Metropolitan Policy Program at BROOKINGS

LSE Cities

AN INTERNATIONAL CENTRE SUPPORTED BY DEUTSCHE BANK

**Full report**: http://www.brookings.edu/metro/global_metro_monitor_profiles.aspx

CONTACTS: John Fairbanks, 202-797-6087, jfairbanks@brookings.edu
Rachel Harvey, 202-797-6073, rharvey@brookings.edu

# GLOBAL METROS SHOW ECONOMIC GROWTH SHIFT TOWARDS EMERGING MARKETS

*Asian and Latin American metros top "Global MetroMonitor" performance rankings in wake of Great Recession; U.S. and European metros lag*

WASHINGTON, DC—As the world economy recovers from the worst crisis since the Great Depression, nearly half of global GDP is produced in 150 large metropolitan areas, and the rapid growth in emerging Asian and Latin American metros presents those in Europe and the United States with major competitive challenges and significant opportunities.

The *Global MetroMonitor*, a new joint report of the Brookings Metropolitan Policy Program and LSE cities at the London School of Economics and Political Science, is the first analysis of international metropolitan economic performance before, during, and after the Great Recession. The report describes how the shift in growth from the U.S. and Europe to Asia and Latin America has accelerated post-recession.

"This report confirms that the rise of China, India, Brazil, and other nations is fundamentally about the rise of their metropolitan areas," said Alan Berube, Senior Fellow and Research Director at the Metropolitan Policy Program and co-author of the report. "Urbanization, in both established and emerging regions, is one of the most important factors in the restructuring of the global economy. Our analysis shows many Asian and Latin American metros have fully recovered from the global crisis, while U.S. and European metros are still struggling to regain their footing."

The global recession accelerated an economic shift that had been at work for many years, Berube said. He noted that, of the top 30 performing metros during the most recent year (2009 to 2010), 29 were outside the United States and Europe. Of the 30 metros with the weakest performance in the recovery, 28 were in Europe or the United States.

"The economic dominance of the metropolitan regions analyzed is overwhelming," said Philipp Rode, Senior Research Fellow and Executive Director of LSE Cities, and report co-author. "Our analysis also points to a strong and persistent relationship between the economic performance of metros and that of the regions and nations where they are located. These synergies are a central component of the strong performance of emerging-market metros."

The *Global MetroMonitor* was produced with Deutsche Bank Research, and supported by the Alfred Herrhausen Society, the international forum of Deutsche Bank.

The shift in the world economy presents both challenges and opportunities.

"Rapid growth in emerging-market metros challenges established metros, particularly in the United States and Europe, to pursue more productive models for economic growth than those that preceded the crisis," Berube said. "Those models should include expanding exports to capitalize on growing demand in those emerging metros for high-value goods and services."

The *Global MetroMonitor* ranks 150 international metropolitan areas—economically integrated collections of cities and suburbs—on their growth in employment and economic output per person before, during, and after the global downturn. The analysis includes 50 metros each in the United States, Europe, and the rest of the world, and provides in-depth profiles of each metro area.

The main findings of the report:

- **The global economy is led by metropolitan economies**—The metro areas studied 'punch above their weight' economically. Four in five boast wealth levels above their national averages. With just 12 percent of the world's population, these 150 metros generate an estimated 46 percent of global GDP.

- **The global downturn and recovery are accelerating a shift in growth towards lower-income metros**—The impact of the recession and the pace of recovery varied widely among global metros. The most recent year (2009 to 2010) appears to have boosted the relative standing of metros in rising nations in Asia, Latin America, and the Middle East, many of which were less impacted by the recession and have made a full recovery. U.S. and European metros felt the recession much more severely, and most increased their output last year but continued to shed employment.

- **Metropolitan performance is shaped by industrial structure and national performance**—Metros like Dubai, Riga, and Las Vegas with significant construction activity performed well pre-recession, but saw their rankings plummet as asset bubbles popped. By contrast, U.S. and European metros concentrated in non-market services, like health and education, weathered the storm relatively well. Metro economic performance closely tracked national economic performance in recent years, reflecting the important role of national fiscal, monetary, and trade policies in exposing metros to, or shielding them from, the worst of the crisis.

AHS Director Wolfgang Nowak said business, political, and policy leaders have the responsibility to seize the moment of change.

"This research gives us a glimpse of part of the great changes, the necessary changes, that are happening all around us," Nowak said. "Our challenge, particularly the challenge for those would-be leaders, is to recognize, understand, embrace, and direct those changes towards a future that is sustainable, that is just, and that is more secure. The structures and definitions which we have been accustomed to using for the last century no longer describe the global economic, demographic, and political realities we live with in 2010. This research is helping us draw a new map of our new world."

Judith Rodin, president of the Rockefeller Foundation, agreed the world is no longer the same place, and that the rise of metro leadership calls for new thinking.

“For the first time in history, more people now live in metropolitan areas than in rural areas,” Rodin said. “This historic demographic shift requires bold new solutions for tackling the changes that come with it, especially ones that use smarter planning and development to resist future climate change, build better infrastructure, reduce poverty, and create a more sustainable world. This is why reports like the Global Metro Monitor are essential to understanding the dramatic impact of global urbanization and preparing for what lies ahead.”

The report concludes that a sustainable economic recovery, in both emerging and established markets, will hinge on *macro* strategies to rebalance global demand and invest in the assets of the next economy—innovation, infrastructure, and human capital—as well as *metro* strategies to strengthen international economic relationships and renew aging institutions for a more competitive global age.

-END-