



Fairfax County Economic Index

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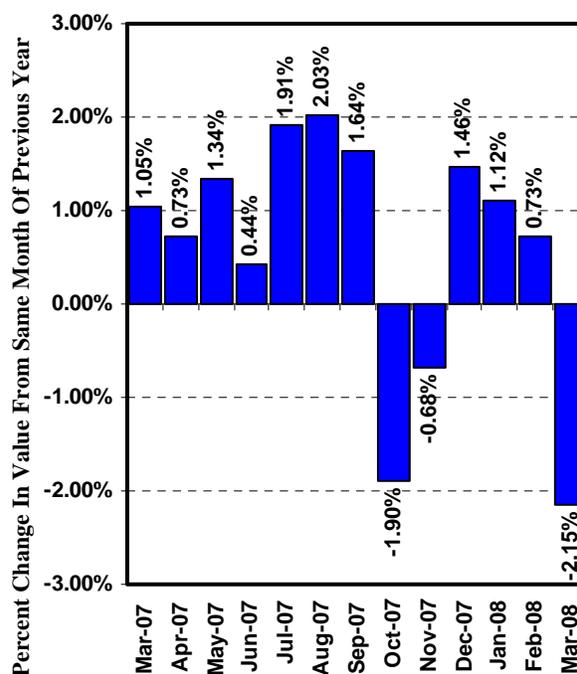
MAY 2008

Fairfax County Economy Weaker in March Economy's Outlook Is Also Weaker

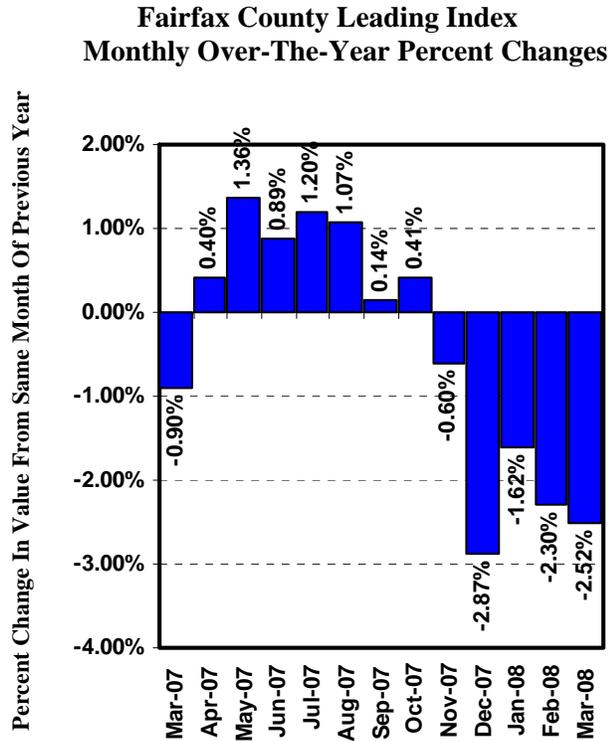
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 136.81 from February's revised value of 139.68 for a loss of 2.05 percent. This was the Index's second monthly loss after registering three monthly gains. On a monthly over-the-year basis, the Coincident Index fell below its same-month 2007 level by 2.15 percent. March's monthly over-the-year loss was its third decline in six months following forty-eight consecutive monthly over-the-year gains. In March, three of the Index's four components were negative.

- Total employment was slightly lower (on a seasonally adjusted basis) and has decreased in four of the previous five months;
- Consumer confidence (in the present) fell sharply after having improved in January and March; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased for a second month; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased in March for the second time in three months.

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



Source: Center for Regional Analysis, George Mason University



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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 117.18 in March for a loss of 3.59 percent, its largest decline since March 2007. This decline in the Leading Index follows two monthly gains but extends a nine-month downward trend dating from July 2007. On a monthly over-the-year basis, however, the Leading Index was negative for a fifth consecutive month falling 2.52 percent below its same-month value in 2007. Since turning positive 58 months ago, the Leading Index has been up in 47 months and down in 11 months. In March, three of the Index's four indicators contributed to its decrease.

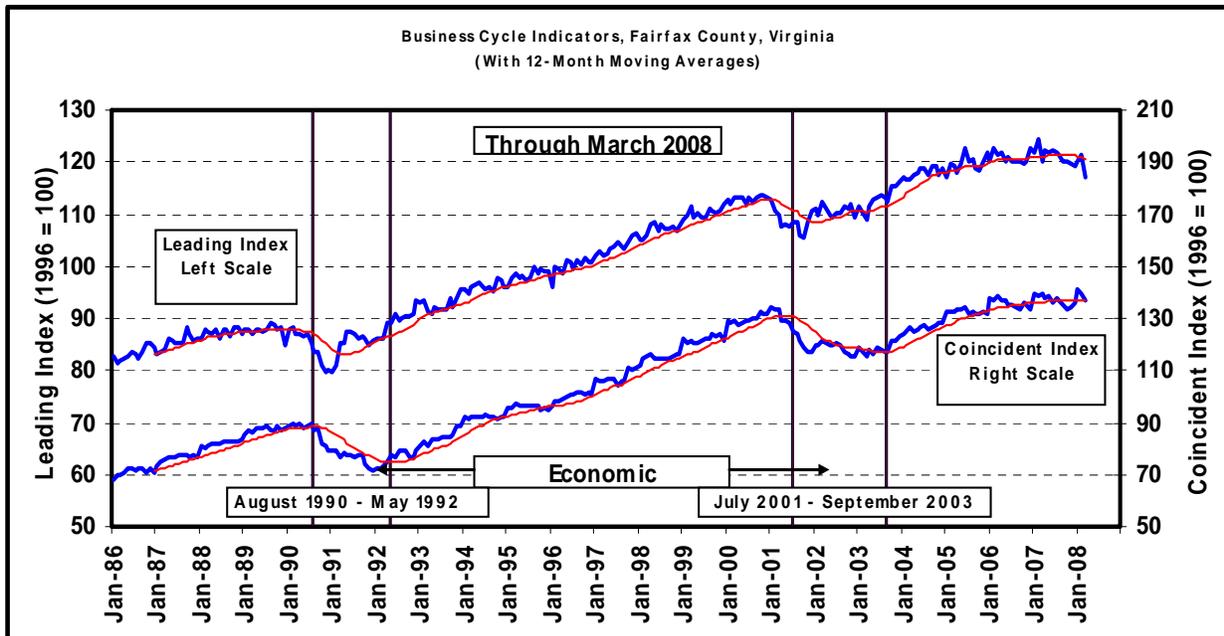
- Automobile registrations were down sharply in March off-setting their gain in February; and,
- Residential building permits increased in March following four monthly gains; and,
- Consumer expectations (consumer confidence six months hence) fell for the seventh time in eight months; while,
- Initial claims for unemployment insurance decreased (improved) on a seasonally adjusted basis following two monthly gains.

The Fairfax County economy weakened further in March. The Coincident Index had its greatest decline since June 2007 reflecting weaknesses in tourist spending and job growth. Consumer confidence slipped further as reflected in lower automobile sales and continuing weakness in the housing market. Still, consumer spending as reflected in sales tax collection increased following a weak February although lagged same-month sales in March 2007. The economy's outlook, as reflected in the Leading Index, is not encouraging. The Index registered its largest one-month drop in a year largely because of sharp declines in residential building permits and further deterioration in consumer expectations.

CURRENT CONDITIONS

The Coincident Index fell below its March 2007 level following three monthly over-the-year gains. This decline reflected continuing weaknesses in the labor market, the hospitality industry and consumer spending. Although sales tax collections were higher (this may be explained by the timing of Easter this year), consumers are shifting their spending patterns to accommodate higher food and gasoline prices. The sharp decline in automobile sales reflects the combination of impacts from higher gasoline prices and growing anxiety concerning the economy's outlook.

The County is generating new jobs. In March 2008 there were an estimated 4,944 more full-time jobs in the County than there were in March 2007. While this indicates that the County economy is continuing to expand, its rate of gain (.84 percent) is well below recent levels. As a result, the County's unemployment rate is moving up, increasing from 2.0 percent in March of 2007 to 2.7 percent in March of 2008. While still well below the Washington area unemployment rate of 3.4 percent, this increase is a measure of the economy's growing weakness. This increase in unemployment rate translates into 3,444 additional County residents who were unemployed in March 2008 compared to March 2007. One positive indicator of improving labor market conditions was the decline in initial claims for unemployment insurance in March. These were off 4.2 percent from February on a seasonally adjusted basis but they were 25.8 percent higher (worse) than in March 2007.



Source: Center for Regional Analysis, George Mason University

Consumer spending has become the critical determinant of the economy's re-acceleration. The housing market in the County is on the mend and, as the mortgage crisis subsides and the backlog of unsold new and resale units falls back to near normal levels, it will stimulate economic activity and help propel the economy's growth into next year. The major barrier to the resumption of normal economic expansion will be consumers and whether they are able or want to resume their normal spending patterns. To the extent that the stimulus checks being mailed out in May and June are spent for retail goods and services (it is estimated that about 40% will be spent while the remainder saved or used to pay down personal debt), the local economy should experience increased retail sales over the summer months. However, for this increase in consumer spending to carry forward over the remainder of the year, consumers will have to revise their outlook for the economy. Presently, consumer expectations are at a 30-year low.

NEAR-TERM OUTLOOK

The national economy continues to struggle but has remained positive through the year's first quarter. With lower interest rates and increased consumer spending as stimulants to the economy's growth, it may escape the recession forecast by many experts. The most recent (May) forecast for

the national economy is for its growth to accelerate temporarily in the third quarter, followed by slower growth for two quarters and then, starting in the second quarter of 2009, to register steady gains extending into 2010. The Washington metropolitan region's economy is expected to follow this pattern but to maintain a higher rate of economic growth in 2008 and 2009. The forecast for Fairfax County's economy is more positive than for the region.

However, March's indicators do not project this pattern. In March, the County's Leading Index was tracking downward from its peak achieved six months ago. The continuing weakness in consumer spending for automobiles and other "big ticket" items and the low rate of new residential construction has depressed the Index. As the housing market recovers over the next six months (it will not be totally normal until 2009) and consumers realize that the economy is not in recession, the Leading Index will turn positive and provide a better measure of the County's economic outlook. In spite of significant economic problems at the national level and serious and ongoing problems within localized housing markets, the Fairfax County economy has continued to demonstrate its resilience with continuing job and income growth. March is likely to have been the low point in its 2008 economic performance.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Mar-08 Prelim.	Feb-08 Final	Mar-07 Final	Feb-08 to Mar-08	Mar-07 to Mar-08
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	136.81	139.68	139.81	-2.05	-2.15
Leading Index (1996 = 100)	117.18	121.55	120.21	-3.59	-2.52
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	596,636	597,337	591,692	-0.12	0.84
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	583,884	579,347	579,045	0.78	0.84
Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	1,039	1,110	909	-6.41	14.30
<i>Transient Occupancy Tax (\$'000=Current)</i>	2,251	1,853	1,880	21.48	19.73
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,682	8,411	9,842	15.12	-1.62
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	13,677	11,117	13,307	23.03	2.78
South Atlantic Consumer Confidence	92.2	116.1	152.7	-20.59	-39.62
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	3,941	5,233	4,891	-24.69	-19.42
<i>Automobile Registrations (Unadjusted)</i>	3,972	4,177	4,929	-4.91	-19.42
Initial Unemployment Claims (Seasonally Adjusted)	1,184	1,235	941	-4.15	25.80
<i>Initial Unemployment Claims (Unadjusted)</i>	1,224	1,319	973	-7.20	25.80
Building Permits, Total Number of Units (Seasonally Adjusted)	62	424	57	-85.30	10.00
<i>Building Permits, Total Number of Units (Unadjusted)</i>	77	357	70	-78.43	10.00
South Atlantic Consumer Expectations	53.7	68.0	96.2	-21.03	-44.18
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	599,924	597,780	600,078	0.36	-0.03
<i>Total Labor Force (Unadjusted)</i>	594,258	589,032	594,410	0.89	-0.03
Employed Labor Force (Seasonally Adjusted)	583,918	582,916	587,852	0.17	-0.67
<i>Employed Labor Force (Unadjusted)</i>	578,313	573,726	582,209	0.80	-0.67
Unemployed Labor Force (Seasonally Adjusted)	16,006	14,864	12,225	7.68	30.92
<i>Unemployed Labor Force (Unadjusted)</i>	15,945	15,306	12,201	4.17	30.69
Unemployment Rate (Percent, Seasonally Adjusted)	2.7%	2.5%	2.0%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.7%	2.6%	2.1%	--	--

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](http://www.fairfaxcounty.gov/economic/economic_index.htm)

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