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Mountain Monitor

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

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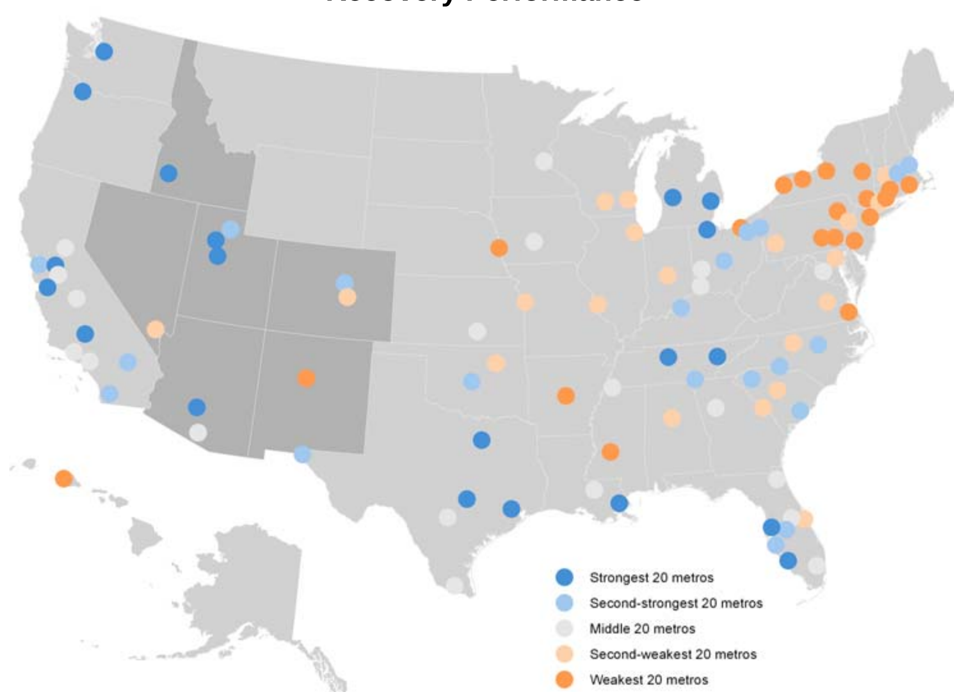
The major metropolitan areas of the Intermountain West finally put the housing bust behind them in the third quarter of 2012 and in most places made solid progress. House prices rose in all 10 major metropolitan markets in the months from June to September for the first time since the recession began. Likewise, output growth accelerated and the unemployment rate continued to fall. Unfortunately none of this prevented the region's already feeble jobs recovery from slowing.

Recovery Performance



Please visit the Monitor's *new interactive website for additional data and materials, including individual metro profiles with job and output information by industry and trendline graphics across each indicator at* [*www.brookings.edu/metromonitor*](http://www.brookings.edu/metromonitor) .

Metropolitan Policy Program at BROOKINGS

Introduction

Today's most recent economic reports point to a national economic recovery that is moving in the right direction, albeit slowly. The unemployment rate is edging down, the housing market is showing signs of life, and national GDP growth is relatively strong. But the sub-national picture is only beginning to come into focus. Metropolitan level data now available for the third quarter of 2012 reveal that the rate of recovery varied tremendously across the nation's metropolitan areas. Nowhere is that variation more apparent than across the landscape of the Intermountain West.

The 10 major metropolitan areas of the Intermountain West continued to make progress along the long road to recovery over the third quarter. The region ended the quarter with the nation's healthiest—or at least most rapidly convalescing—housing market. Utah's metros forged ahead on a number of different indicators while peers to the south, east, and west languished in stagnating recoveries. Boise and Phoenix—supported by some of the country's strongest housing rebounds—continued their surge beyond the recession, even as they faced daunting roads to full recovery. The pace of change moved unevenly across indicators and metros, though, and jobs eluded. The region ended the quarter with a familiar cloud of uncertainty hanging over it about the contours of the emerging Mountain West economy.

Overall performance

The Mountain region's overall recovery gained relative strength during the third quarter of 2012. On the *Monitor's* measure of overall recovery—which takes into account changes in employment, unemployment, output, and house prices from each metropolitan area's respective troughs through the third quarter of 2012—eight Mountain metros maintained their relative position nationally while two metros, Ogden and Tucson, advanced into a higher performance quintile. At the end of September, Boise, Phoenix, Provo, and Salt Lake City were helping to lead the nation's recovery and counted among the top performers nationally. Denver and Ogden followed close behind. Albuquerque, meanwhile, is proving almost as resistant to recovery as it was against recession; it remained the only Mountain metro in the weakest national group.

Employment

Employment expanded faster than nationally in the metropolitan Mountain West over the third quarter, but sub-regional variation was significant. Employment grew by a modest 0.3 percent across the region's metropolitan areas as a group in the three months to September, slightly above the 0.2 percent national average and down slightly on the previous quarter.

Job growth varied considerably among Mountain metros. Five metros posted job gains while three actually lost jobs. Phoenix led the region and much of the nation with swift job growth of 0.8 percent over the quarter, followed by Denver and Utah's three major metros—each of which saw modest job growth that ranged from 0.2 to 0.4 percent. By contrast employment flat-lined in Las Vegas and Boise and declined in Albuquerque, Tucson, and Colorado Springs.

Meaningful jobs recovery has yet to take hold in half of the region's major metropolitan areas. Taking stock of progress since employment reached its nadir in the worst of the recession reveals two distinct Mountain recovery experiences. Four metros—Denver, Phoenix, Provo, and Salt Lake City—have rebounded steadily with cumulative job growth ranging between 4.5 and 6.3 percent. These metros compare well against their peers nationally too. By contrast, Colorado Springs, Las Vegas, and Tucson languish far behind both regionally and nationally with employment levels still only 0.7 to 1.5 percent above their troughs. In Albuquerque, meanwhile, employment fell to a new low in the third quarter.

Unemployment

The unemployment rate declined over the third quarter in all major Mountain metros. Across the metropolitan Mountain West as a whole, the unemployment rate declined 0.4 percentage points, slightly faster than the national average. The unemployment rate fell faster during the third quarter than it did during the second in the region overall and in most of its metros.

The unemployment rate fell fastest, by 0.7 percentage points, in Boise and Utah's three major metros. Elsewhere, declines ranged from 0.2 percentage points in Colorado Springs to 0.4 percentage points in Albuquerque and Phoenix.

Unemployment rates remain far lower in the Intermountain West than the rest of the country. In only two Mountain metros, Colorado Springs and Las Vegas, was the unemployment rate higher than the national large metro average of 8.0 percent in September 2012. Rates elsewhere included some of the lowest in the country: unemployment stood below 6.0 percent in Utah's metros, below 7.0 percent in Albuquerque, Boise, and Phoenix, and below 8.0 percent in Tucson and Denver.

Over the course of recovery, unemployment rates have fallen from their peaks most swiftly in Arizona and Utah metros and they have been slowest to decline in Colorado.

Output

Output continued to recover in the metropolitan West during the third quarter and the rate of expansion increased. The total output or gross metropolitan product (GMP) of the Mountain metros collectively expanded by 0.8 percent in the third quarter, slightly faster than the national average and significantly faster than the second quarter's 0.3 percent expansion.

Arizona metros led the region's output growth with surges of 1.3 percent in Phoenix and 1.8 percent in Tucson over the quarter. Output expanded by 0.7 percent or more in Las Vegas, Ogden, and Salt Lake City as well. Output increased less in Denver and Albuquerque but actually contracted in Colorado Springs after stagnating in the second quarter.

By the end of the third quarter the region's economy stood on the cusp of a full output recovery. By the close of the third quarter, the economy of the metropolitan Mountain West remained only 0.3 percent smaller than it was before the recession. The steadily-lightening drag of shrunken but growing again economies in Las Vegas, Phoenix, and Tucson still more than outweighed the steady advances above and beyond former peaks in the rest of the region's major metros.

Utah's three major metropolitan areas plus Boise and Phoenix have made significant progress returning to economic growth during the recovery period. In these metros, output has rebounded faster from its low-point than it has across the nation's 100 largest metropolitan areas as a group—above 7.5 percent. In Las Vegas, by contrast, output stands only 3.7 percent above the low-point it reached exactly three years ago.

House prices

The metropolitan areas of the Intermountain West took the lead in the nation's housing recovery in the third quarter. House prices increased in every major metropolitan market in the region during the third quarter for the first time since the *Monitor* began tracking. Not only that, house prices increased at a faster rate than the national average of 0.5 percent in all 10 Mountain metros.

Increases in the House Price Index over the quarter ranged from 0.7 percent in Provo to a heady 4.6 percent in Phoenix—the largest increase in the country. Boise—which the housing bust hit surprisingly hard—joined Phoenix with top-ranking house price growth over the quarter, as did Salt Lake City. Six other Mountain metros fell into the second strongest quintile nationally, with increases ranging from 1.3 percent in Albuquerque to 1.9 percent in Las Vegas.

The region closed the third quarter with the nation's fastest-progressing housing recovery. With only one quarter of housing recovery under the belt for most of the region's metros, the House Price Index stood at 3.5 percent above its trough for the region's metros altogether. By comparison, nationally at the close of the quarter home prices stood only 0.5 percent above through. Phoenix and Boise lead the region in terms of overall house price recovery as well: Since turning the corner in the second quarter of 2011, home prices have increased 10.1 percent in Phoenix and 7.5 percent in Boise. All Mountain metros fell into the top performing half of major metropolitan areas nationally on this measure.

House prices remain far below their peaks, however, everywhere.

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A long-awaited turn-around in the housing market brought significant relief to the Mountain region economy during the third quarter, even as metropolitan area performance varied greatly across economic indicators.

Across the region, renewed vitality in the housing sector and expanding output generally proved insufficient catalysts for broad-based job growth. Nevertheless, economic indicators for the quarter suggested that the region's economic recovery may finally be gaining steam. In all, the Mountain West ended the third quarter seemingly poised to reclaim its historical role of leading the nation out of recessions and back to growth.

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 2012Q3	Peak to trough	Trough to 2012Q3	2012Q2 to 2012Q3	Peak to 2012Q3	Peak to trough	Trough to 2012Q3	2012Q2 to 2012Q3
Albuquerque, NM	-6.9%	-6.9%	0.0%	-0.3%	3.9%	-1.1%	5.1%	0.2%
Boise City-Nampa, ID	-5.8%	-9.0%	3.5%	0.0%	3.3%	-5.6%	9.4%	0.6%
Colorado Springs, CO	-1.9%	-3.2%	1.4%	-1.5%	1.1%	-5.8%	7.3%	0.3%
Denver-Aurora, CO	-1.0%	-5.6%	4.8%	0.4%	2.7%	-3.6%	6.5%	0.0%
Las Vegas-Paradise, NV	-12.0%	-13.3%	1.5%	0.0%	-9.4%	-12.5%	3.6%	0.7%
Ogden-Clearfield, UT	-3.0%	-5.6%	2.7%	0.2%	6.8%	-0.8%	7.6%	0.9%
Phoenix-Mesa-Glendale, AZ	-8.5%	-12.5%	4.5%	0.8%	-4.4%	-11.7%	8.3%	1.3%
Provo-Orem, UT	-1.9%	-7.7%	6.3%	0.3%	7.1%	-0.9%	8.2%	0.6%
Salt Lake City, UT	-0.5%	-6.1%	5.9%	0.4%	8.0%	-4.0%	12.6%	0.9%
Tucson, AZ	-7.6%	-8.3%	0.7%	-0.5%	-4.2%	-9.3%	5.6%	1.8%
Intermountain West metro areas	-5.5%	-8.6%	3.3%	0.3%	-0.3%	-6.9%	7.1%	0.8%
Top 100 metro areas	-3.2%	-6.1%	3.1%	0.2%	1.6%	-5.4%	7.5%	0.3%
United States	-3.2%	-6.0%	2.9%	0.2%	1.8%	-5.9%	8.2%	0.6%

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 *Metro Monitor*—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 *Metro Monitor* 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 *Metro Monitor'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/

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