

Fairfax County Economic Index

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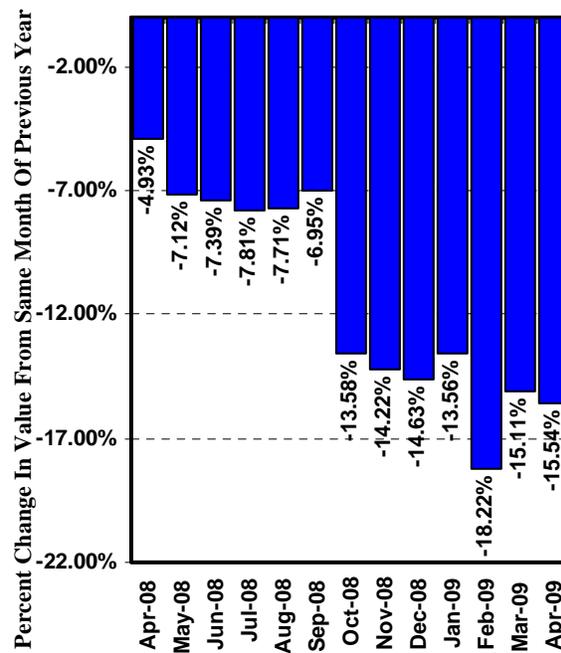
JUNE 2009

County Economy Weakens Further in April But Leading Sectors Rebound Sharply

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 110.76 from March's revised value of 113.74 for a loss of 2.63 percent. This decline follows the Index's 1.87 percent increase in March. On a monthly over-the-year basis, the Coincident Index was down 15.54 percent from its April 2008 level, extending a pattern of monthly over-the-year weakness to a seventh month. April's monthly over-the-year loss was its eighteenth consecutive decline following forty-eight consecutive monthly over-the-year gains. In April, three of the Index's four components contributed to its decrease.

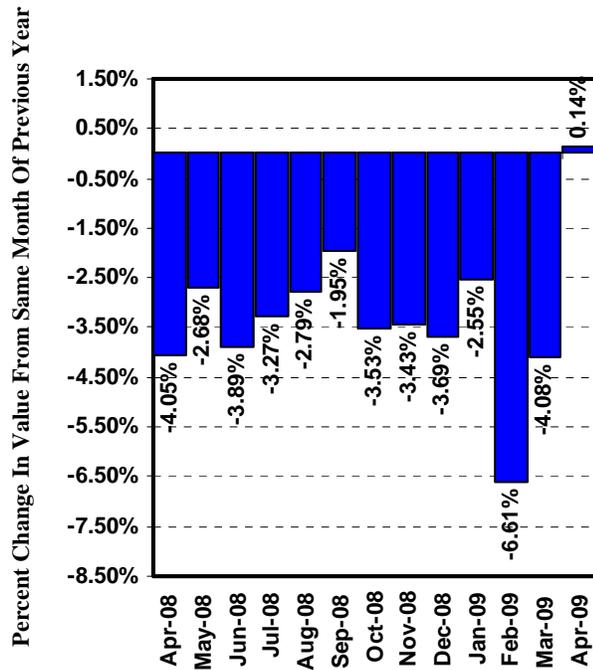
- Consumer confidence (in the present) fell in April following an increase in March;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased following a gain in March; and,
- Total employment decreased (on a seasonally adjusted basis) for the eighth time in nine months; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, increased for a second time in April after declining sharply in February.

**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, increased sharply to 117.46 in April for a gain of 4.46 percent. This increase reverses a negative trend in which the Index had been down in six of the previous seven months. Most notably, on a monthly over-the-year basis, the Index was positive for the first time in eighteen months, gaining 0.14 percent from its April 2008 value. In April, all four of the Index's indicators contributed to its increase.

- Initial claims for unemployment insurance decreased (improved) on a seasonally adjusted basis after increasing in nine of the previous ten months;
- Consumer expectations (consumer confidence six months hence) were up sharply in April following decreases in February and March;
- Automobile registrations increased for the third time in five months; and,
- Residential building permits increased for the second time in three months.

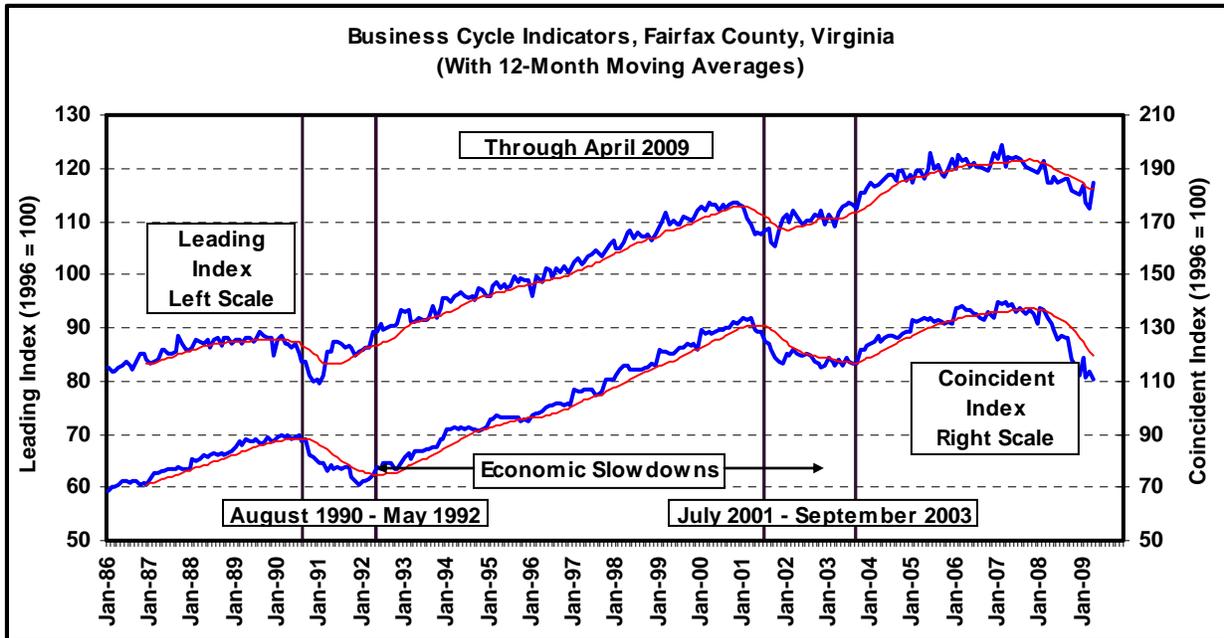
The Fairfax County economy experienced strong gains in its leading indicators in April but continued to experience declines in several of its coincident indicators that had exhibited signs of recovery in March. This provides further evidence that the County's economy is slowly stabilizing and that its recovery will be uneven over the coming six months. With the County's labor market continuing to contract and unemployment nearly doubling in the last twelve months, the local economy remains vulnerable.

CURRENT CONDITIONS

The glimmers of life seen in both the February and March economic reports have continued through April and May and, as a consequence, Global Insight has again revised its quarterly forecasts for the remainder of the year. Rather than declining 3.7 percent as projected in March, in its June update, Global Insight projects that US GDP will only decline 3.0 percent in 2009. And, rather than beginning to recover during the fourth quarter, GDP will turn positive during the third quarter of 2009 with gains in both the third and fourth quarters projected to be slightly stronger than had been forecast in May. Still, payroll employment is expected to decline into 2010 and unemployment is projected to peak in mid-2010 at 10.3 percent.

The Fairfax County economy has not escaped the full force of the down draft caused by the contraction of the national and global economies. As a result, its coincident indicators that are designed to reflect current economic conditions continued to decline in April. The two major forces in the economy—the labor force and consumer spending—remain weak.

The County has lost employment on a month-to-month basis for more than a year with its employment base down by an estimated 10,272 jobs, or 1.71 percent, from April 2008 to April 2009. The County's resident work force has declined by 2.16 percent, or 12,639 jobs, over this same period with unemployment rising from 2.5 to 4.7 percent (13,017 persons) over this same twelve-month period. One favorable labor market indicator was April's decrease in new claims of unemployment insurance that had been trending higher almost continuously for a year.



Source: Center for Regional Analysis, George Mason University

Consumer confidence remains at historic low levels but retail sales tax revenues in April rose from their March level (+0.58 percent), although were lower compared to April 2008 (-0.46 percent). In contrast, consumer spending, linked to borrowing and the willingness to take on debt and to risk, has shown improvement. Consumer expectations, while still pessimistic, are less so, registering sharp gains in April, and are almost recovered to the April 2008 level. And, with stronger expectations for the economy, consumers are buying automobiles again (although lower prices have certainly improved the market). New automobile registrations were up 20.8 percent from March, although they still lag April 2008 by 8.6 percent. Housing re-sales also continue to exceed same-month levels. And, new residential building permits increased in April, both compared to March 2009 and to April 2008. They were also up in February with these two monthly gains being the only ones over the past six months.

NEAR-TERM OUTLOOK

Fairfax County economy is showing signs of recovery. Gains in all of its leading indicators in April suggest that the conditions favorable to recovery may now be in place. But, it would be inappropriate to read too much into this strong performance in April. If this performance is extended in May and June, then we will be able to confirm an inflection point in the business cycle as of February or March.

Key to the County's economic recovery will be continuing gains in consumer confidence and accompanying increases in consumer spending. The recovery of the housing sector is also a critical component of the economy's acceleration, not only increases in housing re-sales, but also an increase in residential construction. The recovery of retail sales and housing sectors will generate job growth in the economy's consumption sectors where the job losses have been concentrated.

Continuing job growth in professional and business services, federal government, and health and education sectors will carry the economy into a long expansion once the more basic sectors stabilize and start to grow after more than a year's decline. The process of recovery will extend into next year before it generates sufficient new job growth to accommodate the natural rate of labor force growth (new first-time workers) to bring down unemployment from its peak level in 2010.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-09 Prelim.	Mar-09 Final	Apr-08 Final	Mar-09 to Apr-09	Apr-08 to Apr-09
Fairfax County Business Cycle Indicators					
Coincident Index (1996 = 100)	110.76	113.74	131.14	-2.63	-15.54
Leading Index (1996 = 100)	117.46	112.45	117.29	4.46	0.14
Fairfax County Coincident Index Components					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	589,091	590,193	599,363	-0.19	-1.71
<i>Estimated Total Wage & Salary Employment (Unadjusted)</i>	577,671	577,578	587,744	0.02	-1.71
Estimated Transient Occupancy Tax (\$'000=1987, Seasonally Adjusted)	713	765	788	-6.81	-9.60
<i>Estimated Transient Occupancy Tax (\$'000=Current)</i>	1,639	1,701	1,768	-3.64	-7.28
Sales Tax Receipts (\$'000=1987, Seasonally Adjusted)	9,207	9,154	9,250	0.58	-0.46
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	12,016	11,890	13,197	1.06	-8.95
South Atlantic Consumer Confidence	15.5	18.8	83.9	-17.55	-81.53
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	3,947	3,266	4,316	20.84	-8.55
<i>Automobile Registrations (Unadjusted)</i>	3,820	3,292	4,177	16.04	-8.55
Initial Unemployment Claims (Seasonally Adjusted)	2,230	2,519	1,327	-11.46	68.03
<i>Initial Unemployment Claims (Unadjusted)</i>	2,191	2,605	1,304	-15.88	68.03
Building Permits, Total Number of Units (Seasonally Adjusted)	109	70	82	57.02	33.71
Building Permits, Total Number of Units (Unadjusted)	119	86	89	38.37	33.71
South Atlantic Consumer Expectations (Unadjusted)	50.2	29.2	51.3	71.92	-2.14
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	601,846	598,146	601,469	0.62	0.06
<i>Total Labor Force (Unadjusted)</i>	595,852	592,570	595,478	0.55	0.06
Employed Labor Force (Seasonally Adjusted)	573,655	570,169	586,294	0.61	-2.16
<i>Employed Labor Force (Unadjusted)</i>	568,789	564,673	581,321	0.73	-2.16
Unemployed Labor Force (Seasonally Adjusted)	28,192	27,977	15,175	0.77	85.78
<i>Unemployed Labor Force (Unadjusted)</i>	27,063	27,897	14,157	-2.99	91.16
Unemployment Rate (Percent, Seasonally Adjusted)	4.68%	4.68%	2.52%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	4.54%	4.71%	2.38%	--	--

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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