

URBAN TRENDS: WEALTH OF CITIES

No country has ever achieved sustained economic growth and rapid social development without urbanization, according to UN-HABITAT's report, **State of the World Cities 2010/2011: Bridging the Urban Divide**.

UN-HABITAT says research shows that, potentially, cities can make countries rich because the high concentration of people enables industry to produce goods more cheaply. High population densities in cities reduce transaction costs, make public spending on infrastructure and services cheaper, and make the generation and diffusion of knowledge easier. In turn, these factors attract the fast growing sectors of an economy into cities.

Urbanization appears to be a must for industrialization, sustained economic growth and social development. Urban-based enterprises are able to mass produce goods and their growth can make inclusiveness easier in the bid to bridge the urban divide.

According to the report, the ability of just one city to contribute large shares of the gross domestic product (GDP) of nations is evident in countries like **South Korea, Hungary and Belgium**. Seoul accounts for almost half of South Korea's GDP; Budapest (Hungary) and Brussels (Belgium) each for roughly 45%. Guangzhou and Brussels offer the most striking examples, with a GDP share that is 5 and 4.4 times higher, respectively, than their share of their respective national populations. The only exception is Sydney (Australia), which produces a lower share of GDP than the proportion of its residents.

The competitive advantages of cities are even more important in developing countries. This is because poor transport and communication infrastructure in hinterland areas would put industries located there at a severe disadvantage in gaining access to domestic and export markets.

However, exclusive focus on the part a single city plays in GDP growth can be misleading. The report points out that often it is clusters of cities that function as a single economic entity and set in motion self-reinforcing, cumulative growth patterns. **South Africa's** Johannesburg, Pretoria and the East Rand are such a set; they function as more of a single city-region.

- When adjusting the actual GDP per capita by the costs of living in individual cities (i.e., purchasing power parity) and ranking them by GDP, the top 25 cities accounted for roughly 15% of the world's GDP in 2005. This share increases to around one-quarter of the world's GDP when the top 100 cities are included
- The largest cities in the major developed economies are at the top of the Global rankings, with Tokyo, New York, Los Angeles, Chicago, Paris and London being top six in 2005. Tokyo alone accounts for almost 2% of the world's GDP
- Tokyo and New York have an estimated GDP similar to those of Canada or Spain, while London's GDP is higher than that of Sweden or Switzerland
- Four mega-cities in developing countries are currently in the top 30 GDP ranking - Mexico City, Buenos Aires, São Paulo, and Rio de Janeiro - accounting for 1.5% of the global GDP. Fast-growing cities such as Shanghai, Mumbai, Istanbul, and Beijing are expected to move into the global top 30 by 2010
- In South Africa six major cities concentrating 31% of the total population together contribute 55% of national GDP
- In both India and China, the five largest cities made for close to 15% of national GDP in 2004; this was roughly three times what could have been expected based solely on their relative shares of the population.

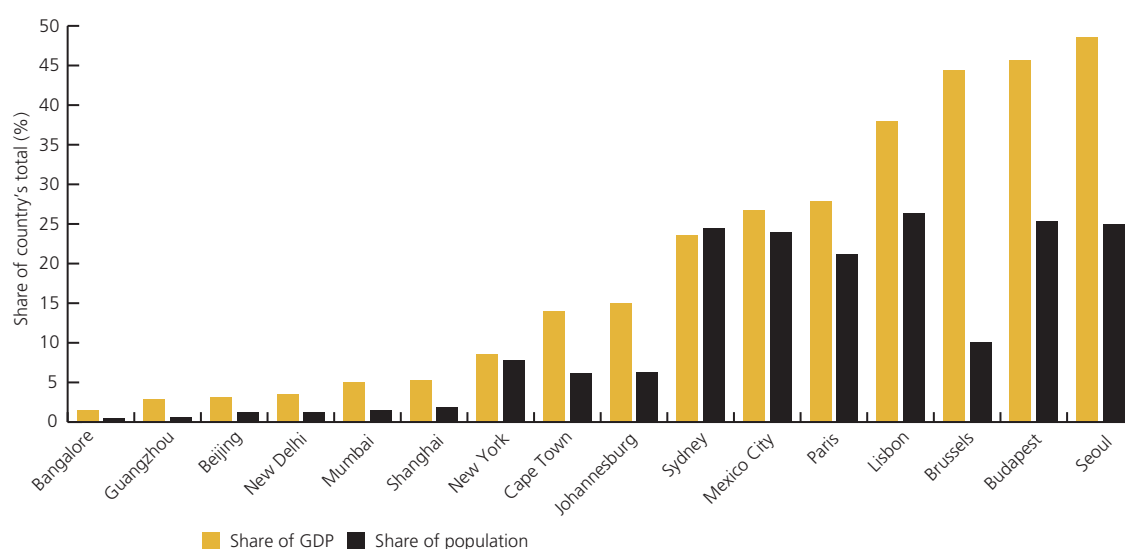


LAND, POPULATION AND GDP OF SELECTED CITIES AS A SHARE OF THE COUNTRY TOTAL

City	Per cent of GDP	Per cent of population	Per cent of land	Relative share of GDP versus population
Bangalore	1.5	0.5	--	2.9
Guangzhou	2.9	0.6	0.1	5.1
Beijing	3.1	1.2	0.2	2.6
New Delhi	3.5	1.2	0.0	3.0
Mumbai	5.0	1.5	0.0	3.3
New York	8.5	7.8	0.1	1.1
Shanghai	13.6	1.9	0.1	7.1
Cape Town	14.0	6.1	0.2	2.3
Johannesburg	15.0	6.3	0.14	2.4
Sydney	23.5	24.4	0.02	1.0
Mexico City	26.7	23.9	0.1	1.1
Paris	27.9	21.2	0.5	1.3
Lisbon	38.0	26.3	3.2	1.4
Brussels	44.4	10.0	2.3	4.4
Budapest	45.6	25.3	0.8	1.8
Seoul	48.6	25.0	0.6	1.9

Sources: New York, Sydney, Mexico City, Paris, Lisbon, Brussels, Budapest, Seoul: OECD, 2008. Bangalore, New Delhi, Mumbai, Guangzhou, Beijing, Shanghai: van Dijk, 2007. Johannesburg, Cape Town: Naudé & Krugell, 2004.

SHARE OF NATIONAL GDP AND POPULATION OF SELECTED CITIES



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