



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



Washington Economy Watch

Increased Uncertainty Despite Reported Strength

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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

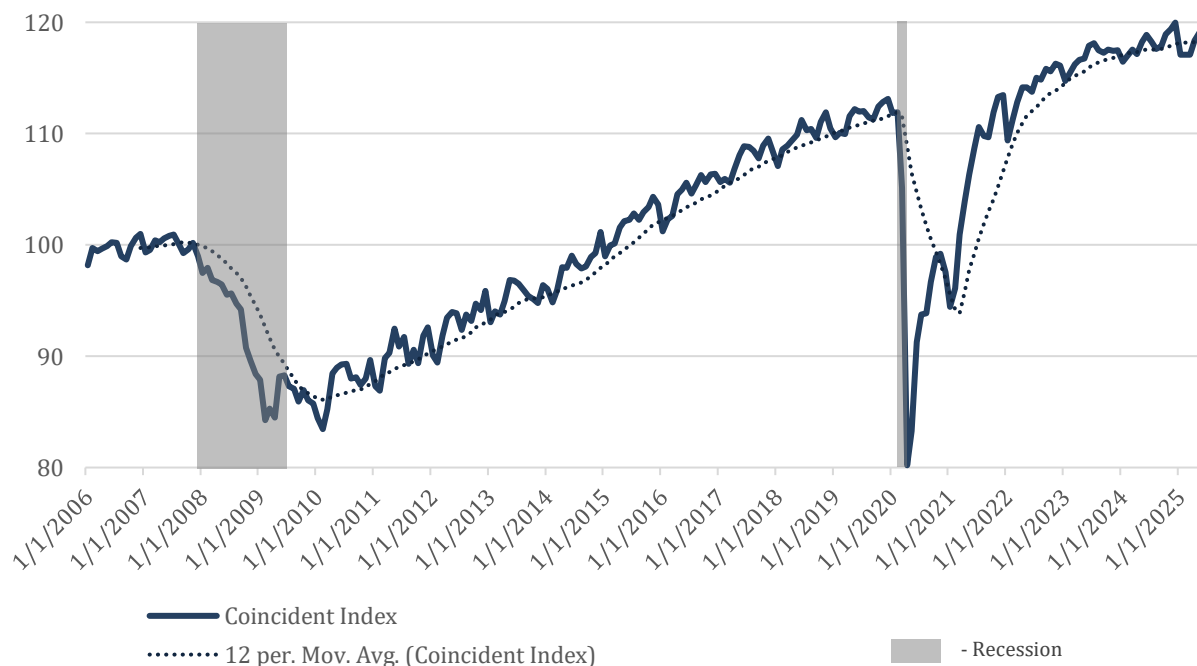
Uncertainty Despite Strength

July 2025

Washington Area Economy: Increased Uncertainty Despite Reported Strength

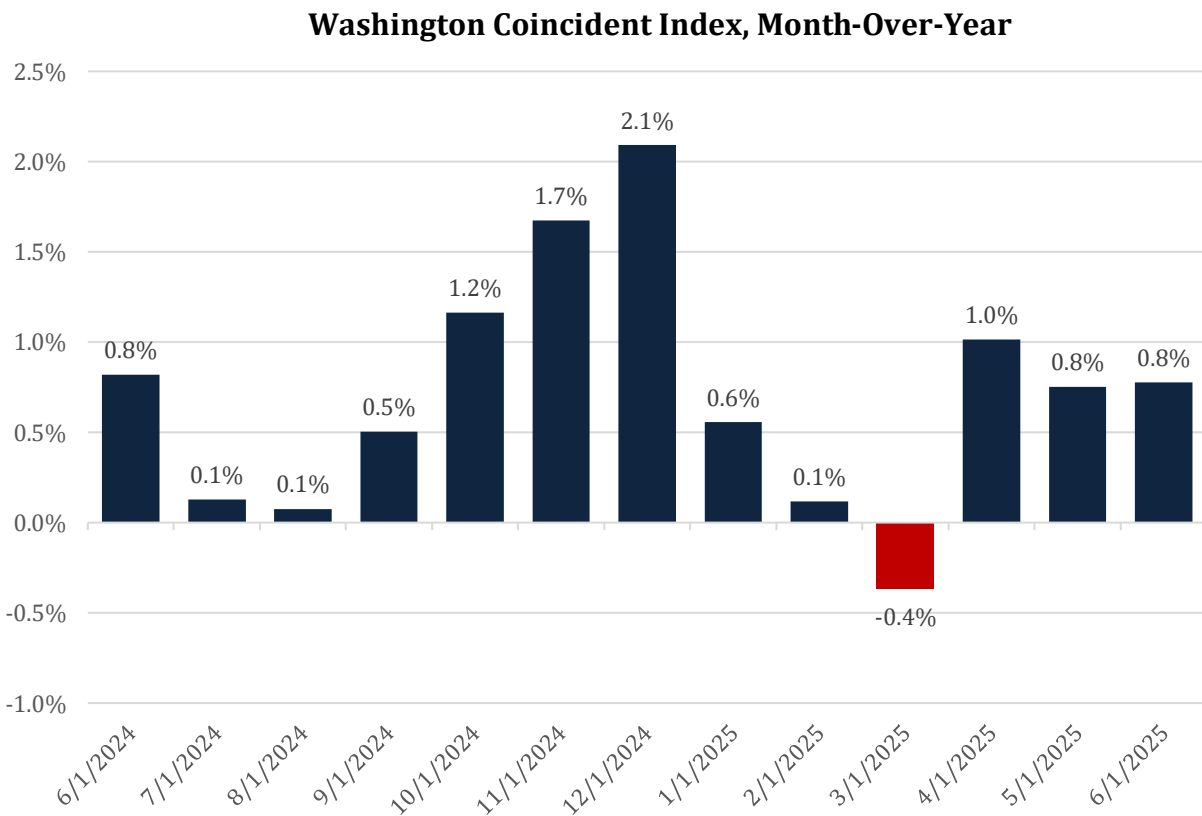
The Coincident Index increased 0.8% from June 2024 to June 2025, a strong reading given the magnitude of economic headwinds and likely employment revisions.

While the Coincident index increased again in June, recent revisions to national non-farm payroll data suggest that regional payroll jobs will be revised down at the end of the month. The June reading may be the last positive month-over-year job change even before federal workers are removed from payroll on September 30th. Given uncertainty stemming from the number of federal workers leaving payroll after September, news around shifting jobs out of the DC region, and BLS revisions, the employment forecast will be suspended until November. Notable trends, however, will continue to be discussed. The two trends discussed in this edition are accelerating federal employment losses and endemic economic weakness in the Suburban Maryland Counties of Montgomery and Frederick.



The **Washington Coincident Index**, which represents the current state of the Washington region's economy, increased 0.8% from June 2024 to June 2025. While wage and salary employment grew month-over-year in June, national revisions suggest that the June reading is likely to be notably revised downward in late August. Despite the continued positive readings and likely revisions, and annual job growth of 0.3% month-over-year was within the margin of error of the May employment forecast. The base case is that the Coincident Index will moderate further and likely turn negative in the coming months. Examining components:

- *Domestic passenger volume at Reagan National and Dulles Airports* increased 4.2% month-over-year in June, the third consecutive positive reading; and,
- *Consumer confidence (current circumstances)* increased 3.5% from June 2024 to June 2025, a reversal from a negative reading in May and the sixth month of changing between positive and negative readings; and,
- *Wage and salary employment* in the Washington region increased 0.3% month-over-year in June, marking a slowdown from increases of 0.7% and 0.9% for first five months of 2025.



Washington Employment Forecast

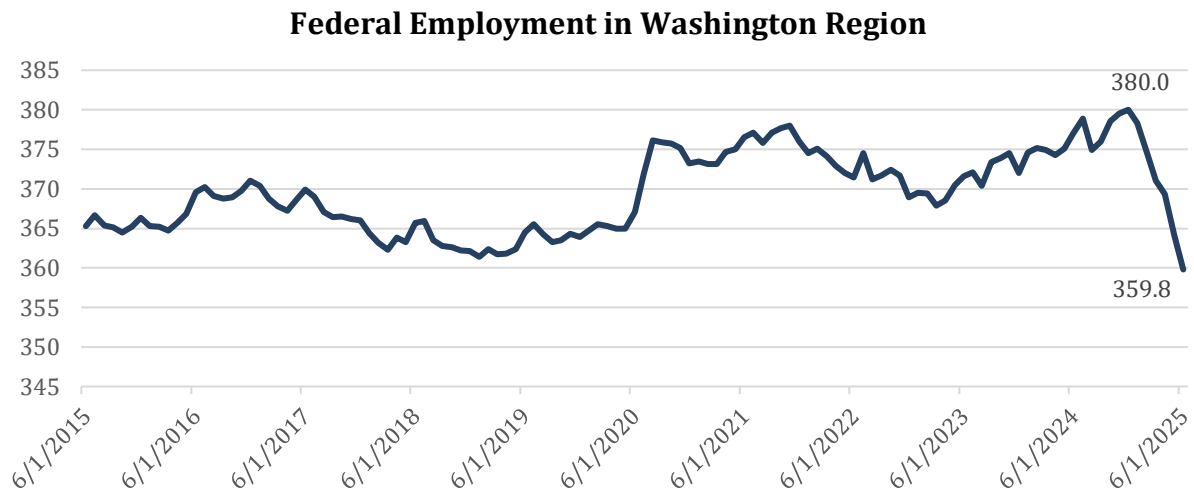
Each month, the SFI Washington employment forecast predicts regional employment levels six months out after examining notable trends underlying the forecast. Given the level of uncertainty around federal employees leaving payroll that will appear in October data released in November, news around relocating federal workers out of the DC area ([WBJ – USDA](#)), and recent BLS revisions, the employment forecast will be suspended until the November edition of Economy Watch.

Despite the temporary pause of forecasting, the May edition of the SFI Washington employment forecast for June called for a jobs reading of 3,430,000, with confidence intervals ranging from 3,407,000 to 3,453,000. The preliminary June jobs number of 3,418,000 is well-within the confidence intervals and only 0.3% below the estimated number of jobs two months out, as the June edition of Economy Watch was not released. Despite the general forecast accuracy, the reported number was again below the forecast estimate, consistent with the SFI employment forecasts consistently overestimating jobs for the first half of the year. Furthermore, national revisions highly suggest that the revised number of jobs reported for the Washington region being lower than preliminary estimates. Given that month-over-year employment growth was a very tepid 0.3% in Preliminary June estimates, notable downward revisions increase the chances of a negative month-over-year job change in July.

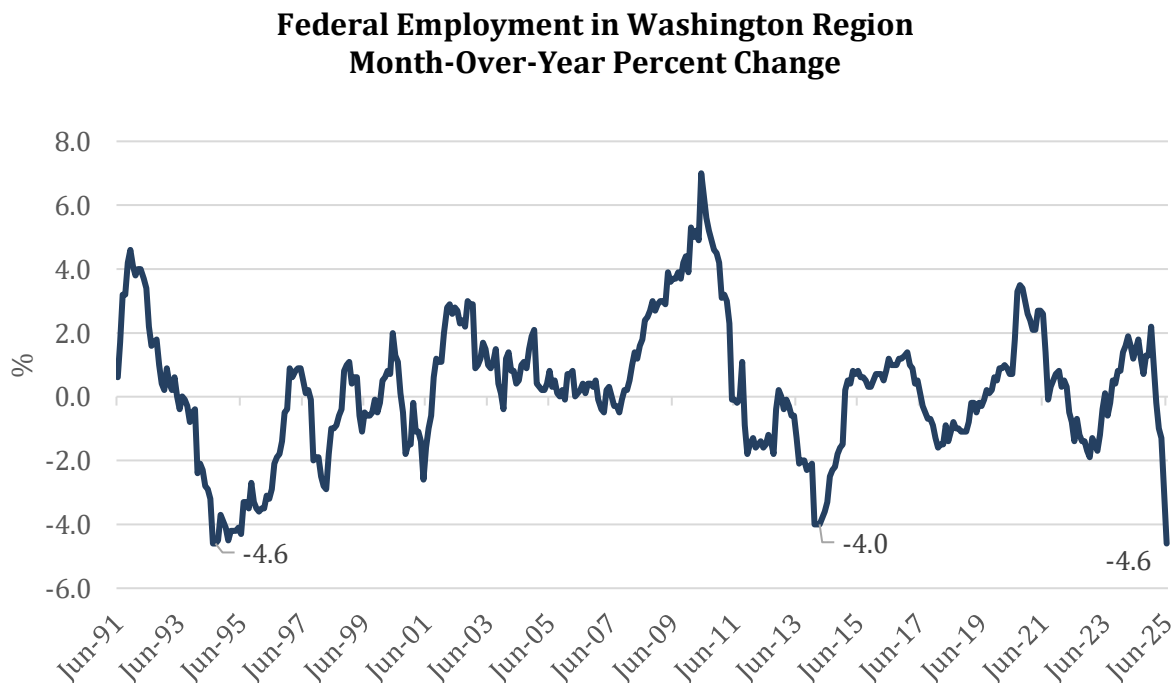
Notable Trends

While the employment forecast has been suspended until November, two notable trends will be discussed – continued employment losses in the federal sector, and substantial economic weakness in the Suburban Maryland counties of Montgomery and Frederick.

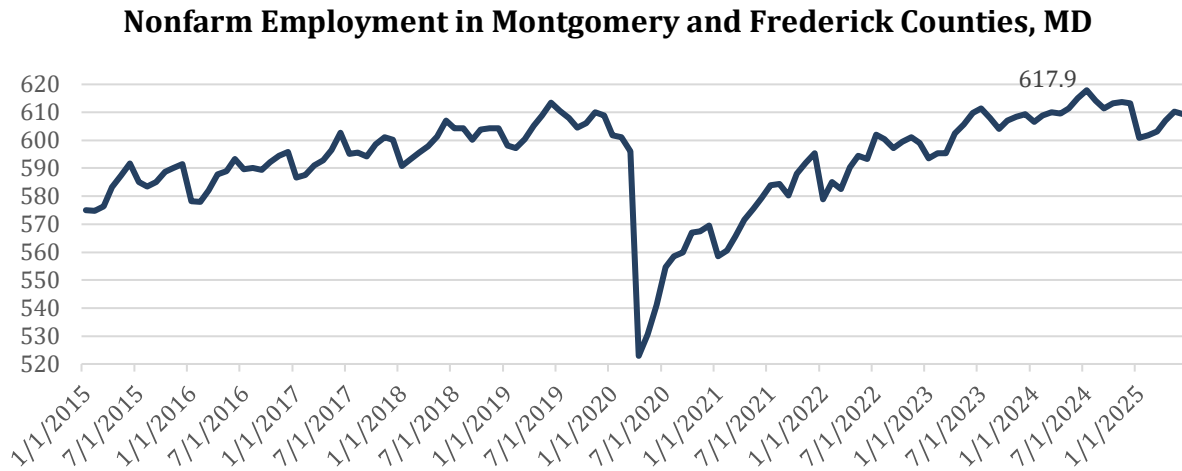
In the wake of the pandemic, federal employment in the Washington region was generally increasing. Increases began in the summer of 2020 with the typical increase in federal employment associated with the decennial census as well as additional hiring for pandemic related activities. Employment levels began to slowly decline in January 2022 through spring 2023 before increasing to 380,000 in December, 2024. With the change in administration, federal employment in the Washington Region immediately began to decline, sinking sharply to 359,800 in June 2025. This is the lowest level of federal employment in the Washington Region since May 2009, the last time that federal employment in the region was below 360,000.



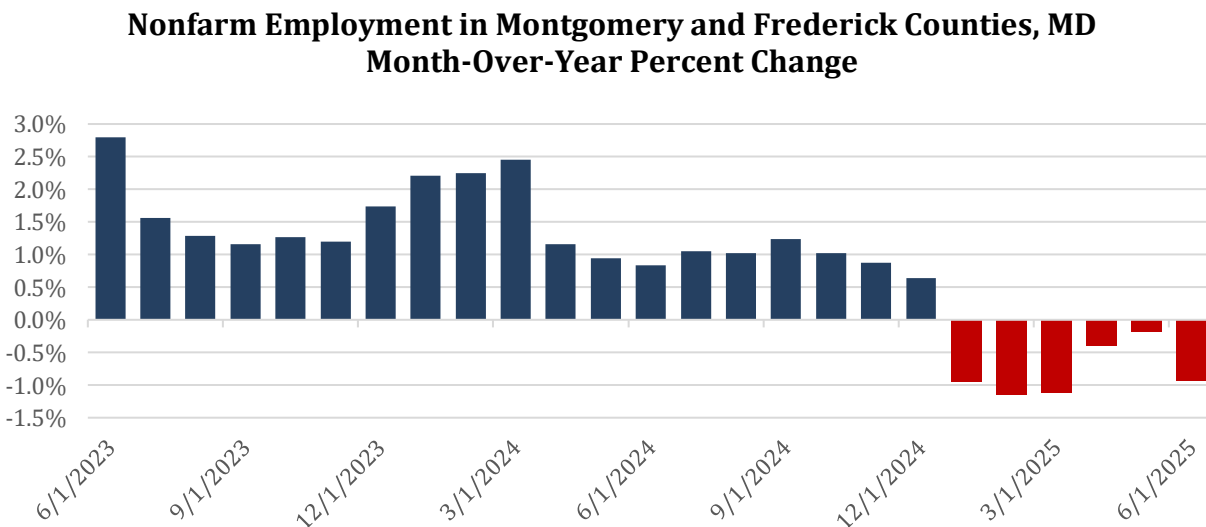
From June 2024 to June 2025, federal employment in the Washington region declined 4.6%. Looking back as far as data are available reveals that the month-over-year decline in June 2025 was the largest percent decline since July and August 1994, and tied for largest percent decline on record. Unfortunately, the July jobs report is likely to show a similar decline as national employment levels released this week reveal continued federal job reductions. Even more grim for the region is that the federal employment declines are occurring prior to September 30th, the last date that many federal workers who took the “Fork in the Road” will be on payroll. It is unclear how large employment losses in October will be.



The second notable trend is endemic weakness in the Suburban Maryland counties of Montgomery and Frederick. Total nonfarm payroll employment in Montgomery and Frederick rebounded more slowly than the region overall through 2024. Employment in Montgomery and Frederick reached a post-pandemic peak of 617,900 in July 2024 and employment has been declining since. Jobs in these counties declined from 613,300 in December 2024 to 600,800 in January 2025, a month-over-month decline of 2.0%. Despite usual seasonal hiring, the number of jobs has not recovered even to the December 2024 level and is undoubtedly set to record further declines.

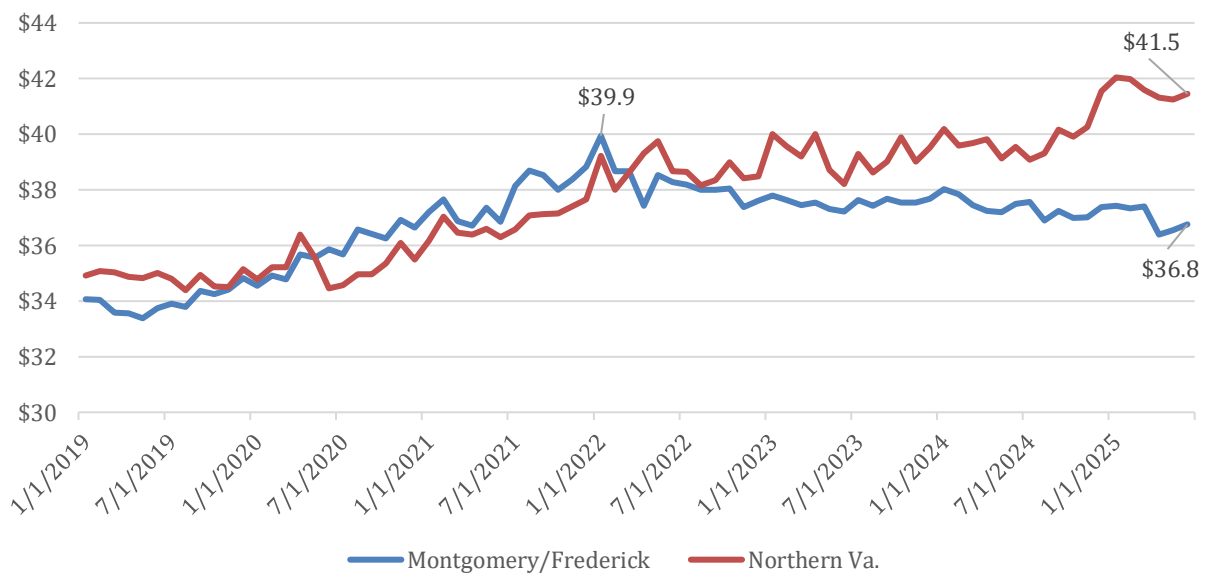


In month-over-year terms, the number of jobs in Montgomery and Frederick counties turned negative January 2025 and the losses have continued for six consecutive months. Initial decreases were around 1.0% before moderating to -0.4% and -0.2% in April and May before losses reaccelerated to -0.9% in June. Given the reliance of these counties on federal employment and federal funding for private sector jobs ([here](#)), job losses appear set to continue and likely accelerate.



The economic weakness in Montgomery and Frederick counties is also not isolated to the number of jobs. Average hourly earnings, which had been increasing prior to the pandemic, peaked at \$39.9/hour in January 2022 and have been decreasing since. In June 2025, the average hourly earnings of all employees were \$36.8, a 7.7% decrease from January 2022. In contrast, average hourly wages in Northern Virginia continued to rise over the same. In June 2025, the average hourly wage of all employees in Northern Virginia was \$41.5, 12.8% higher than in Montgomery and Frederick County. While these only include private sector employment, reduction in federal funding is likely to result in further wage deterioration in the Maryland Suburbs for the foreseeable future.

Average Hourly Earnings in Montgomery and Frederick Counties, MD Private Sector Employment



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