



Review of Colorado Economy Four Months Through April 2013

Colorado-based Business and Economic Research

May 22, 2013



Overview

This analysis looks at the U.S. and Colorado economies through the first four months of 2013.

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

This brief analysis is divided into the following sections.

- U.S. Economy
- Colorado Economy
- Questions and Answers
- Summary and Challenges (U.S. and Colorado)

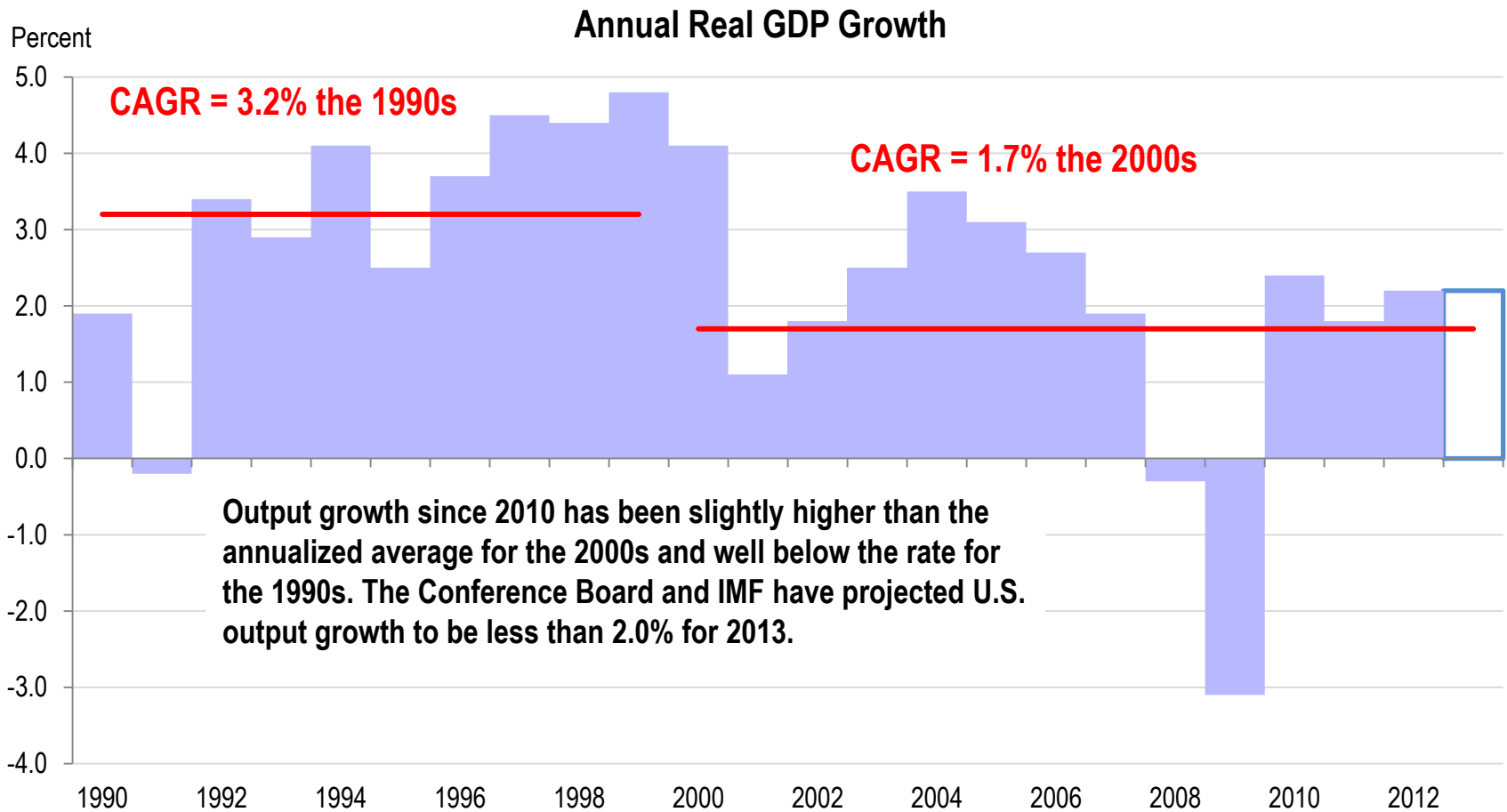
The 2013 CBER forecast can be found at <http://cber.co/CBEReconomy.html>.



United States Economy

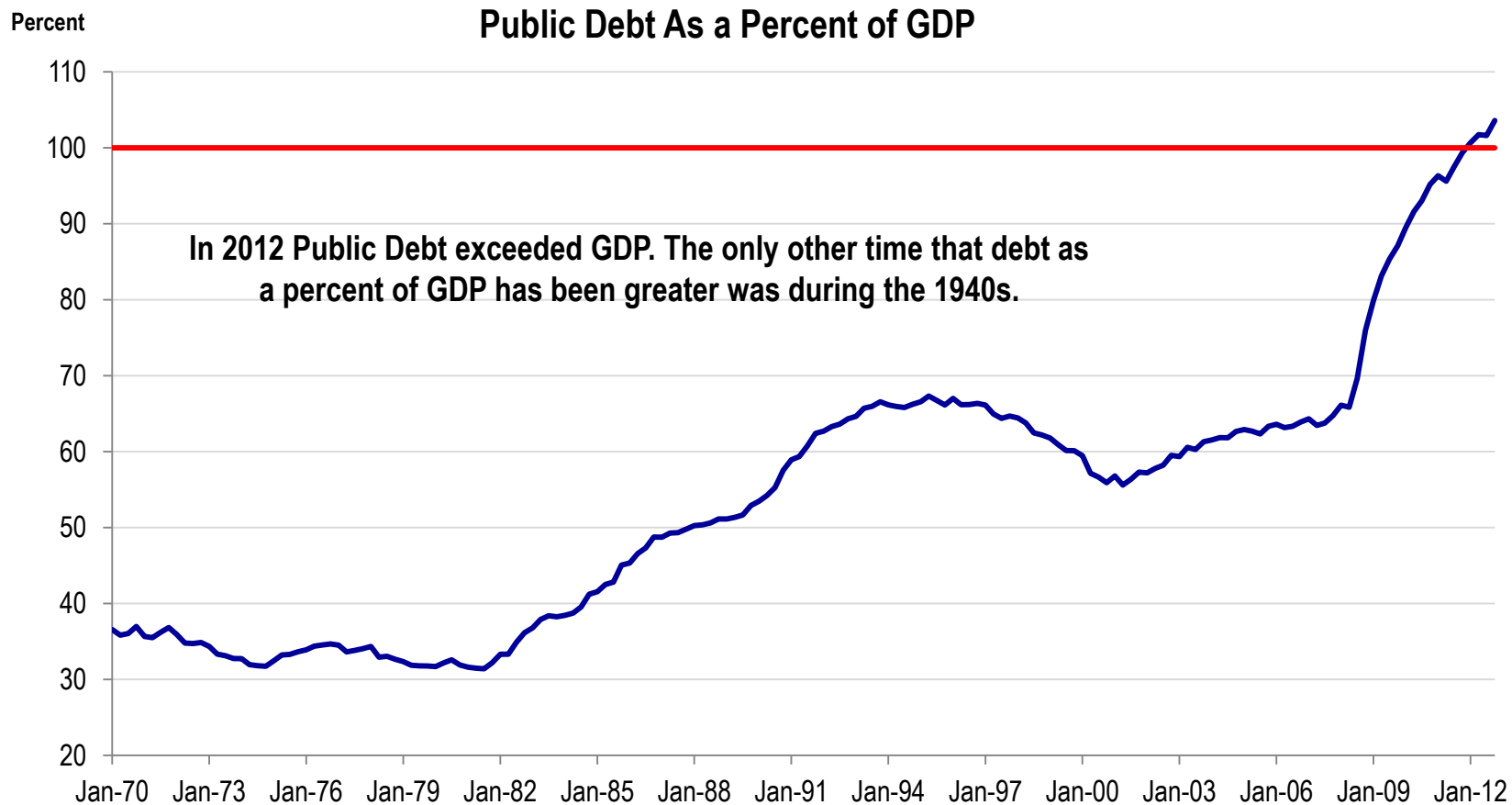
Real US GDP Growth

Annual



Source: Bureau of Economic Analysis, IMF, The Conference Board, CBER.

Public Debt as a Percent of GDP

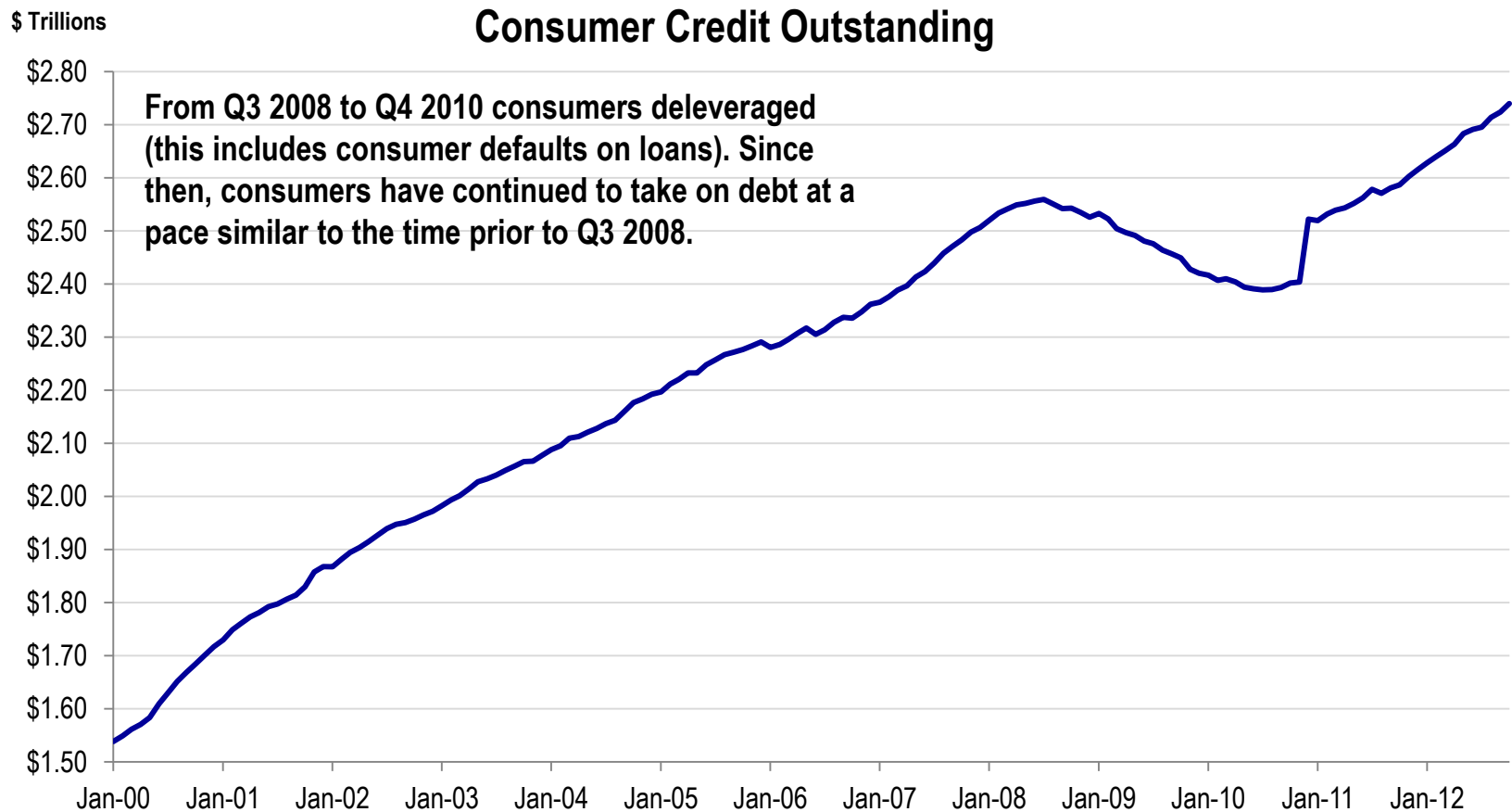


Source: FRED.

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Consumer Credit Outstanding



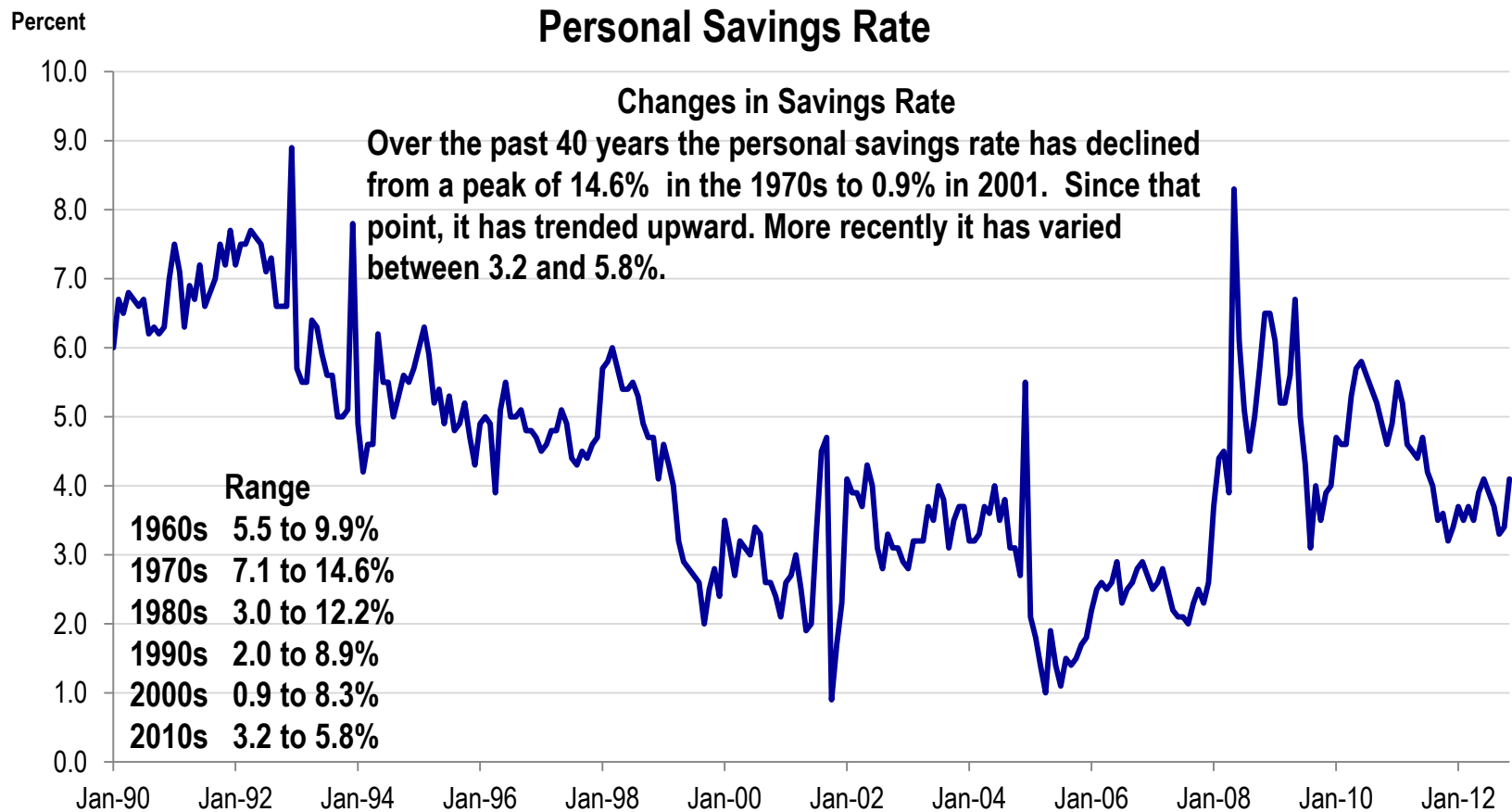
Source: Federal Reserve, G.19.

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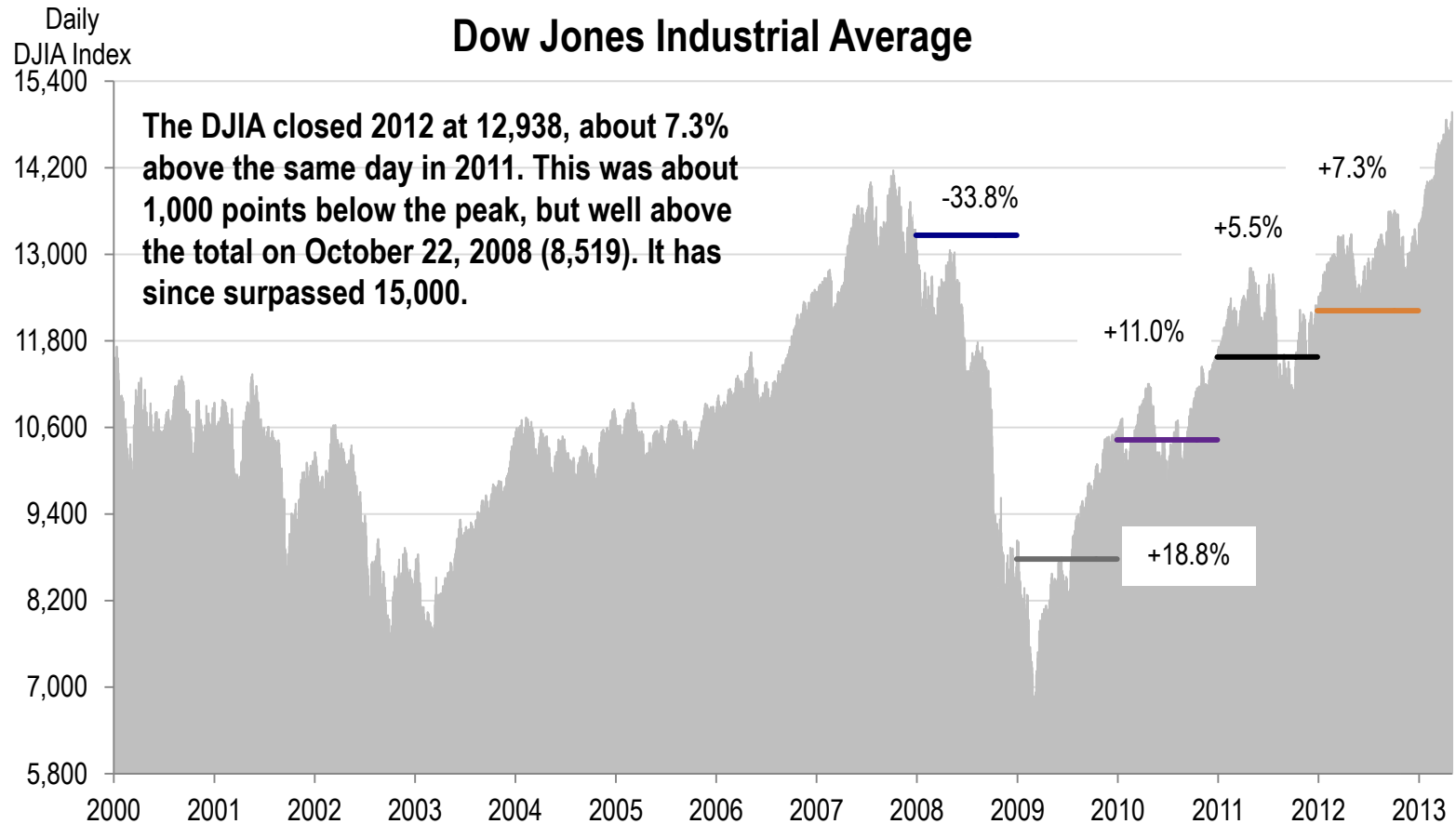
Personal Savings Rate

(As a Percent of Disposable Personal Income)



Source: FRED, SA.

Equities Dow Jones Industrial Average



Source: FRED, DJIA.

U.S. Unemployment Rate and Number of Unemployed

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

At the end of April 2013, the unemployment rate (blue) had dipped to 7.5%.

The total number of unemployed (red) fell to 11.7 million. This is 5.0 million above the low point in 2007.

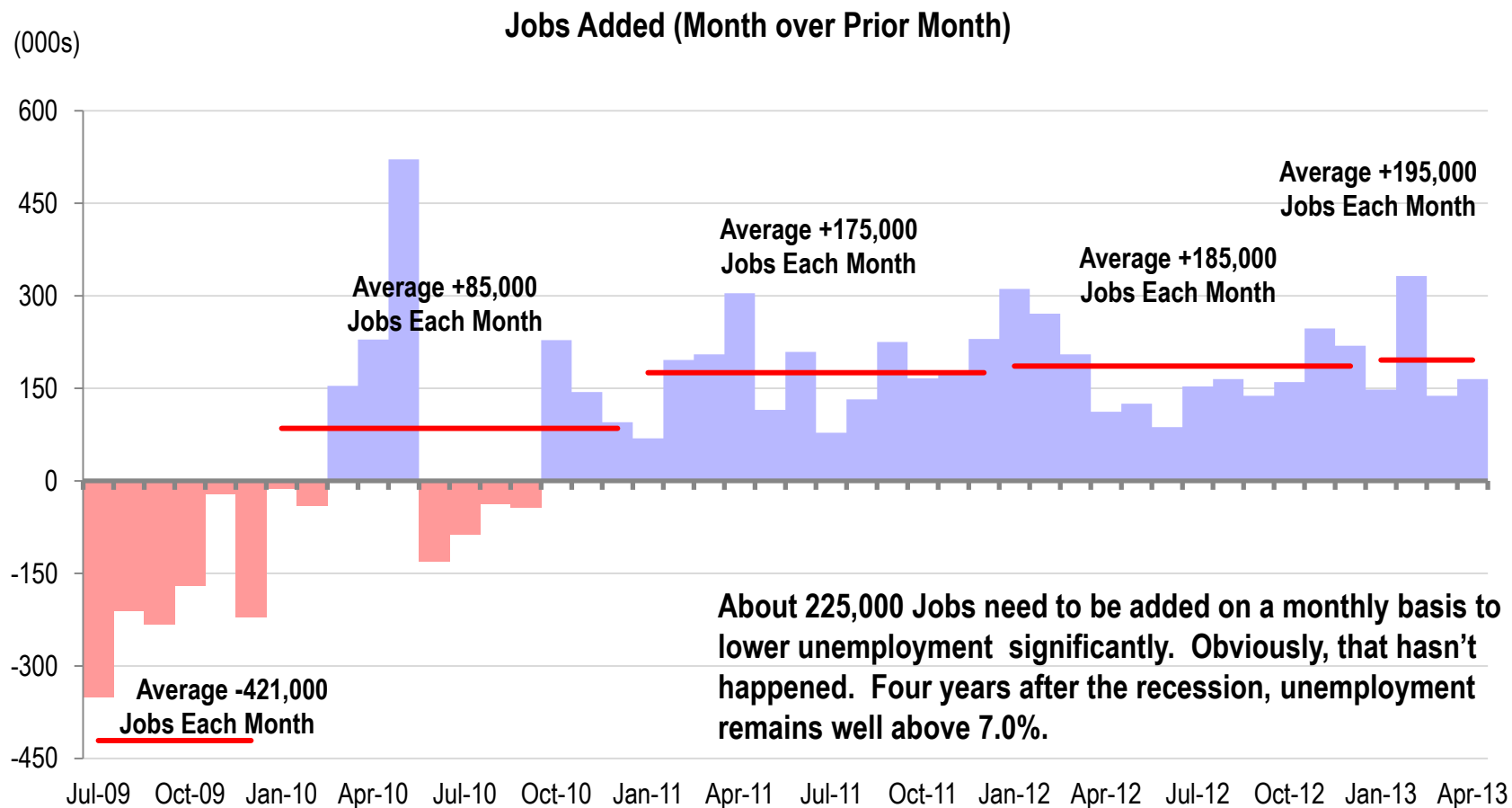


Source: Bureau of Labor Statistics, CBER.

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

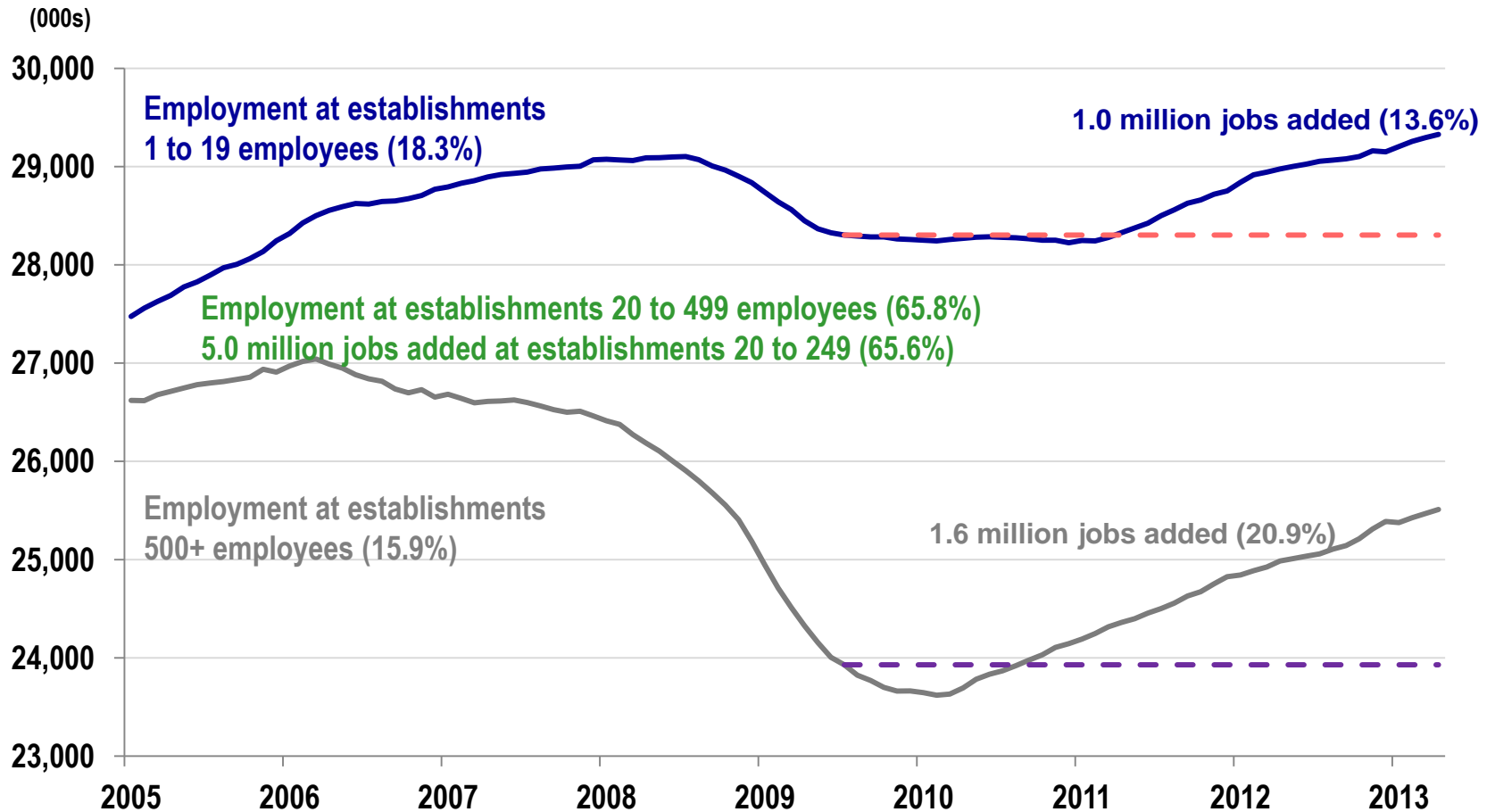


Source: Bureau of Labor Statistics, SA.

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ADP U.S. Private Sector Employment

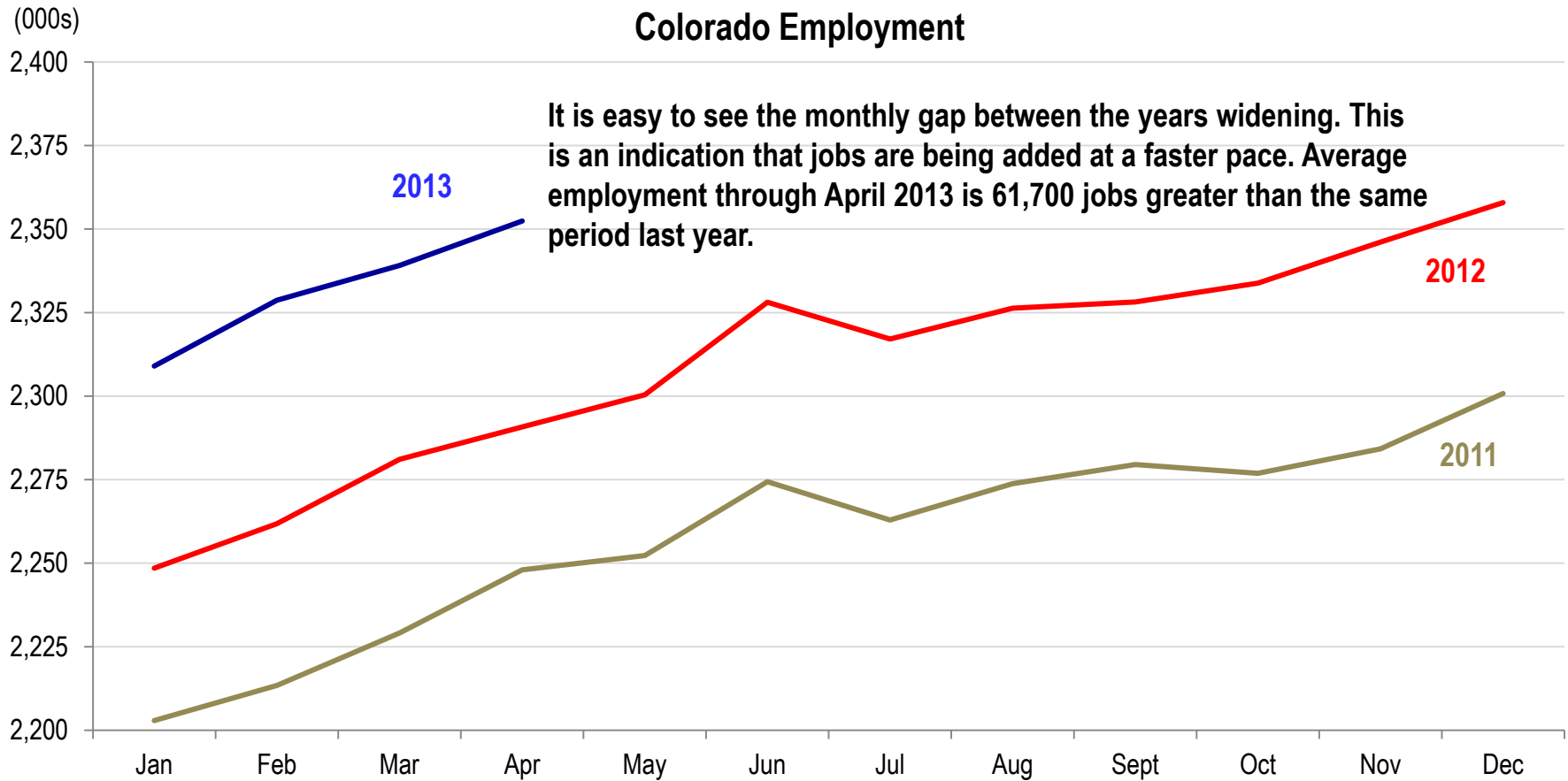
Large Companies are Leading the Recovery





Colorado Economy

Colorado Employment



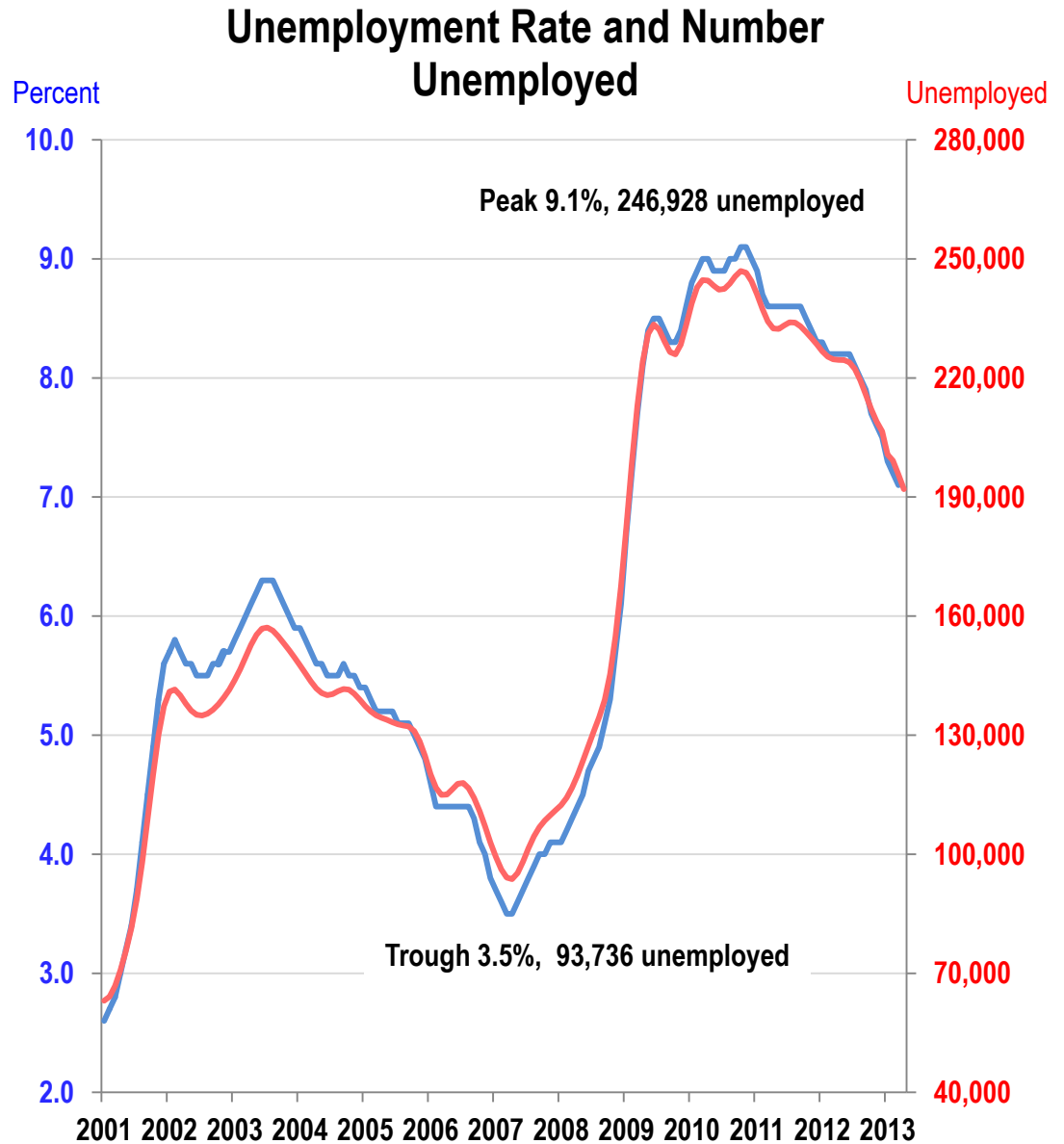
Source: Bureau of Labor Statistics, NSA.

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Colorado Unemployment Rate and Number of Unemployed

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

At the end of April 2013, the unemployment rate (blue) dipped to 6.9%. The total number of unemployed (red) fell to 191,156. The number of unemployed is more than twice as many as the low point in 2007.



Source: Bureau of Labor Statistics, CBER.

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Annual Employment Situation for Strong Growth Sectors

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

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

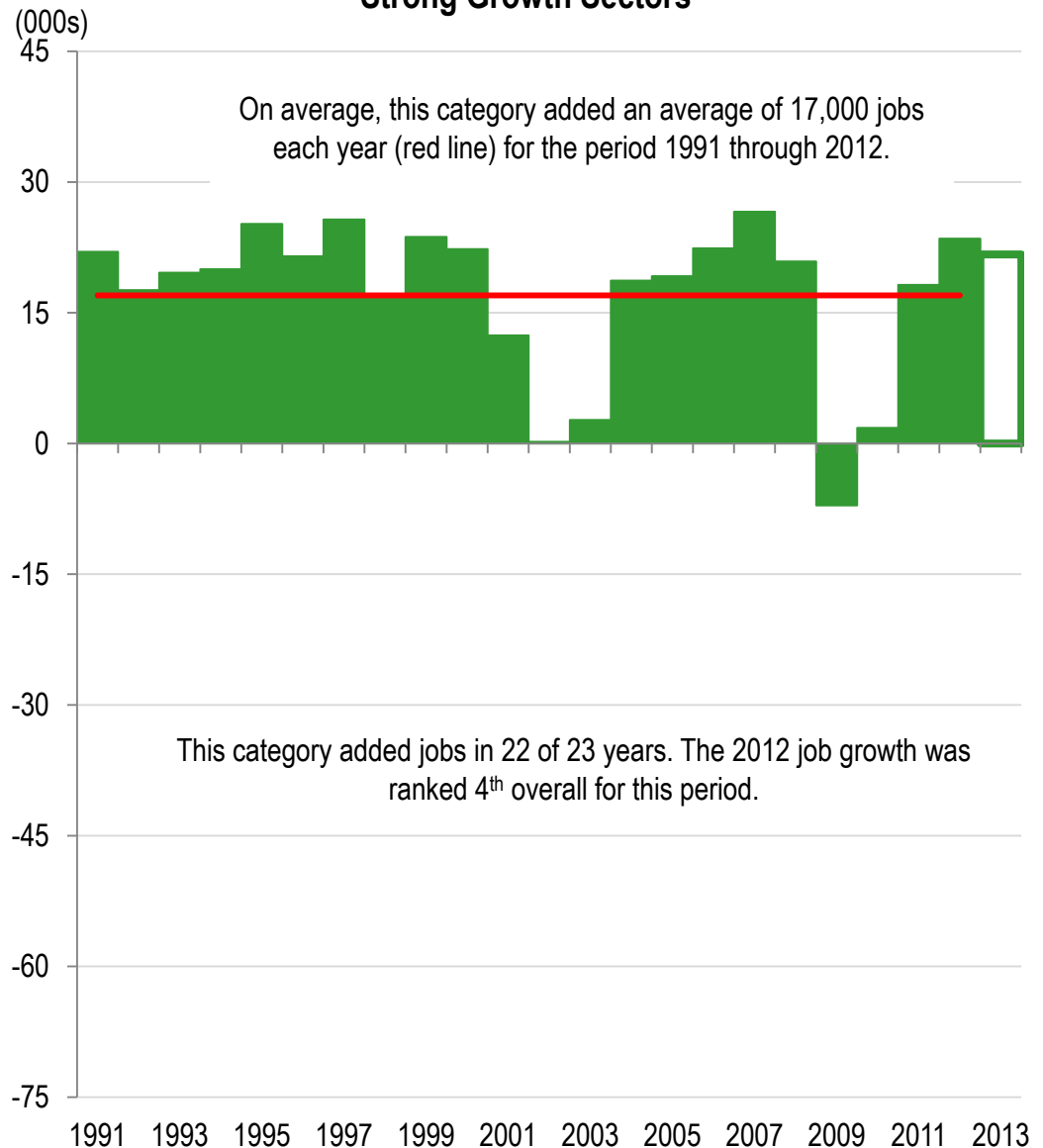
Total employment for this category was:

1992 404,900 workers, 25.4% of total employment
 2002 592,400 workers, 27.1% of total employment
 2012 739,300 workers, 32.0% of total employment.

Growth of this category in 2012 and 2013 will be comparable to most years during the past two decades.

Between 19,000 and 25,000 workers will be added in 2013, most likely at the higher end of that range.

Strong Growth Sectors



Source: Bureau of Labor Statistics, CBER.

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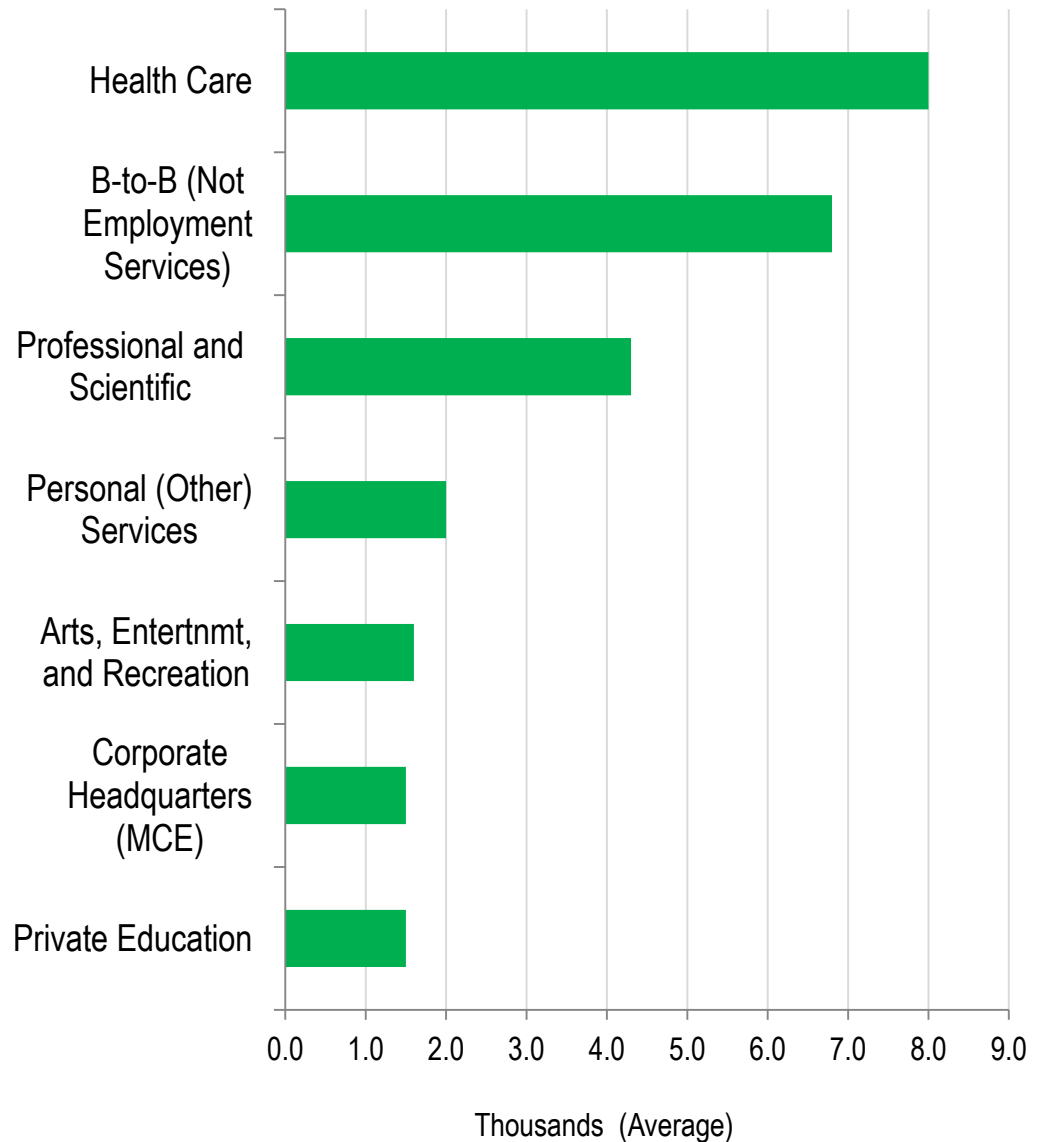
Job Change in 2013

Solid Growth Sectors

- Average employment for the solid growth sectors through four months is 25,700 greater than the same period in 2012.

- These sectors account for 32.4% of total employment. They have accounted for 41.5% of job growth in 2013.

- These sectors were forecasted to add 19,000 to 25,000 jobs in 2013.



Source: Bureau of Labor Statistics.

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Annual Employment Situation for Solid Growth Sectors

Over the past two decades the following sectors usually added jobs. As a group their job gains were stronger during the 1990s than the 2000s.

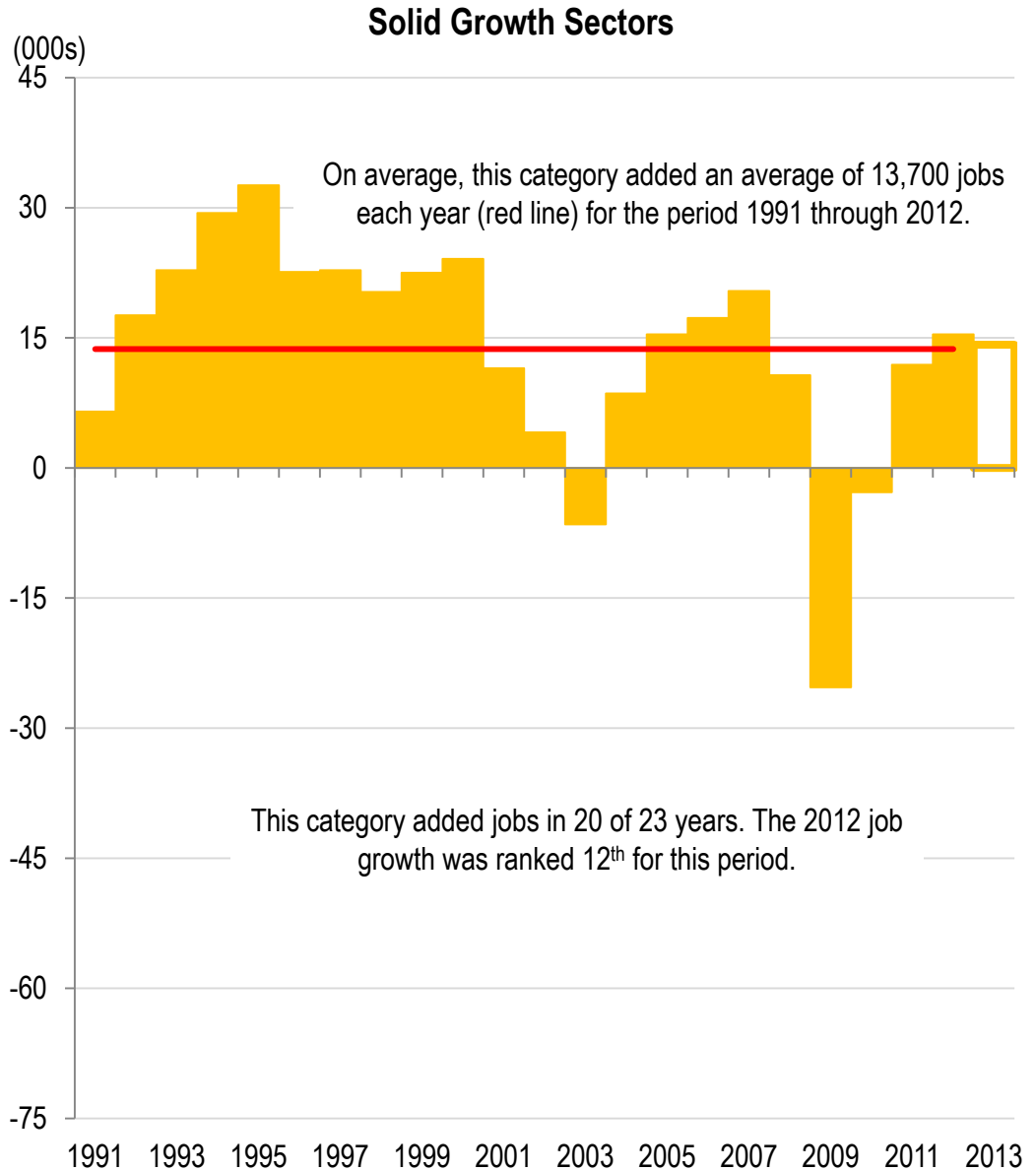
- Wholesale Trade
- Retail Trade
- State (Not Higher Education)
- Higher Education
- Local (Not K-12 Education)
- K-12 Education
- Accommodations and Food Services

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

Total employment for this category was:

1992 633,200 workers, 39.6% of total employment
 2002 845,900 workers, 38.7% of total employment
 2012 911,000 workers, 39.4% of total employment

Growth of this category in 2012 and 2013 will be about average for the past two decades. Between 12,000 and 16,000 jobs will be added.



Source: Bureau of Labor Statistics, CBER.

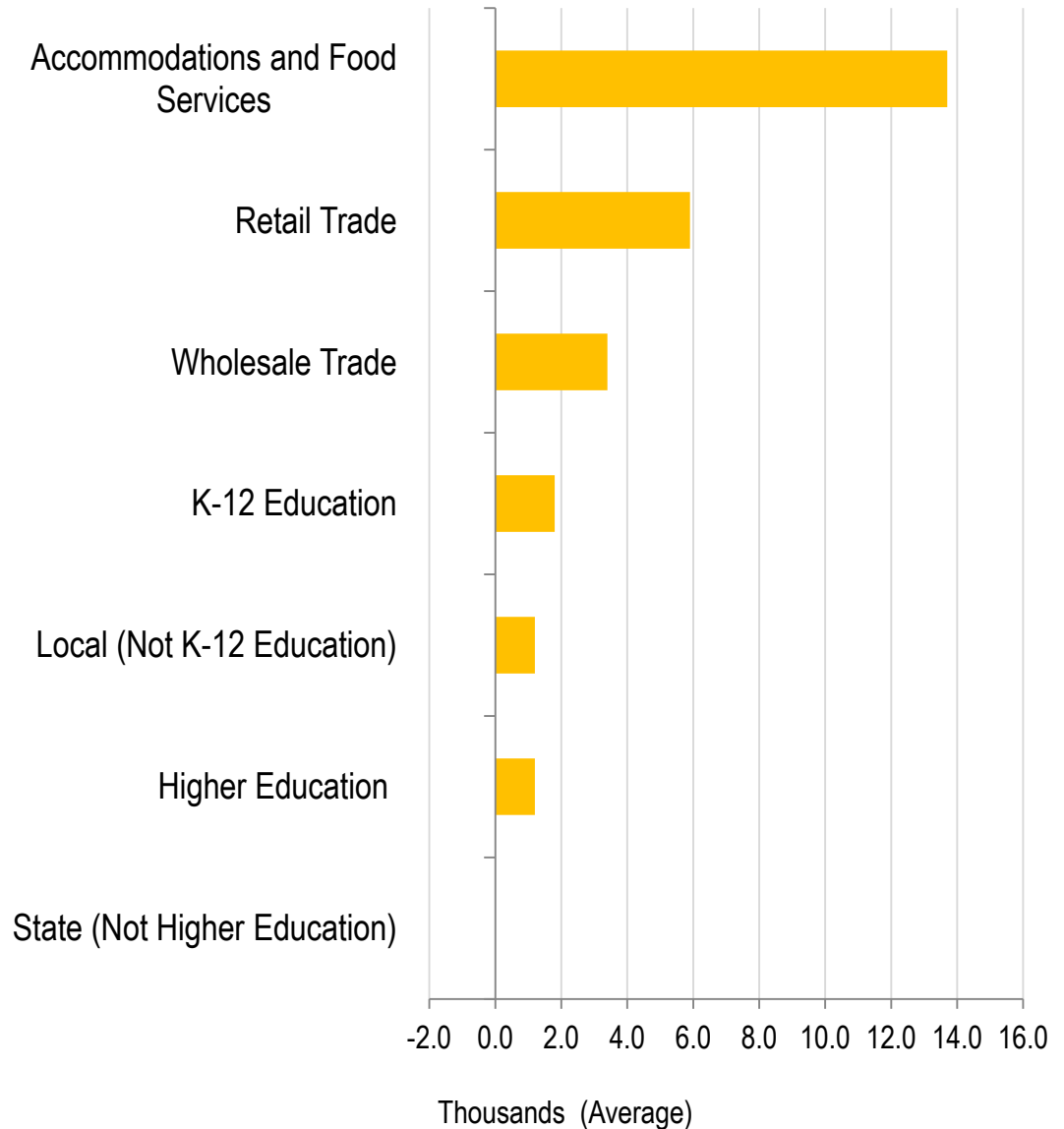
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Job Change in 2013

Limited Growth Sectors

- Average employment for the limited growth sectors through four months is 27,200 greater than the same period in 2012.
- These sectors are 39.7% of total employment. They have accounted for 44.0% of job growth in 2013.
- These sectors were forecasted to add 12,000 to 16,000 jobs in 2013.



Source: Bureau of Labor Statistics.

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Annual Employment Situation for Volatile Growth Sectors

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

The sectors are:

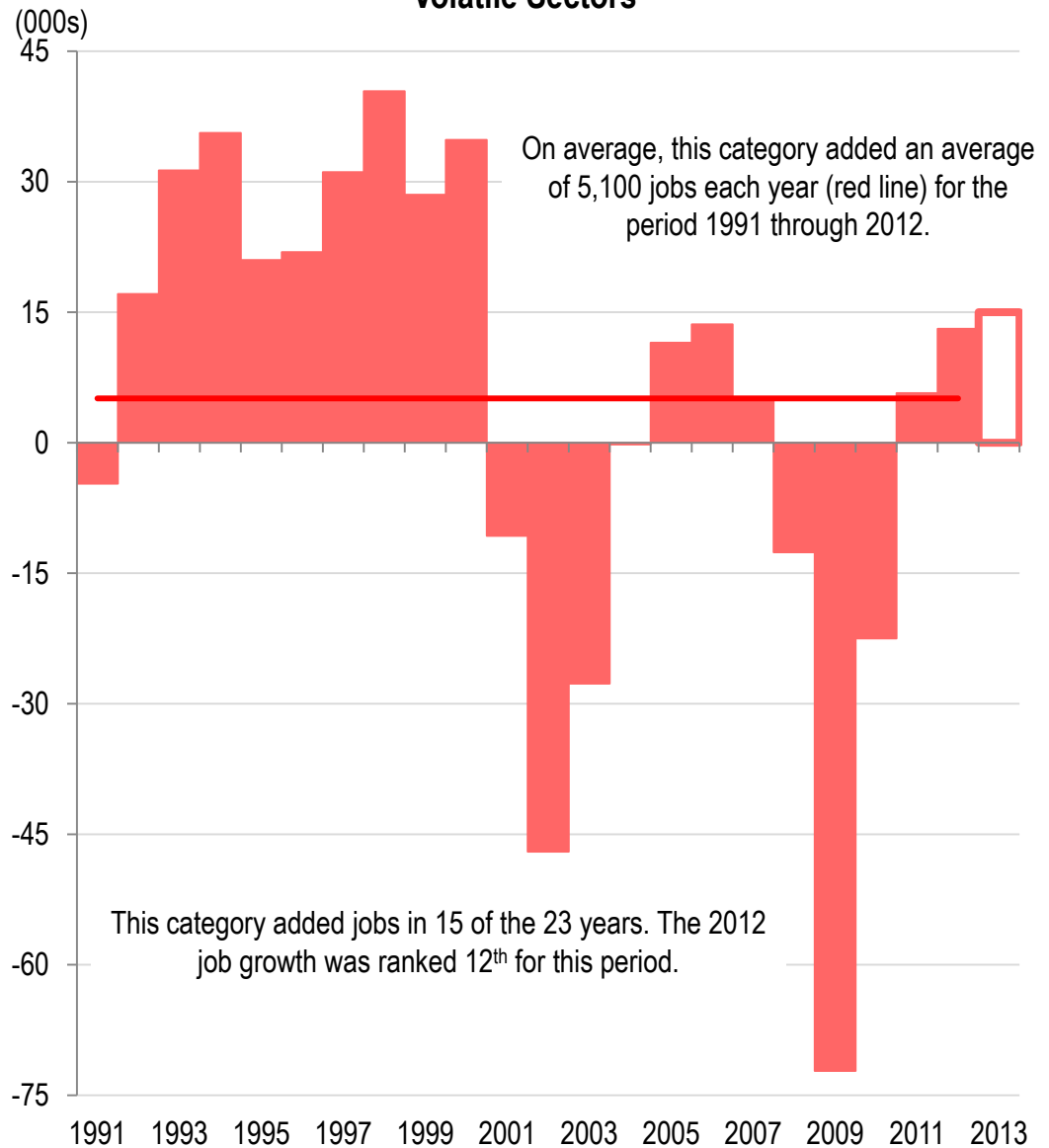
- Natural Resources and Mining
- Construction
- Manufacturing
- Transportation, Warehousing, and Utilities
- Employment Services
- Financial Activities
- Information
- Federal Government

Total employment for this category was:

1992 559,100 workers, 35.0% of total employment
 2002 746,000 workers, 34.2% of total employment
 2012 659,900 workers, 28.6% of total employment.

In 2012 and 2013 this category will add between 13,000 and 17,000 jobs . Growth in this category will be above the annual average.

Volatile Sectors



Source: Bureau of Labor Statistics, CBER.

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Job Change in 2013

Volatile Sectors

- Average employment for the limited growth sectors through four months is 8,900 greater than the same period in 2012.
- These sectors are 27.9% of total employment. They have accounted for 14.5% of job growth in 2013.
- These sectors were forecasted to add 13,000 to 17,000 jobs in 2013.



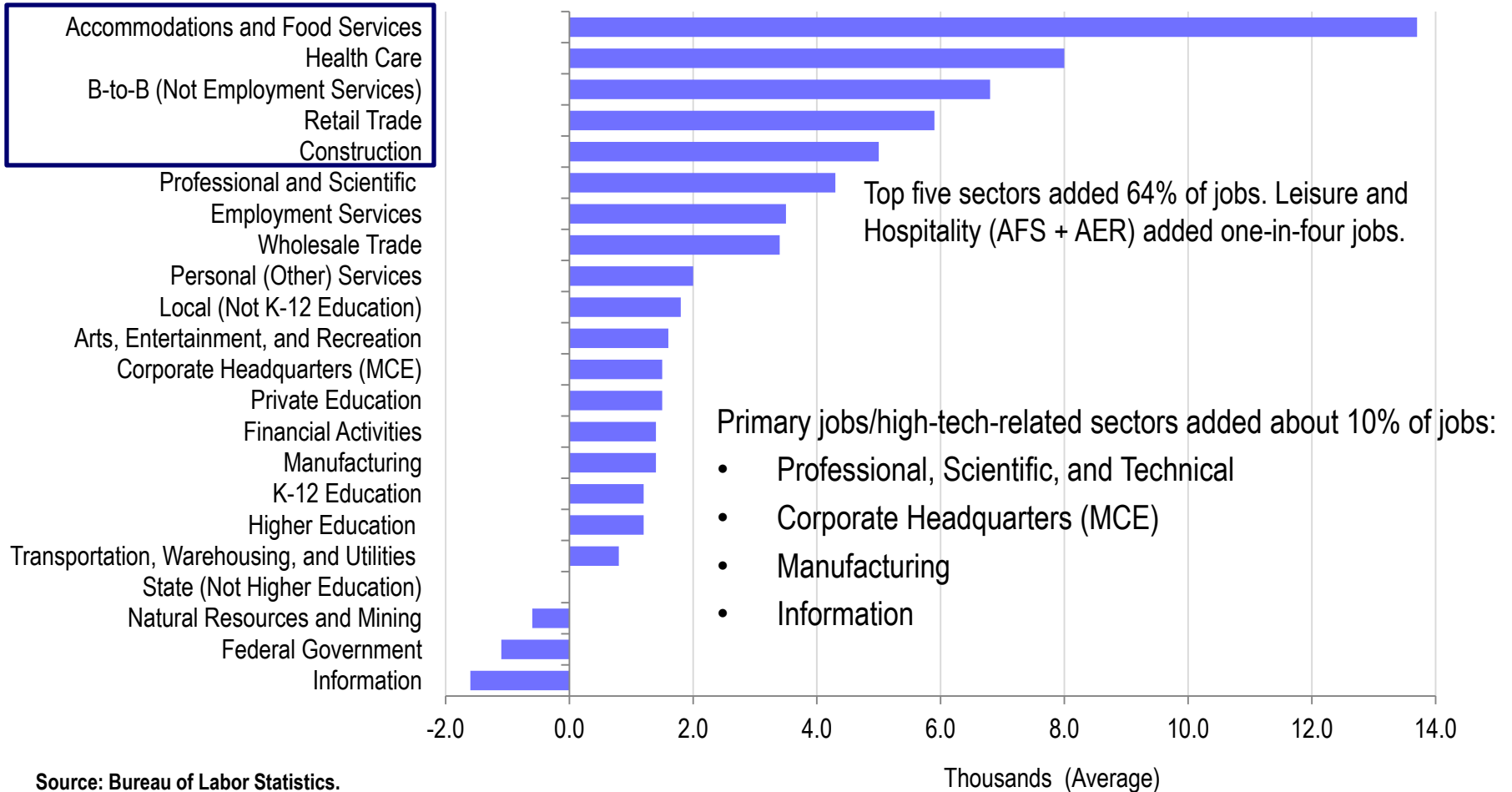
Source: Bureau of Labor Statistics.

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Job Change All Sectors

First Four Months 2013

Job Change All Sectors



Source: Bureau of Labor Statistics.



Questions and Answers

Questions and Answers

How Strong are Colorado Households?

The Credability Consumer Distress Index measures the health of households based on employment, housing, credit, household budgets, and net worth. How is this metric trending for Coloradans?

Colorado Households Remain at Risk

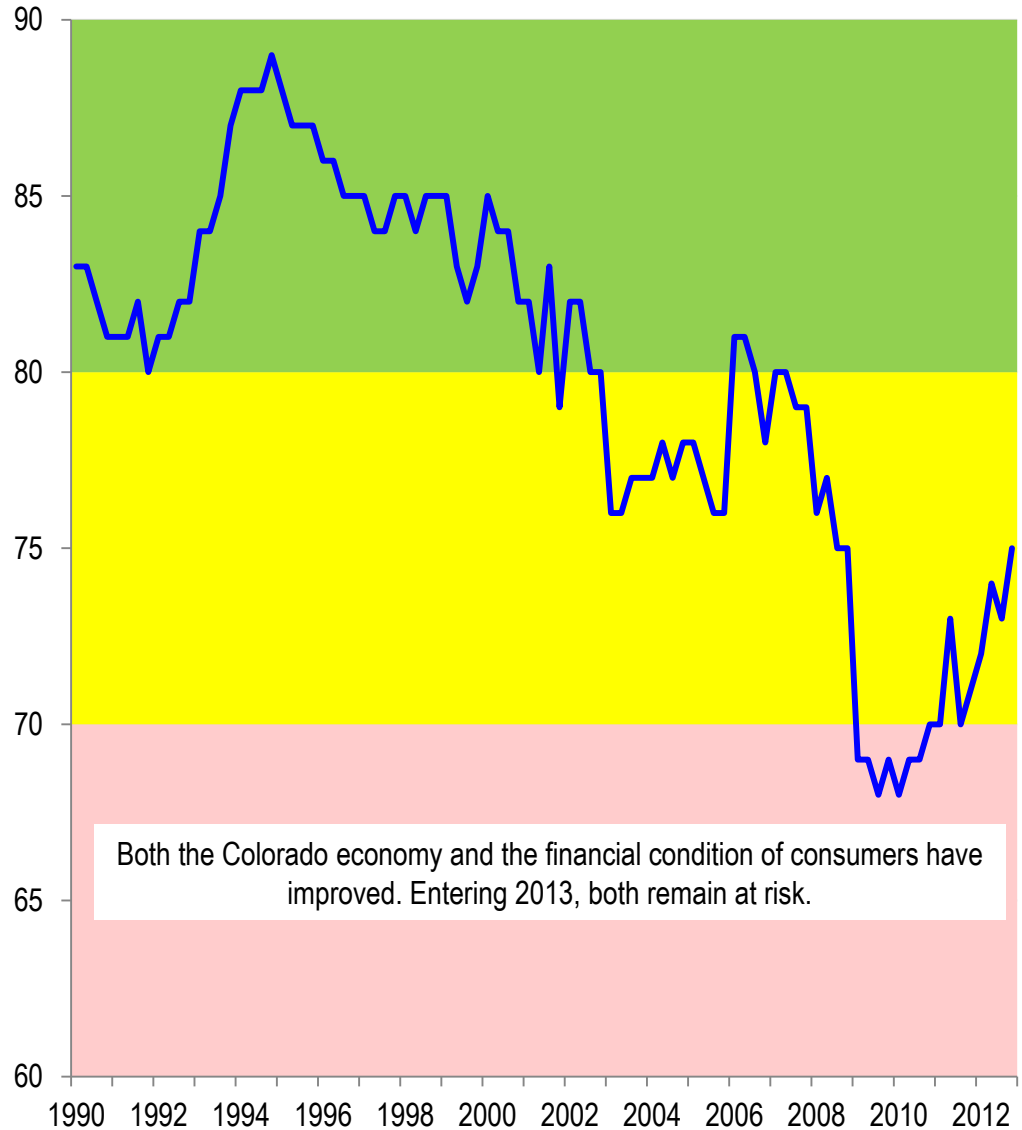
The Index is a quarterly comprehensive picture of the average American household's financial condition. It converts a complex set of factors into a single, easy to understand number. Financial distress is measured on a 100 point scale and a score under 70 indicates financial distress.

The index measures five categories of personal finance that reflect or lead to a secure, stable financial life—**Employment, Housing, Credit, Household Budget and Net Worth**. Each category has equal weighting.

90 and Above Excellent / Secure
80 – 89 Good / Stable
70 – 79 Weakening / At-Risk
60 – 69 Distressed / Unstable
Less than 60 Emergency / Crisis

From 1990 through 2002 the index was above 80; household finances were thought to be stable. From 2003 to 2008 the index dropped into the At Risk category. For seven quarters beginning in Q1 2009 the CCDI was in the unstable category. Since Q4 2011 the CCDI has been in the At Risk category. Coloradans fare better than the U.S. on the CCDI.

Colorado CredAbility Consumer Distress Index



Source: Credability Nonprofit Credit and Counseling Education, FRED.

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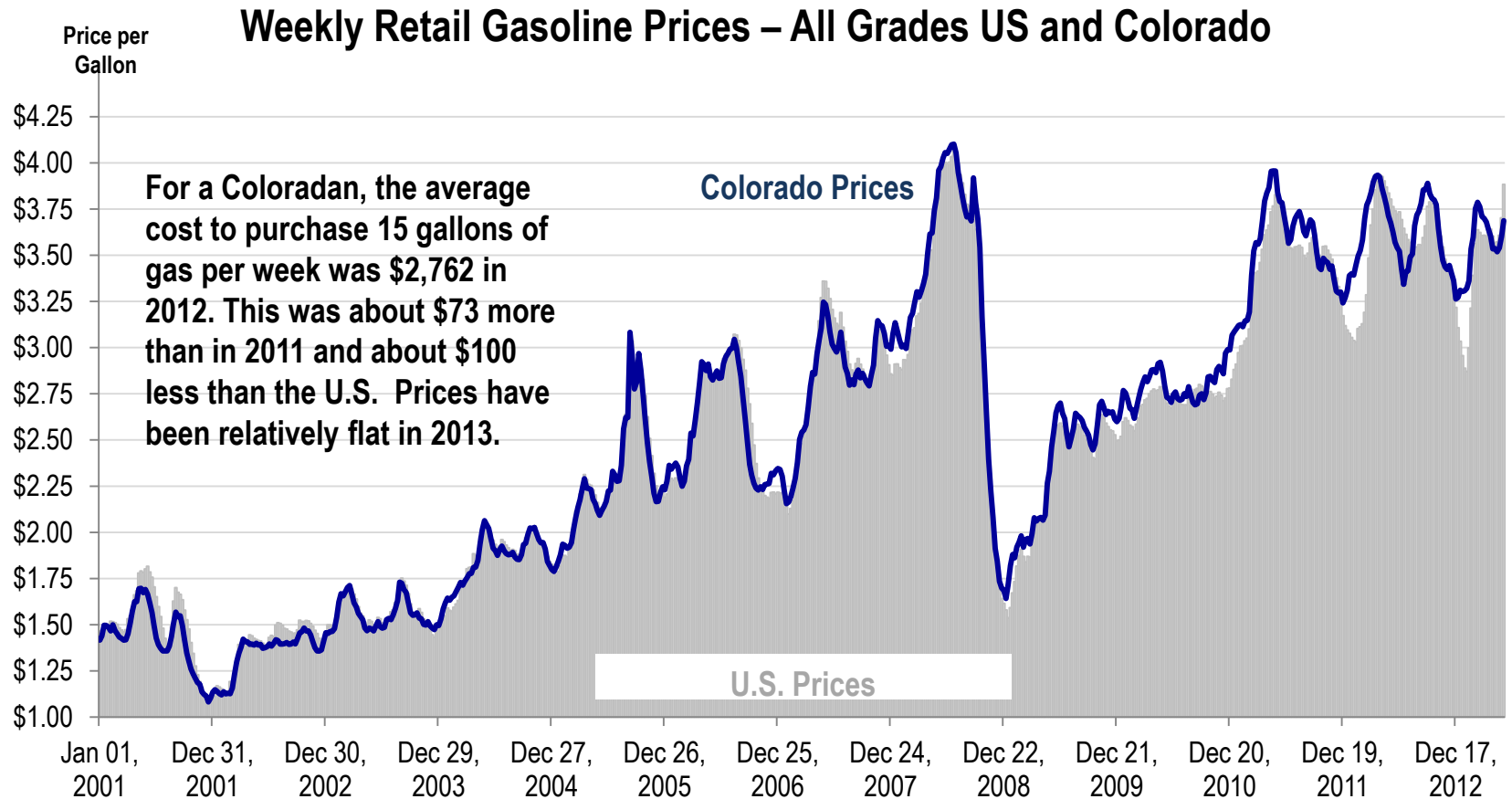
<http://cber.co>

Questions and Answers

What about Gas Prices?

It seems like the price at the pump is less than in the past. Is that the case?
How do Colorado gas prices compare to the U.S.?

Weekly Gas Prices



Source: EIA.

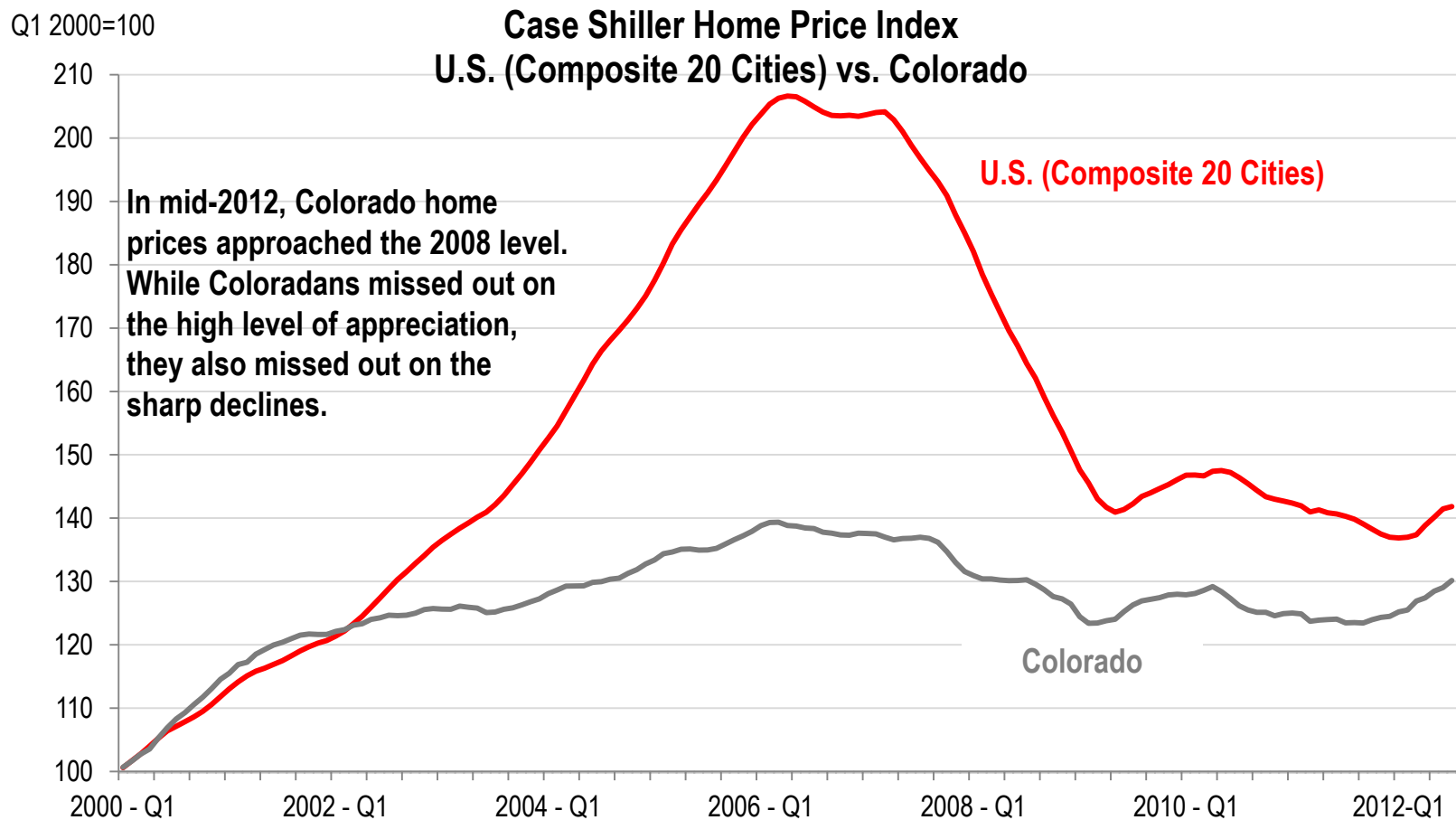
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● Questions and Answers

● Is the Housing Market Improving?

Anecdotal evidence suggests that prices and turn-around time have improved, but that information is neighborhood specific. Has the real estate market improved? How does the Colorado market compare to the U.S.?

Housing Prices – Case Shiller



Source: Case-Shiller, SA.

● Questions and Answers

● How has Sequestration Reduced Colorado Employment?

● There were reports that sequestration would cause shocks to the Colorado job market. How has sequestration impacted Federal employment in the state?

Impact of Sequestration on Colorado Federal Employment

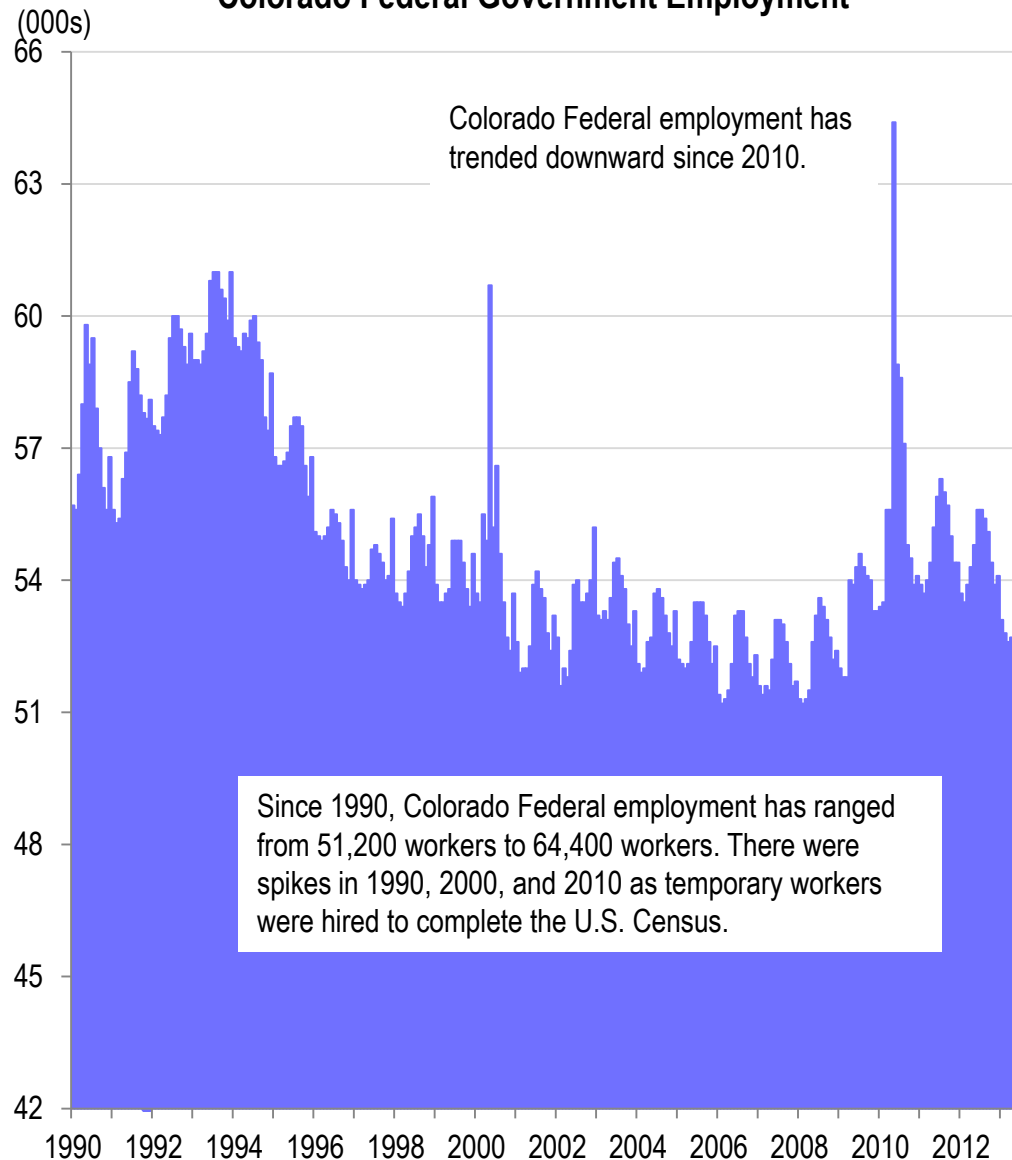
Since 1990, Colorado Federal employment has been as low as 51,200 workers and as high as 64,400 employees. This does not include military workers, nor does it include employees working on federal contracts in the private sector.

In 1993 Federal employment topped out at 61,000 workers, excluding the years with spikes for temporary Census workers. It trended downward until 2008, when it bottomed out at 51,200 employees. It expanded through 2010, but has trended downward since. There appears to be a decline in 2013; however, it is difficult to tell if that decline is a function of this downward trend or sequestration.

If sequestration has had an impact on the overall economy, it has been overshadowed by the strength of the private sector.

There is legitimate concern by individual contractors and military communities that they may feel an impact from reduced funding.

Colorado Federal Government Employment



Source: Bureau of Labor Statistics, NSA.

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Summary and Challenges

Colorado Employment The Lost Decade and Beyond

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

The job growth after the 2001 recession was:

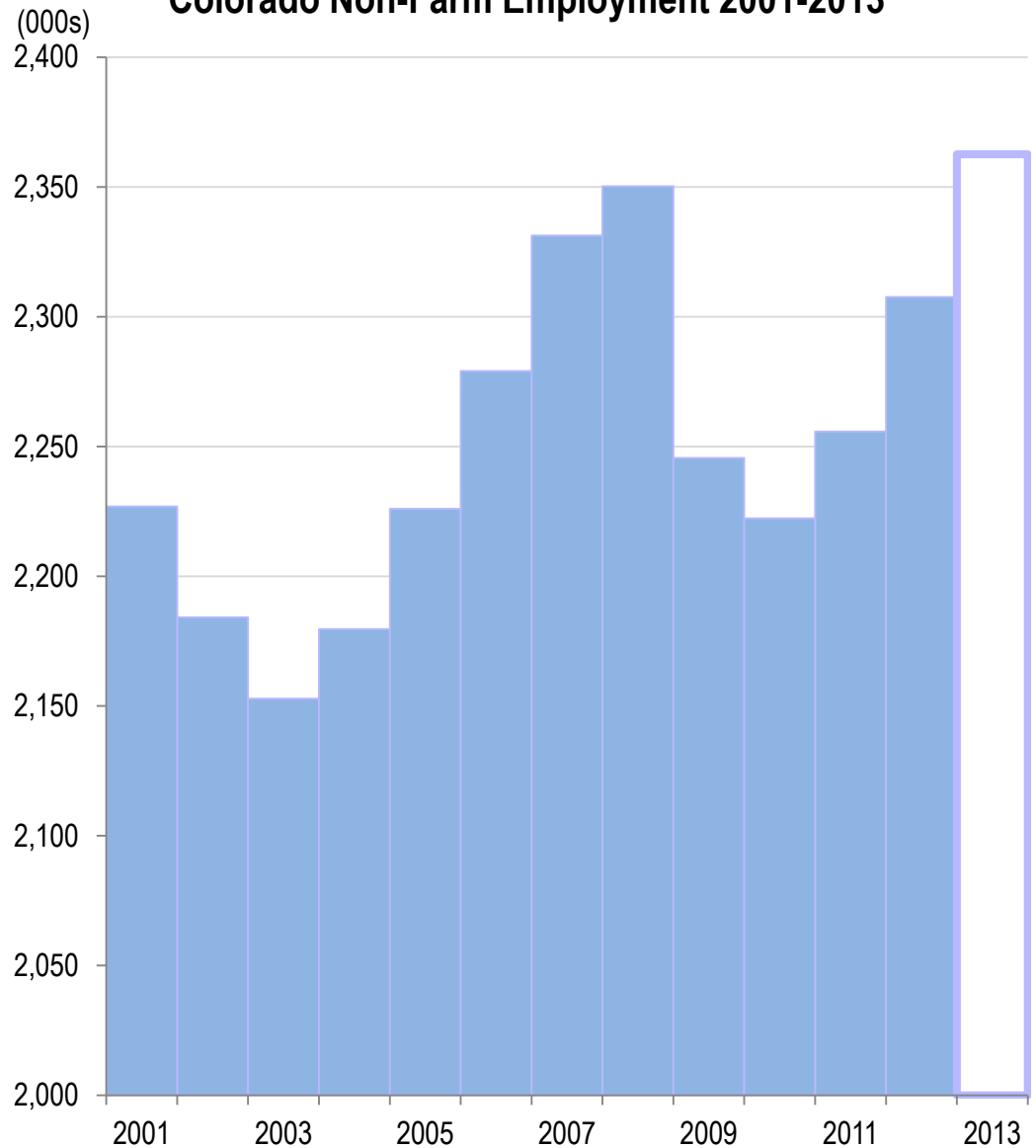
- 2004 +26,800 jobs, 1.2%
- 2005 +46,400 jobs, 2.1%
- 2006 +53,100 jobs, 2.4%.
- On average 42,100 jobs were added each year.

Projected growth after the 2007 recession will be:

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

Employment in 2013 will finally exceed 2008 peak employment.

Colorado Non-Farm Employment 2001-2013



Source: Bureau of Labor Statistics, CBER.

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Summary of U.S. Economy

Good News

- The U.S. employment situation continues to slowly trend upwards.
- All sizes of companies are adding jobs, but large companies are leading the recovery.
- Job gains are likely to bolster wage and salary increases. This is good news for workers and will hopefully drive stronger consumption.
- Improved consumption will offset reduction in the comparative level of federal government spending.
- Increased hiring may point to increased capital expenditures.
- Revenue streams for many state and local government have improved, but they remain challenging.
- The bull market on Wall Street.
- Stronger housing conditions.

Challenges

- The global economy is expected to expand at a subpar rate of 3.0% this year.
- U.S. output (GDP) is weak, about 2.0%.
- Continued uneasiness among consumers will cause consumption to remain weak.
- Uneven recovery and weaknesses in Europe – this is important to Colorado manufacturers.
- The situation in the Middle East will remain tenuous.
- New firm creation will continue to be disappointing.
- Public and private debt.
- Impact of Affordable Care Act.
- Scandals and credibility of elected officials.



Summary of the Colorado Economy

Good News

- Consistent job growth.
- Continued improvement in the real estate markets and job growth in construction.
- Impact of sequestration has been offset by growth in other areas.
- Support for Advanced Industries (Aerospace, photonics, biosciences, etc.) as a key to the creation of primary jobs.

Challenges

- Slowdown in growth rate of primary job sectors for the first four months of 2013.
- “Proper” level of funding for PK-12 and higher education.
- Holding PK-12 and higher education accountable for providing quality education in an efficient manner.
- Despite improved revenue streams, state and local governments continue to face tough fiscal challenges.
- Management of water storage and consumption by state and local governments.
- Growth of Colorado industries that rely on natural resources (Tourism, Extractive Industries, Agriculture).
- The implementation of Amendment 64.
- Some feel 2013 legislative session was not business-friendly (Oil and Gas, Energy, Manufacturing).

The 2013 CBER forecast and monthly updates can be found at <http://cber.co/>



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