



Review of Colorado Economy Analysis of Q1 2014 Employment Data

Colorado-based Business and Economic Research

May 20, 2014



Overview

The Professional Business Services and Tourism Sectors were the top Super Sectors for job growth in Q1 2014.

The following sectors were the top contributors to job growth:

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

These 6 sectors accounted for 79.2% of job growth.

This brief analysis is divided into the following sections.

- U.S. and Economy.
- Colorado Employment and Unemployment.
- Change in Colorado Employment by Performance Category.
- Colorado 2013 Category and Major Sector Employment.
- Total Jobs Added.

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



U.S. Economy

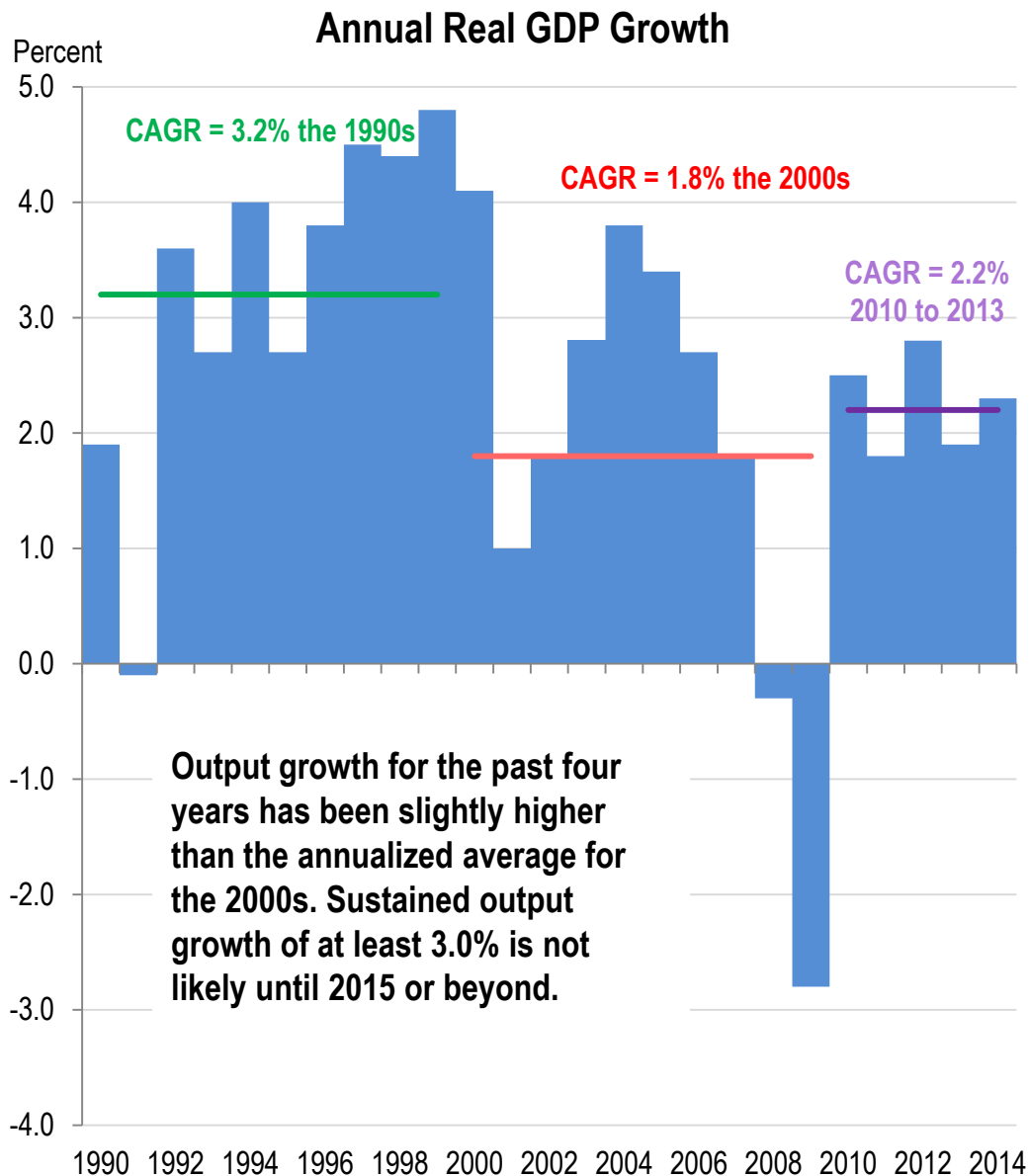
Real US GDP Growth

Annual

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 at least 2.3%.

However,....preliminary data showed that Real GDP expanded at an annualized rate of 0.1% for Q1. Government spending fell off, there was a drop off in the purchase of business equipment, U.S. exports declined, and businesses reduced the rate of their inventory growth. The growth rate could turn negative in the next round of revisions. On a brighter note, warmer weather should produce stronger growth in Q2, in the neighborhood of 3.5%.

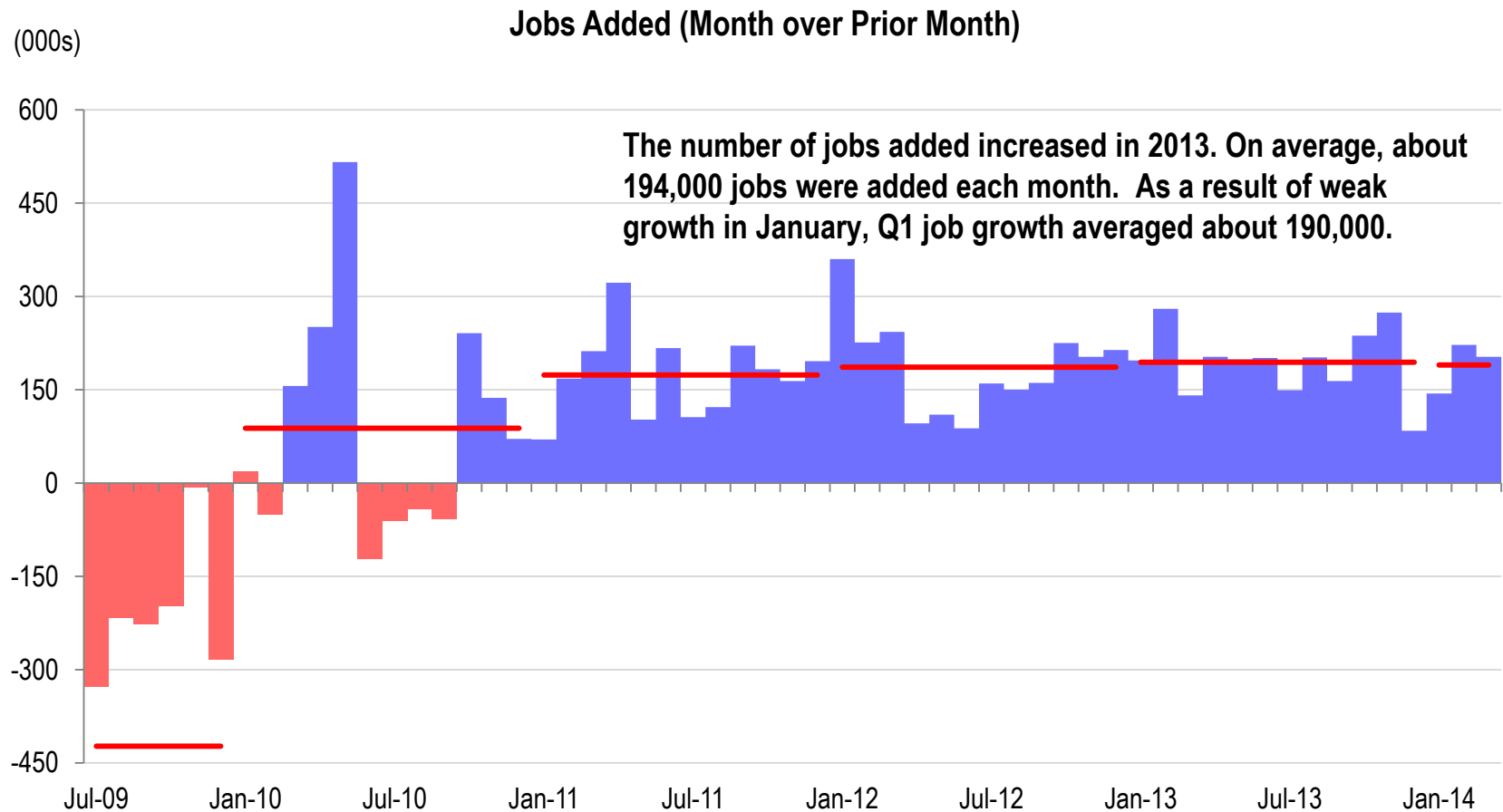


Source: Bureau of Economic Analysis, cber.co, Note GDP chained on 2009.

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U.S. Employment Situation

From End of Recession through Q1 2014



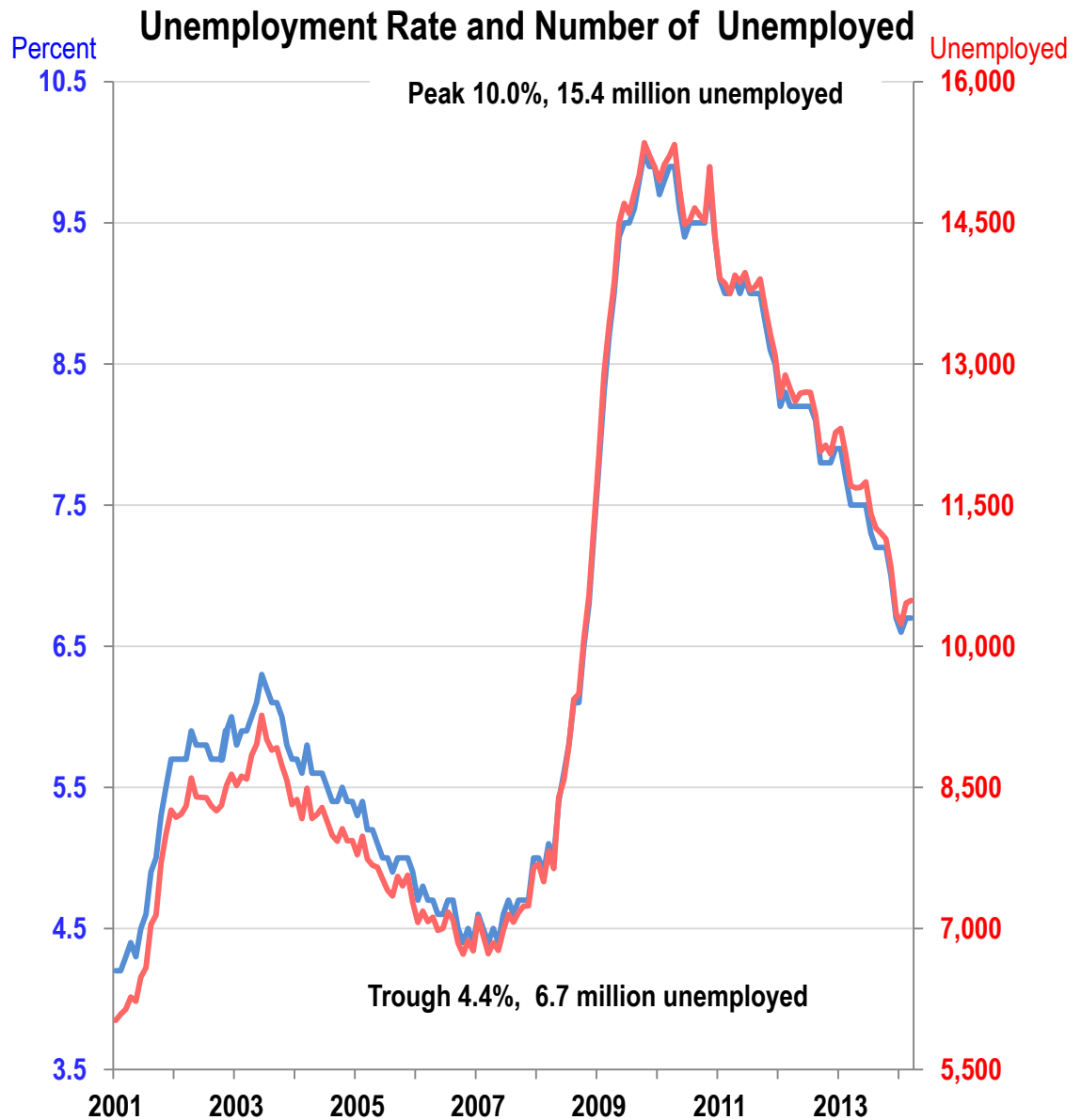
U.S. Unemployment Rate and Number of Unemployed

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

At the end of Q1 2014, the unemployment rate (blue) was 6.7%.

The 2014 Q1 ending total number of unemployed (red) was below 10.5 million. These numbers were 1.2 million lower than the 2013 Q1 total.

The 2014 Q1 ending total is 3.8 million above the low point in 2007 and 4.9 million below the high point in 2009.



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

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Summary of U.S. Economy in Q1 2014

In a nutshell, the performance of the U.S. economy in Q1 was ugly.

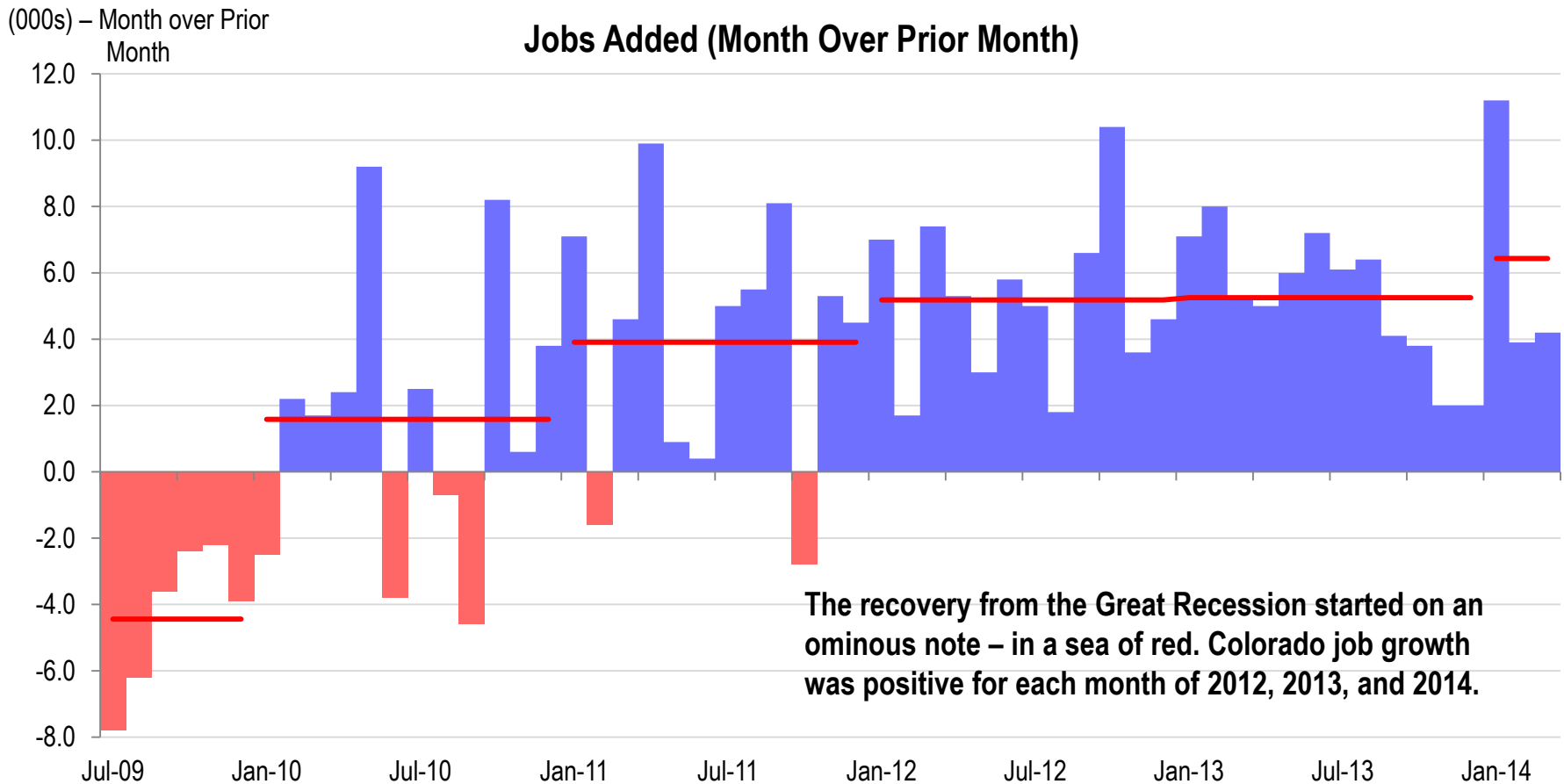
- Output growth stalled and may be revised downward.
- Job growth was weak in January, but it picked up in February and March.
- The unemployment rate remained unchanged.
- The number of unemployed increased slightly.
- The general consensus of economists across the country is that the weak performance was caused, in part, by bad weather. This in turn caused other problems.
- On a bright note, the economy is expected to rebound in Q2. Growth for the remainder of the year will be solid.



Colorado Employment and Unemployment

Colorado Employment Situation

From End of Great Recession to End of Q1 2014



Source: Bureau of Labor Statistics, SA.

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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.

Between June 2007, the trough, and the peak in October 2010, the number of unemployed workers increased by 152,947. Since then, the number of unemployed workers has declined by about 74,240.

At the end of Q1 2014, the unemployment rate (blue) was 6.2%, down from 7.0% at the end of Q1 2013. The state Q1-ending rate was lower than the U.S. Q1-ending rate of 6.7%.

In March 2014, the total number of unemployed workers (red) declined to about 170,069. The total number of unemployed is almost 77,000 greater than the trough in June 2007.

Unemployment Rate and Number Unemployed



Source: Bureau of Labor Statistics, cber.co.

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Change in Q1 Colorado Employment by Performance Category

Overview of Job Creation by Performance Category

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

- Strong growth.
- Solid growth.
- Volatile.

The following charts look at the change in jobs for those three categories - Q1 2014 vs. Q1 2013.

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, 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.

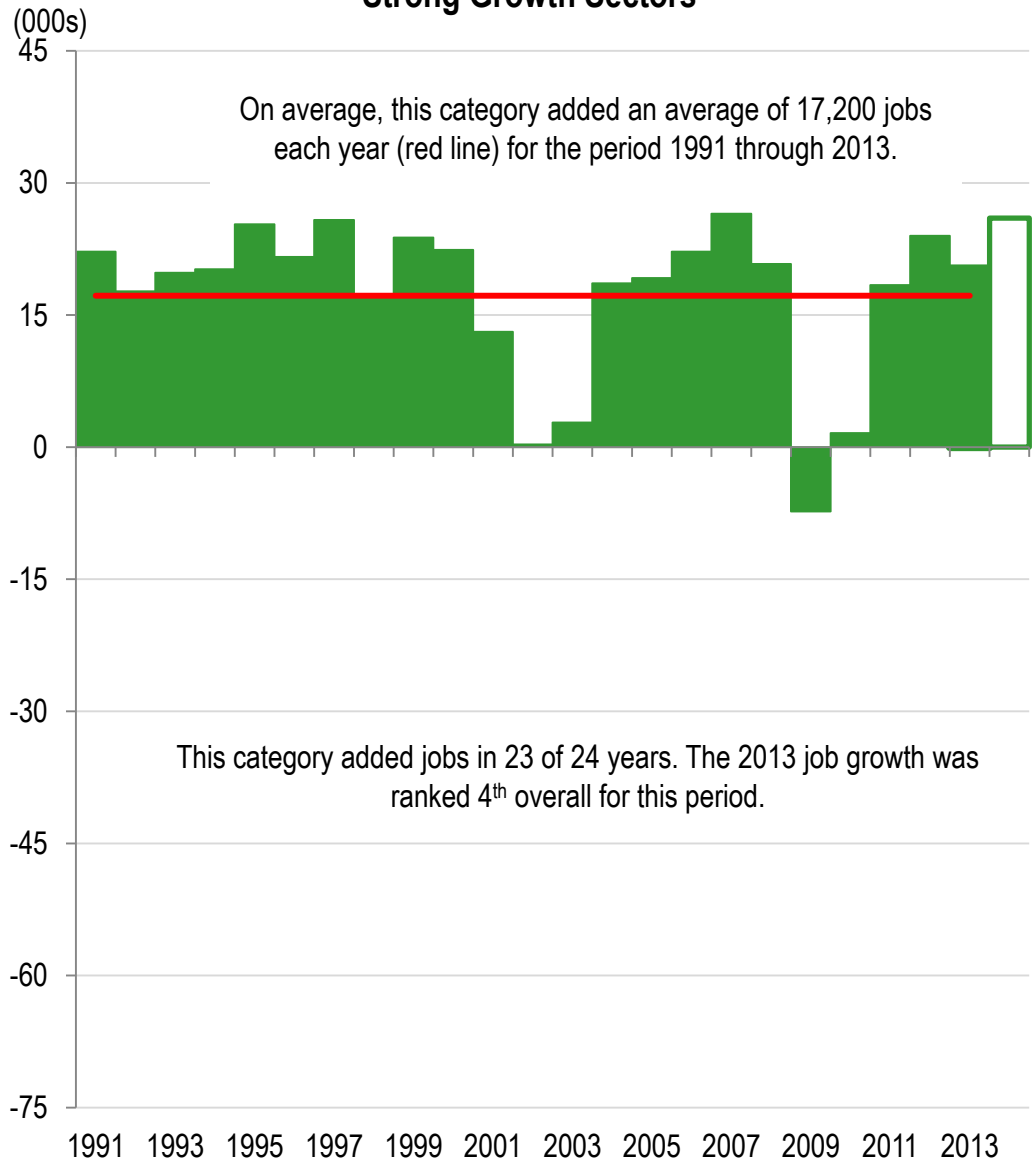
Total employment for this category was:

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%.

Strong Growth Sectors



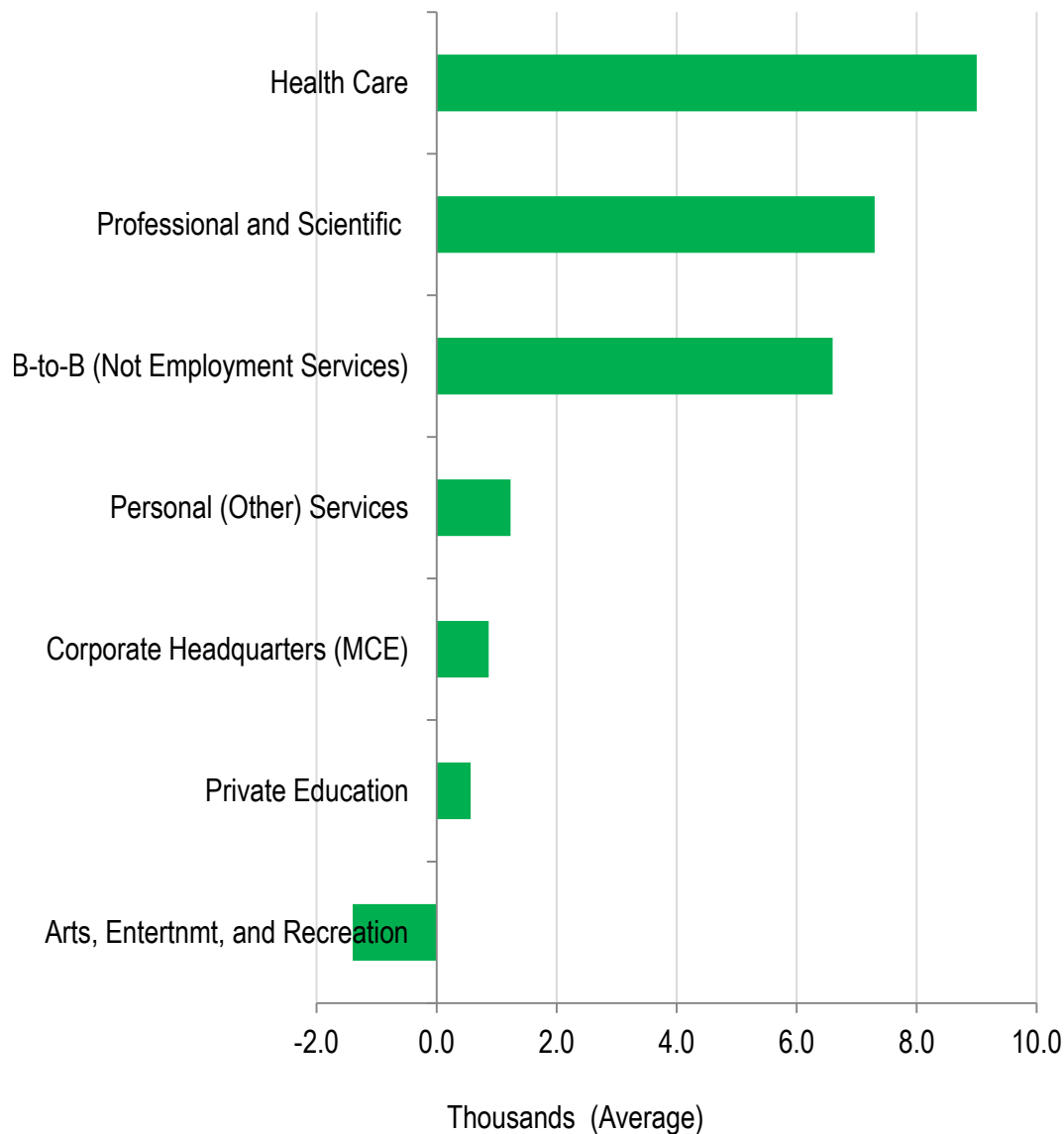
Source: Bureau of Labor Statistics, cber.co.

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Solid Growth Sectors

- Through Q1 2014 this group of industries added 24,200 jobs compared to Q1 2013.
- This category was projected to add 24,000 to 28,000 for the year. To date, its performance is at the bottom of the projected range.
- In 2013, these sectors accounted for 43.9% of total job gains and 32.0% of total employees.
- The sectors with the strongest growth were:
 - Health Care
 - Professional and Scientific and Technical Services.
 - Administrative (B-to-B) excluding Employment Services.
- The Arts, Entertainment, and Recreation sector was weaker than anticipated.

Job Change in Q1 2014



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

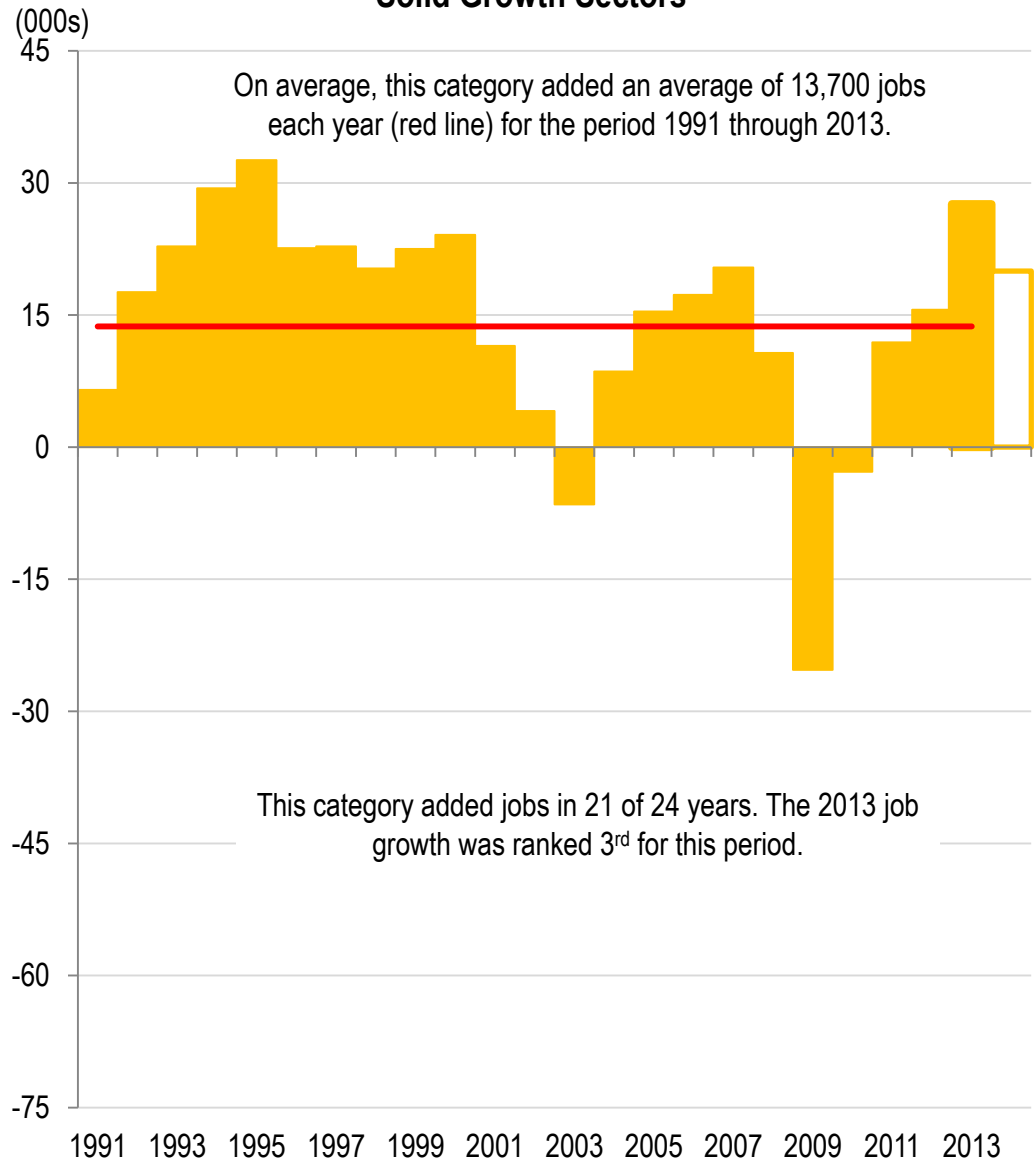
Employment in some of these sectors has remained flat during most of the past decade.

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



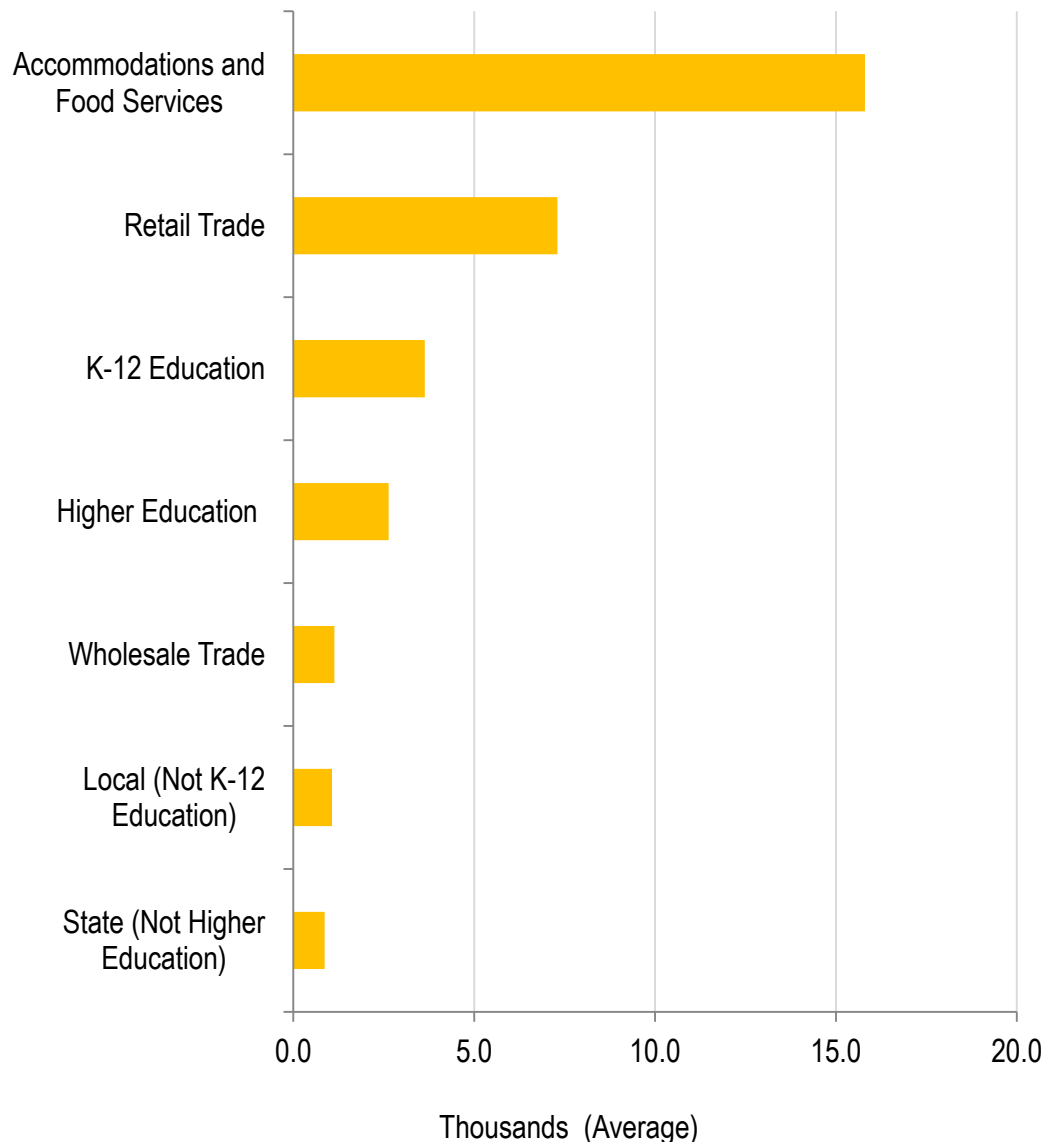
Source: Bureau of Labor Statistics, cber.co.

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Solid Growth Sectors

Job Change in Q1 2014

- Through Q1 2014 this group of industries added 32,400 jobs compared to Q1 2013.
- This category was projected to add 18,000 to 22,000 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.
- A majority of the growth has occurred in the Accommodations and Food Services and Retail Trade sectors. Job growth in these areas is much higher than anticipated.



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:

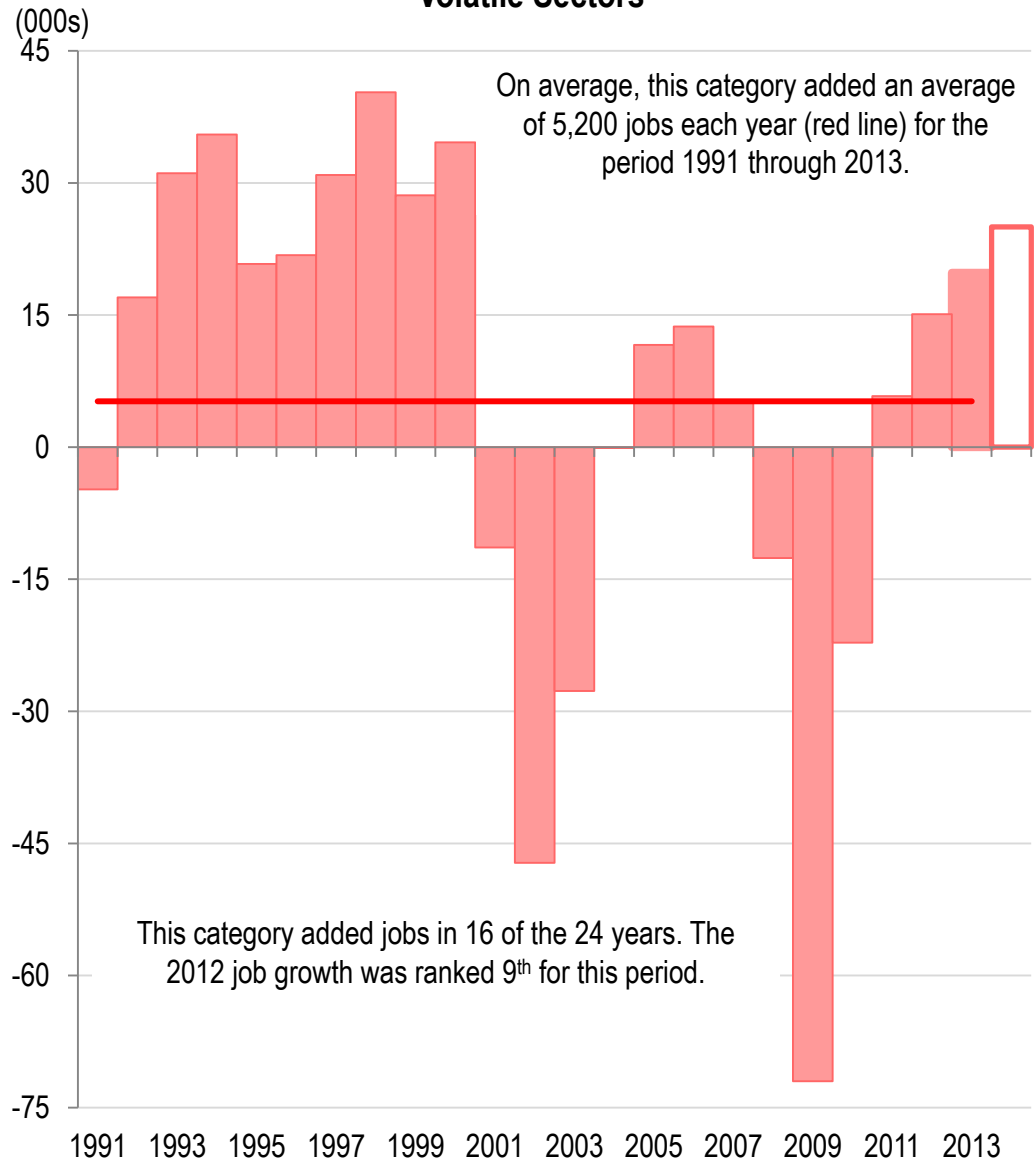
- Natural Resources and Mining
- Construction
- Manufacturing
- Transportation, Warehousing, and Utilities
- Employment Services
- Financial Activities
- Information
- Federal Government

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.

Volatile Sectors



Source: Bureau of Labor Statistics, cber.co.

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● Volatile Sectors

- Through Q1 2014 this group of industries added 11,300 jobs compared to Q1 2013.
- This category was projected to add 23,000 to 27,000 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 leading in job creation, but most sectors are performing weaker than anticipated.

Job Change in Q1 2014



Source: Bureau of Labor Statistics.

Summary of Job Creation by Performance Category

The cber.co forecast projected the state would add 68,000 to 74,000 jobs in 2014. At the end of Q1, 67,900 jobs have been added compared to Q1 2013. In other words, jobs are being added at the bottom of the projected range.

- Job growth for the **Strong Growth** category was at the bottom of the projected range. Health care; PST, and B-to-B (excluding employment services) were the top sources of job gains.
- The **Solid Growth** category added more jobs than expected; however, the BLS estimates for AFS were unreasonably high. Retail growth was also stronger than anticipated.
- The growth of the **Volatile** category was much weaker than anticipated. Construction was the leading contributor to job growth.
- On a positive note, a portion of the jobs in the Strong Growth category pay higher than average wages.
- On the downside, many of the other jobs being added are lower paying jobs.
- The U.S. economy will show stronger growth in Q2 and remain solid through the end of the year.
- It is likely the state will add at least 71,000 jobs in 2014.

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



Total Jobs Added

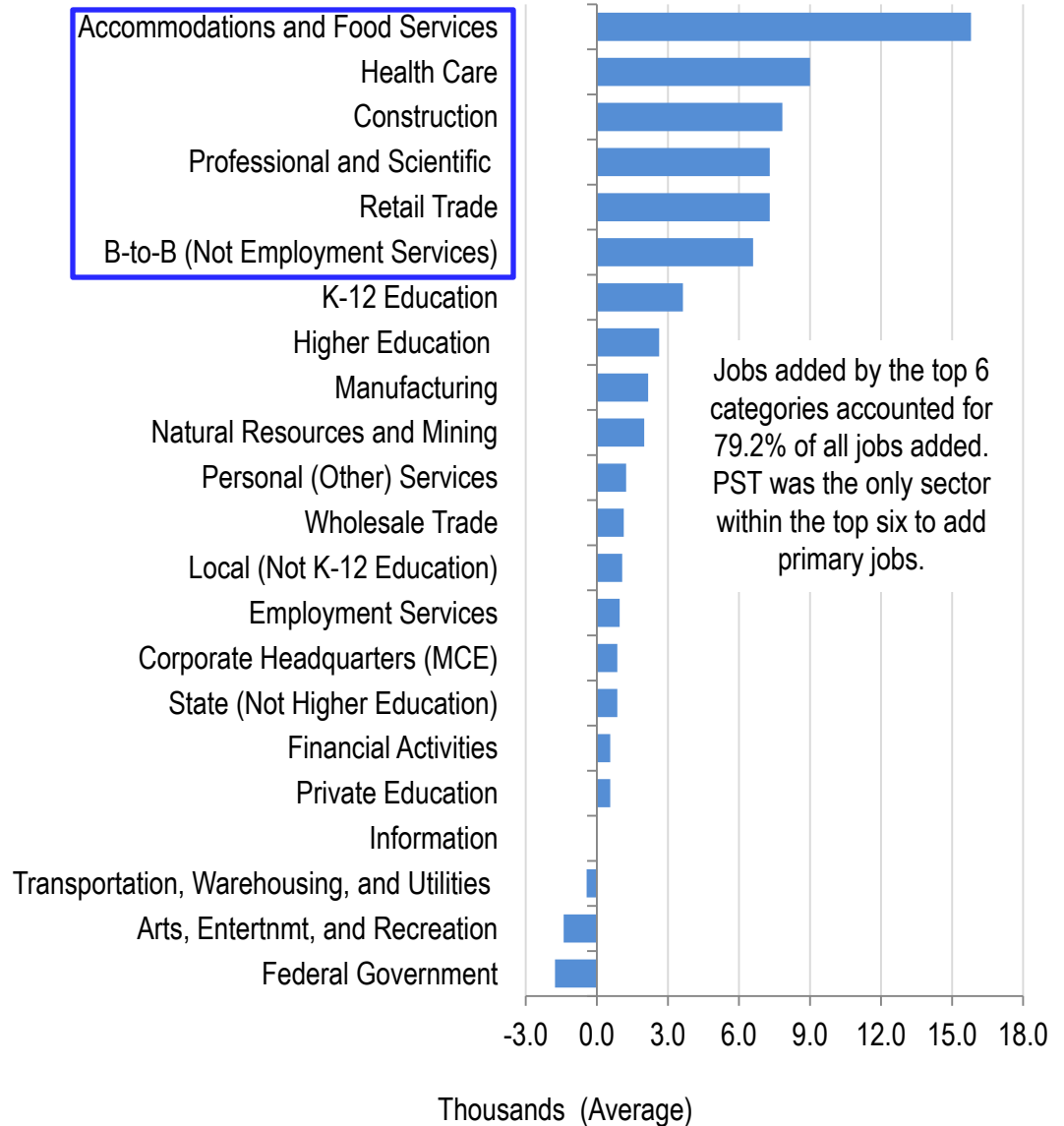
Change in Employment for All Sectors in Q1 2014.

There were 67,900 more jobs in Q1 2014 than Q1 2013, an increase of 2.9%.

- Growth was led by Accommodations and Food Services; Health Care, Construction and Professional, Scientific, and Technical Services (PST).

- Professional Business Services was the Super Sector that added the highest number of jobs, followed by Tourism.

Employment Change in Q1 2014



Source: Bureau of Labor Statistics.

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Summary of Q1 Job Growth for Colorado MSAs

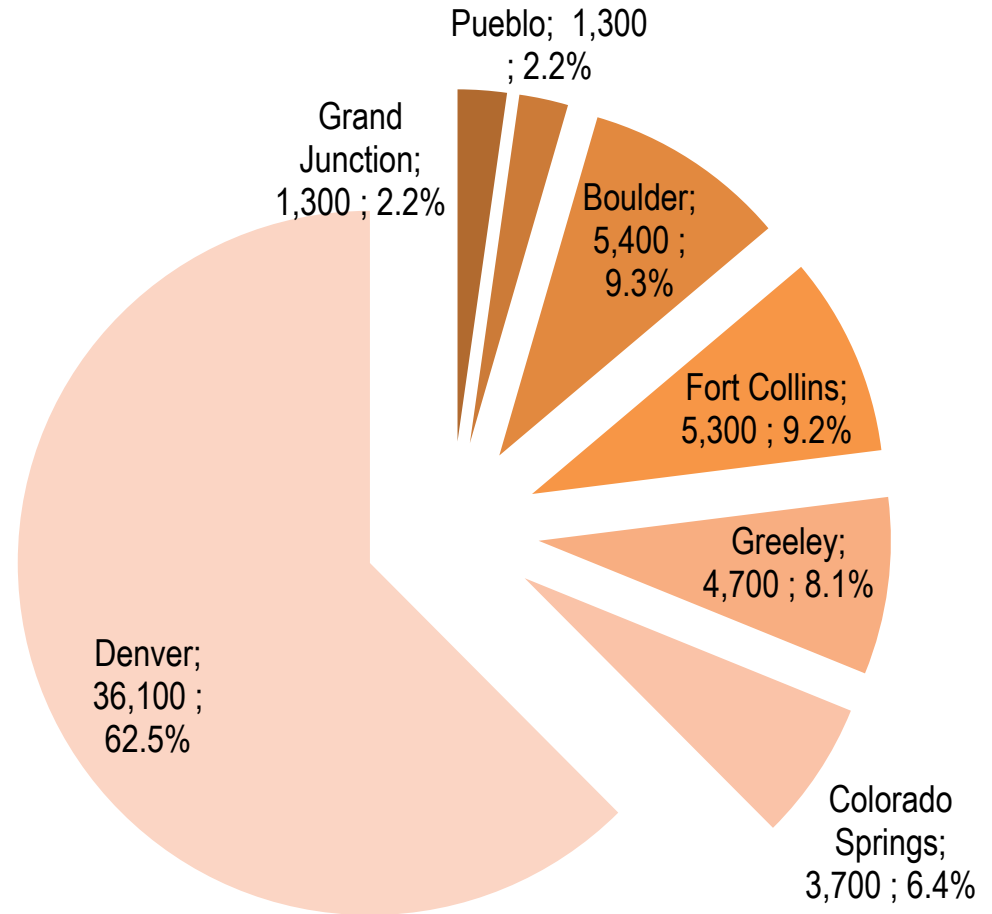
The Northern Colorado MSAs had the highest rate of 2014 Q1 job growth (not shown) vs. 2013 Q1.

- Greeley 5.4%
- Fort Collins 3.8%
- Boulder 3.2%
- Denver 2.9%
- Pueblo 2.3%
- Grand Junction 2.2%
- Colorado Springs 1.5%

The rate of growth for the state was 2.9%.

- As expected Denver added the highest percentage of jobs followed by Boulder and the Northern Colorado MSAs.
- This chart includes MSAs only. In Q1 they accounted for about 85% of total job growth in the state.

Q1 Job Growth and Percent Growth



Colorado Employment The Lost Decade and Beyond

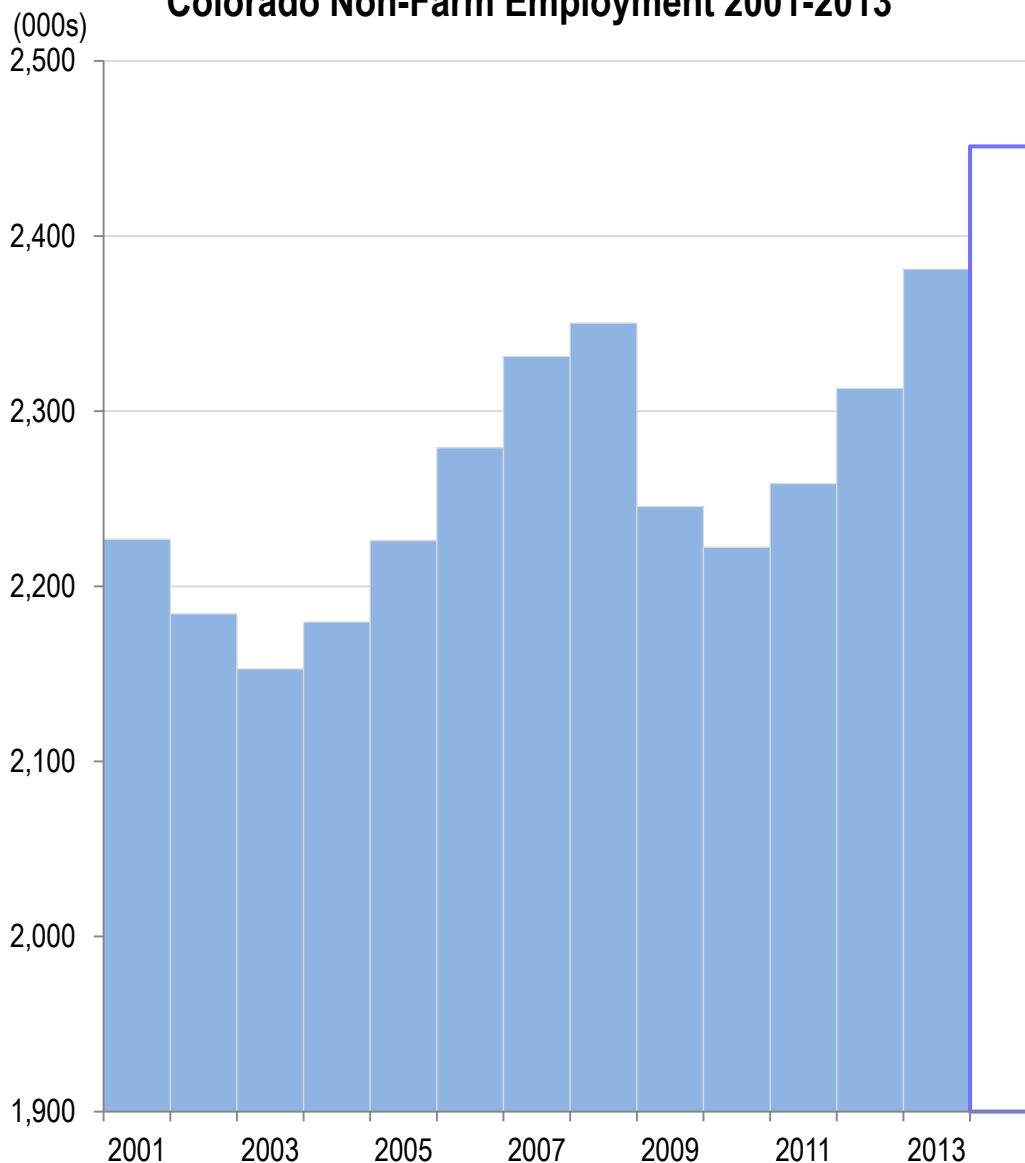
Colorado employment declined in 2009 and 2010. After that, the state added:

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

The number of jobs added has increased in each of these 3 years.

Between 68,000 and 74,000 jobs are expected to be added in 2014. Given the performance of the state in Q1 and projections for U.S. growth in Q2 and beyond, it is likely Colorado will add more than 71,000 jobs this year.


Colorado Non-Farm Employment 2001-2013



Source: Bureau of Labor Statistics, cber.co.

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