

Brookings report: Employment growth fuels Fresno's 2014 global economic ranking

By Tim Sheehan

The Fresno Bee January 21, 2015



Job seekers fill out applications during The Big Fresno Fair's 2014 job fair. A new Brookings Institution report ranks Fresno among the fastest-growing large economies in the world last year. Fresno's economic performance rank of 49th out of the 300 largest metropolitan areas globally is because of a year-over-year increase in people working.

JOHN WALKER — The Fresno Bee [Buy Photo](#)

- Growth on a global scale

Fresno County's economic performance from 2013 to 2014 was ranked 49th among the world's 300 largest metropolitan areas, and tops among nine California metro markets. The rankings by the Brookings Institution are based on a formula that examines the estimated year-over-year changes in per capita gross domestic product (GDP, the total value of goods and services produced in the area) and employment.

Metro area (nation)	One-year economic performance rank 2013-14	Per capita GDP change 2013-14	Employment change 2013-14	Five-year economic performance rank 2009-14	Recession status
Macau (Macau)	1st	8.0%	4.2%	10th	Recovered
Austin (Texas, U.S.)	38th	1.9%	3.6%	65th	Recovered
Fresno	49th *	-0.9%	** 4.5%	196th	Partially recovered
San Jose	72nd	0.2%	3.4%	72nd	Recovered
Riverside	103rd	0.2%	2.8%	182nd	Not recovered
Sacramento	122nd	1.1%	2.0%	216th	Not recovered
San Francisco	125th	-0.5%	2.6%	118th	Partially recovered
San Diego	142nd	-0.4%	2.3%	162nd	Partially recovered
Los Angeles	148th	0.1%	2.0%	164th	Not recovered
Bakersfield	178th	-2.4%	2.4%	108th	Partially recovered
Oxnard	211th	-1.0%	1.5%	222nd	Not recovered
Bangkok (Thailand)	300th	-0.5%	-1.7%	259th	Partially recovered

Source: Brookings Institution Metropolitan Policy Program 2014 Global MetroMonitor

* Fresno's rank of 49th among the world's 300 largest metropolitan areas in 2013-2014 economic performance rank was the highest among California's large metro areas, and fourth highest among U.S. metropolitan areas (behind Austin and Houston in Texas, and Raleigh, North Carolina).

** Fresno's annual employment growth of 4.5% was the highest among all large U.S. metropolitan areas.

4 things to know about Fresno's ranking

- A new Brookings Institution report ranks Fresno among the fastest-growing large economies in the world last year.
- Fresno's economic performance rank of 49th out of the 300 largest metropolitan areas globally is because of a year-over-year increase in people working.
- The ranking is tempered by stagnation in economic production of goods and services in the Fresno area.
- A regional economist urges against placing too much stock in a "premature" Brookings analysis.

A new report released Thursday by the [Brookings Institution](#) indicates that Fresno was among the fastest-growing large economies in the world last year, buoyed primarily by a significant year-over-year increase in the number of people who were employed.

But the Washington, D.C.-based think tank's globe-spanning data on the world's 300 largest metropolitan areas shows that despite the rise in jobs, the Fresno area has scarcely moved the needle on economic productivity in the years since the recession. The Fresno metropolitan area includes the cities of Fresno and Clovis, as well as the rest of Fresno County and its incorporated cities.

The Brookings [2014 Global MetroMonitor report](#) ranked Fresno's one-year economic performance from 2013 to 2014 at 49th of the 300 metro areas, based on data evaluating a combination of employment growth and per capita gross domestic product, or GDP (a per-person measure of the economic value of goods and services produced in an area).

Only three U.S. metropolitan areas — the Texas communities of Austin and Houston as well as Raleigh, North Carolina — ranked ahead of Fresno on the economic performance list. Austin and Houston were 38th and 39th, while Raleigh was 41st. Those cities and Fresno were the only U.S. metro areas to crack the top 50, which is dominated by fast-growing cities from emerging economies in China and other developing central Asian, Asian Pacific and Eastern European nations.

"We look at these two key indicators, employment and GDP per capita, to gauge the extent to which the economy has recovered to pre-recession levels," said Joseph Parilla, lead author of the Brookings report. Parilla said Fresno is considered partially recovered from the 2007-09 recession because it has regained its pre-recession level of employment, "and that suggests that the jobs machine has ramped back up after a very difficult recession and post-recession period."

No U.S. metro area had a bigger employment surge on the Brookings list than Fresno, where the number of working people rose from about 358,000 in 2013 to about 374,000 last year — a growth rate of about 4.5%. By comparison, employment growth across the U.S. was 1.6%. The 2.9 percentage-point margin by which Fresno outpaced the national rate ranked third among the global 300 cities, Parilla said.

"But GDP also fell off a cliff and that has yet to rebound in Fresno. It's essentially stagnant," he added. Total GDP rose slightly in Fresno County last year, but the population grew even faster. That resulted in a decline of just under 1% in per capita GDP from \$41,959 in 2013 to \$41,584 last year, based on estimates by Moody's Analytics used by Brookings.

Too early to celebrate?

While the Brookings ranking may look like good news, it should also be taken with a grain of salt, said Jeffrey Michael, director of the [Business Forecasting Center](#) at the [University of the Pacific](#) in Stockton. Michael produces detailed economic forecasts for Northern California and its metro areas several times each year.

"It's a pretty impressive global ranking if it were true," Michael said. "But it's primarily one data point, and that 4.5% job growth is clearly a nonfarm number."

Michael said the data analyzed by Brookings researchers doesn't appear to take into consideration employment from the region's agricultural industry, nor the effects of California's ongoing drought. "It certainly doesn't include data from the second half of 2014, and that's when the drought effects are really going to hit home," he said. "It's a bit premature to be making proclamations."

Michael said the Fresno region has seen some improvement in job growth following the recession, noting that "2012 and 2013 were pretty good recovery years." But, he added, "I don't know that 2014 was really building on that in Fresno; it may be just a pause on a continuing path toward recovery."

The UOP economist added that Brookings' use of Moody's Analytics figures for GDP may be suspect because they are merely estimates. "There has been growth in the last couple of years, but there is no official data, no actual measure yet, for 2014," Michael said. "Those estimates can be fairly unreliable, and I think it's a little early to say what's happening in medium-sized markets."

The Brookings authors wrote in their report that the factors they evaluated "reflect the importance that policymakers and the public attach to achieving rising incomes and standards of living (GDP per capita), as well as generating widespread labor market opportunity (employment)."

In Fresno, Parilla said, "the job growth is happening, but it's not translating into rising GDP. ... That says something about the value being produced by the jobs that are getting created."

Over the last five years, Fresno's overall economic performance ranked 196th, just above the bottom one-third of the world's large metro areas. It has been only in the last two years, Parilla said, that employment growth has enabled the Fresno area to lurch toward the top of the latest Brookings rankings even as the value of goods and services has sputtered.

3 things to know about world rankings

- Almost half of all global economic output last year was concentrated in the world's 300 largest metro areas.
- Most of the fastest-growing metro economies are in developing Asian-Pacific, Eastern European and Central Asian nations.
- Among the 300 global metro areas, more than half of North American cities and almost two-thirds of those in Western Europe have not yet fully recovered from the recession.

Uneven recovery

Across California, the Brookings report offers a mixed bag on the recovery prospects of cities. Of nine California metro areas included on the global 300 list, only San Jose is considered fully recovered from the recession by regaining its pre-recession levels of both employment and per capita GDP.

The San Francisco, San Diego and Bakersfield metro areas, like Fresno, are considered partially recovered, regaining pre-recession levels in either employment or GDP but not both. And still other California metro areas, including Riverside, Sacramento, Los Angeles and Oxnard, are deemed not recovered because they lag their pre-recession levels in both measures.

The asymmetrical growth and recovery among the California markets is a microcosm of the post-recession period around the world. Sixty percent of the world's large metro areas have regained their 2007 pre-recession levels in both employment and per capita GDP. Most of the fastest-growing metro areas last year were in developing Asian Pacific, Central Asian and Eastern European nations, while most of the slowest-growing metro economies were in North America, Western Europe and developed Asian Pacific countries such as Japan, Taiwan and South Korea.

Brookings reports that more than half of the metro areas in North America, and nearly two-thirds of Western European metro areas, lag their pre-recession points in both economic measures. That's why Brookings researchers describe the recovery as "uneven." "You have places like Fresno, Houston, Austin and Raleigh that are growing fast, but others were not, so we can see that the U.S. recovery is not touching all parts of the country," Parilla said.

And just because developing economies are growing faster doesn't mean their people are well off. Across North America and Western Europe, standards of living — as reflected in per capita GDP — were orders of magnitude higher than in emerging markets. For example, the Swiss city of Zurich is considered only partially recovered; its GDP grew at less than one-half of a percent last year, yet its value was more than \$82,400 per person. By contrast, Kolkata, India, is deemed fully recovered and was the 32nd-fastest growing metro economy in the world in 2014. But its per capita GDP was the lowest among the major metro areas, at just \$1,110 per person.

And in many of those countries, the wealth may be concentrated in a few metro areas while wide swaths of people in the countryside are left behind.

The relatively poor, yet fast-growing economies in developing nations "have a lot more growth potential than the already wealthy metro areas," Parilla said. That is a factor that he said should be of interest to leaders in U.S. cities because it represents both a challenge and an opportunity.

"These places are doing the types of economic investment that was previously reserved for advanced economies, and it cuts into those economies," he said. Their pace of growth, however, "could soon put them in the mid-level in terms of wealth, and they become good destinations for U.S. exports and for direct foreign investment. ... They become potential markets for exports from metro economies in the U.S."

Contact Tim Sheehan: tsheehan@fresnobee.com, (559) 441-6319 or [@TimSheehanNews](https://twitter.com/TimSheehanNews) on Twitter.

Join The Conversation

Copyright

© 2015 www.fresnobee.com and wire service sources. All Rights Reserved. <http://www.fresnobee.com>