

Key Findings

Economic Performance and Outlook 2007

- The 363 U.S. metro economies are the driving force of the nation's economic performance, accounting for 89.9%, or \$12.4 trillion, of the nation's gross domestic product; 90.1% of wage income (\$5.7 trillion); and 85.9% (117.9 million) of the nation's jobs in 2007.
- The New York metro again ranks first, with a 2007 Gross Metropolitan Product (GMP) of \$1.2 trillion; followed by Los Angeles, \$698 billion; Chicago, \$506 billion; Washington, \$383 billion; and Houston, \$378 billion. (Appendix Table 1)
- Real Gross Metropolitan Product (GMP) rose 2.0% last year, down from 3.2% a year earlier. However, 62 metro areas suffered declines in 2007, including 14 that fell at least 2%. There were 84 metros that saw gains of 3% or more, including 14 with gains of 5% or more. (Appendix Table 7)
- Combined, metros produced \$207 billion (92%) of the \$226 billion increase in real economic output in 2007.

2008-2009 Forecast for U.S. Metros

- Following average annual gains of 2.8% from 2005-07, growth in real GMP will be cut in half in 2008 to 1.4%; 2009 will offer only marginal improvement, with a growth rate of 1.5%.
- Compared to last year's 2.0% rate, 2008 will see a 0.6% deceleration in real GMP growth to 1.4%.
- In 2008, 142 of 363 metros (39%) will register below 1% real GMP growth, 33 (9%) of those actually contracting; a year later the figures will fall to 127 (35%) and 10 (3%), respectively. (Appendix Table 7)
- Largest Real GMP gains in 2008 will come from the following metros: New York, \$20.62 billion; Houston \$9.96 billion; Dallas-Fort Worth \$9.28 billion; Seattle-Tacoma \$4.83 billion; and Washington \$4.73 billion.
- The fastest growing U.S. metros in 2008 will be Houma, LA (5.2%); Odessa, TX (5.0%); and El Paso, TX (4.4%).
- Metro employment growth of 1.2% in 2007 will fall to 0.4% this year, not reaching above 1% job growth until 2010. (Appendix Table 6)
- Metro area job growth will improve only slightly to 0.7% in 2009; 73 metros will still see job declines next year.
- More than 70% of the nation's metros in 2008 are expected to record less than 1% job growth, the rate that is typically needed to absorb new entrants into the job market.
- 283 metros (78%) will see more than a 0.2 percentage point increase in their unemployment rate this year.

Scope of Metro Economies

- The flow of goods and services among metro areas is comparable to trade flows between nations. Of the 100 largest international economies in the world, 40 are U.S. metro areas. New York ranks 12th among all world economies; Los Angeles 18th; Chicago 20th; Washington 27th and Houston 30th. (Appendix Table 2)
- The economic output from the ten largest metro areas (\$4.72 trillion) is larger than the combined gross state product of the 37 smallest states. (Appendix Table 4)
- Combined, the 50 largest metro areas, from New York to Raleigh, generated a value of \$8.9 trillion in 2007, nearly two-thirds (64.9%) of U.S. GDP.

- Eighteen metros account for over half of their state's economic output. 30 metros account for more than 25% of their state's economy. (Appendix Table 5)
- In 32 states the combined metro economies contribute 75% or more of the state's total economic output.
- The New York metro economy is larger than Texas or Florida; Los Angeles is larger than Illinois or Pennsylvania; Chicago is larger than Ohio. (Appendix Table 3)

Metro Area Employment Between Downturns

- Since the 2001 recession, 282 metro areas have surpassed their previous employment peak, with 173 yet to experience a job drop on a quarterly basis.
- However, 80 metro areas began the current economic downturn without having recovered their lost jobs from the previous recession. Severe job losses in 2001 and/or a tepid recovery since then have combined to keep job numbers in these areas 900,000 below where they were more than seven years ago. (Appendix Table 8)
- Many of these metro areas will likely end the decade with fewer jobs than they started with (Appendix Table 9). The report forecasts that 71—nearly one-fifth of the nation's 363 metro areas—will remember the 2000s as a decade of job-base deterioration, the most widespread impact in the last half-century, surpassing the 1980s when nearly 14% of metros lost jobs.
- Peak-to-peak employment gains (the difference between the current job level peak and the employment peak prior to the 2001 recession—Appendix Table 8) were led by Phoenix at 307,100 jobs; Houston at 298,300 jobs; Washington at 289,400 jobs; Riverside-San Bernardino at 233,800 jobs; and Miami at 220,600 jobs.
- Metros with the largest peak-to-peak job declines were Detroit, down 163,500 jobs; San Jose, down 155,000 jobs; San Francisco, down 113,700 jobs; Boston, down 72,700 jobs, and Cleveland, down 59,700 jobs. Fifteen of the sharpest drops occurred in metro areas in the rust-belt states of Michigan, Ohio, Indiana, and Illinois.

Housing Update

- In a November 2007 report we projected that homeowners would see property values fall by \$1.2 trillion in 2008. Less than eight months later, we find the picture even grimmer: values are now expected to tumble nearly \$1.46 trillion this year.
- Almost all metros—336 out of 360 (93%) – are expected to see some sort of home value decline. (Appendix Table 10).
- At the national level, housing starts continue to decline. The first quarter marked one of the lowest levels of activity in the 60-year history that data has been collected. New construction will fall even further over the course of the year, reaching an all-time low of 930,000 starts for 2008.
- Existing home sales and housing prices are also expected to continue to decline for the rest of the year, as foreclosures continue to grow and unsold inventories remain high. By the end of 2008, starts and existing sales will be 60% and 37%, respectively, below their recent peaks, while home prices will have fallen about 10% from its high.
- The report forecasts that foreclosure activity is expected to rise to 2.2 million homes in 2008, representing a property value of \$488.4 billion. (Appendix Table 11)