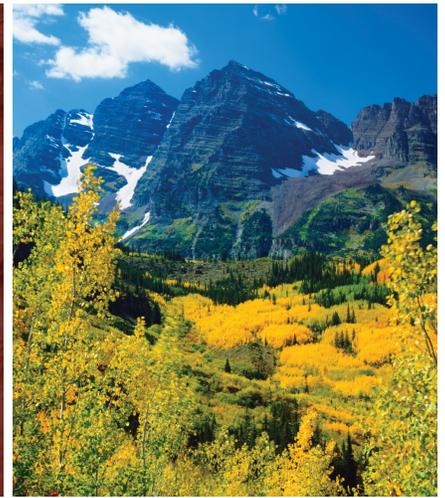


THE *Rocky Mountain* ECONOMIST:

Economic information for Colorado, New Mexico and Wyoming



2nd QUARTER 2011

FEDERAL RESERVE BANK of KANSAS CITY - DENVER BRANCH



The Recession's Toll on Colorado... a Lost Decade?

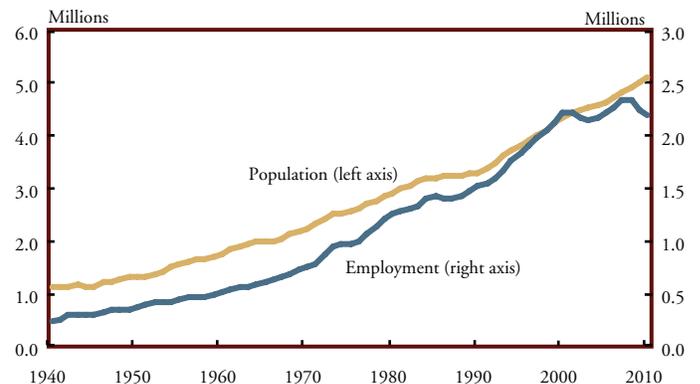
by Mark Snead, Denver Branch Executive and Vice President

The Colorado economy did not escape the national recession unscathed. After entering the recession well after the nation, the state eventually lost more than 150,000 wage and salary jobs and posted a slightly larger job loss than the nation as a whole (6.4 percent vs. 6.3 percent, respectively). The state has since emerged from the recession but has produced only about 20,000 net new jobs. The state's jobless rate continues to edge upward and now stands at 9.2 percent, slightly higher than the national rate of 8.8 percent.

The severity of the recession and the sluggishness of the recovery cycle have raised a number of concerns about the Colorado economy. The most notable is the lack of job creation in Colorado in recent years compared to past decades. Economists and policymakers alike have noted that the state added roughly 767,000 new residents between the 2000 and 2010 U.S. Census counts, but the number of wage and salary jobs remains below the level from a decade ago (Charts 1 and 2). This mismatch between job growth and population growth the past 10 years has led many to dub this period as Colorado's *Lost Decade*.

“ This mismatch between job growth and population growth the past 10 years has led many to dub this period as Colorado's Lost Decade. ”

CHART 1
Colorado Levels of Employment and Population



Sources: U.S. Census Bureau and Bureau of Labor Statistics



COLORADO OR U.S. CONCERN?

Before examining whether the state's job engine is sputtering, it is important to note that the *Lost Decade* phenomenon is not unique to Colorado. The same 10 year job loss is present at the national level (Chart 2) and in the majority of states, including other high net migration (in-migration minus out-migration) states such as Florida, Georgia, North Carolina, Oregon, and South Carolina. In fact, the 10 year decline is slightly less severe in Colorado than at the national level. The few states that did manage to produce a net job gain the past decade are mostly high net migration states that managed to navigate the 2001 recession with only minimal job losses (e.g., Arizona, Nevada, New Mexico, Texas, Utah, and Washington). Given that the problem is widespread and not unique to Colorado, the decline in the state's workforce during the past decade likely says more about squeezing two steep recessions into a single decade than it does about the state's long-run ability to create jobs.

IS COLORADO'S JOB ENGINE SPUTTERING?

Nevertheless, there is some cause for concern when assessing the state's long-run growth potential. Colorado's ability to create new wage and salary jobs has slowed noticeably during the past several recovery cycles (Chart 3). Since 1940, the peak annual job growth rate during economic expansions in the state typically exceeded 5 percent, and often exceeded 10 percent. But the state last attained 10 percent job growth in 1972 and has since posted lower peak job growth rates in each successive economic expansion.

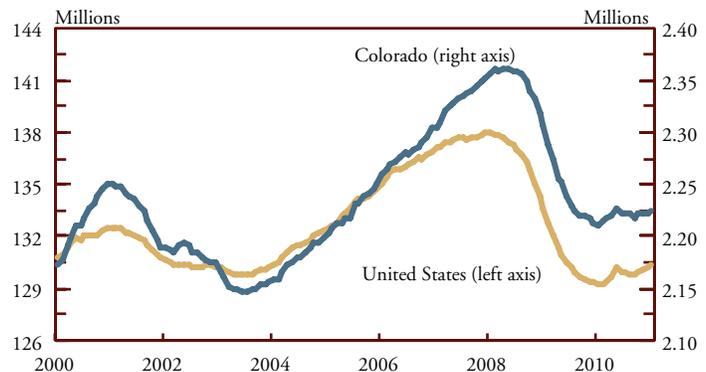
In two of the three most recent expansions—the post-oil bust (late 1980s) and post-tech bust (2003-2008) periods—peak job growth rates reached only the 3 percent range. The expansion of the 1990s produced a more robust 4 percent peak growth rate but was aided by exceptionally strong job growth at the national level. These recent job gains remain attractive relative to the nation but fall well short of Colorado's historical performance.

THE MIGRATION PUZZLE

Perhaps the most puzzling aspect of the *Lost Decade* question is why new residents continued to

CHART 2

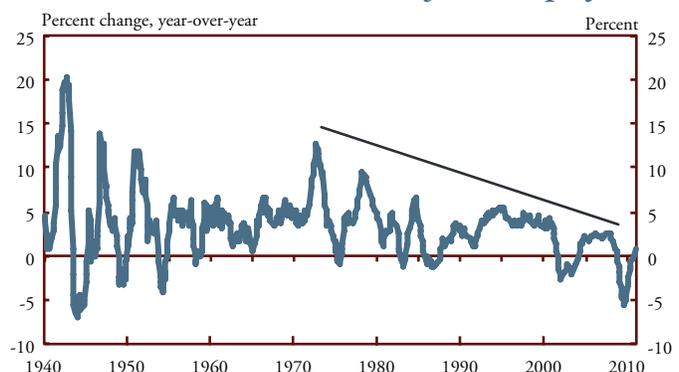
United States and Colorado Total Nonfarm Employment



Source: Bureau of Labor Statistics

CHART 3

Growth in Colorado Total Nonfarm Employment



Sources: U.S. Census Bureau and Bureau of Labor Statistics



migrate into Colorado in such large numbers during the recent recession despite an extremely weak job market and sharply reduced migration nationally. Census estimates suggest that the state's population increased 1.7 percent annually between 2007 and 2010, more than double the national rate of 0.8 percent. The population gain is split roughly equally between natural gains (births minus deaths) and migrants into the state. Along with approximately 40,000 new residents annually from natural gains, about 50,000 new residents reportedly migrated into Colorado each year between 2007 and 2010. If census estimates are correct, plausible economic factors underlying the strong migration numbers include relatively stable housing prices and a job market that was no worse than most of the rest of the country.

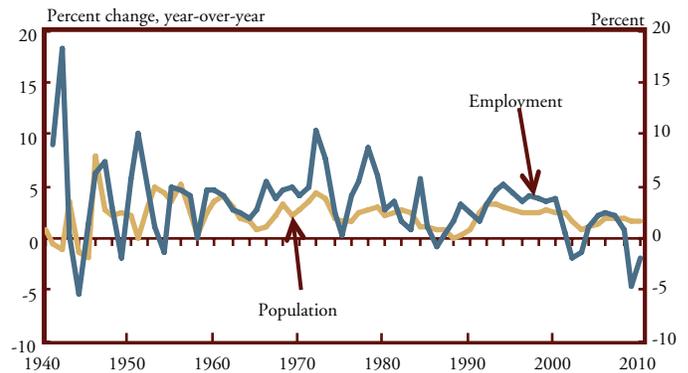
REASON FOR CONCERN OVER THE LOST DECADE?

Does the inability of job growth to keep pace with population during the past decade bode poorly for Colorado going forward? Not necessarily. If census migration estimates are reasonably accurate, the high rate of net migration in the late 2000s suggests that Colorado remains an important destination for migrants and the state's fast-growth pattern remains largely intact. It would also suggest that the *Lost Decade* reflects nothing more than surprisingly strong population growth amid back-to-back severe job recessions.

Real concern over long-run job growth will be warranted when the state begins to experience substantially slower net migration. Economic research tells us that, over the long haul at least, broad population movements determine the number of jobs in a state. The ability to generate jobs for large numbers of new residents is one of the hallmarks of high net migration states such as Colorado. Even on a year-by-year basis, job gains are closely related to population movements (Chart 4).

And when viewed over several decades, it is clear that Colorado's population growth ebbs and flows over time, sometimes erratically (Table 1). For example, state population increased only 13.7 percent in the 1980s as the oil bust weighed on the state economy, but then surged by nearly one-third in the 1990s, driven by the tech boom. Population growth then moderated to 17.7 percent in the 2000s, but the state managed to grow significantly faster than the

CHART 4
Growth in Population and Employment



Sources: U.S. Census Bureau and Bureau of Labor Statistics

TABLE 1
Growth in U.S. and Colorado Population by Decade (in percent)

Decade	U.S.	Colorado
1940s	14.9	17.3
1950s	18.5	33.5
1960s	13.2	25.7
1970s	11.5	30.8
1980s	9.9	13.7
1990s	13.0	30.9
2000s	9.5	17.7



nation. Overall, the evidence suggests that new residents continue to move to Colorado in large numbers and that the number of jobs in the state should continue to expand over time to accommodate them.

DIVINING THE LOST DECADE

So what can we conclude about the *Lost Decade*? First, that it is a national phenomenon that largely reflects the severity of the job losses in the two recessions of the 2000s. For Colorado, the decline is actually less severe than in most areas of the country. Second, along with a 10 year job decline in the state, there has been a marked slowing in the Colorado economy's ability to create jobs during the past three decades. While this raises concern about the rate at which Colorado will add jobs going forward, the state has continued to add jobs much faster than the nation during recent expansions. And, third, the best evidence to date confirms that new residents are still moving to the state in large numbers. On balance, it suggests that Colorado remains a high-growth state—albeit one with a slowing rate of job creation—that happens to have an excess supply of new residents/workers at the moment. This mismatch may put upward pressure on the state unemployment rate and possibly dampen migration into Colorado during the next few years, but in the long run, this is not a bad problem to have in a fast-growth state.



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