



Fairfax County Economic Index

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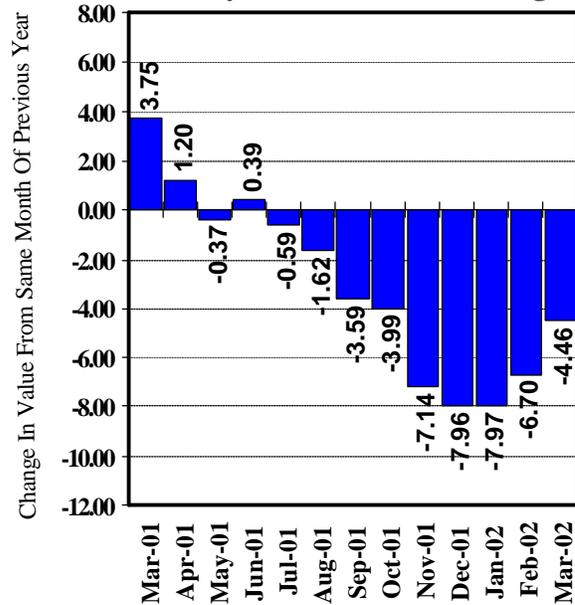
County Economy Accelerates In March Outlook Good For Stronger Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 127.4 in March, for a gain of 3.0 percent from its February level. With this increase, the Coincident Index moved above its 12-month moving average for the first time since March 2001. Still, in spite of gaining in three of the last four months, the Index's March value was 3.4 percent below its same-month value of a year ago. In March, three of the Index's four components were positive.

- Total employment increased for the third consecutive month since declining in November and December;
- Sales tax collections, adjusted for inflation and seasonal variation, were up sharply in March and have now gained in three of the last four months; and,
- Consumer confidence (in the present) increased for the first time in nine months; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased following gains in December and February.

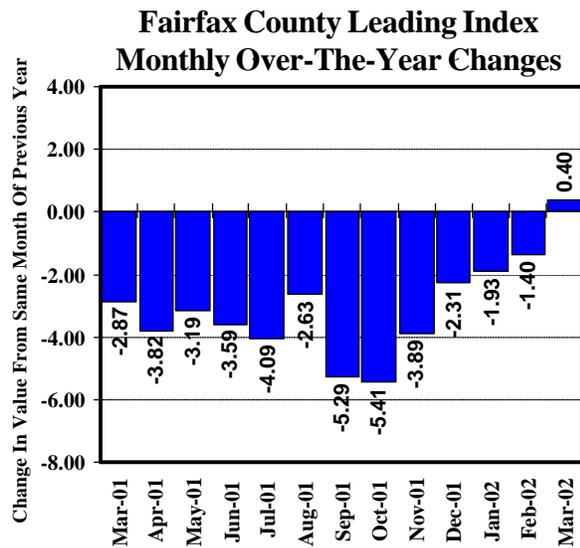
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in

**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

advance, increased to 105.1 in March, a gain of 0.86 percent. With the Index's March gain, its value has exceeded its 12-month moving average value for four consecutive months and, for the first time in more than a year, has a higher value (0.4 percent)



Source: Center for Regional Analysis, George Mason University

than for the same month a year earlier. In March, three of the Index's five components contributed to its increase.

- Initial claims for unemployment insurance declined (improved) for the fourth time in five months;
- Consumer expectations (confidence six months hence) increased sharply and has now gained in four of the last five months; and,
- Residential building permits were higher for the second consecutive month and for the fifth time in six months; while,
- The total value of residential building permits fell in March after registering a gain in February; and,
- New automobile sales were off slightly following a sharp decline in February and have been down five times in the seven months since September.

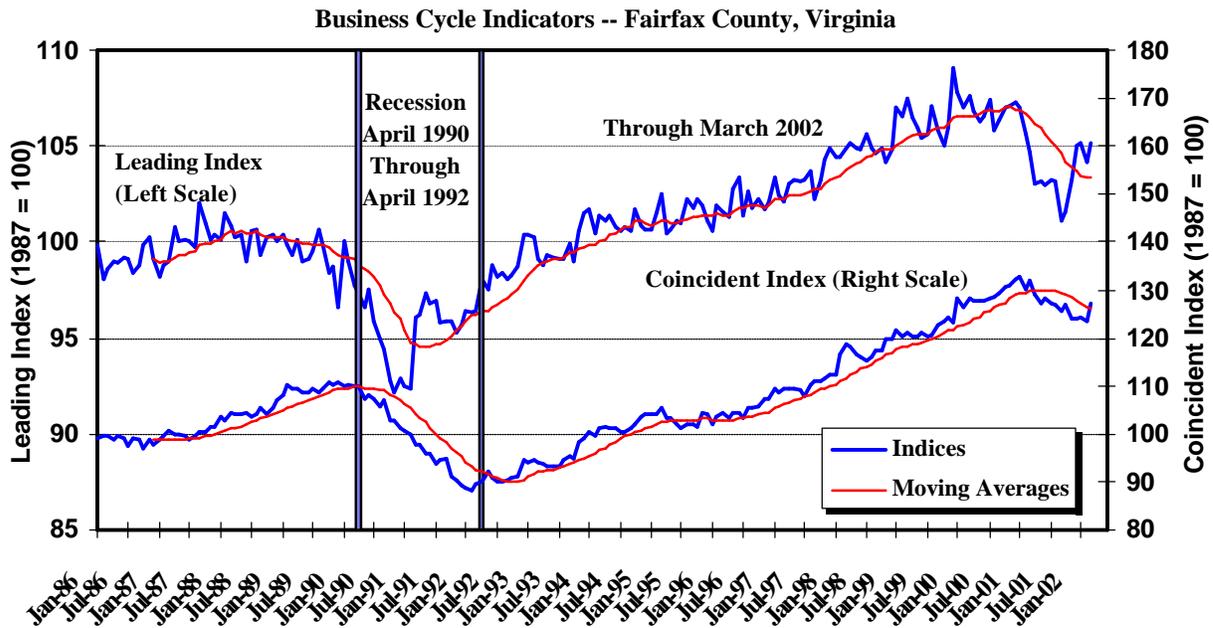
In March, the Fairfax County economy recorded its strongest performance in six months with both the Leading and Coincident Indices moving above their recent historic tracks. The performance of the Leading Index, with increases

in five of the last six months and with its March value exceeding its same-month level in 2001, is pointing to continuing gains in the overall economy over the year's second half.

CURRENT CONDITIONS

The Coincident Index recorded its strongest gain in March in more than a year based largely in the almost 25 percent gain in consumer confidence. This gain, the largest one-month increase in more than twenty years, followed declines in eleven of the preceding twelve months. And, while this gain is an important sign of the economy's re-emerging health, it still leaves consumer confidence 30.5 percent below its value in March 2001. Rebuilding consumer confidence is key to sustaining the consumer spending that underpinned the economy during its slowdown in 2001 and is a determinant of the recovery's velocity and magnitude. With sales tax receipts turning positive in December and increasing in January and March, it appears that consumer spending is regaining its momentum following the general slowdown in 2001 that was deepened temporarily in the aftermath of September 11. However, even with a strong gain in March's sales tax revenues over February, its value was still off 5 percent from March 2001.

While growing consumer confidence is key to increased consumer spending, gains in personal income are a more fundamental requirement. Job growth creates the capacity for consumers to spend if they are in the mood. With job growth in Fairfax County well off its levels sustained in 1999 and 2000, and even during the first half of 2001, the economy's current growth rate has moderated. Still, job growth seems to be accelerating with the monthly over-the-year gain in March totaling an estimated 13,155, for an increase of 1.3 percent. During the early phase of the new expansion, job data are often incomplete as employers extend the hours being worked by their current employees and fill in with contract and temporary workers, none of whom are counted in the employment statistics as regular full-time workers. As the economy accelerates during the year's second half, these



temporary jobs will increasingly become regular positions and the employment numbers will provide a more accurate measure of the economy's growth. The best current measures of the improving labor market conditions are the continuing decline in initial claims for unemployment insurance (down in 4 of the last 5 months) and decreasing unemployment – March's rate was 2.88 percent, down from 3.03 percent in February.

Other indicators still present a mixed picture of the County's economy. While residential building permits in March were up 67.4 percent over February and exceeded same-month volume in 2001 by 15.8 percent, new automobile sales have weakened since their last October surge and same-month sales are down 3.6 percent from 2001. While the economy demonstrated renewed strength in its March performance, it is still not back to its pre-slowdown performance levels.

NEAR-TERM OUTLOOK

The Leading Index recovered from February's decline with a gain in March and now stands higher than March 2001. The forecasting trend has stopped its 15-month decline and appears

to be moving higher again. If this trend continues, the cycle that began in April 1992 will have ended and a new expansion will have begun. March appears to be the beginning of this new expansion although it is still too early to be certain. What seems certain is that the Fairfax County economy has gone through a slowdown lasting 12 months during which time its month-to-month performance fell below its historic trend.

With the economy's performance in March, it is again leading the historic trend higher. Still, compared to the recession of 1990-1991, the slowdown of the last 12 months was modest by all measures. And, with the Leading Index pointing higher, the outlook for 2002 appears good with gains in the third and fourth quarters establishing the strength of the cycle as well as its potential duration. Even though the gains of the year's first half will be small in comparison to the economic growth during the same period in 2001, the reverse will be true of the second half: the weakness experienced in 2001 will make the second half of 2002 appear much stronger. In actuality, the acceleration will only be moderate as the distortions that normally are present in a recession and fuel the recovery were not in evidence during the current slowdown.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Mar-02 Prelim.	Feb-02 Final	Mar-01 Final	Feb-02 to Mar-02	Mar-01 to Mar-02
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	127.37	123.66	131.83	3.00	-3.38
Leading Index (1987 = 100)	105.11	104.22	104.72	0.86	0.38
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	563,920	559,535	550,660	0.78	2.41
<i>Total Covered Employment (Unadjusted)</i>	<i>559,487</i>	<i>552,149</i>	<i>546,332</i>	1.33	2.41
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	392	400	441	-2.06	-11.18
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>557</i>	<i>607</i>	<i>607</i>	-8.22	-8.24
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,534	7,549	8,985	13.05	-5.03
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,313</i>	<i>9,488</i>	<i>11,274</i>	8.70	-8.52
South Atlantic Consumer Confidence	120.8	96.3	173.9	25.44	-30.53
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,457	5,733	5,662	-4.83	-3.63
<i>Automobile Registrations (Unadjusted)</i>	<i>5,545</i>	<i>4,600</i>	<i>5,754</i>	20.54	-3.63
Initial Unemployment Claims (Seasonally Adjusted)	1,542	1,806	1,060	-14.64	45.48
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,689</i>	<i>1,957</i>	<i>1,161</i>	-13.69	45.48
South Atlantic Consumer Expectations	120.8	103.9	96.5	16.27	25.18
Residential Building Permits (Number of Units, Seasonally Adjusted)	689	412	595	67.36	15.80
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>828</i>	<i>354</i>	<i>715</i>	133.90	15.80
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	27,817	41,250	33,565	-32.57	-17.13
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>53,036</i>	<i>53,141</i>	<i>61,949</i>	-0.20	-14.39
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	586,513	586,234	585,048	0.05	0.25
<i>Total Labor Force (Unadjusted)</i>	<i>583,604</i>	<i>580,905</i>	<i>582,146</i>	0.46	0.25
Unemployment Rate (Percent, Seasonally Adjusted)	3.00	3.05	1.32	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.88</i>	<i>3.03</i>	<i>1.20</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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