

Fairfax County Economic Index

VOLUME XII, NUMBER 4

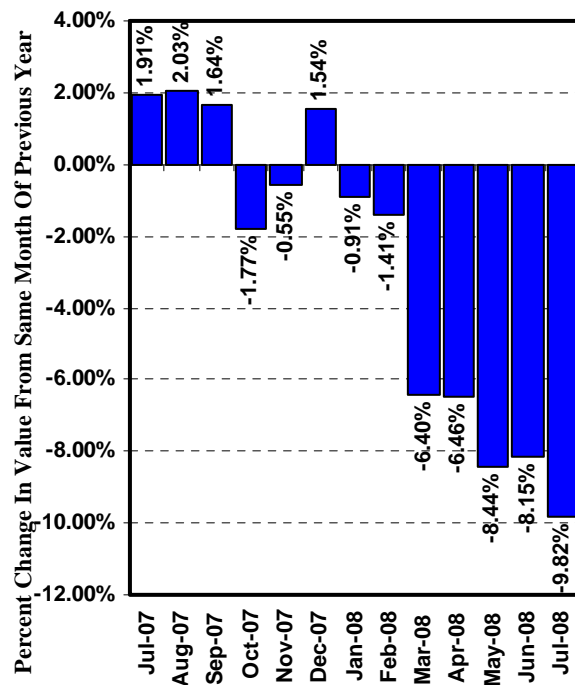
SEPTEMBER 2008

Economy Slows Further In July Slow Performance Likely To Continue

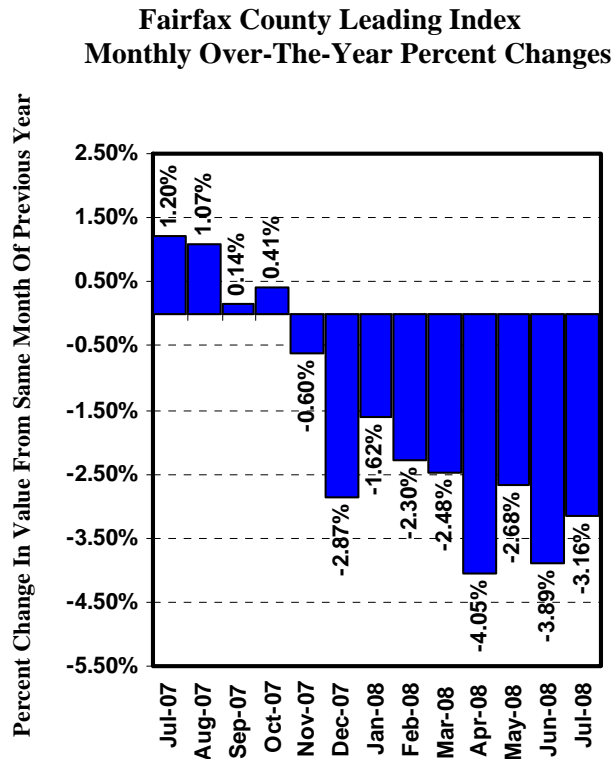
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 123.95 from June's revised value of 124.83 for a loss of 0.71 percent. This was the Index's sixth consecutive month-to-month decline from its peak in January. On a monthly over-the-year basis, the Coincident Index fell below its same-month 2007 level by 9.82 percent. July's monthly over-the-year loss was its seventh consecutive decline and ninth decrease in ten months. In July, three of the Index's four components contributed to its decline.

- Total employment was lower (on a seasonally adjusted basis) for the sixth consecutive month;
- Consumer confidence (in the present) fell for the fifth month in a row; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased for the third time in four months; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased slightly for the second time in three months after declining for four consecutive months dating back to January.

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 117.91 in July for a gain of 0.41 percent. On a month-to-month basis, the Index has been positive in five of the last seven months. However, on a monthly over-the-year basis, the Index has declined nine months in a row falling 3.16 percent below its same-month value in July 2007. In July, two of the Index's four indicators contributed to its gain over June.

- Consumer expectations (consumer confidence six months hence) increased for the first time in six months; and,
- Residential building permits increased sharply and have now grown in seven of the last nine months; while,
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the fifth time in seven months; and,
- Automobile registrations fell sharply offsetting their gain in June and have declined in three of the last five months.

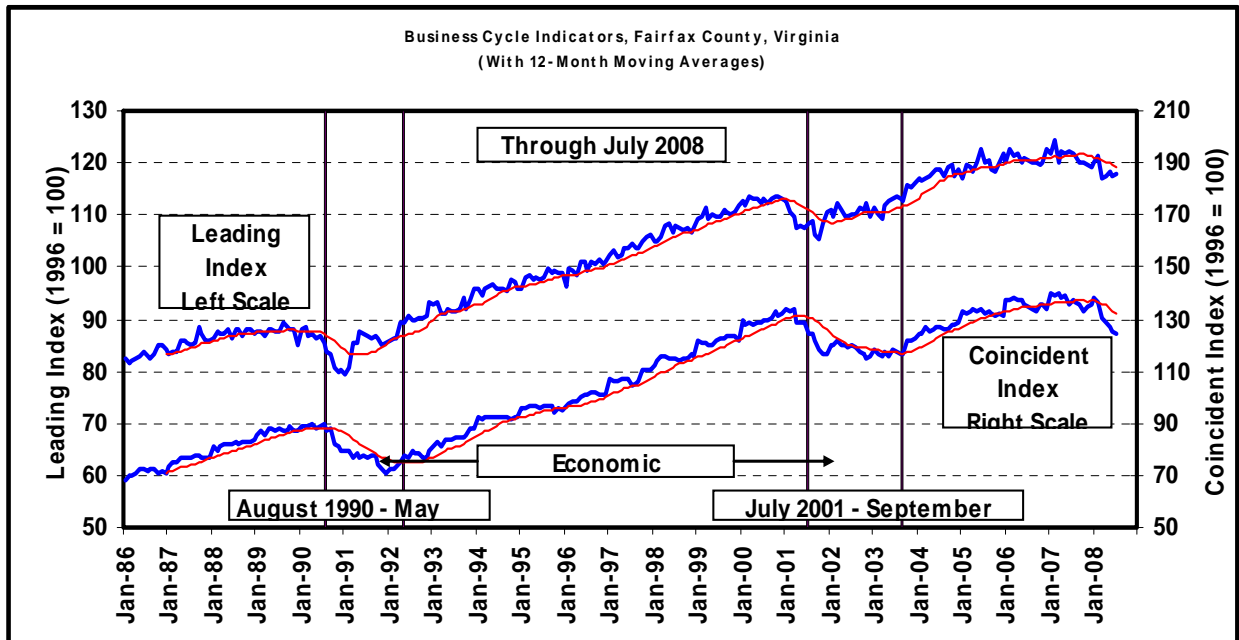
The Fairfax County economy continued to slow in July extending its downward trend to a seventh month. This slowdown has now extended to consumer spending with both retail sales and automobile registrations declining in July. The Leading Index also continued to fall below its same-month in 2007 extending its downward trend to a ninth month although it was higher than in June 2008 and exhibited some positive signs of possible future strength. These trends confirm the economy's continuing slowdown and suggest that it is likely to continue this pattern over the remainder of the year with any re-acceleration not occurring until after the first quarter of 2009.

CURRENT CONDITIONS

The national economy has cooled down since the second quarter as the positive effects of the stimulus checks that temporarily swelled consumer spending have faded. Continuing low consumer confidence (in the present) and the unending turmoil and uncertainty in the financial markets have further dampened consumer spending even as gasoline prices have registered substantial decreases over the past month. The national economy is projected to continue struggling with its many interrelated problems through the end of the year with a resumption of growth beginning by mid-2009 following two quarters of slightly negative performance.

Some of these same negative forces are impacting the Fairfax County economy. The anxiety that is undercutting consumer spending nationally can be seen impacting the County's economy, too. Retail sales tax receipts were down in July and are running 10 percent below July 2007. Automobile sales fell dramatically in July and are 22 percent down from July 2007. These trends are consistent with national patterns and parallel the continuing decline in consumer confidence over the last five months

The slower pattern of consumer spending is also consistent with the slowdown in the residential real estate market (movers need to buy furniture and home furnishings) and slower job growth. On a seasonally adjusted basis, the number of County residents holding jobs in July actually declined from June by 0.4 percent (2,155 workers) as unemployment increased to 3.2 percent, a full percentage point higher than in July 2007.



Source: Center for Regional Analysis, George Mason University

This pattern of declining employment among County residents also occurred within the County's employment base. The number of jobs in the County declined on both a seasonally adjusted (-1,867) and unadjusted basis (-4,624) although remains up 0.7 percent from July 2007. This pattern of weak or declining job growth confirms that the initial slowdown in the economy is now having collateral effects that could prolong the period of adjustment required before the economy re-accelerates.

NEAR-TERM OUTLOOK

The Leading Index has reflected a mixture of negative and positive indicators in recent months that could be signaling the beginning of the end of the slowdown in the County's economy. As the Leading Index is a forecasting index of the County's economic performance nine to twelve months into the future, these potentially positive signals and the Index's track will naturally vary as the economy moves through its correction. Overall, the Leading Index has registered positive month-to-month gains in three of the last four months although it remains well off its same-month last year's values. Two indicators, Consumer Expectations and residential building permits, are pointing to the coming recovery.

Consumer expectations—how consumers think the economy will be performing in six months—turned positive in July for the first time since January. While consumer expectations remain very low, any upward movement is an important signal that consumers are expecting the future to be better than the current period.

The economic slowdown started with the overheated housing market and resultant slowdown in new residential construction. The first sign that residential builders are anticipating a resumption of activity is the increase in residential building permits being issued. Since last November, the monthly number of new residential building permits has increased (month-to-month) seven times in nine months. In July, this monthly gain was 112.5 percent; that is, more than double the permits issued in June were issued in July. And, for the first time in more than a year, the number of permits issued in July exceeded the number issued the previous year (July 2007). Also, the number of resale houses sold in the County now exceeds same-month sales in 2007. While it will take more time for the housing market to fully recover, the current signs are positive and point to the possibility of the overall economy resuming its upward track by the second quarter of 2009.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jul-08 Prelim.	Jun-08 Final	Jul-07 Final	Jun-08 to Jul-08	Jul-07 to Jul-08
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	123.95	124.83	137.44	-0.71	-9.82
Leading Index (1996 = 100)	117.91	117.43	121.75	0.41	-3.16
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	591,790	593,657	587,619	-0.31	0.71
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	<i>592,270</i>	<i>596,894</i>	<i>588,096</i>	-0.77	0.71
Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	694	692	847	0.16	-18.11
<i>Transient Occupancy Tax (\$'000=Current)</i>	<i>1,476</i>	<i>1,669</i>	<i>1,722</i>	-11.56	-14.28
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	8,372	9,001	9,319	-6.98	-10.16
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>12,702</i>	<i>14,468</i>	<i>12,897</i>	-12.21	-1.51
South Atlantic Consumer Confidence	62.9	63.4	152.9	-0.79	-58.86
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	3,704	4,903	4,766	-24.45	-22.29
<i>Automobile Registrations (Unadjusted)</i>	<i>4,160</i>	<i>5,521</i>	<i>5,353</i>	-24.65	-22.29
Initial Unemployment Claims (Preliminary, Seasonally Adjusted)	1,242	1,140	1,045	8.95	18.90
<i>Initial Unemployment Claims (Preliminary, Unadjusted)</i>	<i>1,260</i>	<i>1,072</i>	<i>1,060</i>	17.56	18.90
Building Permits, Total Number of Units (Seasonally Adjusted)	160	75	119	112.46	34.81
<i>Building Permits, Total Number of Units (Unadjusted)</i>	<i>182</i>	<i>88</i>	<i>135</i>	106.82	34.81
South Atlantic Consumer Expectations	46.9	43.3	101.3	8.31	-53.70
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	600,811	600,526	588,063	0.05	2.17
<i>Total Labor Force (Unadjusted)</i>	<i>612,257</i>	<i>603,992</i>	<i>599,266</i>	1.37	2.17
Employed Labor Force (Seasonally Adjusted)	581,391	583,546	574,998	-0.37	1.11
<i>Employed Labor Force (Unadjusted)</i>	<i>592,402</i>	<i>585,554</i>	<i>585,887</i>	1.17	1.11
Unemployed Labor Force (Seasonally Adjusted)	19,420	16,979	13,065	14.37	48.63
<i>Unemployed Labor Force (Unadjusted)</i>	<i>19,855</i>	<i>18,438</i>	<i>13,379</i>	7.69	48.40
Unemployment Rate (Percent, Seasonally Adjusted)	3.2%	2.8%	2.2%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>3.2%</i>	<i>3.1%</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:
http://www.fairfaxcounty.gov/economic/economic_index.htm

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