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Austin's GMP growth top in nation

Productivity rose in just 5 of 100 major cities studied

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The Austin economy has grown more than those of any of the largest 100 American metros during a period when 95 percent of those metro economies contracted, according to a December Brookings Institution report.

Opinions vary on why Austin's gross metropolitan product — or GMP, the value of goods and services produced — expanded by 2 percent from the end of fiscal 2008 until now. The average U.S. metro area saw its GMP decline 2.4 percent.

A vague conclusion from local experts points to Austin's business and technology services sector. In simple terms, the region is exporting experience and technical know-how instead of widgets and rubber hoses.

"If you think about business services as an export, it is high," said Brian Kelsey, economic development director for the Capital Area Council of Governments.

Major tech players such as IBM Corp., Advanced Micro Devices Inc., Dell Inc. and Apple Inc. all have significant operations, alongside a patchwork of boutique software developers, network integrators and consulting firms, said Beverly Kerr, Austin Chamber of Commerce vice president for research.

And while Austin computer chip and hardware sales are falling in value and volume, the business services sector, including software, is not, said John Roberts, managing director of TIP Strategies Inc, an Austin-based economic development consulting firm.

According to his data, local durable goods have fallen in recent years — Dell's PC sales, for example, are being hammered — while professional and technical services' value to the economy has nearly doubled.

Meanwhile, other parts of the country with strong tech presences are not keeping up with Austin's growth in GMP. For example, the capital of Silicon Valley, San Jose, is one of the weakest-performing metros in the country, according to the Brookings Institution.

That's because "GMP accounts for a lot of things. It is not just exports. It is income growth, consumer spending, business investment," Kelsey said.

Income in Austin has grown by about 35 percent in the past decade, which fuels more consumer spending, Roberts said. Since the end of fiscal 2008, income has grown by about 1 percent, according to data from IHS Global Insight.

One reason why, sources said, is that Austin is in Texas.

The state, by and large, evaded the housing bust that plunged other economies into turmoil because high property taxes curbed speculative real estate and overextended home buyers, Roberts said.

But Austin's GMP is also handily outperforming those of Dallas, Houston and San Antonio, according to Brookings. Government employment — at the federal and state level — is helping, as it has in metros such as Washington, D.C., and Columbus, Ohio.

But Roberts said there is more: Population growth and economic health are also closely linked.

The 1990s saw a 48 percent increase in population in Austin, and growth has been averaging 3 percent annually since the 2000 Census, according to the Austin Chamber of Commerce.

"If you look at a decline in durable goods, it suggests that population growth is helping [places such as Austin]," Roberts said. "When you have more people in the area, they have to buy more things."

And when more people are moving to an area, more doctors and hospitals are needed to care for them.

New residents sparked more than \$1 billion of planned Central Texas hospital development, \$700 million of which happened in the past 18 months, according to Central Health, formerly called the Travis County Healthcare District.

"I would guess health care played a role" in income growth, said Keith Phillips, a Federal Reserve Bank of Dallas senior economist, noting that in 2009 health care employment rocketed by 5.5 percent in Austin, versus 2 percent nationally.

Top five for GMP growth

1. Austin — 2%
2. Washington, D.C. — 1.6%
3. McAllen, Texas — 1%*
4. Virginia Beach, Va. — 0.7%
5. San Antonio — 0.5%

Source: *Brookings Institute, based on data between Q4 2008 and Q3 2009. *Data from Q2 2008 to Q3 2009*

Courtesy of JB Goodwin