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

2010 Structure of the Greater Washington Economy

Source: GMU Center for Regional Analysis
Federal Procurement in the Washington Metro Area, FY 1980-2014

TOTAL = $1,164.9 Billion

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

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

Prof. & Bus. Svcs          Total -181          Total 273
Edu & Health Svcs          -24                    57
Retail Trade                0                      65
Leisure & Hosp.             -23                    27
Construction               -34                    67
Other Services             -49                    28
Financial                  -8                     18
Information                -10                     5
Manufacturing              -12                     10
Wise Trade                 -7                      6
Transp. & Util.            -5                      6

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)

<table>
<thead>
<tr>
<th>Job Change</th>
<th>Total GRP Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 181,300</td>
<td>- $29,044,064,000(^1)</td>
</tr>
<tr>
<td>+ 272,800</td>
<td>+ $29,704,162,000(^2)</td>
</tr>
<tr>
<td>+ 91,500</td>
<td>+ $660,098,000</td>
</tr>
</tbody>
</table>

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

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Annual Job Change
Washington MSA, 2002-2015

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

Job Change by Sector
Sep 2014 – Sep 2015
Washington MSA

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Professional & Business Services
Washington MSA

Annual Data
Annual Month over Year

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

Sep-15 Total: 722.8

Federal Government
Washington MSA

Annual Data
Annual Month over Year

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

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

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Commonwealth of Virginia: Job Change by Sector
Sep 2014 – Sep 2015

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

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

- Core
  - Federal Departments
  - Congressional Offices
  - U.S. Courts System
- Mandated
  - Independent Agencies
  - Federal Laboratories
  - Embassies & Consulates
  - Lobbyists
  - National Associations
- Dependent
  - Government Sponsored Enterprises (GSEs)
  - Federal Contractors
  - Federally Funded Research & Development Centers (FFRDCs)
- 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

- 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

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Jobs</th>
<th>%Change(^1)</th>
<th>LQ</th>
<th>Wage(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocacy Services</td>
<td>115,731</td>
<td>19.0</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Info &amp; Comm. Tech</td>
<td>204,489</td>
<td>5.5</td>
<td>2.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Sci &amp; Security Tech</td>
<td>123,785</td>
<td>18.6</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Bio &amp; Health Tech</td>
<td>55,396</td>
<td>25.1</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Business &amp; Fin. Serv.</td>
<td>190,128</td>
<td>38.9</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Media &amp; Info Services</td>
<td>35,745</td>
<td>-20.1</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Leisure &amp; Business T.</td>
<td>85,919</td>
<td>-1.3</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>All Clusters</td>
<td>811,193</td>
<td>14.5(^*)</td>
<td>2.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Cluster</th>
<th>2014-2025 Job Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Advocacy Services</td>
<td>122,303</td>
</tr>
<tr>
<td>Info &amp; Comm. Tech</td>
<td>213,621</td>
</tr>
<tr>
<td>Sci &amp; Security Tech</td>
<td>135,707</td>
</tr>
<tr>
<td>Bio &amp; Health Tech</td>
<td>58,388</td>
</tr>
<tr>
<td>Business &amp; Fin. Serv.</td>
<td>218,851</td>
</tr>
<tr>
<td>Media &amp; Info Services</td>
<td>36,292</td>
</tr>
<tr>
<td>Leisure &amp; Business T.</td>
<td>87,807</td>
</tr>
<tr>
<td>All Clusters</td>
<td>872,969</td>
</tr>
<tr>
<td>All Jobs in WMA</td>
<td>3,092,270</td>
</tr>
</tbody>
</table>

GMU Center for Regional Analysis
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
Economic Outlook (GRP), 2007-2020
Washington Area and Sub-State Areas
(Annual % Change)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D.C.</td>
<td>13.0</td>
<td>6.5</td>
<td>14.3</td>
<td>15.7</td>
<td>11.0</td>
<td>12.7</td>
<td>11.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Sub. MD</td>
<td>6.1</td>
<td>11.1</td>
<td>20.0</td>
<td>22.4</td>
<td>20.1</td>
<td>16.9</td>
<td>15.8</td>
<td>14.8</td>
</tr>
<tr>
<td>No. VA</td>
<td>8.9</td>
<td>1.3</td>
<td>24.6</td>
<td>28.3</td>
<td>26.7</td>
<td>19.0</td>
<td>17.9</td>
<td>16.8</td>
</tr>
<tr>
<td>REGION</td>
<td>28.0</td>
<td>18.9</td>
<td>58.9</td>
<td>66.4</td>
<td>57.8</td>
<td>48.6</td>
<td>45.4</td>
<td>42.6</td>
</tr>
</tbody>
</table>

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

2010

- Non-Local Business: 12.0%
- Local Serving Activities: 34.8%
- Other Federal: 10.7%
- Fed Wages & Salaries: 10.0%
- Procurement: 19.1%
- Total Federal: 39.8%

2020

- Non-Local Business: 17.5%
- Local Serving Activities: 38.3%
- Other Federal: 7.7%
- Fed Wages & Salaries: 7.1%
- Procurement: 14.0%
- Total Federal: 28.8%

Source: GMU Center for Regional Analysis

Thank You Questions
cra.gmu.edu