

2009 COLORADO  
*Economic  
Forums*

**Mark C. Snead** ★ ★ ★ ★ ★

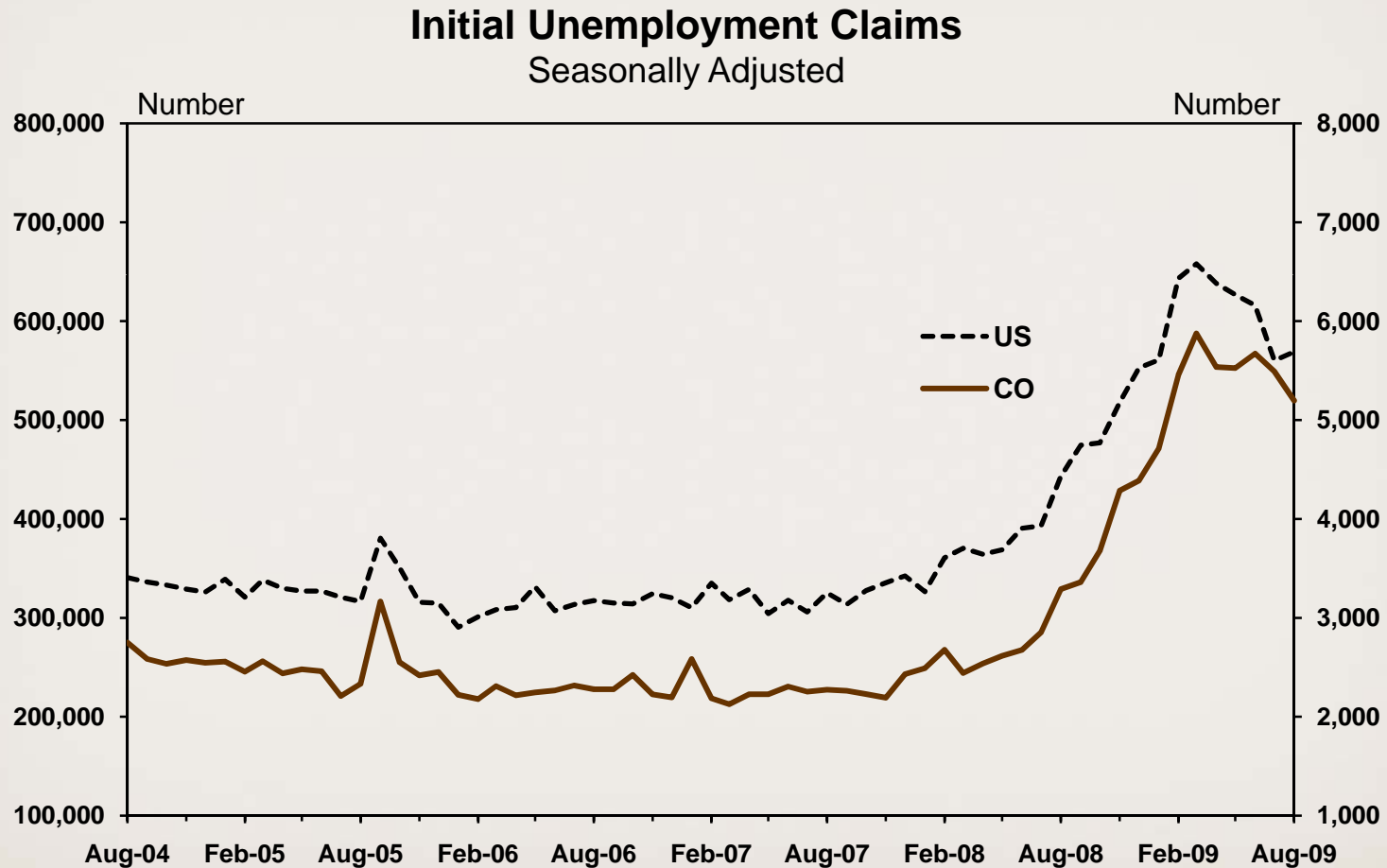
**Branch Executive and Regional Economist  
Federal Reserve Bank of Kansas City  
Denver Branch**

# The Tenth District Economy: Current Conditions and Prospects for Recovery

---

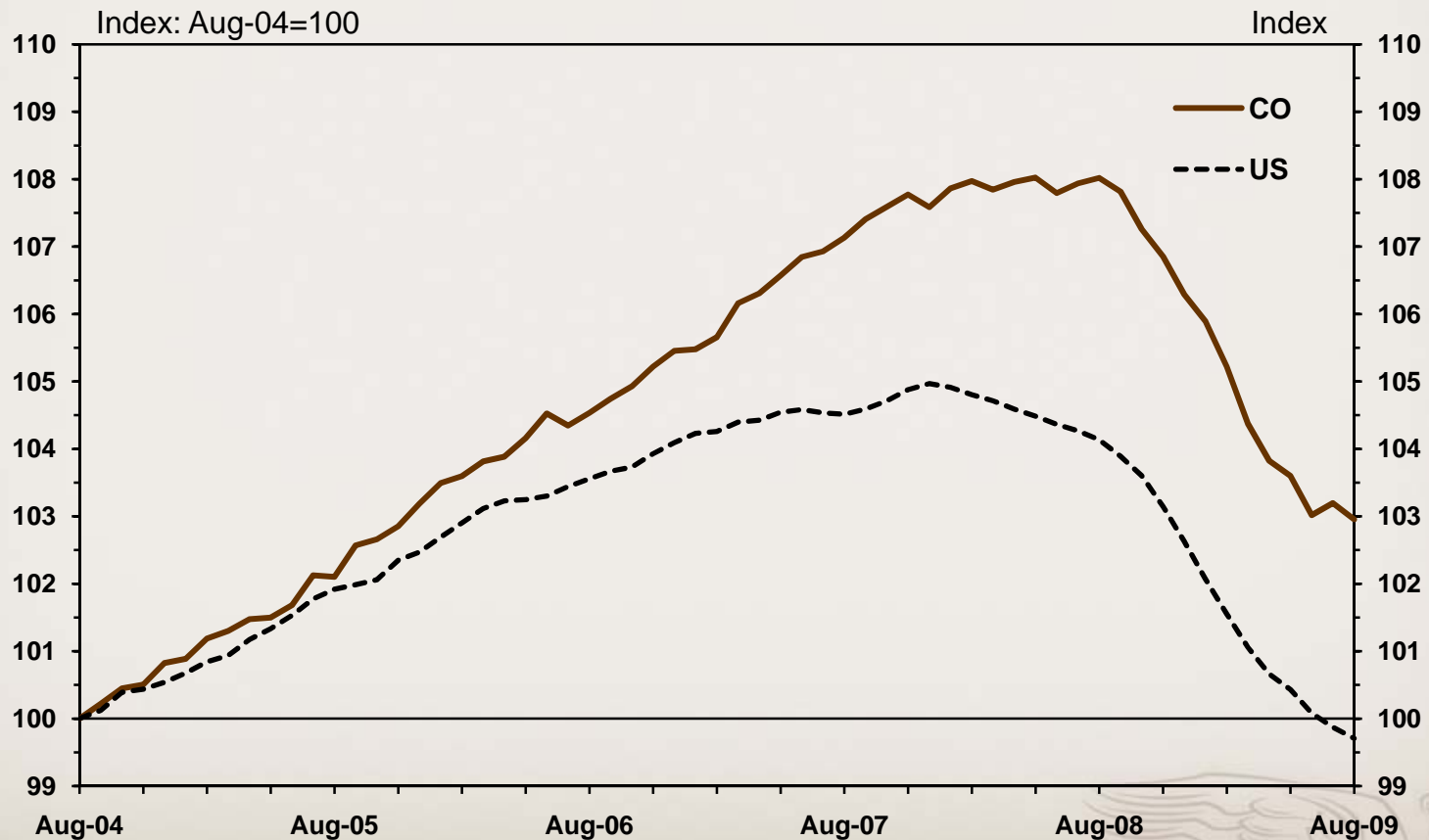
- **Colorado outperformed early but is now the weakest state in the District**
- **Early signs of stability are emerging in the District although significant headwinds remain**
- **Among key industries in this cycle:**
  - Signs of recovery in metro housing; non-metro weakening
  - Manufacturing has stabilized
  - Commercial real estate remains a trouble spot but stronger than U.S.
  - Hiring remains weak in key goods-producing industries
  - Energy collapse restricting growth
- **Loss of momentum makes it unlikely that CO will lead the nation in the recovery**

# CO jobless claims peak along with U.S.



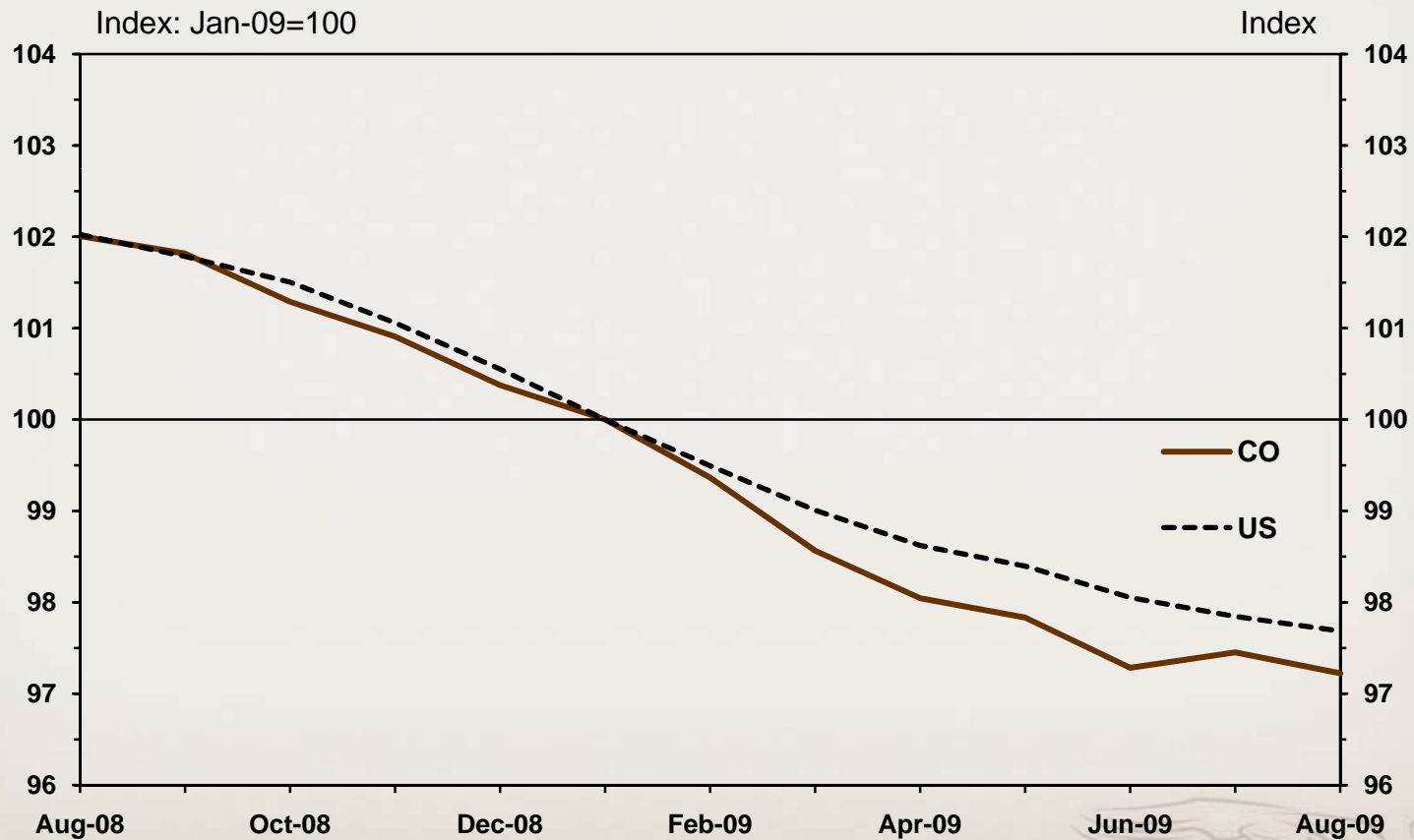
# Colorado has outperformed U.S. over cycle....

**Total Nonfarm Employment**  
Seasonally Adjusted



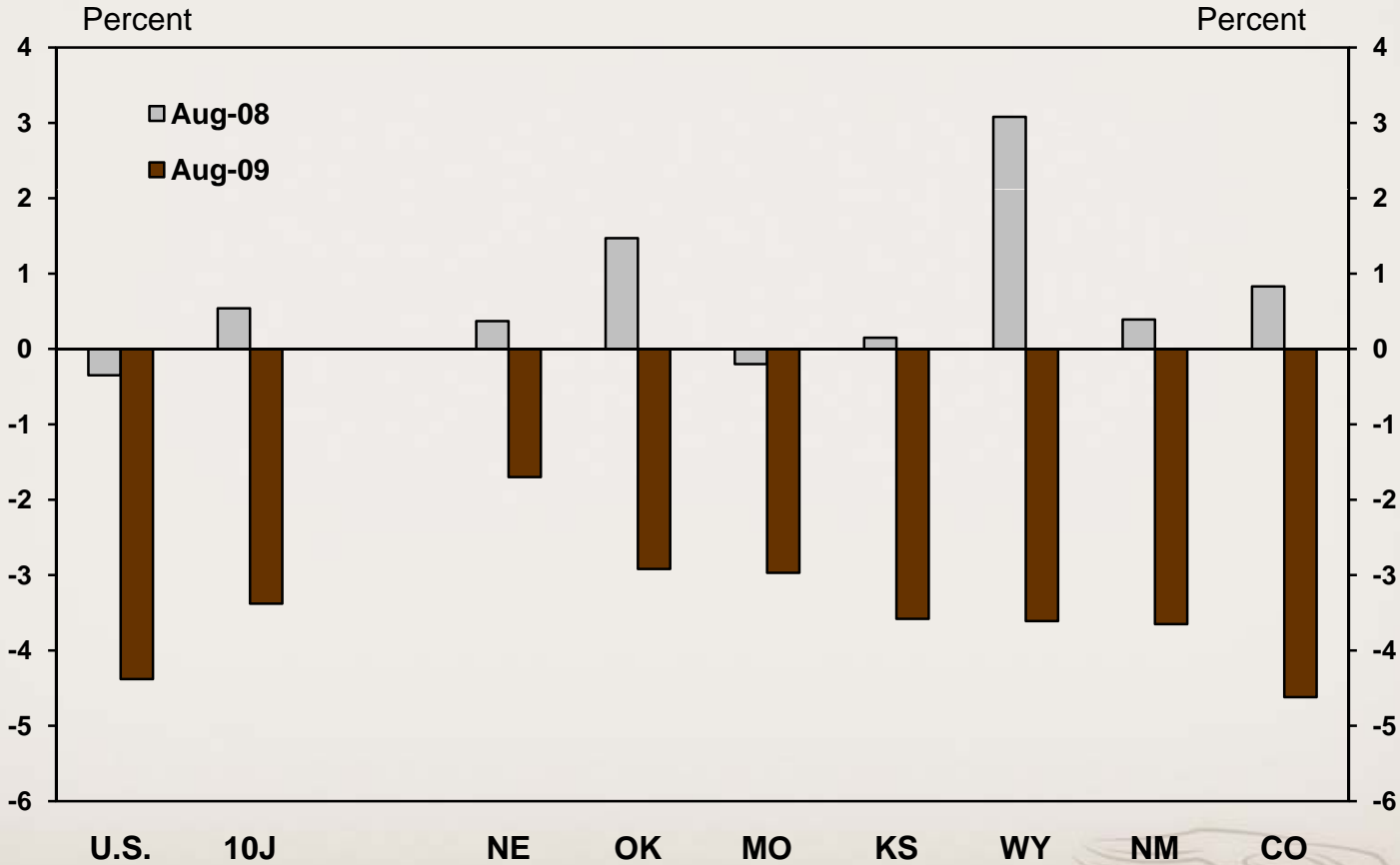
... but is underperforming U.S. in 2009

### Total Nonfarm Employment Seasonally Adjusted



# CO job loss looks most national-like among District states

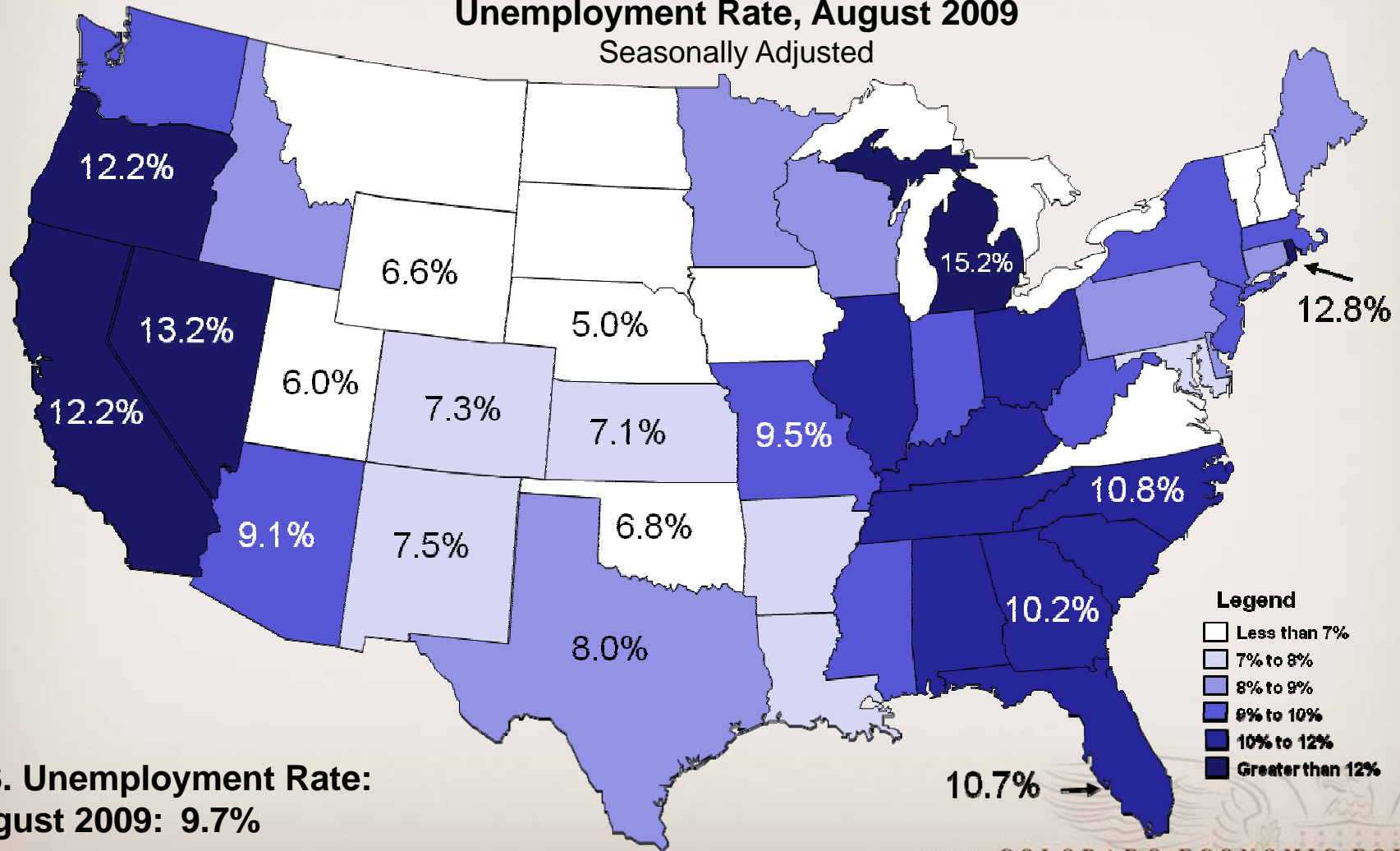
**Nonfarm Job Growth by State**  
Year-over-year



Source: Bureau of Labor Statistics

# Jobless rate in CO and most of district remains well below U.S.

Unemployment Rate, August 2009  
Seasonally Adjusted

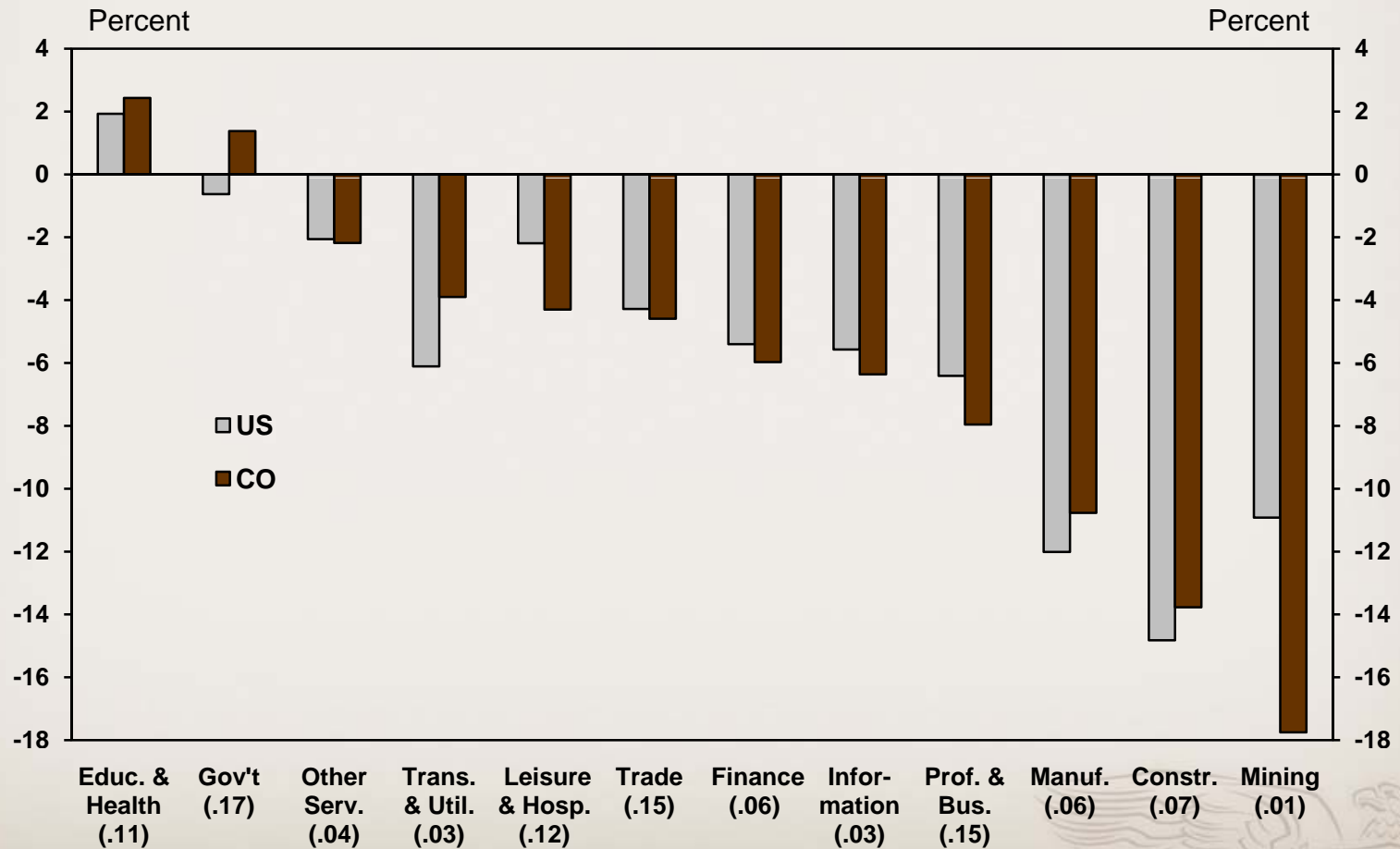


U.S. Unemployment Rate:  
August 2009: 9.7%

Source: Bureau of Labor Statistics

# Goods sectors weighing on CO; Govt. and health care providing boost

**Nonfarm Job Growth by Industry**  
Aug-09 over Aug-08



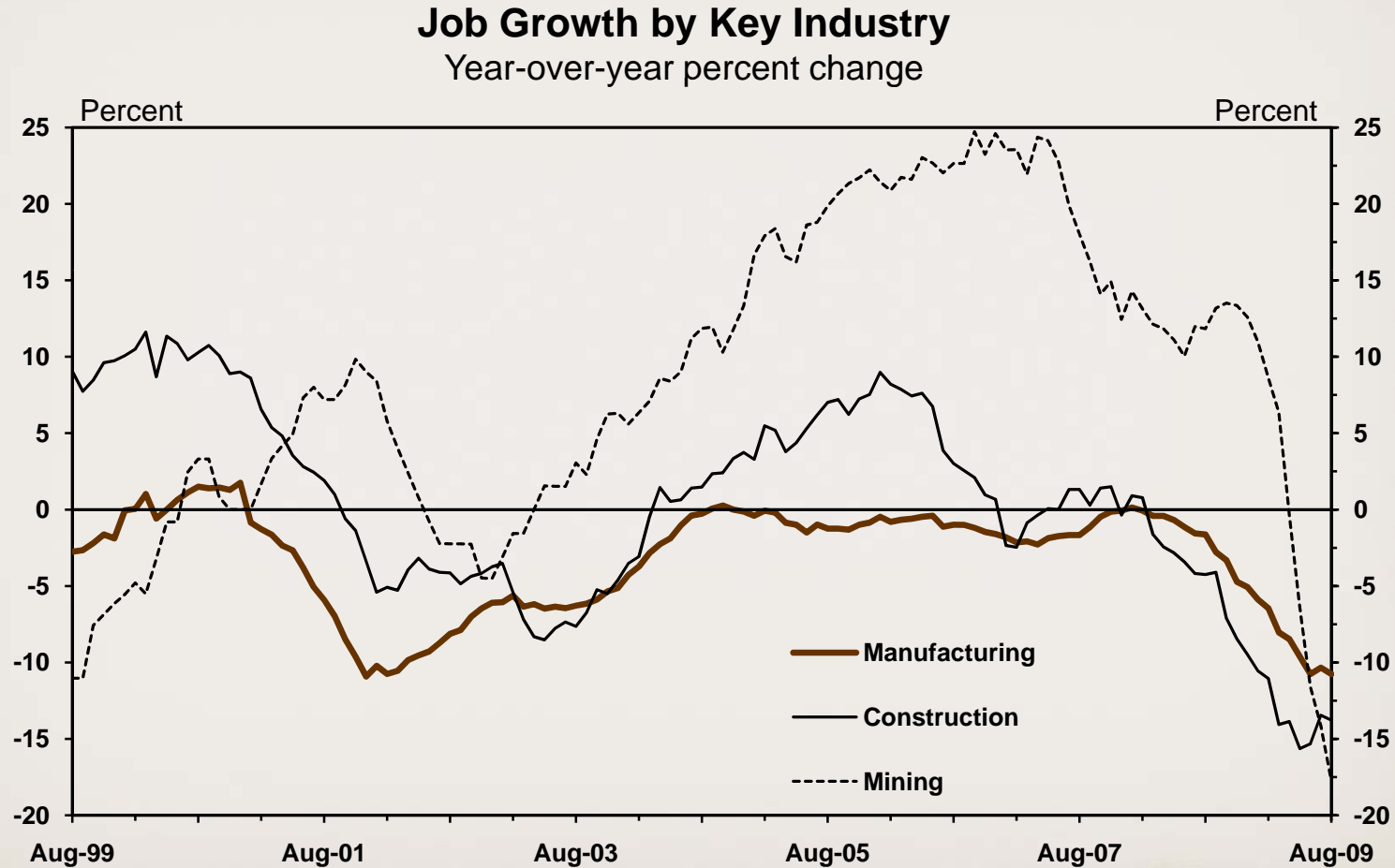
Note: Number in parentheses is the industry's share of total nonfarm jobs in Colorado in Aug-09

Source: Bureau of Labor Statistics



# Key industries losing jobs at 10%+ rate

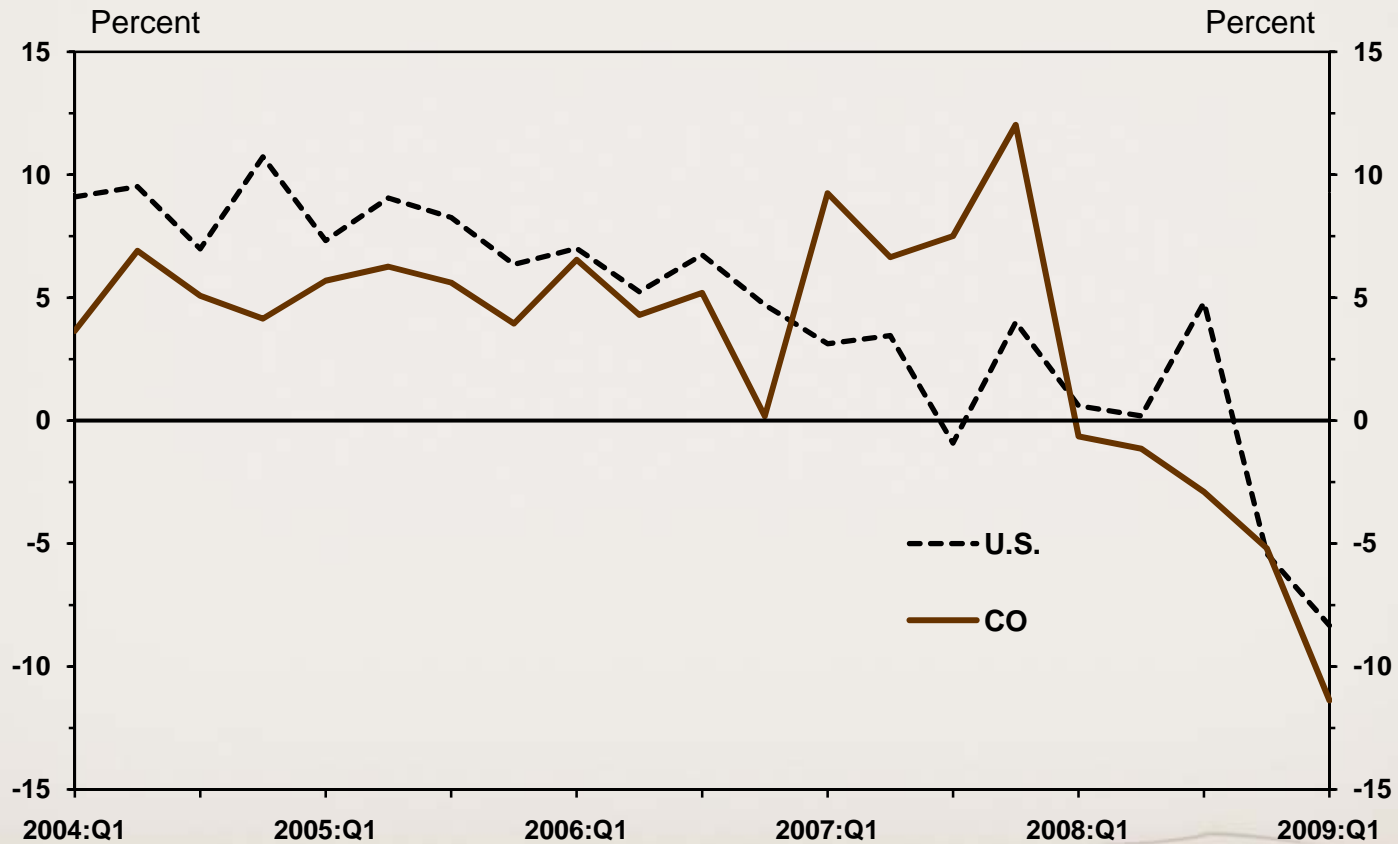
Downward momentum remains



# Colorado budget issues remain severe

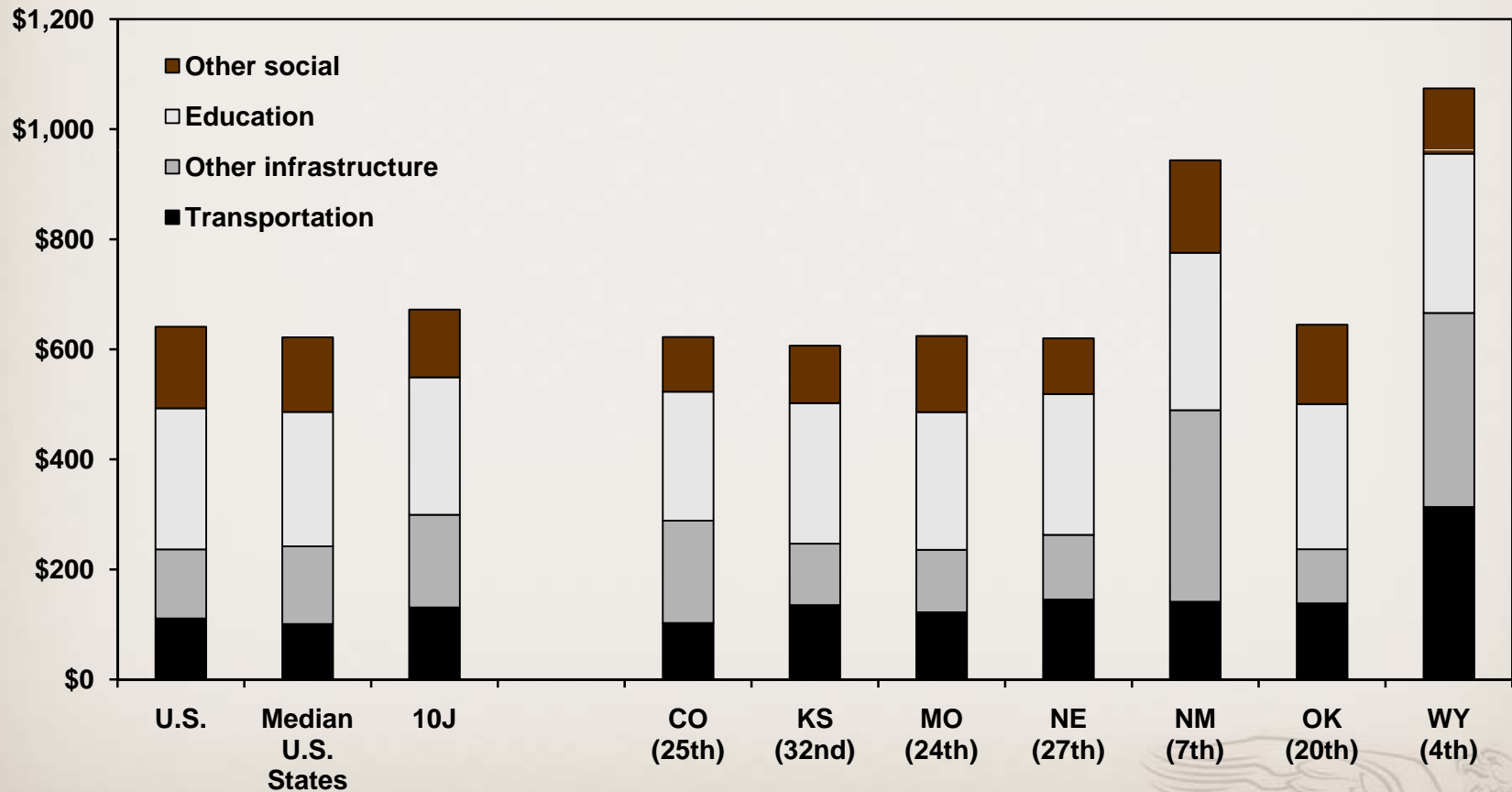
Sales tax decline exceeds U.S.

**Growth in Sales Tax and Gross Receipts**  
Year-over-year



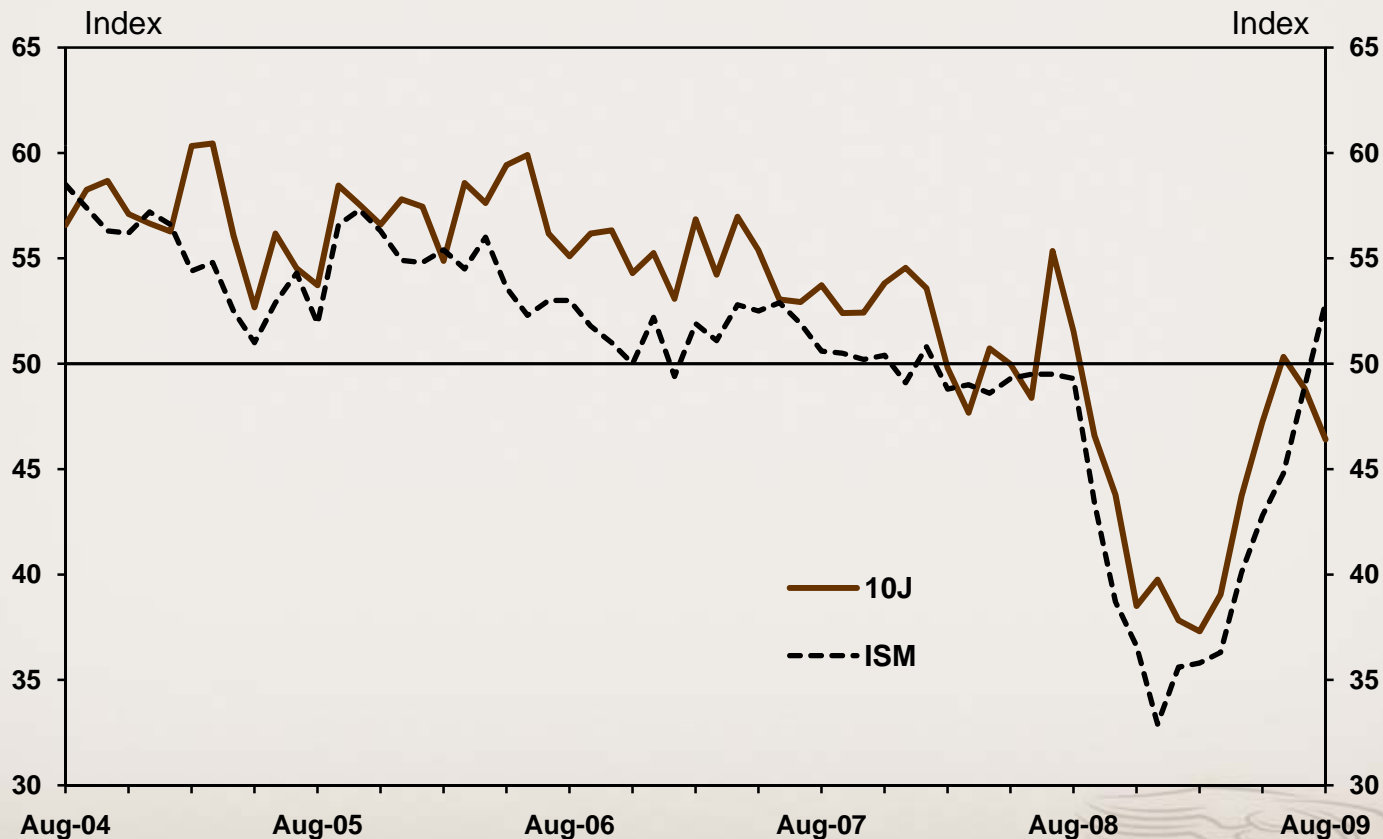
# Colorado should receive at least as much fiscal stimulus as the nation

**Per Capita Stimulus Package Spending**  
U.S. and Tenth District



# Manufacturing output has returned to neutral in District

**Month-over-month PMI Indexes**  
Seasonally Adjusted

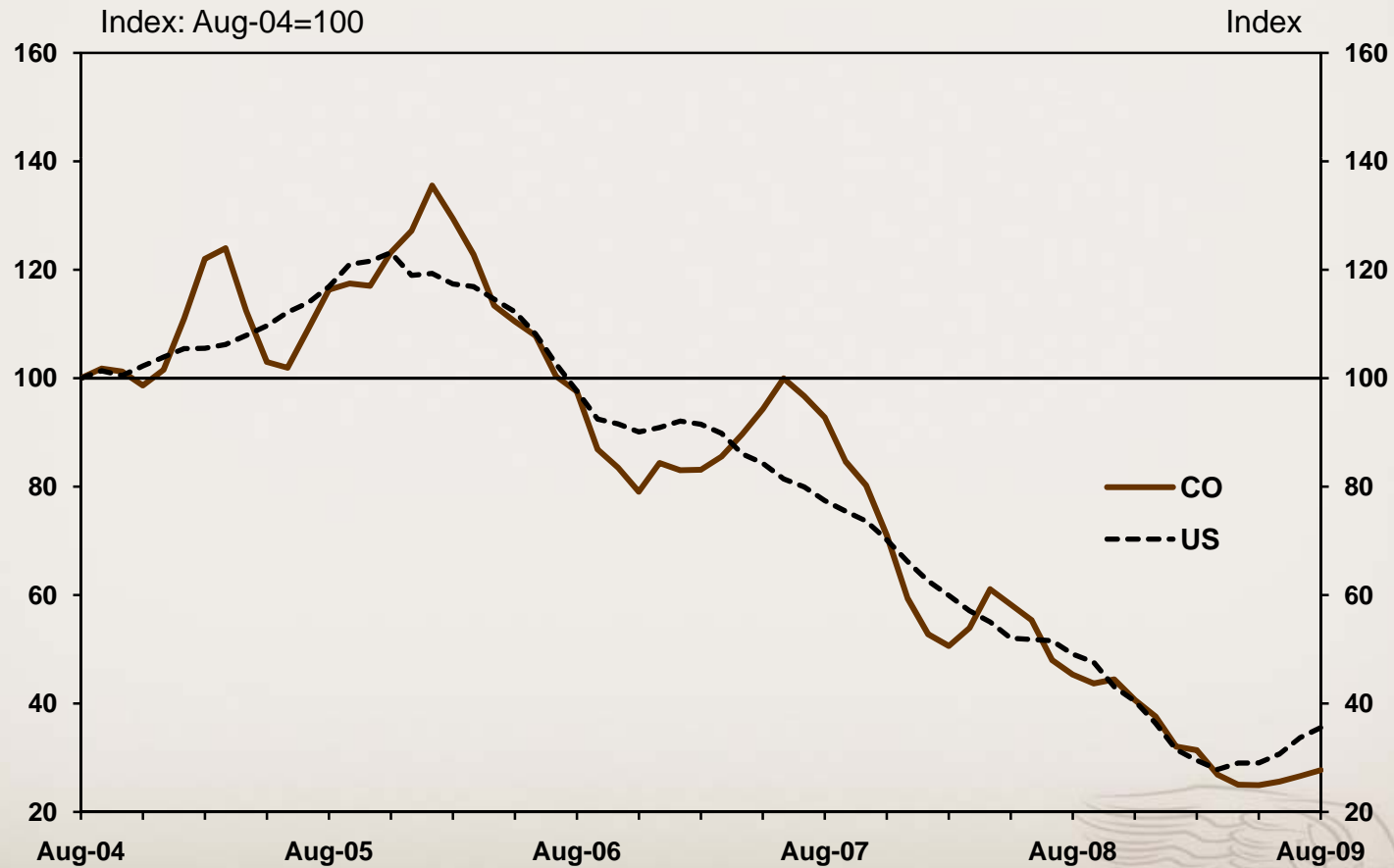


Note: 10J index is computed on ISM basis (50 = zero change)

Source: FRBKC Manufacturing Survey

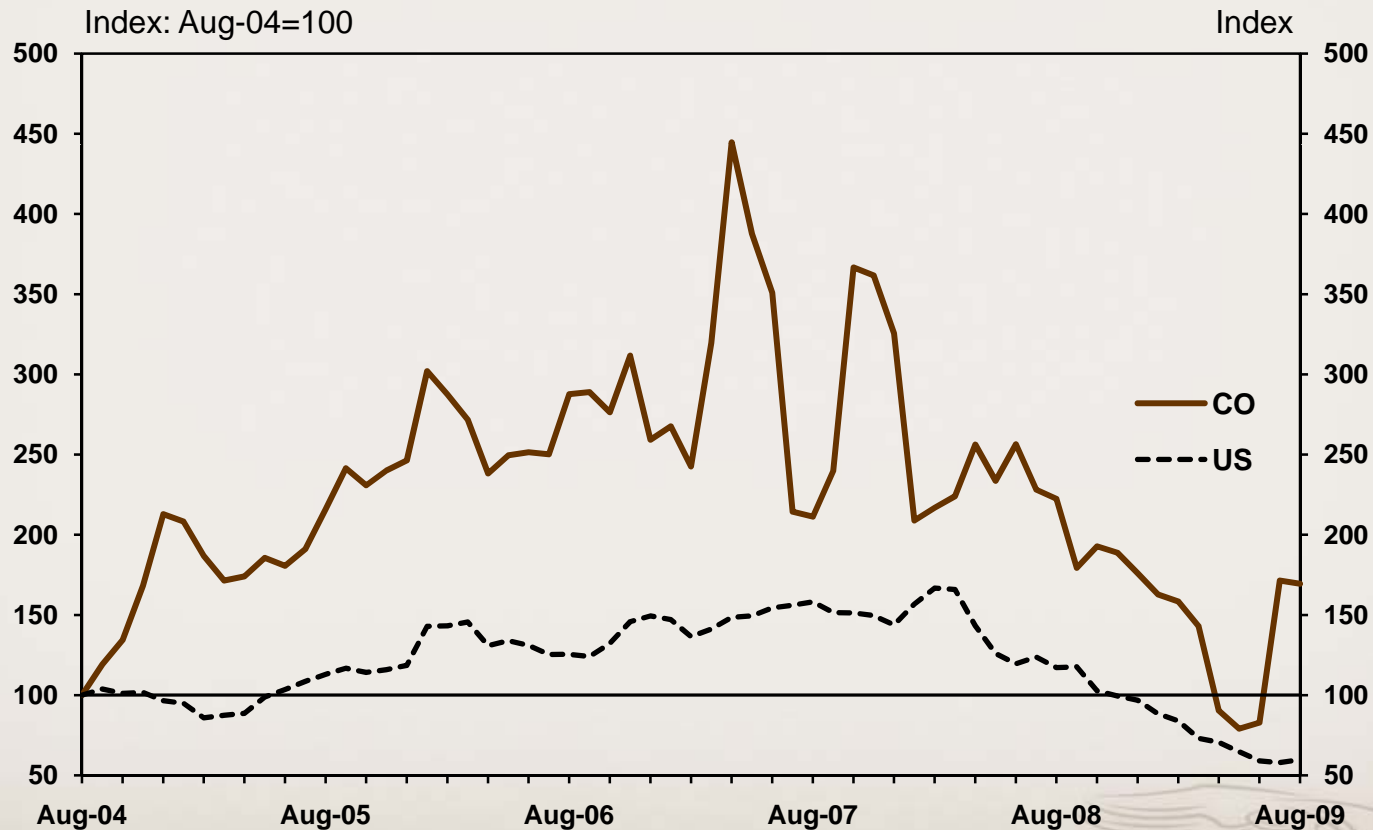
# CO residential construction has matched national decline

**Value of Residential Construction Contracts**  
Seasonally Adjusted, 3-mo. mov. avg.



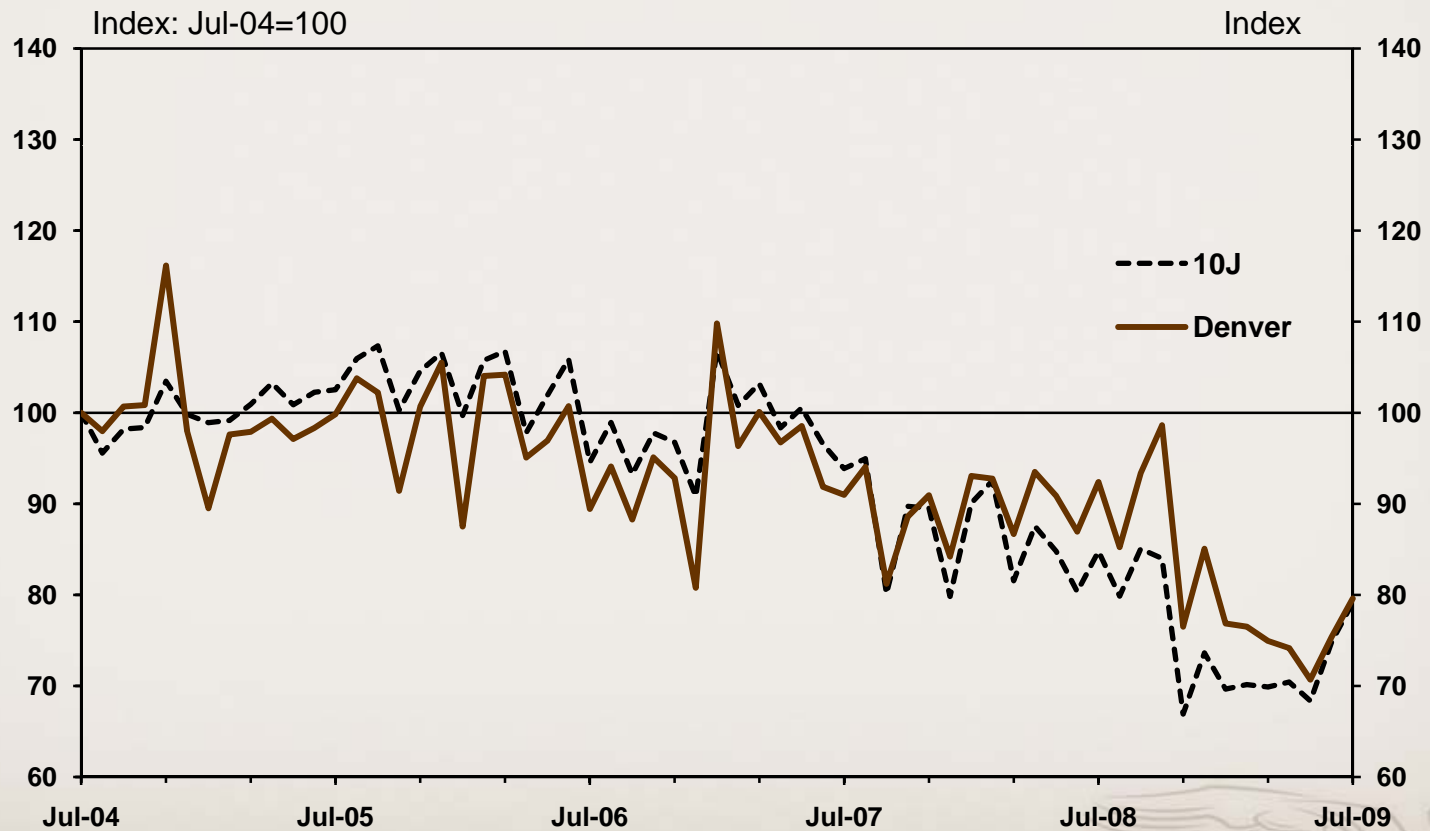
# CO commercial construction showing signs of life

**Value of Commercial Construction Contracts**  
Seasonally Adjusted, 3-mo. mov. avg.



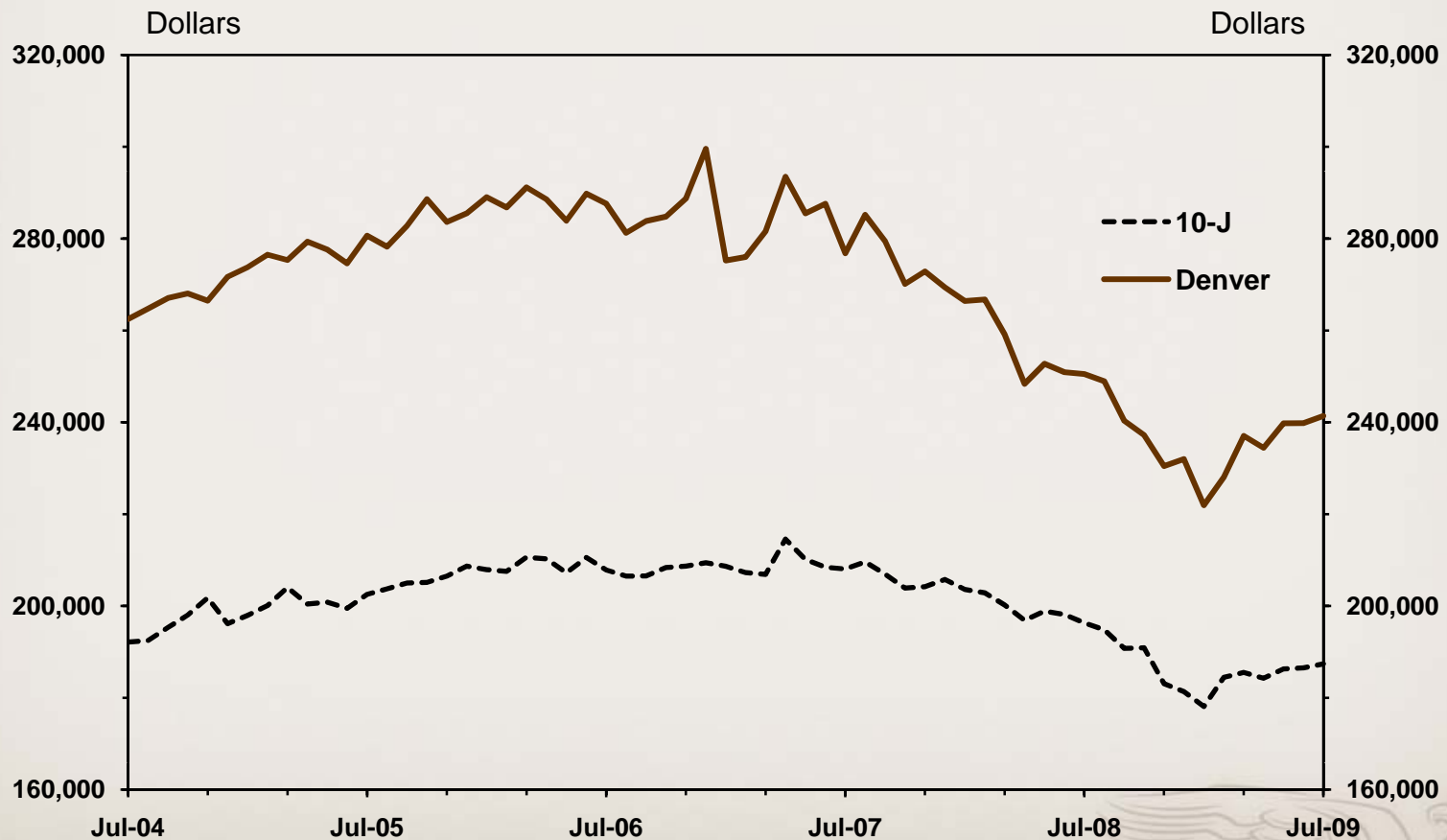
# Bottom in metro area existing home sales?

**Sales of Existing Homes in Major Metro Areas**  
Seasonally Adjusted



# Metro area home prices have made a clear bottom...

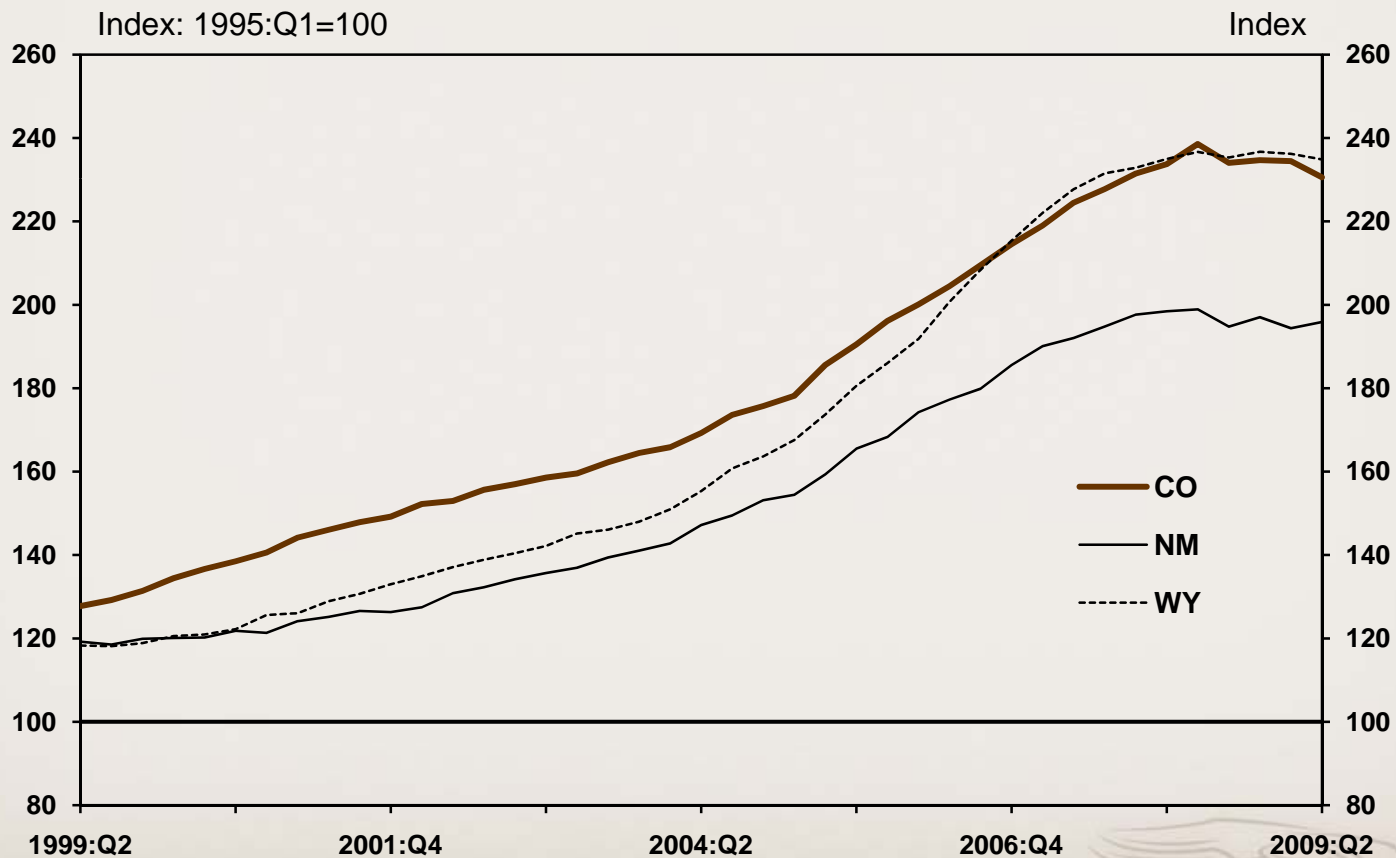
**Average Price of Sold Homes in Major Metro Areas**  
Seasonally Adjusted





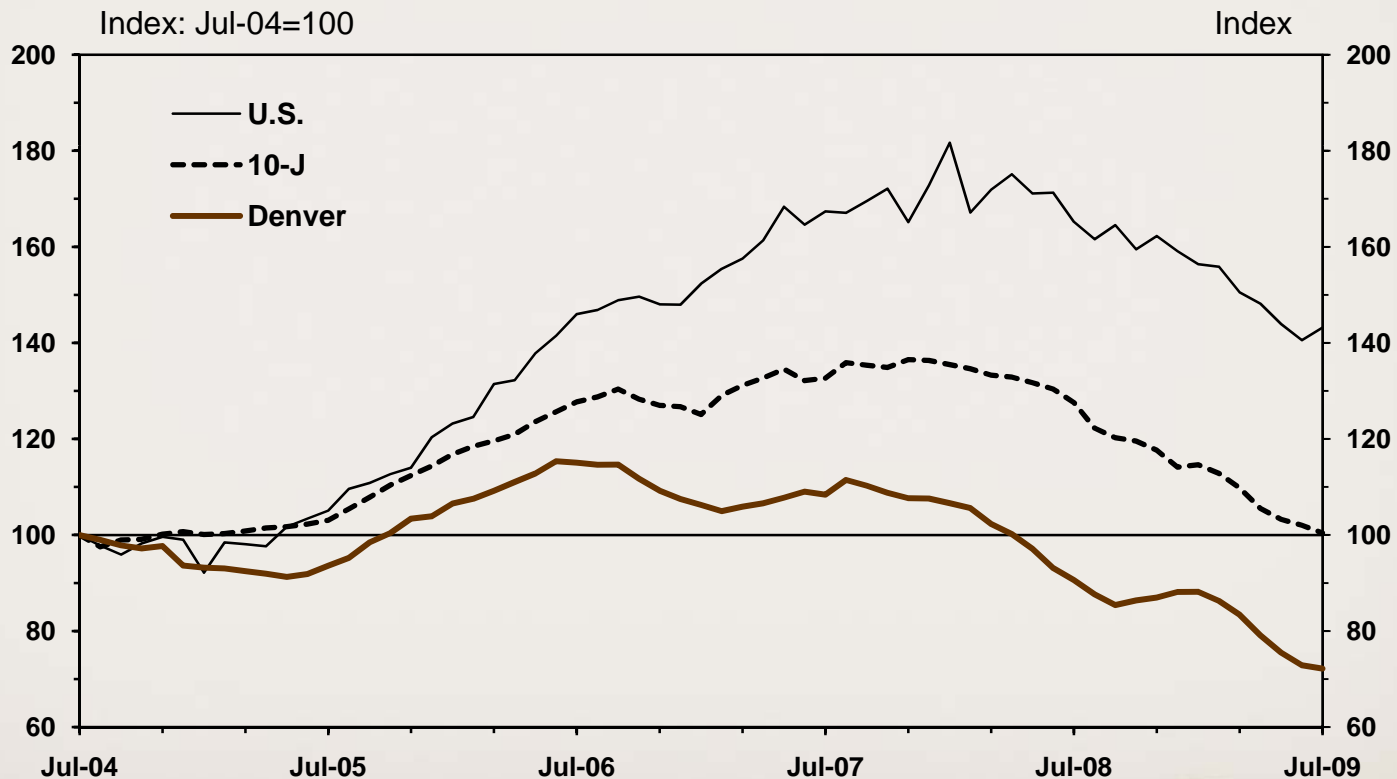
... but prices in the non-metro areas peaked late and are falling

**Housing Price Index in Non-metro Areas**  
Not Seasonally Adjusted



# Correction in inventory supports a bottom in housing in District

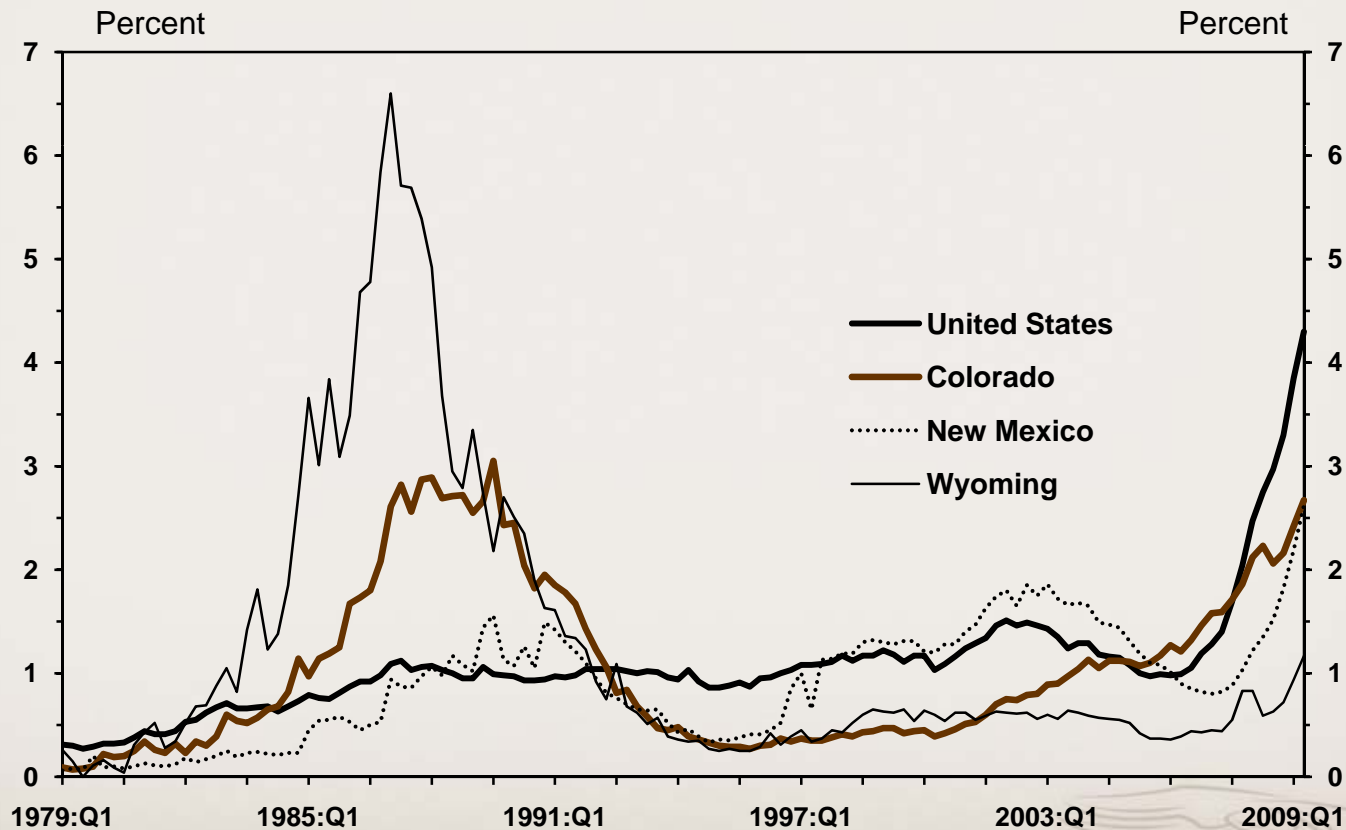
## Inventories of Unsold Homes in Major Metro Areas Seasonally Adjusted



# Colorado foreclosure rate continues to rise

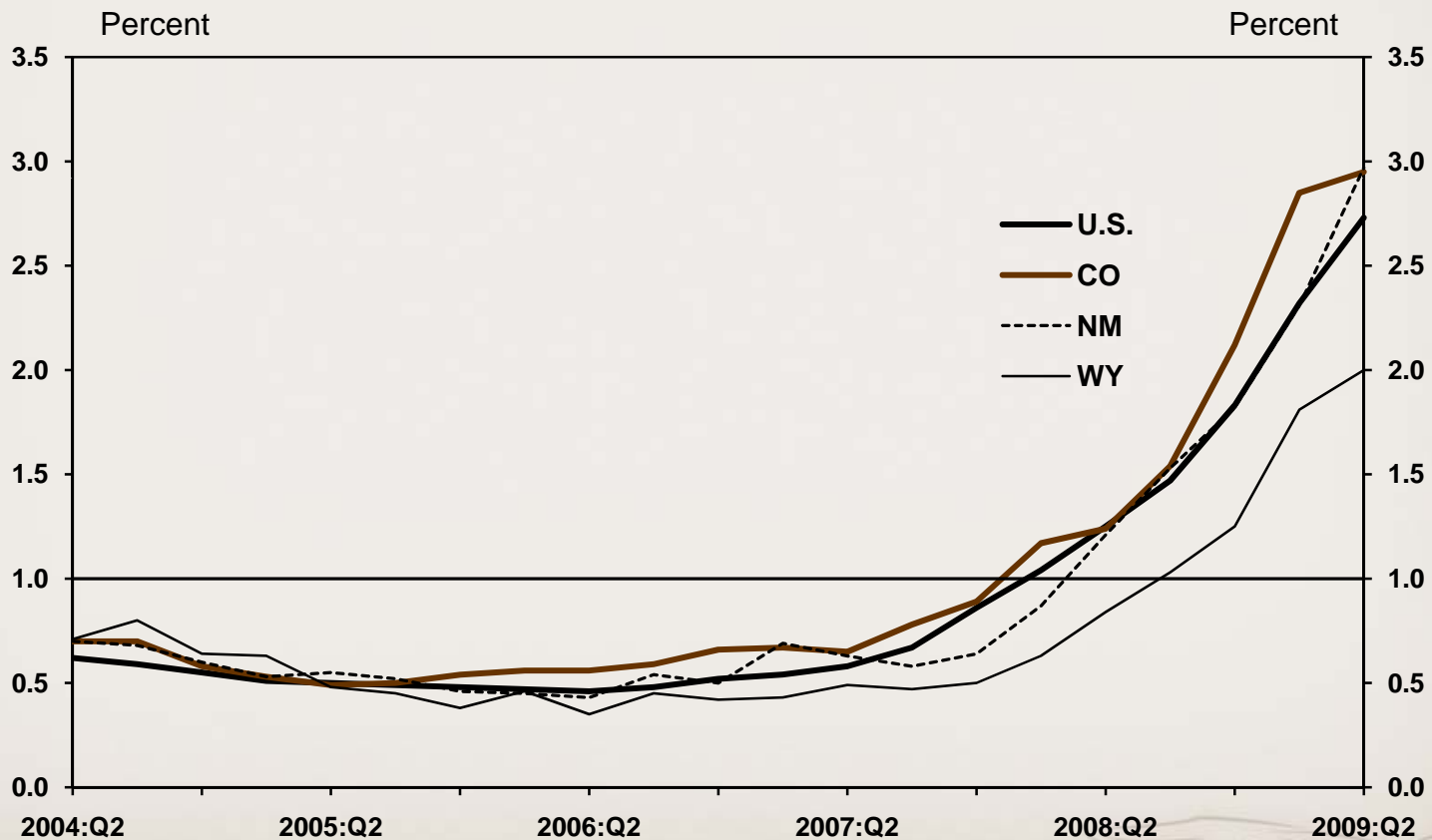
State nearing Oil-Bust highs

## Foreclosure Rates



# Colorado non-performing bank assets continue to increase

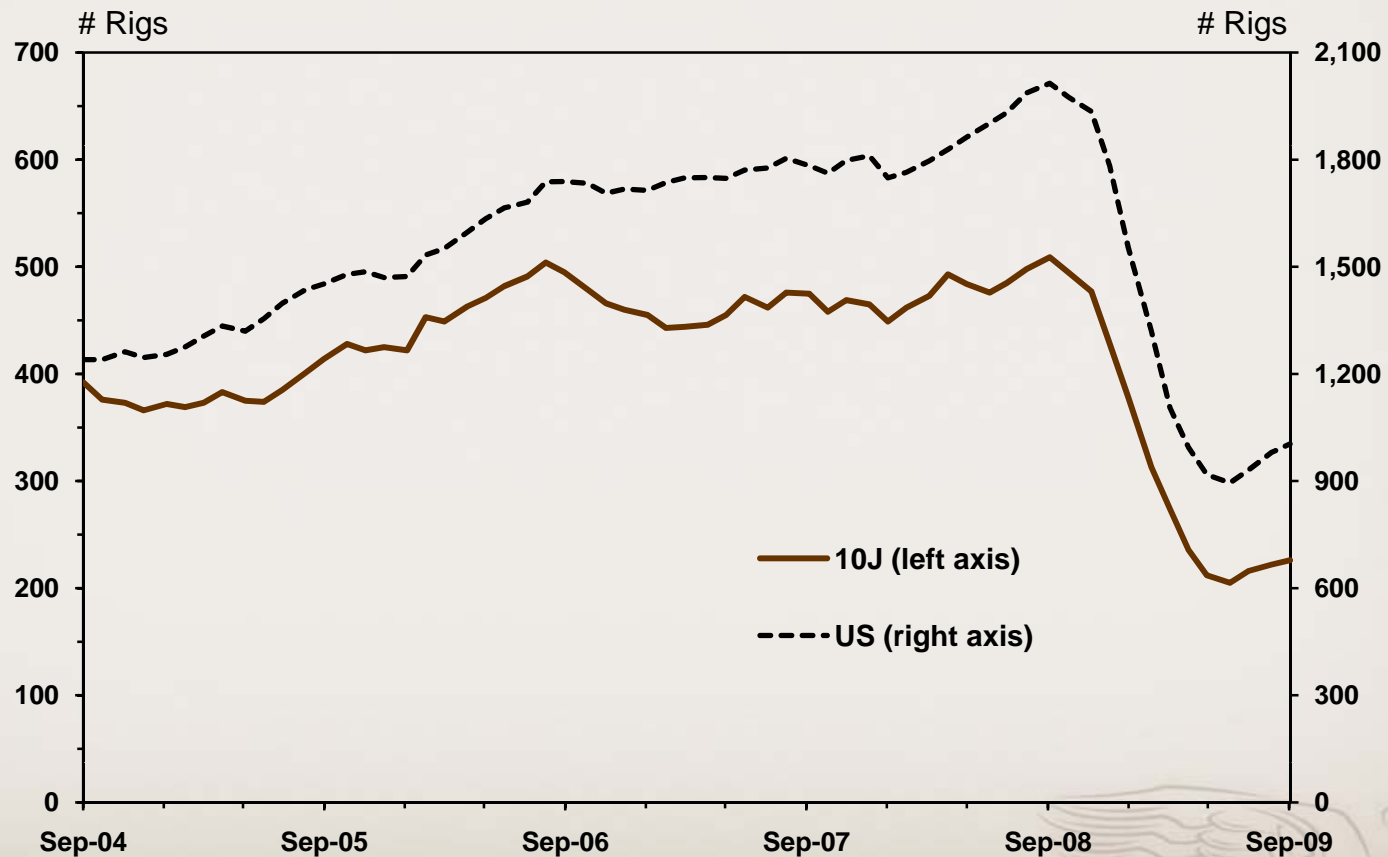
**Ratio of Nonperforming Assets to Total Assets**  
Seasonally Adjusted



# Collapse in drilling activity weighs on state

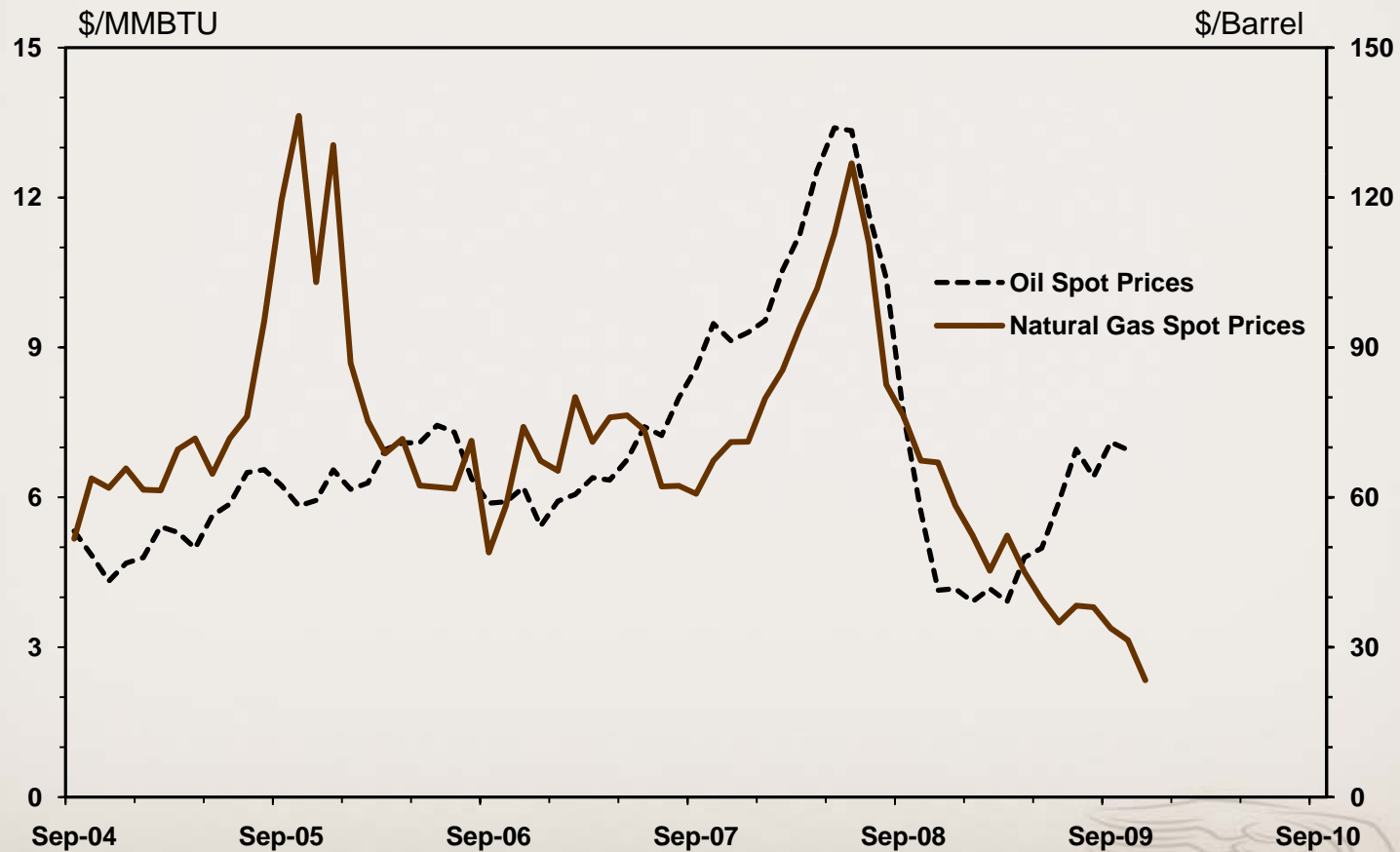
Mining investment down 50% in 2 quarters

## Count of Active Drilling Rigs

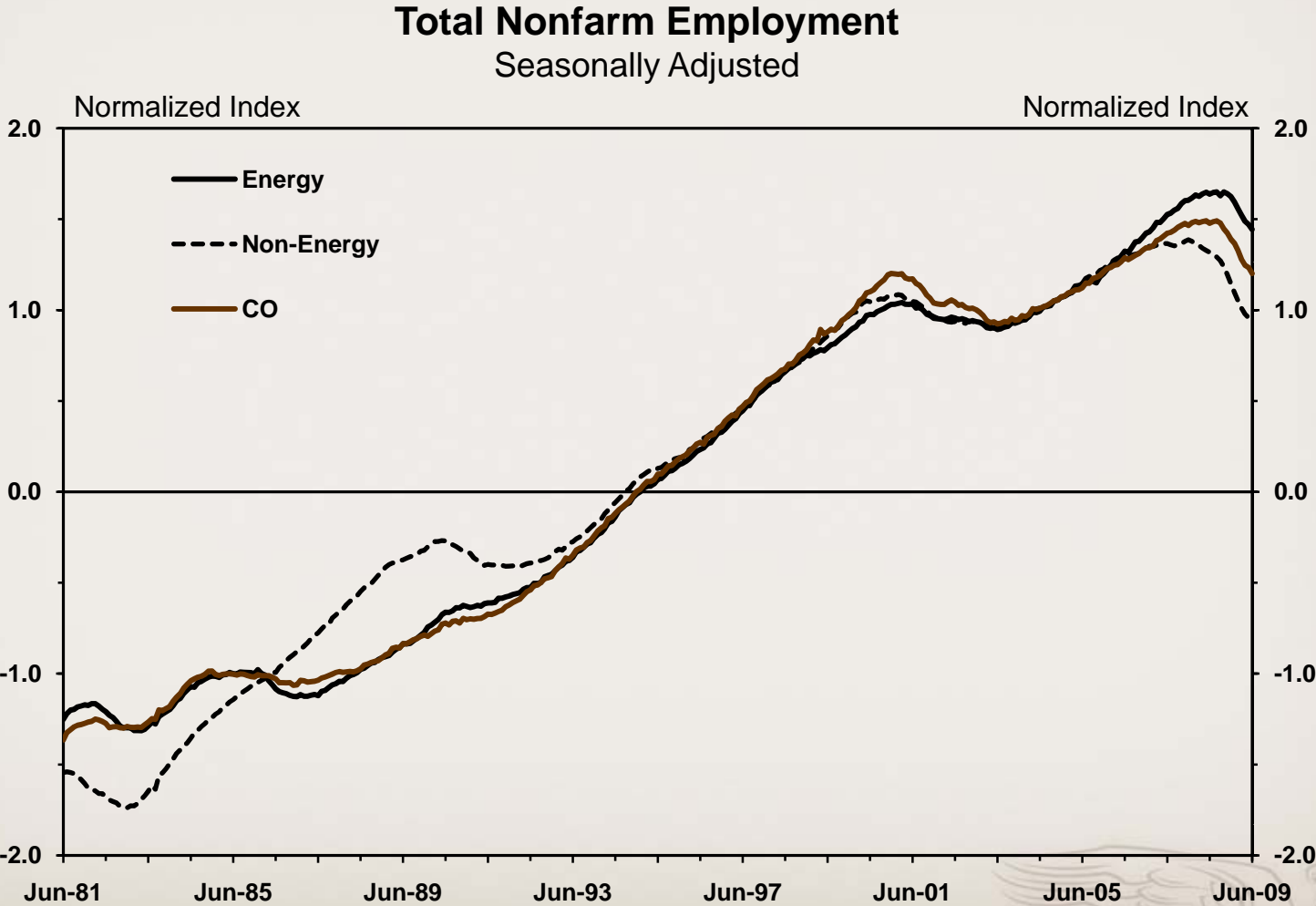


# Bounce in crude oil prices; Natural gas remains soft

## Natural Gas and Oil Prices



# Colorado's economic cycle tied to energy cycle

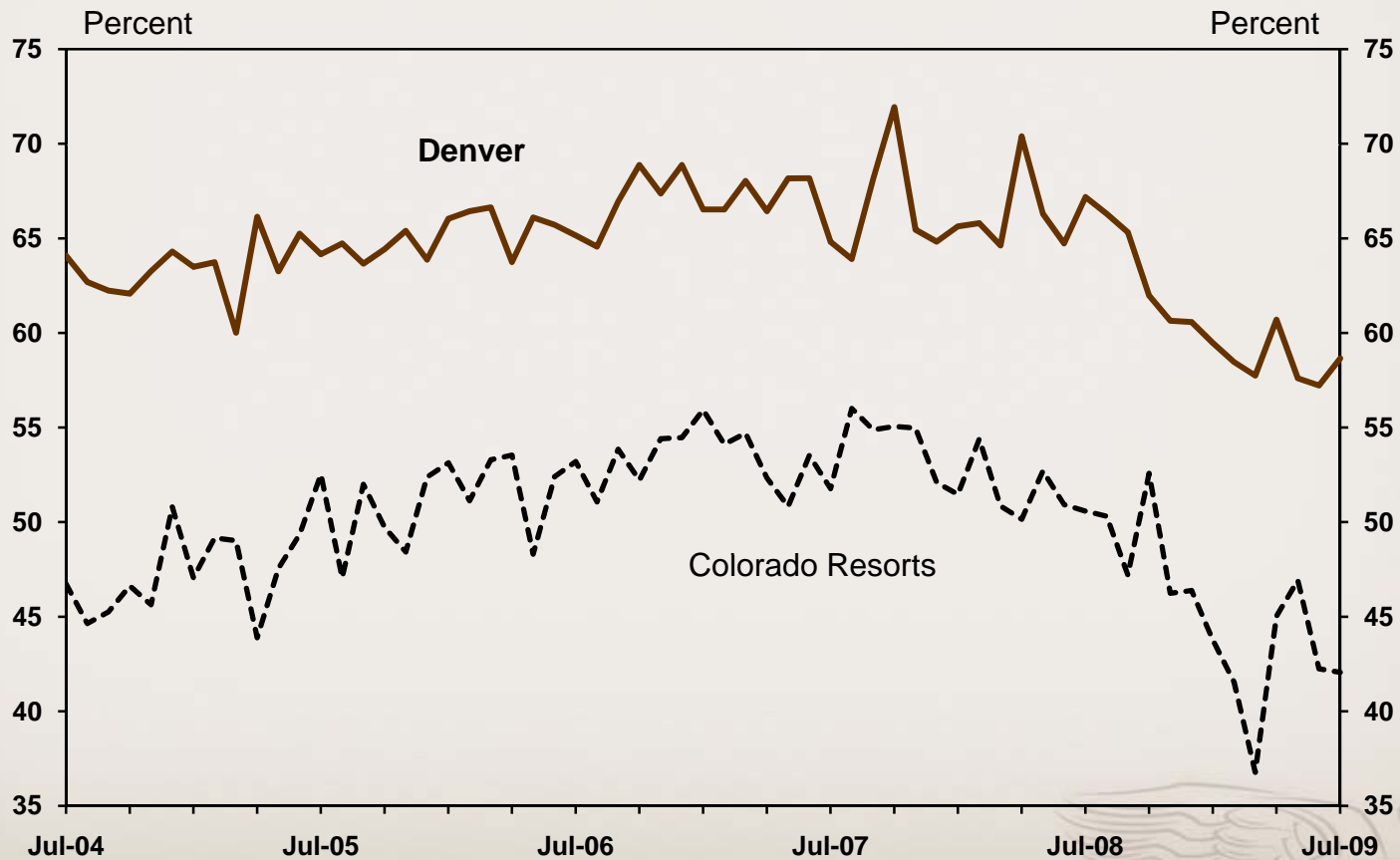


Source: Bureau of Labor Statistics

# Hotel occupancy rates remain weak

Hotels are weakest segment of commercial RE

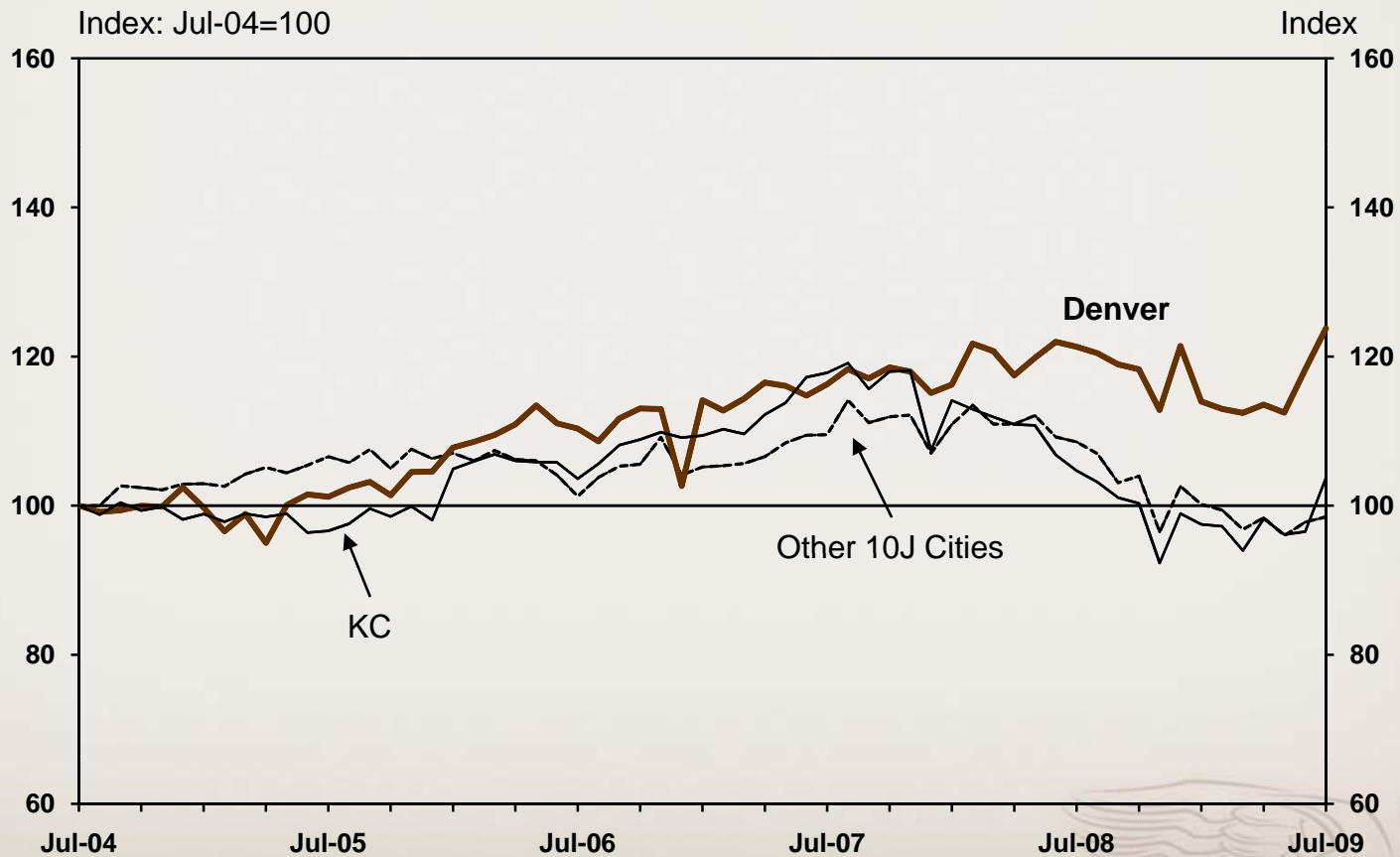
**Hotel Occupancy Rates**  
Seasonally Adjusted





# Some improvement in air traffic in Denver and District

**Airport Passenger Traffic**  
Seasonally Adjusted



# Colorado in the Recovery

---

- **Clear signs of stabilization**
- **Housing correction largely completed in metro areas**
- **Substantial weakness remains**
  - Hiring in key industries remains weak
  - Energy will constrain state growth
  - Housing downturn in non-metro areas
- **Lack of current momentum suggests that CO is unlikely to outperform the nation in the short-run**
- **Fiscal issues remain a concern beyond 2009**