Washington Economy Watch

Tepid Growth After a Likely Bottom

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The Stephen S. Fuller Institute
for Research on the Washington Region's Economic Future
Center for Regional Analysis
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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 over the more than 30 years of the Coincident Index, the Coincident Index has been recently modified and the Leading Index has been replaced with an econometric jobs forecast.

Washington Economy Watch

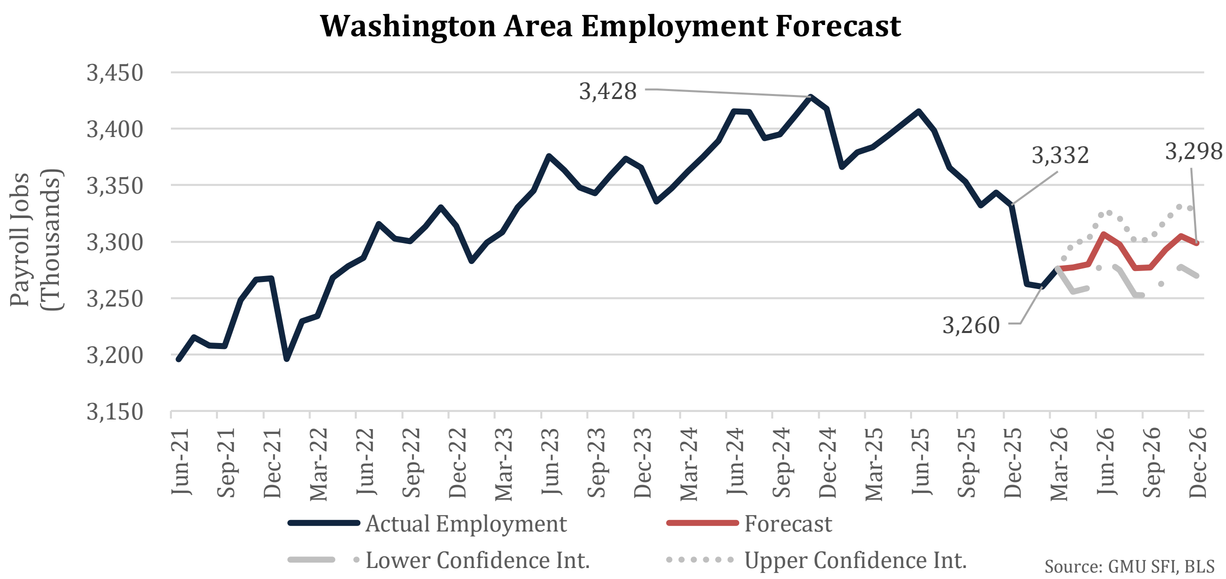
Tepid Growth After a Likely Bottom — April 2026

Washington Area Economy

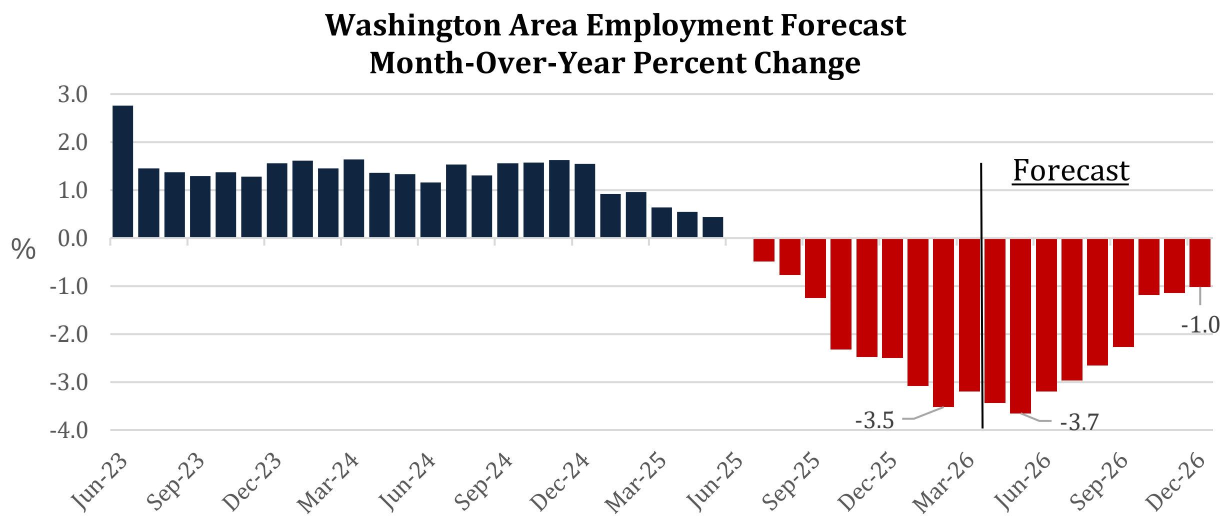
Tepid Growth After a Likely Bottoming Out

While the April 2026 edition of Economy Watch is consistent with the prior edition in that employment is forecast to grow through the end of the year, the BLS downwardly revised employment estimates. These revisions appear in the current forecast. Additionally, this edition is the first to publish a revised Washington Area Coincidence Index, which reports that the worst of the economic contraction likely occurred in January 2026.

As a result of substantial revisions from the BLS to employment in the Washington region, the employment forecast has been down revised from the prior edition of Economy Watch. Employment losses over the past year related to the impacts of DOGE have likely reached a bottom, and the region appears set to add jobs through the end of the year. The Washington Area Employment Forecast predicts that the Washington Region will reach 3.298 million in December 2026, up from a low of 3.260 million in February 2026. Despite forecasting employment growth through the end of the year, December 2026 employment in the region will be below employment of 3.332 million in December 2025 and well below the 3.428 million in December 2024, prior to the current administration.

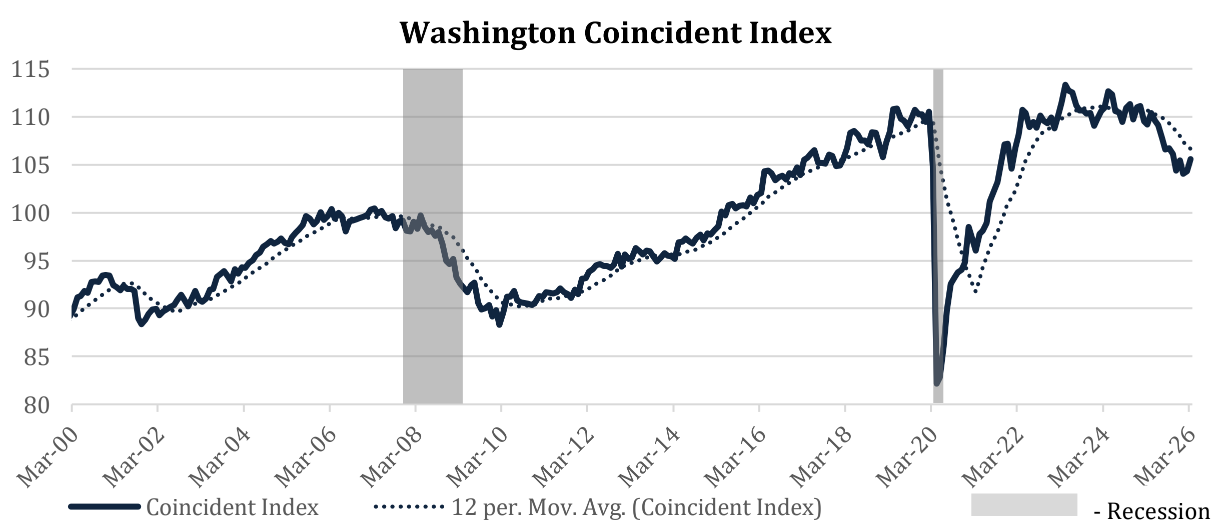


Examining the month-over-year percent change in the employment forecast reveals that although the region may record one or more month-over-year contractions of greater magnitude than the -3.5% recorded in February 2026, the worst of the contraction may be behind the region. Month-over-year employment losses are forecast to decelerate through year-end, with employment in December 2026 forecast to be 1.0% below December 2025.



Coincident Index

After over 30 years of producing the **Washington Coincident Index**, this edition of Economy Watch reports a updated index that keeps the spirit of simplicity, tractability, and accuracy. The newly revised version of the Washington Coincident Index decreased 3.3% from March 2025 to March 2026. The decline in the Washington Coincident Index is the 14th consecutive month-over-year decline, and the monthly reading of 105.6 is well below the peak of 113.3 that occurred in April 2023, a year and a half prior to the change in federal administrations and the impacts of DOGE.



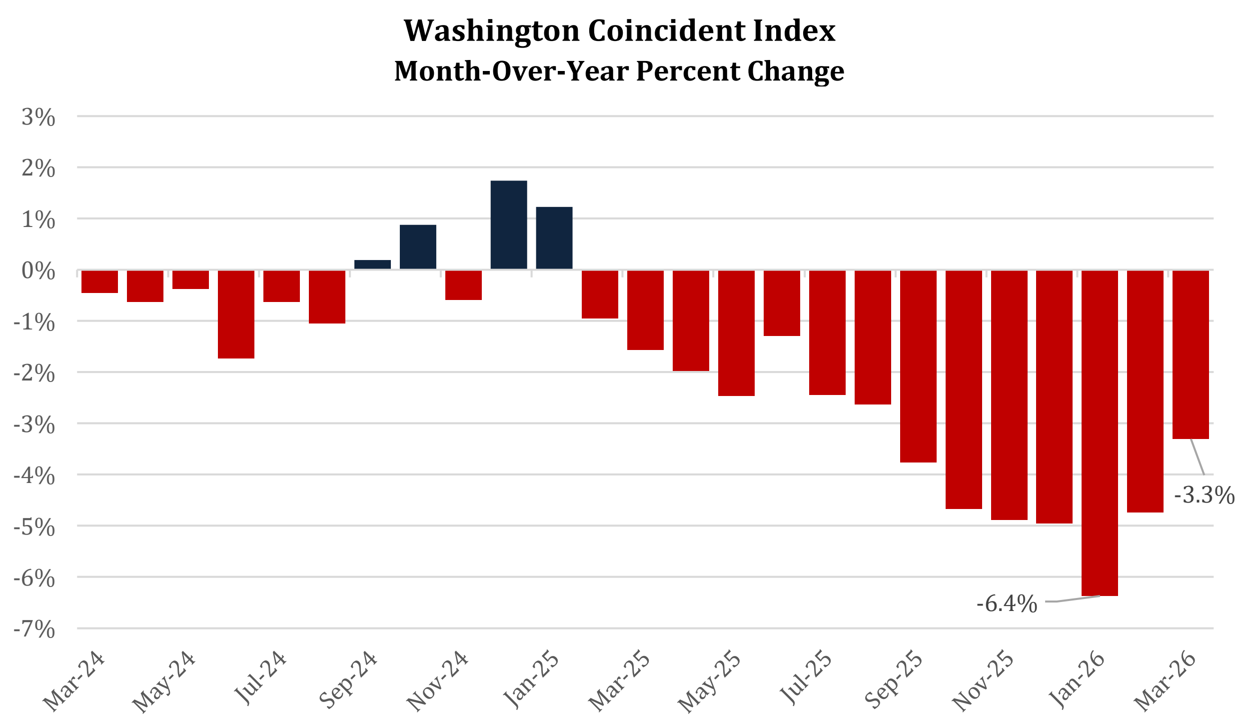
While the newly revised Washington Coincident Index declined 3.3% from March 2025 to March 2025, the rate of decline slowed from -6.4% in January to -4.7% in February, before the relatively modest decline of 3.3% in March. While some of the macro-economic issues, such as higher oil prices resulting from the blockage of the Strait of Hormuz, may yet impact the region's economy, as it stands, the rate of decline is slowing. This is consistent with the employment forecast that suggests the region's employment will grow through year-end (despite being down month-over-year). Month-over-year changes in the components of Coincident Index are as follows:

- *Unemployment Rate* increased from 3.6% in March 2025 to 4.1% in March 2026, the 28th consecutive month-over-year increase; and,

- *Wage and Salary Employment* in the Washington region decreased 3.2% month-over-year in March, a marginally lower decline than the 3.5% recorded in February but slightly above the 3.1% recorded in January; while,

- *Home Sales* increased 5.2% from March 2025 to March 2026 after a 2.2% month-over-year decline in February and a 10.3% decline in January; and,

- *RevPAR*[1] increased 8.1% from $187.6 in March 2025 to $202.7 March 2026, the second consecutive month-over-year increase in RevPAR.



[1] RevPAR is a measure that accounts for both revenue and vacancy rates.

Conclusion

Despite the BLS revisions to employment data shifting the employment forecast downward, the Washington Employment forecast continues to predict that the region will grow modestly through year-end. The tepid growth is based on, among other things, a modest increase in direct federal employment as well as current evidence that the month-over-year losses have already started to flatten and improve modestly.

Consistent with the employment forecast, the newly revised Washington Coincident Index suggests that the worst of the economic contraction may be behind the region. The Coincident Index was down 3.3% from March 2025 to March 2026. While this contraction remains substantial, it is notably less sharp than the decrease of 6.4% recorded in January.

Overall, the Fuller Institute in the Center for Regional Analysis remains cautiously optimistic that the region has reached a bottom and may grow, even if modestly, through year-end.

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