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Economic Trends for Colorado Through May 2019

Colorado-based Business and Economic Research
Prepared
June 28, 2019

2019 Economic Trends for Colorado

Through May 2019

Numerous articles have been written over the past eight months indicating we are currently in a recession, we will be in a recession soon or a recession will occur in 2020. Recent data shows the economy has gone through ups and downs over the past year, but it is only solid footing. In it's latest statement, the FOMC agrees and is prepared to take steps if there appears to be a slowdown. This outline of the review of the latest release of data for the U.S. and Colorado is provided below.

United States

- U.S. Real GDP, Employment, and Inflation
- Performance of Key Industries
- Housing and Housing Prices
- S&P Performance and Volatility
- Federal Reserve Leading Index
- Summary

Colorado

- Employment and Unemployment
- DIA Passengers, Retail Sales, Vehicle Registrations
- Building Permits and Housing Prices
- Extractive Industries
- Summary

The 2019 forecast can be found at <https://cber.co/economic-forecasts/cber-co-economic-forecast/>. Monthly economic updates can be found at <https://cber.co/economic-updates/>

U.S. Economy





The U.S. Economy

Real Gross Domestic Product, Employment, and
Inflation

Quarterly Real GDP Growth

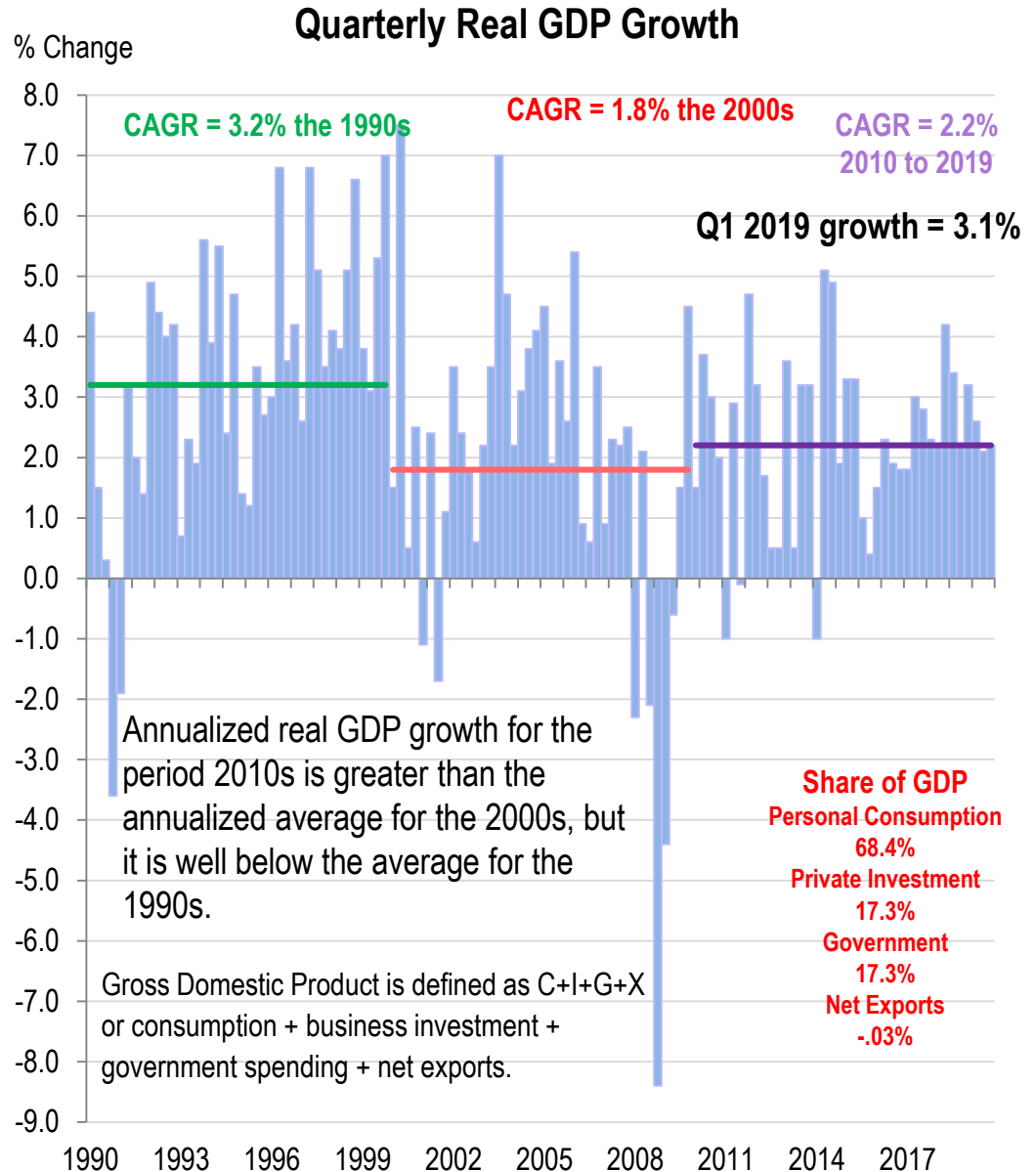
Historical United States

Between 2010 and 2019, quarterly real GDP growth ranged from -1.0% to 5.1%.

The third estimate for Q1 real GDP growth came in stronger than expected at 3.1%. This is the strongest level of growth for Q1 since 2015, when it was 3.3%.

The growth was driven by personal consumption, private inventory investment, increased exports, and decreased imports.

Q1 2019 is the 20th consecutive quarter of positive growth since Q1 2014.

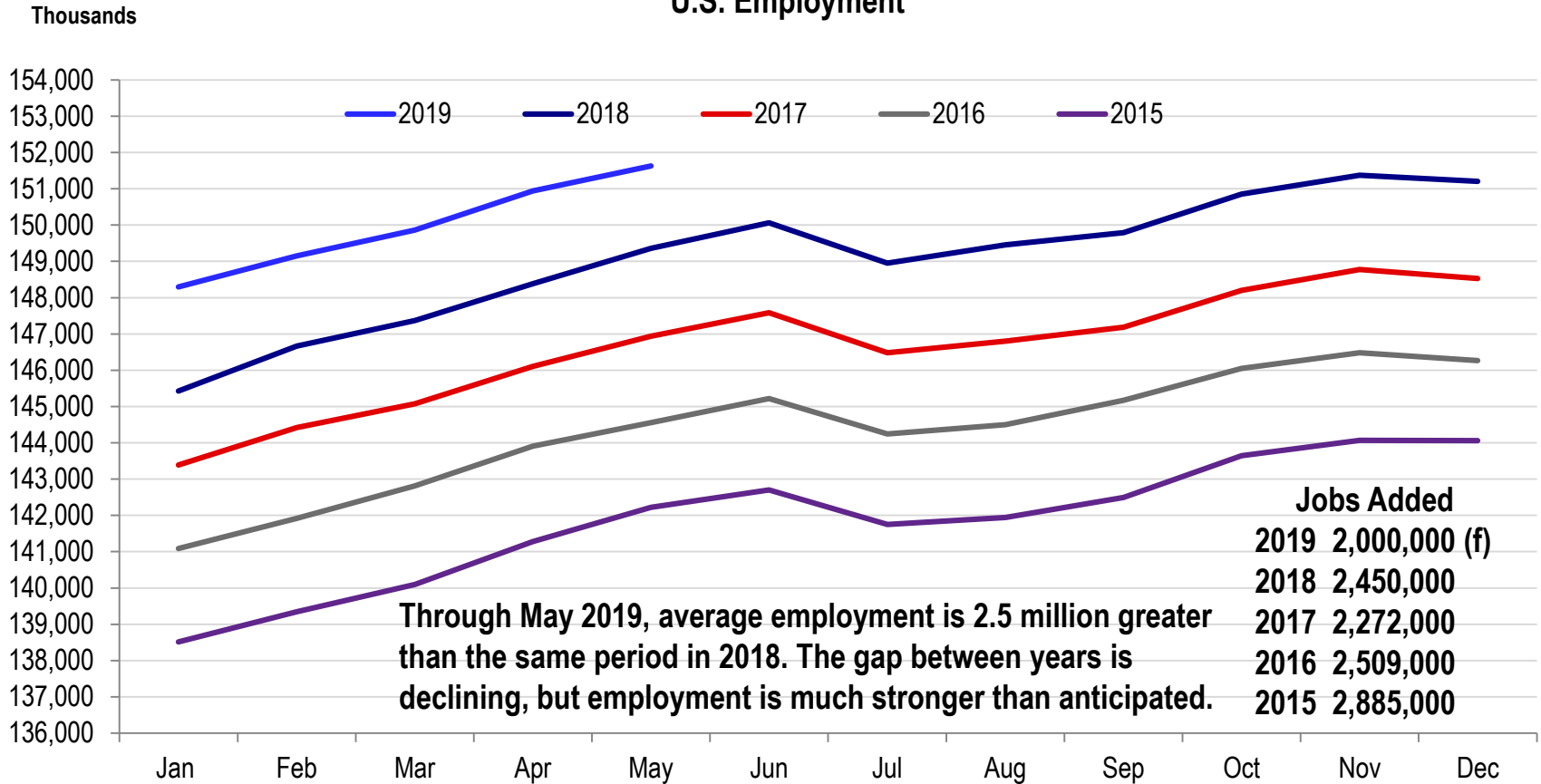


Source: Bureau of Economic Analysis, Table 1.1.1, Share of GDP based on 2017, cber.co.

U.S. Employment

2015 to 2019

U.S. Employment



Source: BLS, NSA, cber.co.

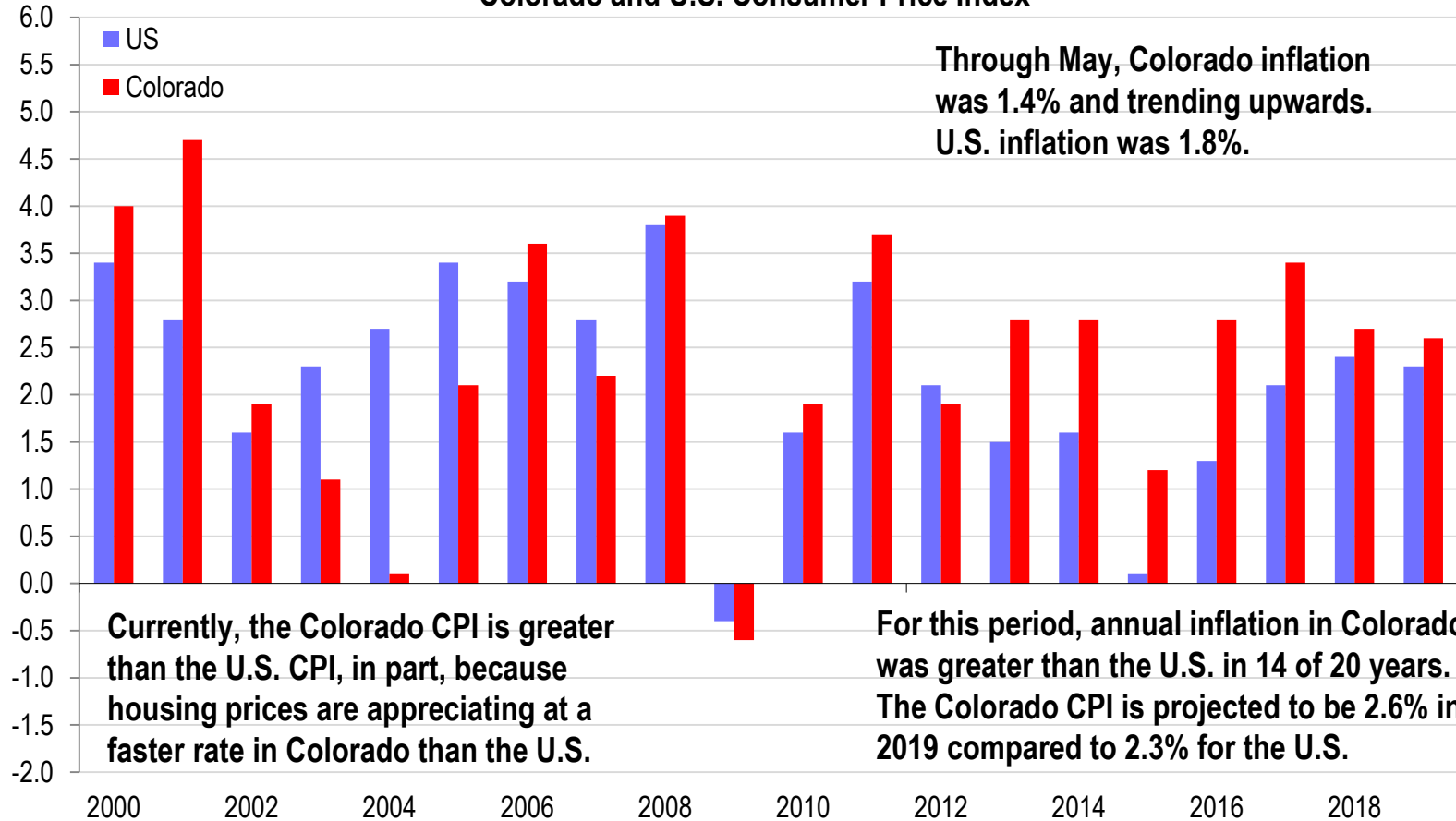
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Consumer Price Index (CPI)

Colorado vs. U.S.

1982-84=100,
% change

Colorado and U.S. Consumer Price Index



Through May, Colorado inflation was 1.4% and trending upwards. U.S. inflation was 1.8%.

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

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.



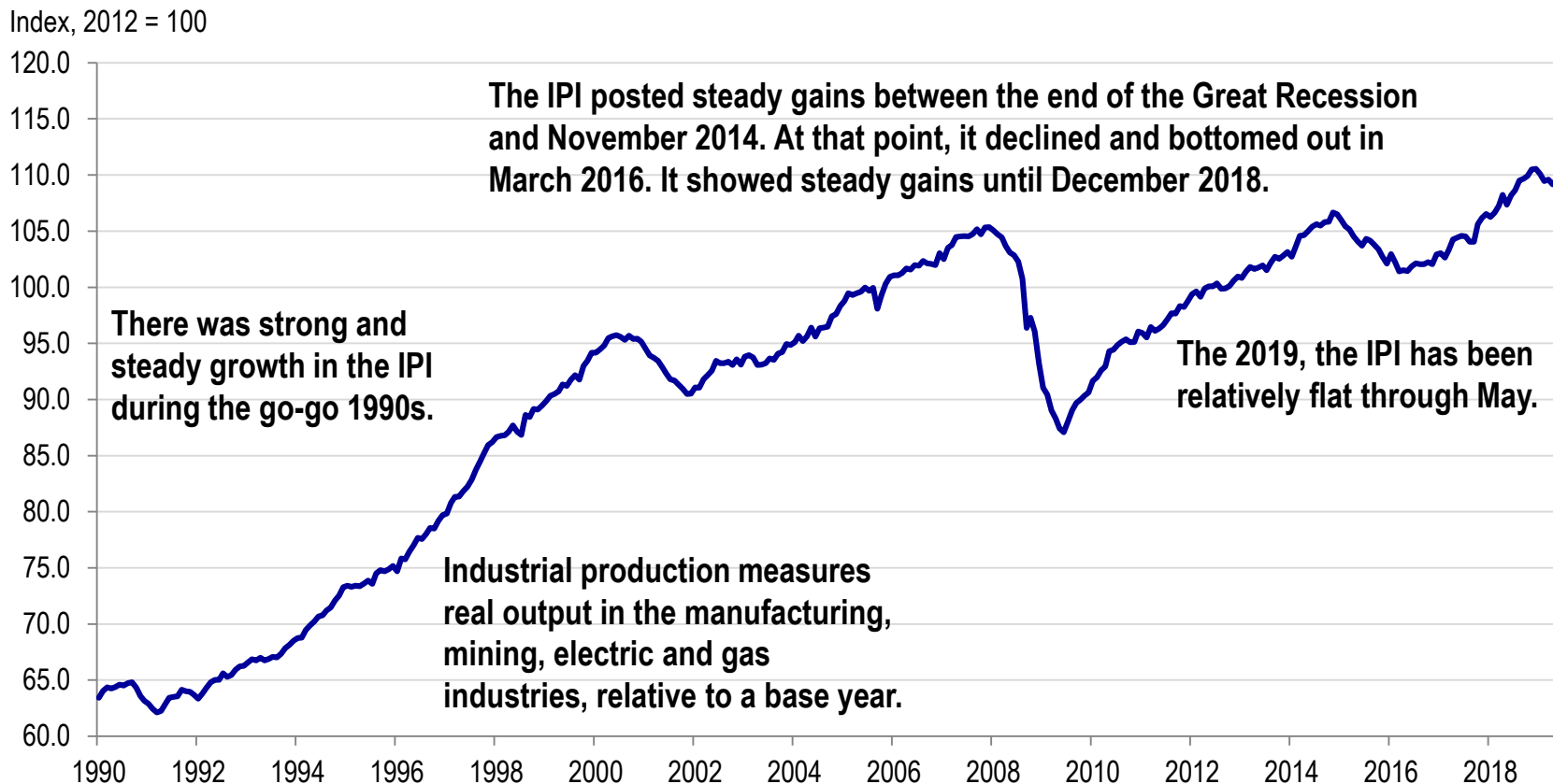
The U.S. Economy

Industrial Production, Manufacturing and Nonmanufacturing
Indices, Retail Sales, and Auto Sales

Industrial Production Index

All Industries

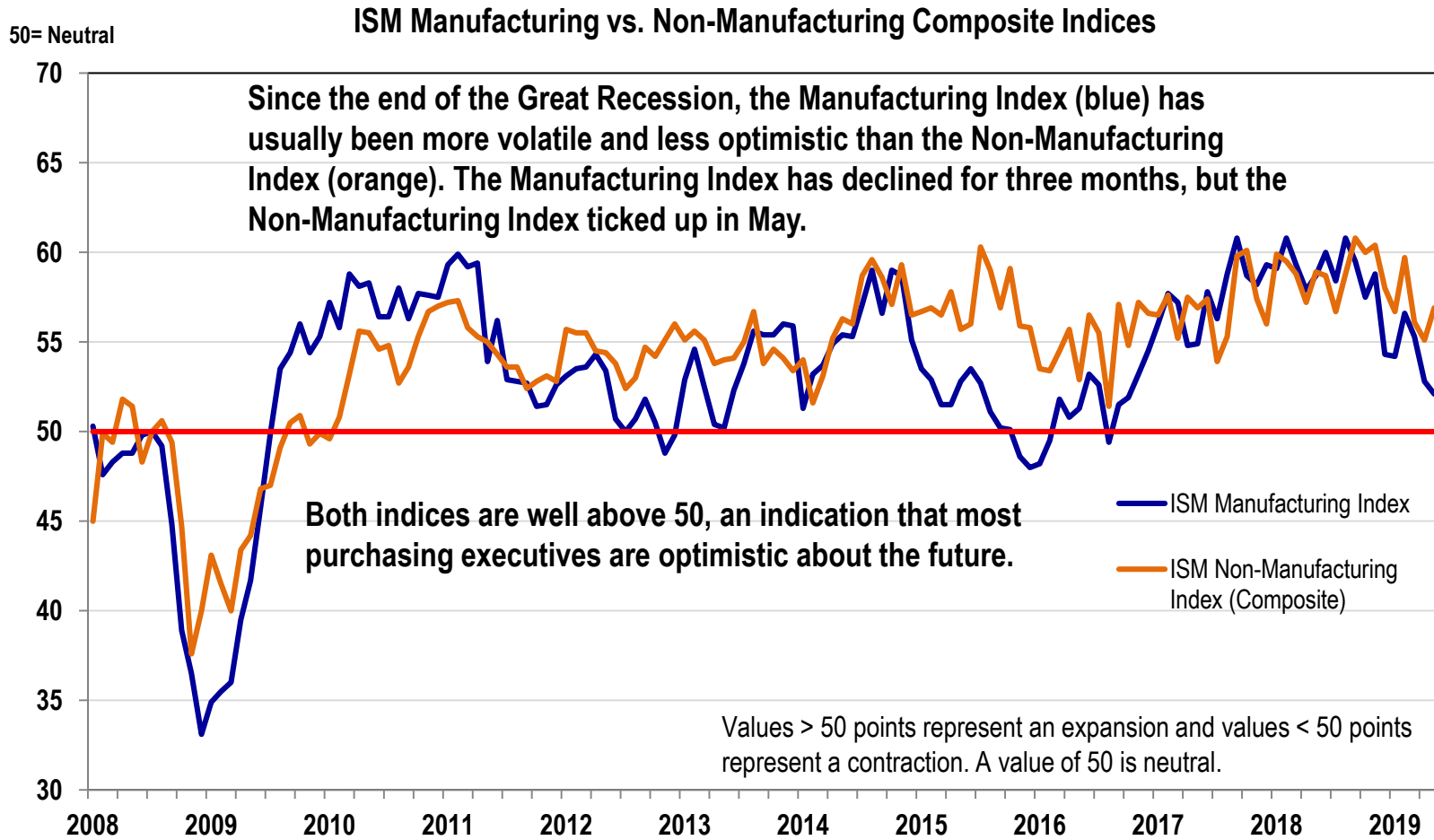
Industrial Production, All Industries



Source: FRED, Federal Reserve, cber.co.

ISM PMI Composite Indices

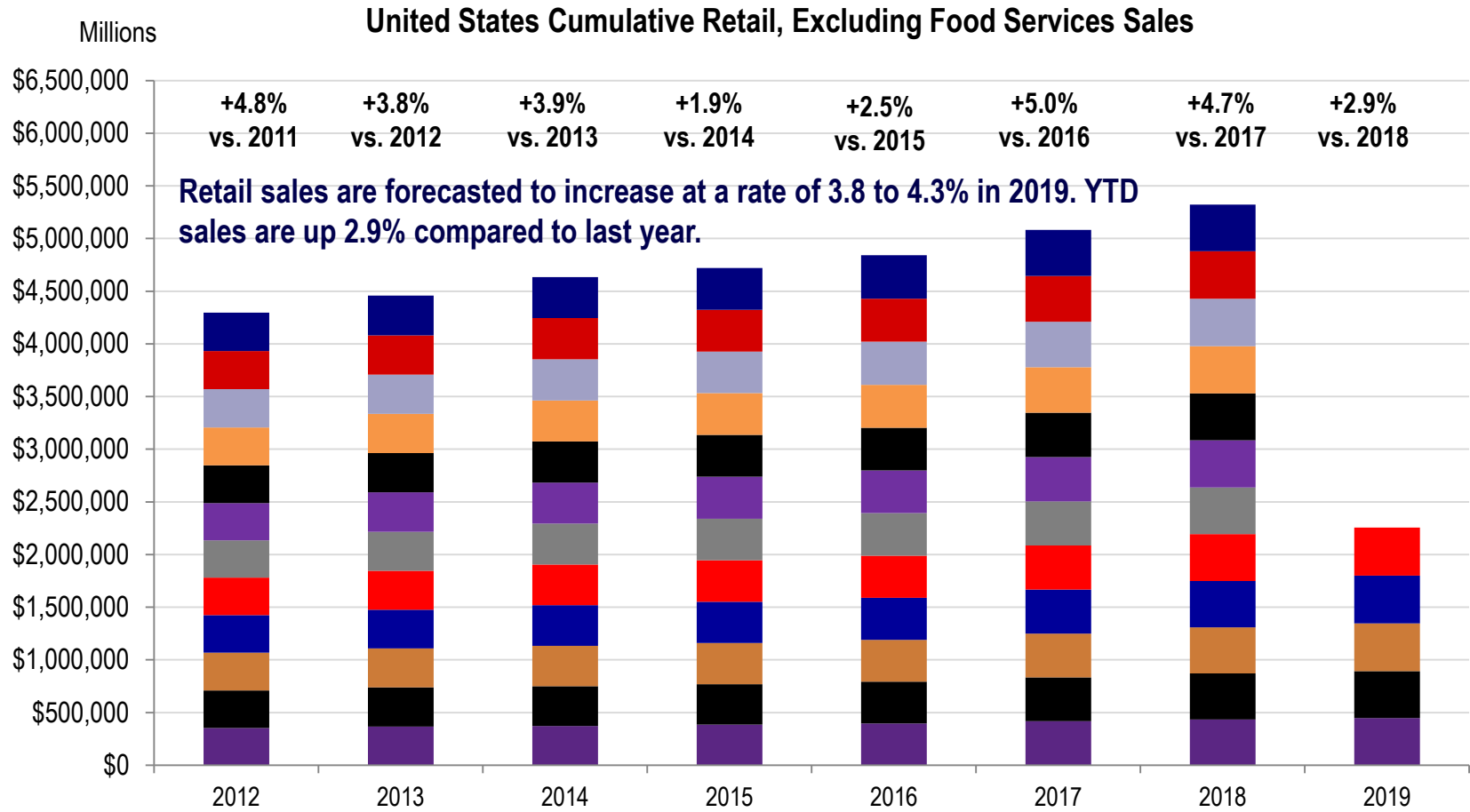
Manufacturing vs. Non-manufacturing



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

Cumulative Retail, Excluding Food Services Sales

Monthly

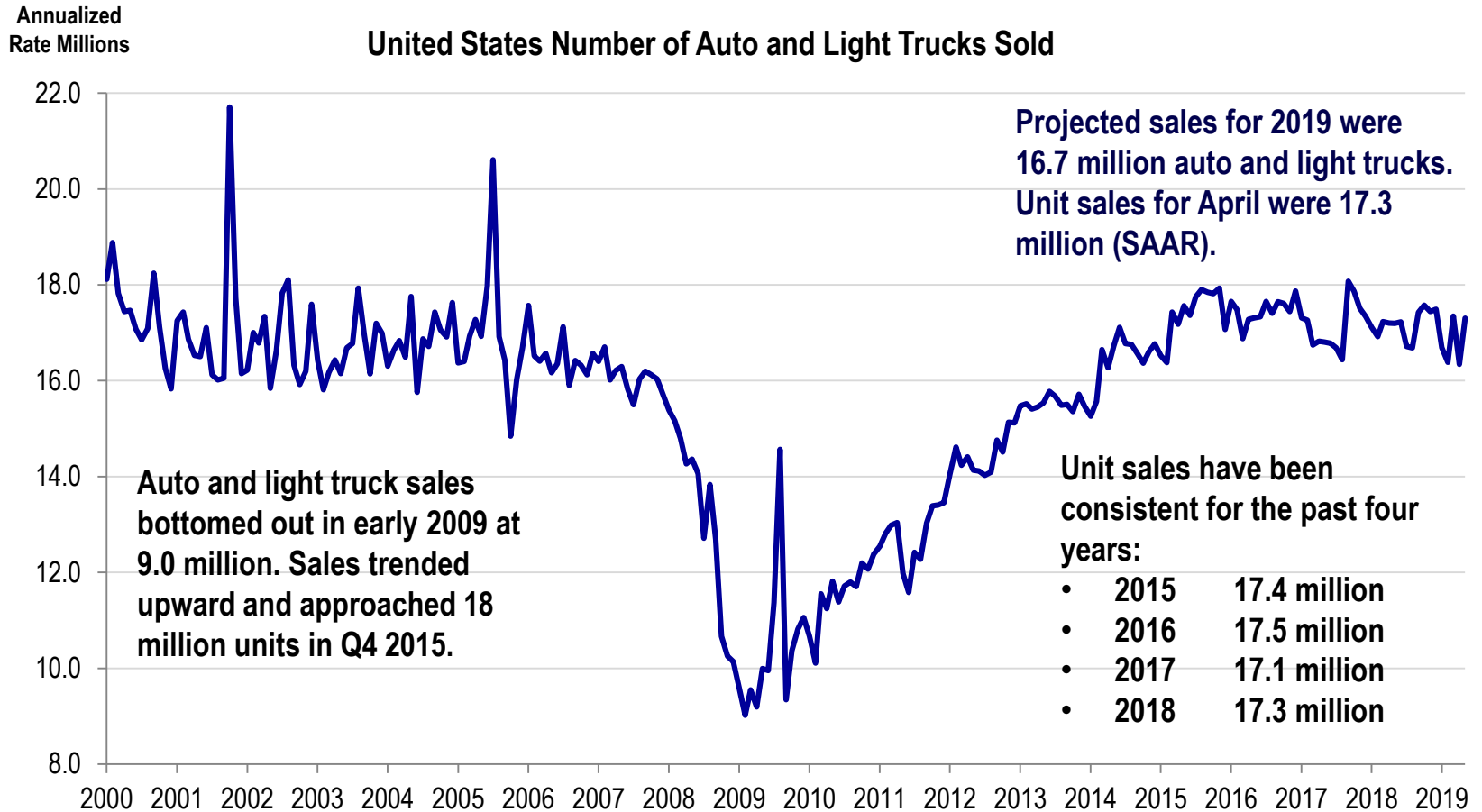


Source: U.S. Census Bureau, FRED, cber.co.

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

U.S. Weekly Auto and Light Truck Sales

Monthly (Annualized Rate Millions)



Source: FRED, BEA, cber.co.

Note: Seasonally Adjusted Annualized Rate.

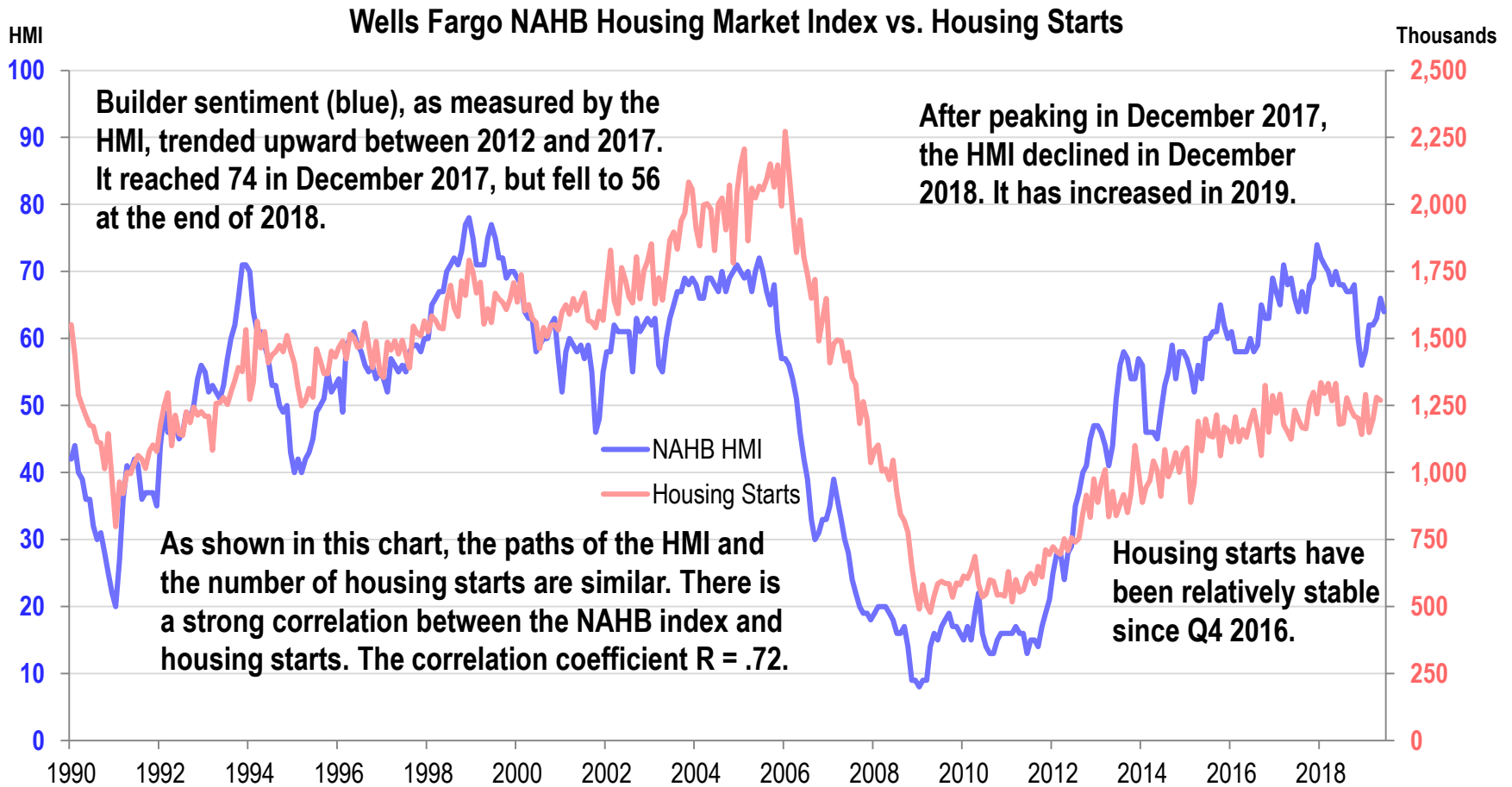
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The U.S. Economy

NAHB HMI and Housing Starts and Housing Prices

Wells Fargo NAHB HMI vs. Housing Starts

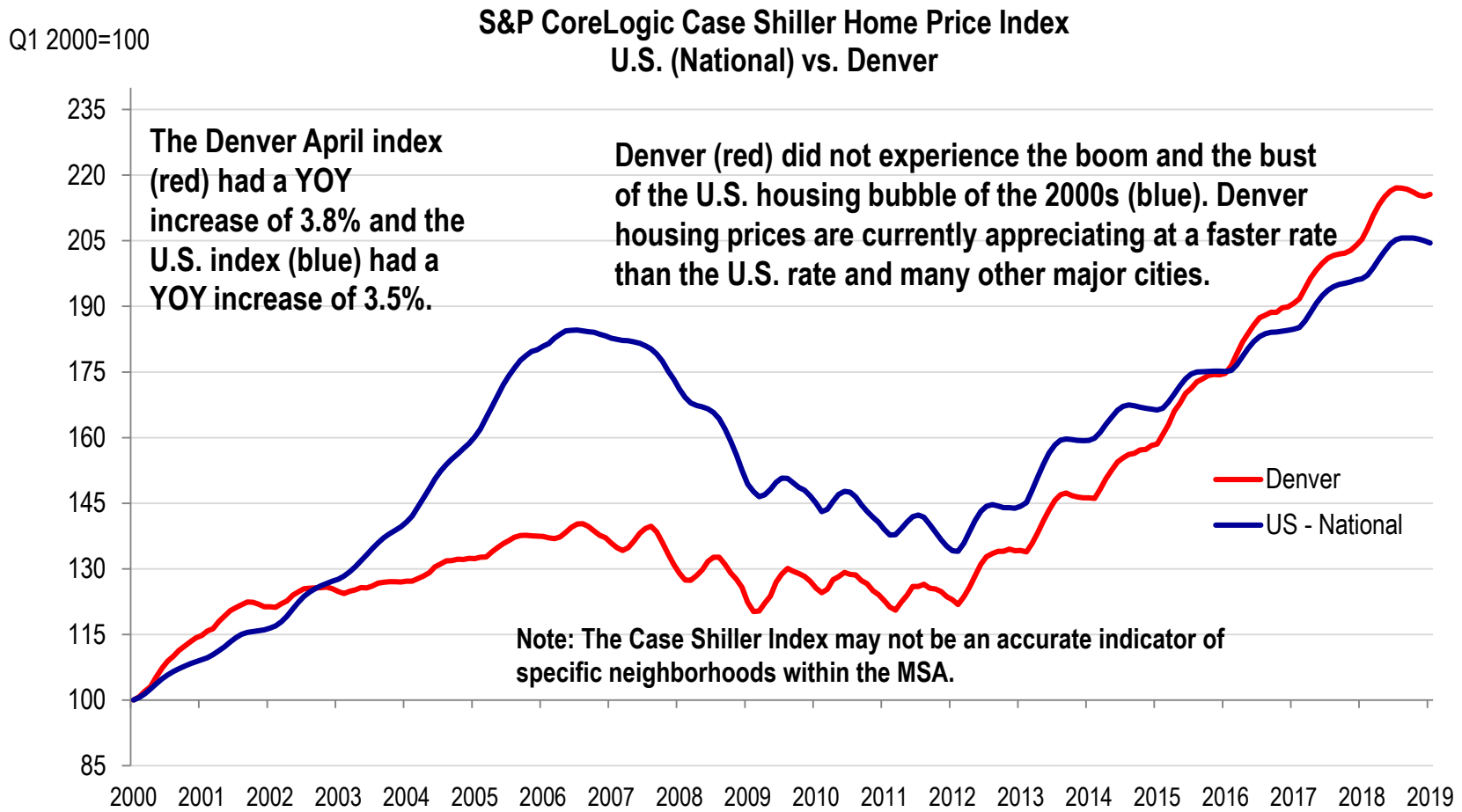


Source: NAHB, cber.co.

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Case Shiller Home Price Index

National vs. Denver Index Value



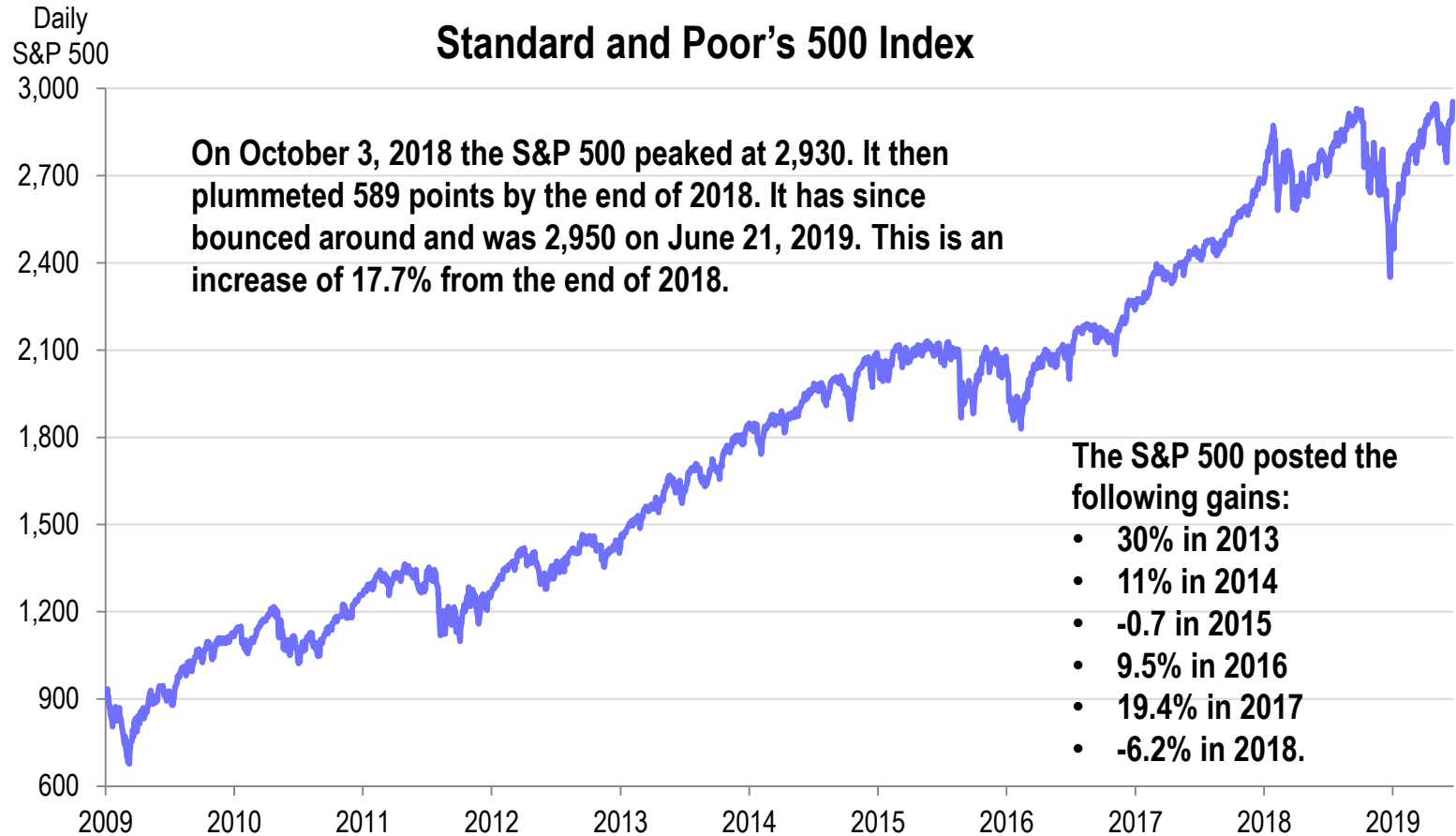
Source: S&P Core-Logic Case-Shiller, cber.co.



United States Economy

S&P Performance and Volatility

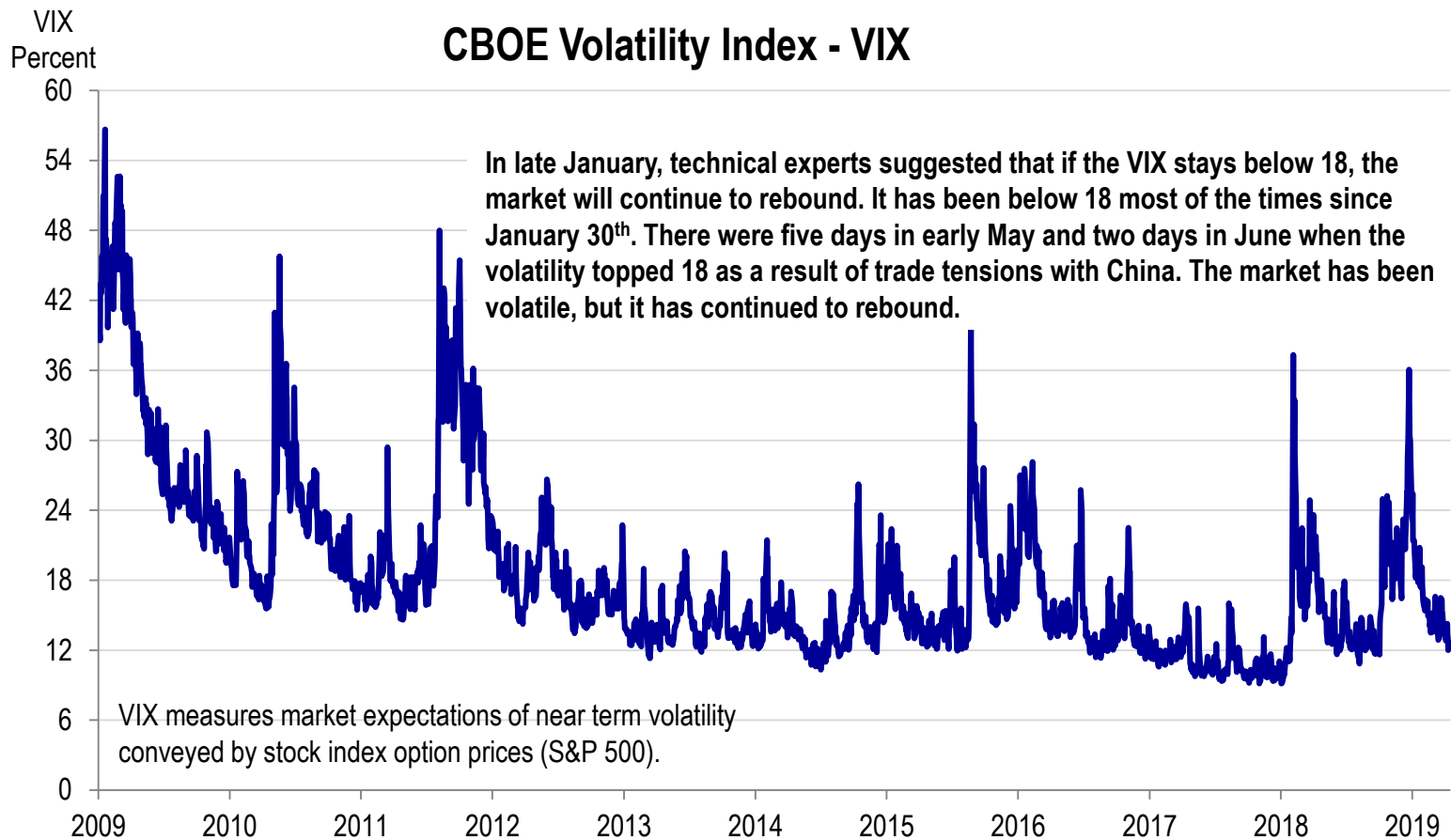
● Standard and Poor's 500 Index



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

CBOE Volatility Index

VIX (VIXCLS)



Source: FRED, Chicago Board Options Exchange, cber.co.



The U.S. Economy

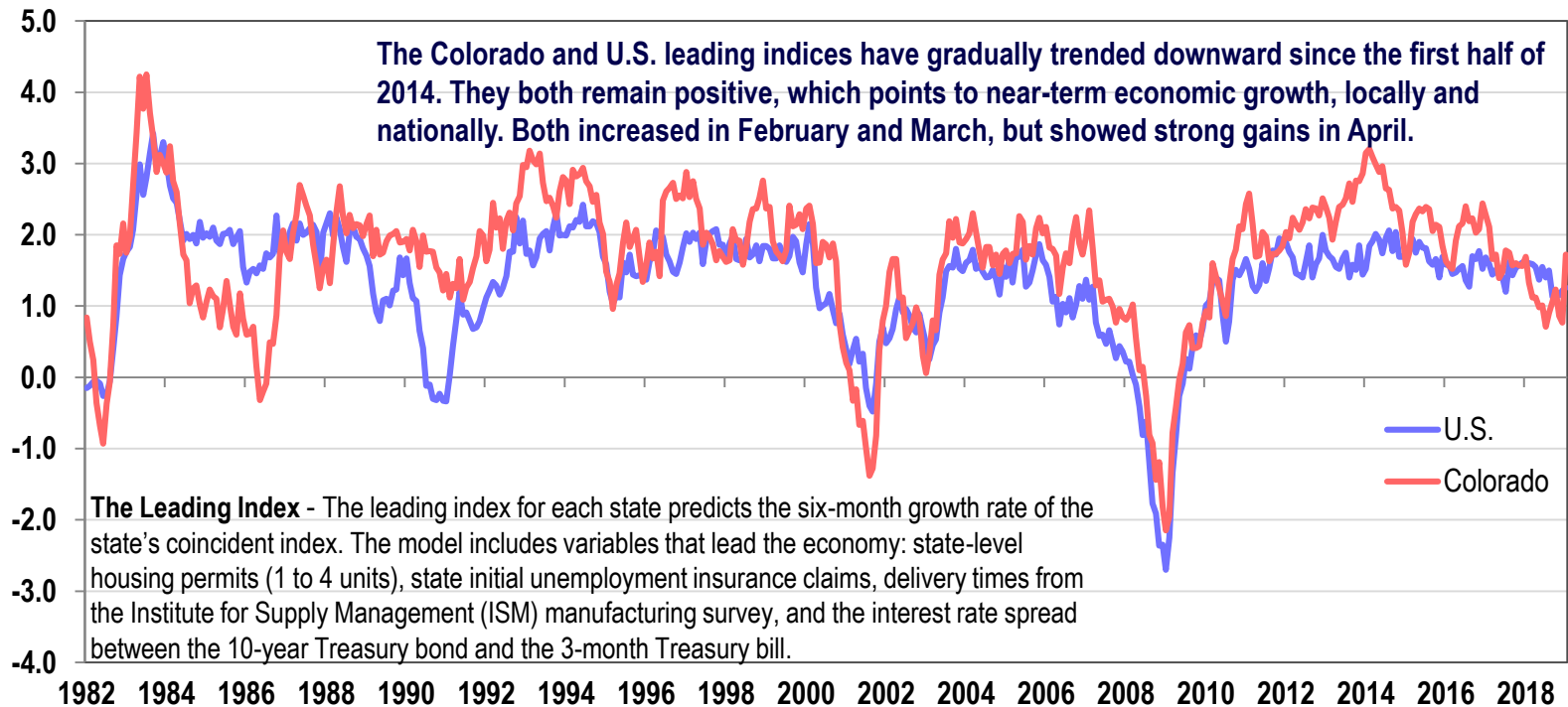
Federal Reserve Leading Indicator

Philadelphia Fed Leading Index

Colorado vs. U.S.

Philadelphia Federal Reserve Leading Index – Colorado and U.S.

Index Value



Source: Philadelphia Federal Reserve, cber.co. Note: The leading index predicts the six-month growth rate of the U.S. and state's coincident index.



The U.S. Economy

Summary



Summary

U.S. Economy - Data Through May 2019

The most recent employment report from the Bureau of Labor Statistics shows the U.S. economy is on stable footing. In addition, the FOMC has indicated it will take steps to ensure that it remains that way in the near-term.

Unemployment was stable in 42 states and it rose in 2 states. The rate of growth in nonfarm employment was relatively unchanged in 49 states.

The Fed expects to see “sustained expansion of economic activity”; however, they will consider a rate decrease because they are uncertain about possible headwinds.

A grayscale photograph of a dense forest with a waterfall cascading down a rocky cliff face. The waterfall is the central focus, flowing vertically down a dark, craggy rock wall. The surrounding forest is thick with evergreen trees, their branches and needles creating a complex, textured pattern. The lighting is soft, highlighting the textures of the rocks and the foliage. The overall mood is serene and natural.

The Colorado Economy

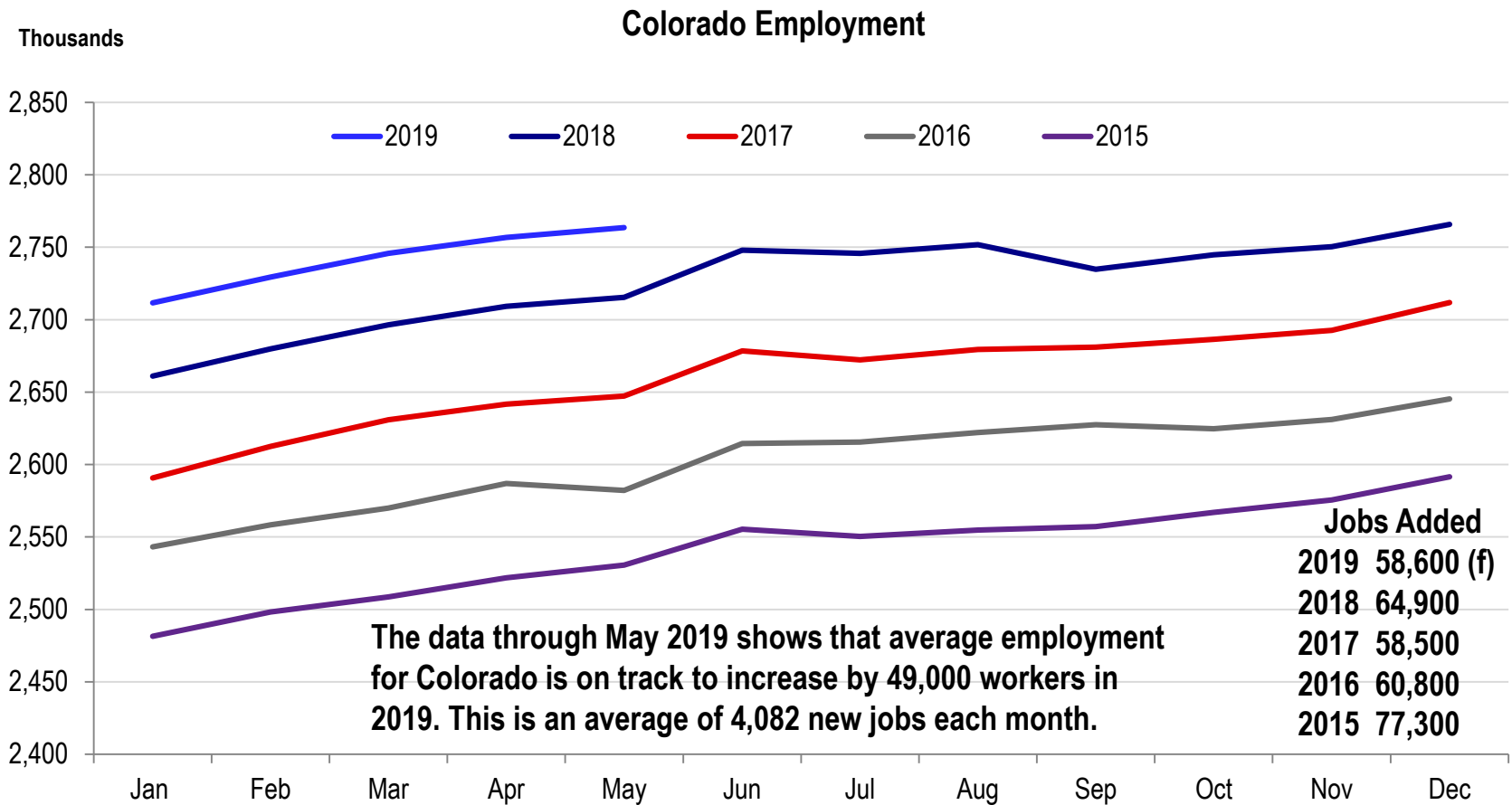


The Colorado Economy

Employment, Percent Change in Employment, and
Unemployment Rate

Colorado Employment

2015 to 2019

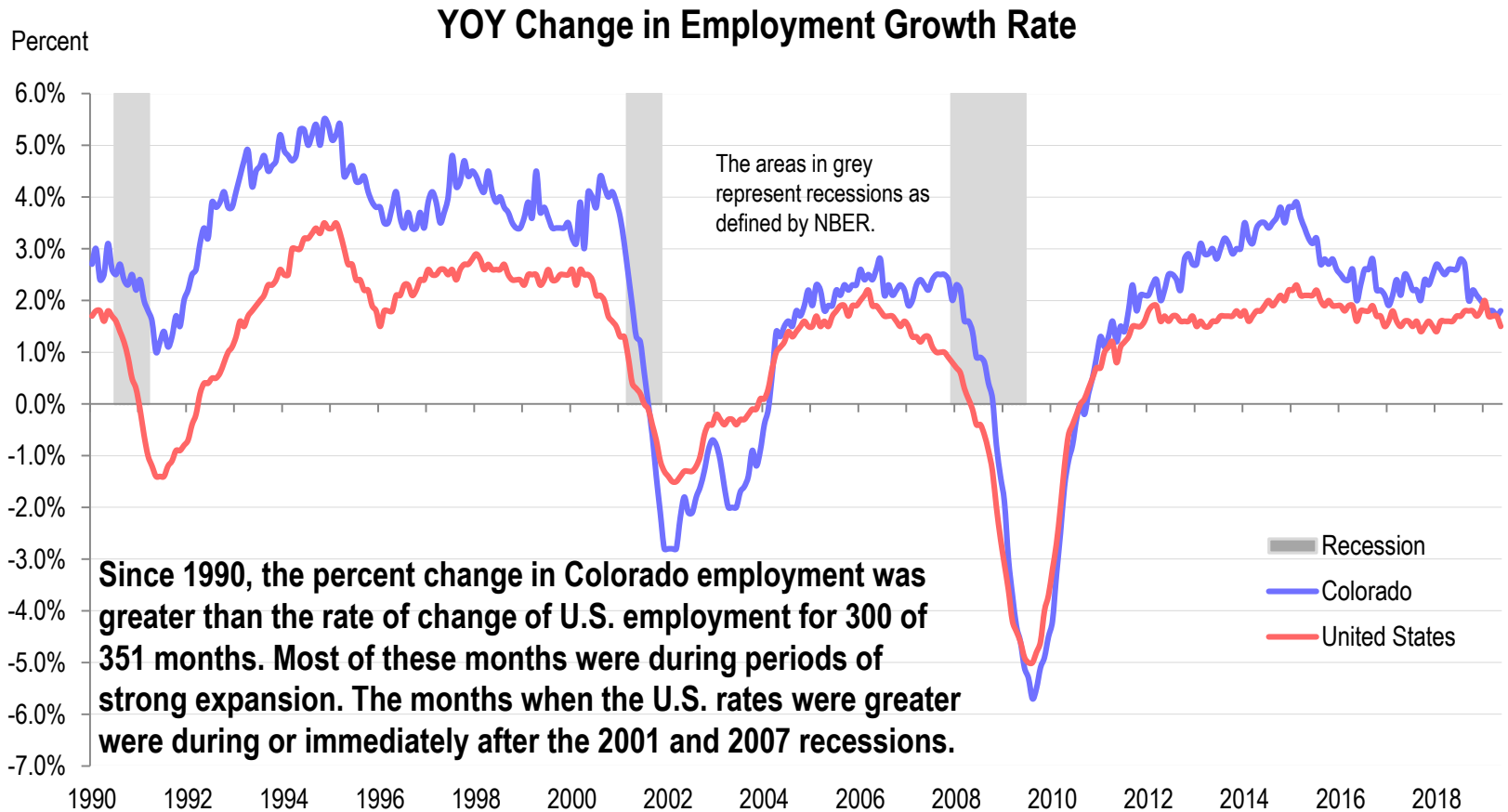


Source: BLS, cber.co.

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YOY Percent Change in Employment

Colorado vs. U.S.



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

Unemployment Rate vs. Colorado

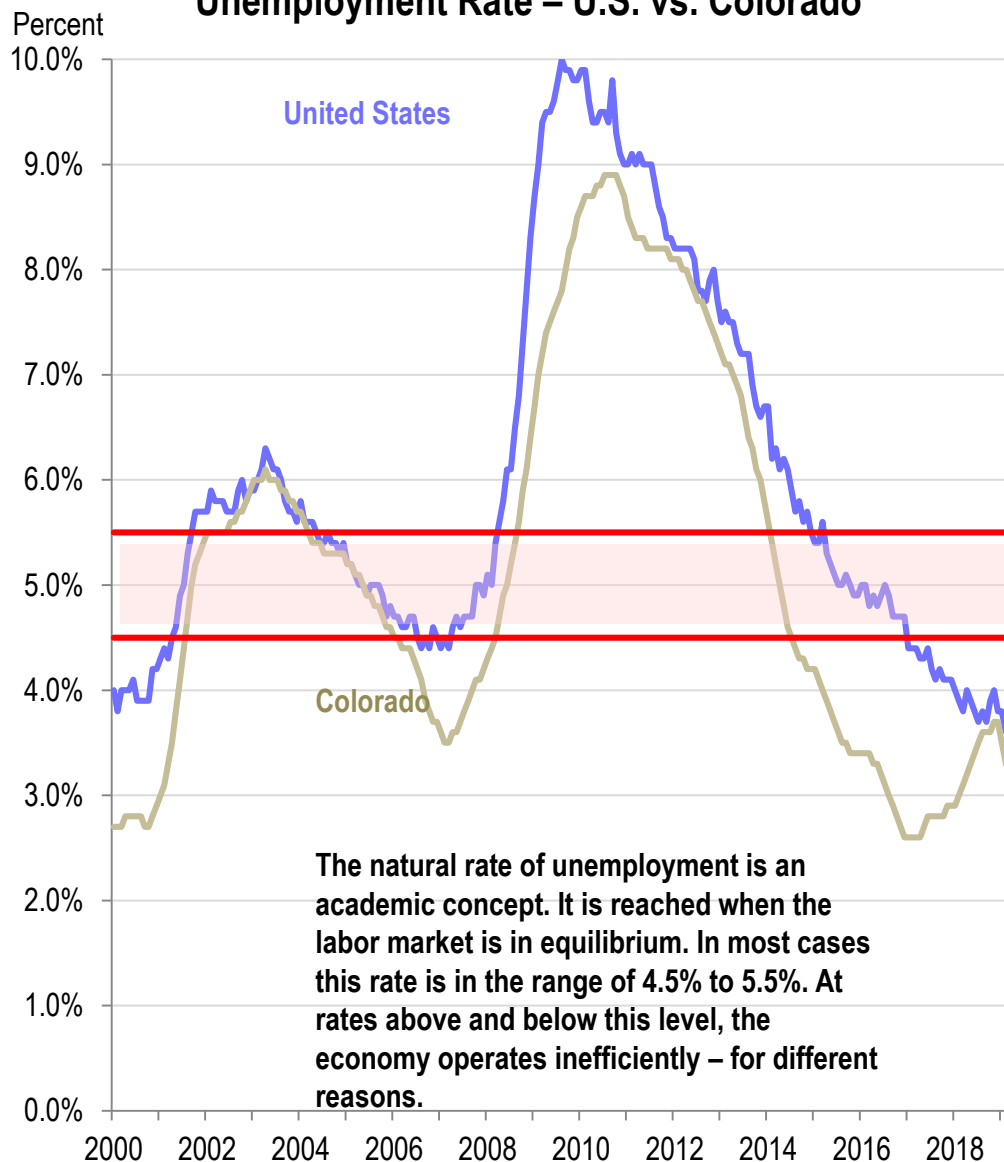
The U.S. and Colorado unemployment rates have declined since 2010 when the U.S. rate was 9.9% and the Colorado rate was 8.8%.

The U.S. rate fell below 4.5% in March 2017 and has been there for 25 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 54 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%.

In May, the unemployment rate for Colorado was 3.2% compared to 3.6% for the U.S.

Unemployment Rate – U.S. vs. Colorado



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



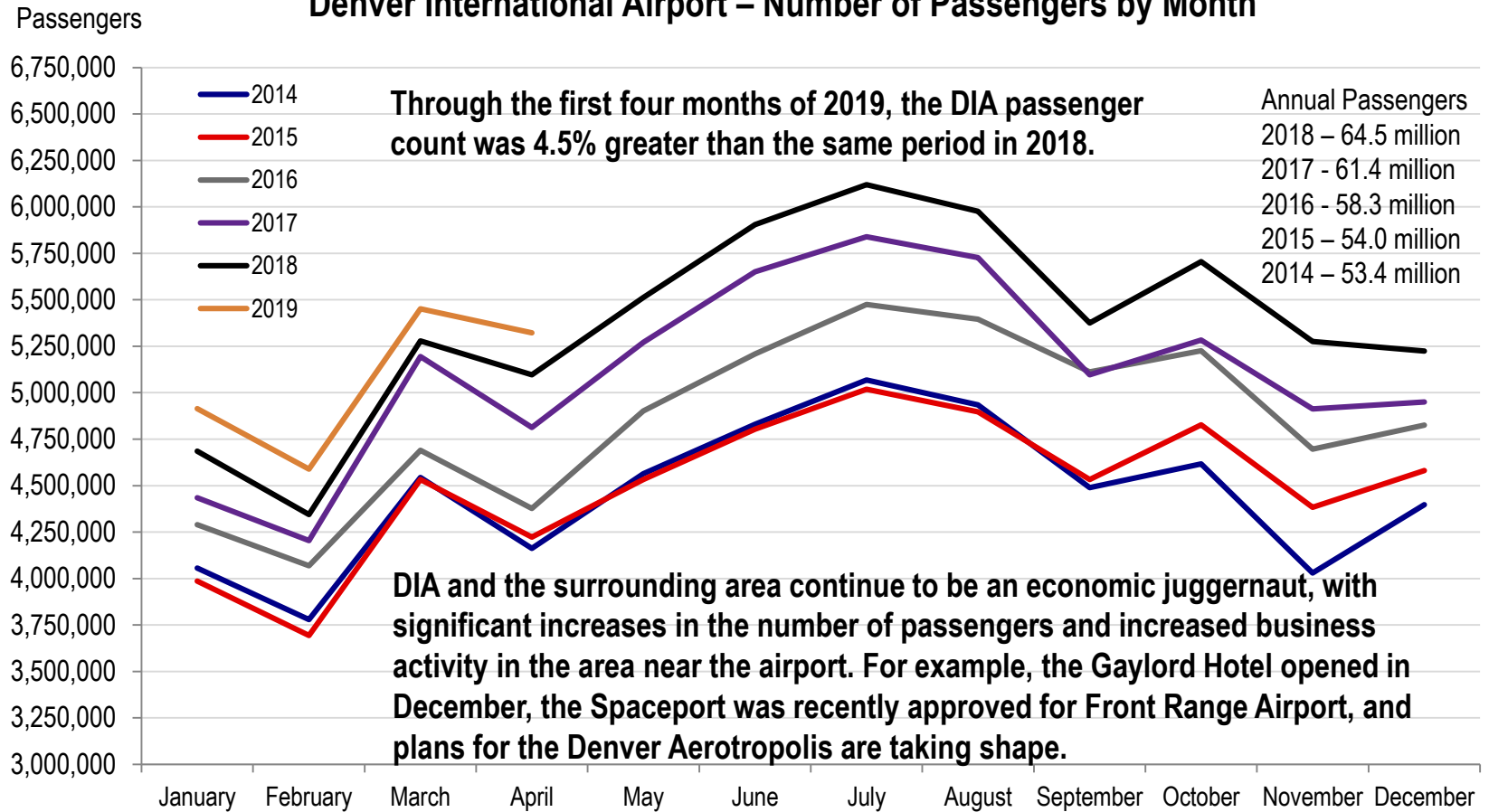
The Colorado Economy

Denver International Airport, Retail Sales, New Vehicle Registrations

Denver International Airport

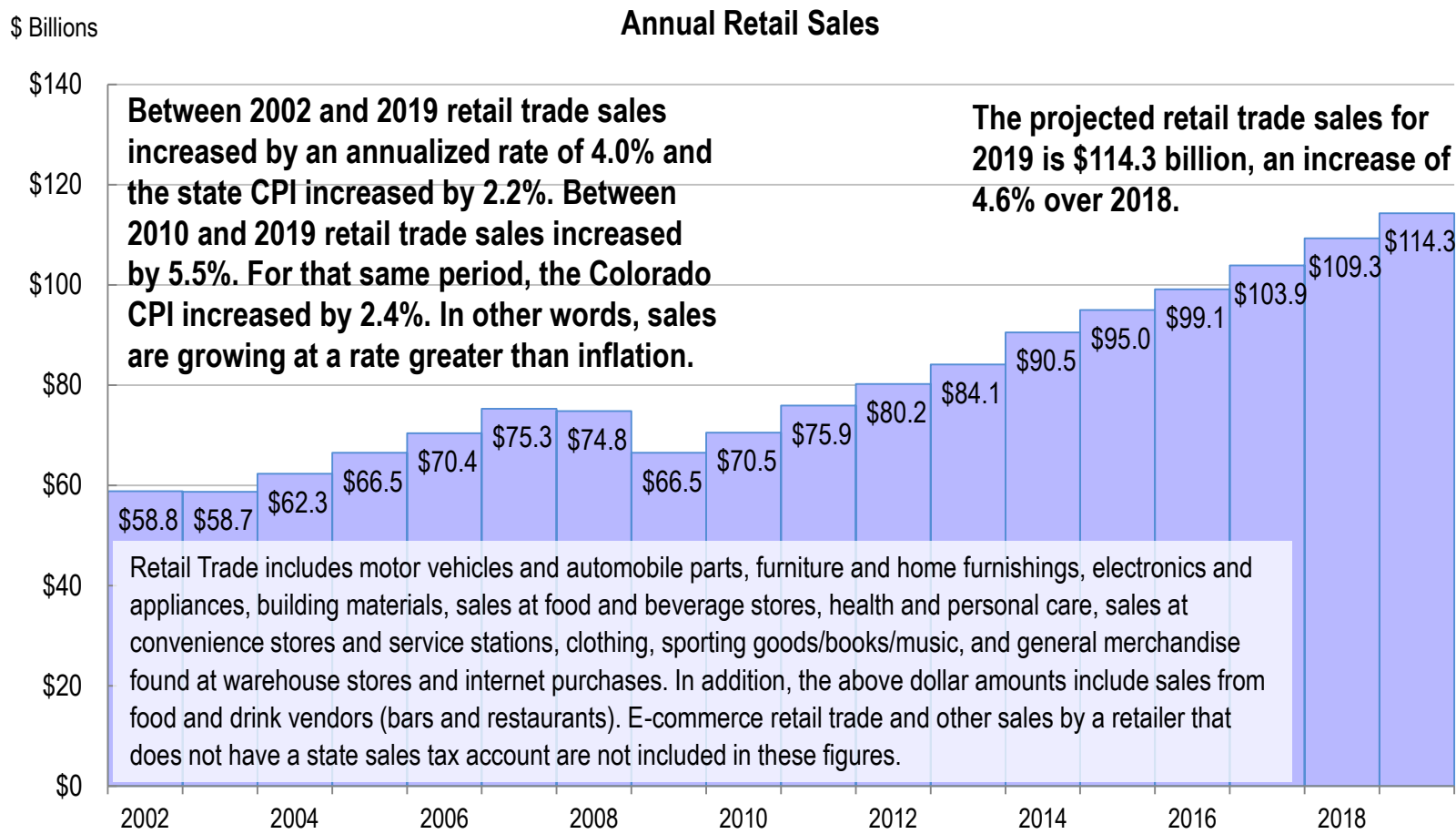
Passenger Count

Denver International Airport – Number of Passengers by Month



Source: FlyDenver.com, cber.co.

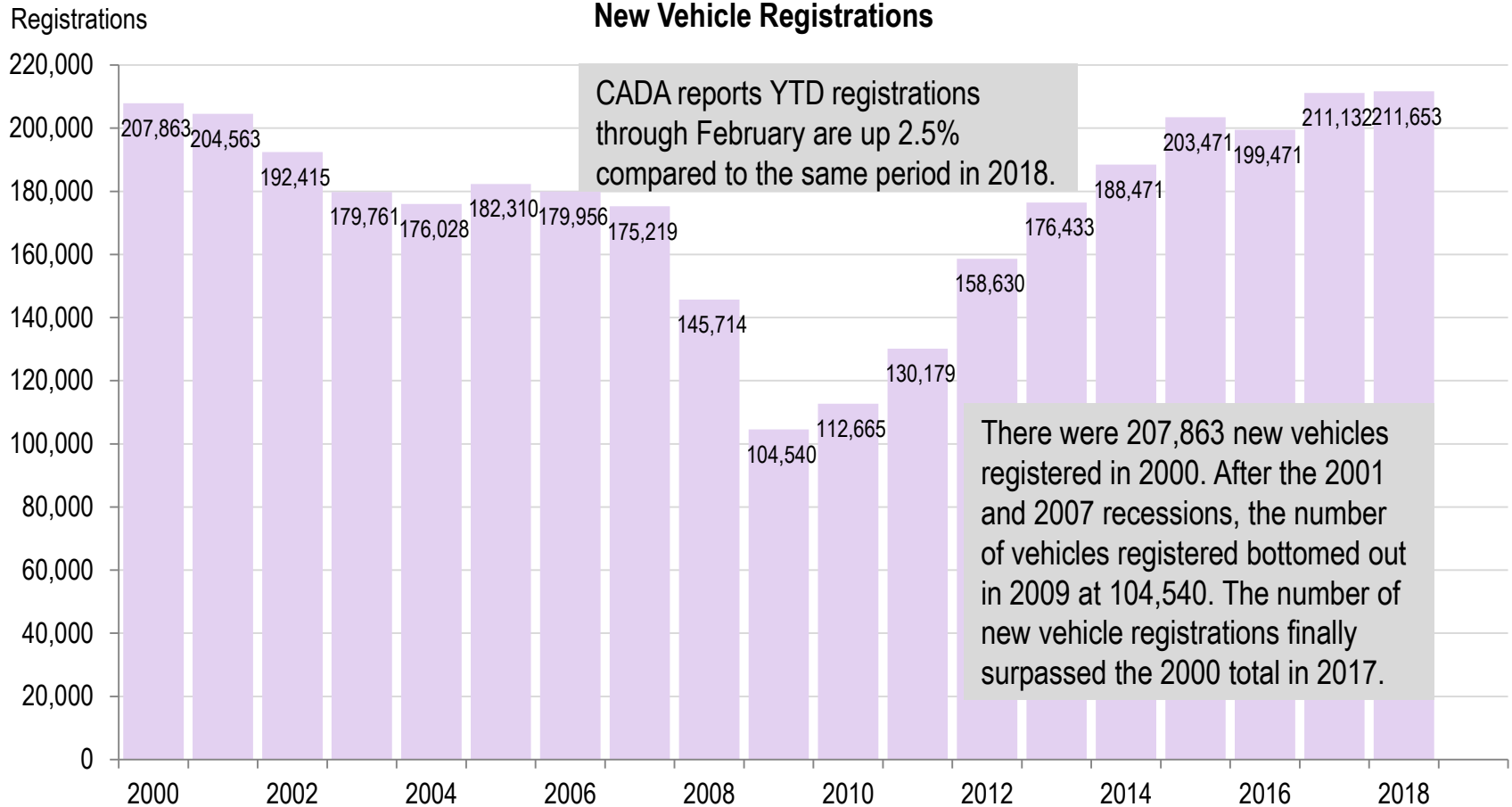
Annual Retail Sales - Colorado



Source: OSPB, cber.co.

New Vehicle Registrations

Colorado



Source: Colorado Auto Dealers Association, cber.co.

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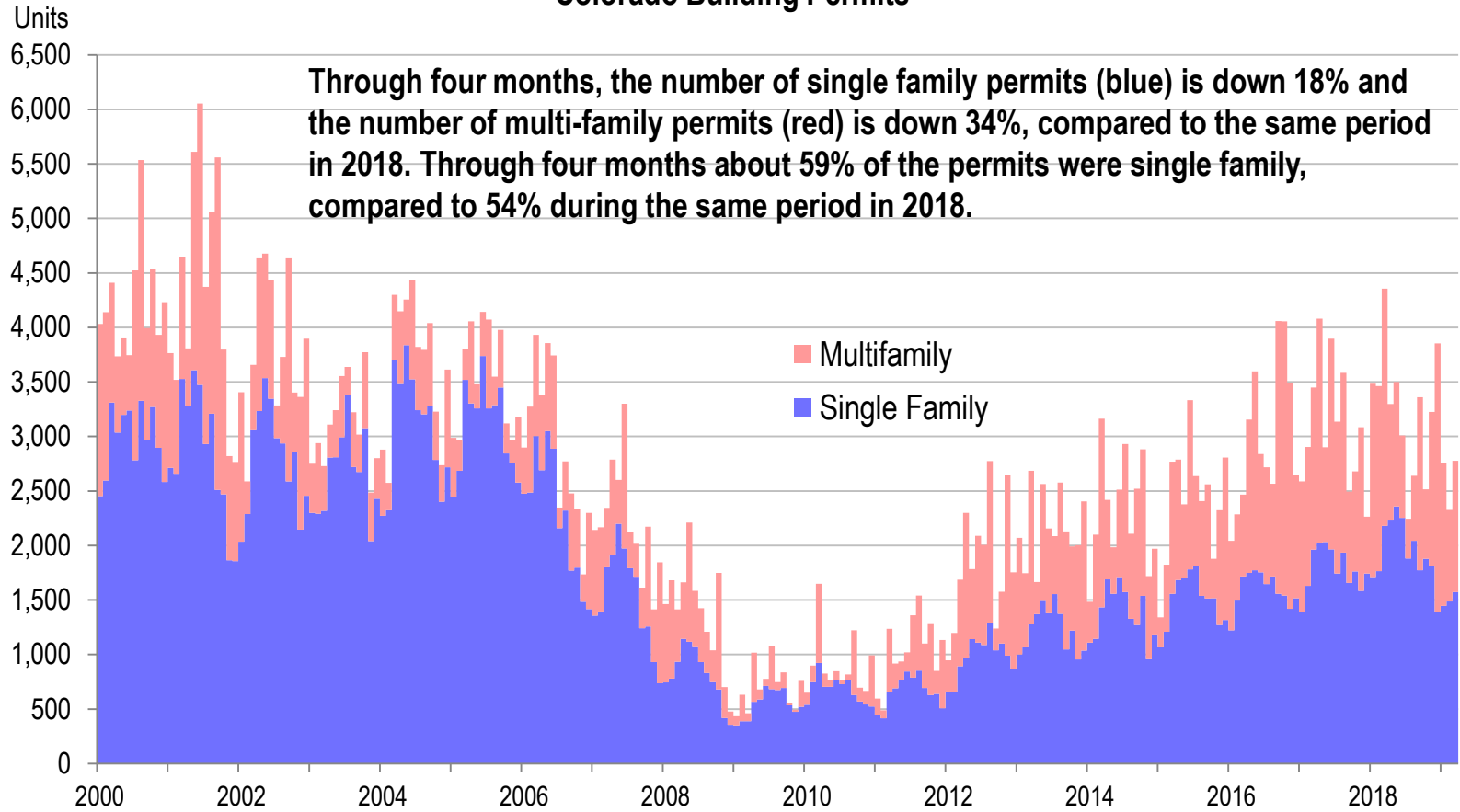
The Colorado Economy

Building Permits and Housing Prices

Colorado Residential Building Permits

Units

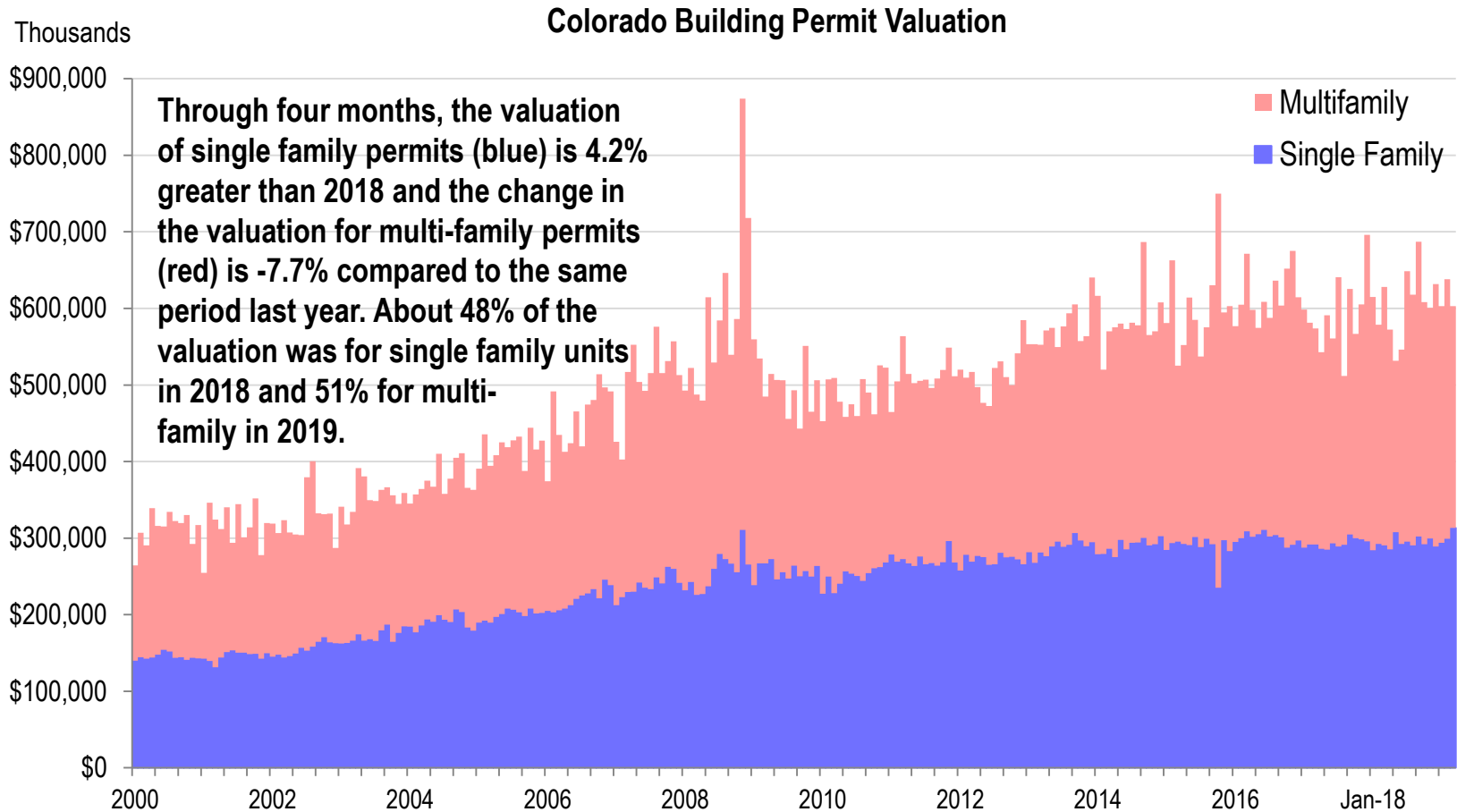
Colorado Building Permits



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

Colorado Residential Building Permits

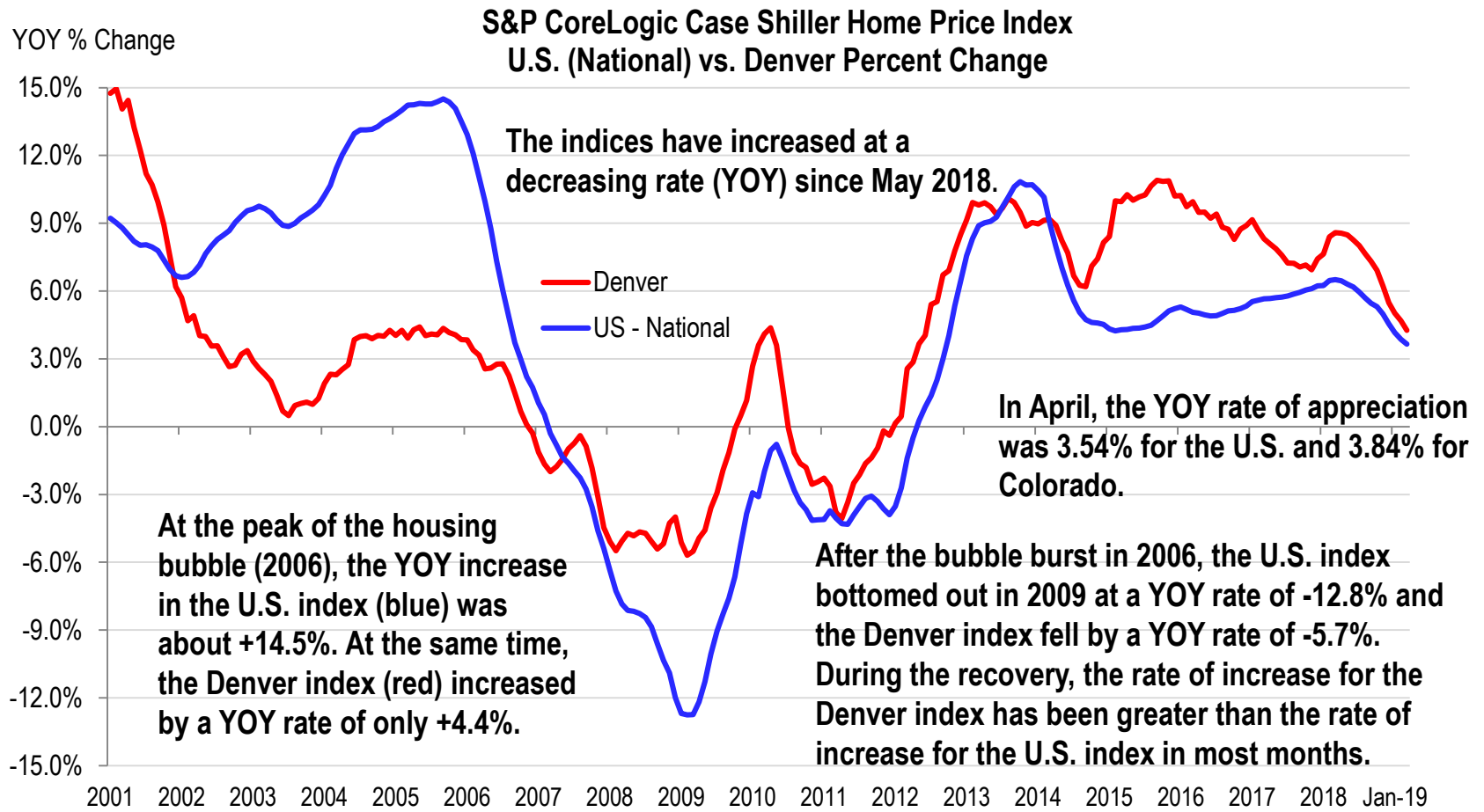
Valuation



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.

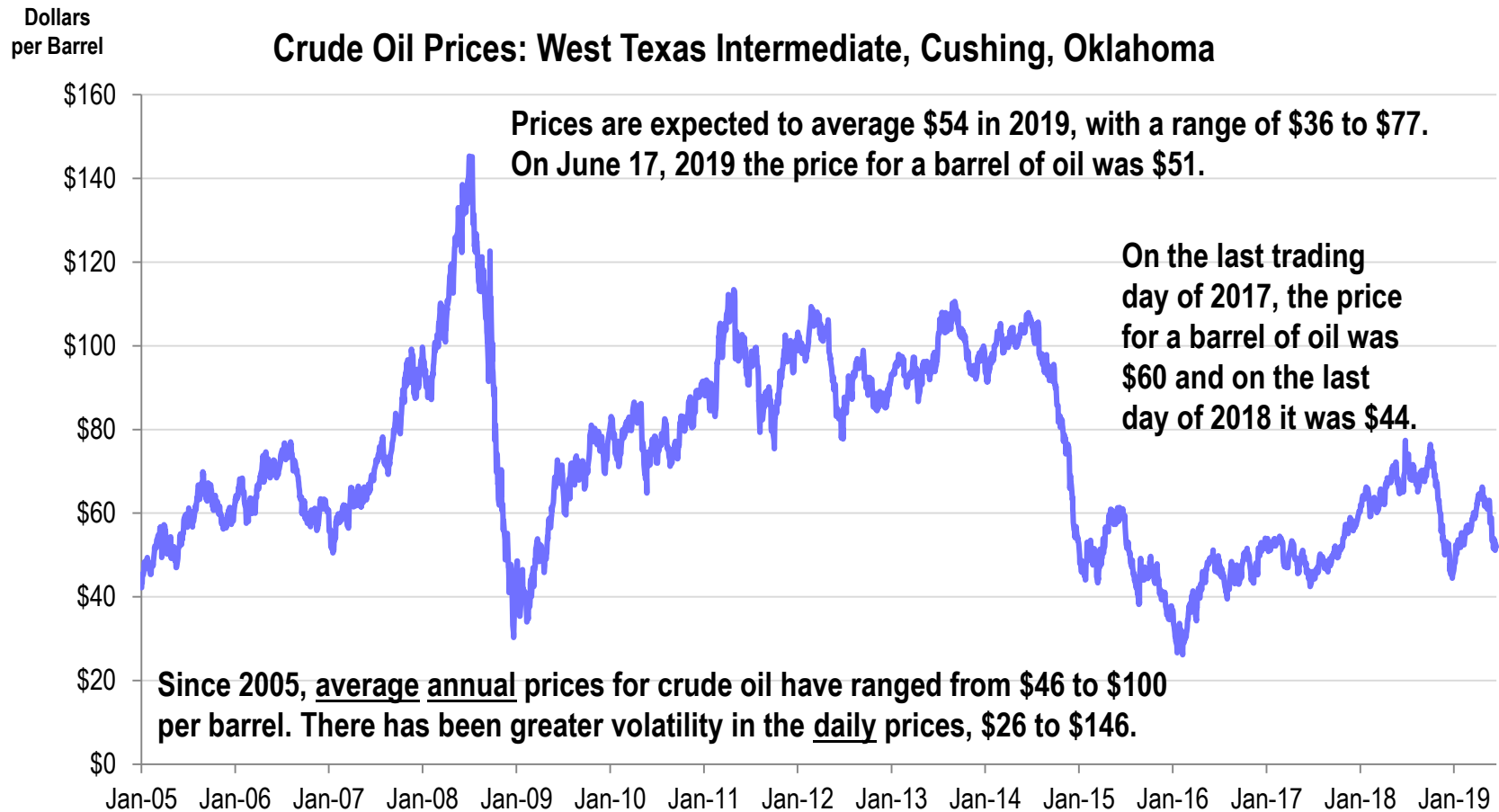


The Colorado Economy

Oil Production and Prices

Crude Oil Prices

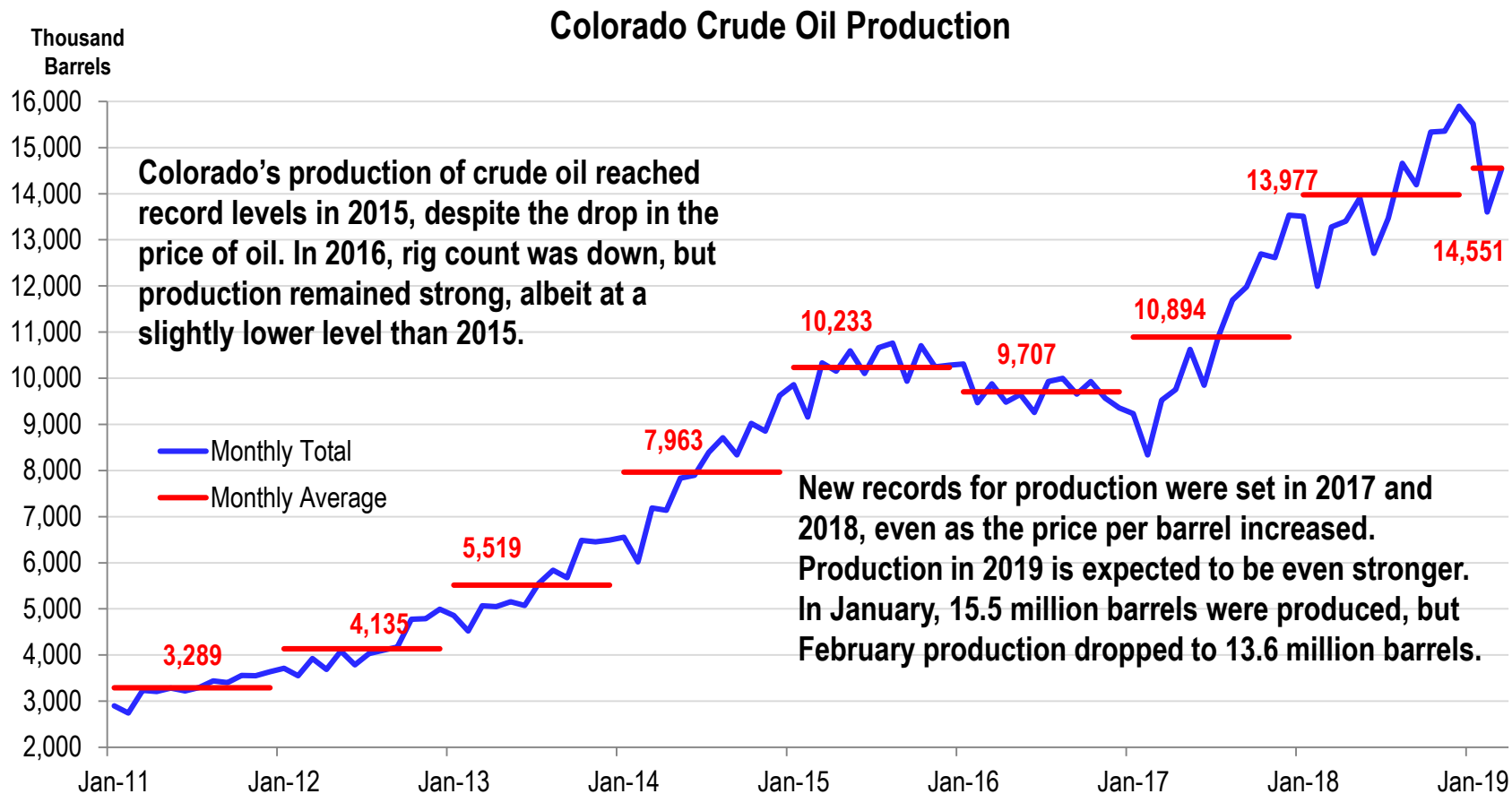
West Texas Intermediate



Source: FRED, EIA, cber.co.

Colorado Field Production of Crude Oil

2011 to 2019 (Thousand Barrels)



Source: EIA, cber.co.

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The Colorado Economy

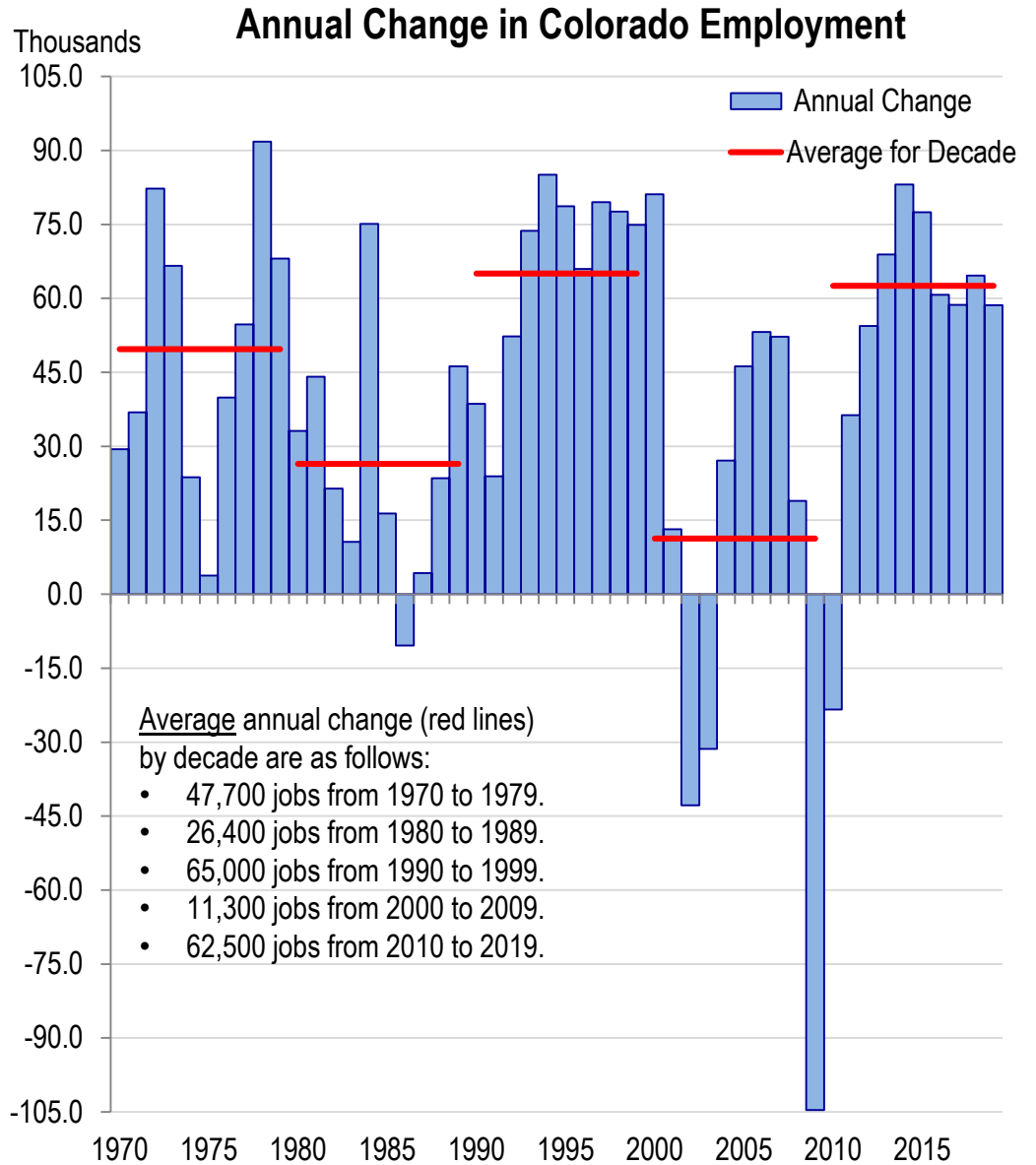
Summary

● Annual Employment
● Change in Colorado
● Employment

Job growth for 2019 is projected to be 58,600 workers, an increase of 2.2%.

Through the first five months of 2019, average employment is up 49,000 jobs, or 1.7% greater than the same period in 2018.

This is similar to the rate of job growth for the U.S.



Source: Bureau of Labor Statistics, cber.co.



Summary

Colorado Economy

The most recent employment report from the Bureau of Labor Statistics shows the Colorado economy is on stable footing.

Unemployment was stable in 42 states and it rose in 2 states. Colorado was one of six states where the unemployment rate declined. The seasonally adjusted rate fell from 3.2% to 3.1%.

The state unemployment rate has been below 4.5% for over 4½ years. Colorado's low unemployment rate continues to be a drag on the economy, as employers continue to struggle to find qualified workers.

The rate of growth in nonfarm employment was relatively unchanged in 49 states. In Colorado, the seasonally adjusted YOY data for May was up 45,900, or +1.7%. For the first five months there have been no surprises as YOY employment has been extremely consistent, with seasonally adjusted job increases in the range of 44,400 to 48,900.

The Fed expects to see “sustained expansion of economic activity”, but there is a caveat. They will consider a rate decrease, possibly as soon as July, if they feel the economy is beginning to slow.

The state should be in position for solid growth in the second half of 2019, given the consistent and well-rounded performance of the economy through the first five months of 2019.



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Economic Trends for Colorado Through May 2019

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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.