

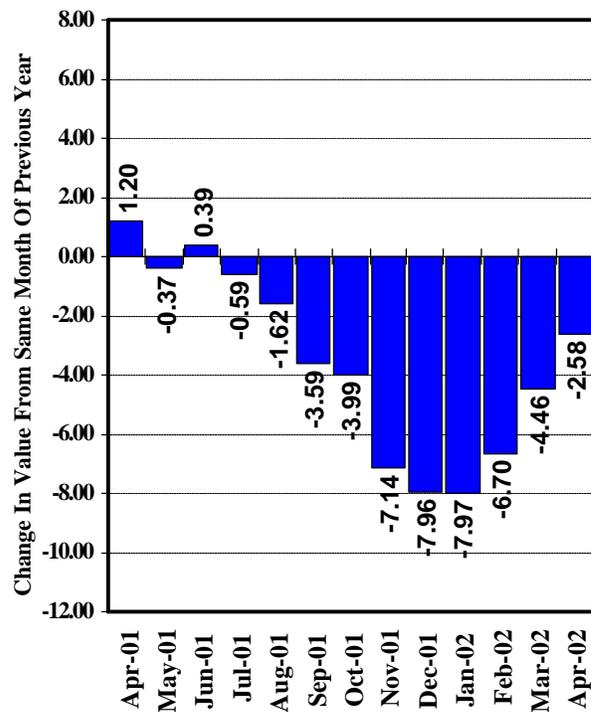
Fairfax County Economic Index

County Economy Slows in April Outlook Remains Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 126.3 in April, for a decline of 0.81 percent from its value in March. Still, with the Index's strong 3.0 percent gain in March, it continues to track above its 12-month moving average trend line. However, the economy's current performance, as measured by the Coincident Index, is still under-performing its same-month values in 2001, although these monthly over-the-year differences have become smaller each month since January. April's performance, with all indicators lower than in March, reflected two reinforcing conditions: the slowing of the regional and national economies in April and the unusually strong gains in March that were achieved in part at the expense of April's growth.

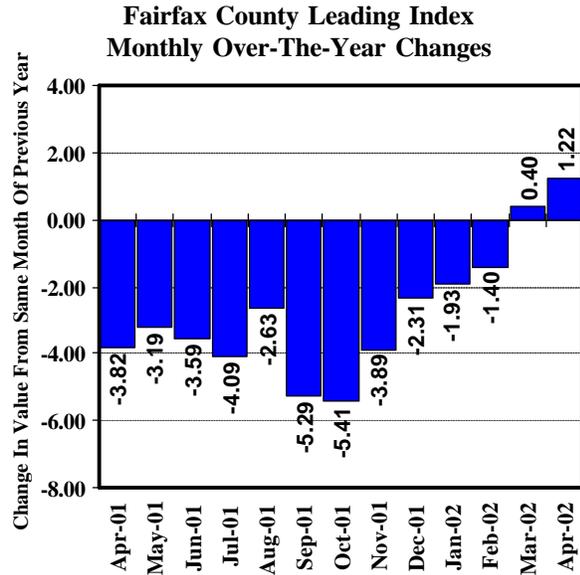
- Total employment decreased slightly in April from its March level although it was 2.8 percent greater than in April 2001;
- Sales tax collections, adjusted for inflation and seasonal variation, were down after their sharp gain in March;
- Consumer confidence (in the present) fell slightly in April after increasing 25 percent in March; and,

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



Source: Center for Regional Analysis, George Mason University

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for a second consecutive month.



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased to 104.2 in April, for a decline of 0.85 percent. While the Leading Index has been down in two of the last three months, its values in both March and April exceeded respective same-month values in 2001. As a result, the Leading Index is tracking ahead of its 12-month moving average trend line that has turned positive in March following 15 monthly decreases. In April, four of the Index's five components contributed to its decline.

- Initial claims for unemployment insurance increased (worsened) sharply in April after registering improvement in four of the previous five months;
- Consumer expectations fell slightly following their unusually strong 16.3 percent gain in March;
- Residential building permits declined slightly in April following their sharp increase in March; and,

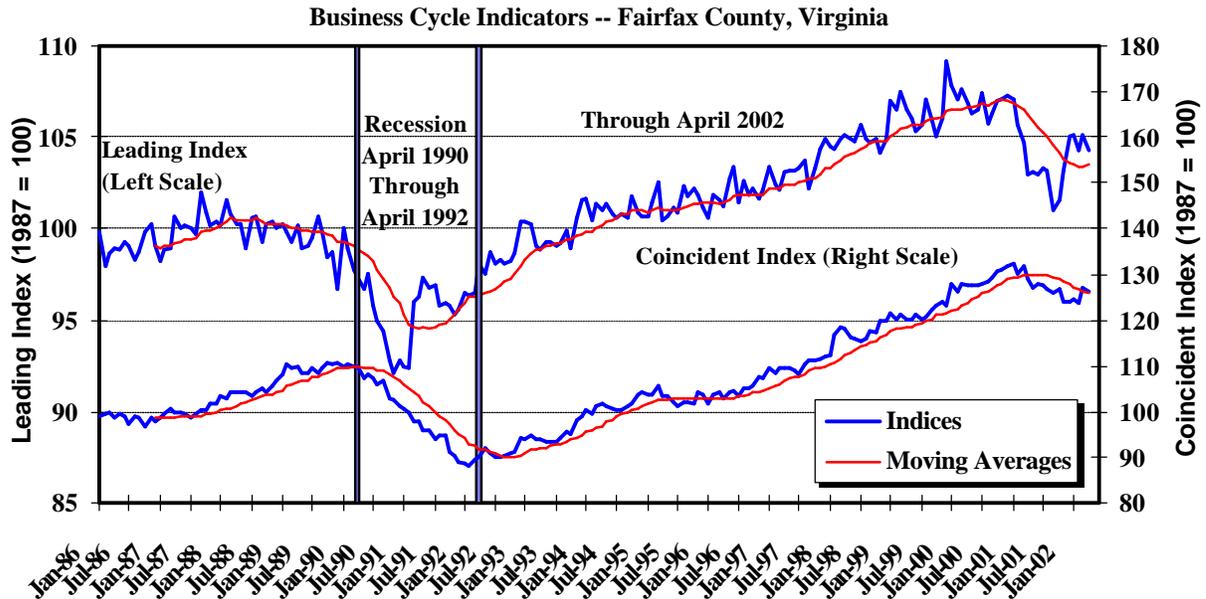
- The total value of residential building permits fell marginally and have now been down in three of the last four months; while,
- New automobile sales were up slightly after declining in February and March.

The weak performances of April's leading and coincident indicators are misleading as they have been affected by their unusually strong gains in March. In effect, March's strong economic performance dampened the economy's performance in April. Nevertheless, the economy's emerging trend still can be detected. The Leading Index remains positive over the year and its trend line is now tracking higher while the Coincident Index continues to lag slightly behind its same-month values in 2001 but is closing this performance gap.

CURRENT CONDITIONS

The underlying strength of the County's economy is seen in its continuing ability to generate new jobs and support gains in consumer spending. Compared to April 2001, the County's employment base is 2.8 percent larger, gaining an estimated 15,562 new jobs. Still, there are signs of weakness in the labor market. Unemployment in April 2001 was 1.25 percent while in April 2002 it was 2.9 percent. Perhaps more worrisome was the 29.4 percent gain in initial claims for unemployment insurance between March and April and its 42.6 percent gain from April 2001. Job growth will need to accelerate in order to absorb recently laid off workers before the unemployment rate can fall back to its usual well-below average level.

With consumer confidence rising so sharply in March and slipping only slightly in April, consumer spending should stabilize and begin to grow on a month-to-month basis. New automobile sales are up 5.5 percent from April 2001 and grew in April from their level in March. Still, over the past 12 months, new automobile sales have declined six times. Sales tax receipts provide a broader measure of consumer spending and, over-the-year, they are up just 0.8 percent. However, sales tax receipts



Source: Center for Regional Analysis, George Mason University

NEAR-TERM OUTLOOK

have experienced decreases in both February and April. Residential building permits provide another measure of consumer confidence and, with gains over-the-year of almost 15 percent, provide further evidence confirming the economy's underlying strength.

Still, with all indicators in April down from their March levels, the strength and phasing of the expansion appear to be weaker and slower than expected based on first quarter data. Job growth and consumer spending remain slow within the County and throughout the Washington metropolitan area by local standards even though the Washington area remains the only metropolitan area among the ten largest that is generating new jobs over the year's first four months. With unemployment standing at 3.7 percent, it also has the lowest rate among these same ten largest metropolitan areas. The general weakness in the national economic recovery and slow growth being achieved locally suggest that the economy's recovery is progressing, but at a mild rate that will not accelerate quickly.

The Fairfax County Leading Index has turned the corner and is pointing up after tracking downward for 15 months. However, the rate of the Index's turn around has been modest in keeping with the economy's mild but long slow down and the absence of any major sources of pent-up demand that could jump-start the expansion. The Fairfax County economy was on a slowing trend dating from January 2001 (that was deepened by 9/11) that did not bottom out until December and January. The turnaround has now become apparent in the track of the Leading Index but is not yet well defined in the Coincident Index and this may not occur until late summer or early fall.

A key measure of this emerging strength is consumer expectations—these are 33 percent ahead of their April 2001 level; however, initial claims for unemployment insurance are 600 workers greater (worse) in April than a year ago and were up by almost 300 workers from March to April. Until initial claims fall back to their historic number, the County's economy will be experiencing above-average business failures. As these losses slow, the economy's growth will reaccelerate. With the Leading Index now tracking above its average trend line, signs are now pointing to sustained and broad-based gains by year's end.

Fairfax County, Virginia Economic Indicators Current and Previous Months

| Economic Indicator | Estimates | | | Percent Change | |
|---|-------------------|-----------------|-----------------|------------------------|------------------------|
| | Apr-02 Prelim. | Mar-02 Final | Apr-01 Final | Mar-02 to Apr-02 | Apr-01 to Apr-02 |
| Fairfax County Business Cycle Indicators | | | | | |
| Coincident Index (1987 = 100) | 126.34 | 127.37 | 128.92 | -0.81 | -2.00 |
| Leading Index (1987 = 100) | 104.22 | 105.11 | 103.00 | -0.85 | 1.19 |
| Fairfax County Coincident Index Components | | | | | |
| Total Covered Employment (Seasonally Adjusted) | 563,369 | 563,920 | 547,807 | -0.10 | 2.84 |
| <i>Total Covered Employment (Unadjusted)</i> | <i>558,698</i> | <i>559,487</i> | <i>543,265</i> | <i>-0.14</i> | <i>2.84</i> |
| Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted) | 384 | 392 | 424 | -1.98 | -9.47 |
| <i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i> | <i>566</i> | <i>557</i> | <i>605</i> | <i>1.69</i> | <i>-6.36</i> |
| Sales Tax Receipts (\$'000='87, Seasonally Adjusted) | 8,058 | 8,534 | 7,994 | -5.58 | 0.80 |
| <i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i> | <i>10,189</i> | <i>10,313</i> | <i>10,391</i> | <i>-1.20</i> | <i>-1.94</i> |
| South Atlantic Consumer Confidence | 120.5 | 120.8 | 162.1 | -0.25 | -25.66 |
| Fairfax County Leading Index Components | | | | | |
| New Automobile Registrations (Seasonally Adjusted) | 5,640 | 5,457 | 5,347 | 3.37 | 5.48 |
| <i>Automobile Registrations (Unadjusted)</i> | <i>5,545</i> | <i>5,545</i> | <i>5,257</i> | <i>0.00</i> | <i>5.48</i> |
| Initial Unemployment Claims (Seasonally Adjusted) | 1,995 | 1,542 | 1,399 | 29.38 | 42.57 |
| <i>Initial Unemployment Claims (Unadjusted)</i> | <i>1,976</i> | <i>1,689</i> | <i>1,386</i> | <i>16.99</i> | <i>42.57</i> |
| South Atlantic Consumer Expectations | 114.9 | 120.8 | 86.6 | -4.88 | 32.68 |
| Residential Building Permits (Number of Units, Seasonally Adjusted) | 618 | 689 | 540 | -10.30 | 14.56 |
| <i>Residential Building Permits (Number of Units, Unadjusted)</i> | <i>645</i> | <i>828</i> | <i>563</i> | <i>-22.10</i> | <i>14.56</i> |
| Residential Building Permit Value (\$'000='87, Seasonally Adjusted) | 27,381 | 27,817 | 25,879 | -1.57 | 5.80 |
| <i>Residential Building Permit Value (\$=Current, Unadjusted)</i> | <i>48,882</i> | <i>53,036</i> | <i>44,663</i> | <i>-7.83</i> | <i>9.45</i> |
| Fairfax County Labor Force | | | | | |
| Total Labor Force (Seasonally Adjusted) | 585,066 | 586,764 | 587,036 | -0.29 | -0.34 |
| <i>Total Labor Force (Unadjusted)</i> | <i>584,130</i> | <i>583,853</i> | <i>586,097</i> | <i>0.05</i> | <i>-0.34</i> |
| Unemployment Rate (Percent, Seasonally Adjusted) | 3.07 | 3.09 | 1.46 | -- | -- |
| <i>Unemployment Rate (Percent, Unadjusted)</i> | <i>2.86</i> | <i>2.97</i> | <i>1.25</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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