



# Fairfax County Economic Index

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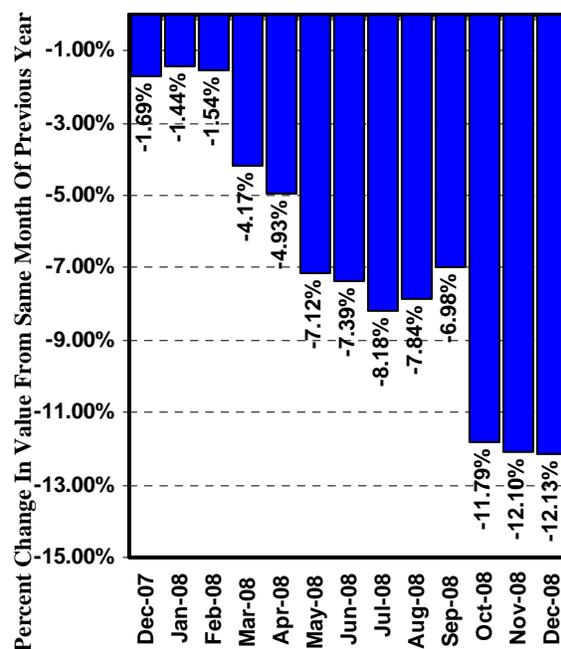
FEBRUARY 2009

## County Economy Weakens Further in December Outlook Remains Weak for 2009

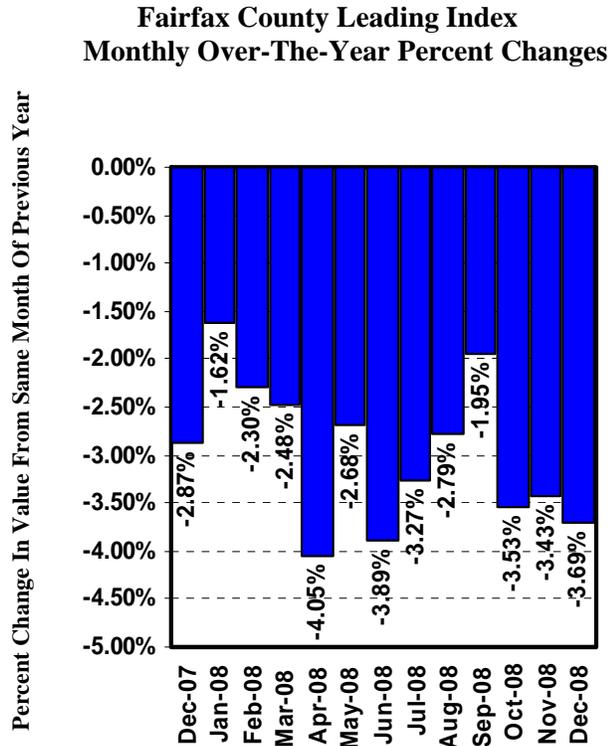
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 115.5 from November's revised value of 118.6 for a loss of 12.5 percent. This was the Index's tenth decrease in eleven months dating back to February 2008. On a monthly over-the-year basis, the Coincident Index continued to decline falling below its same-month 2007 level by 12.1 percent. December's monthly over-the-year loss was its fourteenth consecutive decline following forty-eight consecutive monthly over-the-year gains. In December, three of the Index's four components contributed to its decline.

- Consumer confidence (in the present) experienced a continuing downward trend dropping to its lowest level ever (since 1967);
- Total employment was lower (on a seasonally adjusted basis) for the tenth time in eleven months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased for the fourth time in six months; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the fifth time in six 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, decreased to 114.9 in December for a loss of 0.4 percent. This was the fourth decline in the Index following two monthly gains in July and August. On a monthly over-the-year basis, the Index has declined fourteen months in a row falling 3.7 percent below its December 2007 value. In November, three of the Index's four indicators contributed to its decline.

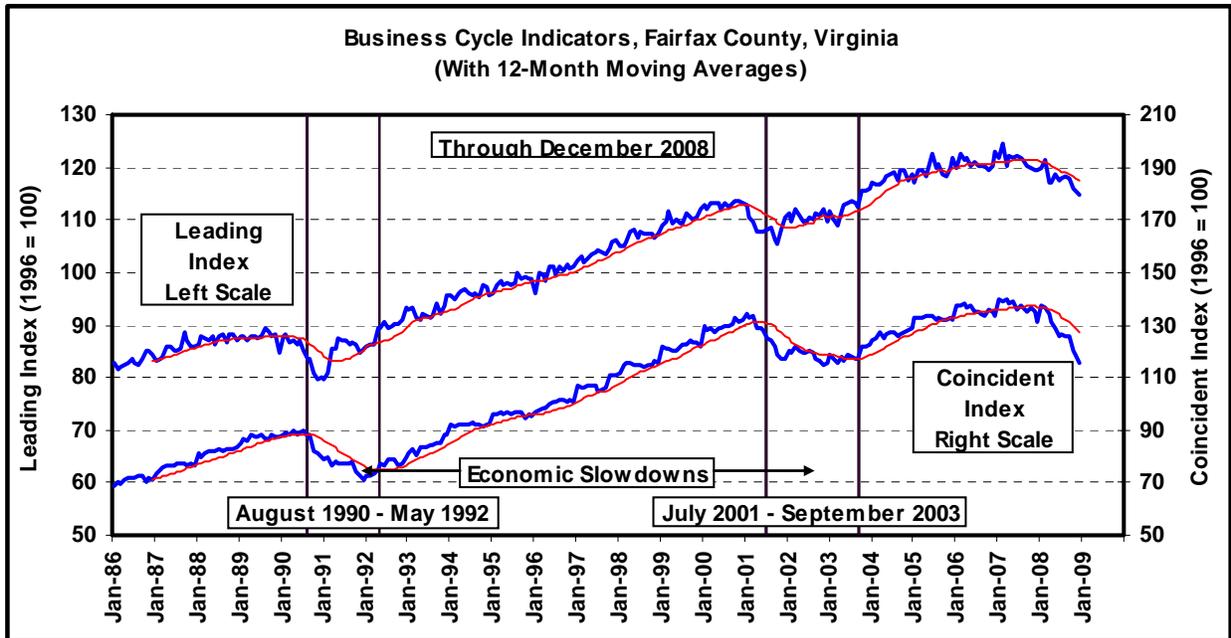
- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the seventh consecutive month;
- Residential building permits declined for a second month following their strong gain in October; and,
- Consumer expectations (consumer confidence six months hence) decreased for a second time in three months although expectations have continued to trend higher than consumer confidence in the present; while,
- Automobile registrations increased in December for the second time in three months.

The Fairfax County economy continues to be impacted by the national recession and its impacts on business and consumer spending. The slowdown in the County economy has been significant but no where as severe as the deterioration of the national economy during the fourth quarter of 2008. Still, the County's economic outlook remains clouded by the uncertainty within the world's financial markets, the effectiveness of the just-enacted stimulus package, and new efforts to stabilize the housing market that will all require more time than previously anticipated pushing the national recovery off to the fourth quarter of 2009 at the earliest.

## 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 through the third quarter of 2009 spanning 20 months (at a minimum) thereby exceeding the 16-month recession of 1981-1982 and making this the longest recession since WW II. GDP is projected to decrease 2.7 percent in 2009, also exceeding the 2.0 percent decline registered in 1982 and the greatest one-year decline since 1948 when GDP dropped 12 percent. Unemployment is projected to rise from its current 7.6 percent level (January 2009) to between 9 percent and 10 percent by the first quarter of 2010 and not fall back to its current level until 2012 or possibly 2013. Payroll jobs have declined every month since December 2007 and were down by 2.8 million in 2008. This job loss continued for 29 consecutive months during the mild recession of 2001 so this current employment trend could easily extend well into 2011.

The Washington area economy has not fallen into recession and is not expected to during 2009. It continues to add net new jobs although at a slowing rate and is one of only three major metropolitan areas still doing so, with the jobs being added paying higher wages than the jobs being lost. While unemployment has increased, its 4.7 percent area-wide rate is the lowest among major metropolitan areas in the US. Expectations for 2009 are for continued economic growth but at a still slower rate (1.3 percent) than in 2008, with slower employment gains and rising unemployment.



Source: Center for Regional Analysis, George Mason University

Fairfax County's economy is operating within the context of a serious contraction at the national level and slower growth at the metropolitan level supported largely by rising federal spending. As a result, the Fairfax County economy continues to experience slow economic growth although in recent months it has registered jobs losses. However, the jobs being added are generating more value than the jobs being lost. Unemployment remains low by national standards but is increasing (3.4 percent in December, up from 2.2 percent a year ago) with the number of unemployment residents increasing from 14,644 to 21,969.

Consumer anxiety remains a very real deterrent to increased spending as measured by declining consumer confidence and weaker retail spending. Consumer expectations regarding how the economy will be performing in six months are slowly trending higher (January's number was up 9 points) although they remain very 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. Consumer expectations is a key predictor of future changes in consumer spending.

## NEAR-TERM OUTLOOK

The first quarter of 2009 is expected to be the worst quarter of the recession with GDP losing 6 percent GDP. The 2<sup>nd</sup> quarter is projected to be negative, too, and the 3<sup>rd</sup> quarter is expected to be flat. With the benefits of previous actions by the Federal Reserve Board and the U.S. Treasury (TARP) and the early impacts of increased federal stimulus spending, the national economy is expected to begin expanding in the 4<sup>th</sup> quarter.

Fairfax County's economic indicators should begin pointing to a stronger economic performance by mid-year and gain strength relatively quickly into 2010. However, much of this re-acceleration depends on consumers and their perception of the economy's outlook. 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 increasing federal spending resulting in more federal jobs and federal contracting, Fairfax County is well positioned to capture these gains early and these should propel the local economy to a higher growth rate before year's end. The signs of this recovery are not yet evident but the pre-conditions are set (or nearly so) to stimulate slowly accelerating growth in Fairfax County by mid-year.

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

Economic Indicator	Estimates			Percent Change	
	Dec-08 Prelim.	Nov-08 Final	Dec-07 Final	Nov-08 to Dec-08	Dec-07 to Dec-08
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	115.54	118.56	131.50	-2.54	-12.13
Leading Index (1996 = 100)	114.91	115.43	119.32	-0.45	-3.69
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	576,454	581,108	579,752	-0.80	-0.57
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	589,598	588,110	592,971	0.25	-0.57
Estimated Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	876	854	839	2.54	4.44
<i>Estimated Transient Occupancy Tax (\$'000=Current)</i>	1,437	1,771	1,331	-18.88	7.97
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	8,886	8,914	8,492	-0.30	4.65
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	16,253	12,012	16,925	35.31	-3.97
South Atlantic Consumer Confidence	23.3	30.4	111.1	-23.36	-79.03
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	3,977	3,275	4,482	21.44	-11.25
<i>Automobile Registrations (Unadjusted)</i>	3,612	2,827	4,070	27.77	-11.25
Initial Unemployment Claims (Seasonally Adjusted)	2,293	1,938	1,090	18.29	110.41
<i>Initial Unemployment Claims (Unadjusted)</i>	2,287	1,733	1,087	31.98	110.41
Building Permits, Total Number of Units (Seasonally Adjusted)	60	64	99	-6.43	-39.74
Building Permits, Total Number of Units (Unadjusted)	47	56	78	-16.07	-39.74
South Atlantic Consumer Expectations (Unadjusted)	42.9	47.1	68.6	-8.92	-37.46
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	591,574	594,432	583,357	-0.48	1.41
<i>Total Labor Force (Unadjusted)</i>	596,846	598,458	588,556	-0.27	1.41
Employed Labor Force (Seasonally Adjusted)	569,605	574,862	568,713	-0.91	0.16
<i>Employed Labor Force (Unadjusted)</i>	576,306	579,611	575,404	-0.57	0.16
Unemployed Labor Force (Seasonally Adjusted)	21,969	19,570	14,644	12.26	50.02
<i>Unemployed Labor Force (Unadjusted)</i>	20,540	18,847	13,152	8.98	56.17
Unemployment Rate (Percent, Seasonally Adjusted)	3.7%	3.3%	2.5%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	3.4%	3.1%	2.2%	--	--

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. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. 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. In September 2004, the Transient Occupancy Tax was increased from 2% to 4%. All original values prior to September 2004 were doubled for consistency. Seasonal factors have been updated to reflect average monthly fluctuations during the period January 1988 through December 2005. Wage and salary 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](http://www.fairfaxcounty.gov/economic/economic_index.htm)

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