

# Fairfax County Economic Index

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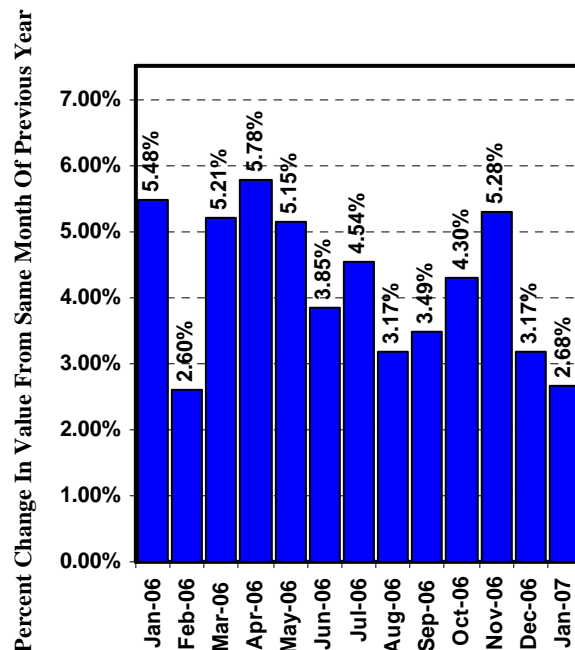
MARCH 2007

## County Economy Gains Strength in January While Leading Indicators Weaker

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 152.25 in January for a gain of 4.07 percent. This strong increase follows two negative months. On a monthly over-the-year basis, the Coincident Index continued to track higher gaining 2.68 percent from January of 2006 extending its monthly over-the-year gain to a thirty-eighth consecutive month. In January, three of the Index's four indicators were positive.

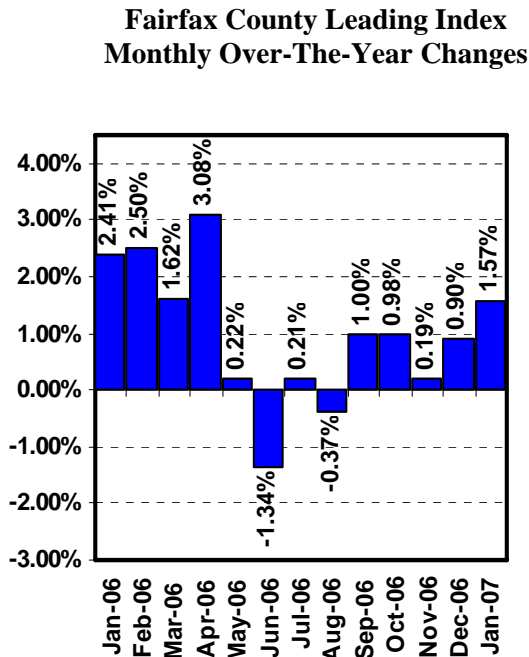
- Sales tax revenues, adjusted for inflation and seasonal variation, increased sharply from December following two monthly declines;
- Total employment registered a strong gain from December after growing more slowly in November and December; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were higher after decreasing in December; while,
- Consumer confidence (in the present) decreased for a second month.

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



Source: Center for Regional Analysis, George Mason University

Percent Change In Value From Same Month Of Previous Year



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, decreased to 121.92 in January for a decline of 0.78 percent. The Index's decline follows two monthly increases. On a monthly over-the-year basis, the Index was up 1.57 percent from January 2006 and has now increased for five consecutive months following four months over which the Index had trended downward. Since turning positive 44 months ago, the Leading Index has been up in 39 months and down in five months. In January, three of the four leading indicators contributed to its decrease.

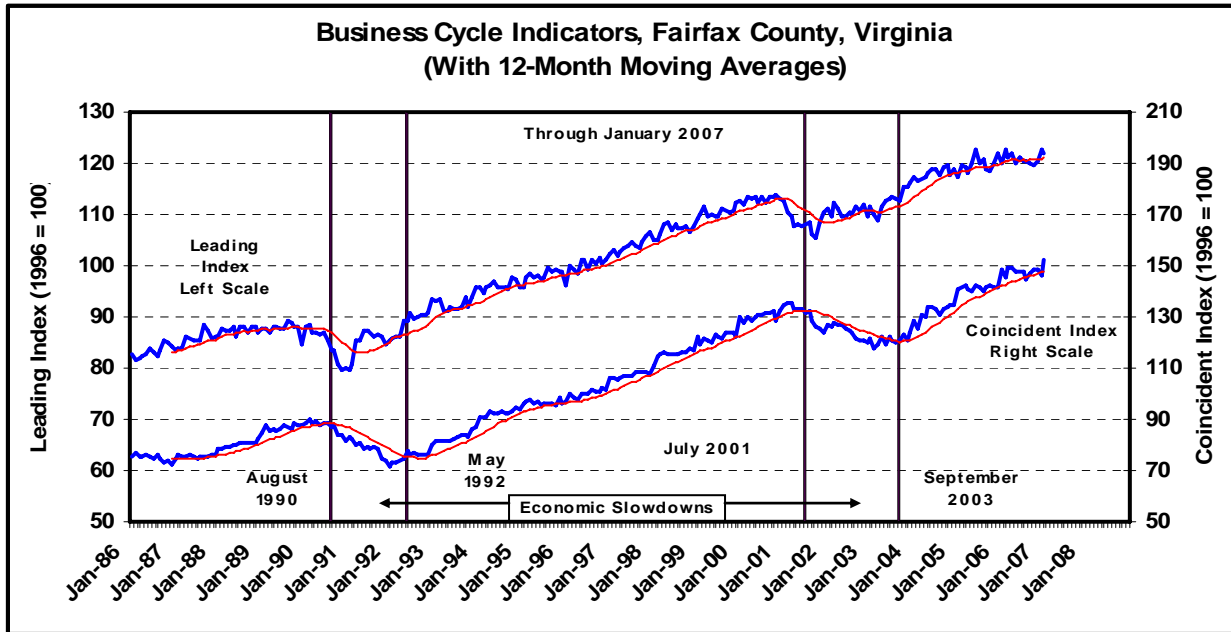
- Automobile registrations were down in January after experiencing a sharp increase in December;
- Consumer expectations (consumer confidence six months hence) fell in January after having increased for four consecutive months; and,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis after trending downwards over the fourth quarter of 2006; while,
- Residential building permits had their biggest gain since January 2006.

Good weather and continued consumer spending contributed to January's strong economic performance as seen in the Coincident Index's largest increase since January 2006 when it also registered a sharp gain. January's strong economic performance was also aided by downward revisions to last year's employment numbers that magnified the gain between January 2007 and December 2006. As a result, the economy's strong January performance temporarily masks its longer-term trend towards slower growth that is being forecast by the Leading Index. Even though the Leading Index has trended down on a month-to-month basis over the past seven months, it has registered higher same-month values for each of the last five months. If the County's economy follows the growth pattern of the national economy, it should experience some weakness during the year's first half followed by stronger growth during the second half of 2007.

## CURRENT CONDITIONS

Job growth and strong consumer spending drove the County's economy in January just as they have throughout the expansion. While both of these drivers continue to be central to the economy's health, their January performance may be overstated. Overall, job growth from January 2006 totaled an estimated 16,900, a gain of 2.7 percent. This job increase is in line with the trend that has shown employment growth moderating slowly since 2004. January's large month-to-month increase (4.3%) resulted from the annual re-benchmarking that revised last year's employment estimates lower, especially for the year's second half. These revisions and seasonal adjustments resulted in a statistically large job increase between December and January. The smaller "real" job increase is consistent with the economy's good health, the post-holiday/winter season, and this year's expected slower growth rate.

Consumer spending is also affected by seasonal factors. Good weather and the County's and region's continuing strong economy supported sales that were up 8.5 percent from last January on a dollar for dollar basis and up 10.89 percent when adjusted for seasonal variation and inflation. Either way, consumer spending, which



Source: Center for Regional Analysis, George Mason University

accounts for approximately two-thirds of the economy, was strong in January. With February's more winter-like weather and some buying forward in January, consumer spending in February may be lower than usual and offset January's gains. Still, with job and income growth, and continuing high consumer confidence (even if it fell in January), consumers should continue to carry the economy during its modest slowdown early in 2007.

Several other seasonal patterns are reflected in the data. Residential building permits generally rebound in January after a slow December and automobile registrations (sales) tend to be higher in December and decline in January. Because these patterns are seasonal, they can be expected to change as the months change during the winter and may not be indicative of longer-term trends. The Index's twelve-month moving average smoothes out these variations to provide a clearer picture of the County's economy. Even though the monthly data have seesawed more over the past six months, the slope of the growth trend remains strongly positive.

## **NEAR-TERM OUTLOOK**

With the national economy ending the year with three consecutive quarters of less-than three percent growth and with this slow-growth

trend projected to continue at least until mid-year, the slowing of Fairfax County's Leading Index is not alarming. Its negative performance in January follows two monthly gains that came after a definite slowing over the July-October period. This monthly performance pattern suggests that the Leading Index has downshifted and is pointing to more moderate economic growth at least over the first half of the year.

Will this be a serious slowdown? The answer is probably not. None of the indicators are deviating significantly from their seasonal patterns. The regional economy continues to register one of the strongest performances among major metropolitan areas nationwide, labor market conditions remain tight in both the County (unemployment is 2.1 percent) and region (3.4 percent), and job growth continues to favor higher value-added occupations. As some of the apparent strength in the January indices will be lost in February (a shorter and colder month) it will be the economic performances in March and April that will provide a clearer measure of these trends and confirm whether the expected slowdown will fully materialize.

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

Economic Indicator	Estimates			Percent Change	
	Jan-07 Prelim.	Dec-06 Final	Jan-06 Final	Dec-06 to Jan-07	Jan-06 to Jan-07
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	152.25	146.29	148.28	4.07	2.68
Leading Index (1996 = 100)	121.92	122.88	120.03	-0.78	1.57
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	659,426	632,221	641,932	4.30	2.73
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	636,815	647,115	619,921	-1.59	2.73
Transient Occupancy Tax (\$'000=1987, Smoothed, Seasonally Adjusted)	896	874	878	2.47	2.05
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	1,678	1,853	1,558	-9.47	7.66
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	10,391	8,998	9,371	15.49	10.89
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	11,889	16,901	10,952	-29.66	8.56
South Atlantic Consumer Confidence	144.9	148.3	147.8	-2.29	-1.96
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	4,533	6,400	4,784	-29.16	-5.24
<i>Automobile Registrations (Unadjusted)</i>	4,070	5,812	4,295	-29.97	-5.24
Initial Unemployment Claims (Seasonally Adjusted)	959	868	1,088	10.48	-11.83
<i>Initial Unemployment Claims (Unadjusted)</i>	1,289	866	1,462	48.85	-11.83
<i>Building Permits, Total Number of Units (Seasonally Adjusted)</i>	208	140	424	48.50	-50.90
<i>Building Permits, Total Number of Units (Unadjusted)</i>	163	110	332	48.18	-50.90
South Atlantic Consumer Expectations (Unadjusted)	103.7	104.8	101.5	-1.05	2.17
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	601,566	602,541	604,231	-0.16	-0.44
<i>Total Labor Force (Unadjusted)</i>	590,265	607,710	592,880	-2.87	-0.44
Employed Labor Force (Seasonally Adjusted)	588,884	589,510	590,838	-0.11	-0.33
<i>Employed Labor Force (Unadjusted)</i>	577,289	596,275	579,204	-3.18	-0.33
Unemployed Labor Force (Seasonally Adjusted)	12,682	13,030	13,394	-2.67	-5.31
<i>Unemployed Labor Force (Unadjusted)</i>	12,976	11,435	13,676	13.48	-5.12
Unemployment Rate (Percent, Seasonally Adjusted)	2.1%	2.2%	2.2%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.2%	1.9%	2.3%	--	--

Note: 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. Seasonal factors have been updated to reflect average monthly fluctuations during the period January 1988 through December 2005.

Prepared by:  
Center for Regional Analysis  
George Mason University  
<http://cra.gmu.edu>

*We are on the web at:*  
[www.co.fairfaxcounty.gov/economic](http://www.co.fairfaxcounty.gov/economic)

Inquiries should be directed to:

The Fairfax County  
Department of Management and Budget  
12000 Government Center Parkway, Suite  
561  
Fairfax, Virginia 22035-0074  
(703) 324-2391