



The United States Conference of Mayors

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U.S. Mayors Economic Report Reveals Sluggish Economic and Job Growth in 2008-09

Many Metros to See No Job Growth as Mortgage Crisis Worsens

Miami, FL – A new economic report released Friday, June 20, during the U.S. Conference of Mayors Annual Meeting in Miami reveals that **U.S. economic growth for 2008 has weakened considerably, while unemployment and consumer prices have risen sharply**. Though it remains to be seen if this ends up being classified officially as a recession, the report reveals that there is no question that the economy is suffering more than just a mid-cycle slowdown. According to the report, a sustained recovery is not expected until mid-2009 at the earliest.

The economic forecast for the nation's 363 metro economies – which are made up of cities and suburbs – will remain sluggish at best and will slow to 1.4%, almost one-third below last year's rate of 2.0%, and half of the average growth rate for the last three years of 2.8%. While metro areas, which are the engines that drive the nation's economy, have helped prevent a more severe downturn, there is no doubt that they are bearing a heavy burden as a result of the current economic weakness.

“Our findings highlight how critical U.S. metro economies are to the future economic security of this nation,” said U.S. Conference of Mayors President, Trenton Mayor Douglas H. Palmer. “When our cities and suburbs grow, the nation prospers; when they struggle, the nation struggles.”

The report, prepared by Global Insight, also finds that **unemployment growth for 2008 will remain sluggish as well with only a 0.4% increase**. One-third (113) of U.S. metros will experience actual job declines this year. The projected gross metropolitan product (GMP) growth of 1.5% for 2009 will continue this sluggish performance.

The sluggish growth among metros in the current slowdown compounds the fact that many metros are suffering from a prolonged employment downturn. Almost 86 % of the nation's jobs were generated in U.S. metro economies. The report finds that 80 metros have not regained the jobs they lost since the last recession in 2001. Additionally, 71 metro areas will not see any gains in employment for the entire decade. Over half of these metros, led by Detroit and Cleveland, are located in the Midwest.

Combined, the 80 metros that have not fully recovered their jobs begin this slowdown with more than 900,000 fewer jobs than at the start of the 2001 recession, including Detroit, down 163,500 jobs and San Jose, down 155,000 jobs.

Furthermore, the report forecasts that the housing crisis continues to worsen. It predicts that in 2008 housing starts will reach an all-time low of 930,000 starts. Existing home sales and housing values will continue to decline throughout the year as foreclosures continue to grow. **Metro-area housing values are expected to tumble nearly \$1.46 trillion this year, worse than the previous November 2007 forecast of \$1.2 trillion**. Almost all metros, 336 out of 360 (93%) are expected to see some sort of decline in home values, led by the Los Angeles metro, followed by

Washington, DC, San Francisco, and Riverside. **Foreclosure activity is expected to rise to 2.2 million homes**, representing a property value of \$488.4 billion.

“These forecasts make it even more urgent that Congress and the President complete mortgage foreclosure legislation as soon as possible,” Palmer said. “The nation’s mayors, again, strongly urge the mortgage industry to increase and accelerate its efforts to prevent foreclosures. The overall situation is not getting better.”

The report concludes that the flow of goods and services among metro areas is comparable to trade flows between nations. In 2007, nearly 92%, or \$207 billion, of the nation’s real economic growth occurred in U.S. metros. New York ranked first among all U.S. metros, with a \$1.2 trillion economy, followed by Los Angeles, Chicago, Washington, and Houston.

U.S. metros, when compared to nations, continued their predominance in the global economy by comprising 40 of the largest 100 international economies. New York metro ranks 12th in the world, larger than the economies of India, South Korea, or Mexico; Los Angeles ranks 18th, larger than Turkey; and Chicago ranks 20th, larger than Sweden, Belgium, or Indonesia. Compared to previous rankings, New York dropped from 10th to 12th, overtaken by Brazil and Russia.

Additional key findings include:

--In 2008, 142 of 363 metros (39%) will register below 1% real GMP growth, 33 (9%) of those actually contracting.

--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.

--Metro area job growth will improve only slightly to 0.7% in 2009; 73 metros will still see job declines next year.

--The largest real GMP gains in 2008 will come from New York, \$20.62 billion and Houston \$9.96 billion; the fastest growing will be Houma, LA (5.2%); Odessa, TX (5.0%); and El Paso, TX (4.4%).

--Peak-to-peak employment gains (the difference between the current job level peak and the employment peak prior to the 2001 recession) were led by Phoenix at 307,100 jobs; Houston at 298,300; Washington at 289,400; Riverside at 233,800; and Miami at 220,600.

--Metros with the largest peak-to-peak job declines were Detroit, down 163,500 jobs; San Jose, down 155,000; San Francisco, down 113,700; Boston down 72,700 and Cleveland, down 59,700.

This Metro Economies report was prepared for the U.S. Conference of Mayors and it’s Council for the New American City by the economic forecasting firm, Global Insight Inc. You can download the entire report from the U.S. Conference of Mayors website at www.usmayors.org.

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The U.S. Conference of Mayors is the official nonpartisan organization of cities with populations of 30,000 or more. There are 1,139 such cities in the country today, each represented in the Conference by its chief elected official, the Mayor.