REGIONAL ECONOMIC NOTE

No. 24-01

Regional Economic Output From 2017 to 2022

Northern Virginia Leads, Suburban Maryland Lags

January 29th, 2024

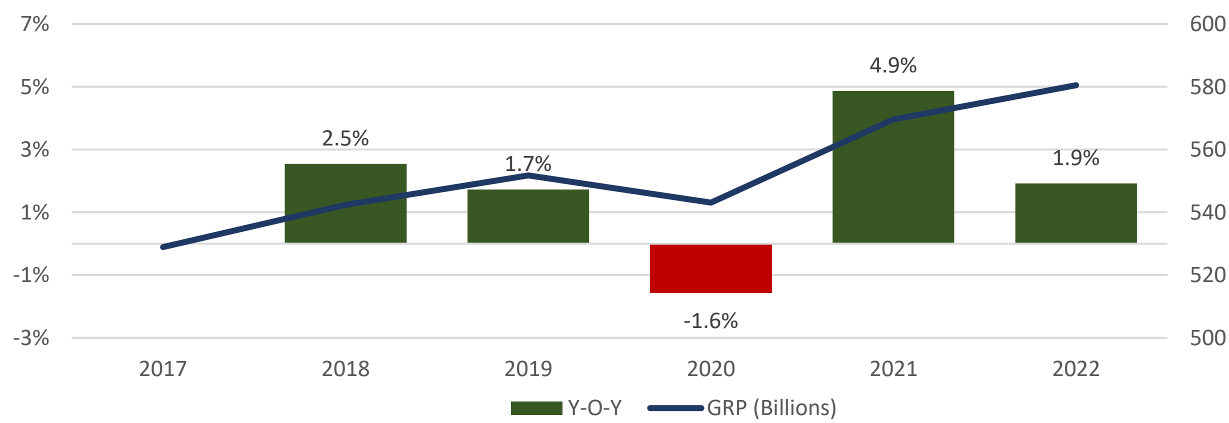
Keith Waters and Terry Clower

This post examines the economic output, or Gross Regional Product (GRP) of the Washington region over the period from 2017 to 2022. All data are 2017 inflation adjusted dollars. The most concerning findings are that the Washington region lags behind most other major metro areas, and that the GRP of Montgomery County, the third largest jurisdiction by output in the Washington region, increased just 0.2% over the 5-year period from 2017 to 2022. In contrast, Fairfax County increased 20.8% over the same period. If it were not for Northern Virginia, the region's economy would lag even further behind that of its peers.

GRP in the Washington Region

Prior to the pandemic, regional economic output was increasing steadily. GRP in the Washington region increased from $528.9 billion in 2017 to $542 billion in 2018 (+2.5%) and $551.8 billion in 2019 (+1.7%), The steady growth was, however, disrupted by the pandemic. GRP in the Washington region declined to 543.1 billion in 2020 (-1.6%), roughly equivalent to output in 2018. After the decline, output growth increased a robust 4.9% year-over-year to $569.6 billion in 2021 before returning to pre-pandemic trends, increasing to $580.5 in 2022 (+1.9%). Despite the growth, the Washington Region is lagging the nation and most peer metro areas.

MSA Level and Change (2017 Dollars)
2017 to 2022

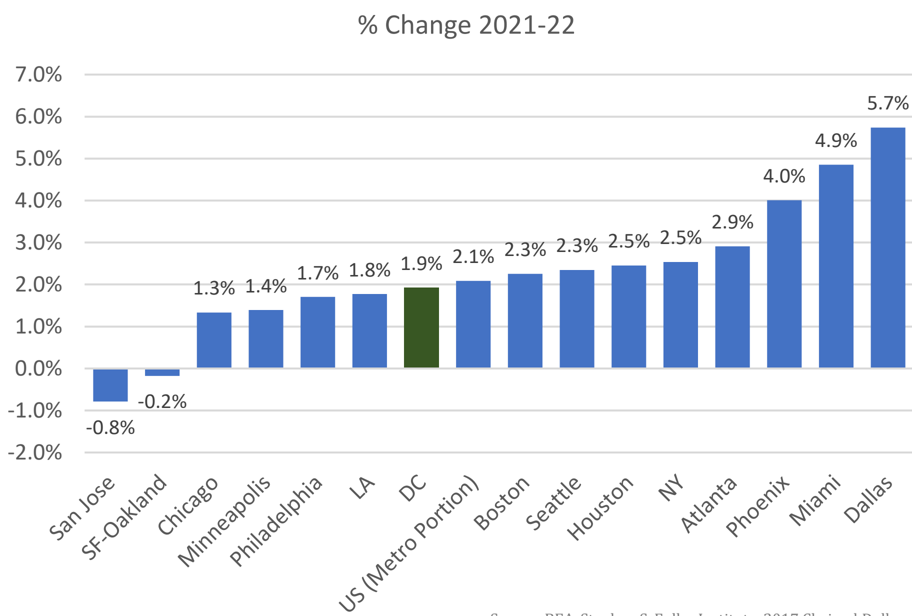


Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

The Washington region's output growth has lagged both recently as well as over the past 5 five years. The GRP of the Washington region increased 1.9% from 2021 to 2022, ranking 9th among the 15 largest metros in the US. The 1.9% increase was 0.2 percentage points lower than the US metropolitan portion over the period. Looking back over the 5-year period from 2017 to 2022 reveals that the Washington region's slow growth is not a recent development. From 2017 to 2022, the Washington region's GRP increased 9.8%, ranked 10th among the top 15 largest metros and 2.1 percentage points lower than the US metropolitan portion. Notably, while San Jose and San Francisco declined from 2021 to 2022, both are among the top five over the period from 2017 to 2022, with San Jose increasing its GRP by 36.2%.

GRP Growth Among Peer Metros

15 Largest Metros by GRP

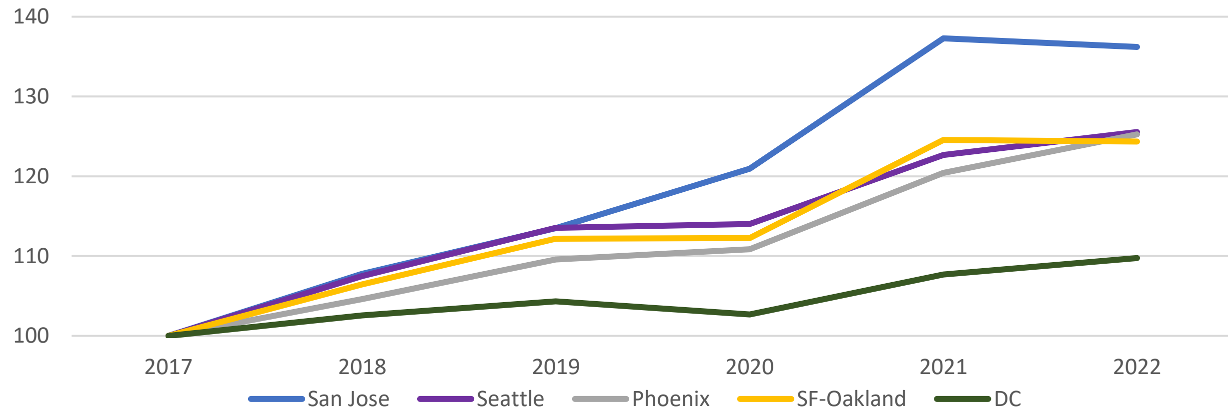


Metro	% Change 2017-22
San Jose	36.2%
Seattle	25.5%
Phoenix	25.3%
SF-Oakland	24.3%
Dallas	22.5%
Miami	18.0%
Boston	16.2%
Atlanta	14.3%
US (Metro Portion)	11.9%
LA	9.9%
DC	9.8%
NY	9.1%
Houston	9.1%
Minneapolis	7.7%
Philadelphia	4.6%
Chicago	4.6%

Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

Comparing the Washington region to the top 4 performing regions from 2017 to 2022 reveals that the regions' economy dramatically underperformed prior to, during, and following the pandemic. From 2017 to 2019 leading regions of San Jose, Seattle, Phoenix, and San Francisco-Oakland grew 2.2 to 3.1 times faster than the Washington region. From 2019 to 2020, while the Washington region's economy contracted, economic output of San Jose, Seattle, Phoenix, and San Francisco-Oakland all expanded. While the GRP of the Washington region increased 4.9% from 2020 to 2021, the pace was slower than leading regions. Finally, while the GRP of the growth leader, San Jose, declined from 2021 to 2022, the extreme growth from 2020 to 2021 means that San Jose growth over the entire remained 26.5 percentage points above the Washington region. If the Washington region kept pace with San Jose from 2017 to 2022, the region's 2022 GRP would have been $139.9 billion greater.

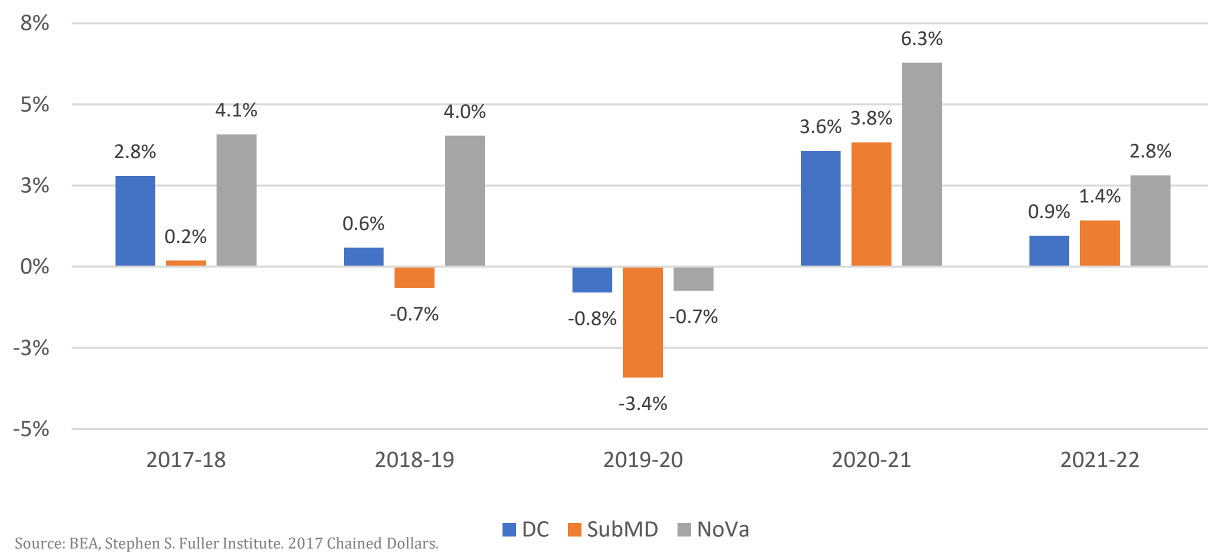
GRP Growth Among Leaders and the Washington Region
2017 to 2022



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

Examining the sub-state components of the Washington region shows that while the GRP of the region declined from 2019 to 2020, it did not do so evenly. GRP in DC and Northern Virginia (NoVa) decreased 0.8 percent and 0.7 percent, respectively. In stark contrast, GRP in Suburban Maryland (SubMD) declined 3.4 percent, a drop nearly 4 times greater than DC and Northern Virginia. The subpar performance in Suburban Maryland was consistent with a longer term trend, as Suburban Maryland's economic output increased just 0.2 percent from 2017 to 2018 and declined 0.7 percent from 2018 to 2019, prior to the onset of the pandemic. In contrast, Northern Virginia output recorded notable increases over the majority of the period. In fact, Suburban Maryland's output in 2021 was 0.2% smaller than in 2017 and did not overtake 2017 levels until 2022.

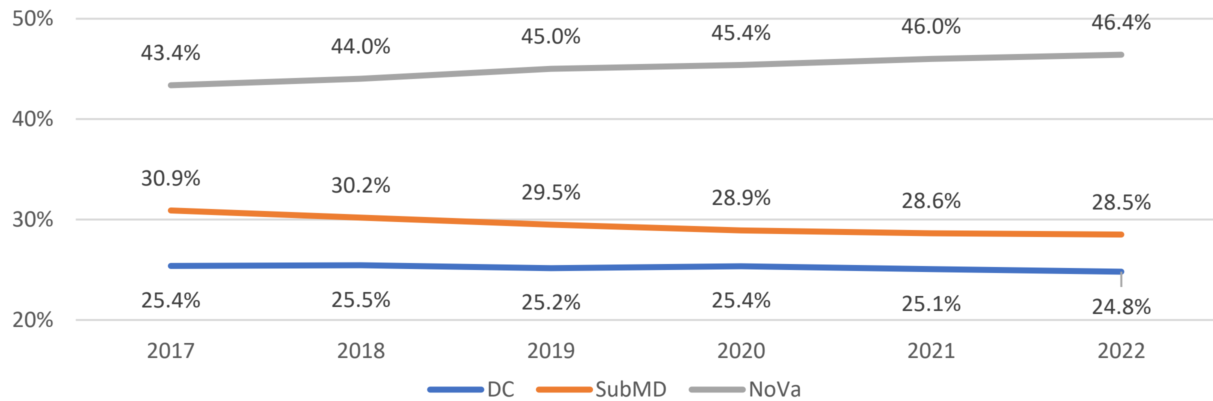
GRP Growth by Sub-State Component
Year-over-Year % Change



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

Given the divergent trends between Suburban Maryland and Northern Virginia, the shares that each sub-state component contributes to the Washington region's economy have diverged. Northern Virginia's share of the Washington Region's economy increased from 43.4% in 2017 to 46.4% in 2022. Meanwhile, Suburban Maryland's share of the Washington Region's economy declined from 30.9% in 2017 to 28.5% in 2022. The District's share declined marginally from 25.4% to 24.8% over the period.

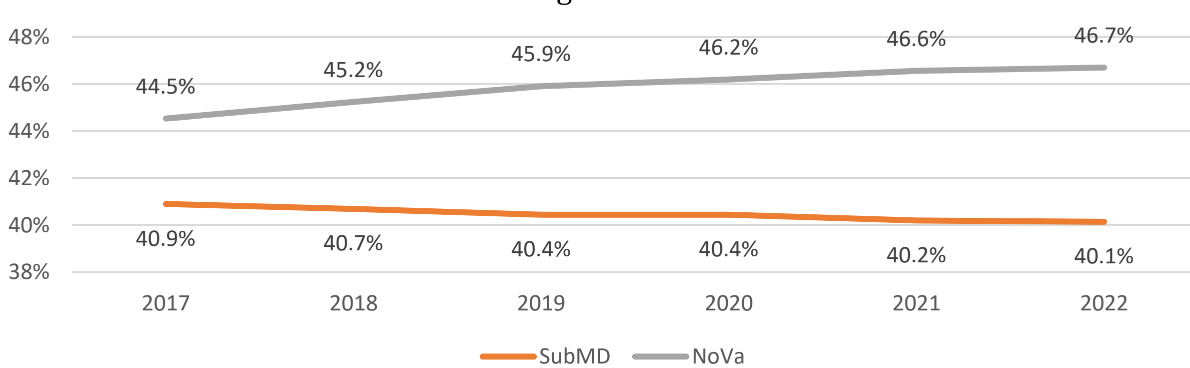
Sub-State Contributions to Regional GRP
2017-2022



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

To examine possible impacts of state level policy, substate components are compared to state level GRP. This exercise reveals that Suburban Maryland grew more slowly than Maryland as a whole, resulting in Suburban Maryland's share of Maryland's total economic output declining from 40.9% in 2017 to 40.1%. Montgomery County, the largest Maryland jurisdiction by economic output, saw its share of state level output decline from 23.4% in 2017 to 22.7% in 2022. At the broadest level, this suggests that the slow growth in Suburban Maryland is not the result of state policy. Northern Virginia's share of Virginia's total economic output increased from 44.5% in 2017 to 46.7% in 2022. Note that the District has no sub-jurisdictions and accounts for 100% for all years.

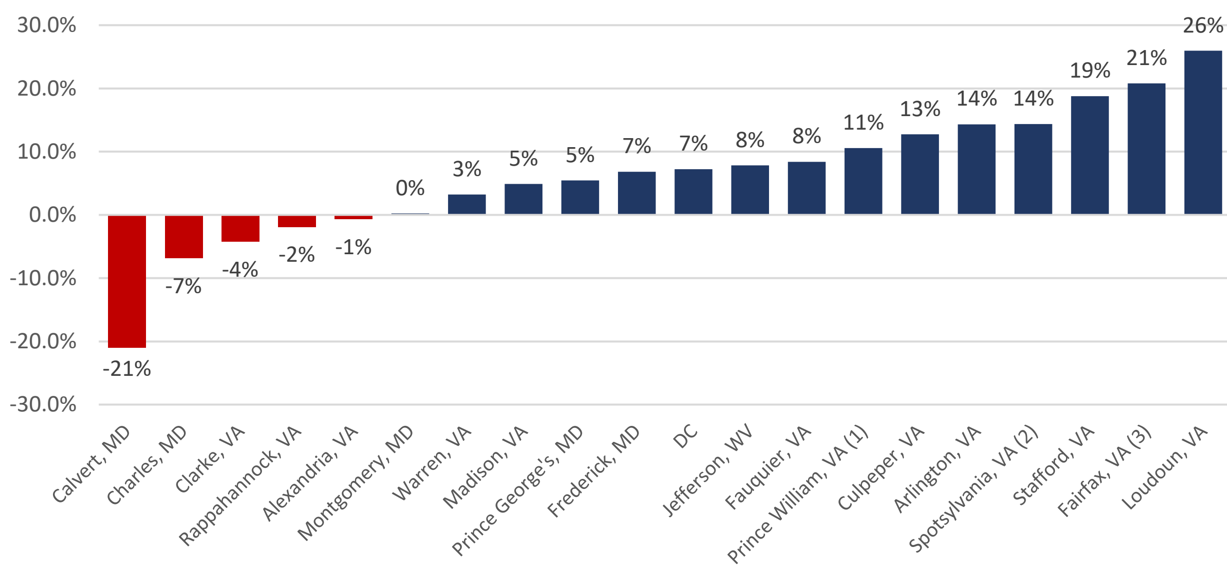
Sub-State Contributions to State Level GRP
% Change 2019 to 2022



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

Examining the performance of Washington region jurisdictions[a] reveals that no Maryland jurisdiction ranked higher than 11th in economic output growth among the 20 components from 2017 to 2022. Given that the District Ranked 10th, Virginia jurisdictions accounted for the top 9 spots from 2017 to 2022. Over this period the top three jurisdictions were Loudoun County (+25.9%), Fairfax County (+20.8%)[b], and Stafford County (+18.8%). Notably, Loudoun, Fairfax, and Stafford Counties accounted for approximately 61.1% of total output growth in the entire Washington region over the period. Further still, Fairfax County alone accounted for approximately 45.7%. The large contraction in Calvert County, MD was primarily the result of a sharp loss of construction jobs from 2017 to 2018 and a loss of Professional and Business Service sector jobs from 2020 to 2021. The decline in Charles County, MD was due to general weakness in the construction sector from 2017 through 2020. Alexandria, VA, one of the worst performing Virginia jurisdictions recorded a decline in GRP from 2018 to 2019, and again from 2019 to 2020, but grew thereafter.

GRP Growth by Jurisdiction
% Change 2017 to 2022



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars. (1) Prince William, Manassas + Manassas Park, VA*; (2) Spotsylvania + Fredericksburg, VA*; (3) Fairfax, Fairfax City + Falls Church, VA*

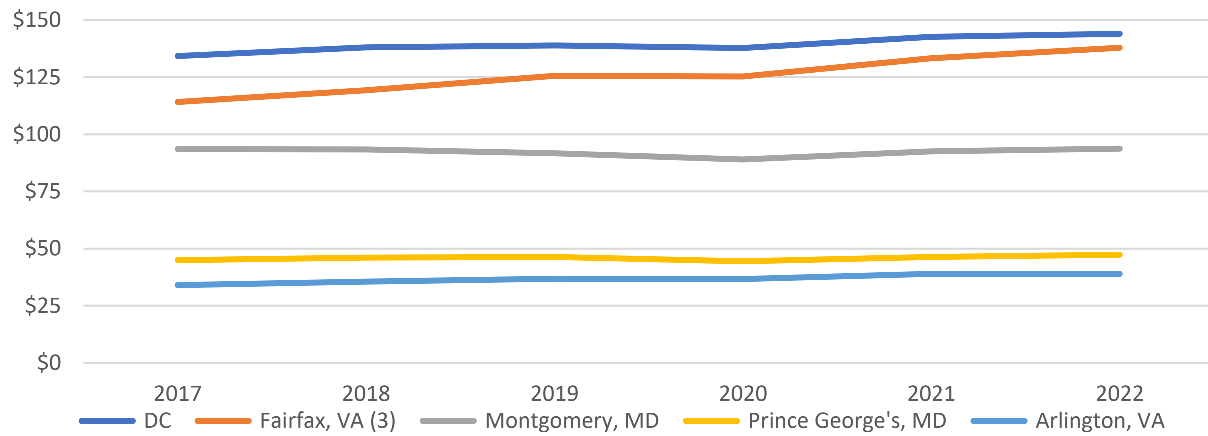
The 5 largest jurisdictions by economic output in the Washington Region are the District of Columbia; Fairfax County, VA[c]; Montgomery County, MD; Prince George's, MD; and Arlington County, VA. From 2017 through 2022, the ranking of these five jurisdictions remained unchanged. While the rankings did not change, Fairfax County is poised to overtake the District of Columbia as the jurisdiction with the largest GRP, likely in 2024. The Districts' economic output has only grown marginally over the past 5 years, while Fairfax County has

[a] The BEA combines Virginia's independent cities with the surrounding county.
[b] Fairfax County also includes Fairfax City and Falls Church.
[c] Including Fairfax City and Falls Church City.

been the only jurisdiction among the region's top 5 that has recorded meaningful growth. In fact, Montgomery County's 2022 GRP was only 0.2% greater than its 2017 GRP. In contrast, Fairfax's GRP increased 20.8% over the period.

Jurisdictions With Largest GRP in the Washington Region

GRP 2017 to 202



Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars.

Conclusion

Overall, the Washington region's post-pandemic economy has underperformed other major metro areas. The Washington region's GRP was ranked 9th among top 15 metros from 2021 to 2022 and 10th from 2017 to 2022. If the Washington region had kept pace with the top performing San Jose metro from 2017 to 2022, the Washington region's GRP would have been $139.9 billion greater in 2022. Examining GRP by sub-state and jurisdiction level reveals that Northern Virginia notably outperformed Suburban Maryland from 2017 to 2022. This difference does not appear to be driven by state level policies, as Suburban Maryland lagged the State of Maryland as a whole over this period. Remarkably, the GRP of Montgomery County, the largest county economy in Maryland, was essentially stagnant over the 5-year period from 2017 to 2022, increasing just 0.2%. In comparison, the output of Fairfax County, Va increased 20.8% over the same period. The region is underperforming relative to peers, with much of the underperformance attributable to Suburban Maryland.

About These Data

The reported data come from the U.S. Bureau of Economic Analysis (BEA). Gross Regional Product is an estimate of the total economic output, including goods and services, of a given geographic area. It is a comprehensive measure of county and metropolitan economies. The data reported are all 2017 chained 2017 dollars.