

# Fairfax County Economic Index

Volume VII, Number 10

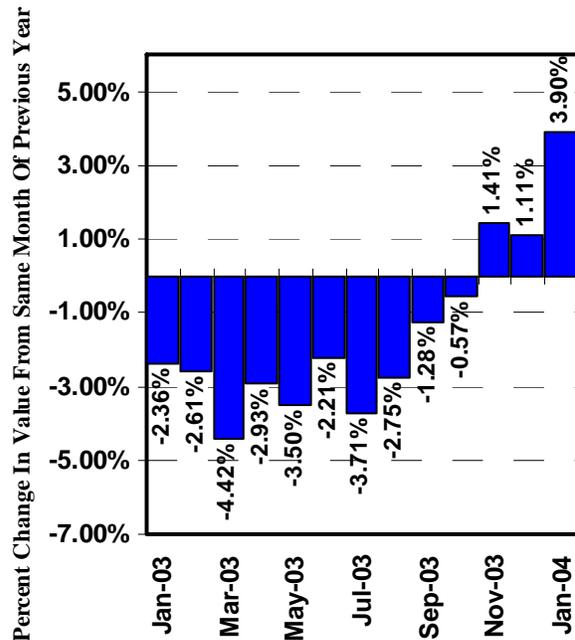
March 2004

## Expansion Slows in January While Leading Indicators Point To Accelerating Growth

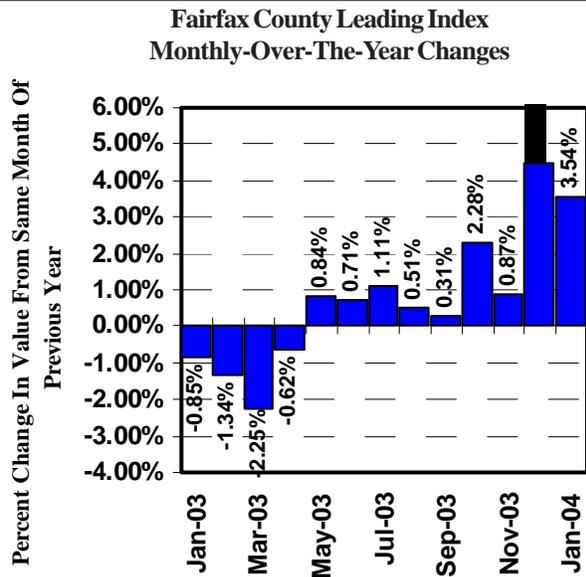
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, fell slightly in January to 128.1, a decline of 0.07 percent. The Index had been positive over the previous five months and is 3.9 percent higher than in January 2003. On a monthly over-the-year basis, the Coincident Index has exceeded last year's same-month values for three consecutive months and its 12-month moving average trend line has turned positive. In January, two of the Index's four components were negative.

- Total employment fell for the second month after ten monthly gains but remains 3.3 percent higher than one year ago; and,
- Consumer confidence (in the present) declined after four monthly gains; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a third month in a row; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased 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, increased to 107.9 in January for a gain of 1.08 percent. The Leading Index has increased rapidly since mid-2003 exceeding its previous year's same-month values for nine consecutive months. Its 2004 January value was its highest ever for the month of January and second highest ever for any month falling just short of its December 1999 peak. In January, four of the Index's five components contributed to its gain.

- New automobile registrations increased for the third time in four months;
- Consumer expectations (consumer confidence six months hence) gained for the fourth month in a row;
- Residential building permits registered a second strong monthly gain and have been up in four of the last five months; and
- Initial claims for unemployment insurance decreased (improved) for the third time in four months; while,
- The total value of residential building permits fell for the third time in four months.

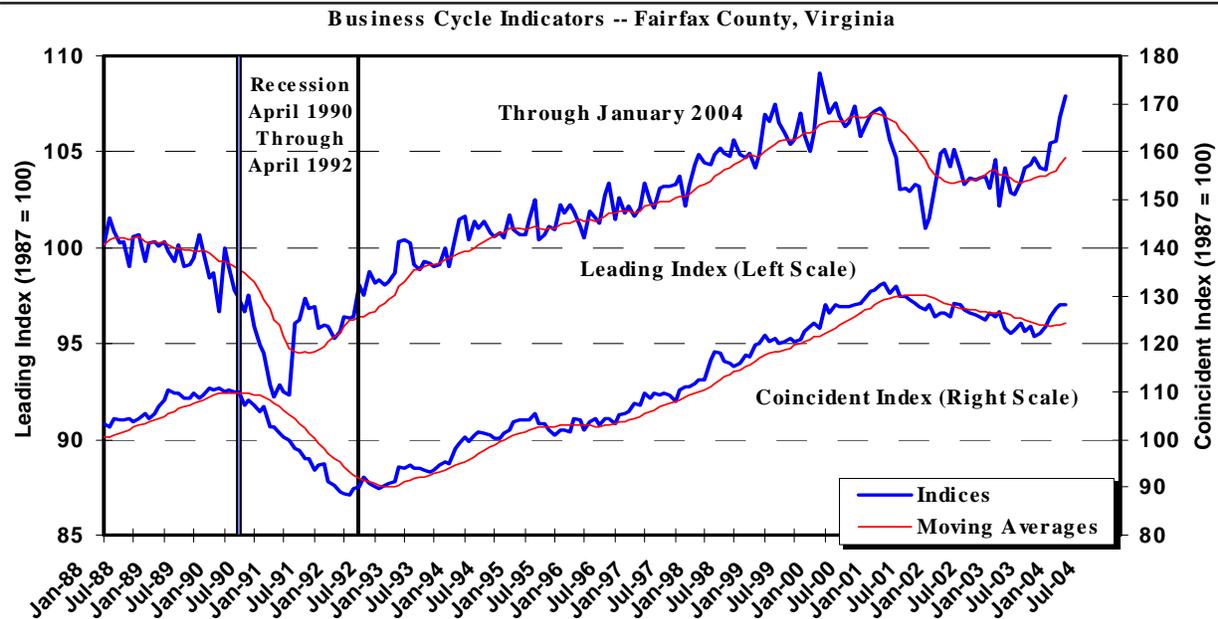
The Fairfax County economy was slowed by harsh winter weather in January following a strong fourth quarter performance. Still, all indicators in the Coincident and Leading Indices (except new auto sales) registered improvement in comparison to their respective January 2003 values. The Coincident Index is now tracking higher following the Leading Index's strong turning signal at mid-year. The leading edge of the Fairfax County economy, as measured by the Leading Index, continues to point to a strong expansion with its nine monthly over-the-year gains and with these accelerating in December and January. The leading indicators and the underlying strength of the County and metropolitan area economies point to a strong expansion in 2004.

## CURRENT CONDITIONS

Measures of the economy's current performance present a somewhat confused picture, partly because year-end and January labor force data are still being finalized including methodological revisions with only state and metropolitan level data available upon which to base estimates and, more fundamentally, the types of jobs being created at this stage of the expansion are more easily under counted. Seasonal factors have compounded these data problems. So, while the County's job base appears to have contracted slightly from December, this is a seasonal pattern that is normal and, with this January being colder than normal, the seasonal difference was likely exaggerated.

Comparing January's employment in 2003 and 2004 minimizes most of the seasonal differences. In January 2004, the estimated employment base in the County was up 3.3 percent for a gain of 18,756 jobs. This is the greatest job gain for any 12-month period in three years. Job growth for the Washington metropolitan area, reflecting re-benchmarked data, reported a gain of 47,200 net new jobs in January.

Unemployment in December was 2.1 percent in Fairfax County (January's data have been delayed) and initial claims for unemployment in-



Source: Center for Regional Analysis, George Mason University

insurance, the key measure of weakness in the labor market, dropped 28.0 percent in January from December and was down 34.9 percent from a year ago. In spite of continuing concerns about the job market, it is performing substantially better locally than nationally and Fairfax County is out-performing the local economy (annual job growth was 1.7% in January) accounting for almost 40 percent of the Washington area's employment gains.

Consumer confidence remains fragile. Media reports and the political debate this election season have continued to fuel concerns about the economy's recovery. The actual performance indicators show continuing expansion but consumers and business investors remain cautious. As a result, consumer and business spending will continue to see-saw from month-to-month until the job growth trends (which always lag the economy's expansion) achieve levels that exceed expectations. In the Washington area, March and April will produce strong gains as the tourist season fills in and business travel accelerates. Still, consumer spending has been better so far in 2004 than it was at the beginning of 2003 as anxiety concerning the threat of war in Iraq was gaining momentum.

## NEAR-TERM OUTLOOK

Fairfax County's Leading indicators are all positive on an annual basis except for new auto sales and these were up in January over December. In aggregate, the Leading Index has regained its pre-downturn level and its recent rapid gain suggests a parallel gain in the Coincident Index over this year's third and fourth quarters. With favorable projections for the national economy and its performance (GDP and job growth) expected to build over the year and into 2005, and with Fairfax County's current performance already leading the Washington region and nation, expectations for the County's economy should be high.

The national Leading Index has increased for nine consecutive months starting in April 2003 and the Washington Area Leading Index has also gained for nine consecutive months (May-January). The outlook for the broader economy is excellent. Fairfax County's economy is more elastic than the remainder of the Washington area and was accelerating faster at the year's beginning. This rapid take off over the past three to four months has positioned the local economy for growth well surpassing the projected 4.0 percent gain for the Washington area. Current projections point to the Fairfax County economy exceeding 5 percent growth in 2004.

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

Economic Indicator	Estimates			Percent Change	
	Jan-04 Prelim.	Dec-03 Final	Jan-03 Final	Dec-03 to Jan-04	Jan-03 to Jan-04
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	128.10	128.19	123.29	-0.07	3.90
Leading Index (1987 = 100)	107.90	106.74	104.20	1.08	3.54
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	594,206	595,793	575,450	-0.27	3.26
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	<i>586,440</i>	<i>604,992</i>	<i>567,929</i>	<i>-3.07</i>	<i>3.26</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	350	336	326	4.17	7.33
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>535</i>	<i>547</i>	<i>482</i>	<i>-2.10</i>	<i>11.03</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,449	9,041	8,663	4.51	9.07
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,790</i>	<i>16,231</i>	<i>9,198</i>	<i>-39.68</i>	<i>6.44</i>
South Atlantic Consumer Confidence	106.6	107.3	88.2	-0.65	20.86
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,200	7,139	7,418	0.85	-2.95
<i>Automobile Registrations (Unadjusted)</i>	<i>6,055</i>	<i>6,218</i>	<i>6,239</i>	<i>-2.62</i>	<i>-2.95</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,085	1,507	1,666	-28.04	-34.91
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,529</i>	<i>1,470</i>	<i>2,349</i>	<i>4.01</i>	<i>-34.91</i>
South Atlantic Consumer Expectations (Unadjusted)	111.4	105.4	86.6	5.69	28.64
Residential Building Permits (Number of Units, Seasonally Adjusted)	798	570	359	39.97	122.35
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>587</i>	<i>431</i>	<i>264</i>	<i>36.19</i>	<i>122.35</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	31,077	39,183	27,561	-20.69	12.76
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>42,830</i>	<i>53,826</i>	<i>32,326</i>	<i>-20.43</i>	<i>32.49</i>
<b>Fairfax County Labor Force (January 2004 Not Available At Press Time)</b>					
Total Labor Force (Seasonally Adjusted)	--	577,053	573,552	--	--
<i>Total Labor Force (Unadjusted)</i>	--	<i>573,441</i>	<i>566,744</i>	--	--
Employed Labor Force (Seasonally Adjusted)	--	564,946	558,064	--	--
<i>Employed Labor Force (Unadjusted)</i>	--	<i>562,537</i>	<i>551,255</i>	--	--
Unemployed Labor Force (Seasonally Adjusted)	--	12,108	15,488	--	--
<i>Unemployed Labor Force (Unadjusted)</i>	--	<i>10,904</i>	<i>15,489</i>	--	--
Unemployment Rate (Percent, Seasonally Adjusted)	--	2.10	2.70	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	--	<i>1.90</i>	<i>2.73</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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