

Fairfax County Economic Index

Volume IV, Number 8

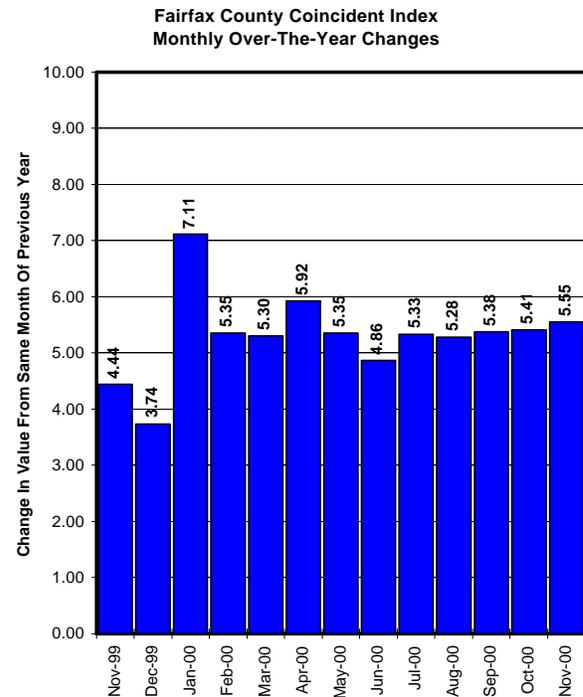
JANUARY 2001

County Economy Still Expanding, Moderate Growth Expected in 2001

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 128.8 in November for a gain of 0.57 percent. With November's gain, the Coincident Index has increased for five consecutive months. Year-to-date (11 months), it has been up in eight months through November and gained 5.8 percent. This performance confirms the economy's continuing expansion. In November, three of the Index's four components were positive.

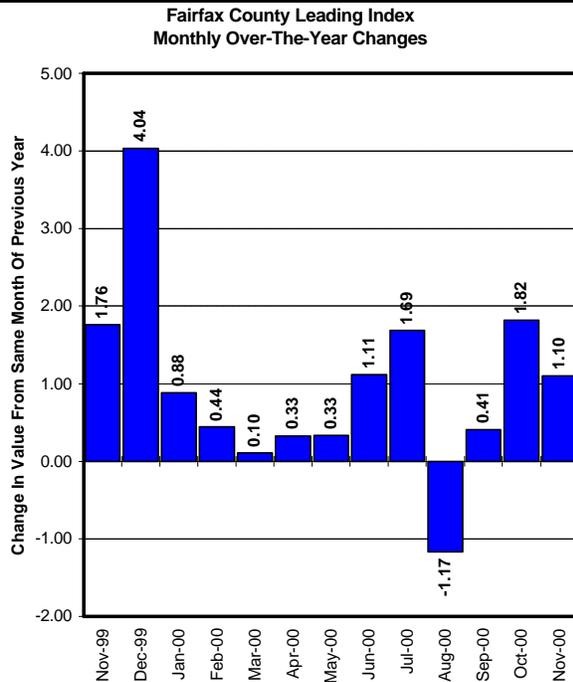
- Total employment increased in November for the fifth month in a row and for the ninth time in the year's first 11 months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, registered their greatest gain of the year in November after slipping slightly in October; and,
- Consumer confidence increased slightly after declining in two of the previous three months; while,
- Sales tax collections, adjusted for inflation and seasonal variation, were off sharply following their strong gain in October.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in



Source: Center for Regional Analysis, George Mason University

advance, increased to 107.0 in November for a gain of 0.15 percent. This is the Index's third monthly gain since August and its fifth increase since May. After four monthly decreases in the year's first five months, the Leading Index exceeds its historic trend line for the first time in three months. In November, three of the Index's five components contributed to its modest gain.



Source: Center for Regional Analysis, George Mason University

- New automobile registrations increased in November for the second month in a row after having trended lower during the second and third quarters;
- Initial claims for unemployment insurance decreased (improved) for the second time in three months; and,
- The total value of residential building permits increased slightly in spite of a decline in the number of permits issued; while,
- Consumer expectations (consumer confidence six months hence) declined for a third month; and,
- Residential building permits declined following gains in September and October.

November's performance shows the Fairfax County economy to be growing at or above its historic trend line. The slowdown that has become evident recently in the national economy is not in evidence in the County economy. In fact, the County's growth rate has accelerated during the fourth quarter after slowing in the second quarter. The Leading Index, which decelerated over the first

half of the year, dropping below its historic trend line, has recovered slowly since mid-year. Still, year-to-date (11 months), it is down 1.7 percent and its growth curve has flattened since the end of 1999, pointing to the likelihood that the economy's growth rate will moderate over the coming year.

CURRENT CONDITIONS

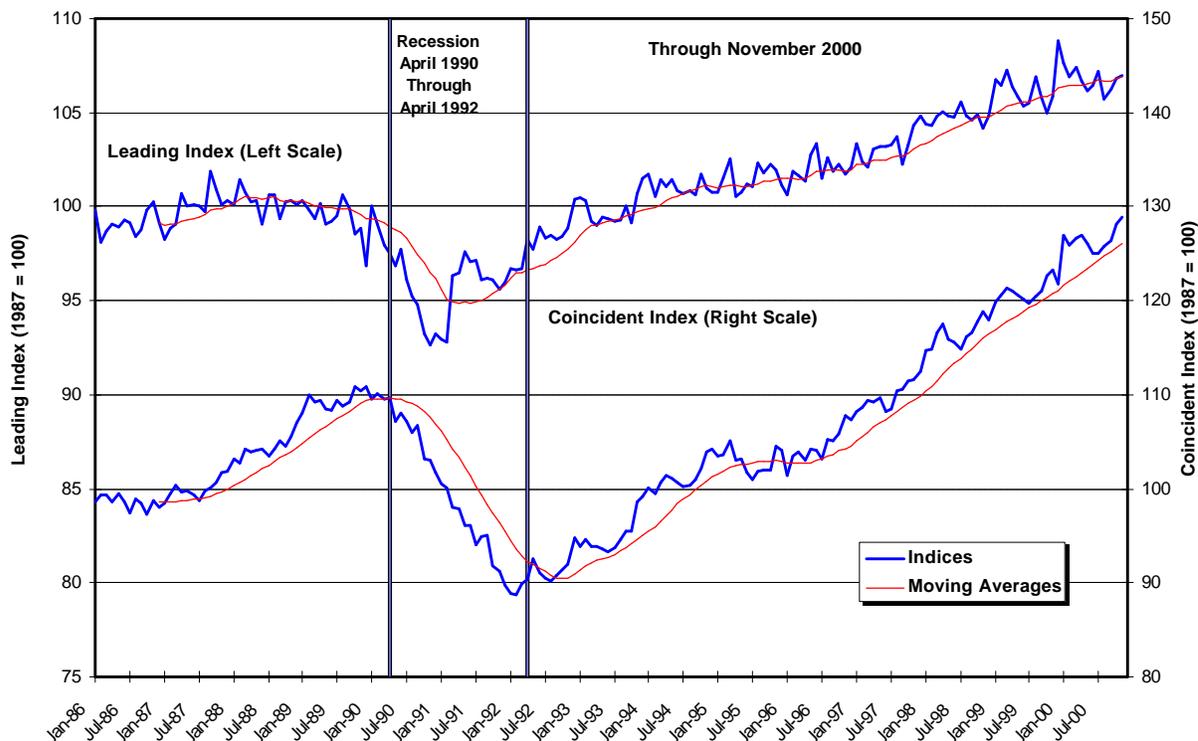
The Fairfax County economy registered its second consecutive all-time peak in November, as measured by the Coincident Index. With its gains since mid-year, the economy's growth trend has accelerated extending its current upswing to four and one-half years following its mid-cycle slowdown between mid-1995 and mid-1996. Over this period, the Index has grown at an annual average rate of 5.5 percent.

The current strength of the County's economy is evident in the expansion of its employment base. Monthly over-the-year job growth in November totaled 30,431 jobs, a growth rate of 5.9 percent. This is the County's highest rate of job growth for the year and substantially exceeds this and last year's average growth rates of approximately 5.0 percent. The significance of this gain is apparent when compared to the metropolitan gain of 81,000 jobs (3.0 percent); job growth in Fairfax County accounted for 38 percent of the region's total gain. Fairfax County's percentage of total job growth is approximately twice the percentage that its population is of the metropolitan total.

This rapid and continuing job growth has further tightened the County's labor market. November's unemployment rate fell to 1.4 percent from 1.5 percent in October and is down from 1.6 percent in November 1999. With labor force growth of 1.7 percent and job growth at 5.9 percent, the shortage of labor has become a major constraint to the economy's future growth.

With consumer confidence rising in November but still seesawing from one month to the next, uncertainty has begun to undermine retail spending. At the national level, November's retail sales increased 5.8 percent from November 1999, a rate of gain well off of last year's overall increase

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

of 11.5 percent. Nationally, same-store retail sales increased only 0.1 percent in December. However, retail sales tax receipts in Fairfax County are down 11.2 percent for the year on an inflation and seasonally adjusted basis and November's receipts were off almost 19 percent from November 1999. While a decline of this magnitude suggests a possible reporting error, the trend for the year has clearly slowed pointing to a potential weakness in the economy going into 2001.

NEAR-TERM OUTLOOK

The Leading Index has recovered from mid-year. Rather than pointing to a substantial slowing in the economy by mid-2001, the flattening of the Index's trend over the year seems to be pointing only to moderation in the current growth rate. The decline in consumer expectations is consistent with the decline in the stock markets and erosion of the "wealth" effect that had fueled the housing market in recent years. This helps to

explain the decline in residential construction permits as well as new home sales in 2000 (370 in October 1999 v. 200 in October 2000) although the shortage of building sites and higher interest rates earlier in the year also have contributed to these downward trends.

One of the early signs of a weakening economy is increased layoffs and higher new claims for unemployment insurance. The opposite is occurring in Fairfax County; claims were down in November 12.6 percent and are down 9.2 percent for the year. While some slight softening of the labor market occurred in October and August, a definite trend has not yet been apparent. And, with the employment base still extremely strong, any workers laid off for any reason should not find reemployment difficult. In the coming months, job growth and the labor market and consumer spending will provide key signals of any major changes in Fairfax County's economy. Given the economy's continuing strength, the forecast for 2001 continues to be good.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-00 Prelim.	Oct-00 Final	Nov-99 Final	Oct-00 to Nov-00	Nov-99 to Nov-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	128.81	128.08	123.26	0.57	4.50
Leading Index (1987 = 100)	106.99	106.83	105.89	0.15	1.04
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	543,368	540,634	512,937	0.51	5.93
<i>Total Covered Employment (Unadjusted)</i>	<i>545,416</i>	<i>539,045</i>	<i>514,871</i>	<i>1.18</i>	<i>5.93</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	378	314	343	20.47	10.07
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>580</i>	<i>517</i>	<i>505</i>	<i>12.16</i>	<i>14.97</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,494	9,227	8,441	-18.78	-11.22
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,912</i>	<i>11,220</i>	<i>11,091</i>	<i>-11.66</i>	<i>-10.63</i>
South Atlantic Consumer Confidence	190	188	185	0.74	2.54
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,759	6,686	5,490	16.05	41.34
<i>Automobile Registrations (Unadjusted)</i>	<i>6,900</i>	<i>6,434</i>	<i>4,882</i>	<i>7.24</i>	<i>41.34</i>
Initial Unemployment Claims (Seasonally Adjusted)	568	649	625	-12.55	-9.24
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>511</i>	<i>597</i>	<i>563</i>	<i>-14.41</i>	<i>-9.24</i>
South Atlantic Consumer Expectations	112.0	115.2	117.1	-2.78	-4.36
Residential Building Permits (Number of Units, Seasonally Adjusted)	427	667	548	-35.93	-22.11
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>377</i>	<i>724</i>	<i>484</i>	<i>-47.93</i>	<i>-22.11</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	34,947	34,033	34,451	2.68	1.44
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>47,753</i>	<i>56,107</i>	<i>45,067</i>	<i>-14.89</i>	<i>5.96</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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