



Fairfax County Economic Index

Volume IV, Number 3

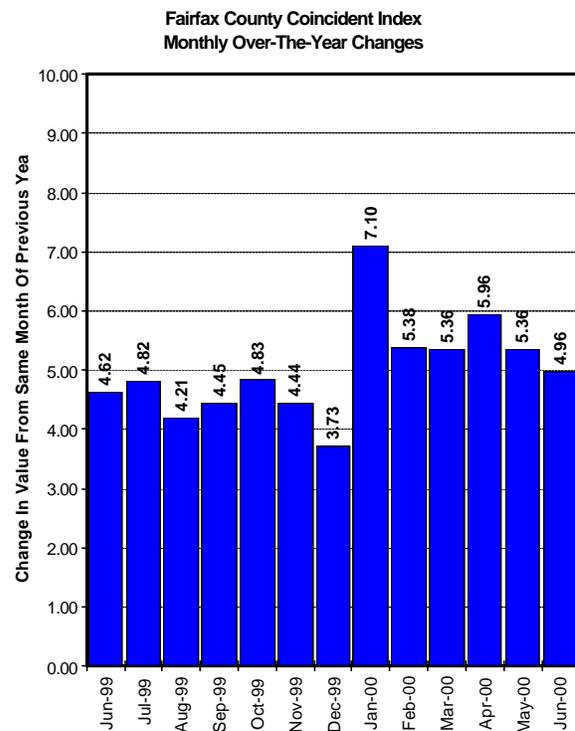
AUGUST 2000

Economy Slows in June, Indicators Point To Slower Growth in Future

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 125.1 in June for a decline of 0.72 percent from May. This was the second consecutive decrease in the Index following gains in March and April. For the first six months of the year, the Index was down three times and up three times. The Index's large January gain offset its subsequent losses, resulting in it remaining above the historic growth track even after registering a 1.5 percent decline over the past five months. Still, the Index's value in June was 4.1 percent higher than its value in June 1999. In June, two of the Index's four components were negative.

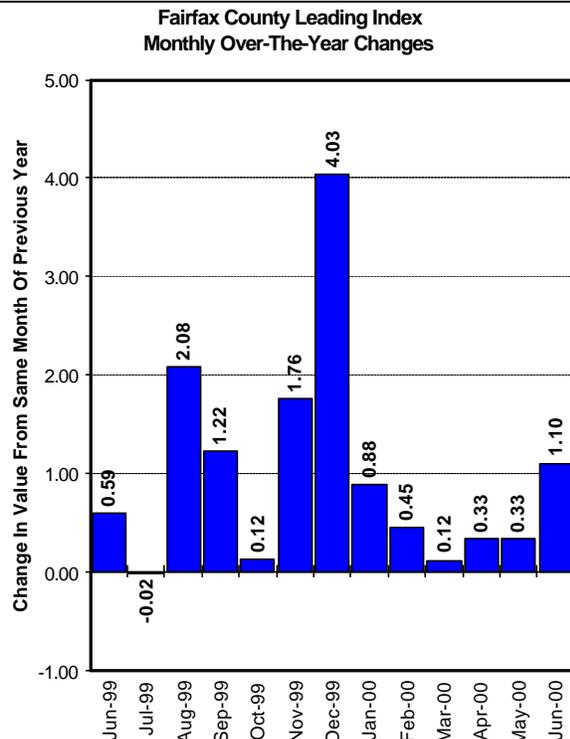
- Total employment decreased slightly for a second month after increasing over the previous five months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for a second month in a row; while,
- Sales tax collections, adjusted for inflation and seasonal variation, increased for a second consecutive month; and,
- Consumer confidence grew for a second month and for the fourth time in five months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of



Source: Mason Enterprise Center, George Mason University

the County's economy nine to 12 months in advance, increased in June to 106.4, for a gain of 0.22 percent from May. The Index's June increase reversed two monthly declines. Still, the Leading Index has been down four times in the year's first six months, losing 2.2 percent. This downward



Source: Mason Enterprise Center, George Mason University

trend contrasts with the Index's positive trend over the last six months of 1999 when it gained 3.3 percent. In June, three of the Index's five components contributed to its gain.

- Initial claims for unemployment insurance fell (improved) following their large increase in May;
- Residential building permits increased following declines in four of the preceding five months; and,
- The total value of residential building permits increased following decreases in the previous three months; while,
- Consumer expectations (consumer confidence six months hence) fell sharply following two monthly gains; and,
- New automobile registrations fell for the second time in three months.

While the Fairfax County economy remains strong and continues to grow, its growth trend experienced a definite pattern of moderation during the second quarter. This slight slowing of

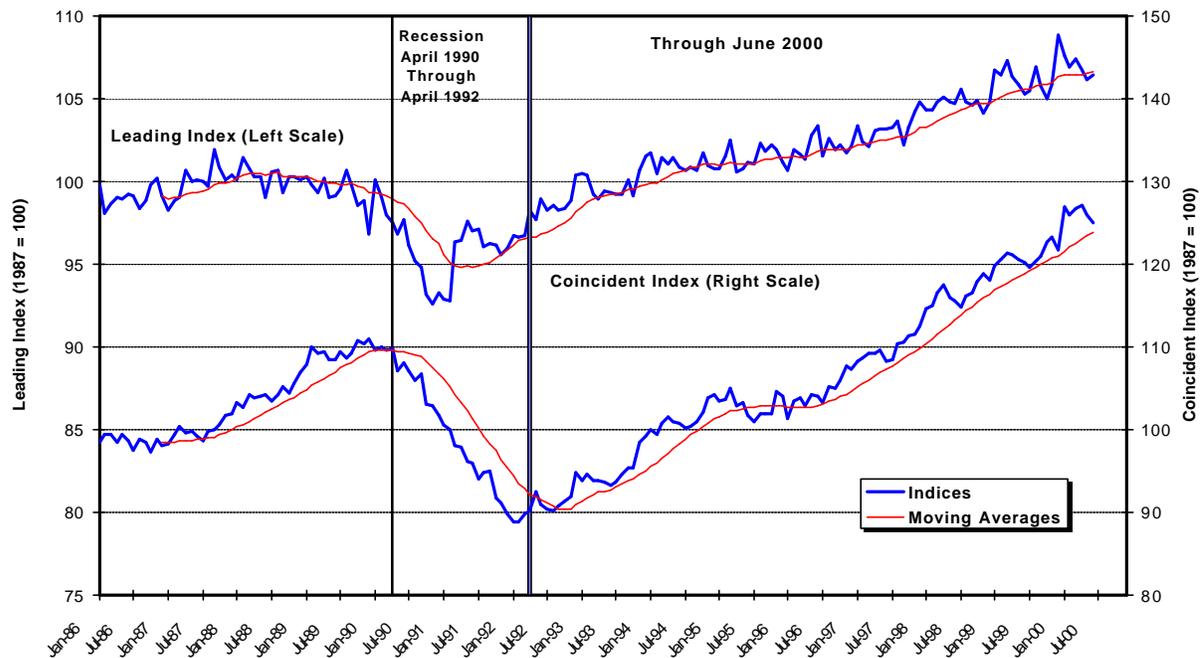
the County's economy is likely to continue into the year's second half and possibly into next year as its leading components have moved broadly lower since the beginning of the year. This slowing will bring the economy's rapid growth rate down to a more sustainable level and help to reduce price and wage pressures that otherwise would likely undercut the expansion if the higher growth rates had continued.

CURRENT CONDITIONS

By most measures, the performance of the Fairfax County economy continues to be excellent. Slight slowing in the performance of individual indicators on a month-to-month basis should not be misinterpreted. This slowing is bringing the County's growth rate down from an unsupportable level to one that is supportable and will extend the economy's expansion into the coming year. Job growth remains at 5 percent, far outpacing the 2.8 percent job gain for the entire Washington metropolitan area. The addition of 25,211 new jobs in the County over the past 12 months accounted for 33.5 percent of the area's total gain of 75,100 jobs. Even though the County's annual average job growth has moderated slightly since the beginning of the year, it has not slowed as much as elsewhere in the Washington area and continues to surpass gains in 1999. However, this slightly slower job growth has marginally reduced the County's labor market pressures, with June's unemployment increasing to 1.4 percent from 1.3 percent in May. Still, June's rate fell below the 1.6 percent rate in June 1999.

Consumer spending experienced some softening in recent months. Slowing consumer spending has been targeted by the Federal Reserve Board as the key to controlling inflation. The six interest rate increases over the last 12 months have slowed new home sales and cut into automobile and other retail spending. New home sales in Fairfax County were down 8.8 percent from May and May's sales were down 28.8 percent from April. Automobile sales have been down in three of the year's first six months, with June's sales 7.8 percent

Business Cycle Indicators -- Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

lower than sales in June 1999. Total retail sales have also softened. Nationally, monthly over-the-year sales increased 9.5 percent in June, while in Fairfax County, sales tax receipts (a measure of total retail sales) were 0.6 percent lower than in June 1999.

NEAR-TERM OUTLOOK

The national economy has begun to slow in response to efforts by the Federal Reserve Board. Slower housing construction, durable goods sales, job growth and inflation combined with strong gains in productivity should eliminate the need for further interest increases. This slowing at the national level can be seen in the performance of the National Leading Index that has been flat or negative in four of the last five months and negative overall since December 1999.

These trends at the national level can be seen in the County's recent economic indicators.

The Fairfax County Leading Index has been negative in four of the last six months and its growth track has now dropped below the 12-month trend. This slowing of the Leading Index points to further moderation in the County's overall economic performance during the remainder of this year and into early 2001. This slowing has not as yet had any easily detected impact on the Fairfax County's economy. Job growth remains strong, unemployment is almost nonexistent, labor shortages persist resulting in upward wage pressures, and consumer spending remains strong, although it is no longer growing.

Until job growth slows significantly and consumer confidence drops well off its current near-record level, the County's economy will continue to drive growth in Northern Virginia and the entire Washington region. At present, it appears that the region's economy is slowing slightly faster than the County's economy. If this trend continues, the importance of the County economy regionally will increase beyond its already dominant position.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-00 Prelim.	May-00 Final	Jun-99 Final	May-00 to Jun-00	Jun-99 to Jun-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	125.11	126.02	120.15	-0.72	4.13
Leading Index (1987 = 100)	106.42	106.19	105.32	0.22	1.05
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	526,104	527,339	500,893	-0.23	5.03
<i>Total Covered Employment (Unadjusted)</i>	<i>533,407</i>	<i>527,982</i>	<i>507,846</i>	<i>1.03</i>	<i>5.03</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	338	373	296	-9.40	14.19
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>546</i>	<i>543</i>	<i>470</i>	<i>0.57</i>	<i>16.18</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,684	8,033	8,733	8.11	-0.57
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>12,254</i>	<i>10,626</i>	<i>11,812</i>	<i>15.32</i>	<i>3.74</i>
South Atlantic Consumer Confidence	185	185	182	0.11	1.70
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,388	7,304	6,937	-12.54	-7.91
<i>Automobile Registrations (Unadjusted)</i>	<i>7,195</i>	<i>8,063</i>	<i>7,813</i>	<i>-10.77</i>	<i>-7.91</i>
Initial Unemployment Claims (Seasonally Adjusted)	562	620	766	-9.43	-26.69
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>533</i>	<i>568</i>	<i>727</i>	<i>-6.16</i>	<i>-26.69</i>
South Atlantic Consumer Expectations	116.3	124.9	123.2	-6.89	-5.60
Residential Building Permits (Number of Units, Seasonally Adjusted)	476	334	432	42.62	10.22
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>539</i>	<i>352</i>	<i>489</i>	<i>53.13</i>	<i>10.22</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	31,709	29,604	30,022	7.11	5.62
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>58,302</i>	<i>47,142</i>	<i>54,251</i>	<i>23.67</i>	<i>7.47</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	555,695	557,257	546,396	-0.28	1.70
<i>Total Labor Force (Unadjusted)</i>	<i>557,907</i>	<i>556,365</i>	<i>548,571</i>	<i>0.28</i>	<i>1.70</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</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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