U.S. METRO ECONOMIES | JUNE 2011

GMP AND UNEMPLOYMENT FORECAST

Key Findings

National Economic and Job Projections

- The report projects economic growth of 3.5% for the second half of the year, after 1.9% growth in the first half.
- Debt ceiling negotiators need to bear in mind that although the economy needs a credible long-term deficit reduction plan, it does not need an immediate dose of austerity. Aggregate demand is too fragile.
- Job growth in 2011 will reach just 1.2%, only a bit higher than underlying labor force growth, resulting in an unemployment rate that only slowly retreats from its current rate of 9.1%.
- Unemployment will end 2011 at 8.6%, and not fall below 8% until late 2013.
- Only in the first half of 2014 will employment in the U.S. match its previous peak level of early 2008.

Gross Metropolitan Product (GMP)

- In 2010, U.S. metro economies accounted for 89.8% of the nation's gross domestic product and wage income, and 85.7% of all jobs—slightly down from 2008, but still the overwhelming majority of domestic product and wage and salary disbursements.
- New York metro ranked first with a 2010 GMP of $1.28 trillion, followed by Los Angeles ($738 billion), and Chicago ($531 billion)
- Following consecutive years of decline in 2008 and 2009, total real GMP increased by 3.1% in 2010, with 347 (out of 363) metros experiencing increases—a stark contrast to the previous year's performance when 280 metropolitan areas saw it fall.
- Houston (7.6% real GMP growth), Oklahoma City (7.5%) and El Paso (7.2%) lead the nation's 100 largest metros in real GMP growth in 2010.

State and International Economic Output Rankings

- New York's metro economy, when compared to nations, ranks as the 13th largest economy in the world; Los Angeles ranks 18th; and Chicago ranks 21st.
- Of the 100 largest economies in the world, 37 of them belong to metropolitan areas of the United States.
- Output from the metros of New York, Los Angeles, and Chicago was greater than that of 44 other individual states, and the combined production of the 10 highest grossing metros is greater than that of the combined 36 smallest states.

Metro Area Unemployment

- Through April 2011, double-digit unemployment rates persist in 103 (28%) of the 363 U.S. metro areas. This number is down from 150 (41% of all metros) a year ago. 33 metros currently have rates higher than 12%, half the total of 66 from the same time last year.
- By the end of 2011, 75 metros will have double-digit unemployment rates, and 193 metros (53%) will have rates higher than 8%.
- Most metro areas will suffer persistently high unemployment beyond 2011, many of which will continue with high rates into the middle and latter part of the decade. At the end of 2007, prior to

the recession, only 50 metro economies had jobless rates above 6%. However, by the mid-point of the decade (2015), we expect 198 metros (55%) to still be suffering unemployment above the 6% mark, with 61 metros still above 8%, and 13 metros above 10%.

- At the end of 2012, 311 metros will have unemployment rates above 6%; 173 metros will have rates above 8%; and 69 metros above 10%.

Return to Peak Employment

- The vast majority of employment gains the U.S. will experience in the coming years will be provided by metro economies. In 2011, metros will add more than 1.2 million jobs, and comprise 86.4% of all new jobs in the U.S. through 2015.
- By the close of 2014 over half of the metro areas will have returned to their previous peak employment level.
- Forty-eight metros are not expected to return to their peak employment during this decade.
- Not only are many metro areas struggling to climb their way back to their pre-recession peak employment, 166 metros (46%) have suffered net payroll losses between the second quarter of 2001 and the second quarter of 2011.