

# Fairfax County Economic Index

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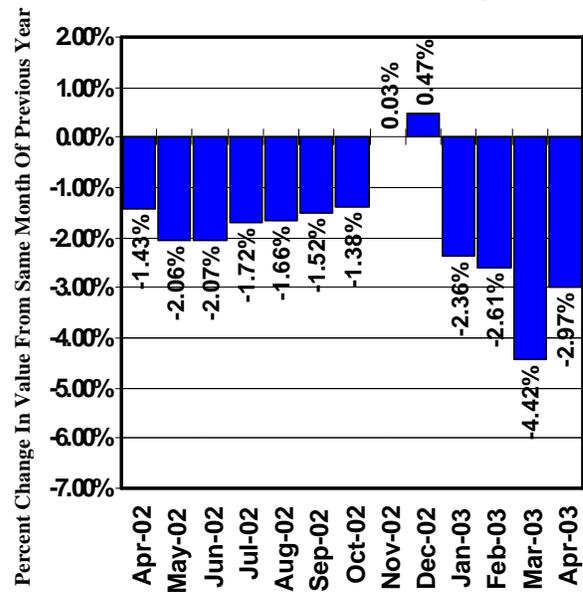
June 2003

## County Economy Enjoys Post-War Bounce

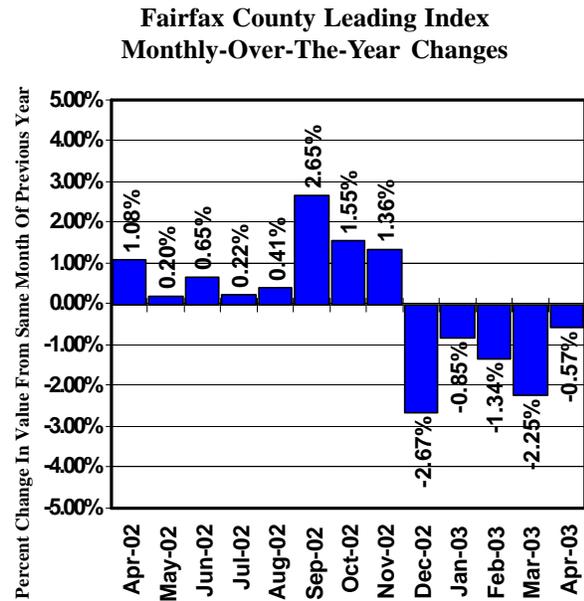
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 124.1 in April, for a 1.1 percent gain. The Coincident Index has now gained in two consecutive months following declines in the year's first two months. However, the Index still remains 3.0 percent below its April 2002 level. This month's increase reflected gains in two of the Index's four components.

- Total employment increased in April for the third consecutive month; and,
- Consumer confidence (in the present) was up sharply following five monthly decreases in a row; while,
- Sales tax collections, adjusted for inflation and seasonal variation, were down for the third time in four months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for a second month.

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



Source: Center for Regional Analysis, George Mason University



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, increased in April to 103.5 for a 0.74 percent gain. April's gain in the Leading Index follows a small decrease in March and a larger decline in February. On a monthly over-the-year basis, the Leading Index remains slightly below (-0.57 percent) its April 2002 level. This month's gain in the Index was attributable to increases in three of its five components.

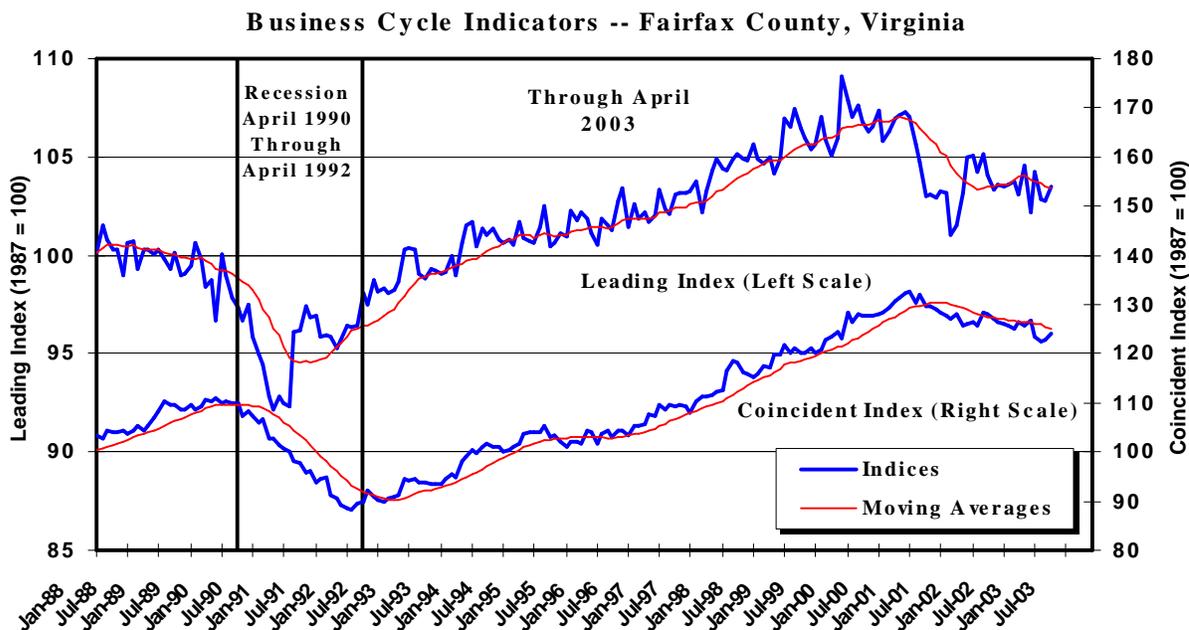
- New automobile registrations increased sharply in April following declines in February and March; and,
- Consumer expectations (consumer confidence six months hence) were up strongly after declining for four consecutive months; while,
- Residential building permits fell for the second time in three months;
- The total value of residential building permits declined for a second month; and,
- Initial claims for unemployment insurance decreased (improved) slightly after declining sharply in March.

The quick end to the War in Iraq, the strengthening of financial markets, and improved weather all contributed to a significant reversal in consumer confidence. April's combined 32 percent gain in consumer confidence boosted the economy's performance and may have firmed up its new course towards the long-expected expansion. With the County's economy continuing to produce new jobs and with unemployment declining, the state of consumer spending has been the wild card in the economy's performance. With the winter and war behind consumers, their mood has become positive again and with this mood change the economy can be expected to also move higher on a more regular basis.

## CURRENT CONDITIONS

The underlying strength of the Fairfax County economy is seen in its ability to generate new jobs. Over the past 12 months, job growth is estimated at 2 percent for a gain of 11,538 jobs. Even though some local businesses continue to experience contraction as seen in the gain of 23 first-time unemployment claims from March to April, these claims are down by 184 or 9.2 percent from April 2002. More importantly, total unemployment continues to decline. In April 2002, the County's raw unemployment rate was 2.9 percent (not seasonally adjusted); in April 2003 this rate had dropped to 2.4 percent. This compares to 3.4 percent for the Washington metropolitan area—the lowest by 1.2 percentage points among the national ten largest metropolitan areas—and the 6.1 percent unemployment rate for the nation. The strength of the County's labor market helps to explain its continuing income growth and economy's resilience in the face of a weak national economy and continuing threats of terrorism.

Consumer spending has been impacted through the first four months of the year by a harsh winter, growing concerns regarding terrorism and the prospects for war in Iraq and the continuing weak performance of the financial markets. As a consequence, consumer confidence has been in a free fall. During the nine months prior to April, consumer confidence improved in just one month. From its last peak in June 2002, the aggregate consumer confidence index declined a total of 57.6 percent through March of 2003. Then in April, it rebounded gaining back almost half of this nine-month loss. Consumer



Source: Center for Regional Analysis, George Mason University

confidence remains low and suggests that consumers are still concerned. Interestingly, consumers now feel more confident in the future than in the present. Not only did consumer expectations increase more in April but the just released May survey shows consumer expectations still rising while their confidence in the present declined slightly.

Why is consumer confidence so important? Consumer spending drives the broad based health of the County's economy. Spending is affected by the consumer's income and mood. Income has not been the problem during this economy's slowdown; rather, consumers have not been in the mood to spend up to their potential. With rising confidence in the future and a strong turnaround in the financial markets since March, consumers will be back spending for retail goods and services, housing, automobiles (that has already picked up) and for recreation. Adding to this capacity to spend will be the increases in take-home pay resulting from the new tax legislation signed into law in May.

## ***NEAR-TERM OUTLOOK***

Job growth and gains in personal income combined with decreases in tax withholding starting

in July will fuel the economy's growth during the year's second half. Building on a fundamentally sound economy, these fiscal stimulants and improving consumer confidence should combine to accelerate economic activity in both the third and fourth quarters. The results of this accelerating growth curve, with each quarter gaining on the last, will yield an estimated gain of 5.2 percent for the County's economy for the full year, exceeding last year's gain of 4.1 percent and running well ahead of the projected 3.7 percent gain for the metropolitan area economy in 2003.

This accelerating economic growth will support further job growth that by the end of the year could reach 4 percent with further reductions in unemployment. This expected growth over the year's second half will be reflected in gains in retail sales, automobile sales, a continuing strong housing market, and growth in personal income. These gains will impact all sectors favorably during the year's second half and should be the basis for a strong yearlong performance in 2004. The wild cards in this mid-year forecast are energy prices (these should stabilize) and the uncertainty of the times we live in. Most of the other uncertainties that have caused consumers to be overly anxious over the past six months appear to have diminished.

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

Economic Indicator	Estimates			Percent Change	
	Apr-03 Prelim.	Mar-03 Final	Apr-02 Final	Mar-03 to Apr-03	Apr-02 to Apr-03
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	124.13	122.81	127.94	1.08	-2.97
Leading Index (1987 = 100)	103.51	102.75	104.11	0.74	-0.57
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	580,568	579,271	568,933	0.22	2.04
<i>Total Covered Employment (Unadjusted)</i>	<i>575,755</i>	<i>574,718</i>	<i>564,217</i>	<i>0.18</i>	<i>2.04</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	326	363	383	-10.31	-14.96
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>499</i>	<i>539</i>	<i>566</i>	<i>-7.41</i>	<i>-11.88</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,105	8,364	8,113	-3.10	-0.10
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,382</i>	<i>10,475</i>	<i>10,189</i>	<i>-0.89</i>	<i>1.89</i>
South Atlantic Consumer Confidence	95.8	74.1	120.9	29.28	-20.76
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,156	5,161	5,369	38.64	33.29
<i>Automobile Registrations (Unadjusted)</i>	<i>7,035</i>	<i>4,840</i>	<i>5,278</i>	<i>45.35</i>	<i>33.29</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,811	1,788	1,995	1.27	-9.21
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,794</i>	<i>1,959</i>	<i>1,976</i>	<i>-8.42</i>	<i>-9.21</i>
South Atlantic Consumer Expectations (Unadjusted)	92.2	68.6	114.7	34.40	-19.62
Residential Building Permits (Number of Units, Seasonally Adjusted)	233	468	618	-50.21	-62.33
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>243</i>	<i>562</i>	<i>645</i>	<i>-56.76</i>	<i>-62.33</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	21,674	27,144	27,311	-20.15	-20.64
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>40,197</i>	<i>54,034</i>	<i>48,882</i>	<i>-25.61</i>	<i>-17.77</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	574,801	576,118	567,089	-0.23	1.36
<i>Total Labor Force (Unadjusted, Revised By BLS)</i>	<i>573,881</i>	<i>573,260</i>	<i>566,182</i>	<i>0.11</i>	<i>1.36</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.59	2.73	3.15	--	--
<i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i>	<i>2.38</i>	<i>2.61</i>	<i>2.94</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.

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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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