



Update from the U.S. Bureau of Economic Analysis

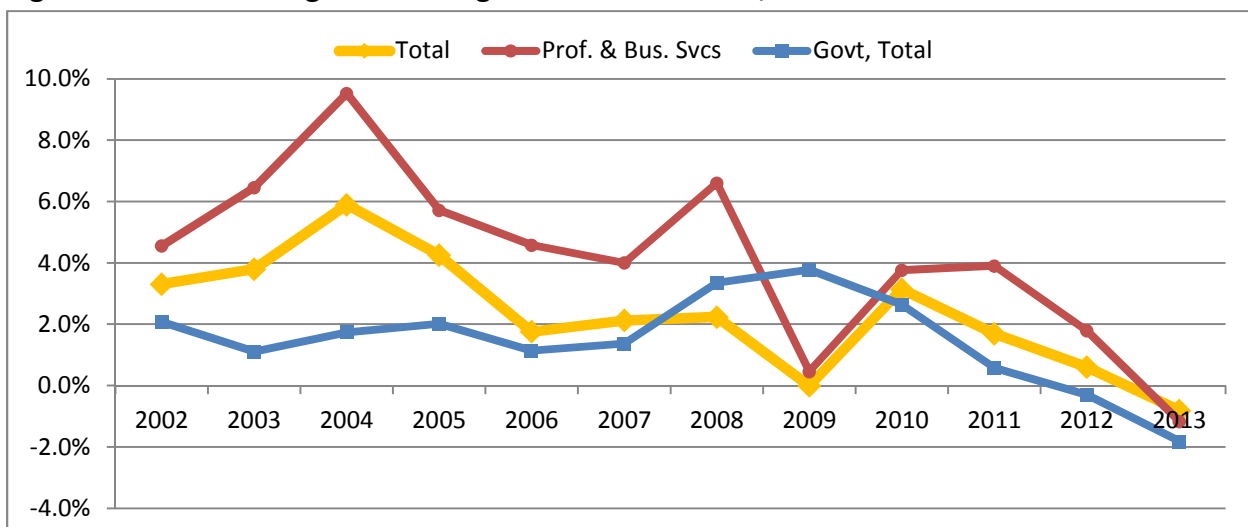
Washington Metro Area Gross Regional Product, 2001-2013

All data current as of September 16, 2014

In the Washington Metro Area¹ (WMA), gross regional product² (GRP) decreased 0.8 percent between 2012 and 2013. This decline was larger than previously estimated and included declines both in the Federal Government and the private sector. GRP decreased more in 2013 than it did during the Recession when it declined 0.01 percent. The recent declines were driven by Federal spending reductions, both in contracting and wages that resulted from the military and Stimulus drawdowns, Sequestration, and the Federal shutdown.

As shown in Figure 1, the rate of growth in the government component of GRP, including Federal, state and local government, increased between 2006 and 2009, when it reached a peak growth rate of 3.8 percent. This increase was driven by the Federal government, both civilian and military. The rate of growth slowed in the following years, and declined modestly (0.3 percent) between 2011 and 2012. The decline in military spending began a year earlier and decreased 3.6 percent between 2010 and 2011.

Figure 1. Percent Change in Washington Metro Area GRP, 2002-2013



Source: U.S. Bureau of Economic Analysis and GMU Center for Regional Analysis

¹ As defined by the Office of Management and Budget in 2013.

² As defined by the Bureau of Economic Analysis, GRP is the "measure of the market value of all final goods and services produced within a metropolitan area."

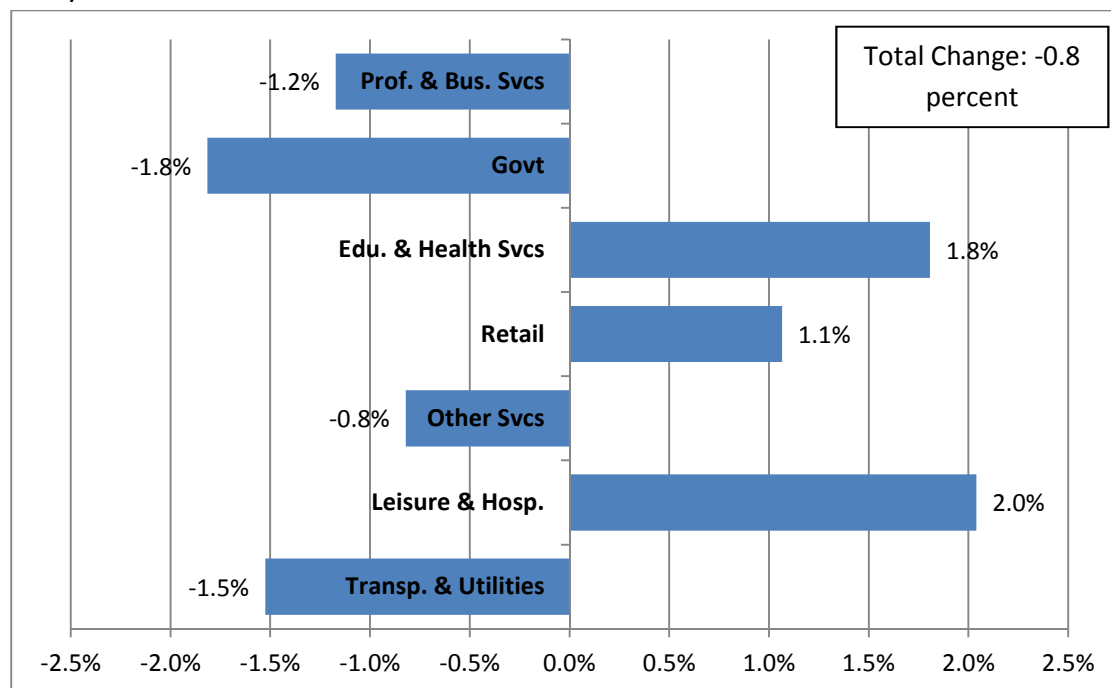
Federal employment decreased by 9,200 jobs (2.4 percent) between 2011 and 2013. During this same period, average annual pay for Federal employees decreased by 0.8 percent. The combined effect resulted in a decrease in the Federal component of GRP. Reductions in Federal spending have also impacted the private sector: Federal procurement in the WMA declined by 10 percent from FY 2012 to FY 2013, and 16 percent between FY 2010 and FY 2013. Both Department of Defense (DoD) contracts and non-DoD contracts have declined since FY 2010.

The WMA's largest private employment sector, Professional and Business Services, was the economic driver of growth in the early 2000's. Between 2002 and 2008, average annual growth in this sector was nearly six percent, but slowed to 0.5 percent during the Recession. Growth quickly rebounded in this sector, largely driven by Federal contracting. But as contracting slowed, so did growth in the Professional and Business Services sector. From 2012 to 2013 Professional and Business Services declined 1.2 percent, representing one-third of the total decrease in GRP.

Among sectors with reported data³ only three posted GRP growth between 2012 and 2013: Leisure and Hospitality (+2.0 percent), Education and Health Services (+1.8 percent), and Retail Trade (+1.1 percent). The Education and Health Services and Retail sectors are primarily resident-serving and the growth was driven by demographic changes and population increases. The largest component of the Leisure and Hospitality sector is food services and drinking places, which has also accounted for the majority of recent job growth in this sector.

Figure 2. Percent Change GRP by Sector, 2012-2013

Ranked by Size in 2013



Source: U.S. Bureau of Economic Analysis and GMU Center for Regional Analysis

³ Preliminary 2013 data do not include all sectors.

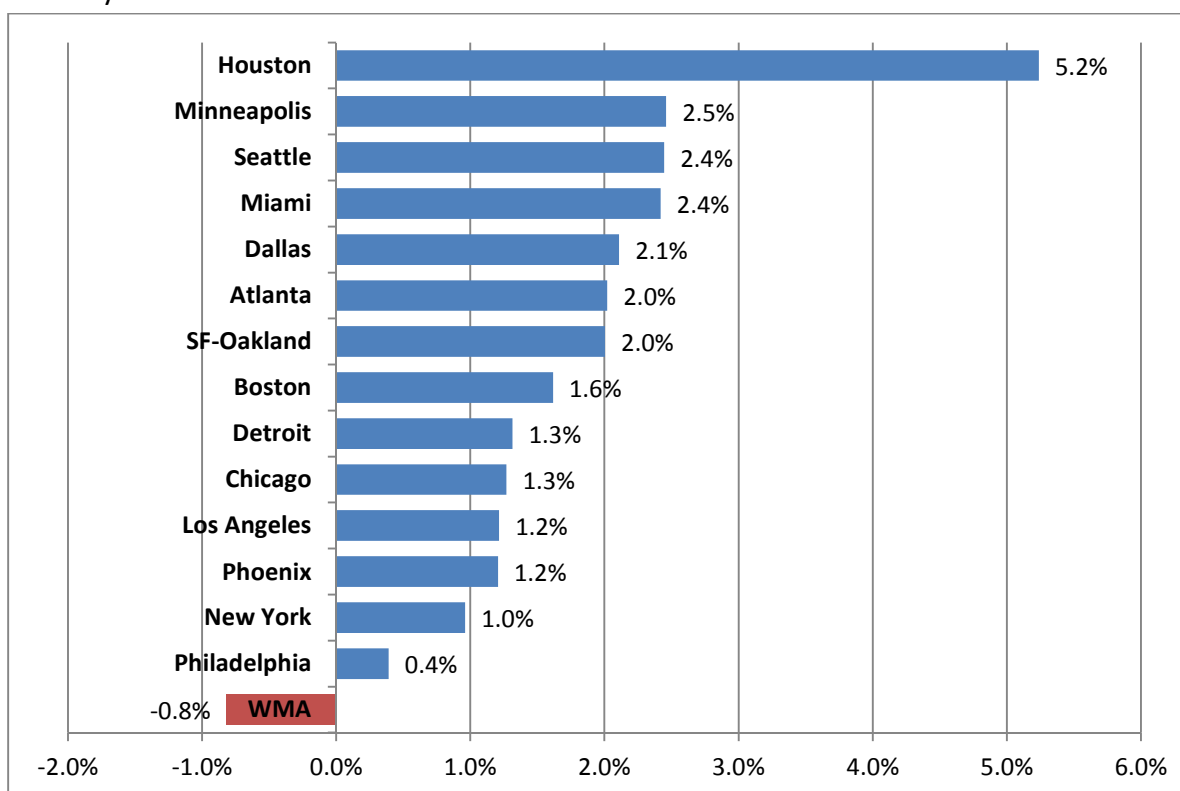
Gross Regional Product in 15 Largest Employment Metros, 2012-2013

Among the 15 largest employment metros the WMA had the lowest growth rate between 2012 and 2013 and was the only metro in which GRP declined (Figure 3). Of all 381 metro areas in the U.S., the WMA ranked 330th in terms of growth over this time.

The WMA had the fifth highest total GRP of all the metros, behind New York, Los Angeles, Chicago and Houston. Between 2009 and 2011, the WMA ranked 4th, but was overtaken by Houston in 2012.

Figure 3. Percent Change in GRP in 15 Largest Employment Metros, 2012-2013

Ranked by Growth Rate



Source: Bureau of Economic Analysis and GMU Center for Regional Analysis

GMU Center for Regional Analysis

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The Center for Regional Analysis has become the “go-to” organization for economic, demographic and housing data and analysis in the Washington region and is regularly cited as the source of information for the media, research scholars, and investors interested in understanding the regional economy. CRA posts research reports, presentations, data and other information on our website at cra.gmu.edu.