U.S. metro areas are becoming even stronger engines of the U.S. economy

GMP and GDP

- U.S. metro areas are the powerhouses driving the U.S. economy.
- This decade (2000-2006), 90.5% of U.S. economic growth has been generated in metro areas.
- U.S. metro economies generated an astounding 86.7% of gross domestic product (GDP) in 2006, up from 86% in 2000. Global Insight forecasts that by 2016, 87% of U.S. GDP will be derived from U.S. metro areas. By 2036, metro areas will produce 87.9% of the value of all goods and services of the U.S.
- The economic output of U.S. metros exceeded $10 trillion for the first time in 2004, and reached $11.4 trillion in 2006. The report forecasts that U.S. metros will generate 87.4% of the economy’s growth in 2007, and contribute $12 trillion to the U.S. economy.
- The New York Metro area again led the nation’s 361 metros in economic output in 2005, generating $952.6 billion, with a projected real GMP growth rate of 3.0% for 2006 and 2.3% in 2007. The Los Angeles/Long Beach metro is the second largest in the country in terms of output, with a 2005 GMP of $604.8 billion, and an expected real GMP growth rate of 3.8% in 2006 and 2.0% for 2007. Chicago again claims the slot of third largest metro with a 2005 GMP of $422 billion and real GMP growth of 2.8% in 2006 and 2.1% for 2007. Washington, Dallas, Philadelphia, Houston, Boston, San Francisco/Oakland, and Atlanta round out the nation’s top ten metro areas in this category.
- Over the 2003-2005 period, St. George, UT, led all metros with average annual real GMP growth of 13.1%. Five other metros had growth exceeding 10% through 2005: Coeur d’Alene, ID; Cape Coral-Fort Myers, FL; Bend, OR; Idaho Falls, ID; and Port St. Lucie, FL.

Employment and labor income

- This decade (2000-2006), metro areas increased their share of the nation’s employment from 85.1% to 85.7%.
- Metro area payrolls increased to 114.4 million in 2005 and 116.3 million in 2006.
- Wage and salary income in metros reached $5.1 trillion in 2005 and $5.5 trillion in 2006. Metro areas generated 89.8% of U.S. labor income in 2005 and 89.9% in 2006.
- Among the largest metros, Las Vegas, Phoenix, Orlando, and Salt Lake City will lead the nation in job growth by wide margins. Austin, Charlotte, Seattle, Jacksonville, Tampa, and Dallas will generate gains in excess of 5% over the 2005-2007 period (Appendix Table 9).
- Smaller metros in the top ten gainers over this time also include Boise, ID; Naples, FL; Prescott, AZ; St. George, UT; and Yuma, AZ.
U.S. Metro areas are global economic powerhouses

International rankings

- When U.S. metros are ranked among countries, 42 of the 100 largest international economies are U.S. metros.
- The New York metro is the tenth largest economy in the world (ahead of India, Brazil, South Korea, Mexico, and Russia). Los Angeles-Long Beach and Chicago are the 18th and 19th largest international economies, respectively (larger than Belgium, Switzerland, Sweden, and Turkey). The Washington, D.C., metro ranks 28th, and Dallas is the 30th largest international economy, larger than both Greece and Indonesia (Appendix Table 3).

Metros as important as states to U.S. economy

- Even on a national rather than international stage, the size and importance of metro areas to the U.S. is readily apparent. In 2005, the economic output from the ten largest metros was greater than the combined gross state product of the 35 smallest states.
- In comparing metros to states, New York City is the 4th largest economy in the United States, larger than Florida. Los Angeles-Long Beach is the 6th largest economy (larger than Illinois, Pennsylvania, Ohio, and New Jersey). Chicago is the 11th largest economy (larger than Michigan and Georgia), and Washington D.C. and Dallas ranked 17th and 18th, respectively (both larger than Washington and Maryland) (Appendix Table 4).
- In many cases, a metropolitan area is the largest component of a state’s economy, and across the nation there are 16 metro areas that account for more than 50% of the economic output in their state. Likewise, an additional 28 metros individually account for more than 25% of the output of their respective states. In 30 states, the combined metro economies contribute 75% or more of the state’s total economic outputs.

Real estate and construction

Real estate

- By 2007, the crest of housing activity in 2005 will be a distant memory.
- Housing starts are projected to total 1.51 million units in 2007, a drop of 24% from 2.1 million in 2005.
- The housing market decline will also affect construction employment. After rising by 4.4% (304,000 workers) in 2005, construction employment will not just stagnate, but actually shrink by 2.2% (164,000 workers) in 2007.

Affordability

- As housing activity has increased, housing affordability has been a growing concern in metro areas across the nation.
- In 2006, 54 metro areas registered cost-to-income ratios higher than 28% (a general standard for the percentage of a family’s income that should be dedicated to housing), meaning that the average homeowner in these metros would have to stretch their budget to compensate for above average-housing costs. This list was topped by Naples, FL; Miami-Ft. Lauderdale, FL; Merced, CA; Bend, OR; and Salinas, CA (Appendix Table 12).
- Santa Barbara, CA topped the list in average gain in equity per household from 2000-06 ($519,939). Salinas, CA came in second ($470,895) followed by Los Angeles-Long Beach ($452,617) (Appendix Table 13).