



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



Washington Economy Watch

Regional Economic Malaise Appears Imminent

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The Stephen S. Fuller Institute
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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 replaced with an econometric jobs forecast.

Washington Economy Watch

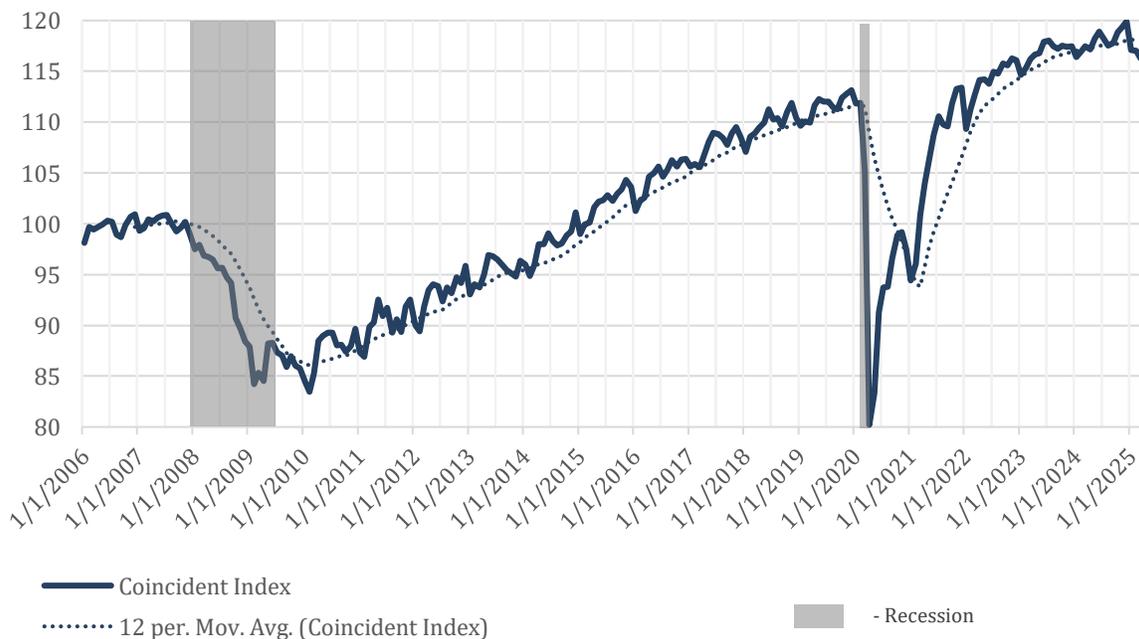
Imminent Economic Malaise

April 2025

Washington Area Economy: Regional Economic Malaise Appears Imminent

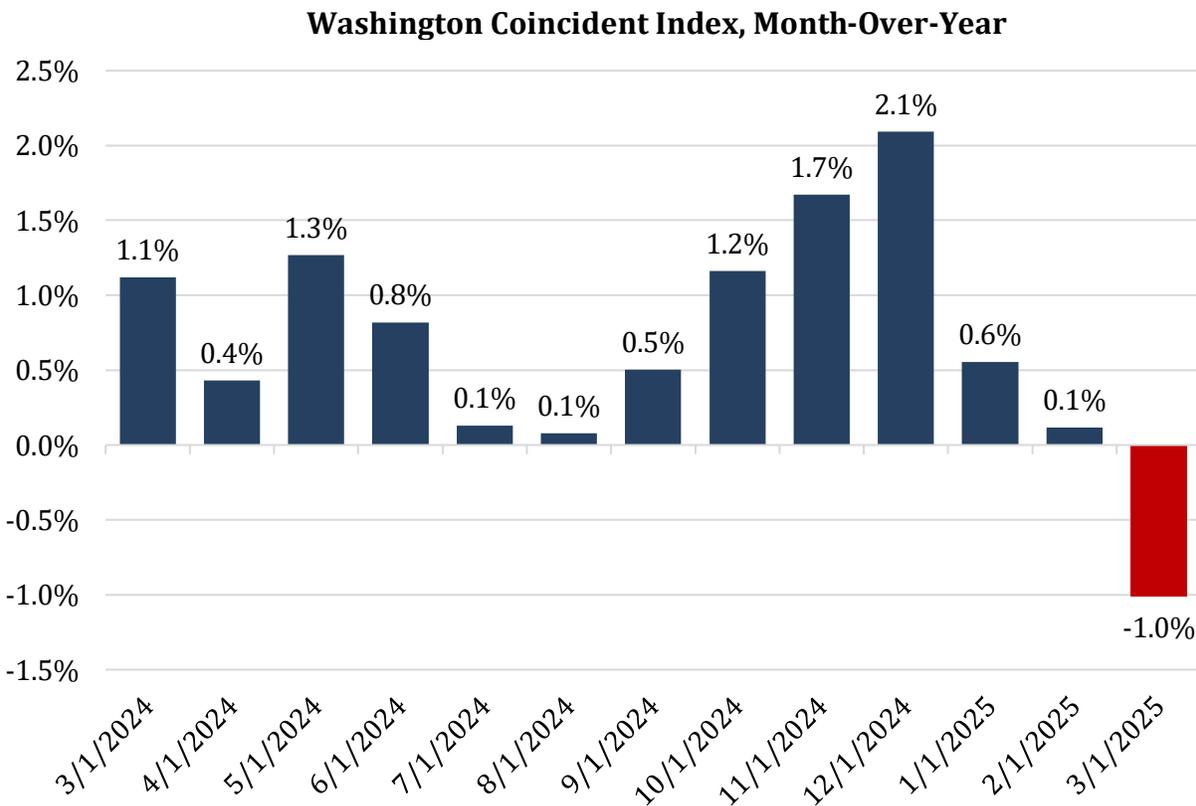
The Coincident Index decreased 1.0% from March 2024 to March 2025, a stark shift from previous positive readings.

The Coincident Index turned negative in month-over-year terms, which is a continuation of a bellwether change in the regional economy that started in January. The region is showing signs of rapid deterioration in its most important sectors – direct federal employment and professional, scientific, and technical employment (mostly federal contractors). The base SFI employment forecast suggests employment in the region will turn negative on a month-over-year basis in June, with month-over-year employment losses through at least September. Job losses will likely rise sharply in October as federal employees who accepted buy-out offers go off federal payrolls. The overall employment losses suggest general economic turbulence ahead that will be exacerbated by national trends as the economy adjusts to tariffs and other federal policies. This will create challenges for state and local jurisdictions in the DMV from tax losses associated with fewer jobs and diminished commercial property values. Overall, the region seems set for an economic downturn with a very uncertain end date.



The **Washington Coincident Index**, which represents the current state of the Washington region's economy, decreased 1.0% from March 2024 to March 2025. The sharp decline comes after slower growth to start 2025 and before the full impacts of changes emanating from the federal government have taken hold. While the employment forecast delves more deeply into the details of employment undercurrents in the Washington region, total employment increased from March 2024 to March 2025, which helped offset notable declines in consumer confidence metrics and domestic passenger volume that collectively make up the Coincident Index.

- *Consumer confidence (current circumstances)* decreased 13.6% from March 2024 to March 2025 after a 0.1% month-over-year increase in February. The decrease was the largest decline since August 2024; and,
- *Domestic passenger volume at Reagan National and Dulles Airports* decreased 9.5% month-over-year in March, the largest month-over-year decline since the aftermath of the pandemic; while,
- *Wage and salary employment* in the Washington region increased 0.8% month-over-year in March, consistent with the increases of 0.8% in January and 0.7% in February.



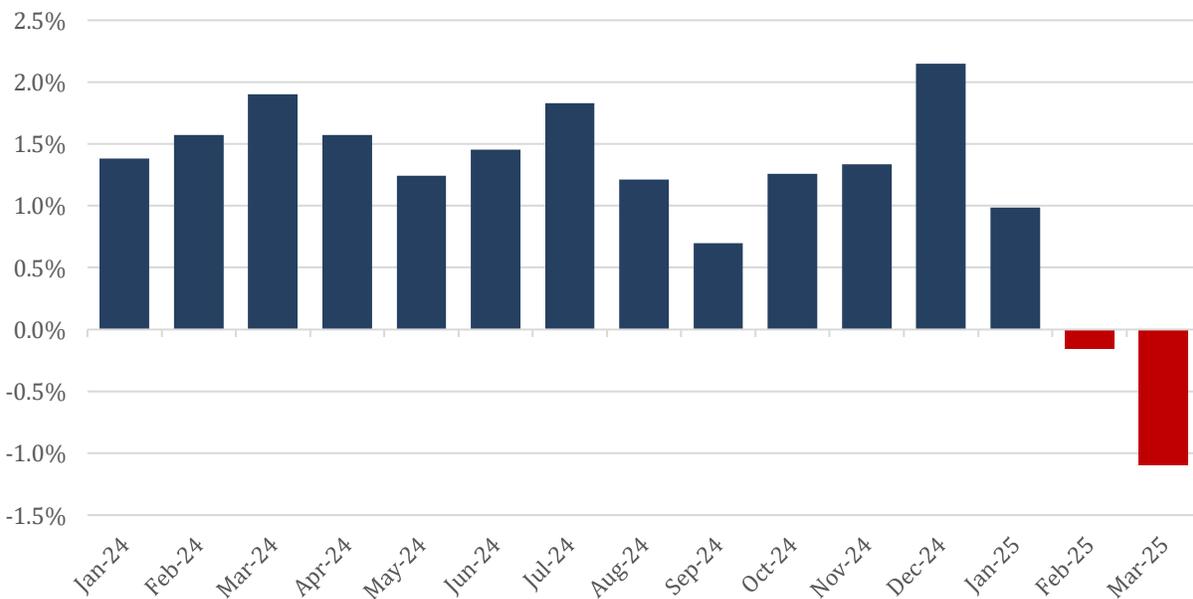
Washington Employment Forecast

The SFI Washington employment forecast predicts regional employment levels six months out. Each forecast revisits prior forecasts, with more examination when employment estimates from the BLS fall outside the SFI forecast confidence intervals. Last month, the SFI employment forecast predicted that the March employment reading would be 3.386M payroll jobs, which was reassuringly close to the preliminary BLS estimate of 3.381M payroll jobs and well within the confidence intervals, which ranged from 3.361M and 3.410M. Despite the accuracy of last months forecast, the coming months are expected to be more difficult to gauge as the impacts of the Trump administration’s shift in priorities fully develop in the regional economy.

While total employment growth in the Washington Region held up in March, increasing 0.8% as discussed in the Coincident Index, several worrying signs already appear in the data that make the pessimistic forecast provided in March the base case this month. Furthermore, the pessimistic case was perhaps not pessimistic enough. The most worrying trends are direct federal employment and private-sector professional, scientific, and technical employment.

The first concerning signal is the rapid change in the direction of federal employment. After a wind-down of Census related hiring in 2020, federal employment stabilized at roughly 374,000 and grew at an average month-over-year rate of 1.5% in 2024 to end the year at 380,000 federal employees in the region. Following the change in administration and associated policies, federal employment declined sharply to 370,800 in March 2025, representing a 2.4% total decline in just three months.

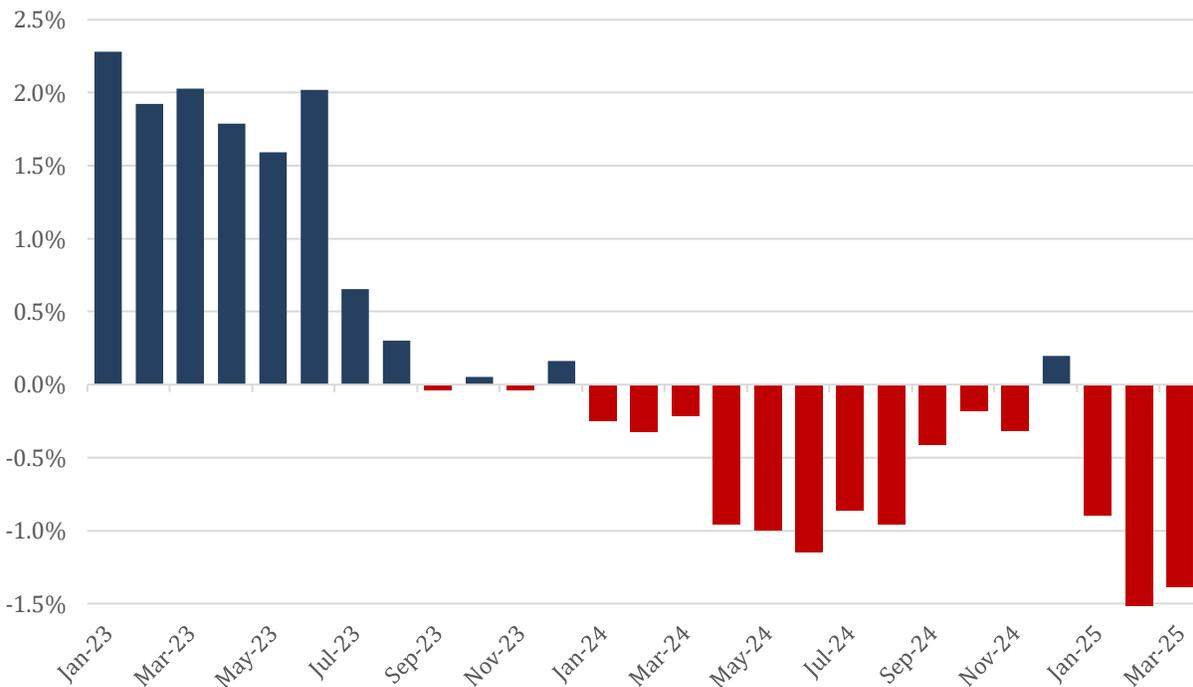
**Federal Employment in Washington Region
Month-Over-Year % Change**



Source: BLS, Stephen S. Fuller Institute

The second concerning signal is the rapid shift in the direction of professional, scientific, and technical (PST) employment, which is largely comprised of federal contractors. These are generally well-paid positions staffed by highly educated workers. Over the past several years, this sub-sector has experienced significant changes. Following a period of post-pandemic growth, the sector slowed dramatically in the summer of 2023 and eventually turned negative. This slowdown coincided with the Federal Reserve's increase in lending rates, suggesting that the high housing costs in the Washington region may have contributed to the sector's stagnation. After a rapid slowdown, employment growth shifted to a decline for most of 2024. However, by the end of 2024, the sector began to grow again, though this was short-lived as it quickly reverted to losses during the Trump administration. The first three months of 2025 have shown year-over-year declines in the sub-sector, ranging from 0.9% to 1.5%.

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



Source: BLS, Stephen S. Fuller Institute

To provide greater context of the losses in the PST sub-sector, employment totals for sub-state regions are examined. Northern Virginia accounts for roughly 57% of the 549,000 employees in this sub-sector and is separated for clarity. PST employment in Northern Virginia was steady from 2015 through the pandemic before effectively stalling at 320,000 in August of 2022. While there was some fluctuation over the next two and half years, employment in this sub-sector stood at 320,000 in December 2024. However, over the first three months of 2025, PST employment in Northern Virginia sank to 312,000, a 2.3% contraction. Importantly, these jobs are categorized by place of performance, meaning where the job is located rather than where the worker lives.

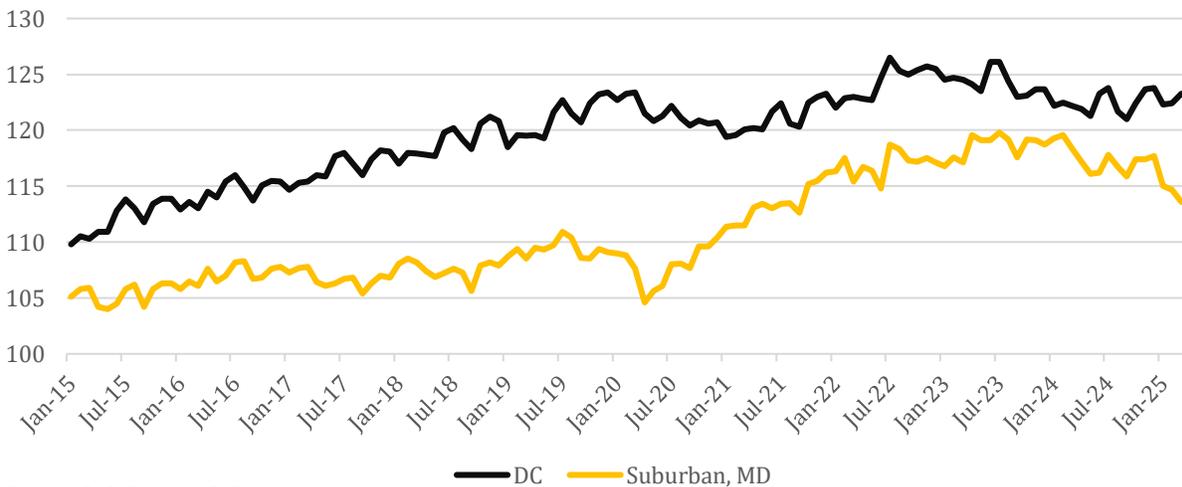
Professional, Scientific, and Technical Employment Northern Virginia



Source: BLS, Stephen S. Fuller Institute

Suburban Maryland has the fewest PST jobs, which had been growing slowly prior to the pandemic. After a modest employment contraction in the wake of the pandemic, PST employment in Suburban Maryland increased through January 2023, stalling through January 2024, and has been declining since. While PST employment in Suburban Maryland was declining prior to the Trump Administration, employment losses have accelerated. Finally, PST employment in the District increased steadily from 2015 through 2020 before recording the region's sharpest and most prolonged PST employment contraction. Although PST employment increased modestly in late 2022, these gains were lost by the summer of 2024. PST employment in the District reached a low of 121,000 in September 2024 but has been rising since then. Encouragingly, the increases have continued into the early months of the Trump administration, which may indicate a trend of jobs returning downtown, possibly driven by return-to-office mandates.

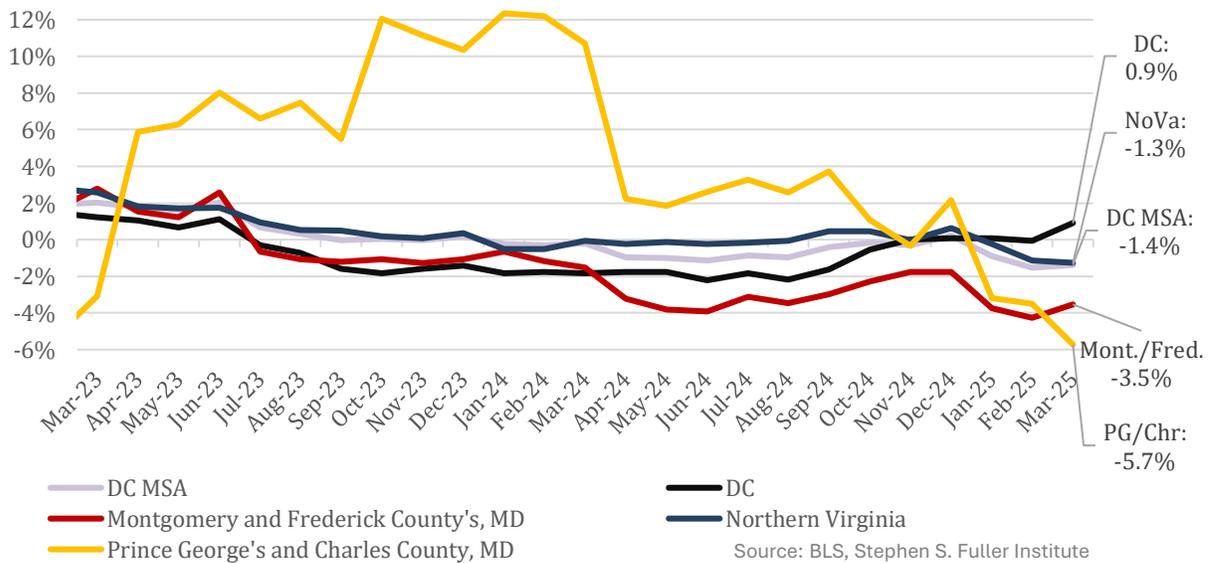
Professional, Scientific, and Technical Employment DC and Suburban MD



Source: BLS, Stephen S. Fuller Institute

To compare PST employment in sub-regions directly, month-over-year percent changes are shown below. Three points are worth highlighting. First, given the share of regional jobs located in Northern Virginia, the DC MSA essentially tracks the Northern Virginia sub-region. Month-over-year employment changes in the Washington region were down 1.5% from March 2024 to March 2025. Second, both divisions in Suburban Maryland have been recording month-over-year PST employment losses, with the Montgomery County/Frederick County division declining since the summer of 2023. While the Trump administration's policies will have negative impacts on these jurisdictions, Montgomery County and Frederick County have been underperforming for nearly two years. Finally, PST in the District has recently turned positive, increasing 0.9% from March 2024 to March 2025.

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

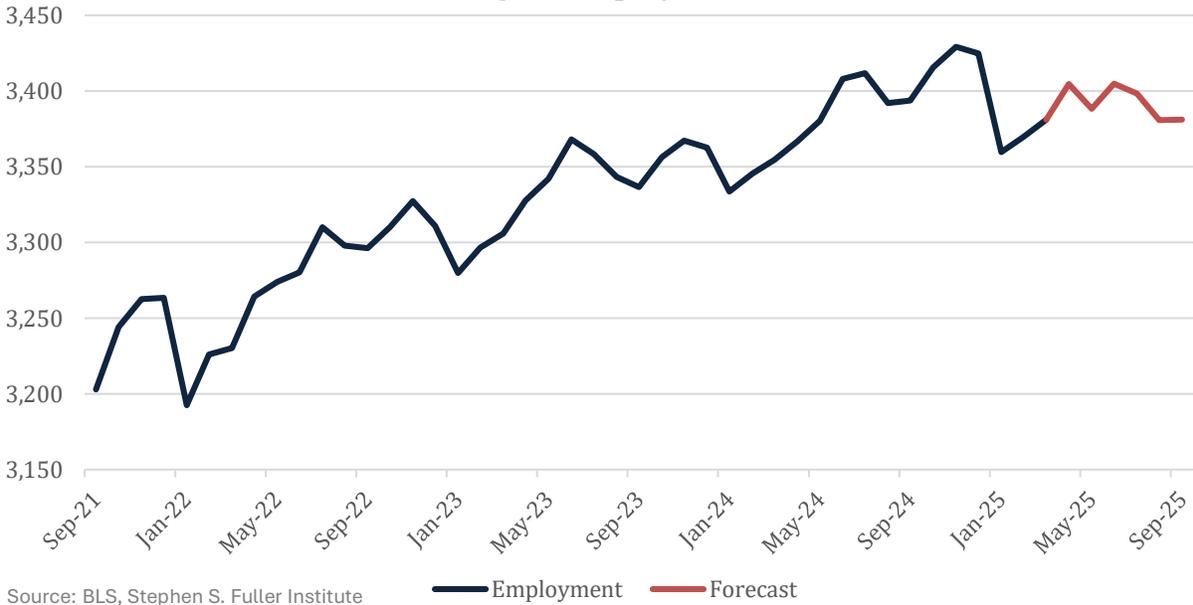


The two concerning trends of federal employment losses and PST employment declines result in bleak near-term and long-term forecasts. These changes are reflected in the April SFI employment forecasts, which have been revised down from March. Overall, employment in the Washington region is forecast to peak at 3,405,000 in June (which is below June 2024 employment) before sinking to 3,381,000 in August and September.

SFI Washington Employment Forecasts with Confidence Intervals

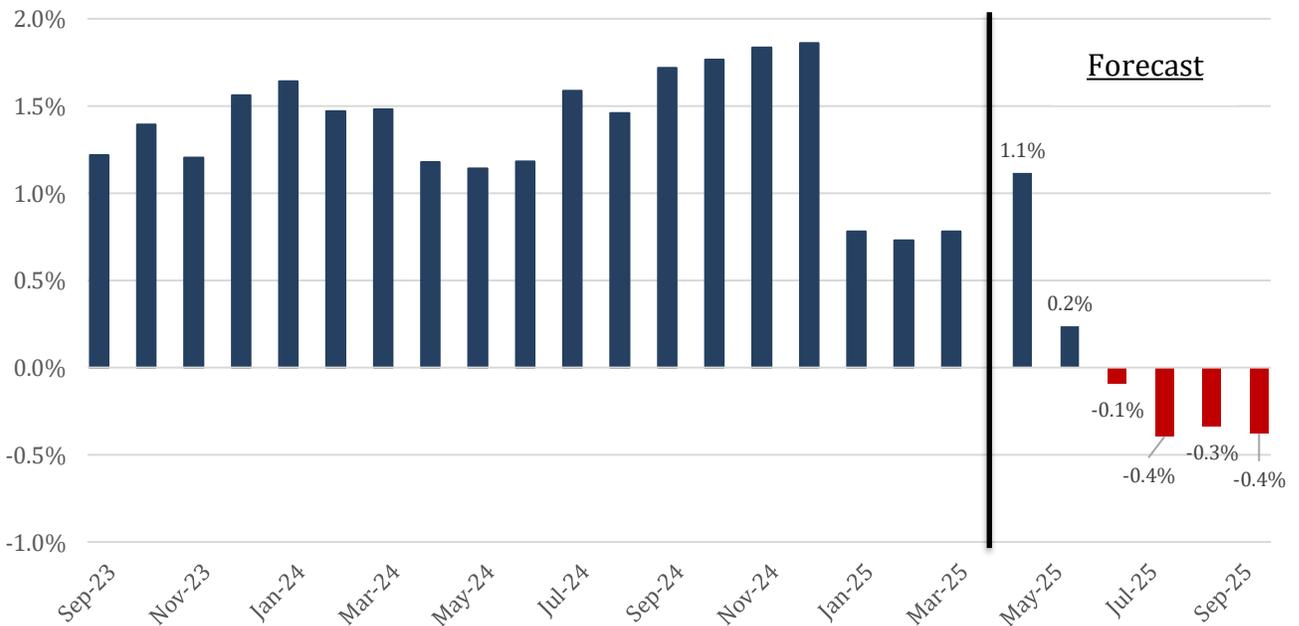
Forecast Month	Forecast	Lower Confidence Interval	Upper Confidence Interval	Prior Month Forecast
Apr-25	3,405	3,382	3,427	3,407
May-25	3,388	3,366	3,411	3,395
Jun-25	3,405	3,383	3,426	3,417
Jul-25	3,398	3,377	3,420	3,413
Aug-25	3,381	3,359	3,403	3,394
Sep-25	3,381	3,358	3,405	-

SFI Washington Employment Forecast



On a month-over-year basis, employment growth in the Washington Region is forecast to increase 1.1% in April 2025 and 0.2% in May before turning negative in June through September, with month-over-year declines ranging from -0.1% to -0.4%. With employment losses already appearing in the region’s most import sectors, last month’s pessimistic scenario has become the base case and the region appears set for imminent job losses.

SFI Washington Employment Forecast, Month-Over-Year



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