

# Fairfax County Economic Index

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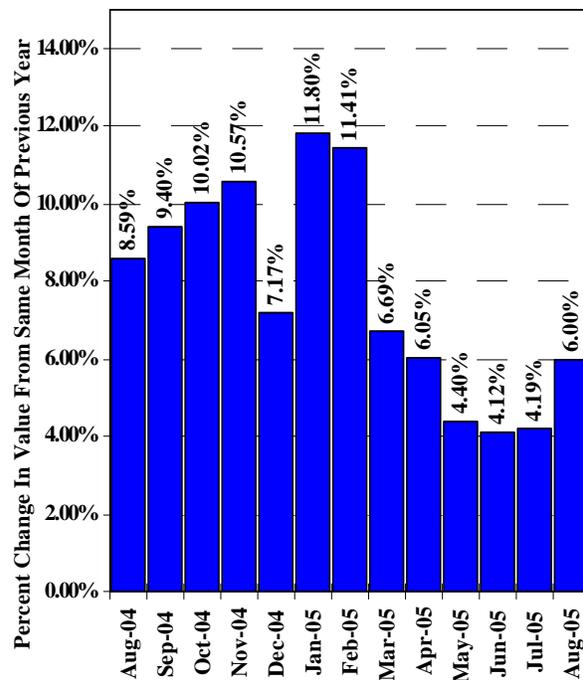
October 2005

## The Fairfax County Economy Rebounds in August

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 133.57 in August for a 0.74 percent gain following two monthly declines. Compared to August 2004, the Coincident Index is up 6.0 percent, for the strongest monthly over-the-year gain since April. This increase extends its positive trend to a twenty-first consecutive month. In August, two of the Index's four indicators were positive.

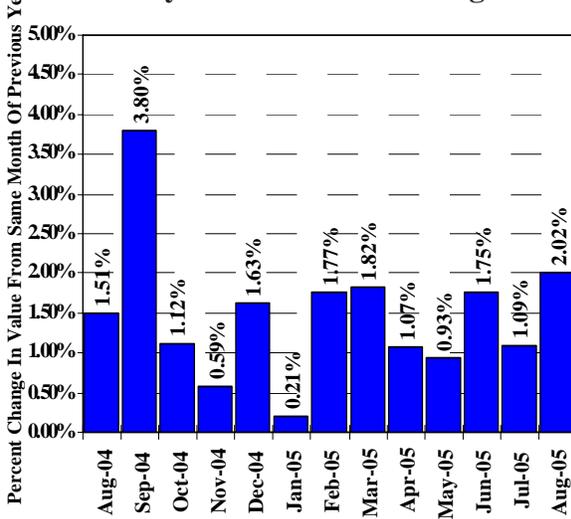
- Total employment growth increased in August after declining on a month-to-month basis for three months; and,
- Consumer confidence in the present (pre-Katrina) improved for the third time in four months; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased for a second time in four months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, fell for the second time in three 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 in August to 108.99 for a gain of 0.64 percent and has now been up in two of the last three months. On a monthly over-the-year basis, August's Index value was up by 2.02 percent, the strongest month-to-month gain since February, and now has increased for twenty-nine consecutive months. In August, two of the Index's three indicators contributed to its gain.

- Consumer expectations (consumer confidence six months hence), increased for the third time in four months; and,
- New automobile sales grew for the second time in three months; while,
- Initial claims for unemployment insurance increased (worsened) following decreases in June and July.

The Fairfax County economy accelerated in August after slowing its growth over the preceding three months. While both the Leading and Coincident Indices had continued to expand this year through July, their rates of increase had moderated since February. However, in August, the economy resumed a pace more similar to 2004 with all indicators improving upon their values from August 2004. With the Leading Index pointing the way, up for its

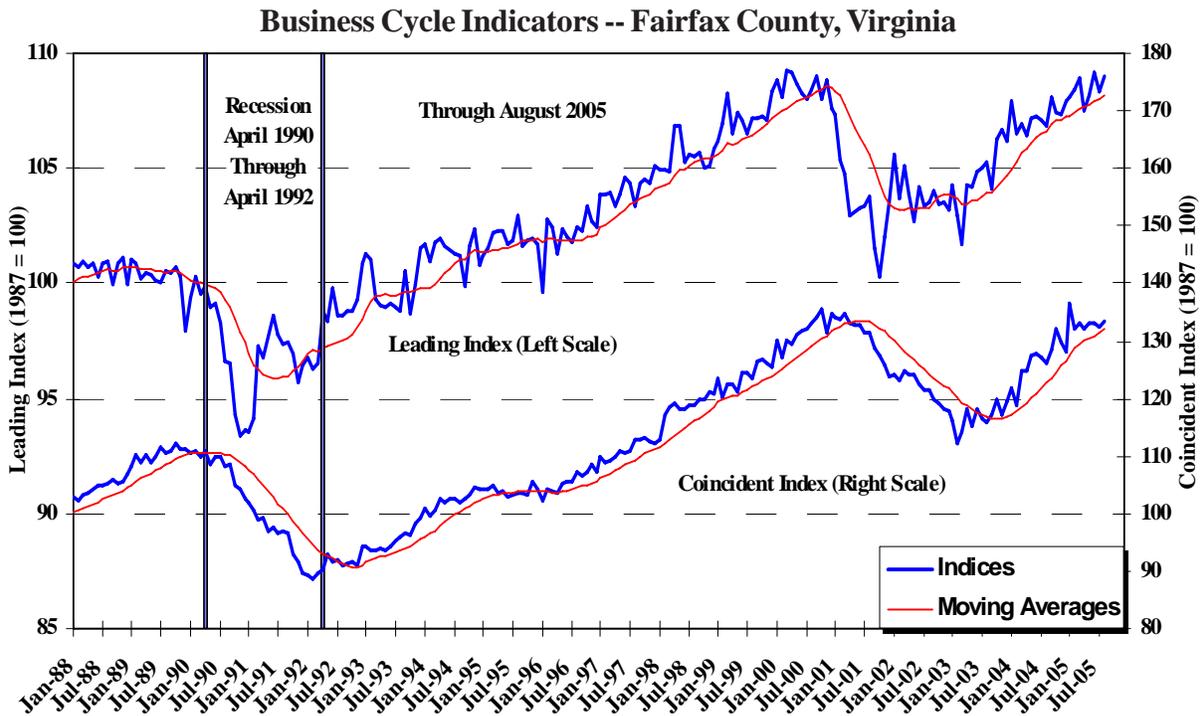
29<sup>th</sup> consecutive month, and the Coincident Index following along, having sustained its monthly over-the-year gains for a 21<sup>st</sup> month, the expansion appears healthy and likely to extend well into next year and probably well beyond 2006. In the shorter term, the rapid increases in energy costs at the gas pump and in this winter's heating bills will exact a small cost to the County economy but this is not expected to derail the expansion.

## CURRENT CONDITIONS

The Coincident Index moved higher in August driven by job growth and gains in consumer confidence. Transient occupancy tax and sales tax revenues both slipped from their July levels but surpassed their respective levels in August 2004. This mixed performance pattern among the coincident indicators confirms the continuing strength underlying the County's economy and the short-term consequences of higher energy prices.

The strength of the County's economy is seen in its continuing job growth. Between August of 2004 and 2005 the County economy generated an estimated 22,600 new jobs for a gain of 3.8 percent. This job growth accounted for 27 percent of the Washington metropolitan area's gain of 84,500 jobs that continues to lead the nation in the number of jobs generated. The County's growth of new jobs has slowed slightly since the first quarter as employers have become more cautious in the face of rising energy costs and uncertainty regarding interest rates, inflation, and other factors potentially impacting their revenue flows and profit margins. Simultaneously, the labor market in the County has tightened with unemployment averaging 2.5 percent, almost a full point below the metropolitan level. Still, job growth is expected to increase before year's end bringing the County's annual rate back towards the 25,000 projected at the beginning of the year.

The County's strong job growth has been adding to the consumer spending potential that drives local retail sales and services. While retail sales are up slightly from last year (1.12 percent in inflation adjusted dollars), the gains would have been expected to be greater given the job, income and household growth in the County. That retail sales have not grown as fast as they should have is one measure of the negative impacts of gasoline prices increasing



Source: Center for Regional Analysis, George Mason

30 percent in 2004 and 70 percent in 2005. Even though these higher energy costs have caused some retail sales to be postponed or deferred, it is likely that some of these foregone sales in 2005 will be captured in 2006 as energy prices return to pre-Katrina levels. With consumer confidence improving and incomes growing, the economy should be able to sustain its healthy expansion in spite of rising interest rates and higher energy costs.

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

The near-term future of the Fairfax County economy is seen in the upward track of the Leading Index. The Leading Index has been increasing for 29 consecutive months and over the last year its performance has been relatively steady. With the Index's 2 percent monthly over-the-year gain in August, doubling the gain of recent months, the leading sectors of the economy are still showing their expansionary capacity. While one month does not make a trend, the resilience of the County's economy in times of rising prices and concerns about the sustainability of the national business cycle provides important evidence about its health and vitality.

The Washington area economy remains strong. The Northern Virginia economy continues to account for 60 percent or more of the monthly job growth in the entire metropolitan area and Fairfax County is generating almost half of Northern Virginia's gain in new jobs. With more than 1 million residents and 615,000 payroll jobs (plus more than 120,000 workers who are self-employed or hold part-time or contract jobs), the Fairfax County economy has become sufficiently large (almost \$90 billion) and diverse that it can absorb minor disruptions in the national economy.

As the core of the Fairfax County economy remains federal procurement spending with almost one-third of all Washington area federal contract awards being captured by firms located and doing their work in the County, the County's economy is relatively safe from short-term variations in the national business cycle. These favorable conditions and the demonstrated strength of the County's Leading Index point to further expansion within the local economy looking forward into next year.

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

Economic Indicator	Estimates			Percent Change	
	Aug-05 Prelim.	Jul-05 Final	Aug-04 Final	Jul-05 to Aug-05	Aug-04 to Aug-05
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	133.57	132.59	126.01	0.74	6.00
Leading Index (1987 = 100)	108.99	108.30	106.84	0.64	2.02
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	613,952	608,646	591,321	0.87	3.83
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	614,246	612,066	591,604	0.36	3.83
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	758	787	660	-3.71	14.75
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	1,444	1,330	1,209	8.59	19.40
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,134	9,590	9,033	-4.75	1.12
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	11,988	12,733	11,352	-5.85	5.60
South Atlantic Consumer Confidence	150.2	137.0	117.8	9.64	27.50
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	7,831	5,393	5,543	45.19	41.27
<i>Automobile Registrations (Unadjusted)</i>	8,852	6,132	6,266	44.36	41.27
Initial Unemployment Claims (Seasonally Adjusted)	936	794	998	17.88	-6.30
<i>Initial Unemployment Claims (Unadjusted)</i>	863	794	921	8.69	-6.30
South Atlantic Consumer Expectations (Unadjusted)	100.0	97.2	95.3	2.88	4.93
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	591,434	585,856	578,159	0.95	2.30
<i>Total Labor Force (Unadjusted)</i>	599,590	601,689	586,132	-0.35	2.30
Employed Labor Force (Seasonally Adjusted)	575,579	573,187	566,427	0.42	1.62
<i>Employed Labor Force (Unadjusted)</i>	583,128	586,541	573,856	-0.58	1.62
Unemployed Labor Force (Seasonally Adjusted)	15,855	12,669	11,732	25.15	35.14
<i>Unemployed Labor Force (Unadjusted)</i>	16,462	15,148	12,276	8.67	34.10
Unemployment Rate (Percent, Seasonally Adjusted)	2.68	2.16	2.03	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.75	2.52	2.09	--	--

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. In September 2004, the Transient Occupancy Tax was increased from 2% to 4%. All original values prior to September 2004 were doubled for consistency.

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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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