



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

The month of October offered mixed economic results. Positive Q3 GDP growth, coupled with a slight increase in the S&P 500, indicate some optimism for the Country's economic position. At the local level, year-to-date FY23 tax collections continue to 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. However, several observed metrics displayed noteworthy negative impacts. The Consumer Confidence Index decreased by 5.3 points, a decline influenced by negative consumer sentiment toward gasoline costs and food prices. Also, mortgage rates increased slightly and continue to remain well above recent averages. 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.

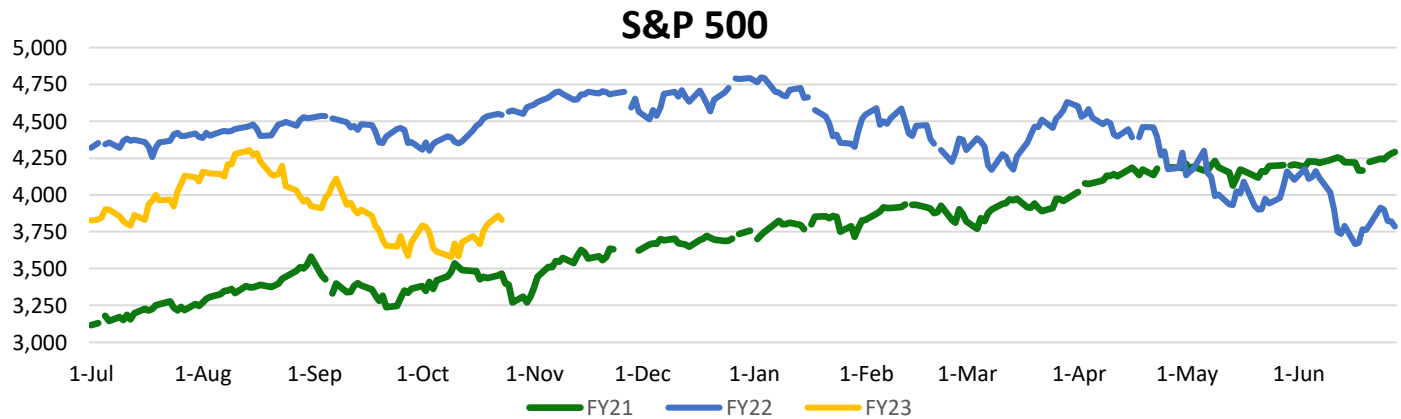
Metrics Considered

- **National:** S&P 500, Consumer Confidence Index, Real GDP, Wages, Consumer Price Index, 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

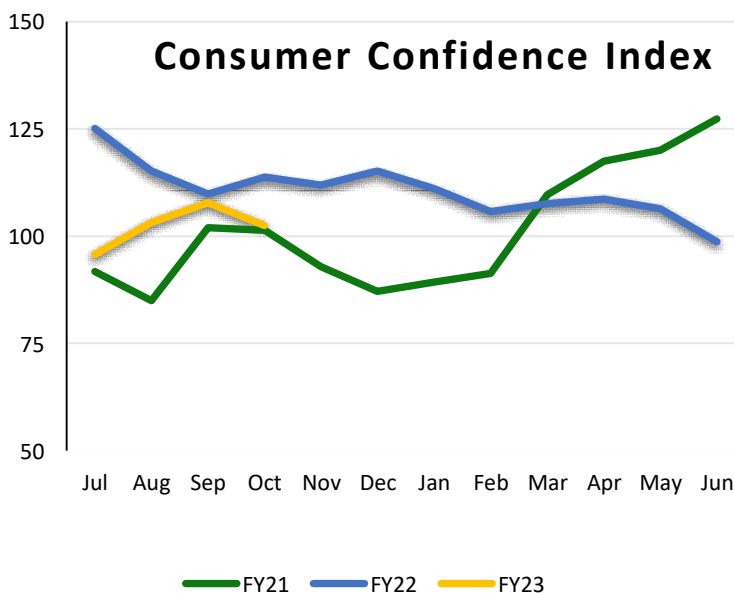


National Metrics

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 some slight volatility through October but managed to end the month about 5% higher than September¹.** These gains may or may not be lasting however, as many large companies continue announcing their quarterly earnings results and the Federal Reserve approved another 0.75% interest rate increase in early November.



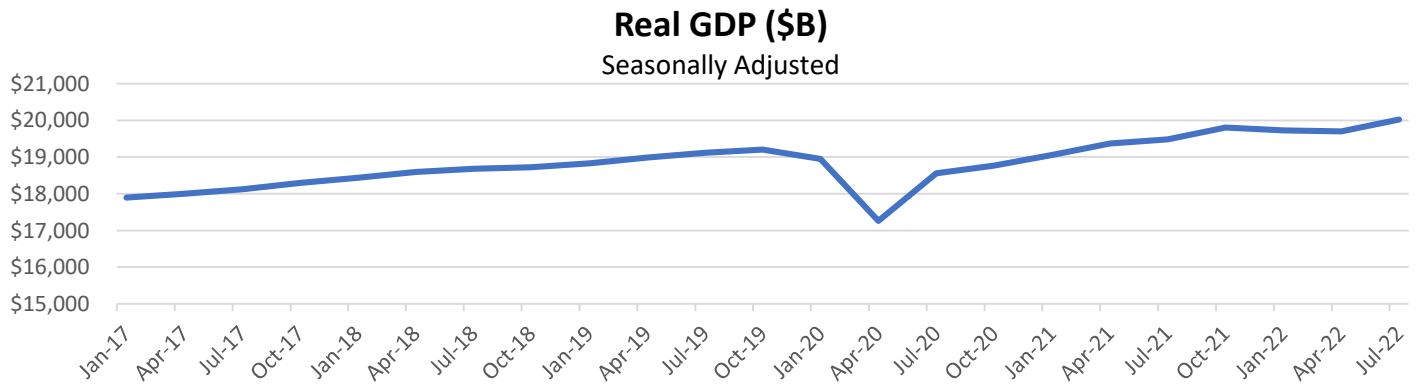
The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked to 1985 (100) and best compared by reviewing month over month changes. **The index dropped to 102.5 in October, a sharp turn after back-to-back monthly gains.** Consumers cited pessimistic expectations regarding inflation, specifically pointing to an increase in gasoline costs and food prices².

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

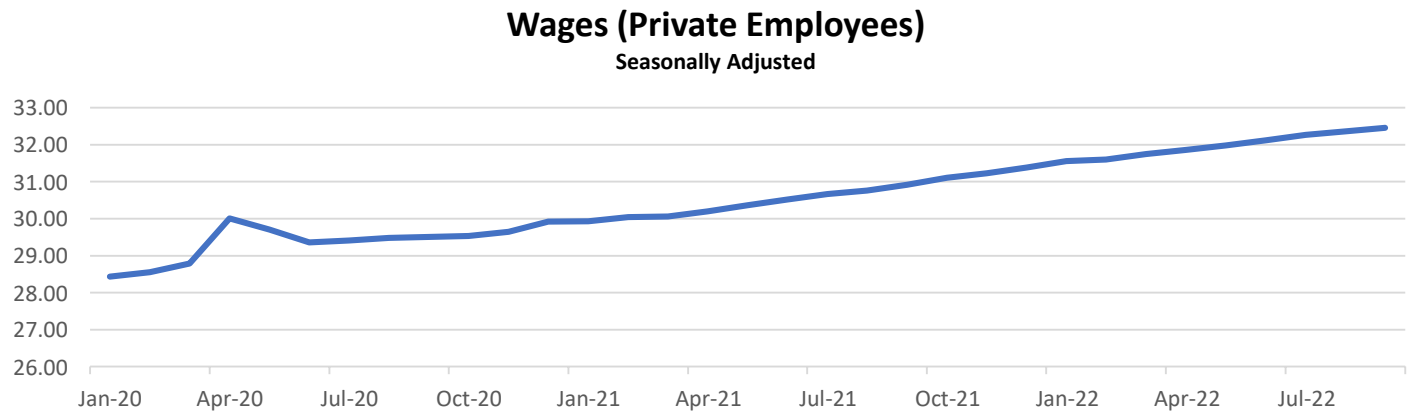
² The Conference Board; [US Consumer Confidence \(conference-board.org\)](https://www.conference-board.org/US-Consumer-Confidence)



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 third quarter of 2022, real GDP increased by 1.64%³. This marks the first quarter to reverse the recession indicated previously by two quarters of negative growth.**



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 September, the average hourly wage increased to \$32.46. This rise of \$0.10 from August represents a 0.31% overall increase⁴.** The last time wages decreased from the prior month was in June 2020 reflecting impacts of the pandemic.

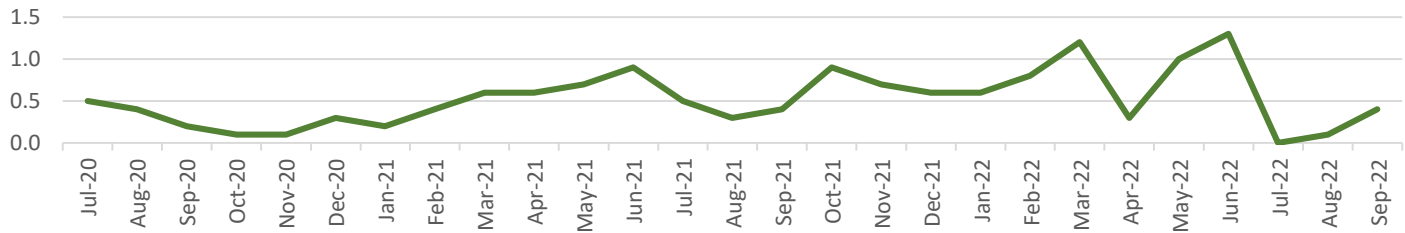
³ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDP>; GDP data is published quarterly.

⁴ Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CES0500000003>



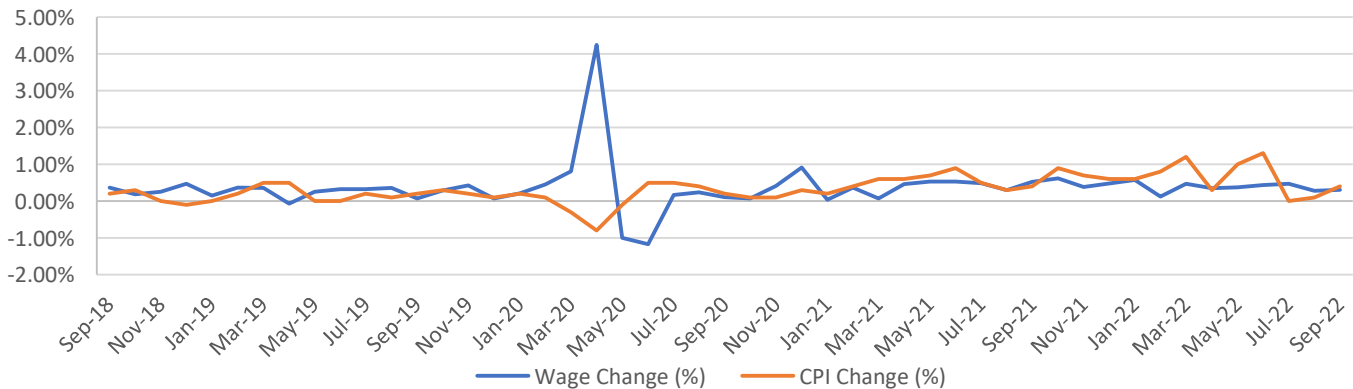
National Metrics

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 September 2022, the consumer price index rose by 0.4%⁵. This marks the second consecutive month of price growth since July's relief and does not help to alleviate any of the significant inflation seen this year.** The current 12-month CPI growth is 8.2% (unadjusted data) as reported by the Bureau of Labor Statistics.

Average Hourly Wage Changes Against Changes in CPI



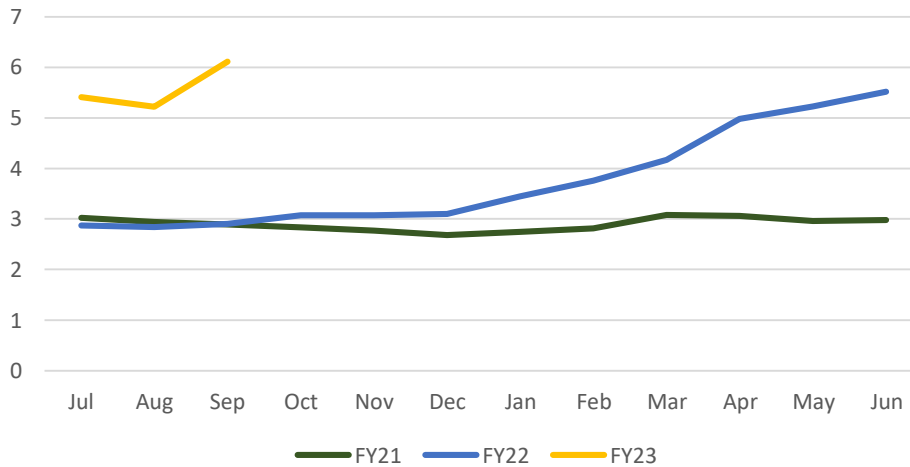
Average Hourly Wage Changes against Changes in the Consumer Price Index analyzes the relationship between national wages and consumer pricing, and more loosely, its affiliate inflation. It should be noted that this graph encompasses month over month changes, with both metrics demonstrating continuous upwards growth over the past 2 years of recorded data. **Reversing the trend of the prior two months, September's monthly wage growth came in lower than the increase in CPI, a negative outcome for consumer buying power.**

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



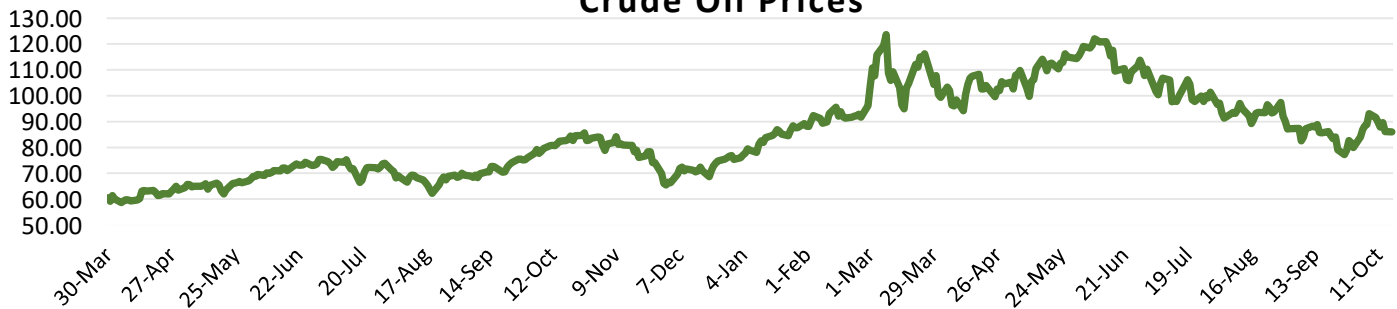
National Metrics

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 September of 2022, the 30-year fixed mortgage interest rate increased to 6.11% from August's rate of 5.22%**⁶. Rates still stand significantly above averages in recent years.

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 October pricing was recorded at \$86.00, a notable decline from peak pricing and the development of a stable range between around \$80 and \$90 since the start of September**⁷. 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.

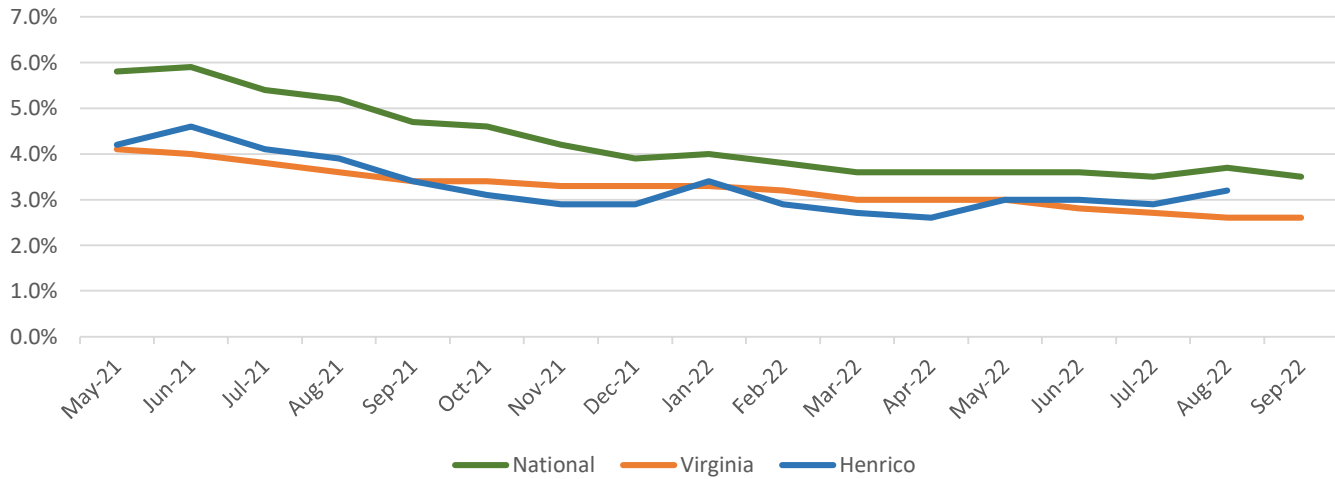
⁶ Freddie Mac; [30-Year Fixed-Rate Mortgages Since 1971 - Freddie Mac](https://freddie.com/research/30-year-fixed-rate-mortgages-since-1971/)

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



Combined Metrics

Unemployment Rates

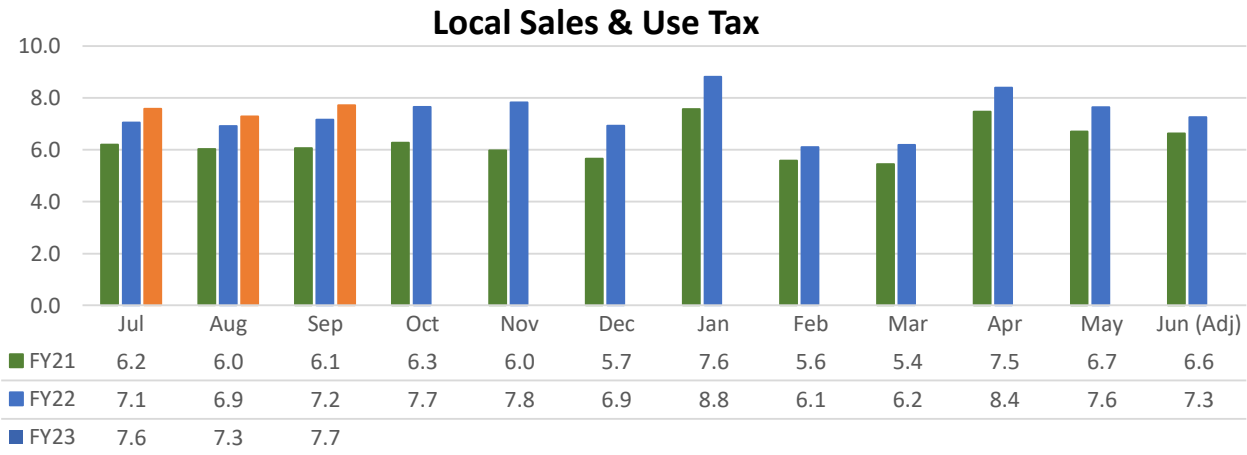


The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. **The unemployment rate decreased by 0.2% at the National level and remained flat at the State level in September. In the month of August, Henrico unemployment rates rose by 0.3%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.

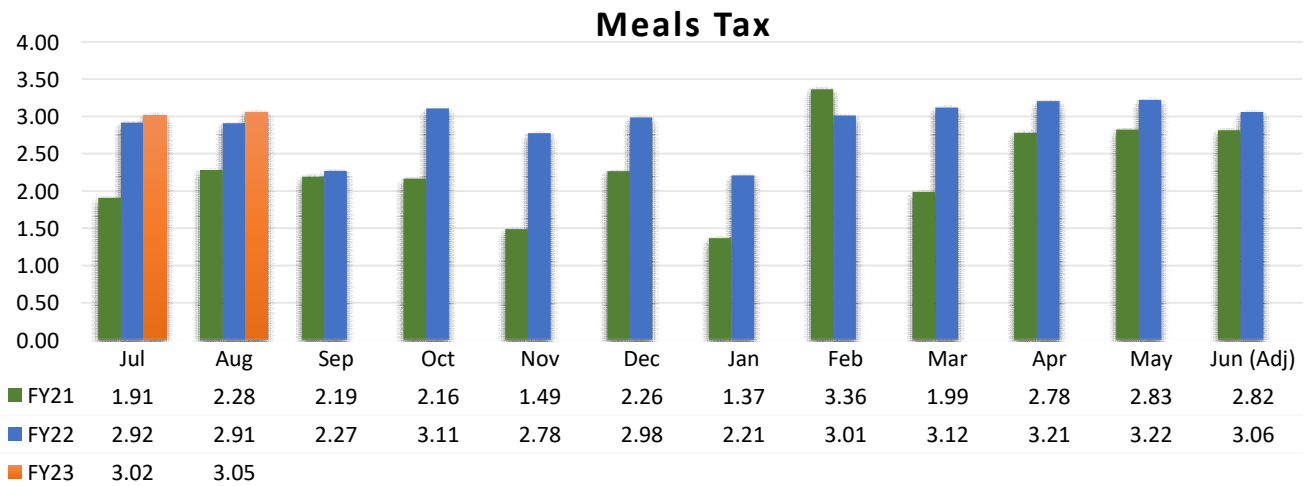
⁸ US Bureau of Labor Statistics; <https://data.bls.gov/lausmap/showMap.jsp>



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. **September data recorded collections of \$7.7 million, 8% higher than the same period in FY22⁹.**



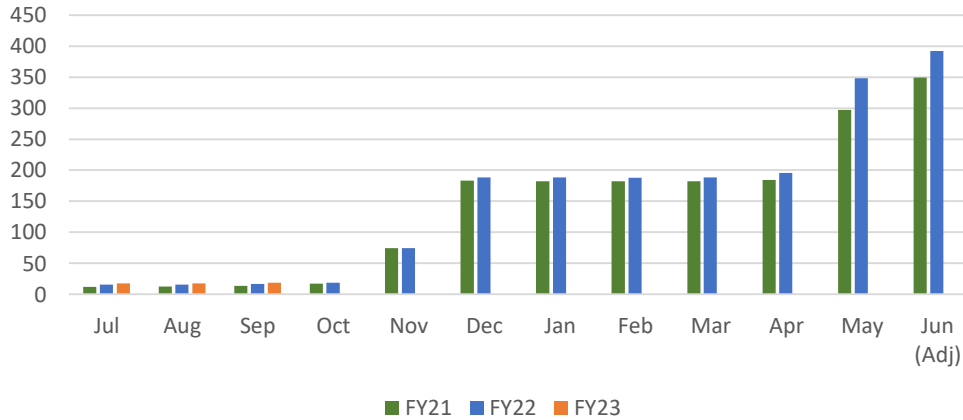
Henrico’s **Meals Tax** establishes a 4% tax on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **August FY23 collections at \$3.05 million represent an increase compared to August FY22 collections at \$2.91 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

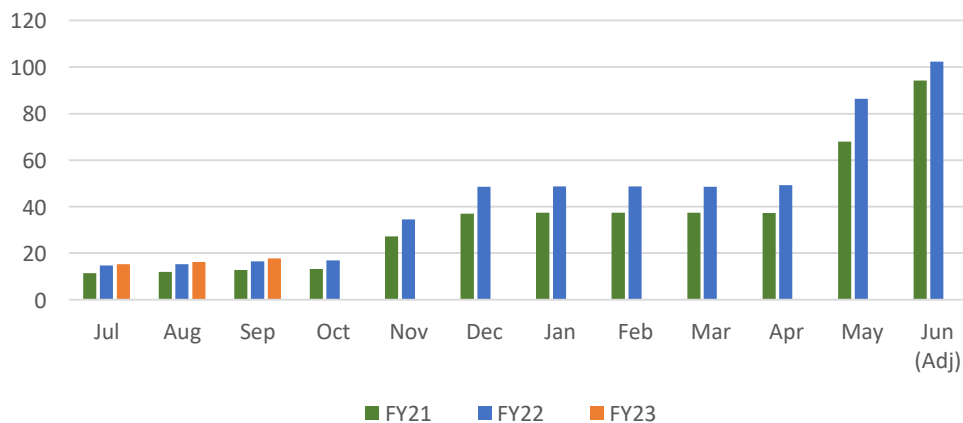
Real Property Taxes
(\$ Millions)



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 September FY23 were 14% above September 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)



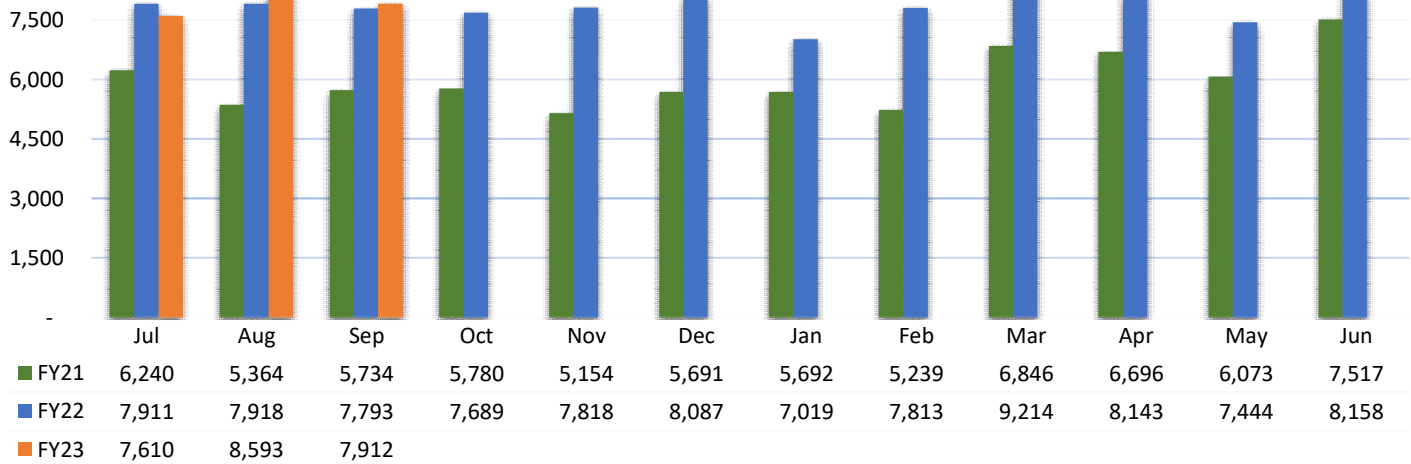
Personal Property Taxes are collected on all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Personal property is collected in the locality where it is normally garaged, docked, or parked. Henrico County uses the J.D. Power Official Used Car Guide as of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

in December and June. **Collections for the month of September FY23 were 8% above September 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.

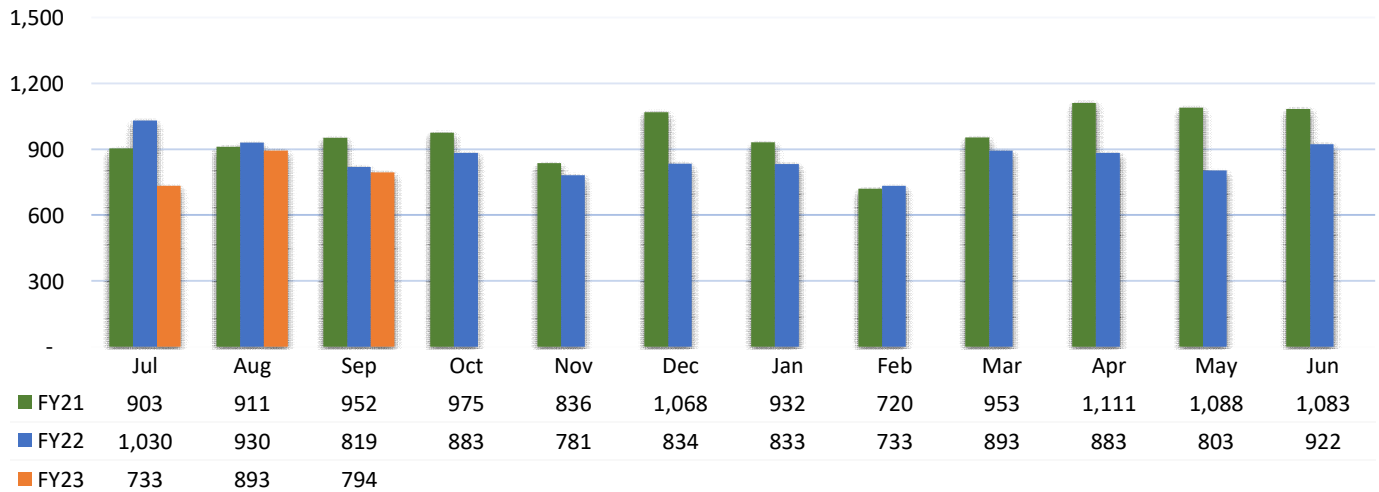


Henrico Metrics

Used Car Registration



New Car Registration

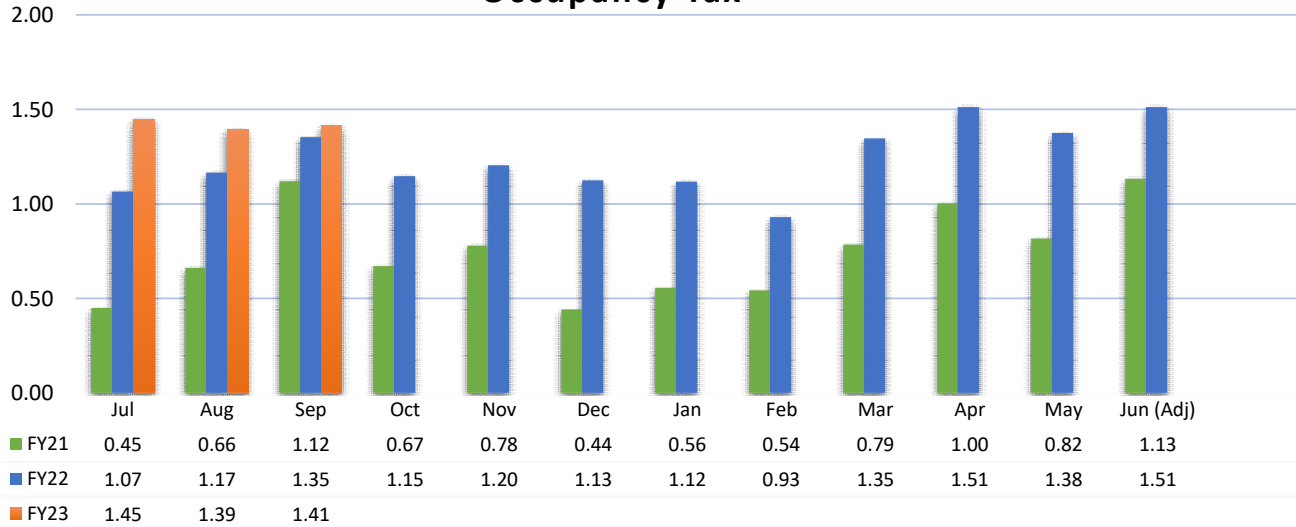


Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles; the metric strongly correlates to vehicle sales. **Used Car Registration in September recorded 7,912; 119 higher than September of FY22. New Car Registration in September recorded 794, down from September FY22's 819.**



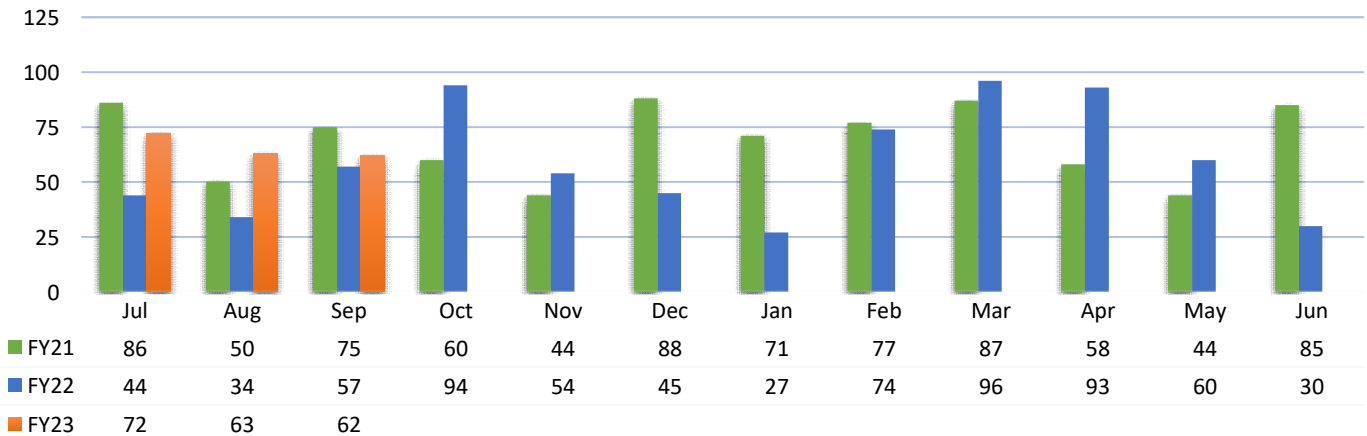
Henrico Metrics

Occupancy Tax



Henrico’s **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax** collections in **September** were **\$0.06** million higher than those of **FY22**, a residual effect of the increase in travel experienced post-COVID peaks.

New Residential Construction

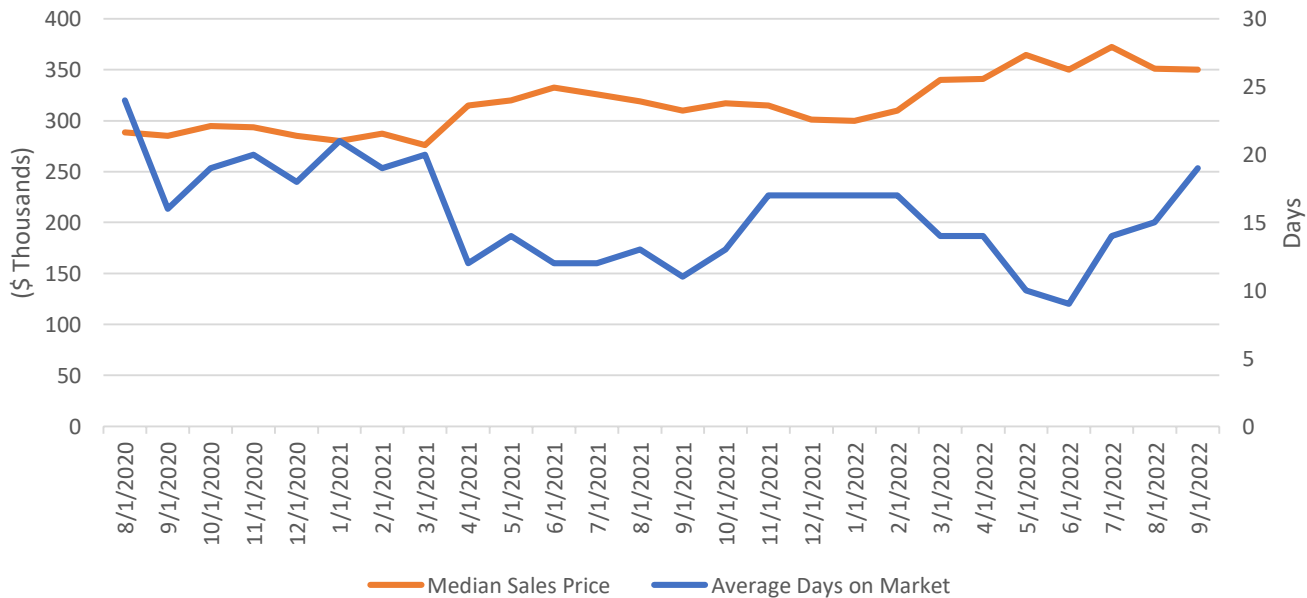


New Residential Construction is comprised of new single-family houses that were issued building permits. A slowdown may indicate worsening economic conditions, increased competition from neighboring localities, or a lack of expansion capabilities. 72 construction permits were issued in July, up 42 from June. **September FY23** construction recorded **62** permits, up from **September FY22’s 57**.



Henrico Metrics

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



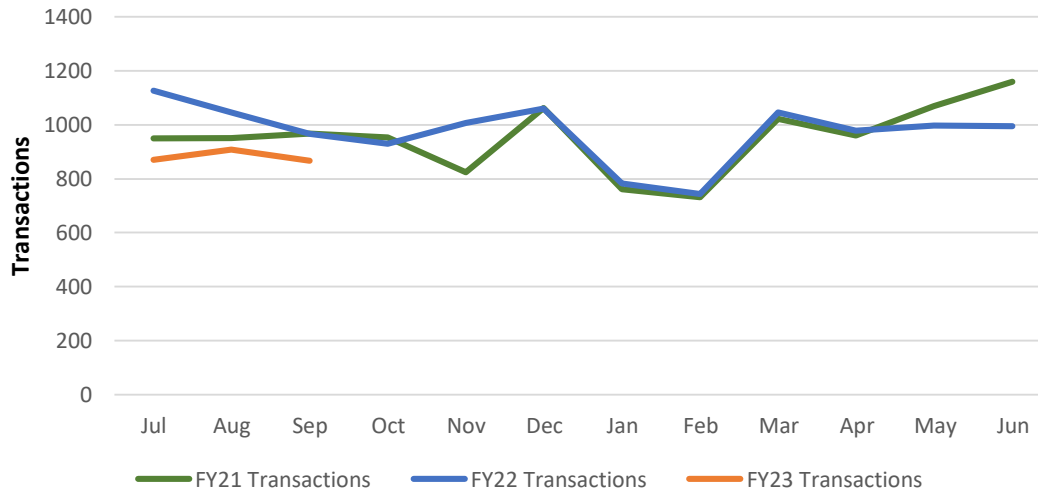
Average Days on the Housing Market and Median Sales Price provides a benchmark of the state of the housing market in Henrico. An increase in the time spent on market may indicate a slowing of the housing market, while a decrease may indicate acceleration. Median Sales Price tracks the middle value of homes sold in the County that month and can provide insight into the general direction of the market. **In the month of 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>



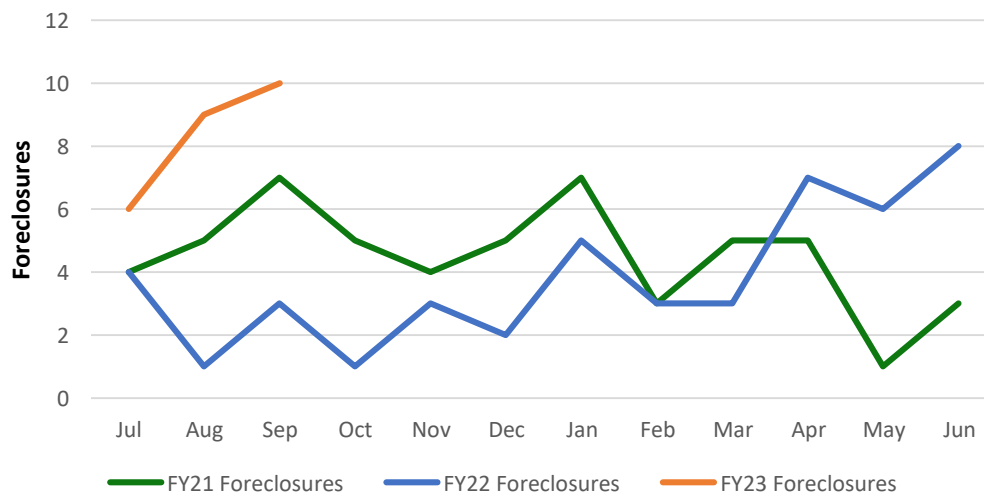
Henrico Metrics

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 867 total residential transactions, September 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

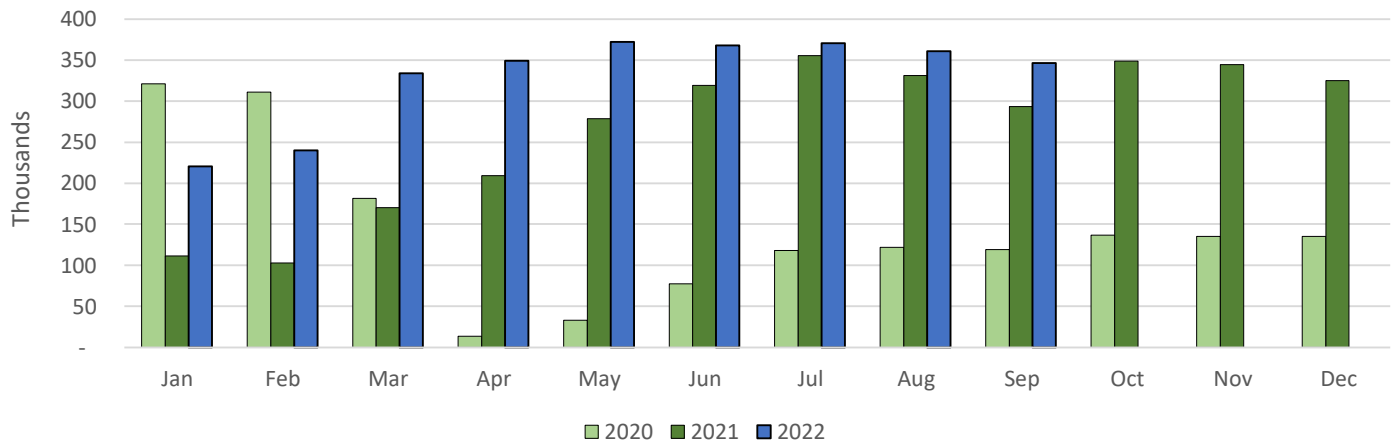


Foreclosure numbers increased in September to 10 foreclosures, the highest since March of FY20.



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 impacted air travel around the country both domestically and internationally. Air travel has seen a continuous recovery, with notable growth resuming in March 2021. **September 2022 demonstrated a continuation of consistent air travel serving 346,327 passengers. This metric reflects an 18% increase from September 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/>



Summary of Financials

Period Ended September 30, 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> |
|--|---------------------------------|--------------------------------|-----------------------------|---|---|--------------------------------|
| Local Revenues | 796,520,200 | 796,520,200 | 88,392,005 | 758,668,868 | 847,060,873 | 50,540,673 |
| State Revenues | 421,949,865 | 423,564,798 | 77,624,749 | 356,851,152 | 434,475,901 | 10,911,103 |
| Federal Revenues | 385,000 | 385,000 | 28,928 | 356,072 | 385,000 | - |
| Total General Fund Revenues | \$ 1,218,855,065 | \$ 1,220,469,998 | \$ 166,045,683 | \$ 1,115,876,092 | \$ 1,281,921,774 | \$ 61,451,776 |
| General Government Expenditures | 460,940,765 | 483,070,880 | 129,846,208 | 353,202,557 | 483,033,765 | 101,732 |
| Education Expenditures | 602,656,057 | 627,980,363 | 99,073,154 | 519,487,504 | 618,560,658 | 9,419,705 |
| Total General Fund Expenditures | \$ 1,063,596,822 | \$ 1,111,051,243 | \$ 228,919,362 | \$ 872,690,060 | \$ 1,101,594,422 | \$ 9,521,437 |

This **Summary of Financials, Period Ended September 30, 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.