

Economics Group

Special Commentary

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Colorado vs. Washington State

The Highly Competitive Pac-12 Has Just 1 Team Left in the Playoff Hunt

The list of teams in the running for one of the four college football playoff spots has whittled down to just a handful of teams. The top three spots go to the remaining undefeated major programs: Alabama, Clemson and Notre Dame. Teams with one loss include Michigan, Georgia, Oklahoma, West Virginia and Ohio State. UCF remains undefeated and has a good chance to finish the season that way but would likely need some other teams to falter in order to make it to the Playoff.

At 8-1, Washington State remains the only team in the Pac-12 with a legitimate shot at making the Playoff. The only blemish on their record is a three-point loss to USC. The Cougars also have victories over 12th-ranked Oregon and 24th-ranked Stanford this year, and remaining games against Arizona and Washington after this weekend’s matchup with Colorado. If they win out, they would face the champion of the Pac-12 South for the Conference Championship on November 30.

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Colorado started 5-0 but lost their last five games. Early season wins over Nebraska and UCLA look far less impressive now that both of those teams have struggled. Despite the losing streak, Colorado has remained competitive. After Washington State, the Buffalos will face Utah and California.

Washington State began playing competitively back in 1894 and achieved early success when it defeated Brown in the 1915 Rose Bowl. They also played in the 1931 Rose Bowl, losing to Alabama before enduring a 51-year bowl drought that ended in 1981. The Cougars enjoyed success in the late 1990s, under head coach Mike Price and quarterback Ryan Leaf. More recently the team has achieved considerable success under head coach Mike Leach, who instituted his prolific “air raid” offense. The team finished 9-4 last year.

Colorado started playing football in 1890 and has won 27 conference championships across five different conferences. They also won a share of the national championship in 1990 after defeating a previously top-ranked Notre Dame team in the Orange Bowl 10-9. They shared the national title with Georgia Tech that year under a good bit of controversy. Colorado had defeated Missouri on the final play of the game on what turned out to be the ‘fifth’ down—undetected by the officials.

Figure 1

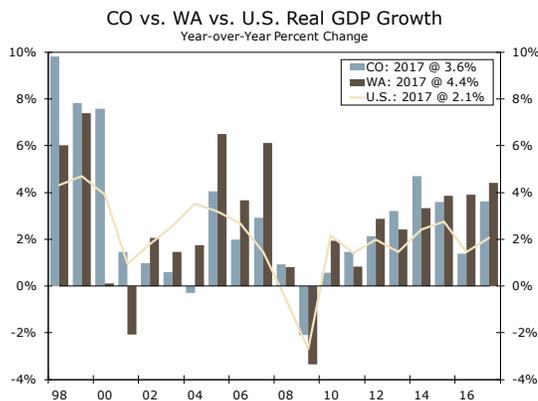
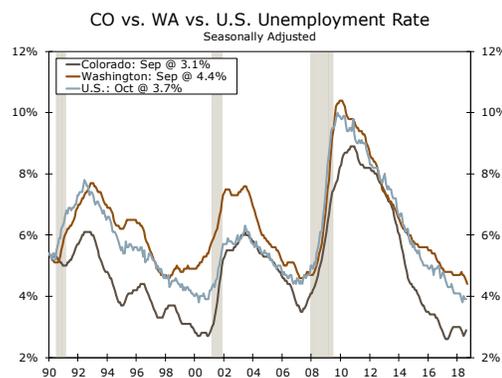


Figure 2



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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Economic growth in eastern Washington has not tended to be anywhere near as strong as in Seattle, but growth has been solid nonetheless.

The Pacific Northwest Is Seeing Success on the Field and in the Economy

Washington’s economy has been booming. Real GDP has outpaced the nation throughout most of the current business cycle and rose 4.4% in 2017. Nonfarm employment has risen 3.1% over the past year, while the unemployment rate has fallen to 4.4%. The Seattle metropolitan area, which is home to just over half of Washington’s population and a slightly larger share of the jobs in the state, tends to account for the bulk of the state’s growth. Led by gains in its massive tech sector, Seattle’s rapid growth has pushed into the central part of the state, as businesses and individuals seek less expensive and less congested locations. Seattle’s strong growth has been replicated in many of the Pacific Northwest’s mid-sized cities, including Spokane, Boise, Reno, Coeur d’Alene and Missoula.

Washington State is located in Pullman, which is located in the eastern part of the state about 75 miles south of Spokane. Eastern Washington is mostly rural, with an economy built on agriculture, forestry, education and tourism. Economic growth in eastern Washington has not tended to be anywhere near as strong as in Seattle, but growth has been solid nonetheless. Pullman is named after George Pullman, an industrialist that developed the Pullman Sleeping Car during the late 19th century. The city is located about eight miles west of Moscow, Idaho, home to the University of Idaho. The concentration of higher education facilities has helped spawn a startup culture that has fueled solid economic gains.

Agriculture plays an important role in eastern Washington and the highly seasonal nature of the industry tends to cause wide swings in job growth over the course of the year. Wheat is one of the major crops in the region, and lower prices have taken a toll on farm income. While agriculture is important it is not a large employer. Higher education, healthcare and manufacturing account for the bulk of nonfarm jobs. Washington State University, the University of Idaho, Potlatch, St. Joseph Medical Center and Blount are the region’s largest employers. The large number of jobs in higher education and healthcare provides a great deal of stability to the local economy.

Colorado’s economy has been one of the strongest in the nation in recent years. Nonfarm employment has risen 2.9% over the past year and the unemployment rate has fallen to just 3.1%. Colorado’s rapid job growth and the allure of the outdoors have encouraged a huge influx of new residents and businesses, which has set off a real estate boom. The state of Colorado has added 559,000 residents since 2010. While Denver has been the epicenter of much of this growth, Boulder, home to the University of Colorado, has seen similarly strong growth.

The influx of new residents and new businesses has refocused Colorado’s economy around high growth industries such as aerospace, healthcare, alternative energy, data analytics and outdoor recreation. The growing cluster of rapidly growing industries has helped make Colorado a top destination for young people. All this growth has pushed housing prices and apartment rents higher, however, which has helped reignite the building boom taking place along the Front Range. While higher costs may deter some businesses from expanding, there is a huge backlog of projects underway which should help ensure that job growth remains solid for some time to come.

Figure 3

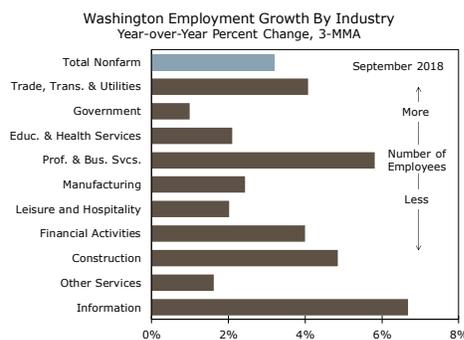
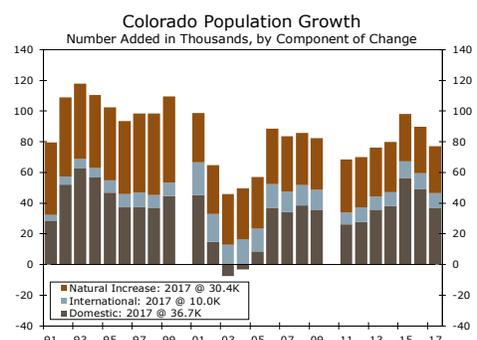


Figure 4



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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