Washington Area Economy: Performance and Outlook

Presentation to:

Lead Virginia

Center for Regional Analysis
School of Policy, Government & International Affairs
George Mason University

July 21, 2016
Agenda

• The Greater Washington Area after the recession
• Continued dependence on the Federal Government
• What’s next for the Washington economy?
• Ongoing challenges
The Greater Washington area after the recession
Recession Recovery Patterns of GDP
Past Four Recessions

% Change in GDP*  
Quarters After Trough

*in 1992 or 2009 Chained Dollars

Sources: Bureau of Economic Analysis, GMU Center for Regional Analysis
Annual Change in Payroll Jobs – US
Month-Over-Year

Jun = +2.5M

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
US Payroll Job Change
Month-to-Month

Source: Bureau of Labor Statistics (Seasonally Adjusted), GMU Center for Regional Analysis
GDP Trends since 2001

Source: US Bureau of Economic Analysis, *2009 Chained Dollars
Annual Job Change
Washington MSA, 2002-2016

Annual Data

Annual Month over Year

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Annual Job Change
Northern Virginia, 2002-2016

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
15 Largest Job Markets
Job Change: May 2015 – May 2016

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Population and employment trends in the Washington Metro Area

Index of Population and Employment Growth in the Washington Region

WMSA Payroll Job Change: Private Sector
The Great Recession and Recovery


Prof. & Bus. Svcs  -24  0  73
Educ & Health Svcs  -23  0  68
Retail Trade  -34  0  43
Leisure & Hosp.  -49  0  86
Construction  -8  21
Other Services  -10  9
Financial  -12  0
Information  -10  0
Manufacturing  -7  4
Wlse Trade  -5  4
Transp. & Util.  -100  -75  -50  -25  0  25  50  75  100
Total -181  Total 335

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
The Economic Influence of the Federal Government
Washington Metro Area, 2015

Population: 6,097,684
Employment: 3,171,400
11.5% Federal Jobs
Federal Government
Washington MSA

Annual Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Feb</th>
<th>May</th>
<th>Aug</th>
<th>Nov</th>
<th>Feb</th>
<th>May</th>
<th>Aug</th>
<th>Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Annual Month over Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Feb</th>
<th>May</th>
<th>Aug</th>
<th>Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

May-16 Total: 368.0

TOTAL = $1,235.9 Billion

Source: US Census, Consolidated Federal Funds Report and USAspending.gov
Professional & Business Services
Washington MSA

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
What’s next for the Washington economy?
Structure of the Greater Washington Economy

2010

Non-Local Serving 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 Serving Business 19.1%
Local Serving Activities 38.3%
Other Federal 7.7%
Fed Wages & Salaries 6.7%
Procurement 12.8%

Source: GMU Center for Regional Analysis; Forecast December 2015
The Washington Region’s Advanced Industrial Clusters

- Identified by The 2030 Group’s ‘Roadmap for the Washington Region’s Economic Future’
# The Washington Region’s Advanced Industrial Clusters

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Jobs</th>
<th>Percent Change (2003-2014)</th>
<th>LQ&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Wage&lt;sup&gt;2&lt;/sup&gt;</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>ICT Services</td>
<td>204,489</td>
<td>5.5%</td>
<td>2.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Sci. &amp; Security Tech. Services</td>
<td>123,785</td>
<td>18.6%</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Bio &amp; Health Tech. Services</td>
<td>55,396</td>
<td>25.1%</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Business &amp; Financial Services</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>Business &amp; Leisure Travel Services</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 Maryland’s Inforum*

1. percentage of local employment in a cluster divided by its respective percentage nationally;
2. WMSA/US wage ratio; *total job change for WMSA, 9.3%
### How Globally Fluent is Washington?

<table>
<thead>
<tr>
<th>Trait</th>
<th>Status</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leadership with a Worldview</td>
<td>-</td>
<td>Leadership focus remains local, not global</td>
</tr>
<tr>
<td>2. Legacy of Global Orientation</td>
<td>+</td>
<td>Strong, but mostly legacy of Fed Gov</td>
</tr>
<tr>
<td>3. Specializations with Global Reach</td>
<td>?</td>
<td>Top specializations are Fed related, high concentrations in low-wage industries</td>
</tr>
<tr>
<td>4. Adaptability to Global Dynamics</td>
<td>+</td>
<td>Feds are adaptable, private sector less so</td>
</tr>
<tr>
<td>5. Culture of Knowledge and Innovation</td>
<td>?</td>
<td>Knowledge industries are geared to Fed Gov, need to import skilled workers</td>
</tr>
<tr>
<td>6. Opportunity/Appeal to World</td>
<td>+</td>
<td>Strong, but not for business travel</td>
</tr>
<tr>
<td>7. International Connectivity</td>
<td>?</td>
<td>IAD is underused asset, little cargo activity</td>
</tr>
<tr>
<td>8. Ability to Secure Investment for Strategic Priorities</td>
<td>-</td>
<td>Multiple systems in region complicate investment decisions</td>
</tr>
</tbody>
</table>
Ongoing challenges
Median House Sales Price
Washington MSA

Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis
Long commutes diminish quality of life

Proportion of workers with travel time to work of 60 or more minutes

- New York: 20.7%
- Washington: 17.3%
- SF-Oakland: 15.3%
- Chicago: 14.0%
- Boston: 13.5%
- Atlanta: 12.7%
- Los Angeles: 11.7%
- Seattle: 11.0%
- Houston: 11.0%
- Philadelphia: 10.9%
- Miami: 9.0%
- United States: 8.6%
- Dallas: 8.0%
- Detroit: 7.4%
- Minneapolis: 5.9%
- Phoenix: 5.6%

Source: US Census Bureau, 2014 American Community Survey, Table S0802
Washington Metro Area
Population Components of Change

Source: Census Bureau
Where we are:

• Apparent shift from federal dependency
  • Remain vulnerable to decisions made by Federal Gov’t (e.g., sequestration, BRAC)

• We may be better at small business development than we think
  • Small firms bought by out-of-area companies and moved

• Key opportunities remain
  • Sci-Tech services; bio-tech & health services; education; advocacy; tourism; global
  • Diverse education requirements

• Retaining talent will be a critical challenge
  • High costs for housing, childcare
  • Opportunities elsewhere
Thank You
Questions
cra.gmu.edu