



ECONOMIC INDICATORS[®]

FAIRFAX COUNTY
DEPARTMENT OF MANAGEMENT AND BUDGET

JULY 2002

In this issue . . .

- The May unemployment rate in Fairfax County stayed at 3.0 percent—no change from April. (See page 1.)
- July Sales Tax receipts for Fairfax County are 5.1 percent lower than July 2001, and FY 2002 receipts fell 5.9 percent from FY 2001. (See page 2.)
- Special Report: "Why are Fairfax County's Sales Tax Receipts Declining?" (See page 2.)
- The overall growth rate of new residential permits has decreased by 4.3 percent year-to-date. Through June, multifamily permits are up 6.0 percent, while single family permits are down 13.2 percent. (See page 3.)
- According to homes sales data through May, sales volume was up for existing homes and down for new homes, except for new townhomes which were up 7.7 percent. Median sales prices showed growth for both existing and new home sales. (See page 4.)
- Consumer Confidence fell sharply in July. Consumers' assessment of business conditions and employment are less optimistic than last month. (See page 6.)
- In May, the Metropolitan Washington Coincident Index increased slightly, while the Fairfax County Coincident Index decreased. While the local economy continues to rebound from the slowdown in 2001, sluggish job growth and uncertainty among investors and consumers has decelerated the recovery process. (See page 7.)
- Both the Fairfax County and Metropolitan Washington Leading Indices decreased in May. The decrease in the leading indices indicates that the region's economic recovery will be slower than expected in the coming months. (See page 8.)

RESIDENTIAL EMPLOYMENT - MAY



Source: Virginia Employment Commission
Compiled by the Fairfax County Dept. of Management and Budget

According to the Virginia Employment Commission (VEC), the May unemployment rate in Fairfax County stayed at 3.0 percent—no change from April's revised unemployment rate. The May 2002 rate was 1.0 point higher than the May 2001 rate of 2.0 percent.

Statewide, the unemployment rate increased 0.1 point to 4.1 percent in May. The May jobless rate was 0.9 points above the May 2001 jobless rate of 3.2 percent. This was the highest May unemployment rate in five years. The increase in joblessness was attributed to the surge of college students and new graduates entering the labor force with the closing of schools for the summer.



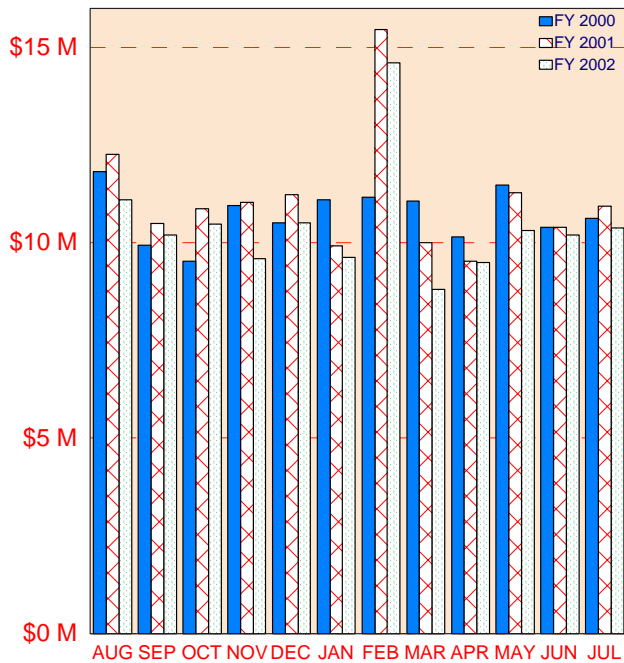
The *Fairfax County Economic Indicators* is on the Web and can be accessed at:

<http://www.fairfaxcounty.gov/comm/economic/economic.htm>



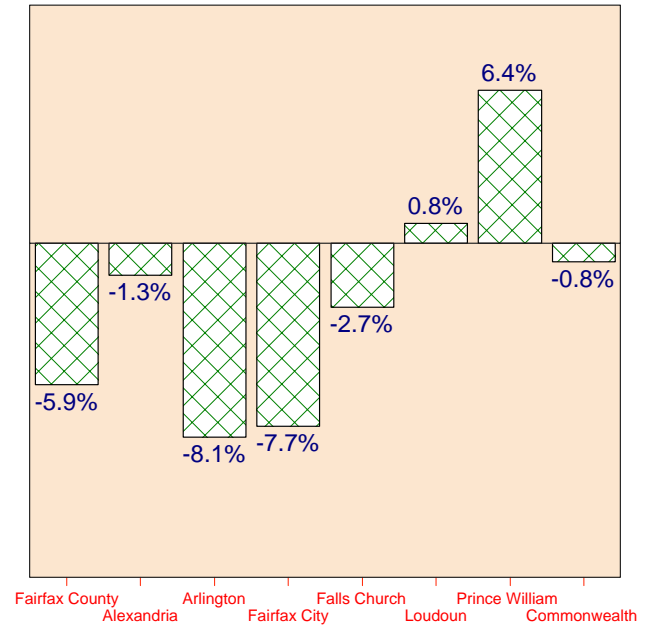
SALES TAX REVENUES

(revenues represent retail sales two months prior)



Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

FY 2002 SALES TAX RECEIPTS FROM AUGUST 2001 THROUGH JULY 2002



Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

July Sales Tax receipts for Fairfax County, representing retail purchases made in June, are \$10.4 million—5.1 percent lower than July 2001. Final FY 2002 Sales Tax receipts fell 5.9 percent from FY 2001.

According to the Commerce Department, seasonally adjusted preliminary retail sales estimates for the U.S. in June increased 1.1 percent from May, and were up 3.3 percent from June 2001. Compared to last year, health and personal care store sales were up 7.8 percent, building materials and garden equipment sales were up 4.3 percent and motor vehicle and parts dealers were up 2.0 percent, while gasoline station sales were down 5.9 percent.



In Fairfax County, FY 2002 Sales Tax receipts represent taxes distributed from the Commonwealth from August 2001 through July 2002. For this period, Sales Tax receipt growth was negative in six Northern Virginia localities and positive for only two. Sales Tax receipts are down 7.7 percent in Fairfax City, 8.1 percent in Arlington, 5.9 percent in Fairfax County, 1.3 percent in Alexandria, and 2.7 percent in Falls Church. Both Prince William County and Loudoun experienced positive growth at 6.4 percent and 0.8 percent respectively. FY 2002 Statewide Sales Tax receipts were down 0.8 percent.

WHY ARE FAIRFAX COUNTY'S SALES TAX RECEIPTS DECLINING?

What we ordinarily refer to as the Sales Tax is actually comprised of the Sales Tax and the *Use Tax*. The Sales Tax applies to businesses that sell, rent or lease tangible personal property from a location within the Commonwealth. Fairfax County's Sales Tax reflects a 1 percent tax on all retail purchases made in the County. It should be noted, however, that there is no local Sales Tax on automobiles as these purchases are only subject to a State Sales Tax of 3 percent.

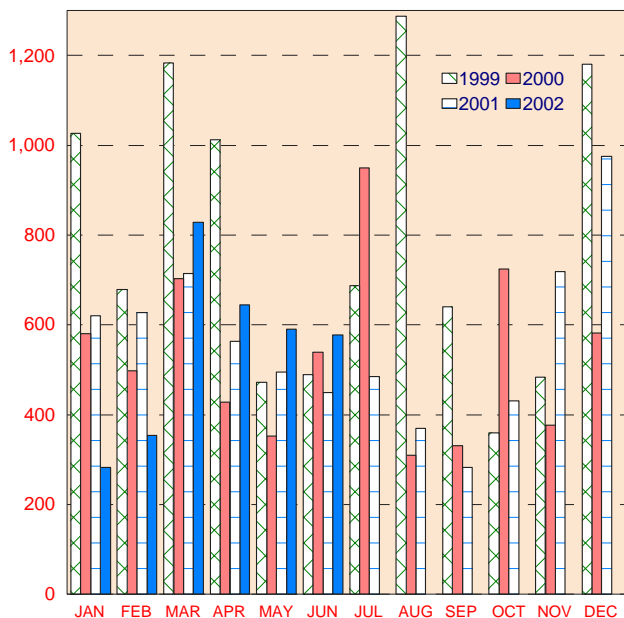
The Use Tax is complementary to the Sales Tax but is imposed upon the use, consumption, or storage of tangible personal property in Virginia that is supplied from outside the Commonwealth. While a small portion of the Use Tax is generated by catalog purchases, a larger portion of the Use Tax is the result of businesses leasing computers, copy machines, and office furniture from companies outside of the Commonwealth. In Fairfax County, current revenue from the Use Tax makes up approximately 14 percent of the total Sales and Use Tax, falling from almost 17 percent in 2001.

The County's total Sales and Use Tax has been declining when compared to the same month of the prior year since March 2001. In fact, FY 2002 Sales and Use Tax was down 5.9 percent from FY 2001. This was only the second time in 30 years that Sales Tax receipts dropped below the previous fiscal year's level.

Retail purchases made within Fairfax County have fallen but the drop in the Use Tax has made up a larger share of the total decline. Based on data from December 2001 through July 2002¹, the Sales Tax portion declined \$1.9 million, or 2.5 percent, from the same period a year ago, while the Use Tax portion declined \$2.8 million, or 18.8 percent. The combined Sales and Use Tax fell 5.2 percent during this period. The considerable drop in the Use Tax portion can be attributed to the slowdown in the economy that has caused some area businesses to downsize and others to close, thus resulting in less leasing of computers, copiers, and furniture. Until the local economy rebounds and businesses expand, the County's Sales and Use Tax is expected to remain weak.

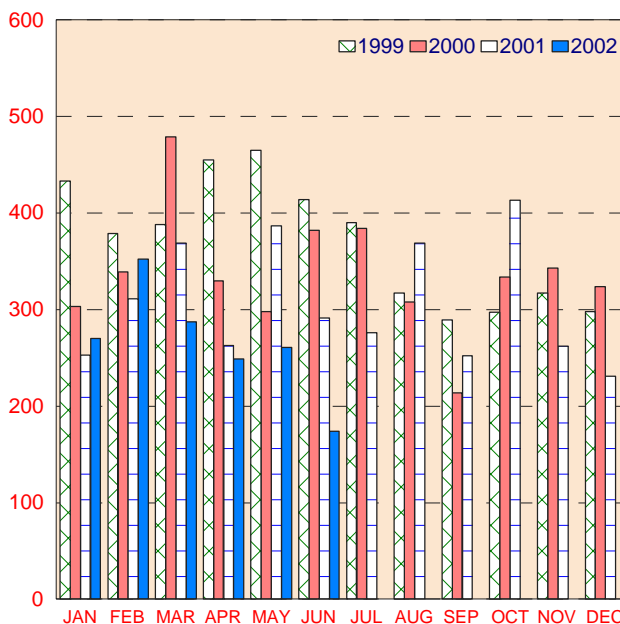
¹ The Virginia Department of Taxation just recently began to separate out the Sales and Use Tax on a monthly basis.

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW DWELLINGS



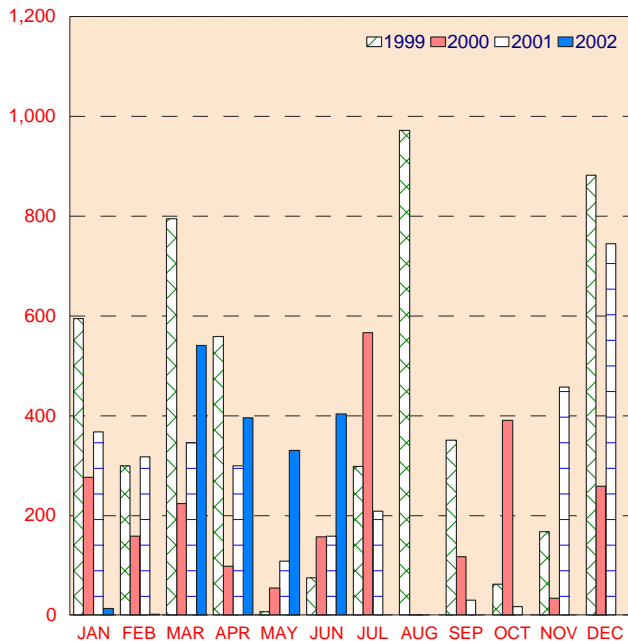
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW SINGLE FAMILY DWELLINGS



Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW MULTIFAMILY DWELLINGS



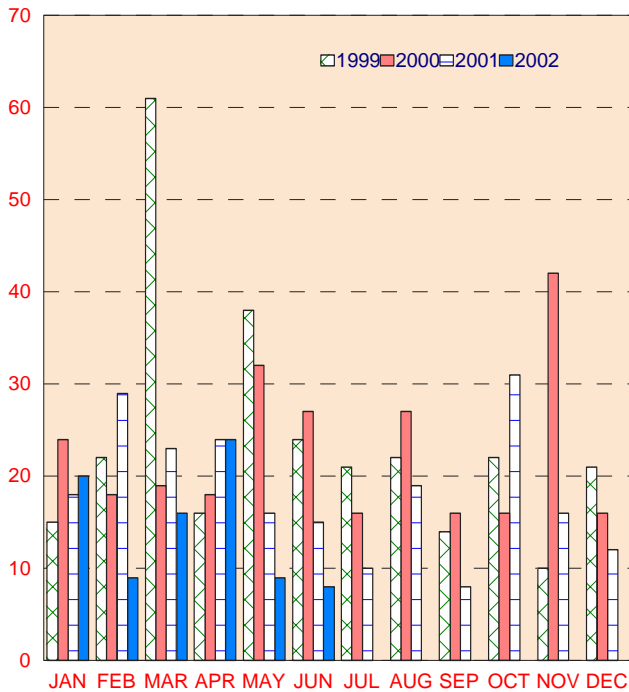
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

Note: In August 2000 and 2001, only one multifamily permit was issued and in February 2002, only two permits were issued; therefore, the bars are too small to discern.

The overall growth rate of new residential permit categories has decreased, calendar year-to-date. Through June, new residential dwelling permits are down 4.3 percent, or 147 permits. Multifamily permits are up 6.0 percent, or 96 permits, year-to-date, while single family permits are down 13.2 percent, or 243 permits, over the same period.

Residential repair and alteration permits are up calendar year-to-date. Through June, issues of residential repair and alteration permits have increased by 6.6 percent, or 370 permits, from the same period last year.

NUMBER OF NONRESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW STRUCTURES

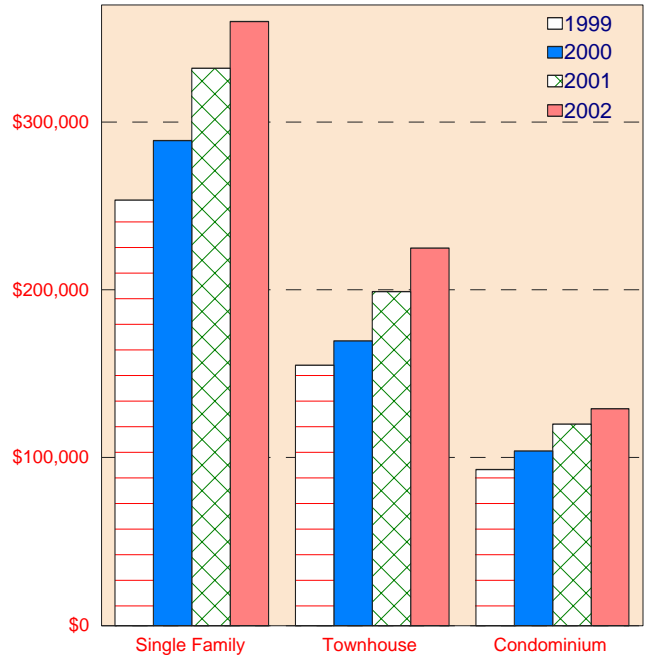


Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

Nonresidential building permits issued from January through June are down 31.2 percent, or 39 permits, from the same period in 2001. Nonresidential repair and alterations permits are down 12.0 percent, or 241 permits, year-to-date.

HOME SALES IN FAIRFAX COUNTY

MEDIAN PRICE OF EXISTING HOMES SOLD JANUARY - MAY 2002 COMPARED TO ANNUAL MEDIAN PRICES 1999 - 2001

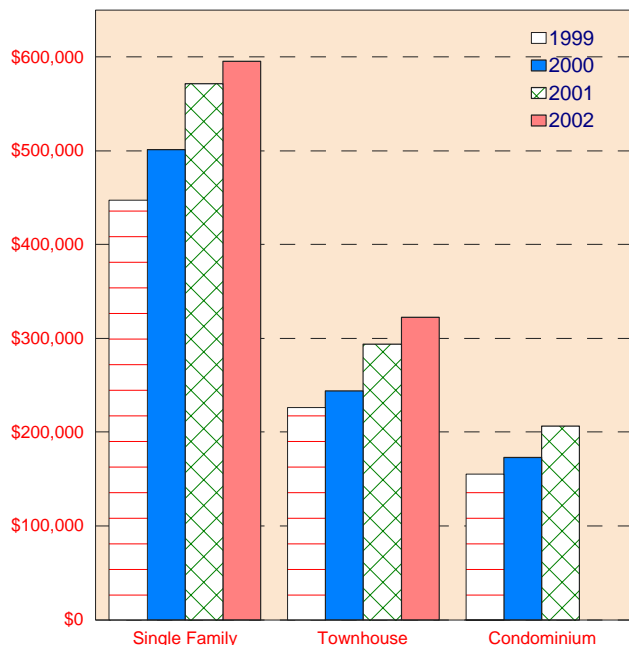


Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

According to home sales data through May 2002, existing homes in Fairfax County experienced positive growth in median sales prices. For existing single family homes, the median sales price was \$359,900 compared to the 2001 median of \$330,500—growth of 8.9 percent. The median for townhomes grew 13.1 percent from \$199,000 in 2001 to \$225,000 and the median for condominiums increased from \$119,000 to \$129,000 representing growth of 8.4 percent.



**MEDIAN PRICE OF NEW HOMES SOLD
JANUARY - MAY 2002 COMPARED TO
ANNUAL MEDIAN PRICES 1999 - 2001**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Through May 2002, growth in median sales prices for new homes remained positive. The median sales price for a new single family home was \$595,414, an increase of 4.4 percent over the 2001 median. New townhomes increased 9.4 percent, from \$294,928 to \$322,565. It should be noted that the median price for condominiums represents the sale of only 15 new homes through May, so a comparison with the 2001 annual median would not be valid and is not shown in the chart above.

**PERCENTAGE CHANGE IN MEDIAN PRICE OF
HOMES SOLD YEAR-END 2001 COMPARED
TO SALES THROUGH MAY 2002**

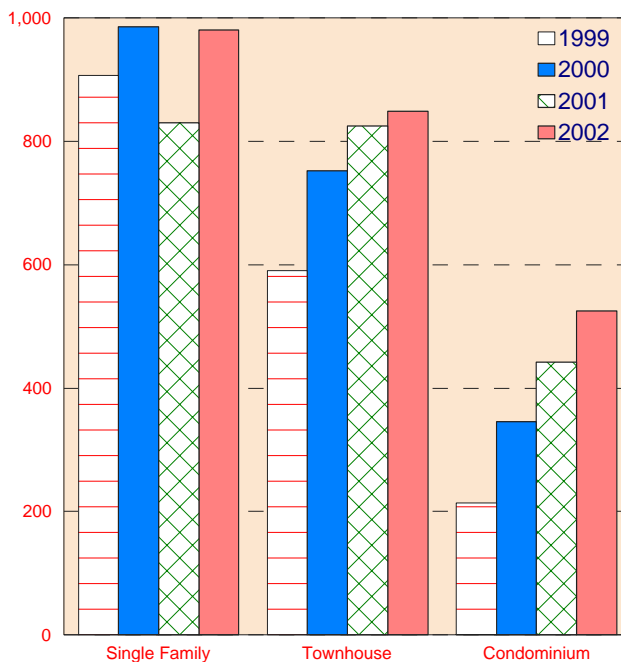
	Existing Sales	New Sales
Single Family	8.9	4.4
Townhouse	13.1	9.4
Condominium	8.4	*

Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

*Only 15 condominiums were sold through May 2002, so comparison to last year's median is not valid.

Changes in selling prices, coupled with the volume of sales, are generally considered reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, however, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to selling prices within neighborhoods.

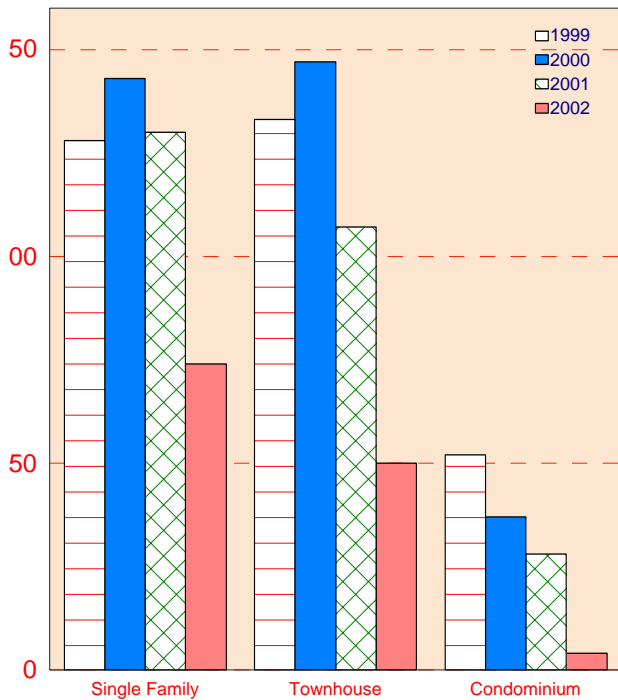
**NUMBER OF EXISTING HOMES SOLD
THROUGH MAY 1999-2002**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Existing home sales volume was up sharply for all homes through May 2002. Single family home sales increased 23.2 percent, from 2,881 to 3,548. Townhome sales increased 11.4 percent from 2,795 to 3,113 while condominium sales were up 37.0 percent from 1,531 to 2,097 year-to-date.

NUMBER OF NEW HOMES SOLD THROUGH MAY 1999-2002

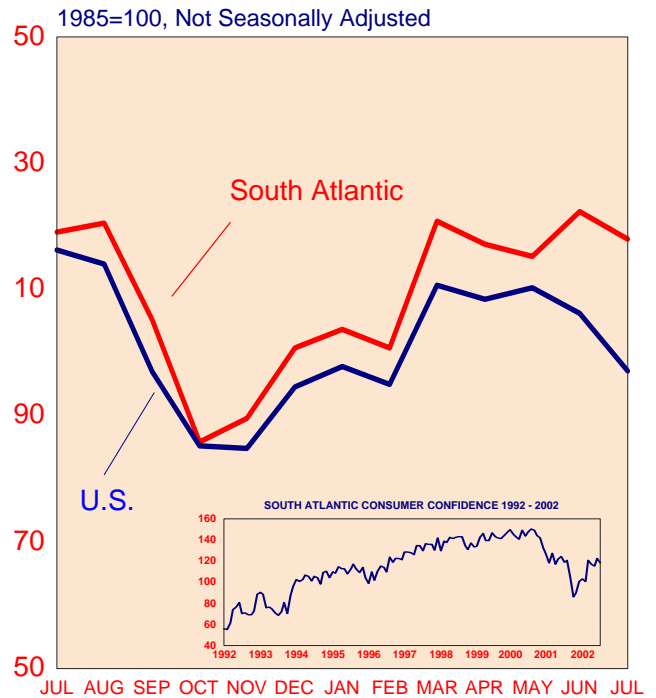


Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

New home sales volume was down for single family homes and condominiums but up for townhomes through May 2002. New condominium sales fell from 116 in 2001 to 15 in 2002—a decline of 87.0 percent. New townhome sales increased 7.7 percent, from 494 to 532, while single family home sales fell 20.1 percent, from 666 to 532 year-to-date.

ADDITIONAL INDICATORS

CONSUMER CONFIDENCE INDEX

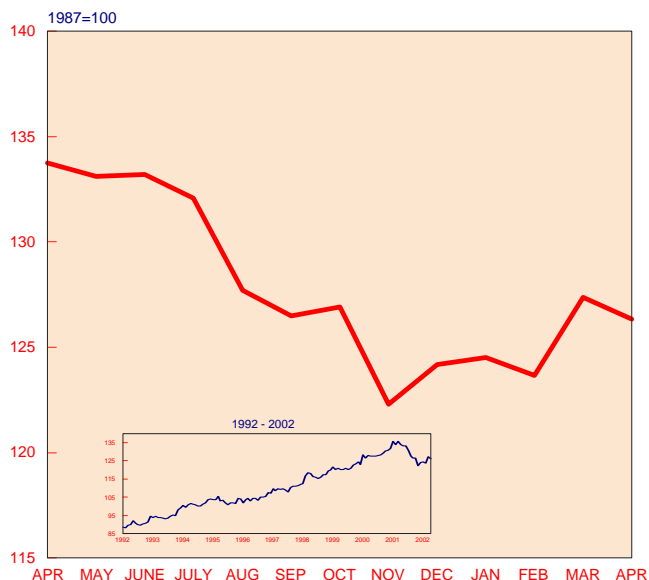


The Conference Board reports that the Consumer Confidence Index fell sharply in July. The Index now stands at 97.1, down 9.2 points from last month. The Consumer Confidence Index is composed of two separate indices: the Present Situation Index and the Expectations Index. The Present Situation Index measures consumers' confidence in current business and employment conditions, while the Expectations Index measures consumers' confidence in business, employment, and family income prospects six months hence. The two indices are averaged to form the composite Consumer Confidence Index.

In July, the Present Situation Index fell 5.7 points from last month to 99.2. The decrease indicates that consumers are less optimistic about current economic conditions, such as job availability and income expectations, than last month. The Expectations Index is also down in July, from 107.2 to 95.7. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, the decline in the stock market, coupled with corporate scandals, has contributed to the decline in consumer confidence. She notes that a continued decline in confidence could jeopardize the nation's economic recovery.

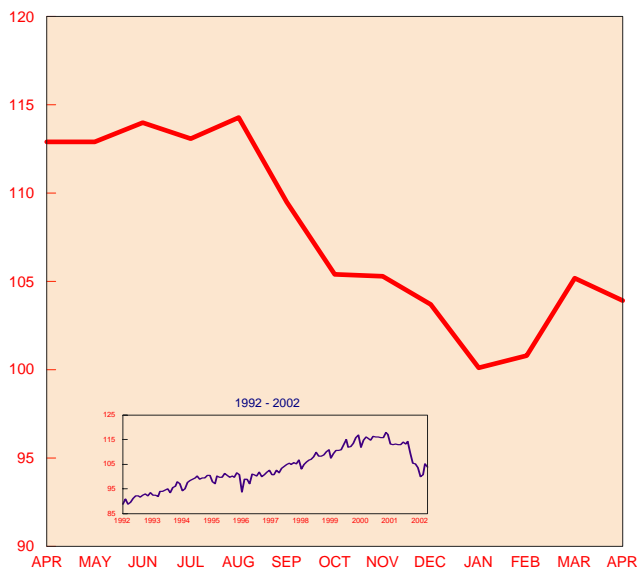
The following section includes a discussion of economic indices for two different geographic entities. The coincident indices assess current economic performance, while the leading indices signal what economic conditions will be in 9 to 12 months for the respective economies. Fairfax County's Indices are discussed first, followed by the Metropolitan Indices, which consider the Washington Metropolitan economy. Together, these indices are intended to provide a broad assessment of the economic climate confronting, and likely to impact, County residents and businesses.

FAIRFAX COUNTY COINCIDENT INDEX



Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

METROPOLITAN COINCIDENT INDEX



Source: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

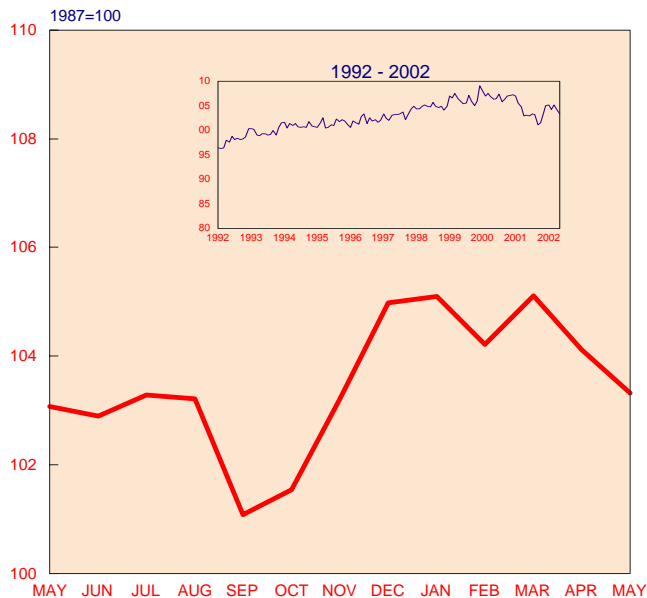
The Fairfax County Coincident Index, which represents the current state of the County's economy, decreased to 124.1 in May—a 1.8 percent decline from April. This was the Index's third decline in the past four months. Its value has now dropped below its 12-month moving average trend and is down 2.5 percent from May 2001. In May, three of the Index's four components contributed to its decrease. Sales tax collections, adjusted for inflation and seasonal variation, decreased for the second month in a row. Total employment also decreased for a second consecutive month and transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased sharply from April. Consumer confidence increased slightly.



The Metropolitan Coincident Index, which reflects the current state of the Washington Metropolitan area economy, increased to 105.5 in May—a 1.1 percent gain over April. This was the third increase in the last four months. Despite the gain, the Index is still 4.8 percent lower than its May 2001 level. In May, three of the Index's four components contributed to its increase. Consumer confidence, nondurable goods retail sales and total wage and salary employment all increased in May. Domestic passenger volume at Dulles and Reagan Airports declined after increasing for four months in a row.

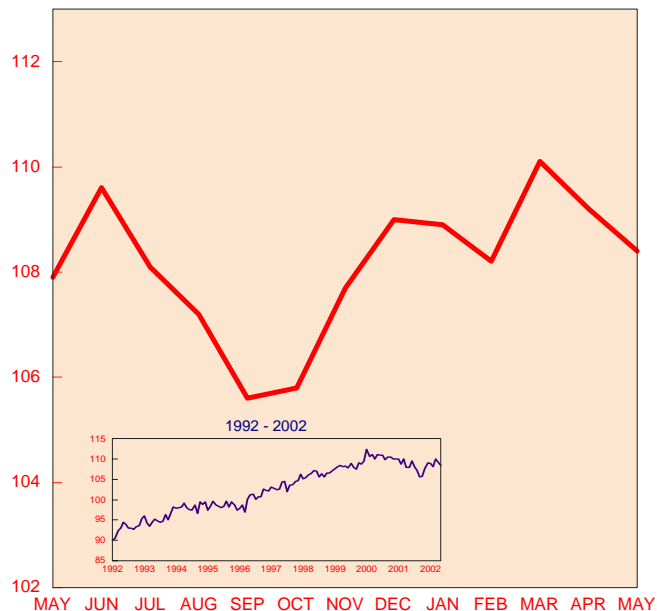


FAIRFAX COUNTY LEADING INDEX



Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

METROPOLITAN LEADING INDEX



Source: Center Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased to 103.3 in May—a 0.8 percent decrease from April. Despite the decrease, the Leading Index is still higher than the May 2001 level. However, the Index has now dropped below its 12-month moving average trend. In May, three of the Index's five components contributed to its decline. Both Initial claims for unemployment insurance increased (worsened) sharply and residential building permits declined for the second month in a row. Consumer expectations also decreased for the second consecutive month. The total value of residential building permits increased and new automobile sales registered a strong gain in May.



The Metropolitan Leading Index, which is designed to forecast local economic performance in the Washington Metropolitan area 9 to 12 months in advance, decreased by 0.7 percent in May to 108.4. Despite the decrease, the Index still exceeded its May 2001 level by 0.4 percent. In May, four of the Index's five components contributed to its decline. Both consumer expectations declined and initial claims for unemployment insurance increased (worsened) for a second month in a row. Total residential building permits also decreased for a second consecutive month and the durable goods retail sales decreased for the third time in four months. The Help Wanted Index increased for the third month in a row.



Inquiries should be directed to:

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

Staff: Susan Datta, Director; Marcia Wilds, Sarah Young, analysts; and Frann Shurnitski, technical support.