

# Fairfax County Economic Index

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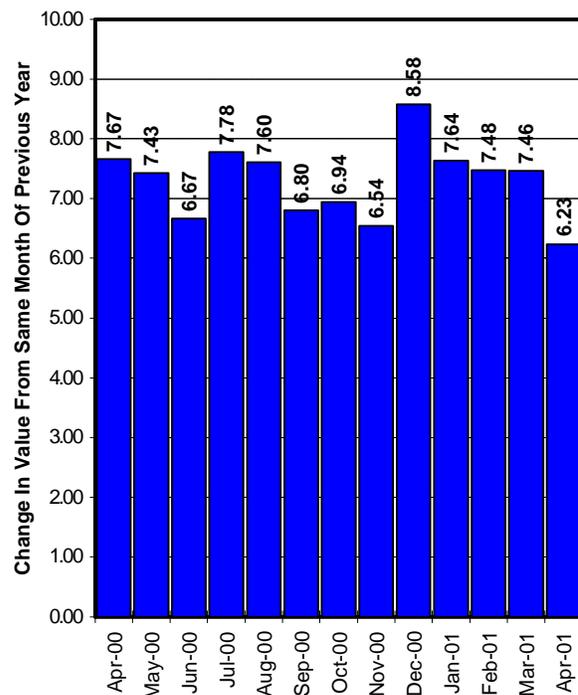
## Economy Slips In April, While Leading Indicators Point To Slower Future Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 134.0 in April for a decline of 1.2 percent. This decrease offset the Index's gain in March and brings the year-to-date decline to 1.4 percent. Still, for the past 12 months, the Coincident Index remains positive, gaining 4.9 percent. Even with April's decline, the Index continues to run well ahead of its 12-month moving average and is substantially outperforming last year's levels. In April, three of the Index's four components were negative.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the third month in a row;
- Sales tax collections, adjusted for inflation and seasonal variation, were lower in April after registering a strong gain in March and have now declined in two of the last three months; and,
- Consumer confidence decreased in April for the fifth consecutive month and the sixth time in seven months; while,
- Total employment increased for the 63rd consecutive month, dating back to January 1996.

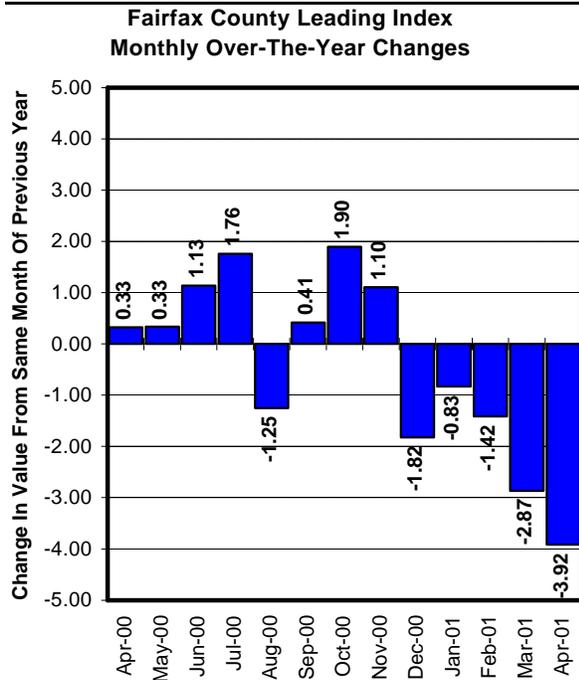
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, declined to 102.9 for a decrease of 1.7 percent. The Leading

Fairfax County Coincident Index  
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

Index has been negative each month this year, declining 4.1 percent since December 2000 and is down a total of 5.7 percent from its peak in December 1999. Since that peak, the Leading Index has been trending downward and has dropped below last year's same-month values in each of the last five months. This



Source: Center for Regional Analysis, George Mason University

pattern of performance forecasts slower future growth extending into the first quarter of 2002. In April, all five of the Index's components contributed to its decline.

- New automobile registrations declined in April for the third consecutive month;
- Initial claims for unemployment insurance increased (worsened) for the third month in a row;
- Consumer expectations (consumer confidence six months hence) decreased following its increase in March and has been down now in three of the last four months;
- Residential building permits declined for the third consecutive month; and,
- The total value of residential building permits decreased for the second month in a row and for the third time in four months.

The Fairfax County economy continued to expand in April but at a slowing growth rate. Still, the economy continues to generate net new jobs. However, the Leading Index has declined sharply since the beginning of the year. The persistency and magnitude

of this downward trend suggests that the County's economy should experience a significant slowing in its performance as the year progresses.

## CURRENT CONDITIONS

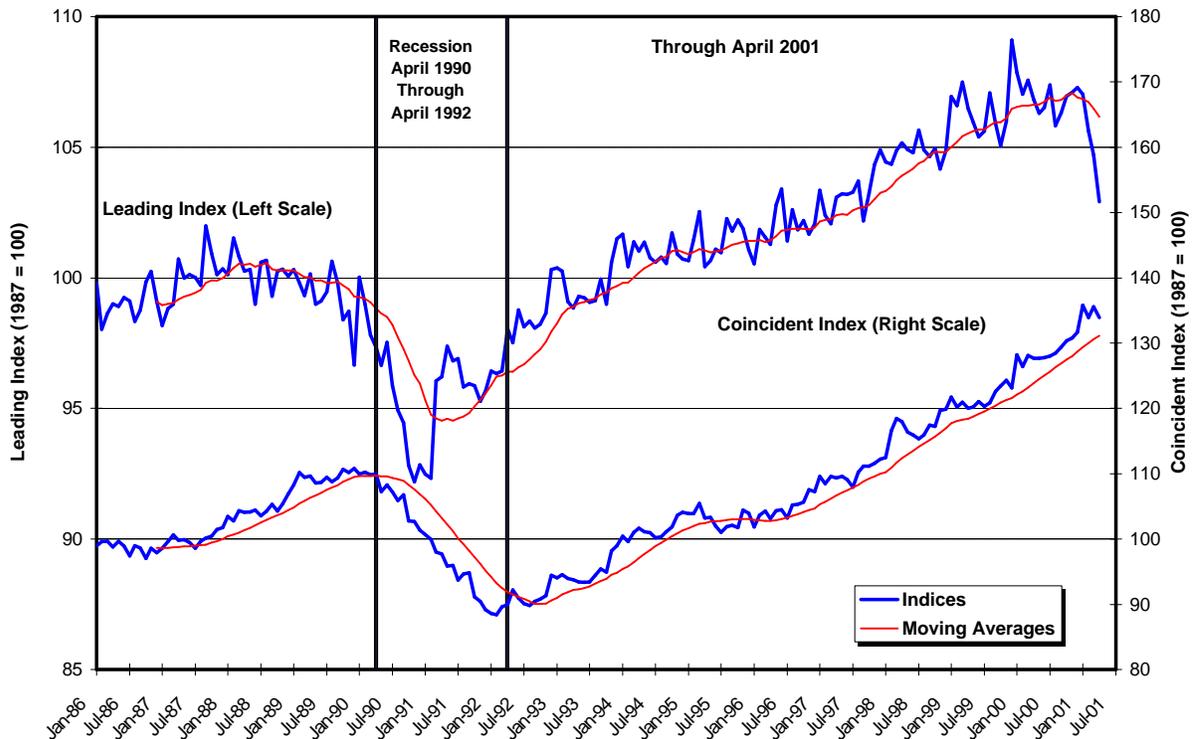
Even though the Coincident Index has been down in two of the last three months, it had grown in each of the preceding eight months and is 4.9 percent above its April 2000 level. The economy's strength is seen in its continuing job growth. For the one-year period April 2000 to April 2001, the County's economy generated 36,032 new jobs, for a 6.8 percent gain. This job growth comes in spite of continuing lay off announcements by local technology firms.

These lay offs have become visible in an increase in initial claims for unemployment insurance. In April 2000, initial claims totaled 488. By April 2001, initial claims had grown to 1,399, a gain of 184 percent. Still, in a workforce totaling more than 560,000 jobs, these gains in applicants for unemployment insurance account for only 0.2 percent of the County's job base. Furthermore, the County's unemployment rate remained at 1 percent for a third month and continues to fall slightly below same-month rates of a year ago. So, while there have been some lay offs in the County, the demand for labor remains strong, and laid-off workers seeking new jobs appear to be easily reabsorbed into the workforce.

The other indicators of the economy's current health have all weakened since the beginning of the year. Consumer confidence continues to erode and this declining confidence remains a major threat to the economy. Consumer confidence has been down six times over the last seven months since peaking in September last year for a decline of 14.5 percent. Lower consumer confidence undercuts consumer spending. This is seen in the decline in sales tax collections that have been down sharply in two of the last three months and have now dropped slightly below last year's level.

With five interest rate reductions this year so far and the likelihood that there will be another reduction at the end of June, with the passage of the President's tax plan and the distribution of tax refunds over the summer, and with the strengthening of the securities markets, consumers should begin to feel better about the economy. If consumer confidence

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

stabilizes and even rebounds over the summer, favorable conditions for strong fall and holiday retail spending would be reestablished. Increased consumer spending is key to accelerating the economy's presently slowing growth trend.

## NEAR-TERM OUTLOOK

The National Leading Index turned up in April after declining in five of the previous six months. While still pointing to slower growth, the Index has been flat over this year's first four months after tracking lower for the previous nine months dating back to March 2000. The Fairfax County Leading Index has experienced a sharp and accelerating decline since the beginning of the year. With four of its five components registering worse performances than a year ago, this decline is both broad-based and substantial. The Index's current performance is well off its same-month levels from last year and its 12-month moving average has been declining since last November. The Leading Index is clearly pointing to slower future growth in the County

later this year and extending into 2002.

Weak consumer spending as well as business spending remains the critical problem. In the past, slower new automobile sales, down 25 percent from April 2000; slower new home sales, off 22 percent through the first quarter; and the declining aggregate value of residential building permits might all be explained by high interest rates. High interest rates are not the problem in this current slowdown. Consumer expectations (consumer confidence six months hence) are the problem. Expectations have declined 28 percent since April 2000 and have been off in three of this year's first four months. Until consumers begin to believe that the economy will be stronger six months hence, the sales of "big ticket" items will lag.

The County's economy remains strong and can weather, and possibly even benefit, from some slowing. Still, it will take stronger consumer spending and renewed consumer confidence in the future before the economy will rebound and resume its upward trend. The current performance of the County's leading indicators suggests a rebound may not occur until the end of the year at the earliest.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-01 Prelim.	Mar-01 Final	Apr-00 Final	Mar-01 to Apr-01	Apr-00 to Apr-01
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	133.96	135.53	127.72	-1.16	4.88
Leading Index (1987 = 100)	102.91	104.72	106.82	-1.73	-3.67
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	565,568	563,744	529,536	0.32	6.80
<i>Total Covered Employment (Unadjusted)</i>	<i>560,879</i>	<i>559,313</i>	<i>525,146</i>	<i>0.28</i>	<i>6.80</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	424	441	420	-3.96	0.90
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>605</i>	<i>607</i>	<i>573</i>	<i>-0.36</i>	<i>5.47</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,985	8,985	7,997	-11.13	-0.15
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,391</i>	<i>11,274</i>	<i>10,395</i>	<i>-7.83</i>	<i>-0.04</i>
South Atlantic Consumer Confidence	163	174	176	-6.17	-7.39
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	5,347	5,662	7,132	-5.56	-25.03
<i>Automobile Registrations (Unadjusted)</i>	<i>5,257</i>	<i>5,754</i>	<i>7,012</i>	<i>-8.64</i>	<i>-25.03</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,399	1,060	493	32.02	184.02
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,386</i>	<i>1,161</i>	<i>488</i>	<i>19.38</i>	<i>184.02</i>
South Atlantic Consumer Expectations	84.6	96.5	117.5	-12.33	-28.00
Residential Building Permits (Number of Units, Seasonally Adjusted)	540	595	410	-9.33	31.54
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>563</i>	<i>715</i>	<i>428</i>	<i>-21.26</i>	<i>31.54</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	25,845	33,565	30,117	-23.00	-14.19
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>44,663</i>	<i>61,949</i>	<i>49,793</i>	<i>-27.90</i>	<i>-10.30</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	583,194	578,182	547,128	0.87	6.59
<i>Total Labor Force (Unadjusted)</i>	<i>576,272</i>	<i>574,562</i>	<i>540,634</i>	<i>0.30</i>	<i>6.59</i>
Unemployment Rate (Percent, Seasonally Adjusted)	0.96	1.17	1.29	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>0.99</i>	<i>0.96</i>	<i>1.45</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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