

FPA National Capital Symposium

The Economy in Transition

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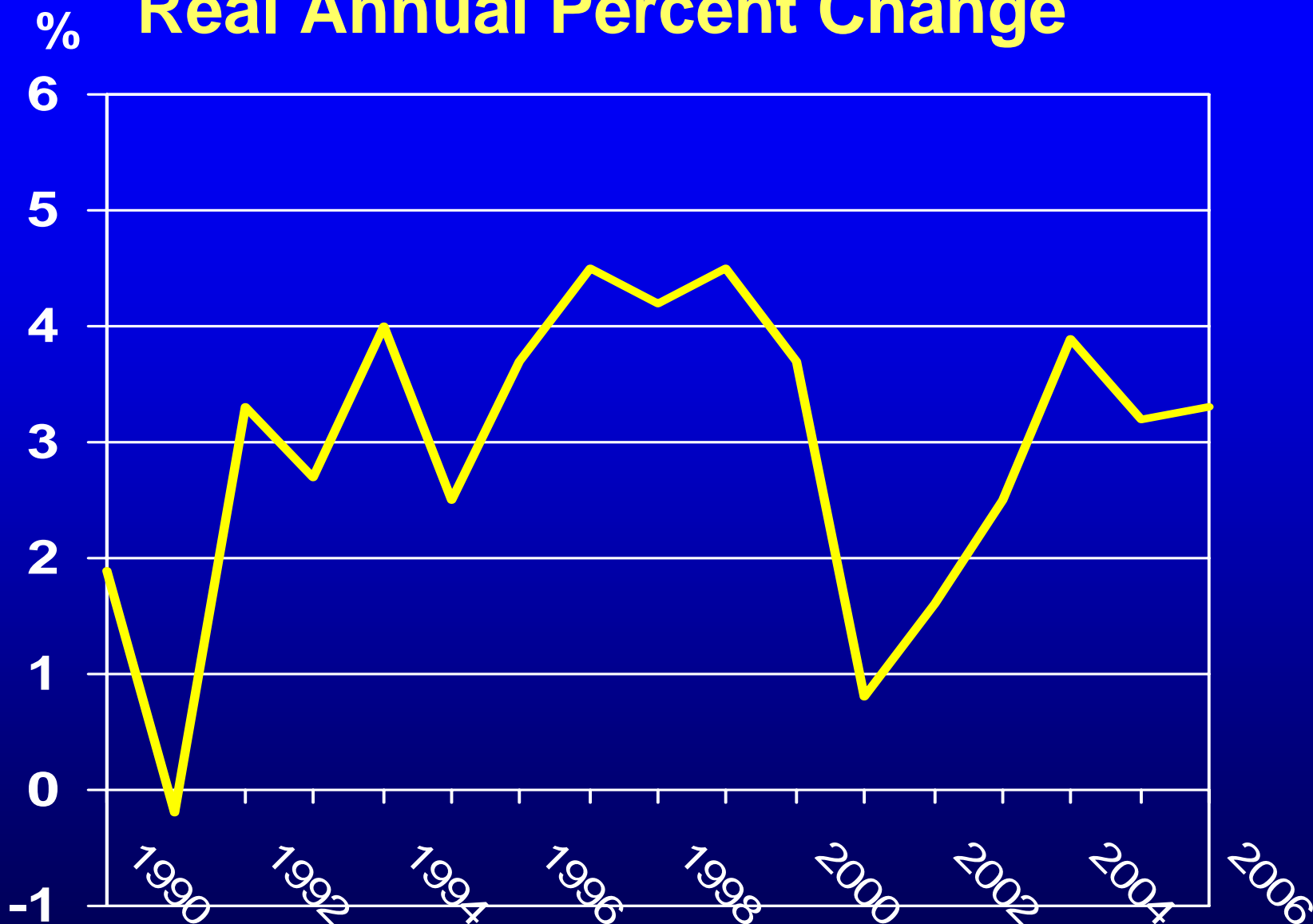
School of Public Policy, George Mason University

January 19, 2007

The U.S. Economy in 2007: Year of Changing Momentum

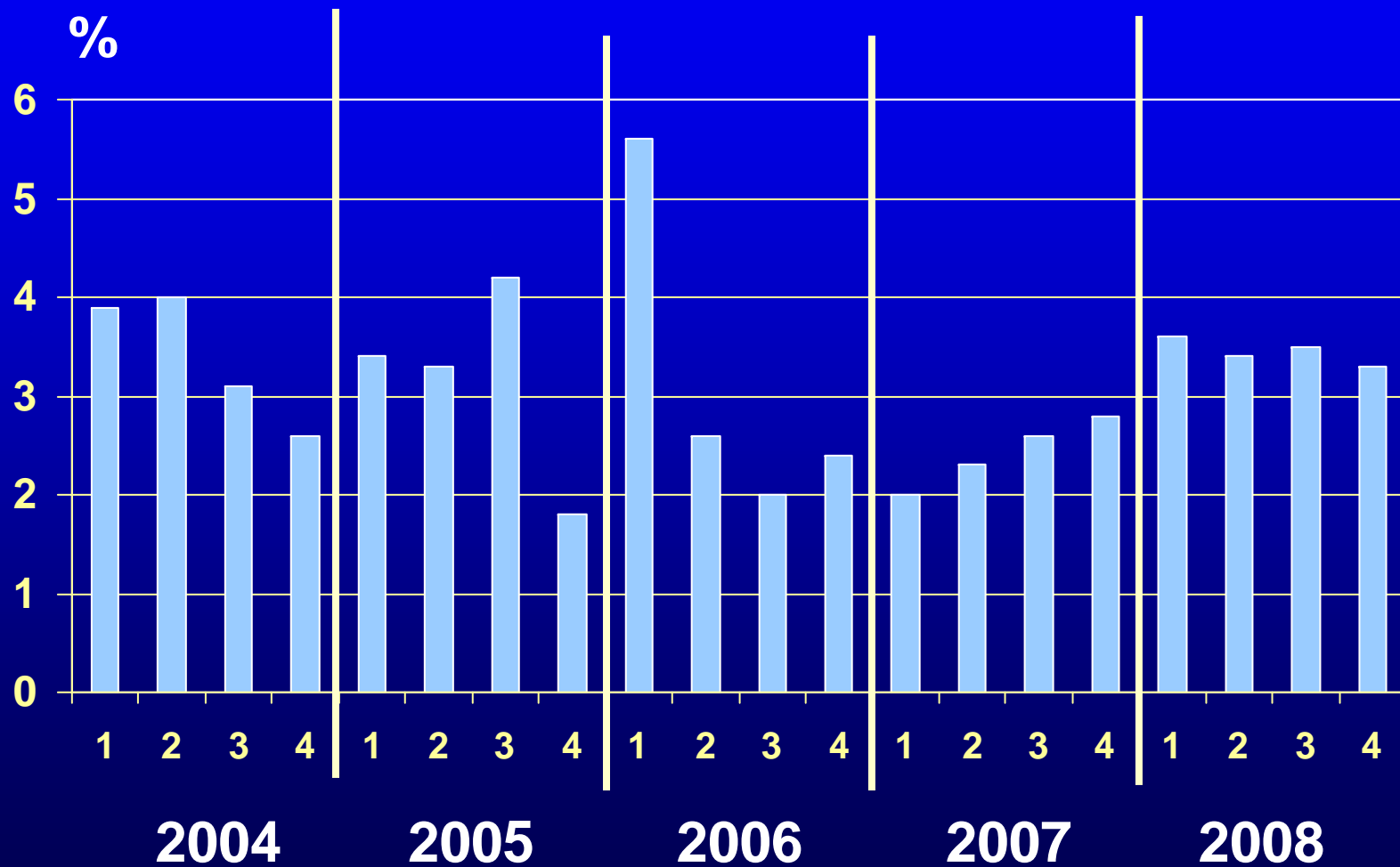
U.S. GDP 1990-2006

Real Annual Percent Change



Source: Global Insight, GMU Center for Regional Analysis

U.S. Gross Domestic Product Quarterly Change: 2004 - 2008

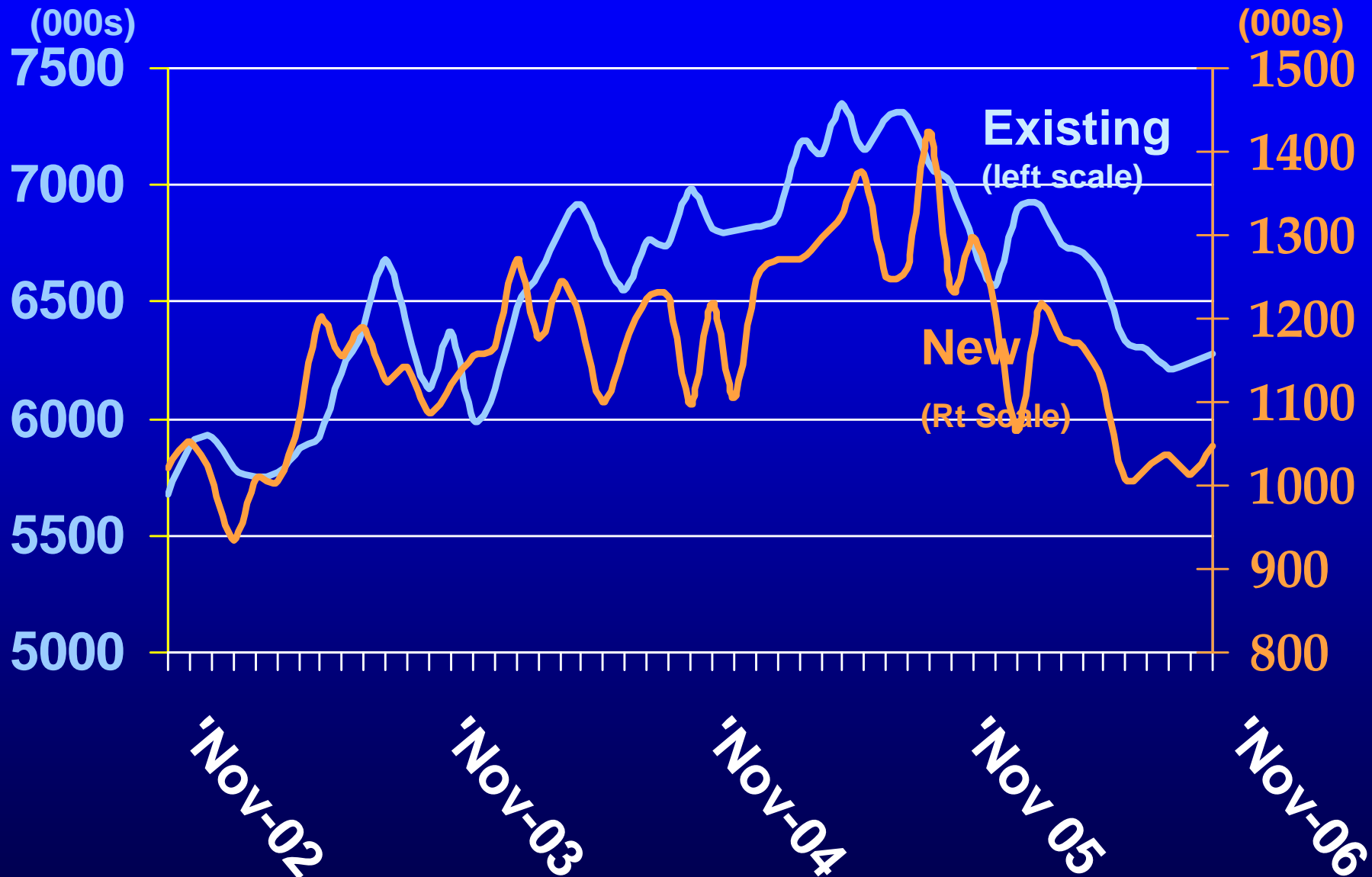


Source: BEA, GMU Center for Regional Analysis

Major Factors Impacting GDP Growth

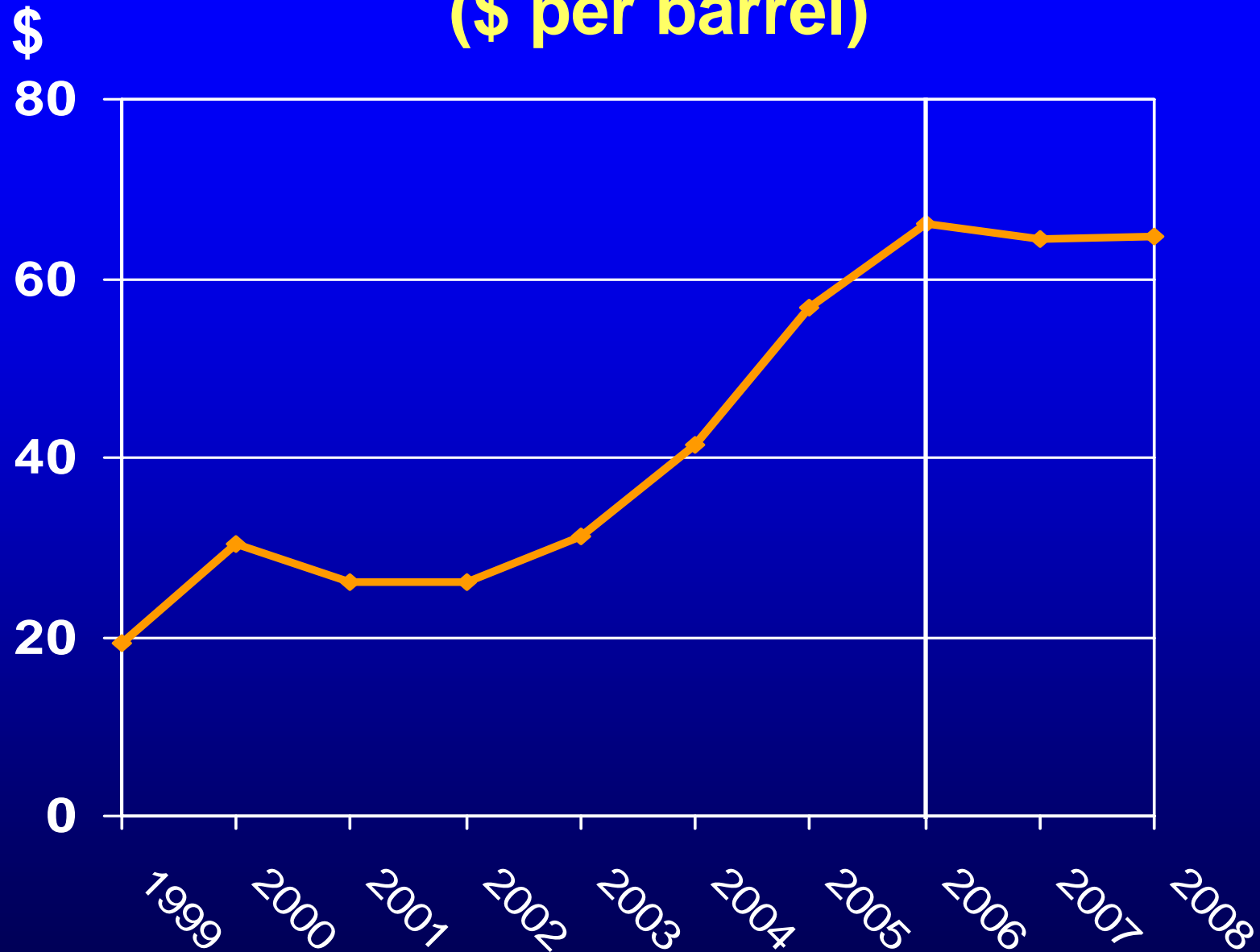
- **Downturn in Housing Market**
- **Increase in Oil Prices**
- **Increase in Federal Funds Rate**

Housing Trends: New & Existing Home Sales



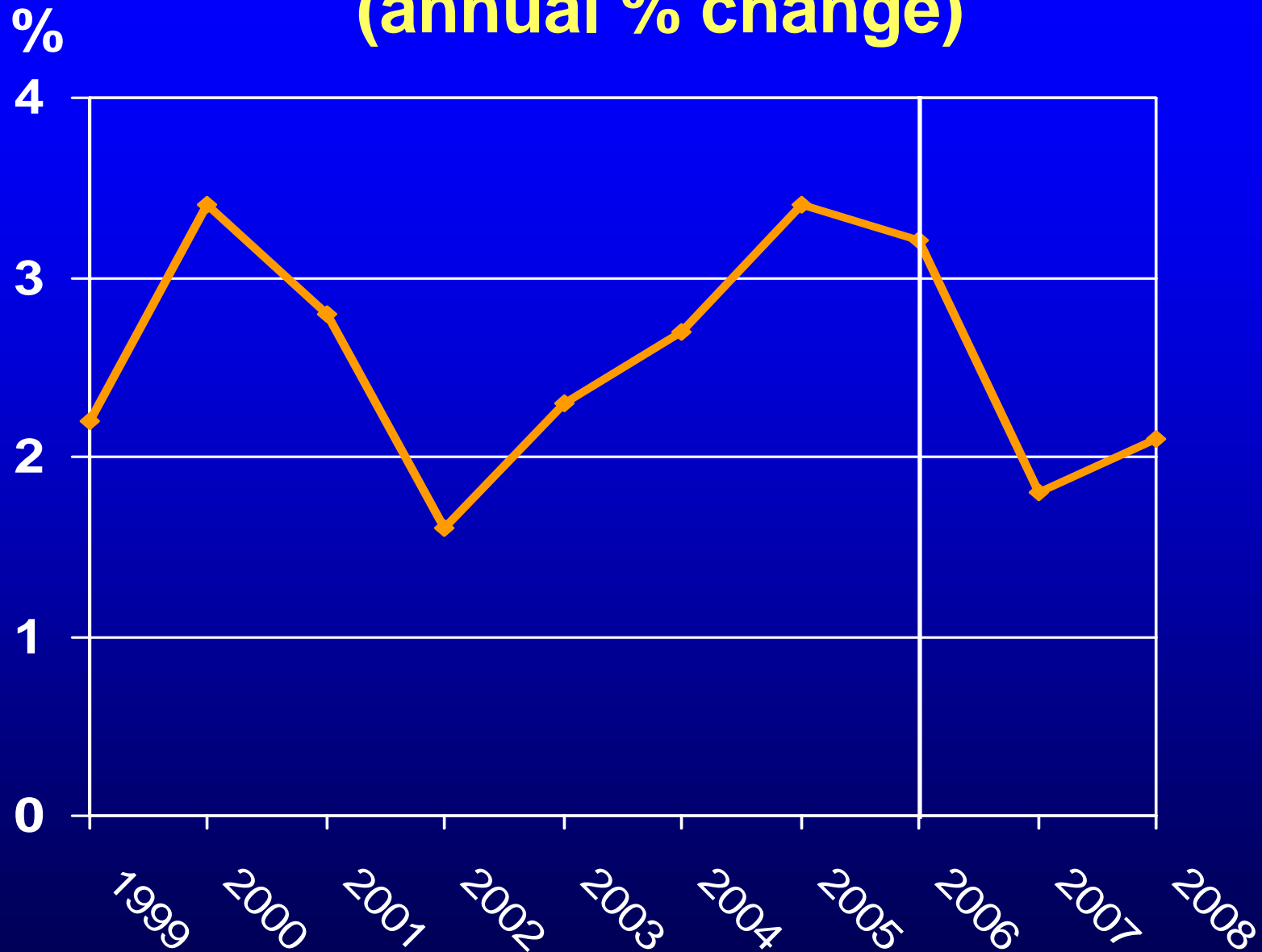
Source: Census, NAR, GMU Center for Regional Analysis

Oil Prices: 1999 – 2008 (\$ per barrel)



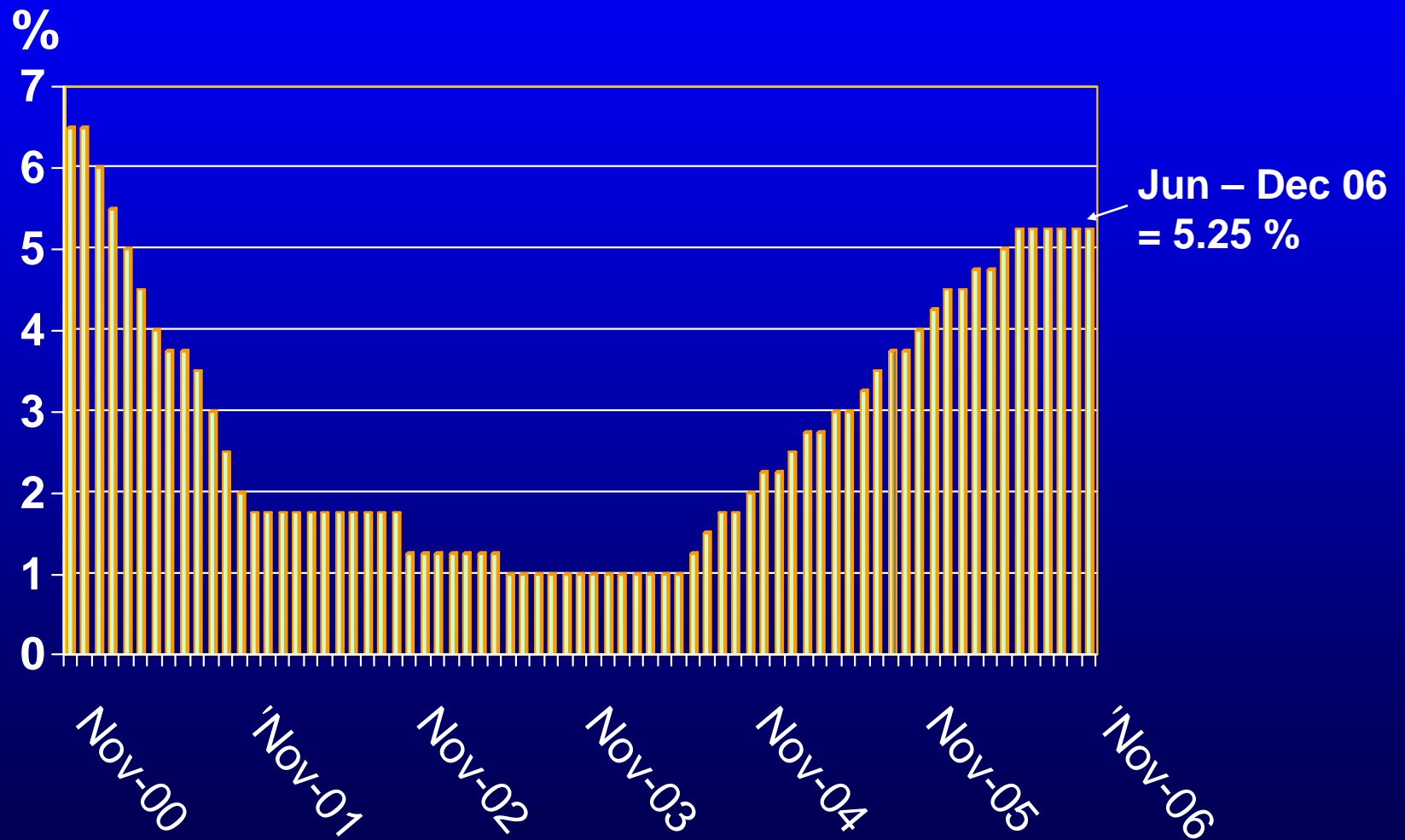
Source: Global Insight, GMU Center for Regional Analysis

Consumer Price Index (annual % change)



Source: Global Insight, GMU Center for Regional Analysis

Federal Funds Interest Rate



Source: Federal Reserve, GMU Center for Regional Analysis

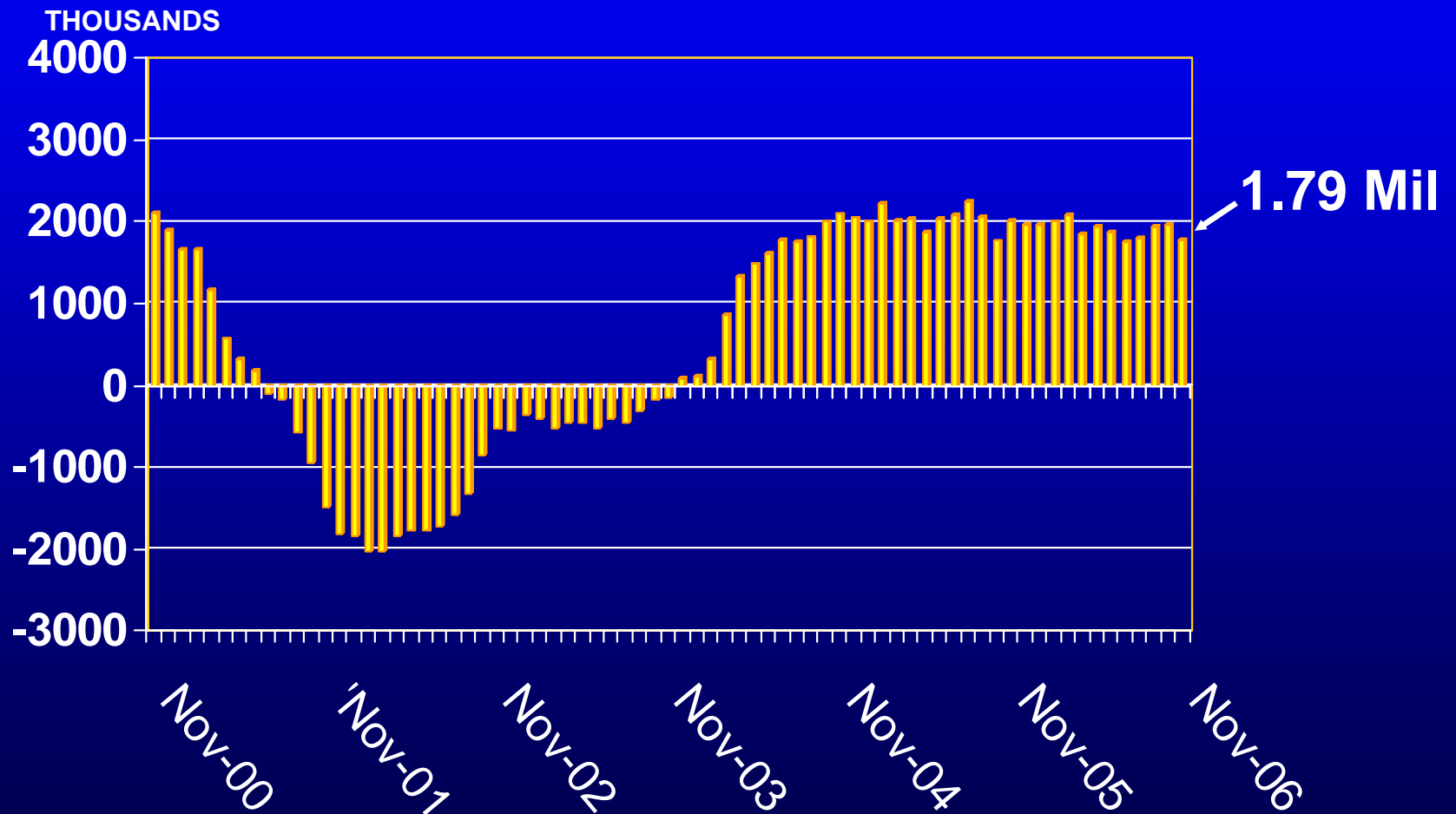
Productivity (annual % change)



Source: Global Insight, GMU Center for Regional Analysis

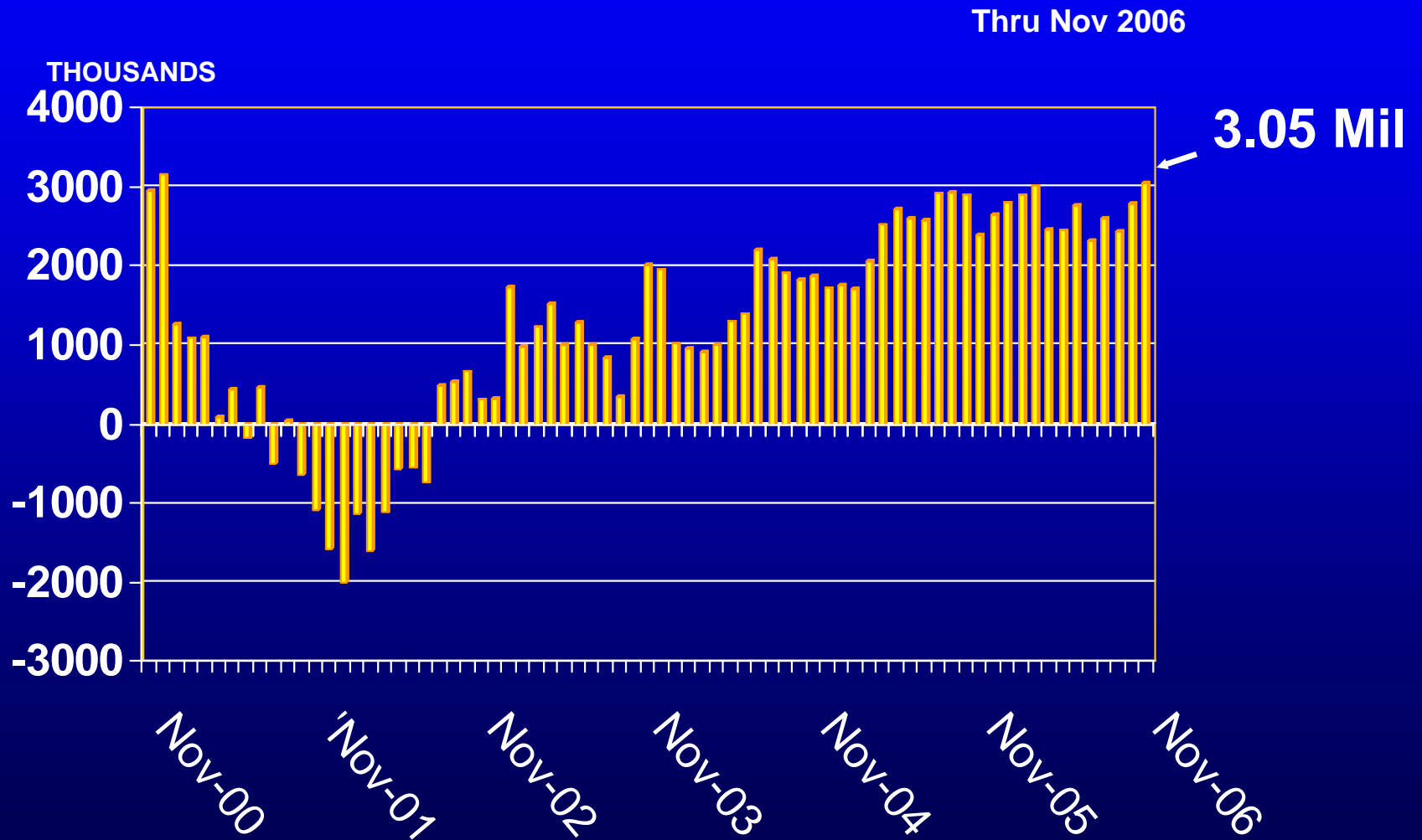
Annual Change in Payroll Jobs - US

Thru Nov 2006

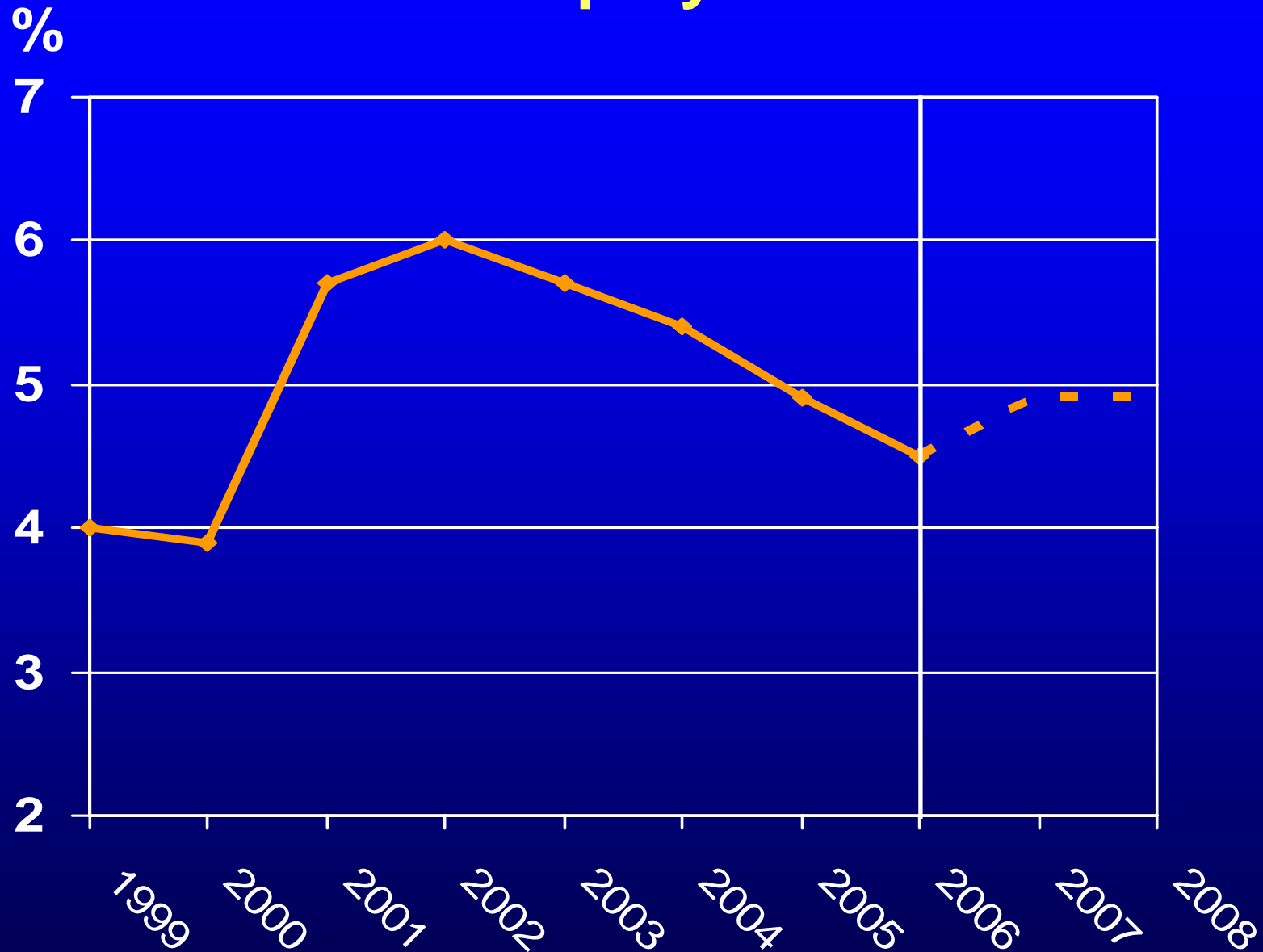


Source: BLS Establishment Survey

Annual Change in All Jobs - U.S.

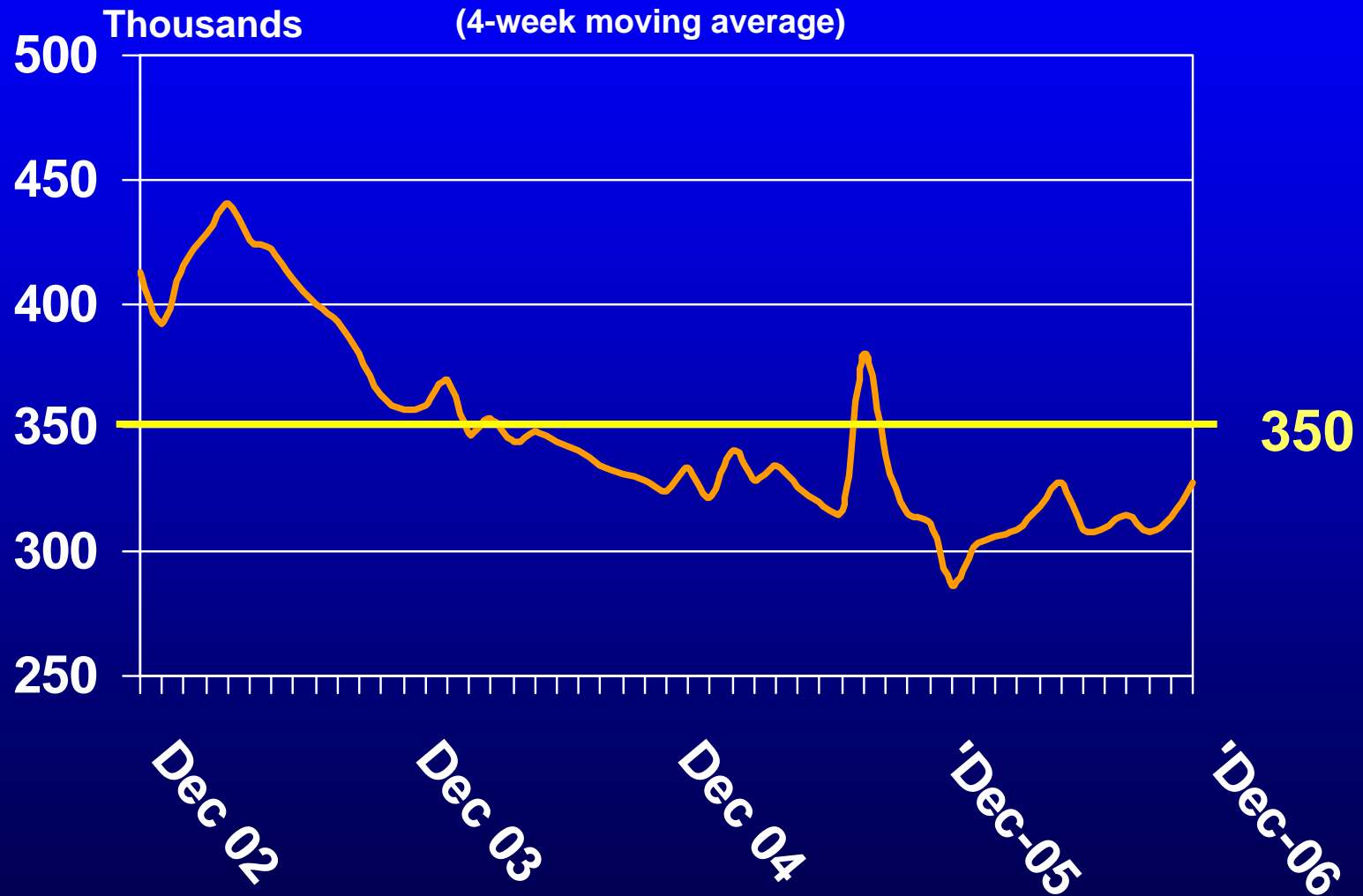


U.S. Unemployment Rate

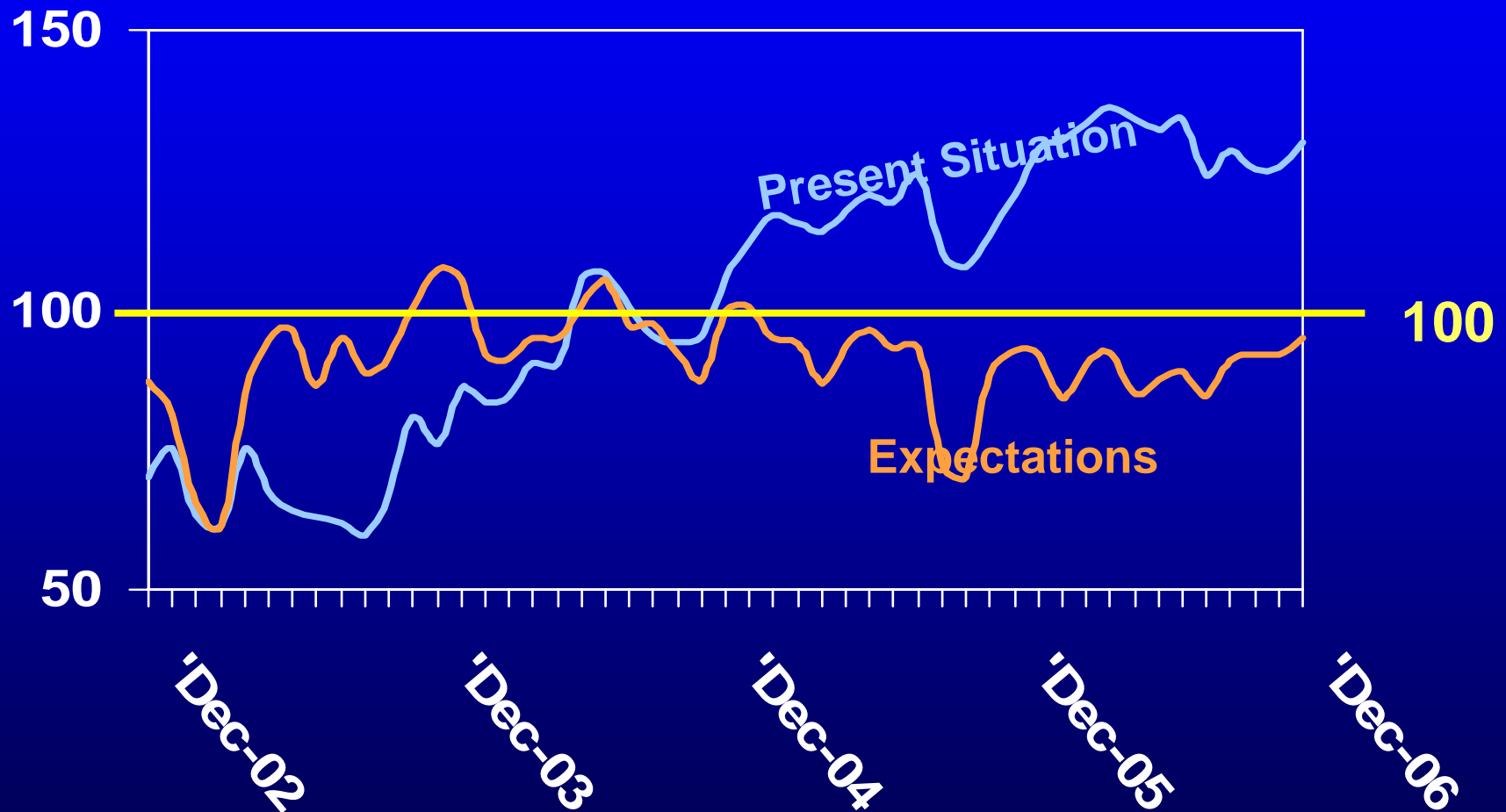


Source: Global Insight, GMU Center for Regional Analysis
(Seasonally adjusted, Dec data)

Initial Unemployment Claims

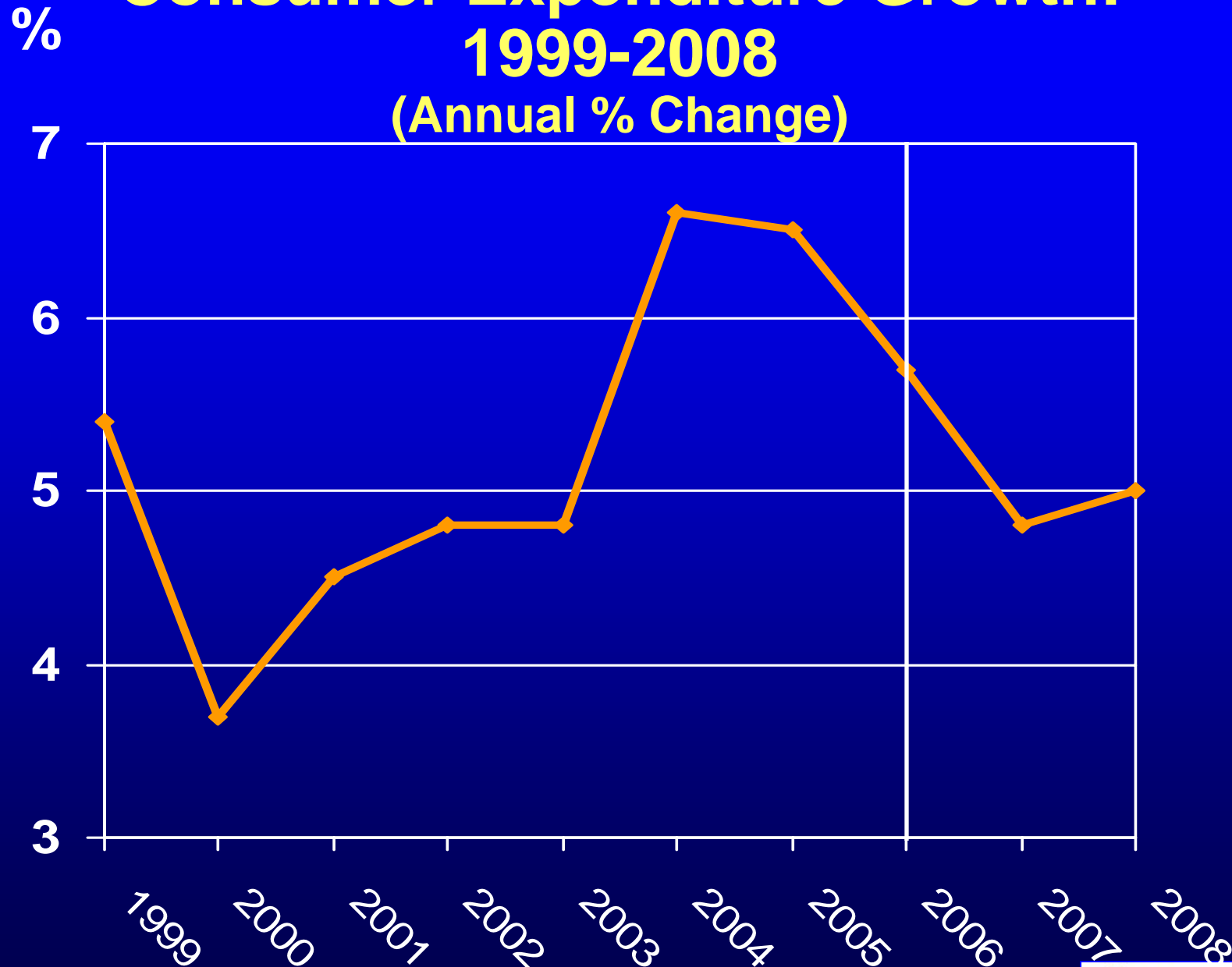


Consumer Confidence



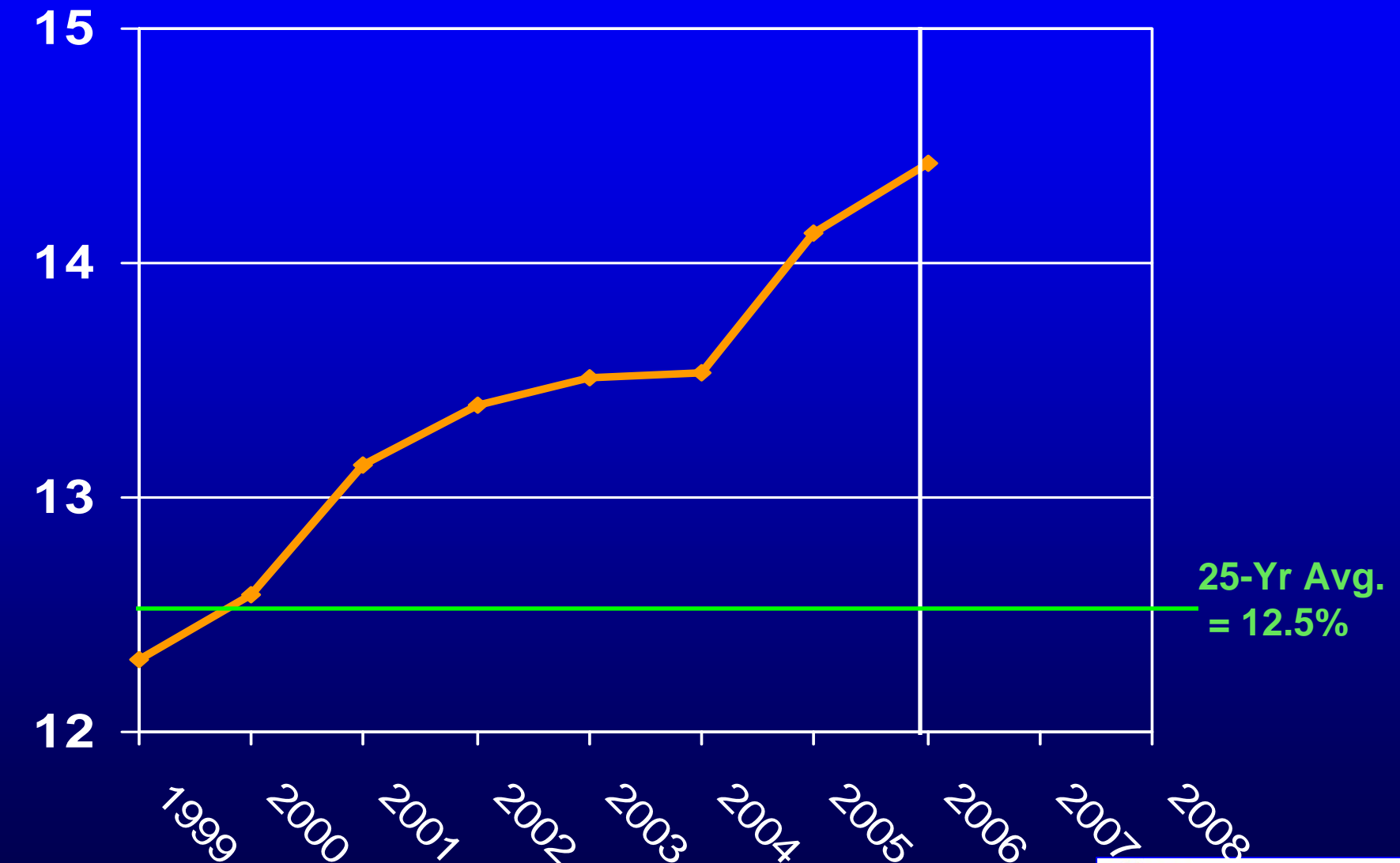
Source: Conference Board, GMU Center for Regional Analysis

Consumer Expenditure Growth: 1999-2008 (Annual % Change)



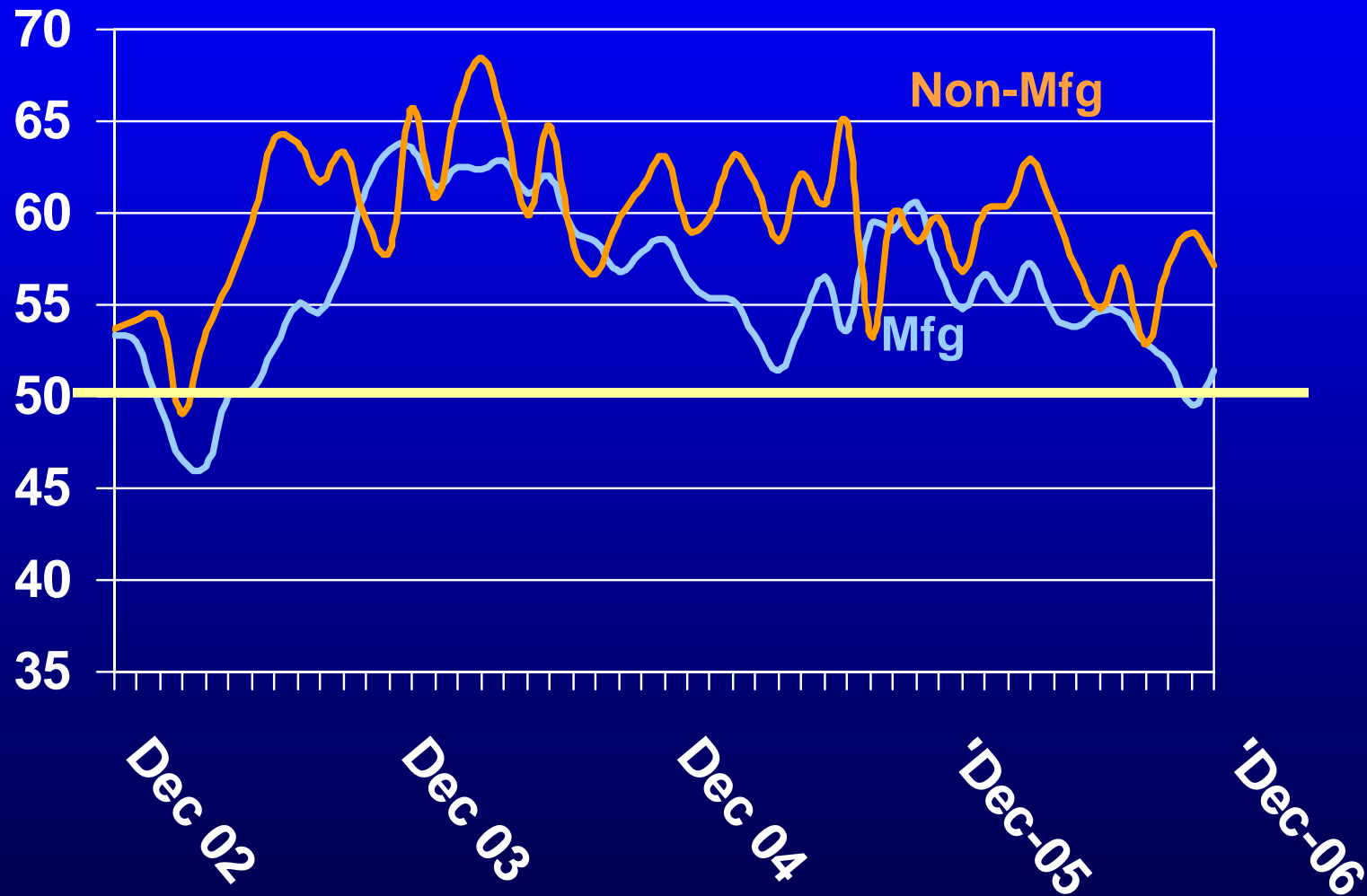
Source: BLS, GMU Center for Regional Analysis

Household Debt Service Ratio: 1999-2006

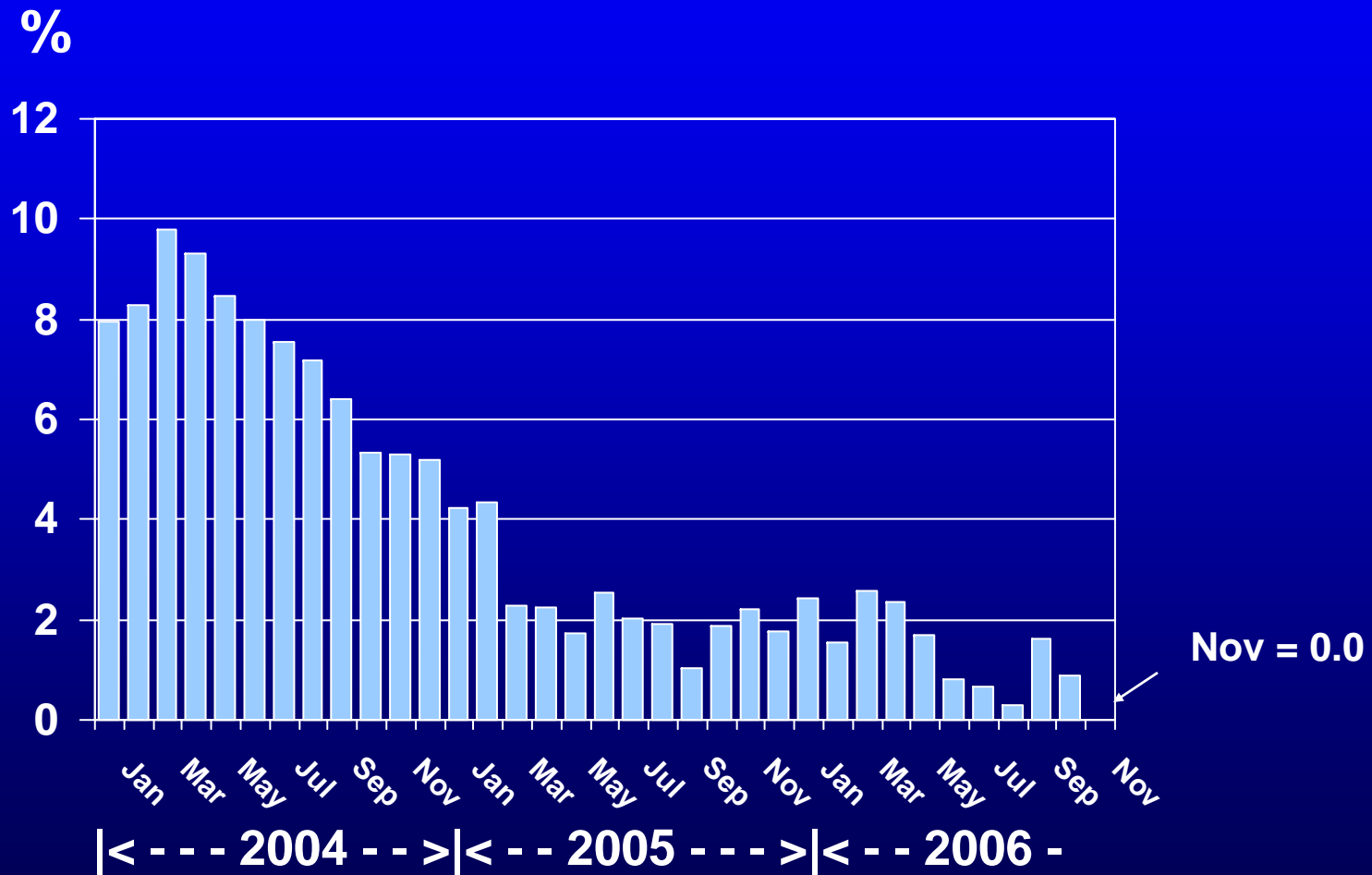


Source: BLS, GMU Center for Regional Analysis

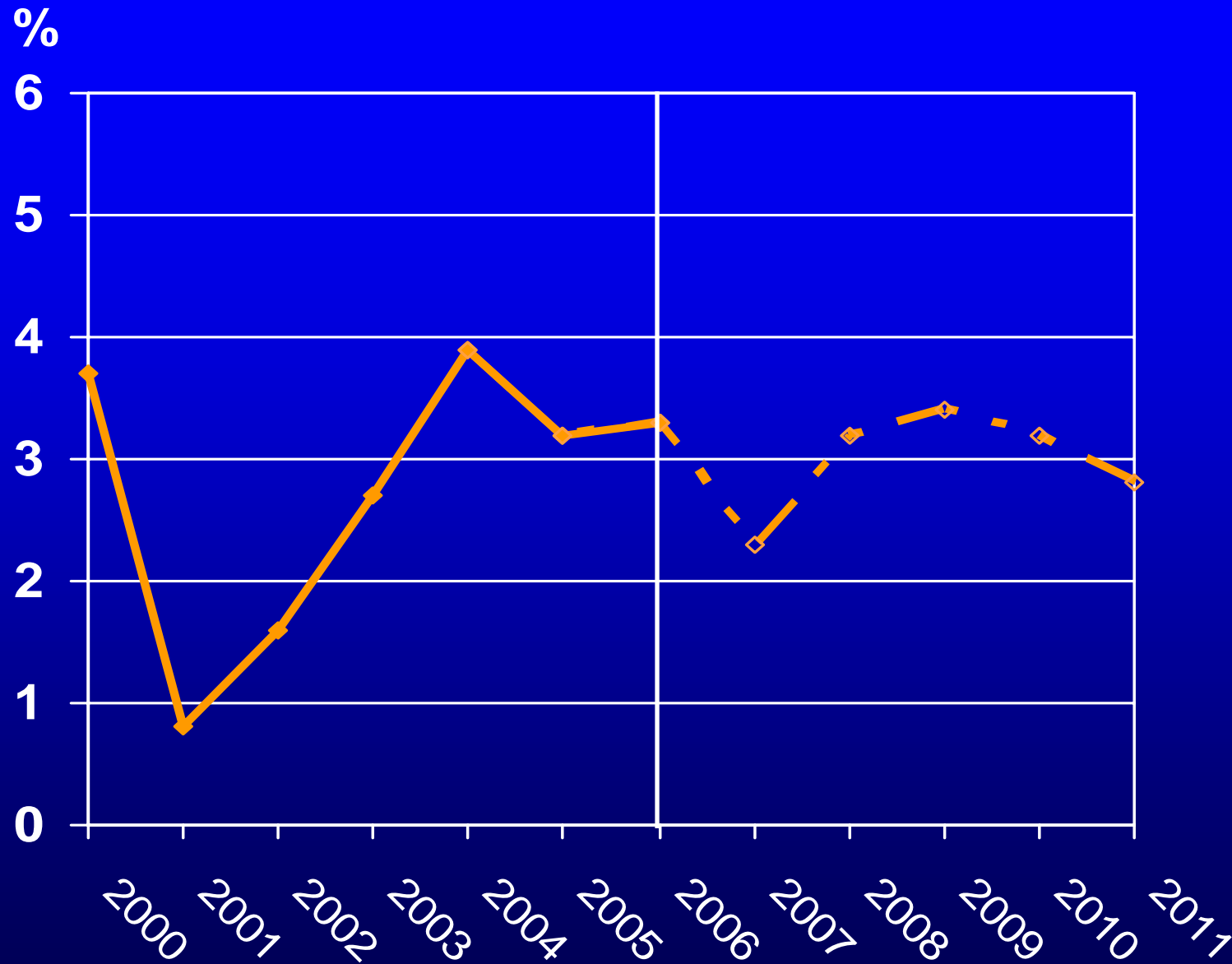
ISM Manufacturing and Non-Manufacturing Indices



U.S. Leading Index Monthly Over-the-Year Percent Changes



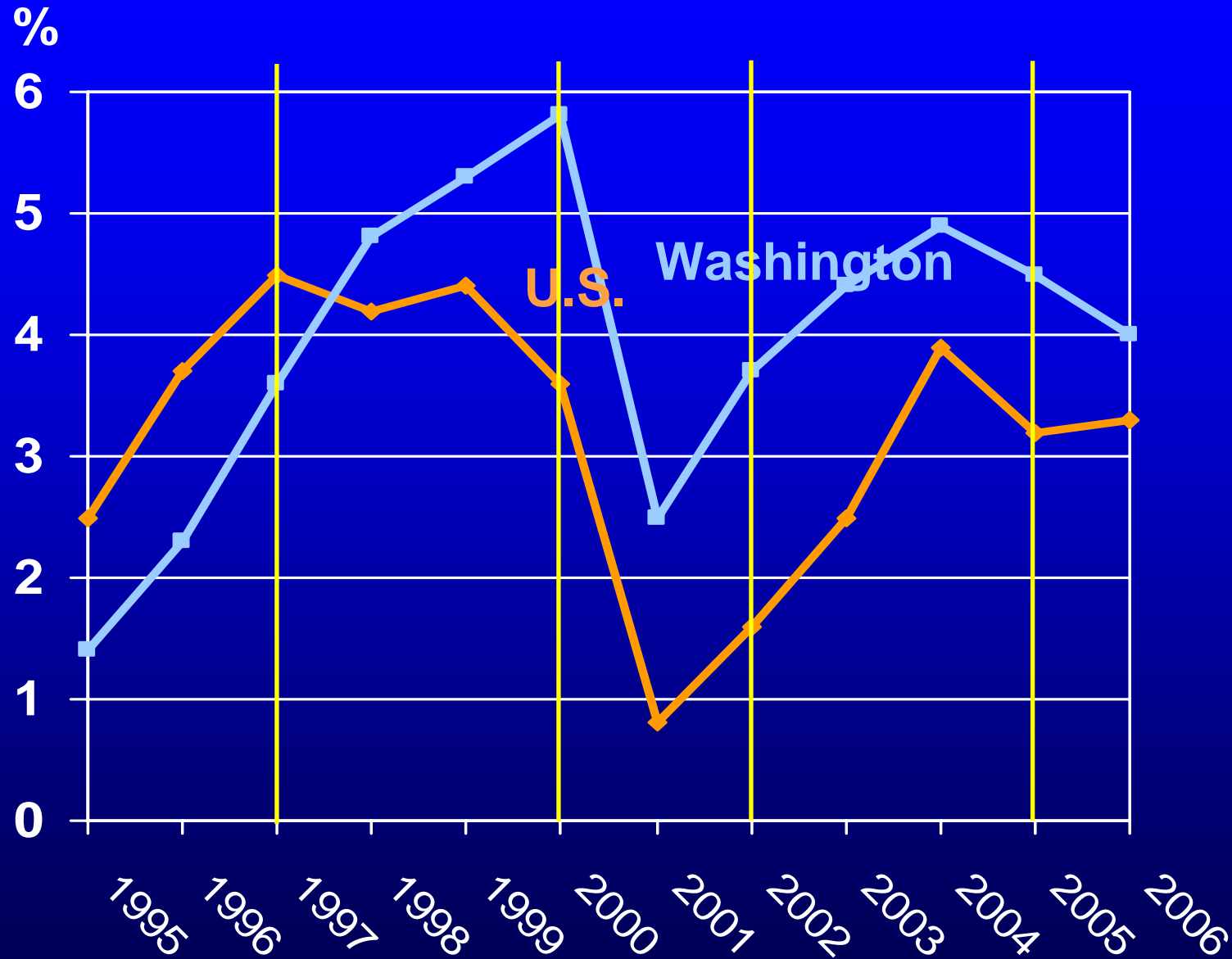
GDP 2000 - 2011



Source: Global Insight, GMU Center for Regional Analysis

The Washington Area Economy: Current Performance

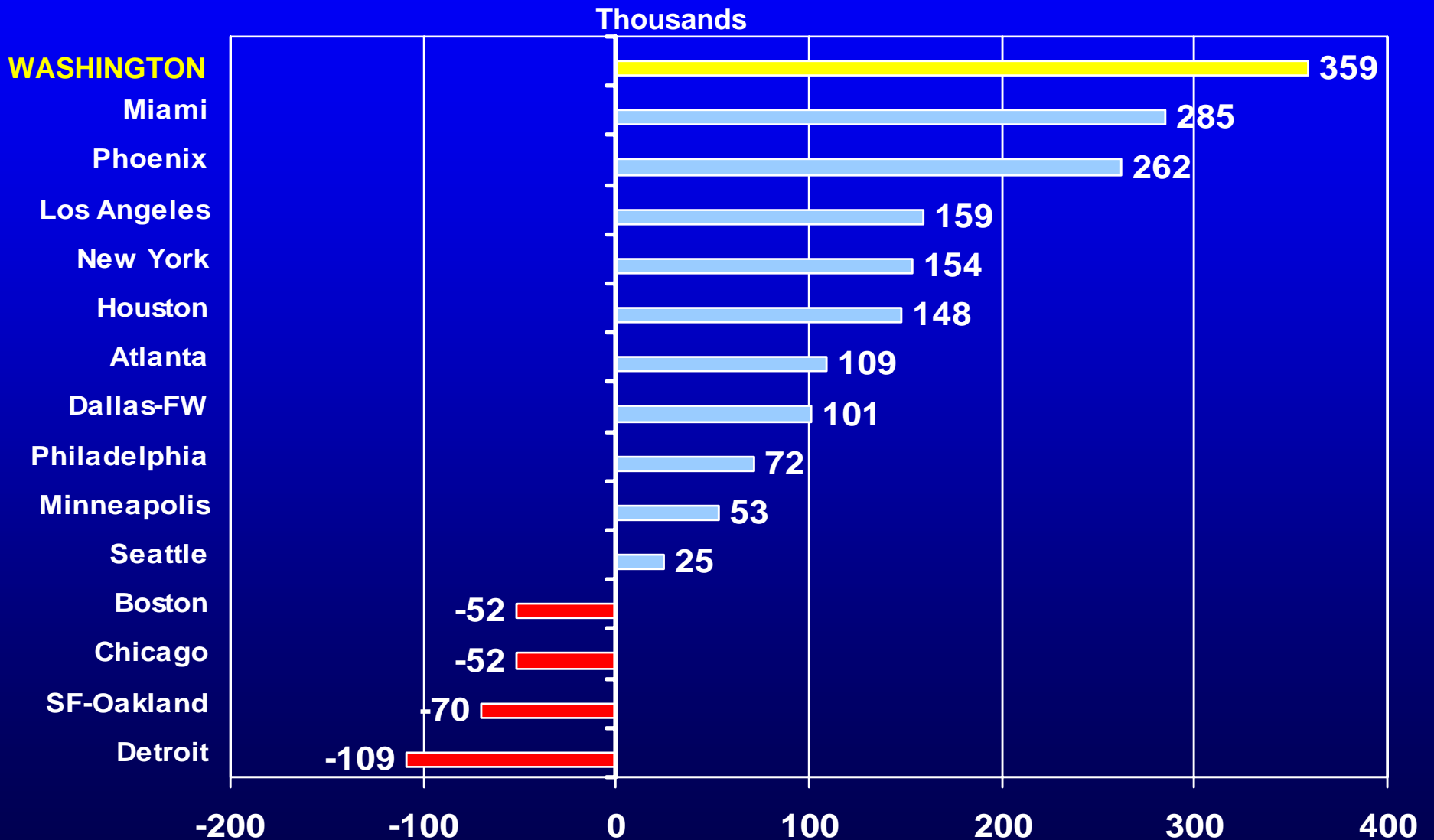
GRP 1995 - 2006



Source: GMU Center for Regional Analysis

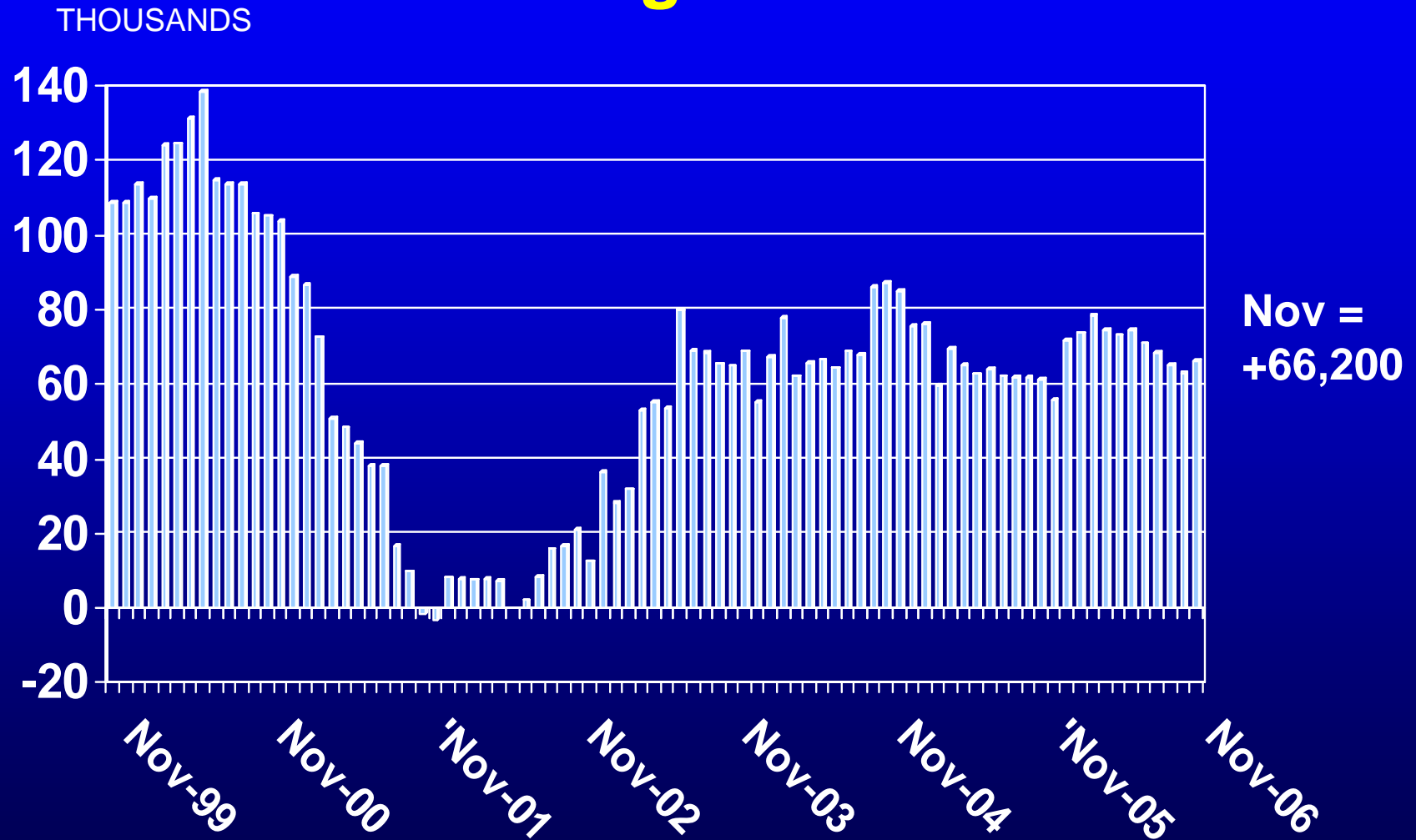
Metro Comparisons Job Change 2000-2005

15 Largest Metro Areas

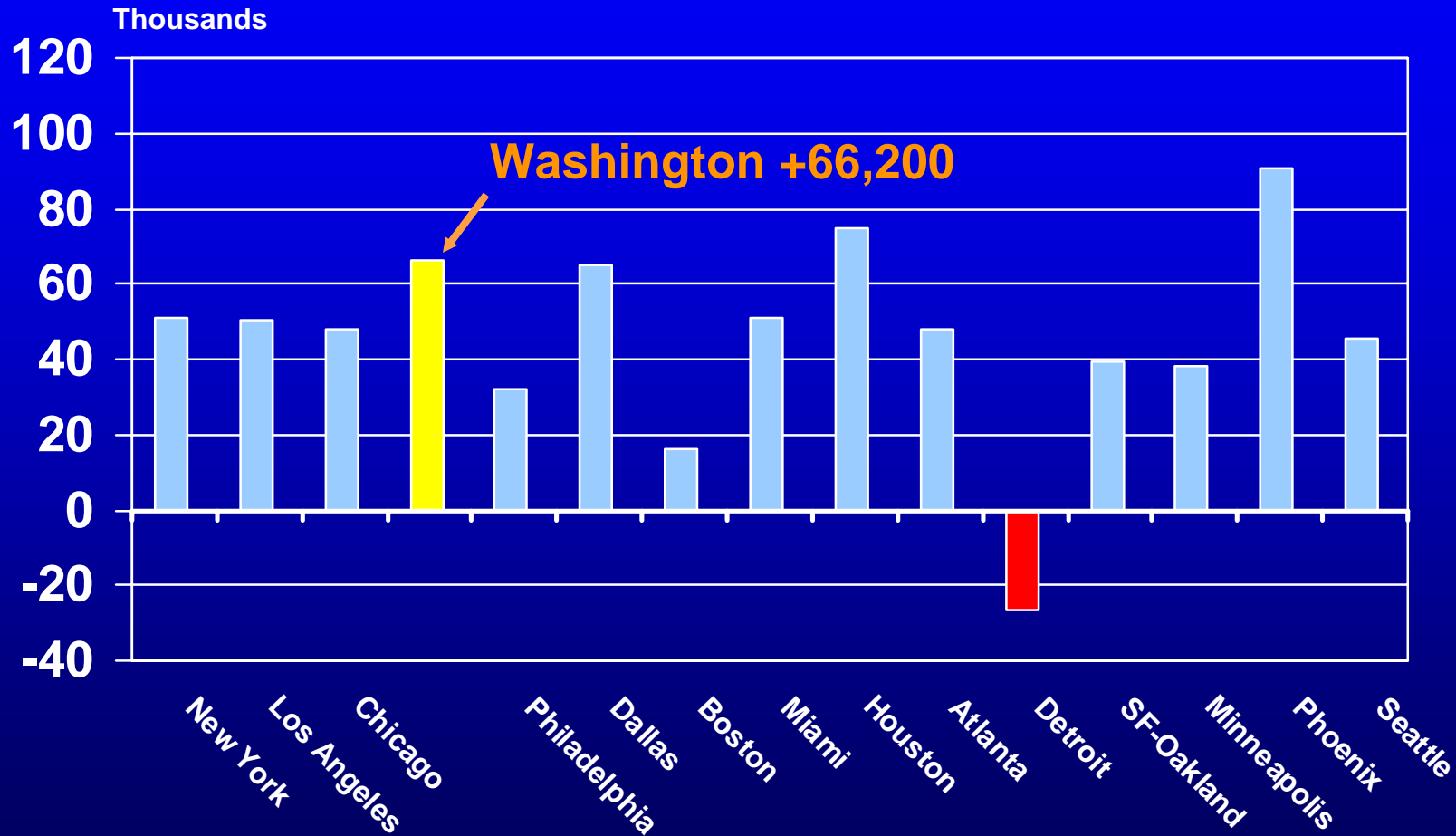


Source: BLS, GMU Center for Regional Analysis

Annual Job Change Washington MSA



15 Largest Job Markets Job Change Nov 05 – Nov 06



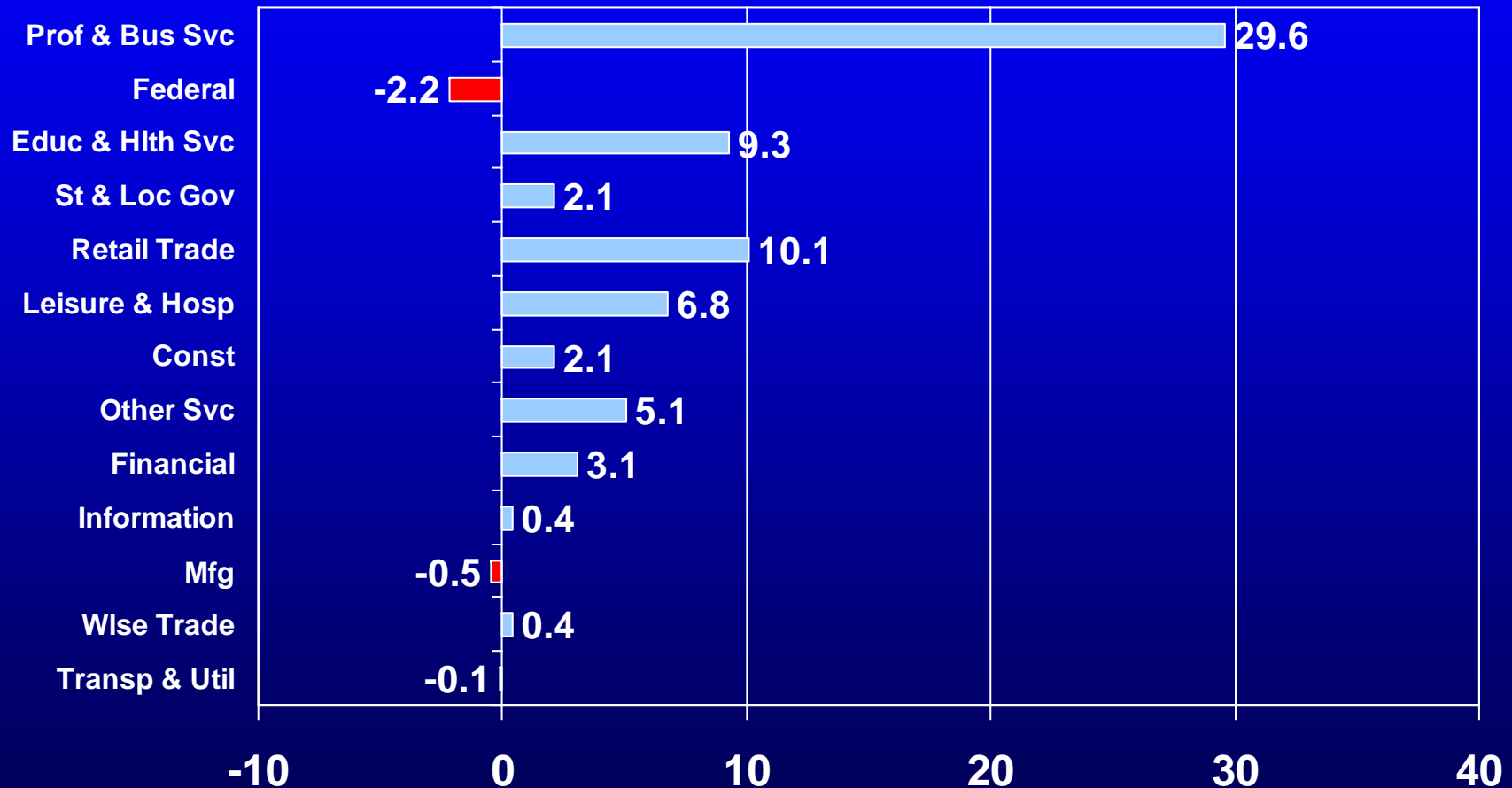
Source: BLS, GMU Center for Regional Analysis

November 05 – November 06 Job Change By Sector MSA

(000s)

Total = 66,200

(Ranked by Size of Sector)



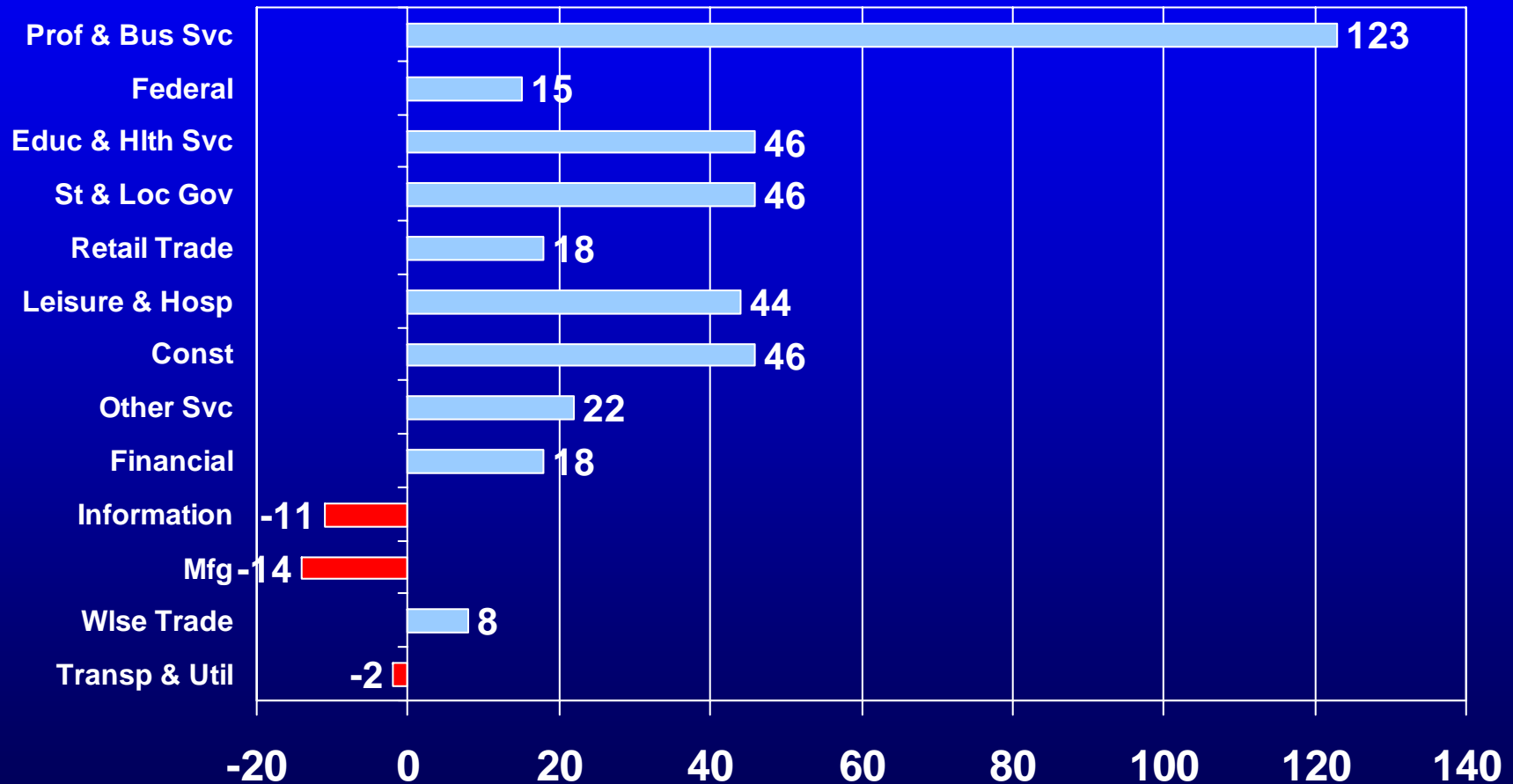
Source: BLS, GMU Center for Regional Analysis

Job Change By Sector MSA 2000 - 2005

(000s)

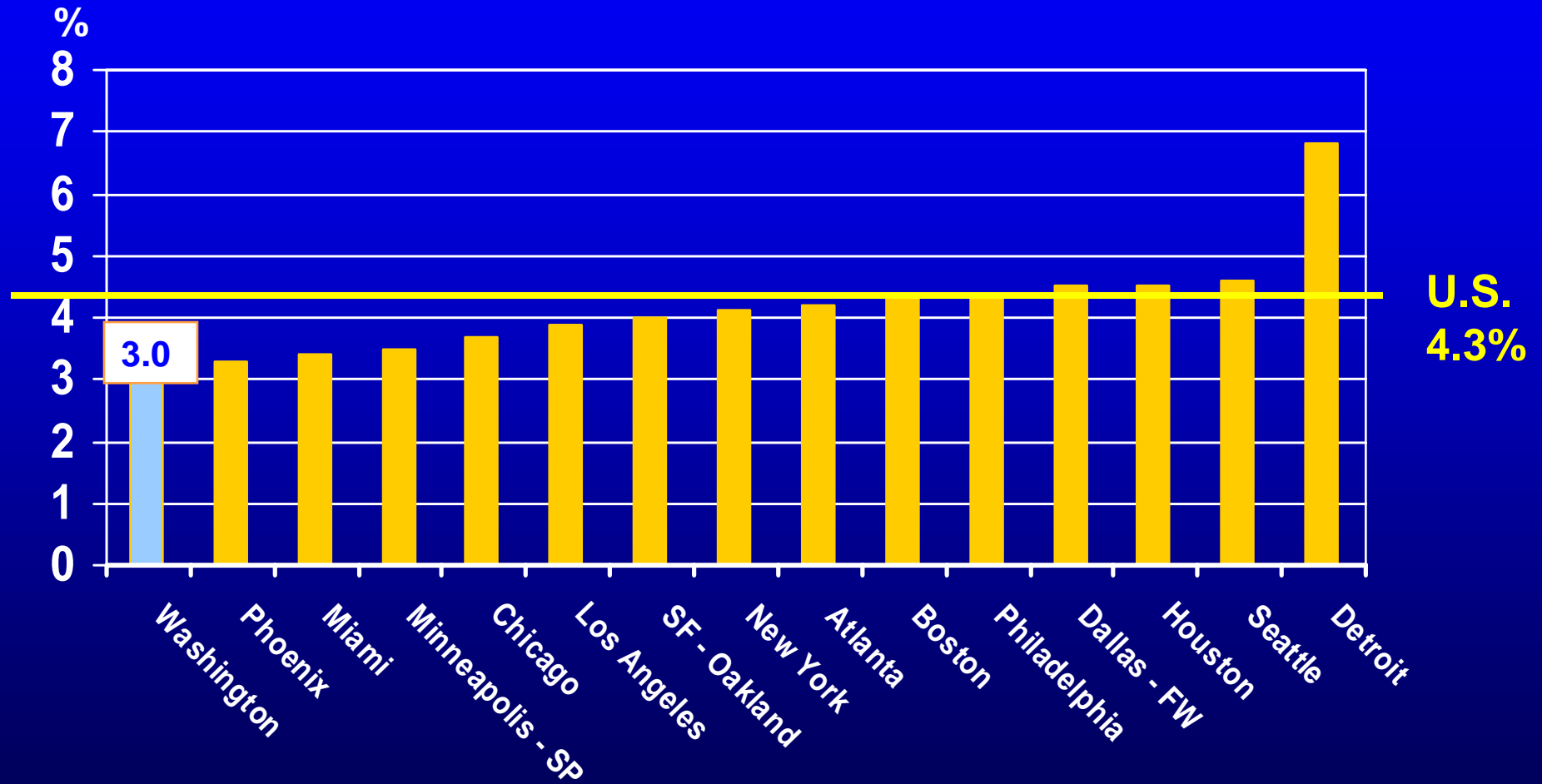
Total = 359,000

(Ranked by Size of Sector)

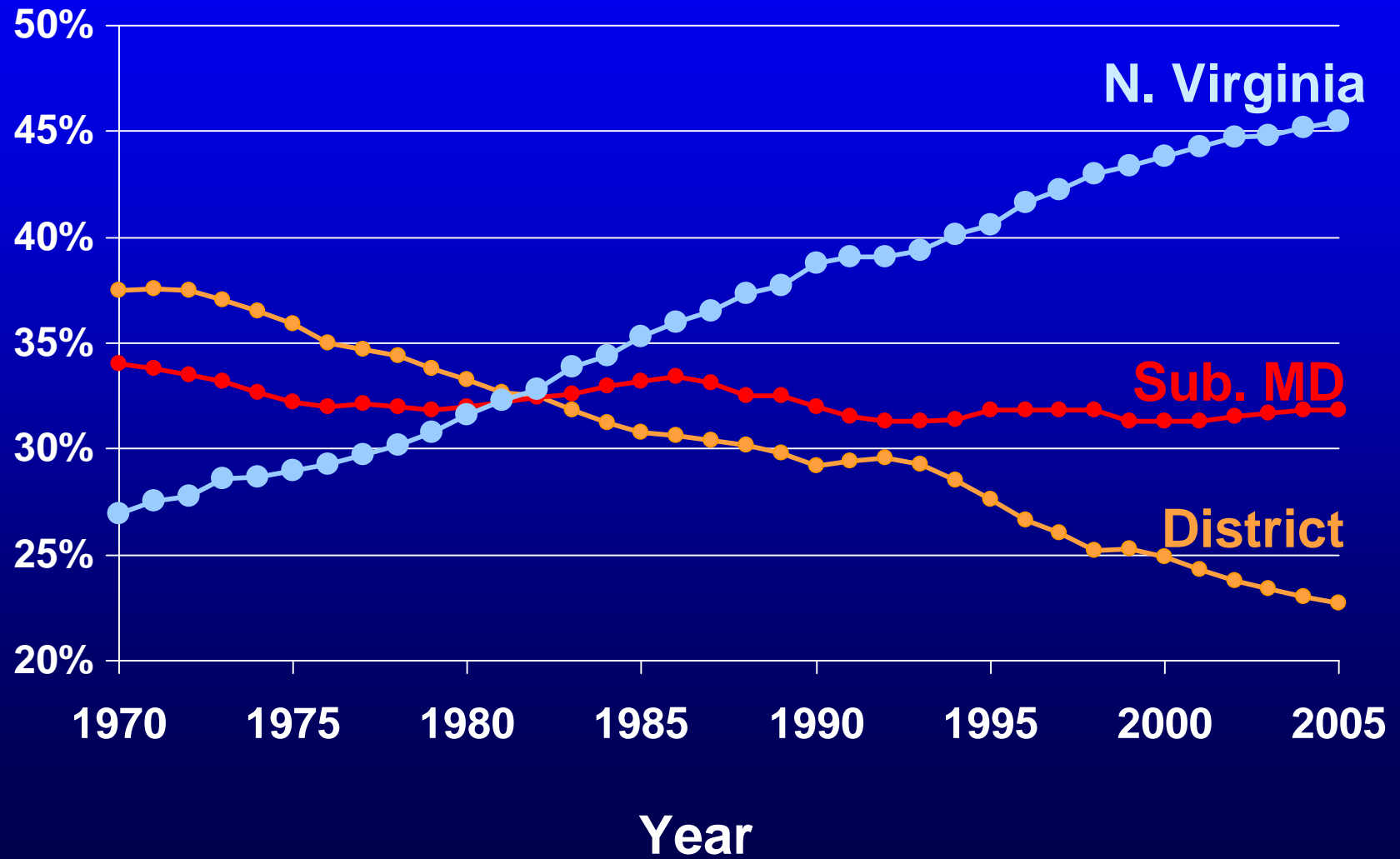


Source: BLS, GMU Center for Regional Analysis

15 Largest Job Markets Ranked by Unemployment Rate November 2006



Share of Washington Area Economy 1970-2005

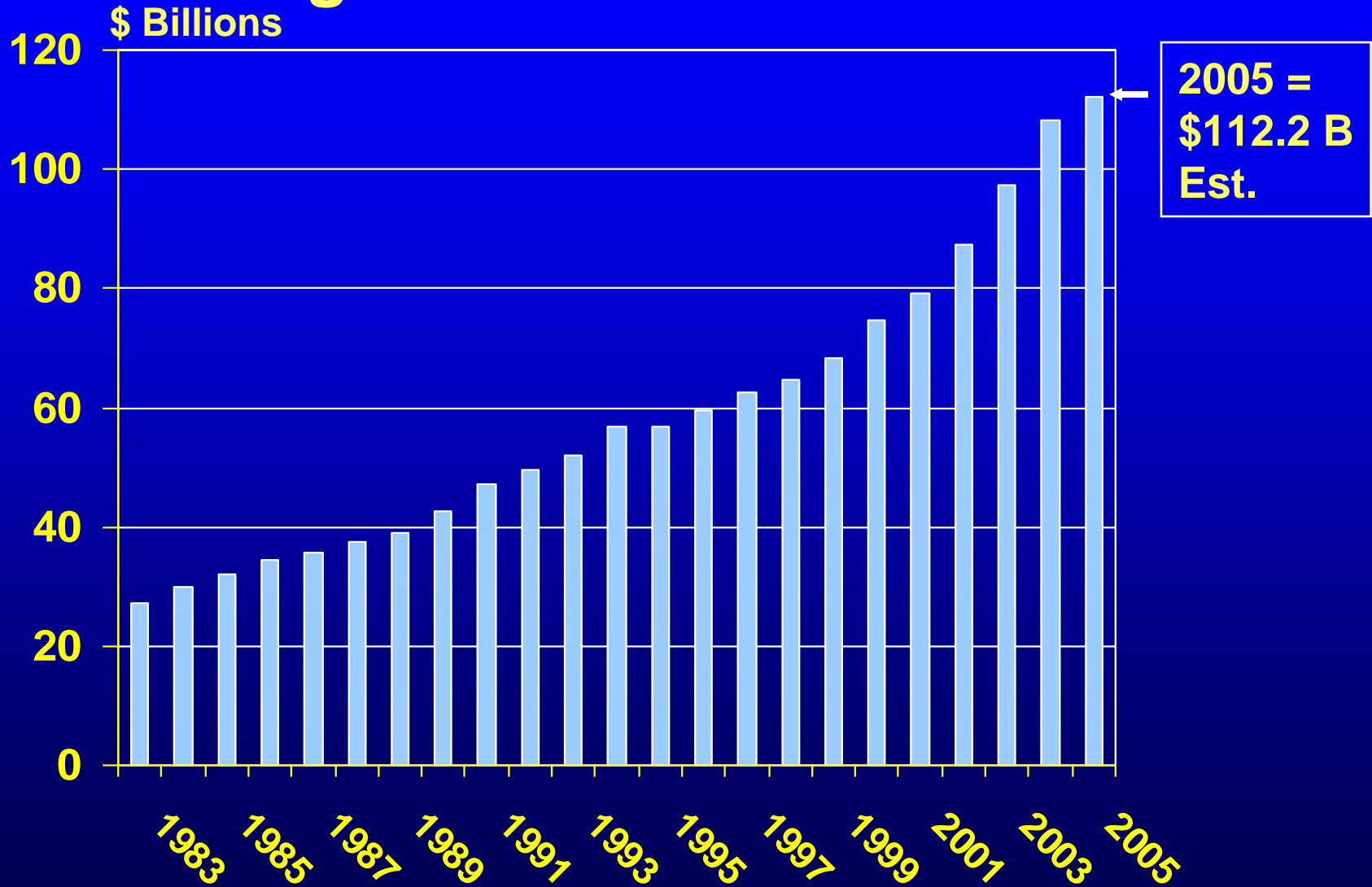


**What is Different
About The Washington
Area Economy?**

Washington Area Core Industries Outlook

Core Sector	\$ Value 2005	Ann % Chg 95-2000	% Chg 2005	% Chg 2006	% Chg 2007	% Chg 2008	% Chg 2009	% Chg 2010
Fed Govt. Total	112.0	4.0	3.7	4.0	4.2	4.0	3.9	4.0
Fed Proc.	52.4	7.0	2.5	4.0	4.5	4.7	4.3	4.5
Technology	51.2	12.0	8.2	6.0	6.5	6.7	7.0	7.0
Building Ind.	20.3	6.0	8.5	5.2	5.5	4.8	4.5	5.0
International	17.3	3.0	3.6	3.2	3.0	2.8	2.7	2.7
Hospitality	7.2	2.0	4.3	3.5	3.3	3.0	2.9	2.9
TOTAL GRP	321.9	3.2	4.5	4.0	3.5	3.7	3.5	3.5

Total Federal Spending Washington Metro Area: 1983 - 2005

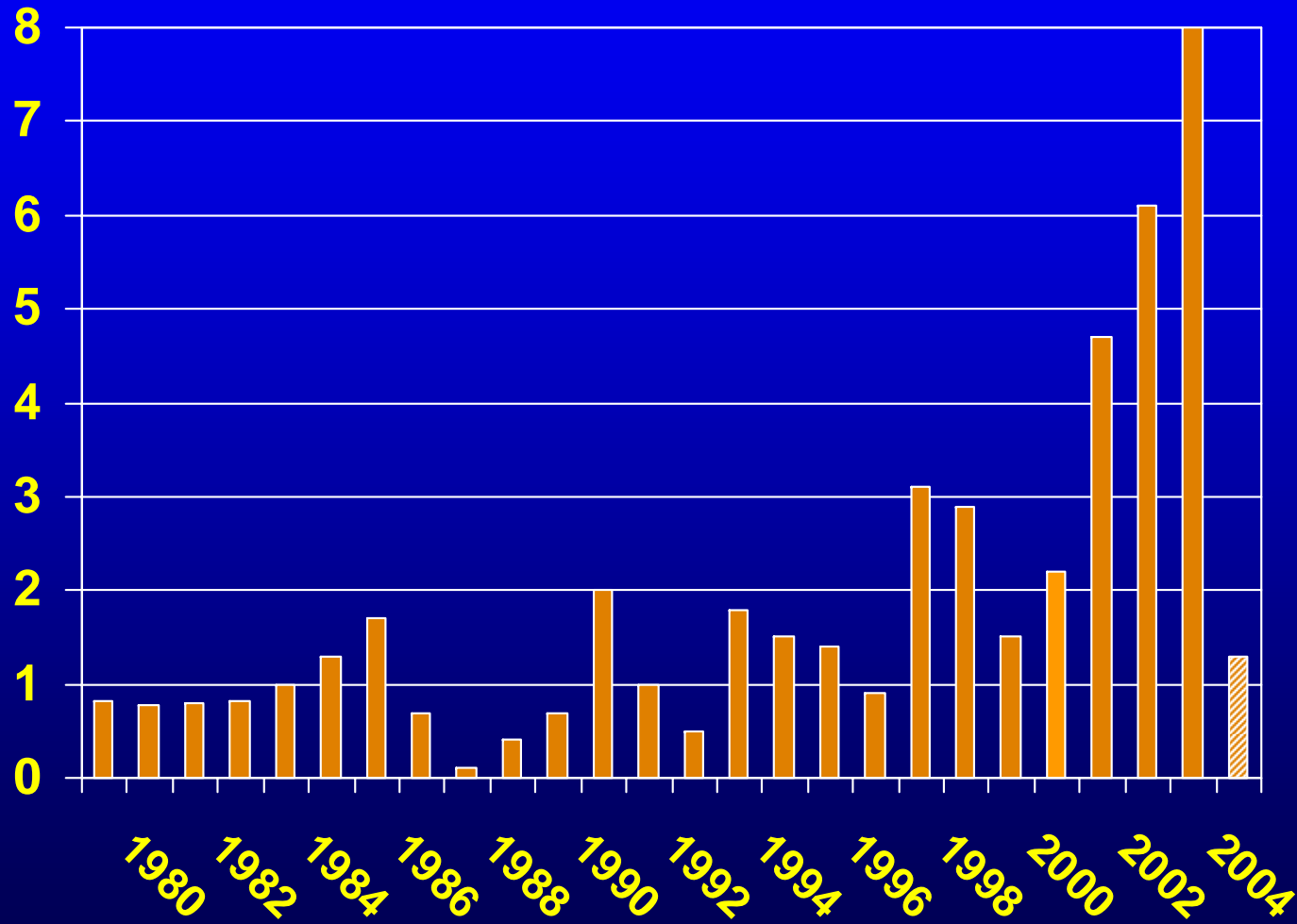


Federal Spending by Type 1983 - 2005



Annual Change in Federal Procurement Spending Washington Metro Area

\$ Billions



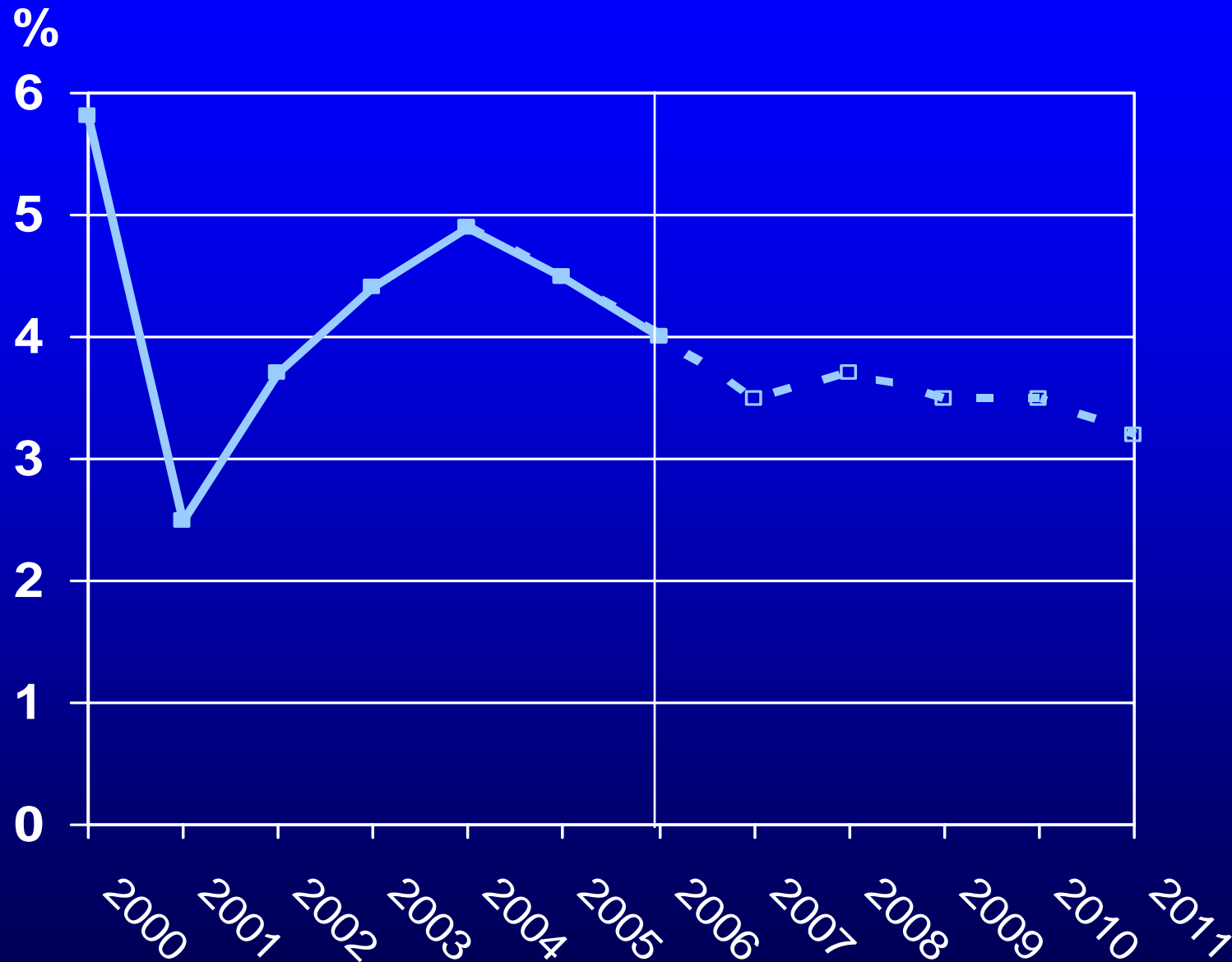
Five-Year Forecast

The Regional Economy: Building on Growth

	2000 - 2005		2006 - 2011	
	Gain	%	Gain	%
Population	453,700	9.5	404,700	7.6
Employment	304,560	8.9	498,900	13.0
Earnings/Job*	\$10,488	20.1	\$6,833	11.1
HH Income*	\$8,387	7.7	\$16,310	13.7
GRP*	\$56.98B	21.5	\$62.45B	18.6

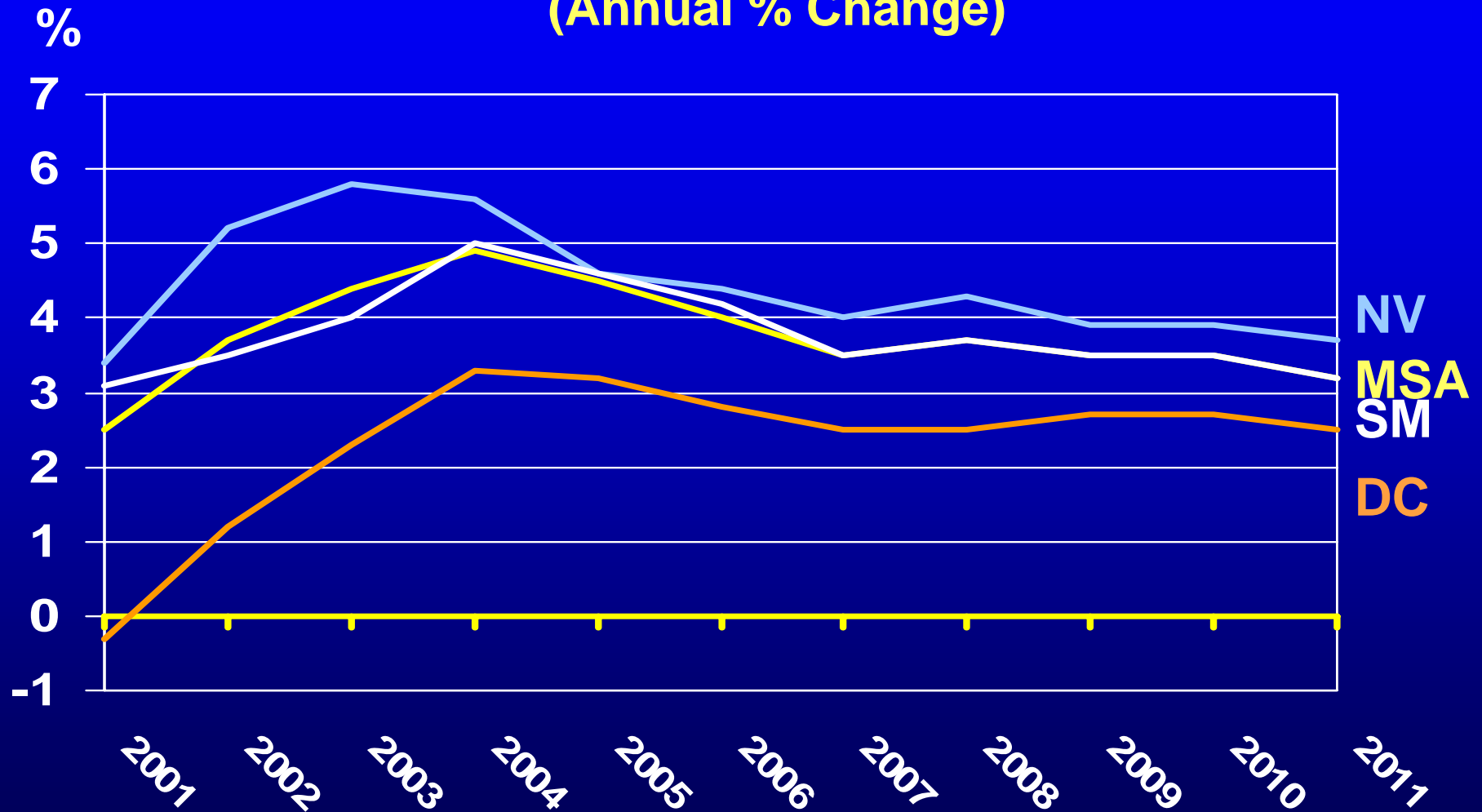
* Real 2005 \$

GRP Forecast 2006 - 2011



Economic Outlook (GRP) – 2011

Washington Area and Sub-state Portions (Annual % Change)



Employment Change by Sub-state Region (000s)

	2006	2007	2008	2009	2010	2011
D.C.	7.5	6.5	7	6.5	4.5	3.5
S. MD	20.0	16.6	17.7	15.2	12.8	11.6
No. VA	38.0	33.5	36.0	34.0	30.0	26.5
REGION	65.5	56.6	60.7	55.7	47.3	41.6
	2.2%	1.9%	2.0%	1.8%	1.5%	1.3%

Risks to Forecast

- **Rapid Oil Price Increase**
- **Further Residential Market Decline**
- **Further Tightening of Labor Market**
- **Rise in Inflation/Interest Rates**
- **Decreased Consumer Spending**

- **Commercial Space Over-building**
- **Slower Local Federal Spending**



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