

# Economic Review of 2019 and Outlook for 2020

## United States and Colorado



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# Key Data Forecasts for United States and Colorado

## United States

- Global GDP 3.0%
- U.S. GDP 2.0%
- Consumer spending 2.0%
- Employment 1.5 million jobs or 125,000 jobs per month
- Annual unemployment rate 3.6%
- Consumer price index 2.1%, core index 2.0%
- Real disposable personal Income 4.1%
- Advanced retail sales, excluding food service sales, 3.3%
- Automobile and light truck sales, 16,8 million units
- Crude oil production up from 12.24 million barrels/day to 13.3 b/d
- Average price for WTI crude per barrel, \$59.25.

## Colorado

- Population 72,400 people
- Real GDP growth of 3.0%
- Consumer price index 2.2%
- Private hourly earnings 3.5%
- Annual unemployment rate 3.3%
- Employment 50,000 workers, or 4,167 jobs per month, 1.8% growth
- Leading job growth: PST, health care, construction, T&W, manufacturing
- Total building permits, similar to 2019, permits may not match the needs of residents
- Housing price appreciation will remain low
- Agriculture production -animal production will perform well and crops will struggle
- State government is facing financial and service challenges
- Crude oil production 15.5 to 16 million barrels.

# Review of 2019 and Outlook for 2020

## Highlights of the United States Economy

1. There will be solid, but slower global and U.S. real GDP growth.
2. Most leading indicators and metrics point to continued economic growth, albeit at a pace that will be similar to 2019 or slightly slower. The low unemployment rate will stymie growth in many states and occupations.
3. Employment will be steady, but fewer jobs will be added at a slower pace than in 2019. The PST sector will be a source of strong job creation. Health care and construction will post modest job gains. Agriculture, manufacturing, and the extractive industries will face challenges in 2020.
4. There will be modest gains in wages and income. Inflation will remain near the Fed's target rate in 2020.
5. The growth of public debt is on an unsustainable path.
6. The equities market had a banner year in 2019. A repeat performance is unlikely in 2020.
7. Most indicators for industrial performance reflect solid growth.
8. The rate of growth in 2020 retail sales will be slower than 2019. New car sales will be challenged by prices and a strong used car market.
9. Manufacturing is in a slump caused by a strong dollar, trade policies (or the lack of them), and a slowing global economy. PST will continue to add high paying jobs that support technology advancement.
10. Low interest rates should support growth in the housing market. Builders are optimistic about the future.
11. The country's energy continues to be driven by fossil fuels, although renewable sources are slowly gaining market share. Electric vehicles are challenged by high prices and issues related to their batteries.
12. Agriculture is everyone's favorite industry because they have to eat. Unfortunately, it continues to be faced with a number of challenges ranging from trade policies to input costs.

This forecast does not take into account wildcard activities such as natural disasters, international disputes, wars, attacks or unexpected policies that may have numerous unintended consequences.

# Review of 2019 and Outlook for 2020

## Highlights of the Colorado Economy

1. Since 2013, the rate of growth in the Colorado GDP has been greater than the U.S. About 89% of the state's GDP is concentrated in the 7 MSAs. Since 2010 the change in GDP has been driven by real estate and finance; PST, construction, and state and local government.
2. In 2020 the Colorado population will be 5,843,281. The population will increase by 72,400 jobs added in 2020, with 48,000 from net migration and 24,400 from the natural rate of increase. The lower rate of fertility will prevent the population from increasing at a faster rate.
3. The median wage for all occupations is \$42,308, i.e. half the workers in the state have wages below that amount. The top occupations are office support, sales, and food preparation.
4. In 2019, the annual unemployment rate was 3.2%, with monthly rates much lower. Even though the LFPR has improved over the past year, the size of the labor force is increasing at a slower rate because the demand for workers exceeds the supply.
5. There was a strong increase in hourly earnings in 2018 and 2019. A solid increase is projected for 2020.
6. Colorado will add 50,000 jobs in 2020, an increase of 1.8%. Employment growth in 2020 will be in the PST and health care sectors. Solid growth is expected from construction and transportation and warehousing.
7. From an economic standpoint, Colorado is a state of "haves" and "have nots". The percentage of GDP, population, employment, establishments, and wages is at least four times greater in the metro counties than the nonmetro counties.
8. The real value of agriculture production and net farm income has trended downward since 2011.
9. DIA continues to set records for passenger traffic. New auto registrations are down compared to last year but used car sales (7 years or newer) are greater than last year. Finally, venture capitalists see Colorado as a place to invest in 2019.
10. There was a decrease in the number of building permits and their valuation in 2019. The number of permits issued in 2020 is expected be similar to the level in 2020. Housing prices will appreciate at a slower rate than in the past.
11. Recent policies and regulations by the local and state governments have threatened the extractive industries and the revenue they generate for state and local coffers.
12. The 73<sup>rd</sup> Colorado General Assembly will be challenged by projections of reduced revenue, and the need to address a major backlog of transportation projects, rising health care costs, anti-growth sentiment, and an education system that feels unappreciated and underfunded.

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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.