

OFFICE OF THE COMPTROLLER MARYLAND 2023 | STATE OF THE ECONOMY



BACKGROUND

Published in January 2024, the Comptroller’s inaugural State of the Economy report analyzes Maryland’s economic trends relative to the nation and neighboring states between 2016 and 2023 to help policymakers, businesses, and the public better understand and support Maryland’s economy.

Maryland has a high performing economy and tops the nation in several key economic categories, including the highest median household income (\$108,200) and the lowest unemployment rate (1.8%). The State is a leader in industries of the future, including vaccine development, medical technologies, quantum computing, and next generation military defense weapons and systems. However, Maryland’s economy has been sluggish since the end of 2016 and has experienced a slow recovery from the COVID-19 pandemic. Key challenges include a shallow labor pool, slowing population growth, and the high cost of housing.

ECONOMIC TRENDS

Since the end of 2016, Maryland has trailed the U.S. and its neighbors on key growth indicators, including GDP, employment, personal income, and real wages.

The federal government – inclusive of federal agencies, military installations, and research centers – plays an outsized role in Maryland’s economy, making up 5.7% of total employment in the State compared to 1.9% of total employment in the U.S. Since the pandemic, federal government employment has grown significantly in Maryland while private employment growth has remained stagnant.

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 was measured beginning in the fourth quarter of 2016. Where applicable, amounts expressed are in real dollars and have been adjusted for inflation

Find the full State of the Economy Report at marylandtaxes.gov/research

LABOR FORCE PARTICIPATION

The Labor Participation Rate (LPR) is the percentage of the population either working (employed) or actively looking for work (unemployed).

Maryland's civilian LPR is traditionally higher than the national average and most other states. While this is still true, Maryland's LPR dropped by four percentage points at the onset of the pandemic and has yet to recover, unlike other states and the U.S.

At 65%, Maryland's LPR is at its lowest level since the 1970s. Possible explanations include poor health outcomes and the opioid epidemic. The decline in LPR for women has been more pronounced in Maryland than the rest of the nation. Reasons women are leaving the labor force include the cost of childcare, occupational segregation and the pay gap, financial security (among high wealth households), and entrepreneurship.

In Maryland, there are not enough workers to meet demand from employers: there are 3.1 job openings for every 1 job seeker in Maryland (compared to 1.3 openings for every 1 job seeker nationally). This restricts the ability of businesses and the economy to grow.

POPULATION AND MIGRATION

Maryland has experienced a steady slowdown in population growth over the past 15 years, culminating in 2021 and 2022 when the state lost population for the first time since World War II. This is being driven by national trends that Maryland is also experiencing: (1) declining birth rates since the Great Recession, and (2) domestic migration patterns from higher to lower cost of living areas. However, international migration has been a buoy for the state, especially in recent years, offsetting domestic population loss and bolstering labor force participation.

Maryland is losing residents to lower cost of living states like the Carolinas, Pennsylvania, Texas, and Florida, and is gaining residents from New York, New Jersey, and Washington, D.C.

Outmigration is driven by those at the ends of the age and income spectrums – people under the age of 26 or over the age of 55, and individuals earning less than \$50,000 and more than \$100,000. Meanwhile, people coming into Maryland tend to be between the ages of 26 and 44, and earn between \$50,000 to \$100,000 annually. It is likely that this age group is particularly attracted to Maryland's high-wage job market, quality public schools, and strong government services.

Maryland's high cost of living is driven by high cost of housing. Maryland is among the states with the highest cost of housing: the median home price in 2022 was \$411,200 compared to the \$348,600 nationally. Housing starts have not grown in response to increasing home prices nationally, but especially in the Northeast.

Putting Together the State of the Economy Report

This report was produced by the Comptroller's Bureau of Revenue Estimates (BRE) team and Policy Division. The report reflects qualitative and quantitative data analysis – government economic data and input from Maryland businesses, economic, and community leaders that was gathered primarily in the second and third quarters of 2023. The Comptroller's Office held roundtables throughout the state to ensure geographic and viewpoint diversity, and held individual conversations with representatives from every county in the State.

Find the full State of the Economy Report at [marylandtaxes.gov/research](https://www.marylandtaxes.gov/research)