U.S. METRO ECONOMIES | JUNE 2018

METRO ECONOMIES: ECONOMIC GROWTH WITH FULL EMPLOYMENT WITH ANNUAL REPORT ON 2017 METRO PERFORMANCE

Key Findings

U.S. Metro Performance in 2017

- US Metros were home to 91.2% of real Gross Domestic Product (GDP) in 2017.
- US metro shares of US total personal income equaled 89.0%; total wage income equaled 91.6%.
- US metro share of total employment increased to 88.0% as metros added 1.9 million jobs, accounting for 95.9% of all US job gains.
- US Metros contributed 99.5% ($337 billion) of the increase in GDP in 2017.
- Combined, the nation's 10 highest-producing metro economies generated $6.8 trillion in economic value in 2017, surpassing the output of the sum of 37 US states.
- Many US metros have larger economies than states. New York's gross metropolitan product (GMP), the largest among metros at $1.66 trillion, exceeds the Gross State Product (GSP) of Texas, and Los Angeles's exceeds that of Florida, the fourth ranked state in GSP.
- In 21 states the metro share of GSP exceeds 90%, and in 32 it exceeds 80%.
- Of the largest 100 world economies, 37 are US metros.
- New York's GMP would rank 10th among the nations of the world, ahead of Canada and Russia. Los Angeles would rank 17th, ahead of Indonesia, and Chicago's metropolitan economy ranks 23rd, larger than Argentina. Dallas, Washington, San Francisco, Houston, Philadelphia, Boston, Atlanta, Seattle, and Miami all rank among the top 50.

Employment and GDP Forecast

- US economic growth is projected to reach 2.8% in 2018 and 2019, its highest since 2015.
- Real GMP growth will exceed 3% per year in 72 metros (19%) in 2019-2020, and 2% per year in 239 (63%). In 2020, 81 metros (21%) will have unemployment rates less than 3%, and 247 (65%) less than 4%.
- Solid gains in employment, driven by robust growth in production, will contribute to a further 0.4-percentage-point decline in the unemployment rate, to 3.5%, by early 2019.
- As US unemployment falls to 3.5% in 2018, 63 metros (19%) will have rates less than 3%, and 195 (51%) will have unemployment rates under 4%.
- Total employment gains are expected to average about 200,000 per month over the balance of this year, before slowing to around 100,000 per month in 2019 and roughly 70,000 per month in 2020.
- The labor force participation rate was 62.8% in April, a scant 0.3 percentage point below its expected recovery peak of 63.1%.
- With baby-boomers aging, participation rates will not return to their earlier peaks. Those small gaps leave little room between now and judgment day for labor force growth, when labor force gains are constrained by population growth.
- Growth of hourly labor compensation is expected to accelerate because of the further tightening in labor markets. The rise in the employment cost index is expected to increase from 2.5% in 2017 to 3.0% in 2018 and 3.5% by 2021.
- As baby boomers begin to retire, the share of the US population aged 65 years and over will jump from 16% in 2017 to 22% by 2048. The growth rate of the working-age population will slow more than that of the overall population. After increasing 0.9% annually over the past 30 years, the population aged 16–64 years will grow only 0.4% over this time period.
- The report projects that if the nation, over the next half-decade, could raise the labor force participation rate to its 2000 level, 67%, we would boost GDP growth by almost one-half a percentage point, from 2.0% to near 2.5%