

Fairfax County Economic Index

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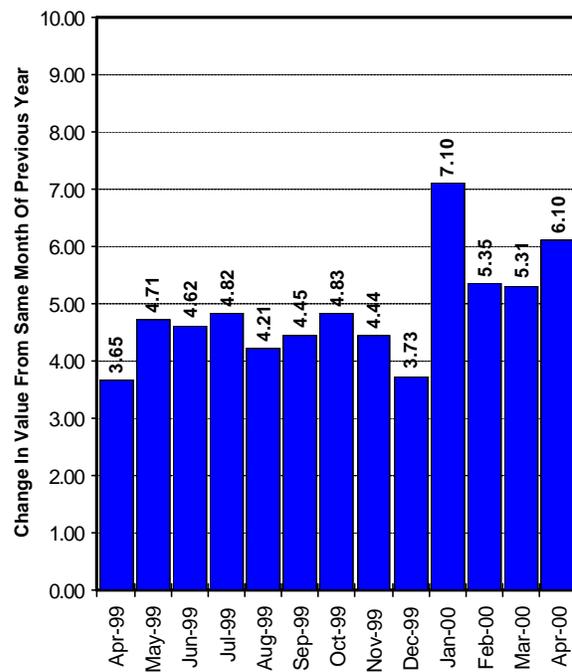
Economy Strong in April But Signs of Slower Growth Ahead

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 127.2 in April, for a gain of 0.44 percent. The Index now has been up two months in a row and three times in the year's first four months. For the past twelve months, the Index has increased and decreased six times each, but the gains have substantially exceeded the losses for a total increase of 5 percent over the period. In April, two of the Index's four components were positive.

- Total employment increased sharply and has now been up in five consecutive months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were up in April for the eighth time in nine months; while,
- Sales tax collections, adjusted for inflation and seasonal variation, dropped sharply for the third time in five months; and,
- Consumer confidence declined after gaining in February and March.

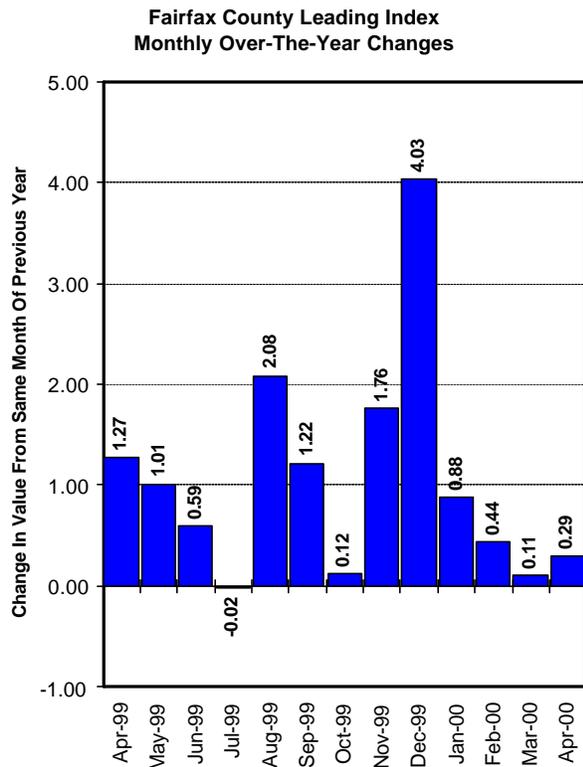
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to 12 months in advance, decreased to 106.6 in April for a decline

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Mason Enterprise Center, George Mason University

of 0.70 percent. The Leading Index has been down in three of the year's first four months and its 12-month moving average is now beginning to trend lower. The Leading Index has been down in eight of the last 12 months but still has registered a slight gain over this period of 0.27 percent.



Source: Mason Enterprise Center, George Mason University

In April, three of the Index's five components contributed to its decline.

- New automobile registrations fell for the third time in four months;
- Residential building permits also declined for the third time in four months; and,
- The total value of residential building permits decreased for the third time in four months; while,
- Initial claims for unemployment insurance fell (improved) for a second month in a row and for the sixth time in seven months; and,
- Consumer expectations (consumer confidence six months hence) increased after falling in February and March.

The Fairfax County economy presented a mixed record of performance in April. While the economy remains strong and its job base continues to expand at a high rate, its labor market has

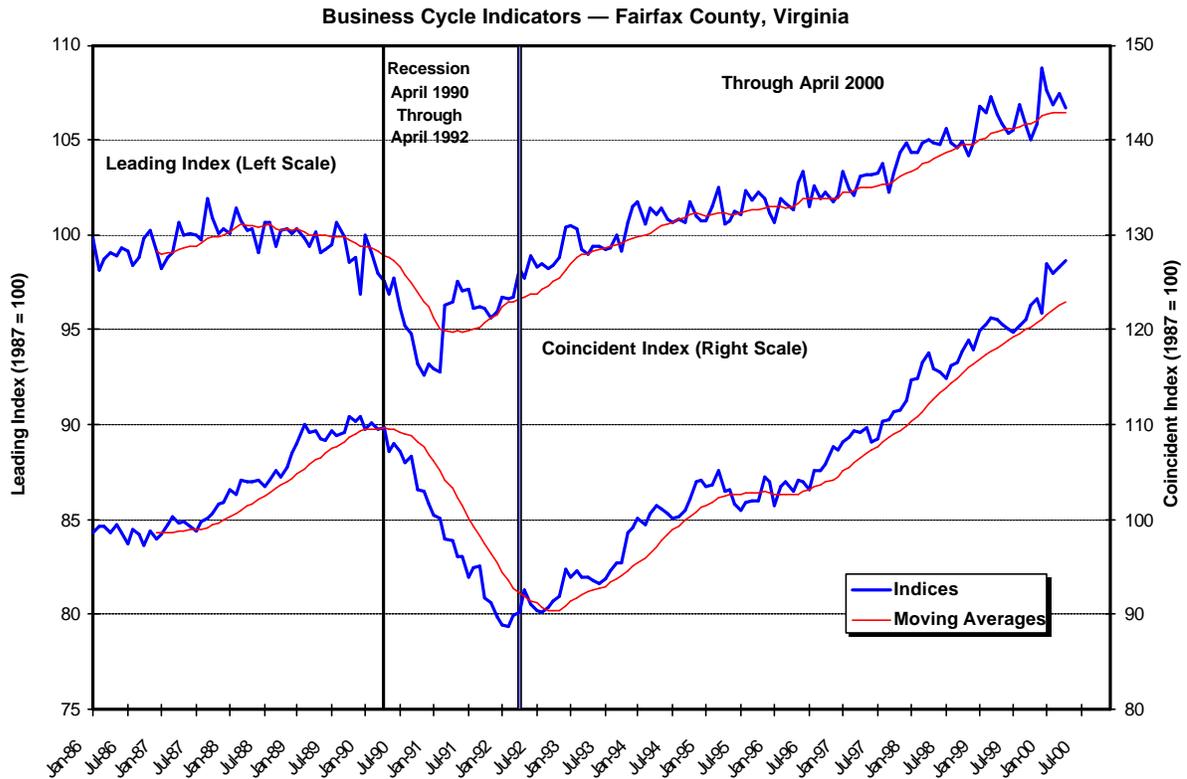
tightened further and consumer spending is weakening. The indicators confirm the current strength of the economy and suggest that its future performance will soften over the remainder of the year.

CURRENT CONDITIONS

The current performance of the Fairfax County economy reflects diverging patterns. The economy's generation of new jobs and associated activities remains at near record levels. However, consumer spending, a major force in the economy's growth, has been trending down for several months. The strength of the economy continues to be its ability to generate new jobs. For the 12-month period ending in April, the employment base added 25,658 new jobs, for a 5.1 percent gain. This increase accounted for 33.5 percent of the total job gain in the Washington metropolitan area. This strong job growth has pushed unemployment down further to 1.25 percent, well below the 1.7 percent rate for all suburban jurisdictions. This job growth and associated earnings have supported the County's economic expansion for almost eight years.

With the County's strong business growth has come increased visitor trips to the County, principally business visitors. This is confirmed by the record of transient occupancy tax revenue growth. Since experiencing a slow second quarter in 1999, hotel tax revenues have increased in eight of the last nine months. Revenues in April 2000, adjusted for inflation and seasonal variation, exceeded April 1999 tax revenues by 32 percent.

However, while the County's business base seems strong, slower consumer spending may lead to growing weaknesses in residentially dependent commercial activities. Consumer confidence peaked in December and since then it has been buffeted by interest rate increases and increased volatility in the stock markets. With consumer confidence slipping, consumer spending can be expected to slip, too. The month-to-month decline in retail sales tax collections in April was unusual; tax collections dropped 14.2 percent. Over the April-to-April period, tax receipts were down 0.87 percent, on a seasonally adjusted basis. Growing consumer



Source: Mason Enterprise Center, George Mason University

conservatism is seen in recent declines in spending for automobiles. From March to April, new automobile sales declined 14.2 percent, on a seasonally adjusted basis. However, over the past twelve months, automobile sales are up a strong 26 percent.

NEAR-TERM OUTLOOK

While recent month-to-month declines in automobile sales (January, February, and April) may reflect the impact of lower consumer confidence and higher interest rates, the decreases in residential building permits may be pointing to more complex circumstances. Permits have dropped significantly in three of the last four months and are down 57.8 percent from April 1999. This trend could be explained by higher interest rates and some softening in consumer expectations. However, it may also be a supply problem; that is, the shortage of buildable lots and the small size of subdivision plats may be restricting the future production of housing in the County. Lower housing production may help to reduce durable goods sales and could constrain job

growth as the County's resident job base is unable to expand sufficiently to meet job expansion demands. The national economy may be seeing the first signs of slowing as the National Leading Index has been down slightly in two of the last three months. As the national economy slows, so will the Fairfax County economy. With the Fairfax County Leading Index already moderating and tracking growth levels closely similar to trends at the beginning of 1999, the Index may be pointing to a gradual slowing of the economy's current performance over the next several quarters. In the short term, the County's dynamic business sectors may be sufficiently strong to carry the economy as consumer spending slows. However, if job growth should also slow in coming months, the full economy can be expected to follow this pattern. To date, the direction and magnitude of these changes are not fixed and will reflect changes in national, regional and local conditions. Tracking the key leading indicators should enable any significant changes in performance to be seen well in advance so local government and businesses can adjust to them.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-00	Mar-00	Apr-99	Mar-00	Apr-99
	Prelim.	Final	Final	to Apr-00	to Apr-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	127.19	126.64	121.10	0.44	5.04
Leading Index (1987 = 100)	106.65	107.40	106.35	-0.70	0.27
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	528,471	522,658	502,813	1.11	5.10
<i>Total Covered Employment (Unadjusted)</i>	<i>524,545</i>	<i>519,413</i>	<i>499,077</i>	<i>0.99</i>	<i>5.10</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	419	402	318	4.22	32.01
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>573</i>	<i>531</i>	<i>422</i>	<i>8.03</i>	<i>35.88</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,922	9,017	7,992	-12.14	-0.87
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,395</i>	<i>11,474</i>	<i>9,798</i>	<i>-9.40</i>	<i>6.09</i>
South Atlantic Consumer Confidence	179	187	179	-3.96	0.34
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,132	8,309	5,658	-14.16	26.07
<i>Automobile Registrations (Unadjusted)</i>	<i>7,012</i>	<i>8,444</i>	<i>5,562</i>	<i>-16.96</i>	<i>26.07</i>
Initial Unemployment Claims (Seasonally Adjusted)	493	512	650	-3.80	-24.22
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>488</i>	<i>561</i>	<i>644</i>	<i>-13.01</i>	<i>-24.22</i>
South Atlantic Consumer Expectations	116.5	114.1	113.0	2.10	3.10
Residential Building Permits (Number of Units, Seasonally Adjusted)	410	585	971	-29.90	-57.75
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>428</i>	<i>703</i>	<i>1,013</i>	<i>-39.12</i>	<i>-57.75</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	30,075	37,085	46,511	-18.90	-35.34
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>49,793</i>	<i>65,634</i>	<i>74,815</i>	<i>-24.14</i>	<i>-33.45</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	557,324	556,030	545,369	0.23	2.19
<i>Total Labor Force (Unadjusted)</i>	<i>556,432</i>	<i>553,272</i>	<i>544,496</i>	<i>0.57</i>	<i>2.19</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.47	1.51	1.52	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.25</i>	<i>1.39</i>	<i>1.30</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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