Washington Economy Watch

Regional Job Losses Begin

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The Stephen S. Fuller Institute
for Research on the Washington Region's Economic Future
Center for Regional Analysis
Schar School of Policy and Government
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.

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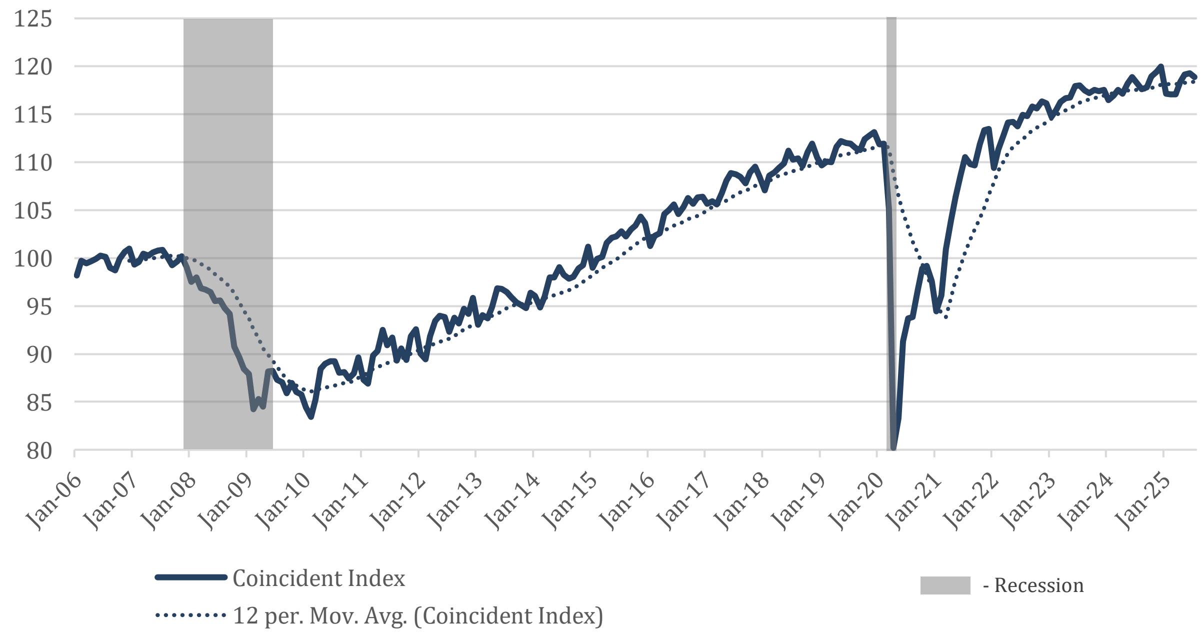
Regional Job Losses Begin — August 2025

Washington Area Economy:
Regional Job Losses Begin

While the Coincident Index increased 0.6% from July 2024 to July 2025, it will likely be revised downward due to nonfarm payrolls revisions.

Despite the modest increase in the Coincident index, month-over-year job losses suggest that the region has likely entered a period of contraction. This is anticipated to pull the Coincident Index negative in the coming months. The first notable trend discussed is employment by private and public sectors. Although federal employment losses are the largest in percentage terms, state-level employment increases have ground to a halt, and employment in county government, as well as the private sector, has been slowing for nearly three years. This suggests that federal workers may find limited opportunities outside of the federal government in the Washington Region. The second trend examined is housing price growth, and subsequently active inventory of for sale homes. Throughout the year, price growth has moderated and inventory increased.

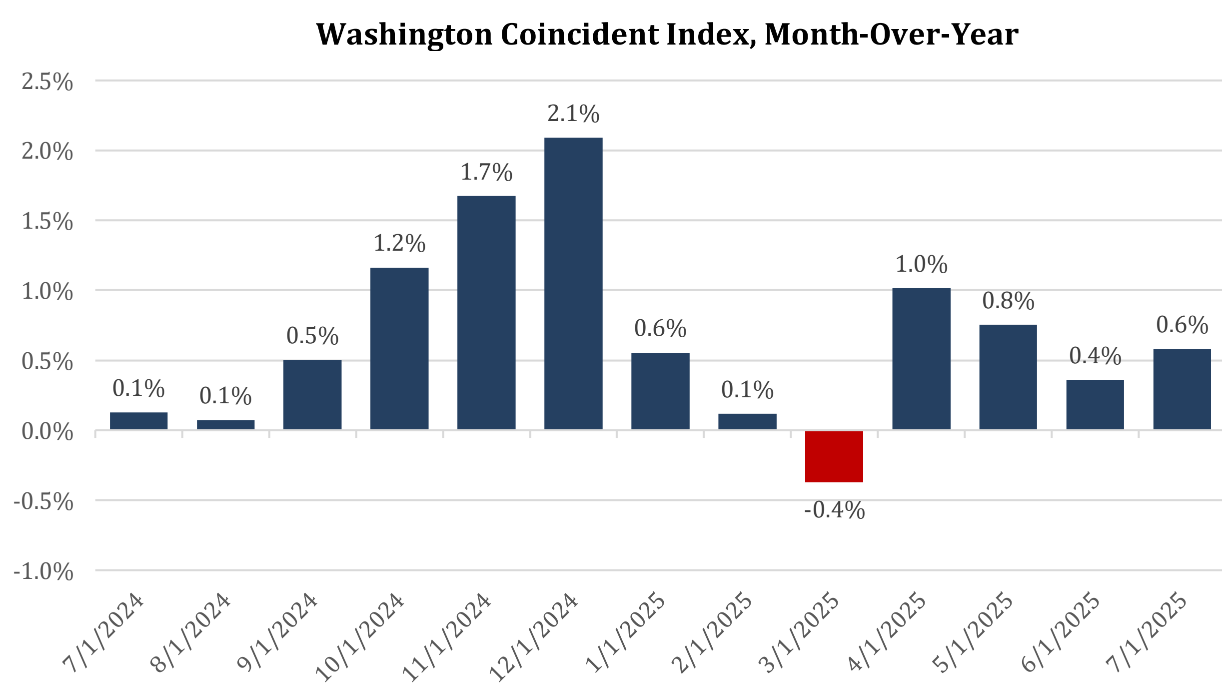


The **Washington Coincident Index**, which represents the current state of the Washington Region's economy, increased 0.6% from July 2024 to July 2025, up from the Month-Over-Year revised reading of 0.4% in June. As a note, the June reading was revised down from 0.8% to 0.4%, largely resulting from nonfarm payroll employment revisions. The 0.4% increase in July will likely be subjected to similar revisions next month, resulting in the Coincident Index remaining effectively flat from July 2024 to July 2025. Furthermore, as Consumer Confidence has been volatile all year, reflecting shifting federal policies, another reversal will likely push the Coincident Index negative in August. Examining components:

- *Domestic passenger volume at Reagan National and Dulles Airports* increased 5.7% month-over-year in July, the fourth consecutive positive reading and the largest increase since December 2024; and,

- *Consumer confidence (current circumstances)*[1] increased 5.0% from July 2024 to July 2025, a notable positive reading after a downward revision to the June reading that resulted in the June confidence being negative month-over-year; while,

- *Wage and salary employment* in the Washington region declined 0.2% month-over-year in June, marking the first decline since the immediate aftermath of the pandemic. Employment losses will likely continue for foreseeable future.



[1] Consumer Confidence reflects the South Atlantic region. Due to substantially difference economic conditions than when the C.I. was introduced in 1991 as well as newly available datasets, this component will be removed from the Coincident Index in 2026.

Washington Employment Forecast

Each month, the SFI Washington employment forecast projects regional employment levels six months ahead, based on underlying labor market trends. As noted last month, the forecast has been suspended until November due to uncertainty surrounding the number of federal employees who will be removed from payrolls after September. The first official measure of these reductions will appear in the October data, released in the November payroll report.

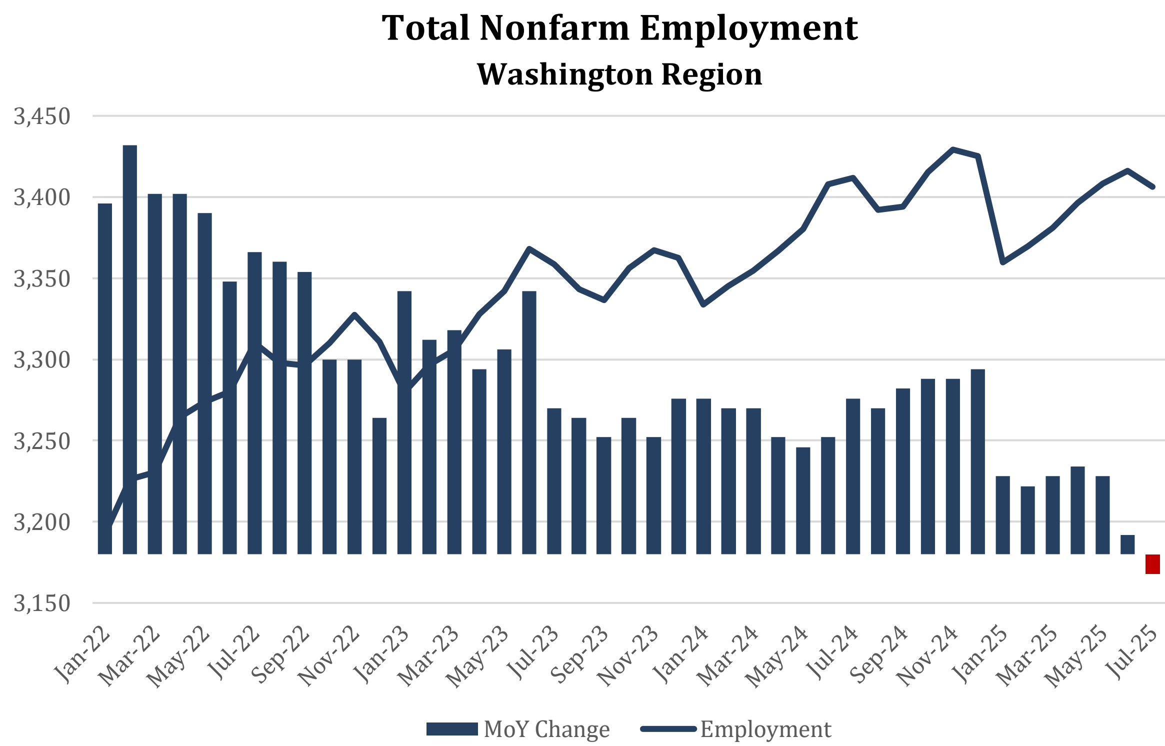
Despite having paused the forecast, it remains worthwhile to examine how well prior forecasts performed. In July 2025, the Bureau of Labor Statistics (BLS) reported that there were 3,406,200 jobs in the Washington Region, a decline of 0.2% from July 2024. This reading was within the confidence interval from the May forecast, which predicted a range of 3,403,000 to 3,451,000. While the reported July employment reading was at the lower end of the forecast range, the May forecast noted that this was likely, stating *"there remains more downside risk to the base forecast…. the preliminary BLS reading is more likely to come in lower than the base case than above the base case."* The May forecast acknowledged that BLS employment had consistently been below the forecasts base case for several months, suggesting that the model was modestly too optimistic. The overoptimistic forecasts may be at least partially explained by the extensive revisions from the BLS.

Looking back at the April forecast reveals an even closer prediction. The April edition of Economy Watch forecast 3,405,000 jobs in July, a difference of just 2,400 jobs. The April edition forecast that employment would decline 0.4% from July 2024 to July 2025, which narrowly missed the preliminary BLS number released this month showing a decline of 0.2%. Assuming the April forecast was more accurate than the May forecast implies that the job losses will continue at about the same rate through September, prior to the federal employees being removed from payroll.

Notable Trends

While previous editions of *Economy Watch* have concentrated on employment—and will continue to do so in the coming months, given the sharp contraction in federal employment and procurement contracting—this edition broadens the analysis to include housing trends through year-end. Housing is incorporated due to its close connection to labor market conditions.

Beginning with employment, total nonfarm payroll employment in the Washington Region declined 0.2% from July 2024 to July 2025. This was the first decline since the immediate aftermath of the pandemic. Preliminary total nonfarm payroll employment in July 2025 was reported to be 3,406,200, a decrease of 5,600 jobs from 3,411,800 jobs in July 2024. The region has lost 18,800 jobs since December 2024 (-0.55%), just before the change in federal administration.

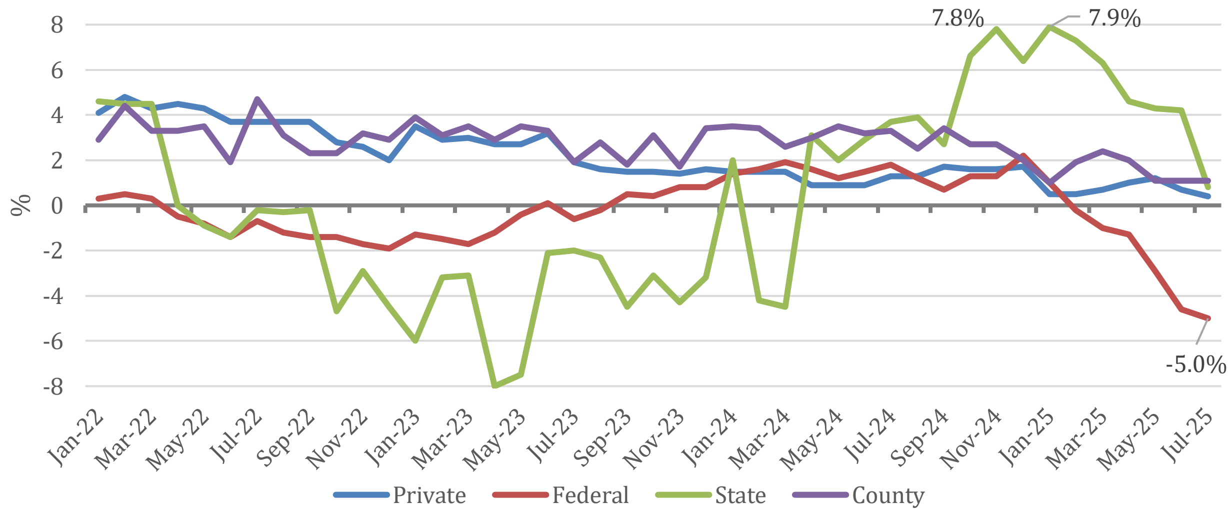


While overall losses are alarming, decomposing jobs into public and private sectors reveals several concerning trends. First, federal employment declined 5.0% from July 2024 to July 2025, marking employment losses that have accelerated through 2025. Second, while state employment in the Washington Region had been increasing at nearly 8% in the latter half of 2024, it decelerated rapidly through 2025 to an increase of just 0.8% in July 2025.

Finally, private sector employment and county employment growth have been steadily slowing for several years. Private sector employment increased just 0.4% from July 2024 to July 2025, down from a month-over-year increase of 4.7% in July 2022. Similarly, county employment growth of 1.1% in July 2025 was down from 4.7% in July 2022.

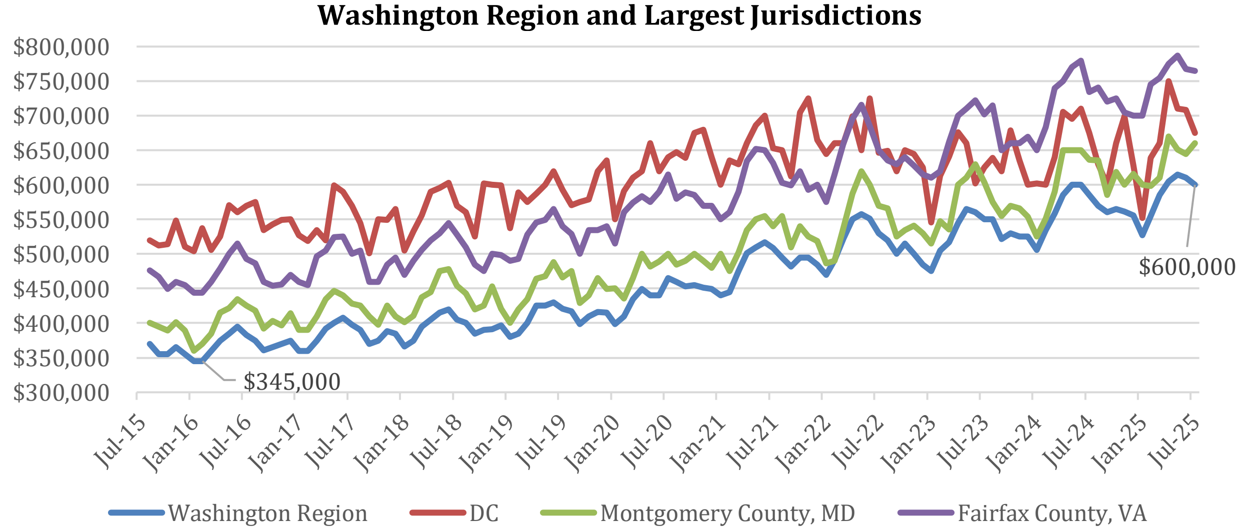
Overall, while federal employment losses are the most dramatic, employment in the private sector and county government have been slowing for over three years, and recent increases in state-level employment have nearly ground to a halt. The slowing pace of state and county government employment is likely due to stagnant revenue, particularly given budget issues in Maryland and DC. Overall, the slowing employment growth in non-federal employment suggests that federal workers will find employment opportunities in the private sector or at state and local governments limited.

Public/Private Employment in the Washington Region
Month-Over-Year % Change

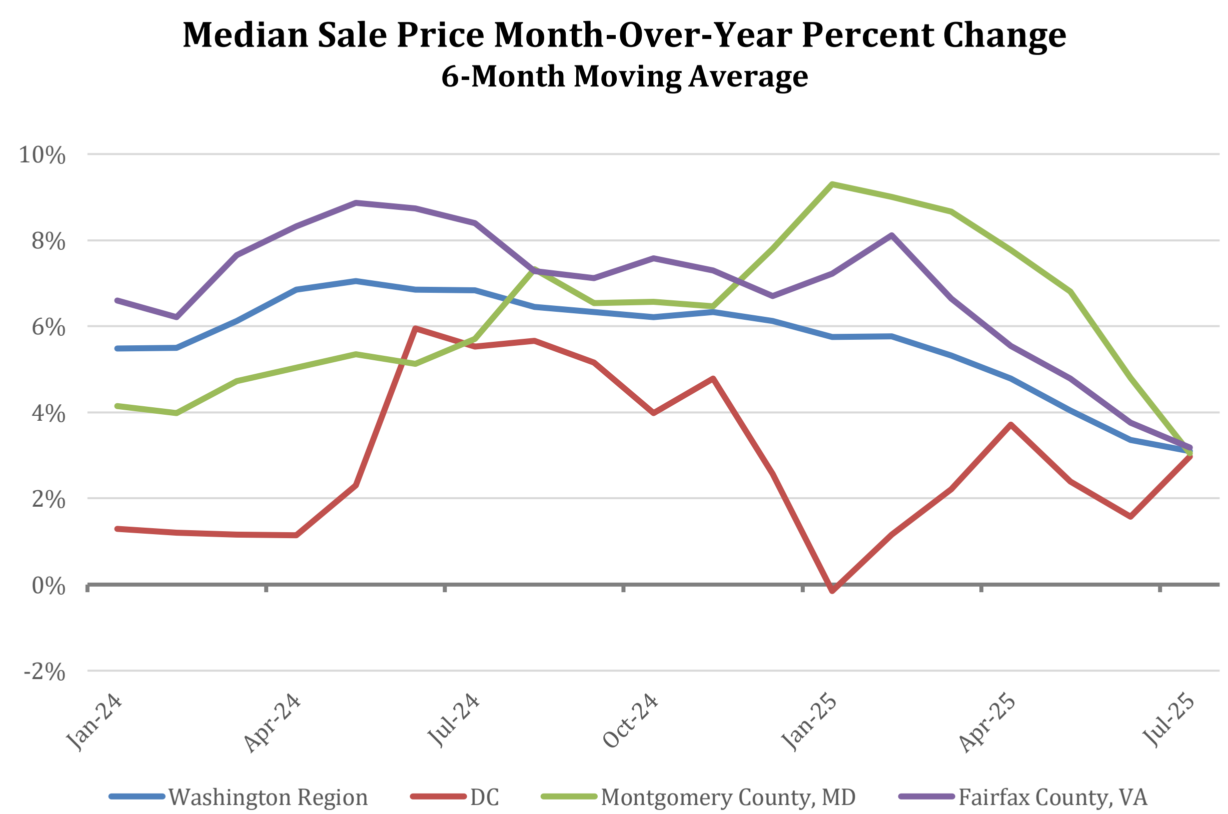


The second trend examined here is home prices. Overall, the median sales price of for sale homes in the Washington area has increased substantially over the past ten years. The median sale price of sold homes increased from a ten-year low of $345,000 in January 2016 to $600,000 in July 2025. Examining the three largest jurisdictions in the Washington region reveals two notable trends. First, home prices in DC stagnated in the summer of 2022 after hitting a peak of $725,000 in June 2022. While the median hit $750,000 in April 2025, it has not seen the steady gains witnessed in neighboring jurisdictions. The second trend is that the median sale price in Fairfax surpassed that of DC following DC's stagnation and has remained above DC's for nearly every month since January 2023. Finally, Montgomery County remains only marginally above the Washington Region median sales price.

Median Closed Sale Price of For Sale Homes
Washington Region and Largest Jurisdictions

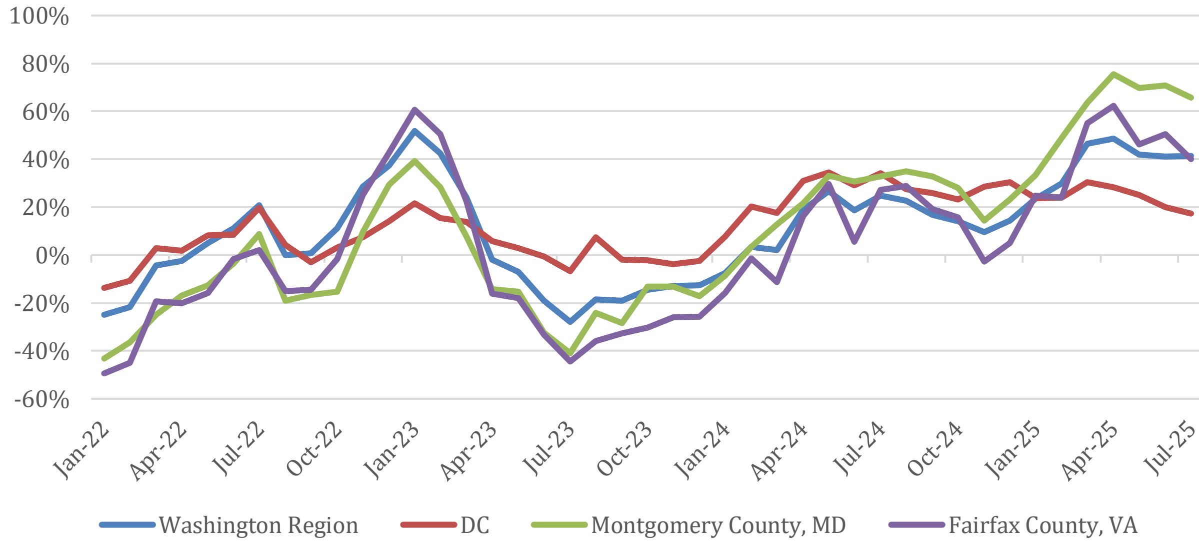


The moving average of month-over-year percent change in median home sale price (shown below) reveals a very clear pattern: home price growth in the Washington Region has decelerated since the change in federal administration. In Montgomery County, the moving average of home price growth decelerated from 9.0% in January to 3.05% in July. In Fairfax County, the moving average of home price growth decelerated from 7.22% in January to 3.18% in July. In contrast, the moving average of home price growth in DC accelerated from -0.15 in January to near the regional average of 3.0%. The coming months will determine if DC home prices defy regional trends. Overall, as employment growth in the region has turned to losses, home price growth appears to be stalling.



As an ancillary trend related to home prices stagnating, housing inventory in the Washington region is rising. Active listings on BrightMLS increased 41.3% from July 2024 to July 2025. Active listings in Montgomery County increased the most among the largest jurisdictions, climbing 65.8% from July 2024 to July 2025. Active listings in DC increased by a comparatively low 17.3% over the same period. In general, the rise is the result of a combination of more sellers and not enough home buyers, particularly at the listing price. The increase in inventory strongly suggests that price growth will continue to moderate throughout the year. However, it should be noted that although we may see a slight decline in sold homes, that does not imply a loss of core value to homeowners. The market is simply returning to more normal conditions.

Active Inventory of For Sale Homes in the Washington Region
Month-Over-Year % Change



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