Great Lakes Economic Initiative

Great Lakes Monitor

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

Jennifer Vey and Alec Friedhoff

March 2010

More than two years after the start of the Great Recession, the state of the U.S. economy is at once encouraging and very troubling. During the fourth quarter of 2009, inflation-adjusted gross domestic product (GDP) grew at a rate not seen for more than six years, but serious questions remain as to whether that growth can be sustained. Consumer spending was up in January, but house prices fell. And the state of the labor market remains dire. Job losses in January were small relative to previous months and the unemployment rate remained steady at 9.7 percent in February, but long-term unemployment reached a new high.

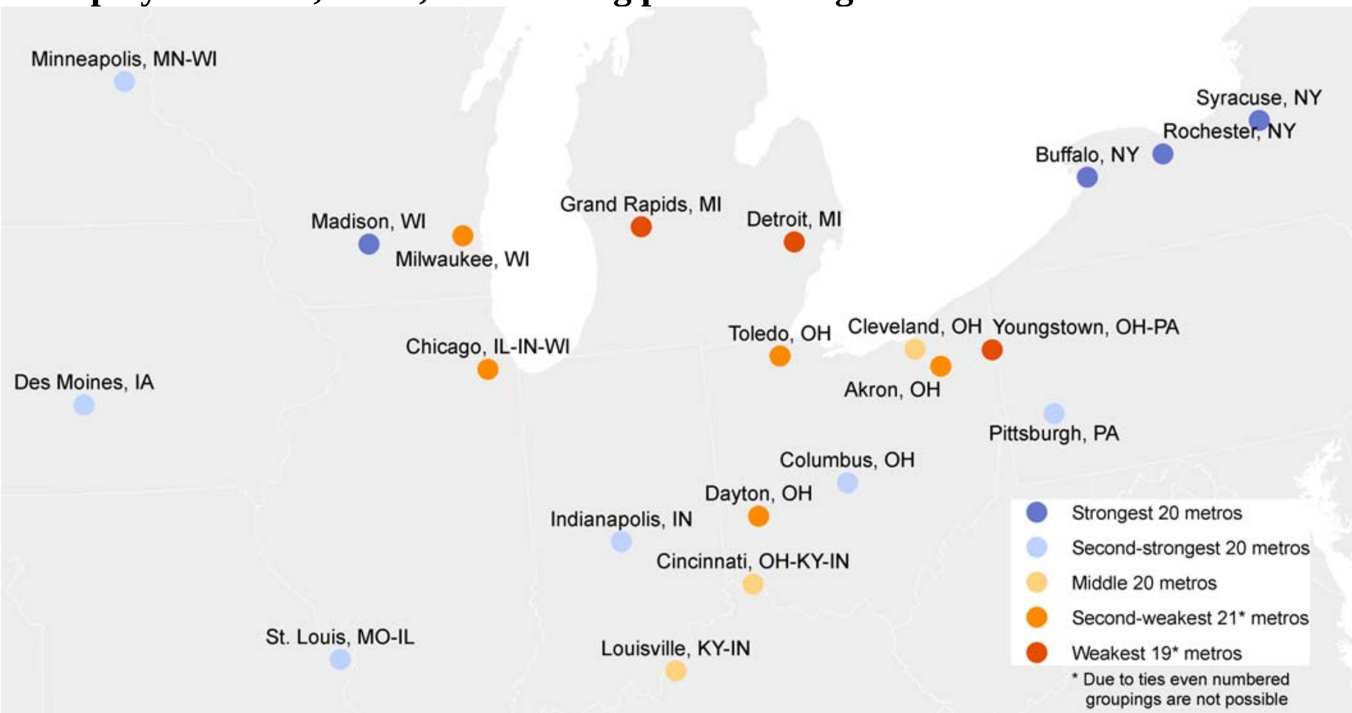
These national trends describe a country in the midst of a fragile recovery, but aggregate trends belie the variety of experiences seen across U.S. metropolitan areas. This supplement to the *MetroMonitor* shows how national trends are playing out in the metropolitan areas where the Great Lakes economy is most concentrated—providing a sharper view of the shared challenges and important differences that characterize this large and complex area of the country.

The Great Lakes region has been one of the hardest hit over the course of the Great Recession. The global financial crisis, the bankruptcy of two of the Detroit Three, and the overall contraction of the manufacturing sector have wreaked their own unique brand of havoc on communities already struggling to remain competitive in a changing economy. But as the findings below demonstrate, even within the region, the effects haven't been uniform.

The third edition in a quarterly series, this *Great Lakes Monitor* examines the 21 largest metros in the region, looking closely at how they are faring relative both to each other and to their peers across the nation in the areas of employment, unemployment, output, home prices, and foreclosure rates, through the fourth quarter of 2009 (ending in December).[1]

[1] The 21 largest metros in the Great Lakes region have populations of at least 500k, and thus rank among the 100 largest metro areas in the nation.

Overall performance in Great Lakes metros based on change in employment, unemployment rate, GMP, and housing prices during the recession



Great Lakes metro performance on four key economic indicators

Metro	Pct. change in employment, peak to 2009Q4	Rank*	Change in the unemployment rate, Dec. 2008 to Dec. 2009	Rank	Pct. change in GMP, peak to 2009Q4	Rank	Pct. change in real HPI, 2008Q4 to 2009Q4	Rank
Akron, OH	-5.7%	67	3.2%	78	-2.9%	66	-4.2%	32
Buffalo-Niagara Falls, NY	-3.1%	24	1.3%	8	0.1%	26	-0.1%	2
Chicago-Joliet-Naperville, IL-IN-WI	-6.0%	70	3.5%	81	-2.4%	56	-9.7%	81
Cincinnati-Middletown, OH-KY-IN	-5.2%	61	3.2%	75	-2.7%	61	-3.7%	27
Cleveland-Elyria-Mentor, OH	-7.3%	82	1.8%	24	-5.7%	94	-4.6%	37
Columbus, OH	-2.6%	14	2.7%	58	-2.5%	57	-3.7%	28
Dayton, OH	-8.5%	88	3.6%	85	-6.9%	97	-3.2%	20
Des Moines-West Des Moines, IA	-2.6%	16	2.0%	29	-2.0%	51	-3.3%	22
Detroit-Warren-Livonia, MI	-15.6%	98	4.2%	99	-14.2%	99	-11.7%	88
Grand Rapids-Wyoming, MI	-6.9%	77	3.2%	76	-3.4%	74	-8.0%	71
Indianapolis-Carmel, IN	-5.2%	59	1.8%	23	-0.4%	32	-2.4%	11
Louisville-Jefferson County, KY-IN	-4.4%	41	2.5%	51	-3.8%	80	-3.0%	17
Madison, WI	-3.3%	26	1.6%	19	0.2%	25	-3.4%	24
Milwaukee-Waukesha-West Allis, WI	-7.4%	83	2.9%	68	-2.6%	59	-5.4%	47
Minneapolis-St. Paul-Bloomington, MN-WI	-4.6%	49	0.8%	1	-1.7%	46	-9.6%	80
Pittsburgh, PA	-3.0%	23	1.8%	26	-3.7%	79	-1.5%	8
Rochester, NY	-1.7%	6	1.3%	9	0.7%	18	-1.3%	6
St. Louis, MO-IL	-3.6%	32	2.3%	43	0.9%	16	-5.3%	46
Syracuse, NY	-1.9%	9	1.4%	11	-0.3%	31	-1.2%	5
Toledo, OH	-9.8%	90	2.6%	56	-7.7%	98	-4.9%	41
Youngstown-Warren-Boardman, OH-PA	-11.1%	96	3.9%	90	-6.1%	96	-6.0%	53
Great Lakes Metros	-5.4%		2.6%		-2.1%		-6.3%	
100 Largest Metros	-4.6%		2.6%		-0.9%		-7.2%	
United States	-4.9%		2.5%		0.0%		-6.5%	

*Rankings refer to each metro's place among the 100 largest metro areas

It finds that:

- **The overall impact of this recession has been highly varied across the metro areas of the Great Lakes region.** In terms of overall performance, Madison, and the three Upstate New York metro areas of Buffalo, Rochester, and Syracuse were among the 20 strongest performing large metro areas over the course of the recession. At the other end of the spectrum, Detroit, Grand Rapids, and Youngstown ranked among the 19 weakest performers in the country.[2] The remaining Great Lakes metropolitan areas were spread relatively evenly throughout the ranks, with six (Columbus, Des Moines, Indianapolis, Minneapolis, Pittsburgh, and St. Louis) landing in the second-strongest category, three (Cincinnati, Cleveland, and Louisville) in the middle category, and the remaining five (Akron, Chicago, Dayton, Milwaukee, and Toledo) in the second-weakest category.

- **Between the third and fourth quarters of 2009 gross metropolitan product (GMP) grew in each of the 21 Great Lakes metro areas**. This mirrored the trend across the 100 largest metro areas, though the Great Lakes region did account for nine (Cincinnati, Cleveland, Columbus, Detroit, Grand Rapids, St. Louis, Toledo, Rochester, and Youngstown) of the 20 strongest performing metro areas on this indicator. Several of these same metros (Cleveland, Detroit, Toledo, and Youngstown) are still substantially below their pre-recession peak values and remain among the weakest large metro areas in this respect. Conversely, fourth quarter GMP growth in Rochester, St. Louis, Buffalo, and Madison was enough to propel these metro areas past their pre-recession peaks.

- **Employment continued to fall in most of the Great Lakes metro areas, with many experiencing accelerating job loss.** Of the 17 Great Lakes metro areas that lost jobs between the third and fourth quarters of 2009, five (Akron, Dayton, Madison, Milwaukee, and Youngstown) ranked among the 20 worst performing large metro areas on this indicator. In six metro areas (Dayton, Des Moines, Detroit, Indianapolis, Milwaukee, and Youngstown) rates of job loss increased, while in three others (Buffalo, Madison, and Syracuse) the previous quarter's job growth turned to job loss in the most recent quarter. Meanwhile, four Great Lakes metro areas (Louisville, Rochester, St. Louis, and Toledo) posted job gains between the third and fourth quarters of 2009 after each lost jobs during both of the two previous quarters. Of these, Toledo had the strongest job gains among all 100 large metros during the quarter.

- **Unemployment remained most acute in Great Lakes metro areas that depend heavily on the auto industry and its supply chain**. Six of the eight Great Lakes metro areas with a December unemployment rate over 10 percent (Dayton, Detroit, Grand Rapids, Louisville, Toledo, and Youngstown) have a high degree of specialization in automobile and auto parts production. Their high unemployment rates reflect the massive job losses in that sector.[3] Meanwhile, more than half (11) of the large Great Lakes metros had December unemployment rates below the U.S. average of 9.7 percent. Of these, Des Moines (6.5 percent) and Madison (5.8 percent) had among the lowest unemployment rates in the nation.

---

[2] Due to ties in the overall rankings, even numbered groupings are not possible.

[3] For this analysis, we defined auto and auto parts-specialized metro areas as those that have employment location quotients (LQs) in these industries of at least 2.0.

- **House prices declined in all 21 Great Lakes metro areas since a year ago, reflecting the national trend in large housing markets over the period.** Collectively, the Great Lakes metro areas performed slightly better than both the national and the 100 largest metro area averages. Pittsburgh and the metro areas of Upstate New York saw the smallest decreases in home values, placing them among the least hard-hit 10 metros nationwide. Detroit (down 11.7 percent), Chicago (down 9.7 percent), Minneapolis (down 9.6 percent), and Grand Rapids (down 8.0 percent) experienced the most severe price drops in the region, aligning with their high rates of foreclosure.

- **The foreclosure crisis has hit several Great Lakes metro areas quite hard and others barely at all.** By the end of December, six Great Lakes metros (Chicago, Columbus, Detroit, Grand Rapids, Indianapolis, and Minneapolis) had rates of real estate-owned properties (REOs) that exceeded the national average, with the problem being particularly severe in Detroit, Grand Rapids, and Minneapolis. On the upside, the foreclosure crisis in several of these metros may be abating. From September to December, the REO rate fell in 13 of the 21 Great Lakes metro areas; six of the 13 (Indianapolis, Chicago, Des Moines, Detroit, Grand Rapids, and St. Louis) ranked among the 20 metros nationwide that experienced the largest declines in REO rates during the quarter. Madison, Pittsburgh, and the metros in Upstate New York appear to have largely escaped the housing crisis; their REO rates have consistently been far lower than those in many California, Florida, and inland West metro areas where the housing bubble was most extreme.

- **Over the last 10 years, most of the Great Lakes metro areas lost jobs.** Of the 34 large metro areas that lost jobs nationwide over the past decade, half were in the Great Lakes region. Detroit lost more than 20 percent of its jobs from the fourth quarter of 1999 to the fourth quarter of 2009, Youngstown lost 15.6 percent, and Cleveland, Dayton, and Toledo each lost more than 12 percent. The Great Recession, combined with pre-recession job losses, put employment levels in four of these five metro areas (all except Toledo) back to where they there were 20 or more years ago (nearly 27 years in the case of Youngstown).[4] Des Moines, Madison, Indianapolis, and Columbus were the only Great Lakes metro areas to gain jobs over the last decade.

- **Most Great Lakes metros are recovering much more slowly from the Great Recession than from the last three recessions.** Eight quarters after the Great Recession began in the fourth quarter of 2007, the 21 Great Lakes metros had lost 5.4 percent of the jobs they had at the recession's start, compared with 2.7 percent eight quarters after the beginning of the 2001 recession, 0.7 percent eight quarters after the beginning of the 1990 recession, and 3.3 percent eight quarters after the beginning of the 1981 recession. For 14 Great Lakes metro areas, the employment recovery was worse eight quarters following the start of the Great Recession than it was eight quarters following the start of each of the previous three recessions. In Akron, Buffalo, Columbus, Pittsburgh, and Youngstown employment recovery was most shallow during the eight quarters following the 1981–1982 recession. In Syracuse, the 1990–1991 recession was most severe while in Rochester the 2001 recession was the worst of the last four.

[4] Due to recent job growth in Toledo, it last saw job levels at or below its current level very recently. However, looking beyond the last two quarters reveals that in the fourth quarter of 1992—17 years ago—job levels in Toledo were very similar to what they are today.

This third edition of the *Great Lakes Monitor* helps provide a more fine-grained look at how local economic structure and housing dynamics have led to varied performance across the Great Lakes during the recession. It illustrates that, although the older industrial metros in the region have for decades shared in the struggle to retool their economies, the economic and housing crisis has set some communities—particularly those in Ohio and Michigan—further back in this process than others. By more precisely describing the varied "stories within the story," it shows where and how policymakers and regional stakeholders need to focus their energies to help ensure that recovery comes—if slowly—to all parts of the country.

Methodology

This supplement to the Monitor tracks quarterly indicators of economic recession and recovery in the 21 largest metropolitan areas of the Great Lakes region, which Brookings defines as being comprised of Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, 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 metro area's peak employment quarter to the most recent quarter, measuring the extent to which employment has recovered from the recession's impact. Peaks are defined as the highest employment level attained since the first quarter of 2004; in some metro areas where this peak occurred in one of the two most recent quarters, the peak was defined as the highest level attained between 2004 and its most recent quarter of employment losses prior to the two most recent quarters. 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 recovery. Source: Moody's Economy.com

- **Unemployment rate**: Percentage of the labor force that is currently employed, not seasonally adjusted, last month of quarter. Because the data are not seasonally adjusted, change in the unemployment rate is shown from the same month in previous year. Source: Bureau of Labor Statistics.

- **Gross metropolitan product (GMP)**: Total value of goods and services produced within a metro area. The percentage change in GMP is shown from each metro area's peak GMP quarter (defined in the same way as the peak employment quarter, described above) to the most recent quarter, and from the previous quarter to the most recent quarter. Source: Moody's Economy.com.

- **Housing prices**: Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac, not seasonally adjusted. Because the data are not seasonally adjusted, the percentage change in housing prices is shown from the same quarter in the previous year to the most recent quarter. 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.

- **Long-term employment indicators:** Each of the long-term indicators compares the level of employment in one period, measured as total wage and salary jobs, seasonally adjusted, and the level of employment in another period. Ten year employment change equals the percent change in employment between the fourth quarter of 1999 and the fourth quarter of 2009. Years of net job growth lost measures the number of years since the most recent quarter when employment was at or below its current level. The percent of employment recovery in each recession is measured by employment in the eighth 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.

This *Great Lakes Monitor*'s Overall Performance index combines metropolitan rankings on four key indicators:

- Percent employment change from peak quarter to 4th quarter 2009
- Percentage point change in unemployment rate from December 2008 to December 2009
- Percent GMP change from peak quarter to 4th quarter 2009
- Percent change in House Price Index from 4th quarter 2008 to 4th quarter 2009

Metropolitan areas are then grouped into quintiles (groups of 20) based on their average ranking across all four indicators, among the 100 largest metro areas.

Great Lakes Monitor maps, underlying indicator data, and one-page profiles of each of the 21 largest metro areas in the Great Lakes 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 metros 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

The Great Lakes Economic Initiative has been made possible by the generous support of The Joyce Foundation, Charles Stewart Mott Foundation, New Economy Initiative of the Community Foundation for Southeast Michigan, and the KnowledgeWorks Foundation.

For More Information on the GLEI

John Austin
Non-resident Senior Fellow and Co-Director, Great Lakes Economic Initiative
jcaustin@umich.edu

Jennifer Vey
Fellow and Co-Director, Great Lakes Economic Initiative
jvey@brookings.edu