

# Fairfax County Economic Index

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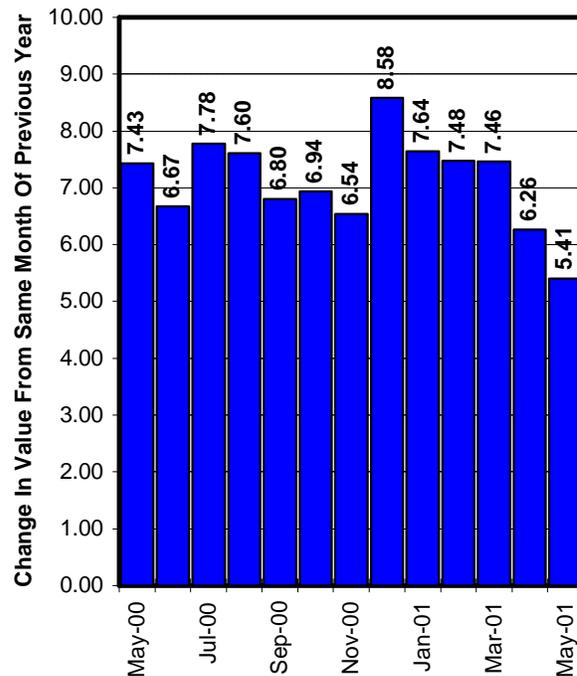
## County Economy Slows In May, Slower Growth Expected Over Remainder of Year

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 133.1 in May for a decline of 0.66 percent. The Index has now declined for two months in a row and three times in the last four months following eight monthly gains. Even with these recent decreases in the Index, it remains 4.2 percent above its May 2000 level. In May, three of the Index's four components were negative.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the fourth consecutive month; and
- Total employment decreased from its April level, the first month-to-month decline in 64 months, although May's job base still was 32,911 larger than it was in May 2000; and,
- Consumer confidence decreased for the sixth consecutive month; while,
- Sales tax collections, adjusted for inflation and seasonal variation, were up slightly from April.

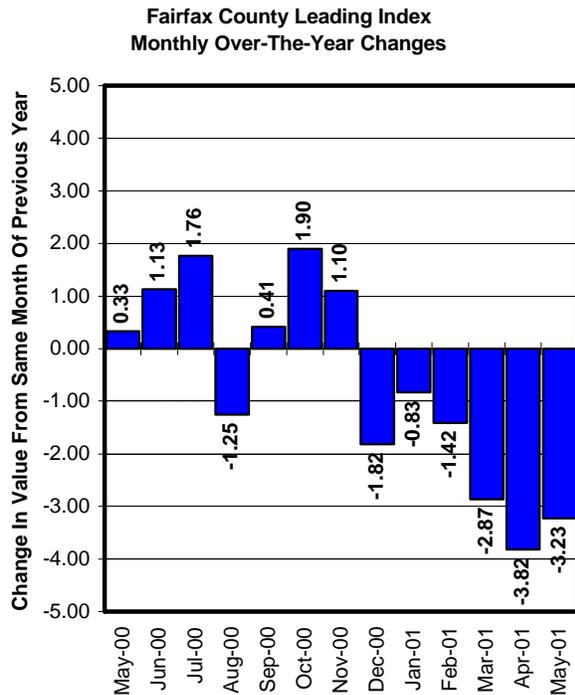
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased in May to 103.07 for a slight 0.07 percent gain. The Index's small May increase

Fairfax County Coincident Index  
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

followed four consecutive monthly declines. Over the past 12 months, the Leading Index has declined 3.0 percent. In May, three of the Index's five components contributed to its gain.



Source: Center for Regional Analysis, George Mason University

- New automobile registrations increased in May following three monthly decreases;
- Consumer expectations (consumer confidence six months hence) were up for the second time in three months; and,
- The total value of residential building permits increased after having declined in March and April; while,
- Initial claims for unemployment insurance increased (worsened) for a fourth month in a row; and,
- Residential building permits declined slightly for the fourth consecutive month.

The Fairfax County Leading Index peaked in mid-2000 and, after seesawing over the remainder of the year, then declined each month from January to April until it registered a slight gain in May. At the same time, the County's Coincident Index sustained a high level of growth through 2000 that only began to decelerate beginning in January. Even though the County economy remains strong, it now

appears to be following its leading indicators that have been projecting slower future growth.

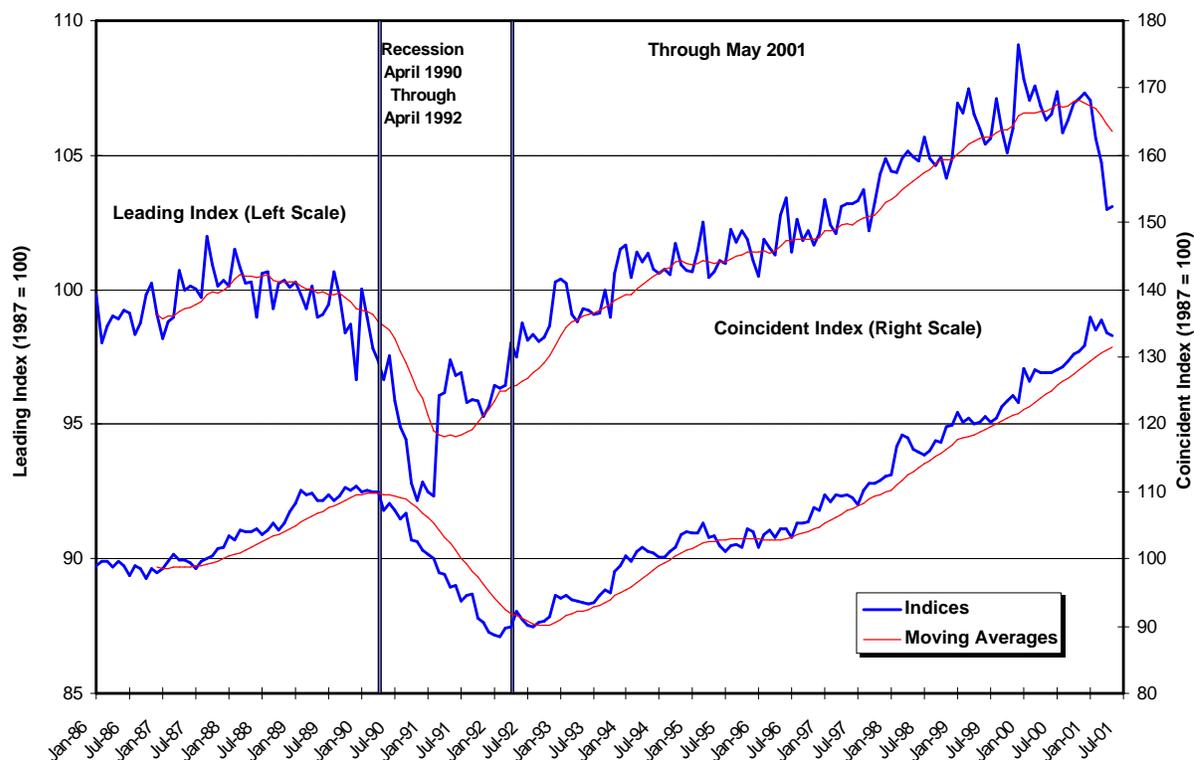
## CURRENT CONDITIONS

In spite of this month's slowing, the Fairfax County economy continues to outperform its historic (12-month moving average) growth trend. Even though job growth on a month-to-month basis was slightly negative in May, the County's employment base added 32,911 new jobs since May 2000. While this job growth (6.2 percent) is down slightly from previous months, the labor market remains tight with unemployment reported at 0.96 percent, down from 1.29 percent a year ago. One indication of the layoffs that have been reported by the media is the growing number of initial claims for unemployment insurance. In May 2000, there were 568 claims. In May 2001, there were 1,672 for a one-year gain of 194.4 percent. Still, this increase in newly unemployed workers is less than 0.2 percent of the County's labor force.

While the economy continues to generate new jobs and income, consumer spending has remained weak. For the year, retail sales in the County have increased just 1.4 percent and automobile sales are down 14.4 percent. However, in May, both retail sales and auto sales grew. Consumer spending in the County appears to be tied to the uncertainties in the national economy rather than in the Washington area or County economies and, as the signs of recovery become more visible at the national level, growing consumer confidence should support a strong rebound in local retail sales. With June's consumer confidence improving slightly for the first time since November, consumer spending may also pick up in coming months.

There are two trends in the County economy that are increasingly worrisome. The hospitality industry in Fairfax County has felt the slowdown as illustrated by the decrease in passenger volume at the region's two airports (down 4.4 percent since May 2000) and in declining hotel occupancy. Transient occupancy tax receipts, adjusted for inflation and seasonal variation, while up for the past 12 months, have declined in each of

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

the past four months. A second negative trend is the number of residential construction permits, which have decreased for four consecutive months, although these, too, are still positive for the May 2000-May 2001 period.

## NEAR-TERM OUTLOOK

The County's leading indicators decreased each month from January to April and have declined 3 percent over the past 12 months. However, in May, they registered a small increase. While it is too soon to say that the County's Leading Index has hit bottom, it appears that the National Leading Index may have bottomed out. After trending down since March 2000, the National Leading Index was positive in both April and May and there are other positive signs nationally that the economy is beginning to slowly turn around following a second quarter of little or no growth. Still, job growth and unemployment trends are expected to remain weak into next year at the national level.

Job growth and unemployment have not been the problem in Fairfax County. Rather, it has been a combination of too fast growth and declining consumer expectations. As the County economy slows to a more sustainable rate and works through some excesses and distortions in its technology sector, its stabilization will depend on consumers returning to their previous spending patterns.

The key leading indicator to watch is consumer expectations. It was up in March and May and just released data for June show it to have increased slightly for a third time in four months. Lower interest rates and tax reform will help rebuild consumer confidence in the future and, if the financial markets are able to sustain a positive trend over the next several months, consumer spending will help to rekindle the economy's growth in 2001. September and October will be the critical months for consumers as this is when the effects of the year's six interest rate reductions and tax rebates should begin influencing consumer spending.

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

Economic Indicator	Estimates			Percent Change	
	May-01 Prelim.	Apr-01 Final	May-00 Final	Apr-01 to May-01	May-00 to May-01
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	133.10	133.99	127.69	-0.66	4.23
Leading Index (1987 = 100)	103.07	103.00	106.30	0.07	-3.04
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	565,073	565,754	532,162	-0.12	6.18
<i>Total Covered Employment (Unadjusted)</i>	<i>565,734</i>	<i>561,064</i>	<i>532,784</i>	<i>0.83</i>	<i>6.18</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	407	424	373	-3.99	9.24
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>621</i>	<i>605</i>	<i>543</i>	<i>2.66</i>	<i>14.25</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,145	7,994	8,033	1.89	1.40
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,928</i>	<i>10,391</i>	<i>10,626</i>	<i>5.17</i>	<i>2.84</i>
South Atlantic Consumer Confidence	159	162	185	-1.97	-14.11
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,252	5,347	7,304	16.91	-14.41
<i>Automobile Registrations (Unadjusted)</i>	<i>6,901</i>	<i>5,257</i>	<i>8,063</i>	<i>31.27</i>	<i>-14.41</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,825	1,399	620	30.45	194.37
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,672</i>	<i>1,386</i>	<i>568</i>	<i>20.63</i>	<i>194.37</i>
South Atlantic Consumer Expectations	95.6	86.6	124.9	10.39	-23.46
Residential Building Permits (Number of Units, Seasonally Adjusted)	426	540	334	-21.09	27.56
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>449</i>	<i>563</i>	<i>352</i>	<i>-20.25</i>	<i>27.56</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	30,515	25,879	29,576	17.91	3.17
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>50,870</i>	<i>44,663</i>	<i>47,142</i>	<i>13.90</i>	<i>7.91</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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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)**

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