

Northern Colorado's Economy: Recent Trends and the Outlook for 2007

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The Year in Review

The northern Colorado economy (Larimer and Weld Counties) continues its steady recovery from the 2001 recession. Data from the Colorado Department of Labor and Employment show the region added 5,643 jobs between the first quarters of 2005 and 2006, a gain of 2.9%. This growth built on the 2.6% increase for the same period in the previous year. Job growth in the region outpaced both the Colorado and U.S. economies between 2004 and 2006.

In September 2006 the regional unemployment rate dropped slightly to 3.7%, its average in the late 1990s. There is some concern, however, that underemployment (i.e., workers not employed to their full capacity) in the region is increasing as laid-off high-tech workers turn to alternative employment opportunities in other local industries rather than migrate out of the region. Although this phenomenon helps maintain the latent quality of the local labor force, it can lead to real wage stagnation and reduced consumer spending.

Growth in services continues to drive the regional economy. For 2005-06, the top five growth sectors in the region were accommodations and food services (883 new jobs), finance and insurance (640 new jobs), healthcare and social assistance (625 new jobs), retail trade (624 new jobs), and construction (618 new jobs). This continues long-term trends as these sectors have accounted for about 85% of the net new jobs in the region since 2001.

But not all sectors are expanding. Manufacturing—which lost 7,667 jobs (-26%) between 2001 and 2005—continues to shed jobs, losing 201 positions (-1%) between the first quarters of 2005 and 2006. This decline, however, was notably smaller than in previous years, indicating that the sector may have bottomed out or be poised to rebound. One important ramification of recent trends is the projection that the healthcare and social assistance sector will employ more workers than manufacturing in 2007.

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Disaggregating the data, some notable differences emerge between Larimer and Weld counties. Since 2001, Larimer County employment grew by a total of 4,157 workers, a 3.5% increase. More recently, Larimer County added 2,457 jobs between the first quarters of 2005 and 2006, a 2% increase. By comparison, Colorado's employment has climbed only 0.3% since 2001, and U.S. employment has grown by 1.6%.

Larimer County's leading growth sectors in terms of jobs added between 2005 and 2006 were specialty trade contractors (334 jobs), clothing and clothing accessories stores (323 jobs), food services and drinking places (264 jobs), performing arts and spectator sports (252 jobs), and hospitals (250 jobs).

Although very few sectors in Larimer County lost jobs between 2005 and 2006, the county did experience a significant decline in computer and electronic product manufacturing, losing 826 jobs (-15.9%). Overall, the industry employed 4,366 workers in the first quarter of 2006, 43% less than the industry's 2001 level. The losses in this sector are especially significant, given that in Larimer County annual average earnings per worker in this industry were more than \$76,000 in 2005.

Employment in Weld County actually grew at a faster rate than in Larimer County, although fewer jobs were added. Since 2001, Weld County's workforce has grown by 9,050 positions, resulting in a 13% gain. Between the first quarters of 2005 and 2006, it rose by 3,185 jobs, a 4.2% increase. Key industries driving employment growth in the county include food services and drinking places (552 jobs), support activities for mining (452 jobs), administrative and support services (398 jobs), insurance carriers and related activities (357 jobs), and local government (275 jobs).

After five years of stagnant wages, a comparison of the first quarters of 2005 and 2006 shows that real earnings per worker grew substantially. Overall, average earnings per worker totaled \$36,217, an 8.4% increase in nominal earnings over 2005. Larimer County's average earnings per worker in the first quarter of 2006 were \$37,199 (a 7.8% increase), while Weld County's per worker earnings were \$34,660 a 10.1% increase.

Despite relatively similar earnings per worker, per capita incomes in the two counties are notably different. Data from the U.S. Department of Commerce reveal that 2005 per capita income averaged \$34,219 in Larimer County, compared to \$24,687 in Weld County. By comparison, the Colorado average was \$37,946, and the U.S. average was \$34,586. Regional poverty rates remain relatively low. In 2003 (the most recent year for which data are available), Larimer County's poverty rate was 9.3%. This percentage was 10.3% for Weld County, 10% for Colorado, and 12.5% for the nation.

Regional population growth continues at a robust rate. Estimates from the Colorado Department of Local Affairs indicate the area's population exceeded one-half million people (500,870) for the first time in 2005. This marks a 15.8% gain since 2000, and a 2.4% increase from 2004. In contrast, Colorado has grown 7.8% since 2000, and the United States, 5.0%.

Reflecting population trends, residential construction grew substantially in northern Colorado between 2000 and 2005. Building permit data from the U.S. Department of

Census indicates that Larimer County issued 2,271 single-unit new residential building permits in 2005, down from the annual average of 2,528 from 2000–2004.

Comparatively, Weld County new residential permits totaled 4,100 in 2005, up from the 2000–2004 average of 3,826. In 2006, however, new residential construction in the region has slowed substantially, mirroring national trends. As of September, new single-family residential permits totaled 1,177 in Larimer County and 2,251 in Weld County.

Regional Outlook

Despite relatively slow growth in 2006, the Northern Front Range is expected to rebound in 2007 with 2.8% employment growth. This will be the fastest growth this region has experienced since the recession of 2001, although close to the 2.6% growth experienced in 2005. While several of the region's economic drivers, notably healthcare and social assistance, and professional and technical services, are expected to continue to grow, concerns remain about some of the economy's fundamentals. For example, recent increases in interest rates have helped reduce housing demand, putting a damper on residential construction.

Natural Resources, Mining, and Construction

Natural Resources, Mining, and Construction is expected to grow 3.0% in 2007, slightly faster than the region, and add approximately 740 new jobs. Mining in the region has been growing steadily recently, especially for oil and gas. 3.0% growth for this sector is slow compared to previous years, likely due to high rates of foreclosure and slowing new residential construction.

Manufacturing

Manufacturing trends will also have important local effects. As a whole, manufacturing will shrink in the Northern Front Range, although different types of manufacturing will fare differently. In particular, regional fortunes are still heavily tied to computer and electronic product manufacturing. While national forecasts predict the sector will expand in 2007, northern Colorado remains at risk, due to the relative importance of a few large employers. Declines in the computer and electronics manufacturing are again expected, although losses will be notable less than 2006. Non-electronics manufacturing should increase by about 300 jobs, leaving a net decrease in manufacturing of about 200 jobs, or a growth rate of -0.8%.

Trade

Retail employment grew in the Northern Front Range by less than 1% in 2006, compared to 2.4% in 2005. Although a significant uptick is not expected for 2007, recent slow growth will be countered by 2.2% growth in 2007, or about 570 new jobs. Wholesale employment will not grow as rapidly as retail, only 1.6% or 100 new jobs. Combined, the two will grow at 2.1%, which is still slower than the region as a whole.

Transportation and Utilities

Transportation and Utilities is a small sector. It is expected to grow by 1.3% in 2007, but due to its size this amounts to merely 60 new jobs for the economy. Growth in this sector has been negative since 2003, so despite few jobs being added simply having positive growth in this sector is good and indicative of the overall projected increase of growth from 2006.

Information

Information is another small sector with erratic growth patterns over time in this region. In 2007 it should grow slightly, adding 30 new jobs. This amounts to 1.0% growth.

Finance, Insurance and Real Estate

Finance, Insurance, and Real Estate should increase slightly faster than the Northern Front Range as a whole, expanding 3.0% and adding about 300 new jobs. This is a notable change from the zero growth this sector incurred in 2006, although slightly less than its 5.8% growth in 2005.

Professional and Business Services

Professional and Business Services will increase by 2.8% in 2007, adding 700 relatively high paying jobs to the Northern Front Range. This sector is composed of scientists, lawyers, architects, and other professionals as well as corporate offices and administrative services.

Private Education and Health Services

Private Education and Health Services will continue its steady rapid growth, expanding 4.4% in 2007 and adding 1,000 new jobs. This sector is dominated by health services, and its 2007 growth is expected to exceed 2005 and 2006 levels.

Leisure and Hospitality

Following a statewide push to expand tourism in Colorado, Leisure and Hospitality will experience rapid growth in Northern Colorado. It will grow 5.2% or add 1,200 jobs in 2007. This includes hotels, stadiums, theatres, and museums, but the largest portion of this industry in Northern Colorado is eating and drinking establishments.

Other Services

Other Services, which encompasses personal and laundry services, repair and maintenance, membership organizations, and non-profits will increase 3.3% in 2007, adding 200 jobs.

Government

Different branches of the government fare differently in 2007. In 2006, only local government increased by a positive amount, with the federal government not increasing at all and state government decreasing. In 2007 employment in state and federal government should increase 3.0%, adding 500 and 100 jobs, respectively. Local government should grow slightly faster, expanding 3.3% and adding 800 jobs. Local government is largely K-12 education, and the majority of state government employees in Northern Colorado work for colleges and universities.