

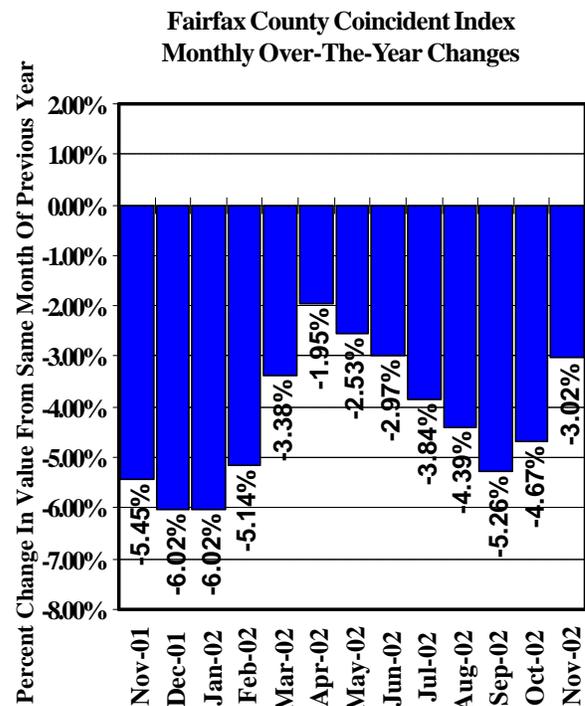
Fairfax County Economic Index

County Economy Weakens in November Although Outlook Improves

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 120.3 in November, down 0.5 percent from its October level. With November's decline, the Coincident Index has been down in four of the last five months and, for the year, is off 3.0 percent. In November, two of the Index's four components were negative.

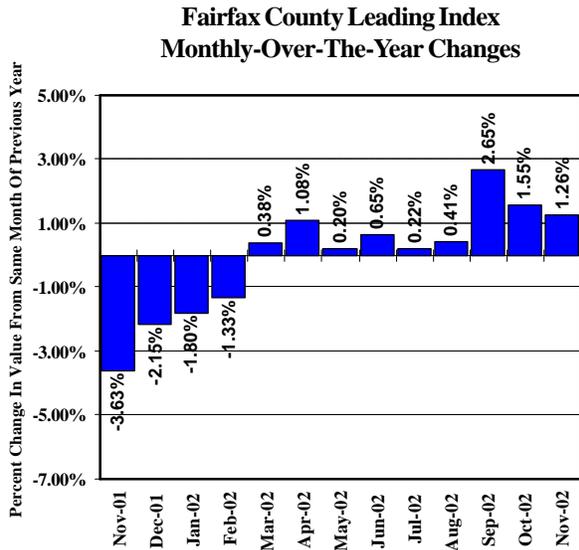
- Sales tax collections, adjusted for inflation and seasonal variation, were down sharply in November and have declined for three consecutive months; and,
- Consumer confidence (in the present) dropped for the fourth time in five months; while,
- Total employment increased for the second month in a row; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a third consecutive month.

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 November to 104.5 for a gain



Source: Center for Regional Analysis, George Mason University

of 1.3 percent. The Leading Index has been up in three of the last four months and, for the year, has gained 1.3 percent. In November, four of the Index's five components contributed to its increase.



Source: Center for Regional Analysis, George Mason University

- Initial claims for unemployment insurance decreased (improved) in November for the third time in four months;
- Consumer expectations (consumer confidence six months hence) were up after decreasing sharply in October;
- Residential building permits increased dramatically in November after having declined in six of the previous seven months; and
- The total value of residential building permits increased for the fourth time in five months; while,
- New automobile registrations decreased for the third time in four months.

The Fairfax County economy continues to under-perform its 12-month trend that began to decelerate at the beginning of 2001. In September, on a monthly over-the-year basis, the Coincident Index had fallen to its lowest value since January 2002 but showed some improvement in both October and November. Still, the performance gap between November 2001 and 2002 was still significant at 3.0 percent. In contrast, the Leading

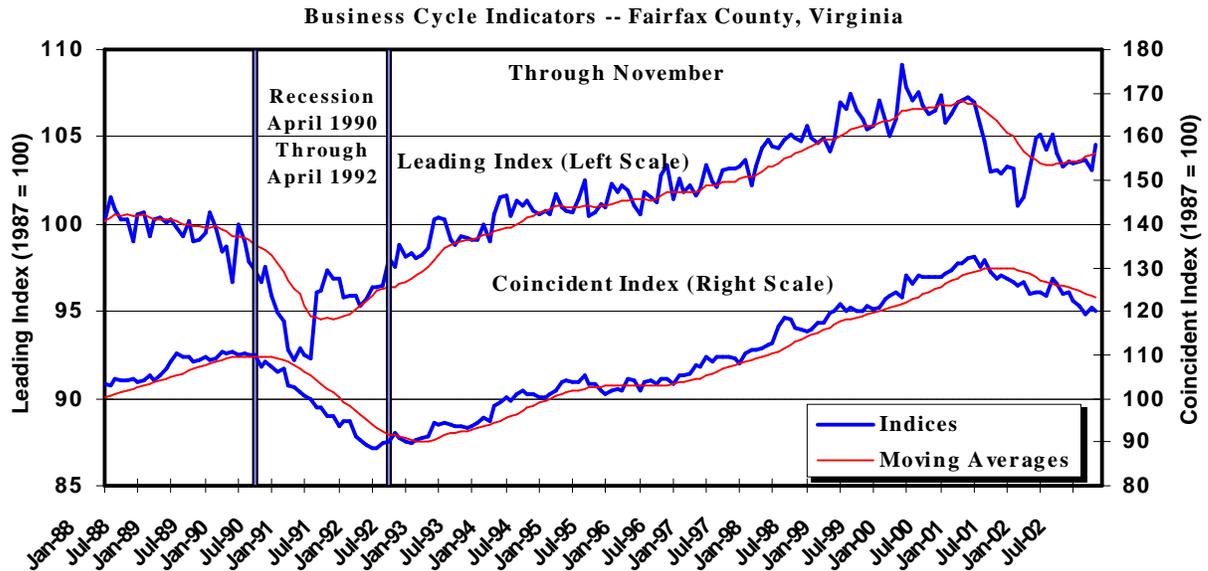
Index is pointing up with its November value exceeding its 12-month trend, which was also moving higher. On a monthly over-the-year basis, the Leading Index has exceeded same-month values in 2001 for nine consecutive months. This performance is pointing to accelerating growth in the Coincident Index during the first quarter of 2003 or by mid-year at the latest.

CURRENT CONDITIONS

The Fairfax County economy continued to struggle in November as it has for most of 2002. While consumer confidence and consumer spending have been lagging since the beginning of the second quarter, job growth has strengthened in recent months. For the economy to sustain the level of growth consistent with its capacity, both consumer spending and job growth must be growing, too.

The County's labor market conditions have shown definite improvement since the summer months. Wage and salary employment, which does not include self-employed workers, contract employees or consultants, was up 1.5 percent in November compared to November 2001 and gained also on a month-to-month basis in both October and November. With this resumption of employment growth, unemployment has declined. November's 2.5 percent unemployment rate was down a full 1/2 point from its level a year ago. Consistent with this decrease in joblessness is the decline in initial claims for unemployment insurance. Jobless claims were down 3.3 percent from October to November and were down 18.8 percent from November of 2001. The County's unemployment rate compared favorably with the metropolitan area rate of 3.2 percent and was the lowest in the nation among major metropolitan areas.

Consumer spending remains below historic patterns. Retail sales tax receipts were down 14.4 percent from October and were off 8.0 percent from November 2001. This sales pattern was not reflected at the metropolitan level where retail sales were down only 1.3 percent in November compared to their level a year ago and are up 2.2 percent for the year through 11 months. The County's



Source: Center for Regional Analysis, George Mason University

unfavorable sales tax pattern is explained by its inclusion of “use” taxes along with “sales” tax revenues. Use taxes apply to the use, consumption, or storage of tangible personal property supplied externally to the Commonwealth and includes among other items the leasing of business equipment—computers, copy machines, and office furniture. While retail sales tax revenues have declined slightly over the past year, use tax revenues have experienced a substantially greater decrease reflecting both the absence of new business investment and reductions in business expenses during the economy’s slowdown.

New housing sales and resale activity are important, too, to the economy’s overall health. Housing sales have been up for the year as interest rates declined to record low levels. New residential permits were higher in 2002 pointing to continued strength in this sector. Still, as home mortgage interest rates inch upward later in the year towards 7 percent on their way to 8 percent by late 2004 or early 2005, the boost the economy has enjoyed from this strong housing market will cool down.

NEAR-TERM OUTLOOK

The Leading Index is pointing to renewed economic growth in the County as measured by

the Coincident Index. Even as the Coincident Index seesaws up and down in alternative months, there are indicators that are gaining strength. Consumer expectations (how consumers view the economy six months ahead) increased almost 14 percent between October and November while November’s value exceeded its November 2001 level by 19.4 percent. The strength of the housing market and renewed job growth both will be important to the economy’s health. As layoffs have declined to pre-recession levels, job growth should accelerate bringing added spending power into the economy. Additionally, the improving health of the regional economy will favorably impact the County’s economy.

The upturn signal provided by the Leading Index earlier in 2002 suggests that the remainder of the County’s economy should begin to register broad based gains early in 2003 with March being the target month. And, it is unlikely that the local economy would be significantly disrupted by an outbreak of war with Iraq although a substantial retreat of the major financial markets could temporarily dampen the area’s growth forces that are presently emerging in support of the expansion.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-02 Prelim.	Oct-02 Final	Nov-01 Final	Oct-02 to Nov-02	Nov-01 to Nov-02
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	120.26	120.90	124.01	-0.53	-3.02
Leading Index (1987 = 100)	104.51	103.13	103.21	1.33	1.26
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	565,237	564,559	556,476	0.12	1.57
<i>Total Covered Employment (Unadjusted)</i>	569,092	564,536	560,272	0.81	1.57
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	316	289	384	9.39	-17.55
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	523	512	607	2.16	-13.70
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,863	8,018	7,459	-14.41	-7.99
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	8,838	9,534	9,624	-7.30	-8.17
South Atlantic Consumer Confidence	98.4	101.1	104.9	-2.67	-6.20
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,134	7,172	6,952	-28.41	-26.14
<i>Automobile Registrations (Unadjusted)</i>	4,566	6,902	6,182	-33.85	-26.14
Initial Unemployment Claims (Seasonally Adjusted)	1,755	1,816	2,105	-3.34	-16.62
<i>Initial Unemployment Claims (Unadjusted)</i>	1,580	1,670	1,895	-5.39	-16.62
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	94.7	83.3	79.3	13.69	19.42
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,034	301	814	243.53	26.98
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	913	327	719	179.20	26.98
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	29,808	25,385	32,472	17.43	-8.20
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	43,873	44,936	45,659	-2.37	-3.91
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	590,056	591,804	598,847	-0.30	-1.47
<i>Total Labor Force (Unadjusted)</i>	586,079	586,765	594,811	-0.12	-1.47
Unemployment Rate (Percent, Seasonally Adjusted)	2.49	2.63	3.00	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.38	2.66	2.90	--	--

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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