

Fairfax County Economic Index

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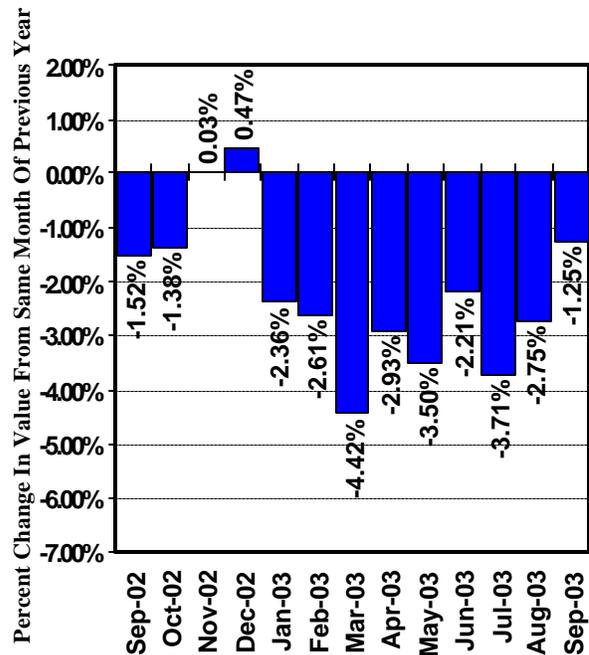
November 2003

Economy Was Stronger in September But Several Indicators Still Lag

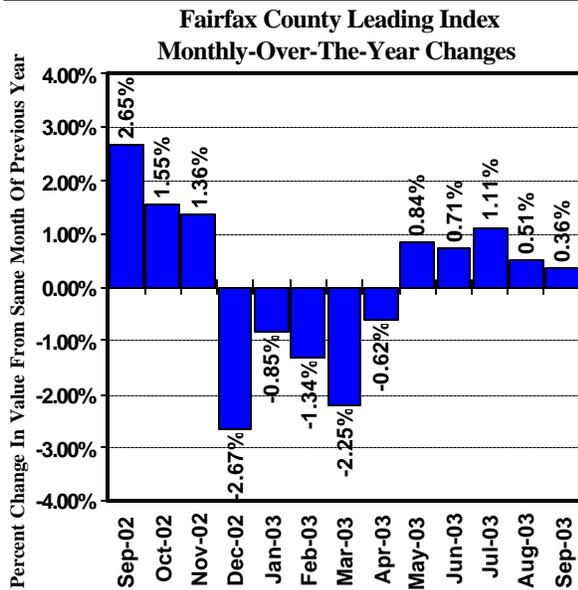
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in September to 123.5, for a gain of 1.08 percent. The Index has now been positive in three of the last four months, however for the year, it remains 1.25 percent lower. Still, September's gain brought the Index value equal to the 12-month moving average trend line. Three of the Index's four components were positive in September.

- Total employment increased in September for the eighth consecutive month;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a second month; and,
- Consumer confidence (in the present) gained after declining for two months; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, fell after having increased for three 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**, designed to forecast the performance of the County's economy nine to twelve months in advance, fell slightly to 104.1 in September for a decrease of 0.05 percent. September's decrease was the second in a row following four monthly increases. However, for the year, the Leading Index is up 0.36 percent and it has exceeded same-month levels in 2002 in each of the last five months. As a result, the Index's 12-month moving average trend has turned positive. In September, three of the Index's five components contributed to its decline.

- New automobile registrations fell in September for a second month;
- Initial claims for unemployment insurance increased (worsened) after improving in the previous three months; and,
- Consumer expectations (consumer confidence six months hence) fell for the third time in four months; while,
- Residential building permits registered a strong gain in September largely off-setting its decline in August; and,
- The total value of residential building permits was up sharply following three monthly declines.

The Fairfax County economy was stronger in September. As measured by the Coincident Index, its performance in September improved upon its gain in August and its positive trend appears to be gaining traction. While the Leading Index was marginally negative in September, its trend remains positive. Still, the expansion has not accelerated as fast as had been expected since June but should continue to gain through the fourth quarter.

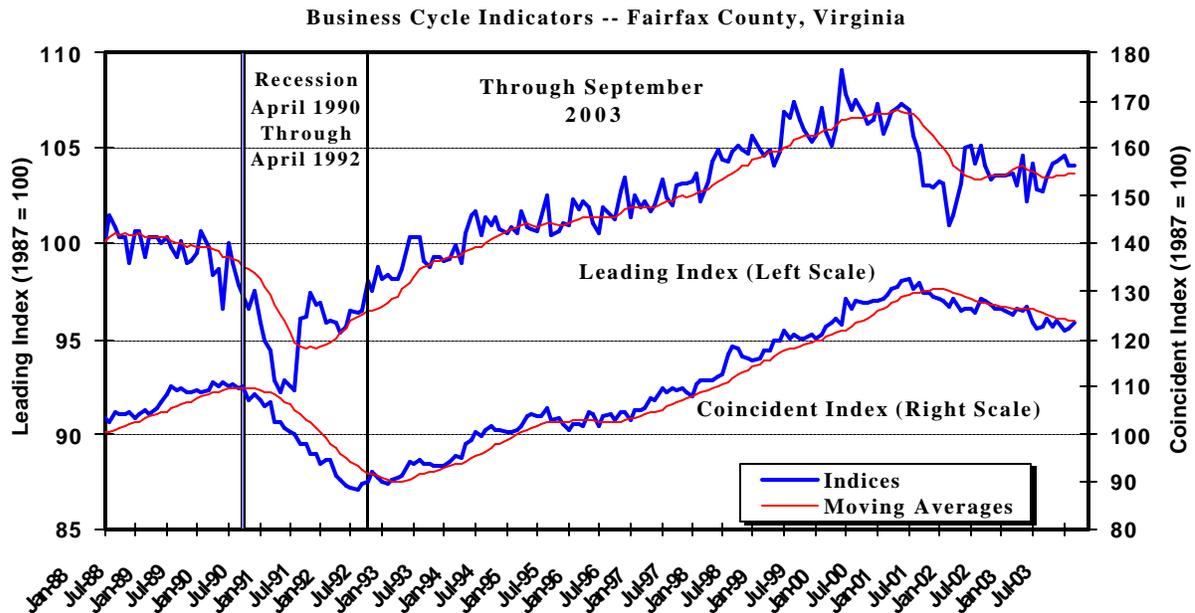
CURRENT CONDITIONS

Third quarter reports on the national economy have shown it to have out-performed all projections with GDP increasing 7.2 percent and productivity gaining 8.1 percent. In fact all of the national economy's indicators as of September were trending positive.

For Fairfax County, its indicators are still not all pointing up although its labor market indicators continue to be positive while consumer spending has temporarily moderated. Job growth remains the constant in Fairfax County's economic recovery. On a month-to-month basis, the County's employment base has registered successive monthly gains each month beginning in February with September's employment total exceeding its same-month level in 2002 by 1.85 percent or 10,755 jobs.

This job growth has enabled the raw unemployment rate to continue its decline, dropping from 3.05 percent in September 2002 to 2.41 percent in September 2003. Initial claims for unemployment insurance provide a good measure of the economy's weakness. In September, initial claims increased (worsened) from August, but were still down 13.6 percent from September 2002 and were less than one-half of January's level.

This continuing strength in the County's labor market has contributed to its consumer spending potential. And, with signs that consumers are less anxious and confidence is beginning to grow, retail and other consumer spending should also be on the rise. Yet, September's retail spending (as measured by sales tax receipts) fell from August even though it higher than a year ago. With Labor



Source: Center for Regional Analysis, George Mason University

Day falling on September 1st, all pre-school shopping took place in August this year enlarging its sales at the expense of September. Also, Tropical Storm Isabel disrupted sales later in the month.

Other indicators of consumer spending were mixed. While automobile sales were down, the residential housing market continued to grow. And, tourism registered gains in both August and September and is positive for the year.

NEAR-TERM OUTLOOK

The uncertainty that has plagued the economy's attempts to build a sustained expansion over the year's first half now appears to be history, setting up the prospects for a strong fourth quarter and the best holiday sales season since 2000. The Leading Index has been pointing up for two quarters and, although its trend has shown some recent vacillation, its monthly over-the-year performance with five consecutive monthly gains provides a strong signal that the economy will fill in and accelerate in the coming months.

The key to sustaining the expansion will be business investment. Consumer spending has carried the economy through the slowdown in spite of declining consumer confidence. Now that consumer confidence is rising again with consumers

having more disposable income (income growth and federal tax reductions), they can be counted on to continue their spending through the holidays and especially during the first quarter of 2004 with the arrival of larger-than-usual tax refunds. However without business investment to augment and enlarge these spending flows, the expansion will not take off. Consumers cannot do it all themselves. With interest rates remaining steady at least until late spring and more advantageous accelerated depreciation allowances now in play, business outlays are increasing and should accelerate over the next year. While there is no specific measure for this type of spending at the County level, its consequences will be seen in future increases in employment and retail sales tax revenues.

The Fairfax County economy has transitioned from slow growth in the year's first quarter to faster growth in the second and third quarters. This pattern of accelerating growth should continue through the remainder of the year, with less seesawing among indicators, setting the stage for solid (less variable) growth in 2004. The national and local economic forecasts for 2004 point to it possibly being the best year of the decade. This year is prelude to 2004 and the sequence of growth should flow directly into a strong first quarter building on the 4th quarter's strong performance.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Sep-03 Prelim.	Aug-03 Final	Sep-02 Final	Aug-03 to Sep-03	Sep-02 to Sep-03
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	123.52	122.20	125.07	1.08	-1.25
Leading Index (1987 = 100)	104.09	104.14	103.72	-0.05	0.36
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	592,048	587,715	581,293	0.74	1.85
<i>Total Covered Employment (Unadjusted)</i>	<i>592,687</i>	<i>587,997</i>	<i>581,921</i>	<i>0.80</i>	<i>1.85</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	279	271	269	3.08	3.94
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>546</i>	<i>549</i>	<i>509</i>	<i>-0.52</i>	<i>7.27</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,757	9,234	8,116	-5.17	7.90
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,327</i>	<i>11,516</i>	<i>10,437</i>	<i>-1.64</i>	<i>8.53</i>
South Atlantic Consumer Confidence	81.8	77.2	100.5	5.96	-18.61
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,485	6,068	5,849	-9.62	-6.22
<i>Automobile Registrations (Unadjusted)</i>	<i>6,237</i>	<i>4,840</i>	<i>6,651</i>	<i>28.86</i>	<i>-6.22</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,544	1,420	1,787	8.76	-13.57
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,293</i>	<i>1,310</i>	<i>1,496</i>	<i>-1.30</i>	<i>-13.57</i>
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	<i>88.8</i>	<i>96.6</i>	<i>101.9</i>	<i>-8.07</i>	<i>-12.86</i>
Residential Building Permits (Number of Units, Seasonally Adjusted)	299	214	504	39.63	-40.67
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>321</i>	<i>241</i>	<i>541</i>	<i>33.20</i>	<i>-40.67</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	26,544	21,779	20,712	21.87	28.16
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>46,885</i>	<i>43,128</i>	<i>35,448</i>	<i>8.71</i>	<i>32.26</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	579,447	573,797	569,572	0.98	1.73
<i>Total Labor Force (Unadjusted, Revised By BLS)</i>	<i>575,268</i>	<i>581,710</i>	<i>565,465</i>	<i>-1.11</i>	<i>1.73</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.20	2.36	2.84	--	--
<i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i>	<i>2.41</i>	<i>2.43</i>	<i>3.05</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
<http://cra.gmu.edu>

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)