



# Fairfax County Economic Index

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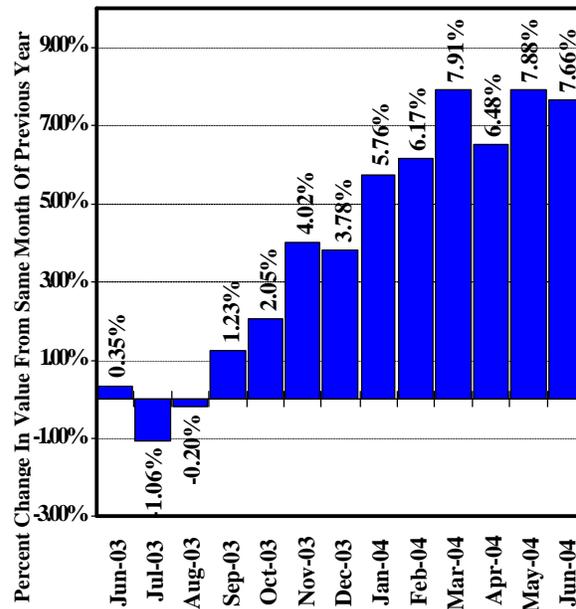
August 2004

## Economic Indices Continue To Track Higher

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in June to 138.23 for a gain of 0.67 percent. On a month-to-month basis, the Index has gained in nine of the last twelve months and for the year it is up 7.7 percent. On a monthly over-the-year basis, the Coincident Index has increased for ten consecutive months over last year's same-month values with August 2003 being the last down month. In June, three of the Index's four components were positive.

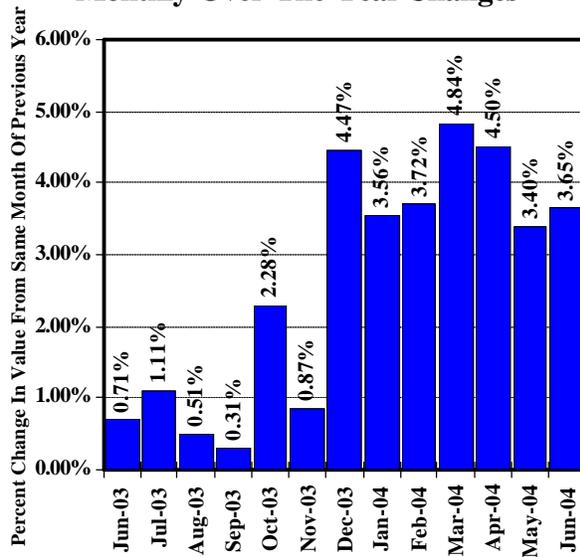
- Total employment grew extending its positive trend to sixteen months;
- Consumer confidence (in the present) was higher for a fourth month; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased slightly after growing sharply in May; while
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for a second month.

**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

### Fairfax County Leading Index Monthly-Over-The-Year Changes



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 108.16 in June for a gain of 0.39 percent. The Leading Index has been tracking higher since mid-2003 exceeding its previous year's same-month values for fourteen consecutive months starting in May 2003. This upward trend is clearly visible in the track of its 12-month moving average line that has moved higher over the past year and is close to its historic high set in November 2000. In June, four of the Index's five components contributed to its gain.

- Consumer expectations (consumer confidence six months hence) improved for a second month after declining for three months;
- New automobile registrations were sharply higher;
- Residential building permits increased for the third time in four months; and,
- The total value of residential building permits was higher after decreasing in May; while,
- Initial claims for unemployment insurance increased (worsened) in June after having improved in each of the previous three months.

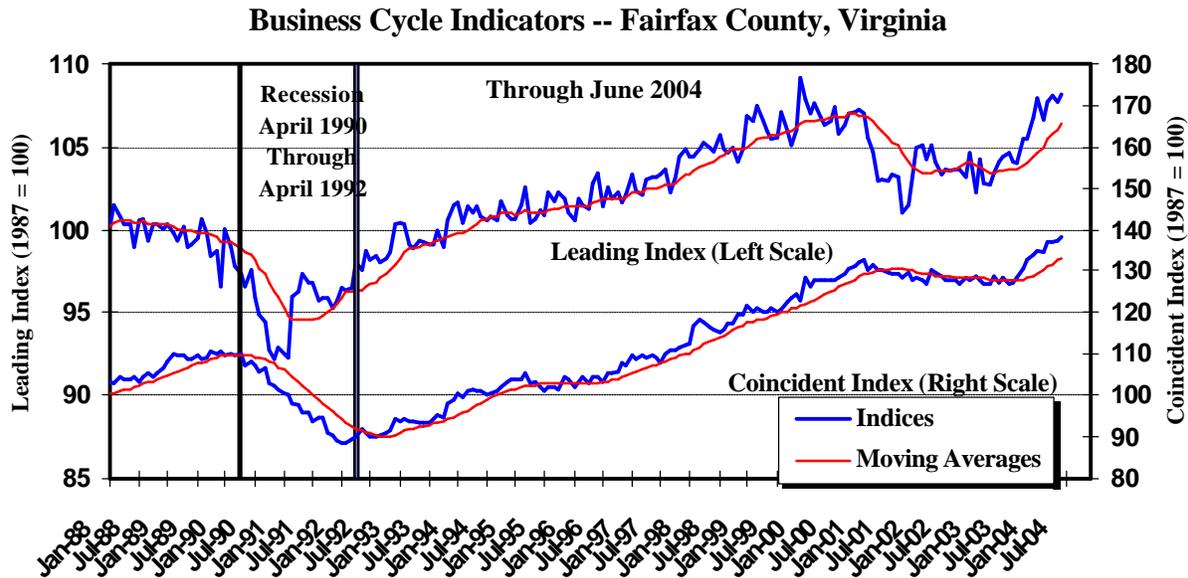
The Fairfax County economy continued to register strong gains in June in contrast to the softening experienced in the national economy. The Leading Index, with its fourteen months of gains, provides an unambiguous signal pointing to the economy's future growth. The Coincident Index has gained for ten consecutive months beginning slowly and accelerating to a sustained strong monthly over-the-year rate of increase. This continuing strength of the Leading Index and the high levels of monthly over-the-year gains of the Coincident Index suggest that these growth levels will continue through the remainder of 2004 and into 2005.

## CURRENT CONDITIONS

The Fairfax County economy is performing at its near-maximum level and is a major contributor to the Washington metropolitan area's strong economic performance. In June, the Washington area added 82,000 net new jobs from June 2003. This job growth was two times the number of jobs added by the next best metro economy. In fact, Northern Virginia generated as many net new jobs during the year ending in June as the second best metropolitan area and most of these jobs (64%) were generated in Fairfax County. With 20 percent of the metropolitan area population, Fairfax County is presently accounting for 38 percent of the area's job growth.

This strong job gain (5.1%) has helped to support gains in consumer spending; retail sales are up 14.2 percent from June 2003 and new automobile sales have increased by 19.6 percent. The housing market has also remained strong. Residential building permits in June were up 266 percent from June 2003 while the value of these permits increased by 55 percent.

A recently released report on federal procurement spending in the Washington region during 2003 provides an explanation for the County's strong economic performance this year. Federal procurement spending was up by a record \$6.1 billion (16.9%) to \$42.2 billion from 2002 with federal procurement awards captured by firms located in Fairfax County totaling \$9.6 billion for a gain of \$2.2 billion or 31 percent. Federal procurement spending in Fairfax County was greater than the procure-



Source: Center for Regional Analysis, George Mason University

ment spending in all five counties comprising Suburban Maryland and its gain accounted for 33 percent of the region's total gain. Adding procurement outlays for firms located in Fairfax City and Falls Church to Fairfax County's total would bring the combined value to \$13.6 billion, an amount 20 percent greater than the total procurement awards in the District of Columbia.

This federal contracting would support a total of 95,000 jobs and the County's one-year gain in procurement spending would have generated a total of 21,600 new jobs over the contract period. Fairfax County's dominance of the region's federal procurement business (it captured 50% of the gain when the cities are included) explains the strong job growth and above-average growth of local economic activity.

## ***NEAR-TERM OUTLOOK***

The national economy is still expected to achieve a growth rate of more than 4 percent this year as the softness experienced over the summer gives way to accelerated growth during the September-December period. The Washington economy has not experienced a summer slowdown as of yet. Rather, its engine is fueled differently—federal spending is generating at least one-third of all economic

output. Not only did federal spending increase in 2002 in response to the War on Terrorism but it increased again in 2003 and its gain in 2003 was greater than in 2002.

Fairfax County has captured a disproportionate share of this increase in federal spending and this has strengthened the County's entire business base as well as generated new jobs and increased personal income. Federal spending is not expected to slowdown this year and, while the rate of gain is projected to moderate next year, the large magnitude of spending will continue to propel the Washington area and Fairfax County economy even if the national economy should slow down more than is expected in 2005.

The Fairfax County Leading Index projected the economy's renewed expansion almost a year ago. Looking forward, the Leading Index is pointing to at least nine more months of continued expansion. This continued growth will be driven by the contractor jobs and federal spending already in place and will be extended by this year's federal contracting. The contract awards made in 2003 are driving the expansion in 2004 and the awards made in 2004 will drive the expansion in 2005 and beyond. Federal spending in 2004 is projected to include a record budget deficit. This is good news for the Fairfax County economy, at least in the short term.

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

Economic Indicator	Estimates			Percent Change	
	Jun-04 Prelim.	May-04 Final	Jun-03 Final	May-04 to Jun-04	Jun-03 to Jun-04
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	138.23	137.32	128.40	0.67	7.66
Leading Index (1987 = 100)	108.16	107.73	104.35	0.39	3.65
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	632,044	627,332	601,231	0.75	5.12
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	639,534	628,066	608,356	1.83	5.12
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	319	355	294	-10.11	8.41
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	602	602	539	-0.04	11.61
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,227	9,145	8,078	0.89	14.22
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	13,002	12,029	11,185	8.09	16.24
South Atlantic Consumer Confidence	133.2	122.6	97.8	8.65	36.20
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,837	5,553	5,715	23.11	19.62
<i>Automobile Registrations (Unadjusted)</i>	7,700	6,218	6,437	23.83	19.62
Initial Unemployment Claims (Seasonally Adjusted)	1,236	962	1,579	28.51	-21.75
<i>Initial Unemployment Claims (Unadjusted)</i>	1,173	881	1,499	33.14	-21.75
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	106.6	100.0	101.9	6.60	4.61
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,107	873	302	26.79	266.42
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	814	642	342	26.79	138.01
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	37,172	34,942	24,012	6.38	54.80
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	52,183	48,586	50,087	7.40	4.18
<b>Fairfax County Labor Force (Rebenchmarked)</b>					
Total Labor Force (Seasonally Adjusted)	587,230	584,127	566,546	0.53	3.65
<i>Total Labor Force (Unadjusted)</i>	596,297	586,452	575,294	1.68	3.65
Employed Labor Force (Seasonally Adjusted)	576,623	572,594	552,534	0.70	4.36
<i>Employed Labor Force (Unadjusted)</i>	583,401	574,765	559,029	1.50	4.36
Unemployed Labor Force (Seasonally Adjusted)	10,607	11,533	14,012	-8.03	-24.30
<i>Unemployed Labor Force (Unadjusted)</i>	12,896	11,687	16,265	10.34	-20.71
Unemployment Rate (Percent, Seasonally Adjusted)	1.81	1.97	2.47	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.16	1.99	2.83	--	--

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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