

Fairfax County Economic Index

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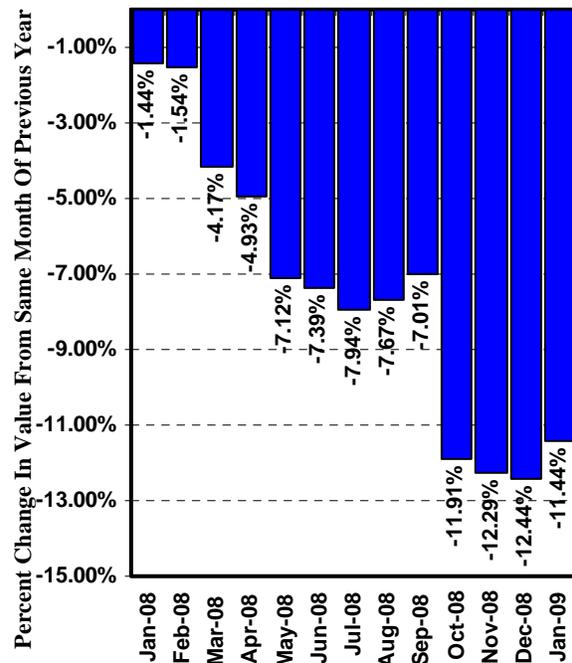
MARCH 2009

County Economy Grows in January However Full Recovery Is Still Months Off

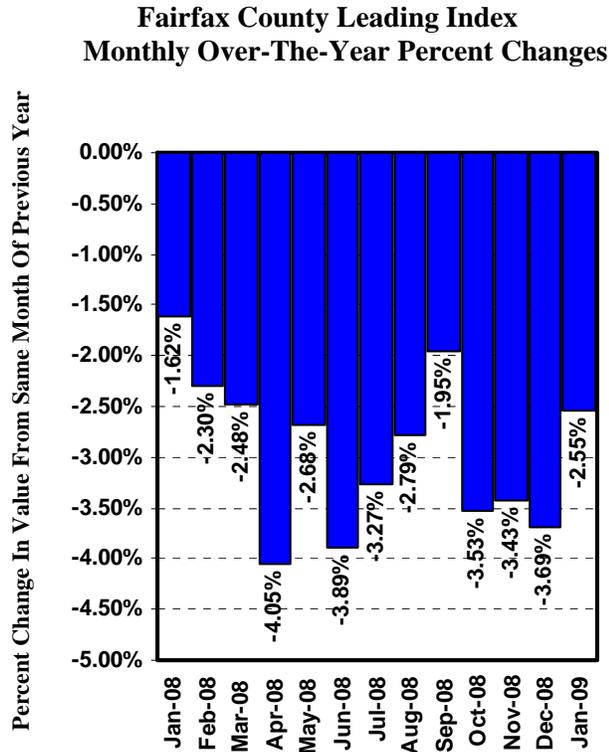
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 121.99 from December's revised value of 115.14 for a gain of 5.95 percent. This was the Index's first increase in six months and reflects several seasonal factors. However, on a monthly over-the-year basis, the Coincident Index continued to decline falling below its same-month 2008 level by 11.44 percent. January's monthly over-the-year loss was its fifteenth consecutive decline following forty-eight consecutive monthly over-the-year gains. In January, all four of the Index's components contributed to its increase.

- Consumer confidence (in the present), while still very low, experienced its first increase in four months;
- Total employment increased (on a seasonally adjusted basis) for the first time since January 2008;
- Sales tax revenues, adjusted for inflation and seasonal variation, increased in January following two monthly declines; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the seventh time in eight 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, increased to 116.87 in January for a gain of 1.7 percent. This was the first increase in the Index in five months. However, on a monthly over-the-year basis, the Index has declined fifteen months in a row, falling 2.55 percent below its January 2008 value. In January, three of the Index's four indicators contributed to its increase.

- Initial claims for unemployment insurance decreased (improved) on a seasonally adjusted basis following seven consecutive monthly increases;
- Consumer expectations (consumer confidence six months hence) increased for a second time in three months but remains near an historical low; and,
- Automobile registrations increased in January for the second month in a row; while,
- Residential building permits declined for a third month and were well below last January's level.

The Fairfax County economy continues to be impacted by the national recession that registered

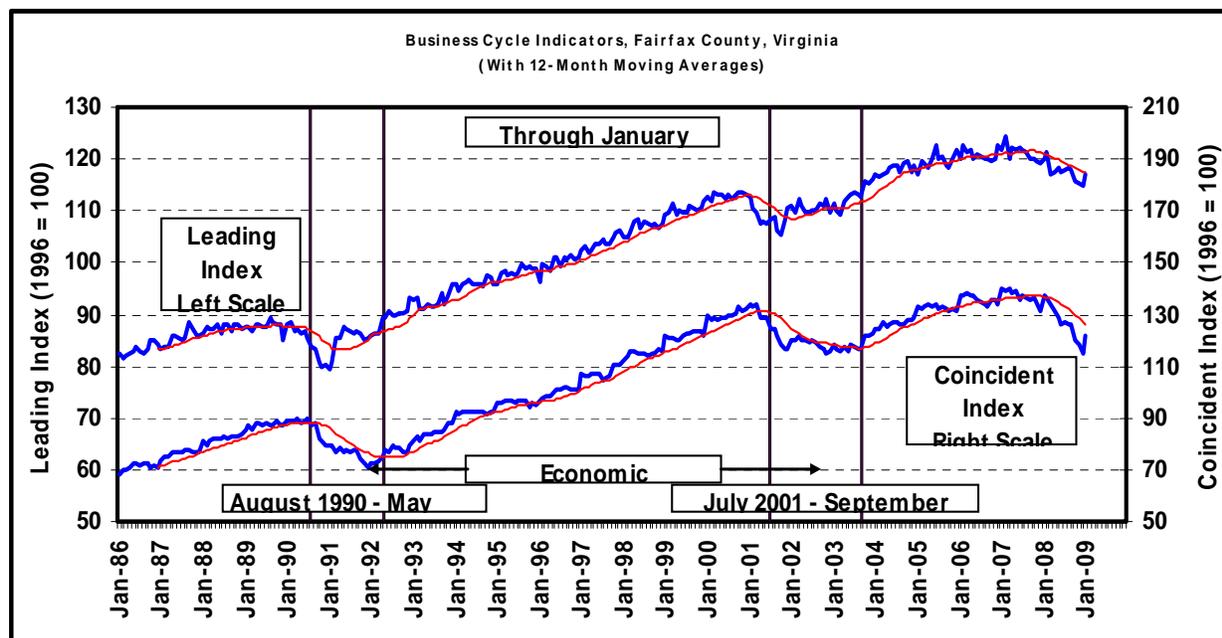
its worst performance in the fourth quarter of 2008, and continued to struggle in January. Still, the County's economic performance showed some positive signs in January, even though it will likely be the second quarter before the primary economic indicators will be uniformly stronger. Consumer confidence and job growth remain the keys to the reacceleration of the County's economy. These, and the economy's growth, will gain strength over the remainder of the year in a slow recovery that will extend well into 2010 before the unemployment rate peaks and then begins to moderate.

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 into the fourth quarter of 2009, spanning 22 months, thereby exceeding the 16-month recession of 1981-1982, and making this the longest recession since World War II. The March revised forecast for GDP performance in 2009 projects it to decrease 3.7 percent, 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 8.1 percent level (February 2009) to 10 percent, and possibly higher, by mid-2010 and not fall back to its current level until 2013. Payroll jobs have declined every month since December 2007, were down by 2.8 million in 2008, and are projected to continue declining until mid-2010.

Although the Washington area experienced job losses in December and January and a rising unemployment rate of 5.5 percent in January, up from 4.7 percent in December, the area economy has not fallen into recession, and is not expected to during 2009. For all of 2008, the Washington area economy registered a 2.1 percent growth rate and is projected to grow 1.2 percent in 2009. Compared to January 2008, the metropolitan area added 38,600 new jobs and lost 40,400 jobs, for a net loss of 1,800 jobs in January 2009. However, the jobs that were added had an average salary that was substantially higher than the jobs lost, and as a result the economy still gained value.

This same pattern of economic activity has characterized Northern Virginia and Fairfax County in 2008 and continues into 2009. Northern Virginia and Fairfax County experienced job losses in January (also in November and Decem-



Source: Center for Regional Analysis, George Mason University

ber). The job count (not seasonally adjusted) in Fairfax County is estimated to have declined by 11,380 between December and January, and by 8,153 compared to January 2008. The month-to-month decline reflects a combination of seasonal and cyclical factors, while the January-to-January decline provides a clearer picture of the labor force impacts of the economy's slowdown.

With continuing weakness in the construction and retail sectors, and contraction in the financial services sector, the County's economy is experiencing a significant shift in its employment structure. With fewer jobs, the unemployment has crept higher, reaching 4.2 percent in January, up from 2.7 percent in January 2008, and representing an increase of 8,974 more unemployed residents in the County. While the County's job base should begin to expand during the second quarter, it is unlikely that its unemployment rate will peak until next year.

January's up-tick in consumer confidence and increase in consumer spending was good news but is not likely to be sustained until the second quarter. As the national, regional, and County economies begin to experience slow recovery over the next six to nine months, these gains are expected to be stronger sooner locally, as the underlying strength provided by federal spending, and particularly by federal procurement outlays, will advantage Fairfax County and positively impact its economic recovery in the coming months.

NEAR-TERM OUTLOOK

Fairfax County's Leading Index turned positive in January. While this is a good sign, it may not be a turning point. This may be several months away, yet. The County's economic indicators should begin pointing to a stronger economic performance by mid-year and gain strength relatively quickly into 2010. Increasing residential construction activity in the spring (this is the normal seasonal pattern) and increased consumer spending for autos and other durable goods will be among the early signs of a re-acceleration of the County's economy.

As consumer expectations recover faster than consumer confidence in the present—the future looks brighter than the present—housing and auto sales will pick up. This is expected to occur beginning in the second quarter. March and April data available in May and June will provide the evidence needed to confirm the economy's renewal. Once the growth trend swings higher, it should continue accelerating through 2009 and 2010.

Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jan-09 Prelim.	Dec-08 Final	Jan-08 Final	Dec-08 to Jan-09	Jan-08 to Jan-09
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	121.99	115.14	137.75	5.95	-11.44
Leading Index (1996 = 100)	116.87	114.91	119.92	1.70	-2.55
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	596,074	574,994	604,501	3.67	-1.39
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	576,724	588,104	584,877	-1.94	-1.39
Estimated Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	916	873	869	4.91	5.43
<i>Estimated Transient Occupancy Tax (\$'000=Current)</i>	1,551	1,437	1,424	7.97	8.89
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	10,340	8,701	10,030	18.84	3.09
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	11,521	16,255	12,238	-29.12	-5.86
South Atlantic Consumer Confidence	27.8	23.3	113.2	19.31	-75.44
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,356	3,977	4,217	9.53	3.30
<i>Automobile Registrations (Unadjusted)</i>	3,911	3,612	3,786	8.28	3.30
Initial Unemployment Claims (Seasonally Adjusted)	2,021	2,293	1,219	-11.84	65.74
<i>Initial Unemployment Claims (Unadjusted)</i>	2,717	2,287	1,639	18.78	65.74
Building Permits, Total Number of Units (Seasonally Adjusted)	47	60	112	-21.11	-57.95
Building Permits, Total Number of Units (Unadjusted)	37	47	88	-21.28	-57.95
South Atlantic Consumer Expectations (Unadjusted)	53.3	42.9	78.6	24.24	-32.19
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	603,161	591,574	601,147	1.96	0.34
<i>Total Labor Force (Unadjusted)</i>	591,731	596,846	589,755	-0.86	0.34
Employed Labor Force (Seasonally Adjusted)	578,283	569,605	585,423	1.52	-1.22
<i>Employed Labor Force (Unadjusted)</i>	566,784	576,306	573,782	-1.65	-1.22
Unemployed Labor Force (Seasonally Adjusted)	24,878	21,969	15,724	13.24	58.22
<i>Unemployed Labor Force (Unadjusted)</i>	24,947	20,540	15,973	21.46	56.18
Unemployment Rate (Percent, Seasonally Adjusted)	4.1%	3.7%	2.6%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	4.2%	3.4%	2.7%	--	--

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

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