
Montgomery County, Maryland

ECONOMIC INDICATORS

Presentation to the Montgomery County Council

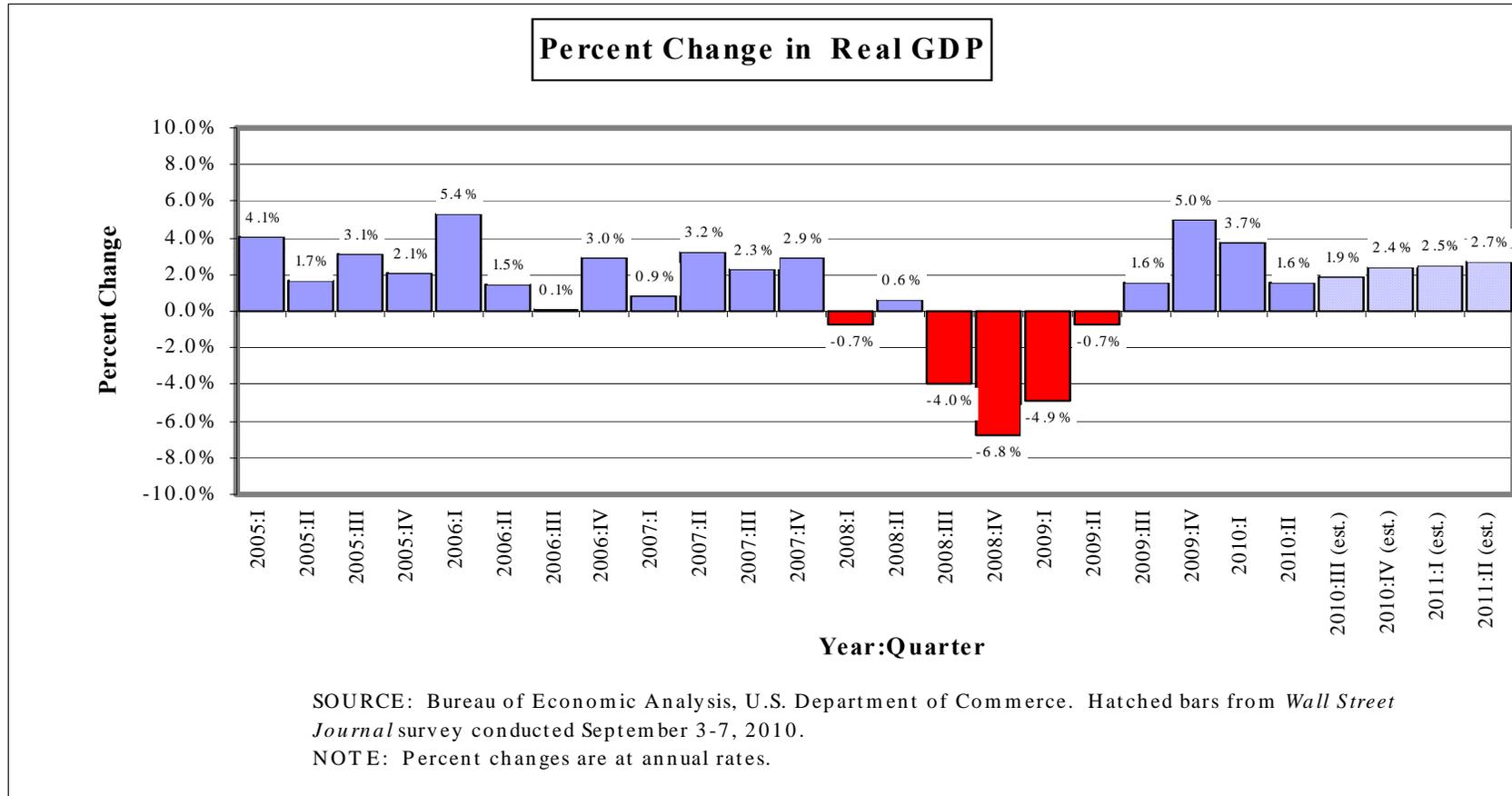
Department of Finance



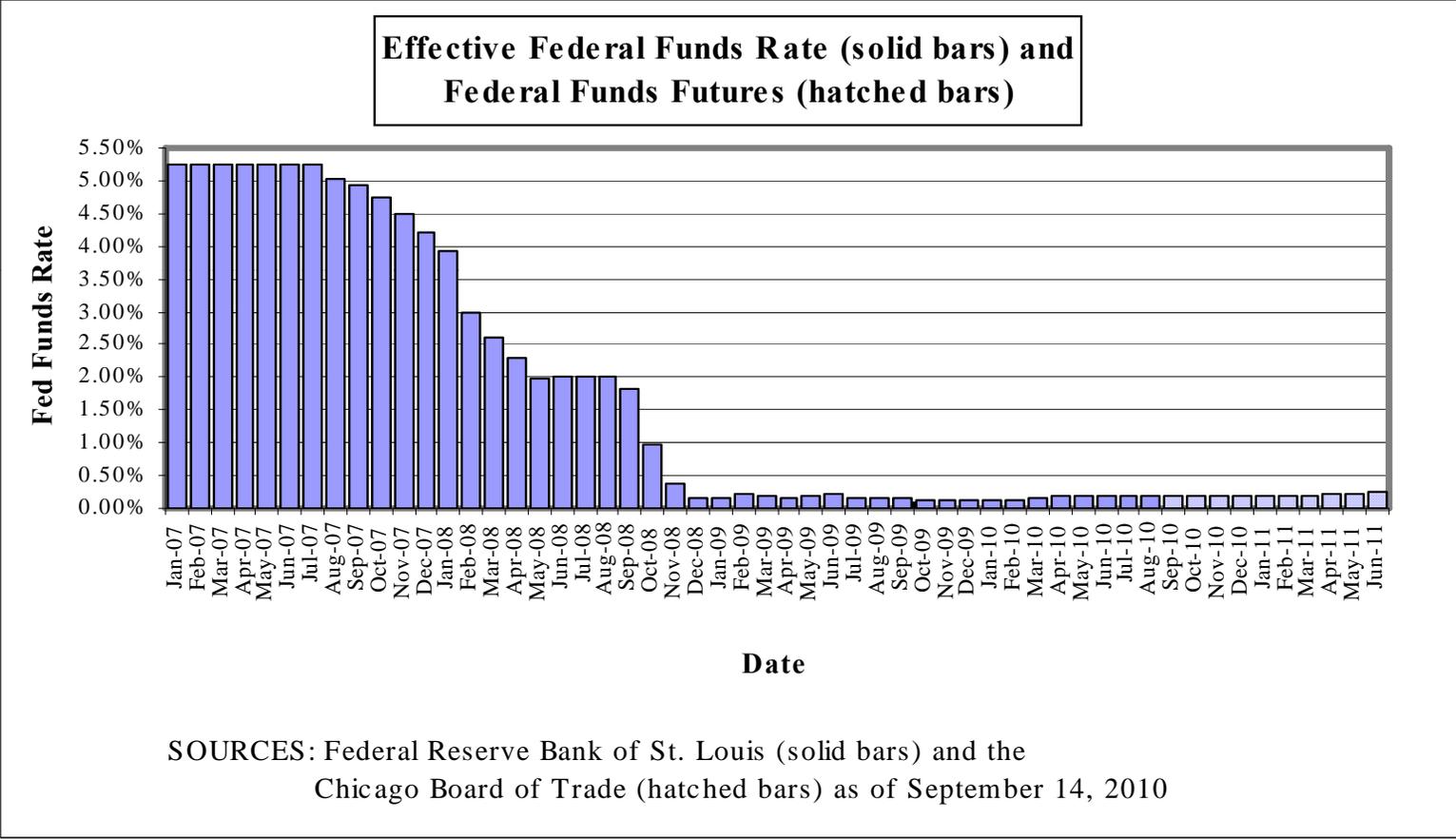
September 28, 2010

National Economic Indicators

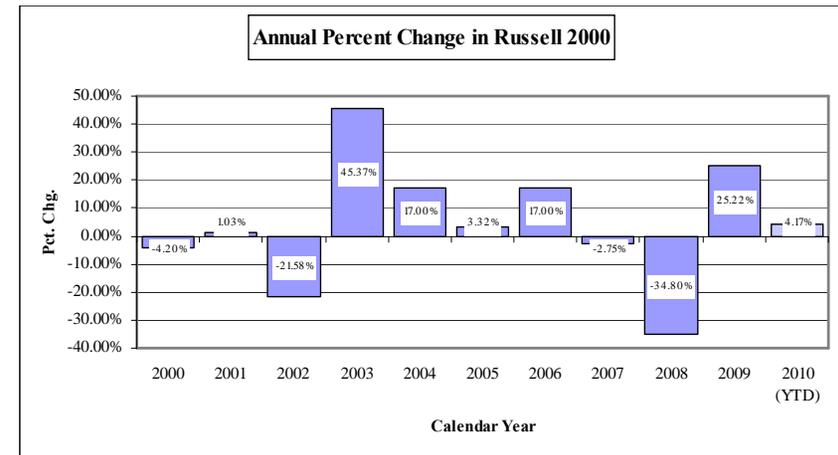
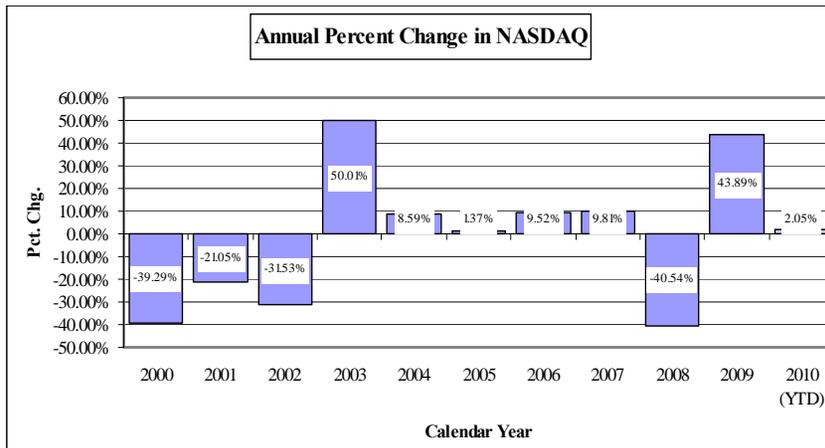
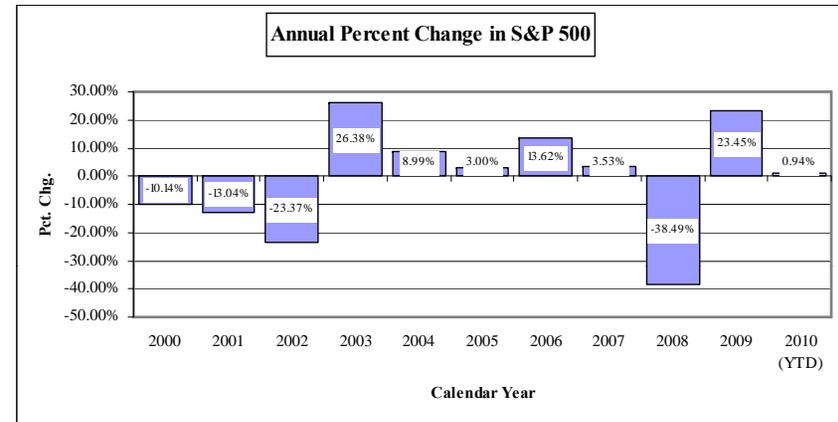
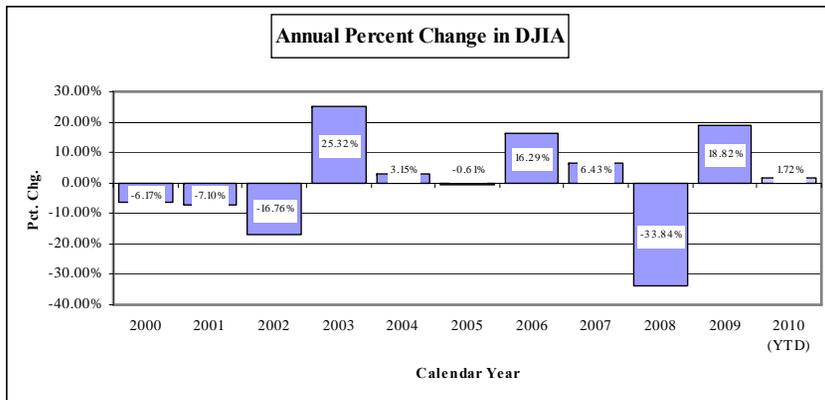
BEA reported that real GDP increased 1.6 percent during the second quarter. On average over 50 economists surveyed by *The Wall Street Journal* earlier this month expect GDP to increase 1.9 percent this quarter and 2.4 percent during the fourth quarter.



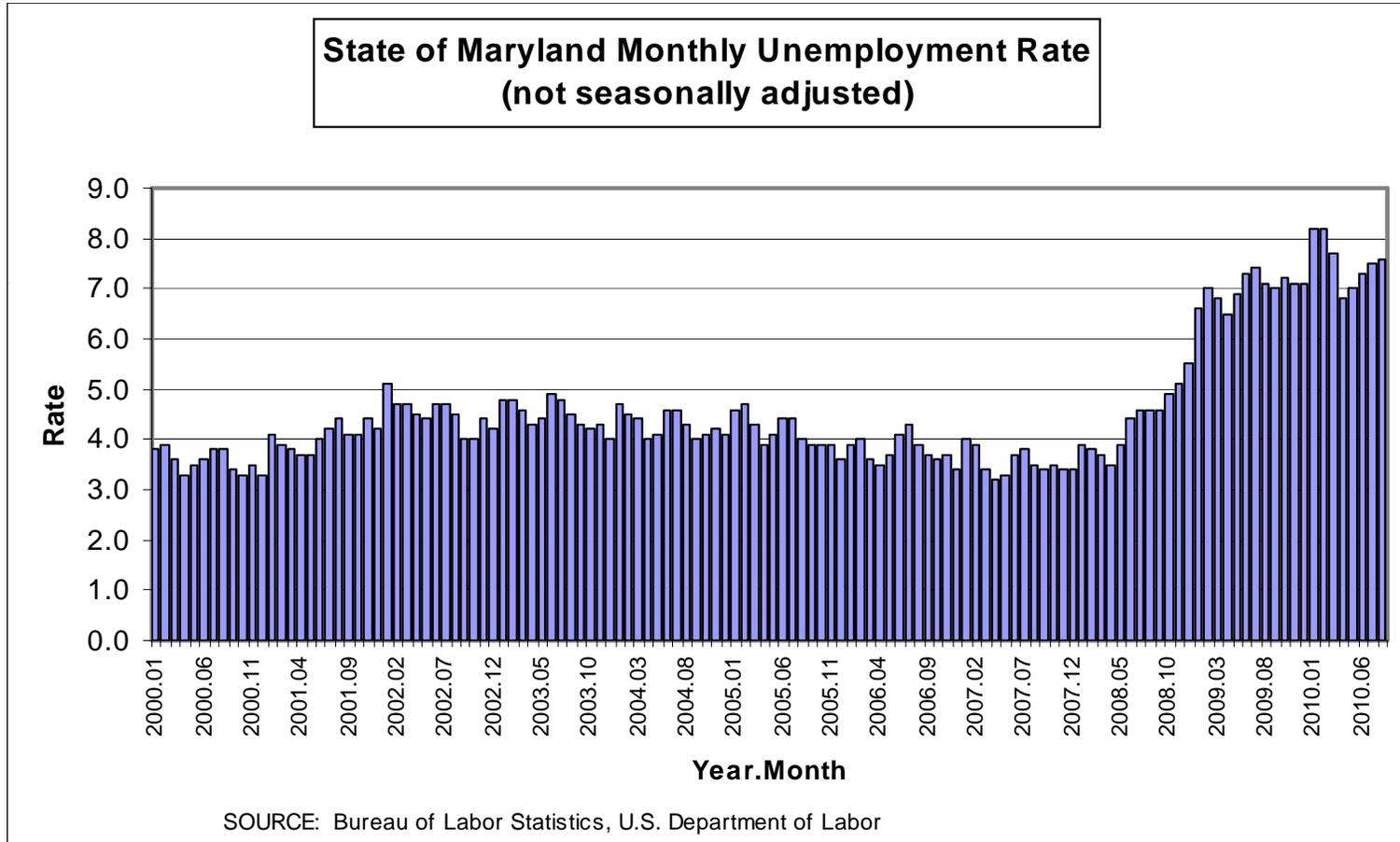
On September 21st, the Federal Open Market Committee of the Federal Reserve decided to keep its target range for the federal funds rate at 0.00 to 0.25 percent. The futures market anticipates no changes to the target range until the fall of next year.



**After experiencing double-digit growth in 2009, the stock market this year has grown by less than 5 percent through September 17th.
(DJIA ↑1.72%; S&P 500 ↑0.94%; NASDAQ ↑2.05%; Russell 2000 ↑4.17%)**

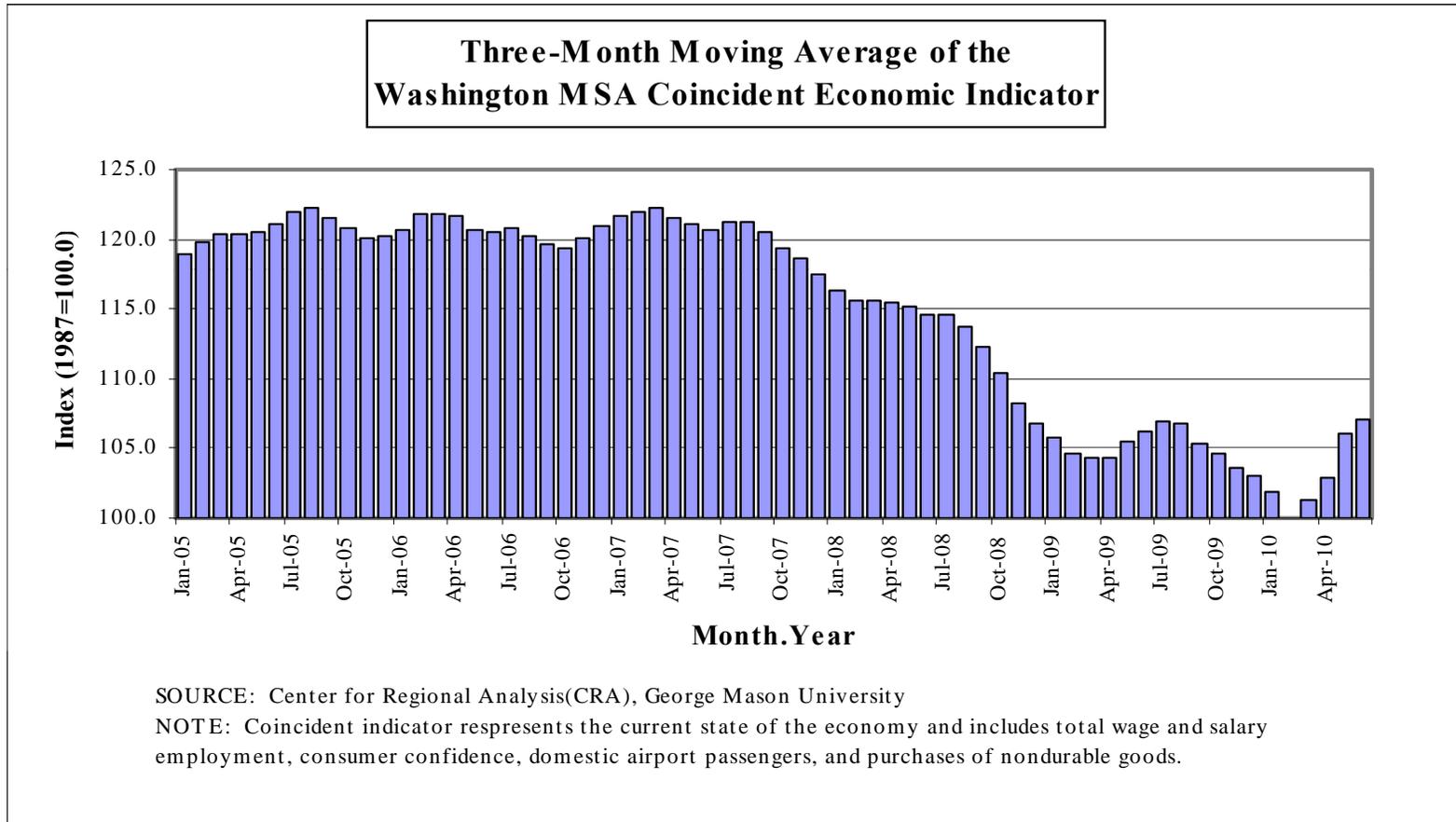


Maryland's unemployment rate was 7.6 percent in August (not seasonally adjusted) and has been at or above 6.6 percent since January 2009.

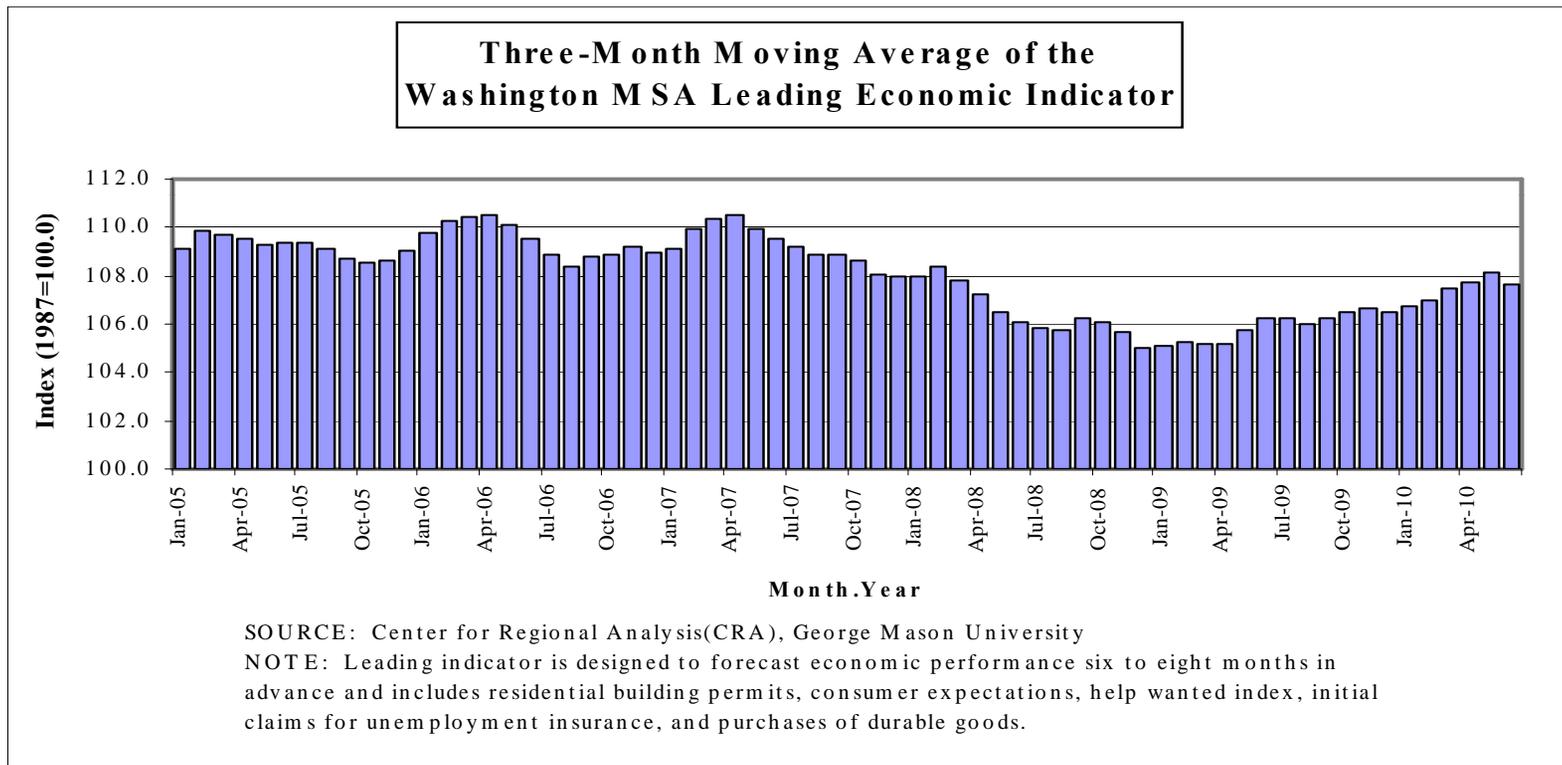


Regional Economic Indicators

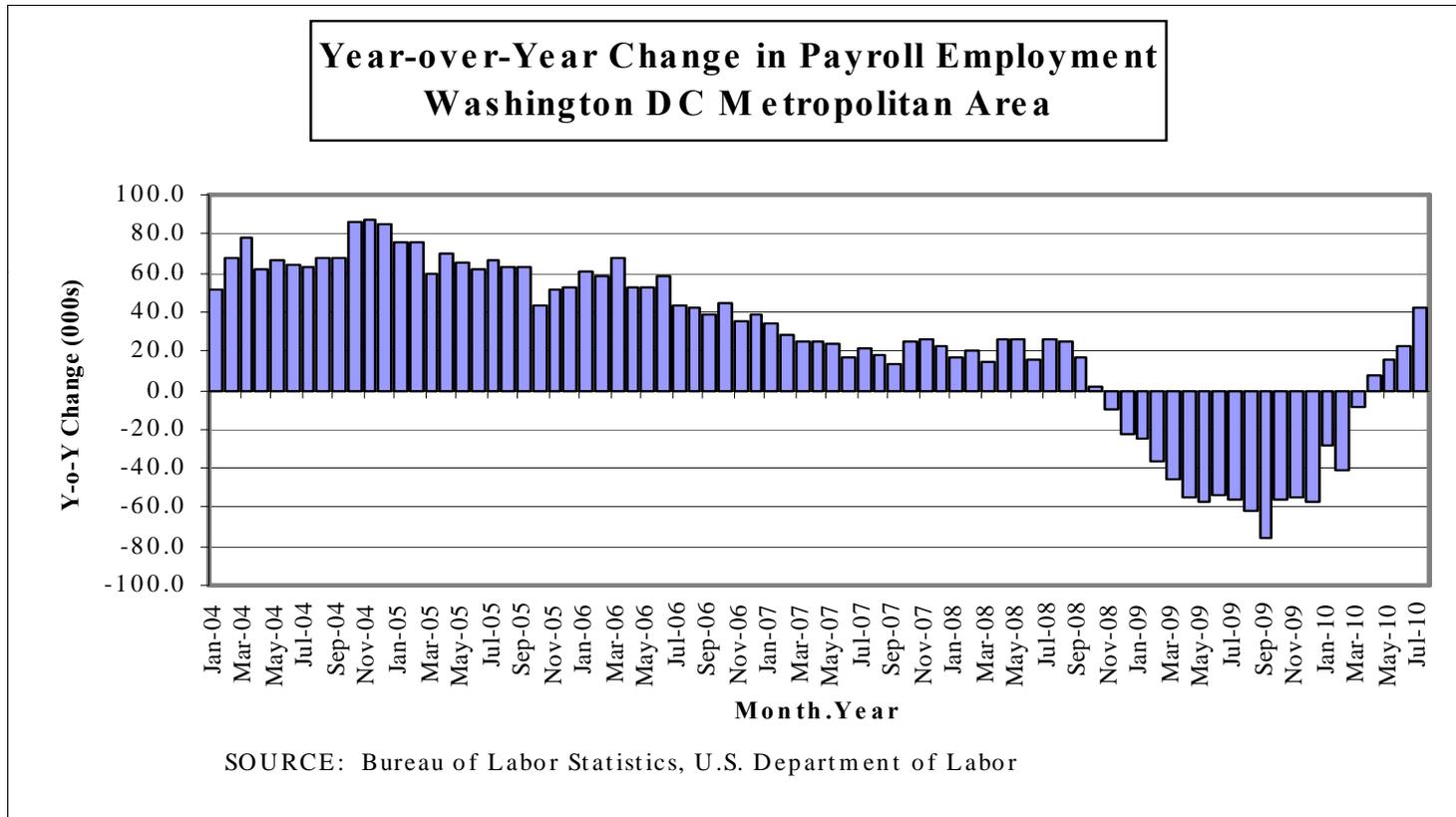
The Washington region's coincident economic indicator increased 0.9 percent (three-month moving average) in June over May for the fourth consecutive month.



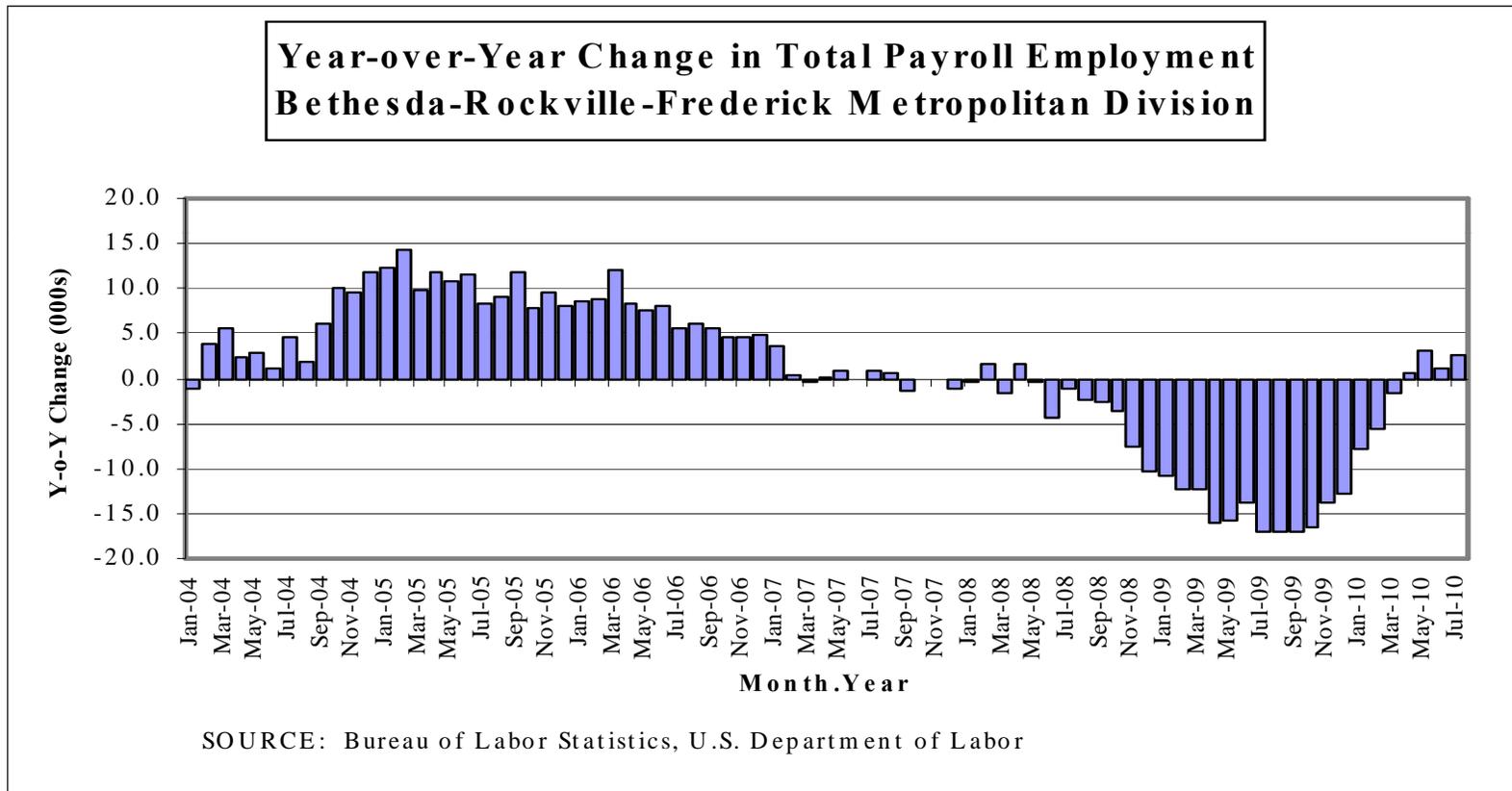
However, the leading index decreased 0.4 percent (three-month moving average) in June over May, after increasing for five consecutive months. Both indicators suggest that the region’s economy has begun to improve albeit the recovery may be a slow and lengthy process through the remainder of 2010.



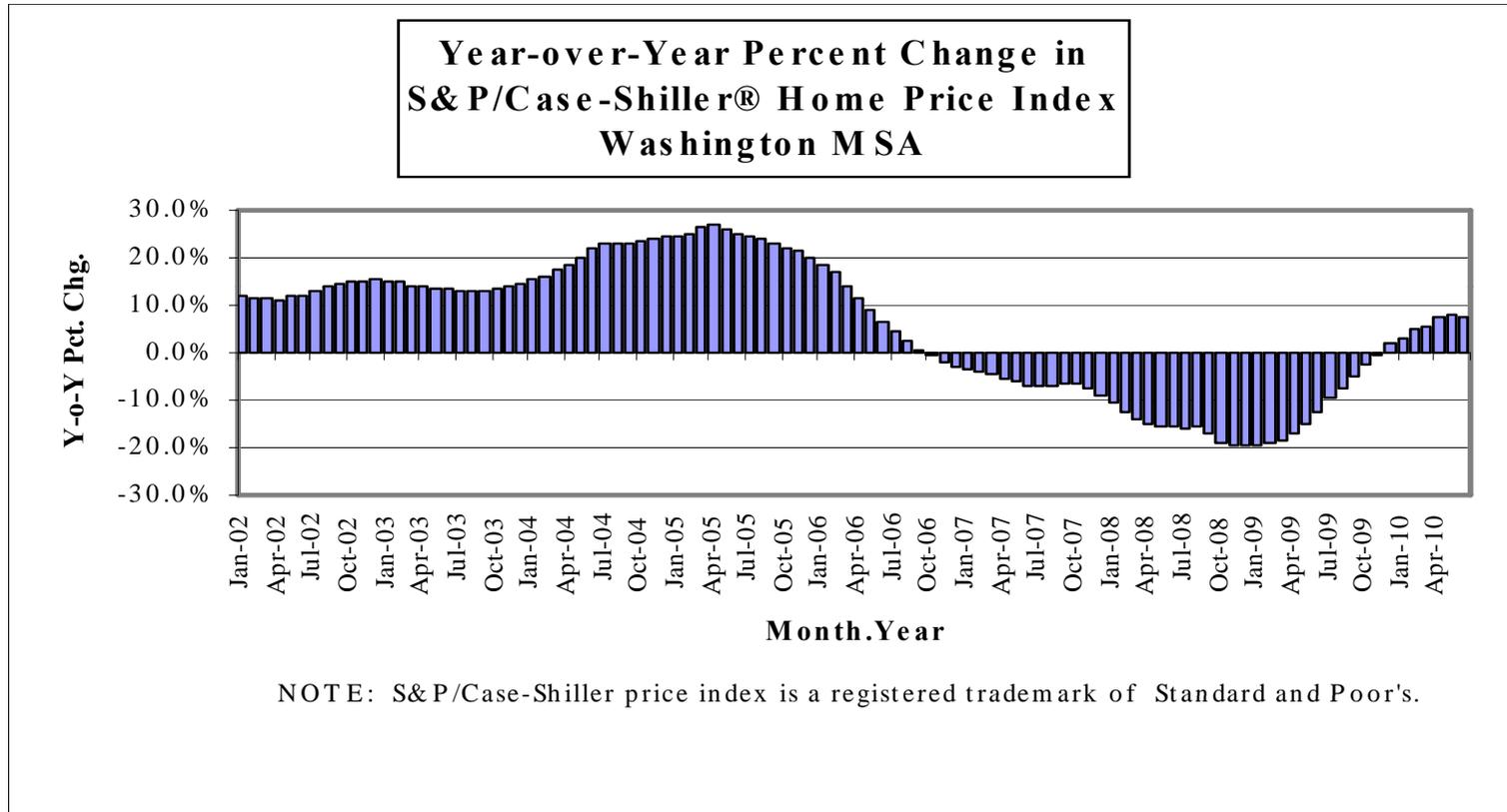
As the region's economy improved, payroll employment in the metropolitan region stood at over 3.013 million in July compared to 2.971 million in July '09 - an increase of 42,000.



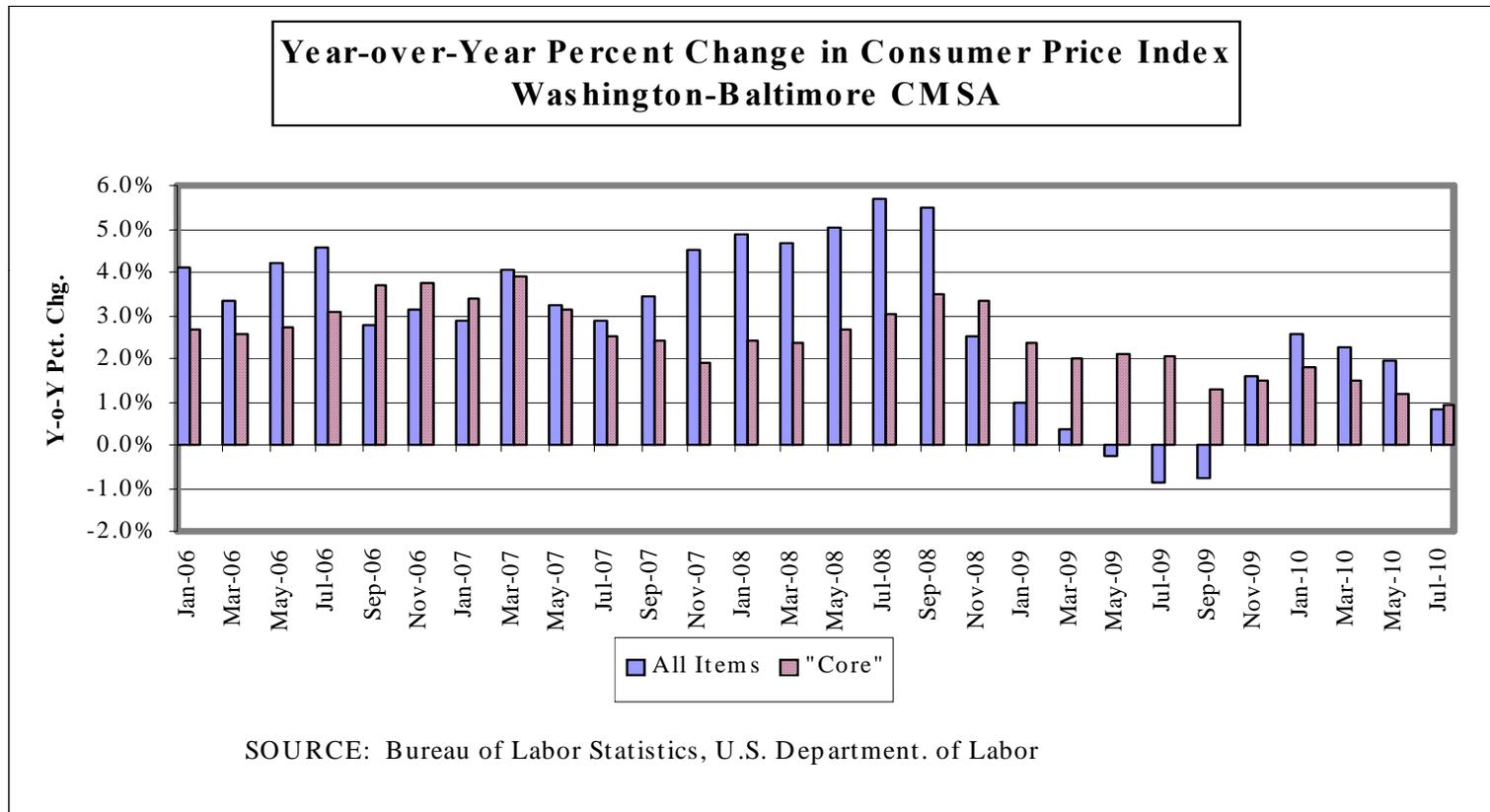
Payroll employment for Montgomery and Frederick counties stood at 564,400 in July - an increase of 2,700 jobs since July '09. For the first seven months of this year, monthly payroll employment averaged 559,000 – a 0.2 percent decline over the monthly average for the same period last year.



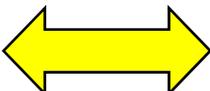
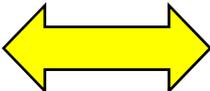
Based on the Case-Shiller® index, home prices in the Washington metropolitan region increased 7.3 percent in June compared to June '09. However, caution is warranted because of the expiration of the first-time homebuyers credit.



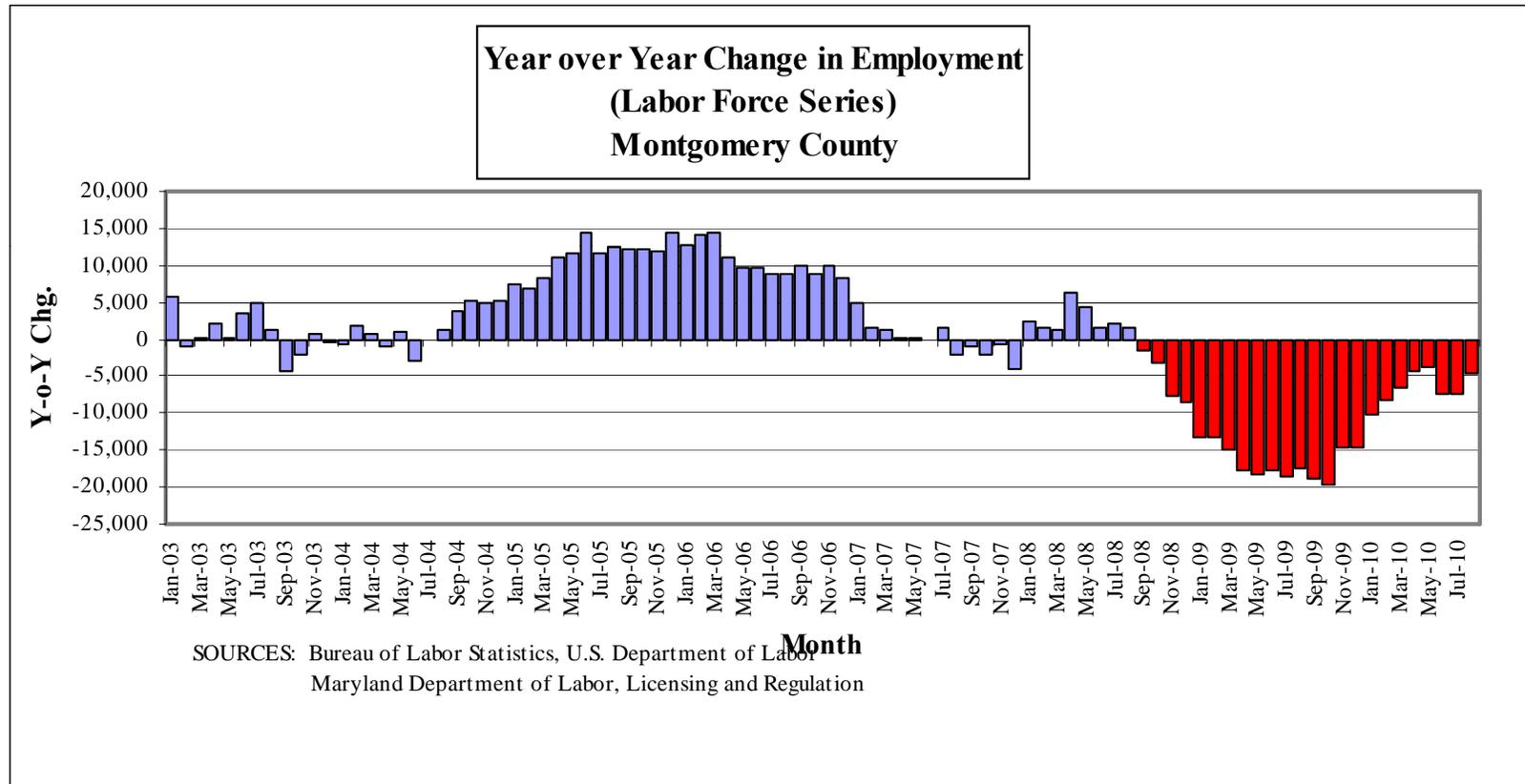
Because of rising gasoline prices, the overall consumer price index for the Washington-Baltimore consolidated region increased a modest 0.8 percent in July compared to July '09. For the calendar year to date (January through July), the index increased 1.92 percent compared to 0.05 percent in 2009.



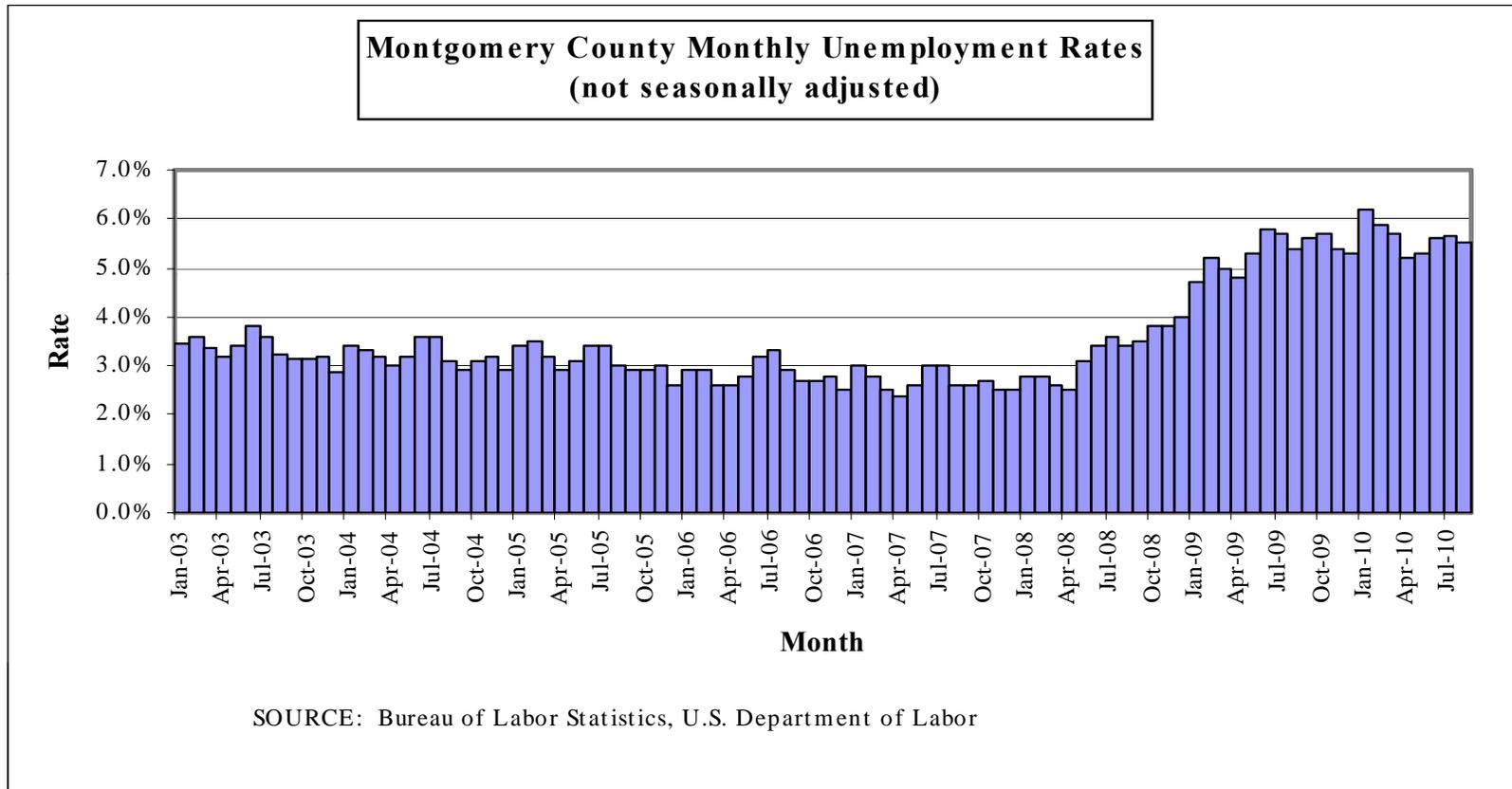
Montgomery County Economic Indicators

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	OUTLOOK
INFLATION	1.92% Jan.-July 2010	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2009: 0.23% 2008: 4.52%	
UNEMPLOYMENT RATE	5.5% August 2010	Income Taxes	Indicates overall health of the job market	July 2010: 5.7% Aug 2009: 5.4%	
RESIDENT EMPLOYMENT	483,671 August 2010	Income Taxes	Primary determinant of income tax receipts	July 2010: 488,100 Aug 2009: 488,176	
PAYROLL EMPLOYMENT	467,800 July 2010	Income Taxes	Another determinant of income tax receipts	June 2010: 469,400 July 2009: 465,600	
STOCK MARKET - S&P 500	1,125.59 as of Sept. 17	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2009: 1,115.10 2008: 903.25	
HOME SALES	860 August 2010	Transfer/ Recordation Taxes	Indicates activity affecting receipts	July 2010: 879 Aug 2009: 967	
HOME PRICES	\$474,376 August 2010	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	July 2010: \$492,036 Aug 2009: \$456,860	
FEDERAL FUNDS RATE	0.19% August 2010	Investment Income	County's return on investments closely correlated with the Fed Fund rates	July 2010: 0.18% Aug 2009: 0.16%	

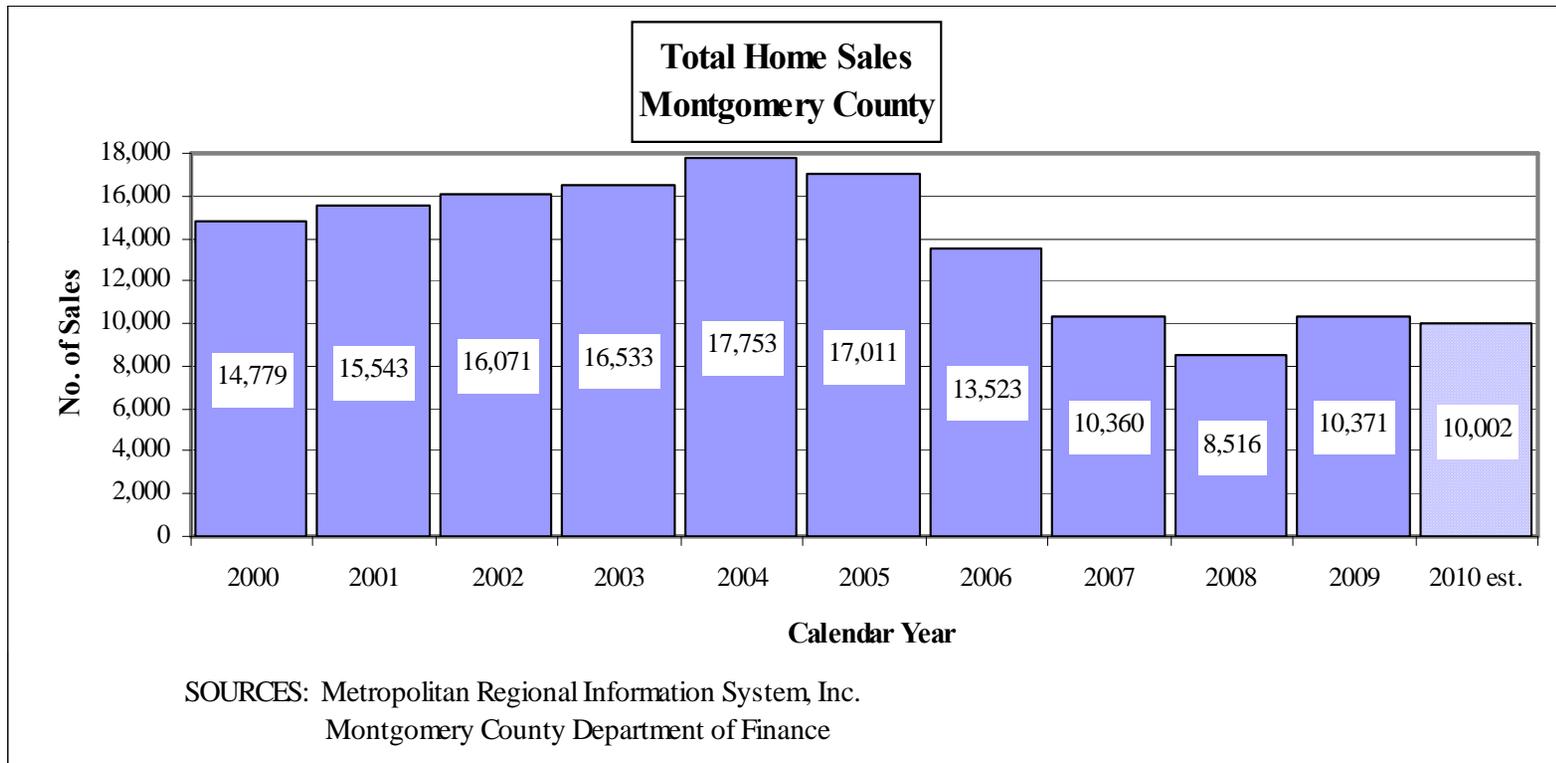
Resident employment in Montgomery County was 483,700 in August compared to almost 488,200 in August '09 - a decline of 4,500. Since September 2008, the year-over-year change in the County's monthly employment declined each month.



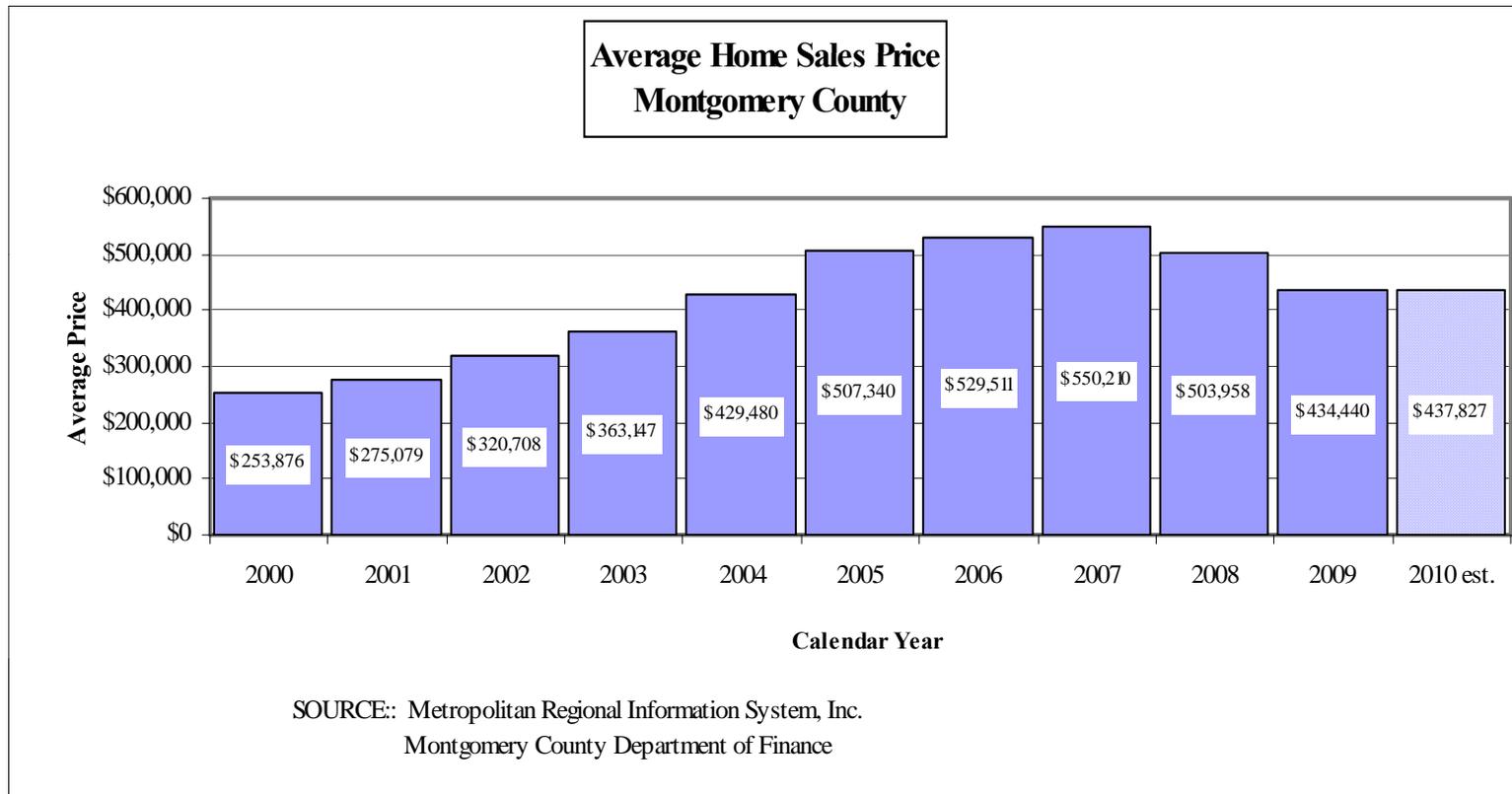
Because of the steady decline in the County's employment, the unemployment rate has risen from 3.4 percent in August 2008 to 5.5 percent in August of this year.



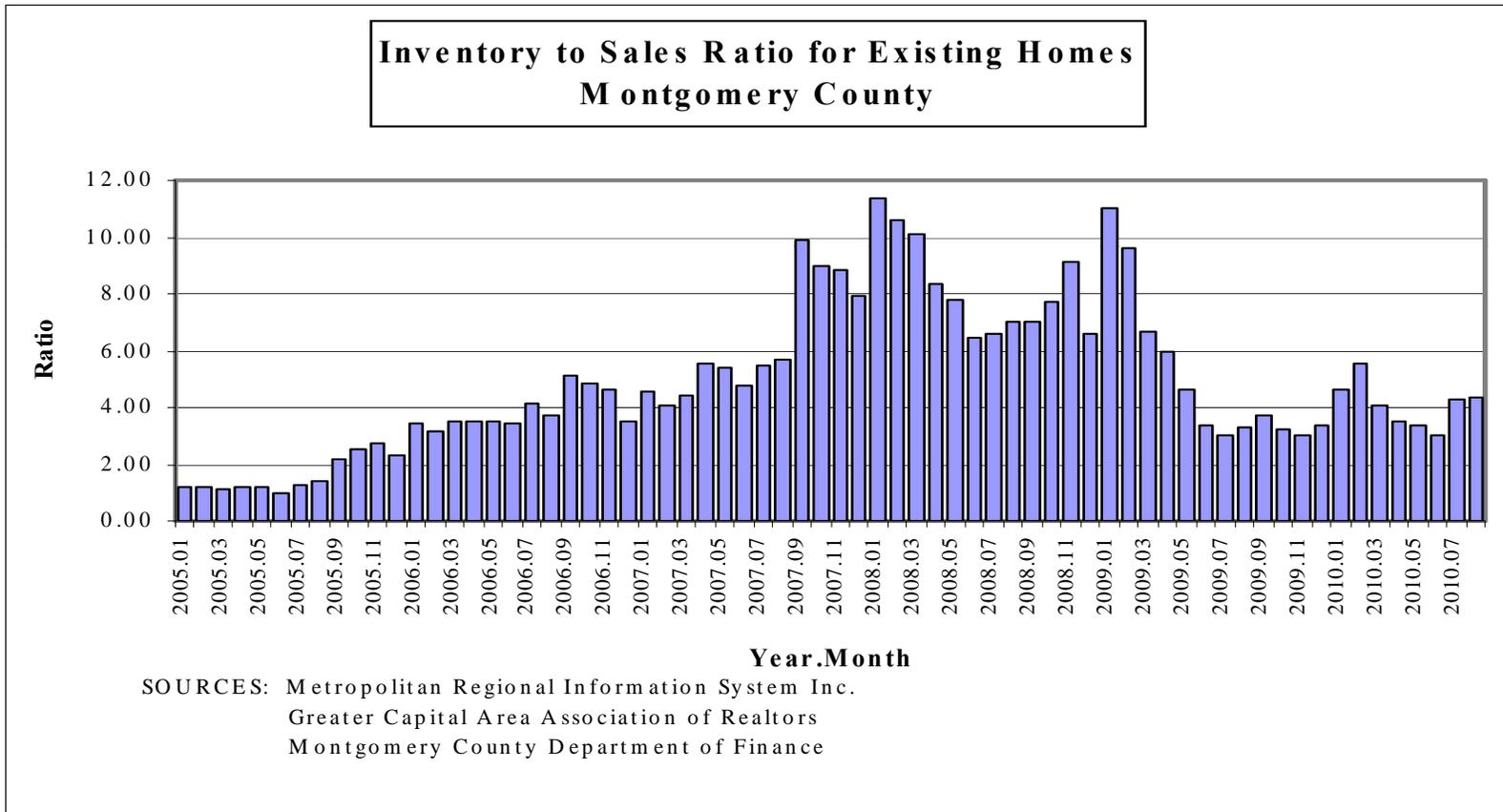
With the expiration of the first-time homebuyers credit, total sales of existing homes are expected to decrease 3.6 percent in 2010 compared to an increase of 21.8 percent in 2009.



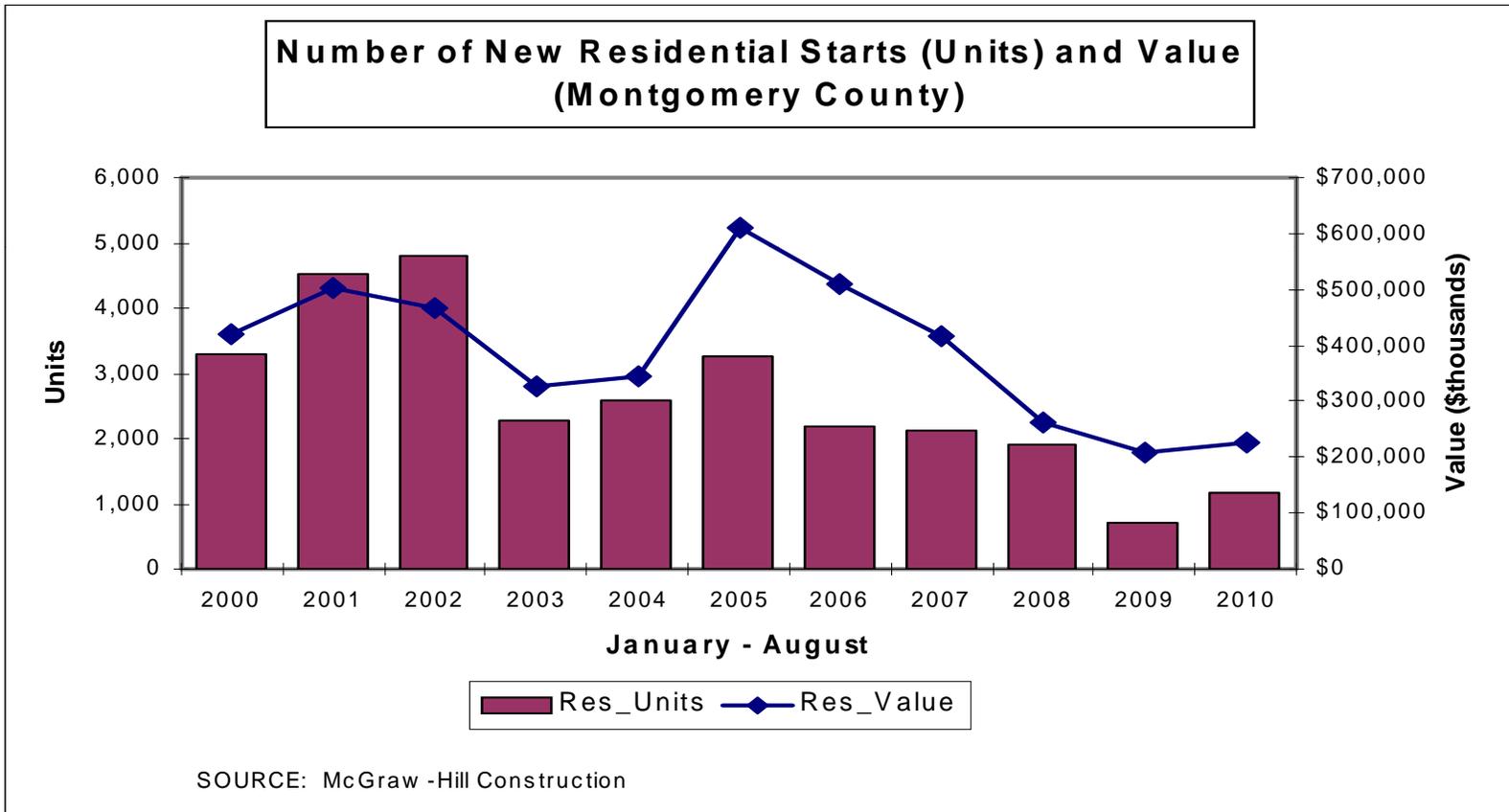
While the sales of existing homes in the County are expected to decrease in 2010, the average sales price is expected to increase by less than 1 percent, which follows decreases of 8.4 percent (2008) and 13.8 percent (2009).



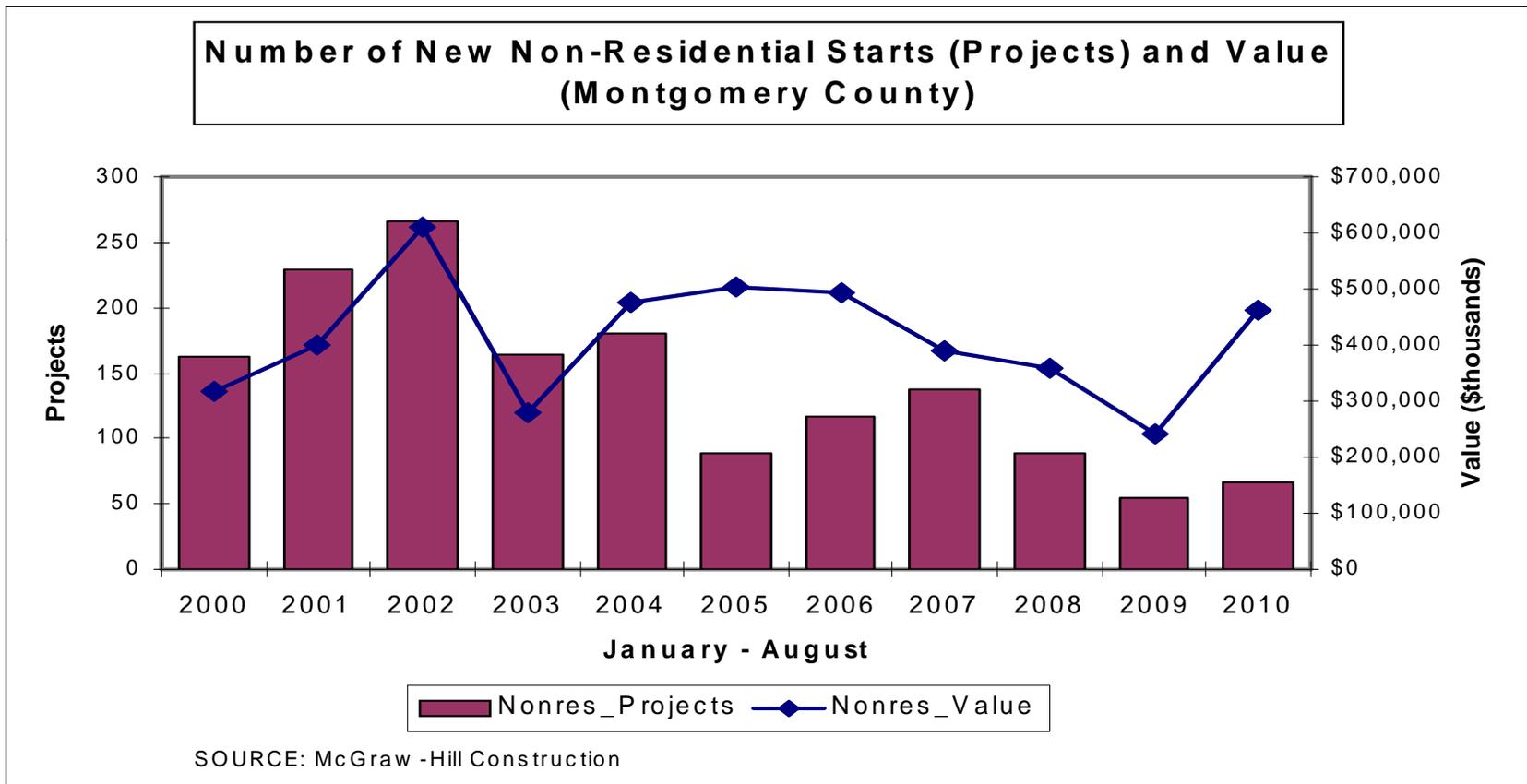
The inventory of existing homes for sale has declined from its peak of an eleven-month supply in January 2009 to slightly more than a three-month supply in June. However, with the sales declines in July and August, the latest inventory figure has increased to more than a four-month supply.



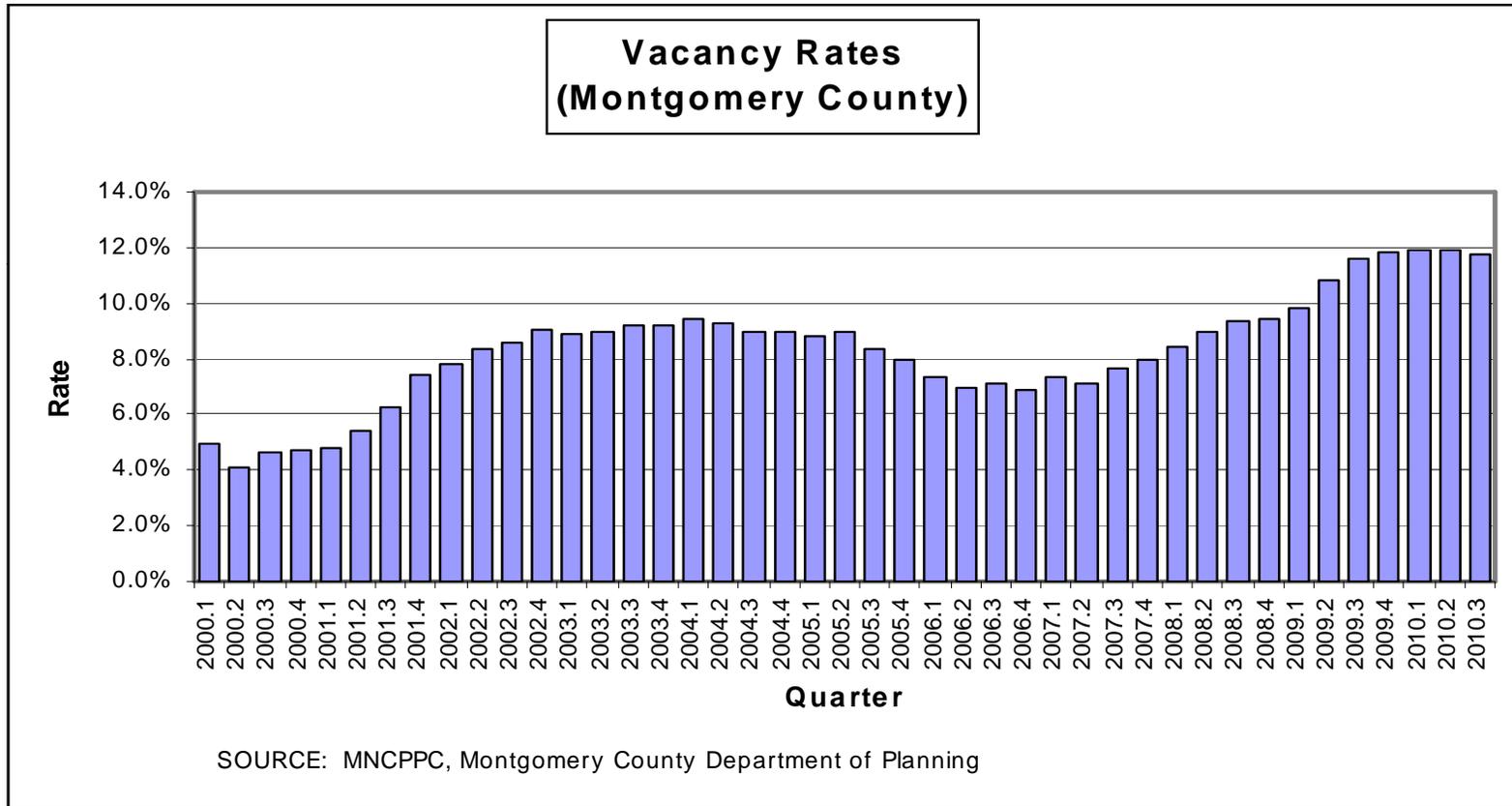
The increase in home sales during the latter half of 2009 and the first half of 2010 has affected new residential construction. The number of residential starts (units) increased from 700 in 2009 (January to August period) to nearly 1,200 in 2010 – an increase of 68.0 percent.



The number of non-residential construction starts (projects) also showed a dramatic increase during the first eight months of this year compared to the same period in 2009. Starts increased 21.9 percent – the first increase since 2007.



Prior to this year, the decrease in non-residential construction is attributed to the steady increase in the vacancy rates of office space in the County. Since the second quarter of 2007, that rate increased from 7.1 percent to 11.7 percent during the third quarter of this year.



Summary

- **Inflation:**
 - The recent year-to-date figure for inflation of 1.92 percent for CY10 is in line with Finance’s estimate prepared for the FY11 budget and is one and one-half percentage points above CY09. If that rate holds for the remainder of this calendar year, the amount of property tax revenues under the Charter Limit will increase 2.00 percent in FY12 over FY11.
- **Employment:**
 - The County’s unemployment rate has remained relatively constant during the past year (through August) at 5.6%.
 - Because the unemployment rate is a lagging indicator in terms of an economic recovery, it may not improve significantly this fiscal year. If the economic forecasts are correct in that the national unemployment rate could decline only to 9.3 percent (from the current 9.6%) by June 2011 (*Wall Street Journal*), employment will remain a drag on the economy for the foreseeable future.
 - The County’s resident employment was 483,700 in July – a decline of nearly 4,500 from August 2009. With a decline in resident employment and possibly slow recovery, both factors may continue to have an effect on income tax revenues in FY11 and possibly FY12.
- **Housing Sales and Average Sales Prices:**
 - Home sales are expected to decline 3.6 percent in CY10 which is attributed to the expiration of the first-time homebuyers credit.
 - Average sales prices are expected to increase by less than one percent in CY10. That modest increase is consistent with the Case-Shiller index for the region.