



# Review of the Colorado Economy Analysis of First Nine Months of 2014

Colorado-based Business and Economic Research

October 25, 2014



# Overview

**On average, Colorado has added 65,200 jobs through the first nine months of 2014 compared to the same period last year. Professional Business Services and Tourism have been the top Super Sectors for job growth in Colorado. When the BLS revises the CES data series in March 2015, employment for 2014 will likely exceed 70,000. The 2014 cber.co forecast was for job growth of 68,000 to 74,000.**

## Top Sectors

The following sectors were the top contributors to job growth in Colorado:

- Accommodations and Food Services.
- Health Care.
- Professional, Scientific, and Technical Services.
- Construction.
- Retail Trade.
- Administrative (B-to-B) excluding Employment Services.

These 6 sectors accounted for 77.9% of job growth.

The 2014 cber.co forecast can be found at <http://cber.co/economic-forecasts/cber-co-economic-forecast/>.

## Contents of this Overview

This analysis is divided into the following sections.

- U.S. Economy.
- Colorado Employment and Unemployment.
- Change in Colorado Employment by Performance Category.
- Questions and Answers
- Total Jobs Added.
- Appendix.



# U.S. Economy

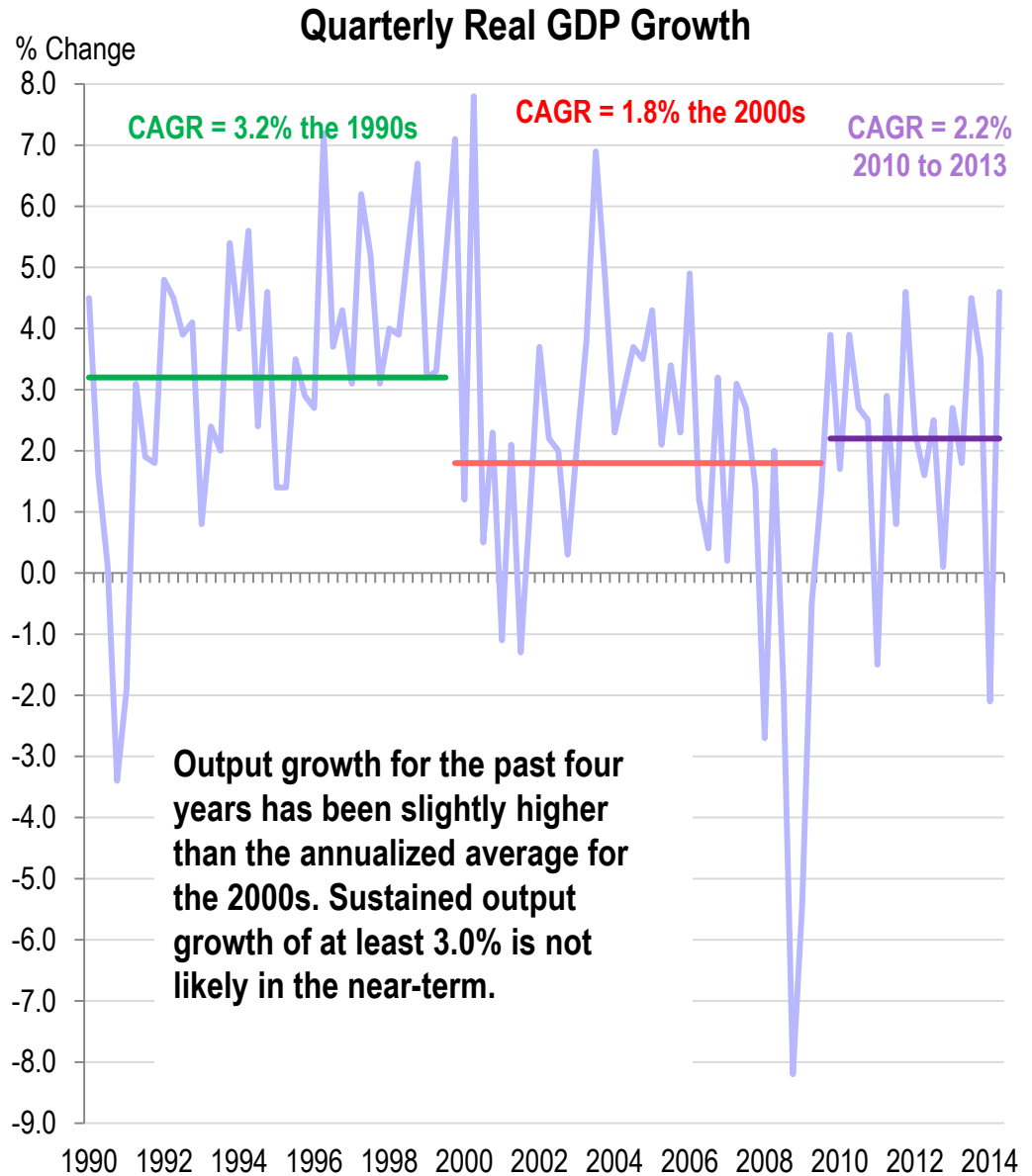
# Real US GDP Growth Quarterly

Annualized real GDP growth for the 1990s was 3.2% (green line). It was 1.8% for the 2000s (red line). It has been 2.2% from 2010 to 2013 (purple line).

After posting annualized growth of 1.9% in 2013, the rate of growth for 2014 is projected to be 2.3%.

The third estimate for Q3 showed an increase of 4.6%. Some economists are projecting Q3 real GDP growth to be in the range of 3.0% to 3.5%.

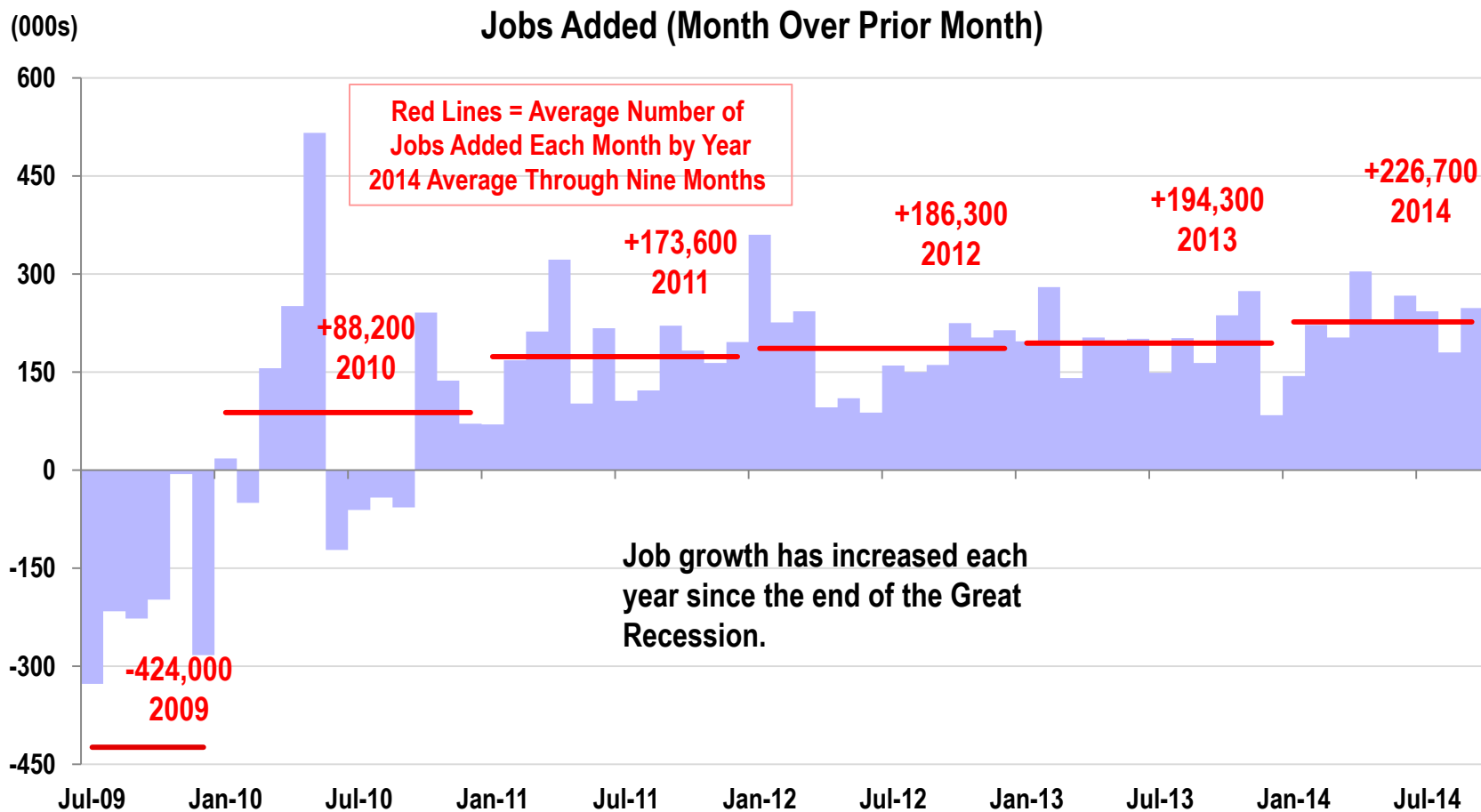
Initial forecasts for 2015 point to real output expansion of 2.5%.



Source: Bureau of Economic Analysis, [cber.co](http://cber.co), Note GDP chained on 2009.

# U.S. Employment Situation

## From End of Recession to Current



Source: Bureau of Labor Statistics, SA.

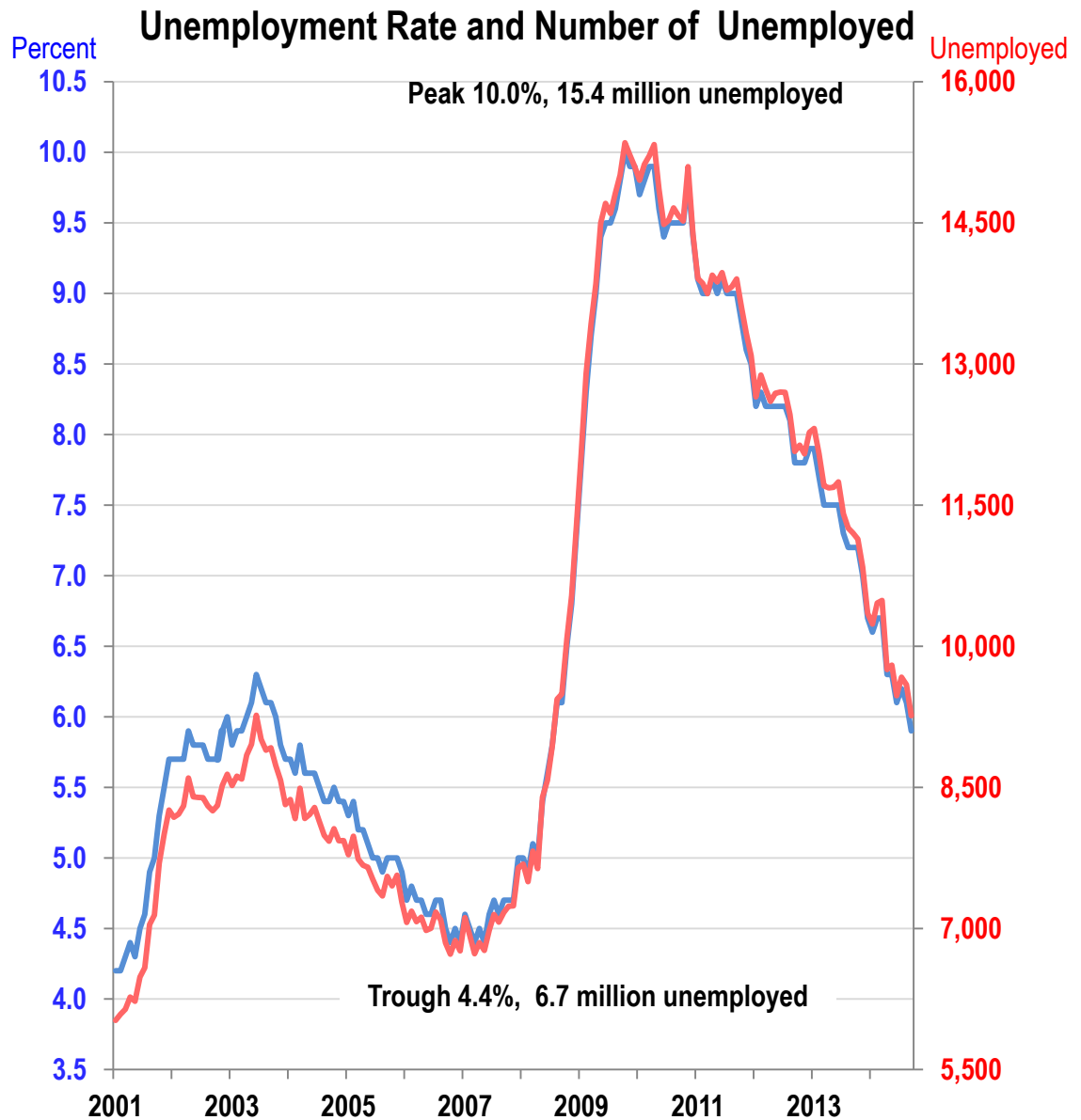
# U.S. Unemployment Rate and Number of Unemployed

The number of unemployed has slowly trended downward since peaking in late 2010. At the end of September the total number of unemployed (red) was below 9.3 million.

The September 2014 ending total is 2.6 million above the low point in 2007 and 6.1 million below the high point in 2009.

At the end of September 2014, the unemployment rate (blue) was 5.9%. This compares to 7.2% one year ago.

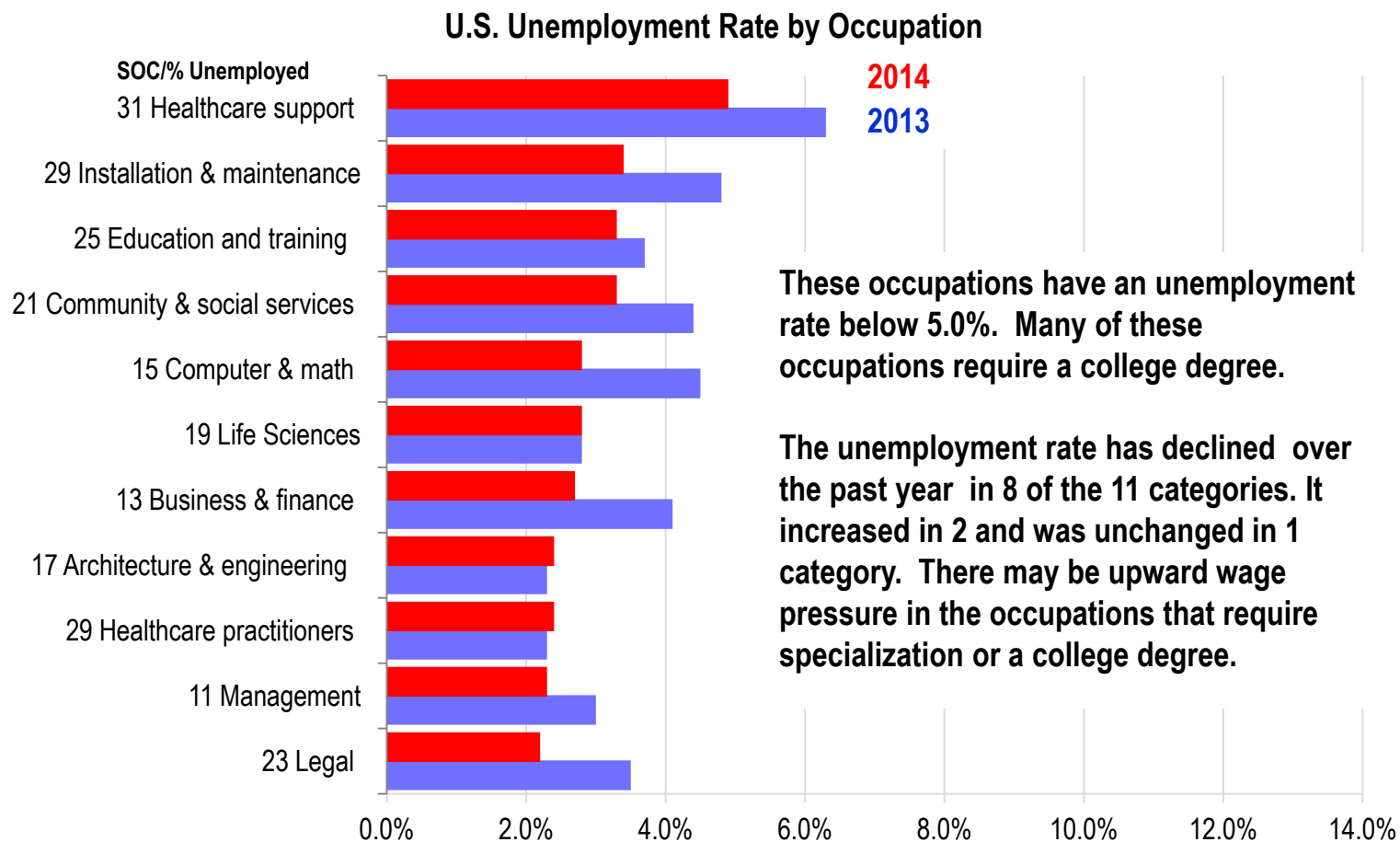
Despite the fact that the unemployment rate is 5.9%, there is a shortage of trained workers in key sectors and occupations.



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

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<http://cber.co>

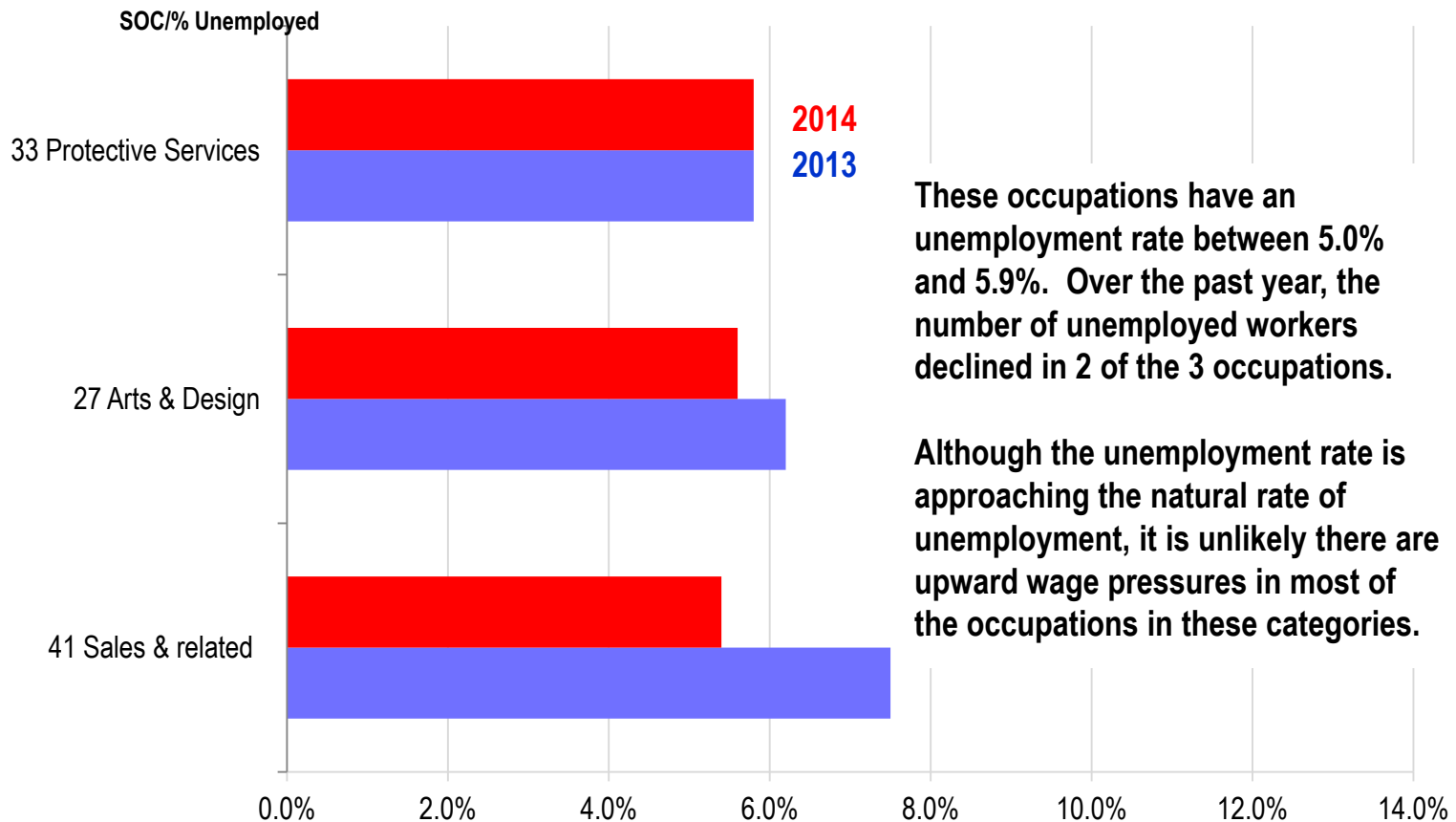
- U.S. Occupations with Unemployment Rates
- Below the Natural Rate (5.0%) of Unemployment
- Sept. 2014 vs. Sept. 2013 – Sorted by 2014 (red)



Source: Bureau of Labor Statistics, A-30.

- U.S. Occupations with Unemployment Rates Between
- 5.0% and 5.9% (U.S. NSA Rate)
- Sept. 2014 vs. Sept. 2013 – Sorted by 2014 (red)

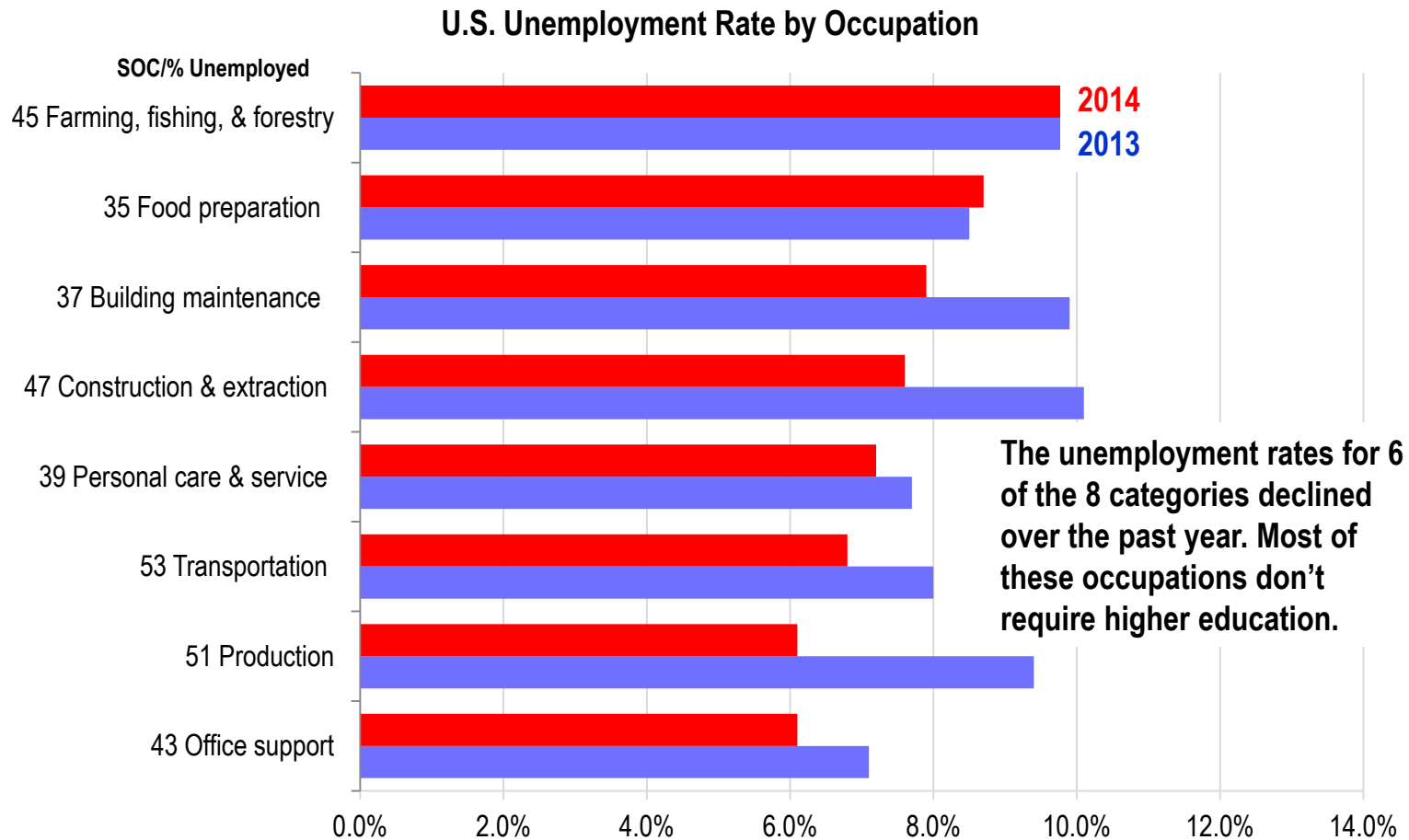
U.S. Unemployment Rate by Occupation



Source: Bureau of Labor Statistics, A-30.

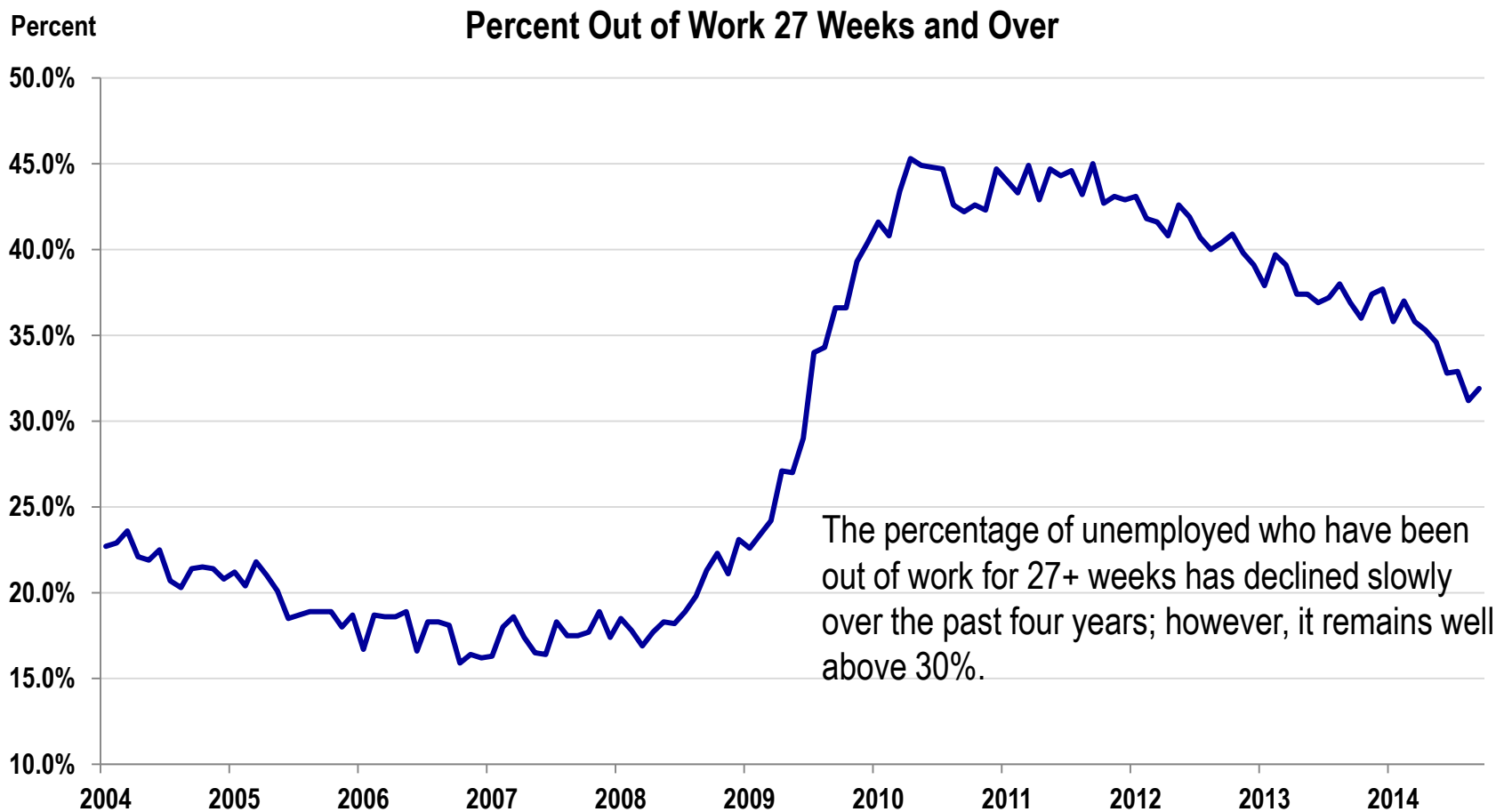


- U.S. Occupations with Unemployment Rates above 5.9%
- Sept. vs. Sept. 2013 – Sorted by 2014 (red)



Source: Bureau of Labor Statistics, A-30.

# Percent of Total Unemployed Who Have Been Out of Work for 27 Weeks and Over



Source: Bureau of Labor Statistics, SA LNS13025703

## Labor Force Participation Rate (LFPR)

After peaking in 2000, the labor force participation rate declined until mid-2013. During this period the rate declined from 67.3% to 62.7%. It appears to have stabilized around 63.0%.

While there is debate about the reason for the recent decrease, the primary factors are an increase in discouraged workers (a weak recovery from the Great Recession) and a change in demographics (more baby boomers retiring).

The LFPR is the percentage of people eligible to participate in the labor force (either employed or actively looking for work) as a percentage of the labor force.

### Labor Force Participation Rate



Source: Bureau of Labor Statistics, SA.

● New Private Housing Units  
Authorized by Building  
Permits – In Structures with  
1 Unit

The number of monthly single family permits tumbled from almost 1.8 million in September 2005 to just over 300,000 in January 2009.

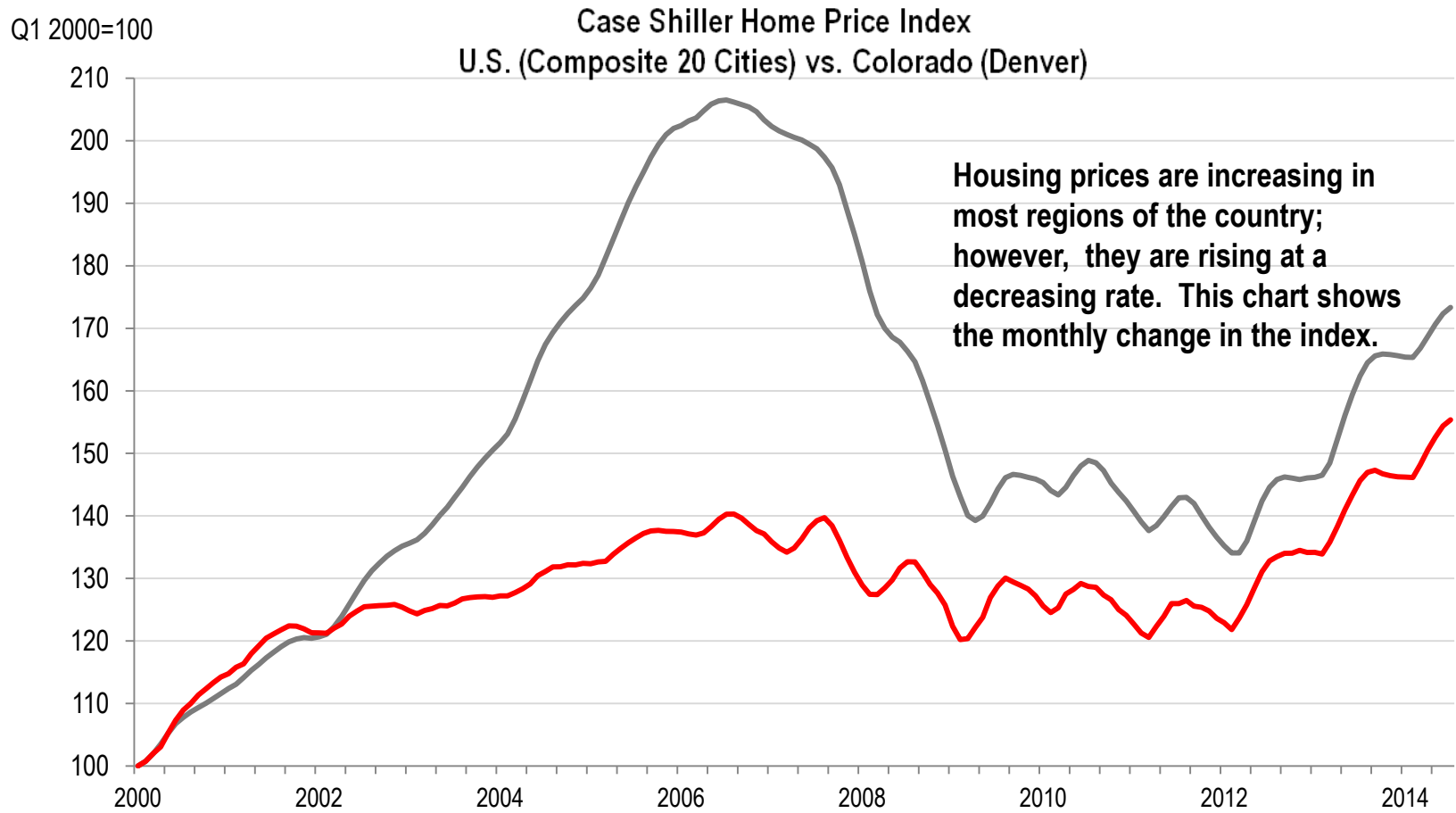
The number of permits has doubled since bottoming out, but remains at levels last seen in 1991.

For the past year, the number of permits issued has been flat.



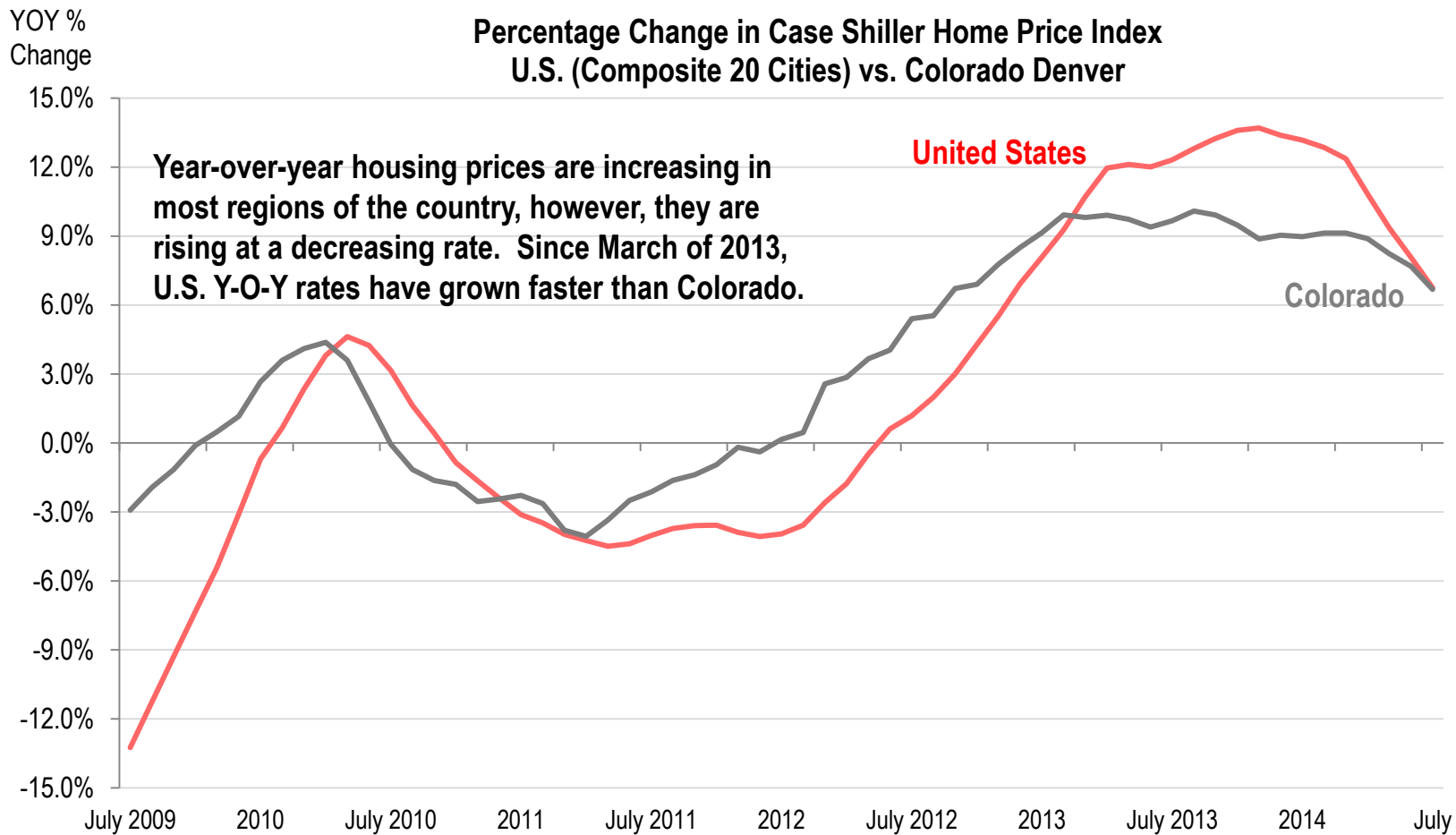
Source: FRED, Census Bureau SA.

# U.S. Housing Prices – Case Shiller Composite 20 Cities



Source: S&P Case-Shiller, FRED.

# Percentage Change in Housing Prices Since the End of the Recession



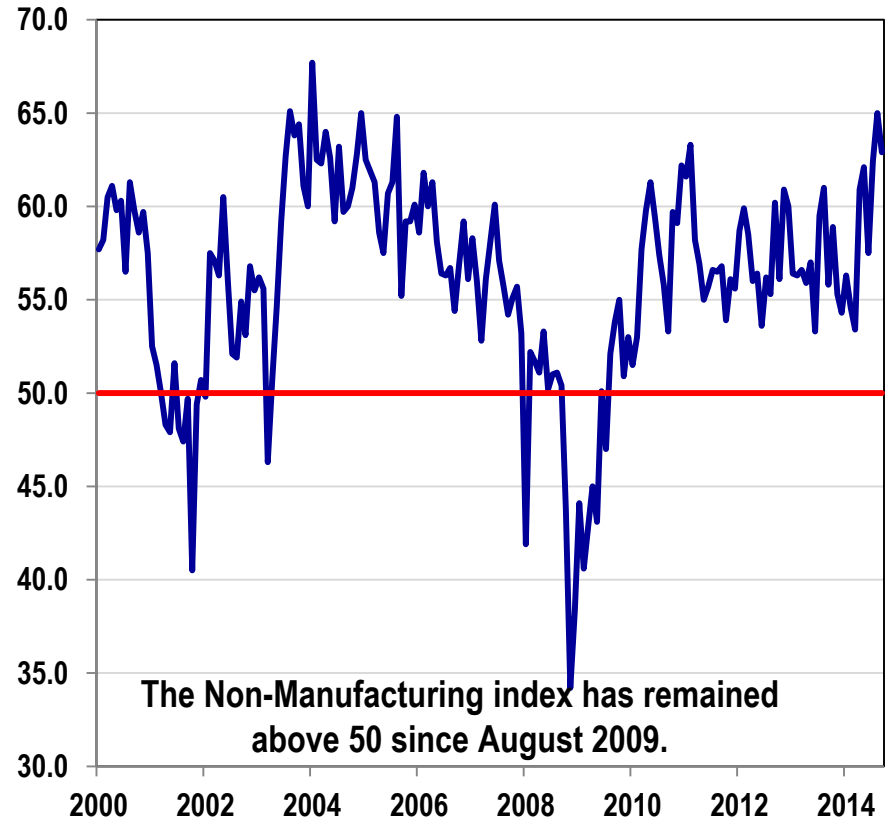
Source: S&P Case-Shiller, cber.co.

# ISM Purchasing Managers Indices

### ISM Manufacturing Index



### ISM Non-Manufacturing Business Activity Index



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

# Summary of U.S. Economy Through September 2014

**The U.S. economy is on track to add 2.5+ million jobs this year with real GDP growth of 2.3%.**

## Overview

In September the world seemed to be a better place.

- Over the past month we have learned more about Ebola than we wanted to know. Are we prepared to deal with it?
- Similarly, we have learned more about ISIS. Do we have an effective plan for dealing with them and other terrorist groups?
- Volatility in the equity markets has returned.
- We have learned that the European economy continues to struggle. They will continue to struggle in 2015. How will that impact Colorado exporters?

## Employment, Unemployment, Work Force

- Employment remains strong, an average of 226,700 jobs have been added each month through nine months.
- The unemployment rate and the number of unemployed continue to trend downward; however, the number of unemployed is a source of concern.
- Weak wage growth continues to be a concern.
- Critical labor shortages are developing in many occupations.

## Output

- Real GDP increased by 4.6% in Q2, but output for the year will increase by about 2.3%. It will be slightly stronger in 2015.
- Consumers remain optimistic.
- Despite weak wage growth, look for a strong holiday season.

## Construction and Home Prices

- The sale of new homes over the past year has trended flat.
- The number of single family building permits issued over the past year has been flat, yet builder sentiment is up. Multi-family activity is strong.
- The rapid rate of appreciation in housing prices are continuing to increase at a slower rate.

## Policy, Services and Manufacturing, and Other

- The Fed may begin increasing interest rates in 2015.
- Both manufacturing and services purchasing managers remain optimistic.
- The midterm elections have been contentious. Thank goodness they will be over soon.

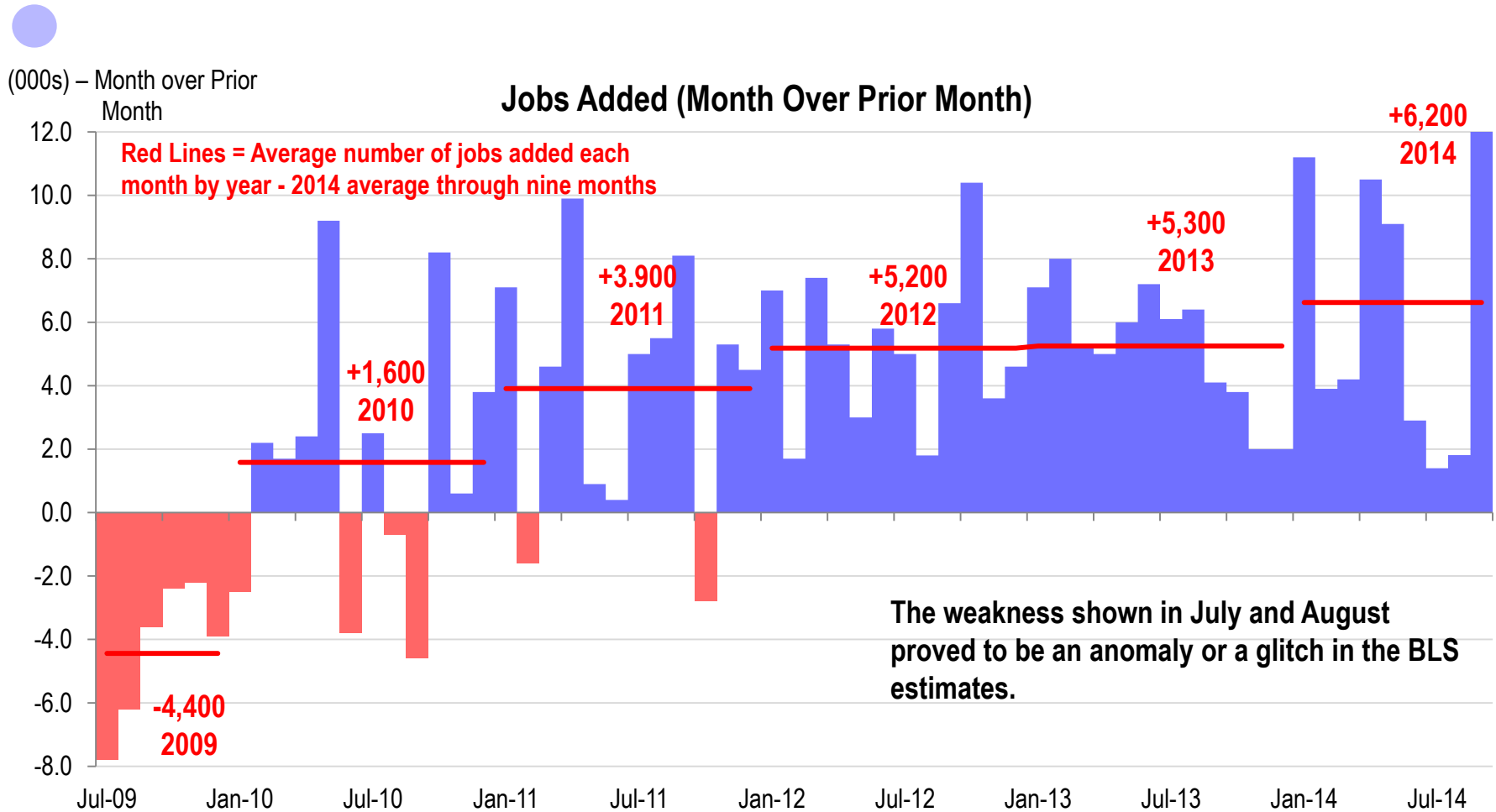




# Colorado Employment and Unemployment

# Colorado Employment Situation

## From End of Great Recession Through September 2014



Source: Bureau of Labor Statistics, SA.

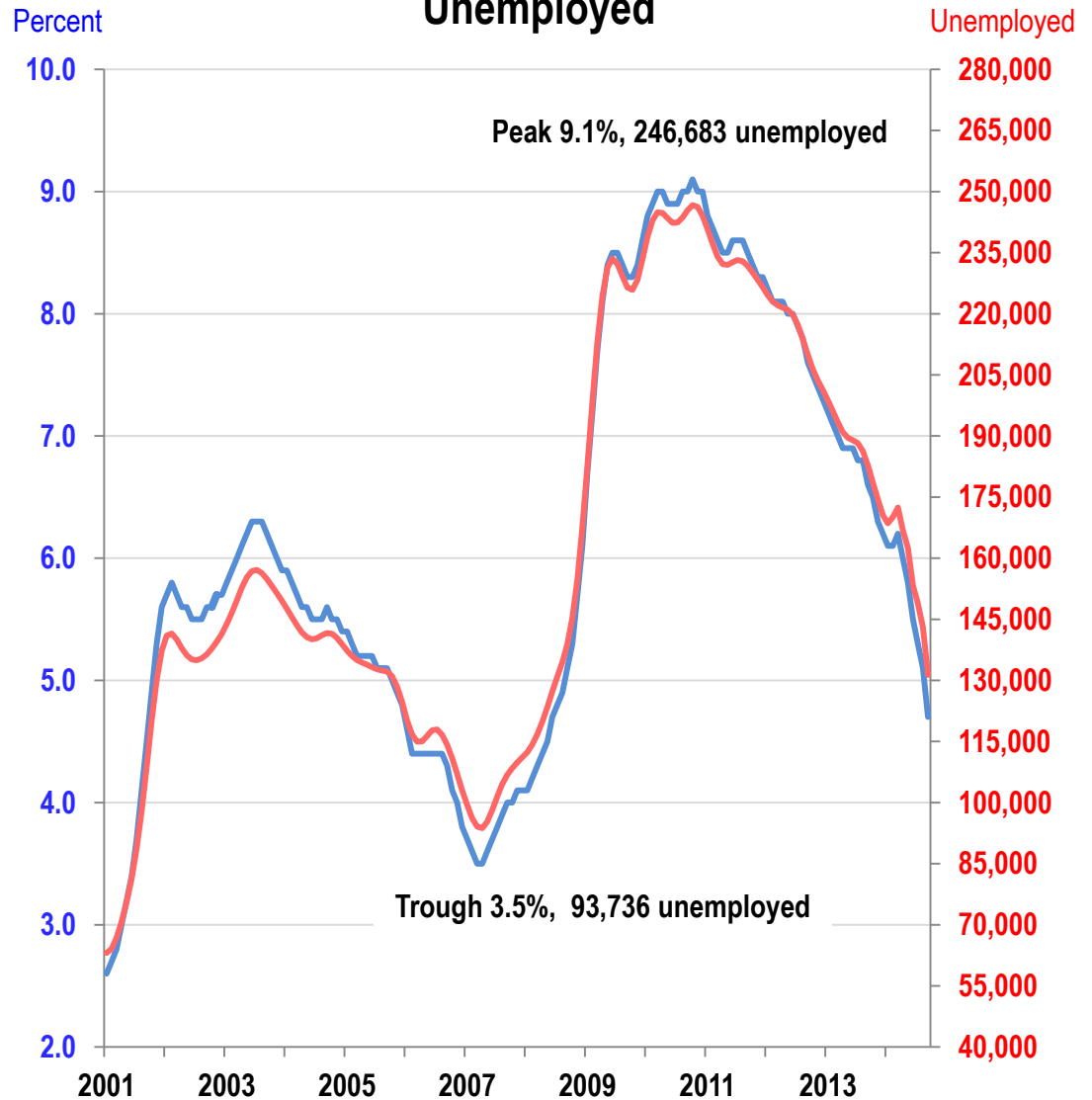
## Colorado Unemployment Rate and Number of Unemployed

The number of unemployed has slowly trended downward since peaking in late 2010. In September 2014, the total number of unemployed workers (red) declined to 131,348. The total number of unemployed is 37,612 greater than the trough in April 2007 and 115,335 less than the peak in October 2010.

There is a shortage of trained workers in key sectors and occupations. The September 2014 unemployment rate (blue) was 4.7%, down from 6.6% in September 2013.

The September rate for Colorado was 1.2 percentage points lower than the U.S. rate of 6.1%.

## Unemployment Rate and Number Unemployed



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

# Measures of Colorado Unemployment Rate

Each of the measures of unemployment, and their description are listed below. In each case, the percentage has declined over the past year. The U-3 number is the headline number; however, many people think U-6 is more representative of the state of the economy because its definition is more inclusive.

Measure of Unemployment	Sept. 2013	Sept. 2014
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.	3.8%	2.8%
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.	3.7%	2.9%
<b>U-3 Total unemployed, as a percent of the civilian labor force (headline unemployment rate).</b>	<b>7.2%</b>	<b>5.9%</b>
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.	7.7%	6.4%
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force.	8.6%	7.3%
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.	13.6%	11.8%

Source: Bureau of Labor Statistics, SA.



# Change in Colorado Employment by Performance Category

# Overview of Job Creation by Performance Category

Twenty-two sectors are classified into one of three categories based on their past performance:

- Strong growth.
- Solid growth.
- Volatile.

The following charts look at the change in jobs for these three categories for the first nine months of 2014 vs. the same period in 2013.

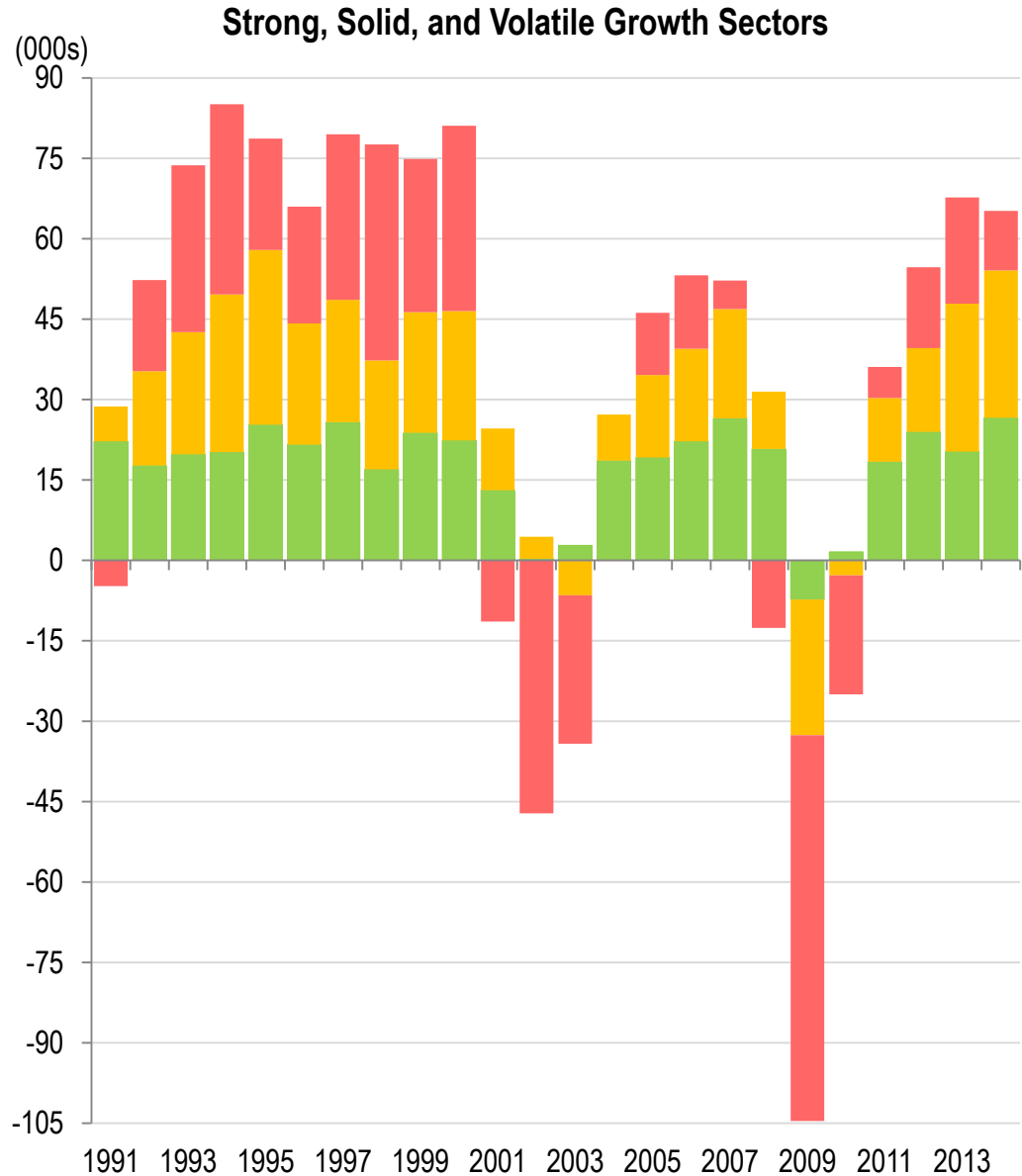
## Summary of Strong, Solid, and Volatile Growth Sectors

The Strong Growth Category of sectors (green) has performed consistently over time. The category has added jobs as expected in 2014. The larger sectors (Health Care, PST, and B-to-B, excluding Temp. Services) have grown at a rate faster than the state.

The Solid Growth Category of sectors (yellow) has been more volatile than usual. In 2014, this group of sectors has performed stronger than anticipated. AFS and K-12 Education have grown at a faster rate than the state.

Finally, the Volatile Category of sectors (red) has underperformed this year. This group of sectors has been weak since 1999. Construction, Employment Services, and the Extractive sectors have expanded at a faster rate than the overall state average.

Note: 2014 data is likely to be revised upwards when BLS makes its revisions in March 2015.



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

## Annual Employment Situation for Strong Growth Sectors

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

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

Total employment for this category was:

1993 425,000 workers, 25.4% of total employment

2003 597,300 workers, 27.7% of total employment

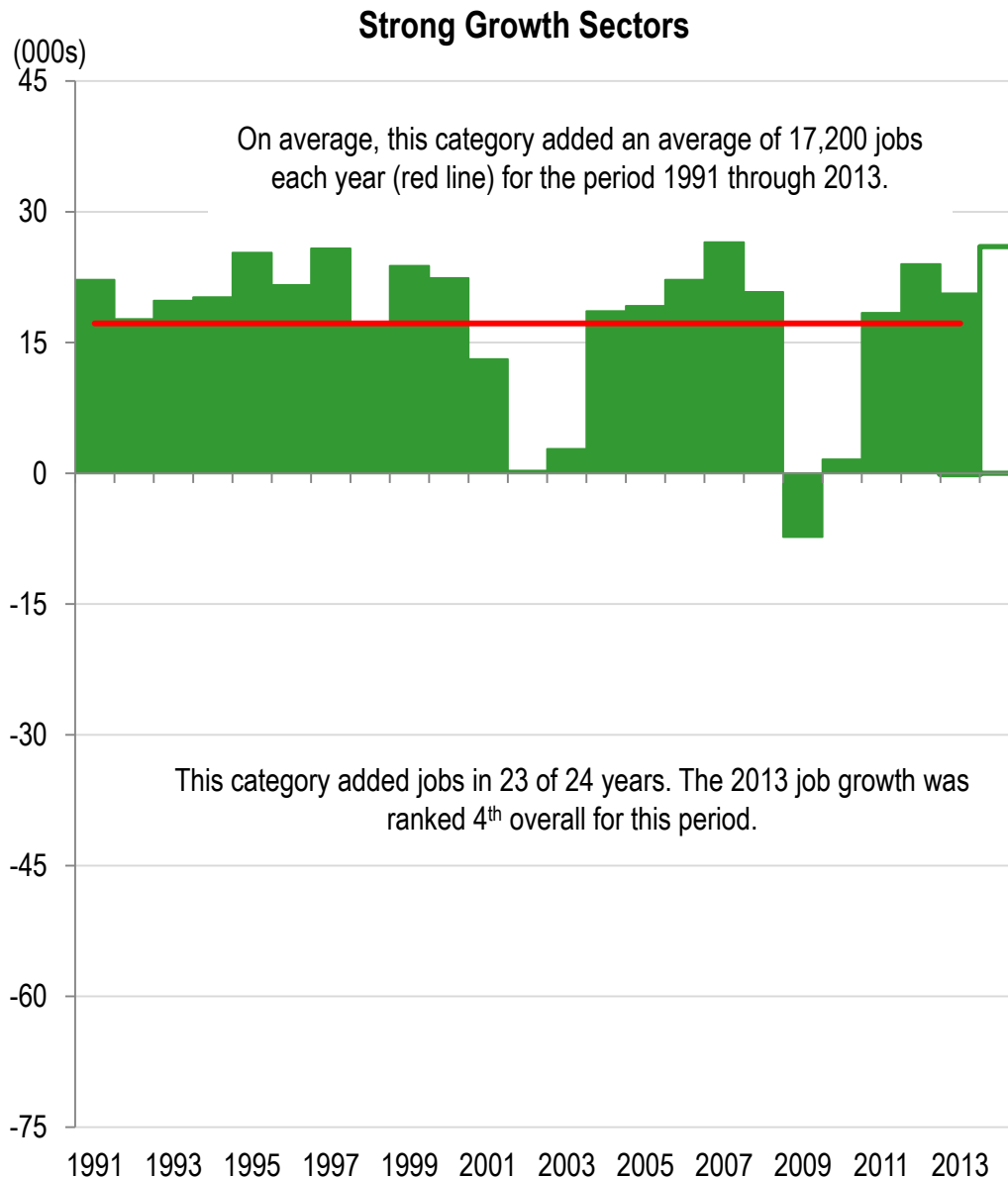
2013 761,600 workers, 32.0% of total employment.

Growth of this category in 2014 will be comparable to the stronger years during the past two decades.

Between 24,000 and 28,000 workers will be added at a rate of 3.3% to 3.5%.

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

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<http://cber.co>

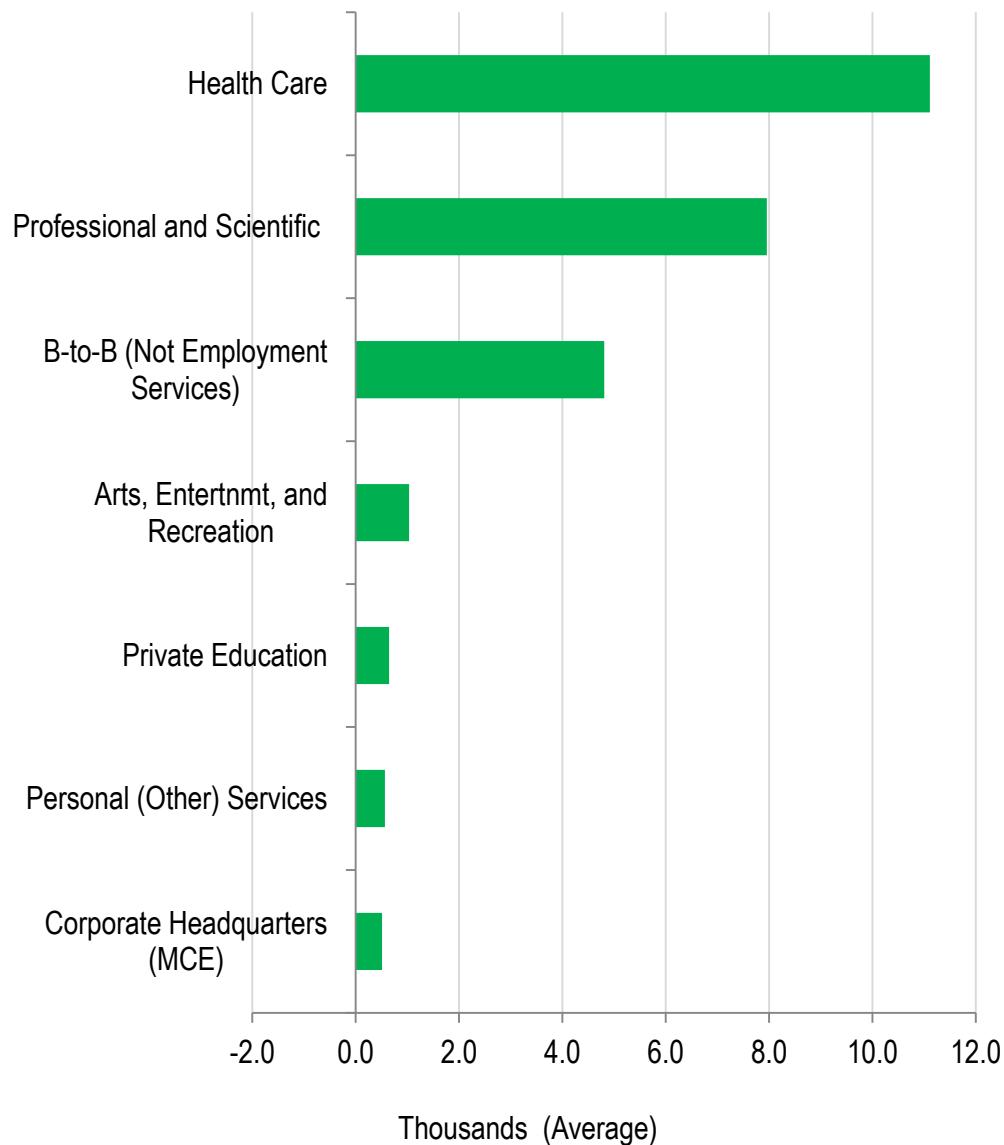




## Solid Growth Sectors

- Through the first nine months of 2014 this group of industries added 26,600 jobs compared to the same period in 2013.
- This category was projected to add 24,000 to 28,000 jobs for the year. To date, its performance is near the midpoint of the projected range.
- In 2013, these sectors accounted for 43.9% of total job gains and 32.0% of total employees.
- For the first nine months, the sectors in this category with the strongest job growth were:
  - Health Care
  - Professional and Scientific and Technical Services.
  - Administrative (B-to-B) excluding Employment Services.

Job Change Through Nine Months  
2014 vs. 2013



Source: Bureau of Labor Statistics.

# 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

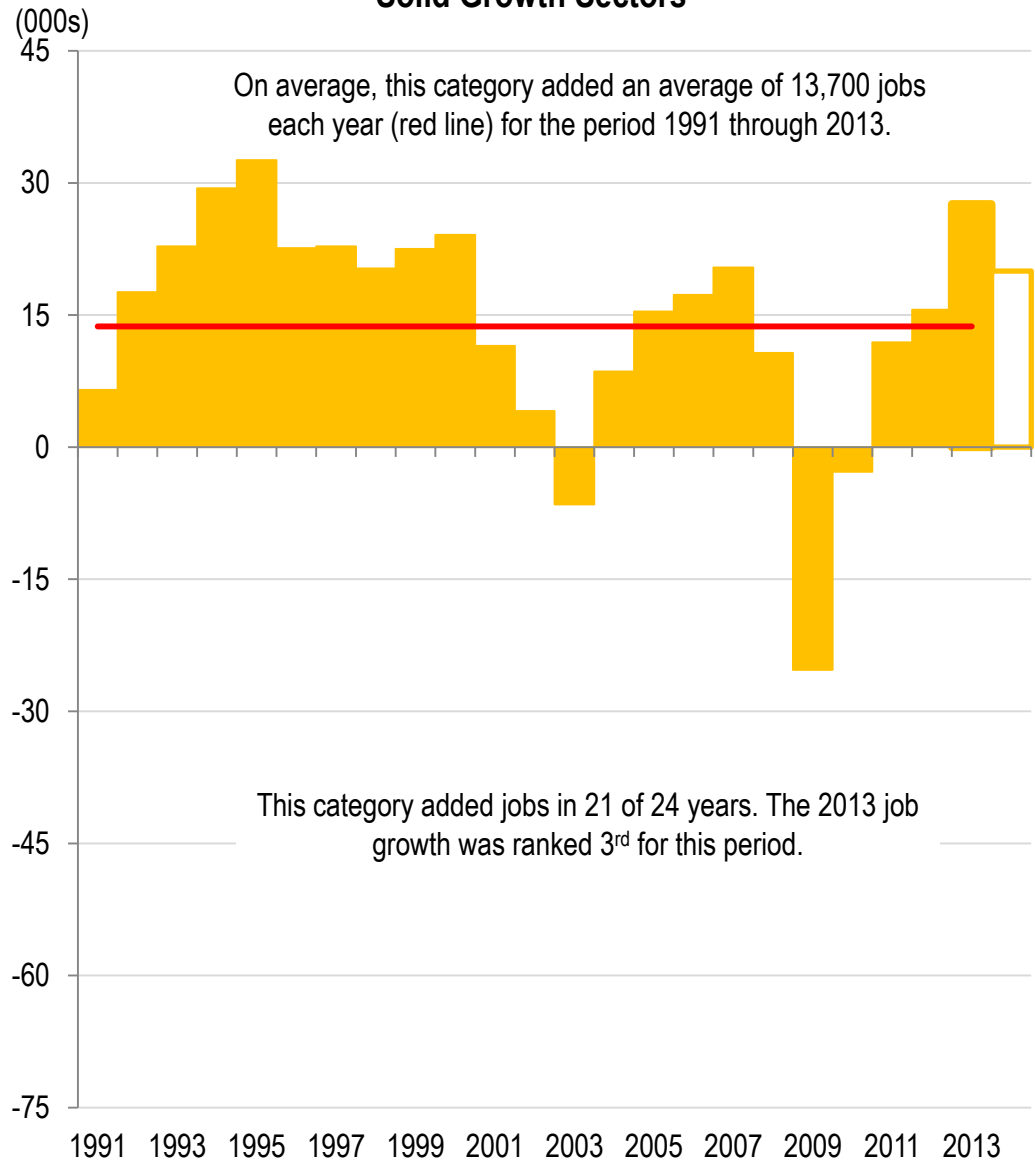
Employment in some of these sectors has remained flat during most of the past decade.

Total employment for this category was:

1993 656,000 workers, 39.3% of total employment  
 2003 839,400 workers, 39.0% of total employment  
 2013 938,800 workers, 39.4% of total employment

Growth of this category in 2014 will be slightly above average for the past two decades. Between 18,000 and 22,000 jobs will be added at a rate of 2.0% to 2.2%.

## Solid Growth Sectors

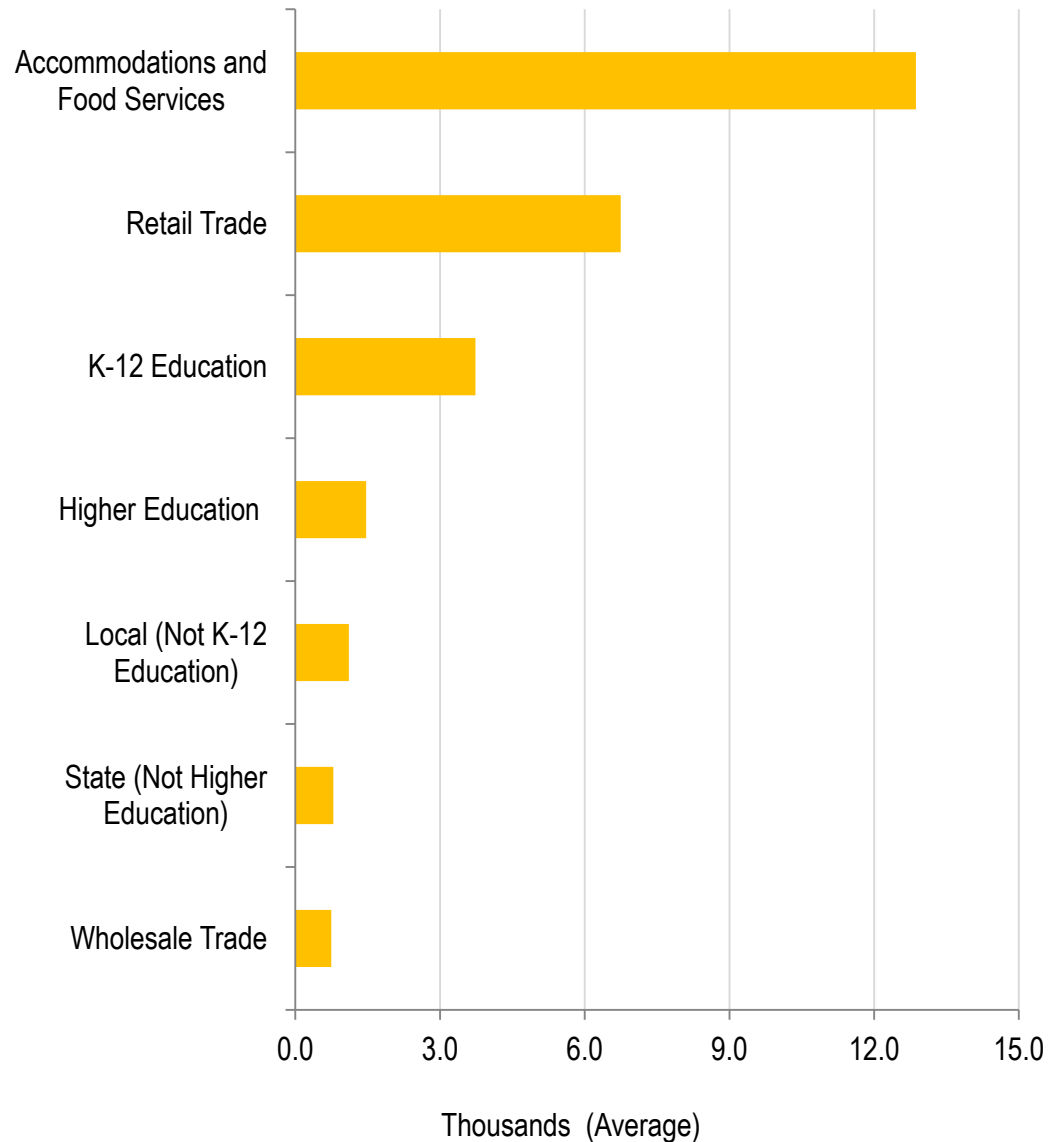


Source: Bureau of Labor Statistics, cber.co.

## Solid Growth Sectors

- Through September 2014 this group of industries added 27,500 jobs compared to the same period in 2013.
- This category was projected to add 18,000 to 22,000 jobs for the year. To date, its performance is much stronger than anticipated.
- These sectors accounted for 28.5% of total job gains and 39.4% of total employees in 2013.
- A majority of the growth has occurred in the Accommodations and Food Services and Retail Trade sectors. K-12 education suffered job cuts during the Great Recession, but has rebounded. Higher education continues to be a consistent job creation machine.

Job Change Through Nine Months  
2014 vs. 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.

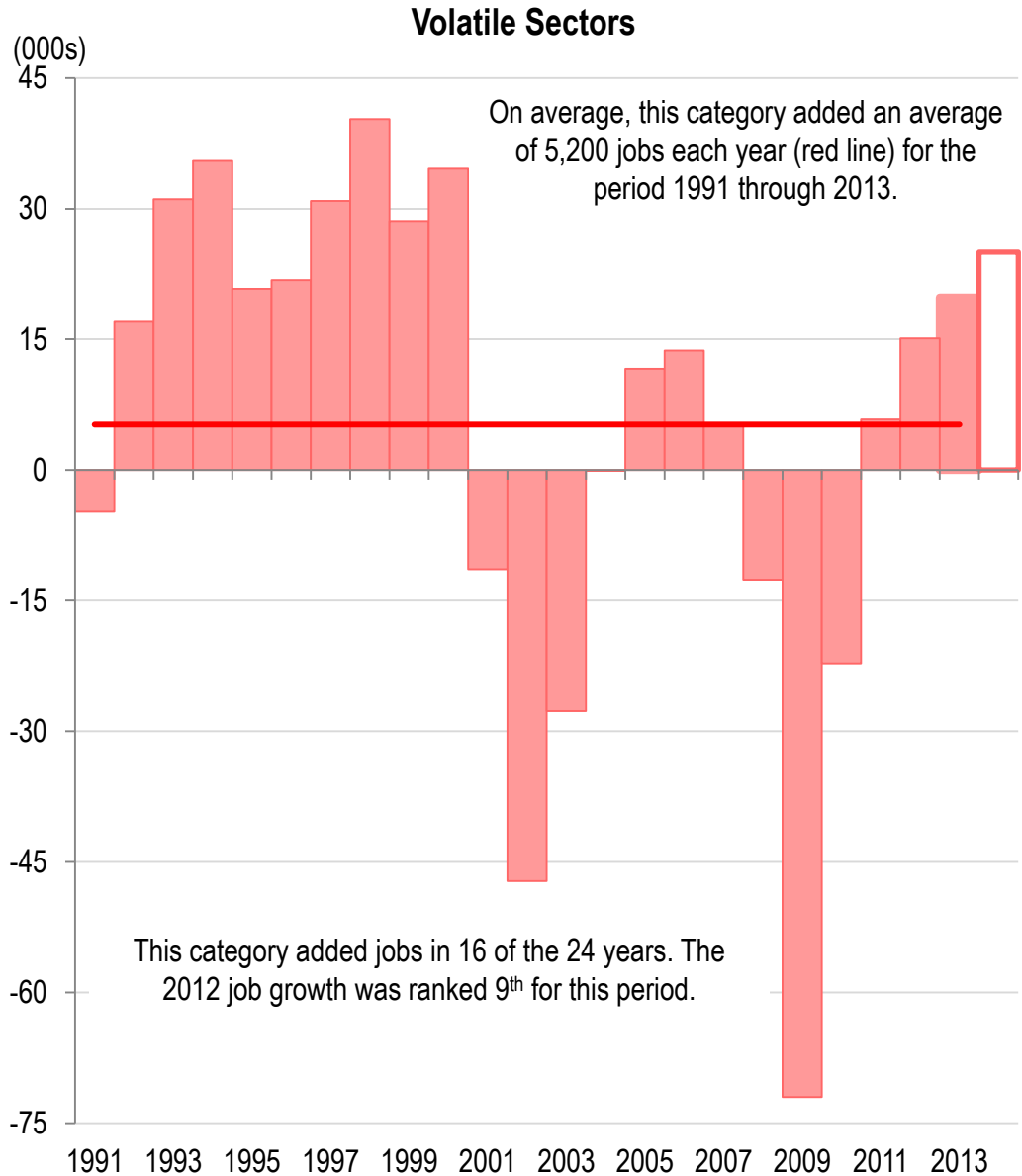
The sectors are:

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

Total employment for this category was:

1993 589,900 workers, 35.3% of total employment  
 2003 716,100 workers, 33.3% of total employment  
 2013 680,500 workers, 28.6% of total employment.

In 2014 this category will add between 23,000 and 27,000 jobs at a rate of 3.6% to 3.8%. Growth in this category will be the strongest since 1999.



Source: Bureau of Labor Statistics, cber.co.

## ● Volatile Sectors

- Through September 2014 this group of industries added 11,100 jobs compared to the same period in 2013.
- This category was projected to add 23,000 to 27,000 jobs for the year. To date, its performance is significantly weaker than anticipated.
- In 2013 these sectors accounted for 27.6% of total job gains and 28.6% of total employees.
- Construction is the leader in job creation, but most other sectors are adding jobs at a slower rate than anticipated. While the extractive industries have only added 2,700 direct jobs, they are responsible for the addition of a number of indirect jobs.

## Job Change Through Nine Months 2013 vs. 2014



Source: Bureau of Labor Statistics.



# Questions and Answers

# Question and Answers

Since last month's report, the following questions were raised by members of the media, public and private business leaders, economic developers, and other economists.

This section addresses these questions:

- Has the reduction in the unemployment rate resulted in upward pressure on wages? Have wages kept up with inflation since the end of the recession?
- Will the Grinch visit Colorado this Holiday season?
- How volatile have the equities markets been?
- How diverse is Colorado job growth?
- How robust is job growth in the Denver MSA?
- Which cities have the most toilets?

# ● Question and Answers

## ● Wage Growth

- Has the reduction in the unemployment rate resulted in upward pressure on wages?
- Have wage increases kept up with increased inflation since the end of the recession?



## ● Have Colorado Wages Kept Up with Inflation Since the End of the Recession?

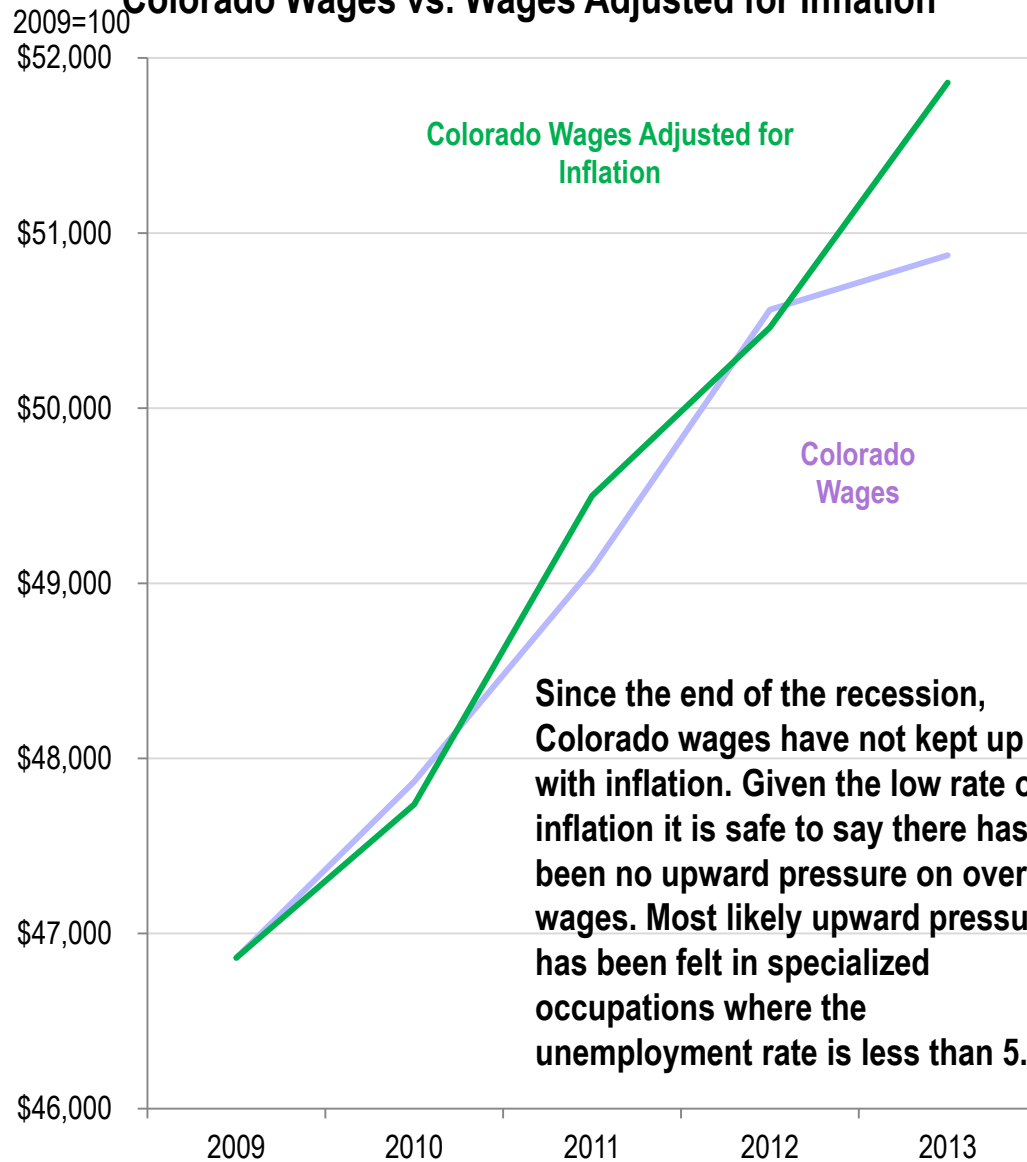
● Between 2009 and 2013, average total wages for Colorado increased from \$46,861 to \$50,873 (QCEW). Wages increased at an annualized rate of 2.1% (blue line). The range of the annual rate of change was 0.6% to 3.0%.

For that same period the Consumer Price Index increased at an annualized rate of 2.6% (green line). Based on that rate of growth a base wage of \$46,681 would have been \$51,589 in 2013. The range of the annual rate of change was 1.9% to 3.7% for the CPI.

The CPI between June 2014 and June 2013 increased by 2.8%. It is unlikely 2014 Colorado wages have increased at a rate greater than 2.8%.

Overall, there is not evidence of upward pressure on wages resulting from the decrease in unemployment.

### Colorado Wages vs. Wages Adjusted for Inflation



**Since the end of the recession, Colorado wages have not kept up with inflation. Given the low rate of inflation it is safe to say there has been no upward pressure on overall wages. Most likely upward pressure has been felt in specialized occupations where the unemployment rate is less than 5.0%.**

Source: Bureau of Labor Statistics, Denver-Boulder- Greeley, CPI.

# Question and Answers

## Holiday Sales

- Will the Grinch visit Colorado this Holiday season?



# Will the Grinch Visit Colorado This Holiday Season?

## U.S. Retail Trade Sales

Over the past decade consumers have become accustomed to deep discounting during the holiday season. Despite an outlook for a brisk holiday season, there will likely be a sufficient number of markdowns and bargain basement deals.

The National Retail Federation expects holiday sales to increase by 4.1% compared to 3.1% last year. Over the past 10 years, average holiday growth has been about 2.9%. Sales in November and December (excluding autos, gasoline, and restaurant sales) represent about 19.2% of the annual total.

Nationally, up to 800,000 workers will be hired on a seasonal basis for November and December. Online sales will increase by 8% to 11%.

**The Grinch will not visit Colorado retailers this Christmas!**



The optimistic expectations for national retail sales bode well for Colorado. The Colorado Legislative Council and the Office of State Planning and Budgeting expect Colorado's 2014 annual retail sales to be 6.0% greater than last year. Given the strength of the state economy, holiday sales should easily exceed the national projected growth rate of 4.1%

Colorado average retail trade employment in November and December is about 10,000 workers greater than the average for the other 10 months of the year. A similar increase in retail employment should be expected in 2014.

# Question and Answers

## Equity Markets

How volatile have the equity markets been?

The VIX measures market expectations of near term volatility conveyed by stock index option prices.

# How Volatile has the Equities Market Been?

## CBOE Volatility Index - VIX (VIXCLS)



Source: FRED, CBOE.

# Question and Answers

## Diversity of Job Growth

How diverse is Colorado job growth?

cber.co evaluates 23 sectors/subsectors of the economy because it feels this is the best way to understand changes in the economy.

This analysis shows that 77.9% of the current job growth is in six sectors/subsectors.

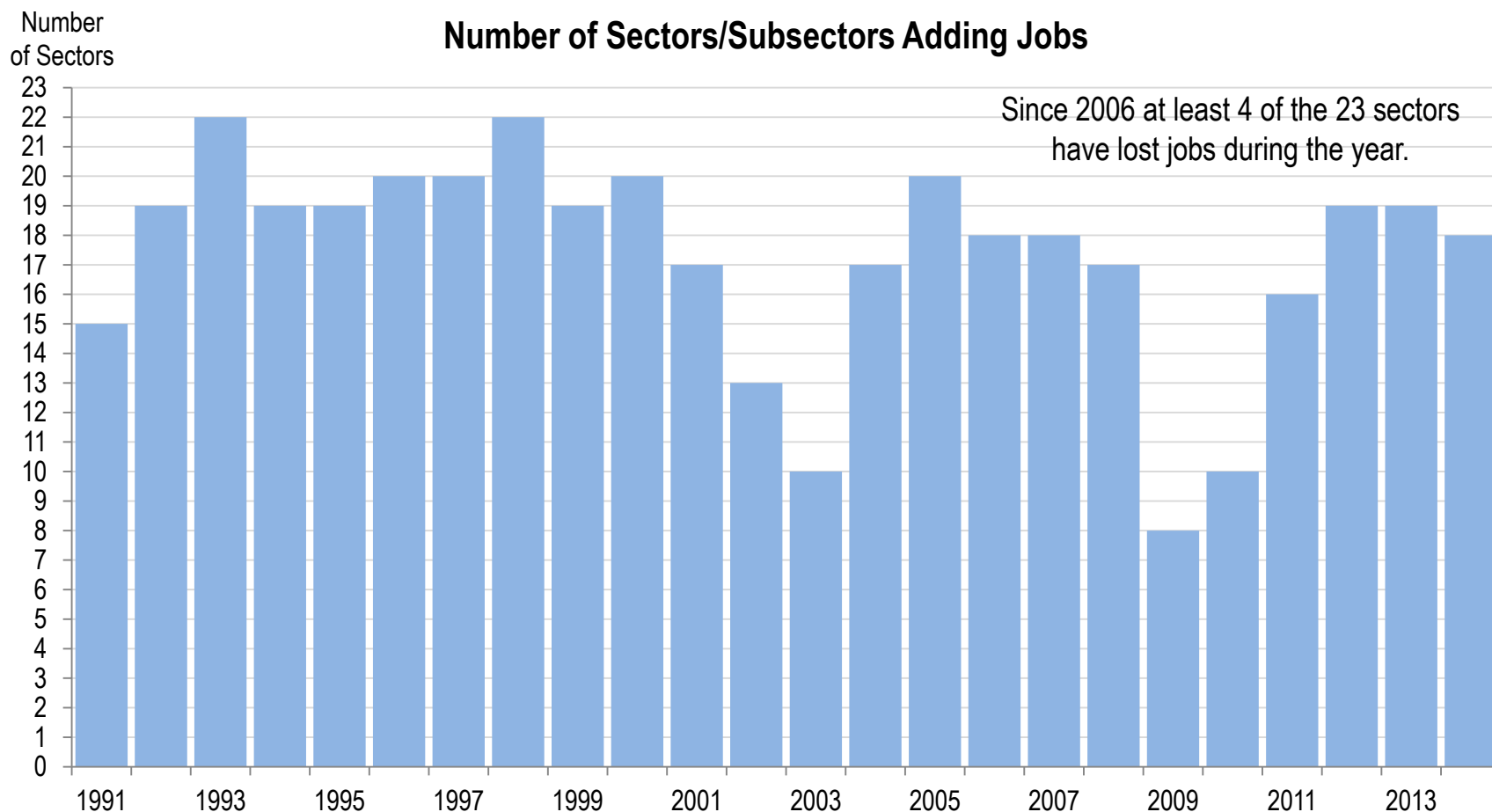
For the period 1991 to 2014, the following two slides show:

- The number of sectors/subsectors that added jobs each year.
- The percentage of employees in the sectors that added jobs each year.

This analysis shows that a majority of sectors/subsectors are adding jobs; however, they are concentrated in a small number of sectors/subsectors. The economy will remain robust as long as those six sectors remain healthy.

# How Diverse is Colorado Job Growth?

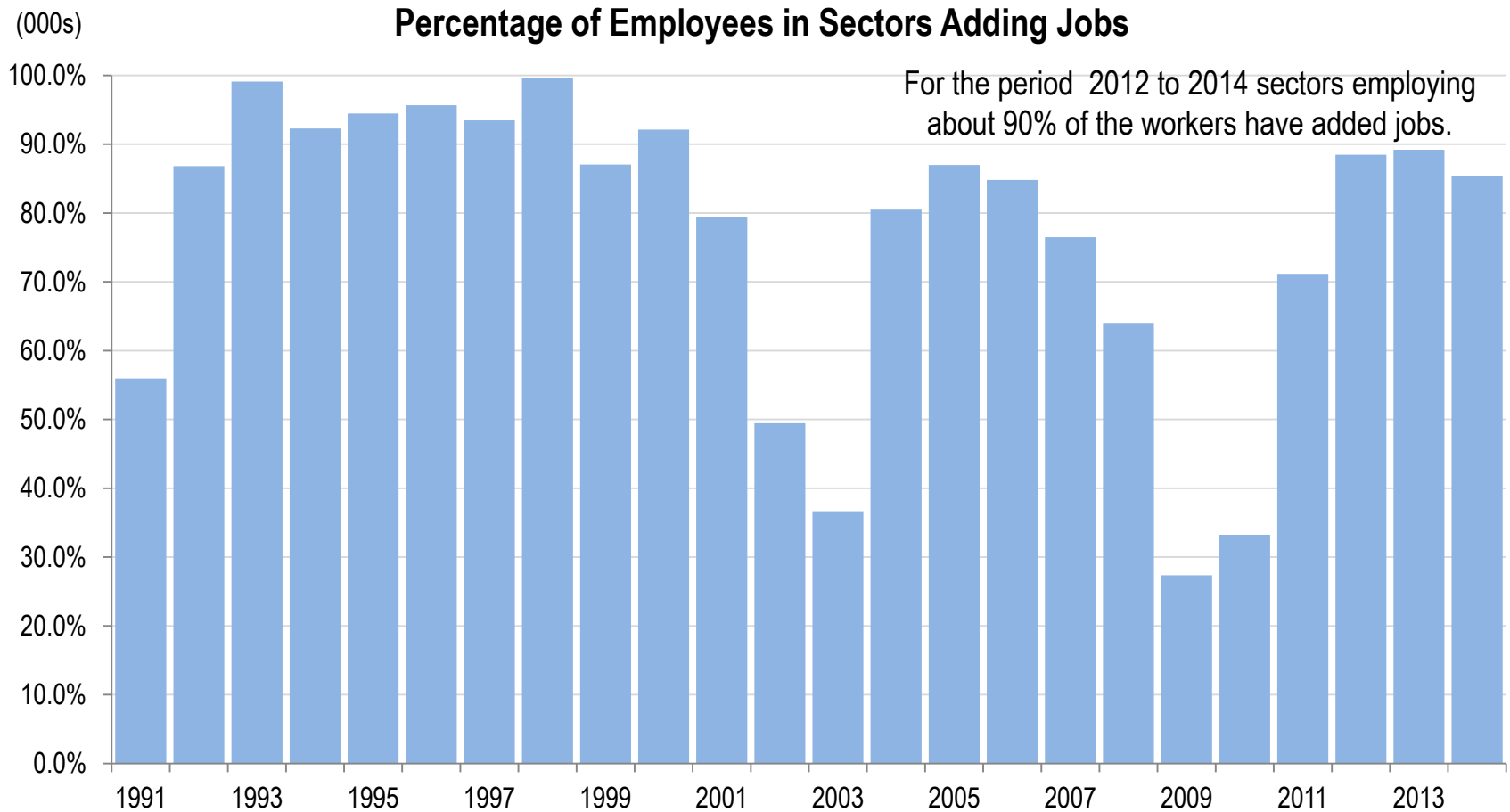
## Number of Sectors/Subsectors Adding Jobs



Source: BLS, cber.co.

# How Diverse is Colorado Job Growth?

## Percentage of Employees in Sectors Adding Jobs



Source: BLS, cber.co.



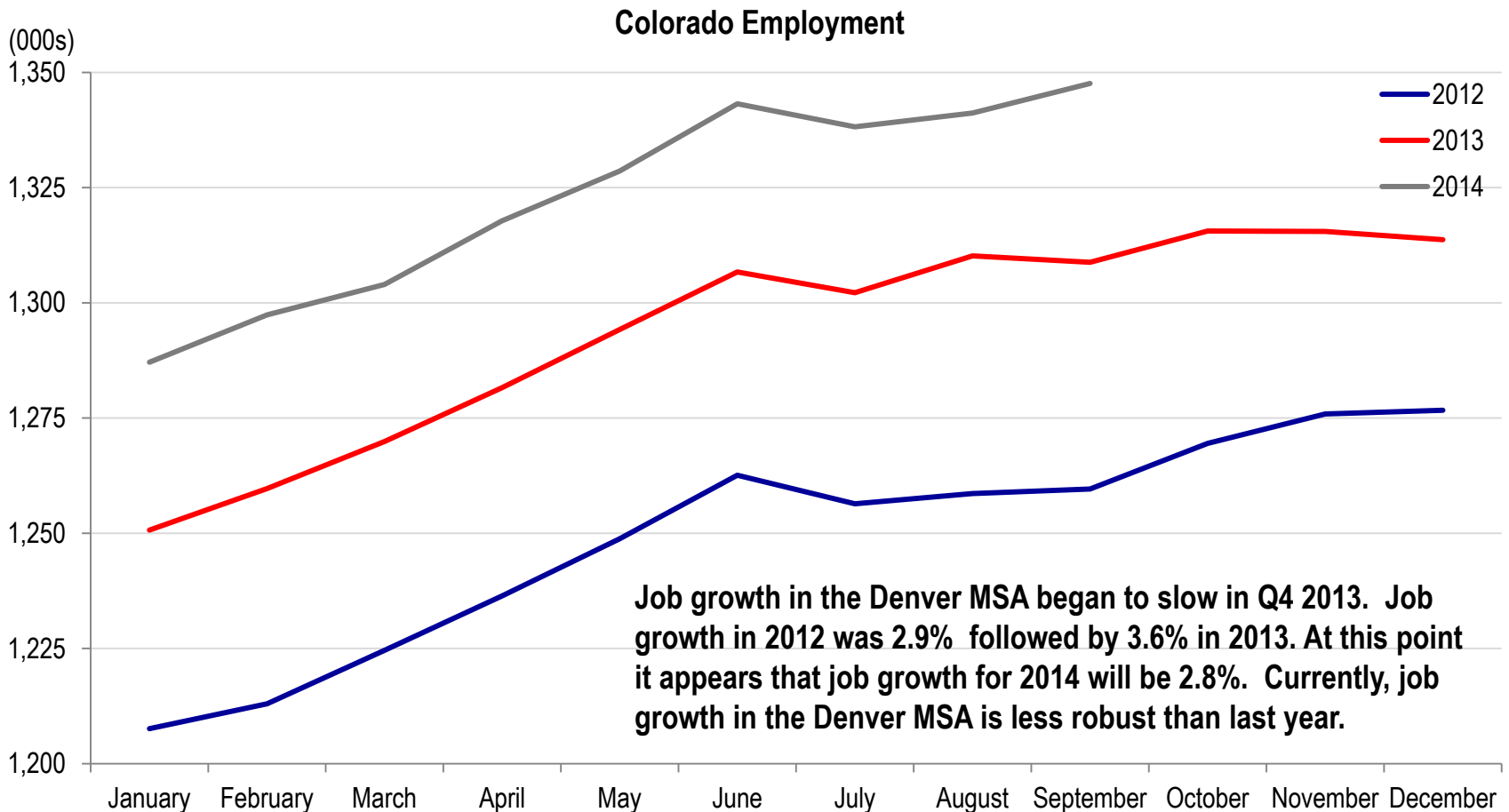


# Question and Answers

## Denver Job Growth

How robust is job growth in the Denver MSA?

# Denver Employment 2012 to 2014 (September)



Source: Bureau of Labor Statistics, NSA.

# Question and Answers

## Toilets

Which cities have the most toilets?

Some economists produce rankings because they have high entertainment value, they can be used for bragging rights, and they can be used for creating taglines to promote causes. Quite often, these rankings are reminiscent of the bumper stickers that state, “My dog is smarter than your honor student and my cat is smarter than my dog.”

Rankings of economic data have value if they can be used for purposes such as showing the strengths or weaknesses of a region. Rankings can be used with other data and information that will foster collaboration to address issues. For example, if Colorado has a high concentration of companies that conduct research in lasers, a discussion about the competencies of these companies can be used to attract and retain aerospace and bioscience companies in Colorado.



# Question and Answers

## Toilets

### The Rankings

This past week, Redfin.com, a real estate company, produced a report entitled “Tons of Toilets: Which City Sits Atop the Throne?” Like many rankings, this one has high entertainment value.

At the top of the list was **Boulder** with 305,200 toilets or 102 toilets per person. Approximately 5.3 million gallons of water are flushed daily.

Second on the list was **Washington, D.C.** with almost 5.5 million toilets or 98 toilets per person. Approximately 95.6 million gallons of water are flushed daily.

**Denver** was ranked 6<sup>th</sup> on the list with almost 2.4 million toilets or 94 toilets per person. About 41.8 million gallons of water are flushed daily.

### The Response to the Rankings

- The rankings prompted my peers to draw correlations between the rankings of the education levels of these cities to the toilet rankings. Their comments have been flushed and are not appropriate for this document.
- Like most other rankings, the race to the top of the throne was used to promote a cause. In this case, the rankings were intended to draw potential customers to the Redfin website – and it worked.
- This gimmick provides a lesson. Rankings should be read and used with caution. More often than not, they have limited value unless they are used with other data to make a constructive point.
- Given the number of toilets sold, my peers and I chose the wrong profession.





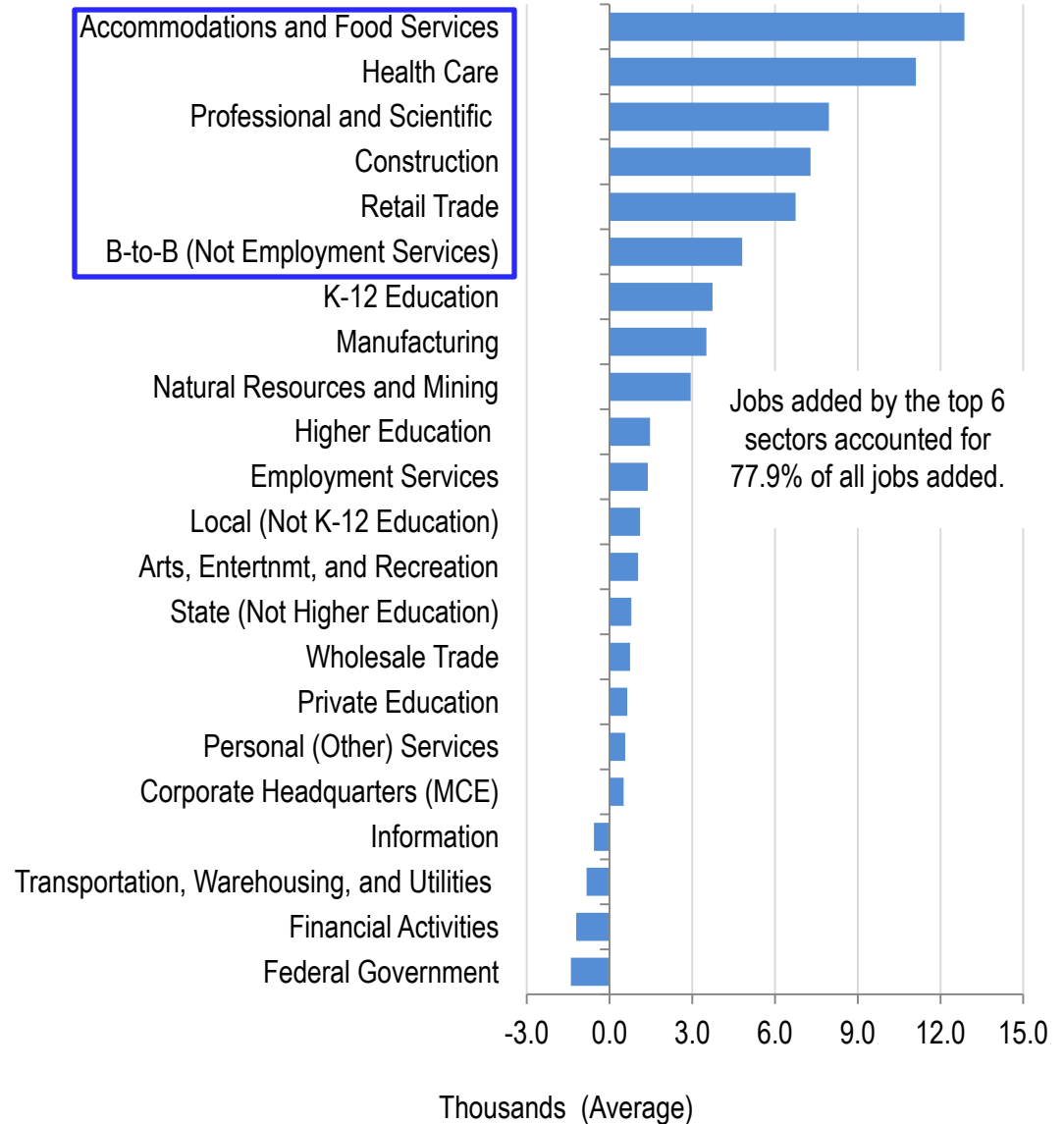
# Total Jobs Added

## Change in Employment for All Sectors - First Nine Months of 2014 vs. the Same Period in 2013

There were 65,200 more jobs in the first nine months of 2014 than the same period in 2013, an increase of 2.8%.

- Growth was led by the following sectors: Accommodations and Food Services (AFS); Health Care, Professional, Scientific, and Technical Services (PST); and Construction.
- Professional Business Services was the Super Sector that added the highest number of jobs (12,900), followed by Tourism (11,100).

### Job Change Through 9 Months 2013 vs. 2014



Source: Bureau of Labor Statistics, cber.co.

## Summary of Job Growth for Colorado MSAs - First Nine Months of 2013 v 2014

Greeley had the highest rate of job growth for the first nine months of 2014 compared to the same period in 2013. The rates of growth were:

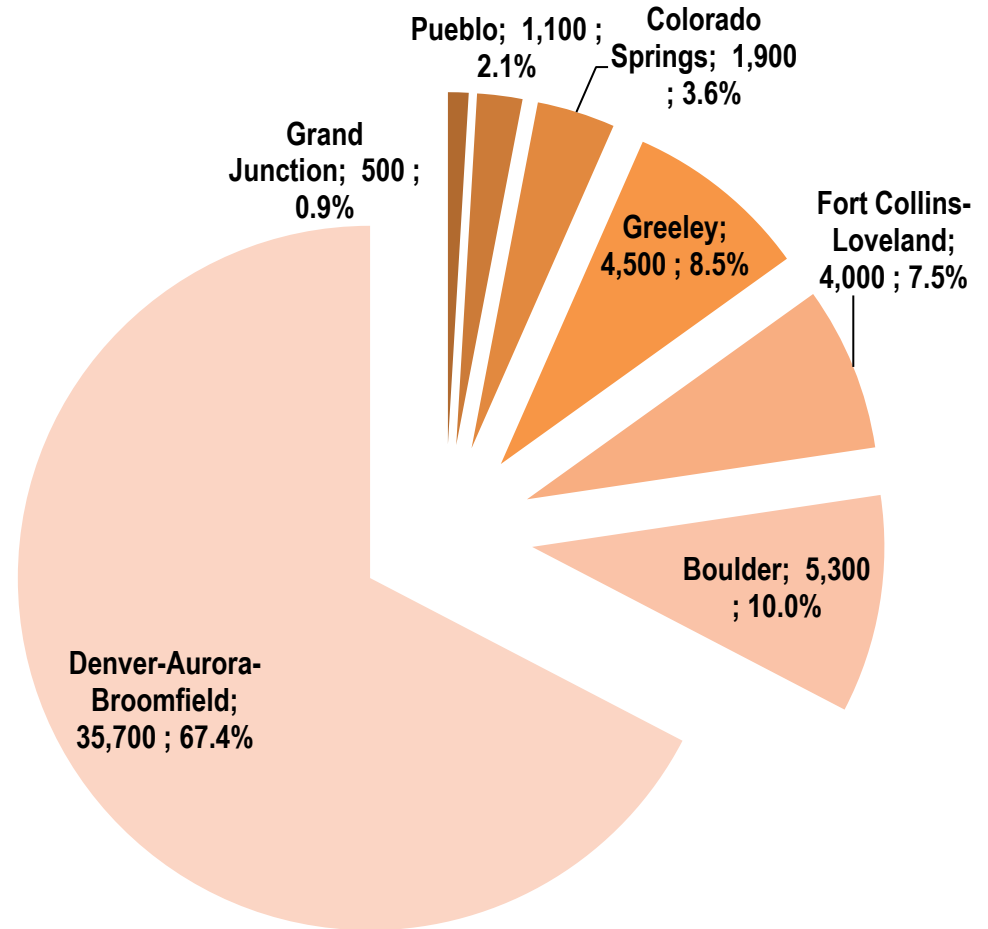
- Greeley 5.0%
- Boulder 3.1%
- Fort Collins 2.8%
- Denver 2.8%
- Pueblo 1.8%
- Grand Junction 0.9%
- Colorado Springs 0.8%

The rate of job growth for the state was 2.8%.

Denver added 67.4% of the jobs in MSAs, followed by Boulder, at 10.0%. Combined, the Northern Colorado MSAs added 16.0% of all jobs for the metro areas.

Note: This chart includes Colorado's seven MSAs. They accounted for about 81.2% of total job growth in the state for this period.

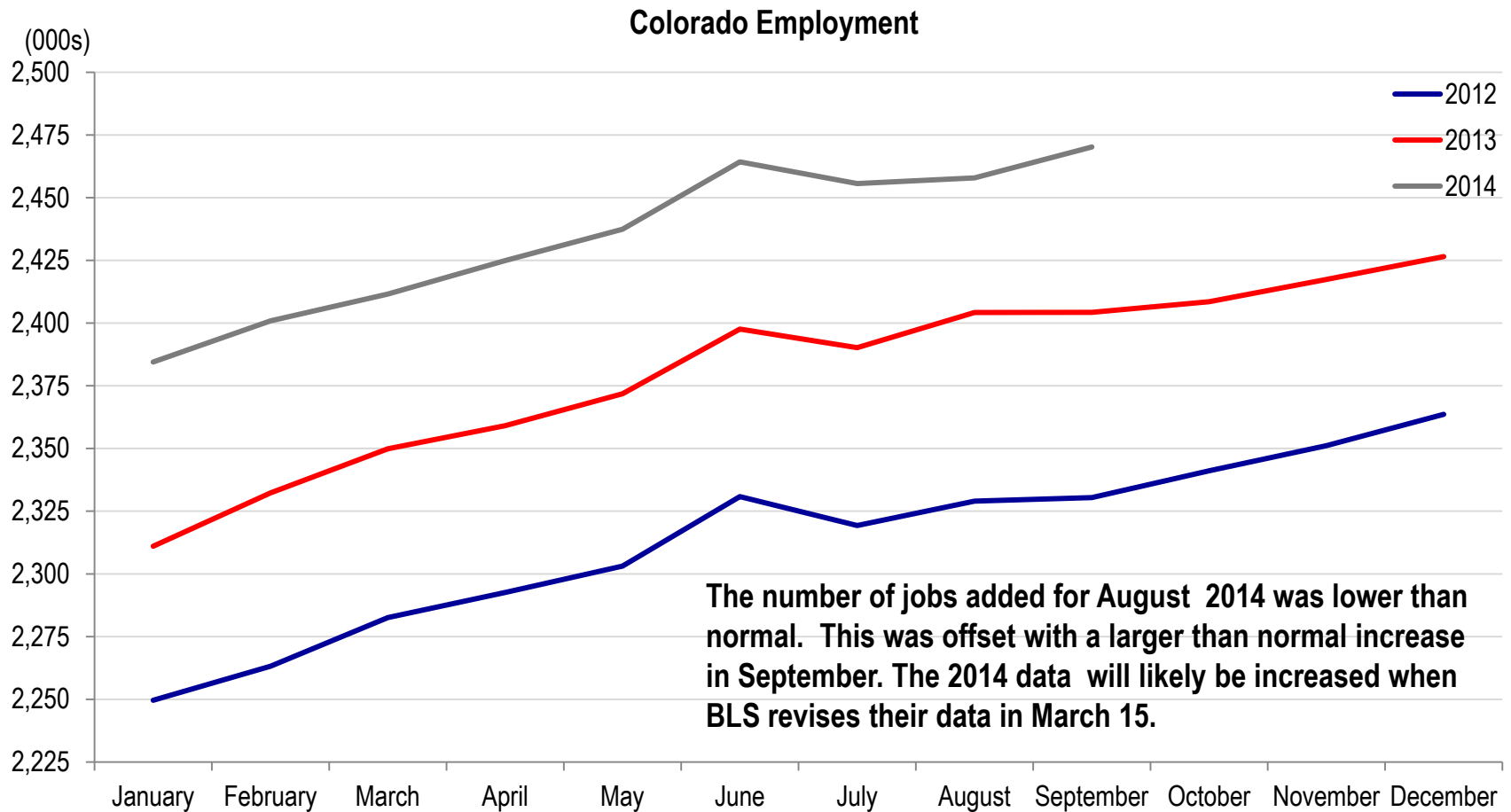
## MSA Job Growth and Percent Growth



**Key**  
MSA, Jobs added, % of MSA jobs added.

Source: Bureau of Labor Statistics.

# Colorado Employment 2012 to 2014 (September)



Source: Bureau of Labor Statistics, NSA.



# Colorado Employment The Lost Decade and Beyond

Colorado employment declined in 2009 and 2010. The changes for 2011 to 2013 follows:

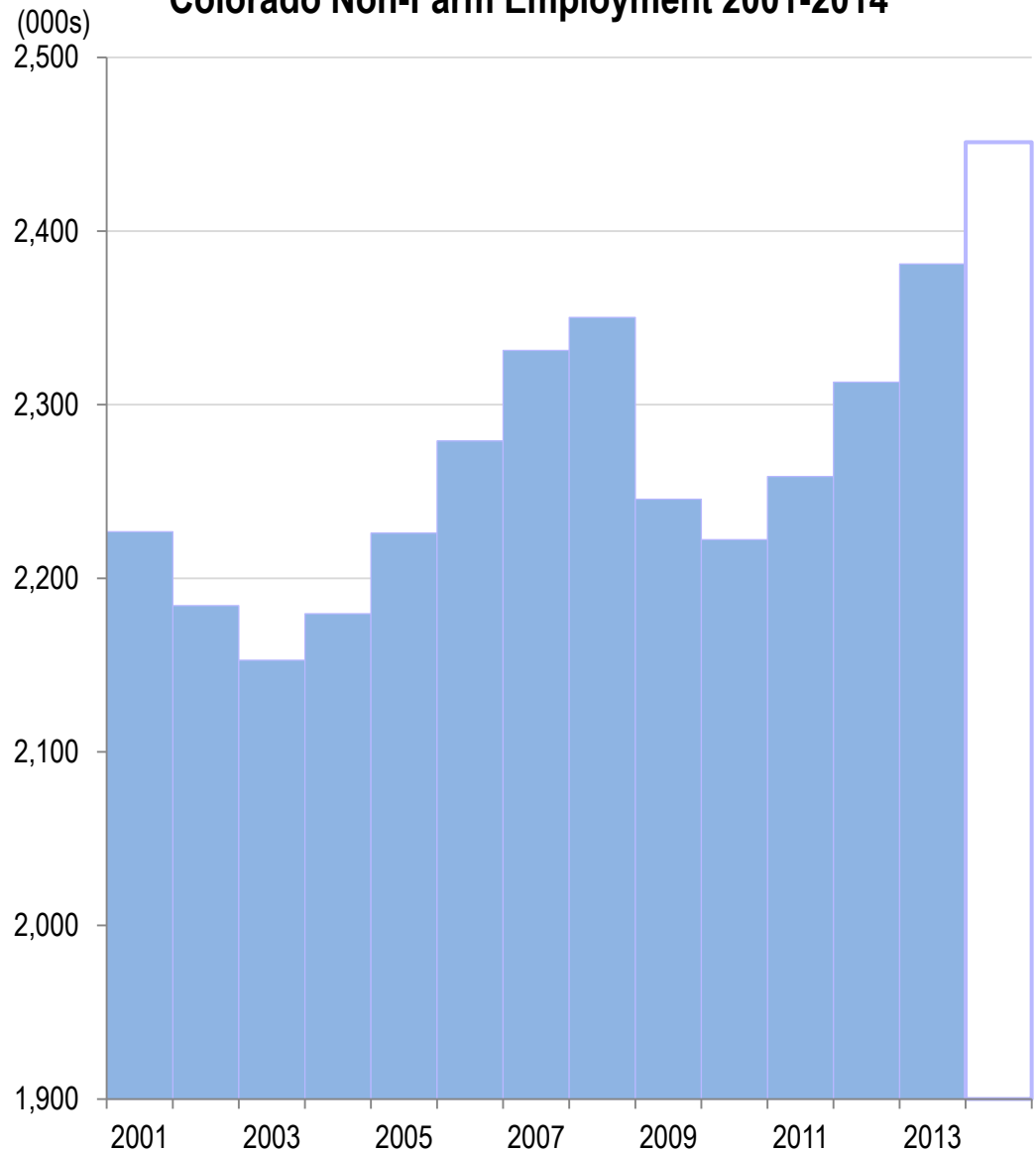
- + 36,300 jobs in 2011
- +54,400 jobs in 2012
- +68,100 jobs in 2013.

The number of jobs added has increased at an accelerating rate in each of these 3 years.

Between 68,000 and 74,000 jobs will be added in 2014.

Earlier this year, the Colorado Labor Market Information group issued a press release suggesting the BLS March 2015 data revision for 2014 will show that Colorado will add more than 70,000 jobs this year.

## Colorado Non-Farm Employment 2001-2014



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



# Summary of Colorado Economy Through September 2014

## On One Hand...

- Through the first nine months of 2014, wage and salary employment is 65,200 greater than the same period in 2013. When the BLS makes its annual revisions in March 2015, they are expected to revise 2014 job growth higher and employment will exceed 70,000.
- Job growth is occurring in most sectors, although about 79% of job growth is in six sectors.
- About 82% of the state's job growth is in the seven MSAs.
- Northern Colorado and Boulder continue to be hot spots for job and output growth.
- The campaigning for the elections has been contentious and divisive. Fortunately, the elections will be over soon. Vote early and vote often.

## On the Other Hand...

- There is minimal upward wage pressure. Since the end of the recession, overall wage increases have not kept up with inflation.
- Colorado inflation is higher than the U.S. rate. If there is higher inflation in housing, energy, recreation, food and beverage, medical, and transportation, it could be a drag on future growth of the state, particularly if weak wage growth continues.
- Job growth in Denver is solid, but significantly less than last year.
- The following sectors are underperforming: Information, manufacturing, financial activities, and transportation. There is concern that primary jobs are not being added at a fast enough rate.
- It will be a challenge for some companies to find trained workers in certain occupations.

# ● Looking Ahead - Is the Glass Half Empty?

## ● Labor and Workforce



**As the year comes to an end, there are concerns that Colorado may not sustain its current level of growth. The state will have another solid year in 2015; however, it will face a number of challenges along the way. A few of those issues are listed below. The discussion on this page focuses on labor and workforce issues.**

- Jobs were added at an accelerated rate from 2011 to 2013. It is likely that will also be the case in 2014. Will job growth take a breather in 2015?
- In 2014, the Denver MSA added workers at a rate slower than 2013. Is this a sign of an impending slowdown?
- How many years will the extractive industries be a significant driver in the state economy?
- How long can the state continue solid job growth with the addition of so few primary jobs?
- When will wage growth outpace the increase in inflation?
- How much will job growth be constrained by the shortage of trained workers in key high tech positions? Will there be an adequate supply of workers who can pass company drug tests?
- The expansion of the RTD system, and growth surrounding DIA will make Colorado an even more attractive state. What type of job growth will those industries bring to Colorado in the short-term? Long-term?
- Millennials are entering the workforce with a lot of baggage. They are highly educated, often over-educated, they have a high level of student loan debt, unrealistic work expectations, and many still live at home. How will their presence alter the workplace and the way business is conducted?

# ● Looking Ahead - Is the Glass Half Empty?

## ● Leadership, Policy, and Business



**As the year comes to an end, there are concerns that Colorado may not sustain its current level of growth. The state will have another solid year in 2015; however, it will face a number of challenges along the way. A few of those issues are listed below. The discussion on this page focuses on leadership, policy, and business.**

- The Colorado electorate has been provided with a clear choice in the 2014 election. Many voters have expressed frustration and anger with the leadership. As a result, the campaign has been more contentious than usual. Will the winners be able to pull the state together when the final votes are tallied?
- Will Colorado's rising housing prices prevent outsiders from coming to the state? Will there be a shortage of affordable housing for families with lower incomes?
- For the past couple of years the state legislature has focused on social issues. Will 2015 be the year they have a greater focus on business and economic issues?
- There is a need to repair infrastructure, such as roads and bridges. When will this become a priority that receives greater funding?
- Will Colorado's bioscience cluster have a role in the development of devices and cures that can address diseases such as Ebola? Will the photonics and software clusters play a role in retaining and attracting aerospace companies to Colorado?
- Will the weak European economy negatively impact export sales for Colorado manufacturers?
- How will the increased demand for multi-family units affect the economy in terms of development, services, and tax revenues?
- Leaders are portraying Colorado's PK-12 and higher education system as inadequate because it is not funded at the levels desired by education leaders. This is creating a perception that Colorado has a subpar education system. That is simply not the case.



# Appendix



# BLS/LMI Data Revision Process

## BLS and LMI Data Projections

In recent years, data-producing federal agencies have been asked to deliver more accurate data, in a shorter time frame, using fewer staff, with lower research budgets. The data used for most short-term forecasts is the Current Employment Survey, also called Nonfarm or Wage and Salary data. It is possible for the CES data to be revised up to four times. Revisions to the CES data are based on changes in the Quarterly Census of Employment and Wages (QCEW) data set.

## BLS and LMI Data Revision Process

The CES projection process is outlined below:

1. Around the 20<sup>th</sup> of a month, preliminary data for the prior month will be published and the month prior to that will be updated (For example, around June 20<sup>th</sup> preliminary data for May will be produced and April will be updated.) These revisions are usually minor.
2. In March of the following year, the previous two years will be revised. (For example, the 2013 employment data will be revised in March 2014 and finalized in March 2015).
3. The initial March update is usually the most significant revision, and the two-year update is often minor (In the case of 2013, some of the monthly totals will see significant upward revisions when revised in March 2014.)
4. Periodically, BLS updates the entire data series back to 1990. This usually occurs when they recalibrate their projection models or redefine NAICS codes.



# North American Industry Classification System

For purposes of analysis, the Bureau of Labor Statistics classifies companies using the North American Industry Classification Systems (NAICS), a two-through-six digit hierarchical classification system. Companies are classified into categories based on their primary processes. BLS has further aggregated NAICS sectors into groupings called "Supersectors." The aggregations include Goods-Producing and Service-Providing industries.

## Goods-Producing Industries

### 10 - Natural Resources and Mining

NAICS 1133—Logging

Sector 21—Mining

### 20 - Construction

Sector 23—Construction

### 30 - Manufacturing

Sectors 31, 32, 33—Manufacturing

## Service-Providing Industries

### 40 - Trade, Transportation, and Utilities

Sector 42—Wholesale Trade Sectors 44, 45—Retail Trade Sectors 48, 49—Transportation and Warehousing Sector 22—Utilities

### 50 - Information

Sector 51—Information

### 55 - Financial Activities

Sector 52—Finance and Insurance Sector 53—Real Estate and Rental and Leasing

### 60 - Professional and Business Services

Sector 54—Professional, Scientific, and Technical Services Sector 55—Management of Companies and Enterprises Sector 56—Administrative and Support and Waste Management and Remediation Services

### 65 - Education and Health Services

Sector 61—Educational Services Sector 62—Health Care and Social Assistance

### 70 - Leisure and Hospitality

Sector 71—Arts, Entertainment, and Recreation Sector 72—Accommodation and Food Services

### 80 - Other Services

Sector 81—Other Services, except Public Administration

### 90 - Government\*

Sector 91—Federal Government

Sector 92—State Government

Sector 93—Local Government



## Review of the Colorado Economy Analysis of First Nine Months of 2014

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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