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Metro Economies are vital to the functioning and growth of the US and global economy. Their influence, and contribution to US economic growth increased to record levels once again in 2018. It was the fifth consecutive year of increase.

Metropolitan areas dominated US economic growth in 2018. They were home to 85.9% of the nation’s population, 91.1% of real gross domestic product, and their share of total employment increased to 88.1% as metros added 2.1 million jobs, accounting for 94% of all US job gains. The metro shares of US total personal income, 89.3%, and wage income, 91.8%, also increased again in 2018.

Combined, the nation’s 10 highest-producing metro economies generated $7.2 trillion in economic value in 2018, surpassing the output of the sum of 38 US states. Their combined output exceeds all the nations of the world save China, and is 45% greater than that of Japan, the 3rd largest economy of the world (see Appendix Tables).

Many US metros have larger economies than states. New York’s gross metropolitan product (GMP), the largest among metros at $1.85 trillion, exceeds the Gross State Product (GSP) of Texas, and Los Angeles’s exceeds that of Florida, the fourth ranked state in GSP. In many states, metro economies account for almost all of the state economy. In California, for example, the metro share of GSP is 98.9%. In Texas, it is 93.1%; in Florida 98.1%; and in New York, 97.4%. In 19 states the metro share of GSP exceeds 90%, and in 29 it exceeds 80%. Only in Montana, North Dakota, Wyoming, and Vermont is the metro contribution to GSP lower than 50% of the state economy. (Appendix Tables 3, 4, 5)

The GMP of 38 US metros each surpassed $100 billion in 2018, and we project that Virginia Beach-Norfolk-Newport News will as well in 2019. The $10 billion GMP mark was surpassed by 216 metros (57%) in 2018, with Brownsville-Harlingen, TX, Macon-Bibb County, GA, Waterloo-Cedar Falls, IA, and Sioux City, IA-NE-SD, reaching that level last year. We project that four more, Billings, MT, Hilton Head Island-Bluffton-Beaufort, SC, Kahului-Wailuku-Lahaina, HI, and State College, PA will do so this year, 2019. (Appendix Table 2)

Comparing metro economies to the nations of the world provides further evidence of the importance of US metros as drivers of the global economy. New York’s GMP would rank 10th among the nations of the world, ahead of Canada and Russia. Twelve of the world’s 50 highest-producing economies are US metropolitan areas. Los Angeles would rank 17th, ahead of Indonesia, and Chicago’s metropolitan economy ranks 22nd, larger than Switzerland. Washington, Dallas, San Francisco, Houston, Boston, Philadelphia, Atlanta, Seattle, and Miami all rank among the top 50. Of the largest 100 world economies, 37 are US metros. Our 25th largest metro, Austin, TX, is larger than Hungary, the 38th largest country. (Appendix Table 2)
THE US ECONOMY IN 2019

Real GDP expanded at a 2.0% annual rate in the second quarter, slowing from the first quarter’s 3.1% pace, reflecting significant drags from net exports and inventory investment in the spring quarter. Real GDP growth is projected to slow from 2.9% in 2018 to 2.3% in 2019, 2.1% in 2020, and 1.9% in 2021.

The downshift in GDP growth is expected to contribute to a continued slowing trend in employment gains. The six-month moving average of monthly payroll gains peaked last July at 236 thousand per month and has been moving unevenly lower since. Over the second half of this year, we expect payroll gains to average about 140 thousand per month. This is enough employment growth to keep the unemployment rate trending lower, to an average of 3.5% over the three months of the fourth quarter.

FIGURE 1: GDP AND UNEMPLOYMENT

METRO ECONOMIES IN 2019

At a regional perspective, gains in consumer spending in 2019 will be primarily seen in the booming economies of the West and Mountain West. Slower labor force growth and unfavorable demographic trends will continue to restrain economic growth in the Northeast and Great Lakes regions. Labor markets have tightened considerably over the past year. For instance, thirteen states currently have a jobless rate at or below 3%; three more than in June 2018. Surveys and Department of Commerce data indicate that growth in manufacturing slowed considerably in the first part of 2019. Sales of cars and light trucks have begun to decrease after years of robust growth, producing a glut of used cars and lowering the average age of the "fleet." Business inventories grew rapidly in 2018, which has led producers to trim
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