



Fairfax County Economic Index

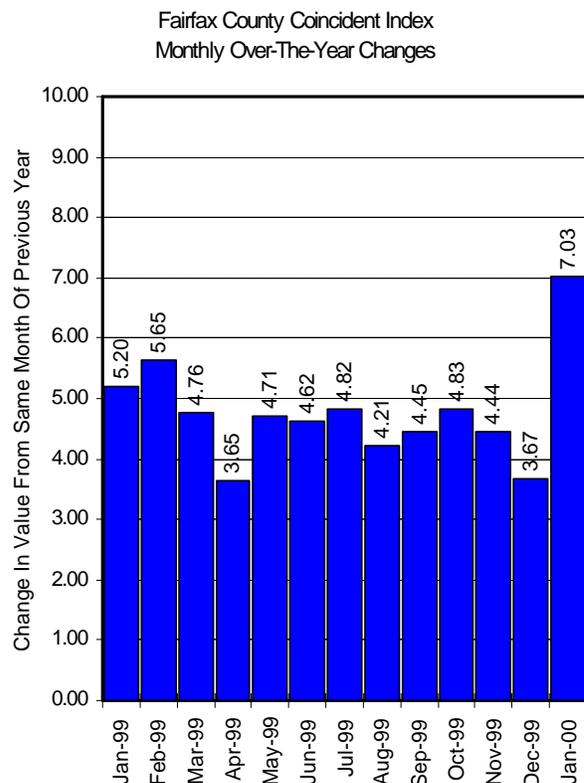
Volume III, Number 10

MARCH 2000

Economy Rebounds in January, Outlook Remains Strong

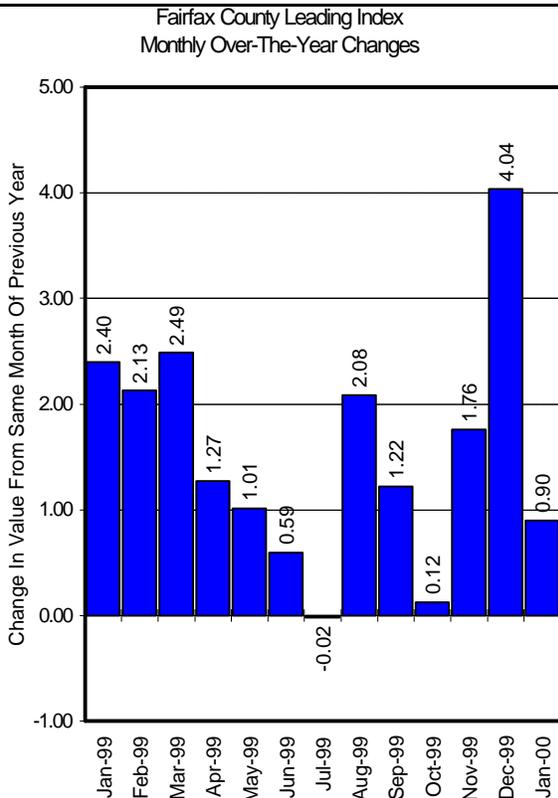
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 126.9 in January gaining 4.3 percent for the largest one-month gain since the 1990-1991 recession. This large one-month gain somewhat overstates the economy's strength as a result of a data-reporting anomaly involving retail sales. Even so, January's performance extends the economy's strong expansion from last year into 2000. Over the last six months, the Coincident Index has been up five times and gained a total of 6.0 percent. In January, three of the Index's four components were positive.

- Total employment registered its strongest gain in more than a year and now has been up in six of the last seven months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were up for a sixth consecutive month; and
- Sales tax collections were up sharply on an inflation and seasonally adjusted basis reversing two monthly decreases; while
- Consumer confidence slipped slightly although it remains at a near record level.



Source: Mason Enterprise Center, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, fell slightly to 107.7 in January for a decline of 1.07 percent. The Leading Index had



Source: Mason Enterprise Center, George Mason University

been up in the preceding two months and continues to maintain a positive trend over the past 12 months even though it has experienced monthly losses six times. For the year, the Index is up 0.84 percent. In January, the negative performance of three of the Index's five components contributed to its decline.

- New automobile registrations fell in January after having registered a strong gain in December;
- Residential building permits dropped following two months of sharp gains; and
- The total value of residential building permits decreased after being up in November and December; while
- Initial claims for unemployment insurance decreased (improved) for the fourth consecutive month; and

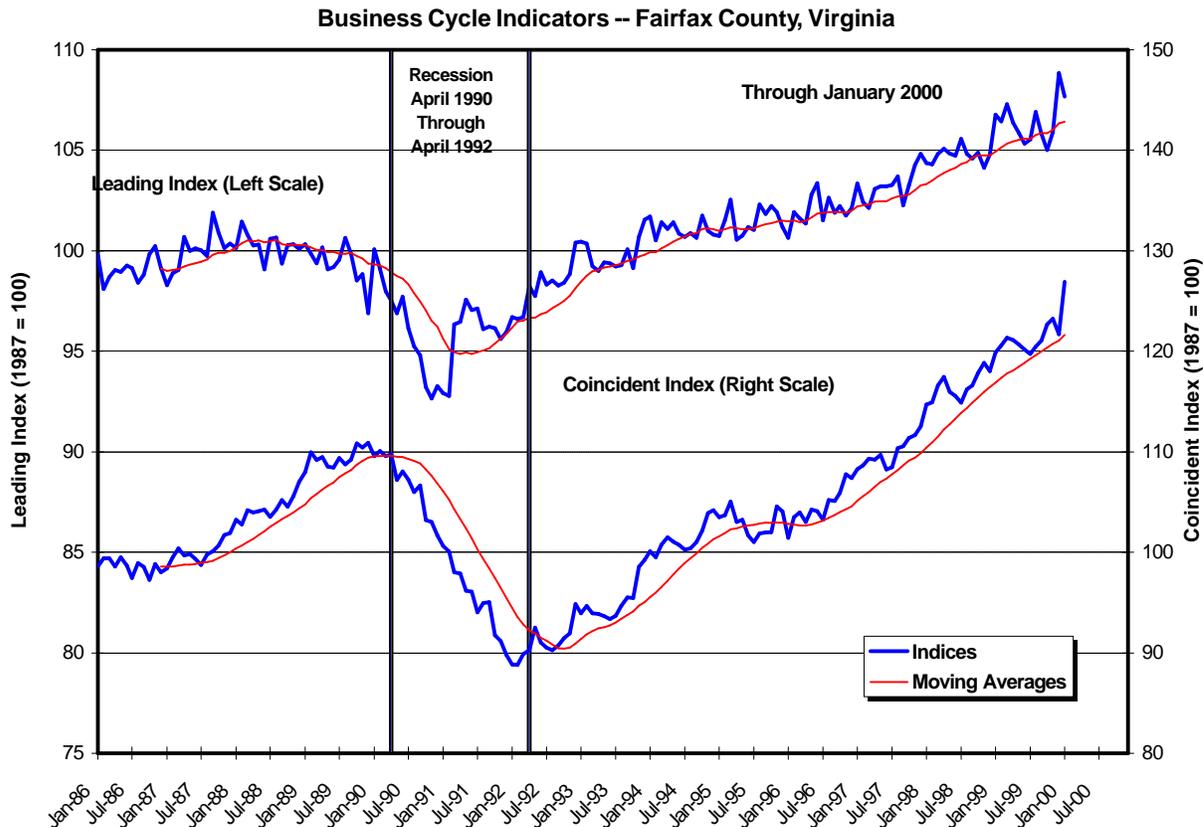
- Consumer expectations (consumer confidence six months hence) were up for the third month in a row.

The Fairfax County economy continued to exhibit broad based strength in January extending its strong growth trend that began in mid-1996 and January's decline in the Leading Index follows a pattern of more moderate gains dating back into 1998. The Leading Index's slower growth trend appears to be pointing to continuing but more moderate growth in the future. However, there was little evidence in January's indicators of this possible future moderation in the current growth rate.

CURRENT CONDITIONS

The sharp gain in the Coincident Index in January can be partially attributed to seasonal factors but it also reflects remarkable gains in key performance indicators. The ability to generate new jobs remains the hallmark of the County's economic strength. For the 12 months ending in January, the County added 28,192 new jobs, a gain of 5.9 percent and one of the greatest monthly over-the-year gains since 1992. This job growth compares favorably to last year's gains that ranged between 24,000 and 25,000 new jobs for any 12-month period. This continuing job growth, however, has further tightened the labor market with unemployment dropping to 1.5 percent in January from 1.7 percent a year ago. The strong labor market conditions are also seen in the 17.4 percent decline in initial unemployment claims since last January.

Consumer confidence in January dropped slightly from its record high level achieved in December but even with this decline, consumers appear comfortable with prevailing economic conditions. February's Consumer Confidence Index, which was just released, was up again offsetting its January decline. However, in spite of these high levels of consumer confidence, there are signs that consumer spending may be slowing



Source: Mason Enterprise Center, George Mason University

down, especially for big ticket items that are sensitive to higher interest rates and high levels of consumer debt. The slowing of new automobile sales in three of the last four months and the recent slowdown in new home sales (same-month sales were down 11.3 percent in January) may be the forerunner of slower consumer spending for other items.

NEAR-TERM OUTLOOK

Even with the Leading Index dropping slightly in January, its overall trend has strengthened since mid-1999. This continuing upward track of the Leading Index is pointing to the economy's expansion continuing through at least to the end of the year. However, the rate of gain over this period may slow during the second and third quarters in response to higher interest rates and slower consumer spending. In addition to the financial market's recent increase in

volatility, which undercut consumer expectations in February as the market dropped more than 10 percent from its January high, inflationary pressures driven by higher energy costs and the increasingly tight labor market also may sap some of the economy's strength in the short term.

With job growth continuing at a strong level in January, retail spending should strengthen by year's end. This growth in jobs and consumer spending should help sustain the economy's expansion at a rate close to its 6.4 percent performance in 1999. Still, uncertainty in the financial markets and actions by the Federal Reserve Board to slow the national economy could also bring Fairfax County's economy to a lower growth rate by the end of the year. Any such slowing, however, will be gradual and should be seen in the performance of the monthly indicators, especially in job growth and labor market conditions within the broader metropolitan area economy.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jan-00 Prelim.	Dec-99 Final	Jan-99 Final	Dec-99 to Jan-00	Jan-99 to Jan-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	126.91	121.69	119.88	4.29	5.86
Leading Index (1987 = 100)	107.67	108.84	106.77	-1.07	0.84
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	519,961	513,414	491,769	1.28	5.73
<i>Total Covered Employment (Unadjusted)</i>	<i>514,423</i>	<i>520,386</i>	<i>486,532</i>	<i>-1.15</i>	<i>5.73</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	393	365	326	7.61	20.43
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>516</i>	<i>511</i>	<i>420</i>	<i>1.04</i>	<i>22.98</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	10,174	5,961	9,701	70.68	4.87
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,063</i>	<i>11,160</i>	<i>9,932</i>	<i>-0.87</i>	<i>11.39</i>
South Atlantic Consumer Confidence	185	190	174	-2.47	6.50
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,535	7,962	5,877	-17.92	11.19
<i>Automobile Registrations (Unadjusted)</i>	<i>5,496</i>	<i>6,935</i>	<i>4,943</i>	<i>-20.75</i>	<i>11.19</i>
Initial Unemployment Claims (Seasonally Adjusted)	534	622	647	-14.18	-17.43
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>753</i>	<i>607</i>	<i>912</i>	<i>24.05</i>	<i>-17.43</i>
South Atlantic Consumer Expectations	127.1	118.2	107.8	7.53	17.90
Residential Building Permits (Number of Units, Seasonally Adjusted)	789	1,561	1,396	-49.48	-43.52
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>580</i>	<i>1,180</i>	<i>1,027</i>	<i>-50.85</i>	<i>-43.52</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	42,851	73,484	56,792	-41.69	-24.55
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>44,694</i>	<i>86,860</i>	<i>58,006</i>	<i>-48.54</i>	<i>-22.95</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</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.

Prepared by:
**Mason Enterprise Center
George Mason University**

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)**

Inquiries should be directed to:

The Fairfax County
Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)