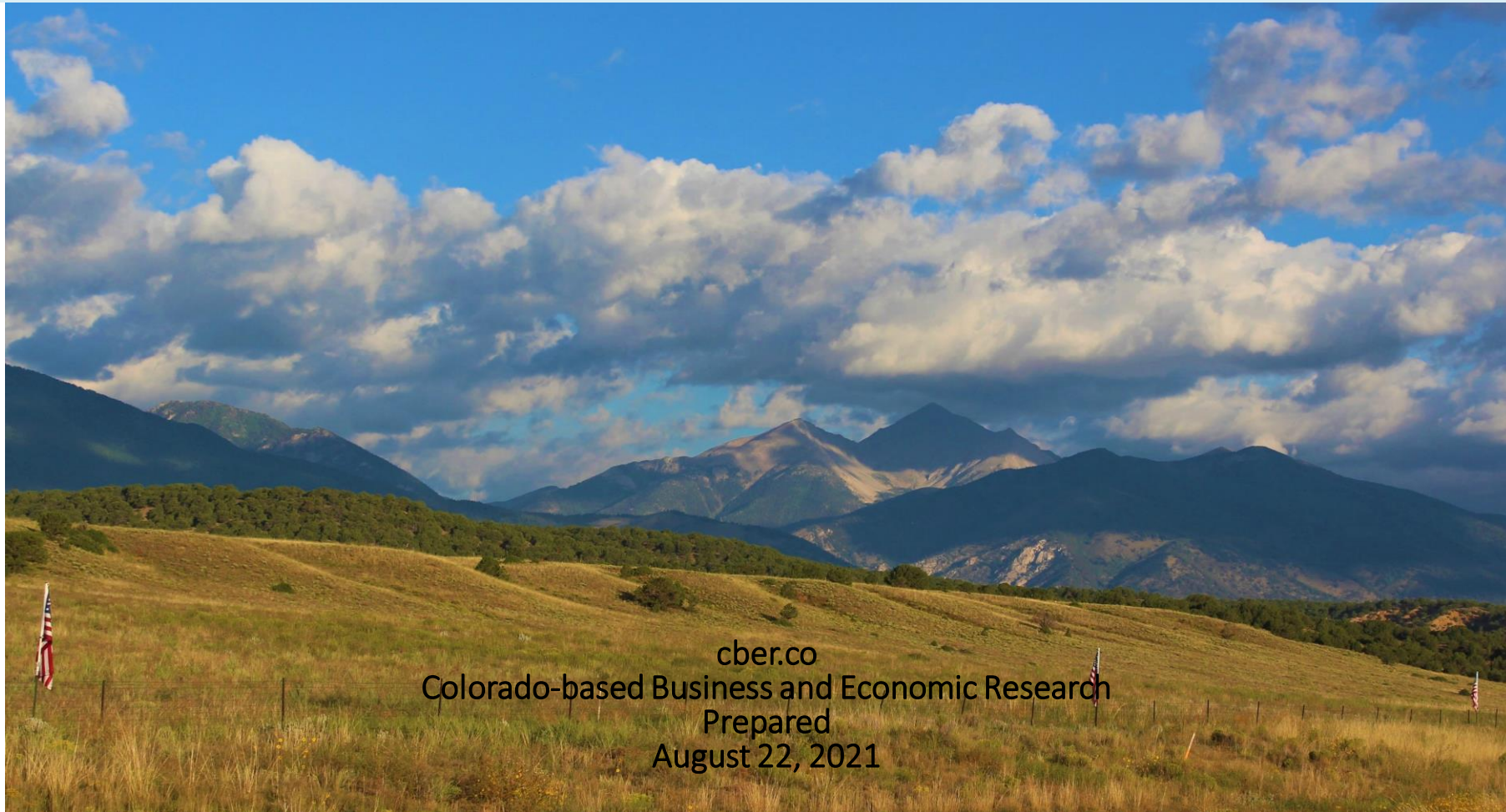


# Review of Colorado Economy Through July 2021



# Overview

The purpose of this chartbook is to review U.S. and Colorado data that show how both economies are recovering from COVID-19 policies.

In July, U.S. and Colorado job growth exceeded expectations. The federal stimulus programs have been a mixed blessing – they have helped and hindered the recovery from COVID-19 policies.

There are different rates of recovery by industry sectors, occupations, states, and MSA areas.

The value for real U.S. GDP returned to the pre-pandemic level during Q2 2021. Total employment for the U.S. and Colorado will return to pre-pandemic levels in 2022.

## Highlights

### United States

- Real GDP
- Employment and Unemployment
- Business Applications
- Major Indices
- S&P 500 and WTI Oil Prices

### Colorado

- Colorado Employment
- Business Applications
- Select Industry Data
- Summary Colorado

# Highlights

## Key Points – United States

- During June and July, Colorado added about 900,000 workers each month. Growth continues to be uneven across geographies, industries, and occupations.
- Many businesses are having problems finding qualified workers.
- Some people will not find a job!
- The fast-paced recovery is masking problems that will prevent faster growth. Some industries may not recover. Others may add jobs below pre-pandemic levels.
- Consumer spending will increase at a slower rate in Q3 and Q4.
- The price of oil has been above \$60 per barrel since April 2021. It is much higher than anticipated.
- The Federal Reserve says inflation is a short-term annoyance that will not turn into hyperinflation.
- Most major indicators point to slower growth in the months ahead.

## Key Points - Colorado

- Through the first seven months of 2021, Colorado added 106,900 jobs. Sectors with higher average wages have recovered more quickly.
- The Colorado Springs and rural counties have experienced the fastest recovery.
- In Colorado, the July inflation rate was 3.5%. The U.S. rate was 5.4%.
- Colorado business applications are increasing at a decelerating rate.
- Oil production has slipped to 2017 levels; however, production increased for three consecutive months beginning in April.
- The number of passengers at DIA continues to increase.
- Through Q2, the number of housing permits is above the level for the same period in 2020 – despite rising input costs and supply chain disruptions.

# The United States Economy



# Real Gross Domestic Product

## United States

### Key Points

The economy will expand at a slower rate in the second half of 2021.

Real GDP will grow by 6.0% in 2021, with increased consumer spending of 8.2%. A more modest rate of growth is expected in 2022.

Total U.S. employment will return to pre-COVID levels in 2022.

# U.S. Real GDP Growth

## The Conference Board Forecast (August 11, 2021)

### Real GDP and Economic Growth in 2021

The Conference Board August 11 forecast calls for real GDP growth of 7.0% in Q3 2021, followed by 2.9% in Q4. Real GDP growth for 2021 will be 6.0%, with an increase in personal consumption of 8.2%. Consumer spending will grow at a slower rate because much of the pent-up demand has been met. The unemployment rate will decline slowly in 2021 and 2022.

### Other Economic Factors

The rapid rate of growth in the first half of 2021 has led to increased inflation. Some economists have projected hyperinflation. Likely the disruptions in the supply chain will subside, and inflation will approach the Fed's target rate of 2.0% next year. Continued government spending will support economic growth in 2022 and beyond.

### Conference Board US Real GDP Growth Forecast

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021	2022
<b>Real GDP</b>	- 5.1%	- 31.2%	33.8%	4.5%	6.3%	6.5%	7.0%	2.9%	- 3.4%	6.0%	4.0 %
<b>Personal Consumption</b>	- 6.9%	- 33.4%	41.4%	3.4%	11.4%	11.8%	4.0%	3.9%	- 3.8%	8.2%	
<b>Residential Investment</b>	20.3%	- 30.8%	60.0%	34.4%	13.3%	9.8%	1.0%	3.0%	6.8%	10.9%	
<b>Nonresidential Investment</b>	-8.3%	-30.3%	18.7%	12.5%	12.9%	8.0%	5.4%	6.9%	-5.3%	7.9%	
<b>Total Gov't. Spending</b>	3.7%	3.9%	-2.1%	-0.5%	4.2%	-1.5%	0.3%	1.0%	2.5%	0.7%	
<b>Exports</b>	-16.3%	- 59.9%	54.5%	22.5%	-2.9%	6.0%	4.1%	6.6%	- 13.6%	4.5%	
<b>Unemployment Rate</b>	3.8%	13.1%	8.8%	6.8%	6.2%	5.9%	5.2%	4.9%	8.1%	5.6%	
<b>PCE Inflation (%Y/Y)</b>	1.7%	0.6%	1.2%	1.2%	1.8%	3.8%	4.1%	4.3%	1.2%	2.8%	
<b>Core PCE Inflation (%Y/Y)</b>	1.8%	1.0%	1.5%	1.4%	1.7%	3.4%	3.6%	3.9%	1.4%	3.3%	

Source: The Conference Board and cber.co.

Source: The Conference Board, <https://www.conference-board.org/publications/Economic-Forecast-US>, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

# Employment and Unemployment

## United States and Colorado

### Key Points

U.S. employment has increased by 4.3 million through the first seven months of 2021.

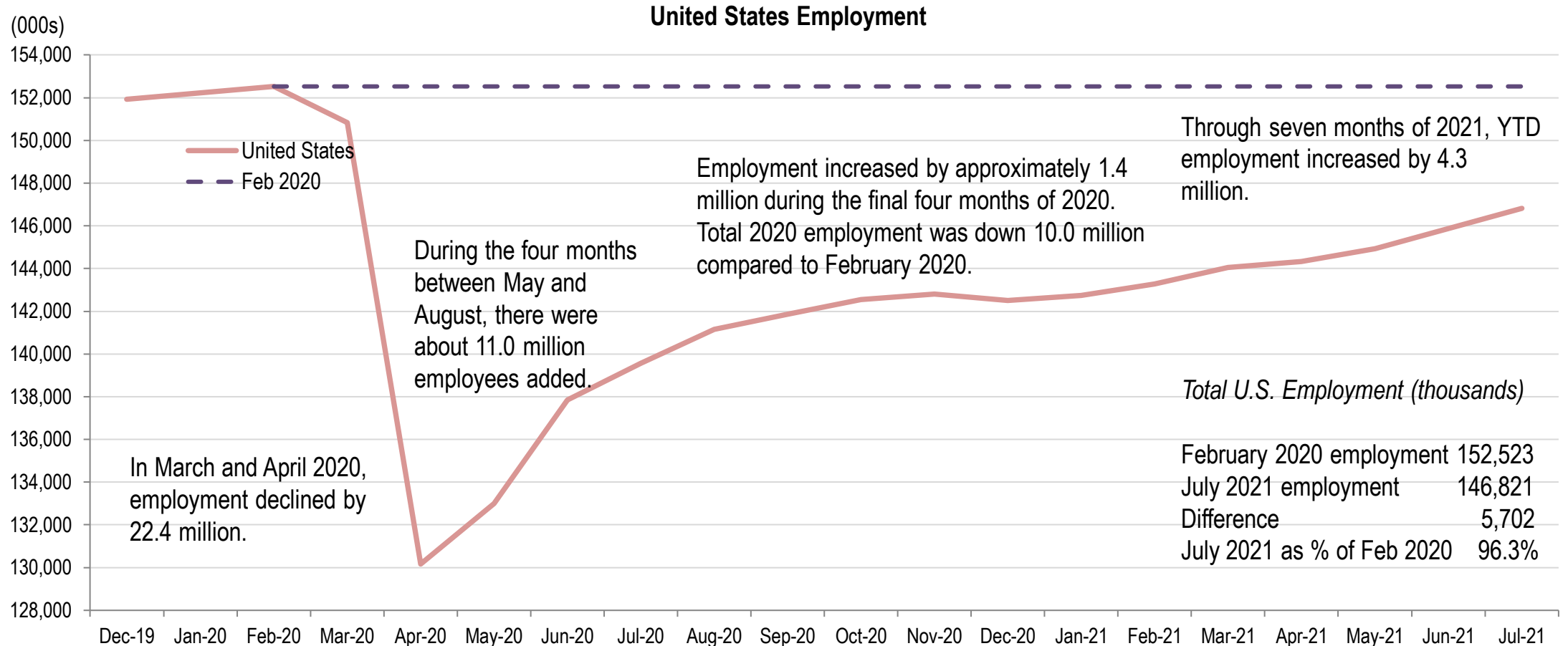
Employment for women continues to improve.

The Colorado unemployment rate is greater than the U.S. rate.

The number of job openings is at record levels.

# Change in Employment

## United States

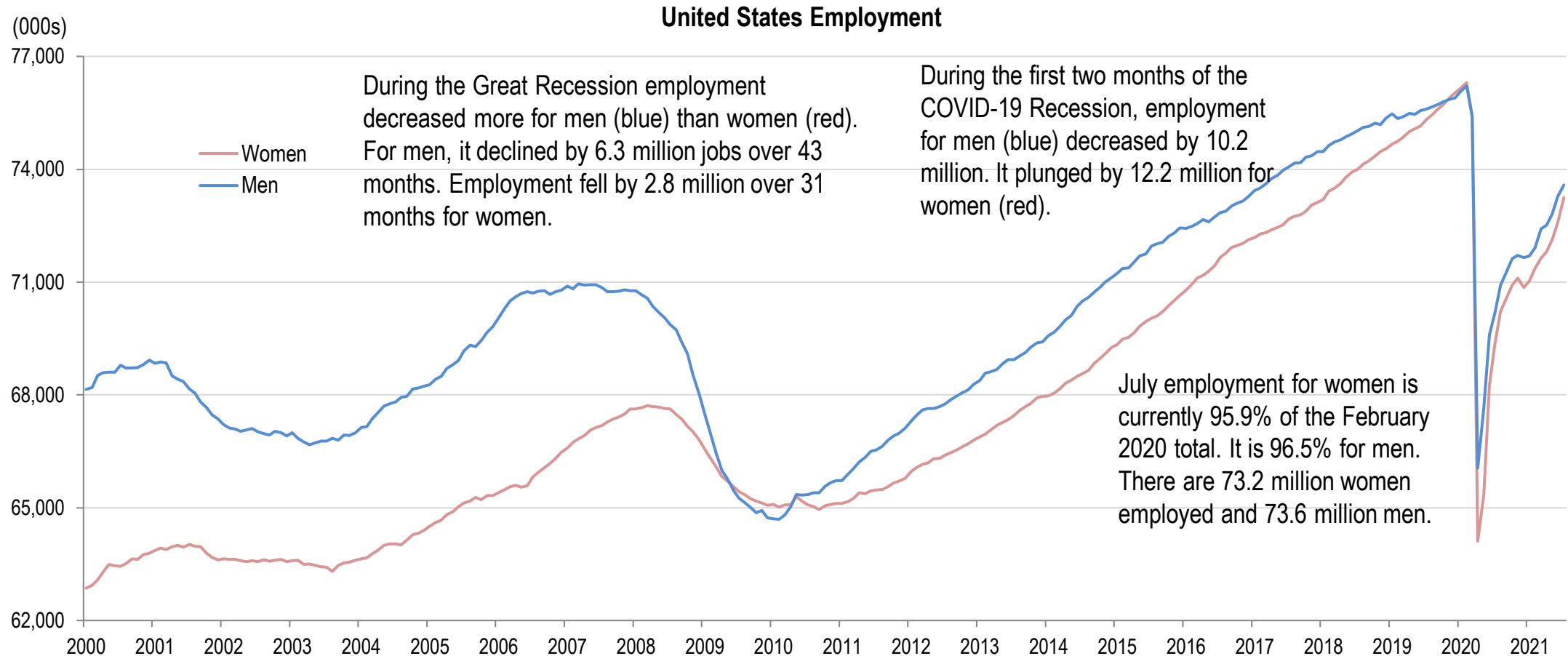


Source: Bureau of Labor Statistics, cber.co.



# Change in Employment (Men and Women)

## United States

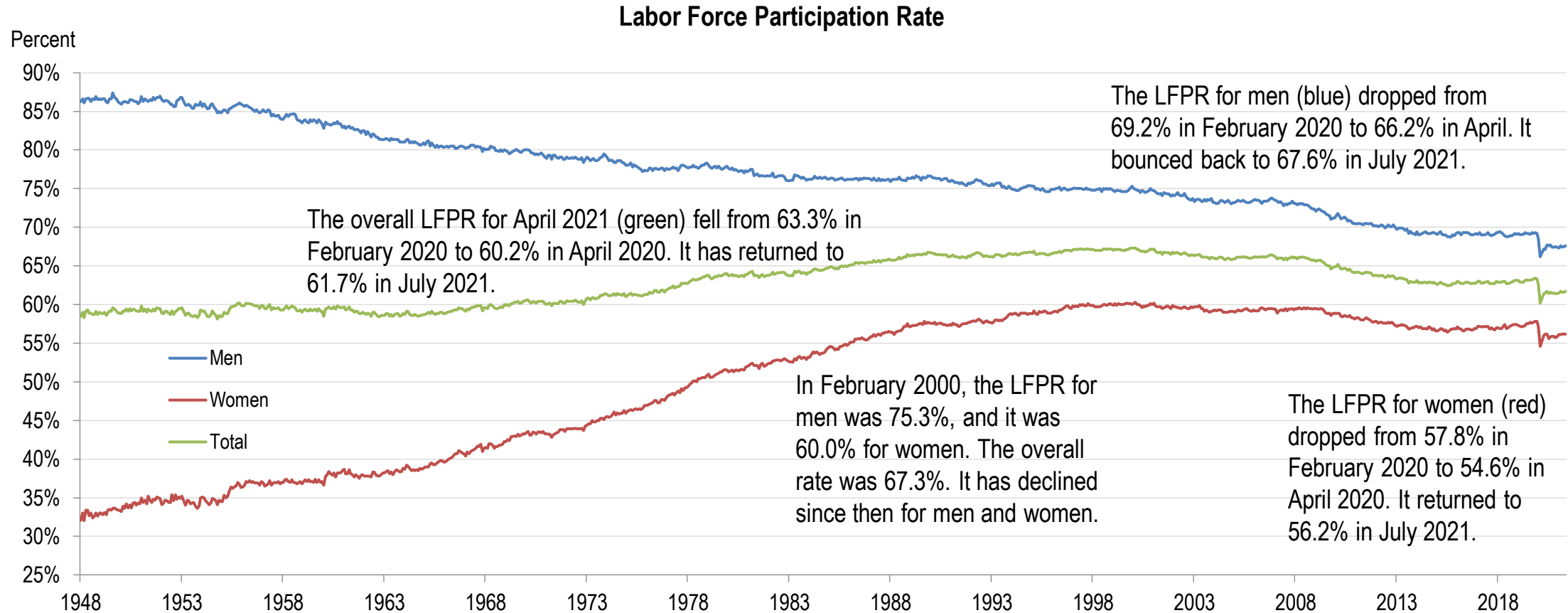


Source: Bureau of Labor Statistics, [cber.co](https://cber.co).

Colorado-based Business and Economic Research <https://cber.co>

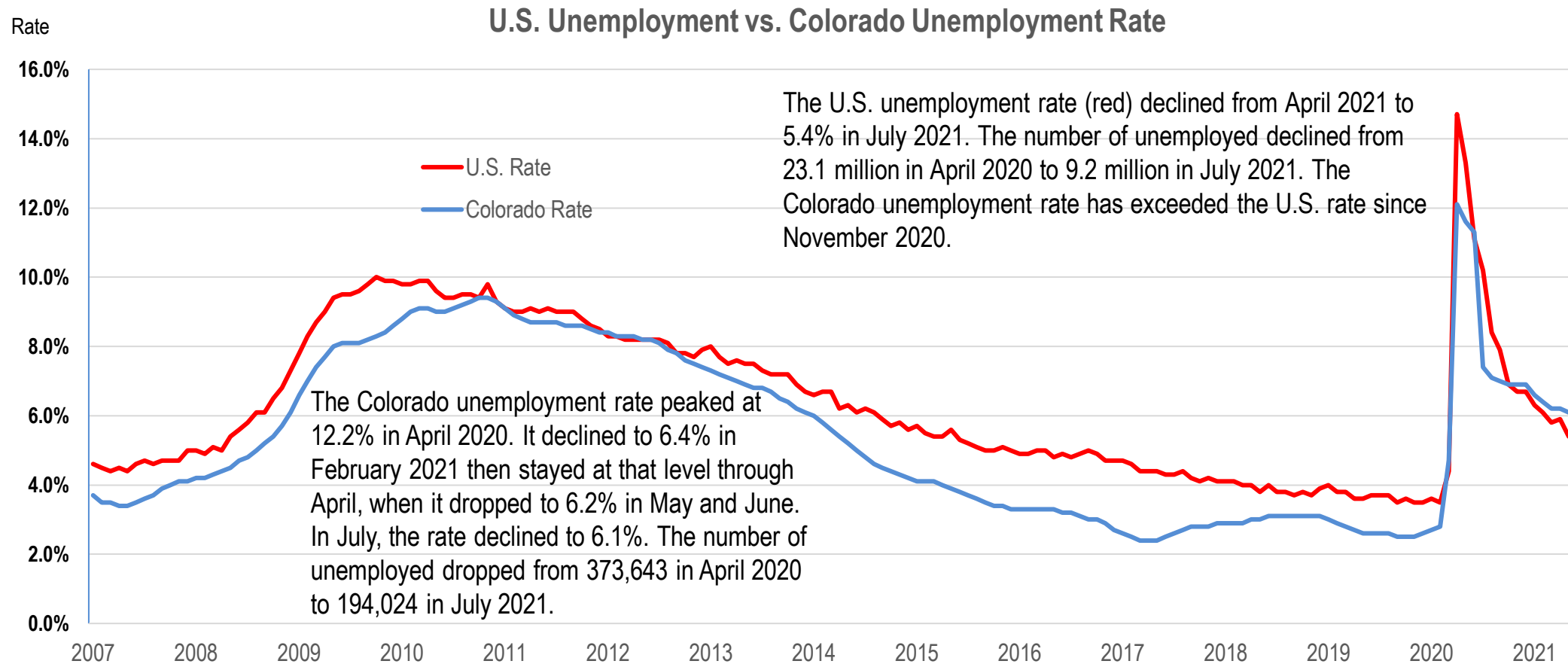
# Labor Force Participation Rate (LFPR)

## United States Total, Men, and Women



Source: FRED, BLS, cber.co.

# U.S. and Colorado Unemployment Rate

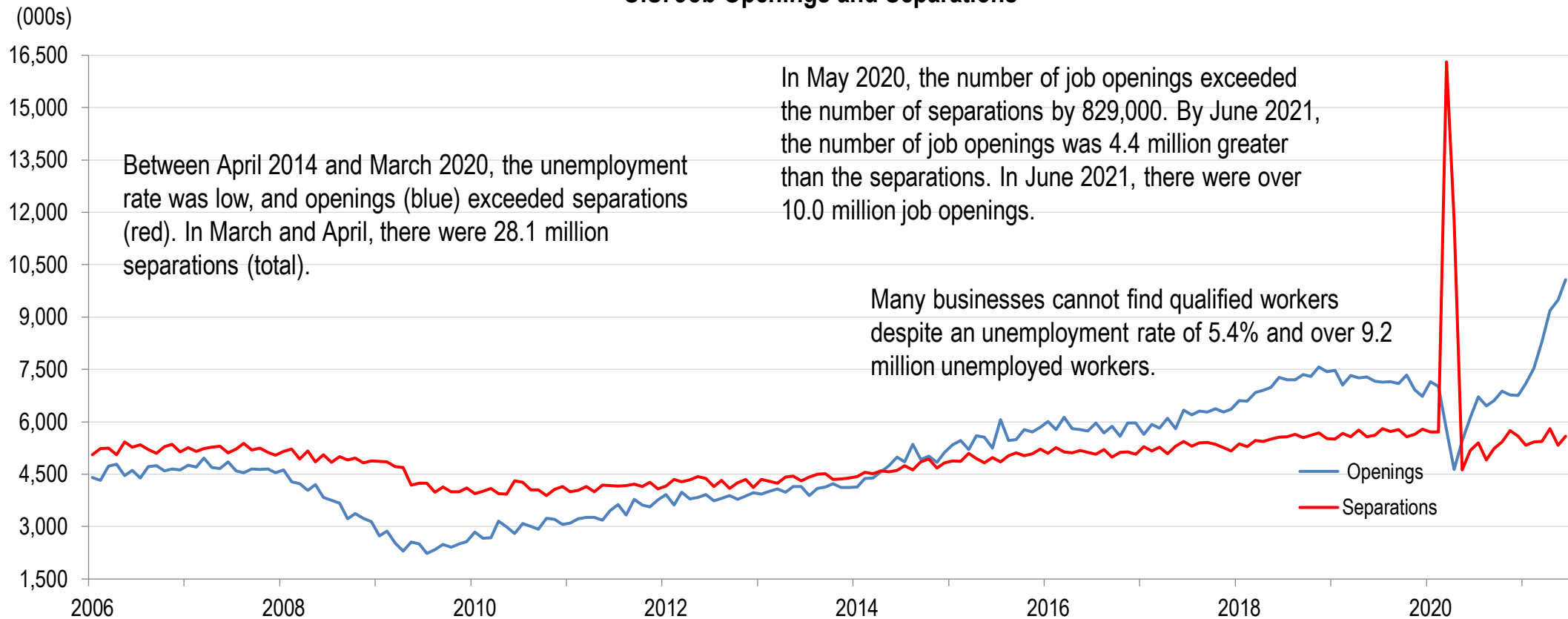


Source: Bureau of Labor Statistics and cber.co.

# Job Openings and Separations

## United States

### U.S. Job Openings and Separations



Source: JOLTS, BLS, cber.co.

# Business Applications

United States

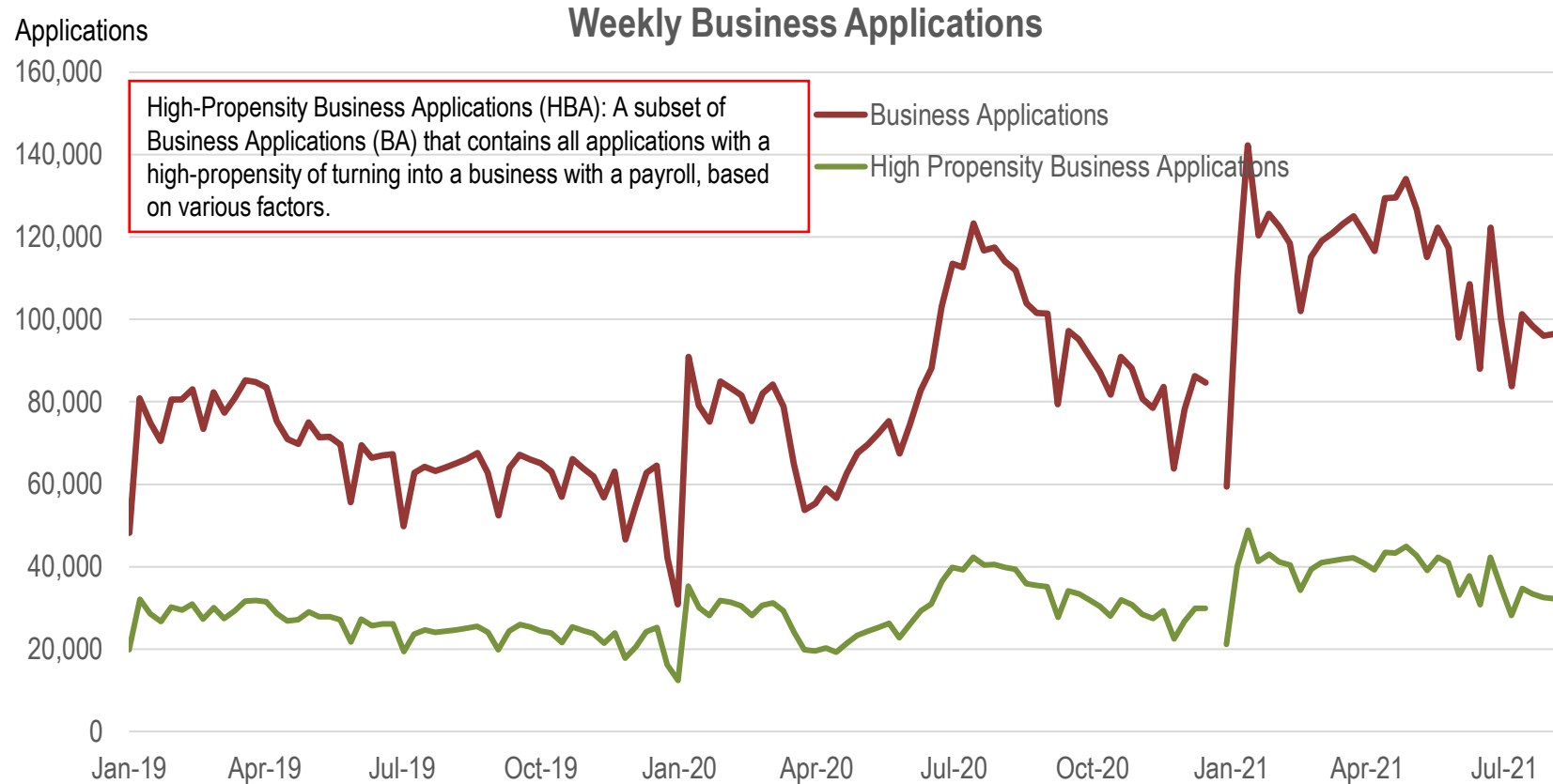
## Key Points

U.S. business and high propensity applications for 2020 increased at a faster rate than in 2019.

Both U.S. applications and high propensity applications increased at a greater rate during the first 32 weeks of 2021 than the same period in 2020.

# U.S. Weekly Business Applications

## Total and High Propensity 2019 through 2021



Source: FRED, U.S. Census Bureau, NSA, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

### Business Applications

There were 4.3 million business applications (burgundy) in 2020, a 22.4% increase over 2019. The number of applications through the first 32 weeks of 2021 is 38.9% greater than the same period in 2020.

### High Propensity Business Applications

There were 1.3 million high propensity applications (green) in 2020, a 14.9% increase over 2019. The number of high propensity applications through the first 32 weeks of 2021 is 32.5% greater than the same period in 2020.

# Major Indices

NAHB, Consumer Sentiment Index, NFIB Small Business Optimism Index, and Manufacturing and Services PMI Indices

## Key Points

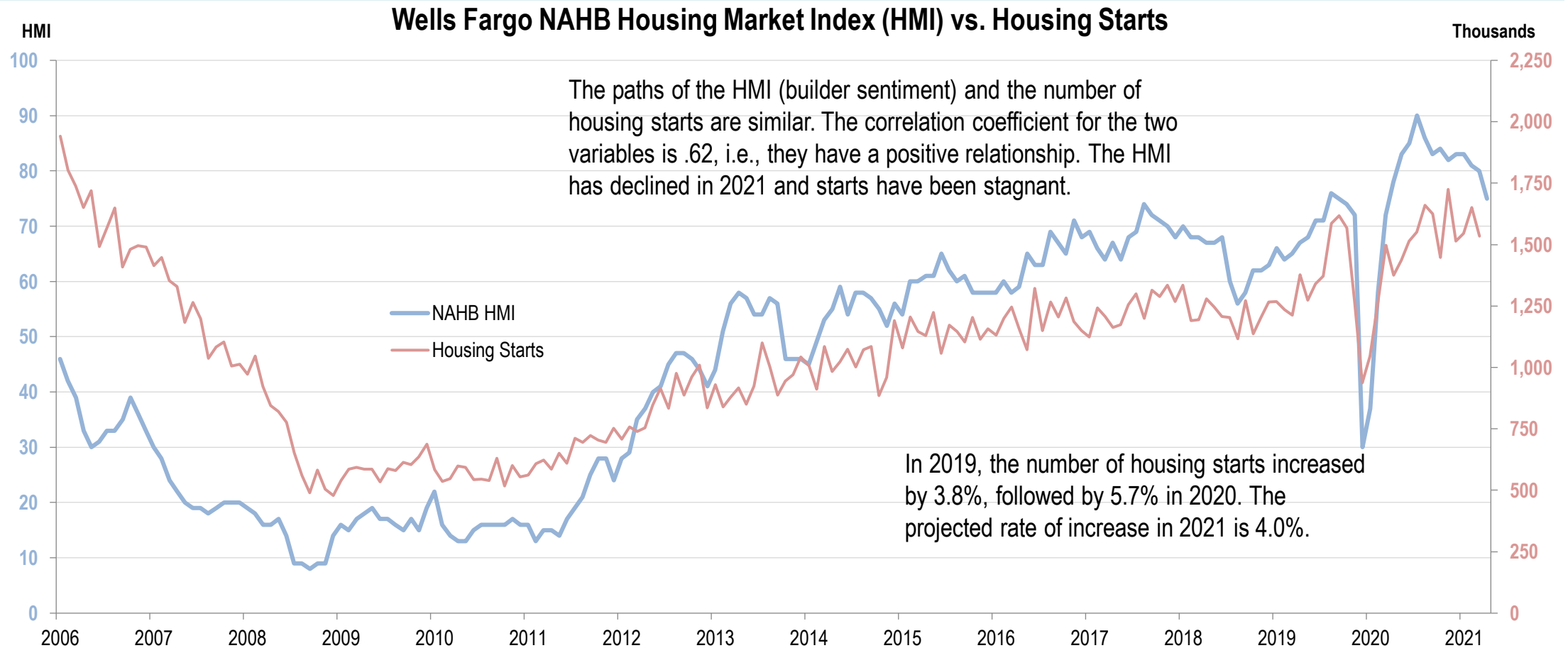
The housing market was strong in 2020. Growth has been flat, and optimism has slipped in 2021.

The Michigan Consumer Sentiment Index fell in July. Consumers are disappointed with the performance of the economy.

The NFIB Small Business Optimism Index declined in July because of the disruption of supply chains.

The indices for manufacturing and services have been in expansionary territory for 14 consecutive months.

# Wells Fargo NAHB HMI vs. Housing Starts



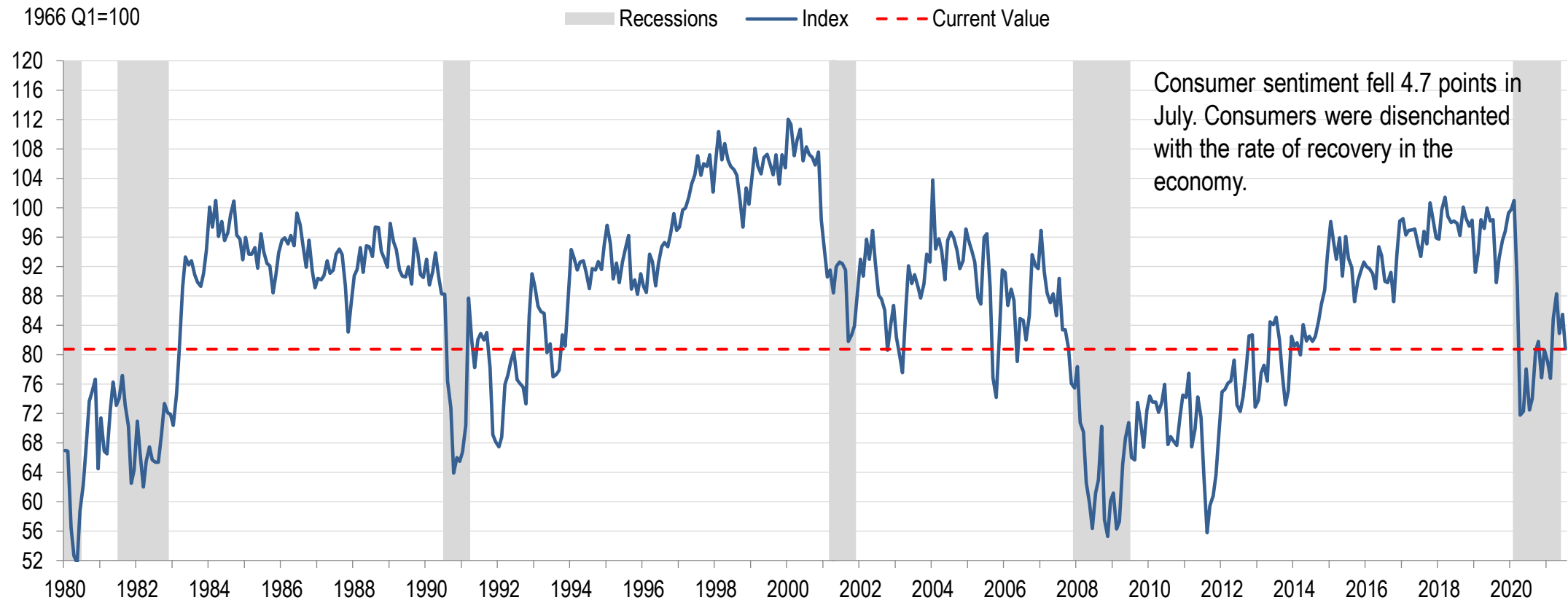
Source: NAHB, cber.co.



# Consumer Sentiment Index

University of Michigan

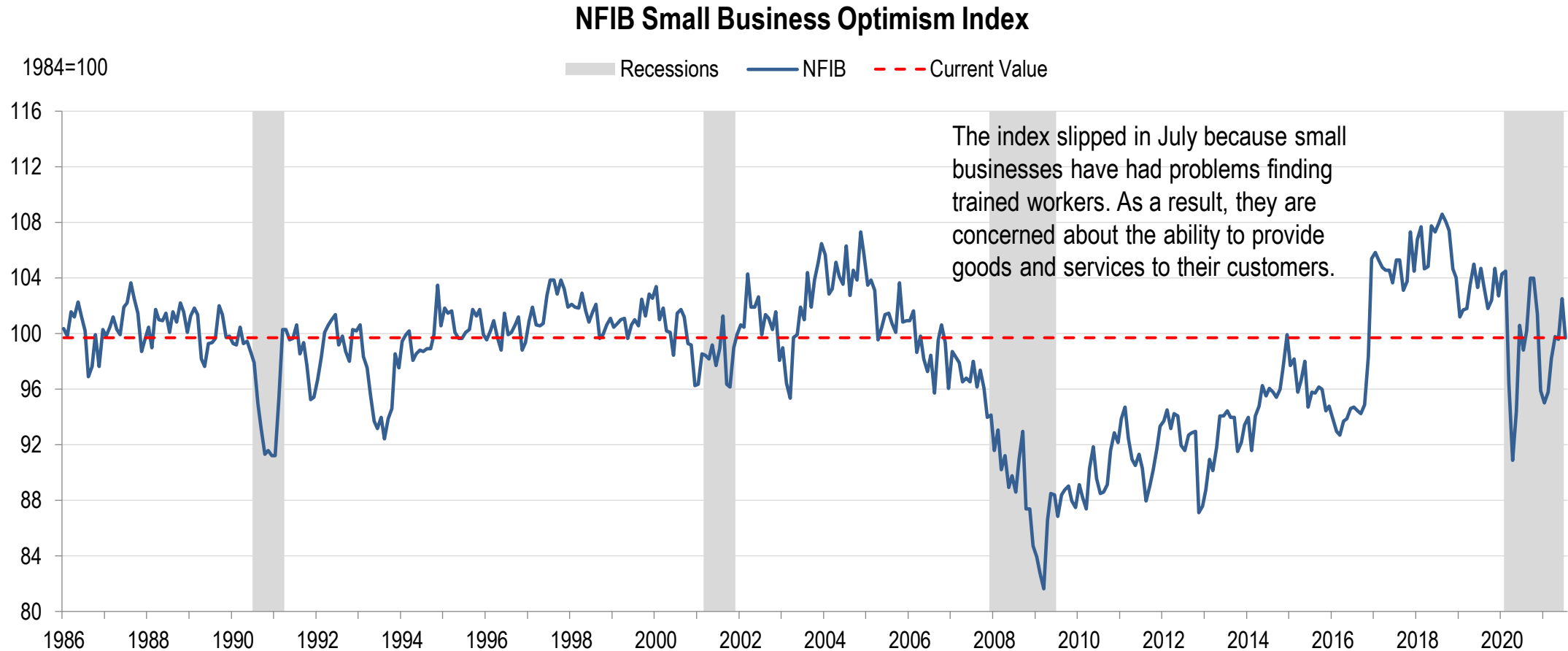
## Michigan Consumer Sentiment Index



Source: University of Michigan, cber.co.

# NFIB Small Business Optimism Index

## United States

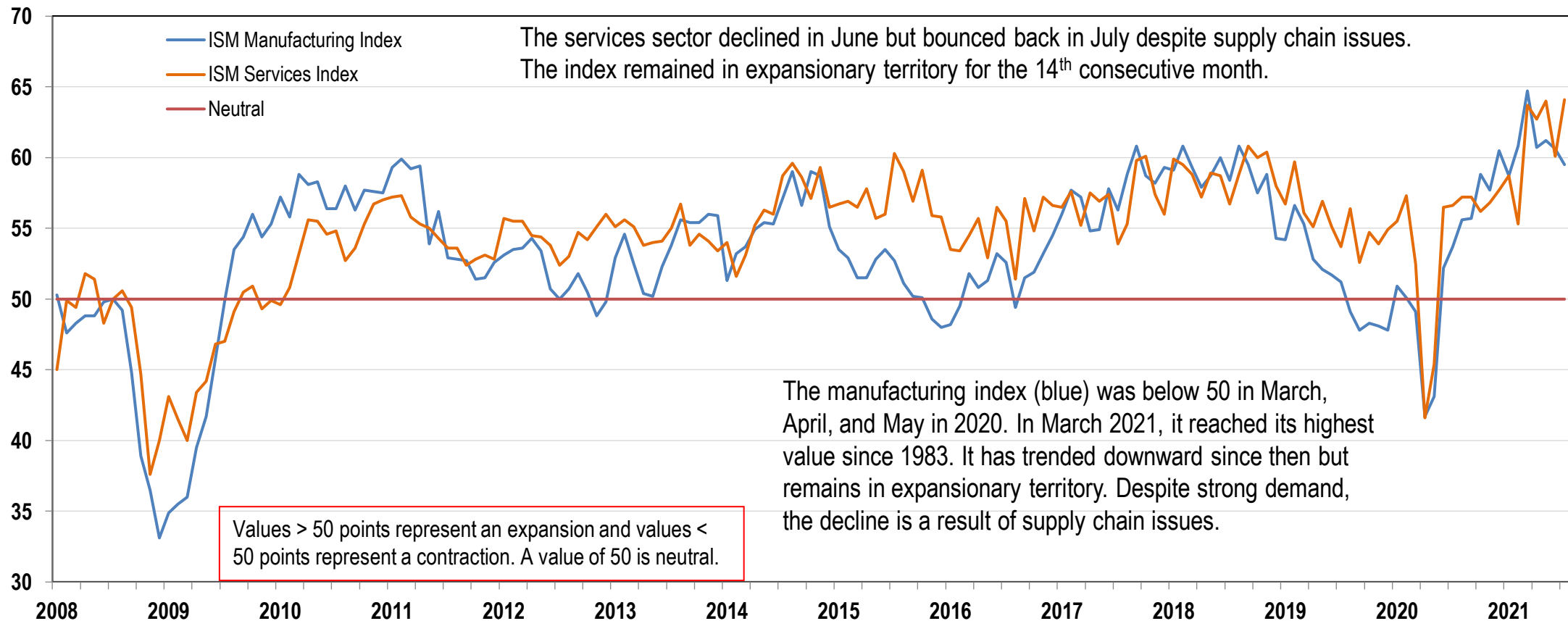


Source: NFIB, cber.co.

# ISM PMI Composite Indices

## Manufacturing vs. Services

### ISM Manufacturing PMI vs. Services PMI Composite Indices



Source: Institute of Supply Management, [cber.co](https://cber.co)

Colorado-based Business and Economic Research <https://cber.co>

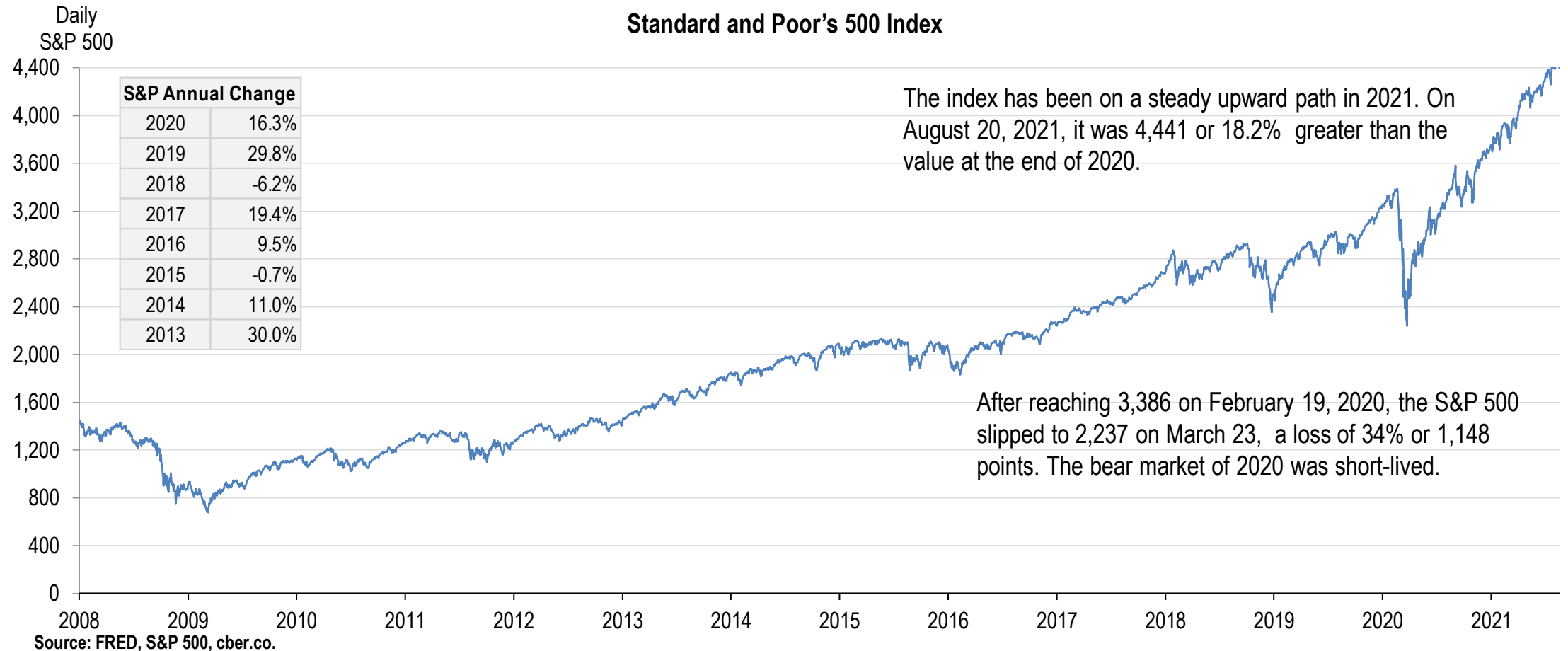
# S&P 500 Index and WTI Crude Oil Prices

## Key Points

The S&P Index posted double-digit gains in 2020. Strong growth has continued in 2021.

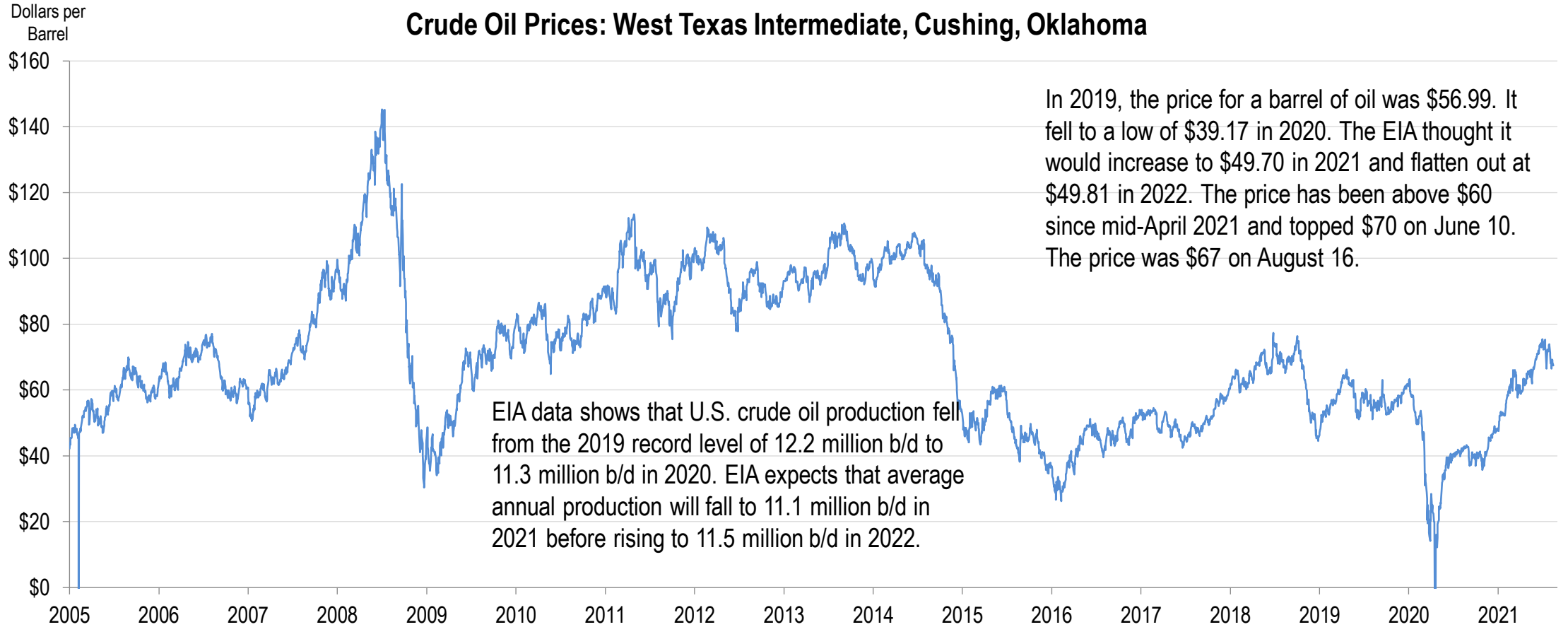
In 2020 the price for a barrel of oil declined because of lower demand. In 2021 demand increased, and the price has been above \$60 per barrel since mid-April.

# Standard and Poor's 500 Index



# Crude Oil Prices

## West Texas Intermediate



Source: FRED, EIA, cber.co.

# Colorado



# Colorado Employment

## Change in Total Employment, Labor Force Participation Rate (LFPR), MSA Employment, and Summary of Employment

### Key Points

The July 2021 seasonally adjusted employment data for Colorado was 85,400 less than February 2020. The July 2021 value was 97.0% of the February 2020 value.

Only a handful of sectors had a greater level of employment in July 2021 than the level in February 2020.

The most significant shortfalls are in leisure and hospitality and state and local government employment.

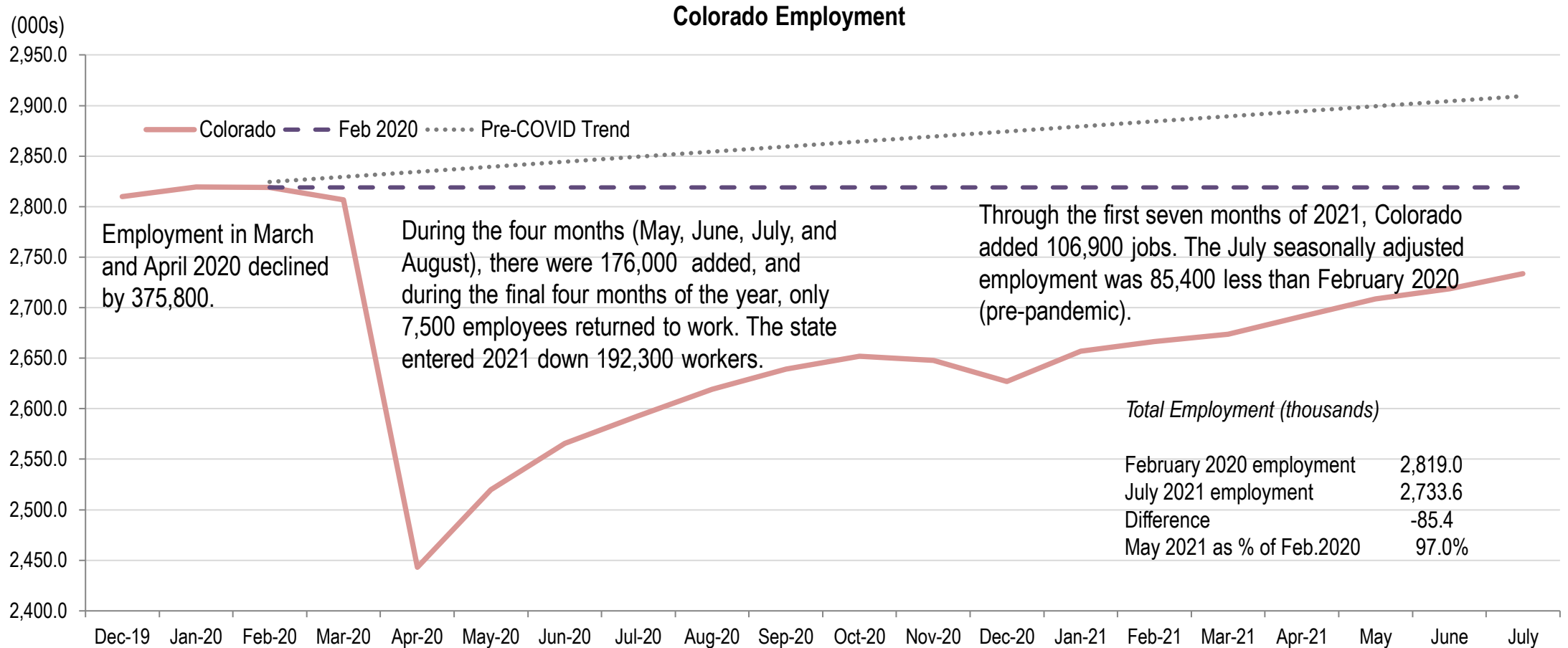
The LFPR has declined for three consecutive months.

Colorado Springs is recovering faster than other Colorado MSAs.



# Change in Employment

## Colorado



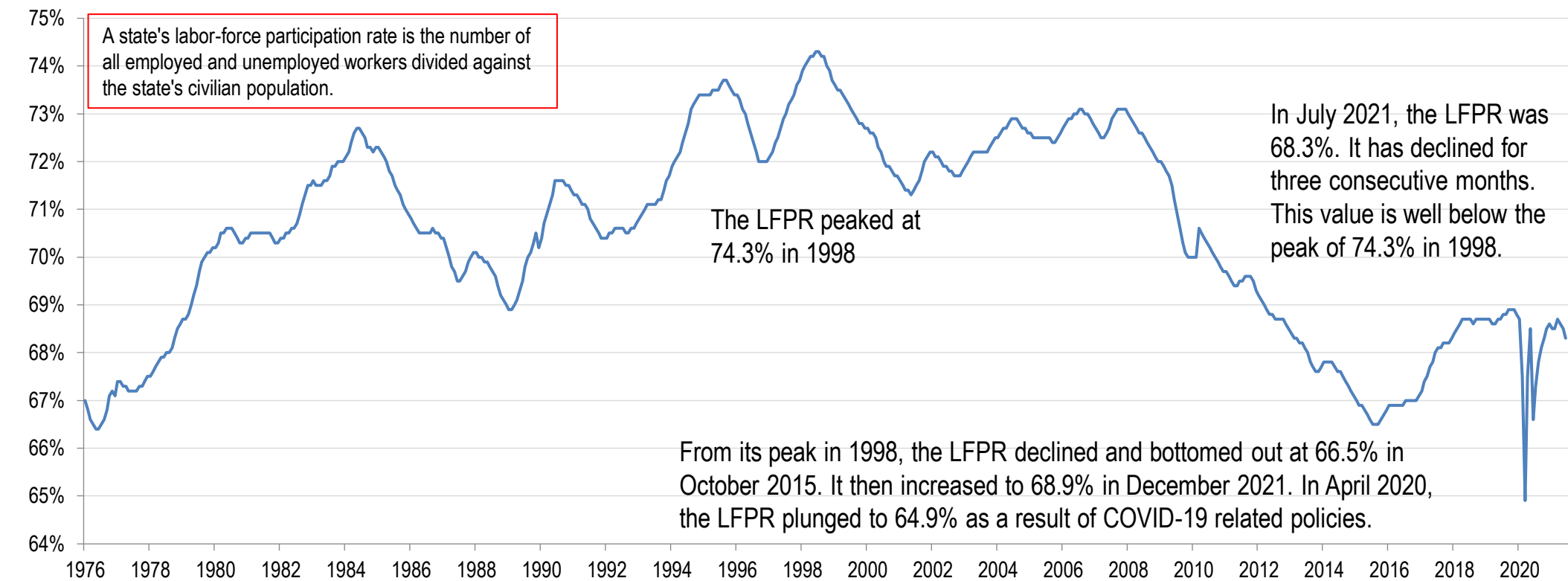
Source: Bureau of Labor Statistics, cber.co.

# Labor Force Participation Rate

## Colorado

### Labor Force Participation Rate

Percent



Source: BLS, cber.co.

# Change in Employment by Area

## MSAs and non-MSA

<b>Change in Employment by MSA/Non – MSA</b>			
<b>July 2021 vs. February 2020</b>			
<b>Area</b>	<b>Employment (000s) February 2020</b>	<b>July 2021 vs. February 2020 (000s)</b>	<b>July 2021 vs. February 2020 %</b>
<b>Colorado Springs</b>	304.6	-3.9	98.7%
<b>Non-MSA</b>	335.8	-8.3	97.5%
<b>Denver</b>	1557.5	-43.1	97.2%
<b>Pueblo</b>	65.1	-2.1	96.8%
<b>Grand Junction</b>	65.0	-2.2	96.6%
<b>Fort Collins</b>	176.4	-8.3	95.3%
<b>Boulder</b>	201.1	-10.2	94.9%
<b>Greeley</b>	113.5	-7.3	93.5%
<b>Colorado</b>	2,819.0	-85.4	97.0%
Source: BLS, cber.co			
Note: The table is sorted in descending order by the far-right column/			

Over the past year, the Colorado labor market has had an uneven recovery across regions, industries, and occupations.

As of July, the job market recoveries in Colorado Springs, the non-MSA areas, and Denver have occurred faster than in other areas. All are above the state average.

Employment in Greeley, Boulder, and Fort Collins is recovering at the slowest rates.

Overall, Colorado employment for July 2021 is 97.0% of the employment for February 2020.

Source: BLS, cber.co.

# Summary of Employment Recovery

## United States and Colorado

Employment through July 2021 was 85,400 below the value for February 2020. Most of the shortfall is in the tourism and state and local government sectors. The sectors in the two columns on the right may recover in late 2022 or 2023.

### Recovered or Least Losses

- Retail trade
- Management of companies
- Transportation, warehousing, and utilities
- Professional, scientific, and technical services
- Federal government

**Colorado** +15,700.

These sectors account for about 26% of total employment.

**U.S.** -273,000

These sectors account for about 25% of total employment.

### Short-Term Recovery (2021)

- Wholesale trade
- Financial activities
- Healthcare

**Colorado** -7,200.

These sectors account for about 22% of state employment.

**U.S.** -980,200 million.

They account for about 24% of total U.S. employment.

### Mid-Term Recovery (2022)

- Manufacturing
- Construction
- Administrative services
- Information
- Other services

**Colorado** -33,700.

These sectors account for about 24% of state employment.

**U.S.** -1,644,500.

About 25% of all employment is in these sectors.

### Long-Term Recovery (2022+)

- State government
- Local government
- Arts and entertainment
- Accommodations and food
- Extractive industries
- Educational services (private)

**Colorado** -60,200.

These sectors account for about 28% of total state employment.

**U.S.** -2,803,900 million.

About 26% of U.S. jobs are in these sectors.

Source: BLS, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

# Business Applications

## Colorado

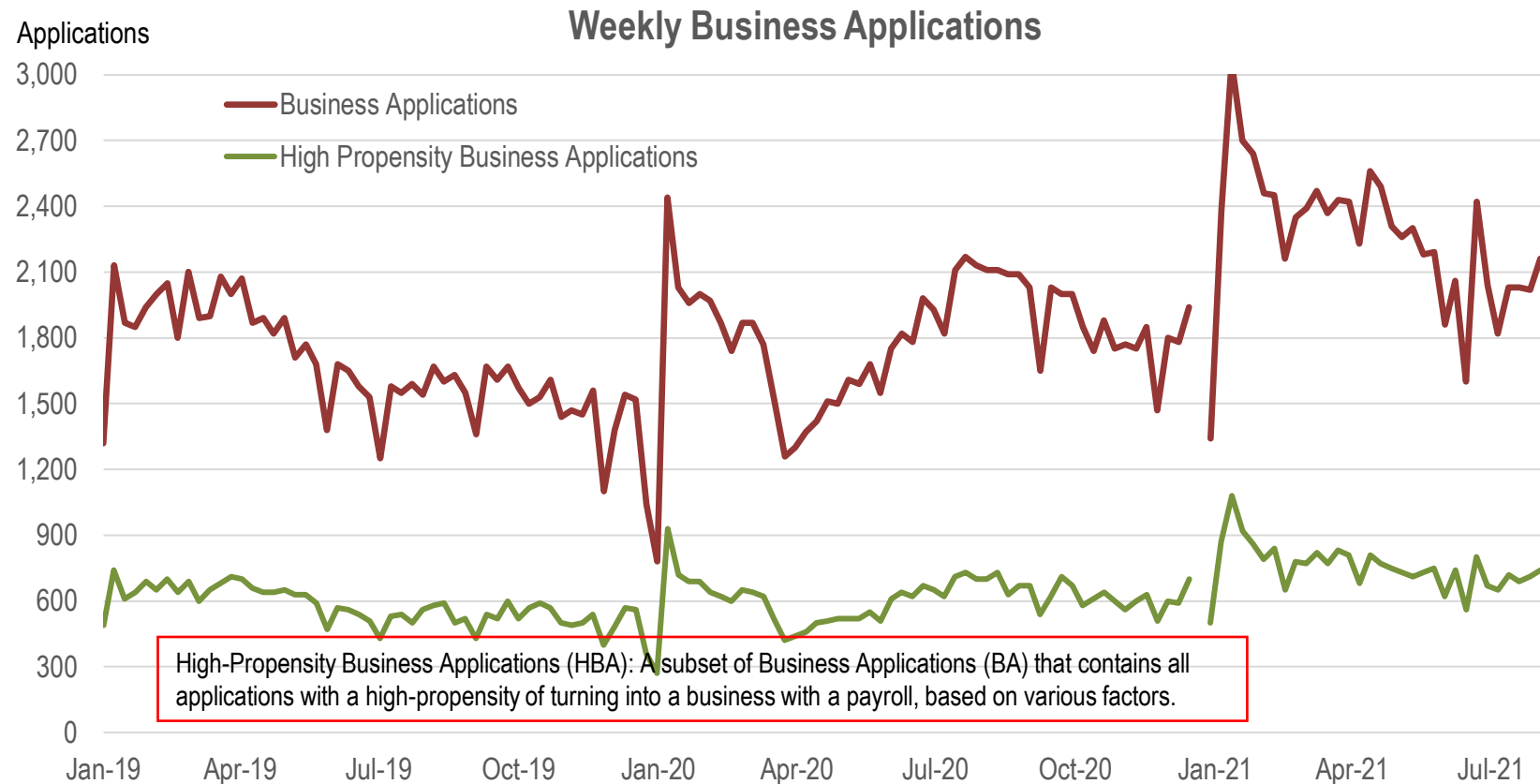
### Key Points

Colorado business applications and high propensity applications increased faster during the first 32 weeks of 2021 than during the same period in 2020.

U.S. applications increased more rapidly than Colorado applications, both in 2020 and the first 32 weeks of 2021.

# Colorado Weekly Business Applications

## Total and High Propensity 2019 through 2021



Source: FRED, U.S. Census Bureau, NSA, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

### Business Applications

There were 91,790 business applications (burgundy) in 2020, a 6.2% increase over 2019. The number of applications through the first 32 weeks of 2021 is 27.3% greater than the same period in 2020.

### High Propensity Business Applications

There were 31,050 high propensity applications (green) in 2020, a 4.3% increase over 2019. The number of high propensity applications through the first 32 weeks of 2021 is 24.6% greater than the same period in 2020.

# Select Industry Data

Retail Sales, Inflation, DIA Passengers, Building Permits,  
and Oil Production

## Key Points

Retail sales have rebounded after a sluggish start.

Inflation has risen rapidly in recent months.

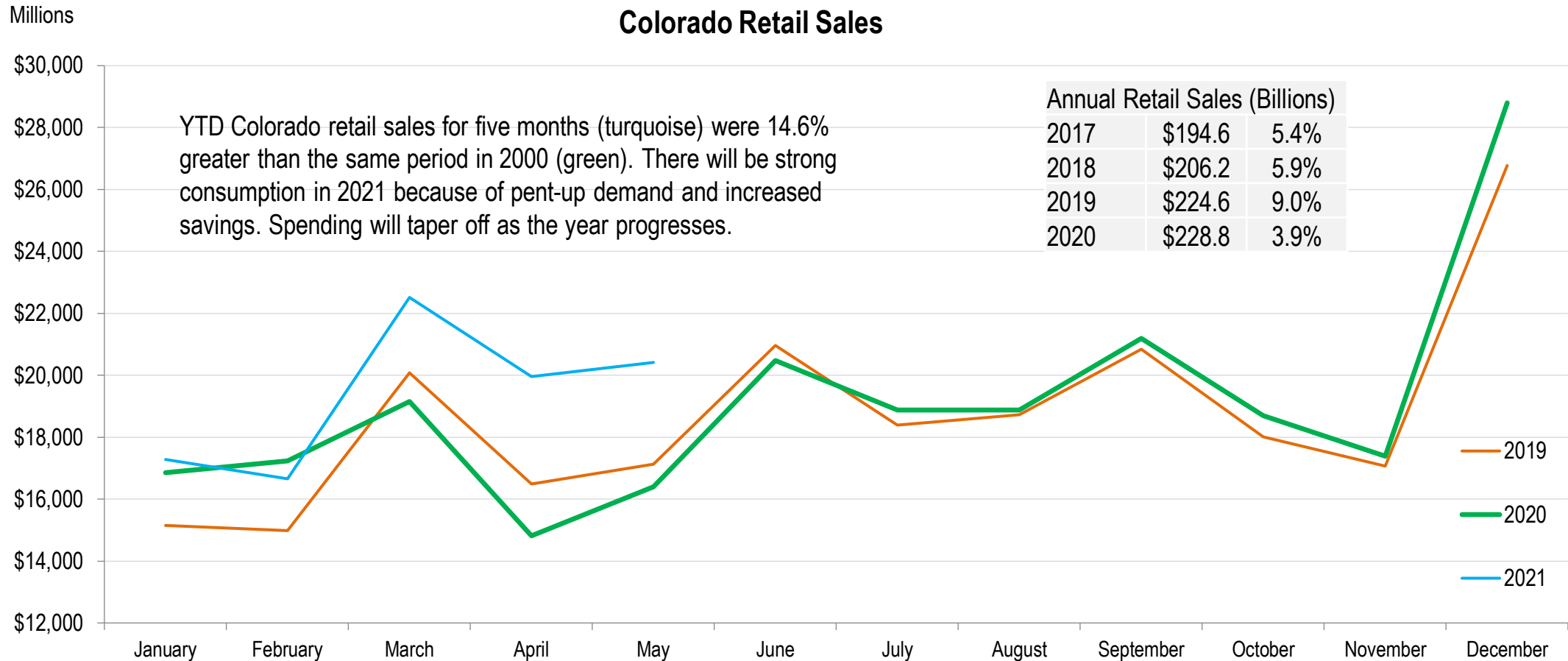
The number of passengers at DIA continues to increase.

The total number of permits issued for single-family and multifamily housing through Q2 2021 is greater than the same period in 2020.

The production of oil in Colorado has declined because of state regulations and reduced global demand.

# Colorado Retail Sales

## Monthly



Source: Colorado Department of Revenue, <https://cdor.colorado.gov/retail-sales-reports>, cber.co. Note: Not adjusted for inflation.

Colorado-based Business and Economic Research <https://cber.co>



# Inflation

Last fall, some of the country's top economists said that pigs would fly before inflation rose significantly. They have recently indicated the flight time of the pigs will be short-lived.

The following are examples of the YOY increase in inflation in Colorado for July 2021.

Recreation	4.0%	Household Energy	6.5%
Medical	3.8%	Food and Beverage	2.6%
Housing	1.5%	Household Furnishing	3.4%
Food at home	4.0%	Transportation	15.6%
School fees/childcare	0.6%	Apparel	15.0%
Electricity	2.2%	Used Vehicles	41.7%
Alcoholic Beverages	3.3%	Motor Fuel	37.7%

The overall July CPI for Colorado was 3.5% and it was 5.4% of the U.S.

Source: BLS, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

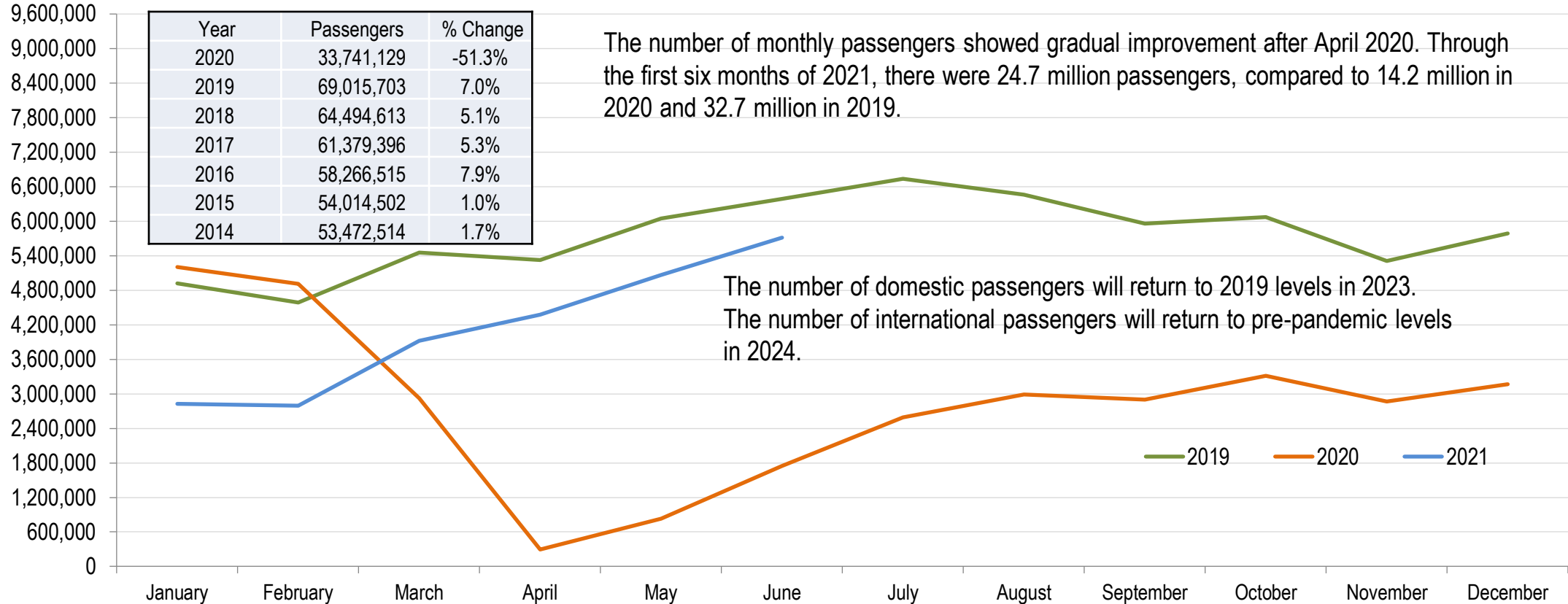


# Denver International Airport Passengers

## Monthly

### DIA Passengers

Passengers

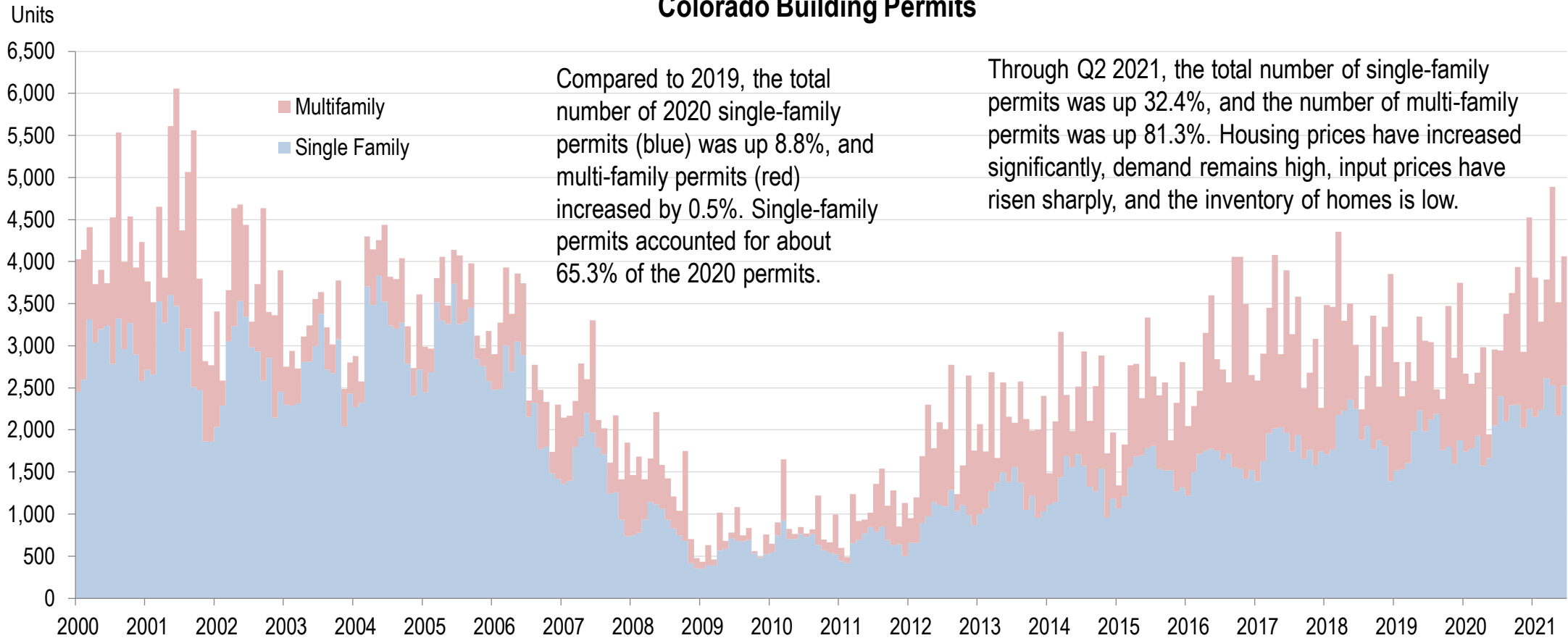


Source: flydenver.com, cber.co.

# Colorado Residential Building Permits

Units

## Colorado Building Permits

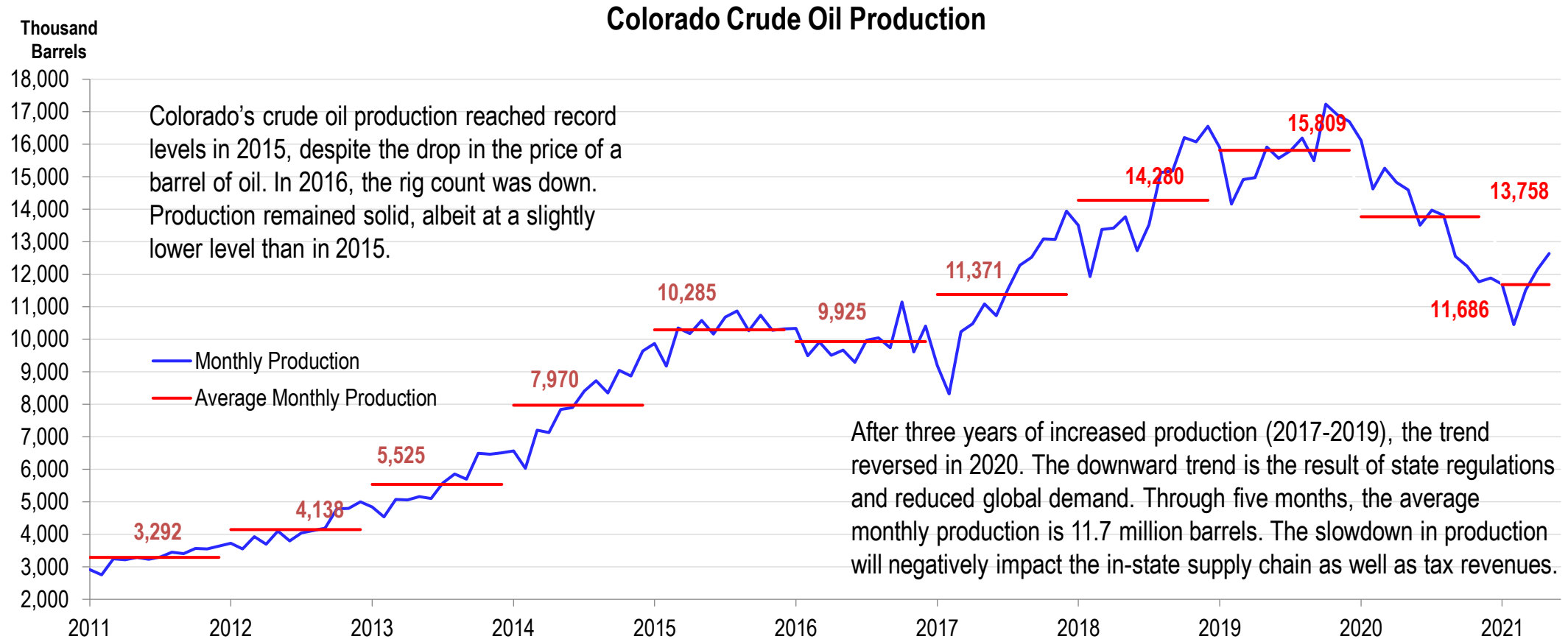


Source: TAMU Real Estate Center, U.S. Census Bureau, cber.co.

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# Colorado Field Production of Crude Oil

## 2011 to 2021 (Thousand Barrels)



Source: EIA, cber.co.

# Summary

# Summary of Colorado Forecast

Colorado's real GDP growth rate will be slightly higher than the U.S. rate in 2021 and 2022.

Employment will return to its 2019 level in 2022. It has been stronger than expected in Q2 2021 but will not maintain the current pace in the second half of the year.

Retail sales have rebounded in 2021 as a result of pent-up demand.

In 2021 and 2022, Colorado inflation will be greater than in recent years.

Colorado Economic Forecast				
	2019	2020	2021	2022
<b>Real GDP Value (billions)</b>	\$356.28	\$351.07	\$379.00	\$398.00
<b>% Change Real GDP</b>	3.9%	-1.5%	8.0%	5.0%
<b>CES Employment (thousands)</b>	2,790.1	2,644.6	2,728.6	2,794.6
<b>Annual Change (thousands)</b>	62.8	(145.5)	134.0	56.0
<b>% Change</b>	2.3%	-5.2%	5.1%	2.0%
<b>Unemployment Rate</b>	2.7%	7.3%	6.1%	5.1%
<b>Retail Sales (billions)</b>	\$224.6	\$227.0	\$252.0	\$262.0
<b>% Change</b>	9.0%	1.1%	11.0%	4.0%
<b>Consumer Price Index</b>	1.9%	2.0%	3.2%	2.6%
<b>DIA Passengers (millions)</b>	69.0	33.0	52.0	61.0
<b>Single Family Permits</b>	24,756	26,489	28,900	27,350
<b>Multi-family Permits</b>	13,877	13,738	14,950	14,200
<b>Oil Production (thousands) barrels</b>	189,707	172,000	155,000	165,000

In 2020, the number of passengers through DIA was about half of the 2019 total. Domestic flights will return to their 2019 level in 2023. International flights will return to their pre-pandemic level in 2024.

There was an increase in the number of building permits issued in 2020. There will be more permits issued in 2021 as demand for new homes remains high. Also, there is a need for affordable housing in many metro and mountain communities.

State regulations and reduced demand caused a decline in oil production in 2020 and 2021. Oil production will increase in 2022.

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Review of Colorado Economy Through July 2021

This analysis is for informational purposes only. Any opinions or interpretations of data are those of the presenter. As such, they do not represent the viewpoints of any group or particular organization.

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For additional information contact cber.co at [cber@cber.co](mailto:cber@cber.co) or [gary@garyhorvath.com](mailto:gary@garyhorvath.com).

#### ACKNOWLEDGEMENTS

A special thank you to Ana and Allyson Horvath for their review and comments on this publication.

#### ABOUT THE AUTHOR

Gary Horvath has produced annual employment forecasts of the state economy for over 30 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 chair of the photonics/electronics committee in the Governor's Office of Economic Development and International Trade early stage and proof of concept grant program.