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Mountain Monitor - 2nd Quarter 2014


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BROOKINGS MOUNTAIN WEST

Mountain Monitor

Tracking Economic Recession and Recovery in the Intermountain West's Metropolitan Areas

Kenan Fikri and Mark Muro

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Economic growth returned to the 10 major metro areas of the Mountain West in the second quarter of 2014 after slippage in the first quarter of the year. The resumption of vitality progressed unevenly, however. Denver and Salt Lake City pulled ahead as the fastest-growing metro areas in the region. Ogden and Provo's days of above-average growth appeared to be fading. Las Vegas' economic recovery advanced strongly, but Sun Belt peers Phoenix and Tucson had more difficulty moving beyond the first quarter's slowdown. Albuquerque, for its part, welcomed a return to employment and output growth.

Across the region's 10 major metro areas as a group, employment rose by a modest 0.3 percent compared to 0.5 percent nationwide. Only Salt Lake City and Denver registered faster job growth than the country as a whole, and three metro areas—Colorado Springs, Phoenix, and Tucson—saw employment contract slightly.

Output growth, meanwhile, resumed in the region after the surprising nationwide contraction of the first quarter. The region's average 1.1 percent growth rate beat the national average by 0.3 percent. Colorado Springs was the only metro area in the region and one of the few nationally in which output fell in the second quarter. Phoenix, Salt Lake City, and Tucson, by contrast, saw strongly above-average quarterly growth.

The unemployment rate fell in every metro area over the quarter, and the region's average 5.8 percent unemployment rate in June stood below the national rate of 6.1 percent. Albuquerque, Colorado Springs, Las Vegas, and Tucson all still contended with above-average unemployment rates, however.

Mountain metro areas have typically led the nation in terms of house price increases since the housing market turned the corner, but only three registered faster increases than the country as a whole in the second quarter of 2014: Denver, Las Vegas, and Boise. In most metro areas in the region, the rate of price increases more than halved from the second half of 2013 to the first half of 2014. In Albuquerque and Tucson, house price growth again drifted into negative territory in the second quarter.

For complete information on each metropolitan area's economic performance across indicators and compared to peers, visit Brookings' [Metro Monitor website](#). Here's a preview of how economic recovery progressed in the Mountain West's 10 major metro areas in the second quarter of 2014:

Albuquerque. [Albuquerque's](#) economic performance over the second quarter raised hopes that a lasting recovery may finally take hold. Employment crept 0.2 percent higher in the second quarter of 2014 after having declined in the previous three quarters. Output increased over the second quarter by 0.3 percent after a painful contraction early in the year, suggesting that Albuquerque may pull out of its double-dip recession yet in 2014. The unemployment rate also fell by 0.5 percentage points to 6.8 percent, a level last seen in 2009. Home prices fell by 0.8 percent over the quarter, effectively erasing the market's gains over the past year. Albuquerque's home prices linger closer to their post-recession trough—only 0.9 percent above the low point reached two years ago—than any other metro area's in the region.

Boise. [Boise's](#) economy continued to track national trends in the second quarter. Employment increased by 0.5 percent, picking up pace slightly over the first quarter and matching the national average. Output growth accelerated in Boise just as it did nationally during the second quarter, expanding by a robust but average 1.0 percent. The unemployment rate fell 0.4 percentage points to 4.6 percent, the lowest rate in the region outside of Utah and far below the national average of 6.1 percent. Boise tracked the national economy with a 1.3 percent quarterly increase in house prices as well—a slowdown over the previous quarter. Home prices increased 10.6 percent in Boise over the year to the second quarter.

Colorado Springs. [Colorado Springs](#) struggled to shift back into growth mode in the second quarter. The Springs' uncertain employment recovery took another turn into negative territory as the number of employed persons fell by 0.1 percent after having increased by 0.5 percent the quarter before. Output growth was negative, too, and the value of goods and services produced in Colorado Springs declined for the third straight quarter. Better news could be found in the unemployment rate, which fell by a strong 0.8 percentage points to 6.8 percent—a level not seen since 2008. The housing market also made solid progress in the second quarter as prices rose 1.2 percent.

Denver. [Denver](#) pulled ahead as one of the region's top performers on every metric in the second quarter of 2014. Denver posted the second-fastest employment growth rate in the region in the second quarter of the year with a 0.8 percent increase in the number of jobs, behind only Salt Lake City. Output surged ahead with a 1.1 percent quarterly growth rate after stalling early in the year. The unemployment rate decreased significantly by 0.8 percentage points over the quarter, to 5.3 percent. Denver also registered the strongest quarterly increase in house prices in the region. A 2.8 percent increase over the quarter brought the market within 5.6 percent of pre-recession peak prices.

Las Vegas. The [Las Vegas](#) economy continued its steady climb back from the recession with above-average performance on nearly every metric in the second quarter. After a very strong start to the year, job growth slowed to 0.3 percent, the metro area's only below-average showing. Output growth returned, and the value of all goods and services produced in the metro area increased by 1.0 percent over the second quarter. Accelerating declines in the number of jobless workers meant that Las Vegas' unemployment rate fell by nearly a full percentage point to 7.9 percent in the second quarter—the first time it had fallen below 8.0 percent since 2008. Home prices continued their steady rise as well and increased by 2.0 percent, which nevertheless reflected a slowdown over previous quarters.

Ogden. [Ogden's](#) economy advanced on all fronts in the second quarter. Employment levels continued their steady climb as job growth accelerated to 0.5 percent, in line with the nation. The metro area's output expansion resumed after a hiatus in the first quarter of the year, and the value of all goods and services produced in Ogden increased by 0.9 percent—slightly below average for the region. The unemployment rate fell by half a percentage point to 3.7 percent, a level far below the national average

of 6.1 percent. Housing prices also returned to positive territory and increased by 0.6 percent during the second quarter. Despite this progress, prices in Ogden's housing market have been slower to recover in recent quarters than in neighboring Provo or Salt Lake City.

Phoenix. [Phoenix's](#) economy sent mixed signals in the second quarter of 2014. The metro area's employment recovery stumbled, and the number of jobs actually declined by a slender 0.1 percent. Even such a minor decline was particularly unwelcome in a metro area where employment levels still stand 4.7 percent below their pre-recession peaks. A strong 1.3 percent quarterly expansion in output delivered forward momentum, however, and the unemployment rate edged 0.3 percentage points lower to 6.0 percent. At the same time, the rate of house price increases slowed considerably to 0.4 percent in the second quarter, down from 1.8 percent in the first and over 4.0 percent in the second half of 2013, suggesting that the metro area's housing recovery—which has carried prices 38.7 percent from higher than their post-crash low-points—may be losing steam.

Provo. [Provo's](#) typically strong economic performance flagged somewhat over the second quarter. Job growth slowed to 0.2 percent, a rare below-average performance for Provo in the post-recession period. Output expanded by 0.9 percent after contracting sharply at the beginning of the year. The unemployment rate continued to fall and reached 3.4 percent in the second quarter, tied with Salt Lake City as the lowest in the region and one of the lowest in the country. The housing market recovery in Provo also appeared to be more restrained in early 2014 than it was in late 2013, as prices remained flat in the first quarter and rose by only 0.4 percent in the second.

Salt Lake City. [Salt Lake City](#) closed the second quarter of 2014 as one of the region's top economic performers. Salt Lake City posted the strongest employment growth in the region in the second quarter. The number of jobs in the metro area increased by 1.2 percent compared to the national average of 0.5 percent and regional large metro average of only 0.3 percent. Output growth swung back into strongly positive territory with a 1.3 percent expansion after a contraction of similar magnitude in the first quarter. The unemployment rate continued its decline and ended the first half of the year at 3.4 percent, tied for the lowest in the region. House prices, for their part, increased by 0.8 percent, a below-average rate.

Tucson. Mixed economic signals emerged from [Tucson](#) during the second quarter. Tucson joined Phoenix and Colorado Springs with slightly negative job growth rates in the second quarter after enjoying a relatively robust 0.8 percent increase in the number of employed persons in the first quarter. The metro area's 1.7 percent expansion in output registered as the strongest output growth rate in the region in the second quarter, though, and left the total value of goods and services produced in the metro area within 2.4 percent of its pre-recession peak. The unemployment rate continued to decline slowly but steadily and, at 6.3 percent, is converging towards the national average of 6.1 percent. Home prices fell, however, also by 1.7 percent and sapped the metro area's housing recovery of its momentum.

Summary table of performance over the past two quarters

Metro Area	Employment		Output		Unemployment		House prices	
	2014Q1 to 2014Q2	2013Q4 to 2014Q1	2014Q1 to 2014Q2	2013Q4 to 2014Q1	2014Q1 to 2014Q2	Rate	2014Q1 to 2014Q2	2013Q4 to 2014Q1
Albuquerque, NM	0.2%	-0.2%	0.3%	-1.3%	-0.5%	6.8%	-0.8%	0.7%
Boise City-Nampa, ID	0.5%	0.3%	1.0%	-0.9%	-0.4%	4.6%	1.3%	2.2%
Colorado Springs, CO	-0.1%	0.5%	-0.3%	-0.6%	-0.8%	6.8%	1.2%	-0.4%
Denver-Aurora, CO	0.8%	0.6%	1.1%	-1.1%	-0.7%	5.3%	2.8%	0.5%
Las Vegas-Paradise, NV	0.3%	1.4%	1.0%	-0.4%	-0.9%	7.9%	2.0%	2.8%
Ogden-Clearfield, UT	0.5%	0.2%	0.9%	-0.3%	-0.5%	3.7%	0.6%	-0.3%
Phoenix-Mesa-Glendale, AZ	-0.1%	0.4%	1.3%	-0.7%	-0.3%	6.0%	0.4%	1.8%
Provo-Orem, UT	0.2%	0.9%	0.9%	-1.4%	-0.4%	3.4%	0.4%	0.0%
Salt Lake City, UT	1.2%	0.5%	1.3%	-1.4%	-0.6%	3.4%	0.8%	0.3%
Tucson, AZ	-0.1%	0.8%	1.7%	-0.7%	-0.3%	6.3%	-1.7%	2.1%
Intermountain West metro areas	0.3%	0.6%	1.1%	-0.9%	-0.5%	5.8%	1.0%	1.3%
Top 100 metro areas	0.6%	0.3%	1.0%	-1.3%	-0.4%	6.1%	1.1%	0.3%
United States	0.5%	0.2%	0.8%	-0.7%	-0.6%	6.1%	1.3%	0.0%

Please visit the Monitor's interactive website for additional materials, including individual metro profiles with job and output information by industry and trendline graphics across each indicator at www.brookings.edu/metromonitor.

About the Metropolitan Policy Program at the Brookings Institution

Created in 1996, the Brookings Institution's Metropolitan Policy Program provides decision makers with cutting-edge research and policy ideas for improving the health and prosperity of cities and metropolitan areas including their component cities, suburbs, and rural areas. To learn more visit: www.brookings.edu/metro

Brookings Mountain West

Established in 2009 as a partnership between the Brookings Institution and the University of Nevada, Las Vegas (UNLV), Brookings Mountain West (BMW) seeks to bring high-quality independent and influential public policy research to the critical issues facing the dynamic metropolitan areas of the Mountain West region. In this, the new initiative builds upon the work of Brookings' Metropolitan Policy Program, which focuses on helping metropolitan areas like Las Vegas grow in robust, inclusive, and sustainable ways through attention to the fundamental drivers of prosperity such as innovation, infrastructure, human capital, and quality of place, as well as regional governance. Along those lines, BMW, along with partners throughout the Mountain West, takes a deep interest in such areas as infrastructure improvement, economic growth, demographic change, environmental impact, alternative energy, and real estate investment.

As the Mountain West emerges as a new American Heartland, it will play an increasingly significant role in shaping national policy discussions. BMW provides a forum for this dialogue and offers knowledge-based policy solutions to help improve the quality of life in the West. Learn more at <http://brookingsmtnwest.unlv.edu/>

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