



Overview

The purpose of this report is to provide an overview of different economic indicators that may impact Henrico County's ability to perform its services. This report compiles National, State, and Local data that measure current economic conditions from National Financial Markets to Local Car Registration. Most data will provide complete information for at least the previous fiscal year (FY22) and compare it to the current year (FY23). Data for FY23 is updated monthly as it becomes available. Some data is collected more frequently. Figures with dollar values will be in the millions unless indicated otherwise. Forward-looking statements should not be relied upon for investment decisions.

OMB Summary

Like November, the month of December continued to offer mixed economic results. Positive indicators were observed in oil prices, down from peaks earlier this calendar year, hourly wages, which experienced slight gains through the month, and consumer confidence regarding inflation expectations. Year-to-date FY23 tax collections continue to match or exceed FY22 collections across all bases (Sales and Use, Meals, Real Property, Personal Property, and Occupancy.) Negative indicators included minimal movement in national, state, and local unemployment rates, a continued increase in the Consumer Price Index, and the S&P 500 reversing its upward trend of the prior two months. Consensus analyst projections, investment advisor research, and media news reports predict a mild to moderate recession in calendar year 2023 driven primarily by Federal Reserve monetary policy, global supply chain tightening, and domestic unemployment rate increase. The County will closely monitor economic conditions and incorporate consensus forecasts into an already conservative fiscal planning process as it heads into the FY24 Budget season.

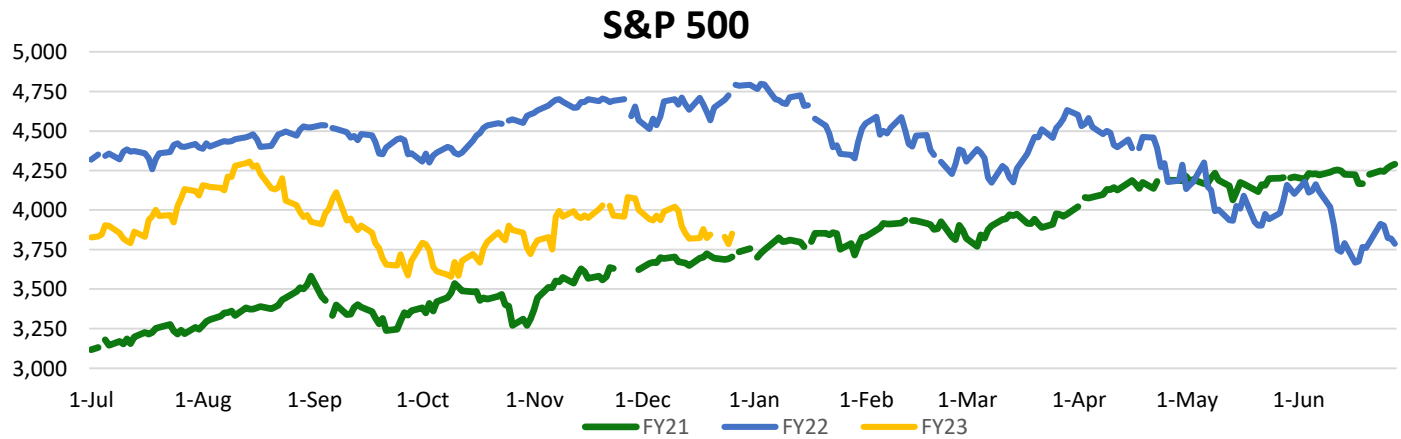
Metrics Considered

- **National:** S&P 500, Consumer Confidence Index, Real GDP, Wages, Consumer Price Index, Average Hourly Wage Changes against Changes in the Consumer Price Index, 30 Year Fixed Mortgage Rate, Crude Oil Prices
- **Virginia:** Unemployment Rate
- **Henrico:** Local Sales & Use Tax, Meals Tax, Real Property Tax, Personal Property Tax, Vehicle Registrations, Occupancy Tax, New Residential Construction, Average Days on the Housing Market & Median Sales Price, Residential Transactions & Foreclosures
- **Area:** Richmond Aviation Activity

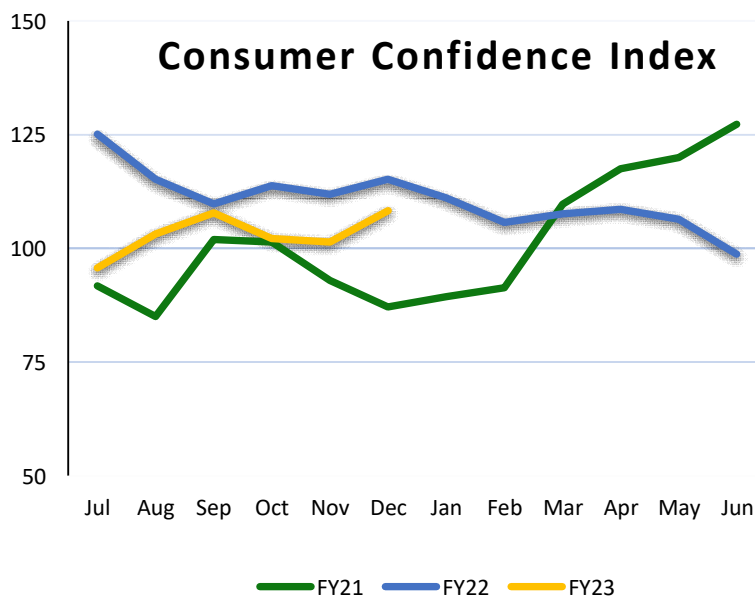


National Metrics

These indicators provide a mix of hard financial data as well as consumer consensus surveys to provide a macroeconomic and microeconomic view of the United States.



The **S&P 500** is a stock market index measuring the performance of 500 large U.S. companies on stock exchanges and is considered one of the best representations of the U.S. stock market. **The index picked up where November left off, remaining relatively stable until mid-December when it began to lose traction. Unable to climb back, the S&P ended December over 230 points lower than the prior month¹.**



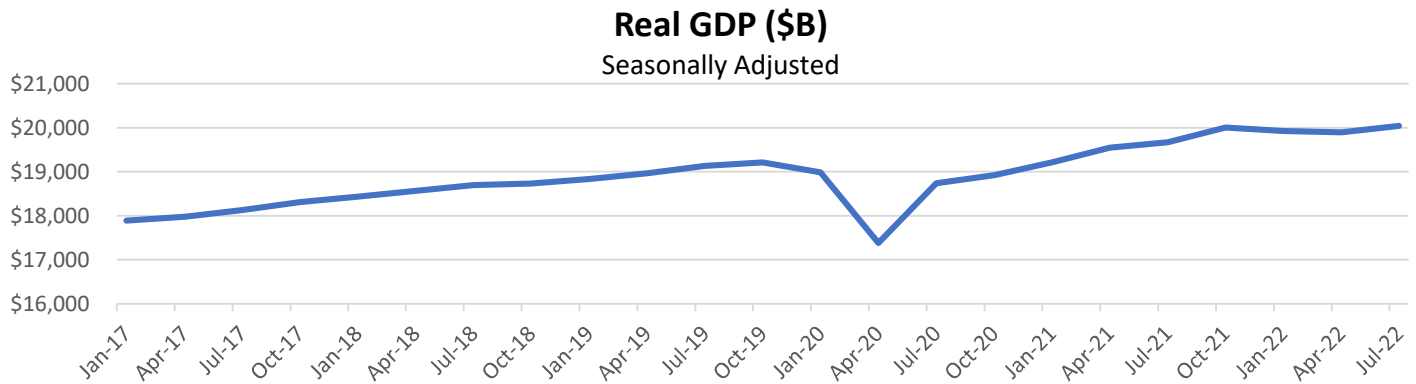
The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked to 1985 (100) and best compared by reviewing month over month changes. **The index bounced back in December increasing from 101.4 to 108.3, the highest value seen since April.** Consumers cited optimistic expectations regarding inflation and a more favorable labor market².

¹ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SP500>

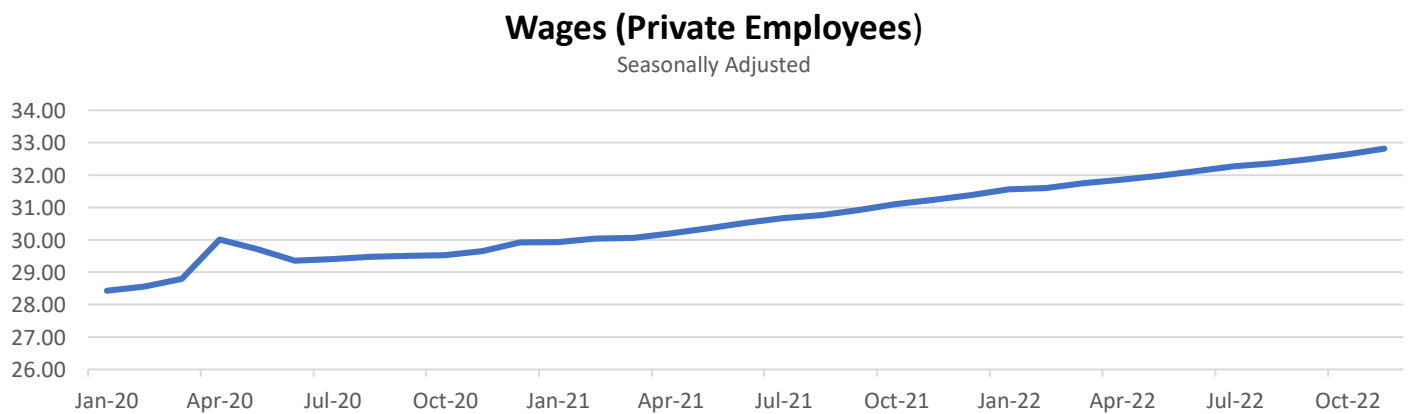
² The Conference Board; [US Consumer Confidence \(conference-board.org\)](https://www.conference-board.org/consumer-confidence)



National Metrics



The **Real Gross Domestic Product** is an inflation adjusted standard measure of all goods and services produced by labor and property located in the United States in a stated period. Gross domestic product can be calculated on a nominal or real (adjusted for inflation) basis. Since rising prices influence GDP, removing inflation related price changes isolates changes in production quantity. **In the third quarter of 2022, real GDP increased by 0.7%³, reversing the previous two quarters decline.**



The **Average Hourly Earnings of All Private Employees** measures average hourly earnings employers pay that include overtime and shift differentials but excludes benefits, bonuses, retroactive pay, or employer payroll taxes. While earnings data changes capture wage rate adjustments, they can also include changes in the mix of employment. **In November, the average hourly wage increased to \$32.82. This rise of \$0.18 from September represents a 0.6% overall increase⁴.** The last time wages decreased from the prior month was in June 2020 reflecting impacts of the pandemic.

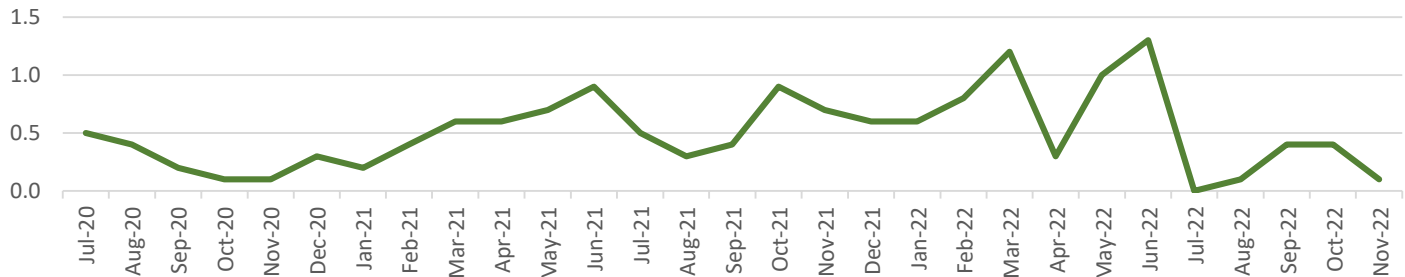
³ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDP>; GDP data is published quarterly.

⁴ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CES050000003>



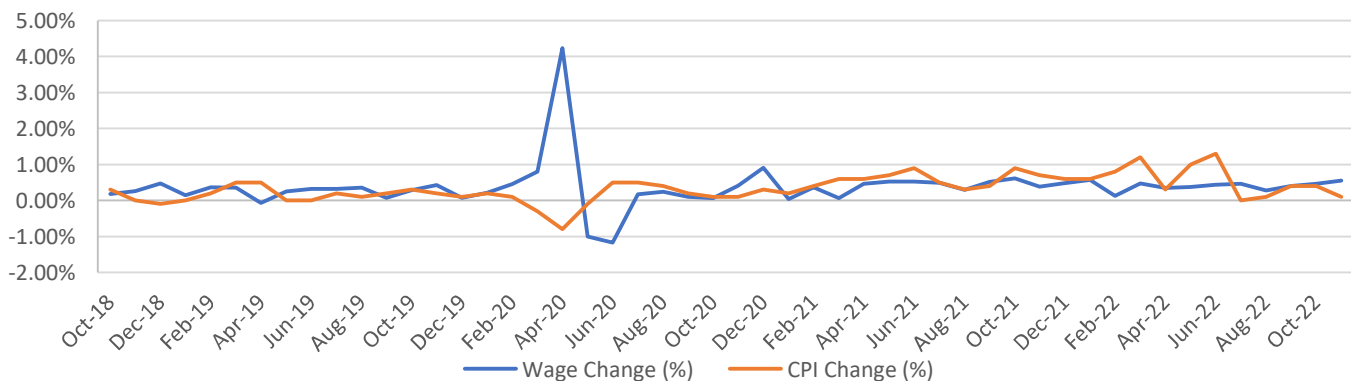
National Metrics

Consumer Price Index



The **Consumer Price Index** is a weighted average of the prices of an identified basket of consumer goods and services used to help monitor inflation. The index measures the average change in price that consumers pay over time. The data is presented as a 1-month percent change, which means that anything shown greater than zero is indicative of inflation (prices increasing) while anything below zero is indicative of deflation (prices decreasing). **During the month of November 2022, the consumer price index rose by 0.1%⁵. This marks the fourth consecutive month of price growth since July.** The current 12-month CPI growth is 7.8% (unadjusted) as reported by the Bureau of Labor Statistics. This is 1.0% greater than the trailing 12-month average of 6.8%, suggesting heightened inflation compared to the same period last year.

Average Hourly Wage Changes Against Changes in CPI



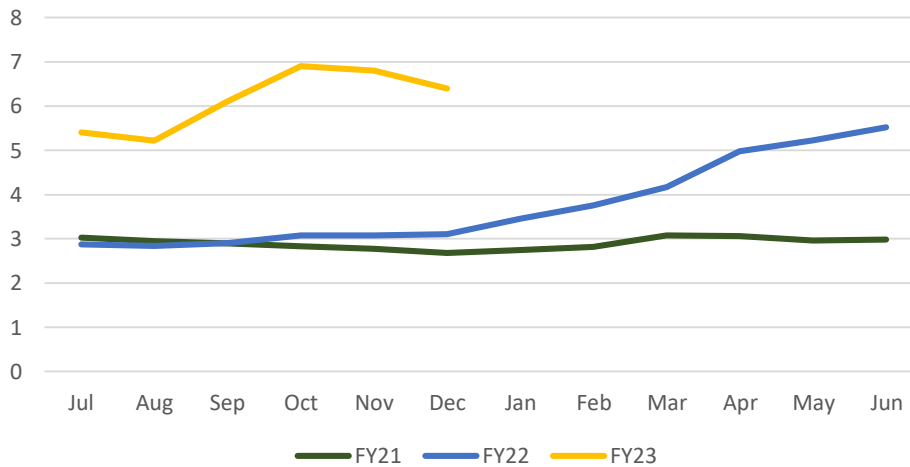
Average Hourly Wage Changes against Changes in the Consumer Price Index analyzes the relationship between national wages and consumer pricing, and more loosely, its affiliate inflation. It should be noted that this graph encompasses month over month changes, with both metrics demonstrating continuous upwards growth over the past 2 years of recorded data. **November’s monthly wage growth of 0.6% was higher than the CPI’s 0.1% growth, a positive outcome for consumer buying power.**

⁵ U.S. Bureau of Labor Statistics; [Bureau of Labor Statistics Data \(bls.gov\)](https://www.bls.gov)



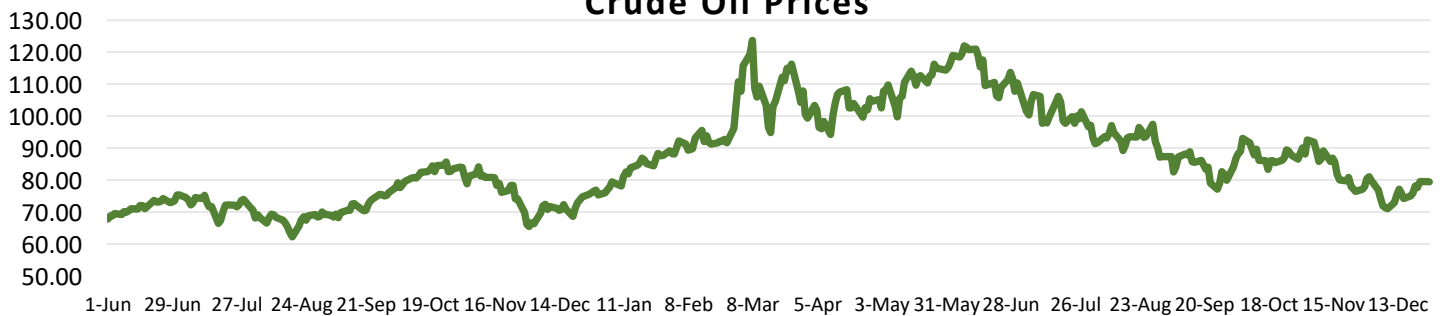
National Metrics

30 Year Fixed Mortgage Rates



The **30-year Fixed Mortgage Rate** is the most common financing mechanism used by residential home buyers. The interest rate represents the amount a qualified borrower will be charged by a lender over the loan term. **In December of 2022, the 30-year fixed mortgage interest rate decreased to 6.4% from November’s rate of 6.8%⁶.** Rates continue to stand significantly above recent year averages.

Crude Oil Prices



Crude Oil Prices are the daily rate received for a barrel of unrefined oil produced in Texas and Southern Oklahoma --- among the easiest to refine oils in the world and therefore a standard for oil prices worldwide. When crude oil prices change, the price at the pump paid by consumers changes in harmony. **During the month of March, prices reached a high of \$123.64; latest December pricing was recorded at \$79.45, a 35.7% decline from March’s peak and a return to prices comparable to December 2021⁷.** The volatility seen throughout 2022 illustrated exactly how impactful world events could be on the price of crude, which subsequently impacted consumer spending and other economic inputs.

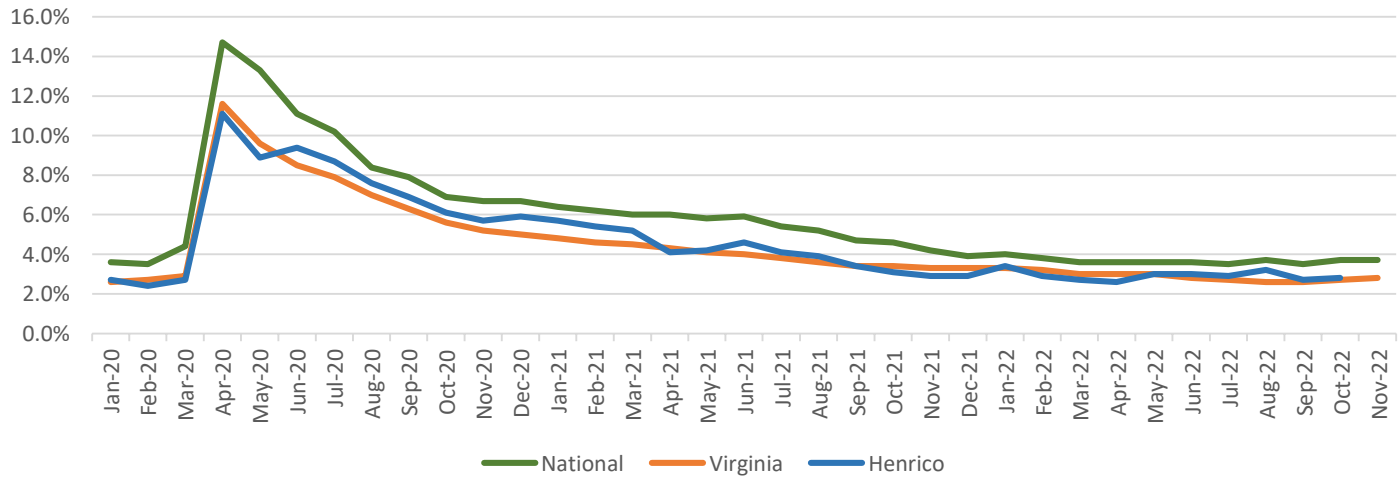
⁶ Freddie Mac; [30-Year Fixed-Rate Mortgages Since 1971 - Freddie Mac](https://freddie.com/research/30-year-fixed-rate-mortgages-since-1971/)

⁷ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DCOILWTIC0>



Combined Metrics

Unemployment Rates

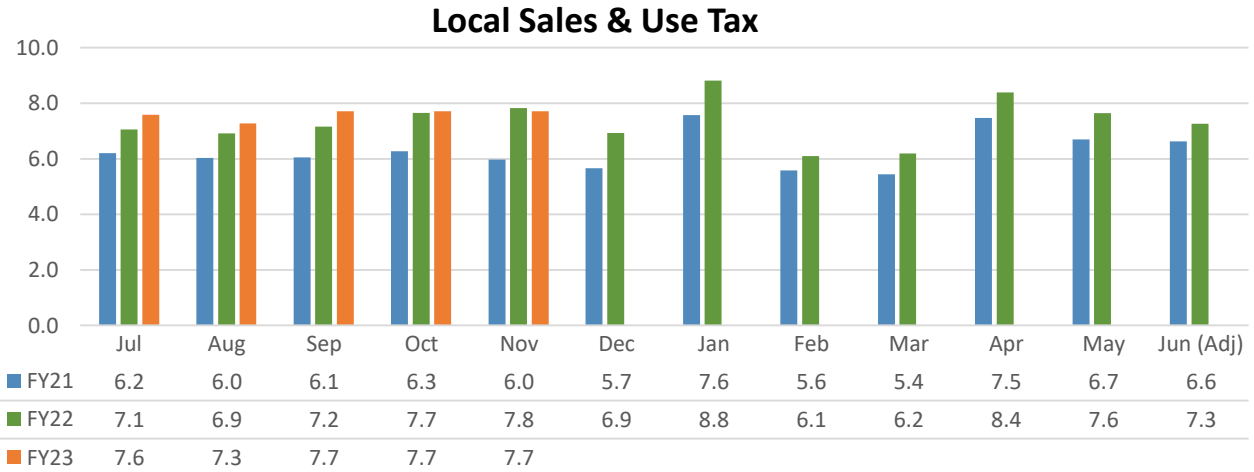


The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. **In the month of November, the unemployment rate was unchanged at the National level and rose 0.1% at the State level. In the month of October, the Henrico unemployment rate increased by 0.1%⁸.** Historically, Henrico unemployment rates have trended closely with the National and State levels. In this measure, workers who are unable to work due to temporary layoffs are included. Temporary layoffs include voluntary layoffs by firms as well as mandated closures during quarantines.

⁸ US Bureau of Labor Statistics; <https://data.bls.gov/lausmap/showMap.jsp>



Henrico Metrics



Henrico County **Sales & Use Tax** amounts to 6.0% on each purchase collected by the Commonwealth. 1% is remitted back to the County from the State. **November data recorded collections of \$7.7 million, 1.5% lower than the same period in FY22⁹.**



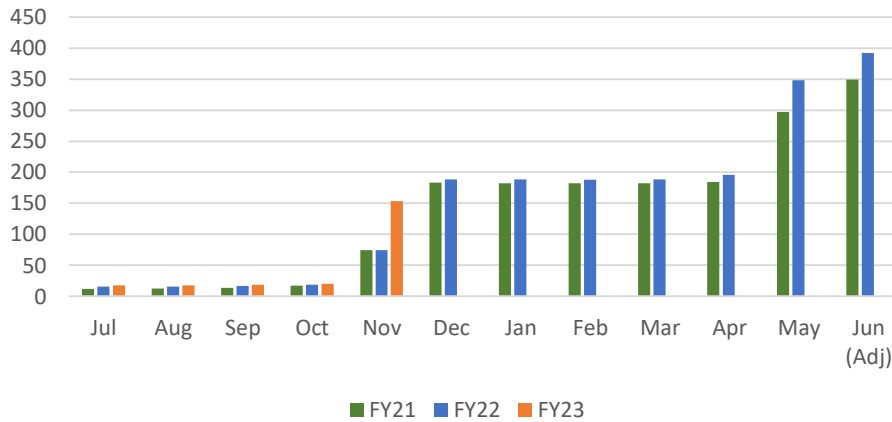
Henrico’s **Meals Tax** establishes a 4% tax on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **October FY23 collections at \$3.16 million represent an increase of \$0.05 million over October FY22 collections.** FY22 collections of \$34.8 million far exceeded pandemic and pre-pandemic levels reflecting an overwhelming resurgence in dining out. FY23 collections are on track to exceed these totals.

⁹ Henrico County Office of Management and Budget (OMB); All subsequent data is courtesy of the Henrico County OMB unless denoted otherwise



Henrico Metrics

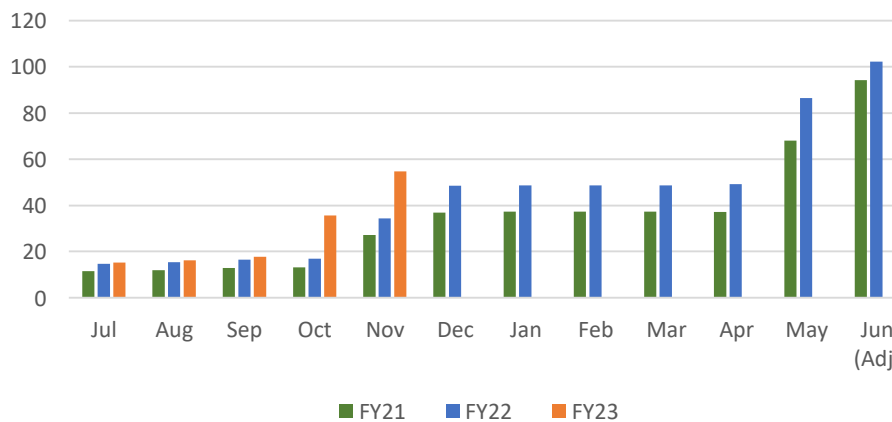
Real Property Taxes
(\$ Millions)



Real Property Taxes are collected on property used for residential and nonresidential purposes. The Code of Virginia provides for assessment of real property at 100% of fair market value, which is the probable amount a property would sell for today if exposed to the market for a reasonable period. Collections are due twice a year in December and June. **Real Property Tax collections for the month of November FY23 exceeded those of November FY22**

by \$79 million. Increased collections reflect assessment increases experienced nationwide. The graph above represents cumulative collections through the fiscal years.

Personal Property Taxes
(\$ Millions)



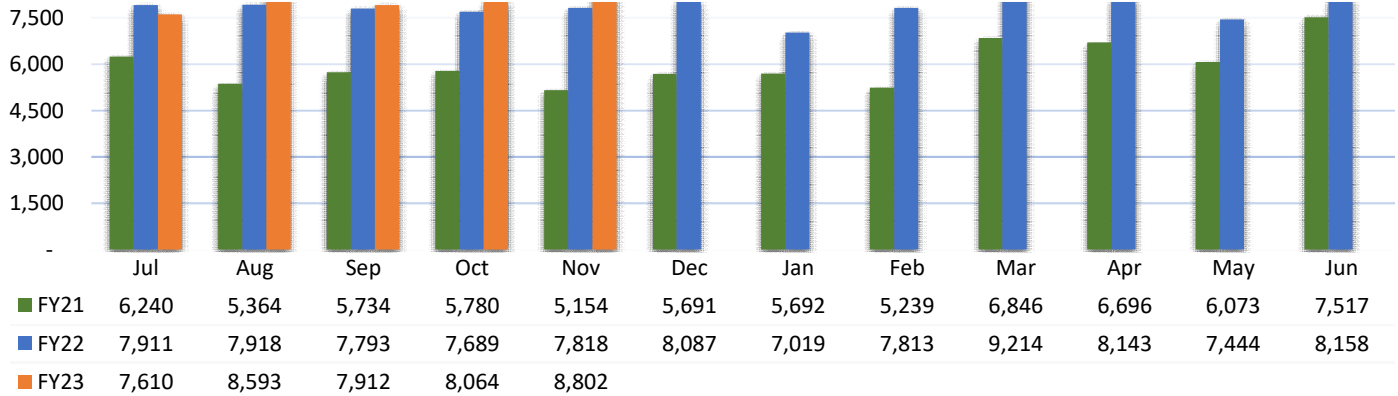
Personal Property Taxes are collected on all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Personal property is collected in the locality where it is normally garaged, docked, or parked. Henrico County uses the J.D. Power Official Used Car Guide as of January 1st of each year to establish valuations. Collections are due twice a year in December and June. **Collections for the month of**

November FY23 were \$20 million above November FY22. Personal Property tax collections will reflect significant increases in used vehicle assessments. These increases are the result of price volatility in the used vehicle market due to supply chain shortages. Collections recorded are subject to change and with the Board of Supervisors recent \$21.5 million rebate approval, citizens of the County can expect to see \$0.52 per \$100 of assessed value refunded back to them.

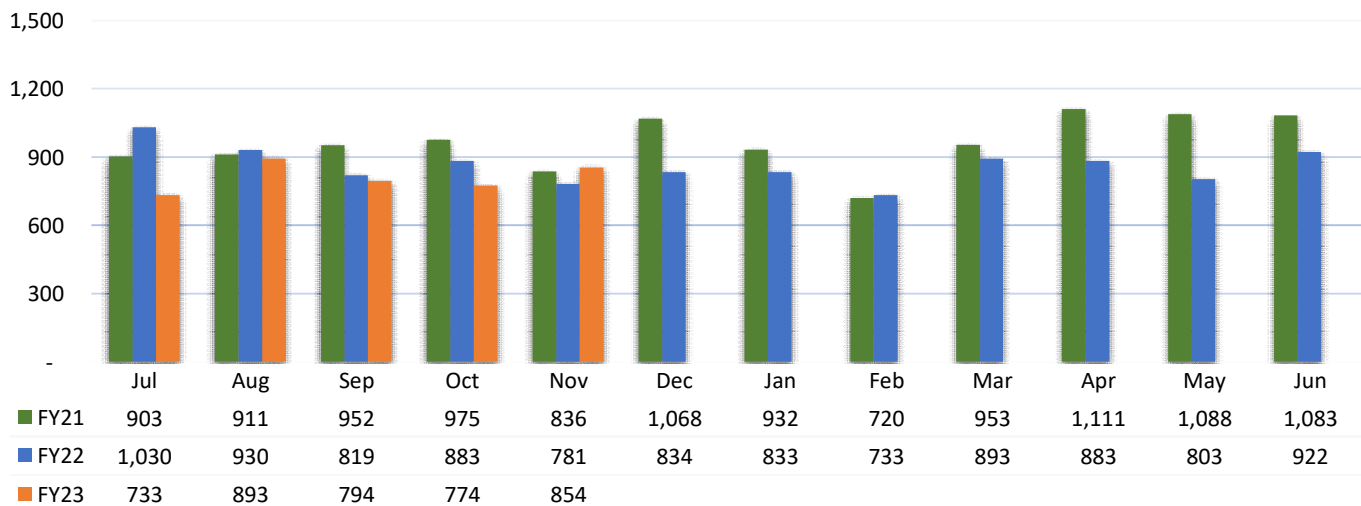


Henrico Metrics

Used Car Registration



New Car Registration

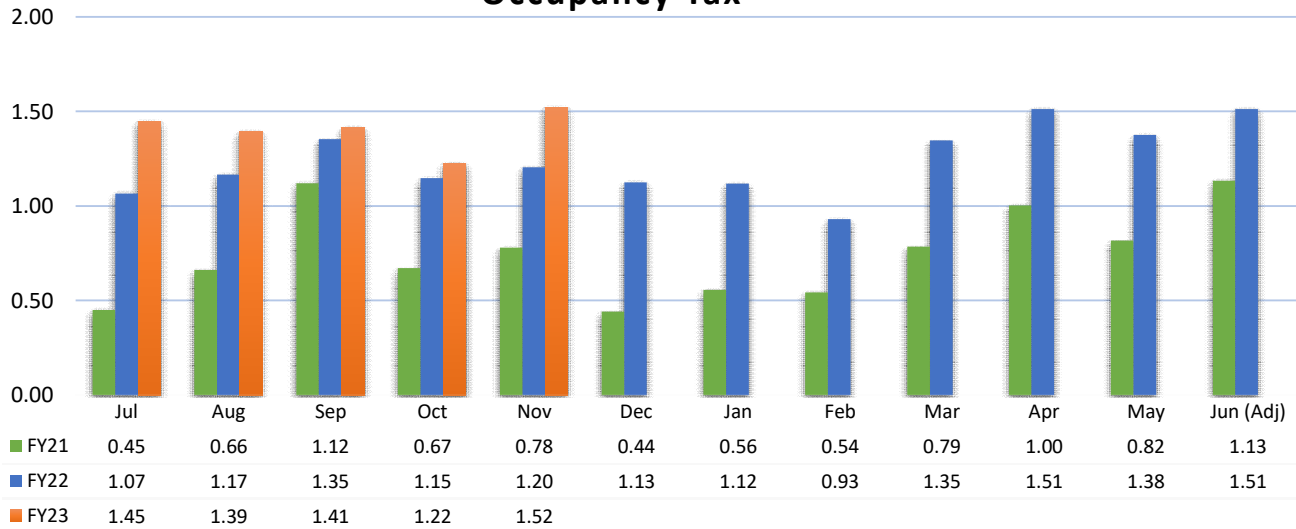


Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles; the metric strongly correlates to vehicle sales. **Used Car Registration in November recorded 8,802, 984 higher than November of FY22. New Car Registration in October recorded 854, up from October FY22's 781.**



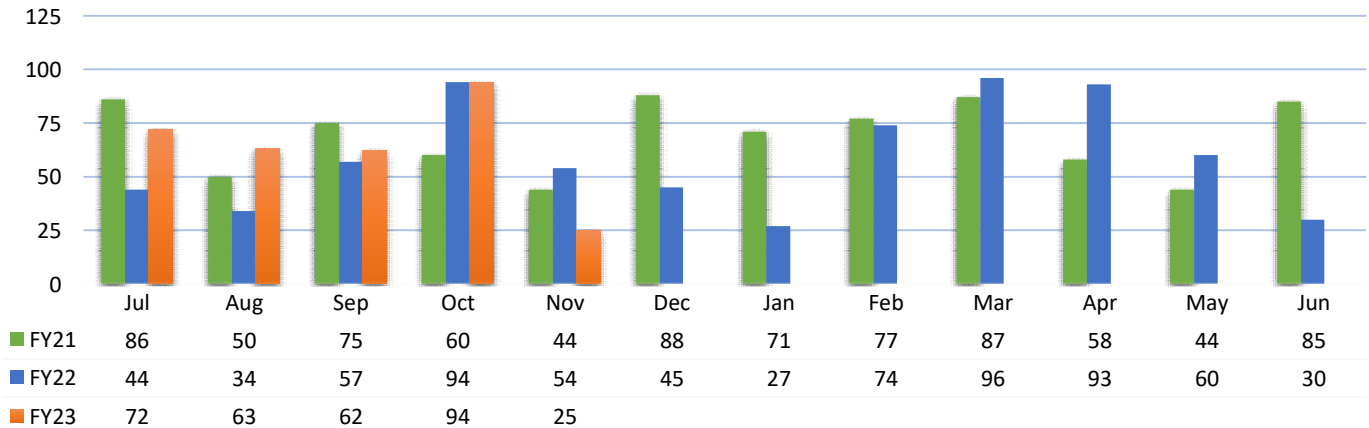
Henrico Metrics

Occupancy Tax



Henrico’s **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax collections in November were \$0.32 million higher than those of FY22.** Occupancy Tax collections have returned to pre-pandemic normalcy.

New Residential Construction

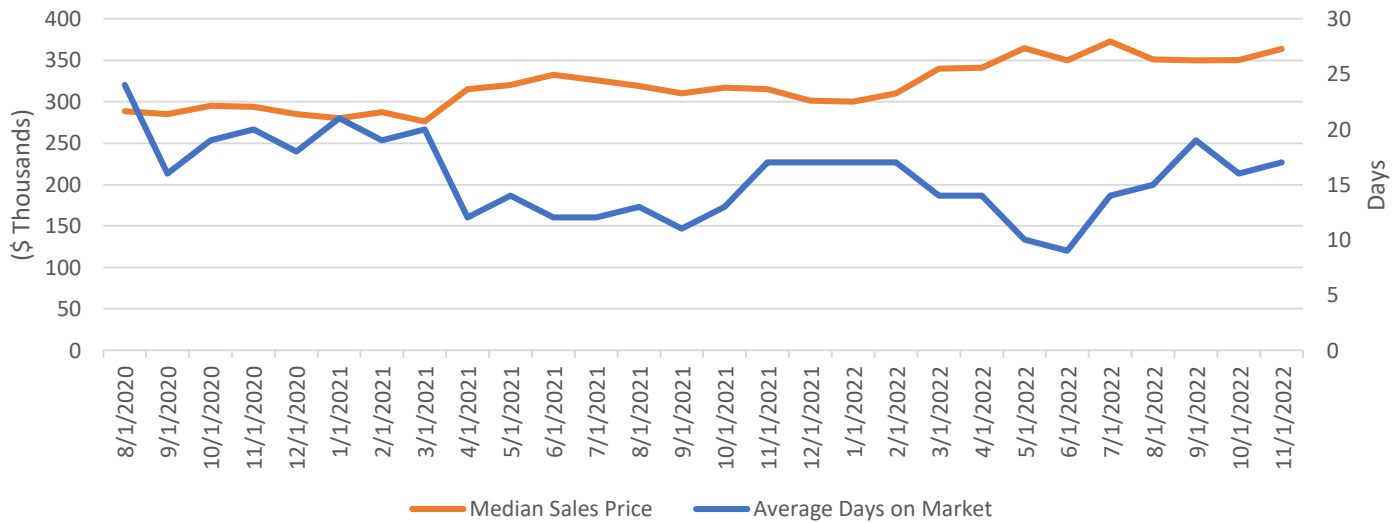


New Residential Construction is comprised of new single-family houses that were issued building permits. A slowdown may indicate worsening economic conditions, increased competition from neighboring localities, or a lack of expansion capabilities. **November FY23 construction recorded 25 permits, 29 less than November of FY22.**



Henrico Metrics

Average Days on Housing Market and Median Sales Price (Henrico)



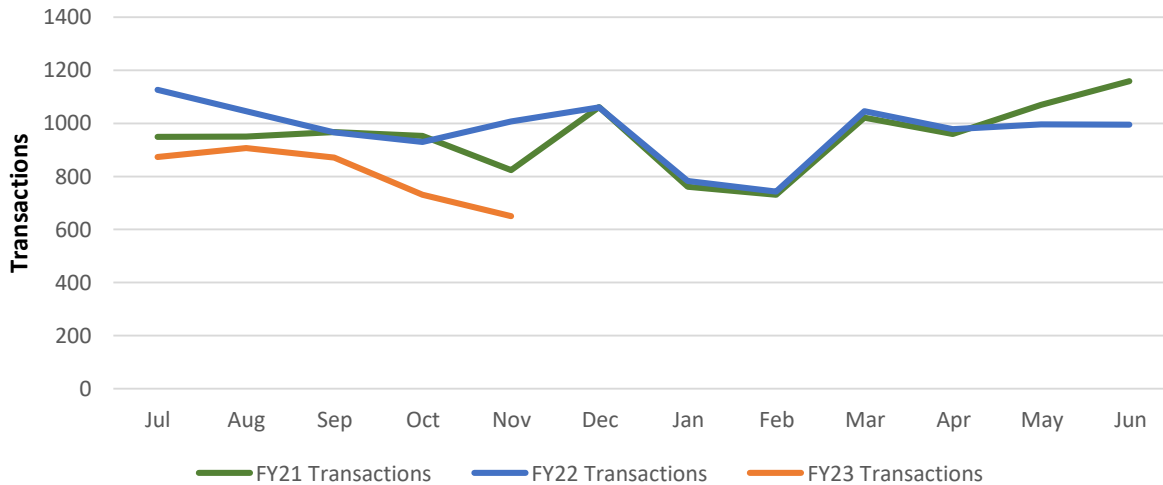
Average Days on the Housing Market and Median Sales Price provides a benchmark of the state of the housing market in Henrico. An increase in the time spent on market may indicate a slowing of the housing market, while a decrease may indicate acceleration. Median Sales Price tracks the middle value of homes sold in the County that month and can provide insight into the general direction of the market. **In the month of November, the Median Sales Price continued the upward trend seen in October, rising from \$350,400 to \$363,700. The median remains 15.5% higher than November of 2021, and 23.8% higher than November of 2020¹⁰.** Average Days on the Housing Market rose from 16 in October to 17 in November.

¹⁰ Long & Foster; <https://marketminute.longandfoster.com/market-minute/va/henrico-county.htm>



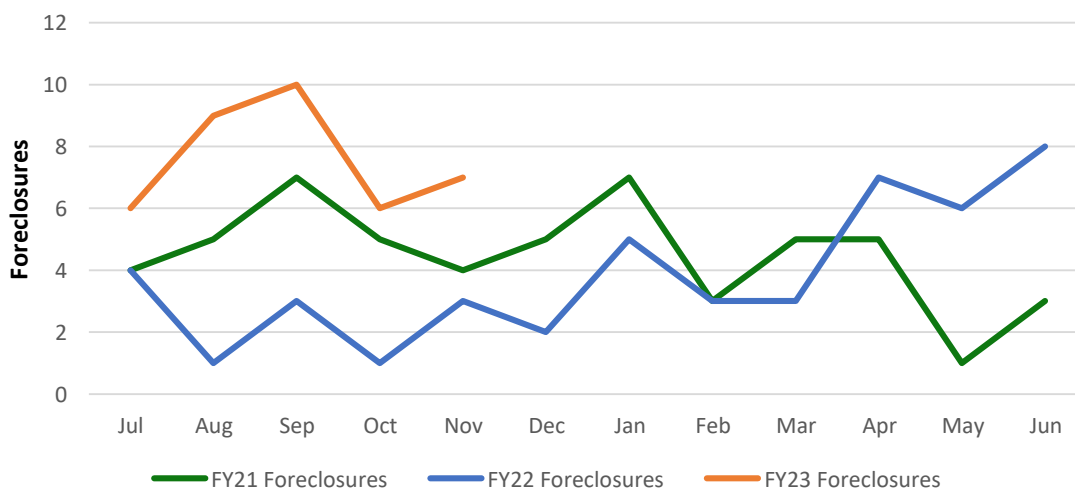
Henrico Metrics

Residential Transactions



Foreclosures & Transactions data represents Henrico’s completed residential sales and reports residential foreclosures. These provide a snapshot of Henrico’s housing market. Consistency in transactions represent a healthy and growing market. **With 650 total residential transactions, November represents a continued slowing to the housing market witnessed over the past several months and may indicate an eventual normalization last seen in FY20.**

Residential Foreclosures

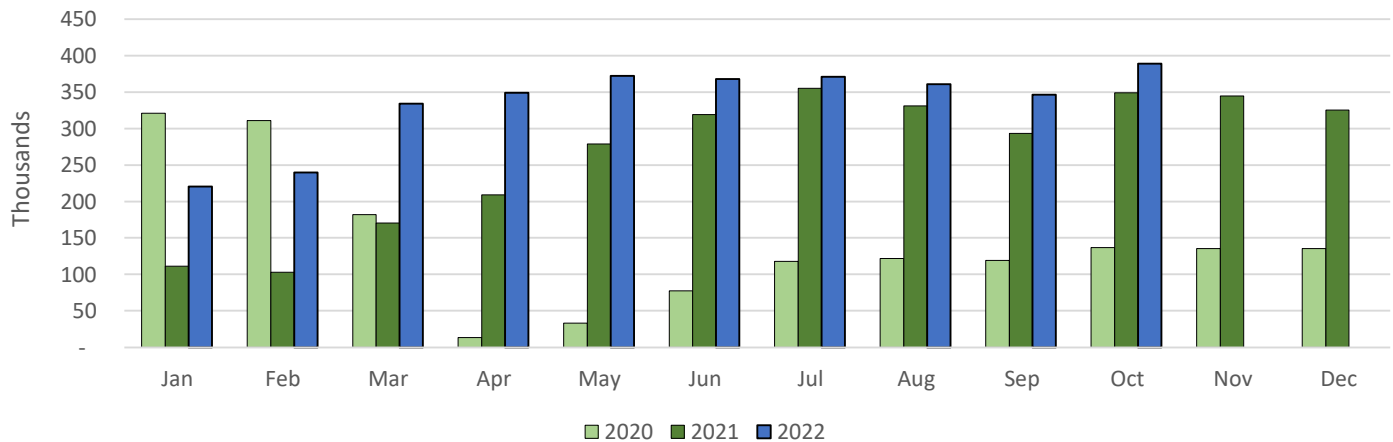


Foreclosure numbers rose from 6 to 7 in November.



Area Metric

Richmond Aviation Activity



Richmond Aviation Activity represents passenger activity in and out of the Richmond International Airport. The value is the combination of enplaned (departing) and deplaned (arriving) passengers. This provides traffic activity as it relates to flights around Henrico. Air travel can provide a benchmark for imported economic activity and is correlated to Occupancy Tax collections. COVID-19 has severely impacted air travel around the country both domestically and internationally. Air travel has seen a continuous recovery, with notable growth resuming in March 2021. **October 2022 demonstrated a continuation of consistent air travel serving 388,882 passengers. This metric reflects an 11.5% increase from October 2021¹¹ and the highest amount of passenger traffic since October 2019.**

¹¹ Richmond International Airport; <https://flyrichmond.com/airport-information/>



Summary of Financials

Period Ended November 31, 2022

	<u>FY23 Approved Budget</u>	<u>FY23 Revised Budget</u>	<u>FY23 YTD Actuals</u>	<u>FY23 Projected Remaining Actuals</u>	<u>Total Projected FY23 Actuals</u>	<u>Over (Under) Budget</u>
Revenues from Local Sources	796,520,200	796,520,200	306,267,458	542,905,823	849,173,281	52,653,081
Revenue from the Commonwealth	421,949,865	423,564,798	154,982,522	284,610,245	439,592,767	16,027,969
Revenue from the Federal Government	385,000	385,000	154,320	230,680	385,000	-
Total General Fund Revenues	1,218,855,065	1,220,469,998	461,404,301	827,746,748	1,289,151,048	68,681,050
General Government Expenditures	460,940,765	504,607,502	223,208,126	285,138,733	508,346,860	(3,674,741)
Education Expenditures	602,656,057	627,980,363	198,506,624	424,054,034	622,560,658	5,419,705
Total General Fund Expenditures	1,063,596,822	1,132,587,865	421,714,750	709,192,767	1,130,907,517	1,744,964

This **Summary of Financials, Period Ended November 31, 2022**, provides an overview of projected and actual revenues and expenditures for FY23. Note: Entire Fund Balance position is not represented in the table above. Projections will continue to be updated as more information is gathered throughout the fiscal year.