

# Fairfax County Economic Index

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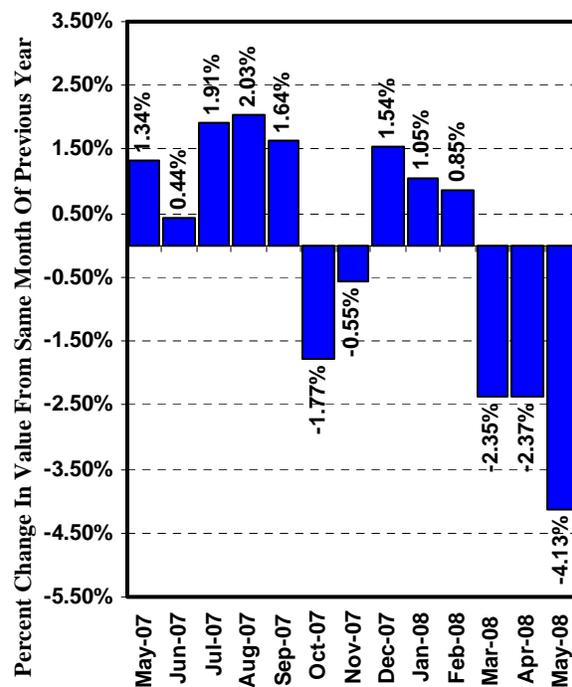
JULY 2008

## Fairfax County Economy Weakens in May Leading Indicators Point To Slower Growth

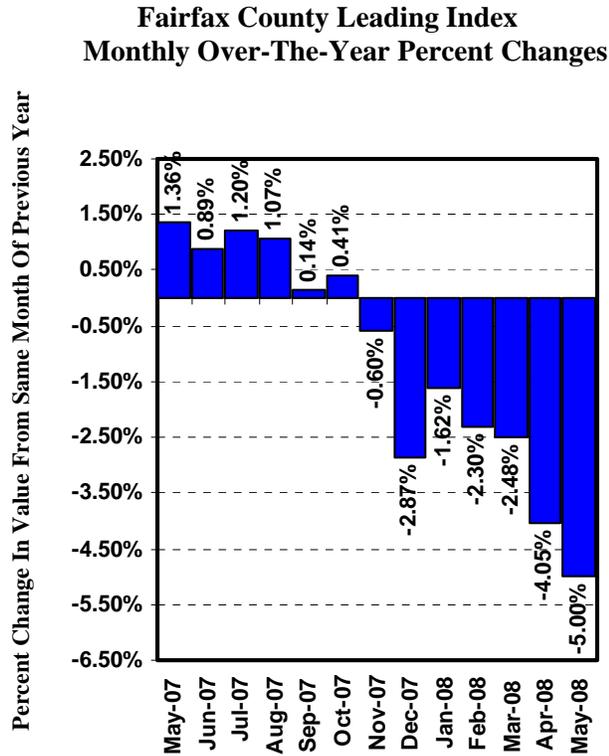
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 133.15 from April's revised value of 134.66 for a loss of 1.13 percent. This was the Index's fourth consecutive monthly loss. On a monthly over-the-year basis, the Coincident Index fell below its same-month 2007 level by 4.13 percent. May's monthly over-the-year loss was its third consecutive decline and fifth decrease in eight months following forty-eight consecutive monthly over-the-year gains. In May, all three of the Index's four components contributed to its decline.

- Total employment was lower (on a seasonally adjusted basis) for the fourth consecutive month and has decreased in six of the previous seven months;
- Consumer confidence (in the present) fell for the third month in a row; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased for a fourth month; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased 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, fell to 115.68 in May for a loss of 1.37 percent. This was the Index's second decline in three months. On a monthly over-the-year basis, the Leading Index was negative for a seventh consecutive month falling 5.0 percent below its same-month value in May 2007. Since turning positive 60 months ago, the Leading Index has been up in 47 months and down in 13 months. In May, three of the Index's four indicators contributed to its decrease.

- Automobile registrations declined for the second time in three months;
- Consumer expectations (consumer confidence six months hence) fell for the ninth time in ten months; and,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the fourth time in five months; while,
- Residential building permits increased in May for the sixth time in seven months.

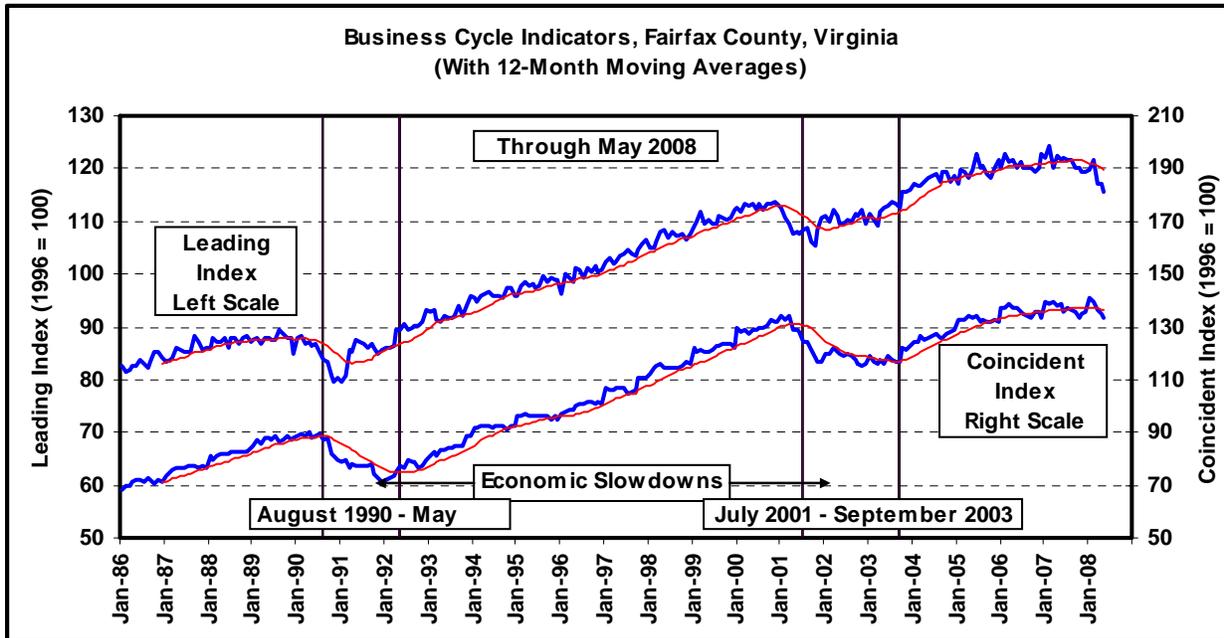
The Fairfax County economy continued to slow in May extending its downward trend to a third month. Even with this slowing, consumer spending, on a seasonally adjusted basis, continued to expand. However, the Leading Index was down for a seventh consecutive month compared to its same-month value a year ago with May's decline of 5.0 percent being the largest since the Index turned negative. One important positive indicator—residential building permits—was up compared to the previous month for the sixth time in seven months. Still, the County's economy is not likely to experience any significant re-acceleration this year.

## CURRENT CONDITIONS

The national economy continues to struggle and its prospects remain in doubt. With the residential sector's continuing problems—low sales, declining prices, and increasing foreclosure rates—being compounded by the continuing turmoil in the mortgage market, rising energy prices, and declining consumer confidence, the likelihood that the national economy will rebound in 2008 has become more remote.

Global Insight had projected the mild national recession to occur over the first six months of 2008; now it has pushed that date to the fourth quarter of 2008 and first quarter of 2009. Whether this downturn occurs or not, the current trends are pointing to a longer recovery period than had been expected at the beginning of the year with the economy re-accelerating in late 2009 to set up a solid gain for the economy in 2010. In fact, the annual 2009 economic performance is now expected to be weaker than the gains projected for 2008, partially due to the positive effects of the federal economic stimulus package that distorted the economy's performance during second and third quarters.

The Fairfax County economy in May reflected many of the problems that have contributed to the slowdown in the national economy; however, the consequences have not been as severe. Job growth over the past twelve months reflects an estimated gain of 10,116 net new jobs while unemployment stands at 2.7 percent (up from 2.0 percent in May of 2007) compared to the Washington area's rate of 3.5 percent and the national



Source: Center for Regional Analysis, George Mason University

rate of 5 percent. The resilience of the County's labor market illustrates the underlying strength of the County's economy. Still, consumer spending remains the wildcard over the short term. The gain in sales tax receipts in May can be explained by the extra spending supported by the "stimulus" checks. Even with this extra spending, May's receipts fell below those in May 2007 by almost 5 percent. With consumer confidence continuing to slip, consumers will likely remain cautious about making major purchases. This is already evident in the 25 percent decrease in automobile registrations between May 2007 and May 2008.

Key to the County economy's re-acceleration will be the resolution of the major problems confronting the national economy—rising energy prices, increased inflationary pressures, turmoil in the financial markets and low consumer confidence. As these problems are resolved over the coming six to nine months, the County economy will rebound building on its strong fundamentals and resilience that have provided it downside protection during the current business cycle.

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

The downward trend of the County's Leading Index confirms the slowdown in the economy and its likely continuation over the remainder of this

its likely continuation over the remainder of this year. Until consumer expectations begin to rise in response to lower energy prices, renewed confidence in the economic institutions, and renewed stability of the financial markets, the economy will continue to under-perform its potential growth path. With fiscal and monetary policy interventions completed and with the only Congressional action likely to be completed before the summer break focused on the housing, the economy will likely struggle into next year before all of its major problems have been neutralized or self-corrected.

As the collapse of the housing market led the economy's slowdown, it is likely that its recovery will lead the economy's resurgence. New residential construction will pick up in response to decreased inventories, lower prices, and stabilized mortgage markets. Since October 2007 (with the exception of March), residential building permits increased on a month-to-month basis in Fairfax County and even though they remain lower than a year ago, the upward trend should be considered hopeful; that is, an early sign of economic recovery. When will the economy begin to generate increased volumes of new jobs and decreasing unemployment? Probably not until the second quarter of 2009 as both job growth and unemployment lag the recovery.

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

Economic Indicator	Estimates			Percent Change	
	May-08 Prelim.	Apr-08 Final	May-07 Final	Apr-08 to May-08	May-07 to May-08
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	133.15	134.66	138.89	-1.13	-4.13
Leading Index (1996 = 100)	115.68	117.29	121.77	-1.37	-5.00
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	595,892	597,569	592,226	-0.28	0.62
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	590,263	585,985	586,632	0.73	0.62
Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	983	991	875	-0.87	12.27
<i>Transient Occupancy Tax (\$'000=Current)</i>	2,354	2,223	1,987	5.89	18.49
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,365	9,216	9,851	1.61	-4.94
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	13,934	13,149	13,998	5.97	-0.46
South Atlantic Consumer Confidence	75.5	83.9	148.2	-10.01	-49.06
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	3,962	4,316	5,279	-8.21	-24.95
<i>Automobile Registrations (Unadjusted)</i>	4,167	4,177	5,552	-0.24	-24.95
Initial Unemployment Claims (Preliminary, Seasonally Adjusted)	1,437	1,327	974	8.29	47.53
<i>Initial Unemployment Claims (Preliminary, Unadjusted)</i>	1,372	1,304	930	5.21	47.53
Building Permits, Total Number of Units (Seasonally Adjusted)	90	82	170	10.27	-47.02
<i>Building Permits, Total Number of Units (Unadjusted)</i>	89	89	168	0.00	-47.02
South Atlantic Consumer Expectations	41.6	51.3	90.0	-18.91	-53.78
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	599,958	601,469	589,842	-0.25	1.72
<i>Total Labor Force (Unadjusted)</i>	599,236	595,478	589,132	0.63	1.72
Employed Labor Force (Seasonally Adjusted)	583,801	586,294	578,187	-0.43	0.97
<i>Employed Labor Force (Unadjusted)</i>	582,940	581,321	577,335	0.28	0.97
Unemployed Labor Force (Seasonally Adjusted)	16,157	15,175	11,654	6.48	38.64
<i>Unemployed Labor Force (Unadjusted)</i>	16,296	14,157	11,797	15.11	38.14
Unemployment Rate (Percent, Seasonally Adjusted)	2.7%	2.5%	2.0%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	2.7%	2.4%	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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