



# Fairfax County Economic Index

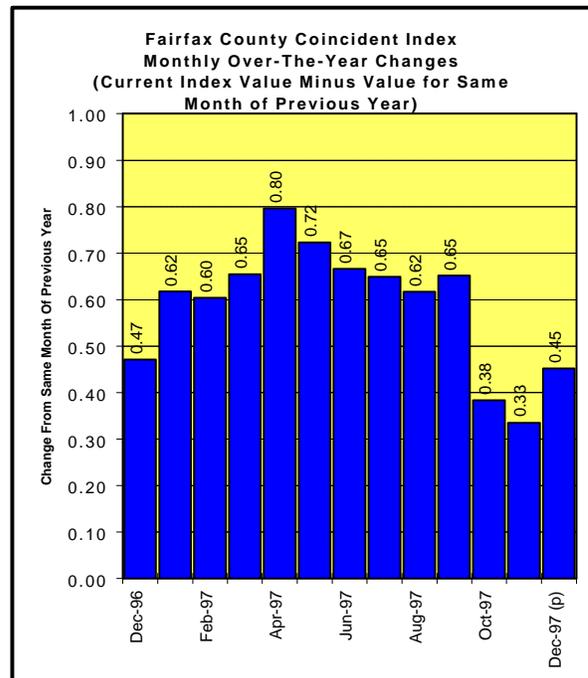
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## Economy Strong in December Outlook for 1998 is Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 103.3 in December, gaining 0.08 percent after recording no change between October and November. For the year, the Index was up 0.44 percent and remained well above its long-term moving average value. In December, three of the Index's four components were positive.

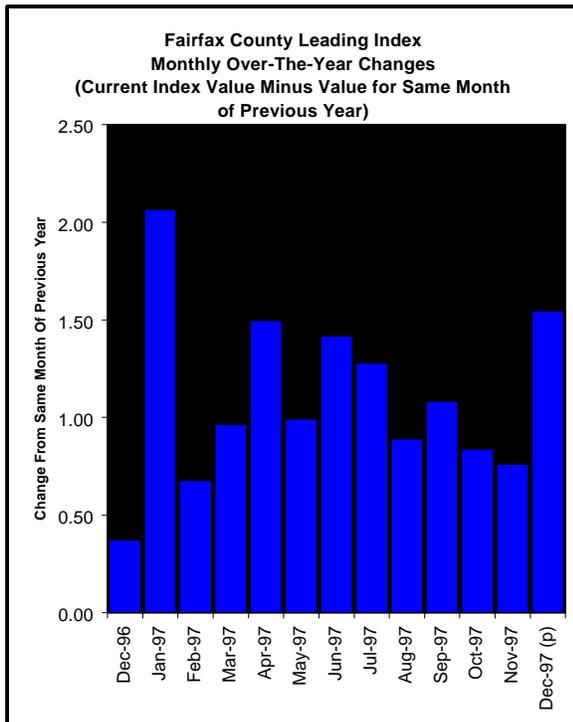
- Total employment increased for the sixth consecutive month and for the eleventh time over the year;
- Transient Occupancy Tax collections increased for a second month following a three-month downward trend; and
- Consumer confidence increased to its highest level ever in December after having declined in the three previous months; however,
- Sales tax receipts declined for a second consecutive month.



Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, registered its strongest gain in December since the beginning of the year, increasing 0.64 percent to 104.6. This increase more than offset November's decline and re-established the Index's strong upward trend. For the year, the Index gained 1.5 percent, its largest annual increase since the

We are on the web at:  
[www.co.fairfax.va.us/comm/economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)



Source: GMU Center for Regional Analysis.

1990-1991 recession. In December, three of the Index's five components contributed to its increase.

- New automobile registrations had their second strongest increase in the past three months;
- Consumer expectations (consumer confidence six months hence) gained sharply following two months of decline; and
- The mean value of residential building permits increased after having declined in November and October; but
- Residential building permits declined slightly after November's strong gain; and
- Initial claims for unemployment insurance increased (worsened) for the second time in three months.

## CURRENT CONDITIONS

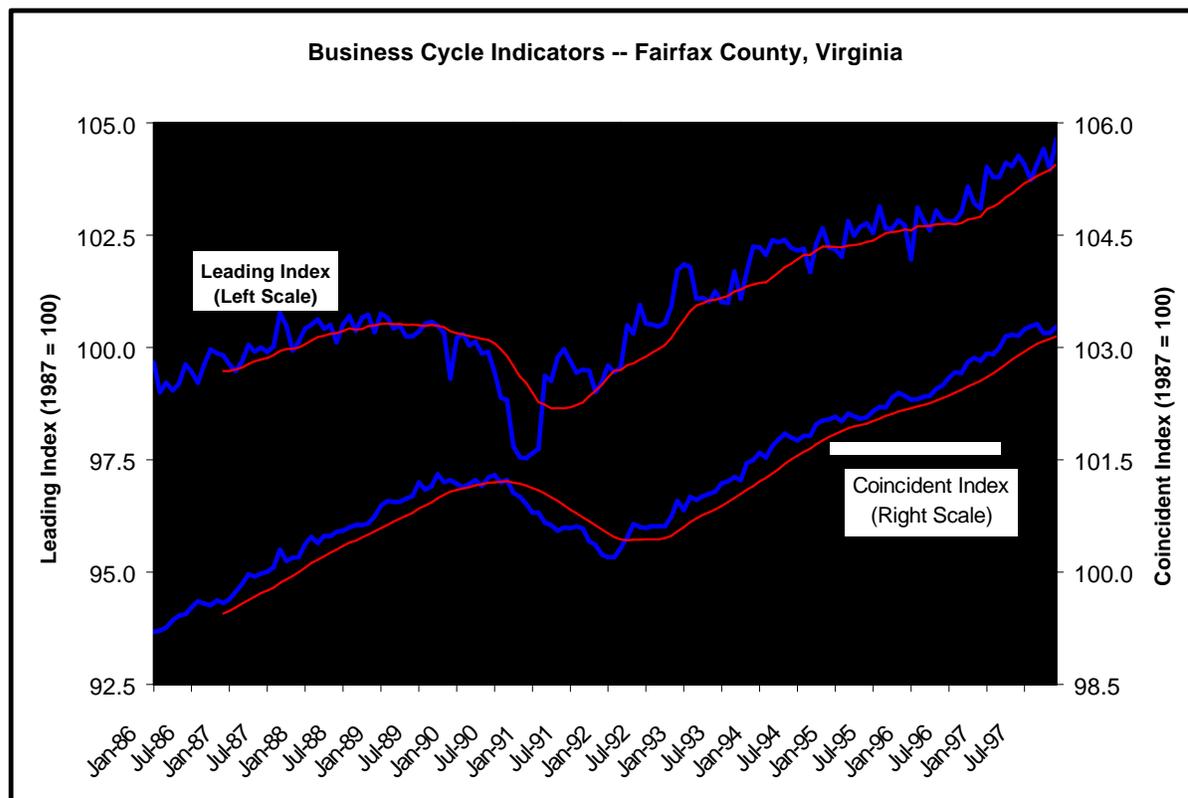
The Fairfax County economy recorded a very solid performance in 1997 with gross county product

estimated to have grown 4.1 percent. This gain extends the County's expansion through its sixth year with the economy appearing stronger at the end of the year than at the beginning. For the year, the County's employment base added 19,000 net new jobs, a gain of 4.3 percent. This gain far outpaced the job growth rate of 1.9 percent for the Washington metropolitan area.

The strength of the County economy can be seen in the strong job growth in the private sector with mid-year data showing gains of 6.2 percent. Services continue to be driving this growth generating 84 percent of all new jobs while accounting for 43 percent of the County's total job base. With in this broad category of employment, business services grew the fastest, increasing 19.6 percent in 12 months and generating 61 percent of the County's net new jobs during that period.

This economic success has generated an increasingly tight labor market with the County's unemployment rate dropping below 2 percent. Fortunately, the County's labor force has expanded at a rate (6.7 percent) substantially greater than for the Washington region as a whole (1.0 percent) enabling this expansion to continue without inflationary wage pressures. Still, there is growing evidence that the tight labor market may constrain the economy's continued rapid expansion in the future resulting in a slightly more moderate and sustainable growth path in 1998.

Still, the County's performance in December demonstrated the economy's continued underlying strength. Benefiting from a strong gain in consumer confidence and low interest rates, consumer spending for "big ticket items" rebounded in December after recording several weak months during the fall. Auto sales, which had been lagging behind 1996 sales in November, surged ahead and, for December, exceeded same-month sales in 1996 by 12.7 percent. While December's retail sales slipped from November, they exceeded same-month sales in 1996 by 17.7 percent. This monthly over-the-year gain compared very favorably to the 5.2 percent nationwide increase in retail sales. Consumer spending remains an important force in the County's economic performance. This year's



Source: GMU Center for Regional Analysis.

early months will provide a good indication whether last year's spending patterns will carry forward to 1998.

## NEAR-TERM OUTLOOK

During the middle of 1997, the Fairfax County Leading Index exhibited broad based weakness, declining in three of four months from May through August. At that point, the Index's 12-month gain was 0.89 points. Over the last four months of 1997, the Leading Index had strong increases in three, pushing its gain for the year to 1.55 points, its greatest annual increase since the recession. This renewed strength during the final one-third of 1997 provides a strong indication of the economy's likely growth path in 1998. After a slow start, the County economy should accelerate into the second half of the year with the year's overall growth rate projected at 3.9 percent while a 3.2 percent gain in gross regional product is projected for all of Northern Virginia.

There are several downside risks that could impact the County's economy this year. The availability of qualified labor resources will remain a threat to the vitality of the County's economy. Finding qualified workers to fill the large number of new jobs being created is a growing challenge throughout Northern Virginia and is important to achieving the full benefits of the economy's strong performance. Additionally, external risks from a slowing national economy and the turmoil in Asian financial markets could undercut consumer confidence and negatively impact local retail spending.

These threats are not unique to Fairfax County or to Northern Virginia. In fact, the Fairfax County economy is better positioned to respond to these and other threats than most other local economies as a result of its large size and its six-year pattern of steady expansion. As the County's economy begins its seventh year of expansion, its fundamentals are strong and its outlook remains good.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Dec-97 Prelim.	Nov-97 Final	Dec-96 Final	Nov-97 to Dec-97	Dec-96 to Dec-97
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	103.27	103.19	102.82	0.08	0.44
Leading Index (1987 = 100)	104.64	103.97	103.09	0.64	1.50
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	459,217	458,766	440,205	0.10	4.32
<i>Total Covered Employment (Unadjusted)</i>	<i>465,356</i>	<i>460,431</i>	<i>446,091</i>	<i>1.07</i>	<i>4.32</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	243.5	236.0	253.6	3.17	-3.99
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>363.9</i>	<i>386.5</i>	<i>370.7</i>	<i>-5.83</i>	<i>-1.83</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,830.6	7,047.1	5,803.7	-3.07	17.69
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,620.7</i>	<i>8,650.6</i>	<i>10,385.2</i>	<i>34.33</i>	<i>11.90</i>
South Atlantic Consumer Confidence	176.1	160.5	154.8	9.72	13.76
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,062	4,790	5,378	26.55	12.72
<i>Automobile Registrations (Unadjusted)</i>	<i>5,280</i>	<i>4,260</i>	<i>4,684</i>	<i>23.94</i>	<i>12.72</i>
Initial Unemployment Claims (Seasonally Adjusted)	849	770	1,010	10.29	-15.94
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>828</i>	<i>693</i>	<i>985</i>	<i>19.48</i>	<i>-15.94</i>
South Atlantic Consumer Expectations	119.4	110.6	99.0	7.96	20.61
Residential Building Permits (Number of Units, Seasonally Adjusted)	975	1,128	590	-13.57	65.25
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>737</i>	<i>996</i>	<i>446</i>	<i>-26.00</i>	<i>65.25</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	48,344	34,366	56,985	40.67	-15.16
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>66,727</i>	<i>45,174</i>	<i>78,894</i>	<i>47.71</i>	<i>-15.42</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	537,790	538,763	503,938	-0.18	6.72
<i>Total Labor Force (Unadjusted)</i>	<i>534,423</i>	<i>535,132</i>	<i>500,783</i>	<i>-0.13</i>	<i>6.72</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.82	2.02	2.58	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.68</i>	<i>1.94</i>	<i>2.38</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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