

Regional Profiles



Economic Profile - District of Columbia

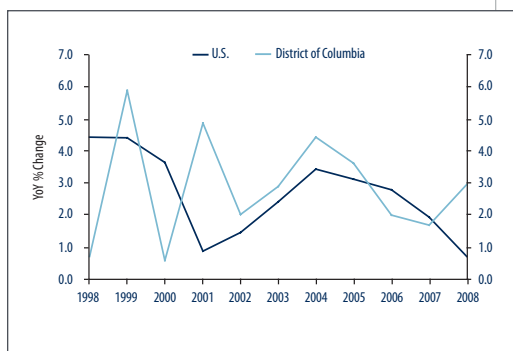
Economic conditions were mixed in the District of Columbia in 2008. Output growth and the labor market remained strong as payrolls continued to increase. However, unemployment rates increased for the first time in five years and the housing market experienced significant declines in building permits and housing starts as well as increases in mortgage delinquencies and foreclosures.

Economic Contribution

Real gross domestic product in the District of Columbia expanded at a healthy clip in 2008. Among U.S. states, D.C. had the fourth strongest growth in output. Increasing at a real rate of 3.0 percent from 2007, output in the jurisdiction was valued at \$97.2 billion. A further look reveals that professional and technical services and government services contributed the most to D.C.'s output in 2008, accounting for 32.6 percent and 21.5 percent of growth respectively.

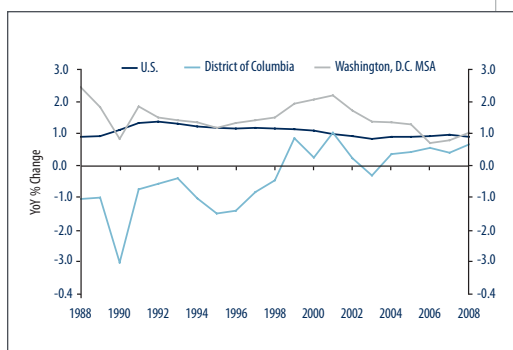
Output in the Washington, D.C. metro area, which includes parts of Maryland, Virginia, and West Virginia, averaged 3.8 percent real growth from 2001 to 2006, the most recent year for which data is available. In 2006, real growth in the D.C. MSA slowed to 2.4 percent, the MSA's smallest annual increase in real output since 2002.

Figure 1: Real GDP



SOURCE: Bureau of Economic Analysis/Haver Analytics

Figure 2: Population



SOURCE: U.S. Census Bureau/Haver Analytics

Population

The District of Columbia's population increased 0.7 percent over 2008 to approximately 592,000 people. Growth was lower than in the national rate (0.9 percent) and the D.C. metro area rate (1.1 percent) over the same year. Over the past 20 years, the population of D.C. proper has decreased 7.2 percent, while the Washington, D.C. metro area's population has expanded considerably, increasing 33.5 percent since 1988.

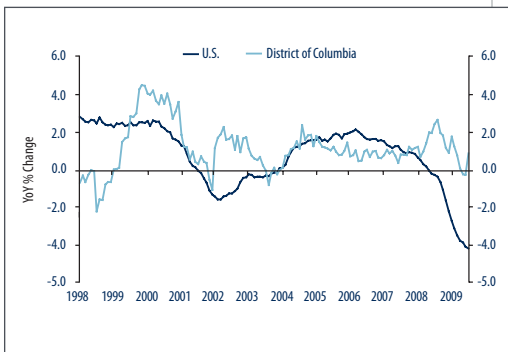
Labor Market Conditions

Payroll employment in the District of Columbia increased 1.6 percent (11,000 jobs) in 2008, trumping the nation's payroll performance, which declined 0.4 percent. Since 1999, an average of 8,600 jobs have been added in the District each year for an average annual increase of 1.4 percent. For the past three years, the government sector comprised roughly one-third of the jobs in 2008 for the jurisdiction.

Employment in private service industries accounted for 66.3 percent of payrolls in D.C. compared with 84.3 percent of employment in the United States in 2008. A look within the service sector reveals that employment in information services and financial services has declined since 2002 at an average annual rate of 3.1 percent (728 jobs) and 1.3 percent (400 jobs), respectively. On the flip side, the leisure and hospitality and education and health services industries exhibited the fastest payroll growth from 2002 to 2008 – a 2.9 percent (9,900 jobs) and 2.7

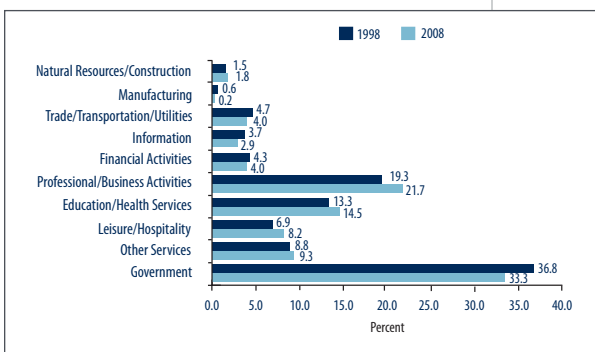
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Figure 3: Payroll Employment



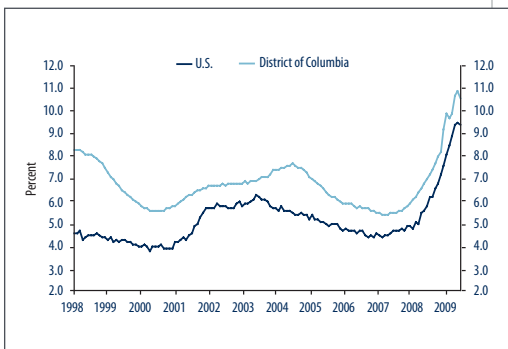
SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 4: Employment Share by Industry



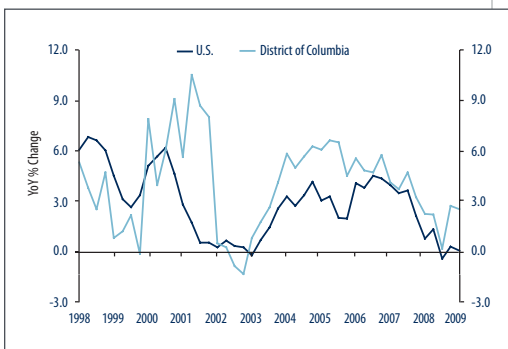
SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 5: Unemployment Rate



SOURCE: Bureau of Labor Statistics/Haver Analytics

Figure 6: Real Personal Income



SOURCE: Bureau of Economic Analysis/Haver Analytics

percent (12,600 jobs) average annual increase, respectively. These two sectors also experienced the fastest expansion in 2008, with a 4.7 percent rise in leisure and hospitality payrolls and a 3.8 percent increase in education and health services jobs.

In 2008, D.C. firms in the goods-producing sector expanded payrolls 0.7 percent, inching down from the 0.8 percent increase in 2007. Employment in the goods-producing sector accounts for a mere 2.1 percent of payrolls in D.C. The construction industry comprises the bulk of the sector and, together with the natural resources and mining industry, rose 1.6 percent in 2008. The District of Columbia has witnessed continuous job cuts in the manufacturing industry ever since 1990, the first year that data is available. In 1990, there were 7,300 manufacturing jobs in D.C., while at the end of 2008 the number had been reduced to 1,400 jobs – an 80 percent reduction.

Household Conditions

Despite payroll additions during 2008, the District of Columbia's unemployment rate edged 1.5 percent higher. After four years of declining unemployment rates, D.C.'s unemployment rate rose to 7.0 percent, registering an increase of 5,100 unemployed persons in 2008. Since 1990, the District of Columbia has posted a higher unemployment rate than that of the United States, and the trend continued in 2008 as the national mark reached 5.8 percent. Mid-year 2009 data reveals that the unemployment rate in Washington, D.C. has climbed further, reaching 11.3 percent in June 2009 – an appreciable 4.1 percentage point increase since June 2008.

Unemployment in the Washington, D.C. metro area fared better than in D.C. proper in 2008. The metro area's jobless rate in 2008 (3.9 percent) rose 0.9 percentage point from 2007. The D.C. MSA's unemployment rate has continually tracked below D.C. proper's rate since metro data became available in 1990. Similar to unemployment in the District of Columbia, metro unemployment has increased since 2008; joblessness was at 6.8 percent as of June 2009 in the D.C. metro area. At the end of 2008, there were 115,400 unemployed persons in the D.C. MSA, and by June 2009, this number increased by 46,600 to 162,000.

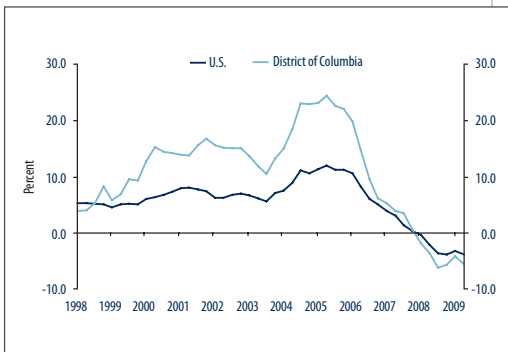
Per capita income increased 4.0 percent in the District of Columbia in 2008, compared with a 2.9 percent increase nationally. D.C.'s per capita income reached \$64,991, which was 63.4 percent higher than the U.S. level. The D.C. MSA has yet to experience a decline in per capita income, and the trend continued in 2008 with growth of 2.8 percent to an income level of \$56,510. In 2008, growth in total personal income in D.C. surpassed the national rate for the sixth year in a row. The jurisdiction's total personal income rose to \$38.7 billion, a real increase of 1.8 percent compared with the nation's 0.5 percent real gain.

Real Estate Conditions

Housing markets in Washington, D.C. softened over 2008. Building permits declined 73.6 percent in 2008 compared with a 3.5 percent decline in 2007. Housing starts also fell sharply, declining 72.8 percent in 2008 after a 7.6 percent decrease in 2007. Nationally, starts declined more modestly (40.5 percent), although the pullback was the steepest on record for the United States.

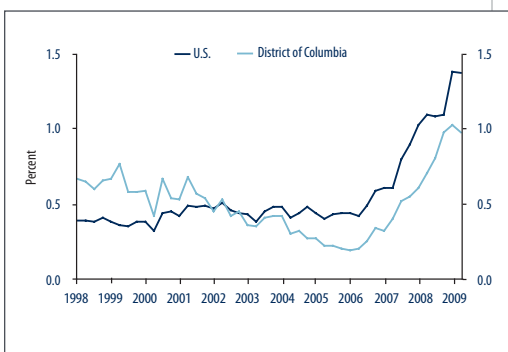
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Figure 7: House Price Index



SOURCE: Federal Housing Finance Agency/HAVAR Analytics

Figure 8: Foreclosures Started



SOURCE: Mortgage Bankers Association/HAVAR Analytics

Existing home sales in the District of Columbia fell for the fourth consecutive year in 2008. Sales declined a record 26.8 percent to 7,100 homes – the lowest level in D.C. since 1997. The drop in sales was steeper than the national abatement of 13.7 percent. As of the first quarter of 2009, sales continued to decline, but at a slightly slower pace of 15.8 percent on a year-over-year basis.

Falling house prices also reflected a sluggish housing market in the nation's capitol. According to the Federal Housing Finance Agency, 2008 marked the most notable annual decline in prices in both the District of Columbia and the nation. D.C. house prices fell at a faster clip than those in the United States, falling 4.2 percent compared with the national decrease of 2.5 percent. From 1998 to 2007, house prices in the District of Columbia appreciated an average of 4.1 percentage points more each year than U.S. house prices. More recently, house prices depreciated 0.5 percent in the first quarter of 2009 – the sixth consecutive quarter of decline. House prices also fell 0.5 percent in the first quarter in the D.C. metro area, although prices declined 9.9 percent in 2008.

Mortgage delinquencies continued to rise in the District of Columbia in 2008. Total delinquencies moved 1.9 percentage points higher during the year to 6.6 percent. Despite the uptick, delinquencies in D.C. were lower than the national rate of 8.6 percent – the highest on record for the United States. For subprime mortgages, both the District of Columbia and the United States recorded all-time highs for delinquency rates, posting values of 21.5 percent and 23.9 percent, respectively. Prime mortgage delinquency rates followed the same pattern of registering the highest rates to date for both D.C. and the nation at 4.6 percent and 5.6 percent, respectively.

Although the District of Columbia and the U.S. set record highs for foreclosure starts in 2007, rates climbed further during 2008. In 2007, foreclosures on homes with subprime mortgages spiked to 9.6 percent from 4.1 percent a year earlier, but jumped even more in 2008 to 17.1 percent. Adding to the record books in 2008 were foreclosures on homes with prime mortgages. Prime foreclosure starts began accelerating in 2006 to a peak in 2008 of 1.6 percent in the District of Columbia and 2.5 percent in the United States ■

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