



*Cardinal Bank & George Mason University  
21<sup>st</sup> Annual Economic Conference*

## **The Washington Area Economy: After The Fiscal Cliff**

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George Mason University

January 11, 2013

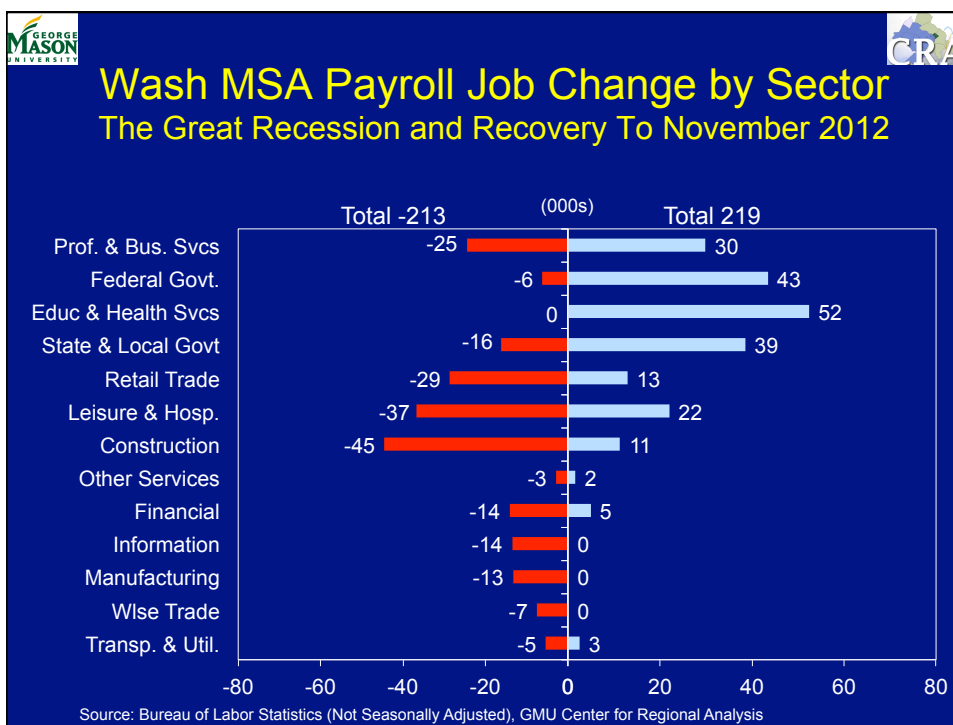


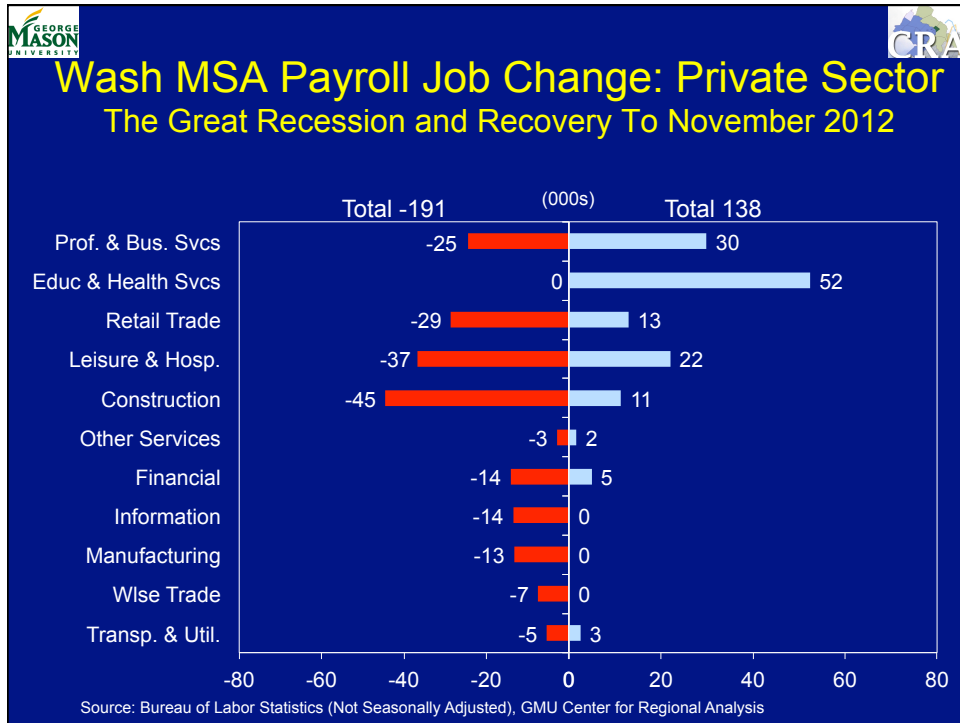
## **Trends Impacting the Washington Area's Economic Future**

- Effects of the Recession
- Changes in Federal Spending
- Trends in Personal Income

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## How did the recession change the Washington Area economy?

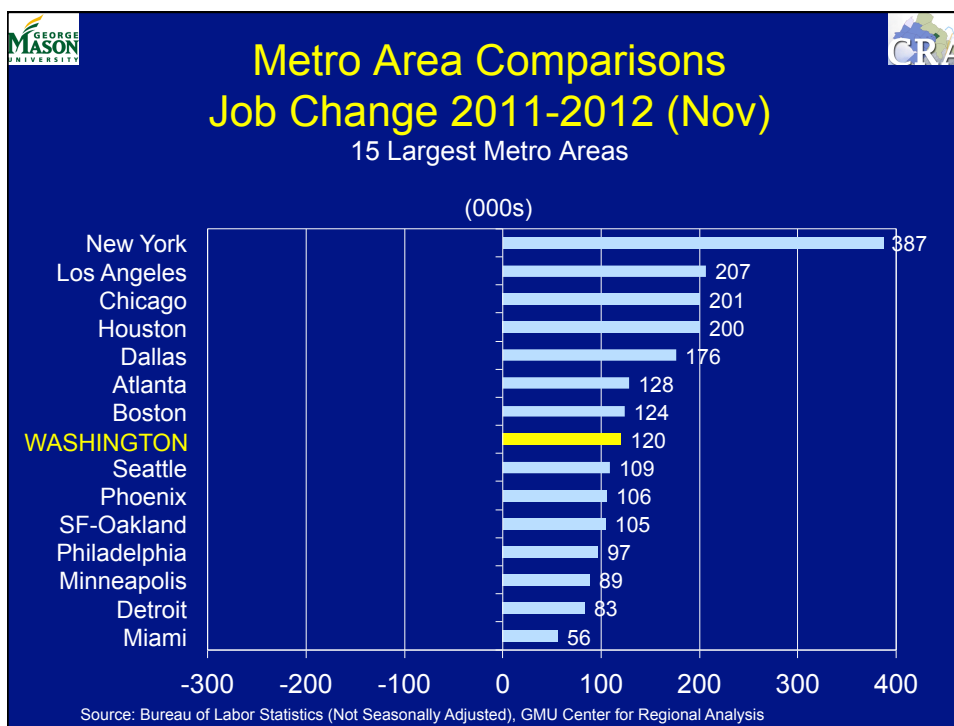




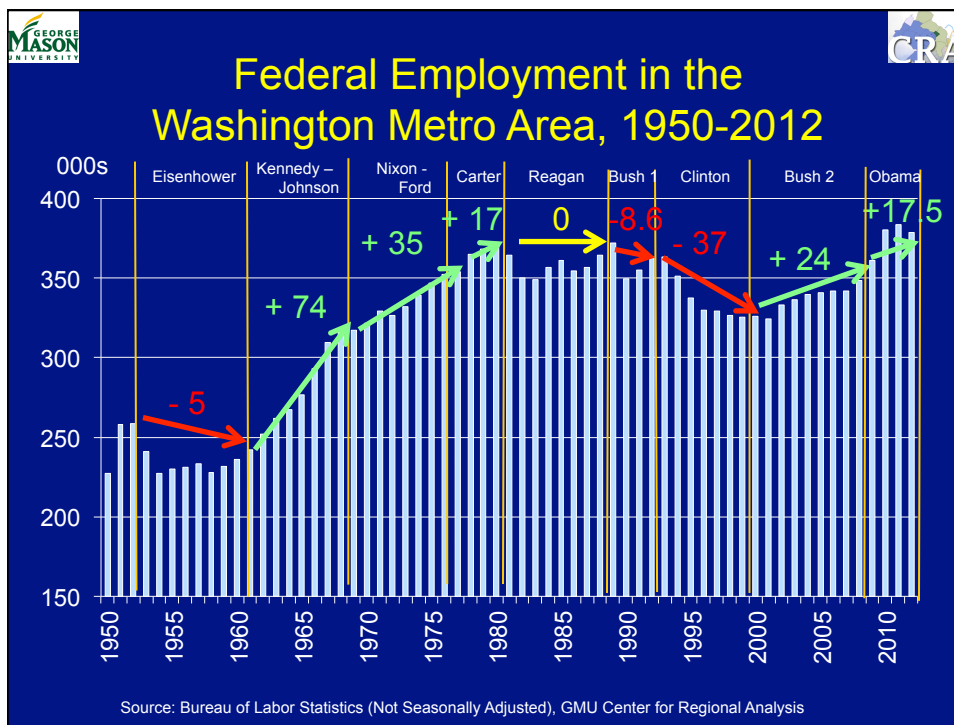
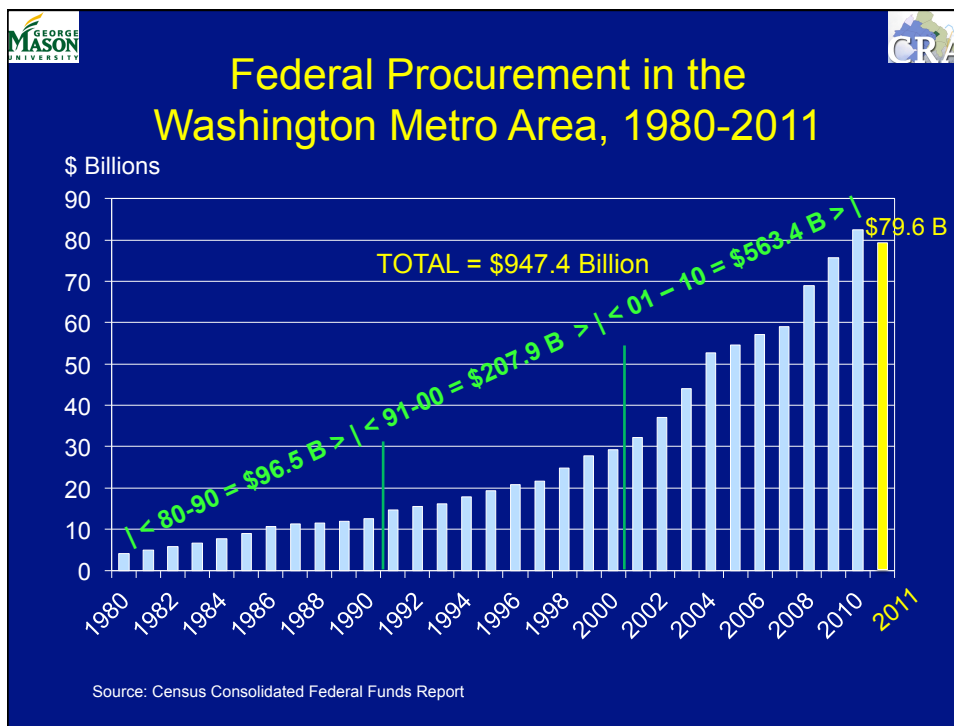
**Washington Area Job Changes By Sector, 2008-2012 (through Nov)**  
(in thousands)

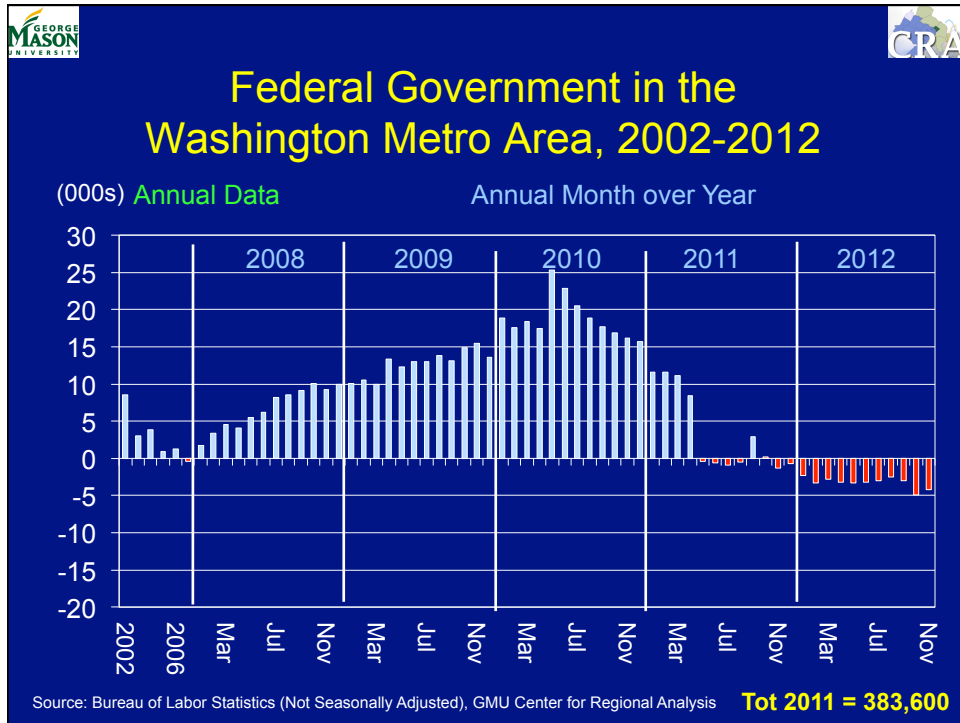
SECTOR	Washington Metro Area	D.C.	Suburban MD	Northern Virginia
Professional, Business Services	40.8	-0.3	7.0	34.1
Government	61.5	11.8	22.0	27.7
Health, Educ. Svcs.	62.8	26.6	13.2	23.0
Other Services	7.5	6.9	-0.9	1.5
Hospitality	26.3	8.9	4.9	12.5
All Other	-66.0	-5.5	-39.3	-21.2
<b>TOTAL</b>	<b>132.9</b>	<b>48.4</b>	<b>6.9</b>	<b>77.6</b>

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis



**How is federal spending changing  
in the Washington Area?**

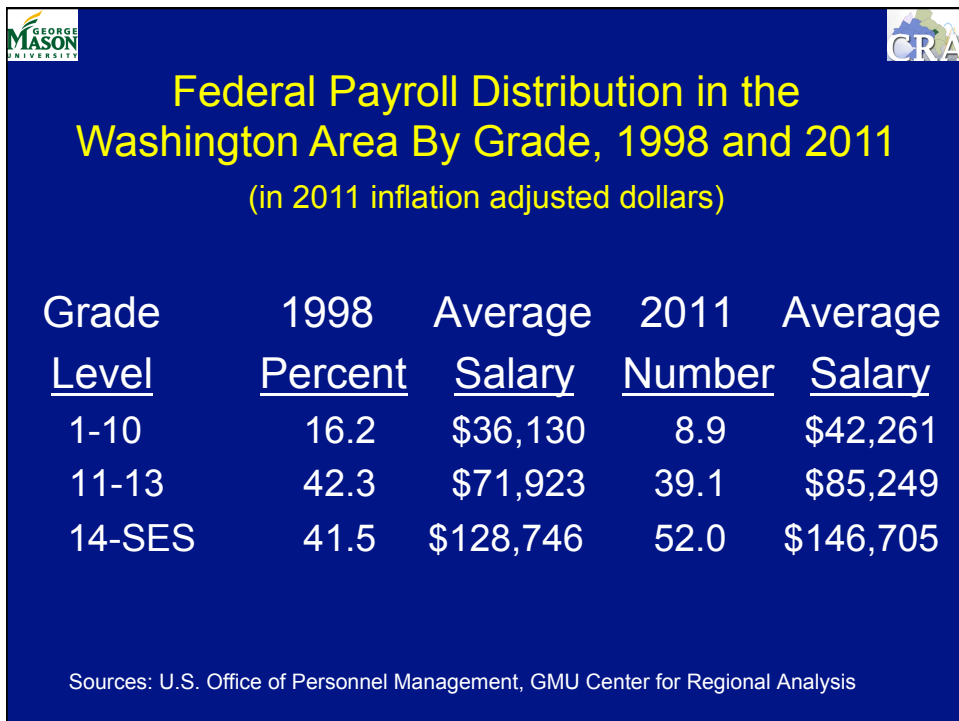




**The Washington Area Federal Workforce By Age, 1998 and 2011 (percent distribution)**

Age Group	1998	2011
Less than 35 years	20.9	20.8
35-54 years	64.4	54.0
55 years and older	14.7	25.0

Sources: U.S. Office of Personnel Management, GMU Center for Regional Analysis





## Summary for Federal Spending Trends in the Washington Metropolitan Area, 2010-2012


- Federal Procurement Outlays declined 3.5% between FY 2010 and FY 2011.
- Federal employment has declined since peaking in July 2010, losing 8,700 jobs or 2.25%.
- Federal payroll declined by 0.6% between FY 2010 and FY 2011.



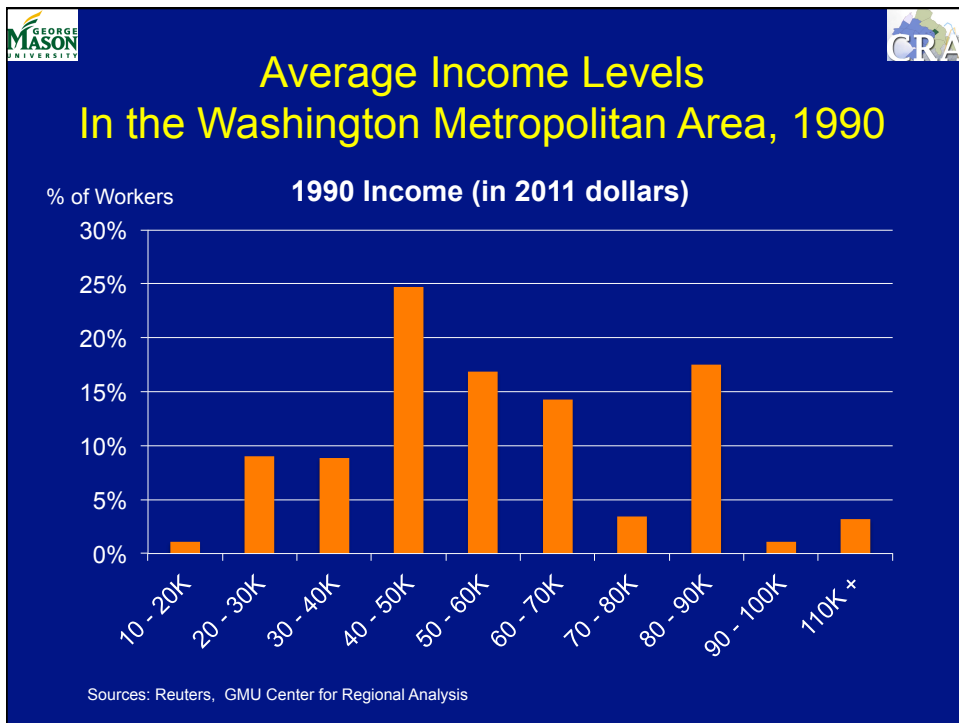
## The Relative Importance of Federal Spending in the Maryland-DC-Virginia Region

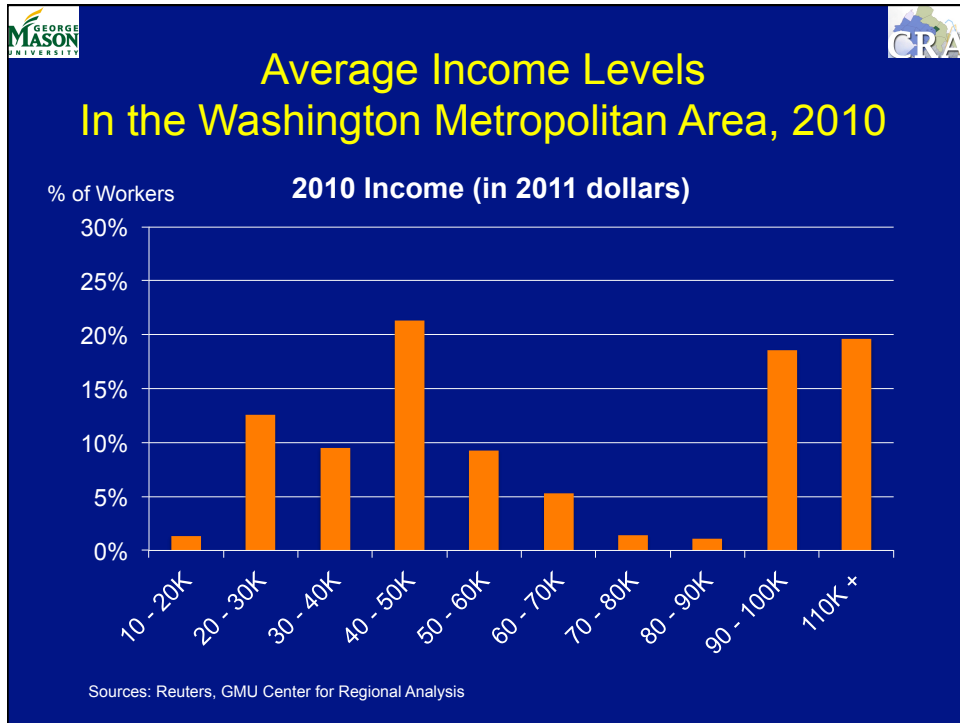
The Region's Share of U.S. Population	4.7%
The Region's Share of All Federal \$s	9.0%
The Region's Share of All DOD \$s	15.0%
Federal Spending as a Percent of the Region's GRP in 2011	39.0%



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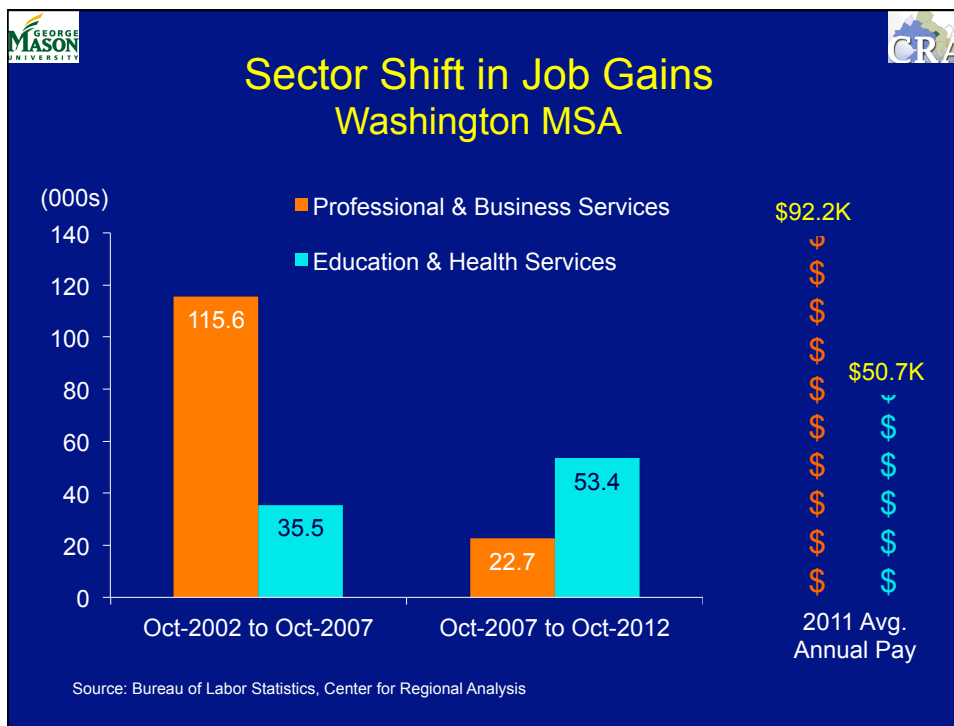
## How will these structural and federal spending changes affect labor income Washington area?

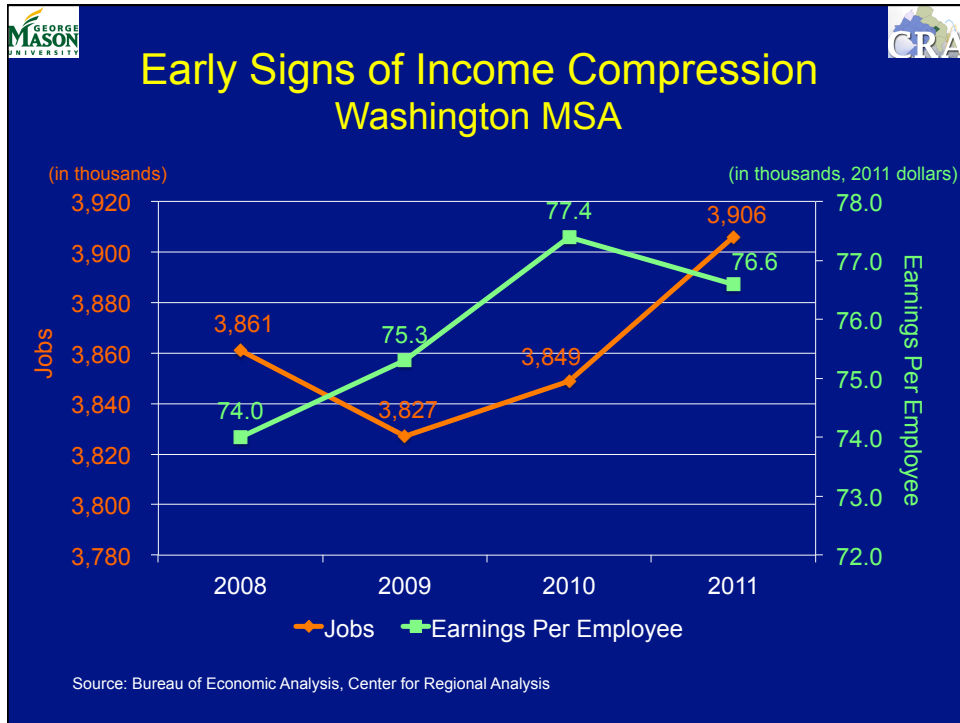




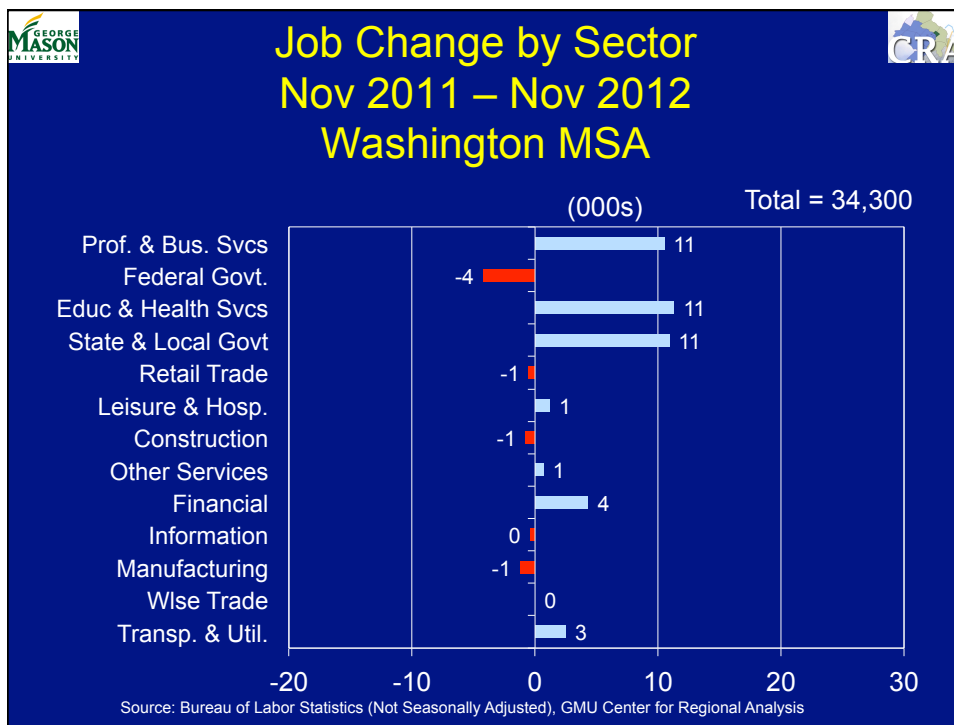
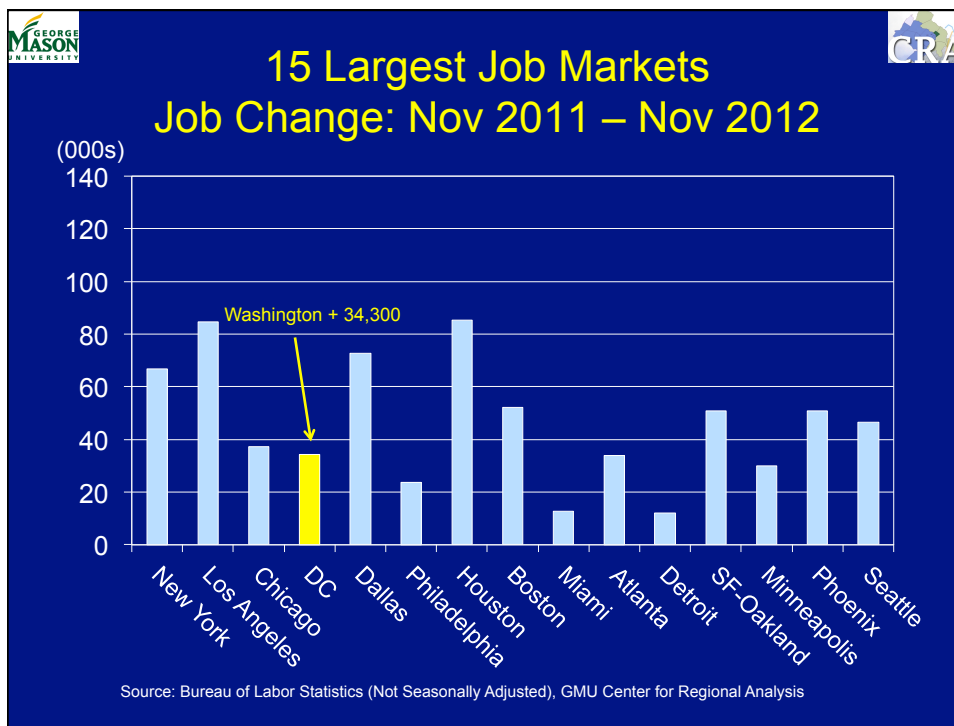
**The Changing Income Pattern in the Washington Area, 1990 and 2010**  
(percent share, inflation adjusted \$s)

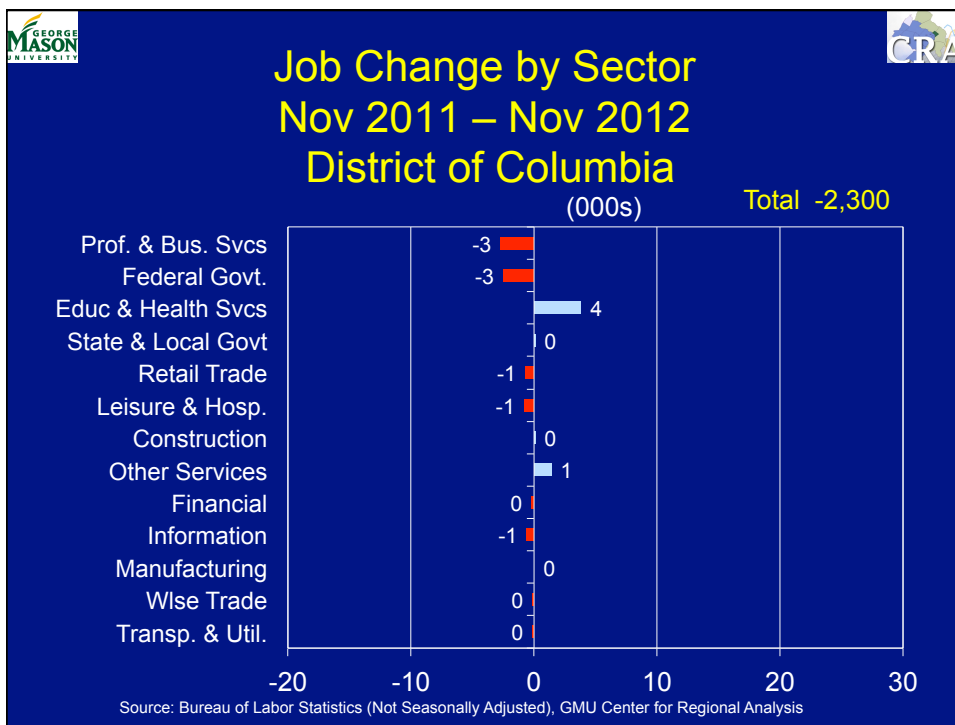
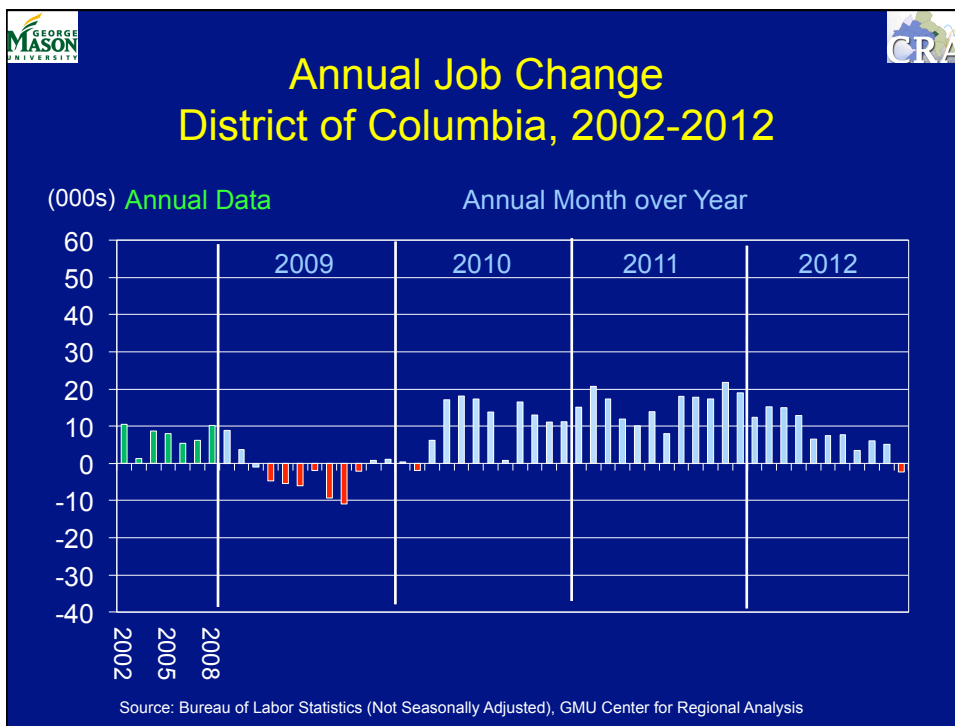
<u>Income Range</u>	<u>1990</u>	<u>2010</u>
\$10K-\$50K	44%	44%
\$50K-\$70K	31%	14%
\$70K-\$90K	20%	2%
\$90K and above	4%	39%

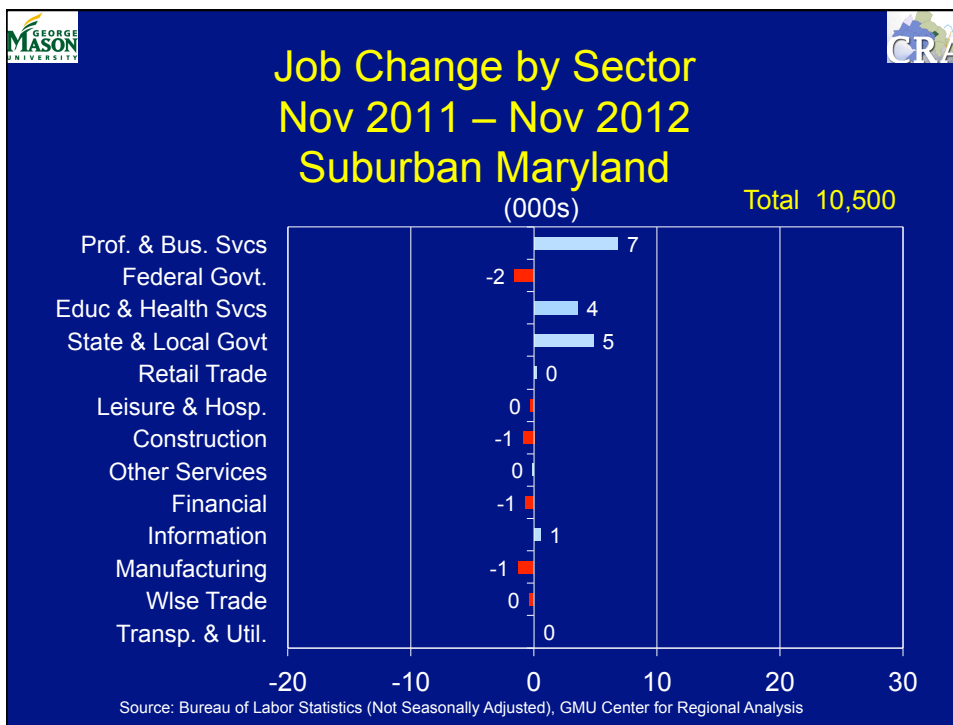
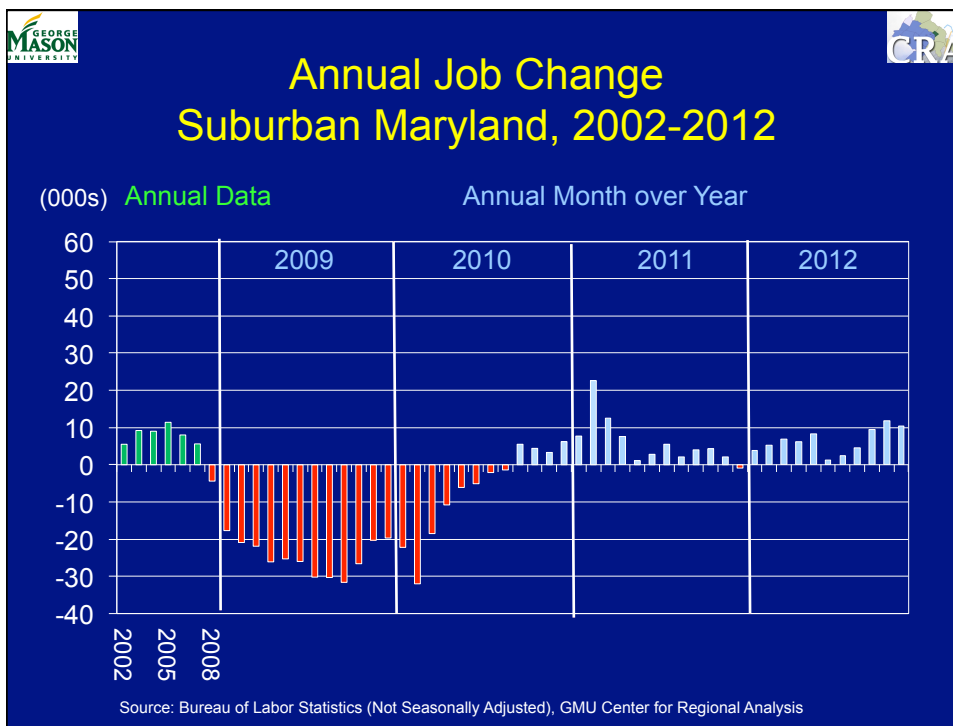


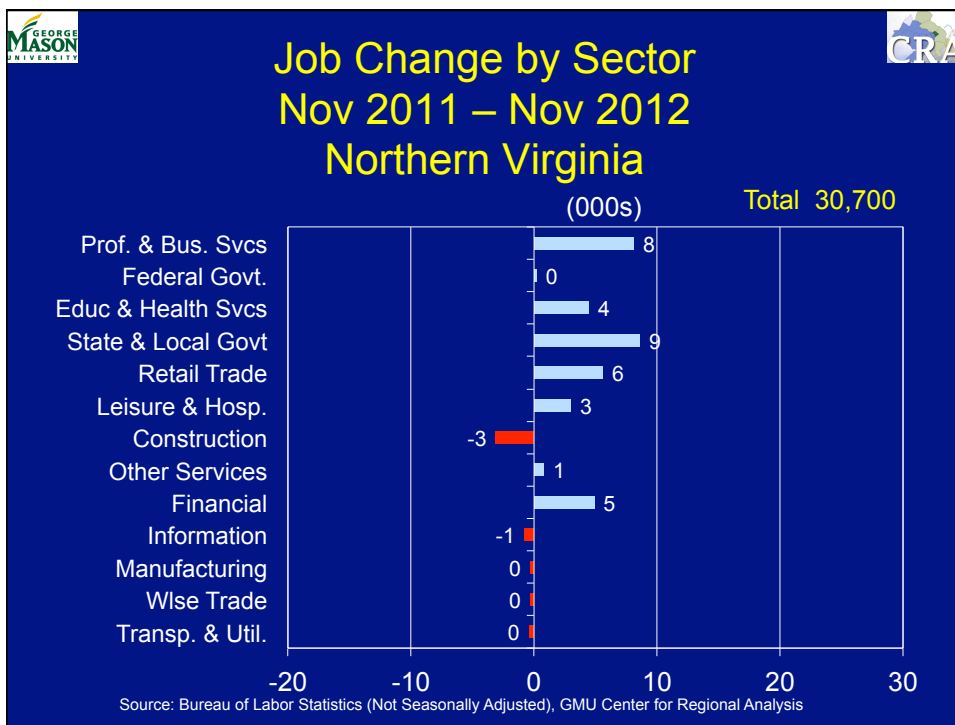
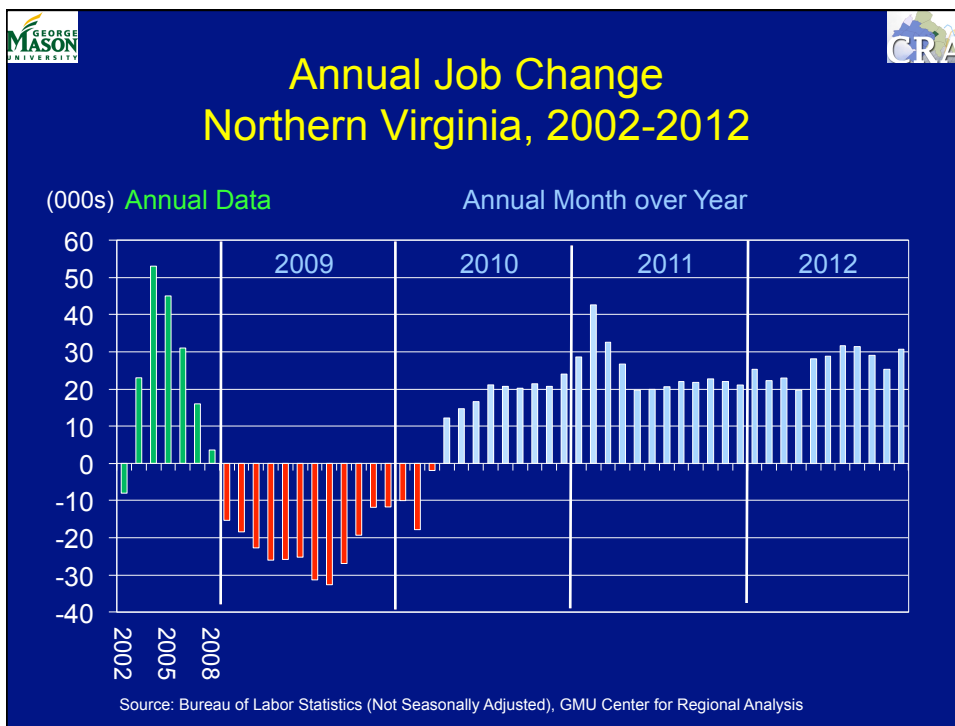


**How is the Washington Area's economy currently performing?**

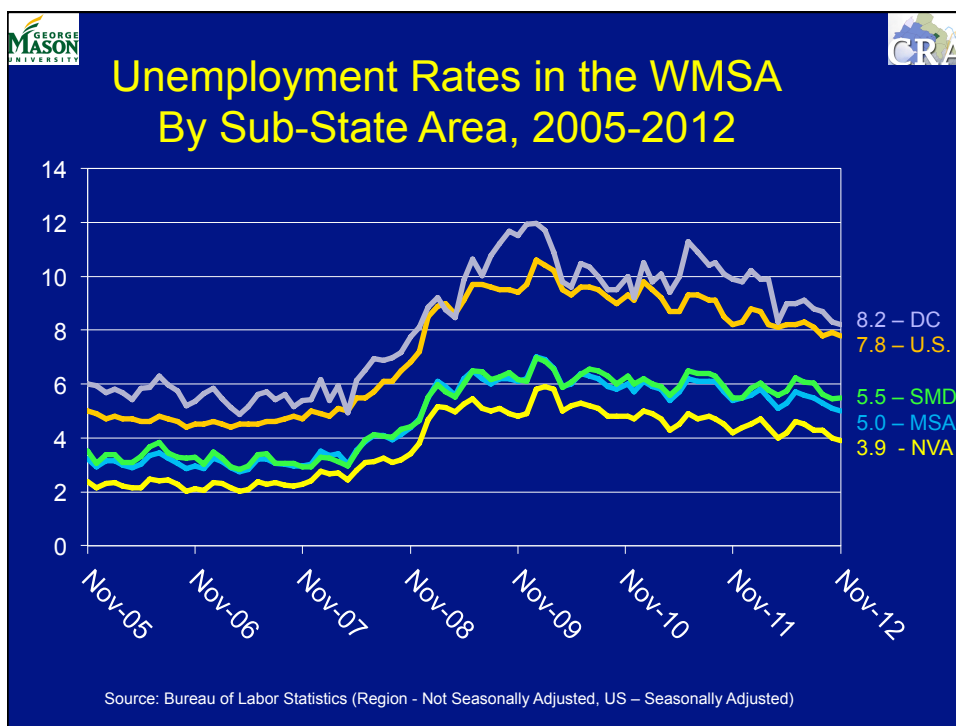














## The Washington Region's Economic Forecast\*



\*assuming increase in the debt ceiling  
and adoption of a 10-year federal  
spending plan and FY 2013 federal  
budget by March 27, 2013



## And, the answer is...

The Washington Area is projected to  
add 281,070 net new jobs between  
2012 and 2017.

But what types of jobs these are and  
what their respective value added to  
the Area's economy will determine  
its future growth rate.

### Job Growth in the Washington Area By Sector, 2012-2017 (in thousands)

<u>Sector</u>	<u>2012</u>	<u>2017</u>	<u>Change</u>	<u>Percent</u>
Prof. & Bus. Ser.	697.4	841.2	143.8	20.6
Federal Gov't	380.4	358.4	- 22.0	- 5.8
Education/Health	380.2	419.0	38.8	10.2
S & L Gov't	309.7	321.6	11.9	3.8
Hospitality	276.8	285.0	8.2	3.0
Retail Trade	254.1	266.6	12.5	4.9
Other Services	182.8	185.3	2.5	1.4
Financial Services	150.0	154.7	4.7	3.1
Construction	146.4	201.8	55.4	37.8
Information Ser.	80.6	87.6	7.0	8.7
Other Sectors (3)	175.0	193.2	18.2	10.4
<b>Total Jobs</b>	<b>3,033.4</b>	<b>3,314.4</b>	<b>281.0</b>	<b>9.3</b>




### Major Sources of Job Growth in the Washington Area , 2012-2017 (in thousands)

<u>Growth Sectors</u>	<u>2012</u>	<u>2017</u>	<u>Change</u>	<u>Percent</u>
Prof. & Bus. Ser.	697.4	841.2	143.8	20.6
Education/Health	380.2	419.0	38.8	10.2
Construction	146.4	201.8	55.4	37.8
<b>Sub-Totals</b>	<b>1,224.0</b>	<b>1,462.0</b>	<b>238.0</b>	<b>19.4</b>
<b>% Total</b>	<b>40.4</b>	<b>44.1</b>	<b>84.7</b>	
<b>Totals</b>	<b>3,033.4</b>	<b>3,314.4</b>	<b>281.0</b>	<b>9.3</b>

Sources: IHS Global Insight; GMU Center for Regional Analysis

<u>Sector</u>	<u>2012</u>	<u>2017</u>	<u>% Change</u>
Prof. & Bus. Services	\$134,750	\$154,656	14.8%
Federal Gov't	138,361	138,566	0.1
Education/Health	59,730	57,508	- 3.7
S & L Gov't	60,975	56,920	- 6.6
Hospitality	42,883	42,391	- 1.1
Retail Trade	60,807	64,136	5.5
Other Services	70,339	69,151	- 1.7
Financial Services	543,482	578,062	6.4
Construction	98,824	82,490	- 16.5
Information Services	349,868	468,376	33.9
<u>Other Sectors</u>	<u>147,903</u>	<u>151,120</u>	<u>2.2</u>
GRP per Job	\$130,653	\$138,881	6.3

<u>High Job Growth</u>	<u>2012</u>	<u>2017</u>	<u>% Change</u>
Prof. & Bus. Svs. (20.6%)	\$134,750	\$154,656	14.8
Education/Health (10.2%)	59,730	57,508	- 3.7
Construction (37.8%)	98,824	82,490	- 16.5
<u>Other High Value-Added Sectors</u>			
Information Services (8.7%)	349,868	468,376	33.9
Financial Services (3.1%)	543,482	578,062	6.4
Federal (-5.8%)	138,361	138,566	0.1
Wholesale Trade (8.9%)	183,006	191,884	4.8
<u>Transport/Warehsg (16.1%)</u>	<u>138,768</u>	<u>135,938</u>	<u>- 2.0</u>
GRP per Job	\$130,653	\$138,881	6.3

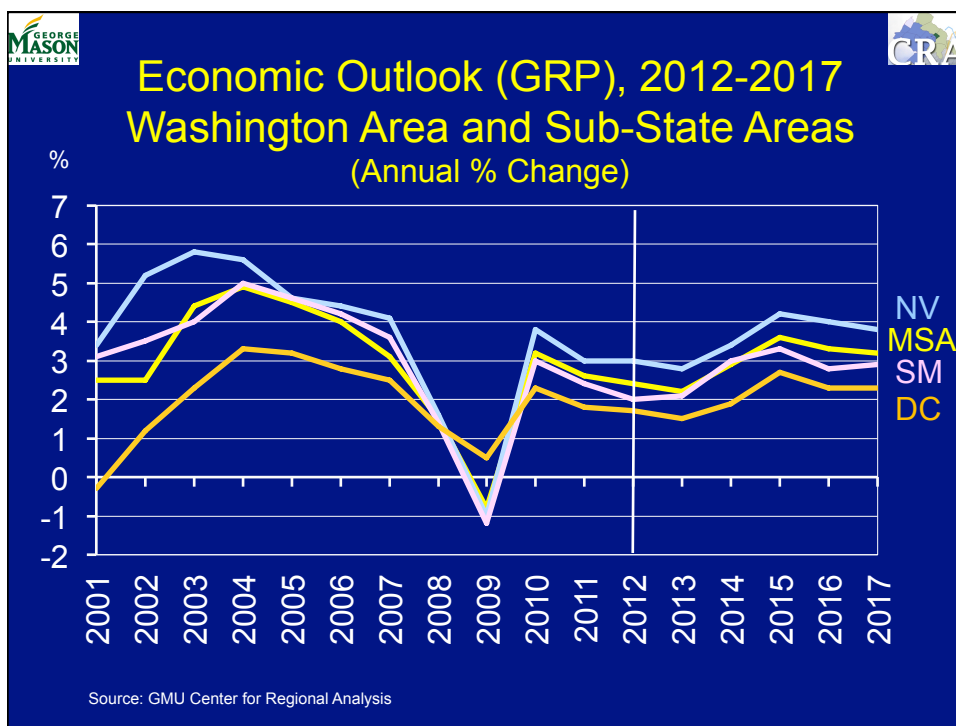
<u>Sector</u>	<u>2012</u>	<u>2017</u>	<u>Share Change</u>
Prof. & Bus. Services	24.8	29.5	4.7
Financial Services	21.5	20.3	- 1.2
Federal Gov't	13.9	11.3	- 2.6
Information Services	7.5	9.3	1.8
Other Sectors**	6.9	6.6	- 0.3
Education/Health	6.0	5.5	- 0.5
S & L Gov't	5.0	4.2	- 0.8
Retail Trade	4.1	3.9	- 0.2
Construction	3.8	3.8	n.c.
Other Services	3.4	2.9	- 0.5
Hospitality	3.1	2.7	- 0.4

\*\* manufacturing (- 0.2%), wholesale trade (n.c.), transportation, warehousing, utilities (- 0.1%)

	2010	2011	2012	2013	2014	2015	2016	2017
<b>D.C.</b>	9.5	11.2	11.8	12.5	14.0	13.0	7.9	5.7
<b>Sub. MD</b>	-5.9	4.0	6.2	8.5	9.0	9.5	18.5	15.2
<b>No. VA</b>	8.7	17.4	18.0	21.0	22.0	20.5	36.8	26.2
<b>REGION</b>	11.3	32.6	36.0	42.0	45.0	43.0	63.2	47.1

Average Annual Change 1990-2010 = 36,000

Source: BLS, IHS Global Insight Jan. 7 2013, GMU Center for Regional Analysis  
NOTE: 2011 Total is the sum of sub-regions and does not agree with the Mar 13, 2012 published MSA total.



Thank You  
Questions?  
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