BROOKINGS | UNLV

BROOKINGS MOUNTAIN WEST

Mountain Monitor

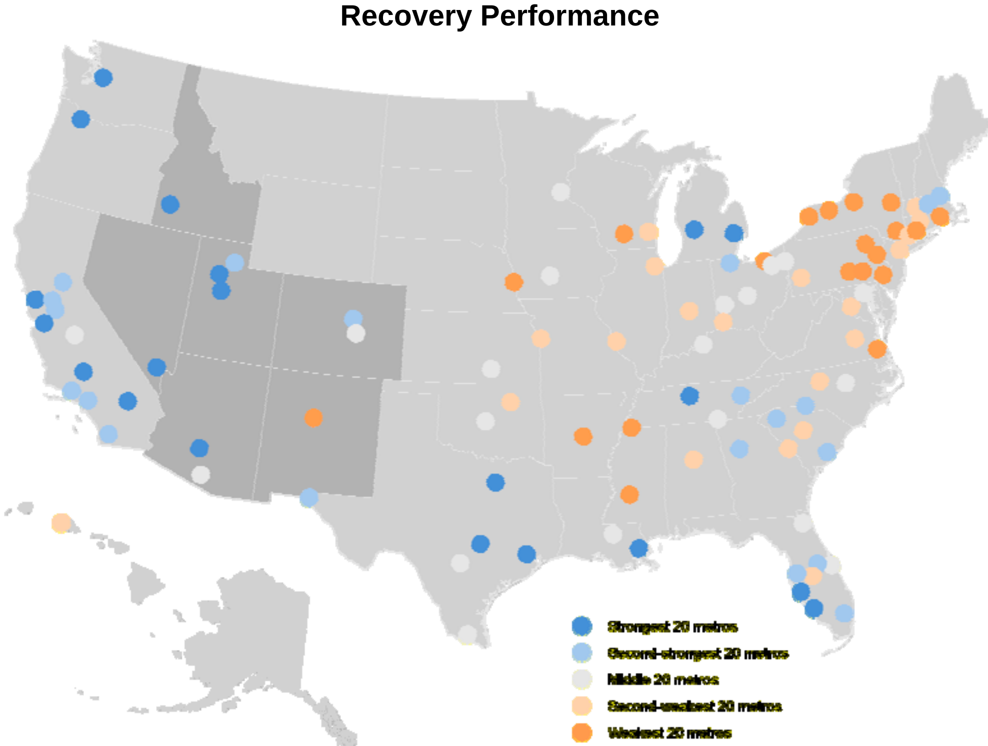
Tracking Economic Recession and Recovery in the Intermountain West's Metropolitan Areas

Kenan Fikri and Mark Muro

June 2013

Economic recovery gained strength across the major metro areas of the Mountain West in the first quarter of 2013. Multiple metro areas achieved long-awaited full employment recoveries in the first quarter and regional production surpassed pre-recession levels of output for the first time. The region's strong housing rebound continued to be a boon. Additionally, a special supplement to the Monitor shows that the healthcare sector has been an outsized contributor to recovery throughout the region. Despite progress on multiple fronts, though, many Mountain metro areas remain scarred with high unemployment rates, severely depressed house prices, and daunting jobs deficits.

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

Four years after the recession officially ended in June of 2009, the national economy continued to recover at its slow and steady pace, battling another round of economic headwinds created by cuts in government spending. The country added 175,000 jobs in May, an average monthly expansion for this recovery but still too few to make a large dent in the nation's lingering 2.4 million-wide jobs deficit. Unemployment continued to fall into the start of summer but remains high, at 7.6 percent. GDP grew at an annualized rate of 1.8 percent during the second quarter—an improvement over the previous quarter yet dragged down by government spending cuts. Evidence from the housing market, meanwhile, pointed to a recovery that is broad-based and strong. Yet beneath the national story metropolitan-level data now available for the first quarter of 2013 reveal tremendous variation in the duration and rate and recovery in the nation's regions. Nowhere is this story of recession and recovery more variegated than across the landscape of the metropolitan Mountain West.

After a slow end to 2012 the 10 major metro areas of the Mountain West largely regained course and momentum on the road to recovery in the first quarter of 2013. Job growth exceeded the national average in most Mountain region metro areas while output growth accelerated in seven of them. Unemployment rates—already low in much of the region compared to the nation—continued to fall even though the rate of decline slowed in as many metro areas as it quickened. The region's housing recovery proceeded at a far faster rate than the nation's did for a third straight quarter.

Colorado Springs, Denver, and Ogden reached a milestone and achieved full employment recoveries in the first quarter of 2013, joining Salt Lake City and Provo. All together they form a band of metro areas across the region's mid-section that have put the recession behind them in output and employment terms, even as effects still linger in house prices and unemployment rates.

While the region's northern metro areas generally performed better in terms of employment growth over the first quarter, the region's Sun Belt metro areas and Boise posted the largest increases in output and regained momentum lost at the end of 2012. These increases helped push gross regional product, or output, to levels last reached in the first quarter of 2008 and beyond.

A new supplement to this quarter's Monitor explores the healthcare sector's contribution to employment recovery. It finds that the healthcare sector has grown in significance to metro area economies nationally and in the Mountain West over the course of recession and recovery. By the first quarter of 2013, the healthcare sector employed a larger share of every major metro area's workforce than it did before the recession. The healthcare sector has accounted for 13 percent of all job growth over the course of the recovery in the nation's 100 largest metro areas as a group. In the Mountain West, the healthcare sector's contribution to job creation has generally been higher in metro areas where recovery has been slower. In eight of 10 Mountain metro areas the healthcare sector has contributed disproportionately to job creation, accounting for a larger share of new jobs than its share of the overall employment base.

Overall performance

The rate of recovery quickened in the metropolitan Mountain West from the fourth quarter of 2012 to the first quarter of 2013. On the Monitor's measure of overall recovery—which takes into account changes in employment, unemployment, output, and house prices together from each metro area's respective troughs through the first quarter of 2013—eight Mountain metro areas maintained their standing relative to peers nationally and two advanced forward one quintile. Las Vegas completed its journey to the head of the pack, and it landed in the top performance group of its peers for cumulative progress from the recession's depths. A strong quarter across metrics lifted Colorado Springs into the middle quintile of recovery performance nationally.

Advances on most indicators in the first quarter secured the position of Boise, Phoenix, Provo, and Salt Lake City in the top group of performers nationally. Ogden and Denver maintained their standing in the second-strongest quintile of recovery-period economic performance. Tucson's recovery has progressed slowly relative to the region's but still fell into the middle performance quintile nationally. Albuquerque, by contrast, languished in the bottom quintile as one of the slowest recovering metro areas in the nation.

Placing recovery performance into context reveals that Tucson, Phoenix, and Las Vegas still face the longest road to a broad-based recovery to pre-recession levels of employment, unemployment, output, and house prices, though. Utah's three metro areas followed by Colorado's two—places never hit as hard by the recession as their Sun Belt peers—stand closest in the region and among the closest in the country to fully leaving the recession behind.

Employment

Employment recovery advanced in nine and accelerated in six of the major metro areas in the Mountain West at the beginning of 2013. Job growth was positive in every major metro area in the region in the first quarter of 2013 with the exception of Albuquerque. The rate of employment recovery increased from the fourth quarter of 2012 to the first quarter of 2013 in six metro areas: Boise, Colorado Springs, Denver, Ogden, Provo, and Salt Lake City. These metro areas—all in the region's northern tier—reported some of the fastest job growth in the country in the first quarter, ranging from 1.7 percent quarterly growth in Ogden to 0.7 percent growth in Colorado Springs. Phoenix, with 0.6 percent growth over the quarter, and Las Vegas, with 0.5 percent growth, also beat the national average of 0.4 percent. Tucson's employment recovery advanced by only 0.2 percent, by contrast. Albuquerque was the only metro area in the region to lose jobs in the first quarter, along with 23 other metro areas nationwide.

Altogether eight Mountain metro areas closed the quarter on the back of four consecutive quarters of job growth, the exceptions being Albuquerque and Tucson.

Colorado's two major metro areas and Ogden put the recession behind them in the first quarter of 2013 and achieved a full employment recovery, joining Provo and Salt Lake City. The first quarter's strong job growth pushed Colorado Springs, Denver, and Ogden past an important milestone: employment levels surpassed for the first time their pre-recession peaks—levels last seen in the fourth quarter of 2007 in Colorado Springs and Ogden and the second quarter of 2008 in Denver. Provo and Salt Lake City had already achieved a full jobs recovery in 2012 and, by the close of the first quarter of 2013, the number of jobs in these two metro areas stood 3.5 percent and 2.1 percent higher than before the recession, respectively. Among the nation's 100 largest metro areas, 30 had achieved a full jobs recovery by the close of the first quarter—on average five years since the onset of the recession.

Despite these positive developments, the Mountain West as a whole stood farther away from a full employment recovery than did the nation at the end of the first quarter. Nationally, the number of jobs in the economy remained 1.7 percent below its pre-recession peak. The Mountain West region, by contrast, faced a deficit of 3.5 percent of its former levels, due mainly to the legacy of huge losses suffered by the region's large Sun Belt metro areas—Las Vegas and Phoenix—plus slow progress in Tucson and continued losses in Albuquerque. Even with consecutive quarters of above-average job growth, employment levels remain 7.2 percent below peak in Phoenix and 9.8 percent below peak in Las Vegas. Boise was similarly hard-hit by the recession but its jobs recovery has been swifter, and by the end of the first quarter the number of jobs in Boise stood only 2.5 percent below its pre-recession peak.

Metro Monitor Healthcare Supplement: Tracking the role of healthcare in economic recession and recovery in the Mountain West's metropolitan areas

Over the past decade the number of jobs in the healthcare sector has growth from 11.9 million to 14.5 million nationwide. Even through the worst of the recession, the healthcare sector never stopped adding jobs. From the first quarter of 2003 to the first quarter of 2013, employment in the healthcare sector grew by 22.7 percent, compared to 2.1 percent for the economy as a whole. This special supplement to the Mountain Monitor explores the contribution of this resilient industry to recession and recovery in the 10 major metro areas of the Mountain West.

The healthcare sector has been an outsized driver of job creation during the recovery in most Mountain region metro areas. This has been true in most metro areas but especially in ones where the recovery has proceeded most slowly. In this regard, while the healthcare sector has been responsible for a greater share of new jobs than its share of existing jobs in all Mountain metros except Provo and Salt Lake City, it has accounted for a larger share of recovery-era job growth in metro areas that have experienced slower rebounds on the Monitor's composite measure of overall performance. In Albuquerque, for example, the healthcare sector has been one of the few to add jobs at all. In Colorado Springs and Tucson—the region's second and third slowest recovering metro areas—the healthcare sector has generated 17.7 percent and 13.3 percent of new jobs, respectively.

In many of the region's swiftest recovering metro areas, by contrast, the healthcare sector's contribution to employment growth has been smaller but still significant. In Salt Lake City and Provo, healthcare is responsible for only 5.7 percent of jobs created since the end of the recession. In Las Vegas, the figure rises to 8.9 percent, in Denver to 11.1 percent, and in Phoenix to 12.2 percent. Boise and Ogden pose exceptions to this general rule; both perform well on recovery metrics and owe large shares of their post-recession jobs recovery to the healthcare sector. In Boise, fully 18.5 percent of recovery-era jobs have been created in the healthcare sector and in Ogden, the number is 13.8 percent.

By the first quarter of 2013, the healthcare sector employed a larger share of every metro area's workforce than it did before the recession. Across every major metro area in the Mountain West and nationally, the healthcare sector supported a higher share of metro area jobs in the third quarter of 2013 than it did before the recession. Before the recession, only in Tucson did the healthcare sector employ more than 10 percent of the workforce. By the first quarter of 2013, the healthcare sector had crossed that threshold in Albuquerque, Boise, and Phoenix as well. Las Vegas, meanwhile, remained home to the smallest healthcare sector in the region—and the country—relative to the size of its economy; there, healthcare still accounted for 6.6 percent of jobs by the first quarter of 2013.

All metro area economies have become more healthcare-intensive since the recession. Over the course of recovery, the healthcare sector's share of total metro area jobs increased by 0.8 percentage points in Salt Lake City, the smallest increase in the region, and by 2.7 percentage points in Boise, the largest increase. Healthcare's share of metro area jobs increased by more than 2.0 percentage points in Phoenix and Tucson as well. Albuquerque, Colorado Springs, Denver, Las Vegas, Provo, and Ogden all saw the healthcare-intensity of their economies rise by 1.0 percentage point or more. These increases in health intensity means that the healthcare sector has added more jobs since the onset of the recession than all other sectors combined in each of the country's major metropolitan areas—much of this due to the fact that the healthcare sector shed few if any jobs in most places during the downswing.

For more information see "Tracking the Role of Healthcare in Economic Recession and Recovery in the Nation's 100 Largest Metropolitan Areas" available on the Brookings Institution's Metro Monitor website. www.brookings.edu/metromonitor

Unemployment

Progress reducing unemployment rates accelerated in Colorado and Utah metro areas but slowed in the rest of the region over the quarter. The unemployment rate fell in eight of the region's 10 major metro areas over the first quarter of 2013. In Colorado Springs, Denver, Ogden, and Provo, the unemployment rate fell by 0.5 percentage points and in Salt Lake City it fell by 0.4 percentage points—all accelerations over the fourth quarter of 2012 and strong performances nationally. Across the nation's 100 largest metro areas as a group the unemployment rate barely budged, falling by only 0.1 percentage points. Boise, Las Vegas, and Phoenix also met or beat the national average change over the quarter. In Tucson, meanwhile, the unemployment rate held firm and in Albuquerque, unemployment increased by 0.3 percentage points.

Although the rate of decline in unemployment rates has varied across the region, the momentum was uniformly downwards at the end of the first quarter. All major Mountain metro areas except Albuquerque closed the quarter registering four consecutive quarters of steady or falling unemployment rates.

The first quarter's declines further reduced unemployment rates in the region that were already well below the national average. The unemployment rate averaged 7.7 percent across the nation's 100 largest metropolitan areas in the first quarter of 2013 but averaged only 7.0 percent in the Mountain West. Unemployment ran below 5.0 percent of the labor force in Provo and Salt Lake City; below 6.0 percent in Boise and Ogden; and 7.0 percent or below in Denver, Phoenix, and Tucson. Boise, Ogden, Provo, and Salt Lake City all boasted some of the lowest unemployment rates in the country again in the first quarter of 2013, ranking in the first quintile of their peers nationwide on this measure.

In the region only Colorado Springs and Las Vegas ended the quarter with unemployment rates above the national average, at 8.2 percent and 9.9 percent, respectively. Even this represented a milestone for Las Vegas, however—first time in four years when the unemployment rate fell below 10 percent.

Output

The region's output expansion accelerated in the first quarter of 2013 but not uniformly. The gross metropolitan product (GMP), or output, of the 10 major metro areas of the Mountain West expanded by 0.7 percent in the first quarter, in line with the nation and faster than the previous quarter's 0.4 percent growth. Growth accelerated in seven individual Mountain metro areas—Albuquerque, Boise, Colorado Springs, Denver, Las Vegas, Phoenix, and Tucson—but slowed in Utah's three metro areas.

Phoenix and Tucson led the region and the nation with output growth of 1.2 percent and 1.1 percent, respectively, over the first quarter. Boise and Las Vegas followed as regional leaders and above-average performers nationally with quarterly growth rates of 0.8 percent each. By contrast five other Mountain region metro areas fell into the bottom quintile of performers nationally with slow or negative quarterly output growth. These were Albuquerque, Colorado Springs, Ogden, and Provo, where output expanded between 0.1 percent and 0.3 percent, and Salt Lake City, where output dipped by 0.1 percent.

Six Mountain region metro areas—Boise, Ogden, Denver, Phoenix, Provo, and Tucson—closed the first quarter of 2013 with four consecutive quarters of output growth. Colorado Springs, for its part, turned a corner and posted its first output gains in over a year.

The metropolitan Mountain West achieved a full recovery in output in the first quarter 2013. The regional economy reached a milestone in its efforts to put the recession behind it during the first quarter of 2013 as the combined output of the region's 10 major metro areas exceeded its pre-recession peak for the first time. The region closed the first quarter of 2013 with output 0.8 percent higher than the previous peak reached in the third quarter of 2009. The region's recovery has been slower than the national recovery, however. By the end of the first quarter, the national economy had already expanded 3.3 percent above its pre-recession peak.

Slower recent growth notwithstanding, Utah's three major metro areas closed the first quarter with output standing more than 7.0 percent above its pre-recession levels and continued to rank in the top quintile of metros nationally on this measure. Albuquerque, Boise, Colorado Springs, and Denver each achieved full output recovery in previous quarters as well. By contrast, output remained a daunting 8.6 percent below its peak in Las Vegas at the end of the first quarter. Sun Belt peers Phoenix and Tucson closed the quarter facing smaller deficits of 2.6 percent and 2.5 percent, respectively—deficits which could be erased by the end of the year if the first quarter's growth rates are sustained. Nationally, 53 of the nation's 100 largest metropolitan areas had fully recovered by the end of the first quarter of 2013.

House prices

Mountain West metro areas continued to lead the nation's housing recovery in the first quarter. House prices increased in nine of the region's 10 metro areas in the first quarter of 2013, falling only in Tucson. Region-wide, house prices increased by 1.7 percent over the quarter, compared to 0.3 percent nationwide. Altogether seven Mountain metro areas saw house prices increase faster than the national average. Las Vegas led the region with 3.1 percent growth over the quarter, followed by Boise and Phoenix with 2.8 percent and 2.7 percent growth, respectively. Denver joined them in the top quintile of performers nationally with a 1.4 percent increase in house prices, followed by Colorado Springs and Salt Lake City, where prices increased by 0.7 percent.

The rate of house price growth slowed region-wide and in eight Mountain metro areas in the first quarter of 2013, however. Only in Denver, where recovery accelerated from 1.1 percent to 1.4 percent, and in Albuquerque, where house price changes turned slightly positive and grew by 0.1 percent, did increases quicken. In Tucson, house price growth turned negative and in Ogden, Phoenix, Provo, and Salt Lake City, growth rates fell by more than 1.0 percentage points.

After successive quarters of relatively strong house price increases in the region, the Mountain West's housing recovery gained further ground relative to the nation in the first quarter. House prices across the region's major metro areas collectively stood 8.1 percent above their low-points by the end of the first quarter, compared to a meager 1.2 percent above trough nationally. This rapid recovery is due in part, of course, to the severity of the housing crash in the region: recent progress notwithstanding, prices remained 38.8 percent below their pre-recession heights in the region overall.

Denver's housing market stood closest to a full recovery at the end of the first quarter, with prices only 15.8 percent below their former peaks. Phoenix and Boise, for their part, boasted the two fastest-recovering major housing markets in the nation. Since bottoming out in the second quarter of 2012, house prices in these two metro areas have increased by 18.3 percent and 14.2 percent, respectively—although they remain far below their pre-recession highs. Denver and Las Vegas also ranked among the 20 metros with the fastest recovering housing markets in the nation. House prices in Las Vegas, though, still stood 62.3 percent below their pre-recession highs at the close of the quarter. Among the region's major metro areas, only Albuquerque has seen house prices increase at a slower rate than the national average.

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 2013Q1	Peak to trough	Trough to 2013Q1	2012Q4 to 2013Q1	Peak to 2013Q1	Peak to trough	Trough to 2013Q1	2012Q4 to 2013Q1
Albuquerque, NM	-7.4%	-7.4%	0.0%	-0.4%	4.1%	-1.1%	5.3%	0.3%
Boise City-Nampa, ID	-2.5%	-8.7%	6.9%	1.0%	4.5%	-5.6%	10.7%	0.8%
Colorado Springs, CO	1.1%	-3.2%	4.5%	0.7%	0.8%	-5.8%	7.0%	0.3%
Denver-Aurora, CO	0.7%	-5.6%	6.6%	0.8%	3.8%	-3.6%	7.6%	0.5%
Las Vegas-Paradise, NV	-9.8%	-13.3%	4.1%	0.5%	-8.6%	-12.5%	4.6%	0.8%
Ogden-Clearfield, UT	1.1%	-5.7%	7.2%	1.7%	7.8%	-0.8%	8.7%	0.1%
Phoenix-Mesa-Glendale, AZ	-7.2%	-12.5%	6.0%	0.6%	-2.6%	-11.7%	10.3%	1.2%
Provo-Orem, UT	3.5%	-7.7%	12.1%	1.6%	7.4%	-0.9%	8.4%	0.1%
Salt Lake City, UT	2.1%	-6.0%	8.7%	1.1%	8.2%	-4.0%	12.8%	-0.1%
Tucson, AZ	-5.3%	-8.1%	3.0%	0.2%	-2.8%	-9.3%	7.2%	1.1%
Intermountain West metro areas	-3.5%	-8.6%	5.6%	0.7%	0.8%	-6.9%	8.3%	0.7%
Top 100 metro areas	-1.5%	-6.1%	5.0%	0.4%	2.6%	-5.4%	8.4%	0.7%
United States	-1.7%	-6.0%	4.5%	0.4%	3.3%	-5.5%	9.3%	0.7%

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 and UnitedHealth Group, Inc. for their 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.

For More Information:

Kenan Fikri
Policy Analyst
Brookings Metropolitan Policy Program
kfikri@brookings.edu

Mark Muro
Senior Fellow and Policy Director
Brookings Metropolitan Policy Program
Washington Director, Brookings Mountain West
mmuro@brookings.edu

Robert E. Lang
UNLV Director, Brookings Mountain West
University of Nevada, Las Vegas
702-895-0088
robert.lang@unlv.edu