

# Fairfax County Economic Index

Volume VIII, Number 6

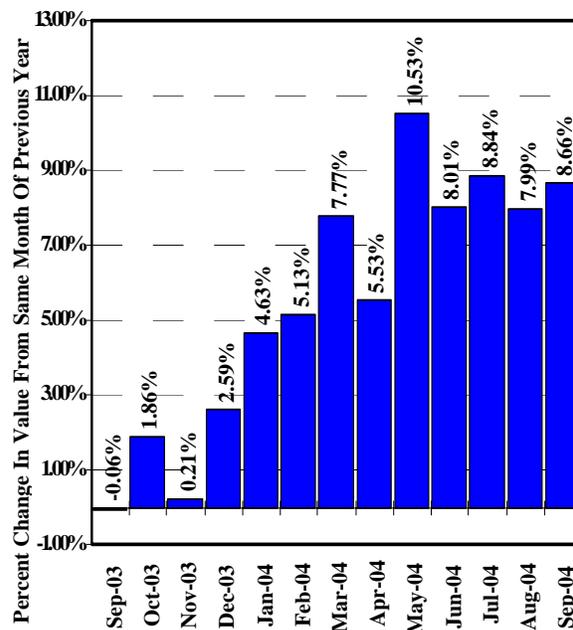
November 2004

## Economy Rebounds in September, Outlook Remains Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in September to 140.14 for a gain of 1.98 percent establishing a new historic peak value. The Index has now increased in four of the last five months and in eight of the previous twelve months and exceeds its September 2003 value by 8.66 percent. On a monthly over-the-year basis, the Coincident Index has increased for twelve consecutive months over last year's same-month values with August 2003 being the last down month. For the third time in the past year, all four of the Index's four components were positive in September.

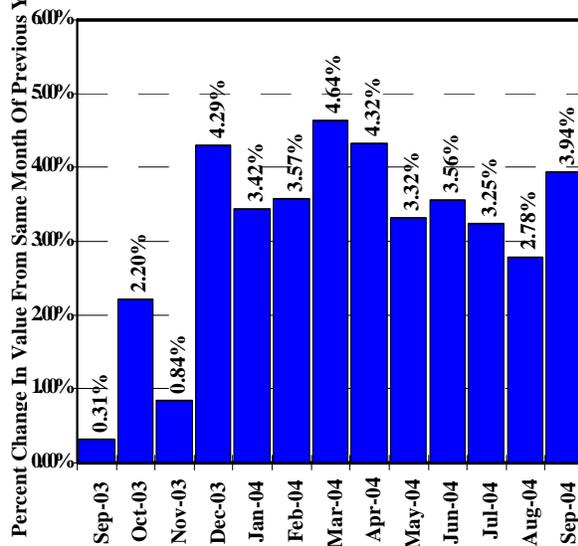
- Consumer confidence (in the present) increased following two negative months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased following three down months;
- Sales tax revenues, adjusted for inflation and seasonal variation, increased for the fourth time in five months; and,
- Total employment continued to expand extending its positive trend to nineteen months.

**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 108.19 in September for a gain of 1.04 percent. The Leading Index continues to track higher exceeding its previous year's same-month values for seventeen consecutive months starting in May 2003 and has only been negative on a month-to-month basis three times over the past year. 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 now exceeds its previous historic high set in November 2000. In September, all five of the Index's components contributed to its increase.

- Consumer expectations (consumer confidence six months hence) turned up in September gaining for the fourth time in five months;
- New automobile sales increased for a second month and for the fourth time in five months;
- New residential building permits gained following two monthly decreases;
- The total value of residential building permits increased slightly and have now been positive in three of the last four months; and,
- Initial claims for unemployment insurance decreased (improved) for the sixth time in seven months.

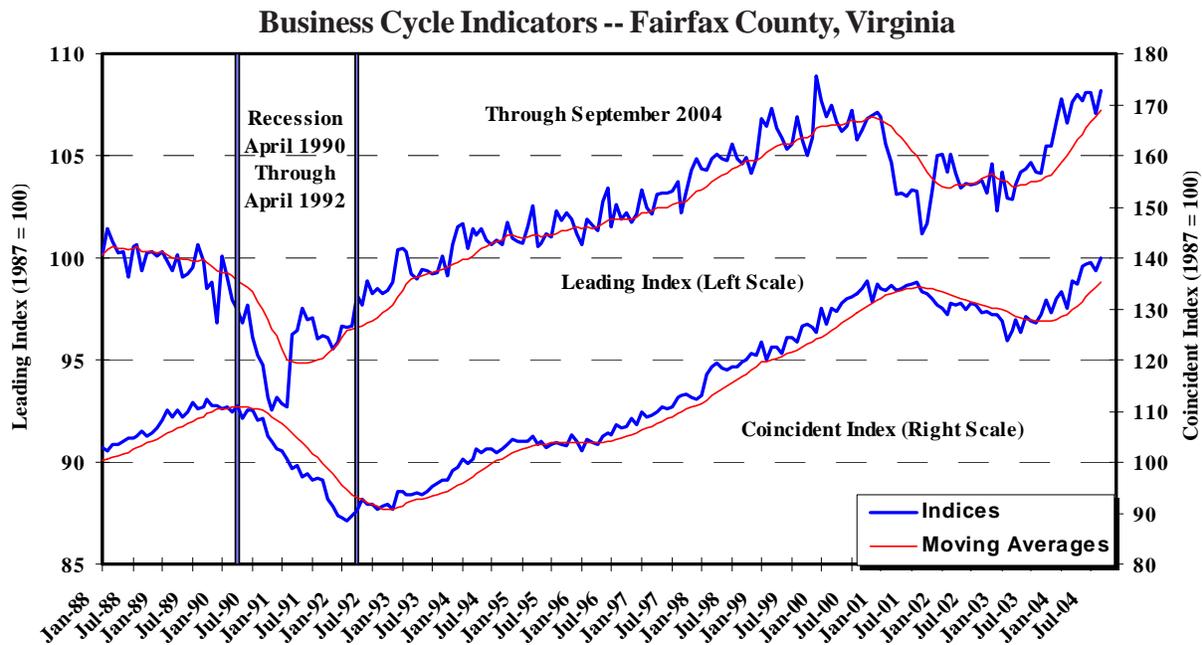
The Fairfax County economy rebounded in September from its "soft patch" experienced over the summer months with strong gains in both the Leading and Coincident Indices. This was only the second time in the last year in which all nine indicators comprising both Indices were positive (December 2003 for the other). The strength of the County's economy is seen both in its strong job growth and low unemployment. The breadth of the expansion provides further evidence of its strength. The expansion appears on course for a strong performance in the fourth quarter of 2004 and is expected to continue growing through the coming year.

## CURRENT CONDITIONS

September's strong performance of the Coincident Index confirms that Fairfax County's economic expansion is in full drive following its deceleration over the summer months. All indicators are positive and together have extended the Index's monthly over-the-year gains to a twelfth consecutive month. The Coincident Index now stands at its all-time level surpassing its pre-tech bubble peak in 2001 for the fifth month in a row. Similarly, the Index's 12-month moving average has also established a new peak surpassing its historic high point of August 2001 setting a new record high in September 2004. With both the Coincident Index and its moving-average values exceeding the peaks of the pre-September 11, 2001 period, it seems safe to say that the economy has regained its momentum and is fully recovered in all of its dimensions.

The County's labor market continues to outperform the region and nation with an annualized job growth rate of 4.35 percent and an unemployment rate of 1.6 percent, down from 2.4 percent a year ago. Initial claims for unemployment insurance, the most indicative measure of business conditions as it tracks lay offs, has declined (improved) 39 percent over the last twelve months. The County's labor market is tight by all measures and the shortage of qualified workers could threaten the County's ability to grow in the coming months.

Consumer spending has remained strong over the year and helps to explain the economy's vitality. Retail sales, as measured by sales tax revenues, are tracking higher for the year, up almost 7 percent on a seasonally adjusted basis. This growth rate exceeds the County's population gain by more than a factor of 3, pointing to both increased sales to non-county residents and continuing gains in disposable income even



Source: Center for Regional Analysis, George Mason University

with energy prices taking some discretionary spending out of the market place. Additionally, the residential market (both new homes and resales) has remained strong with average resale prices continuing to rise (up 18.8% for the first half of 2004).

Consumer confidence in the region is among the highest in the nation and is trending upward with significant gains in both September and October. With the political season over and the economic news good (U.S. job growth in October was 337,000, oil prices fell somewhat, and the stock market rose), consumers are feeling more confident about the future. As a result, holiday sales should be solid this year, contributing further to a strong overall economic performance for 2004.

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

The Leading Index has been higher on a monthly over-the-year basis for seventeen consecutive months and both the raw Index value and its 12-month moving average trend have moved to new record levels. This upward track points to the expansion extending well into next year while other forecasts suggest that the expansion could last to the end of the decade albeit at a decelerating growth rate after 2005.

All the ingredients for a healthy local economy are in place. The Washington area economy is the best performing of any major metropolitan area in the country with the largest employment growth (averaging 70,000 jobs for the year) and lowest unemployment rate (3.1%). Fairfax County is the greatest force in the Washington region's economic performance with its strong job gains (26,582) accounting for 40 percent of the region's gain supported by its domination of federal procurement dollars (firms in the County received more federal contract dollars than all firms in the District of Columbia or in the five-counties of Suburban Maryland).

As long as the County can continue to attract workers in sufficient numbers and quality to meet the job growth needs of its growing businesses, cutting across all occupations, it will be able to sustain current growth rates assuming that federal spending trends continue as expected (some moderation is forecast in 2005 and 2006). While the high office vacancy rate at the beginning of the year made the County attractive for new business location, vacancy rates have dropped below double digits. The ability to house the expanding economy, along with the growing shortage of workers (and increasing lease and wage rates), could act to slow the County's growth rate by the second half of 2005.

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

Economic Indicator	Estimates			Percent Change	
	Sep-04 Prelim.	Aug-04 Final	Sep-03 Final	Aug-04 to Sep-04	Sep-03 to Sep-04
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	140.14	137.42	128.97	1.98	8.66
Leading Index (1987 = 100)	108.19	107.08	104.09	1.04	3.94
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	637,894	634,713	611,312	0.50	4.35
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	638,583	635,018	611,972	0.56	4.35
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	712	660	604	7.79	17.86
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	1,344	1,209	1,094	11.16	22.87
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,357	9,019	8,757	3.74	6.84
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	12,160	11,335	11,327	7.28	7.35
South Atlantic Consumer Confidence	123.2	117.8	80.4	4.58	53.23
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,545	5,543	5,485	18.08	19.34
<i>Automobile Registrations (Unadjusted)</i>	7,443	6,218	6,237	19.70	19.34
Initial Unemployment Claims (Seasonally Adjusted)	944	998	1,544	-5.49	-38.90
<i>Initial Unemployment Claims (Unadjusted)</i>	790	921	1,293	-14.22	-38.90
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	103.4	95.3	87.7	8.50	17.90
Residential Building Permits (Number of Units, Seasonally Adjusted)	649	504	299	28.68	116.75
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	477	504	321	-5.36	48.60
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	38,220	37,757	26,544	1.23	43.99
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	54,511	53,851	46,885	1.23	16.27
<b>Fairfax County Labor Force (Rebenchmarked)</b>					
Total Labor Force (Seasonally Adjusted)	588,292	585,988	573,409	0.39	2.60
<i>Total Labor Force (Unadjusted)</i>	584,050	594,069	569,274	-1.69	2.60
Employed Labor Force (Seasonally Adjusted)	578,812	574,334	559,410	0.78	3.47
<i>Employed Labor Force (Unadjusted)</i>	573,379	581,867	554,159	-1.46	3.47
Unemployed Labor Force (Seasonally Adjusted)	9,480	11,654	13,999	-18.65	-32.28
<i>Unemployed Labor Force (Unadjusted)</i>	10,671	12,202	15,115	-12.55	-29.40
Unemployment Rate (Percent, Seasonally Adjusted)	1.61	1.99	2.44	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	1.83	2.05	2.66	--	--

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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