



Review of Colorado Economy Analysis of Q1 2013 Employment Data

Colorado-based Business and Economic Research

April 25, 2013



Overview

This analysis takes a brief look at Colorado's economy for the first quarter.

Employment has improved, but the rate of unemployment remains high.

This brief analysis is divided into the following sections.

- U.S. and Global Economy
- Colorado Economy
- Summary and Challenges

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



United States Economy

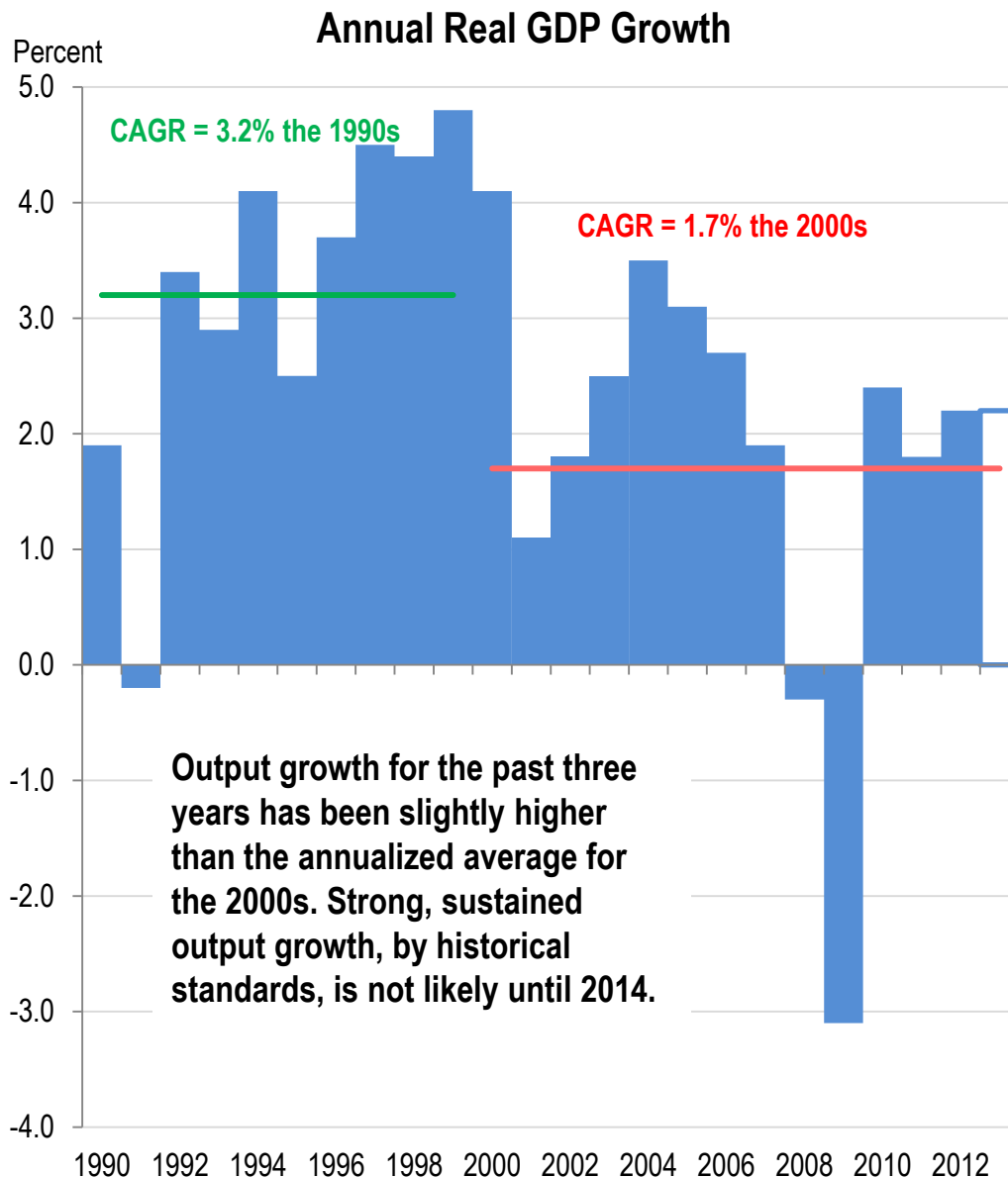
Real US GDP Growth

Annual

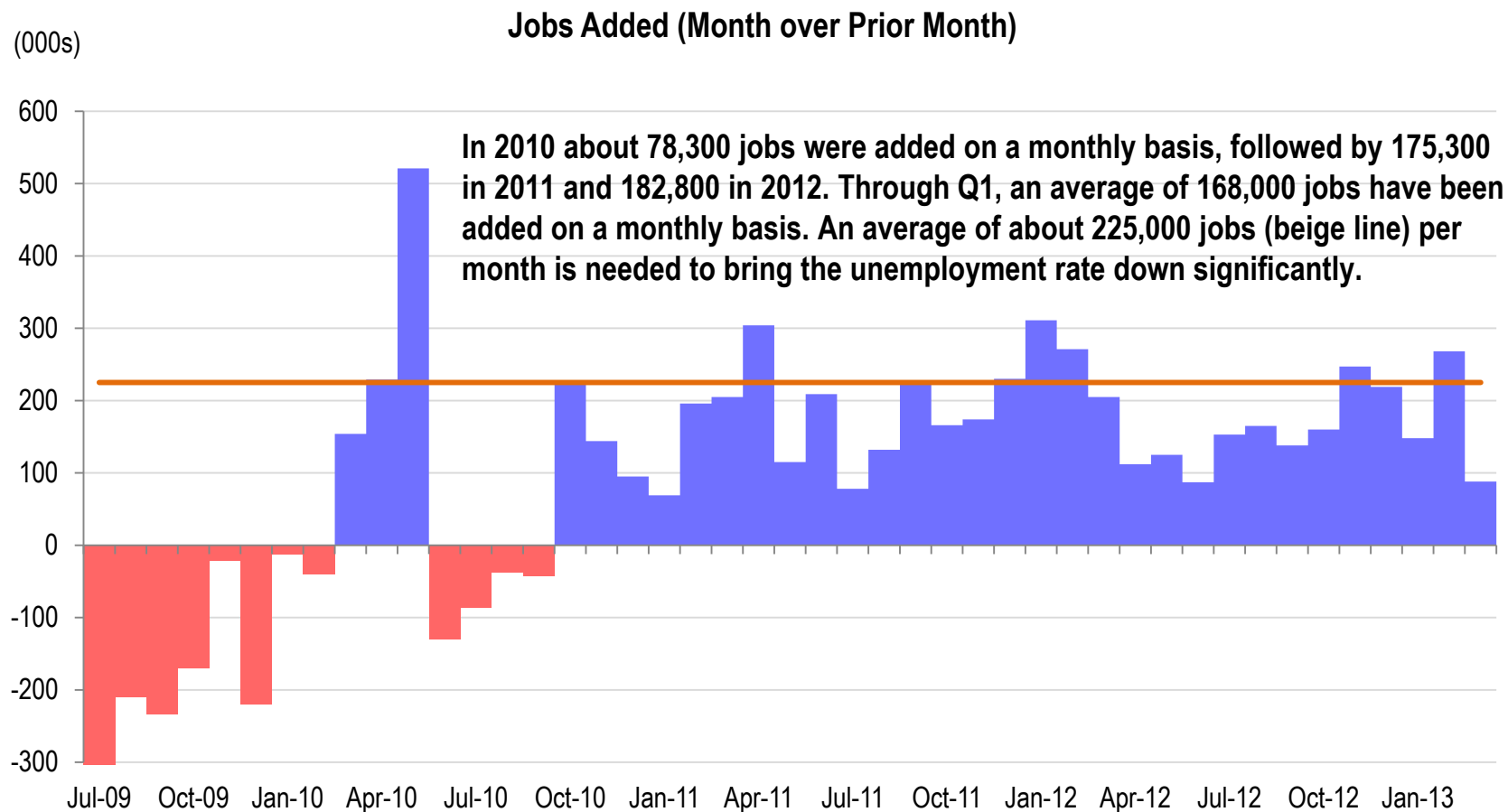
- Annualized Real GDP growth for the 1990s was 3.2% (green line). It was 1.7% for the 2000s (red line).

- The IMF recently downgraded global growth for 2013. U.S. growth is expected to be 1.9% this year and 3.0% next year.

- CBER is slightly more optimistic. Projected Real GDP growth for 2013 will be similar to 2012 and 2011.



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



Source: Bureau of Labor Statistics, SA.

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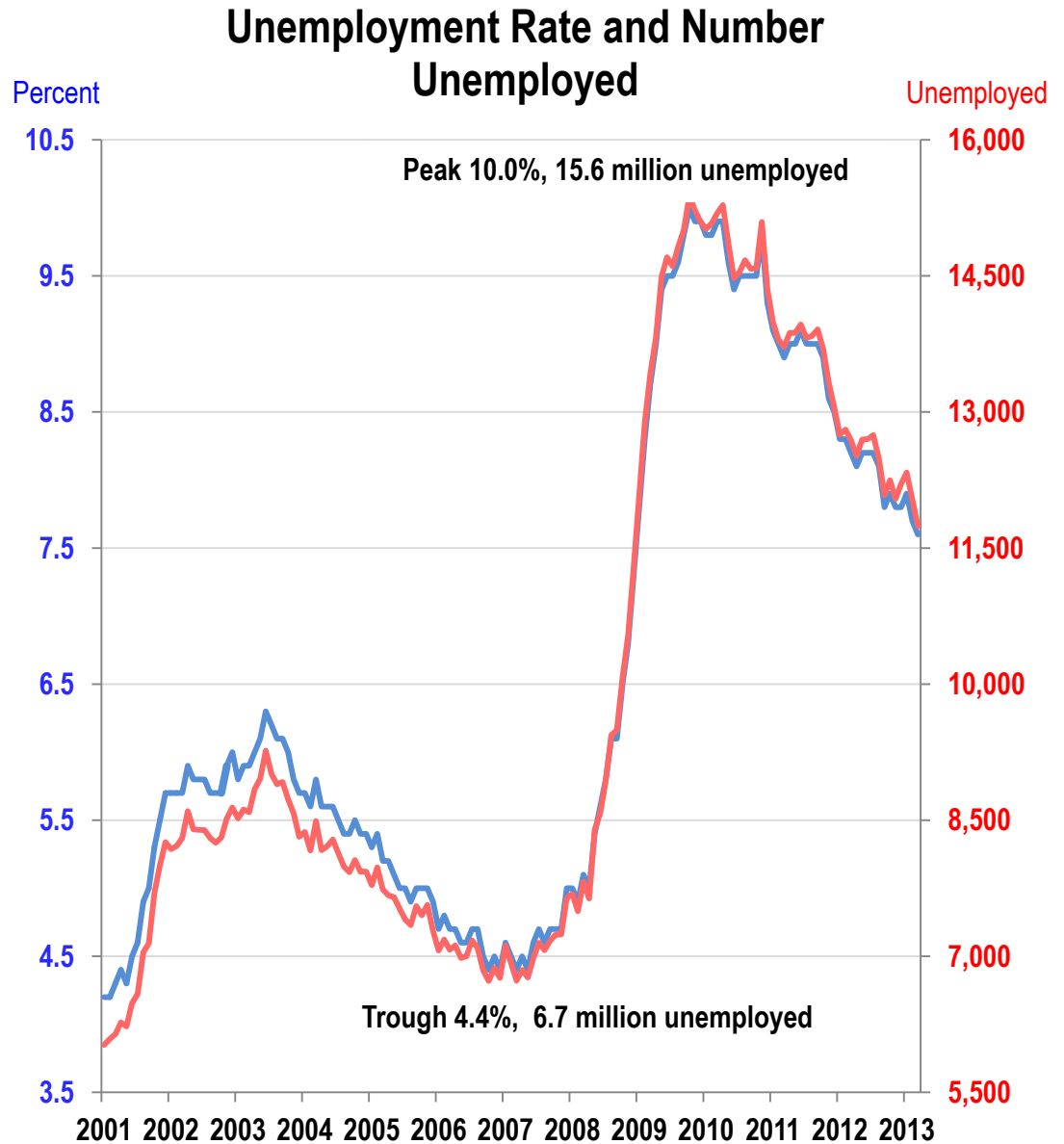
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U.S. Unemployment Rate and Number of Unemployed

Both the unemployment rate and number of unemployed have declined at a painfully slow rate since peaking in late 2010.

At the end of March 2013, the unemployment rate (blue) had dipped to 7.6%.

The total number of unemployed (red) fell to 11.7 million.



Source: Bureau of Labor Statistics, CBER.

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Summary of U.S. Economy

Good News

- There was improvement in the U.S. employment situation during 2012, but growth of the overall economy, i.e. output, remains weak. Q1 job growth was disappointing. The U.S. has not had two quarters of strong back-to-back job growth since the end of the recession.
- Job gains are likely to bolster wage and salary increases. Hopefully this will drive stronger consumption.
- Increased hiring may point to increased capital expenditures.
- Revenue streams for many states have improved.

Challenges

- Continued uneasiness among consumers will cause consumption to remain weak.
- Uneven recovery and weaknesses in Europe.
- New firm creation will continue to be disappointing.
- Public and private debt.
- Reduced federal spending/Sequestration.
- The situation in the Middle East will remain tenuous.

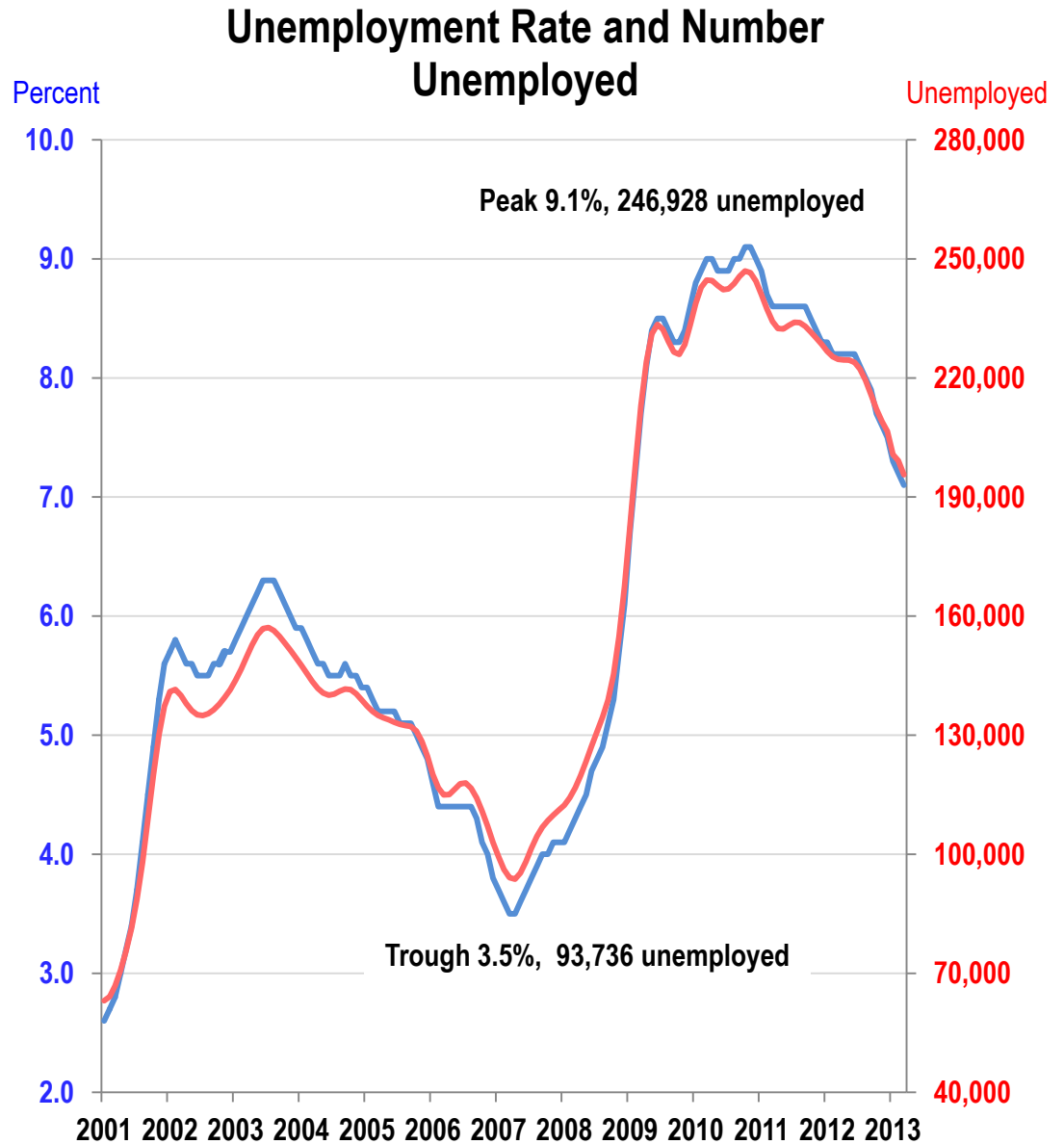


Colorado Economy

Colorado Unemployment Rate and Number of Unemployed

Both the unemployment rate and number of unemployed have declined since peaking in late 2010.

At the end of March 2013, the unemployment rate (blue) dipped to 7.1%. The total number of unemployed (red) fell to 195,635.

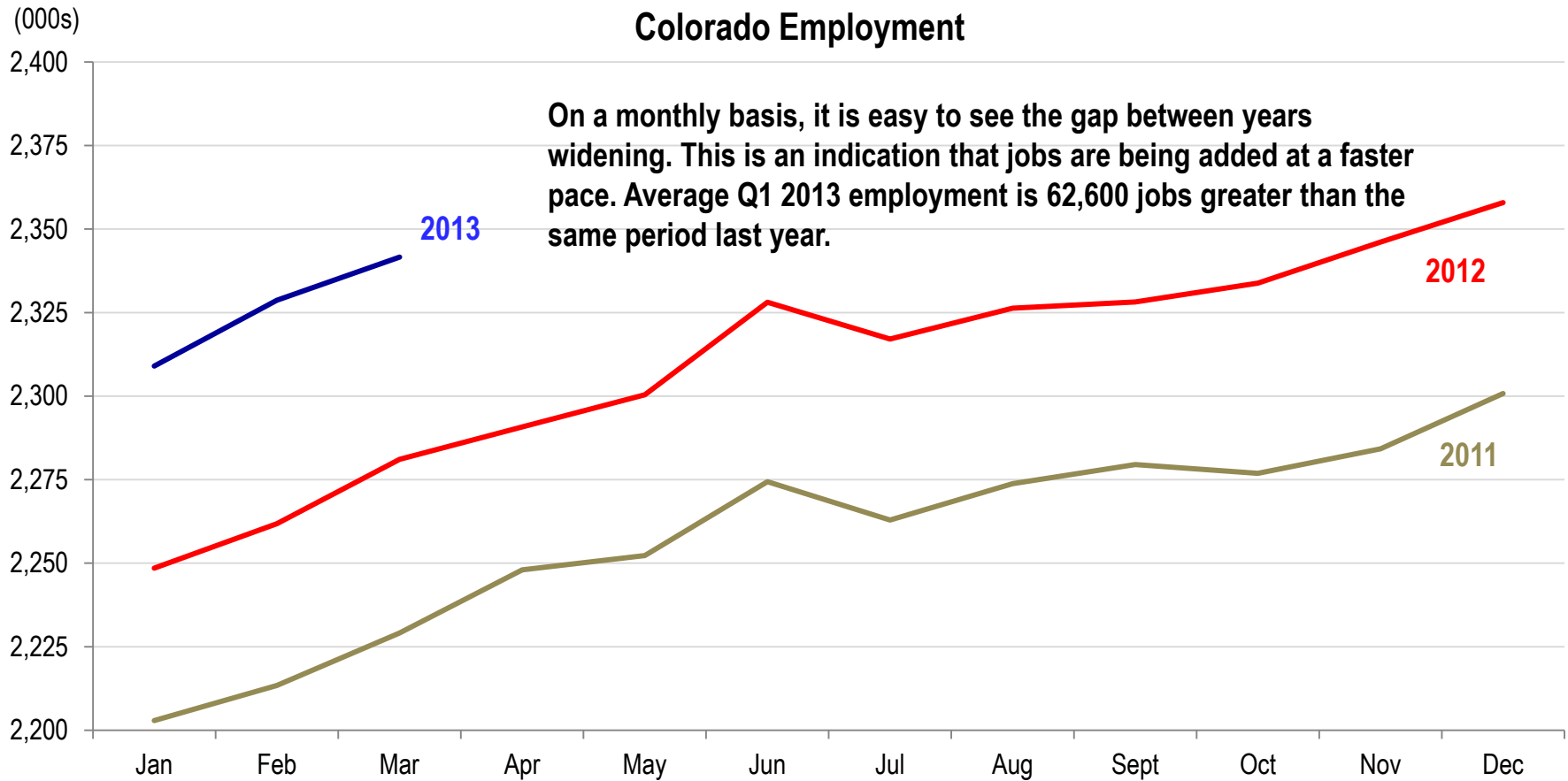


Source: Bureau of Labor Statistics, CBER.

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Colorado Employment



Source: Bureau of Labor Statistics, NSA.

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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.

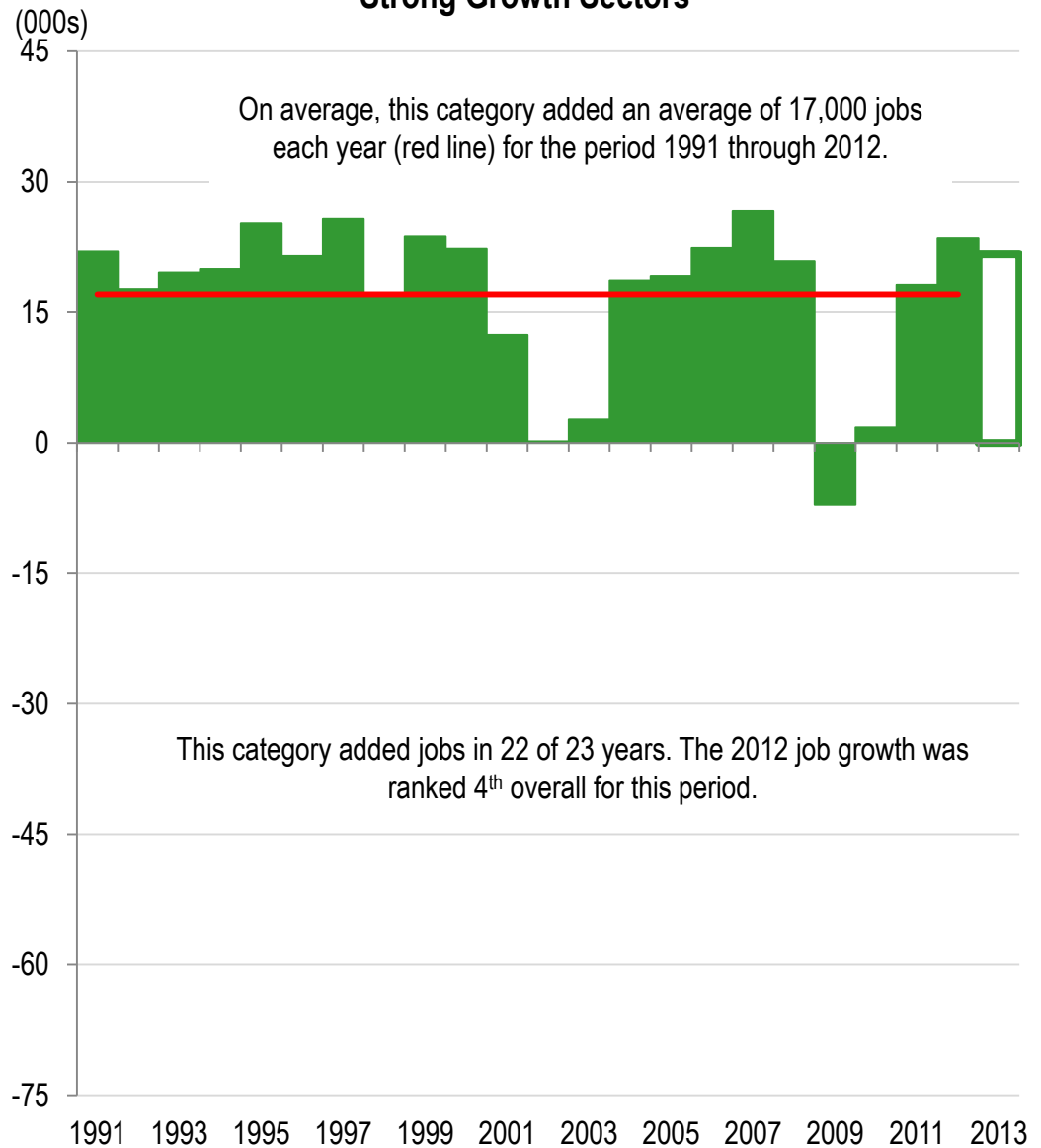
Total employment for this category was:

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 2012 and 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



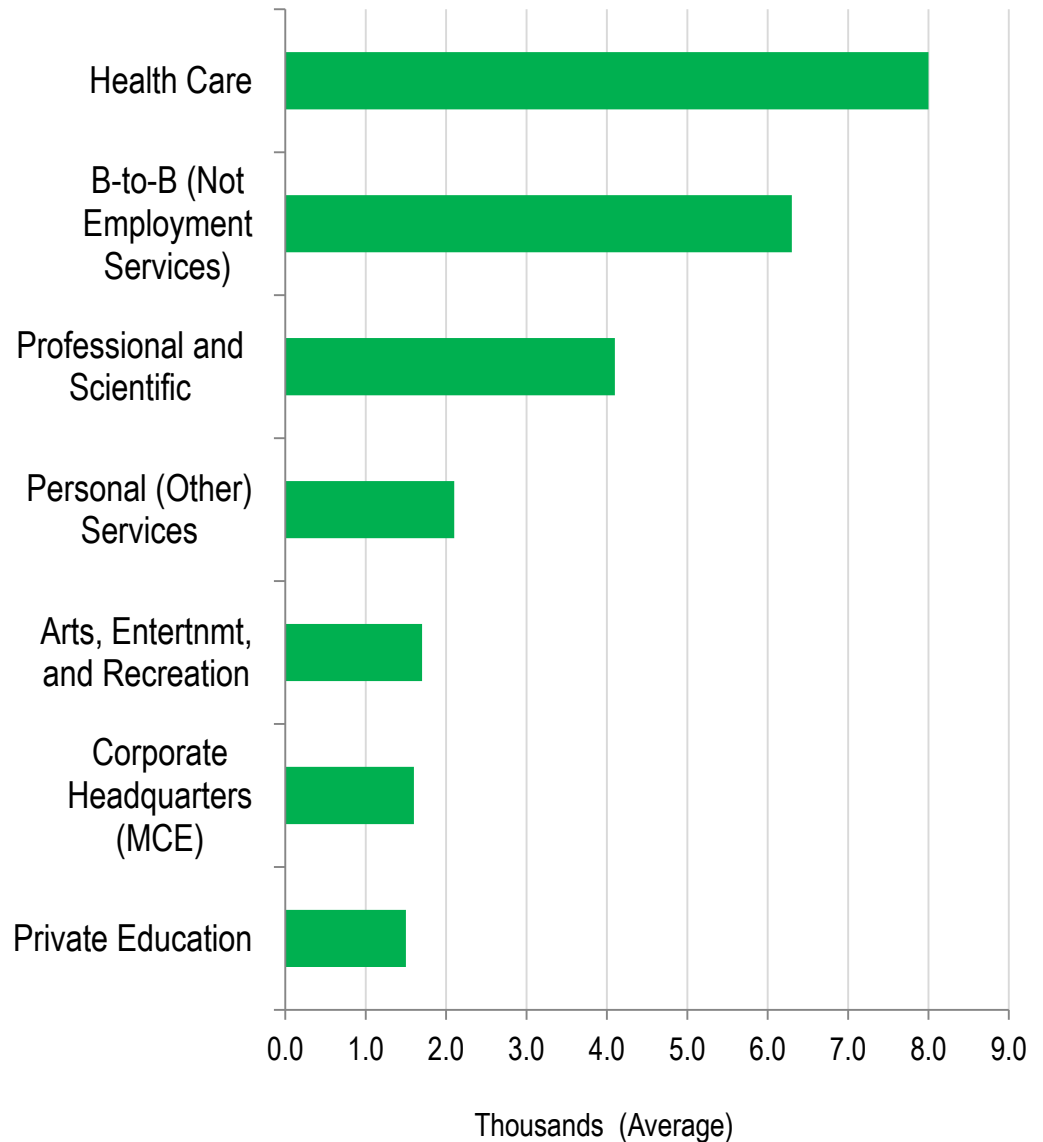
Source: Bureau of Labor Statistics, CBER.

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Job Change in 2013

Solid Growth Sectors

- This group of industries added 23,500 jobs in 2012 compared to the prior year, or 45.2% of total job gains.
- Average Q1 2013 employment is 25,200 greater than Q1 2012.



Source: Bureau of Labor Statistics.

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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.

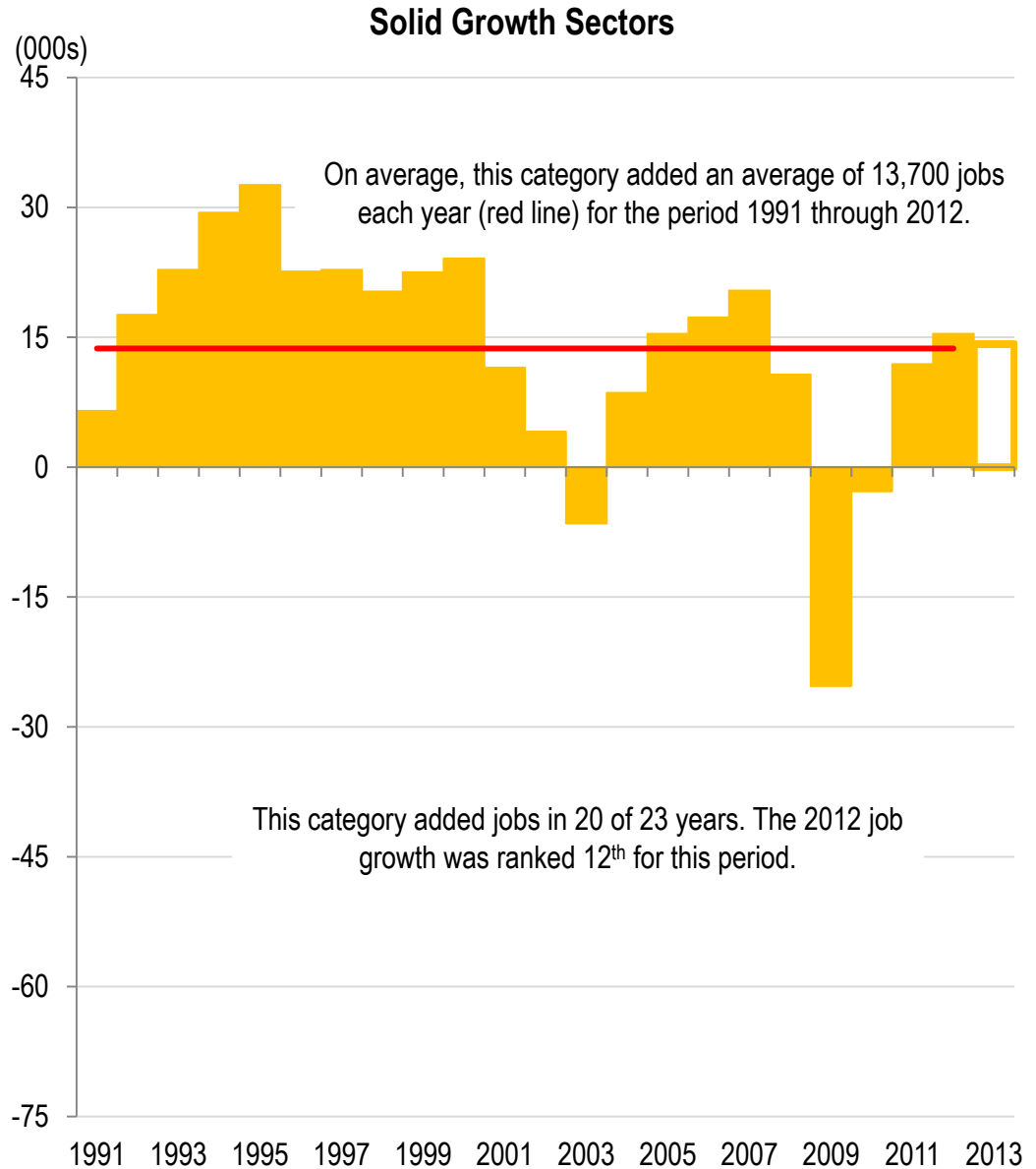
- Wholesale Trade
- Retail Trade
- State (Not Higher Education)
- Higher Education
- Local (Not K-12 Education)
- K-12 Education
- Accommodations and Food Services

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 2012 and 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.

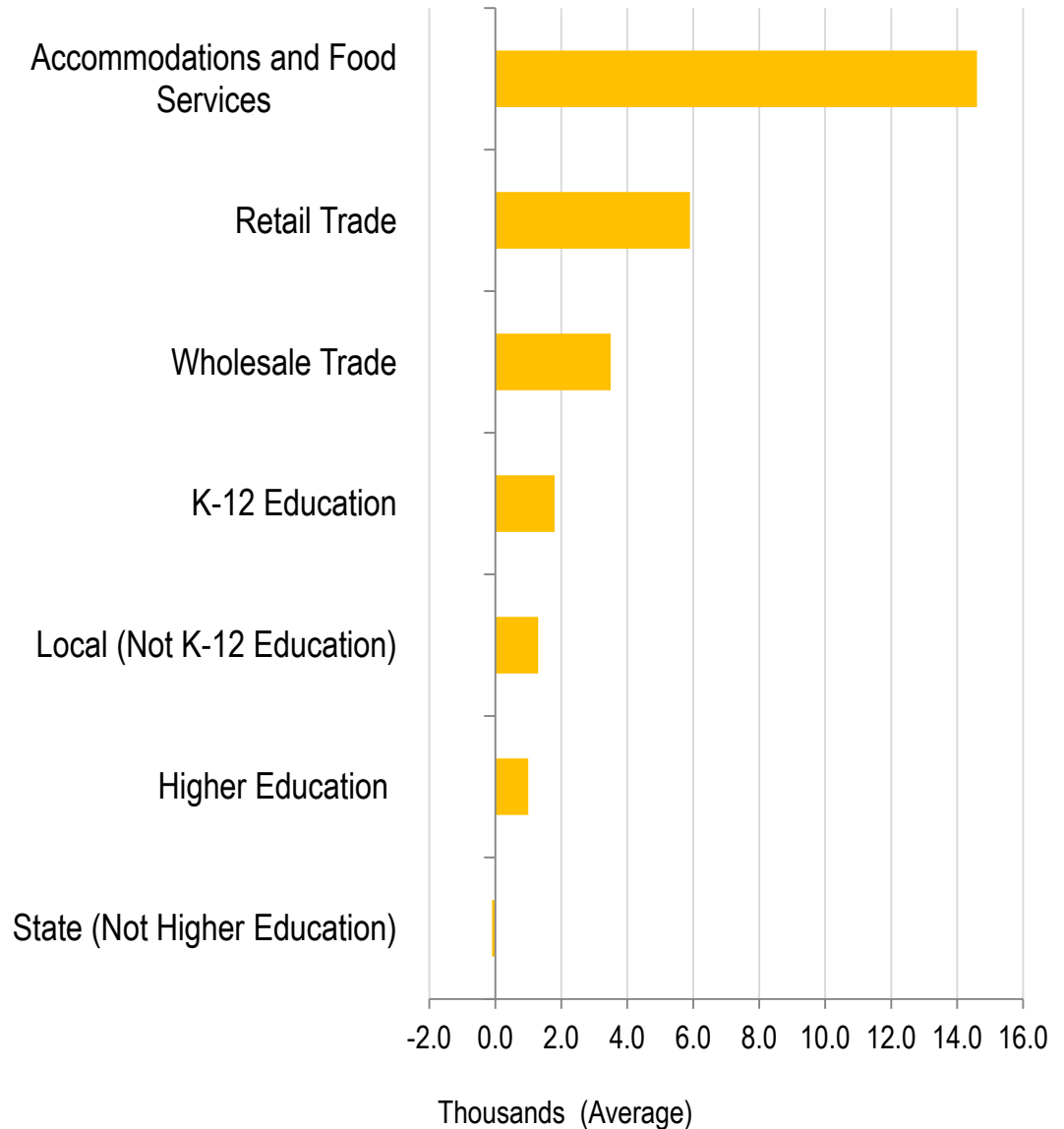
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Job Change in 2013

Limited Growth Sectors

- This group of industries added 15,400 jobs for 2012, compared to the prior year. These sectors accounted for 29.4% of total employees.

- Average Q1 2013 employment is 27,800 greater than Q1 2012.



Source: Bureau of Labor Statistics.

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Annual Employment Situation for Volatile Growth Sectors

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

The sectors are:

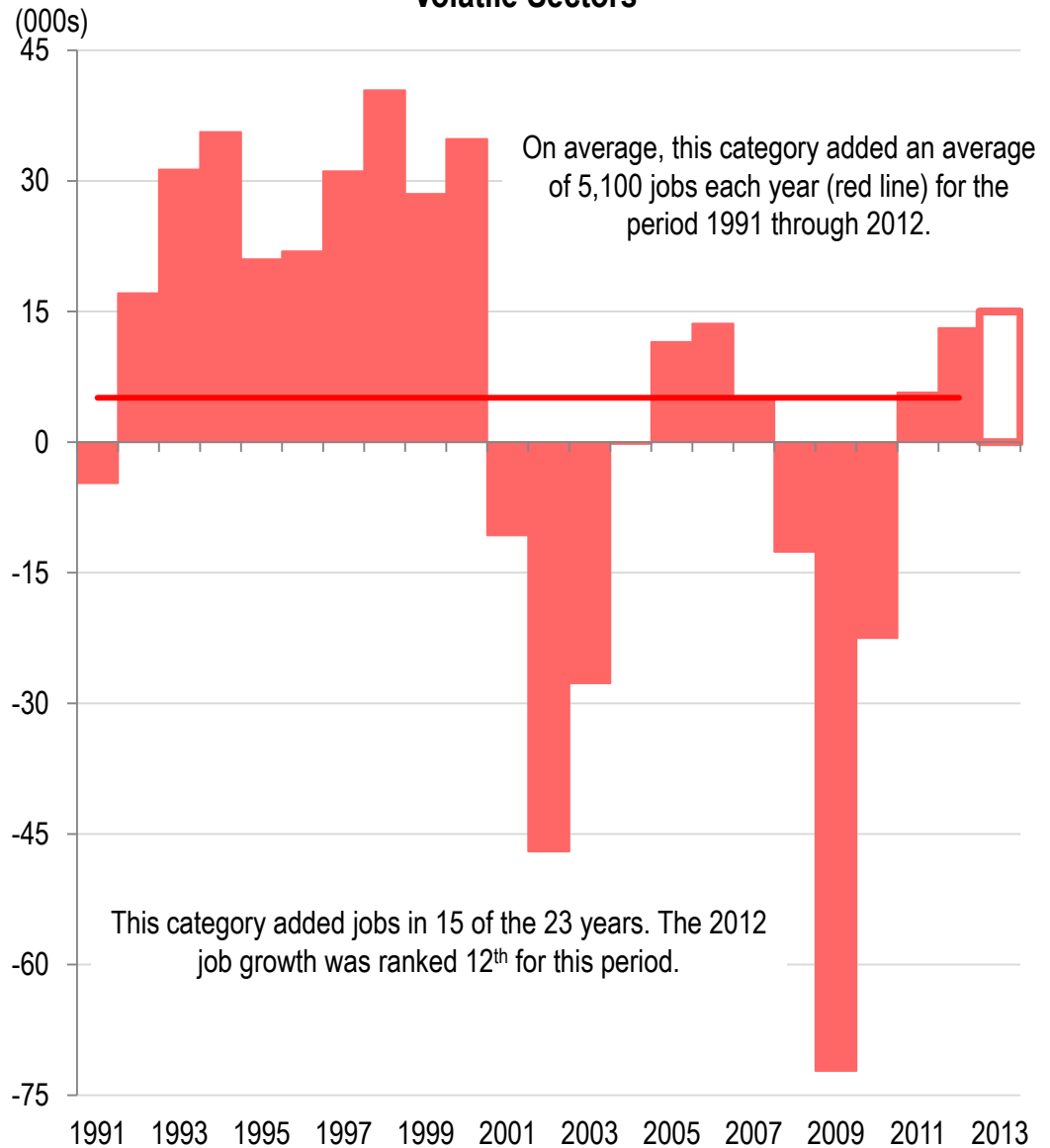
- Natural Resources and Mining
- Construction
- Manufacturing
- Transportation, Warehousing, and Utilities
- Employment Services
- Financial Activities
- Information
- Federal Government

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 2012 and 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

- This group of industries added 13,100 jobs in 2012, compared to the prior year. These sectors accounted for 25.2% of total job gains.

- Average Q1 2013 employment is 9,600 greater than Q1 2012.



Source: Bureau of Labor Statistics.

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Job Change All Sectors

Q1 2013 vs. 2012

The following sectors added jobs at a faster rate, Q1 2013 vs. 2012:

AFS, B-to-B (Not Employment), Retail Trade, Construction, K-12 Education, Wholesale Trade, Health Care, AER, and Other Services.

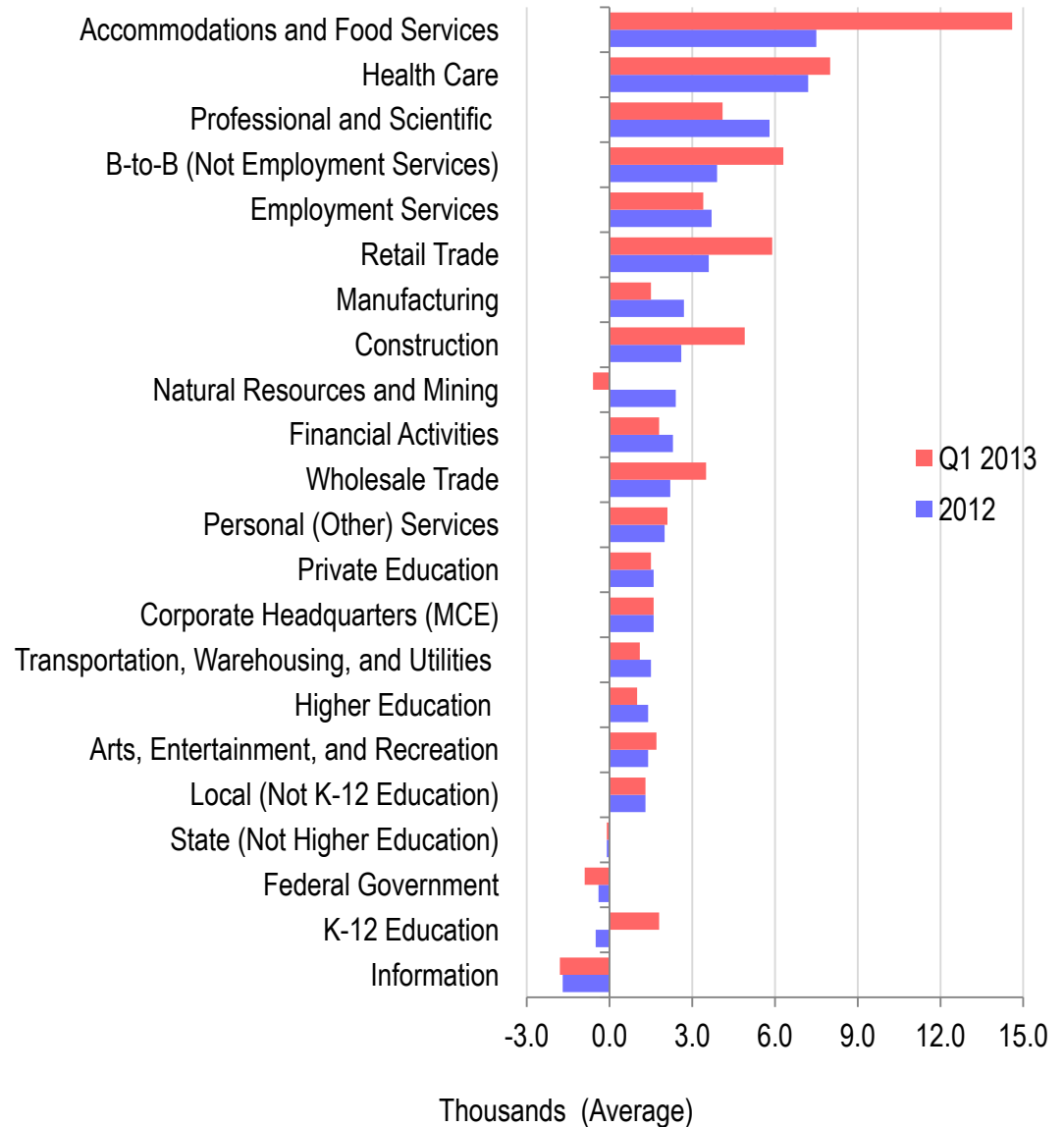
The following sectors added jobs at the same level, Q1 2013 vs. 2012:

Corporate Headquarters (MCE), Local (Not Higher Education), and State (Not Higher Education).

The following sectors added jobs at a slower rate, Q1 2013 vs. 2012:

Private Education, Information, Employment Services, TWU, Higher Education, Financial Activities, Federal Government, Manufacturing, Professional and Scientific, and NRM.

Job Change All Sectors



Source: Bureau of Labor Statistics.

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Summary and Challenges

Colorado Employment The Lost Decade and Beyond

The three years of recovery after the 2001 and Great Recession have similar job growth patterns.

The job growth after the 2001 recession was:

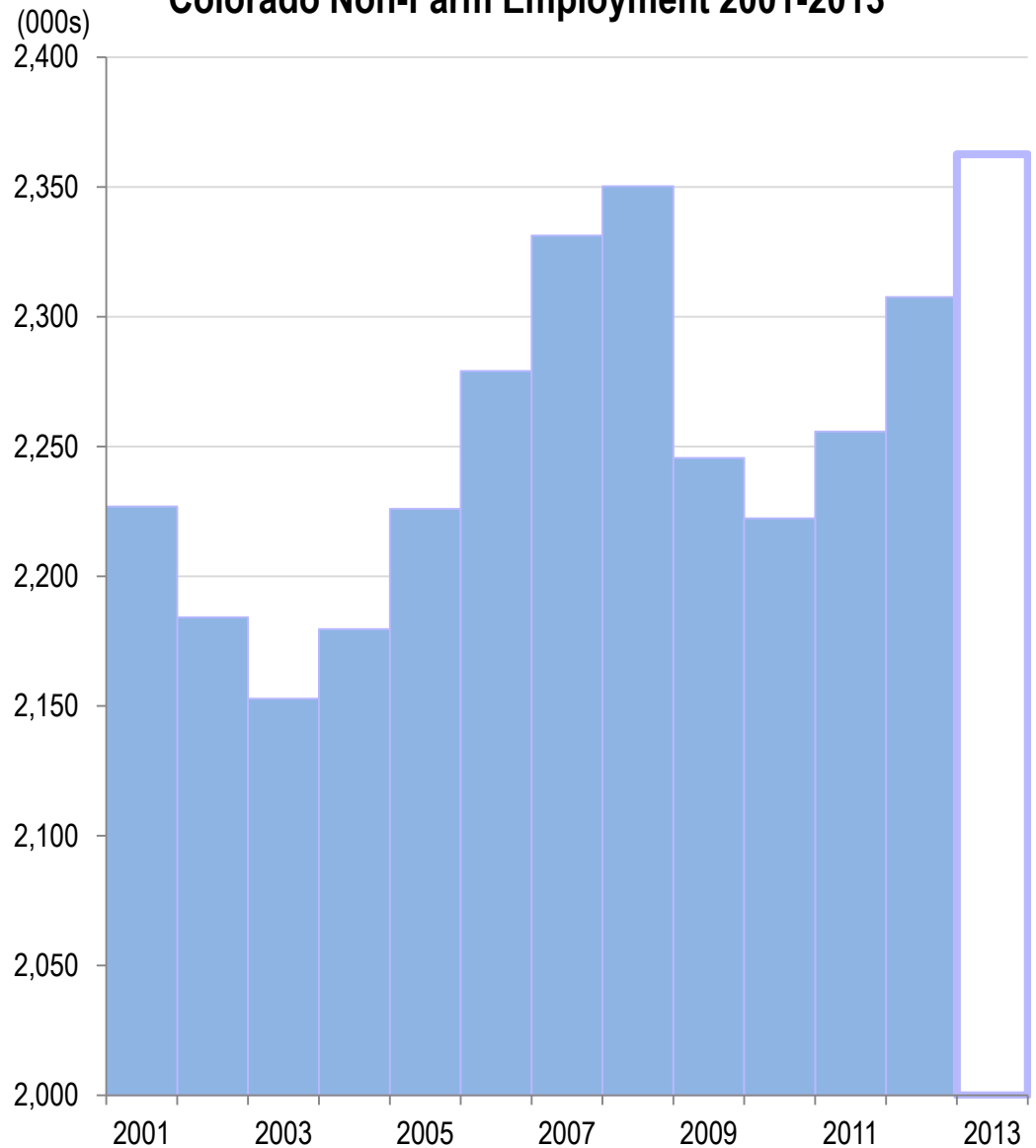
- 2004 +26,800 jobs, 1.2%
- 2005 +46,400 jobs, 2.1%
- 2006 +53,100 jobs, 2.4%.
- On average 42,100 jobs were added each year.

Projected growth after the 2007 recession will be:

- 2011 +33,500 jobs, 1.5%
- 2012 +51,800 jobs, 2.3%
- 2013 up to 55,000 jobs will be added, 2.4%.
- On average, about 46,700 jobs will be added each year.

Employment in 2013 will be similar to 2012. In 2013, Colorado will finally exceed 2008 peak employment.

Colorado Non-Farm Employment 2001-2013



Source: Bureau of Labor Statistics, CBER.

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Summary of the Colorado Economy

Good News

- Consistent job growth.
- Continued improvement in the real estate markets and job growth in construction.

Challenges

- Slowdown in growth rate of primary job sectors for Q1 2013.
- “Proper” level of funding for PK-12 and higher education.
- Holding PK-12 and higher education accountable for providing quality education in an efficient manner.
- Despite improved revenue streams, the legislature continues to face tough fiscal challenges.
- Management of water storage and consumption by state and local governments.
- Growth of Colorado industries that rely on natural resources (Tourism, Extractive Industries, Agriculture).
- Support for Advanced Industries (Aerospace, photonics, biosciences, etc.) as a key to the creation of primary jobs.
- The state’s latest Pandora’s Box - the implementation of Amendment 64.
- Recent legislation that is not business-friendly.

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



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