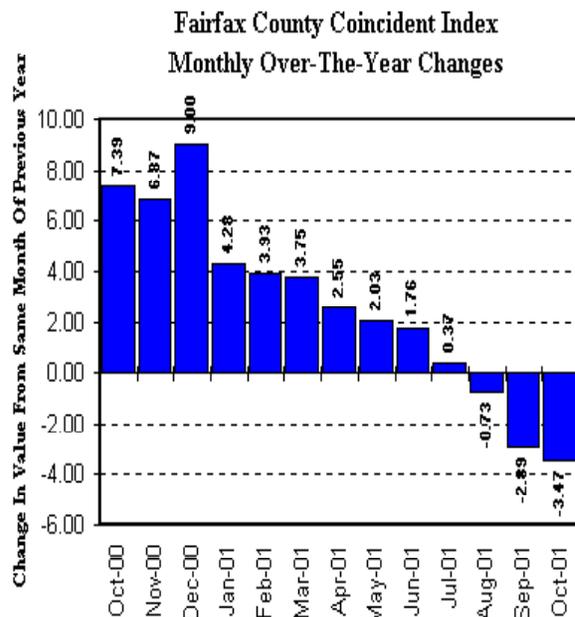


# Fairfax County Economic Index

## Economic Indicators Show Slight Improvement

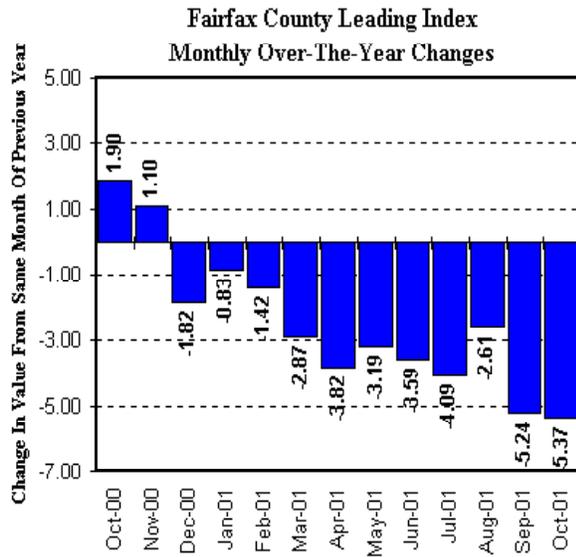
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 127.34 in October, for a 0.64 percent gain. This increase reverses the Index's eight-month downward trend although this one-month gain cannot be considered a turning point. Year-to-date, the Index has lost 3.6 percent and has under-performed same-month 2000 values since August. This deceleration in the County's economy was well established prior to and has since been compounded by the September 11 terrorist attack. The combination of a slowing economy and consequences of the September 11 attack are evident in the County's October economic performance. Three of the Index's four components were positive in October.

- Total employment was up in October extending its month-over-month gain to a ninth month;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a second consecutive month following seven monthly declines;
- Sales tax collections, adjusted for inflation and seasonal variation, were up sharply in October, off-setting their decline in September; while,
- Consumer confidence fell sharply in response to the terrorist attack extending its downward trend dating from last December.



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, designed to forecast the performance of the County economy nine to twelve months in advance, increased to 101.59 in October, for a gain of 0.50 percent. This gain followed the Index's largest ever one-month decrease in September in response to the September 11 terrorist attack. Still, the Index's trend has been down since January; year-to-date, it has declined 5.4 percent. In October, three of the Index's five components were positive.



Source: Center for Regional Analysis, George Mason University

- New automobile sales rebounded sharply from their substantial decline in September and now have been up in three of the last four months;
- Residential building permits increased in October after being down for two months; and,
- The total value of residential building permits registered the year's largest gain; while,
- Consumer expectations (consumer confidence six months hence) declined for the second month in a row and for the third time in four months; and,
- Initial claims for unemployment insurance continued its upward trend (worsening) and registered its greatest one-month gain since the last recession.

The Fairfax County economy's performance in October reflected a mix of countervailing forces that confound its assessment. The short-term impacts of the September 11 terrorist attack can be seen in the off-setting September-October performances of several indicators while the full effects of some temporary impacts were not measurable until October. These short-term impacts have deepened the economy's longer-term trend but also made its future track more difficult to isolate.

The Fairfax County economy was seriously impacted by the September 11 terrorist attack and its

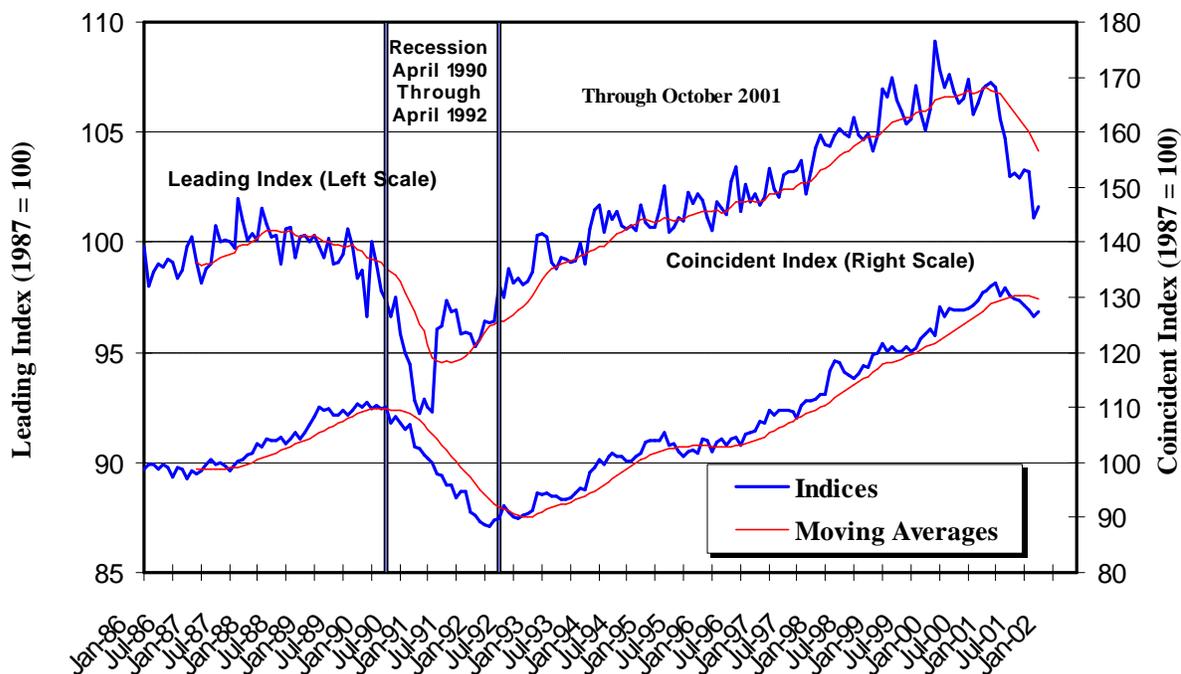
deceleration, which dates back to the beginning of the year, has been extended as a result. At this point, there is no clear signal that the economy is poised to re-accelerate in the next several months. Yet, the County's economy continues to grow, reflecting its fundamental strengths and diversified structural base.

## CURRENT CONDITIONS

The Fairfax County economy slowed in October, reflecting the accumulating weaknesses in the national and regional economies and the local loss of output and income stemming from the September 11 terrorist attack. The most visible impact of the terrorist attack has been the accelerated decline in consumer confidence. In August, consumer confidence (in the present) stood at 150.6 and had declined every month since January except for in June. Over the September and October period, consumer confidence dropped to 107.8 for a loss of 28.4 percent. This decline in consumer confidence was immediately reflected in decreased retail spending in the County. In September, auto sales dropped 23.9 percent and sales tax collections were down 11.4 percent. As a result of sales promotions in the auto industry and the natural behavior of consumers—deferred purchases in September were made in October—both auto sales and retail sales rebounded in October. Auto sales gained 45.6 percent and sales tax receipts, adjusted for inflation and seasonal variation, grew by 18.8 percent. This pattern of consumer spending in September and October reflects short and not long-term conditions. Consumer spending during the holidays will be much more indicative of future consumer confidence. Industry forecasts point to small gains in sales volumes over last year.

The labor market has also been impacted by September 11. It already was experiencing slower job growth over the year and increasing unemployment. Fairfax County's economy had continued to generate net new jobs over the year but its October 2000 to 2001 gain of 9,123, or 1.7 percent, was its slowest rate since 1996. Slower job growth can result from increased lay offs and job losses. This is reflected in the increase in the County's October unemployment rate to 2.66 percent from 1.24 percent in October 2000. Additionally, initial claims for unemployment insurance have increased from 597 to 2,714 over this

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

one-year period, a gain of 354.6 percent. These labor market conditions have been worsened by the September 11 attack and, as the economy regains its longer-term trend, job growth should increase and unemployment stabilize.

## NEAR-TERM OUTLOOK

Even though the national economy has been officially in recession since March and will register its third negative quarter by year's end, there are no signs that the Fairfax County economy is also in recession. Still, it has slowed down dramatically since last year. Furthermore, the outlook for the national economy has brightened with a mixture of positive and negative indicators being reported in October and November and there is growing consensus that the national economy will return to positive growth during the first quarter of 2002. The Fairfax County economy will benefit from the re-expansion of the national

economy. However, it is already benefiting from increased economic activity resulting from increasing federal spending associated with the "war on terrorism."

While increased federal spending in the Washington region and especially in Northern Virginia began immediately following September 11, its measurable impact on the local economy will not be apparent for several more months. It should become apparent in higher levels of job growth followed by increased consumer spending.

How the leading indicators track in December and January will be important in forecasting the County's economic resurgence. Stronger job growth should be reflected in declining unemployment and slowing initial claims. As the economy strengthens, consumer expectations will improve, and with it, consumer spending should grow. Preliminary data for November show that consumer expectations increased slightly for the first time since August. This may be the first important positive sign that the post-September 11 economy is on the mend.

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

Economic Indicator	Estimates			Percent Change	
	Oct-01 Prelim.	Sep-01 Final	Oct-00 Final	Sep-01 to Oct-01	Oct-00 to Oct-01
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	127.34	126.53	130.82	0.64	-2.65
Leading Index (1987 = 100)	101.59	101.09	106.97	0.50	-5.02
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	558,505	557,038	549,382	0.26	1.66
<i>Total Covered Employment (Unadjusted)</i>	558,483	557,639	549,360	0.15	1.66
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	434	354	314	22.69	38.51
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	717	626	517	14.53	38.52
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,677	7,303	9,227	18.82	-5.96
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	10,504	9,590	11,220	9.53	-6.38
South Atlantic Consumer Confidence	109.5	139.5	188.3	-21.51	-41.85
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,466	5,129	6,686	45.57	11.66
<i>Automobile Registrations (Unadjusted)</i>	7,184	5,832	6,434	23.18	11.66
Initial Unemployment Claims (Seasonally Adjusted)	2,951	1,962	649	50.38	354.61
<i>Initial Unemployment Claims (Unadjusted)</i>	2,714	1,643	597	65.19	354.61
South Atlantic Consumer Expectations	71.2	82.4	115.2	-13.59	-38.19
Residential Building Permits (Number of Units, Seasonally Adjusted)	397	263	667	50.94	-40.47
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	431	282	724	52.84	-40.47
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	39,309	21,260	34,033	84.90	15.50
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	64,810	33,993	56,107	90.66	15.51
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	599,071	597,242	573,832	0.31	4.40
<i>Total Labor Force (Unadjusted)</i>	593,971	592,935	568,946	0.17	4.40
Unemployment Rate (Percent, Seasonally Adjusted)	2.62	2.24	1.10	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.66	2.45	1.24	--	--

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.

Prepared by:  
**Center for Regional Analysis  
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)**

Inquiries should be directed to:

The Fairfax County  
Department of Management and Budget  
12000 Government Center Parkway, Suite 561  
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)