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Economic Trends for Colorado Through November 2019

Colorado-based Business and Economic Research
Prepared
December 22, 2019

2019 Economic Trends for Colorado

Through November

For more than a year there have been numerous predictions suggesting a recession in the near-term. After 15 months of warnings, most economists now agree a recession is not on the horizon. The U.S. and Colorado economies are on solid footing, but they are expanding at a slower rate than 2018. Colorado is on track to add 52,900 jobs in 2019, an increase of 1.9%. The current unemployment rate is painfully low at 2.6% and businesses are struggling to find qualified workers. The contents of this chartbook are listed below.

United States

- U.S. Real GDP, Employment, and Inflation
- U.S. Labor Productivity, Industrial Production, and Manufacturing and Nonmanufacturing Indices
- Retail Sales and Auto and Light Truck Sales
- NAHB HMI and Housing Starts, and Case Shiller Index
- S&P Performance
- NFIB Index and Michigan Consumer Sentiment
- Summary

Colorado

- Colorado Real GDP
- Colorado Components of Change
- Employment, Percent Change in Employment, and Unemployment Rate
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- Building Permits, Valuation, and Housing Prices
- Oil Production and Oil Prices
- Summary

The 2019 forecast can be found at <https://cber.co/economic-forecasts/cber-co-economic-forecast/>. Monthly economic updates are available at <https://cber.co/economic-updates/>. The 2020 forecast will be available in January 2020.



The U.S. Economy

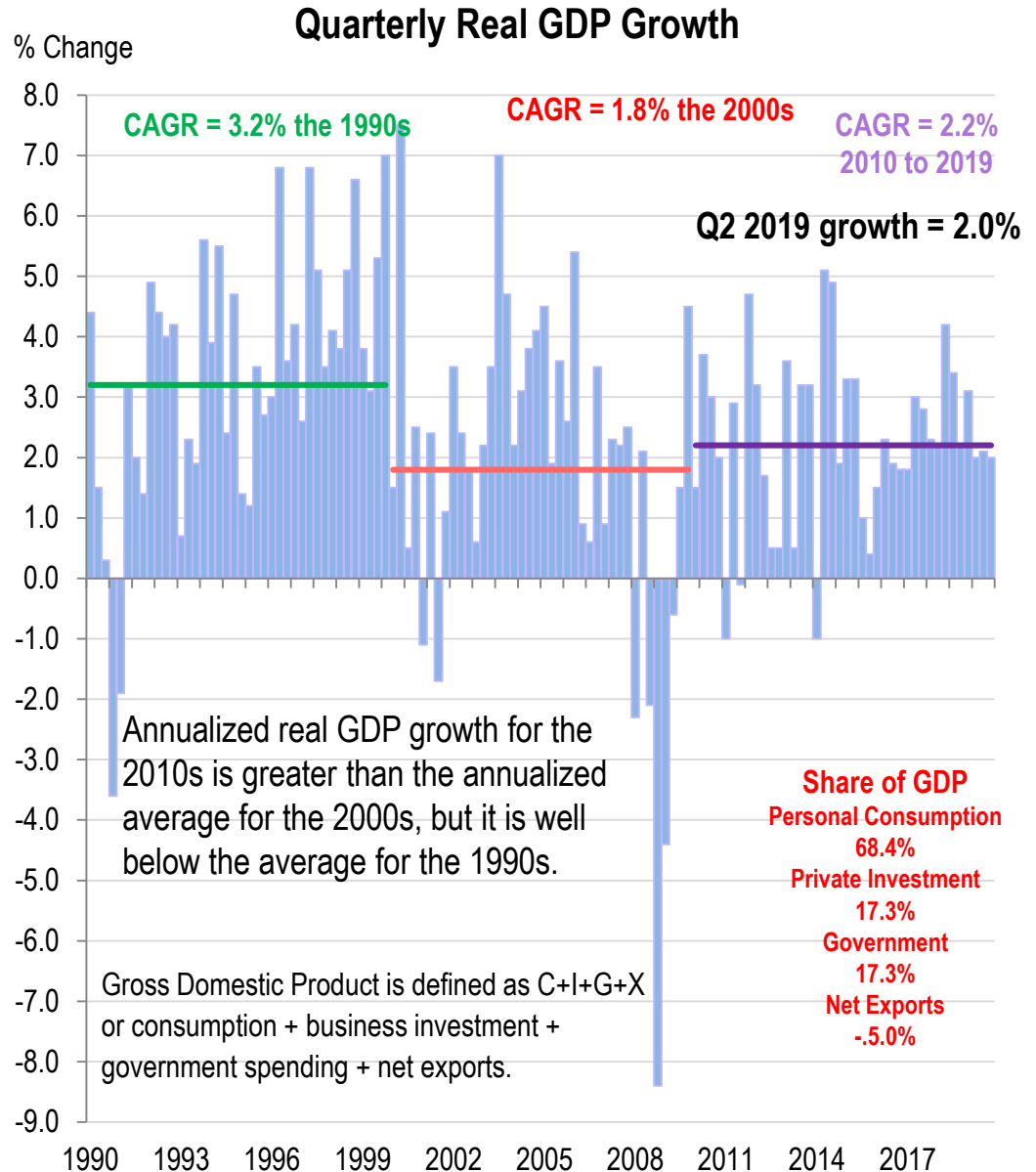
Real Gross Domestic Product, Employment, and
Inflation

Quarterly Real GDP Growth

Historical United States

The third estimate for Q3 2019 real GDP growth was 2.1%. Q3 2019 is the 23rd consecutive quarter of positive growth since Q1 2014. Real GDP growth for Q1 2019 was 3.1% followed by 2.0% in Q2.

Real GDP growth will be 2.0% in Q4. Overall growth for 2019 was projected to be in the range of 2.3% to 2.5%. The final rate of growth will be at the bottom of that range.

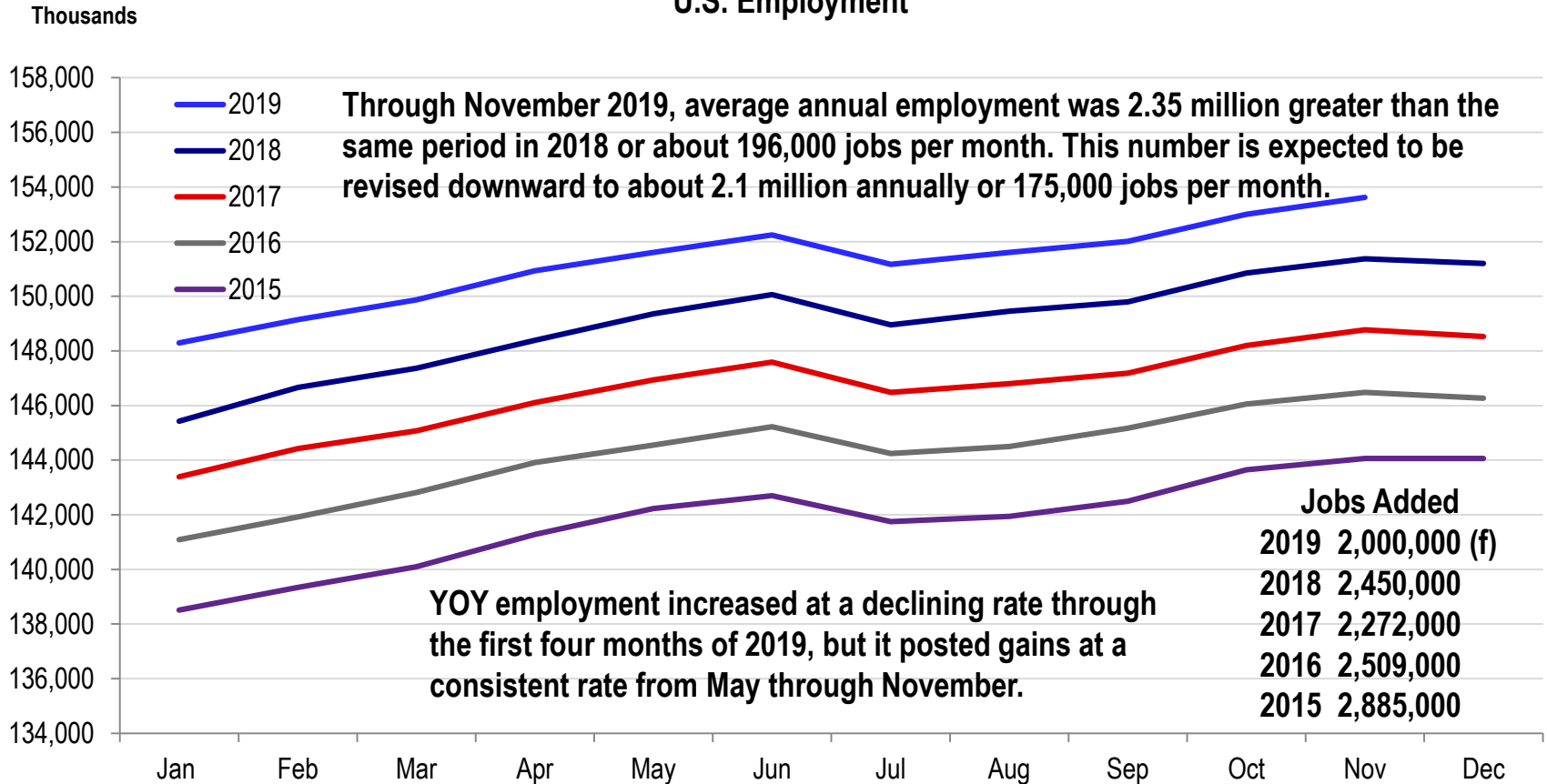


Source: Bureau of Economic Analysis, Table 1.1.1, Share of GDP based on 2017, cber.co.

U.S. Employment

2015 to 2019

U.S. Employment



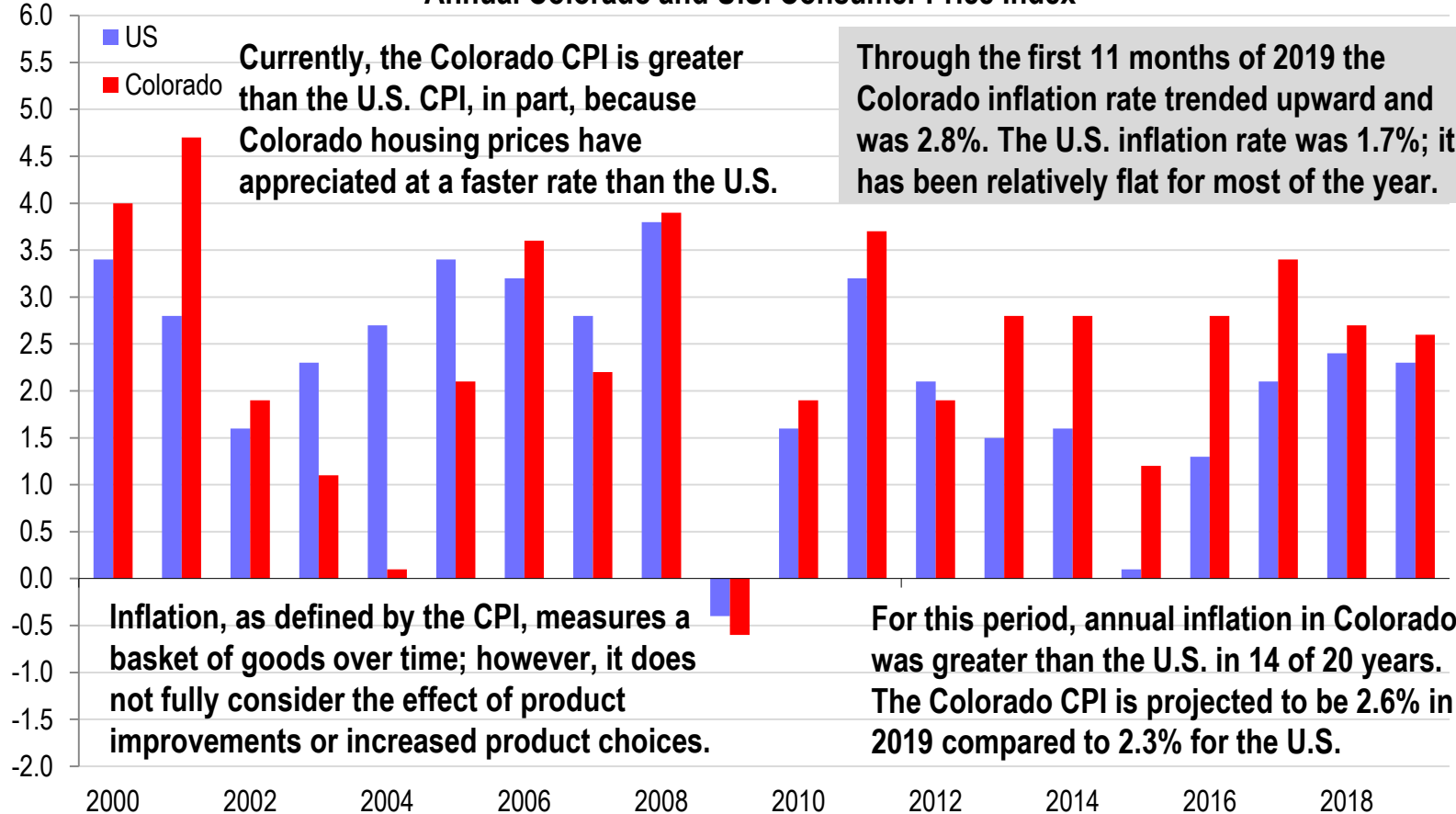
Source: BLS, NSA, cber.co. Note: CES Employment is also referred to as nonfarm wage and salary employment.

Consumer Price Index (CPI)

Colorado vs. U.S. Annual Rate

1982-84=100,
% change

Annual Colorado and U.S. Consumer Price Index



Currently, the Colorado CPI is greater than the U.S. CPI, in part, because Colorado housing prices have appreciated at a faster rate than the U.S.

Through the first 11 months of 2019 the Colorado inflation rate trended upward and was 2.8%. The U.S. inflation rate was 1.7%; it has been relatively flat for most of the year.

Inflation, as defined by the CPI, measures a basket of goods over time; however, it does not fully consider the effect of product improvements or increased product choices.

For this period, annual inflation in Colorado was greater than the U.S. in 14 of 20 years. The Colorado CPI is projected to be 2.6% in 2019 compared to 2.3% for the U.S.

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

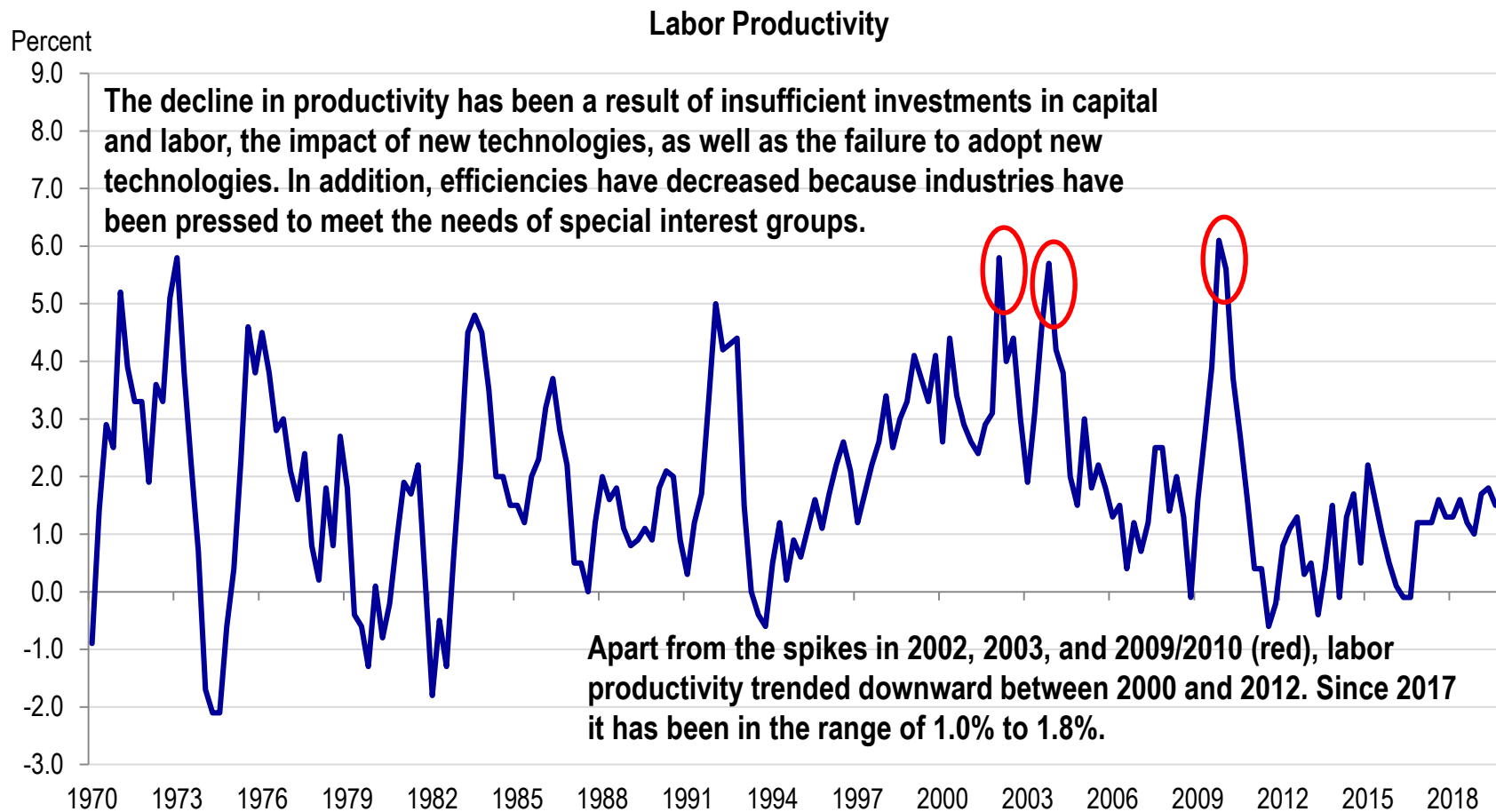


The U.S. Economy

U.S. Labor Productivity, Industrial Production, Manufacturing and Nonmanufacturing Indices

U.S. Labor Productivity (Output per Hour)

Percent Change Same Quarter Prior Year Nonfarm Business

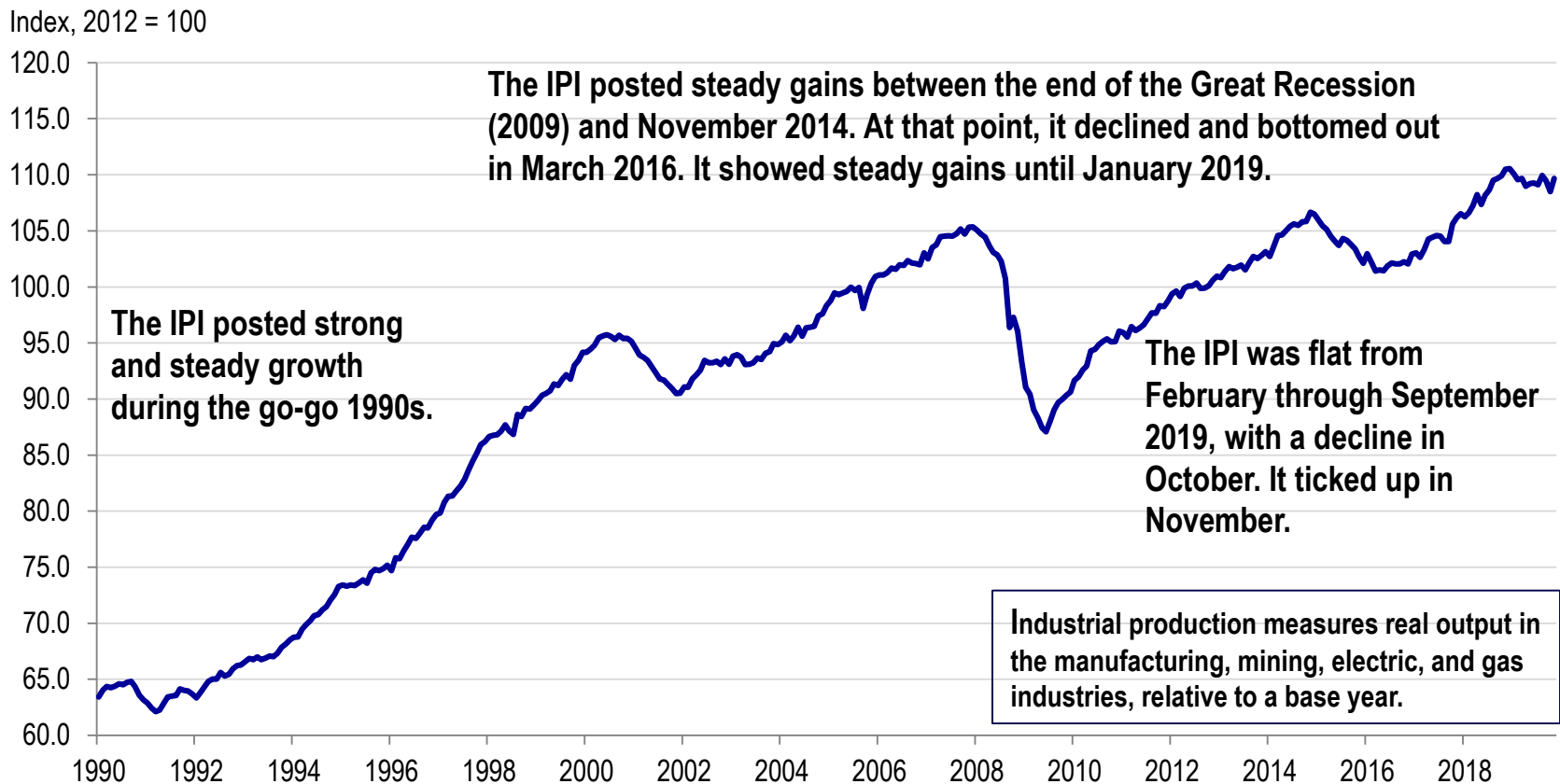


Source: Bureau of Labor Statistics, Major Sector Productivity (NonFarm Business) NSA, cber.co.

Industrial Production Index

All Industries

Industrial Production, All Industries

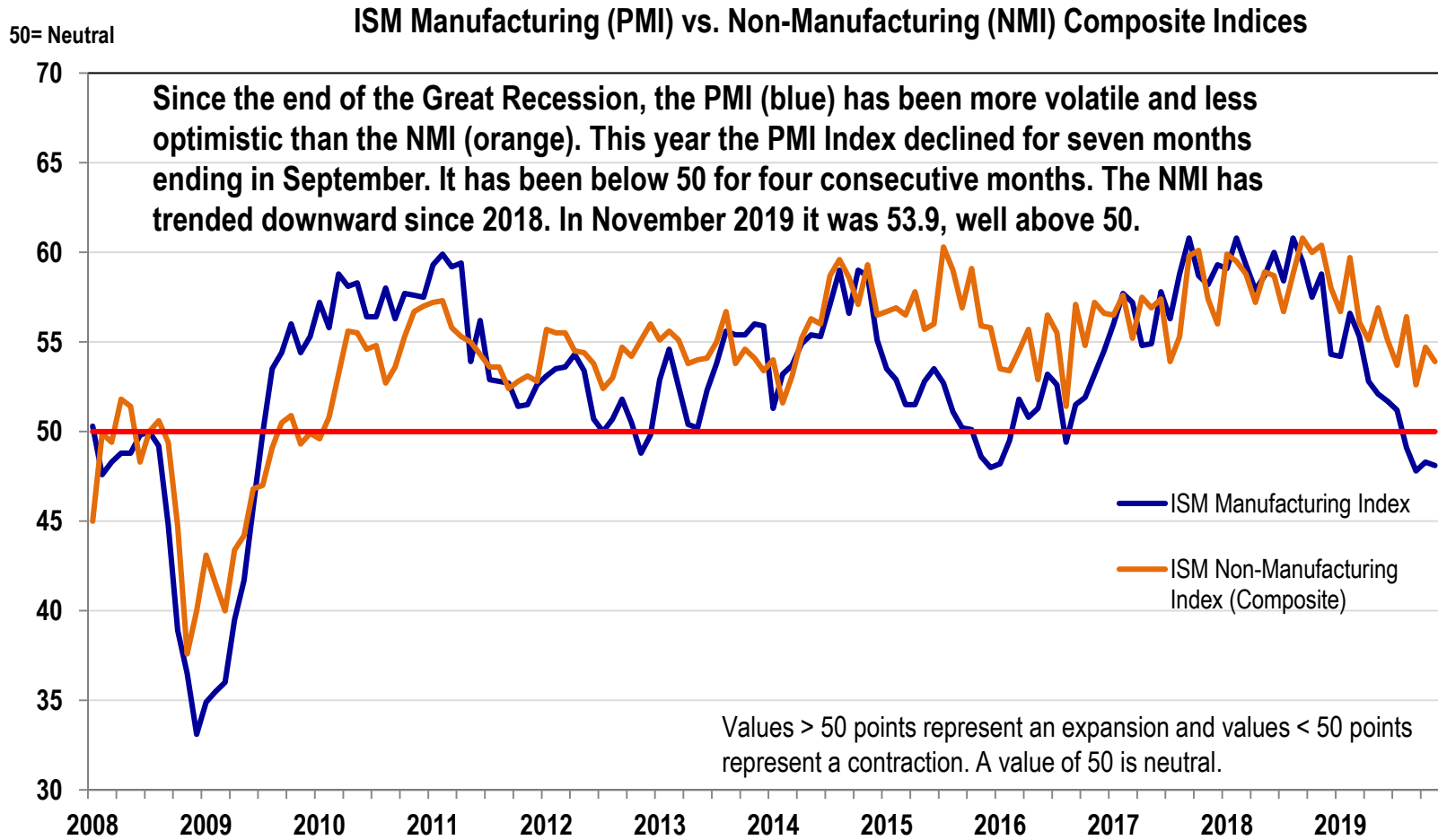


Source: FRED, Federal Reserve, cber.co.

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ISM PMI Composite Indices

Manufacturing vs. Non-manufacturing



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

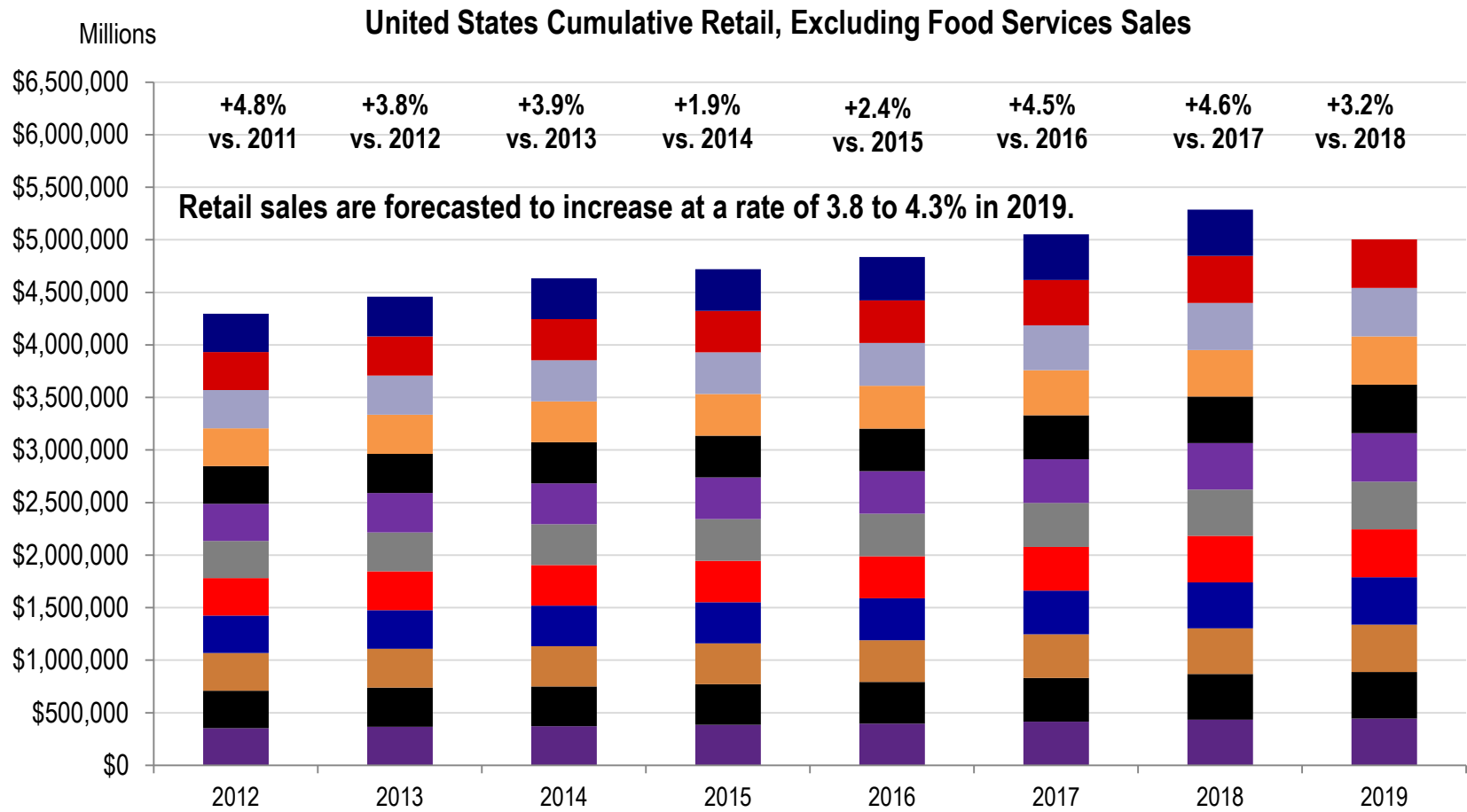


The U.S. Economy

Retail Sales and Auto Sales

Cumulative Retail, Excluding Food Services Sales

Monthly

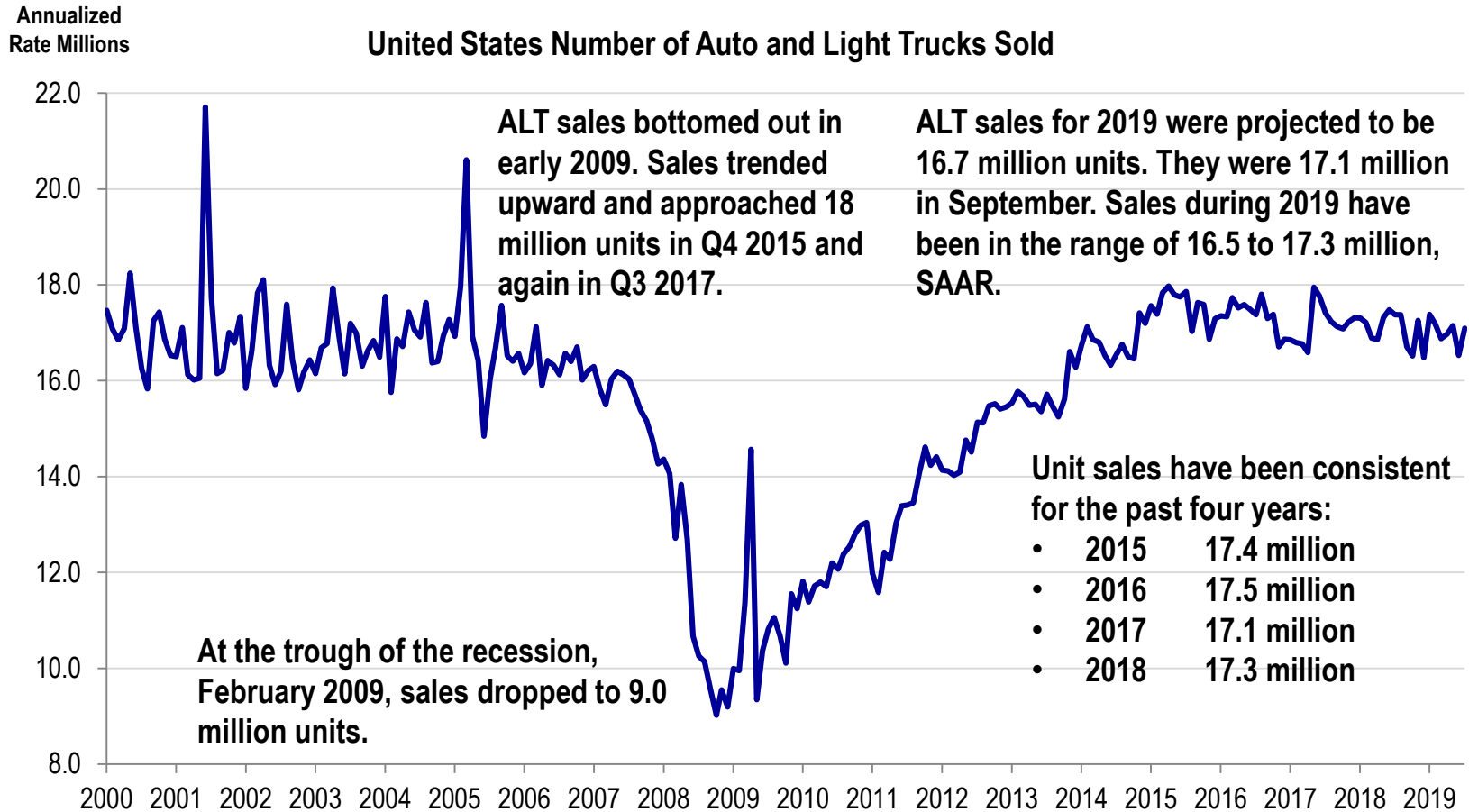


Source: U.S. Census Bureau, FRED, cber.co.

Note: Data is in descending order with December at the top and January at the bottom, not adjusted for inflation.

U.S. Auto and Light Truck (ALT) Sales

Monthly (Annualized Rate Millions)



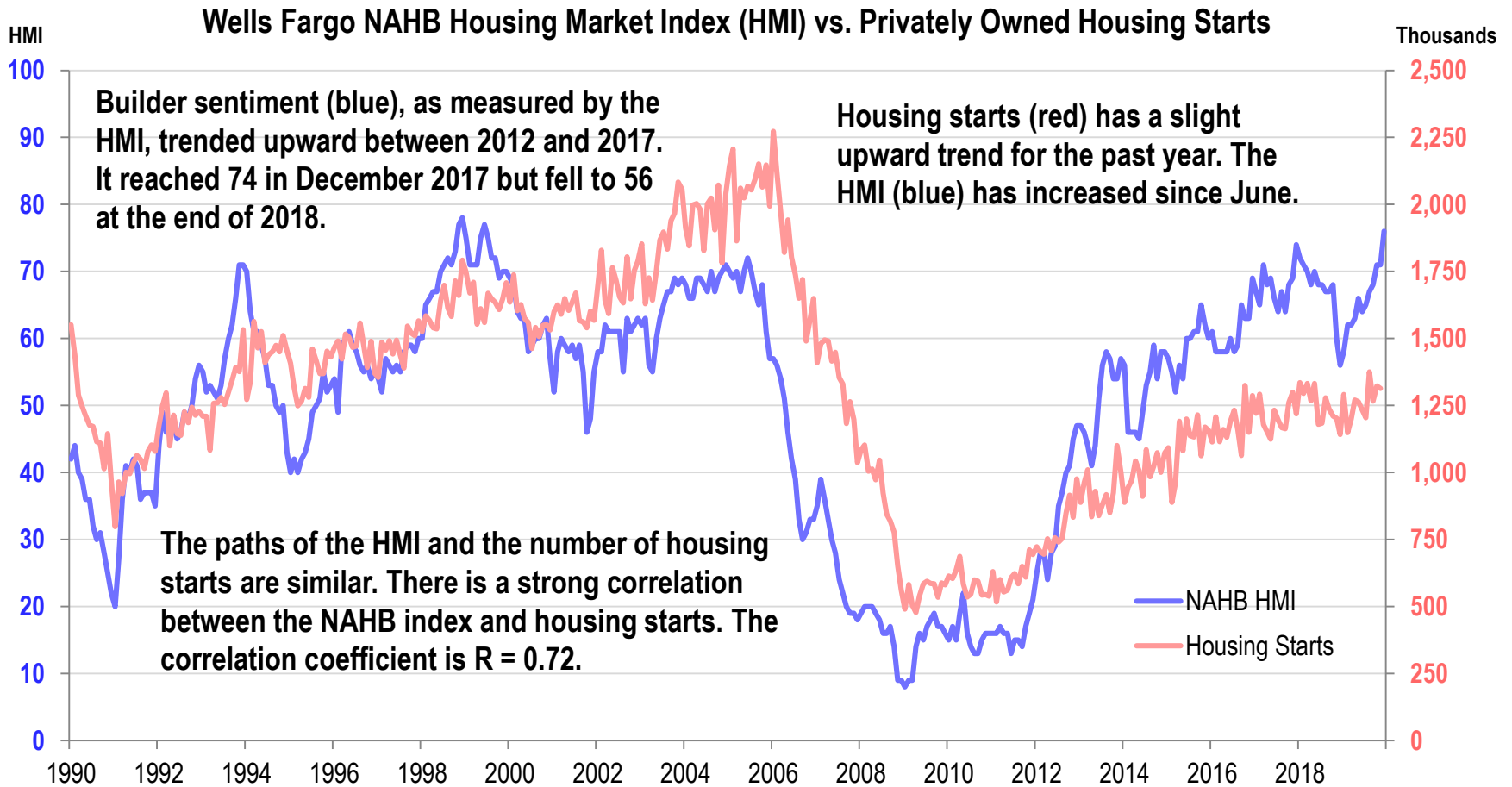
Source: FRED, BEA, Seasonally Adjusted Annualized Rates (SAAR), cber.co.



The U.S. Economy

NAHB HMI and Housing Starts and S&P CoreLogic Case-Shiller

Wells Fargo NAHB HMI vs. Housing Starts

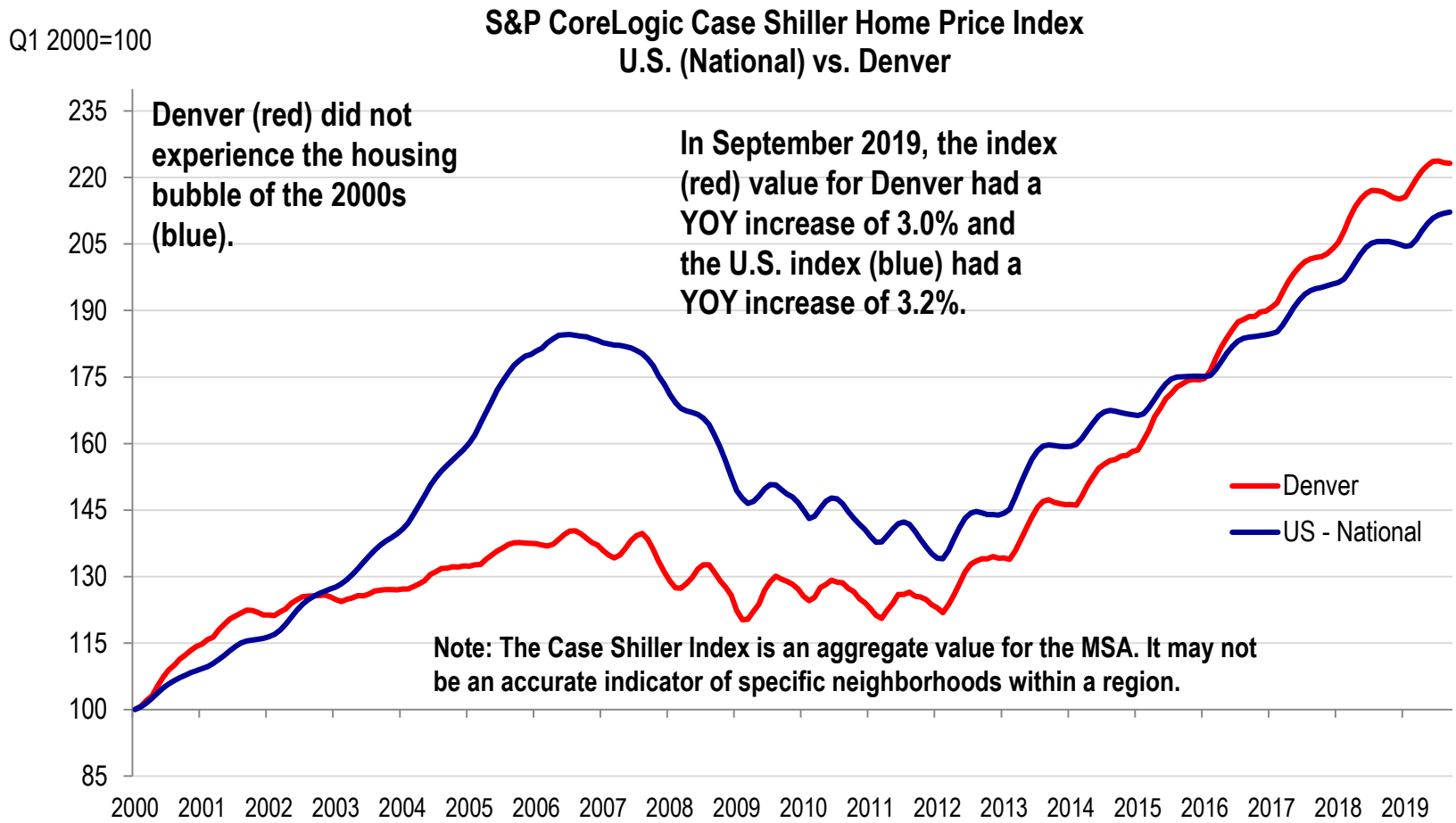


Source: NAHB, cber.co.

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S&P Case Shiller Home Price Index

National vs. Denver Index Value



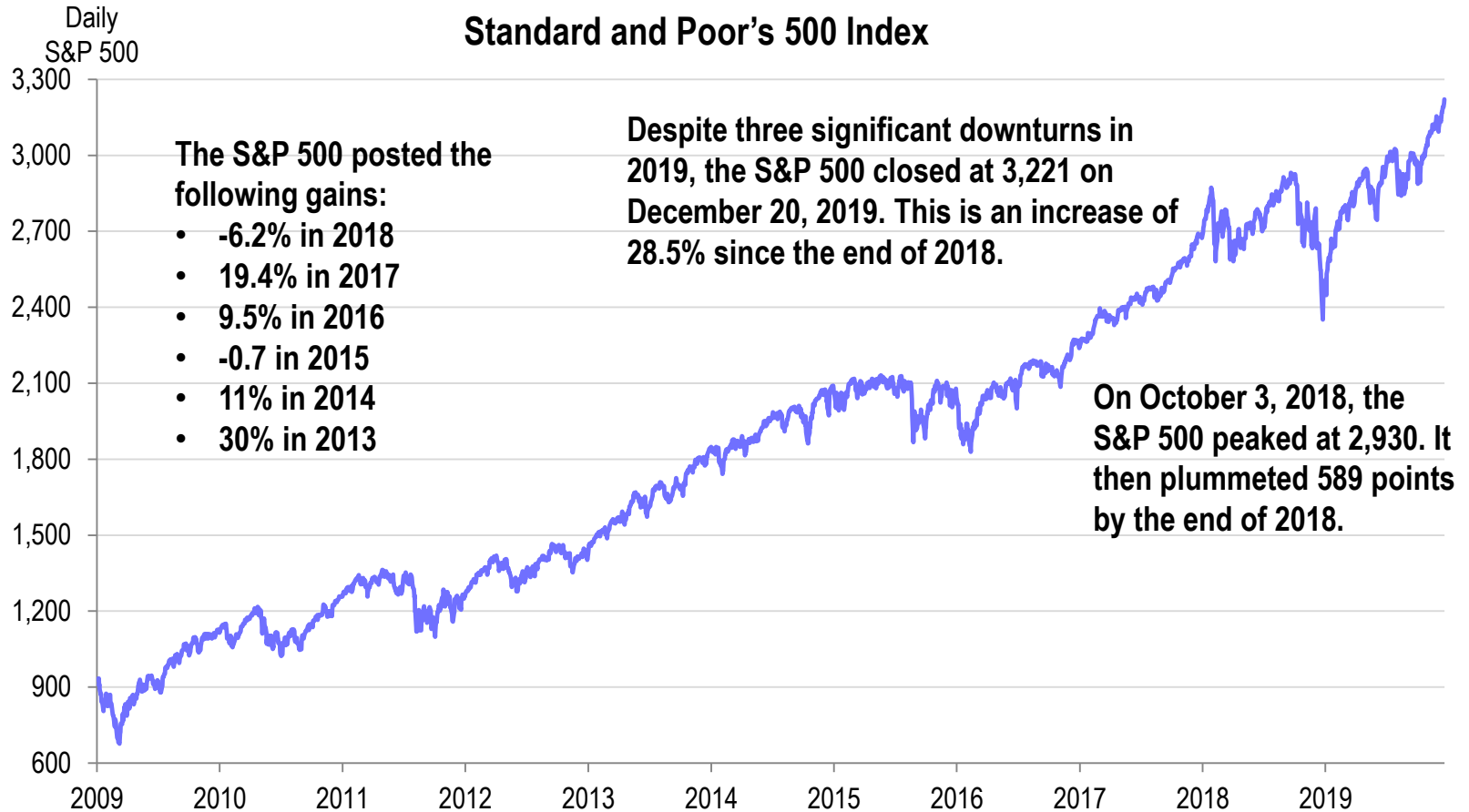
Source: S&P Core-Logic Case-Shiller, cber.co.



United States Economy

S&P 500 Performance

Standard and Poor's 500 Index



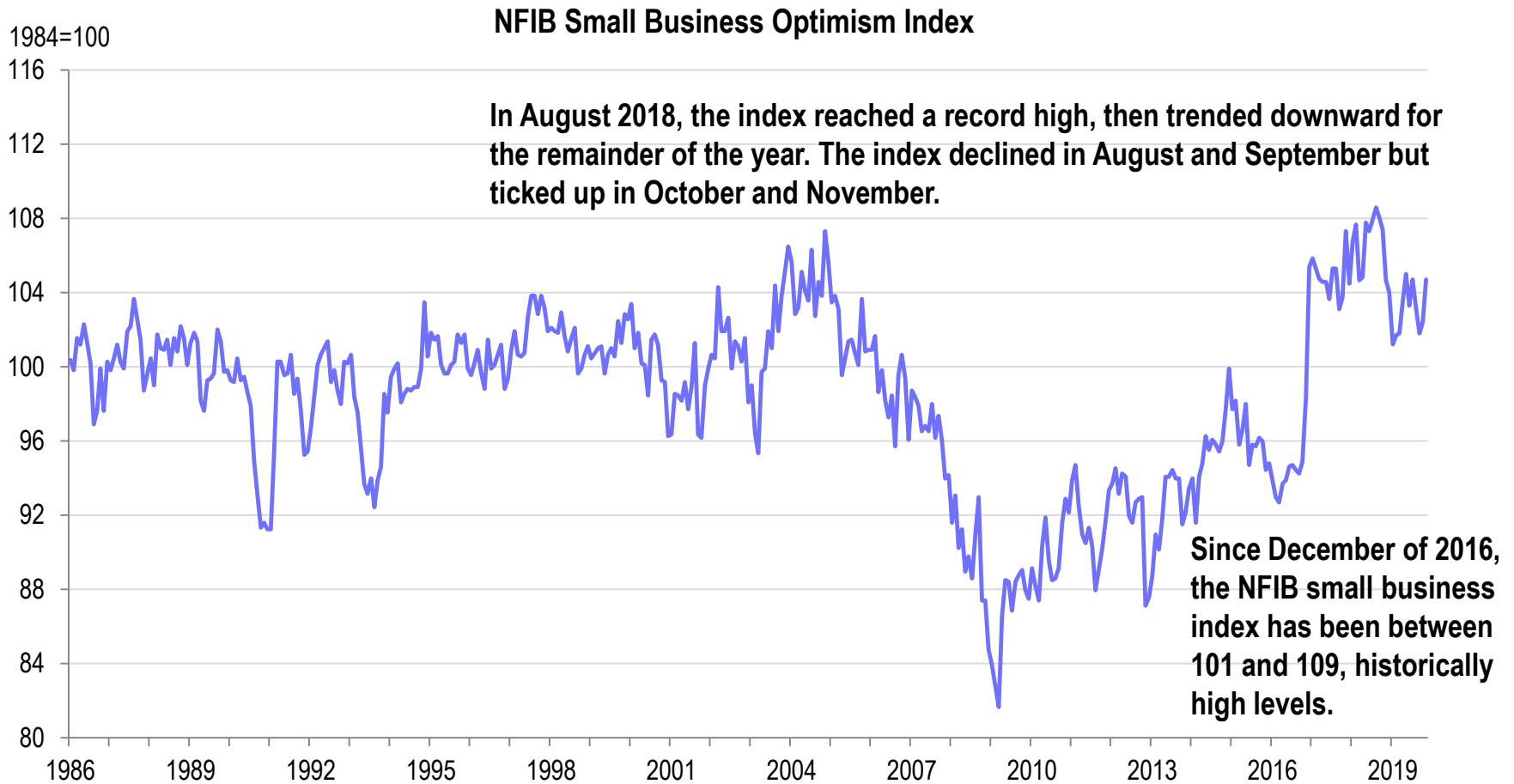
Source: FRED, S&P 500, cber.co.



The U.S. Economy

NFIB Index, Michigan Consumer Sentiment

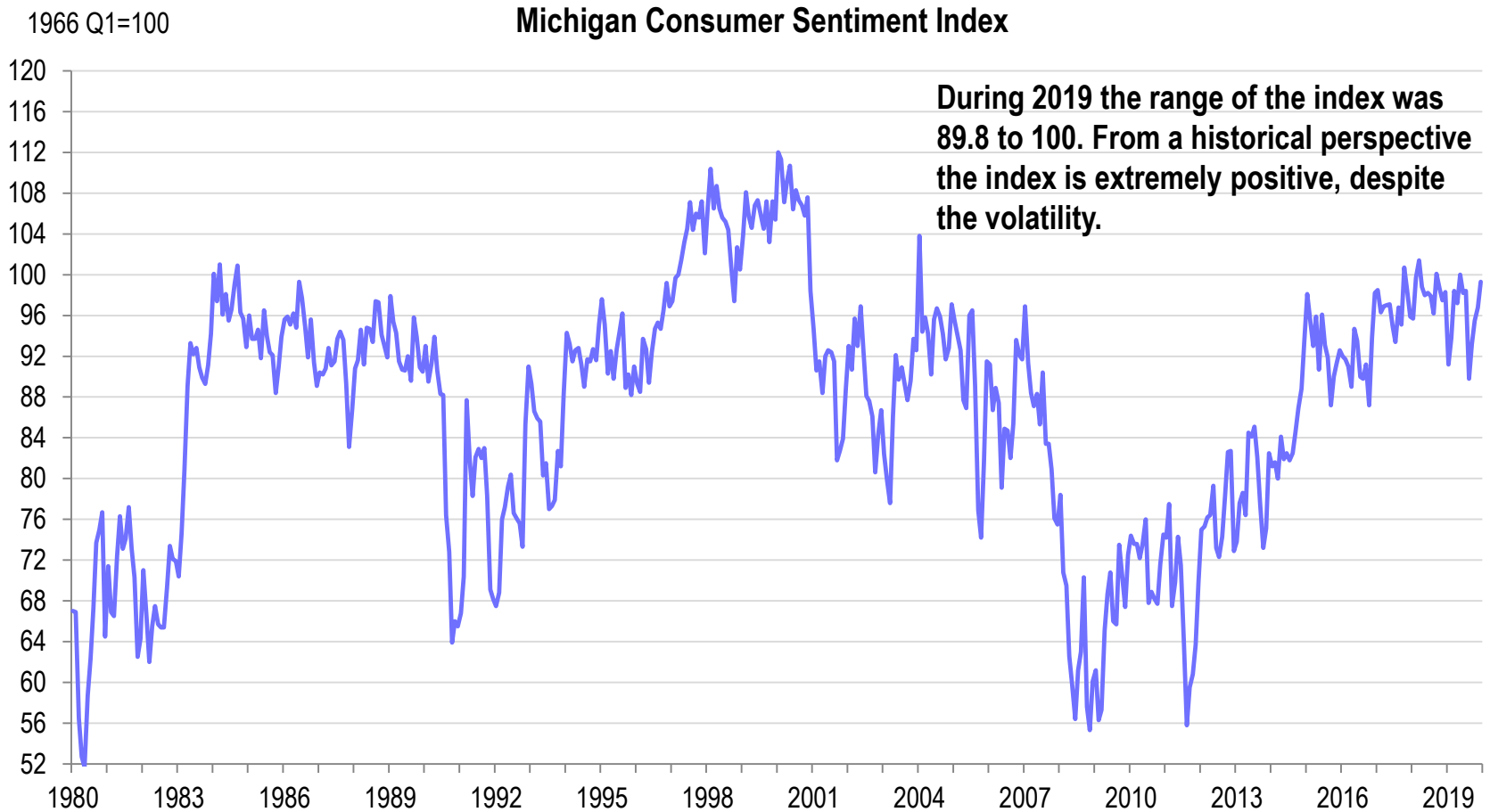
NFIB Small Business Optimism Index



Source: NFIB, cber.co. Index 1984=100

Consumer Sentiment Index

University of Michigan



Source: University of Michigan, cber.co.

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The U.S. Economy

Summary

U.S. Summary

For the past 15 months there have been numerous predictions suggesting a near-term recession. Instead the economy has remained resilient and a downturn is not expected in the next year. The country is in its longest expansion, but the tradeoff is growth at a slower rate. Some of the headwinds have subsided, specifically, trade policy with China has been advanced, UCMCA is moving forward in Congress, Brexit is closer to being history, and the impeachment proceedings are closer to an end.

U.S. Economic Growth is Expected to Continue

- Consumer confidence remains high.
- Wages will continue to increase.
- There will continue to be steady employment growth.
- Personal consumption remains solid.
- Interest rates will remain low for an extended period.
- The unemployment rate will remain low – too low in most states.
- U.S. inflation will be low – maybe too low in the eyes of the Federal Reserve.
- Interest rate cuts are unlikely by the Fed – a sign of confidence in the economy.

There are Always Headwinds

- Slower global growth is expected in the short-term.
- Foreign trade policies will continue to be adjusted and updated.
- There will continue to be global unrest in some countries.
- The public deficit and the current level of debt are a concern to some public and private leaders.
- There are some concerns about the level of private debt.
- Political gridlock will continue to be a challenge through the 2020 election.



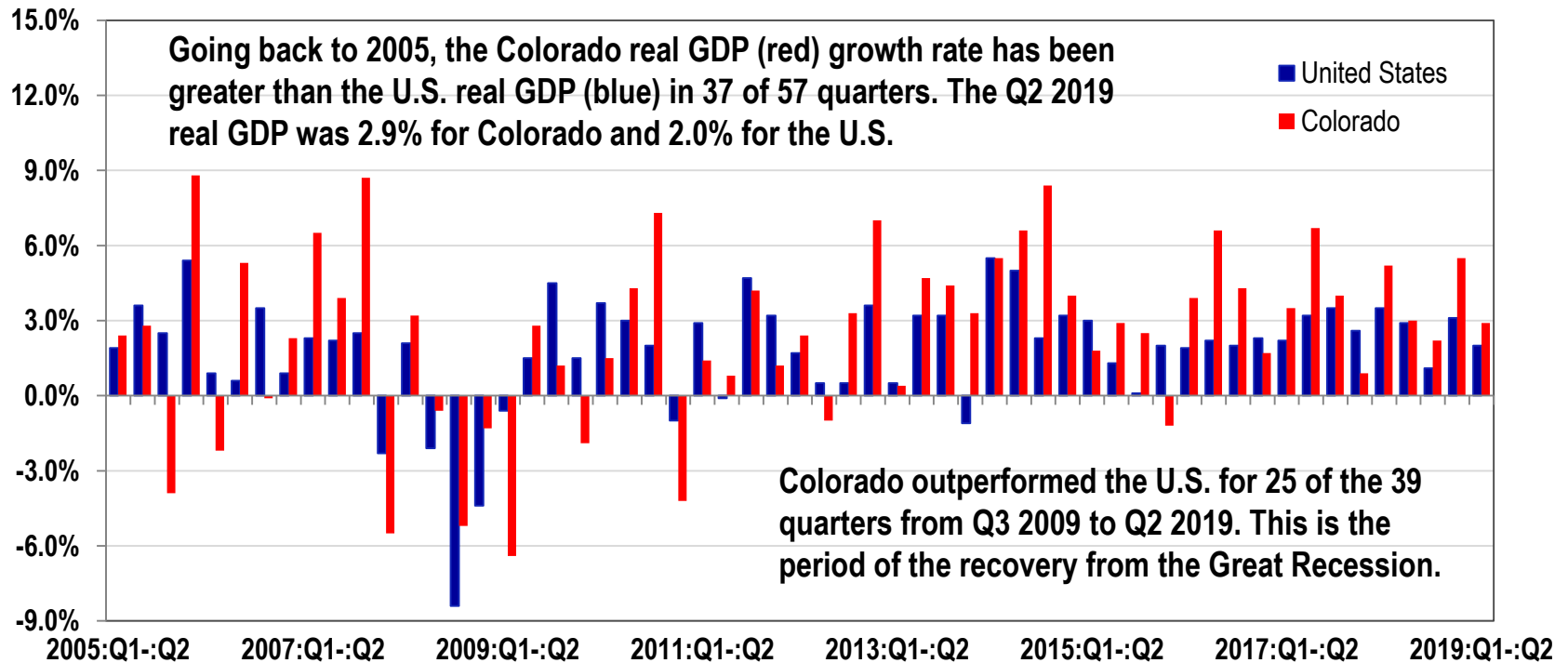
The Colorado Economy

U.S. vs. Colorado Gross Domestic Product

Real Gross Domestic Product

U.S. vs. Colorado (Quarterly)

Quarterly Rate of Change for Real Gross Domestic Product



Source: Bureau of Economic Analysis. Note: U.S. real GDP is the summary of states GDP.



The Colorado Economy

Colorado Components of Change

Colorado Population

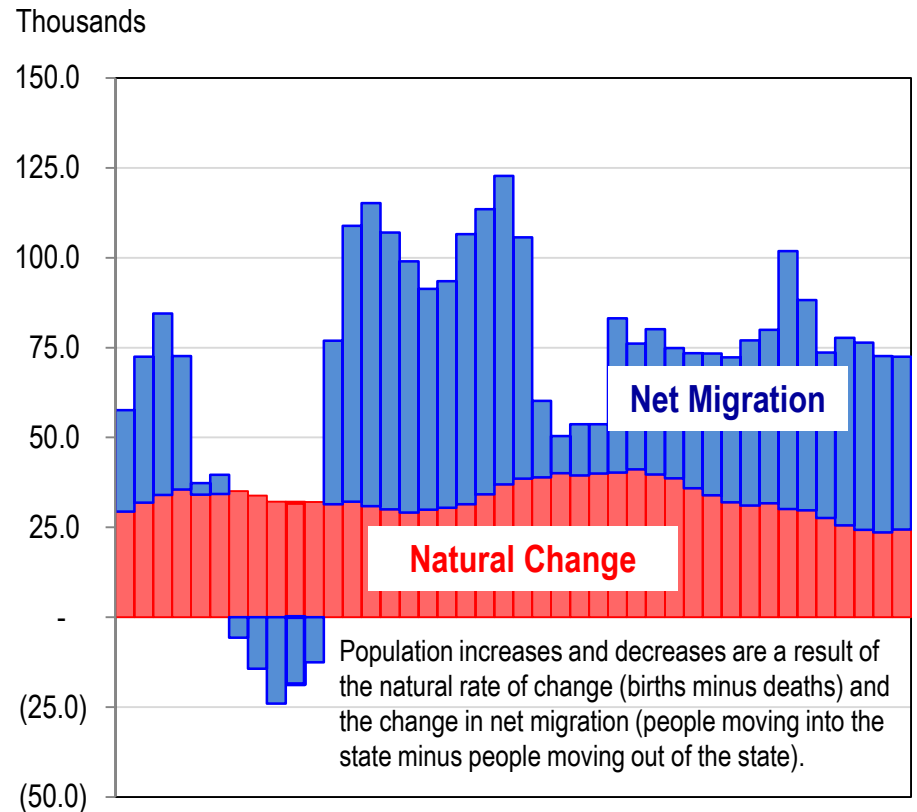
Components of Change

Over the past 3½ decades the natural rate of change (red bars) varied from a low of 26,700 in 2018 to a peak of 41,124 in 2007. The natural rate for 2019 is projected to be 26,200, a new low, as a result of the decline in fertility rates.

Changes resulting from net migration (blue bars) are closely tied to the strength of the economy and the change in state employment. For example, there were five years, from 1986 to 1990, when net migration was negative. More people moved out of state than moved into the state to escape the regional recession. During the past two recessions, 2001 and 2007, net migration declined, but did not turn negative. It was difficult for people to move anywhere to escape the bad economy.

The Colorado population will increase by about 75,000 for each of the years from 2016 to 2020. In 2019, the state's population will increase by 1.3%, or 76,200, to 5,765,527.

Change in Colorado Population 1980 - 2020



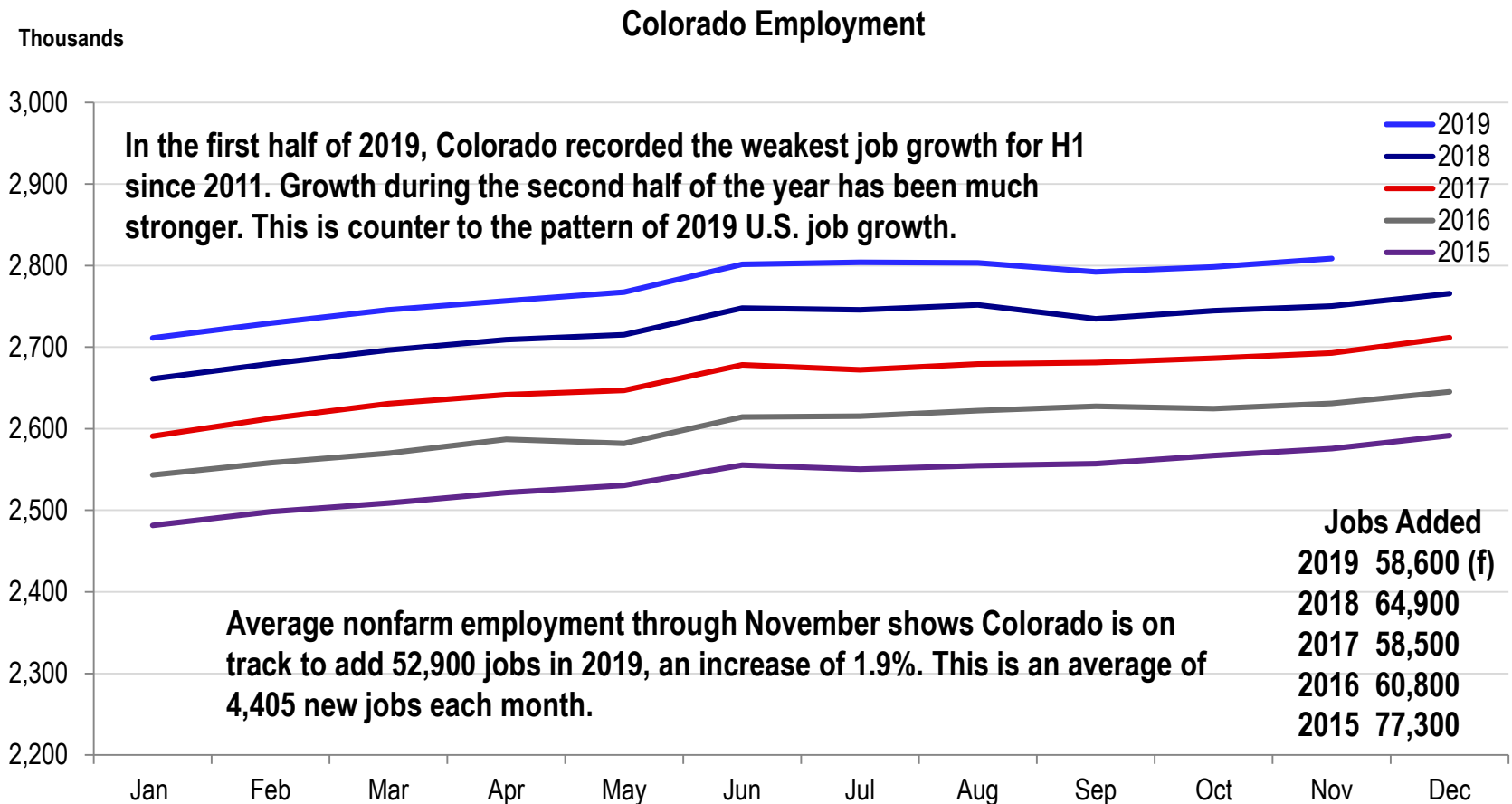


The Colorado Economy

Employment, Rate of Employment Growth, and
Unemployment Rate

Colorado Employment

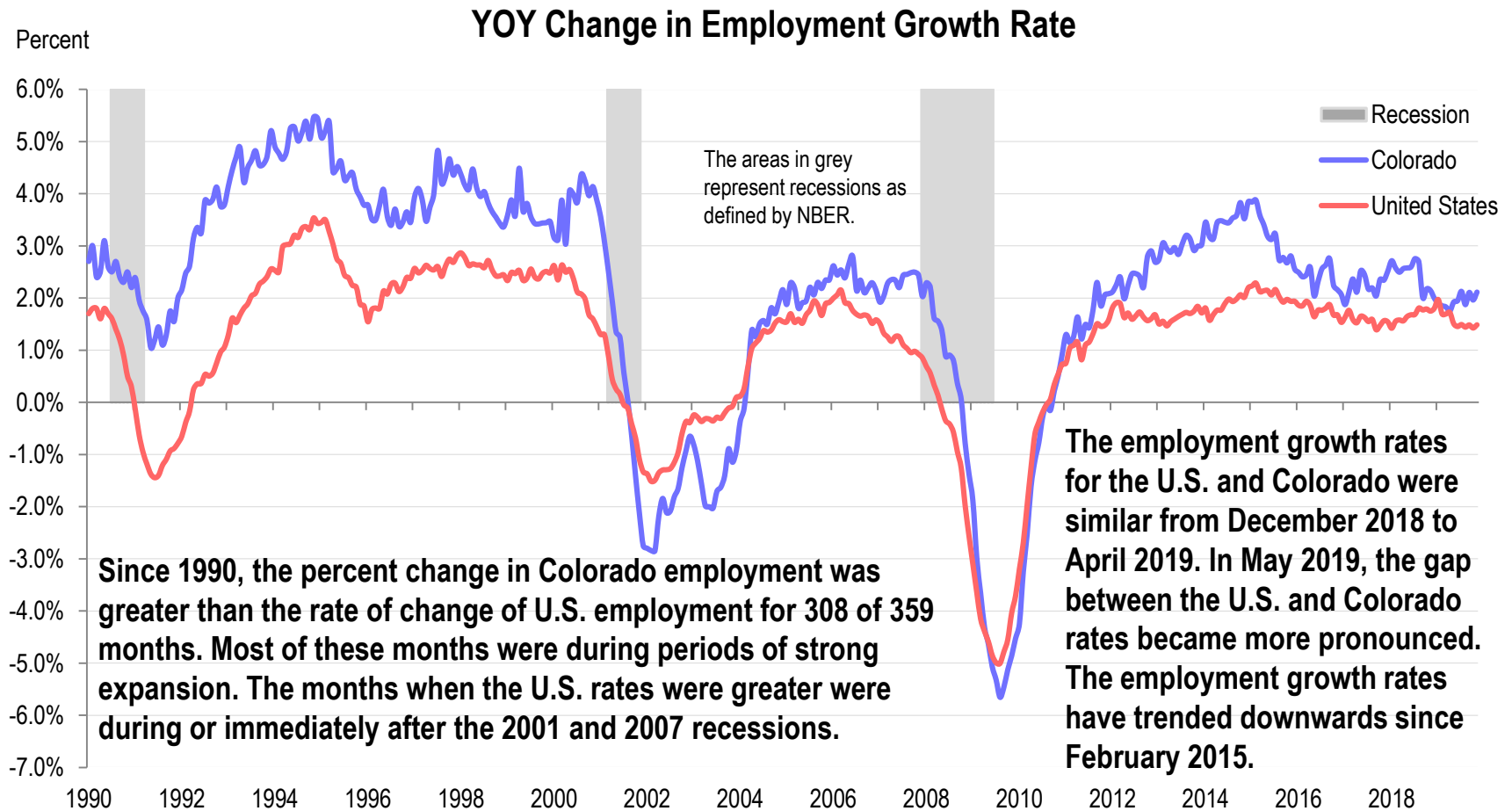
2015 to 2019



Source: BLS, cber.co. Note: CES Employment is also referred to as nonfarm wage and salary employment.

YOY Percent Change in Employment

Colorado vs. U.S.



Source: Bureau of Labor Statistics, NSA, NBER, cber.co.

Unemployment Rate U.S. vs. Colorado

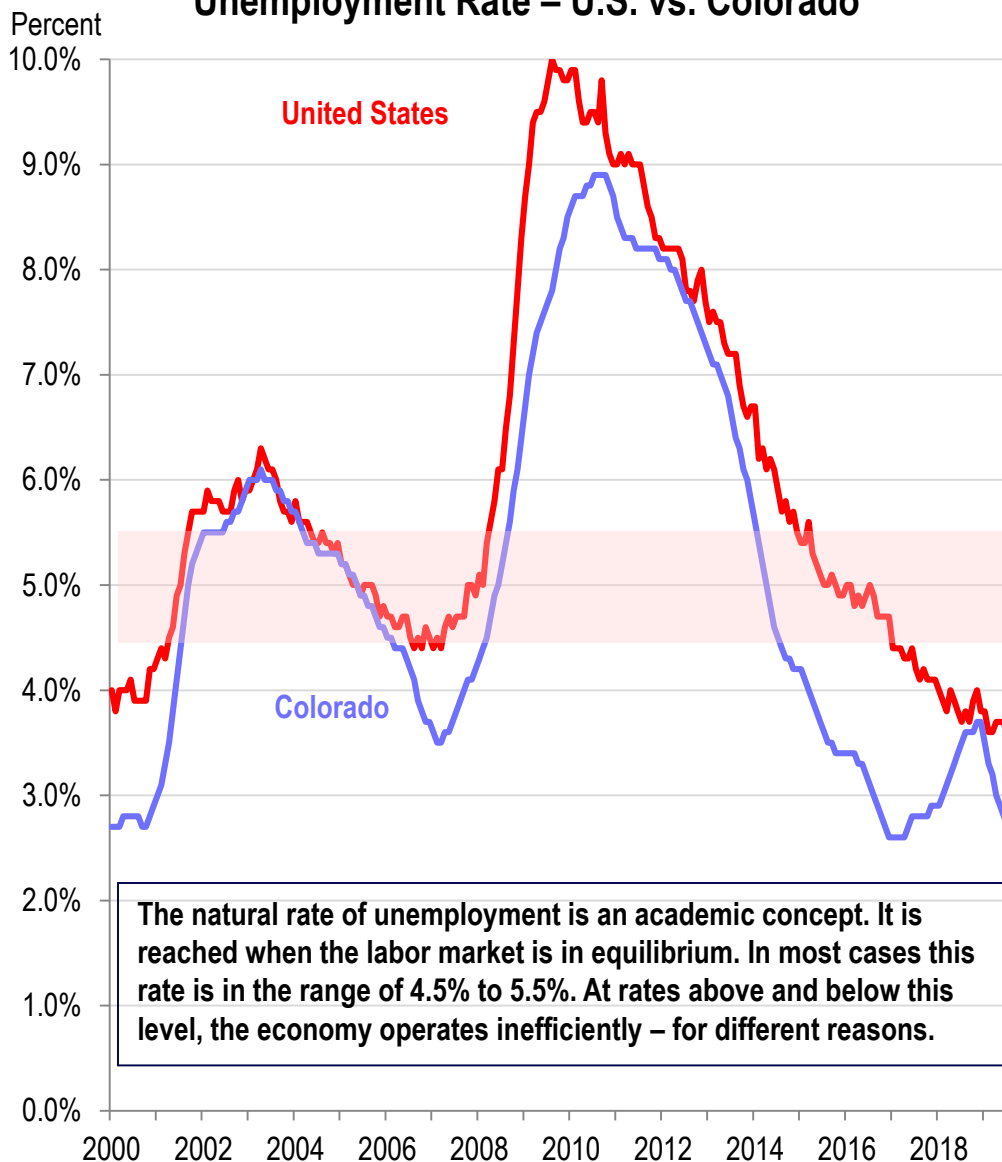
In November 2019, the unemployment rate for Colorado remained at 2.6% while the U.S. rate dropped to 3.5%.

The U.S. and Colorado unemployment rates have declined since 2010 when the U.S. rate was 9.9% and the Colorado rate was 8.8%.

The U.S. rate fell below 4.5% in March 2017 and has been there for 33 months. By comparison, there was a 31-month period from November 1998 to May 2001 (not shown) when the U.S. rate was below 4.5%.

The Colorado rate dropped below 4.5% in October 2014 and has been there for 62 months. By comparison, there was an 89-month period from May 1994 to September 2001 (not shown) when Colorado's rate of unemployment was less than 4.5%.

Unemployment Rate – U.S. vs. Colorado



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



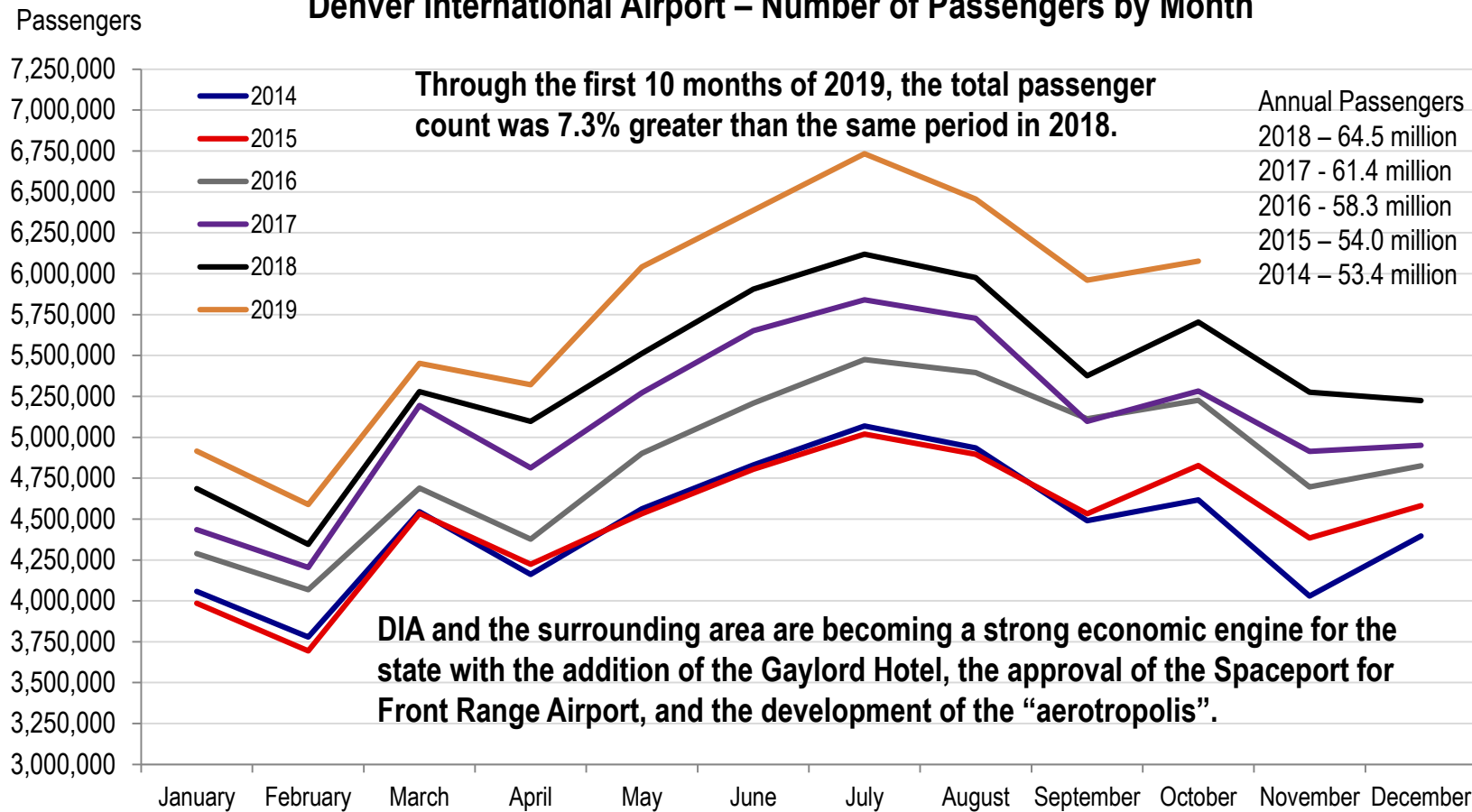
The Colorado Economy

DIA Passengers and Vehicle Registrations

Denver International Airport

Passenger Count

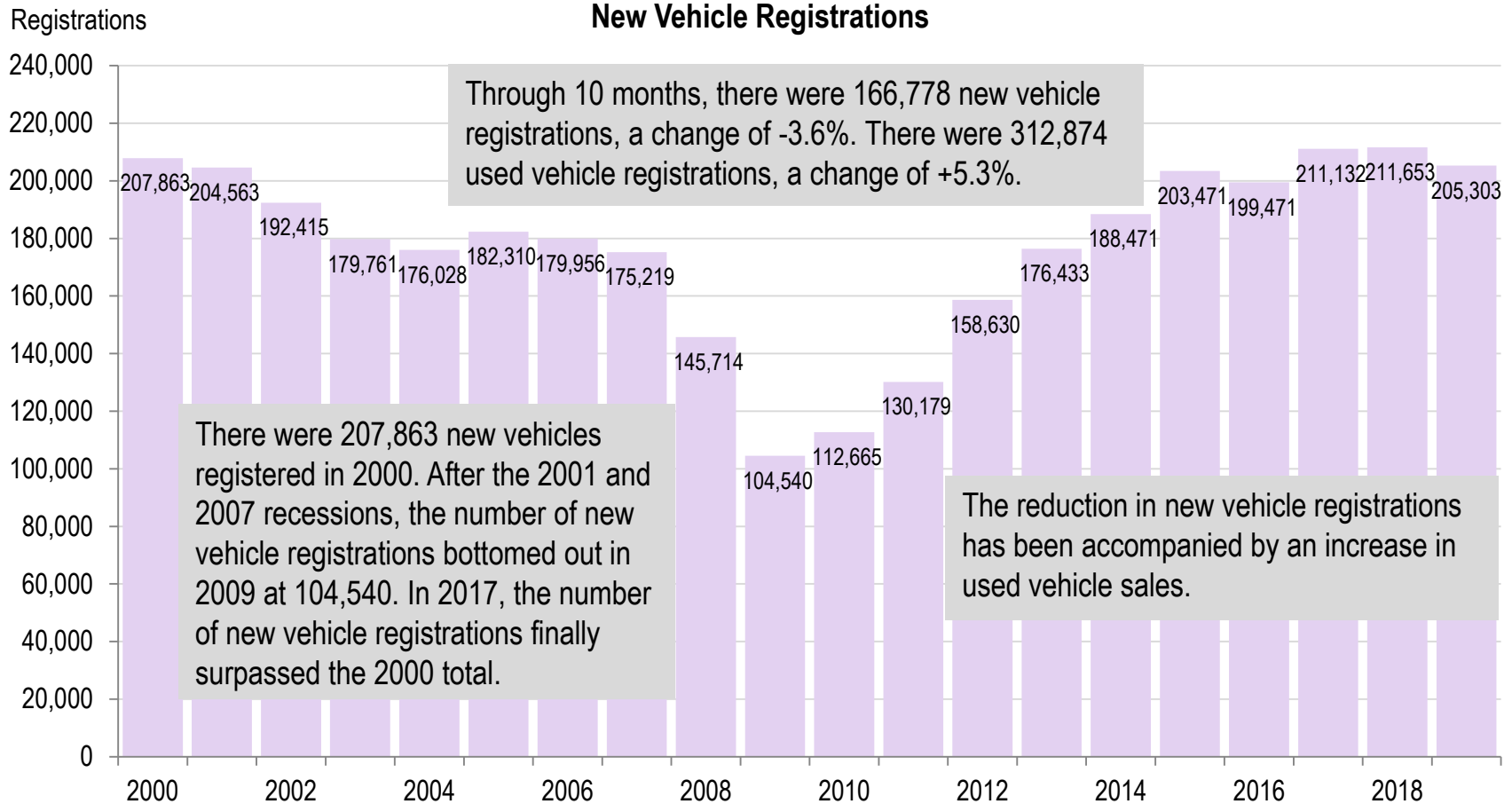
Denver International Airport – Number of Passengers by Month



Source: FlyDenver.com, cber.co.

New Vehicle Registrations

Colorado



Source: Colorado Auto Dealers Association, cber.co.



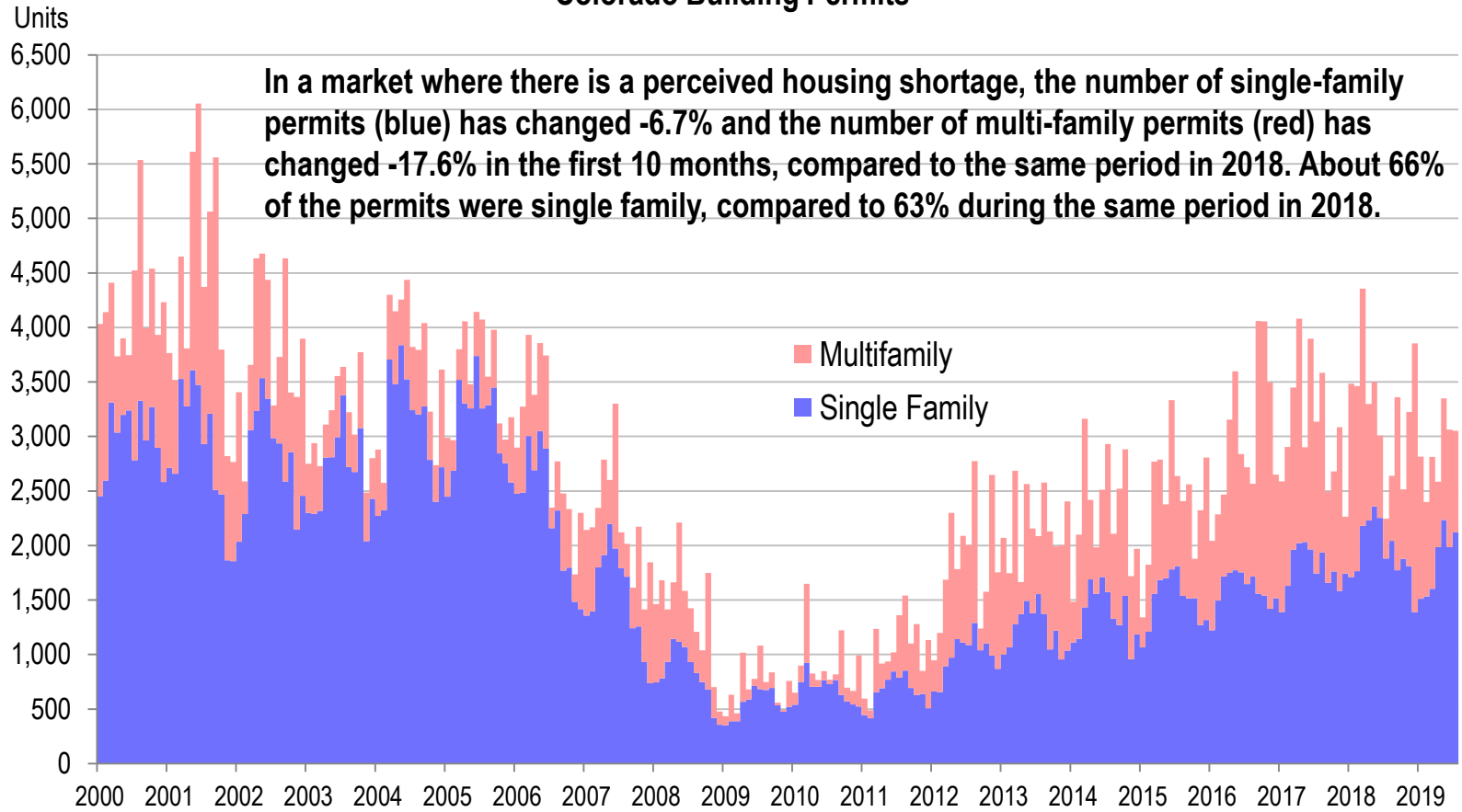
The Colorado Economy

Building Permits, Valuation, and Case Shiller Index

Colorado Residential Building Permits

Units

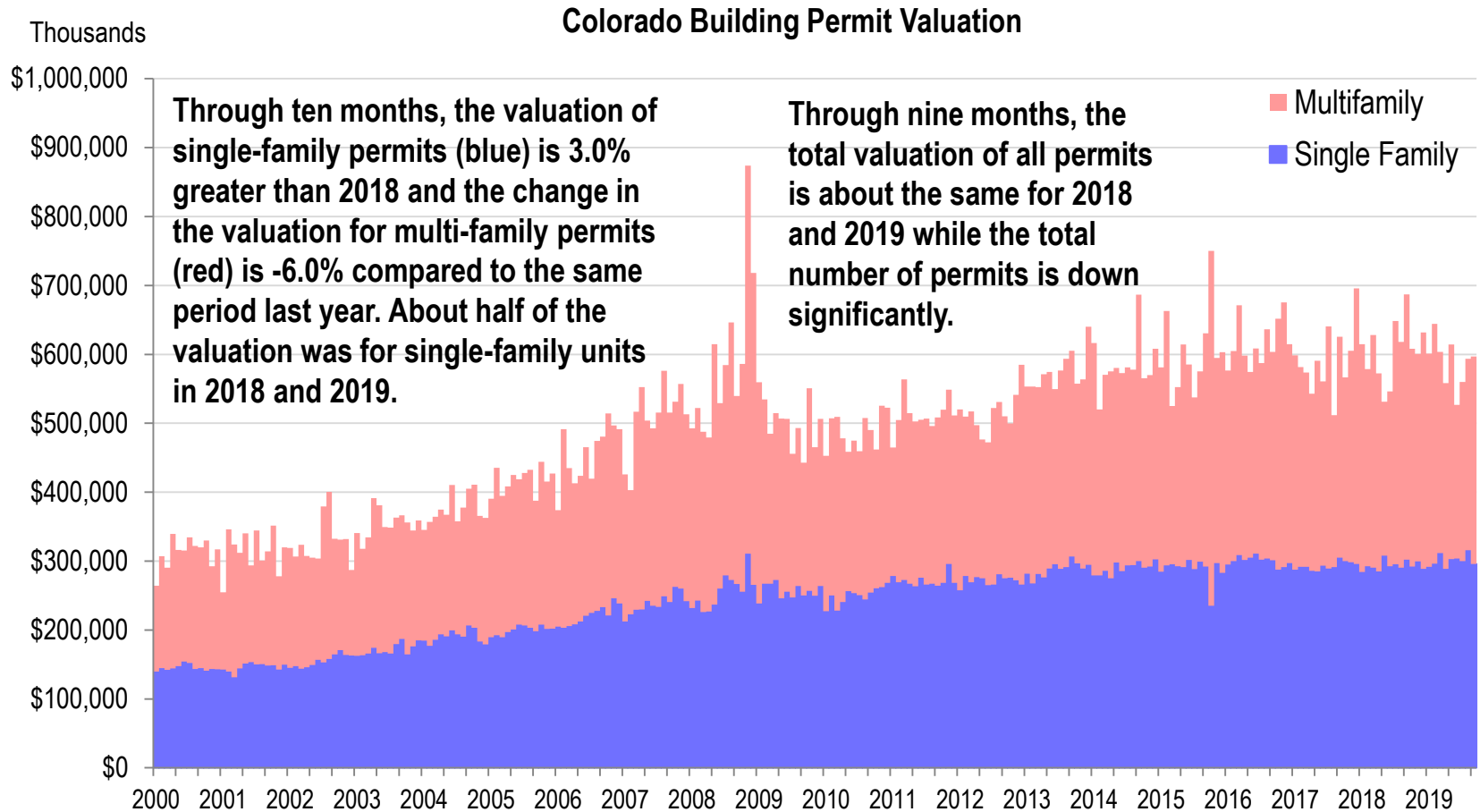
Colorado Building Permits



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

Colorado Residential Building Permits

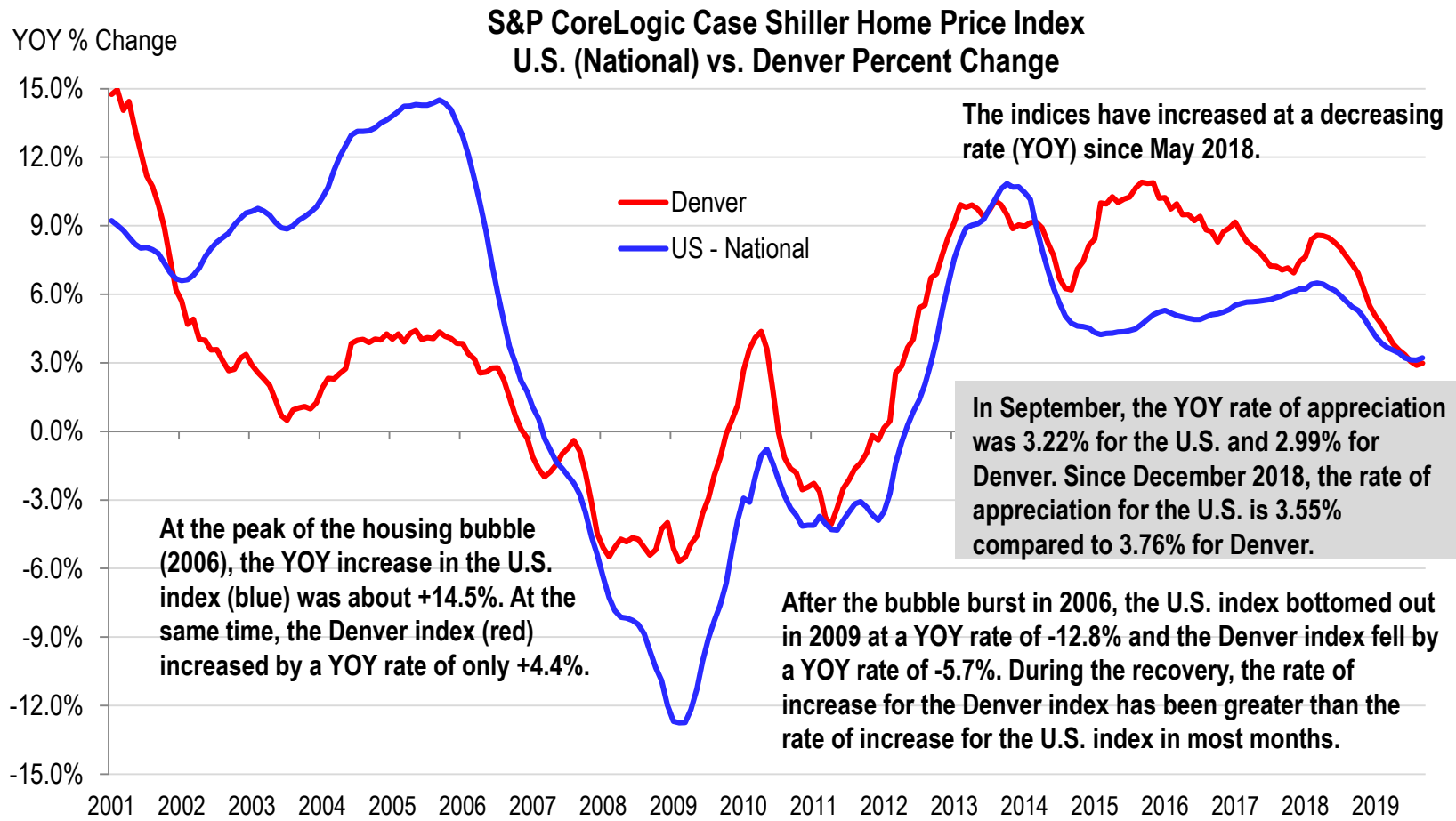
Valuation



Source: TAMU Real Estate Center, U.S. Census Bureau, cber.co. Note: Not adjusted for inflation.

Case Shiller Home Price Index

National vs. Denver Rate of Change



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

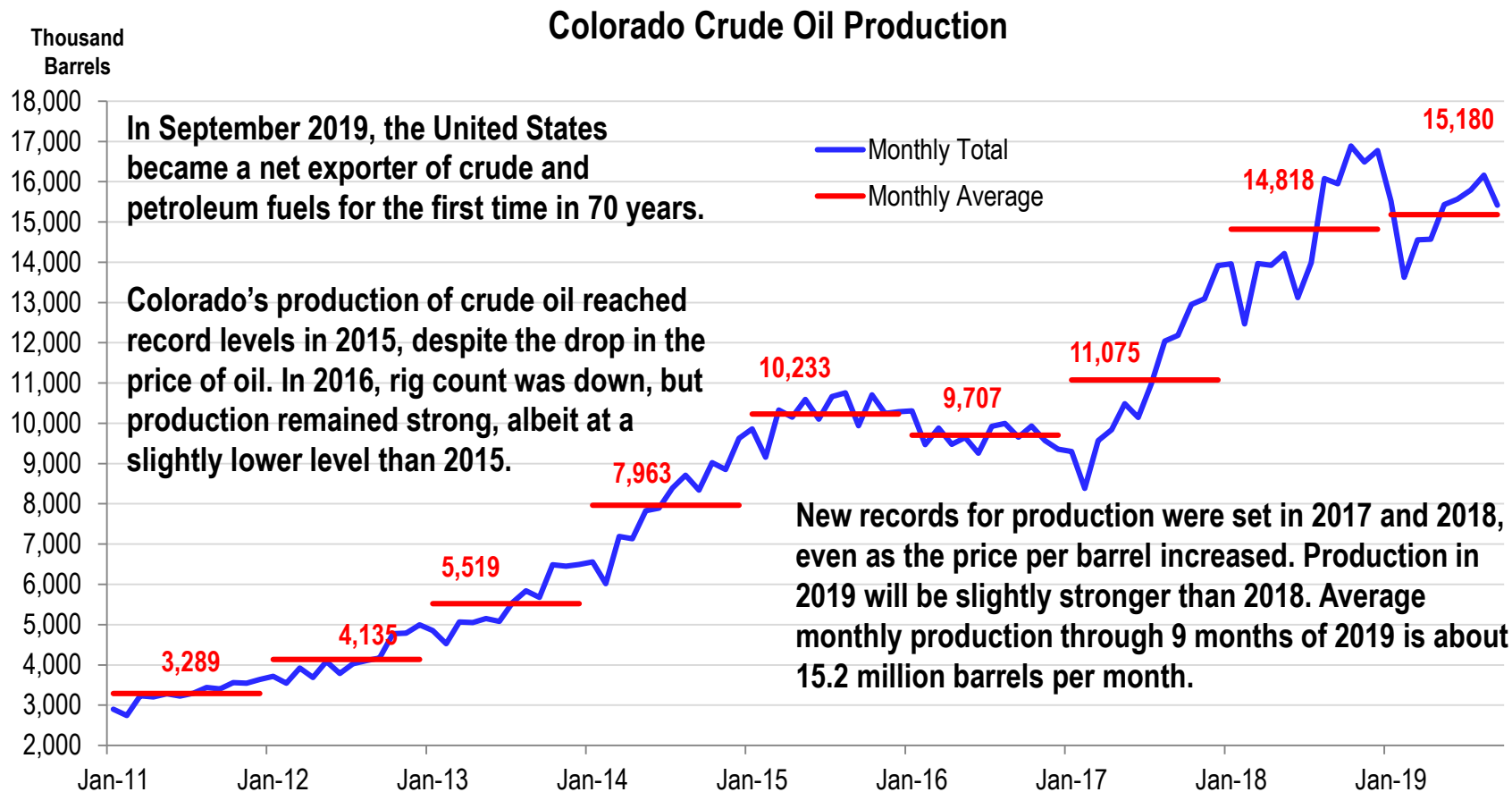


The Colorado Economy

Oil Production and Oil Prices

Colorado Field Production of Crude Oil

Monthly 2011 to 2019 (Thousand Barrels)

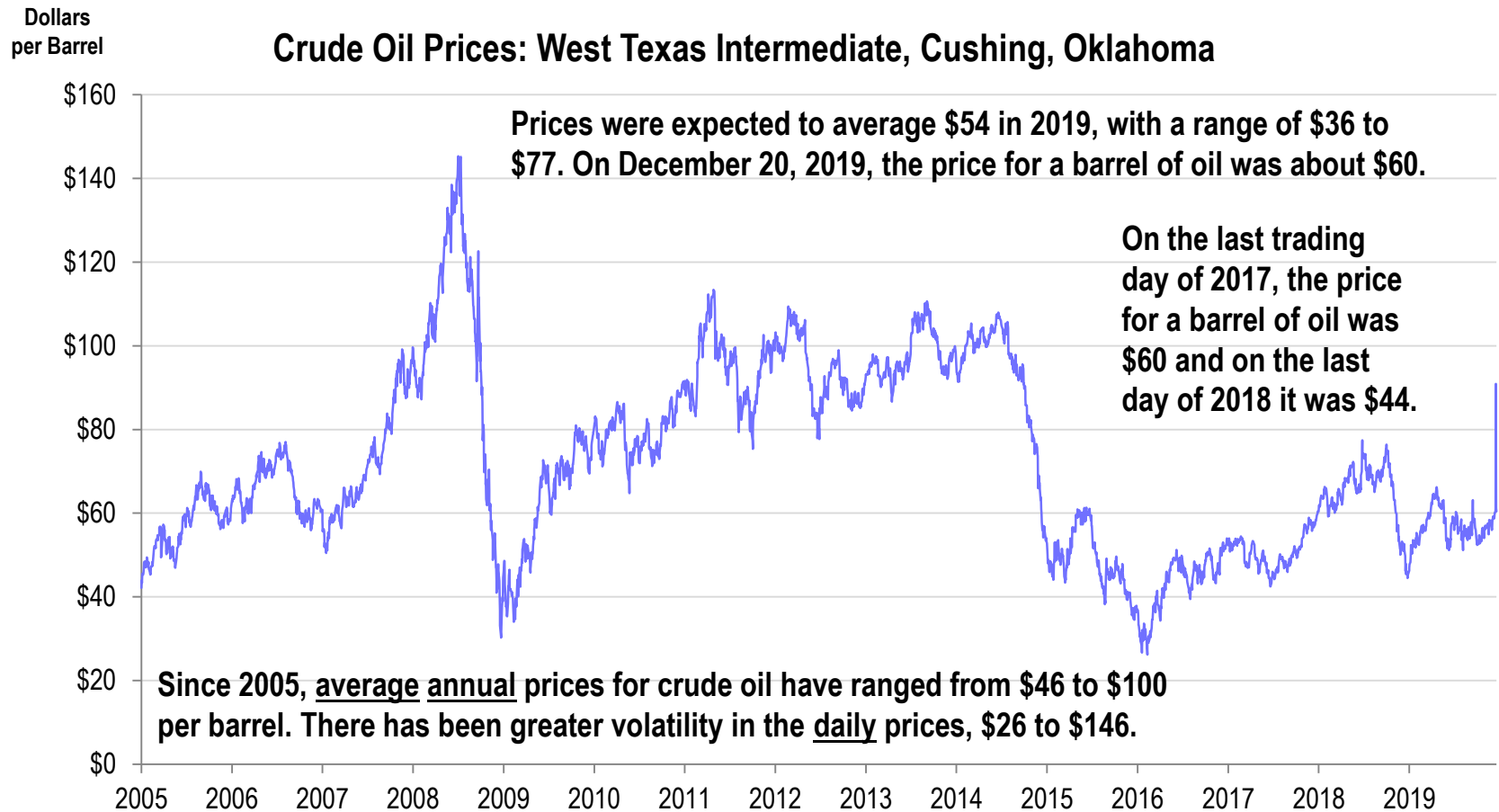


Source: EIA, cber.co.

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Crude Oil Prices

West Texas Intermediate



Source: FRED, EIA, cber.co.



The Colorado Economy

Summary

Colorado Summary

Colorado Economic Growth is Expected to Continue Growth at a Slower Rate

- The state economy has momentum that will carry into Q1 2020.
- Job growth is solid.
- The population continues to grow at a manageable rate, although there is reduced net migration and a slower natural rate of change.
- Job growth is diversified across many sectors.
- Economic development organizations are laying a solid foundation for the future, although they are recruiting companies that provide a different mix of companies in the state.
- Wage growth varies by sector and occupation.

The outlook for Colorado is positive, but there are more downside risks than upside potential.

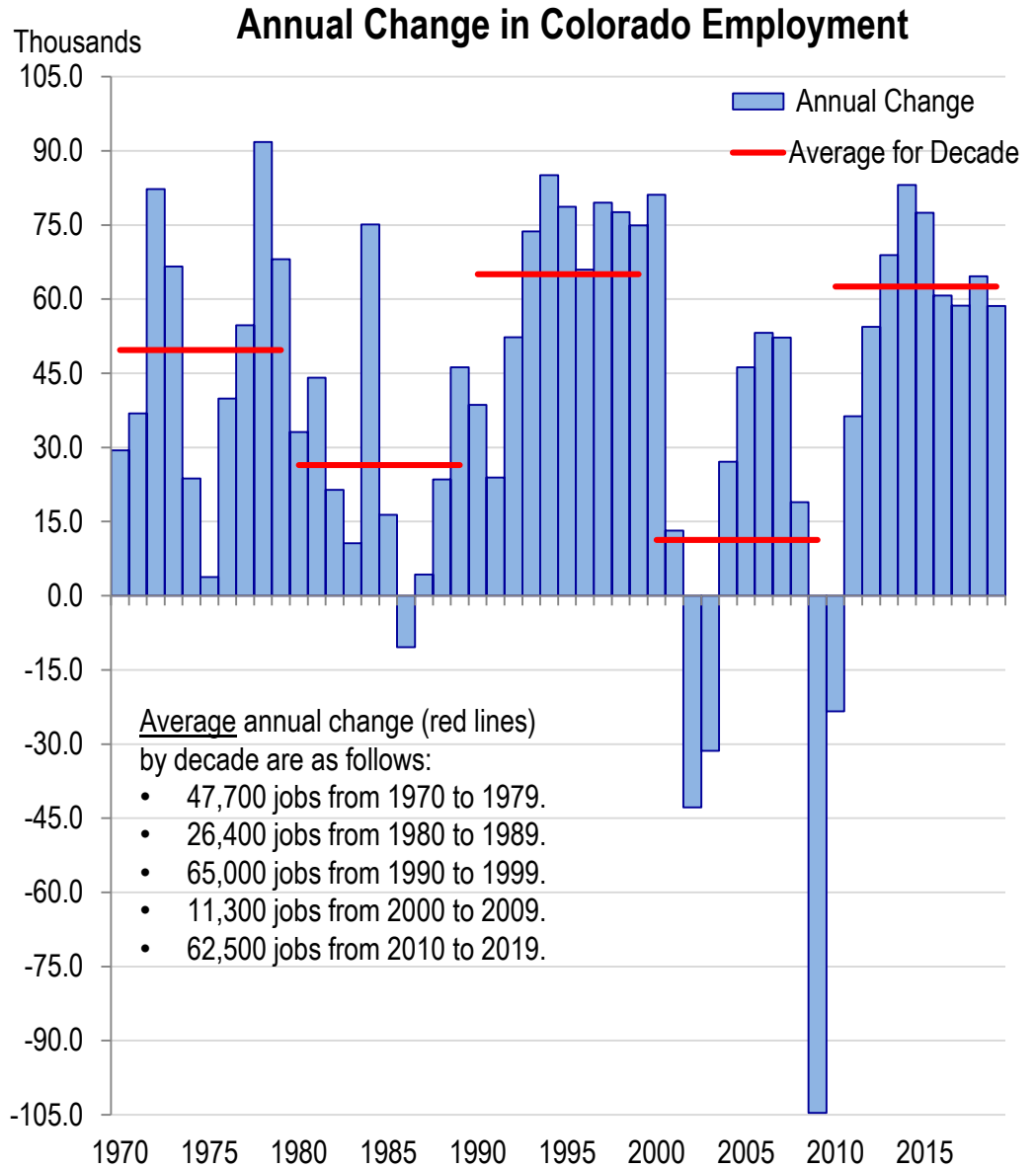
Risks Have Accelerated

- There is a lack of qualified workers to fill vacant positions.
- The forecasts published by the state call for much lower employment growth and a projected reduction in individual and corporate income taxes.
- There is increased opposition to growth – “the 1% growth limitation”.
- During the 2019 legislative session there was overreach by the legislative and executive branches that have caused problems.
- The legislature faces challenges because the state’s infrastructure (transportation) is not being adequately funded, teachers are angry about their funding, college costs are out-of-control, fewer residents are attending college in Colorado, a proposed paid family leave could cost \$2 billion, and health care costs are soaring.
- Colorado inflation is greater than the U.S.
- Colorado is becoming less business-friendly.

Annual Employment Change in Colorado Employment

Through the first 11 months of 2019, average employment is 52,900 jobs, or 1.9%, greater than the same period in 2018.

Job growth in the first half of 2019 was the weakest H1 since 2011. The state's rate of job growth in the second half accelerated in contrast to the U.S. where it decelerated.



Source: Bureau of Labor Statistics, cber.co.



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Economic Trends for Colorado Through November 2019

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ACKNOWLEDGEMENTS

A special thank you to Ana and Allyson Horvath for the review and comments of this publication.

ABOUT THE AUTHOR

Gary Horvath has produced annual employment forecasts of the state economy for over 25 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 lead for the photonics/electronics cluster in OEDIT’s early stage and proof of concept grant program.