



Fairfax County Economic Index

Volume II, Number 10

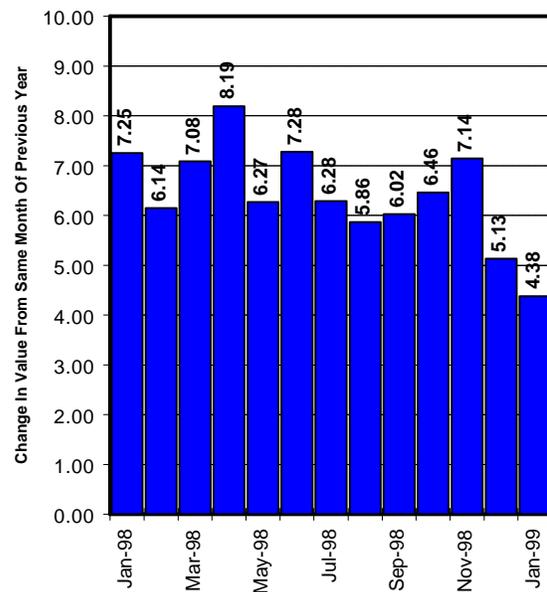
MARCH 1999

Economy Strong in January Leading Index Points to Continued Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, reached a new peak in January increasing 1.6 percent to 119.88. The economy's performance started the year reversing December's slight loss and now has sustained a strong upward trend since its mid-summer slump. For the year, the Coincident Index was up 3.8 percent for its greatest monthly over-the-year increase since January 1998. While the Index was up sharply, its gain came from a significant increase in one component—retail sales tax—plus a modest gain in employment. The Index's other two components were negative in January.

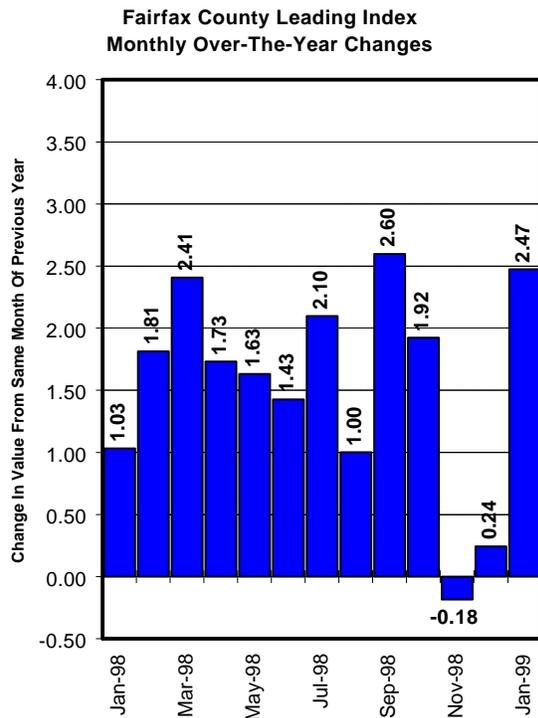
- Total employment was up 0.93 percent from December on a seasonally adjusted basis after some slowing at year's end; and
- Sales tax receipts, adjusted for inflation and seasonal variation, were up dramatically after being down in three of the previous four months; while
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, were down following six months of gains; and
- Consumer confidence slipped for a second month.

Fairfax County Coincident Index
Monthly Over-The-Year Changes



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, surged ahead after being flat or trending downward since mid-1998. January's Index gain of 1.86 percent resulted in its attaining a new peak value of 106.61. For the 12-months ending in January, the



Source: GMU Center for Regional Analysis.

Index has gained 2.4 percent for its largest monthly over-the-year gain since March 1998. Four of the Index's five components contributed to its January gain.

- Initial claims for unemployment insurance decreased (improved) for the second month in a row;
- Consumer expectations (confidence six months hence) increased after being down in three of the preceding four months;
- Residential building permits were up sharply building on December's small gain; and
- The total value of residential building permits was up for the fourth time in five months; while
- New automobile registrations declined for the third time in the previous four months.

The strength exhibited by the Fairfax County economy in January was broad based even though

two of the indicators (one in each Index) appear to have been distorted either by reporting unevenness—sales tax receipts—or by seasonal factors—residential building permits. Still, there can be little doubt that the local economy has regained its upward trend following the mid-summer's slowdown with the leading components having reversed their year-end deceleration. This current strength could carry the economy's growth into the third quarter after which some moderation could occur at year's end.

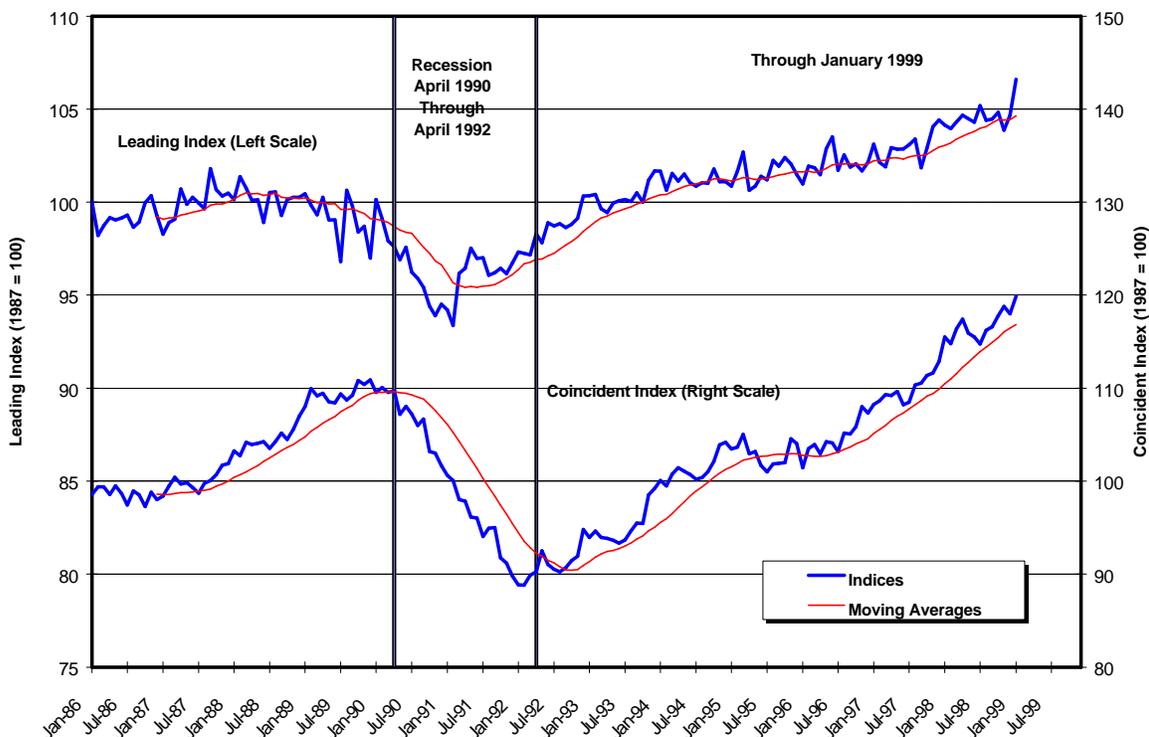
CURRENT CONDITIONS

Revised employment data for 1998 showed gains were much greater than had been estimated. For the entire Washington metropolitan area, 66,100 new jobs were added over the year compared to 53,700 new jobs in 1997, the previous record for the decade. These employment data showed that job growth increased in each successive quarter in 1998. The private sector continued to drive the economy's expansion adding 68,100 new jobs while the loss of 6,700 federal jobs was partially offset by the gain of 4,700 state and local government jobs. The District of Columbia economy also improved with the private sector adding 3,200 new jobs while the government sector lost 6,200 jobs. January's monthly over-the-year job gain was the greatest yet in the nineties adding 83,400 new jobs, a gain of 3.4 percent. This strong gain suggests that the area's strong 1998 economic performance has carried over into early 1999.

January job growth in Fairfax County was slightly off its 1998 record pace with monthly over-the-year gains totaling 19,436, for an increase of 4.11 percent. While January's job gain has fallen below the fourth quarter annualized rate of almost 5 percent, growth rates of this magnitude can not be sustained indefinitely. With the County's unemployment rate pegged around 1.5 percent and labor force growth well under 2 percent, the County's high employment growth rate is not likely to continue throughout all of 1999. The shortages of labor resources and slowly increasing labor costs could slow job growth in the year's second half.

The key to the economy continuing its expansion over the coming months is consumer

Business Cycle Indicators -- Fairfax County, Virginia



Source: GMU Center for Regional Analysis.

spending. Consumers' attitudes towards spending tracks closely with consumer confidence. While confidence has drifted lower over the last half of 1998, declining in four of the last six months through January, February's consumer confidence was up sharply and now stands at its highest level, fully recovered from its downturn in June 1998. Retail spending followed this gain in confidence with national sales in 1999 running ahead of last year's average for both January and February. Retail spending was also strong in Fairfax County in January. However, rising energy prices and higher interest rates will cut into disposable income as consumer debt remains high. These conditions could undercut consumer spending in 1999.

NEAR-TERM OUTLOOK

Until January, the Leading Index had been trending downward and in November fell below its 12-month moving average level; that is, the November Leading Index had under-performed its average gain over the previous 12 months.

Had the trend fallen further below the moving-average line, it would have been a clear signal that the economy was going to slowdown in the coming months. However, with the Index's modest uptick in December followed by January's sharp increase, it has resumed its upward trend pointing to further gains in the economy extending to the third and possibly the fourth quarter.

While the Leading Index is not quite as strong as it appears, its trend reversal over the past two months does confirm the economy's sound fundamentals. These are not likely to deteriorate quickly but could experience a more moderate growth pattern as the year progresses. If consumer confidence and expectations (confidence six months hence) decline in response to a sell off in the stock market, or concerns regarding international economic and political conditions, or widespread worries stemming from Y2K uncertainty, retail and housing sales would soften and the economy's slowdown would likely accelerate going into the second half of the year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jan-99 Prelim.	Dec-98 Final	Jan-98 Final	Dec-98 to Jan-99	Jan-98 to Jan-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	119.88	117.99	115.50	1.60	3.79
Leading Index (1987 = 100)	106.61	104.66	104.14	1.86	2.38
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	491,769	487,248	472,333	0.93	4.11
<i>Total Covered Employment (Unadjusted)</i>	<i>486,532</i>	<i>493,865</i>	<i>467,303</i>	<i>-1.48</i>	<i>4.11</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	326	366	301	-10.85	8.50
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>420</i>	<i>501</i>	<i>376</i>	<i>-16.21</i>	<i>11.62</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,701	7,158	7,384	35.53	31.38
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,932</i>	<i>12,628</i>	<i>7,560</i>	<i>-21.35</i>	<i>31.38</i>
South Atlantic Consumer Confidence	175	176	175	-0.91	-0.51
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,877	6,201	5,171	-5.22	13.66
<i>Automobile Registrations (Unadjusted)</i>	<i>4,943</i>	<i>5,401</i>	<i>4,349</i>	<i>-8.48</i>	<i>13.66</i>
Initial Unemployment Claims (Seasonally Adjusted)	647	701	731	-7.76	-11.46
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>912</i>	<i>684</i>	<i>1,030</i>	<i>33.33</i>	<i>-11.46</i>
South Atlantic Consumer Expectations	107.2	105.1	111.2	2.00	-3.60
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,396	491	555	184.49	151.72
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,027</i>	<i>371</i>	<i>408</i>	<i>176.82</i>	<i>151.72</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	56,792	34,834	41,490	63.04	36.88
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>58,006</i>	<i>40,279</i>	<i>41,193</i>	<i>44.01</i>	<i>40.81</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	544,194	548,174	537,790	-0.73	1.19
<i>Total Labor Force (Unadjusted)</i>	<i>547,622</i>	<i>544,479</i>	<i>534,423</i>	<i>0.58</i>	<i>2.47</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.60	1.67	1.88	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.40</i>	<i>1.57</i>	<i>1.68</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (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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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)**

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