

Economic Outlook and Trends Through May 2022

United States and Colorado

cber.co
Colorado-based Business and Economic Research
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Economic Outlook and Trends

Purpose and Summary

The purpose of this chartbook is to review the performance of the Colorado and U.S. economies for the first five months of 2022. The number and magnitude of the headwinds has increased as the year has progressed. Through five months of 2022, the momentum of the labor market and economic activity has been greater than the headwinds.

It was a game changer when the Federal Reserve increased the fed funds rate by 75-basis points on June 15. At least a 50-basis point increase is expected in July.

Will the Fed be able to engineer a soft landing, with extended slow growth, or will it put the economy into a recession to get the inflation under control? Stay tuned!

The effect of the momentum and headwinds will be discussed in the following areas.

- U.S. Real GDP
- U.S. and Colorado Employment
- Momentum and a Touch of Headwinds
- Headwinds
- Summary of Colorado Economic and Employment Outlook and Trends

Highlights – Momentum and Headwinds

Inflation is at the top of the list of many headwinds. The combination of inflation, the projected fed fund rate hikes, and the various headwinds will increase volatility in the job market and overall economic activity.

Momentum

Fortunately, there is strong momentum in the economy.

- Growth of the labor market has been broad-based. There have been more jobs added in 2022 than expected.
- The level and rate of unemployment is low.
- There is above-normal consumer demand for goods and services. As a result, retail sales are strong.
- Labor shortages have driven higher wages, especially in lower-paying occupations.

Headwinds

The game has changed! By increasing interest rates, the Federal Reserve hopes to reduce demand. The purpose is to decrease personal and business consumption to contain inflation.

That challenge will be compounded by supply chain disruptions, COVID-19 variants, labor shortages, consequences of policies related to the Eastern European conflict, and political issues that will be tied to the mid-term elections.

Ideally, the Fed will manage a soft landing and there will be an extended slowdown. It is also possible they may push the economy into a shallow recession before the end of 2023. Either way, growth will be slower in the months ahead!

Economic Outlook and Trends

U.S. Real Gross Domestic Product

The Conference Board U.S. Economic Forecast projects real GDP growth will be 2.3% in 2022, down from 5.7% in 2021. Personal consumption will continue to drive economic growth. It will increase by 3.1% in 2022, down from 7.9% growth in 2021. Economic activity will be lackluster in 2023.

The national forecast calls for residential construction growth to be slightly negative in 2022. The story in Colorado will be different. Housing demand will continue to exceed supply, for a variety of reasons.

As the unemployment rate levels out below 3.5%, companies will continue to struggle to find workers.

Finally, inflation will remain elevated through 2023.

U.S. Real GDP Growth

The Conference Board Forecast (June 15, 2022)

Real GDP and Economic Growth in 2021

The latest Conference Board forecast points to real GDP growth of 2.3% for 2022. Inflation will continue to erode consumer purchasing power, and higher interest rates will obviously increase the cost of borrowing. PCE inflation will be 5.8% in 2022. It will decline to 3.0% in 2023.

Other Economic Factors

The labor market will remain strong in 2022 and the U.S. unemployment rate will fall to 3.6%. The Fed rate hikes will cause housing to slip in 2022. Government spending will accelerate in the second half of the year, which will reduce the impact of the headwinds.

Conference Board US Real GDP Growth Forecast

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022	2023
Real GDP (YoY)	6.3%	6.7%	2.3%	6.9%	3.5%	2.4%	2.3%	1.0%	5.7%	2.3%	1.8%
Personal Consumption	11.4%	12.0%	2.0%	2.5%	3.1%	3.0%	1.9%	1.4%	7.9%	3.1%	1.5%
Residential Investment	13.3%	-11.7%	-7.7%	2.1%	0.4%	-1.0%	-1.0%	0.0%	9.2%	-1.6%	0.0%
Nonresidential Investment	12.9%	9.2%	1.6%	2.9%	9.2%	5.7%	5.7%	3.2%	7.4%	5.5%	3.6%
Total Gov't. Spending	4.2%	-2.0%	0.9%	-2.6%	-2.7%	1.0%	2.0%	3.6%	0.5%	-0.5%	3.6%
Exports	-2.9%	7.6%	--5.3%	22.4%	-5.4%	7.1%	6.1%	3.0%	4.5%	4.5%	3.4%
Unemployment Rate	6.2%	5.9%	5.1%	4.2%	3.8%	3.6%	3.5%	3.3%	5.4%	3.6%	3.1%
PCE Inflation (%Y/Y)	1.8%	3.9%	4.3%	5.5%	6.3%	6.6%	6.3%	4.2%	3.9%	5.8%	3.0%
Core PCE Inflation (%Y/Y)	1.7%	3.4%	3.6%	4.6%	5.2%	5.9%	5.1%	4.4%	3.3%	5.2%	2.9%

Source: The Conference Board and cber.co.

Source: The Conference Board, <https://www.conference-board.org/publications/Economic-Forecast-US>, cber.co.

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Economic Outlook and Trends

U.S. and Colorado Employment

Through the first five months of 2022, the U.S. and Colorado labor markets have been stronger than expected. The rate of growth will taper off as 2022 progresses.

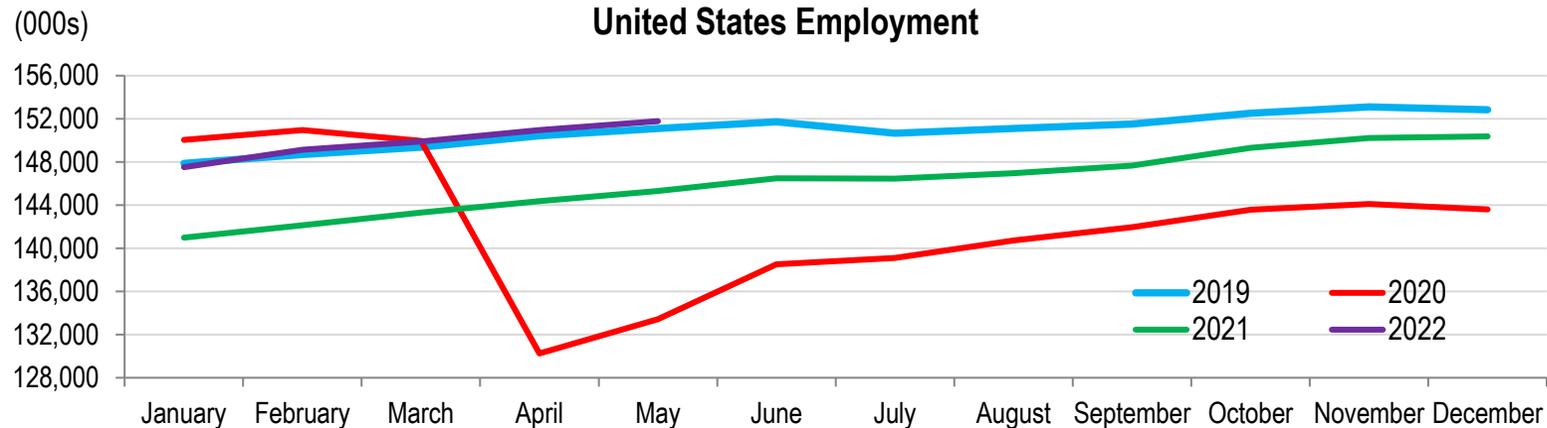
U.S. and Colorado wage growth has been strong in 2022.

The number of job openings, separations, and quits is near record levels.

The labor shortages will continue as long as the U.S. and Colorado unemployment rates remain low. As the U.S. and Colorado unemployment rates have declined, the employment-to-population ratios for both have improved.

Employment and Change in Employment

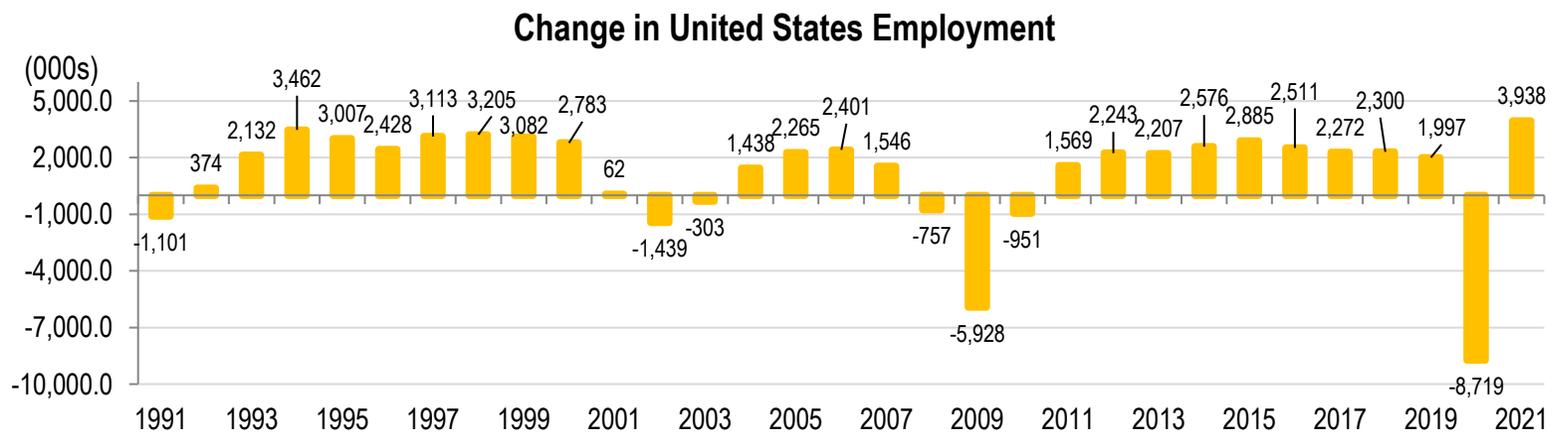
United States



The average annual U.S. employment (NSA) through the first five months of 2022 (purple) is about 6.6 million greater than the same period in 2021 (green).

By comparison, average U.S. employment increased by about 2.4 million annually between 2012 and 2019. There is strong employment growth and unemployment is low. Wage growth is solid, and there is high demand for many goods and services.

It may be more appropriate to compare 2022 to 2019 (turquoise). The level of employment for the first five months of 2022 (purple) is similar to the same period in 2019 (blue). Job growth will decline in the second half of the year.

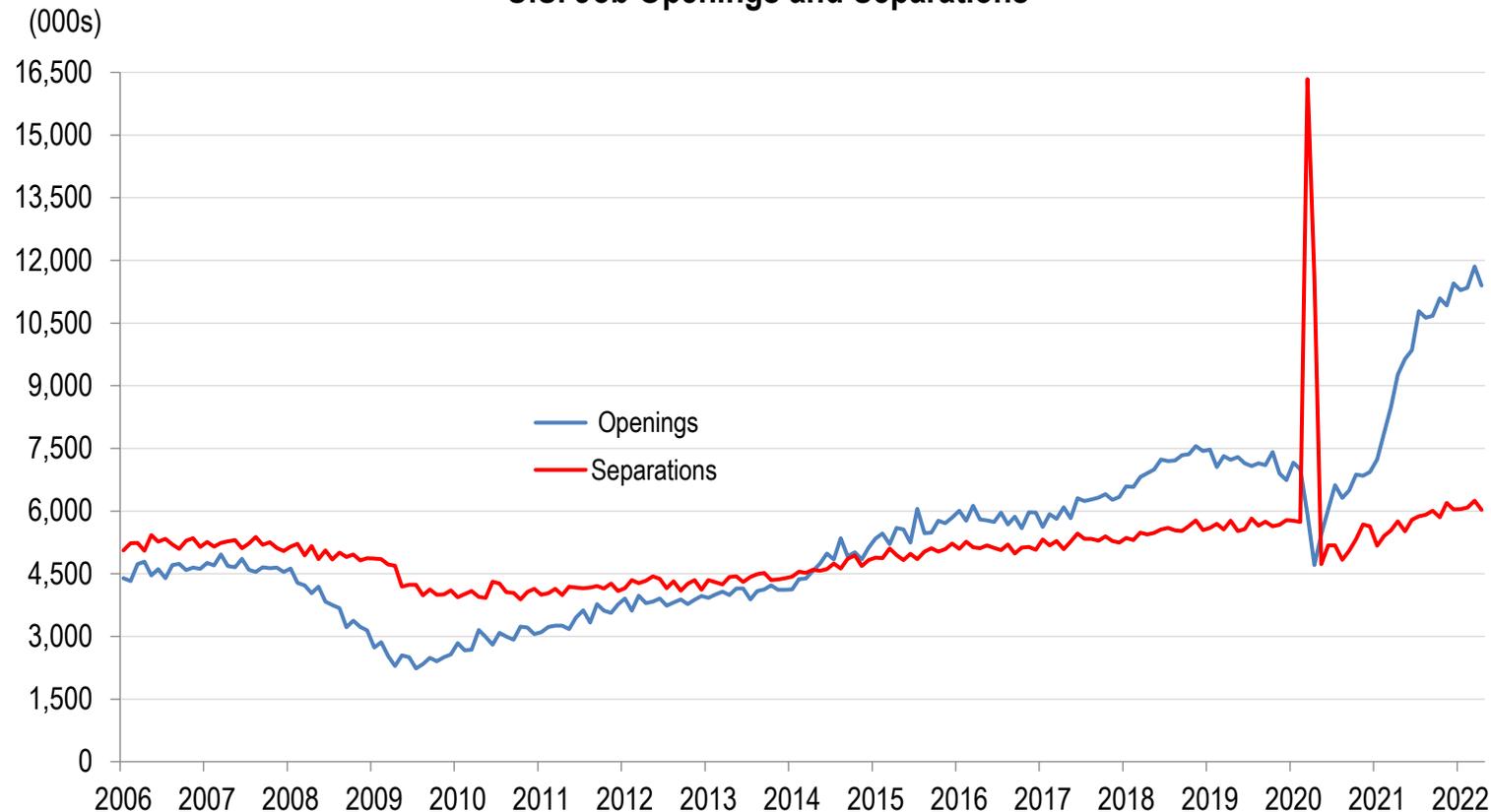


Source: Bureau of Labor Statistics, NSA cber.co.

Job Openings and Separations

United States

U.S. Job Openings and Separations



Source: JOLTS, SA, BLS, cber.co.

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Openings

The number of job openings (blue) bottomed out in 2009. They steadily increased over the next decade as the economy improved from the Great Financial Crisis (2007-2008). The openings leveled out in 2019, followed by a sharp decline in 2020 caused by COVID-19 lockdown policies. In July 2021, there were 10.7 million job openings. They have been at or above that level through April 2022, (11.4 million).

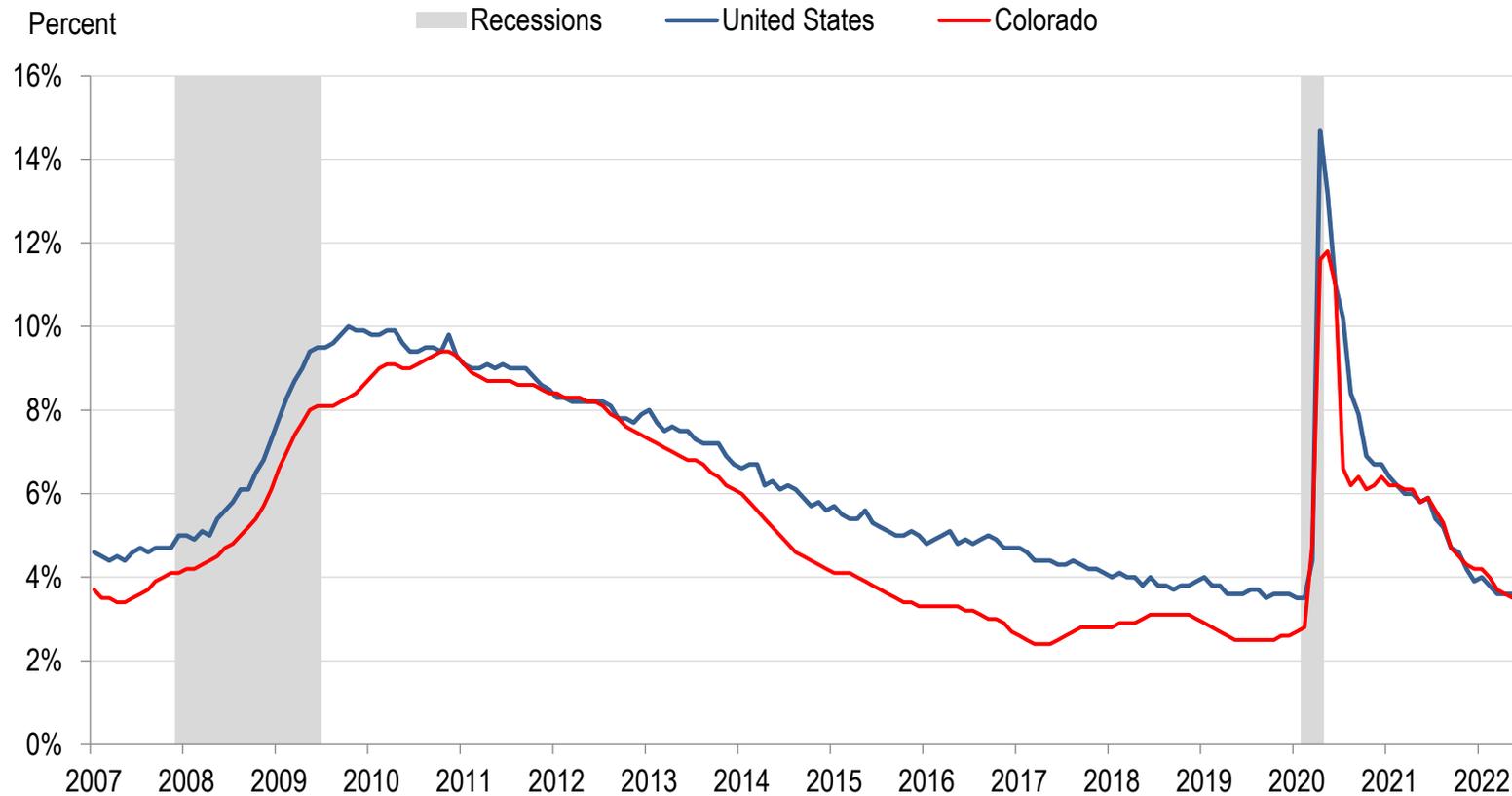
Separations

Similarly, the number of separations (red) is greater than pre-pandemic levels. Boomers retired, and other workers are using the strong labor market to switch companies and upgrade their compensation and/or work environment. Since September 2021, at least 70% of the separations have been quits.

Unemployment Rate

United States and Colorado

U.S. and Colorado Unemployment



Source: BLS, cber.co.

Unemployment Rate

The Colorado and U.S. unemployment rates were similar in 2021 and 2022. They will bottom out in 2022. The May unemployment rate was 3.5% for Colorado and 3.6% for the U.S. More importantly, businesses will continue to struggle to find workers.

Annual Unemployment Rate

Year	United States	Colorado
2016	4.9%	3.1%
2017	4.4%	2.6%
2018	3.9%	3.0%
2019	3.7%	2.6%
2020	8.1%	6.9%
2021	5.4%	5.2%
2022	3.5%	3.5%

Unemployment Rates by States

May 2022

Unemployment Rate < 3.0%			Unemployment Rate Between 2.9% and 4.0%		
Rank	State	August	Rank	State	August
1	Nebraska	1.9%	17	Florida	3.0%
2	Minnesota	2.0%	18	Georgia	3.0%
3	Utah	2.0%	19	Virginia	3.0%
4	New Hampshire	2.1%	20	Missouri	3.1%
5	Indiana	2.2%	21	Arizona	3.2%
6	Kansas	2.3%	22	Arkansas	3.2%
7	South Dakota	2.3%	23	Maine	3.2%
8	Vermont	2.3%	24	Wyoming	3.2%
9	Montana	2.4%	25	South Carolina	3.3%
10	Idaho	2.5%	26	Tennessee	3.3%
11	North Dakota	2.6%	27	North Carolina	3.4%
12	Alabama	2.7%	28	Colorado	3.5%
13	Iowa	2.7%	29	West Virginia	3.5%
14	Oklahoma	2.8%	30	Oregon	3.6%
15	Rhode Island	2.9%	31	Kentucky	3.8%
16	Wisconsin	2.9%	32	Massachusetts	3.9%
			33	New Jersey	3.9%
			34	Ohio	3.9%
			35	Washington	3.9%

In May 2022, the U.S. unemployment rate was 3.6%. Twenty-nine states had unemployment rates less than 3.6% (green). Sixteen states had unemployment rates less than 3.0%. Colorado was ranked 28th with a respectable 3.5% unemployment rate.

About 14% of the labor force is in 16 states, with unemployment rates less than 3.0% (column 1).

About 41% of the labor force is in the 19 states, with unemployment rates between 2.9% and 4.0% (column 2).

About 45% of the labor force is in the 16 states and D.C., with unemployment rates of at least 4.0% (column 3).

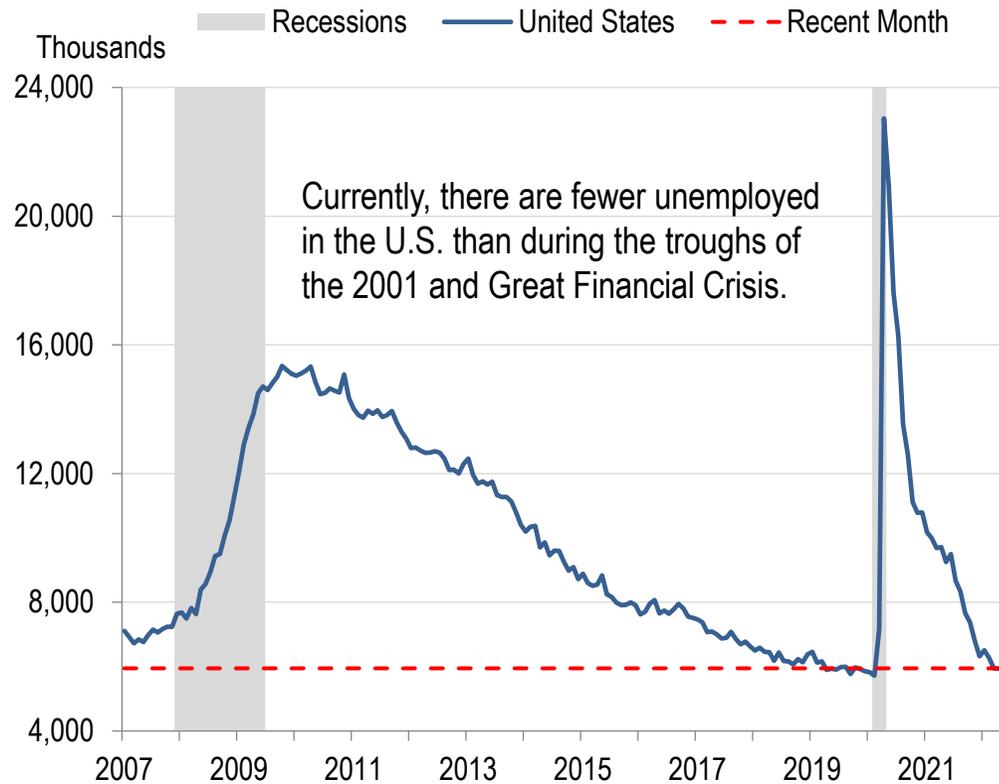
The states with the largest labor forces are CA, TX, FL, NY, PA, IL, OH, GA, NC, and MI. About 53% of the U.S. labor force works in these ten states. The largest states typically have greater unemployment rates.

Unemployment Rate is 4.0% or Greater		
Rank	State	August
36	Louisiana	4.0%
37	Maryland	4.0%
38	Mississippi	4.0%
39	Connecticut	4.2%
40	Hawaii	4.2%
41	Texas	4.2%
42	California	4.3%
43	Michigan	4.3%
44	New York	4.4%
45	Delaware	4.5%
46	Illinois	4.6%
47	Pennsylvania	4.6%
48	Alaska	4.7%
49	Nevada	4.9%
50	New Mexico	5.1%
51	District of Columbia	5.7%

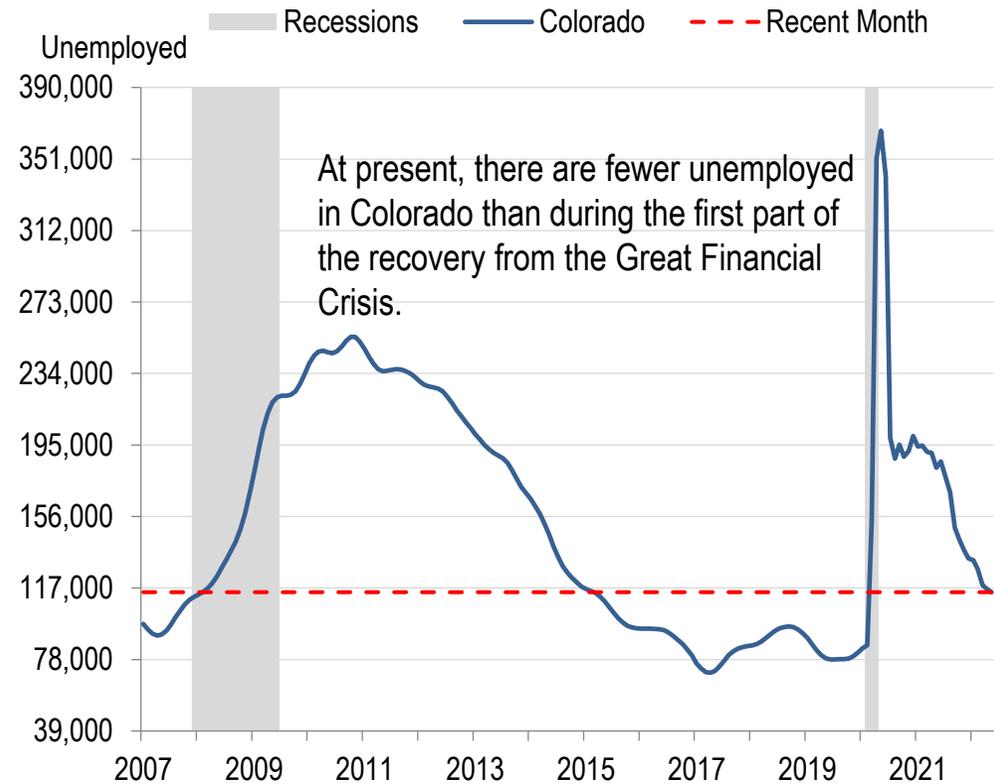
Number of Unemployed

United States and Colorado

U.S. Number of Unemployed (Thousands)



Colorado Number of Unemployed (Thousands)

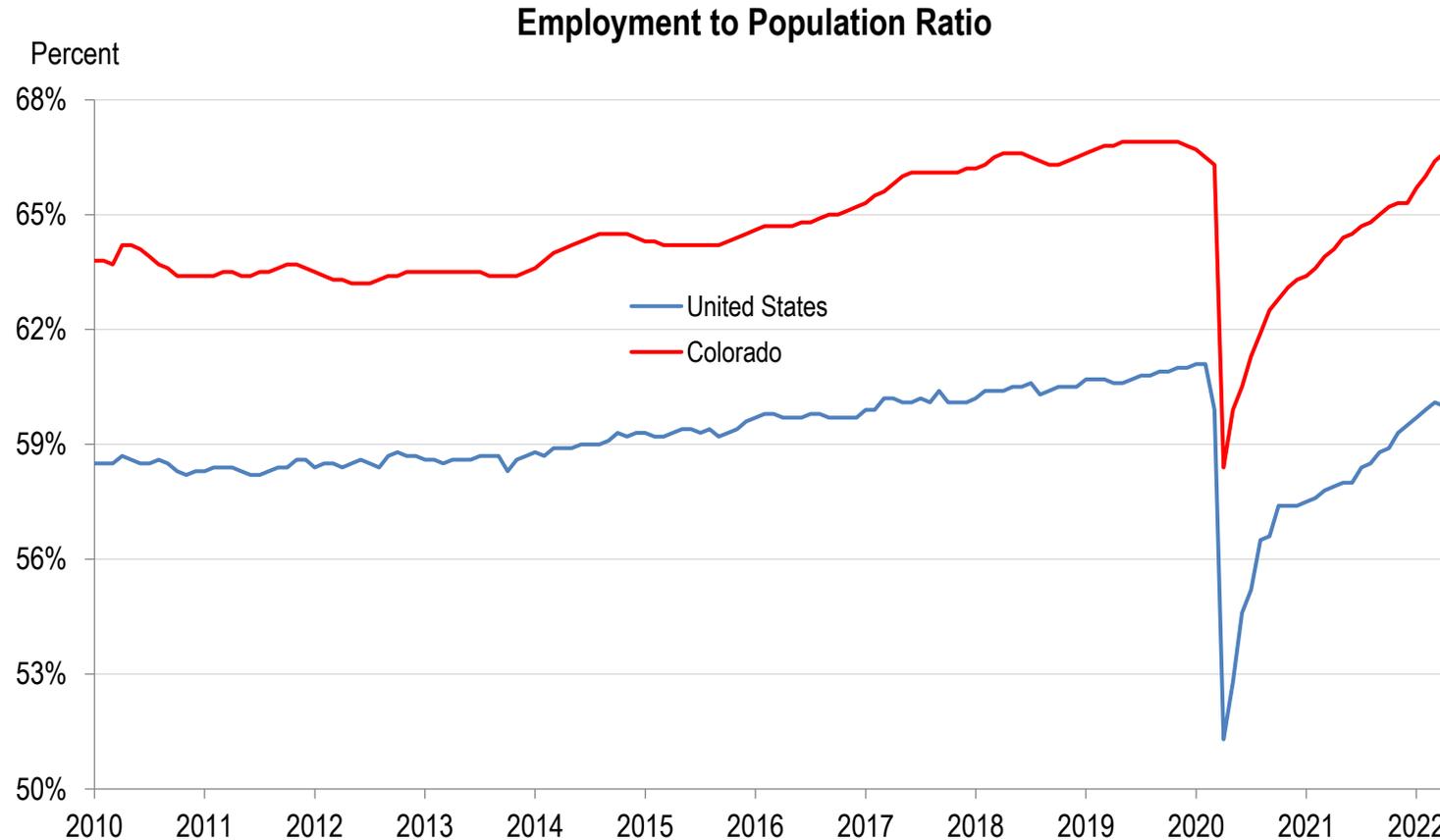


Source: BLS, cber.co.

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Employment-to-Population Ratio

United States to Colorado



Source: FRED, BLS, cber.co.

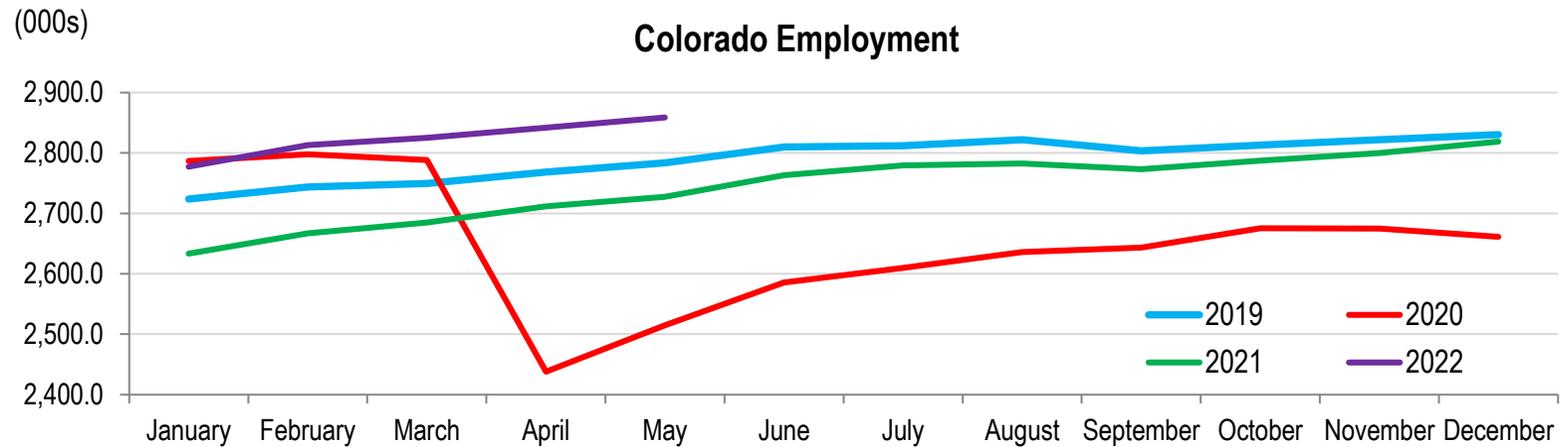
Between 2010 and 2019, the employment-to-population ratios for Colorado and the U.S. gradually increased.

Between May and November 2019, the Colorado ratio was 66.9%. In March 2020, it fell to 58.4% because of COVID-19 policies. It returned to 66.9% in April 2022.

In January and February of 2020, the U.S. ratio was 61.1%. In March 2020, it plummeted to 51.3% because of COVID-19 policies. It rebounded and was 60.1% in May 2022. The U.S. ratio is 1.0 percentage points from the peak in 2020.

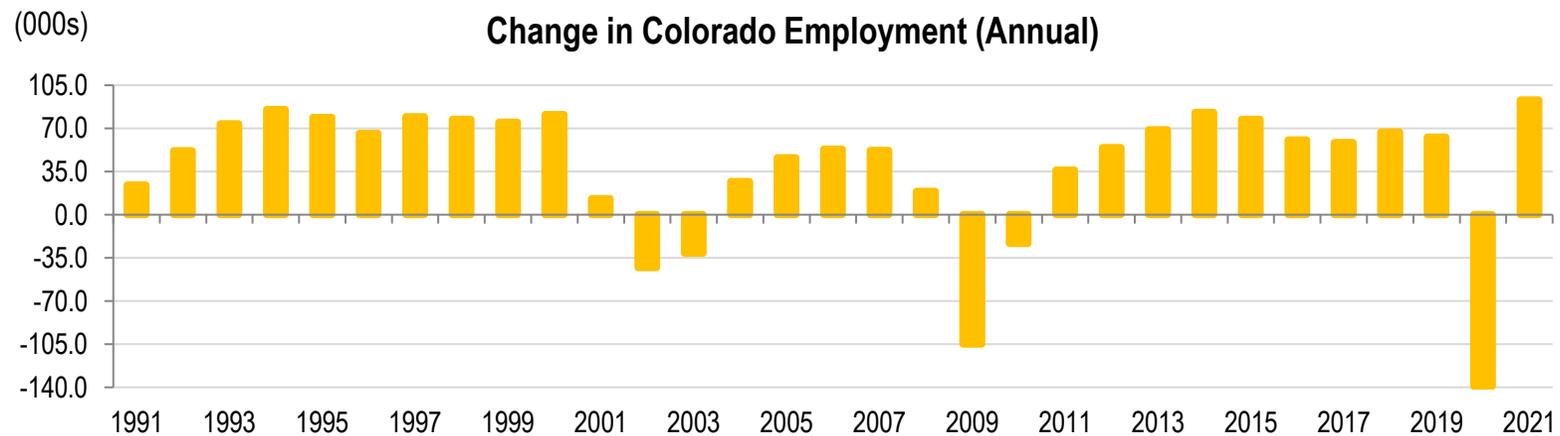
Employment and Change in Colorado Employment

Colorado



Average annual Colorado employment (NSA), based on the first five months of 2022 (purple), is about 138,400 greater than the same period in 2021 (green).

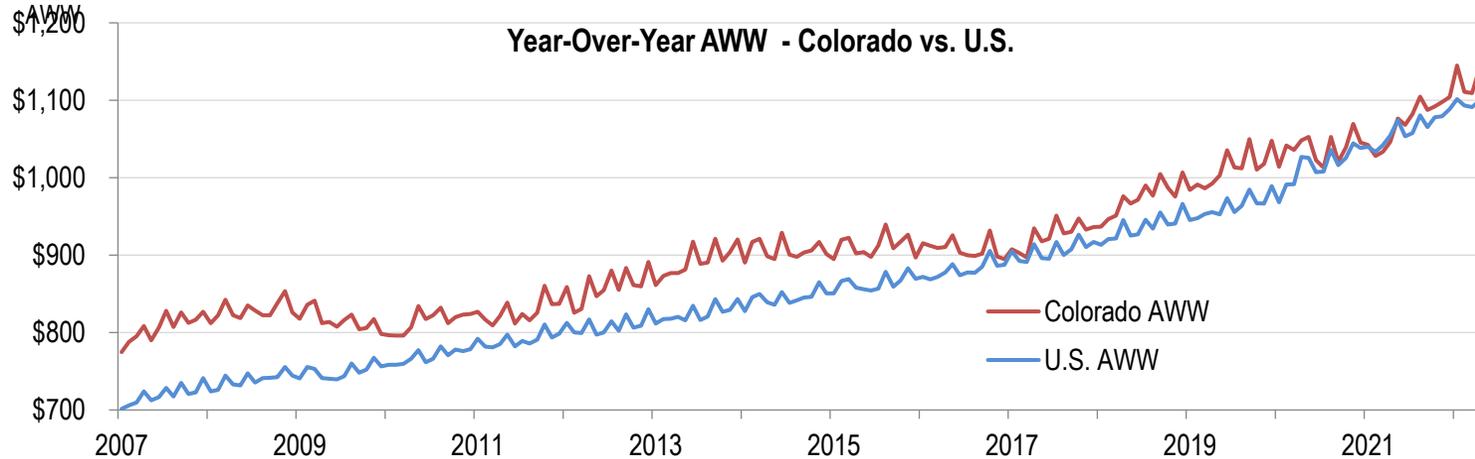
Because of the disruption caused by COVID-19 policies, it is more appropriate to compare 2022 to 2019. The annualized level of employment for 2022 (purple) is about 69,500 greater than 2019 (blue).



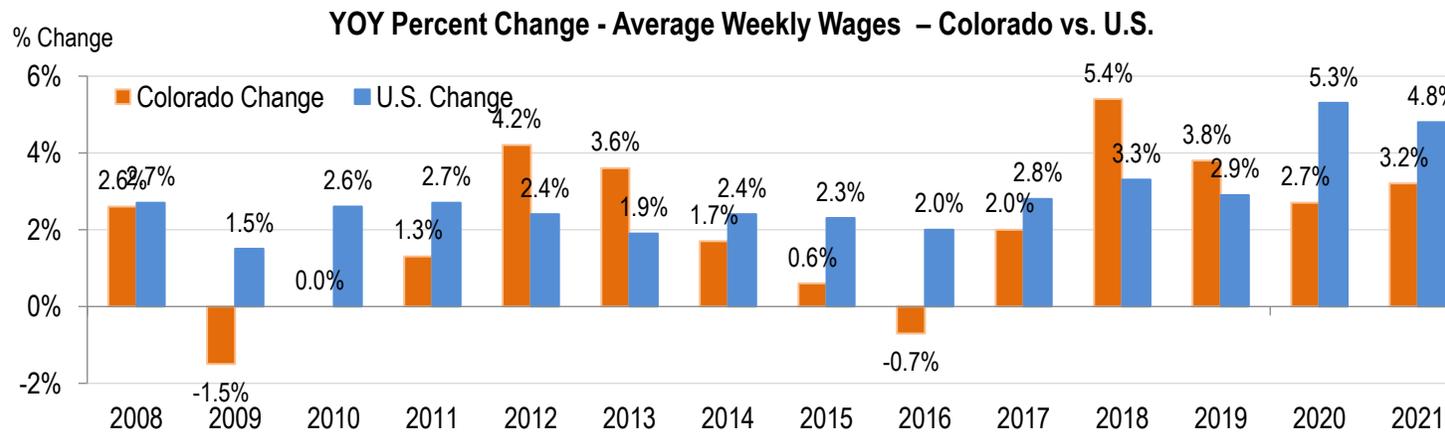
Source: Bureau of Labor Statistics, NSA, cber.co.

Colorado and U.S. Average Weekly Wage Growth

Private Sector (Not Seasonally Adjusted)



Monthly, Colorado (orange) has historically had a greater AWW than the U.S (blue). Between 2007 and 2022, the gap decreased. In April 2007, it was \$84.24, and the Colorado AWW was 11.6% greater than the U.S. AWW. In April 2022, the gap was \$45.70, and the Colorado AWW was 4.1% greater than the U.S. AWW.



The U.S. growth rate has been greater than the Colorado rate for ten-of-the-fourteen years between 2008 and 2022, in part because it has had a lower base.

For the first five months of 2022, the range of change in the Colorado AWW was from 7.3% to 9.8%, and the range of change for the U.S. AWW was from 4.2% to 5.9%.

Source: Bureau of Labor Statistics, NSA, cber.co. Note: Wages do not include benefits.

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Change in Employment

Colorado Sectors with 2022 Growth Greater Than State Rate (1.7%)

Change in Employment (Sectors with Slower Recovery from COVID-19 Policies)			
Sector	May 2022 (000s)	5/22 vs 12/21 (000s)	% Change
Arts, Entertainment, Recreation	58.5	5.0	9.3%
Construction	186.3	7.4	4.1%
Transportation, Warehousing, and Utilities	110.4	4.3	4.1%
Professional, Scientific, and Technical Services	271.9	9.0	3.4%
Management or Corporations and Enterprises	46.0	1.4	3.1%
Education (Private)	46.2	1.4	3.1%
Extractive Industries	20.4	0.6	3.0%
Administrative Services	163.6	4.0	2.5%
Manufacturing	154.7	3.5	2.3%
Wholesale Trade	114.4	2.5	2.2%
Total	1,172.4	39.1	3.3%

These ten sectors/sub-sectors had growth rates greater than the state average when comparing May 2022 to December 2021.

Total employment for the state increased by 1.7% during these five months. It increased by an average of 3.3% for these sectors.

The combined employment of these sectors accounted for 41% of Colorado employment and 80% of total job growth during the first five months of 2022.

Sectors such as AER and administrative services experienced strong growth in their recovery from the pandemic.

Source: BLS, cber.co.

Change in Employment

Colorado Sectors with 2022 Growth the Same as or Less Than the State Rate (1.7%)

Change in Employment (Sectors with Slower Recovery from COVID-19 Policies)			
Sector	May 2022 (000s)	5/22 vs 12/21 (000s)	% Change
Food and Accommodation (F&A)	282.6	4.8	1.7%
Other Services (Personal)	118.7	2.0	1.7%
Retail Trade	275.6	1.8	0.7%
Information	78.2	0.5	0.6%
Healthcare	305.0	1.4	0.5%
Financial Activities	180.7	0.7	0.4%
Local Government	264.3	0.4	0.2%
State Government	124.7	-1.4	-1.1%
Federal Government	53.2	-0.7	-1.3%
Total	1,683.0	9.5	0.6%

These nine sectors/sub-sectors had a growth rate equal to or less than the state average when comparing May 2022 to December 2021.

Total employment for the state increased by 1.7% during these five months, but it increased by an average of only 0.6% for these sectors.

The combined employment of these sectors accounted for 59% of Colorado employment and 20% of total job growth during the first five months of 2022.

F&A and Other Services experienced strong growth in their recovery from the pandemic.

Source: BLS, cber.co.

Economic Outlook and Trends

Momentum and a Touch of Headwinds

The labor market is driven by above-average consumer demand for goods, services, travel, and housing.

The strength of the labor market is shown by the stronger-than-expected increase in employment and wages. It is also evident by the low unemployment rate and the number of unemployed.

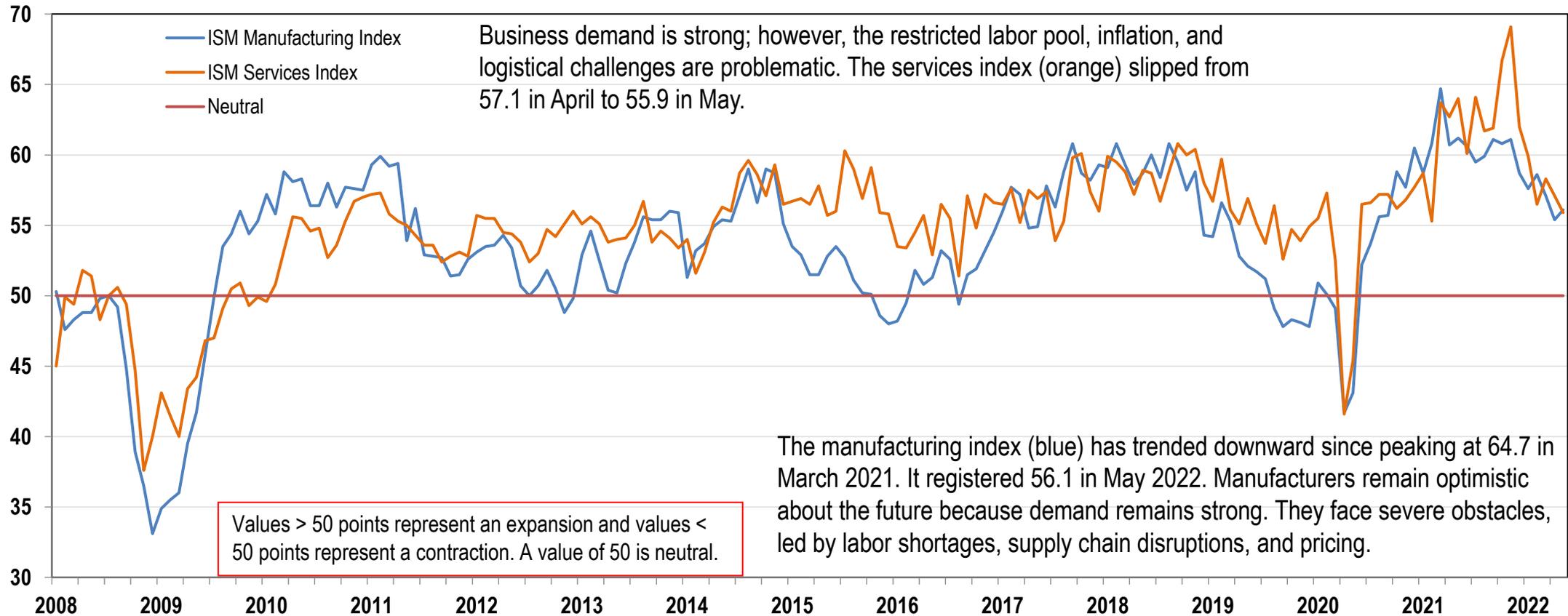
The ISM indices illustrate optimism for the future but concerns about the headwinds challenging manufacturers and service providers.

Currently, consumers have money to spend as evidenced by the manageable consumer credit data, and strong retail sales. In Colorado, there is strength in the number of building permits, the increased number of DIA passengers, and improved oil production.

ISM PMI Composite Indices

Manufacturing vs. Services

ISM Manufacturing PMI vs. Services PMI Composite Indices



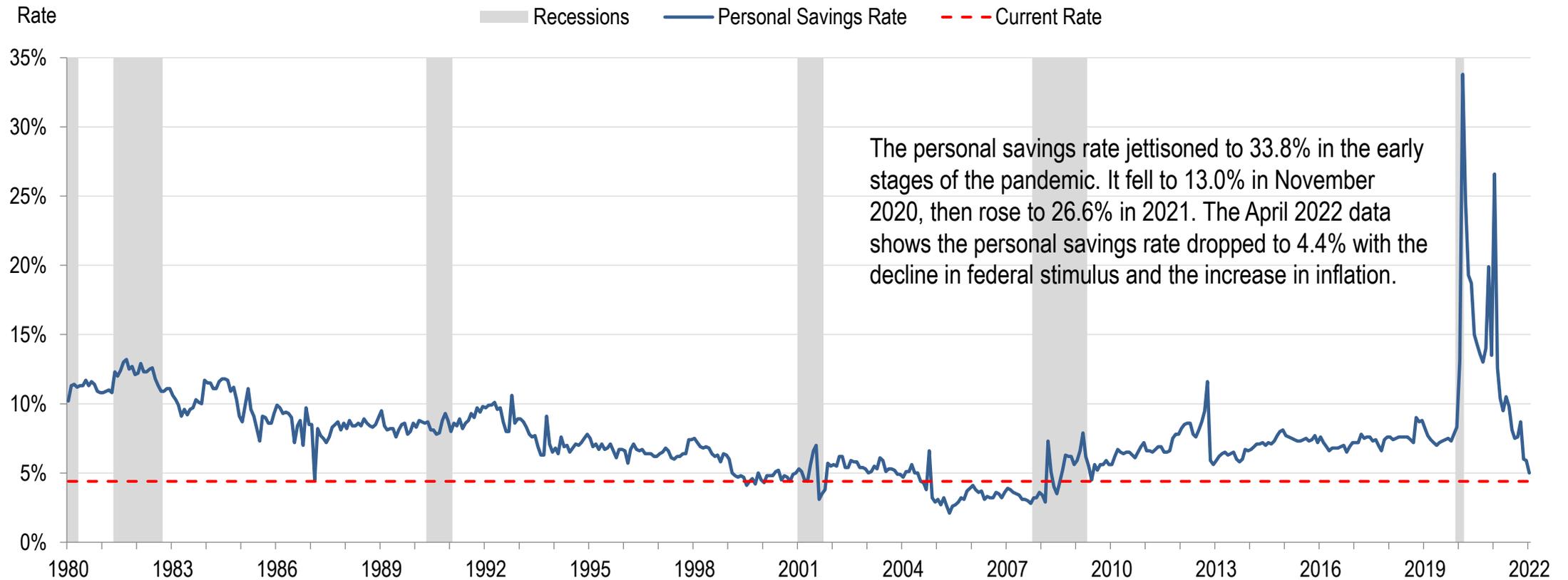
Source: Institute of Supply Management, cber.co

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U.S. Personal Savings Rate

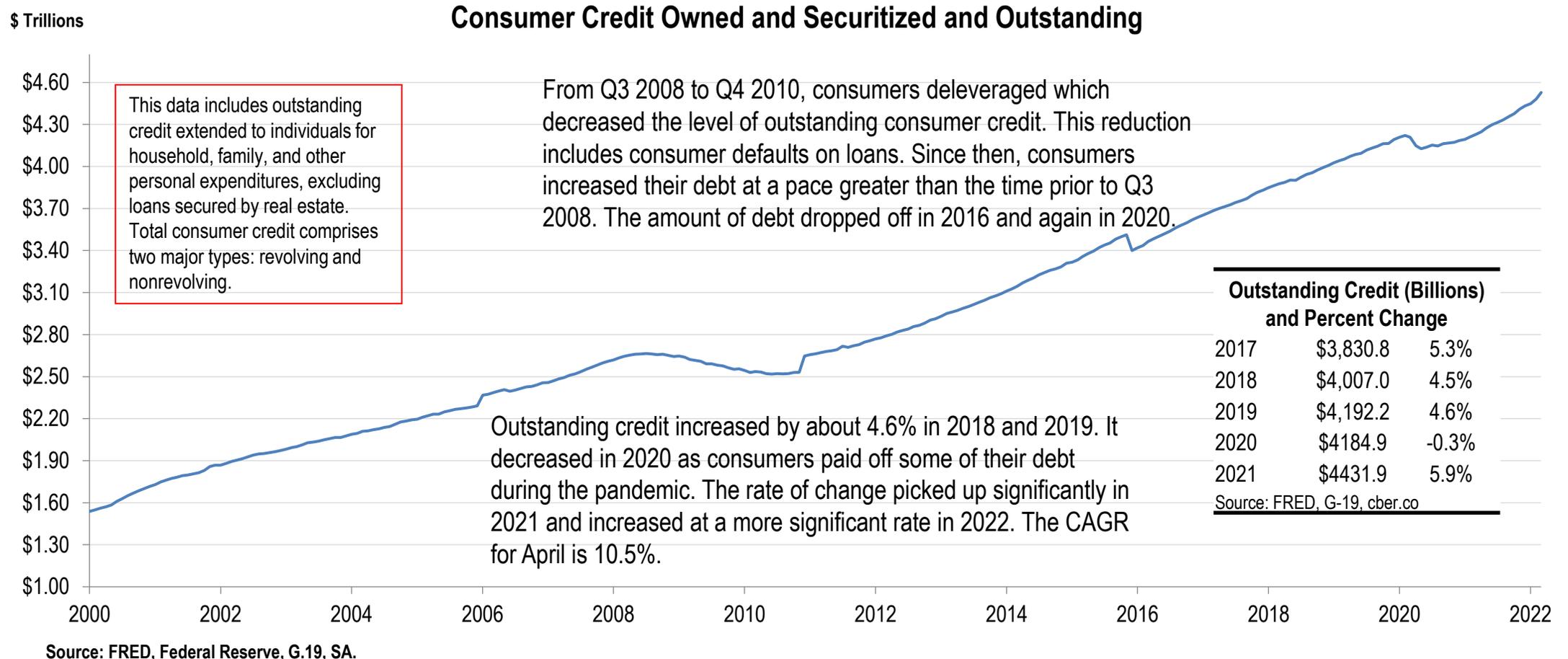
Percentage of Disposable Personal Income

Personal Savings Rate



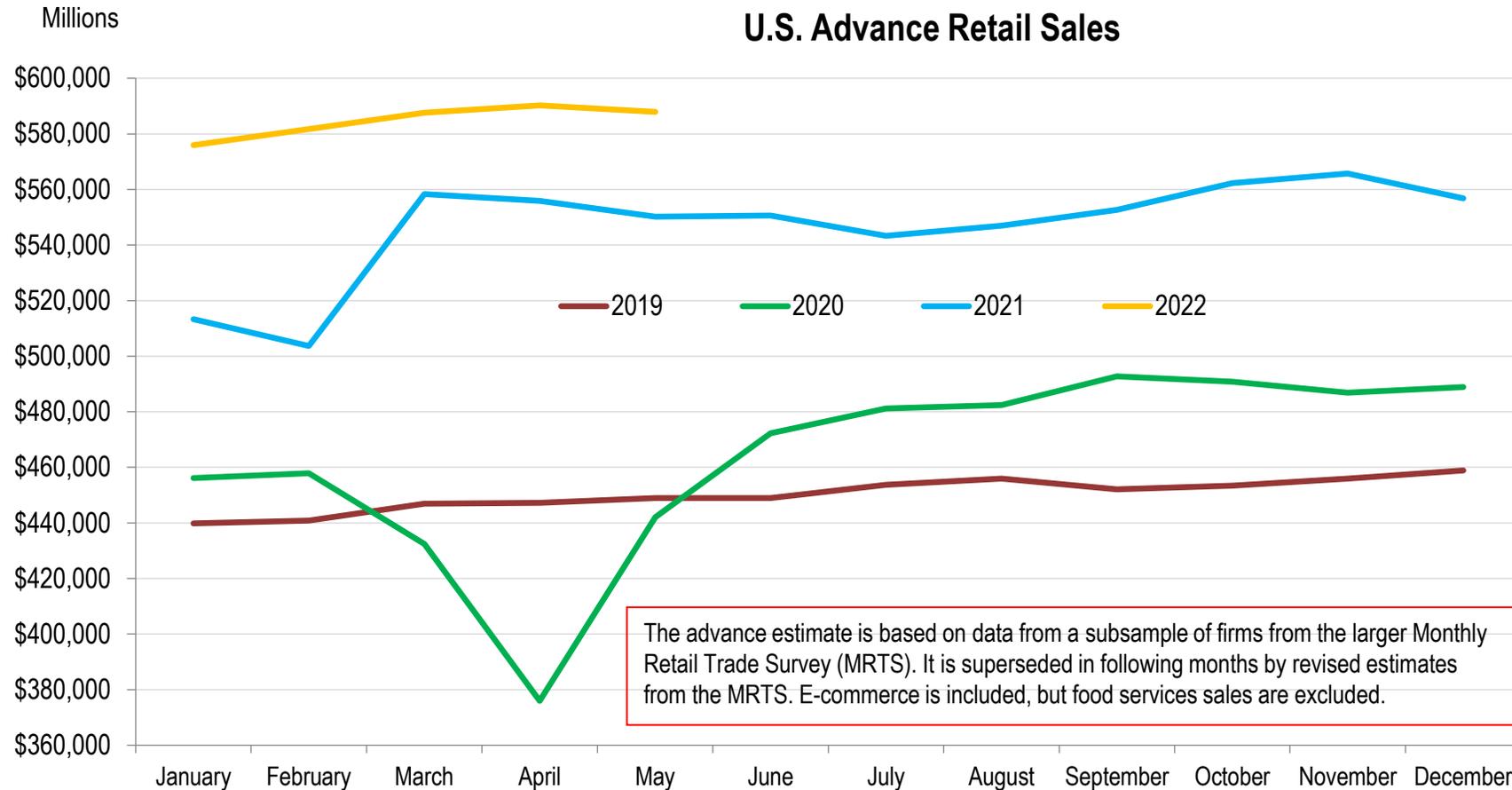
Source: BEA, FRED, cber.co.

U.S. Consumer Credit Outstanding



U.S. Advance Retail Sales

Monthly



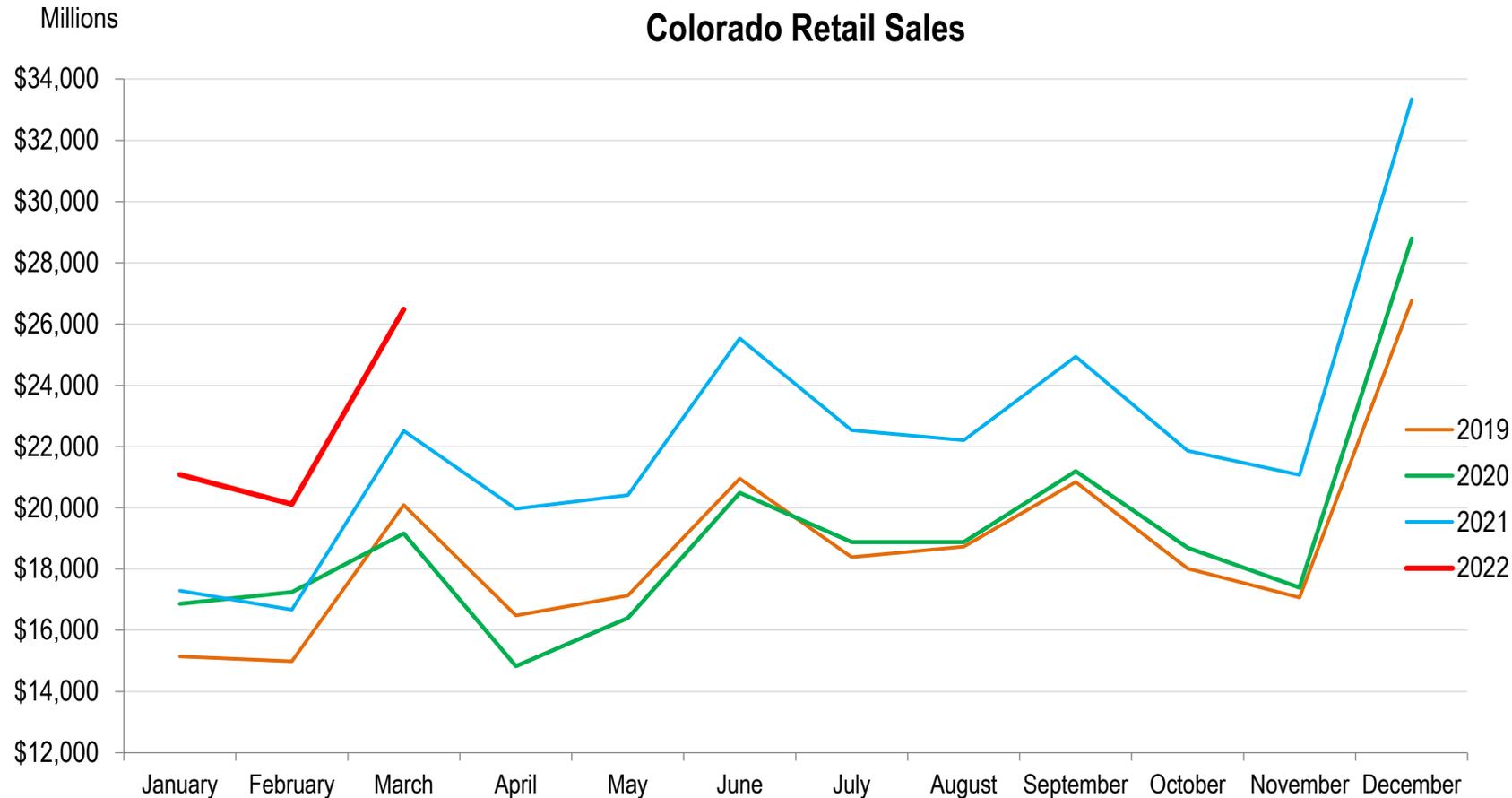
Advance retail sales increased at a surprisingly rapid pace during the pandemic (Green-2000 and Blue-2001). Consumers had money to spend because of stimulus programs, wage increases, increased savings, and lower levels of credit card debt. Sales through the first five months of 2022 (yellow) are 9.0% greater than the same period in 2021.

Annual Retail Sales (Trillions)		
2017	\$5.05	4.4%
2018	\$5.26	4.2%
2019	\$5.40	2.7%
2020	\$5.56	2.9%
2021	\$6.56	18.0%

Source: Census, cber.co

Colorado Retail Sales

Monthly



Colorado Retail Sales

Retail sales for the first three months of 2022 (red) were 17.8% greater than the same period in 2021 (turquoise). The higher level of consumption in 2022 resulted from a greater wealth effect, increased savings, and manageable credit card debt. The Q1 sales reflect inflated prices; however, the higher inflation rate may cause a reduction in spending in Q3 and Q4.

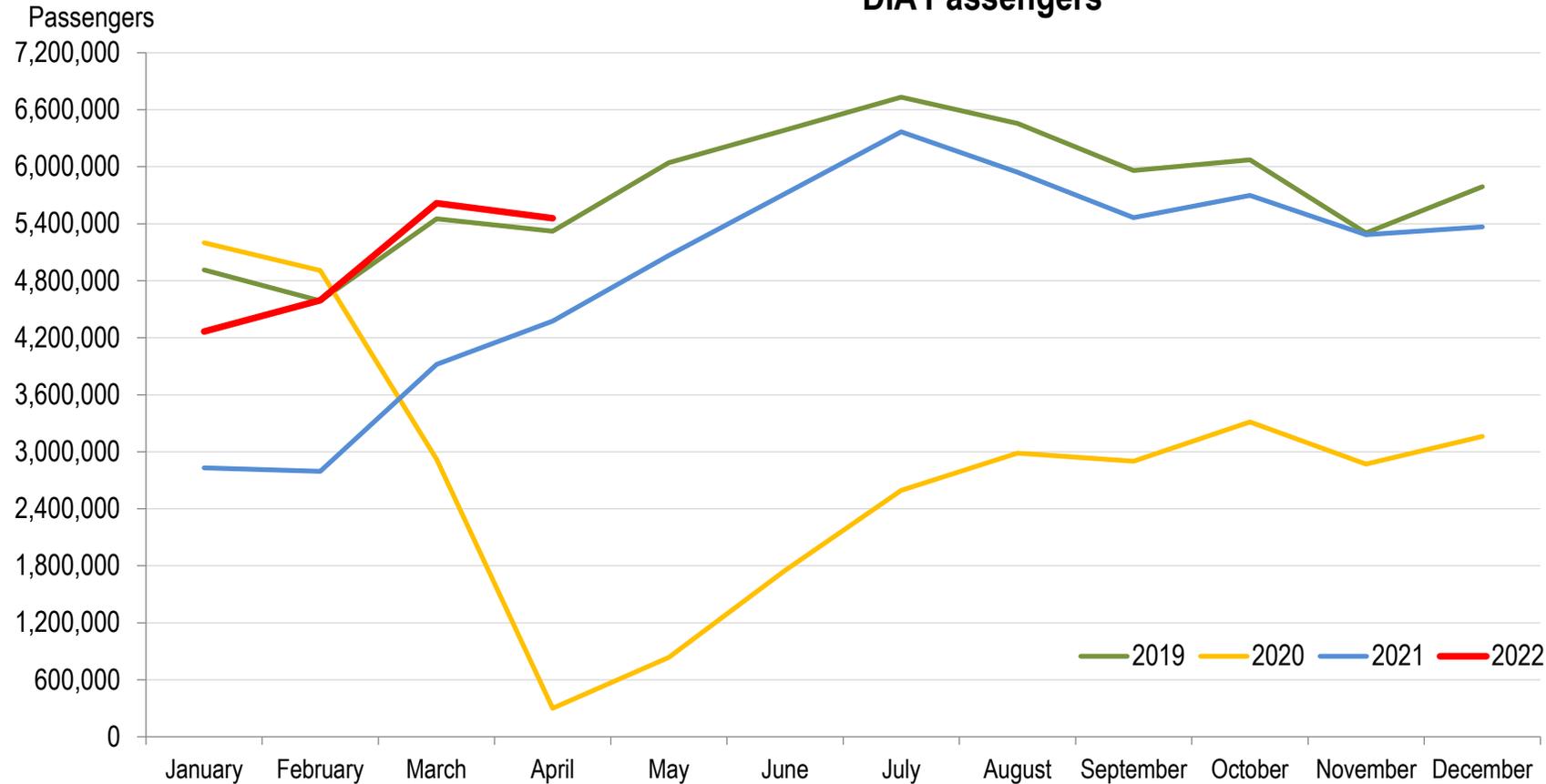
Annual Retail Sales (Billions)		
2017	\$194.6	5.4%
2018	\$206.2	5.9%
2019	\$224.6	9.0%
2020	\$228.8	3.9%
2021	\$268.3	17.3%
2022	\$295.2	10.0%

Source: Colorado Department of Revenue, <https://cdor.colorado.gov/retail-sales-reports>, cber.co. Note: Not adjusted for inflation.
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Denver International Airport Passengers

Monthly

DIA Passengers



The number of DIA passengers during the first four months of 2022 (red) is below the YTD total for 2019 (green), but above the YTD total for 2020 (yellow).

There were 19.9 million DIA passengers during the first four months of 2022.

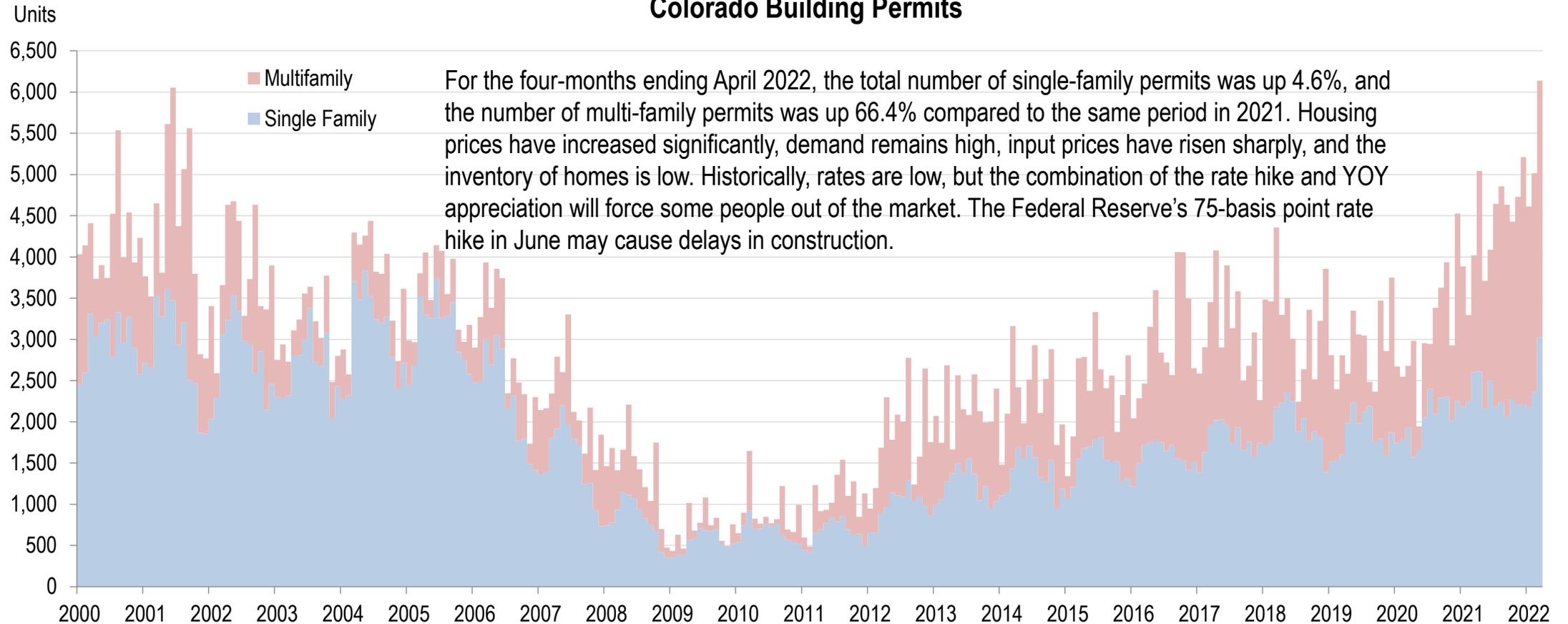
Year	Passengers	% Change
2022	64,000,000	8.8%
2021	58,828,552	74.4%
2020	33,741,129	-51.3%
2019	69,015,703	7.0%
2018	64,494,613	5.1%
2017	61,379,396	5.3%
2016	58,266,515	7.9%

Source: flydenver.com, cber.co.

Colorado Residential Building Permits

Units

Colorado Building Permits

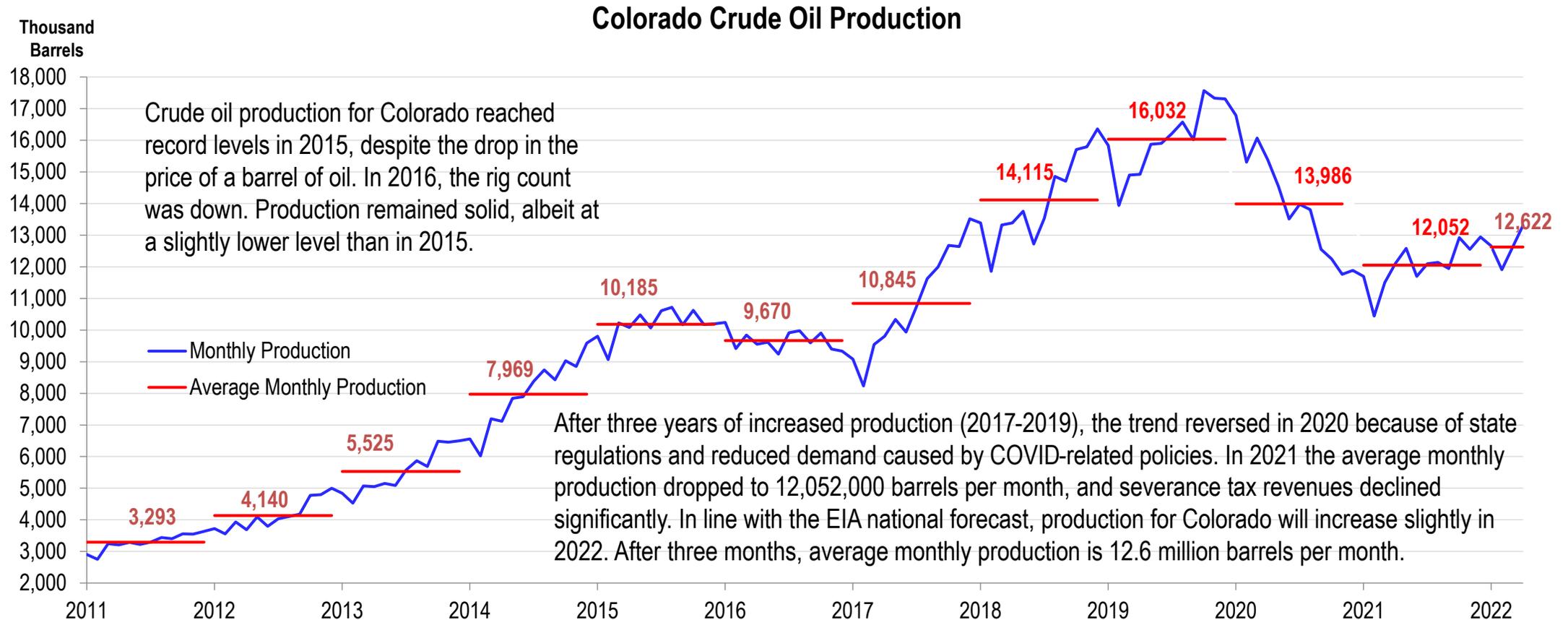


Source: TAMU Real Estate Center, U.S. Census Bureau, cber.co.

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Colorado Field Production of Crude Oil

2011 to 2022 (Thousand Barrels)



Source: EIA, cber.co.

Economic Outlook and Trends

Headwinds

Inflation is at the top of the list of many headwinds. U.S. and Colorado consumers will ultimately pay for rising costs from energy, higher wages, increased input costs, housing appreciation, supply chain disruptions, and policy decisions related to the conflict in Eastern Europe. In particular, the U.S. and Colorado will struggle to resolve their energy problems.

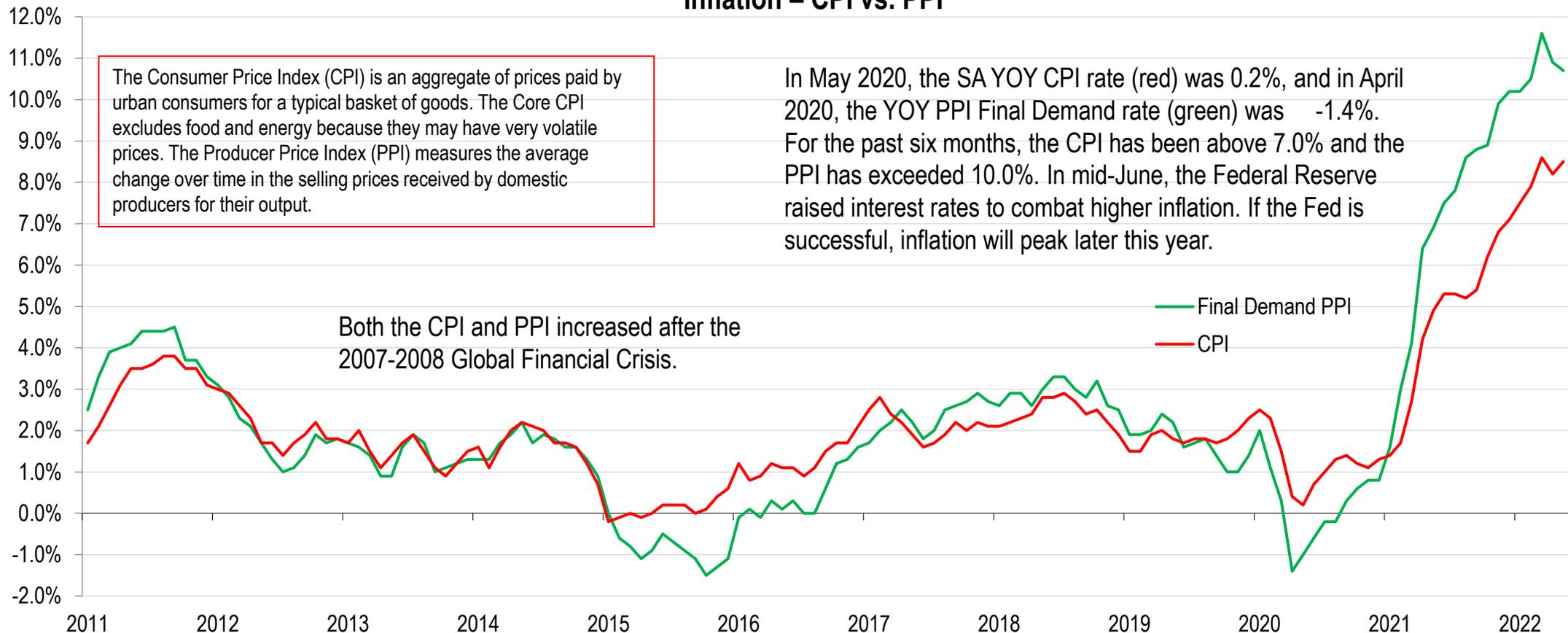
The Federal Reserve interest rate hikes will disrupt the housing market and will slow demand in other parts of the economy.

The labor market is strong; however, there are a record number of job openings and quits. The labor shortages in many industries will continue.

U.S. Inflation

CPI vs. Producer Price Index (Final Demand)

Inflation – CPI vs. PPI



The Consumer Price Index (CPI) is an aggregate of prices paid by urban consumers for a typical basket of goods. The Core CPI excludes food and energy because they may have very volatile prices. The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers for their output.

In May 2020, the SA YOY CPI rate (red) was 0.2%, and in April 2020, the YOY PPI Final Demand rate (green) was -1.4%. For the past six months, the CPI has been above 7.0% and the PPI has exceeded 10.0%. In mid-June, the Federal Reserve raised interest rates to combat higher inflation. If the Fed is successful, inflation will peak later this year.

Both the CPI and PPI increased after the 2007-2008 Global Financial Crisis.

Final Demand PPI
CPI

Source: Bureau of Labor Statistics, PPI Commodity Data, Final Demand SA; CPI All Items City Average SA, cber.co. Colorado-based Business and Economic Research <https://cber.co>

Inflation

Denver-Aurora-Lakewood

Last fall, some of the country's top economists said pigs would fly before inflation rose significantly. The pigs flew. Then the economists said inflation would be transitory. It was not short-lived. On June 15, the Fed raised interest rates by 75 basis points. Hopefully, they are right this time.

The CPI for Denver is published every two months, and the U.S. rate is published monthly. In May 2022, the U.S. CPI (NSA) was 8.6%, and the Colorado rate was 8.3%. CPI rates for select categories, that are important to Coloradans, are listed below.

Alcoholic Beverages	4.8%	Housing	7.2%
Apparel	-0.3%	Meats, Poultry, Fish, Eggs	17.2%
Dairy	8.0%	Medical	10.3%
Food and Beverage	9.4%	Motor Fuel	35.2%
Food at Home	10.6%	Non-Alcoholic Beverage	11.8%
Food Away From Home	8.6%	Recreation	6.0%
Fruits and Vegetables	6.1%	School Fees/Childcare	-0.4%
Household Energy	11.7%	Transportation	16.1%
Household Furnish/Supp	11.6%	Used Vehicles	18.9%

Source: BLS, cber.co.

Colorado-based Business and Economic Research <https://cber.co>

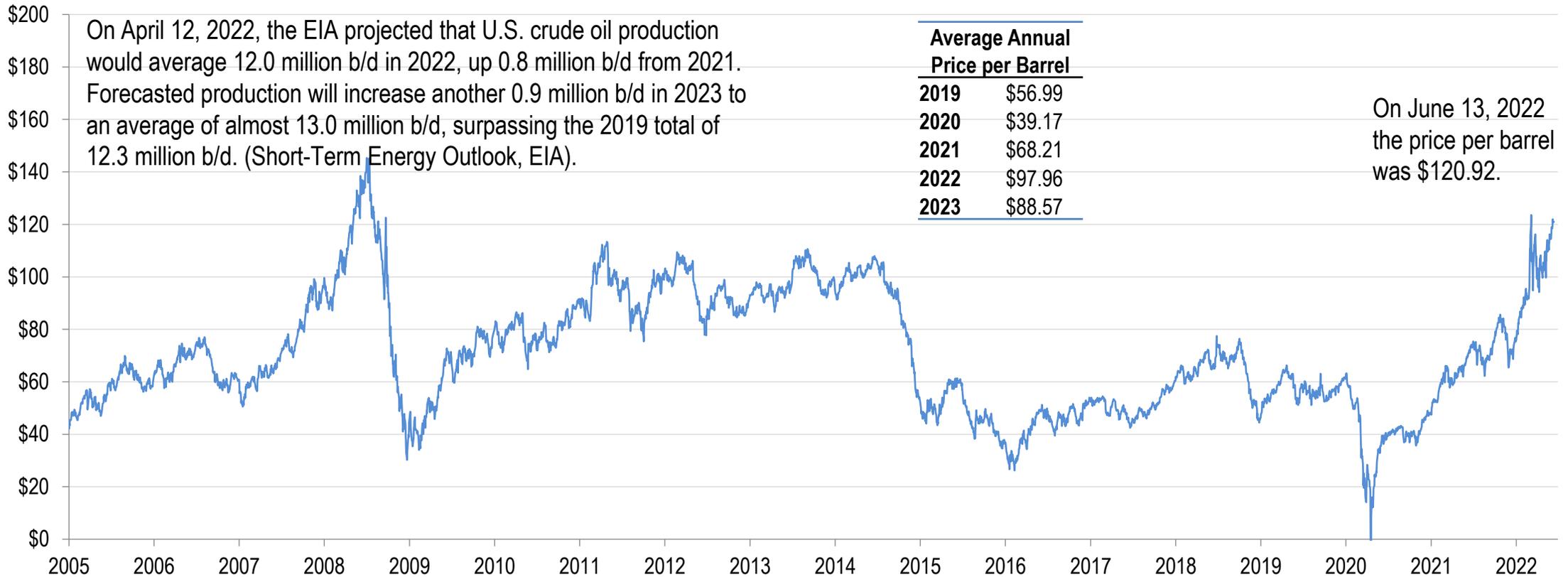


Crude Oil Prices

West Texas Intermediate

Dollars per
Barrel

Crude Oil Prices: West Texas Intermediate, Cushing, Oklahoma

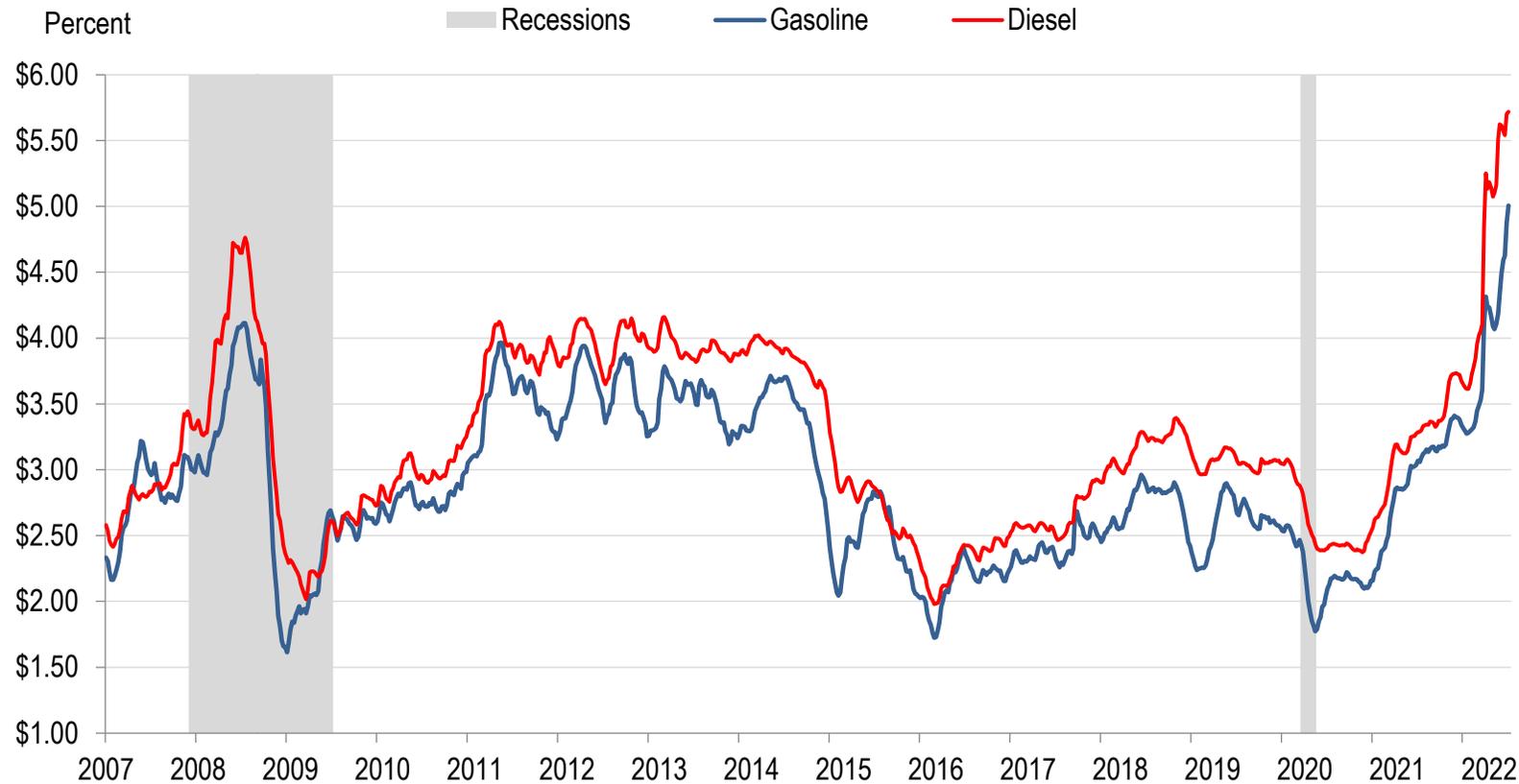


Source: EIA, cber.co, <https://www.eia.gov/outlooks/steo/#:~:text=U.S.%20crude%20oil%20production%20in.b%2Fd%20set%20in%202019>.

Gasoline (Regular All Formulations) and Diesel Prices

United States

U.S. Gasoline Regular (All Formulations) and Diesel Prices



Gas and Diesel Prices

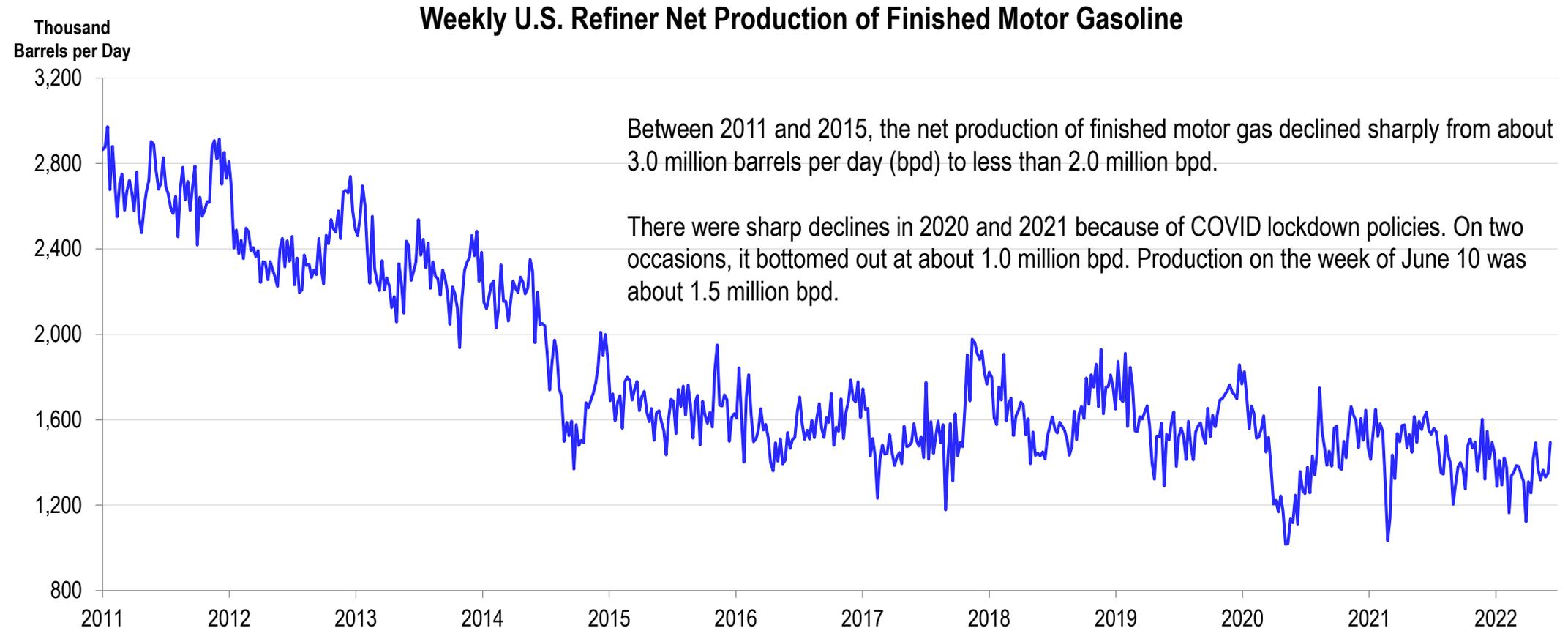
On February 21, 2021, the price for a gallon of gasoline was \$2.63, and a gallon of diesel was \$2.97. On June 13, 2022, the price for a gallon of gasoline was \$5.07, and a gallon of diesel was \$5.70. The Eastern European conflict escalated on February 24, 2022, a year after fuel prices started increasing.

Average Annual

Year	Diesel	Gasoline
2015	\$2.71	\$2.43
2016	\$2.30	\$2.14
2017	\$2.65	\$2.42
2018	\$3.18	\$2.72
2019	\$3.06	\$2.60
2020	\$2.55	\$2.17
2021	\$3.29	\$3.01

Source: FRED, EIA, cber.co.

Weekly U.S. Refiner Net Production of Finished Motor Gasoline (Thousand Barrels per Day)

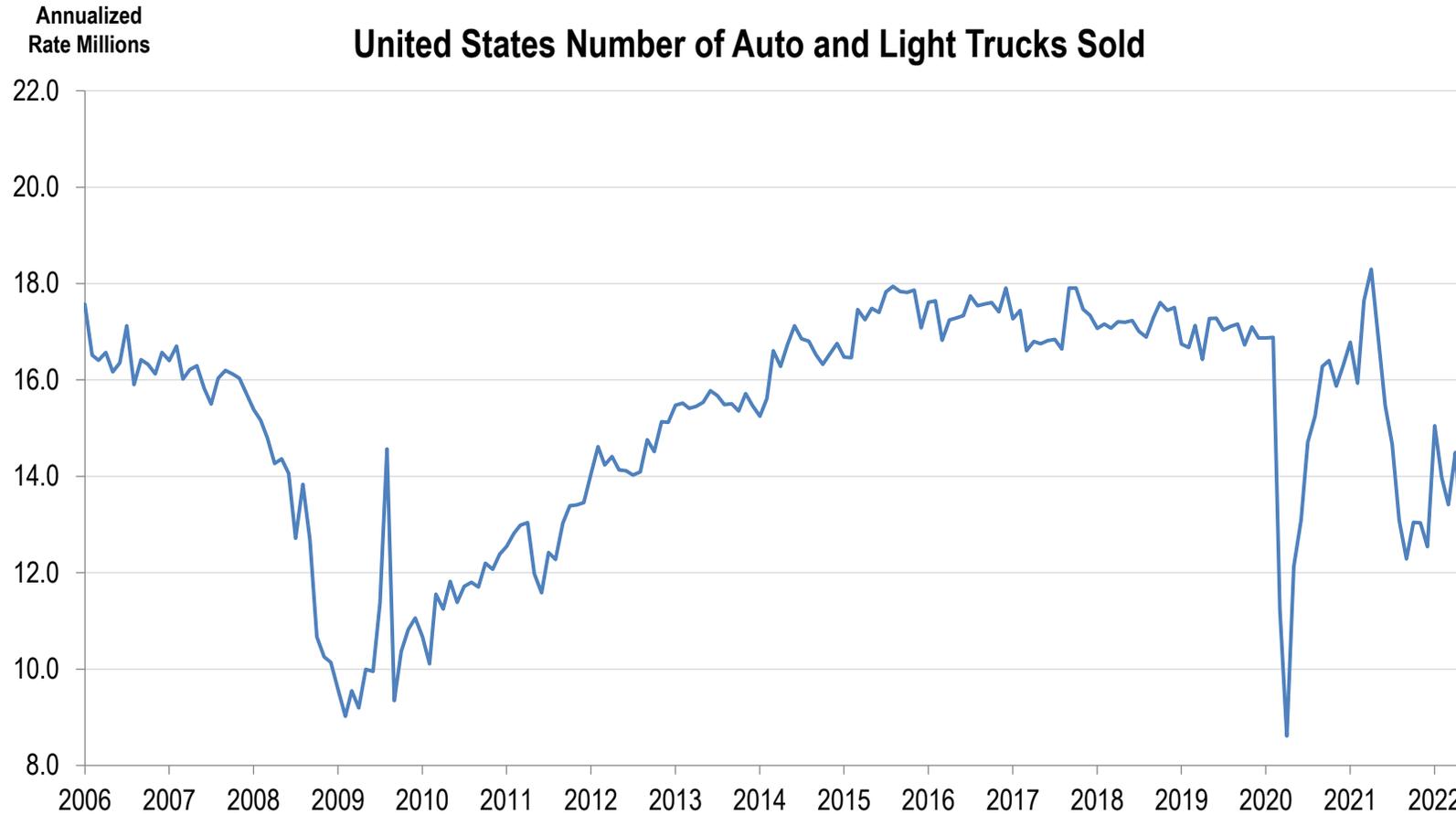


Source: EIA, cber.co.

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

Monthly (Seasonally Adjusted Annualized Rate in Millions)



In April 2020, SAAR sales plummeted to 8.6 million units (The February 2009 total was 9.0 million). There was a sharp rebound, and sales peaked at 18.3 million in April 2021. In 2021, the industry did not meet the demand for new cars because of supply chain disruptions. Sales in May 2022 were 12.7 million annualized. This is below expectations.

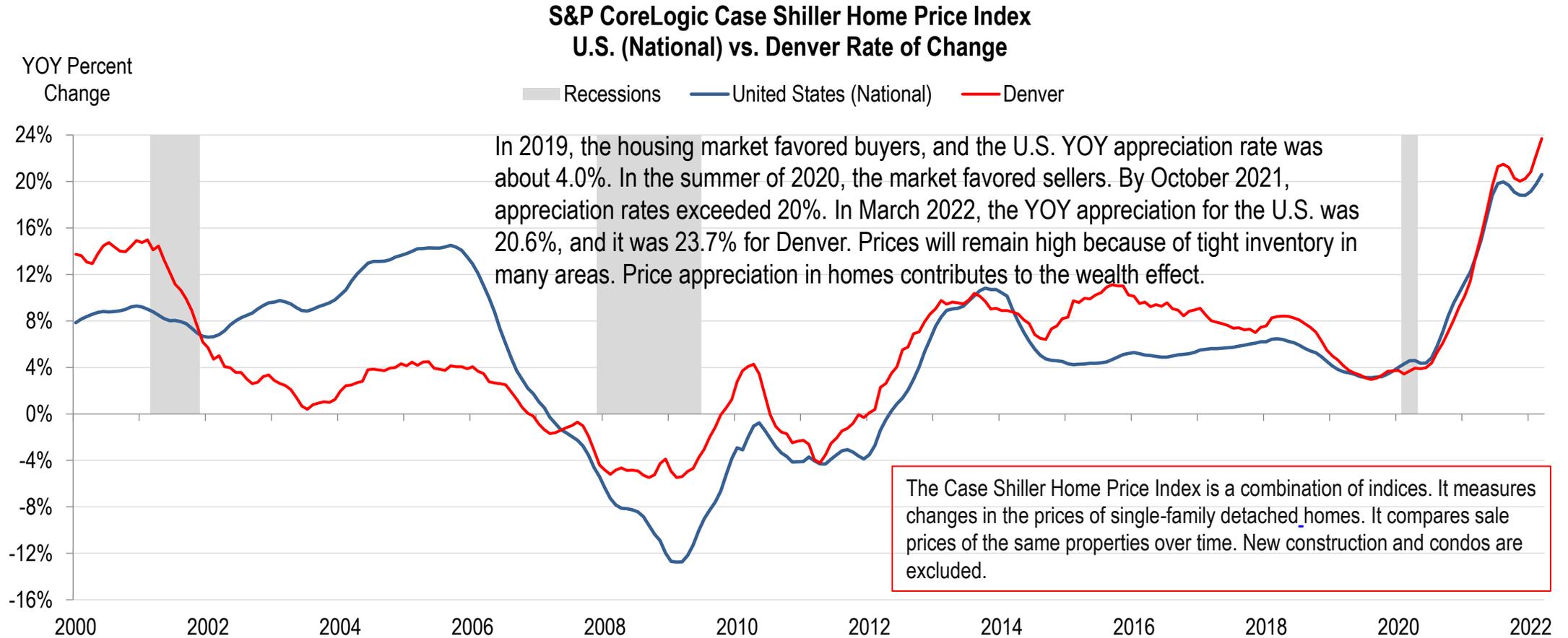
ALT Unit Sales	
Year	Units Sold (Millions)
2015	17.4
2016	17.5
2017	17.2
2018	17.2
2019	17.0
2020	14.5
2021	15.0
2022 (f)	16.5

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

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Case Shiller Home Price Index

YOY National vs. Denver Rate of Change

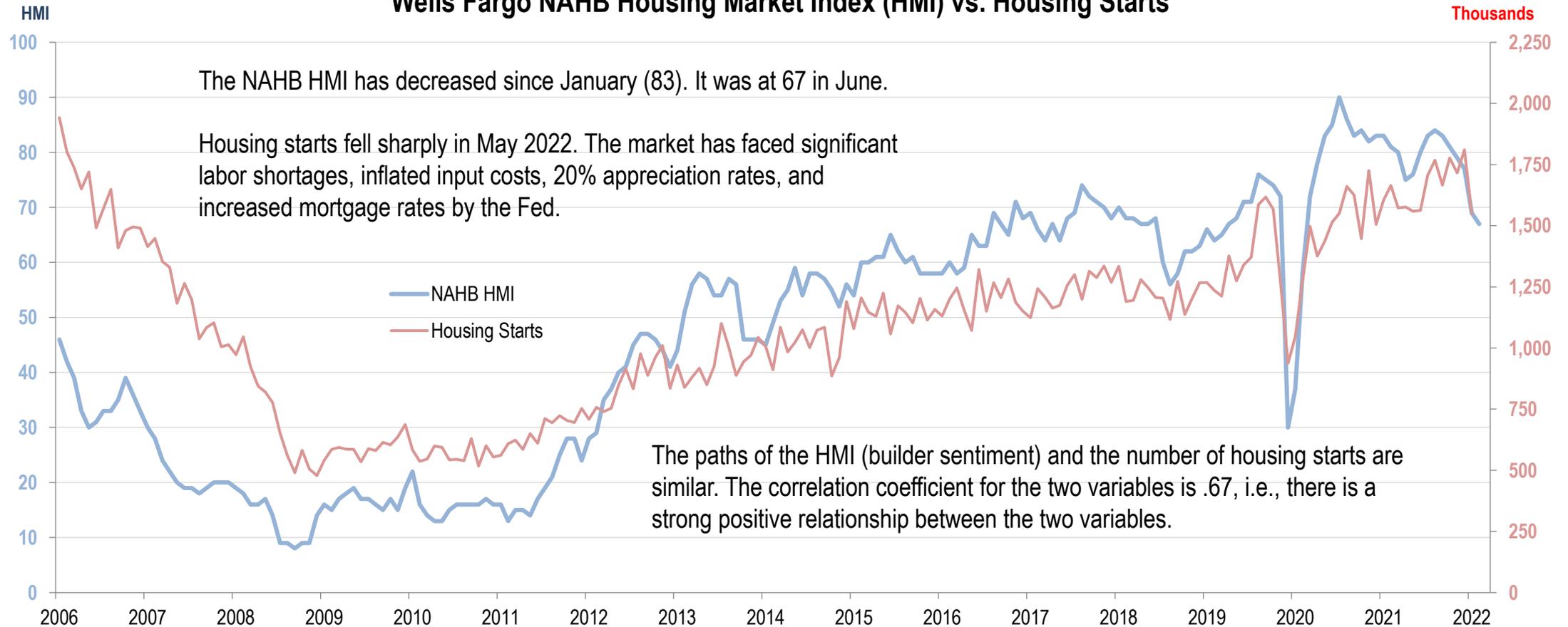


Source: S&P Case Shiller, cber.co.

Wells Fargo NAHB HMI vs. Housing Starts

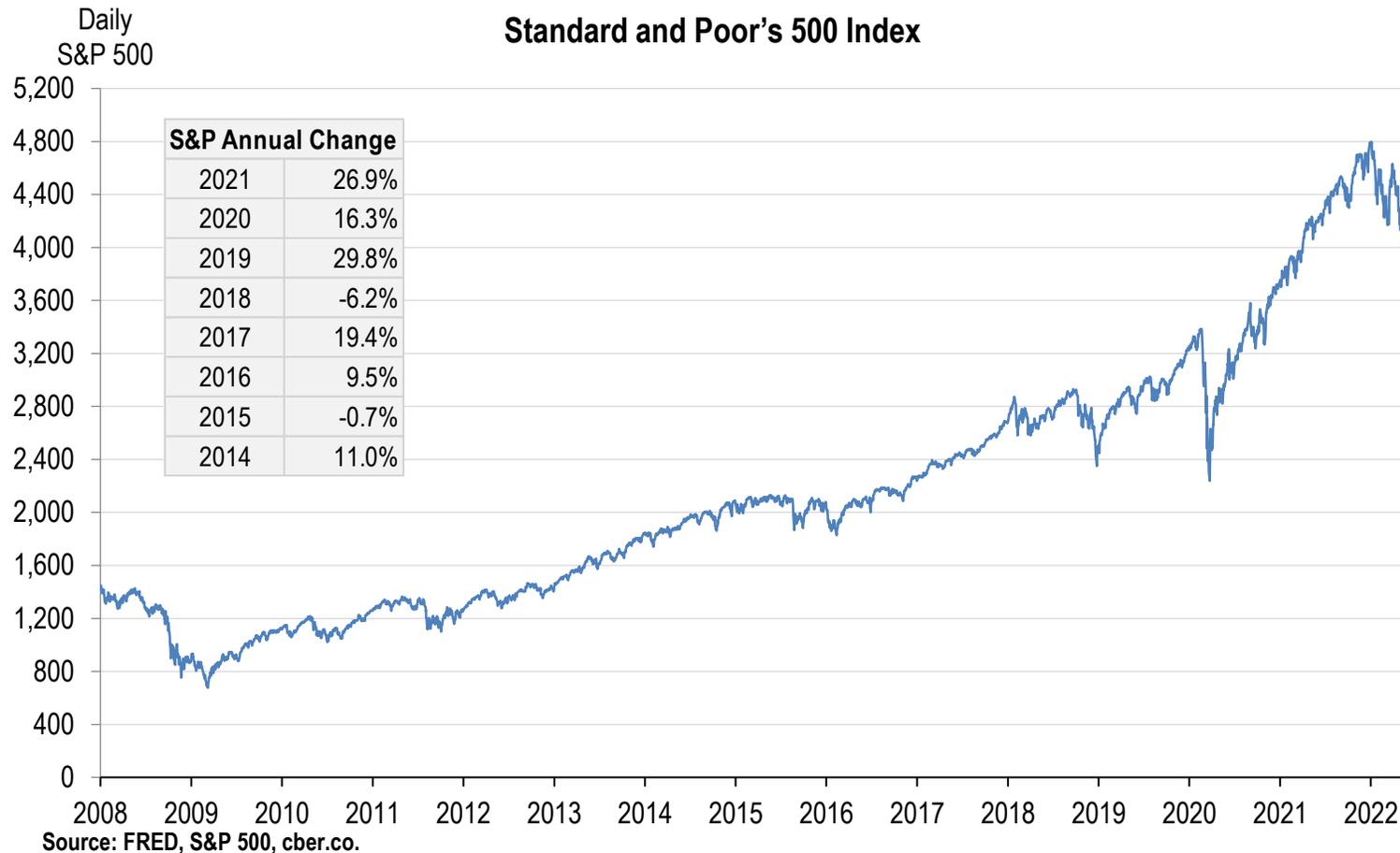
United States

Wells Fargo NAHB Housing Market Index (HMI) vs. Housing Starts



Source: NAHB, cber.co.

Standard and Poor's 500 Index



COVID 19 Policies Bear Market - 2020

After reaching 3,386 on February 19, 2020, the S&P 500 slipped to 2,237 on March 23, 2020, a loss of 34% or 1,148 points. On August 18, 2020, the S&P had returned to 3,386. The bear market of 2020 was short-lived (149 days).

Year-End 2021

The S&P index increased at a steady rate for most of 2021. On December 31, it was 4,766 or 26.9% greater than the December 2000 closing value.

YTD Change - 2022 Bear Market

On June 17, 2022, the S&P 500 closed at 3,674, a change of -22.7%, or 1,092 points off the December 2021 value.

The appreciation of stocks contributes to the wealth effect of investors.

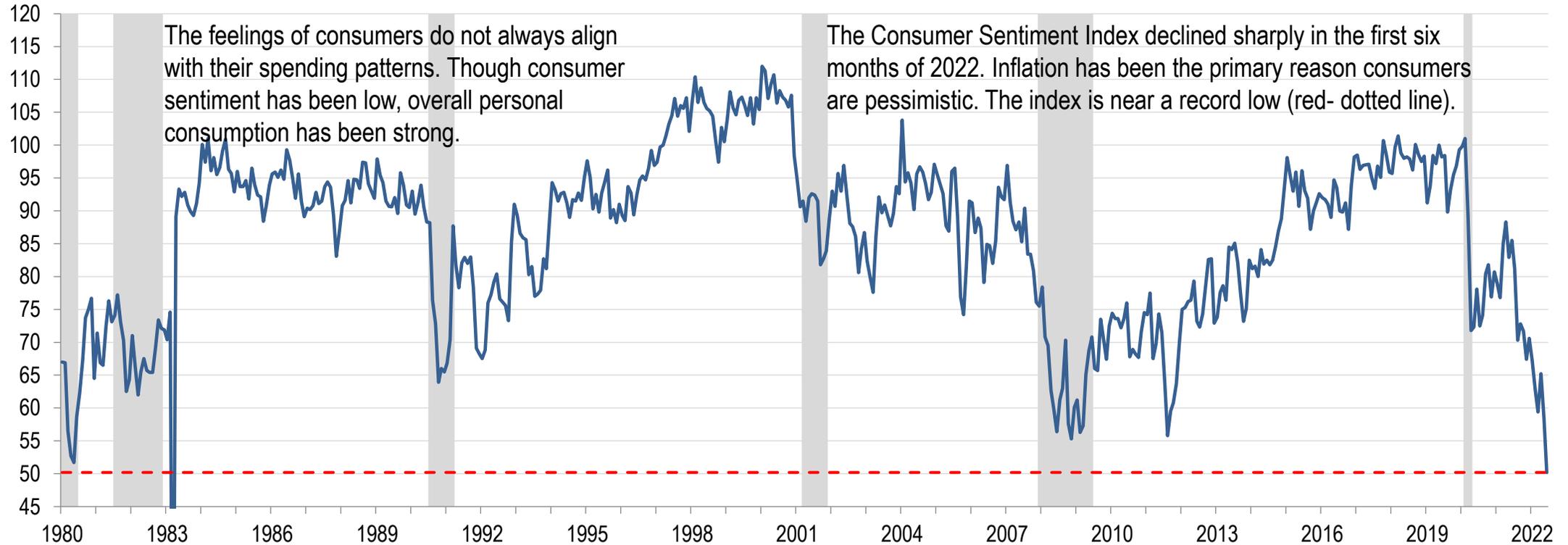
Consumer Sentiment Index

University of Michigan

Michigan Consumer Sentiment Index

1966 Q1=100

Recessions Index Current Value

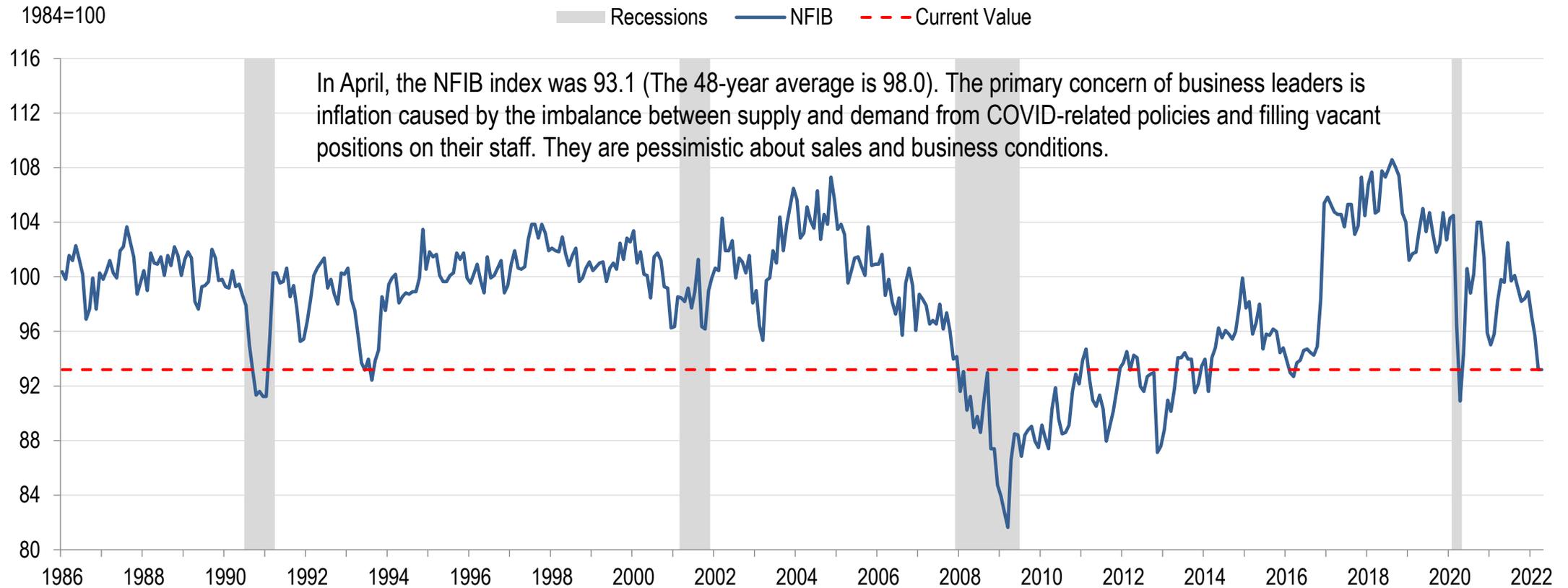


Source: University of Michigan, cber.co.

NFIB Small Business Optimism Index

United States

NFIB Small Business Optimism Index



Source: NFIB, cber.co.

NFIB Small Business Optimism Index

United States

Every month, NFIB produces excellent research on the state of the economy for small businesses. This excerpt is the commentary section from their May Small Business Economic Trends report <https://www.nfib.com/surveys/small-business-economic-trends/>. It sums up the passion and frustration felt by many small business leaders.

COMMENTARY - NFIB

Things are pretty messy these days. Inflation is out of control. Stock markets are sagging. The war in Ukraine continues. And China's zero Covid policy remains in place. A lot of moving parts continue to disrupt the global economy. It's a mess indeed.

Inflation is now taxing earnings at an unacceptable rate. Compensation is growing at an annual rate of about 6% but inflation is at 8%, reducing real incomes. As is always the case, the impact is not evenly spread across the population, especially harmful to those on fixed incomes and those earning less than average incomes. House prices are up 20% over the year so those interested in homeownership are being priced out of the market. Mortgage rates are rising as well. To combat inflation, the Federal Reserve will rapidly raise interest rates to slow spending. The prime rate of interest hit 20% during the last big inflation fight over 40 years ago. For this round, prime started at 3.5%. It will go higher, and borrowers will pay more for loans. But for now, borrowing is still relatively inexpensive but maybe not for long.

For the moment, the economy seems to be doing okay despite continuing supply side issues that are holding down profits, not due to weak spending. But we are skating on thin ice, cracks are appearing, and the cold water is deep. We are short on life preservers. But the Administration refuses to ease up on the policies it implemented that produced higher energy costs and overheated spending. Instead, it proposes more spending, bigger government, and higher taxes, all of which will raise prices. Owners remain very pessimistic about the second half of the year. But until a recession shows its face, they will "make hay while the sun shines."

Source: NFIB, [cber.co](https://www.nfib.com).

Colorado-based Business and Economic Research <https://www.cber.co>

Economic Outlook and Trends

Summary of Colorado Employment and Economic Outlook and Trends

The momentum from the above-average Colorado employment and wage growth will diminish as the year progresses.

The number of passengers at DIA will be a strong point in the economy. The impact of the Marshall Fire and the low housing inventory bodes well for residential construction. The retail sales industry will continue to evolve. Sales will remain strong, but employment increases will be modest.

During the remainder of the year, Colorado headwinds will include inflation, labor shortages, supply chain disruption, ineffective public policy, and other challenges that will arise. Overall growth will be at a slower rate in the second half of the year.

The actions of the Federal Reserve to curb inflation will cause slower growth.

Colorado Economic Forecast 2022

The Colorado real GDP growth rate will be solid in 2022, but it will remain volatile.

The state labor market will remain strong and will be volatile in some sectors.

Retail sales will remain strong but will increase at a slower rate than in 2021. A portion of that growth reflects inflated prices.

Colorado businesses will face headwinds from increased inflation, supply chain disruptions, labor shortages, and interest rate hikes.

	Colorado Economic Forecast			
	2019	2020	2021	2022
Real GDP Value (billions)	\$356.77	\$346.01	\$365.90	\$383.4
% Change Real GDP	4.2%	-3.0%	5.8%	4.8%
CES Employment (thousands)	2,790.1	2,651.1	2,744.0	2,842.0
Annual Change (thousands)	62.8	-139.0	92.9	98.0
% Change	2.3%	-5.0%	3.5%	3.6%
Unemployment Rate	2.7%	7.3%	5.5%	3.4%
Retail Sales (billions)	\$224.6	\$228.8	\$267.7	\$292.9
% Change	9.0%	1.9%	17.0%	9.4%
Consumer Price Index	1.9%	2.0%	3.5%	7.6%
DIA Passengers (millions)	69.0	33.0	59.0	64.0
Single Family Permits	24,756	26,489	27,000	30,700
Multi-family Permits	13,877	13,738	24,000	27,300
Oil Production (thousands) barrels	189,707	172,000	142,000	155,000

The number of DIA passengers has increased rapidly over the past year. That trend will continue through 2023.

There was an increase in the number of building permits issued in 2021. Demand will continue to exceed the supply because of immigration and the Marshall Fire. Total building permits will be slightly stronger in 2022. Higher input costs, rising prices, and interest rates will impact construction and home sales.

The production of crude oil declined in 2011 because of state regulations. Oil production will increase slightly in 2022.

The employment forecast for 2022 was increased because employment for the first half of 2022 was stronger than expected. Minor adjustments were made to other variables. Growth will occur at a slower rate in the second half of 2022.

cber.co
Economic Outlook and Trends Through May 2022
Colorado and the United States

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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For additional information contact cber.co at cber@cber.co , gary@garyhorvath.com, or garyhorvath@hotmail.com.

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ABOUT THE AUTHOR

Gary Horvath has produced annual employment forecasts of the state economy for over 30 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 chair of the photonics/electronics committee in the Governor's Office of Economic Development and International Trade early stage and proof of concept grant program, and he served on the 2021 Colorado Legislative Redistricting Commission.