



Fairfax County Economic Index

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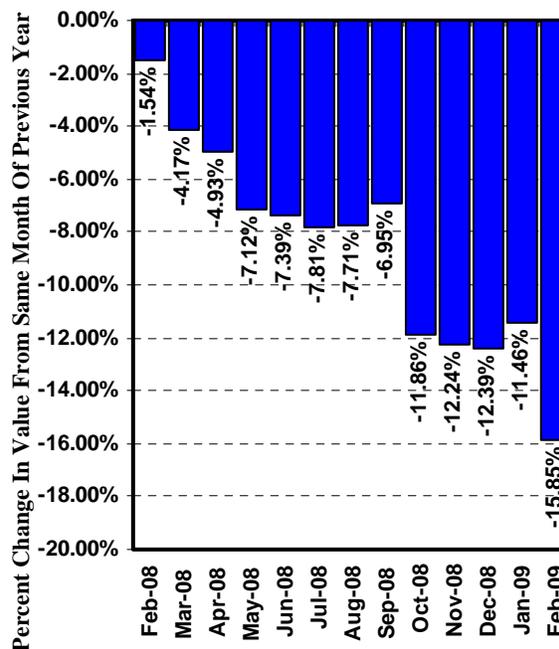
APRIL 2009

County Economy Weakens in February Outlook for Early Recovery Dims

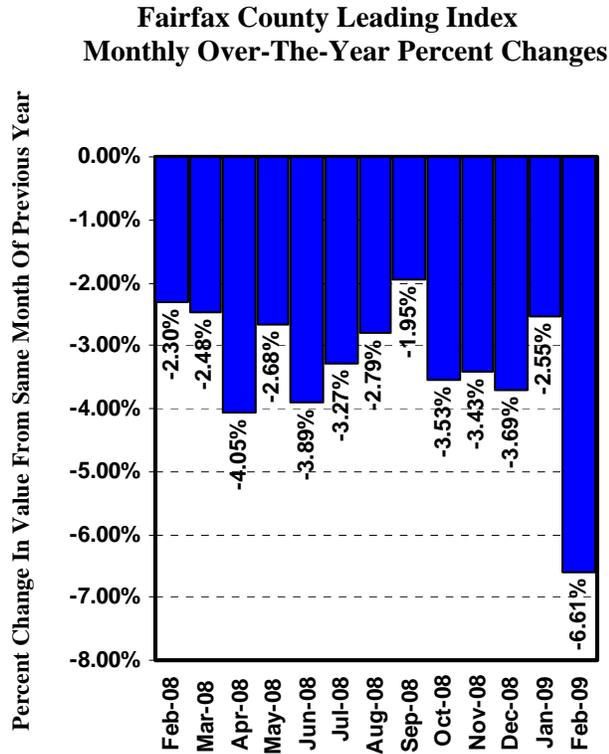
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 114.9 from January's 121.97 for a decline of 5.8 percent. This decline offsets January's gain and with it, the Coincident Index resumed its downward trend that dates back to the 4th quarter of 2007. On a monthly over-the-year basis, the Coincident Index was down 15.85 percent from its February 2008 level. February's monthly over-the-year loss was its sixteenth consecutive decline following forty-eight consecutive monthly over-the-year gains. For both a month-to-month and monthly over-the-year basis February's declines in the Coincident Index were the largest since 1982. In February, all four of the Index's components contributed to its decrease.

- Consumer confidence (in the present) declined sharply in February and has been down in four of the last five months;
- Total employment decreased (on a seasonally adjusted basis) in February for the eleventh time in thirteen months;
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased in February for the third time in four months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased following three monthly increases.

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 113.52 in February for a loss of 2.87 percent. With this decrease, the Index has been down in five of the last six months. On a monthly over-the-year basis, the Index has declined sixteen months in a row falling 6.61 percent below its February 2008 value, its greatest monthly over-the-year decline since 2001. In February, three of the Index's four indicators contributed to its decrease.

- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the eighth time in nine months;
- Consumer expectations (consumer confidence six months hence) fell sharply in February after improving in January and have now been lower in three of the last five months; and,
- Automobile registrations decreased following gains in December and January; while,
- Residential building permits increased sharply following three monthly declines.

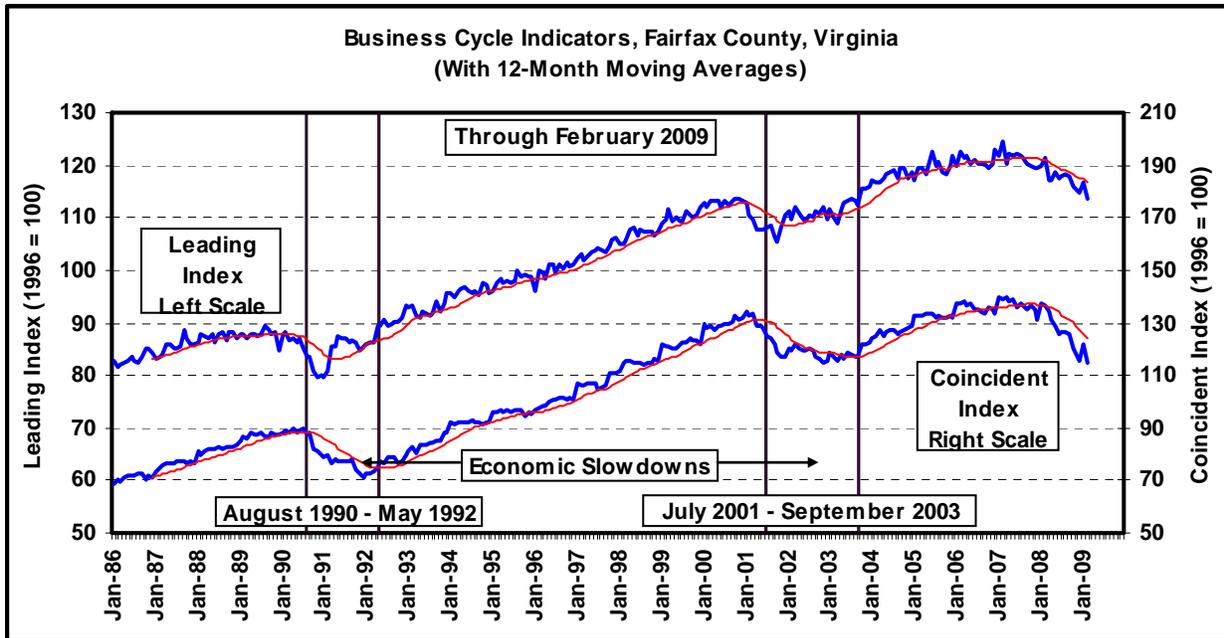
The Fairfax County economy experienced a broad based slowdown in February after registering gains in January reflecting worsening economic conditions at the national and global levels. With labor market indicators and measures of consumer confidence and spending declining, the only positive sign in February was a gain in residential building permits. While this positive sign is potentially important, the economy's other weaknesses will need to show signs of improvement before the economy can achieve sustained

CURRENT CONDITIONS

While the U.S. economy registered its second major quarterly loss of GDP in a row during the year's January to March period it also showed several positive signs suggesting that the worst may be over and that the economy's losses will moderate during the second and third quarters. Still, there were several signs in February and March that the current recession may be moderating and that GDP growth could resume by the fourth quarter. However, with no job and income growth projected in 2009, the recovery will be slow and is likely to extend well into 2011.

The Washington and Fairfax County economies are clearly experiencing some of the same stress seen at the national level. Unemployment, while still low by national standards, rose to 6.1 percent in the Washington area, doubling its level from February 2008. In Fairfax County, the unemployment rate has increased from 2.5 percent to 4.6 percent on a seasonally adjusted basis over this same 12-month period. This percentage increase translates into an increase of 12,361 unemployed residents in Fairfax County between February 2008 and 2009.

Consumer spending has continued to decline as a result of increasing unemployment and growing fears of unemployment and uncertainty in the economy's outlook. Consumer confidence has continued to erode with significant declines in both confidence in the present and consumer expectations. One measure of this retrenchment by consumers is seen in February's 8.0 percent decline in sales tax receipts. While this slowdown in consumer spending is not likely to continue into the next quarter, it is reflection of challenges impacting the economy over the past six months.



Source: Center for Regional Analysis, George Mason University

As consumer confidence begins to rise, especially the expectation that the economy will be stronger in the near future, the consumer side of the economy will begin to stabilize. Improved consumer confidence and increased spending will generate new jobs in retail trade and consumer services that have suffered growing losses over the past six months.

February's increase in residential building permits from January is a positive sign but residential building permits remain well below last year's level so this uptick is more a sign of hope than of a resurgence in building activity. Still, reports from builders in Fairfax County and throughout Northern Virginia indicate that their inventories of unsold new homes have declined significantly and are now near normal. This will be a key indicator of the County's emerging economic revival going forward.

NEAR-TERM OUTLOOK

Fairfax County's Leading Index continues to track downward suggesting that an acceleration of the County economy is still months away. However, as February's economic performance was almost universally poor and largely an extension of six months of weakening indicators, projecting from the patterns reflecting the last half-year's performance may not provide the correct answer.

The Fairfax County economy has continued to grow right through this six month rough patch even though it has experienced a net job loss because the jobs it has added had, on average, higher wages than the jobs it lost. In February at the metropolitan level this wage differential was 1.65; that is on average the jobs gained paid almost two-thirds more income than the jobs lost.

As the principal sectors experiencing contraction—retail trade and construction—right size and stabilize, job losses will slow and cease and then as consumer spending increases and home sales grow over the course of the next six months, these sectors will be able to support renewed job growth. This job growth in retail and construction will combine with the continuing job gains in professional and business services, the federal government, and health and education to propel the economy to a higher growth rate that will begin to re-employ the County's unemployed workforce. This process appears likely to start this year and should accelerate quickly in 2010 and beyond.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Feb-09 Prelim.	Jan-09 Final	Feb-08 Final	Jan-09 to Feb-09	Feb-08 to Feb-09
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	114.90	121.97	136.53	-5.80	-15.85
Leading Index (1996 = 100)	113.52	116.87	121.55	-2.87	-6.61
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	593,571	595,902	604,427	-0.39	-1.80
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	575,695	576,557	586,224	-0.15	-1.80
Estimated Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	904	916	866	-1.39	4.30
<i>Estimated Transient Occupancy Tax (\$'000=Current)</i>	1,553	1,551	1,447	0.13	7.35
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,207	10,337	8,395	-10.93	9.68
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	10,207	11,518	11,096	-2.70	-8.00
South Atlantic Consumer Confidence	15.7	27.8	116.1	-43.53	-86.48
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	3,586	4,356	5,233	-17.69	-31.48
<i>Automobile Registrations (Unadjusted)</i>	2,862	3,911	4,177	-26.82	-31.48
Initial Unemployment Claims (Seasonally Adjusted)	2,407	2,021	1,235	19.08	94.92
<i>Initial Unemployment Claims (Unadjusted)</i>	2,571	2,717	1,319	-5.36	94.92
Building Permits, Total Number of Units (Seasonally Adjusted)	81	47	424	70.87	-80.95
Building Permits, Total Number of Units (Unadjusted)	68	37	357	83.78	-80.95
South Atlantic Consumer Expectations (Unadjusted)	32.4	53.3	68.0	-39.21	-52.35
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	601,341	602,412	598,024	-0.18	0.55
<i>Total Labor Force (Unadjusted)</i>	592,440	590,996	589,172	0.24	0.55
Employed Labor Force (Seasonally Adjusted)	573,824	577,258	583,065	-0.59	-1.58
<i>Employed Labor Force (Unadjusted)</i>	564,633	565,779	573,726	-0.20	-1.58
Unemployed Labor Force (Seasonally Adjusted)	27,517	25,154	14,959	9.39	83.95
<i>Unemployed Labor Force (Unadjusted)</i>	27,807	25,217	15,446	10.27	80.03
Unemployment Rate (Percent, Seasonally Adjusted)	4.58%	4.18%	2.50%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	4.69%	4.27%	2.62%	--	--

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.

Prepared by:
Center for Regional Analysis
George Mason University
<http://www.cra-gmu.org>

We are on the web at:
http://www.fairfaxcounty.gov/economic/economic_index.htm

Inquiries should be directed to:

The Fairfax County
Department of Management and Budget
12000 Government Center Pkwy, Suite 561
Fairfax, Virginia 22035-0074
(703) 324-2391 or
1-800-828-1120 (TDY)