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Which states will be early risers?

A new forecast tells where jobs may recover first

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NEW YORK— If you want to be in the right place when the recovery starts, that place may be in Colorado, Idaho, Oregon, Texas or Washington.

The recession didn't start at the same time in every state, and it won't end at the same time either. A new forecast from Moody's Economy.com predicts that jobs growth will return first in those five states, starting in the last quarter of this year. Four of those states benefit from strong high-tech industries, and the fifth, Texas, has a strong base of energy industries.

A second wave of jobs growth, in the first quarter of 2010, is predicted in seven states: Alabama, Georgia, Nebraska, New Mexico, North Carolina, North Dakota and South Dakota.

The next wave, in the second quarter of 2010, is expected in seven states: Alaska, Arkansas, Iowa, New Hampshire, South Carolina, Tennessee and Wyoming.

That leaves 31 states and the District of Columbia waiting until the third quarter of 2010 for jobs to start growing again.

The new forecast is released along with the monthly Adversity Index. Each month, Moody's Economy.com and msnbc.com use data on employment, industrial production, housing starts and house prices to label each state or metro area as expanding, at risk of recession, in recession or recovering.

Like a jigsaw puzzle nearing completion, the index shows that the recession reached 373 of the nation's 381 metro areas, and 49 out of 50 states (Alaska was spared), by the end of March.

Here are several ways to explore this month's Adversity Index:

- An interactive map on this page shows the economic health of every state and metro area. You can "play" the map to watch the progress of recessions over 15 years, or select any state to see data for each metro area. You can also see the map on its own page.
- A month-by-month chart shows when the current recession enveloped each metro area, and which eight metro areas were not yet in decline.
- The updated index will be published every month at http://adversity.msnbc.com. There is a lag of nearly two months, so April data will be out later in June.
- An explainer tells how the Adversity Index assesses the economy.

A head start on recovery

Why will some states recover faster than others?

High-tech industry is one element. A slowdown in technology spending in 2008 and 2009 has created a pent-up demand for technology — businesses that know they need to upgrade and are waiting for the ability to spend.

"States that have a high concentration in tech-related industries are well positioned to take advantage of this trend, which is particularly true of Colorado, Idaho, Oregon and Washington and to a lesser extent Texas," said economist Andrew Gledhill of Moody's Economy.com.

"Although not scheduled to begin its recovery until a quarter later, New Mexico also fits into this category of benefiting from a tech recovery."

Why is Texas, which has less high-tech industry, on the list for early job growth?

"The state had largely missed out on the housing boom (as did Colorado) and was among the last to join the recession, in large part due to lingering impacts from the energy boom of years past," Gledhill said. "Similarly, other expected early risers such as Washington and Colorado were also relatively late to join the recession for various reasons. Thus, as conditions begin to turn nationally, they have less of a hole to dig themselves out of."

Another element for those early risers: better credit ratings.

"One factor that the five early job recovery states all have in common is less erosion in household credit conditions, with the worst of the group being Idaho," Gledhill said. "As a result, once it seems apparent that recovery is setting in, households in these states will be more able to turn and inject money back into their local economies. There is less de-leveraging of household balance sheets in these states. This will in turn prompt a more favorable trend in certain types of service industries."

Plains state poised to recover

How about the states in the second group?

"The Plains states, including North and South Dakota, have suffered relatively minor recessions, with comparably minor job losses," Gledhill said. "North Dakota has the lowest unemployment rate in the country. Once the U.S. economy begins to firm and there is less weight on cyclical industries such as manufacturing, it does not take much to turn minor losses into minor gains." Farm states are also helped by relatively high farm prices, Gledhill said.

The states that missed out on the housing bubble — and the housing bust — are also better positioned to recover quickly.

"Alabama, Nebraska, North Dakota and South Dakota have only minor housing imbalances," Gledhill said. "None of these states recorded the exorbitant price appreciation that was common in years past that has subsequently turned into a steep price correction and the negatives that follow. These markets are feeling this correction, but not to the drastic extent seen in many other states."

The national picture

Of the 50 states, only Alaska was showing enough growth to delay a declaration of recession by the end of March. Add the District of Columbia to that list, too. A month earlier, North Dakota and Wyoming were also avoiding the recession.

Among metro areas, 98 percent were in recession by the end of March, up from 96 percent in the February data. That's 373 in recession, up from 367.

All eight metro areas still not in recession are judged to be at risk of recession, meaning they are decelerating toward the downturn. The eight are Anchorage, Alaska; Bismarck, N.D.;

Killeen-Temple-Fort Hood, Texas; Laredo, Texas; Las Cruces, N.M.; Midland, Texas; Odessa, Texas, and Texarkana, Texas-Arkansas. Most of those benefit from energy production. Laredo also benefits from trade with Mexico.

Not a single metro area in the nation was judged to be in recovery in February.

Accelerating pain in Elkhart

The economic decline continued to accelerate in March in Elkhart, where msnbc.com is focusing reporting on the nation's hard times.

- Employment in the Elkhart-Goshen metro area fell 13.5 percent from a year earlier, according to the latest Adversity Index, compared with a 12.8 percent annual decline reported in the January data. Again this was the greatest decline in the nation. The next on the list showed milder declines: 9.8 percent in the metro area of Kokomo, Ind., and 9.5 percent in Holland-Grand Haven, Mich. Areas showing the greatest employment growth were Odessa, Texas (up 3.8 percent); Flagstaff, Ariz. (2.5 percent); and Madera-Chowchilla, Calif. (2.4 percent).
- Industrial production in the Elkhart area fell 27.1 percent year over year, compared with a 25.6 percent annual decline reported in the Adversity Index a month earlier. This was also the worst among metro areas. Next on the list were Kokomo, down 27.0 percent, and Gary, Ind., down 26.4 percent. The smallest declines in the nation were recorded in Wichita, Kan., down 3.7 percent, and Hanford-Corcoran, Calif., down 3.9 percent.
- The housing construction industry fell by two-thirds in Elkhart from a year earlier, with a 66.6 percent decline in housing starts, according to the latest Adversity Index. That's slightly greater than the 66.1 percent a month earlier. Only 44 of the 381 metro areas showed a greater decline. The fastest fall was in Fairbanks, Alaska, down 83.2 percent. Next was Florence, Ala., down 82.4 percent. Thirteen metro areas showed recoveries in housing starts, led by Lawrence, Kan., with a 213.3 percent increase, and Racine, Wis., up 130.1 percent.

All these figures are based on comparisons of three-month moving averages for the periods ending March 2008 and March 2009.

The fourth component of the Adversity Index, house prices, will be updated next month for the first quarter of the year.

A technical explanation of the state-by-state forecasts from Moody's Economy.com is available here, in a PDF file.

Moody's Economy.com also has a region-by-region forecast, available here.