
Montgomery County, Maryland

ECONOMIC INDICATORS

Presentation to the Montgomery County Council

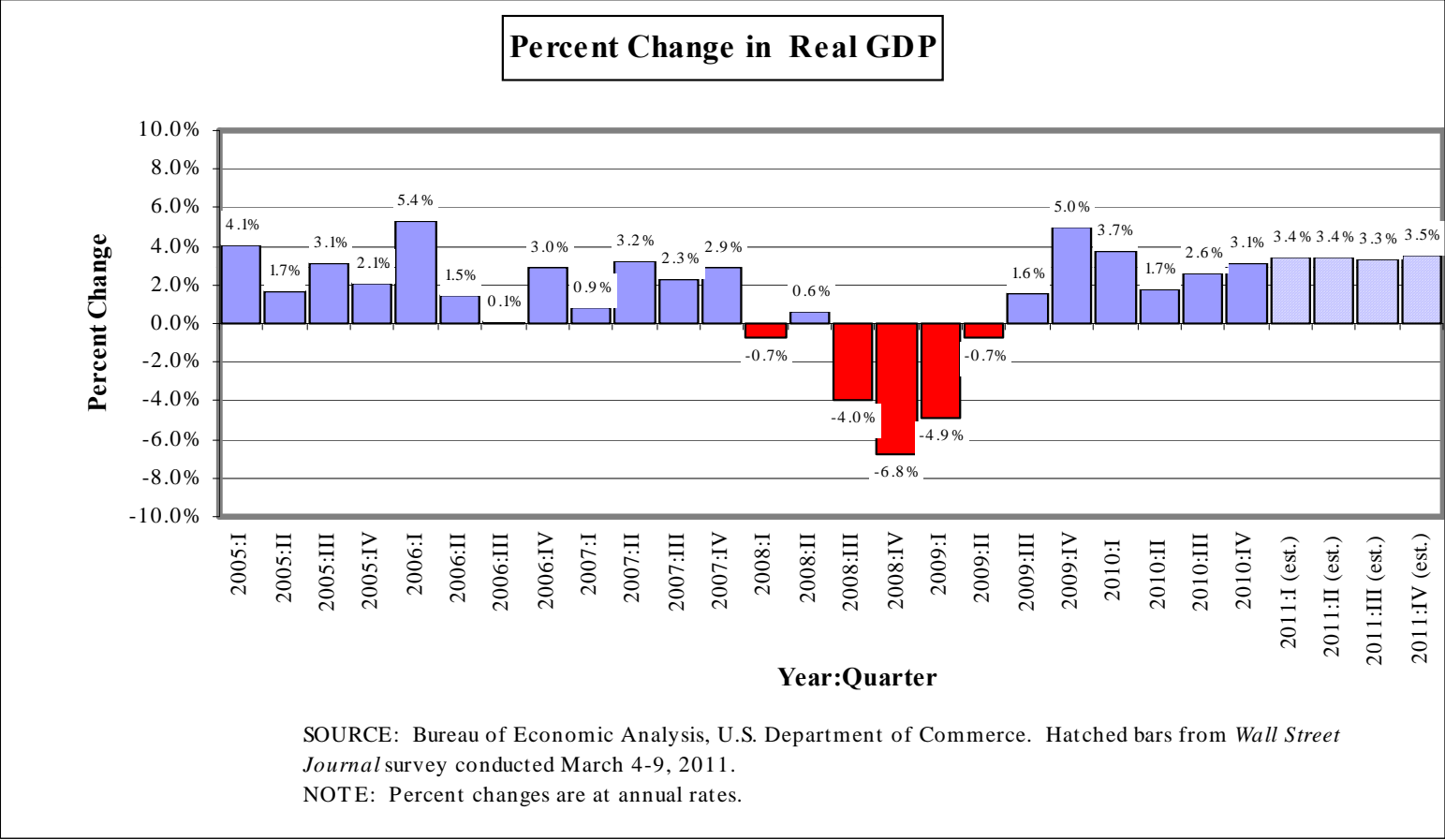
Department of Finance



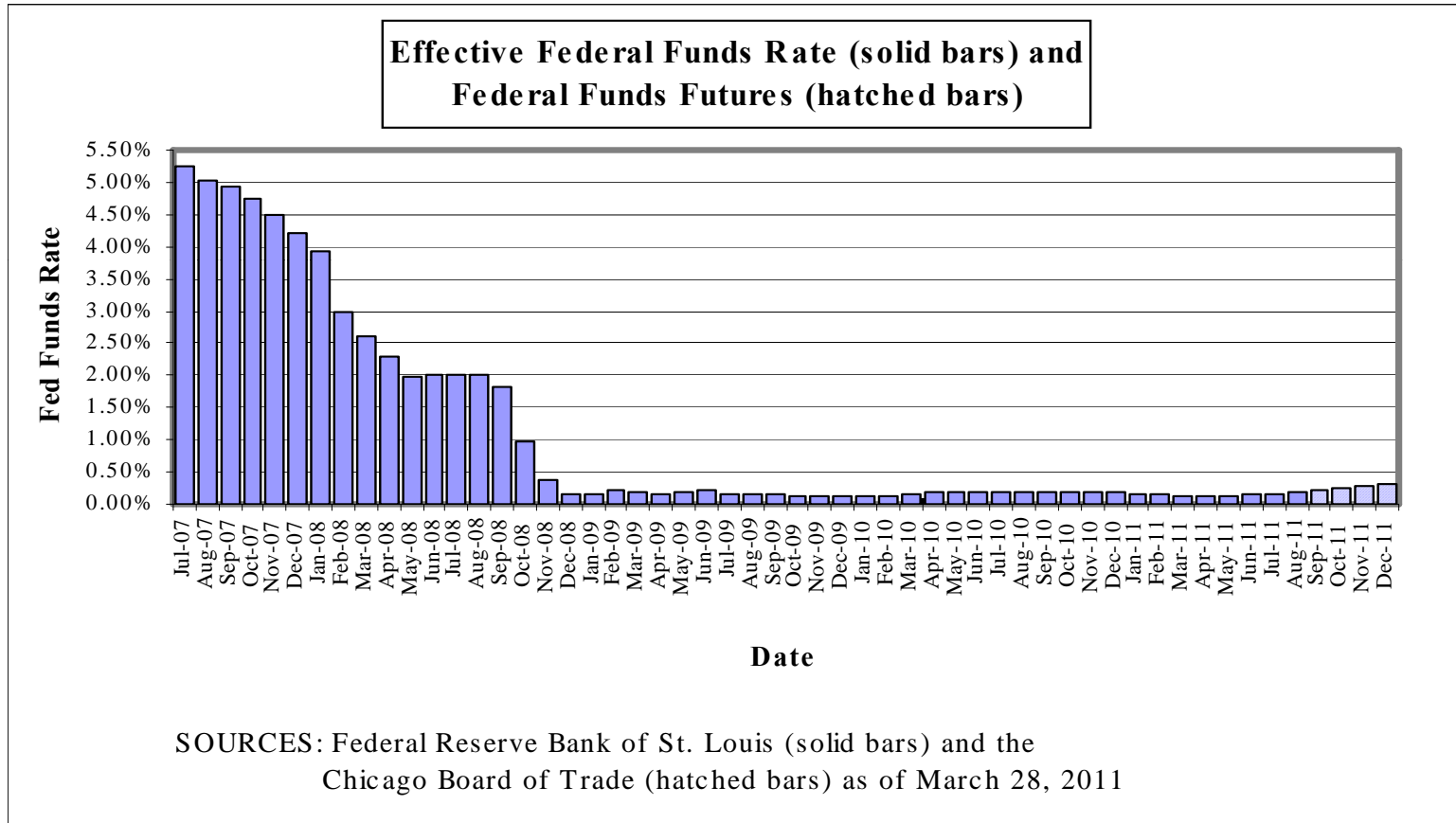
April 12, 2011

National Economic Indicators

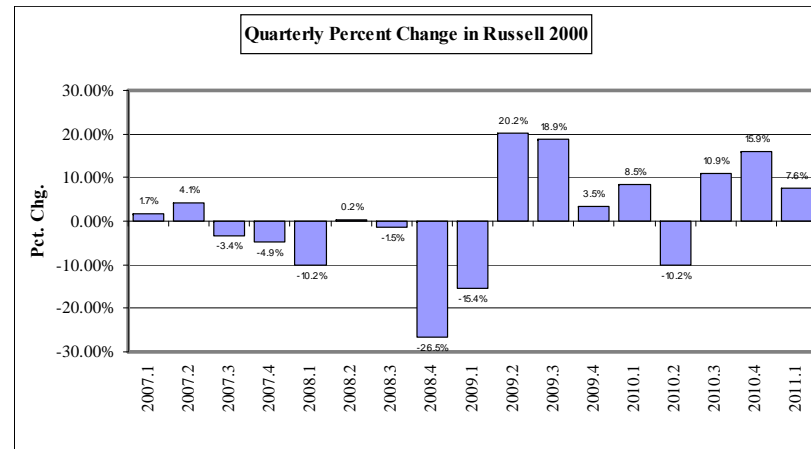
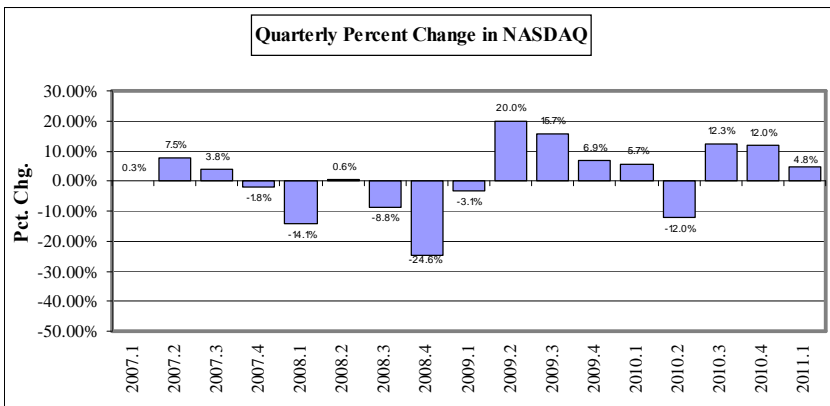
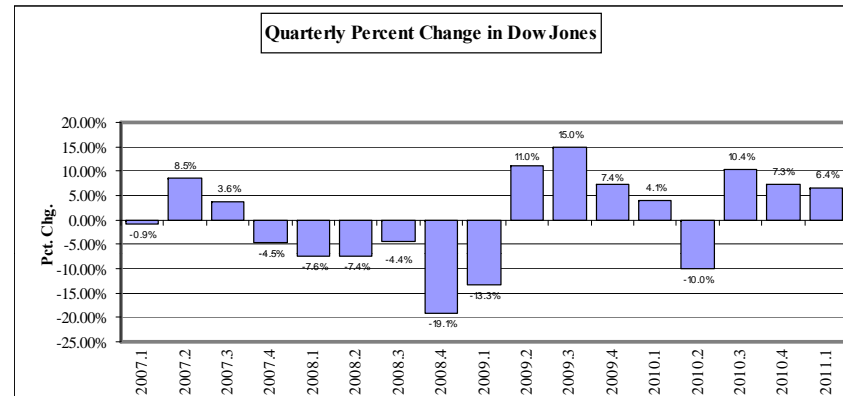
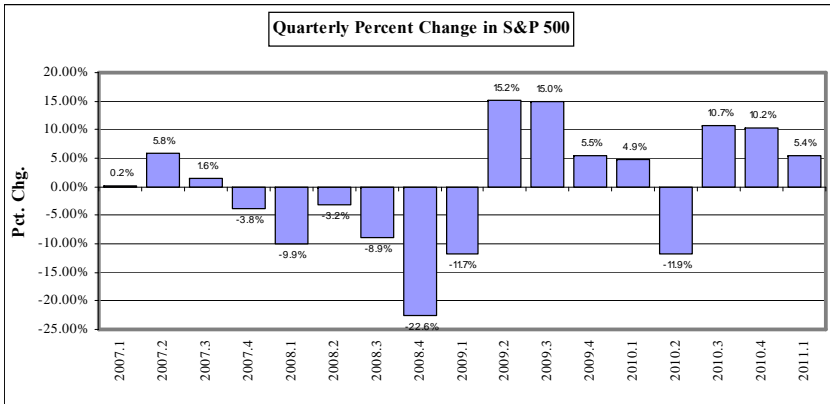
BEA reported that real GDP increased 3.1 percent during the fourth quarter of last year. On average over 50 economists surveyed by *The Wall Street Journal* expect GDP to increase 3.4 percent on average in 2011.



On March 15th, the Federal Open Market Committee of the Federal Reserve 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.

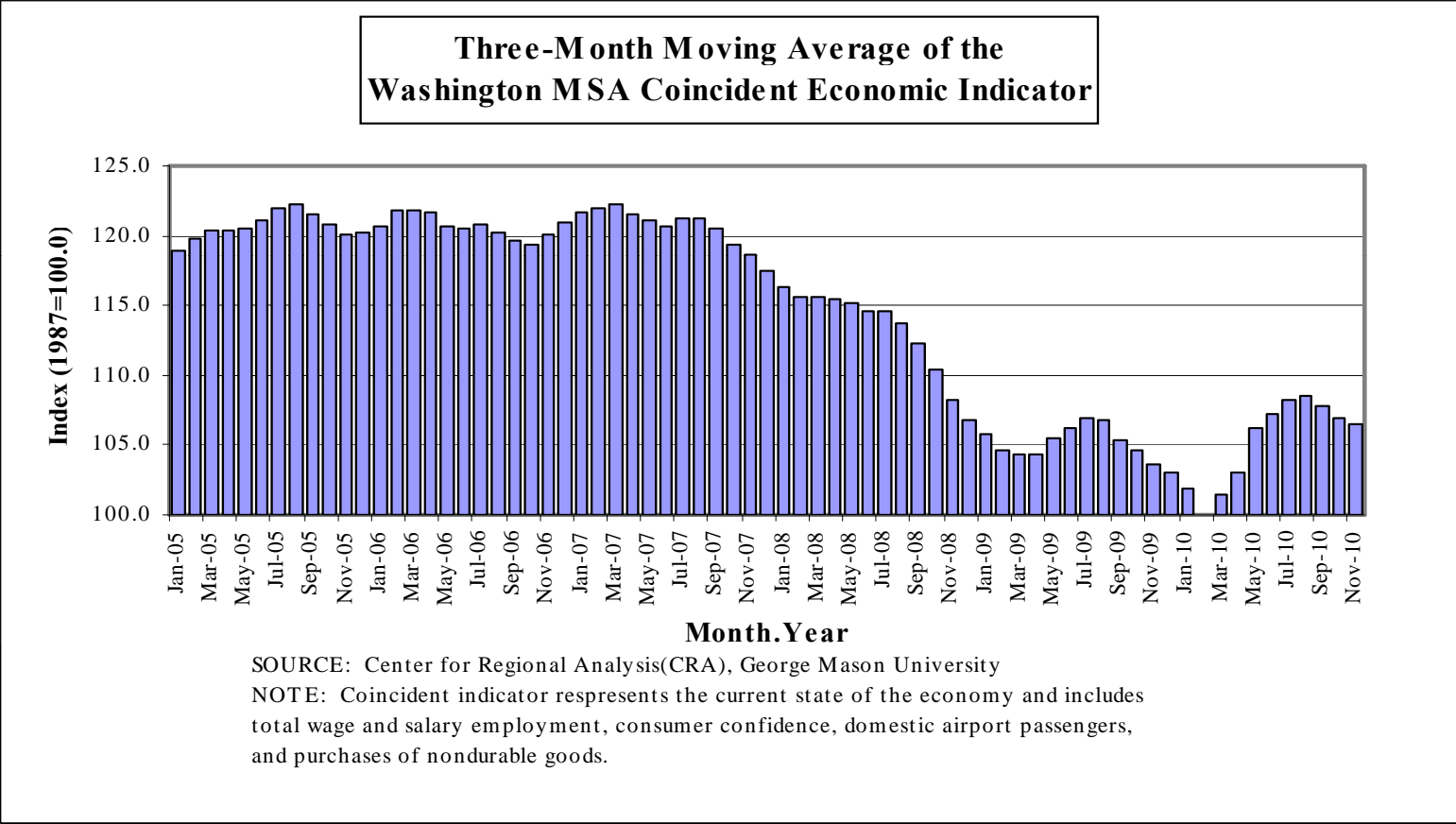


The stock market increased in the first quarter which was the third consecutive quarterly increase and represented the seventh increase over the past two years.

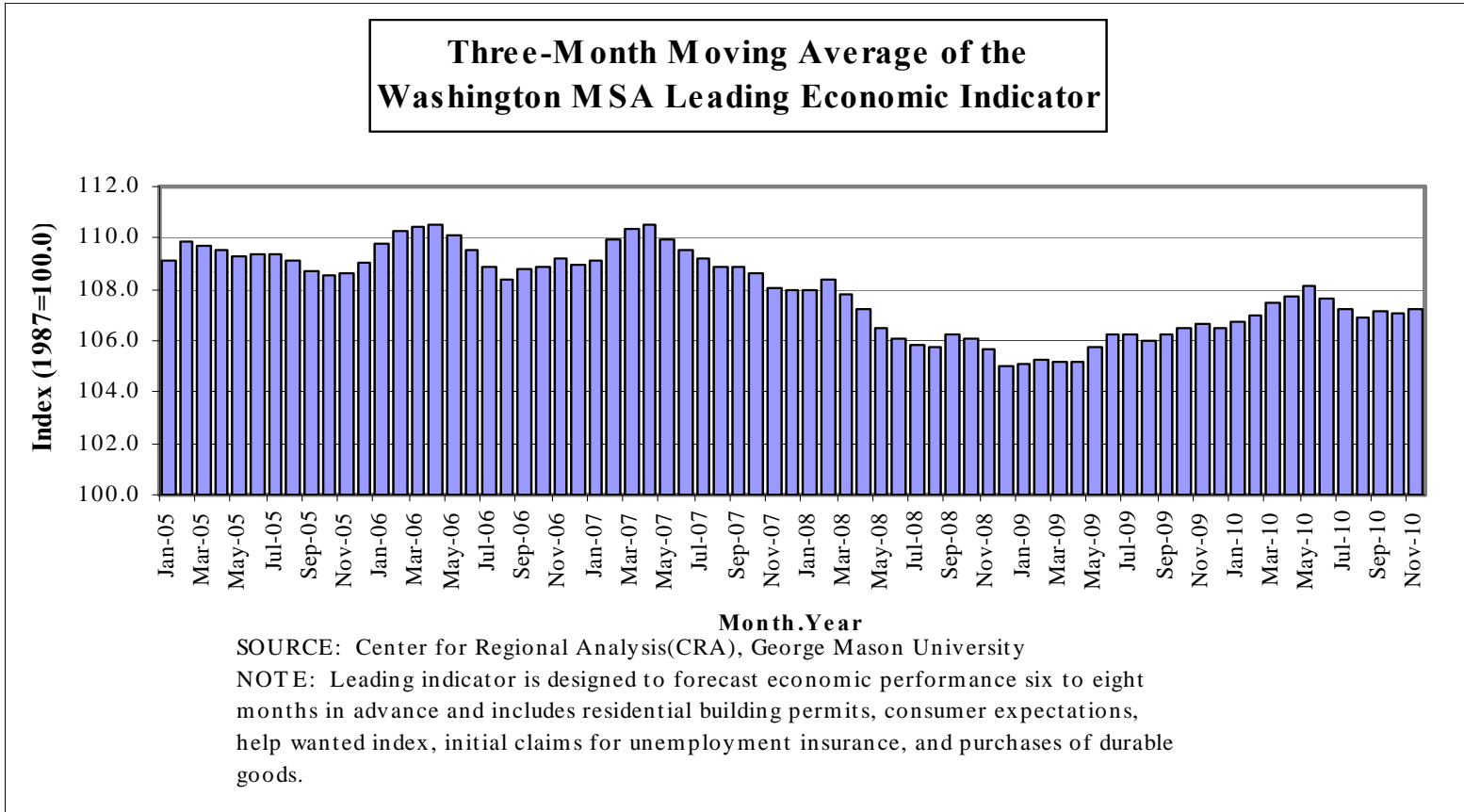


Regional Economic Indicators

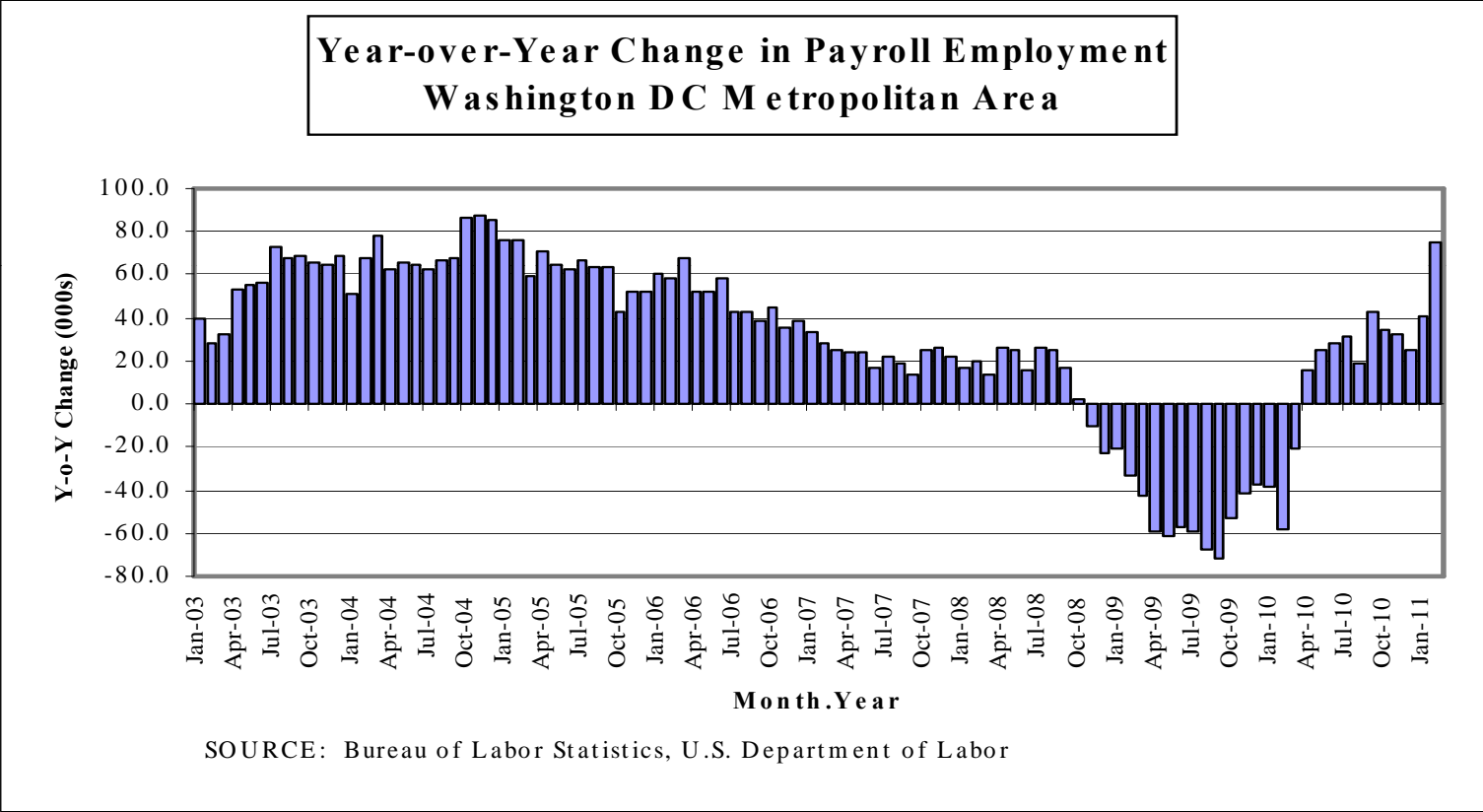
The Washington region’s coincident economic indicator decreased 0.4 percent (three-month moving average) in November 2010 over October 2010. The third consecutive decline after increasing for six consecutive months.



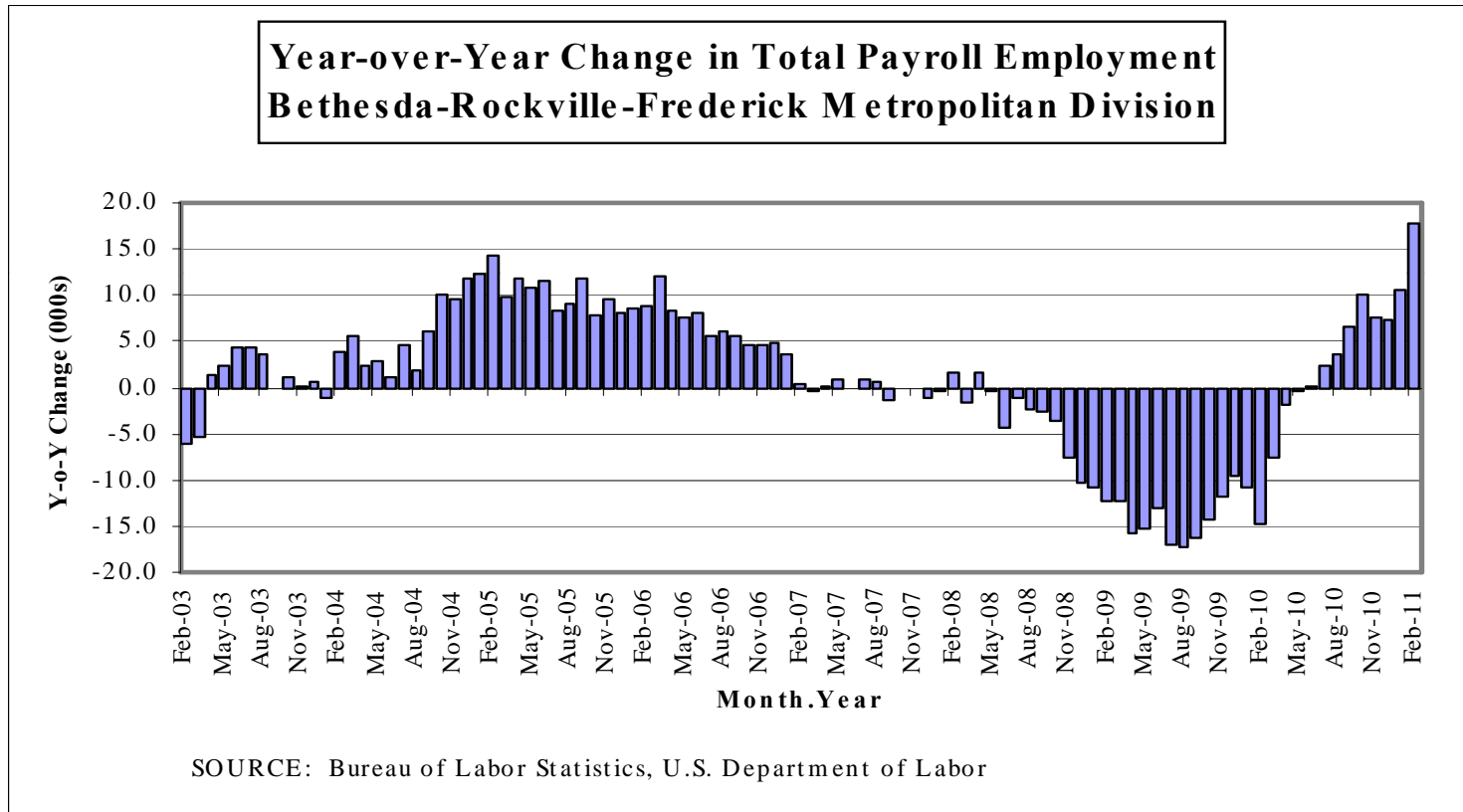
However, the leading index increased 0.2 percent (three-month moving average) in November over October, after decreasing four of the previous five months. The leading indicator suggests continued weak growth into 2011.



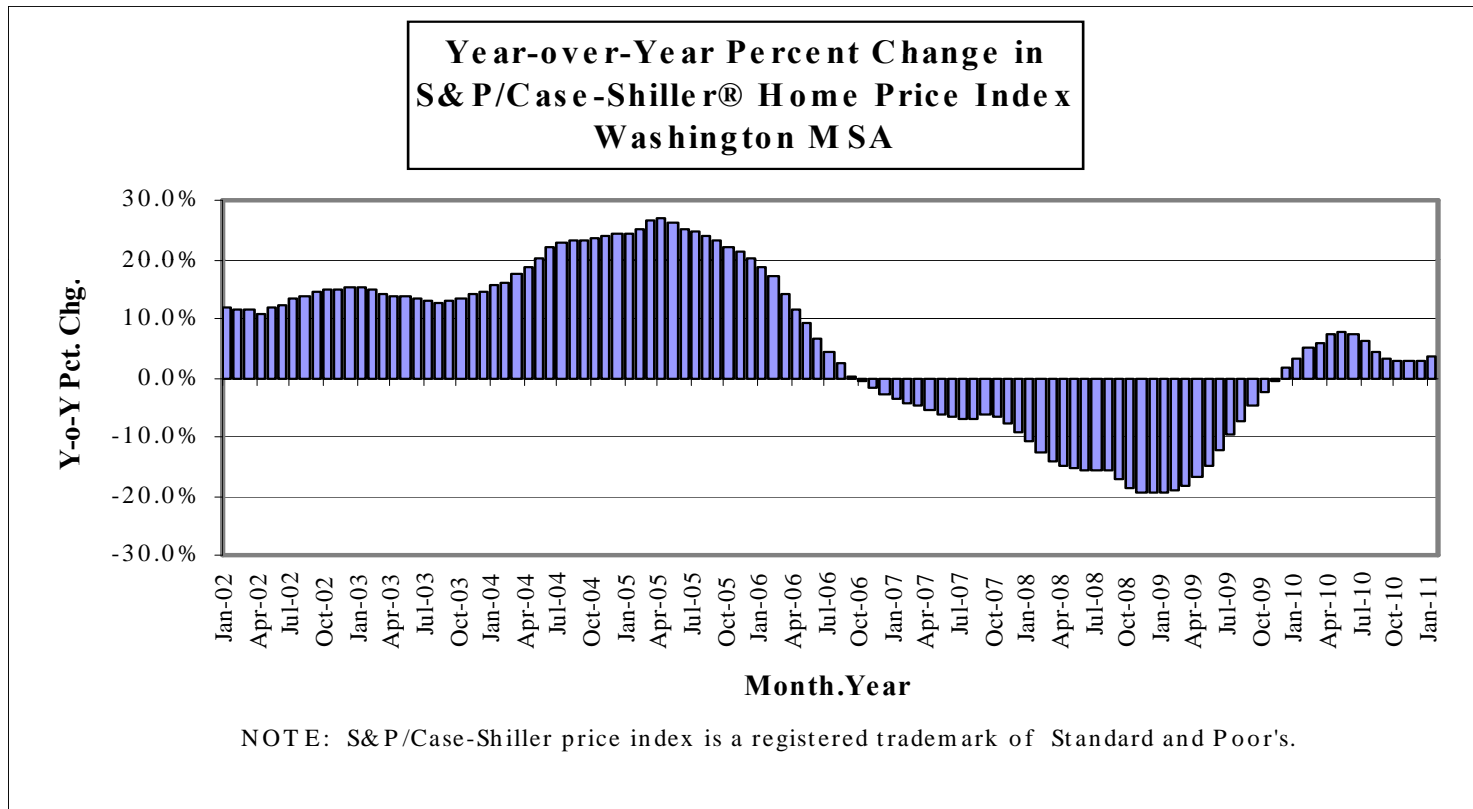
Payroll employment in the metropolitan region stood at approximately 2.950 million in February compared to approximately 2.875 million in February '10 - an increase of 75,000



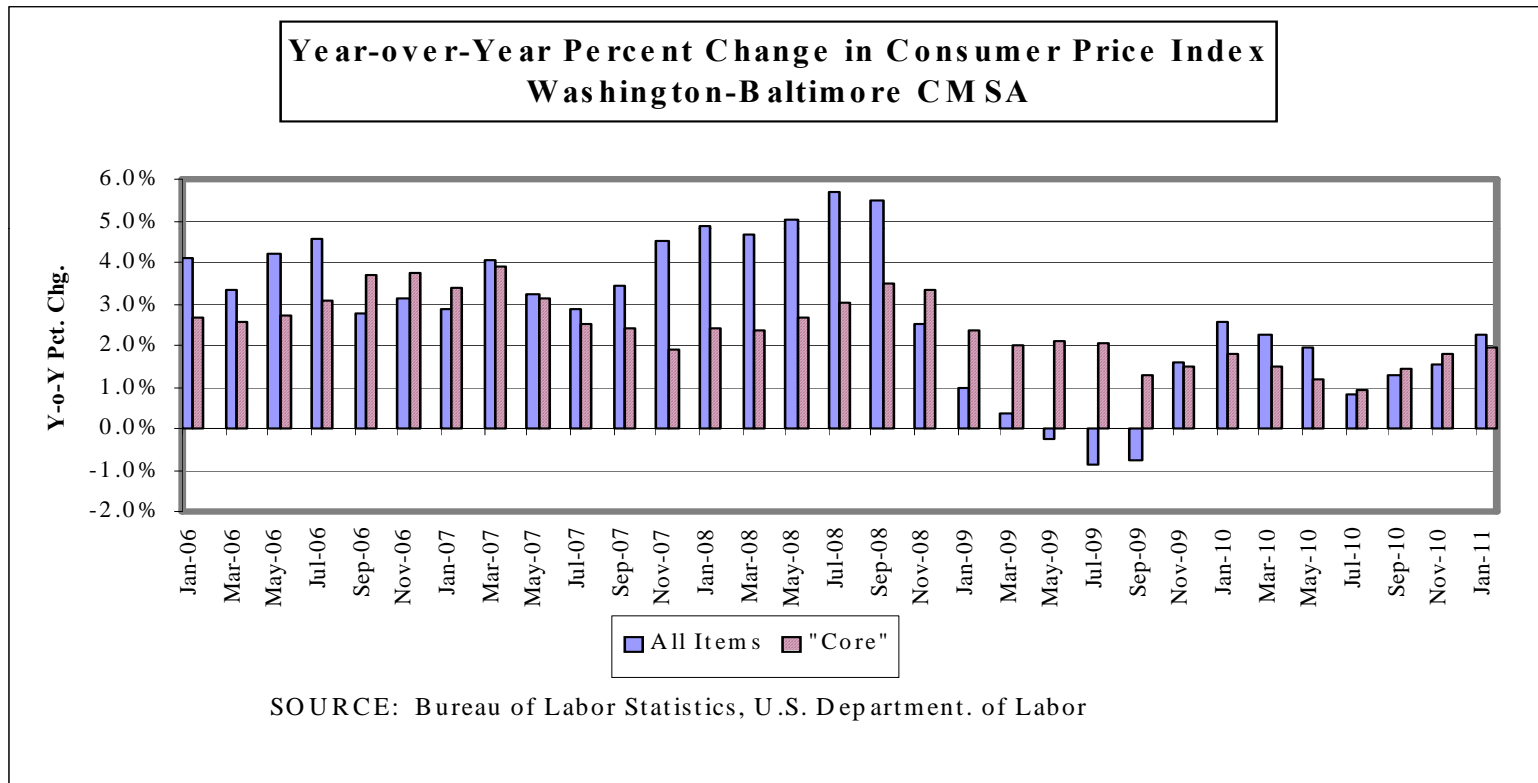
Payroll employment for Montgomery and Frederick counties stood at nearly 560,000 in February - an increase of 17,700 jobs since February '10. For calendar year 2010, payroll employment averaged 560,300 – a 0.04 percent increase over the average for 2009.



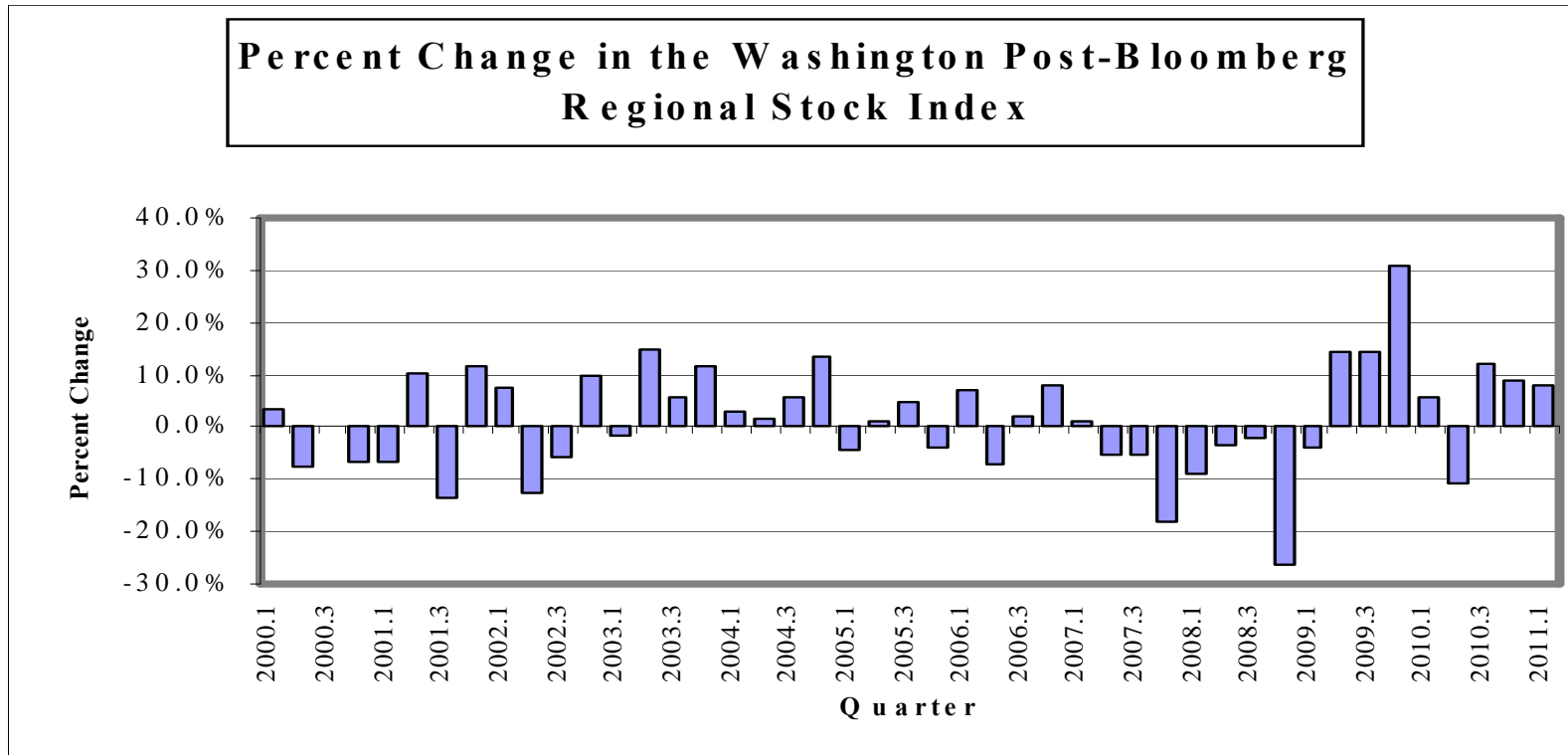
Based on the Case-Shiller® index, home prices in the Washington metropolitan region increased 3.6 percent in January 2011 compared to January 2010.




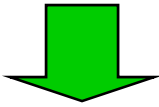

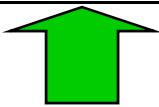

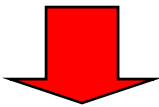
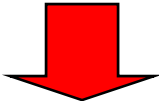
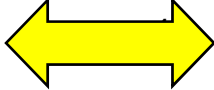
The overall consumer price index for the Washington-Baltimore consolidated region increased 2.3 percent in January compared to January 2010. For the calendar year 2010, the index increased 1.7 percent compared to 0.2 percent in 2009.



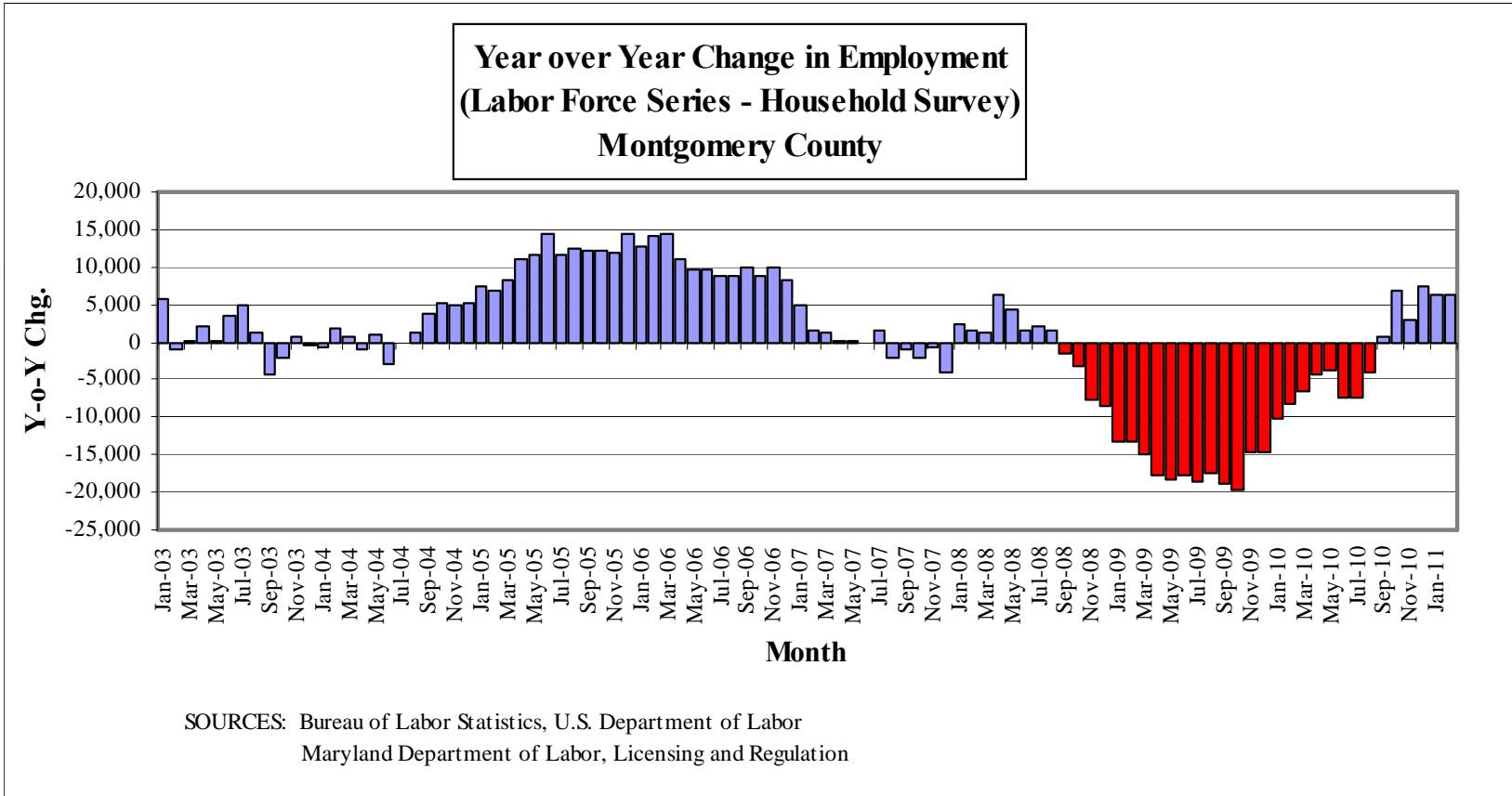
The *Washington Post*-Bloomberg regional stock index increased 7.9 percent in the first quarter which represented the third consecutive quarterly increase.



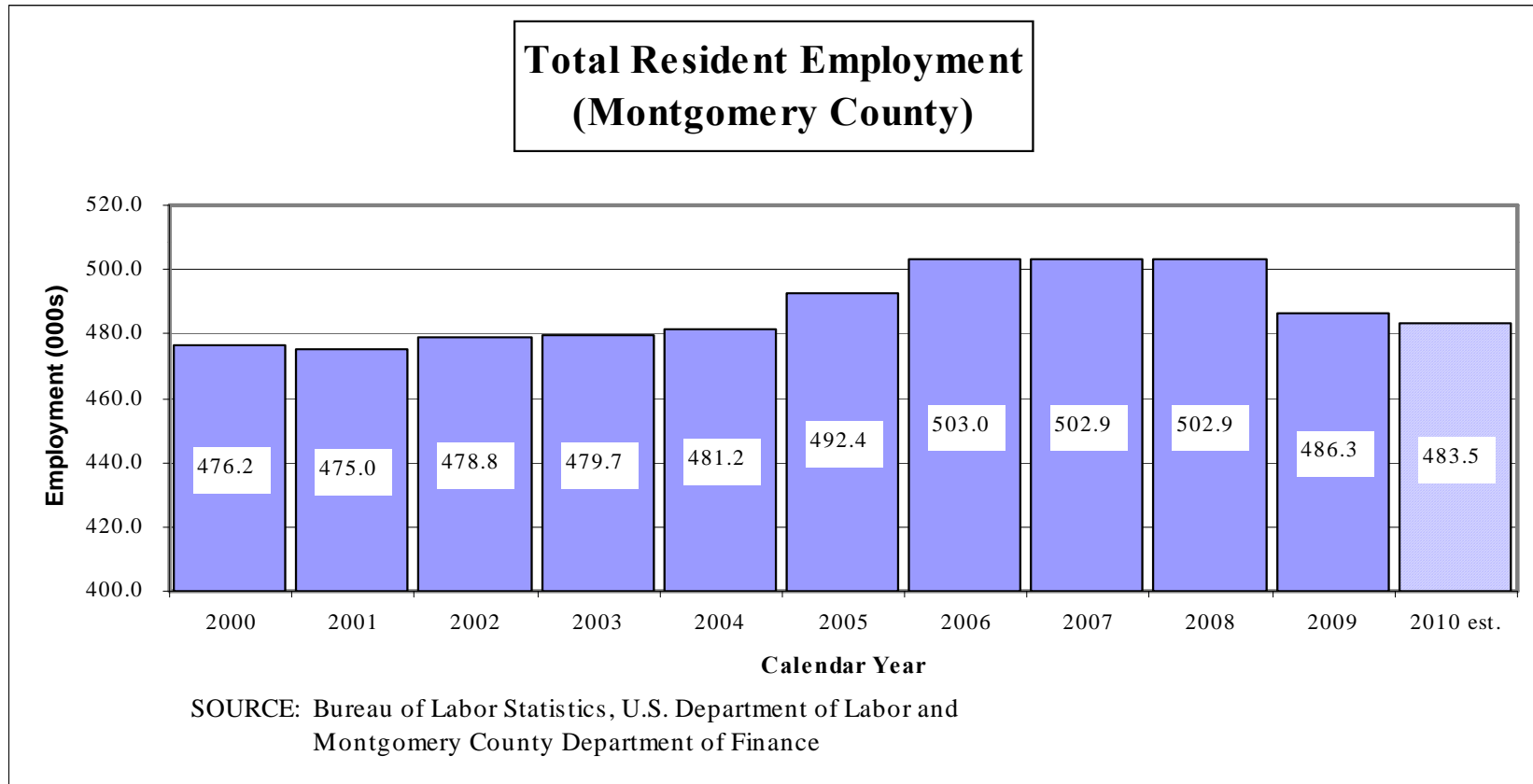
Montgomery County Economic Indicators

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	DIRECTION (yr.-over-yr.)
INFLATION	1.72% Jan.-Dec. 2010	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2009: 0.23% 2008: 4.52%	
UNEMPLOYMENT RATE	5.1% Feb. 2011	Income Taxes	Indicates overall health of the job market	Jan. 2011: 5.3% Feb. 2010: 5.9%	
RESIDENT EMPLOYMENT	485,270 Feb. 2011	Income Taxes	Primary determinant of income tax receipts	Jan. 2011: 486,895 Feb. 2010: 479,049	
PAYROLL EMPLOYMENT (Estimated)	462,700 Feb. 2011	Income Taxes	Another determinant of income tax receipts	Jan. 2011: 461,700 Feb. 2010: 448,000	
STOCK MARKET - S&P 500	1325.83 As of Mar. 31st	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2010: 1,257.64 2009: 1,115.10	
HOME SALES	525 Feb. 2011	Transfer/ Recordation Taxes	Indicates activity affecting receipts	Jan. 2010: 557 Feb. 2010: 550	
HOME PRICES (Average Price Sold)	\$390,022 Feb. 2011	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	Jan. 2011: \$436,443 Feb. 2010: \$398,680	
FEDERAL FUNDS RATE (preliminary)	0.14% Mar. 2011	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Feb. 2011: 0.16% Mar. 2010: 0.16%	

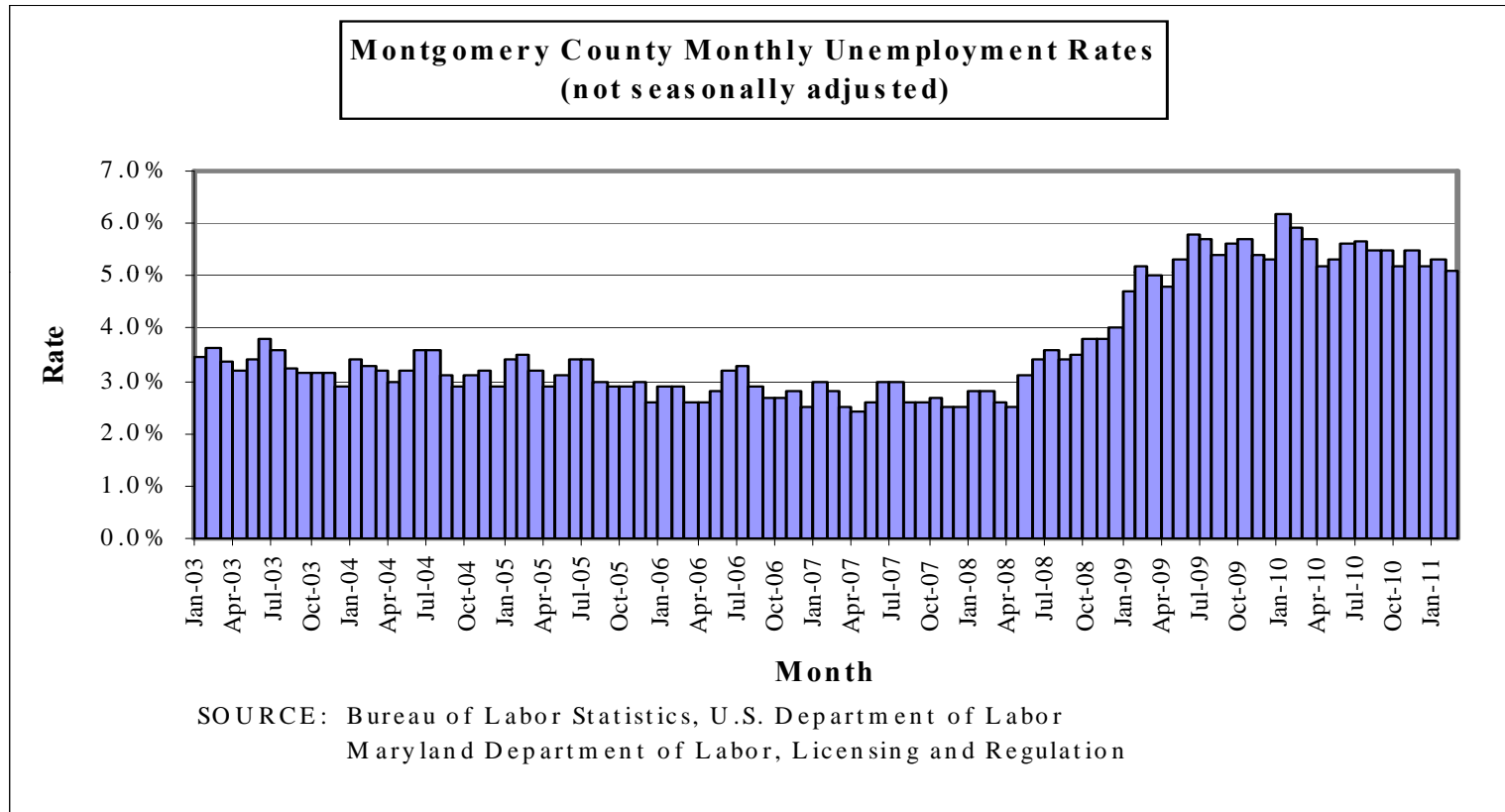
Resident employment in Montgomery County was 485,270 in February compared to 479,049 in February 2010 - an increase of over 6,200.



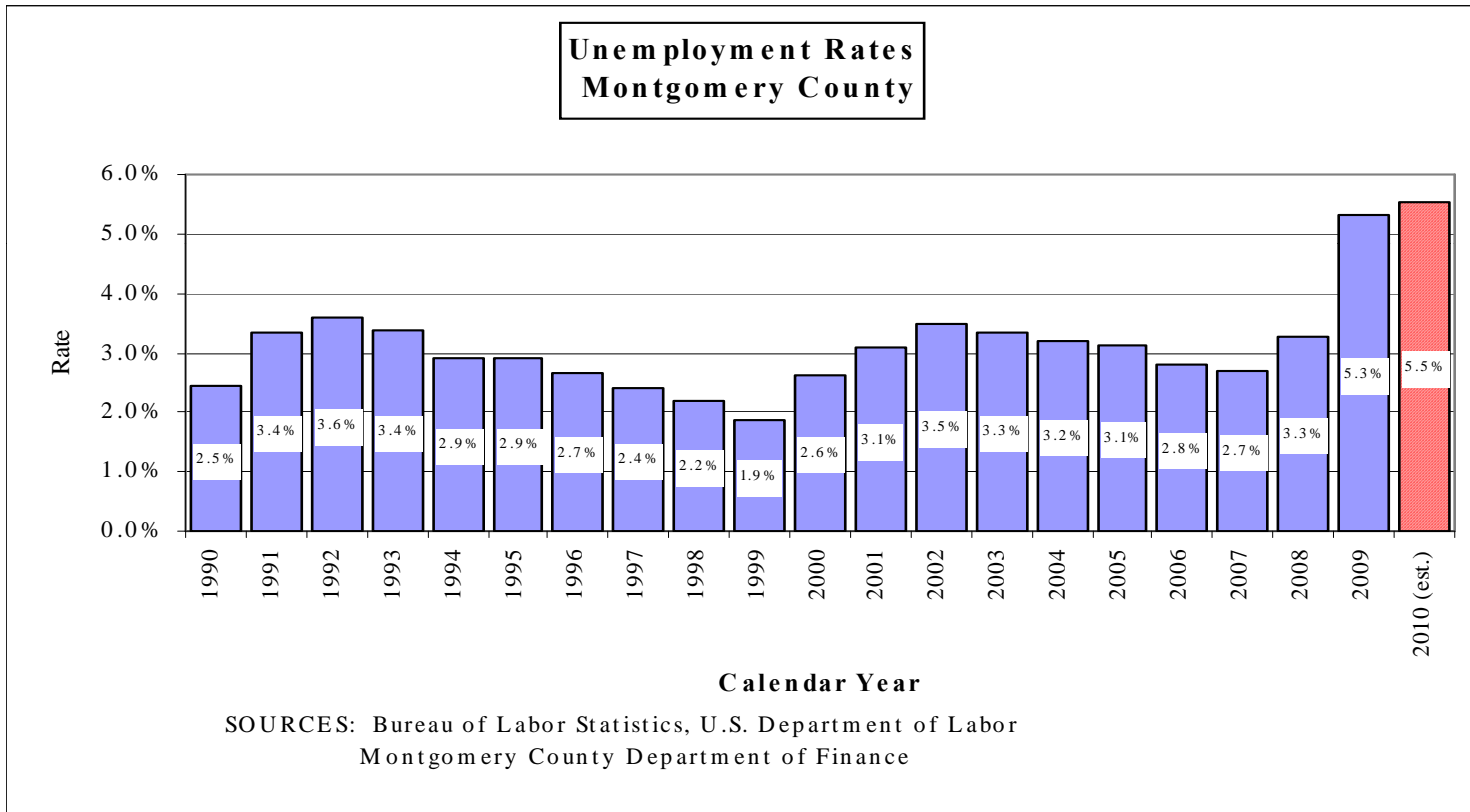
On an annual basis, resident employment in Montgomery County declined 3.3 percent in 2009 and an estimated 0.6 percent in 2010. Those declines followed two consecutive years of no growth in employment.



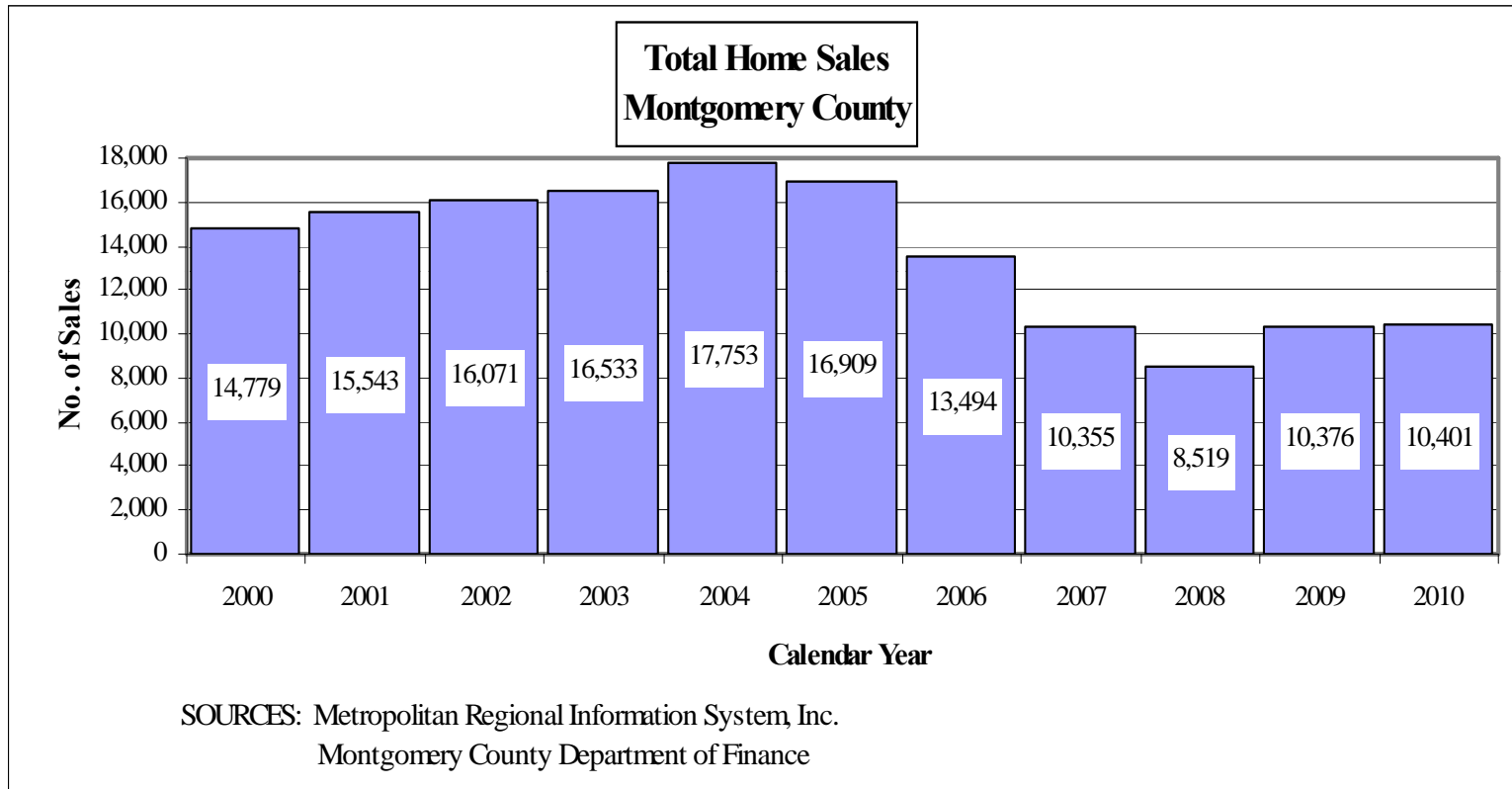
Because of the steady decline in the County’s resident employment prior to the last quarter of 2010, the unemployment rate has risen from 2.8 percent in February 2008 to 5.1 percent in February of this year.



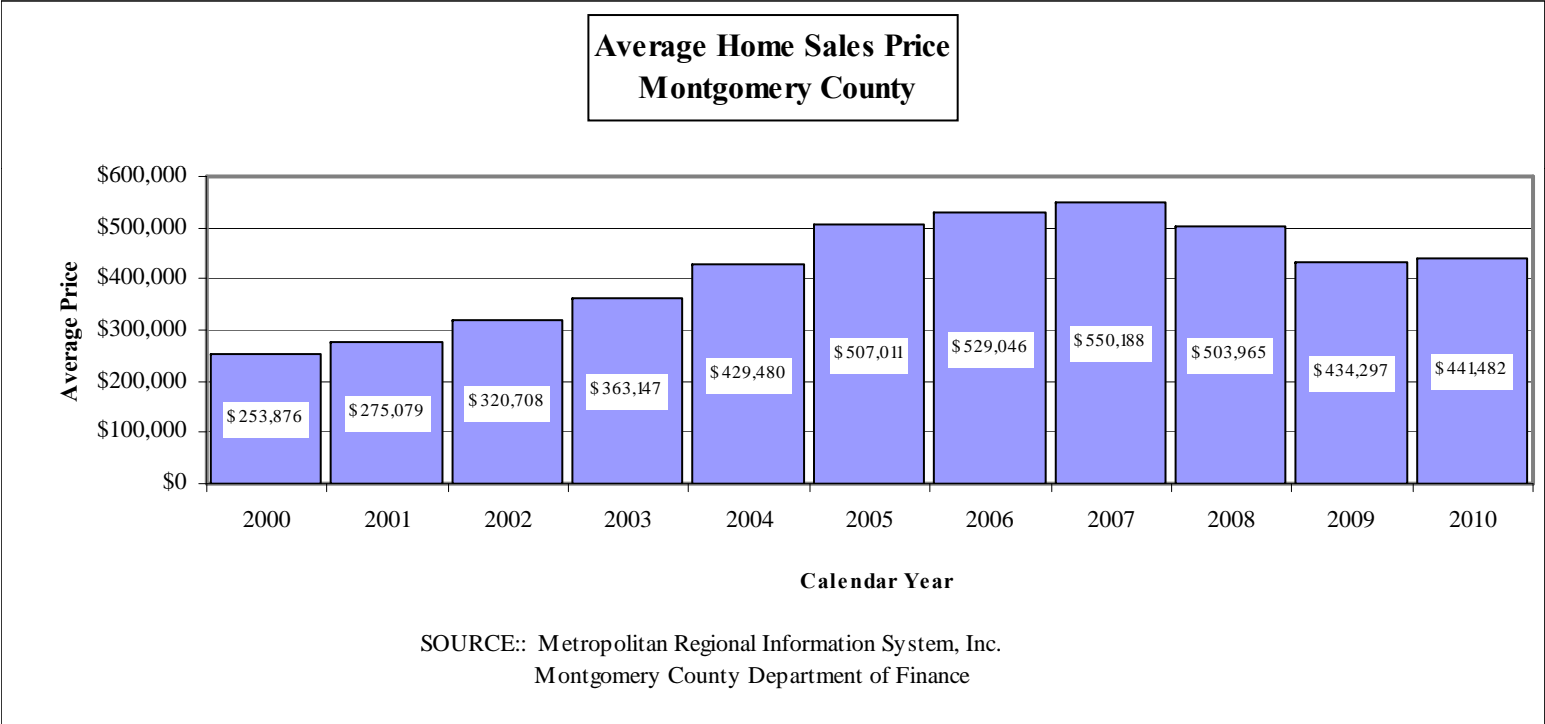
The annual unemployment rate is estimated to have remained above the 5.0 percent level in 2010 (~5.5%) and slightly above the 5.3 percent rate in 2009.



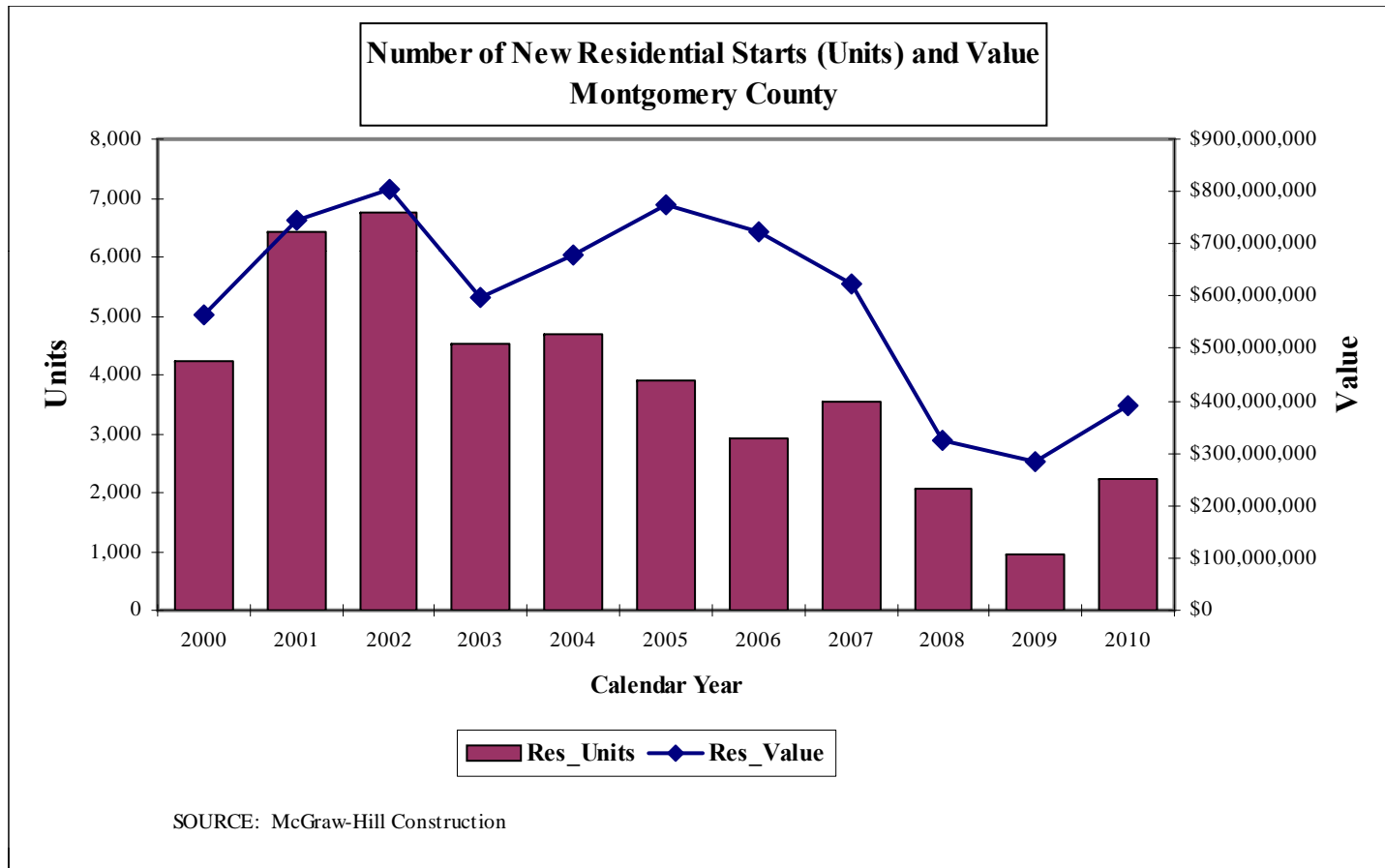
With the expiration of the Federal first-time homebuyers credit, total sales of existing homes increased a meager 0.2 percent in 2010 compared to an increase of 21.8 percent in 2009.



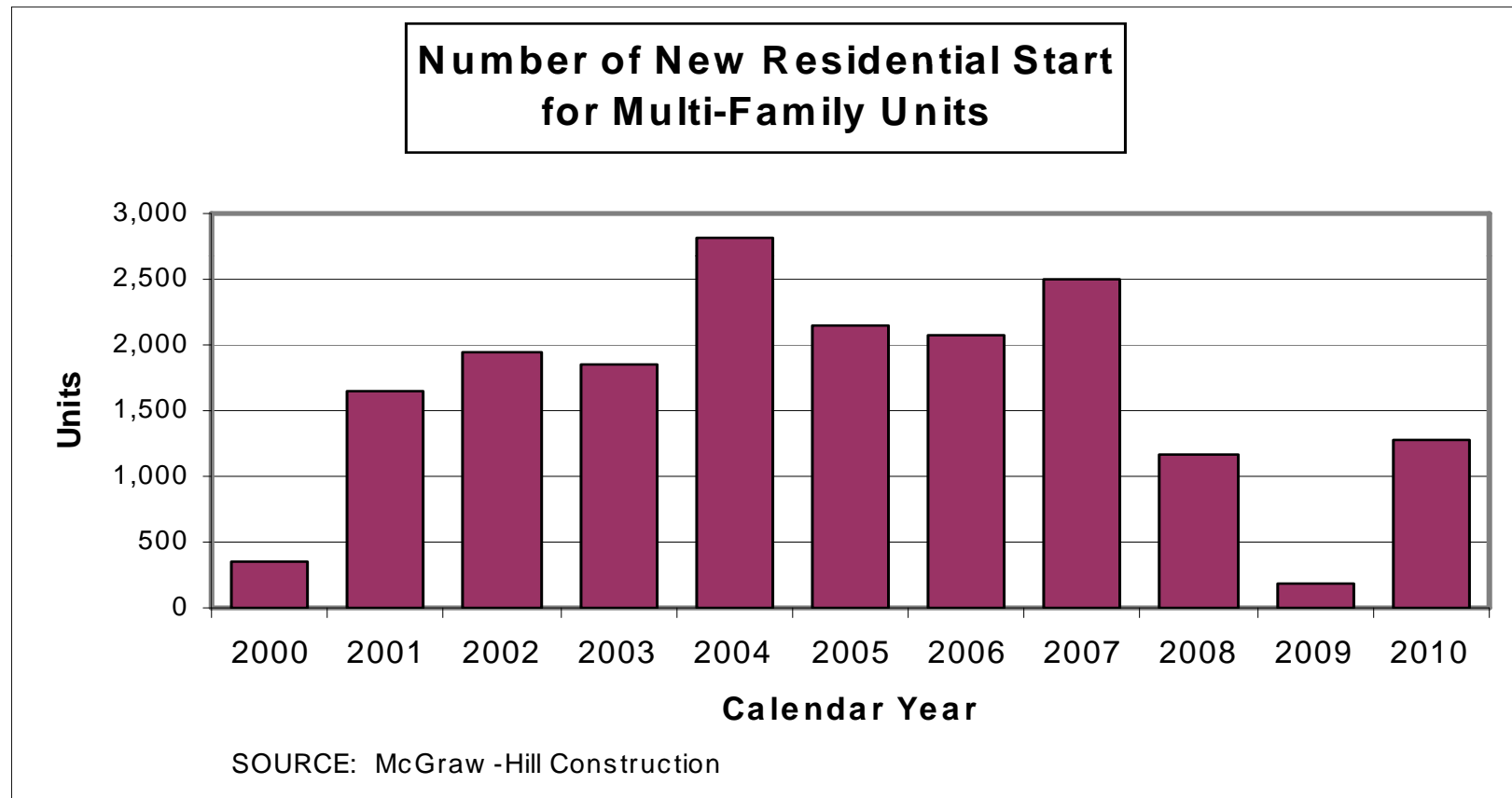
While the sales of existing homes in the County increased modestly in 2010 ($\uparrow 0.2\%$), the average sales price increased 1.7 percent, which followed decreases of 8.4 percent (2008) and 13.8 percent (2009).



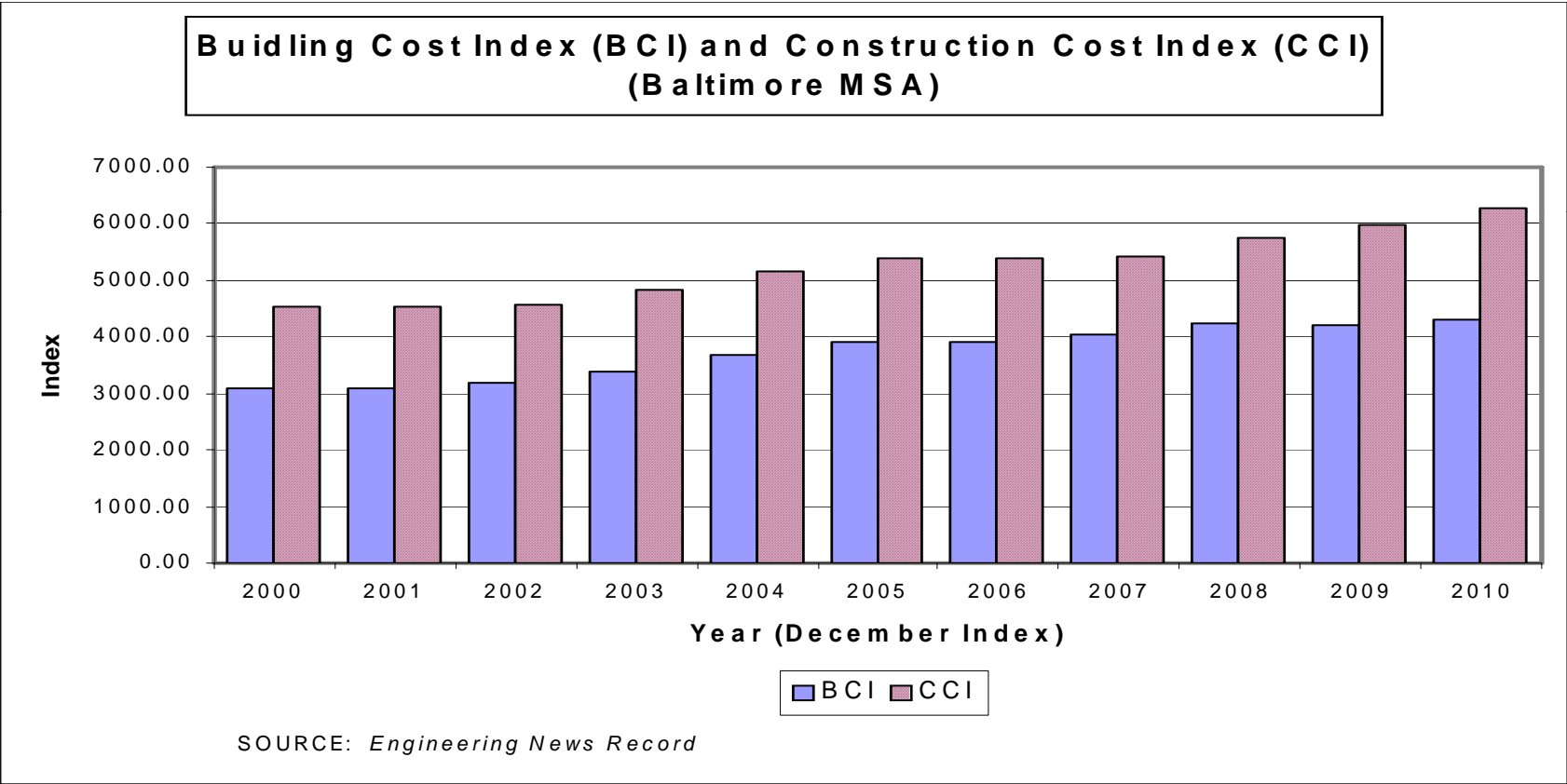
The increase in home sales during the latter half of 2009 and the first half of 2010 and the construction of multi-family units affected new residential construction. The number of residential starts (units) increased from nearly 970 in 2009 to over 2,200 in 2010 – more than double the number of units in 2009.



However, the increase in residential construction in 2010 was attributed to the increase in multi-family units from less than 200 in 2009 to over 1,270 in 2010. While at the same time, construction of single-family units was less than 800.



The building cost index (BCI) for the Baltimore MSA increased 2.3 percent in December 2010 over December 2009 and the Construction Cost Index (CCI) increased 4.9 percent over the same period.



SUMMARY

- While the County's unemployment rate in 2010 and the first two months of 2011 has remained above 5 percent, the recent year-over-year increases in both the County's resident and payroll employment provide a positive outlook about the employment situation in the County.
- While average home prices have increased, albeit at a modest rate (1.7% in 2010), sales of existing homes experienced meager growth in 2010 and most of that growth occurred during the first half of the calendar year. Until home sales rebound, the housing market may dampen any significant increase in the transfer and recordation taxes.
- Inflation for the Washington-Baltimore region was less than 2.0 percent in 2010. However, prices increased 2.3 percent in January – the largest increase since March of last year.