



## **U.S. METRO ECONOMIES: GMP ENGINES OF THE NATION'S ECONOMY**

### **KEY FINDINGS**

U.S. metro areas accounted for 85.6% of the nation's economy in 2002, the same as in 2001. The share of the nation's output accounted for by metro economies increased from 84.5% in 1992 to 85.6% in 2002. Metro areas will remain the focal point of economic activity over the next 25 years, growing to 87.3 percent of the economy.

In 2002, the combined output of the top 10 metros (\$2.6 trillion) exceeded the combined output of 31 states (\$2.5 trillion).

In 31 states, the combined metro economies contribute 75% or more of the total economic output of the state.

Of the 319 metro areas, 294 showed growth in inflation-adjusted output, 43% grew faster than the national average. In total, metro areas grew by 1.8% after inflation in 2002. Non-metro area growth was much faster as the entire national economy expanded by 2.4%.

In 2003, metro areas are forecasted to grow in real GMP by 2.1%, and in 2004 by 3.4%.

The top 20 metros generated \$3.8 trillion in gross output in 2002, or 42% of total metro output and 36% of national output.

The top 20 metros are expected to generate \$4 trillion in output for 2003.

If U.S. metro areas were nations, 48 of the world's largest economies would be U.S. metro areas.

But due to the recession of 2001 and slow growth of 2002, New York metro fell one spot, becoming the 14<sup>th</sup> largest economy in the world, as Brazil moved to its former place. Los Angeles-Long Beach moved from 15<sup>th</sup> to 16<sup>th</sup>

The international rankings of Chicago, and Boston unchanged at 18th, and 22<sup>nd</sup>, respectively. Washington, D.C slipped on spot, as Argentina fell below it and both Belgium and Sweden climbed past it.

The report forecasts that 50 metros in 2003 will have a real GMP growth of 1% or less, but more than twice that number, 110 metros, will experience actual job declines.

In 2002, 76 metros had real GMP growth of 1% or less and 192 metros experienced job declines.

In 2002, the nation's metro areas shrank in employment by 1.0%

Because the labor force naturally expands over time, the rate of unemployment will not begin to fall until job growth reaches a rate of 1%.

The housing market was one of the few strong performers for the national economy in 2002. In 2002, 229 metros had higher residential permit levels than 2001, while 92 metros saw no growth or an outright decline in permits compared to the prior year.

Among the largest 100 metros, Ocala, FL ranked first with residential and building permits up 95% in 2002; Little Rock up 58%; Stockton, CA 41%; and Orange County CA 38%.

The largest drops in housing permits among the top 100 metros were San Jose (-22%), Denver (-20%), Raleigh-Durham (-17%), Myrtle Beach (-16%) and San Diego (-13%).

Nationally, new single family housing permits in 2002 grew 8.2%; growth in 2003 is expected to fall -0.3%. In 2002, housing permits in metros grew 7.6%, but are forecast to fall -3.4% in 2003. The drop will not extend to housing prices, with price acceleration only moderating.

The report calculates that 6.1 million persons were employed in the residential housing market in 2002 and that 86% or 5.3 million worked in metro areas.

The housing sector is highly productive, with 4.5% of total employment generating 11.9% of total sales, a ratio of 2.6.