

Has private sector hiring finally fired up?

Gains are large, but economists question whether economy has reversed course

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Colorado's economy, like a spacecraft revving its engines to escape a dangerous gravitational field, appears to have transitioned in the second quarter, going from having some of the weakest job growth in the country to some of the strongest.

Employers in the state added 3,400 nonfarm jobs in May, according to an update Monday from the Colorado Department of Labor and Employment. That was passable, but the real news came in revisions to the April count, which pushed the 8,400 jobs initially reported to 14,900.

Leaving out the wild swings between 2020 and 2022 during the pandemic, April's monthly gain was the largest the state has recorded since April 1999 during the heady dot-com boom, according to the U.S. Bureau of Labor Statistics.

Over the past year, the state has added 22,200 jobs, a weak showing that depended heavily on government hiring. In the past two months, employers have added 18,300 jobs or more than 80% of the annual gain. And the thrust of hiring has shifted from the public to the private sector. (March was also strong, but it was influenced by workers returning from a King Soopers strike.)

Colorado's upward revisions run counter to the national trend, where initial reports of 177,000 jobs gained in April were lowered to 147,000. Colorado accounted for about a tenth of the jobs added in the country in April, even though it represents 1.9% of payroll jobs. Colorado appears to have undergone the economic equivalent of Captain Kirk on the Starship Enterprise issuing the command "Warp speed, Mr. Sulu."

Or maybe not. Economists question whether the state is charting a more positive course. To them, a more likely explanation is that the speedometer is broken, meaning the state will have a hard time escaping the negative drag generated by policies emanating from Washington, D.C., as Democrats argue, or a heavy regulatory hand from the state legislature, as Republicans argue.

"I am not reading too much into the month-to-month swings. My intuition is that there is variation due to statistical noise and data collection/reporting issues," said Brian Lewandowski, executive director of the Business Research Division at the University of Colorado's Leeds School of Business, which puts out the most comprehensive state economic forecast in December.

Lewandowski said it is hard to make sense of a 77% upward revision in the April numbers and Colorado's sudden shift from a bottom to top performer for job growth. His focus is more on the moving average of job growth, which is also showing improvement, and how the pullback in federal employment and spending will play out in the larger economy, he said.

Federal employment in the state is down 1,500 over the past month and 1,800 over the past year, although buyout and severance agreements appear to be delaying the full impact, he said. Third-party contractors, tallied within the private sector, will take a hit, as will federally funded research at universities, which could lower state government headcounts.

Cole Anderson, deputy director of policy and research at the Common Sense Institute, a business-funded think tank, notes that the state's unemployment rate didn't change despite supposedly strong hiring the past three months. The unemployment rate is based on a separate and smaller survey of households. Historically, strong hiring tends to soak up unemployed workers, but that isn't happening, which makes the payroll numbers suspect.

"Colorado's unemployment rate continues to be a warning flag. The state's unemployment rate held at 4.8% in May for the third consecutive month, well above the national rate of just 4.2%," he said in an email.

Colorado's unemployment rate has run significantly above the national average over a sustained period for the first time in 25 years, and that too is a warning signal.

Broomfield economist Gary Horvath said that while monthly changes offer a positive snapshot, they come in a context of greater economic uncertainty.

Colorado employment counts, which were flagged as unreliable last year, may have underreported gains in the fourth and first quarters, and could be overstating them in the second, leading Horvath to lean more heavily on annual changes.

Over the past year, the public sector added 12,000 jobs and the private sector has added 10,200, led by gains in educational and health services, up 9,200; leisure and hospitality, up 8,900, and information up 2,200. Several important sectors have contracted, including professional and business services; trade, transportation and utilities; construction, and financial activities.

Government hiring is stalling as the Trump administration reduces federal payrolls. Reduced federal spending is also putting pressure on state and local governments and their ability to retain workers.

Colorado, after shaving \$1.2 billion in spending for the upcoming year, faces a \$700 million budget shortfall in the 2026 fiscal year. Federal cuts in food assistance and Medicaid now before Congress could shift another \$650 million a year onto the state budget, while proposed tax cuts could lower revenues another \$600 million, according to the Office of State Planning and Budgeting. (OSPB)

"If the federal budget shifts more costs onto states, as many anticipate, Colorado's fiscal outlook could go from tight to untenable," Chris Stiffler, a senior economist at the Colorado Fiscal Institute, said in his review of the latest forecast from the Colorado Legislative Council, which came out at the same time as the OSPB's forecast.

Credit card debt in the state is at a 14-year high and consumer confidence at a 20-year low as households struggle to stay afloat. Worries are mounting about higher costs from tariffs on imported goods. Colorado consumers appear to be tightening their spending more than residents of other states, Stiffler said.

Residents won't receive TABOR rebates this year or next and revenue decreases are expected to trigger cuts in the Family Affordability Tax Credit, the extended Earned Income Tax Credit, as well as credits to support the purchase of electric vehicles, heat pumps and e-bikes, among other things.

And if a recession hits, which the OSPB puts at 50-50 odds for mild and 25% odds for severe, the state may suffer an additional \$1.6 billion hit to its budget, according to its forecast.

Local governments are also under stress, most notably Denver, which faces a \$250 million shortfall over the next two years. It is implementing furloughs and considering job cuts to cope with reduced revenues.

Tourism, an important part of the Colorado economy, is under pressure, reflecting the state's heavier reliance on visitors from Canada and Mexico. Canadian visits to the U.S. are down by nearly 40% in May 2025 compared to the same month last year. Canadians have called for a travel boycott to protest U.S. trade policies and President Trump's call that Canada become the 51st state, according to [Forbes.com](https://www.forbes.com).

Those comments might be tongue-in-cheek, but they have irked Canadians. Visits from Mexico are also down, although not as much. Visitors from those two countries contributed \$265 million in tourism spending and accounted for nearly half of the international visitors to the state last year, according to a report from Travel and Tour World.

Hotel occupancy rates in Colorado in May of this year were down 15.1% compared to last year, a decline more severe than the 0.7% decrease averaged in Utah, California and Nevada, according to data from Inntopia's DestiMetrics cited in the report. Bookings across the region have fallen for six months, the worst streak since the pandemic.

Homeowners in Colorado have experienced the largest increase in escrow costs, which cover property taxes and insurance, of any state at 31% the past year, according to Cotality, a real estate research firm.

That has left homeowners with less disposable income, and makes it more difficult for renters to purchase a home, which is showing up in a softer market for both new and existing homes and a rising inventory of unsold properties.

Metro Denver had the biggest drop in annual median asking rents of any major metro in the country at 7.5%, according to Realtor.com. That is a positive for renters, but it has contributed to a sharp reduction in permits pulled for new apartments. More recently, single-family construction has also started slowing down.

Adding downward pressure on the construction industry, non-residential construction spending is down by a fifth over the past year through April in Colorado, compared to a 2.8% gain nationally, according to F.W. Dodge.

"The construction market was weak in 2024, and it appears to be weaker in 2025," Horvath said.

Even if the private sector has fired up its hiring engines, is it too little, too late, as forecasts increasingly suggest, to prevent Colorado from being sucked into a recessionary vortex?