

Fairfax County Economic Index

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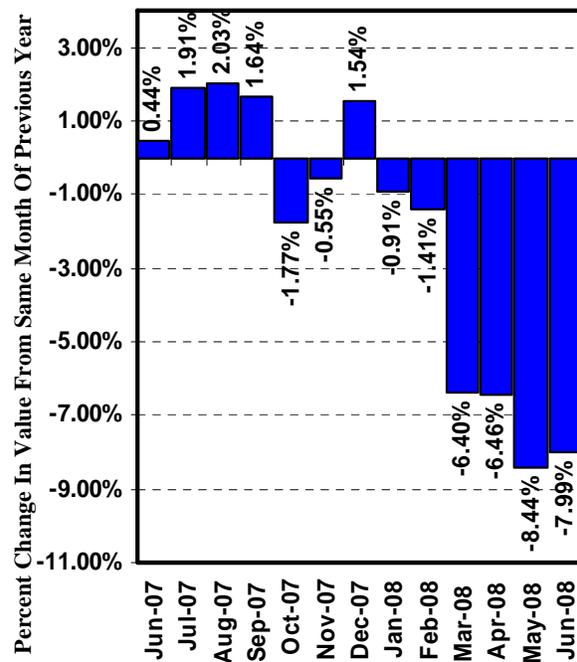
AUGUST 2008

Current and Leading Indicators Point To Slowing Economic Growth in Fairfax County

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 125.05 in June from May's revised value of 127.17 for a loss of 1.66 percent. The Coincident Index has been revised for the first six months of 2008 due to data revisions. As a result of these revisions, the Index has now declined for five consecutive months. On a monthly over-the-year basis, the Coincident Index fell below its same-month 2007 level by 7.99 percent. June's monthly over-the-year loss was its sixth consecutive decline and eighth decrease in nine months following forty-eight consecutive monthly over-the-year gains. In June, three of the Index's four components contributed to its decline.

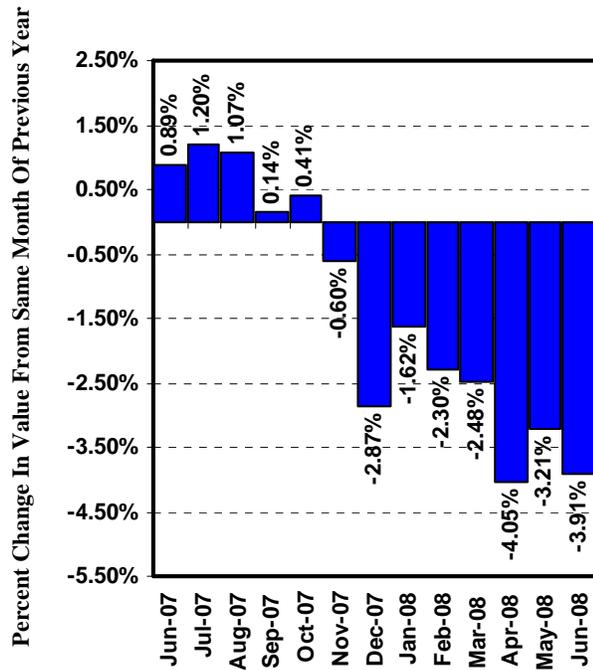
- Total employment was lower (on a seasonally adjusted basis) for the fifth consecutive month;
- Consumer confidence (in the present) fell for the fourth month in a row; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased for the fifth time in six months; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased after declining in April and May.

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



Source: Center for Regional Analysis, George Mason University

Fairfax County Leading Index Monthly Over-The-Year Percent Changes



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, fell to 117.4 in June for a loss of 0.39 percent. On a month-to-month basis, the Index has been positive in April and May. However, on a monthly over-the-year basis, the Index has continued to trend lower and has now been negative for eight consecutive months falling 3.9 percent below its same-month value in June 2007. Since turning positive 61 months ago, the Leading Index has been up in 47 months and down in 14 months. In June, three of the Index's four indicators contributed to its decrease.

- Consumer expectations (consumer confidence six months hence) fell for the tenth time in eleven months;
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the fourth time in six months; and,
- Residential building permits declined in June after having increased in April and May; while,
- Automobile registrations grew for the second time in three months and for the third time in five months.

CURRENT CONDITIONS

The Fairfax County economy continued to slow in June extending its downward trend to a sixth month. However, even with this slowdown, consumer spending continued to expand with both retail sales and automobile registrations growing in June over May. The Leading Index also continued to decline in June extending its downward trend to an eighth month compared to its same-month values the previous year. These trends confirm the economy's slowdown and suggest that it is likely to experience further slowing over the remainder of the year.

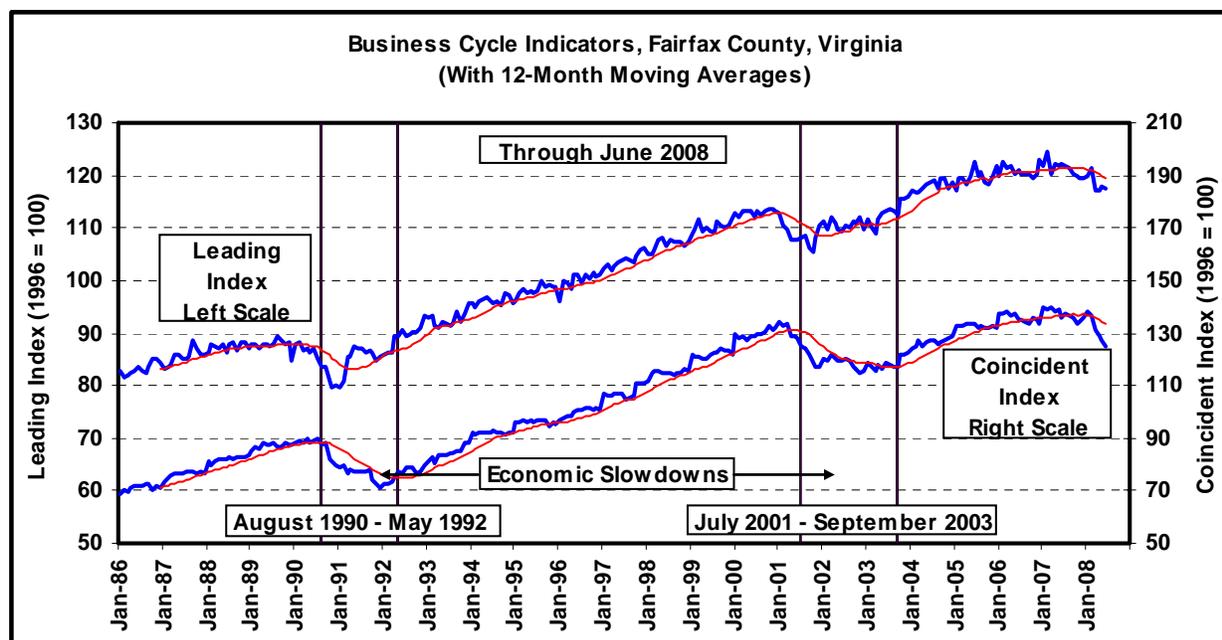
While the national economy did not fall into a widely predicted recession during the year's first half, it continues to struggle with slowing retail sales and declining consumer confidence. Weak consumer spending, in combination with continuing weakness in the home building industry and residential sales sector and on-going turbulence in the financial markets, threatens the economy's performance over the coming six to nine months.

Global Insight now projects a mild national recession spanning the fourth quarter of 2008 and the first quarter of 2009. Whether this downturn occurs or not, current trends are pointing to a longer recovery period than had been expected at the beginning of the year with the economy re-accelerating during the second half of 2009 with full recovery occurring in 2010.

The Fairfax County economy has been impacted by many of the same negative forces that have undermined the national economy. And, even though its Coincident and Leading Indicators reflect broad-based weaknesses most of the specifically local indicators have remained positive over the year. Still, the local slowdown has become increasingly visible.

Job growth that had been averaging annualized gains ranging around 10,000 net new jobs earlier in the year has slowed to less than 5,000 net new jobs in June (compared to June of 2007).

Unemployment has increased from 2.3 percent in June 2007 to 3.1 percent in June 2008 but is still below the metropolitan average of 3.9 percent. However, this rise in the County's unemployment rate represents an increase of 4,671 residents who were unemployed in June this year compared to June last year.



Source: Center for Regional Analysis, George Mason University

Retail sales tax collections on a seasonally adjusted basis were higher in June, in part reflecting the added spending resulting from the “stimulus” checks received by local residents from the Federal government but they still fell below the retail sales level in June 2007.

Key to the County economy’s re-acceleration will be the resolution of the major problems confronting the national economy—high energy prices, slowing residential construction, increased inflation pressures, turmoil in the financial markets and low consumer confidence. As these problems correct over the coming year, 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 year. Until consumer expectations begin to rise, the economy will continue to under-perform its potential growth path. With the Federal government’s fiscal and monetary policy interventions completed for the time being, the economy will likely struggle for several more quarters before all of its major problems have 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. Residential building permits have increased in Fairfax County on a month-to-month basis since October 2007 (with the exception of March and June); however, they still remain 30 percent lower than a year ago. The positive month-to-month gain should be considered an early sign that the home building industry is approaching equilibrium. At this time, it appears as if the housing inventories (new and resale) in the County will be sufficiently lean to drive prices and sales higher by the end of the first quarter 2009.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-08 Prelim.	May-08 Final	Jun-07 Final	May-08 to Jun-08	Jun-07 to Jun-08
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	125.05	127.17	135.91	-1.66	-7.99
Leading Index (1996 = 100)	117.40	117.86	122.18	-0.39	-3.91
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	593,657	595,892	588,894	-0.38	0.81
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	<i>596,894</i>	<i>590,263</i>	<i>592,105</i>	<i>1.12</i>	<i>0.81</i>
Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	691	713	809	-3.05	-14.53
<i>Transient Occupancy Tax (\$'000=Current)</i>	<i>1,669</i>	<i>1,708</i>	<i>1,855</i>	<i>-2.28</i>	<i>-10.01</i>
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	8,915	8,693	9,315	2.56	-4.29
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>14,468</i>	<i>12,934</i>	<i>13,975</i>	<i>11.86</i>	<i>3.53</i>
South Atlantic Consumer Confidence	65.3	74.7	141.2	-12.58	-53.75
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,903	3,962	6,522	23.75	-24.83
<i>Automobile Registrations (Unadjusted)</i>	<i>5,521</i>	<i>4,167</i>	<i>7,345</i>	<i>32.49</i>	<i>-24.83</i>
Initial Unemployment Claims (Preliminary, Seasonally Adjusted)	1,083	1,033	961	4.81	12.75
<i>Initial Unemployment Claims (Preliminary, Unadjusted)</i>	<i>1,018</i>	<i>986</i>	<i>903</i>	<i>3.23</i>	<i>12.75</i>
Building Permits, Total Number of Units (Seasonally Adjusted)	75	90	109	-16.30	-30.71
<i>Building Permits, Total Number of Units (Unadjusted)</i>	<i>88</i>	<i>89</i>	<i>127</i>	<i>-1.12</i>	<i>-30.71</i>
South Atlantic Consumer Expectations	41.7	47.8	91.4	-12.76	-54.38
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	600,526	596,297	590,818	0.71	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>603,992</i>	<i>595,580</i>	<i>594,228</i>	<i>1.41</i>	<i>1.64</i>
Employed Labor Force (Seasonally Adjusted)	583,546	584,102	578,471	-0.10	0.88
<i>Employed Labor Force (Unadjusted)</i>	<i>585,554</i>	<i>583,241</i>	<i>580,461</i>	<i>0.40</i>	<i>0.88</i>
Unemployed Labor Force (Seasonally Adjusted)	16,979	12,196	12,347	39.23	37.52
<i>Unemployed Labor Force (Unadjusted)</i>	<i>18,438</i>	<i>12,339</i>	<i>13,767</i>	<i>49.43</i>	<i>33.93</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.8%	2.0%	2.1%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>3.1%</i>	<i>2.1%</i>	<i>2.3%</i>	<i>--</i>	<i>--</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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