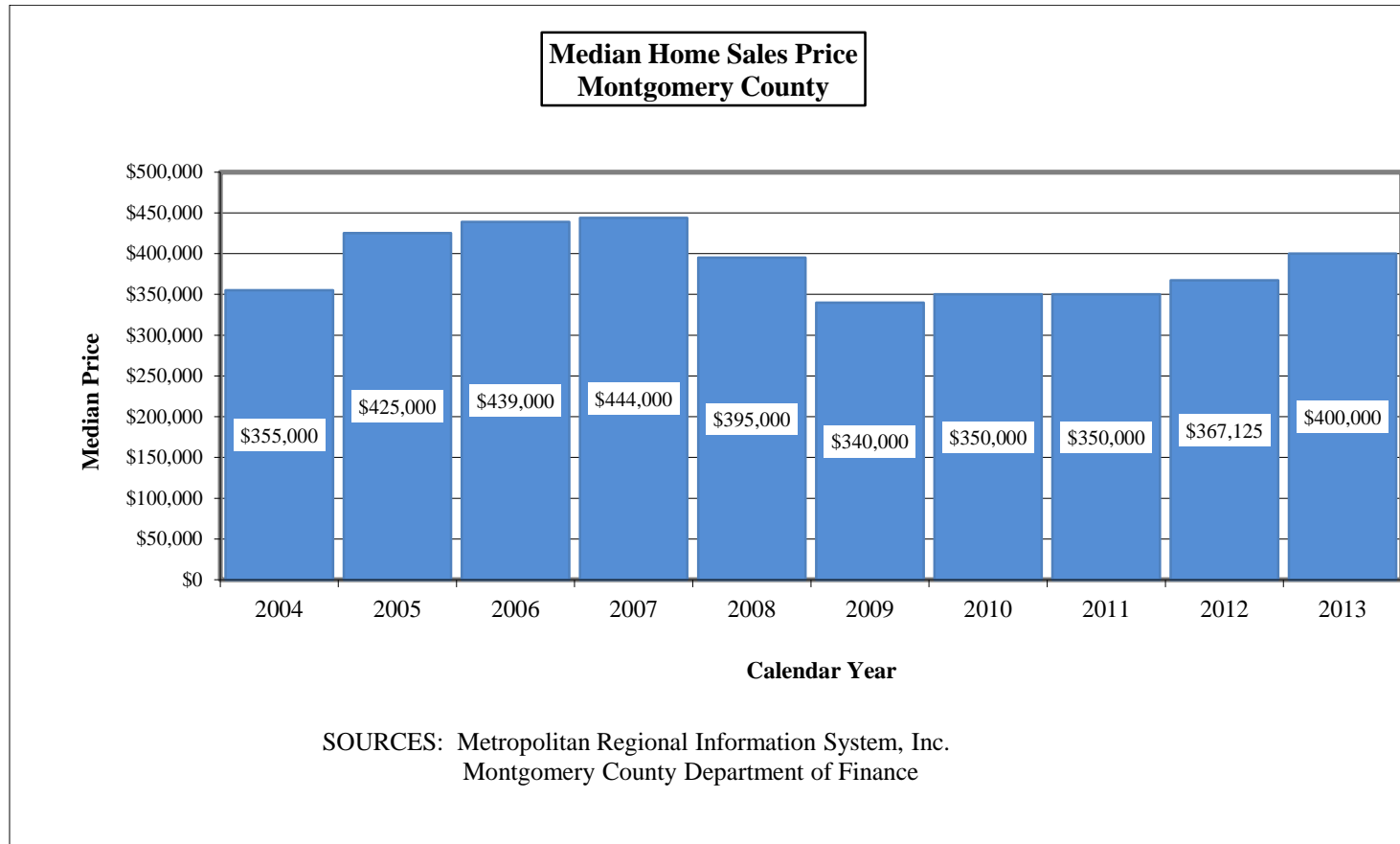
# ***Home sales were up 13.0 percent in CY2013.***

**Total sales of existing homes increased 6.4 percent in CY2012 compared to a decrease of 8.8 percent in CY2011.**



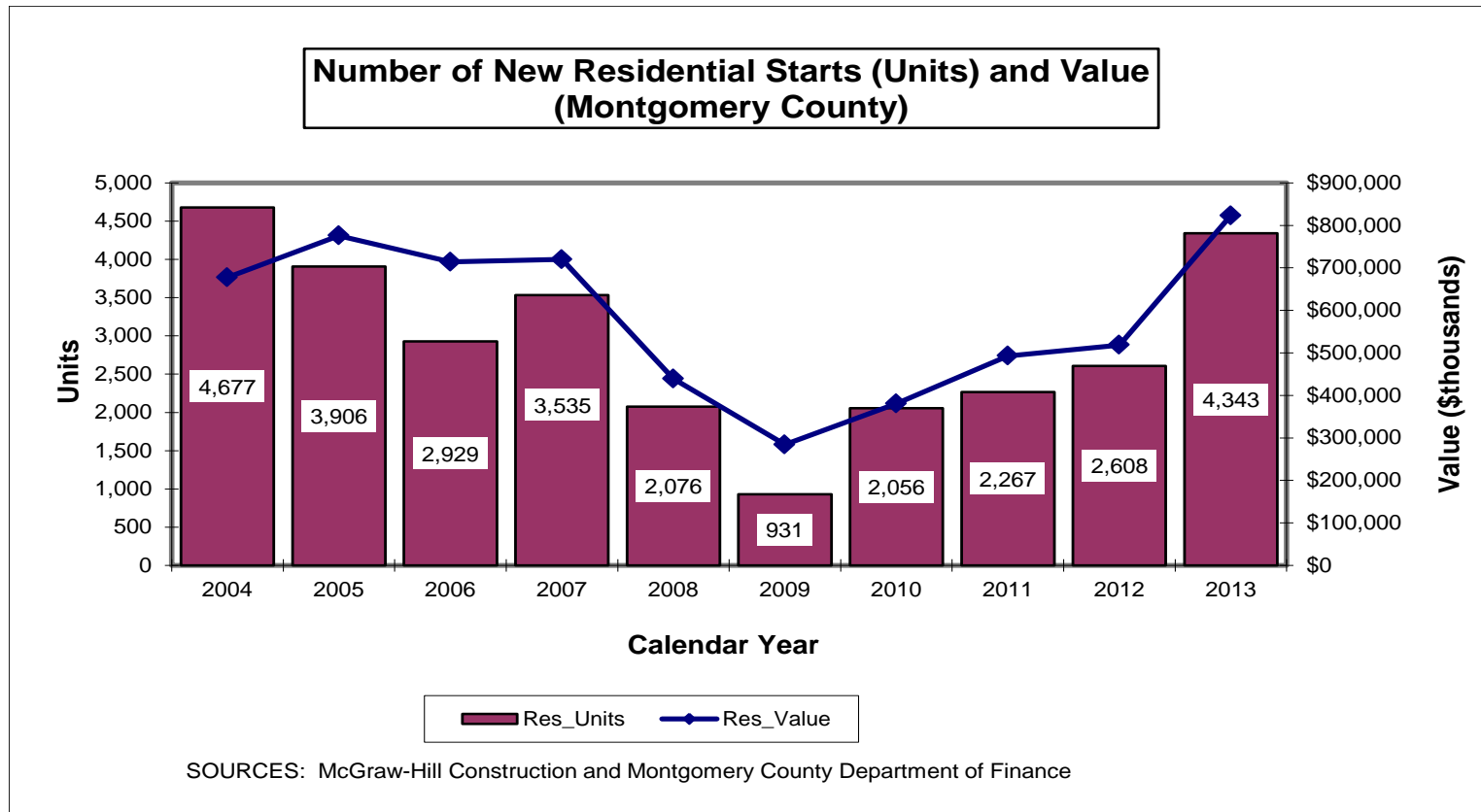


***Median home sales prices were up nearly 9.0 percent in CY2013.***  
With the sales of existing homes in the County increasing 13.0 percent in 2013, the median sales price increased 9.0 percent, which followed an increase of 4.9 percent in CY2012, but no increase in CY2011.



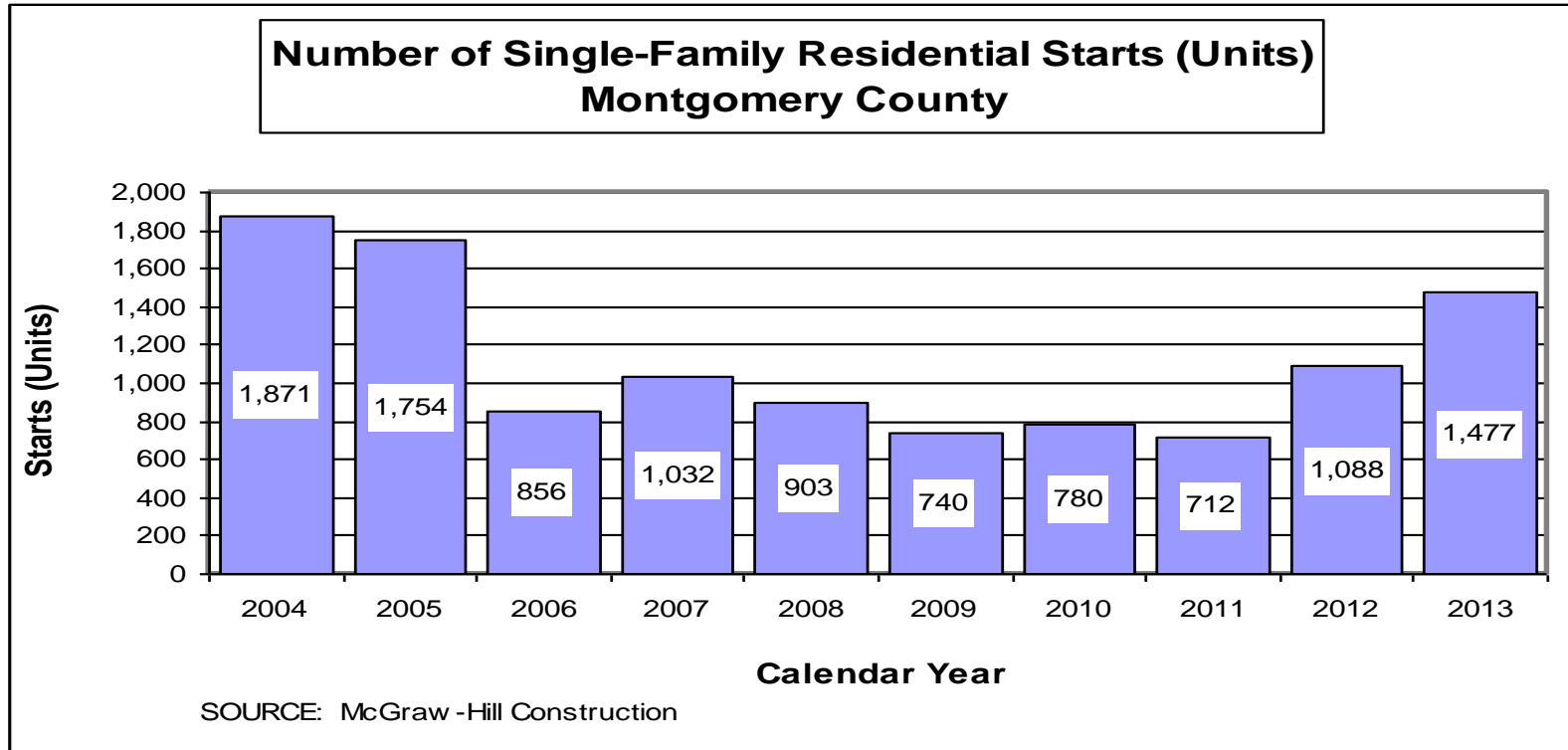
# **Construction of new residential properties (units) was up almost 67 percent in CY2013.**

Construction of single-family homes was up 35.8 percent and the construction of new multi-family units increased 88.6 percent.



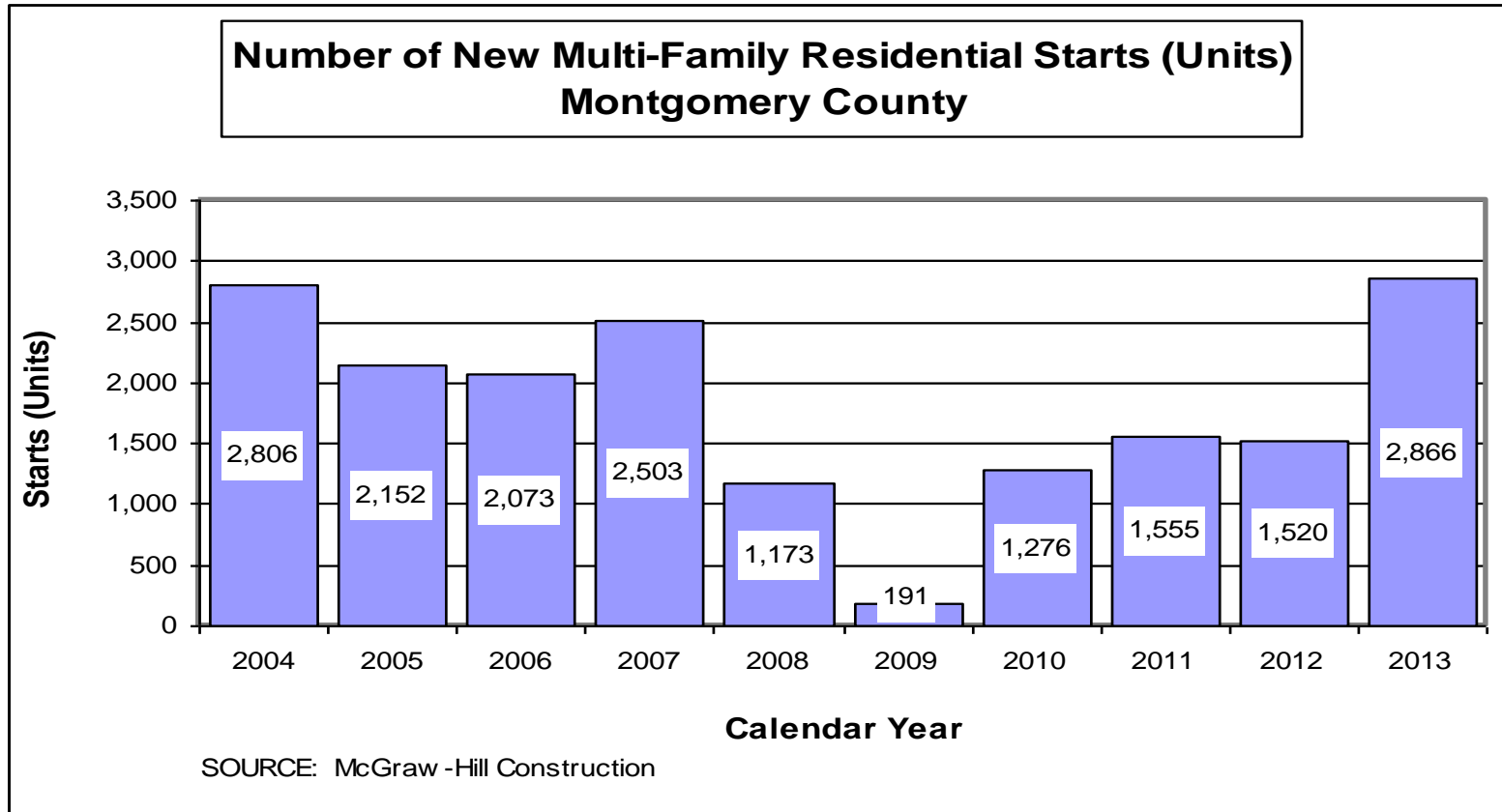
## ***Single-family construction (units) increased in CY2013.***

Since CY2004, the construction of new single-family homes declined from nearly 1,880 units to 712 units in CY2011. Between CY2006 and CY2011, annual construction of single-family homes averaged only 840 units per year compared to an average of nearly 1,820 units between CY2004 and CY2005.



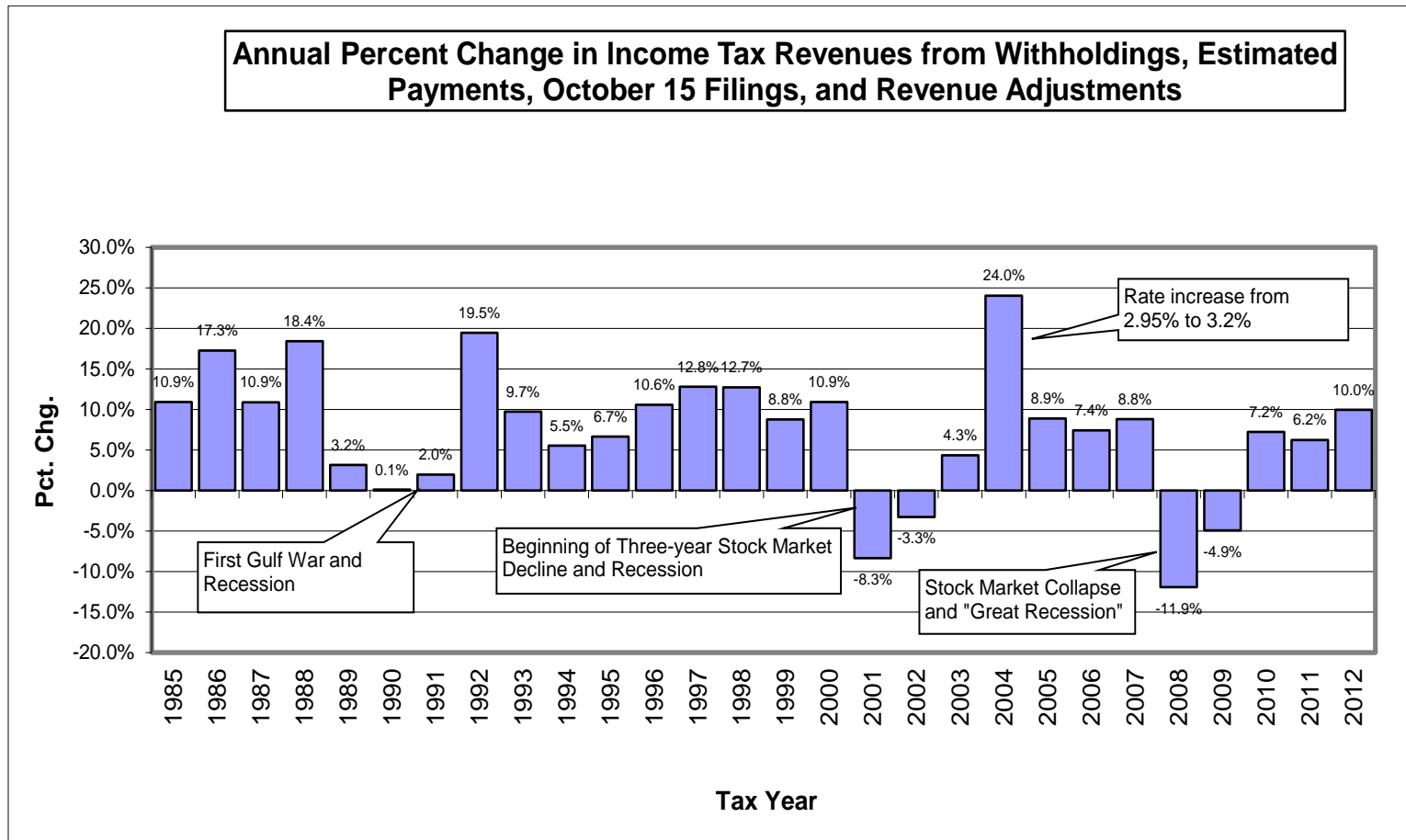
## ***Construction of multi-family units (rental and condominium) was up significantly in CY2013.***

From CY2004 to CY2007, the construction of multi-family units averaged nearly 2,400 units per year. With the housing crash, construction declined significantly in CY 2008 and CY2009. Since that time, construction rebounded and by CY2013 construction reached an all time high.



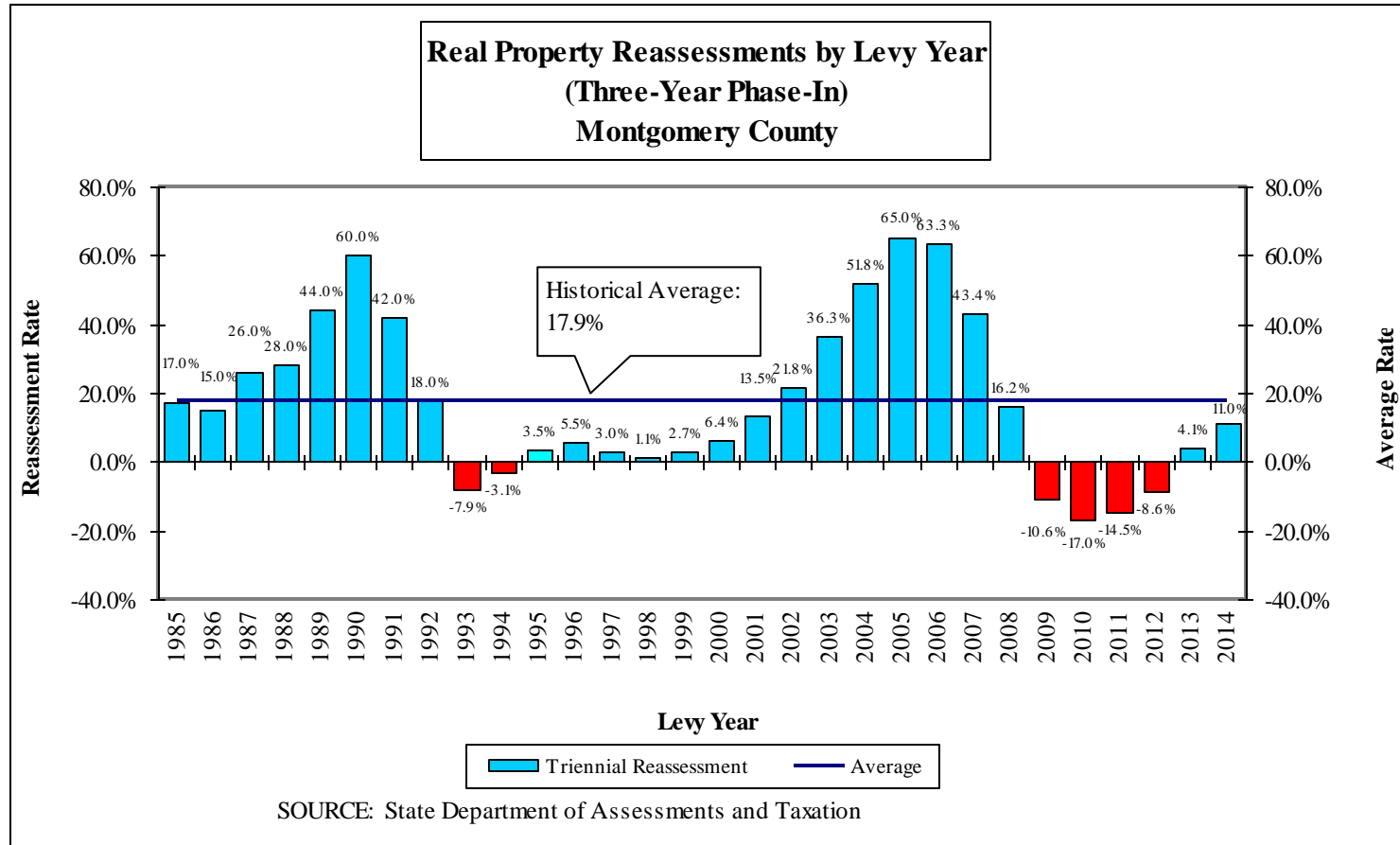
# Income Tax Volatility

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



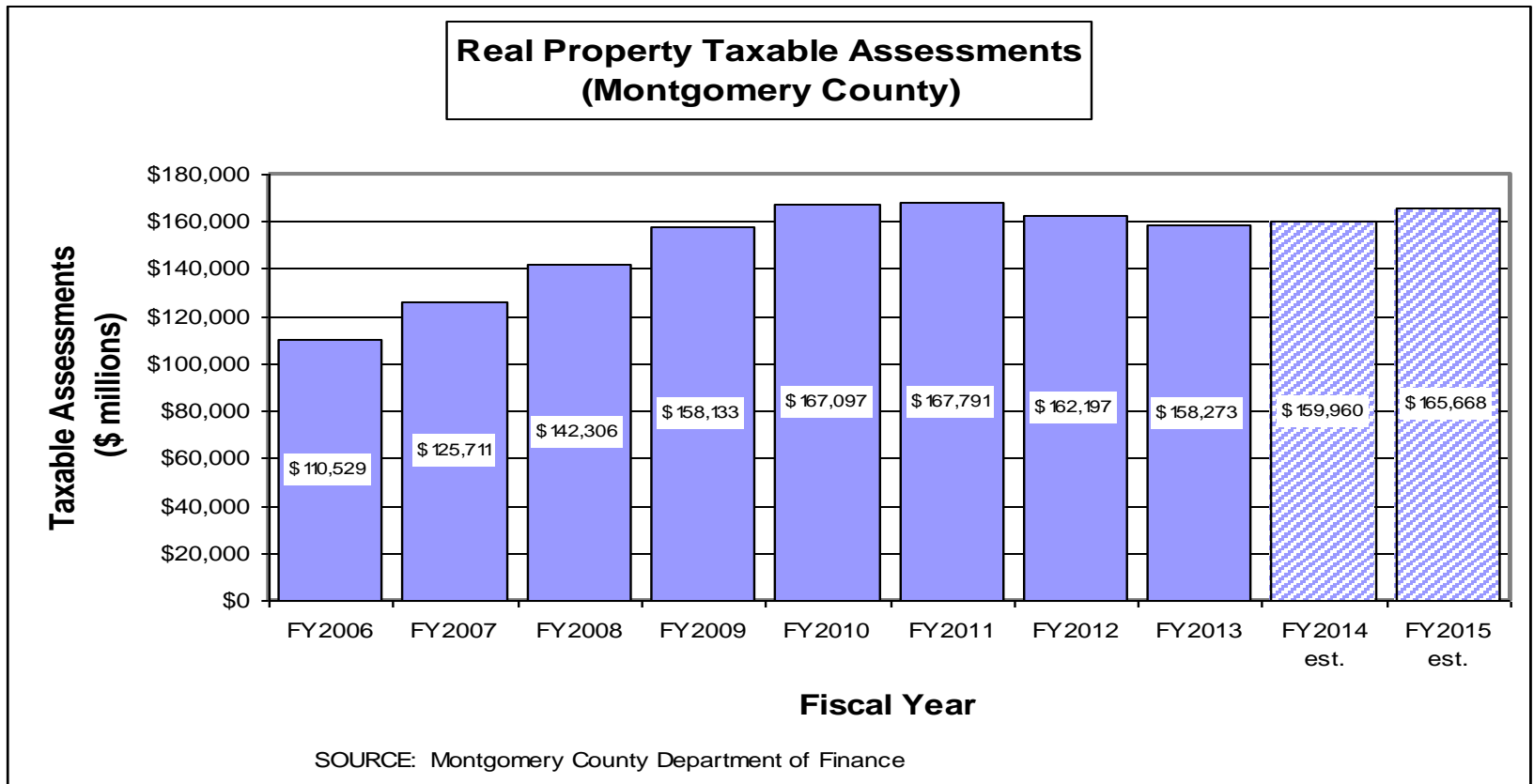
# Real Property Reassessments

After four consecutive years of declines, the triennial reassessment rate for real property increased over the past two years. However the rate of 11.0 percent was largely attributed to the 31.4 percent increase for “commercial” property, while residential property increased 5.8 percent.



# ***Real property taxable assessments are estimated to increase in FY15 by 3.6 percent.***

Prior to FY2014, taxable assessments declined a total of approximately \$9.5 billion from FY2011 to FY2013. From FY2013 to FY2015, taxable assessments are estimated to increase a total of approximately \$7.4 billion – an average annual increase of \$3.7 billion.



# SUMMARY

- The County's unemployment rate in January was 4.4 percent down from the 5.2 percent in January 2013 and also down from the 5.3 percent rate in January 2012. Moreover, the modest increase in 2013 in both the County's resident and payroll employment provide a positive outlook about the employment situation in the County through the remainder of this fiscal year.
- Sales of existing homes in the County increased 13.0 percent in CY2013 and median prices increased 9.0 percent. While both rates indicate that the housing market is rebounding from the crash during the latter part of the last decade, sales and prices are well below the peak levels experienced during the mid-2000's. The rebound in the housing market will support increases in the transfer and recordation taxes and real property taxable assessments albeit at a moderate rate.
- Inflation for the Washington-Baltimore region was 1.52 percent in 2013 – down from the 2.20 percent increase in CY2012. Prices increased 1.9 percent in January of this year over January of 2013 and year-over-year increases remained below 2.0 percent since January 2013.