



Overview

The purpose of this report is to provide an overview of different economic indicators that may affect 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

The month of September offered mixed economic results. Negative GDP growth, coupled with sharp declines in the S&P 500, indicates that the Country is in a recession; the full ramifications of which are yet to be experienced. However, several observed metrics saw noteworthy positive improvements. The Consumer Confidence Index increased by 4.8 points, a growth influenced by positive consumer sentiment against stabilizing gas and oil prices. Mortgage rates also declined slightly, though they remain well above recent averages. Year-to-date FY23 tax collections exceed FY22 collections across all bases (Sales and Use, Meals, Real Property, Personal Property, and Occupancy.) This has positive implications for the County's delivery of services and ability to weather potential economic turmoil in the months to come.

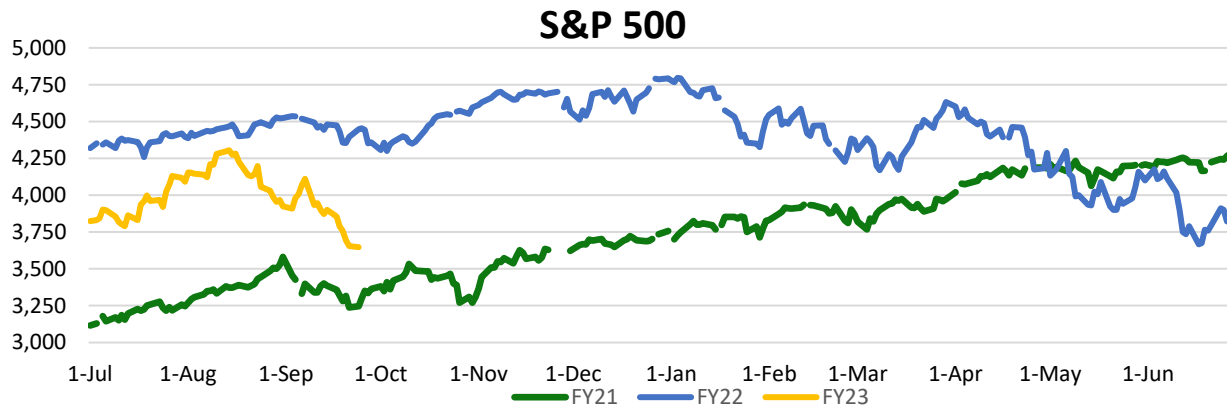
Metrics Considered

- **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



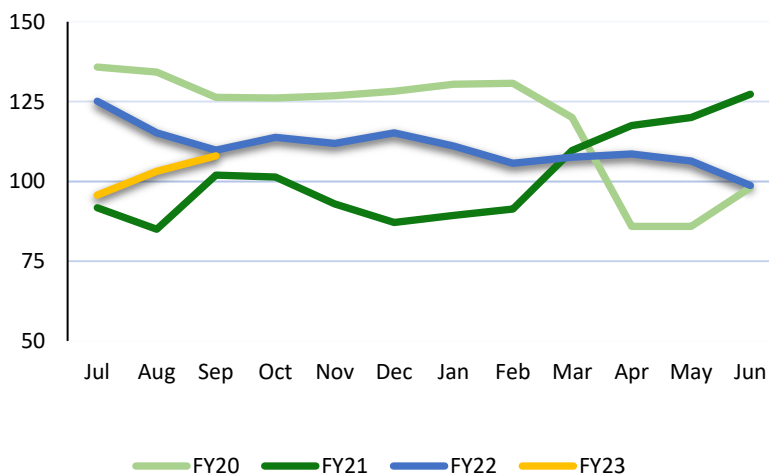
National Metrics

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 experienced a significant decline through the month of September, erasing gains back to December of 2021¹.** This erasure, while not abnormal, may be an effect of the Nation's current recessionary state and could continue to descend in the months to follow before stabilization.

Consumer Confidence Index



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 rose to 108 in September, the second consecutive month of growth.** Consumers cited optimistic expectations regarding general business conditions, declining gasoline costs, and the future of the labor market².

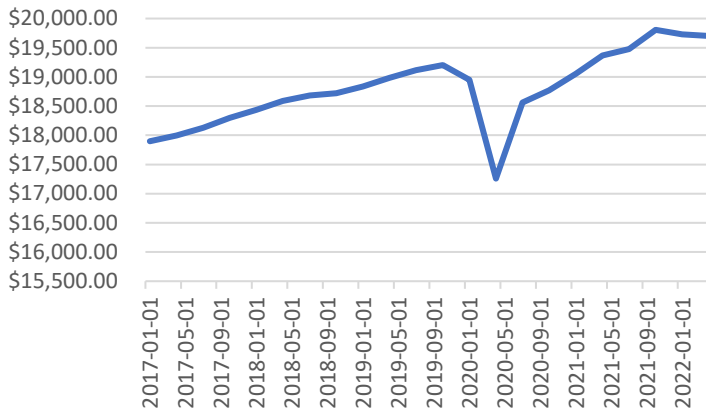
¹ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SP500>

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



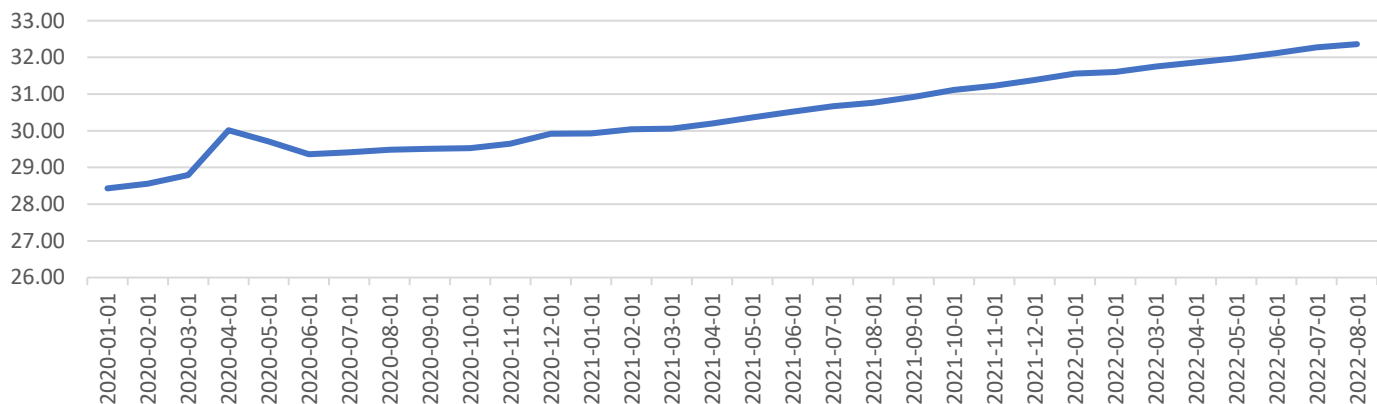
National Metrics

Real GDP (\$B)
Seasonally Adjusted



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 second quarter of 2022, real GDP declined by 0.14%³. Two consecutive quarters of GDP decline is a commonly accepted indicator of a recession.**

Wages (Private Employees)
Seasonally Adjusted



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. **As of August 1st, the average hourly wage was \$32.36. This rise of \$0.09 from July represents a 0.28% overall increase⁴.** The last time wages decreased from the prior month was in May 2020 reflecting impacts of the pandemic.

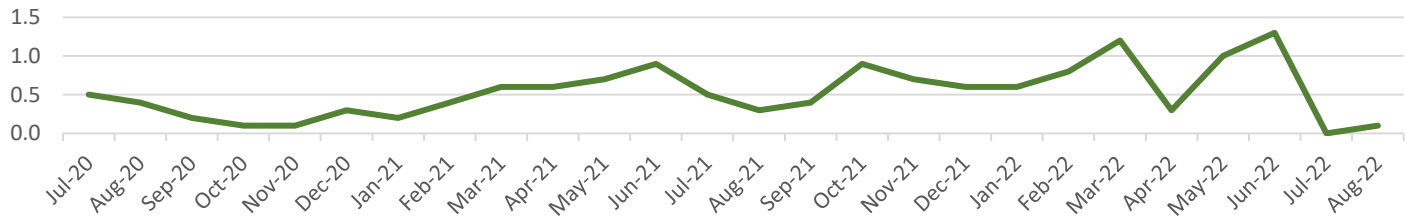
³ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDP>; GDP data is published quarterly.

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



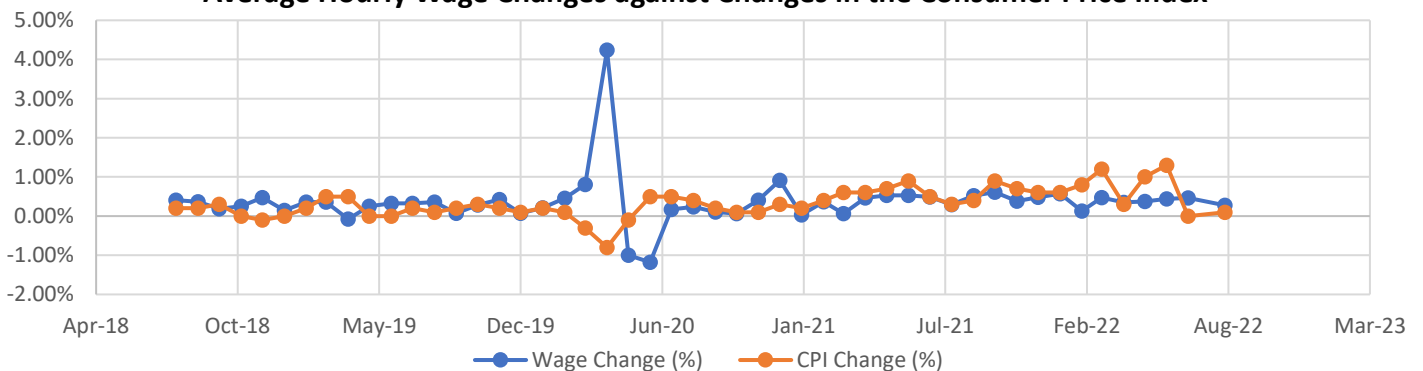
National Metrics

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 provides some insight into the effectiveness of economic policy at the national level, and over-time shows the average change in price that consumers experience. 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 August 2022, the consumer price index rose by 0.1%⁵. This marks the second consecutive month of considerably slowed growth amid a period of significant inflation.** The current 12-month CPI growth is 8.7% (unadjusted data) as reported by the Bureau of Labor Statistics.

Average Hourly Wage Changes against Changes in the Consumer Price Index



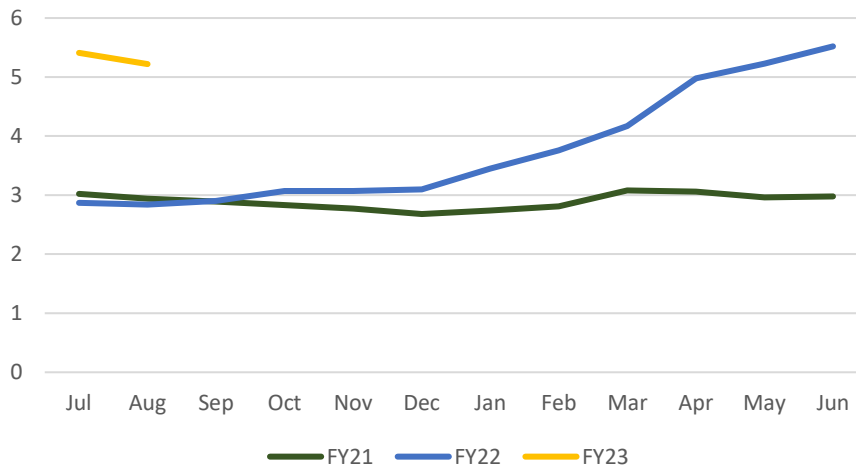
Average Hourly Wage Changes against Changes in the Consumer Price Index analyzes the relationship between national wages and consumer pricing, and more loosely, its affiliate inflation. It should be noted that this graph encompasses month over month changes, with both metrics demonstrating continuous upwards growth over the past 2 years of recorded data. **For the second consecutive month since the end of 2020, monthly wage growth has outpaced the change in CPI, 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)

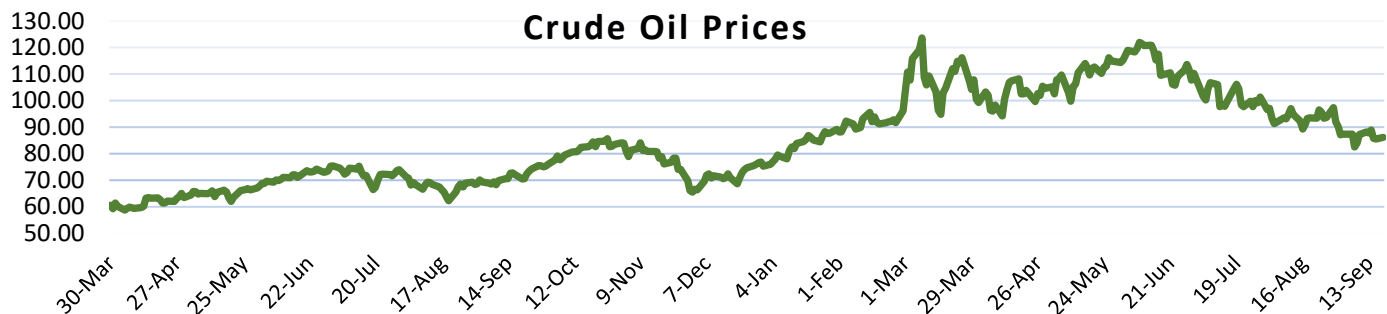


National Metrics

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 August of 2022, the 30-year fixed mortgage interest rate decreased to 5.22% from a July 2022 rate of 5.41%⁶.** Rates still stand significantly above averages in recent years.



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 September pricing has recorded \$86.15, a notable decline from peak pricing⁷.** As recently as January, prices were under \$80 illustrating the impact of world events on the price of crude, which subsequently impacted consumer spending and other economic inputs.

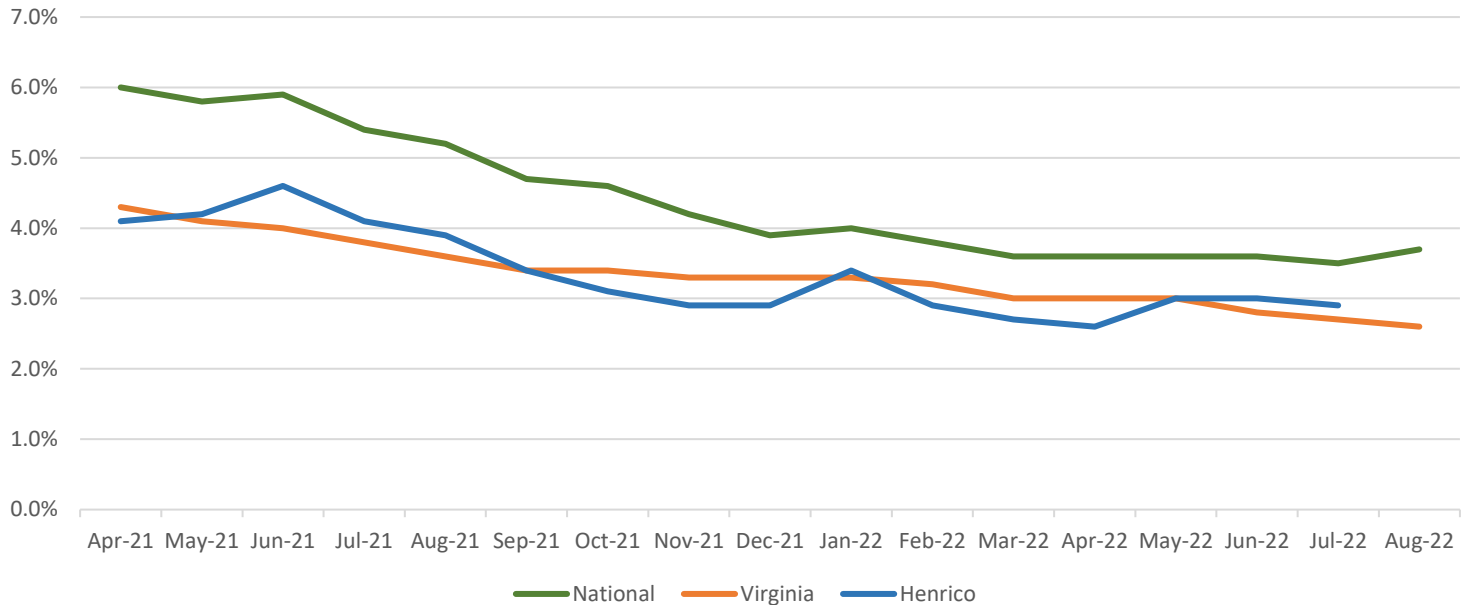
⁶ Freddie Mac; [30-Year Fixed-Rate Mortgages Since 1971 - Freddie Mac](#)

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



Combined Metrics

Unemployment Rates

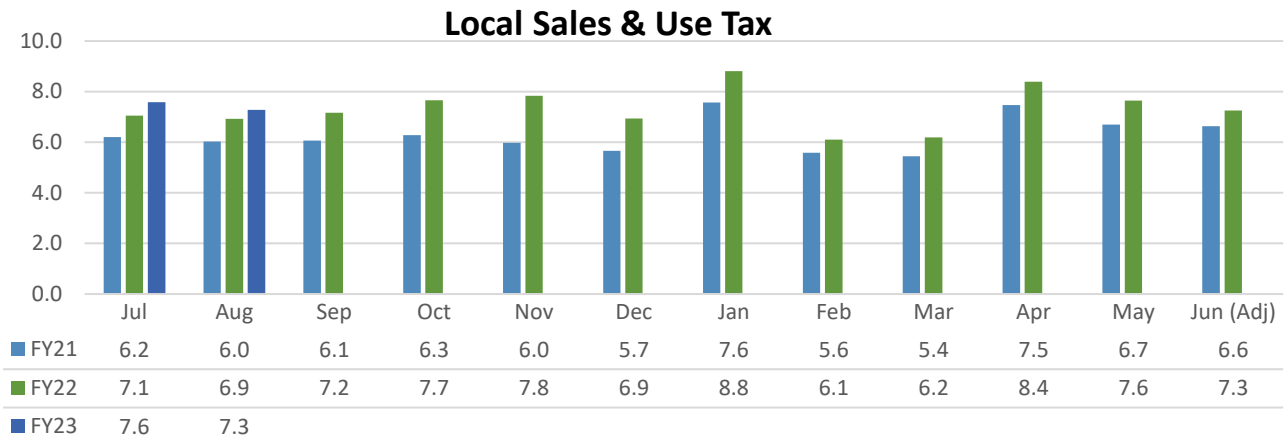


The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. **The unemployment rate increased by 0.2% at the National level and decreased by 0.1% at the State level in August. In the month of July, Henrico unemployment rates dropped 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.

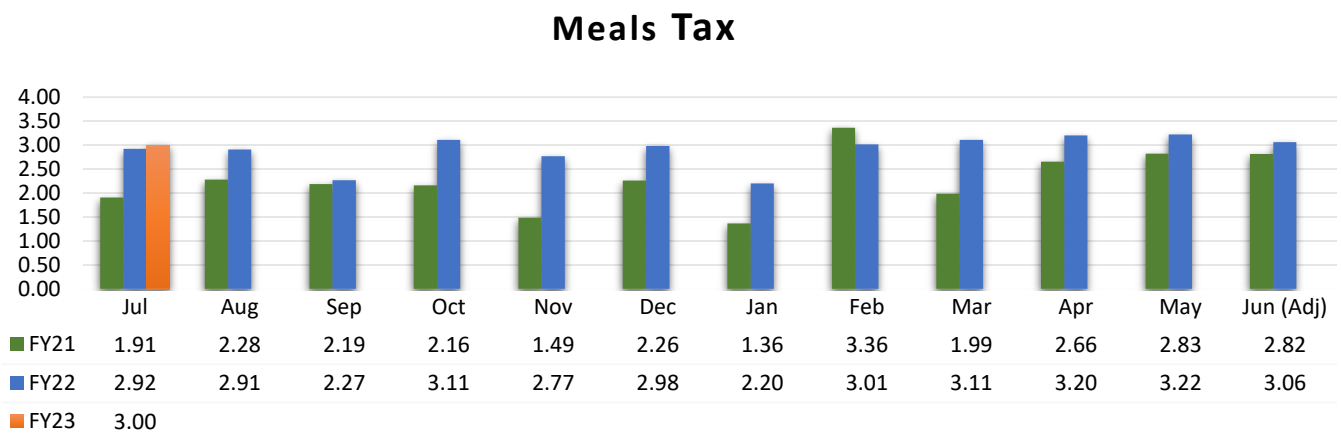
⁸ US Bureau of Labor Statistics; <https://data.bls.gov/lausmap/showMap.jsp>



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. **August data recorded collections of \$7.3 million, 5.0% higher than the same period in FY22⁹.**



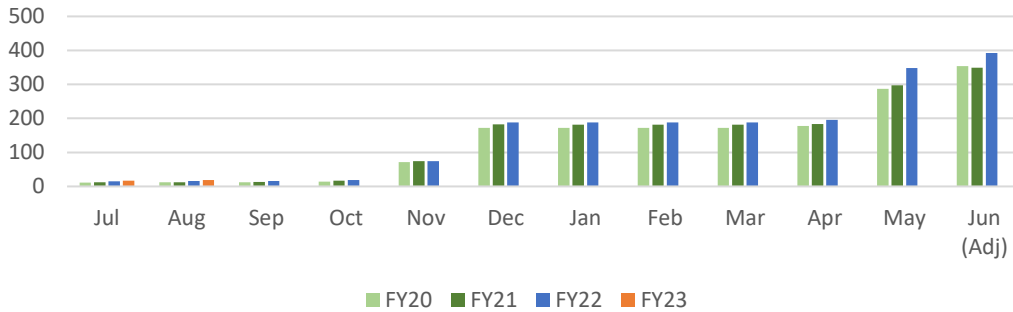
Henrico’s **Meals Tax** establishes a 4% tax on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **July FY22 collections at \$3.0 million represent an increase compared to July FY21 collections at \$2.92 million.** FY22 collections of \$34.8 million far exceeded pandemic and pre-pandemic levels reflecting an overwhelming resurgence in dining out.

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



Henrico Metrics

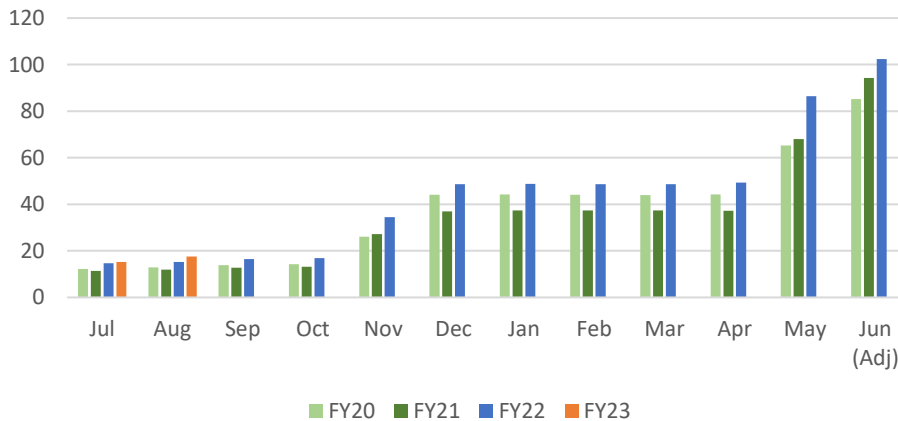
Real Property Taxes
(\$ Millions)



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. **Property Tax collections for the month of August FY23 were 19.2% above August FY22. Collections will reflect assessment increases offset by tax relief provided through the 2-cent reduction in the Real Estate tax rate. The graph above represents cumulative collections through the fiscal years.**

Personal Property Taxes
(\$ Millions)



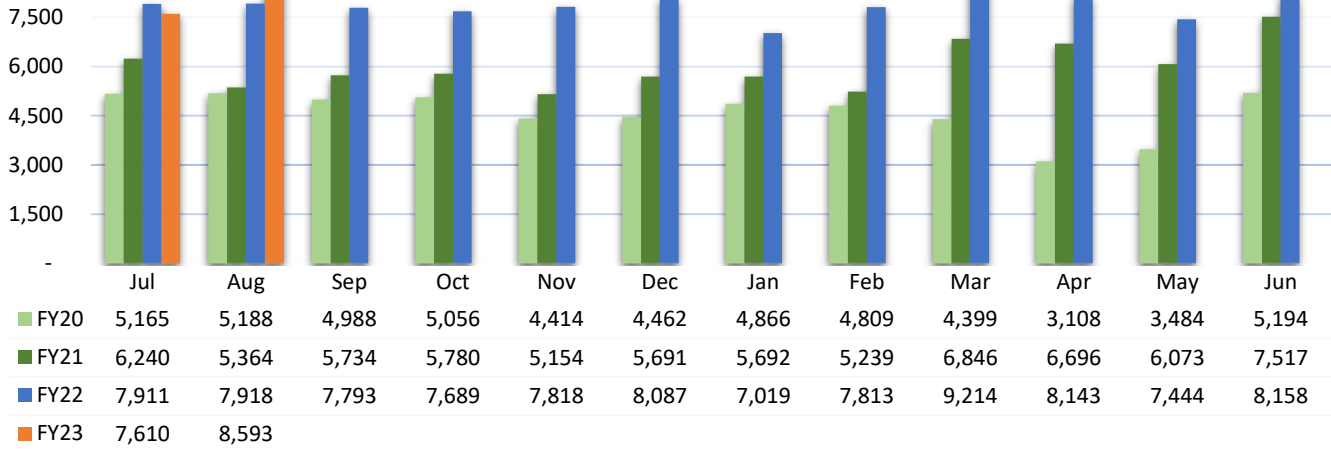
Personal Property Taxes are collected on all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Personal property is collected in the locality where it is normally garaged, docked, or parked. Henrico County uses the J.D. Power Official Used Car Guide as of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

a year in December and June. **Collections for the month of August FY23 were 14.9% above August 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. The graph above represents cumulative collections through the fiscal years.**

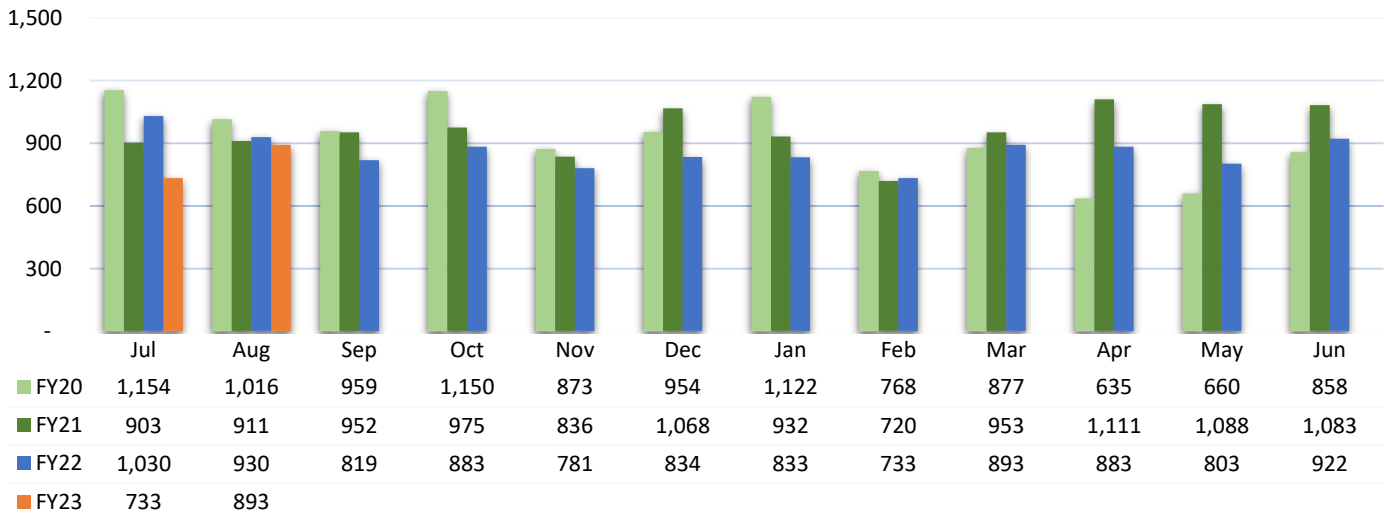


Henrico Metrics

Used Car Registration



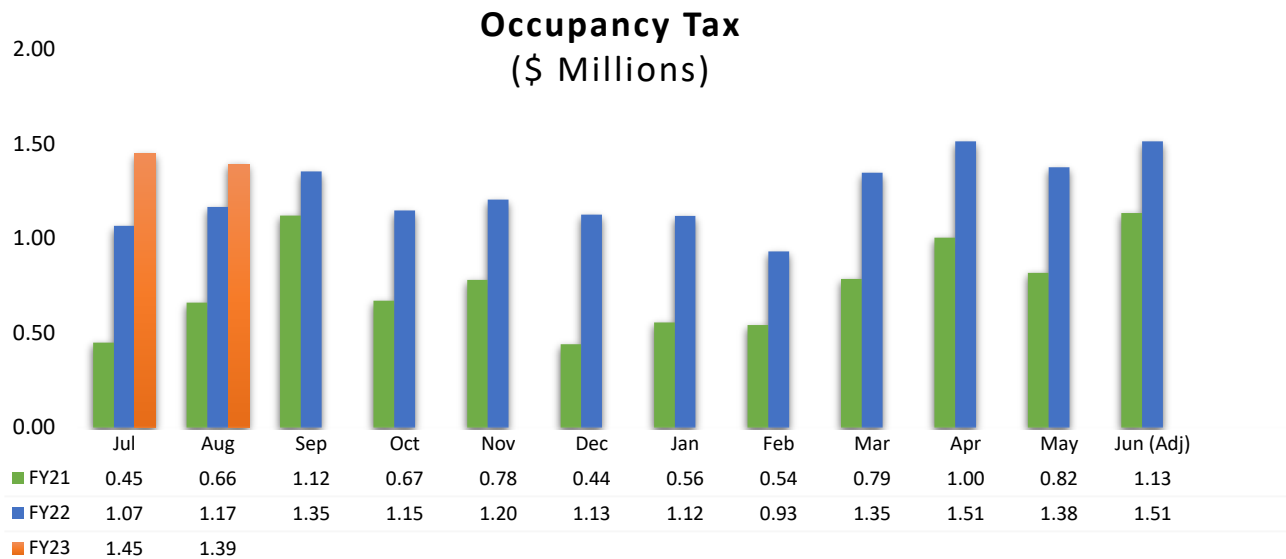
New Car Registration



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 August recorded 8,593; 675 higher than August of FY22. New Car Registration in August recorded 893, down from August FY22's 930, but up from July FY23's 733.**

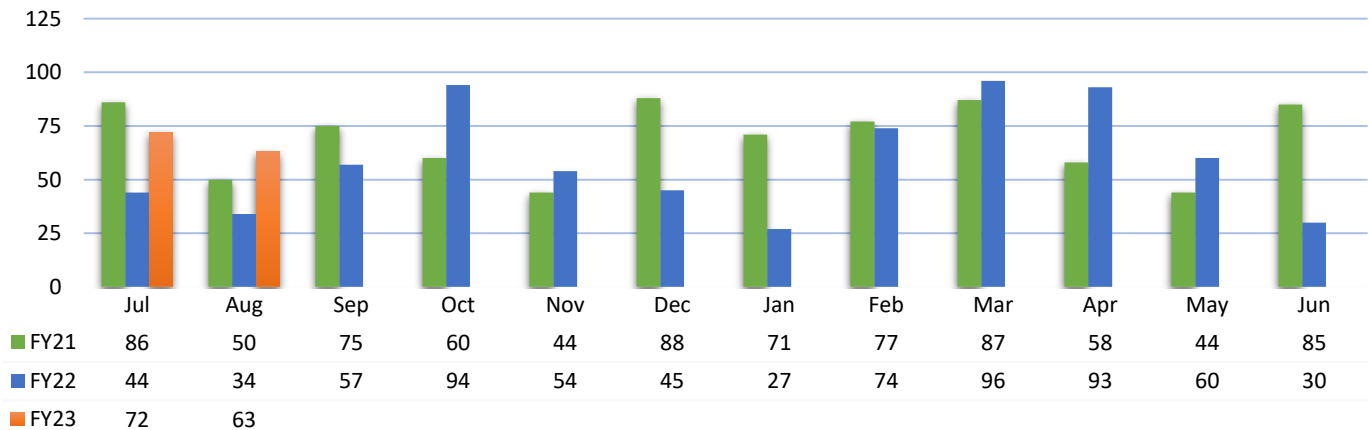


Henrico Metrics



Henrico’s **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax collections in August were \$0.23 million higher than those of FY22, a residual effect of the increase in travel experienced post-COVID peaks.**

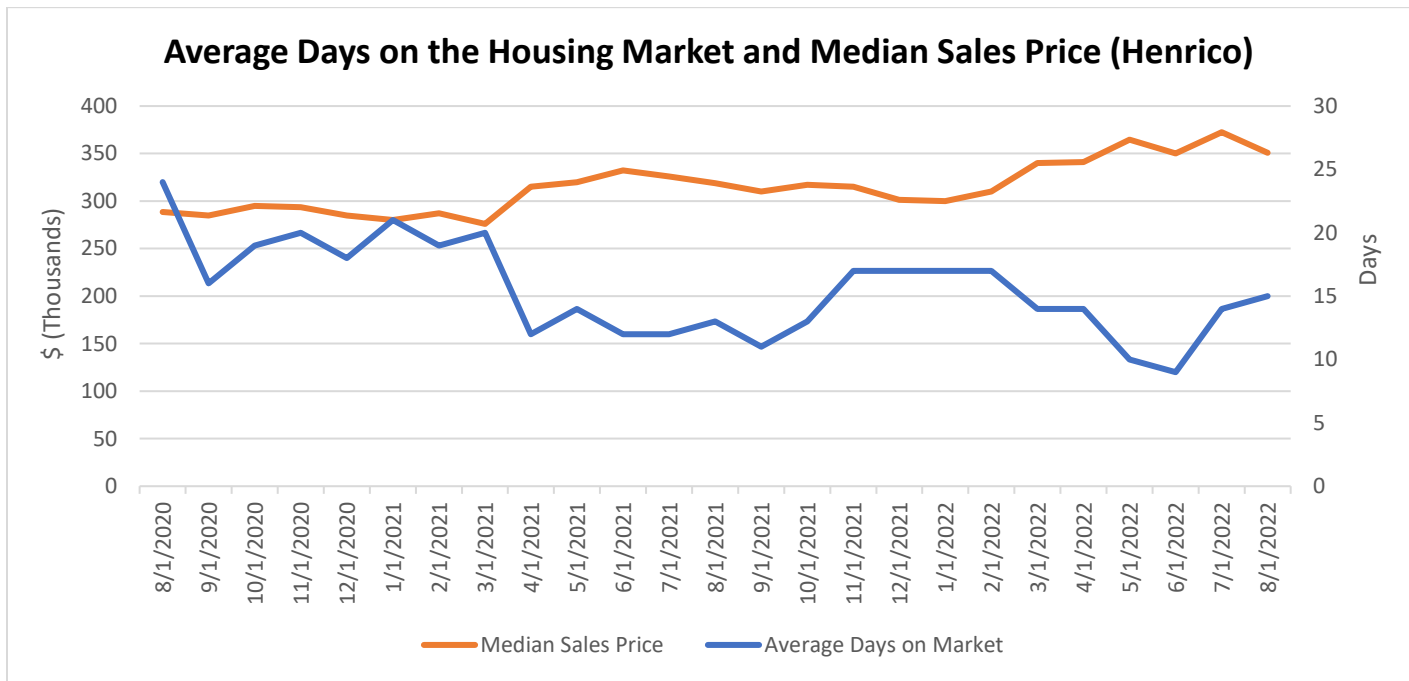
New Residential Construction



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. 72 construction permits were issued in July, up 42 from June. **August FY23 construction recorded 63 permits, up significantly from August FY22’s 34.**



Henrico Metrics



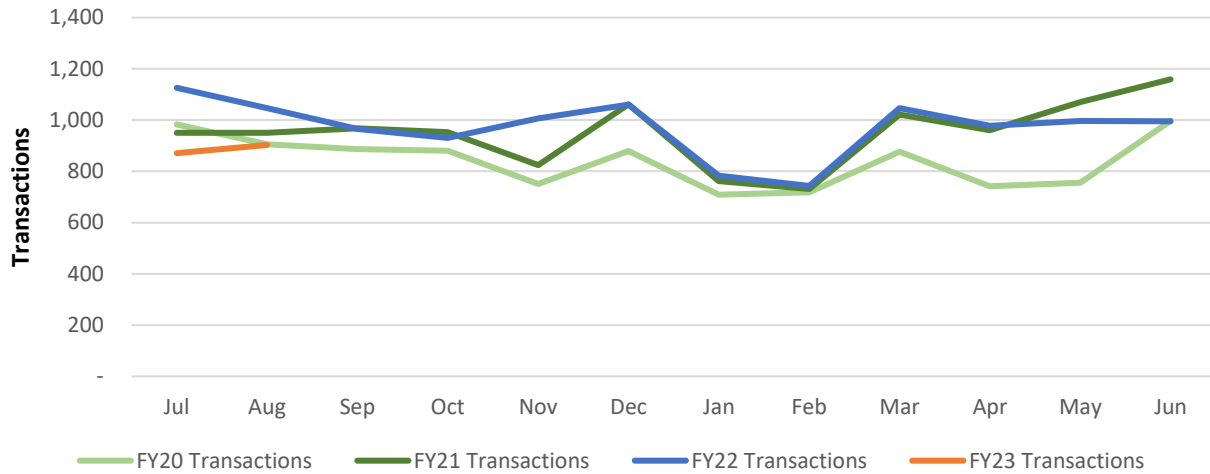
Average Days on the Housing Market and Median Sales Price provides a benchmark of the state of the housing market in Henrico. An increase in the time spent on market may indicate a slowing of the housing market, while a decrease may indicate acceleration. Median Sales Price tracks the middle value of homes sold in the County that month and can provide insight into the general direction of the market. **In the month of August, Median Sales Price dropped \$21,500 from \$372,500 to \$351,000. Despite this decline, the median remains 10% higher than August of 2021, and 21.7% higher than August of 2020¹⁰.** Average Days on the Housing Market rose to 15 from 14 in July, 15.4% higher than August of 2021 and 37.5% lower than August of 2020.

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



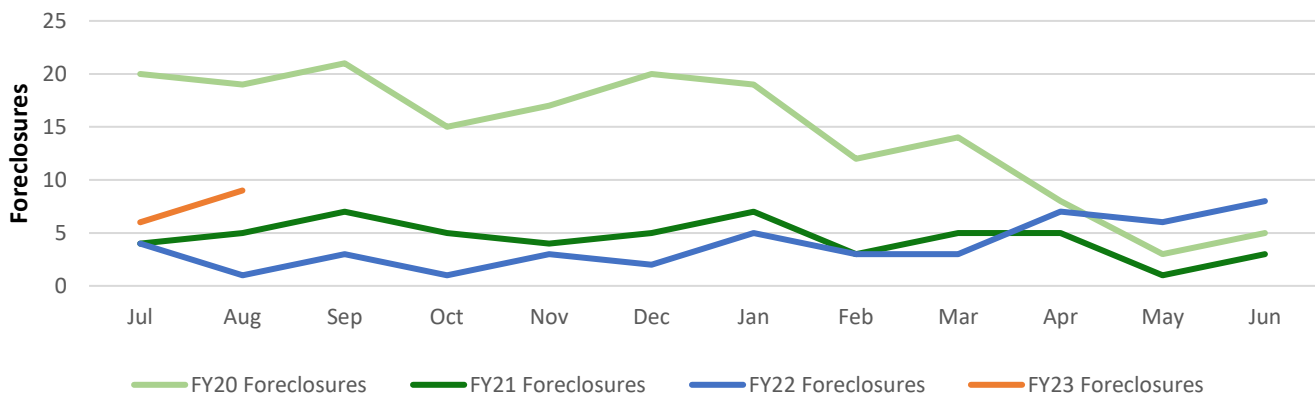
Henrico Metrics

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 903 total residential transactions, August 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

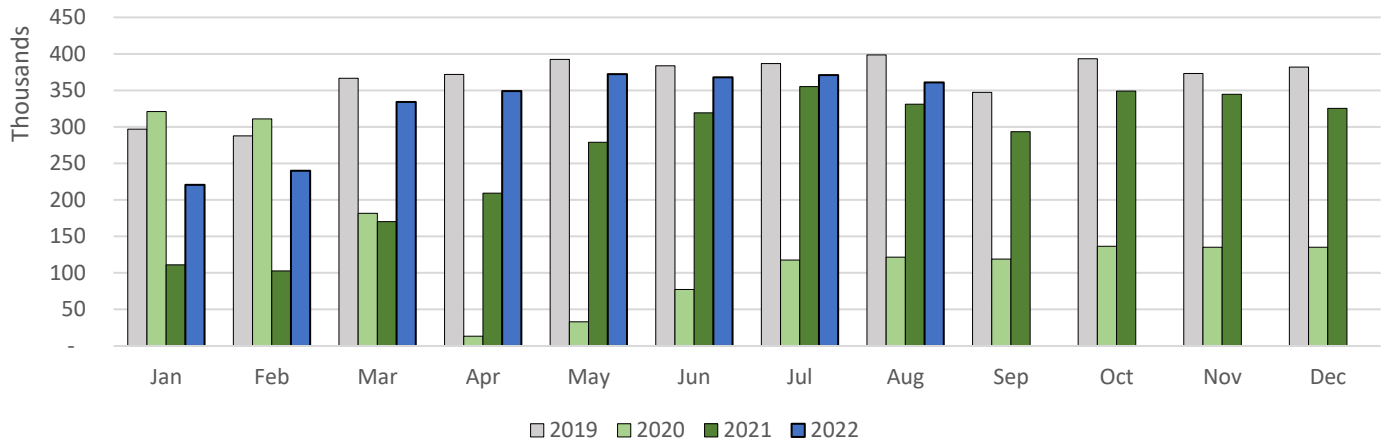


Foreclosure numbers increased in July to 9 foreclosures, the highest since March of FY20.



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 affected air travel around the country both domestically and internationally. Air travel has seen a continuous recovery, with notable growth resuming in March 2021. **August 2022 demonstrated a continuation of consistent air travel serving 361,020 passengers. This metric reflects a 9.0% increase from August 2021¹¹.** While slightly below July FY23's 370,838, this decline is in line with historic decreases experienced at the end of the summer holiday season.

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