

Fairfax County Economic Index

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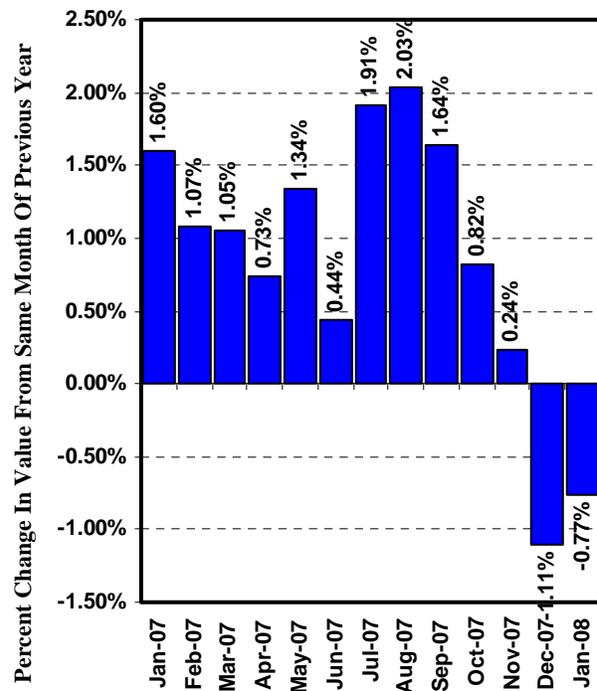
MARCH 2008

County Economy Expands in January And Outlook Improves

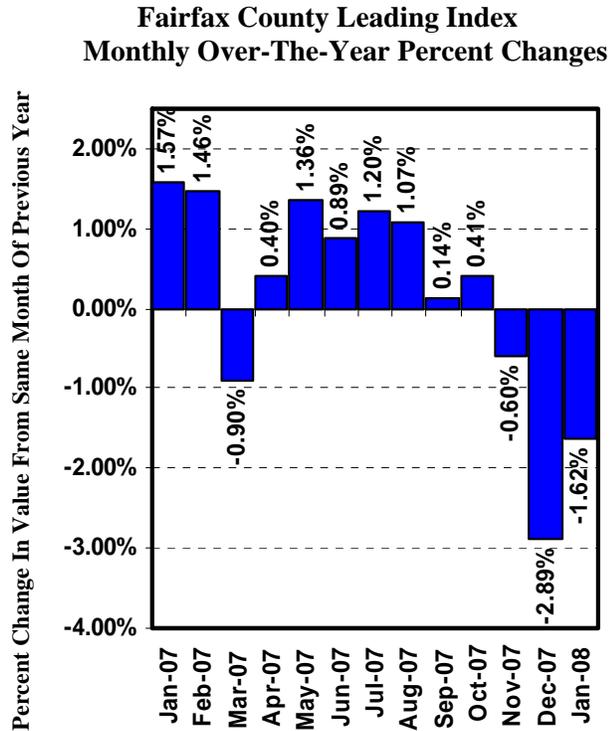
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 138.69 from December's revised value of 132.29 for a gain of 4.8 percent. This was the Index's first monthly increase following losses in four of the previous five months. However, on a monthly over-the-year basis, the Coincident Index continued to track lower falling 0.77 percent below its January 2007 level. January's monthly over-the-year loss was its second in a row following forty-eight consecutive monthly over-the-year gains. In January, all of the Index's four components were positive compared to last month.

- Sales tax revenues, adjusted for inflation and seasonal variation, increased in January following two monthly declines;
- Total employment was up (on a seasonally adjusted basis) after decreasing in November and December;
- Consumer confidence (in the present) improved reversing a downward trend dating back to July 2007; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the seventh 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, increased to 119.92 in January for a gain of 0.53 percent. This gain in the Leading Index follows six consecutive monthly decreases. On a monthly over-the-year basis, however, the Leading Index was negative for a third month in a row falling 1.62 percent below its same-month value in 2007. Since turning positive 56 months ago, the Leading Index has been up in 47 months and down in 9 months. In January, two of the Index's four indicators contributed to its increase.

- Consumer expectations (consumer confidence six months hence) rose following five monthly decreases; and,
- Residential building permits increased for a third month; while,
- Automobile registrations fell for the sixth time in seven months; and,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the third time in four months.

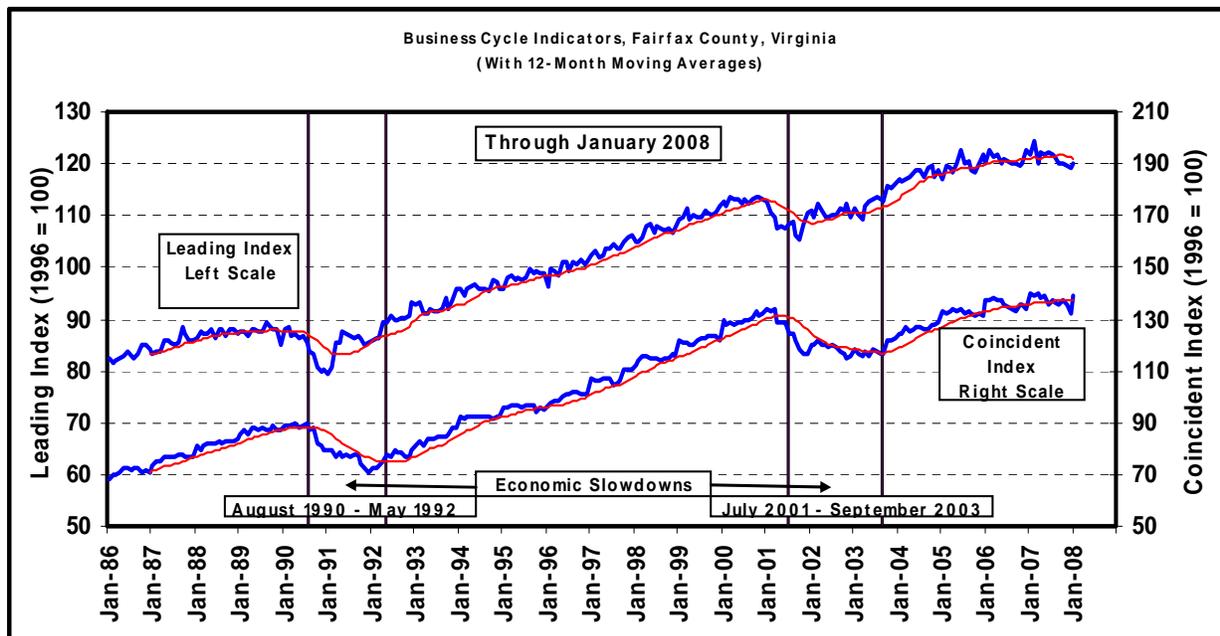
The Fairfax County economy exhibited broad-based strength in January following six months of growing weakness dating back to mid-2007. Two key indicators of the economy's health, job growth and consumer spending, that had been tracking lower at the end of 2007 turned positive in January. The one bright spot in the economy's December performance—the increase in residential building permits—grew again in January for a third consecutive month possibly pointing to renewed residential building activity, an important step in stimulating the economy's resurgence later in the year. Still, in spite of the economic gains in January, all of the County's economic indicators tracked herein remained lower in January 2008 than they were in January 2007.

CURRENT CONDITIONS

January's rebound in the Coincident Index reflected broad-based gains in its indicators following a six-month slowdown. This rebound was led by gains in consumer spending and employment. It should be noted that these gains are relative as they represent comparisons with their respective values in December adjusted for seasonal variation. So, while the County's job base grew on a seasonally adjusted basis in January, it actually lost jobs with January's job base being down by 11,428 from December.

Comparing employment levels in January 2007 and January 2008 provides a better measure of the County's labor market strength. This monthly over-the-year comparison shows a gain of 1 percent or approximately 3,000 net new jobs. Still, there are signs of some weakening in the labor force. Unemployment, which stood at 2.2 percent in January 2007, has increased to 2.7 percent in January 2008. While this unemployment rate remains low, it does represent an increase of 3,025 unemployed County residents. The increase in initial claims for unemployment insurance confirms this growing weakness in the labor market. Initial claims have increased 27 percent between January 2007 and January 2008.

January's strong economic performance represents a single monthly gain. These increases do not recoup all of the losses that have accumulated since mid-2007. However, these gains demonstrate the underlying strength of the local econ-



Source: Center for Regional Analysis, George Mason University

omy. In one month, the Index moved above the 12-month trend line and has helped to lift its trend to a slightly positive slope. How the County economy performs in February and March will determine whether it will remain positive for the quarter with a positive performance all but guaranteeing the economy having avoided any contraction through this period.

NEAR-TERM OUTLOOK

The Leading Index managed a more moderate gain in January than was achieved by the Coincident Index. However, this monthly gain reversed six monthly losses dating from July 2007. While this one-month gain is encouraging, the Leading Index's 12-month moving average continues to track negatively suggesting that the county's economy is likely to struggle with low growth and continuing weakness into the third quarter.

With residential building permits up for a third month, some growth in residential construction can be anticipated later in the year. The lifting of the mortgage value limits for conventions loans and possible decrease in mortgage loan rates in response to interest rate reductions by the Federal Reserve Board will help stimulated housing sales that will reduce the county's 10 month back log of unsold houses. While Fairfax County has one of

the lowest backlogs of unsold housing in the metropolitan area, it remains about double its normal level. The reduction of this inventory over the next six months will provide further stimulus to the new homes construction industry adding additional fuel to the economy's re-acceleration in the second half of 2008. If housing starts increase, one of the economy's major weaknesses will have been corrected.

Beyond housing starts, consumer spending remains key. New automobile registrations continue to lag, off 7 percent from January 2007. However, the local economy should receive some benefit from the cash infusion resulting from tax refunds in April and May followed by payments received under the "stimulus package." The result of this cash infusion should be seen in higher retail sales in the second and third quarters. Off setting these positive forces are the credit crunch and rising oil prices, which if not remedied by mid-year, will prolong the period of recovery and could push it into next year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

| Economic Indicator | Estimates | | | Percent Change | |
|--|-------------------|-----------------|-----------------|------------------------|------------------------|
| | Jan-08 Prelim. | Dec-07 Final | Jan-07 Final | Dec-07 to Jan-08 | Jan-07 to Jan-08 |
| Fairfax County Business Cycle Indicators | | | | | |
| Coincident Index (1996 = 100) | 138.69 | 132.29 | 139.76 | 4.84 | -0.77 |
| Leading Index (1996 = 100) | 119.92 | 119.29 | 121.89 | 0.53 | -1.62 |
| Fairfax County Coincident Index Components | | | | | |
| Estimated Total Wage & Salary Employment (Seasonally Adjusted) | 600,420 | 579,152 | 594,276 | 3.67 | 1.03 |
| <i>Estimated Total Wage & Salary Employment (Unadjusted)</i> | <i>580,929</i> | <i>592,357</i> | <i>574,984</i> | -1.93 | 1.03 |
| Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted) | 972 | 919 | 889 | 5.76 | 9.31 |
| <i>Transient Occupancy Tax (\$'000=Current)</i> | <i>1,593</i> | <i>1,458</i> | <i>1,398</i> | 9.26 | 13.91 |
| Sales Tax Receipts (\$'000=1987, Seasonally Adjusted) | 9,610 | 8,470 | 10,391 | 13.46 | -7.52 |
| <i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i> | <i>11,725</i> | <i>16,882</i> | <i>11,889</i> | -30.55 | -1.38 |
| South Atlantic Consumer Confidence | 113.2 | 105.1 | 145.7 | 7.71 | -22.31 |
| Fairfax County Leading Index Components | | | | | |
| New Automobile Registrations (Seasonally Adjusted) | 4,217 | 4,482 | 4,533 | -5.90 | -6.98 |
| <i>Automobile Registrations (Unadjusted)</i> | <i>3,786</i> | <i>4,070</i> | <i>4,070</i> | -6.98 | -6.98 |
| Initial Unemployment Claims (Seasonally Adjusted) | 1,219 | 1,090 | 959 | 11.92 | 27.15 |
| <i>Initial Unemployment Claims (Unadjusted)</i> | <i>1,639</i> | <i>1,087</i> | <i>1,289</i> | 50.78 | 27.15 |
| Building Permits, Total Number of Units (Seasonally Adjusted) | 112 | 99 | 208 | 13.06 | -46.01 |
| <i>Building Permits, Total Number of Units (Unadjusted)</i> | <i>88</i> | <i>78</i> | <i>163</i> | 12.82 | -46.01 |
| South Atlantic Consumer Expectations | 78.6 | 68.3 | 103.7 | 15.08 | -24.20 |
| Fairfax County Labor Force | | | | | |
| Total Labor Force (Seasonally Adjusted) | 602,067 | 594,318 | 601,566 | 1.30 | 0.08 |
| <i>Total Labor Force (Unadjusted)</i> | <i>590,756</i> | <i>599,417</i> | <i>590,265</i> | -1.44 | 0.08 |
| Employed Labor Force (Seasonally Adjusted) | 586,299 | 579,291 | 588,884 | 1.21 | -0.44 |
| <i>Employed Labor Force (Unadjusted)</i> | <i>574,755</i> | <i>585,939</i> | <i>577,289</i> | -1.91 | -0.44 |
| Unemployed Labor Force (Seasonally Adjusted) | 15,768 | 15,027 | 12,682 | 4.93 | 24.33 |
| <i>Unemployed Labor Force (Unadjusted)</i> | <i>16,001</i> | <i>13,478</i> | <i>12,976</i> | 18.72 | 23.31 |
| Unemployment Rate (Percent, Seasonally Adjusted) | 2.6% | 2.5% | 2.1% | -- | -- |
| <i>Unemployment Rate (Percent, Unadjusted)</i> | <i>2.7%</i> | <i>2.2%</i> | <i>2.2%</i> | -- | -- |

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. 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. Wage and salary employment estimates exclude Fairfax City and Falls Church.

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We are on the web at:
www.fairfaxcounty.gov/economic/economic_index.htm

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