



# Review of Colorado Economy First Seven Months of 2013

Colorado-based Business and Economic Research

August 25, 2013



# Overview

This analysis looks at the U.S. and Colorado economies through the first seven months of 2013.

In Colorado, job growth was strong in Q1 and it dropped off in Q2. Data for July shows that it is increasing again. On average 59,400 jobs have been added through the first seven months compared to the same period in 2012.

It is unlikely that the current level of job growth can be sustained without greater creation of primary jobs.

This brief analysis is divided into the following sections.

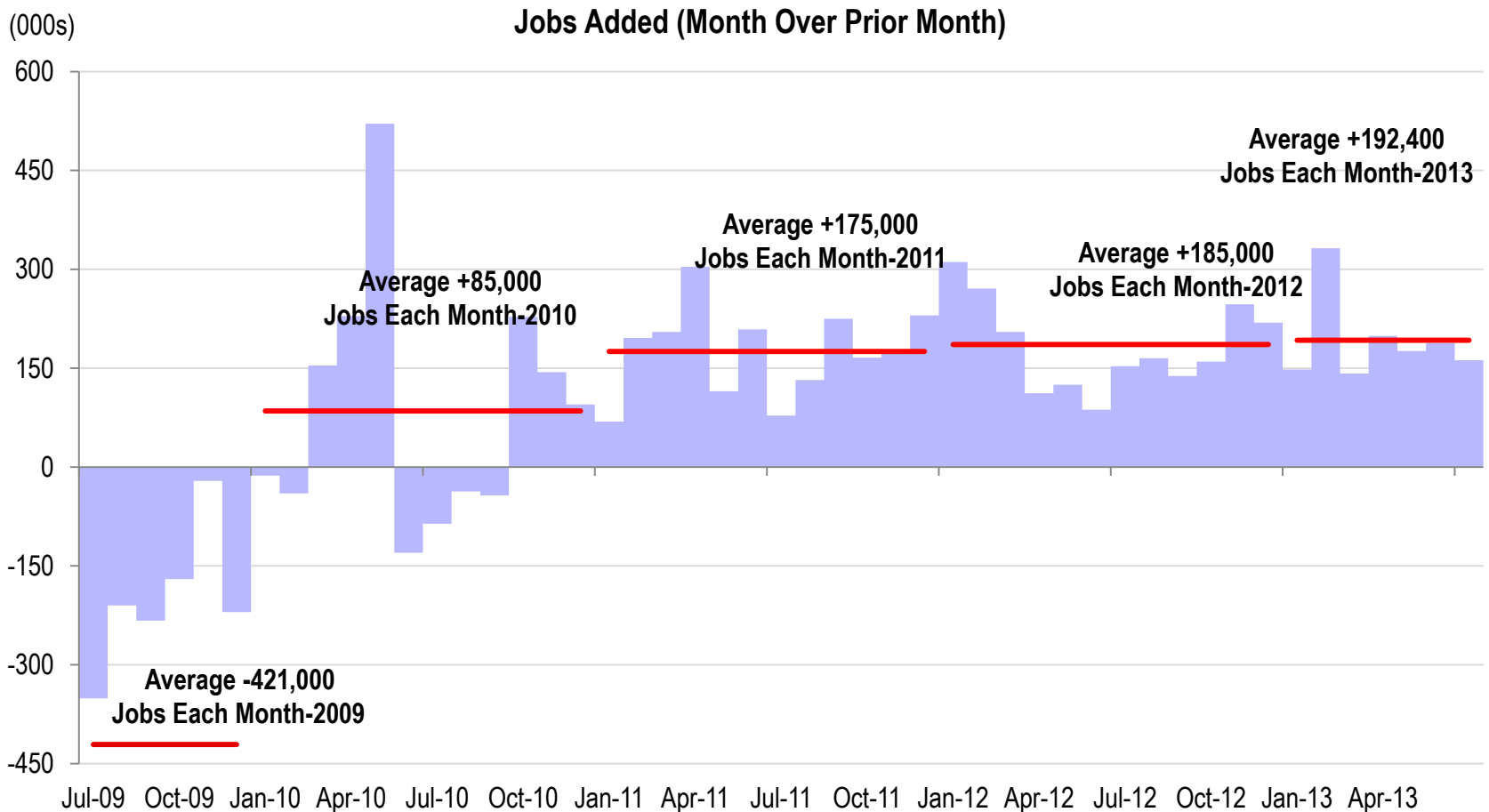
- U.S. Economy
- Colorado Economy
- Questions and Answers
- Summary

The 2013 CBER forecast can be found at <http://cber.co/CBEReconomy.html>.



# United States Economy

# U.S. Employment Situation From End of Recession to Current



Source: Bureau of Labor Statistics, SA.

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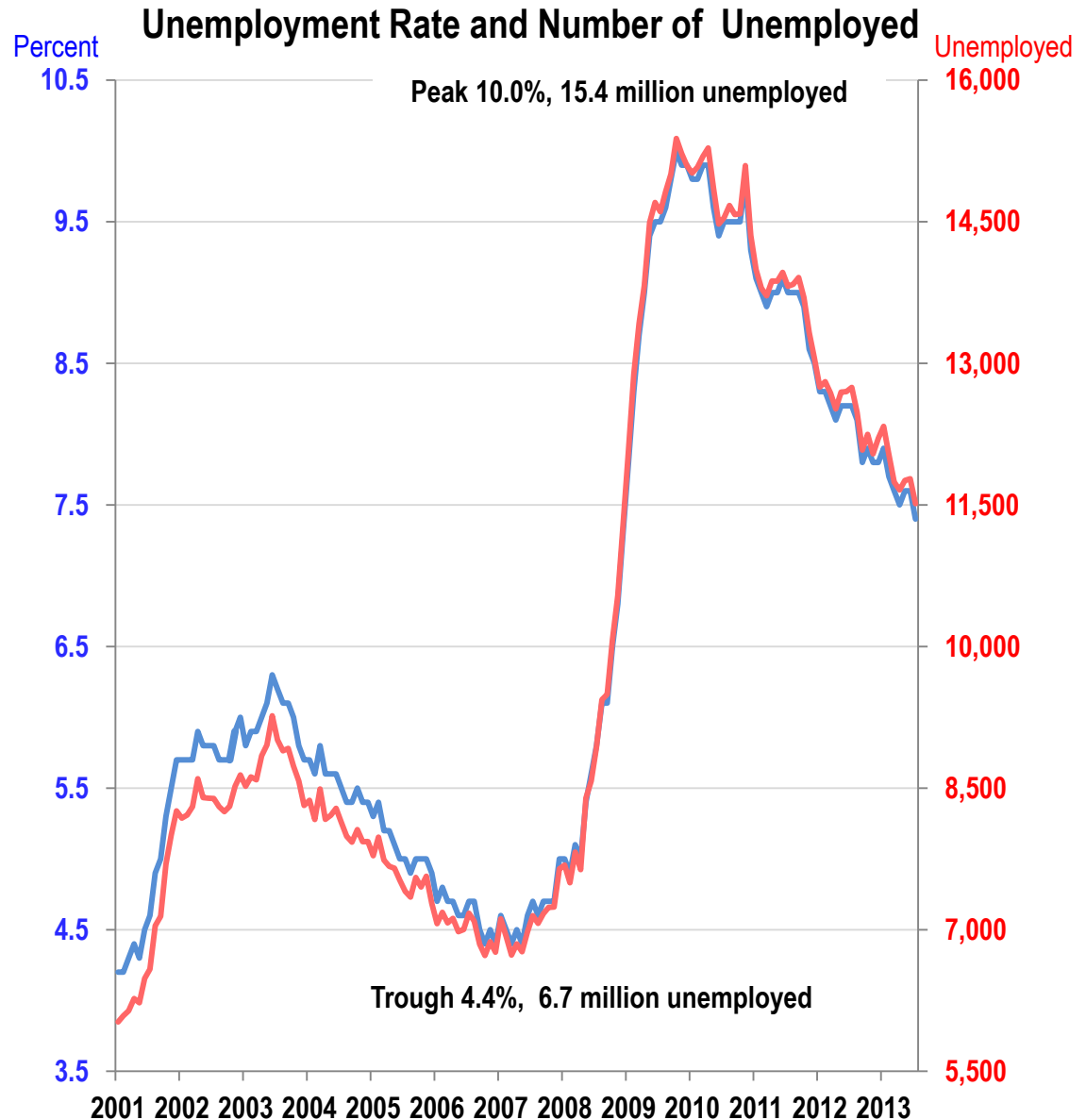
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## U.S. Unemployment Rate and Number of Unemployed

Both the unemployment rate and number of unemployed have slowly trended downward since peaking in late 2010.

At the end of July 2013, the unemployment rate (blue) was at 7.4%.

The total number of unemployed (red) dropped to 11.5 million. This is 4.7 million above the low point in 2007, but only 3.9 million below the high point in 2009.



Source: Bureau of Labor Statistics, SA, CBER.

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## U.S. Cumulative Change in Nonfarm Payroll and Number of Unemployed

The chart to the right shows the cumulative change in wage and salary employment and the number of unemployed workers in the U.S. The chart begins in January 2008 because that was the period of peak employment.

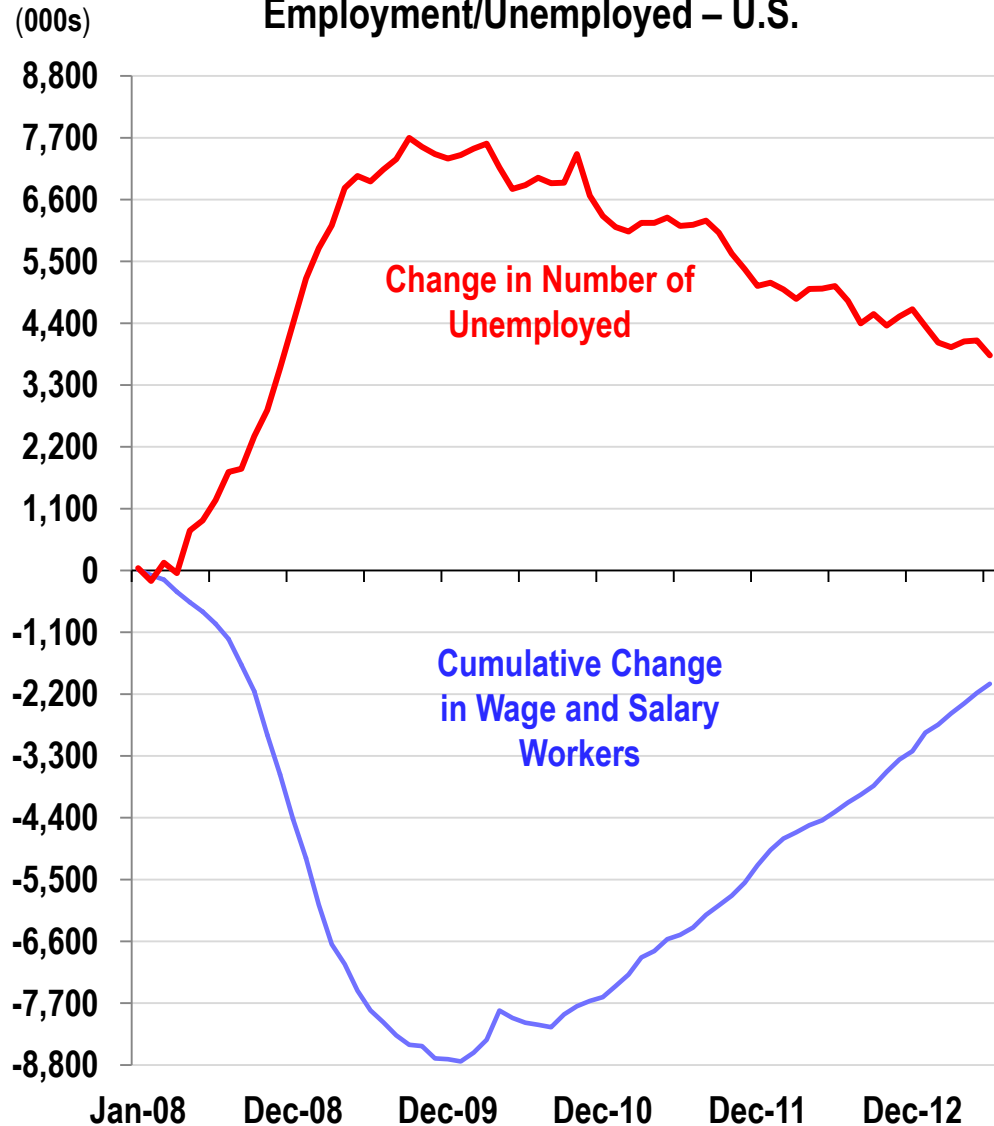
The U.S. lost jobs between January 2008 and January 2010. Beginning in February 2010 jobs were slowly added again. In July of 2013 wage and salary employment (blue) was 2.2 million below the 2008 peak.

Between January 2008 and September 2009 there was an increase in the number of unemployed (red). This number began to trend downwards the following month. Currently, the number of unemployed workers is 3.8 million greater than it was in January 2008.

From a jobs perspective, it may take another year before the U.S. wage and salary employment returns to the peak level.

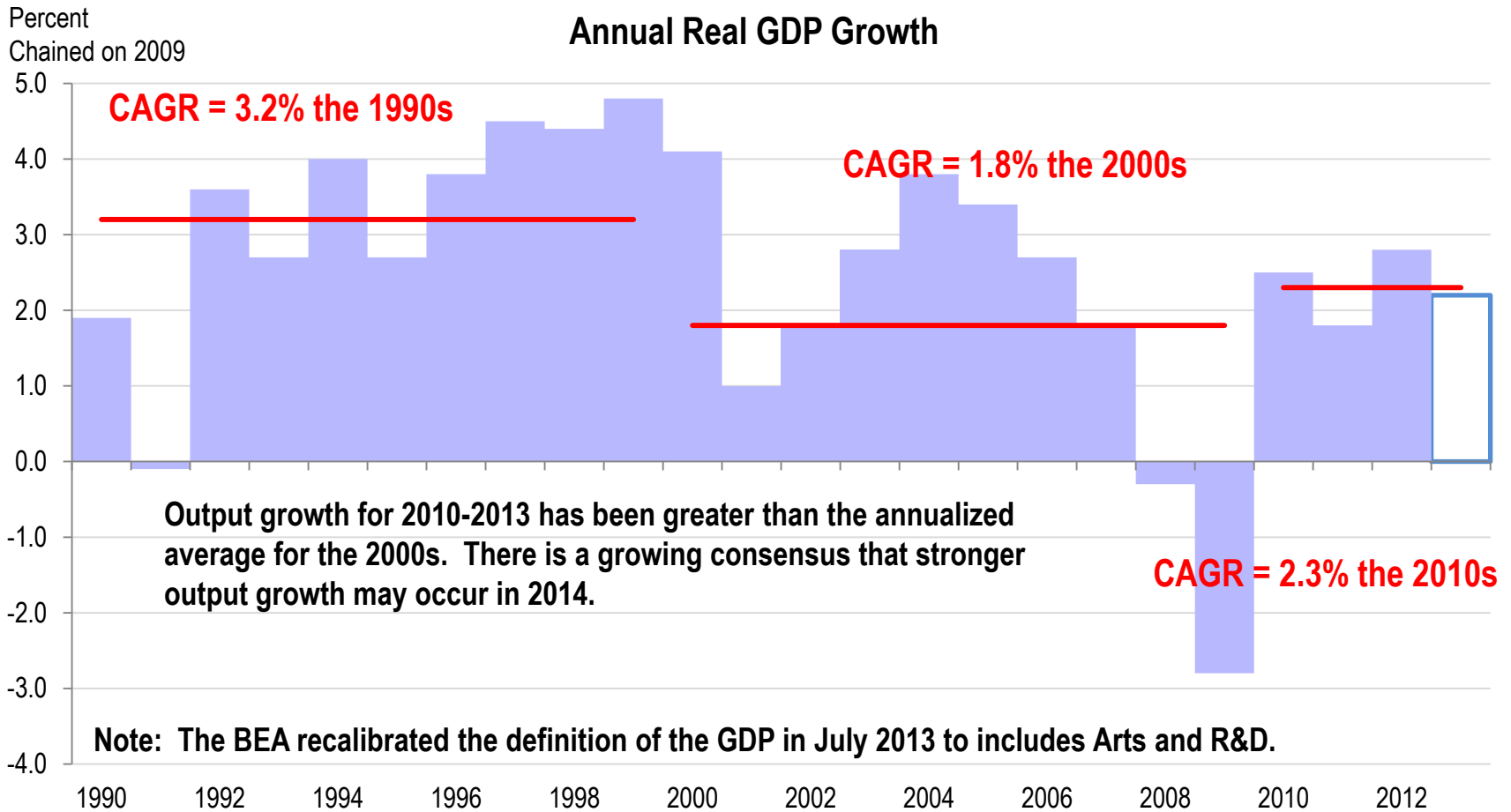
The number of unemployed is a much more dismal story. There are many in the U.S. who have not participated in the recovery!

### Cumulative Change in Wage and Salary Employment/Unemployed – U.S.



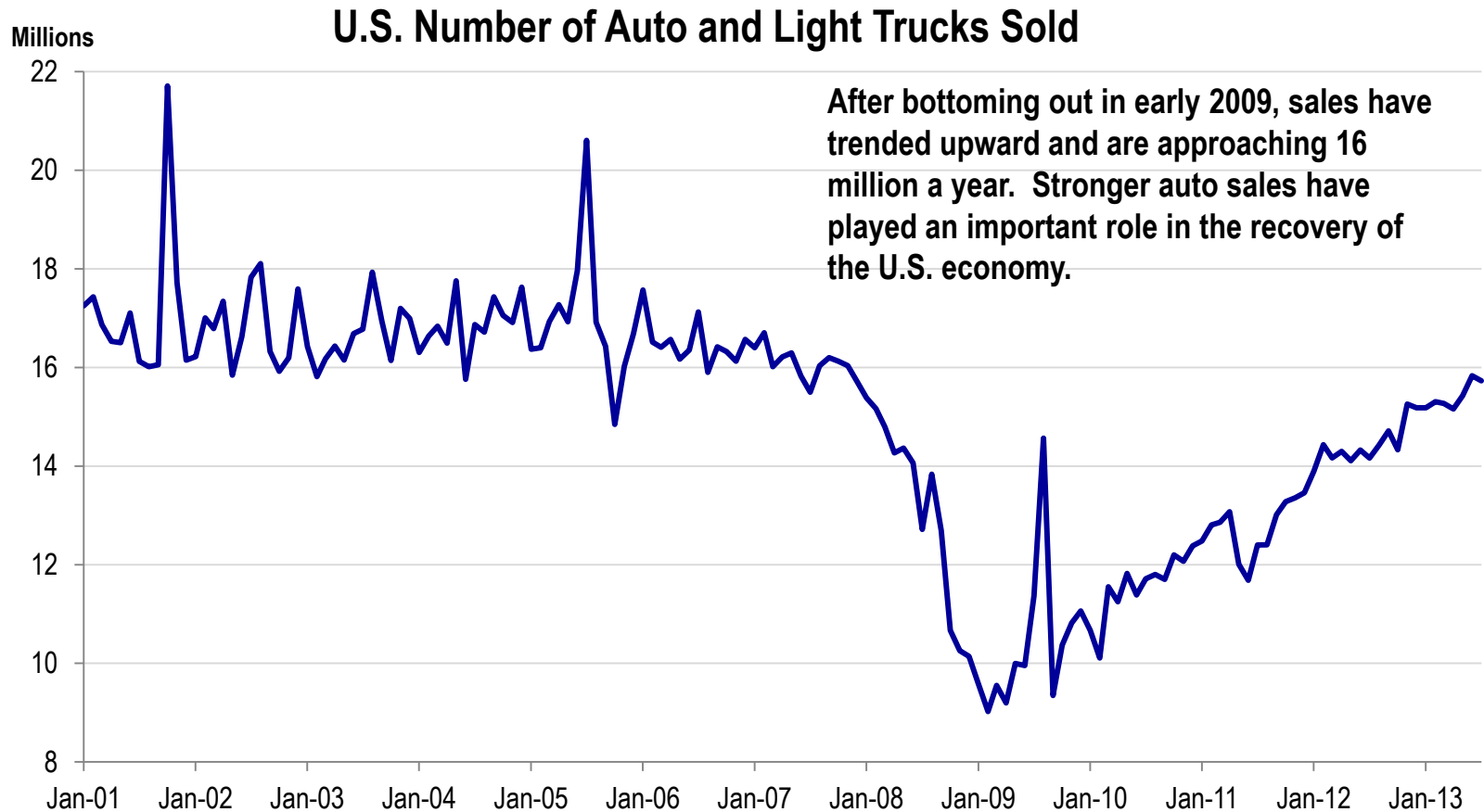
# Real US GDP Growth

## Annual



Source: Bureau of Economic Analysis, HIS, The Conference Board, CBER.

# Weekly Auto and Light Truck Sales



Source: FRED, BEA.

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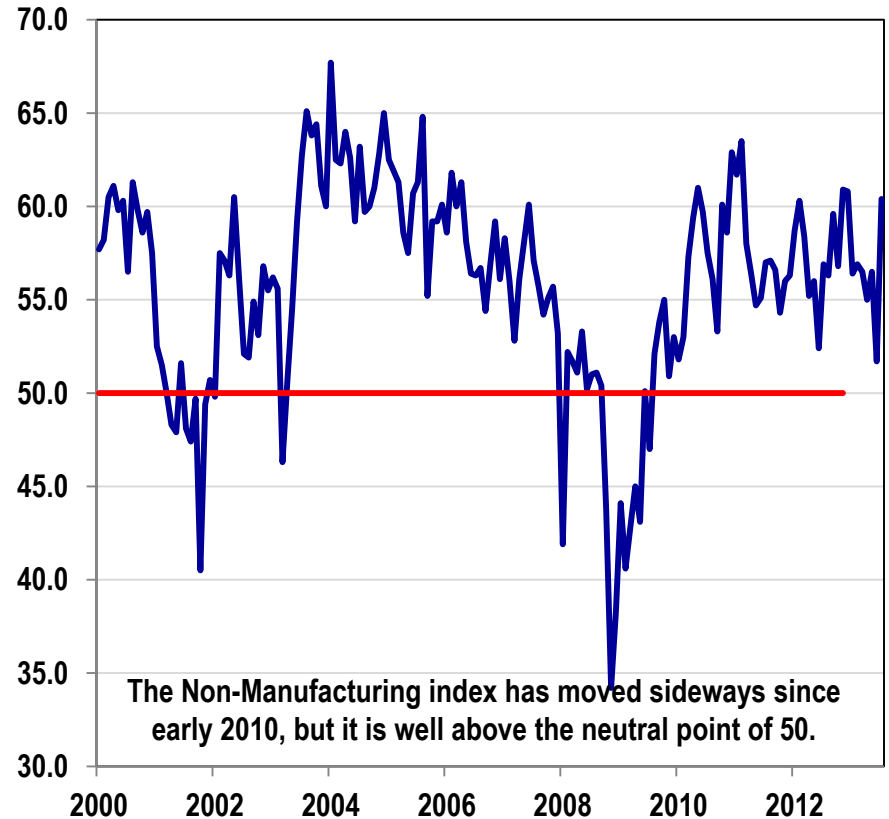


# ISM Indices

## ISM Manufacturing Index



## ISM Non-Manufacturing Index

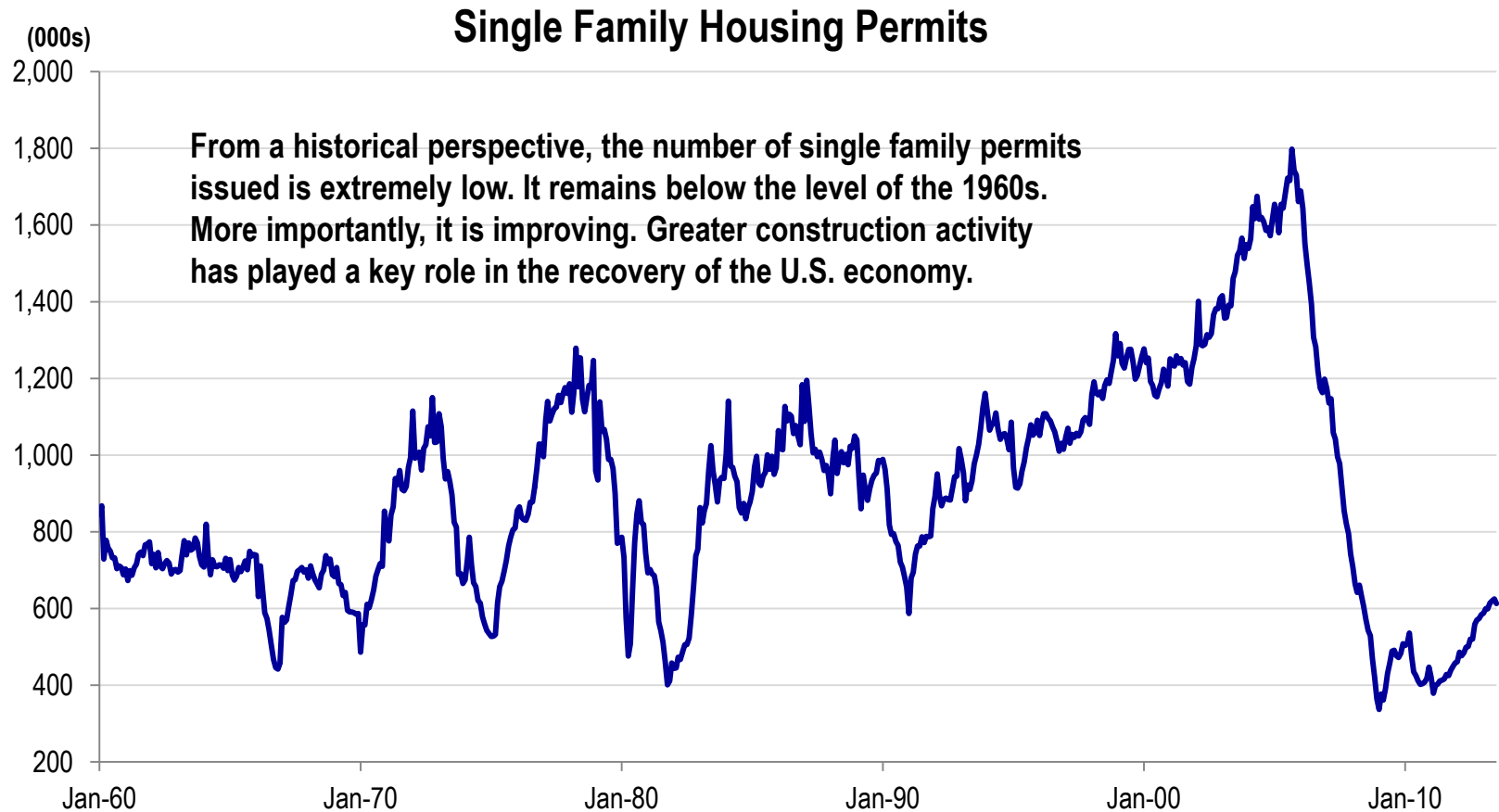


Sources: Institute for Supply Management (ISM), FRED.

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# Single Family Housing Permits



Source: FRED, BEA.



# Summary of U.S. Economy

## Good News

- The U.S. employment situation continues to improve; however, the number of unemployed workers remains high.
- The housing and equities markets have improved confidence and increased “wealth”.
- Real GDP has expanded at an annualized rate of 1% over the past three quarters; growth during the second half of the year may exceed 2.5%.
- Increased output will be driven by increased consumption and pent-up demand.
- The construction and automotive industries have played a key role in the recent strength of the economy.
- With improvements in the economy, the Federal Reserve is more likely to reduce bond purchases, possibly before the end of the year.
- Exporters should benefit from improvement in the European economy. Germany and France have led the area out of an 18 month recession.

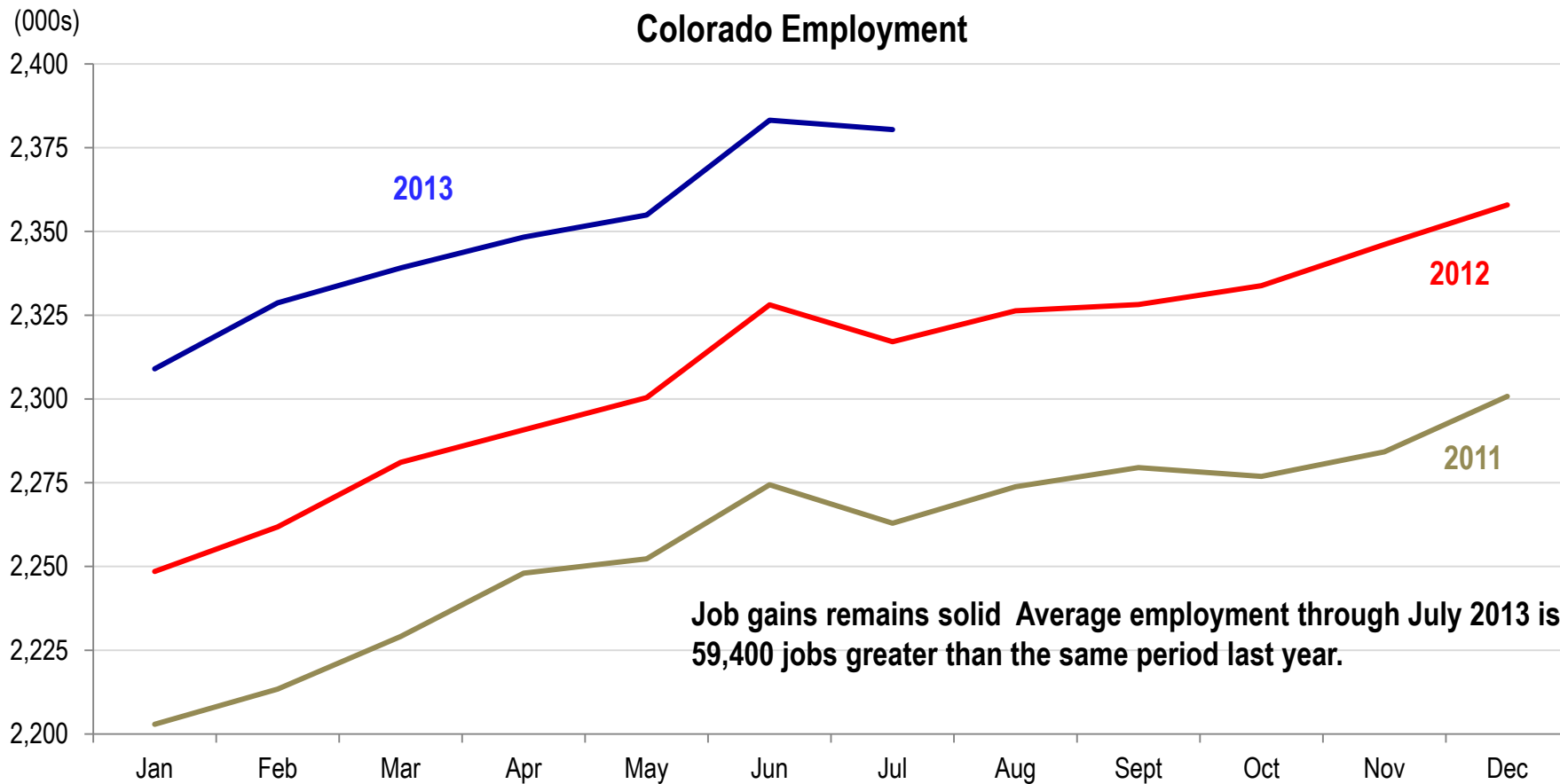
## Challenges

- At the moment, the good news outweighs the challenges.
- Political leaders are perceived as ineffective because of partisanship and “scandals”. A budget impasse at the end of the year could derail current momentum.
- There are many uncertainties surrounding the Affordable Care Act. Concerns exist that some current employment gains include the hiring of a great number of part-time workers, as opposed to full-time workers, to avoid costs associated with ACA.



# Colorado Economy/Performance to Forecast

# Colorado Wage and Salary Employment



Source: Bureau of Labor Statistics, NSA.

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## Colorado Unemployment Rate and Number of Unemployed

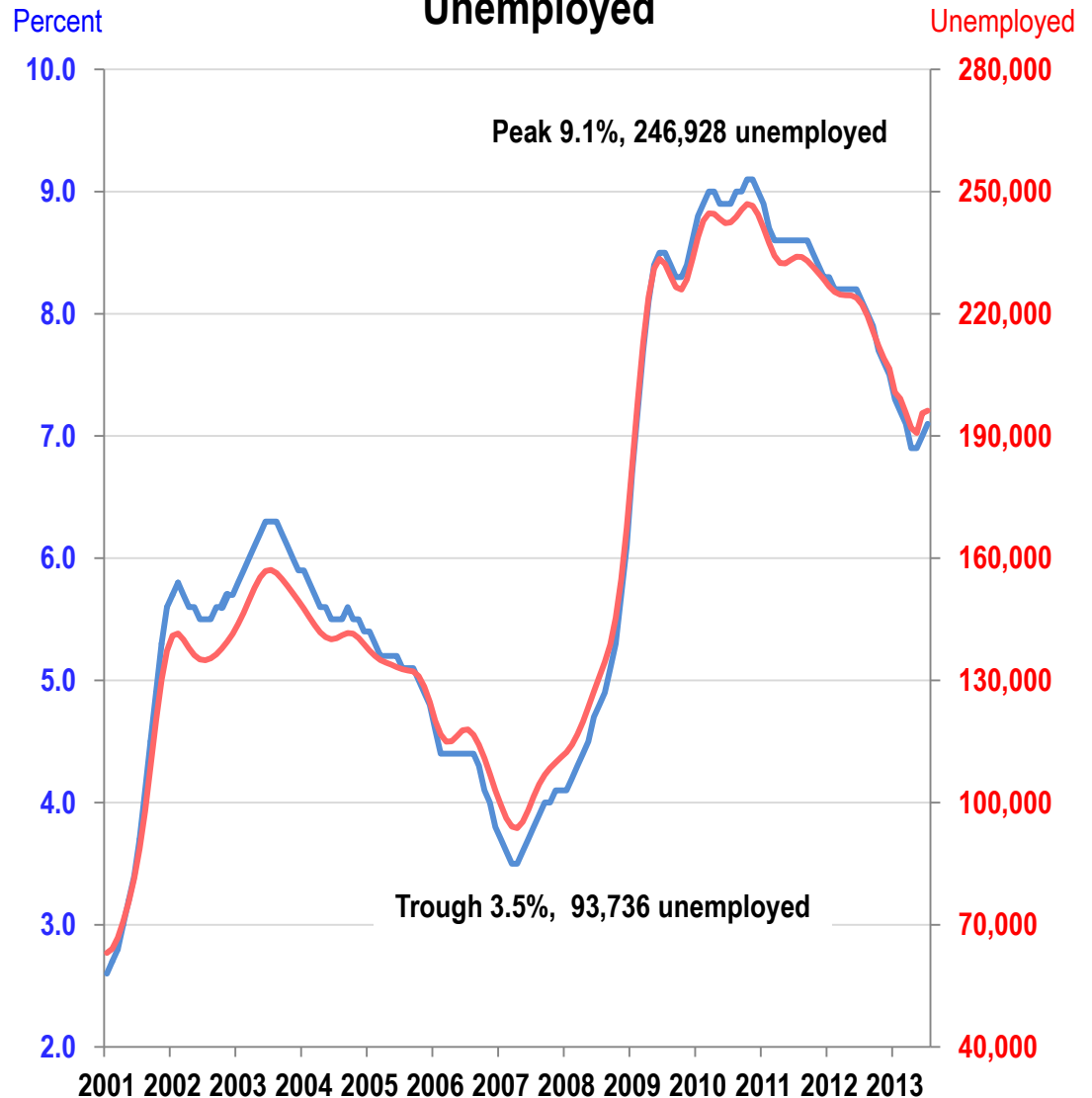
Both the unemployment rate and number of unemployed workers have trended downward since late 2010.

At the end of July 2013, the unemployment rate (blue) was 7.1%. This is lower than the U.S. rate.

In July 2013, the total number of unemployed workers (red) increased for the second consecutive month. The total number of unemployed is about twice as many as June 2007, the low point.

Between the June 2007 and the peak in October 2010, the number of unemployed workers increased by 153,192. In the 33 months since the peak, the number of unemployed workers has declined by only 51,336.

## Unemployment Rate and Number Unemployed



Source: Bureau of Labor Statistics, CBER.

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<http://cber.co>

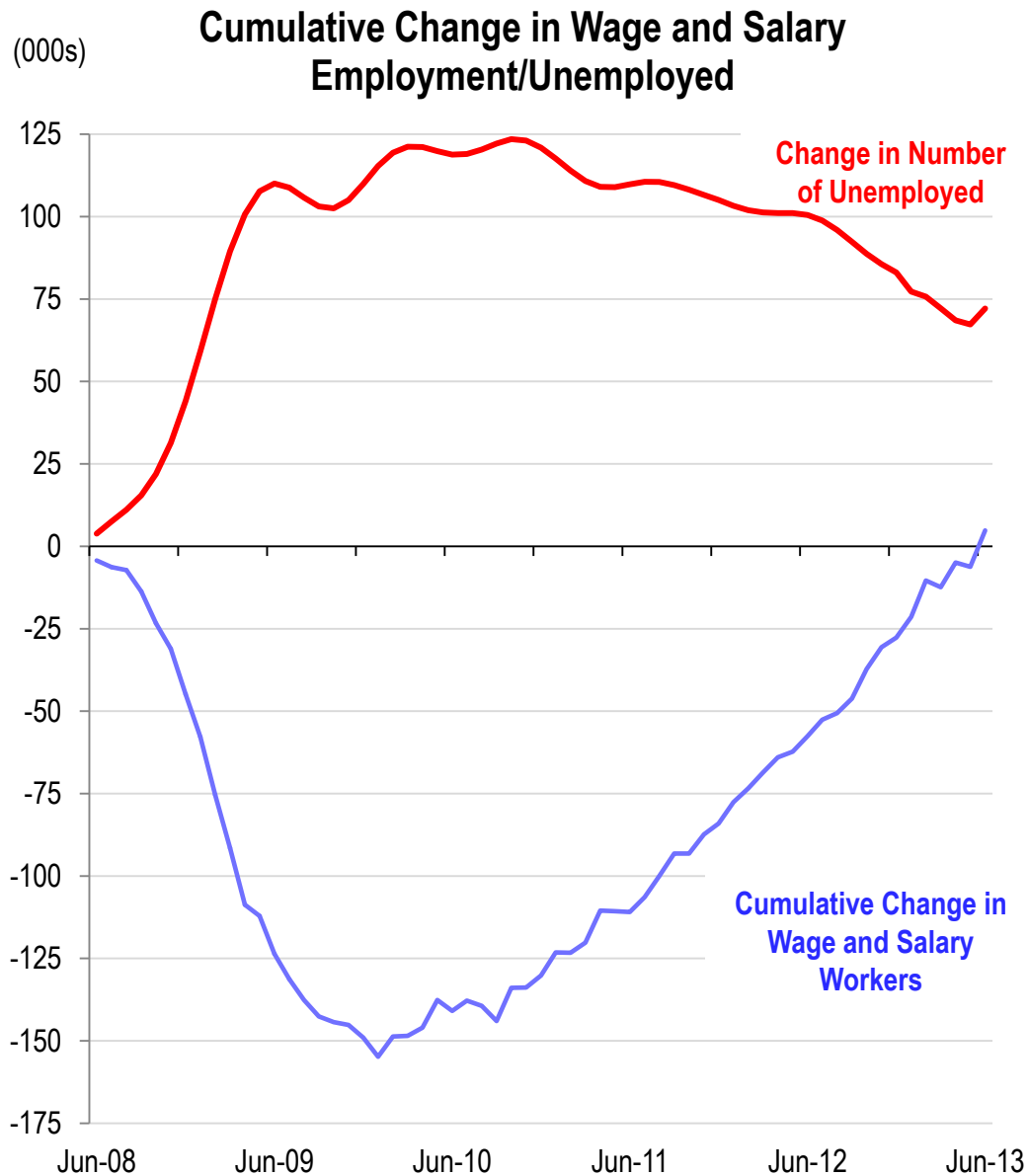
## Colorado Cumulative Change in Nonfarm Payroll and Number of Unemployed

The chart to the right shows the cumulative change in wage and salary employment and the number of unemployed workers in the state. The chart begins in June 2008 because that was the period of peak employment.

From June 2008 to January 2010, the state lost jobs. Beginning in February 2010 jobs were slowly added (blue). In June 2013 wage and salary employment finally returned to the 2008 peak.

Beginning in December 2010, the number of unemployed workers began to decline (red). Currently, the current number of unemployed workers is 72,000 greater than it was in June 2008.

Clearly, there are many in the state who have not benefitted from the recovery!



Source: Bureau of Labor Statistics, CBER.

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## Annual Employment Situation for Strong Growth Sectors

Over the past two decades the following sectors have been the foundation for consistent growth in Colorado employment.

- Professional and Scientific
- Management of Companies and Enterprises
- Business to Business (Not Employment Services)
- Private Education
- Health Care
- Arts, Entertainment, and Recreation
- Other Services.

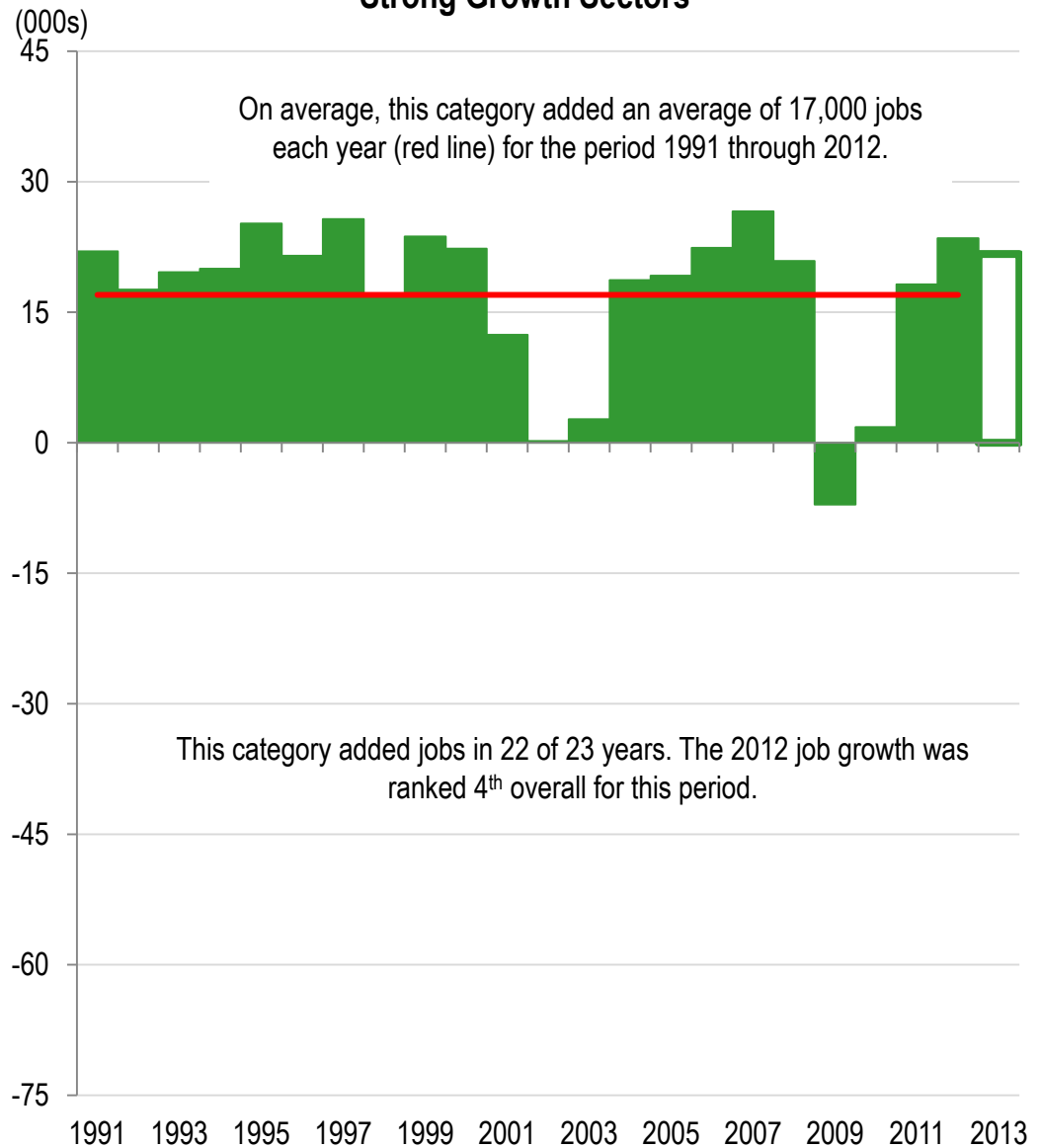
Total employment for this category was:

1992 404,900 workers, 25.4% of total employment  
 2002 592,400 workers, 27.1% of total employment  
 2012 739,300 workers, 32.0% of total employment.

Growth of this category in 2013 will be comparable to most years during the past two decades.

Between 19,000 and 25,000 workers will be added in 2013, most likely at the higher end of that range.

### Strong Growth Sectors



Source: Bureau of Labor Statistics, CBER.

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<http://cber.co>



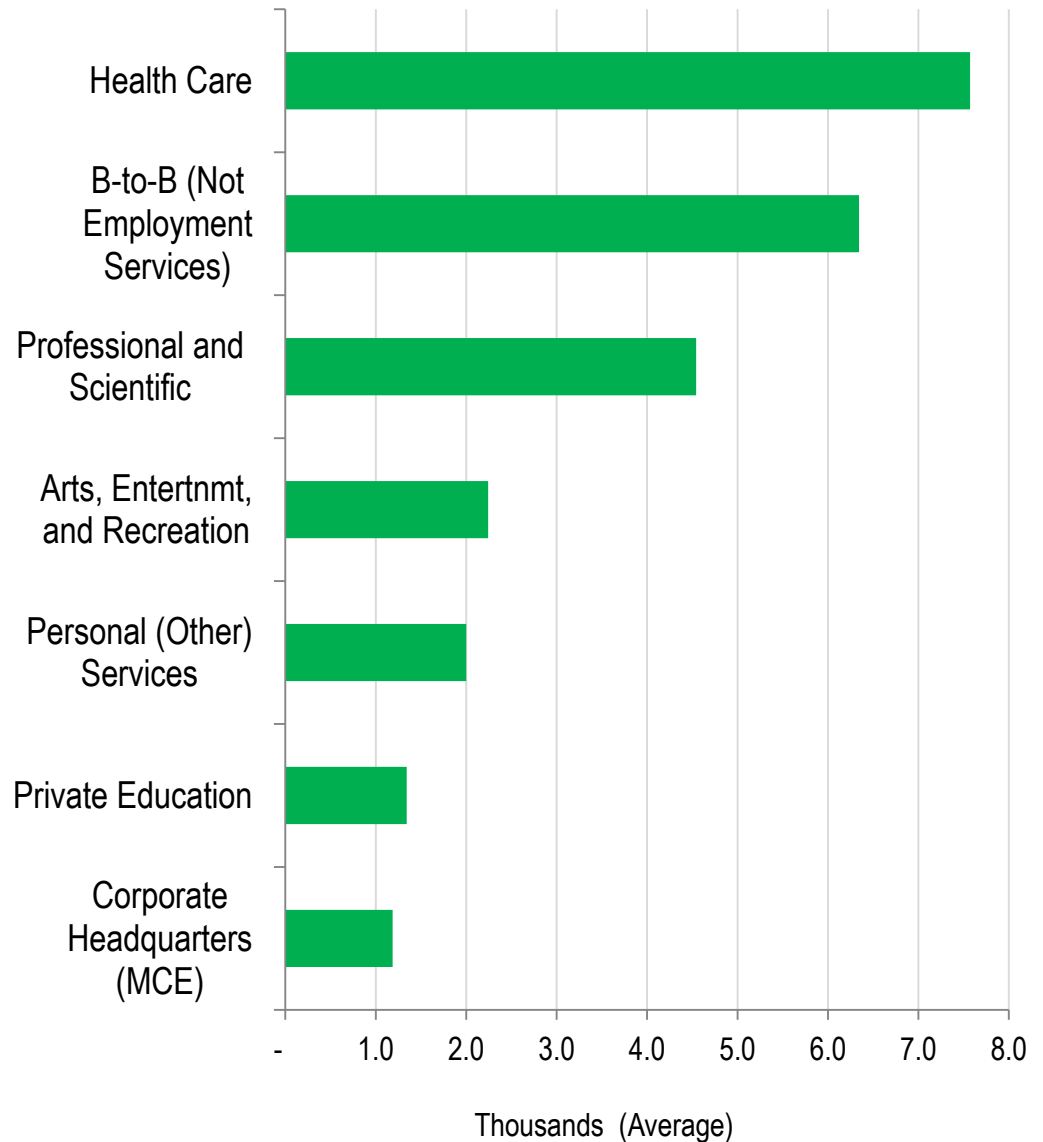
## Job Change in 2013

### Solid Growth Sectors

- Average employment for the solid growth sectors through seven months is 25,200 greater than the same period in 2012.

- These sectors account for 32.2% of total employment. They have accounted for 42.5% of job growth in 2013.

- These sectors were forecasted to add 19,000 to 25,000 jobs in 2013.



Source: Bureau of Labor Statistics.

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<http://cber.co>

# Annual Employment Situation for Solid Growth Sectors

Over the past two decades the following sectors usually added jobs. As a group their job gains were stronger during the 1990s than the 2000s.

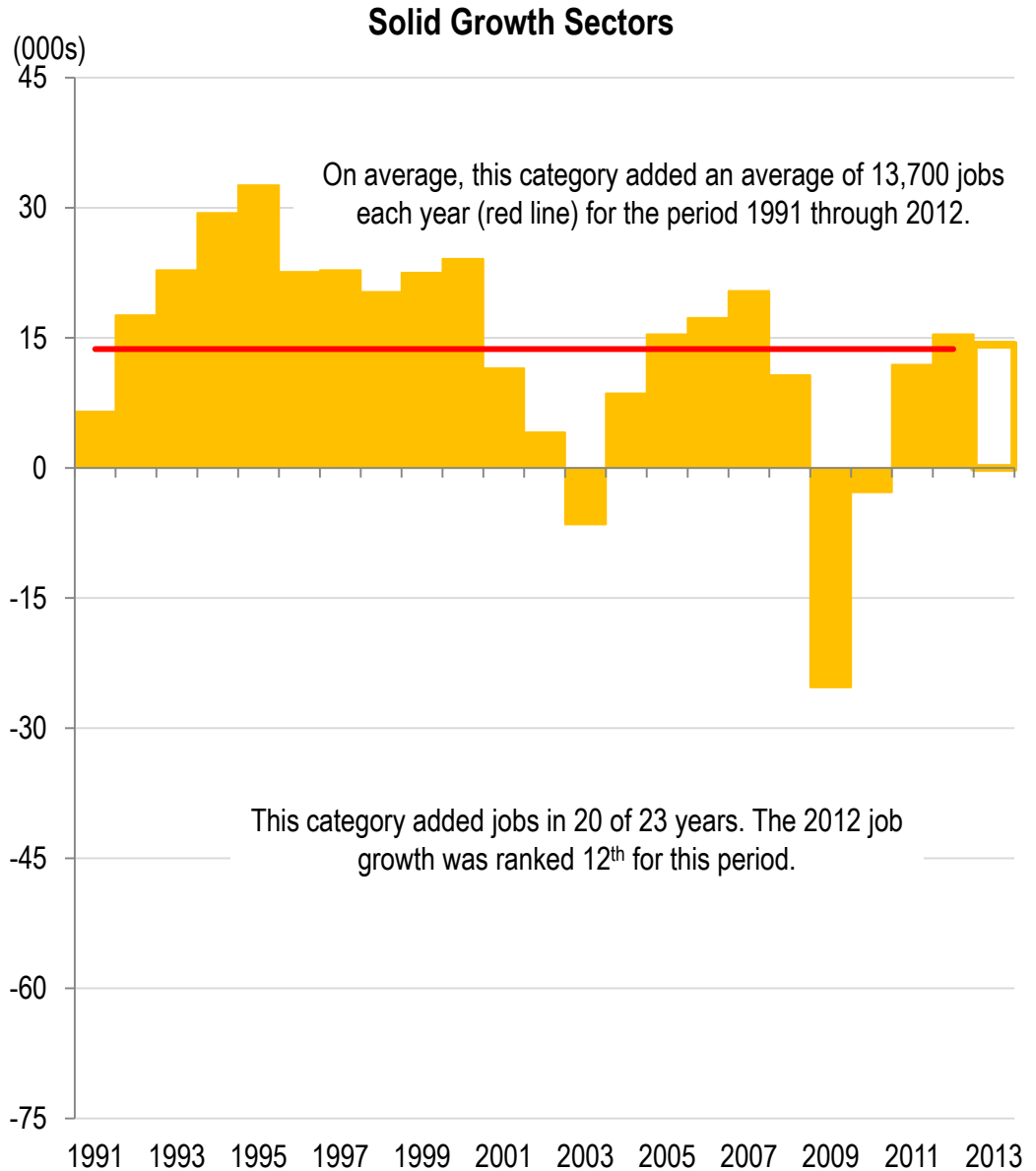
- Wholesale Trade
- Retail Trade
- State (Not Higher Education)
- Higher Education
- Local (Not K-12 Education)
- K-12 Education
- Accommodations and Food Services

Employment in some of these sectors has remained flat during most of the past decade.

Total employment for this category was:

1992 633,200 workers, 39.6% of total employment  
 2002 845,900 workers, 38.7% of total employment  
 2012 911,000 workers, 39.4% of total employment

Growth of this category in 2013 will be about average for the past two decades. Between 12,000 and 16,000 jobs will be added.



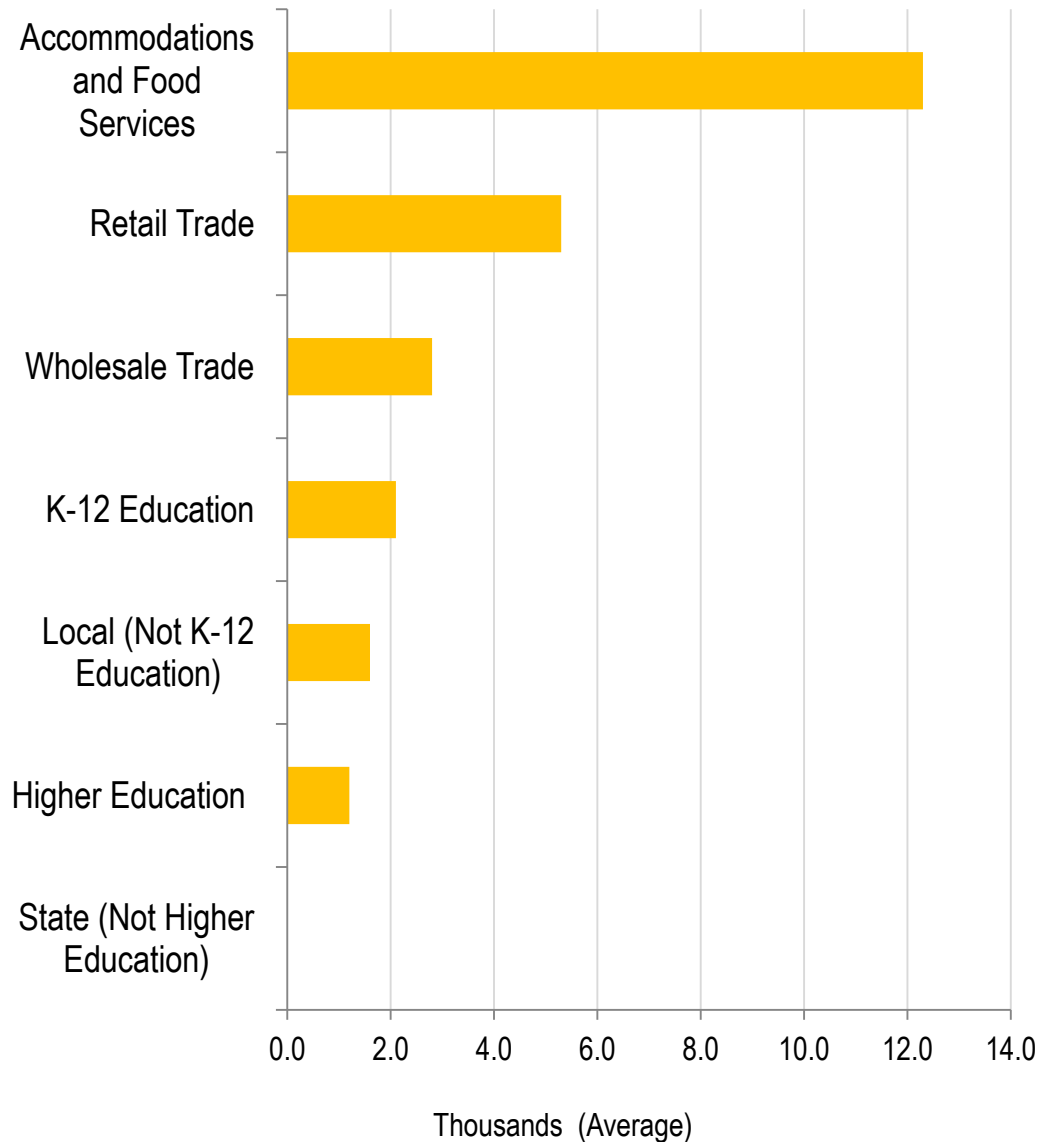
Source: Bureau of Labor Statistics, CBER.

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## Limited Growth Sectors

- Average employment for the limited growth sectors through seven months is 25,400 greater than the same period in 2012.
- These sectors are 39.4% of total employment. They have accounted for 42.7% of job growth in 2013.
- These sectors were forecasted to add 12,000 to 16,000 jobs in 2013.

## Job Change in 2013



Source: Bureau of Labor Statistics.

# Annual Employment Situation for Volatile Growth Sectors

Over the past two decades the sectors listed below were the source of volatility.

The sectors are:

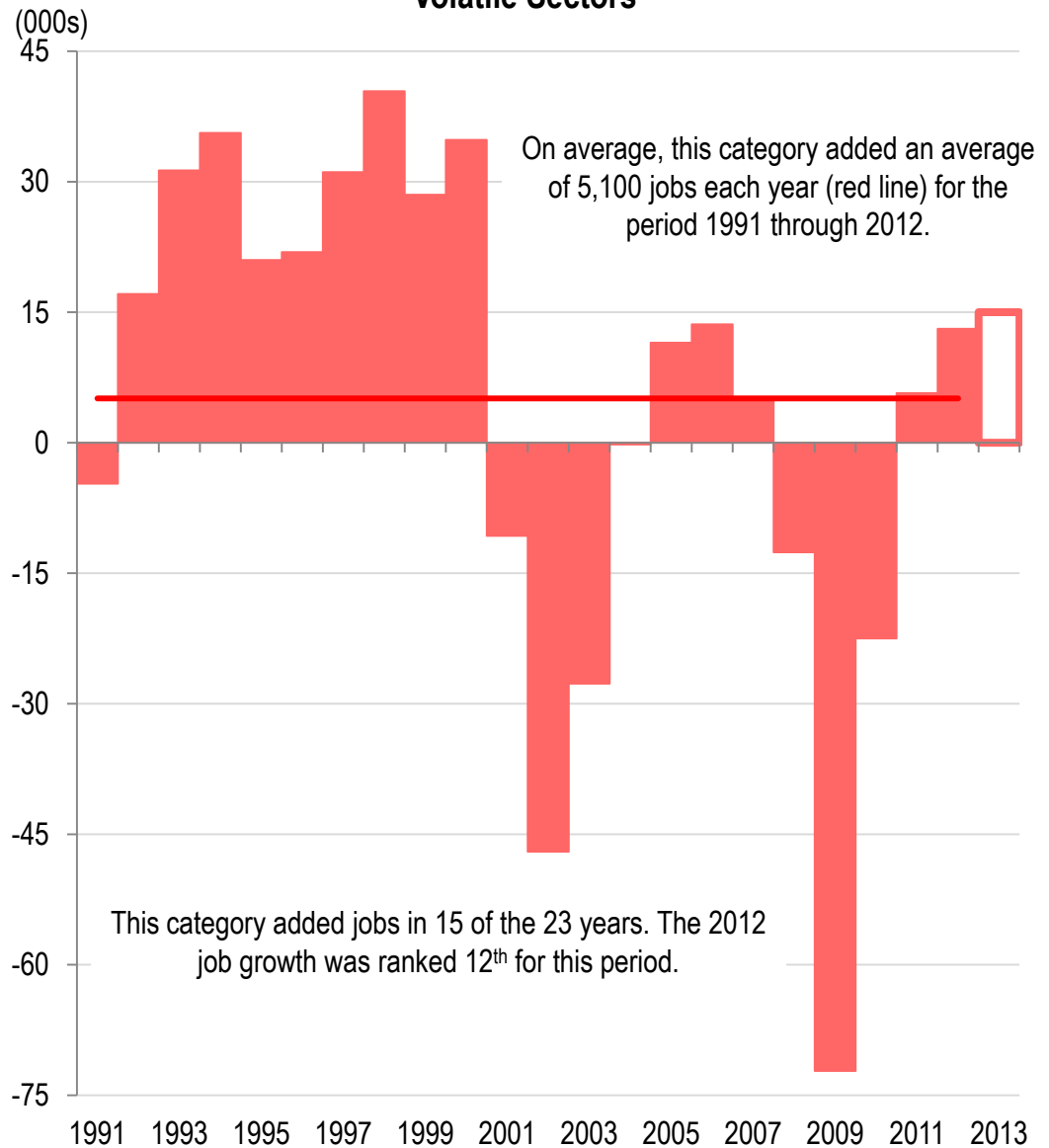
- Natural Resources and Mining
- Construction
- Manufacturing
- Transportation, Warehousing, and Utilities
- Employment Services
- Financial Activities
- Information
- Federal Government

Total employment for this category was:

1992 559,100 workers, 35.0% of total employment  
 2002 746,000 workers, 34.2% of total employment  
 2012 659,900 workers, 28.6% of total employment.

In 2013 this category will add between 13,000 and 17,000 jobs . Growth in this category will be above the annual average.

## Volatile Sectors



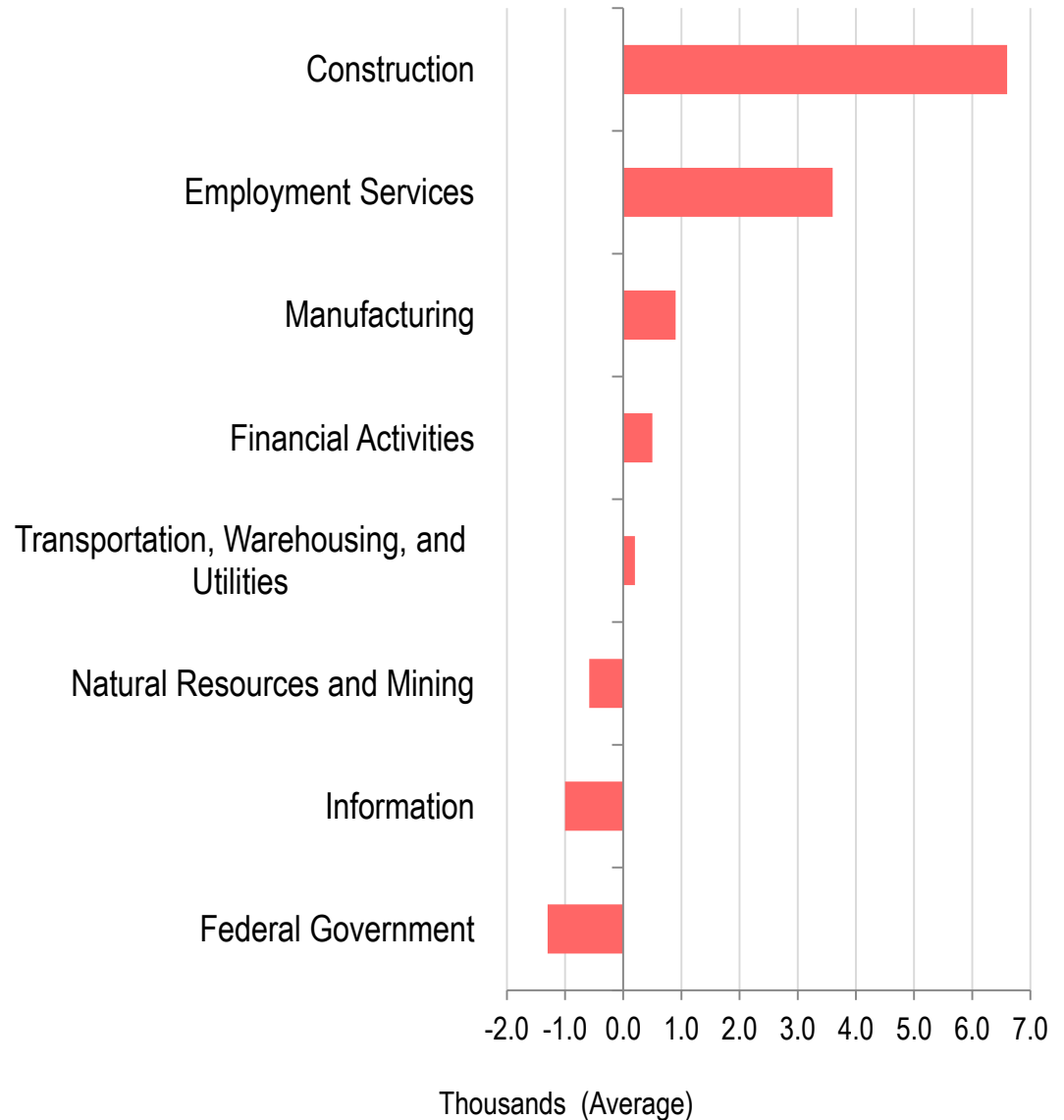
Source: Bureau of Labor Statistics, CBER.

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## Job Change in 2013

### Volatile Sectors

- Average employment for the limited growth sectors through seven months is 8,800 greater than the same period in 2012.
- These sectors are 28.4% of total employment. They have accounted for 14.8% of job growth in 2013.
- These sectors were forecasted to add 13,000 to 17,000 jobs in 2013.



Source: Bureau of Labor Statistics.

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# Questions and Answers

# Question and Answers

The next series of slides address the following questions:

- Are there Areas of Concern?
- How do Colorado's Oil Reserves Compare to Other States and How Has Oil Production Affected the Recovery?
- Is Colorado the Fittest State?

# Questions and Answers

## Are There Areas of Concern?

There has been stronger than usual growth in the sectors listed below. The higher than normal growth during a period of moderate growth raises questions about what is driving this growth and whether it can be sustained.

### Sectors with Stronger than Usual Growth

- Accommodations and Food Services - Current BLS data suggests that 12,100 jobs will be added this year. The previous peak was 11,000 jobs added in 1995. Between 1991 and 2013 the sector will add an average of 4,400 jobs annually.
- Retail – Current BLS data suggests that 5,300 jobs will be added this year, the highest level since 2000. Between 1991 and 2013 the sector will add an average of 3,300 jobs annually.
- Administrative and Waste Management, excluding Employment Services – Current BLS data suggests that 6,300 jobs will be added in 2013. The record number of jobs added for the sector was 6,700 jobs in 1967. Between 1991 and 2013 the sector will add an average of 2,400 jobs annually.

### Possible Reasons for Strong Growth

- Pent up demand
- Stronger economy
- The level of strong growth may be a function of errors in the BLS process for calculating these numbers and they may be revised downward next March.
- A portion of this growth may be a function of companies adding part-time workers, rather than full-time workers, to avoid having to pay costs associated with the Affordable Care Act.
- A combination of the above.



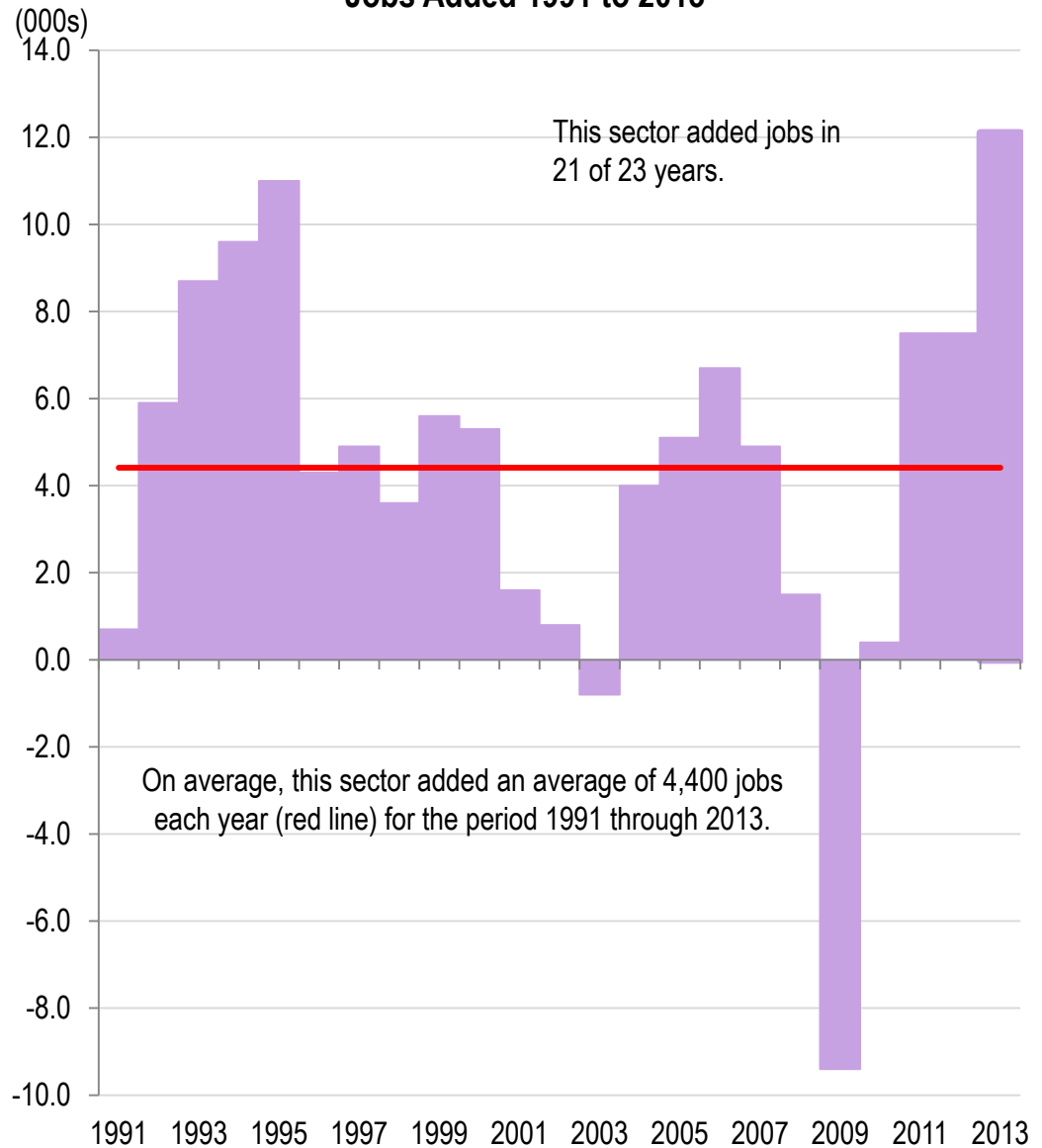
## Annual Employment Situation for AFS

Through seven months of 2013, the average number of jobs added in the Accommodations and Foods Sector is 12,100 compared to the same period last year.

Possible explanations for this strong level of growth include:

- Increased tourism promotion.
- Pent-up demand or increased consumption.
- Errors in the data projection by the Bureau of Labor Statistics.
- AFS businesses hiring more part-time workers in anticipation of the Affordable Care Act .

### Jobs Added 1991 to 2013



Source: Bureau of Labor Statistics, CBER.

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## Annual Employment Situation for the Retail Sector

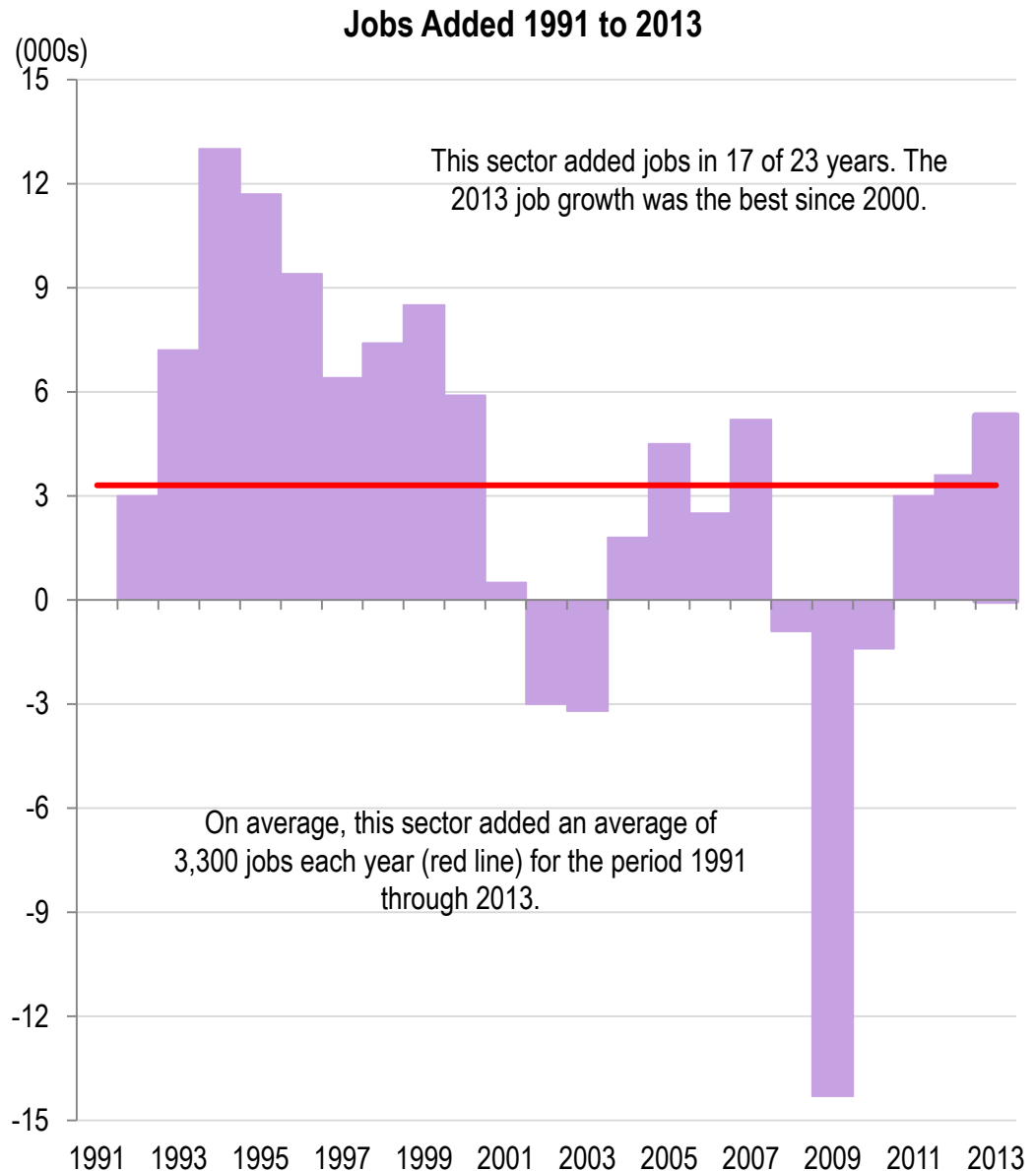
Through seven months of 2013, the average number of jobs added in the Retail Sector is 5,300 compared to the same period last year.

Possible explanations for this strong level of growth include:

- Cities promoting the growth of retail stores to bolster their coffers. (For many cities, retail sales taxes account for about 60% of total revenues.)
- Pent-up demand or increased consumption.
- Errors in the data projections by the Bureau of Labor Statistics.
- Retail businesses hiring more part-time workers in anticipation of the Affordable Care Act.

Source: Bureau of Labor Statistics, CBER.

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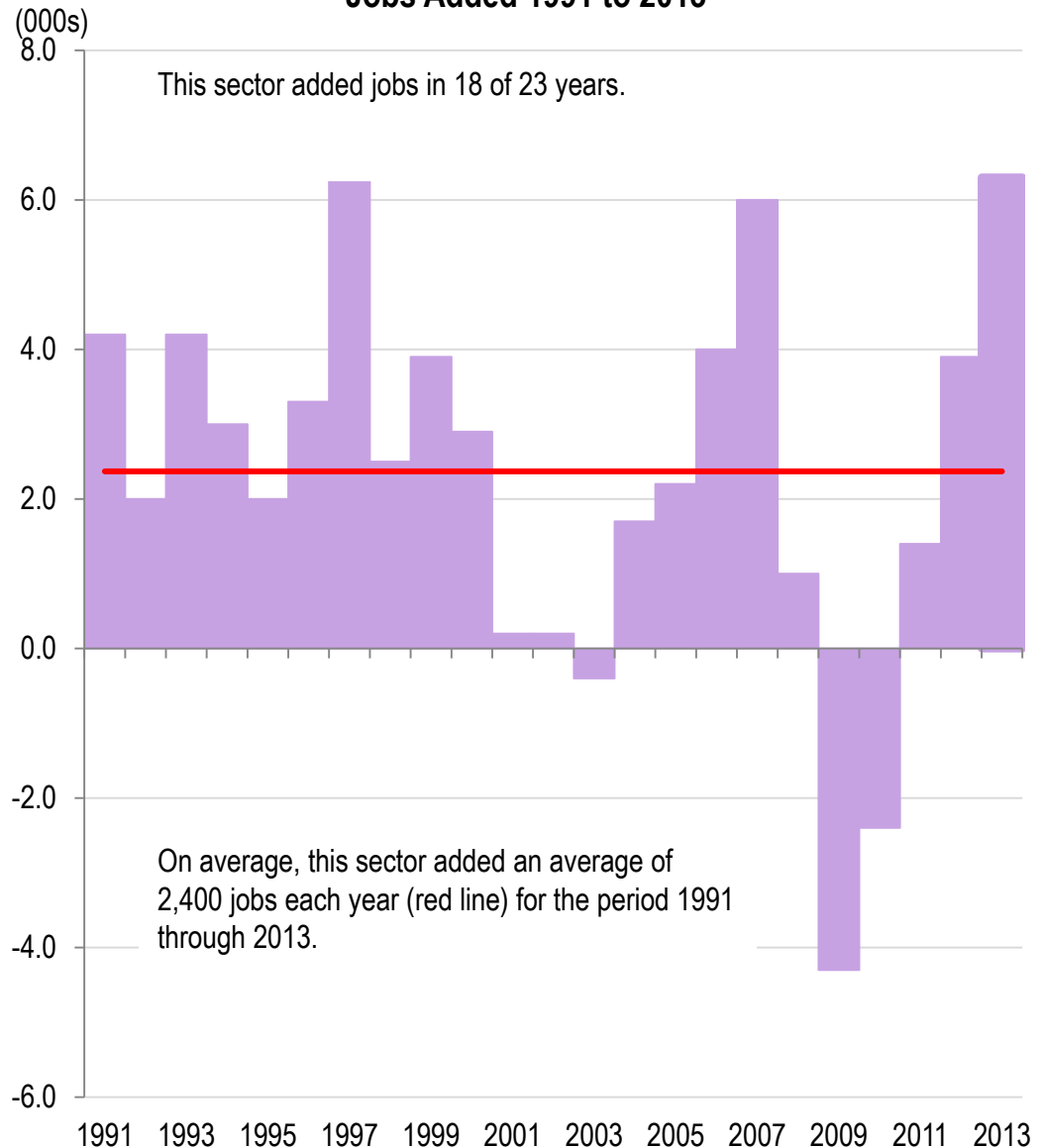
## Annual Employment Situation for B-to-B excluding Employment Services

Through seven months of 2013, the average number of jobs added in the Administrative and Waste Management Sector (B-to-B Services), excluding Employment services is 6,300 jobs compared to the same period last year. Only once since 1991 has growth been greater. In 1997, 6,700 jobs were added.

Possible explanations for this strong level of growth include:

- Pent-up demand or increased consumption.
- Errors in the data projections by the Bureau of Labor Statistics.
- Businesses hiring more part-time workers in anticipation of the Affordable Care Act .

### Jobs Added 1991 to 2013



Source: Bureau of Labor Statistics, CBER.

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# Questions and Answers

- How do Colorado's Oil Reserves Compare to Other States and How Has Oil Production Affected the Recovery?

The Extractive Industries are a volatile, but significant contributor to the state and national economies.

Colorado is one of the top 10 states in proved oil reserves.

Colorado has leaders who take pride in the tough regulations placed on the oil and gas industry. As well, environmentalists take great pride in the efforts they have made to eliminate fracking in the state.

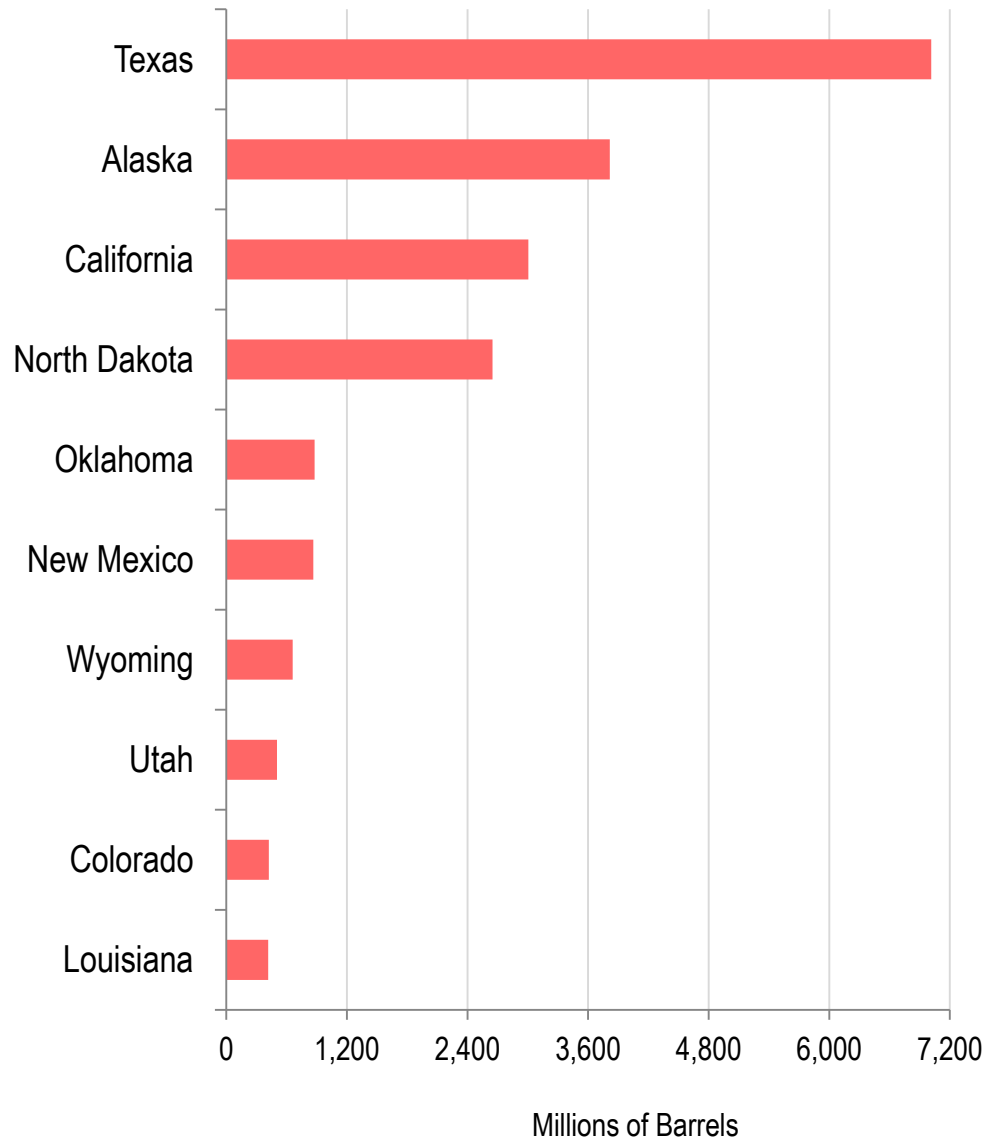
Have policy and regulatory efforts relating to the extractive industries impacted the state economy?

## Top Ten Proved Oil Reserve States in the United States

Ten states, including Colorado account for 94% of the U.S. proved oil reserves.

Colorado is ranked 9<sup>th</sup> with 423 billion barrels.

### Proved Oil Reserves



Source: U.S. Energy Information Administration, December 2011.

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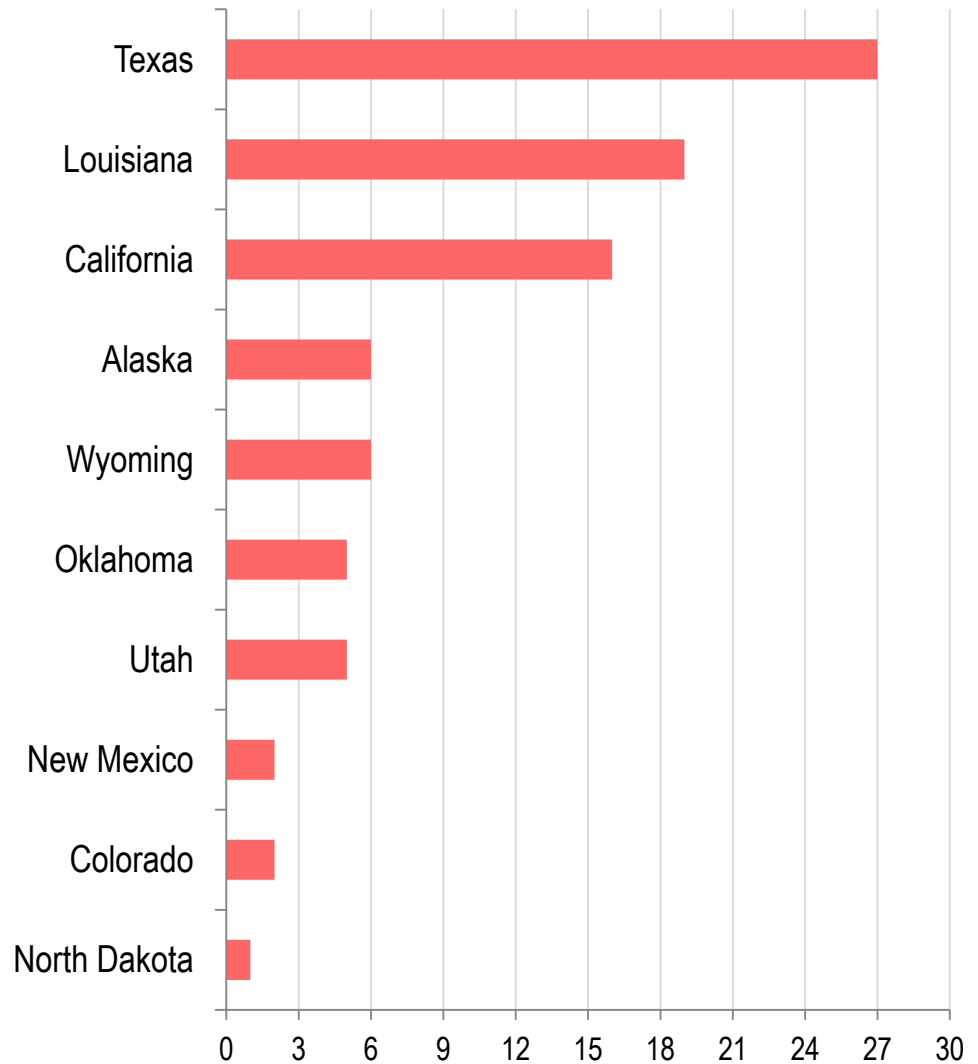
## Top Proved Oil Reserve States in the United States

Ten states, including Colorado account for 94% of the U.S. proved oil reserves.

89 of the country's 139 refineries are located in the top ten states for oil reserves. Colorado has two refineries.

62 refineries are in Texas, Louisiana, and California.

### Number of Refineries



Source: U.S. Energy Information Administration, December 2011.

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Number of Refineries

## State Unemployment Rate for Top 10 States with Proved Oil Reserves

In 2007 (blue), nine of the top ten states for proved oil reserves had an unemployment rate lower than the U.S. rate.

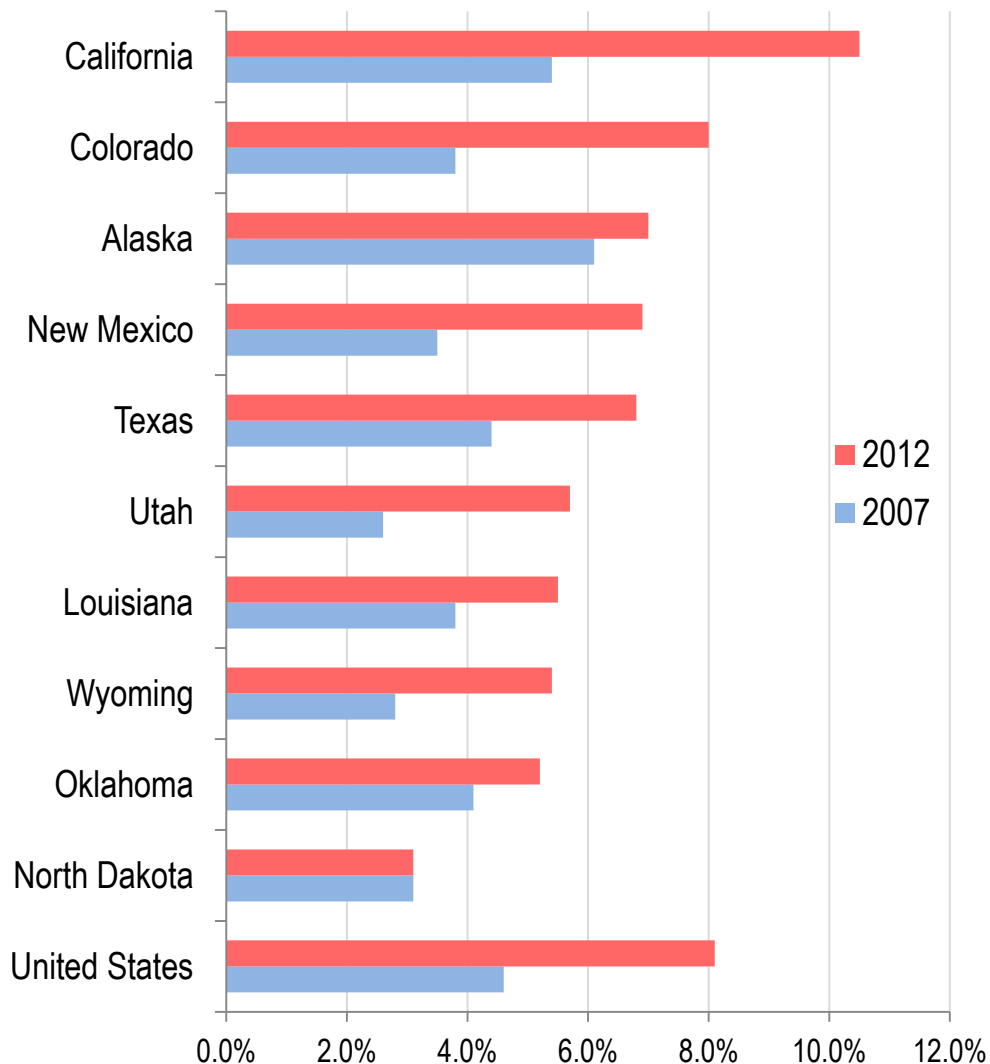
In 2012 (red), nine of these ten states had an unemployment rate lower than the U.S. rate, although the Colorado rate was lower by only 0.1 percentage points.

For the U.S., the gap between 2012 and 2007 was 3.5 percentage points (8.1% - 4.6%). The percentage point gap for the 10 states is:

- 5.1 California
- 4.2 Colorado
- 3.4 New Mexico
- 3.1 Utah
- 2.6 Wyoming
- 2.4 Texas
- 1.7 Louisiana
- 1.1 Oklahoma
- 0.9 Alaska
- 0.0 North Dakota

In other words, the economies in 8 of the 10 leading oil reserve states experienced faster reduction in unemployment rates, presumably as a result of growth in the extractive industries. California and Colorado are the exceptions.

### Annual State Unemployment Rate 2007 vs. 2012



Source: BLS.

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## Annualized Rate of Employment Change for Top 10 States with Proved Oil Reserves

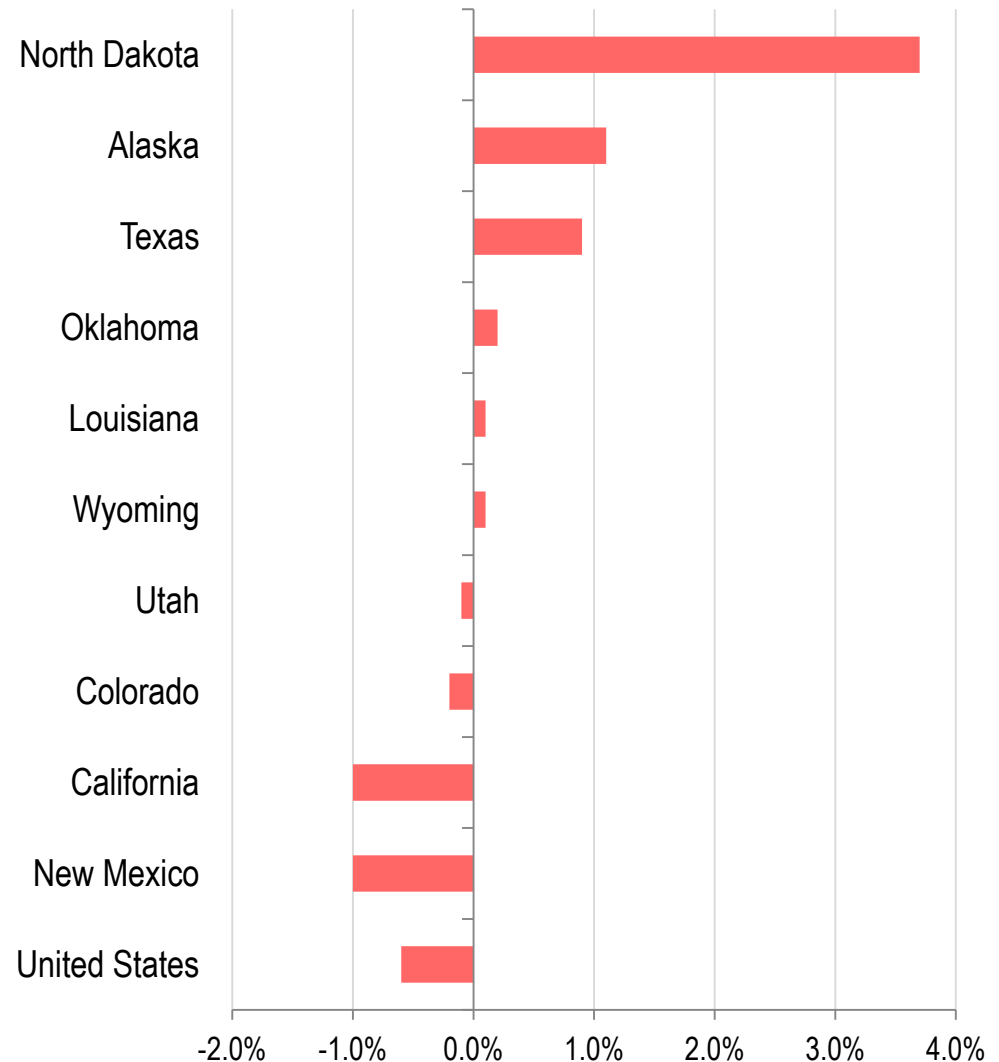
Between 2007 and 2012, the annualized rate of change in U.S. employment was -0.6%. For that period both California and New Mexico were worse.

Colorado and Utah posted slight annualized job losses. Wyoming, Louisiana, and Oklahoma experienced slight annualized job gains.

Texas posted annualized gains of 0.9%, Alaska was 1.1% and North Dakota was 3.7%.

8 of top 10 states for oil reserves added jobs at a faster annualized rate than the U.S.

### Annualized Rate of Change in Employment 2007 vs. 2012



Source: BLS.

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# Question and Answers

## Is Colorado the Fittest State?

In March, 2013 Gallup pollsters reported that Colorado has the nation's lowest obesity rate; 18.7% of adults are obese.

As measured by the Gallup-Healthways Well-Being Index, Colorado was the only state to register below 20%. The second place state, Massachusetts, was almost 22%.

The good news ends there.

Colorado is also one of the most highly ranked states for the use of selected drugs, as seen in the following rankings (1 is worst and 51 is best – Washington, D.C. included) :

- 25<sup>th</sup> for cigarette smoking.
- 9<sup>th</sup> for binge drinking.
- 5<sup>th</sup> for any illicit drug use.
- 4<sup>th</sup> for marijuana use.
- 4<sup>th</sup> for any illicit drug use, other than marijuana.

Note: These results are derived in 2007-2008 from the National Survey on Drug Use and Health (NSDUH). Current users are defined as those persons 12 years old and over who consumed drugs at least once within the month prior to the study.

There is a cost to Colorado citizens for these levels of consumption and this level of unhealthy lifestyles.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

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# Question and Answers

## Is Colorado the Fittest State? – Cigarettes

Nationally, there are 59,918,000 people, or 24.1% of the U.S. population, ages 12+ who smoked cigarettes in the past month.

Colorado is ranked 25th.

There are 1,007,000 people, or 25.1% of the Colorado population, ages 12+ who smoked in the past month. The Colorado percentage is higher than the U.S.

Kentucky is ranked #1, 32.2% of the population, ages 12+, smoked in the past month.

Utah is ranked #51, 15.3% of the population, ages 12+, smoked in the past month.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

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# Question and Answers

## Is Colorado the Fittest State? – Binge Drinking

Binge Alcohol Use is defined as drinking five or more drinks on the same occasion (i.e., at the same time or within a couple of hours of each other) on at least 1 day in the past 30 days (population 12 and older).

Nationally, there are 57,938,000 people, or 23.3% of the U.S. population, ages 12+, who are binge drinkers based on this definition.

Colorado is ranked 9th.

There are 1,072,000 people, or 26.7% of the Colorado population, ages 12+, are binge drinkers. The Colorado percentage is higher than the U.S.

North Dakota is ranked #1; 32.6% of the population, ages 12+, are binge drinkers.

Utah is ranked #51; 15.1% of the population, ages 12+, are binge drinkers.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

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# Question and Answers

## Is Colorado the Fittest State? – Any Illicit Drug

Illicit Drugs are defined as marijuana/hashish, cocaine (including crack), heroin, hallucinogens, inhalants, or prescription-type psychotherapeutics used in a non-medical setting.

Nationally, there are 19,966,000 people, or 8.0% of the U.S. population, ages 12+, who used illicit drugs in the past month.

Colorado is ranked 5th.

There are 470,000 people, or 11.7% of the Colorado population, ages 12+, who used illicit drugs in the past month. The Colorado percentage is higher than the U.S.

Rhode Island is ranked #1; 13.3% of the population, ages 12+, used illicit drugs in the past month.

Iowa is ranked #51; 4.1% of the population, ages 12+, used illicit drugs in the past month.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

Colorado-based Business and Economic Research

<http://cber.co>

# Question and Answers

## Is Colorado the Fittest State? – Marijuana

Nationally, there are 14,825,000 people, or 6.0% of the U.S. population, ages 12+, who used marijuana in the past month.

Colorado is ranked 4th.

There are 370,000 people, or 9.2% of the Colorado population, ages 12+, who used marijuana in the past month. The Colorado percentage is higher than the U.S.

Rhode Island is ranked #1; 10.9% of the population, ages 12+, used marijuana in the past month.

Iowa is ranked #51; 3.2% of the population, ages 12+, used marijuana in the past month.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

Colorado-based Business and Economic Research

<http://cber.co>

# Question and Answers

## Is Colorado the Fittest State? – Illicit Drugs, Other Than Marijuana

Nationally, there are 8,917,000 people, or 3.6% of the U.S. population, ages 12+, who used illicit drugs other than marijuana in the past month.

Colorado is ranked 4th.

There are 183,000 people, or 4.6% of the Colorado population, ages 12+, who used illicit drugs other than marijuana in the past month. The Colorado percentage is higher than the U.S.

Rhode Island is ranked #1; 5.9% of the population, ages 12+, used illicit drugs other than marijuana in the past month.

Iowa is ranked #51; 1.8% of the population, ages 12+, used illicit drugs other than marijuana in the past month.

Source: 2012 U.S. Statistical Abstract, Table 204, Estimated Use of Selected Drugs by State 2007-2008 .

Colorado-based Business and Economic Research

<http://cber.co>

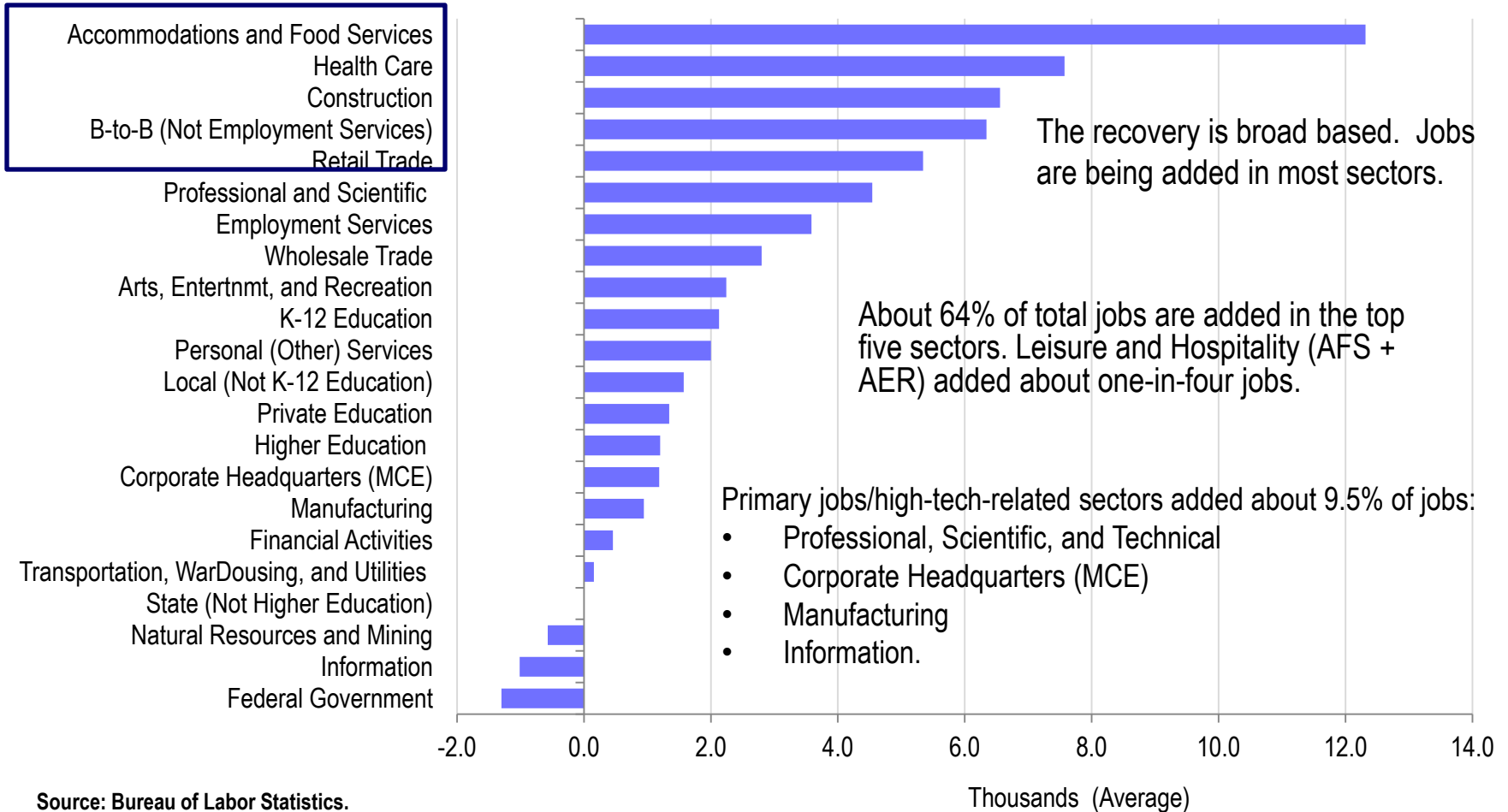


# Summary

# Job Change All Sectors

## First Seven Months 2013

Job Change All Sectors



Source: Bureau of Labor Statistics.





# Summary of the Colorado Economy

## Good News

- Not much has changed!
- The state continues to add jobs at a steady rate.
- There has been continued improvement in real estate markets – which is mixed news. This is good news for property owners, but bad news for attracting businesses to the state.
- Overall the impact of sequestration has been offset by growth in the private sector; however, some industries and geographic areas will be affected.
- Revenue streams have improved for state and local governments.
- The state's universities have reported record levels of donations and they have added jobs steadily since 1991.
- Legislation has been approved for support of the Advanced Industries (Aerospace, photonics, biosciences, etc.). These are critical sectors for the creation of primary jobs.

## Challenges

- There should be greater concern about the limited number of primary jobs that are being added.
- There is also concern that a portion of the job gains include part-time workers hired to avoid costs associated with the Affordable Care Act.
- Even though the overall unemployment rate is high, it is low in some advanced technology occupations.
- Higher education and PK-12 must be held accountable for providing quality education in an efficient manner.
- While the state must identify a “proper” level of state funding for PK-12 and higher education, the preliminary response to the Governor's billion dollar plan to restructure K-12 education is being met with resistance.
- Increased dissatisfaction with state leadership. The governor received a “lackluster” rating in a recent poll and several counties have asked to secede from the state.

**The 2013 CBER forecast and monthly updates can be found at <http://cber.co/>**



## Review of Colorado Economy First Seven Months of 2013

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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