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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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As a group, the 10 major metro areas of the Mountain West outperformed the national economy during the third quarter of 2014 on all four indicators of economic vitality measured by the *Mountain Monitor*: employment growth, output growth, unemployment, and house prices. In the three months ending in September, the country's large metropolitan areas were anticipating the rapid uptick in national economic growth that took hold at the end of 2014. Mountain region metro areas led the way.

All but two major metro areas in the region added jobs, and six did so at a faster rate than the country as a whole. As a result, employment across the 10 metro areas increased by 0.7 percent, compared to 0.5 percent nationwide. This marked a sharp and welcome acceleration in the rate of job creation for the region.

Denver enjoyed the fastest output growth in the country over the third quarter, and the value of all goods and services produced in the region's metro areas all together increased by 1.1 percent—the second straight quarter of such strong growth. In a shift, Utah's metro areas appear to be ceding their position as the fastest growers in the region.

Unemployment rates continued to fall all across the region—slowly in Utah's metro areas, where they were already low, and fastest in Colorado, where Colorado Springs posted the largest quarterly drop in the country. Joining its Utah peers and Boise, Denver's unemployment rate ticked below 5.0 percent. The rate in Phoenix and Colorado Springs also fell below the national third quarter average of 5.9 percent.

By the end of the third quarter, the region as a whole was no longer significantly outpacing the national housing recovery, but half of the region's major metros saw prices increase faster than the country as a whole. Las Vegas, for its part, saw the largest quarterly increase in house prices in the country, followed in the region by Denver and Tucson.

Overall, trends among the region's major metropolitan areas seem to portend a rebalancing of momentum from the metro areas on Utah's Wasatch Front toward Colorado's Front Range, with Boise performing consistently, Las Vegas catching up quickly, and Phoenix and Tucson providing increasingly

steady and sometimes powerful boosts. Albuquerque, for its part, still lags the national economic recovery.

Albuquerque. Albuquerque's nascent and long-awaited economic recovery showed evidence of stalling during the third quarter. Employment increased by a meager 0.1 percent after only returning to growth mid-year. Albuquerque was the only metro area in the region to see output contract, a 0.2 percent decline, over the third quarter. Indeed, the metro area's output growth has been negative in three of the four past quarters. The unemployment rate fell 0.1 percentage points to 6.7 percent, the second highest in the region after Las Vegas. Positively, home prices returned to growth in the third quarter and repaired the second quarter's 0.6 percent decline with a 0.6 percent increase. Despite that turn-around, home prices in Albuquerque ended the third quarter only 1.7 percent above the low point reached two years ago. Compare that to the national housing market's 8.9 percent recovery from trough.

Boise. Boise's economy advanced on multiple fronts during the third quarter of 2014. Employment growth accelerated to 0.8 percent, the largest quarterly expansion in a year. The rate of output growth held steady at 1.0 percent, above the national average of 0.8 percent. The unemployment rate fell by 0.5 percentage points to 4.1 percent, moving further below the national rate of 5.9 percent. House prices increased by 1.2 percent, marginally slower than the national average and the slowest quarterly increase in Boise over the past year.

Colorado Springs. Colorado Springs turned in a strong quarter. Employment levels remained flat over the time period, but output growth accelerated rapidly to 1.2 percent after having contracted in the second quarter. The unemployment rate fell by 1.0 percentage points—faster than it has in at least one year and faster than in any other major metro area in the country. By the end of the third quarter the unemployment rate in Colorado Springs stood at 5.8 percent. The housing market quickened its return to health as home prices increased by 1.5 percent, the fastest rate in over a year.

Denver. Denver remained one of the region's top economic performers during the third quarter. Employment increased by 0.7 percent, a slight slowdown from the second quarter but above average for the year. Denver registered the fastest output growth in both the region and the country in the third quarter, with the value of all goods and services produced in the metro area expanding by 1.5 percent. That figure even outpaces the previous quarter's 1.2 percent expansion. The unemployment rate fell rapidly for the second straight quarter and declined by 0.8 percentage points to 4.5 percent. House prices rose by a rapid 2.3 percent over the quarter. Home prices in Denver stood only 3.2 percent below their pre-recession peak by the end of the quarter—the fourth smallest gap among metro areas nationally. By contrast, nationwide house prices remained 22.7 percent below their pre-recession peaks.

Las Vegas. Las Vegas tallied another quarter of swift progress toward recovery. Employment increased by 0.8 percent during the quarter, a welcome acceleration from the second quarter's 0.3 percent growth rate. Output increased by 1.1 percent during the quarter, a figure that was average for the region but above average nationally. Even after declining by 0.7 percentage points over the quarter, however, Las Vegas retained the highest unemployment rate in the region at 7.2 percent. House price growth, meanwhile, accelerated sharply to 3.6 percent during the third quarter—a faster growth rate than in any other major metro area in the country.

Ogden. Typically strong-performing Ogden stumbled on certain fronts in the third quarter. Job growth turned slightly negative as employment levels fell by 0.1 percent. The rate of output growth also slowed to 0.6 percent. The metro area's already low unemployment rate inched 0.1 percentage points lower to 3.6 percent—well below the national average of 5.9 percent. Ogden's housing market recovery accelerated over the quarter as house prices rose by 1.3 percent.

Phoenix. Phoenix retained most of its momentum during the third quarter. Phoenix posted the fastest job growth in the region during the third quarter as employment increased by 1.1 percent—more than double the national average. That marks a strong acceleration from the first half of the year. Output expanded by 0.9 percent, more slowly than in the second quarter but still above average compared to peers nationally. Phoenix's economy now stands on the cusp of a full output recovery. The unemployment rate continued to fall slowly and steadily, declining by 0.3 percentage points to 5.8 percent over the quarter—just below the national rate of 5.9 percent. House prices in metro Phoenix increased by 1.1 percent—faster than during the second quarter but more slowly than they did nationally.

Provo. Economic indicators were largely positive in Provo during the third quarter. After a sizeable second quarter slowdown, the rate of job growth in Provo returned to its usual above average levels in the third quarter with a 0.7 percent expansion in employment. Output, for its part, expanded by 0.8 percent—an average rate nationally. Already low, Provo's unemployment rate declined by another 0.1 percentage points to 3.3 percent over the quarter. The metro area's housing recovery gained steam with home prices increasing by 1.2 percent over the quarter.

Salt Lake City. Salt Lake City remained one of the region's best and most consistent performers. Employment increased by 1.0 percent, giving Salt Lake City the second-fastest quarterly job growth rate in the region. This marks two straight quarters of job growth at or above 1.0 percent for Salt Lake City—an accomplishment unique in the region. Output increased by a heady 1.1 percent for a second straight quarter of strong performance. Matching Provo, the unemployment rate fell in Salt Lake City by 0.1 percentage points to 3.3 percent. Home prices increased by 1.0 percent over the quarter, more slowly than they did nationally but faster than during the previous two quarters.

Tucson. Economic recovery in Tucson accelerated in the third quarter of 2014. Tucson enjoyed solid job growth as employment increased by 0.5 percent, in line with the national average. The rate of output growth fell from a rapid 1.7 percent in the second quarter to a still-impressive 1.1 percent in the third. A 0.3 percentage point fall brought Tucson's unemployment rate to 6.0 percent and ever-nearer to the national average, which stood at 5.9 percent by the end of the quarter. Tucson's housing market returned to life in the third quarter and saw prices increase by 2.1 percent, well above the national rate of 1.3 percent and behind only Denver and Las Vegas in the region.

Summary table of performance over the past two quarters

Metro Area	Employment		Output		Unemployment		House prices	
	2014Q2 to 2014Q3	2014Q1 to 2014Q2	2014Q2 to 2014Q3	2014Q1 to 2014Q2	2014Q2 to 2014Q3	Rate 2014Q3	2014Q2 to 2014Q3	2014Q1 to 2014Q2
Albuquerque, NM	0.1%	0.2%	-0.2%	0.4%	-0.1%	6.7%	0.6%	-0.6%
Boise City-Nampa, ID	0.8%	0.5%	1.0%	1.0%	-0.5%	4.1%	1.2%	1.3%
Colorado Springs, CO	0.0%	-0.1%	1.2%	-0.3%	-1.0%	5.8%	1.5%	1.0%
Denver-Aurora, CO	0.7%	0.8%	1.5%	1.2%	-0.8%	4.5%	2.3%	2.9%
Las Vegas-Paradise, NV	0.8%	0.3%	1.1%	1.0%	-0.7%	7.2%	3.6%	2.1%
Ogden-Clearfield, UT	-0.1%	0.5%	0.6%	0.8%	-0.1%	3.6%	1.3%	0.5%
Phoenix-Mesa-Glendale, AZ	1.1%	-0.1%	0.9%	1.3%	-0.3%	5.8%	1.1%	0.5%
Provo-Orem, UT	0.7%	0.2%	0.8%	0.9%	-0.1%	3.3%	1.2%	0.5%
Salt Lake City, UT	1.0%	1.2%	1.1%	1.2%	-0.1%	3.3%	1.0%	0.7%
Tucson, AZ	0.5%	-0.1%	1.1%	1.7%	-0.3%	6.0%	2.1%	-1.8%
United States	0.5%	0.5%	0.8%	0.9%	-0.2%	5.9%	1.3%	1.4%

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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