

# Fairfax County Economic Index

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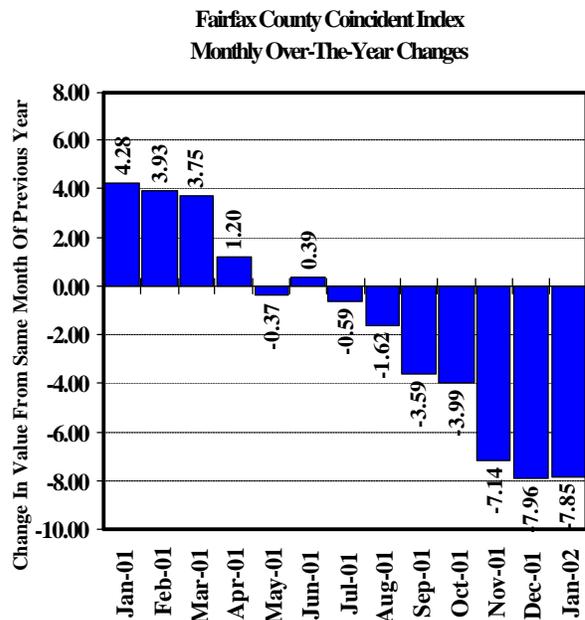
MARCH 2002

## County Economy Gains Strength Indicators Point To Renewed Expansion

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 124.6 in January for a gain of 0.37 percent. January's increase in the Index is its second in three months but it is still 5.9 percent below its value in January 2001. This month's Index calculation reflects an annual revision based on revised monthly employment estimates for 2001 and have resulted in adjustments in the Index over the year and especially dating from July 2001. In January, two of the Index's four components were positive.

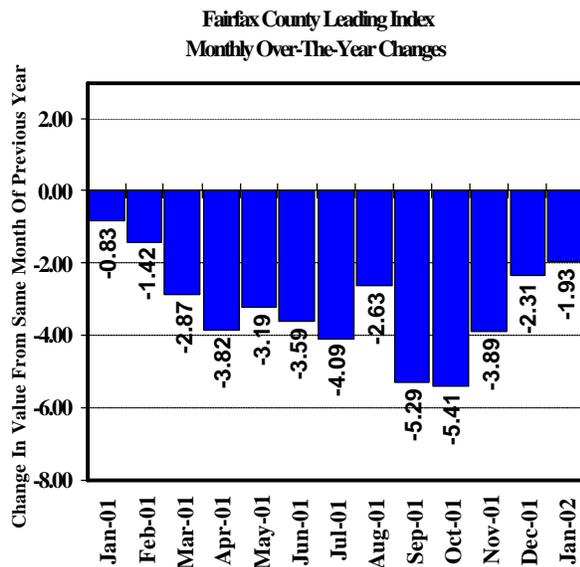
- Total employment was up in January after declining in November and December; and,
- Sales tax collections, adjusted for inflation and seasonal variation, increased for a second month; while,
- Consumer confidence (in the present) declined for the seventh month in a row; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined after increasing in three of the previous four months.

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 105.1 in January for a gain of 0.11 percent. This is the fourth consecutive monthly gain in the Leading Index since September. This upward trend is pointing to a turn around in the County's economy in the coming months. While the Leading Index is again tracking higher than its 12-month moving average, it is still 1.8 percent below its January 2001 value.



Source: Center for Regional Analysis, George Mason University

In January, three of the Index's components contributed to its gain.

- Initial claims for unemployment insurance fell (improved) for the third consecutive month;
- Consumer expectations (consumer confidence six months hence) were higher for the third month in a row; and,
- New automobile sales were up sharply in January after two monthly declines; while,
- Residential building permits were down sharply following three monthly increases; and,
- The total value of residential building permits fell after being up in both October and December.

The Fairfax County economy continued to reflect some of the negative conditions that evolved over 2001 and that were compounded by the events of September 11. The Leading Index has substantially recovered from its low point in September gaining a total of 4.0 percent in four months. This gain largely reflects the economy's recovery from the immediate impacts of September 11. The Index's remaining 1.8 percent decline from its January 2001 value reflects the

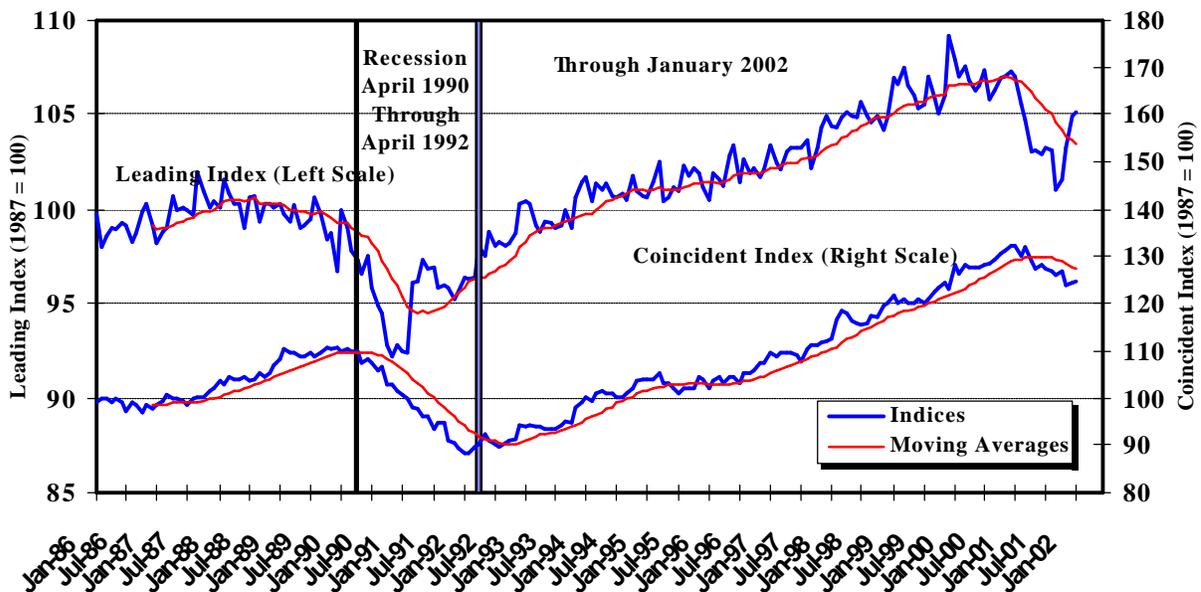
impacts of the economy's slowing trend associated with the national recession and the shakeout in the technology industry. As the leading components of the County's economy have gained strength, the remainder of the economy is now showing the early signs of reacceleration as evidenced by the two small monthly gains in the Coincident Index.

## CURRENT CONDITIONS

The reacceleration of the County's economy will be seen in more rapid job growth and increased consumer spending. For much of the past year job growth has been slowing and, as consumer confidence declined, retail spending also slowed. With this month's revision of last year's employment estimates (every January the monthly employment estimates for the previous year are re-benchmarked nationwide), a more realistic picture of the net effects of the shakeout in the technology industry has emerged along with the consequences of lay-offs following the September 11 terrorist attacks. Employment in the County, on a month-to-month basis, was up in seven of twelve months last year. The employment declines in April and May provided the first real measures of the slowing economy. However, the losses registered in November and December can be attributed to lay-offs in the hospitality and associated industries in the aftermath of September 11. Overall, the Washington region added 35,800 net new jobs in 2001 (average annual gain) and job growth for the County totaled 16,600 for the year, accounting for 46.4 percent of the region's job gain. In January, the metropolitan area job basis gained 23,700 jobs over January 2001. The estimated job gain in Fairfax County in January was 10,677, or 45 percent of the total.

With slower job growth, the labor market has eased. The County's job growth rate of 1.95 percent in January is well off the 5 and 6 percent gains reported in 2000. A year ago, unemployment in the County stood at 1 percent. In January 2002, unemployment had risen to 3.1 percent. For the metropolitan area,

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

unemployment was up to 3.9 percent. The softening of the labor market is also seen in rising numbers of initial claims for unemployment insurance. Over the year, these increased 137.9 percent with most gains occurring in the first half of 2001 with the major exception being in October; the earlier gains reflected the slowing economy while October's gain can be directly attributed to September 11. Since October, claims have decreased considerably (down 58 percent) indicating that the pace of lay-offs is slowing. With slowing lay-offs and continued job creation, unemployment should decline in coming months.

Consumer confidence has not recovered and expectations, while rising, are subject to reversals depending on the performance of the national economy and other broader performance measures. As consumer confidence has declined 43.6 percent over the year, retail sales (as measured by tax collections) have dropped 9 percent. While automobile sales were up over the year, new residential building permits were down. This mixed pattern of consumer spending has weakened the County's economy and its reacceleration will not fully resume until consumer confidence regains its upward trend and consumer

spending increases at rates paralleling growth in the County's population and personal income.

### NEAR-TERM OUTLOOK

The four monthly gains in the County's Leading Index (October-January) point to the economy's reacceleration during the year's first half. These gains in the Leading Index have also occurred in the Leading Indices for Washington metropolitan area and the nation. The leading indicators at all three levels are pointing to stronger future growth. The national economy appears to be recovering from its short and shallow recession faster than had been expected and its projected growth rate for 2002 has been revised upward.

This broad-based strength in the national economy will further buttress the performances of the Washington area economies and should boost the growth experienced in Fairfax County. The economy's reacceleration will not occur smoothly in the beginning, but the trend already appears to be moving higher and should continue to track positively over the year. Job growth and consumer spending are the key variables to watch. As these gain strength, the County economy will regain its historic growth path.

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

Economic Indicator	Estimates			Percent Change	
	Jan-02 Prelim.	Dec-01 Final	Jan-01 Final	Dec-01 to Jan-02	Jan-01 to Jan-02
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	124.64	124.19	132.50	0.37	-5.93
Leading Index (1987 = 100)	105.10	104.98	107.03	0.11	-1.80
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	558,592	555,247	547,915	0.60	1.95
<i>Total Covered Employment (Unadjusted)</i>	<i>551,291</i>	<i>563,820</i>	<i>540,754</i>	-2.22	1.95
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	396	399	470	-0.70	-15.74
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>563</i>	<i>626</i>	<i>649</i>	-10.07	-13.25
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,497	8,060	9,343	5.42	-9.05
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,804</i>	<i>14,597</i>	<i>10,006</i>	-39.69	-12.01
South Atlantic Consumer Confidence	98.8	104.1	175.2	-5.09	-43.61
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	8,481	6,496	7,552	30.56	12.31
<i>Automobile Registrations (Unadjusted)</i>	<i>7,133</i>	<i>5,658</i>	<i>6,351</i>	26.07	12.31
Initial Unemployment Claims (Seasonally Adjusted)	1,536	1,910	646	-19.60	137.91
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>2,165</i>	<i>1,863</i>	<i>910</i>	16.21	137.91
South Atlantic Consumer Expectations	106.9	98.9	94.0	8.09	13.72
Residential Building Permits (Number of Units, Seasonally Adjusted)	385	1,291	844	-70.20	-54.43
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>283</i>	<i>976</i>	<i>621</i>	-71.00	-54.43
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	33,705	38,326	39,078	-12.06	-13.75
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>38,040</i>	<i>48,857</i>	<i>42,836</i>	-22.14	-11.20
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	584,748	595,400	583,194	-1.79	0.27
<i>Total Labor Force (Unadjusted)</i>	<i>577,808</i>	<i>591,673</i>	<i>576,272</i>	-2.34	0.27
Unemployment Rate (Percent, Seasonally Adjusted)	3.09	2.88	0.96	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>3.12</i>	<i>2.69</i>	<i>0.99</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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