

# Fairfax County Economic Index

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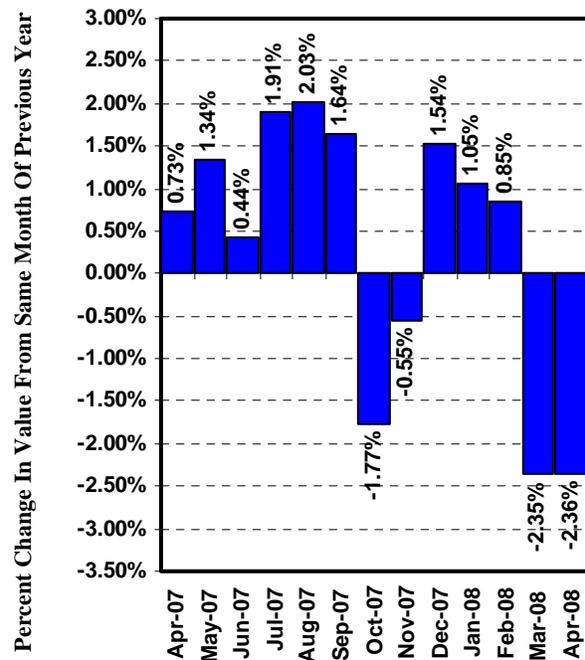
JUNE 2008

## Fairfax County Economy Slower in April Indicators Point To Further Weakness

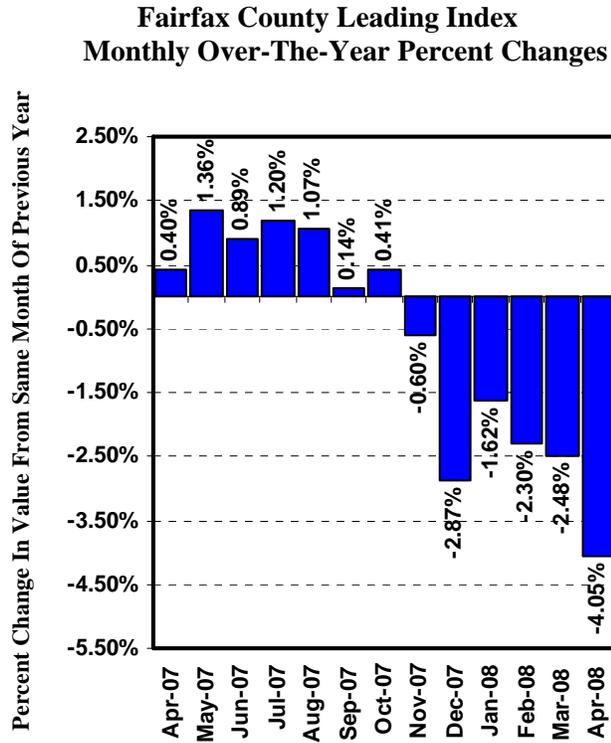
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 134.67 in April from March's revised value of 136.52 for a loss of 1.36 percent. This was the Index's third consecutive monthly loss after registering three monthly gains. On a monthly over-the-year basis, the Coincident Index fell below its same-month 2007 level by 2.36 percent. April's monthly over-the-year loss was its fourth decline in seven months following forty-eight consecutive monthly over-the-year increases. In April, all four of the Index's components were negative.

- Total employment was slightly lower (on a seasonally adjusted basis) and has decreased in five of the previous six months;
- Consumer confidence (in the present) fell for a second month;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased for a third month; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased 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



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, registered a marginal increase in April increasing to 117.29 for a gain of 0.05 percent. However, on a monthly over-the-year basis the Leading Index was negative for a sixth consecutive month falling 4.05 percent below its same-month value in April 2007. Since turning positive 59 months ago, the Leading Index has been up in 47 months and down in 12 months. In April, two of the Index's four indicators contributed to its increase over March.

- Automobile registrations increased for the second time in three months; and,
- Residential building permits rose in April for the fifth time in six months; while,
- Consumer expectations (consumer confidence six months hence) fell for the eighth time in nine months; and,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the third time in four months.

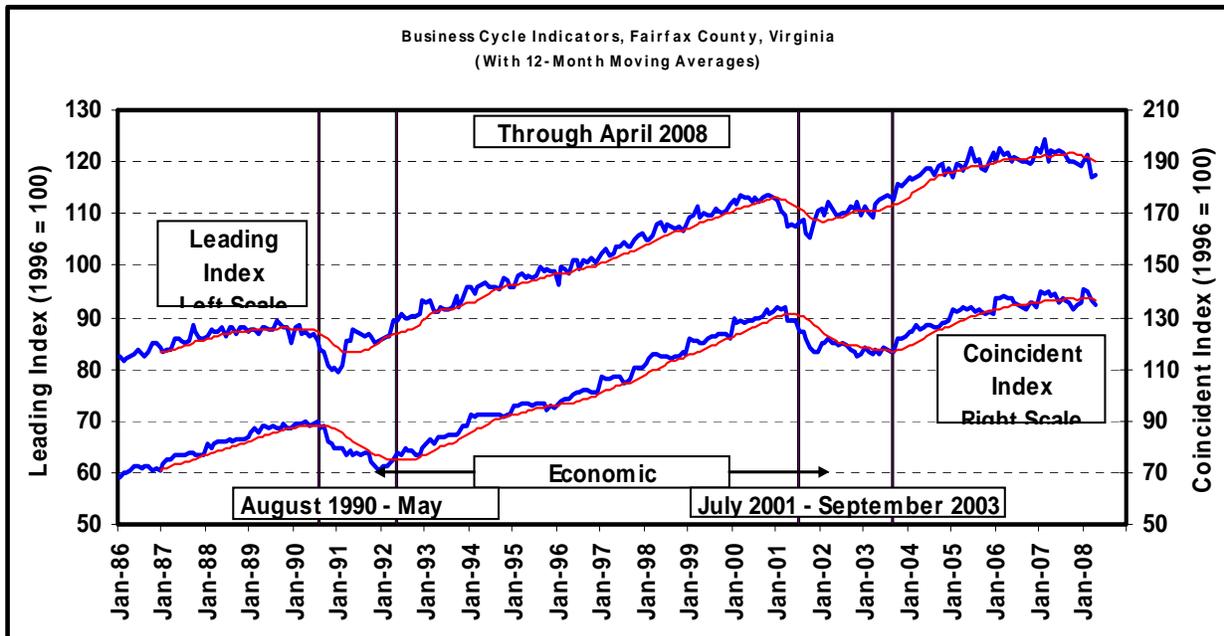
The Fairfax County economy continued to exhibit weakness in April. All four components of the Coincident Index contracted extending its downward trend to the third month. The Leading Index was down for a sixth consecutive month compared to its same-month values twelve months ago with April's decline being the largest since the Index turned negative. However, there are two positive signs: residential building permits were up 31 percent and automobile sales gained 9.5 percent in April compared to March.

## CURRENT CONDITIONS

The County's economy struggled in April with all four of the Coincident Index's components declining from their March levels. Both consumer spending and the labor market reflected weakness. Consumer spending has been drifting lower since the beginning of the year paralleling the decline in consumer confidence. In April, consumer confidence declined further dropping 41.7 percent below its April 2007 level and retail sales tax receipts fell almost 5 percent from March and were down 4 percent from their April 2007 level.

This slowdown in consumer spending is expected to reverse in May as the impact of the new spending power resulting from the "stimulus checks" begin to affect the retail sector. Nationally, retail sales in May experienced a strong 1.0 percent gain. Still, consumers are diverting increasing amounts of disposal income to gasoline purchases as prices move beyond \$4 per gallon and are shifting their retail purchasing patterns to compensate for rising food prices. Declining consumer confidence and rising prices are continuing threats to the economy's re-acceleration this year.

Slowing employment growth is both a reflection of a weakening economy and also a contributing factor. While job growth over the past twelve months has added almost 4,000 new jobs to the County's employment base, the County lost jobs in April. On a month-to-month basis, the County's employment base has contracted in five of the last six months. In comparison, the national employment base has lost jobs for five consecutive months (December through May).



Source: Center for Regional Analysis, George Mason University

Still, unemployment remains low at 2.5 percent. While low, this rate has crept up from 2.2 percent a year ago adding 2,077 County residents to the unemployment rolls. Initial claims for unemployment in the County are also increasing. While these numbers remain small (1,304 in April), they are up 39 percent from April 2007.

The hospitality industry is experiencing the impacts of higher transportation costs with decreased passenger traffic at Dulles and Reagan National Airports and possibly fewer leisure visitors driving to the area. This slowdown is reflected in lower transient occupancy tax collections in the County. While tax collections in May were up 17.5 percent from May 2007, on a seasonally adjusted basis they have declined on a month-to-month basis for three consecutive months.

## **NEAR-TERM OUTLOOK**

The Leading Index continues to trend downward even though it has registered gains in three of the last four months. This trend is clear on a monthly over-the-year basis with six monthly declines in the Index compared to its respective monthly values a year ago. This downward trend is pointing to further weakening in the County's economy over the remainder of 2008. However, there are two positive signs that the economy could be positioned for renewed growth. As the

downturn in new residential construction was the initial cause of the economy's weaker performance beginning in 2006, the resumption of residential construction spending will be an important stimulus for the economy's re-acceleration.

The early signs of a recovering new homes market are increasing residential building permits. The number of new residential building permits has increased month-to-month in the County beginning in November 2007 and continued increasing each month since with the exception of March. In April, new residential permits were up 31 percent. While they are still down 51.6 percent from April 2007, this recent upward trend in the issuance of residential building permits is a positive sign that the correction in the market is close to completion.

The County economy continues to experience widespread weaknesses although it also shows several strengths that will support renewed growth once the housing market recovers, consumer confidence improves, and energy prices begin to decline. When will this re-acceleration occur? The Leading Index points to early 2009 although there are signs that the County economy could still start trending higher later this year.

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

Economic Indicator	Estimates			Percent Change	
	Apr-08 Prelim.	Mar-08 Final	Apr-07 Final	Mar-08 to Apr-08	Apr-07 to Apr-08
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	134.67	136.52	137.93	-1.36	-2.36
Leading Index (1996 = 100)	117.29	117.23	122.24	0.05	-4.05
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	597,569	597,609	593,654	-0.01	0.66
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	585,985	584,836	582,146	0.20	0.66
Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	992	1,039	845	-4.46	17.47
<i>Transient Occupancy Tax (\$'000=Current)</i>	2,223	2,251	1,802	-1.24	23.39
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,207	9,682	9,588	-4.91	-3.97
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	13,149	13,677	13,078	-3.86	0.54
South Atlantic Consumer Confidence	83.9	88.7	143.9	-5.41	-41.70
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	4,316	3,941	5,179	9.51	-16.66
<i>Automobile Registrations (Unadjusted)</i>	4,177	3,972	5,012	5.16	-16.66
Initial Unemployment Claims (Seasonally Adjusted)	1,327	1,184	956	12.14	38.87
<i>Initial Unemployment Claims (Unadjusted)</i>	1,304	1,224	939	6.54	38.87
Building Permits, Total Number of Units (Seasonally Adjusted)	82	62	169	31.16	-51.63
<i>Building Permits, Total Number of Units (Unadjusted)</i>	89	77	184	15.58	-51.63
South Atlantic Consumer Expectations	51.3	54.1	98.5	-5.18	-47.92
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	601,803	600,127	600,060	0.28	0.29
<i>Total Labor Force (Unadjusted)</i>	595,634	594,459	593,909	0.20	0.29
Employed Labor Force (Seasonally Adjusted)	586,527	584,068	586,862	0.42	-0.06
<i>Employed Labor Force (Unadjusted)</i>	581,456	578,461	581,788	0.52	-0.06
Unemployed Labor Force (Seasonally Adjusted)	15,276	16,059	13,199	-4.88	15.74
<i>Unemployed Labor Force (Unadjusted)</i>	14,178	15,998	12,121	-11.38	16.97
Unemployment Rate (Percent, Seasonally Adjusted)	2.5%	2.7%	2.2%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.4%	2.7%	2.0%	--	--

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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