



# Fairfax County Economic Index

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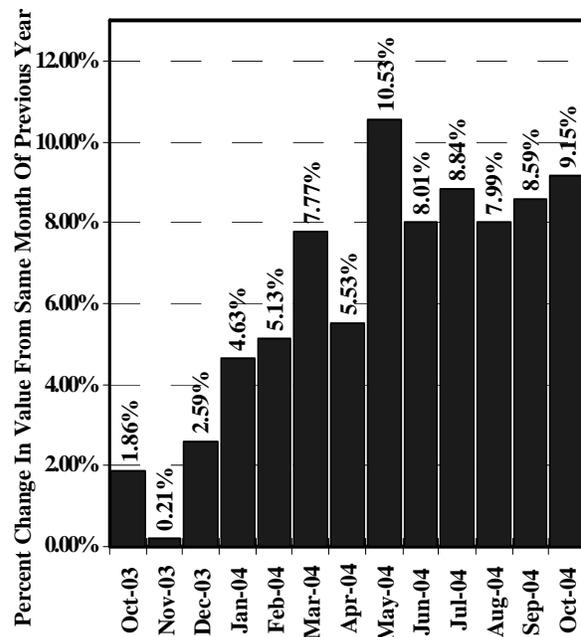
December 2004

## Economy Accelerates in October, Outlook Good for 2005

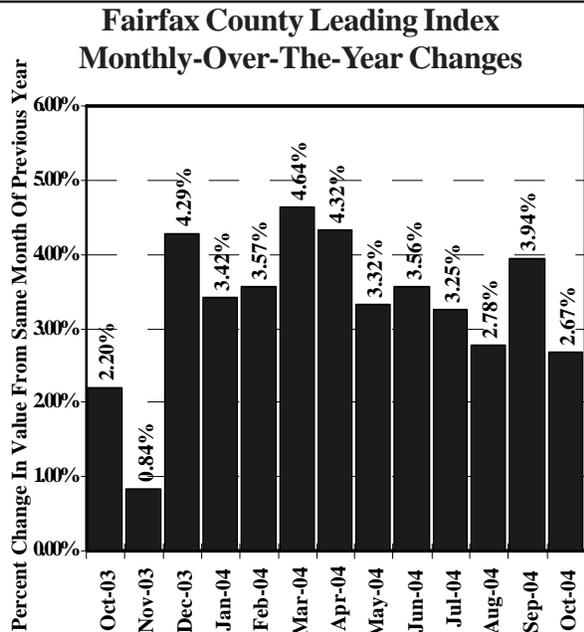
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in October to 143.9 for a gain of 2.76 percent establishing another new historic peak value. The Index has now increased in five of the last six months and exceeds its October 2003 value by 9.2 percent. On a monthly over-the-year basis, the Coincident Index has increased for thirteen consecutive months over last year's same-month values with August 2003 being the last down month. All components of the Index have been positive for two months in a row and for the fourth time in the past year, all four of the Index's four components were positive in October.

- Consumer confidence (in the present) increased for a second month;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, gained for a second month;
- Sales tax revenues, adjusted for inflation and seasonal variation, increased for the fifth time in six months; and,
- Total employment continued to expand extending its positive trend to twenty 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 108.3 for a gain of 0.09 percent. On a monthly over-the-year basis, the Leading Index was up 2.67 percent in October and continues to track higher exceeding its previous year's same-month values for eighteen consecutive months starting in May 2003. The Index 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 October, three of the Index's components contributed to its increase.

- Consumer expectations (consumer confidence six months hence) moved higher in October gaining for the fifth time in six months;
- The total value of residential building permits have been positive in four of the last five months; while,
- Initial claims for unemployment insurance increased (worsened) following three monthly improvements; and,
- New automobile sales fell following two monthly gains.

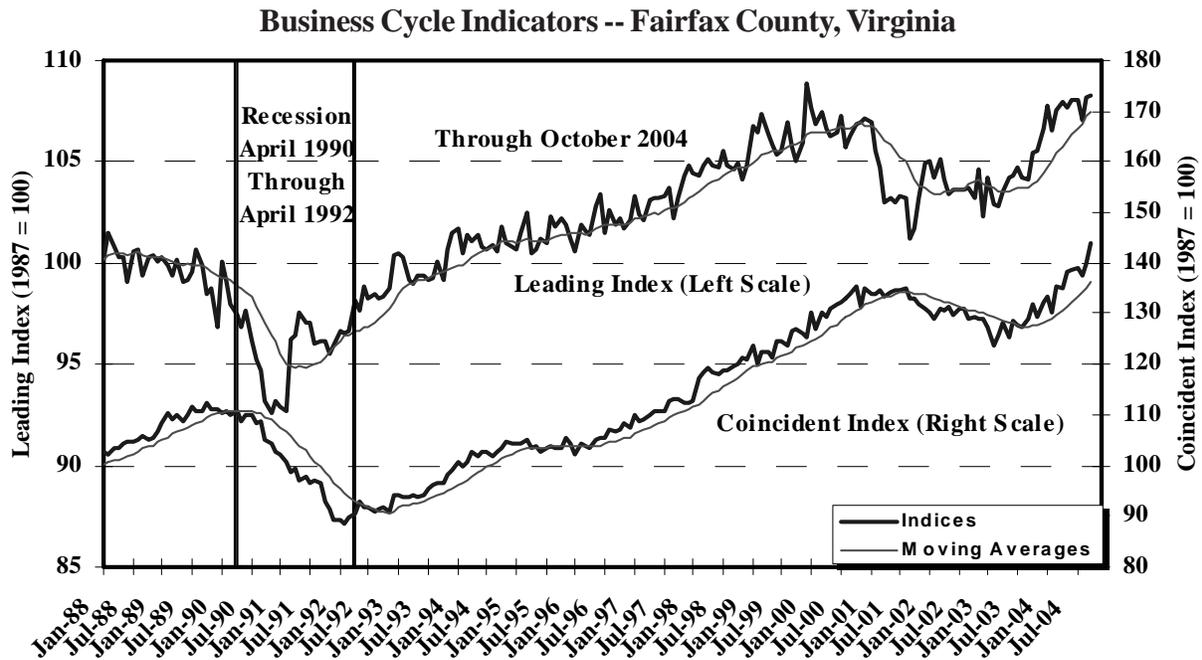
The Fairfax County economy registered its second strongest monthly gain in which all four components of the Coincident Index were positive. This month's gain extended the monthly trend that has exceeded an eight percent growth rate compared to the same-month in 2003 for six months. With job growth leading the way, the economy is positioned for continuing strong gains into 2005. The Leading Index, which forecasts the near-term performance of the County's economy, set a new record in October and even though its monthly over-the-year trend is moderating, it is clearly pointing to solid gains continuing at least through mid-year 2005.

## CURRENT CONDITIONS

The strength of the Fairfax County economy has been evident all year. Its 20-consecutive monthly gain in jobs confirms this underlying strength and explains the economy's continuing expansion. The gains in consumer spending registered across the retail (up 8 of 12 months) and housing sectors provide further evidence of the economy's expansion. With job growth averaging above four percent for the year (that's almost 2 percentage points better than the Washington Region and 3 points better than the nation), the county's work force should be considered as being fully employed. Further, with an unemployment rate below 2 percent for the year and currently standing at 1.7 percent and with job growth favoring higher-value added jobs, disposable income in the county has been growing.

Housing sales have continued at near-record rates with sale prices up at double-digit rates for the third year. With residential building permits and the value of these permits up sharply for the year, this sector should continue to add to the economy's growth over the coming months.

Yet, in spite of these positive trends and estimates for gains in Gross County Product exceeding 8 percent (not adjusted for inflation), retail sales and new automobile sales in October were down from October 2003. This apparent contradiction



Source: Center for Regional Analysis, George Mason University

suggests that County residents are doing a growing share of their shopping out of the county, that they are saving their money (not shopping), or October sales this year were depressed for some other reason.

Until year-end sales data are available, it will be impossible to know the answer. As retail employment has grown in 2004, it would appear that there maybe more sales occurring than are being reported in October. Overall, all indicators are pointing to a solid performance across the breadth of the economy.

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

The Leading Index is pointing to this year's growth trend continuing well into 2005. On a monthly over-the-year basis, the Leading Index has moved higher now for 18 months and, with its 9 to 12 month lead, the current expansion is expected at a minimum to carry over to next summer. Longer-term projections confirm that 2005 will be another good year for the County's economy with job and income growth closely paralleling their performance in 2004.

The strong performance of the national economy in 2004 and its projected 3.5 percent growth in 2005 provide the platform for the local

economy's performance. Additionally, the County's strong gains in federal procurement outlays and the steadily upgrading of the quality of jobs in the County's employment base have positioned it to outperform national trends as well as the projected performance of the Washington area economy. Job growth in 2005 is projected to exceed gains in 2004 and these gains should continue to favor higher-value added occupations thereby supporting above-average income growth. These favorable employment and income trends are expected to support continued growth in retail and other consumer spending that are important to capturing the local economy's gains and spreading them broadly across the local service economy.

The County's strong gains in 2004 and favorable re-positioning of its economy to favor faster growing and higher-income (and output) jobs will help extend the expansion into 2006. However, there are threats to this positive outlook: shortages of qualified workers, increased operating costs, higher energy prices, and diminished qualities of life (especially congestion) will generate negative forces to counter the County's strong economic assets. These off setting forces are always present but as they worsen going forward they will become more important and will slow the expansion.

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

Economic Indicator	Estimates			Percent Change	
	Oct-04 Prelim.	Sep-04 Final	Oct-03 Final	Sep-04 to Oct-04	Oct-03 to Oct-04
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	143.91	140.05	131.85	2.76	9.15
Leading Index (1987 = 100)	108.29	108.19	105.47	0.09	2.67
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	642,722	637,894	615,515	0.76	4.42
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	642,696	638,583	615,490	0.64	4.42
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	810	712	593	13.76	36.53
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	1,401	1,344	982	4.19	42.67
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,588	9,357	10,108	2.47	-5.14
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	11,798	12,160	11,960	-2.98	-1.35
South Atlantic Consumer Confidence	124.0	122.1	93.2	1.56	33.05
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	5,864	6,545	8,236	-10.41	-28.79
<i>Automobile Registrations (Unadjusted)</i>	5,643	6,218	7,925	-9.25	-28.79
Initial Unemployment Claims (Seasonally Adjusted)	1,115	944	1,532	18.12	-27.25
<i>Initial Unemployment Claims (Unadjusted)</i>	1,025	790	1,409	29.75	-27.25
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	108.7	103.3	102.0	5.23	6.57
Residential Building Permits (Number of Units, Seasonally Adjusted)	987	649	335	52.20	194.58
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	726	477	364	52.20	99.45
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	39,804	38,220	24,195	4.14	64.52
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	56,932	54,511	44,201	4.44	28.80
<b>Fairfax County Labor Force (Rebenchmark)</b>					
Total Labor Force (Seasonally Adjusted)	592,001	588,741	573,071	0.55	3.30
<i>Total Labor Force (Unadjusted)</i>	586,961	584,495	568,192	0.42	3.30
Employed Labor Force (Seasonally Adjusted)	581,834	578,599	560,067	0.56	3.89
<i>Employed Labor Force (Unadjusted)</i>	576,677	573,168	555,103	0.61	3.89
Unemployed Labor Force (Seasonally Adjusted)	10,167	10,141	13,004	0.26	-21.81
<i>Unemployed Labor Force (Unadjusted)</i>	10,284	11,327	13,089	-9.21	-21.43
Unemployment Rate (Percent, Seasonally Adjusted)	1.72	1.72	2.27	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	1.75	1.94	2.30	--	--

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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