



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



Washington Economy Watch

NoVa Construction to the Rescue?

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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, the Coincident Index has been temporarily modified, and the Leading Index has been replaced with an econometric jobs forecast.

Washington Economy Watch

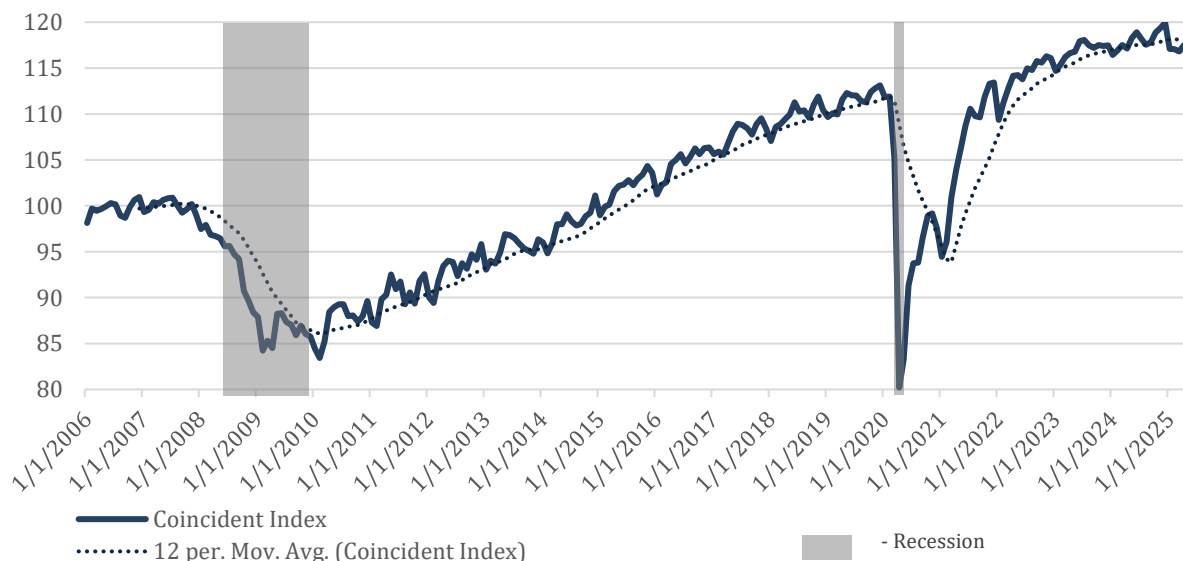
NoVa Construction to the Rescue?

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Washington Area Economy: NoVa Construction to the Rescue?

The Coincident Index increased 0.3% from April 2024 to April 2025, a sharp reversal from the March reading.

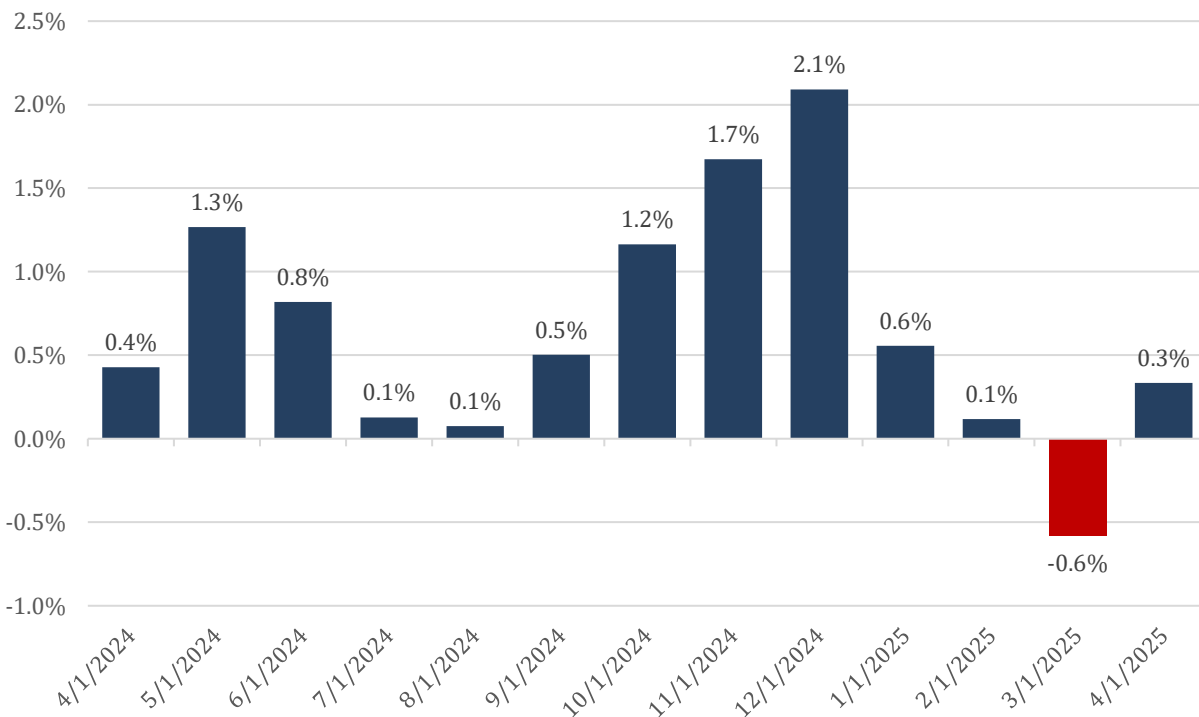
The Coincident Index recorded a sharp reversal from March to April, attributable to a reversal in consumer confidence coinciding with a reversal in tariff policy. The SFI employment forecast this month is less negative, indicating employment may remain marginally positive through the summer. The shift is the result of several underlying trends, but most notably from substantial construction employment gains in Northern Virginia (NoVa). The construction employment gains are the largest in nearly two decades and may be enough to offset continued overall employment decline stemming from losses in direct federal employment and the professional scientific and technical subsector. While the average employment forecast remains positive, employment reported by the BLS has come in below the SFI estimate for the last two months, suggesting that another surprise on employment is likely. Given how marginally positive the employment forecast is, even a small downside surprise can push employment change negative on a month-over-year basis.



The **Washington Coincident Index**, which represents the current state of the Washington region's economy, increased 0.3% from April 2024 to April 2025. The modest increase comes in the wake of a substantial decline, with the reversal driven by more modest domestic air travel decreases and a sharp reversal in consumer confidence, which likely reflects the change in course over tariff levels. Given the continued uncertainty associated with the policy changes at the federal level, volatility may continue through the next few months at a minimum. However, the Coincident Index has been steadily slowing for several months, a trend that is anticipated to continue. Finally, while the Coincident Index remained marginally positive in April, the broader view is that the Washington region's economy has been lackluster for over a year.

- *Wage and salary employment* in the Washington region increased 0.8% month-over-year in April, which was highly consistent with the increases of 0.8% in January, 0.7% in February, and 0.8% in March; and,
- *Consumer confidence (current circumstances)* increased 0.3% from April 2024 to April 2025, a sharp reversal from the revised decrease of 9.5% from March 2024 to March 2025, likely reflecting the reversal of the most severe tariff levels; while,
- *Domestic passenger volume at Reagan National and Dulles Airports* decreased 5.2% month-over-year in April, the third negative reading.

Washington Coincident Index, Month-Over-Year



Washington Employment Forecast

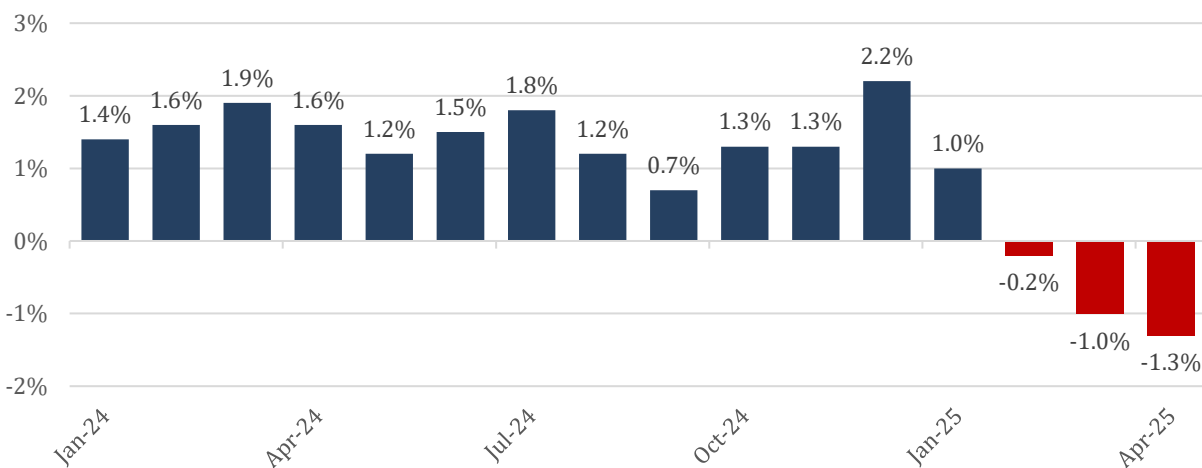
The SFI Washington employment forecast predicts regional employment levels six months out after examining notable trends underlying the forecast. Last month's edition of the SFI Washington employment forecast called for an April employment reading of 3,405,000. The preliminary number from the BLS pegged the region's employment level in April at 3,393,700. While this preliminary employment level was 0.3% below the forecast, it is still well within the confidence intervals, which ranged from 3,382,000 to 3,427,000. Nevertheless, this is the second consecutive month that the preliminary employment number from the BLS came below the estimate, suggesting that the region's economy continues to deteriorate more rapidly than the SFI Model suggested.

Notable Trends

Several trends underlying the forecast are noteworthy. First, the rapid deterioration of federal employment, and Professional, Scientific, and Technical employment are so critical that they are worthy of continued attention. Unexpectedly, construction employment has begun to increase at a pace rapidly enough to potentially offset employment losses elsewhere and keep total employment in the region positive on a month-over-year basis.

Consistent with the national reading earlier this month, direct federal employment in the Washington region has continued to decline. Federal employment in the Washington Region decreased by 5,000 from 374,300 in April 2024 to 369,300 in April 2025, a 1.5% decline. While the month-over-year percent decline was 0.3 percentage points larger in April than in March, the rate of change slowed compared with the change from February to March. Despite this slowing, a large number of federal employees are set to come off payrolls on September 30th, which is the most significant known unknown in the coming months.

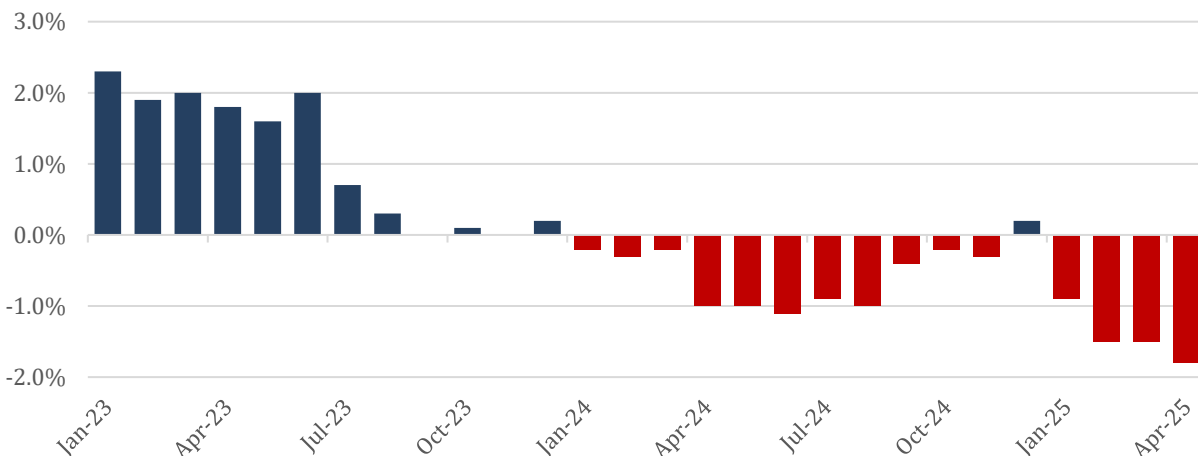
**Federal Employment in Washington Region
Month-Over-Year % Change**



Source: BLS, Stephen S. Fuller Institute

Employment in the Professional, Scientific, and Technical Services (PST) sub-sector, which largely captures Federal contractors, is the second most concerning trend for the region's economy. After peaking at 568,700 in July 2023, employment in the PST subsector has been steadily contracting. While the declines turned marginally positive in December 2024, employment declines resumed following the change in administration, decreasing 0.9% month-over-year in January, 1.5% in February, and 1.5% in March, before accelerating slightly to 1.8% in April. Employment in the PST subsector stood at 547,700 in April, a decline of 13,300 jobs since December 2024 (-2.4%). Declines are set to continue, given a string of recent news and WARN notices. For example, Booz Allen Hamilton announced it is laying off approximately 2,500 workers, or 7% of its workforce. In the longer term, the picture is set to be more nuanced as the Skinny Budget released by the White House included a 13% increase in DoD spending and 65% increase in Homeland Security spending. Given the Northern Virginia's focus on defense contracting (see [SFI Report](#)), such spending increases would benefit Northern Virginia.

Professional, Scientific, and Technical Employment in Washington Region Month-Over-Year % Change



Source: BLS, GMU Stephen S. Fuller Institute

While numerous trends suggest that the region's economy is slowing, there is reason for optimism. Construction employment increased by 10,500 month-over-year from 163,300 in April 2024 to 173,800 in April 2025, a 6.4% increase. The increase more than offset the month-over-year loss of 10,100 recorded in the PST subsector over the same period. Remarkably, the 10,500 increase is the largest month-over-year increase in construction employment in nearly 20 years. The last time there was a larger increase was March 2006, in the midst of the housing market boom. Despite the remarkable increase, construction employment in the region stands at 173,800, far below the July 2006 peak of 195,600. This gap suggests that there may be room for continued employment gains in the sector. This increase will be watch closely next month after the preliminary number is revised.

Construction Employment in Washington Region Month-Over-Year Change (Thousands of Jobs)



Source: BLS, GMU Stephen S. Fuller Institute

While the construction employment boom may keep employment in the region from turning negative, an important caveat is that this boom is mainly occurring in Northern Virginia. From April 2024 to April 2025, Northern Virginia added 7,700 construction jobs, compared to a *decrease* of 1,000 in the Maryland counties of Montgomery and Frederick. Accordingly, Northern Virginia's share of the region's construction jobs increased from 51.2% in January 2025 to 53.1% in April 2025. Looking further back, Northern Virginia has increased its share of construction employment from 46.6% in February 2016.

Northern Virginia's Share of Construction Employment in Washington Region



Source: BLS, GMU Stephen S. Fuller Institute

Employment Forecast

While concerns of federal employment losses and PST employment declines remain, bright spots such as construction may do just enough to keep month-over-year employment positive in the near term. However, as noted earlier, employment readings have come in slightly lower than the forecast in the past several months, even if they remain well within the confidence intervals. Given that the average forecast has been too optimistic, there remains more downside risk to the base forecast of 3,402 in May, and that the preliminary BLS reading is more likely to come in lower than the base case than above the base case.

SFI Washington Employment Forecasts with Confidence Intervals

Forecast Month	Forecast (000's)	Lower Confidence Interval	Upper Confidence Interval	Prior Month Forecast
May-25	3,402	3,378	3,426	3,388
Jun-25	3,430	3,407	3,453	3,405
Jul-25	3,427	3,403	3,451	3,398
Aug-25	3,408	3,383	3,433	3,381
Sep-25	3,409	3,383	3,435	3,381
Oct-25	3,431	3,403	3,460	-

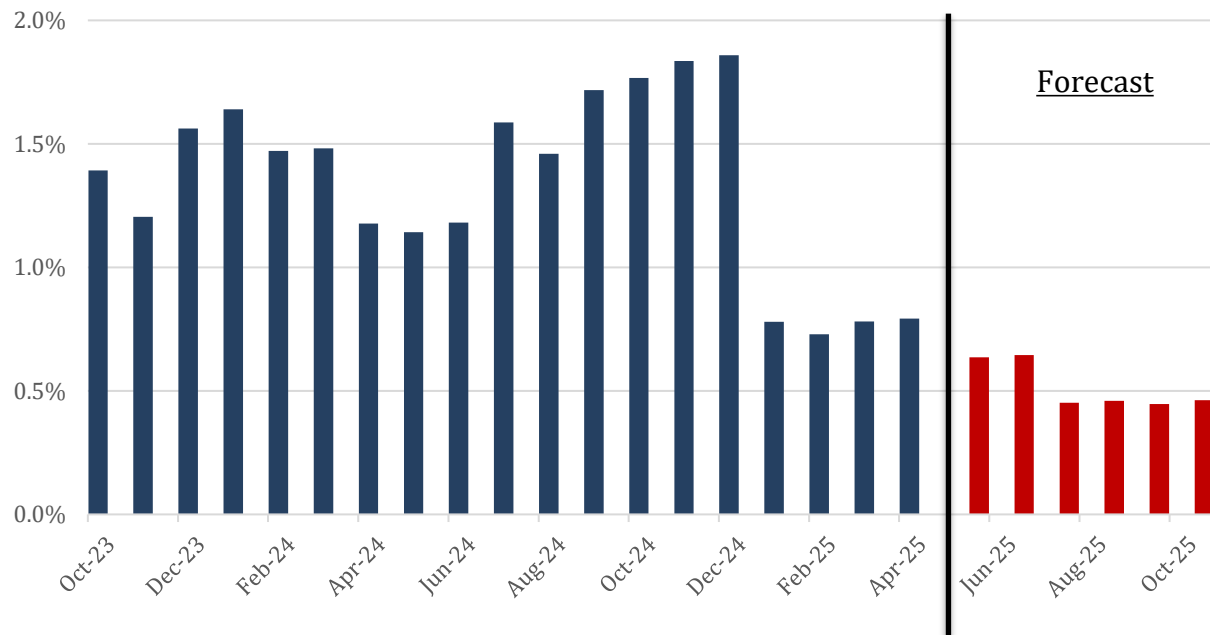
SFI Washington Employment Forecast



Source: BLS, Stephen S. Fuller Institute

On a month-over-year basis, the SFI forecast has employment increasing 0.6% in May and June before slowing to 0.5% in June and July and hovering around 0.45% in August and September. While the forecast for October currently calls for an increase of 0.5%, October data will be the first to incorporate the significant reductions in federal workers and will undoubtedly be substantially lower than the current forecast. The October forecast will be adjusted in the coming months as more information becomes available.

SFI Washington Employment Forecast, Month-Over-Year



Source: BLS, GMU Stephen S. Fuller Institute

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