

# Fairfax County Economic Index

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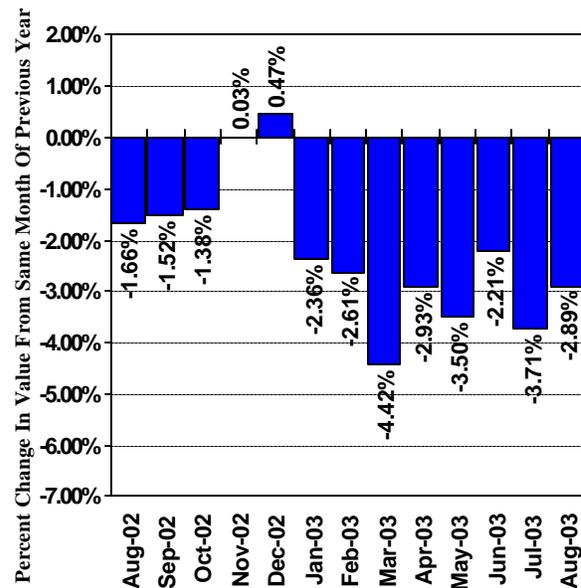
October 2003

## Economy Accelerates Although Some Indicators Continue to Lag

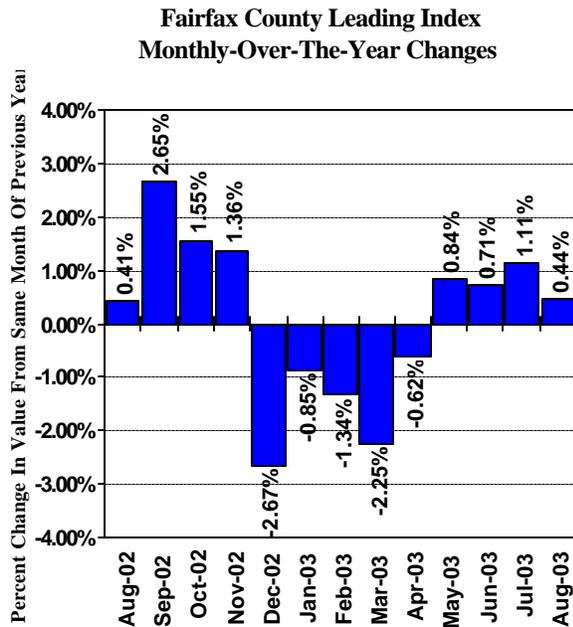
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in August to 122.0, for a gain of 0.48 percent. The August gain followed a sharp decline in July; however, the Index is slowly trending higher, registering four monthly gains over the last six months. Yet, for the year ending in August, the Index remained 2.9 percent below its August 2002 level. Three of the Index's four components were positive in August pointing to the increasing breadth of the expansion.

- Total employment increased for the seventh consecutive month in August;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased following two monthly double-digit declines; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, grew for the third month in a row; while,
- Consumer confidence (in the present) fell for the third time in four months.

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, fell in August to 104.07, for a decline of 0.57 percent. The Index's decrease in August followed four monthly gains, and for the year, it is still 0.44 percent higher than in August 2002. Even with its decline in August, the Leading Index has registered higher same-month values than in 2002 in each of the last four months. In August, three of the Index's five components contributed to its decline.

- New automobile registrations fell in August following increases in the previous two months;
- Residential building permits registered a sharp decline and have decreased in two of the last three months; and,
- The total value of residential building permits fell for the third consecutive month; while,
- Initial claims for unemployment insurance decreased (improved) for the fourth month in a row; and,

- Consumer expectations (consumer confidence six months hence) increased after declining in the previous two months.

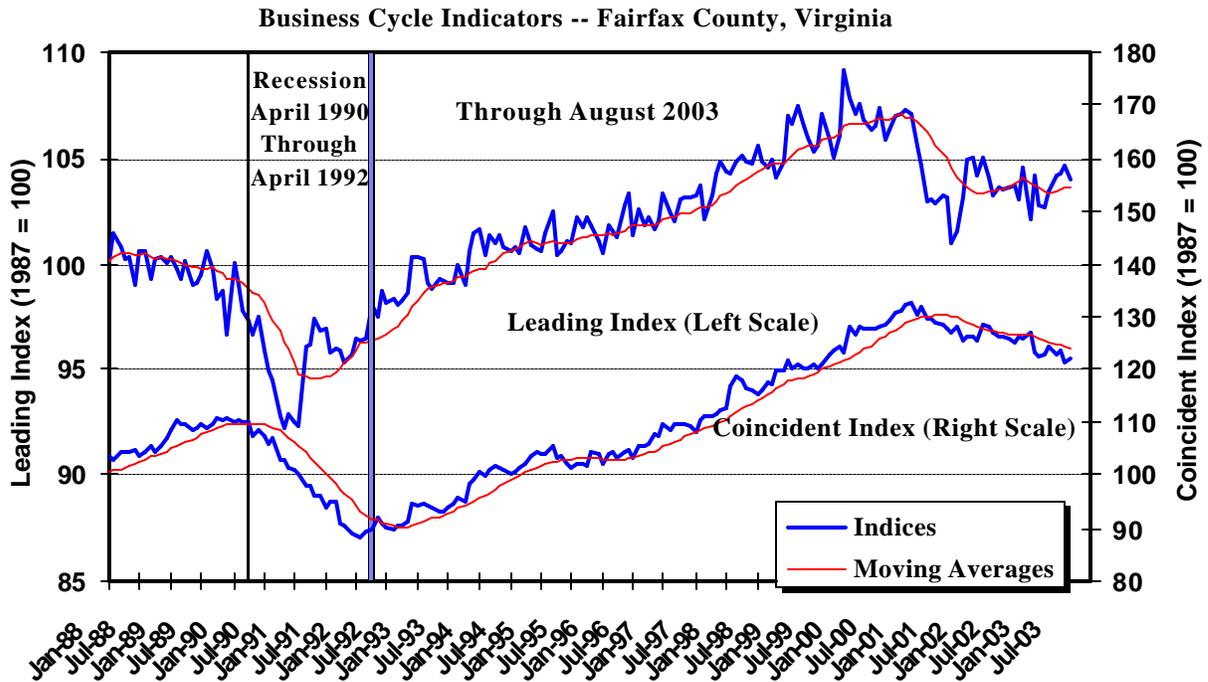
The Fairfax County economy continued to expand in August following the pattern of the Washington area and national economies. The third quarter has exhibited broader and stronger gains across the economy even though consumers continued to be anxious about terrorism, the war in Iraq and the sustainability of recent gains in the financial markets. The one-month retreat of the Leading Index underscores the fragile nature of this recovery, although the economy's trend remains positive and will strengthen further by year's end.

### **CURRENT CONDITIONS**

The strength of the Fairfax County economy continues to be seen in its labor market with both job gains and lower unemployment providing convincing evidence that the economy is expanding and generating increased income and consumer spending. The County economy has sustained job growth for seven consecutive months and experienced monthly decreases only twice over the last year. In August, the County's job base was up an estimated 1.8 percent from its August 2002 level, representing a gain of 10,505 net new jobs and accounting for 42 percent of all the net new jobs in the Washington metropolitan area.

The economy's job growth is generating higher income levels and increased consumer spending. Retail sales, as measured by sales tax collections, were up in each of the last three months while auto sales were higher in June and July. Washington area retail sales are also higher, up 5.2 percent in August compared to August 2002 and are running ahead of the 4.7 percent gain in retail sales nationally.

In contrast to their spending performance, consumers' confidence remains weak. Even though expectations showed a slight improvement in August, confidence in the present was down reflecting concerns about the war in Iraq and lingering anxiety over fears of terrorism, financial market losses, deficits, taxes, energy prices...the list goes on. Consumers should feel more optimistic



Source: Center for Regional Analysis, George Mason University

than they do based on their actual economic conditions or as their continuing consumption spending indicates. As consumers become more confident with the economy’s accelerating performance (when GDP is reported on October 30<sup>th</sup> it is expected to be up sharply for the 3<sup>rd</sup> quarter) and as the other more visible measures of economic growth become normal conditions, the confidence indices will strengthen quickly and consumer spending will increase further. These favorable conditions are likely to support a better-than-average holiday shopping season. The just released October Index of Consumer Sentiment was up from its September level. Although this is a national indicator, it suggests that consumers may be ready to admit that the economy is on the mend even though it is not yet back to the “way it was.”

### **NEAR-TERM OUTLOOK**

The Fairfax County Leading Index is trending higher again for the second time since its 2000-2001 down turn. On a monthly over-the-year basis, so far 2003 has been a year of two halves. For the year’s first four months it under performed

the same period in 2002 (December 2002 also under performed December 2001) but then for the next four months, through August 2003, the Leading Index has out performed the same period in 2002 and this pattern it likely to continue and be more pronounced in the fourth quarter.

The economy’s continuing strength is seen in the long-term stability of the housing market, growing health of the labor market, continuing low interest rates, and a rise in consumer expectations. Increasing job growth will generate new income and spur demand for both business investment and consumer spending. This gain in demand will fuel the expansion in 2004 with this year’s second half providing the lift for next year’s take off. While the Fairfax County economy is still showing some signs of last year’s slowdown following the initial recovery from the trauma of September 11<sup>th</sup>, these residual weaknesses will give way as confidence is regained based on the strong gains during the year’s two quarters. These gains should convince even the diehard pessimists that the promised economic expansion is for real.

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

Economic Indicator	Estimates			Percent Change	
	Aug-03 Prelim.	Jul-03 Final	Aug-02 Final	Jul-03 to Aug-03	Aug-02 to Aug-03
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	122.03	121.44	125.66	0.48	-2.89
Leading Index (1987 = 100)	104.07	104.67	103.61	-0.57	0.44
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	587,706	584,894	577,201	0.48	1.82
<i>Total Covered Employment (Unadjusted)</i>	<i>587,988</i>	<i>588,181</i>	<i>577,478</i>	<i>-0.03</i>	<i>1.82</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	270	262	262	2.93	2.92
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>549</i>	<i>515</i>	<i>513</i>	<i>6.55</i>	<i>7.04</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,249	8,689	9,062	6.44	2.07
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,516</i>	<i>11,021</i>	<i>11,246</i>	<i>4.49</i>	<i>2.40</i>
South Atlantic Consumer Confidence	76.1	80.8	110.1	-5.82	-30.88
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,068	7,343	6,110	-17.36	-0.68
<i>Automobile Registrations (Unadjusted)</i>	<i>6,860</i>	<i>4,840</i>	<i>6,907</i>	<i>41.74</i>	<i>-0.68</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,420	1,531	1,871	-7.26	-24.10
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,310</i>	<i>1,532</i>	<i>1,726</i>	<i>-14.49</i>	<i>-24.10</i>
South Atlantic Consumer Expectations (Unadjusted)	95.2	89.6	95.1	6.25	0.11
Residential Building Permits (Number of Units, Seasonally Adjusted)	214	371	374	-42.27	-42.76
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>241</i>	<i>390</i>	<i>421</i>	<i>-38.21</i>	<i>-42.76</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	21,675	23,864	29,912	-9.17	-27.54
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>43,128</i>	<i>43,430</i>	<i>57,229</i>	<i>-0.70</i>	<i>-24.64</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	573,518	572,124	566,867	0.24	1.17
<i>Total Labor Force (Unadjusted, Revised By BLS)</i>	<i>581,427</i>	<i>587,586</i>	<i>574,685</i>	<i>-1.05</i>	<i>1.17</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.32	2.10	3.02	--	--
<i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i>	<i>2.38</i>	<i>2.46</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.

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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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