Fairfax County Economic Index

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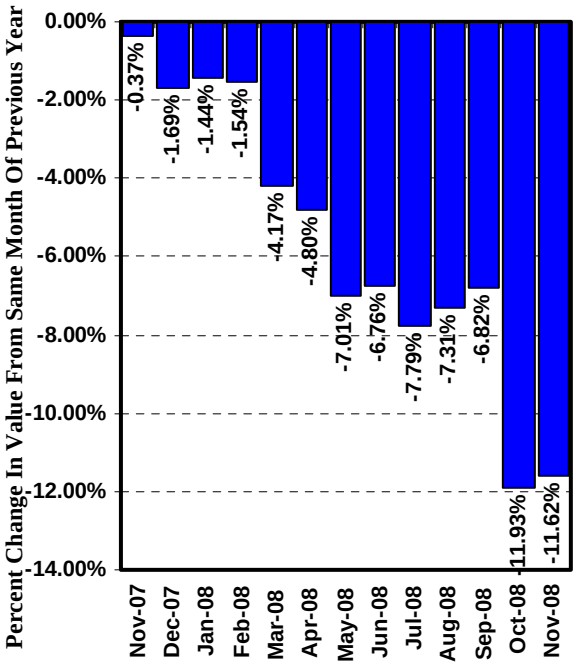
County Economy Weakens Further in November Outlook for 2009 Remains Weak

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 119.21 from October's revised value of 120.43 for a loss of 1.01 percent. This was the Index's ninth decrease in ten months dating back to February 2008. On a monthly over-the-year basis, the Coincident Index continued to decline, falling below its same-month 2007 level by 11.62 percent. November's decline reflects a slight improvement over October's but was still almost double the September-to-September decrease reflecting continuing deterioration in the economy. November's monthly over-the-year loss was its thirteenth consecutive decline. In November, three of the Index's four components contributed to its decline.

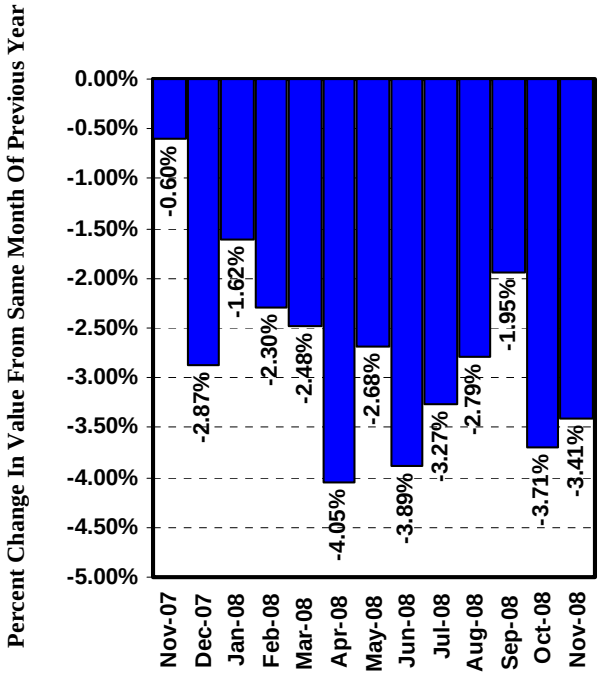
- Consumer confidence (in the present) experienced a continuing downward trend;
- Total employment was lower (on a seasonally adjusted basis) for the eighth time in ten months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased following a strong gain in October; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the fourth time in five months.

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, decreased to 115.45 in November for a loss of 0.10 percent. This was the third decline in the Index following two monthly gains. On a monthly over-the-year basis, the Index has declined thirteen months in a row falling 3.41 percent below its same-month value in November 2007 although this decline was slightly less than in October and continues to be impacted by the uncertainty and credit crisis at the national level. In November, three of the Index's four indicators contributed to its decline.

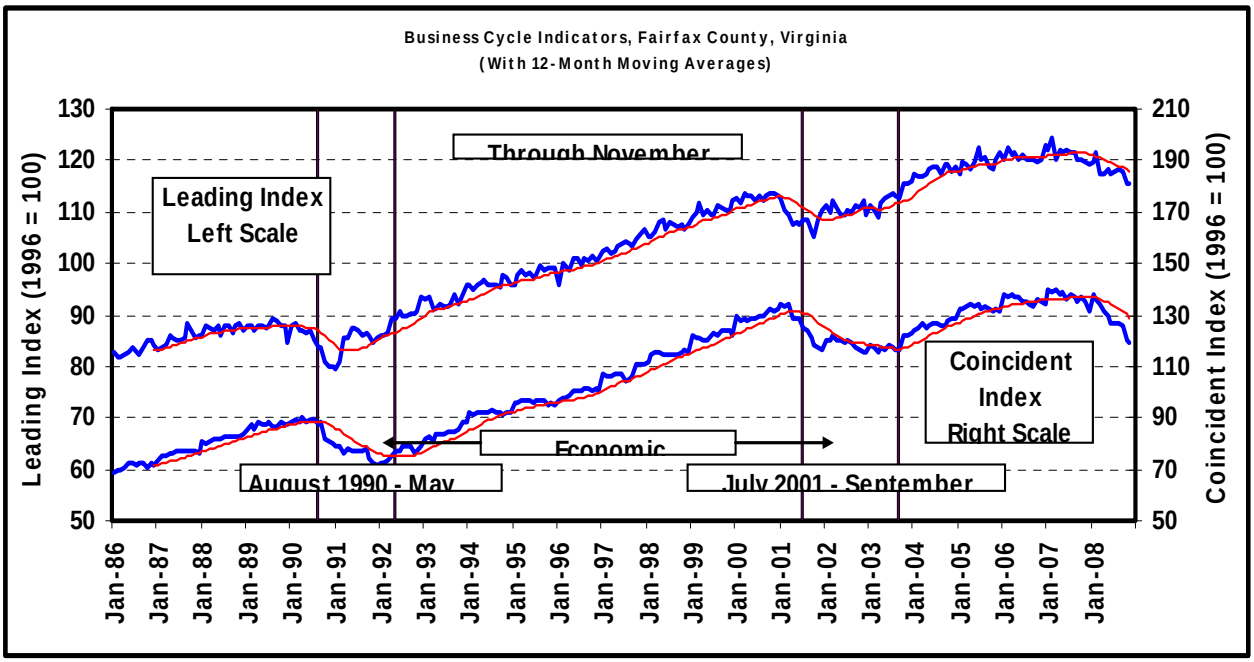
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the sixth consecutive month;
- Automobile registrations decreased in November following October's gain; and,
- Residential building permits declined following their strong gain in October; while,
- Consumer expectations (consumer confidence six months hence) increased following their sharp decrease in October and have been higher now in four out of five months.

The Fairfax County economy continues to be impacted by the national recession and its impacts on consumer spending locally. The continuing uncertainty in the financial markets, weakness in the homebuilding industry, the deepening global recession, and further erosion of assets has driven consumer confidence in the present to an all time low. This slowdown in the County economy has paralleled but not been as severe as the deterioration of the national economy during the fourth quarter of 2008. The County's economy remains cushioned from the negative forces that have driven the national economy into what will likely be its longest contraction since World War II. Still, the outlook remains clouded by the credit crunch and the uncertainty regarding the easing of credit to support the economy's re-acceleration projected for the second half of 2009.

CURRENT CONDITIONS

The current outlook for the U.S. economy is that the recession that began in December 2007 is expected to continue at least until mid-year 2009 spanning at least 17 months thereby exceeding the 16-month recession of 1981-1982. GDP is projected to decrease 2.5 percent in 2009, also exceeding the 2.0 percent decline registered in 1982. Unemployment is projected to rise from its current 7.2 percent level (December 2008) to between 9 percent and 10 percent by the first quarter of 2010 and not fall back to its current level until 2012. Payroll jobs have declined every month since December 2007 and were down by 2.8 million in 2008. Job loss continued for 29 consecutive months during the mild recession of 2001 so this current employment trend could easily extend through 2010. The January 2009 national economic forecast has GDP beginning to grow during the third quarter of 2009 accelerating slowly through 2010 with 2011 registered above-trend growth (greater than 3 percent) assuming the president's economic stimulus proposals are enacted and begin to effect growth in 2009 with these effects continuing to benefit the economy well into 2011.

The Washington area economy has not fallen into recession. It continues to add net new jobs, one of the few major metropolitan areas to be doing so, with the jobs being added paying higher wages than the jobs being lost. While unemployment has increased its 4.4 percent area-wide rate is the lowest among major metropolitan areas in



Source: Center for Regional Analysis, George Mason University

the US. Expectations for 2009 are for continued economic growth but at a slower rate than in 2008, with slower employment gains and rising unemployment. Also, given the expected increase in federal spending in the Washington area in 2009, the area economy is expected re-accelerate sooner than other major metropolitan areas.

Fairfax County's economy is operating in this context of a serious contraction at the national level and the continuing albeit slower growth of the Washington area economy underpinned by growing federal spending. The Fairfax County economy continues to experience slow employment growth and unemployment remains low (3.1 percent) although a full percentage point higher than a year ago.

However, consumers are worried as reflected in declining consumer confidence and weaker consumer spending. Consumer expectations—how the economy will be performing in six months—are slowly improving although they remain pessimistic. Still, when consumers believe the economy will be better in the future than it is in the present, they will be more comfortable taking risks and making purchases that require borrowing.

NEAR-TERM OUTLOOK

The upward direction of consumer expectation is the first favorable sign that the economy is correcting. This is a process that will be fueled by "good" news or depressed by continuing "bad" news. The first quarter of 2009 is not expected to generate much "good" economic news but by the second quarter, the early signs of a pending recovery at the national level should be more apparent. In Fairfax County, these indicators should begin pointing to a stronger economic performance in April and slowly gain strength over the remainder of the year. Much of this re-acceleration depends on consumers and their perception of the economy's outlook.

The Fairfax County Leading Index continues to track downward and is likely to do so over the next quarter. As consumers become more confident about the future, housing and auto sales will increase and with consumers coming back into the market, job growth will accelerate. With federal spending expected to increase in 2009, with more federal jobs and more contracting, Fairfax County is well positioned to capture these gains early and have them push the local economy to higher growth rates before year's end. These signs are not yet evident but the federal actions necessary for a new surge of federal spending are making their way through the Congress and should be in place helping to stimulate growth in Fairfax County before mid-year.

Fairfax County, Virginia Economic Indicators
Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-08 Prelim.	Oct-08 Final	Nov-07 Final	Oct-08 to Nov-08	Nov-07 to Nov-08
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	119.21	120.43	134.88	-1.01	-11.62
Leading Index (1996 = 100)	115.45	115.56	119.53	-0.10	-3.41
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	589,663	592,005	583,177	-0.40	1.11
Estimated Total Wage & Salary Employment (Unadjusted)	*596,768*	*593,843*	*590,203*	*0.49*	*1.11*
Transient Occupancy Tax ($'000=1987, Seasonally Adjusted)	819	802	843	2.03	-2.93
Transient Occupancy Tax ($'000=Current)	*1,697*	*2,044*	*1,680*	*-16.98*	*1.03*
Sales Tax Receipts ($'000=1987, Seasonally Adjusted)	8,914	9,585	9,397	-7.00	-5.15
Sales Tax Receipts ($'000=Current, Unadjusted)	*12,012*	*13,260*	*13,163*	*-9.41*	*-8.74*
South Atlantic Consumer Confidence	30.3	32.3	131.2	-6.19	-76.91
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	3,275	4,688	4,799	-30.13	-31.76
Automobile Registrations (Unadjusted)	*2,827*	*4,798*	*4,143*	*-41.08*	*-31.76*
Initial Unemployment Claims (Preliminary, Seasonally Adjusted)	1,936	1,743	1,173	11.05	65.02
Initial Unemployment Claims (Preliminary, Unadjusted)	*1,731*	*1,750*	*1,049*	*-1.08*	*65.02*
Building Permits, Total Number of Units (Seasonally Adjusted)	64	71	87	-10.44	-26.32
Building Permits, Total Number of Units (Unadjusted)	*56*	*73*	*76*	*-23.29*	*-26.32*
South Atlantic Consumer Expectations	47.1	37.8	75.7	24.60	-37.78
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	595,604	598,791	586,227	-0.53	1.60
Total Labor Force (Unadjusted)	*599,638*	*601,482*	*590,197*	*-0.31*	*1.60*
Employed Labor Force (Seasonally Adjusted)	576,108	579,972	572,796	-0.67	0.58
Employed Labor Force (Unadjsted)	*580,867*	*583,374*	*577,528*	*-0.43*	*0.58*
Unemployed Labor Force (Seasonally Adjusted)	19,497	18,819	13,431	3.60	45.16
Unemployed Labor Force (Unadjusted)	*18,771*	*18,108*	*12,669*	*3.66*	*48.16*
Unemployment Rate (Percent, Seasonally Adjusted)	3.3%	3.1%	2.3%	--	--
Unemployment Rate (Percent, Unadjusted)	*3.1%*	*3.0%*	*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:
http://www.fairfaxcounty.gov/economic/economic_index.htm

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