



# Fairfax County Economic Index

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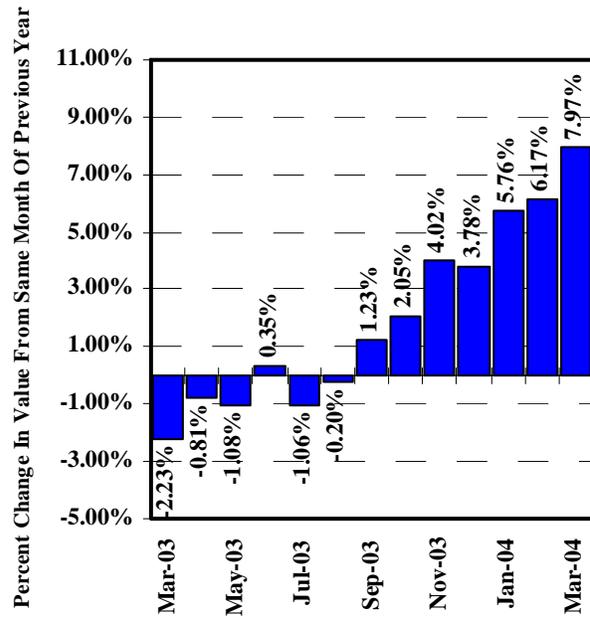
May 2004

## Fairfax County Economy Accelerates

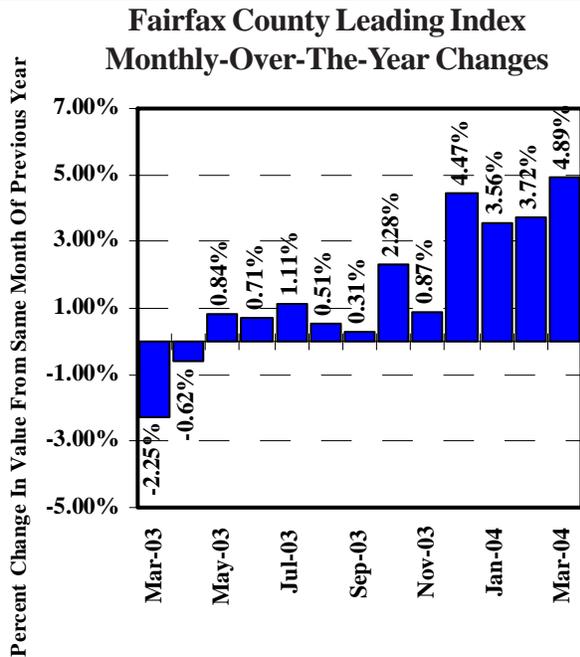
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in March to 137.2 for a gain of 1.83 percent. On a month-to-month basis, the Index has gained in seven of the last eight months and for the year is up 8.0 percent. On a monthly over-the-year basis, the Coincident Index has increased for seven consecutive months over last year's same-month values with each month tracking along an accelerating trend. In March, three of the Index's four components were positive.

- Total employment grew extending its positive trend to thirteen months;
- Consumer confidence (in the present) was higher following two negative months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, were sharply higher following a moderate decline in February; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased slightly following four consecutive 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 107.8 in March for a gain of 1.1 percent. Compared to March 2003, the Leading Index in March 2004 is up 4.9 percent. The Leading Index has been tracking higher since mid-2003 exceeding its previous year's same-month values for eleven consecutive months starting in May 2003. This upward trend is clearly visible in the track of its 12-month moving average line. In March, four of the Index's five components contributed to its gain.

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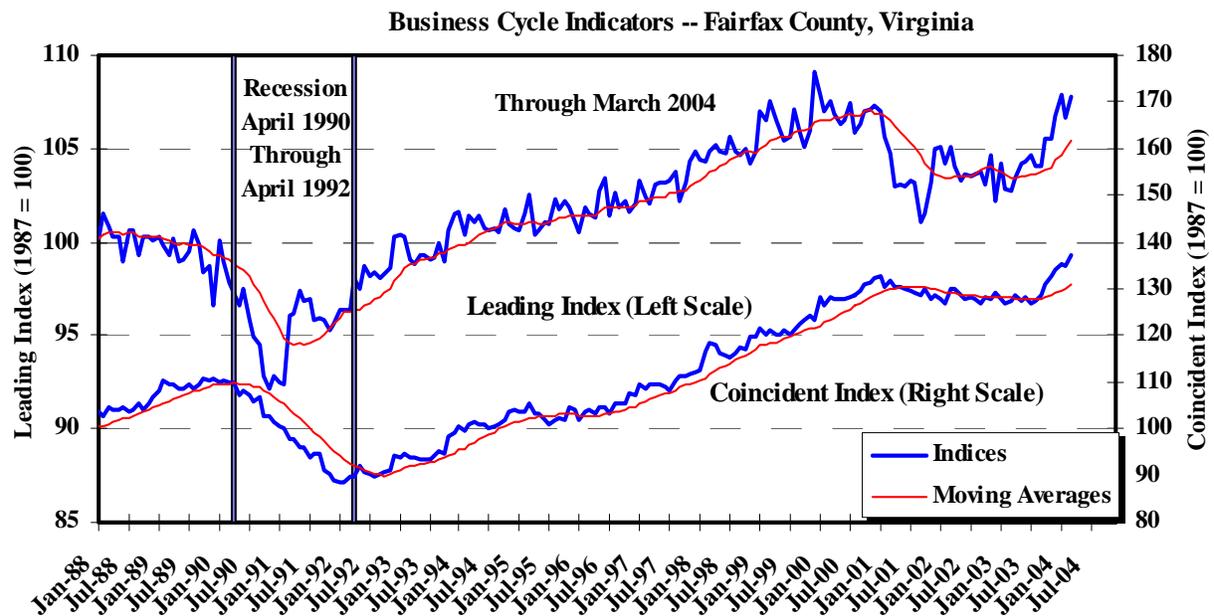
- New automobile registrations increased in March and have grown in five of the last six months;
- Initial claims for unemployment insurance decreased (improved) in March;
- Residential building permits increased for the third time in four months; and,
- The total value of residential building permits was up sharply after trending lower for several months; while,
- Consumer expectations (consumer confidence six months hence) fell for the second month in a row.

The Fairfax County economy recorded a strong performance in March with both the Leading and Coincident Indices pointing higher. Most significant has been the continued strength shown by the Leading Index. Not only has it continued to outperform its same-month values from last year, but also its rate of growth has been accelerating. The expansion has become more broadly distributed across the County's economy with all indicators registering substantial improvement over the past twelve months. The Leading Index is clearly pointing to stronger future growth well into 2005.

## CURRENT CONDITIONS

The Fairfax County economy is performing like it did during the late nineties. For the twelve months ending in March, the County's economy generated 27,612 net new jobs while the Washington region added 60,600. These are job growth numbers similar to those generated in 1998. Adding 27,612 new jobs in the County with unemployment standing at 2.1 percent is likely to have negative consequences. The County's employment base was up 4.6 percent over the past twelve months while the number of County residents who were employed grew 4.1 percent. The difference between these rates of local job growth is made up by increased commuting with resultant increases in highway congestion. With the labor market gaining strength so quickly the County's housing market can be expected to feel the pressure. This pressure will be reflected in continuing higher housing prices. Another measure of the magnitude of labor market recovery is the 33.9 percent decline in initial claims for unemployment insurance since March 2003.

Consumer spending remains an important source of local economic growth. Even though consumer confidence has not regained its pre-recession level, its increase over the past twelve months has been substantial. Consumer confidence is up 62 percent from March 2003 and has broken through the 100 level suggesting consumers are again in an expansionary mood. One measure of this mood swing was March retail sales that registered their greatest month-to-month increase in more than a year. Compared to March of 2003, retail sales were up 22.3 percent. Also, auto sales were up 14.0 percent in March and have increased 39.7 percent compared to March 2003.



Source: Center for Regional Analysis, George Mason University

Another measure of consumer confidence and growing purchasing power is seen in the continuing strength of the housing market. Residential building permits were up 20.5 percent in March from February and registered a 62.2 percent increase over March 2003. With the County's employment base expanding at near historic rates and generating gains in personal earnings, consumer spending should also continue to increase. However, with gasoline prices up sharply, some diversion of retail spending to gasoline purchases will likely dampen the growth of retail sales trends over the summer months.

## **NEAR-TERM OUTLOOK**

The Fairfax County Leading Index has confirmed the strength and direction of the expansion. Its strong upward and accelerating trend over the past year provides an unmistakable signal that the economy is hot and is likely to get hotter during the year's second half. If it were only the Fairfax County's economic indicators that were looking good, their true strength might be open to question. But the Washington Area Leading Index has also registered eleven consecutive monthly increases and the National Leading Index was up for the twelfth month in a row in April. The national and regional employment reports are exceeding prediction, consumers

and governments are spending, tax revenues are increasing, and, most important, business investment and purchases are growing. All the ingredients needed to achieve the best economic performance nationally since 1997 are in place. Locally, the economy's performance will be strong, too, with Fairfax County's growth exceeding 5.0 percent in 2004.

Whenever the economy appears to be performing too well, questions are raised concerning the sustainability of the expansion. At this time, the expansion, which is already nine quarters old, is projected to extend over most of the decade reflecting the average 9.5-year span of the last two business cycles. Still, increasing energy prices, higher interest rates, politics, international conditions, terrorism and other unknown events could sap the strength of the expansion, cool it, or possibly derail it. The probability of the expansion falling short of projection in 2004 has been estimated at 20.0 percent; that is the same probability set for the economy out-performing current expectations. In the short term, the second quarter should register stronger gains than achieved in the first quarter and the economy should be stronger in the second half of the year than it was in the first half.

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

Economic Indicator	Estimates			Percent Change	
	Mar-04 Prelim.	Feb-04 Final	Mar-03 Final	Feb-04 to Mar-04	Mar-03 to Mar-04
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	137.24	134.78	127.11	1.83	7.97
Leading Index (1987 = 100)	107.78	106.65	102.75	1.06	4.89
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	622,953	621,499	595,341	0.23	4.64
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	618,057	613,295	590,662	0.78	4.64
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	375	375	363	-0.10	3.25
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	571	562	539	1.66	5.99
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	10,233	8,176	8,364	25.15	22.33
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	12,572	10,362	10,475	21.33	20.02
South Atlantic Consumer Confidence	113.3	106.2	74.1	6.69	52.90
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,211	6,328	5,161	13.96	39.71
<i>Automobile Registrations (Unadjusted)</i>	7,328	6,218	5,245	17.85	39.71
Initial Unemployment Claims (Seasonally Adjusted)	1,182	1,285	1,788	-8.05	-33.89
<i>Initial Unemployment Claims (Unadjusted)</i>	1,295	1,393	1,959	-7.04	-33.89
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	100.7	105.3	68.6	-4.37	46.79
Residential Building Permits (Number of Units, Seasonally Adjusted)	759	630	468	20.52	62.21
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	558	463	562	20.52	-0.71
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	41,875	29,065	27,144	44.07	54.27
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	58,039	40,007	54,034	45.07	7.41
<b>Fairfax County Labor Force (Rebenchmarked)</b>					
Total Labor Force (Seasonally Adjusted)	583,730	582,503	564,758	0.21	3.36
<i>Total Labor Force (Unadjusted)</i>	580,835	577,208	561,957	0.63	3.36
Employed Labor Force (Seasonally Adjusted)	571,651	570,241	549,248	0.25	4.08
<i>Employed Labor Force (Unadjusted)</i>	569,507	565,214	547,188	0.76	4.08
Unemployed Labor Force (Seasonally Adjusted)	12,079	12,262	15,510	-1.49	-22.12
<i>Unemployed Labor Force (Unadjusted)</i>	11,328	11,994	14,769	-5.55	-23.30
Unemployment Rate (Percent, Seasonally Adjusted)	2.07	2.11	2.75	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	1.95	2.08	2.63	--	--

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/  
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