

Fairfax County Economic Index

Volume VI, Number 12

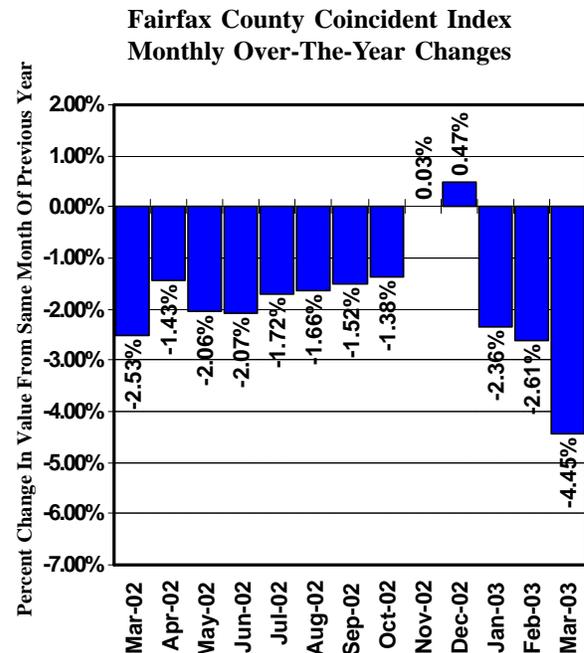
May 2003

County Economy Only Slightly Impacted By War Fears And Consumer Anxiety In March

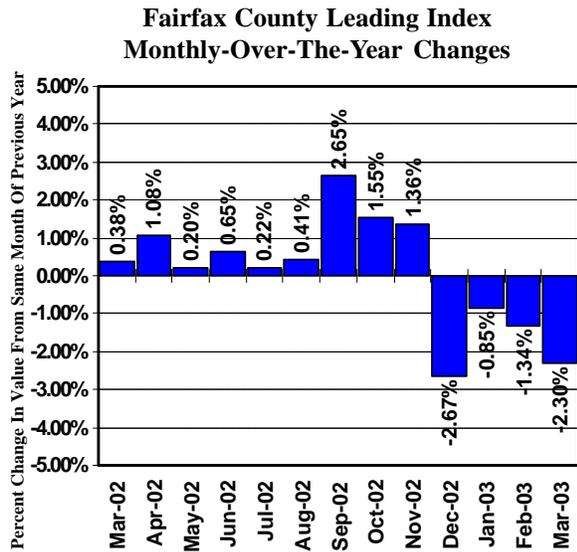
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased slightly to 122.8 in March for a 0.4 percent gain after having declined in the previous two months. Compared to its level in March 2002, the Index is still down by 4.5 percent. In March, two of the Index's four components were positive.

- Total employment increased in March for a second consecutive month; and,
- Sales tax collections, adjusted for inflation and seasonal variation, increased after dropping in January and February; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined following its sharp increase in February; and,
- Consumer confidence (in the present) continued to decline extending its downward trend to a fifth month.

The **Fairfax County Leading Index**, designed to forecast the performance of the County's economy nine to twelve months in advance, decreased slightly in March to 102.7 for a decline of 0.13 percent. This decrease was its third monthly decline in four months. The Index has lost 2.3 percent since March 2002. In March, three of the Index's five components contributed to its small loss.



Source: Center for Regional Analysis, George Mason University



Source: Center for Regional Analysis, George Mason University

- New automobile registrations declined in March for a second consecutive month;
- Consumer expectations (consumer confidence six months hence) were down for the fourth month in a row and are down 44 percent since March 2002; and,
- Initial claims for unemployment insurance increased (worsened) after having improved in January and February; while,
- Residential building permits were up sharply for a second time in three months; and,
- The increase in total value of residential building permits more than offset its decline in February.

The County's economic indicators present a mixed report in March with neither the Leading nor the Coincident Index showing significant change. Individually, consumer-related indicators appeared more sensitive to the continuing uncertainty relating to the war in Iraq and the general weakness in the national economy and its financial markets while the actual measures of the economy's outputs—jobs, housing, and retail sales—reaffirmed its resilience and underlying health.

As consumer confidence experienced a substantial improvement in April following the quick end to the war in Iraq, the lowering of the terrorist

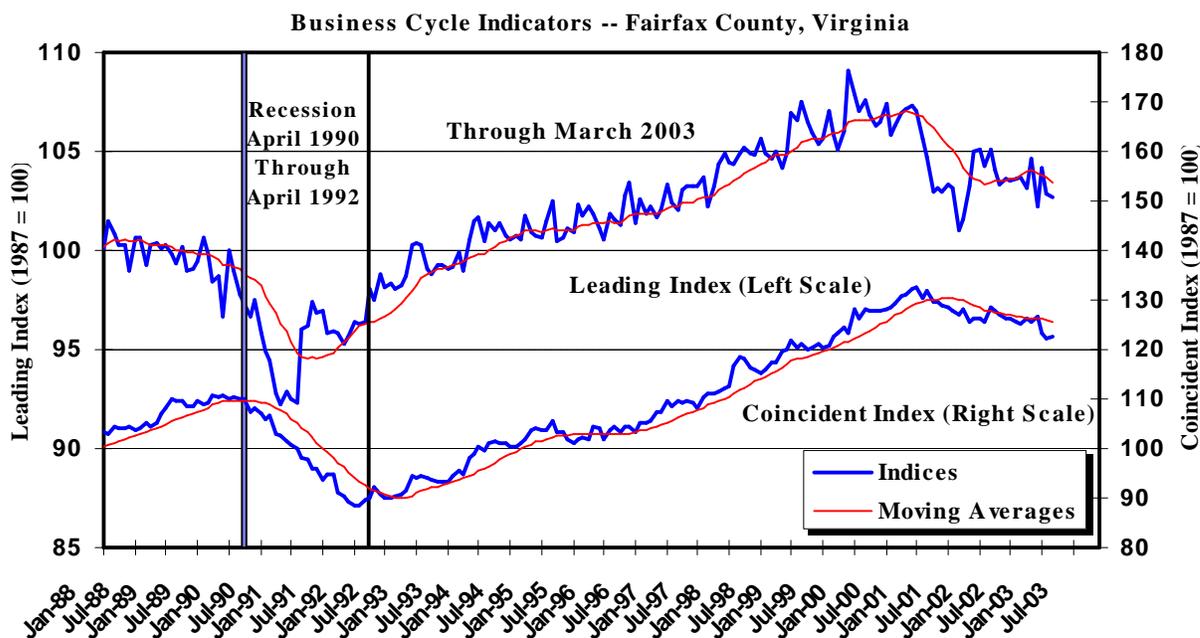
threat levels, and the improved performance of the financial markets, the fears holding consumer and business spending back should be lessening and pent-up demand should help to re-energize the expansion over the coming three to six months. With consumer anxiety and uncertainty no longer distorting the economic indicators, a more true measure of the economy's condition and performance will emerge over the next several months.

CURRENT CONDITIONS

The Fairfax County economy continued to function in spite of peaking consumer anxiety stemming from the war in Iraq and the continuing concern regarding the weak performance of the national economy. Nevertheless, the County's labor market continued to exhibit the growing strength that emerged in the last half of 2002. Estimates of new net job gains in the County showed job growth of just under 11,000 jobs for a 1.9 percent gain. Establishing correct job growth estimates has been more difficult during this business cycle due to conflicting numbers issued by state and metropolitan sources. Based on data from U.S. Bureau of Labor Statistics sources, Fairfax County's job growth patterns have been refined and these confirm its continuing domination in the region's economy. Supporting these new job growth estimates are the continuing decline in unemployment with March's 2.6 rate almost two tenths of a percentage point better than in February and a full half point better than in March 2002.

Still, initial claims for unemployment insurance increased by 203 persons between February and March and were up 270 (16 percent) from a year ago. However, these initial claims data for March may be overstating the current layoff conditions as some of these workers may actually have been laid off in February but because of the harsh winter weather and government office closings their new unemployment status in February was not reported until March.

Other key indicators of the economy's underlying strength include the continuing growth of new housing (building permits were up in March although lagging behind March 2002 levels) and retail sales tax receipts increased (these too are lagging behind their March 2002 level). However,



Source: Center for Regional Analysis, George Mason University

new automobile sales were weak in both February and March. February's sales weakness can be attributed in large part to the weather but in March, consumer uncertainty was the more important factor. The decline in transient occupancy tax collections also may have reflected both the weather and traveler anxiety although passenger volumes at Reagan National and Dulles airports increased in March after lower levels in January and February.

The wildcard in the economy continues to be consumers. As the remaining economic drivers have become positioned for stronger growth going forward, consumer retrenchment has constrained the growth rate in the current period. Now that consumers appear to be happier and confidence is moving higher, although not yet high enough to be considered a strong expansion signal, the economy should be able to find its own level based on real conditions. These should favor the Fairfax County economy due to its size, wealth, diversity and federal contractor underpinning.

NEAR-TERM OUTLOOK

At the beginning of 2002, the County's Leading Index started pointing towards a slow recovery and from March to November out

performed its 12-month moving average trend; that is, the Leading Index was rising. The Leading Index fell sharply in December 2002 and then dropped moderately in February 2003 followed now by a slight decline in March. Its declines in December and February can be attributed to the negative current conditions that overshadowed the Index's leading indicators. Its marginal decline in March is explained by continued consumer anxiety as reflected in low expectations and declining new automobile purchases and continuing right-sizing of some businesses in the County as measured by increasing initial claims for unemployment insurance.

These negatives will quickly be reversed over the next several months as consumers become more optimistic about the future. With gains in consumer confidence and renewed consumer spending, the leading edge of the Fairfax County economy will be re-established and the Index's track will turn positive. This positive trend should become clear over the coming three months with all leading indicators growing. However, it will take the remainder of the year before the leading indicators regain their losses posted since last year and much longer before the Leading Index regains its peak level achieved in December 1999.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Mar-03 Prelim.	Feb-03 Final	Mar-02 Final	Feb-03 to Mar-03	Mar-02 to Mar-03
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	122.77	122.33	128.49	0.36	-4.45
Leading Index (1987 = 100)	102.69	102.83	105.11	-0.13	-2.30
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	578,929	576,650	567,962	0.40	1.93
<i>Total Covered Employment (Unadjusted)</i>	<i>574,379</i>	<i>569,038</i>	<i>563,498</i>	<i>0.94</i>	<i>1.93</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	363	368	392	-1.36	-7.30
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>539</i>	<i>537</i>	<i>557</i>	<i>0.36</i>	<i>-3.22</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,364	7,151	8,534	16.97	-1.98
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,475</i>	<i>9,262</i>	<i>10,313</i>	<i>13.10</i>	<i>1.57</i>
South Atlantic Consumer Confidence	74.5	81.6	120.8	-8.70	-38.33
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,161	5,675	5,457	-9.05	-5.41
<i>Automobile Registrations (Unadjusted)</i>	<i>5,245</i>	<i>4,840</i>	<i>5,545</i>	<i>8.37</i>	<i>-5.41</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,788	1,620	1,542	10.34	15.99
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,959</i>	<i>1,756</i>	<i>1,689</i>	<i>11.56</i>	<i>15.99</i>
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	<i>67.6</i>	<i>77.1</i>	<i>120.8</i>	<i>-12.32</i>	<i>-44.04</i>
Residential Building Permits (Number of Units, Seasonally Adjusted)	468	306	689	52.90	-32.13
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>562</i>	<i>263</i>	<i>828</i>	<i>113.69</i>	<i>-32.13</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	27,144	21,803	27,817	24.49	-2.42
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>54,034</i>	<i>29,258</i>	<i>53,036</i>	<i>84.68</i>	<i>1.88</i>
Fairfax County Labor Force (February 2003 values are estimated.)					
Total Labor Force (Seasonally Adjusted)	575,371	573,231	567,573	0.37	1.37
<i>Total Labor Force (Unadjusted, Revised By BLS)</i>	<i>572,517</i>	<i>568,021</i>	<i>564,758</i>	<i>0.79</i>	<i>1.37</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.72	2.78	3.20	--	--
<i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i>	<i>2.60</i>	<i>2.76</i>	<i>3.08</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. 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)