Metropolitan Policy Program at BROOKINGS

Great Lakes Monitor

Tracking Economic Recession and Recovery in the 21 Largest Metropolitan Areas of the Great Lakes Region

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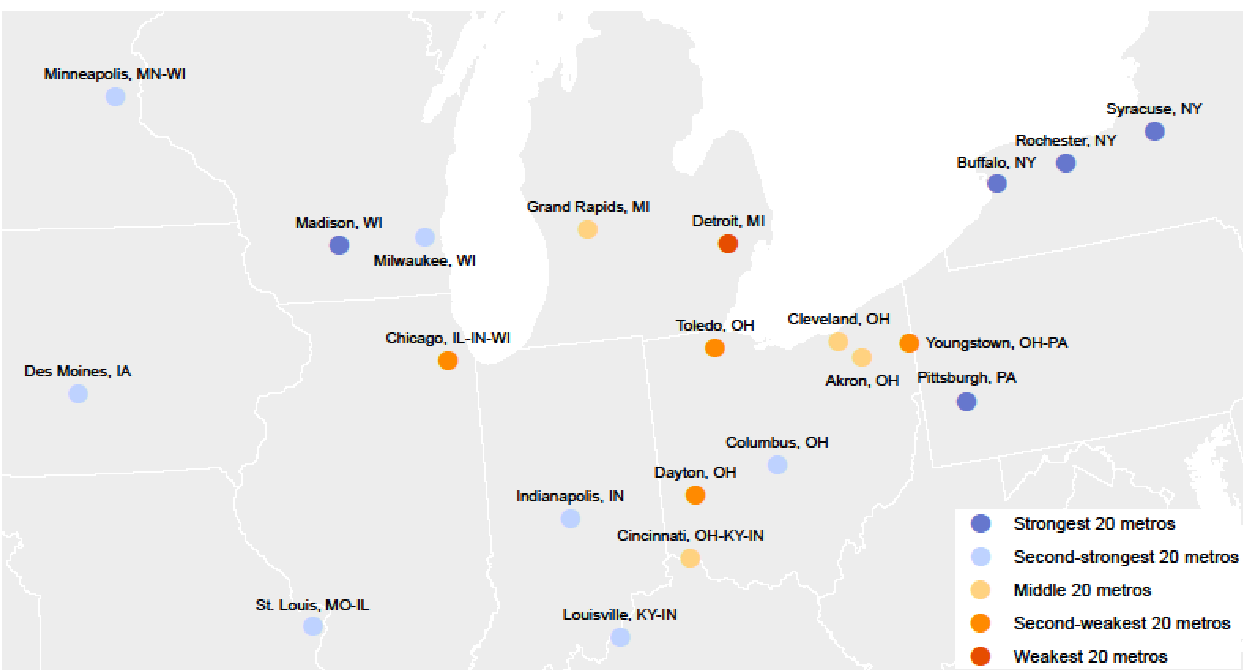
Great Lakes metropolitan areas reliant on education and government have performed better than most large metropolitan areas in the United States over the course of recession and recovery. Five Great Lakes metropolitan areas were among the nation's overall strongest performing metropolitan areas; two are educational centers (Pittsburgh and Syracuse), and one is a state capital (Madison, also home to a large university). These three metropolitan areas have also gained government jobs since their prior total employment peaks.

Nationwide, nearly all the metropolitan areas that have struggled most since the recession's onset either were caught in a housing boom and bust, or are heavily dependent on auto-related manufacturing. The Great Lakes region's weakest performer from the start of the recession through the second quarter of 2011 was Detroit, which was hit hard by both auto industry job loss and a collapse in housing prices. Dayton, Toledo, and Youngstown, all in the second-weakest category, are also heavily involved in auto or auto parts production.

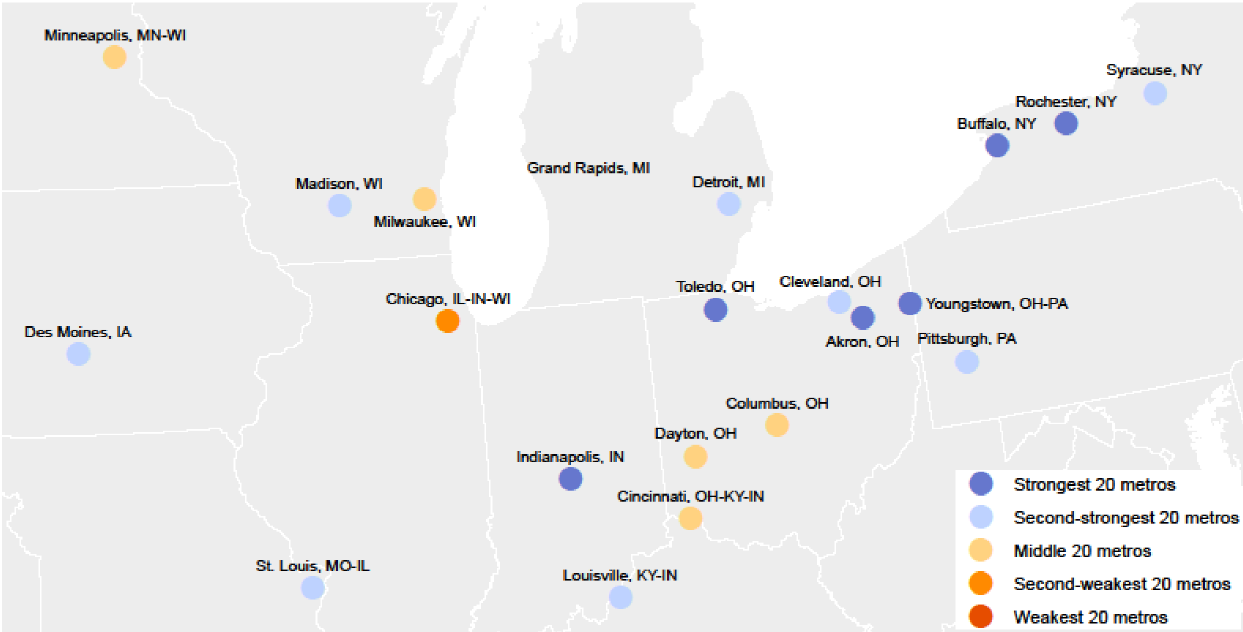
Inflation-adjusted average earnings fell in 17 out of 21 Great Lakes metropolitan areas between the onset of the Great Recession and the first quarter of 2011. This decline in earnings happened across metropolitan areas strong in education, government, and auto-manufacturing. Only Des Moines, Indianapolis, Syracuse, and Toledo saw their earnings rise.

Overall Performance



Great Lakes Monitor: 2nd Quarter 2011

Recovery Performance[1]



The Great Lakes metropolitan areas in general are enjoying a strong recovery – but auto producing metropolitan areas still have not made up the ground they lost in the Great Recession. Akron, Grand Rapids, Toledo, and Youngstown are among the 20 best-performing metropolitan areas in terms of recovery performance; Detroit's recovery has been stronger than that of most other U.S. metropolitan areas.

Strong manufacturing job gains over the last year (between the second quarter of 2010 and the second quarter of 2011) in autos, auto-parts and other durable goods are propelling this recovery. Akron, Detroit, Grand Rapids, Madison, Toledo, and Youngstown have all seen manufacturing job growth of more than 5 percent from local employment lows. Detroit and Youngstown posted gains of 10 and 19 percent, respectively.

But overall, manufacturing job losses since the start of the recession far outstrip more recent manufacturing job gains. The metropolitan areas listed above have regained, on average, 14 percent of the total manufacturing jobs shed since their pre-recession peaks. Detroit and Youngstown's big gains have recaptured 16, and 30 percent of their losses respectively. Detroit and other metropolitan areas whose fortunes rise and fall with the domestic auto industry simply lost such a large share of jobs that even a strong manufacturing jobs recovery has not restored them to their pre-recession condition.

1. House prices hit new lows in all 100 large metropolitan areas in the second quarter of 2011, which means no metro saw a measurable house price recovery during the quarter ending in June. Thus house prices do not factor into the second quarter 2011 recovery rankings in this *Great Lakes Monitor*.

Great Lakes Monitor: 2nd Quarter 2011

The Recent Pace of Recovery

The second quarter presents a mixed recovery picture in the Great Lakes region. While auto-producing metropolitan areas in the Great Lakes region are, as noted above, generally enjoying a strong recovery, in the second quarter of 2011, Cleveland, Columbus, Dayton, Detroit and Toledo saw both output and employment decline. This was not necessarily due to a loss in manufacturing jobs in this quarter; Columbus and Dayton lost manufacturing jobs during this time, but Cleveland, Detroit, and Toledo gained them. Both employment and output grew in the second quarter in Buffalo, Grand Rapids, Louisville, Milwaukee, Minneapolis, Pittsburgh, Rochester and Syracuse.

Buffalo, Grand Rapids, Rochester, and Syracuse not only added jobs and increased output in the second quarter of 2011; they did so at a faster rate than in the previous quarter. These four metropolitan areas, plus Madison, were also the only ones in the Great Lakes region in which employment growth accelerated in the second quarter. Most Great Lakes metropolitan areas saw slower declines in output (which is good), but slower growth in jobs the second quarter of 2011 compared to the first quarter of the year. For example, Cleveland's output fell by one percent in the first quarter of 2011, but by only half of a percent in the second quarter.

Employment

Every Great Lakes metropolitan area but one has added jobs since their recession employment trough, but none has made a complete jobs recovery. Des Moines is the only large Great Lakes metro that hadn't begun its employment recovery by the second quarter of 2011. (Des Moines hit its lowest employment in this quarter, so has seen no increase).Madison and Rochester are within one percent of their pre-recession employment peaks. Milwaukee, Grand Rapids, Youngstown and Rochester were among the strongest metros in terms of employment gains since their recession troughs. Grand Rapids has seen employment rise 4.3 percent since its low point in the third quarter of 2009. Within the region, Des Moines and Indianapolis have seen the smallest percentage increases in employment since their trough quarters.

Fourteen of the Great Lakes metropolitan areas gained jobs in the second quarter of the year. (The exceptions are Cleveland, Columbus, Dayton, Des Moines, Detroit, Indianapolis and Toledo.) Akron, Grand Rapids, Milwaukee, Pittsburgh, and Youngstown have added jobs in every quarter of the past year. Chicago, Columbus, Minneapolis, St. Louis, Syracuse, and Toledo have seen job gains in three out of the last four quarters.

Great Lakes metropolitan areas followed the nationwide trend of government job losses in the second quarter. All Great Lakes large metropolitan areas lost federal government jobs. Only Akron, Cincinnati, Des Moines, Grand Rapids, Indianapolis, Milwaukee, and Youngstown gained state government jobs. Only Madison, Milwaukee, Minneapolis, Pittsburgh and Syracuse added local government jobs.

Great Lakes Monitor: 2nd Quarter 2011

Unemployment

The average unemployment rate among large Great Lakes metropolitan areas in June 2011 was 9.1 percent, lower than the seasonally unadjusted national rate that month of 9.3 percent. Unemployment was above the June 2011 national average in six Great Lakes metropolitan areas, Chicago, Dayton, Detroit, Louisville, Toledo, and Youngstown. The lowest unemployment rates in the region were found in Des Moines, Madison, Minneapolis, Pittsburgh, and Rochester.

The Great Lakes metropolitan areas with the largest declines in unemployment rates between June 2010 and June 2011 are Akron, Cleveland, Detroit, Grand Rapids, Indianapolis, and Youngstown. Overall, the region showed greater declines in the unemployment rate between June 2010 and June 2011 than the rest of the country, thanks in part to the addition of manufacturing jobs in several Great Lakes metropolitan areas. Unemployment rates declined only slightly (or rose) in Des Moines, Madison, and Minneapolis, which had comparatively low unemployment in June 2010.

Eleven of the twenty metropolitan areas with the smallest increases in unemployment rates from June 2008 to June 2011 were in the Great Lakes region: Buffalo, Cleveland, Columbus, Des Moines, Grand Rapids, Madison, Minneapolis, Pittsburgh, Rochester, St. Louis and Youngstown. Cleveland saw only a 1.2 percentage point growth in unemployment between June 2008 and June 2011, the smallest increase of any of the 100 largest metros. In fact, all of the Great Lakes metros except for Milwaukee, Chicago, Cincinnati, and Detroit were either among the 20 strongest or the 20 second strongest metros by this measure.

Output

Output growth in the Great Lakes metropolitan areas lagged other large metropolitan areas and the nation as a whole during the second quarter. Only nine Great Lakes metropolitan areas saw gains in output in the second quarter of 2011: Buffalo, Des Moines, Grand Rapids, Indianapolis, Louisville, Milwaukee, Minneapolis, Rochester, and Syracuse.

Output (or gross metropolitan product) in most Great Lakes large metropolitan areas was above its pre-recession highs. Akron, Chicago, Cleveland, Dayton, Des Moines, Detroit, Grand Rapids, Toledo, and Youngstown, however, had not made a complete output recovery. Detroit's output was 13 percent below its pre-recession peak.

The strengths and weaknesses of Great Lakes metros in percent change in GMP since their peak quarters closely mirrored those in percent change in employment since their peak quarters. The four Great Lakes metros that had among the weakest employment growth since their peak quarters also had among the weakest GMP growth since their peak quarters (Detroit, Toledo, Youngstown and Dayton). Five of the metros that were among the strongest for change in employment since peak were also the strongest for change in GMP since peak. These include Madison, Louisville, Pittsburgh, Buffalo and Syracuse.

Housing

House prices fell for the third consecutive quarter in all Great Lakes metropolitan areas, and fell at a faster rate in the second quarter than the previous two quarters. House prices hit new lows in all of the 100 largest metropolitan areas of the United States in the second quarter, including those in the Great Lakes region. Home prices fell fastest in Minneapolis, Cleveland, and Chicago from the first quarter to the second, declining by at least 4.7 percent in each. In all, house prices dropped more than the national average of 4.1 percent in five Great Lakes metropolitan areas. House prices in Buffalo, Pittsburgh and Rochester dropped less than 3 percent. Nationwide, housing prices were down 26.7 percent since their peak. Six Great Lakes metropolitan areas have had larger declines: Chicago, Cleveland, Detroit, Grand Rapids, Minneapolis, and Toledo.

Foreclosure rates rose in the second quarter of 2011 in Akron, Des Moines, Detroit, Grand Rapids, Madison, Milwaukee, Minneapolis, St. Louis, and Toledo.

Great Lakes Monitor: 2nd Quarter 2011

Methodology

This supplement to the *MetroMonitor* tracks quarterly indicators of economic recession and recovery in the 21 largest metropolitan areas of the Great Lakes region, which Brookings defines as comprising Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, eastern Missouri, Ohio, West Virginia, Wisconsin, western New York, and western Pennsylvania. These indicators include:

- **Employment**: Total wage and salary jobs, seasonally adjusted. Percentage change in employment is shown from each metropolitan area's peak employment quarter to the most recent quarter, measuring the extent to which employment has returned to its pre-recession level and from each area's trough employment quarter to the most recent quarter, measuring the extent of employment recovery since the employment low point. Peaks are defined as the highest employment level attained between the first quarter of 2004 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 and the most recent quarter of employment losses prior to the second quarter of 2009. Troughs are defined as lowest employment level reached since the peak. Percentage change in employment is also shown from the previous quarter to the most recent quarter, measuring the extent to which employment is moving toward or away from recovery. Source: Moody's Analytics.
- **Unemployment rate**: Percentage of the labor force that was unemployed in the last month of the quarter. The data are not seasonally adjusted. Therefore, changes in the unemployment rate are shown from the same month three years ago to the most recent month, and from the same month one year ago to the most recent month. Source: Bureau of Labor Statistics.
- **Gross metropolitan product (GMP)**: Total value of goods and services produced in a metropolitan area. Percentage change in GMP is shown from each metropolitan area's peak GMP quarter to the most recent quarter and from each area's trough GMP quarter to the most recent quarter. Peak and trough quarters are defined in the same way as peak and trough employment quarters, but using GMP rather than employment. Percentage change in GMP is also shown from the previous quarter to the most recent quarter. Source: Moody's Analytics.
- **Housing prices**: Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Percentage change in housing prices is shown from each metropolitan area's peak housing price quarter to the most recent quarter, and from each area's trough housing price quarter to the most recent quarter. Peaks are defined as the highest house price level attained between the first quarter of 2005 and the second quarter of 2009. Troughs are defined as the lowest house price level reached since the peak. Percentage change in housing prices is also shown from the previous quarter to the most recent quarter and year-over-year. Source: Federal Housing Finance Agency House Price Index.
- **Real estate-owned (REO) properties**: Foreclosed properties that fail to sell at auction and thus become owned by the lending institution. Shown as the share of all mortgageable properties in each metro area in the last month of the most recent quarter, and change in share from last month in previous quarter. Source: McDash Analytics.
- **Earnings**: Average annualized earnings, defined as total annualized earnings divided by the total number of jobs. Percentage change, adjusted for inflation, is shown from the last quarter of 2001 through the first quarter of 2011, the most recent quarter for which data are available Source: Moody's Analytics.
- **Recession Comparisons:** The percent of employment recovery in each recession is measured by employment in the thirteenth quarter following the official first quarter of a national recession (as defined by the National Bureau of Economic Research) as a percentage of employment in that first quarter of the recession in question. Source: Moody's Analytics.

The *MetroMonitor*'s rankings of metropolitan economic performance combine four key indicators: (1) percent change in employment, (2) percentage point change in unemployment rate, (3) percent change in GMP, and (4) percent change in House Price Index. There are two sets of rankings:

- **Overall performance** from the beginning of the recession to the most recent quarter: Employment, GMP, and House Price Index changes are measured from peak quarter to the first quarter of 2011. If a metropolitan area had no peak quarter for a particular indicator, the national peak quarter for that indicator is used for the purpose of determining the area's overall performance ranking. Unemployment rate change is measured from June 2008 to June 2011.
- **Performance during the recovery:** Employment, GMP, and House Price Index changes are measured from trough quarter to the second quarter of 2011. Unemployment rate change is measured from June 2010 to June 2011.

For each set of rankings, metropolitan areas are classified into groups of 20 based on their rank, among the 100 largest metropolitan areas, on the average of the standardized scores for the four key indicators.

Interactive *MetroMonitor* maps, underlying indicator data, and one-page profiles of each of the 100 largest metropolitan areas are also 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

The Great Lakes Economic Initiative

Launched in 2005, the Great Lakes Economic Initiative (GLEI) is part of the Metropolitan Policy Program's Blueprint for American Prosperity (Blueprint), which focuses on how federal policy can advance the economic vitality of the nation's metros. As part of the Blueprint, the GLEI pays particular attention to the unique challenges and opportunities faced by communities within the Great Lakes/Industrial Midwest region. Over the next several years, GLEI research and policy activities will closely align with the shifting economic and fiscal trends, environmental imperatives, and political opportunities affecting the region, focusing particularly on the older industrial metropolitan areas most impacted by the transition of the auto industry. By doing so, we hope to help create a new era of productive, inclusive, and sustainable growth for Great Lakes communities and their residents. Learn more at www.brookings.edu/projects/great-lakes.aspx

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For More Information on the GLEI

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