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**Montgomery County, Maryland**

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**ECONOMIC INDICATORS**

**Presentation to the Montgomery County Council**

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**Department of Finance**

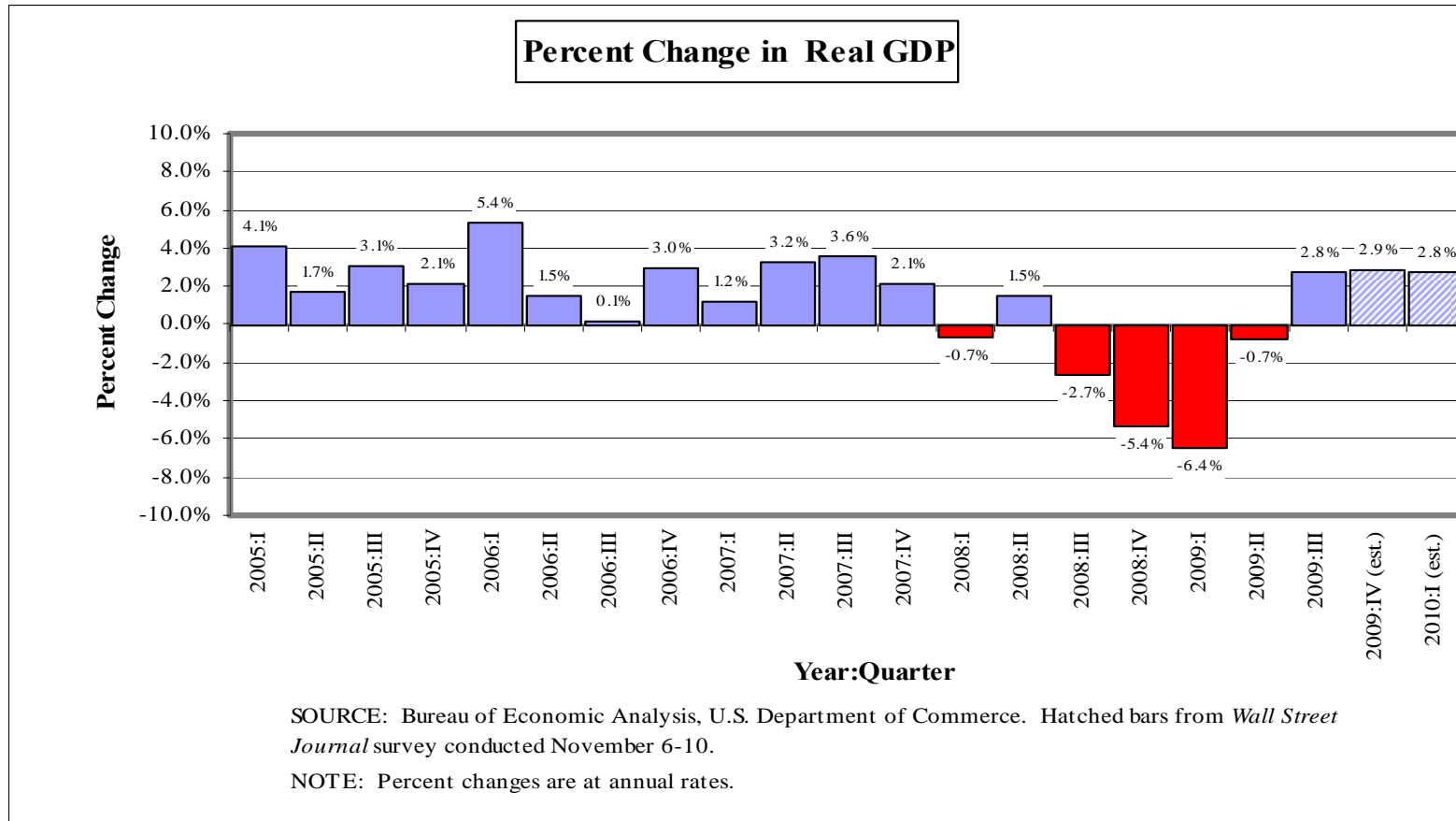
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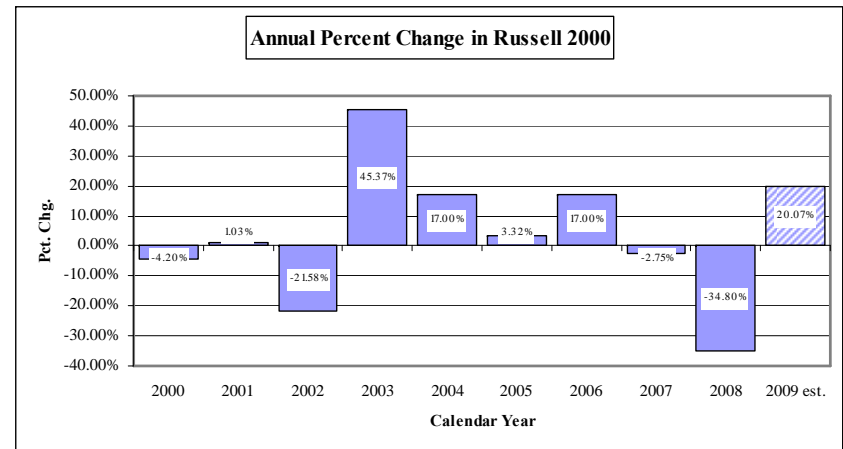
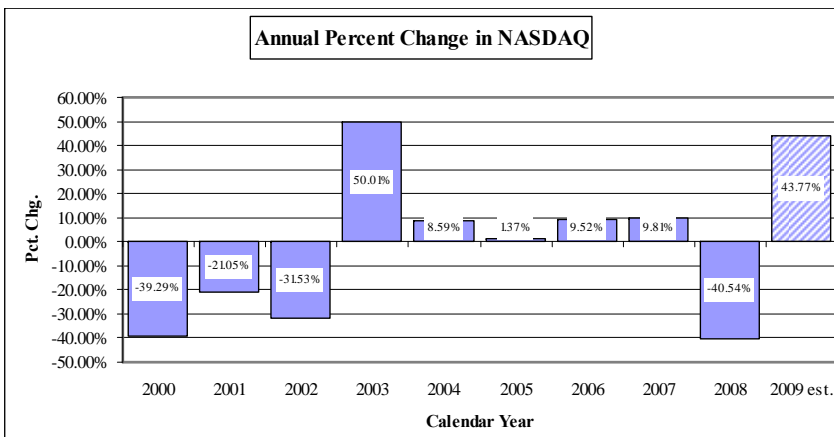
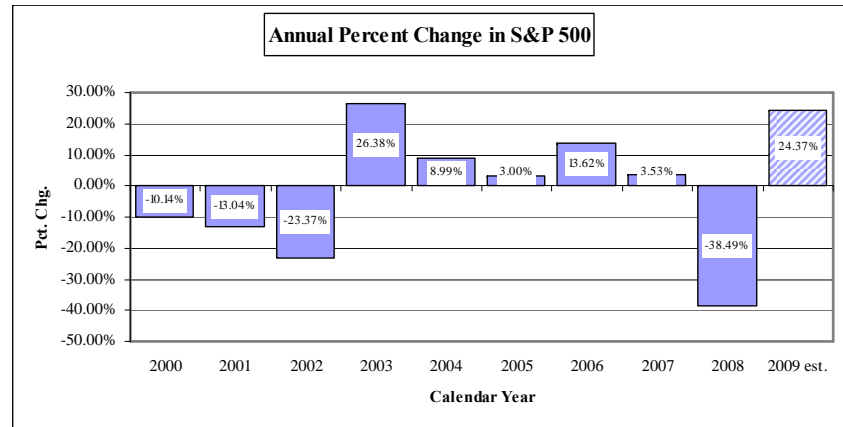
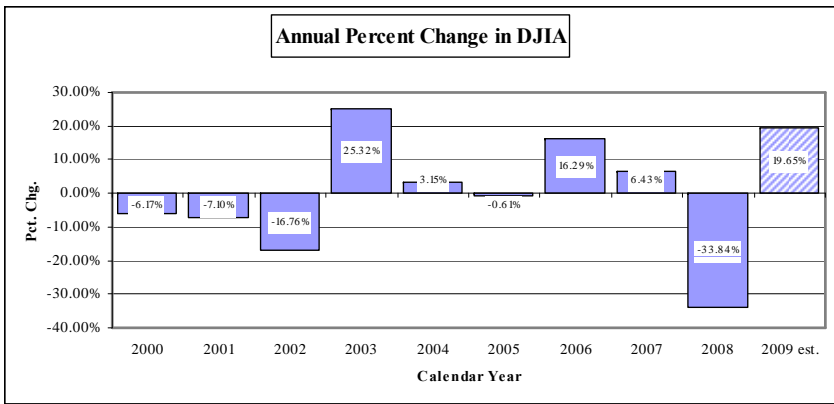
**December 1, 2009**

# **National Economic Indicators**

**BEA reported that real GDP increased a revised 2.8 percent during the third quarter. On average over 50 economists surveyed by *The Wall Street Journal* earlier this month expect GDP to increase 2.9 percent this quarter and 2.8 percent during the first quarter of next year.**

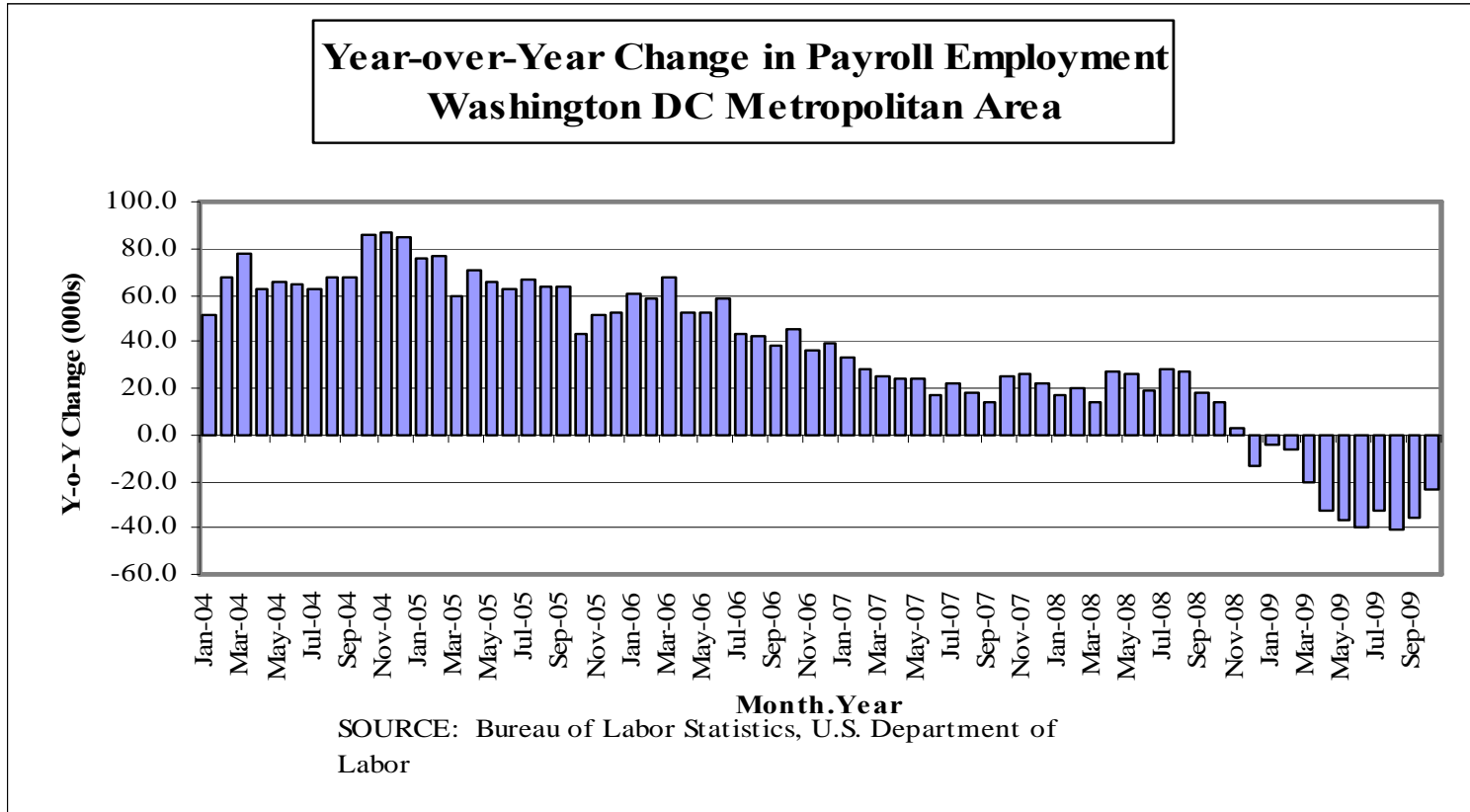


**Due to the dramatic growth in the stock market since the trough on March 9<sup>th</sup>, all four stock indices have increased between 57 percent (DJIA) and 71 percent (NASDAQ). Because of that dramatic growth, Finance estimates that the stock market will experience its best performance since 2003.**

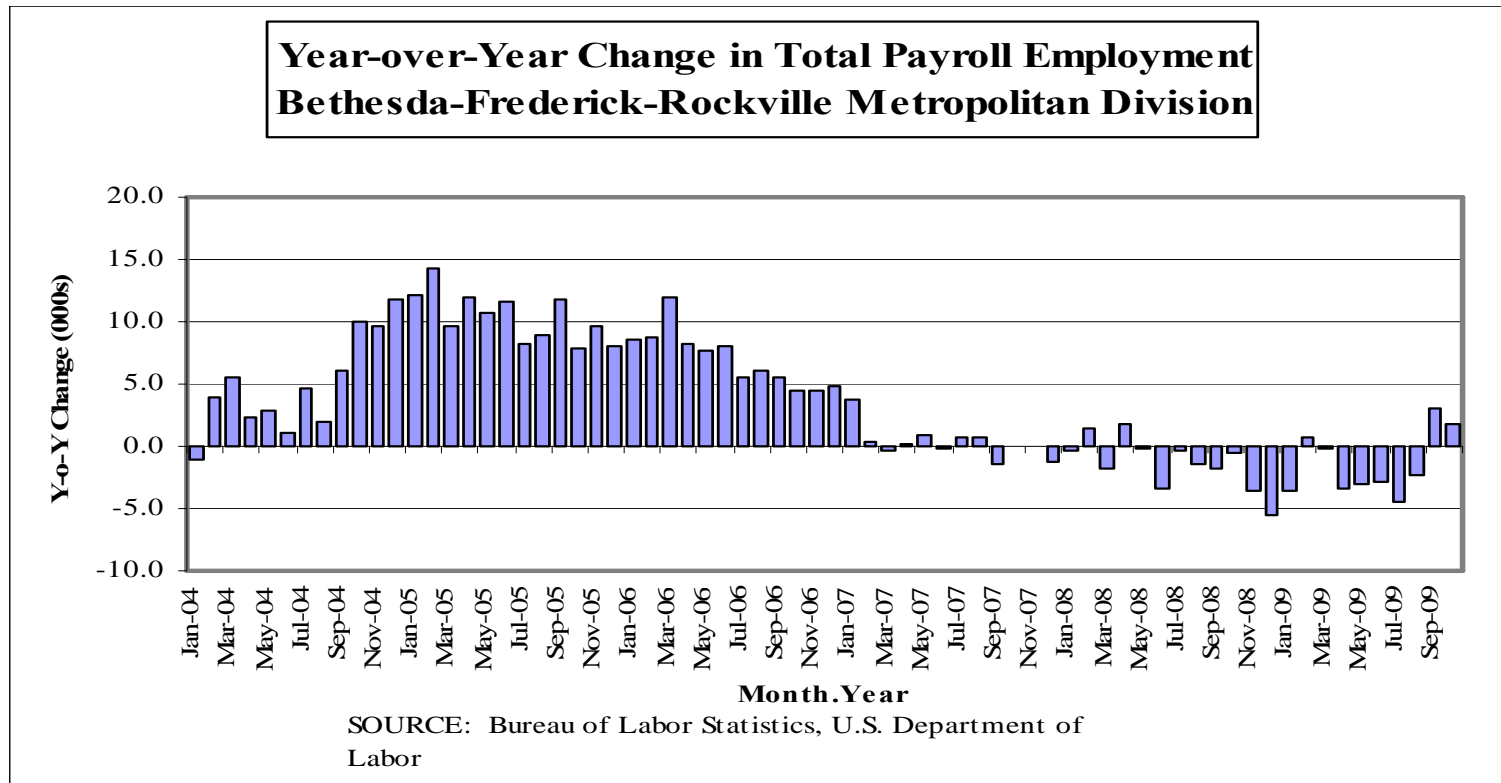


# **Regional Economic Indicators**

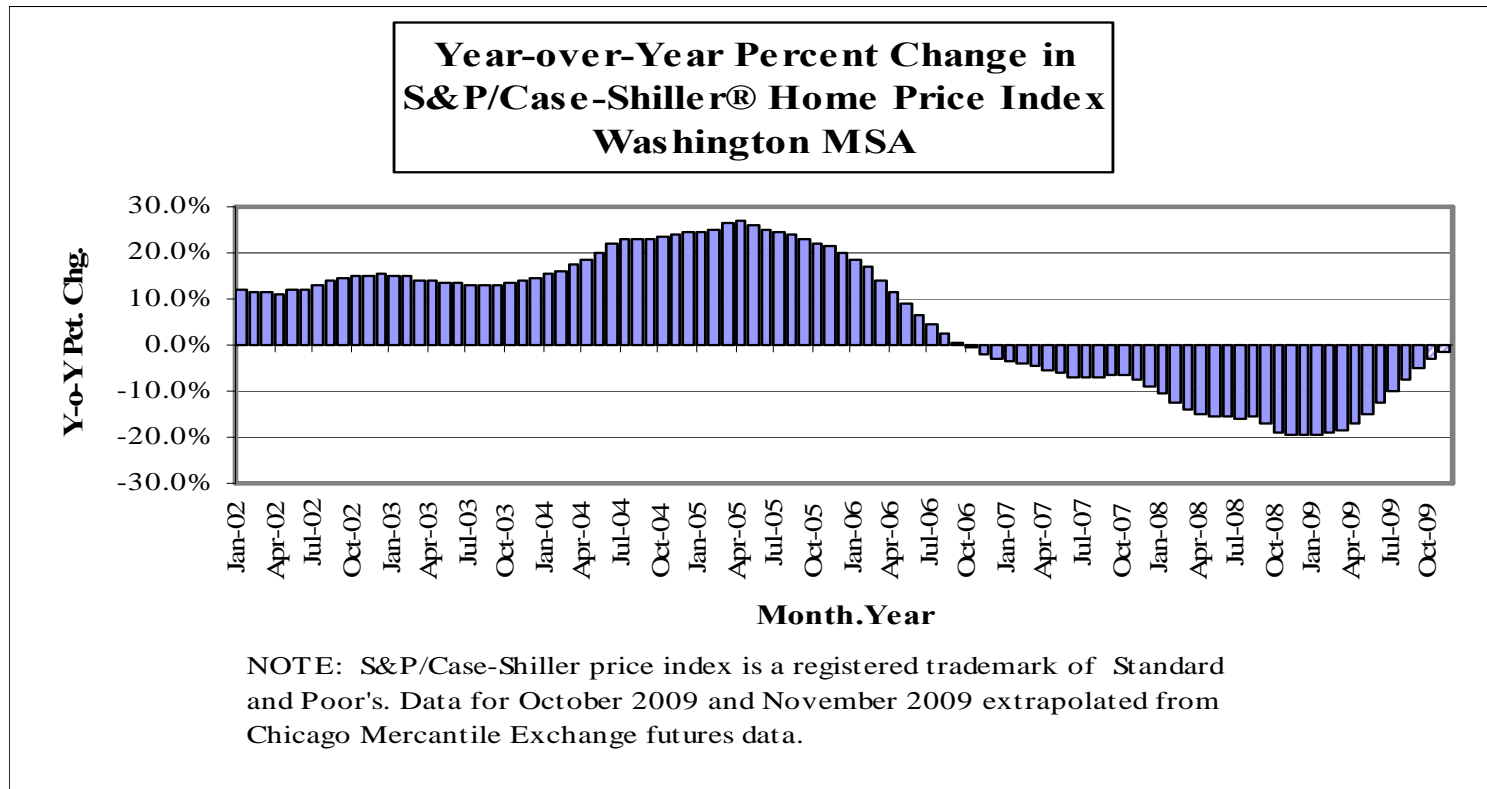
**Employment in the metropolitan region stood at nearly 2.996 million in October compared to 3.020 million in October '08 - decline of 24,000.**



**Payroll employment for Montgomery and Frederick counties stood at 578,300 in October - an increase of 1,800 jobs since October '08. The professional and business services sector experienced a significant increase of 8,100 jobs since October '08. For the first ten months of this year, monthly payroll employment averaged 573,500 – a 0.2 percent decline over the same period last year.**

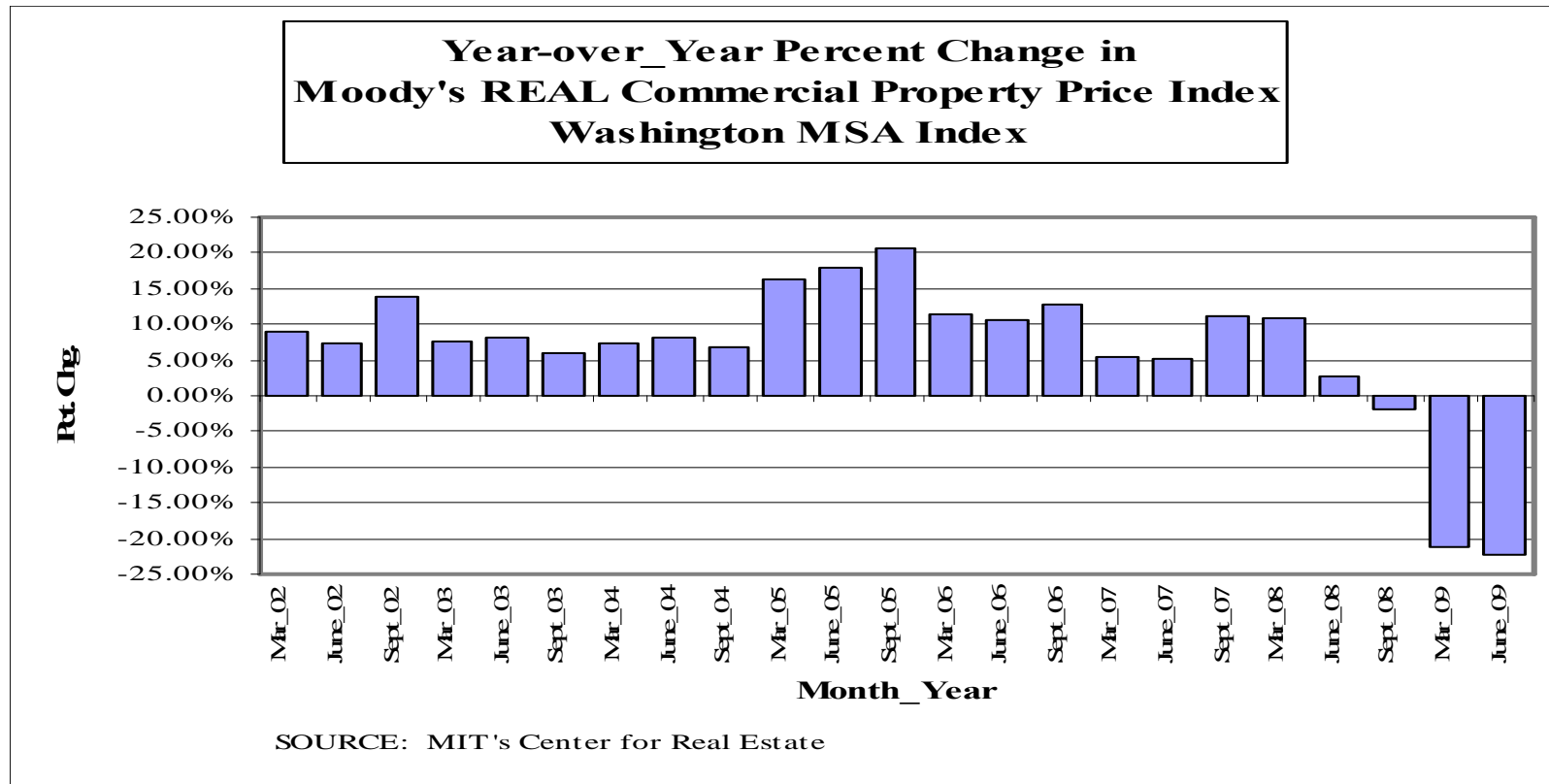


**Based on the Case-Shiller® index, home prices in the Washington metropolitan region decreased 5.0 percent in September compared to September '08. While the year-over-year percent change in the index declined, the index increased 8.7 percent between March and September of this year.**

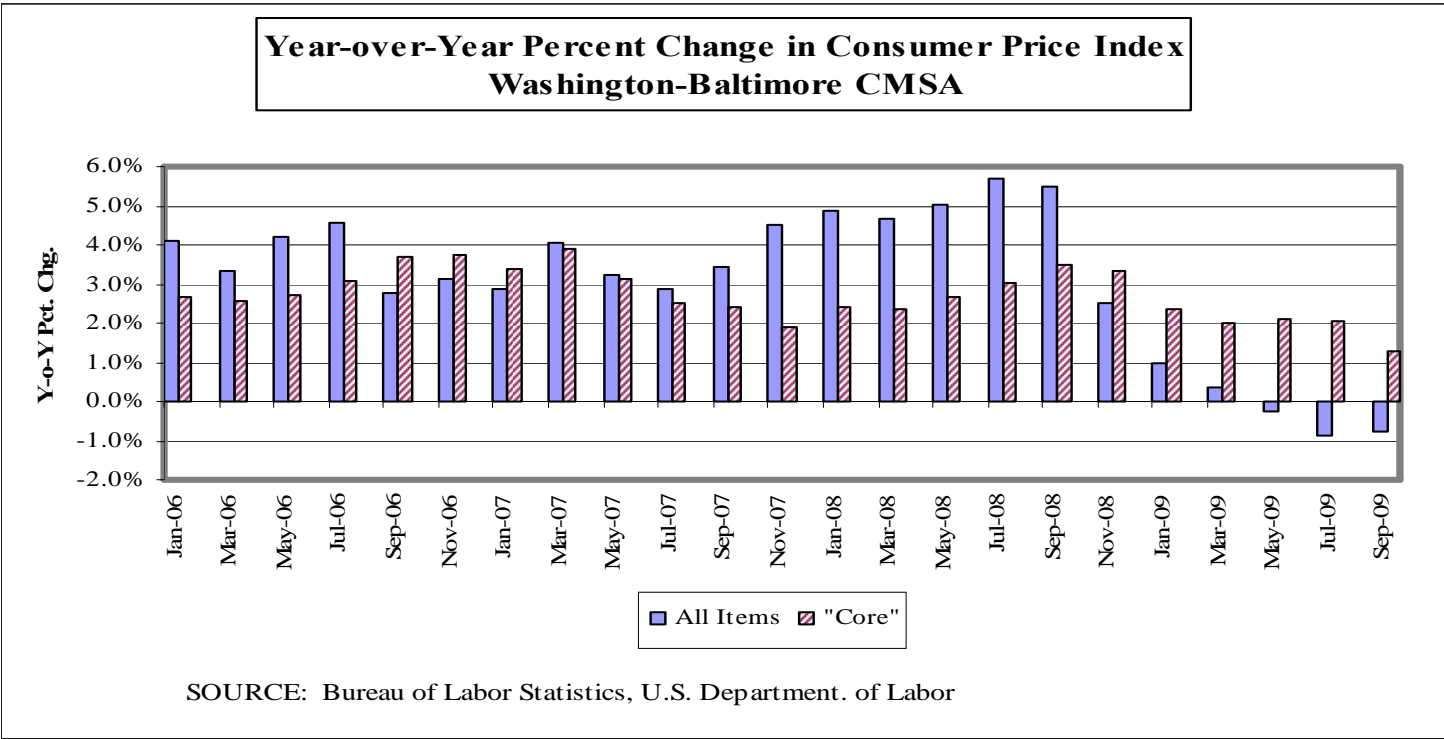




**Based on the Moody's REAL® Commercial Property Index, prices for commercial property in the Washington metropolitan area decreased 22.3 percent in June compared to June '08.**

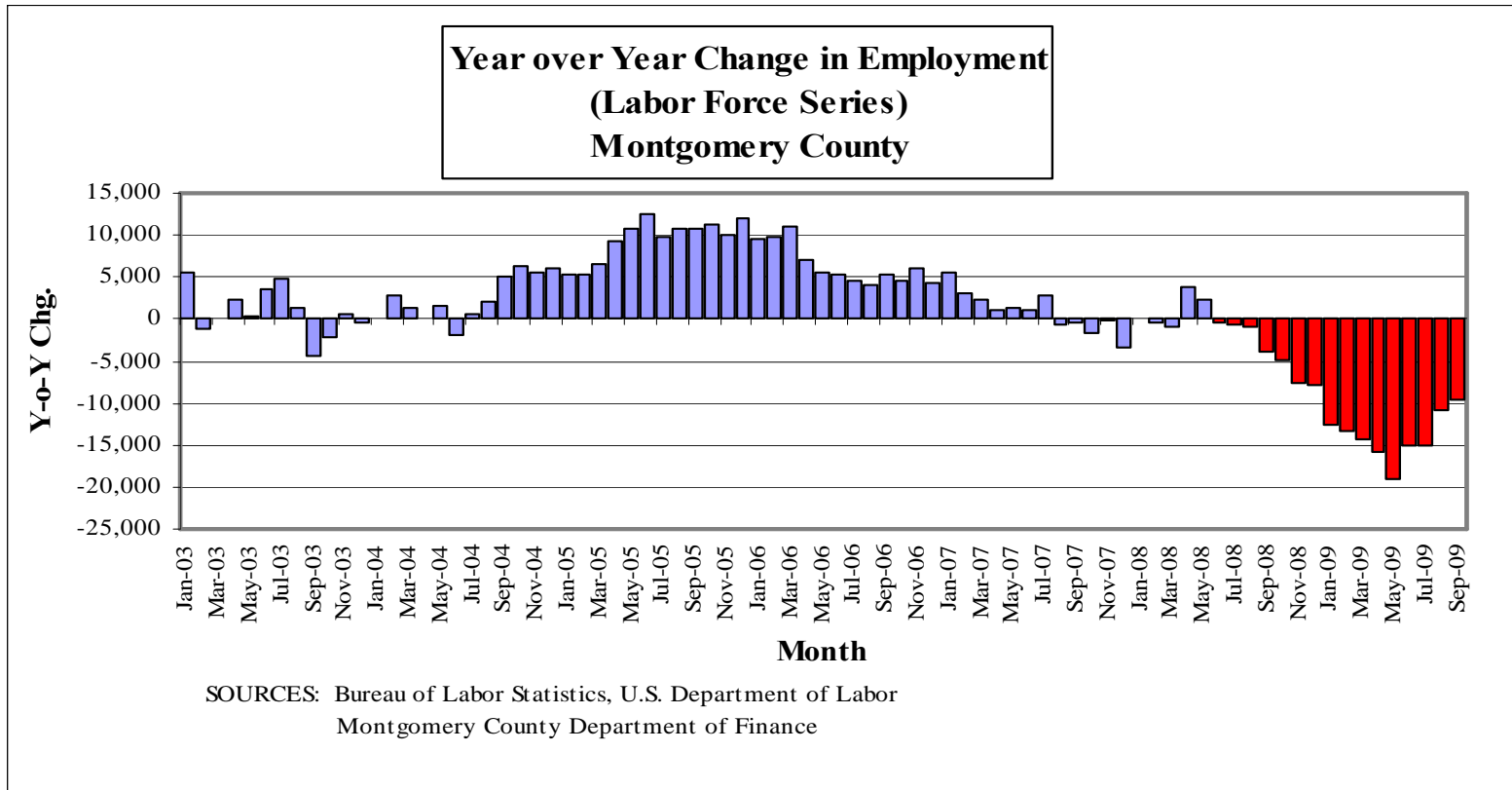


**Because of the dramatic decrease in energy prices, the overall consumer price index for the Washington-Baltimore consolidated region declined 0.8 percent in September compared to September '08. For the calendar year (January through September), the index *decreased* 0.1 percent compared to a 5.12 percent increase in 2008.**

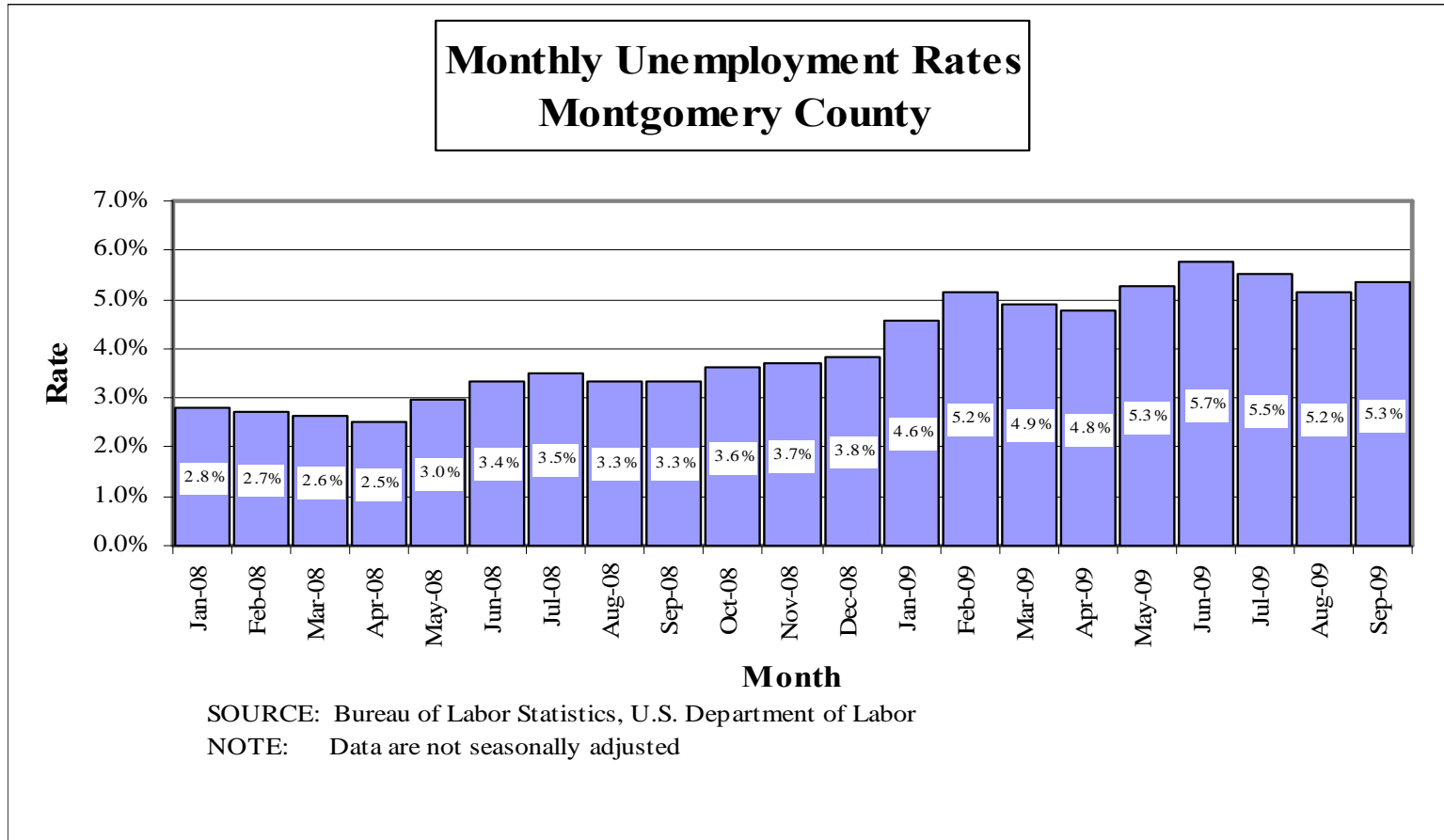


# **Montgomery County Economic Indicators**

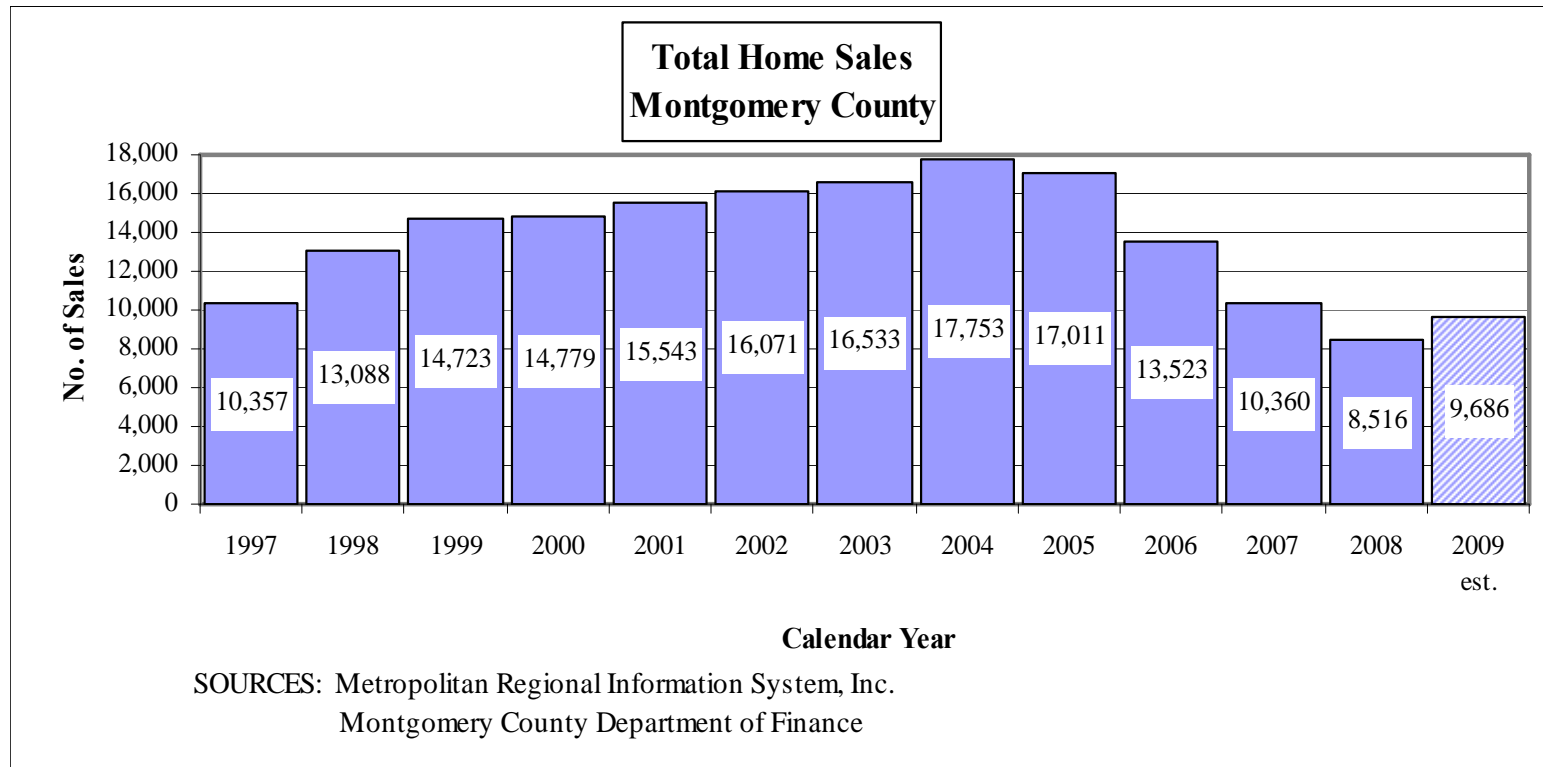
**Resident employment in Montgomery County was 484,500 in September compared to almost 494,100 in September '08 - a decline of 9,600 (↓1.9%). Since May of last year, the year-over-year change in the County's monthly employment declined each month.**



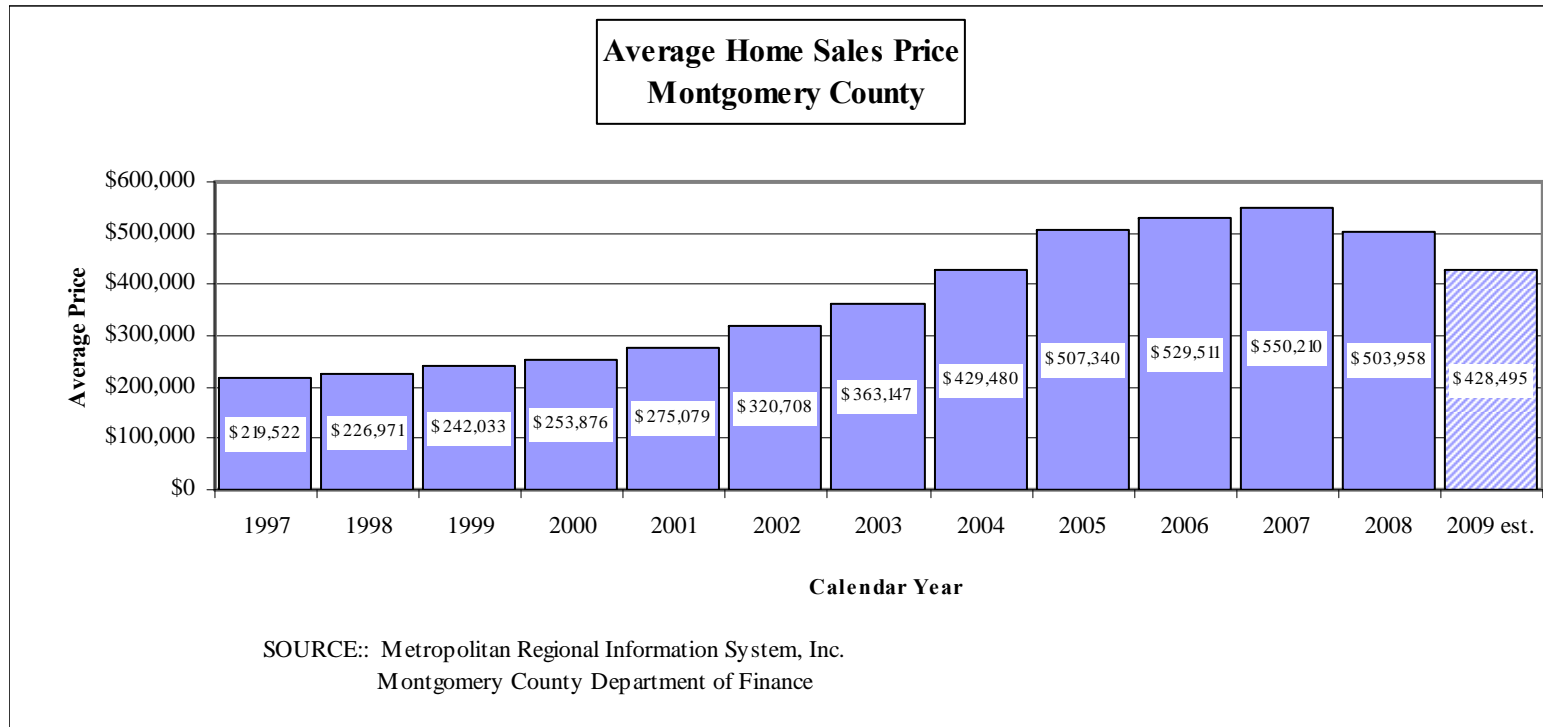
**Because of the steady decline in the County's employment, the unemployment rate has jumped from 2.5 percent in April 2008 to 5.3 percent in September of this year.**



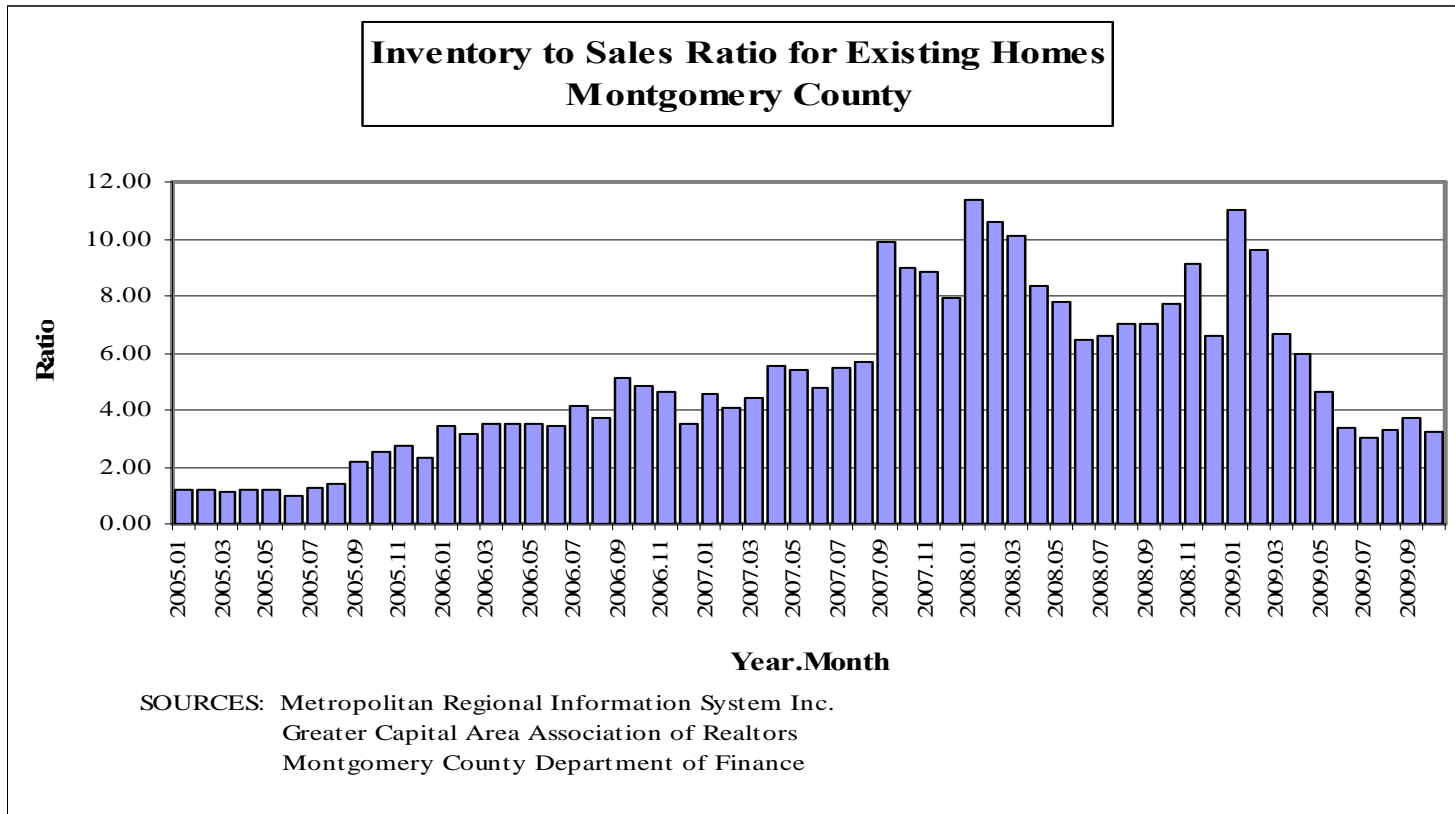
**With home sales increasing at an average monthly rate of 150 units between March and September compared to the same period last year, total home sales are projected to increase 13.7 percent in 2009 compared to declines of 20.5 percent (2006), 23.4 percent (2007), and 17.8 percent (2008).**



**While the sales of existing homes in the County is expected to increase in 2009, the average sales price is projected to decline 15.0 percent, which follows increases of 4.4 percent (2006), 3.9 percent (2007), and a decrease of 8.4 percent (2008).**

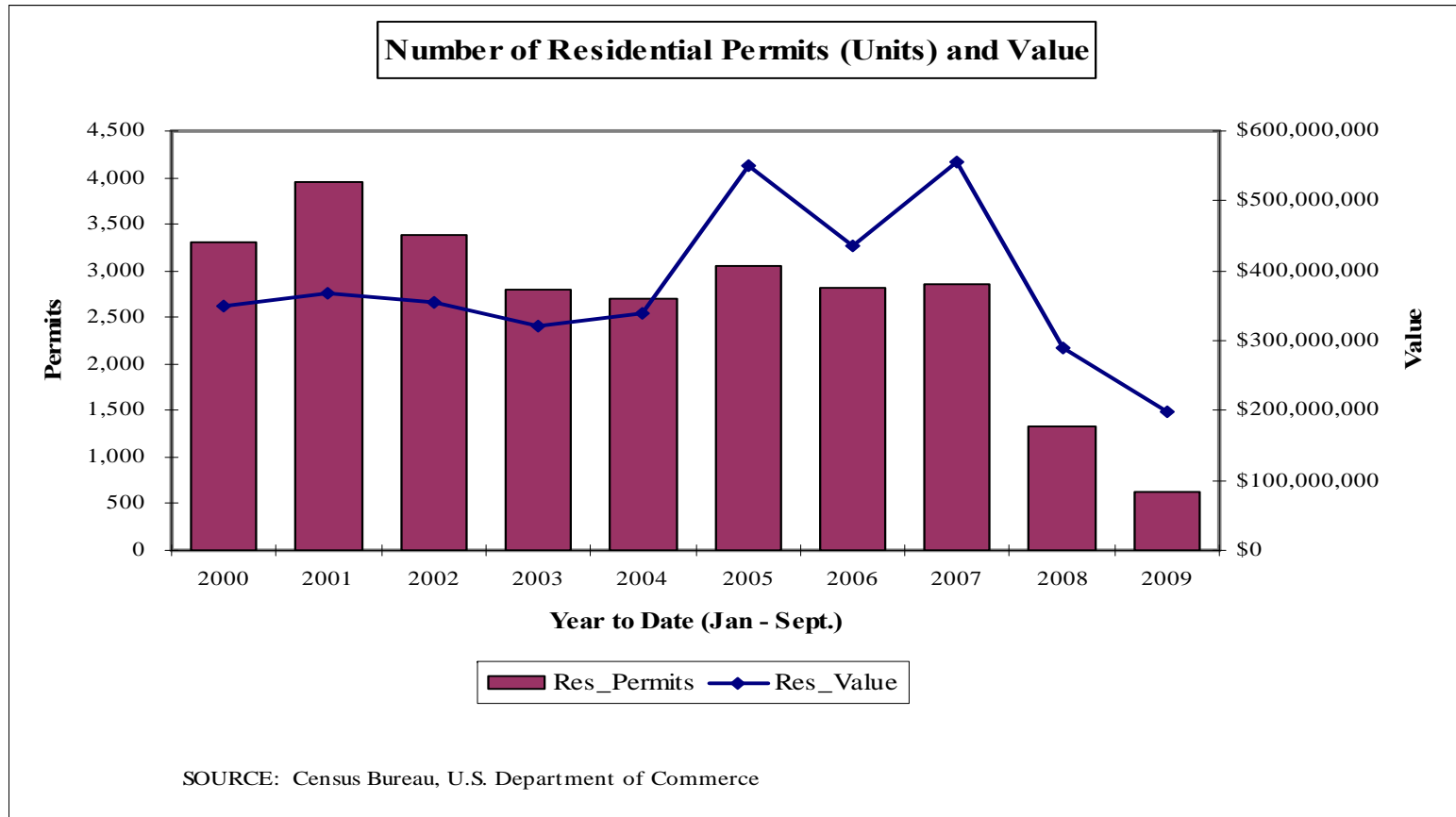


**The inventory of existing homes for sale has declined significantly from its recent peak of an eleven-month supply in January to slightly more than a three-month supply in October. The latest inventory figure remains below the 7-month figure of October 2008.**

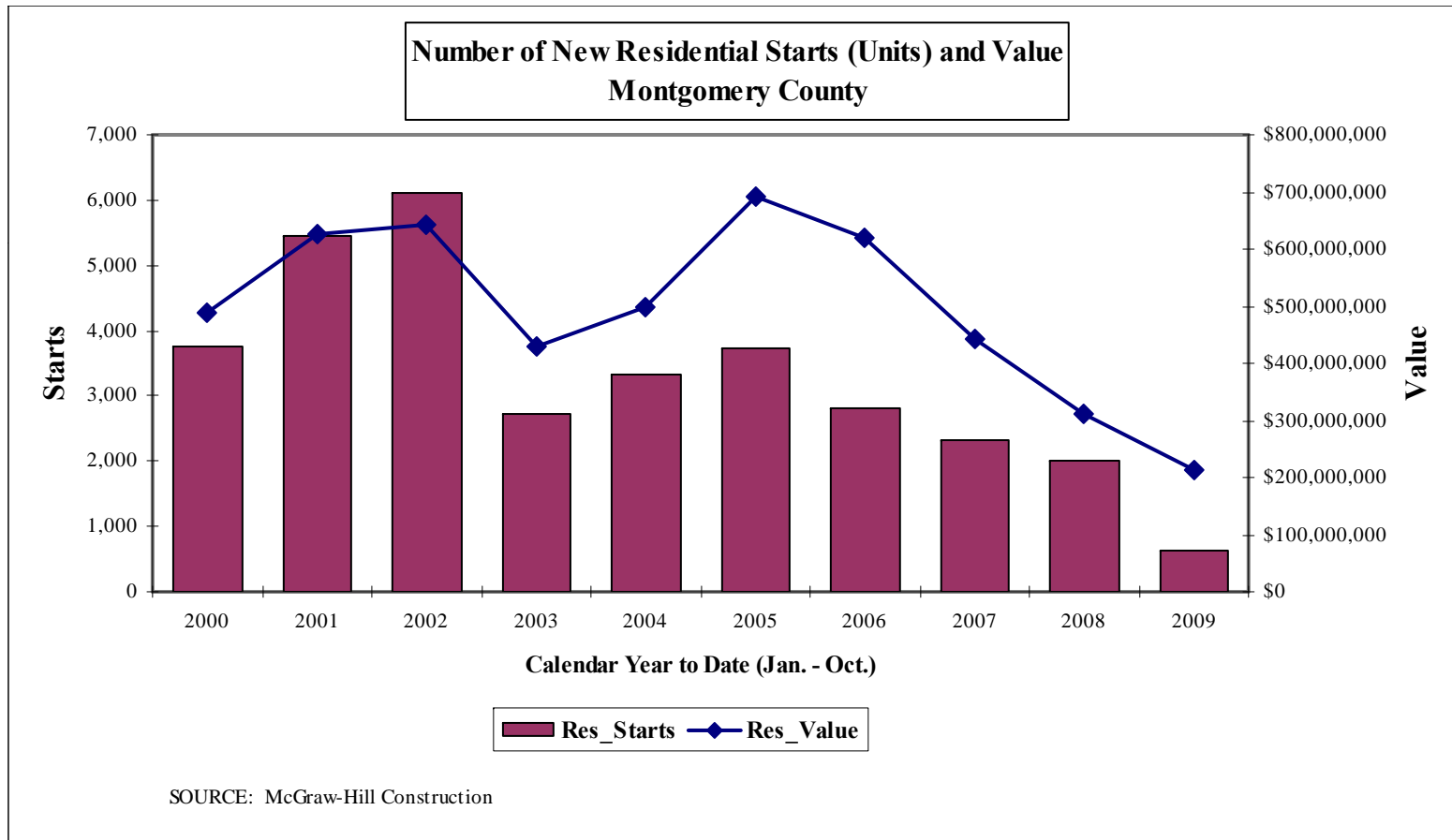




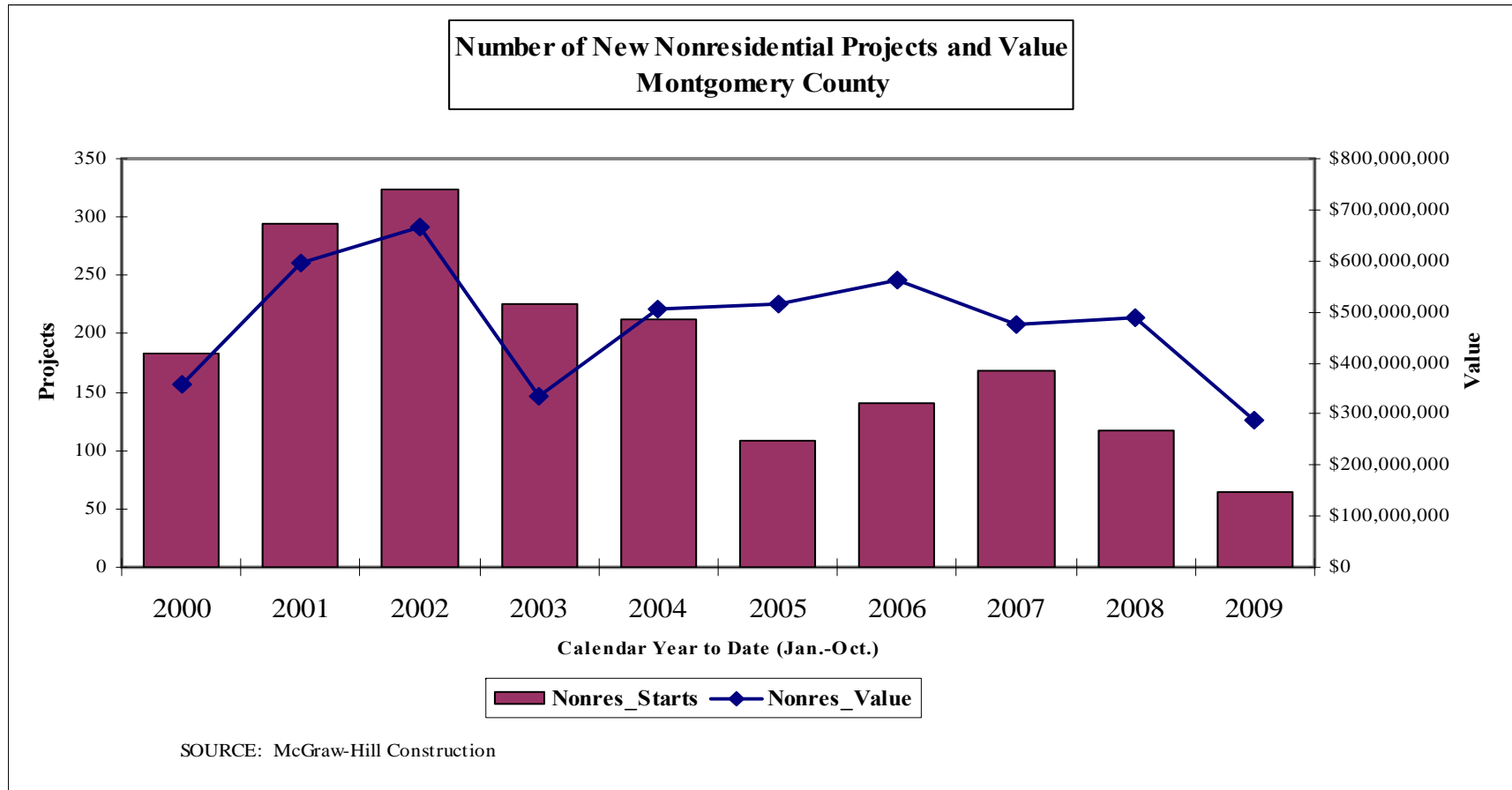
**The decline in home sales over the previous years coupled with the increase in the inventory of homes for sale affected new residential construction. The number of residential permits (units) declined from the recent peak of 3,100 in 2005 (January to September period) to 632 in 2009 – a decrease of 79.3 percent.**



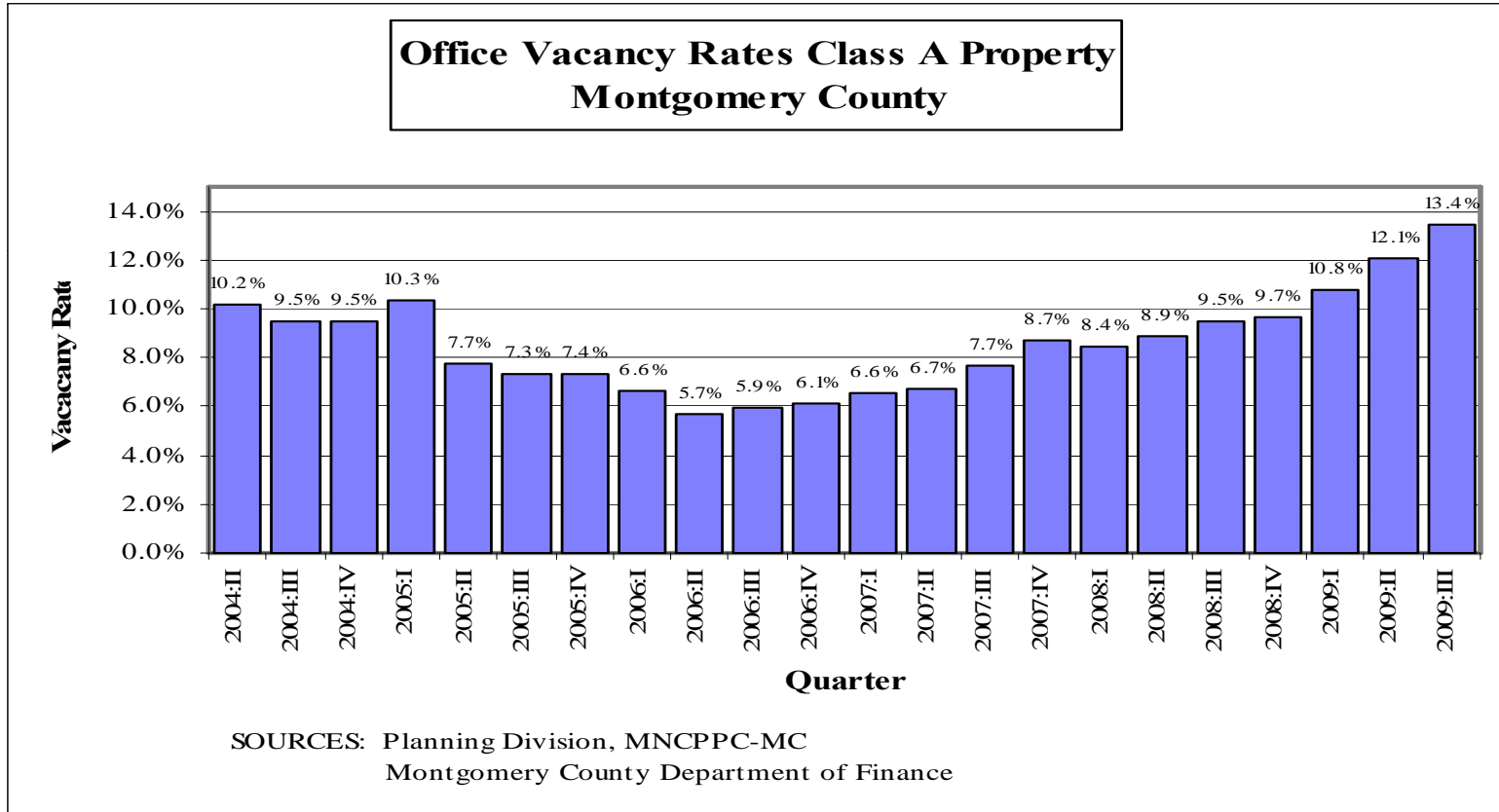
**The decline in the number of permits is also mirrored in the number of residential construction starts. The number of new units under construction declined from slightly more than the recent peak of 3,700 units in 2005 (January to October) to 645 units this year – a decrease of 82.7 percent.**



**The number of non-residential projects during the January to October period has declined from a recent peak of 168 in 2007 to 64 in 2009 to date (↓61.9%). Also the additional value decreased from \$476.8 million in 2007 (January to October period) to \$289.1 million so far this year (↓39.4%).**



**The decrease in non-residential construction is attributed to the steady increase in the vacancy rates of Class A property in the County. Since the second quarter of 2006, that rate increased from 5.7 percent to over 13 percent during the third quarter of this year.**



# Summary

- **Employment:**
  - The County’s unemployment rate has risen by 2 percentage points during the past year (through September) to 5.3%.
  - Because the unemployment rate is a lagging indicator in terms of an economic recovery, it may not improve significantly over the next calendar year. As the national unemployment rate reached 10.2 percent in October, employment will remain a drag on the economy for the foreseeable future.
  - The County’s resident employment was 484,500 in September – a decline of 9,600 from September 2008. With a decline in resident employment and possibly slow recovery, both factors will have a significant effect on income tax revenues in FY10 and possibly FY11.
- **Construction:**
  - With the value of new construction starts for residential projects below \$215 million to date in 2009 compared to less than \$311 million over the same period last year, additional property assessments from new construction could, by FY11, be at their lowest level in over 10 years.
- **Inflation:**
  - While the recent figures for inflation are a welcome relief to the local consumer, it will have a significant effect on the amount of property tax revenues under the Charter Limit in FY11. Currently the index is less than a 0.1 percent annual rate (or essentially flat) for calendar year 2009.
- **Housing Sales and Average Sales Prices:**
  - Home sales are expected to increase 13.7 percent which was attributed to strong sales in March through October.
  - Average sales prices are expected to decrease 15.0 percent in 2009. The decline in average prices has offset the increase in the volume of sales thereby lessening the amount of increase in residential transfer tax receipts.