## Small Business and the Transformation of the Washington Region’s Economy

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Schar School of Policy and Government
George Mason University

April 5, 2019

### Small Business in the Washington Region’s Economy

<table>
<thead>
<tr>
<th>Firm Size (Jobs)</th>
<th>% of Total</th>
<th>Growth Rate*</th>
<th>% of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 20</td>
<td>15.5</td>
<td>3.2%</td>
<td>7.8</td>
</tr>
<tr>
<td>20 to 99</td>
<td>17.5</td>
<td>8.0%</td>
<td>20.9</td>
</tr>
<tr>
<td>100 to 499</td>
<td>16.5</td>
<td>7.2%</td>
<td>18.0</td>
</tr>
<tr>
<td>Total Under 500</td>
<td>49.5</td>
<td>6.2%</td>
<td>46.7</td>
</tr>
<tr>
<td>All Firms**</td>
<td>100.0</td>
<td>6.6%</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Sources: U.S. Census & The Stephen S. Fuller Institute at the Schar School, GMU
*growth rate between 2009 and 2014; **excluding government jobs
The Washington Region’s Second Economic Transformation

The Changing Structure of the Washington Region Economy

Source: The Stephen S. Fuller Institute at the Schar School, GMU; Forecast January 2019
Washington MSA Job Change by Sector
2010 – 2018

Ranked by Size in 2018
Professional & Business Services
Education & Health Services
Federal Govt
State & Local Govt
Leisure & Hospitality
Retail Trade
Other Services
Construction
Financial Activities
Information Services
Transportation & Utilities
Wholesale Trade
Manufacturing

Total = +321.0
78.1
78.8
72.9
7.3
12.6
19.7
29.5
25.6
-16.5
-6.4
7.3
0.1
12.6
18.1
22.9
(000s)

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

Growth Rates of the Washington Region’s Advanced Industrial Clusters, Annualized Growth

2014 - 2016
2016 - 2017


Sources: U.S. Bureau of Labor Statistics (QCEW), The Stephen S. Fuller Institute at the Schar School, GMU
Washington MSA Job Change by Sector 2018

Ranked by Size in 2018
- Professional & Business Services: 15.1 (000s)
- Education & Health Services: -4.1 (000s)
- Federal Govt: 10.6 (000s)
- State & Local Govt: 4.1 (000s)
- Leisure & Hospitality: 5.4 (000s)
- Retail Trade: 2.0 (000s)
- Other Services: 1.0 (000s)
- Construction: 1.5 (000s)
- Financial Activities: 0.4 (000s)
- Information Services: 1.6 (000s)
- Transportation & Utilities: 0.4 (000s)
- Wholesale Trade: 0.4 (000s)
- Manufacturing: 0.4 (000s)

Total = 35,300

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

Professional and Business Services Jobs
Washington MSA
Annual Month Over-the-Year

Feb 19 Total = 764.9

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
**Education and Health Services Jobs**

**Washington MSA**

**Annual Month Over-the-Year**

Feb 19 Total = 445.5

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

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**Leisure and Hospitality Services Jobs**

**Washington MSA**

**Annual Month Over-the-Year**

Feb 19 Total = 331.5

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
District of Columbia
Annual Job Change, 2002-2019

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU

Suburban Maryland
Annual Job Change, 2002-2019

Sources: U.S. Bureau of Labor Statistics (Not Seasonally Adjusted), The Stephen S. Fuller Institute at the Schar School, GMU
What is the outlook for the Washington region’s economy?
Washington Region Coincident Index
(100 = 2015)

Source: The Stephen S. Fuller Institute at the Schar School, GMU

Washington Region Leading Index
Month-Over-The-Year Percent Change

Source: The Stephen S. Fuller Institute at the Schar School, GMU
U.S. GDP and Washington MSA GRP
2007 – 2018 – 2022
(Annual % Change)

Forecast

Sources: U.S. Bureau of Economic Analysis, IHS Markit (January 2019), The Stephen S. Fuller Institute at the Schar School, GMU
Forecast as of January 2019

Employment Change 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>15.8</td>
<td>13.9</td>
<td>8.7</td>
<td>7.2</td>
<td>4.6</td>
<td>5.0</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Sub. MD</td>
<td>10.6</td>
<td>14.2</td>
<td>15.2</td>
<td>3.0</td>
<td>11.0</td>
<td>9.1</td>
<td>7.1</td>
<td>9.3</td>
</tr>
<tr>
<td>No. VA</td>
<td>29.2</td>
<td>30.5</td>
<td>25.9</td>
<td>25.1</td>
<td>22.3</td>
<td>17.6</td>
<td>16.0</td>
<td>17.5</td>
</tr>
<tr>
<td>REGION</td>
<td>55.6</td>
<td>58.6</td>
<td>49.8</td>
<td>35.3</td>
<td>38.2</td>
<td>31.8</td>
<td>27.4</td>
<td>32.1</td>
</tr>
</tbody>
</table>

Average Annual Change 2000-2017 = 38,800

Source: BLS, IHS Economics, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of January 2019)
NOTE: The regional totals include Jefferson, WV.; Sub-state areas re-weighted to sum to region-wide total
How will Amazon’s HQ2 impact the Washington region’s and Arlington County’s economies?

### HQ2 Employment Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>Phase I</th>
<th>Phase II</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>400</td>
<td>0</td>
</tr>
<tr>
<td>2020</td>
<td>1,180</td>
<td>1,964</td>
</tr>
<tr>
<td>2021</td>
<td>1,439</td>
<td>2,665</td>
</tr>
<tr>
<td>2022</td>
<td>2,352</td>
<td>3,000</td>
</tr>
<tr>
<td>2023</td>
<td>2,207</td>
<td>3,000</td>
</tr>
<tr>
<td>2024</td>
<td>2,100</td>
<td>3,595</td>
</tr>
<tr>
<td>2025</td>
<td>2,100</td>
<td>3,900</td>
</tr>
<tr>
<td>2026</td>
<td>2,305</td>
<td>3,100</td>
</tr>
<tr>
<td>2027</td>
<td>2,305</td>
<td>3,000</td>
</tr>
<tr>
<td>2028</td>
<td>3,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Sources: Commonwealth of Virginia MOU; The Stephen S. Fuller Institute at the Schar School, GMU
Amazon-Related Household at Full Build-Out
Assumes 37,850 HQ2 jobs

<table>
<thead>
<tr>
<th>Area</th>
<th>Household w/ an HQ2 Job</th>
<th>Households w/ a Job Supported by HQ2 Spending (1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington County, VA</td>
<td>6,097</td>
<td>766</td>
<td>6,862</td>
</tr>
<tr>
<td>Rest of Northern Virginia</td>
<td>19,219</td>
<td>14,104</td>
<td>33,323</td>
</tr>
<tr>
<td>Rest of Virginia</td>
<td>642</td>
<td>14,967</td>
<td>15,609</td>
</tr>
<tr>
<td>D.C.</td>
<td>4,909</td>
<td>469</td>
<td>5,377</td>
</tr>
<tr>
<td>Maryland</td>
<td>6,047</td>
<td>1,515</td>
<td>7,562</td>
</tr>
<tr>
<td>Elsewhere</td>
<td>363</td>
<td>508</td>
<td>871</td>
</tr>
<tr>
<td><strong>Total (2)</strong></td>
<td><strong>37,276</strong></td>
<td><strong>32,328</strong></td>
<td><strong>69,604</strong></td>
</tr>
</tbody>
</table>

Source: The Stephen S. Fuller Institute at the Schar School, GMU
(1) Includes payroll and operations expenditures
(2) A small share of the workers holding HQ2-related jobs are anticipated to cohabitate either with another HQ2-related worker or become part of an existing household. Therefore, the number of households is projected to be fewer than the number of jobs. Only the indirect and induced jobs located in the Commonwealth were analyzed.
The Economic Impacts of Amazon’s HQ2: Construction Outlays

<table>
<thead>
<tr>
<th></th>
<th>Arlington County</th>
<th>Washington Region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction $s</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Outlays</td>
<td>$2.7 - $4.1 billion</td>
<td>$2.7 - $4.1 billion</td>
</tr>
<tr>
<td>Total Output*</td>
<td>$3.2 - $4.8 billion</td>
<td>$5.3 - $8.0 billion</td>
</tr>
<tr>
<td>Personal Income</td>
<td>$260 - $390 m</td>
<td>$1.7 - $2.5 billion</td>
</tr>
<tr>
<td>Jobs Supported</td>
<td>2,500-3,800</td>
<td>25,900-39,400</td>
</tr>
</tbody>
</table>

Sources: VEDP, The Stephen S. Fuller Institute at the Schar School, GMU *reflect County and VA multipliers of 1.183 and 1.952 respectively

The Economic Impacts of Amazon’s HQ2: Post-Construction Outlays

<table>
<thead>
<tr>
<th></th>
<th>Arlington County</th>
<th>Washington Region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post-Construction $s</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Outlays</td>
<td>$1.3 – $2.0 b</td>
<td>$2.5 - $3.8 billion</td>
</tr>
<tr>
<td>Total Output*</td>
<td>$1.7 – $2.5 b</td>
<td>$4.9 – 7.3 billion</td>
</tr>
<tr>
<td>Personal Income</td>
<td>$124 -$186 m</td>
<td>$1.5 - $2.3 billion</td>
</tr>
<tr>
<td>Jobs Supported</td>
<td>1,150 – 1,735</td>
<td>22,160 – 33,240</td>
</tr>
</tbody>
</table>

Sources: VEDP, The Stephen S. Fuller Institute at the Schar School, GMU *reflects Arlington and VA multipliers of 1.273 and 1.935 respectively
The Changing Structure of the Washington Region Economy

2018
- Local Serving Activities: 38.0%
- Non-Local Serving Business: 15.5%
- Other Federal: 9.4%
- Fed Wages & Salaries: 7.4%
- Procurement: 14.1%
- Total Federal: 30.9%

2030
- Local Serving Activities: 39.3%
- Non-Local Serving Business: 18.5%
- Other Federal: 7.8%
- Fed Wages & Salaries: 6.2%
- Procurement: 12.5%
- Total Federal: 26.5%

Source: The Stephen S. Fuller Institute at the Schar School, GMU; Forecast January 2019

Thank You & Questions

For monthly reports on the Washington region’s economic performance go to:

sfullerinstitute.gmu.edu