cber.co
Colorado Economic Forecast 2019

Colorado-based Business and Economic Research
Prepared
January 12, 2019

Overview of 2019 Economic Forecast

Colorado and the United States

This chartbook provides a series of graphs, tables, discussions, and data that tell the story about what will drive changes in the Colorado and United States economy in 2019. This information is divided into the sections listed below.

Global and U.S. Economy

- Forecast Highlights
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The Colorado Economy

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- Employment, Unemployment Rate, and the Unemployment Gap
- Employment Forecast - Employment in Strong Growth, Solid Growth, and Volatile Categories
- Housing and Construction, Inflation, Oil, Retail Trade Sales, and State Government Revenue
- Summary of the Colorado Economy

Forecast Highlights

Key statistics for the Colorado and United States economic forecast are listed below. The arrows indicate the direction of the change and whether the 2019 data is greater or less than the prior year. There is greater downside risk than upside potential to the 2019 Colorado forecast.

Global and U.S. Economy 2019

- ↓ Global Real GDP, +3.1%
- ↓ U.S. Real GDP, +2.6%
- ↓ U.S. Personal Consumption, +2.8%
- ↓ U.S. Building Fixed Investment, +4.8%
- ↓ U.S. Unemployment, 3.6%
- ↓ Inflation PCE Deflator, +1.8%; CPI +2.3%

The Colorado Economy 2019

- ↓ Population, +1.4%
- ↓ Employment, +2.2%
- ↑ Unemployment, 3.3%
- ↓ Inflation, CPI +2.6%
- ↓ Total Building Permits, -6.0%
- ↑ Oil Production, +15.7%
- ↑ State General Fund, +4.1%.

A number of data series were reviewed in the preparation of this report. Between now and the end of March, cber.co will release the following reports that include more of the data used to produce this forecast:

- **February 16th to February 22nd** — **In-depth year-end review of 2018 U.S. economy**
- **March 11th to March 18th** — **Benchmark data and in-depth review for Colorado 2018**
- **March 22nd to March 29th** — **Review of first two months of 2019.**

The Global and U.S. Economy

The Global Economy

Real Gross Domestic Product

Global Real GDP Growth
Based on IMF Forecast

The story of the Colorado economy begins with the projected slowdown of the global economy. The second chapter of the story is the lower real GDP growth in 2019.

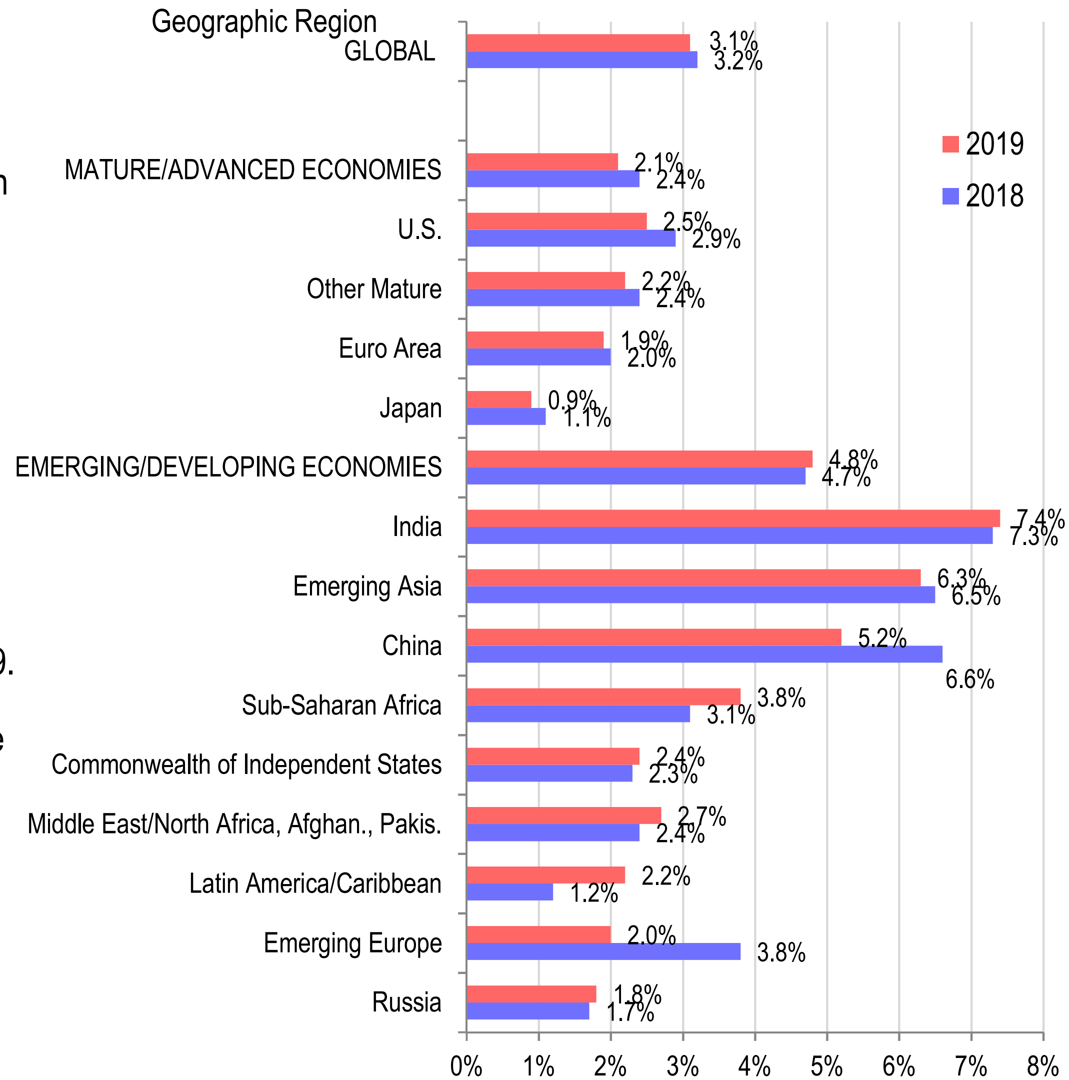
The estimate of real GDP global growth for 2018 is 3.2% with a forecast of 3.1% in 2019.

2018 vs 2019 Real GDP growth:
- Global - 3.7% for 2018 and 2019.
- Mature - 2.4% in 2018 and 2.1% in 2019.
- Emerging – 4.7% in 2018 and 4.8% in 2019.

Mature 2019 – The U.S. will lead growth in the mature economies at 2.5%. Japan will and the Euro Area will have weak growth.

Emerging - In 2018, the Chinese economy is expected to grow by 5.2%. India will lead the region with a 7.4% rate of growth. Many emerging economies will post positive gains in 2019.

Real GDP Growth 2018 vs. 2019



Source: IMF (October 2018), The Conference Board (November 2018), cber.co.

The U.S. Economy

Real Gross Domestic Product

Quarterly Real GDP Growth
Historical
United States

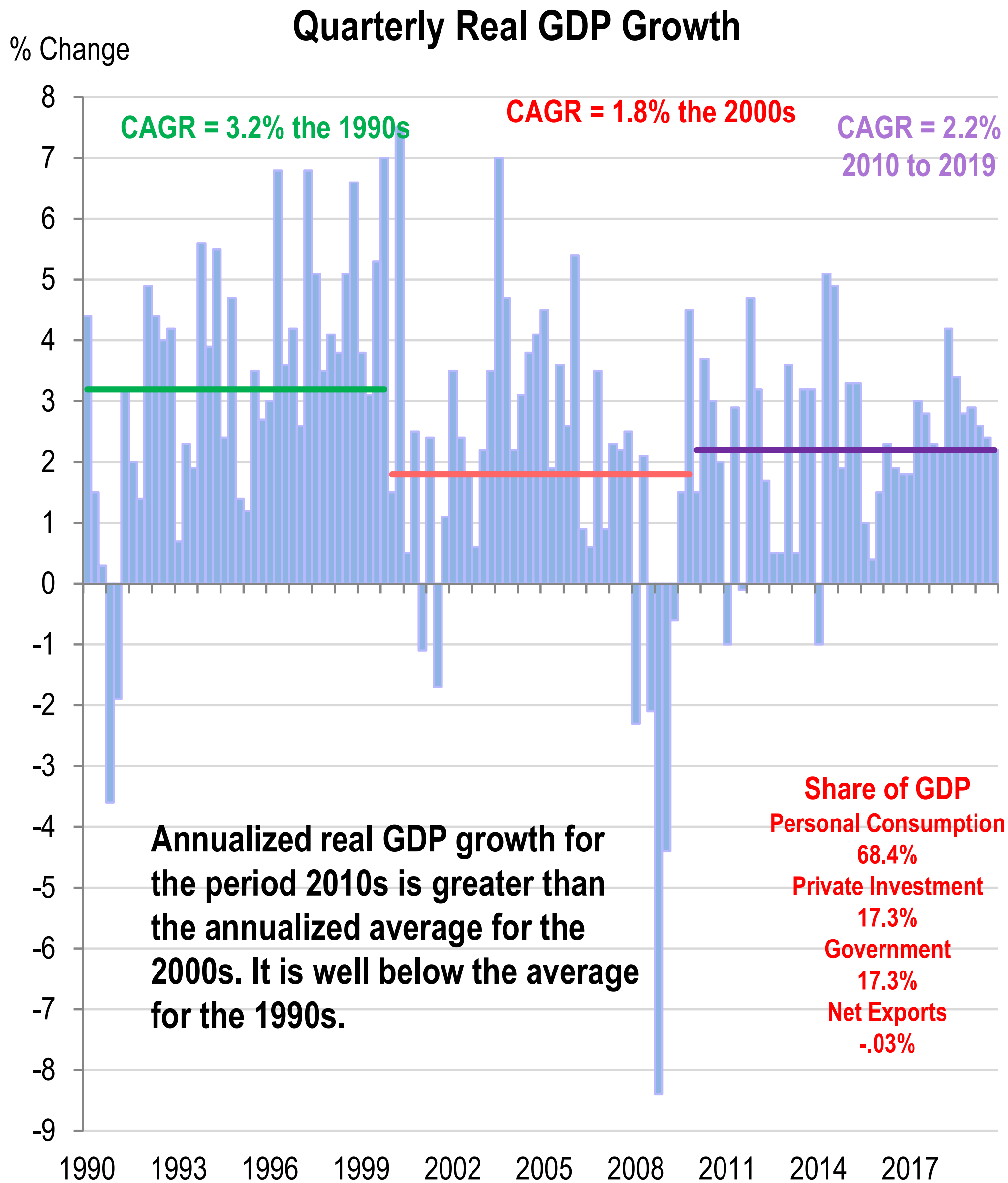
Gross Domestic Product is defined as C+I+G+X or consumption + business investment + government spending + net exports.

The forecast for quarterly real GDP growth shows a downward trend starting in Q3 2018, although the magnitude of the slowdown is not expected to be severe. It is unlikely a recession will occur in 2019.

Between 2010 and 2019, quarterly real GDP growth ranged from -1.0% to 5.1%.

There will be 23 consecutive quarters of positive growth from 2014, the last quarter of negative growth, through 2019.

Historical annualized real GDP growth is:
•1990s 3.2% (green line).
•2000s 1.8% (red line).
•2010 to 2019 2.2% (purple line).



Source: Bureau of Economic Analysis, Table 1.1.1, Share of GDP based on 2017, cber.co.

U.S. Real GDP Growth
C+I+G+X

The 2018 cber.co forecast was for U.S. real GDP growth to be 2.3% to 2.7%, with greater upside potential than downside risk. At this point, it appears real GDP for 2018 will be in the range of 2.7% to 2.9% for 2018 – slightly better than expected.

Growth in 2018 was driven by the tax cuts, which helped raise disposable income. In turn, this caused an increase in personal spending.

The rate of Real GDP growth in 2019 is projected to be 2.6%.

The impacts of the tax cut will be diminished in 2019. There will be solid consumer and government spending in 2019 accompanied with modest business investment and weak construction activity. In addition, the impact of the government shutdown is projected to be 0.05 to 0.1 GDP percentage points for each week the government is shutdown. It appears both sides are positioning themselves to use lower real GDP growth in Q1 2019 to illustrate the incompetence of the opposing party.

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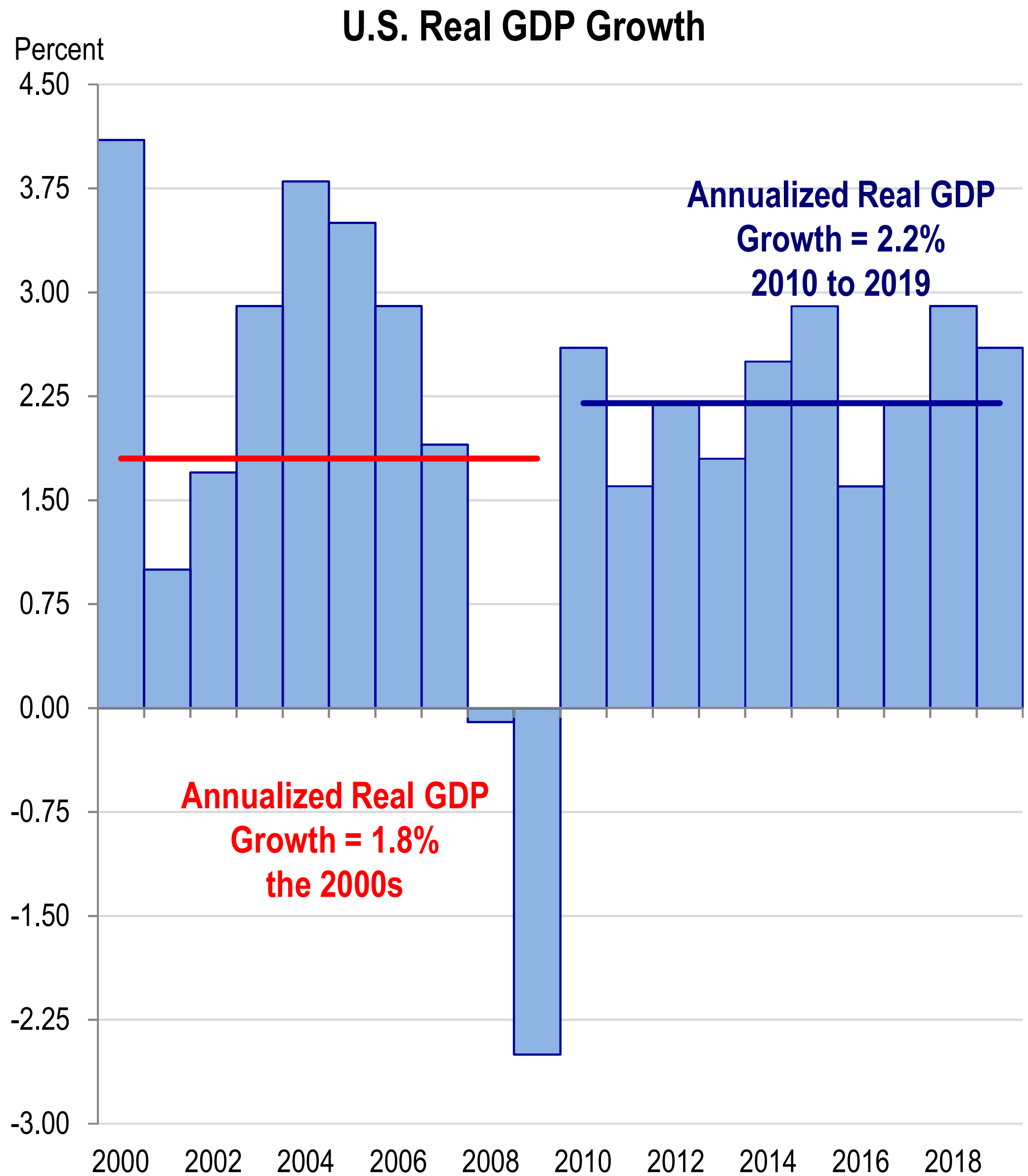
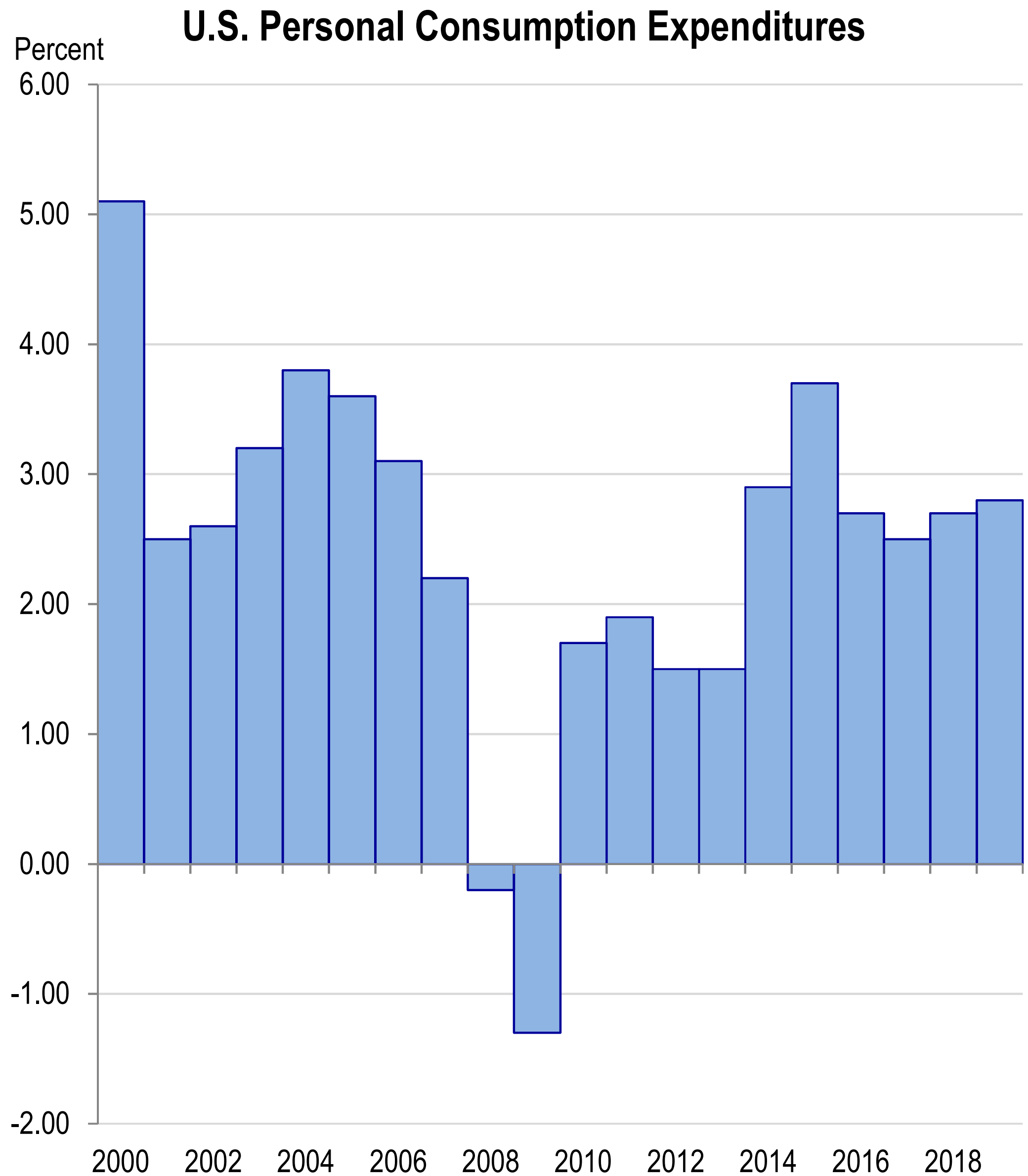


Source: Bureau of Economic Analysis, cber.co.

U.S. Personal Consumption Expenditures

Personal consumption is the primary driver of the economy. It accounts for slightly less than 70% of the total GDP. It is expected to increase by 2.6% in 2019.

Business and consumer confidence remains solid, which translates into increased hiring, greater personal income, and increased spending. In addition, the economy will have enough momentum moving in to 2019 that the projected breather at the end of the year will be welcomed.

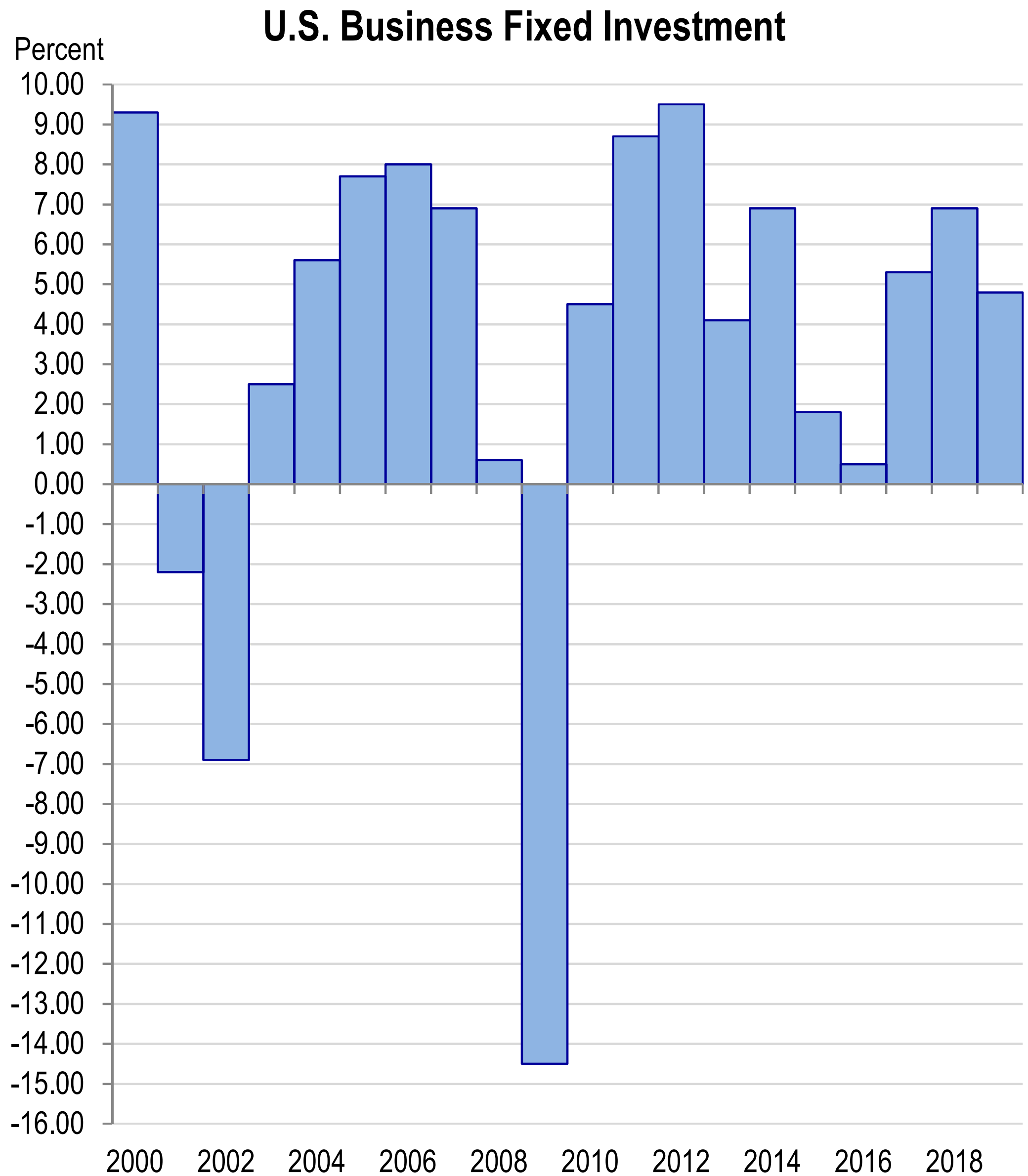


Source: Bureau of Economic Analysis, cber.co.

U.S. Business Fixed Investment

Business (Nonresidential) fixed investment is expected to increase by 4.8% in 2019. BFI includes nonresidential structures, equipment, and intellectual property products.

At the moment, there is more downside risk for BFI growth than upside potential in 2019. Currently, trade tensions with China and the slowing global economy are the most significant risks.

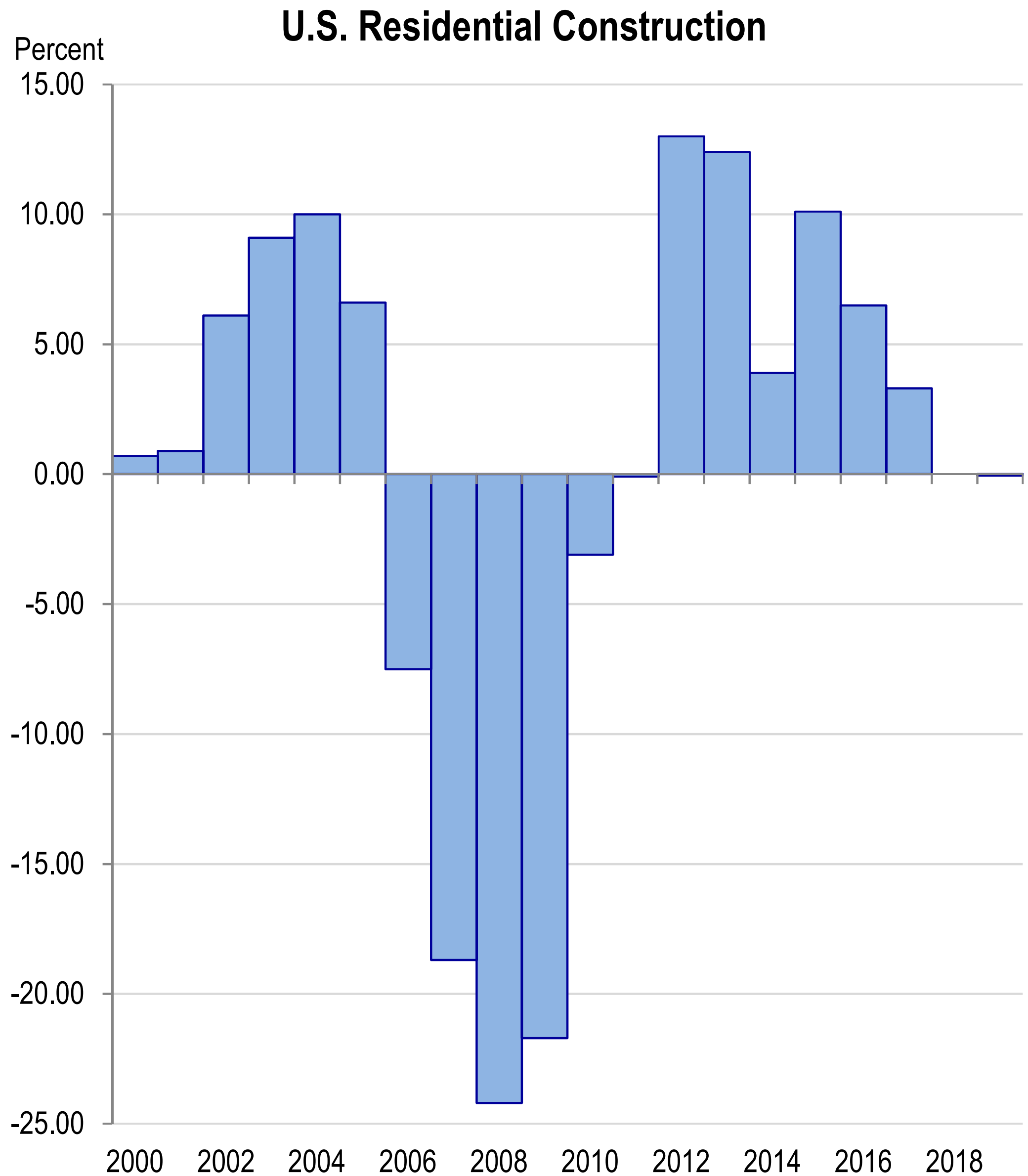


Source: Bureau of Economic Analysis, cber.co.

U.S. Residential Construction

U.S. residential construction is expected to be flat in 2019.

Nationally, there will be a greater focus on entry-level housing. The construction industry will be challenged by higher input costs and the lack of qualified labor.

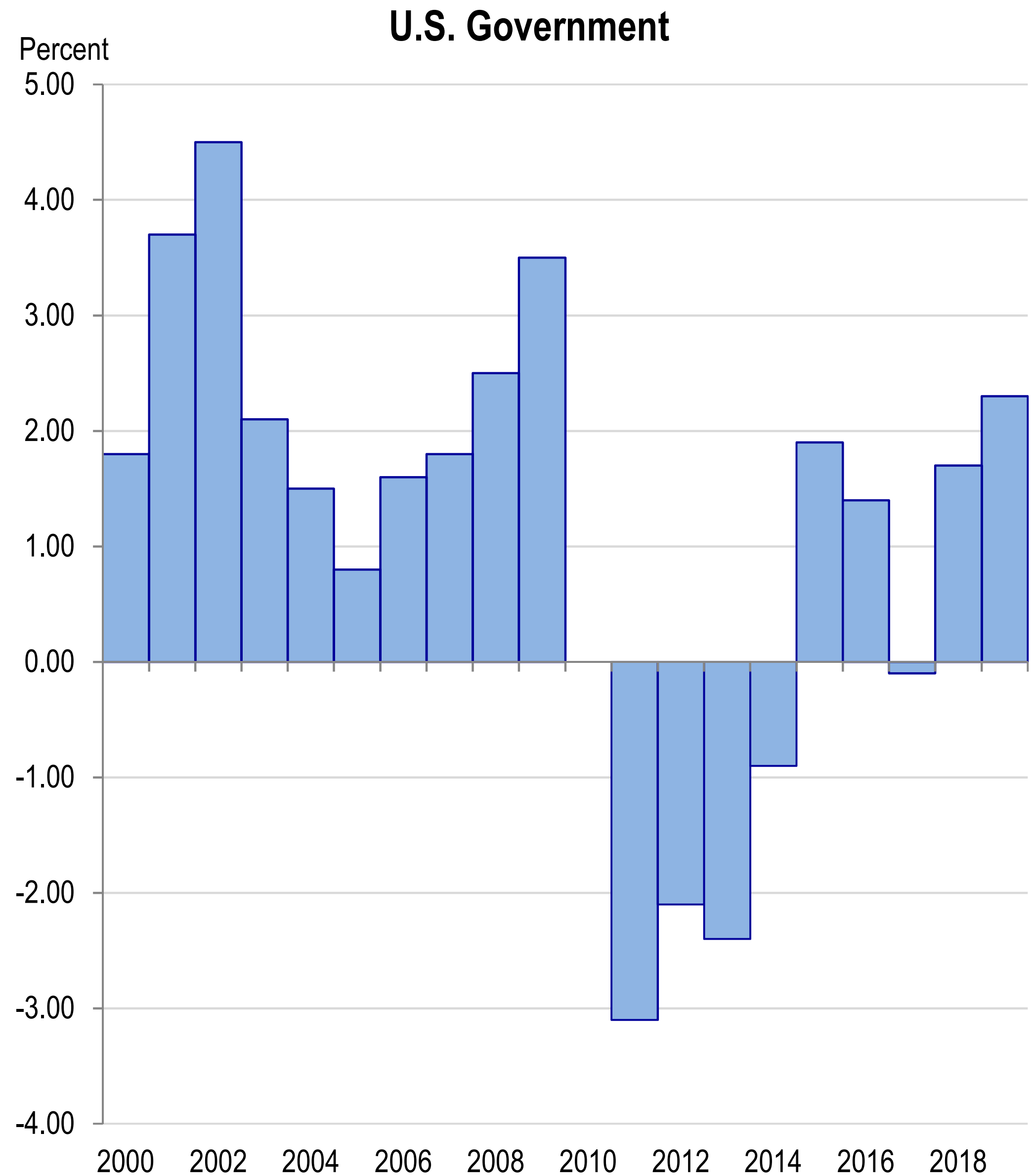


Source: Bureau of Economic Analysis, cber.co.

U.S. Government

The rate of growth in Government Spending is 2.3%.

In 2019, government spending will increase at its highest rate since 2009.



Source: Bureau of Economic Analysis, cber.co.

The U.S. Economy

The R Word and Leading and Coincident Indicators

The R Word

Don't Panic - Yet! It Will Happen Soon Enough

When is the next recession?

During Q4 the volatility in the equities markets caused economists and members of the media to suggest the next recession was right around the corner. Some said it would be shallow, while other said it would be severe. Some said it wouldn't occur until 2020. This has been a popular topic because the current business cycle is very mature.

Employment and real GDP growth is projected to increase at a slower rate in 2019, interest rates will increase slightly, the severe shortage of labor will continue. In addition, there is a high level of polarization and disgust with the leadership of the country.

Admittedly, there are challenges that are preventing the economy from growing at a faster pace, but at the moment there is little to suggest a recession will occur within the next year. While it is possible that terrorist attacks, natural disasters, or extended political unrest could cause a downturn, such events cannot be predicted.

The Sky Is Falling?

News Flash!! The sky is NOT falling. The U.S. and Colorado economies have momentum that should carry them through the first half of the year. There is a reasonable chance there will be slower growth in the second half of the year. Check back for details in six months!

Philadelphia Federal Reserve Indices

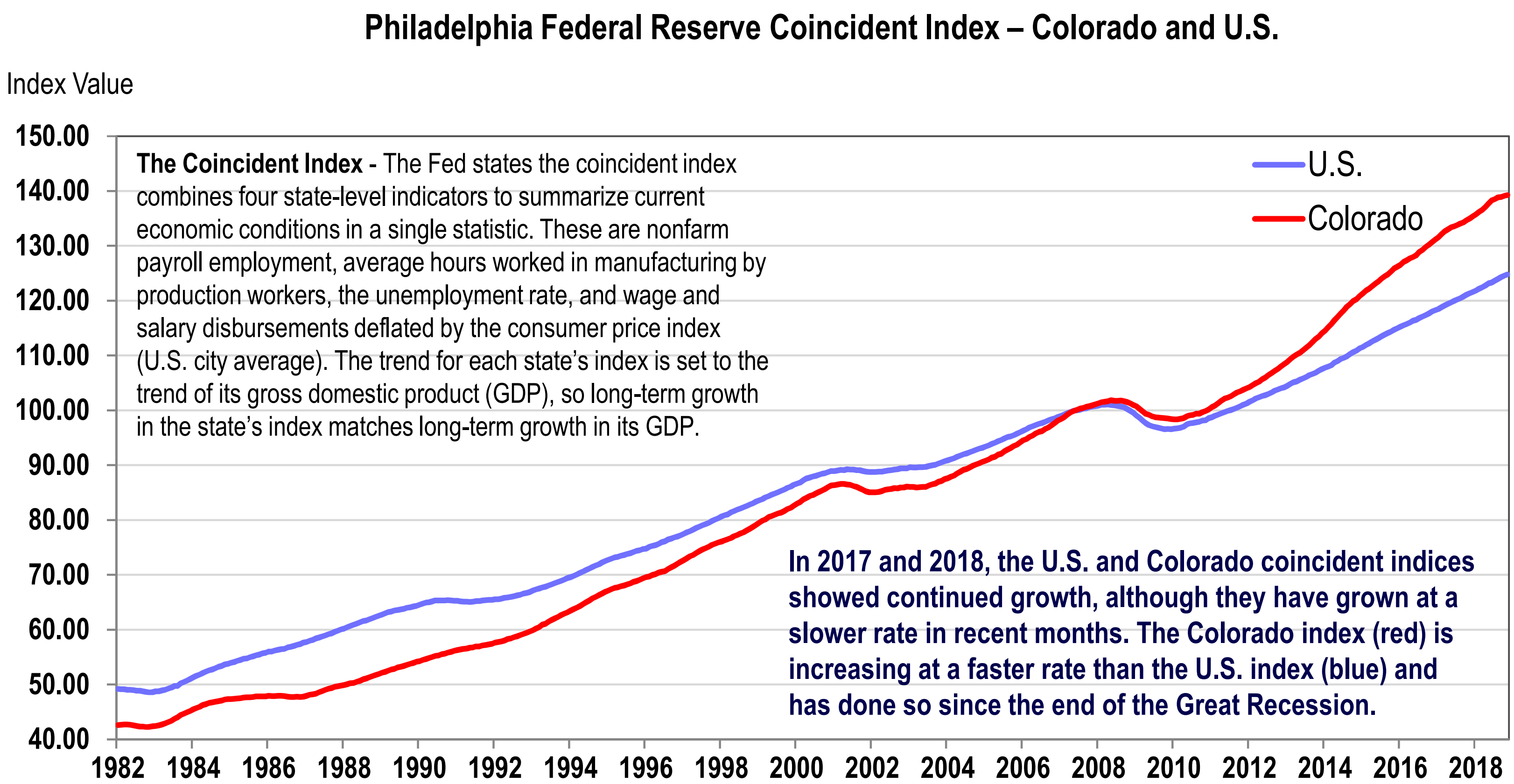
No Signs of a Recession

The previous review of the forecast for the U.S. real GDP and its components foretells a slowdown in economic growth in 2019. There are not signs of a recession.

The leading and coincident indices produced by the Philadelphia Federal Reserve are two of many indicators that show the U.S. and Colorado economies are on solid footing, at least for the first half of 2019.

Philadelphia Fed Coincident Index

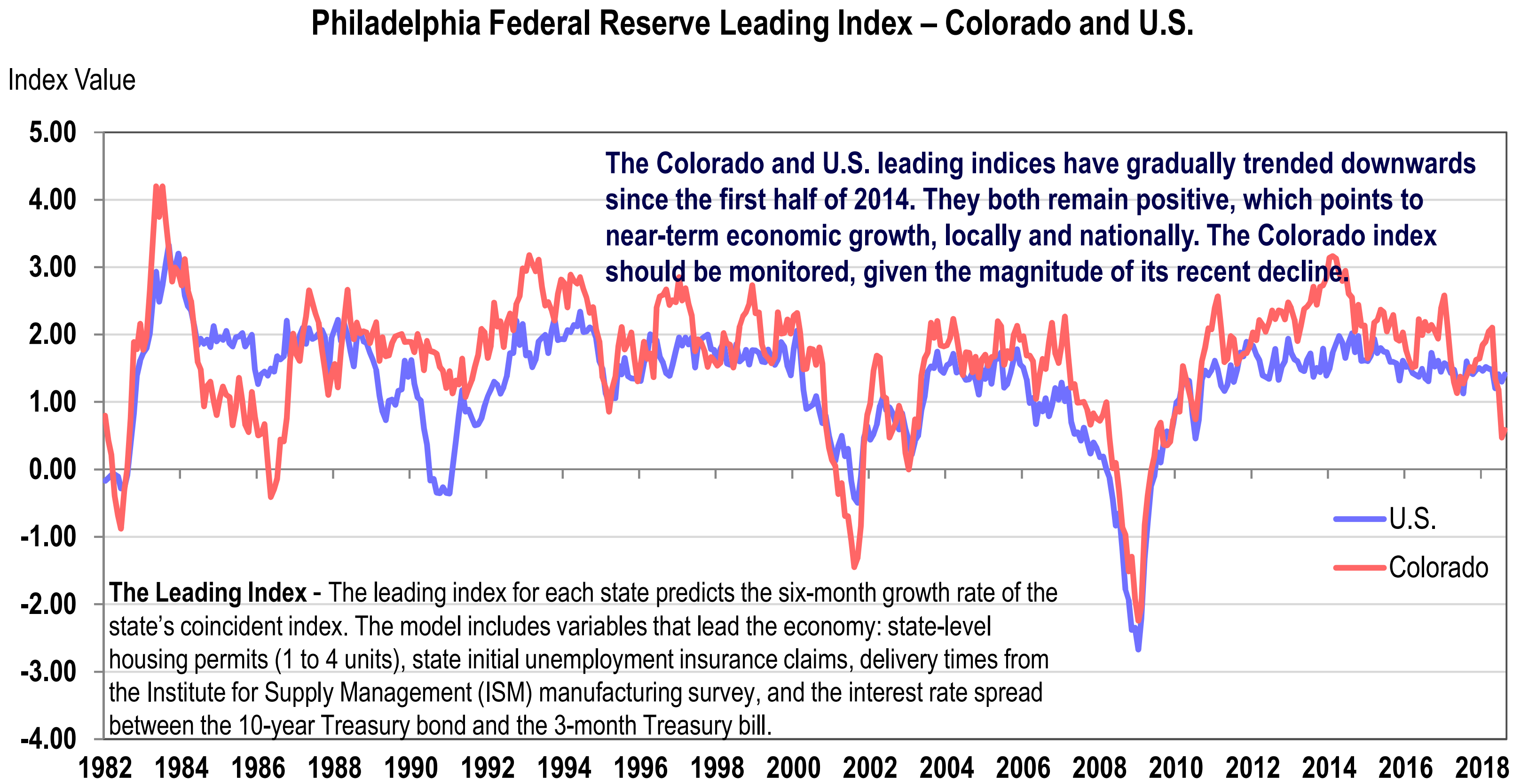
Colorado vs. U.S.



Source: Philadelphia Federal Reserve, cber.co. Note: The leading index predicts the six-month growth rate of the U.S. and state's coincident index.

Philadelphia Fed Leading Index

Colorado vs. U.S.



Source: Philadelphia Federal Reserve, cber.co. Note: The leading index predicts the six-month growth rate of the U.S. and state's coincident index.

The U.S. Economy
Employment and Unemployment

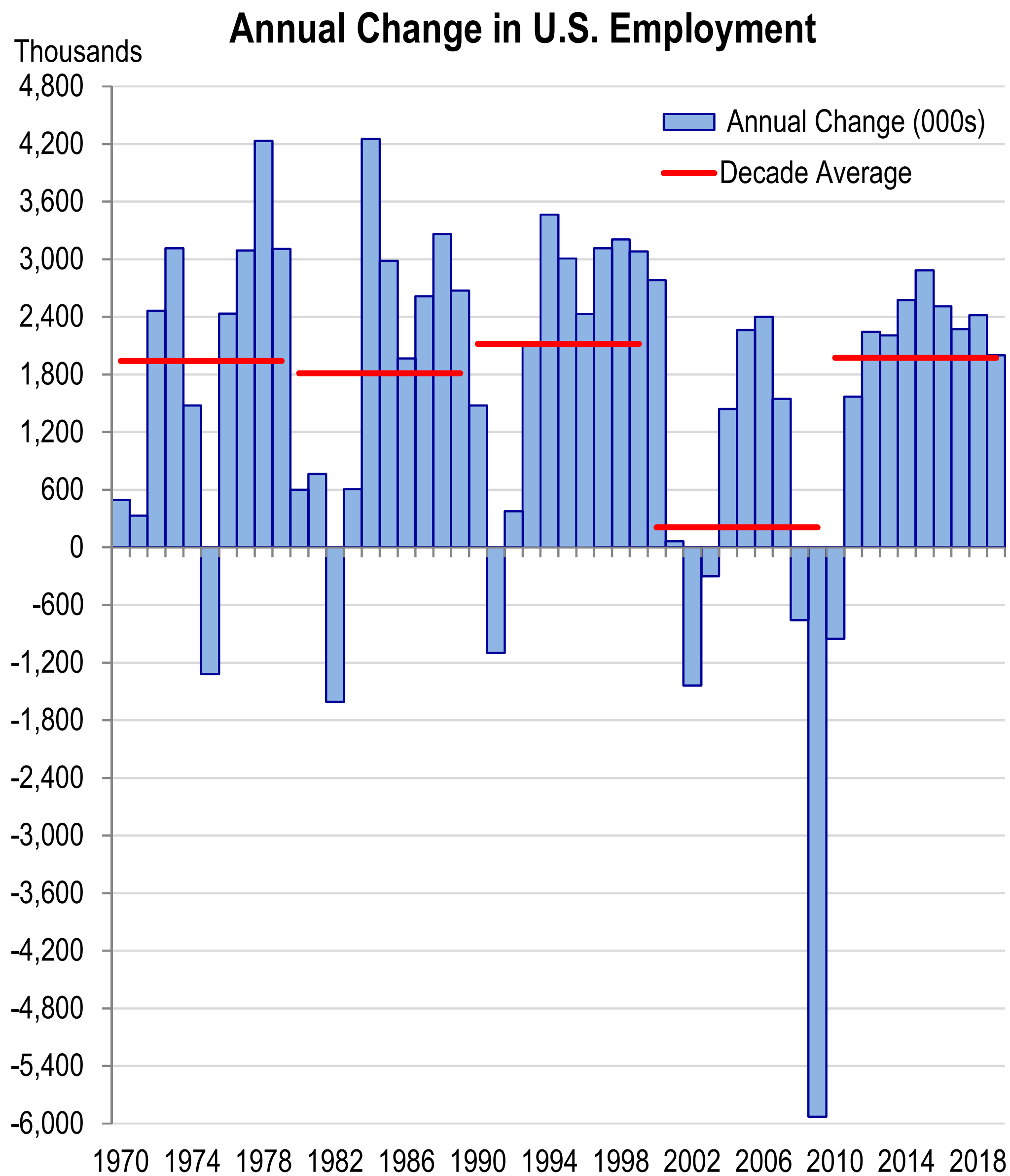
Annual Change in U.S. Employment

The U.S. added slightly more than 2.4 million jobs in 2018. Two million jobs will be added in 2019, or an average of about 170,000 per month.

The average change in employment for the 2010s is 1,973,000, slightly greater than the 1970s. During the 1990s the change in average annual employment was 2,119,000.

The average annual change in millions (red lines) by decade follows:

- 1.9 from 1970 to 1979.
- 1.8 from 1980 to 1989.
- 2.1 million from 1990 to 1999.
- 0.2 million from 2000 to 2009.
- 1.9 million from 2010 to 2019.



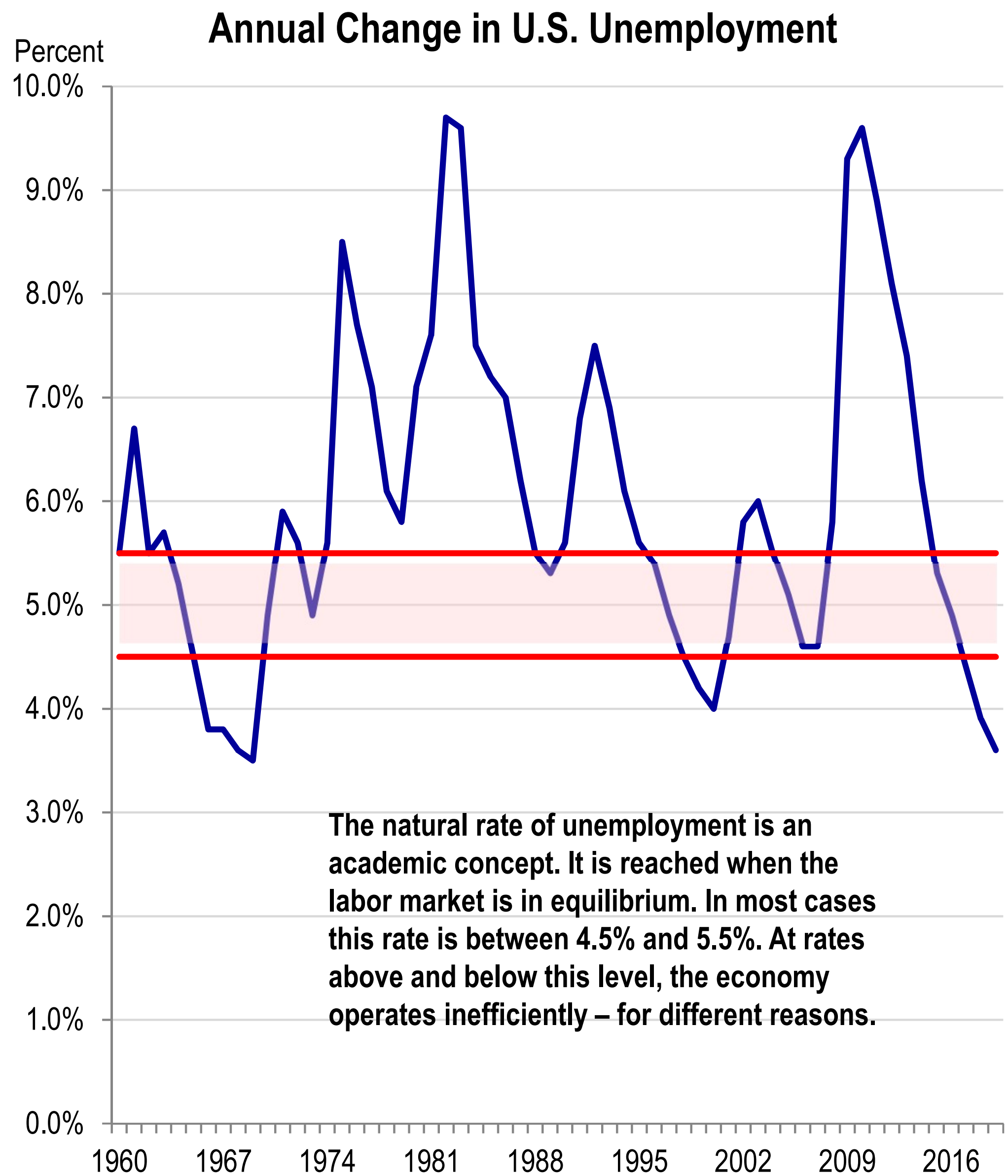
Source: Bureau of Labor Statistics, NSA; cber.co.

Annual Change in U.S. Unemployment

The annual unemployment rate for the U.S. will decline in 2019 to 3.6%. In the past 50 years only 1969 was lower at 3.5%.

The unemployment rate has declined since 2010 when it was 9.6%. The unemployment rate will be lower in 2019 as the labor participation rate continues to increase.

At present, the U.S. economy is "technically" not operating efficiently because of challenges caused by its low rate of unemployment and the lack of qualified workers.



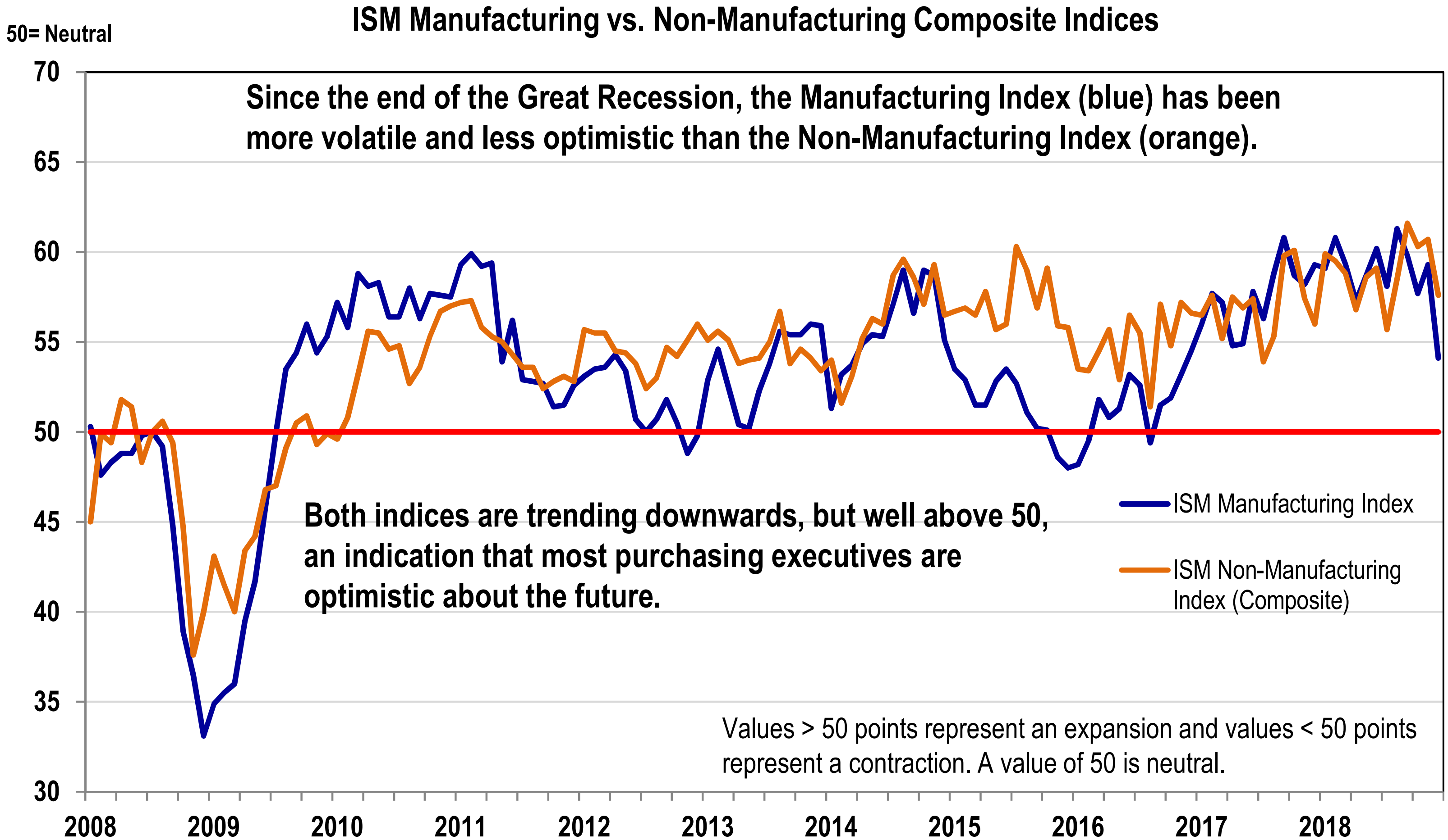
Source: Bureau of Labor Statistics, NSA; cber.co.

The U.S. Economy

Manufacturing/Non-manufacturing Indices and Productivity

ISM PMI Composite Indices

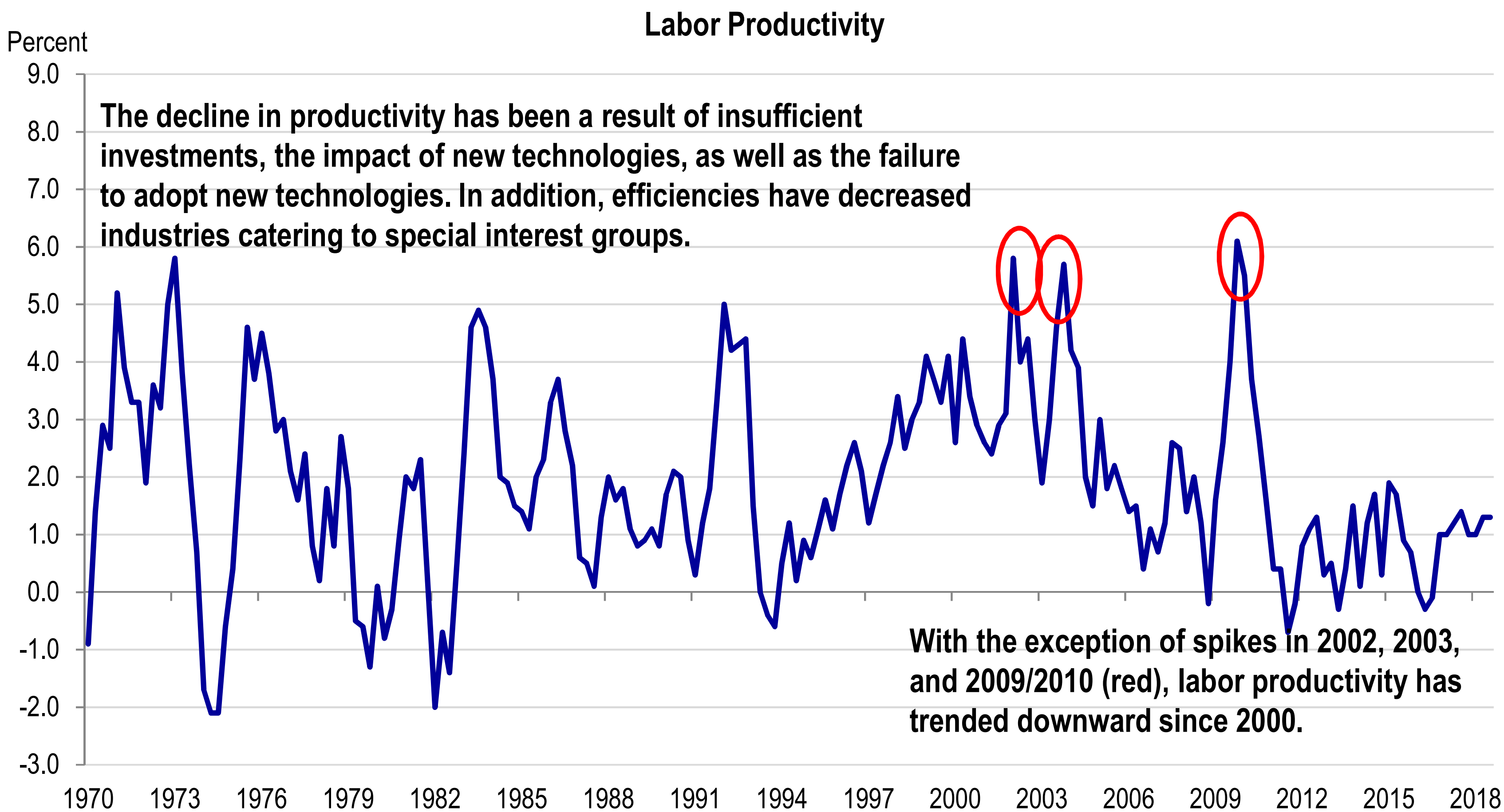
Manufacturing vs. Non-manufacturing



Sources: Institute for Supply Management (ISM), FRED, cber.co.

U.S. Labor Productivity (Output per Hour)

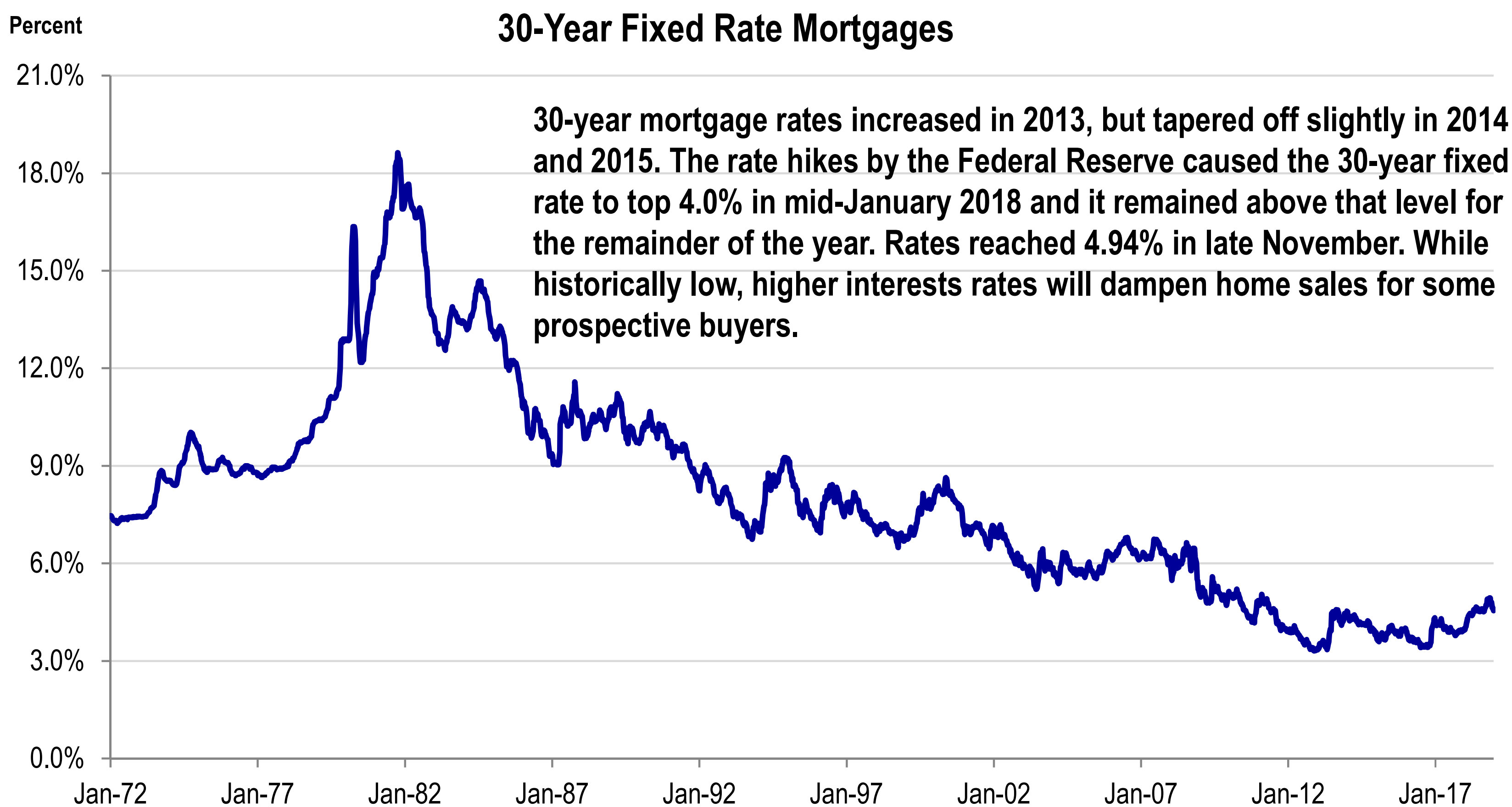
Percent Change Same Quarter Prior Year Nonfarm Business



Source: Bureau of Labor Statistics, Major Sector Productivity (NonFarm Business) NSA, cber.co.

The U.S. Economy
30 Year Fixed Rate Mortgages and Inflation

30-Year Fixed Rate Mortgages



Source: FRED, Freddie MAC, cber.co.

Consumer Price Index (CPI) and PCE Deflator

Between 2000 and 2018, the CPI has usually been greater than the PCE. The CPI is projected to increase by 2.3% in 2019, while the PCE deflator will rise by 1.8%.

Both indices reflect a lower rate of growth, because housing prices are expected to increase at a slower rate. Rising input prices, cause by higher interest rates and wage increases, will put upward pressure on the indices in 2019.

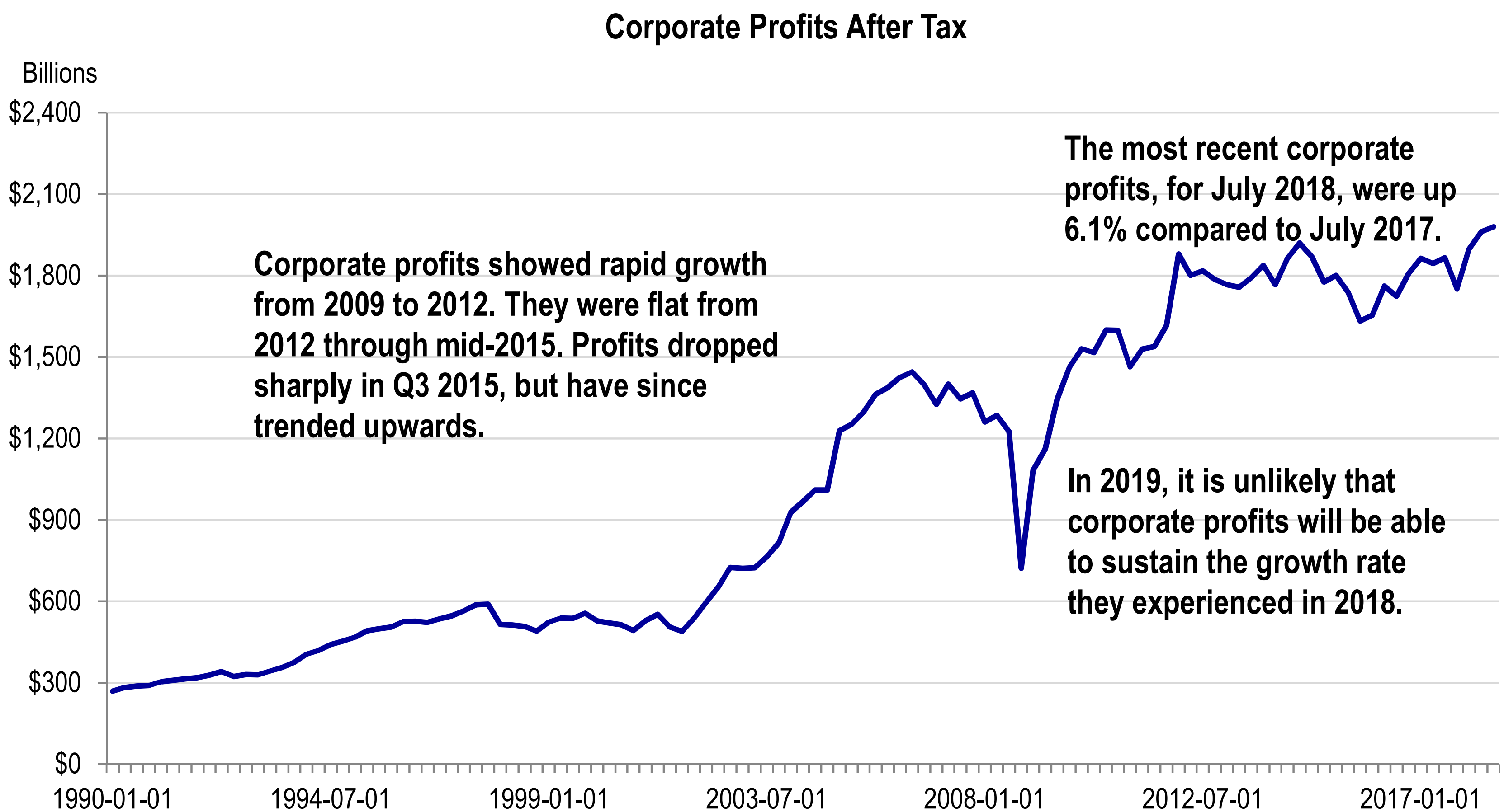
The Fed's target rate of 2.0% is tied to the PCE deflator.

Source: Bureau of Labor Statistics, FRED, St. Louis Federal Reserve, cber.co.

The U.S. Economy

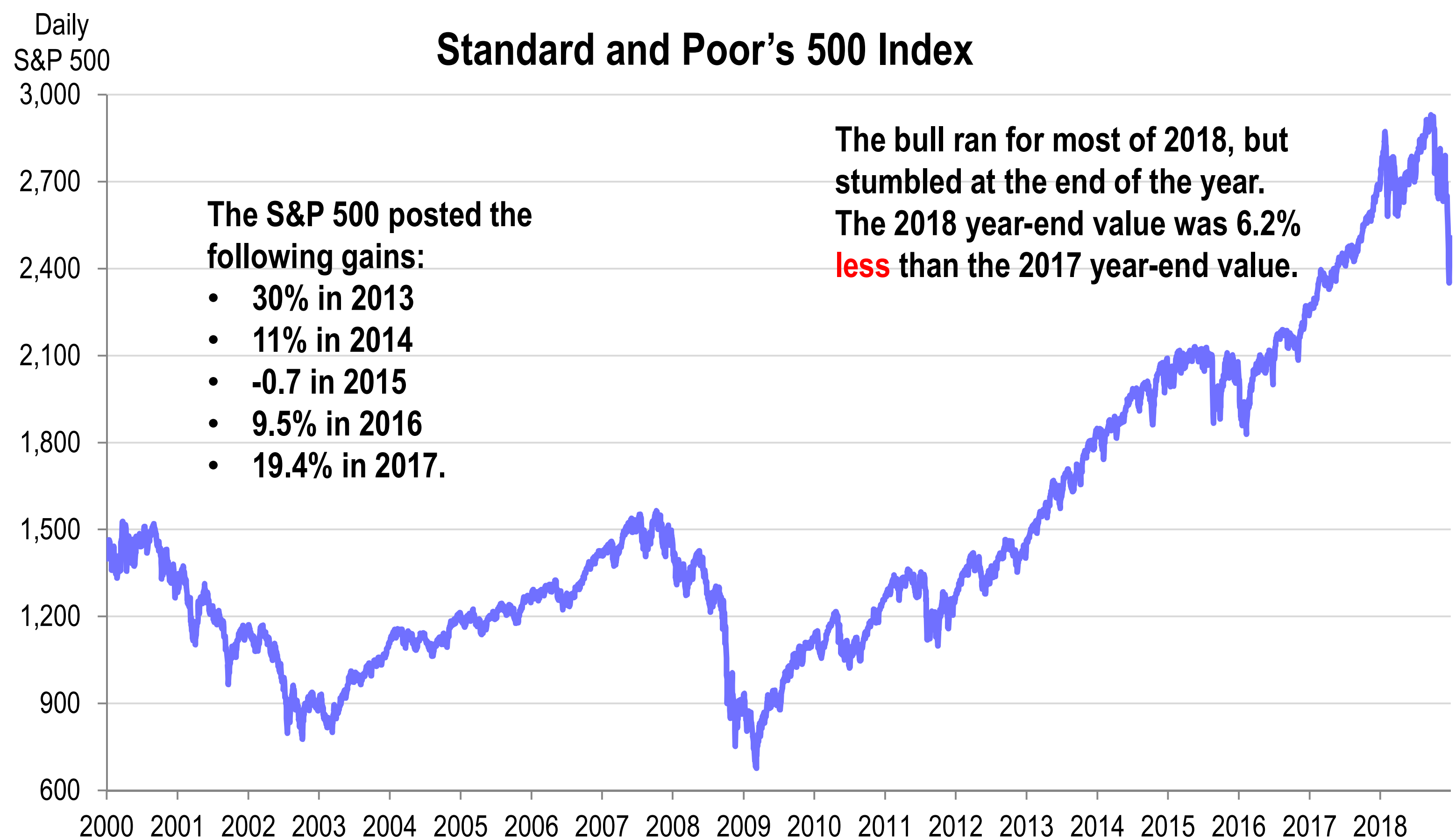
Corporate Profits and S&P 500

Corporate Profits After Tax (without IVA and CCAdj)



Source: FRED, BEA, cber.co.

Standard and Poor's 500 Index



Source: FRED, S&P 500, cber.co.

The United States Economy

Summary

Watch for the Following in 2019

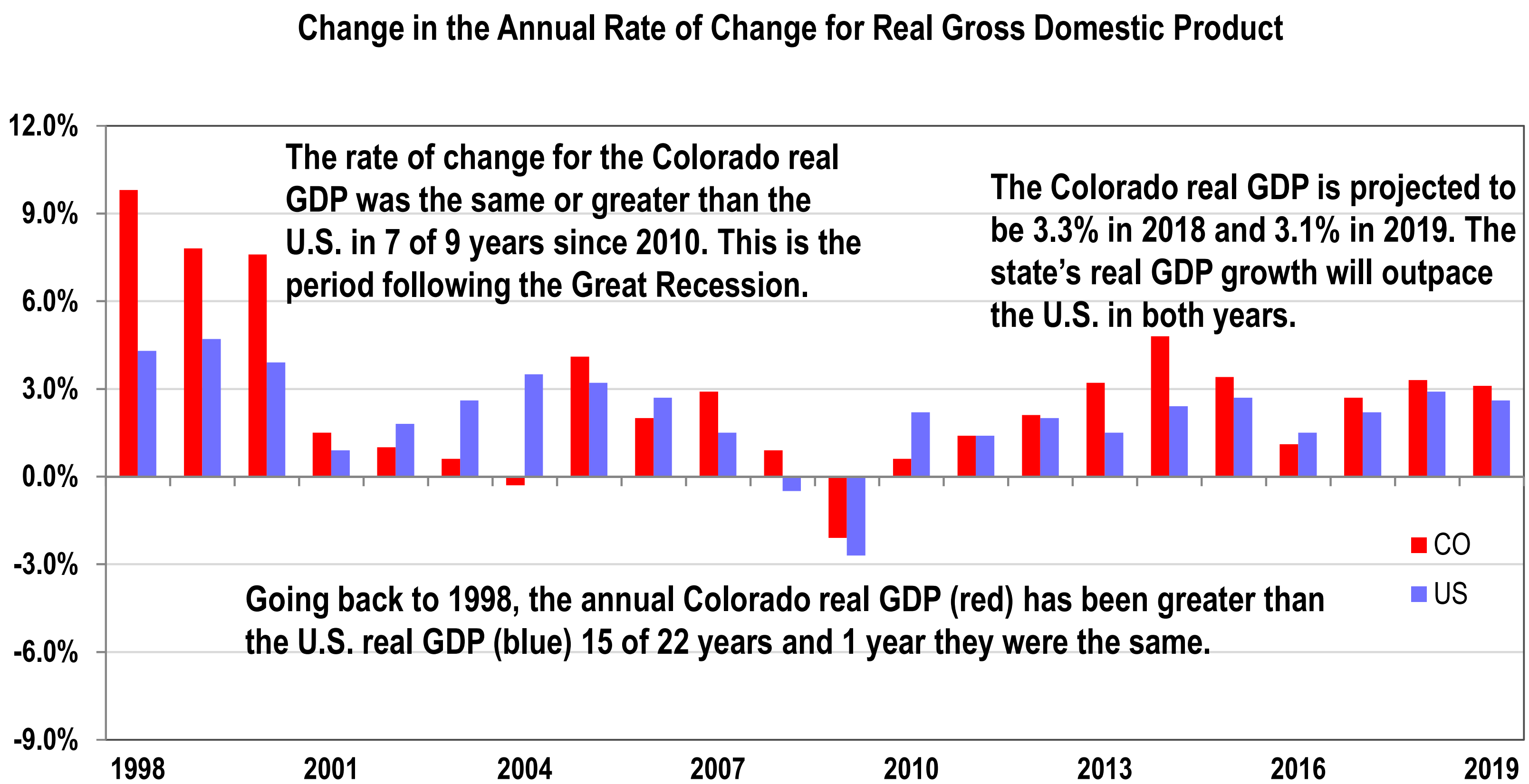
- **Global and U.S. Real GDP** – Global and U.S. real GDP growth will be slower in 2019.
- **Recession** – Economic growth at a slower rate is not a recession.
- **Global Geopolitical Tensions** – Which country is next?
- **Brexit** – Brexit is up in the air.
- **Consumption and Investment** – Consumers will continue to spend; business investment will be modest
- **Inflation** - The Fed will keep inflation in check, slightly below the target rate.
- **Unemployment** - The national unemployment rate will continue to decline. Companies will be challenged to find trained workers.
- **Jobs** - The U.S. will add jobs at a slightly slower pace than 2018.
- **Interest Rate Increases** - The increase in interest rates by the Fed will reduce demand for housing and durable goods.
- **Manufacturing** - U.S. manufacturers will face headwinds from the softening global market, particularly China and Europe, as well as a stronger dollar.
- **Retail Trade** - The retail industry will continue to evolve, e-commerce will increase, consumers will continue to spend, and vehicle sales will fall below 17 million in 2019. Retail sales will increase by 3.8% to 4.3% in 2019.
- **Corporate Profits** - Corporate profits will be weaker in 2019.
- **Construction and Housing** – Demand for residential and commercial construction will continue to be solid, but slower. Housing prices will continue to appreciate at a slower rate.
- **Equities** – There is a school of thought that the selloff in Q4 2018 will make for solid growth in 2019. Trade tensions with China, a slower global economy, inflation, and the number of Fed rate increases will determine whether the bulls return.
- **Price of Oil** - The price for a barrel of oil will be in the mid-$50s.
- **Political and Social Divide** - The performance of the economy will be strong enough that it is not impacted by these issues.
- **Productivity** – Labor productivity continues to be a concern.
- **Debt** – Personal, student loan, corporate, and government debt may become a long-term issue.
- **Mother Nature** - Natural disasters (hurricanes, fires, floods, etc.) will continue to disrupt state and regional economies.

The Colorado Economy

The Colorado Economy
Real Gross Domestic Product

Real Gross Domestic Product

Colorado vs. U.S. (Annual)



Source: Bureau of Economic Analysis. Note: U.S. real GDP is summary of states GDP.

The Colorado Economy

Population Components of Change

Colorado Population

Components of Change

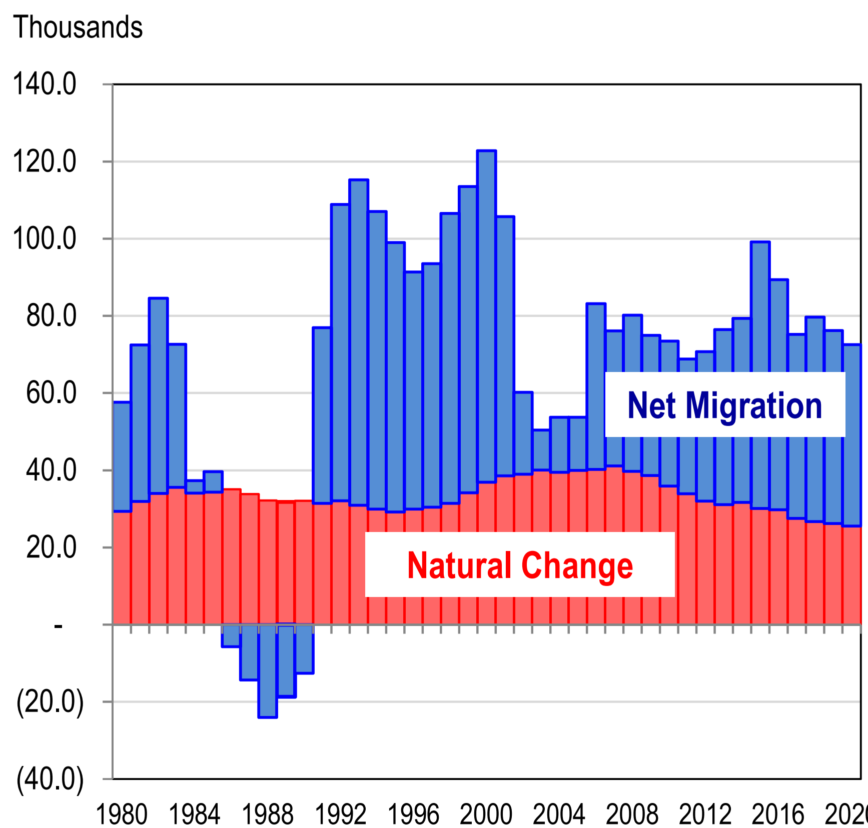
Population increases and decreases are a result of the natural rate of change (births minus deaths) and the change in net migration (people moving into the state minus people moving out of the state).

Over the past 3½ decades the natural rate of change (red bars) varied from a low of 26,700 in 2018 to a peak of 41,124 in 2007. Fertility rates have declined. As a result, the natural rate for 2019 will be 26,200.

Changes resulting from net migration (blue bars) are closely tied to the strength of the economy and the change in state employment. For example, there were five years, from 1986 to 1990, when net migration was negative. More people moved out of state than moved into the state to escape the regional recession. During the past two recessions (2001 and 2007), net migration declined, but did not turn negative. It was difficult for people to move anywhere to escape the bad economy.

The Colorado population will increase by about 75,000 for the years 2016 to 2020. In 2019 the state's population will increase by 1.3% to 5,765,527.

Change in Colorado Population 1980 - 2019



Sources: State Demography Office and cber.co.
Colorado-based Business and Economic Research http://cber.co

The Colorado Economy

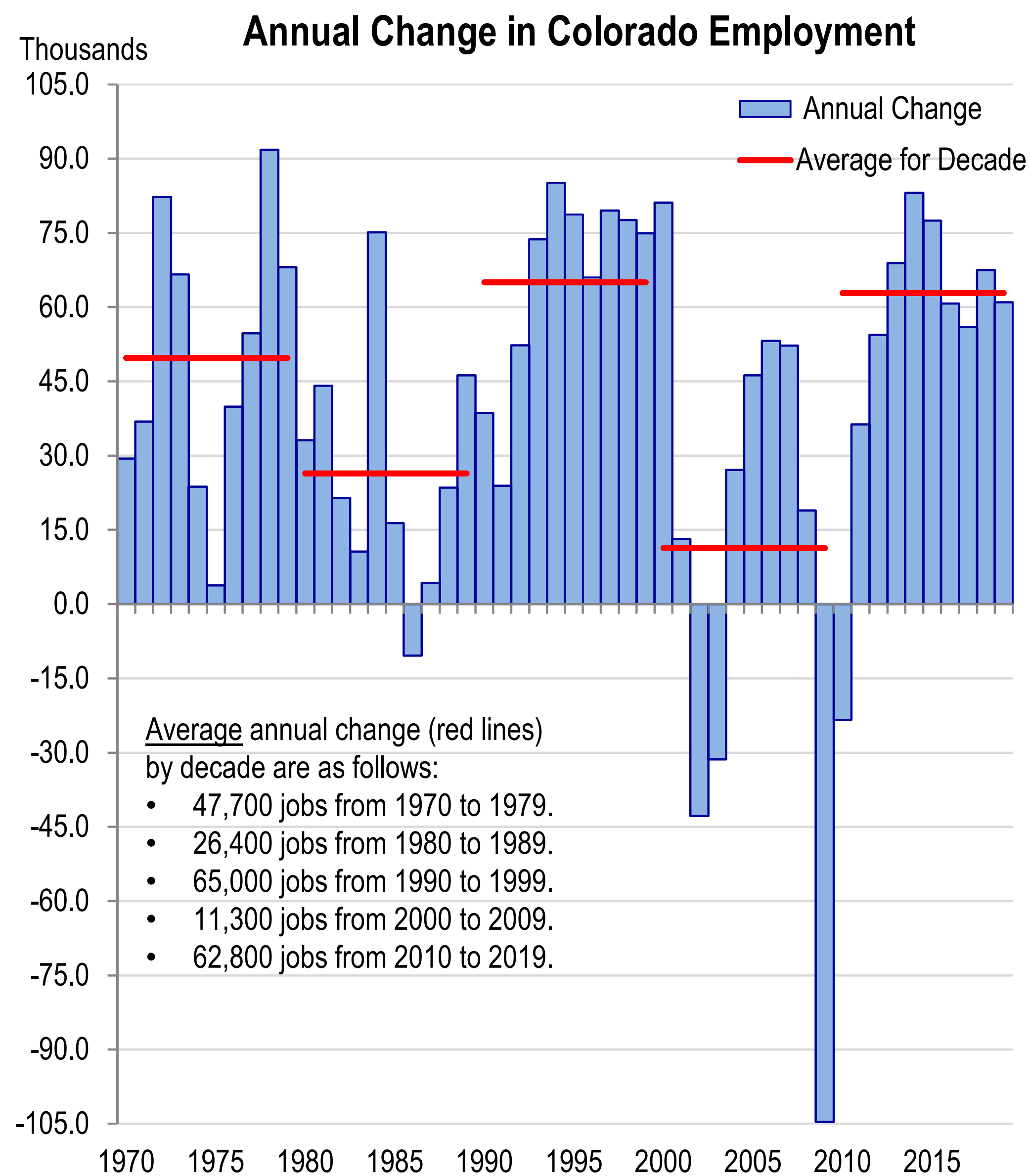
Employment, Unemployment Rate, and the Unemployment Gap

Annual Employment Change in Colorado Employment

In 2018 the cber.co forecast indicated that Colorado would add 51,400 to 57,400 jobs, with employment most likely to be the midpoint of that range, 54,700.

Employment for 2018 is estimated to be 67,500, or growth of 2.5%. All economists were fooled by the strength of the economy in 2018.

Job growth peaked in the summer of 2018. It remained strong, but it tapered off in the second half of the year. The momentum from 2018 will carry forward into the first half of 2019; however, job growth is projected to be slower in the second half of the year. Employment growth for 2019 will be 61,000 workers, an increase of 2.2%. On average this is about 5,100 workers per month.



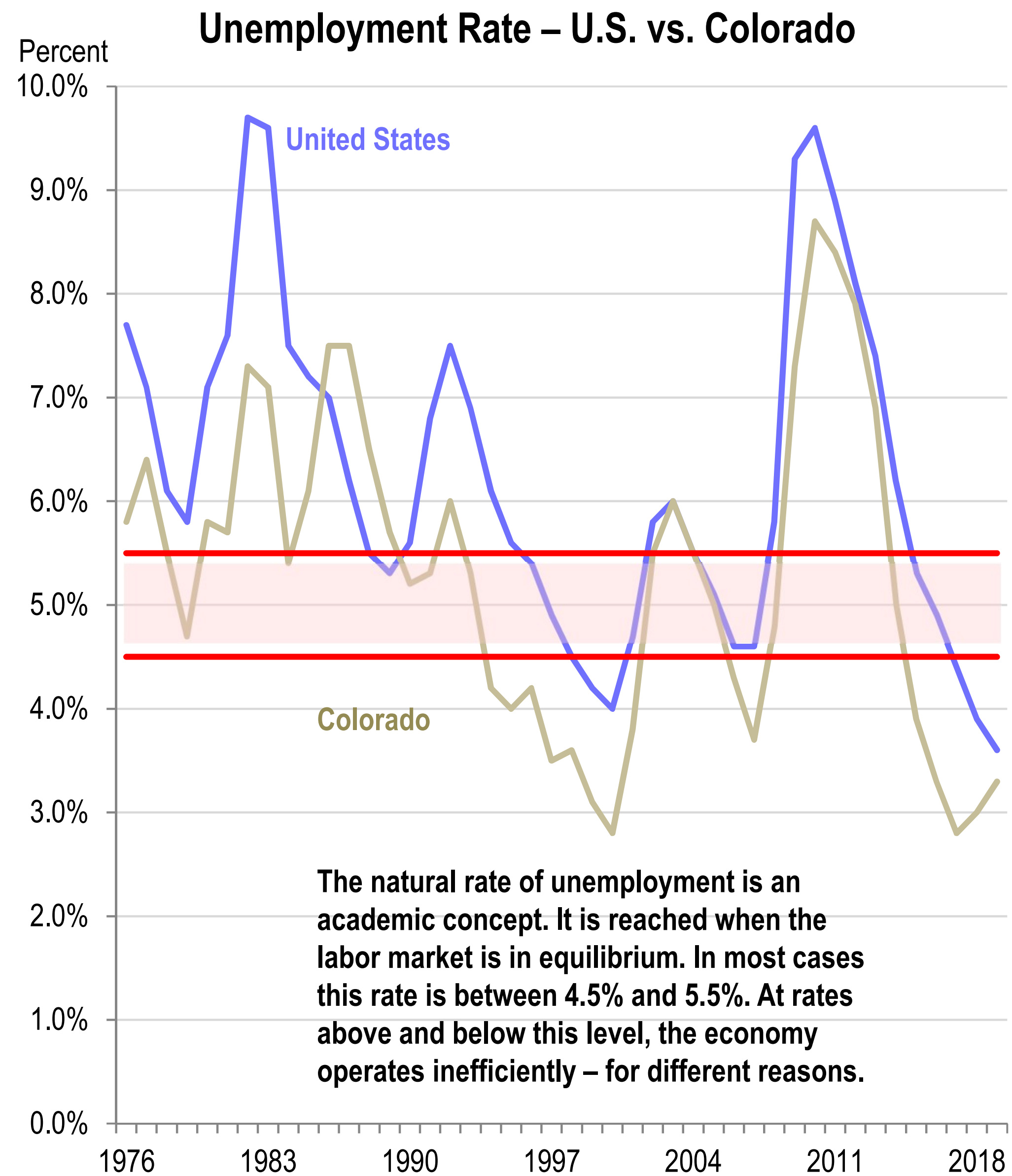
Source: Bureau of Labor Statistics, cber.co.

Unemployment Rate vs. Colorado

In 2019, the annual unemployment rate for the U.S. will decline to 3.6%. In the past 50 years only 1969 was lower at 3.5%. The Colorado rate will increase for the second consecutive year from 3.0% in 2018 to 3.3% in 2019.

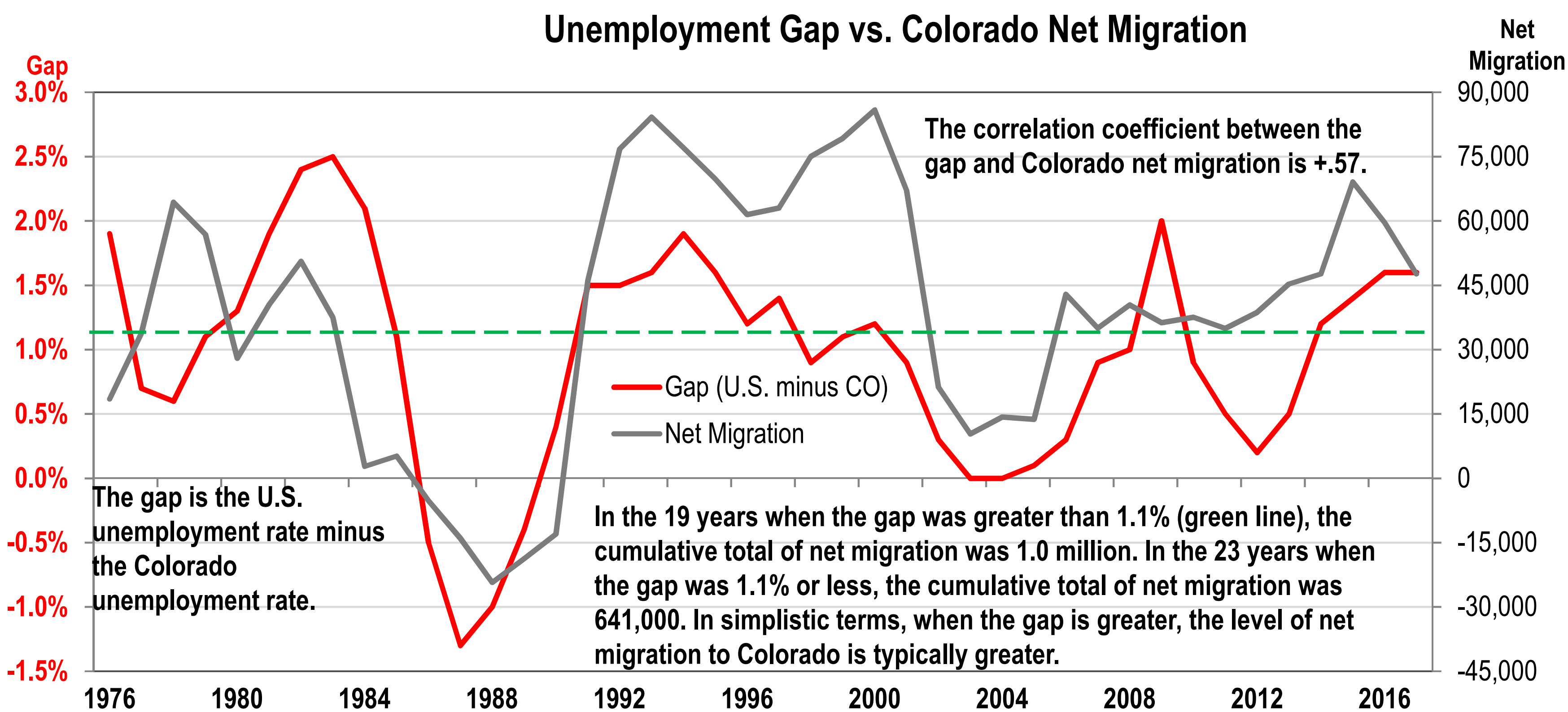
The U.S. unemployment rate has declined since 2010 when it was 9.6%. The unemployment rate will be lower in 2019 as the labor participation rate continues to increase. The rate has been below 4.7% since 2017.

The Colorado unemployment rate peaked in 2010 at 8.7%. It bottomed out in 2017 at 2.7%. The rate has been below 4.5% since 2015.



Source: Bureau of Labor Statistics, NSA; cber.co.

The Unemployment Gap (U.S. Rate Minus CO Rate)
The Gap vs. Net Migration



Source: Bureau of Labor Statistics, State Demographers Office, cber.co.

Colorado Unemployment Rate

Unemployment will continue to remain low, below the natural rate of unemployment, for an extended period. As a result, the state economy will continue to perform in an inefficient manner.

There are companies in all sectors that are not adequately staffed. Unfortunately, their customers often have to deal with poor service and long wait times – in some cases there is even no service.

Given the low U.S. unemployment rate, most states are facing similar challenges as Colorado. There are low unemployment rates in key occupations, key industries, and in most geographic areas of the state and U.S.

Just as there was no place to hide from the high unemployment rates of the Great Recession, there is no place to hide from the ill effects of an unemployment rate that is too low. Having said that, it is much better to deal with an unemployment rate that is too low than to deal with one that is too high.

The Colorado Economy

Colorado Employment Forecast - Strong Growth, Solid Growth, Volatile Categories

Colorado Economic Forecast
Sector Portfolio Analysis

Background of the cber.co Forecast

In 2012-2013, cber.co evaluated the accuracy of other state employment forecasts to find a way to more accurately forecast total employment.

Then, it analyzed BLS data from 1990 to 2012 based on a number of factors that measured change. From that analysis, 23 sectors and subsectors were grouped into three categories (strong growth, solid growth, and volatile growth).

This portfolio approach has made it easy to see that some sectors consistently have a higher rate of growth and some sectors have a consistent, but lower rate of growth. Others are more volatile.

Overview of the cber.co Forecast Methodology

Each year, cber.co prepared three forecasts of total employment for Colorado.

1. The first forecast projects total employment and job growth for the past two years and the next year.
2. The second forecast includes projections for the strong, solid, and volatile growth categories. The projections for these categories are summed for the state total.
3. The difference between the two forecasts is reconciled to produce the final forecast.

Key Sectors

Strong Growth, Solid Growth, and Volatile Categories

The following slides show the change in employment for sectors in the strong growth, solid growth, and volatile categories.

- The green bars represent sectors from the strong growth category.
- The yellow bars represent sectors from the solid growth category.
- The red bars represent the volatile category.

The state is projected to add 61,000 jobs in 2019.

The total jobs added by category follows:

- Strong Growth 23,000 jobs
- Solid Growth 15,800 jobs
- Volatile 22,200 jobs.

Annual Employment Situation for the Strong Growth Category

For almost three decades the following sectors have been the foundation for consistent growth in Colorado employment.

- Professional, Scientific, and Technical Services
- Management of Companies and Enterprises
- Administrative Services (Not Employment Services)
- Private Education
- Higher Education (Public)
- Health Care
- Arts, Entertainment, and Recreation
- Other Services.

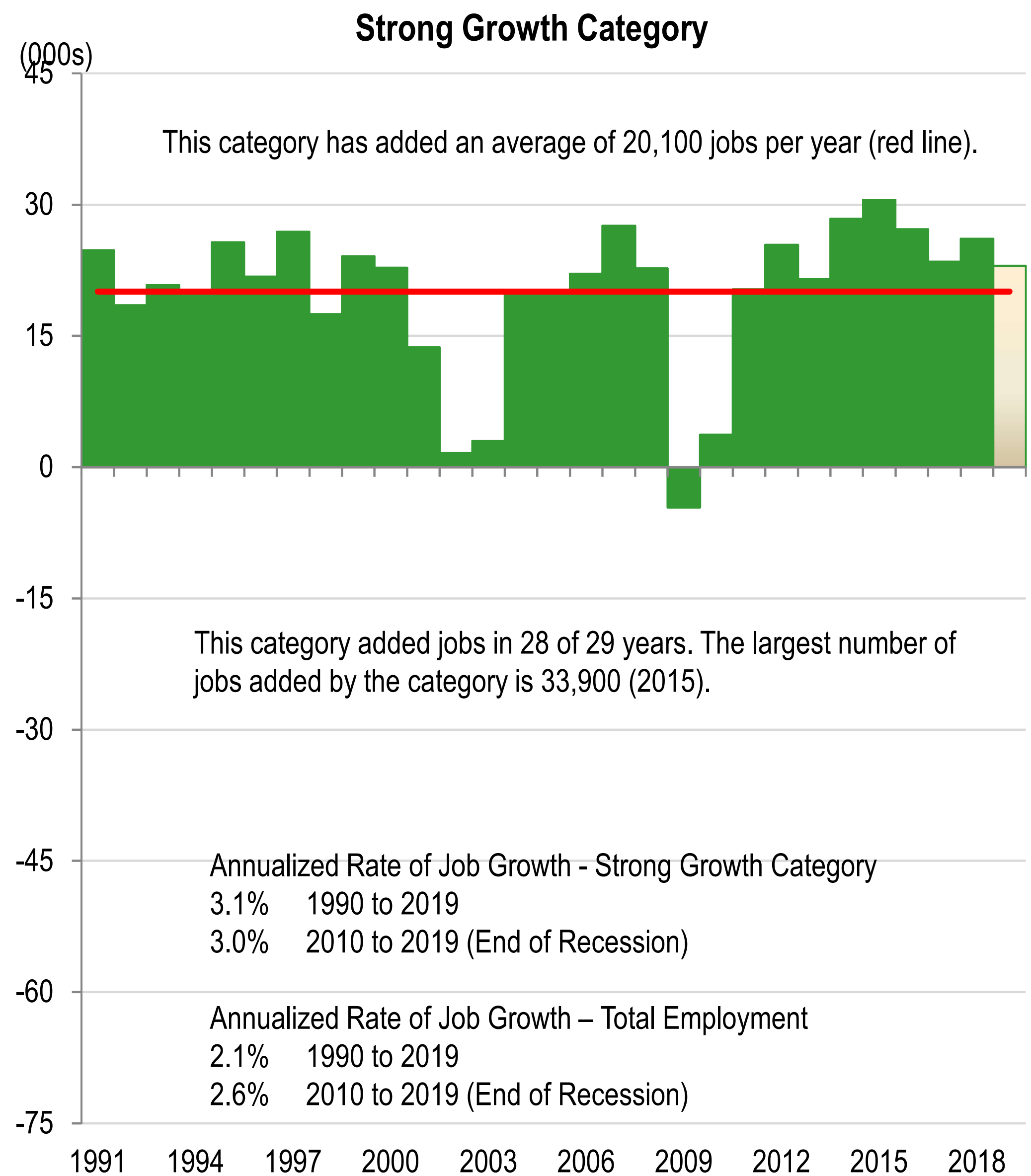
Total employment for this category was:

1998 581,900 workers, 28.3% of total employment

2008 759,300 workers, 32.3% of total employment

2018 964,700 workers, 35.4% of total employment

In 2019, 23,000 workers will be added at a rate of 2.4%. The number of jobs added is less than 2017.



Source: Bureau of Labor Statistics, cber.co.

Annual Employment Situation for the Solid Growth Category

For almost three decades the following sectors generally posted gains. The category posted stronger jobs gains during the 1990s than the 2000s and 2010s.

- Wholesale Trade
- Retail Trade
- State (Not Higher Education)
- Local (Not K-12 Education)
- K-12 Education
- Accommodations and Food Services.

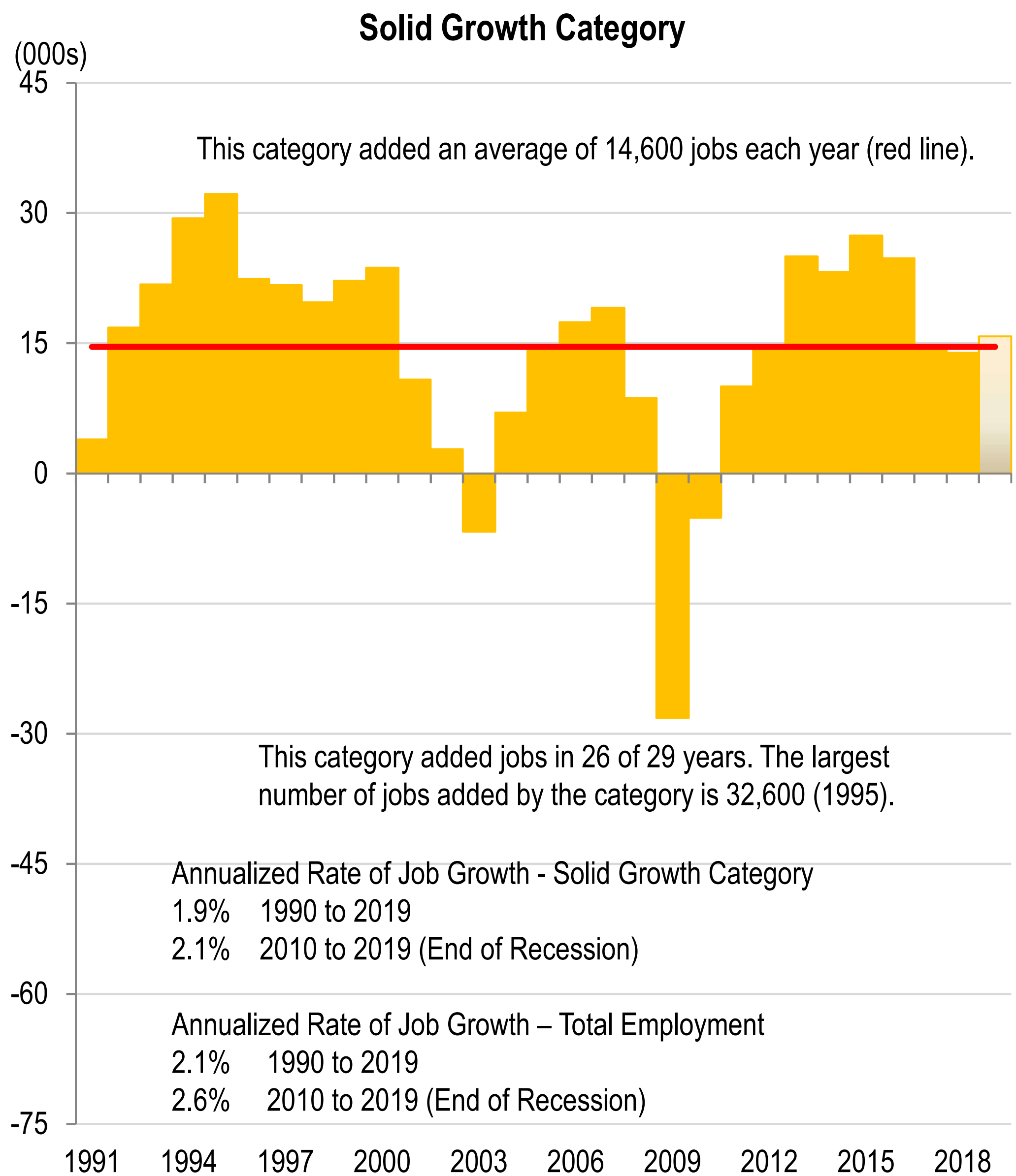
Total employment for this category was:

1998 763,400 workers, 35.8% of total employment

2008 856,100 workers, 36.4% of total employment

2018 975,500 workers, 35.8% of total employment

In 2019, 15,800 jobs will be added, at a rate of 1.6%. The number of jobs added is greater than 2018.



Source: Bureau of Labor Statistics, cber.co.

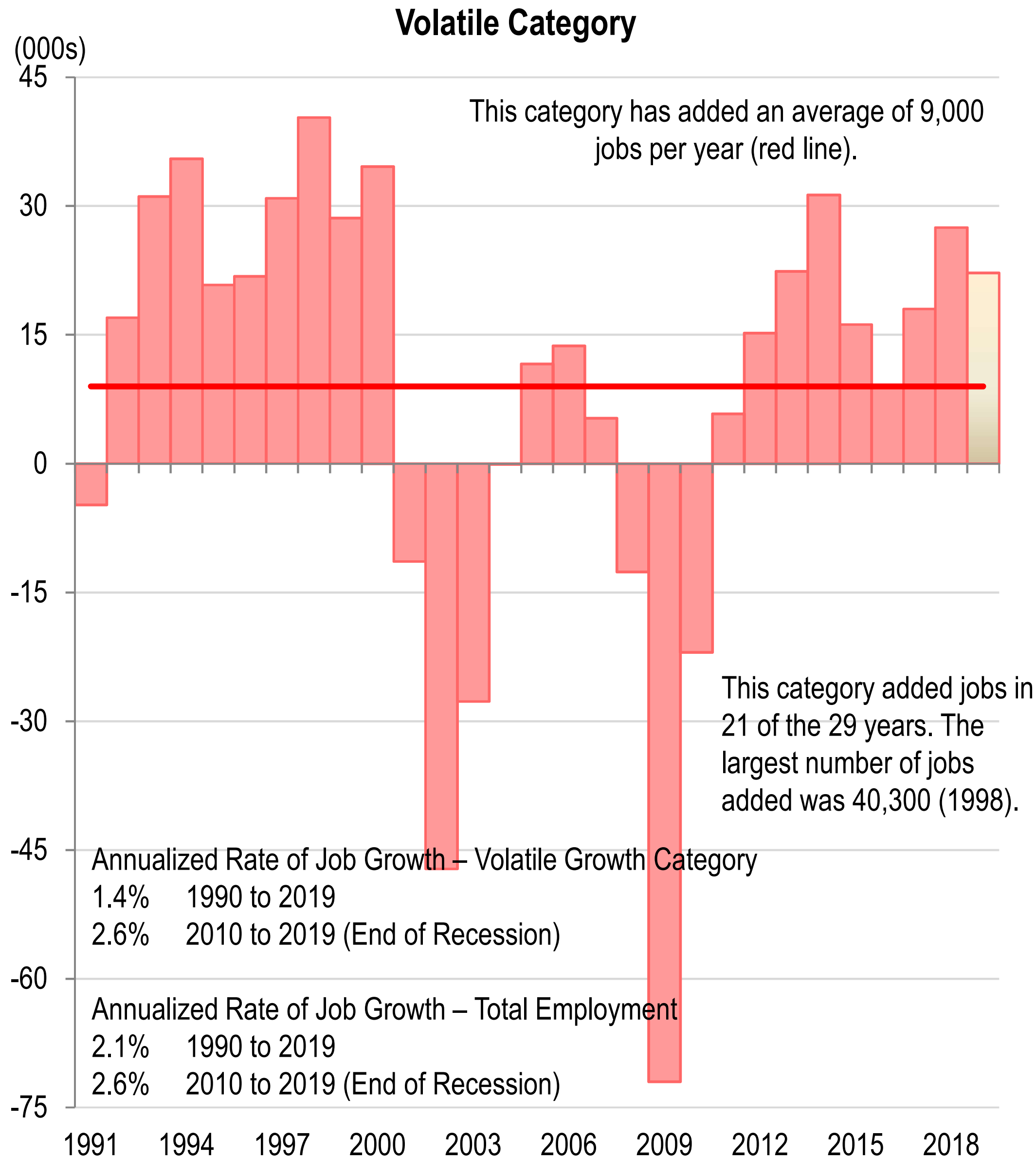
Annual Employment Situation for the Volatile Category

For almost three decades the sectors listed below were the primary source of volatility in total employment.

The sectors are:
- Natural Resources and Mining
- Construction
- Manufacturing
- Transportation and Warehousing
- Utilities
- Employment Services
- Financial Activities
- Information
- Federal Government.

Total employment for this category was:
1998 739,200 workers, 35.9% of total employment
2008 734,400 workers, 31.3% of total employment
2018 785,700 workers, 28.8% of total employment

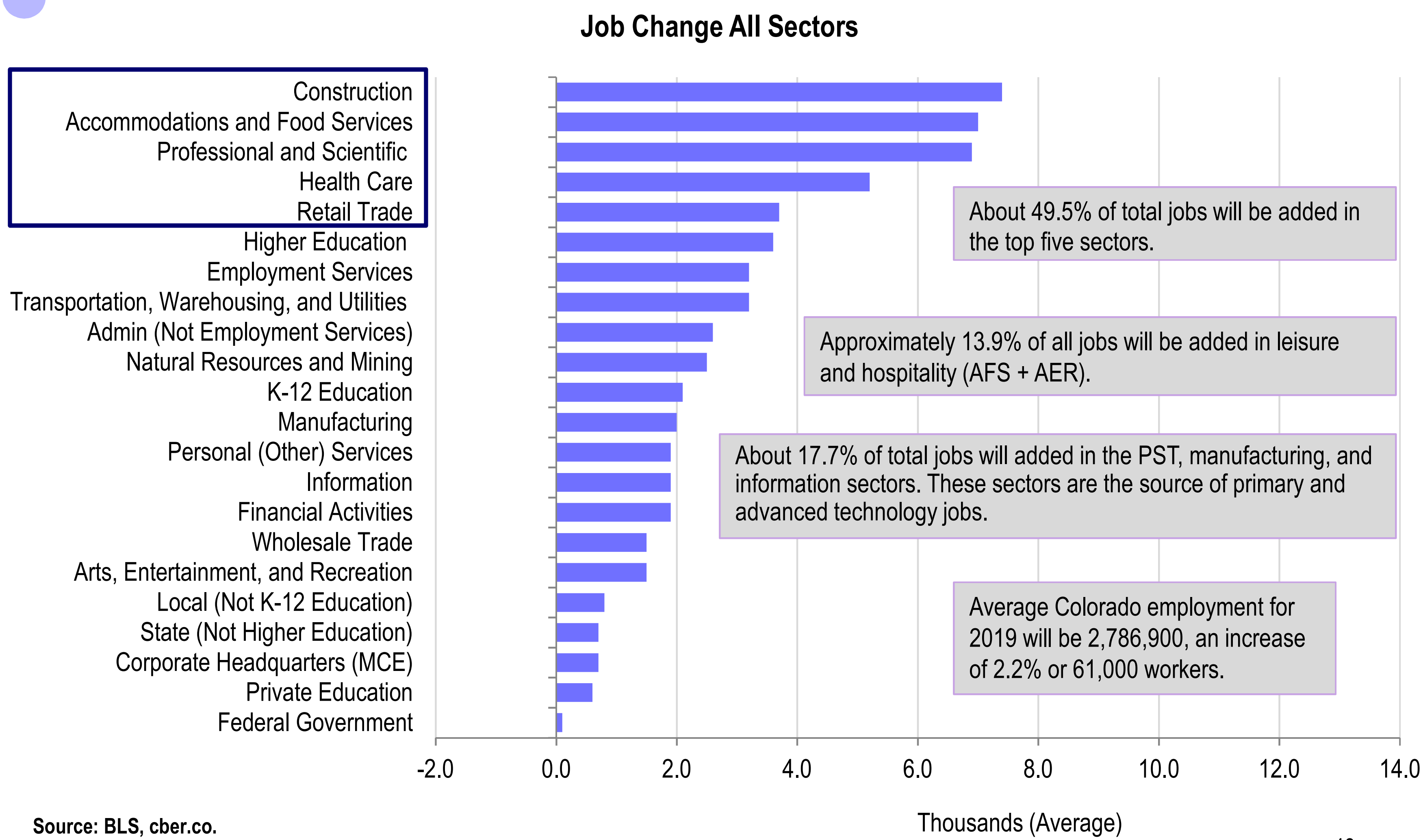
In 2019 22,200 jobs will be added, at a rate of 2.8%. The number of jobs added is less than 2018.



Source: Bureau of Labor Statistics, cber.co.

Change in Employment by Sector

2019 Forecast



Source: BLS, cber.co.

The Colorado Economy

Housing and Construction, Inflation, Oil, State Government Revenue

The Impact of Housing and Construction, Inflation, Extractive Industries, and State Government Revenue

Obviously, all sectors have an impact on the growth rate of the state economy. This section looks at the impact of housing and construction, inflation, oil, and state government revenue.

Housing

Colorado housing prices are continuing to increase at a faster rate than the nation; however, that rate is slowing. The rapid appreciation in housing prices has been a major factor in Colorado having a higher rate of inflation than the U.S.

Construction Permits

There continues to be demand for housing in Colorado, despite a lower rate of net migration. The sector has benefitted by winter weather than has been warmer and drier than usual. It has been challenged by the lack of trained and qualified workers. The number of construction permits will be lower in 2019 than 2018.

Inflation

The inflation rate will decrease slightly in 2019 as housing prices increase at a decelerating rate. Increased wages and interest rates will offset the deceleration in housing prices.

Oil

There will be record production of oil in Colorado again in 2019. The price of oil will remain volatile.

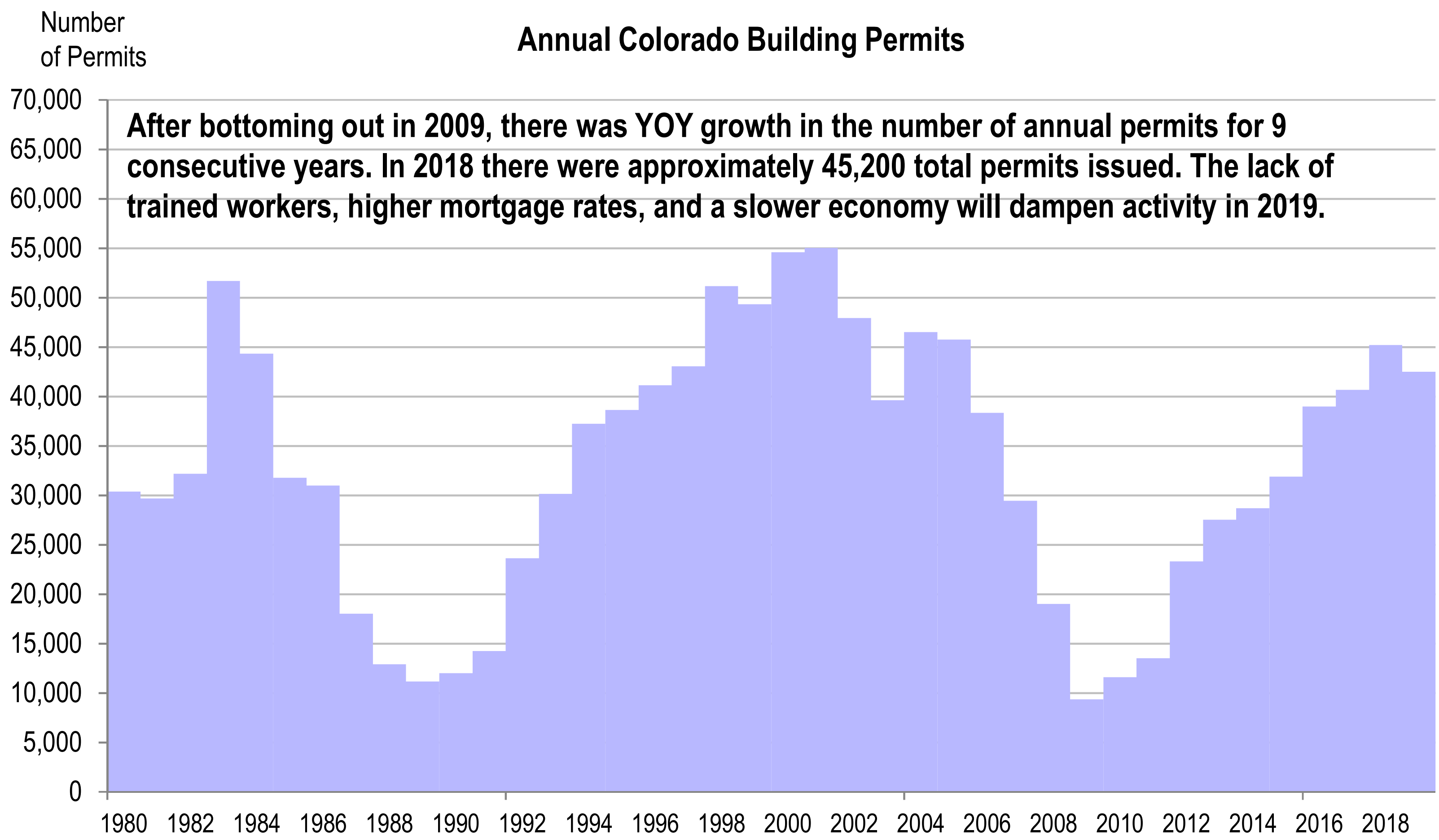
State Government Revenue

The state's General Fund will increase in 2019, although it will not be enough to meet the needs of the state, particularly in the area of transportation. As has happened in the past, there is likely to be overreach in the legislature and critical needs of the state will note be funded.

The Colorado Economy
Building Permits, Housing Prices, and Inflation

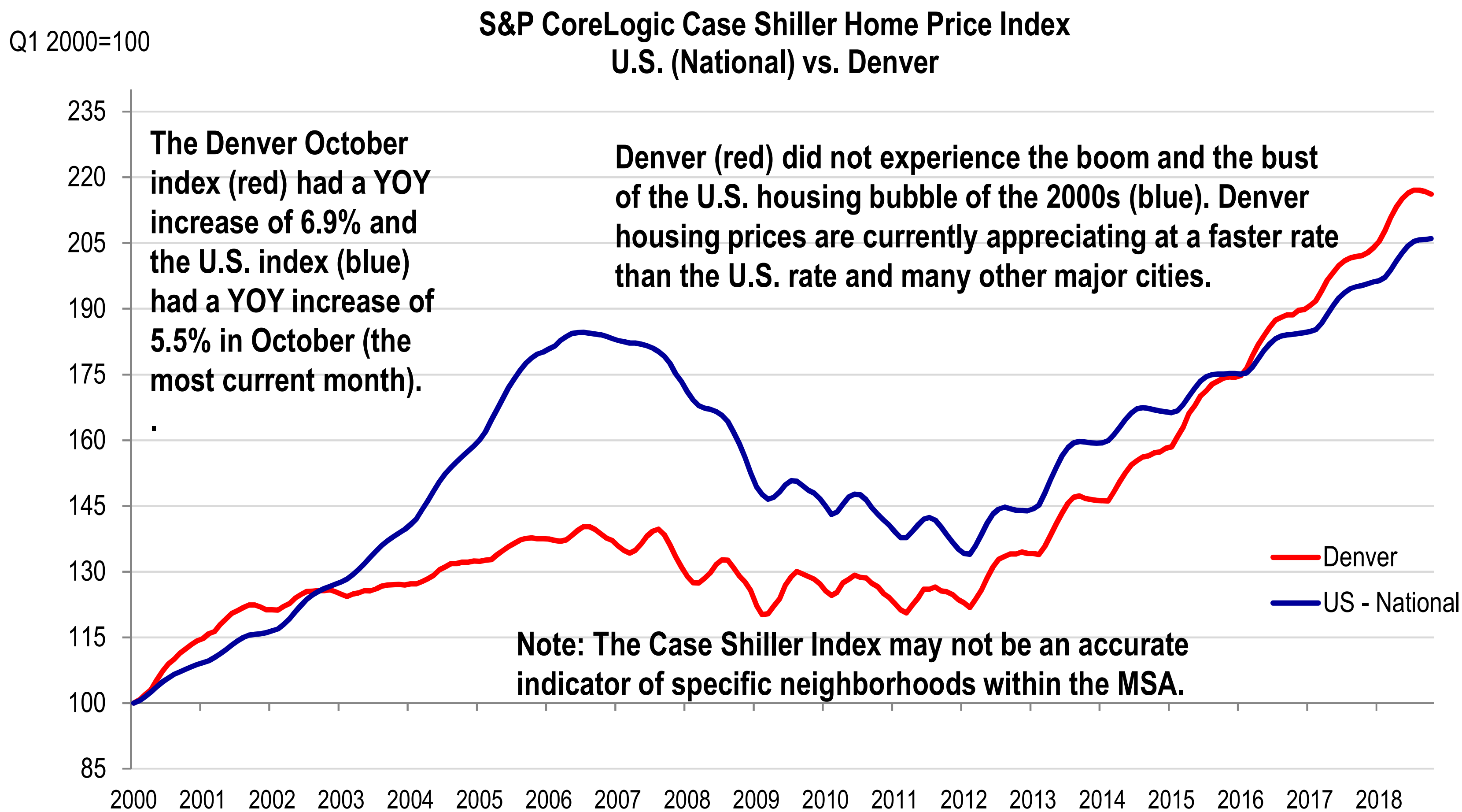
Colorado Residential Building Permits

Annual Number of Units



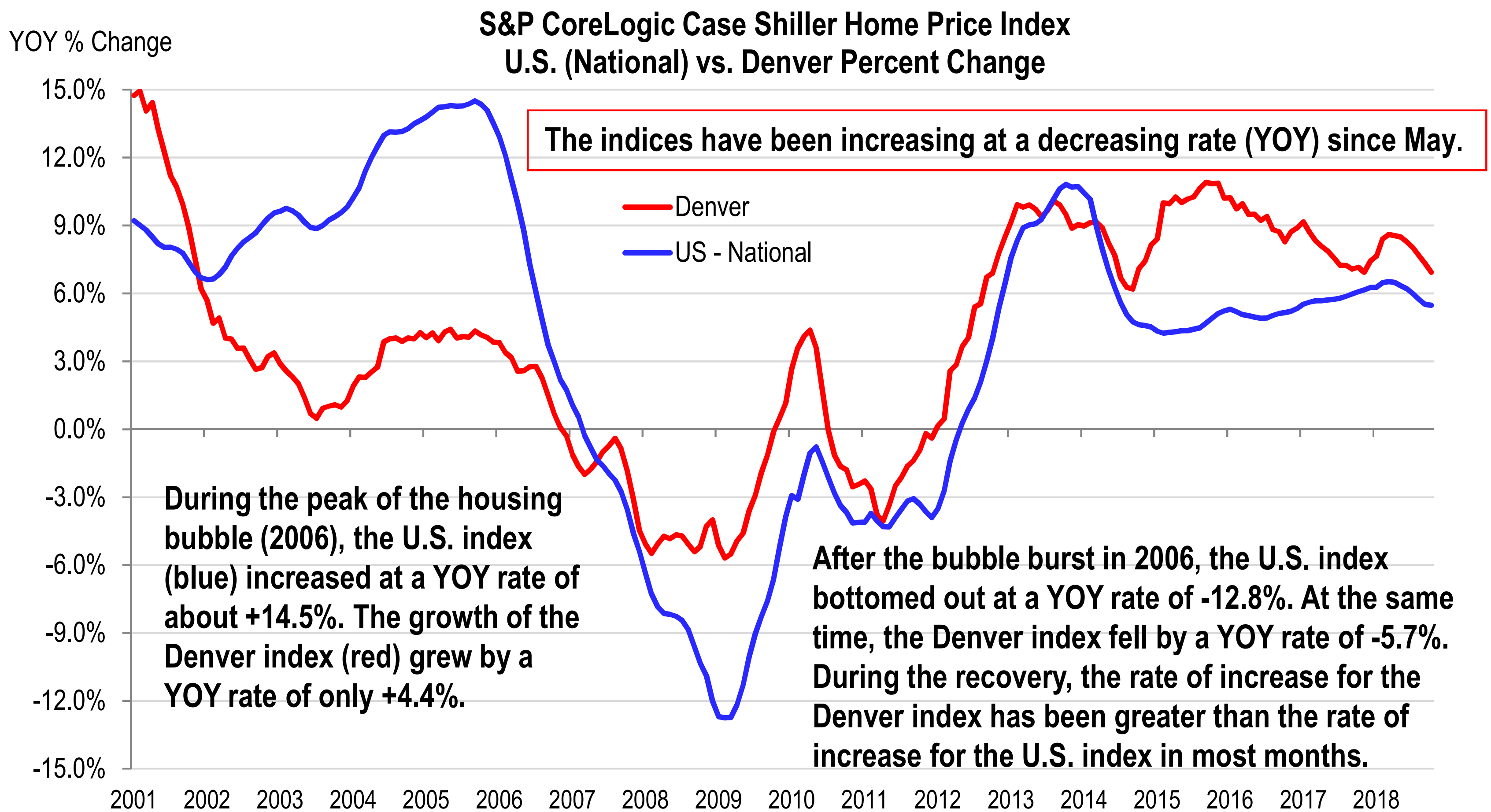
Source: TAMU Real Estate Center, U.S. Census Bureau, cber.co.

Case Shiller Home Price Index
National vs. Denver Index Value



Source: S&P Core-Logic Case-Shiller, cber.co.

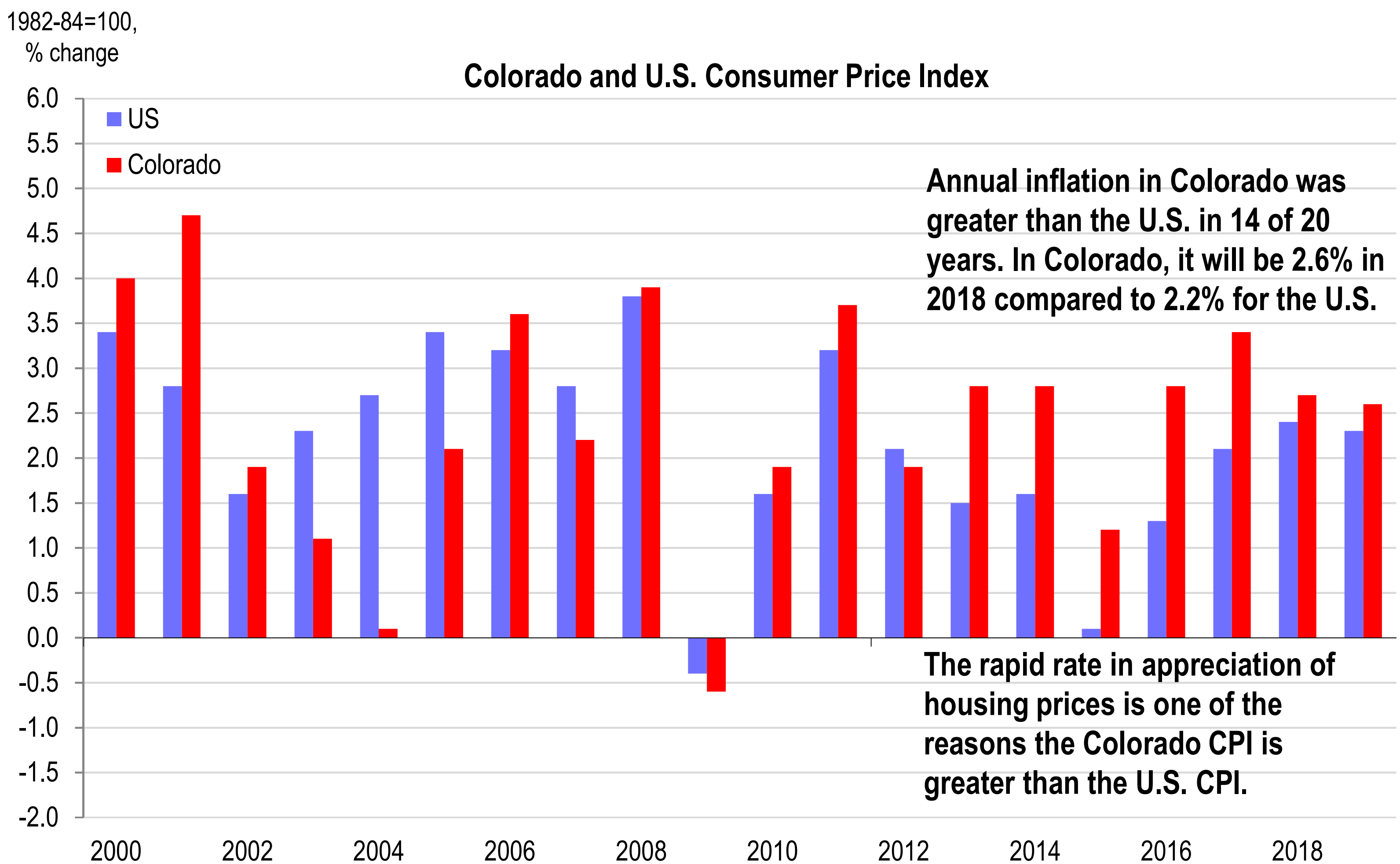
Case Shiller Home Price Index
National vs. Denver Rate of Change



Source: S&P Core-Logic Case-Shiller, cber.co.

Consumer Price Index (CPI)

Colorado vs. U.S.



Source: Bureau of Labor Statistics, SA, cber.co.

Housing Prices

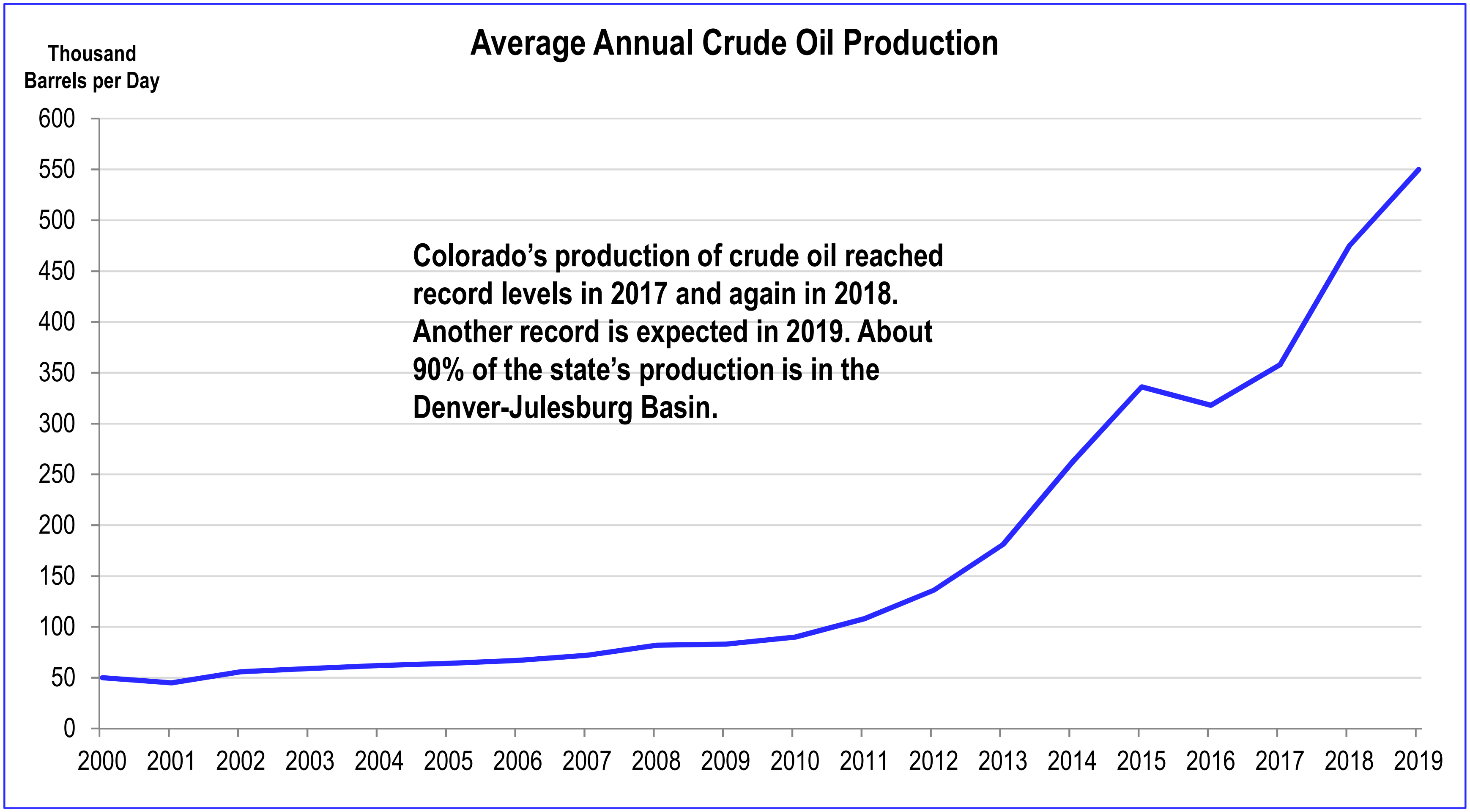
Given the strength of net migration in Colorado, it is likely there will be strong demand for housing. It is unlikely there will be a strong downturn in housing prices in the near term.

The Colorado Economy

Oil Production and Prices

Average Annual Field Production of Crude Oil

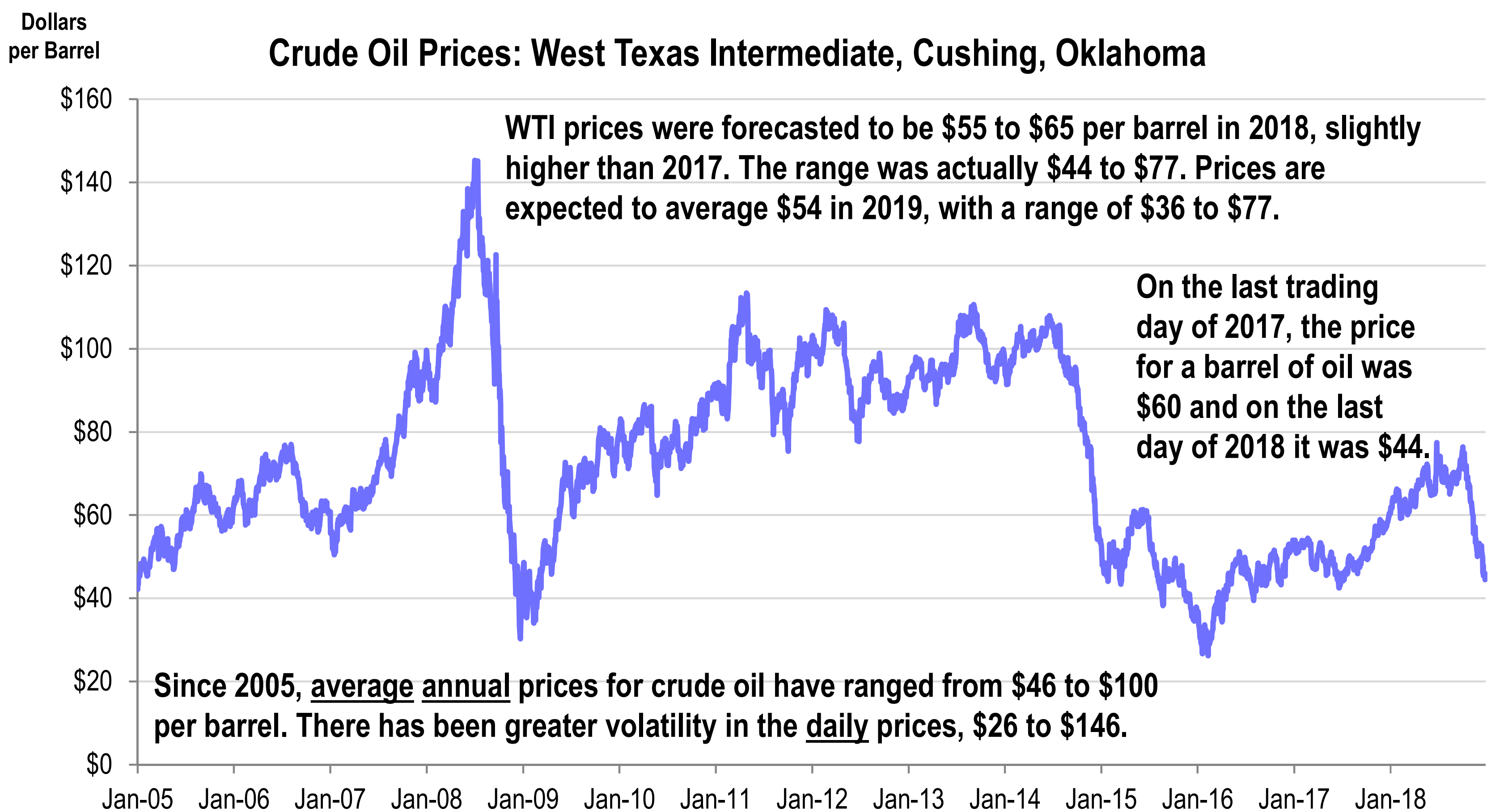
2011 to 2019 (Thousand Barrels per day)



Source: EIA, cber.co.

Crude Oil Prices

West Texas Intermediate



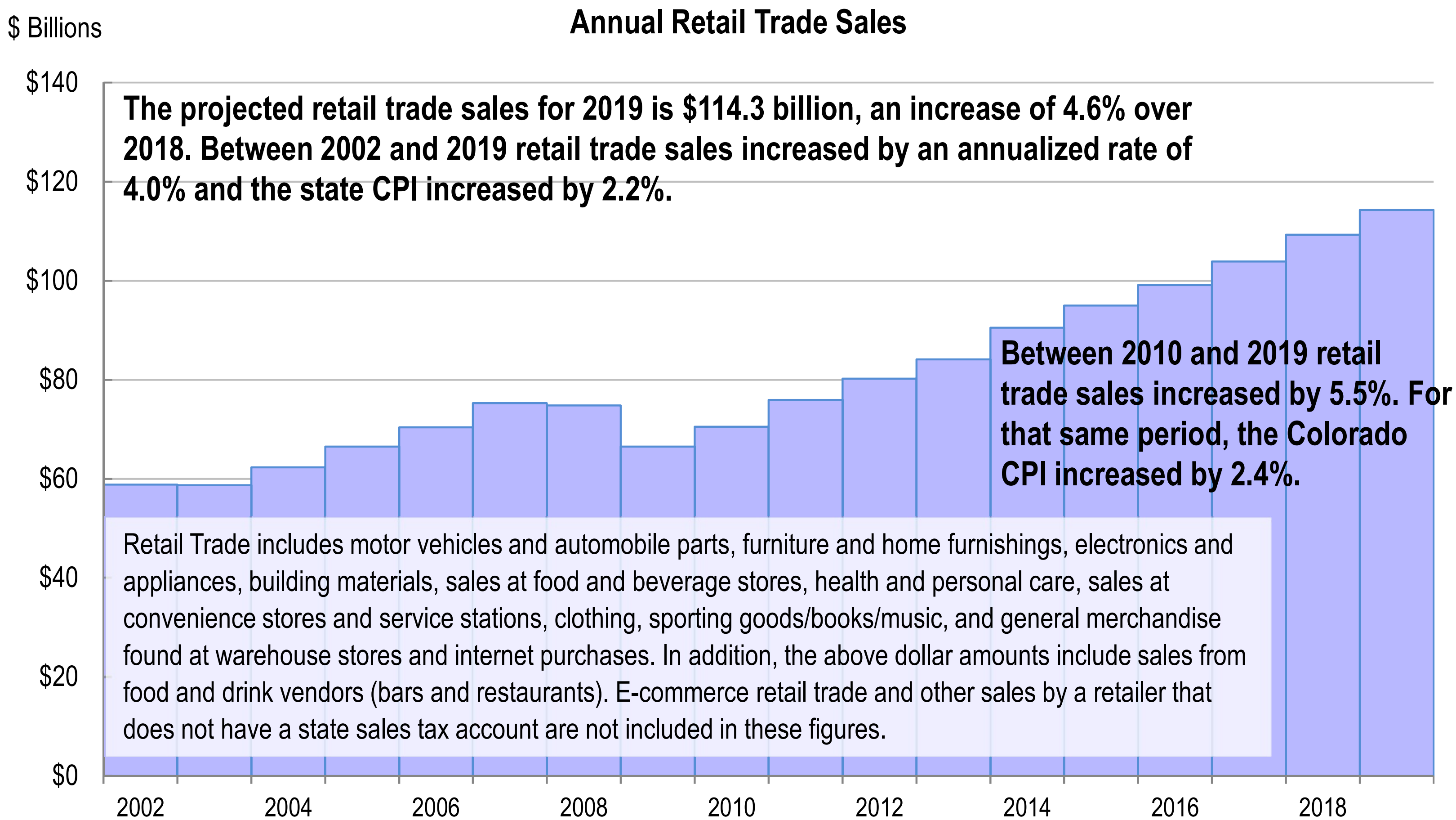
Source: FRED, EIA, cber.co.

The Colorado Economy

Retail Trade Sales

Colorado Retail Trade

Annual Sales



Source: OSPB, cber.co.

The Colorado Economy
State Government

The State of the State

Revenue and Economic Projections

This section shows General Fund revenue projections from 2018 to 2021. State government revenue streams, tax collections, fund essential services to businesses, residents, and visitors.

CLC and OSPB Projections

The following charts show some of the revenue and economic projections provided by the Colorado Legislative Council (CLC) and the Governor's Office of State Planning and Budgeting (OSPB).

CLC and OSPB Economic Forecasts

The December 2018 economic update provides estimates from Fiscal Year 2018 through Fiscal Year 2021. The Colorado Fiscal Year is July 1st through June 30th.

> The quarterly updates published by CLC and OSPB are recommended reading for those anxious to learn more about the Colorado economy and funding of the state government.

Gross General Fund Revenue

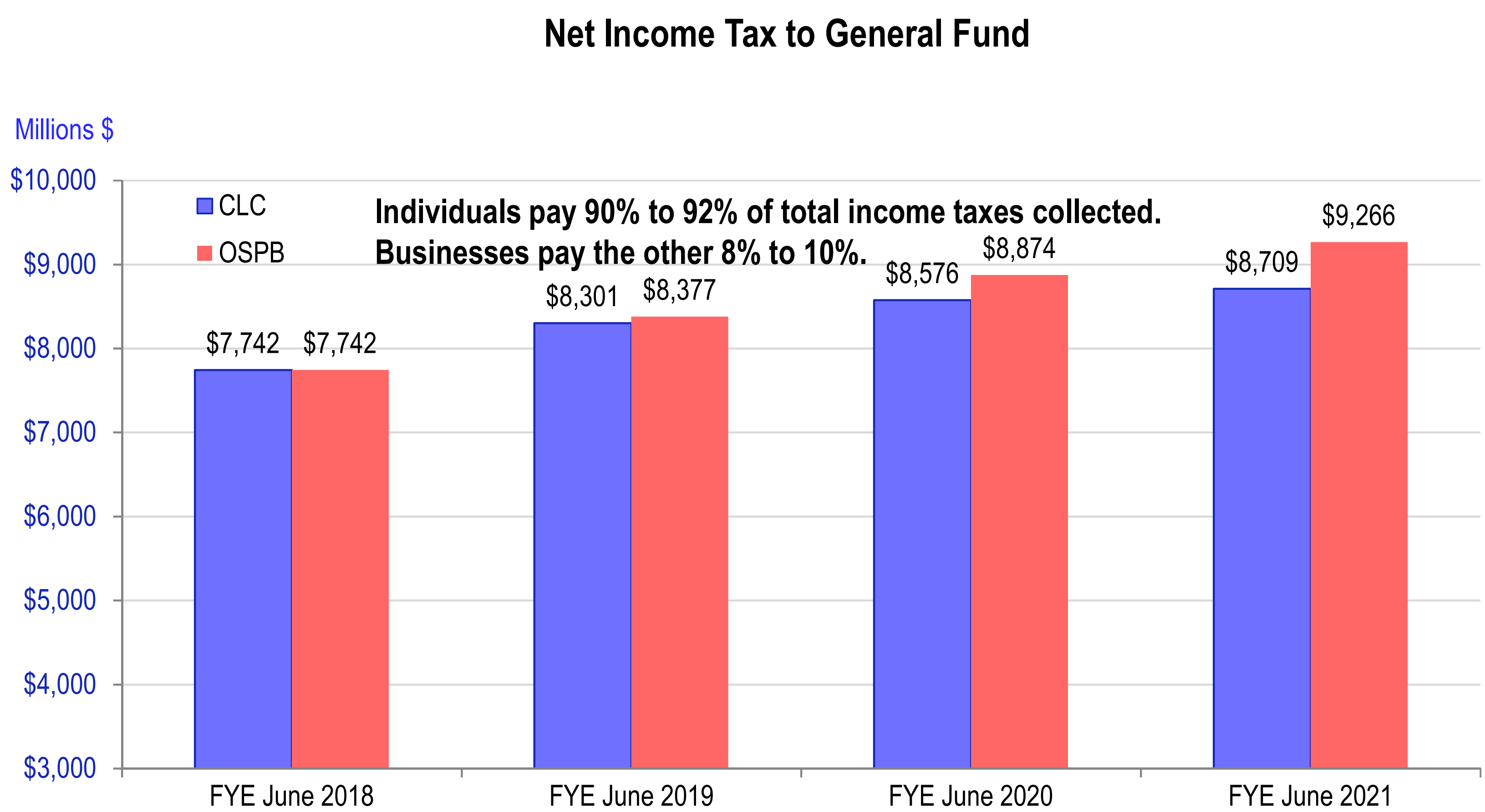
Net Income Tax Revenue accounts for about two-thirds of the Gross General Fund Revenue. Income Tax Revenue for FY 2019 is projected to be about $8.3 billion.

Excise and Sales Tax Revenue accounts for about 30% of the Gross General Fund Revenue. The Sales Tax Revenue for FY 2019 is projected to be slightly less than $3.8 billion.

Other Revenue accounts for about 3% of the Gross General Fund Revenue and includes a variety of miscellaneous sources.

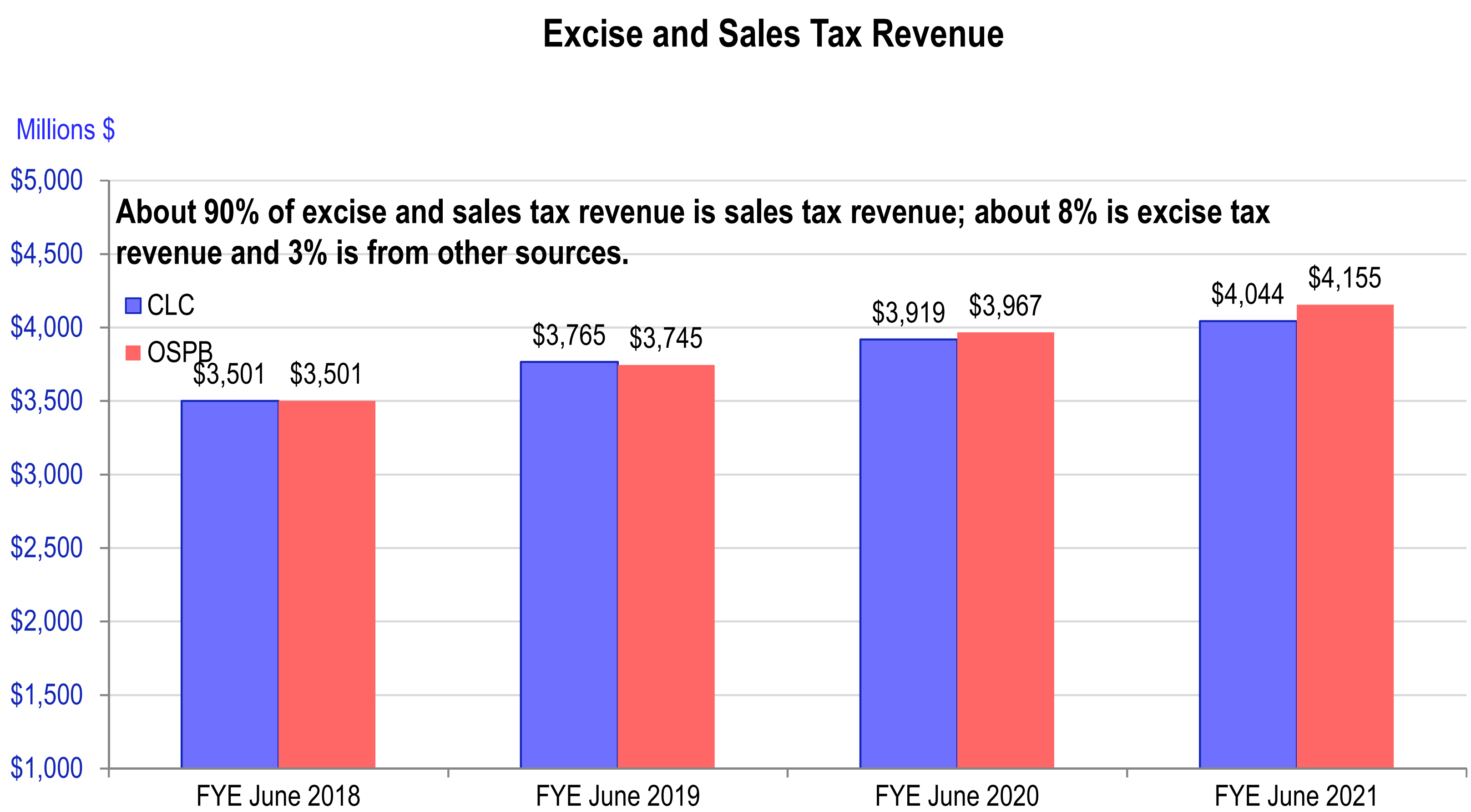
Gross General Fund Revenue for FY 2019 is the sum of the above 3 categories. Total revenue for 2019 is projected to be about $12.4 billion.

Colorado Net Income Tax



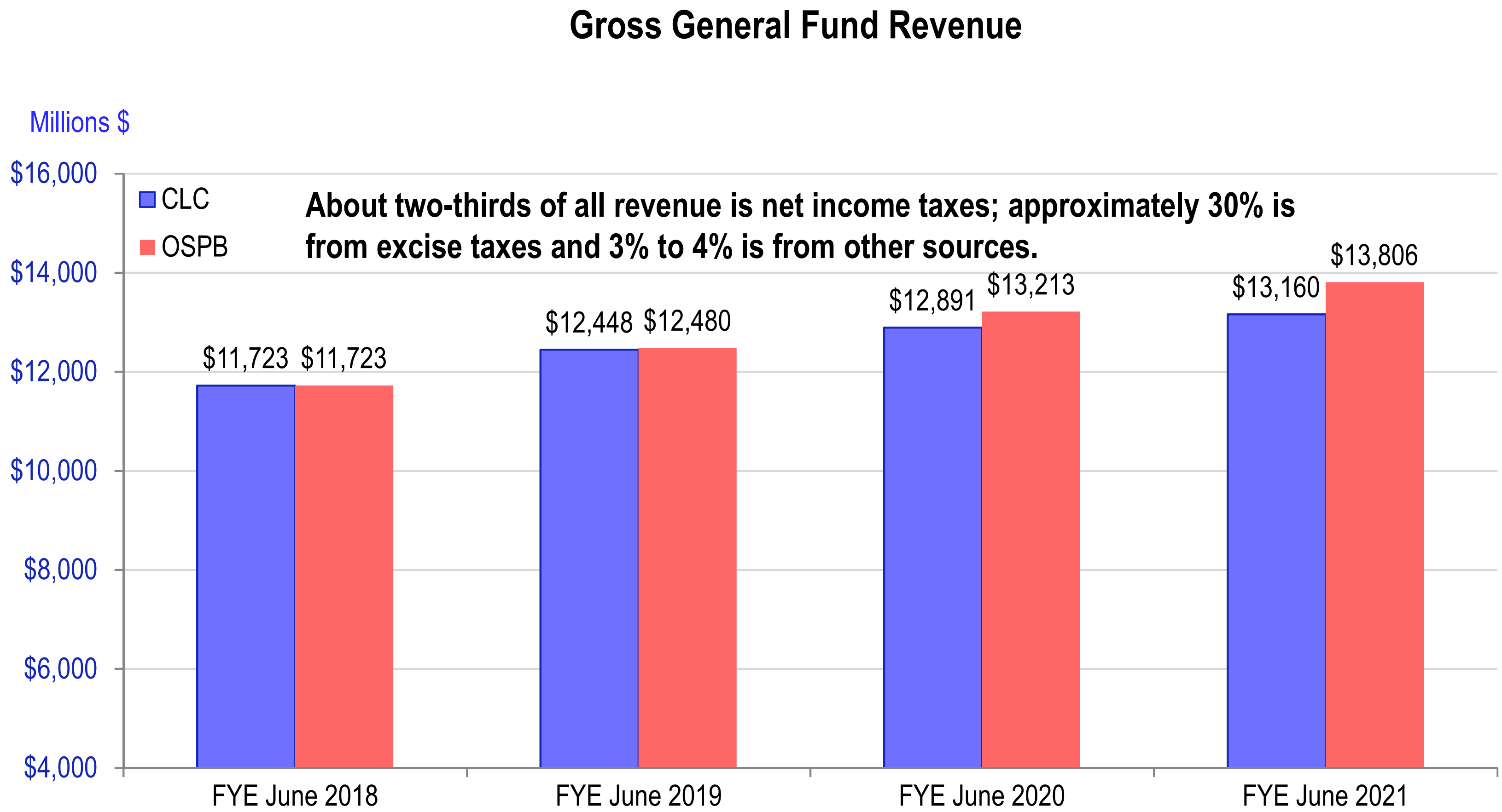
Source: Colorado Legislative Council and OSPB December 2017.

Colorado Excise and Sales Tax Revenue



Source: Colorado Legislative Council and OSPB, December 2017.

Colorado Gross General Fund Revenue



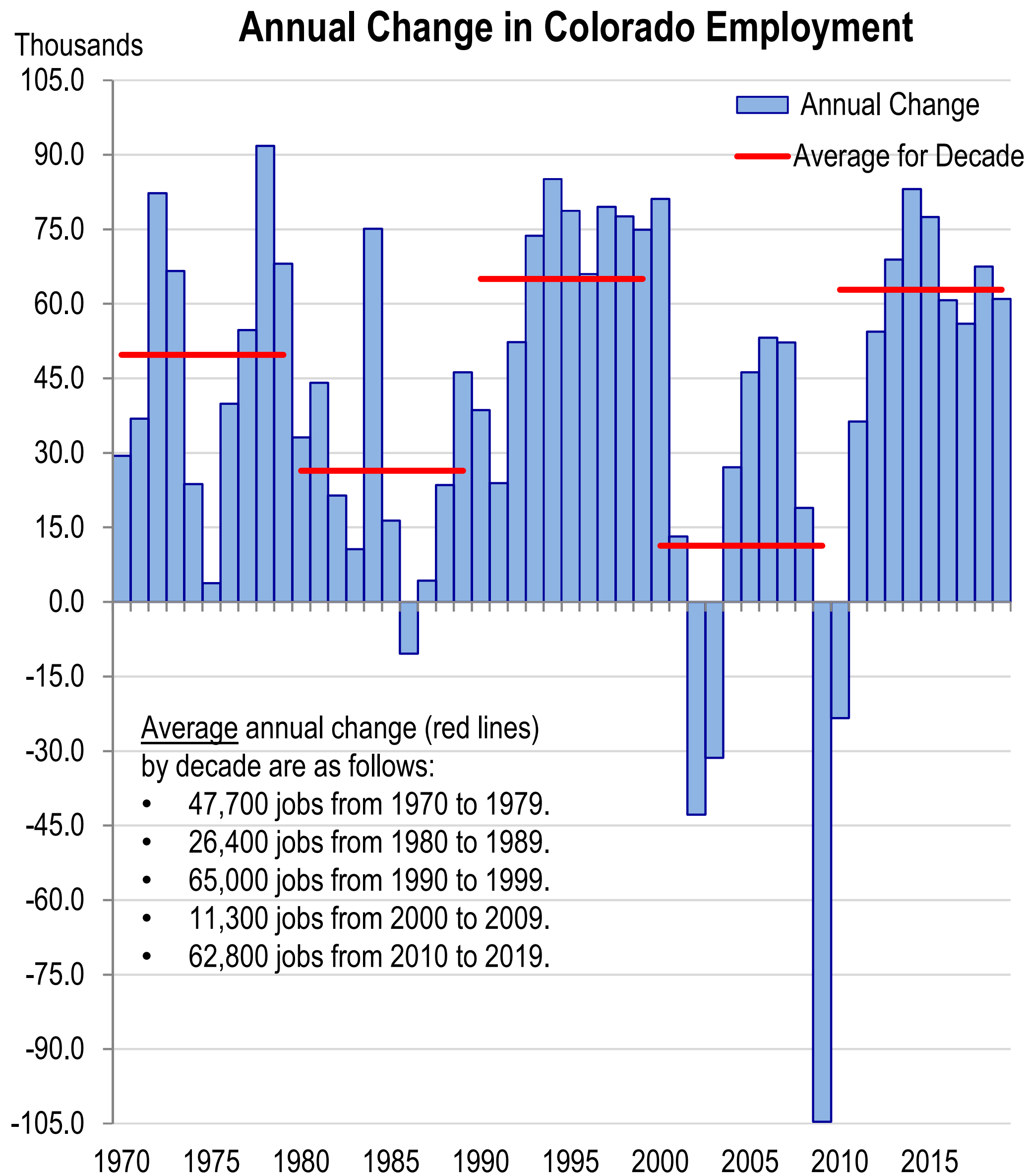
Source: Colorado Legislative Council and OSPB, December 2017.

The Colorado Economy
Summary

Annual Employment Change in Colorado Employment

There is momentum that will carry forward into the first half of 2019; however, job growth is projected to be slower in the second half of 2019. Employment growth for 2019 will average 61,000 workers, an increase of 2.2%.

The rate of job growth for Colorado will again be greater than the rate for the U.S. The forecast is in line with the slowing rate of growth in the global and U.S. economies.



Source: Bureau of Labor Statistics, cber.co.

The Colorado Economy in 2019

Watch for the Following in 2019

- **Colorado Economy** – In 2019, The Colorado economy will mirror the slowing in the Global and U.S. economies.
- **Real GDP** - The Colorado real GDP growth rate will be greater than the U.S. rate and will be driven by health care, real estate, and the extractive industries in 2019.
- **Net Migration** - Net migration has trended downward since 2015.
- The natural rate of increase in population will remain flat as a result of the decreasing fertility rate.
- **Employment** - Colorado job growth, 2.2%, will be less than 2018.
- **Unemployment** - The unemployment rate will increase to 3.3%.
- **Lack of Trained Workers** - The Colorado economy is not operating efficiently because the unemployment rate is too low. There are not enough qualified and trained workers in many sectors.
- **Colorado's Three Economies** – There are three economies in Colorado: Front Range, micropolitan areas such as Durango, and rural Colorado. It is an understatement to say that many rural counties are significantly challenged.
- **Retail/Accommodations and Food Services** - Retail trade and the AFS sector are evolving, in part because there are too many firms. Sales growth will reman solid, but employment growth will be modest.
- **Construction** – Construction along the Front Range has benefitted from the warm and dry winter, but it has been constrained by the lack of qualified workers.
- **State/K-12** - State government and K-12 education are likely to see significant job growth in 2019.
- **Weather** - The weather will continue to have a significant impact on the tourism, agriculture, and construction industries.
- **Inflation** - The Colorado inflation rate will decline; however, it will be greater than the U.S. rate.
- **Future Economic Drivers** - Welcome to the Spaceport and Gaylord – economic drivers of the future! In addition, companies such as Lockheed continue to secure business that make Colorado a leader in technology.
- **Legislature** – Historically, there has been overreach when one party controls the executive and legislative branches of the state government. It is likely that critical issues, such as transportation, will take a backseat to issues that have a higher priority for the party in control .

cber.co Review of Colorado Economic Forecast 2019

For additional information contact cber.co at cber@cber.co or gary@garyhorvath.com.

ABOUT THE AUTHOR

Gary Horvath has produced annual employment forecasts of the state economy for over 25 years. They have been supplemented by monthly economic updates and indices that track economic performance over the short term. In addition, he has directed three statewide analyses that included reviews of all 64 county economies.

Horvath was the principal investigator for a state and federally funded project to prepare a nanotechnology roadmap for Colorado. As well, he was a co-founder of the Colorado Photonics Industry Association, a trade group for Colorado's Photonics cluster. Horvath has been an active board member of the group since its inception.

Horvath has also served on the Board of Directors for the Economic Development Council of Colorado, Northwest Denver Business Partnership, Adams County Economic Development, and Broomfield Economic Development Corporation. Horvath has also been the lead for the photonics/electronics cluster in OEDIT's early stage and proof of concept grant program.