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Is the DC economy stalling?

BLS reports no recent net gains in either jobs located in DC or jobs held by DC residents

Employment in the District of Columbia has stopped growing in recent months, according to seasonally-adjusted employment and labor force data from the US Bureau of Labor Statistics. This is true both for jobs located in the District of Columbia and for jobs held by DC residents.

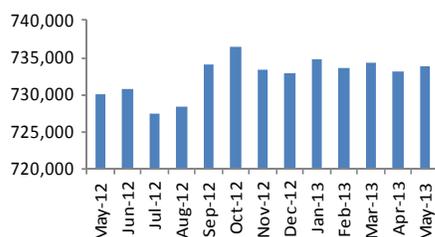
The number of jobs located in DC peaked at 736,400 in October 2012, declining by May 2013 to 733,800. This decrease of 2,600 (0.4%) over the past seven months represents a significant change from the preceding 42 month period. From April 2009 to October 2012 employment had increased by 41,200 (5.9%).

For DC residents, employment peaked in March 2013 at 341,229, and by May had dropped by 665. The decline was small—just 0.2%—but it was a sharp reversal from the recent past. In the 20 months between July 2011 and March 2013, District resident employment grew by 31,355 (10.1%).

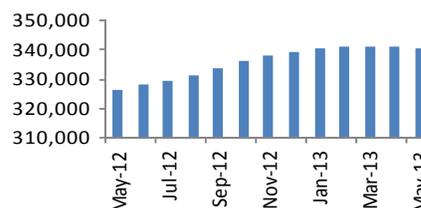
Especially because the full effects of federal spending cutbacks mandated by the sequester have not yet materialized, data suggesting that employment in the District of Columbia has already begun to decline are particularly worrisome. It is, however, too soon to draw firm conclusions from this data about the near term outlook for the District’s economy. This is true for two reasons: (1) the data may be revised, and (2) this data needs to be considered along with other indicators, some not so negative, in getting a full picture of current trends.

With respect to data revisions, the annual revisions that take place each spring have often been significant. This past March, for example, BLS raised its seasonally adjusted estimate of the level of resident employment for May 2012 by 5,736 (1.8%). The resident employment number seems.....(continued on p. 2)

Wage and salary employment in DC: May 2012 to May 2013 (seasonally adjusted)



DC resident employment: May 2012 to May 2013 seasonally adjusted)



This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.

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to be particularly susceptible to revision because it is related in part to the District's population. Recent gains in DC's population may not yet have been fully factored into BLS estimates for this year.

In developing a fuller picture of current conditions in the District's economy, it should be noted that there are other measures than the recent BLS employment data that do not suggest the same degree of slowing. For example, occupied commercial office space has grown each of the past 3 quarters, and was 1.5% higher in June 2013 than it was in September 2012. Also, tax collections for withholding for the individual income tax and the general sales tax—the two sources of collections most directly connected to the current level of economic activity in the District—have been increasing throughout the fiscal year.

Although it is too early to draw definite conclusions about the current direction of the District's economy, the recent BLS employment data underscore the importance of paying close attention to two key areas in making such assessments: (1) the strength of private sector employment growth, and (2) labor force dynamics involving the interaction of population changes, the labor force, and the unemployment rate.

Private sector employment. Employment in the federal government, which currently accounts for about 28% of all DC jobs, has been falling for two years, declining by 10,700 jobs (5%) between May 2011 and May 2013. Accordingly, with a pick-up in federal employment unlikely in the near future, the question of whether total DC employment rises or falls depends on the strength of the private sector. For much of the past two years private sector employment increases more than offset federal declines. Over the past 7 months, however, this has no longer been the case. From October 2012 to May 2013 the private sector gain of 2,200 (mostly in technical services and food services) was unable to offset the decrease of 4,300 federal jobs.

Wage and salary employment in DC by sector: May 2012 to May 2013

(seasonally adjusted)

	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
All jobs located in DC	730,100	730,700	727,500	728,500	734,100	736,400	733,400	733,000	734,700	733,600	734,300	733,100	733,800
Federal government	208,600	208,100	208,400	208,400	208,200	207,300	206,800	206,300	206,400	206,100	205,500	204,900	203,000
Private sector	486,900	487,900	486,400	488,600	491,600	494,300	491,700	491,700	493,200	492,300	494,100	494,200	496,500

Source: US Bureau of Labor Statistics, May 2013

Labor force dynamics. As noted earlier, resident employment grew by 31,355 between July 2011 and March 2013. Of the increase, about 20% is attributable to a fall in the unemployment rate (from 10.3% to 8.5%). The remainder of the employment growth reflects a 7% increase in the District's labor force.

One of the surprising things about the decline in resident employment in the past 2 months is that it is attributable entirely to a drop in the labor force. The fall of almost 1,000 in the labor force was great enough to offset the modest boost to employment that otherwise would have been associated with the small decline in the unemployment rate (from 8.6% to 8.5%). The decline in the labor force could reflect the impact of persons unable to find work leaving the labor force—so called discouraged workers. Over the longer term, however, sustained increases in the working age population can be expected to result in an increase in the labor force, which in turn would lead to higher resident employment if the unemployment rate doesn't rise. (Gains would be greater, of course, if the unemployment rate also falls at the same time.)

It should be noted that an increase in resident employment does not necessarily require a net increase in wage and salary employment located in the District of Columbia. District residents can take jobs now held by commuters as those commuters retire or move, and District residents can also work in jobs outside of DC.

—Stephen Swaim, Office of Revenue Analysis

DC labor force, unemployment rate, and resident employment: May 2012 to May 2013

(seasonally adjusted)

	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
Labor force	359,301	360,713	362,211	363,923	365,952	367,771	369,320	370,717	372,240	373,130	373,138	372,468	372,142
Unemployment rate (%)	9.1	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.6	8.6	8.6	8.5	8.5
Resident employment	326,547	327,919	329,503	331,461	333,841	336,010	337,835	339,422	340,227	340,941	341,229	340,933	340,564

Source: US Bureau of Labor Statistics, May 2013