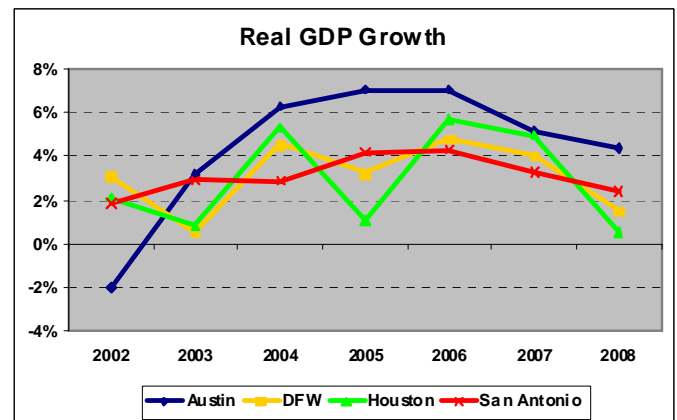
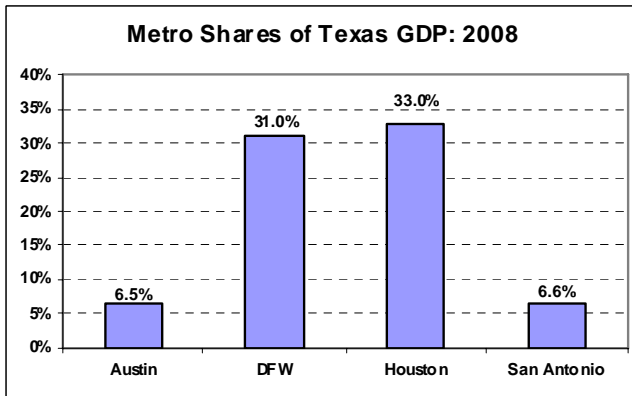


Texas' Four Big Metro Areas

The Texas economy, just like the United States, is dominated by a relatively few, large urban areas. Nationwide, the 40 largest metropolitan statistical areas (MSAs) account for 60 percent of the country's GDP. Four of those top 40 MSAs are in Texas: Houston, Dallas-Fort Worth (DFW), San Antonio and Austin.* Respectively, the current dollar value of their GDPs ranked 4th, 6th, 36th and 37th in 2008. Together, they accounted for 77 percent of Texas GDP last year and seven percent of national GDP. The two giants, of course, are Houston and DFW, which each accounted for more than 30 percent of the state's GDP. San Antonio and Austin each accounted for roughly 6 ½ percent of Texas GDP.

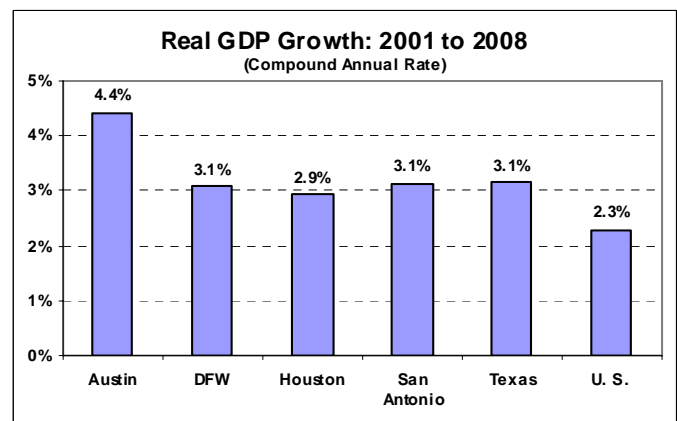
in Texas for each year from 2002 through 2008. As the chart documents, Houston and DFW have followed very similar paths over the past seven years, with their growth rates exhibiting a correlation of 0.87. Growth rates in Austin and San Antonio also have moved in a broadly similar fashion, showing a correlation of 0.83 over the past seven years.



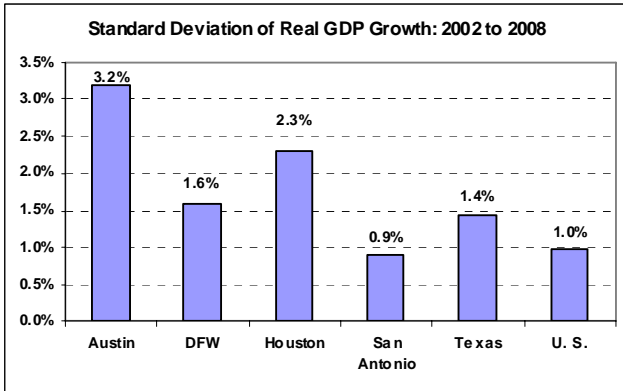
Texas currently includes 24 MSAs in total. Excluding the big four, the next 20 MSAs accounted for 16 percent of the state's GDP in 2008. That means that only seven percent of Texas' GDP was produced outside of its 24 MSAs.

The compound annual rate of growth over the past seven years is displayed in the third chart. Austin stands apart, with an average annual growth rate of 4.4 percent. The other three metros had remarkably similar growth trends, with average growth very near three percent in each case. National real GDP by contrast increased at a 2.3 percent annual rate over the seven years ending in 2008. Thus, all four of the big MSAs in Texas significantly outperformed the national economy.

So far, annual GDP data for MSAs has only been produced by the Commerce Department for the years 2001 through 2008. The second chart shows the year-over-year growth in real GDP for the four largest MSAs

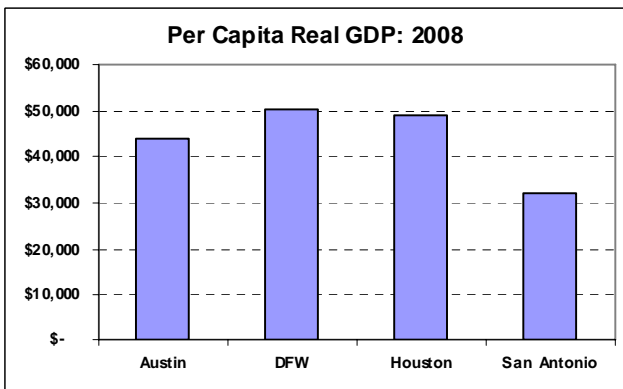


* The full U. S. Census Bureau designations for these Texas MSAs are as follows: Houston-Sugar Land-Baytown, Dallas-Fort Worth-Arlington, San Antonio, and Austin-Round Rock. The Census Bureau currently identifies 366 MSAs each of which "has at least one urbanized area of 50,000 or more in population, plus adjacent territory that has a high degree of social and economic integration."



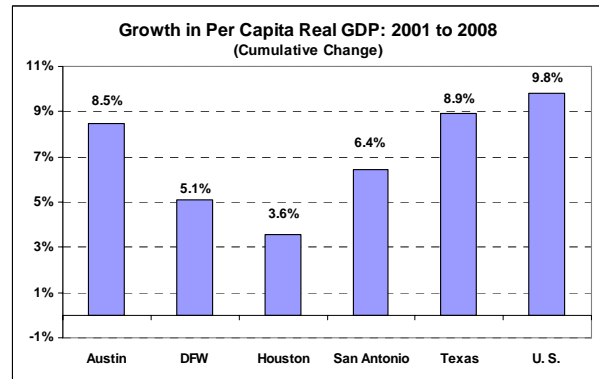
The variability of real GDP growth over the past seven years is displayed in the chart above. Again, Austin stands apart with a standard deviation of 3.2 percent, which is well above the variability of growth in the other three cities. The higher variability is almost entirely attributable to the 2.0 percent decline in real GDP that occurred in 2002 in Austin. That decline appears to reflect the direct and indirect impact of the sharp downturn in its tech sector that followed the bursting of the dotcom bubble. From 2003 onward, growth in Austin was not significantly more variable than in the other three large Texas MSAs.

Houston growth was the next most variable, with a standard deviation of 2.3 percent. For Houston, the sharp drop in growth in 2005 was the biggest contributor to the variability of growth. The explanation for 2005 was the fallout from hurricanes Rita and Katrina which caused considerable damage to energy and chemical facilities and also disrupted activity in the port.



Perhaps the best single measure of economic success is per capita real GDP. DFW followed closely by Houston were particularly strong in 2008, ranking respectively 18th and 21st nationally. Austin also was relatively highly ranked coming in at 43rd among the 366 MSAs.

San Antonio placed in the middle of the pack with a ranking of 180th.



The big four Texas MSAs look less impressive, however, when it comes to growth in per capita real GDP. The best of the four was Austin with 8.5 percent cumulative growth over the past seven years, followed by San Antonio with 6.4 percent cumulative growth. But, national growth at 9.8 percent was faster than it was in the big four Texas MSAs or, for that matter, for the state as a whole, which came in at 8.9 percent.

These growth results for per capita real GDP underscore the challenge for Texas and its dominant urban areas. With housing relatively affordable, taxes low, and a welcoming business environment, the big Texas metros have attracted a strong inflow of people and new businesses. As a result, each of the big four metros has seen their local economy outpace national growth. However, growth on a per capita basis has recently been lagging national performance, as the people who have recently moved to Texas don't tend to find jobs where they can be as productive as those who are already in place.

These trends reflect the flexibility and dynamism of the U. S. economy. People and other resources tend to move to where they can be most productive. In the process, successful local economies tend to become even more successful. Over time, however, as people vote with their feet, per capita income across the country tends to become more uniform as those who are underemployed in one region shift to other locations with better prospects.

Dana Johnson
 Chief Economist
 (214) 462-6839
djohnson@comerica.com

Meaghan Derrick
 Research Assistant
 (214) 462-6815
madrerrick@comerica.com

