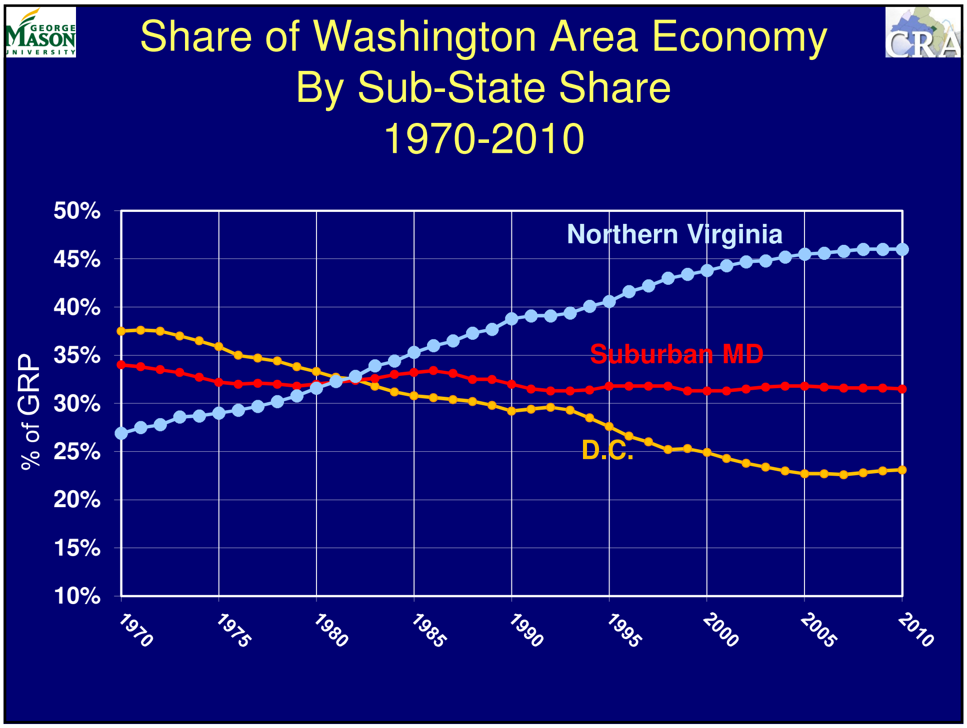
The 123 Club

The Washington Area and Northern Virginia Economies: Current Trends and Future Prospects

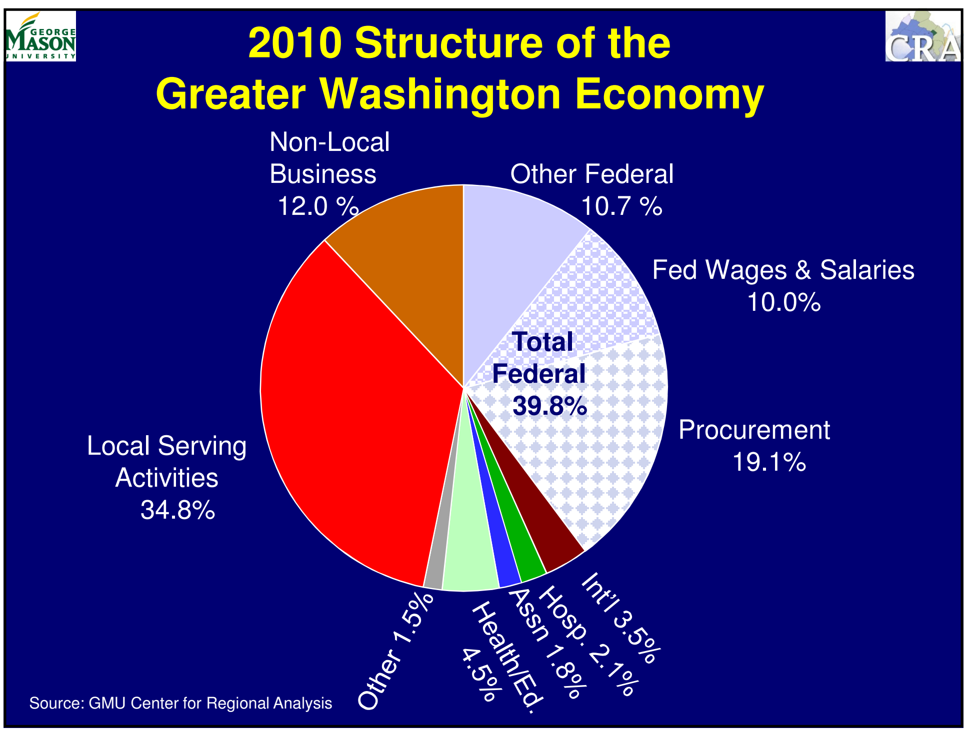
Stephen S. Fuller, Ph.D.
Dwight Schar Faculty Chair and University Professor
Senior Advisor and Director of Special Projects
Center for Regional Analysis
George Mason University

November 10, 2015

The Washington Economy: Recession, Sequester, Repositioning and Expansion

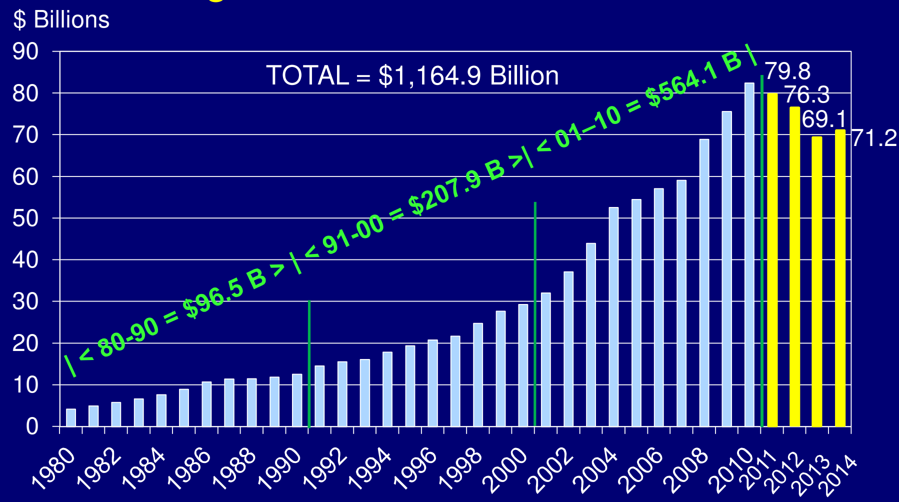


Share of Washington Area Economy
By Sub-State Share
1970-2010
Northern Virginia
Suburban MD
D.C.
% of GRP
50%
45%
40%
35%
30%
25%
20%
15%
10%
1970
1975
1980
1985
1990
1995
2000
2005
2010



2010 Structure of the
Greater Washington Economy
Non-Local Business 12.0 %
Other Federal 10.7 %
Fed Wages & Salaries 10.0%
Total Federal 39.8%
Procurement 19.1%
Local Serving Activities 34.8%
Int'l 3.5%
Hosp. 2.1%
Assn 1.8%
Health/Ed. 4.5%
Other 1.5%
Source: GMU Center for Regional Analysis

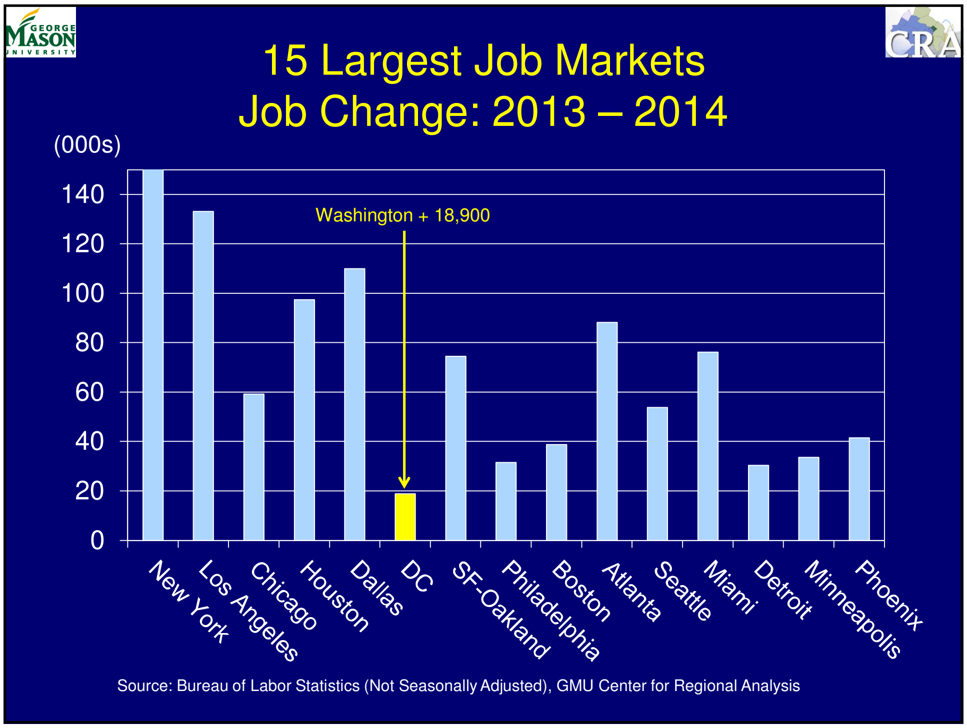
Federal Procurement in the Washington Metro Area, FY 1980-2014

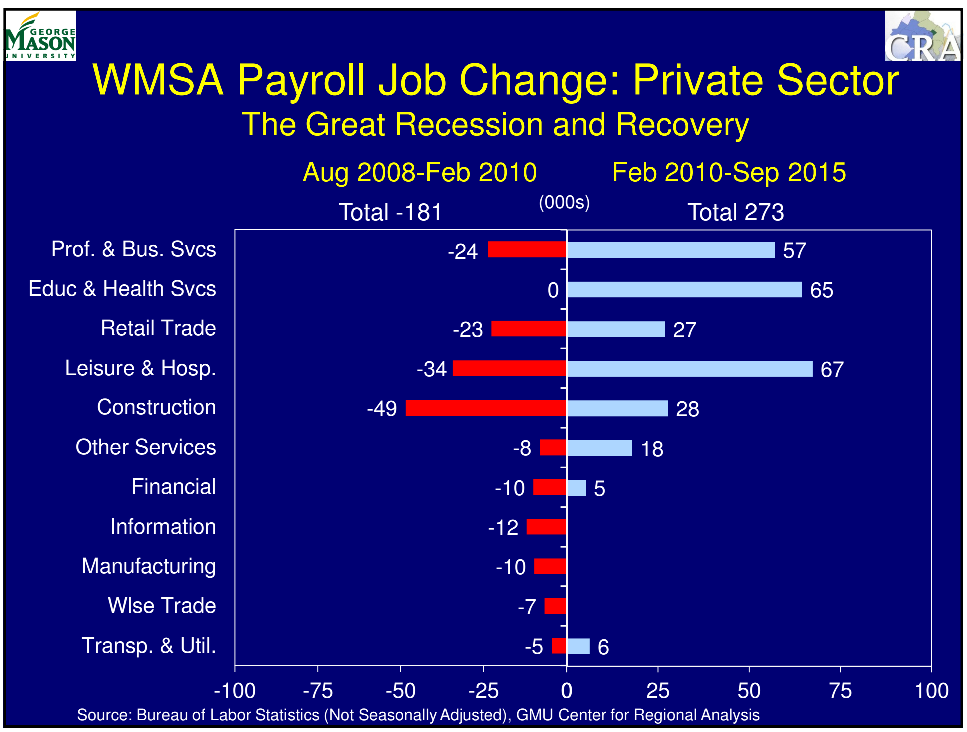


Source: US Census, Consolidated Federal Funds Report and USAspending.gov

Summary of Federal Spending Trends in the Washington Metropolitan Area, 2010-2014

- Federal Procurement Outlays declined $11.2 billion or 13.6% between FY 2010 and FY 2014.
- Federal employment has declined since peaking in July 2010, losing 23,700 jobs or 6.1%.
- Federal payroll declined by $2.5 billion or 6.4% between FY 2010 and FY 2014 and will continue to decline as the workforce shrinks and older workers retire and are replaced by younger workers.


15 Largest Job Markets
Job Change: 2013 – 2014
(000s)
140
120
100
80
60
40
20
0
Washington + 18,900
New York
Los Angeles
Chicago
Houston
Dallas
DC
SF-Oakland
Philadelphia
Boston
Atlanta
Seattle
Miami
Detroit
Minneapolis
Phoenix
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


WMSA Payroll Job Change: Private Sector
The Great Recession and Recovery
Aug 2008-Feb 2010
Feb 2010-Sep 2015
Total -181
(000s)
Total 273
Prof. & Bus. Svcs -24 57
Educ & Health Svcs 0 65
Retail Trade -23 27
Leisure & Hosp. -34 67
Construction -49 28
Other Services -8 18
Financial -10 5
Information -12
Manufacturing -10
Wlse Trade -7
Transp. & Util. -5 6
-100 -75 -50 -25 0 25 50 75 100
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

The GRP* Effects of Private Sector Job Change in the Washington Metropolitan Area Aug 2008-September 2015 (in 2014 $s)

Job Change	Total GRP Value
- 181,300	- $29,044,064,000[1]
+ 272,800	+ $29,704,162,000[2]
+ 91,500	+ $660,098,000

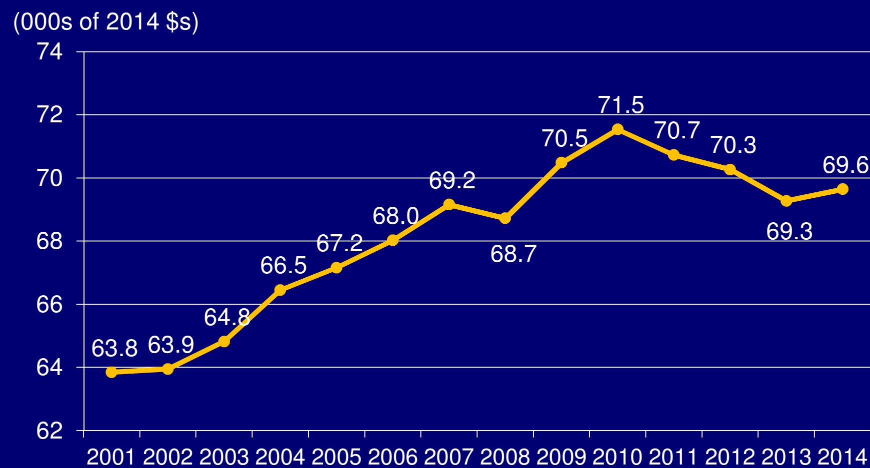
Source: GMU Center for Regional Analysis

*Gross Regional Product

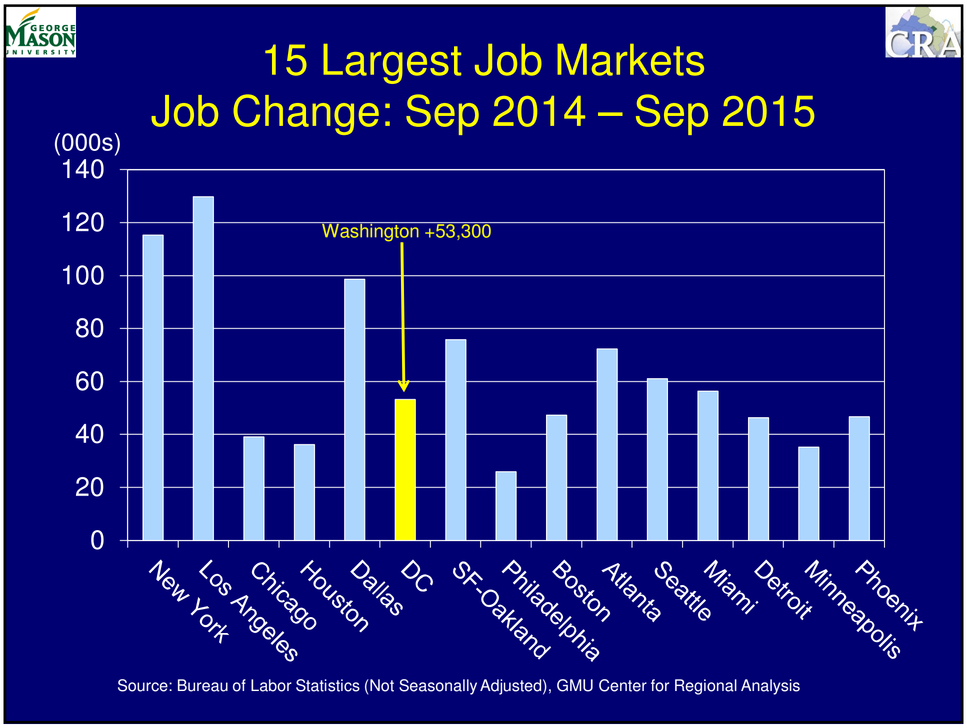
[1] $160,200 per job contribution to GRP

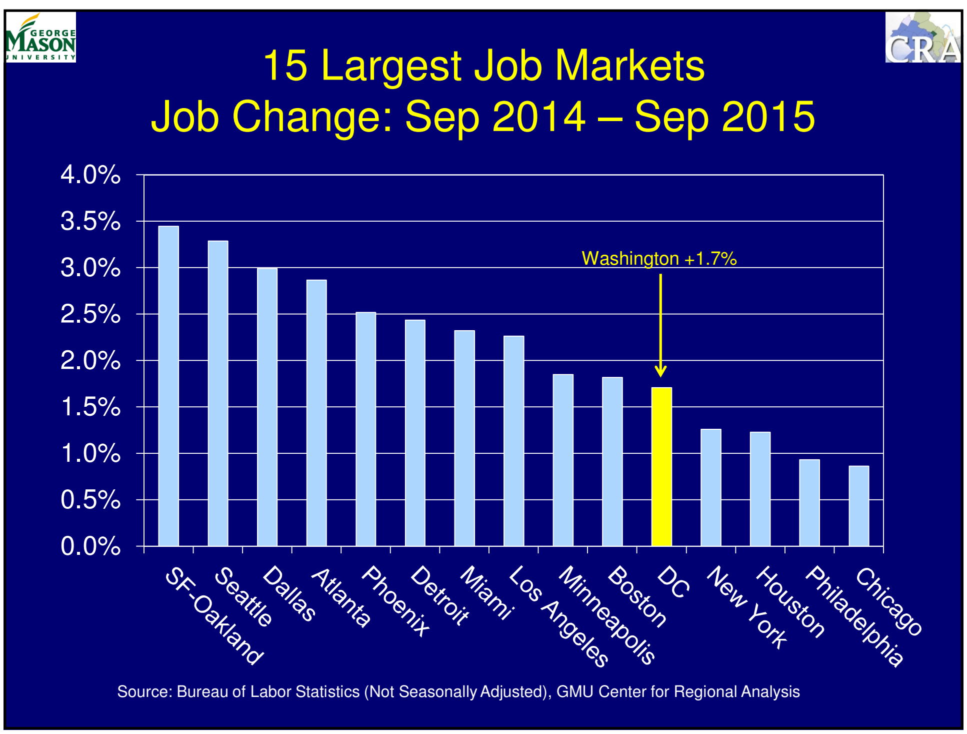
[2] $108,900 per job contribution to GRP

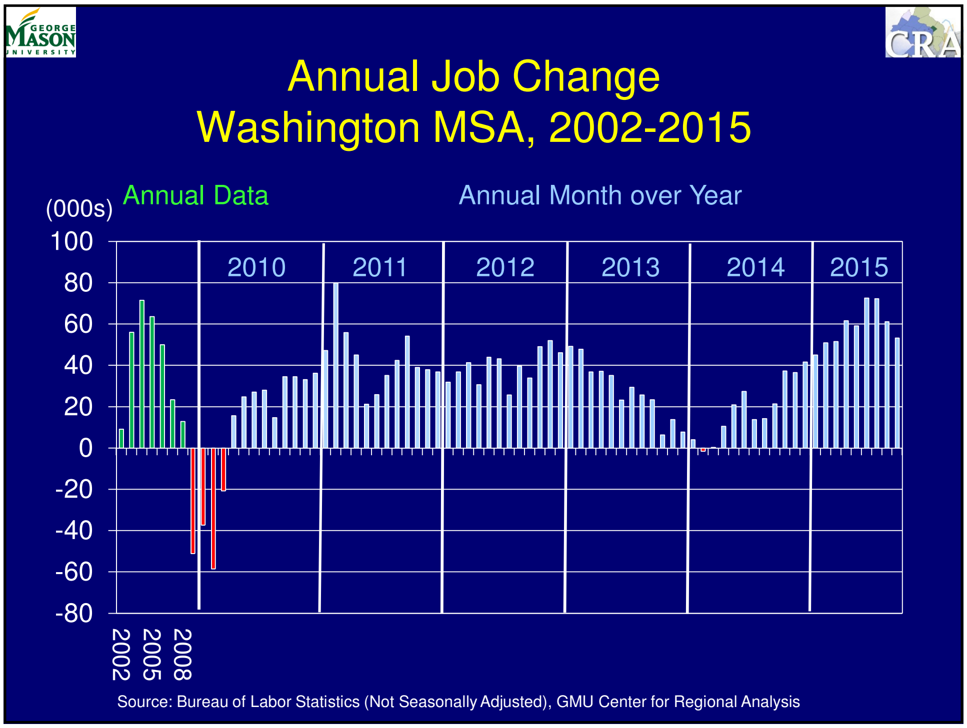
Average Wage in the Washington Metro Area, 2001-2014

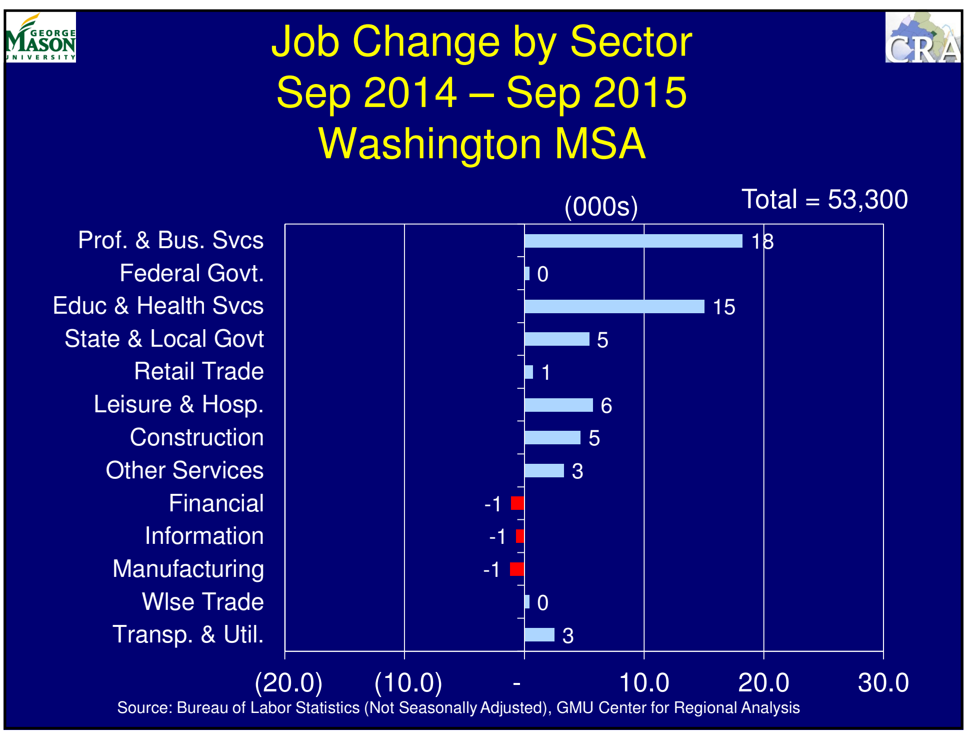


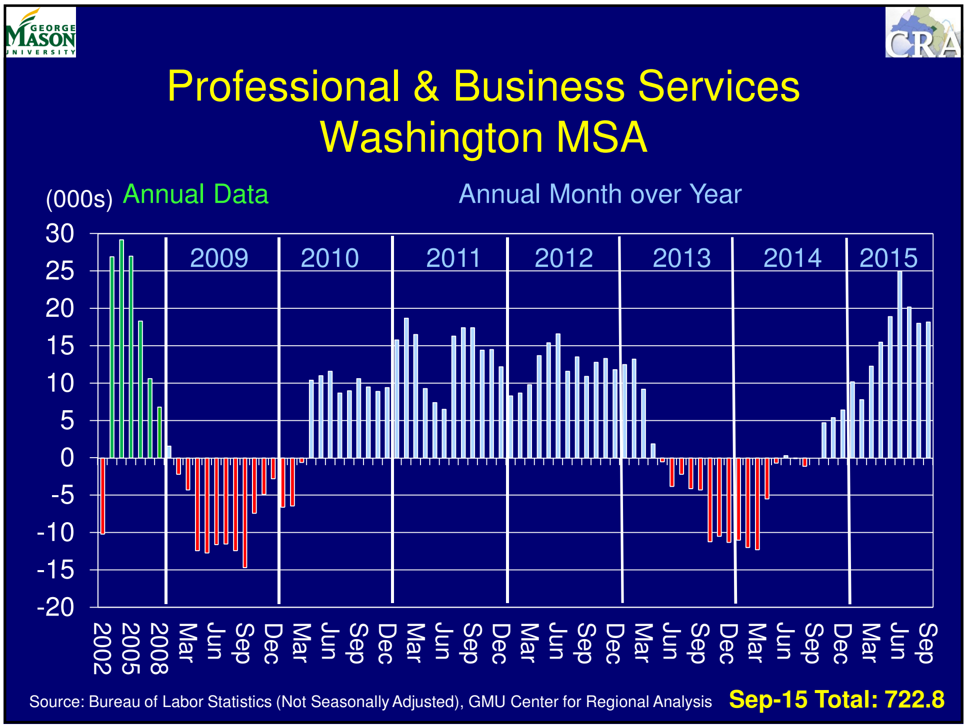
Source: Bureau of Labor Statistics, GMU Center for Regional Analysis

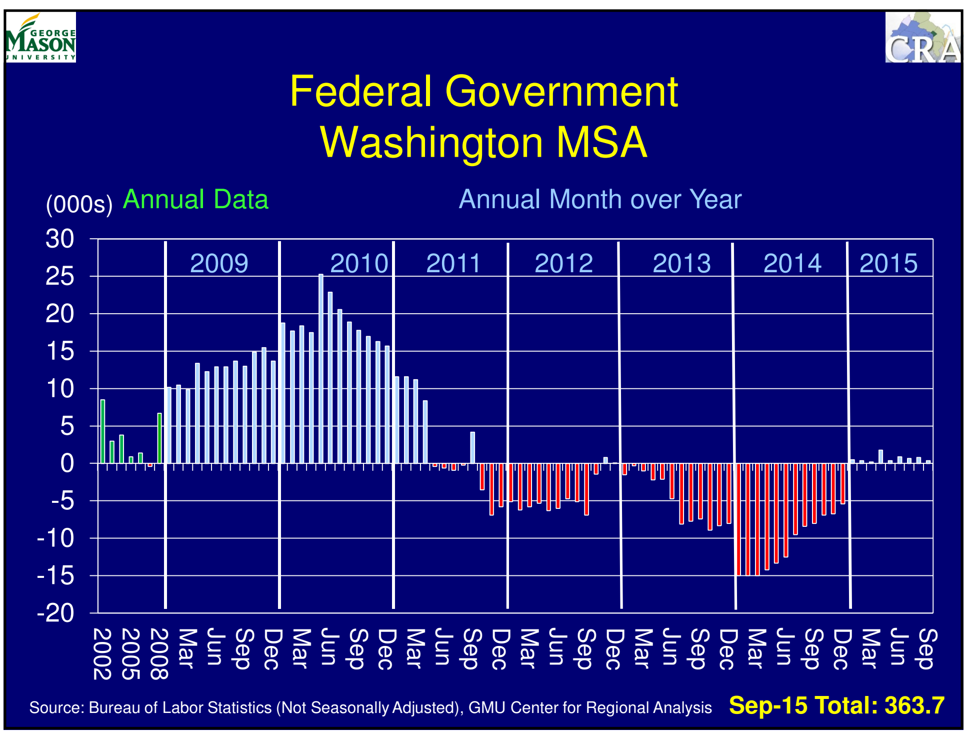

15 Largest Job Markets
Job Change: Sep 2014 – Sep 2015
(000s)
140
120
100
80
60
40
20
0
Washington +53,300
New York
Los Angeles
Chicago
Houston
Dallas
DC
SF-Oakland
Philadelphia
Boston
Atlanta
Seattle
Miami
Detroit
Minneapolis
Phoenix
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

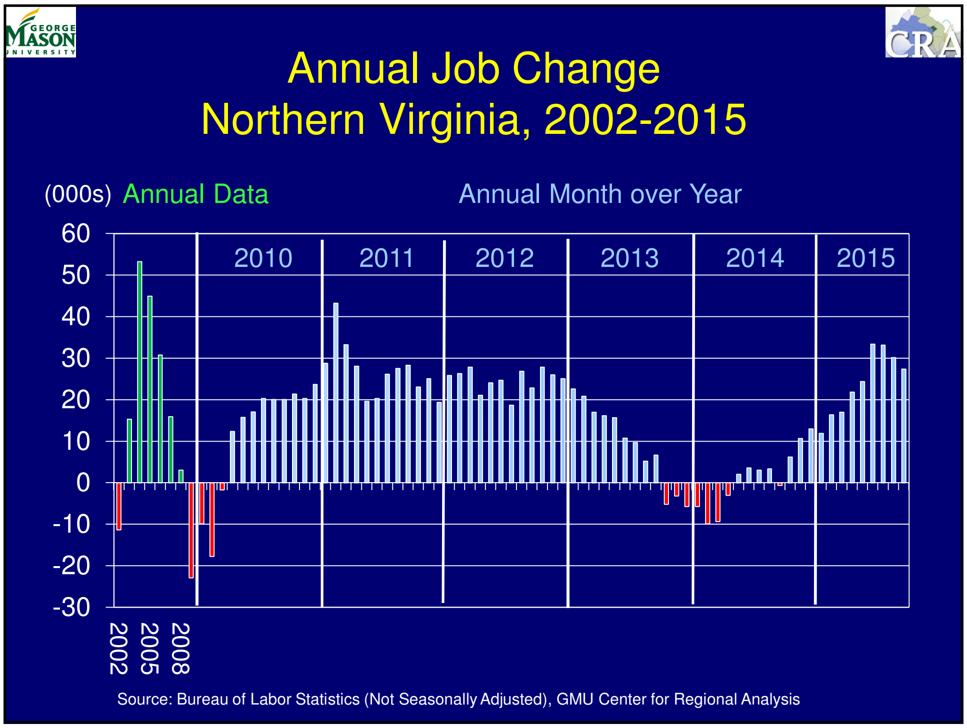

15 Largest Job Markets
Job Change: Sep 2014 – Sep 2015
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
Washington +1.7%
SF-Oakland
Seattle
Dallas
Atlanta
Phoenix
Detroit
Miami
Los Angeles
Minneapolis
Boston
DC
New York
Houston
Philadelphia
Chicago
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

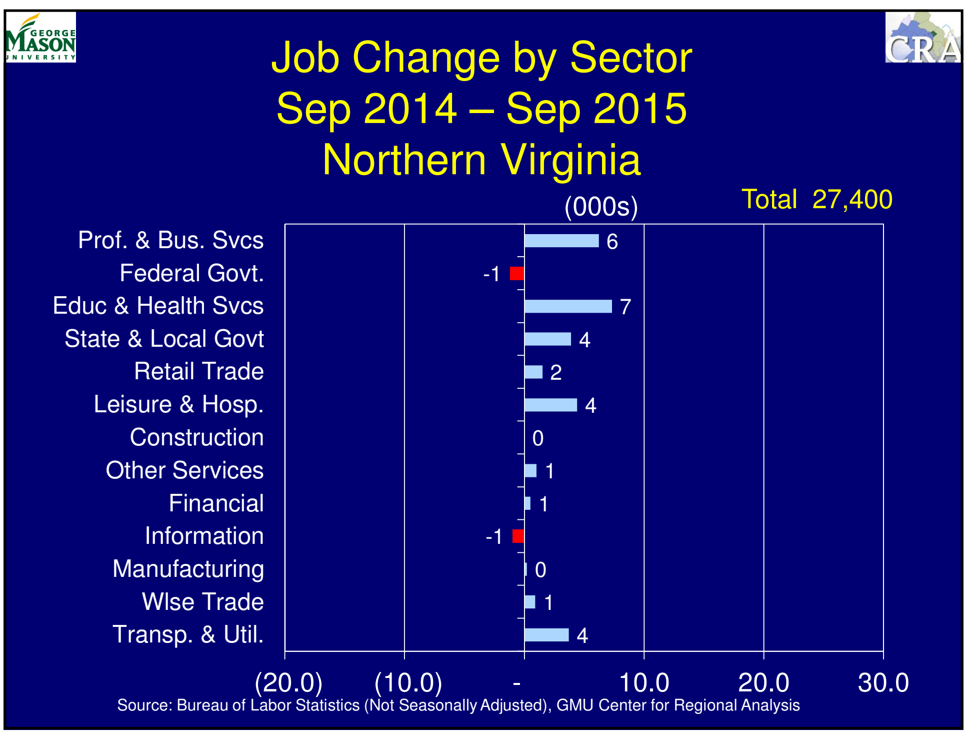

Annual Job Change
Washington MSA, 2002-2015
(000s)
Annual Data
Annual Month over Year
2010
2011
2012
2013
2014
2015
100
80
60
40
20
0
-20
-40
-60
-80
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Job Change by Sector
Sep 2014 – Sep 2015
Washington MSA
(000s)
Total = 53,300
Prof. & Bus. Svcs 18
Federal Govt. 0
Educ & Health Svcs 15
State & Local Govt 5
Retail Trade 1
Leisure & Hosp. 6
Construction 5
Other Services 3
Financial -1
Information -1
Manufacturing -1
Wlse Trade 0
Transp. & Util. 3
(20.0)
(10.0)
-
10.0
20.0
30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

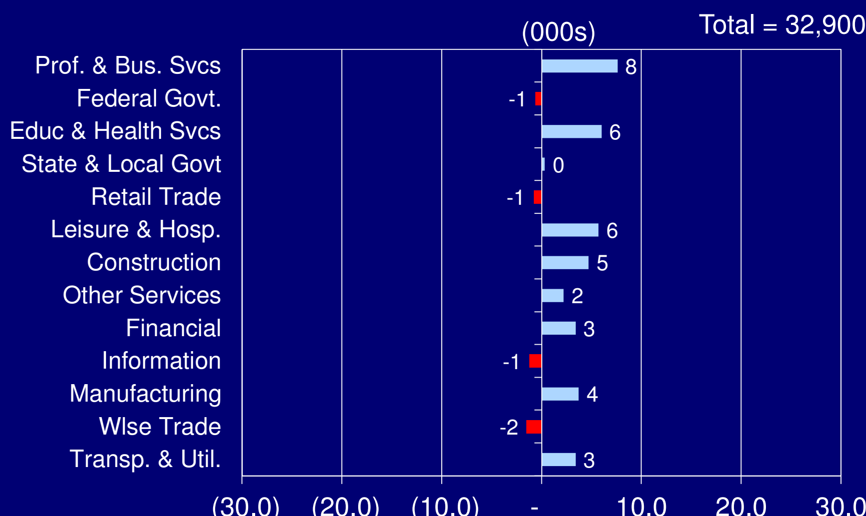

Professional & Business Services
Washington MSA
(000s) Annual Data
Annual Month over Year
2009 2010 2011 2012 2013 2014 2015
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Sep-15 Total: 722.8


Federal Government
Washington MSA
(000s) Annual Data
Annual Month over Year
2009 2010 2011 2012 2013 2014 2015
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Sep-15 Total: 363.7


Annual Job Change
Northern Virginia, 2002-2015
(000s) Annual Data
Annual Month over Year
2010
2011
2012
2013
2014
2015
60
50
40
30
20
10
0
-10
-20
-30
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

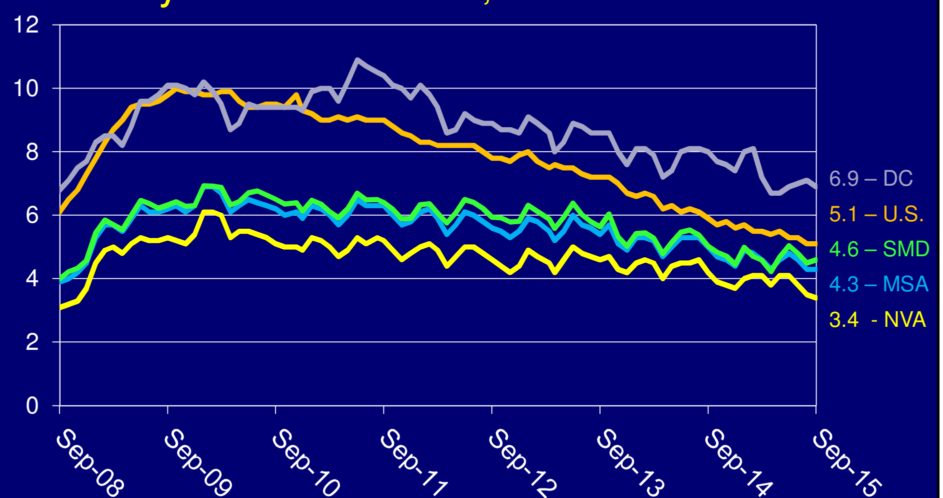

Job Change by Sector
Sep 2014 – Sep 2015
Northern Virginia
(000s)
Total 27,400
Prof. & Bus. Svcs 6
Federal Govt. -1
Educ & Health Svcs 7
State & Local Govt 4
Retail Trade 2
Leisure & Hosp. 4
Construction 0
Other Services 1
Financial 1
Information -1
Manufacturing 0
Wlse Trade 1
Transp. & Util. 4
(20.0)
(10.0)
-
10.0
20.0
30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Commonwealth of Virginia: Job Change by Sector Sep 2014 – Sep 2015



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

Unemployment Rates in the WMSA By Sub-State Area, 2008-2015

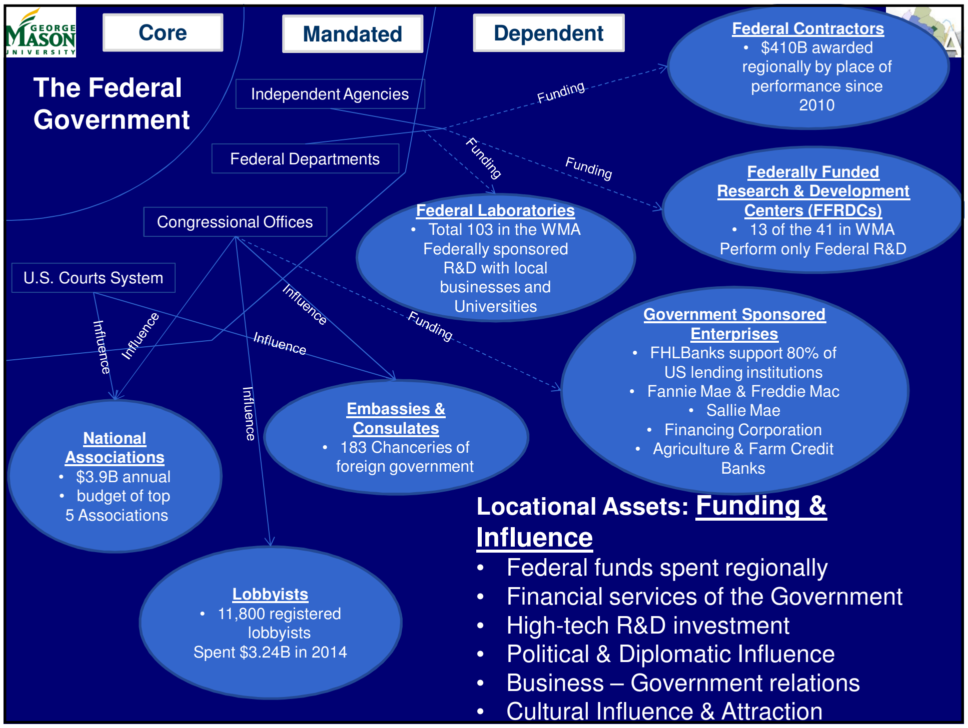


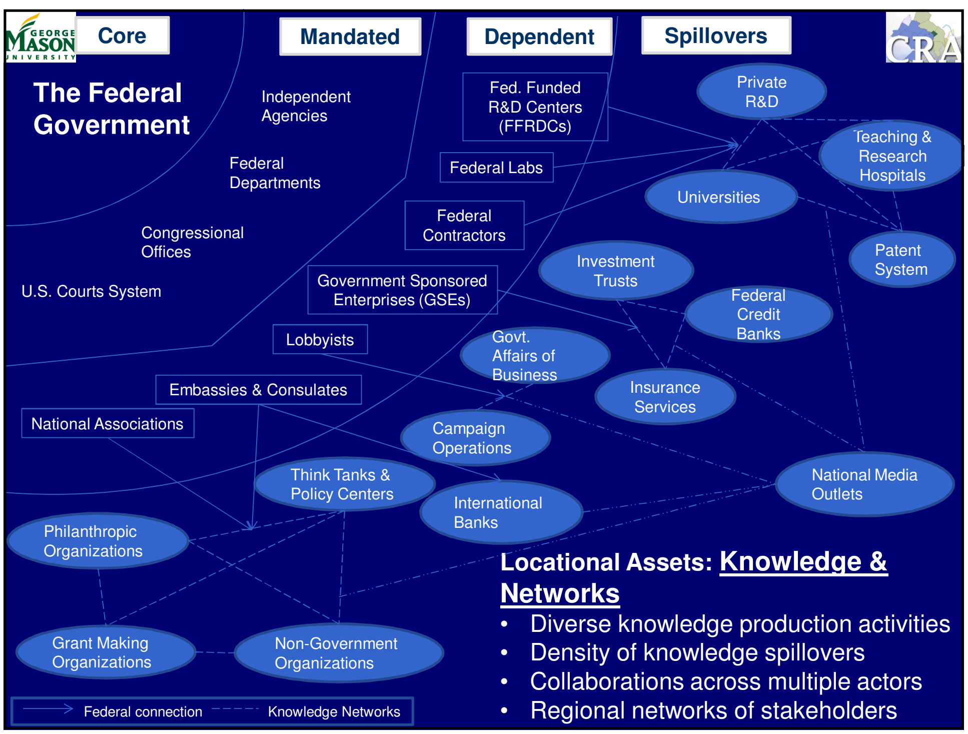
Source: Bureau of Labor Statistics (Region - Not Seasonally Adjusted, US – Seasonally Adjusted)

Roadmap to the Washington Region's Future Economy

Washington Region's Competitive Advantages

Capital City/Federal Government Center
International Governments and Institutions
Connectivity to the World
Concentration of Government and Business Leaders
High Quality-of-Life
Diverse Population
Breadth of Higher Educational Services
Educated Work Force
High Level of Labor Force Participation
Advanced Occupational Specializations


Core
Mandated
Dependent
The Federal Government
Independent Agencies
Federal Departments
Congressional Offices
U.S. Courts System
Funding
Funding
Funding
Funding
Influence
Influence
Influence
Influence
Influence
Federal Contractors
• $410B awarded regionally by place of performance since 2010
Federally Funded Research & Development Centers (FFRDCs)
• 13 of the 41 in WMA Perform only Federal R&D
Federal Laboratories
• Total 103 in the WMA Federally sponsored R&D with local businesses and Universities
Government Sponsored Enterprises
• FHLBanks support 80% of US lending institutions
• Fannie Mae & Freddie Mac
• Sallie Mae
• Financing Corporation
• Agriculture & Farm Credit Banks
Embassies & Consulates
• 183 Chanceries of foreign government
National Associations
• $3.9B annual
• budget of top 5 Associations
Lobbyists
• 11,800 registered lobbyists
Spent $3.24B in 2014
Locational Assets: Funding & Influence
• Federal funds spent regionally
• Financial services of the Government
• High-tech R&D investment
• Political & Diplomatic Influence
• Business – Government relations
• Cultural Influence & Attraction


Core
Mandated
Dependent
Spillovers
The Federal Government
Independent Agencies
Federal Departments
Congressional Offices
U.S. Courts System
Fed. Funded R&D Centers (FFRDCs)
Federal Labs
Federal Contractors
Government Sponsored Enterprises (GSEs)
Lobbyists
Embassies & Consulates
National Associations
Private R&D
Teaching & Research Hospitals
Universities
Patent System
Investment Trusts
Federal Credit Banks
Govt. Affairs of Business
Insurance Services
Campaign Operations
National Media Outlets
Think Tanks & Policy Centers
International Banks
Philanthropic Organizations
Grant Making Organizations
Non-Government Organizations
Federal connection
Knowledge Networks
Locational Assets: Knowledge & Networks
• Diverse knowledge production activities
• Density of knowledge spillovers
• Collaborations across multiple actors
• Regional networks of stakeholders

The Washington Region's Advanced Industrial Clusters: 2014 Employment

Cluster	Jobs	%Change[1]	LQ	Wage[2]
Advocacy Services	115,731	19.0	3.5	1.7
Info & Comm. Tech	204,489	5.5	2.7	1.4
Sci & Security Tech	123,785	18.6	1.8	1.6
Bio & Health Tech	55,396	25.1	2.0	1.6
Business & Fin. Serv.	190,128	38.9	1.8	1.6
Media & Info Services	35,745	- 20.1	1.5	1.7
Leisure & Business T.	85,919	- 1.3	1.1	1.3
All Clusters	811,193	14.5*	2.0	1.6

Sources: U.S. Bureau of Labor Statistics, JobsEQ, University of MD's Inforum

[1]2003-2014 Percent Change; [2]WMSA/US wage ratio; *total job change for WMSA, 9.3%;

The Washington Region's Advanced Industrial Clusters: Job Growth Forecast

Cluster	2014-2025 Job Forecast			
	Low	%	High	%
Advocacy Services	122,303	5.7	138,868	20.0
Info & Comm. Tech	213,621	4.5	224,87	10.0
Sci & Security Tech	135,707	9.6	147,104	18.8
Bio & Health Tech	58,388	5.4	67,929	22.6
Business & Fin. Serv.	218,851	15.1	269,053	41.5
Media & Info Services	36,292	1.5	41,667	16.6
Leisure & Business T.	87,807	2.2	91,512	6.5
All Clusters	872,969	7.6	981,005	20.9
All Jobs in WMA	3,092,270	4.0	3,402,570	14.4

Requirements for Future Economic Growth: Major Themes

- Talent attraction and retention;
- The region's quality-of-life;
- Transportation flexibility and adaptability;
- Access to capital;
- Entrepreneurial culture;
- Regional branding and national and global marketing;
- Competition among local jurisdictions; and,
- Public costs and disincentives.

Eight Themes/Two Categories

1.What businesses need to grow—supporting our people:

- Talent attraction and retention
- More flexible transportation and work options
- Access to capital
- Entrepreneurial culture

Eight Themes/Two Categories

2. Constraints to business growth based on the nature of our region and challenges in our region that affect growth potential:

- Lack of (or negative) image of region as a place to do business
- (Ine-)quality-of-life across the region
- Regional competition
- Inefficiencies among multiple governments

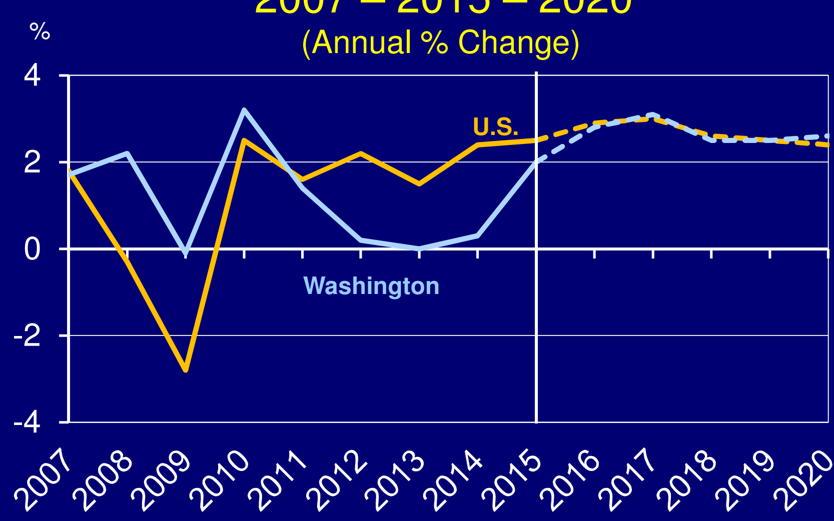
Strategies, Implementing Organizations and Next Steps

- Increase supply of affordable housing;
- Establish a university/business partnership to provide the talent required for future workforce;
- Meet transportation requirements of the region's workforce and businesses;
- Develop a national and global business brand for Greater Washington;
- Seek regional collaboration across area's local jurisdictions and states in their economic development initiatives; and,
- Foster dialogue between region's public, business and not-for-profit leaders to address challenges to growth.

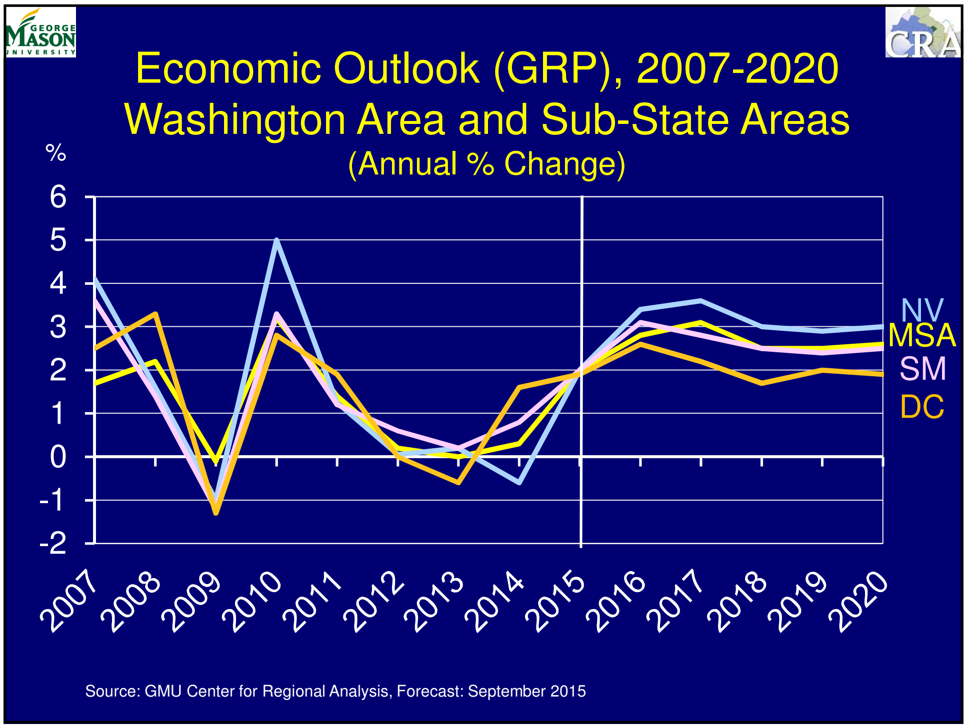
Economic Outlook for the Washington Metropolitan Area: 2013-2020

U.S. GDP and Washington Area GRP 2007 – 2015 – 2020

(Annual % Change)



Source: IHS Economics, GMU Center for Regional Analysis, Forecast: September 2015



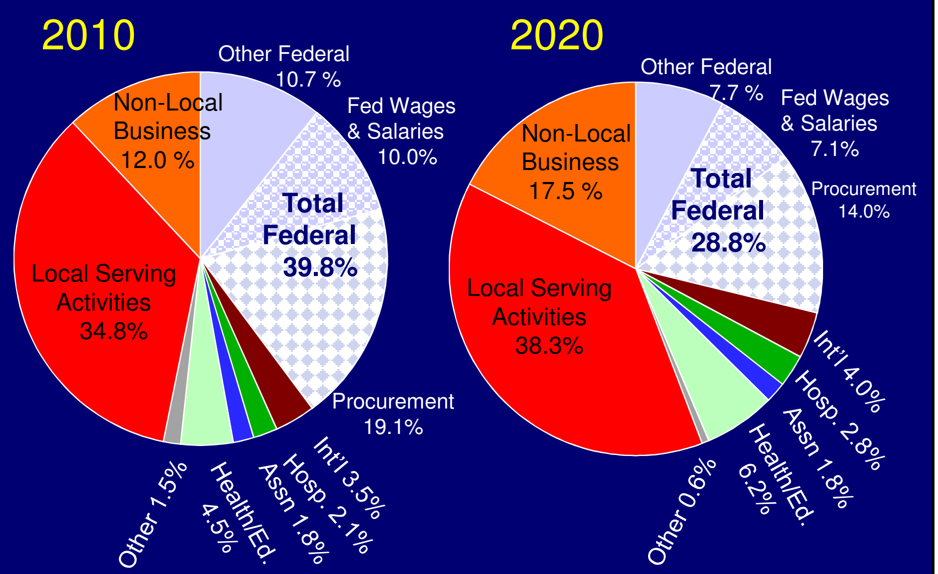
Employment Change in the WMSA by Sub-State Area (000s)

	2013	2014	2015*	2016	2017	2018	2019	2020
D.C.	13.0	6.5	14.3	15.7	11.0	12.7	11.7	11.0
Sub. MD	6.1	11.1	20.0	22.4	20.1	16.9	15.8	14.8
No. VA	8.9	1.3	24.6	28.3	26.7	19.0	17.9	16.8
REGION	28.0	18.9	58.9	66.4	57.8	48.6	45.4	42.6

Average Annual Change 1990-2010 = 36,000

Source: BLS, IHS Economics, GMU Center for Regional Analysis (August 2015); *estimated based on first half-year performance.
NOTE: The regional totals do not include Jefferson, WV.

Structure of the Greater Washington Economy



Source: GMU Center for Regional Analysis

Thank You
Questions

cra.gmu.edu