



Fairfax County Economic Index

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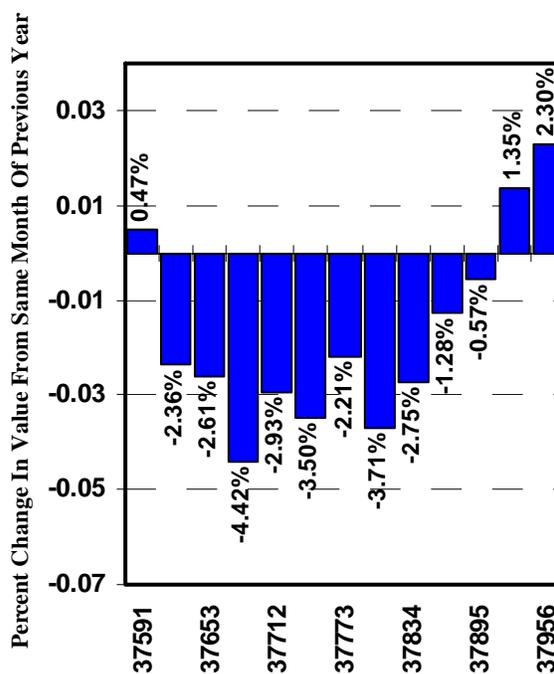
February 2004

December's Economic Performance Strongest in 30 Months

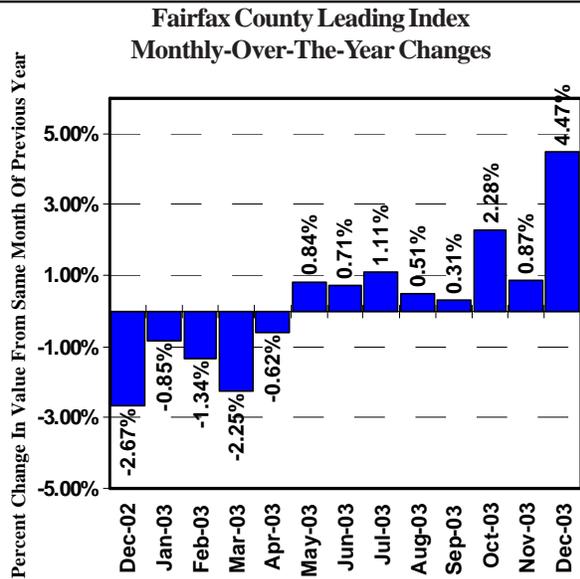
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in December to 129.7, for a gain of 1.84 percent. The Index has now been positive for five months in a row and in December exceeded its 2002 same-month value for the second consecutive month. With December's gain, the Index value has moved substantially higher than the 12-month moving average trend line; this trend line, which had declined since peaking in July 2001, first turned positive in November. Three of the Index's four components were positive in December.

- Consumer confidence (in the present) gained for a fourth month;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, registered a second strong monthly increase and have been positive for four of the past five months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased for the fifth time in seven months; while,
- Total employment fell marginally (- 0.13%) recording its first monthly loss after ten monthly gains.

**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 to 106.75 in December for a gain of 1.17 percent. The Leading Index increased in each month of the fourth quarter following declines in August and September. Since the end of the slow first quarter, the Leading Index has been higher in seven of nine months and has exceeded same-month 2002 values for eight consecutive months. With these gains, its twelve-month moving average trend line has moved substantially higher and now equals its September 2001 level. December's Index value was the highest since January 2001 with four of its five components contributing to its gain.

- New automobile registrations increased in December following October's decline and now have been up in two of the past three months;
- Consumer expectations (consumer confidence six months hence) gained for the third month in a row;
- Residential building permits registered the largest gain of the year and have been higher in three out of four months; and
- The total value of residential building permits were up sharply following two monthly declines; while,

- Initial claims for unemployment insurance increased (worsened) compared to November but were well below their December 2002 level.

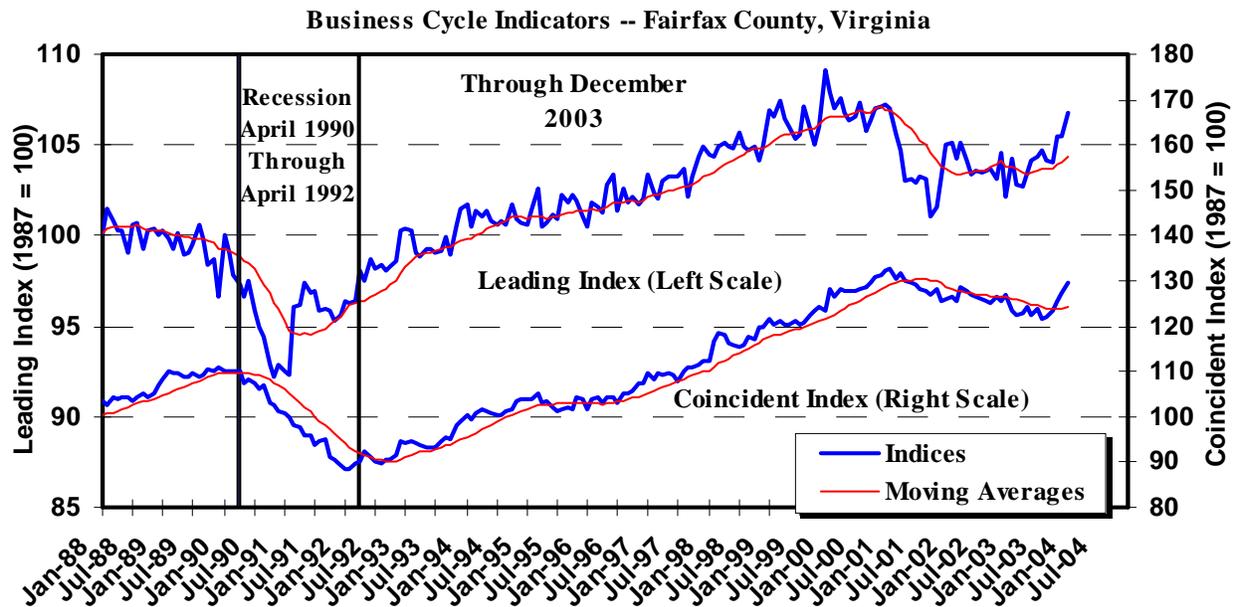
The Fairfax County economy registered its strongest performance in December since mid-2001. This gain was wide spread with all indicators registering higher (or better) values than they had in December 2002. These year-end gains track back to the beginning of the second quarter (March and April) and reflect an economy gaining strength each month and moving towards its pre-slowdown performance levels. The Leading Index, while still below its all-time peak level, did register its highest ever value for the month of December. December's Coincident Index value in 2003 was its third highest being surpassed only in 1999 and 2000. This pattern of performance confirms the economy's renewed expansion and points to its continuing acceleration in 2004.

CURRENT CONDITIONS

The strength of the economy in Fairfax County is seen in its steady improvement since mid-2003. Over the last six months, the Coincident Index gained 6.8 percent and it now stands at its highest level since May 2001. The breadth of this accelerating expansion provides further evidence of its strength—all components of the Coincident Index exceeded their same-month 2002 levels.

The two principal measures of economic health and the drivers of future growth remain jobs and consumer spending. Job growth in Fairfax County in 2003 is currently estimated at 1.9 percent representing a gain of 11,122 jobs. While this job gain falls well below the magnitudes of increase experienced in the late 1990's it still exceeds any other jurisdiction in the metropolitan area and continues to account for more than 50 percent of the job gains realized in Northern Virginia. Additionally, with the re-benchmarking of 2003 employment estimates in late March, it is expected that these current job estimates for the County will be increased.

Furthermore, it has become increasingly accepted that these job numbers exclude important gains in the form of self-employed and contract workers and new employees of start-ups and very



Source: Center for Regional Analysis, George Mason University

small firms. The County's labor force data provide a measure of this emerging employment base. In December, with unemployment standing at a seasonally adjusted 2.1 percent, down from 2.5 in December 2002, the number of Fairfax County residents reporting they were working was up 14,530 or 2.6 percent from December 2002. This job count, even though it includes a broader mix of jobs including some that are not full-time, provides an indication of the magnitude of growth that has occurred in the County over the past year.

The second important indicator of the County's economic health is consumer spending. With consumer confidence exceeding 100 (the level indicative of an expansionary economic climate) for the second month and with confidence growing in both the present and future economy, consumer spending should continue growing, too. While December's retail sales tax receipts registered a small real gain from December 2002 (1.35%), gains over November were up a seasonally adjusted 6.9 percent.

The big boost in retail sales in 2003 came during the summer in response to changes in federal taxes; which reduced withholding rates and increased take-home pay. With the tax season upon us, early tax filers should be rewarded again with larger-than-usual refund checks reflecting the

changed tax rates in 2003. These tax refunds are expected to boost consumer spending beginning in March.

NEAR-TERM OUTLOOK

With accelerating job growth and increased consumer spending during the first half of 2004, the strength of the economy at the end of 2003 is expected to carry over into 2004. The County's Leading Index, exceeding same-month levels in 2002 for eight consecutive months, is clearly pointing to continued and accelerated growth in 2004. Fueling this growth will be a combination of continuing national monetary and fiscal stimulants, federal spending in the Washington area, consumer and business spending and investment.

With unemployment already low, one key constraint to future growth will be the availability of qualified workers. As the economy expands, growing labor costs will be compounded by increases in other operating costs and these could undermine the County's historic comparative advantages. This business cycle has been different from the past. There are not the unemployed labor resources and excess capacity that often accompanies a downturn upon which to build the expansion and this business cycle could potentially run for the remainder of the decade.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Dec-03 Prelim.	Nov-03 Final	Dec-02 Final	Nov-03 to Dec-03	Dec-02 to Dec-03
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	129.70	127.36	126.79	1.84	2.30
Leading Index (1987 = 100)	106.75	105.51	102.18	1.17	4.47
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	595,793	596,578	584,671	-0.13	1.90
<i>Total Covered Employment (Unadjusted)</i>	604,992	600,647	593,698	0.72	1.90
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	389	311	332	25.13	17.12
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	631	531	523	18.76	20.61
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,101	8,513	8,979	6.90	1.35
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	16,231	10,794	16,445	50.37	-1.30
South Atlantic Consumer Confidence	108.9	105.3	91.2	3.42	19.41
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,139	6,035	5,557	18.29	28.47
<i>Automobile Registrations (Unadjusted)</i>	6,218	5,367	4,840	15.86	28.47
Initial Unemployment Claims (Seasonally Adjusted)	1,507	1,112	1,879	35.56	-19.76
<i>Initial Unemployment Claims (Unadjusted)</i>	1,470	1,001	1,832	46.85	-19.76
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	105.4	103.0	91.1	2.33	15.70
Residential Building Permits (Number of Units, Seasonally Adjusted)	570	298	191	91.41	199.31
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	431	263	144	63.88	199.31
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	39,311	22,036	17,679	78.40	122.35
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	53,826	33,471	23,506	60.81	128.99
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	577,053	580,436	564,782	-0.58	2.17
<i>Total Labor Force (Unadjusted)</i>	573,441	576,524	561,246	-0.53	2.17
Employed Labor Force (Seasonally Adjusted)	564,946	567,809	550,418	-0.50	2.64
<i>Employed Labor Force (Unadjusted)</i>	562,537	564,571	548,071	-0.36	2.64
Unemployed Labor Force (Seasonally Adjusted)	12,108	12,627	14,364	-4.11	-15.71
<i>Unemployed Labor Force (Unadjusted)</i>	10,904	11,953	13,175	-8.78	-17.24
Unemployment Rate (Percent, Seasonally Adjusted)	2.10	2.18	2.54	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	1.90	2.07	2.35	--	--

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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