Four Corners Economic Quarterly

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Office of Business and Economic Research, School of Business
Fort Lewis College, Durango Colorado

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Q3 Snapshot of the Local Economy

By: Dr. Luke Miller

The Office of Economic Analysis & Business Research in the School of Business Administration at Fort Lewis College measures and reports on economic activity in the Four Corners Region. The economic seasonality of the region is related to tourism's impact on the local economy, tempered by Fort Lewis College activity. In general, the summer concentration of tourism causes a third quarter seasonal upswing in economic indicators such as retail sales and employment each year.

Falling demand for construction and in real estate will continue to hamper the economy's ability for robust growth.

Retail & Accommodation and Food combined to account for almost 18% of private income in the region. As such, the mixed tourism indicators over the 2008-2009 period could be of concern, at least over the next year or so. Year on year growth for Mesa Verde was up 6.6%, as were enplanements at La Plata County Airport. On the other hand, over the first two quarters of 2009, lodger's taxes were down an average of 21.75%, implying more tourists were either making day trips, staying outside the county, or camping. Similarly, overall retail sales taxes were down an average of 9% through October 2009.

In 2009 La Plata County had a lower unemployment rate than both the United States and the State of Colorado, with an unemployment rate of 4.7%; though it is 1.3 percentage points higher than the same time last year. In October 2009 the local workforce was 30,342, or about 5% less than the same time last year, even as the population is growing. The number of employed workers in October 2009 was 28,295, 8.8% below last year. In general, employment patterns within La Plata County are somewhat different from those found in the national and state economies. Employment in La Plata County is less concentrated in manufacturing than is the case for both the U.S. and Colorado.

Per capita income in the region has improved over the last few years, both absolutely and relative to national per capita personal income. With a per capita personal income of $38,070, La Plata is about 81% of the Colorado state average of $46,614, but is the highest in the

Region 9 counties, and has increased from about 70% of the state average in 2001. Additionally, while the state has grown an average of 2.7% from 2001-2008, La Plata County has grown an average of 4.7% over the same period. This rise in income coincides with growing diversity of producers in the region.

Like many Colorado resort communities, La Plata County's economy is closely tied to real estate. The median home price in Durango is down approximately 10% from its peak in 2007. The next year will be critical for local real estate, as sales volumes are decreasing with increased inventories.

The current trends in La Plata, like the rest of the state and nation, are down. Falling demand for construction and in real estate will continue to hamper the economy's ability for robust growth. Though unemployment should stay below that of the nation and state it will continue to rise. We also foresee a rise in the level of *underemployment*, which is not unlike other resort communities which rely on seasonal construction jobs and low value added service jobs.

Given the rise in the importance of building and natural gas in the region's macroeconomy, we believe the next year will continue the slide in employment and a slowing of income. The relatively large foreclosure rate and the large inventory of homes for sale will continue, especially given most of the growth in the housing market has been fueled by non-residents. Finally, natural gas remains a strong contributor to the local economy, particularly in terms of county tax. The most recent data indicates an annual decline in natural gas prices of almost 60% (adjusted for inflation). The decline in local tax revenues has impacted local government employment and will be deleterious to the provision of local services.

The End of the Great Recession?

By: Dr. Robert Sonora

Last week we finally got some data which suggested that the Great Recession is starting to come to a close. Indeed, the director of President Obama's National Economic Council Larry Summers, has gone so far as to hint it is over.

Indeed there has been some relatively good news. According to the Department of Commerce, the quarter to quarter growth of real GDP was an annual rate of 2.7 percent – helped by the "cash for clunkers" program and the tax credit for new home buyers. And in November the unemployment rate fell from 10.2 to 10 percent.

Are we out of the Great Recession? According to Christina Romer who heads the Obama's Council of Economic Advisors "… you're not recovered until all of those people that want to work are back to work."

The mean length of unemployment is about 27 weeks up from 15 weeks in December 2007.

Unfortunately, the unemployment rate does not take into consideration discouraged workers, part time workers who want full time work, and under-employed workers. Including these people and the rate increases to 17.2 percent – a year ago it was 12.2 percent.

Unemployment in Colorado and La Plata continue to be below the national average, about seven and 4.5 percent respectively.

Now let's consider some more obscure statistics that are out of the spotlight. One statistic is the number of persons unemployed for longer than 27 weeks – almost six million. Generally, the number of these workers is roughly half those unemployed for less than 5 weeks. This relationship switched midway in 2008.

Closely associated with the type of unemployment is the duration of unemployment. The mean length of unemployment is about 27 weeks up from 15 weeks in December 2007.

And while the number of unemployed and the duration of unemployment is rising, those who are employed have seen a decline in the number of hours and the earnings fall.

Labor markets must respond. I suspect the overall structure of the macroeconomy is changing fundamentally. Jobs in sectors which are sinking are likely to disappear or be drastically reduced. Other sectors which are supported by household consumption, retail and building construction, will also be curtailed.

I believe the average unemployment rate over the next several years will rise to between seven and eight percent. The cure for this is to improve our human capital.

But these changes are slow in coming. In the meantime there are very real costs of unemployment. Besides the monetary cost of unemployment insurance, the social costs are also significant. A recent survey by the New York Times ("Poll Reveals Havoc of Unemployment on Workers and Family", 12/15/2009) shows a rise in insomnia, depression, family conflict, and suicide.

The next 10 years or so are going be challenging. The US economy is about $1.01 trillion smaller than it would have been without the recession. Let's hope the economic policy of the future includes creating new skills and not bailing out the financial sector and creating short term employment.

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