

# Fairfax County Economic Index

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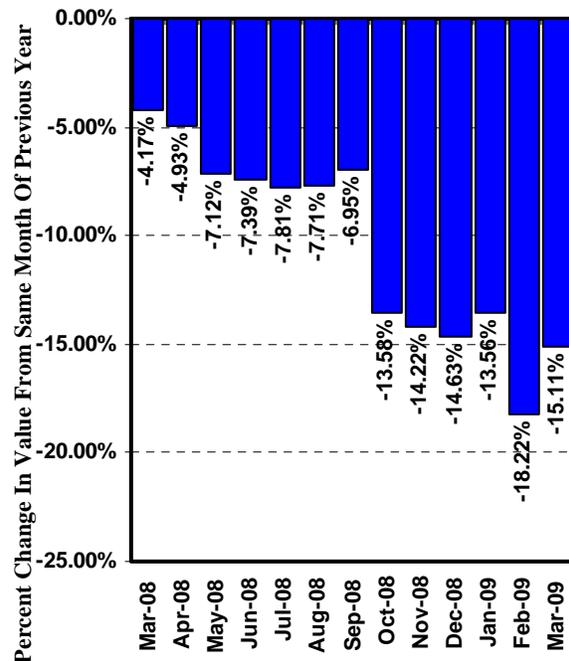
MAY 2009

## County Economy Improves in March But Full Recovery Will Be Slow

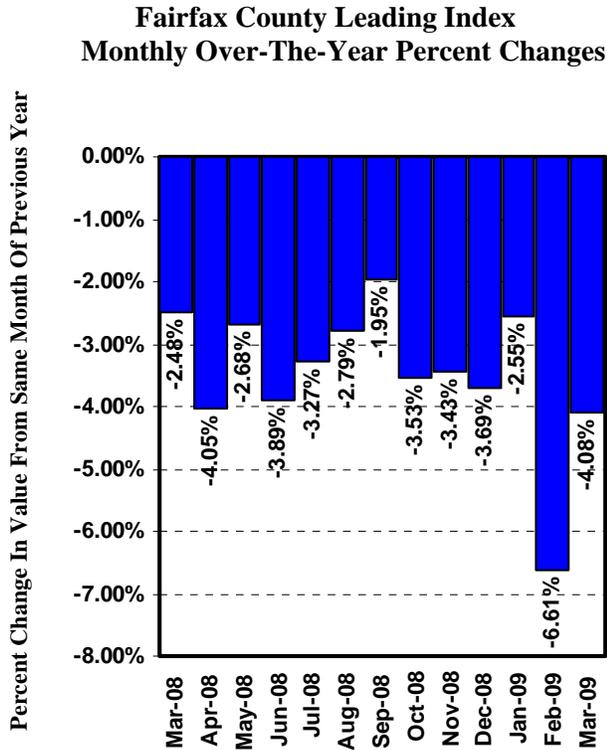
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 113.74 from February's revised value of 111.66 for a gain of 1.87 percent. This improvement follows the Index's sharp 6.23 percent decline in February. Still, on a monthly over-the-year basis, the Coincident Index was down 15.11 percent from its March 2008 level. March's monthly over-the-year loss was its seventeenth consecutive decline following forty-eight consecutive monthly over-the-year gains, however, it was not as great a decline as registered in February. In March, three of the Index's four components contributed to its increase.

- Consumer confidence (in the present) improved in March following its sharp decline in February;
- Sales tax revenues, adjusted for inflation and seasonal variation, increased in March after declining sharply in February; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased off-setting its February decline; while,
- Total employment decreased (on a seasonally adjusted basis) in March 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, decreased to 112.45 in March for a loss of 0.94 percent. With this decrease, the Index has been down in six of the last seven months. On a monthly over-the-year basis, the Index has declined seventeen months in a row falling 4.08 percent below its March 2008 value, although this decline was an improvement from February's decline. In March, all four of the Index's indicators contributed to its decrease.

- Initial claims for unemployment insurance increased (worsened) on a seasonally adjusted basis for the fourth time in five months;
- Consumer expectations (consumer confidence six months hence) fell in March for the third time in four months;
- Automobile registrations decreased for the second month in a row; and,
- Residential building permits decreased following a strong gain in February.

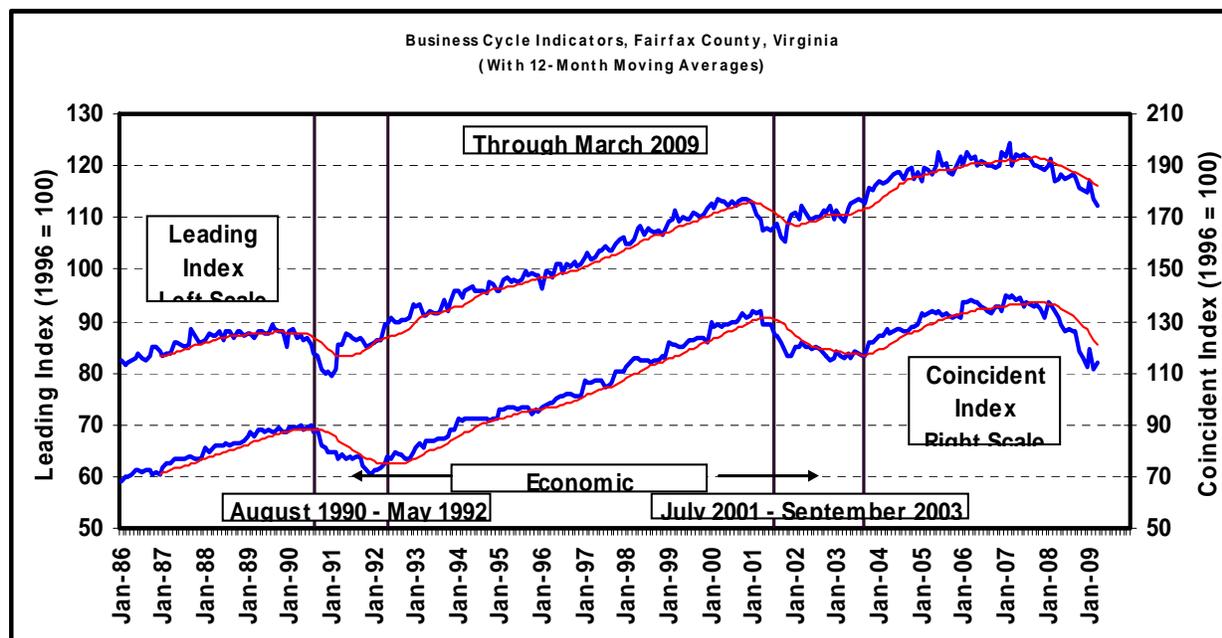
The Fairfax County economy experienced moderate gains in several key indicators in March

but continued to reflect the negative effects of the national recession. Like the nation, Fairfax County's economy showed glimmers of renewal in March that has raised expectations that the economy will accelerate more quickly than forecast. Even though the negative forces dragging the economy slower may be moderating, there are continuing signs that the recovery will be slow. The County's labor market is losing jobs and unemployment has increased over the last year and will continue to worsen over the remainder of 2009 in spite of the resumption of job growth in coming months.

## CURRENT CONDITIONS

The glimmers of life seen in both the February and March national economic reports have continued into April and, as a consequence, Global Insight has revised its quarterly forecasts for the remainder of the year. Rather than declining 3.7 percent, Global Insight now projects that US GDP will only decline 3.1 percent in 2009. And, rather than beginning to recover during the fourth quarter, GDP will turn positive during the third quarter of 2009. Still, payroll employment will continue to decline into 2010 and unemployment is projected to peak in mid-2010 at 10.2 percent. The recovery may begin a little sooner than had been previously expected but it will not be a fast recovery. It is now expected to start at 0.2 percent GDP growth in the 3<sup>rd</sup> quarter of 2010 and slowly accelerate to 3.9 percent by the 4<sup>th</sup> quarter of 2010.

The Fairfax County economy has experienced some of the same signs of recovery seen at the national level and also some of the same lingering consequences of what has become of the nation's longest recession since 1949. Unemployment, while still low by national standards, rose to 4.7 percent in March up from 2.7 percent a year ago, adding 12,042 County residents to the unemployment rolls. The County's employment base continued to decline in March as it did at the metropolitan and national levels. Compared to March 2008, the County had an estimated 10,878 fewer jobs in March 2009. Like the nation and metropolitan area, the majority of job losses were in the retail, construction and financial services sectors while the professional and business services, federal, and education and health sectors were still adding jobs. As consumer spending increases over the coming months and residential construc-



Source: Center for Regional Analysis, George Mason University

tion resumes, its job losses should abate and the County's job base begin to expand on the strength of its federal contracting, international business and other business services.

Before the County's economy can support steady growth its retail and consumer services must normalize. The increase in retail spending in March may be the first sign that this trend is under way. Consumer confidence will need to continue improving (it was higher in April) before consumer spending will move higher on a month-after-month basis. With the financial markets appearing stronger, mortgage interest rates remaining at historically low levels, and federal intervention in the credit crisis appearing to be successful, consumer anxieties should lessen over the second quarter setting up conditions favorable to a resumption of spending growth by September.

## NEAR-TERM OUTLOOK

Fairfax County's Leading Index continued to track downward in March suggesting that an acceleration of the County economy may not occur before year's end. However, as March's economic performance was influenced by the culmination of six months of substantial contraction at the national level and worsening local economic conditions that appear to have now bottomed out, recovery may come more quickly than the historic data

indicate. Key to a faster than currently indicated recovery will be resumption of residential construction and continuing improvement in consumer confidence, and with it, increased retail sales.

Consumer spending experienced improvement in March, as did the hospitality sector. Federal spending appears to be growing although there are no current data to confirm this except that federal employment and professional and business services employment have continued to grow at the metropolitan level over the past year. The County is also benefiting from several large non-residential construction projects that will inject more than \$1.5 billion into the local economy in 2009—the Capital Beltway HOT lanes project, Dulles Metrorail, GMU campus projects, the fourth lane expansion on I-95 south, the completion of the Fairfax County Parkway, the Telegraph Road/I-95 interchange, and BRAC construction. These and other public and private investments in the County will boost its economy over the coming six months and put it on the path to full recovery by year's end.

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

Economic Indicator	Estimates			Percent Change	
	Mar-09 Prelim.	Feb-09 Final	Mar-08 Final	Feb-09 to Mar-09	Mar-08 to Mar-09
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1996 = 100)	113.74	111.66	133.98	1.87	-15.11
Leading Index (1996 = 100)	112.45	113.52	117.23	-0.94	-4.08
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	590,193	594,261	601,308	-0.68	-1.85
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	577,578	576,364	588,456	0.21	-1.85
Estimated Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	765	747	865	2.39	-11.57
<i>Estimated Transient Occupancy Tax (\$'000=Current)</i>	1,701	1,284	1,874	32.48	-9.23
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,154	8,427	9,655	8.63	-5.19
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	11,890	10,207	13,638	16.49	-12.82
South Atlantic Consumer Confidence	18.8	15.7	88.7	19.75	-78.80
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	3,266	3,586	3,941	-8.90	-17.12
<i>Automobile Registrations (Unadjusted)</i>	3,292	2,862	3,972	15.02	-17.12
Initial Unemployment Claims (Seasonally Adjusted)	2,519	2,407	1,184	4.65	112.82
<i>Initial Unemployment Claims (Unadjusted)</i>	2,605	2,571	1,224	1.32	112.82
<i>Building Permits, Total Number of Units (Seasonally Adjusted)</i>	70	81	62	-13.83	11.69
<i>Building Permits, Total Number of Units (Unadjusted)</i>	86	68	77	26.47	11.69
South Atlantic Consumer Expectations (Unadjusted)	29.2	32.4	54.1	-9.88	-46.03
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	598,631	601,702	600,052	-0.51	-0.24
<i>Total Labor Force (Unadjusted)</i>	593,051	592,796	594,459	0.04	-0.24
Employed Labor Force (Seasonally Adjusted)	570,510	574,291	584,091	-0.66	-2.33
<i>Employed Labor Force (Unadjusted)</i>	565,011	565,092	578,461	-0.01	-2.33
Unemployed Labor Force (Seasonally Adjusted)	28,121	27,412	15,961	2.59	76.18
<i>Unemployed Labor Force (Unadjusted)</i>	28,040	27,704	15,998	1.21	75.27
Unemployment Rate (Percent, Seasonally Adjusted)	4.70%	4.56%	2.66%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	4.73%	4.67%	2.69%	--	--

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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