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News Release

Comptroller Brooke Lierman Releases Inaugural State of the Economy Report

Report highlights strong economic foundation, persisting labor shortage, and need for more housing to draw residents to Maryland

ANNAPOLIS, Md. (January 3, 2024) — Comptroller Brooke E. Lierman today released the first *State of the Economy Report* which examines economic indicators and trends to better understand the current economic climate, the potential outlook for Maryland, as well as strengths and opportunities that can be leveraged for sustained, long-term economic growth.

"Maryland's economy is strong, bolstered by a low unemployment rate, high productivity, and one of the lowest poverty rates in the nation. Our state is home to diverse and emerging industries, robust federal government presence, and a highly skilled workforce that helped insulate us from shocks that come from events like the COVID-19 pandemic," Comptroller Lierman explained.

"Right now, national trends are negatively impacting our workforce and our economic recovery, driving up costs, and driving away people who would raise their families here. To position Maryland for strong long-term growth, we need strategic investments and innovative policy approaches to grow our economy and position the state for long-term shared prosperity."

The Office of the Comptroller's Bureau of Revenue Estimates and Policy Division used publicly available data, academic research, and government studies to analyze relevant economic indicators and compared that data across neighboring states as well as nationally. Agency leaders also hosted a series of information-gathering roundtable discussions with business owners, economic development leaders, industry groups, and chambers of commerce in each region of the state in 2023. Both quantitative and qualitative research revealed that Maryland's economy began slowing in 2017 and has experienced a slow recovery from the COVID-19 pandemic.

The State of the Economy report is the first in a series of reports by the Office of the Comptroller that will examine the state's economic performance. This report, the first of its kind to be published in the state by the Office of the Comptroller, diagnoses some key challenges and offers policymakers data and research to help inform their policy decisions but does not offer policy recommendations or economic forecasts.

“As state and local lawmakers prepare for the year ahead, this report helps paint a picture of the challenges we face in our post-pandemic recovery,” Comptroller Lierman said. “Our hope is that lawmakers and local leaders can utilize the insights found in this report to better position Maryland as a home for thriving businesses, families, and communities.”

Key Findings

Maryland leads the nation in several key economic indicators and has several areas of opportunity.

Unemployment Rate	1.8%
Median Household Income	$108,200

Maryland has a range of emerging industries that could impact quality of life and economic growth in the 21st century, including vaccine development, medical technologies, quantum computing, and next-generation military defense weapons and systems. Economic activity is also bolstered by assets like the Chesapeake Bay, Port of Baltimore, proximity to major highways, and other nearby cities along the Northeast corridor.

Maryland is experiencing stagnant growth.

Maryland trails surrounding states and the nation in GDP, personal income, real wages, and population growth.

Maryland Comparative Economic Growth 2016-2023

Geography	**GDP** Total Growth	**Employment** Total Growth	**Personal Income** Per Capita Growth	**Real Wages** Average Growth
Pennsylvania	6.6%	1.0%	5.6%	5.6%
Virginia	11.2%	5.3%	6.4%	6.5%
United States	13.9%	7.4%	9.5%	7.4%
Maryland	1.6%	1.0%	1.2%	4.3%

Sources: U.S. Bureau of Economic Analysis. U.S. Bureau of Labor Statistics, MD Bureau of Revenue Estimates
Note: Growth is since the fourth quarter of 2016 and where applicable amounts expressed in real dollars/ adjusted for inflation

Additionally, Maryland’s real GDP per capita has grown only 2.1% since the end of 2016, compared with 11.9% growth nationwide, 9.9% growth for Virginia, and 7.5% growth for Pennsylvania.

The federal government is a top employer in Maryland.

The federal government is a key driver for Maryland's economy. It is among the top ten industries in Maryland by share of total employment and is a sector that added jobs in Maryland during the pandemic, providing relative job security and wage stability. Maryland is home to more than 60 federal agencies and 14 military installations.

The federal government also supports an ecosystem of private sector suppliers, contractors, and subcontractors in Maryland. Federal procurement provided a $42 billion investment in Maryland businesses in 2022, which represented 10% of the state's GDP.

Top 10 Industries in Maryland
(2022 Employment Distribution)

Industry	Share of Total Employment in Maryland	Share of Total Employment Nationally
Health Care and Social Assistance	13.3%	13.5%
Professional Services	10.1%	6.9%
Retail Trade	9.9%	10.1%
Local government	9.1%	9.3%
Accommodations and Food Services	7.8%	8.9%
Administrative and Waste Management Services	6.4%	6.3%
Construction and Mining	6.0%	5.5%
Federal Government	5.7%	1.9%
Transportation and Utilities	4.5%	4.7%
State Government	4.1%	3.3%

Private sector growth must improve to return to pre-pandemic employment in Maryland

While federal government employment grew during the pandemic, private sector job growth was stagnant.

Employment in Maryland is only 1.0% higher than it was in the fourth quarter of 2016, whereas employment is 7.4% higher nationwide, and higher in surrounding states.

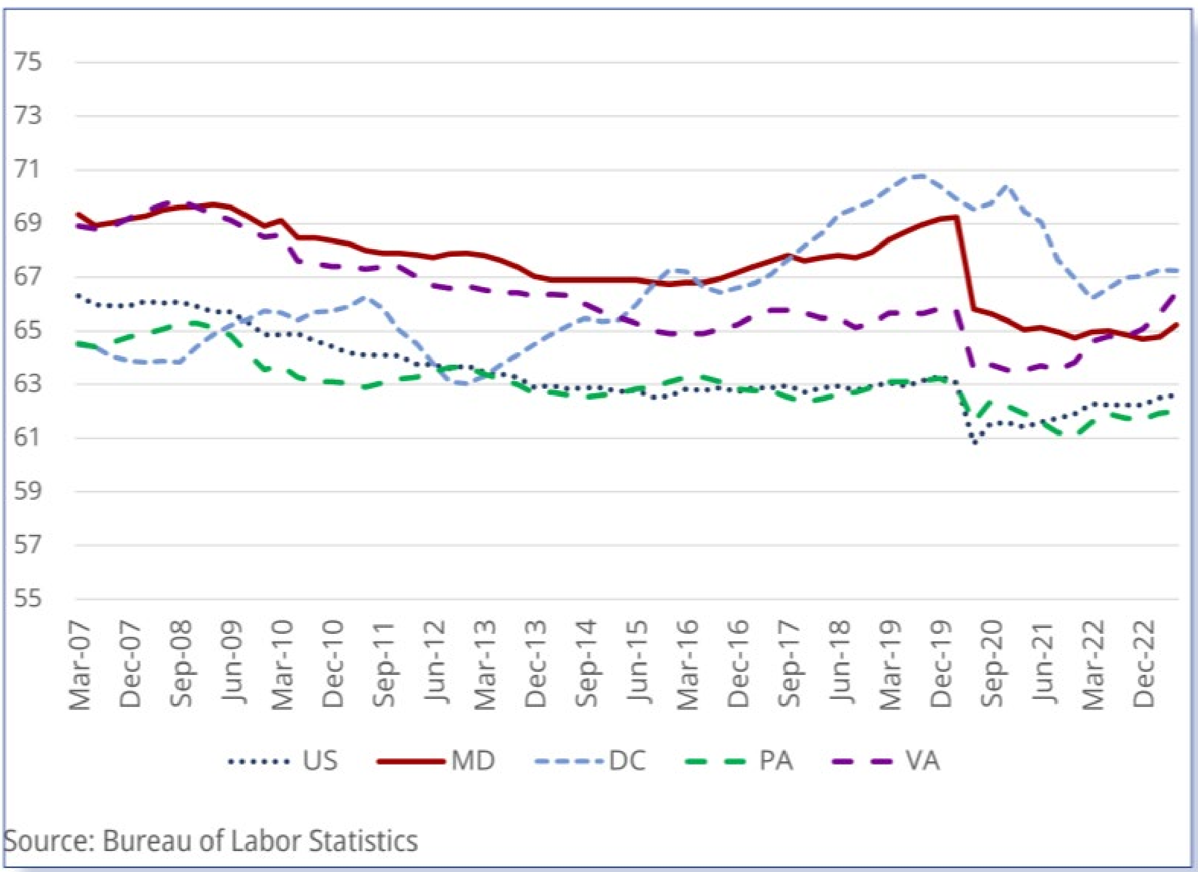
Maryland's low unemployment rate is an indicator of a constrained labor supply, with the number of vacancies exceeding the number of available workers. In Maryland, employment data shows there are roughly three job openings for every job seeker compared to the U.S. where there are 1.3 openings for every job seeker.

Maryland is experiencing a labor shortage with labor participation failing to rebound to pre-pandemic levels.

Maryland has historically had a Labor Participation Rate (LPR) that is traditionally higher than the national average and the average for most other states. LPR is an estimate of the active workforce and those actively looking for work. LPR in Maryland fell from 69.3% in January 2020 to 65.2% in 2023, representing 181,000 workers who are no longer employed and no longer looking for work.

The decline in LPR was most prominent among men and women between the ages of 25 and 44 years old. Maryland's LPR remains above the national average of 62.7%

Labor Participation Rate



Maryland has experienced more women leaving the workforce, compared with women leaving the workforce nationally.

Maryland women ages 16 to 34 saw a 2.0% decline in labor participation from 2019 to 2021. By comparison, only 1% of women ages 16 to 24 and 0.4% of women ages 25 to 34 dropped out of the labor force nationally during that same time frame.

Commonly cited reasons include taking care of the home (including childcare) and returning to school.

Maryland was ranked as the eighth costliest state for childcare in the 2022 Cost of Care Survey. Amid rising childcare costs and decline in the number of childcare providers, many families find losing one income is less costly than paying for childcare from two incomes.

Other plausible explanations include:

- Financial security for women in dual income households;
- Women choosing to pursue entrepreneurship; and
- Women enrolling in institutions of higher education full-time

Health issues may also contribute to the decline in LPR and economic growth.

Research published by The Brookings Institution showed physical and mental health issues are contributing to a decline in LPR, by preventing individuals from entering or returning to the workforce. For example, more Marylanders between the ages of 18 and 34 years old reported experiencing depression in 2021. Maryland also experienced one of the highest opioid-related death rates in the nation between 2014 and 2021, according to research from the Kaiser Family Foundation.

The opioid epidemic may also play a role in the decline in LPR. Data published by the Maryland Department of Health reporting the increased rate of drug overdose deaths beginning in 2016 and 2017 appears to mirror the stagnation of real economic output in Maryland.

During the pandemic, Maryland lost population for the first time since World War II.

Natural population growth has slowed significantly due to a decline in birth rates and an aging population, both nationally and in Maryland.

Meanwhile, the pandemic put a spotlight on domestic migration nationally, with people moving from high cost of living areas to low cost of living areas.

Data shows fewer people are moving to Maryland than are moving out of the state to lower cost-of-living states like North Carolina, South Carolina, Pennsylvania, and Florida. Meanwhile, Maryland has attracted residents from states where cost of living is higher, including New York, New Jersey, and Washington, D.C.

Within Maryland, people are moving away from Baltimore and Washington, D.C. metro areas, to the Eastern Shore, Southern, Maryland, and Western Maryland, where the cost of living is lower.

Housing affordability and availability is potentially driving migration out of the state and hurting efforts to attract new residents who could fill job vacancies. People leaving Maryland tend to be under age 26 or over age 55 and make either less than $50,000 or more than $100,000.

Most people coming into Maryland tend to be between 26 and 44 years old. It is likely that this age group (early career and potentially starting a family) is disproportionately attracted to Maryland’s high-wage job market, quality public schools, and strong government services.

High cost of living is driven by high cost of housing in Maryland

Home prices have risen nationally, since 2019. Both the Forbes Advisor Index and Missouri Economic Research and Information Center Index place Maryland among the states with the highest cost of living. The median home price in Maryland was $411,200 compared to the national median home price of $348,600 in 2022. The cost of housing is impacted by housing inventory. Between 2019 and 2022, the housing inventory dropped between 40% and 75% in every county (57% on average, statewide) while median home prices increased 27% statewide.

Download and read the full *State of the Economy Report*

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