Update: Maryland’s economy bounced back in 2021 with strong growth in GDP, Personal Incomes, and Jobs.

Highlights

- The size of the Maryland economy in 2021 was an inflation-adjusted $407.3 billion, a 3.9 percent increase or $15.1 billion increase over the prior year.
- Maryland’s total personal income in 2021, adjusted for inflation, was about $394.9 billion, an increase of $8.0 billion over the prior year (2020).
- The state’s per capita income was an inflation-adjusted $64,054, ranked 10th in nation.
- The total number of full- and part-time jobs in Maryland reached a high of 3.7 million in 2018. However, over the next two years, roughly 131,000 jobs were lost ending 2020 with 3.6 million employed. As of 2021, the state has added 93,690 jobs.
- The largest number of at-place jobs, as of 2021, were in the Health Care and Social Assistance industry followed by the Professional, Scientific and Technical Services industry: 436,939 and 377,468, respectively.

About the Data

The Maryland Department of Planning publishes annual statistics from the Bureau of Economic Analysis (BEA) on Personal Incomes and Jobs. In this status report, the size of the U.S. and Maryland economies as well as changes in Personal Incomes and Job Growth are analyzed.

The Bureau of Economic Analysis (BEA), housed in the U.S. Department of Commerce, is tasked with measuring the performance of national, state, and local economies over time. As part of its mission, BEA assembles, maintains, and updates the National Income and Product Accounts (NIPA). The following accounts comprise the NIPA’s: Domestic Production, Personal Income and Outlays, Government Receipts and Expenditures, Savings and Investments, Foreign Transactions, and Income and Employment by Industry. Based on the NIPAs’ Domestic Production accounts, the BEA developed the Gross Domestic Product (GDP), a statistical measure of economic growth. The NIPA Personal Income and Outlays accounts were used to construct the Personal Consumer Expenditures (PCE) Index which measures inflation. The BEA also extrapolated income and jobs data for states, regions, and counties from the NIPA Industry Income and Employment Account.

Gross Domestic Product[1]

In the last 20+ years (2000 to 2021) the nation's GDP has increased at an annualized rate of about 2.1 percent: adding on average $355.6 billion annually over twenty-one years for a total gain of $7.5 trillion. As of 2021 the U.S. economy was valued at an inflation-adjusted $21.4 trillion.[2] Between 2020 and 2021, the GDP increased 6.4 percent or by $1.3 trillion.

According to GDP data, economic growth declined during the Great Recession from 2007 (2.1%) to 2009 (-1.7%). In the more recent recession (2020), economic growth dropped by 2.6 percent erasing all growth from the prior period.[3] Analyzing 2020 quarterly data shows that, in terms of percent change, the economy tumbled in the first and second quarters: -1.8 percent and -8.8 percent, respectively. [4] Stronger growth at 6.4 percent is reported for 2021. This sharp increase is mostly due to the policies of federal and state governments to combat the recession.

The state's economy increased at an annualized 2.1 percent from 2000 to 2021. During economic downturns (e.g., the Great Recession of 2007-2009, and the Covid Recession of 2020), the state's performance has not been consistent with national trends. In 2007-2009 when the size of the U.S. economy declined (-3.0 %), Maryland's economy increased (2.9%). In the period from 2019 to 2020 both the U.S. and Maryland economies declined in GDP although the state experienced a sharper decrease: 2.6 percent versus 3.3. percent.

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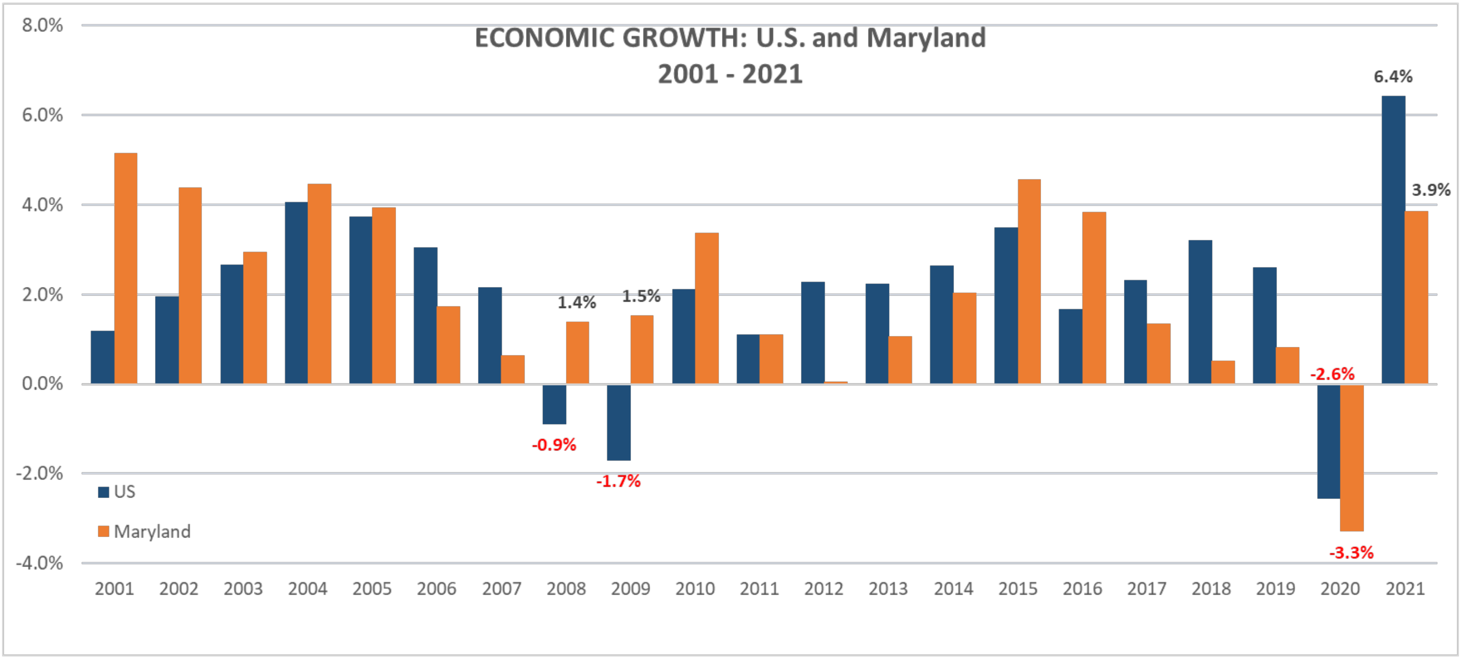
[1] The Gross Domestic Product (GDP) is a summary measure of economic growth. This metric accounts for the total value (or value-added) of finished goods and services produced in a geography at a specified time. The BEA releases GDP statistics for the nation and states as well as gross product measures for sub-state geographies.

[2] All dollar values are adjusted for inflation as this allows for comparisons across time periods. Adjustments are made using the PCE index. For the purposes of State Data Center analysis 2017 serves as the base year.

[3] The National Bureau of Economic Research (NBER), which officially dates business cycles (from peak to trough), identified the "Covid Recession" or economic downturn of 2020 as starting in the 4th Quarter of 2019 and ending in the 2nd Quarter of 2020. It is referred to as the "Covid Recession" because slowing conditions in the 2019 economy —one marked by declining business investment, lower industrial production, slower increases in government spending, and trade tensions— were exacerbated by the Pandemic (i.e., the business and government responses to contain viral spread). This 'Covid-Recession' was defined by the severity of the economic downturn and its shortness. Efforts to counteract the economic consequences of the Pandemic may explain its limited duration: specifically, governments provided stimulus payments to consumers and businesses. (See analyses from the Federal Open Market Committee, the Federal Reserve Bank of St. Louis, the Brooking Institution, and Harvard University). The World Health Organization (WHO) declared Covid-19 a Pandemic on March 11, 2020.

[4] Economic data such as GDP estimates are reported quarterly. For purposes of comparing quarterly percent change in GDP data, the BEA recommends calculating annualized estimates: the US economy declined at an annualized 7.2 percent in 1st Quarter 2020 and 30.9 percent in the 2nd Quarter 2020. Note: BEA estimates (both quarterly and annual) are revised throughout the year. For example, after the release of a preliminary or advance quarterly estimate that estimate is revised twice more. Following the release of fourth quarter estimates, annual data is released and with it all quarterly data is revised. Annual estimates are revised the year following their initial release and once every three years. The entire BEA data series from 1969 to present is updated once every five years in tandem with the release of the Census Bureau's Economic Census.



Maryland lost $13.4 billion in economic value. An industry-by-industry analysis of value-added shows that all private-sector industries in Maryland declined between 2019 and 2020 except Government. The government sector experienced a 3.8 percent increase in GDP from 2019 to 2020: adding $3.1 billion during the Covid-Recession. The sector of the economy hardest hit by the "Covid-Recession" is Travel and Tourism.

The BEA's *Survey of Current Business* defines Travel and Tourism as composed of the Arts-Entertainment-Recreation industry, the Accommodation-Food Services industry, and the Transportation industry (air transportation and ground passenger transportation in particular).[5] Nationally, the travel and tourism sector's share of total GDP fell from 3.0 percent in 2019 to 1.5 percent in 2020. Maryland's travel and tourism share of the state's gross domestic product fell from 5.5 percent (2019) to 4.0 percent (2020).

Personal Incomes[6]

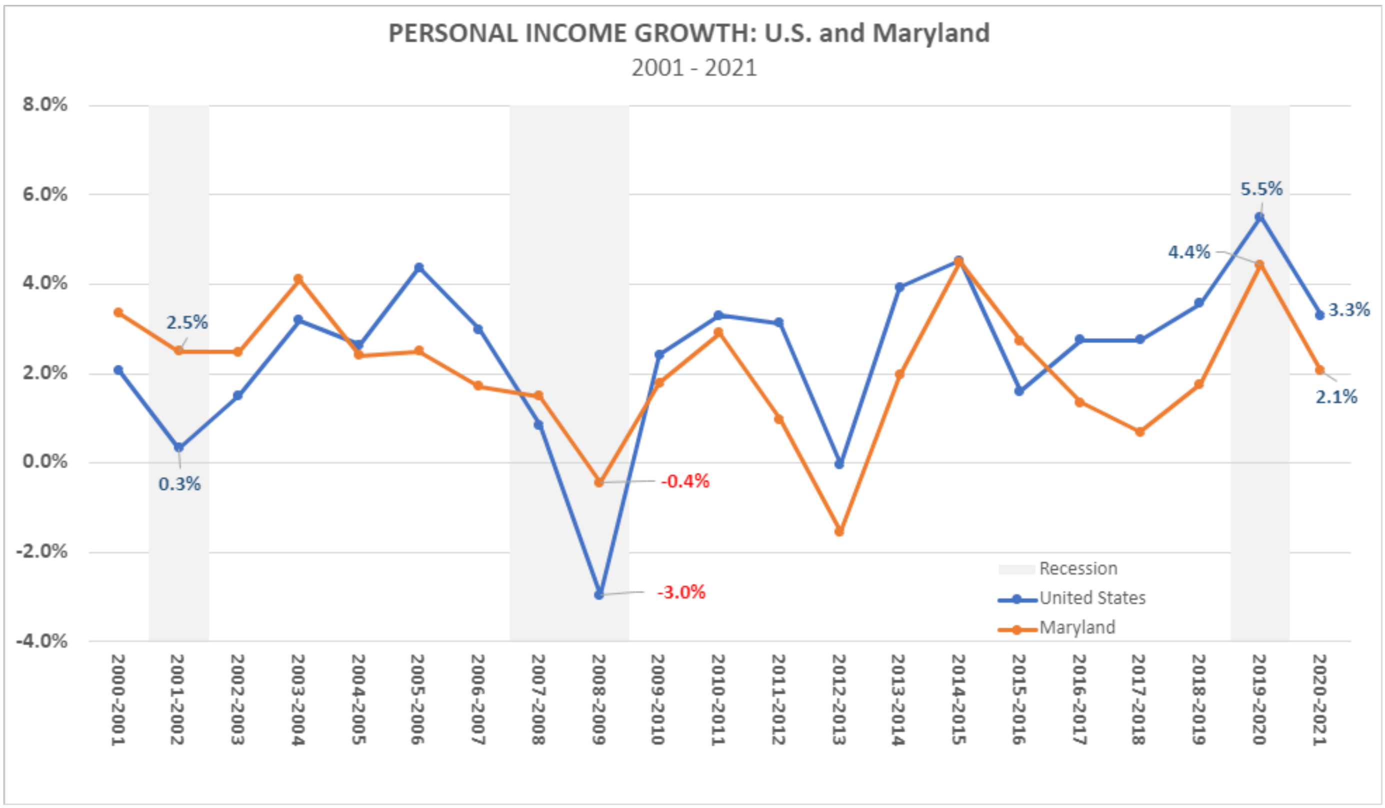
Nationally, personal incomes increased at an annualized 2.4 percent from 2000 to 2021, a $7.7 trillion increase over the twenty-one-year period. Around the time of the Recession, U.S. personal incomes increased from $17.9 trillion (2019) to $18.9 (2020) and $19.5 trillion (2021). Stimulus payments and other income programs created to help families and businesses through

[5] During the Recession, GDP for the air transportation industry declined 56.2 percent, the arts-entertainment-recreation industry declined 33.9 percent, and accommodation and food services industry declined 28.9 percent.

[6] The BEA defines Personal Incomes as income received from participation as laborers in production, from owning a home or business, from the ownership of financial assets, and from government and business in the form of transfers.
It does not include realized or unrealized capital gains or losses.

the Pandemic might explain that gain of $1.0 trillion or 5.5 percent in 2020. A year later in 2021, incomes increased by $600.0 billion or 3.2 percent. [Historical Personal Income Tables for US].

Statewide, personal incomes increased at an annualized 2.1 percent from 2000 to 2021. During the Recession, Maryland incomes rose from $370.5 billion to $386.9 billion, an increase of $16.4 billion or 4.4 percent. A year later (2021), state income growth slowed to 2.1 percent. [Historical Personal Income Tables for MD]. A closer look at personal income growth during recessionary periods shows that performance is affected by the severity of economic downturns and effectiveness of the government response.



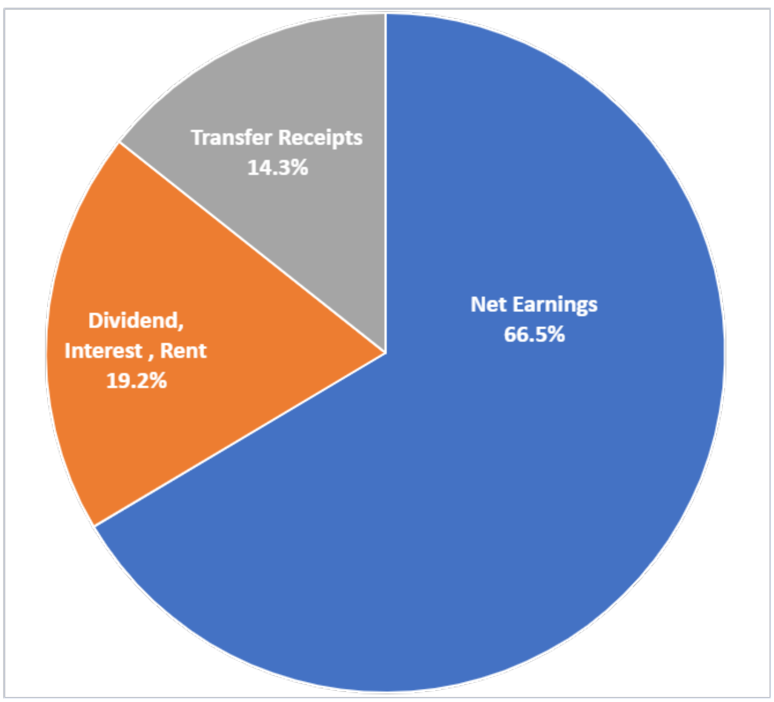
Over the last 20+ years, the nation has experienced three recessions: 2001-2002, 2007-2009, and 2020. Nationally, personal incomes increased from $11.7 trillion in 2000 to $11.9 trillion in 2001, an increase of 2.1 percent or $241.3 billion. From 2001 to 2002, incomes increased $39.1 billion or just 0.3 percent. During the first economic downturn or recession of this century, income growth remained positive but the rates of growth, from peak to trough, declined.

With few exceptions, Maryland's income growth has underperformed the nation's (see chart above). The state's personal incomes fell by eight-tenths of a percentage point from 3.3 percent (2000-2001) to 2.5 percent (2001-2002). During the Great Recession (2007-2009), U.S. personal incomes increased 0.9 percent from 2007 to 2008 and in the following period (2008-2009) declined by $414.6 billion or 3 percent. Maryland personal incomes rose 1.5 percent from 2007 to 2008 (about $4.6 billion) but declined four-tenths percent over the 2008 to 2009 period or about $1.4 billion. Since 2016 personal incomes nationwide saw consistent gains with a significant jump of $986.8 billion (5.5 percent) from 2019 to 2020. Nationally, from 2020 to 2021 incomes increased 3.3 percent or $624.5 billion. Statewide, from 2020 to 2021, incomes increased 2.1 percent or $8.0 billion.

The BEA also reports on per capita personal incomes [See Table 8A]. As reported in inflation-adjusted 2017 values, U.S. per capita income in 2021 was $58,848 compared to Maryland's per capita income at $64,054. Maryland had the 10th highest per capita income in the country. The top three states by per capita income were Washington DC ($88, 513), Massachusetts ($76,748), and Connecticut ($76,418). States with lowest per capita incomes were Mississippi ($42,094), West Virginia ($44,845), and Alabama ($45,661). Across Maryland's 24 jurisdictions, Montgomery County had the highest per capita income at $85,084 followed by Howard County at $79,249 and Talbot County at $77,704. Somerset County had the lowest at $43,439.

The Bureau of Economic Analysis (BEA) in its accounting of Personal Incomes measures the contribution of each component: Earnings, Dividends et. al, and Personal Transfer Receipts.[7] [See Tables 3A and 5A].

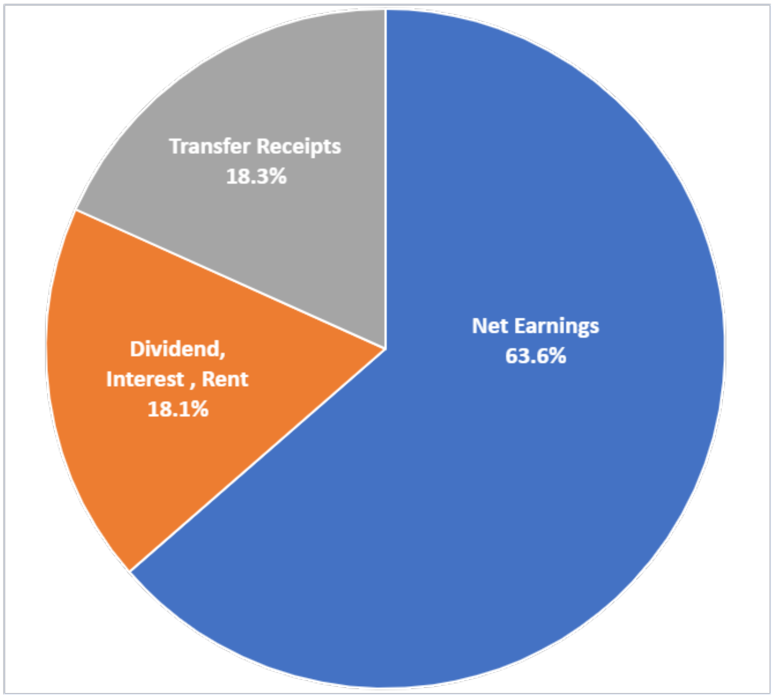
COMPONENTS OF PERSONAL INCOME – MARYLAND (2019)



Net earnings (i.e., Earnings by place of work that do not include withholding taxes and government social insurance) contribute the most to the personal income pie while the share of transfer receipts is usually smaller in good economic times and larger in bad times. For example, in 2019 the share of Transfer Receipts was only 14.3 percent but in 2020 (i.e., the Recession) the share of transfers increased by four percentage points to 18.3 percent. Dollar for dollar transfer receipts increased from $53.1 billion to $70.7 billion, a 33 percent increase. As of 2021, income from transfer receipts increased another $2.8 billion [See Table 3A-3B, Chart 4].

[7]Earnings are made up of wages and salaries, supplements to wages and salaries, and proprietor's income. Dividends, Interest, and Rent is income received in return for investment in a financial asset(s). Personal Transfer Receipts include Social Security Benefits, Workers' Compensation, Medicare, Medicaid, Unemployment Insurance, Supplemental Security Income (SSI), Earned Income Tax Credit (EITC), and SNAP (Supplemental Nutrition Assistance Program).

COMPONENTS OF PERSONAL INCOME – MARYLAND (2020)



Net Earnings accounted for 66.5 percent of total personal income in 2019 but 63.6 percent in 2020, a difference of 2.9 percentage points. The data indicate a minor loss in net earnings for 2020: a loss of $132.3 million or one-tenth of a percent. The following year (2021), net earnings increased by $6.2 billion for a total of $394.9 billion. [See Chart 2]. Dividends et.al., accounted for 19.2 percent of the total income pie in 2019 and 18.1 percent by 2020, a difference of 1.1 percentage points. Between 2019 and 2020, the contribution of dividends, interest, and rent to personal income decreased from $71.2 billion to $70.1 billion, a difference of $1.1 billion. [See Chart 3].

Jobs[8]

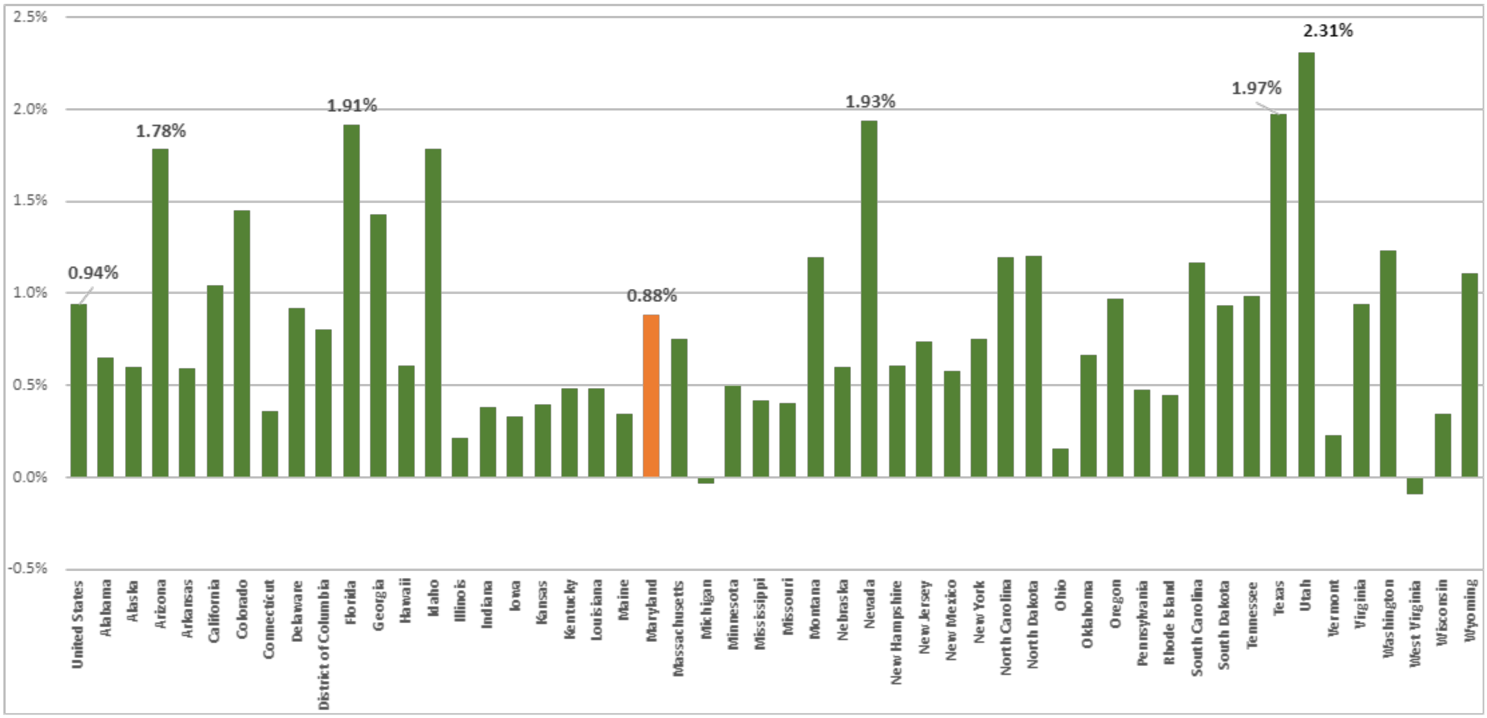
The jobs data complement the earnings data discussed in the section above. Earnings refer to wages and salaries and proprietors' income. Total jobs refer to full- and part-time employment as well as to proprietors (i.e., the self-employed, members of partnerships, and others classified as tax-exempt). The Maryland Department of Planning's State Data Center analyzes jobs and employment by industry data for the U.S., Maryland, and Maryland's 24 jurisdiction over the last ten years. Data are presented in tabular and chart format. [See Jobs Tables].

In the last 20+ years, 2000 to 2021, total employment in the U.S. increased from 165.4 million to 201.5 million at an annualized rate of 0.9 percent. Across the nation, Utah had the largest annualized gain in total employment at 2.3 percent followed by Texas (+2.0%) and Nevada (+1.9%). Annualized growth rates for Maryland and its contiguous states show Virginia (0.94 %) and Delaware (0.91%) with the higher rates followed by Maryland (0.88%), the District of

[8] The Bureau of Economic Analysis (BEA) publishes the most comprehensive count of at-place employment when compared to other federal statistical agencies (e.g., the Census Bureau and the Bureau of Labor Statistics). While the Census and BLS collect primary data at the establishment level or place of work, the BEA accesses administrative records from other agencies. These sources of jobs data include Unemployment Insurance (UI) records, IRS tax filings, estimates from the National Agricultural Statistics Service (NASS), Railroad Retirement Board (RRB), Census Bureau's County Business Patterns, Bureau of Labor Statistics' Current Employment Statistics, Defense Department, and the Defense Manpower Data Center. For more information on BEA's employment methodology see here.

Columbia (0.80%), and Pennsylvania (0.47%). Employment data for West Virginia indicate an annualized decline of 0.10 percent. In terms of absolute increase, Maryland added 622,086 jobs to its total employment base from 2000 to 2021: from 3.1 million to 3.7 million.

Annualized Rates of Job Growth: 2000 to 2021



During the Recession (2019-2020) U.S. employment declined by 6.3 million (-3.1%). Data show that Hawaii had the largest percentage decline at 10.5 percent. The second and third largest percentage declines in the country were New York (-6.9%) and Nevada (-6.0%). Arizona lost 9,949 jobs or 0.25%, the smallest percentage decline. Contrary to the economic trend, data for the states of Idaho (+1.32%) and Utah (+1.54%) showed percentage gains. Idaho added 22,867 jobs and Utah added 33,301 jobs over that one-year economic downturn.

Total employment in the Maryland region (i.e., the states of Maryland, Delaware, District of Columbia, Pennsylvania, Virginia, and West Virginia) decreased by 688,543 (-3.6%) between 2019 and 2020. Some states in the region lost fewer jobs than others during the recession, a function of the industry base. Employment in the District of Columbia declined 5.4 percent (-49,311), the most of any state in the Maryland region percentage wise, followed by Pennsylvania (-4.6%) which had the largest numeric reduction at 359,913; West Virginia's total employment fell 4.6 percent, a numeric decline of 40,579 jobs; Virginia lost 104,890 jobs, a nearly 2.0 percent decline; Delaware declined by 1.8 percent (-10,767 jobs). In Maryland the state lost 123,083 jobs, a decline of 3.9 percent.