
Montgomery County, Maryland

ECONOMIC INDICATORS

Presentation to the Montgomery County Council

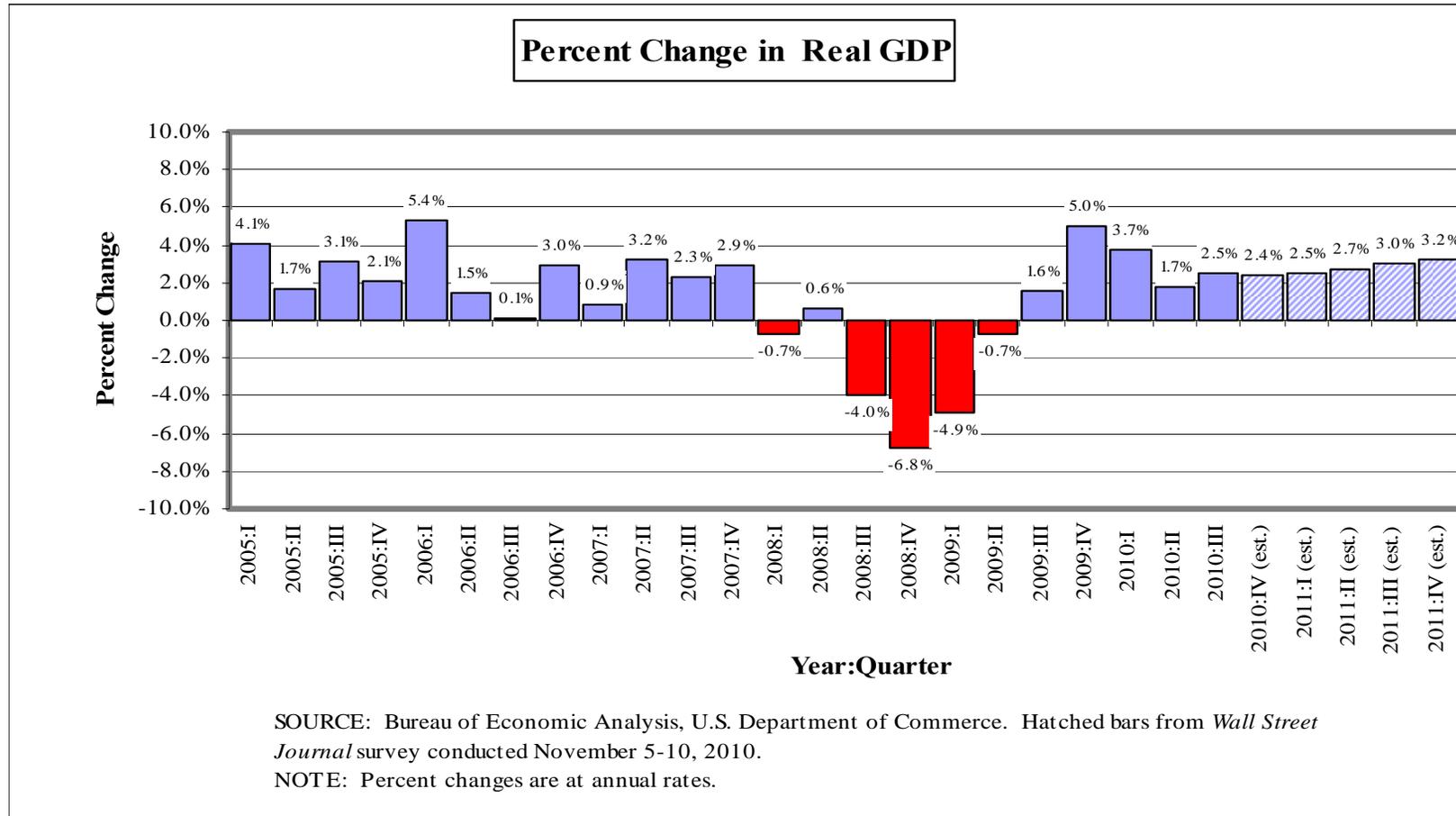
Department of Finance



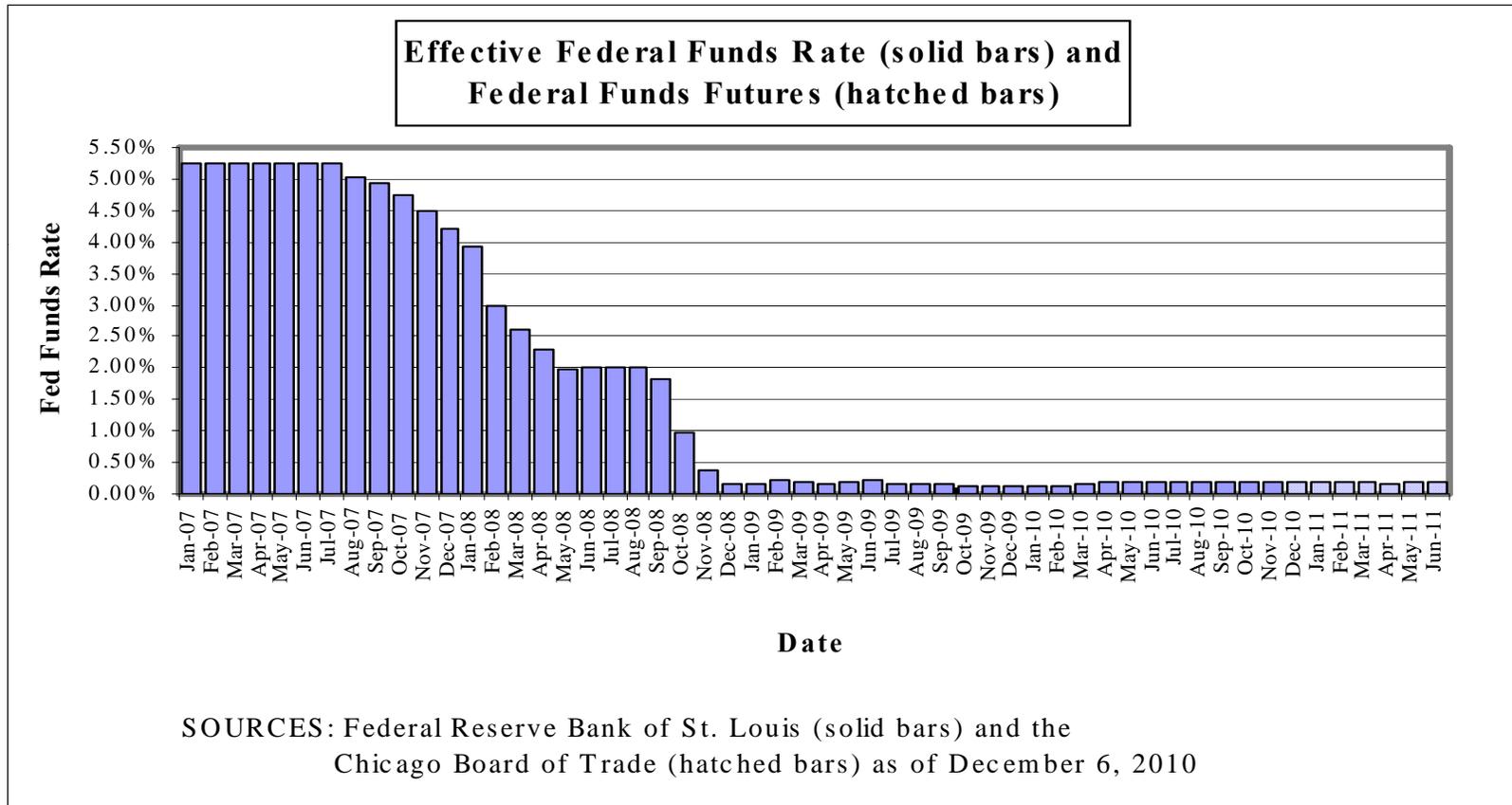
December 14, 2010

National Economic Indicators

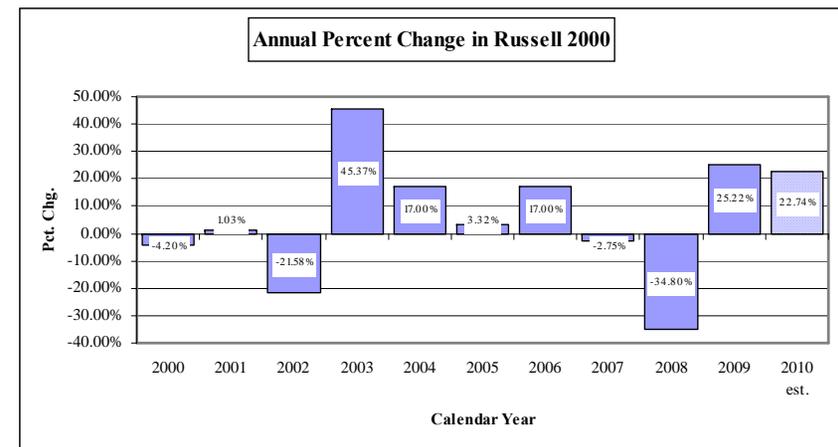
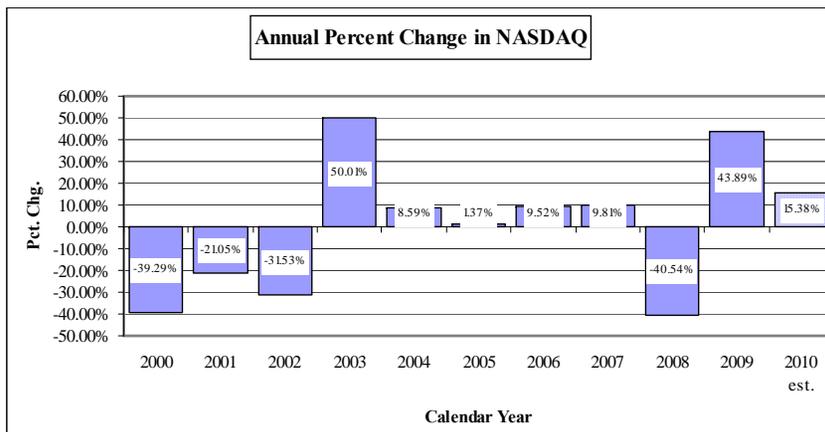
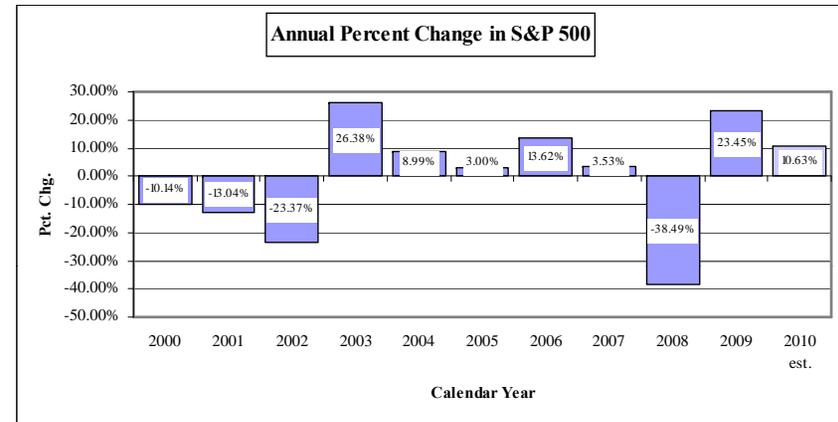
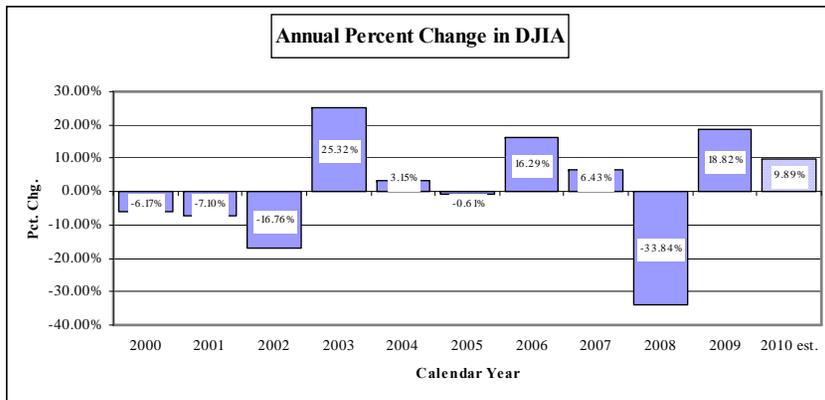
BEA reported that real GDP increased 2.5 percent during the third quarter. On average over 50 economists surveyed by *The Wall Street Journal* expect GDP to increase 2.4 percent this quarter and 2.5 percent during the first quarter of 2011.



On November 3rd, 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.

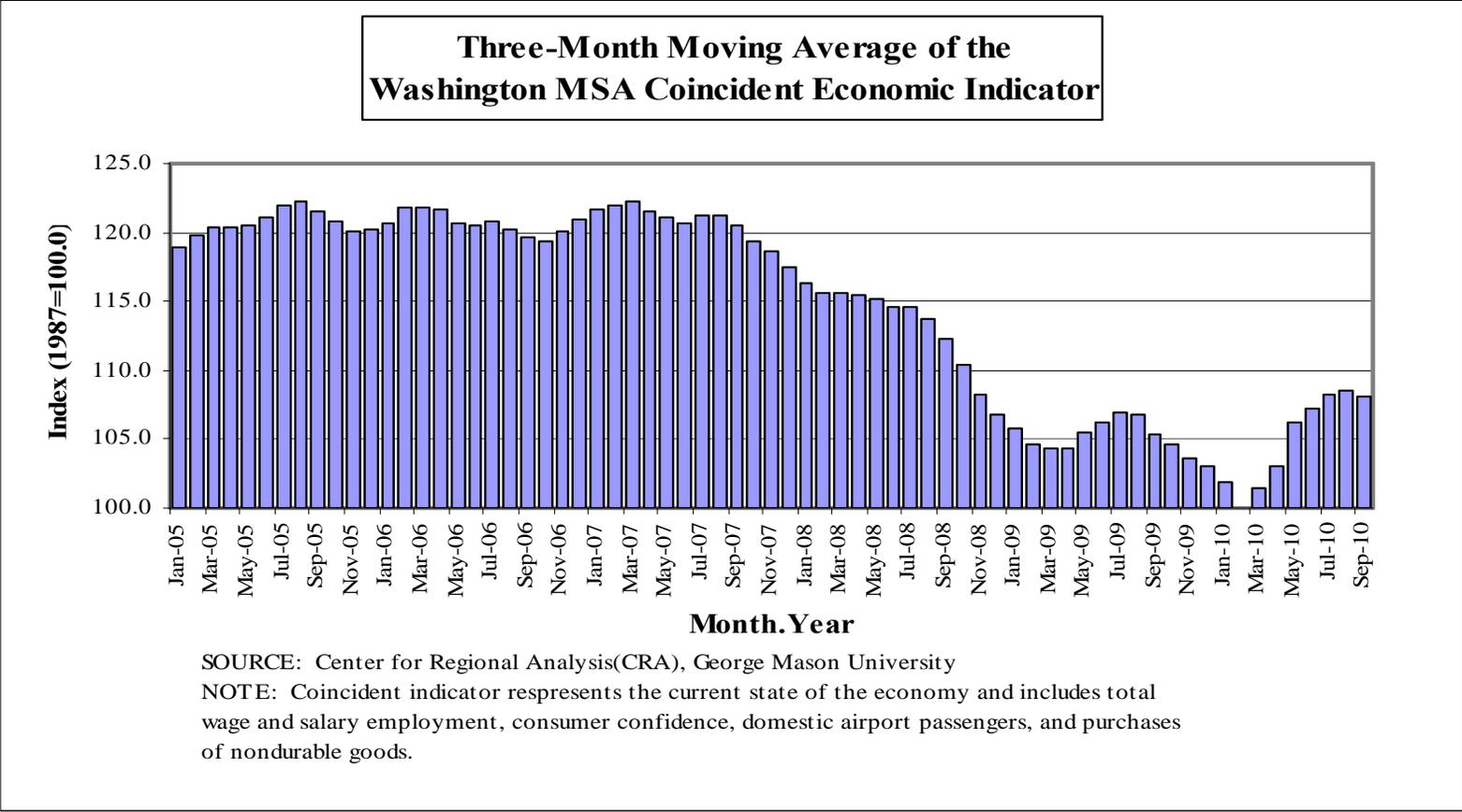


The stock market continued to grow at double-digit rates (annualized) through December 3rd albeit at lower rates than experienced in 2009 (DJIA ↑9.9%; S&P 500 ↑10.6%; NASDAQ ↑15.4%; R2000 ↑22.7%)

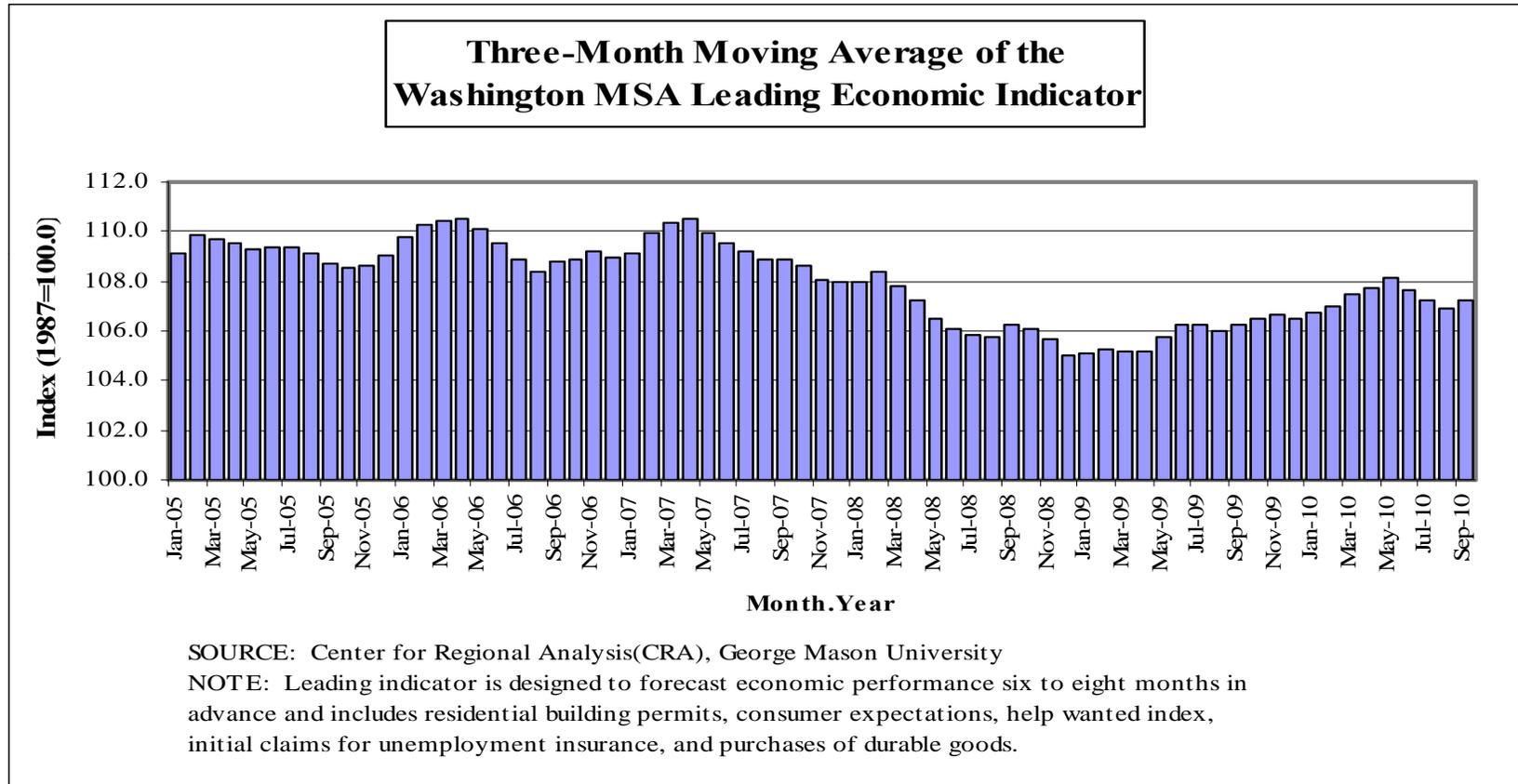


Regional Economic Indicators

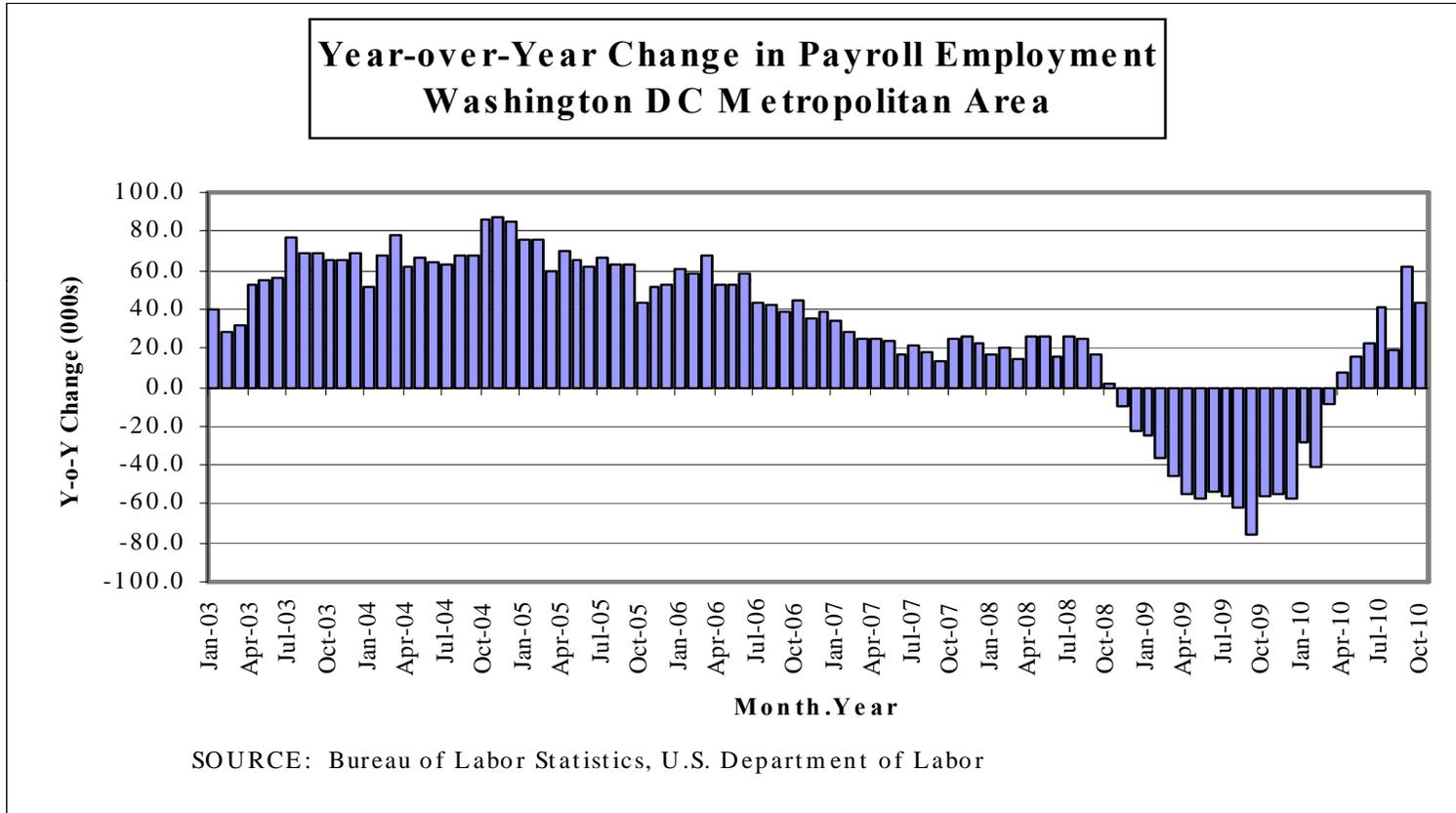
The Washington region’s coincident economic indicator decreased 0.4 percent (three-month moving average) in September over August. The first such decline after increasing for six consecutive months.



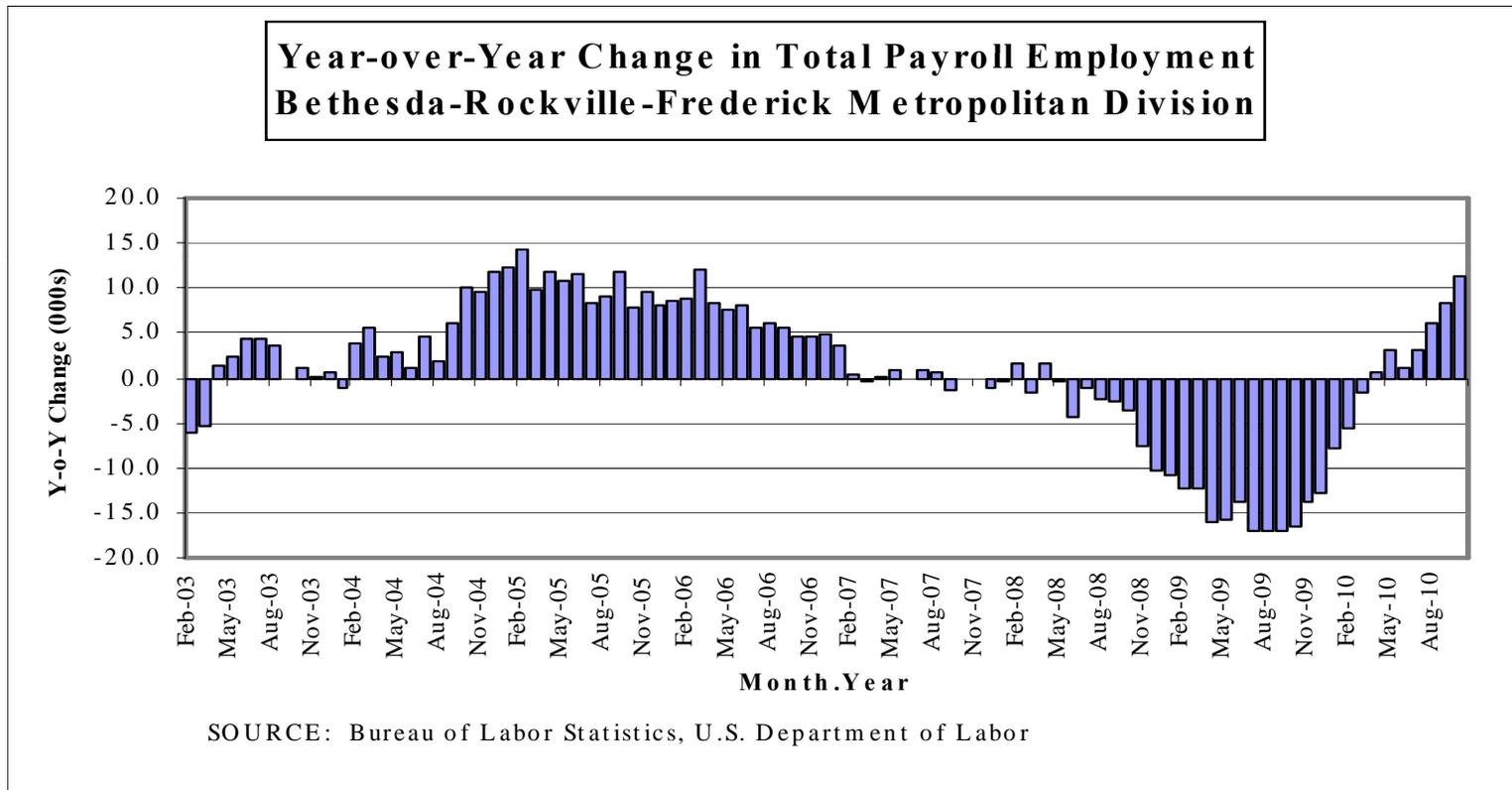
However, the leading index increased 0.2 percent (three-month moving average) in September over August, after decreasing the prior three months. The leading indicator suggests continued weak growth into 2011.



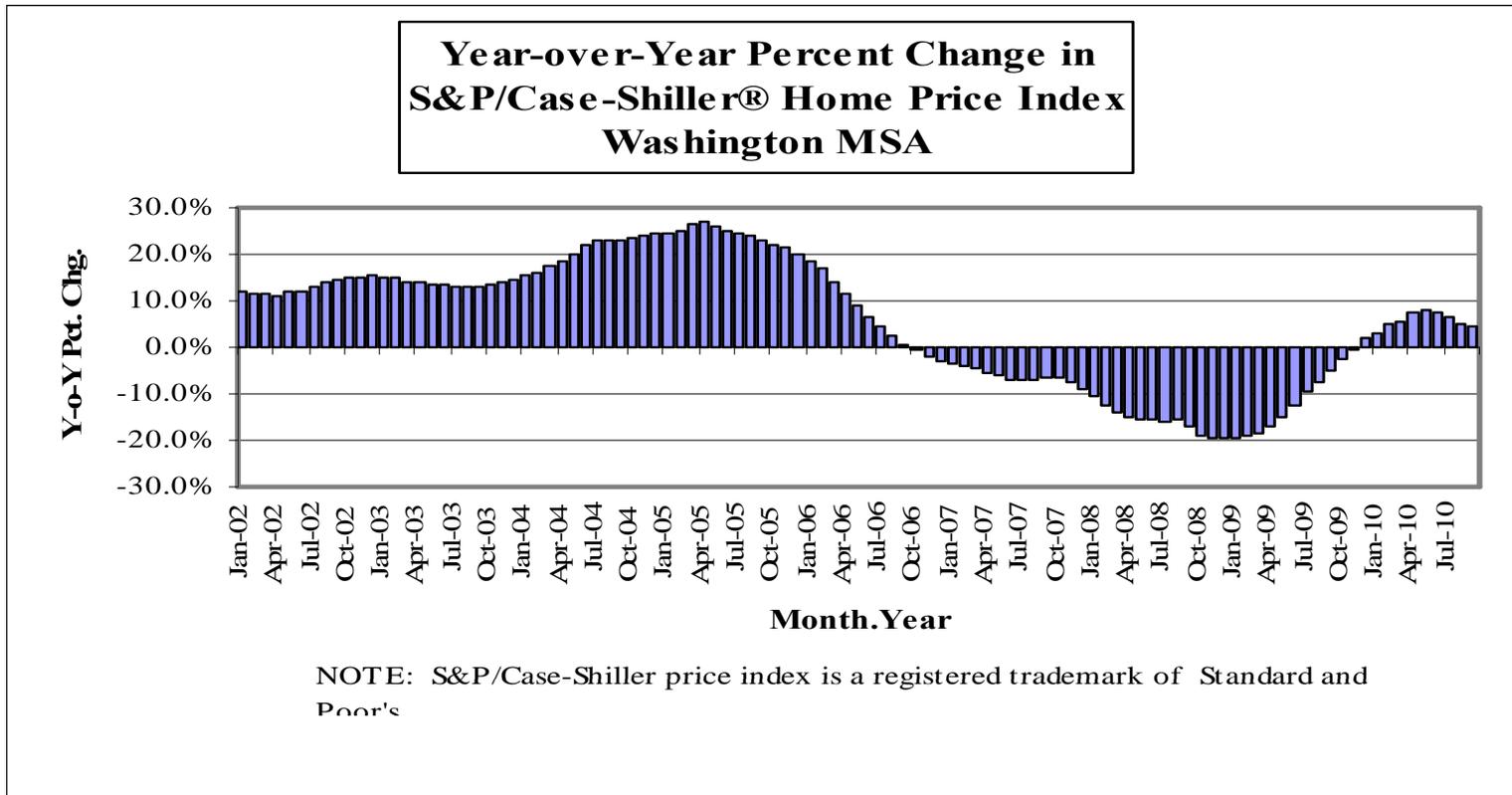
As the region's economy improved, payroll employment in the metropolitan region stood at over 2.994 million in October compared to 2.951 million in October '09 - an increase of 43,000.



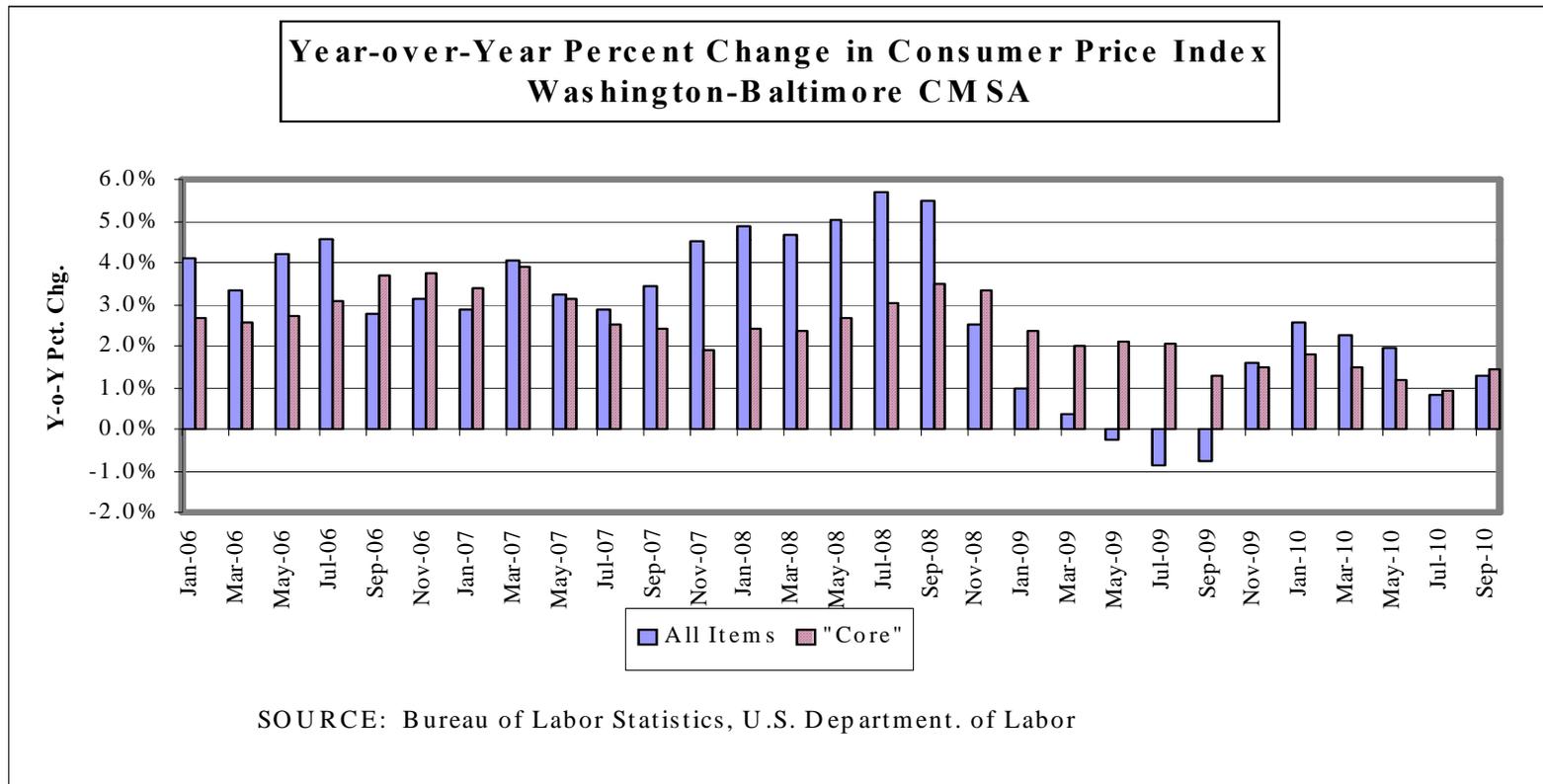
Payroll employment for Montgomery and Frederick counties stood at 568,300 in October - an increase of 11,300 jobs since October '09. For the first ten months of this year, monthly payroll employment averaged 561,200 – a 0.3 percent increase over the monthly average for the same period last year.



Based on the Case-Shiller® index, home prices in the Washington metropolitan region increased 4.5 percent in September compared to September '09.



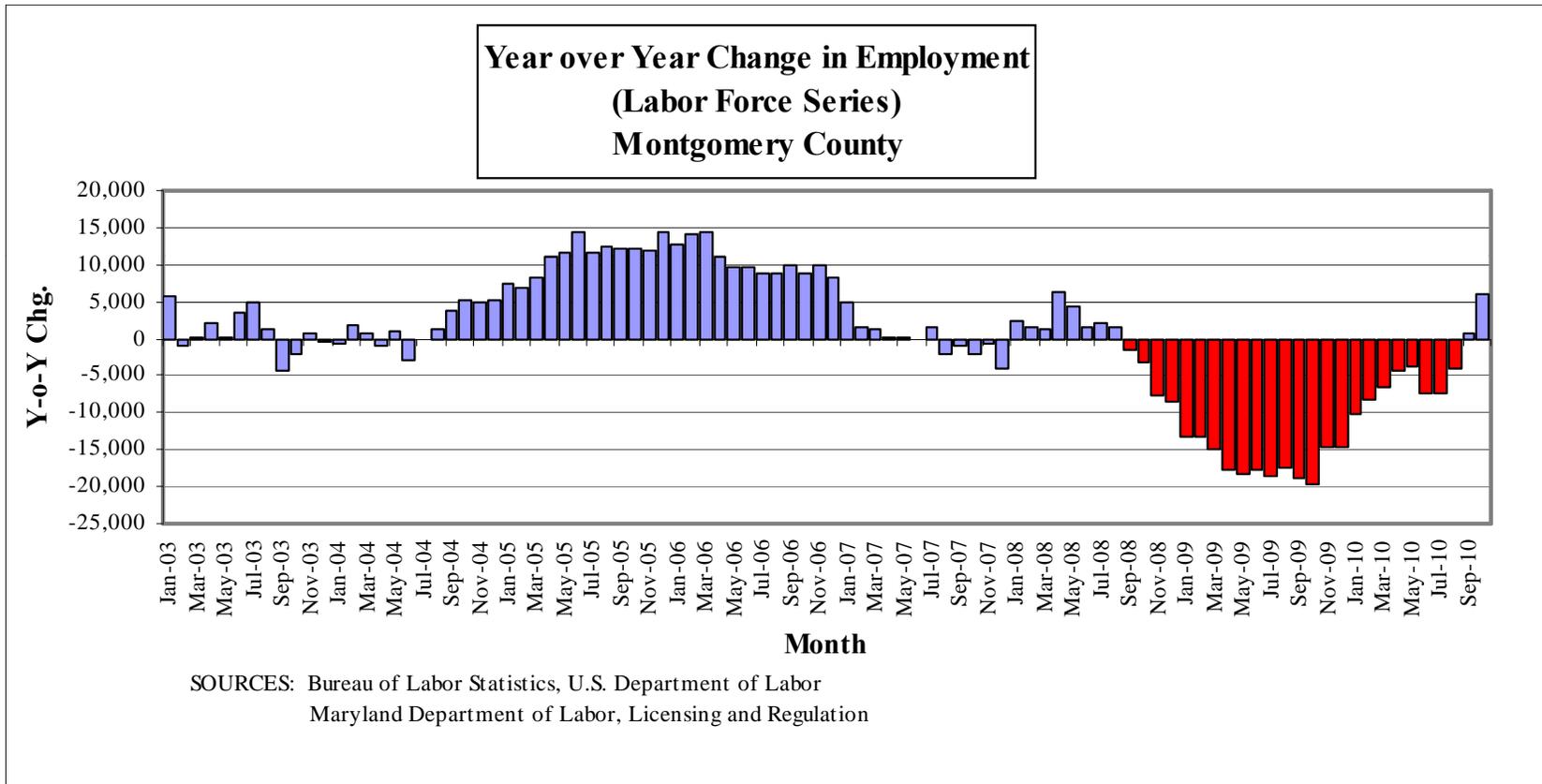
The overall consumer price index for the Washington-Baltimore consolidated region increased a modest 1.3 percent in September compared to September '09. For the calendar year to date (January through September), the index increased 1.8 percent compared to -0.2 percent in 2009.



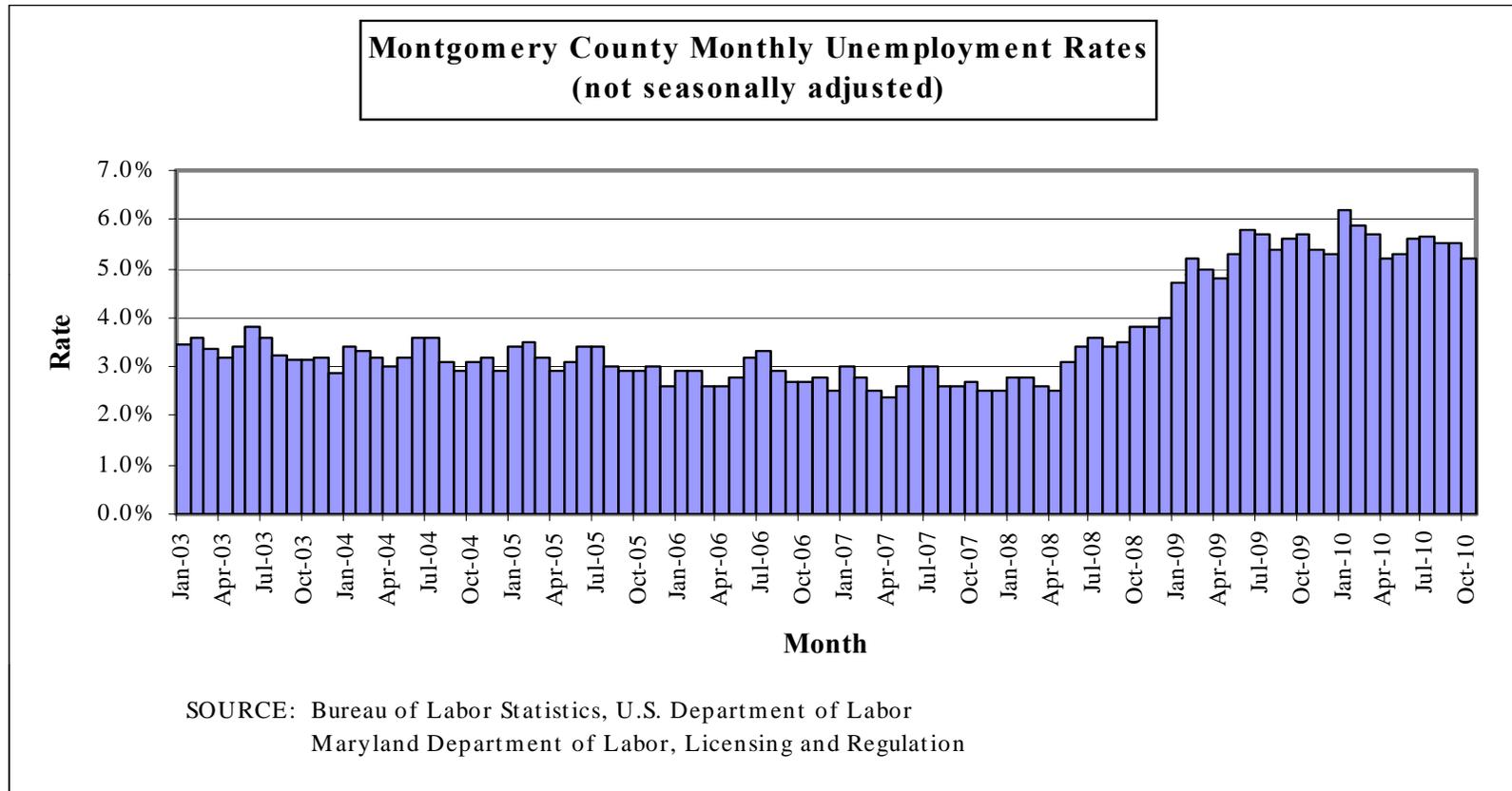
Montgomery County Economic Indicators

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	DIRECTION
INFLATION	1.75% Jan.-Sept. 2010	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2009: 0.23% 2008: 4.52%	
UNEMPLOYMENT RATE	5.2% Oct. 2010	Income Taxes	Indicates overall health of the job market	Sept. 2010: 5.5% Oct. 2009: 5.7%	
RESIDENT EMPLOYMENT	486,557 Oct. 2010	Income Taxes	Primary determinant of income tax receipts	Sept. 2010: 482,459 Oct. 2009: 480,667	
PAYROLL EMPLOYMENT	471,937 Oct. 2010	Income Taxes	Another determinant of income tax receipts	Sept 2010: 469,000 Oct. 2009: 462,337	
STOCK MARKET - S&P 500	1224.71 As of Dec. 3	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2009: 1,115.10 2008: 903.25	
HOME SALES	679 Oct. 2010	Transfer/ Recordation Taxes	Indicates activity affecting receipts	Sept. 2010: 748 Oct. 2009: 942	
HOME PRICES	\$444.396 Oct. 2010	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	Sept. 2010: \$429,842 Oct. 2009: \$427,436	
FEDERAL FUNDS RATE	0.19% Nov. 2010	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Oct. 2010: 0.19% Nov. 2009: 0.12 %	

Resident employment in Montgomery County was 486,600 in October compared to almost 480,700 in October'09 - an increase of 5,900. The year-over-year increase in October was the largest since April 2008.



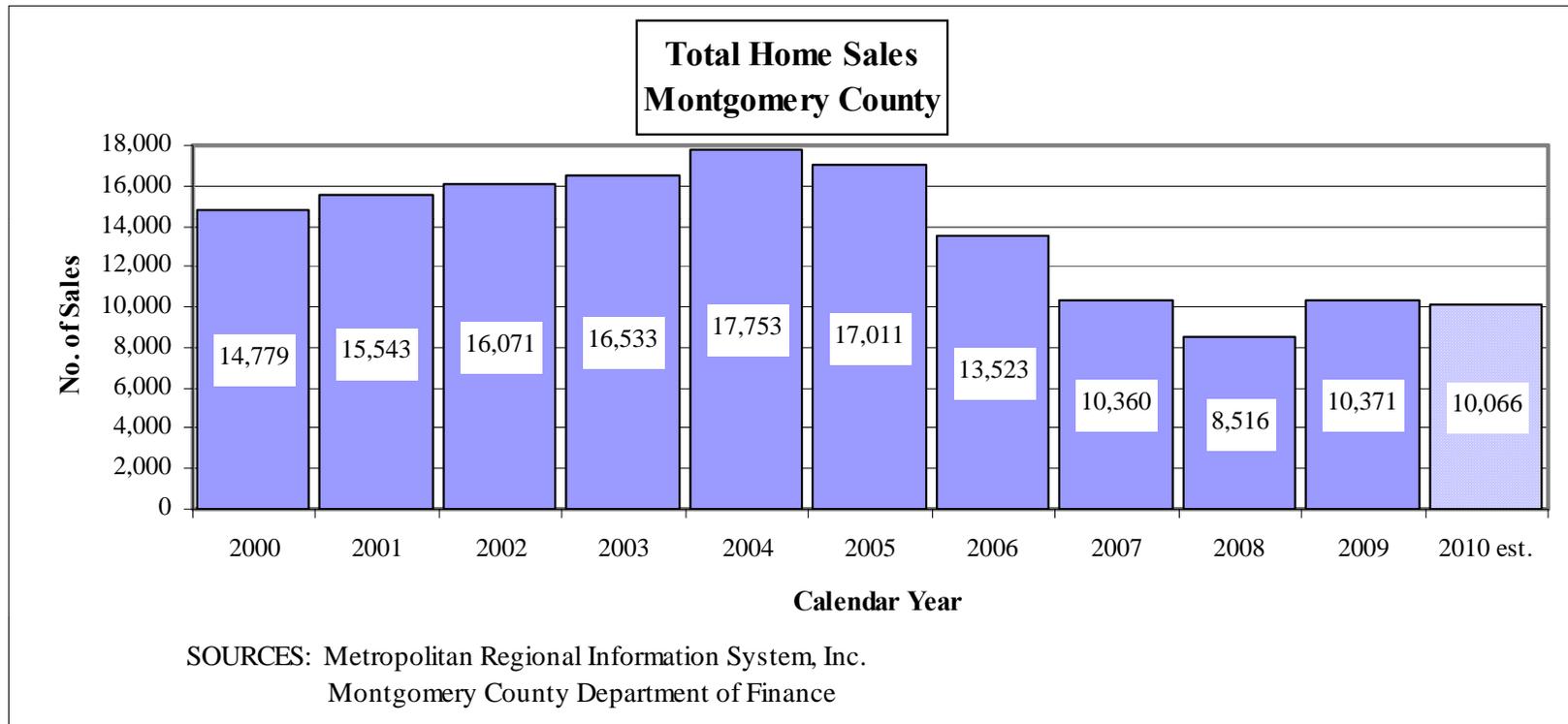
Because of the steady decline in the County's employment, the unemployment rate has risen from 3.8 percent in October 2008 to 5.2 percent in October of this year.



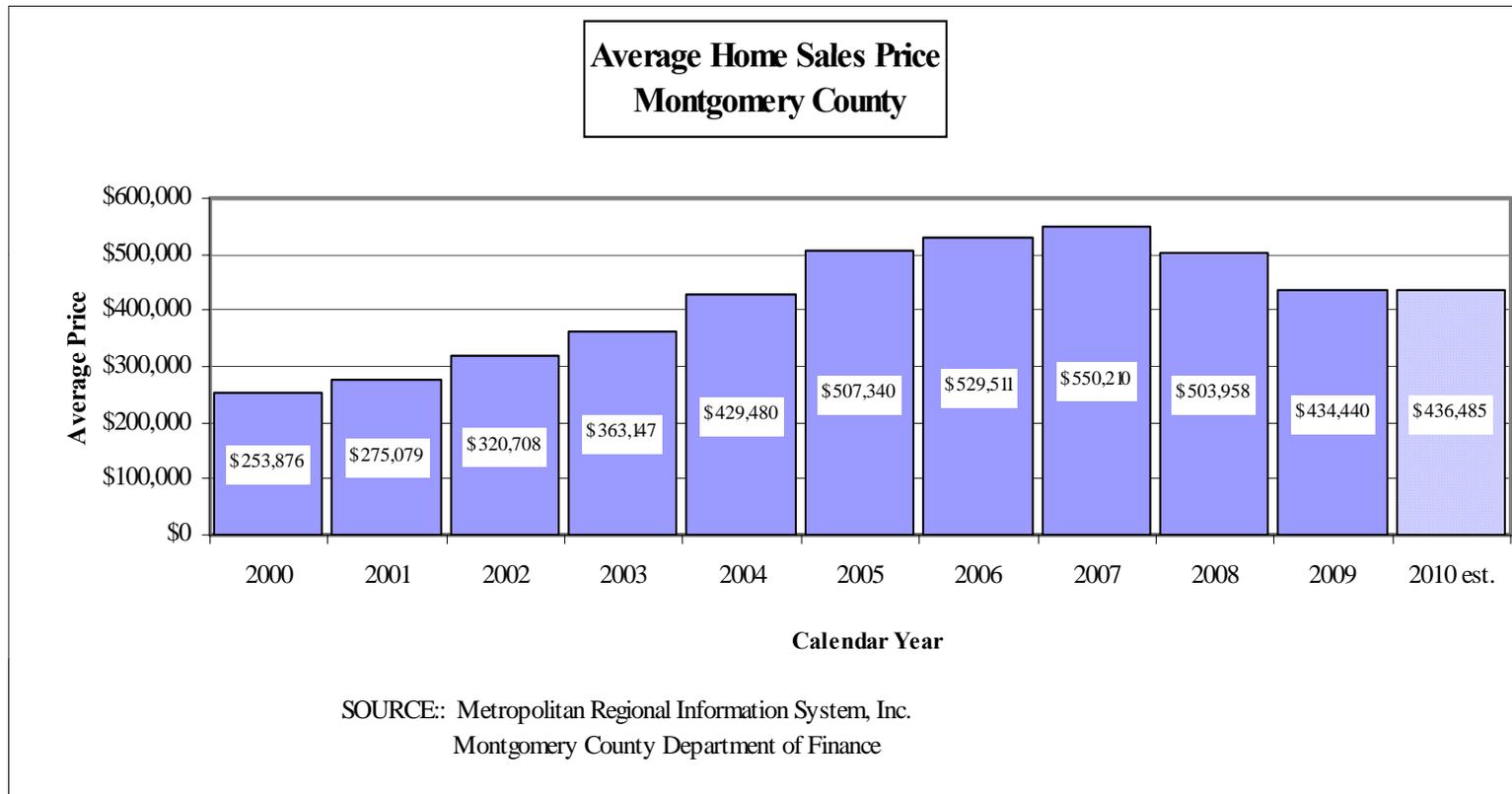
Led by professional and business service employment (↑5.4%), payroll employment in Montgomery County increased 2.1 percent in October compared to October 2009.

INDUSTRY SECTORS	Oct-09	Oct-10	Percent Change
TOTAL EMPLOYMENT	462,337	471,937	2.1%
GOVERNMENT SECTOR -- TOTAL	85,861	88,379	2.9%
Federal Government	43,805	45,403	3.6%
State Government	888	908	2.2%
Local Government	41,168	42,068	2.2%
PRIVATE SECTOR TOTAL -- ALL INDUSTRIES	376,476	383,559	1.9%
GOODS-PRODUCING	37,111	37,368	0.7%
Natural Resources and Mining	541	566	4.7%
Construction	23,330	24,434	4.7%
Manufacturing	13,240	12,367	-6.6%
SERVICE PROVIDING	339,365	346,190	2.0%
Trade, Transportation, and Utilities	58,764	60,026	2.1%
Information	14,775	14,683	-0.6%
Financial Activities	32,659	32,981	1.0%
Professional and Business Services	105,895	111,579	5.4%
Education and Health Services	63,903	64,827	1.4%
Leisure and Hospitality	37,449	37,047	-1.1%
Other Services	25,921	25,048	-3.4%

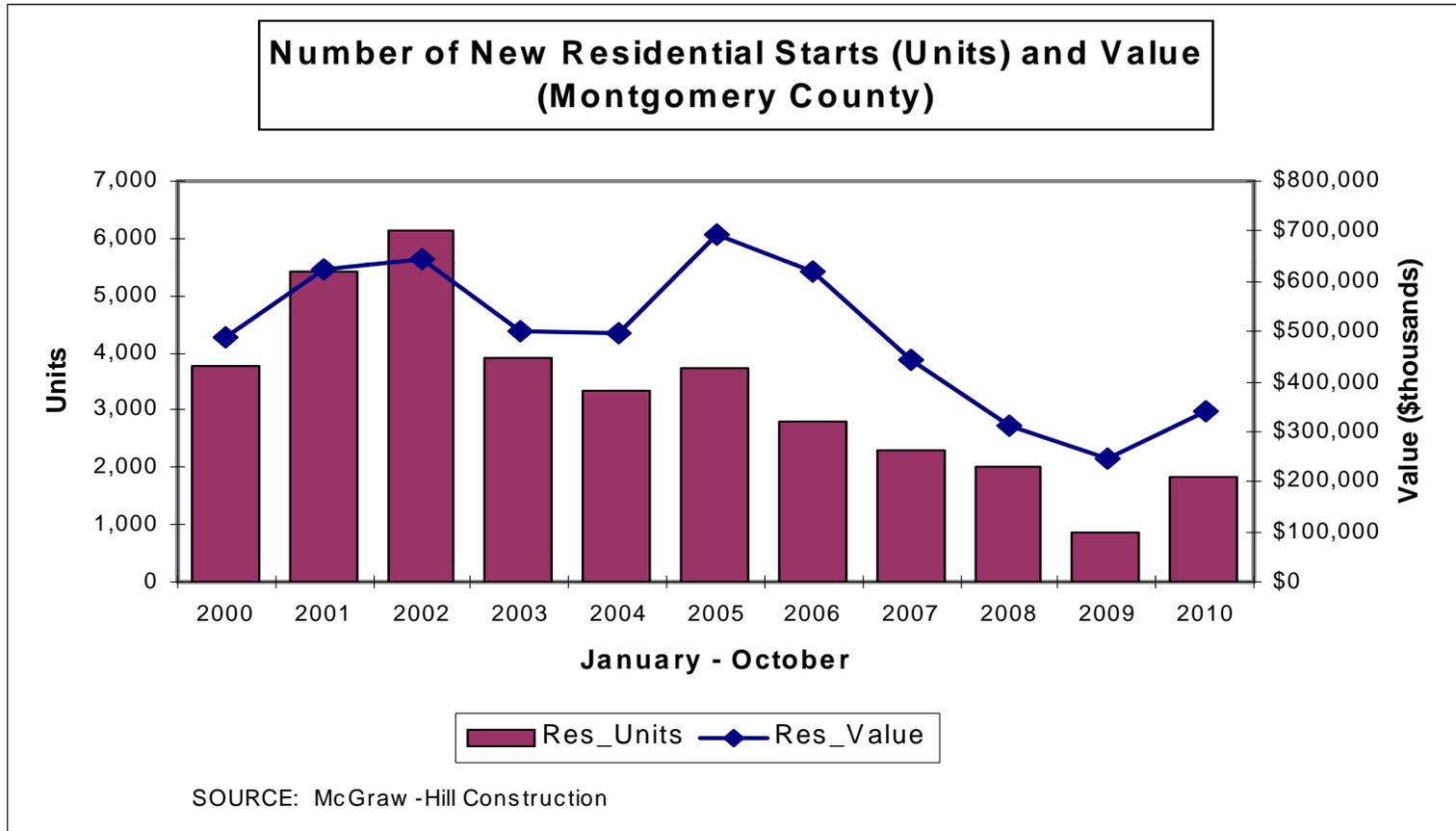
With the expiration of the Federal first-time homebuyers credit, total sales of existing homes are expected to decrease 2.9 percent in 2010 compared to an increase of 21.8 percent in 2009.



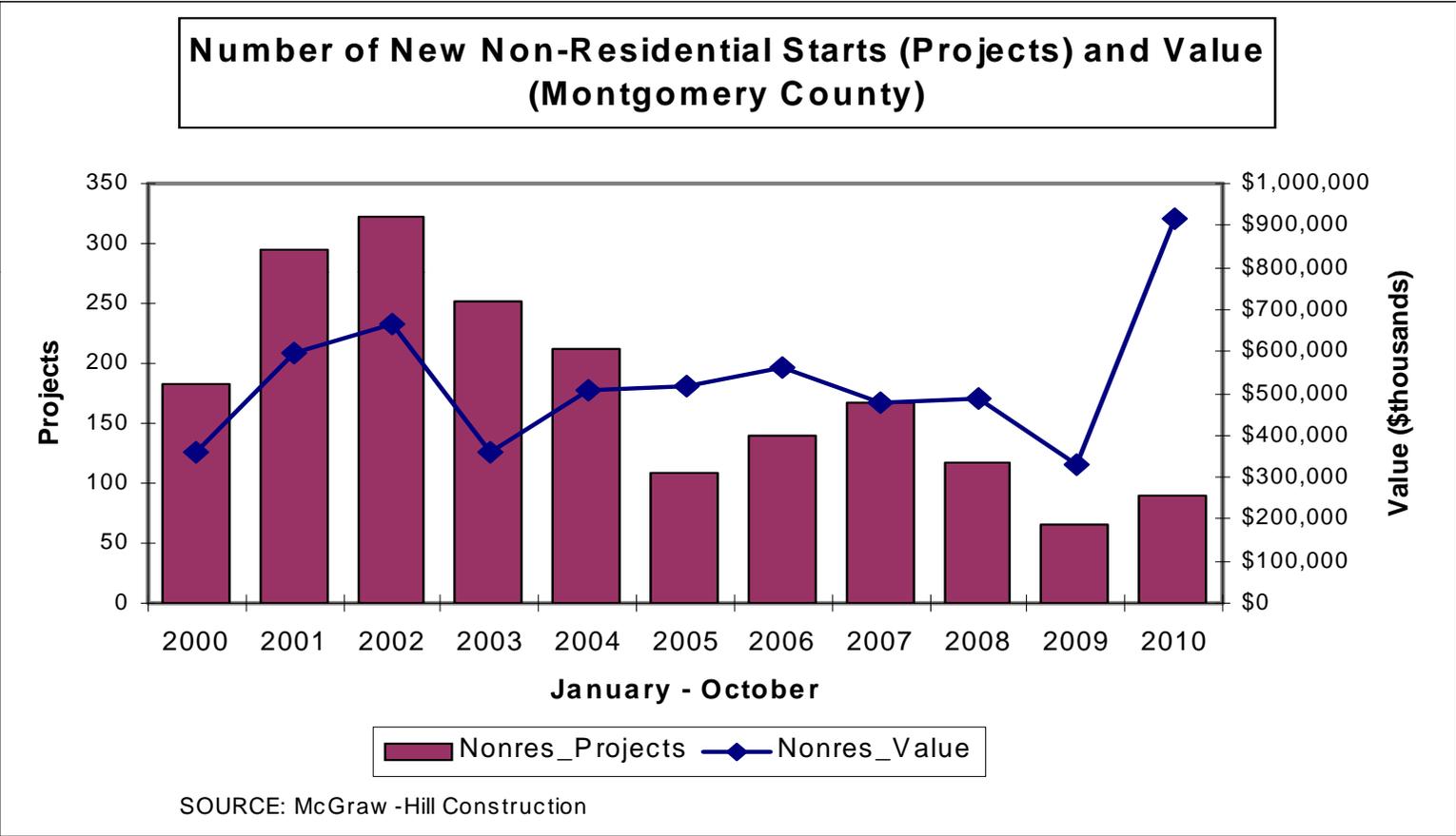
While the sales of existing homes in the County are expected to decrease in 2010, the average sales price is expected to increase by less than 1 percent, which follows decreases of 8.4 percent (2008) and 13.8 percent (2009).



The 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 847 in 2009 (January to October period) to over 1,800 in 2010 – more than double the number of units in 2009.



The number of non-residential construction starts (projects) also showed a dramatic increase during the first ten months of this year compared to the same period in 2009. Starts increased nearly 39 percent – the first increase since 2007.



SUMMARY

- With the slight drop in the County's unemployment rate in October and a recent year-over-year increase in both the County's resident and payroll employment increases, these indicators are encouraging. However, while the employment data showed improvement in October, it may take a couple months of steady decreases in the unemployment rate and increases in employment to conclude that the County's employment situation has rebounded from the deterioration in employment experienced during 2009 and the first half of 2010.
- While the sales of existing homes have declined since the expiration of the first-time home buyers credit, average home prices have increased albeit at a modest rate. Until home sales rebound, the housing market may dampen any significant increase in the transfer and recordation taxes.
- Inflation for the Washington-Baltimore region remains slightly less than 2 percent. While this rate is 150 percentage points above the 2009 rate, it is well below the ten-year historical average of 3.2 percent and thus will have a significant effect on allowable growth in property tax revenues in FY12.