



THE WASHINGTON REGION'S 2020 RECESSION & ITS NEAR-TERM OUTLOOK

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The Washington Region's 2020 Recession & Its Near-Term Outlook

Executive Summary

The 2020 economic recession is the result of the COVID-19 pandemic; activities that were previously safe became higher risk, or had higher uncertainty about their safety, and consumers and businesses changed their behavior in response. This health crisis is not yet resolved and its trajectory will continue to be the main factor in the economic recovery. Similarly, the improving understanding about which activities pose the highest risk and actions that can be taken to mitigate risk will continue to alter consumer and business preferences.

Consumer spending decreased as a result of the health crisis and these losses rippled through the economy, decreasing economic activity. The decrease in local consumer spending was largest for discretionary items that had a higher degree of person-to-person interaction, like travel and restaurants. Large losses also occurred in transportation spending as the result of teleworking and overall declines in mobility.

Because of the decline in consumer spending and the overall uncertainty that resulted from the pandemic, the Washington region lost 10.7 percent of its jobs between February 2020 and May 2020, after adjusting for seasonal patterns. The total decrease in jobs during the pandemic was more than three times as large and occurred 6-8 times more quickly than during the 1990 and 2008 recessions. Between May and August 2020, the region recovered about 35 percent of the jobs lost, led by the Retail Trade and Leisure & Hospitality sectors. Even with this improvement, the job losses as of mid-August remained more than twice as large as those during the 1990 and 2008 recessions. Additionally, these jobs losses do not capture the three major shifts in the economy that are unique to this pandemic:

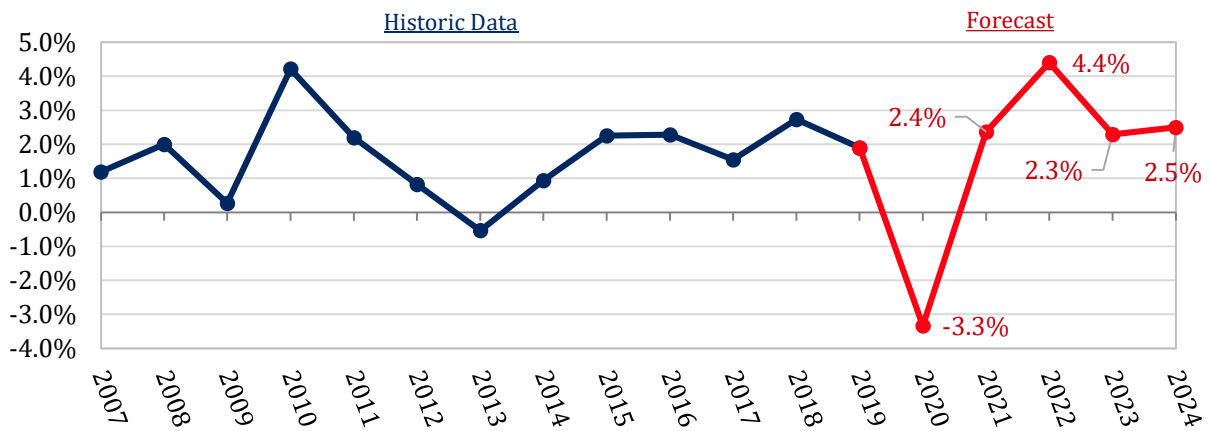
- A significant number of workers in the Washington region are now working from home. More than one-half (54.4%) of all households in the Washington region have at least one worker teleworking because of the pandemic, a rate that is larger than any other large metro. While this has likely helped preserve jobs and economic activity, teleworking will likely slow the recovery in some consumer services and the transportation industry.
- The economic productivity per job decreased in the second quarter of 2020 for most major sectors of the national economy. This decrease indicates that the underlying economic situation was worse than the jobs data reflect.
- About 20-30% of workers that lost a job in the Washington region during the pandemic left the labor force. Some of these workers left because the pandemic affected their jobs directly and they are likely to return when the job market improves. However, a large number of former or potential workers are not interested or unable to work because of concerns about getting or spreading the virus or because they are taking care of children that are not in school or daycare. These workers will not return to the labor force until the health crisis has abated and the systems, like childcare and transportation, are fully operational.

For the remainder of 2020, the economic recovery will continue to moderate. Concerns about a second wave of the pandemic will slow consumer spending. These concerns will be compounded by the upcoming election and the uncertainty about both the results and the potential for a prolonged ballot count. Regional businesses and households will likely postpone major decisions until after the results are known. In January, assuming that the election results are known and that the pandemic trends relating to colder weather are established, the economic recovery will accelerate modestly.

This acceleration will primarily consist of economic activities that were postponed during the fall and not constitute a fundamental shift in the recovery path. Instead, the overall rate of recovery will not permanently accelerate until there is a vaccine that is widely distributed. In this forecast, a vaccine is assumed to be available in the middle of 2021 and assumed to be commonly available. As a result of these assumptions, the full economic recovery occurs in 2022.

The Washington region's economy, as measured by its Gross Regional Product (GRP), is projected to decrease by 3.3 percent in 2020. This is the largest decrease on record, with data going back to 1990. Economic growth in 2021 is projected to be 2.4 percent, with the strongest gains in the second half of the year. The largest economic rebound will occur in 2022, after the vaccine is presumed to be available and in use. During 2022, businesses and households are forecasted to fully catch-up on the forgone economic activities of the prior two years. In 2023, economic growth will slow to 2.3 percent because the majority of the catch-up activity will have occurred. By 2024, the Professional & Business Service sector is projected to have large gains as this sector pivots away from the pandemic-economy and returns to its pre-pandemic trend of diversifying away from the Federal Government.

Washington Gross Regional Produce (GRP)
2007 – 2019 – 2024 (Annual Percent Change)



Sources: U.S. Bureau of Economic Analysis; The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of Oct. 2020)

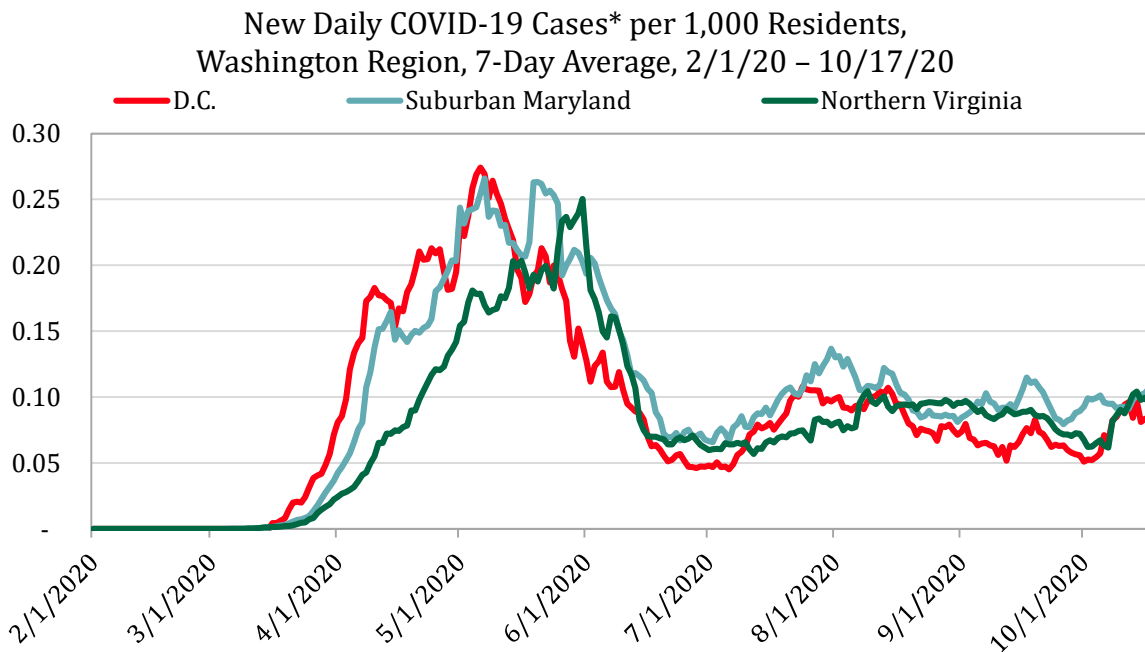
These economic projections are subject to more uncertainty than in past years and a change in the trajectory of the pandemic or the timing and distribution of the vaccine will significantly alter these forecasts. In this scenario that assumes no local second wave of the pandemic and a vaccine by mid-2021, the economy will return to its 2019 level in 2022, a loss of economic growth for two full years. If there is a second wave locally or if the vaccine is not widely available by the middle of 2021, this recovery will be delayed further.

The Washington Region's 2020 Recession & Its Near-Term Outlook

I. Introduction & Health Metrics

The 2020 recession is the result of the health crisis; activities that were previously safe became higher risk, or had higher uncertainty about their safety, and consumers and businesses changed their behavior in response. This health crisis is not yet resolved and its trajectory will continue to be the main factor in the economic recovery. Similarly, the improving understanding about which activities pose the highest risk and actions that can be taken to mitigate risk will continue to alter consumer and business preferences.

In the Washington region, each of the sub-state areas has had a similar magnitude of confirmed COVID-19 cases and a similar pattern of cases over time. The District of Columbia had peak case rates modestly earlier than in the other sub-state areas and reached a peak level in early May. Suburban Maryland's peak occurred about two weeks later, while Northern Virginia's cases peaked in late May. In June, the case rates in all three sub-state areas decreased consistently until they began to rise modestly in July. Between July and mid-October, case rates were elevated compared to their late June troughs but remained less than one-half of their May peaks. In total as of mid-October, Suburban Maryland has had 26.0 confirmed cases per 1,000 residents, D.C. has had 23.1 cases per 1,000 residents, and Northern Virginia has had 20.8 cases per 1,000 residents. The similarity on the timing and magnitude of the case rates has meant that the pandemic has affected the economies in each of the sub-state areas similarly, after adjusting for industry-level trends.



Sources: Johns Hopkins University Center for Systems Science and Engineering; U.S. Census Bureau (v2019 Population Estimates); The Stephen S. Fuller Institute at the Schar School, GMU
*Trend lines included changes in testing rates, reporting lags and reporting protocols that may result in irregularities.

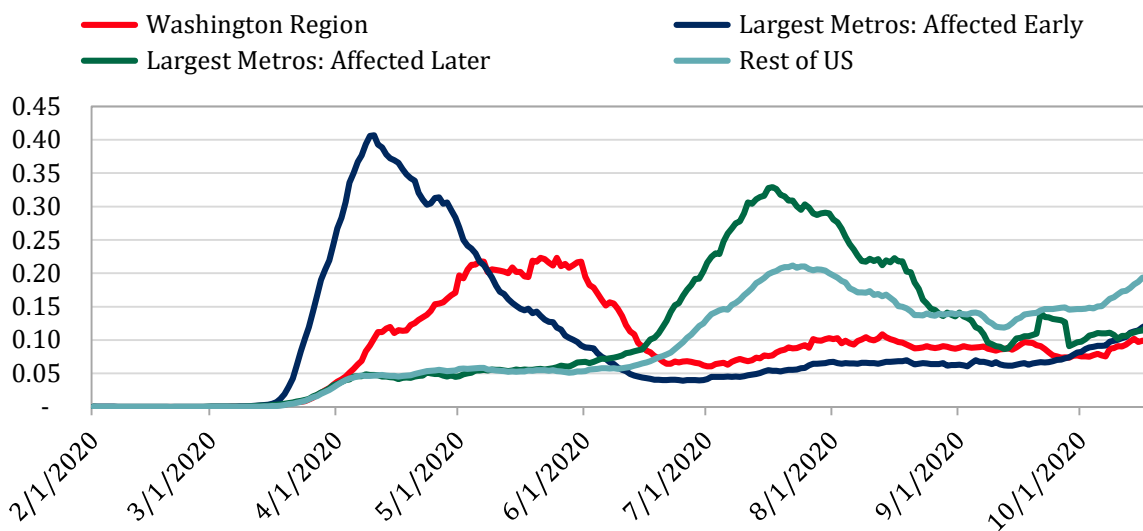
Nationally, the timing of the pandemic has varied with most regions generally falling into two categories: those that had their highest case rates in April or May and those that had their highest case rates in July. A third group may also be emerging: some regions have had fast growth in case rates in October and have either exceeded their prior peaks or are on track to do so. This pattern is

primarily occurring in places other than the largest 15 metropolitan statistical areas (metros), most of which have had clearly defined peaks and troughs.

Six of the largest employment metros had peak case rates in April or May: Boston, Chicago, Detroit, New York, Philadelphia, and the Washington region. In most of these metros, the peak was well defined, occurred between mid-April and mid-May, and followed by continuous declines through June. The Washington region was an exception and the peak period of case rates occurred slightly later and lasted somewhat longer compared to the majority of these metros. Between August and mid-October, most of these metros have had elevated case rates, but case levels have remained low relative to their prior peaks. A key exception is the Chicago metro; its trajectory shifted sharply in early October with case rates rising quickly. The Chicago metro is the only metro of those that were affected earlier to have an October resurgence that is larger than its initial peak, so far.

Nine of the largest employment metros had a later first wave of the pandemic and COVID-19 case rates remained relatively low until late June. In July, most of these metros reached their peak case rates, although there has been more variation in these areas on the timing and trajectory. The Minneapolis metro initially appeared to have peak rates in late summer, but case rates increased sharply in October and exceeded their prior peak in early October. The Seattle metro has also had fast growth in case rates in October and appears to be on track to reach its peak case rates in late October or November. The variation in the trajectory of the pandemic has affected the economies in these metros differently and their economic recovery generally stalled or reversed in July.

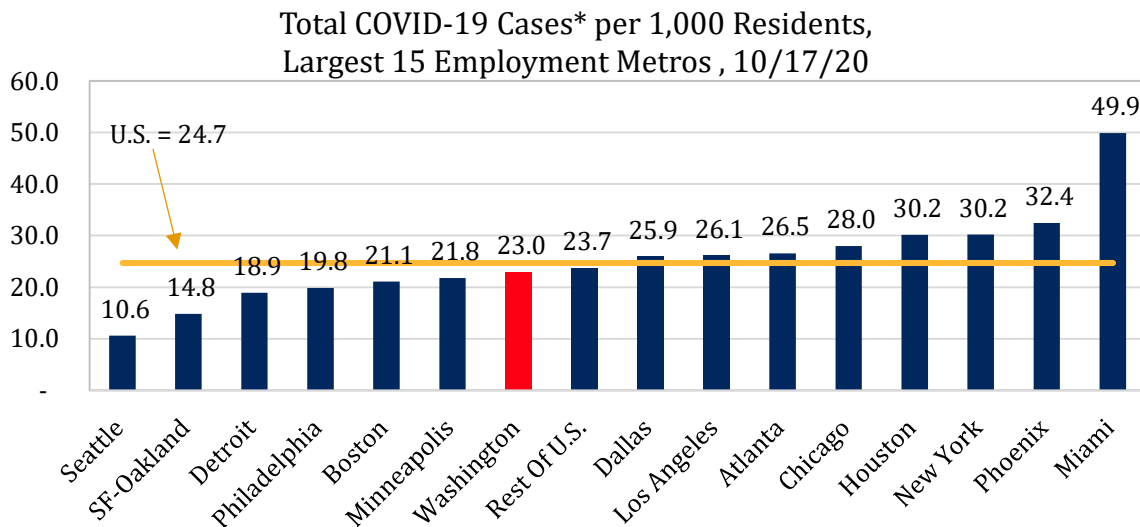
New Daily COVID-19 Cases* per 1,000 Residents,
Largest 15 Employment Metros & Rest of the U.S., 7-Day Average,
2/1/20 – 10/17/20



Sources: Johns Hopkins University Center for Systems Science and Engineering;
U.S. Census Bureau (v2019 Population Estimates); The Stephen S. Fuller Institute at the Schar School, GMU
*Trend lines included changes in testing rates, reporting lags and reporting protocols that may result in irregularities.

Nationally as of Oct. 17, 2020, the U.S. has had a total of 24.7 confirmed COVID-19 cases per 1,000 residents since the beginning of the pandemic. Of the largest employment metros, eight have had more cases on a per capita basis and seven have had fewer. Case rates in these metros range from 49.9 in the Miami metro to 10.6 in the Seattle metro. Two of the metros with relatively low case rates,

the Seattle metro and the Minneapolis metro, have had the fastest increase in case rates in October and these rankings will continue to change in the upcoming weeks and months. As of mid-October, the Washington region ranked seventh of the 15 largest metros in terms of lowest case rates, at 23.0 confirmed cases per 1,000 residents, and had fewer cases per capita compared to the U.S. average.



Sources: Johns Hopkins University Center for Systems Science and Engineering; U.S. Census Bureau (v2019 Population Estimates); The Stephen S. Fuller Institute at the Schar School, GMU
*Trend lines included changes in testing rates, reporting lags and reporting protocols that results in irregularities.

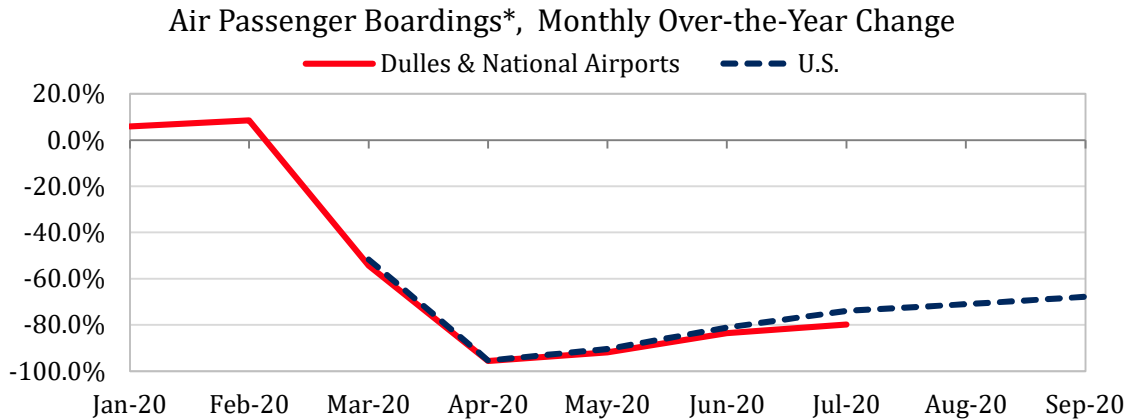
This fall, the path of the pandemic remains uncertain. A minority of the largest metros have had an acceleration in case rates in October and the majority of the metros that were affected earlier continued to have elevated, albeit stable, case rates. As a result, consumer and employer preferences are likely to remain unchanged until the pandemic's trajectory during the fall and winter become more clear. This is in contrast with earlier this summer, when rates were decreasing and the economic recovery accelerated as a result.

II. Consumer Spending

As the pandemic emerged, consumer spending decreased, with the declines largest for face-to-face transactions for discretionary goods and services. This decrease in spending then rippled through the economy and was the main cause of the recession. The return of consumer spending is also a key factor in the economic recovery. As of the fall of 2020 in the Washington region, consumer activity levels have only modestly improved and their rates of recovery have been relatively slow.

The travel industry was affected by the pandemic quickly and sharply and remained one of the least recovered sectors as of September. The trajectory in the Washington region has been similar to that in the U.S., overall. Air passenger levels decreased by about one-half in March and by 95 percent in April on a monthly over-the-year basis, both in the Washington region and nationally. As of July, passenger boardings in the Washington region were just 20.2 percent (-79.8%) of their 2019 level and were about 16 percent recovered from their trough. In September, national air passenger traffic decreased 67.7 percent, with the rate of improvement flattening since July. The long-distance travel industry and its associated consumer spending at hotels, restaurants, and retailers will remain well below its pre-pandemic levels until there is a long-term solution to the health crisis. Even then, the

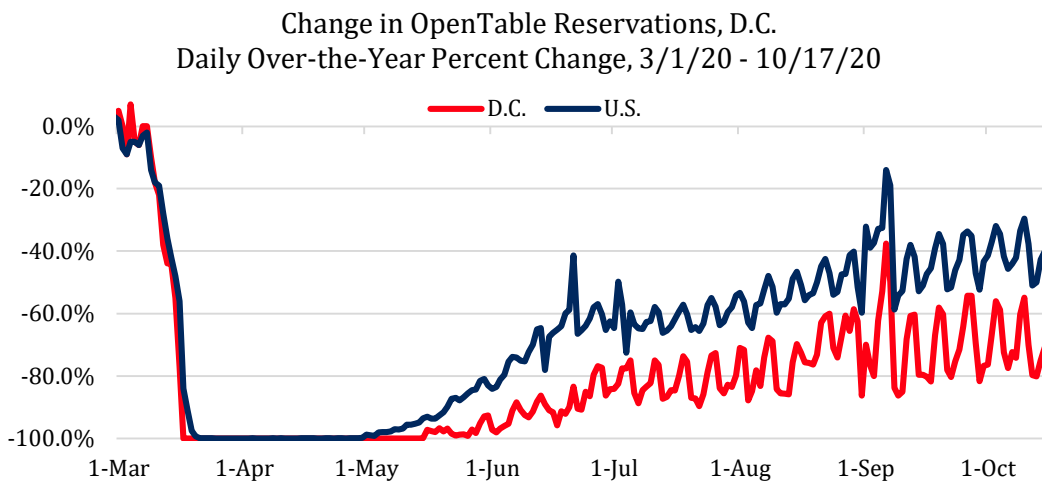
economic recovery in this industry will lag, because of the advanced planning required for international and convention travel.



Source: Metropolitan Washington Airports Authority; U.S. Transportation Security Division; The Stephen S. Fuller Institute at the Schar School, GMU

*Dulles & National include domestic passengers only; the U.S. includes all passengers checked by TSA
Data are not available for the U.S. prior to March and after July for the Washington Region

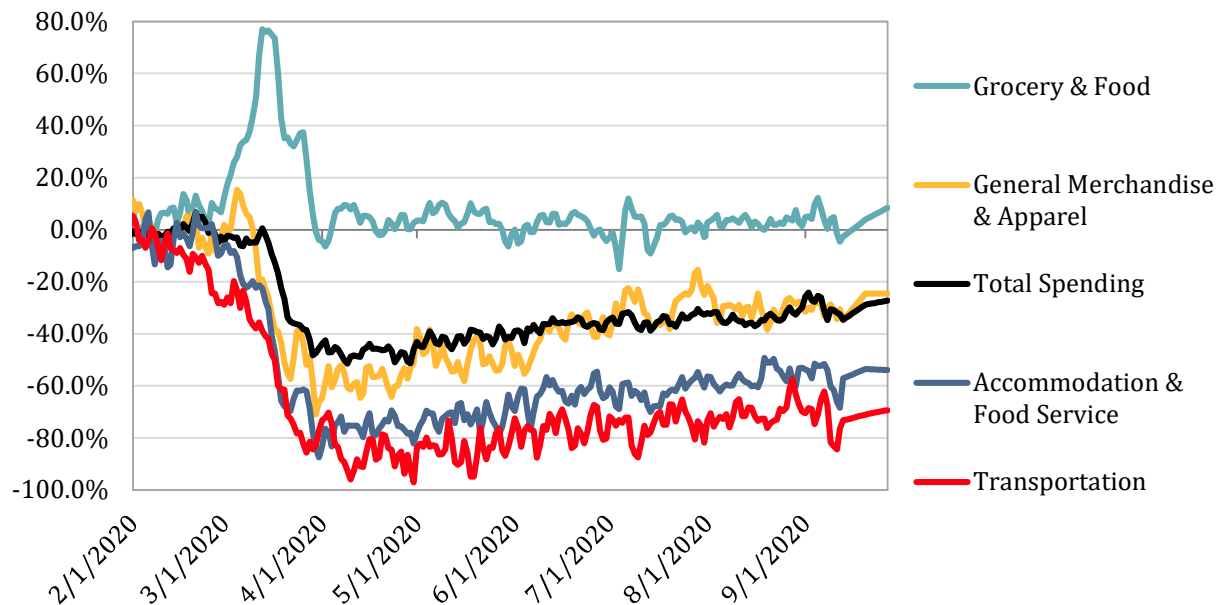
Consumer spending in restaurants also decreased precipitously as a result of the pandemic. In-restaurant dining both in the Washington region and in most of the U.S. was closed for much of the spring and early summer. However, even prior to its closure, the demand for restaurants decreased by more than one-half in D.C. and OpenTable reservations decreased 55 percent the day prior to the mandated restaurant closure. In general, consumer demand early in the pandemic appeared to react primarily to the international and national trends and the demand patterns in most regions followed a similar path of decline. As restaurants reopened, consumer demand typically reflected the local, not national, health conditions. In areas that had lower case rates and pent-up demand for restaurant services, the reopening resulted in a clear spike in OpenTable reservations. In D.C., restaurant demand has returned gradually, with no vertical spikes corresponding to the reopening phases, suggesting that consumer demand is returning more slowly than the reopening is occurring.



Source: OpenTable NOTE: Excludes closed restaurants

Credit and debit card spending from District residents also shows a slow, incremental return in consumer spending. Overall, consumer spending decreased by about one-half during the month of April compared to its January 2020 level. Consumer spending recovered modestly in June and decreased about 35 percent between January and the end of June. The rate of recovery then stalled, with the improvement that occurred in July through September being smaller than the one-month improvement in June. As of the end of September, consumer spending was about 27 percent less than its January level and was about two-fifths (40%) recovered compared to its April trough.

Credit/Debit Card Spending: Change* from January 2020,
D.C. Residents, 2/1/20 - 9/27/20



Source: Opportunity Insights Economic Tracker;
The Stephen S. Fuller Institute at the Schar School, GMU *Change reflects 7-day average

The composition of consumer spending by D.C. residents has also changed during the pandemic. Grocery and food store expenditures have increased, as has spending on online purchases and larger purchases like automobiles and appliances.¹ Spending on transportation has had the largest declines and was the least recovered as of late September; spending on transportation decreased about 70 percent between January 2020 and the end of September 2020. Accommodation & Food Services spending decreased by about 75 percent during April and remained 54 percent smaller at the end of September. General merchandise and apparel spending decreased by about 57 percent between January 2020 and April 2020 and remained about 25 percent smaller at the end of September. Overall, all spending types that had declines as a result of the pandemic had a stronger recovery in June and a slower recovery since. The general pattern of the recovery of consumer spending mirrors the local trajectory of the pandemic. The initial decline in case rates in June bolstered the return of consumer spending. When the case rates rose modestly and the rate of the recovery from the health crisis slowed, the consumer spending recovery slowed as well. This relationship between the health metrics and consumer demand indicates that the return of consumer spending will continue to slow this fall in the Washington region.

¹ Durable goods sales and sales at non-store retailers (online) trends are based on national retail sales estimates.

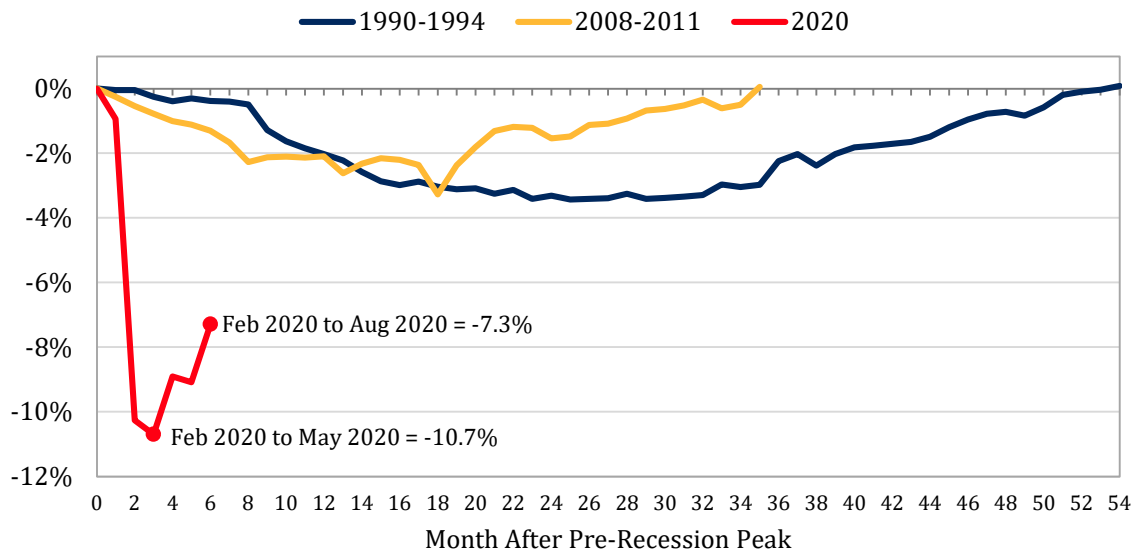
III. Jobs & Productivity

The sharp declines in consumer spending resulted in near-shutdown conditions for many industries and job losses ensued. The decrease in jobs has been significantly larger and occurred more quickly than the losses during recent recessions. As of mid-August, the region had recovered about 35 percent of the jobs lost but the decline in jobs remained more than twice as large as in prior recessions. Unlike prior recessions, the jobs losses also do not fully illustrate the economic shifts that have occurred during the pandemic. Large numbers of the region's jobs are now being done from home and the productivity levels of these jobs, and jobs in most other sectors, have deviated significantly from prior trends.

Between February 2020 and May 2020, a period of three months, the region lost 10.7 percent of its jobs after adjusting for seasonal patterns.² The total decrease in jobs during the pandemic was more than three times as large and occurred 6-8 times more quickly than during the prior two periods of significant job losses. The peak decline in jobs during the national recessions in the early 1990s was 3.4 percent and this magnitude of decline occurred gradually over two years. During the 2008 Recession, the region lost a maximum of 3.3 percent of its jobs compared to the month prior to the recession and this decline occurred over 18 months.

The recovery through August of the pandemic-induced recession has also been unlike prior recoveries. Between May 2020 and August 2020, the number of jobs in the region increased by 3.8 percent and the region had recovered about 35 percent of the jobs lost at the peak of the pandemic.³ In 1990, it took about one year for 35 percent of the jobs to be recovered. In 2008, jobs were recovered initially within two months, but these gains reversed and the long-term improvement did not occur for about six months. Even with this comparatively sharp gain in jobs in 2020, the job losses as of August 2020 remained twice as large when compared to the total losses in prior recessions.

Change in Jobs from Pre-Recession Peak, Washington Region



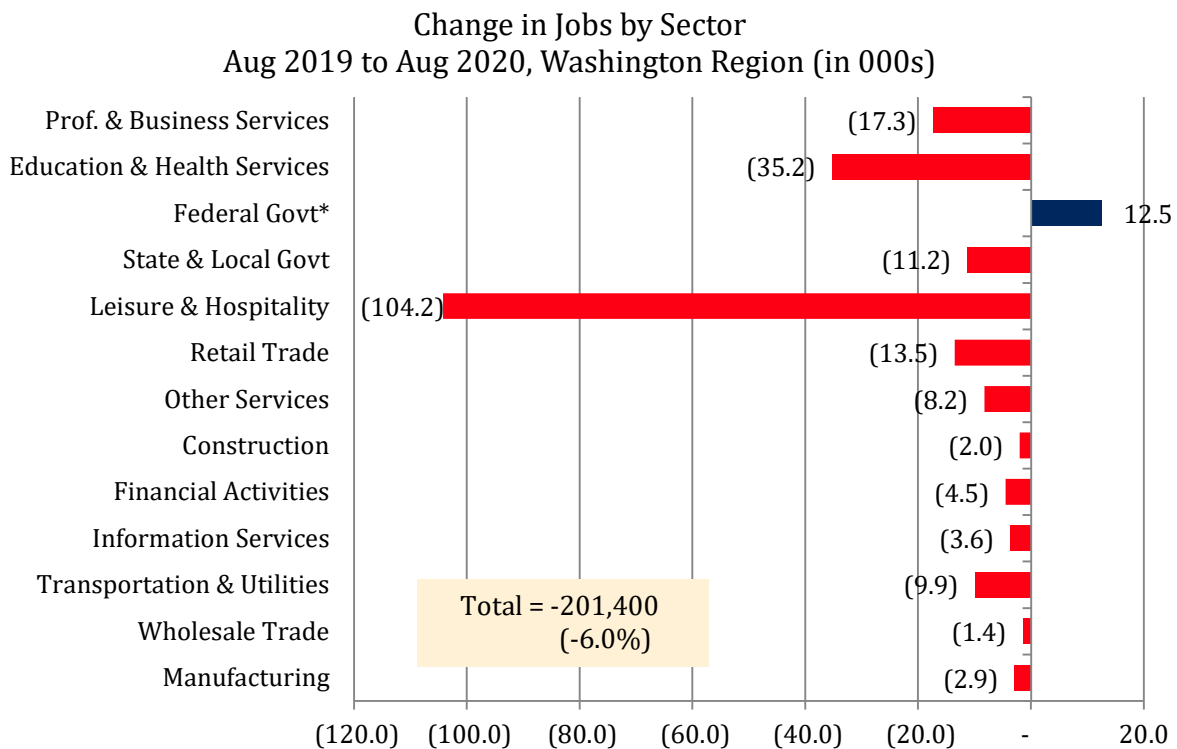
Source: U.S. Bureau of Labor Statistics (Seasonally Adjusted);
The Stephen S. Fuller Institute at the Schar School, GMU

² Seasonal patterns are less relevant during the pandemic-induced recession and this section uses seasonally adjusted data in order to more accurately reflect the monthly trend for job losses in prior periods.

³ This recovery rate incorporates not seasonally adjusted data, which better reflect the pandemic-specific trends.

By sector, the job losses were largest in the Leisure & Hospitality industry, which has accounted for about one-half of all the jobs lost during the pandemic. Between August 2019 and August 2020, this sector had lost 104,200 jobs (-30.0%) and was about 35 percent recovered from its peak losses in May. The sector with the second largest decrease in August was Education & Health Services, which had 35,200 fewer jobs (-8.0%) in August 2020 compared to last year; the losses in this sector were primarily driven by non-hospital health care services. This sector is about 33 percent recovered from its peak declines in May. The third largest absolute decrease was in the Professional & Business Service sector, which declined by 17,300 jobs (-2.2%) on a monthly over-the-year basis in August. This decrease was driven by the Administrative, Support & Waste Management sub-sector, which decreased by 22,600 jobs (-10.9%). The Professional, Scientific & Technical Services sub-sector added 7,200 jobs (+1.3%) between August 2019 and August 2020 and did not decrease during the pandemic.

Overall, the Retail Trade sector was the sector with significant pandemic-induced declines that was the most recovered as of August. Retail Trade jobs decreased 11.9 percent (-14,300 jobs) in May on a monthly over-the-year basis. In August, the 12-month decline was 5.0 percent (-4,100 jobs) and the sector was about 58 percent recovered. The least recovered sector was Transportation & Utilities, which continues to have worsening losses. This sector decreased 13.1 percent (-9,900 jobs) in August.

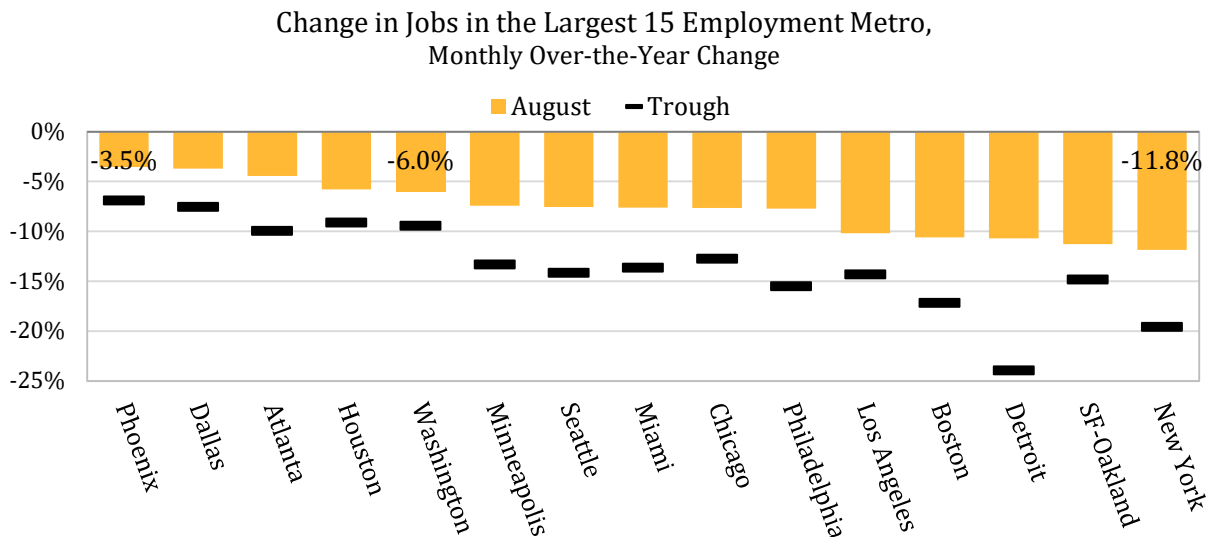


Sources: U.S. Bureau of Labor Statistics; The Stephen S. Fuller Institute at the Schar School, GMU

*Includes temporary Decennial Census hires

Compared to the largest 15 employment metros, the Washington region has had relatively mild declines. In August, the region had the fifth smallest job losses and the region has ranked in the top six throughout the pandemic. In part because the losses were mild, the region ranks 13th in terms of the percent of jobs that have been recovered. Atlanta and Detroit were the most recovered as of

August and each had recovered about 55 percent of the jobs lost during the pandemic. Detroit had some of the steepest losses while the losses in Atlanta were relatively mild. San Francisco-Oakland and Los Angeles had the weakest recovery through August and were 24 and 29 percent recovered, respectively.

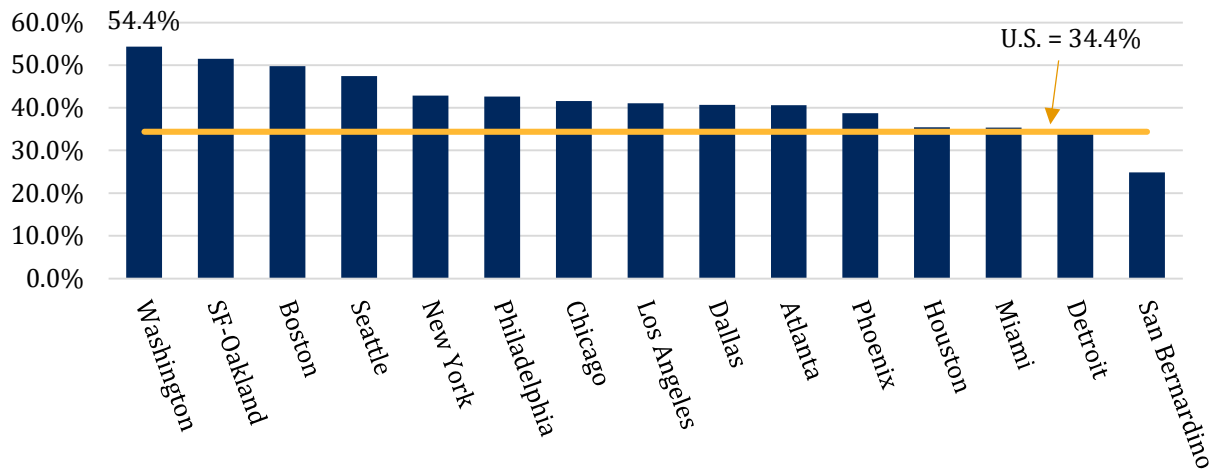


Sources: U.S. Bureau of Labor Statistics; The Stephen S. Fuller Institute at the Schar School, GMU

One major employment change that is not reflected by the jobs data is the significant shift in how work is being conducted for those jobs that are still on payroll. Nationally, 34.4 percent of all households had at least one worker that began teleworking because of the pandemic. In the most populous metro areas, these rates vary from 24.8 percent in Riverside-San Bernardino, CA to 54.4 percent in the Washington region. For the large employment metros, the metros that had a larger share of workers that teleworked typically have had slower recovery rates. Partly, the work-from-home rates reflects the health conditions and local policies in each metro, both of which may affect the recovery rate. Additionally, teleworking may also slow the recovery rate for some consumer spending types. In particular, transportation spending, restaurant spending and some types of retail spending will not return to pre-pandemic patterns while telework rates remain significantly larger than usual.

While telework may be a necessity during the pandemic, the Washington region's workforce and jobs base appears to be better suited to work from home than those in other metros. The share of households in the Washington region that have at least one teleworker is significantly larger than all other major metros and the ability of the region's workforce to telework has likely contributed to the relatively mild loss in jobs, in spite of its potential effects on consumer spending. The Washington region's Professional & Business Service sector has outperformed the nation during the pandemic and the region continued to add jobs in Professional, Scientific & Technical Services sub-sector through August. Workers in these jobs, and other knowledge-service jobs including much of the Federal Government and Associations, are most likely able to work from home, preserving the core functions and revenue streams of these organizations. The ability to telework may have lessened job losses for the Washington region but it will also likely slow the return of consumer spending and the recovery in key sectors. Work-related commuting, lunches and post-work happy hours will not return until workers return to their offices. Until then, households may choose to either save the dollars that would have gone to those expenses or reallocate that spending toward other purchases.

Share of Households with at Least One Worker Teleworking Due to
Pandemic, Largest Metros, Aug. 9 - Sep. 14 Avg



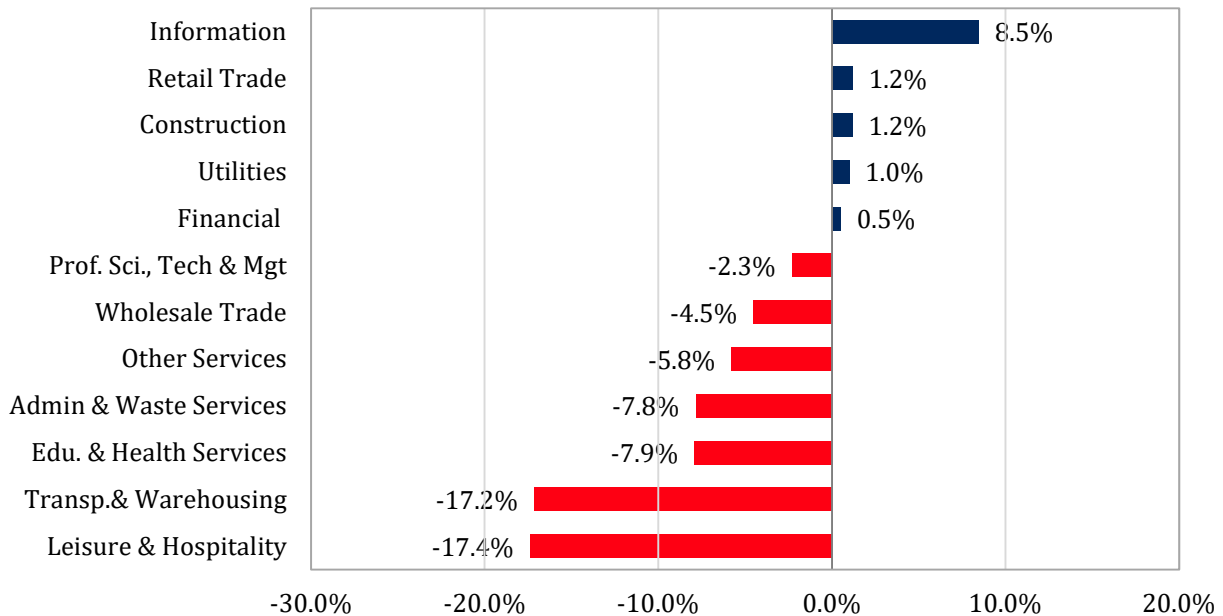
Source: U.S. Census Bureau (Household Pulse Survey); The Stephen S. Fuller Institute at the Schar School, GMU

The second major shift that is not reflected in the employment data is the underlying productivity (Gross Domestic Product, GDP) of each job by sector. The majority of the sectors have had decreases in productivity, nationally, between the fourth quarter of 2019 and the second quarter of 2020. The largest change was a decrease in productivity in the Leisure & Hospitality sector: the loss in revenue and overall services produced by this sector was larger than the loss in jobs. For example, consumer spending on Accommodations & Food Services by D.C. residents decreased by a peak of about 75 percent in April, but the maximum decrease in jobs was about 59 percent. It is likely that the workers that were retained on payroll were working fewer hours and the measure of economic output per job would have decreased significantly. Nationally, this decrease was 17.4 percent. A similar decrease occurred for the Transportation & Warehousing sector.

Conversely, the Information sector had a significant increase in economic activity per job in the second quarter. This sector includes communications software (online and other) and the increase reflects the new technology and services that were purchased to facilitate teleworking (Zoom, cloud services, internet security services etc.). The second largest increase in productivity per job was in the Retail Trade sector. This sector has had consistent increases for the past two year and the recent increase is a continuation of a pre-pandemic trend.

Notably for the Washington region, the two main sub-sectors in the Professional & Business Services sector: the Professional, Scientific, Technical & Management sub-sector and the Administrative, Support & Waste Management sub-sector had decreases in productivity per job. Many of these workers were likely working from home and the decrease in productivity in the second quarter of 2020 may reflect that adjustment. This decrease may also reflect the overall uncertainty that may have paused business planning or postponed spending or revenue activities during this period. Still, because this is the largest sector in the Washington region, any decrease in productivity, even temporarily, will have an outsized effect on the overall economic growth for the year.

Change in National Productivity By Sector (Value Added Per Job) 4Q 2019 to 2Q 2020



Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics;
The Stephen S. Fuller Institute at the Schar School, GMU NOTE: All data are seasonally adjusted

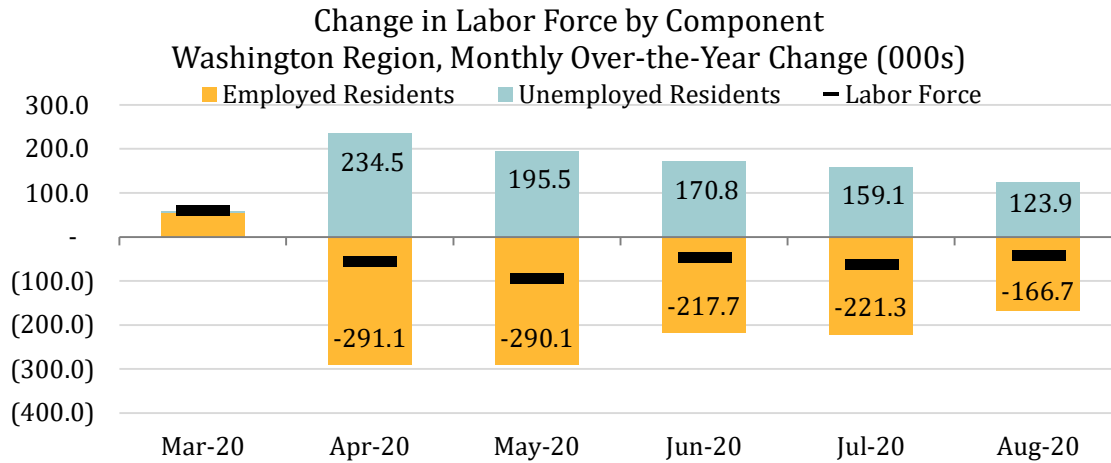
For the remainder of 2020, the employment recovery will likely continue to slow. The health metrics associated with the pandemic have not substantially improved since August and the potential for a second wave will subdue the return of consumer spending. Teleworking will remain the status quo for many jobs this fall and the spending associated worker travel and consumption will remain flat compared to the summer. The larger overall economic losses in select industries, suggested by the productivity per job, indicate that many sectors can accommodate growth without significant increases in payroll jobs. Lastly, the uncertainty resulting from Federal election may postpone any major business decisions until after the results are known. Overall, the region is forecasted to recover 40-45 percent of the jobs lost during the pandemic by the end of 2020.

IV. Labor Force

The overall trends in the regional labor force have mirrored the changes in payroll jobs but one key issue has emerged: 20-30 percent of the workers that lost a job during the pandemic left the labor force. Some of this decline is temporary and will reverse when the employment market improves. However, some of these losses are the result of broader issues relating the pandemic, which will slow the return of the labor force in upcoming months and further moderate the economic recovery going forward.

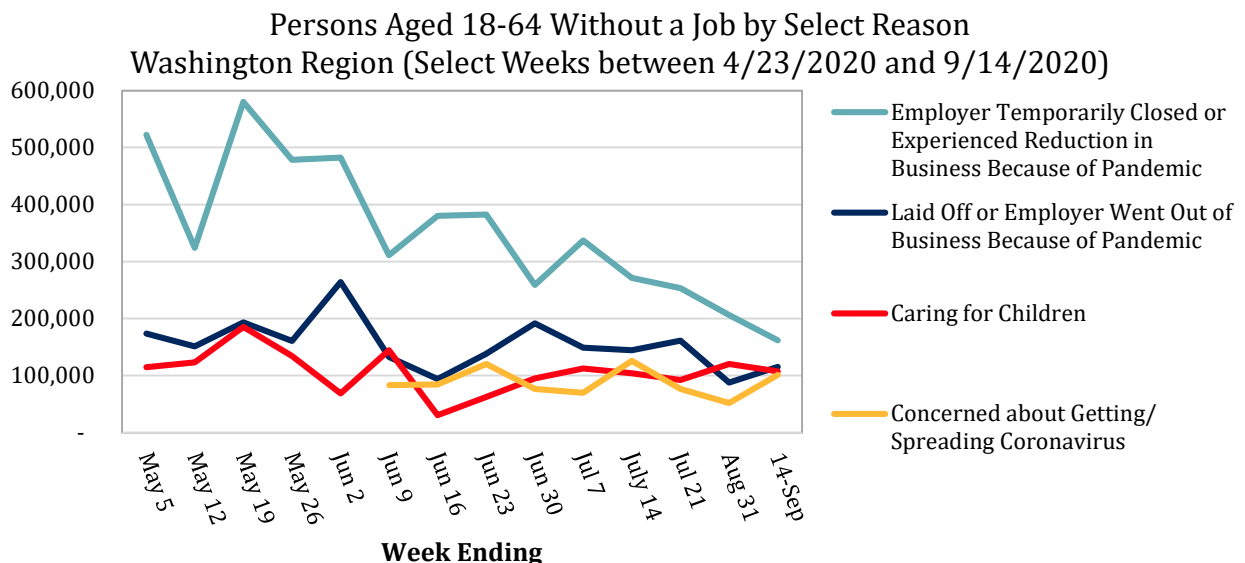
In April, the number of employed residents decreased by 291,100 compared to April 2019. The number of unemployed residents increased by 234,500 and the number of people in the labor force decreased by 56,700. In other words, about 20 percent of the residents that lost a job in April left the labor force and were no longer looking for a job. In August, the number of employed residents decreased by 166,700 on a monthly over-the-year basis and was substantially improved compared to April. Similarly, the number of unemployed residents in the region increased by 123,900, about one-half the size of the increase in April. Even with this improvement, the labor force in the

Washington region decreased by 42,700; the decrease in the labor force has been relatively consistent and the monthly over-the-year decline during the pandemic has averaged 60,600 residents.



Sources: U.S. Bureau of Labor Statistics; The Stephen S. Fuller Institute at the Schar School, GMU

For residents in the region without a job, including unemployed residents and those not in the labor force, a large number cited a pandemic-specific reason for why they were not working. The most common reason was that the resident worked at a firm that temporarily closed or had reduced business because of the pandemic. The number of residents that were temporarily unemployed for that reason peaked in late May and decreased about 65 percent by mid-September.⁴ The number of residents that were laid off or who worked at a firm that closed was smaller but has decreased by less, falling by about 43 percent between late May and mid-September. Because of their reason for unemployment and the recent declines in this type of unemployment, it is likely that these workers have not left the labor force and these residents will return to work as the labor market improves.



Source: U.S. Census Bureau (Household Pulse Survey); The Stephen S. Fuller Institute at the Schar School, GMU

⁴ Changes are calculated using two-week averages.

Between June and mid-September, about 90,000 residents in the Washington region said their main reason for not working was that they were concerned about getting or spreading the virus. The number of residents with this main concern varied less by week and these residents will most likely not be interested in working or rejoining the labor force until the pandemic has subsided. Similarly, an average of 105,000 residents in the region were not working because they were caring for a child. Some of these residents may have been the primary caretaker prior to the pandemic, but national research suggests that these rates are elevated, especially for women.⁵ For these potential workers, those that may be interested in working cannot do so until schools and daycare are open.

The workers that are concerned about getting or spreading the virus and those that are taking care of children are the most likely source of the decrease in the labor force; these former or potential workers are no longer interested in or able to have a job because of pandemic-specific health concerns or household needs. These workers will not re-enter the labor force as the employment market improves. Rather, these workers will likely return somewhat later, once the health crisis has more completely abated and normal systems like childcare and transportation are fully operational.

V. Near-Term Outlook

For the remainder of 2020, the economic recovery will continue to moderate. Concerns about a second wave of the pandemic will slow consumer spending. These concerns will be compounded by the upcoming election and the uncertainty about both the results and the potential for a prolonged ballot count. Regional businesses and households will likely postpone major decisions until after the results are known. In January, assuming that the election results are known and that the pandemic trends relating to colder weather are established, the economic recovery will accelerate modestly. This acceleration will primarily consist of economic activities that were postponed during the fall and not constitute a fundamental shift in the recovery path. Instead, the overall rate of recovery will not permanently accelerate until there is a vaccine that is widely distributed. In this forecast, a vaccine is assumed to be available in the middle of 2021 and assumed to be commonly available. As a result of these assumptions, the full economic recovery occurs in 2022.

In 2020, the region is forecasted to lose 164,500 jobs (-4.9%). The magnitude of the losses is projected to be similar in each of the sub-state areas, with some variation as the result of the industrial composition in each area: Suburban Maryland (-5.7%), D.C. (-4.7%), and Northern Virginia (-4.4%). The region is projected to add 118,300 jobs (+3.7%) in 2021, including gains that broadly mirror the magnitude of losses in each of the sub-state areas: Suburban Maryland (+4.3%), D.C. (+3.6%), and Northern Virginia (+3.3%). Even with these gains, the region and each of the sub-state areas does not regain all of the lost jobs until 2022. In 2022, the region is projected to add 72,500 jobs (2.2%). Job growth is projected to slow somewhat in 2023 (+49,700 jobs) before accelerating in 2024 (+32,600 jobs). By 2023, the jobs lost due to the pandemic will have been recovered, on net, and the slowdown will be the result of a minor repositioning away from the pandemic-economy to a post-pandemic-economy. That transition is projected to have occurred by 2024 and growth in the Professional & Business Services sector is projected to be the main source of the improvement in job growth.

The Washington region's economy, as measured by its Gross Regional Product (GRP), is projected to decrease by 3.3 percent in 2020. This is the largest decrease on record, with data going back to 1990.⁶ Economic growth in 2021 is projected to be 2.4 percent; the large increase in jobs is disproportionately driven by the low value-add job growth including the Leisure & Hospitality sector

⁵ <https://www.census.gov/library/stories/2020/08/parents-juggle-work-and-child-care-during-pandemic.html>

⁶ Historic data are from IHS Markit for 1990-2000.

during the second half of the year. The largest economic rebound will occur in 2022, after the vaccine is presumed to be available and in use. During 2022, businesses and households are forecasted to fully catch-up on the forgone economic activities of the prior two years. In 2023, economic growth will slow to 2.3 percent because the majority of the catch-up activity will have occurred. By 2024, the Professional & Business Service sector is projected to have large gains as this sector pivots away from the pandemic-economy and returns to its pre-pandemic trend of diversifying away from the Federal Government.

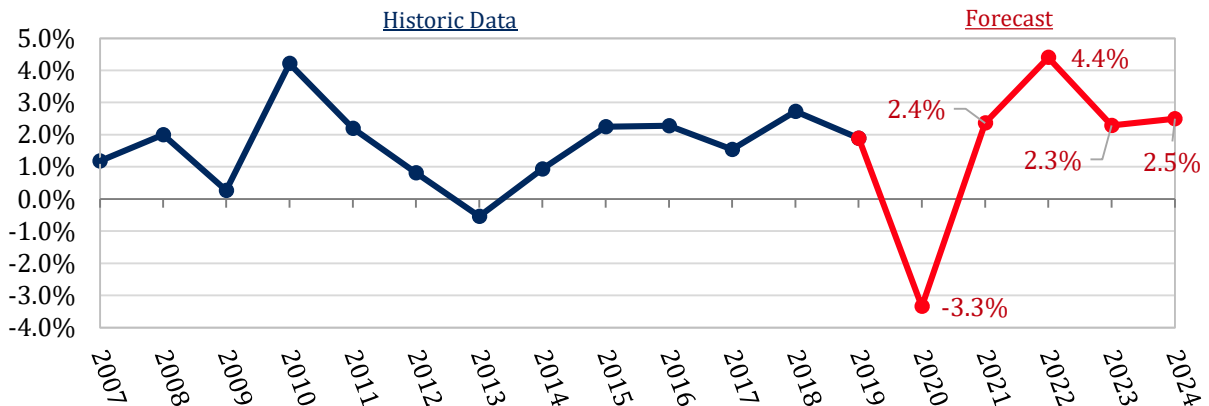
Employment Change by Sub-State Area (000s)

	2017	2018	2019	2020	2021	2022	2023	2024
D.C.	7.4	8.3	5.5	-37.7	27.1	14.9	9.6	8.8
Suburban Maryland	13.2	5.8	8.2	-58.1	41.8	21.9	13.8	11.3
Northern Virginia	21.9	28	28.9	-67.1	48.3	33.8	24.7	32.6
Washington Region	50.1	40.2	44.6	-164.5	118.3	72.5	49.7	55.9

Source: BLS, The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of Oct. 18, 2020)

NOTE: The regional totals include Jefferson, WV. and does not sum due to rounding.

Washington Gross Regional Produce (GRP)
2007 – 2019 – 2024 (Annual Percent Change)



Sources: U.S. Bureau of Economic Analysis; The Stephen S. Fuller Institute at the Schar School, GMU (forecast as of Oct. 2020)

These economic projections are subject to more uncertainty than in past years and a change in the trajectory of the pandemic or the timing and distribution of the vaccine will significantly alter these forecasts. In this scenario that assumes no local second wave of the pandemic and a vaccine by mid-2021, the economy will return to its 2019 level in 2022, a loss of economic growth for two full years. If there is a second wave locally or if the vaccine is not widely available by the middle of 2021, this recovery will be delayed further.

About These Data

Data on confirmed COVID-19 cases are from the Johns Hopkins University Center for Systems Science and Engineering and aggregated by county to the 2013 Metropolitan Statistical Area definitions. Air passenger data are from the Metropolitan Washington Airports Authority for the Washington region (<https://www.mwaa.com/about/2020-dulles-air-traffic-statistics>) and (<https://www.mwaa.com/about/reagan-air-traffic-statistics>) and from Transportation Security Administration (<https://www.tsa.gov/coronavirus/passenger-throughput>). Restaurant reservations data are from OpenTable and available at <https://www.opentable.com/state-of-industry>. Data on consumer spending are from the Opportunity Insights Economic Tracker (<https://tracktherecovery.org/>). Payroll jobs data and employed residents data are from U.S. Bureau of Labor Statistics. Data on teleworking and the reason not in the labor force are from the U.S. Census's Household Pulse Survey, microdata file. Productivity data are from the U.S. Bureau of Labor Statistics (jobs by industry) and the U.S. Bureau of Economic Analysis (Value Added by Industry). The Washington region's forecast is based on estimates by the Stephen S. Fuller Institute. All data are as of 10/18/2020.



The Stephen S. Fuller Institute is the premier source for information and analysis of the Washington region's economy. Through consistent monitoring of regional issues and the economy, the Institute is able to identify critical conditions and trends impacting the future vitality of the Washington region's economy. Regularly communicating these findings and producing timely research on short and long-term regional policy options to ensure local business and government leaders are equipped with the data needed to make informed decisions regarding the region's future.

The Institute was founded in 2017 by renowned regional economist Stephen S. Fuller, Ph.D. and is a part of the [Schar School of Policy and Government](#) at George Mason University. Dr. Fuller led the Institute until his retirement in January 2020. Today, the Institute is led by Jeannette Chapman.

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The Stephen S. Fuller Institute is now in its fourth year of operation and continues to fulfill its mission as being the premier source for information and analysis of the Washington region's economy.

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- [DC region lost \\$1.6 billion during shutdown, economist says](#), WTOP (January 2019)
- [Northern Virginia's economic growth risks leaving Maryland suburbs behind](#), Washington Post (January 2020)
- [How Bad Will It Get? We Spoke to the Top DC-Area Economic Forecaster](#), Washingtonian (March 2020)
- [D.C. Region Grapples With Unprecedented Unemployment Figures Following Coronavirus Outbreak](#), WAMU (April 2020)

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