9-2013

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

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Kenan Fikri and Mark Muro

September 2013

Economic recovery progressed steadily across the metropolitan Mountain West in the second quarter of 2013. Many of the region's major metro areas counted among the strongest economic performers nationally, but output growth slowed over the quarter and the region's unemployment recovery looked to be stagnating. Moderate job growth and a fast and accelerating housing recovery buoyed the Mountain West economy in the second quarter.

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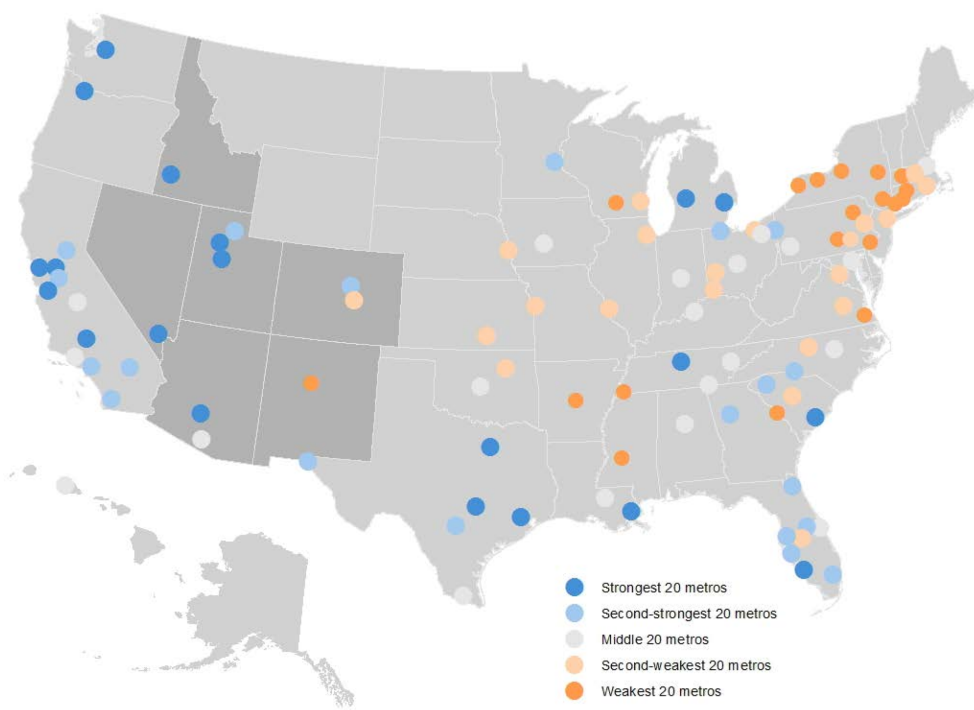
Recovery Performance



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.

Metropolitan Policy Program at BROOKINGS

Introduction

The national economy continued its slow and steady return to growth through the summer of 2013. The country added 169,000 jobs in August, in line with average gains throughout the recovery but too few to make a large dent in the 1.9 million jobs the economy must create to reach its pre-recession employment level. The unemployment rate has fallen considerably from its peak, but remains at a historically high 7.6 percent and may decline more slowly in upcoming months as more people re-enter the labor market in search of work. Output grew at an annualized rate of 2.5 percent during the second quarter, better than recent quarters but still below the nation's long-run trend. Meanwhile, continued positive reports on the state of the housing market point to a recovery that is broad-based and strong even if prices remain far below their former bubble-highs.

Covering the three months from March to June and reporting on the latest data available at the metropolitan level, this edition of the Mountain Monitor—a regional companion to the web-based national MetroMonitor—finds that the rate and state of economic recovery varies considerably across the 10 major metropolitan areas of the Mountain West. Three of the region's hardest-hit metro areas—Boise, Las Vegas, and Phoenix—continued their strong progress in recouping losses inflicted by the recession on the Monitor's four indicators of employment, output, employment, and house prices. Four regions that suffered relatively mild recessions and have since experienced steady recoveries—Denver and the three metro areas along Utah's Wasatch Front, Ogden, Provo, and Salt Lake City—carried their momentum forward into the second quarter. The region's three remaining major metro areas—Albuquerque, Colorado Springs, and Tucson—all smaller compared to peers in the region, continue to lag behind with the least dynamic economic performance in the region during the recovery period.

Several bright spots and a few dark ones could be seen across the metropolitan Mountain West in the second quarter of 2013. A robust quarter of job growth in Albuquerque and a fall in the unemployment rate raised hopes that employment recovery had finally taken hold in the only metro area in the region that was still losing jobs in early 2013. House price growth—already fastest in the nation—accelerated further in seven of the region's major metro areas. Utah's three major metro areas resumed their solid performance on most metrics after an unexpected slowdown in the first quarter. Output growth slowed almost everywhere in the region, though, and progress reducing joblessness came to a near-halt region-wide.

Overall performance

Economic recovery in the major metropolitan areas of the Mountain West advanced steadily and in step with the rest of the country in the second quarter of 2013. On the Monitor's measure of recovery—which takes into account changes in employment, unemployment, output, and house prices together from each metro area's respective troughs through the second quarter of 2013—nine Mountain metro areas maintained their standing relative to peers nationally and one, Colorado Springs, fell one quintile as the pace of its recovery flagged relative to its peers.

Five Mountain region metro areas counted themselves among the nation's strongest economic performers over the quarters and years since the economy began recovering. Boise, Las Vegas, Phoenix, Provo, and Salt Lake City all ranked in the top quintile of their peers nationally on the Monitor's measure of growth since trough. This group includes two metro areas that weathered the recession well and have maintained a steady growth trajectory since—Provo and Salt Lake City—and three metro areas that are currently rebounding strongly from severe crashes—Boise, Las Vegas, and Phoenix.

Denver and Ogden remained in the second strongest group of recovery period economic performers. Tucson followed in the middle of the pack. The relatively slow pace of recovery in Colorado Springs landed it in the second weakest quintile of its peers nationally. Albuquerque, for its part, remained in the lowest performance quintile waiting for a recovery that has yet to materialize on many fronts.

Employment

Employment recovery progressed in eight of the Mountain West's major metro areas over the second quarter of 2013 but only picked up pace in four of them. The four Mountain metro areas with the strongest job growth in the second quarter—Albuquerque, Denver, Las Vegas, and Provo—also saw their rates of growth increase over the previous quarter. With employment increases of 1.8 percent in Provo, 1.2 percent in Albuquerque, 0.9 percent in Denver, and 0.8 percent in Las Vegas, these four metro areas ranked in the top quintile of their peers nationally for job growth over the quarter. The robust expansion in employment in Albuquerque was particularly welcome—employment levels had fallen to new lows in the first quarter of the year—and suggested that a long-awaited jobs recovery may finally be taking hold there. Meanwhile, job growth turned negative in Colorado Springs and Tucson, where employment contracted by 0.1 percent in the former and 0.4 percent in the latter after consecutive quarters of growth. Finally, job growth rates slowed over the quarter to 0.3 percent in Boise and Phoenix, matching the rate of national recovery but behind the Mountain West regional average.

Seven Mountain West metro areas ended the second quarter of 2013 with at least four consecutive quarters of positive job growth: Boise, Denver, Las Vegas, Ogden, Phoenix, Provo, and Salt Lake City.

The Mountain region as a whole remains several quarters away from a full employment recovery, however. Employment remained 3.0 percent below its former peak across the region's 10 major metro areas as a group. This deficit is due to the persisting large jobs deficits in the region's southern metro areas and Boise—which, as the Monitor has long documented, followed the boom-and-bust cycle of a Sun Belt metro area. Colorado's two and Utah's three major metro areas, by contrast, had all achieved full employment recoveries in the first quarter of the year or before. The national economy itself still sustained 1.4 percent fewer jobs in the second quarter of 2013 than it did before the recession. Nationwide, only 33 of the country's 100 largest metro areas had achieved a full employment recovery by the second quarter of 2013.

Unemployment

The region's unemployment recovery ground to a near-halt over the second quarter. The unemployment rate inched downwards by 0.1 percentage points over the second quarter of 2013 across the metropolitan Mountain West, compared to a decline of 0.3 percentage points across large metro areas nationwide. This marked the first time in at least four quarters that the rate of joblessness in the region fell by less than it did nationally. It also marked four straight quarters of slowing progress regionally, and the first quarter in at least one year that the unemployment rate increased in multiple metro areas.

The unemployment rate fell fastest in Ogden and Salt Lake City—already two metro areas with some of the lowest unemployment rates nationally and in the region—declining by 0.3 percentage points, only average for large metro areas nationally. Unemployment rates inched downwards in Albuquerque, Denver, Las Vegas, and Provo as well. In Las Vegas declines accelerated slightly from the first quarter to the second, but the 0.2 percentage point decline barely made a dent in one of the nation's highest unemployment rates. Four of the region's major metro areas saw slight increases in unemployment over the second quarter, perhaps due to more people returning to the labor market looking for work. The unemployment rate increased by 0.1 percentage points in Colorado Springs, Denver, and Phoenix, and by 0.2 percentage points in Boise.

With these increases, only five Mountain metro areas—Utah's three major metro areas, Denver, and Las Vegas—ended the second quarter of 2013 with unemployment rates on a clear downwards trajectory.

Despite slowing declines in unemployment, the rate of joblessness remains well below average across most of the region's major metro areas. The unemployment rate stood solidly below the national large metro area average of 7.4 percent in eight of the Mountain region's 10 major metro areas in the second quarter. The region's below-average unemployment rates ranged from 4.5 percent to 4.8 percent in Utah's three major metro areas to 7.0 percent in Albuquerque and Tucson. Las Vegas again contended with the highest unemployment rate in the region and one of the highest nationally in the second quarter: 9.7 percent. Colorado Springs' 8.4 percent unemployment rate ranked among the highest nationally as well. Nationwide and in the Mountain West, unemployment rates remain well above their pre-recession lows in every major metro area. Even in Utah unemployment rates still stood more than 2 percentage points above their historical lows at the end of the second quarter of 2013.

Output

The region's output expansion continued during the second quarter with Arizona metro areas performing strongly and Utah's major metro areas gaining steam. Gross metropolitan product (GMP), or output, growth was positive in nine of the region's 10 major metro areas in the second quarter and remained unchanged in one, Colorado Springs. Salt Lake City led the region and the country with a 1.1 percent expansion over the quarter, followed by strong 0.7 percent growth in Phoenix and Ogden and 0.6 percent growth in Tucson. All four performances ranked among the strongest nationally. Output grew by 0.4 percent over the quarter in Boise and Phoenix, faster than the national large metro average of 0.3 percent but a slow-down from the first quarter of the year. In the region, the rate of output growth accelerated only in Utah's three major metro areas, which saw minimal or negative growth in the first quarter. Everywhere else, output expansion slowed—but remained positive—from the first quarter of the year to the second.

Eight major Mountain region metro areas ended the second quarter of 2013 with at least four consecutive quarters of output growth—Provo and Salt Lake City being the exceptions.

A comparison of economic output levels from before the recession to the second quarter of 2013 illustrates vividly the Mountain metro areas' divergent paths through recession and into recovery. Fifteen quarters into the Mountain region's economic recovery, Provo's economy closed the second quarter of 2013 13.5 percent larger than its pre-recession peak while Las Vegas' deflated economy remained 8.4 percent smaller than it was before the recession arrived. Utah's three major metro areas have each long since put the recession behind them. Output stood 9.9 percent above peak in Salt Lake City and 8.5 percent above peak in Ogden at the close of the second quarter. Denver and Albuquerque also perform well on this measure, having grown 6.1 percent and 6.0 percent above and beyond complete recovery, respectively. By comparison, the national economy ended the second quarter of 2013 3.6 percent larger than in the first quarter of 2008, before the recession struck. Phoenix and Tucson join Las Vegas to complete the region's southern tier of large metro areas with persisting deficits to close. Their economies closed the second quarter 2.5 percent and 2.4 percent smaller than before the recession struck, respectively. Nationwide, 65 of the country's 100 largest metro areas had achieved a full output recovery by the end of the second quarter.

House prices

House prices increases beat the national average in eight Mountain metro areas in the second quarter. Maintaining the region's lead in driving the nation's house price recovery, eight of the region's major metro areas registered quarterly increases exceeding 1.4 percent, the nationwide average for large metro areas. Las Vegas led the pack with 6.5 percent increases over the quarter, one of the fastest growth rates in the country. Phoenix followed with 4.6 percent growth in house prices. House prices increased by between 2.0 and 3.0 percent in Boise, Denver, Provo, and Salt Lake City over the quarter. Colorado Springs saw no change in house prices in the second quarter while Albuquerque's housing market posted a 0.3 percent decline in prices.

What is more, growth accelerated from the first quarter of the year to the second quarter from the first in all major Mountain metro areas except Albuquerque, Boise, and Colorado Springs, just as it did nationally. House prices have increased in each of the last four quarters everywhere except Albuquerque, as they have nationally and in the nation's largest metro areas as a group.

In the year since the national housing market finally turned the corner, house prices in the Mountain region's major metro areas have increased almost five times faster than nationally. House prices in the Mountain region ended the second quarter up 10.7 percent over the year, compared to 2.2 percent nationally or 4.0 percent across the country's 100 largest metro areas. Phoenix posted the largest yearly gains, with house prices 17.5 percent higher than they were in the second quarter of 2012. Las Vegas followed closely behind, with a 16.6 percent increase over the year. In Boise, house prices increased 11.6 percent over the year. All major Mountain metro markets save Albuquerque enjoyed faster house price increases than the national average in the year to the second quarter.

The region's strong recovery is partly explained by the severity of its crash. Despite its faster recovery, home prices in the region remained at 62.5 percent of their pre-recession values in the second quarter, compared to 72.9 percent nationally and 69.1 percent across the country's large metro areas. This regional aggregate hides significant variation, however. In the region, house prices in the second quarter in Denver and Colorado Springs stood closest to their former levels—85.9 percent and 80.0 percent of pre-recession peak prices, respectively. At the other end of the spectrum, house prices in Phoenix stood at only 54.3 percent of their former peaks, and in Las Vegas prices languished at 40.2 percent of their former levels. Nationally, no major metro area has yet achieved a full recovery in house prices.

Appendix Table. Changes in employment and output (gross product) over the time periods reported in the Mountain Monitor

	Change in Employment				Change in Output			
Metro Area	Peak to 2013Q2	Peak to trough	Trough to 2013Q2	2013Q1 to 2013Q2	Peak to 2013Q2	Peak to trough	Trough to 2013Q2	2013Q1 to 2013Q2
Albuquerque, NM	-6.2%	-7.4%	1.2%	1.2%	6.0%	-1.0%	7.0%	0.1%
Boise City-Nampa, ID	-2.3%	-8.7%	7.1%	0.3%	4.8%	-2.8%	7.8%	0.4%
Colorado Springs, CO	1.1%	-3.2%	4.5%	-0.1%	3.5%	-5.2%	9.2%	0.0%
Denver-Aurora, CO	1.6%	-5.6%	7.6%	0.9%	6.1%	-2.2%	8.5%	0.2%
Las Vegas-Paradise, NV	-9.0%	-13.3%	4.9%	0.8%	-8.4%	-13.3%	5.7%	0.4%
Ogden-Clearfield, UT	1.6%	-5.7%	7.7%	0.5%	8.5%	-0.3%	8.8%	0.7%
Phoenix-Mesa-Glendale, AZ	-7.0%	-12.5%	6.3%	0.3%	-2.5%	-11.4%	10.1%	0.7%
Provo-Orem, UT	5.3%	-7.7%	14.2%	1.8%	13.5%	-0.6%	14.2%	0.2%
Salt Lake City, UT	2.8%	-6.0%	9.4%	0.7%	9.9%	-2.4%	12.6%	1.1%
Tucson, AZ	-5.7%	-8.1%	2.6%	-0.4%	-2.4%	-9.2%	7.6%	0.6%
Intermountain West metro areas	-3.0%	-8.6%	6.2%	0.6%	2.0%	-6.2%	8.7%	0.5%
Top 100 metro areas	-1.1%	-6.1%	5.3%	0.3%	4.3%	-4.7%	9.5%	0.3%
United States	-1.4%	-6.0%	4.8%	0.3%	3.6%	-5.5%	9.6%	0.4%

Visit www.brookings.edu/metromonitor for detailed metropolitan area profiles with complete rankings across indicators, data on employment and output changes by industry, graphics depicting indicator trends over time, and more.

Guide to the Mountain Monitor

Overview

The Mountain Monitor—a companion product to Brookings' national MetroMonitor—tracks quarterly indicators of economic recession and recovery in the six-state Mountain region's 10 major metropolitan areas that fall within the 100 most populous nationally. The six states are Arizona, Colorado, Idaho, Nevada, New Mexico, and Utah.

The purpose of the MetroMonitor is to track the performance of the 100 largest U.S. metropolitan areas in the aftermath of the great recession. We analyze recovery performance on four key indicators—total employment, unemployment, total output (gross product), and house prices—capturing the change from each metro area's low point or trough to the most recent quarter of available data (metro area data typically lag national statistics by a quarter).

For each of the four key indicators, the MetroMonitor's interactive webpage also presents the current level as a share of the peak level to demonstrate how well each metro area has recovered from its pre-recession peak (100% = a full recovery) and we show percent changes for the two most recent quarters of available data to demonstrate current trajectories.

Finally, to help understand what is driving performance the Monitor and the interactive present recent changes in employment and output for each metro area's major industries.

Indicators and methodology

In order to define troughs in each metro area, we first define peaks. For each of the four key indicators, a peak is defined as the highest level attained between the first quarter of 2004 (or in the case of house prices, 2005) and the second quarter of 2009; in some metro areas where this peak occurred in the second quarter of 2009, the peak was defined as the highest level attained between 2004 (or 2005) and the most recent quarter of losses prior to the second quarter of 2009. A trough is then defined as the lowest level reached since a peak.

- **Employment**: Total wage and salary jobs, seasonally adjusted. *Source: Moody's Analytics.*
- **Unemployment rate**: Percentage of the labor force that was unemployed in the last month of the quarter, seasonally adjusted. *Source: Bureau of Labor Statistics.*
- **Total output (gross product or GMP)**: Total value of goods and services produced in a metropolitan area. Commonly referred to as gross metropolitan product and analogous to GDP. *Source: Moody's Analytics.*
- **Housing prices**: Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. *Source: Federal Housing Finance Agency House Price Index.*
- **Overall recovery**: An index of recovery which averages the standardized scores for the four key indicators from trough to the current quarter. We present each metro area's rank on this measure.
- **Recent industry changes**: Percent change in total employment and total output by industry. *Source: Moody's Analytics*.

Interactive MetroMonitor maps and individual metro pages complete with trendline graphics for each indicator, data on recent industry changes, and more, are available 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/

Acknowledgments

Brookings Mountain West and the Mountain Monitor team wish to thank Neal Smatresk and William Brown at UNLV as well as the numerous leaders in the Mountain metro areas who have informed this work. At Brookings, the team wishes to thank Alec Friedhoff, Sid Kulkarni, and Alan Berube for their substantial contributions on the data and content and David Jackson for his helpful edits.

The Metropolitan Policy Program at Brookings wishes to thank the Dream Fund of UCLA for its support of this work. The John D. and Catherine T. MacArthur Foundation, the Heinz Endowments, the George Gund Foundation, the Kresge Foundation, and the Surdna Foundation provide general support for the program's research and policy efforts, and we owe them a debt of gratitude as well. We also wish to thank the program's Metropolitan Leadership Council, a bipartisan network of individual, corporate, and philanthropic investors that provide us financial support but, more importantly, are true intellectual and strategic partners.

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