

# Fairfax County Economic Index

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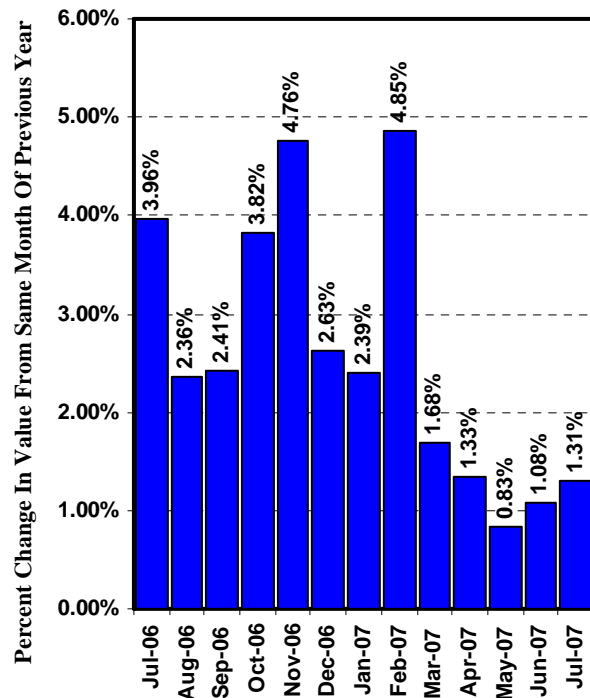
SEPTEMBER 2007

## County Economy Moderates in July Outlook Remains Good

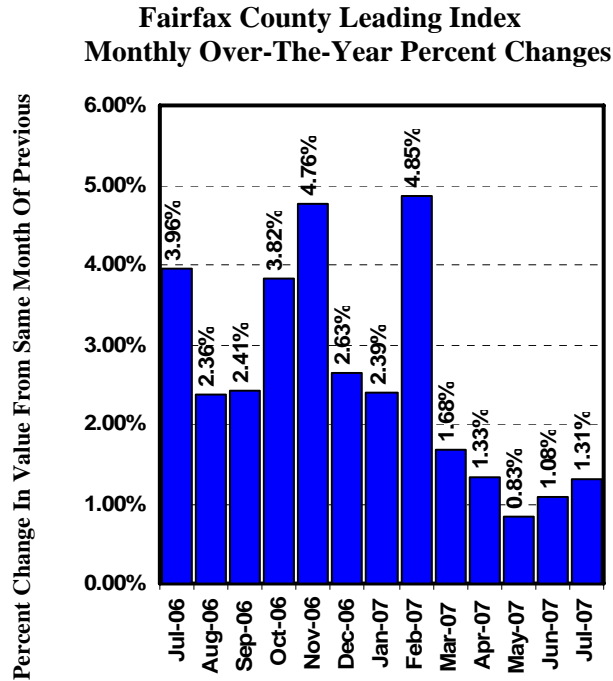
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 149.27 in July for a gain of 0.13 percent. This was the Index's second monthly increase following three consecutive monthly declines. On a monthly over-the-year basis, the Coincident Index continued to track higher gaining 1.31 percent over July 2006 and extended its monthly over-the-year gain to a forty-fourth consecutive month. In July, two of the Index's four indicators accounted for its positive performance.

- Consumer confidence (in the present) increased in July for the second time in three months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, were up slightly following a sharp decline in June; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined following their large monthly gain in June; and,
- Total employment growth declined for the third consecutive month.

**Fairfax County Coincident Index  
Monthly Over-The-Year Percent 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, decreased to 121.79 in July for a loss of 0.33 percent. The Leading Index has seesawed over the past eight months increasing four times and decreasing four times. Still, on a monthly over-the-year basis, the Leading Index was 1.22 percent higher than in July 2006. Since turning positive 50 months ago, the Leading Index has been up in 44 months and down in 6 months. In July, two of the Index's four indicators contributed to its decrease.

- Automobile registrations fell after increasing for three months; and,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis and now have been higher in five of the last six months; while,
- Consumer expectations (consumer confidence six months hence) rose for the third time in three months; and,
- Residential building permits were higher for the third time in four months.

Fairfax County's economy slowed in July reflecting the continuing drag of slower activity in

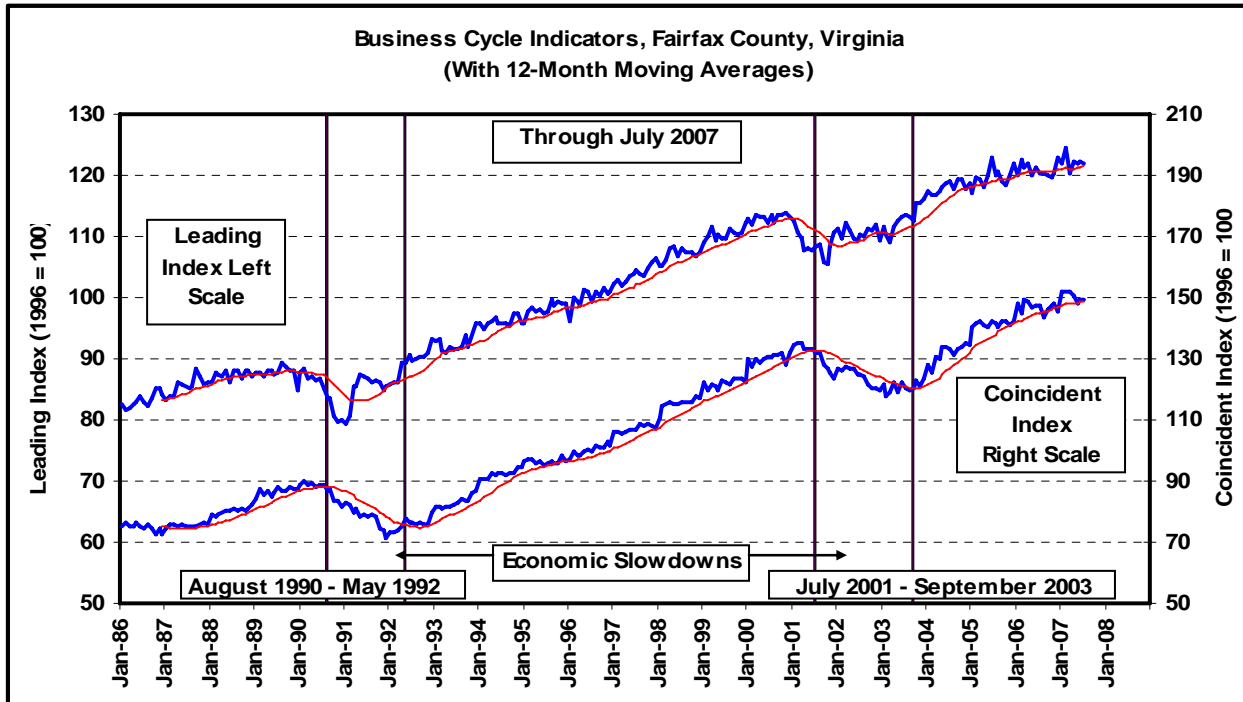
the residential real estate market and high gasoline prices that have slowed growth in the County's business base as well as in consumer spending. These effects are most visible in the growing weakness in the County's labor market as seen in month-to-month declines in its employment base and increases in jobless claims. Still, the County's economy has registered gains on both monthly over-the-year and month-to-month bases in both June and July. The Leading Index, while down in July and registering a one-month up and one-month down pattern all year, continues to move higher with its 12-month moving average trend setting a new record peak in each of the last four months. The economy's performance in June and July suggest its slowdown, dating from the beginning of the year, has turned the corner and is now poised to reaccelerate over the remainder of 2007.

## CURRENT CONDITIONS

The Fairfax County economy slowed in July but still registered stronger growth than recorded in June. This slower growth trend has been apparent since March reflecting the rapid run up in gasoline prices over the winter, weaker consumer confidence, slower retail sales, and continuing weakness in the residential real estate market. These trends will continue to affect the economy's performance until their underlying conditions moderate. Until recently, gasoline prices had been retreating but oil prices have risen again on fears of an interruption of supplies (the threat of hurricane damage) and as a result consumer spending has shifted back to gasoline sales and away from discretionary items such as automobiles, furniture, clothing, and entertainment.

The residential real estate market in Fairfax County has shown seasonal improvement over the summer with days-on-the-market declining along with the inventory of unsold housing (listings). However, the market has not normalized yet and with more serious disruptions in the counties to the west and south of Fairfax County and new housing construction still substantially curtailed, this problem will slow the economy's growth for many months to come. And, now the spill-over effects of the slowdown in housing production and sales that started in mid-2005 has become a bigger problem as it spreads into the financial markets.

The effects of high oil prices and continuing problems in the housing market along with their



Source: Center for Regional Analysis, George Mason University

impacts on financial markets are seen in the labor market and consumer spending. These effects that have received a lot of attention at the national level are also apparent at the regional and local levels. In July, the Washington area lost almost 11,000 jobs with these losses coming in all but one sector. Services, including financial services, lost the greatest number of jobs followed by government, retail trade, transportation and manufacturing. Surprisingly, construction was the only sector to add jobs. This differs from the national pattern in which manufacturing and construction were the big losers.

Fairfax County also lost jobs in July. It had 4,500 fewer jobs in July than in June and in June, the County's job base was smaller than it was in May. In fact, the County's job base has decreased on a monthly over-the-year basis in five of the last six months. Still, compared to a year ago, the County's job base was up 2.1 percent, exceeding the region's gain over this period of 1.8 percent.

This decrease in jobs is short term. It reflects job losses in the real estate industry, in residential construction (commercial is booming), in financial services (banks and mortgage companies), and retailing associated with housing (a new home buyer spends approximately 15 percent of the purchase value of his house on furniture, appliances, repairs, updating and redecorating). The County's initial claims for unemployment insurance, the most forward-looking indicator, have increased

(worsened) in six of the year's first seven months. The County's unemployment rate remains low but it too has moved slightly higher.

Consumer spending remains a key measure of the economy's health. Retail spending for the year (July 2006-July 2007) is up a healthy 6.3 percent indicating both an increase in spending per shopper and the growth in the number of shoppers. However, with higher gasoline prices diverting some retail spending and a slowing job market, it was expected that retail sales would slow and they have. In July, sales were basically flat compared to June. Auto sales also decreased substantially in July from June's level and were 2.5 percent lower than a year ago.

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

The conditions slowing the County's growth so far this year are inventory problems and will eventually be corrected. There are signs already that the residential market is normalizing and residential building permits are up 8 percent for the year pointing to future increases in residential construction. The Leading Index is trending higher although at a moderating rate. The outlook for the County's economy is for it to slowly accelerate into next year with the pace of acceleration dependent on oil prices, recovery in the housing market, and consumer confidence. Continuing job losses will act to slow this expected growth pattern.

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

Economic Indicator	Estimates			Percent Change	
	Jul-07 Prelim.	Jun-07 Final	Jul-06 Final	Jun-07 to Jul-07	Jul-06 to Jul-07
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	149.27	149.07	147.34	0.13	1.31
Leading Index (1996 = 100)	121.79	122.20	120.32	-0.33	1.22
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	644,560	649,022	631,181	-0.69	2.12
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	644,411	652,413	631,035	-1.23	2.12
Transient Occupancy Tax (\$'000=1987, Smoothed, Seasonally Adjusted)	883	890	893	-0.75	-1.11
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	1,646	1,802	1,590	-8.66	3.51
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,319	9,315	8,765	0.04	6.32
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	12,897	13,975	12,392	-7.71	4.08
South Atlantic Consumer Confidence	153.3	141.2	160.1	8.57	-4.25
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	4,766	6,522	4,887	-26.92	-2.46
<i>Automobile Registrations (Unadjusted)</i>	5,353	7,345	5,488	-27.12	-2.46
Initial Unemployment Claims (Seasonally Adjusted)	1,045	961	920	8.79	13.61
<i>Initial Unemployment Claims (Unadjusted)</i>	1,060	903	933	17.39	13.61
<i>Building Permits, Total Number of Units (Seasonally Adjusted)</i>	119	109	110	9.20	8.00
Building Permits, Total Number of Units (Unadjusted)	135	127	125	6.30	8.00
South Atlantic Consumer Expectations (Unadjusted)	101.7	91.4	103.7	11.27	-1.93
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	595,230	599,236	585,006	-0.67	1.75
<i>Total Labor Force (Unadjusted)</i>	606,556	602,770	596,138	0.63	1.75
Employed Labor Force (Seasonally Adjusted)	582,176	586,837	571,415	-0.79	1.88
<i>Employed Labor Force (Unadjusted)</i>	593,170	588,881	582,206	0.73	1.88
Unemployed Labor Force (Seasonally Adjusted)	13,053	12,399	13,591	5.28	-3.95
<i>Unemployed Labor Force (Unadjusted)</i>	13,386	13,889	13,932	-3.62	-3.92
Unemployment Rate (Percent, Seasonally Adjusted)	2.2%	2.1%	2.3%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.2%	2.3%	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.

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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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