



The
STEPHEN S. FULLER INSTITUTE
for Research on the Washington Region's Economic Future



Washington Economy Watch

Forecasting into Uncertainty

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The Stephen S. Fuller Institute
for Research on the Washington Region's Economic Future
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George Mason University

The Washington Economy Watch is a monthly report issued by The Stephen S. Fuller Institute that is intended to inform its readers regarding the current and near-term performance of the Washington area's economy. The Leading and Coincident Indices were first reported in February 1991. Given changes brought from the switch to hybrid and remote work in the wake of the pandemic, both are undergoing alterations. The Coincident Index has been temporarily modified and the Leading Index has been temporarily discontinued while being revised.

Washington Economy Watch

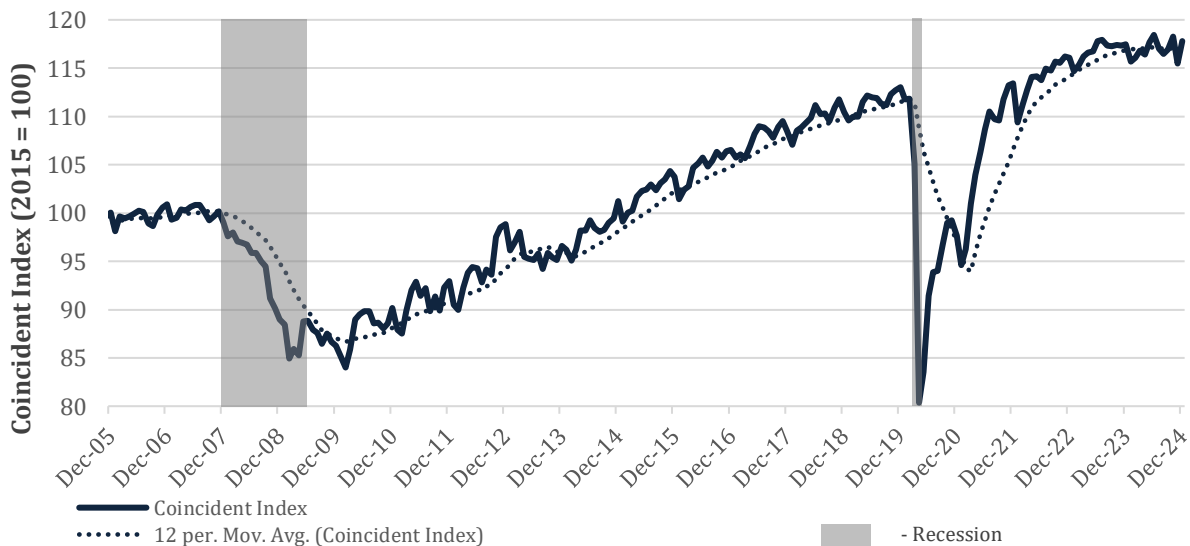
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Washington Area Economy: Forecasting into Uncertainty

The Coincident Index increased 0.3% from December 2023 to December 2024, a positive reading after a month-over-year decline of 1.6% in November.

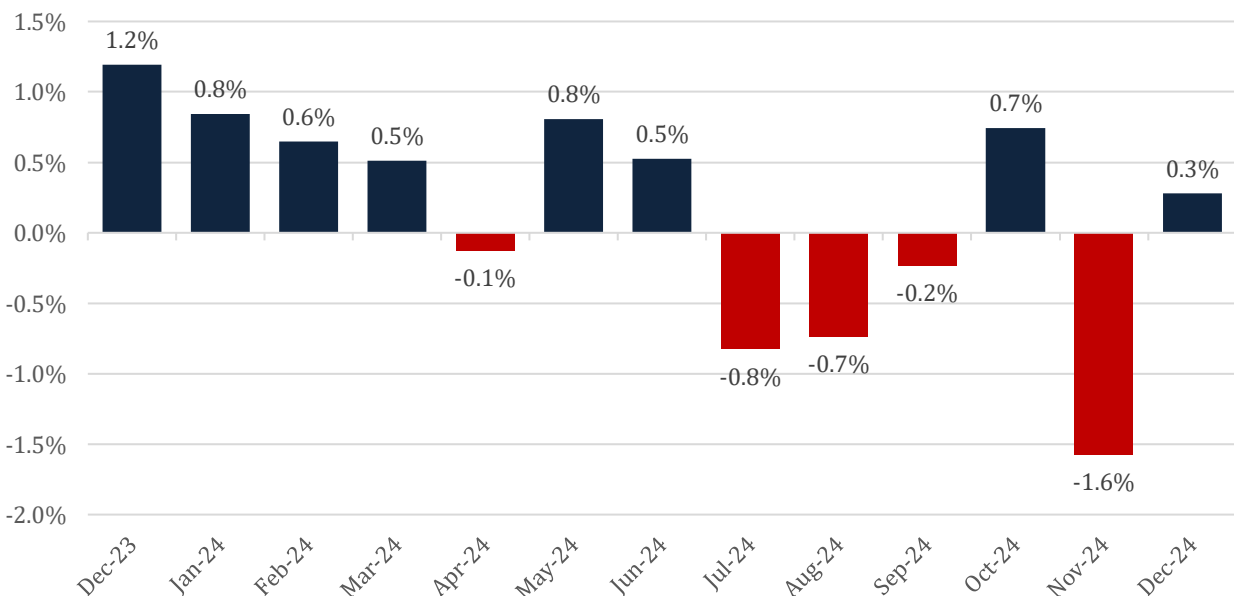
Having stabilized in the wake of the pandemic, the Washington Region's economy is again entering a period of historic uncertainty. The new federal administration has begun acting on campaign promises to reduce the size of government by offering federal workers buyouts and pausing federal grants and loans. While the spending pause was rescinded, the federal worker buyout appears to be a sincere attempt to shrink the size of the federal government. As the Washington Region's economy is heavily dependent on direct federal employment as and federal procurement, grants, and loans, these two actions go to the heart of what makes the region's economy tick. Moving into this uncertainty, The Stephen S. Fuller Institute will begin forecasting the region's economy, which will replace the now discontinued Leading Index. The initial forecast examines employment five months out and does not yet consider decisions made by the new administration. Each month, Economy Watch will revise and review prior forecasts. The initial employment forecast calls for continued moderation in employment growth, even before accounting for the likely negative impacts from the new administration.



The **Washington Coincident Index**, which represents the current state of the Washington region's economy, increased 0.3% from December 2023 to December 2024, ending 2024 on a small high note, despite nine months of choppy stagnation. In November, the Coincident Index sank 1.6%, the largest decline since the immediate aftermath of the pandemic. The December reading will be the last before the change in administration. However, many of the changes from the new administration are unlikely to appear in the Coincident Index until late spring. While there has been some modest month-over-year growth in the Coincident Index, looking back over the post-pandemic period, the Washington Region's economy effectively stalled at the outset of 2023 and has recorded two years of stagnation. This has resulted primarily from under-performance in Suburban Maryland and the District, as documented in SFI Regional Economic Notes ([Here](#)). Month-over-year changes in the Coincident Index are as follows:

- *Domestic passenger volume at Reagan National and Dulles Airports* increased 1.2% month-over-year in December, the first increase after four consecutive declines; and,
- *Wage and salary employment* in the Washington region increased 1.1% month-over-year in December, identical to the 1.1% increase in November and only modestly higher than the 0.8% and 0.9% increases recorded in September and October; while,
- *Consumer confidence (current circumstances)* decreased 11.9% from December 2023 to December 2024 following a 33.2% month-over-year decline in November and continuing the longer-term trend of deteriorating consumer confidence, briefly interrupted by a 1.8% increase in October.

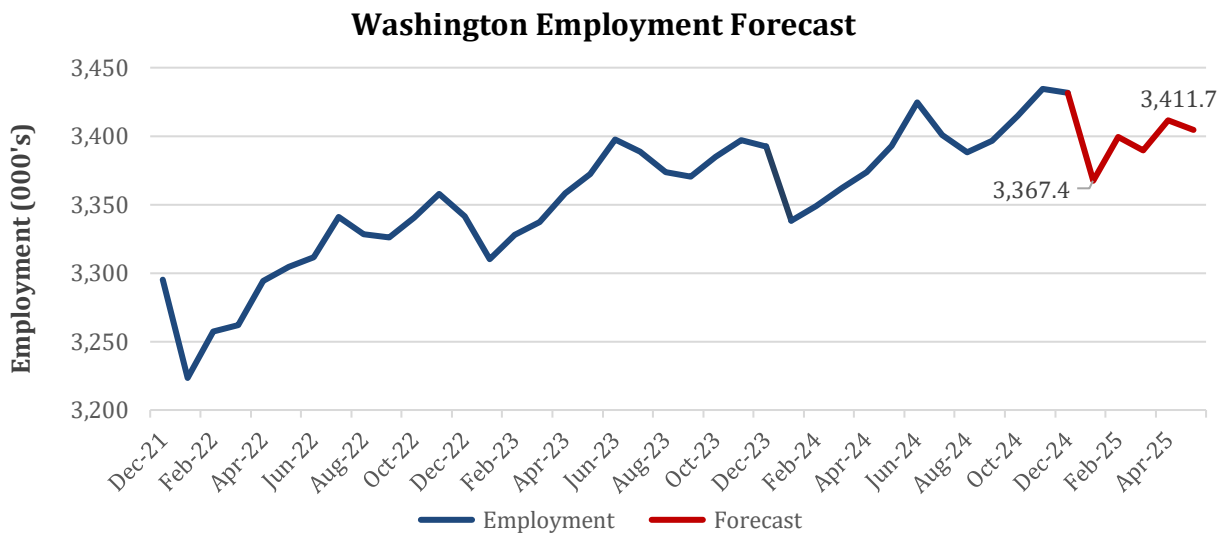
Washington Coincident Index, Month-Over-Year



Washington Employment Forecast

The SFI Washington employment forecast predicts employment five months out. The SFI Washington employment forecast considers a myriad of data, including employment by sector (construction, leisure and hospitality, professional services, federal government, etc.), the region’s labor force, the number of unemployed, multi-family inventory, housing sales, local housing permitting, and federal procurement obligations. The employment forecast will be modified to improve accuracy, and additional forecasts may be included in future editions. Notably, these forecasts have not considered any policy changes from the new administration. As the impacts of changes in federal policy become clearer, we will incorporate them accordingly.

Overall, employment in the Washington region is forecast to continue to slow for the next five months. After the typical seasonal decline in employment in January to 3.367 million payroll jobs, employment will climb again, with the 5-month forecast peaking at 3.411 million in April 2025 before declining modestly to 3.406 million in May.



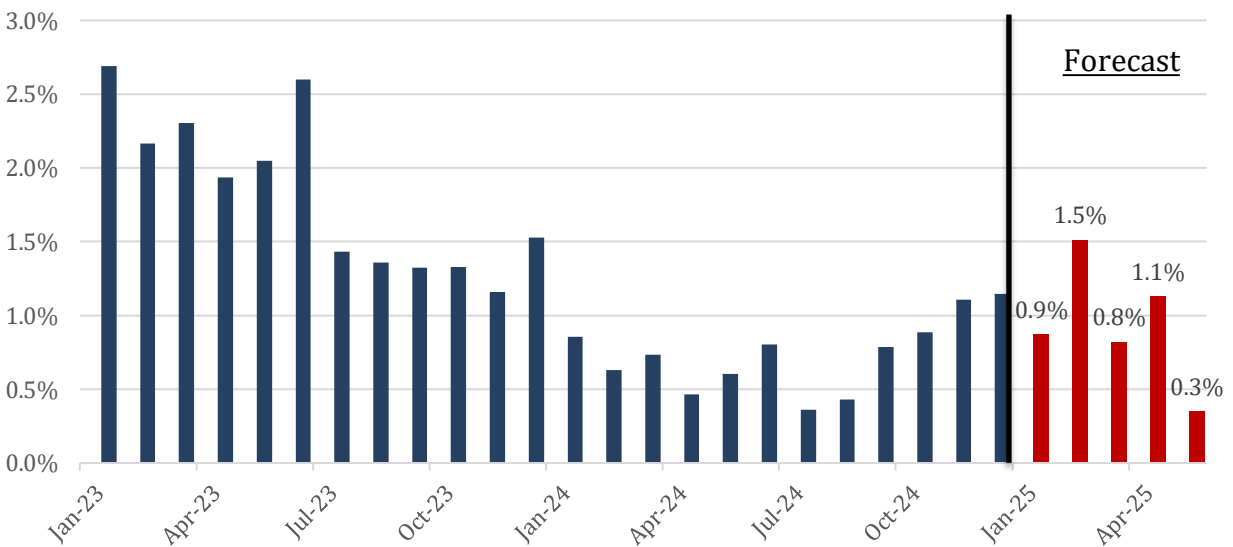
As is always the case, the confidence intervals around the employment forecasts generally increase with time. In future editions, forecasts falling outside of the confidence intervals below will be reviewed.

Washington Employment Forecasts with Confidence Intervals

	Forecast	Lower Confidence Interval	Upper Confidence Interval
1/1/2025	3,367.4	3,347.4	3,387.5
2/1/2025	3,399.4	3,378.3	3,420.5
3/1/2025	3,389.4	3,351.9	3,427.0
4/1/2025	3,411.7	3,388.5	3,435.0
5/1/2025	3,404.6	3,381.0	3,428.2

On a month-over-year basis, employment growth in the Washington Region is expected to continue to be positive through Spring 2025. However, growth will continue a 2-year slowing, and by May, employment growth is forecast to be only marginally positive, increasing just 0.3% from May 2024 to May 2025. The moderating employment growth is particularly worrying as these forecasts do not account for any declines in federal employment resulting from the new administration’s focus on reducing the size of the federal government by offering buyout packages to federal employees, even if the impacts are not visible in employment levels until this fall. Nonetheless, federal employment declines are a substantial downside risk to the already modest growth forecast.

Washington Employment Forecast, Month-Over-Year



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