



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 (FY21) and compare it to the current year (FY22). Data for FY22 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

Observed metrics indicate an economy trending towards recession. Continued drops in the S&P 5000 and a negative 1st quarter Gross Domestic Product against rising inflation support economist's suspicion of a pending downturn. Year-to-date figures cite an inflationary percentage of 9.3%, operating in tandem with rising oil prices and climbing mortgage rates. The Consumer Confidence Index declined to 98.7, down from 106.4 in May. Despite this, unemployment has continued to decline within Henrico County, down to 2.6%. Rising occupancy tax collections and aviation traffic highlight the slowing effects of the COVID-19 pandemic on economic activity and travel. Record real and personal property collections prompted comprehensive tax relief from the County for Henrico residents. The County encourages economic prudence and will continue to cautiously monitor the state of global affairs as it positions itself to best serve the present and future needs of its citizens.

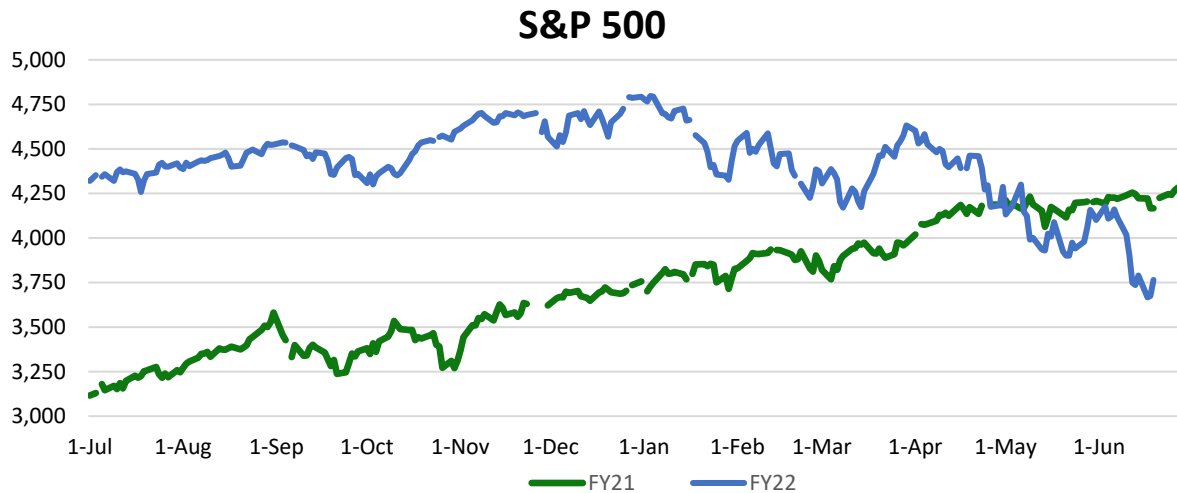
Metrics Considered

- **National:** S&P 500, Consumer Confidence Index, Real GDP, Wages, Consumer Price Index, 30 Year Fixed Mortgage Rate, Crude Oil Prices
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, Local Sales & Use Tax, Meals Tax, Real Property Tax, Personal Property Tax, Vehicle Registrations, Occupancy Tax, New Residential Construction, Residential Transactions & Foreclosures
- **Area:** Richmond Aviation Activity

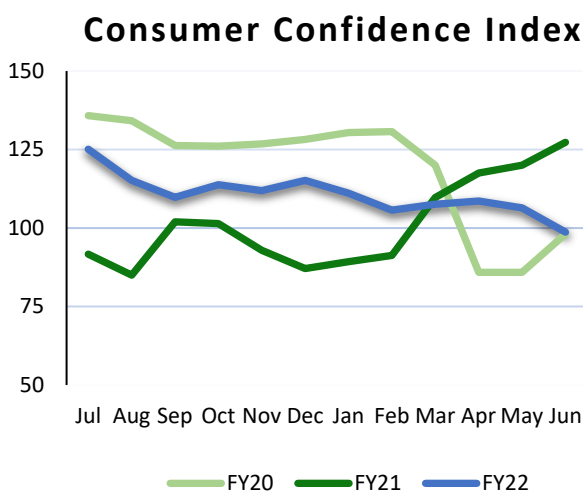


National Metrics

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 has been struggling since December when the market hit record high values¹.** June results continue a recent trend of mixed results erasing gains back to last April. Despite recent losses the index exceeds pre-pandemic levels by over 750 points.



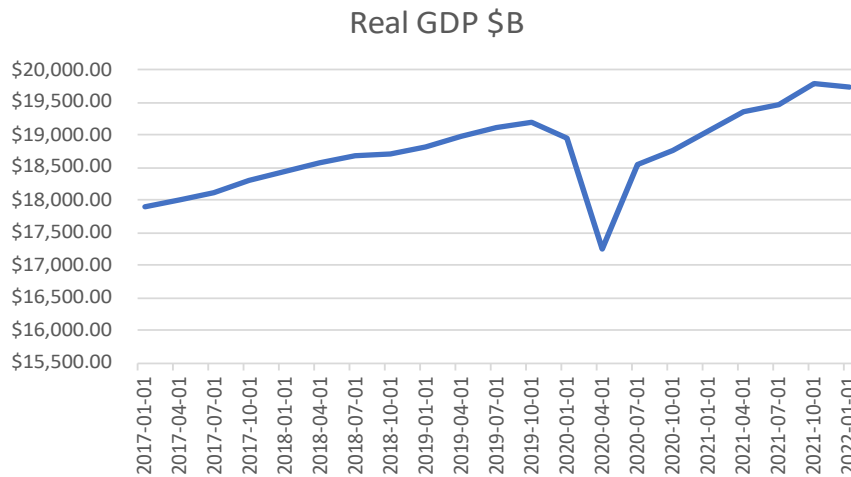
The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked to 1985 (100) and best compared by reviewing month over month changes. **The index dropped to 98.7 in June, the lowest since February 2021².** Lynn Franco, Senior Director of Economic Indicators with the Conference Board cited inflationary concerns as a primary driver of the decline and expects the downward trend to continue in the months to follow.

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/US-Consumer-Confidence)



National Metrics



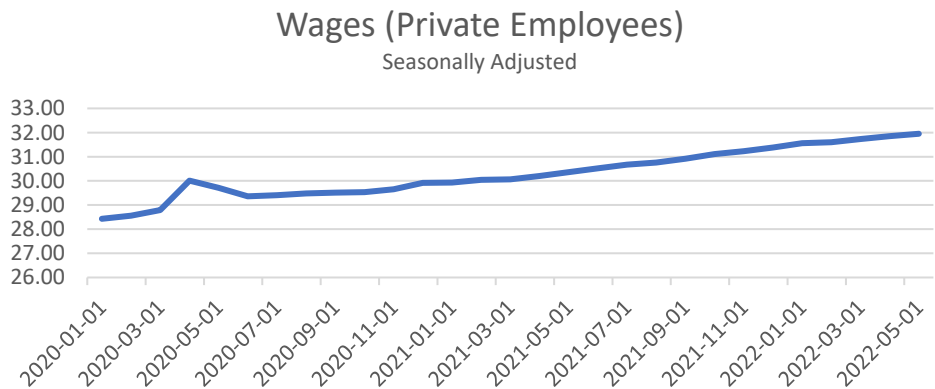
The **Real Gross Domestic Product** is an inflation adjusted standard measure of all goods and services produced by labor and property located in the United States in a stated period. Gross domestic product can be calculated on a nominal or real (adjusted for inflation) basis. Since rising prices influence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

decreased at an annual rate of 1.5%, representing the worst financial showing in six quarters³.

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 May the average hourly wage increased to \$31.95 from \$31.85 reported in April, representing an increase of less than one percent⁴.** The last time wages decreased from the prior month was in May 2020 reflecting Pandemic impacts.



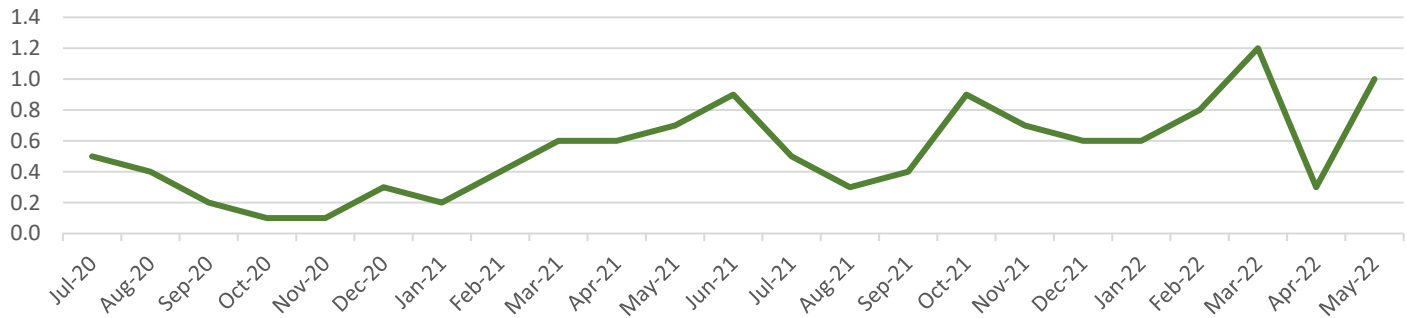
³ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDP>; GDP data is published quarterly and operates on a slight delay with FY22 Q2 data expected to be published within the July monthly report.

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



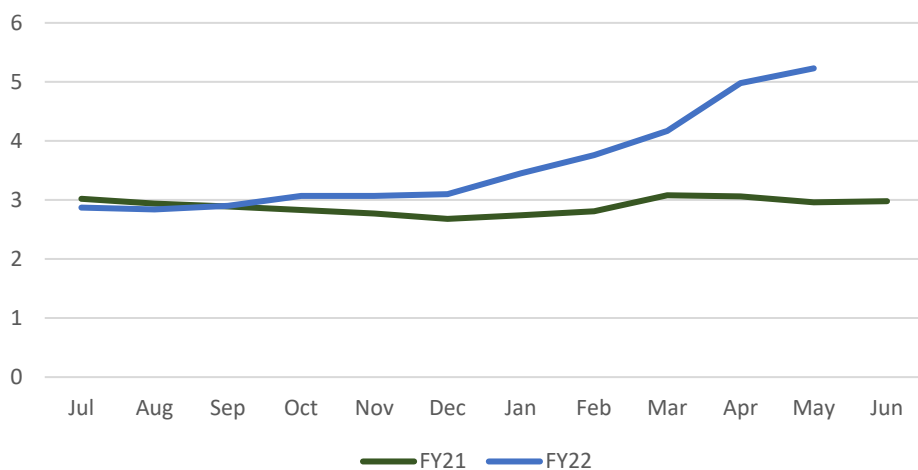
National Metrics

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 May 2022, the consumer price index increased by 1.0% from April 2022⁵. **This shows increased growth from the previous month and indicates an inflationary trend lasting over 24 months. The current 12-month CPI growth is 9.3% (unadjusted data) as reported by the Bureau of Labor Statistics on June 22, 2022.**

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 May 2022 the 30-year fixed mortgage interest rate increased to 5.23% from an April 2022 rate of 4.98% with rates expected to continue to rise with anticipated Fed actions⁶.**

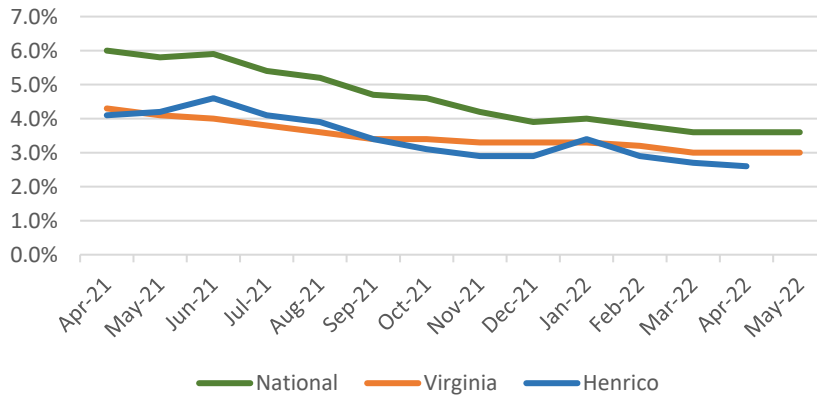
⁵ U.S. Bureau of Labor Statistics; [Bureau of Labor Statistics Data \(bls.gov\)](https://www.bls.gov)

⁶ Freddie Mac; [30-Year Fixed-Rate Mortgages Since 1971 - Freddie Mac](https://www.freddiemac.com/mortgage/mortgage-rates/)



Combined Metrics

Unemployment Rates



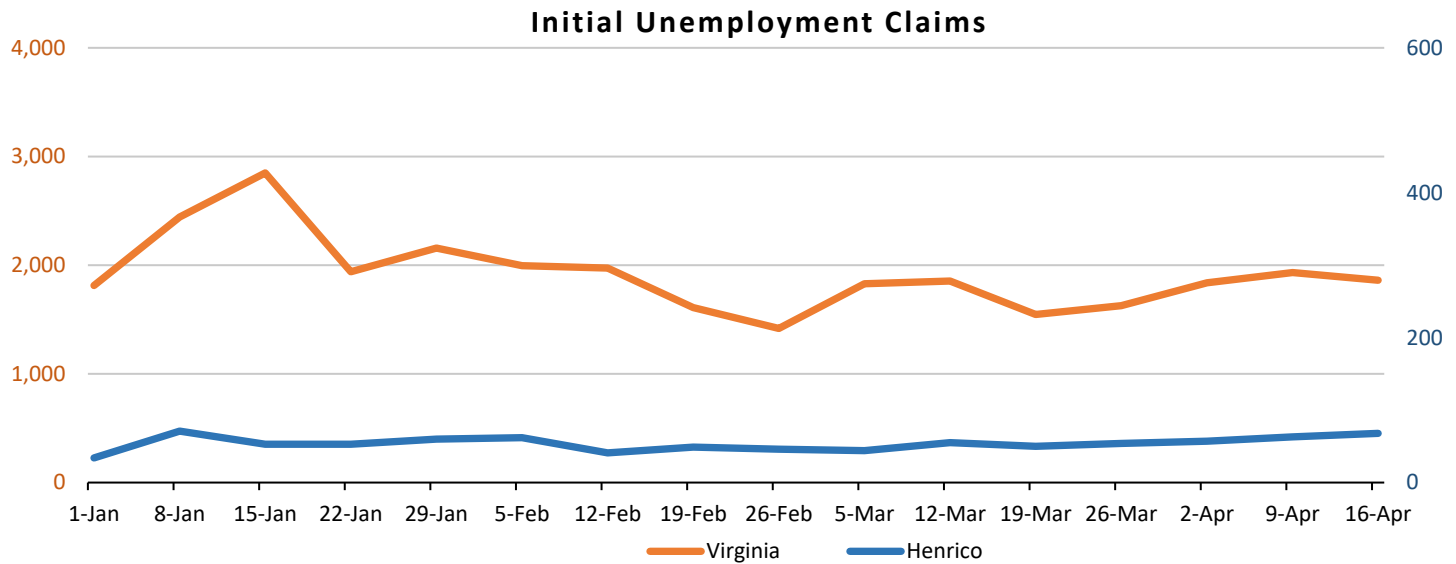
The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. **At the National and State level, the unemployment rate remained flat at 3.6% and 3.0% respectively in May⁸. In**

Henrico, the unemployment rate decreased 0.1% in April down to 2.6%. 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.

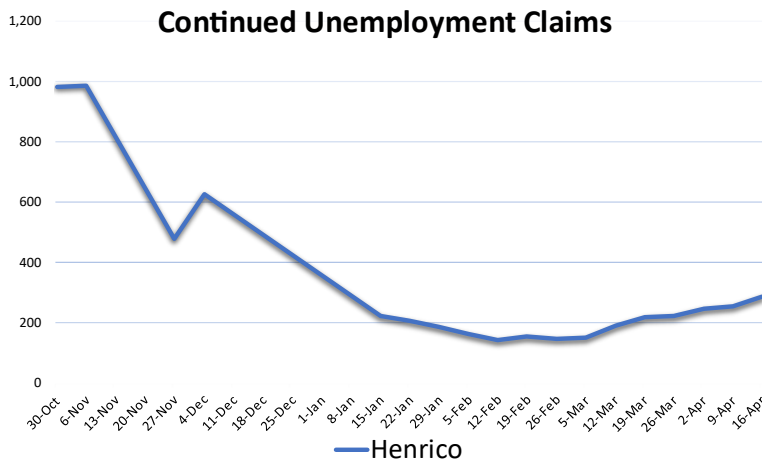
⁸ U.S. Bureau of Labor Statistics; <https://data.bls.gov/lausmap/showMap.jsp>



Virginia & Henrico Metrics



Initial Unemployment Claims act as a measure of recent job loss. Claims remained steady prior to March of 2020 at under 100 for Henrico and under 3,000 for Virginia. Unlike the Great Recession, COVID-19’s effect on the local economy was immediately apparent and in-line with national figures. Initial Unemployment Claims continue to generally reflect pre-pandemic levels in Virginia through the middle of March. **Henrico claims increased to 57 in the week of April 2nd from 44 one month earlier, while state claims increased to 1,838 in April from 1,546 in March which had been a recent low⁹.**



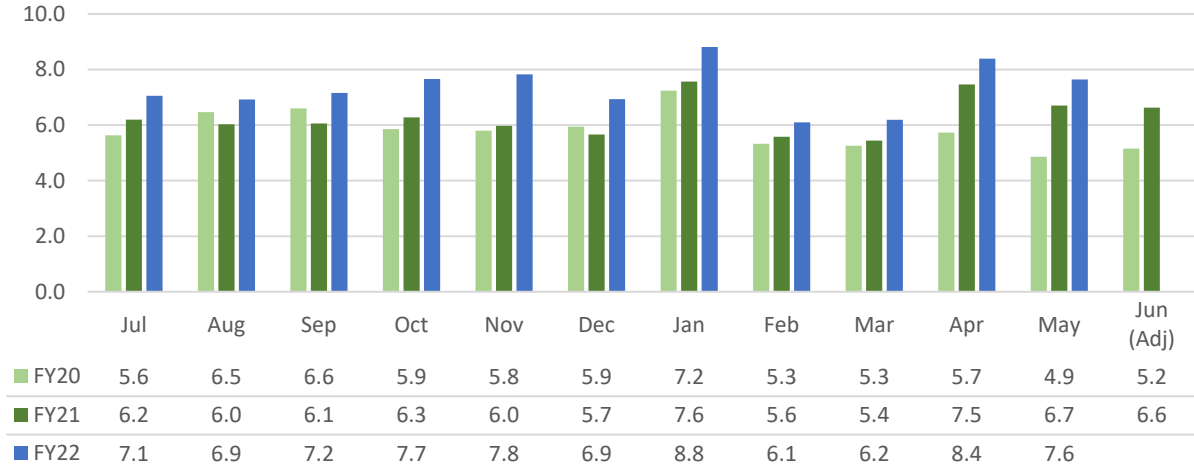
Continued Unemployment Claims reflects the number of individuals that have continued to file a claim after their initial claim. It reflects the lower bound for an unemployment rate. **Continued claims edged back up to 257 in April after a new recent low of 145 in February, but still represents lower unemployment levels than before the pandemic.**

⁹ Virginia Employment Commission; <https://www.vec.virginia.gov/UI-press-release>



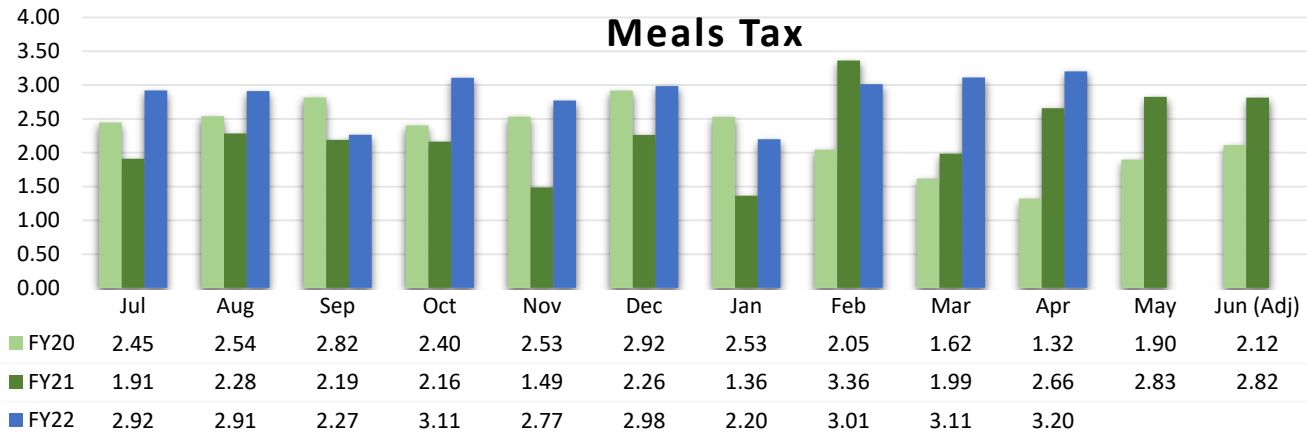
Henrico Metrics

Local Sales & Use Tax



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. **May data brings fiscal year-to-date collections to \$80.7 million, 17.0% higher than FY21¹⁰.**

Meals Tax



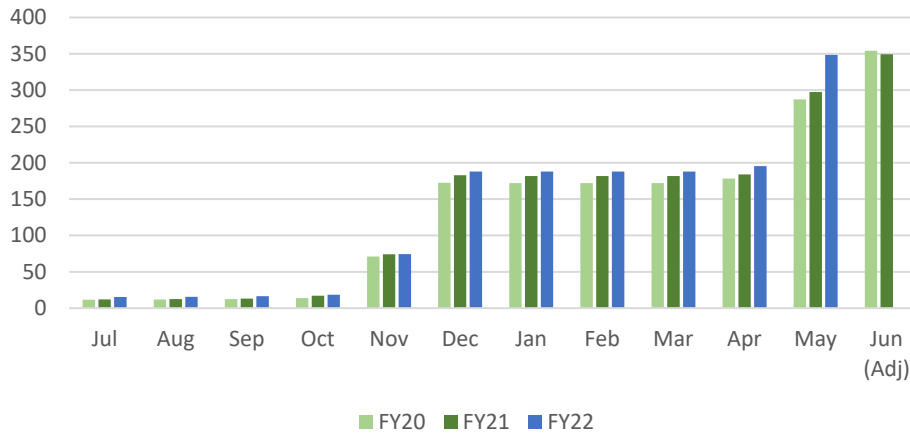
Henrico's **Meals Tax** provides a 4% tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico's Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **April FY22 collections at \$3.20 million increased compared to March collections at \$3.11 and led all monthly collections this fiscal year.** Fiscal year to date collections continue to exceed pre-pandemic levels.

¹⁰ Henrico County Office of Budget and Management (OMB); All subsequent data is courtesy of the Henrico County OMB unless denoted otherwise



Henrico Metrics

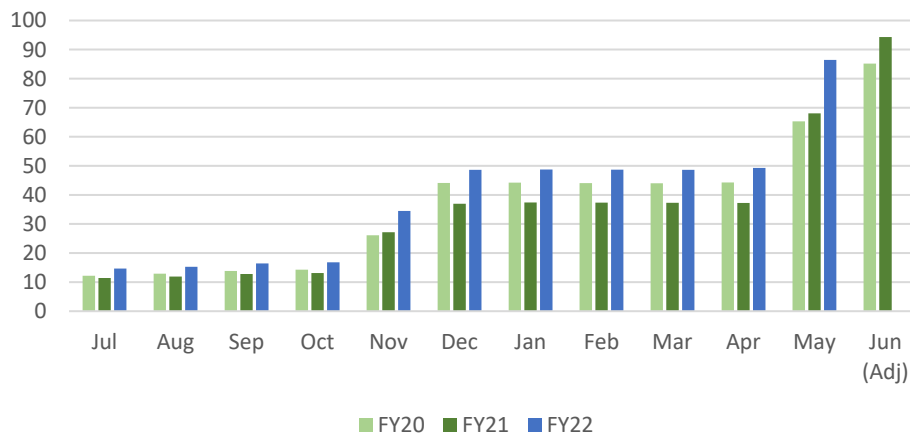
Real Property Taxes
(\$ Millions)



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 May 2022 are 21.3% above May 2020.**

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)



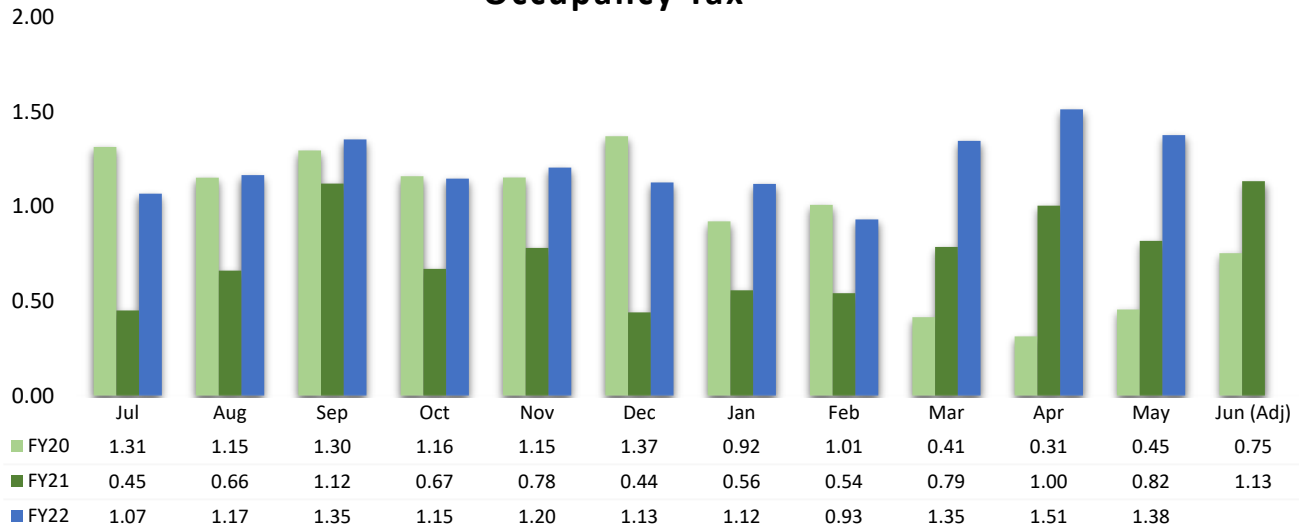
Personal Property Taxes are collected on all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Personal property is collected in the locality where it is normally garaged, docked, or parked. Henrico County uses the J.D. Power Official Used Car Guide as of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

May 2022 are 32.4% above May 2020. 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.



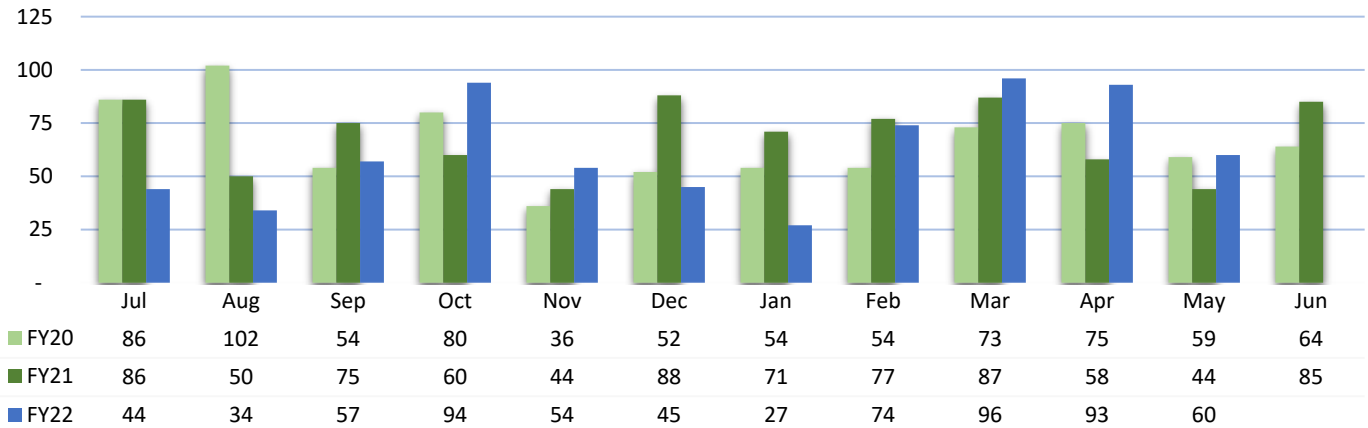
Henrico Metrics

Occupancy Tax



Henrico’s **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax collections in May remained strong at \$1.38 million. Fiscal year to date collections have edged past FY20 and now lead by 26.4%, reflecting an improving sector that is approaching pre-pandemic levels.**

New Residential Construction

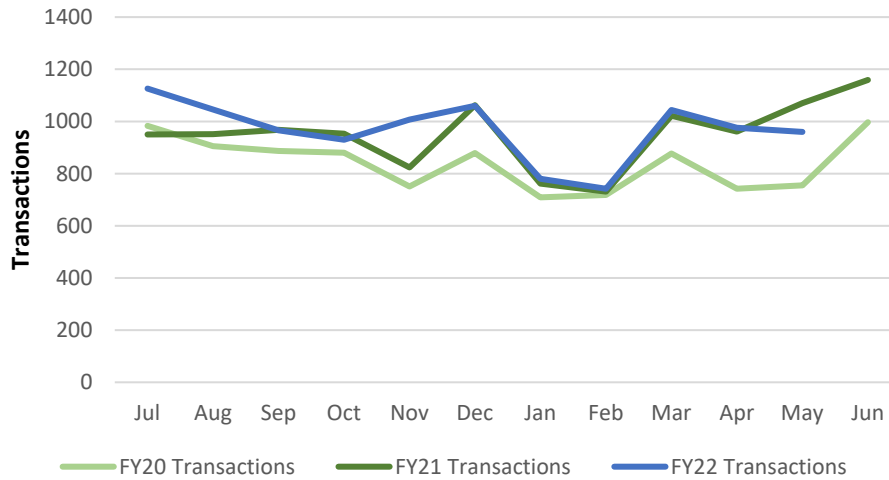


New Residential Construction is comprised of new single-family houses that were issued building permits. A slowdown may indicate worsening economic conditions, increased competition from neighboring localities, or a lack of expansion capabilities. 60 construction permits were issued in May, down 33 from April but in line with historic averages. **Fiscal year to date permits still lag FY21 by 8.4%; this data continues to illustrate the cyclical nature of the permit process.**



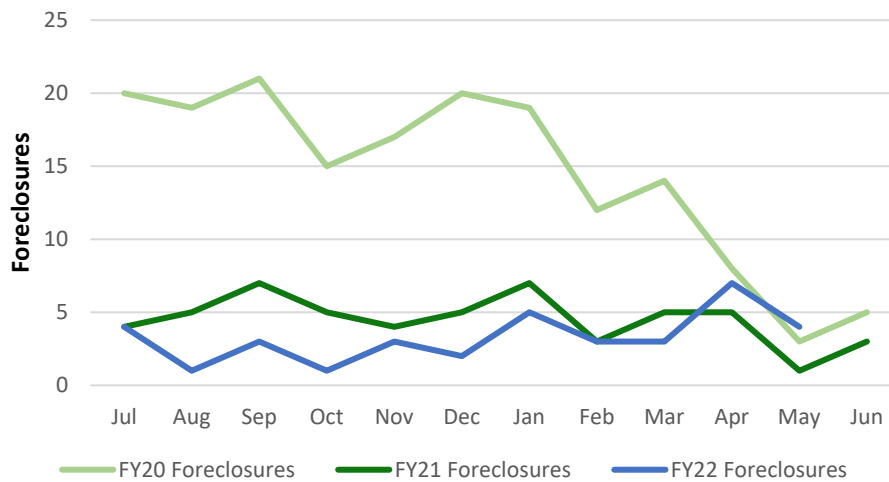
Henrico Metrics

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. **May 2022 residential transactions exceed May 2020 by 27.2%, while lagging May 2021 by 10.3%, illustrating the continuation of a strong local housing market.**

Residential Foreclosures

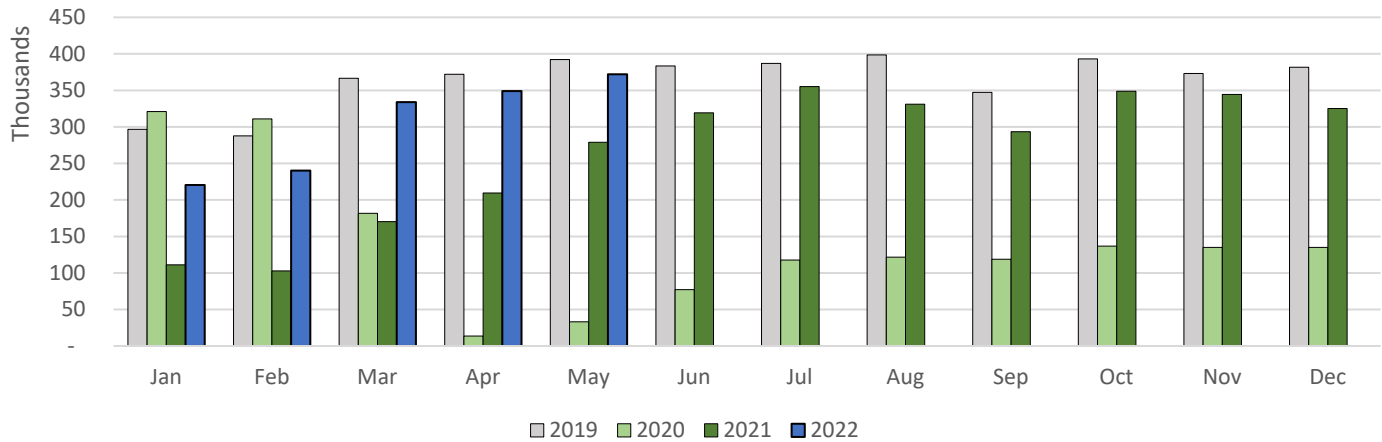


Foreclosure numbers remain stable at approximately 5 per month, with 4 foreclosures in May. **Total foreclosures remain low.**



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. **May 2022 demonstrated a continued solid level of air travel serving 372,107 passengers. This metric reflects a 6.6% increase from April¹¹. May's results show significant improvement when compared to either of the last two calendar years and represents the highest recorded traffic since December of 2019.**

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