Key Findings

METRO UNEMPLOYMENT FORECAST
JANUARY 2009

Unemployment will rise in metro areas in 2009

- Unemployment rates were higher in November than a year earlier in 359 of the 363 metropolitan areas, and 128 metropolitan areas reported jobless rates of at least 7.0 percent.
- Only five metros will escape net losses this year, and just one will add more than 200 jobs on net.
- The New York metro will suffer the largest job drop, totaling 181,000, including over 50,000 in financial services as Wall Street retrenches. Los Angeles will lose 164,000 as the Southern California economy continues to deflate after the bursting of the housing bubble. These metros are among the 171 which will see job declines in excess of 2% through 2009. An additional 141 will see losses in excess of 1% of employment.
- Unemployment will rise to above 10% in 70 metros, including the recently booming Riverside-San Bernardino, and in long struggling Detroit and Cleveland. Los Angeles, Denver, and St. Louis will be among the 105 metros with joblessness above 9%. And 297 metros will see jobless rates rise by more than one percentage point in 2009.
- One year after the 2001 recession, more than 200 of the nation's 363 metros still showed total employment below the level they had reached in the year 2000. That figure decreased over time, but did not fall below 100 until the start of 2006. Even by January 2008, there were still 66 metros registering negative job growth for this decade. Then the economic downturn of 2008 threw many metropolitan areas back into negative territory. By November 2008, 93 metropolitan areas, about 25% of the total, were recording negative job growth for the decade, and that figure is rising quickly.
- We expect that 36 metropolitan areas currently in positive territory for the decade will end up below their year 2000 level as a result of job losses over the course of the next four quarters. That will bring the total number with job losses this decade to 129, more than one-third of all metropolitan areas.
- In addition to the 93 metros registering negative job growth for the decade, 131 more have experienced job gains that have not kept pace with the increase in the U.S. working-age population.

Shrinking GDP

- Real GDP growth is expected to have dropped nearly 5.6% in the fourth quarter of 2008, its worst performance since 1982.
- The near-term outlook is not good either, with another 5+% drop in real GDP slated for the first quarter of 2009
- The recession, which began in December 2007, is expected to last 18-24 months, longest in the post-war era, with the second largest peak-to-trough drop in real output.
- A return to solid growth is at least a year away.
Growing unemployment nationwide

- Employment fell nearly 500,000 per month in the last four months of 2008, and we expect similar losses through the first quarter of 2009.
- December marked the 12th consecutive month of job cuts, and the cumulative payroll decline now stands at more than 2.5 million. We believe that is just halfway to the total job loss anticipated during this cycle.
- The unemployment rate has jumped to 7.2%, reaching a 15-year high. We see the unemployment rate rising above 9% by early 2010, the highest level since the early 80s.
- Through the six months ending in November 2008 (the most recent data point), 41 states suffered payroll cuts, led by Arizona and Georgia.
- Forty-nine states have experienced unemployment rate increases in the last 12 months, 36 of those by more than one percentage point.

Regional impact

- The Great Lakes and Northeastern states have experienced the weakest employment growth, with not a single metro in Wisconsin, Illinois, Indiana, Michigan, Ohio, New York, New Jersey, or the New England states generating job gains as fast as growth in the US working-age population. Only one small metro in Pennsylvania (Lebanon) managed to beat the 1.08% mark.
- The West Coast has not fared much better. Although there are several inland California MSAs that have experienced strong growth, the large population and employment centers of San Diego, Los Angeles, San Francisco, and San Jose fall into the weak job growth category.
- In the high-tech centers of the Bay Area and Silicon Valley, most metro economies remain well below their 2000 peaks, as they have never regained the jobs lost in the 2001 dot-com bust.
- In the Pacific Northwest, not even stalwart Seattle and Portland have managed to generate job growth commensurate with the growth of the U.S. working-age population, and they are now in decline.

Metro areas are essential to national economic recovery

- The nation's 363 metropolitan areas are home to 86% of U.S. employment and 90% of wage income. They are the key drivers of the nation’s economic performance. Without the economic recovery of metro economies there can be no U.S. recovery.
- The unemployment rate will rise above 8% in metro areas this year, and above 9% in 2010. We project that 85% of the job losses during this recession will occur in metro areas; and 83% of unemployed workers in the nation reside in metro areas.
- Metro areas contribute 90% of the production of goods and services that make up Gross Domestic Product. Investment in metro areas lowers the costs of doing business, stimulating further business activity and economic growth.
- 94% of U.S. economic growth over the next 20 years will occur in metro areas.
- The Recovery and Reinvestment Plan can best achieve its goal of jump-starting the economy and setting the stage for strong future economic expansion by explicitly targeting metro areas. That is where there is pain now, where there are productive resources ready to be put to use, and where public investment can have the greatest bang for the buck.