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Mountain Monitor - 1st Quarter 2015


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Mountain Monitor

Tracking Economic Performance in the Intermountain West's Metropolitan Areas

Kenan Fikri and Siddharth P. Kulkarni

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This analysis of employment, output, unemployment, and house prices finds that the 10 major metropolitan areas of the Mountain West, despite significant economic headwinds, weathered the first quarter of 2015 with robust economic growth. Eight of the region's 10 major metro areas advanced on all four metrics of economic performance, and the remaining two metro areas slipped only on a single front.

The national economic slowdown that arrived in early 2015 did not entirely bypass the Mountain West, but the region resisted the drag better than any other. As U.S. economic output contracted by 0.3 percent in the first quarter, Mountain region output expanded by 0.2 percent. Nine out of 10 Mountain metro areas achieved positive output growth, compared to only one in five nationwide.

Job growth proceeded at its fastest rate in over a year in Mountain metro areas. Employment in the region expanded by 0.9 percent over the quarter, compared to 0.6 percent across the country's 100 largest metro areas. The region's major metro areas also reported larger declines in unemployment than did their national peer group, despite already having below-average rates.

A chill set in across the region's housing markets, however. Regionwide, the rate of increase in house prices fell from 3.0 percent in the fourth quarter of 2014 to 1.4 percent in the first quarter of 2015—a less pronounced decline than at the national level but more pronounced than in other large metro areas. Only in Boise and Colorado Springs did house price growth accelerate.

With a 2.2 percent expansion in employment, a 1.0 percent increase in output, and an unemployment rate of 3.0 percent, Provo stood out as the region's—and perhaps the nation's—strongest performer in the first quarter. Denver, meanwhile, ended the quarter with nearly 10 percent more jobs than it had in 2008 and remained the only metro area where home prices have fully recovered from the Great Recession.

All together, this quarter's *Monitor* finds that, although the rates of recovery still differ, steady economic growth appears to have finally taken hold in every one of the region's major metro areas. This widespread return to growth suggests that—years after a brutal dislocation—the regional economy is getting back on track.

Albuquerque. Mixed signals blurred the story in Albuquerque at the start of the year. Job growth accelerated, and employment expanded by a strong 0.6 percent during the first quarter. Output, however, contracted by the same amount. Albuquerque was the only major Mountain metro area to follow the national economy into negative territory on this measure. The unemployment rate decreased for the sixth straight quarter, falling 0.1 percentage points in the three months through March. At 5.8 percent, the metro area's unemployment rate remained the region's second-highest. Home prices increased by 1.3 percent in the first quarter; over the year, they rose by 3.4 percent—a below-average increase both regionally and nationally.

Boise. Boise began 2015 with strong economic growth. The rate of job growth accelerated to 1.3 percent, a top-tier performance nationally and Boise's fastest quarterly rate of job growth in at least a year. Boise posted the second-fastest rate of output growth in the region in the first quarter, undergoing a 0.6 percent expansion even as the national economy shrank. Unemployment fell sharply, by 0.4 percentage points, to 3.7 percent. By contrast, the national unemployment rate stood at 5.5 percent in March. House prices increased by 2.9 percent over the first quarter, a rate that tied Colorado Springs as the largest increase in the region. Over the year, home prices in the metro area rose 7.6 percent.

Colorado Springs. Colorado Springs' economic recovery stayed on course in the first quarter. Employment levels increased by a modest 0.3 percent at the beginning of the year, trailing the national 0.5 percent rate of job growth. Output also increased by 0.3 percent—a welcome fourth consecutive quarter of economic expansion in a metro area whose recovery had lacked momentum. The unemployment rate edged 0.1 percentage points lower to 5.1 percent. House prices increased by a brisk 2.9 percent. In this regard Colorado Springs tied Boise for the fastest quarterly house price growth in the region and bypassed even booming Denver.

Denver. Denver recorded another quarter of strong growth. The rate of job growth accelerated as employment expanded by 1.1 percent, a top-tier performance nationally. The rate of output growth slowed precipitously to 0.3 percent, however, following a nationwide trend but remaining positive. The unemployment rate inched 0.1 percentage points lower to 3.9 percent. Denver's progress in reducing unemployment has slowed steadily over the past year. Home prices increased by 2.2 percent in the first quarter, the slowest quarterly rise in at least a year. Over the year, however, home prices increased faster in Denver than anywhere else in the region, although Las Vegas—where prices remain far below their pre-recession levels—stood close on its heels.

Las Vegas. Economic recovery in Las Vegas progressed relatively meekly at the start of the year. Employment expanded by 0.5 percent in the first quarter, which was in line with the national economy but trailed regional peers. With a meager 0.1 percent increase in output, Las Vegas avoided the national contraction and also reversed the previous quarter's decline. A small 0.1 percentage point increase in the unemployment rate, however, broke Las Vegas' five-year streak of declining unemployment. Unemployment remained stuck at 7.2 percent at the end of the quarter. The rate of increase in home prices also slowed to 1.9 percent. Over the year, though, home prices were up 10.9 percent—one of the strongest performances nationally.

Ogden. Ogden registered a strong first quarter. The rate of job growth accelerated to 1.5 percent, the second-fastest job growth rate in the region and triple the national rate. The rate of output growth slowed significantly, from 1.2 percent in the fourth quarter of 2014 to 0.5 percent in the first of 2015. Just like its peers, however, Ogden avoided the national economy's outright contraction. The unemployment rate fell 0.2 percentage points to 3.4 percent. Home prices increased by 1.8 percent for the second straight

quarter. Over the year, home prices increased more slowly in Ogden and its Utah neighbors than they did nationally.

Phoenix. Growth flagged in Phoenix at the start of the year. After a strong end to 2014, the rate of job growth slowed in the first quarter to 0.8 percent, still solidly above the national average of 0.5 percent. Affected by the national slowdown, output growth in Phoenix also slowed to its lowest rate in a year, 0.3 percent. The unemployment rate fell sharply, by 0.8 percentage points, to 5.0 percent. It is unclear whether this fall—shared by the other Arizona metro area, Tucson—was accounted for by individuals finding work, leaving the labor force, or losing eligibility. Meanwhile, Phoenix experienced some of the most restrained house price growth in the region over the quarter. Home prices rose by 1.0 percent, compared to nearly 3.0 percent in the fourth quarter of 2014.

Provo. Provo posted the best economic performance in the region in the first quarter. The rate of job growth accelerated rapidly to 2.2 percent—the fastest quarterly expansion in the nation. Provo also bested its peers nationwide with a full 1.0 percent quarterly increase in output, even as national economic growth turned negative. The unemployment rate fell by 0.2 percentage points to 3.0 percent, the lowest in the region. House price growth was more restrained, however. Home prices increased by 1.4 percent, in line with the regional average but below the previous quarter's 3.3 percent growth.

Salt Lake City. Salt Lake City's economic growth continued unabated in the first quarter of 2015. The rate of job growth held steady at the beginning of the year as employment expanded by 0.9 percent—in line with the regional average—for the second straight quarter. The rate of output growth slowed to 0.3 percent but remained positive. The unemployment rate continued to fall, declining by 0.2 percentage points to 3.3 percent. House prices increased by 1.0 percent—more slowly than in the previous quarter and restrained by regional standards but faster than nationwide.

Tucson. Tucson began 2015 with much-needed job growth. Employment expanded by 0.7 percent in the first quarter, continuing a trend of acceleration. Output remained stagnant, however, thanks to the national slowdown in the first quarter. The unemployment rate fell sharply, by 0.8 percentage points to 5.2 percent. However, the drop may be attributable to how the state counts the unemployed and may not reflect true reductions in joblessness. Home prices, for their part, rose by 1.0 percent—more slowly than in the previous two quarters.

Summary table of performance over the past two quarters

Metro Area	Employment		Output		Unemployment		House prices	
	2014Q4 to 2015Q1	2014Q3 to 2014Q4	2014Q4 to 2015Q1	2014Q3 to 2014Q4	2014Q4 to 2015Q1	Rate 2015Q1	2014Q4 to 2015Q1	2014Q3 to 2014Q4
Albuquerque, NM	0.6%	0.4%	-0.6%	0.2%	-0.1%	5.8%	1.3%	1.5%
Boise City-Nampa, ID	1.3%	0.4%	0.6%	0.2%	-0.4%	3.7%	2.9%	1.8%
Colorado Springs, CO	0.3%	0.2%	0.3%	0.2%	-0.1%	5.1%	2.9%	1.4%
Denver-Aurora, CO	1.1%	0.8%	0.3%	1.1%	-0.1%	3.9%	2.2%	3.3%
Las Vegas-Paradise, NV	0.5%	0.4%	0.1%	-0.2%	0.1%	7.2%	1.9%	2.8%
Ogden-Clearfield, UT	1.5%	1.3%	0.5%	1.2%	-0.2%	3.4%	1.8%	1.8%
Phoenix-Mesa-Glendale, AZ	0.8%	1.2%	0.3%	1.0%	-0.8%	5.0%	1.0%	2.9%
Provo-Orem, UT	2.2%	1.6%	1.0%	1.3%	-0.2%	3.0%	1.4%	3.3%
Salt Lake City, UT	0.9%	0.9%	0.3%	0.8%	-0.2%	3.3%	1.0%	2.3%
Tucson, AZ	0.7%	0.5%	0.0%	0.4%	-0.8%	5.2%	1.0%	1.6%
10 Largest IMW Metro Areas	0.9%	0.8%	0.2%	0.7%	-0.3%	4.8%	1.4%	3.0%
100 Largest U.S. Metro Areas	0.6%	0.6%	-0.3%	0.6%	-0.2%	5.3%	2.0%	2.3%
United States	0.5%	0.6%	-0.3%	1.0%	-0.1%	5.5%	0.5%	3.1%

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

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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